KBC

2023

Annual report
KBC Bank

To the reader

Company name

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

Difference between KBC Bank and KBC Group

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

Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in the annual report are based on assumptions and assessments we made when drawing up this report in early March 2024. By their nature, forward-looking statements involve uncertainty. Various factors could cause actual results and developments to differ from the initial statements.

Versions and translation

The Annual Report is available in Dutch and English versions. We have made every reasonable effort to avoid discrepancies between the different language versions. However, should such discrepancies exist, the Dutch version will take precedence.

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

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

Non-financial information statement

As required by Articles 3:6 §4 and 3:32 §2 of the CAC, we provide a statement on non-financial information at the highest consolidated level for a Belgian entity, i.e. (in the annual report of) KBC Group NV. This also applies to the parts of the EU Taxonomy that are already obligatory. The KBC Group annual report is available at www.kbc.com. Nevertheless, part of the non-financial information in question is also provided in KBC Bank’s annual report.

Contacts

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

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

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

Ratios used

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

Publisher

KBC Group NV, Havenlaan 2, 1080 Brussels, Belgium – VAT BE 0403.227.515 – RLP Brussels – Bank account 734-0051374-70.

Table of Contents

Report of the Board of Directors

Group profile

Statement by the Chairman of the Board of Directors and the Chief Executive Officer

2023 marked KBC's 25th anniversary

Koenraad Debackere: "We celebrated a special anniversary in June 2023. Twenty-five years ago, the KBC group was forged from the merger of Kredietbank, CERA Bank and ABB Verzekeringen. Over the years, we have evolved from a new Belgian bank-insurer to a bank-insurance group that targets five European core markets and is a pioneer in innovation and digitalisation. We simultaneously integrated the focus on sustainability into every echelon of our organisation and embedded it in our strategy, allowing us to progress in the sustainability journey together with our clients.
In short, our tale is one of courage, vision, entrepreneurship, innovation and efficiency. But, above all, it is a story of thousands of employees giving their best each and every day to gain and retain our clients' trust, making them fundamental to our group's success, now and in the future."

Sustainability is integrated into our business model and strategy

Johan Thijs: "The path to a sustainable future is paved with changes in the way we live our lives, how we travel, manufacture and consume. In implementing our strategy, we use our bank-insurance products to support our clients in the process, as we believe that we are uniquely positioned to truly make a change in the daily lives of all our clients by combining the digital transformation with a client- and solution-oriented experience. We are convinced that this is the best way to contribute to a sustainable and resilient future.
Our loan portfolio also includes concrete climate indicators for carbon-intensive sectors, which we monitor closely, and we joined various international initiatives related to climate change and sustainability. We again took a variety of concrete initiatives in 2023, such as KBC Insurance's commitment to invest up to 200 million euros in sustainable infrastructure funds in Europe through an investment facility managed by the European Investment Fund (EIF). We also launched a second social bond in 2023, aiming to enhance our positive impact on society and improve access to education and healthcare.
Over the past few years, we made every effort to integrate sustainability into our business operations. We are proud to say that this has led several investors to include us in their sustainable investment universe. Our excellent sustainability ratings – such as the CDP A rating – and the inclusion of KBC in the Euronext BEL®ESG stock exchange index in 2023 are great tokens of recognition of our efforts. This also holds true for the excellent 'ESG negligible risk rating category' assigned to us by reputable ESG risk agency Sustainalytics. This rating entails that we are now included in the Sustainalytics 2024 ESG Top-Rated Companies List.
We invite you to read in this Annual Report, and especially in our Sustainability Report, at www.kbc.com, how KBC continues its sustainability efforts."

Innovation remains a top priority

Johan Thijs: "Our focus on innovation and flexibility allows us to cope with a changing society and, as a result, is a precondition for continued success. We have always been at the forefront of new digitality developments, which we combine with the power of human interaction. We take great pride in our personal digital assistant, Kate, who is constantly evolving and offers maximum convenience for our clients in all our core markets. One of the most prominent developments in that regard is that, as of 2023, KBC retail clients have the option to acquire Kate Coins and also spend them again.
The latter is perfectly in line with the further implementation of our strategy, as part of which we have launched a number of concepts and building blocks over the past few years, such as Digital First, Bank-insurance+, Kate and Kate Coins, which create added value when they interact. We are now bringing these components together in 'ecosystems', in which we offer our clients a new type of service, supporting them every step of the way in their search for solutions to housing, mobility, energy and other issues, using our own products and services as well as those of our partners and suppliers. This enables our clients to save and earn money in and beyond the traditional banking and insurance environment. We refer to this next step in our strategy as 'S.T.E.M., the Ecosphere', with S.T.E.M. standing for 'Save Time and Earn Money'.
We also receive external recognition for our continued successful efforts towards innovation and providing our clients with maximum convenience based on our strategy. In 2023, independent international consulting firm Sia Partners once again named KBC Mobile the best mobile banking and insurance app in Belgium, and it even takes third place worldwide. On top of that, Sia Partners awarded our app the title of best user experience for car and home insurance."

Focus on five core countries

Koenraad Debackere: “The core business of KBC Group, KBC Bank’s parent company, is and will remain bank-insurance in a clear selection of core markets. In early 2023, we finalised the sale of the remaining loan portfolio and deposits of KBC Bank Ireland, which means that we have now effectively fully withdrawn from the Irish market. Consequently, our core countries are Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria.
We view our presence in these countries as a long-term commitment and want to consolidate our presence there by means of organic growth or attractive acquisitions, in line with clear and strict strategic and financial criteria. Over the past few years, our efforts to achieve this included acquisitions in Slovakia – with OTP Banka Slovensko – and in Bulgaria in particular, where we acquired NN’s Bulgarian pension and life insurance business as well as Raiffeisenbank Bulgaria, allowing us to significantly strengthen our position in this home market.
In 2023, this involved focusing on the further integration of Raiffeisenbank Bulgaria into our banking subsidiary UBB. This integration is being executed with due transparency, care and consideration, in the interests of our clients and staff. The legal merger became effective on 10 April 2023.””

Once again an excellent result in challenging conditions

Johan Thijs: “We closed 2023 with a net result of 2.8 billion euros, a 29% increase on the year-earlier level. Our income benefited from factors including higher net interest income (despite the negative impact of the outflow of deposits to a one-year State Note in Belgium) and higher net fee and commission income, as well as from the 0.4-billion-euro gain we were able to record as the Irish sale transaction was finalised. Overall, impairment charges were also slightly lower. Our costs rose, especially as a result of wage indexation, higher ICT costs and higher bank tax. We maintained our highly robust liquidity and solvency positions, as reflected in an NSFR of 136%, an LCR of 159% and a fully loaded common equity ratio of 14.7% at year-end 2023.”

The economic environment in 2023 and beyond

Koenraad Debackere: “The global economy operated at different rates of change in 2023. Economic growth dynamics slowed down in the euro area, as opposed to the far more substantial dynamics in the US driven by robust domestic demand and the first effects of an industrial policy that is giving the sustainability of key value chains in the US economy a major boost. Despite the economic downturn at the end of 2023, the global economy is expected to stave off a deep recession in 2024. In 2023, inflation continued its downward trend following the 2022 energy price shock – mainly on the back of a partial normalisation of energy prices and tighter monetary policy, which also pushed up bond yields on balance. Inflation still exceeded the 2% target set by both the Fed and the ECB. That is why both central banks are likely to keep the key rates at their current peak levels for the time being, but are expected to adjust them downwards later in 2024.
Combined with the ECB’s quantitative tightening, these high interest rates mean that the funding of euro area public finances is a key point of concern for 2024. This obviously comes on top of a persistently challenging geopolitical environment, with several conflicts and wars.
Nevertheless, the results we posted in 2023 and in previous years have demonstrated that we can continue to build on our solid foundations and our strategy even in challenging circumstances. Of course, this strategy is still built entirely on the trust you, our dear client, employee, shareholder or other stakeholder, have placed in us and for which we thank you sincerely.”

Johan Thijs
Chief Executive Officer

Koenraad Debackere
Chairman of the Board of Directors

Area of operation and activities

KBC Bank caters mainly for retail, private banking, SME and mid-cap clients. Geographically, we focus on our core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. We have a limited presence elsewhere in the world, primarily to support corporate clients from our core markets. KBC Bank is wholly owned by KBC Group.

Network and personnel	
Bank branches (31-12-2023)	1 166
Belgium	434
Central and Eastern Europe (Czech Republic, Slovakia, Hungary and Bulgaria)	720
Rest of the world	12
Number of staff (2023 average in FTEs)	around 29 000

Financial calendar

Financial communication is largely organised at KBC Group level. Financial information relating to KBC Bank is available at www.kbc.com > Investor Relations > Information on KBC Bank. The most up-to-date version of the financial calendar is available at www.kbc.com.

Financial calendar for KBC Group and KBC Bank	
FY 2023	KBC Group Annual Report for 2023, Sustainability Report for 2023 and Risk Report for 2023 available: 2 April 2024
	KBC Bank Annual Report for 2023 available: 2 April 2024
	AGM of KBC Bank: 24 April 2024
	AGM of KBC Group: 2 May 2024
1Q2024	Earnings release for KBC Group: 16 May 2024
2Q2024/1H2024	Earnings release for KBC Group: 8 August 2024
3Q2024/9M2024	Earnings release for KBC Group: 7 November 2024

Long-term credit ratings

The table shows the long-term and short-term credit ratings of KBC Bank NV. The credit ratings of KBC Group NV and the sustainability ratings of the group are set out in the KBC Group annual report.

Credit ratings for KBC Bank (14 March 2024)	Long-term debt ratings	Short-term ratings
Fitch	A+ (stable outlook)	F1
Moody's*	A1 (positive outlook)	P-1
Standard & Poor's	A+ (stable outlook)	A-1

Please refer to the respective credit rating agencies for definitions of the different ratings and methodologies.
* Long-term deposit rating of Aa3.

Our business model

The strategy, business model and management structure of KBC Bank is embedded in that of the KBC group. A summary is given below of the business model of the KBC group, where KBC Bank is essentially responsible for the banking business and KBC Insurance for the insurance business. For more detailed information, please see the KBC Group annual report for 2023.

How do we create sustainable value? (KBC Group)

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

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

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

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

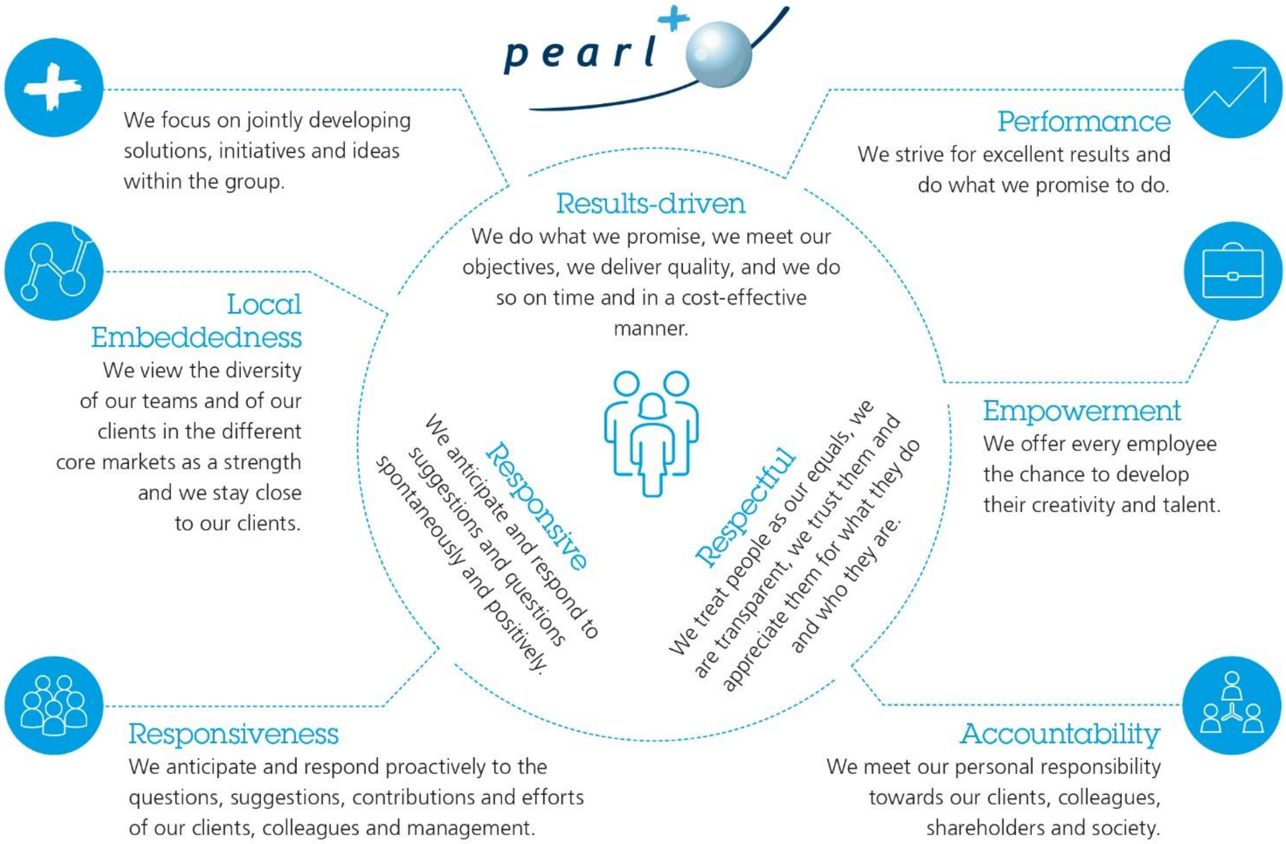
In terms of climate, we as a bank-insurer have a direct influence on climate change through our own energy consumption. More important, however, is our indirect influence, through lending, holding an investment portfolio, providing investments to clients and insuring counterparties who can have a direct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

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

What makes us who we are? (KBC Group)

We sum up our business culture in the acronym ‘PEARL+’, which stands for Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness. The ‘+’ sign in PEARL+ symbolises our focus on the joint development and smart copying of solutions, initiatives and ideas so that they are easy to utilise and deploy throughout the group, enabling us to work more efficiently, respond more quickly to change and make full use of local skills and talents group-wide. We encourage all our employees to behave in a way that is responsive, respectful and results-driven. An explanation of what we mean is given in the diagram.

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



We have structured our group around three business units, which focus on local activities and contribute to sustainable earnings and growth. The units are Belgium, the Czech Republic and International Markets. A more detailed description is provided in the ‘Our business units’ section.

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

What differentiates us from our peers? (KBC Group)

Our integrated bank-insurance model

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

Our digital approach

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

Our strong geographical focus and local responsiveness

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

Our approach to sustainability

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

Our shareholder structure

A special feature of the shareholder structure of KBC Group (of which KBC Bank is a wholly-owned subsidiary) is the core shareholder syndicate consisting of Cera, KBC Ancora, MRBB and the other core shareholders, which together held roughly 41% of the shares at the end of 2023. These shareholders act in concert, thereby ensuring shareholder stability in the KBC group.

Our strengths

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

Our challenges

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

In what environment do we operate? (KBC Group)

The world economy

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

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

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

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

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

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

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

Information on each business unit and country can be found in the 'Our business units' section.

Market conditions in our core countries in 2023 (KBC Group)

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria
Market environment in 2023[1]					
Change in GDP (real)	1.5%	-0.4%	1.1%	-0.8%	1.9%
Inflation (average annual increase in consumer prices)	2.3%	12.1%	11.0%	17.0%	8.6%
Unemployment rate (% of the labour force at year-end; Eurostat definition)	5.7%	2.8%	5.8%	4.4%	4.3%
Government budget balance (% of GDP)	-4.6%	-3.8%	-6.1%	-6.0%	-3.0%
Public debt (% of GDP)	105.8%	43.9%	57.5%	72.5%	22.0%
Forecast growth in real GDP in years ahead					
2024	1.1%	1.4%	2.2%	2.8%	2.3%
2025	1.1%	3.1%	3.3%	3.6%	3.0%
KBC's position in each core country[2]					
Main brands	KBC, CBC, KBC Brussels	ČSOB	ČSOB	K&H	UBB, DZI
Network	434 bank branches 292 insurance agencies Online channels	198 bank branches Insurance sold through various channels Online channels	99 bank branches Insurance sold through various channels Online channels	195 bank branches Insurance sold through various channels Online channels	228 bank branches Insurance sold through various channels Online channels
Recent acquisitions or disposals[3] (2021-2022-2023)	–	–	–	–	Acquisition of NN's Bulgarian pension and life insurance business (2021). Acquisition of Raiffeisenbank Bulgaria (2022)
Clients (millions, estimate, KBC Group)	3.9	4.3	0.8	1.6	2.2
- Of which KBC Bank	3.7	3.8	0.5	1.0	1.5
Loan portfolio (in billions of EUR, KBC Group)	131	39	12	8	11
Deposits (excluding debt securities) (in billions of EUR, KBC Group)	136	51	9	10	13
Market share (estimate, KBC Group)					
- banking products	20%	21%	12%	11%	19%
- investment funds	27%	25%	7%	11%	14%
- life insurance	12%	7%	2%	3%	32%
- non-life insurance	9%	10%	5%	7%	12%
Contribution to net profit in 2023 (in millions of EUR, KBC Bank)	1 471	645	98	282	250

1 Data based on estimates in early March 2024 and hence different from year-end 2023 data in Note 3.9 in the 'Consolidated financial statements' section.
2 Market shares and client numbers: based on own estimates. For bank products: average market share for loans and deposits. In Belgium, the life insurance market share is based on reserves; for the other countries, it is based on premiums. Loan portfolio: see 'How do we manage our risks?'. Deposits: deposits from customers (excluding repos). The number of bank branches excludes self-service branches and the 12 KBC Bank branches established in the rest of Europe, the US and Southeast Asia. The market shares are based on the latest available data (e.g., from the end of September 2023).
3 See Note 6.6 in the 'Consolidated financial statements' section for more details.

What are our main challenges? (KBC Group)

Climate change, global health risks and geopolitical and economic challenges

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

How are we addressing them?

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

Shifting client behaviour and competition

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

How are we addressing them?

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

Regulation

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

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

How are we addressing them?

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

Cyber risks and data protection

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

How are we addressing them?

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

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

As a financial group, we draw on many different types of capital, including our employees and our capital base, but also our brands, reputation and capacity to innovate, our relationships with all our stakeholders, our branches, agencies and electronic networks, and our ICT infrastructure.

Our employees

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

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

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

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

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

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

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

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

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

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

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

The KBC Group annual report contains a table with an overview of the total workforce and a breakdown into various categories.

Our capital

Our activities are only possible if we have a solid capital base. At year-end 2023, KBC Group's total equity came to 24.3 billion euros and its capital was represented by 417 305 876 shares. At year-end 2023, KBC Bank's total equity was 19.9 billion euros.

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

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

Our network and our relationships

Alongside staff and capital, our network and relationships are especially important to our activities. An overview of our network can be found under 'Market conditions in our core markets in 2023'.

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

Our strategy

The strategy, business model and management structure of KBC Bank is embedded in that of the KBC group. A summary is given below of the strategy of the KBC group, where KBC Bank is essentially responsible for the banking business and KBC Insurance for the insurance business. For more detailed information, please see the KBC Group annual report for 2023.

The core of our strategy for the future (KBC Group)

Our strategy rests on the following principles:

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

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

-> *More information on PEARL+ is provided in the ‘Our business model’ section.*

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

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

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

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

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

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

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

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

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

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

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

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

The most important Key Performance Indicators (KPIs) relating to the client being put at the heart of everything we do, are set out in the KBC Group annual report.

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

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

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

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

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

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

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

We use a number of Key Performance Indicators (KPIs) to track the success of our bank-insurance performance. The most important Key Performance Indicators (KPIs) relating to bank-insurance are set out in the KBC Group annual report.

We focus on sustainable and profitable growth (KBC Group)

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

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

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

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

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

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

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

Our role in society: to be responsive to society's expectations (KBC Group)

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

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

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

The basis of responsible behaviour is integrity, which requires honesty, fairness, transparency and confidentiality, as well as a healthy awareness of risk. Integrity and ethical values are also reflected in our 'Code of Conduct for KBC Group Employees'.

Given the difficulty of defining responsible behaviour, rather than drawing up guidelines for such behaviour we set out the underlying principles. These are presented in the 'Compass for Responsible Behaviour' section. Responsible behaviour is especially relevant for a bank-insurer when it comes to appropriate advice and sales. We pay particular attention, therefore, to training (including testing) and awareness. We developed an online training course to clarify the importance of responsible behaviour and provide a framework to help our employees take difficult decisions when faced with dilemmas. The online training course has also been incorporated into the onboarding programme for new staff. In 2023, a new initiative in the form of a mandatory webinar was launched to raise awareness of responsible behaviour.

We communicate transparently on our rules and policy guidelines, which are published at www.kbc.com.

Sustainable Development Goals

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

Good health and well-being
We aim to develop banking and insurance products that focus on health, health care and improving quality of life. We promote a good work-life balance among our employees.

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

Decent work and economic growth
Our banking and insurance business supports entrepreneurship and job creation and contributes to sustainable economic growth. We support new businesses and invest in innovation and technology through alliances with start-ups and fintechs. In association with BRS, we also offer microfinancing and microinsurance activities, thereby supporting sustainable local development and contributing to financial inclusion.

Responsible consumption and production
We develop sustainable banking and insurance products and services that meet a range of social and environmental challenges. We advise all our clients to choose responsible investment funds.

Climate action

We apply a strict environmental policy to our loan, investment and insurance portfolios. We have also defined ambitious climate targets for the most important sectors and products in our loan portfolio. We work together with our clients to achieve these targets, and we actively collaborate with the companies in which we invest in order to reduce their climate impact. Moreover, we have defined ambitious targets for our direct emissions and are making every effort to achieve them.

Aiming to enhance our positive impact on society

We want to enhance our positive impact on society to which end we are focusing on four areas in which we, as a bank-insurer, can create added value: financial literacy, entrepreneurship, environmental awareness and longevity and/or health. Specific examples of initiatives in every area are provided in the 'Our business units' section.

Environmental awareness	Financial literacy
We reduce our direct and indirect ecological footprint through a diverse range of initiatives and objectives. We develop products and services that can make a positive contribution to the environment.	We help clients make the right choices through sound and transparent advice, and clear communication. We improve general public knowledge of financial concepts and products. We aim to promote financial literacy among young people to enhance their knowledge of more complex financial products such as home loans.
Entrepreneurship	**Longevity and health**
We contribute to economic growth by supporting innovative ideas and projects.	We focus on longevity in Belgium and the Czech Republic, adapting our range of products and services to the fact that people live longer. We focus on health in Bulgaria, Slovakia and Hungary, developing products, services and projects geared towards improving health, healthcare and quality of life.

Limiting any negative impact we might have on society

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

Important KBC sustainability policies

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

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

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

Examples of measures in the event that infringements are detected:

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

Our sustainability governance

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

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

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

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

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

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

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

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

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

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

Focus on the climate and the environment (KBC Group)

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

The climate and the environment in our business model

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

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

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

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

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

Sustainability integrated into our remuneration policy

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

Climate and environmental governance

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

- The Sustainable Finance programme is directed by a programme manager from Group Corporate Sustainability, together with a core team comprising representatives of the most relevant departments. The Core Team is in contact with other departments and works closely with the sustainability teams in all core countries.

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

The most important environmental and climate aspects of our sustainability policy

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

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

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

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

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

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

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

We meet our responsibility through various international organisations and initiatives:

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

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

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

Our climate risk management

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

Our benchmarks and targets

Our indirect impact

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

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

The KBC Group annual report contains a table that provides an overview of the loan portfolio for the most climate-sensitive sectors and an estimate of the greenhouse gas emissions associated with our lending activities. Additional information can be found in our Sustainability Report.

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

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

We also tightened the targets for our asset management activities, including for the importance of responsible investment funds and the carbon intensity of corporate investments in these funds. Recently, we also set a target for reducing the carbon intensity of KBC Insurance's own investments in shares and corporate bonds.

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

Own direct impact

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

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

For further information on our environmental footprint, including more detailed descriptions, the methodology and scope of the calculations and compensation projects, see our Sustainability Report.

The KBC Group annual report contains a table that provides an overview of our targets related to our direct environmental impact and the indirect impact of our lending and asset management activities.

EU taxonomy

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

Focus on human rights (KBC Group)

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

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

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

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

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

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

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

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

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

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

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

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

The most important Key Performance Indicators (KPIs) relating to solvency and liquidity are set out in the KBC Group annual report.

Our financial report

- We review the consolidated results in this section of the annual report. A review of the non-consolidated results and balance sheet is provided in the 'Company annual accounts' section.
- The overall impact on the net result of fluctuations in the exchange rates of the main non-euro currencies was – on balance – limited.
- Information on financial instruments, hedge accounting and the use thereof is provided in the 'Consolidated financial statements' section (Notes 1.2, 3.3, and 4.1–4.8 among others) and in the 'How do we manage our risks?' section.
- For information on significant post-balance-sheet events, see Note 6.8 of the 'Consolidated financial statements'.
- All KBC Bank shares are owned by KBC Group.

Consolidated income statement

Consolidated income statement, KBC BANK (simplified, in millions of EUR)	2023	2022
Net interest income	5 044	4 724
Dividend income	18	19
Net result from financial instruments at fair value through profit or loss[1]	219	320
Net fee and commission income	2 387	2 256
Other net income	578	-58
Total income	8 246	7 261
Operating expenses	-4 624	-4 308
Total operating expenses excluding bank tax	*-3 966*	*-3 689*
Bank tax	*-657*	*-620*
Impairment	-180	-275
on financial assets at amortised cost and at fair value through other comprehensive income[2]	*18*	*-155*
Share in results of associated companies and joint ventures	-4	-10
Result before tax	3 439	2 668
Income tax expense	-608	-470
Result after tax	2 831	2 197
Result after tax, attributable to minority interests	-1	0
Result after tax, group share	2 832	2 197
Ratio of 'result before tax' to 'average total assets'	1.1%	0.9%
Cost/income ratio (excl. bank tax)	48%	51%
Credit cost ratio	0.00%	0.08%

1 Also referred to as 'Trading and fair value income'
2 Also referred to as 'Loan loss impairment'

Key consolidated balance sheet and solvency figures

Key consolidated balance sheet, solvency and liquidity figures, KBC group (in millions of EUR)	2023	2022
Total assets	312 334	322 088
Loans and advances to customers (excluding reverse repos)	181 702	176 084
Securities (equity and debt instruments)	56 746	50 235
Deposits from customers (excluding debt securities and repos)	218 162	225 614
Total equity	19 945	17 813
Common equity ratio (Basel III, fully loaded)	14.7%	13.7%
Liquidity coverage ratio (LCR)	159%	152%
Net stable funding ratio (NSFR)	136%	136%

- The organic growth figures for the volume of loans and deposits have been adjusted for exchange rate effects, intragroup transactions (between KBC Bank and KBC Group, and between KBC Bank and KBC Insurance) and changes in the scope of consolidation in 2023. More information on this matter can be found in Note 6.6 of the 'Consolidated financial statements' section.

Analysis of the result

Net interest income

Our net interest income amounted to 5 044 million euros in 2023, up 7% on the year-earlier figure. This was mainly attributable to a significantly higher commercial transformation result (owing to the higher reinvestment yields), the consolidation of the acquired Raiffeisenbank Bulgaria (six months in the 2022 results and a full year in 2023) and increased interest income on time deposits. This was partly offset by, among other things, the negative effect of the outflow of deposits to the one-year Belgian State Note, a higher interest rate on savings accounts in a few core countries, the lower result from the loan portfolio (lower margins on the outstanding loan portfolio in most core markets, despite volume growth), the sale of the Irish portfolios in February 2023, the higher cost of funding participations and wholesale funding (partly due to the absence of TLTRO-related income) and the change in the costs related to the minimum required reserves held with various central banks in our core countries.
Our loans and advances to customers (excluding reverse repos) amounted to 182 billion euros and rose organically by 3%, increasing by 2% at the Belgium Business Unit, 5% at the Czech Republic Business Unit and 9% at the International Markets Business Unit (with solid growth in each of the three countries). Our total deposit volume (deposits from customers, excluding debt securities and repos) stood at 218 billion euros and dropped organically by 3% (or 2%, excluding deposits in KBC Bank branches abroad, which are driven by short-term cash management opportunities), with a 7% decrease at the Belgium Business Unit, a 5% increase at the Czech Republic Business Unit and a 5% increase at the International Markets Business Unit (thanks to Slovakia and Bulgaria). The drop in deposits in Belgium partly resulted from the direct outflow of deposits (roughly 5.7 billion euros) following the issue of a one-year State Note in August 2023.
The net interest margin came to 2.05% compared to 1.96% in 2022. It amounted to 1.94% at the Belgium Business Unit, 2.30% at the Czech Republic Business Unit and 3.26% at the International Markets Business Unit.

Net fee and commission income

Our net fee and commission income came to 2 387 million euros in 2023, a growth of 6% on the year-earlier figure. This is the result of higher fees for our asset management services (management fees in particular) and higher fees for our banking services. The latter was mainly due to higher payment transaction fees, network income and securities-related fees and also benefited from the consolidation of Raiffeisenbank Bulgaria and commissions received on the sale of the State Note in Belgium.
At the end of 2023, our total assets under management at KBC Group level came to approximately 244 billion euros, 19% less than a year earlier, due to higher asset prices (+10 percentage points), combined with net inflow (+9 percentage points). Most of these assets at year-end 2023 were managed at the Belgium Business Unit (218 billion euros) and the Czech Republic Business Unit (17 billion euros).

Other income

Other income came to an aggregate 815 million euros, as opposed to 280 million euros a year earlier. The 2023 figure includes 219 million euros in trading and fair value income, down on the year-earlier figure of 320 million euros, with the increased dealing room income being more than offset by the negative change in the market value of derivatives used for asset/liability management purposes and in market value adjustments (xVA).
Dividend income amounted to 18 million euros, virtually the same as the year-earlier level.
Other net income came to 578 million euros. This is a 636-million-euro increase on the year-earlier level, which is mainly due to the positive impact of the finalisation of the sale of the Irish portfolios in February 2023 (+0.4 billion euros), combined with the fact that the 2022 figure was negatively impacted by the award delivered in the arbitration proceedings against ICEC-Holding in the Czech Republic in February 2023 (-0.15 billion euros; see Note 3.6 in the 'Consolidated financial statements' section for more information).

Operating expenses

Our operating expenses amounted to 4 624 million euros. This amount includes 657 million euros in bank tax, a further 6% increase year-on-year. Expenses excluding bank tax came to 3 966 million euros, an 8% increase that was mainly the result of inflation-related pressure on wages, higher ICT and facility expenses (mainly energy costs), and the effect of the consolidation of Raiffeisenbank Bulgaria, which was offset only partly by the positive impact of the sale of the Irish portfolios.
The cost/income ratio excluding bank tax came to 48% in 2023, compared to 51% in 2022.

Impairment

Our total impairment (on both loans and other assets) came to 180 million euros in 2023, as opposed to 275 million euros in 2022. The 2023 figure includes a net reversal of loan loss impairment totalling 18 million euros, compared to a net increase of 155 million euros a year earlier. In 2023, there was an increase in impairment on the loan portfolio of 140 million euros and a reversal of part of the reserve for geopolitical and emerging risks (158 million euros; see Note 3.9 in the 'Consolidated financial statements' section). As a result, at year-end 2023 an amount of 253 million euros was left in the reserve for geopolitical and emerging risks, to be used to absorb the direct and indirect consequences on the loan portfolio of wars (such as in Ukraine), other geopolitical uncertainties and emerging risks, and economic risks such as higher interest rates and inflation.
For the group as a whole, the credit cost ratio amounted to 0.00% for 2023 (0.07% excluding the change in the reserve for geopolitical and emerging risks), as opposed to 0.08% for 2022 as a whole (0.00% excluding the changes in the reserves set aside for geopolitical and emerging risks and for the coronavirus crisis).
The proportion of (stage 3) impaired loans (see the 'Glossary of financial ratios and terms' for a definition) in our loan portfolio was 2.1% at year-end 2023, the same figure as in 2022. The proportion of impaired loans more than 90 days past due came to 1.0%, compared to the year-earlier figure of 1.1%.
Other impairment charges came to an aggregate 198 million euros in 2023, as opposed to 120 million euros in 2022. In 2023, this included impairment in connection with goodwill on a ČSOB subsidiary in the Czech Republic, the extension of the interest rate cap in Hungary, software, and property and equipment in Ireland related to the sale transaction. In 2022, these were mostly impairments of software, the interest rate cap in Hungary and non-current assets in Ireland.

Income tax expense

Our income tax expense came to 608 million euros in 2023, compared to a year-earlier figure of 470 million euros. Besides paying income tax, we pay special bank taxes. These amounted to 657 million euros compared to a year-earlier figure of 620 million euros and are included under 'Operating expenses'.

Analysis of the balance sheet

Loans and deposits

Our core banking business is to attract deposits and use them to provide loans. This explains the importance of the figure for loans and advances to customers on the assets side of our balance sheet (182 billion euros (excluding reverse repos) at year-end 2023). Loans and advances to customers grew organically by 3%, with 2% growth at the Belgium Business Unit, 5% at the Czech Republic Business Unit, and 9% at the International Markets Business Unit (with growth in all countries). The main lending products at group level were again term loans (85 billion euros;+3%) and mortgage loans (75 billion euros; +3%).

On the liabilities side, our customer deposits (excluding debt securities and repos) decreased organically by 3% to 218 billion euros. This figure included a 7% decrease at the Belgium Business Unit (mainly due to the outflow resulting from the successful issue of a one-year State Note in Belgium), 5% growth at the Czech Republic Business Unit and 5% growth at the International Markets Business Unit. The main deposit products at group level were again demand deposits (108 billion euros, -14%), savings accounts (71 billion euros, -8%) and time deposits (39 billion euros, +69%). Debt securities issued accounted for 43 billion euros, 52% more than the previous year. More information on this matter can be found in Note 4.1 of the 'Consolidated financial statements' section.

Securities

We also hold a portfolio of securities, which totalled 57 billion euros at year-end 2023, roughly 13% up on the year-earlier figure. The securities portfolio comprised 1% shares and 99% bonds At year-end 2023, 88% of these bonds consisted of government paper. More details on this matter can be found in the 'How do we manage our risks?' section.

Other assets and other liabilities

Other important items on the assets side of the balance sheet were loans and advances to credit institutions and investment firms (3 billion euros, down 35% on the year-earlier figure, due in part to lower collateral management volumes in Belgium and a shift to balances with central banks in Hungary), reverse repos (26 billion euros, up 23% on the year-earlier figure), derivatives (positive mark-to-market valuation of 5 billion euros, down 28% on the year-earlier figure, due mainly to a decrease in interest rate contracts) and cash, cash balances with central banks and other demand deposits with credit institutions (35 billion euros, down 33% on the year-earlier figure, partly due to a repayment of part of the amount borrowed under TLTRO III and the outflow of deposits resulting from the issue of the State Note in Belgium).
Other significant items on the liabilities side of the balance sheet were the repos (5 billion euros, half of the year-earlier figure), derivatives (negative mark-to-market valuation of 6 billion euros, down 32% on the year-earlier level, due to a decrease in interest rate and foreign exchange contracts), and deposits from credit institutions and investment firms (15 billion euros, down 39% year-on-year, partly due to a repayment of part of the amount borrowed under TLTRO III).
The decrease in 'Non-current assets held for sale and disposal groups' (almost nil at year-end 2023, as opposed to 8 billion euros a year earlier) and 'Liabilities associated with disposal groups' (nil at year-end 2023, as opposed to 2 billion euros a year earlier) relates to the finalisation of the sale of the Irish loan portfolio and deposit book in February 2023 (see Note 6.6 in the 'Consolidated financial statements' section).

Equity

On 31 December 2023, our total equity came to 19.9 billion euros. This figure included 17.7 billion euros in parent shareholders' equity and 2.3 billion euros in additional tier-1 instruments. Total equity rose by 2.1 billion euros in 2023, attributable to the combined effect of a number of items, including the profit for the financial year (+2.8 billion euros), the distribution of dividend to KBC Group (-1.8 billion euros), an increase in the revaluation reserves (+0.4 billion euros), the issue of additional tier-1 instruments in September (+0.75 billion euros) and a number of minor items. For more details, see 'Consolidated statement of changes in equity' in the 'Consolidated financial statements' section.

On 31 December 2023, our common equity ratio (Basel III) stood at 14.7% (fully loaded), compared to 13.7% in 2022. In 2023, the ratio also included the impact of the ECB's higher capital requirements resulting from model revisions. Detailed calculations of our solvency indicators are given in the 'How do we manage our capital?' section. The group's liquidity position remained excellent, as reflected in an LCR ratio of 159% and an NSFR ratio of 136%.

Our business units

Our group's management structure centres on three business units: 'Belgium', 'Czech Republic' and 'International Markets'. The latter is responsible for the other core countries in Central and Eastern Europe (Slovakia, Hungary and Bulgaria).

- The Belgium Business Unit comprises the activities of KBC Bank NV and its Belgian subsidiaries, the most important of which are CBC Banque, KBC Asset Management, KBC Lease Group and KBC Securities.
- The Czech Republic Business Unit comprises all KBC's activities in the Czech Republic. These consist primarily of the activities of the ČSOB group (under the ČSOB Bank, Postal Savings Bank, Hypoteční banka, ČSOB Stavební spořitelna and Patria brands).
- The International Markets Business Unit comprises the activities conducted by entities in the other Central and Eastern European core countries, namely ČSOB Bank in Slovakia, K&H Bank in Hungary, and UBB (including Raiffeisenbank Bulgaria, which was acquired in 2022) in Bulgaria.

Besides financial reporting for three business units, we also report on a separate Group Centre. This centre includes the operating results of the group's holding-company activities, certain costs related to capital and liquidity management, costs related to the holding of participating interests and the results of the remaining companies and activities in the process of being run down.

Belgium

The economic context

The Belgian economy proved highly resilient in 2023 and, all in all, successfully weathered the energy crisis of 2022. Quarterly growth picked up at the start of the year and remained relatively robust as the year progressed. Posting 1.5%, year-on-year growth was substantial in 2023, owing to private consumption, backed by the automatic wage indexation and a solid labour market, as well as corporate investments, while net exports weighed on growth. Business confidence declined during the year as international trade slowed, funding costs surged and uncertainty abounded. The industry, in particular, faced a growing lack of demand. Households' housing investments were curbed by high interest rates, with mortgage demand falling to the lowest level since 2007. Housing market activity cooled sharply, but with an average increase of 2% house prices remained surprisingly resilient.

Despite slowing down in 2023, net job creation remained positive. The employment rate was up nearly 1% on the year-earlier level. The unemployment rate remained fairly stable between 5.5 and 6.0%. The job vacancy rate peaked, but still indicates tight labour supply. On the back of plummeting energy inflation, inflation – which is measured according to the Harmonised Index of Consumer Prices – fell sharply and even turned negative at year-end 2023. Average inflation for 2023 was 2.3%. While core inflation also went down, it still remained very high at around 5% at year-end. The ten-year rate of Belgian linear bonds (OLOs) rose from approximately 3.16% at year-end 2022 to 3.6% in October 2023, only to fall back to 2.6% towards the end of the year. The yield spread with the corresponding German Bund hovered between 55 and 75 basis points throughout the year. After decreasing in 2021 and 2022, the Belgian government's deficit and debt increased again to 4.6% and 105.8%, respectively, of GDP in 2023.

Figures for forecast GDP growth in 2024 and 2025 can be found under 'Market conditions in our core markets'.

Specific objectives (KBC Group)

- We put the client at the heart of all the products and services we develop and at the centre of everything we do. Our focus here is on a 'digital first' approach with a human touch, and investing in the seamless integration of our various distribution channels. We are working on the further digitalisation of our banking, insurance and asset management services and exploiting new technologies and data to provide our clients with more personalised and proactive solutions.
- Our digital assistant 'Kate' features prominently in this regard. Kate allows us to help our clients save time and earn money, in which Kate Coins play a vital role.
- To support these activities, we are also fully engaged in introducing end-to-end straight-through processing into all our commercial processes, making full use of all technological capabilities such as artificial intelligence. This is how we increase our efficiency, which allows us to invest in a strong branch network boasting more expertise.
- We collaborate with partners through 'eco-systems' that enable us to offer our clients comprehensive solutions. We are also integrating a range of partners into our own mobile app and making our products and services available in the distribution channels of third parties.
- We aim for further growth of bank-insurance at CBC in specific market segments and expansion of our accessibility in Wallonia, again with a strong focus on 'Digital First with a human touch'.
- We work tirelessly on the ongoing optimisation of our bank-insurance model in Belgium. As regards the insurance component, we will specifically focus on further growth in the coming years.
- We express our commitment to Belgian society by leading the way in the sustainability revolution. We are making our banking, insurance and asset management products more sustainable to create financial leverage in achieving global climate targets.

We aim to be more than a provider of pure bank-insurance services – as a partner in the climate transition, we are working with other partners on developing housing, mobility and energy solutions. We also continue to focus on financial literacy, entrepreneurship and population ageing.

A few achievements in 2023 (KBC Group)

In 2023, too, we continued to invest heavily in expanding our digital systems, with the emphasis on solutions aimed at making our clients' lives easier. The most important achievement in 2023 was the further development of Kate, our digital assistant. Kate allows us to help our clients save time and earn money, in which the further development of Kate Coins plays a vital role. More information about Kate and Kate Coins can be found in 'The client is at the centre of our business culture'.
In addition to the continuous expansion of our banking and insurance applications, we have also added a large number of non-banking applications to our range of services in KBC Mobile over the past few years. These include the ability to receive financial and economic news, pay for car parking or purchase public transport tickets (over 4 million tickets were sold through KBC Mobile in 2023), make donations to charities and good causes, ask Kate to schedule an appointment with KBC, search for a new home, and several other convenient features. Working closely together with the University of Applied Sciences in West Flanders, KBC also developed the first-ever digital student card, designed to meet the new European identity and data standards. The digital student card can be stored in KBC Mobile. KBC Mobile now also offers you a convenient overview of your Kate Coins, including tips for earning Kate Coins and how and where you can spend them. There were close to 1.9 million users of our mobile app at year-end 2023 – a further 10% increase year-on-year.
Our experts naturally remain available at our branches and at KBC Live to answer complex questions or provide advice at key life moments. The very success of our digital strategy allows us to free up more time to improve the advice we provide to clients. That is why we are committed to improving the availability of our experts and in 2023 we substantially expanded the number of Private Banking and Commercial Banking branches. We are also continuously exploring ways to further optimise our accessibility. For instance, on completion of a successful trial period in West Flanders, in March 2023 we decided to take our 'KBC Belmobiel' pilot project – which involves the provision of services at home – a step further by introducing it across the whole of Flanders. Mobility-challenged and less digitally adept retail clients who have difficulty visiting a branch and banking on a desktop or mobile device can receive a home visit from an experienced KBC staff member. The visit can only take place when requested and is by appointment only. This service enables KBC to ensure extensive local presence, including in areas without any KBC Bank branches.

Overall, our loan portfolio rose by 2%. Our deposits (excluding debt securities and the more volatile deposits in our network of branches abroad) were down 7% in 2023, owing primarily to the outflow to the Belgian State Note in September 2023, which resulted in a direct outflow of roughly 5.7 billion euros). By contrast, assets under management (funds, asset management, etc.) grew by 18% in 2023 due to both net inflow and the increase in asset prices. Sales of both non-life and life insurance went up 10% in 2023, the latter relating primarily to unit-linked products.
As stated earlier, we are also specifically aiming for further growth of CBC in Wallonia and expansion of our accessibility there. In 2023, the number of clients grew by around 20 000 (net) as a result of these efforts.

Our bank-insurance model is delivering numerous commercial synergies. In 2023, for instance, more than nine out of ten clients who agreed home loans with KBC Bank also purchased home insurance with KBC Insurance, while between eight and nine out of ten took out mortgage protection cover. There was a further increase of 2% in the number of clients who hold at least one KBC banking product and one KBC insurance product (i.e. bank-insurance clients) in 2023, while the number of clients with at least three banking and three insurance products from KBC (i.e. stable bank-insurance clients) even went up by 4%. At year-end 2023, bank-insurance clients accounted for 80% of the business unit's active clients (clients with a current account into which their income is regularly paid); stable bank-insurance clients made up 30% of active clients.

We once again took a variety of initiatives to stimulate entrepreneurship. Start it @KBC, Belgium's largest start-up community, for instance, engaged in a long-term partnership with BeCode, an organisation dedicated to creating accessible tech learning opportunities for all. The focus of BeCode and Start it @KBC will be on inclusive recruiting, talent development and entrepreneurship. Backed by Corporate HR, we tackled the BeCodian artificial intelligence and cybersecurity boot camps and welcomed several trainees to our teams.
In May 2023, we issued our second social bond, worth 750 million euros, which is used for education and healthcare investments. We also focused on the better alignment of our KBC Green Bond Framework with the EU Taxonomy Regulation.
As regards environmental awareness, we naturally remain committed to reducing our own footprint, but we also aim to actively assist our clients in their transition to more sustainable business models. In response to businesses' need for more knowhow and time to explore their journey to more sustainable energy management, ecoWise – a KBC subsidiary aimed at helping businesses transition to more sustainable operations with a focus on energy efficiency and renewable energy – was established in 2023.
We also remain committed to enhancing financial skills and knowledge among young people and teaching them how to manage their money, as well as educating them on poor financial choices and how to avoid getting into financial difficulty. Our Get-a-Teacher teaching pack offers free lessons to secondary schools, colleges and universities and helps young people navigate the world of finance. In 2023, we also expressed the ambition to improve the financial skills and view on the world of finance of over 35 000 young people by 2030, to enhance their understanding of complex financial products such as home loans.
In 2023, we also committed ourselves to supporting The Warmest Week – whose theme was 'Growing up without worries' – because every kid deserves a good childhood, every opportunity to blossom and grow, play, have fun, enjoy life and just be a normal teenager.

Czech Republic

The economic context

In 2023 the Czech economy contracted by 0.4%. After stabilising since the first quarter of 2023, private consumption showed only moderate growth as the year progressed and is still well below the 2019 average (before the coronavirus pandemic). Simultaneously, foreign demand started to slow down from the second quarter of 2023 and export volumes declined.
Despite the drop in real GDP in 2023, the labour market showed no significant signs of cooling off. The unemployment rate went up only slightly, from 2.3% at year-end 2022 to 2.8% at year-end 2023, and there were still more job openings than unemployed people.
Inflationary pressure remained high, especially in the first half of the year, due to inflation from energy and food prices as well as the rapid increase in services prices. Average inflation for the whole of 2023 stood at 12.1%. Continued high inflation and high inflation expectations were also the main reason why the Czech National Bank (CNB) waited until December to start lowering its key rate from 7% to 6.75% at the end of 2023. In early February 2024, it was further lowered to 6.25%.
Due mainly to interest rate differentials with the euro area, the Czech koruna appreciated to roughly 23.30 Czech korunas per euro at the start of 2023, only to depreciate to around 24.70 Czech korunas per euro towards the end of the year largely driven by the abandonment by the CNB of its commitment to intervene, if necessary, on the FX markets to support the exchange rate of the Czech koruna. Moreover, as anticipated by the markets, the CNB carried out its first rate cut at the end of December 2023. The Czech koruna temporarily recovered somewhat to 24.50 Czech korunas per euro in early December as it gradually became clear that the ECB had reached the end of its rate hike cycle.

Figures for forecast GDP growth in 2024 and 2025 can be found under 'Market conditions in our core markets'.

Specific objectives

- To retain our reference position in banking and insurance services by offering our retail, SME and mid-cap clients a hassle-free, no-frills client experience.
- To use data and AI to offer personalised solutions proactively to our clients, including via Kate, our personalised digital assistant.
- To continue the further digitalisation and to introduce new and innovative products and services, including open bank-insurance solutions aimed at boosting the financial well-being of our clients.
- To concentrate on rolling out straight-through processing and further simplifying our products, our head office, and our distribution model, in order to enable us to operate even more cost-effectively.
- To further increase the active client base and further strengthen our market position, especially in insurance, investment services and home loans.
- To cultivate and nurture strong relationships with our clients by offering them 'beyond banking' activities, products and services.
- To further strengthen our corporate culture, with a strong focus on results, our clients, our ability to adapt and on cooperation.
- To become the reference in advisory services in terms of climate change and sustainable lending and investments. To also express our social engagement by focusing on themes including financial literacy, entrepreneurship, cybersecurity and population ageing.

A few achievements in 2023 (KBC Group)

As was the case in Belgium, we continued to invest heavily in expanding our digital systems in the Czech Republic, too, with the emphasis on solutions aimed at making our clients' lives easier and helping them save time and earn money. In the past few years we also gradually added even more services to our smartphone apps, with the most important achievement being the option of using Kate, our personalised digital assistant. Kate has been consulted by over 1 million clients since her launch. More information about Kate can be found in 'The client is at the centre of our business culture'.
We are also continuously optimising our other mobile banking applications, which in 2023 included a new look & feel for the Smart mobile app for our ČSOB app users. The app now has a more streamlined home page, improved menu lay-out and several beyond-banking features. In addition to traditional banking services, clients can now also use the app to compare energy prices of different suppliers, learn how to use government grants, and work out home renovation costs and apply for funding. The app can be tailored to every client's needs and preferences, and can show personalised offers. Users of our DoKapsy lifestyle app can now also use the app to find the nearest charging station to charge their electric vehicle based on their current location or another specified location. The charger also provides information on its utilisation rate, address and whether you can pay by QR code. The DoKapsy app can be downloaded free of charge, including by non-ČSOB clients. There were close to 1.3 million mobile users at year-end 2023 – a further 16% increase year-on-year.
We are also continuously exploring ways to further optimise our accessibility for our clients, one of which involved the launch of a new video chat service enabling clients to contact their banker through MS Teams from any location.

We again recorded substantial growth in lending in 2023. Overall, our loans and advances to customers went up by 5%. Our deposits (excluding debt securities) also went up by 5%. We adjusted these growth figures for foreign-exchange effects. Assets under management grew by 15% due to net inflow and an increase in asset prices. Sales of both non-life insurance and life insurance went up in 2023 (by 15% and 9%, respectively).

Our bank-insurance model is delivering numerous commercial synergies. For example, around five to six out of ten ČSOB group clients who took out home loans with the bank in 2023 also purchased home insurance from the group. There was a further increase of 4% in the number of clients who hold at least one banking product and one insurance product from the group (i.e. bank-insurance clients) in 2023, while the number of clients with at least two banking and two insurance products from the group (i.e. stable bank-insurance clients) even went up by 9%. At year-end 2023, bank-insurance clients accounted for 87% of the business unit's active clients (clients with a current account into which their income is regularly paid); stable bank-insurance clients made up 21% of active clients.

We once again took a number of initiatives in terms of our social engagement, focusing on environmental awareness, financial literacy, entrepreneurship and population ageing.
As a leader in ESG, ČSOB aims to enable its SME clients to meet the changing expectations in society as well as the changing EU ESG requirements even better and more efficiently. This was one of the drivers behind the joint venture entered into between KBC Bank and Czech start-up Digital & Legal s.r.o. ('Green0meter') to advise Czech SMEs on their journey to becoming more sustainable. Green0meter focuses on sustainability services and providing CO2 footprint calculations and ESG services to Czech SMEs.
Regarding the initiatives to stimulate entrepreneurship, Start it @ČSOB continues to be the most important initiative. The Mumdoo platform is a great example of a successful start-up. It seeks to promote participation in the labour market by mums and mums-to-be. Women professionals who choose to stay professionally active while on maternity leave, can use the platform to connect with companies seeking expertise for specific short-term projects.
Needless to say, we attach great importance to financial literacy. Financial education in schools has been an important topic for us since 2016. ČSOB employees visit schools and give young people tips on how to manage their money based on real-life examples. The programme consists of six components, such as responsible lending, household budget management and complex financial products. In 2021, we developed the ČSOB FILIP app as a complement to this programme. The app is available in the Google Play Store and the Apple App store and has already been downloaded over 10 000 times. We recently added a new chapter on cyber threats in a virtual environment.
In keeping with the topic of cybersecurity, our cyber risk insurance – which can be conveniently taken out using the ČSOB Smart mobile app – was again particularly successful last year: nearly 90 000 new insurance policies were taken out in 2023, bringing the total to 300 000 policies since the launch of this insurance product.

International Markets

The economic context

Growth in both Slovakia and Bulgaria outperformed the stagnating euro-area growth in 2023. Despite the technical recession in the first half of the year following two consecutive quarters of negative growth, the Hungarian economy also posted solid growth in the second half of the year. On balance, annual real GDP growth stood at 1.1% in Slovakia, 1.9% in Bulgaria and -0.8% in Hungary.
Overall, annual average inflation in 2023 was again higher in the Central European economies than in the euro area. This was mainly driven by the major dependence on energy imports and recurrent weakening of the Hungarian forint. Annual average inflation in Slovakia, Hungary and Bulgaria stood at 11.0%, 17.0% and 8.6%, respectively.
Falling inflation due, among other things, to lower energy prices and cooling domestic demand allowed the National Bank of Hungary (NBH) to lower the money market rate until it reached the level of the base rate in September, following which unconventional interest rate facilities became redundant and were discontinued, and the base rate became the benchmark key rate again. The NBH then significantly cut its rate in three steps of 75 basis points each from 13% at year-end 2022 to 10.75% at year-end 2023, which was followed by another 75-basis-point cut to 10% at the end of January 2024.
Overall, the Hungarian forint appreciated in 2023, from approximately 400 forints per euro to around 383 forints per euro, which contributed to the gradual decline in inflation. The improved Hungary current account balance and the interest-rate advantage over the euro area were the main drivers of this appreciation. A key feature of the NBH's monetary policy is, after all, to keep real (i.e. inflation-adjusted) interest rates positive in its fight against inflation. The volatility of the Hungarian forint exchange rate throughout 2023 was again largely due to the forint's high sensitivity to general risk aversion in the financial markets.

Figures for forecast GDP growth in 2024 and 2025 can be found under 'Market conditions in our core markets'.

Specific objectives

- The group strategy presents a number of opportunities for all countries in the business unit, viz.:
  - to further develop unique 'bank-insurance+' propositions;
  - to continue digitally upgrading our distribution model;
  - to drive up the volume of straight-through and scalable processing;
  - to increase the capacity in relation to data and AI to enable us to proactively offer relevant and personalised solutions;
  - to selectively expand our activities with a view to securing a top-three position in banking and insurance;
  - to implement a socially responsible approach in all countries, with a particular focus on environmental awareness, financial literacy, entrepreneurship and health, and to be a pioneer for sustainability in all countries.
- Country-specific:
  - In Bulgaria we focus on the operational merger between UBB and the acquired Raiffeisenbank Bulgaria to create the leading bank in Bulgaria, including in the area of digitalisation and innovation, and the reference in bank-insurance in all segments. Our insurer, DZI, is likewise maintaining its goal of growing faster than the market in both life and non-life insurance.
  - In Hungary we aim to realise vigorous client acquisition in banking, to become the undisputed leader in the area of innovation, and to expand our insurance activities substantially, primarily through sales at bank branches for life insurance and both online and via agents, brokers and bank branches for non-life insurance.
  - To maintain our robust growth in strategic products in Slovakia (i.e. home loans, consumer finance, SME funding, leasing and insurance), partly through cross-selling to group clients and via digital channels. Other priorities include the sale of funds and increased fee income.

A few achievements in 2023

In line with our other core countries, we saw rapid growth in the use of our digital channels in Slovakia, Hungary and Bulgaria in recent years. For instance, the number of users of our mobile banking apps increased substantially again in 2023: by around 12% in Slovakia, 15% in Hungary and 12% in Bulgaria, totalling over 1.5 million users for the three countries of the business unit combined.
We again developed several new products and services with a clear digital focus This again resulted in growth in the share of digital sales in total sales. Based on the key banking products, this already accounts for roughly half of the total sales in Slovakia and Hungary and a third of the total sales in Bulgaria. ČSOB is according to McKinsey the leader of digital sales penetration in Slovakia and in Central and Eastern Europe.
The most important achievement in 2023 was of course the further development in all three countries of Kate, our digital assistant. Some of Kate's convenient features include proactively offering assistance, sending notifications (for example, in Hungary, to inform the client that his new payment card will arrive soon and e.g. the Hungarian Kate payment transfer solution for the digital SZEP card) and sending proposals (for example, a pre-approved consumer credit proposal in Bulgaria). See 'The client is at the centre of our business culture' for more information.
Another new and innovative product is the new mobile banking app in Hungary boasting several convenient features, such as easier access (fewer clicks required) to ensure a user-friendlier experience. In addition, the app's future-proof design enables easier integration of new functions. The app also has an insurance dashboard which clients can use to review their insurance policies, pay premiums, submit claims, and so on. In Bulgaria, UBB Mobile is the only banking app offering users access to their pension details, which they can access through the online platform of UBB Pension Insurance, allowing them to check the funds accumulated in their pension accounts and request information on those funds. The UBB mobile banking app now also offers an integrated consumer credit product with supplemental life insurance. And the new UBB Digital Platform allows companies in Bulgaria to register as new business clients of UBB entirely online in a few easy steps. In Slovakia, ČSOB now also offers vehicle damage insurance for electric vehicles, including cover for damage to electric batteries and the possible risks of charging at public charging stations. This offer enriched the already unique bank-insurance proposition of insurance product sales and servicing ability in the ČSOB mobile banking app. Next to that, ČSOB further enlarged the scale of the beyond banking services in its mobile app by other mobility options and ČSOB is actually the only bank in Slovakia having such a large offer of smart services included in its mobile app. In the other countries too, we gradually added a number of products and services to the smartphone apps in the various countries that go beyond pure bank-insurance services, such as an energy cost calculator in Hungary. This calculator is unique to the Hungarian market as it offers home-improvement options – for which specific funding can be applied for from K&H – and calculates potential energy savings.

For the business unit as a whole (excluding exchange rate effects), in 2023 deposits (excluding debt securities) grew by roughly 5% and loans and advances to customers grew by 9%. In each of the three countries, deposit growth and growth in loans and advances stood at 5% and 7%, respectively in Slovakia, went down 2% and up 10% in Hungary, and went up 10% and 10% in Bulgaria. Sales of non-life insurance went up 18% in 2023 (with solid growth in all three countries), and sales of life insurance rose by 46% (relating primarily to unit-linked products in Hungary and Bulgaria).
We also continued to sharpen the group's geographical focus. In July 2022, we completed the acquisition of Raiffeisenbank Bulgaria, a universal bank in Bulgaria offering private individuals, SMEs and corporate entities a full range of banking, asset management, leasing and insurance services. The legal merger with KBC's existing banking subsidiary UBB was realised in April 2023. This allowed KBC to significantly bolster its position in the Bulgarian banking market. The acquisition also creates ample opportunity for insurance cross-selling with our insurer DZI. More information can be found in Note 6.6 of the 'Consolidated financial statements'.

Our focus on bank-insurance delivers many commercial synergies. For instance, home insurance was sold in conjunction with around nine out of ten home loans taken out in each of the three countries.
For the business unit as a whole, there was a further increase of 6% in the number of clients who hold at least one banking product and one insurance product from the group companies (i.e. bank-insurance clients) in 2023, while the number of clients with at least two banking and two insurance products from the group companies (i.e. stable bank-insurance clients) even went up by 8%. At year-end 2023, bank-insurance clients accounted for 65% of the business unit's active clients (clients with a current account into which their income is regularly paid); stable bank-insurance clients made up 21% of active clients.

We link our social projects to financial literacy, environmental responsibility, entrepreneurship and health. Some examples of recent projects: to enhance financial literacy among existing and potential investors, ČSOB published an e-book in Slovakia, the title of which translates to 'From basic knowledge to success: learning how to invest'. It is intended to teach investors how to set realistic expectations based on their risk profile and how to respond to fluctuations on the financial market. In addition, ČSOB clients in Slovakia receive a monthly blog on investing including tips and tricks.
In Bulgaria, we focused on health and the further development of mobile health app 'Kaksi'. Kaksi offers DZI clients direct access to the DZI Health Claim Portal and a wide range of health-related services. Kaksi also uses gamification and rewards to promote health and physical activity among our clients. The app has already been downloaded over 22 000 times and the number of active users per month has risen to 6 000.
UBB Interlease in Bulgaria launched a financing and insurance product for electric vehicles in 2023, offering attractive insurance and financing rates as well as assistance for the client in case of an empty battery and a replacement vehicle in the event of an accident.
In Hungary, K&H won the Mastercard 'Sustainability Initiative of the Year' award for its green home loan which was the first on the market, and it also launched an agriculture CO2 calculator on its website.
Furthermore, we are also represented in the start-up community in Bulgaria, Hungary and Slovakia. We remain committed to supporting women entrepreneurs as well as to promoting various sustainability themes. Start-up E-szerződés, for instance, is fully committed to simplifying and digitalising contracts. E-szerződés currently only operates on the Hungarian market, but is preparing for its international launch.

How do the business units contribute to the group result?

See 'Note 2.2: Results by segment' in the 'Consolidated financial statements' section.

How do we manage our risks?

Mainly active in banking and asset management, we are subject to a number industry-specific risks including credit risk, interest and exchange rate risk, liquidity risk, operational and other non-financial risks. ESG risks and integrated risks occur when the beforementioned risks accumulate.

In this section, we focus on our risk governance model and the most material risks we face.

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

- the 'Risk governance' section;
- parts of the 'Credit risk' section: 'Managing credit risk', 'The building blocks for managing credit risk', part of the 'Loan and investment portfolio, banking' table, 'Forbearance measures' and the 'Other credit exposure, banking' table;
- parts of the 'Market risk in non-trading activities' section: 'Managing market risk in non-trading activities', 'The building blocks for managing market risk in non-trading activities' and the 'Exposure to bonds' table;
- parts of the 'Market risk in trading activities' section: 'Managing market risk', 'The building blocks for managing market risk' and 'Market risk profile';
- parts of the 'Liquidity risk' section: 'Managing liquidity risk', 'The building blocks for managing liquidity risk' and 'Maturity analysis';

Introduction

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

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

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

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

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

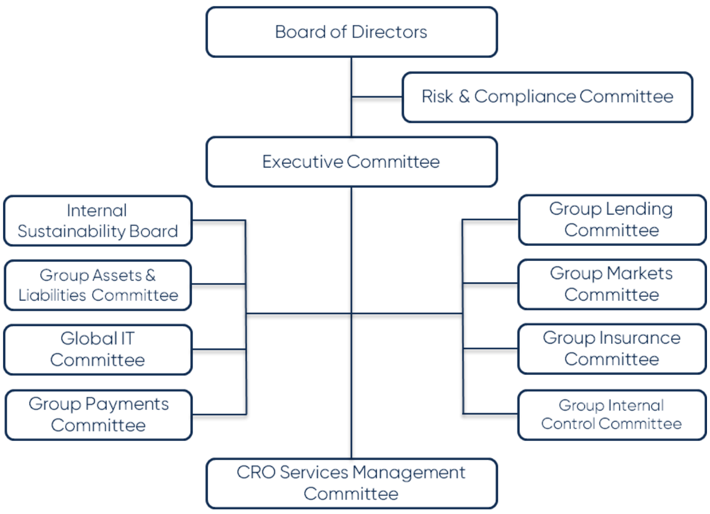
The strategy of the risk and compliance functions is based on three key pillars.

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

Risk governance

Our risk governance model includes the following main elements:

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



We manage our risks using the “Three Lines of Defence” model:

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

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

Components of a sound risk management

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

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

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

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

Risk identification

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

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

- The Risk Scan, which is a strategic group-wide exercise aimed at identifying and assessing the top risks for KBC, i.e. the financial and non-financial risks that are highly significant for our business model. The identified top risks are inputs for the yearly financial planning process and for several risk management exercises, including for defining the priorities of the risk function, risk appetite setting and stress testing.
- The New and Active Product Process (NAPP), which is a group-wide, formalised process to identify and mitigate product-related risks, both for KBC and for its clients. Within the group, no products, processes or services can be created, purchased, changed or sold without approval in line with NAPP governance. The risk department also conducts periodic assessments of the impact of the expanded and/or updated product and service offering on the group’s risk profile.

- Risk signals, which are continuously collected at all levels of the organisation (group and local). The internal and external environments are constantly scanned, using all possible sources of information, to detect events or changes that can potentially impact the group, either directly or indirectly. Risk signal reporting provides management with a summary of the identified risks, their potential impact and possible remedial actions.

Risk measurement

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

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

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

Setting & cascading risk appetite

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

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

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

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

Risk analysis, reporting & follow-up

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

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

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

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

Stress testing

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

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

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

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

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

ESG in our risk management

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

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

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

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

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

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

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

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

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

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

Integration of ESG in existing risk management governance

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

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

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

Strong focus on risk identification and materiality assessment

We use a variety of approaches to identify ESG risks in the short term (0- to 3-year horizon), the medium term (4- to 10-year horizon) and the long term (beyond 10-year horizon). By doing so, we also incorporate a forward-looking perspective. To ensure proactive risk identification, we have taken the following initiatives:

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

Strengthening ESG risk measurement and stress testing

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

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

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

Since data are important to perform risk quantification and further monitor and steer our portfolios, to set targets, and to be able to meet the various regulatory requirements (e.g., from EU Taxonomy disclosure regulation, EBA Pillar 3 requirements, Corporate Sustainability Reporting Directive (CSRD)), a dedicated Data and Metrics Project within the Sustainable Finance Programme is coordinating the data collection in all of our core countries.

ESG risk is embedded in the risk appetite process

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

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

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

Risk analysis, monitoring and follow-up

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

ESG risks are well integrated and extensively addressed in several of our main risk management reports (e.g., ICAAP/ILAAP/ORSA, Integrated Risk Report, Risk Appetite Statement, Pillar 3 Risk Report, etc.) which are distributed to the Board of Directors, the Risk & Compliance Committee and the Executive Committee. In 2023, a first Climate Risk Dashboard was included in the Integrated Risk Report (with a half-yearly frequency). The dashboard contains an analysis and monitoring of climate-related transition and physical risk metrics for KBC's most relevant portfolios and business lines.

Credit risk

Managing credit risk

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

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

The building blocks for managing credit risk

- **Risk identification**: a vital part of the credit risk identification process is capturing credit risk signals, both at transactional and portfolio level. Both the internal and external environment are scanned for events or developments that have already occurred or could occur and which directly or indirectly have or could have a significant impact on credit quality. Risk signals provide an overview of the identified risk and outline the possible impact for KBC and, if possible, propose remedial actions.

  The appropriate risk management committees are periodically informed of relevant signals or observations. Risk signals that are considered material are reported to the Executive Committee. In addition, thematic and sectoral deep dives are performed to gain further insights into credit risk.

  New and upcoming prudential (capital) credit risk regulation, product or client-specific regulation and legislation is followed up at group or local level to ensure that these are promptly implemented in KBC's policies and instructions.

  A specific risk identification process is the leading indicator process designed to identify emerging credit risks that could lead to impairment. The main objective is to have a reliable estimate of impairment for the current quarter at an early stage, thus avoiding surprises. It is part of the quarterly reporting round on loan and bond impairment.
- **Risk measurement:** credit risk measurement involves a quantitative expression of a credit risk on a portfolio of instruments/exposures by applying a model or methodology. A minimum group-wide set of credit risk measurements is defined and can be complemented with local measurements.

  Central to this is the risk class, with a ranking being made based on the Probability of Default (PD) and the Loss Given Default (LGD). The latter reflects the estimated loss that would be incurred if an obligor were to default. In order to determine the risk class, we have developed various rating models for measuring how creditworthy borrowers are and for estimating the expected loss of various types of transactions. A number of uniform models throughout the group (models for governments, banks, large companies, etc.) are in place, while others have been designed for specific geographic markets (SMEs, private individuals, etc.) or types of transaction. We use the same internal rating scale throughout the group.

  We use the output generated by these models to split the non-defaulted loan portfolio into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the PD. We assign PD 10 to PD 12 to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. PD class 11 groups obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD 11 or PD 12. 'Defaulted' status is fully aligned with the 'non-performing' and 'impaired' statuses. Obligors in PD classes 10, 11 and 12 are therefore referred to as 'defaulted' and 'impaired'. Likewise, 'performing' status is fully aligned with the 'non-defaulted' and 'non-impaired' statuses.

  Impairment losses are recorded according to IFRS 9 requirements (calculated on a lifetime expected credit loss (ECL) basis for defaulted borrowers and on a 12-month or lifetime ECL basis for non-defaulted borrowers, depending on whether there has been a significant increase in credit risk and a corresponding shift from 'Stage 1' to 'Stage 2'). Specific collective IFRS 9 models are used for this purpose, except for material defaulted borrowers, which are assessed individually to estimate ECL.

  Together with 'probability of default' and 'exposure at default', measures such as 'expected loss' and 'loss given default' form the building blocks for calculating the regulatory capital requirements for credit risk, as KBC has opted to use the Internal Ratings-Based (IRB) approach for most of its portfolios. At the end of 2023, the following entities and portfolios switched to the Standardised approach due to model simplification: the entities ČSOB in Slovakia, K&H, the sovereign portfolios in the entire KBC Group and some immaterial portfolios in the Belgium Business Unit and ČSOB in the Czech Republic. Apart from the above-mentioned exceptions, the main group entities in Belgium and the Czech Republic continue to adopt the IRB Advanced approach, while non-material entities as well as the entire International Markets Business Unit adopt the Standardised approach.
- **Setting and cascading risk appetite**: the KBC Risk Appetite Statement defines the amount of credit risk KBC is able and willing to accept in pursuit of its strategic objectives. Credit risk appetite is made tangible by assigning credit risk limits and early warning levels to a limited set of credit risk (signal) indicators, which are valid for one year.

  Primary credit risk limits are decided by the Board of Directors or the Executive Committee. These entail limits on Expected Loss (EL), Stressed Credit Loss (SCL) and Credit Risk-Weighted Asset (RWA) – and for new home loan production – Loan-to-Value (LTV) and Debt-Service-To-Income (DSTI). These limits are supplemented by a portfolio limit system (PLS) framework to constrain concentration risk on counterparty groups or authorities and other credit risk limits set at group or local level that include sector and activity limits and limits on risks, such as counterparty credit risk for professional transactions or issuer risk.

The risk playing field is also determined by group-wide risk boundaries defined in Credit Risk Standards, which aim to align risk management of specific credit-risk-related topics throughout the group by defining restrictions and/or recommendations.

- **Risk analysis, monitoring, reporting and follow up**: the loan portfolio is analysed on a continuous basis. In addition to portfolio analyses performed by business, the local and group credit risk departments analyse the credit risk profile of the loan portfolio in order to obtain an independent view of the evolution of credit risk. Results of the analyses are reported to the appropriate risk committees. It is the responsibility of both line management and the risk committees to respond, i.e. to keep or bring risks in line with the risk appetite. Corrective action plans can be taken to avoid (further) credit risk, reduce it (mitigation), transfer the risk or accept it.
- **Stress testing**: stress testing is a core component of sound credit risk management and is performed at local and group level.

ESG in credit risk management

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

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

For eight carbon-intensive industrial sectors and three product lines, strategic sectoral projects (so-called 'White Papers') are set up. These White Papers also cover the impact of sector-specific challenges, technological developments and evolving regulations on KBC's loan portfolios as well as possible risk-mitigating measures. In these White papers, we also take a progressive approach towards environmental objectives other than climate change. For a subset of these sectors, KBC has set climate targets and reports on the progress with respect to these targets. More details can be found in our Sustainability Report.

In the loan origination and review process, a sector-based environmental and social (E&S) heat map is used. It is a screening tool to identify specific E&S risks in the corporate and SME loan book. For material credit files in scope of high E&S risk sectors, an ESG assessment is performed at counterparty level. Also, Internal Carbon Pricing is leveraged to assess the financial impact of current and potentially upcoming carbon regulations on greenhouse gas-intensive businesses. To understand how business clients deal with sustainability challenges and to support them in this transition, client dialogues are an essential part of the assessment.

The Paris Agreement Capital Transition Assessment (PACTA) methodology helps us to assess the transition risk in our loan portfolio. This analysis determines whether the large companies in our loan portfolio are following a transition path in line with targets set by various climate transition scenarios. The Partnership for Carbon Accounting Financials (PCAF) methodology is used to calculate the financed emissions of our loan portfolio.

Further building on earlier modelling exercises relating to climate risk, KBC continues to assess the impact of physical risks on its loan portfolios. Specifically relating to flood risk, a pilot analysis was performed in 2023 to explore the potential impact on the Loss Given Default. Given its exploratory nature, the analysis was not taken into consideration for Expected Credit Losses. Regarding transition risks, an analysis was performed to estimate how the Expected Loss (EL) of highly climate-relevant portfolios could potentially change under six different climate scenarios. More information on the original assessment is available in the 2021 Risk Report at www.kbc.com.

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

In 2023, climate-related Key Risk Indicators (KRIs) were introduced in the Risk Appetite Process. These KRIs are monitored on a semi-annual basis by the Group Lending Committee and leveraged in the Climate Risk Dashboard.

KBC aims to limit the adverse impact of its activities on the environment and society and to encourage a positive impact, based on a responsible lending culture, the principles of which are laid out in the Credit Risk Standard on Sustainable and Responsible Lending. KBC's commitment to consider climate and environmental risks in each step of the credit process is also reflected in Standards addressing loan pricing and collateral valuation.

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

Impact of external developments on credit risk

While the impacts of the coronavirus pandemic and (supply chain) dislocation during the ensuing economic recovery have subsided and Covid restrictions have been phased out, the continuing Russia-Ukraine conflict and the associated disruption of worldwide energy markets, rapidly rising inflationary pressures and increasing interest rates presented new challenges for credit risk management.

For private individuals, soaring energy bills and inflationary pressures on prices for daily goods and services were bound to affect the credit repayment capacity of weaker borrowers. Thanks to adequate alleviation, this has not resulted in payment problems with home loans and consumer finance facilities. For businesses, the strong increase in energy costs has – in 'energy-intensive' sectors – negatively impacted profit margins and cash buffers. Gradually, evidence emerged that these input cost increases could be recuperated through higher sales prices. Furthermore, private individuals have somewhat adjusted their consumption pattern away from discretionary spending, which has the potential to imperil some sectors due to reduced demand. Also, higher refinancing risks of maturing debt in a high interest-rate environment have the potential to trigger more defaults of businesses. Consequently, a number of vulnerable industries may find themselves in a continuing challenging environment.

Credit risk management actions have been taken to anticipate, measure, mitigate and manage the above emerging risks. Accordingly, loan portfolios are monitored closely, origination processes have been adjusted (e.g., to reflect the impact of household budgets on the underwriting of home loans), specific credit policies have been tightened (e.g., conditions for lending to enable certain activities of the Commercial Real Estate sector) and watchlists have been continued. For Commercial Real Estate (CRE) financing, for example, the development of any refinancing risk is a standard and crucial element in the credit acceptance process. For loans financing completed properties with high balloon or even bullet repayment at loan maturity, the refinancing risk is evaluated in depth considering the quality of the building, the diversification and strength of the tenants, the general strength of the real estate market (demand/supply balance, vacancy rates), the Loan-to-Value ratio at maturity, and the residual repayment period based on the estimated rental income and more conservatively projected interest rates. In addition to such an analysis at individual file level, the loan portfolio is monitored closely and the CRE credit underwriting policy has been tightened to address the increased refinancing risk.

Despite the challenging context, traditional credit risk metrics (such as forbearances, arrears and PD deterioration, new defaults) have not pointed to a substantial deterioration in credit quality for the KBC portfolios in 2023, as further reflected in a comfortable credit cost ratio.

Finally, since the Russian invasion of Ukraine, a reserve for geopolitical and emerging risks has been maintained, and a selection of vulnerable portfolios and sub-portfolios have been earmarked for increased risk potential. For related figures, including the methodology and development of this reserve, we refer to Note 3.9 of the 'Consolidated financial statements' section. Looking ahead, the development of the Israeli-Palestine conflict and other issues (for example in the Red Sea) may heighten geopolitical and emerging risks, as a possible escalation into a broader (regional) conflict may have larger and prolonged consequences.

Credit risk exposure in the banking activities arising from lending and investing

Credit risk arises in both the banking and insurance activities of the group. As regards the banking activities, the main source of credit risk is the bank's loan portfolio. It includes all the loans and guarantees that KBC has granted to individuals, companies, governments and banks. Debt securities are included in the investment portfolio if they are issued by companies or banks. Government bonds are not included in the investment portfolio. Furthermore, the table does not take into account the credit risk related to the trading book (issuer risk) and the counterparty credit risk related to derivative transactions. We describe these items separately below.

The loan and investment portfolio as defined in this section differs from 'Loans and advances to customers' in Note 4.1 of the 'Consolidated financial statements' section. For more information, please refer to the 'Glossary of financial ratios and terms'.

Loan and investment portfolio

Total loan portfolio	**31-12-2023**	**31-12-2022**
Total loan portfolio (in billions of EUR)		
Amount outstanding and undrawn	258	259
Amount outstanding	203	206
Loan portfolio breakdown by business unit (as a % of the outstanding portfolio)[1]		
Belgium[2]	65%	63%
Czech Republic	19%	19%
International Markets	15%	14%
Group Centre[7]	1%	5%
Total	100%	100%
Loan portfolio breakdown by counterparty sector (as a % of the outstanding portfolio)[1]		
Private individuals	*41%*	43%
Finance and insurance	*6%*	6%
Governments	*3%*	3%
Corporates	*50%*	48%
Services	*11%*	*10%*
Distribution	*8%*	*8%*
Real estate	*7%*	*6%*
Building and construction	*5%*	*4%*
Agriculture, farming, fishing	*3%*	*3%*
Automotive	*3%*	*2%*
Other (sectors < 3%)	*15%*	*14%*
Total	100%	100%
Loan portfolio breakdown by region (as a % of the outstanding portfolio)[1 3]		
Belgium	*55%*	*53%*
Czech Republic	*18%*	*18%*
Slovakia	*6%*	*6%*
Hungary	*4%*	*4%*
Bulgaria	*5%*	*5%*
Rest of Western Europe	8%	11%
Rest of Central and Eastern Europe	0%	0%
North America	1%	1%
Asia	1%	1%
Other	1%	1%
Total	100%	100%
Loan portfolio breakdown by risk class (as a % of the outstanding portfolio, based on internal rating scale)[1]		
Unimpaired		
PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)	*24%*	*25%*
PD 2 (0.10% – 0.20%)	*14%*	*13%*
PD 3 (0.20% – 0.40%)	*13%*	*13%*
PD 4 (0.40% – 0.80%)	*17%*	*18%*
PD 5 (0.80% – 1.60%)	*13%*	*15%*
PD 6 (1.60% – 3.20%)	*8%*	*8%*
PD 7 (3.20% – 6.40%)	*4%*	*4%*
PD 8 (6.40% – 12.80%)	*1%*	*1%*
PD 9 (highest risk, ≥ 12.80%)	*1%*	*1%*
Unrated	*0%*	*0%*
Impaired		
PD 10	*1.1%*	*1.0%*
PD 11	*0.2%*	*0.3%*
PD 12	*0.8%*	*0.8%*
Total	100%	100%
Loan portfolio breakdown by IFRS 9 ECL Stage[4] (as a % of the outstanding portfolio)[1]		
Stage 1 (no significant increase in credit risk since initial recognition)	80%	78%
Stage 2 (significant increase in credit risk since initial recognition – not credit impaired) incl. POCI[5]	18%	20%
Stage 3 (significant increase in credit risk since initial recognition – credit impaired) incl. POCI[5]	2%	2%
Total	100%	100%

Impaired loan portfolio	31/12/2023	31/12/2022
Impaired loans (PD 10 + 11 + 12; in millions of EUR or %)		
Impaired loans[6]	4 221	4 350
Of which more than 90 days past due	2 051	2 289
Impaired loans by business unit (as a % of the impaired loan portfolio)[1]		
Belgium[2]	63%	57%
Czech Republic	13%	15%
International Markets	13%	13%
Slovakia	*4%*	*3%*
Hungary	*4%*	*3%*
Bulgaria	*6%*	*6%*
Group Centre	10%	15%
Total	100%	100%
Impaired loans by sector (as a % of impaired loan portfolio)[1]		
Distribution	19%	19%
Private individuals	16%	21%
Real estate	13%	11%
Services	9%	10%
Automotive	9%	5%
Building and construction	7%	7%
Chemicals	4%	4%
Agriculture, farming, fishing	2%	1%
Hotels, bars & restaurants	2%	3%
Authorities	2%	2%
Food Producers	2%	2%
Other (sectors <2%)	15%	16%
Total	100%	100%
Loan loss impairment (in millions of EUR)		
Impairment for Stage 1 portfolio	168	134
Impairment for Stage 2 portfolio, incl. POCI[5] (cured)	502	694
Impairment for Stage 3 portfolio, incl. POCI[5] (still impaired)	1 888	2 048
Of which impairment for impaired loans that are more than 90 days past due	*1 459*	*1 547*
Credit cost ratio		
Belgium Business Unit[2]	0.06%	0.03%
Czech Republic Business Unit	-0.18%	0.13%
International Markets Business Unit	-0.06%	0.31%
Slovakia	*-0.07%*	*0.17%*
Hungary	*-0.14%*	*0.42%*
Bulgaria	*0.00%*	*0.43%*
Group Centre	0.07%	-0.04%
Total	0.00%	0.08%
Impaired loans ratio		
Belgium Business Unit[2]	2.0%	1.9%
Czech Republic Business Unit	1.4%	1.7%
International Markets Business Unit	1.8%	1.9%
Slovakia	*1.4%*	*1.2%*
Hungary	*1.9%*	*2.0%*
Bulgaria	*2.2%*	*2.8%*
Group Centre	36.2%	6.6%
Total	2.1%	2.1%
Of which more than 90 days past due	*1.0%*	*1.1%*
Coverage ratio		
Loan loss impairment / impaired loans	45%	47%
Of which more than 90 days past due	*71%*	*68%*
Loan loss impairment / impaired loans (excl. mortgage loans)	47%	50%
Of which more than 90 days past due	*74%*	*71%*

[1] Unaudited figures.

[2] Also includes the small network of KBC Bank branches established in the rest of Europe, the US and Southeast Asia (with a total outstanding portfolio of 7 billion euros at year-end 2023).

[3] A more detailed breakdown by country is available in KBC's quarterly reports (at www.kbc.com).

[4] For more information on stages, see Note 1.2 of the 'Consolidated financial statements' section.

[5] Purchased or originated credit impaired assets; gross amounts, as opposed to net amounts in the accounting treatment.

[6] Figures differ from those appearing in Note 4.2 of the 'Consolidated financial statements' section, due to differences in scope. The 128-million-euro decrease between 2023 and 2022 breaks down as follows: +179 million euros at the Belgium Business Unit, -95 million euros in the Czech Republic, +32 million euros in Slovakia, +11 million euros in Hungary, -36 million euros in Bulgaria, and -220 million euros for the rest (due to closed sale of KBC Ireland).

[7] The decrease in the loan portfolio for group centre is largely due to the sale of the performing loan book in the course of February 2023, as explained in Note 6.6.

The 'Loan portfolio breakdown by IFRS 9 ECL Stage (as a % of the outstanding portfolio)' and 'Loan loss impairment' sub-sections in the above table have been broken down further as follows:

Loan portfolio breakdown by IFRS 9 ECL stage[1]	Stage 1	Stage 2	Stage 3	Total 31-12-2023	Stage 1	Stage 2	Stage 3	Total 31-12-2022
Loan portfolio by country/business unit								
Belgium	51.1%	12.3%	1.3%	64.7%	48.1%	13.4%	1.2%	62.7%
Czech Republic	16.1%	2.9%	0.3%	19.3%	15.2%	3.1%	0.3%	18.6%
International Markets	12.5%	2.7%	0.3%	15.4%	10.6%	3.1%	0.3%	13.9%
Slovakia	*5.0%*	*0.9%*	*0.1%*	*6.1%*	*4.5%*	*1.1%*	*0.1%*	*5.6%*
Hungary	*3.0%*	*1.0%*	*0.1%*	*4.1%*	*2.3%*	*1.2%*	*0.1%*	*3.7%*
Bulgaria	*4.4%*	*0.7%*	*0.1%*	*5.2%*	*3.7%*	*0.8%*	*0.1%*	*4.7%*
Group Centre	0.4%	0.0%	0.2%	0.6%	4.1%	0.3%	0.3%	4.7%
Total	80.1%	17.9%	2.1%	100.0%	78.0%	19.9%	2.1%	100.0%
Loan portfolio by sector								
Private individuals	*36.4%*	*4.1%*	*0.3%*	*40.8%*	37.5%	5.2%	0.4%	43.2%
Finance and insurance	*5.8%*	*0.2%*	*0.0%*	*6.0%*	5.6%	0.2%	0.0%	5.9%
Governments	*2.4%*	*0.2%*	*0.0%*	*2.7%*	2.8%	0.2%	0.0%	3.1%
Corporates	35.4%	13.4%	1.7%	50.5%	32.1%	14.2%	1.6%	47.9%
Total	80.1%	17.9%	2.1%	100.0%	78.0%	19.9%	2.1%	100.0%
Loan portfolio by risk class								
PD 1–4	64.5%	5.1%	0.0%	69.7%	61.4%	6.1%	-	67.5%
PD 5–9	15.5%	12.7%	0.0%	28.3%	16.6%	13.8%	-	30.4%
PD 10–12	0.0%	0.0%	2.1%	2.1%	-	-	2.1%	2.1%
Total	80.1%	17.9%	2.1%	100.0%	78.0%	19.9%	2.1%	100.0%
Total (in millions of EUR)	162 474	36 258	4 221	202 953	160 412	40 958	4 350	205 720

Impairment broken down by IFRS 9 ECL Stage	Stage 1	Stage 2	Stage 3	Total 31-12-2023	Stage 1	Stage 2	Stage 3	Total 31-12-2022
Impairment by country/business unit								
Belgium	2.6%	9.3%	40.0%	51.9%	1.8%	9.7%	34.4%	45.9%
Czech Republic	1.6%	5.5%	9.9%	16.9%	1.3%	6.7%	10.2%	18.1%
International Markets	2.4%	4.8%	9.5%	16.7%	1.4%	6.9%	9.5%	17.8%
Slovakia	*0.5%*	*2.0%*	*3.4%*	*6.0%*	*0.4%*	*2.8%*	*2.7%*	*5.9%*
Hungary	*1.0%*	*1.2%*	*1.7%*	*3.9%*	*0.3%*	*2.1%*	*1.9%*	*4.3%*
Bulgaria	*0.9%*	*1.6%*	*4.4%*	*6.9%*	*0.7%*	*1.9%*	*4.9%*	*7.5%*
Group Centre	0.0%	0.0%	14.4%	14.4%	0.2%	0.8%	17.1%	18.2%
Total	6.6%	19.6%	73.8%	100.0%	4.7%	24.1%	71.2%	100.0%
Impairment by sector								
Private individuals	1.1%	4.4%	6.5%	12.0%	1.3%	7.8%	12.8%	21.9%
Finance and insurance	0.2%	0.2%	1.8%	2.2%	0.2%	0.1%	1.6%	2.0%
Governments	0.2%	0.6%	1.4%	2.2%	0.0%	0.0%	0.3%	0.4%
Corporates	5.0%	14.5%	64.1%	83.5%	3.2%	16.1%	56.4%	75.7%
Total	6.6%	19.6%	73.8%	100.0%	4.7%	24.1%	71.2%	100.0%
Impairment by risk class								
PD 1–4	1.2%	1.1%	-	2.3%	1.4%	1.9%	-	3.3%
PD 5–9	5.4%	18.5%	-	23.9%	3.3%	22.3%	-	25.5%
PD 10–12	-	-	73.8%	73.8%	-	-	71.2%	71.2%
Total	6.6%	19.6%	73.8%	100.0%	4.7%	24.1%	71.2%	100.0%
Total (in millions of EUR)	168	502	1 888	2 559	134	694	2 048	2 875

Forbearance measures

Forbearance measures consist of concessions towards a borrower facing, or about to face, financial difficulties. They may involve lowering or postponing interest or fee payments, extending the term of the loan to ease the repayment schedule, capitalising arrears, declaring a moratorium or providing debt forgiveness.

A client with a loan qualifying as forborne will in general be assigned a PD class that is worse than before the forbearance measure was granted, given the increased risk of default. When that is the case, the client's unlikeliness to pay is also assessed (according to specific 'unlikely to pay' criteria). In accordance with IFRS 9 requirements, a facility tagged as 'forborne' is allocated to 'Stage 2' (if the client/facility is classified as 'non-defaulted') or to 'Stage 3' (if the client/facility is classified as 'defaulted').

KBC applies criteria that are consistent with the corresponding EBA standards to move forborne exposures from 'defaulted' to 'non-defaulted' status and to remove the forbearance status. If a client/facility has been assigned 'defaulted' status (before or at the time forbearance measures are granted), the client/forborne facility (depending on whether defaulted status is assigned at client or facility level) must remain defaulted for at least one year. Only upon strict conditions can the client/facility be reclassified as 'non-defaulted'. A forborne facility with a 'non-defaulted' status will be tagged as 'forborne' for at least two years after the forbearance measure has been granted, or after the client/facility becomes non-defaulted, and can only be removed when strict extra criteria have been met (non-defaulted, regular payments, etc.). As a forbearance measure constitutes an objective indicator (i.e. impairment trigger) that requires assessing whether impairment is needed, all forbearance measures are subject to an impairment test.

On-balance-sheet exposures with forbearance measures: gross carrying value (in millions of EUR)	Opening balance	Loans which have become forborne	Loans which are no longer considered to be forborne	Repayments	Write-offs	Other[1]	Closing balance
2023	2 939	642	-1 001	-361	-20	103	2 303
2022	3 681	668	-1 088	-436	-16	129	2 939

On-balance-sheet exposures with forbearance measures: Impairment (in millions of EUR)	Opening balance	Existing impairment on loans which have become forborne	Decrease in impairment because loans are no longer forborne	Increase in impairment on forborne loans	Decrease in impairment on forborne loans	Other[2]	Closing balance
2023	428	63	-55	86	-122	-13	387
2022	445	197	-171	52	-118	22	428

[1] Includes foreign-exchange effects for loans granted in currencies other than the local currency, changes in the drawn/undrawn portion of facilities, increases in the gross carrying value of existing forborne loans and additions or disposals through business combinations.

[2] Includes the use of impairment in respect of write-offs and additions or disposals through business combinations.

Forborne loans	As a % of the outstanding portfolio	Breakdown by PD class (as a % of the entity's portfolio of forborne loans)			
		PD 1–8	PD 9	PD 10 (impaired, less than 90 days past due)	PD 11–12 (impaired, 90 days and more past due)
31-12-2023					
Total	1%	33%	8%	46%	14%
By client segment[1]					
Private individuals[2]	1%	64%	3%	25%	8%
SMEs	1%	30%	12%	42%	16%
Corporations[3]	1%	13%	8%	63%	16%
31-12-2022					
Total	2%	39%	15%	33%	13%
By client segment[1]					
Private individuals[2]	1%	45%	17%	26%	12%
SMEs	2%	44%	11%	34%	12%
Corporations[3]	2%	31%	16%	37%	16%

[1] Unaudited.

[2] 86% of the forborne loans total relates to mortgage loans in 2023 (90% in 2022).

[3] 32% of the forborne loans relates to commercial real estate loans in 2023 (26% in 2022).

Other credit risks

Trading book securities. These securities carry an issuer risk (potential loss should the issuer default). We measure exposure to this type of risk on the basis of the market value of the securities. Issuer risk is curtailed through the use of limits both per issuer and per rating category.

Government securities in the investment portfolio of banking entities. We measure exposure to governments in terms of nominal value and book value. Such exposure relates mainly to EU states. We have put in place limiting caps for both non-core and core country sovereign bond exposure. Details on the exposure of the combined banking and insurance activities to government bonds are provided in a separate section below.

Counterparty credit risk of derivatives transactions. The amounts shown in the table below are the group's pre-settlement risks, which are measured using the internal model method for interest rate and foreign exchange derivatives in the Belgium Business Unit. For inflation, equity and commodity derivatives, pre-settlement risks are calculated as the sum of the (positive) current replacement value ('mark-to-market' value) of a transaction and the applicable add-on. This calculation is also used for measuring pre-settlement risks for interest rate and foreign exchange derivatives in the other business units.

Risks are curtailed by setting limits per counterparty. We also use close-out netting and collateral techniques. Financial collateral is only taken into account if the assets concerned are considered eligible risk mitigants for regulatory capital calculations.

Other credit exposure

(in billions of EUR)	31-12-2023	31-12-2022
Issuer risk[1]	0.05	0.03
Counterparty credit risk of derivatives transactions[2]	4.2	3.9

[1] Excluding a nominative list of central governments, and all exposure to EU institutions and multilateral development banks.

[2] After deduction of collateral received and netting benefits.

Market risk in non-trading activities

Managing market non trading risk

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

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

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

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

- **Risk identification:** To identify market risks in the non-trading portfolios a number of tools are used, including the New and Active Products Process (NAPP), the Environmental Risk Impact Map, the risk scan, and early warning processes triggered by recurrent monitoring. Risk signals are an important tool as well. For this purpose, both the internal and external environment is scanned for events and developments that could have an impact on our non-trading books. Relevant risk signals are reported to management, if possible, including a proposal for remedial actions. New and upcoming regulation is followed up at group or local level to ensure that these are implemented in KBC's policies and instructions.
- **Risk measurements**: a common rulebook, which supplements the framework for technical aspects, and a shared group measurement tool ensure that these risks are measured consistently throughout the group through, among others:
  - Basis-Point-Value (BPV) for interest rate risk;
  - gap analysis for interest rate risk, related to repricing mismatches between assets and liabilities;
  - economic sensitivities for currency risk, equity price risk and real estate price risk.

  Measures are complemented by stress tests, covering back testing of pre-payments, net interest income results under various scenarios, or the impact on regulatory capital stemming from interest, spread or equity risk residing within the banking books.
- **Setting and cascading risk appetite**: limits cover all material market risks faced by the ALM function: limits covering interest rate risk, equity risk, real estate risk and foreign exchange risk for the consolidated entities are approved by the Board of Directors and limits for each local entity are approved by the Executive Committee.
- **Risk analysis, reporting and follow-up**: besides regulatory reporting, structural reporting to the ALCO is performed. The reporting process includes a sign-off process to ensure data accuracy.

ESG in market risk (non-trading) management

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

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

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

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

Impact of external developments on market risk in the non-trading activities

After the significant rate hikes in 2022, 2023 was characterised by a normalisation of interest rates after years of low rates. Banks in general experienced a sizeable shift from current and savings accounts to fixed-rate instruments. The issue of the one-year State Note in Belgium illustrated the overall trend of shifting from non-maturity deposits towards term deposits or fixed-rate instruments. However, KBC always applies a prudent investment approach for such deposits and holds significant buffers in short-term investments to be able to absorb material outflows. As such, given these prudent buffers, the large success of the Belgian State Note did not trigger any specific action for the existing investments.

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

Interest rate risk and gap risk

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

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

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

Impact on value[2] (in millions of EUR)	2023	2022
Total	-45	-36

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

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

For the scope of the banking activities, two other methodologies to measure interest rate sensitivity, which is comparable across institutions, are the outlier stress test (SOT) on Economic Value of Equity (EVE) and the outlier stress test on Net Interest Income (NII), both calculated according to the guidelines of the European Banking Authority.

For the SOT on EVE, six different scenarios are applied to the banking books (material currencies) every quarter. These scenarios comprise material parallel shifts up and down, steepening or flattening of the swap curves or shifts in the short-term rates only. The worst-case scenario impact (the most negative impact on the economic value of equity) is set off against tier-1 capital. For the banking book at KBC group level, the SOT EVE came to -3.91% of tier-1 capital at year-end 2023. This is well below the -15% threshold, which is monitored by the European Central Bank and indicates that the overall interest rate sensitivity of KBC's balance sheet is limited.

As from 2023, the SOT EVE is complemented by the SOT NII, which measures the impact of two scenarios (parallel up and down) on NII. The impact of the worst-case scenario on NII is also set off against tier-1 capital. According to this measure too, the interest rate sensitivity of KBC is limited: it came to -1.27% at year-end 2023, compared to the 5% outlier threshold used by the supervisory authority.

We also use other techniques to measure potential imbalances in terms of our interest rate position, such as gap analysis, the duration approach, scenario analysis and stress testing. Information regarding the Gap table, detailing mismatches between assets and liabilities by time bucket, is provided in the 2023 Risk Report.

Credit spread risk

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

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

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

	At amortised cost	At fair value through other comprehensive income (FVOCI)	Held for trading	Total	For comparison purposes: total at year-end 2022	Economic impact of +100 basis points[1]
Sovereign	41 295	4 854	2 957	49 106	*43 393*	-2 122
Of which[2]:						
Czech Republic	11 757	599	2 254	14 611	*12 558*	-652
Belgium	6 769	666	267	7 702	*7 209*	-373
Slovakia	3 424	236	66	3 726	*3 139*	-189
Hungary	2 256	422	189	2 867	*2 443*	-105
France	3 378	118	38	3 534	*3 544*	-98
Non-sovereign	6 258	423	169	6 850	*6 215*	-180

[1] Theoretical economic impact in fair value terms of a parallel 100-basis-point upward shift in the spread over the entire maturity structure. Only a portion of this impact is reflected in profit or loss and/or equity. Figures relate to non-trading positions in bonds for the banking business (impact on trading book exposure was quite limited and amounted to 35 million euros, at year-end 2023)
[2] Top 5 largest sovereign portfolio's.

Equity risk

The main exposure to equity is within our insurance business, where the ALM strategies are based on a risk-return evaluation, taking into account the market risk attached to open equity positions. The vast majority of the equity portfolio is held as an economic hedge for long-term liabilities of the insurance company. Smaller equity portfolios are also held by other group entities, where the portfolios are of a strategic nature, such as participations in relation to the execution of KBC's business model. The sectorial repartition of the portfolio is included in the Risk Report.

Equity portfolio of the KBC Bank	31-12-2023	31-12-2022
In billions of EUR	0.23	0.22
of which unlisted	0.22	0.21

Impact of a 25% drop in equity prices, impact on value (in millions of EUR)	2023	2022
Total	-59	-55

Non-trading equity exposure	Net realised gains (in income statement)		Net unrealised gains [1] on year-end exposure (in equity)	
(in millions of EUR)	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Total	-	-	19	12

Real estate risk

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

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

(in millions of EUR)	2023	2022
Total	-94	-94

Inflation risk

Inflation can impact a financial company indirectly in many ways, for instance via changes in interest rates or operational costs. Inflation in general therefore is not easily quantifiable as a market risk concept. However, certain financial products or instruments have a direct link with inflation and their value is directly impacted by a change in market expectations. KBC Bank uses inflation-linked bonds as an opportunity to diversify its asset portfolio.

The banking business holds a portfolio of inflation-linked bonds with a sensitivity to inflation (BPI) of 7.5 million euros (a 0.10% move in inflation expectations) at the end of 2023.

Foreign exchange risk

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

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

Impact of a 10% decrease in currency value*

(in millions of EUR)	31-12-2023	31-12-2022
CZK	-209	-231
HUF	-85	-100
BGN	-93	-96
USD	6	-1

* Exposure for currencies where the impact exceeds 10 million euros

Hedge accounting

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

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

Risk categories applying to hedge accounting

Interest rates

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

Interest rate derivatives can be designated as:

- Hedges of the fair value of recognised assets or liabilities. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the ineffective portion is also recognised in profit or loss.

- Hedges of the cashflow of recognised assets and liabilities which are either certain or highly probable forecasted transactions. The effective portion of changes in the fair value of derivatives that are designated and qualify as cashflow hedges is recognised in the cashflow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised directly in profit or loss.

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

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

Foreign exchange

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

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

Hedge effectiveness

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

Effectiveness testing

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

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

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

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

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

Sources of hedge ineffectiveness

Ineffectiveness for interest rate swaps may occur due to:

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

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

Discontinuation of hedge accounting

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

Capital sensitivity to market movements

Available capital can be impacted by changes in the value of balance sheet items (e.g., sovereign and corporate bonds and equity) booked at fair value through other comprehensive income or fair value through profit or loss. This impact can be negative when the market is stressed, which can be triggered by a number of market parameters, including swap rates or bond spreads that increase or by equity prices that fall. At KBC, we use this capital sensitivity as a common denominator to measure the vulnerability of the banking book to different market risk shocks.

CET1 sensitivity to main market drivers KBC Bank (as % points of CET1 ratio)	31-12-2023	31-12-2022
+100-basis-point parallel shift in interest rates	-0.1%	-0.1%
+100-basis-point parallel shift in spread	-0.2%	-0.1%
-25% in equity prices	-0.1%	-0.1%

The table shows that the sensitivity of capital to market movements is limited. This is because the majority of KBC's bond portfolio is deemed to be held to maturity and is therefore booked at amortised cost. Those positions do not impact capital unless they are liquidated before maturity. Note that KBC holds material amounts of liquid assets (see the liquidity section) to absorb unexpected funding outflows. If these are not sufficient, KBC can still enter into repo agreements to access liquidity rather than having to realise losses on the bonds.

Non-financial risks

Operational risk

Managing operational risk

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

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

The building blocks for managing operational risks

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

  In addition, a group-wide uniform scale is used to express the internal control state of business lines and KBC entities. The data-driven risk evaluation of the control environment results in Internal Control Statement (ICS) scores based on the indicators derived from the group-wide tool, such as:
  - The control maturity reflecting the effectiveness of the controls;
  - The number of outstanding action plans and audit recommendations
  - Risk acceptances;
  - Operational losses (and legal claims);
  - Near misses.

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

exercises, technical Cyber Resilience & Readiness Testing, detailed investigations, employee phishing tests, crisis simulations and other incident drills.

In 2023, specific attention was paid to:

Information risk management

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

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

Outsourcing risk management

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

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

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

Model risk management

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

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

Business continuity management including crisis management

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

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

Compliance risk

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

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

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

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

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

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

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

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

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

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

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

Reputational risk

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

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

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

ESG in non-financial risk management

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

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

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

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

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

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

Market risk in trading activities

KBC's strategic objectives in undertaking trading activities are to offer sound and appropriate financial products and solutions to its clients in order to help them manage their risks and access capital, and to engage in certified market-making activities. Hedging the market risk arising from providing clients with such bespoke solutions with standard market products leaves us with some residual market risks due to the mismatch between the more market-standard sizes and expiry dates and the solutions provided to our clients.

The focus of our trading activities is on interest-rate instruments, while activity on the foreign exchange markets and in relation to equity has traditionally been limited. These activities are carried out by our dealing rooms in our home countries as well as via a minor presence in the UK and Asia. Wherever possible and practical, the residual trading positions of our foreign entities are systematically transferred to KBC Bank NV, reflecting that the group's trading activity is managed centrally both from a business and a risk management perspective. Consequently, KBC Bank NV holds about 98% of the trading-book-related regulatory capital of KBC Group NV.

KBC's low risk appetite for the market risk in trading activities is illustrated by the fact that market risk RWA for trading activities is around 2 to 3% of KBC's total RWA. The sections below give a general overview regarding market risk in trading activities. For more details, please refer to KBC's Risk Report, which is available at www.kbc.com.

Managing market trading risk

In the area of market risk in the trading activities, the Executive Committee is supported by the Group Markets Committee (GMC), which advises on risk monitoring and capital usage with respect to trading activities. The governance, rules and procedures on how trading risk management should be performed throughout the group are outlined in the Trading Market Risk Management Framework. Its implementation is monitored by Group Risk and its Market Risk Trading Competence Centre.

Market risk relates to changes in the level or in the volatility of prices in financial markets. Market risk in trading activities is the potential negative deviation from the expected value of a financial instrument (or portfolio of such instruments) in the trading book due to changing interest rates, exchange rates, equity or commodity prices etc.

The building blocks for managing market trading risk

- **Risk identification**: the risk function analyses the results of value and risk calculations, market developments, ESG risk assessments, industry trends, new modelling insights, changes in regulations, etc. Furthermore, before a new or changed dealing room product or activity can be introduced, the risk function screens whether the risk aspects (including ESG risks) are correctly and sufficiently covered and provides risk advice that includes powers of veto and is part of the NAPP.
- **Risk measurement**: ownership of the definitions used for the group-wide measurement of trading market risk lies with the risk function. We measure risk via a number of parameters including nominal positions, concentrations, Basis Point Value (BPV) and other sensitivities (the so-called 'greeks') and scenario analysis. However, the primary tool we use for measuring and monitoring market risk exposures in the trading book is the Historical Value-at-Risk (HVaR) method, which gives an estimate of the amount of economic value that might be lost on a given portfolio due to market risk over a defined holding period, with a given confidence level.
- **Setting and cascading risk appetite**: the risk appetite for market risk in trading activities is set in line with the overall requirements as defined in our overarching risk management framework and is overseen by the GMC via a risk limit framework consisting of a hierarchy of limits and early warning indicators. These are defined down to trading desk level and, in addition to HVaR, include a series of concentration limits, basis-point-value limits and (stress) scenario limits.
- **Risk analysis, reporting and follow-up**: in addition to the more proactive elements described under 'Risk identification', this involves compiling the necessary external and internal reports, issuing advice on business proposals, and monitoring and advising on the risks attached to the positions. We monitor and follow up the risks attached to the positions on a daily basis by means of the risk limit framework. The GMC, which meets every month, receives an extensive Core Report as well as periodic and ad hoc memos and reports. The GMC also receives a dashboard halfway between the monthly meetings whose frequency is increased (up to daily, if needed) depending on market circumstances. The Executive Committee ratifies the minutes of the GMC meetings and also receives market-risk-related information and risk signals in its Integrated Risk Report eight times per year).
- **Stress testing**: in addition to the risk limit framework, we conduct extensive stress tests on our positions on a weekly basis. Whereas the HVaR model captures potential losses under normal market conditions, stress tests show the impact of exceptional circumstances and events with a low degree of probability. The historical and hypothetical stress-test scenarios incorporate both market risk and the liquidity aspects of disruptions in the market. The stress tests are discussed at GMC meetings to enable the members to gain an insight into potential weaknesses in the positions held by the group

ESG in market risk (trading) management

Climate and other environmental risks, an important subject in these times, are indeed considered and analysed in the context of business planning and have been integrated in market risk management. While ESG risk assessments (e.g., the Climate Risk Impact Map and pilot studies on other environmental risks) have confirmed that ESG aspects can be considered to be negligible in a market risk context, the Group Markets Committee (GMC) is kept closely informed of the immateriality via a quarterly update (including ESG dashboards and climate risk stress test results for the trading book) and a full review is submitted on an annual basis.

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

Market risk profile

Our Approved Internal Model is used to calculate the vast majority of market risk regulatory capital. Regulatory capital for business lines not included in the Approved Internal Model is measured according to the Standardised Approach.

The tables below show the Management HVaR (using our Approved Internal Model and a 99% confidence interval, one-day holding period) for the residual trading positions at all the dealing rooms of KBC that can be modelled by HVaR and the breakdown per risk type.

Market risk (Management HVaR) (in millions of EUR)	2023	2022
Average for 1Q	7	8
Average for 2Q	6	9
Average for 3Q	6	10
Average for 4Q	7	9
As at 31 December	8	7
Maximum in year	10	12
Minimum in year	4	6

Breakdown by risk factor of trading HVaR (Management HVaR; in millions of EUR)	Average for 2023	Average for 2022
Interest rate risk	6.3	8.6
FX risk	0.9	1.3
FX options risk	0.2	0.3
Equity risk	2.1	0.8
Diversification effect	-3.0	-2.1
Total HVaR	6.5	8.9

Liquidity risk

Managing liquidity risk

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

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

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

The building blocks for managing liquidity risk

- **Risk identification**: the NAPP process, the Climate Risk Impact Map, the risk scan, stress testing and materiality assessments are important tools used for risk identification. An annual assessment of key risk drivers impacting liquidity is performed as well. When relevant, risk signals are presented in Treasury Risk Reports and Integrated Risk Reports.
- **Risk measurement**: identified liquidity risks are measured by means of both regulatory metrics such as the Liquidity Coverage Ratio (159% in 2023) and the Net Stable Funding Ratio (136%), and internal metrics on, for example, the funding mix and concentration and the composition of the liquid asset buffer. In the maturity analysis table below, KBC's structural liquidity risk is illustrated by grouping the assets and liabilities according to the remaining term to maturity (using the contractual maturity date). The difference between the cash inflows and outflows is referred to as the 'net funding gap'.
- **Setting and cascading risk appetite**: the ALCO monitors the development of the liquidity risk profile in relation to the limits.
- **Risk analysis, reporting and follow-up**: to mitigate day-to-day liquidity risk, group-wide trends in funding liquidity and funding needs are monitored continuously by the Group Treasury function. A Liquidity Contingency Plan drafted by the Group Treasury function is in place to address possible liquidity crisis situations and is tested at least annually.
- **Stress testing**: liquidity stress tests assess KBC's liquidity contingency risk by measuring how the liquidity buffer of the group's bank and insurance entities changes under extreme stressed scenarios. This buffer is based on assumptions regarding liquidity outflows and liquidity inflows resulting from actions to increase liquidity. The liquidity buffer has to be sufficient to cover liquidity needs over (i) a period that is required to restore market confidence in the group following a KBC-specific event, (ii) a period that is required for markets to stabilise after a general market event and (iii) a combined scenario, which takes a KBC-specific event and a general market event into account. This information is fed into the Liquidity Contingency Plan.

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

ESG in liquidity risk management

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

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

Impact of external developments on liquidity risk

The significant increase in short-term interest rates following the monetary policy tightening implemented by the ECB as of 2022 impacted the composition of the deposit base at KBC Group. However, no significant deposit outflows were observed until the beginning of September. In September, a tax-beneficial Belgian State Note with a one-year maturity was issued. Although the issuance of the Belgian State Note can be considered as a stress event, KBC passed the test without any major liquidity impact (the issuance led to a deposit outflow of 5.7 billion euros at the level of KBC Bank NV and CBC Banque SA).

Maturity analysis

The table below shows the maturity analysis of the total inflows and outflows. Note that the structural liquidity gap shown in the table does not include the concept of a Liquid Asset Buffer (i.e. the fact that KBC can monetise its liquid bonds at all times via repo or pledging). Rather, in this table, cash-generating capacity from bonds is only visible at final maturity of the bond. As a result, the net funding gaps shown in the first buckets in the table are a clear overestimation of the risk as in practice KBC would monetise its Liquid Asset Buffer (97 billion euros at year-end 2023, of which 72 billion euros in unencumbered central bank eligible assets and the remainder in cash and withdrawable central bank receivables) to address these net outflows.

At year-end 2023, KBC had 72 billion euros' worth of unencumbered central bank eligible assets, 58 billion euros of which in the form of liquid government bonds (80%). The remaining available liquid assets were mainly covered bonds (11%). Most of the liquid assets are expressed in our home market currencies. The funding from non-wholesale markets was accounted for by stable funding from core customer segments in our core markets.

Liquidity risk (excluding intercompany deals)[1] (in billions of EUR)	**<= 1 month**	**1–3 months**	**3–12 months**	**1–5 years**	**> 5 years**	**On demand**	**Not defined**	**Total**
31-12-2023								
Total inflows	4	12	27	100	115	7	47	312
Total outflows	49	30	20	26	6	152	29	312
Professional funding	10	3	1	0	0	4	0	18
Customer funding	24	14	14	13	5	148	0	218
Debt certificates	11	13	5	13	1	0	0	43
Other	4	0	0	0	0	0	29	33
Liquidity gap (excl. undrawn commitments)	-45	-18	7	74	108	-145	18	0
Undrawn commitments	-	-	-	-	-	-	-48	-48
Financial guarantees	-	-	-	-	-	-	-11	-11
Net funding gap (incl. undrawn commitments)	-45	-18	7	74	108	-145	-41	-59
31-12-2022								
Total inflows	6	12	20	82	115	53	34	322
Total outflows	38	20	29	24	5	178	29	322
Professional funding	6	0	20	5	0	4	0	36
Customer funding	19	9	8	12	3	174	0	226
Debt certificates	8	11	1	7	1	0	0	28
Other	4	0	0	0	0	0	29	33
Liquidity gap (excl. undrawn commitments)	-32	-8	-9	58	111	-125	5	0
Undrawn commitments	-	-	-	-	-	-	-47	-47
Financial guarantees	-	-	-	-	-	-	-11	-11
Net funding gap (incl. undrawn commitments)	-32	-8	-9	58	111	-125	-53	-58

[1] Cashflows include interest rate flows consistent with internal and regulatory liquidity reporting. Inflows/outflows that arise from margin calls posted/received for MtM positions in derivatives are reported in the 'Not defined' bucket. 'Professional funding' includes all deposits from credit institutions and investment firms, as well as all repos. Instruments are classified on the basis of their first callable date. Some instruments are reported at fair value (on a discounted basis), whereas others are reported on an undiscounted basis (in order to reconcile them with Note 4.1 of the 'Consolidated financial statements' section). Due to the uncertain nature of the maturity profile of undrawn commitments and financial guarantees, these instruments are reported in the 'Not defined' bucket. The 'Other' category under 'Total outflows' contains own equity, short positions, provisions for risks and charges, tax liabilities and other liabilities.

Funding information

We have a strong retail/mid-cap deposit base in our core markets, resulting in a stable funding mix. A significant portion of the funding is attracted from core customer segments and markets.

Funding mix	Information	31-12-2023	31-12-2022
Funding from customers[1]	Demand deposits, term deposits, savings deposits, other deposits, savings certificates and debt issues placed in the network	80%	80%
Debt issues placed with institutional investors	IFIMA debt issues, covered bonds, tier-2 issues, KBC Group NV senior debt	10%	6%
Net unsecured interbank funding	Including TLTRO	4%	7%
Net secured funding[2]	Repo financing	-7%	-3%
Certificates of deposit	–	6%	3%
Total equity	Including AT1 issues	7%	6%
Total		100%	100%
in billions of EUR		273	282

[1] Some 86% of this funding relates to private individuals and SMEs at year-end 2023.

[2] Negative on account of KBC carrying out more reverse repo transactions than repo transactions.

How do me manage our capital?

Capital Management is a key management process relating to all decisions on the level and composition of our capital. It aims to achieve the best possible balance between regulatory requirements, rating agencies' views, market expectations and management ambitions.

Solvency at KBC Bank

We report the solvency of the bank based on IFRS data and according to the rules imposed by the regulator. For KBC Bank, this implies that we calculate our solvency ratios based on CRR/CRD.

CRR/CRD implements the Basel rules in Europe and is updated from time to time. When new requirements are implemented, a transitional period during which these rules are gradually phased-in may be allowed. Since 30 June 2020, KBC has been using the transitional provision relating to IFRS 9, which makes it possible to add back a portion of the increased impairment charges to common equity capital (CET1) when provisions unexpectedly rise due to a worsening macroeconomic outlook, during the transitional period until 31 December 2024.

KBC Bank is subject to minimum solvency ratios.

The minimum solvency ratios required under CRR/CRD are 4.5% for the common equity tier-1 (CET1) ratio, 6% for the tier-1 capital ratio and 8% for the total capital ratio (i.e. pillar 1 minimum ratios).

As a result of its supervisory review and evaluation process (SREP), the competent supervisory authority (in KBC's case, the ECB) can require that higher minimum ratios be maintained (= pillar 2 requirements) because, for instance, not all risks are properly reflected in the regulatory pillar 1 calculations. Following the SREP for 2023, the ECB formally notified KBC of its decision to maintain the pillar 2 requirement (P2R) at 1.75% CET1 of which 0.98% in CET1 taking into account CRD Article 104a. KBC may consider further optimising its capital structure by filling up the AT1 and T2 buckets within the P2R.

The pillar 2 guidance (P2G) is increased to 1.25% CET1.

The overall capital requirement for KBC is not only determined by the ECB, but also by the decisions of the local competent authorities in its core markets.

For Belgian systemic financial institutions, the NBB had already announced its systemic capital buffers at an earlier date. For KBC Bank, this means that an additional capital buffer of 1.5% of CET1 is required. The announced countercyclical buffer rates in the countries where KBC's relevant credit exposures are located, correspond to a countercyclical buffer at KBC bank level of 1.27% (situation as known on 31 December 2023), up from 0.86% in 2021 .

As of 1st May 2022, the National Bank of Belgium (NBB) introduced a sectorial systemic risk buffer. The amount of the CET1 capital buffer corresponds to 6% as from April 2024 (9% until then) of the RWA for the exposures secured by residential real estate in Belgium, which corresponds to 0.15% of total RWA for KBC Bank consolidated.

In total, this brings the fully loaded CET1 capital requirement to 10.91% (4.5% (pillar 1) + 0.98% (P2R) + 2.5% (conservation buffer) + 1.5% (buffer for other systemically important banks) +0.15% sectoral systemic risk buffer + 1.27% (countercyclical buffer), with an additional P2G of 1.25% consolidated at KBC Bank level.

Based on the banking regulation package (CRR/CRD) profit can be included in CET1 capital only after the profit appropriation decision by the final decision body, for KBC Bank 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 does not include a maximum, ECB requires to use a 100% pay-out to determine the foreseeable dividend. Consequently, KBC Bank no longer requests ECB approval to include interim or annual profit in CET1 capital before the decision by the General Meeting. As such, the annual profit of 2023 and the final dividend re. 2023 will be recognised in the transitional CET1 of the 1st quarter 2024, which is reported after the General Meeting.

As from 31-12-2021 onwards, the fully loaded figures immediately reflect the interim or annual profit, taking into account our Dividend Policy and/or any dividend proposal/decision by the Board of Directors.

The difference between the fully loaded total own funds (19 375 million euros; profit and dividend re. 2023 is included) and the transitional own funds (17 952 million euros; profit and dividend re. 2023 is not included) as at 31-12-2023 is explained by the net result for 2023 (2 832 million euros), the interim dividend paid in August (-587 million), the proposed final dividend (-806 million euros) and the impact of the IFRS 9 transitional measures and IRB excess/shortfall (-15 million euros).

The fully loaded CET1 ratio increased from 13.7% as at 31-12-2022 to 14.7% as at 31-12-2023, explained by the retained 2023 profit (+1.4% pt.), partly offset by the organic RWA growth (-0.3% pt.). Other important changes in RWA offset each other: sale of Irish loan portfolio and supervisory decisions regarding model reviews & model simplification.

Solvency KBC Bank CRR / CRD (consolidated) (in millions of EUR)	31-12-2023 Fully loaded	31-12-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Total regulatory capital (after profit appropriation)	**19 375**	**17 952**	**17 164**	**17 516**
Tier-1 capital	**16 924**	**15 573**	**15 202**	**15 749**
Common equity	**15 174**	**13 823**	**13 702**	**14 249**
Parent shareholders' equity (excluding minorities) [1]	17 695	15 450	16 313	15 618
Intangible fixed assets, incl. deferred tax impact (-)	- 516	- 516	- 420	- 420
Goodwill on consolidation, incl. deferred tax impact (-)	- 1 218	- 1 218	- 1 326	- 1 326
Minority interests	0	0	0	0
Hedging reserve (cash flow hedges) (-)	580	580	936	936
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 29	- 29	- 40	- 40
Value adjustment due to the requirements for prudent valuation (-) [2]	- 24	- 24	- 31	- 31
Dividend payout (-)	- 806	0	- 1 194	0
Coupon of AT1 instruments (-)	- 28	- 28	- 12	- 12
Deduction re. financing provided to shareholders (-)	- 56	- 56	- 57	- 57
Deduction re. Irrevocable payment commitments (-)	- 90	- 90	- 90	- 90
Deduction re NPL backstops (-)	- 204	- 204	- 158	- 158
Deduction re pension plan assets (-)	- 36	- 36	- 56	- 56
IRB provision shortfall (-)	- 4	0	0	0
Deferred tax assets on losses carried forward (-)	- 91	- 91	- 162	- 162
Transitional adjustments to CET1	0	84	0	46
Limit on deferred tax assets from timing differences relying on future profitability and significant participations in financial sector entities (-)	0	0	0	0
Additional going concern capital	**1 750**	**1 750**	**1 500**	**1 500**
CRR compliant AT1 instruments	1 750	1 750	1 500	1 500
Minority interests to be included in additional going concern capital	0	0	0	0
Tier 2 capital	**2 451**	**2 379**	**1 962**	**1 768**
IRB provision excess (+)	277	265	284	136
Transitional adjustments to T2	0	- 60	0	- 46
Subordinated liabilities	2 174	2 174	1 677	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
Capital requirement				
Total weighted risk volume	**103 201**	**103 192**	**100 300**	**100 285**
Credit risk	88 051	88 042	85 003	84 988
Market risk	2 116	2 116	3 132	3 132
Operational risk	13 034	13 034	12 166	12 166
Solvency ratios				
Common equity ratio	14.70%	13.40%	13.66%	14.21%
Tier-1 ratio	16.40%	15.09%	15.16%	15.70%
CAD ratio	18.77%	17.40%	17.11%	17.47%
Capital buffer				
Common equity capital	15 174	13 823	13 702	14 249
Required pillar 2 capital (10,91% full; 10,50% transitional) [3]	11 682	11 165	11 354	10 851
Capital buffer vs pillar 2 target	3 491	2 658	2 348	3 398

[1] Audited figures (excluding 'IRB provision shortfall' and 'Value adjustment due to requirements for prudent valuation').

[2] CRR ensures that prudent valuation is reflected in the calculation of available capital. This means that the fair value of all assets measured at fair value and impacting the available capital (by means of fair value changes in P&L or equity) need to be brought back to their prudent value. The difference between the fair value and the prudent value (also called the 'additional value adjustment' or AVA) must be deducted from the CET1 ratio.

[3] Including a pillar 2 requirement of 0.98% in CET1 taking into account CRD Article 104a. KBC.

Leverage ratio

At year-end 2023, our fully loaded leverage ratio at KBC Bank stood at 5.12% (see table below) due to higher Tier-1 capital and lower total exposures. More details, including a description of the processes used to manage the risk of excessive leverage, can be found in KBC's Risk Report, which is available at www.kbc.com (the risk report has not been audited by the statutory auditor).

Leverage ratio (KBC Bank consolidated, CRD IV/CRR (Basel III)) in millions of EUR	31-12-2023 Fully loaded	31-12-2023 Transitional	31-12-2022 Fully loaded	31-12-2022 Transitional
Tier-1 capital	16 924	15 573	15 202	15 749
Total exposures	330 339	330 441	343 120	343 177
Total Assets	312 334	312 334	322 088	322 088
Transitional adjustment	0	103	0	
Adjustment for derivatives	-1 333	-1 333	-3 014	-3 014
Adjustment for regulatory corrections in determining Basel III Tier-1 capital	-2 145	-2 145	-2 209	-2 209
Adjustment for securities financing transaction exposures	1 357	1 357	813	813
Central Bank exposure	0	0	0	0
Off-balance sheet exposures	20 125	20 125	25 442	25 442
Leverage ratio	5.12%	4.71%	4.43%	4.59%

ICAAP, ORSA and stress testing

Information is provided in KBC's Risk Report, available on www.kbc.com.

Corporate governance statement

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

Name	Position	Period served on the Board in 2023	Expiry date of current term of office	Board meetings attended	Non-executive directors	Share-holders' representatives	Independent directors	Members of the EC	AC	RCC
Number of meetings in 2023				15					8	10
DEBACKERE Koenraad	Chairman	Full year	2024	15	□					
DEPICKERE Franky	Deputy Chairman of the Board	Full year	2027	15	□	□				10(c)
THIJS Johan	President of the Executive Committee	Full year	2025	15				□(c)		
ANDRONOV Peter	Executive Director	Full year	2025	14				□		
BLAŽEK Aleš	Executive Director	Full year	2026	13				□		
LUTS Erik	Executive Director	Full year	2025	11				□		
MOUCHERON David	Executive Director	Full year	2025	14				□		
POPELIER Luc	Executive Director	Full year	2025	14				□		
VAN RIJSSEGHEM Christine	Executive Director	Full year	2026	12				□		
ARISS Nabil	Independent Director	Full year	2025	15	□		□		8	10
DE BECKER Sonja	Non-Executive Director	Full year	2024	14	□	□				
DE CEUSTER Marc	Non-Executive Director	8 months	2027	10	□	□			4(c)*	
MAGNUSSON Bo	Independent Director	Full year	2024	14	□		□		8	10
OKKERSE Liesbet	Non-Executive Director	Full year		15	□	□				
PAPIRNIK Vladimira	Non-Executive Director	Full year	2027	15	□					
REYES REVUELTA Alicia	Non-Executive Director	Full year	2026	15	□					

**Katelijn Callewaert and Marc Wittemans, who were directors until 26 April 2023, attended 6 Board meetings.

Statutory auditor: PwC Bedrijfsrevisoren BV, represented by Damien Walgrave and Jeroen Bockaert.
Secretary to the Board of Directors: Wilfried Kupers.
Abbreviations: Board of Directors: Board; Executive Committee: EC; Audit Committee: AC; Risk & Compliance Committee: RCC
(c) Chairman of this committee.
*Marc De Ceuster has attended every meeting of the AC since his appointment.

Changes in the composition of the Board in 2023

- Marc De Ceuster and Liesbet Okkerse were appointed as directors for a four-year term of office, replacing Marc Wittemans and Katelijn Callewaert, respectively.
- Franky Depickere and Vladimira Papirnik were re-appointed as directors for a new four-year term of office.

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

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

Proposed changes in the composition of the Board in 2024

- Vladimira Papirnik will resign as director with effect from the general meeting. The Board would like to express its gratitude for the contribution she has made to the KBC group over many years.
- On the advice of the Nomination Committee and subject to the supervisory authority's approval, the Board proposes that Diana Rádl Rogerovábe appointed as director for a four-year term of office.
- On the advice of the Nomination Committee, Koenraad Debackere, Sonja De Becker and Bo Magnusson are nominated for re-appointment as directors for a new four-year term of office, expiring after the general meeting in 2028.

Brief CV for the proposed new director:

Diana Rádl Rogerová was born in Hradec Králové, Czech Republic, on Aug. 15, 1972. She holds a master's degree in International Trade, Monetary Economics and Banking (VŠE, University of Economics and Business in Prague). In 2006, she became an audit partner at Deloitte in Prague and was in charge of the audit of several major financial institutions, among others. From 2016 to 2022, she was managing partner for Deloitte Czech Republic. She combined this responsibility from 2018 to 2022 with the role of Chief Strategy Officer for Deloitte Europe, through which she was responsible for the development and implementation of the global strategy of all Deloitte's European business units (Audit, Tax and Legal, Consulting, Financial Advisory and Risk Advisory). In 2022, Diana became founder and managing partner of Behind Inventions, an investment company that has a number of technology startups in its portfolio. In 2022, Diana earned the title of Czech Manager of the Year.

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

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

Statutory auditor

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

Main features of the internal control and risk management systems

Part 1: Description of the main features of the internal control and risk management systems at KBC

A clear strategy, organisational structure and division of responsibilities set the framework for the proper performance of business activities

We examine the strategy and organisational structure of the KBC group in the 'Our business model' and 'Our strategy' sections of this annual report.

The KBC group has a dual governance structure based on the Belgian model:

- The Board is responsible for defining general strategy and policy. It exercises all the responsibilities and activities reserved to it by law and – based on a proposal by the EC – decides on the overall risk appetite.
- The EC is responsible for the operational management of the company within the confines of the general strategy and policy approved by the Board. To assume its specific responsibility towards financial policy and risk management, the EC appoints a chief financial officer (CFO) and a chief risk officer (CRO) from among its ranks.

The Charter describes the respective responsibilities of both management bodies, their composition and activities, as well as the qualification requirements for their members. Their composition and activities are dealt with in more detail elsewhere in this section.

Corporate culture and integrity policy

Ethical behaviour and integrity are essential components of sound business practice. Honesty, integrity, transparency and confidentiality, together with sound risk management, are part of the strict ethical standards that KBC stands for – both in the letter and the spirit of the regulations. These principles are set out in the integrity policy, as well as in specific codes, procedures and codes of conduct, and are also incorporated into specific training courses and campaigns for staff. The main policy guidelines and codes of conduct are communicated in a transparent manner and can be found at www.kbc.com > Corporate Sustainability > Setting rules and policies.

One of the topics covered by the integrity policy is 'conduct risk', a concept that identifies the risk arising from the inappropriate provision of financial services. To address this matter, KBC has drawn up a comprehensive policy that includes prevention, monitoring and reporting. Extensive, group-wide communication campaigns and training courses on dealing with dilemmas ensure that the necessary awareness of this risk is in place. Managing conduct risk is crucial for safeguarding the interests of clients, especially in the areas of investor protection and insurance policyholder protection.

The integrity policy focuses primarily on the following areas, for which – where appropriate – specific group-wide compliance rules have been issued, i.e. for:

- preventing the financial system being used for laundering money and funding terrorism, observing embargoes, and preventing proliferation financing of weapons of mass destruction;
- preventing fiscal irregularities including special mechanisms and DAC 6;
- protecting investors;
- protecting privacy, including banking secrecy, privacy in electronic communication, confidentiality of information and the professional duty of discretion;
- fostering ethics;
- coordinating fraud prevention;
- protecting insurance policyholders;
- complying with anti-discrimination legislation;
- respecting rules on consumer protection: market practices, payment and lending services, complaints handling,sustainability, rules on SME funding and Payment Services Directive II;
- respecting the governance aspects of CRD IV and V, Solvency II and/or local laws, including the separation of duties between executive management and supervisory bodies, the functioning of committees, incompatibility of offices, sound remuneration policy, 'Fit & Proper' requirements, conflicts of interest, loans made to members of the EC and directors (and persons associated with them) and to shareholders with a significant participation, the provision of advice on outsourcing sustainability, which is inextricably linked to the above-mentioned compliance areas, but which also includes monitoring new compliance risks arising from sustainability regulations.

The integrity policy also maintains a strong and comprehensive focus on ethics and combating fraud:

- By running focused campaigns and training courses, KBC proactively ensures that this ethical attitude is ingrained in the DNA of each employee. The elements of this policy are firmly embedded in the 'KBC Group Ethics & Fraud Policy' and various other policy guidelines referred to in this section.
- Various departments such as Compliance, Inspection, Internal Audit – as well as KBC's business side – engage in the prevention and detection of fraud. For complex fraud cases and/or incidents with an impact at group level, investigations are conducted and/or coordinated by Group Compliance in its capacity as the group competence centre for fraud.
- The 'Policy for the Protection of Whistleblowers in the KBC group' ensures that employees and former employees or external parties who act in good faith to report fraud and gross malpractice are protected (see below).
- Inspired by the UK's Modern Slavery Act, KBC has published a 'Modern Slavery Act Statement' in which it resolves to combat every form of 'modern slavery' in its business activities.

The 'Code of Conduct for KBC Group Employees' is a generalised document based on a set of group values that outlines how all members of staff should conduct themselves. It forms the basis for developing more specialised codes of conduct for specific target groups and for drawing up policy guidelines at group level. It is also the source of inspiration for awareness-raising campaigns and training courses.

Combating corruption and bribery

KBC has pursued a zero-tolerance policy towards any and all forms of corruption for years and does not tolerate any exceptions to this policy.

The 'KBC Anti-Corruption & Bribery Policy' not only affirms KBC's position in the fight against corruption, but is also geared towards preventing corruption in all its activities, including the activities carried out by KBC staff and by persons or entities who work for KBC or who represent KBC in any capacity.

Combating corruption and avoiding conflicts of interest, in general, are dealt with as part of both an authoritative training course and various digital training courses (*see also the table below*).

Another element of the Anti-Corruption & Bribery Policy is the 'policy on gifts, donations and sponsorship' through which KBC endeavours to protect its employees and the other parties involved by means of clear and unambiguous criteria that have been drawn up to foster transparent and reasonable behaviour. Gifts, donations, entertainment, invitations and/or sponsorship, whose equivalent value exceeds a certain sum (on an annual basis), must be reported to and approved by the competent executive committee/management level in advance. In 2023, eighteen reports of this kind were approved in Belgium. In Central Europe, too, gifts and donations above a certain value have to be reported. Two such reports were approved in the Czech Republic, two in Hungary, one in Slovakia and three in Bulgaria.

Anti-money laundering

Given that KBC does not want to be involved in any activity that could be considered as money laundering or the funding of terrorism, an anti-money laundering policy has been developed at group level. The aim of this policy is to establish a general framework for combating money laundering and the funding of terrorism (including proliferation financing of weapons of mass destruction and compliance with embargoes). Each group entity has developed its own AML programme based on group-wide compliance rules covering the minimum requirements, but also ensuring that there is scope to implement local legislation.

In order to properly identify all the risks, an annual risk assessment is carried out at all entities.

Training courses are provided at regular intervals to all employees, tied agents and their staff (*see the following table*).

Furthermore, employees, tied agents and their staff are expected to strictly follow established procedures and guidelines and to exercise due vigilance. This vigilance is promoted by applying a risk-based approach depending on a client's risk classification when identifying clients and checking transactions. If in doubt or where they detect a suspicious transaction, they are required to report this to Compliance.

An integrated, group-wide AI platform based on models and machine learning was developed to facilitate transaction monitoring and was rolled out in Belgium and in the Central European countries where the group operates.

Responsible taxpayer

The basic principle behind the KBC tax strategy is that KBC Group NV and all its entities must act as responsible taxpayers, basing themselves on professionally executed compliance with tax laws, legitimate tax planning and supported by valid business objectives that take precedence over tax considerations. KBC does not take aggressive tax positions simply because it wishes to safeguard its reputation as a responsible taxpayer, and it adheres to a strict tax risk management policy based on these principles. KBC staff are not allowed to provide clients with advice of a nature that might prompt them to commit tax fraud. Any tax advice or tax information provided must be legally correct and clearly worded. All of KBC's tax returns and tax payments are filed correctly and on time. When conducting tax audits, full disclosure in line with prevailing local tax legislation is the guiding principle. KBC reacts in good time to all legislative changes by investing in the necessary IT systems and by adapting its tax processes to ensure they comply with the new rules. Proper governance is in place to follow up and monitor the KBC Tax Strategy. The policy on the prevention of fiscal irregularities is regularly updated and was brought into line with NBB's instructions on special mechanisms, which were modified in 2021. KBC Group NV has the procedures in place that it needs to comply with the DAC 6 requirements. KBC meets all CRS and FATCA requirements.

Whistleblower policy

KBC updated its policy regarding whistleblowers while taking account of new European regulations on the protection of whistleblowers. It expects its employees, tied agents and their staff – when going about their work – to look out for signs of crime, any serious infringements of rules or regulations and other malpractice on the part of employees and clients. All KBC employees, tied agents and their staff have a basic moral duty – and the legal means – to report any suspicions of such conduct.

KBC facilitates anonymous reports and may also report directly and anonymously to the respective supervisors in their areas of competence.

KBC undertakes to protect the identity of whistleblowers and to protect them against any detrimental consequences of acting in good faith to voice their suspicions in the way set out in the internal rules. By doing so, KBC likewise protects and respects the rights of the person about whom concerns are reported. Group Compliance oversees how this policy is implemented in practice. In principle, the local compliance function is the entity where all the reports and files are centralised. It has to inform the Group Compliance's Ethics Unit about every whistleblowing file. The whistleblower policy is published internally and externally (available under 'Corporate Sustainability' at www.kbc.com).

In 2023, 28 reports were received at group level: 11 from Belgium, 11 from the Czech Republic, 10 from Hungary, 5 from Slovakia and 1 from Bulgaria.

Data protection

The Internal Group Compliance rule on data protection sets out a strict privacy framework, which has to be observed as a minimum standard and implemented in every KBC Group entity. Each entity has appointed a data protection officer to inform and advise management and employees on their obligations in the field of privacy and data protection and to monitor compliance with regulations and policies relating to the protection of personal data.

We check the status of relevant topics through regular compliance monitoring programmes and use awareness campaigns and training to hold people's attention and ensure their knowledge remains up-to-date (*see also the table below*).

Given the importance of privacy and data protection, we keep our Executive Committee and the Risk and Compliance Committee of the Board of Directors informed through a quarterly report.

For more information about data protection and privacy, see 'The client is at the centre of our business culture' in the 'Our strategy' section of the KBC Group annual report.

Training courses completed, as % of the selected target audience, 2023	**Training on ethics, avoiding conflicts of interest and combating corruption**	**Anti-money laundering training**	**Data protection training**
Belgium (KBC Bank, KBC Insurance, KBC Securities, KBC Asset Management, tied insurance agents and their staff)	99%	97%	99%
Czech Republic (ČSOB Bank)	99%	99%	99%
Slovakia (ČSOB Bank)	97%	98%	99%
Hungary (K&H Bank)	97%	95%	97%
Bulgaria (UBB)	96%	96%	96%

The 'Three Lines of Defence' model arms KBC against risks that could prevent targets from being achieved

To arm itself against the risks that it is exposed to in achieving its mission, the EC – under its responsibility and the supervision of the Board – has implemented a multi-layered internal control system. This system is commonly known as the 'Three Lines of Defence' model.

1 The business side

The business operations side is fully responsible for all the risks in its area of activity and has to ensure that effective controls are in place. In so doing, it ensures that the right controls are performed in the right way, that self-assessment of the business side is of a sufficiently high standard, that there is adequate awareness of risk and that sufficient priority/capacity is allocated to risk themes.

2 The Group risk and compliance functions, and – for certain matters – Finance, Legal and Tax, constitute the second line of defence

Independent of the business side, the second-line risk and control functions formulate their own opinion regarding the risks confronting KBC. In this way, they can oversee the control environment and the risks taken, without taking over primary responsibility from the first line. In this regard, the second-line functions are tasked to identify, measure and report risks. To ensure that the risk function is respected, the Chief Risk Officers have a veto right, which can be used in the various committees where important decisions are made. The second-line risk and control functions also support the consistent implementation of the risk policy, the risk framework, etc., throughout the group, and supervise how they are applied.

Compliance is an independent function within the group, characterised by its specific status (as provided for by law and regulations and described in the Compliance Charter), its place in the organisation chart (hierarchically under the CRO with a functional reporting line to the President of the EC) and associated reporting lines (reporting to the RRC and even to the Board in certain cases).
Its prime objective is to prevent KBC from running a compliance risk or from incurring loss/damage – regardless of its nature – due to non-compliance with applicable laws, regulations or internal rules that fall either within the scope of the compliance function or within the areas assigned to it by the EC. Hence, the compliance function devotes particular attention to adherence to the integrity policy.

3 As independent third line of defence, Internal Audit provides support to the EC, AC, RCC and the Board in monitoring the effectiveness and efficiency of the internal control and risk management system

Internal Audit provides reasonable assurance about whether the internal control and risk management system processes, including corporate governance, are effective and efficient. As independent third line of defence reporting to the AC, it performs risk-oriented audits to this end and ensures that policy measures and processes are in place and consistently applied within the group to guarantee the continuity of operations.

Responsibilities, features, organisational structure and reporting lines, scope, audit methodology, co-operation between internal audit departments of the KBC group, and outsourcing of internal audit activities are set out in the Audit Charter of KBC Group NV.

In accordance with international professional audit standards, an external entity screens the audit function on a regular basis. This screening was conducted in 2023, for the first time since 2019. The results of that exercise, which were very positive, were reported to the EC and the AC.

The AC and RCC play a central role in monitoring the internal control and risk management systems

Each year, the EC evaluates whether the internal control and risk management system is still compliant and reports its findings to the AC and RCC.

These committees supervise, on behalf of the Board, the integrity and effectiveness of the internal control measures and the risk management system set up under the EC, with the AC paying special attention to correct financial reporting. They also examine the procedures set up by the company to see whether they comply with the law and other regulations.

Their role, composition and activities, along with the qualifications of their members, are laid down in their respective charters, which are included under the Charter of KBC Group NV. More information on these committees is provided elsewhere in this section.

Part 2: Description of the main features of the internal control and risk management systems in relation to the financial reporting process

It is vitally important that timely, accurate and understandable financial reports are provided to both internal and external stakeholders. To ensure this is the case, the underlying process needs to be sufficiently robust.

Periodic reporting at company level is based on a documented accounting process. Accounting procedures and financial reporting process have been documented in a comprehensive manual. Periodic financial statements are prepared directly from the general ledger. Bookkeeping accounts are examined to see whether they correspond to underlying inventories. The result of these controls can be demonstrated. Periodic financial statements are prepared in accordance with local accounting policies and periodic reports on own funds in accordance with the most recent National Bank of Belgium (NBB) resolutions.

The main affiliated companies have their own accounting and administrative organisation, as well as a set of procedures for internal financial controls. The consolidation process is explained in a descriptive document. The consolidation system and the consolidation process have been operational for some time and have numerous built-in consistency controls.

The consolidated financial statements are prepared in accordance with IFRS accounting policies that apply to all the companies included in the scope of consolidation. The relevant senior financial managers (CFOs) of the subsidiaries certify to the accuracy and completeness of the financial figures reported in accordance with group accounting policies. The Approval Committee, which is chaired by the general managers of Investor Relations and of Experts, Reporting & Accounting, monitors compliance with IFRS accounting policies and the completeness of IFRS disclosure requirements.

Pursuant to the Act of 25 April 2014 on the status and supervision of credit institutions, the EC of KBC Group NV evaluated the internal control system for the financial reporting process and prepared a report on its findings.

The group-wide roll-out of ‘fast close’ procedures, the monitoring of intercompany transactions within the group, and permanent follow-up of a number of indicators relating to risk, performance and quality (Key Risk Indicators and Key Performance Indicators) continually help raise the quality of both the accounting process and the financial reporting process.

The internal control of the accounting process has been based on Group Key Control Accounting and External Financial Reporting standards since 2006. These rules for managing the main risks attached to the accounting process involve the establishment and maintenance of accounting process architecture, the establishment and maintenance of accounting policies and accounting presentations, compliance with authorisation rules and the separation of responsibilities when transactions are registered in the accounts, and the establishment of appropriate first- and second-line account management.

The Challenger Framework (2012) and Data Management Framework (2015) define a solid governance structure and clearly describe the roles and responsibilities of the various players in the financial reporting process. The aim here is to radically reduce reporting risks by challenging input data and improving the analysis of – and therefore insight into – the reported figures.

Each year, when preparing the Internal Control Statement for the supervisory authorities, the legal entities have to assess themselves as to whether they comply with the Group Key Control Accounting and External Financial Reporting standards. The findings of this self-assessment are registered in the risk function’s Group Risk Assessment Tool. Business process management (BPM) techniques are also applied, using process inventories, process descriptions (turtle diagrams) and analyses of the potential risks in the processes (Failure Mode & Effects Analysis (FMEA)), supplemented by the questionnaire completed by the CFOs. In this way, the CFOs formally confirm by substantiated means that all the defined roles and responsibilities relating to the end-to-end process for external financial reporting have been properly assumed within their entity. The veracity of this confirmation can be checked at any time by all the internal and external stakeholders involved.

KBC Group NV’s Internal Audit function conducts an end-to-end audit of the accounting process and external financial reporting process at both company and consolidated level.

For details of the AC’s supervisory work, see the preceding paragraphs.

Shareholder structure on 31 December 2023

The Act of 2 May 2007 concerning the disclosure of significant participations in issuers whose shares are admitted to trading on a regulated market and containing miscellaneous provisions, does not apply to KBC Bank because the securities it issues that carry voting rights are not included on a regulated market.

As far as the shareholder structure of KBC Bank NV at 31 December 2023 is concerned, all 995 371 469 shares were held by KBC Group NV.

Disclosure under Article 34 of the Belgian Royal Decree of 14 November 2007

Article 34 of the Belgian Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments admitted to trading on a regulated market, does not apply to KBC Bank because it has not permitted any securities carrying voting rights to be included on a regulated market for trading.

Additional information

- Acquisition of treasury shares: KBC Bank NV and its subsidiaries do not hold any treasury shares.
- Conflicts of interest that fell within the scope of Article 7:115, 7:116 or 7:117 of the CAC
  - During financial year 2023, the Board's decision on the assessment of the Executive Committee members required the application of Article 7:115 of the CAC. The proposal was discussed at the Board meeting of 8 February 2023, the relevant minutes of which are provided below:

    Based on a proposal from the Remuneration Committee, the Board discusses the individual performance scores of the Executive Committee members (excluding the CEO). The Board agrees.

    After the CEO leaves the meeting, the Board discusses the Remuneration Committee's proposal regarding the CEO's individual performance score, to which it agrees.

    The Chairman continues to explain that the Remuneration Committee discussed the Executive Committee's collective and individual KPIs for 2022, which came to an overall score of 97.79% (compared to 96.4% in 2021). As the risk and control parameters are counted double for the CRO and the business parameters are excluded (for regulatory reasons), the final score for the CRO is 97.46%.
  - During financial year 2023, the Board's decision to grant discharge to the Executive Committee members – in implementation of Article 7:109, §3 of the CAC – required the application of Article 7:115 of the CAC. The proposal was discussed at the Board meeting of 16 March 2023, the relevant minutes of which are provided below:

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

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

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

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

- The Board worked out an arrangement regarding transactions and other contractual ties between the company (including its affiliated companies) and its directors, not covered by the conflict of interest rule set out in the Companies and Associations Code. It was incorporated into the Corporate Governance Charter of KBC Bank NV, which was in force until year-end 2023.
- Discharge to directors and to the statutory auditor: it will be requested at the General Meeting to grant discharge to the directors and auditor for the performance of their mandate in financial year 2023.
- At year-end 2023, the AC comprised the following members:
  - Marc De Ceuster (non-executive director), who holds a Doctor's degree in Applied Economics (UFSIA Antwerp) and a Master's Degree in Law (UIA Antwerp). He is Professor of Financial Economics at the University of Antwerp, Chairman of KBC Ancora NV and Executive Director of Cera Beheersmaatschappij NV and of Almancora Beheersmaatschappij NV.
  - Nabil Ariss (independent director), who is a graduate of HEC Paris and the University of Chicago Booth School of Business. He has advised the boards of directors of companies, financial institutions and non-profit organisations on strategy, governance, organisation, business operations, mergers & acquisitions and business finance for more than 30 years, first at McKinsey then at J.P. Morgan, where he retired as Vice-Chairman. He is the founder of Fresnel1823, an independent business consultancy firm.
  - Bo Magnusson (independent director), who is a graduate of the High School Social Science Programme and holds certificates in Accounting, Macroeconomics, Treasury Management and Financial & Risk Management. He held different positions at SEB (1982-2011), including in the areas of accounting and finance. During his career there, he was Head of the Retail Division (2005-2008), Deputy President and CEO (2008-2011) and Head of Group Staff & Business Support (2009-2011). He was Chairman of the boards of Carnegie Investment Bank AB (2012-2019), SBAB Bank AB (2013-2019), Norrporten AB (2013-2016), 4T Sverige AB (2012-2015), Deputy Chairman of the Board of Swedbank AB (2019-2022), and has been Chairman of the Board of FCG Group AB since 2022.

  These members possess the requisite individual and collective expertise in the activities conducted by the bank and in the areas of accounting and/or auditing, based on their education and extensive business experience.
- At year-end 2023, the RCC comprised the following members:
  - Franky Depickere (non-executive director), who holds Master's Degrees in Trade & Finance (UFSIA Antwerp) and in Financial Management (VLEKHO Business School). He was internal auditor at CERA Bank and has held positions and offices in various financial institutions. He is currently Managing Director at Cera CV and KBC Ancora NV. Mr Depickere is the Chairman of the RCC.
  - Nabil Ariss (independent director).
  - Bo Magnusson (independent director).

  It can be concluded on the basis of the profiles and competences of the members that each individual member and the RCC as a whole possess the requisite skills and experience.
- The Remuneration Committee of KBC Group NV is also authorised to act in relation to KBC Bank NV. It advises the Board of Directors of KBC Group NV regarding the remuneration policy pursued at both KBC Group NV and KBC Bank NV. At year-end 2023, the Remuneration Committee comprised the following members: Koenraad Debackere (Chairman), Alicia Reyes Revuelta and Philippe Vlerick.
- The Nomination Committee of KBC Group NV is also authorised to act in relation to KBC Bank NV. At year-end 2023, the Nomination Committee was made up of Koenraad Debackere (Chairman), Philippe Vlerick, Franky Depickere, Sonja De Becker and Vladimira Papirnik.
- In compliance with the laws on the incompatibility of offices held by managers of credit institutions, the following is a list of the external offices held by the executive managers and directors of KBC Bank NV in other companies, with the exception of those offices performed in companies within the meaning of Article 27, §3, para. three of the Act of 22 March 1993.
- A list of the external offices held by the non-executive members of the Board is provided at www.kbc.com, under *Corporate Governance > Management > External offices*

Consolidated financial statements

Abbreviations used

- **AC** = amortised cost
- **FVO** = fair value option
- **FVOCI** = fair value through other comprehensive income
- **FVPL** = fair value through profit or loss
- **HFT** = held for trading
- **MFVPL** = mandatorily measured at fair value through profit or loss
- **OCI** = other comprehensive income
- **POCI** = purchased or originated credit impaired assets

Consolidated income statement

(in millions of EUR)	Note	2023	2022
Net interest income	3.1	5 044	4 724
Interest income	*3.1*	*19 996*	*10 826*
Interest expense	*3.1*	*-14 952*	*-6 102*
Dividend income	3.2	18	19
Net result from financial instruments at fair value through profit or loss	3.3	219	320
Net fee and commission income	3.4	2 387	2 256
Fee and commission income	3.4	*3 137*	*2 942*
Fee and commission expense	3.4	*- 750*	*- 686*
Net other income	3.5	578	- 58
TOTAL INCOME		**8 246**	**7 261**
Operating expenses	3.7	-4 624	-4 308
Total Opex without bank tax	3.7	*-3 966*	*-3 689*
Total bank tax	3.7	*- 657*	*- 620*
Impairment	3.9	- 180	- 275
on FA at amortised cost and at FVOCI	3.9	*18*	*- 155*
on goodwill	3.9	*- 109*	*- 5*
other	3.9	*- 88*	*- 115*
Share in results of associated companies and joint ventures	3.10	- 4	- 10
RESULT BEFORE TAX		**3 439**	**2 668**
Income tax expense	3.11	- 608	- 470
Net post-tax result from discontinued operations		0	0
RESULT AFTER TAX		**2 831**	**2 197**
Attributable to minority interests		- 1	0
Attributable to equity holders of the parent		**2 832**	**2 197**

- We have dealt with the main items in the income statement in the ‘Report of the Board of Directors’ under the ‘Our financial report’ and ‘Our business units’ sections. The statutory auditor has not audited these sections.
- The breakdown of interest income and interest expense on financial instruments calculated using the effective interest rate method and on other financial instruments (not calculated using the effective interest rate method) is provided in Note 3.1.
- The impact of the most important acquisitions and disposals made in 2023 and 2022 is set out in Note 6.6.

Consolidated statement of comprehensive income

(in millions of EUR)	2023	2022
RESULT AFTER TAX	**2 831**	**2 197**
Attributable to minority interests	- 1	0
Attributable to equity holders of the parent	2 832	2 197
OCI THAT MAY BE RECYCLED TO PROFIT OR LOSS	**409**	**- 78**
Net change in revaluation reserve (FVOCI debt instruments)	106	- 223
Fair value adjustments before tax	130	- 293
Deferred tax on fair value changes	- 26	64
Transfer from reserve to net result	2	5
Impairment	*0*	*0*
Net gains/losses on disposal	*2*	*6*
Deferred taxes on income	*0*	*- 1*
Net change in hedging reserve (cashflow hedges)	356	172
Fair value adjustments before tax	385	166
Deferred tax on fair value changes	- 74	- 55
Transfer from reserve to net result	45	61
Gross amount	*61*	*80*
Deferred taxes on income	*- 15*	*- 19*
Net change in translation differences	- 103	- 21
Gross amount	- 103	- 21
Deferred taxes on income	0	0
Hedge of net investments in foreign operations	52	- 4
Fair value adjustments before tax	84	- 65
Deferred tax on fair value changes	- 23	12
Transfer from reserve to net result	- 10	49
Gross amount	*- 13*	*66*
Deferred taxes on income	*3*	*- 16*
Net change in respect of associated companies and joint ventures	0	0
Gross amount	0	0
Deferred taxes on income	0	0
Other movements	- 2	- 2
OCI THAT WILL NOT BE RECYCLED TO PROFIT OR LOSS	**- 22**	**184**
Net change in revaluation reserve (FVOCI equity instruments)	3	3
Fair value adjustments before tax	5	3
Deferred tax on fair value changes	- 2	0
Net change in defined benefit plans	- 26	180
Remeasurements	- 34	244
Deferred tax on remeasurements	9	- 64
Net change in own credit risk	0	1
Fair value adjustments before tax	0	1
Deferred tax on fair value changes	0	0
Net change in respect of associated companies and joint ventures	0	0
Remeasurements	0	0
Deferred tax on remeasurements	0	0
TOTAL COMPREHENSIVE INCOME	**3 219**	**2 304**
Attributable to minority interests	- 1	0
Attributable to equity holders of the parent	3 219	2 304

- Revaluation reserves in 2023:
  - The net change in the ‘revaluation reserve (FVOCI debt instruments)’ came to +106 million euros, which was mainly accounted for by the lower interest rates and the unwinding effect of the negative outstanding revaluation reserve.
  - The net change in the hedging reserve (cashflow hedge) of +356 million euros was mainly attributable to the unwinding effect of the negative outstanding hedging reserve and positive mark-to-market on receiver swaps due to the lower interest rates.
  - The net change in defined benefit plans of -26 million euros was accounted for by the impact of the lower discount rate applied to the liabilities, partly offset by the lower expected inflation rate and the positive returns on plan assets.
  - The net change in translation differences of -103 million euros was caused primarily by the depreciation of the Czech koruna against the euro, partly offset by the appreciation of the Hungarian forint against the euro. This was partly offset by the hedge of net investments in foreign entities (+52 million euros). The hedging policy of foreign exchange participations is aimed at stabilising the group capital ratio (and not the equity).
- Revaluation reserves in 2022:
  - The net change in the ‘revaluation reserve (FVOCI debt instruments)’ came to -223 million euros, which was mainly accounted for by higher interest rates, related primarily to government bonds of European countries.
  - The net change in the hedging reserve (cashflow hedge) of +172 million euros was mainly attributable to higher interest rates. The net change in defined benefit plans (+180 million euros) was accounted for by the impact of the higher discount rate applied to the liabilities, partly offset by the negative returns on plan assets and higher inflation. The net change in the ‘revaluation reserve (FVOCI equity instruments)’ was immaterial.
  - The net change in translation differences (-21 million euros) was caused primarily by the depreciation of the Hungarian forint against the euro and the realisation of positive valuation differences in Czech koruna due to the dividend payout in the group, largely offset by the appreciation of the US dollar and the Czech koruna against the euro.
  - The hedge of net investments in foreign operations (-4 million euros) was negatively impacted by the appreciation of the US dollar and the Czech koruna (only limited volumes of hedging instruments in Hungarian forint), largely offset by a reduced hedge in Czech koruna due to the dividend payout in the group.

Consolidated balance sheet

(in millions of EUR)	Note	31-12-2023	31-12-2022
ASSETS			
Cash, cash balances with central banks and other demand deposits with credit institutions		34 512	51 385
Financial assets	4.0	273 067	259 824
Amortised cost	*4.0*	*258 099*	*246 553*
Fair value through OCI	*4.0*	*5 479*	*3 584*
Fair value through profit or loss	*4.0*	*9 202*	*9 160*
of which held for trading	*4.0*	*8 343*	*8 493*
Hedging derivatives	*4.0*	*287*	*528*
Profit/loss on positions in portfolios hedged for interest rate risk		-2 402	-4 335
Tax assets	5.2	812	1 069
Current tax assets	*5.2*	*134*	*124*
Deferred tax assets	*5.2*	*678*	*944*
Non-current assets held for sale and disposal groups	*5.11*	4	8 054
Investments in associated companies and joint ventures	5.3	31	33
Property, equipment and investment property	5.4	3 322	3 181
Goodwill and other intangible assets	5.5	1 886	1 916
Other assets	5.1	1 101	960
TOTAL ASSETS		312 334	322 088
LIABILITIES AND EQUITY			
Financial liabilities	4.0	290 885	301 525
Amortised cost	*4.0*	*282 036*	*290 586*
Fair value through profit or loss	*4.0*	*8 451*	*10 369*
of which held for trading	*4.0*	*7 092*	*9 164*
Hedging derivatives	*4.0*	*398*	*570*
Profit/loss on positions in portfolios hedged for interest rate risk		- 505	-1 443
Tax liabilities	5.2	151	178
Current tax liabilities	*5.2*	*86*	*132*
Deferred tax liabilities	*5.2*	*66*	*47*
Liabilities associated with disposal groups	*5.11*	0	2 020
Provisions for risks and charges	5.7	180	416
Other liabilities	5.8	1 678	1 579
TOTAL LIABILITIES		292 389	304 275
Total equity	5.10	19 945	17 813
Parent shareholders' equity	5.10	17 695	16 313
Additional tier-1 instruments included in equity	5.10	2 250	1 500
Minority interests		0	0
TOTAL LIABILITIES AND EQUITY		312 334	322 088

- The impact of the most important acquisitions and disposals made in 2023 and 2022 is set out in Note 6.6.
- An analysis of the most material items on the balance sheet can be found in the 'Report of the Board of Directors' section under 'Our financial report' (the statutory auditor has not audited this section).

Consolidated statement of changes in equity

(in millions of EUR)	Issued and paid up share capital	Share premium	Treasury shares	Retained earnings	Total revaluation reserves	Parent shareholders' equity	AT1 instruments included in equity	Minority interests	Total equity
2023									
Balance at the beginning of the period	9 732	2 066	0	5 401	- 887	16 313	1 500	0	17 813
Net result for the period	0	0	0	2 832	0	2 832	0	- 1	2 831
Other comprehensive income for the period	0	0	0	- 2	389	387	0	0	387
Subtotal	0	0	0	2 830	389	3 219	0	- 1	3 219
Dividends	0	0	0	- 1 782	0	- 1 782	0	0	- 1 782
Coupon on AT1	0	0	0	- 52	0	- 52	0	0	- 52
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	- 3	3	0	0	0	0
Change in scope	0	0	0	0	0	0	0	1	1
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	991	392	1 383	750	0	2 133
Balance at the end of the period	9 732	2 066	0	6 391	- 495	17 695	2 250	0	19 945
2022									
Balance at the beginning of the period	9 732	2 066	0	6 224	- 976	17 047	1 500	0	18 547
Net result for the period	0	0	0	2 197	0	2 197	0	0	2 197
Other comprehensive income for the period	0	0	0	- 2	108	107	0	0	107
Subtotal	0	0	0	2 196	108	2 304	0	0	2 304
Dividends	0	0	0	- 2 986	0	- 2 986	0	0	- 2 986
Coupon on AT1	0	0	0	- 52	0	- 52	0	0	- 52
Capital increase	0	0	0	0	0	0	0	0	0
Transfer from revaluation reserves to retained earnings on realisation	0	0	0	20	- 20	0	0	0	0
Change in minorities interests	0	0	0	0	0	0	0	0	0
Total change	0	0	0	- 823	89	- 734	0	0	- 734
Balance at the end of the period	9 732	2 066	0	5 401	- 887	16 313	1 500	0	17 813

- An explanation of the changes in the revaluation reserves is provided under 'Consolidated statement of comprehensive income'.
- For information on the shareholder structure, see the 'Report of the Board of Directors' in the 'Corporate governance statement' section.
- For information on capital increases, additional tier-1 instruments, treasury share buybacks and the number of shares, see Note 5.10.
- The 'Dividends' item in 2022 (2 986 million euros) includes the final dividend for financial year 2021 of 1 483 million euros, paid in May 2022, and an interim dividend of 1 503 million euros, paid in August 2022). The 'Dividends' item in 2023 (1 782 million euros) includes the final dividend for financial year 2022 of 1 194 million euros, paid in May 2023, and an interim dividend of 587 million euros, paid in August 2023.
- We propose to the General Meeting of Shareholders of 24 April 2024 a total dividend of 1 394 million euros related to 2023, comprising the interim dividend of 587 million euros, paid in August 2023, and a final dividend of 806 million euros, payable in May 2024.

Composition of the 'Total revaluation reserves' column in the previous table (in millions of EUR)	31-12-2023	31-12-2022	31-12-2021
Total	- 495	- 887	- 976
Revaluation reserve (FVOCI debt instruments)	- 40	- 147	77
Revaluation reserve (FVOCI equity instruments)	14	8	24
Hedging reserve (cashflow hedges)	- 580	- 936	-1 108
Translation differences	- 240	- 137	- 116
Hedge of net investments in foreign operations	126	75	78
Remeasurement of defined benefit plans	224	250	70
Own credit risk through OCI	0	0	- 1

Consolidated cashflow statement

(in millions of EUR)	Note[1]	2023	2022
OPERATING ACTIVITIES			
Result before tax	Cons. income stat.	3 439	2 668
Adjustments for non-cash items in profit & loss		- 142	2 560
Result before tax from discontinued operations	*Cons. income stat.*	*0*	*0*
Depreciation, impairment and amortisation of property, plant and equipment, intangible fixed assets, investment property and securities	*3.9, 4.2, 5.4, 5.5*	*480*	*397*
Profit/Loss on the disposal of investments	—	*- 449*	*- 12*
Change in impairment on loans and advances	*3.9*	*- 18*	*155*
Change in other provisions	*5.7*	*- 145*	*156*
Other unrealised gains/losses	—	*- 13*	*1 854*
Income from associated companies and joint ventures	*3.11*	*4*	*10*
Cashflows from operating profit before tax and before changes in operating assets and liabilities	—	3 297	5 227
Changes in operating assets (excluding cash and cash equivalents)		-6 149	-10 035
Financial assets at amortised cost (excluding debt securities)	*4.1*	*-4 633*	*-12 949*
Financial assets at fair value through OCI	*4.1*	*-1 772*	*1 008*
Financial assets at fair value through profit or loss	*4.1*	*- 59*	*305*
of which financial assets held for trading	*4.1*	*103*	*431*
Hedging derivatives	*4.1*	*239*	*- 247*
Operating assets associated with disposal groups, and other assets	—	*76*	*1 849*
Changes in operating liabilities (excluding cash and cash equivalents)		-18 831	15 789
Financial liabilities at amortised cost	*4.1*	*-16 965*	*16 440*
Financial liabilities at fair value through profit or loss	*4.1*	*-1 914*	*1 836*
of which financial liabilities held for trading	*4.1*	*-2 038*	*1 822*
Hedging derivatives	*4.1*	*214*	*- 358*
Operating liabilities associated with disposal groups and other liabilities	—	*- 166*	*-2 129*
Income taxes paid		- 429	- 408
Net cash from or used in operating activities		-22 112	10 573
INVESTING ACTIVITIES			
Purchase and proceeds of debt securities at amortised cost	4.1	-3 043	-3 502
Purchase of debt securities at amortised cost	*4.1*	*-9 708*	*-12 573*
Proceeds from the repayment of debt securities at amortised cost	*4.1*	*6 665*	*9 071*
Acquisition of a subsidiary or a business unit, net of cash acquired (including increases in percentage interest held)		- 42	- 42
Proceeds from the disposal of a subsidiary or business unit, net of cash disposed of (including decreases in percentage interest held)		6 480	0
Purchase of shares in associated companies and joint ventures	—	- 1	- 5
Proceeds from the disposal of shares in associated companies and joint ventures	—	23	0
Dividends received from associated companies and joint ventures	—	0	0
Purchase of investment property	—	- 3	- 71
Proceeds from the sale of investment property	—	76	13
Purchase and proceeds from the sale of intangible fixed assets (excluding goodwill)	—	- 221	- 199
Purchase of intangible fixed assets (excluding goodwill)	—	*- 222*	*- 201*
Proceeds from the sale of intangible fixed assets (excluding goodwill)	—	*1*	*1*
Purchase and proceeds from the sale of property, plant and equipment (excluding goodwill)	—	- 664	- 301
Purchase of property, plant and equipment	—	*- 949*	*- 543*
Proceeds from the sale of property, plant and equipment	—	*285*	*242*
Other		0	0
Net cash from or used in investing activities		2 606	-4 106

(in millions of EUR)	Note[1]	2023	2022
FINANCING ACTIVITIES			
Purchase or sale of treasury shares	Cons. stat. of changes in equity	0	0
Issue or repayment of promissory notes and other debt securities	4.1	2 374	-1 579
Proceeds from or repayment of subordinated liabilities	4.1	5 052	1 584
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	747	0
Dividends paid	Cons. stat. of changes in equity	-1 782	-2 986
Coupon additional Tier-1 instruments	Cons. stat. of changes in equity	- 52	- 52
Net cash from or used in financing activities		6 339	-3 034
CHANGE IN CASH AND CASH EQUIVALENTS			
Net increase or decrease in cash and cash equivalents		-13 167	3 434
Cash and cash equivalents at the beginning of the period		67 439	63 502
Effects of exchange rate changes on opening cash and cash equivalents		- 330	503
Cash and cash equivalents at the end of the period		53 942	67 439
ADDITIONAL INFORMATION			
Interest paid[2]	3.1	-14 952	-6 102
Interest received[2]	3.1	19 996	10 826
Dividends received (including equity method)	3.2, 5.3	18	19
COMPONENTS OF CASH AND CASH EQUIVALENTS			
Cash and cash balances with central banks and other demand deposits with credit institutions	Cons. balance sheet	34 512	51 385
Term loans to banks at not more than three months (excl. reverse repos)	4.1	221	1 236
Reverse repos with credit institutions and investment firms at not more than three months	4.1	25 345	19 903
Deposits from banks repayable on demand	4.1	-6 136	-5 086
Cash and cash equivalents belonging to disposal groups		0	0
Total		53 942	67 439
of which not available		*0*	*0*

[1]The notes referred to do not always contain the exact same amounts as those included in the cashflow statement, as - among other things - adjustments have been made to take account of acquisitions or disposals of subsidiaries, as set out in IAS 7.
[2]'Interest paid' and 'Interest received' in this overview are the equivalent of the 'Interest expense' and 'Interest income' items in the consolidated income statement. Given the large number of underlying contracts that generate interest expense and interest income, it would take an exceptional administrative effort to establish actual cashflows. Moreover, it is reasonable to assume that actual cashflows for a bank-insurance company do not differ much from the accrued interest expense and accrued interest income, as most rate products pay interest regularly within the year.

- KBC uses the indirect method to report on cashflows from operating activities.
- Net cash from or used in operating activities:
  - In 2023, this item included a repayment of part of the amount borrowed under TLTRO III (12.9 billion euros), lower demand deposits and savings deposits (partly due to the outflow to the Belgian State Note in September 2023), lower repos and higher mortgage loans and term loans, partly offset by growth in certificates of deposit and time deposits;
  - In 2022, this item included the realised result combined with strong deposit growth (mainly customer deposits) and repos, partly offset by a growing home loan and term loan portfolio and repayment of part of the amount borrowed under TLTRO III;
- Net cash from or used in investing activities:
  - In 2023, this item included the cash proceeds from the finalisation of the sale in Ireland, partly offset by additional investments in debt securities at amortised cost.
  - In 2022, this item included additional investments in debt securities at amortised cost, as well as -42 million euros related to the acquisition of the Bulgarian operations of Raiffeisenbank (now renamed KBC Bank Bulgaria);
- Net cash from or used in financing activities:
  - In 2023, this item included the dividend payout (-1.8 billion euros) and the issue or repayment of promissory notes and other debt securities (+2.4 billion euros). KBC IFIMA, ČSOB in the Czech Republic and KBC Bank NV accounted for the bulk of the figure for 2023, which related primarily to 3.2 billion euros' worth of these instruments being issued and 0.9 billion euros being redeemed. This item also included the proceeds from or repayment of subordinated liabilities (+5.1 billion euros; KBC Bank NV accounted for the bulk of the figure, of which 6.9 billion euros in instruments issued and 1.7 billion euros in redemptions) and the issue of a new additional tier-1 instrument (+0.75 billion euros).
  - In 2022, this item included the dividend payout (-3.0 billion euros), the issue or repayment of promissory notes and other debt securities. KBC Ifima, ČSOB Czech Republic and KBC Bank NV accounted for the bulk of the figure for 2022, which related primarily to redemptions. This item also included the proceeds from or repayment of subordinated liabilities. KBC Bank NV accounted for the bulk of the figure for 2022, which related primarily to instruments issued (4.1 billion euros) and redemptions (2.8 billion euros);

1.0 Notes on the accounting policies

Note 1.1: Statement of compliance

The consolidated financial statements of KBC Bank NV, including all the notes, were authorised for issue on 14 March 2024 by the Board of Directors. They have been prepared in accordance with the International Financial Reporting Standards as adopted for use in the European Union ('endorsed IFRS') and present one year of comparative information. All amounts are shown in millions of euros and rounded to the million (unless otherwise stated).

The following standards became effective on 1 January 2023:

- IFRS 17, with no impact on KBC Bank.
- Amendments to IAS 1 Presentation of Financial Statements: the amended IAS 1 requires that companies provide information about material accounting policies rather than a list of their main accounting policies. The impact of these amendments was limited for KBC.
- Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules: the amended IAS 12 provides companies with a temporary exception to the recognition and disclosure requirements for deferred tax assets/liabilities related to Pillar Two income taxes and introduces specific disclosure requirements for companies affected by this tax reform (see Note 3.11).

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

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

The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.

Note 1.2: Summary of material accounting policies

General / Basic principle

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

Financial assets

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

Financial assets – recognition and derecognition

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

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

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

Classification of equity instruments and debt instruments

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

Classification and measurement – debt instruments

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

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

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

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

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

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

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

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

Business model assessment

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

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

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

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

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

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

Reclassifications

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

Classification and measurement – equity instruments

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

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

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

Classification and measurement – derivatives (trading and hedging)

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

Trading derivatives

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

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

Hedging derivatives

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

Financial assets – impairment

Definition of default

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

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

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

Expected credit loss model (ECL model) – general

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

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

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

No ECLs are calculated for investments in equity instruments.

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

To distinguish the various stages with regard to quantifying ECL, KBC uses the internationally accepted terminology for 'Stage 1', 'Stage 2' and 'Stage 3' financial assets.

Unless they are already credit impaired, all financial assets are classified in 'Stage 1' at the time of initial recognition and 12-month ECL is recognised. Once a significant increase in credit risk occurs after initial recognition, the asset is moved into 'Stage 2' and lifetime ECL is recognised. Once an asset meets the definition of default, it is moved into 'Stage 3'.
For trade receivables, IFRS 9 allows for a practical expedient. The ECL for trade receivables can be measured in an amount equal to their lifetime ECL. KBC applies this practical expedient to trade and other receivables.
Impairment gains and losses on financial assets are recognised under the 'Impairment' heading in the income statement.

Financial assets that are measured at AC are presented in the balance sheet at their net carrying value, which is the gross carrying value less impairment. Debt instruments measured at FVOCI are presented in the balance sheet at their carrying value, which is their fair value on the reporting date. The adjustment for the ECL is recognised as a reclassification adjustment between the income statement and OCI.

Significant increase in credit risk since initial recognition

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

Multi-tier approach (MTA) – bond portfolio

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

- Low-credit exception: 12-month ECL is always recognised for bonds if they have a low credit risk on the reporting date (i.e. 'Stage 1'). KBC uses this exception for investment grade bonds.
- Internal rating: [only applicable if the first-tier criterion is not met] this is a relative assessment that compares the probability of default (PD) upon initial recognition to that on the reporting date. KBC does the assessment at facility level for each reporting period. The relative change in PD that triggers staging is an increase of two PD notches.
- Management assessment: lastly, management review and assess the significant increase in credit risk for financial assets at an individual (i.e. counterparty) and portfolio level, when it is concluded that idiosyncratic events are not adequately captured in the first two tiers of the MTA. Examples of idiosyncratic events are unexpected developments in the macroeconomic environment (including due to the coronavirus crisis), uncertainties about geopolitical events and the secondary impact of material defaults (e.g., on the suppliers, clients and employees of a defaulted company).

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

Loan portfolio

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

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

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

Measurement of ECL

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

ECL is calculated to reflect:

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

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

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

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

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

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

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

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

Purchased or originated credit impaired (POCI) assets

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

Significant judgements and uncertainties

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

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

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

Financial liabilities

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

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

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

Financial liabilities – recognition and derecognition

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

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

Financial liabilities – classification and measurement

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

- Financial liabilities held for trading (HFT). Held-for-trading liabilities are those incurred principally for generating a profit from short-term fluctuations in price or dealer's margin. A liability also qualifies as a trading liability if it belongs to a portfolio of financial instruments held for trading separately by the trading desk and for which there is a recent pattern of short-term profit-taking. Held-for-trading liabilities can include derivatives, short positions in debt and equity instruments, time deposits and debt certificates. Derivative liabilities are split by KBC into trading and hedging derivatives as in the case of derivative assets. Initially, held-for-trading liabilities are measured at fair value. At the end of the reporting period, derivative liabilities are measured at fair value. Fair value adjustments are always recorded in the income statement.
- Financial liabilities designated by the entity as liabilities at fair value through profit or loss upon initial recognition (FVO). Under IFRS 9, a financial liability or group of financial liabilities can be measured upon initial recognition at fair value, whereby fair value changes are recognised in the income statement except for fair value changes related to changes in own credit risk, which are presented separately in OCI. The fair value designation is used by KBC for the following reasons:
    - managed on an FV basis: KBC designates a financial liability or a group of financial liabilities at fair value where it is managed and its performance is evaluated on a fair value basis;
    - Accounting mismatch: the fair value option can be used when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains and losses on them on different bases;
    - Hybrid instruments: a financial instrument is regarded as hybrid when it contains one or more embedded derivatives that are not closely related to the host contract. The fair value option can be used when it is not possible to separate the non-closely-related embedded derivative from the host contract, in which case the entire hybrid instrument can be designated at fair value. This means that both the embedded derivative and the host contract are measured at fair value. KBC uses this option when structured products contain non-closely-related embedded derivatives, in which case both the host contract and the embedded derivative is measured at fair value.
- Financial liabilities measured at amortised cost (AC). KBC classifies most of its financial liabilities under this category, including those used to fund trading activities where no trading intent is present in them (e.g., issued bonds). These financial liabilities are initially measured at cost, which is the fair value of the consideration received including transaction costs. Subsequently,

they are measured at amortised cost, which is the amount at which the funding liability was initially recognised minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount. The difference between the amount made available and the nominal value is recorded on an accruals basis as an interest expense. Interest expenses accrued but not yet paid are recorded under accruals and deferrals.

Financial liabilities – own credit risk

For financial liabilities designated at fair value, IFRS 9 requires the financial liability to be measured at fair value upon initial recognition. Any changes in fair value are subsequently recognised in the income statement, except for changes in own credit risk, which are presented separately in OCI.

Accordingly, movements in the fair value of the liability are presented in different places: changes in own credit risk are presented in OCI and all other fair value changes are presented in the income statement under 'Net result from financial instruments at fair value through profit or loss'. Amounts recognised in OCI relating to own credit risk are not recycled to the income statement even if the liability is derecognised and the amounts are realised. Although recycling is prohibited, KBC does transfer the amounts in OCI to retained earnings within equity upon derecognition. The only situation in which presentation of own credit risk in OCI is not applied is where this would create an accounting mismatch in the income statement. This could arise if there is a close economic relationship between the financial liability designated at fair value (for which the own credit risk is recognised in OCI), while all changes in fair value of the corresponding financial asset are measured and recognised at fair value through profit or loss.

Financial liabilities – financial guarantee contract

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

Reverse repos and repos

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

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

Offsetting

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

Fair value

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

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

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

Hedge accounting

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

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

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

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

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

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

Leasing

All leases are required to be classified as either finance leases or operating leases. The classification under IFRS 16 is based on the extent to which risk and rewards incidental to ownership of leased assets lie with the lessor or the lessee. A finance lease transfers substantially all the risks and rewards incidental to ownership of an asset.

This classification is crucial for positions as a lessor, but less important for positions as a lessee, since both classifications result in similar recognition and measurement of the lease on the balance sheet and in the income statement.

Equity

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

KBC classifies all issued financial instruments as equity or as a financial liability based on the substance of the contractual arrangements. The critical feature that distinguishes a financial liability from a share is whether KBC has an unconditional right to avoid delivering cash or another financial asset to settle a contractual obligation.

Minority interests represent the equity in a subsidiary that is not attributable to the holders of KBC shares. When the proportion of the equity held by the minority interests changes, KBC adjusts the carrying value of the controlling and minority interests to reflect changes in their relative interests in the consolidated companies. KBC recognises in equity any difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received, and allocates it to its controlling stake.

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

Employee benefits

Short-term employee benefits

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

Post-employment benefits

KBC offers its employees pension schemes in the form of defined contribution or defined benefit plans. Under the defined contribution plans, KBC's statutory or constructive obligation is limited to the amount that it agrees to contribute to the fund. The amount of the post-employment benefit to be received by the employee is determined by the amount of the contributions paid by KBC and the employee into the post-employment benefit plan, as well as by the investment returns arising from those contributions. The actuarial risk is borne by the employee.

Conversely, under the defined benefit plans, KBC's obligation is to provide the agreed benefits to current and former employees and, in substance, the actuarial risk and investment risk fall on KBC. This means that if, from an actuarial or investment viewpoint, things turn out worse than expected, KBC's obligation may be increased.

In Belgium, defined contribution plans have a legally guaranteed minimum return and the actual return can be lower than the legally required return. In addition, these plans have defined benefit plan features and KBC treats them as defined benefit plans.

Liabilities under the defined benefit plans and the Belgian defined contribution plans (or pension liabilities) are included under 'Other liabilities' and relate to the liabilities for retirement and survivor's pensions, early retirement benefits and similar pensions and annuities.

The pension obligations for employees under the defined benefit plans are calculated using the projected-unit-credit method, with each period of service granting additional entitlement to pension benefits.

Actuarial valuations are performed every reporting period. The defined benefit liabilities are discounted using rates equivalent to the yields on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have a maturity similar to the related pension liabilities.

Changes in the net defined benefit liability/asset, apart from cash movements, are grouped into three main categories and recognised in operating expenses (service costs), interest expenses (net interest costs) and other comprehensive income (remeasurements).

Net fee and commission income

Most net fee and commission income falls under the scope of IFRS 15 (Revenue from Contracts with Customers), as it relates to the services that KBC provides to its clients and is outside the scope of other IFRS standards. For the recognition of revenue, KBC identifies the contract and defines the promises (performance obligations) in the transaction. Revenue is recognised only when KBC has satisfied the performance obligation.

The revenue presented under 'Securities and asset management' falls under the scope of IFRS 15 and, in principle, entails KBC keeping assets in a trust for the beneficiary ('fund') and being responsible for investing the amounts received from clients to their benefit. These transactions are straightforward, because KBC provides a series of distinct services which clients use at the same time when receiving the benefits. In return, KBC receives a monthly or quarterly management fee, which is calculated as a fixed percentage of the net asset value, or a subscription fee retained from the beneficiary. The fees do not include a variable component.

Payment services, where KBC charges clients for certain current-account transactions, domestic or foreign payments, payment services provided through ATMs, etc., are usually settled when the actual transaction is carried out, enabling the relevant fee to be recognised directly at that time.

Levies

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

Income tax

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

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

Current tax assets/liabilities

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

Deferred tax assets/liabilities

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying value of an asset or liability and its tax base. They are measured using the tax rates that are substantively enacted at the reporting date and expected to be in effect on realisation of the assets or settlement of the liabilities to which they relate and that reflect the tax consequences following from the manner in which the entity expects to recover or settle the carrying value of the underlying asset or liability at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets and liabilities and their tax base, as well as for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. KBC calculates deferred tax assets to carry forward unused tax losses. When estimating the period over which tax losses can be set off against future taxable profits, KBC uses projections for a period of eight to ten years.

Deferred tax assets/liabilities that relate to business combinations are recorded directly in goodwill.

Deferred tax assets/liabilities are not discounted.

Property and equipment

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

Property and equipment are subject to impairment testing when there is an indication that the asset might have been impaired.

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

Investment property

Investment property is defined as a property built, purchased or acquired by KBC under a finance lease and is held to earn rentals or for the purpose of capital appreciation rather than being used by KBC for the provision of services or for administrative purposes.

Investment property is initially recognised at cost (including directly attributable costs). KBC subsequently measures it at the initial cost less accumulated depreciation and impairment.

The depreciation charge is recognised under 'Other net income' in the income statement.

Intangible assets

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

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

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

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

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

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

Impairment of non-financial assets

When KBC prepares financial statements, it ensures that the carrying value of the non-financial asset does not exceed the amount that could be obtained from either using or selling it ('recoverable amount'). Property and equipment, investment property and software are subject to the impairment review only when there is objective evidence of impairment. Goodwill and intangible assets with an indefinite useful life are subject to impairment reviews at least annually and also reviewed for impairment indicators every quarter.

Indications that an impairment loss is required may stem from either an internal source (e.g., the condition of the asset) or an external source (e.g., new technology or a significant decline in the asset's market value).

When an impairment indicator is present, KBC reviews the asset's recoverable amount and the asset is impaired if its recoverable amount is lower than its carrying value at the reporting date. The recoverable amount is defined as the higher of the value in use and the fair value less cost to sell.

Value in use is defined as the discounted future cashflows expected to be derived from an asset or a cash-generating unit.

Impairment is borne at individual asset level, but when the individual asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the so-called 'cash-generating unit' (CGU) to which the asset or group of assets belongs. In forming the CGUs, KBC applies its own judgement to define the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. This process mainly applies to goodwill that has been recognised in relation to acquisitions.

Impairment losses are recognised in the income statement for the period in which they occur. An impairment loss can be reversed if the condition that triggered it is no longer present, except for goodwill, which can never be reversed. Impairment gains are recognised in the income statement for the period in which they occur.

Provisions, contingent liabilities and contingent assets

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

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

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

Consolidated financial statements / interim financial statements

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

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

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

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

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

Business combinations and goodwill

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

Goodwill is the excess of the cost of the acquisition over the acquirer’s interest in the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. In order to complete the acquisition accounting and determine the goodwill item, KBC applies a measurement period of 12 months. The classification of the financial assets acquired and financial liabilities assumed in the business combination is based on the facts and circumstances existing at the acquisition date (except for lease contracts, which are classified on the basis of the contractual terms and other factors at the inception of the relevant contract).

Goodwill is presented under ‘Goodwill and other intangible assets’ and is carried at cost less impairment losses. Goodwill is not amortised, but is tested for impairment at least once a year or when there is objective evidence (external or internal) that it should be impaired. If the acquisition accounting is not complete because the 12-month measurement period has not elapsed, the goodwill is not considered as final and is only tested if there is objective evidence that the provisional goodwill is impaired.

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

Effects of changes in foreign exchange rates

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

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

Related-party transactions

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

- KBC subsidiaries, KBC associates and joint ventures, KBC Ancora, Cera and MRBB;
- KBC key management staff (i.e. the Board of Directors and the Executive Committee of KBC Bank NV).

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

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

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

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

Discontinued operations

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

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

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

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

Events after the reporting period

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

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

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

Main exchange rates used*

	Exchange rate at 31-12-2023		Exchange rate average in 2023	
	1 EUR = … … currency	Change relative to 31-12-2023 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)	1 EUR = … … currency	Change relative to average in 2022 (positive: appreciation relative to EUR) (negative: depreciation relative to EUR)
CZK	24.724	-2%	23.946	+3%
HUF	382.80	+5%	381.33	+3%

* Rounded figures.

Note 1.3: Critical estimates and significant judgements

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

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

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

Note 1.4: Climate-related information

ESG and supporting the transition to a more sustainable and resilient society – including focusing on the climate – are crucial to our overall business strategy and integrated into our day-to-day operations. We have a solid sustainability governance structure in place to ensure group-wide integration of our sustainability strategy, which involves responsibility at the highest level and spans all areas of ESG.

As sustainability is firmly embedded in our day-to-day operations, it is not relevant to separately consider the financial impact of sustainability-related investments. We would like to emphasise that:

- KBC integrates sustainability-related opportunities and the related costs in the annual general budget round;
- As a financial institution, KBC is highly regulated in terms of sustainability and we provide the necessary resources to comply with these regulatory obligations;
- In addition, KBC has made several voluntary commitments for which appropriate efforts are made and resources deployed;
- As part of our efforts to reduce our own direct footprint, we are taking relevant action in the areas of facilities (buildings) and mobility in particular, with a view to meeting our greenhouse gas emission reduction target (see 'Focus on the climate and the environment'). We are also achieving net climate neutrality by offsetting our remaining direct emissions.

All notes and other sections in the Annual Report in which direct or indirect reference is made to the climate and/or climate-related risks or sustainability in general are set out below.

In the 'Report of the Board of Directors':

- See 'How do we create sustainable value?' in 'Our business model'
- See 'What are our main challenges?' in 'Our business model'
- See 'Our role in society' and 'Focus on the climate and the environment' in 'Our strategy'
- See 'Our business units' for each country under 'Our role in society'
- How do we manage our risks?

In the 'Consolidated financial statements' (in the notes below each table):

- Note 3.9: Impairment
- Note 4.1: Financial assets and liabilities, breakdown by portfolio and product
- Note 5.4: Property and equipment and investment property
- Note 5.5: Goodwill and other intangible assets
- Note 5.9: Retirement benefit obligations
- Note 6.2: Leasing

When preparing the financial reporting, we considered the financial impact of climate-related risks within the framework of the IFRS standards. These are mostly indirect risks to which KBC is exposed through, among other things, its loan and investment portfolios. These risks are a source of significant uncertainty in the medium and long term when preparing the financial reports, partly because it is difficult to assess the consequences of climate change for our current portfolios and also because it is uncertain to what extent the mitigating actions and plans for our (mainly indirect) climate impact have financial consequences for future portfolios (see 'Focus on the climate and the environment' in the 'Report of the Board of Directors' section). The goals set by KBC may impact KBC's financial position and performance. The lending goals (providing loans for renewable energy and reducing the greenhouse gas intensity of loans) in particular can initially have a negative impact on the interest income realised on loans, perhaps through impact on margins (but with the loans still meeting the SPPI test) and/or production, which may later be offset by more limited credit losses given the increased resilience of the portfolio to climate-related risks.

2.0 Notes on segment reporting

Note 2.1: Segment reporting based on the management structure

Detailed information on the group's management structure and the results per segment can be found in the 'Our business units' section (which has not been audited by the statutory auditor). Based on IFRS 8, KBC has identified the Executive Committee and Board of Directors as 'chief operating decision-makers', responsible for allocating the resources and assessing the performance of the different parts of the company. The operating segments are based on the internal financial reporting to those policy bodies and on the location of the company's activities, resulting in geographical segmentation.

The three operating segments are (essentially):

- the Belgium Business Unit (all activities in Belgium);
- the Czech Republic Business Unit (all activities in the Czech Republic);
- the International Markets Business Unit (activities in Hungary, Slovakia and Bulgaria, reported together in accordance with IFRS 8.16).

For reporting purposes, there is also a Group Centre (comprising the results of the holding company, items that have not been allocated to the other business units, and the results of companies to be divested – including KBC Bank Ireland, where the sale of the loan and deposit portfolios was finalised in February 2023).

Segment reporting

- The policy bodies analyse the performance of the segments based on a number of criteria, with the 'Result after tax' being the most important results indicator. The segment data is based entirely on IFRS data (with no adjustments).
- In principle, we assign a group company in its entirety to one specific segment/business unit. Exceptions are only made for those items that cannot clearly be allocated to a specific segment, such as charges attached to the subordination of loans (such items are recognised under Group Centre).
- We allocate the funding cost of participating interests to the Group Centre.
- Transactions among the different segments are reported at arm's length.
- We recognise 'Net interest income' in the segment information without dividing it up into 'Interest income' and 'Interest expense'. This is permitted under IFRS because the bulk of the business units' income is in the form of interest, and management assesses and co-ordinates those business units primarily on the basis of net interest income.
- We do not provide any information on income from sales to external clients per group of products or services, since the information is prepared at consolidated level chiefly for each business unit, and not per client group or product group.
- For information on the acquisition of Raiffeisenbank Bulgaria in 2022 and the sale of KBC Bank Ireland's loan and deposit portfolios in 2022 and 2023, see Note 6.6.

Note 2.2: Results by segment

(in millions of EUR)	Belgium Business unit	Czech Republic Business unit	International Markets Business unit	Of which: Hongary	Slovakia	Bulgaria	Group Centre	Of which: Ireland	Total
2023									
Net interest income	2 897	1 213	1 155	*515*	*249*	*390*	- 222	*64*	5 043
Dividend income	16	0	1	*0*	*0*	*1*	0	*0*	18
Net result from financial instruments at fair value through profit or loss	- 22	91	64	*58*	*2*	*5*	85	*- 4*	219
Net fee and commission income	1 506	373	512	*274*	*90*	*147*	- 4	*- 1*	2 387
Net other income	157	5	13	*- 3*	*11*	*5*	404	*410*	578
TOTAL INCOME	4 555	1 682	1 745	*845*	*353*	*548*	264	*468*	8 246
Operating expenses	-2 476	- 901	- 977	*- 477*	*- 234*	*- 267*	- 268	*- 110*	-4 624
Total Opex without bank tax	*-2 130*	*- 841*	*- 730*	*- 253*	*- 230*	*- 247*	*- 264*	*- 106*	*-3 966*
Total Bank tax	*- 346*	*- 60*	*- 247*	*- 224*	*- 4*	*- 20*	*- 4*	*- 4*	*- 657*
Impairment	- 88	- 57	- 32	*- 37*	*7*	*- 3*	- 3	*- 2*	- 180
Of which on FA at AC and at fair value through OCI	*- 80*	*70*	*19*	*11*	*8*	*0*	*8*	*9*	*18*
Share in results of integral associated companies and joint ventures	- 3	- 1	0	0	0	0	0	0	- 4
RESULT BEFORE TAX	1 988	723	736	*331*	*126*	*279*	- 7	*356*	3 439
Income tax expense	- 518	- 78	- 105	*- 49*	*- 28*	*- 28*	93	*- 25*	- 608
Net post-tax result from discontinued operations	0	0	0	*0*	*0*	*0*	0	*0*	0
RESULT AFTER TAX	1 470	645	631	*282*	*98*	*250*	86	*331*	2 831
Aattributable to minority interests	- 1	0	0	*0*	*0*	*0*	0	*0*	- 1
Attributable to equity holders of the parent	**1 471**	**645**	**631**	***282***	***98***	***250***	**86**	***331***	**2 832**
Of which non-cash expenses	- 58	- 117	- 93	*- 40*	*- 23*	*- 30*	- 7	*- 7*	- 275
Depreciation and amortisation of fixed assets	*- 54*	*- 116*	*- 93*	*- 40*	*- 23*	*- 30*	*- 7*	*- 7*	*- 270*
Other	*- 3*	*- 2*	*0*	*0*	*0*	*0*	*0*	*0*	*- 5*
Acquisitions of non-current assets*	825	149	200	114	55	31	0	0	1 174
2022									
Net interest income	2 460	1 264	870	*415*	*231*	*224*	130	*240*	4 724
Dividend income	17	1	1	*0*	*0*	*1*	0	*0*	19
Net result from financial instruments at fair value through profit or loss	58	147	119	*77*	*40*	*2*	- 4	*- 3*	320
Net fee and commission income	1 486	327	447	*241*	*88*	*118*	- 4	*- 2*	2 256
Net other income	84	- 134	- 1	*- 1*	*- 3*	*3*	- 7	*- 8*	- 58
TOTAL INCOME	4 105	1 606	1 435	*731*	*356*	*348*	115	*228*	7 261
Operating expenses	-2 309	- 853	- 825	*- 419*	*- 230*	*- 176*	- 321	*- 204*	-4 308
Total Opex without bank tax	*-1 978*	*- 792*	*- 605*	*- 215*	*- 224*	*- 166*	*- 314*	*- 196*	*-3 689*
Total Bank tax	*- 331*	*- 61*	*- 220*	*- 204*	*- 7*	*- 10*	*- 8*	*- 8*	*- 620*
Impairment	- 47	- 61	- 150	*- 97*	*- 21*	*- 33*	- 17	*- 16*	- 275
Of which on FA at AC and at fair value through OCI	*- 36*	*- 46*	*- 78*	*- 29*	*- 19*	*- 30*	*5*	*7*	*- 155*
Share in results of integral associated companies and joint ventures	- 9	- 1	0	0	0	0	0	0	- 10
RESULT BEFORE TAX	1 742	690	460	*215*	*105*	*139*	- 224	*9*	2 668
Attributable to minority interests	0	0	0	*0*	*0*	*0*	0	*0*	0
Attributable to equity holders of the parent	**1 311**	**593**	**387**	***181***	***81***	***125***	**- 94**	***42***	**2 197**
Of which non-cash expenses	- 52	- 108	- 82	*- 38*	*- 22*	*- 23*	- 28	*- 29*	- 270
Depreciation and amortisation of fixed assets	*- 52*	*- 108*	*- 78*	*- 36*	*- 22*	*- 21*	*- 25*	*- 25*	*- 263*
Other	*0*	*0*	*- 4*	*- 2*	*0*	*- 2*	*- 3*	*- 4*	*- 7*
Acquisitions of non-current assets*	522	118	612	91	61	459	1	1	1 253

* Non-current assets held for sale and disposal groups, investment property, property, plant and equipment, investments in associated companies, and goodwill and other intangible assets.

How do the business units contribute to the group result?

Belgium Business Unit

Net result	Net interest income	Cost/income ratio
1 471 million euros (+12%)	2 897 million euros (+18%)	54% (56%)
	Net fee and commission income 1 506 million euros (+1%)	Credit cost ratio 0.06% (0.03%)
	Operating expenses 2 476 million euros (+7%)	Impaired loans ratio 2.0% (1.9%)
	Impairment on loans 80 million euros increase (36-million-euro increase)	

Figures for 2023 (the figures in brackets are for, or indicate the difference compared to, 2022).

- 18% growth in net interest income, mainly owing to the higher commercial transformation result (driven by the higher reinvestment yields, which more than offset the negative volume effect resulting from the outflow of deposits to the one-year Belgian State Note and the higher pass-through on savings accounts), and the increased interest income on time deposits. This was partly offset by, among other things, the lower result from the loan portfolio (lower margins, despite volume growth).
- 1% growth in net fee and commission income, due mainly to higher management fees relating to asset management services.
- 5% drop in other income items, due primarily to a decrease in trading and fair value income, partly offset by an increase in other income (one-off item).
- 7% increase in costs, due mainly to inflation and wage indexation, and higher ICT costs, as well as higher bank tax.
- 80-million-euro net increase in impairment on loans related to the net increase in impairment on individual loans, only partly offset by the partial reversal of the remaining reserve set aside for geopolitical and emerging risks.

Czech Republic Business Unit

Net result	Net interest income	Cost/income ratio
645 million euros (+9%)	1 213 million euros (-7%)	54% (53%)
	Net fee and commission income 373 million euros (+11%)	Credit cost ratio -0.18% (0.13%)
	Operating expenses 901 million euros (+3%)	Impaired loans ratio 1.4% (1.7%)
	Impairment on loans 70 million euros reversal (46-million-euro increase)	

Figures for 2023 (the figures in brackets are for, or indicate the difference compared to, 2022).

- 3% increase in the average exchange rate of the Czech koruna against the euro. The growth figures in the table and the analysis have been calculated excluding foreign-exchange effects.
- 7% drop in the net interest income due to a lower commercial transformation result, slightly lower lending income and a negative effect of the adjusted remuneration related to the minimum required reserves held with the central bank, only partly offset by the increased interest income on time deposits and growth in lending.
- 11% increase in net fee and commission income due to the higher fees for both asset management services and banking services.

- 82-million-euro increase in all other income items combined. Increase in trading and fair value income and higher other net income (the previous year's figure was adversely impacted by the arbitration proceedings against ICEC-Holding in the Czech Republic; see Note 3.6 in the 'Consolidated financial statements' section for more details).
- 3% increase in costs, due mainly to higher staff expenses and ICT costs.
- 70-million-euro net reversal of impairment on loans related to a net reversal of impairment on individual loans and a partial reversal of the remaining reserve set aside for geopolitical and emerging risks. Other impairment charges came to 128 million euros, most of which concerns goodwill relating to ČSOB Stavební (see Note 3.9 of the 'Consolidated financial statements' section for more information).

International Markets Business Unit

Net result 631 million euros (+63%) **Slovakia** 98 million euros (+21%) **Hungary** 282 million euros (+56%) **Bulgaria** 250 million euros (+100%)	Net interest income 1 155 million euros (+33%) Net fee and commission income 512 million euros (+15%) Operating expenses 977 million euros (+18%) Impairment on loans 19 million euros reversal (78-million-euro increase)	Cost/income ratio 56% (58%) Credit cost ratio -0.06% (0.31%) Impaired loans ratio 1.8% (1.9%)

Figures for 2023 (the figures in brackets are for, or indicate the difference compared to, 2022).

- 33% growth in net interest income, owing primarily to the higher commercial transformation result, the consolidation of the acquired Raiffeisenbank Bulgaria (six months in the 2022 results and a full year in the 2023 results), a higher result from the loan portfolio (due in part to volume growth) and increased interest income on time deposits. This was partly offset by, among other things, higher costs related to the minimum required reserves held with the central banks in Hungary and Bulgaria in particular.
- 15% increase in net fee and commission income, due mainly to higher fees for asset management services and for banking services in Hungary and Bulgaria (including the positive impact of the consolidation of Raiffeisenbank Bulgaria).
- 34% drop in the other income items combined (including due to lower – but still high – dealing room income).
- 18% increase in costs, owing to higher wage inflation and higher ICT and facility expenses (including the impact of the consolidation of Raiffeisenbank Bulgaria), and higher bank tax (due in part to an additional tax in Hungary).
- 19-million-euro net reversal of impairment on loans, due to a net increase in impairment on individual loans, more than offset by the partial reversal of the remaining reserve for geopolitical and emerging risks (see Note 3.9 in the 'Consolidated financial statements' section).

Group Centre

Besides financial reporting for the three business units, we also report on a separate Group Centre, which mainly comprises the results of activities and/or decisions focusing specifically on the group (the operating expenses of our group's holding-company activities, certain costs related to capital and liquidity management, and so on) and the results of activities and companies scheduled for run-down, including KBC Bank Ireland in particular.

The Group Centre generated a net result of 86 million euros in 2023, compared to -94 million euros in 2022. The positive change of 179 million euros was accounted for by:

- A 289-million-euro increase in net result in Ireland, as we sold KBC Bank Ireland's loan assets (mainly performing loans) and its deposit book to Bank of Ireland in February 2023, resulting in a gain of roughly 0.4 billion euros. More information on this matter can be found in Note 6.6 of the 'Consolidated financial statements';
- A 109-million-euro decrease in net result for the other items, the most material items being lower net interest income (due primarily to higher funding costs) and higher trading and fair value income (relating mainly to the valuation of derivatives used for asset/liability management purposes).

Note 2.3: Balance-sheet information by segment

The table below presents some of the main on-balance-sheet products by segment.

(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
31-12-2023									
Deposits from customers and debt securities (excl. repos)	175 690	52 755	31 810	9 648	8 856	13 305	454	0	260 708
Demand deposits (incl. special and other deposits)	*61 230*	*23 463*	*23 700*	*6 661*	*5 487*	*11 551*	*0*	*0*	*108 393*
Time deposits	*20 484*	*12 067*	*6 408*	*2 275*	*2 388*	*1 746*	*0*	*0*	*38 959*
Savings accounts	*54 074*	*15 220*	*1 516*	*636*	*872*	*8*	*0*	*0*	*70 810*
Debt securities	*39 902*	*2 005*	*186*	*76*	*109*	*0*	*454*	*0*	*42 546*
Loans and advances to customers (excl. reverse repos)	117 264	36 470	27 968	6 762	11 589	9 617	0	0	181 702
Term loans	*61 717*	*11 463*	*11 655*	*3 279*	*3 452*	*4 924*	*0*	*0*	*84 835*
Mortgage loans	*44 521*	*19 641*	*10 447*	*1 818*	*6 451*	*2 178*	*0*	*0*	*74 609*
Other	*11 025*	*5 366*	*5 867*	*1 665*	*1 686*	*2 515*	*0*	*0*	*22 258*
31-12-2022									
Deposits from customers and debt securities (excl. repos)	171 604	51 108	30 069	9 550	8 453	12 066	734	418	253 516
Demand deposits (incl. special and other deposits)	*75 792*	*25 764*	*23 612*	*7 322*	*5 836*	*10 454*	*418*	*418*	*125 587*
Time deposits	*9 512*	*9 214*	*4 322*	*1 307*	*1 429*	*1 586*	*0*	*0*	*23 048*
Savings accounts	*60 802*	*14 344*	*1 833*	*722*	*1 086*	*25*	*0*	*0*	*76 979*
Debt securities	*25 497*	*1 786*	*302*	*200*	*102*	*0*	*316*	*0*	*27 901*
Loans and advances to customers (excl. reverse repos)	115 262	35 445	25 375	5 878	10 796	8 702	3	3	176 084
Term loans	*60 859*	*10 581*	*10 538*	*2 970*	*3 013*	*4 555*	*2*	*2*	*81 980*
Mortgage loans	*43 416*	*19 696*	*9 638*	*1 681*	*6 114*	*1 843*	*0*	*0*	*72 750*
Other	*10 986*	*5 168*	*5 199*	*1 227*	*1 668*	*2 304*	*1*	*1*	*21 354*

3.0 Notes to the income statement

Note 3.1: Net interest income

(in millions of EUR)	2023	2022
Total	**5 044**	**4 724**
Interest income	19 996	10 826
Interest income on financial instruments calculated using the effective interest rate method		
Financial assets at AC	*10 353*	*7 785*
Financial assets at FVOCI	*120*	*70*
Hedging derivatives	*5 070*	*1 820*
Financial liabilities (negative interest)	*11*	*290*
Other	*2 143*	*130*
Interest income on other financial instruments		
Financial assets MFVPL other than held for trading	*55*	*35*
Financial assets held for trading	*2 245*	*696*
Of which economic hedges	*2 080*	*569*
Other financial assets at FVPL	*0*	*0*
Interest expense	-14 952	-6 102
Interest expense on financial instruments calculated using the effective interest rate method		
Financial liabilities at AC	*-7 032*	*-2 384*
Financial assets (negative interest)	*- 1*	*- 94*
Hedging derivatives	*-5 254*	*-1 958*
Other	*- 4*	*- 3*
Interest expense on other financial instruments		
Financial liabilities held for trading	*-2 597*	*-1 628*
Of which economic hedges	*-2 544*	*-1 584*
Other financial liabilities at FVPL	*- 68*	*- 33*
Net interest expense relating to defined benefit plans	*4*	*- 1*

- ‘Financial liabilities (negative interest rate)’ and ‘Financial assets (negative interest rate)’: these rates relate mainly to transactions with central banks, interbank and professional counterparties, corporate clients, and targeted long-term refinancing operations (TLTRO). More information on TLTRO can be found in Note 4.1.
- The increase in ‘Interest income on financial instruments calculated using the effective interest rate method, Other’ relates mainly to interest on cash balances with central banks. These cash balances with central banks are mostly financed using short-term liabilities, such as certificates of deposit and repos. The associated interest expense is recognised under ‘Interest expense’, under ‘Financial liabilities at amortised cost’. The interest margin on this activity is limited.
- At the end of August 2023, the Kingdom of Belgium issued a state note with a term of one year, which had the following consequences for KBC in 2023: an outflow of customer deposits of 5.7 billion euros, a negative impact on the net interest income of 73 million euros and a one-off positive impact on the net fee and commission income (related to the sale of state notes through KBC) of 11 million euros.
- Several central banks in our core countries decided to increase the minimum amount of reserves to be maintained or to lower the compensation paid for these reserves. This had a negative impact on our net interest income of around 125 million euros (13 million euros in 2022).

Note 3.2: Dividend income

(in millions of EUR)	2023	2022
Total	18	19
Equity instruments MFVPL other than held for trading	0	0
Equity instruments held for trading	14	10
Equity instruments at FVOCI	4	9

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

(in millions of EUR)	2023	2022
Total	219	320
Breakdown by IFRS portfolio		
Trading instruments (including interest on non-ALM trading derivates and fair value changes on all trading instruments)	131	565
Financial instruments at fair value through profit or loss	- 49	48
Of which: gains/losses own credit risk	0	0
Foreign exchange trading	152	- 88
Fair value adjustments in hedge accounting	- 113	- 150
Hedge accounting broken down by type of hedge		
Fair value micro hedges	- 1	5
Changes in the fair value of the hedged items	*- 285*	*651*
Changes in the fair value of the hedging derivatives	*284*	*- 646*
Cashflow hedges	- 9	- 3
Changes in the fair value of the hedging derivatives, ineffective portion	*- 9*	*- 3*
Hedges of net investments in foreign operations, ineffective portion	0	0
Portfolio hedge of interest rate risk	7	0
Changes in the fair value of the hedged items	*1 029*	*- 3 254*
Changes in the fair value of the hedging derivatives	*- 1 022*	*3 254*
Discontinuation of hedge accounting for fair value hedges	- 58	- 75
Discontinuation of hedge accounting in the event of cashflow hedges	- 52	- 77
Breakdown by driver		
Dealing room income	288	245
MTM ALM derivatives and other	- 53	- 7
Market value adjustments (xVA)	- 16	82

- ALM hedging derivatives (recognised in hedge accounting): the interest component of these derivatives is recognised under ‘Net interest income’. Fair value changes in hedging derivatives, excluding those for which an effective cashflow hedge relationship exists, are recognised under ‘Net result from financial instruments at fair value through profit or loss’. Under fair value hedge accounting, changes in the fair value of hedged assets are also recognised under this heading, and offsetting takes place insofar as the hedge is effective. ALM hedging derivatives not recognised in hedge accounting (and therefore classified as trading instruments) are treated in the same way, except most of the related assets are not recognised at fair value (i.e. not marked-to-market).
- Day 1 profit: when the transaction price in a non-active market differs from the fair value of other observable market transactions in the same instrument or from the fair value based on a valuation technique whose variables include only data from observable markets, the difference between the transaction price and the fair value (day 1 profit) is taken to profit or loss. If this is not the case (i.e. the variables do not include only data from observable markets), day 1 profit is reserved and is released in profit or loss during the life and until the maturity of the financial instrument. This day 1 profit involves limited amounts.
- Foreign exchange trading includes the realised and unrealised foreign exchange results (when the monetary assets and liabilities are revalued), regardless of the IFRS portfolio, except for financial assets and liabilities measured at fair value through profit or loss, for which the revaluation is included in the fair value correction.
- The effectiveness of the hedge is determined according to the following methods:
  - For fair value micro hedging, we use the dollar offset method on a quarterly basis, with changes in the fair value of the hedged item offsetting changes in the fair value of the hedging instrument within a range of 80%–125%.

- For cashflow hedges, we compare the designated hedging instrument with a perfect hedge of the hedged cashflows on a prospective (by BPV measurement) and retrospective basis (by comparing the fair value of the designated hedging instrument with the perfect hedge). The effectiveness of both tests must fall within a range of 80%–125%.
- We use the rules set out in the European version of IAS 39 (carve-out) to assess the effectiveness of fair value hedges for a portfolio of interest rate risk. IFRS does not permit net positions to be reported as hedged items, but does allow hedging instruments to be designated as a hedge of a gross asset position (or a gross liabilities position, as the case may be). Specifically, we make sure that the volume of assets (or liabilities) in each maturity bucket is greater than the volume of hedging instruments allocated to the same bucket.

Note 3.4: Net fee and commission income

(in millions of EUR)	2023	2022
Total	2 387	2 256
Fee and commission income	3 137	2 942
Fee and commission expense	- 750	- 686
Breakdown by type		
Asset Management Services	1 183	1 148
Fee and commission income	*1 354*	*1 316*
Fee and commission expense	*- 171*	*- 168*
Banking Services	1 064	990
Fee and commission income	*1 640*	*1 502*
Fee and commission expense	*- 575*	*- 513*
Other	139	119
Fee and commission income	*143*	*124*
Fee and commission expense	*- 4*	*- 5*

- ‘Asset management services’ contains management fees, entry fees and distribution fees for investment funds. ‘Banking services’ contains credit- and guarantee-related fees, payment transaction fees, network income, securities-related fees, distribution fees paid for banking products and fees for other banking services. ‘Other’ comprises distribution fees of insurers and platformication income.
- The lion’s share of the fees and commissions related to lending is recognised under ‘Net interest income’ (effective interest rate calculations).
- The sale of the Belgian state note through KBC in 2023 resulted in one-off net fee and commission income of 11 million euros.

Note 3.5: Other net income

(in millions of EUR)	2023	2022
Total	578	- 58
of which gains or losses on		
Sale of financial assets measured at amortised cost	- 21	- 10
Sale of FVOCI debt instruments.	- 2	- 6
Repurchase of financial liabilities measured at amortised cost	0	0
of which other, including:	601	- 43
Income from operational leasing activities	*87*	*79*
Arbitration proceedings against ICEC Holding	*0*	*- 149*
Capital gain on sale of loan and deposit portfolios KBC Bank Ireland	*405*	*0*
Capital gains on the sale of a participation in Belgium	*18*	*0*
Recovery Belgian Bank levies from 2016 (including moratorium interest)	*48*	*0*

- Arbitration proceedings against ICEC-Holding (significant adjusting post-balance-sheet event affecting the 2022 financial statements): on 17 February 2023, ČSOB in the Czech Republic received an arbitral award in the arbitration proceedings against ICEC-Holding. ČSOB was being sued in the arbitration proceedings as the legal successor of Investiční a poštovní banka (IPB), whose business activities were acquired by ČSOB in 2000. The proceedings were initiated by ICEC-Holding in 2007. The plaintiff, ICEC-Holding, a.s., claims that IPB breached its contractual duties in 1999, entitling ICEC-Holding to damages and a contractual penalty. The claim itself is not in any way related to ČSOB's business activities and is to be considered part of the IPB legacy. In the delivered arbitral award, the Court of Arbitration ordered ČSOB to pay ICEC-Holding an amount of CZK 3.7 billion, along with the costs of the proceedings in the amount of CZK 5.0 million, payable within fifteen days of the delivery of the award. The plaintiff failed in the remainder of its claim and the arbitration panel ordered it to pay ČSOB the costs of the proceedings in the amount of CZK 17.4 million. ČSOB will consider possible further legal steps leading to the revision of this award. The payment of damages and contractual penalties had an adverse financial impact on ČSOB and KBC Bank. In accordance with IFRS, ČSOB was required to provision the full amount of CZK 3.7 billion in its 2022 income statement, impacting KBC Bank's 2022 income statement to the extent of -149 million euros before tax (-121 million euros after tax).
- For information on the gain on the sale of KBC Bank Ireland's loan and deposit portfolios, see Note 6.6.

Note 3.6: Insurance results

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

Note 3.7: Operating expenses

(in millions of EUR)	2023	2022
Total	-4 624	-4 308
Staff Expenses	-1 894	-1 860
General administrative expenses	-2 459	-2 185
ICT Expenses	*- 713*	*- 608*
Facility Expenses	*- 302*	*- 260*
Marketing & communication expenses	*- 117*	*- 110*
Professional fees	*- 108*	*- 114*
Bank tax	*- 657*	*- 620*
Other	*- 563*	*- 473*
Depreciation and amortisation of fixed assets	- 270	- 263

- The operating expenses include 657 million euros in bank tax, a further 6% increase year-on-year, due in part to a higher amount in additional tax in Hungary.
- Expenses excluding bank tax increased by 8% to 3 967 million euros, which was mainly the result of inflation-related pressure on wages, higher ICT and facility expenses, as well as the negative impact of the consolidation of Raiffeisenbank Bulgaria, and was only partly offset by factors including the positive impact of the sale of the Irish portfolios.
- For information on the average number of persons employed, see Note 3.8; details of the statutory auditor’s remuneration (PWC) are provided in Note 6.4.
- In 2023, the Belgian government decided to further increase the national bank tax by means of a higher bank tax for deposits on the balance sheet exceeding 50 billion euros and by fully abolishing the deductibility of the bank tax, the negative impact of which is estimated at 40 million euros from 2024 (of which 30 million euros in bank tax). Moreover, the contribution to the deposit guarantee scheme was increased, with a negative impact of 8 million euros in 2023, and an estimated negative impact of 24 million euros for 2024.

Note 3.8: Personnel

	2023	2022
Total average number of persons employed (in full-time equivalents)	28 708	28 741
By employee classification		
Blue-collar staff	54	48
White-collar staff	28 495	28 541
Senior management	159	152

- The figures in the table are annual averages, which – in terms of scope – may differ from year-end figures that are provided elsewhere.
- The 2022 figures contain the acquired Raiffeisenbank Bulgaria for six months and still contain KBC Bank Ireland, as the sale of the activities had not yet been finalised at year-end 2022. In 2023, Raiffeisenbank Bulgaria (now merged with UBB) was fully added and KBC Bank Ireland was strongly reduced (finalisation of the sale of the activities in February 2023).

Note 3.9: Impairment (income statement)

(in millions of EUR)	2023	2022
Total	- 180	- 275
Impairment on financial assets at AC and at FVOCI	18	- 155
By IFRS category		
Impairment on financial assets at AC	*18*	*- 155*
Impairment on financial assets at FVOCI	*0*	*0*
By product		
Loans and advances	*- 5*	*- 177*
Debt securities	*8*	*- 3*
Off-balance-sheet commitments and financial guarantees	*15*	*25*
By type		
Stage 1 (12-month ECL)	*- 41*	*5*
Stage 2 (lifetime ECL)	*162*	*- 107*
Stage 3 (non-performing; lifetime ECL)	*- 92*	*- 60*
Purchased or originated credit impaired assets	*- 11*	*8*
By division/country		
Belgium	*- 80*	*- 36*
Czech Republic	*70*	*- 46*
International Markets	*19*	*- 78*
Slovakia	*8*	*- 19*
Hungary	*11*	*- 29*
Bulgaria	*0*	*- 30*
Group Centre	*8*	*5*
Of which Ireland	*9*	*7*
Impairment on goodwill	- 109	- 5
Impairment on other	- 88	- 115
Intangible fixed assets (other than goodwill)	- 46	- 22
Property, plant and equipment (including investment property)	- 13	- 23
Associated companies and joint ventures	0	0
Other	- 30	- 70

- Impairment on loans:
  - In 2023, this item included a partial reversal (158 million euros) relating to the reserve for geopolitical and emerging risks (see below) and a net increase of 140 million euros for loans in the loan portfolio;
  - In 2022, this item included a full reversal of the remaining 255 million euros in coronavirus-related ECL, net provisioning of 413 million euros for geopolitical and emerging risks, net provisioning of 17 million euros related to the sale transactions in Ireland (see Note 6.6) and a net reversal of 21 million euros for loans in the loan portfolio.
  - The impact of the extreme weather conditions, including flooding and storms, in 2023 and 2022 on (impairment on) loans was insignificant.
- Impairment on goodwill:
  - In 2023, this item included 109 million euros related to ČSOB Stavební spořitelna (see below).
- Impairment on other:
  - In 2023, this item included impairment of fixed assets (partly relating to the sale in Ireland) and software, and modification losses related to the extension/expansion of the interest cap regulation in Hungary;
  - In 2022, this item included an impairment of tangible and intangible assets relating to the sale transactions in Ireland, impairment of real estate and modification losses related to the extension/expansion of the interest cap regulation in Hungary.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section. Among other things, this section also provides more information on impaired loans (Stage 3).
- For information on total impairment recognised in the balance sheet, see Note 4.2.
- More background information and methodology for KBC's ECL model is provided in the accounting policies under 'Financial assets – impairment' in Note 1.2.

- KBC uses specific models for PD, EAD and LGD in order to calculate ECL. It is essential to take account of historical observations and forward-looking projections in this respect.
  - PD represents the probability of a counterparty defaulting in the next 12 months or during the entire term of the facility (depending on which IFRS 9 'Stage' the facility is in). The PD is determined by the counterparty's internal (and, if applicable, external) credit rating. Variables used in PD models include financial ratios and behavioural parameters (arrears).
  - EAD represents the estimated outstanding debt at the time of default and depends on the existing outstanding debt and any changes permitted under the contract and normal repayments. Variables used in these models include product types and repayment schedules.
  - LGD is the estimated size of the loss relative to the outstanding debt at the time of default. LGD is presented as a percentage of the outstanding debt and is determined by historical amounts recovered on similar claims. Variables used in these models include collateral types and financial ratios.
- On 31 December 2023, there were around 80 different IFRS 9 models. In addition to several group-wide models, we have separate PD, EAD and LGD models for each of our core countries. In accordance with the Basel grouping approach, we use the type of counterparty (private individuals, SMEs, companies, governments, etc.) to determine the scope of an IFRS 9 model. Each model allows for differentiation in terms of facility type (term loans, revolving facilities, etc.) and collateral type (mortgages, pledges on business assets, guarantees, etc.). Examples of IFRS 9 models include 'Banks', 'Belgian private persons – home loans', 'Czech corporates', 'Bulgarian corporates and SMEs' and 'Central governments'. Detailed documentation is available for each PD, EAD and LGD model. The main models are subject to review by external auditors. The Basel models, which the IFRS 9 models are based on, are subject to external control performed by the supervisory authorities.
- We create the models for the various portfolios using typical PD, EAD and LGD inputs, as well as macro- and microeconomic variables to the extent that there is a statistical relationship. The macroeconomic variables are GDP growth, the unemployment rate, policy interest rates, the exchange rate, government bond yields, house prices and inflation. Microeconomic variables include, for example, confidence indicators, the harmonised index of consumer prices (HICP), the producer price index (PPI), and so on. As a result of regular back-testing, models may change and economic variables may be reassessed. The following table gives the base-case scenario for the three key indicators (GDP growth, unemployment rate and house price index) for each of our core countries for the coming years. After that, we take into account a gradual linear transition towards a stable situation.

Macroeconomic base-case scenarios – key indicators (used for situation at year-end 2023) *	2023	2024	2025
Real GDP growth			
Belgium	1.4%	0.8%	1.1%
Czech Republic	-0.5%	1.4%	3.1%
Hungary	-0.5%	2.8%	3.3%
Slovakia	1.2%	2.2%	3.3%
Bulgaria	1.9%	2.3%	3.0%
Unemployment rate			
Belgium	5.8%	5.7%	5.6%
Czech Republic	2.8%	3.3%	3.2%
Hungary	4.1%	3.8%	3.6%
Slovakia	6.1%	6.3%	6.0%
Bulgaria	4.5%	4.2%	4.0%
House price index			
Belgium	1.0%	1.5%	2.5%
Czech Republic	-2.0%	1.7%	3.5%
Hungary	0.0%	3.0%	4.0%
Slovakia	-3.5%	0.0%	3.5%
Bulgaria	8.4%	0.7%	3.0%

* This deviates from the (more recent) estimates provided in the 'Report of the Board of Directors', under the 'Market conditions in our core markets in 2023' and 'Our business units' sections.

- We use three different forward-looking macroeconomic scenarios (with different probability weightings) to measure ECL. The weightings at year-end 2023 were 60% for the 'base' scenario, 10% for the 'up' scenario and 30% for the 'down' scenario. The forecast horizon is 30 years. A sensitivity analysis of the impact of these multiple economic scenarios on the collectively assessed ECL (i.e. without the ECL for individually assessed loans of 1.6 billion euros at the end of 2023 and at the end of 2022) shows that the 'base' scenario generates an ECL of 1.9 billion euros (1.0 billion euros in 2022), which is 0.1 billion euros lower than for the 'down' scenario (0.1 billion euros in 2022) and 0.0 billion euros higher than for the 'up' scenario (0.0 billion euros in 2022). The assessed scenario-weighted collective ECL (that was recognised) amounted to 0.9 billion euros (1.0 billion euros in 2022). These amounts include the ECL related to geopolitical and emerging risks.

Collectively assessed ECL by country (2023, in billions of EUR)	100% base-case scenario	100% optimistic scenario	100% pessimistic scenario
Total	**0.9**	**0.9**	**1.0**
Belgium	0.3	0.3	0.3
Czech Republic	0.3	0.3	0.3
Slovakia	0.1	0.1	0.1
Hungary	0.1	0.1	0.1
Bulgaria	0.1	0.1	0.2
Other (including Ireland)	0.0	0.0	0.0

- As set out in the 'How do we manage our risks?' section, KBC considers ESG risks in its credit risk management processes. The vulnerability of individual corporate clients to specific ESG risks may become apparent during the term of the loan in client-specific credit risk figures, such as credit risk ratings and collateral valuations affecting the ECL calculation. Especially in terms of climate risk, which may have considerable consequences for certain sectors in the longer term, the impact on our loan portfolio is not expected to occur within the time horizon considered for the ECL measurement.
- Impairment on goodwill: ČSOB Stavební spořitelna (a subsidiary of ČSOB Czech Republic) is facing the impact of the reduction of the building saving state subsidy in the Czech Republic, which has a significant negative impact on future projected earnings. This created an impairment of 109 million euros on the total goodwill outstanding of 175 million euros (based on the exchange rate as at 31 December 2023). This goodwill was created in June 2019 during the full acquisition of ČSOB Stavební (the former ČMSS), partially through the revaluation of the group's existing 55% stake in ČMSS at that time, which resulted in a one-off gain of 82 million euros. On 11 May 2023, the Czech government coalition presented its fiscal stabilisation package, which included a proposal for the reduction of the building saving state subsidy. The Czech government coalition's compromise was reflected in the government proposal, which was approved by the Czech Parliament on 8 November 2023.
- Reserve for geopolitical and emerging risks: The outstanding balance of the ECL for geopolitical and emerging risks came to 253 million euros at year-end 2023; the corresponding figure at year-end 2022 was 429 million euros. This decline is largely attributable to the improved micro- and macroeconomic outlook and the finalisation of the sale of KBC Bank Ireland's loan portfolio. This ECL is determined based on individual counterparties and certain sub-segments in our portfolio which are deemed to have incurred an increase in credit risk because they are either (°) exposed to the current emerging risks (high inflation and interest rates, high(er) energy prices, supply chain disruption) which affect our corporate and SME clients with activities in a number of vulnerable sectors (e.g., automotive, construction, chemicals and metals) and retail clients with a limited buffer to absorb the higher cost of living and/or to make higher repayments ensuing from higher interest rates, or (°) directly or indirectly exposed to ongoing military conflicts, such as the one in Ukraine. This analysis shows that for 12 billion euros in 'Stage 1' positions, which are not (yet) included in the standard staging assessment, credit risk has increased considerably. At year-end 2022, this was 14 billion euros.

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

(in millions of EUR)	2023	2022
Total	- 4	- 10
Of which:		
IGLUU s.r.o.	*- 1*	*- 1*
Isabel NV	*3*	*2*
Payconiq International S.A.	*- 3*	*- 6*
Batopin NV	*- 3*	*- 3*
Bancontact Payconiq Company NV	*1*	*1*
Immoscoop 2.0 BV	*0*	*- 2*

- Impairment on (goodwill on) associated companies and joint ventures is included in 'Impairment' (see Note 3.9). The share in results of associated companies and joint ventures does not therefore take this impairment into account.

Note 3.11: Income tax expense

(in millions of EUR)	2023	2022
Total	- 608	- 470
By type		
Current taxes on income	- 429	- 408
Deferred taxes on income	- 179	- 62
Tax components		
Result before tax	3 439	2 668
Income tax at the Belgian statutory rate	25.00%	25.00%
Income tax calculated	- 860	- 667
Plus/minus tax effects attributable to		
differences in tax rates, Belgium – abroad	*210*	*115*
tax-free income	*108*	*65*
adjustments related to prior years	*5*	*6*
adjustments to deferred taxes due to change in tax rate	*0*	*- 1*
unused tax losses and unused tax credits to reduce current tax expense	*9*	*2*
unused tax losses and unused tax credits to reduce deferred tax expense	*25*	*28*
reversal of previously recognised deferred tax assets due to tax losses	*0*	*0*
other (mainly non-deductible expenses)	*- 105*	*- 18*

- For information on tax assets and tax liabilities, see Note 5.2.
- Taxes in 2022 were bolstered by a one-off recognition of 51 million euros in deferred tax assets, partly due to the increase in business tax in the UK from 19% to 25% and the recognition of a deferred tax asset in Ireland (see also Note 6.6). Taxes in 2023 were bolstered by an updated estimate of future taxable profits of the London branch (15 million euros).
- In 2023, income tax expense was negatively impacted by 36 million euros as the deductibility of the Belgian bank tax was reduced by 80%. The remainder of the tax deductibility (20%) will also be abolished as of 2024.
- The government of the Czech Republic introduced a windfall tax, which will also apply to major banks, and will be in force for the period 2023-2025. Any excess profits will be taxed at 79% (19% standard business tax, 60% windfall tax). As ČSOB in the Czech Republic did not make any excess profit in 2023, no Czech windfall tax is due.
- On 14 December 2023, Belgium, where ultimate parent company KBC Group NV has its registered office, laid down the Pillar Two global minimum tax in statute and declared that it would take effect on 1 January 2024. Under these rules, KBC will be required to pay top-up tax (in Belgium or abroad) on the profits of its subsidiaries and permanent establishments, which are taxed at an effective tax rate of less than 15%. Based on the 2023 results, the additional top-up tax would be roughly 1% of the group's result before tax. The group has applied the temporary exception issued by the IASB in May 2023 relating to the accounting requirements for deferred taxes in IAS 12. The group will continue to monitor the effect of the Pillar Two legislation on its future financial performance.
- Liquidation of KBC Bank Ireland: following approval from the Irish Ministry of Finance in September 2023, the remaining positions of KBC Bank Ireland were transferred to KBC Bank's Dublin branch, which means the main hurdles to commencing the legal process of liquidating KBC Bank Ireland have been overcome. The aim is to complete the process in 2024. Its formal conclusion may result in a tax-deductible loss for KBC Bank NV, for which no deferred tax assets have been recognised yet, as we currently regard it as a contingent asset that is subject to official authorisation from the Irish tax authorities to liquidate KBC Bank Ireland. This could lead to a tax benefit in the income statement of roughly 0.3 billion euros in 2024.
- The table on the next page shows the country-by-country reporting.

in million euros	2023									2022								
	Average number of employees in FTE	Revenues from third party sales[1]	Revenues from transactions with related parties from other tax jurisdictions[2]	Result before tax	Corporate income tax accrued on P&L (current income tax)	Corporate Income tax paid on a cash basis	Retained earnings	Tangible assets other than cash and cash equivalents[3]	Public subsidies received	Average number of employees in FTE	Revenues from third party sales[1]	Revenues from transactions with related parties from other tax jurisdictions[2]	Result before tax	Corporate income tax accrued on P&L (current income tax)	Corporate Income tax paid on a cash basis	Retained earnings	Tangible assets other than cash and cash equivalents[3]	Public subsidies received
KBC home Countries																		
Belgium	9 150	4 091	640	1 373	- 257	- 234	4 644	2 137	0	9 329	3 765	377	1 299	- 180	- 149	4 727	2 010	0
Czech Republic	8 126	1 715	- 695	747	- 51	- 37	1 876	507	0	8 148	1 636	- 529	709	- 134	- 106	1 418	534	0
Slovakia	2 667	338	- 142	126	- 25	1	- 112	176	0	2 900	341	18	106	- 22	- 14	- 210	182	0
Hungary	3 364	843	- 50	330	- 51	- 37	901	128	0	3 278	729	- 9	212	- 36	8	621	119	0
Bulgaria	4 514	541	17	279	- 30	- 28	111	162	0	3 683	343	- 1	139	- 12	- 12	- 133	171	0
Other countries																		
China	34	1	0	0	0	0	0	2	0	35	1	0	0	- 1	0	0	- 3	0
Germany	22	2	0	2	- 3	- 3	0	0	0	22	1	0	0	- 1	- 1	0	0	0
France	53	6	- 7	1	0	0	1	0	0	56	5	- 2	9	- 2	- 2	1	0	0
Great Britain	38	29	24	18	13	13	547	0	0	39	18	8	16	17	17	528	- 1	0
Hong Kong	33	1	0	1	0	0	0	2	0	36	1	0	1	0	0	0	0	0
India	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ireland	560	625	193	515	- 14	- 13	- 1 598	0	0	1 069	352	130	130	- 9	- 9	- 1 665	18	0
Italy	7	0	0	0	0	0	0	1	0	7	0	0	0	0	0	0	0	0
Luxembourg	28	38	20	34	- 6	- 4	- 2	156	0	29	54	8	45	- 27	- 8	94	137	0
Netherlands	27	6	0	9	- 2	- 1	0	0	0	25	4	0	- 5	1	1	0	0	0
Romania	0	4	0	4	0	0	24	32	0	0	3	0	3	0	0	20	33	0
Singapore	40	2	0	1	0	2	0	1	0	43	2	0	1	0	0	0	0	0
USA	45	3	0	1	- 2	- 2	0	18	0	43	4	0	2	0	0	0	- 20	0
Total	28 708	8 246	0	3 439	- 429	- 343	6 391	3 322	0	28 741	7 261	0	2 668	- 408	- 276	5 401	3 181	0

Countries for which the number of FTE is zero and for which the financial figures are below 0,5m EUR will not be shown.

1 Corresponds to Total revenue in the income statement.

2 If there is a positive figure for a particular jurisdiction in this column, it means that all group entities within that jurisdiction combined had more intragroup revenues than intragroup expenses relative to other tax jurisdictions. If there is a negative figure, it means that all group entities within that jurisdiction combined had less intragroup income than intragroup expenses relative to other tax jurisdictions.

3 Corresponds to Property, plant and equipment and investment properties on the balance sheet.

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

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

(in millions of EUR)	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Mandatorily measured at fair value through profit or loss (MFVPL) excl. HFT	Held for trading (HFT)	Designated at fair value (FVO) [1]	Hedging derivatives	Total
FINANCIAL ASSETS, 31-12-2023							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	2 779	0	0	0	0	0	2 779
Of which repayable on demand and term loans at not more than three months							*221*
Loans and advances to customers (excl. reverse repos)	180 867	0	836	0	0	0	181 702
Trade receivables	*2 679*	*0*	*0*	*0*	*0*	*0*	*2 679*
Consumer credit	*6 604*	*0*	*608*	*0*	*0*	*0*	*7 211*
Mortgage loans	*74 382*	*0*	*228*	*0*	*0*	*0*	*74 609*
Term loans	*84 835*	*0*	*0*	*0*	*0*	*0*	*84 835*
Finance lease	*7 197*	*0*	*0*	*0*	*0*	*0*	*7 197*
Current account advances	*4 630*	*0*	*0*	*0*	*0*	*0*	*4 630*
Other	*541*	*0*	*0*	*0*	*0*	*0*	*541*
Reverse repos[2]	25 706	0	0	0	0	0	25 706
With credit institutions and investment firms	*25 356*	*0*	*0*	*0*	*0*	*0*	*25 356*
With customers	*349*	*0*	*0*	*0*	*0*	*0*	*349*
Equity instruments	0	215	10	565	0	0	790
Debt securities issued by	47 553	5 265	13	3 126	0	0	55 956
Public bodies	*41 295*	*4 854*	*0*	*2 957*	*0*	*0*	*49 106*
Credit institutions and investment firms	*4 942*	*324*	*0*	*12*	*0*	*0*	*5 278*
Corporates	*1 316*	*87*	*13*	*157*	*0*	*0*	*1 572*
Derivatives	0	0	0	4 652	0	287	4 939
Other[3]	1 196	0	0	0	0	0	1 196
Total	258 099	5 479	858	8 343	0	287	273 067
FINANCIAL ASSETS, 31-12-2022							
Loans and advances to credit institutions and investment firms (excl. reverse repos)	4 240	0	13	0	0	0	4 253
Of which repayable on demand and term loans at not more than three months							*1 236*
Loans and advances to customers (excl. reverse repos)	175 459	0	625	0	0	0	176 084
Trade receivables	*2 818*	*0*	*0*	*0*	*0*	*0*	*2 818*
Consumer credit	*6 222*	*0*	*430*	*0*	*0*	*0*	*6 652*
Mortgage loans	*72 555*	*0*	*196*	*0*	*0*	*0*	*72 750*
Term loans	*81 980*	*0*	*0*	*0*	*0*	*0*	*81 980*
Finance lease	*6 368*	*0*	*0*	*0*	*0*	*0*	*6 368*
Current account advances	*4 887*	*0*	*0*	*0*	*0*	*0*	*4 887*
Other	*629*	*0*	*0*	*0*	*0*	*0*	*629*
Reverse repos[4]	20 806	0	0	33	0	0	20 839
With credit institutions and investment firms	*20 018*	*0*	*0*	*33*	*0*	*0*	*20 050*
With customers	*788*	*0*	*0*	*0*	*0*	*0*	*788*
Equity instruments	0	187	13	427	0	0	626
Debt securities issued by	44 488	3 397	16	1 708	0	0	49 609
Public bodies	*38 774*	*2 970*	*0*	*1 650*	*0*	*0*	*43 393*
Credit institutions and investment firms	*4 354*	*366*	*0*	*9*	*0*	*0*	*4 728*
Corporates	*1 360*	*61*	*16*	*50*	*0*	*0*	*1 487*
Derivatives	0	0	0	6 325	0	528	6 853
Other[5]	1 561	0	0	0	0	0	1 561
Total	246 553	3 584	667	8 493	0	528	259 824

(in millions of EUR)	Measured at amortised cost (AC)	Held for trading (HFT)	Designated at fair value (FVO)	Hedging derivatives	Total
FINANCIAL LIABILITIES, 31-12-2023					
Deposits from credit institutions and investment firms (excl. repos)	15 000	0	0	0	15 000
Of which repayable on demand					*6 136*
Deposits from customers and debt securities (excl. repos)	259 269	81	1 359	0	260 708
Demand deposits (incl. special and other deposits)	*108 393*	*0*	*0*	*0*	*108 393*
Time deposits	*38 685*	*81*	*194*	*0*	*38 959*
Savings accounts	*70 810*	*0*	*0*	*0*	*70 810*
Subtotal deposits of clients, excl. repos	*217 887*	*81*	*194*	*0*	*218 162*
Certificates of deposit	*15 807*	*0*	*6*	*0*	*15 813*
Savings certificates	*79*	*0*	*0*	*0*	*79*
Non-convertible bonds	*6 160*	*0*	*1 045*	*0*	*7 205*
Non-convertible subordinated liabilities	*19 336*	*0*	*114*	*0*	*19 449*
Repos[4]	5 235	40	0	0	5 275
With credit institutions and investment firms	*3 259*	*40*	*0*	*0*	*3 298*
With customers	*1 976*	*0*	*0*	*0*	*1 976*
Derivatives	0	5 543	0	398	5 941
Short positions	0	1 428	0	0	1 428
In equity instruments	*0*	*6*	*0*	*0*	*6*
In debt securities	*0*	*1 421*	*0*	*0*	*1 421*
Other[5]	2 532	0	0	0	2 533
Total	282 036	7 092	1 359	398	290 885
FINANCIAL LIABILITIES, 31-12-2022					
Deposits from credit institutions and investment firms (excl. repos)	24 792	0	0	0	24 792
Of which repayable on demand					*5 086*
Deposits from customers and debt securities (excl. repos)	252 266	44	1 205	0	253 516
Demand deposits (incl. special and other deposits)	*125 587*	*0*	*0*	*0*	*125 587*
Time deposits	*22 931*	*44*	*73*	*0*	*23 048*
Savings accounts	*76 979*	*0*	*0*	*0*	*76 979*
Subtotal deposits of clients, excl. repos	*225 497*	*44*	*73*	*0*	*225 614*
Certificates of deposit	*9 321*	*0*	*1*	*0*	*9 322*
Savings certificates	*104*	*0*	*0*	*0*	*104*
Non-convertible bonds	*3 846*	*0*	*1 006*	*0*	*4 852*
Non-convertible subordinated liabilities	*13 498*	*0*	*126*	*0*	*13 624*
Repos[4]	11 091	7	0	0	11 098
With credit institutions and investment firms	*10 852*	*7*	*0*	*0*	*10 859*
With customers	*239*	*0*	*0*	*0*	*239*
Derivatives	0	8 106	0	570	8 676
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[5]	2 436	0	0	0	2 436
Total	290 586	9 164	1 205	570	301 525

[1]The carrying value comes close to the maximum credit exposure.

[2]The amount of the reverse repos is virtually identical to the amount of the underlying assets (that have been lent out).

[3]Financial assets not included under 'Loans and advances to customers' as they are not directly related to commercial lending.

[4]The amount of the repos is virtually identical to the amount of the underlying assets (that have been lent out), with the assets being partly reflected on the balance sheet and partly obtained through reverse repo transactions.

[5]Financial liabilities not included under deposits from customers as they are not directly related to commercial deposit acquisition.

- 'Non-convertible bonds' comprise mainly KBC Bank, ČSOB (Czech Republic) and KBC IFIMA issues. They are usually recognised under 'Measured at amortised cost'. However, if they contain closely related embedded derivatives, they are recorded under 'Designated at fair value' (see accounting policies).
- 'Loans and advances to customers at amortised cost' also includes loans whose interest payments are linked to an ESG target of the client. The contractual cashflows of these loans are deemed to be solely payments of principal and interest on the principal amount (SPPI), since the variability in interest payments resulting from the ESG component reflects the instrument's credit risk. This item also includes loans provided to clients for the funding of investments linked to ESG-targets. In 2023, 'Non-convertible bonds' also includes two green bonds (for 500 and 750 million euros each) and two social bonds (for 750 and 750 million euros each), which have been recognised at amortised cost. The purpose of these bonds is to fund loans to our clients intended for green or social projects; however, the cashflows of these bonds themselves are not linked to any ESG targets. More information on our Green Bond Framework and our Social Bond Framework is available at www.kbc.com. These bonds are also discussed in our Sustainability Report (also available at www.kbc.com), in the 'Our commitment to the environment' section, which lists the characteristics of the loan and bond portfolios that contribute to environmental objectives. The 'Our commitment concerning our social impact' section takes a closer look at the funding and advice we provide to projects with a positive social impact.
- More information on major new debt issues or redemptions is provided under the 'Consolidated cashflow statement'.
- The drop in demand deposits and savings accounts partly results from the outflow to the state note in Belgium and to time deposits.
- 'Deposits from credit institutions and investment firms' include funding obtained from the ECB's TLTRO programme (which went down from 15.4 billion euros at year-end 2022 to 2.6 billion euros at year-end 2023).
- Transferred financial assets that continue to be recognised in their entirety: KBC regularly lends and/or sells securities with the commitment to buy them back at a later date (repo transactions). Securities lent or sold with such a commitment are transferred to the counterparty, and, in exchange, KBC receives cash or other financial assets. However, KBC retains the main risks and income relating to these securities, and, therefore, continues to recognise them on its balance sheet. In addition, a financial liability is recognised equalling the cash received.

Transferred financial assets that continue to be recognised in their entirety (carrying value, in millions of EUR)	**31-12-2023**	**31-12-2022**
Transferred assets, which continued to be recognised in their entirety: repo transactions and securities lent out with a carrying value	19 064	17 426
Held for trading	*622*	*960*
Measured at fair value through OCI	*1 172*	*860*
Measured at amortised cost	*17 270*	*15 606*
Associated financial liability	3 213	10 535
Held for trading	*126*	*689*
Measured at fair value through OCI	*183*	*609*
Measured at amortised cost	*2 904*	*9 237*

- KBC has more transferred financial assets on its balance sheet than repo transactions, due to the fact that the cash legs of certain repo transactions are offset against reverse repo transactions if they are carried out with the same counterparty, in the same currency and with the same maturity date. Moreover, there is a legally enforceable right, and an intention, to settle the transactions on a net basis or to realise the financial asset and settle the financial liability simultaneously.
- The loan portfolio accounts for the largest share of the financial assets. We report on estimated greenhouse gas emissions associated with lending and other activities and have defined objectives for reducing the greenhouse gas intensity of loans we have provided to, among others, electricity producers and the real estate sector, mortgage loans and loans provided for commercial residential real estate, as well as loans provided to the automotive industry and car leasing (see Note 6.2), the agricultural sector, and cement and steel producers. See 'Focus on climate and the environment' in the 'Report of the Board of Directors' section for a more detailed explanation (the statutory auditor has not audited this section).

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

Note 4.2.1: Impaired financial assets

(in millions of EUR)	Carrying value before impairment	Impairment	Carrying value after impairment
31-12-2023			
FINANCIAL ASSETS AT AMORTISED COST			
Loans and advances *	211 824	- 2 473	209 351
Stage 1 (12-month ECL)	174 211	- 145	174 066
Stage 2 (lifetime ECL)	33 509	- 490	33 019
Stage 3 (lifetime ECL)	3 691	- 1 749	1 942
Purchased or originated credit impaired assets (POCI)	412	- 88	324
Debt Securities	47 561	- 9	47 553
Stage 1 (12-month ECL)	47 492	- 5	47 487
Stage 2 (lifetime ECL)	64	- 2	62
Stage 3 (lifetime ECL)	5	- 2	3
Purchased or originated credit impaired assets (POCI)	0	0	0
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI			
Debt Securities	5 266	- 1	5 265
Stage 1 (12-month ECL)	5 256	- 1	5 254
Stage 2 (lifetime ECL)	10	0	10
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 *	203 123	- 2 619	200 504
Stage 1 (12-month ECL)	162 550	- 110	162 440
Stage 2 (lifetime ECL)	36 523	- 635	35 887
Stage 3 (lifetime ECL)	3 616	- 1 796	1 820
Purchased or originated credit impaired assets (POCI)	434	- 77	357
Debt Securities	44 504	- 17	44 488
Stage 1 (12-month ECL)	44 366	- 5	44 361
Stage 2 (lifetime ECL)	130	- 4	126
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	3 398	- 1	3 397
Stage 1 (12-month ECL)	3 381	- 1	3 380
Stage 2 (lifetime ECL)	17	0	17
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)

- Carrying value before impairment of loans and advances at amortised cost: increase of 8.7 billion euros in 2023, due primarily to:
  - An organic net increase in the loan portfolio (mainly mortgage loans and term loans).
  - An increase of the carrying value before impairment of the reverse repos to credit institutions and investment firms.
- Carrying value (before impairment) of loans and advances at amortised cost in 'Stage 2': decrease of 3.0 billion euros in 2023, due primarily to:
  - The update of the migration to 'Stage 2' based on a collective approach of 'Stage 1' loans (see also Note 3.9) that have indirect exposure to military conflicts such as the one in Ukraine and/or are vulnerable to emerging risks (together 12.0 billion euros at year-end 2023, compared to 14.2 billion euros at year-end 2022).

  Please note that the update of the migration of loans from 'Stage 1' to 'Stage 2' based on the collective approach, along with the organic growth in lending, resulted in a net increase of 11.7 billion euros of the carrying value before impairment of loans and advances at amortised cost in 'Stage 1'.
- Carrying value before impairment of debt securities at amortised cost: increase of 3.1 billion euros in 2023, almost entirely in 'Stage 1'.
- Impairment: decrease of 0.1 billion euros in 2023, due to:
  - Derecognised financial assets,
  - partly offset by other changes (See Note 3.9)

  At year-end 2022 and 2023, impairment for the former Raiffeisenbank Bulgaria included 106 million euros and 99 million euros, respectively, in loans and advances to customers, and 7 million euros and 0 million euros, respectively, in debt securities at amortised cost. These impairment valuations partly deviate from the methodology set out in the accounting policies (particularly as regards the forward-looking information, IFRS 9 models and criteria used to determine a significant increase in credit risk). The further integration of KBC Bank Bulgaria's loan portfolio in 2024 will also involve the alignment of the accounting policies at KBC Bank Bulgaria for determining impairment. For information on other changes, see Note 3.9.
- See also 'Climate-related and other ESG risks' in the 'How do we manage our risks?' section (the statutory auditor has not audited this section).
- In 2023, 'Stage 2' and 'Stage 3' financial assets with a net carrying value of 579 million euros have been subject to modifications in the past that did not result in derecognition. The gross carrying value of 'Stage 1' financial assets subject to modifications in the past that did not result in derecognition came to 1 001 million euros in 2023. The corresponding figures for 2022 were 471 million euros and 1 088 million euros, respectively. Modification gains or losses are recognised under impairment (see Note 3.9).
- In 2023, financial assets at amortised cost with a gross carrying value of 59 million euros were written off, but were still subject to enforcement activities; the corresponding figure in 2022 was 80 million euros.

Note 4.2.2: Details on impairment on loans and advances at amortised cost

(in millions of EUR)	Stage 1 Subject to 12-month ECL	Stage 2 Subject to lifetime ECL	Stage 3 Subject to lifetime ECL (non-performing)	Subject to lifetime ECL (purchased or originated credit impaired)	Total
31-12-2023					
LOANS AND ADVANCES AT AMORTISED COST					
Impairment: opening balance	110	635	1 796	77	2 619
Movements with an impact on results[1]	37	- 144	141	11	46
Transfer of financial assets					
Stage 1 (12-month ECL)	*- 12*	*86*	*41*	*0*	*115*
Stage 2 (lifetime ECL)	*14*	*- 125*	*95*	*0*	*- 16*
Stage 3 (lifetime ECL)	*0*	*17*	*- 34*	*- 1*	*- 18*
New financial assets[2]	60	22	7	0	89
Changes in risk parameters	- 10	- 98	76	15	- 17
Changes in the model or methodology	0	0	0	0	0
Derecognised financial assets[3]	- 15	- 45	- 58	- 2	- 121
Other	0	0	14	0	14
Movements without an impact on results	- 2	- 1	- 187	- 1	- 191
Derecognised financial assets	- 2	- 1	- 207	- 1	- 211
Changes in the scope of consolidation	0	0	0	0	0
Transfers under IFRS 5	0	0	0	0	0
Other	0	0	19	1	20
Impairment: final balance	145	490	1 749	88	2 473
31-12-2022					
LOANS AND ADVANCES AT AMORTISED COST					
Impairment: opening balance	104	507	1 848	114	2 572
Movements with an impact on results[1]	- 6	96	147	- 8	230
Transfer of financial assets					
Stage 1 (12-month ECL)	*- 22*	*158*	*60*	*0*	*196*
Stage 2 (lifetime ECL)	*4*	*- 83*	*95*	*0*	*16*
Stage 3 (lifetime ECL)	*0*	*26*	*- 54*	*- 3*	*- 31*
New financial assets[2]	40	43	10	0	93
Changes in risk parameters	- 16	- 23	90	- 5	48
Changes in the model or methodology	- 1	3	0	0	2
Derecognised financial assets[3]	- 10	- 26	- 59	- 1	- 97
Other	- 1	- 2	4	0	2
Movements without an impact on results	12	32	- 199	- 29	- 184
Derecognised financial assets	0	- 1	- 296	- 7	- 304
Changes in the scope of consolidation	11	27	64	0	103
Transfers under IFRS 5	0	0	0	0	0
Other	1	6	33	- 21	18
Impairment: final balance	110	635	1 796	77	2 619

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

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

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

- The table is limited to impairment on loans and advances at amortised cost, as impairment and the movements in impairment on debt securities at amortised cost (from 17 million euros at year-end 2022 to 9 million euros at year-end 2023) and on debt securities at fair value through OCI (stable at 1 million euros) are very limited.
- The change in impairment in 2023 relates mainly to derecognised financial assets and movements with an impact on results (see Note 3.9).
- Just like last year, the vast majority of the trigger for staging is driven by a collective management assessment and relative changes in PD (see the multi-tier approach outlined in Note 1.2 under 'Significant increase in credit risk since initial recognition').

- For information on provisions for commitments and financial guarantees, see Note 5.7.2.
- For information regarding the impact of changes in impairment on the income statement, see Note 3.9.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.

Note 4.3: Maximum credit exposure and offsetting

(in millions of EUR)	31-12-2023 Maximum credit exposure (A)	31-12-2023 Collateral and other credit enhancements received (B)	31-12-2023 Net (A-B)	31-12-2022 Maximum credit exposure (A)	31-12-2022 Collateral and other credit enhancements received (B)	31-12-2022 Net (A-B)
Subject to impairment	323 644	141 143	182 501	309 268	132 675	176 593
Of which Stage 3 'non-performing' (AC and FVOCI)	*2 259*	*1 721*	*538*	*2 106*	*1 550*	*556*
Debt securities	52 817	56	52 761	47 885	98	47 787
Loans and advances (excl. reverse repos)	183 646	102 889	80 756	179 698	98 726	80 972
Reverse repos	25 706	25 681	24	20 806	20 751	55
Other financial assets	1 196	0	1 196	1 561	0	1 561
Off-balance-sheet liabilities	60 280	12 516	47 764	59 318	13 100	46 218
Irevocable	*39 824*	*7 180*	*32 645*	*38 679*	*6 742*	*31 937*
Revocable	*20 456*	*5 337*	*15 119*	*20 639*	*6 358*	*14 282*
Not subject to impairment	8 913	2 418	6 495	9 248	2 210	7 038
Debt securities	3 139	0	3 139	1 724	0	1 724
Loans and advances (excl. reverse repos)	836	796	39	638	593	45
Of which FVO	*0*	*0*	*0*	*0*	*0*	*0*
Reverse repos	0	0	0	33	33	0
Derivatives	4 939	1 622	3 317	6 853	1 585	5 268
Other financial assets	0	0	0	0	0	0
Off-balance-sheet liabilities	0	0	0	0	0	0
Total	332 558	143 561	188 996	318 516	134 885	183 631

- Maximum credit exposure for a financial asset is the net carrying value. Besides the amounts on the balance sheet, maximum credit exposure also includes the undrawn portion of credit lines granted, financial guarantees granted and other irrevocable commitments.
- The main types of collateral and other credit enhancements received relate to mortgages on real estate (mainly collateral for mortgage loans), securities lent out (mainly as a collateral for reverse repos), off-balance-sheet financial guarantees received and collateral of movable property. Mortgage loans with an LTV (loan-to-value) greater than 100% are limited to 0.5 billion euros or 0.6% of the entire mortgage loan portfolio at year-end 2023.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). All parts of that particular section which have been audited by the statutory auditor are listed at the start of the section.
- Collateral and credit enhancements received: recognised at market value and limited to the outstanding amount of the relevant loans.

Financial instruments subject to offsetting, enforceable master netting agreements and similar arrangements (in millions of EUR)	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set off	Net amounts of financial instruments presented in the balance sheet	Amounts not set off in the balance sheet			Net amount
				Financial instruments	Cash collateral	Securities collateral	
31-12-2023							
FINANCIAL ASSETS							
Derivatives	24 101	19 163	4 939	3 168	1 123	6	642
Derivatives (excluding central clearing houses)	*4 846*	*0*	*4 846*	*3 168*	*1 123*	*6*	*549*
*Derivatives with central clearing houses **	*19 255*	*19 163*	*93*	*0*	*0*	*0*	*93*
Reverse repos, securities borrowing and similar arrangements	43 125	17 420	25 706	120	0	25 566	19
Reverse repos	*43 125*	*17 420*	*25 706*	*120*	*0*	*25 566*	*19*
Securities borrowing	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial instruments	0	0	0	0	0	0	0
Total	67 227	36 582	30 645	3 289	1 123	25 572	661
FINANCIAL LIABILITIES,							
Derivatives	23 262	17 321	5 941	3 174	819	576	1 373
Derivatives (excluding central clearing houses)	*5 835*	*0*	*5 835*	*3 174*	*819*	*576*	*1 267*
*Derivatives with central clearing houses **	*17 427*	*17 321*	*106*	*0*	*0*	*0*	*106*
Repos, securities lending and similar arrangements	22 694	17 420	5 275	120	0	5 112	43
Repos	*22 694*	*17 420*	*5 275*	*120*	*0*	*5 112*	*43*
Securities lending	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial instruments	0	0	0	0	0	0	0
Total	45 956	34 740	11 216	3 294	819	5 688	1 416
31-12-2022							
FINANCIAL ASSETS							
Derivatives	32 416	25 563	6 853	4 493	1 302	67	991
Derivatives (excluding central clearing houses)	*6 637*	*4*	*6 633*	*4 493*	*1 302*	*67*	*771*
*Derivatives with central clearing houses **	*25 779*	*25 559*	*220*	*0*	*0*	*0*	*220*
Reverse repos, securities borrowing and similar arrangements	28 673	7 835	20 839	0	0	20 830	9
Reverse repos	*28 673*	*7 835*	*20 839*	*0*	*0*	*20 830*	*9*
Securities borrowing	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial instruments	0	0	0	0	0	0	0
Total	61 089	33 397	27 692	4 494	1 302	20 897	999
FINANCIAL LIABILITIES							
Derivatives	31 527	22 850	8 676	4 500	1 116	447	2 613
Derivatives (excluding central clearing houses)	*8 394*	*4*	*8 390*	*4 500*	*1 116*	*447*	*2 327*
*Derivatives with central clearing houses **	*23 132*	*22 846*	*286*	*0*	*0*	*0*	*286*
Repos, securities lending and similar arrangements	18 933	7 835	11 098	0	0	11 083	15
Repos	*18 933*	*7 835*	*11 098*	*0*	*0*	*11 083*	*15*
Securities lending	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other financial instruments	0	0	0	0	0	0	0
Total	50 459	30 685	19 774	4 501	1 116	11 530	2 628

* For the central clearing houses the offsetting refers to the offsetting between the derivatives and the related cash collateral. The amount of cash collateral with central clearing houses at the end of 2023 is 1.842 mio and 2.712 mio at the end of 2022.

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

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

- In line with European Banking Authority guidelines, we conduct an outlier stress test on a quarterly basis by applying six different scenarios to the banking books (material currencies). The worst-case scenario is set off against tier-1 capital. For the banking book at KBC group level, this risk came to -3.91% of tier-1 capital at year-end 2023, well below the -15% tier-1 threshold which is monitored by the ECB (see the 'How do we manage our risks?' section for more information).
- The table shows the changes in economic value of equity under six different interest rate scenarios. To test these six scenarios, we combine the shift in the yield curves with changes in maturities depending on clients' behaviour (e.g., interest-rate-driven prepayment behaviour) and use a run-off balance sheet where maturing items are not replaced. The bank also analyses the impact of different interest rate scenarios on its net interest income.

Supervisory shock scenarios (in millions of EUR, material currencies)*	Changes in the economic value of equity, 4Q2023
1 Parallel up	-606
2 Parallel down	126
3 Steepener	-131
4 Flattener	-23
5 Short rates up	-142
6 Short rates down	72

* Supervision of the underlying internal models' compliance with the approval criteria as provided for in the standards imposed by the regulator does not come under the responsibility of the statutory auditor.

- Note that the above stress test covers the banking book (full economic view), with compensating effects across the balance sheet, whereas the table below focuses on some parts of the balance sheet.
- Taking into account i) KBC's large stock of high-quality liquid assets (approximately 101.5 billion euros on average in 2023), which consist of cash and bonds which can be repoed in the private market and at the central banks, ii) the fact that 56% of total customer deposits at KBC are covered by the Deposit Guarantee and iii) the fact that 86% of total customer deposits consist of more stable retail and SME clients, the unrealised losses on the debt securities portfolio at amortised cost do not need to be realised for liquidity purposes and are therefore irrelevant from a capital perspective.
- All internal valuation models are validated by an independent Risk Validation Unit. In addition, the Executive Committee has appointed a Group Valuation Committee (GVC) to ensure that KBC meets all the legal requirements for measuring financial assets and liabilities at fair value. The GVC monitors consistent implementation of the KBC Valuation Framework, which consists of various guidelines, including the Group Valuation Policy, the Group Market Value Adjustments Policy and the Group Parameter Review Policy. The GVC meets at least twice a quarter to approve significant changes in valuation methods (including, but not limited to, models, market data and inputs) or deviations from group policies for financial assets and liabilities measured at fair value. The committee is made up of members from Finance, Risk Management and the Middle Office. Valuation uncertainty measurements are made and reported to the GVC every three months. Certain fair values generated by valuation models are challenged by a team set up specifically for this purpose.
- The fair value of mortgage and term loans not measured at fair value in the balance sheet (see table) is calculated by discounting contractual cashflows at the risk-free rate. This calculation is then adjusted for credit risk by taking account of margins obtained on similar, but recently issued, loans or by using a spread derived from the listed-bond spread. The fair value of the main portfolios takes account of prepayment risks and cap options. The fair value of time deposits is calculated by discounting contractual cashflows at the risk-free rate. The fair value of demand and savings deposits is presumed to be equal to their carrying value.
- As a result of the first-time adoption of IFRS 9 on 1 January 2018, debt instruments with a total carrying value of 15 060 million euros have been reclassified from 'Available-for-sale assets' to 'Financial assets held at amortised cost'. Due to this reclassification, changes in fair value (before tax) totalling 35 million euros were not recorded in the revaluation reserve in 2023 (-566 million euros in 2022). The fair value of this reclassified portfolio (after redemptions) amounted to 2 808 million euros at year-end 2023 (4 668 million euros at year-end 2022).
- The difference between the fair value and the carrying value of the financial instruments at amortised cost was caused by the substantial interest rate hikes in 2022, partly offset by the decline in interest rates in 2023. As a hold-to-collect business model is applied on the assets side, interim changes in fair value are less relevant.

Fair value of financial assets and liabilities that are not measured at fair value in the balance sheet	Financial assets measured at amortised cost		Financial liabilities measured at amortised cost	
(in millions of EUR)	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS, 31-12-2023				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	28 135	28 100	–	–
Loans and advances to customers (incl. reverse repos)	181 216	173 839	–	–
Debt securities	47 553	45 395	–	–
Other	1 196	1 196	–	–
Correction for portfolio hedge	- 2 402	–	–	–
Total	255 697	248 530	–	–
Level 1	–	43 115	–	–
Level 2	–	31 463	–	–
Level 3	–	173 951	–	–
FINANCIAL LIABILITIES, 31-12-2023				
Deposits from credit institutions and investment firms (incl. repos)	–	–	18 259	18 142
Deposits from customers and debt securities (incl. repos)	–	–	261 245	261 340
Other	–	–	2 532	2 518
Total	–	–	282 036	282 000
Level 1	–	–	–	119
Level 2	–	–	–	100 943
Level 3	–	–	–	180 938
FINANCIAL ASSETS, 31-12-2022				
Loans and advances to credit institutions and investment firms (incl. reverse repos)	24 257	24 210	–	–
Loans and advances to customers (incl. reverse repos)	176 247	162 847	–	–
Debt securities	44 488	40 200	–	–
Other	1 561	1 561	–	–
Correction for portfolio hedge	- 4 335	–	–	–
Total	242 218	228 818	–	–
Level 1	–	37 954	–	–
Level 2	–	29 491	–	–
Level 3	–	161 374	–	–
FINANCIAL LIABILITIES, 31-12-2022				
Deposits from credit institutions and investment firms (incl. repos)	–	–	35 644	35 207
Deposits from customers and debt securities (incl. repos)	–	–	252 506	251 803
Other	–	–	2 436	2 436
Total	–	–	290 586	289 447
Level 1	–	–	–	47
Level 2	–	–	–	125 632
Level 3	–	–	–	163 768

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

(in millions of EUR)				31-12-2023				31-12-2022
Fair value hierarchy	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS AT FAIR VALUE								
Mandatorily measured at fair value through profit or loss, other than held for trading	13	0	845	858	12	13	642	667
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	0	0	0	0	13	0	13
Loans and advances to customers (incl. reverse repos)	0	0	836	836	0	0	625	625
Equity instruments	0	0	10	10	0	0	13	13
Debt securities	13	0	0	13	12	0	4	16
Of which sovereign bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Other	0	0	0	0	0	0	0	0
Held for trading	2 975	4 657	711	8 343	1 891	5 869	733	8 493
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	0	0	0	0	33	0	33
Loans and advances to customers (incl. reverse repos)	0	0	0	0	0	0	0	0
Equity instruments	563	0	2	565	426	0	0	427
Debt securities	2 409	716	1	3 126	1 461	243	4	1 708
Of which sovereign bonds	*2 356*	*601*	*0*	*2 957*	*1 428*	*222*	*0*	*1 650*
Derivatives	3	3 942	708	4 652	3	5 593	729	6 325
Other	0	0	0	0	0	0	0	0
Designated at initial recognition as measured at fair value with changes in value recognized in profit or loss	0	0	0	0	0	0	0	0
Loans and advances to credit institutions and investment firms (incl. reverse repos)	0	0	0	0	0	0	0	0
Loans and advances to customers (incl. reverse repos)	0	0	0	0	0	0	0	0
Debt securities	0	0	0	0	0	0	0	0
Of which sovereign bonds	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
At fair value through OCI	5 051	178	251	5 479	3 130	204	250	3 584
Equity instruments	12	1	202	215	17	1	170	187
Debt securities	5 039	177	49	5 265	3 113	203	81	3 397
Of which sovereign bonds	*4 750*	*105*	*0*	*4 854*	*2 862*	*76*	*33*	*2 970*
Hedging derivatives	0	287	0	287	0	528	0	528
Derivatives	0	287	0	287	0	528	0	528
Total	8 039	5 122	1 807	14 968	5 033	6 613	1 625	13 272
FINANCIAL LIABILITIES AT FAIR VALUE								
Held for trading	1 429	4 624	1 039	7 092	885	7 154	1 125	9 164
Deposits from credit institutions and investment firms (incl. repos)	0	40	0	40	0	7	0	7
Deposits from customers and debt securities (incl. repos)	0	81	0	81	0	44	0	44
Derivatives	2	4 503	1 039	5 543	2	6 979	1 125	8 106
Short positions	1 428	0	0	1 428	884	123	0	1 007
Other	0	0	0	0	0	0	0	0
Designated at initial recognition as measured at fair value with changes in value recognized in profit or loss	0	202	1 157	1 359	0	74	1 131	1 205
Deposits from credit institutions and investment firms (incl. repos)	0	0	0	0	0	0	0	0
Deposits from customers and debt securities (incl. repos)	0	202	1 157	1 359	0	74	1 131	1 205
Liabilities under investment contracts	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
Hedging derivatives	0	303	95	398	0	471	98	570
Derivatives	0	303	95	398	0	471	98	570
Total	1 429	5 129	2 291	8 848	885	7 699	2 355	10 939

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

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

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

In 2023, KBC transferred 42 million euros' worth of financial assets and liabilities out of level 1 and into level 2, and 217 million euros' worth of financial assets and liabilities out of level 2 and into level 1. The corresponding figures for 2022 were 1 million euros and 76 million euros, respectively. Most of these reclassifications were carried out due to a change in the liquidity of government bonds and corporate bonds.

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

- In 2023, significant movements in financial assets and liabilities classified in level 3 of the fair value hierarchy included the following:
  - Financial assets measured at fair value through profit or loss (other than held for trading): the fair value of loans and advances increased by 210 million euros, primarily on account of new transactions and changes in market inputs, partly offset by instruments that had reached maturity.
  - Financial assets at fair value through OCI: the fair value of debt instruments decreased by 32 million euros, primarily on account of instruments reaching maturity and the sale of existing positions. The fair value of the equity instruments rose by 32 million euros, due primarily to purchases.
  - Financial assets held for trading: the fair value of derivatives decreased by 22 million euros, due mainly to the sale of existing positions, only partly offset by new purchases and changes in market inputs.
  - Financial liabilities held for trading: the fair value of derivatives decreased by 86 million euros, due mainly to the sale of existing positions and changes in market inputs, only partly offset by new transactions.
  - Financial liabilities measured at fair value through profit or loss: the fair value of issued debt instruments rose by 26 million euros, primarily on account of purchases and changes in market inputs, only partly offset by transactions reaching maturity and the sale of existing positions.
- In 2022, 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 or loss (other than held for trading): the fair value of loans and advances increased by 65 million euros, primarily on account of new transactions, partly offset by changes in market inputs and instruments that had reached maturity.
  - Financial assets at fair value through OCI: the fair value of debt instruments decreased by 20 million euros, primarily on account of instruments reaching maturity and changes in market inputs.
  - Financial assets held for trading: the fair value of derivatives decreased by 232 million euros, due mainly to sales of existing positions and changes in market inputs, only partly offset by new purchases and reclassifications into level 3.
  - Financial liabilities held for trading: the fair value of derivatives decreased by 232 million euros, due mainly to sales of existing positions and changes in market inputs, only partly offset by new purchases and reclassifications into level 3.
  - Financial liabilities relating to hedging derivatives: the fair value of derivatives decreased by 84 million euros due to changes in market inputs.
  - Financial liabilities measured at fair value through profit or loss: the fair value of issued debt instruments decreased by 120 million euros, primarily on account of transactions reaching maturity and the sale of existing positions, only partly offset by new transactions.
- Some level 3 assets are associated or economically hedged with identical level 3 liabilities, which means that KBC's exposure to unobservable inputs is lower than would appear from the gross figures. Most of the level 3 instruments are also valued using third-party pricing sources, with KBC not developing any unobservable inputs itself. The main unobservable inputs applied by KBC to the valuation of exotic derivatives include: mean reversion parameter on Bermudan swaptions, equity cross-correlations and volatilities for certain stock options, interest-rate correlations for CMS spread options, and the funding costs used to determine the forward equity prices as part of the valuation of certain equity derivatives. The change in fair value resulting from a change in these inputs to reflect reasonably possible alternative assumptions is insignificant.

Note 4.8: Derivatives

- In terms of volume of the notional amounts of the derivatives, approximately 75% are trading derivatives and approximately 25% are hedging derivatives.
- The majority of trading derivatives are effectively included in the trading book but are largely economically hedged (limited open positions) by other trading derivatives (such as derivative transactions initiated by commercial clients that are economically hedged) or by balance sheet positions (such as currency positions), which leads to large volumes of notional amounts but also to result-neutral revaluations on a net basis.
- A limited number of trading derivatives are ALM derivatives included in the banking book, which are used to hedge economic risk. These are not subject to hedge accounting. Hedge accounting is applied to most of the ALM interest rate contracts. Only a limited number of the ALM derivatives for foreign currencies are included in hedge accounting.

Note 4.8.1: Trading derivatives

				31-12-2023				31-12-2022
(in millions of EUR)	Carrying value		Notional amount *		Carrying value		Notional amount *	
	Assets	Liabilities	Purchased	Sold	Assets	Liabilities	Purchased	Sold
Total	4 652	5 543	601 382	593 928	6 325	8 106	569 228	569 829
Interest rate contracts	1 847	2 286	406 137	397 084	2 681	3 737	381 154	379 139
of which interest rate swaps and futures	*1 710*	*2 202*	*396 431*	*391 097*	*2 467*	*3 600*	*370 028*	*372 678*
of which options	*137*	*83*	*9 706*	*5 987*	*214*	*136*	*11 127*	*6 462*
Foreign exchange contracts	2 325	2 487	180 523	182 804	3 173	3 629	174 922	177 978
of which currency and interest rate swaps, FX swaps and futures	*2 252*	*2 416*	*176 792*	*176 914*	*3 088*	*3 517*	*172 012*	*172 498*
of which options	*72*	*72*	*3 730*	*5 890*	*85*	*112*	*2 909*	*5 480*
Equity contracts	471	761	14 381	13 698	452	720	12 812	12 372
of which equity swaps	*385*	*393*	*11 314*	*11 031*	*414*	*410*	*10 553*	*10 394*
of which options	*85*	*368*	*3 067*	*2 667*	*37*	*311*	*2 259*	*1 977*
Credit contracts	0	0	0	0	0	0	0	0
of which credit default swaps	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Commodity and other contracts	10	9	342	342	20	20	340	340

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

Note 4.8.2: Hedging derivatives

31-12-2023											
(in millions of EUR)					Hedging instrument				Hedged item	Impact on equity	
	Notional amount[1]		Carrying value		Change in fair value of hedging instruments as basis for recognising hedge ineffectiveness for the period[2]		Carrying value		Change in fair value of hedged items as basis for recognising hedge ineffectiveness for the period[2]		
Hedging strategy	Pur-chased	Sold	Assets	Liabilities		Type	Total (incl. fair value changes)	Of which accumulated fair value adjustments		Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Fair value micro hedge											
Interest rate swaps	30 664	30 664	89	112	284	Debt securities held at AC	6 421	- 301	377		
Currency and interest rate swaps	0	0	0	0	0	Loans and advances at AC	601	75	3		
						Debt securities held at FVOCI	2 440	13	94		
						Debt securities issued at AC	20 803	- 547	- 759		
						Deposits at AC	0	0	0		
Total	30 664	30 664	89	112	284	Total			- 285	- 1	-
Portfolio hedge of interest rate risk											
Interest rate swaps	143 932	143 932	93	123	- 995	Debt securities held at AC	937	- 7	115		
Currency and interest rate options	1 618	0	70	0	- 27	Loans and advances at AC	125 541	- 2 473	1 841		
						Debt securities held at FVOCI	85	3	9		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	15 938	- 507	- 936		
Total	145 550	143 932	163	123	- 1 022	Total			1 029	7	-
Cashflow hedge (micro hedge and portfolio hedge)											
Interest rate swaps	19 603	19 603	15	127	398						
Currency and interest rate swaps	1 142	1 168	1	18	- 14						
Total	20 746	20 772	17	146	385	Total			- 393	- 9	- 611
Hedge of net investments in foreign operations											
Total [3]	2 579	2 570	19	460	77	Total			- 77	0	91

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

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

[3] Carrying value liabilities: hedging instruments in the form of foreign currency deposits.

31-12-2022											
(in millions of EUR)					Hedging instrument				Hedged item		Impact on equity
	Notional amount[1]		Carrying value		Change in fair value of hedging instruments as basis for recognising hedge ineffectiveness for the period		Carrying value		Change in fair value of hedged items as basis for recognising hedge ineffectiveness for the period		
Hedging strategy	Pur-chased	Sold	Assets	Liabilities		Type	Total (incl. fair value changes)	Of which accumulated fair value adjustments		Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Fair value micro hedge											
Interest rate swaps	21 811	21 811	171	102	- 646	Debt securities held at AC	4 007	- 684	- 323		
Currency and interest rate swaps	0	0	0	0	0	Loans and advances at AC	683	70	- 310		
						Debt securities held at FVOCI	976	- 82	- 119		
						Debt securities issued at AC	14 154	- 1 306	1 403		
						Deposits at AC	0	0	0		
Total	21 811	21 811	171	102	- 646	Total			651	5	-
Portfolio hedge of interest rate risk											
Interest rate swaps	123 930	123 930	209	261	3 172	Debt securities held at AC	359	- 122	- 123		
Currency and interest rate options	1 762	0	101	0	82	Loans and advances at AC	104 980	- 4 207	- 3 769		
						Debt securities held at FVOCI	23	- 6	- 6		
						Debt securities issued at AC	0	0	0		
						Deposits at AC	14 574	- 1 432	644		
Total	125 692	123 930	310	261	3 254	Total			- 3 254	0	-
Cashflow hedge (micro hedge and portfolio hedge)											
Interest rate swaps	20 073	20 073	47	115	177						
Currency and interest rate swaps	1 165	1 220	0	31	- 11						
Total	21 238	21 293	47	146	165	Total			- 168	- 3	- 1 045
Hedge of net investments in foreign operations											
Total[3]	1 755	1 807	0	505	18	Total			- 18	0	20

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

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

[3] Carrying value liabilities: hedging instruments in the form of foreign currency deposits.

- The Treasury departments of the various entities manage the interest rate risk. To prevent rate movements from having a negative impact, the maturities of assets and liabilities are adjusted on the balance sheet using interest rate swaps and other derivatives.
- As regards the relationship between risk management and hedge accounting policy, ‘economic’ management takes priority and risks are hedged in accordance with the general ALM framework. Only then is a decision made on which, if any, of these techniques will be used to limit any resulting accounting mismatch.
- The balances remaining in the cashflow hedge reserve from any hedging relationships for which hedge accounting is no longer applied came to -322 million euros. The accumulated amount of fair value hedge adjustments remaining on the balance sheet for any hedged items that have ceased to be adjusted for hedging gains and losses amounted to -82 million euros. These adjustments are amortised to profit or loss.
- The difference between the ‘Profit/loss on positions in portfolios hedged against interest rate risk’ balance sheet item and accumulated fair value adjustments following portfolio hedges of interest rate risk as included in Note 4.8.2 is attributable to accumulated fair value adjustments regarding discontinued fair value hedges not included in Note 4.8.2 but included in the balance sheet.
- The accumulated fair value adjustments of the hedged assets involved in portfolio hedges of interest rate risk became less negative in 2023 due to the general decline in interest rates. The ‘Profit/loss on positions in portfolios hedged against interest rate risk’ balance sheet item on the liabilities side of the balance sheet also became less negative for the same reason.
- Also see the paragraph on hedge accounting in the ‘How do we manage our risks?’ section and Note 3.3.

Estimated cashflows from cashflow hedging derivatives per time bucket (in millions of EUR)	Inflow	Outflow
Not more than three months	34	- 79
More than three but not more than six months	52	- 103
More than six months but not more than one year	115	- 213
More than one but not more than two years	202	- 401
More than two but not more than five years	335	- 625
More than five years	536	- 671

5.0 Notes on other balance sheet items

Note 5.1: Other assets

(in millions of EUR)	31-12-2023	31-12-2022
Total	1 101	960
Prepaid charges and accrued income	499	484
Other	602	476

Note 5.2: Tax assets and tax liabilities

(in millions of EUR)	31-12-2023	31-12-2022
CURRENT TAXES		
Current tax assets	134	124
Current tax liabilities	86	132
DEFERRED TAXES	**613**	**898**
Deferred tax assets by type of temporary difference	869	1 122
Employee benefits	78	74
Losses carried forward	97	174
Tangible and intangible fixed assets	55	54
Provisions for risks and charges	18	48
Impairment for losses on loans and advances	203	217
Financial instruments at fair value through profit or loss and fair value hedges	90	97
Fair value changes, financial assets at FVOCI, cashflow hedges and hedges of net investments in foreign operations	261	374
Other	68	84
Deferred tax liabilities by type of temporary difference	257	225
Employee benefits	57	62
Losses carried forward	0	0
Tangible and intangible fixed assets	40	35
Provisions for risks and charges	0	0
Impairment for losses on loans and advances	3	3
Financial instruments at fair value through profit or loss and fair value hedges	74	89
Fair value changes, financial assets at FVOCI, cashflow hedges and hedges of net investments in foreign operations	33	10
Other	49	25
Recognised as a net amount in the balance sheet as follows:		
Deferred tax assets	678	944
Deferred tax liabilities	66	47
Unused tax losses and unused tax credits	117	151

- Deferred tax assets are recognised to the extent that it is probable that, on the basis of realistic financial projections, taxable profit will be available against which the deductible temporary differences can be utilised in the foreseeable future (limited to a period of eight to ten years).
- Unused tax losses and unused tax credits concern tax losses of group companies which are not capitalised due to insufficient proof of future taxable profit. Most tax losses and tax credits can be carried forward for 20 years or more.
- The net change in deferred taxes (-285 million euros in 2023) breaks down as follows:
  - The change in deferred tax assets of -253 million euros was accounted for chiefly by:
    - A net decrease in deferred tax assets on account of changes in the revaluation reserve for financial instruments measured at fair value through OCI, cashflow hedges and hedges of net investments in foreign operations (-113 million euros), most of which was recorded directly in OCI.
    - A decrease in deferred tax assets via the income statement (-161 million euros), mainly due to the usage and write-offs of losses carried forward and provisions for liabilities and charges, reinforced by a decrease via the income statement in impairment for losses on loans and advances and financial instruments at fair value through profit or loss and fair value hedges.
  - The change in deferred tax liabilities of +32 million euros was accounted for chiefly by:
    - An increase in deferred tax liabilities on account of changes in the revaluation reserve for financial instruments measured at fair value through OCI, cashflow hedges and hedges of net investments in foreign operations (+23 million euros);
    - An increase in deferred tax liabilities for tangible and intangible fixed assets of +5 million euros and other increases.
- The deferred tax assets presented in the balance sheet are attributable primarily to KBC Bank and ČSOB in the Czech Republic.
- More information on the contingent assets relating to the liquidation of KBC Bank Ireland can be found in Note 3.11.

Note 5.3: Investments in associated companies and joint ventures

(in millions of EUR)	31-12-2023	31-12-2022
Total	31	33
Overview of investments, including goodwill		
IGLUU s.r.o.	3	3
Isabel NV	15	12
Payconiq International SA	-	7
Bancontact Payconiq Company NV	7	7
Batopin NV	3	1
Other	2	3
Goodwill on associated companies and joint ventures		
Gross amount	0	0
Accumulated impairment	0	0
Breakdown by type		
Unlisted	31	33
Listed	0	0
Fair value of investments in listed associated companies and joint ventures	0	0

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

Note 5.4: Property and equipment and investment property

(in millions of EUR)	31-12-2023	31-12-2022
Property, equipment	3 065	2 829
Investment property	257	351
Rental income	37	37
Direct operating expenses from investments generating rental income	11	12
Direct operating expenses from investments not generating rental income	1	1

MOVEMENTS TABLE	Land and buildings	IT equipment	Other equipment	Total property and equipment	Investment property
2023					
Opening balance	1 276	80	1 474	2 829	351
Acquisitions	95	34	820	949	3
Disposals	- 24	0	- 241	- 265	- 74
Depreciation	- 111	- 36	- 21	- 168	- 12
Other movements	- 22	1	- 259	- 280	- 11
Closing balance	1 214	79	1 772	3 065	257
Accumulated depreciation and impairment	*1 482*	*220*	*876*	*2 579*	*174*
Fair value 31-12-2023					410
2022					
Opening balance	1 385	62	1 440	2 887	315
Acquisitions	33	43	466	543	71
Disposals	- 29	- 1	- 204	- 234	- 11
Depreciation	- 112	- 31	- 20	- 163	- 14
Other movements	- 1	6	- 209	- 203	- 9
Closing balance	1 276	80	1 474	2 829	351
Accumulated depreciation and impairment	*1 471*	*204*	*844*	*2 519*	*245*
Fair value 31-12-2022					512

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

Note 5.5: Goodwill and other intangible assets

(in millions of EUR)	Goodwill	Software developed in-house	Software developed externally	Other	Total
2023					
Opening balance	1 326	514	66	9	1 916
Acquisitions	0	187	29	6	222
Disposals	0	0	0	0	0
Amortisation	0	- 75	- 26	- 2	- 102
Other movements	- 106	- 33	- 9	- 1	- 148
Closing balance	1 220	594	60	12	1 886
Accumulated amortisation and impairment	*193*	*419*	*375*	*22*	*1 010*
2022					
Opening balance	894	410	88	5	1 396
Acquisitions	438	174	25	1	639
Disposals	0	0	- 1	- 1	- 1
Amortisation	0	- 60	- 39	- 1	- 100
Other movements	- 6	- 10	- 7	5	- 18
Closing balance	1 326	514	66	9	1 916
Accumulated amortisation and impairment	*84*	*307*	*364*	*31*	*786*

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

Goodwill outstanding (in millions of EUR)	31-12-2023	31-12-2022	Discount rates throughout the specific period of cashflow projections 31-12-2023	31-12-2022
K&H Bank	181	173	15,2% - 13,7%	17,3% - 13,3%
ČSOB (Czech Republic)	287	293	13,0% - 12,8%	13,9% - 12,8%
ČSOB Stavební spořitelna	66	176	13,0% - 12,8%	13,2% - 12,8%
UBB	546	544	13,3% - 12,5%	12,5% - 12,2%
KBC Asset Management NV	114	114	12,0% - 12,3%	9,9% - 9,9%
KBC Commercial Finance	21	21	12,0% - 12,0%	9,9% - 9,9%
Rest	5	5	–	–
Total	1 220	1 326	–	–

- The period to which the cashflow budgets and projections relate is 10 years in most cases. This longer period is used to take account of current strong growth in the Central and Eastern European countries, where the growth rate is expected to develop towards a more moderate level in the longer term.
- The growth rate used to extrapolate the cashflow projections after that period is equal to the expected long-term growth rate of the gross domestic product. This rate depends on the country and varied between 3.2% and 4.7% in 2023 (also between 3.2% and 4.7% in 2022).
- No sensitivity analysis was carried out for entities where the recoverable amount exceeded the carrying value to such a large extent that no reasonably possible change in the key assumptions would result in the recoverable amount being less than or equal to the carrying value. The table gives an indication for the other entities of the impact of reasonable changes in the key assumptions on goodwill impairment.

Sensitivity to reasonable changes (in millions of EUR)*	1.0% increase in discount rate	1.0% increase in targeted solvency ratio	5% decrease in annual net profit
United Bulgarian Bank	-164	-109	-98
ČSOB Stavební spořitelna	-9	-9	-12

* The impact of the changes is calculated ceteris paribus.

Note 5.6: Insurance – balance sheet

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

Note 5.7: Provisions for risks and charges

Note 5.7.1: Overview

(in millions of EUR)	31-12-2023	31-12-2022
Total provisions for risks and charges	180	416
Provisions for off-balance-sheet commitments and financial guarantees	91	114
Provisions for other risks and charges	89	303
Provisions for restructuring	*37*	*92*
Provisions for taxes and pending legal disputes	*37*	*192*
Other	*16*	*19*

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

(in millions of EUR)	Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL (non-performing)	Total
31-12-2023				
Provisions on 01-01-2023	19	35	60	114
Movements with an impact on results				
Transfer of financial assets				
Stage 1 (12-month ECL)	*- 2*	*3*	*1*	*2*
Stage 2 (lifetime ECL)	*1*	*- 13*	*9*	*- 3*
Stage 3 'non-performing' (lifetime ECL)	*0*	*1*	*- 2*	*- 2*
New financial assets	10	4	2	16
Changes in risk parameters during the reporting period	- 3	- 6	- 12	- 21
Changes in the model or methodology	0	0	0	0
Derecognised financial assets[1]	- 3	- 3	- 3	- 9
Other	0	0	2	2
Movements without an impact on results				
Derecognised financial assets	0	0	0	0
Changes in the scope of consolidation	0	1	0	1
Other	0	0	- 7	- 7
Provisions on 31-12-2023	22	20	49	91
31-12-2022				
Provisions on 01-01-2022	19	21	91	130
Movements with an impact on results				
Transfer of financial assets				
Stage 1 (12-month ECL)	*- 6*	*10*	*6*	*10*
Stage 2 (lifetime ECL)	*0*	*- 5*	*7*	*2*
Stage 3 'non-performing' (lifetime ECL)	*0*	*6*	*- 2*	*4*
New financial assets	8	4	0	12
Changes in risk parameters during the reporting period	- 1	1	- 45	- 45
Changes in the model or methodology	0	0	0	0
Derecognised financial assets[1]	- 1	- 1	- 1	- 3
Other	0	- 5	0	- 5
Movements without an impact on results				
Derecognised financial assets	0	0	0	0
Changes in the scope of consolidation	1	2	3	6
Other	0	1	1	2
Provisions on 31-12-2022	19	35	60	114

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

- Also see Note 6.1.

Note 5.7.3: Details of provisions for other risks and charges

(in millions of EUR)	Provision for restructuring	Provision for taxes and pending legal disputes	Other	Total
2023				
Opening balance	92	192	19	303
Movements with an impact on results				
Amounts allocated	*11*	*10*	*4*	*25*
Amounts used	*- 65*	*- 163*	*- 5*	*- 233*
Unused amounts reversed	*- 1*	*- 3*	*- 1*	*- 5*
Transfers out of/into liabilities associated with disposal groups	0	0	0	0
Changes in the scope of consolidation	0	0	0	0
Other	0	1	0	1
Closing balance	37	37	16	89
2022				
Opening balance	87	44	17	147
Movements with an impact on results				
Amounts allocated	*13*	*163*	*9*	*185*
Amounts used	*- 7*	*- 11*	*- 6*	*- 25*
Unused amounts reversed	*0*	*- 5*	*- 1*	*- 6*
Transfers out of/into liabilities associated with disposal groups	0	0	0	0
Changes in the scope of consolidation	0	1	1	2
Other	0	1	- 1	0
Closing balance	92	192	19	303

- For most of the provisions recorded, no reasonable estimate can be made of when they will be used.
- For details on 'Provisions for taxes and pending legal disputes' in 2022, see Note 3.5
- Other provisions included those set aside for miscellaneous risks.
- Information relating to the main legal disputes pending: claims filed against KBC group companies are – in keeping with IFRS rules – treated on the basis of an assessment of whether they will lead to an outflow of resources (i.e. 'probable outflow', 'possible outflow' or 'remotely probable outflow'). Provisions are set aside for 'probable outflow' cases (see 'Notes on the accounting policies'). No provisions are constituted for 'possible outflow' cases, but information is provided in the financial statements if such cases might have a material impact on the balance sheet (i.e. when the claim could lead to a possible outflow of more than 50 million euros). All other claims ('remotely probable outflow'), of whatever magnitude, that represent a minor or no risk at all do not have to be reported. The most important cases are listed below. The information provided is limited in order not to prejudice the position of the group in ongoing litigation.
    - Possible outflow: on 6 October 2011, Irving H. Picard, trustee (the 'Trustee') for the liquidation of Bernard L. Madoff Investments Securities LLC (& Bernard L. Madoff), sued KBC Investments Ltd (a full subsidiary of KBC Bank) before the bankruptcy court in New York to claw back approximately 110 million US dollars' worth of transfers made to KBC entities by Madoff (through a feeder fund that KBC had lent to Harley International). This claim is just one of a whole set made by the Trustee against several banks, hedge funds, feeder funds and investors ('joint defense group'). A lengthy litigation process was conducted on the basis of preliminary objections in respect of the applicability of the Bankruptcy Code's 'safe harbor' and 'good defenses' rules, as well as prudential limitations on U.S. courts' powers in international cases, to subsequent transferees (as is the case for KBC Investments Ltd), as detailed in previous disclosures. In June 2015, the Trustee stated his intention to amend the original claim which led to increase the amount claimed to USD 196 000 000. A court ruling dismissing the claim of the Trustee was issued on 3 March 2017. The Trustee appealed and the appellate court ('Court of Appeals for the Second Circuit') reversed the dismissal on 28 February 2019. A certiorari petition filed on 30 August 2019 was dismissed by the US Supreme Court on 2 June 2020. As a consequence the merits of the case are handled by the Bankruptcy Court. On 30 August 2021, in two other appeals by other defendants, the Court of Appeals for the Second Circuit reversed the burden of proof from an initial burden on the Trustee to adequately demonstrate the defendant's lack of good faith to a burden on the defendant to prove its good faith. On 1 August 2022, the Bankruptcy Court issued a decision determining the structure of the proceedings. In this context, on 5 August 2022 the Trustee amended his complaint by reducing his claim to a principal of USD 86 million. On 18 November 2022, KBC submitted a motion to dismiss the amended complaint for lack of specific jurisdiction of the US court. On 26 April 2023, the court dismissed this motion contesting jurisdiction and proceeded to establish a progress plan for the proceedings, which provides for a term for the investigation of the facts that ends on 22 September 2025. In the meantime, both parties have released the first factual documents. The next step is to select certain persons named in the disclosures already made and who are likely to be heard by one or both parties in the proceedings. Despite the increased burden of proof, KBC still believes it has good and credible defenses, including demonstrating its good faith. The procedure may still take several years.

Note 5.8: Other liabilities

(in millions of EUR)	31-12-2023	31-12-2022
Total	1 678	1 579
Breakdown by type		
Retirement benefit obligations or other long-term employee benefits	86	84
Accrued charges and deferred income	339	311
Wages and security charges	378	380
Lease liabilities	61	66
Other	815	737

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

Note 5.9: Retirement benefit obligations

(in millions of EUR)	31-12-2023	31-12-2022
DEFINED BENEFIT PLANS		
Reconciliation of defined benefit obligations		
Defined benefit obligations at the beginning of the period	1 848	2 413
Current service cost	68	92
Interest cost	75	19
Actuarial gain or loss resulting from changes in demographic assumptions	- 3	- 8
Actuarial gain or loss resulting from changes in financial assumptions	101	- 578
Experience adjustments	- 36	16
Past-service cost	0	0
Benefits paid	- 115	- 94
Other	0	- 13
Defined benefit obligations at the end of the period	1 938	1 848
Reconciliation of the fair value of plan assets		
Fair value of plan assets at the beginning of the period	1 879	2 233
Actual return on plan assets	144	- 363
Expected interest income on plan assets, calculated based on the market interest rates of high-quality corporate bonds	*78*	*18*
Employer contributions	65	67
Plan participant contributions	20	19
Benefits paid	- 115	- 94
Other	5	16
Fair value of plan assets at the end of the period	1 998	1 879
of which financial instruments issued by the group	*0*	*0*
of which property occupied by KBC	*1*	*1*
Funded status		
Plan assets in excess of defined benefit obligations	60	31
Reimbursement rights	0	0
Asset ceiling limit	- 51	- 12
Unfunded accrued/prepaid pension cost	9	19
Movement in net liabilities or net assets		
Unfunded accrued/prepaid pension cost at the beginning of the period	19	- 217
Amounts recognised in the income statement	- 45	- 75
Amounts recognised in other comprehensive income	- 34	244
Employer contributions	65	67
Other	5	- 1
Unfunded accrued/prepaid pension cost at the end of the period	9	19
Amounts recognised in the income statement	- 45	- 75
Current service cost	- 68	- 92
Interest cost	4	- 1
Plan participant contributions	20	19
Other	0	0
Changes to the amounts recognised in other comprehensive income	- 34	244
Actuarial gain or loss resulting from changes in demographic assumptions	3	8
Actuarial gain or loss resulting from changes in financial assumptions	- 101	578
Actuarial result on plan assets	65	- 381
Experience adjustments	36	- 16
Adjustments to asset ceiling limits	1	25
Other	- 39	31
DEFINED CONTRIBUTION PLANS		
Expenses for defined contribution plans	- 18	- 20

- Retirement benefits that are actively accrued for the Belgium-based staff of KBC Bank, KBC Insurance and most of their Belgian subsidiaries are accrued exclusively through the KBC pension fund. Up until year-end 2018, employer-funded retirement benefits had accrued primarily through a defined benefit plan, where the benefit is calculated based on the final salary of employees before they retire, the number of years they had been in the plan and a formula that applies a progressive rate scale. A defined contribution plan was introduced on 1 January 2014 for all new employees and any employees who had chosen to switch to it. In this plan, a contribution is deposited based on the current monthly salary and the amounts deposited are paid out together with the (guaranteed) return on retirement. Both types of pension plan are managed by the KBC pension fund, which uses the services of KBC Asset Management for the investment strategy. In addition, there are a number of smaller, closed group insurance schemes from the past that will continue to be funded and are managed by the KBC pension fund. On 1 January 2019, a new defined contribution plan was introduced to replace the one introduced in 2014. All employees were again given the one-time option of switching from the defined benefit plan to the new defined contribution plan. At year-end 2023, 52% of employees were active participants in the defined benefit plan and 48% in the defined contribution plan (the corresponding figures at year-end 2022 were 55% and 45%).
- The expected age of retirement of each employee and the expected wage inflation based on an inflation curve derived from the market value of inflation-linked bonds are taken into account in the calculation of the gross defined benefit obligations. In 2023, market data was adopted in full without levelling off percentages and the term of the market data was extended from 22 to 30 years.
- Since 1 January 2020, the insurance risks related to death and disability are fully reinsured through an external reinsurance programme.
- The KBC Pension Fund believes in a balanced ESG approach that allows improvement of the greenhouse gas intensity but also considers other environmental themes such as biodiversity and social and governance issues. As regards the management of the assets, the share of responsible investments came to around 89% at the end of December. The aim is for the KBC Pension Fund investment portfolio to be carbon-neutral by 2050.
  At the end of September 2023, the greenhouse gas intensity of the shares held in portfolio was roughly 40% of the MSCI World AC benchmark, for the corporate bonds held in portfolio it was roughly 36% of the Iboxx Euro Corporates benchmark and for the government bonds held in portfolio it was roughly 121% of the JPM EMU Government Bond benchmark, a decrease from 2019 of 56%, 40% and 25%, respectively.
- As a result of the higher average interest rates, the pension reserves of participants are often higher than the retirement benefit obligations calculated as the present value of the guaranteed minimum pension capital under the defined contribution plan. In 2023, the net asset was therefore reduced by the difference between the retirement benefit obligations calculated in this way and the higher guaranteed minimum reserves and/or the pension reserves calculated using the assigned fund return. The difference at the end of 2023 was 22 million euros and has been added to ‘Adjustments to asset ceiling limits’, resulting in the net asset being reduced by this amount. As, in the previous year, the retirement benefit obligations for the defined contribution plan were expressed as the maximum between the present retirement benefit obligations and the guaranteed minimum reserves, interest rate sensitivity is now higher.
- In the second quarter of 2023, the model was adjusted by replacing an external supplier’s discount curve with a KBC curve that is based on Bloomberg data on the prices of AA-rated corporate bonds. If the same method had been used to determine the curve at the beginning of the year, the retirement benefit obligation would have been 25 million euros lower.
- There are no significant defined benefit plans in the group’s other core countries.

Additional information on retirement benefit obligations (in millions of EUR)	2023	2022	2021	2020	2019
Changes in main headings in the main table					
Defined benefit obligations	1 938	1 848	2 413	2 452	2 319
Fair value of plan assets	1 998	1 879	2 233	1 965	1 947
Unfunded accrued/prepaid pension cost	9	19	- 217	- 486	- 408
Impact of changes in the assumptions used in the actuarial calculation of plan assets and retirement benefit obligations					
Impact on plan assets	0	0	0	0	0
Impact on retirement benefit obligations *	98	- 586	- 25	182	182

* Arising from defined benefit plans. A plus sign signifies an increase in the obligation (in absolute value), a minus sign a decrease in the obligation (in absolute value).

Additional information on retirement benefit obligations – DEFINED BENEFIT PLANS

	KBC pension fund
Composition (31-12-2023)	
Equity instruments	31%
Bonds	55%
Real estate	13%
Cash	1%
of which illiquid assets	17%
Composition (31-12-2022)	0%
Equity instruments	37%
Bonds	46%
Real estate	14%
Cash	3%
of which illiquid assets	18%
Contributions expected in 2024 (in millions of EUR)	33
Regulatory framework	Pension plans are registered in collective labour agreements and incorporated into a set of regulations. Annual reporting of funding levels to supervisory authorities (FSMA/NBB). Any underfunding must be reported immediately to the supervisory authorities.
Risks for KBC	Investment risk and inflation risk.
ALM policy	The hedging portfolio hedges against interest rate risk and inflation risk using interest rate swaps. The return portfolio aims to generate an extra return.
Plan amendments	A new version of the employer-funded DC plan was introduced on 1 January 2019. All employees affiliated in the DB plan had a one-off opportunity to switch to the DC plan for future contributions.
Curtailments and settlements	Not applicable.
Discounting method	Based on quotes for various time buckets of AA-rated corporate bonds. The resulting yield curve is converted into a zero coupon curve.
Key actuarial assumptions	
Average discount rate	3.20%
Expected rate of salary increase	2.75%
Expected inflation rate	2.42%
Expected rate of increase in pensions	-
Weighted average duration of the obligations	10 years
Impact of changes in the assumptions used in the actuarial calculation of the retirement benefit obligations Increase in the retirement benefit obligations on 31-12-2023 consequent on:	
a decrease of 1% in the discount rate	11.83%
an increase of 1% in the expected inflation rate	9.17%
an increase that is 1% higher than the expected real increase in salary	12.18%
an increase of one year in life expectancy	-
The impact of the following assumptions has not been calculated:	Decreasing mortality rates: pension benefits are paid out in capital, so longevity risk is immaterial. Staff turnover rates: the the sensitivity of the changes due to staff turnover is limited.

Additional information on retirement benefit obligations – DEFINED CONTRIBUTION PLANS	KBC pension fund
Contributions expected in 2024 (in millions of EUR)	27
Regulatory framework	Pursuant to the Belgian Supplementary Pensions Act, the employer must guarantee a minimum return of 1.75% on employee and employer contributions.
Risks for KBC	Investment risk.
Valuation	Retirement benefit obligations are measured on the basis of the accrued benefits on the reporting date, making a projection of these benefits (at the rate of interest guaranteed by law) until the expected age of retirement, and discounting the resulting benefits. KBC has two types of defined contribution plan: one that is financed through employee contributions and one through employer contributions. The value of the employer-funded DC plan takes account of future contributions in the projection, whereas the value of the employee-funded DC plan doesn't as the obligation of the employer in the employee-funded DC plan only relates to the guaranteed interest.
Discounting method	Based on quotes for various time buckets of AA-rated corporate bonds. The resulting yield curve is converted into a zero coupon curve.
Key actuarial assumptions	
Average discount rate	3.31%
Weighted average duration of the obligations	16 years
Impact of changes in the assumptions used in the actuarial calculation of the retirement benefit obligations Increase in the retirement benefit obligations on 31-12-2023 consequent on:	
a decrease of 1% in the discount rate	19.00%

Note 5.10: Parent shareholders' equity and additional tier-1 instruments

Quantities	31-12-2023	31-12-2022
Ordinary shares	995 371 469	995 371 469
of which ordinary shares that entitle the holder to a dividend payment	*995 371 469*	*995 371 469*
of which treasury shares	*0*	*0*
Additional information		
Par value per share (in EUR)	9.78	9.78
Number of shares issued but not fully paid up	0	0

- Ordinary shares: ordinary shares of no nominal value. All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued.
- On 31 December 2022, 995 371 469 ordinary shares were in circulation, all of which belonged to KBC Group NV.
- Additional tier-1 (AT1) instruments (these securities are classified as equity instruments under IAS 32 and the coupon is treated as a dividend):
  - In April 2018, KBC Group issued 1 billion euros in AT1 securities and underwrote an AT1 security for the same amount at KBC Bank (a perpetual AT1 instrument with a seven year first-call date and a temporary write-down trigger should the common equity ratio fall below 5.125% and an initial coupon of 4.45% per annum, which is payable every six months).
  - In February 2019, KBC Group issued 500 million euros in AT1 securities and underwrote an AT1 security for the same amount at KBC Bank (a perpetual AT1 instrument with a five year first-call date and a temporary write-down trigger should the common equity ratio fall below 5.125% and an initial coupon of 4.95% per annum, which is payable every six months). Under CRR Article 78(1)(a), KBC Group asked the ECB for permission to call this instrument in March 2024. In accordance with the EBA Q&A 2023_6791 of 15 September 2023, the instrument is disqualified as tier-1 capital in the solvency calculations as soon as the replacement instrument is issued (this placement occurred in early September; see below). The instrument was called on 5 March 2024.
  - In September 2023, KBC Group issued 750 million euros in AT1 securities and underwrote an AT1 security for the same amount at KBC Bank (a perpetual AT1 instrument with a five year first-call date and a temporary write-down trigger should the common equity ratio fall below 5.125% and an initial coupon of 8.40% per annum, which is payable every six months).

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

KBC Bank Ireland (in millions of EUR)	31-12-2023	31-12-2022
ASSETS		
Loans and advances to customers (excl. reverse repos)	-	8 049
Consumer credit	-	*18*
Mortgage loans	-	*7 938*
Term loans	-	*84*
Current account advances	-	*10*
LIABILITIES		
Deposits from customers and debt securities (excl. repos)	-	1 929
Demand deposits	-	*303*
Time deposits	-	*494*
Savings accounts	-	*1 132*
Deposits from credit institutions and investment firms (excl. repos)	-	91
Of which repayable on demand	-	*35*

- In October 2021, KBC Bank Ireland confirmed that it had 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 (see Note 6.6 for more details). These sales resulted in a shift to the ‘Non-current assets held for sale and disposal groups’ and ‘Liabilities associated with disposal groups’ items The sale was finalised in February 2023.
- Maximum credit exposure: the maximum credit risk associated with ‘Non-current assets held for sale and disposal groups’ amounted to 8.0 billion euros at year-end 2022, of which 7.9 billion euros in collateral and other credit enhancements received.

6.0 Other notes

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

(in millions of EUR)		31-12-2023			31-12-2022	
	Nominal amount	Provision	Net exposure	Nominal amount	Provision	Net exposure
Undrawn portion of credit lines granted						
Stage 1	41 569	20	41 549	39 158	17	39 141
Stage 2	6 683	14	6 670	8 077	26	8 051
Stage 3 – non-performing	79	5	73	51	13	38
Total	48 331	39	48 292	47 286	56	47 230
of which irrevocable credit lines	*27 859*	*23*	*27 836*	*26 618*	*27*	*26 591*
Financial guarantees given						
Stage 1	7 863	2	7 861	7 602	2	7 600
Stage 2	2 952	6	2 947	3 139	8	3 131
Stage 3 – non-performing	133	44	90	119	44	76
Total	10 948	51	10 897	10 861	54	10 807
Other commitments given						
Total	1 092	1	1 091	1 284	4	1 280
Off-balance-sheet commitments and financial						
Total	60 371	91	60 280	59 432	114	59 318

- Fair value of financial guarantees: based on the available market value.
- The carrying value of financial assets pledged by KBC as collateral came to 50 612 million euros for liabilities and 4 329 million euros for contingent liabilities (59 062 million euros and 5 291 million euros, respectively, in 2022). At year-end 2023, some 18.9 billion euros' worth of residential mortgage loans and cash collections were entered in the cover asset register for the special estate of the covered bond programme (16.6 billion euros at year-end 2022).
- There is an obligation to return collateral received (which may be sold or repledged in the absence of default by the owner; see table) in its original form, or possibly in cash. Collateral can be called in if loans are terminated for various reasons such as default or bankruptcy. In the event of bankruptcy, the collateral will be sold by the receiver. In other cases, the bank will organise the foreclosure itself or take possession of the collateral. Collateral received that relates to OTC derivatives is primarily cash, which is recognised by KBC on the balance sheet (and is not included in the table). More details are provided in Note 4.3.
- Collateral acquired through foreclosure came to 3 million euros in 2023 (4 million euros in 2022).

Collateral received (which may be sold or repledged in the absence of default by the owner) (in millions of EUR)	Fair value of collateral received		Fair value of collateral sold or repledged	
	31-12-2023	31-12-2022	31-12-2023	31-12-2022
Financial assets	46 421	30 852	5 267	7 792
Equity instruments	21	16	2	2
Debt securities	46 165	30 601	5 265	7 790
Loans and advances	235	234	0	0
Cash	0	0	0	0
Other	0	0	0	0

- In the years 2016-2022, KBC contributed to the Single Resolution Fund (SRF) by means of irrevocable payment commitments (IPCs) in the amount of 90 million euros, which are fully covered by cash collateral. In line with industry practice, the following accounting treatment is applied to IPCs: (°) the amount of cash collateral is recognised as a financial asset and (°) the hypothetical fund call in case of a resolution is reported as a contingent liability. The recognition of the cash collateral as a financial asset is based on the consideration that, in any scenario, the collateral should be returned to the bank and that interest is received on the amount outstanding. In a recent decision, the General Court of the EU ruled that in a scenario in which a bank loses its banking license, it has no claim on the cash collateral. KBC decided to await the outcome of the appeal in this case at the European Court of Justice before considering the potential implications on the accounting treatment of IPCs. The 90 million euros is deducted in the calculation of the common equity capital.

Note 6.2: Leasing

(in millions of EUR)	31-12-2023	31-12-2022
Finance lease receivables		
Gross investment in finance leases, receivable	7 824	6 836
At not more than one year	*1 925*	*1 378*
At more than one but not more than five years	*4 551*	*4 069*
At more than five years	*1 349*	*1 389*
Unearned future finance income on finance leases	627	468
Net investment in finance leases	7 198	6 368
At not more than one year	*1 766*	*1 226*
At more than one but not more than five years	*4 178*	*3 842*
At more than five years	*1 254*	*1 300*
of which unguaranteed residual values accruing to the benefit of the lessor	*41*	*36*
Accumulated impairment for uncollectable lease payments receivable	31	35
Contingent rents recognised in the income statement	110	111
Operating lease receivables		
Future aggregate minimum rentals receivable under non-cancellable operating leases	698	517
Contingent rents recognised in the income statement	1	0

- KBC acts only to a limited extent as a lessee in operational and financial leasing.
- Finance leases: KBC offers finance lease products ranging from equipment and vehicle leasing to real estate leasing. In Belgium, finance leases are typically sold through KBC group's branch network, and that channel is becoming increasingly important in Central Europe, too.
- Operating leases: involve primarily full service car leases, which are sold through the KBC Bank and CBC Banque branch network and through an internal sales team. Full service car leasing activities are being further developed in Central Europe, too. The increased importance of leasing hybrid and all-electric vehicles supports the transition to green mobility, and the segment of (electric) company bicycles also continued to grow.
- We report on estimated greenhouse gas emissions associated with lending, leasing and other activities and, in that context, have defined objectives for reducing the greenhouse gas intensity of our financial and operational car leasing. See 'Focus on climate and the environment' in the 'Report of the Board of Directors' section for a more detailed explanation (the statutory auditor has not audited this section). More details can also be found in our Climate Report and our Sustainability Report at www.kbc.com.

Note 6.3: Related-party transactions

Transactions with related parties, excluding key management (in millions of EUR)	2023 Parent entities with joint control	2023 Subsidiaries and other entities of group	2023 Associated companies	2023 Joint ventures	2023 Other	2023 Total	2022 Parent entities with joint control	2022 Subsidiaries and other entities of group	2022 Associated companies	2022 Joint ventures	2022 Other	2022 Total
Assets	4	337	100	27	0	468	2	762	18	33	0	814
Loans and advances	4	220	81	0	0	305	2	635	0	0	0	637
Equity instruments (including investments in associated companies and joint ventures)	0	66	18	27	0	112	0	65	18	33	0	116
Other	0	51	0	0	0	51	0	61	0	0	0	61
Liabilities	20 663	1 180	80	0	677	22 601	15 068	883	74	0	593	16 618
Deposits	20 615	908	23	0	674	22 220	15 021	759	10	0	590	16 381
Other financial liabilities	0	168	0	0	0	168	0	0	0	0	0	0
Other	48	104	58	0	3	212	47	124	63	0	3	237
Income statement	- 1 488	- 74	- 3	0	- 3	- 1 568	- 997	- 44	- 2	0	- 4	- 1 047
Net interest income	- 446	- 122	1	0	0	- 567	- 134	- 109	1	0	0	- 243
Interest income	*1*	*139*	*2*	*0*	*0*	*143*	*3*	*0*	*2*	*0*	*0*	*5*
Interest expense	*- 447*	*- 261*	*- 1*	*0*	*0*	*- 709*	*- 137*	*- 110*	*- 1*	*0*	*0*	*- 248*
Dividend income	0	2	0	0	0	2	0	0	1	0	0	1
Net fee and commission income	1	31	0	0	2	34	0	72	0	0	2	74
Fee and commission income	*1*	*146*	*0*	*0*	*2*	*149*	*0*	*184*	*0*	*0*	*2*	*186*
Fee and commission expense	*0*	*- 115*	*0*	*0*	*0*	*- 115*	*0*	*- 112*	*0*	*0*	*0*	*- 112*
Net other income	0	- 20	- 1	0	0	- 22	0	- 30	- 1	0	0	- 31
Total Opex without bank tax	- 1 042	35	- 2	0	- 6	- 1 015	- 863	23	- 2	0	- 7	- 849
Undrawn portion of loan commitments, financial guarantees and other commitments												
Given by the group	0	168	1	0	150	320	0	177	0	0	50	227
Received by the group	0	0	0	0	0	0	0	0	0	0	0	0

Transactions with key management (members of the Board of Directors and Executive Committee) (in millions of EUR) *	2023	2022
Total *	2	1
Breakdown by type of remuneration		
Short-term employee benefits	2	1
Post-employment benefits	0	0
Defined benefit plans	*0*	*0*
Defined contribution plans	*0*	*0*
Other long-term employee benefits	0	0
Termination benefits	0	0
Share-based payments	0	0
Stock options (units)		
At the beginning of the period	0	0
Granted	0	0
Exercised	0	0
Composition-related changes	0	0
At the end of the period	0	0
Advances and loans granted to key management and partners	0	1

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

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

Note 6.4: Statutory auditor's remuneration

Statutory auditor's remuneration (PwC, in EUR)	2023	2022
KBC Bank and its subsidiaries		
Standard audit services	6 447 795	5 981 378
Other services	479 637	499 142
Other certifications	478 287	496 917
Tax advice	0	0
Other non-audit assignments	1 351	2 225
KBC Bank (alone)		
Standard audit services	2 442 215	2 080 214
Other services	84 124	118 235

Note 6.5: Subsidiaries, joint ventures and associated companies

KBC Bank: main companies included in the scope of consolidation at year-end 2023

Company	Registered office	Company number	Share of capital held at group level (in %)	Business unit*	Activity
KBC Bank NV	Brussels – BE	0462.920.226	100.00	BEL/GRP	credit institution
CBC BANQUE SA	Namur – BE	0403.211.380	100.00	BEL	credit institution
Československá Obchodná Banka a.s.	Bratislava – SK	--	100.00	IMA	credit institution
Československá Obchodní Banka a.s.	Prague – CZ	--	100.00	CZR	credit institution
KBC Asset Management NV	Brussels – BE	0469.444.267	100.00	BEL	asset management
KBC Autolease NV	Leuven – BE	0422.562.385	100.00	BEL	leasing
KBC Commercial Finance NV	Brussels – BE	0403.278.488	100.00	BEL	factoring
KBC IFIMA SA	Luxembourg – LU	--	100.00	GRP	finance
KBC Securities NV	Brussels – BE	0437.060.521	100.00	BEL	stockbroker
K&H Bank Zrt.	Budapest – HU	--	100.00	IMA	credit institution
Loan Invest NV	Brussels – BE	0889.054.884	100.00	BEL	securitisation
United Bulgarian Bank AD	Sofia – BG	--	99.96	IMA	credit institution

[1] BE = Belgium Business Unit, CZ = Czech Republic Business Unit, IM = International Markets Business Unit, GC = Group Centre.

- The main group companies are shown in the table. A complete list of group companies (included in or excluded from the scope of consolidation) is provided at www.kbc.com > About us > Our structure.
- All (material) entities (including structured entities (SPVs)) over which the consolidating entity exercises, directly or indirectly, exclusive control are consolidated according the method of full consolidation. To assess whether or not structured entities have to be consolidated, KBC uses the principles set out in IFRS 10, as well as thresholds for inclusion in consolidation.
- Disclosures of interests in other entities (IFRS 12)
  - Significant judgements and assumptions
    - In general, funds managed by KBC are not included in the scope of consolidation, as they do not meet the three criteria of control (power, exposure to a variable return and ability to use such power to affect those returns).
    - Joint entities in which KBC does not hold 50% of the share capital are classified as joint ventures, since KBC Bank has joint control over these entities based on shareholder agreements. Based on the Articles of Association and/or shareholder agreements, voting rights in (and therefore the control of) the joint venture are spread evenly across the different shareholders and decisions may only be taken by unanimity.
  - Interests in subsidiaries:
    - For the vast majority of the entities, the voting rights are materially equal to the ownership rights.
    - Pursuant to the joint capital decision, specific Pillar-II levels have been set to ensure that certain minimum capital ratios are respected, which impose certain restrictions on the repatriation of capital and distribution of dividends.
    - With regard to Loan Invest NV, KBC is exposed to loan losses on the mortgage portfolio and, therefore, recognises impairment losses on them where necessary.
  - Interests in unconsolidated structured entities:
    - KBC Bank NV is arranger and dealer of a number of 40-billion-euro medium term notes programmes issued by 19 unconsolidated structured entities established in Ireland for that purpose. These entities were established between 2006 and 2016 under the Irish Companies Act 2014 as an Irish public limited company or an Irish private limited company. Their primary business is to raise money by issuing notes in order to buy financial assets (such as securities, bonds and deposits) and to enter into related derivative and other contracts (such as equity-based swaps, interest-based swaps, total return swaps, repo transactions, etc.). They provide investment opportunities for clients by providing economies of scale, a diversification of credit risk and a high level of granularity. Each structured entity has a prospectus that was approved by the Central Bank of Ireland (available at www.kbc.be/prospectus/spv). However, the structured entities are not consolidated because they fail to meet the three criteria for consolidation (power, exposure to a variable return and ability to use such power to affect those returns). At year-end 2023, the assets under management at these entities amounted to 5.4 billion euros.
    - Sponsored unconsolidated structured entities are defined as structured entities where KBC Bank or one of its subsidiaries acts as arranger of the issuance programme, but where the decision-making power of the entities does not reside with KBC Bank or one of its subsidiaries. As a result, these entities are not consolidated.
    - At year-end 2023, KBC Bank had received income from unconsolidated structured entities in the form of management fees (13.4 million euros) and accounting fees 1 million euros.
- At year-end 2023, no group companies were active in the extractive industry. As a result, no consolidated report on payments to governments has been prepared (see Article 3:8 § 1 of the Companies and Associations Code).

Note 6.6: Main changes in the scope of consolidation

- 2022: Acquisition of Bulgarian activities from Raiffeisen Bank International (KBC Bank Bulgaria)
  - In July 2022, we finalised the agreement with Raiffeisen Bank International on the acquisition of 100% of the shares in Raiffeisenbank (Bulgaria) EAD for a total consideration of 1 009 million euros in cash (the deal did not contain any contingent consideration arrangements). The transaction also includes the subsidiaries Raiffeisen Leasing Bulgaria, Raiffeisen Asset Management (Bulgaria), Raiffeisen Insurance Broker and Raiffeisen Service. Raiffeisenbank (Bulgaria) EAD was renamed KBC Bank Bulgaria EAD, and the subsidiaries were also renamed. The bank had a market share in Bulgaria of an estimated 8% in terms of assets, a network of 122 bank branches, roughly 2 500 employees and 600 000 clients.
  - The transaction had already been finalised at year-end 2022 and was therefore included in the consolidated balance sheet figures of year-end 2022. The results of KBC Bank Bulgaria have been fully consolidated in the income statement since the third quarter of 2022. The impact in the second half of 2022 amounted to: +108 million euros in total income (mainly 70 million euros in net interest income and 36 million euros in net commission income), -51 million euros in operating expenses, -5 million euros in impairment and +47 million euros in result after tax.
  - KBC recognised goodwill of 436 million euros in its consolidated financial statements, taking into account limited fair value adjustments. This is accounted for by the quality of the acquired entity, which is expressed in the qualitative loan portfolio and profitability (based on the results achieved in previous years and the business plan for the years ahead). It allows KBC to expand its client base and benefit from economies of scale (through considerable cost synergies for the office network and head office in Bulgaria and through revenue synergies, including from higher sales of DZI insurance products) and greater visibility as a result. The acquisition offers KBC the opportunity to earmark its surplus capital for a value-increasing transaction in a market that the group is highly familiar with. Goodwill is not deductible for tax purposes.
  - The transaction had an impact of -0.9 percentage points on KBC Group's common equity ratio in the third quarter of 2022.
  - KBC Bank Bulgaria merged with United Bulgarian Bank (UBB) in April 2023.
- Sale of activities in Ireland (2022 and 2023)
  - At the end of August, KBC Bank Ireland reached agreement on the disposal of a non-performing mortgage loan portfolio of roughly 1.1 billion euros in a transaction financed by funds managed by CarVal Investors. The deal was finalised in early February 2022. The loans will be managed by Pepper Finance Corporation (Ireland) DAC as the legal title holder of the loans. Pepper is supervised by the Central Bank of Ireland.
  - In October 2021, KBC Bank Ireland also confirmed that it had 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 The latter also acquired a small non-performing mortgage loan (and credit card balances) portfolio. The transaction was finalised on 3 February 2023. The acquisition, initially totalling approximately 6.5 billion euros, includes approximately 7.6 billion euros in performing mortgage loans, approximately 0.1 billion euros in mainly performing commercial and consumer loans, approximately 0.1 billion euros in non-performing mortgage loans and approximately 1.8 billion euros in deposits.
  - The transaction had an impact on the income statement of +0.4 billion euros in 2023 (see the detailed table below). Once finalised, the transaction also positively impacted the common equity ratio by approximately 0.9 percentage points in the first quarter of 2023 (partly due to a reduction in risk-weighted assets).
  - Also see Note 5.11.

Impact of the acquisition of Raiffeisenbank Bulgaria in 2022 (in millions of EUR)	2022: Raiffeisenbank Bulgaria
Percentage of shares bought or sold in the relevant year	purchase 100.00%
Percentage of shares after deal	100.00%
For business unit	International Markets
Deal date (month and year)	July 2022
Results of the relevant company/business recognised in the group result as from:	July 2022*
Purchase price or sale price	1 009
Cashflow for acquiring or selling companies less cash and cash equivalents acquired or sold	-42
Amounts recognised for the purchased assets and liabilities (fair value)	
Situation on:	7 July 2022
Cash and cash balances with central banks	1 053
Financial assets	4 686
Amortised cost	*4 521*
Fair value through OCI	*132*
Fair value through profit or loss	*30*
Hedging derivatives	*4*
Tax assets	2
Investments in associated companies and joint ventures	*2*
Property and equipment	35
Goodwill and other intangible assets	15
Other assets	*20*
Cash and cash equivalents (included in the above assets)	*1 053*
Financial liabilities	5 150
Held for trading	*19*
Amortised cost	*5 130*
Provisions for risks and charges	9
Other liabilities	21
Cash and cash equivalents (included in the above liabilities)	*28*

* A further 58 million euros was paid for an additional tier-1 instrument issued by Raiffeisenbank Bulgaria, included in equity at nominal value.

Impact of the transactions relating to Ireland on financial year 2022 and 2023: one-off items* (in millions of EUR)	Sale transaction for non-performing loans	Sale transaction for remaining loans and deposits and scheduled settlement	Total
2023			
Total income	–	**409**	**409**
of which Other net income	–	***408***	***408***
Operating expenses	–	**-11**	**-11**
Impairment	–	**-5**	**-5**
*on financial assets at amortised cost and at fair value through OCI**	–	***6***	***6***
other	–	***-11***	***-11***
Income tax expense	–	**-28**	**-28**
RESULT AFTER TAX	–	**365**	**365**
2022			
Total income	6	1	6
Operating expenses	0	-32	-33
Impairment	-2	-38	-41
*on financial assets at amortised cost and at fair value through OCI**	*-2*	*-15*	*-17*
other	*0*	*-24*	*-24*
Income tax expense	0	36	36
RESULT AFTER TAX	3	-35	-31

* The impairment is caused by a comparison between the sale price of the impaired loans and the net carrying value of the underlying loans.

Note 6.7: Risk management and capital adequacy

Capital management is a key management process relating to all decisions on the level and composition of our capital, both for banking and insurance. It covers all instruments that are positioned to absorb losses in going concern and/or gone concern situations. Capital management aims to achieve the best possible balance between regulatory requirements, investor expectations, rating agencies' views and management ambitions. Ultimate accountability for capital management lies with the Board of Directors.

Capital management entails a broad scope of activities covering strategic topics (such as defining policies, targets, etc.), frameworks and models (e.g., for regulatory capital, internal capital, cost of equity, measuring performance, etc.), planning and allocation (e.g., allocating capital to business, planning capital instrument issuances, forecasting capital ratios, etc.), implementation (e.g., dividends, capital transactions) and monitoring (including current solvency positions at various levels, compliance with group policies and regulatory requirements).

ICAAP (Internal Capital Adequacy Assessment Process) consists of numerous business and risk processes that together contribute to the aim of being adequately capitalised at all times in view of our risk profile and the quality of our risk management and control environment.

We report the solvency of the bank based on IFRS data and according to the rules imposed by the regulator.

This implies that we calculate our solvency ratios based on CRR/CRD IV. KBC began applying the transitional provisions for IFRS 9 on 30 June 2020. KBC Bank is subject to minimum solvency ratios. The main measure is the transitional common equity ratio, with the minimum regulatory requirement being 10.50%. This includes the pillar 1 minimum requirement (4.5%), the pillar 2 requirement (0.98% set by the ECB following its supervisory review and evaluation process) and the buffer requirements (5.02% set by the local competent authorities in KBC's core markets). At year-end 2023, the transitional common equity ratio was 13.4%.

(in millions of EUR)	KBC Bank (consolidated) CRR/CRD 31-12-2023 Transitional	31-12-2022 Transitional
Total regulatory capital, after profit appropriation	17 952	17 516
Tier-1 capital	15 573	15 749
Common equity	13 823	14 249
Parent shareholders' equity	15 450	15 618
Solvency adjustments	-1 627	-1 370
Additional going concern capital[1]	1 750	1 500
Tier-2 capital[2]	2 379	1 768
Total weighted risk volume[3]	103 192	100 285
Common equity ratio	13.4%	14.2%

[1] Contains perpetual subordinated loans with a fully discretionary and non-cumulative interest payment.The securities also include a loss-absorption mechanism, more specifically a temporary write-down if the CET1 ratio falls below 5,125%. See also note 5.10.
[2] Contains subordinated loans with a fixed maturity date of which the principal amount and interest payment in the going concern cannot be canceled.
[3] It is not the responsibility of the statutory auditor to ensure that the RWA internal models meet the approval criteria as laid down in the regulatory standards.

- More detailed information is provided in the 'How do we manage our capital?' section of this report and in KBC's Risk Report.
- The loan portfolio accounts for the largest share of the financial assets. Based on internal management reports, the composition and quality of the loan portfolio is set out in detail in the 'How do we manage our risks?' section (under 'Credit risk'). The information required in relation to risks is provided in those parts of the 'How do we manage our risks?' section which have been audited by the statutory auditor and which constitute part of the financial statements.

Note 6.8: Post-balance-sheet events

- Significant non-adjusting events between balance sheet date and the date on which the financial statements were approved for publication by the Board of Directors (14 March 2024):
  - On 5 March 2024 KBC Group NV announced to call the Additional Tier-1 Securities (ISIN:BE0002638196) issued in 2019 (see Note 5.10).

Note 6.9: General information on the company

Name:	KBC Bank NV.
Incorporated:	17 March 1998.
Country of incorporation:	Belgium.
Registered office:	Havenlaan 2, 1080 Brussels, Belgium.
VAT:	BE 0462.920.226.
RLP:	Brussels.
Website:	https://www.kbc.com

E-mail address reserved for shareholders and bondholders:

IR4U@kbc.be

Legal form:	*naamloze vennootschap* (company with limited liability) under Belgian law; organisation of public interest; the company is a credit institution that is subject to the prudential supervision of the National Bank of Belgium and the European Central Bank.
Life:	undefined.
Object:	In Belgium or abroad, for its own account or for account of third parties, the company has as object the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue (Article 2 of the Articles of Association).

Documents open to public inspection:

The Articles of Association of the company are open to public inspection at the Registry of the Dutch-speaking division of the Brussels Business Court and are published on www.kbc.com. The financial statements and annual report are filed with the National Bank of Belgium and are available at www.kbc.com. The annual report can also be obtained from the company's registered office and will be sent to those requesting it. Extracts of minutes concerning decisions on the appointment, resignation and the termination of the offices of members of the Executive Committee and the Board of Directors are published in the appendices to the Belgian Official Gazette. Financial reports about the company are published on www.kbc.com.

General Meeting of Shareholders:

A General Meeting is held every year at the company's registered office or at any other place indicated in the convening notice, at 11 a.m. on the Wednesday immediately prior to the last Thursday of April, or, if this day is a statutory public holiday or bank holiday, at 11 a.m. on the business day immediately before it. Each share gives entitlement to one vote.

For information on the general meeting of shareholders and the right of shareholders to take part in such meetings, see Article 21 et seq. of the Articles of Association, which are available at www.kbc.com.

Statutory auditor’s report

FREE TRANSLATION FROM THE DUTCH ORIGINAL

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

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of KBC Bank NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 27 April 2022, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2024. We have performed the statutory audit of the Group's consolidated accounts for eight consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated balance sheet as at 31 December 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cashflow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated balance sheet total of EUR 312.334 million and a profit for the year (attributable to equity holders of the parent) of EUR 2.832 million.

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

Basis for unqualified opinion

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

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

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

Key audit matters

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

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

FREE TRANSLATION FROM THE DUTCH ORIGINAL

Estimation uncertainty with respect to impairment allowances for loans and advances

Description of the Key Audit Matter

The appropriateness of impairment allowances for loans and advances measured at amortised cost requires significant management judgement. Measuring impairment allowances for loans and advances measured at amortised cost under IFRS 9 requires an assessment of the 12-month or the lifetime expected credit losses and the assessment of significant increases in credit risk or whether loans and advances measured at amortised cost have defaulted.

The geopolitical and emerging risks that have arisen in the course of 2022 continue to limit the ability of the expected credit models to adequately reflect all the consequences of the resulting economic conditions, requiring the recognition of post-model adjustments in addition to the expected credit loss provisions produced by the models.

Information regarding impairment allowances for loans and advances measured at amortised cost, including information concerning the impact of the geopolitical and emerging risks, is included in Notes 3.9 and 4.2 to the consolidated accounts, in application of the policies as described in Note 1.2 “Summary of significant accounting policies”.

At year-end 31 December 2023, the carrying value before impairment of loans and advances measured at amortised cost amounts to EUR 211.824 million, the total corresponding impairment at that date amounts to EUR 2.473 million.

The assessment of significant increases in credit risk, the assessment of whether loans and advances at amortised cost are in default and the measurement of 12-month or lifetime expected credit losses are part of the estimation process of the Group and are, amongst others, based on macroeconomic scenarios and microeconomic parameters (as defined by the Group), credit risk models, triggers indicating a significant increase in credit risk and default triggers, the financial condition of the counterparty and the expected future cash flows or the value of collateral.

The determination of post-model adjustments recognised in addition to the expected credit loss provisions produced by the models encompasses expert inputs to identify vulnerable clients.

The use of different modelling techniques, scenarios and assumptions, including in the determination of the post-model adjustments, could lead to different estimates of impairment allowances on loans and advances measured at amortised cost. As the loans and advances measured at amortised cost represent the majority of the Group’s balance sheet and given the related estimation uncertainty on impairment allowances we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

Our audit procedures comprised an assessment of the overall governance of the credit and impairment process of the Group, including the 12-month and lifetime expected loss modelling processes and the geopolitical and emerging risks post-model adjustment approach. We have assessed and tested the design and operating effectiveness of the controls within the loan origination process, risk management process and the estimation process for determining impairment allowances. For loan impairment allowances determined on an individual basis, we have performed, for a sample of corporate and SME credit files, a detailed review; we challenged the default triggers and the quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

For the 12-month and lifetime expected credit loss impairment allowances, we challenged the adequacy of significant increase in credit risk triggers and the macroeconomic scenarios and microeconomic parameters (as defined by the Group) and, together with our experts, we tested the underlying models including the Group's model approval and independent validation process.

We also assessed the completeness of the identification of vulnerable clients by management in the determination of the post-model adjustments and tested the mathematical accuracy of the calculations to determine these adjustments and assessed their reasonableness.

Finally, we assessed the completeness and accuracy of the disclosure and whether the disclosures are in compliance with the International Financial Reporting Standards as adopted by the European Union.

In our view, the impairments estimated by management, including the geopolitical and emerging risks post-model adjustments, are within a reasonable range of outcomes in view of the overall loans and advances and the related uncertainties as disclosed in the consolidated accounts.

<u>Portfolio fair value hedge of interest rate risk on core deposits</u>

Description of the Key Audit Matter

KBC Bank accounts for a Portfolio Fair Value Hedge of interest rate risk on core deposits as allowed under IAS39 as adopted by the European Union. The resulting single line item that reflects the cumulative change in fair value of the core deposits in scope of this hedge strategy due to changes in interest rates amounts to a debit on the liabilities of EUR 507 million per 31 December 2023 (as disclosed in Note 4.8.2 to the consolidated accounts), in application of the policies as described in Note 1.2 "Summary of significant accounting policies". The magnitude of this single line item resulted in a focus area for the Group to monitor whether the requirements, in particular adequate prospective and retrospective hedge effectiveness testing, to pursue applying hedge accounting in these strategies continued to be met and for us to consider this a key audit matter.

How our Audit addressed the Key Audit Matter

We obtained an understanding of the internal control framework related to hedge accounting and have tested the key internal controls related to hedge accounting documentation, (de-)designation of hedging instruments, prospective- and retrospective hedge effectiveness testing. We assessed the appropriateness of the hedge accounting- and hedge effectiveness methodology related to the Portfolio Fair Value Hedge of interest rate risk on core deposits. This includes the assessment of data inputs and key assumptions as critical factors used in the hedge accounting process, based on data provided by the Group, our experience and market practice.

Based on our procedures we found that the use of the related hedge accounting methodology was adequately documented and that the hedge effectiveness tests were adequately carried out.

Finally, we assessed the completeness and accuracy of the disclosures relating to the Portfolio Fair Value Hedge of interest rate risk on core deposits to assess compliance with disclosure requirements included in the International Financial Reporting Standards as adopted by the European Union.

<u>Estimation uncertainty on impairment of goodwill</u>

Description of the Key Audit Matter

As described in Note 5.5 to the consolidated accounts, in application of the policies as described in Note 1.2 "Summary of significant accounting policies", the Group has recorded an outstanding goodwill balance amounting to EUR 1.220 million as at 31 December 2023. Impairment analyses are performed annually, or whenever a triggering event has occurred, in order to determine whether the recoverable amount exceeds the carrying amount.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

Taking into consideration the significant management judgement and the related estimation uncertainty involved in determining the recoverable amount at the level of the respective cash generating units, we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

We obtained an understanding of the internal control framework related to goodwill impairment. Next to that, we assessed, together with our experts, the appropriateness of the discounted cash flow models developed by management, the evaluation of the significant assumptions used by management related to the free cash flow projections, the discount rates and the terminal growth rates of the respective cash generating units, as well as the completeness and accuracy of the underlying data used in the models. We also assessed the reasonableness of the stressed assumptions used in the stress tests as disclosed.

Finally, we assessed the completeness and accuracy of the disclosures and whether the disclosures are in compliance with the International Financial Reporting Standards as adopted by the European Union.

In our view, the resulting outcomes of management's goodwill impairment assessment are within a reasonable range of outcomes in view of the overall outstanding goodwill and the related uncertainties as disclosed in the consolidated accounts.

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

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

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

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

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

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

FREE TRANSLATION FROM THE DUTCH ORIGINAL

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

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other legal and regulatory requirements

Responsibilities of the board of directors

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

FREE TRANSLATION FROM THE DUTCH ORIGINAL

Statutory auditor's responsibilities

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

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

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

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

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

is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Regarding non-financial information, as mentioned in the directors' report, the information is provided at the level of the highest Belgian consolidating entity, KBC Group NV, in the directors' report on the consolidated accounts.

Statements related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.

- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemised in the notes to the consolidated accounts.

Other statement

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Diegem, 29 March 2024

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

Damien Walgrave*
Bedrijfsrevisor/Réviseur d'entreprises

*Acting on behalf of Damien Walgrave BV/SRL

Jeroen Bockaert**
Bedrijfsrevisor/Réviseur d'entreprises

**Acting on behalf of Jeroen Bockaert BV/SRL

Company annual accounts

10				9	EUR
NAT.	Date Filed	N°	P.	E.	D.

C-inst 1

ANNUAL ACCOUNTS

NAME: KBC BANK

Legal Form: NV
Address: Havenlaan N°.: 2 Box:
Postal Code: 1080 Municipality: BRUSSELS
Country: België
Register of Legal Persons (RLP) - Chamber of Commerce: Brussels
Internet address*: http://www.kbc.be

Company 0462.920.226

Date 24/10/2023 of the deposition of the partnership deed OR of the most recent document mentioning the date of publication of the partnership deed and the act changing the articles of association.

ANNUAL ACCOUNT in thousands EURO
approved by the General Meeting of 24/04/2024

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

Previous period from 01/01/2022 till 31/12/2022
The amounts of the previous financial year are / ~~are not~~ ** identical to those which have been previously published.

COMPLETE LIST WITH name, first name, profession, residence-address (address, number, postal code, municipality) and position with the enterprise, OF DIRECTORS, MANAGERS and AUDITORS

	Period on the Board in 2023	End of current term of office
CHAIRMAN OF THE EXECUTIVE COMMITTEE		
Mr. Johan THIJS, Havenlaan 2, 1080 Brussel	entire year	2025
CHAIRMAN OF THE BOARD OF DIRECTORS:		
Mr. Koenraad DEBACKERE, A. Stesselstraat 8, 3012 Leuven	entire year	2024

Members: see next page

Enclosed to these annual accounts:
- the report of the statutory auditor
- the annual report of the Board of Directors to the ordinary General Meeting of shareholders

---

Total number of pages deposited:
Number of the pages of the standard form not deposited for not being of service: -

Signature (name and position)	Signature (name and position)
J. THIJS	K. DEBACKERE
Chairman of the Executive Committee	Chairman of the Board of Directors

* Optional Statement
** Delete where appropriate

LIST OF DIRECTORS, MANAGERS AND AUDITORS (continuation from previous page)

Members:

Dhr. Peter ANDRONOV, Havenlaan 2, 1080 Brussel	entire year	2025
Dhr. Nabil ARISS, Havenlaan 2, 1080 Brussel	entire year	2025
Dhr. Ales BLAZEK, Havenlaan 2, 1080 Brussel	entire year	2026
Mevr. Katelijn CALLEWAERT, Havenlaan 2, 1080 Brussel	untill 26/04/2023	
Mevr. Sonja DE BECKER, Meerbeekstraat 20, 3071 Erps-Kwerps	entire year	2024
Dhr. Marc DE CEUSTER, Havenlaan 2, 1080 Brussel	from 26/04/2023	2027
Dhr. Koenraad DEBACKERE, chairman of the Board of Directors, A. Stesselstraat 8, 3012 Leuven	entire year	2024
Dhr. Franky DEPICKERE, vice-chairman of the Board of Directors, Havenlaan 2, 1080 Brussel	entire year	2027
Dhr. Erik LUTS, Havenlaan 2, 1080 Brussel	entire year	2025
Dhr. Bo MAGNUSSON, Havenlaan 2, 1080 Brussel	entire year	2024
Dhr. David MOUCHERON, Havenlaan 2, 1080 Brussel	entire year	2025
Mevr Liesbet OKKERSE, Havenlaan 2, 1080 Brussel	from 26/04/2023	2027
Mevr. Vladimira PAPIRNIK, Havenlaan 2, 1080 Brussel	entire year	2027
Dhr. Luc POPELIER, Havenlaan 2, 1080 Brussel	entire year	2025
Mevr. Alicia REYES REVUELTA, Havenlaan 2, 1080 Brussel	entire year	2026
Dhr. Johan THIJS, Havenlaan 2, 1080 Brussel	entire year	2025
Mevr. Christine VAN RIJSSEGHEM, Havenlaan 2, 1080 Brussel	entire year	2026
Dhr. Marc WITTEMANS, Beatrijslaan 91, 3110 Rotselaar	untill 26/04/2023	

AUDITOR:

PwC Auditors BV 0429.501.944
Culliganlaan 5, 1831 Diegem, Belgium
Function: Commissioner, Member Number: B00009
Mandate : appointed till 2025

Represented by:
Jeroen Bockaert (membership IBR A02315)
Auditor
Culliganlaan 5, 1831 Diegem, Belgium

Damien Walgrave (membership IBR A02037)
Auditor
Culliganlaan 5, 1831 Diegem, Belgium

DECLARATION ABOUT SUPPLEMENTARY AUDITING OR ADJUSTMENT MISSION

The managing board declares that the assignment neither regarding auditing nor adjusting has been given to a person who was not authorised by law pursuant to art. 34 and 37 of the Law of 22nd April 1999 concerning the auditing and tax professions.

The annual accounts ~~have~~ / have not* been audited or adjusted by an external accountant or auditor who is not a statutory auditor.

If YES, mention here after: name, first names, profession, residence-address of each external accountant or auditor, the number of membership with the professional Institute ad hoc and the nature of this engagement:

A. Bookkeeping of the undertaking**,
B. Preparing the annual accounts**,
C. Auditing the annual accounts and/or
D. Adjusting the annual accounts.

If the assignment mentioned either under A or B is performed by authorised accountants or authorised accountants-tax consultants, information will be given on: name, first names, profession and residence-address of each authorised accountant or accountant-tax consultant, his number of membership with the Professional Institute of Accountants and Tax consultants and the nature of this engagement.

Name, first name, profession, residence-address	Number of membership	Nature of the engagement (A, B, C and/or D)

* Delete where appropriate.

** Optional disclosure.

BALANCE SHEET AFTER APPROPRIATION

ASSETS	Notes	Code	Current period	Previous period
I. Cash in hand, balances with central banks and post office banks		10100	24.518.426	39.234.932
II. Treasury bills eligible for refinancing at central banks		10200	949.842	347.579
III. Loans and advances to credit institutions	6.1	10300	25.570.336	20.710.905
A. Repayable on demand		10310	454.280	395.542
B. Other loans and adv. (with agreed maturity dates)		10320	25.116.056	20.315.363
IV. Loans and advances to customers	6.2	10400	98.174.112	97.684.465
V. Debt securities and other fixed-income securities	6.3	10500	40.007.213	46.419.428
A. Issued by public bodies		10510	25.148.102	22.335.302
B. Issued by other borrowers		10520	14.859.111	24.084.126
VI. Shares and other variable-yield securities	6.4	10600	560.532	425.556
VII. Financial fixed assets	6.5/ 6.6.1	10700	13.745.731	13.847.476
A. Participating interests in affiliated enterprises		10710	11.247.543	11.206.371
B. Participating interests in other enterprises linked by participating interests		10720	64.504	82.011
C. Other shares held as financial fixed assets		10730	37.269	18.815
D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests		10740	2.396.414	2.540.279
VIII. Formation expenses and intangible fixed assets	6.7	10800	63.413	61.231
IX. Tangible fixed assets	6.8	10900	2.038.329	1.770.777
X. Own shares		11000	0	0
XI. Other assets	6.9	11100	856.114	977.601
XII. Accrued income	6.10	11200	7.412.089	10.724.770
TOTAL ASSETS		19900	213.896.136	232.204.719

	Notes	Code	Current Period	Previous Period
LIABILITIES				
THIRDPARTY FUNDS		201/208	198.248.752	216.457.209
I. Amounts owed to credit institutions	6.11	20100	17.393.637	34.933.732
A. Repayable on demand		20110	6.190.042	4.602.589
B. Amounts owed as a result of the rediscounting of trade bills		20120	0	0
C. Other debts with agreed maturity dates or periods of notice		20130	11.203.595	30.331.143
II. Amounts owed to customers	6.12	20200	126.648.208	137.519.734
A. Savings deposits		20210	45.664.300	52.075.335
B. Other debts		20220	80.983.908	85.444.399
1. repayable on demand		20221	57.719.909	72.118.787
2. with agreed maturity dates or periods of notice		20222	23.264.000	13.325.612
3. as a result of the rediscounting of trade bills		20223	0	0
III. Debts evidenced by certificates	6.13	20300	20.929.996	12.359.542
A. Debt securities and other fixed-income securities in circulation		20310	5.811.968	3.633.139
B. Other		20320	15.118.028	8.726.403
IV. Other liabilities	6.14	20400	1.935.277	2.415.771
V. Accrued charges and deferred income	6.15	20500	9.205.751	12.975.766
VI. Provisions and deferred taxes		20600	78.140	66.019
A. Provisions for liabilities and charges		20610	78.140	66.019
1. Pensions and similar obligations		20611	19.227	14.531
2. Taxation		20612	0	0
3. Other liabilities and charges	6.16	20613	58.913	51.488
B. Deferred taxes		20620	0	0
VII. Fund for general banking risks		20700	116.158	106.693
VIII. Subordinated liabilities	6.17	20800	21.941.586	16.079.952
OWN FUNDS		209/213	15.647.384	15.747.510
IX. CAPITAL	6.18	20900	9.732.238	9.732.238
A. Subscribed capital		20910	9.732.238	9.732.238
B. Uncalled capital (-)		20920	0	0
X. Share premium account		21000	2.066.339	2.066.339
XI. Revaluation surpluses		21100	0	0
XII. Reserves		21200	917.226	851.653
A. Legal reserve		21210	904.253	838.679
B. Reserves not available for distribution		21220	0	0
1. In respect of own shares held		21221	0	0
2. Other		21222	0	0
C. Untaxed reserves		21230	12.973	12.973
D. Reserves available for distribution		21240	0	0
XIII. Profits (losses (-)) brought forward (+)/(-)		21300	2.931.581	3.097.280
TOTAL LIABILITIES		29900	213.896.136	232.204.719

OFF BALANCE SHEET CAPTIONS	Notes	Code	Current period	Previous period
I. Contingent liabilities	6.22	30100	10.150.014	9.584.942
A. Non-negotiated acceptances		30110	7.960	11.227
B. Guarantees serving as direct credit substitutes		30120	1.814.335	2.411.294
C. Other guarantees		30130	6.815.894	5.824.119
D. Documentary credits		30140	1.051.800	1.338.301
E. Assets charged as collateral security on behalf of third parties		30150	460.024	0
II. Commitments which could give rise to a risk	6.22	30200	32.450.899	27.589.832
A. Firm credit commitments		30210	6.526.929	2.753.790
B. Commitments as a result of spot purchases of transferable or other securities		30220	91.758	181.969
C. Undrawn margin on confirmed credit lines		30230	25.832.212	24.654.073
D. Underwriting and placing commitments		30240	0	0
E. Commitments as a result of open-ended sale and repurchase agreements		30250	0	0
III. Assets lodged with the credit institution		30300	282.973.564	246.807.750
A. Assets held by the credit institution for fiduciary purposes		30310	6.232.015	5.489.274
B. Safe custody and equivalent items		30320	276.741.550	241.318.476
IV. Uncalled amounts of share capital		30400	6.653	7.264

INCOME STATEMENT (presentation in vertical form)

		Notes	Code	Current Period	Previous period
I. Interest receivable and similar income		6.23	40100	8.237.511	3.944.677
A. Of which: from fixed-income securities			40110	1.217.420	640.357
II. Interest payable and similar charges			40200	5.889.203	1.700.414
III. Income from variable-yield securities		6.23	40300	904.195	2.356.974
A. From shares and other variable-yield securities			40310	13.774	15.393
B. From participating interests in affiliated enterprises			40320	890.139	2.341.040
C. From participating interests in other enterprises linked by participating interests			40330	125	281
D. From other shares held as financial fixed assets			40340	157	261
IV. Commissions receivable		6.23	40400	869.232	1.046.340
A. Brokerage and related commissions			40410	680.124	663.386
B. Management, consultancy and conservation commissions			40420	38.345	35.351
C. Other commissions received			40430	150.763	347.603
V. Commissions payable			40500	280.063	284.946
VI. Profit (loss) on financial transactions	(+)/(-)	6.23	40600	-100.072	-231.085
A. On trading of securities and other financial instruments			40610	-83.004	-175.577
B. On disposal of investment securities			40620	-17.068	-55.508
VII. General administrative expenses			40700	2.353.895	2.143.124
A. Remuneration, social security costs and pensions			40710	823.315	804.559
B. Other administrative expenses			40720	1.530.580	1.338.565
VIII. Depreciation/amortization of and other write-downs on formation expenses, intangible and tangible fixed assets			40800	329.964	272.365
IX. Decrease in write downs on receivables and in provisions for off balance sheet captions 'I. Contingent liabilities' and 'II. Commitments which could give rise to a risk'	(+)/(-)		40900	107.633	44.798
X. Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	(+)/(-)		41000	-91	-1.541
XI. Utilization and write-backs of provisions for liabilities and charges other than those included in the off balance sheet captions	(+)/(-)		41100	-12.528	-19.614
XII. Provisions for liabilities and charges other than those included in the off balance sheet captions			41200	14.600	10.172
XIII. Transfer from (Transfer to) the fund for general banking risks	(+)/(-)		41300	-9.464	55.480
XIV. Other operating income		6.23	41400	630.262	500.535
XV. Other operating charges		6.23	41500	74.726	81.783
XVI. Profits (losses) on ordinary activities before taxes	(+)/(-)		41600	1.494.199	3.156.473

		Notes	Code	Current period	Previous period
XVII. Extraordinary income			41700	20.014	288.246
A. Adjustments to depreciation/amortization of and to other write-downs on intangible and and tangible fixed assets			41710	0	0
B. Adjustments to write-downs on financial fixed assets			41720	18.206	277.360
C. Adjustments to provisions for extraordinary liabilities and charges			41730	0	0
D. Gain on disposal of fixed assets			41740	1.807	10.882
E. Other extraordinary income		6.25	41750	0	3
XVIII. Extraordinary charges			41800	75.268	60.623
A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses and intangible and tangible fixed assets			41810	5.378	12.724
B. Write-downs on financial fixed assets			41820	44.826	25.111
C. Provisions for extraordinary liabilities and charges	(+/-)		41830	3.518	240
D. Loss on disposal of fixed assets			41840	21.546	22.548
E. Other extraordinary charges		6.25	41850	0	0
XIX. Profits (Losses) for the period before taxes	(+/-)		41910	1.438.945	3.384.095
XIXbis. A. Transfer to deferred taxes			41921	0	0
B. Transfer from deferred taxes			41922	0	0
XX. Income taxes	(+/-)	6.26	42000	127.479	62.298
A. Income taxes			42010	130.364	64.308
B. Adjustement of income taxes and write-back of tax provisions			42020	2.884	2.011
XXI. Profits (Losses) for the period	(+/-)		42100	1.311.466	3.321.798
XXII. Transfer to untaxed reserves	(+/-)		42200	0	0
XXIII. Profit (Losses) for the period available for appropriation	(+/-)		42300	1.311.466	3.321.798

APPROPRIATION ACCOUNT

		Code	Current period	Previous period
A. Profit (loss) to be appropriated	(+)/(-)	49100	4.408.746	5.979.016
1. Profit (loss) for the period available for appropriation	(+)/(-)	(42300)	1.311.466	3.321.798
2. Profit (loss) to be carried forward	(+)/(-)	(21300P)	3.097.280	2.657.218
B. Transfers from capital and reserves		49200	0	0
1. From capital and share premium account		49210	0	0
2. From reserves		49220	0	0
C. Transfers to capital and reserves		49300	65.573	166.090
1. To capital and share premium account		49310	0	0
2. To the legal reserve		49320	65.573	166.090
3. To other reserves		49330	0	0
D. Profit (loss) to be carried forward	(+)/(-)	49400	2.931.581	3.097.280
E. Shareholders' contribution in respect of losses		49500	0	0
F. Profit to be distributed		49600	1.411.591	2.715.645
1. Dividends		49610	1.393.520	2.697.457
2. Director's or manager's entitlements		49620	0	0
3. Other allocations		49630	18.071	18.189

NOTES

I. STATEMENT OF LOANS AND ADVANCES TO CREDIT INSTITUTIONS (Assets caption III)

	Code	Current period	Previous period
A. FOR THE CAPTION AS A WHOLE	(10300)	25.570.336	20.710.905
1. Loans and advances to affiliated enterprises	50101	19.502.733	17.164.904
2. Loans and advances to other enterprises linked by participating interests	50102	0	0
3. Subordinated loans and advances	50103	0	0
B. OTHER LOANS AND ADVANCES TO CREDIT INSTITUTIONS (with agreed maturity dates or periods of notice)	(10320)	25.116.056	20.315.363
1. Trade bills eligible for refinancing with the central bank of the country(ies) of establishment of the credit	50104	0	
2. Breakdown according to the remaining maturity			
a. Up to 3 months	50105	18.011.203	
b. Over 3 months up to 1 year	50106	3.366.546	
c. Over 1 year up to 5 years	50107	3.106.128	
d. Over 5 years	50108	624.562	
e. Undated	50109	7.617	

II. STATEMENT OF LOANS AND ADVANCES TO CUSTOMERS (Assets caption IV)

	Code	Current Period	Previous Period
1. Loans to affiliated enterprises	50201	5.344.582	6.615.857
2. Loans to other enterprises linked by participating interests	50202	78.011	86.181
3. Subordinated loans	50203	1.106	1.000
4. Trade bills eligible for refinancing with the central bank of the country or countries where the credit institution is established	50204	0	0
5. Breakdown according to the remaining maturity :			
a. Up to 3 months	50205	14.647.150	
b. Over 3 months up to 1 year	50206	4.873.262	
c. Over 1 year up to 5 years	50207	18.133.042	
d. Over 5 years	50208	60.340.364	
e. Undated	50209	180.294	
6. Breakdown of customer loans based on the type of debtor			
a. Claims on government	50210	4.249.983	5.070.798
b. Retail exposures	50211	40.399.271	39.517.709
c. Claims on enterprises	50212	53.524.858	53.095.958
7. Breakdown by type :			
a. Trade bills (including own acceptance)	50213	71.341	
b. Loans and advances as a result of leasing and similar agreements	50214	2.259.602	
c. Fixed-rate loans	50215	1.387.239	
d. Mortgage loans	50216	35.907.278	
e. Other term loans with a maturity over 1 year	50217	42.855.079	
f. Other loans and advances	50218	15.693.574	
8. Geographical breakdown			
a. Belgian origin	50219	87.383.416	
b. Foreign	50220	10.790.696	
9. Details of mortgage loans with reconstitution of capital or linked to life insurance and capitalization contracts			
a. Principal sums initially lent	50221	0	
b. Reconstitution fund and mathematical reserves relating to these loans	50222	0	
c. Net amount outstanding (a-b)	50223	0	

III. STATEMENT OF DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES (Assets caption V)

	Code	Current period	Previous period
A. GENERAL	(10500)	40.007.213	46.419.428
1. Securities issued by affiliated enterprises	50301	7.686.176	17.776.726
2. Securities issued by enterprises linked by participating interests	50302	687	687
3. Securities representing subordinated loans	50303	4.278.614	9.273
4. Country analysis of the securities issued			
a. By public bodies	50304	6.059.340	
b. By other borrowers	50305	19.088.762	
c. Belgian issuers other than public bodies	50306	4.387.915	
d. Foreign issuers other than public bodies	50307	10.471.196	
5. Listing			
a. Book value of listed securities	50308	35.469.268	
b. Market value of listed securities	50309	34.442.609	
c. Book value of unlisted securities	50310	4.537.945	
6. Maturities			
a. Remaining maturity of up to one year	50311	4.153.160	
b. Remaining maturity of over one year	50312	35.854.053	
7. Analysis by portfolio			
a. Trading portfolio	50313	2.290.647	
b. Investment portfolio	50314	37.716.566	
8. Trading portfolio			
a. Difference between market value (if higher) and acquisition cost (for securities marked to market)	50315	65.000	
b. Difference between market value (if higher) and carrying value (for securities valued in accordance with Art. 35ter §2 para. 2)	50316	0	
9. Investment portfolio			
a. Difference between redemption value (if higher) and carrying value	50317	697.074	
b. Difference between redemption value (if lower) and carrying value	50318	793.104	

		Code	Current period	Previous period
B. ANALYSIS OF THE CARRYING VALUE OF INVESTMENT SECURITIES				
1. As at end of the preceding period		50323P	xxxxxxxxxxxxxxx	44.907.764
2. Movements during the the period	(+/-)	50319	-7.186.247	
a . Acquisitions		50320	178.259.446	
b . Sales		50321	185.529.278	
c . Adjustments by application of Article 35ter §4 and 5	(+/-)	50322	83.585	
3. Acquisition cost as at end of the period		50323	37.721.517	
4. Transfers between portfolios				
a . Transfers from the investment portfolio to the trading portfolio		50324	0	
b . Transfers from the trading portfolio to the investment portfolio		50325	0	
c . Impact on result		50326	0	
5. Write-Downs as at end of the period		50332P	xxxxxxxxxxxxxxx	5.124
6. Movements during the the period	(+/-)	50327	-173	
a . Recorded		50328	2	
b . Excess written back		50329	175	
c . Cancellations		50330	0	
d . Transfers from one caption to another	(+/-)	50331	0	
7. Write-downs as at end of the period		50332	4.951	
8. Carrying value as at end of the period		(50314)	37.716.566	

	Codes	Current period	Previous period
IIIBIS THEMATIC CITIZENS LENDING			
1. Total amount drawn	50340	36.681	39.202
a. Bonds (art. 4)	50341	36.681	39.202
b. Allowed interbank loans (art. 6)	50342	0	0
2. Use of assets	50350	638.209	769.529
a. Citizens Lending	50351	638.209	769.529
b. Investment pursuant to art. 11	50352	0	0
c. Interbank loans drawn	50353	0	0
3. Income from realized investments pursuant to art. 11	50360	0	0

IV. STATEMENT OF SHARES AND OTHER VARIABLE-YIELD SECURITIES (Assets caption VI)

	Code	Current Period	Previous Period
A. GENERAL REPORT	(10600)	560.532	425.556
1. Country analysis of the issuers of securities			
a. Belgian issuers	50401	151.779	144.340
b. Foreign issuers	50402	408.753	281.217
2. Listing			
a. Carrying value	50403	551.046	
b. Market value	50404	514.648	
c. Carrying value of unlisted securities	50405	9.487	
3. Analysis by portfolio			
a. Trading portfolio	50406	554.171	
b. Investment portfolio	50407	6.362	
4. Trading portfolio			
a. Difference between market value (if higher) and acquisition cost (for securities marked to market)	50408	71.387	
b. Difference between market value (if higher) and carrying value (for securities valued in accordance with Article 35ter §2 paragraph 2)	50409	0	

		Code	Current period	Previous period
B. ANALYSIS OF THE CARRYING VALUE OF INVESTMENT SECURITIES				
1. Acquisition cost as at the end of the period		50414P	xxxxxxxxxxxxxxx	19.793
2. Movements during the the period	(+)/(-)	50410	-2.079	
a. Acquisitions		50411	500	
b. Sales		50412	2.814	
c. Other adjustments	(+/-)	50413	235	
3. Acquisition cost as at end of the period		50414	17.714	
4. Transfers between portfolios				
a. Transfers from the investment portfolio to the trading portfolio		50415	0	
b. Transfers from the trading portfolio to the investment portfolio		50416	0	
c. Impact on result		50417	0	
5. Write-downs as per end of the period		50423P	xxxxxxxxxxxxxxx	11.447
6. Movements during the period	(+)/(-)	50418	-94	
a. Recorded		50419	1	
b. Excess written back		50420	94	
c. Cancellations		50421	0	
d. Transfers from one caption to another	(+)/(-)	50422	0	
7. Write-downs as at end of the period		50423	11.353	
8. Carrying value as at end of the period		(50407)	6.362	

V. STATEMENT OF FINANCIAL FIXED ASSETS (Assets caption VII)

	Code	Current period	Previous period
A. GENERAL			
1. Breakdown of financial fixed assets by economic sector			
a. Participating interests in enterprises that are credit institutions	50501	8.352.319	8.280.483
b. Participating interests in enterprises that are not credit institutions	50502	2.895.224	2.925.888
c. Participating interests in enterprises linked by participating interests that are credit institutions	50503	6	6
d. Participating interests in enterprises linked by participating interests that are not credit institutions	50504	64.498	82.005
e. Other shares held as financial fixed assets in enterprises that are credit institutions	50505	0	0
f. Other shares held as financial fixed assets in enterprises that are not credit institutions	50506	37.269	18.815
g. Subordinated loans in linked enterprises that are credit institutions	50507	290.500	232.500
h. Subordinated loans in linked enterprises that are not credit institutions	50508	2.105.914	2.307.779
i. Subordinated loans in enterprises with participation interests that are credit institutions	50509	0	0
j. Subordinated loans in enterprises with participation interests that are not credit institutions	50510	0	0
2. Listings			
a. Participating interests in affiliated listed enterprises	50511	0	
b. Participating interests in affiliated not listed enterprises	50512	11.247.543	
c. Participating interests in other enterprises linked by participating interests that are listed	50513	0	
d. Participating interests in other enterprises linked by participating interests that are not listed	50514	64.504	
e. Other shares held as financial fixed assets in enterprises that are listed	50515	370	
f. Other shares held as financial fixed assets in enterprises that are not listed	50516	36.899	
g. Amount of subordinated loans represented by listed securities	50517	0	

	Code	Current period	Previous period
B. ANALYSIS OF THE CARRYING VALUE OF FINANCIAL FIXED ASSETS IN AFFILIATED ENTERPRISES			
1. Acquisition cost at the end of the period	50522P	xxxxxxxxxxxxxxx	13.417.171
2. Movements during the period (+/-)	50518	83.173	
a. Acquisitions	50519	1.094.337	
b. Sales and disposals	50520	1.011.165	
c. Transfers from one caption to another (+/-)	50521	0	
3. Acquisition cost as at the end of the period	50522	13.500.343	
4. Revaluation surpluses	50528P	xxxxxxxxxxxxxxx	0
5. Movements during the period (+/-)	50523	0	
a. Recorded	50524	0	
b. Acquisitions from third parties	50525	0	
c. Cancellations	50526	0	
d. Transfers from one caption to another (+/-)	50527	0	
6. Revaluation surpluses as at the end of the period	50528	0	
7. Write-downs as at the end of the period	50535P	xxxxxxxxxxxxxxx	2.210.800
8. Movements during the period (+/-)	50529	42.000	
a. Recorded	50530	42.000	
b. Excess written back	50531	0	
c. Acquisitions from third parties	50532	0	
d. Cancellations	50533	0	
e. Transfers from one caption to another (+/-)	50534	0	
9. Write-downs as at end of the period	50535	2.252.800	
10. Net carrying value as at the end of the period	10710	11.247.543	

	Code	Current period	Previous period
C. ANALYSIS OF THE CARRYING VALUE OF FIXED FINANCIAL ASSETS IN ENTERPRISES LINKED BY PARTICIPATING INTERESTS			
1. Acquisition cost at the end of the period	50540P	xxxxxxxxxxxxxxx	111.937
2. Movements during the period (+/-)	50536	-33.961	
a. Acquisitions	50537	8.243	
b. Sales and disposals	50538	42.205	
c. Transfers from one caption to another (+/-)	50539	0	
3. Acquisition cost as at the end of the period	50540	77.975	
4. Revaluation surpluses	50546P	xxxxxxxxxxxxxxx	0
5. Movements during the period (+/-)	50541	0	
a. Recorded	50542	0	
b. Acquisitions from third parties	50543	0	
c. Cancellations	50544	0	
d. Transfers from one caption to another (+/-)	50545	0	
6. Revaluation surpluses as at the end of the period	50546	0	
7. Write-downs as at the end of the period	50553P	xxxxxxxxxxxxxxx	29.925
8. Movements during the period (+/-)	50547	-16.454	
a. Recorded	50548	1.546	
b. Excess written back	50549	0	
c. Acquisitions from third parties	50550	0	
d. Cancellations	50551	18.000	
e. Transfers from one caption to another (+/-)	50552	0	
9. Write-downs as at end of the period	50553	13.472	
10. Net carrying value as at the end of the period	10720	64.504	

	Code	Current period	Previous period
D. ANALYSIS OF THE CARRYING VALUE OF OTHER SHARES HELD AS FINANCIAL FIXED ASSETS			
1. Acquisition cost at the end of the period	50558P	xxxxxxxxxxxxxxx	29.521
2. Movements during the period (+/-)	50554	19.528	
a. Acquisitions	50555	20.247	
b. Sales and disposals	50556	720	
c. Transfers from one caption to another (+/-)	50557	0	
3. Acquisition cost as at the end of the period	50558	49.048	
4. Revaluation surpluses	50564P	xxxxxxxxxxxxxxx	0
5. Movements during the period (+/-)	50559	0	
a. Recorded	50560	0	
b. Acquisitions from third parties	50561	0	
c. Cancellations	50562	0	
d. Transfers from one caption to another (+/-)	50563	0	
6. Revaluation surpluses as at the end of the period	50564	0	
7. Write-downs as at the end of the period	50571P	xxxxxxxxxxxxxxx	10.706
8. Movements during the period (+/-)	50565	1.073	
a. Recorded	50566	1.280	
b. Excess written back	50567	0	
c. Acquisitions from third parties	50568	0	
d. Cancellations	50569	206	
e. Transfers from one caption to another (+/-)	50570	0	
9. Write-downs as at end of the period	50571	11.779	
10. Net carrying value as at the end of the period	10730	37.269	

E. ANALYSIS OF THE CARRYING VALUE OF SUBORDINATED LOANS TO AFFILIATED ENTERPRISES		Code	Current period	Previous period
1. Net carrying value as at end of the period		50579P	xxxxxxxxxxxxxxx	2.540.279
2. Movements during the period	(+)/(-)	50572	-143.865	
a. Additions		50573	58.000	
b. Reimbursements		50574	201.865	
c. Write-downs		50575	0	
d. Amounts written back		50576	0	
e. Realized exchange gains/losses	(+)/(-)	50577	0	
f. Other	(+)/(-)	50578	0	
3. Net carrying value as at the end of the period		50579	2.396.414	
4. Accumulated write-downs as at the end of the period		50580	0	

		Code	Current period	Previous period
F. ANALYSIS OF THE CARRYING VALUE OF SUBORDINATED LOANS TO ENTERPRISES LINKED BY PARTICIPATING INTERESTS				
1. Net carrying value as at end of the period		50579P	xxxxxxxxxxxxxxx	0
2. Movements during the period	(+)/(-)	50572	0	
a. Additions		50573	0	
b. Reimbursements		50574	0	
c. Write-downs		50575	0	
d. Amounts written back		50576	0	
e. Realized exchange gains/losses	(+)/(-)	50577	0	
f. Other	(+)/(-)	50578	0	
3. Net carrying value as at the end of the period		50579	0	
4. Accumulated write-downs as at the end of the period		50580	0	

VI LIST OF ENTERPRISES IN WHICH THE INSTITUTION HOLDS A PARTICIPATING INTEREST

A. SHARE IN THE CAPITAL AND OTHER RIGHTS IN OTHER COMPANIES

List enterprises in which the enterprise holds a participating interest within the meaning of the Royal Decree of September 23 rd 1992
and other enterprises in which the institution holds rights in the amount of at least 10% of the capital issued.

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Shares held				Information from the most recent period for which annual accounts are available			
	directly			by subsidiaries	Annual accounts dated	Currency	Own funds	Net result
							(+) or (-) (in thousands units)	
	Type	Number	%	%				
1. Affiliated enterprises								
ALMAFIN REAL ESTATE NV Havenlaan 2, 1080 BRUSSEL (BE0403355494)	Ordinary	62.000	100,00	0,00	31/12/2022	EUR	12.417	144
BEL ROM SAPTE S.R.L. Strada Paleologu 24, - BUCURESTI SECTORUL 3 (RO)	Ordinary	16.430.000	99,99	0,01	31/12/2022	RON	133.574	12.015
BRUSSELS NORTH DISTRIBUTION NV Havenlaan 2, 1080 BRUSSEL (BE0476212887)	Ordinary	100	100,00	0,00	31/12/2022	EUR	69	20
C PLUS SAS Rue Rene Caudron 2, 78960 VOISINS-LE-BRETONNEUX (FR)	Ordinary	50.000	83,33	0,00	31/12/2016	EUR	-12.696	-10
CBC BANQUE SA Avenue Albert 1Er 60, 5000 NAMUR (BE0403211380)	Ordinary	2.989.625	100,00	0,00	31/12/2022	EUR	627.061	76.709
ČESKOSLOVENSKÁ OBCHODNÁ BANKA A.S. Žižkova 11, 811 02 BRATISLAVA (SK)	Ordinary	10.694	100,00	0,00	31/12/2022	EUR	972.582	45.863
ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S. Radlicka 150, 150 00 PRAHA 5 (CZ)	Ordinary	292.750.002	100,00	0,00	31/12/2022	CZK	96.069.000	13.650.000
DANUBE HOLDINGS LIMITED Sandwith Street , - DUBLIN 2 (IE)	Ordinary	500	100,00	0,00	31/12/2022	EUR	-2.476	-377
GLARE NOMINEE LIMITED Sandwith Street , - DUBLIN 2 (IE)	Ordinary	500	100,00	0,00	31/12/2022	EUR	1	0
HELLO SHOPPING PARK S.R.L. Strada Paleologu 24, - BUCURESTI SECTORUL 3 (RO)	Ordinary	10.000.000	100,00	0,00	31/12/2022	RON	118.659	2.906
IIB FINANCE DAC Sandwith Street , - DUBLIN 2 (IE)	Ordinary	1.500.000	100,00	0,00	31/12/2022	EUR	1.905	0
IIB HOMELOANS AND FINANCE LIMITED Sandwith Street , - DUBLIN 2 (IE)	Ordinary	829	100,00	0,00	31/12/2022	EUR	2.626	-41
IMMO MECHELEN CITY CENTER NV Havenlaan 2, 1080 BRUSSEL (BE0635828862)	Ordinary	100	100,00	0,00	31/03/2023	EUR	62	0
IMMO NAMOTT NV Havenlaan 2, 1080 BRUSSEL (BE0840412849)	Ordinary	100	100,00	0,00	31/12/2022	EUR	62	0
IMMO-BASILIX NV Havenlaan 2, 1080 BRUSSEL (BE0453348801)	Ordinary	2.500	100,00	0,00	12/09/2023	EUR	-399	-19
IMMOBILIÈRE DISTRI-LAND NV Havenlaan 2, 1080 BRUSSEL (BE0436440909)	Ordinary	1.094	87,52	0,00	31/12/2022	EUR	407	9
IMMO-QUINTO NV Havenlaan 2, 1080 BRUSSEL (BE0466000470)	Ordinary	142.935	100,00	0,00	31/12/2022	EUR	5.102	-17
IMMOSCOOP 2.0 BV Vaartdijk 3, 3018 WIJGMAAL (BE0770397655)	Ordinary	22.728	77,48	0,00	31/12/2022	EUR	1.146	-4.614
IMMO-ZÉNOBE GRAMME NV Havenlaan 2, 1080 BRUSSEL (BE0456572664)	Ordinary	100	100,00	0,00	31/12/2022	EUR	76	0
JULIE LH BV Havenlaan 2, 1080 BRUSSEL (BE0890935201)	Ordinary	2.131.855	100,00	0,00	31/12/2022	EUR	-101.522	-496
JULIETTE FH BV Havenlaan 2, 1080 BRUSSEL (BE0890935397)	Ordinary	440.000	99,99	0,01	31/12/2022	EUR	762	-3
K&H BANK ZRT. Lechner Ödön Fasor 9, 1095 BUDAPEST (HU)	Ordinary	140.978.164.412	100,00	0,00	31/12/2022	HUF	419.205.000	66.930.000
KBC ASSET MANAGEMENT NV Havenlaan 2, 1080 BRUSSEL (BE0469444267)	Ordinary	5.766.805	100,00	0,00	31/12/2022	EUR	154.575	285.541
KBC AUTOLEASE NV Prof. R. Van Overstraetenplein 5, 3000 LEUVEN (BE0422562385)	Ordinary	184.994	100,00	0,00	31/12/2022	EUR	7.875	29.262
KBC BAIL IMMOBILIER FRANCE SAS Rue De La Victoire 52, 75009 PARIS 9 (FR)	Ordinary	3.000.000	100,00	0,00	31/12/2022	EUR	15.797	237
KBC BANK IRELAND DAC Sandwith Street , D02 X489 DUBLIN 2 (IE)	Ordinary	827.892.018	100,00	0,00	31/12/2022	EUR	998.933	18.103
KBC COMMERCIAL FINANCE NV Havenlaan 2, 1080 BRUSSEL (BE0403278488)	Ordinary	120.000	100,00	0,00	31/12/2022	EUR	9.459	7.876

KBC FOCUS FUND NV Havenlaan 2, 1080 BRUSSEL (BE0647812124)	Ordinary	551.477	100,00	0,00	31/12/2022	EUR	28.385	-759
KBC IFIMA S.A. Rue Du Fort Wallis 4, 2714 LUXEMBOURG (LU)	Ordinary	22.679	100,00	0,00	31/12/2022	EUR	7.025	304
KBC IMMOLEASE NV Brusselsesteenweg 100, 3000 LEUVEN (BE0444058872)	Ordinary	1.000.428	100,00	0,00	31/12/2022	EUR	27.261	5.332
KBC INVESTMENTS LIMITED Old Broad Street 111, EC2N 1FP LONDON (GB)	Ordinary	105.000.100	100,00	0,00	31/12/2022	USD	483.118	6.055
KBC LEASE BELGIUM NV Brusselsesteenweg 100, 3000 LEUVEN (BE0426403684)	Ordinary	267.181	100,00	0,00	31/12/2022	EUR	11.003	1.839
KBC MORTGAGE FINANCE Sandwith Street , - DUBLIN 2 (IE)	Ordinary	100	100,00	0,00	31/12/2022	EUR	0	0
KBC REAL ESTATE LUXEMBOURG SA Rue Jean Piret 1, 2350 LUXEMBOURG (LU)	Ordinary	3.100	100,00	0,00	31/12/2022	EUR	27.791	4.030
KBC SECURITIES NV Havenlaan 2, 1080 BRUSSEL (BE0437060521)	Ordinary	1.899.517	100,00	0,00	31/12/2022	EUR	60.957	3.843
KBC SUSTAINABILITY SERVICES BV Van Overstraetenplein 2, 3000 LEUVEN (BE0791529205)	Ordinary	750	100,00	0,00	0/01/1900	EUR	0	0
KBC VASTGOEDPORTEFEUILLE BELGIË NV Havenlaan 2, 1080 BRUSSEL (BE0438007854)	Ordinary	57.768	100,00	0,00	31/12/2022	EUR	10.531	546
LUXEMBOURG NORTH DISTRIBUTION SA Rue Jean Piret 1, 2350 LUXEMBOURG (LU)	Ordinary	100	100,00	0,00	31/12/2022	EUR	86	52
MONASTERSKY LIMITED Sandwith Street , - DUBLIN 2 (IE)	Ordinary	100.001	100,00	0,00	31/12/2022	EUR	205	0
POELAERT INVEST NV Havenlaan 2, 1080 BRUSSEL (BE0478381531)	Ordinary	10.000	100,00	0,00	31/12/2022	EUR	12.675	2.225
SETLE BV Ambachtsweg 14, 3890 GINGELOM (BE0666412269)	Ordinary	464.879	54,54	0,00	31/12/2022	EUR	339	-550
SOLUZ.IO NV Zwartzustersvest 24, 2800 MECHELEN (BE0711710576)	Cat. A	249.002	91,07	0,00	31/12/2022	EUR	1.612	389
START IT X NV Van Overstraetenplein 5, 3000 LEUVEN (BE0730852042)	Ordinary	1.000	100,00	0,00	31/12/2022	EUR	1.864	282
SUSTAINABLE IMPACT BV Spinnerijstraat 107, 8500 KORTRIJK (BE0683710636)	Ordinary	8.000	80,00	0,00	31/12/2022	EUR	1.620	-343
UBB INTERLEASE EAD Tsarigradsko Shosse B 135A, 1040 SOFIA (BG)	Ordinary	3.474.648	100,00	0,00	31/12/2022	BGN	85.840	4.558
UNITED BULGARIAN BANK AD Vitosha Blvd 89B, 1463 SOFIA (BG)	Ordinary	177.097.816	99,96	0,00	31/12/2022	BGN	1.573.510	151.502
2. Enterprises linked by participating interests >=20% en <= 50%								
BANCONTACT PAYCONIQ COMPANY NV Aarlenstraat 82, 1040 BRUSSEL (BE0675984882)	Cat. B	12.414.111	22,50	0,00	31/12/2022	EUR	31.158	4.695
BATOPIN NV Sint-Lazaruslaan 10, 1210 SINT-JOOST-TEN-NODE (BE0744908035)	Ordinary	20.000	25,00	0,00	31/12/2022	EUR	3.573	-10.646
BRS MICROFINANCE COOP CV Muntstraat 1, 3000 LEUVEN (BE0508996711)	Cat. C	7.500	33,51	0,00	31/12/2022	EUR	21.981	438
DIGITAL & LEGAL S.R.O. Rímská 1276/36, 120 00 PRAGUE (CZ)		0	50,00	0,00	0/01/1900	CZK	200	0
GASCO GROUP NV Antwerpsesteenweg 45, 2830 WILLEBROEK (BE0887290177)	Ordinary	2.531.250	28,12	0,00	31/12/2022	EUR	-22.260	0
GEMMA FRISIUS-FONDS K.U. LEUVEN NV Waaistraat 6, 3000 LEUVEN (BE0477960372)	Cat. A	4.000	40,00	0,00	31/12/2022	EUR	41.904	-581
GO CONNECT BV Beiaardlaan 3-5, 1850 GRIMBERGEN (BE0653775248)	Cat. C	124	25,00	0,00	31/12/2022	EUR	501	-126
IMMO-BEAULIEU NV Havenlaan 2, 1080 BRUSSEL (BE0450193133)	Ordinary	1.000	50,00	0,00	16/06/2023	EUR	41	-28
ISABEL NV Keizerinlaan 13, 1000 BRUSSEL (BE0455530509)	Ordinary	253.322	25,33	0,00	31/12/2022	EUR	66.367	8.747
JOYN INTERNATIONAL NV Ilgatlaan 9, 3500 HASSELT (BE0578946577)	Ordinary	1.007.455.432	34,61	0,00	31/12/2022	EUR	4.799	-5.887
JUSTINVEST NV Borsbeeksebrug 22, 2600 BERCHEM (BE0476658097)	Ordinary	50	33,33	0,00	31/12/2022	EUR	1.857	202
RABOT INVEST NV Heistraat 129, 2610 WILRIJK (BE0479758733)	Ordinary	60	25,00	0,00	31/12/2022	EUR	720	167

3. Enterprises linked by participating interests >=10% en <= 20%								
BAEKELAND II NV Sint-Pietersnieuwstr 25, 9000 GENT (BE0876424296)	Ordinary	2.000.000	18,02	0,00	31/12/2022	EUR	41	-3
BEDRIJVENCENTRUM VILVOORDE NV Mechelsesteenweg 277, 1800 VILVOORDE (BE0434222577)	Ordinary	338	9,31	0,00	31/12/2022	EUR	908	-73
BELGIAN MOBILE ID NV Markiesstraat 1, 1000 BRUSSEL (BE0541659084)	Cat. A	90.404	12,23	0,00	31/12/2022	EUR	18.889	-605
BEM NV Kunstlaan 20, 1000 BRUSSEL (BE0461612904)	Ordinary	1.500	6,47	0,00	31/12/2022	EUR	3.516	-40
BUSINESS BREWERY NV Interleuvenlaan 62, 3001 HEVERLEE (BE0428014676)	Ordinary	40	9,52	0,00	31/12/2022	EUR	1.376	-66
DESIGNCENTER DE WINKELHAAK NV Lange Winkelhaakstraat 26, 2060 ANTWERPEN (BE0470201857)	Cat. B	124	19,47	0,00	31/12/2022	EUR	495	53
EUROPAY BELGIUM CVBA Metrologielaan 8, 1130 BRUXELLES (BE0434197536)	Ordinary	5.255	14,62	0,96	31/12/2022	EUR	1.777	31
FLANDERS TECHNOLOGY & INNOVATION BV Research Park 160, 1731 ZELLIK (BE1003648706)	Cat. B	100	11,10	0,00	0/01/1900	EUR	0	0
IMPULSE MICROFINANCE INVESTMENT FUND NV Sneeuwbeslaan 20, 2610 WILRIJK (BE0870792160)	Ordinary	2.000	17,57	0,00	31/12/2021	EUR	1.586	1.143
NBX BV Sint-Aldegondiskaai 36, 2000 ANTWERPEN (BE0578917180)	Ordinary	7.353	12,09	0,00	31/03/2023	EUR	5.050	-1.937
QBIC FEEDER FUND NV Ottergemsesteenweg 808, 9000 GENT (BE0846493561)	Cat. B	4.000	14,71	0,00	31/12/2022	EUR	12.976	-1.149
RURAL IMPULSE FUND Rue Aldringen 11, L-1118 LUXEMBOURG (LU)	Ordinary	15.000	16,67	0,00	31/12/2017	EUR	16.596	7.117
VISA BELGIUM CVBA Metrologielaan 8, 1130 BRUSSEL (BE0435551972)	Ordinary	24	13,07	0,57	30/09/2023	EUR	2.591	326

B. ENTERPRISES FOR WHICH THE CREDIT INSTITUTION HAS UNLIMITED LIABILITY IN ITS CAPACITY OF FULLY LIABLE PARTNER OR MEMBER

The annual accounts of any enterprise to which the enterprise is unlimited liable will be added to the present accounts and published jointly.
Departure from that requirement will be mentioned in the second column referring to the appropiate code (A or B), explained hereafter.

The annual accounts of the enterprise:

A. are published by filing with the National Bank of Belgium;

B. are effectively published in another Member State of the EEC as laid down in Article 3 of the Directive 2009/101/EEC;

C. are fully consolidated or proportionally consolidated in the reporting institution's accounts which have been prepared audited and published in accordance with the Royal Decree of September 23 rd 1992 on the consolidated accounts of institutions.

Name and full address of registered office and, for enterprises governed by Belgian law, VAT number or national identification number	Code, if any

VII. STATEMENT OF FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

		Code	Current period	Previous period
A. Formation expenses				
1. Net carrying value as at the end of the period		50705P	xxxxxxxxxxxxxxx	0
2. Movements during the period		50701	0	
a. New expenses incurred		50702	0	
b. Amortization		50703	0	
c. Other	(+)/(-)	50704	0	
3. Net carrying value as at the end of the period		50705	0	
4. Of which				
a. Expenses of formation or capital increase, loan issue expenses and other formation expenses		50706	0	
b. Reorganization costs		50707	0	

		Code	Current period	Previous period
B. GOODWILL				
1. Acquisition cost as at the end of the period		50712P	xxxxxxxxxxxxxxx	49.190
2. Movements during the period		50708	-49.190	
a. Acquisitions, including own construction		50709	0	
b. Sales and disposals		50710	49.190	
c. Transfers from one caption to another	(+)/(-)	50711	0	
3. Acquisition cost as at the end of the period		50712	0	
4. Amortizations and write-downs as at the end of the period		50719P	xxxxxxxxxxxxxxx	44.396
5. Movements during the period		50713	-44.396	
a. Recorded		50714	4.794	
b. Excess written back		50715	0	
c. Acquisitions from third parties		50716	0	
d. Cancellations		50717	49.190	
e. Transfers from one caption to another	(+/-)	50718	0	
6. Amortizations and write-downs as at the end of the period		50719	0	
7. Net carrying value as at the end of the period		50720	0	

		Code	Current period	Previous period
C. COMMISSIONS FOR ATTRACTING NEW BUSINESS WITH CUSTOMERS				
1. Acquisition cost as at the end of the period		50725P	xxxxxxxxxxxxxxx	0
2. Movements during the period		50721	0	
a. Acquisitions, including own construction		50722	0	
b. Sales and disposals		50723	0	
c. Transfers from one caption to another	(+)/(-)	50724	0	
3. Acquisition cost as at the end of the period		50725	0	
4. Amortizations and write-downs as at the end of the period		50732P	xxxxxxxxxxxxxxx	0
5. Movements during the period		50726	0	
a. Recorded		50727	0	
b. Excess written back		50728	0	
c. Acquisitions from third parties		50729	0	
d. Cancellations		50730	0	
e. Transfers from one caption to another	(+)/(-)	50731	0	
6. Amortizations and write-downs as at the end of the period		50732	0	
7. Net carrying value as at end of the period		50733	0	

		Code	Current period	Previous period
D. OTHER INTANGIBLE FIXED ASSETS				
1. Acquisition cost as at end of the period		50738P	xxxxxxxxxxxxxxx	144.642
2. Movements during the period		50734	-42.251	
a. Acquisitions, including own construction		50735	28.632	
b. Sales and disposals		50736	70.883	
c. Transfers from one caption to another	(+)/(-)	50737	0	
3. Acquisition cost as at end of the period		50738	102.390	
4. Amortizations and write-downs as at end of the period		50745P	xxxxxxxxxxxxxxx	88.204
5. Movements during the period		50739	-49.227	
a. Recorded		50740	21.638	
b. Excess written back		50741	39	
c. Acquisitions from third parties		50742	0	
d. Cancellations		50743	70.827	
e. Transfers from one caption to another	(+)/(-)	50744	0	
6. Amortizations and write-downs as at the end of the period		50745	38.978	
7. Net carrying value as at the end of the period		50746	63.413	

VIII. TANGIBLE FIXED ASSETS (Assets caption IX)

		Code	Current period	Previous period
A. LAND AND BUILDINGS				
1. Acquisition cost as at the end of the period		50805P	xxxxxxxxxxxxxxx	1.217.939
2. Movements during the period	(+)/(-)	50801	-7.350	
a. Acquisition, including own construction		50802	19.690	
b. Sales and disposals		50803	27.040	
c. Transfers from one caption to another	(+)/(-)	50804	0	
3. Acquisition cost as at the end of the period		50805	1.210.589	
4. Revaluation surpluses as at the end of the period		50811P	xxxxxxxxxxxxxxx	30.968
5. Movements during the period	(+)/(-)	50806	-308	
a. Recorded		50807	0	
b. Acquisitions from third parties		50808	0	
c. Cancellations		50809	308	
d. Transfers from one caption to another	(+)/(-)	50810	0	
6. Revaluation surpluses as at the end of the period		50811	30.660	
7. Amortizations and write-downs as at the end of the period		50818P	xxxxxxxxxxxxxxx	842.730
8. Movements during the period	(+)/(-)	50812	10.348	
a. Recorded		50813	30.768	
b. Excess written back		50814	0	
c. Acquisitions from third parties		50815	0	
d. Cancellations		50816	20.419	
e. Transfers from one caption to another	(+)/(-)	50817	0	
9. Amortizations and write-downs as at the end of the period		50818	853.078	
10. Net carrying value as at the end of the period		50819	388.171	

		Code	Current period	Previous period
B. PLANT, MACHINERY AND EQUIPMENT				
1. Acquisition cost as at the end of the period		50824P	xxxxxxxxxxxxxxx	2.766
2. Movements during the period	**(+)/(-)**	50820	-18	
a. Acquisition, including own construction		50821	287	
b. Sales and disposals		50822	305	
c. Transfers from one caption to another	(+)/(-)	50823	0	
3. Acquisition cost as at the end of the period		50824	2.747	
4. Revaluation surpluses as at the end of the period		50830P	xxxxxxxxxxxxxxx	0
5. Movements during the period	**(+)/(-)**	50825	0	
a. Recorded		50826	0	
b. Acquisitions from third parties		50827	0	
c. Cancellations		50828	0	
d. Transfers from one caption to another	(+)/(-)	50829	0	
6. Revaluation surpluses as at the end of the period		50830	0	
7. Amortization and write-downs as at the end of the period		50837P	xxxxxxxxxxxxxxx	2.268
8. Movements during the period	**(+)/(-)**	50831	22	
a. Recorded		50832	310	
b. Excess written back		50833	36	
c. Acquisitions from third parties		50834	0	
d. Cancellations		50835	251	
e. Transfers from one caption to another	(+)/(-)	50836	0	
9. Amortizations and write-downs as at the end of the period		50837	2.290	
10. Net carrying value as at the end of the period		50838	457	

		Code	Current period	Previous period
C. FURNITURE AND VEHICLES				
1. Acquisition cost as at the end of the period		50843P	xxxxxxxxxxxxxxx	30.936
2. Movements during the period	**(+)/(-)**	50839	38.998	
a. Acquisition, including own construction		50840	39.487	
b. Sales and disposals		50841	488	
c. Transfers from one caption to another	(+)/(-)	50842	0	
3. Acquisition cost as at the end of the period		50843	69.934	
4. Revaluation surpluses as at the end of the period		50849P	xxxxxxxxxxxxxxx	0
5. Movements during the period	**(+)/(-)**	50844	0	
a. Recorded		50845	0	
b. Acquisitions from third parties		50846	0	
c. Cancellations		50847	0	
d. Transfers from one caption to another	(+)/(-)	50848	0	
6. Revaluation surpluses as at the end of the period		50849	0	
7. Amortizations and write-downs as at the end of the period		50856P	xxxxxxxxxxxxxxx	13.250
8. Movements during the period	**(+)/(-)**	50850	38.877	
a. Recorded		50851	831	
b. Excess written back		50852	561	
c. Acquisitions from third parties		50853	39.015	
d. Cancellations		50854	407	
e. Transfers from one caption to another	(+)/(-)	50855	0	
9. Amortizations and write-downs as at the end of the period		50856	52.127	
10. Net carrying value as at the end of the period		50857	17.807	

		Code	Current period	Previous period
D. LEASING AND OTHER SIMILAR RIGHTS				
1. Acquisition cost as at the end of the period		50862P	xxxxxxxxxxxxxxx	191.106
2. Movements during the period	(+)/(-)	50858	-18.946	
a. Acquisition, including own construction		50859	17.588	
b. Sales and disposals		50860	36.533	
c. Transfers from one caption to another	(+)/(-)	50861	0	
3. Acquisition cost as at the end of the period		50862	172.161	
4. Revaluation surpluses as at the end of the period		50868P	xxxxxxxxxxxxxxx	0
5. Movements during the period	(+)/(-)	50863	0	
a. Recorded		50864	0	
b. Acquisitions from third parties		50865	0	
c. Cancellations		50866	0	
d. Transfers from one caption to another	(+)/(-)	50867	0	
6. Revaluation surpluses as at the end of the period		50868	0	
7. Amortizations and write-downs as at the end of the period		50875P	xxxxxxxxxxxxxxx	36.774
8. Movements during the period	(+)/(-)	50869	-6.262	
a. Recorded		50870	6.949	
b. Excess written back		50871	0	
c. Acquisitions from third parties		50872	0	
d. Cancellations		50873	13.211	
e. Transfers from one caption to another	(+)/(-)	50874	0	
9. Amortizations and write-downs as at the end of the period		50875	30.512	
10. Net carrying value as at the end of the period		50876	141.648	
11. Of which				
a. Land and buildings		50877	141.648	
b. Plant, machinery and equipment		50878	0	
c. Furniture and vehicles		50879	0	

		Code	Current period	Previous period
E. OTHER TANGIBLE FIXED ASSETS				
1. Acquisition cost as at the end of the period		50884P	xxxxxxxxxxxxxxx	1.680.090
2. Movements during the period	(+)/(-)	50880	381.890	
a. Acquisition, including own construction		50881	702.928	
b. Sales and disposals		50882	321.037	
c. Transfers from one caption to another	(+)/(-)	50883	0	
3. Acquisition cost as at the end of the period		50884	2.061.981	
4. Revaluation surpluses as at the end of the period		50890P	xxxxxxxxxxxxxxx	0
5. Movements during the period	(+)/(-)	50885	0	
a. Recorded		50886	0	
b. Acquisitions from third parties		50887	0	
c. Cancellations		50888	0	
d. Transfers from one caption to another	(+)/(-)	50889	0	
6. Revaluation surpluses as at the end of the period		50890	0	
7. Amortizations and write-downs as at the end of the period		50897P	xxxxxxxxxxxxxxx	515.608
8. Movements during the period	(+)/(-)	50891	81.698	
a. Recorded		50892	270.577	
b. Excess written back		50893	0	
c. Acquisitions from third parties		50894	0	
d. Cancellations		50895	188.879	
e. Transfers from one caption to another	(+)/(-)	50896	0	
9. Amortizations and write-downs as at the end of the period		50897	597.306	
10. Net carrying value as at the end of the period		50898	1.464.675	

		Code	Current period	Previous period
F. ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS				
1. Acquisition cost as at the end of the period		50903P	xxxxxxxxxxxxxxx	27.602
2. Movements during the period	(+)/(-)	50899	-2.032	
a. Acquisition, including own construction		50900	0	
b. Sales and disposals		50901	2.032	
c. Transfers from one caption to another	(+)/(-)	50902	0	
3. Acquisition cost as at the end of the period		50903	25.570	
4. Revaluation surpluses as at the end of the period		50909P	xxxxxxxxxxxxxxx	0
5. Movements during the period	(+)/(-)	50904	0	
a. Recorded		50905	0	
b. Acquisitions from third parties		50906	0	
c. Cancellations		50907	0	
d. Transfers from one caption to another	(+)/(-)	50908	0	
6. Revaluation surpluses as at the end of the period		50909	0	
7. Amortization and write-downs as at the end of the period		50916P	xxxxxxxxxxxxxxx	0
8. Movements during the period	(+)/(-)	50910	0	
a. Recorded		50911	0	
b. Excess written back		50912	0	
c. Acquisitions from third parties		50913	0	
d. Cancellations		50914	0	
e. Transfers from one caption to another	(+)/(-)	50915	0	
9. Amortizations and write-downs as at the end of the period		50916	0	
10. Net carrying value as at the end of the period		50917	25.570	

IX. OTHER ASSETS (Assets caption XI)

Breakdown (if the amount in this caption is significant)	Current period
Option contracts	430.616
Amounts to be awarded already received	98.910
Paid to European Resolution Fund - 15% is not recognized in the income statement	78.397
Tax receivables	28.615
Invested assets in connection with pension liabilities for the NY branch	8.843
Life insurance for the NY branch	113.593
Recoverable taxes and withholding tax	50.149
Other	46.991

X. DEFERRED CHARGES AND ACCRUED INCOME (Assets caption XII)

	Code	Current period
1. Deferred charges	51001	59.149
2. Accrued income	51002	7.352.939

X.bis REINVESTMENT OF SEGREGATED CUSTOMER FUNDS

	Code	Current period
Total	51003	0

XI. STATEMENT OF AMOUNTS OWED TO CREDIT INSTITUTIONS (Liabilities caption I)

	Code	Current period	Previous period
1. Amounts due to affiliated enterprises	51101	2.863.768	3.549.209
2. Amounts due to other enterprises linked by participating interests	51102	0	0
3. Breakdown of debts other than on sight according to their remaining maturity			
a. Up to 3 months	51103	9.317.328	
b. Over 3 months up to 1 year	51104	1.199.731	
c. Over 1 year up to 5 years	51105	686.536	
d. Over 5 years	51106	0	
e. Undated	51107	0	

XII. STATEMENT OF AMOUNTS OWED TO CUSTOMERS (Liabilities caption II)

	Code	Current period	Previous period
1. Affiliated enterprises	51201	2.632.271	2.341.997
2. Other enterprises linked by participating interests	51202	101.679	112.065
3. Breakdown according to the remaining maturity			
a. Repayable on demand	51203	57.719.909	
b. Up to 3 months	51204	14.785.600	
c. Over 3 months up to 1 year	51205	6.057.079	
d. Over 1 year up to 5 years	51206	1.180.499	
e. Over 5 years	51207	1.239.664	
f. Undated	51208	45.665.457	
4. Breakdown of debt owed to customers depending on the nature of the debtors			
a. Debt owed to government	51209	3.763.651	2.715.432
b. Debt owed to private persons	51210	70.059.432	76.740.564
c. Debt owed to enterprises	51211	52.825.125	58.063.738
5. Geographical breakdown of debt owed to customers			
a. Of Belgian origin	51212	107.619.152	
b. Of foreign origin	51213	19.029.056	

XIII. STATEMENT OF DEBTS EVIDENCED BY CERTIFICATES (liabilities caption III)

	Code	Current period	Previous period
1. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to affiliated companies.	51301	489.972	115.578
2. Debts represented by a certificate that, to the knowledge of the institution, are debts owed to companies linked by participating interests.	51302	0	0
3. Breakdown of debt represented by certificates in accordance to their remaining maturity.			
a. Up to 3 months	51303	12.730.861	
b. Over 3 months up to 1 year	51304	2.457.129	
c. Over 1 year up to 5 years	51305	5.368.643	
d. Over 5 years	51306	373.364	
e. Undated	51307	0	

XIV. OTHER LIABILITIES (liabilities caption IV)

	Code	Current period
1. Taxes, remuneration and social security charges due to the tax authorities	51401	0
a. Overdue debts	51402	0
b. Unmatured debts	51403	0
2. Taxes, remuneration and social security charges due to the National Social Security Office	51404	0
a. Overdue debts	51405	0
b. Unmatured debts	51406	0
3. Taxes		
a. Taxes payable	51407	62.108
b. Estimated tax liabilities	51408	13.755
4. Other liabilities		
Breakdown if the amount in this caption is significant		
Options and warrants		607.908
Other liabilities related to remuneration and social security contributions		191.896
Dividends still to be paid		806.251
Intercompany debts related to global trading activities		94.271
Suppliers		57.261
Payables to personnel		18.071
Confirmed outstanding debts		18.019
Other liabilities - Future running costs		46.197
Other		19.540

XV. ACCRUED CHARGES AND DEFERRED INCOME (liabilities caption V)

	Code	Current period
1. Accrued charges	51501	9.038.765
2. Deferred income	51502	166.986

XVI. PROVISIONS FOR OTHER LIABILITIES AND CHARGES (liabilities VI.A.3)

	Current period
Breakdown of liabilities (VI.A.3) if the amounts in this caption are significant	
Credit commitments	30.238
Litigation and operational disputes	3.624
Provision for other risks and future expenses	23.846
Provision for disability payments	1.204

XVII. STATEMENT OF SUBORDINATED LIABILITIES (liabilities caption VIII)

	Code	Current period	Previous period
1. Subordinated debts due to affiliated enterprises	51701	21.941.586	16.079.952
2. Subordinated debts due to other enterprises linked by participating interests	51702	0	0

	Code	Current period
3. Charges as a result of subordinated liabilities	51703	511.120

4. For each subordinated loan, the following information: reference number, the ISO code of the currency, the amount of the loan in the currency of the loan, the remuneration arrangements, the due date and, if no due date is determined, the terms of duration, where appropriate the circumstances in which the institution is required to repay in advance, the conditions for the subordination and if appropriate, the conditions for the conversion into capital or into some other form of liability.

N°	0462.920.228		C-inst 6.17

Detail of each subordinated loan :

Reference nummer	Currency	Amount	Maturity date or conditions governing the maturity	a) Circumstances in which the entreprise is required to repay this loan. b) Conditions for the suborditaion c) Conditions for conversion into capital
1	EUR	1.000.000	24/04/2018 - 24/04/2025 Deposits originated by KBC Group - AT1	a) Unconditional
2	EUR	500.000	05/03/2019 - 05/03/2024 Deposits originated by KBC Group - AT1	a) Unconditional
3	EUR	750.000	05/09/2023 - 05/03/2029 Deposits originated by KBC Group - AT1	a) Unconditional
4	EUR	99.922	24/07/2014 - 24/07/024 Deposits originated by KBC Group - Tier2	a) Unconditional
5	EUR	49.959	01/08/2014 - 24/07/024 Deposits originated by KBC Group - Tier2	a) Unconditional
6	EUR	25.064	02/02/2015 - 24/07/024 Deposits originated by KBC Group - Tier2	a) Unconditional
7	EUR	9.977	06/03/2015 - 06/03/2025 Deposits originated by KBC Group - Tier2	a) Unconditional
8	EUR	749.894	07/09/2021 - 07/12/2026 Deposits originated by KBC Group - Tier2	a) Unconditional
9	EUR	749.204	03/09/2019 - 03/12/2024 Deposits originated by KBC Group - Tier2	a) Unconditional
10	EUR	497.702	24/01/2023 - 25/04/2028 Deposits originated by KBC Group - Tier2	a) Unconditional
11	EUR	100.000	16/09/2022 - 16/09/2034 Deposits originated by KBC Group - Holdco	a) Unconditional
12	EUR	25.000	04/10/2017 - 04/10/2027 Deposits originated by KBC Group - Holdco	a) Unconditional
13	EUR	749.985	25/01/2019 - 25/01/2024 Deposits originated by KBC Group - Holdco	a) Unconditional
14	EUR	499.113	24/01/2020 - 24/01/2030 Deposits originated by KBC Group - Holdco	a) Unconditional
15	EUR	498.517	16/06/2020 - 16/06/2027 Deposits originated by KBC Group - Holdco	a) Unconditional
16	EUR	749.153	10/09/2020 - 10/09/2025 Deposits originated by KBC Group - Holdco	a) Unconditional
17	EUR	747.082	14/01/2021 - 14/01/2028 Deposits originated by KBC Group - Holdco	a) Unconditional
18	EUR	498.495	31/05/2021 - 31/05/2031 Deposits originated by KBC Group - Holdco	a) Unconditional
19	EUR	748.401	01/12/2021 - 01/03/2026 Deposits originated by KBC Group - Holdco	a) Unconditional
20	EUR	999.767	19/04/2023 - 19/04/2029 Deposits originated by KBC Group - Holdco	a) Unconditional
21	EUR	1.249.105	06/06/2023 - 06/06/2025 Deposits originated by KBC Group - Holdco	a) Unconditional
22	EUR	745.001	06/06/2023 - 06/12/2031 Deposits originated by KBC Group - Holdco	a) Unconditional
23	EUR	497.488	28/11/2023 - 28/11/2028 Deposits originated by KBC Group - Holdco	a) Unconditional
24	GBP	460.041	21/09/2021 - 21/09/2026 Deposits originated by KBC Group - Holdco	a) Unconditional
25	EUR	748.693	21/01/2022 - 21/01/2027 Deposits originated by KBC Group - Holdco	a) Unconditional
26	EUR	500.110	23/02/2022 - 23/02/2024 Deposits originated by KBC Group - Holdco	a) Unconditional
27	EUR	188.130	28/02/2022 - 31/05/2031 Deposits originated by KBC Group - Holdco	a) Unconditional
28	EUR	749.751	29/03/2022 - 29/03/2025 Deposits originated by KBC Group - Holdco	a) Unconditional
29	EUR	100.000	20/06/2022 - 20/06/2034 Deposits originated by KBC Group - Holdco	a) Unconditional
30	EUR	749.633	29/06/2022 - 29/06/2024 Deposits originated by KBC Group - Holdco	a) Unconditional
31	EUR	747.508	25/08/2022 - 25/08/2030 Deposits originated by KBC Group - Holdco	a) Unconditional
32	USD	904.977	19/01/2023 - 19/01/2028 Deposits originated by KBC Group - Holdco	a) Unconditional
33	USD	904.977	21/09/2023 - 21/09/2033 Deposits originated by KBC Group - Holdco	a) Unconditional
34	EUR	1.000.000	15/12/2023 - 16/12/2024 Internal Mrel CP Funded	a) Unconditional
35	GBP	488.156	20/09/2022 - 20/09/2027 Deposits originated by KBC Group - Holdco	a) Unconditional

36	EUR	998.266	23/11/2022 - 23/11/2026 Deposits originated by KBC Group - Holdco	a) Unconditional
37	USD	113.122	7/02/2005 - 7/02/2025 Deposits originated by KBC IFIMA	a) Fiscal requalification
38	EUR	499.288	10/04/2019 - 10/04/2025 Euro Medium Term Note	a) Unconditional
39	EUR	250.114	24/06/2019 - 25/01/2024 Euro Medium Term Note	a) Unconditional

XVIII. STATEMENT OF CAPITAL

	Code	Current period	Previous period
A. CAPITAL			
1. Subscribed capital			
a. Subscribed capital as at the end of the preceding period	20910P	xxxxxxxxxxxxxx	9.732.238
b. Subscribed capital as at the end of the period	(20910)	9.732.238	

	Code	(in thousands) Amounts	(in units) Number of shares
c. Changes during the period		0	0
d. Structure of the capital			
e. Categories of shares			
Ordinary shares entitled to dividend		9.732.238	995.371.469
f. Registered shares	51801	xxxxxxxxxxxxxx	995.371.469
g. Bearer and or dematerialized shares	51802	xxxxxxxxxxxxxx	

	Code	Uncalled capital	Called but unpaid capital
2. CAPITAL NOT PAID UP			
a. Uncalled capital	(20920)	0	xxxxxxxxxxxxxx
b. Called but unpaid capital	51803	xxxxxxxxxxxxxx	0
c. Shareholders still owing capital payment			

	Code	(in thousands) Current period
3. OWN SHARES		
a. Held by the reporting institution itself		
* Amount of capital held	51804	0
* Corresponding number of shares	51805	0
b. Held by its subsidiaries		
* Amount of capital held	51806	0
* Corresponding number of shares	51807	0
4. SHARE ISSUANCE COMMITMENTS		
a. Following the exercise of conversion rights		
* Amount of convertible loans outstanding	51808	0
* Amount of capital to be subscribed	51809	0
* Maximum corresponding number of shares to be issued	51810	0
b. Following the exercise of subscription rights		
* Number of subscription rights outstanding	51811	0
* Amount of capital to be subscribed	51812	0
* Maximum corresponding number of shares to be issued	51813	0
5. AUTHORIZED CAPITAL NOT ISSUED	51814	0

	Code	Current period
6. SHARES NOT REPRESENTING CAPITAL		
a. Repartition		
* Number of parts	51815	0
* Number of votes	51816	0
b. Breakdown by shareholder		
* Number of parts held by the reporting institution itself	51817	0
* Number of parts held by its subsidiaries	51818	0

B. SHAREHOLDER STRUCTURE OF THE INSTITUTION AT YEAR END, ACCORDING TO THE NOTIFICATIONS RECEIVED BY THE INSTITUTION

KBC Groep NV	Number of shares:	995.371.469

XIX. BREAKDOWN OF BALANCE SHEET, IF MORE THAN 15 MILLION EUROS, IN EUROS AND IN FOREIGN CURRENCY

	Code	Current period
1. Total Assets		
a. In Euro	51901	180.360.851
b. In foreign currency (equivalent in EUR)	51902	34.122.554
2. Total liabilities		
a. In Euro	51903	178.838.238
b. In foreign currency (equivalent in EUR)	51904	35.645.167

XX. FIDUCIARY TRANSACTIONS ACCORDING TO ARTICLE 27TER §1 PARAGRAPH 3

	Current period
Concerned assets and liabilities items	

XXI. STATEMENT OF GUARANTEED DEBTS AND OBLIGATIONS

	Current period
A. MORTGAGES (amount of enrollment or carrying amount of the collateralized buildings, if this is less)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
b. Off balance sheet	
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties	

	Current period
B. PLEDGE OF THE TRADING FUND (total enrollment)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
b. Off balance sheet	
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties	

	Current period
C. PLEDGE OF OTHER ASSETS (book value of pledged assets)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
Discounting, repurchase agreements and secured advances	15.952.088
Asset Pledge requirement KBC New York	90.285
Asset Pledge Bancontact	198.641
Asset Pledge National Bank of Belgium	3.646.921
Covered bonds	18.932.851
Securities lending	10.910
b. Off-balance sheet	
Cash & Bond Collateral wrt derivatives	469.508
Clearing Margin Derivatives	984.153
Collateral derivatives	2.682.595
European Resolution Fund	78.397
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and commitments of third parties	

	Current period
D. COLLATERAL ON FUTURE ASSETS (total assets in question)	
1. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of the institution	
a. Liabilities	
b. Off-balance sheet	
2. Collateral provided by the institution or irrevocably promised on its own assets as security for debts and obligations of third parties	

XXII. STATEMENT OF CONTINGENT LIABILITIES AND COMMITMENTS WITH POTENTIAL CREDIT RISK (off balance sheet I and II)

	Codes	Current period	Previous period
1. Total contingent liabilities on behalf of affiliated companies	52201	1.996.966	2.218.527
2. Total contingent liabilities on behalf of companies linked by participating interests	52202	436	495
3. Total commitments with a potential credit risk to affiliated companies	52203	460.024	0
4. Total commitments with a potential risk with regard to companies linked by participating interests	52204	0	0

XXIII. OPERATING RESULTS (items I to XV of the income statement)

	Code	Current period	Previous period
1. Breakdown of operating income according to origin			
a. Interest and similar income	(40100)	8.237.511	3.944.677
* Belgian sites	52301	6.900.796	3.448.588
* Foreign offices	52302	1.336.715	496.089
b. Income from fixed-income securities: shares and other variable-yield securities	(40310)	13.774	15.393
* Belgian sites	52303	54	5.732
* Foreign offices	52304	13.719	9.661
c. Income from fixed-income securities: investments in affiliated companies	(40320)	890.139	2.341.040
* Belgian sites	52305	414.955	852.348
* Foreign offices	52306	475.184	1.488.692
d. Income from fixed-income securities: shares in companies linked by participating interests	(40330)	125	281
* Belgian sites	52307	125	281
* Foreign offices	52308	0	0
e. Income from fixed-income securities: other shares held as fixed financial assets	(40340)	157	261
* Belgian sites	52309	157	261
* Foreign offices	52310	0	0
f. Commissions received	(40400)	869.232	1.046.340
* Belgian sites	52311	837.597	1.014.061
* Foreign offices	52312	31.634	32.279
g. Profit on financial transactions	(40600)	-100.072	-231.085
* Belgian sites	52313	-130.519	-238.525
* Foreign offices	52314	30.447	7.440
h. Other operating income	(41400)	630.262	500.535
* Belgian sites	52315	630.961	497.856
* Foreign offices	52316	-699	2.679
2. Employees on the personnel register			
a. Total number at the closing date	52317	8.429	8.627
b. Average number of employees in full-time equivalents	52318	7.770	7.978
* Management Personnel	52319	66	70
* Employees	52320	7.705	7.908
* Workers	52321	0	0
* Other	52322	0	0
c. Number of actual worked hours	52323	10.630.207	10.818.076
3. Personnel			
a. Remuneration and direct social benefits	52324	592.785	577.837
b. Employers' social security	52325	144.111	143.433
c. Employers' premiums for extra statutory insurance	52326	57.804	56.622
d. Other personnel	52327	20.838	19.377
e. Retirement and survivors' pensions	52328	7.778	7.290
4. Provisions for pensions and similar obligations			
a. Increase (+)	52329	12.177	6.423
b. Decrease (-)	52330	7.473	10.827

	Code	Current period	Previous period
5. Breakdown of other operating income if this represents a significant amount			
a. Leasing activities		355.276	279.754
b. Recalculations to / recuperations of group companies		176.873	161.332
c. Other		65.134	59.449
d. Reimbursement of bank taxes		32.979	0
6. Other operating expenses			
a. Corporate taxes	52331	47.367	40.171
b. Other	52332	27.359	41.612
c. Analysis of other operating expenses if this represents a significant amount			
7. Operating revenue from affiliated companies	52333	3.406.497	7.850.483
8. Operating costs relating to affiliated companies	52334	2.282.512	7.305.870

XXIV. STATEMENT OF OFF BALANCE SHEET OPERATIONS ON SECURITIES, CURRENCIES AND OTHER FINANCIAL INSTRUMENTS WHICH BRING NO OBLIGATION WITH A POTENTIAL CREDIT RISK ACCORDING TO HEADING II OF THE OFF BALANCE SHEET ITEMS

	Code	Current period
A. TYPES OF OPERATIONS (amounts on the closing date of the accounts)		
1. Securities transactions		
a. Forward purchases and sales of securities and marketable securities	52401	0
* of which: not intended for hedging purposes	52402	0
2. Exchange transactions (amounts to be provided)		
a. Forward exchange contracts	52403	152.842.931
* of which: not intended for hedging purposes	52404	152.842.931
b. Currency and interest rate swaps	52405	31.321.506
* of which: not intended for hedging purposes	52406	27.647.606
c. Currency futures	52407	0
* of which: not intended for hedging purposes	52408	0
d. Options on currencies	52409	9.246.859
* of which: not intended for hedging purposes	52410	9.246.859
e. Forward exchange contracts	52411	0
* of which: not intended for hedging purposes	52412	0
3. Transactions in other financial instruments		
Forward transactions in interest rate (nominal / notional reference)		
a. Interest rate swap agreements	52413	653.393.219
* of which: not intended for hedging purposes	52414	510.369.098
b. Interest futures transactions	52415	13.664.094
* of which: not intended for hedging purposes	52416	13.664.094
c. Future Interest rate Agreements	52417	23.167.151
* of which: not intended for hedging purposes	52418	23.167.151
d. Interest rate options	52419	17.760.595
* of which: not intended for hedging purposes	52420	17.760.595
Other purchase and sales (sale / purchase price agreed between parties)		
e. Other option transactions	52421	6.120.176
* of which: not intended for hedging purposes	52422	6.120.176
f. Other futures transactions	52423	466.247
* of which: not intended for hedging purposes	52424	466.247
g. Other forward purchases and sales	52425	0
* of which: not intended for hedging purposes	52426	0

B. MICRO-COVERAGE TRANSACTIONS REFERRED TO IN ARTICLE 36BIS, §1

1. Coverage transaction at fair value

Nature of financial instruments	Notional amounts		Market value (A)	Book value on the balance sheet (B)			Codes	Difference (A-B)
	Deliverable	Receivable	Total*	Total*	of which interest proration			
					Assets (+)	Liabilities (-)		
Interest rate swaps	26.859.144	26.857.844	-738.291	-85.207	197.818	-283.025	52433	-653.085
Forward swaps							52434	
Swaptions							52435	
interest options							52436	
Other							52437	
TOTAL	26.859.144	26.857.844	-738.291	-85.207	197.818	-283.025	52438	-653.085

Explanatory description of the difference between market value and book value on the balance sheet (codes 52433 to 52437)

Dirty mark-to-market value excluding accrued interest (carrying value) constitutes clean mark-to-market value, determined by:
- yield curve valuations
  Yield curve valuations are temporary fluctuations that reach zero over the full term. Hedge accounting eliminates the associated P&L volatility.
- currency translation gains/losses between EUR notional amounts and non-EUR notional amounts bought/sold in case of CCIRS and FX swaps
  Currency translation gains/losses in notional amounts of the derivatives are hedged including exchange risk of hedged assets and liabilities in case of hedge accounting of yield curve fluctuations to avoid net P&L impact.

Ineffectiveness of coverage not recognized in the income statement

	Codes	Amount
Amount of coverage ineffectiveness not recognized in the income statement at the end of the period. Description and comments on the chosen method of calculating ineffectiveness :	52439	-660

Effectiveness is measured based on prospective and retrospective effectiveness tests. Ineffectiveness is measured by determining the difference in market value by comparing that of the actual hedging instrument and that of a hypothetical derivative qualifying as the perfect hedge for the hedged risk.

2. Cash flow coverage

Nature of financial instruments	Notional amounts		Market value (A)	Book value on the balance sheet (B)			Codes	Difference (A-B)
	Deliverable	Receivable	Total*	Total*	of which interest proration			
					Assets (+)	Liabilities (-)		
Interest rate swaps	1.168.383	1.142.224	-17.046	10.368	17.457	-7.089	52440	-27.414
Forward swaps							52441	
Swaptions							52441	
interest options							52443	
Other							52444	
TOTAL	1.168.383	1.142.224	-17.046	10.368	17.457	-7.089	52445	-27.414

Explanatory description of the difference between market value and book value on the balance sheet (codes 52440 to 52444)

Dirty mark-to-market value excluding accrued interest (carrying value) constitutes clean mark-to-market value, determined by:
- yield curve valuations
  Yield curve valuations are temporary fluctuations that reach zero over the full term. Hedge accounting eliminates the associated P&L volatility.
- currency translation gains/losses between EUR notional amounts and non-EUR notional amounts bought/sold in case of CCIRS and FX swaps
  Currency translation gains/losses in notional amounts of the derivatives are hedged including exchange risk of hedged assets and liabilities in case of hedge accounting of yield curve fluctuations to avoid net P&L impact.

Ineffectiveness of coverage not recognized in the income statement

	Codes	Amount
Amount of coverage ineffectiveness not recognized in the income statement at the end of the period. Description and comments on the chosen method of calculating ineffectiveness :	52446	

Effectiveness is measured based on prospective and retrospective effectiveness tests. Ineffectiveness is measured by determining the difference in market value by comparing that of the actual hedging instrument and that of a hypothetical derivative qualifying as the perfect hedge for the hedged risk.

* Positive value for asset, negative value for liability

C. MACRO-COVERAGE TRANSACTIONS REFERRED TO IN ARTICLE 36BIS, §1BIS, LID 1, 1°

1. Coverage transaction at fair value

Nature of financial instruments	Notional amounts		Market value (A)	Book value on the balance sheet (B)			Codes	Difference (A-B)
	Deliverable	Receivable	Total*	Total*	of which interest proration			
					Assets (+)	Liabilities (-)		
Interest rate swaps	97.700.689	97.709.995	1.419.880	-14.924	818.307	-833.231	52447	1.434.804
Forward swaps							52448	
Swaptions							52449	
interest options							52450	
Other							52451	
TOTAL	97.700.689	97.709.995	1.419.880	-14.924	818.307	-833.231	52452	1.434.804

Explanatory description of the difference between market value and book value on the balance sheet (codes 52447 to 52451)

Dirty mark-to-market value excluding accrued interest (carrying value) constitutes clean mark-to-market value, determined by:
- yield curve valuations
  Yield curve valuations are temporary fluctuations that reach zero over the full term. Hedge accounting eliminates the associated P&L volatility.
- currency translation gains/losses between EUR notional amounts and non-EUR notional amounts bought/sold in case of CCIRS and FX swaps
  Currency translation gains/losses in notional amounts of the derivatives are hedged including exchange risk of hedged assets and liabilities in case of hedge accounting of yield curve fluctuations to avoid net P&L impact.

Description of instruments covered and economic risks covered

-hedging of yield curve fluctuations by means of IRS.
Including IRS with grandfathering label based on derogation from Article 36a §2, which will cease to apply from 2023 (valuation at market value from 1 January 2023).
-deferral (capitalisation) of foreign exchange transactions of CCIRS and FX swaps set up for non-EUR funding of intragroup participating interests (CZK, HUF and RON).

Ineffectiveness of coverage not recognized in the income statement

	Codes	Amount
Amount of coverage ineffectiveness not recognized in the income statement at the end of the period. Description and comments on the chosen method of calculating ineffectiveness :	52453	-26.967

Effectiveness is measured based on prospective and retrospective effectiveness tests. Ineffectiveness is measured by determining the difference in market value by comparing that of the actual hedging instrument and that of a hypothetical derivative qualifying as the perfect hedge for the hedged risk.

* Positive value for asset, negative value for liability

2. Cash flow coverage

Nature of financial instruments	Notional amounts: Deliverable	Notional amounts: Receivable	Market value (A): Total*	Book value on the balance sheet (B): Total*	of which interest proration: Assets (+)	of which interest proration: Liabilities (-)	Codes	Difference (A-B)
Interest rate swaps	16.726.600	16.726.600	-749.450	-77.067	101.102	-178.170	52454	-672.383
Forward swaps							52455	
Swaptions							52456	
interest options							52457	
Other							52458	
TOTAL	16.726.600	16.726.600	-749.450	-77.067	101.102	-178.170	52459	-672.383

Explanatory description of the difference between market value and book value on the balance sheet (codes 52447 to 52451)

Dirty mark-to-market value excluding accrued interest (carrying value) constitutes clean mark-to-market value, determined by:
- yield curve valuations
  Yield curve valuations are temporary fluctuations that reach zero over the full term. Hedge accounting eliminates the associated P&L volatility.
- currency translation gains/losses between EUR notional amounts and non-EUR notional amounts bought/sold in case of CCIRS and FX swaps
  Currency translation gains/losses in notional amounts of the derivatives are hedged including exchange risk of hedged assets and liabilities in case of hedge accounting of yield curve fluctuations to avoid net P&L impact.

Description of instruments covered and economic risks covered
Hedging of yield curve fluctuations by means of IRS.

Ineffectiveness of coverage not recognized in the income statement

	Codes	Amount
Amount of coverage ineffectiveness not recognized in the income statement at the end of the period.		
Description and comments on the chosen method of calculating ineffectiveness :	52460	-8.868

Effectiveness is measured based on prospective and retrospective effectiveness tests. Ineffectiveness is measured by determining the difference in market value by comparing that of the actual hedging instrument and that of a hypothetical derivative qualifying as the perfect hedge for the hedged risk.

* Positive value for asset, negative value for liability

Nr	0462.920.226	C-inst 6.24.5

D. COVERAGE RESULTS ON DISQUALIFIED TRANSACTIONS DEFERRED IN THE SUSPENSE ACCOUNT AND STILL SHOULD BE AMORTIZED AND AS REFERRED TO IN ARTICLE 36BIS, §4, 3° AND 4° - BREAKDOWN BY REMAINING TERM

1. Transactions referred to in Article 36bis, §4, 3° - Instruments remaining in the institution's assets

	=< 3 months	> 3 months =< 1 year	> 1 year =< 5 year	>= 5 year	Codes	Total
Suspense account asset (asset item XIII)						
Micro-coverage					52461	
macro coverage					52462	
Waiting account liabilities (liability item V)						
Micro-coverage					52463	
macro coverage					52464	

Description of financial instruments that no longer qualify as hedging transactions, but which remain within the institution's assets, indicating the type of coverage (micro coverage or macro coverage, fair value coverage or cash flow coverage), their current classification (banking or trading portfolio) and the original covered instruments

2. Transactions referred to in Article 36bis, §4, 4° - Instruments that are no longer part of the institution's assets

	=< 3 months	> 3 months =< 1 year	> 1 year =< 5 year	>= 5 year	Codes	Total
Suspense account asset (asset item XIII)						
Micro-coverage					52465	
macro coverage			-1.440		52466	-1.440
Waiting account liabilities (liability item V)						
Micro-coverage					52467	
macro coverage	-8.500	-73.353	-7.264		52468	-89.117

E. INTEREST RATE MANAGEMENT OPERATIONS WITHOUT TAKING ON ADDITIONAL RISK WITH A SECURITIZATION VEHICLE PROVIDED BY THE CREDIT INSTITUTION IS CONSOLIDATED (ARTICLE 36A, §1A, SECOND PARAGRAPH)

Nature of financial instruments	Notional amounts		Market value (A)	Book value on the balance sheet (B)			Codes	Difference (A-B)
	Deliverable	Receivable	Total*	Total*	of which interest proration			
					Assets (+)	Liabilities (-)		
Interest rate swaps	4.243.205	4.243.205	-128.490				52469	-128.490
Forward swaps							52470	
Swaptions							52471	
interest options							52472	
Other							52473	
TOTAL	4.243.205	4.243.205	-128.490				52474	-128.490

Explanatory description of the difference between market value and book value on the balance sheet (codes 52469 to 52473]
The difference between dirty MtM (market value) and accrued interest (book value) constitutes clean MtM determined by:
- yield curve valuations
  Yield curve valuations are temporary fluctuations that add up to zero over the entire duration. Hedge accounting eliminates associated P&L volatility.

Securitization vehicles involved		Nature of operations and observations
Designation	Code LEI	
Loan Invest NV	635400VLKUYLHJTXS840	Securitization of mortgage loans and SME-loans.

* Positive value for asset, negative value for liability

XXV. EXTRAORDINARY RESULTS

	Code	Current period
1. Realised gains on transfer of fixed assets to affiliated companies	52501	0
2. Incurred losses on transfer of fixed assets to affiliated companies	52502	0
3. Breakdown of the other exceptional income if it comprises significant amounts		0
4. Breakdown of the other extraordinary costs if they comprise significant amounts		

XXVI. INCOME TAXES

	Code	Current period
1. Income taxes for the year	52601	-129.863
a. Taxes and withholding taxes due or paid	52602	-142.481
b. Excess of income tax prepayments and of withholding taxes	52603	44.532
c. Estimated additional charges for income taxes	52604	-31.914
2. Income taxes for previous years	52605	-501
a. Additional income taxes due or paid	52606	-501
b. Additional charges for income taxes, estimated (included in liabilities)	52607	0
3. Main sources of differences between the profit before tax, as stated in the financial statements, and the estimated taxable income		
Movements in taxable reserves and provisions		33.322
The specific tax system applicable to gains and losses on shares		46.558
The application of the foreign tax credit scheme on dividends received		-890.243
Innovation deduction		-27.719
Disallowed expenses (other than write-downs, losses on shares, revenue participation and corporation tax)		157.808
Recovery of tax losses		-225.610

4. Impact of extraordinary results on the amount of income taxes for the year

Realised gains and incurred losses on shares under financial fixed assets (gains not taxable and losses not deductible)		-19.730
Write-downs (not deductible) and write-backs (not taxable) on shares under financial fixed assets		-26.619

	Code	Current period
5. Sources of deferred taxes		
a. Deferred tax assets	52608	657.343
* Accumulated tax losses deductible from future taxable profits	52609	188.444
* Other deferred tax assets		468.899
Taxable impairments		321.584
Taxable supplies		135.695
Other taxable reserves		11.620
b. Passive deferrals	52610	0
* Breakdown of the passive deferrals		

XXVII. VALUE ADDED TAX AND TAXES BORNE BY THIRD PARTIES

	Code	Current period	Previous period
1. Charged value added tax			
a. To the reporting institution (deductible)	52701	353.584	287.351
b. By the reporting institution	52702	290.999	263.242
2. Amounts withheld on behalf of third parties as			
a. Payroll tax	52703	153.408	152.469
b. Withholding tax	52704	181.666	91.327

XXVIII. OFF-BALANCE SHEET RIGHTS AND COMMITMENTS (INCLUDED TRANSACTIONS WITH RELATED PARTIES)

A. OFF BALANCE SHEET RIGHTS AND COMMITMENTS

	Code	Current period
1. Substantial commitments to acquire fixed assets		
2. Substantial commitments to dispose of fixed assets		

3. Amount, type and form of significant litigation and other significant commitments

Significant disputes pending:

Claims filed against KBC group companies are treated on the basis of an assessment of whether they will lead to an outflow of resources (i.e. ‘probable outflow’, ‘possible outflow’ or ‘remotely probable outflow’). Provisions are set aside for ‘probable outflow’ cases (see ‘Notes on the accounting policies’). No provisions are constituted for ‘possible outflow’ cases, but information is provided in the financial statements if such cases might have a material impact on the balance sheet (i.e. when the claim could lead to a possible outflow of more than 50 million euros). All other claims (‘remotely probable outflow’), of whatever magnitude, that represent a minor or no risk at all do not have to be reported. The most important cases are listed below. The information provided is limited in order not to prejudice the position of the group in ongoing litigation.

Possible outflow:

On 6 October 2011, Irving H. Picard, trustee (the ‘Trustee’) for the liquidation of Bernard L. Madoff Investments Securities LLC (& Bernard L. Madoff), sued KBC Investments Ltd (a full subsidiary of KBC Bank) before the bankruptcy court in New York to claw back approximately 110 million US dollars’ worth of transfers made to KBC entities by Madoff (through a feeder fund that KBC had lent to Harley International). This claim is one of a whole set made by the Trustee against several banks, hedge funds, feeder funds and investors (all defendants referred to below as the ‘joint defense group’).
A protracted lawsuit has been conducted based on procedural remedies relating to the applicability of the Bankruptcy Code’s ‘safe harbor’ and ‘good defenses’ rules to subsequent transferees (as is the case for KBC Investments Ltd), as detailed in previous disclosures. In June 2015, the Trustee amended the original claim, with the sum sought being increased to 196 million US dollars.
A court ruling dismissing the claim of the Trustee was issued on 3 March 2017. The Trustee appealed and on 28 February 2019 the Court of Appeals for the Second Circuit reversed the dismissal. A certiorari petition filed on 30 August 2019 was dismissed by the US Supreme Court on 2 June 2020. As a consequence the merits of the case are handled by the Bankruptcy Court.
On 30 August 2021 the Court of Appeals for the Second Circuit reversed the burden of proof in two other appeal proceedings involving other defendants from an initial burden on the Trustee to prove the defendant’s lack of good faith to a burden on the defendant to prove its good faith.
On 1 August 2022, the Bankruptcy Court issued a decision determining the structure of the proceedings. In this context, on 5 August 2022 the Trustee amended his complaint by reducing his claim to a principal of USD 86 000 000. On 18 November 2022, KBC submitted a motion to dismiss the amended complaint for lack of specific jurisdiction of the US court. The final reply supporting its motion must be submitted on or before 10 March 2023. A hearing will then be held in April 2023. Despite the increased burden of proof, KBC still believes it has good and credible defenses, both procedurally and on the merits, including demonstrating its good faith.
On April 26, 2023, the court rejected this jurisdictional exception and subsequently drew up a plan for the progress of the proceedings, which provides for a deadline for the factual investigation until September 22, 2025. Since then, both parties have already released the first factual data documentation. The next step is the selection of certain persons mentioned in the notifications already executed and who are likely to be heard by one or both parties to the proceedings. Although the burden of proof has increased, KBC still believes that it has good and credible defenses, including demonstrating its good faith. The procedure may still take several years.

Other significant liabilities.

The bank irrevocably guarantees all the sums, indebtedness, obligations and liabilities outstanding on 31 December 2023 of the following companies, which are consequently exempt from publication on a consolidated basis.

KBC Asset Management NV

4. Where appropriate, a brief description of the system of supplementary retirement or survivor benefit of the personnel or the executives, stating the measures taken to cover the resulting charges

A system of additional pension provisions, a supplementary death capital, orphan's interest and invalidity allowances is provided for all staff members. For all staff who have been employed since 2014, this is organised via the KBC Pension Fund in a "fixed contribution" plan. This means that the amount of these provisions depends on the employee's remuneration over the course of his career. For staff who were already in service before 2014, these provisions are organised within the framework of a "defined benefit" plan, which means that the amount of these provisions depends on the final remuneration, the number of years of service and the age at the time of retirement. Since 2014, the target plan to be achieved is therefore a closed plan (no more new accessions).

These pension provisions are fully financed by the employer by means of annual allowances that are charged to the result. These allowances in the defined benefit plan are calculated on an actuarial basis using the aggregate cost method. The allowances in the "defined contribution" plan are calculated as a percentage of the individual, actual remuneration; for contribution plans, a statutory minimum return guarantee is applicable, which currently amounts to 1.75%. The allowances are paid to the KBC Pension Fund, which is responsible for the management of the reserves thus formed, their payment and the administration.

In addition, a supplementary pension plan (fixed contribution plan) is provided, based exclusively on the personal contributions of the employees through deductions from salary payments. The legal return guarantee currently amounts to 1.75%. This plan was discontinued on 1 January 2019. In other words, no new accessions will take place and it only exists for those staff who were already members of this plan before 1/1/2019 and who have opted to continue the plan beyond 1/1/2019. Here too, the management, payment and administration of this plan has been entrusted to the KBC pension fund.

5. Pensions that are borne by the institution itself: the estimated amount of obligations arising from past services

Bases and methods of estimation

Code	Current period
52801	

6. Nature and business purpose of off balance sheet arrangements

Provided that the risks or benefits of such arrangements are material and to the extent that disclosure of the risks or benefits is necessary for assessing the financial situation of the institution;
where appropriate, the financial consequences of these operations for the facility must also be mentioned:

KBC Bank NV is a member of a VAT grouping.

KBC Bank has set up a company for investments in debt securities, called Loan Invest NV, which has acquired loans of KBC Bank, using funds received from the issuance of securities.

KBC Bank carries an important part of these securities on its balance sheet. The interest risk carried by Loan Invest NV is covered by interest rate swaps concluded between Home Loan Invest and KBC Bank, so that this operation has a limited effect on the ALM management of the bank and on the income statement. The balance sheet shows a decrease of loans for an amount of 5.978 million euros and an increase of investment securities for an amount of 4.243 million euros. KBC Bank NV has a subordinated claim on Loan Invest NV, worth 2.047 million euros.

The main reason for setting up this operation is to make part of the loans of KBC Bank more liquid, as the securities issued by Loan Invest NV and held by KBC Bank are eligible for refinancing with the ECB. As a consequence the main purpose of this operation is improving the liquidity risk of the bank.

Note that Loan Invest NV is listed as a “Special Purpose Entity”, included in the consolidated reporting of KBC Bank.

The annual accounts of Loan Invest NV are available at the Central Balance Sheet Office.

B. TRANSACTIONS WITH RELATED PARTIES

Indication of such transactions if they are significant, including the amount of these transactions, the nature of the relationship with the related party and any other information on transactions that would be required to obtain a better understanding of the financial situation of the institution:

Related party	The nature of the relationschip	Current period
CBC BANQUE SA	Other option transactions	12.894
	Guarantees given	71.893
	Guarantees received	1.333.914
	Interest rate options	291.597
	Options on currencies	52.143
	Interest rate swap agreements	15.008.685
	Forward exchange contracts	391.052
	Currency and interest rate swaps	4.525
ČESKOSLOVENSKÁ OBCHODNÁ BANKA A.S.	Other option transactions	36.592
	Guarantees given	2.430
	Guarantees received	1.066.810
	Interest rate options	38.429
	Options on currencies	40.819
	Interest rate swap agreements	6.268.694
	Forward exchange contracts	281.643
ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S.	Other option transactions	263.493
	Guarantees given	5.515
	Guarantees received	10.201.741
	Interest rate options	586.176
	Options on currencies	982.728
	Interest rate swap agreements	54.883.445
	Forward exchange contracts	15.251.840
	Currency and interest rate swaps	512.416
JULIE LH BV	Guarantees received	116.550
K&H BANK ZRT.	Other option transactions	3.993
	Guarantees given	92.274
	Guarantees received	217.722
	Interest rate options	51.666
	Options on currencies	661.338
	Interest rate swap agreements	8.778.287
	Forward exchange contracts	948.813
	Assets pledged as collateral	15.916
	Currency and interest rate swaps	89.766
KBC ASSET MANAGEMENT NV	Guarantees given	327.214
	Guarantees received	3.100
	Forward exchange contracts	72.687
	Committed lines	30.000
KBC AUTOLEASE NV	Committed lines	480.025
KBC BAIL IMMOBILIER FRANCE SAS	Guarantees received	54.399
	Committed lines	149.887
KBC COMMERCIAL FINANCE NV	Guarantees given	670.677
	Guarantees received	1.307
	Committed lines	3.200.000
KBC GLOBAL SERVICES	Committed lines	16.700
KBC GROEP NV	Interest rate swap agreements	500.000

Related party	The nature of the relationschip	
KBC IFIMA S.A.	Other option transactions	257.712
	Guarantees given	785.987
	Interest rate swap agreements	243.643
KBC IMMOLEASE NV	Committed lines	146.292
KBC LEASE BELGIUM NV	Committed lines	221.948
KBC SECURITIES NV	Other option transactions	2.056
	Guarantees received	7.942
	Committed lines	500.000
KBC VERZEKERINGEN NV	Guarantees given	2.844
	Guarantees received	4.223.982
	Interest rate swap agreements	571.400
	Committed lines	8.000
	Currency and interest rate swaps	38.883
LOAN INVEST NV	Interest rate swap agreements	4.243.205
POELAERT INVEST NV	Interest rate swap agreements	32.218
	Committed lines	32.000
UNITED BULGARIAN BANK AD	Guarantees given	10.942
	Guarantees received	18.851
	Interest rate swap agreements	140.852
	Forward exchange contracts	1.292.266

C. Nature and financial impact of the significant events after the balance sheet date which are not taken into account in the income statement or the balance sheet

XXIX. FINANCIAL RELATIONS WITH

	Code	Current period
A. DIRECTORS AND MANAGERS, INDIVIDUALS OR CORPORATE BODIES WHO CONTROL THE INSTITUTION DIRECTLY OR INDIRECTLY WITHOUT BEING RELATED TO IT OR OTHER COMPANIES CONTROLLED DIRECTLY OR INDIRECTLY BY THESE PEOPLE		
1. Amounts receivable from these persons	52901A	437.083
a. Conditions on amounts receivable		
b. Possibly refunded amount or amount which is waived	52901B	
All related party transactions occur at arm's length.		
2. Guarantees granted on their behalf	52902	0
a. Principal terms of the guarantees granted		
3. Other significant commitments undertaken in their favour	52903	0
a. Main conditions of these obligations		
4. Direct and indirect remuneration and pensions, included in P&L, provided that such disclosure does not concern exclusively or mainly the situation of a single identifiable person		
a. To directors and managers	52904	380
b. To former directors and former managers	52905	0

	Code	Current period
B. THE AUDITOR(S) AND THE PEOPLE HE (SHE) IS (ARE) RELATED TO		
1. Remuneration of the auditor(s)	52906	2.442
2. Fees for exceptional services or special services provided to the company by the auditor(s)		
a. Other audit services	52907	84
b. Tax advisory services	52908	0
c. Other non-audit services	52909	0
3. Fees for exceptional services or special services provided to the company by persons with whom the auditor(s) is(are) related		
a. Other audit services	52910	0
b. Tax advisory services	52911	0
c. Other non-audit services	52912	0

4. Statements in accordance with Article 3:64, §2 en §4 of the Company Code

XXX. POSITIONS IN FINANCIAL INSTRUMENTS

	Code	Current period
1. Financial instruments to be received by the institution on behalf of clients	53001	4.750.595
2. Financial instruments to be delivered by the institution to clients	53002	8.473.163
3. Financial instruments of clients held in custody by the institution	53003	268.206.919
4. Financial Instruments from clients given in custody by the institution	53004	185.894.695
5. Financial Instruments from clients held as collateral by the institution	53005	3.135.560
6. Financial Instruments from clients given as collateral by the institution	53006	0

XXXI. COUNTRY BY COUNTRY INFORMATION

Information to be provided by the institutions referred to in Article 4(1)(3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No 648/2012 with the exception of those undertakings which draw up and publish consolidated accounts in accordance with the Royal Decree of 23 September 1992 on the consolidated accounts of credit institutions, investment firms and collective investment undertakings.

DENOMINATION of the branch, subsidiary or joint subsidiary Nature of activities COUNTRY	Financial year				
	Number of employees *in full-time equivalents*	Turnover (= Interest income and similar income + income from variable-income securities + commissions received + gain on financial transactions)	Profit (Loss) before taxes	Tax on the results	Government grants received

XXXII. DERIVATIVES NOT ESTIMATED AT FAIR VALUE

FOR EACH CATEGORY OF DERIVATIVE FINANCIAL INSTRUMENTS NOT BE VALUED ON THE BASIS OF FAIR VALUE

				Period		Previous Period	
Category of financial derivatives	Hedge risk	Speculation/ hedging	Volume	Book value	Fair value	Book Value	Fair value
Interest rate swaps	Interest rate risk	Hedging	143.024.122	-176.900	-195.131	-112.305	-564.039
Cross currency interest rate swaps	Interest- and currency risk	Hedging	1.176.709	10.070	-18.267	10.751	-91.239

FINANCIAL FIXED ASSETS CARRIED AT AN AMOUNT IN EXCESS OF FAIR VALUE	Book value	Fair value
Amount of individual assets or appropriate groupings of those assets		
Reasons for not reducing the book value		
Informations that suggest than the book value will be recovered		

XXXII. DECLARATION ON CONSOLIDATED ACCOUNTS

A. TO BE COMPLETED BY ALL CREDIT INSTITUTIONS

The institution has drawn up and has published consolidated annual accounts and a consolidated annual report*

~~**The institution does not draw up consolidated annual accounts nor a consolidated annual report because she is exempted due to following reason(s)***~~

The institution does not, solely nor jointly, control one or more subsidiaries governed by Belgian or foreign law*

The institution is a subsidiary of a parent company that draws up and publishes consolidated accounts, in which the annual accounts are included through consolidation*

Justification of compliance with the conditions set out in Article 4 of the Royal Decree of September 23rd 1992:

Name and full address of the registered office and, for institutions governed by Belgian law, the company number of the parent company publishing the consolidated accounts by virtue of which the exemption is granted

B. TO BE COMPLETED BY INSTITUTIONS WHICH ARE SOLELY OR JOINTLY-HELD SUBSIDIARIES

Name and full address of the registered office and, for companies governed by Belgian law, the company number of the parent company or companies preparing and publishing the consolidated accounts in which the accounts of the reporting institution are consolidated **:

KBC GROEP NV
HAVENLAAN 2, 1080 BRUSSEL
0403.227.515
The parent company draws up consolidated annual accounts and publishes these consolidated annual accounts.

If the parent company or companies are governed by foreign law, state the place where the above-mentioned consolidated accounts may be obtained **:

* Delete where appropriate
** If the accounts are consolidated at several levels, give details of the largest and smallest aggregate to which the reporting institution belongs as a subsidiary and for which consolidated accounts are prepared and published

C. FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO: Statement in accordance with article 133, paragraph 6 of the Company Law

	Code	Current period
D. FINANCIAL RELATIONSHIPS OF THE GROUP LED BY THE COMPANY IN BELGIUM WITH THE AUDITOR(S) OR PEOPLE HE (THEY) IS (ARE) RELATED TO: Statement in accordance with article 134, paragraphs 4 and 5 of the Company Law		
1. Auditor's fees for carrying out an auditor's mandate on the level of the group led by the company that publishes the information	53201	6.448
2. Fees for exceptional services or special services rendered in this group by the auditor(s)		
a. Other audit services	53202	256
b. Tax consultancy services	53203	0
c. Other non-audit services	53204	0
3. Fees for the people who are related to the auditor(s) for carrying out an auditor's mandate on the level of the group led by the company that publishes the information	53205	0
4. Fees for exceptional services or special services rendered in this group by the people who are related to the auditor(s)		
a. Other audit services	53206	222
b. Tax consultancy services	53207	0
c. Other non-audit services	53208	1

XXXIII. INDICATIONS REGARDING RELATIONS WITH ASSOCIATED COMPANIES WITHIN THE MEANING OF
OF ARTICLE 1:21 OF THE COMPANIES AND ASSOCIATIONS CODE

	Code	Current period
1. Amount of financial assets	**53101**	**32.044**
- Holdings	53102	32.044
- Subordinated loans	53103	0
- Other claims	53104	0
2. Receivables from associated companies	**53105**	**94.214**
- On more than one year	53106	94.214
- within one year	53107	0
3. Debts to associated companies	**53108**	**85.791**
- On more than one year	53109	57.601
- within one year	53110	28.189
4. Personal and real guarantees	**53111**	**24.402**
- made by the company or irrevocably promised as security for debts or liabilities of associates	53112	22.087
- Held by associates or irrevocably promised as security for the debts or obligations of the company	53113	2.315
5. Other significant financial commitments	**53114**	**0**

N°	0462.920.226	C-inst 7

SOCIAL REPORT (in euro)

Numbers of joint industrial committees which are competent for the enterprise:	310				

STATEMENT OF THE PERSONS EMPLOYED

EMPLOYEES RECORDED IN THE STAFF REGISTER

During the current period	Codes	Total	1. Male	2. Female
Average number of employees				
Full-time	1001	5.231	3.115	2.116
Part-time	1002	2.946	635	2.311
Total of full-time equivalents (VTE)	1003	7.448	3.583	3.865
Number of hours actually worked				
Full-time	1011	7.313.472	4.479.062	2.834.410
Part-time	1012	2.791.164	567.127	2.224.037
Total	1013	10.104.636	5.046.189	5.058.447
Personnel costs				
Full-time	1021	541.388.366,94	347.132.683,33	194.255.683,61
Part-time	1022	208.697.348,20	48.945.845,15	159.751.503,05
Total	1023	750.085.715,14	396.078.528,48	354.007.186,66
Advantages in addition to wages	1033	14.363.901,81	7.584.777,28	6.779.124,53

During the previous period	Codes	P. Total	1P. Male	2P. Female
Average number of employees	1003	7.644	3.705	3.939
Number of hours actually worked	1013	10.274.451	5.165.084	5.109.367
Personnel costs	1023	731.868.133,93	391.390.618,10	340.477.515,83
Advantages in addition to wages	1033	14.421.246,77	7.712.237,25	6.709.009,52

	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
At the closing date of the current period				
Number of employees recorded in the personnel register	105	5.227	2.877	7.393,7
By nature of the employment contract				
Contract for an indefinite period	110	5.225	2.877	7.391,7
Contract for a definite period	111	2	0	2,0
Contract for the execution of a specifically assigned work	112	0	0	0
Replacement contract	113	0	0	0
According to the gender and by level of education				
Male	120	3.091	616	3.547,5
primary education	1200	0	0	0
secondary education	1201	179	68	226,9
higher education (non-university)	1202	1.760	410	2.066,3
university education	1203	1.152	138	1.254,3
Female	121	2.136	2.261	3.846,2
primary education	1210	0	0	0
secondary education	1211	167	243	352,0
higher education (non-university)	1212	1.194	1.529	2.338,2
university education	1213	775	489	1.156,1
By professional category				
Management staff	130	53	4	55,0
Employees	134	5.174	2.873	7.338,7
Workers	132	0	0	0
Other	133	0	0	0

HIRED TEMPORARY STAFF AND PERSONNEL PUT AT THE ENTERPRISE'S DISPOSAL

During the current period	Codes	1. Temporary personnel	2. Persons put at the disposal of the enterprise
Average number of employees	150	7	0
Number of hours actually worked	151	14.365	0
Charges of the enterprise	152	524.062,07	0

TABLE OF PERSONNEL CHANGES DURING THE CURRENT PERIOD

ENTRIES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
Number of employees recorded on the personnel register during the financial year	205	461	48	499
By nature of the employment contract				
Contract for an indefinite period	210	458	48	496
Contract for a definite period	211	3	0	3
Contract for the execution of a specifically assigned work	212	0	0	0
Replacement contract	213	0	0	0

DEPARTURES	Codes	1. Full-time	2. Part-time	3. Total in full-time equivalents
The number of employees with a in the staff register listed date of termination of the contract during the period	305	410	291	608
By nature of the employment contract				
Contract for an indefinite period	310	410	291	608
Contract for a definite period	311	0	0	0
Contract for the execution of a specifically assigned work	312	0	0	0
Replacement contract	313	0	0	0
According to the reason for termination of the employment contract				
Retirement	340	76	168	180
Unemployment with company bonus	341	0	0	0
Dismissal	342	29	8	34
Other reason	343	305	115	394
Of which: the number of persons who continue to render services to the enterprise at least half-time on a self-employed basis	350	0	0	0

INFORMATION WITH REGARD TO TRAINING RECEIVED BY EMPLOYEES DURING THE CURRENT PERIOD

	Codes	Male	Codes	Female
Total number of official advanced professional training projects at company expense				
Number of participating employees	5801	3.464	5811	4.047
Number of training hours	5802	83.091	5812	103.567
Costs for the company	5803	7.378.198,53	5813	8.619.968,09
of which gross costs directly linked to the training	58031	7.202.996,97	58131	8.415.279,66
of which paid contributions and deposits in collective funds	58032	175.201,57	58132	204.688,43
of which received subsidies (to be deducted)	58033	0,00	58133	0,00
Total number of less official and unofficial advance professional training projects at company expense				
Number of participating employees	5821	3.757	5831	4.332
Number of training hours	5822	127.164	5832	156.672
Costs for the company	5823	8.794.429,24	5833	10.140.395,91
Total number of initial professional training projects at company expense				
Number of participating employees	5841	0	5851	0
Number of training hours	5842	0	5852	0
Costs for the company	5843	0,00	5853	0,00

Valuation rules KBC Bank

1. General

The accounting principles and valuation rules are conform to Belgian accounting legislation and the provisions of the Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The annual accounts are made up as at 31 December after profit appropriation.
In conformity with Article 3 of the above-mentioned Royal Decree, the annual accounts are drawn up according to the principle of a true and fair view. A transparent, clear and consistent financial reporting is important for KBC Bank as a financial institution. As such, KBC aims to align as much as possible, within the possibilities of the Belgian accounting law and the systems, with the international accounting standards IFRS, as applied for the consolidated annual accounts.

2. Valuation rules

CURRENCY TRANSLATION

All monetary items denominated in foreign currency are translated into their equivalent in euros at the spot rate at balance sheet date. Negative and positive valuation differences, except for those relating to the financing of shares and investments in foreign

currency and to dotation capital for foreign branches, are recorded in the profit and loss account.

Non-monetary items are valued on the basis of the historical rate at acquisition or, where appropriate, on the basis of the exchange rate at which the currency used to pay the price was purchased.

For transactions that entailed funding (lending), the rate of the day is used if there is no exchange rate.
Income and charges denominated in foreign currency are stated in the profit and loss account at the rate prevailing when they wererecognised. Foreign-currency income and expenditure which is hedged in advance is recorded in euros on the basis of the fixed rate.

Translation of the financial statements of foreign branches outside the euro zone:
balance sheet items are translated at the closing exchange rate prevailing at year-end, profit and loss account items are translated based on average rates. For this purpose, each month's profit or loss is translated into euros at the rate prevailing at the end of that month.

The translation difference at balance sheet date, resulting from translating the profit and loss account on the basis of average rates, is taken to the profit and loss account as profit on financial transactions.

AMOUNTS RECEIVABLE

Interest collected in advance and similar income (including such additional compensation as fees for foreign loans) for the entire loan period cannot be taken to the profit and loss account immediately, and is therefore posted to an accruals and deferrals heading. At month-end, the amount earned is written to the profit and loss account.

Origination and processing fees charged are taken to profit and loss immediately on the inception of the loans and advancesconcerned, credit insurance premiums are taken to the profit and loss account annually when paid.

Commissions due (payable in advance) for bank guarantees given are recorded in the profit and loss account immediately. The commissions received by KBC Bank for credit broking are charged to the profit and loss account when the credit is disbursed.

Amounts receivable arising from advances and cash deposits are recorded in the balance sheet for the amount made available. The difference between the amount made available and the nominal value (discount) is recognised on an accruals basis according to the straight- line method as interest receivable via the accruals and deferrals accounts.

Dated commercial credit, consumer credit, home loans and receivables arising from leasing contracts are recorded in the balance sheet in the outstanding principal amount, plus the interest past due and sundry costs to be paid by customers. Interest received

but not yet due (interest collected in advance) is recorded in the profit and loss account on an accruals basis via the accruals and deferrals headings.

The other amounts receivable are recognised in the balance sheet at nominal value.
Loans and advances that are transferred through securitisation operations where the transfer qualifies as a sale under NBB/BNB guidelines no longer constitute bank assets and consequently may not appear on the balance sheet of KBC Bank, although the amount is required to be recorded in the contingent accounts. Until the securitisation operation comes to an end, the entry in the contingent accounts is required to be adjusted at the end of each month to reflect customers' loan repayments. Any gains realised on the sale of securitised assets are taken to the profit and loss account immediately at the time of the sale.

If the sales price is made up entirely or in part of a variable element dependent on the buyer's operating profit, this element will only be taken to the profit and loss account when the operating profit is known and this element is therefore fixed.

In synthetic securitisation operations, the (credit) risk in respect of the underlying (loan) portfolio is all that is transferred to a thirdparty, and this by means of a credit default swap, for example, and not through the effective transfer/sale of the (loan) receivables.

In other words, the loans remain on the balance sheet. Transactions used to hedge the company's own loan receivables arerecognised as guarantees given or received. Transactions relating to the trading portfolio are recorded as interest rate swaps.

Both types of transaction are marked to market and taken to profit and loss, unless carried out on an illiquid market (in this case, positive valuation differences are posted to an accruals and deferrals heading, and negative valuation differences to the profit and loss account).
For loans with an uncertain outcome, general provisions are set aside and specific write-downs are charged. All interest and various other receivables which have remained unpaid for three months after having become payable will not be recognised in the profit
and loss account.
Non-specific write-downs are calculated for domestic loans with an uncertain outcome on the basis of the principal amount whose repayment is uncertain, the percentage susceptible to reclassification (that portion of the 'uncertain outcome' portfolio that might become 'doubtful') and the loss percentage.
For loans classified as irrecoverable and doubtful, specific write-downs are posted on a case-by-case basis and charged to the assets heading in the annual accounts in which the risks appear, in order to cover the losses which are considered certain or likely
to ensue on the outstanding loans. Interest due and charges are written to reserves.
Loans are classified as irrecoverable and doubtful if the loan balance is payable and if debt-recovery procedures have been initiated in or out of court.
The amount of any security is equal to the principal amount registered. Personal security is recorded in the accounts in the amount that can be obtained if execution is levied.

SECURITIES

Securities are recognised at acquisition cost at the time of purchase, excluding costs and less subscription fees. The ancillary costs attendant on acquisition are charged directly to the result.

- *Investment portfolio*

Fixed-income investment securities are recorded at acquisition cost, less or plus the matured portion of the premium or discount. The difference between the acquisition cost and the redemption value is reflected as an interest item in the profit and loss account on an accruals basis over the remaining term to maturity of the securities. It is included in the profit and loss account on a discounted basis, based on the internal rate of return at the time of purchase.

Perpetual debt is valued at the lower of acquisition cost and market value.

If redemption of a security is uncertain or doubtful, an impairment is recorded according to the principles that apply for the valuation of amounts receivable.

If securities are sold, their carrying value is determined on a case-by-case basis. Gains or losses are posted directly to the profit and loss account.

Listed shares and other variable-yield securities are valued each month at the lower of acquisition cost and market value at balance sheet date. Other securities are valued at least once a year, based on the annual accounts for the previous year. File administrators are responsible for ensuring that any significant negative developments during the course of the year are also dealt with.

No value impairments are posted for shares hedged against a decline in price by means of an option.

- *Trading portfolio*

Securities belonging to the trading portfolio are marked to market. The resulting valuation differences are recorded in the profit and loss account under heading VI: ‘Profit (Loss) on financial transactions’.

FINANCIAL FIXED ASSETS

Included in KBC Bank’s holdings or participating interests are the rights (shares) held in other companies with a view to creating specific, lasting ties with them.

If there are no lasting ties and the shares are acquired for resale, then this investment will not be considered a financial fixed asset, but rather as part of the investment portfolio, regardless of the size of the shareholding and the influence that could be exerted on the management of the company in question through this shareholding.

Participating interests and shares that are considered financial fixed assets are recognised at acquisition cost.

Write-downs are applied only in the event of a lasting impairment in or loss of value, established on the basis of the financial position, the profitability and the prospects of the company concerned.

Participating interests, shares and share certificates classified as financial fixed assets may be revalued if, in light of their usefulness to the company, they exhibit an incontestable and lasting increase in value.

Regardless of whether they are represented by securities, subordinated loans and advances to associated companies and companies linked by participating interests are valued according to the same principles as non-subordinated loans and advances.

FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

All formation expenses referred to in the Royal Decree on the annual accounts of credit institutions are charged directly to the profit and loss account for the financial year as administrative expenses.

Capitalised goodwill is depreciated according to the straight-line method over a period of five years, unless the Board of Directors decides otherwise.

The following rules apply to software that has been developed in-house: all charges relating to continuity projects, as well as any research expenses for investments, are taken directly to the profit and loss account. However, development expenses (both internal and external) for investments are capitalised as an intangible fixed asset and written off over a period of five years. Investments are large-scale projects that introduce or replace an important business objective or model. Systems software is depreciated at the same rate as hardware, being written off according to the straight-line method over a period of three years.. Software other than systems software is depreciated over five years. Core systems with a longer useful life are depreciated straight line over an eight-year period. Core systems are types of standard software, including back-end data applications, for processing operations during the day and updates of the general ledger balances on the mainframe.

At KBC Bank, intangible fixed assets recorded are capitalised at acquisition cost including ancillary costs, and are written off on an accruals basis during the first year of investment.

TANGIBLE FIXED ASSETS

All tangible fixed assets are recognised at acquisition cost, less accumulated depreciation. They are recorded at acquisition cost, including ancillary, directly allocable costs (acquisition costs, non-deductible VAT, etc.).

The rates of depreciation are determined on the basis of the anticipated useful economic life of the item and are applied according to the straight-line method. All tangible fixed assets are depreciated on an accruals basis from the time they are available for use.

The ancillary costs are written off over the life of the asset. A write-down is charged for ancillary costs on the acquisition of land.

When tangible fixed assets are sold, realised gains or losses are taken immediately to the profit and loss account. If these assets are destroyed, the remaining amount to be written off is charged directly to the result.

Tangible fixed assets that exhibit an incontestable and lasting appreciation in value compared to their carrying value may be revalued. This surplus is written off over the average residual useful life of the assets in question.

CREDITORS

Amounts owed as a result of advances or cash deposits received are recorded in the balance sheet in the amount made available, plus or minus any difference between this amount and the redemption price of the portion that has already accrued. The difference between the amount made available and the nominal value is reflected as interest on an accruals basis in the profit and loss account.

PROVISIONS FOR LIABILITIES & CHARGES

Provisions for liabilities and charges are intended to cover losses or charges, the nature of which is clearly defined and which at balance sheet date are either likely or certain to be incurred, but the amount of which is uncertain.

- Pensions

Concerned here are commitments with regard to retirement and survivor’s pensions, benefits paid out on early retirement and other similar pensions or allowances (related mainly to employees’ leaving employment early and end-of-career schemes).

- *Taxation*

This provision covers the commitments that may arise from a change in the tax base or in the calculation of tax. It is set aside in anticipation of additional tax charges (not yet assessed) for past financial years, for the amount that is disputed.

- Other liabilities and charges

This is a residual heading in respect of the provisions referred to above and includes provisions for legal disputes, commitment credit and indirect taxes.

FUND FOR GENERAL BANK RISKS

A fund for general banking risks is created as a general buffer for the expected future credit losses calculated on a 1-year time horizon (one year expected credit loss) inherent in the normal loan portfolio and fixed-interest securities for which there are no payment difficulties (loans with a probability of default from 1 to 9).

FINANCIAL INSTRUMENTS

-Valuation rules for trading and non-trading activities

Where trading activities are concerned, the unrealised profit or loss on revaluation is recognised at least at the end of every month. This revaluation takes into account any interest flows that have already been recognised on an accruals basis. In the event of a sale, liquidation or expiration, the profit/loss on the position is recognised immediately. Where illiquid currencies or securities are concerned, no profit on revaluation is recognised.

The existing strategic positions the dealing room takes for its own account via derivatives with a view to generating a profit on the long term by way of capital gains or interest spreads are valued according to the same principles used for illiquid interest rate positions.

For non-trading activities, where interest rate instruments are concerned, the gains or losses realised are only recognised on an accruals basis over the corresponding term. The valuation of non-interest-rate instruments (e.g., share option premiums) matches the valuation of the hedged position. In addition, non-trading activities carried out for the purpose of general, long-term management of interest rate products denominated in a foreign currency (macro-hedging) are also valued according to the ‘lower of cost and market’ principle, along with the associated on-balance-sheet products. Profit or loss on similar transactions carried out for general EUR ALM interest rate management purposes is recognised solely on an accruals basis.

Option premiums that are paid in advance are only taken to the profit and loss account on the due date or on liquidation, with the exception of option premiums for caps, floors and collars that have been concluded for hedging purposes (accruals-basis recognition). In the meantime, they are posted under the ‘Other assets’ or ‘Other liabilities’ items. Option premiums relating to trading activities are revalued at least at the end of every month.

-Valuation of derivatives

All derivatives are always recorded under specific off-balance-sheet headings on the transaction date. Amounts are released from the off-balance-sheet headings once the outcome of the transaction is definitive, even if the underlying term only starts at that time for certain interest rate products (e.g., FRAs).

Trading transactions are marked to market, and the mark-to-market (dirty price) value is recognised in the trading results.

Non-trading transactions are included in interest income on an accruals basis, which is the case for interest payable and interest receivable relating to interest rate swaps and foreign currency interest rate swaps. The swap difference arising on FX swaps (and FX outrights) is also released to the results on an accruals basis. The results from interest rate futures and FRAs are included in the profit and loss account spread over the term of the underlying hedged item. Equity swaps are treated in the same way as interest rate swaps. In practice, equity swaps (just like options) are only recorded in the trading book and consequently marked to market. KBC Bank makes use of the derogation allowed by the NBB/BNB to Article 36*bis* of the Royal Decree on the annual accounts of credit institutions. This derogation makes it possible to take interest rate derivatives that do not meet the microhedging criteria to the profit and loss account on an accruals basis (interest rate derivatives classified as ALM or treasury management instruments).

-Hedging criteria for forward interest rate transactions:

The general criteria are set out in Article 36*bis* of the Royal Decree on the annual accounts of credit institutions of 23 September 1992:

- the hedged item, the hedged homogeneous whole, the homogeneous or not homogeneous and in time evolving whole of assets, liabilities, off-balance rights and/or obligations, as well as with regard to highly probable future cash flows, must expose the credit institution to a risk of interest rate fluctuation;
- the transaction must be recorded in the books as a hedge from its inception;
- there must be a close correlation between fluctuations in the value or highly probable future cash flows of the hedged item and the hedging instrument; in the case of hedging options, a correlation between fluctuations in the value of the hedged item and those of the underlying must be established.

In addition, specific company criteria apply. All these criteria must be met: if one criterion is no longer satisfied, the hedge will be considered a trading transaction and be subject to the appropriate accounting treatment.

Hedging combinations that involve derivatives and are terminated before maturity will be considered trading transactions once the underlying position to be hedged no longer exists. The result of hedging instruments on termination of hedging combinations is either recognized immediately in the income statement if the hedged items have disappeared, or spread in the income statement over the shorter of (i) the remaining originally determined term of the hedge and (ii) the effective remaining term of the hedged items if the hedged items remain in the institution's assets.

Future interest rate positions can be hedged if it is reasonably certain that the position will actually materialise. Moreover, the amount, term and interest rate conditions must be sufficiently certain.

-Calculation of unrealised profit/loss on revaluation

Derivatives are always valued on a contract basis; positive and negative valuation differences are not netted in the accounting records. Only for calculating capital adequacy requirements relative to market risks is the market risk calculated on a net basis per counterparty.

For forward interest rate and similar products (namely forward foreign exchange products), valuation occurs on the basis of the net present value of future, determinable cash flows using a single yield curve per currency, which is used throughout the bank. Any adjustments for operational and liquidity risks are deducted from the initial revaluation. Options are valued according to the usual valuation models. For interest rate products, calculations are always based on the assumption of a liquid market, provided the underlying currencies are liquid.

If a credit granted to a counterparty is classified as ‘doubtful’ or ‘irrecoverable’, the receivables and commitments stemming from off-balance-sheet products involving the same counterparty will be given the same classification. For loans and advances, write-downs may be recorded; for commitments, provisions will be set aside.

3. Change in the valuation rules

No changes.

KBC Bank NV
Company annual report for financial year 2023

Pursuant to Article 119 of the Companies Code, KBC Bank NV has combined the reports for its company and consolidated financial statements. You can find this ‘combined’ report in the ‘Report of the Board of Directors’ section of the KBC Bank Annual Report.

The accounting information provided in the ‘Report of the Board of Directors’ is based on the consolidated IFRS accounting policies. In order to provide the reader of the company financial statements, based on Belgian accounting policies (B-GAAP), with a true and fair view of the company, an additional brief explanation is given. In addition, other information to be published that is not included in the ‘Report of the Board of Directors’ has been included here too.

Table of Contents

Notes to the company annual accounts

The annual accounts have been prepared according to Belgian accounting standards (B-GAAP).

Balance sheet

KBC Bank NV (x1000 EUR)	12/31/2023	12/31/2022	Difference
Assets	**213,896,136**	**232,204,719**	**-18,308,583**
Cash and cash balances with central banks	25,468,268	39,582,511	-14,114,242
Amounts receivable from credit institutions	25,570,336	20,710,905	4,859,431
Amounts receivable from clients	98,174,112	97,684,465	489,647
Bonds and other fixed-income securities	40,007,213	46,419,428	-6,412,215
Shares and other variable-yield securities	560,532	425,556	134,976
Financial fixed assets	13,745,731	13,847,476	-101,745
Formation expenses, tangible and intangible fixed assets	2,101,741	1,832,008	269,734
Other assets	856,114	977,601	-121,486
Deferred charges and accrued income	7,412,089	10,724,770	-3,312,682
Liabilities	**213,896,136**	**232,204,719**	**-18,308,583**
Amounts payable to credit institutions	17,393,637	34,933,732	-17,540,095
Amounts payable to clients	126,648,208	137,519,734	-10,871,526
Debts represented by securities	20,929,996	12,359,542	8,570,454
Other amounts payable	1,935,277	2,415,771	-480,494
Accrued charges and deferred income	9,205,751	12,975,766	-3,770,015
Provisions for liabilities and charges and deferred taxes	78,140	66,019	12,121
General fund for banking risk	116,158	106,693	9,464
Subordinated loans	21,941,586	16,079,952	5,861,634
Equity	15,647,384	15,747,510	-100,126

Total assets

Total assets decreased by 18.3 billion compared to last year. This decrease is explained further in this document from the sub-headings.

Foreign branches hold 4.81% of the bank's total assets (3.82% at the end of 2022).

Netting on the balance sheet

The criteria for offsetting are met if KBC currently has a legally enforceable right to set off the recognised financial assets and financial liabilities and intends either to settle the transactions on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Netting disclosure (x1000 EUR)	Gross amounts		Netting	Netted amounts	
	Assets	Liabilities		Assets	Liabilities
repos - reverse repos	32 629 054	21 531 349	18 344 947	14 284 107	3 186 402

Cash, cash balances with central banks

The decrease of 14.1 billion is due to lower placements at the ECB (-18.1 billion) due to a decrease in available liquidity surpluses from the repayment of the TLTRO and the impact of the State note, offset by higher balances at some central banks (+3.4 billion) under the balance sheet policy.

Amounts receivable from credit institutions

The increase of 4.9 billion can be mainly explained by an increase in reverse repo transactions (+8.6 billion), offset by a decrease in term accounts (-2.6 billion) and other advances (-1.1 billion).

Loans and advances to customers

Loans and advances to customers rose by EUR 0.5 billion to EUR 98.2 billion. This increase is mainly explained by an increase in home loans of EUR 1.2 billion and in term loans of 0.4 billion, offset by a decrease in current account advances of 0.5 billion and in other receivables of 0.7 billion.

Bonds and other fixed-income securities

The total portfolio of fixed-income securities and securities decreased by EUR 6.4 billion to EUR 40.0 billion. The decrease is explained by a EUR 10.2 billion reduction in bonds issued by affiliated companies, offset by a EUR 0.8 billion increase in trading securities issued by public authorities, EUR 2.3 billion in investment securities issued by public authorities and EUR 0.6 billion in investment securities issued by credit institutions.

Securities issued by public authorities account for 62.8% of the portfolio.

Financial fixed assets

Financial fixed assets decreased slightly by EUR 0.1 billion to EUR 13.7 billion, mainly due to the reduction of a receivable from an affiliated company (Home Loan Invest).

Other asset items

Deferred charges and accrued income was mostly made up of accrued interest and the revaluation of derivatives (such as IRS). The item decreased with 3.3 billion euros due mainly to the effect of mark-to-market valuation of derivatives.

Amounts payable to credit institutions

Amounts payables to credit institutions decreased by EUR 17.6 billion to EUR 17.4 billion, as a result of a repayment of the TLTRO loan (EUR -12.9 billion) and a lower volume of repo transactions (EUR -8.2 billion), offset by increased volumes of deposits at the cash desk and institutional sales in the amount of EUR 2.9 billion.

Amounts payable to clients

Amounts payable to clients decrease by EUR 10.9 billion and can be explained mainly by:

- A decrease in regulated savings deposits by EUR 6.4 billion and sight deposits by EUR 14.3 billion;
- An increase in time deposits by EUR 9.6 billion;
- An increase in the short position in the dealing room by EUR 0.4 billion

Debts represented by securities

The EUR 8.6 billion increase in debt represented by securities can be explained mainly by:

- A EUR 6.4 billion increase in certificates of deposit, mainly at the cash desk;
- A EUR 2.0 billion increase in non-convertible bonds due to the issuance of covered bonds.

Fund for general banking risks

The increase of EUR 0.01 billion relates to an increase in collective impairment on loans .

Accrued charges and deferred income

Accrued charges and deferred income was made up primarily of interest payable and the revaluation of derivatives. The decrease of 3.8 billion euros was mainly attributable to the effect of mark-to-market accounting. Developments in this section must be assessed together with those in ‘Deferred charges and accrued income’ on the Assets side.

Subordinated liabilities

Subordinated debt increased by EUR 5.9 billion due to a combination of new issues of subordinated debt (Senior Holdco and Tier 2 instrument) and maturity of existing issues.

Equity

Equity declines by EUR 0.1 billion to a figure of EUR 15.6 billion.

Clearing of derivative positions

Derivative assets and derivative liabilities against central clearing houses are cleared day by day by cash settlement (assets against cash collateral received and liabilities against cash collateral paid). The table below shows the positions before and after ‘cash collateral’ settlement.

Clearing disclosure (x1000 EUR)	Gross amounts		Netting		Netted amounts	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Derivatives	25 663 575	25 581 685	19 162 503	17 320 703	6 501 072	8 260 982

Profit and loss account

KBC Bank NV (x1000 EUR)	12/31/2023	12/31/2022	Difference
Gross income from ordinary activities	4,371,862	5,632,081	-1,260,219
Operating charges	-2,758,585	-2,497,273	-261,312
Write-downs and provisions	-119,078	21,664	-140,743
Profit on ordinary activities	1,494,199	3,156,473	-1,662,274
Extraordinary result	-55,254	227,623	-282,877
Taxes	-127,479	-62,298	-65,182
Result for the period to be appropriated	**1,311,466**	**3,321,798**	**-2,010,332**

(x1000 EUR)	12/31/2023	12/31/2022	Verschil
Net interest income	2,348,309	2,244,264	104,045
Income from variable-yield securities	904,195	2,356,974	-1,452,779
Net fee and commission income	589,169	761,394	-172,225
Results from financial transactions	-100,072	-231,085	131,013
Other operating income	630,262	500,535	129,727
Gross income from ordinary activities	**4,371,862**	**5,632,081**	**-1,260,219**

Gross current income is EUR 4.4 billion, down EUR 1.3 billion from 2022.

The detail of this decrease is explained by the table above.

- Net interest income increased slightly compared to last financial year, with a higher margin on customer deposits offset by, among other things, the disappearance of the advantageous TLTRO, a higher wholesale funding cost and lower interest income in the dealing room.
- Income from non-fixed income securities decrease by EUR 1.5 billion due to a lower amount of dividends paid from subsidiaries.
- Net commissions decrease by EUR 172.2 million due to a combination of more commissions for distribution of investment products, more commissions related to securities and more commissions for other services, more than fully offset by a commission charge for Home Loan Invest.
- Results from financial transactions increase by EUR 131 million, mainly due to higher revenues from derivatives in the trading portfolio (+291 million), positive foreign exchange results (+61 million), offset by costs of hedging operations (-262 million).

(x1000 EUR)	12/31/2023	12/31/2022	Verschil
General administrative charges	-2,353,895	-2,143,124	-210,771
Depreciation of and amounts written off tangible and intangible fixed assets	-329,964	-272,365	-57,599
Other operating charges	-74,726	-81,783	7,057
Operating charges	**-2,758,585**	**-2,497,273**	**-261,312**

Operating expenses (including "depreciation of intangible and tangible assets" and "other operating expenses") increased by EUR 261.3 million. This increase is explained in part by higher bank charges (EUR -13 million), more facility costs (EUR -22 million), higher depreciation and amortization (EUR -57 million) and higher IT costs (EUR -38 million).

(x1000 EUR)	12/31/2023	12/31/2022	Verschil
Write-downs on loans	-107,633	-44,798	-62,836
Write-downs on investment portfolio	91	1,541	-1,450
Provisions (incl. General fund for banking risk)	-11,536	64,921	-76,457
Write-downs and provisions	**-119,078**	**21,664**	**-140,743**

In financial year 2023, there was a net creation of impairments and provisions of EUR 119 million. This can be explained by an addition of provisions in the fund for general banking risks (-9 million) and higher loan impairments (-107 million), reflecting the more uncertain economic environment.

The evolution in extraordinary results in the amount of EUR -283 million is mainly explained by a reversal in the amount of EUR 250 million in the previous financial year of the impairment on the stake in KBC Bank Ireland recorded in previous financial years.

Income taxes have increased compared to financial year 2022, but remain limited due to still existing losses carried forward and the specific tax regime for dividends received from subsidiaries.

Events after the balance sheet date

No events.

Additional information

Information on branch offices

KBC Bank has 11 branches abroad, more specifically in New York, London, Paris, Rotterdam, Singapore, Hong Kong, Shanghai, Dublin, Düsseldorf, Milan and Luxemburg.

The branch in Luxemburg has been established in 2023, though the commercial activities will start in 2024.

The branch in Mumbai no longer has commercial activities.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

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

We present to you our statutory auditor's report in the context of our statutory audit of the annual accounts of KBC Bank NV (the "Company"). This report includes our report on the annual accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of 27 April 2022, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2024. We have performed the statutory audit of the Company's annual accounts for eight consecutive years.

Report on the annual accounts

Unqualified opinion

We have performed the statutory audit of the Company's annual accounts, which comprise the balance sheet as at 31 December 2023, and the profit and loss account for the year then ended, and the notes to the annual accounts, characterised by a balance sheet total of EUR '000' 213.896.136 and a profit and loss account showing a profit for the year of EUR '000' 1.311.466.

In our opinion, the annual accounts give a true and fair view of the Company's net equity and financial position as at 31 December 2023, and of its results for the year then ended, in accordance with the financial-reporting framework applicable in Belgium.

Basis for unqualified opinion

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

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

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

Key audit matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the annual accounts of the current period. This matter was addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

Estimation uncertainty with respect to impairment allowances for receivables on clients

Description of the Key Audit Matter

The appropriateness of the impairment allowances for receivables on clients requires significant management judgement. Measuring impairment allowances for receivables on clients requires an assessment of the risk that a counterparty will not respect all of its contractual obligations. As disclosed in Note 8 to the annual accounts, for the measurements of the fund for general banking risks and of the impairment allowances, the Company applies a methodology which is partly aligned with the IFRS accounting policies.

Information regarding impairment allowances for receivables on clients and on the fund for general banking risks is included respectively in line 40900 and line 41300 of the profit and loss accounts, in application of the valuation rules as described in Note 8 to the annual accounts (chapters “Receivables” and “Fund for general banking risks”). At year-end 31 December 2023, the receivables on clients amount to EUR ‘000’ 98.174.112.

The identification of impairment, the determination of the recoverable amount and the determination of the fund for general banking risks, are part of the estimation process at the Company and are, amongst others, based on macroeconomic scenarios and sector specific parameters, credit risk models, default triggers, the financial condition of the counterparty and the expected future cash flows or the value of collateral.

The use of different modelling techniques, scenarios and assumptions could lead to different estimates of impairment charges on receivables on clients or to a different fund for general banking risks. As the receivables on clients represent the majority of the Company's balance sheet and given the related estimation uncertainty on impairment charges, including the fund for general banking risks, we consider this as a key audit matter.

How our Audit addressed the Key Audit Matter

Our audit procedures included an assessment of the overall governance of the Company's credit and impairment process, including the geopolitical and emerging risks element of the provisions and impairment allowances. We have assessed and tested the design and operating effectiveness of the controls within the loan origination process, risk management process and the estimation process for determining impairment allowances. For loan impairment allowances determined on an individual basis we have performed, for a sample of corporate and SME credit files, a detailed review; we challenged the default triggers and the quantification of the forecasted future cash flows, valuation of underlying collateral and estimates of recovery on default.

For the determination of the fund for general banking risks, we challenged the macroeconomic scenarios and sector specific parameters and, together with our experts, we tested the underlying models including the Company’s model approval and independent validation process.

In our view, the impairments and the fund for general banking risks estimated by management, are within a reasonable range of outcomes in view of the overall receivables on clients and the related uncertainties.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

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

The board of directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

- Conclude on the appropriateness of the board of directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor’s report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report, of the documents required to be deposited by virtue of the legal and regulatory requirements as well as for the compliance with the legal and regulatory requirements regarding bookkeeping, with the Companies’ and Associations’ Code and the Company’s articles of association.

Statutory auditor’s responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors’ report, certain documents required to be deposited by virtue of legal and regulatory requirements, as well as compliance with the articles of association and of certain requirements of the Companies’ and Associations’ Code, and to report on these matters.

Aspects related to the directors’ report

In our opinion, after having performed specific procedures in relation to the directors’ report, the directors’ report is consistent with the annual accounts for the year under audit, and it is prepared in accordance with the articles 3:5 and 3:6 of the Companies’ and Associations’ Code.

In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors’ report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

Regarding non-financial information, as mentioned in the directors’ report, the information is provided at the level of the highest Belgian consolidating entity, KBC Group NV, in the directors’ report on the consolidated accounts.

FREE TRANSLATION FROM THE DUTCH ORIGINAL

Statement related to the social balance sheet

The social balance sheet, to be deposited in accordance with article 3:12, §1, 8° of the Companies' and Associations' Code, includes, both in terms of form and content, the information required under this Code, including, but not limited to, in relation to salaries and education, and does not present any material inconsistencies with the information we have at our disposition in our engagement.

Statements related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the annual accounts and our registered audit firm remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the annual accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemised in the notes to the annual accounts.

Other statements

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the Company's articles of association or the Companies' and Associations' Code that we have to report to you.
- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.
- We have evaluated the property effects resulting from the decisions of the board of directors dated 8 February 2023 and 16 March 2023 as described in section "Conflicts of interest that fell within the scope of article 7:115, 7:116 or 7:117 of the CAC" of the directors' report and we have no remarks to make in this respect.
- By virtue of article 7:213 of the Companies' and Associations' Code, during the year an interim dividend has been distributed in relation to which we have prepared the attached report, in accordance with the legal requirements.

Diegem, 29 March 2024

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

Damien Walgrave*
Bedrijfsrevisor/Réviseur d'entreprises

*Acting on behalf of Damien Walgrave BV/SRL

Jeroen Bockaert**
Bedrijfsrevisor/Réviseur d'entreprises

**Acting on behalf of Jeroen Bockaert BV/SRL

Appendix: Statutory auditor's report on 3 August 2023 to the board of directors of KBC Bank NV on the statement of assets and liabilities in connection with the distribution of an interim dividend

To the attention of the board of directors of KBC Bank NV

STATUTORY AUDITOR'S REVIEW REPORT OF KBC BANK NV ON THE STATEMENT OF ASSETS AND LIABILITIES IN CONNECTION WITH THE DISTRIBUTION OF AN INTERIM DIVIDEND (ART. 7:213 CAC)

In our capacity of statutory auditor, we issue our review report on the statement of assets and liabilities as of 30 June 2023 to the board of directors of KBC Bank NV (the "Company"), in accordance with article 7:213 of the Companies' and Associations' Code (hereafter "CAC") and the Company's Articles of Association.

We have performed the review of the accompanying statement of assets and liabilities (the "Statement") of the Company as of 30 June 2023, prepared in accordance with the financial reporting framework applicable in Belgium.

Responsibility of the board of directors for the preparation of the statement of assets and liabilities

The board of directors is responsible for the preparation of this statement of assets and liabilities of the Company as of 30 June 2023 in accordance with the financial reporting framework applicable in Belgium and for the compliance with the requirements of article 7:213, 1° and 2° CAC.

Responsibility of the statutory auditor

We are responsible for formulating a conclusion on the statement of assets and liabilities based on our review. We conducted our review in accordance with ISRE 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". Such review of the Statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, a review does not enable us to obtain assurance that we would become aware of all material matters that might be identified in an audit.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Company's accompanying statement of assets and liabilities as of 30 June 2023, showing a balance sheet total of EUR 233.837.731.004, a result of the current year of EUR 622.178.487 and retained earnings of EUR 3.097.280.450, has not been prepared, in all material respects, in accordance with the financial reporting framework applicable in Belgium.

Limitation of use of our report

This report is prepared solely to address the requirements of article 7:213 CAC, and may not be used for any other purpose.

Diegem, 3 August 2023

The statutory auditor
PwC Bedrijfsrevisoren BV
represented by

Damien Walgrave
Accredited auditor

Jeroen Bockaert
Accredited auditor

Appendix: Statement of assets and liabilities as of 30 June 2023

KBC BANK NV

Statement of assets and liabilities at 30/06/2023

ANNEX 3 — Statement of assets & liabilities at 30/06/2023 (statutory figures, BGAAP)

English version

ASSETS	30/06/2023
in EURO unit	
I. Cash in hand, balances at central banks and post office banks	**45.984.675.306**
II. Treasury bills eligible for refinancing at the central bank	**500.039.640**
III. Loans and advances to credit institutions	**16.314.138.388**
A. Repayable on demand	2.648.086.328
B. Other loans and advances (with agreed maturity dates or periods of notice)	13.666.052.060
IV. Loans and advances to customers	**97.812.207.556**
V. Bonds and other fixed-income securities	**47.294.560.406**
A. Issued by public bodies	24.465.618.632
B. Issued by other borrowers	22.828.941.774
VI. Shares and other variable-yield securities	**482.708.285**
VII. Financial fixed assets	**13.685.047.833**
A. Participating interests in affiliated enterprises	11.079.135.526
B. Participating interests in other enterprises linked	86.964.116
C. Other shares constituting financial fixed assets	19.138.591
D. Subordinated loans and advances to affiliated enterprises and other enterprises linked	2.499.809.600
VIII. Formation expenses and intangible fixed assets	**63.666.804**
IX. Tangible fixed assets	**1.881.589.537**
X. Own shares	**0**
XI. Other assets	**946.173.300**
XII. Deferred charges and accrued income	**8.872.923.946**
TOTAL ASSETS	**233.837.731.004**

LIABILITIES	30/06/2023
in EURO unit	
I. Amounts owed to credit institutions	**31.583.495.332**
A. Repayable on demand	7.228.812.017
B. Amounts owed as a result of the rediscounting of trade bills	0
C. Other debts (with agreed maturity dates or periods of notice)	24.354.683.315
II. Amounts owed to customers	**134.749.411.779**
A. Saving deposits	51.121.521.750
B. Other debts	83.627.890.029
1) Repayable on demand	65.061.772.042
2) With agreed maturity dates or periods of notice	18.565.841.472
3) As a result of the rediscounting of trade bills	276.515
III. Debts represented by securities	**19.262.128.803**
A. Bonds and other fixed-income securities in circulation	4.752.826.506
B. Other debt instruments	14.509.302.297
IV. Other liabilities	**1.059.758.183**
V. Accrued charges and deferred income	**11.050.055.861**
VI. A. Provisions for liabilities and charges	**57.477.899**
1. Pensions and similar commitments	12.350.974
2. Taxation	0
3. Other liabilities and charges	45.126.925
B. Deferred taxes	**0**
VII. Fund for General Banking Risks	**141.474.490**
VIII. Subordinated liabilities	**19.564.240.442**
CAPITAL AND RESERVES	**16.369.688.214**
IX. Capital	**9.732.238.065**
A. Subscribed capital	9.732.238.065
B. Uncalled capital (-)	
X. Share premium account	**2.066.338.687**
XI. Revaluation reserve	**0**
XII. Reserves	**851.652.525**
A. Legal reserve	838.679.277
B. Reserves not available for distribution	0
1. Own	0
2. Other	0
C. Untaxed reserves	12.973.248
D. Reserves available for distribution	0
XIII. Profit brought forward	**3.719.458.938**
TOTAL LIABILITIES	**233.837.731.004**

Valuation rules KBC Bank

1. General

The accounting principles and valuation rules are conform to Belgian accounting legislation and the provisions of the Royal Decree of 23 September 1992 on the annual accounts of credit institutions.

The annual accounts are made up as at 31 December after profit appropriation.

In conformity with Article 3 of the above-mentioned Royal Decree, the annual accounts are drawn up according to the principle of a true and fair view. A transparent, clear and consistent financial reporting is important for KBC Bank as a financial institution. As such, KBC aims to align as much as possible, within the possibilities of the Belgian accounting law and the systems, with the international accounting standards IFRS, as applied for the consolidated annual accounts.

2. Valuation rules

CURRENCY TRANSLATION

All monetary items denominated in foreign currency are translated into their equivalent in euros at the spot rate at balance sheet date. Negative and positive valuation differences, except for those relating to the financing of shares and investments in foreign currency and to dotation capital for foreign branches, are recorded in the profit and loss account.

Non-monetary items are valued on the basis of the historical rate at acquisition or, where appropriate, on the basis of the exchange rate at which the currency used to pay the price was purchased.

For transactions that entailed funding (lending), the rate of the day is used if there is no exchange rate.

Income and charges denominated in foreign currency are stated in the profit and loss account at the rate prevailing when they were recognised. Foreign-currency income and expenditure which is hedged in advance is recorded in euros on the basis of the fixed rate.

Translation of the financial statements of foreign branches outside the euro zone:

balance sheet items are translated at the closing exchange rate prevailing at year-end, profit and loss account items are translated based on average rates. For this purpose, each month’s profit or loss is translated into euros at the rate prevailing at the end of that month.

The translation difference at balance sheet date, resulting from translating the profit and loss account on the basis of average rates, is taken to the profit and loss account as profit on financial transactions.

AMOUNTS RECEIVABLE

Interest collected in advance and similar income (including such additional compensation as fees for foreign loans) for the entire loan period cannot be taken to the profit and loss account immediately, and is therefore posted to an accruals and deferrals heading. At month-end, the amount earned is written to the profit and loss account.

Origination and processing fees charged are taken to profit and loss immediately on the inception of the loans and advances concerned, credit insurance premiums are taken to the profit and loss account annually when paid.

Commissions due (payable in advance) for bank guarantees given are recorded in the profit and loss account immediately. The commissions received by KBC Bank for credit broking are charged to the profit and loss account when the credit is disbursed.

Amounts receivable arising from advances and cash deposits are recorded in the balance sheet for the amount made available.

The difference between the amount made available and the nominal value (discount) is recognised on an accruals basis according to the straight- line method as interest receivable via the accruals and deferrals accounts.

Dated commercial credit, consumer credit, home loans and receivables arising from leasing contracts are recorded in the balance sheet in the outstanding principal amount, plus the interest past due and sundry costs to be paid by customers. Interest received but not yet due (interest collected in advance) is recorded in the profit and loss account on an accruals basis via the accruals and deferrals headings.

The other amounts receivable are recognised in the balance sheet at nominal value.

Loans and advances that are transferred through securitisation operations where the transfer qualifies as a sale under NBB/BNB guidelines no longer constitute bank assets and consequently may not appear on the balance sheet of KBC Bank, although the amount is required to be recorded in the contingent accounts. Until the securitisation operation comes to an end, the entry in the contingent accounts is required to be adjusted at the end of each month to reflect customers’ loan repayments. Any gains realised on the sale of securitised assets are taken to the profit and loss account immediately at the time of the sale.

If the sales price is made up entirely or in part of a variable element dependent on the buyer’s operating profit, this element will only be taken to the profit and loss account when the operating profit is known and this element is therefore fixed.

In synthetic securitisation operations, the (credit) risk in respect of the underlying (loan) portfolio is all that is transferred to a third party, and this by means of a credit default swap, for example, and not through the effective transfer/sale of the (loan) receivables.

In other words, the loans remain on the balance sheet. Transactions used to hedge the company’s own loan receivables are recognised as guarantees given or received. Transactions relating to the trading portfolio are recorded as interest rate swaps.

Both types of transaction are marked to market and taken to profit and loss, unless carried out on an illiquid market (in this case, positive valuation differences are posted to an accruals and deferrals heading, and negative valuation differences to the profit and loss account).

For loans with an uncertain outcome, general provisions are set aside and specific write-downs are charged. All interest and various other receivables which have remained unpaid for three months after having become payable will not be recognised in the profit and loss account.

Non-specific write-downs are calculated for domestic loans with an uncertain outcome on the basis of the principal amount whose repayment is uncertain, the percentage susceptible to reclassification (that portion of the ‘uncertain outcome’ portfolio that might become ‘doubtful’) and the loss percentage.

For loans classified as irrecoverable and doubtful, specific write-downs are posted on a case-by-case basis and charged to the assets heading in the annual accounts in which the risks appear, in order to cover the losses which are considered certain or likely to ensue on the outstanding loans. Interest due and charges are written to reserves.

Loans are classified as irrecoverable and doubtful if the loan balance is payable and if debt-recovery procedures have been initiated in or out of court.

The amount of any security is equal to the principal amount registered. Personal security is recorded in the accounts in the amount that can be obtained if execution is levied.

SECURITIES

Securities are recognised at acquisition cost at the time of purchase, excluding costs and less subscription fees. The ancillary costs attendant on acquisition are charged directly to the result.

- *Investment portfolio*

Fixed-income investment securities are recorded at acquisition cost, less or plus the matured portion of the premium or discount. The difference between the acquisition cost and the redemption value is reflected as an interest item in the profit and loss account on an accruals basis over the remaining term to maturity of the securities. It is included in the profit and loss account on a discounted basis, based on the internal rate of return at the time of purchase.

Perpetual debt is valued at the lower of acquisition cost and market value.

If redemption of a security is uncertain or doubtful, an impairment is recorded according to the principles that apply for the valuation of amounts receivable.

If securities are sold, their carrying value is determined on a case-by-case basis. Gains or losses are posted directly to the profit and loss account.

Listed shares and other variable-yield securities are valued each month at the lower of acquisition cost and market value at balance sheet date. Other securities are valued at least once a year, based on the annual accounts for the previous year. File administrators are responsible for ensuring that any significant negative developments during the course of the year are also dealt with.

No value impairments are posted for shares hedged against a decline in price by means of an option.

- *Trading portfolio*

Securities belonging to the trading portfolio are marked to market. The resulting valuation differences are recorded in the profit and loss account under heading VI: ‘Profit (Loss) on financial transactions’.

FINANCIAL FIXED ASSETS

Included in KBC Bank’s holdings or participating interests are the rights (shares) held in other companies with a view to creating specific, lasting ties with them.

If there are no lasting ties and the shares are acquired for resale, then this investment will not be considered a financial fixed asset, but rather as part of the investment portfolio, regardless of the size of the shareholding and the influence that could be exerted on the management of the company in question through this shareholding.

Participating interests and shares that are considered financial fixed assets are recognised at acquisition cost.

Write-downs are applied only in the event of a lasting impairment in or loss of value, established on the basis of the financial position, the profitability and the prospects of the company concerned.

Participating interests, shares and share certificates classified as financial fixed assets may be revalued if, in light of their usefulness to the company, they exhibit an incontestable and lasting increase in value.

Regardless of whether they are represented by securities, subordinated loans and advances to associated companies and companies linked by participating interests are valued according to the same principles as non-subordinated loans and advances.

FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

All formation expenses referred to in the Royal Decree on the annual accounts of credit institutions are charged directly to the profit and loss account for the financial year as administrative expenses.

Capitalised goodwill is depreciated according to the straight-line method over a period of five years, unless the Board of Directors decides otherwise.

The following rules apply to software that has been developed in-house: all charges relating to continuity projects, as well as any research expenses for investments, are taken directly to the profit and loss account. However, development expenses (both internal and external) for investments are capitalised as an intangible fixed asset and written off over a period of five years. Investments are large-scale projects that introduce or replace an important business objective or model. Systems software is depreciated at the same rate as hardware, being written off according to the straight-line method over a period of three years.. Software other than systems software is depreciated over five years. Core systems with a longer useful life are depreciated straight line over an eight-year period. Core systems are types of standard software, including back-end data applications, for processing operations during the day and updates of the general ledger balances on the mainframe.

At KBC Bank, intangible fixed assets recorded are capitalised at acquisition cost including ancillary costs, and are written off on an accruals basis during the first year of investment.

TANGIBLE FIXED ASSETS

All tangible fixed assets are recognised at acquisition cost, less accumulated depreciation. They are recorded at acquisition cost, including ancillary, directly allocable costs (acquisition costs, non-deductible VAT, etc.).

The rates of depreciation are determined on the basis of the anticipated useful economic life of the item and are applied according to the straight-line method. All tangible fixed assets are depreciated on an accruals basis from the time they are available for use.

The ancillary costs are written off over the life of the asset. A write-down is charged for ancillary costs on the acquisition of land.

When tangible fixed assets are sold, realised gains or losses are taken immediately to the profit and loss account. If these assets are destroyed, the remaining amount to be written off is charged directly to the result.

Tangible fixed assets that exhibit an incontestable and lasting appreciation in value compared to their carrying value may be revalued. This surplus is written off over the average residual useful life of the assets in question.

CREDITORS

Amounts owed as a result of advances or cash deposits received are recorded in the balance sheet in the amount made available, plus or minus any difference between this amount and the redemption price of the portion that has already accrued. The difference between the amount made available and the nominal value is reflected as interest on an accruals basis in the profit and loss account.

PROVISIONS FOR LIABILITIES & CHARGES

Provisions for liabilities and charges are intended to cover losses or charges, the nature of which is clearly defined and which at balance sheet date are either likely or certain to be incurred, but the amount of which is uncertain.

- *Pensions*

Concerned here are commitments with regard to retirement and survivor's pensions, benefits paid out on early retirement and other similar pensions or allowances (related mainly to employees' leaving employment early and end-of-career schemes).

- *Taxation*

This provision covers the commitments that may arise from a change in the tax base or in the calculation of tax. It is set aside in anticipation of additional tax charges (not yet assessed) for past financial years, for the amount that is disputed.

- *Other liabilities and charges*

This is a residual heading in respect of the provisions referred to above and includes provisions for legal disputes, commitment credit and indirect taxes.

FUND FOR GENERAL BANK RISKS

A fund for general banking risks is created as a general buffer for the expected future credit losses calculated on a 1-year time horizon (one year expected credit loss) inherent in the normal loan portfolio and fixed-interest securities for which there are no payment difficulties (loans with a probability of default from 1 to 9).

FINANCIAL INSTRUMENTS

-Valuation rules for trading and non-trading activities

Where trading activities are concerned, the unrealised profit or loss on revaluation is recognised at least at the end of every month. This revaluation takes into account any interest flows that have already been recognised on an accruals basis. In the event of a sale, liquidation or expiration, the profit/loss on the position is recognised immediately. Where illiquid currencies or securities are concerned, no profit on revaluation is recognised.

The existing strategic positions the dealing room takes for its own account via derivatives with a view to generating a profit on the long term by way of capital gains or interest spreads are valued according to the same principles used for illiquid interest rate positions.

For non-trading activities, where interest rate instruments are concerned, the gains or losses realised are only recognised on an accruals basis over the corresponding term. The valuation of non-interest-rate instruments (e.g., share option premiums) matches the valuation of the hedged position. In addition, non-trading activities carried out for the purpose of general, long-term management of interest rate products denominated in a foreign currency (macro-hedging) are also valued according to the 'lower of cost and market' principle, along with the associated on-balance-sheet products. Profit or loss on similar transactions carried out for general EUR ALM interest rate management purposes is recognised solely on an accruals basis.

Option premiums that are paid in advance are only taken to the profit and loss account on the due date or on liquidation, with the exception of option premiums for caps, floors and collars that have been concluded for hedging purposes (accruals-basis recognition). In the meantime, they are posted under the 'Other assets' or 'Other liabilities' items. Option premiums relating to trading activities are revalued at least at the end of every month.

-Valuation of derivatives

All derivatives are always recorded under specific off-balance-sheet headings on the transaction date. Amounts are released from the off-balance-sheet headings once the outcome of the transaction is definitive, even if the underlying term only starts at that time for certain interest rate products (e.g., FRAs).

Trading transactions are marked to market, and the mark-to-market (dirty price) value is recognised in the trading results.

Non-trading transactions are included in interest income on an accruals basis, which is the case for interest payable and interest receivable relating to interest rate swaps and foreign currency interest rate swaps. The swap difference arising on FX swaps (and FX outrights) is also released to the results on an accruals basis. The results from interest rate futures and FRAs are included in the profit and loss account spread over the term of the underlying hedged item. Equity swaps are treated in the same way as interest rate swaps. In practice, equity swaps (just like options) are only recorded in the trading book and consequently marked to market. KBC Bank makes use of the derogation allowed by the NBB/BNB to Article 36*bis* of the Royal Decree on the annual accounts of credit institutions. This derogation makes it possible to take interest rate derivatives that do not meet the microhedging criteria to the profit and loss account on an accruals basis (interest rate derivatives classified as ALM or treasury management instruments).

-Hedging criteria for forward interest rate transactions:

The general criteria are set out in Article 36*bis* of the Royal Decree on the annual accounts of credit institutions of 23 September 1992:

- the hedged item, the hedged homogeneous whole, the homogeneous or not homogeneous and in time evolving whole of assets, liabilities, off-balance rights and/or obligations, as well as with regard to highly probable future cash flows, must expose the credit institution to a risk of interest rate fluctuation;
- the transaction must be recorded in the books as a hedge from its inception;
- there must be a close correlation between fluctuations in the value or highly probable future cash flows of the hedged item and the hedging instrument; in the case of hedging options, a correlation between fluctuations in the value of the hedged item and those of the underlying must be established.

In addition, specific company criteria apply. All these criteria must be met: if one criterion is no longer satisfied, the hedge will be considered a trading transaction and be subject to the appropriate accounting treatment.

Hedging combinations that involve derivatives and are terminated before maturity will be considered trading transactions once the underlying position to be hedged no longer exists. The result of hedging instruments on termination of hedging combinations is either recognized immediately in the income statement if the hedged items have disappeared, or spread in the income statement over the shorter of (i) the remaining originally determined term of the hedge and (ii) the effective remaining term of the hedged items if the hedged items remain in the institution's assets.

Future interest rate positions can be hedged if it is reasonably certain that the position will actually materialise. Moreover, the amount, term and interest rate conditions must be sufficiently certain.

-Calculation of unrealised profit/loss on revaluation

Derivatives are always valued on a contract basis; positive and negative valuation differences are not netted in the accounting records. Only for calculating capital adequacy requirements relative to market risks is the market risk calculated on a net basis per counterparty.

For forward interest rate and similar products (namely forward foreign exchange products), valuation occurs on the basis of the net present value of future, determinable cash flows using a single yield curve per currency, which is used throughout the bank. Any adjustments for operational and liquidity risks are deducted from the initial revaluation. Options are valued according to the usual valuation models. For interest rate products, calculations are always based on the assumption of a liquid market, provided the underlying currencies are liquid.

If a credit granted to a counterparty is classified as ‘doubtful’ or ‘irrecoverable’, the receivables and commitments stemming from off-balance-sheet products involving the same counterparty will be given the same classification. For loans and advances, write-downs may be recorded; for commitments, provisions will be set aside.

3. Change in the valuation rules

No changes.

Additional information

Ratios used

Common equity ratio

A risk-weighted measure of the group's solvency based on common equity tier-1 capital 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'.

Information on how this ratio is calculated can be found in the 'How do we manage our capital?' section.

Coverage 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 'Loan and investment portfolio' table in the 'How do we manage our risks?' section).

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

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 'Loan and investment portfolio' table in the 'How do we manage our risks?' section. We also use the same methodology to calculate this ratio for each business unit.

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

The calculation includes only a partial impact of transfers between categories that underlie the management overlay of the expected collective coronacrisis ECL, as these are determined based on a collective statistical approach and thus cannot be fully individually linked to specific credits. See also Note 4.2.1.

Cost/income ratio

Gives an impression of relative cost efficiency (costs relative to income). We also use the same methodology to calculate this ratio for each business unit.

Calculation (in millions of EUR or %)	Reference	2023	2022
Cost/income ratio			
Total Opex without bank tax (A)	'Consolidated income statement': component of 'Operating expenses'	4 624	4 308
/			
Total income (B)	'Consolidated income statement': component of 'Total income'	8 246	7 261
=(A) / (B)		56.1%	59.3%

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. A negative figure indicates a net reversal of impairment and hence a positive impact on the results. We also use the same methodology to calculate this ratio for each business unit.

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

To calculate the ratio without the collective impairments due to corona, the numerator is reduced by the reversal of 494 million euros (in 2021) and the increase of 783 million euros (in 2020). In this case, the credit cost ratio is 0.09% in 2021 and 0.16% in 2020.

Loan portfolio

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

Calculation (in millions of EUR or %)	Reference	2023	2022
Loans and advances to customers (A)	Note 4.1, component of 'Loans and advances to customers'	181 702	176 084
+			
Reverse repos (not with Central Banks) (B)	Note 4.1, component of 'Reverse repos with credit institutions and investment firms'	968	1 405
+			
Debt instruments issued by corporates and by credit institutions and investment firms (banking) (C)	Note 4.1, component of 'Debt instruments issued by corporates and by credit institutions and investment firms'	6 681	6 157
+			
Other exposures to credit institutions (D)		3 301	4 072
+			
Financial guarantees granted to clients and other commitments (E)	Note 6.1, component of 'Financial guarantees given'	10 019	10 158
+			
Impairment on loans (F)	Note 4.2, component of 'Impairment'	2 483	2 636
+			
Non-loan-related receivables (H)		- 541	- 629
+			
Other (I)	Component of Note 4.1	- 1 659	5 836
Gross Carrying amount = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(I)		202 954	205 720

*As of the third quarter of 2021, the pending sales transactions related to the Irish loan portfolio resulted in a shift to the balance sheet item 'Non-current assets held for sale and disposal groups'. The loan portfolio still includes Ireland.

Liquidity coverage ratio (LCR)

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

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

Net stable funding ratio (NSFR)

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

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

Net interest margin

Gives an idea of the net interest income (one of the most important sources of revenue for the group) relative to the average total interest-bearing assets of the banking activities. We also use the same methodology to calculate this ratio for each business unit.

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

* After excluding all divestments and volatile short-term assets used for liquidity management.

Total assets under management

Total assets under management (AuM) comprise third-party assets and KBC group 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 assets, therefore, consist mainly of KBC investment funds and unit-linked insurance products, assets under discretionary and advisory management mandates of (mainly retail, private banking and institutional) clients, and certain group assets. The size and development of total AuM are major factors behind net fee and commission income (generating entry and management fees) and hence account for a large part of any change in this income line. In that respect, the AuM of a fund that is not sold directly to clients but is instead invested in by another fund or via a discretionary/advisory management portfolio, are also included in the total AuM figure, in view of the related work and any fee income linked to them.

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

Management certification

“I, Luc Popelier, Chief Financial Officer of KBC Bank, certify on behalf of the Executive Committee of KBC Bank NV that, to the best of my knowledge, the financial statements, which are based on the relevant standards for annual accounts, fairly present in all material respects the assets, the financial condition and results of KBC Bank NV and its consolidated subsidiaries, and that the annual report provides a fair overview of the development, results and the situation of KBC Bank NV and its consolidated subsidiaries, as well as an overview of the main risks and uncertainties to which they are exposed.”