Press Release

Outside trading hours - Regulated information*

Brussels, 18 April 2023 (8 a.m. CEST)

KBC discloses the impact of IFRS 17 on the income statement with restated comparative results, key ratios and short-term and long-term financial guidance

The new accounting rules for the recognition, measurement and presentation of insurance contracts (IFRS 17) are mandatory for the reporting period beginning on 1 January 2023, with requirements for comparable figures for 2022. IFRS 17 does not affect KBC Group's common equity ratio, the capital distribution policy nor KBC Insurance's Solvency II ratio. As KBC Group is an integrated bank-insurer, the income statement does change materially.

As a consequence of the IFRS 17 implementation, the **income statement of KBC Group**, being an integrated bank-insurer, is updated to include the new items introduced by IFRS 17 (e.g. insurance revenues, insurance finance income and expense and insurance service expenses). Other income statement lines that were related to IFRS 4 have been excluded or represented differently. We refer to the presentation attached and published on our KBC.com website for a detailed overview, including restated full-year 2022 P&L figures with an in-depth reconciliation per quarter, as well as the impact on a number of key **ratios**.

As a result of the new income statement, also the **short-term and long-term financial guidance** is **translated** from IFRS 4 to IFRS 17, leading to the following changes:

- **Full-year 2023 total income**: 11.15 billion euros under IFRS 17 (compared to 9.4 billion euros under IFRS 4, mainly due to presentation changes in total income under IFRS 17)
- **Full-year 2023 total opex excl. banking and insurance tax, plus insurance commissions**: 4.75 billion euros (compared to 4.4 billion euros under IFRS 4, an increase only as a result of the insurance commissions (part of insurance service expenses) being added to the target under IFRS 17)
- **CAGR total income (between 2022 and 2025)**: approx. 7.3% (compared to approx. 6.6% under IFRS 4[1], mainly due to presentation changes in total income under IFRS 17)
- **CAGR total opex excl. banking and insurance tax, plus insurance commissions (between 2022 and 2025):** approx. 2.3% (compared to approx. 1.8% under IFRS 4, an increase only as a result of the insurance commissions (part of insurance service expenses) being added to the target under IFRS 17)

IFRS 17 does not impact the other short-term and long-term financial guidance (net interest income, credit cost ratio, combined ratio, etc.).

[1] Taking into account the 149 million euros pre-tax provision for the ICEC claim, which was booked as a negative in net other income and thus reducing total income of 2022

More details on the IFRS 17 impact for KBC Group can be found in the presentation attached to this press release and on www.kbc.com.

For more information, please contact:

Kurt De Baenst, General Manager, Investor Relations, KBC Group
Tel.: +32 2 429 35 73 – E-mail: kurt.debaenst@kbc.be

Viviane Huybrecht, General Manager of Corporate Communication/KBC Group Spokesperson
Tel.: + 32 2 429 85 45 – E-mail: pressofficekbc@kbc.be

* This news item contains information that is subject to the transparency regulations for listed companies.

KBC Group NV
Havenlaan 2 – 1080 Brussels
Viviane Huybrecht
General Manager
Corporate Communication /Spokesperson
Tel. + 32 2 429 85 45

Press Office
Tel. + 32 2 429 65 01 Stef Leunens
Tel. + 32 2 429 29 15 Ilse De Muyer
Tel. + 32 2 429 32 88 Pieter Kussé
Tel. + 32 2 429 85 44 Sofie Spiessens
pressofficekbc@kbc.be

KBC press releases are available at www.kbc.com or can be obtained by sending an e-mail to pressofficekbc@kbc.be

Follow us on www.twitter.com/kbc_group

IFRS 17 at KBC Group

Full year 2022 restated figures, KPIs & guidance

Analysts and investors – Tuesday 18th April 2023

Most important changes from new IFRS 17 accounting

Because the new accounting rules for the recognition, measurement and presentation of insurance contracts (IFRS 17) are mandatory for the reporting period beginning on 1 January 2023, with requirements for comparable figures for 2022, the following presentation is providing an overview to understand and analyse the impact on KBC Group on different aspects.

Recap of information from note 6.10 in the FY22 Annual Report

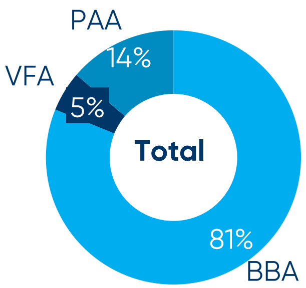
1. New accounting framework

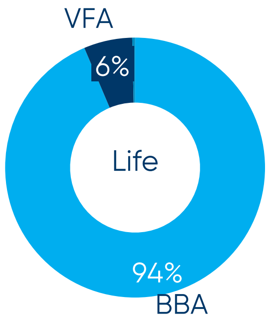
Recap of information from note 6.10 in the FY22 Annual Report

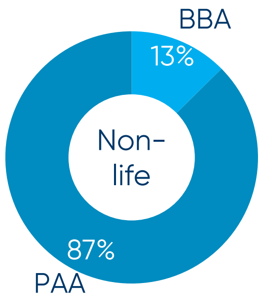
IFRS 17 (Insurance contracts) is effective from 1 January 2023 (with retrospective application for 2022) and replaces IFRS 4:

- New accounting framework – **underlying economics and steering of the business do not change**
- No change to KBC Group CET1 ratio - **no change to capital distribution policy** – no change to KBC Insurance Solvency II ratio
- New structure of KBC specific bank-insurance integrated income statement and some changes to the balance sheet
- Belgium unit-linked contracts are not accounted for under IFRS 17, but remain accounted for under IFRS 9, as they do not contain an insurance component

Different measurement approaches for insurance liabilities		KBC Insurance contracts, mainly:
Building Block Approach – BBA	General model	Long-term life insurance contracts
Variable Fee Approach – VFA	Contracts with direct participation features	Long-term unit-linked contracts in CEE (not Belgium)
Premium Allocation Approach – PAA	Simplified approach for short-term business	Short-term non-life insurance contracts and reinsurance



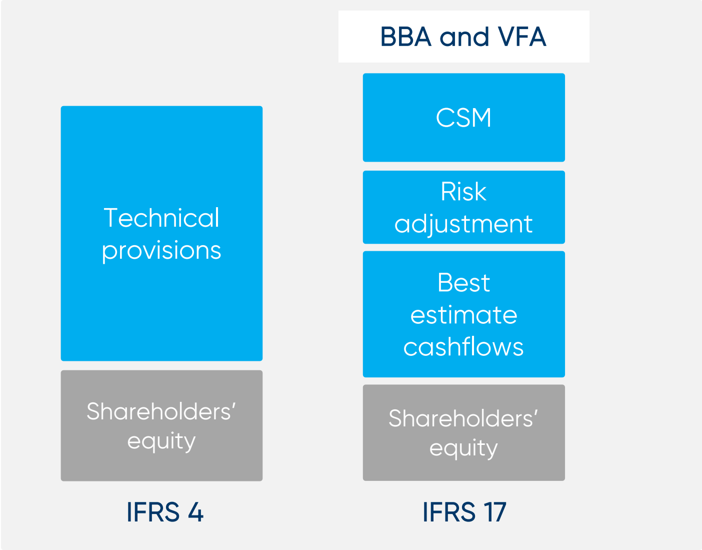


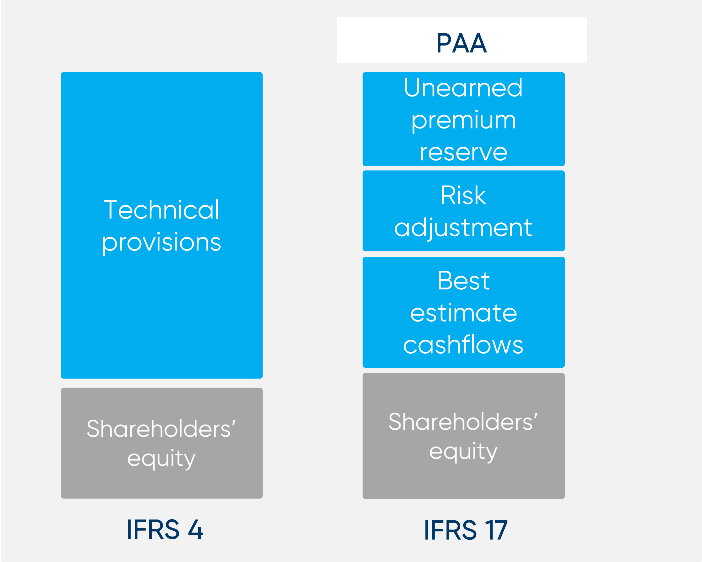


1. New accounting framework

Recap of information from note 6.10 in the FY22 Annual Report

Comparing balance sheet (liability side)





Building blocks IFRS 17 insurance liability (BBA and VFA):

+ Insurance technical reserves are calculated at '**discounted best estimate future cash flows**'
+ **Risk adjustment reserve** is added for additional uncertainty
+ **Life: Contractual service margin (CSM)** represents future (unearned) profits from long-term contracts

At transition, three approaches to calculate CSM:

- Full Retrospective Approach: requires full history to date of transition
- Modified Retrospective Approach: simplifications to address data gaps
- Fair Value Approach: CSM is difference between discounted expected cash flows and fair value of the contract according to IFRS 13

At initial recognition, all new business during the year are grouped:

- Profitable contracts
- Doubtful contracts

$\Big]$ CSM will be released in P&L over time when services are provided

- Onerous contracts: a loss component is immediately recognised in P&L

Building blocks IFRS 17 insurance liability (PAA):

+ No change to **non-life unearned premium reserve** (liability for remaining coverage, LRC)
+ **Discounted best estimate future cash flows** (part of liability for incurred claims, LIC)
+ **Risk adjustment reserve** (part of liability for incurred claims, LIC)

Recap of information from note 6.10 in the FY22 Annual Report

KEY ACCOUNTING CHOICES

	KBC'S CHOICE	RATIONALE
Transition approach CSM	• Predominantly Fair Value Approach	Costs versus benefits of full retrospective approach
Risk adjustment	• Life: 75% confidence level • Non-life: 90% confidence level	Reflects an appropriate level of prudence in relation to the best estimate
Discount curve	• Life: top-down approach • Non-life: bottom-up approach	Top-down, as required by IFRS 17, when expected cashflows depend on underlying assets (life)
Bond classification	• Life: all bonds at FVOCI • Non-life: 90% at AC and 10% at FVOCI (except for workmen's compensation in Belgium: all FVOCI)	• Life: long-term settlements • Non-life: short-term (mainly) and long-term settlements
Equity classification	• All equity instruments held are reclassified to FVOCI (abolishment overlay approach)	To avoid P&L volatility due to changes in equity markets
Valuation changes	Impact on insurance liabilities due to changes in market interest rates: • BBA/PAA (LIC): Impact goes through equity (OCI) • VFA: Impact goes through IFIE P&L	• To avoid P&L volatility for BBA/PAA (LIC) liabilities • Offsetting impact of FV changes in covering assets also goes through P&L (FIFV) for VFA liabilities

2. Impact at IFRS 17 transition of -673m EUR on Own Equity

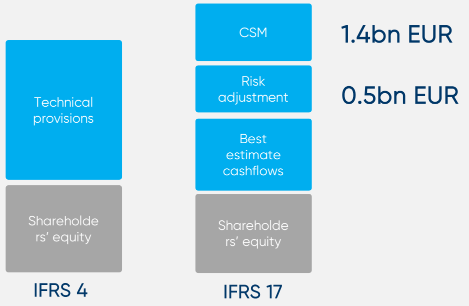
Recap of information from note 6.10 in the FY22 Annual Report

One-off impact when moving from IFRS 4 closing balance at 31/12/2021 to IFRS 17 opening balance at 1/1/2022:

Impact of transition to IFRS 17

Difference between:

- IFRS 4 booked technical provisions and IFRS 17 insurance liabilities (Discounted Best Estimates + Risk Adjustment + CSM)
- Negative impact in Life business (-1 857m EUR before tax), partially compensated by positive impact in Non-life business (a.o. due to claims discounting, +372m EUR before tax)



-1 102m EUR after tax

Impact of reclassification of financial assets

- Mainly as a result of the redesignation of financial assets covering the insurance liabilities between Amortised Cost and Fair value through OCI

+428m EUR after tax

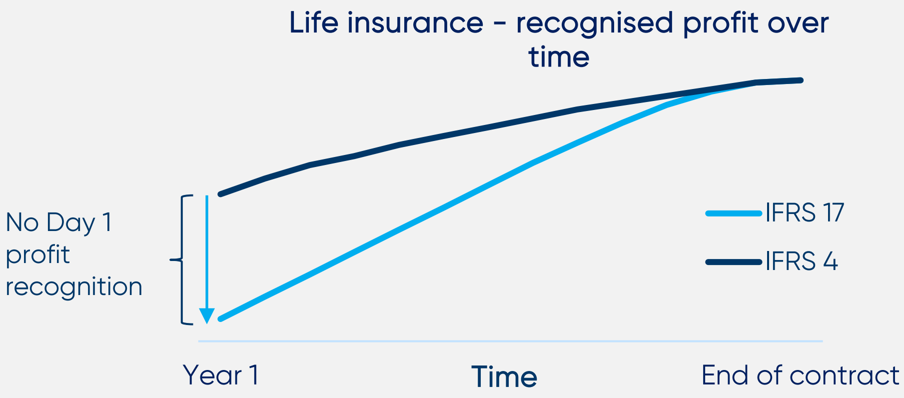
Impact on own equity: -673m EUR

But no impact on:

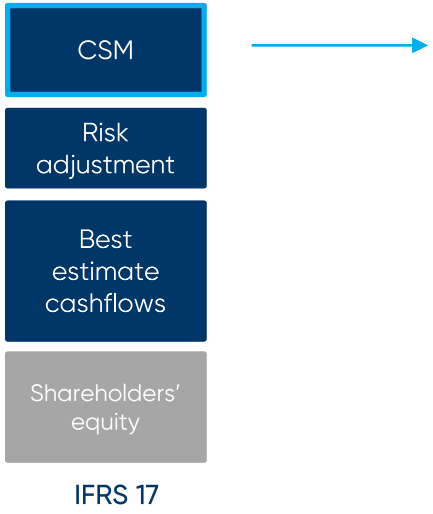
- KBC Group CET1 ratio
- KBC Group's capital distribution policy
- KBC Insurance Solvency II ratio

Life insurance profit will not change due to IFRS 17 but will be recognised over the lifetime of the contract instead of gaining a day 1 profit under IFRS 4

- Earnings will mainly be generated by the release of the CSM over time according to the coverage provided
- Changes in market impacts and assumptions will be spread over the remaining life of the impacted contracts

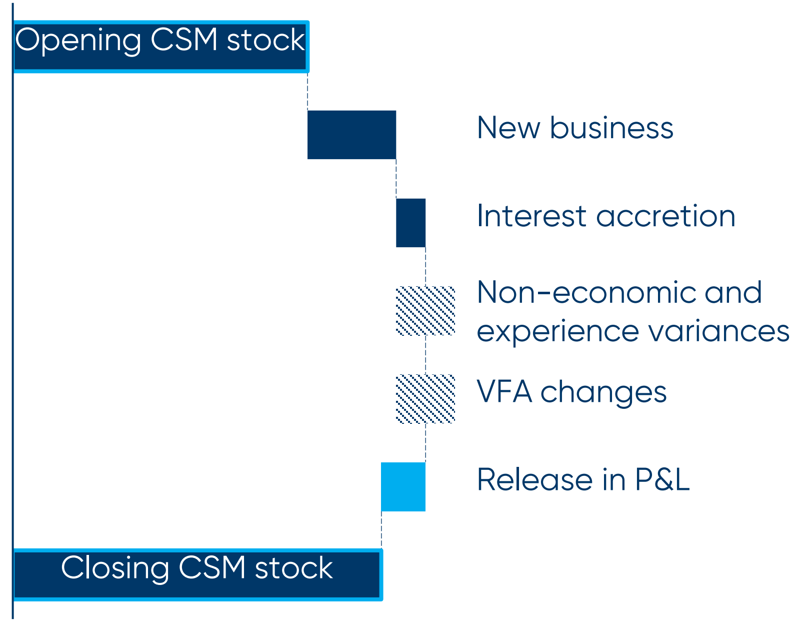


Balance sheet liabilities



CSM roll forward and release

Illustrative

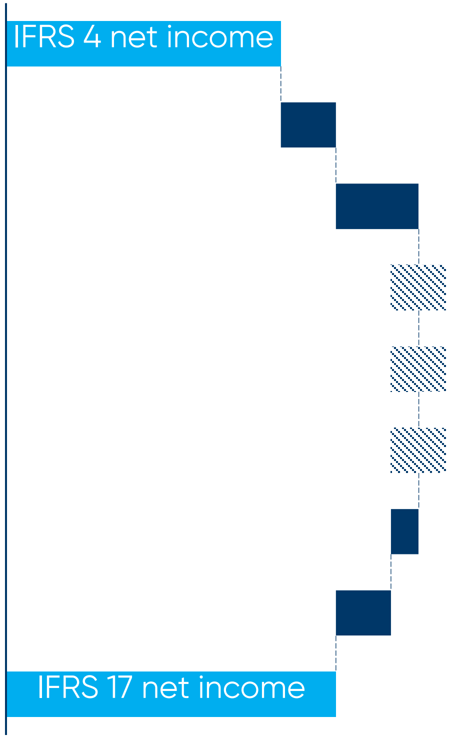


	Future profits beginning of the period
+	Future profits from new business production over the reporting period
+	Unwind of the discounting of insurance liabilities (claims) at locked-in inception rates (BBA)
+/-	Impact from changes in experience adjustments related to future service and non-economic assumptions (e.g. parameter changes, changes in future premiums etc.)
+/-	Impact of changes in cash flows due to market movements for VFA business
-	Profits earned over the reporting period (P&L)
	Future profits end of the period

3. New structure of the income statement | Changes in net income

Changes in net income

Illustrative



Discounting	+	Discounting of new claims leads to lower initial charges in P&L (partly offset by discount unwind in investment result (IFIE))
CSM release	+	Release of CSM over the reporting period (only life insurance)
Experience adjustment	+/-	Difference between expected and actual claims & expenses
Loss component	+/-	Movement in loss component
Risk adjustment	+/-	Net change of risk adjustment on new claims and release of risk adjustment on previously booked claims
Investment income	-	Abolishment of the overlay approach on equity instruments (realised gains on sales nor impairments recognised in P&L)
Interest accretion	-	Unwind of the discounting of insurance liabilities (claims) at locked-in inception rates (IFIE)

- **Non-Life:** insurance revenue comparable to earned premiums, main difference in discounting of claims under IFRS 17 (and to a more limited extent the introduction of risk adjustment and loss component)
- **Life:** Income recognised as services are provided over the life of the contract
  - Earnings will mainly be generated by the release of the CSM,
  - Changes in market impacts and assumptions will be spread over the remaining life of the impacted contracts except at the occurrence of a loss component
- **Abolishment of the IFRS 9 overlay approach** on equity instruments:
  - KBC Insurance has chosen to reclassify the equity portfolio to FVOCI, meaning that only dividend income will be recognised in P&L
  - Realised gains or losses on the sale of the equity instruments, as also impairments, will no longer be recognised in P&L
- **New elements** (IFIE, ISE…) are introduced that will modify the income statement of KBC (see next slides)

For more detailed information on the different building blocks of the new income statement, see Annex

IFRS 4	IFRS 17
Net interest income	Net interest income
4 Earned insurance premiums (before reinsurance)	1 Insurance revenues before reinsurance
Non-Life	*Non-Life*
Life	*Life*
5 Technical insurance charges (before reinsurance)	Dividend income
Non-Life	Net result from FI at FV through profit or loss
Life	Net fee and commission income
Ceded reinsurance result	2 Insurance finance income and expense
Dividend income	Net other income
6 Net result from FI at FV through profit or loss	**Total income**
10 Net fee and commission income	7 Operating expenses (excl. directly attr. from insurance)
11 Net realised result from debt instr FV through OCI	*Total Opex without banking and insurance tax*
Net other income	*Total banking and insurance tax*
Total income	8 *Minus: Opex allocated to insurance service expenses*
Operating expenses	3 Insurance service expenses before reinsurance
Opex without banking tax	*Non-Life*
Banking tax	*Life*
Impairment	9 Net result from reinsurance contracts held
Share in results of assoc. comp. & joint ventures	Impairment
Result before tax	Share in results of assoc. comp. & joint ventures
Income tax expense	**Result before tax**
Result after tax	**Income tax expense**
	Result after tax

✓ **New items are introduced in IFRS 17 P&L:**

1. Insurance revenues before reinsurance: release of CSM, risk adjustment, allocated commissions, expected claims and expenses
2. Insurance finance income and expense (IFIE): unwind of the discounting of (claims) at locked-in rates, FV movement unit-linked liabilities (VFA)
3. Insurance service expenses (ISE): incurred claims, directly attributable expenses, loss component and paid commissions (amortised)

✓ **Certain items are not applicable anymore:**

4. Earned insurance premiums
5. Technical insurance charges
6. Overlay approach on equity instruments included in FIFV result under IFRS 4

✓ **Other items are represented differently**

7. Opex under IFRS 17 only represents non-directly attributable expenses
8. Directly attributable expenses are reported under ISE and partly amortised over the lifetime of the insurance contract
9. Ceded reinsurance result (premiums paid and recoveries) shifts below Total income
10. Commissions paid for insurance contracts shift to ISE, below Total income (also amortised over the lifetime of the contract)
11. Net realised result from debt instruments FVOCI has shifted to Net other income (not IFRS 17 related)

3. Overview of FY2022 restated P&L

IFRS 17	1Q 2022	2Q 2022	3Q 2022	4Q 2022	FY 2022
Net interest income	**1,201**	**1,248**	**1,297**	**1,417**	**5,162**
Insurance revenues before reinsurance	**578**	**603**	**621**	**621**	**2,423**
Non-Life	492	506	527	526	2,050
Life	86	98	94	94	373
Dividend income	**7**	**21**	**22**	**10**	**59**
Net result from FI at FV through profit or loss	**89**	**38**	**35**	**90**	**252**
Net fee and commission income	**570**	**542**	**557**	**549**	**2,218**
Insurance finance income and expense	**4**	**2**	**-39**	**-63**	**-96**
Net other income	**47**	**69**	**3**	**-103**	**16**
Total income	**2,497**	**2,522**	**2,496**	**2,520**	**10,035**
Operating expenses (excl. directly attr. from insurance)	**-1,395**	**-944**	**-952**	**-1,036**	**-4,327**
Total Opex without banking and insurance tax	-1,002	-973	-1,041	-1,143	-4,159
Total banking and insurance tax	-514	-94	-23	-15	-646
Minus: Opex allocated to insurance service expenses	121	123	112	121	478
Insurance service expenses before reinsurance	**-516**	**-421**	**-504**	**-467**	**-1,908**
Non-Life	-430	-442	-445	-416	-1,733
Life	-86	21	-59	-51	-174
Net result from reinsurance contracts held	**12**	**-2**	**-15**	**-15**	**-20**
Impairment	**-20**	**-28**	**-102**	**-132**	**-282**
Share in results of assoc. comp. & joint ventures	**-3**	**-2**	**-3**	**-2**	**-10**
Result before tax	**575**	**1,126**	**920**	**867**	**3,488**
Income tax expense	**-123**	**-240**	**-168**	**-139**	**-670**
Result after tax	**452**	**887**	**752**	**727**	**2,818**

IFRS 4	1Q 2022	2Q 2022	3Q 2022	4Q 2022	FY 2022
Net interest income	**1,200**	**1,248**	**1,297**	**1,416**	**5,161**
Earned insurance premiums (before reinsurance)	**777**	**769**	**789**	**861**	**3,196**
Non-Life	487	503	521	522	2,033
Life	290	266	268	339	1,163
Technical insurance charges (before reinsurance)	**-570**	**-533**	**-502**	**-620**	**-2,224**
Non-Life	-291	-280	-284	-298	-1,153
Life	-279	-252	-218	-322	-1,071
Ceded reinsurance result	**24**	**2**	**-7**	**-21**	**-2**
Dividend income	**7**	**21**	**22**	**10**	**59**
Net result from FI at FV through profit or loss	**143**	**89**	**56**	**117**	**406**
Net fee and commission income	**482**	**451**	**463**	**451**	**1,847**
Net realised result from debt instr FV through OCI	**-2**	**-14**	**-5**	**-1**	**-22**
Net other income	**54**	**90**	**2**	**-106**	**40**
Total income	**2,116**	**2,123**	**2,115**	**2,108**	**8,463**
Operating expenses	**-1,520**	**-1,071**	**-1,067**	**-1,160**	**-4,818**
Opex without banking tax	-1,007	-976	-1,044	-1,145	-4,172
Banking tax	-514	-94	-23	-15	-646
Impairment	**-22**	**-28**	**-101**	**-132**	**-284**
Share in results of assoc. comp. & joint ventures	**-3**	**-2**	**-3**	**-2**	**-10**
Result before tax	**571**	**1,023**	**945**	**813**	**3,351**
Income tax expense	**-113**	**-211**	**-168**	**-115**	**-608**
Result after tax	**458**	**811**	**776**	**698**	**2,743**

3. P&L reconciliation IFRS 4 – IFRS 17 | 1Q22

Result after tax IFRS 17 vs IFRS 4	-6m
Abolishment overlay approach	-23m
Difference Non-life: mainly due to discounting of claims	+1m
Difference Life: mainly due to application of FVA (interest accretion at lower locked-in rate) and release CSM	+25m
Income tax	-10m

Insurance revenues (IFRS 17) vs Earned insurance premiums (IFRS 4), due to differences in valuation	**-199m**
Non-Life (of which PAA 484m, BBA 8m)	+4m
Life (of which BBA 74m, VFA 6m, PAA 6m) decline mainly due to excl. investment component	-203m
Net Result FI at FV through P&L (FIFV)	**-54m**
Abolishment overlay approach	-23m
FV changes unit-linked liab. (VFA) to IFIE	-30m
Net Fee & Commission Income (NFCI)	**+88m**
Commissions & fees paid re. IFRS1 7 contracts shift to Insurance service expenses (ISE)	+88m
Insurance finance income and expense (IFIE)	**+4m**
Unwind of discounting insurance liabilities	-26m
FV changes unit-linked liab. (VFA) from FIFV	+30m

IFRS 17	1Q 2022	IFRS 4	1Q 2022
Net interest income	**1,201**	**Net interest income**	**1,200**
Insurance revenues before reinsurance	**578**	**Earned insurance premiums (before reinsurance)**	**777**
Non-Life	492	*Non-Life*	487
Life	86	*Life*	290
		Technical insurance charges (before reinsurance)	**-570**
		Non-Life	-291
		Life	-279
		Ceded reinsurance result	**24**
Dividend income	**7**	**Dividend income**	**7**
Net result from FI at FV through profit or loss	**89**	**Net result from FI at FV through profit or loss**	**143**
Net fee and commission income	**570**	**Net fee and commission income**	**482**
Insurance finance income and expense	**4**		
		Net realised result from debt instr FV through OCI	**-2**
Net other income	**47**	**Net other income**	**54**
Total income	**2,497**	**Total income**	**2,116**
Operating expenses (excl. directly attr. from insurance)	**-1,395**	**Operating expenses**	**-1,520**
Total Opex without banking and insurance tax	-1,002	*Opex without banking tax*	-1,007
Total banking and insurance tax	-514	*Banking tax*	-514
Minus: Opex allocated to insurance service expenses	121		
Insurance service expenses before reinsurance	**-516**		
Non-Life	-430		
Life	-86		
Net result from reinsurance contracts held	**12**		
Impairment	**-20**	**Impairment**	**-22**
Share in results of assoc. comp. & joint ventures	**-3**	**Share in results of assoc. comp. & joint ventures**	**-3**
Result before tax	**575**	**Result before tax**	**571**
Income tax expense	**-123**	**Income tax expense**	**-113**
Result after tax	**452**	**Result after tax**	**458**

Other Total income changes	**+543m**
Net Interest Income (NII)	+1m
Net other income (NOI) (incl. -2m Net realised result from debt instruments FVOCI shifted to NOI, not IFRS 17 related)	-4m
Shift below Total income line • Technical insurance charges to ISE • Ceded reinsurance result	+546 +570m -24m

Total Opex without banking and insurance tax	**+5m**
Different recognition pattern of directly attributable expenses	+5m

Insurance service expenses (IFRS 17) vs Techn. ins. charges (IFRS 4)	**+54m**
Lower: excluding investment component (life), uprenting of insurance liabilities shifted to IFIE line and claims are recognised on a discounted best estimate basis	
Higher: including amortised commissions and directly attributable expenses	

Net result from reins. contracts (IFRS 17) vs Ceded reins. result (IFRS 4)	**-12m**
Less conservative initial valuation of large claims (February storm) compared to IFRS 4	-12m

Income tax	**-10m**
Impact overlay approach is tax exempted while taxable result under IFRS 17 increases, explaining the increased (deferred) income tax (timing difference in recognising taxes)	

IFRS 17	1Q 2022
Net interest income	**1,201**
Insurance revenues before reinsurance	**578**
Non-Life	492
Life	86
Dividend income	**7**
Net result from FI at FV through profit or loss	**89**
Net fee and commission income	**570**
Insurance finance income and expense	**4**
Net other income	**47**
Total income	**2,497**
Operating expenses (excl. directly attr. from insurance)	**-1,395**
Total Opex without banking and insurance tax	-1,002
Total banking and insurance tax	-514
Minus: Opex allocated to insurance service expenses	121
Insurance service expenses before reinsurance	**-516**
Non-Life	-430
Life	-86
Net result from reinsurance contracts held	**12**
Impairment	**-20**
Share in results of assoc. comp. & joint ventures	**-3**
Result before tax	**575**
Income tax expense	**-123**
Result after tax	**452**

IFRS 4	1Q 2022
Net interest income	**1,200**
Earned insurance premiums (before reinsurance)	**777**
Non-Life	487
Life	290
Technical insurance charges (before reinsurance)	**-570**
Non-Life	-291
Life	-279
Ceded reinsurance result	**24**
Dividend income	**7**
Net result from FI at FV through profit or loss	**143**
Net fee and commission income	**482**
Net realised result from debt instr FV through OCI	**-2**
Net other income	**54**
Total income	**2,116**
Operating expenses	**-1,520**
Opex without banking tax	-1,007
Banking tax	-514
Impairment	**-22**
Share in results of assoc. comp. & joint ventures	**-3**
Result before tax	**571**
Income tax expense	**-113**
Result after tax	**458**

3. P&L reconciliation IFRS 4 – IFRS 17 | 2Q22

Result after tax IFRS 17 vs IFRS 4	+76m
Abolishment overlay approach	-4m
Difference Non-life	-7m
Difference Life: mainly due to reversal loss component (80m EUR) and impact of interest accretion at lower locked-in rate (FVA)	+114m
Income tax	-28m

Insurance revenues (IFRS 17) vs Earned insurance premiums (IFRS 4) due to differences in valuation	**-166m**
Non-Life (of which PAA 498m, BBA 8m)	+3m
Life (of which BBA 85m, VFA 6m, PAA 7m) decline mainly due to excl. investment component	-168m

Net result FI at FV through P&L (FIFV)	**-51m**
Abolishment overlay approach	-4m
FV changes unit-linked liab. (VFA) to IFIE	-46m

Net Fee & Commission Income (NFCI)	**+91m**
Commissions & fees paid re. IFRS 17 contracts shift to Insurance service expenses (ISE)	+91m

Insurance finance income and expense (IFIE)	**+2m**
Unwind of discounting insurance liabilities	-44m
FV changes unit-linked liab. (VFA) from FIFV	+46m

IFRS 17	2Q 2022
Net interest income	**1,248**
Insurance revenues before reinsurance	**603**
Non-Life	506
Life	98
Dividend income	**21**
Net result from FI at FV through profit or loss	**38**
Net fee and commission income	**542**
Insurance finance income and expense	**2**
Net other income	**69**
Total income	**2,522**
Operating expenses (excl. directly attr. from insurance)	**-944**
Total Opex without banking and insurance tax	-973
Total banking and insurance tax	-94
Minus: Opex allocated to insurance service expenses	123
Insurance service expenses before reinsurance	**-421**
Non-Life	-442
Life	21
Net result from reinsurance contracts held	**-2**
Impairment	**-28**
Share in results of assoc. comp. & joint ventures	**-2**
Result before tax	**1,126**
Income tax expense	**-240**
Result after tax	**887**

IFRS 4	2Q 2022
Net interest income	**1,248**
Earned insurance premiums (before reinsurance)	**769**
Non-Life	503
Life	266
Technical insurance charges (before reinsurance)	**-533**
Non-Life	-280
Life	-252
Ceded reinsurance result	**2**
Dividend income	**21**
Net result from FI at FV through profit or loss	**89**
Net fee and commission income	**451**
Net realised result from debt instr FV through OCI	**-14**
Net other income	**90**
Total income	**2,123**
Operating expenses	**-1,071**
Opex without banking tax	-976
Banking tax	-94
Impairment	**-28**
Share in results of assoc. comp. & joint ventures	**-2**
Result before tax	**1,023**
Income tax expense	**-211**
Result after tax	**811**

3. P&L reconciliation IFRS 4 – IFRS 17 | 2Q22 (continued)

Other Total income changes	+524m
Net other income (NOI) (incl. -14m Net realised result from debt instruments FVOCI shifted to NOI, not IFRS 17 related)	-7m
Shift below Total income line • Technical insurance charges to ISE • Ceded reinsurance result	+531 +533m -2m

Total Opex without banking and insurance tax	+3m
Different recognition pattern of directly attributable expenses	+3m

Insurance service expenses (IFRS 17) vs Techn. ins. charges (IFRS 4)	+112m
Lower: excluding investment component (life), uprenting of insurance liabilities shifted to IFIE line, claims are recognised on a discounted best estimate basis and reversal of loss component (80m) in 2Q22 due to higher expected profitability thanks to increasing interest rates	
Higher: including amortised commissions and directly attributable expenses	

Net result from reins. contracts (IFRS 17) vs Ceded reins. result (IFRS 4)	-4m
Less conservative initial valuation of large claims compared to IFRS 4 (timing difference)	-4m

Income tax	-28m
Impact overlay approach is tax exempted while taxable result under IFRS 17 increases, explaining the increased (deferred) income tax (timing difference in recognising taxes)	

IFRS 17	2Q 2022
Net interest income	1,248
Insurance revenues before reinsurance	603
Non-Life	506
Life	98
Dividend income	21
Net result from FI at FV through profit or loss	38
Net fee and commission income	542
Insurance finance income and expense	2
Net other income	69
Total income	2,522
Operating expenses (excl. directly attr. from insurance)	-944
Total Opex without banking and insurance tax	-973
Total banking and insurance tax	-94
Minus: Opex allocated to insurance service expenses	123
Insurance service expenses before reinsurance	-421
Non-Life	-442
Life	21
Net result from reinsurance contracts held	-2
Impairment	-28
Share in results of assoc. comp. & joint ventures	-2
Result before tax	1,126
Income tax expense	-240
Result after tax	887

IFRS 4	2Q 2022
Net interest income	1,248
Earned insurance premiums (before reinsurance)	769
Non-Life	503
Life	266
Technical insurance charges (before reinsurance)	-533
Non-Life	-280
Life	-252
Ceded reinsurance result	2
Dividend income	21
Net result from FI at FV through profit or loss	89
Net fee and commission income	451
Net realised result from debt instr FV through OCI	-14
Net other income	90
Total income	2,123
Operating expenses	-1,071
Opex without banking tax	-976
Banking tax	-94
Impairment	-28
Share in results of assoc. comp. & joint ventures	-2
Result before tax	1,023
Income tax expense	-211
Result after tax	811

Result after tax IFRS 17 vs IFRS 4	**-24m**
Abolishment overlay approach	-15m
Difference Non-life: mainly due to reassessing confidence levels in IFRS 4 not done in IFRS 17	-1m
Difference Life: mainly due to reassessing confidence levels in IFRS 4 not done in IFRS 17, partly offset by the impact of interest accretion at lower locked-in rate (FVA)	-7m
Income tax	0m

Insurance revenues (IFRS 17) vs Earned insurance premiums (IFRS 4), due to differences in valuation	**-168m**
Non-Life (of which PAA 518m, BBA 8m)	+6m
Life (of which BBA 78m, VFA 8m, PAA 8m) decline mainly due to excl. investment component	-174m

Net Result FI at FV through P&L (FIFV)	**-21m**
Abolishment overlay approach	-15m
FV changes unit-linked liab. (VFA) to IFIE	-5m

Net Fee & Commission Income (NFCI)	**+94m**
Commissions & fees paid re. IFRS 17 contracts shift to Insurance service expenses (ISE)	+94m

Insurance finance income and expense (IFIE)	**-39m**
Unwind of discounting insurance liabilities	-44m
FV changes unit-linked liab. (VFA) from FIFV	+5m

IFRS 17	3Q 2022
Net interest income	**1,297**
Insurance revenues before reinsurance	**621**
Non-Life	527
Life	94
Dividend income	**22**
Net result from FI at FV through profit or loss	**35**
Net fee and commission income	**557**
Insurance finance income and expense	**-39**
Net other income	**3**
Total income	**2,496**
Operating expenses (excl. directly attr. from insurance)	**-952**
Total Opex without banking and insurance tax	-1,041
Total banking and insurance tax	-23
Minus: Opex allocated to insurance service expenses	112
Insurance service expenses before reinsurance	**-504**
Non-Life	-445
Life	-59
Net result from reinsurance contracts held	**-15**
Impairment	**-102**
Share in results of assoc. comp. & joint ventures	**-3**
Result before tax	**920**
Income tax expense	**-168**
Result after tax	**752**

IFRS 4	3Q 2022
Net interest income	**1,297**
Earned insurance premiums (before reinsurance)	**789**
Non-Life	521
Life	268
Technical insurance charges (before reinsurance)	**-502**
Non-Life	-284
Life	-218
Ceded reinsurance result	**-7**
Dividend income	**22**
Net result from FI at FV through profit or loss	**56**
Net fee and commission income	**463**
Net realised result from debt instr FV through OCI	**-5**
Net other income	**2**
Total income	**2,115**
Operating expenses	**-1,067**
Opex without banking tax	-1,044
Banking tax	-23
Impairment	**-101**
Share in results of assoc. comp. & joint ventures	**-3**
Result before tax	**945**
Income tax expense	**-168**
Result after tax	**776**

3. P&L reconciliation IFRS 4 – IFRS 17 | 3Q22 (continued)

Other Total income changes	**+515m**
Net other income (NOI) (incl. -5m Net realised result from debt instruments FVOCI shifted to NOI, not IFRS 17 related), a.o shift from impairments	+6m
Shift below Total income line • Technical insurance charges to ISE • Ceded reinsurance result	+509 +502m +7m

Total Opex without banking and insurance tax	**+3m**
Different recognition pattern of directly attributable expenses	+3m

Insurance service expenses (IFRS 17) vs Techn. ins. charges (IFRS 4)	**-2m**
Lower: excluding investment component (life), uprenting of insurance liabilities shifted to IFIE line and claims are recognised on a discounted best estimate basis	
Higher: including amortised commissions and directly attributable expenses and reassessing of confidence levels in 3Q22 in IFRS 4, which was not done in IFRS 17	

Net result from reins. contracts (IFRS 17) vs Ceded reins. result (IFRS 4)	**-8m**
Less conservative initial valuation of large claims compared to IFRS 4	-8m

IFRS 17	3Q 2022	IFRS 4	3Q 2022
Net interest income	**1,297**	**Net interest income**	**1,297**
Insurance revenues before reinsurance	**621**	**Earned insurance premiums (before reinsurance)**	**789**
Non-Life	527	*Non-Life*	521
Life	94	*Life*	268
		Technical insurance charges (before reinsurance)	**-502**
		Non-Life	-284
		Life	-218
		Ceded reinsurance result	**-7**
Dividend income	**22**	**Dividend income**	**22**
Net result from FI at FV through profit or loss	**35**	**Net result from FI at FV through profit or loss**	**56**
Net fee and commission income	**557**	**Net fee and commission income**	**463**
Insurance finance income and expense	**-39**		
		Net realised result from debt instr FV through OCI	**-5**
Net other income	**3**	**Net other income**	**2**
Total income	**2,496**	**Total income**	**2,115**
Operating expenses (excl. directly attr. from insurance)	**-952**	**Operating expenses**	**-1,067**
Total Opex without banking and insurance tax	-1,041	*Opex without banking tax*	-1,044
Total banking and insurance tax	-23	*Banking tax*	-23
Minus: Opex allocated to insurance service expenses	112		
Insurance service expenses before reinsurance	**-504**		
Non-Life	-445		
Life	-59		
Net result from reinsurance contracts held	**-15**		
Impairment	**-102**	**Impairment**	**-101**
Share in results of assoc. comp. & joint ventures	**-3**	**Share in results of assoc. comp. & joint ventures**	**-3**
Result before tax	**920**	**Result before tax**	**945**
Income tax expense	**-168**	**Income tax expense**	**-168**
Result after tax	**752**	**Result after tax**	**776**

3. P&L reconciliation IFRS 4 – IFRS 17 | 4Q22

Result after tax IFRS 17 vs IFRS 4	+29m
Abolishment overlay approach	-43m
Difference Non-life: mainly due to parameter update in IFRS 17	+64m
Difference Life: mainly due to application of FVA (interest accretion at lower locked-in rate), CSM release and small reversal of loss component	+33m
Income tax	-24m

Insurance revenues (IFRS 17) vs Earned insurance premiums (IFRS 4), due to differences in valuation	**-240m**
Non-Life (of which PAA 516m, BBA 11m)	+4m
Life (of which BBA 83m, VFA 4m, PAA 8m) decline mainly due to excl. investment component	-245m

Net Result FI at FV through P&L (FIFV)	**-27m**
Abolishment overlay approach	-43m
FV changes unit-linked liab. (VFA) to IFIE	+15m

Net Fee & Commission Income (NFCI)	**+98m**
Commissions & fees paid re. IFRS 17 contracts shift to Insurance service expenses (ISE)	+98m

Insurance finance income and expense (IFIE)	**-63m**
Unwind of discounting insurance liabilities	-48m
FV changes unit-linked liab. (VFA) from FIFV	-15m

IFRS 17	4Q 2022	IFRS 4	4Q 2022
Net interest income	**1,417**	**Net interest income**	**1,416**
Insurance revenues before reinsurance	**621**	**Earned insurance premiums (before reinsurance)**	**861**
Non-Life	526	*Non-Life*	522
Life	94	*Life*	339
		Technical insurance charges (before reinsurance)	**-620**
		Non-Life	-298
		Life	-322
		Ceded reinsurance result	**-21**
Dividend income	**10**	**Dividend income**	**10**
Net result from FI at FV through profit or loss	**90**	**Net result from FI at FV through profit or loss**	**117**
Net fee and commission income	**549**	**Net fee and commission income**	**451**
Insurance finance income and expense	**-63**		
		Net realised result from debt instr FV through OCI	**-1**
Net other income	**-103**	**Net other income**	**-106**
Total income	**2,520**	**Total income**	**2,108**
Operating expenses (excl. directly attr. from insurance)	**-1,036**	**Operating expenses**	**-1,160**
Total Opex without banking and insurance tax	-1,143	*Opex without banking tax*	-1,145
Total banking and insurance tax	-15	*Banking tax*	-15
Minus: Opex allocated to insurance service expenses	121		
Insurance service expenses before reinsurance	**-467**		
Non-Life	-416		
Life	-51		
Net result from reinsurance contracts held	**-15**		
Impairment	**-132**	**Impairment**	**-132**
Share in results of assoc. comp. & joint ventures	**-2**	**Share in results of assoc. comp. & joint ventures**	**-2**
Result before tax	**867**	**Result before tax**	**813**
Income tax expense	**-139**	**Income tax expense**	**-115**
Result after tax	**727**	**Result after tax**	**698**

3. P&L reconciliation IFRS 4 – IFRS 17 | 4Q22 (continued)

Other Total income changes	**+646m**
Net Interest Income (NII)	+1m
Net other income (NOI) (incl. -1m Net realised result from debt instruments FVOCI shifted to NOI, not IFRS 17 related)	+4m
Shift below Total income line • Technical insurance charges to ISE • Ceded reinsurance result	+641 +620m +21m

Total Opex without banking and insurance tax	**+2m**
Different recognition pattern of directly attributable expenses	+2m

Insurance service expenses (IFRS 17) vs Techn. ins. charges (IFRS 4)	**+153m**
Lower: excluding investment component (life), uprenting of insurance liabilities shifted to IFIE line, claims are recognised on a discounted best estimate basis and a parameter update in IFRS 17 (non-life)	
Higher: including amortised commissions and directly attributable expenses	

Net result from reins. contracts (IFRS 17) vs Ceded reins. result (IFRS 4)	**+6m**
Compensating impact compared to 1Q22 (less conservative initial valuation of storm claims)	+6m

Income tax	**-24m**
Impact overlay approach is tax exempted while taxable result under IFRS 17 increases, explaining the increased (deferred) income tax (timing difference in recognising taxes)	

IFRS 17	4Q 2022	IFRS 4	4Q 2022
Net interest income	**1,417**	**Net interest income**	**1,416**
Insurance revenues before reinsurance	**621**	**Earned insurance premiums (before reinsurance)**	**861**
Non-Life	526	*Non-Life*	522
Life	94	*Life*	339
		Technical insurance charges (before reinsurance)	**-620**
		Non-Life	-298
		Life	-322
		Ceded reinsurance result	**-21**
Dividend income	**10**	**Dividend income**	**10**
Net result from FI at FV through profit or loss	**90**	**Net result from FI at FV through profit or loss**	**117**
Net fee and commission income	**549**	**Net fee and commission income**	**451**
Insurance finance income and expense	**-63**		
		Net realised result from debt instr FV through OCI	**-1**
Net other income	**-103**	**Net other income**	**-106**
Total income	**2,520**	**Total income**	**2,108**
Operating expenses (excl. directly attr. from insurance)	**-1,036**	**Operating expenses**	**-1,160**
Total Opex without banking and insurance tax	-1,143	*Opex without banking tax*	-1,145
Total banking and insurance tax	-15	*Banking tax*	-15
Minus: Opex allocated to insurance service expenses	121		
Insurance service expenses before reinsurance	**-467**		
Non-Life	-416		
Life	-51		
Net result from reinsurance contracts held	**-15**		
Impairment	**-132**	**Impairment**	**-132**
Share in results of assoc. comp. & joint ventures	**-2**	**Share in results of assoc. comp. & joint ventures**	**-2**
Result before tax	**867**	**Result before tax**	**813**
Income tax expense	**-139**	**Income tax expense**	**-115**
Result after tax	**727**	**Result after tax**	**698**

3. P&L reconciliation IFRS 4 – IFRS 17 | FY22

Result after tax IFRS 17 vs IFRS 4	+75m
Abolishment overlay approach	-86m
Difference Non-life: mainly due to parameter update in IFRS 17	+57m
Difference Life: mainly due to reversal loss component and impact of interest accretion at lower locked-in rate (FVA)	+166m
Income tax	-62m

Insurance revenues (IFRS 17) vs Earned insurance premiums (IFRS 4), due to differences in valuation	**-773m**
Non-Life	+17m
Life: decline mainly due to excl. investment component	-790m

Net Result FI at FV through P&L (FIFV)	**-154m**
Abolishment overlay approach	-86m
FV changes unit-linked liab. (VFA) to IFIE	-66m

Net Fee & Commission Income (NFCI)	**+371m**
Commissions & fees paid re. IFRS 17 contracts shift to Insurance service expenses (ISE)	+371m

Insurance finance income and expense (IFIE)	**-96m**
Unwind of discounting insurance liabilities	-162m
FV changes unit-linked liab. (VFA) from FIFV	+66m

IFRS 17	FY 2022	IFRS 4	FY 2022
Net interest income	**5,162**	**Net interest income**	**5,161**
Insurance revenues before reinsurance	**2,423**	**Earned insurance premiums (before reinsurance)**	**3,196**
Non-Life	2,050	*Non-Life*	2,033
Life	373	*Life*	1,163
		Technical insurance charges (before reinsurance)	**-2,224**
		Non-Life	-1,153
		Life	-1,071
		Ceded reinsurance result	**-2**
Dividend income	**59**	**Dividend income**	**59**
Net result from FI at FV through profit or loss	**252**	**Net result from FI at FV through profit or loss**	**406**
Net fee and commission income	**2218**	**Net fee and commission income**	**1847**
Insurance finance income and expense	**-96**		
		Net realised result from debt instr FV through OCI	**-22**
Net other income	**16**	**Net other income**	**40**
Total income	**10,035**	**Total income**	**8,463**
Operating expenses (excl. directly attr. from insurance)	**-4,327**	**Operating expenses**	**-4,818**
Total Opex without banking and insurance tax	-4,159	*Opex without banking tax*	-4,172
Total banking and insurance tax	-646	*Banking tax*	-646
Minus: Opex allocated to insurance service expenses	478		
Insurance service expenses before reinsurance	**-1,908**		
Non-Life	-1,733		
Life	-174		
Net result from reinsurance contracts held	**-20**		
Impairment	**-282**	**Impairment**	**-284**
Share in results of assoc. comp. & joint ventures	**-10**	**Share in results of assoc. comp. & joint ventures**	**-10**
Result before tax	**3,488**	**Result before tax**	**3,351**
Income tax expense	**-670**	**Income tax expense**	**-608**
Result after tax	**2,818**	**Result after tax**	**2,743**

3. P&L reconciliation IFRS 4 – IFRS 17 | FY22 (continued)

Other Total income changes	+2,224m
Net Interest Income (NII)	+1m
Net other income (NOI) (incl. -22m Net realised result from debt instruments FVOCI shifted to NOI, not IFRS 17 related)	-2m
Shift below Total income line • Technical insurance charges to ISE • Ceded reinsurance result	+2,226 +2,224m +2m

Total Opex without banking and insurance tax	+13m
Different recognition pattern of directly attributable expenses	+13m

Insurance service expenses (IFRS 17) vs Techn. ins. charges (IFRS 4)	+316m
Lower: excluding investment component (life), uprenting of insurance liabilities shifted to IFIE line, claims are recognised on a discounted best estimate basis, a reversal of loss component and a parameter update in IFRS 17 (non-life)	
Higher: including amortised commissions and directly attributable expenses	

Net result from reins. contracts (IFRS 17) vs Ceded reins. result (IFRS 4)	-18m
Less conservative initial valuation of large claims compared to IFRS 4	-18m

Income tax	-62m
Impact overlay approach is tax exempted while taxable result under IFRS 17 increases, explaining the increased (deferred) income tax (timing difference in recognising taxes)	

IFRS 17	FY 2022	IFRS 4	FY 2022
Net interest income	**5,162**	**Net interest income**	**5,161**
Insurance revenues before reinsurance	**2,423**	**Earned insurance premiums (before reinsurance)**	**3,196**
Non-Life	2,050	*Non-Life*	2,033
Life	373	*Life*	1,163
		Technical insurance charges (before reinsurance)	**-2,224**
		Non-Life	-1,153
		Life	-1,071
		Ceded reinsurance result	**-2**
Dividend income	**59**	**Dividend income**	**59**
Net result from FI at FV through profit or loss	**252**	**Net result from FI at FV through profit or loss**	**406**
Net fee and commission income	**2218**	**Net fee and commission income**	**1847**
Insurance finance income and expense	**-96**		
		Net realised result from debt instr FV through OCI	**-22**
Net other income	**16**	**Net other income**	**40**
Total income	**10,035**	**Total income**	**8,463**
Operating expenses (excl. directly attr. from insurance)	**-4,327**	**Operating expenses**	**-4,818**
Total Opex without banking and insurance tax	-4,159	*Opex without banking tax*	-4,172
Total banking and insurance tax	-646	*Banking tax*	-646
Minus: Opex allocated to insurance service expenses	478		
Insurance service expenses before reinsurance	**-1,908**		
Non-Life	-1,733		
Life	-174		
Net result from reinsurance contracts held	**-20**		
Impairment	**-282**	**Impairment**	**-284**
Share in results of assoc. comp. & joint ventures	**-10**	**Share in results of assoc. comp. & joint ventures**	**-10**
Result before tax	**3,488**	**Result before tax**	**3,351**
Income tax expense	**-670**	**Income tax expense**	**-608**
Result after tax	**2,818**	**Result after tax**	**2,743**

4. Change in Key Performance Indicators

1 Cost/Income ratio (%)

Excl. banking and insurance tax

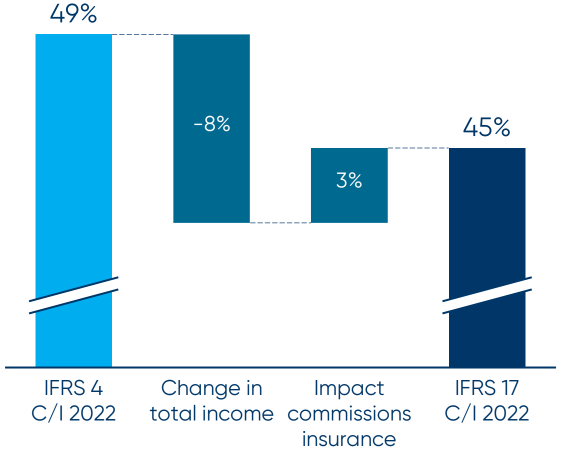
DEFINITION (CHANGED)

OLD

$$\frac{\text{Opex}}{\text{Total income}}$$

NEW

$$\frac{\text{Opex (incl. directly attr. Opex Insurance) + Commissions Ins.}}{\text{Total income}}$$



- Similar to IFRS 4: cost efficiency measure at KBC Group level
- Change compared to IFRS 4: changes in numerator (incl. insurance commissions) and denominator (due to the new IFRS 17 income statement, as explained in previous slides)

2 Combined ratio Non-life (%)

DEFINITION (CHANGED)

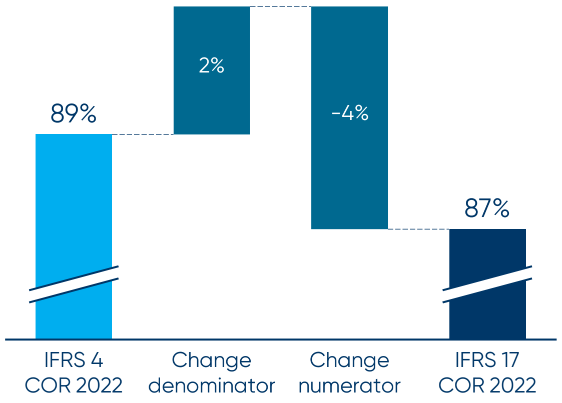
Claims ratio | Cost ratio

OLD

$$\frac{\text{Technical insurance charges \& claim costs}}{\text{Earned premiums Non-life}} + \frac{\text{Opex + Commissions Ins.}}{\text{Written premiums Non-life}} \quad \begin{matrix}\text{net}\\\text{net}\end{matrix}$$

NEW

$$\frac{\text{Claims \& claim costs}}{\text{Earned premiums Non-life}} + \frac{\text{Opex + Commissions Ins.}}{\text{Earned premiums Non-life}} \quad \begin{matrix}\text{net}\\\text{net}\end{matrix}$$



- Similar to IFRS 4: combined ratio on a net/net basis i.e., both numerator and denominator net of reinsurance impact
- Changes compared to IFRS 4:
  - Denominator of both claims ratio and cost ratio is equal under IFRS 17 (i.e., earned premiums non-life PAA), while under IFRS 4 claims ratio was based on earned premiums and cost ratio on written premiums
  - Numerator Claims ratio is mainly impacted by parameter update in 4Q22 under IFRS 17 and to a lesser extent discounting of claim reserves
  - Numerator Cost ratio includes both non-directly attributable costs and directly attributable costs (as before)

4. Change in Key Performance Indicators

3 Return on Equity (%)

DEFINITION (CHANGED)

OLD

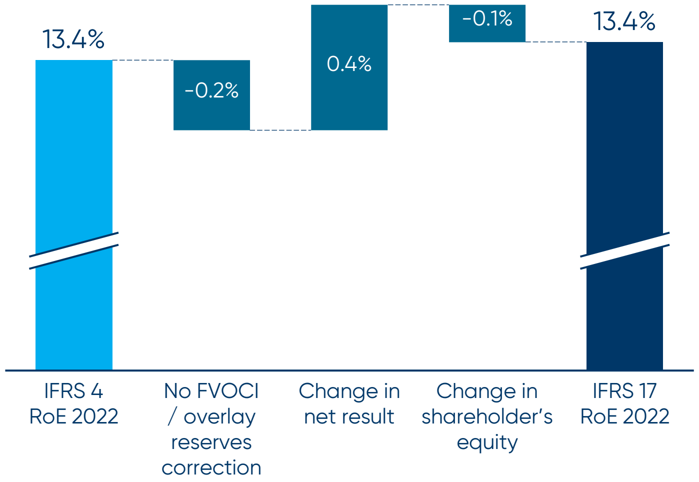
Net result –AT1 coupon

Average parent shareholders' equity (excl. FVOCI and overlay reserves)

NEW

Net result – AT1 coupon

Average parent shareholders' equity



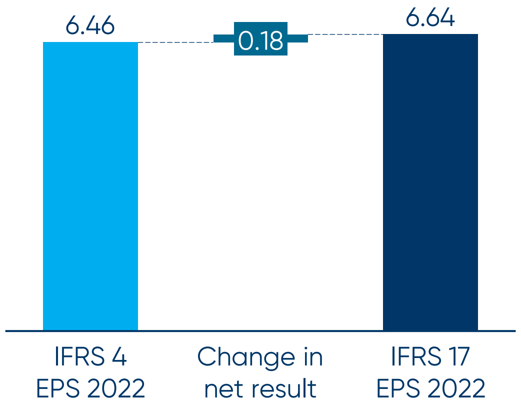
- Change compared to IFRS 4: parent shareholders' equity will no longer be corrected for FVOCI/overlay reserves under IFRS 17 (definition change by KBC)
- Furthermore, OCI reserve has a compensating impact from IFIE through OCI

4 Earnings per share (EUR)

DEFINITION (NO CHANGE)

Net result – AT1 coupon

Average number of shares



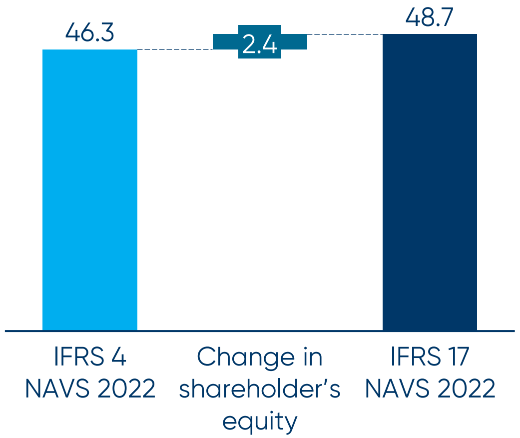
- Due to the impact of IFRS 17 of +75m EUR on the net result of 2022, the earnings per share increase

5 Net asset value per share (EUR)

DEFINITION (NO CHANGE)

Parent shareholders' equity

Number of shares



- Due to the first-time application impact of IFRS 17 on parent shareholders' equity (-673m EUR), the impact of P&L (+75m EUR) over 2022 and the impact on OCI (+1.6bn EUR) over 2022 due to the IFRS 17 difference with IFRS 4, the NAV per share increases

5. Translation ST and LT financial guidance from IFRS 4 to IFRS 17

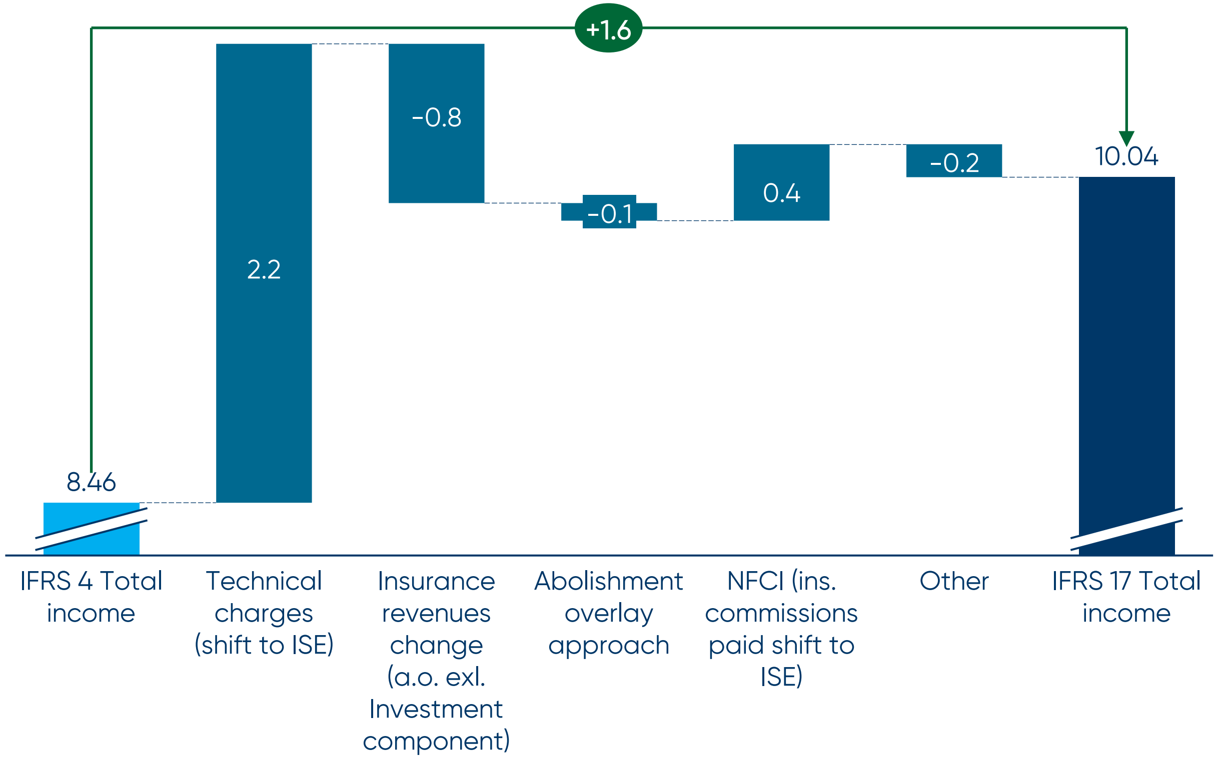
Full-year 2023 guidance	Old IFRS 4	New IFRS 17	Underlying movement
Net Interest Income	5.7 bn EUR	5.7 bn EUR	Unchanged
Total income	9.4 bn EUR	11.15 bn EUR	Mainly presentation changes in Total income and abolishment of the overlay approach under IFRS 17, see next slide
Total OPEX (excl. banking and insurance tax) and insurance commissions	4.4 bn EUR	4.75 bn EUR	An increase only as a result of the insurance commissions (part of ISE) being added to the target under IFRS 17
Credit Cost ratio	20-25 bps	20-25 bps	Unchanged

3-year financial guidance *(based on 2022 reported numbers)*	Old IFRS 4	IFRS 4 adjusted*	New IFRS 17*	Underlying movement
CAGR Total income ('22-'25)	± 6.0%	± 6.6%	± 7.3%	Mainly presentation changes in Total income
CAGR OPEX (excl. banking and insurance tax) and insurance commissions ('22-'25)	± 1.8%		± 2.3%	An increase only as a result of the insurance commissions (part of ISE) being added to the target under IFRS 17
Combined ratio	≤ 92%		≤ 92%	Unchanged
Credit Cost ratio (TTC)	25-30 bps		25-30 bps	Unchanged

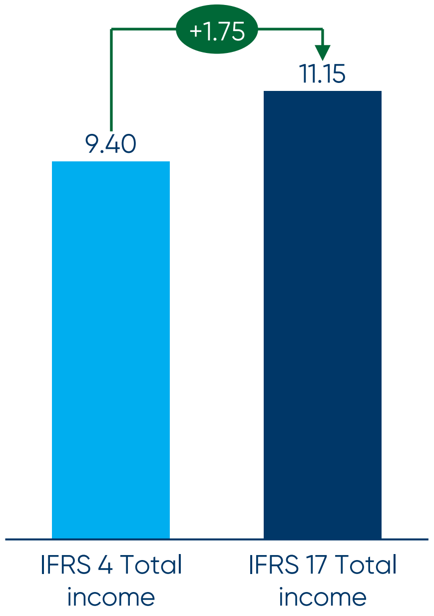
*Taking into account the 149m EUR pre-tax provision for the ICEC claim, reducing total income of 2022

5. Translation ST and LT financial guidance from IFRS 4 to IFRS 17

FY 2022 Total income presentation changes
In bn EUR



FY 2023 Total income guidance
In bn EUR



IFRS 17
Net Interest Income
Insurance revenues before reinsurance
Non-Life
Life
Dividend income
Net Result from FI at FV through profit or loss
Net Fee and Commission Income
Insurance finance income and expense
Net other income
Total income
Operating expenses (excl. directly attr. from insurance)
Total Opex without banking and insurance tax
Total banking and insurance tax
MINUS: Opex allocated to insurance service expenses
Insurance service expenses before reinsurance
Non-Life
Life
Net result from reinsurance contracts held
Impairment
Share in results of assoc. comp & joint ventures
Result before tax
Income tax
Result after tax

✓ **Total income will increase substantially**:

- Under IFRS 4: Total income re. insurance business is a 'margin' being 'premium income' minus 'technical charges' (mainly incurred claims)' minus 'paid commissions to intermediaries'
- Under IFRS 17: Total income re. insurance business focus on the received premium (= insurance revenue). A shift below the line 'Total income' of the 'technical charges' and 'commissions paid related to insurance contracts' towards 'Insurance service expenses'

✓ **Life insurance revenue** (as part of Total income) **will be lower than gross earned premiums (IFRS 4):**

- Saving/investment component of the life insurance contract is no longer recognised as income (which is the case under IFRS 4), causing a strong decline of life insurance revenue. The investment component (= deposit, increase of insurance liability) reflects the amount repayable upon expiration of the contract, irrespective of the insured event.
- Only the insurance component is recognised as income and released over the lifetime of the insurance contract

✓ **Depending on the measurement method applied, the pattern of insurance revenue recognition and the composition of the insurance revenue are different:**

- Under PAA: premium is recognised as income on a pro rata temporis basis (mainly for non-life products). As such, no big change compared to IFRS 4.
- Under BBA and VFA: revenue is recognised over the lifetime of the contract
  - release Best Estimate (expected claims and expenses, including acquisition costs, for the period) + release risk adjustment according expectations (will be partially offset by the actual claims recognised below the total income line)
  - release of CSM according services provided over the reporting period

IFRS 17
Net Interest Income
Insurance revenues before reinsurance
Non-Life
Life
Dividend income
Net Result from FI at FV through profit or loss
Net Fee and Commission Income
Insurance finance income and expense
Net other income
Total income
Operating expenses (excl. directly attr. from insurance)
Total Opex without banking and insurance tax
Total banking and insurance tax
MINUS: Opex allocated to insurance service expenses
Insurance service expenses before reinsurance
Non-Life
Life
Net result from reinsurance contracts held
Impairment
Share in results of assoc. comp & joint ventures
Result before tax
Income tax
Result after tax

✓ **Net Result from FI at FV through P&L will decline due to abolishment of overlay approach**

- IFRS 9 overlay approach on equity instruments ends at the implementation of IFRS 17
- KBC's choice to reclassify the equity instruments to 'Fair value through OCI with no recycling' means that only dividend income will be recognised in the income statement
- Realised gains or losses on the sale of equity instruments, as also impairments, will no longer be recognised in the income statement

✓ **Net Result from FI at FV through P&L will also no longer contain fair value movement of unit-linked liabilities, valued under IFRS 17 (variable fee approach)**

- Under VFA the evolution of IFRS 17 insurance liabilities, due to the changes in market interest rates should be reported in Insurance finance income and expense (see next slide) and not in FIFV P&L
- Fair value movement of the underlying unit-linked assets (always IFRS 9) and unit-linked liabilities in Belgium (IFRS 9 investment contracts) will remain to be reported in this line

IFRS 17
Net Interest Income
Insurance revenues before reinsurance
Non-Life
Life
Dividend income
Net Result from FI at FV through profit or loss
Net Fee and Commission Income
Insurance finance income and expense
Net other income
Total income
Operating expenses (excl. directly attr. from insurance)
Total Opex without banking and insurance tax
Total banking and insurance tax
MINUS: Opex allocated to insurance service expenses
Insurance service expenses before reinsurance
Non-Life
Life
Net result from reinsurance contracts held
Impairment
Share in results of assoc. comp & joint ventures
Result before tax
Income tax
Result after tax

✓ **Net Fee and Commission Income** will change:

- Commissions paid related to insurance contracts are shifted towards 'Insurance service expenses'
- NFCI will still include distribution fees re. unit-linked business in Belgium (reported under IFRS 9)

✓ **Insurance finance income and expense (IFIE)** is a new element of total income:

- Mainly the cost of discount unwinding of the insurance liability (under IFRS 4 included in technical charges). Insurance liability increases as maturity comes closer
- No longer at guaranteed interest rate (included in technical charges under IFRS 4), but at the locked-in rate (= rate curve applicable at 'origination date of the insurance contract'). Note that volatility coming from changes in the market rate curves over the reporting period will be recognised in OCI (Other Comprehensive Income – part of Equity)
- Fair value movement of unit-linked liabilities, valued under IFRS 17 (variable fee approach), with the offsetting impact in FV movement of underlying unit-linked assets still in FIFV P&L
- IFIE does only include income or expenses related to insurance liabilities that are in scope of IFRS 17. Income or expenses related to financial assets or insurance liabilities which are in scope of IFRS 9 are not included in this line but in the FIFV P&L line

✓ **Net other income**

- Shift from 'Net realised result from debt. instr. FV through OCI' to 'Net other income' (not IFRS 17 related)

Annex | New structure of income statement | Theory

IFRS 17
Net Interest Income
Insurance revenues before reinsurance
Non-Life
Life
Dividend income
Net Result from FI at FV through profit or loss
Net Fee and Commission Income
Insurance finance income and expense
Net other income
Total income
Operating expenses (excl. directly attr. from insurance)
Total Opex without banking and insurance tax
Total banking and insurance tax
MINUS: Opex allocated to insurance service expenses
Insurance service expenses before reinsurance
Non-Life
Life
Net result from reinsurance contracts held
Impairment
Share in results of assoc. comp & joint ventures
Result before tax
Income tax
Result after tax

✓ **OPEX-line in the income statement will decline** because major part of OPEX of insurance companies will be included in the reported 'Insurance service expenses'. This part of OPEX allocated to 'Insurance service expenses' is called 'directly attributable costs'.

- IFRS 17 makes distinction between expenses **directly attributable** to insurance contracts (costs arising from selling, underwriting the policy for an insurance contract and costs arising for fulfilling the obligations of the in-force contracts such as claim handling costs) and **non-directly attributable costs** (e.g. costs of contracts measured at IFRS 9 such as unit-linked contracts of KBC Insurance Belgium, overhead costs etc.)
- Directly attributable costs are presented in Insurance service expenses, while non-directly attributable costs remain in the Operating expenses line

✓ **Insurance service expenses** group different type of expenses:

- Incurred claims, being the actual claims incurred during the current period
- Incurred expenses, being the actual expenses incurred during the current period. Mainly OPEX needed to run the insurance business (under IFRS 17 called the directly attributable expenses)
- Changes of the LIC (liability for incurred claims) related to previous periods
- Movements of the loss components
- Paid commissions to the intermediaries for selling insurance contracts (on an amortised basis)

✓ **Net result from reinsurance contracts held:**

- Shifts below Total income
- Is linked with changed valuation of incurred claims, compared to IFRS 4

✓ P&L will a.o. reflect the difference between:

- Actual claims and expenses incurred in the reported period in Insurance Service Expenses and
- Expected claims and expenses estimated for this period which are released in Insurance Revenues (positive income, expected cashflows) + release of CSM and risk adjustment

Annex | Statement of the auditor

"The statutory auditor of KBC Groep NV, PwC Bedrijfsrevisoren BV, has confirmed that, in the context of his statutory audit assignment, and for the purpose of obtaining sufficient appropriate evidence that the 2022 corresponding figures as will be reported in the 2023 quarterly and year-end financial reportings meet the requirements of IFRS 17, he has validated the entries required to convert the previously reported figures into IFRS 17 compliant corresponding figures (i.e. 2022 opening balance, and the 2022 Q1, Q2, Q3 and Q4 IFRS 17 figures) which are reported in this press release."