



# Solvency & Financial Condition Report

# 2025



To the reader

## Company name

In this report, references to 'KBC', 'the group', 'we' or 'KBC Insurance Group' refer, unless otherwise indicated, to the consolidated insurance entity comprising KBC Insurance NV and including all group companies within the scope of consolidation. References to 'KBC Insurance NV' refer solely to the solo (non-consolidated) entity.

## Difference between KBC Insurance and KBC Group

KBC Insurance NV is a subsidiary of KBC Group NV. The KBC Group's legal structure has one single entity – KBC Group NV – in control of two underlying companies, of which KBC Bank NV and KBC Insurance NV are the most important. All KBC Insurance NV shares are owned by KBC Group NV. Where reference is made in this report to 'KBC Group' or 'the KBC Group', this refers to KBC Group NV, including all Group companies within the scope of consolidation.

## Post-balance-sheet events

The expectations, forecasts and statements regarding future developments that are contained in this report are based on assumptions and assessments we made when drawing up this report in early March 2026. By their nature, forward-looking statements involve uncertainty. Various factors could cause actual results and developments to differ from the initial statements.

## Contacts

### Investor relations contact details

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Kurt De Baenst (General Manager, Investor Relations Office)

[IR4U@kbc.be](mailto:IR4U@kbc.be)

KBC Group NV, Investor Relations Office, Havenlaan 2, 1080 Brussels, Belgium

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### Press office contact details

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Kathleen Dewaele (General Manager, Corporate Communication/Company Spokesperson)

[pressofficekbc@kbc.be](mailto:pressofficekbc@kbc.be)

KBC Group NV, Corporate Communication, Havenlaan 2, 1080 Brussels, Belgium

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### Corporate Sustainability

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Filip Ferrante (General Manager, Corporate Sustainability)

[csr.feedback@kbc.be](mailto:csr.feedback@kbc.be)

KBC Group NV, Corporate Sustainability, Havenlaan 2, 1080 Brussels, Belgium

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## Disclosure

The Solvency & Financial Condition Report (SFCR) has to be published on a yearly basis by all insurance undertakings and groups. It provides qualitative and quantitative information on the business and performance, the system of governance, the risk profile, the valuation for solvency purposes and capital management of the undertaking.

This report has a harmonised structure that is defined in Annex XX of the Solvency II Delegated Acts Regulation<sup>1</sup> and includes templates defined by the Implementing Regulation<sup>2</sup> that contain quantitative information in the 'Quantitative Reporting Templates (QRTs)'.

In line with its general communication policy, KBC aims to communicate openly with the market about its exposure to risk. Risk management information is therefore provided in a separate section of the 2025 Annual Report of KBC and – more extensively – in this publication.

The most important regulation governing risk and capital management is the Solvency II capital framework applying to insurance entities.

Information is disclosed at the highest consolidated level. For more detailed information, please refer to the local disclosures of the entity concerned provided on their websites.

KBC ensures that a representative picture is given at all times in its disclosures. The scope of the reported information – which can differ according to the matter being dealt with – is clearly indicated.

The information provided in this document has not been subject to an external audit. However, the disclosures have been checked for consistency with other existing risk reports and were subjected to a final screening by authorized risk management representatives to ensure quality. In addition, the 2025 Solvency & Financial Condition Report was distributed to the Group Executive Committee, the Board of Directors, as well as to the Risk & Compliance Committee to ensure appropriate approval was obtained from the management body, as requested under Solvency II.

One-on-one comparison of figures presented in the Annual Report and figures presented in this report cannot always be made due to the different risk concepts used under IFRS and Solvency II. In order not to compromise on the readability of this document, relevant parts of the Annual Report have been reproduced here or, where relevant, clarification is given to explain the differences between the accounting values and the Solvency II values.

All amounts quoted in this report and in the tables are in millions of euros (mIn EUR), unless otherwise stated.

This report has been published for some years and therefore comparisons are made with available Solvency II-related data of the previous year. Similar to last year, there is only one report both for KBC Insurance Group and KBC Insurance NV.

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<sup>1</sup> Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 (CDR EU 2015\_35).

<sup>2</sup> Commission Implementing Regulation (EU) 2015/2452 of 2 December 2015 (CIR EU 2015-2452).

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# Management summary

## ENGLISH VERSION

**KBC Insurance Group and KBC Insurance NV primarily provide services to retail clients, small and medium-sized enterprises (SMEs), and mid-cap companies. KBC Insurance focuses on its home markets: Belgium and four countries in Central and Eastern Europe, namely the Czech Republic, Slovakia, Hungary and Bulgaria. KBC Group Re is a captive reinsurer providing services out of Luxembourg.**

- All material insurance entities are present in KBC's core markets and operate under an integrated bank-insurance model.
- KBC Insurance Group and KBC Insurance NV are strongly capitalised, both in terms of the level and the quality of capital. At 31 December 2025, the Solvency II ratio amounted to 227% for KBC Insurance Group and 247% for KBC Insurance NV, representing an increase of 27 percentage points and 31 percentage points respectively compared to 2024, and remaining well above the regulatory minimum of 100%. The increase in the Solvency II ratio is primarily driven by a significant rise in available capital. This increase in own funds mainly reflects a higher excess of assets over liabilities, supported by favourable financial market developments, including higher equity markets and an increase in interest rates, which reduced the value of long-term liabilities more than that of assets. Retained earnings further contributed positively to available capital. This effect was partly offset by an increase in the Solvency Capital Requirement, mainly driven by higher Life underwriting and Market risks, partly offset by lower Health and Non-Life underwriting risks and an adjustment of the technical provisions.
- KBC Insurance Group and KBC Insurance NV have a well-diversified medium risk profile, in line with the Risk Appetite Statement. The group benefits from diversified activities aimed at retail, SME and mid-cap clients across multiple distribution channels.
- The business model of KBC Insurance is strong and sustainable, with a robust profit and loss result of 645mln EUR in 2025 at group level, compared to 515mln EUR in 2024 (an increase of 25%). (resp. 430mln EUR for KBC Insurance NV in 2025, compared to 393mln EUR in 2024, an increase of 9%).

### Non-Life Insurance

- Non-Life Gross Written Premiums (GWP) realised a strong increase of 9% increase. Growth in all countries and across all major non-life product lines, driven by both tariffs and volume.
- Strong Non-Life Insurance Service Result (ISR) after reinsurance, mainly due to higher insurance revenue in Business Unit Belgium and favourable claims experience in Belgium and the Czech Republic: Strong overall revenue growth (+9%) versus a less strong growth in Insurance Service Expenses (+3%), mainly related to claims.
- Excellent Combined Ratio of 86,7% year-to-date, an improvement of 3 percentage points year-on-year, fully driven by the significantly better claims ratio.

### Life Insurance

- Life insurance sales increased strongly in 2025, amounting to 3.576mln EUR, representing a year-on-year increase of 23%. This growth was largely driven by unit-linked life insurance contracts in Belgium, complemented by growth in non-unit-linked life insurance (primarily in Belgium) and high growth rate in guaranteed and hybrid products..

## NEDERLANDSTALIGE VERSIE

**De KBC Verzekeringsgroep (en KBC Verzekeringen NV) bedienen voornamelijk particuliere klanten, kmo's en midcaps. KBC Verzekeringen focust op zijn kernmarkten: België en vier landen in Centraal- en Oost-Europa, namelijk Tsjechië, Slowakije, Hongarije en Bulgarije. KBC Group Re is een captive herverzekeraar die diensten aanbiedt vanuit Luxemburg.**

- Alle materiële verzekeringsentiteiten zijn aanwezig in de kernmarkten van KBC en opereren binnen een geïntegreerd bank-verzekeringsmodel.
- De KBC Verzekeringsgroep en KBC Verzekeringen NV zijn sterk gekapitaliseerd, zowel wat betreft de omvang als de kwaliteit van het kapitaal. Per 31 december 2025 bedroeg de Solvency II-ratio 227% voor de KBC Verzekeringsgroep en 247% voor KBC Verzekeringen NV, wat overeenkomt met een stijging van respectievelijk 27 en 31 procentpunten ten opzichte van 2024, en ruim boven de reglementaire minimumvereiste van 100% blijft.

De stijging van de Solvency II-ratio is voornamelijk toe te schrijven aan een aanzienlijke toename van het beschikbare kapitaal. Deze stijging van het eigen vermogen weerspiegelt vooral een hogere overmaat van activa ten opzichte van verplichtingen, ondersteund door gunstige ontwikkelingen op de financiële markten, waaronder hogere aandelenmarkten en een stijging van de rentevoeten, waardoor de waarde van langetermijn verplichtingen sterker daalde dan die van de activa. Ingehouden winsten droegen eveneens positief bij tot het beschikbare kapitaal.

Dit effect werd gedeeltelijk gecompenseerd door een stijging de SCR (Solvency Capital Requirement), voornamelijk gedreven door hogere onderschrijvingsrisico's in Leven en hogere marktrisico's, deels gecompenseerd door lagere gezondheids- en niet-leven onderschrijvingsrisico's en de aanpassing van de technische voorzieningen.

- KBC Verzekeringsgroep en KBC Verzekeringen NV hebben een goed gediversifieerd risicoprofiel van gemiddeld niveau, in lijn met de Risk Appetite Statement. De groep profiteert van gediversifieerde activiteiten gericht op particuliere klanten, kmo's en midcaps via meerdere distributiekkanalen.
- Het bedrijfsmodel van KBC Verzekeringen is sterk en duurzaam, met een robuust resultaat van 645mln EUR in 2025 op groepsniveau, tegenover 515mln EUR in 2024 (een stijging van 25%). (resp. 429,8mln EUR voor KBC Verzekeringen NV in 2025, tegenover 393mln EUR in 2024, een stijging van 9%).

### Niet-Leven Verzekeringen

- De niet-leven bruto geschreven premies (GWP) realiseerden een sterke stijging van 9%. Groei in alle landen en in alle belangrijke niet-levensproductlijnen, gedreven door zowel tarieven als volume.
- Sterk Insurance Service Result (ISR) niet-leven na herverzekering, voornamelijk dankzij hogere verzekeringsinkomsten in Business Unit België en gunstige schadelast in België en Tsjechië : Sterke algemene omzetgroei (+9%) tegenover een minder sterke groei van de Insurance Service Expenses (+3%), voornamelijk gerelateerd aan schades.
- Uitstekende combined ratio van 86,7% over 2025, een verbetering met 3 procentpunten t.o.v. 2024, volledig gedreven door een aanzienlijk betere schadelast.

### Leven Verzekeringen

- De verkoop van levensverzekeringen nam in 2025 sterk toe en bedroeg 3.576mln EUR, wat overeenkomt met een jaar-op-jaarstijging van 23%. Deze groei werd voornamelijk gedreven door unit-linked levensverzekeringscontracten in België en werd verder ondersteund door een toename van niet-unit-linked levensverzekeringen (hoofdzakelijk in België) en hoge groei in de producten met gegarandeerde interestvoet en hybride producten..

# Business & performance

## Business

### Brief presentation of the KBC Insurance Group

#### Our area of operation

KBC Insurance is an insurance Group catering mainly for retail, SME and mid-cap clients. It concentrates on its home markets of Belgium and four countries in Central and Eastern Europe (Czech Republic, Slovakia, Hungary and Bulgaria). KBC Group Re is a captive reinsurer providing services out of Luxembourg.

#### Main Group companies

Belgium	KBC Insurance NV
Czech Republic	ČSOB Pojišť'ovna a.s.
Slovakia	ČSOB Poist'ovňa a.s.
Hungary	K&H Biztosító
Bulgaria	DZI Insurance
Luxembourg	KBC Group Re

#### Our shareholders

All KBC Insurance NV shares are owned by KBC Group NV. KBC Group NV is a listed company.

#### Our clients, staff and network

Clients (estimate)	6,8mln
Number of staff (2025 average in FTEs)	3.981
Insurance network	270 agencies in Belgium various distribution channels in Central and Eastern Europe

#### Our long-term credit ratings

KBC Insurance NV	Standard & Poor's	A (with positive outlook)
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#### Management

CEO	Johan Thijs
Chairman of the Board of Directors	Koenraad Debackere

#### More information

Website	<a href="http://www.kbc.com">www.kbc.com</a>
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## Business model

The strategy, business model and management structure of KBC Insurance is embedded in that of the KBC group. A summary is given below of the business model of the KBC group, where KBC Bank is essentially responsible for the banking business and KBC Insurance for the insurance business.

For more detailed information, please see the KBC Group annual report for 2025.

### How do we create sustainable value?

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. We apply the knowledge we have acquired in areas including prevention, for example in safety campaigns. We have been working with organisations involved in road safety, welfare and victim assistance for many years.

In everything we do, we consider the human and environmental impacts, and we translate this into concrete targets. We have made a conscious choice to enhance our positive impact on society, where possible, especially in 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 operations, we also prioritise areas such as cybersecurity, anti-corruption measures, climate change and other environmental aspects.

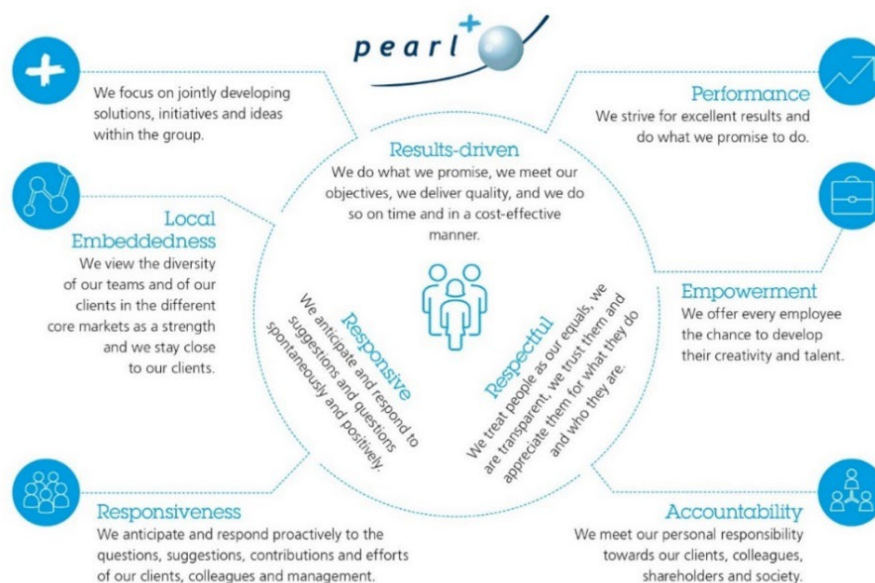
As a bank-insurer, we have a direct impact on the climate through our energy consumption and – more importantly – an indirect impact through our loans, investments and insurance products. We, too, are affected by climate change, which is reflected, for example, in an increase in claims in connection with extreme weather conditions or risks faced by companies in which we invest. We therefore actively consider these factors: we aim to mitigate adverse effects and contribute to solutions, for example through sustainable products and services. We closely monitor our progress and set clear goals. Our Sustainable Finance Programme has now been expanded to include themes such as biodiversity, water and circular economy.

We are a major player in each of our core countries. We form part of society and, as an employer, we contribute directly to the employment and purchasing power of some 40 000 households. We 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?

We sum up our business culture in the acronym PEARL+, which stands for Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness. The plus sign (+) represents collaboration and the smart reuse of good ideas within the entire group. This enables us to work more efficiently, respond more quickly to change and make better use of our skilled and talented people, regardless of their location. We encourage all our employees to behave in a way that is responsive, respectful and results-driven. An explanation of what exactly this means is given in the diagram.

PEARL+ is more than a slogan – it is a way of working. To ensure that everyone truly applies these values, we have appointed a dedicated PEARL+ manager who reports directly to the CEO. We also have hundreds of PEARL+ ambassadors in the workplace, who make sure this culture is actively embraced and provide support to colleagues where needed – from the bottom up and from the top down.



## What differentiates us from our peers?

### **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 were 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 successful digital approach also underlies the creation of ecosystems, through which we aim to offer our clients a seamless end-to-end client journey. By combining our own bank and insurance services with external services, we can offer our clients a single integrated solution, with Kate as their guide throughout their journey.

### **Our strong geographical focus and local responsiveness**

We focus on our core markets of Belgium, 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, primarily to support activities 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 core countries to avoid duplicating our efforts and to offer our clients the best solutions.

### **Our approach to sustainability**

As a financial institution, KBC has a significant impact on society. We aim to contribute to a more sustainable and climate-resilient future. Sustainability is therefore firmly embedded in our strategy and day-to-day operations. In our approach, we prioritise financial resilience, encourage responsible behaviour on the part of our employees, strive to enhance our positive contribution to society and, at the same time, keep our negative impact to a minimum.

### **Our shareholder structure**

A special feature of our shareholder structure is the core shareholder syndicate consisting of Cera, KBC Ancora, MRBB and the other core shareholders, which together held roughly 42% of our shares at the end of 2025. These shareholders act in concert, thereby ensuring shareholder stability in our 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
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### **Our challenges**

A macroeconomic environment characterized by impacts of 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 cyber crime
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## **Strategy**

### **Strategy of KBC Insurance Group**

A summary is given below of the strategy of the KBC Group. The strategy and management structure of KBC Insurance is embedded in that of the KBC Group. For more detailed information, please see the 2025 KBC Group annual report.

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



Our strategy rests on the following principles:

*Principle 1: We place our clients at the centre of everything we do.*

*Principle 2: We look to offer our clients a unique bank-insurance experience.*

*Principle 3: We focus on our Group's long-term development and aim to achieve sustainable and profitable growth.*

*Principle 4: We meet our responsibility to society and local economies.*

*Principle 5: We implement our strategy within a stringent risk, capital and liquidity management framework.*

## Translation of corporate strategy towards insurance business

'S.T.E.M., the Ecosphere'<sup>3</sup> is further implementing the previous strategy – 'Differently, the Next Level' – over the period 2024-2026. 'Differently: the Next Level' was launched in 2020 and introduced core concepts that contributed to KBC maintaining its place among the best performing and most trusted financial institutions in Europe: customer experience, operational efficiency, digital first, data-driven organization, bank-insurance+ and PEARL+. These concepts further build on *the 4 pillars* of our strategy:

1. KBC strives to offer its clients a unique bank-insurance experience;
2. KBC develops the group with a long term perspective, focusing on sustainable and profitable growth within solid risk, capital and liquidity boundaries. KBC aims to build long-term relationships with its clients and avoids high short-term returns that come with excessive risks;
3. KBC puts its clients' interests at the heart of what it does (customer centric) and strives to offer them a high quality service and relevant solutions at all times;
4. KBC takes its role towards society and local economies very seriously and aims to reflect that in its everyday activities.

The bank-insurance model allows KBC Insurance Group to ensure stable and profitable growth by offering our (insurance) clients the full financial product spectrum. For the insurance companies in the KBC Group, the bank-insurance model offers a unique opportunity to:






- Combine KBC channels in an integrated omnichannel concept, getting access to all of KBC clients, irrespective of the channel they use;
- Use the data of these clients, respecting the GDPR, by applying KBC's data & AI skills;

<sup>3</sup> S.T.E.M. stands for 'Save Time and Earn Money'.

- Be present in the mobile banking app and leverage its high frequency traffic (compared to the low traffic apps of standalone insurers).

By continuing to deliver state of the art, innovative products and solutions, underpinned by data analytics for accurate underwriting and by offering the best solution at the right time for the client, the insurance métier is an important factor to the overarching strategic priority: leveraging the bank-insurance model for profitable captive (and non-captive) growth.

#### Market conditions 2025

	 Belgium	 Czech Republic	 Slovakia	 Hungary	 Bulgaria
<i>Market environment in 2025</i>					
<b>Change in GDP (real)</b>	1,0%	2,5%	0,7%	0,4%	3,1%
<b>Inflation (average annual increase in consumer prices)</b>	3,0%	2,3%	4,2%	4,4%	3,5%
<b>Unemployment rate (% of the labour force at year-end; Eurostat definition)</b>	6,4%	3,2%	5,4%	4,4%	3,8%
<b>Government budget balance (% of GDP)</b>	-5,3%	-1,7%	-5,1%	-5,0%	-3,0%
<b>Public debt (% of GDP)</b>	106,9%	43,9%	61,5%	74,5%	27,8%
<i>Forecast growth in real GDP in years ahead</i>					
<b>2026</b>	1,1%	2,3%	0,9%	1,9%	2,7%
<b>2027</b>	1,3%	2,2%	1,8%	3,0%	2,8%
<i>KBC Insurance's position in each core country</i>					
<b>Main brands</b>	KBC & CBC & KBC Brussels	ČSOB	ČSOB	K&H	UBB & DZI
<b>Network</b>	270 insurance agencies Online channels	Insurance sold through various channels Online channels	Insurance sold through various channels Online channels	Insurance sold through various channels Online channels	Insurance sold through various channels Online channels
<b>Recent acquisitions or disposals</b>		-	-	-	-
<b>Insurance clients (millions, estimate)</b>	1,7	2,2	0,5	1,2	1,4
<b>Market share (estimate)</b>					
<b>Life insurance</b>	13%	9%	5%	4%	25%
<b>Non-Life insurance</b>	9%	10%	5%	7%	13%

## Performance

### Performance in 2025 (KBC Insurance Group)

(in m EUR)	Life		of which Life direct participating (VFA)		Non-life		Non-technical		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
<b>Insurance service result</b>	<b>216</b>	<b>168</b>	<b>13</b>	<b>10</b>	<b>484</b>	<b>310</b>	<b>—</b>	<b>0</b>	<b>700</b>	<b>478</b>
Insurance revenues before reinsurance	493	463	29	24	2.721	2.492	—	0	3.214	2.955
Insurance service expenses	-276	-296	-16	-14	-2.237	-2.181	—	0	-2.514	-2.477
Of which Non-life - Claim related expenses	—	0	—	0	-1.406	-1.416	—	0	-1.406	-1.416
<b>Investment result and insurance finance income and expenses</b>	<b>133</b>	<b>150</b>	<b>0</b>	<b>2</b>	<b>66</b>	<b>55</b>	<b>21</b>	<b>8</b>	<b>220</b>	<b>213</b>
<b>Investment result on assets</b>	<b>418</b>	<b>446</b>	<b>59</b>	<b>92</b>	<b>114</b>	<b>100</b>	<b>21</b>	<b>8</b>	<b>553</b>	<b>554</b>
Net interest income	337	325	0	0	106	91	9	1	452	417
Dividend income	20	22	0	0	7	4	8	7	36	34
Net result from financial instruments at fair value through P&L	58	92	59	92	-1	0	3	0	60	92
Net other income	3	4	0	0	2	4	2	1	6	9
Impairment	0	2	0	0	0	1	0	0	0	2
<b>Total insurance finance income and expenses before reinsurance</b>	<b>-285</b>	<b>-296</b>	<b>-59</b>	<b>-91</b>	<b>-48</b>	<b>-45</b>	<b>—</b>	<b>0</b>	<b>-333</b>	<b>-341</b>
Interest accretion	-227	-204	—	0	-49	-46	—	0	-275	-250
Effect of changes in financial assumptions and foreign exchange differences	0	-2	0	0	1	1	—	0	1	-1
Changes in fair value re. liabilities of IFRS 17 unit linked contracts	-59	-91	-59	-91	—	0	—	0	-59	-91
<b>Net insurance and investment result before reinsurance</b>	<b>349</b>	<b>317</b>	<b>13</b>	<b>12</b>	<b>550</b>	<b>365</b>	<b>21</b>	<b>8</b>	<b>920</b>	<b>691</b>
<b>Net result from reinsurance contracts held</b>	<b>-3</b>	<b>-4</b>	<b>—</b>	<b>—</b>	<b>-72</b>	<b>-13</b>	<b>—</b>	<b>0</b>	<b>-75</b>	<b>-17</b>
Premiums paid to the reinsurer	-37	-36	—	—	-107	-121	—	0	-144	-157
Commissions received	0	9	—	—	9	11	—	0	9	20
Amounts recoverable from reinsurer	35	23	—	—	28	99	—	0	62	122
Total (ceded) reinsurance finance income and expense	0	0	—	—	-1	-1	—	0	-2	-2
<b>Net insurance and investment result after reinsurance</b>	<b>346</b>	<b>313</b>	<b>13</b>	<b>12</b>	<b>478</b>	<b>352</b>	<b>21</b>	<b>8</b>	<b>845</b>	<b>674</b>
<b>Non-directly attributable income and expenses</b>	<b>30</b>	<b>23</b>	<b>-2</b>	<b>-2</b>	<b>-59</b>	<b>-56</b>	<b>20</b>	<b>16</b>	<b>-9</b>	<b>-17</b>
Net fee and commission income	84	75	0	0	-2	-2	33	28	115	102
Net other income	—	0	—	0	—	0	75	80	75	80
Operating expenses (incl. banking and insurance tax)	-53	-51	-2	-2	-57	-53	-80	-91	-190	-196
Impairment - Other	0	-1	0	0	0	-1	-8	0	-9	-3
Share in results of assoc. comp & joint-ventures	—	—	—	—	—	—	0	0	0	0
<b>Income tax</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>-191</b>	<b>-142</b>	<b>-191</b>	<b>-142</b>
<b>Result after tax</b>	<b>376</b>	<b>336</b>	<b>11</b>	<b>10</b>	<b>419</b>	<b>296</b>	<b>-150</b>	<b>-117</b>	<b>645</b>	<b>515</b>
Attributable to minority interest	—	0	—	0	—	0	—	0	0	0
<b>Attributable to equity holders of the parent</b>	<b>—</b>	<b>0</b>	<b>—</b>	<b>0</b>	<b>—</b>	<b>0</b>	<b>—</b>	<b>0</b>	<b>645</b>	<b>515</b>

Table 1: Insurance profitability – P&L (KBC Ins Grp)

#### Net result

The consolidated result of the KBC Insurance group came to 645mIn EUR in 2025, a sharp increase of 25% (+131mIn EUR) on the previous year, primarily due to a number of (partly offsetting) results:

- An increase in the 'Insurance service result before reinsurance' of 222mIn EUR, partly positively impacted by an increase in 'Insurance revenues before reinsurance'.
- A 13-million-euro increase in 'Net fee and commission income', mainly due to higher fee and commission income from investment-linked insurance contracts in Belgium (unit-linked products measured under IFRS 9) and an increase in fee and commission income from non-insurance subsidiaries UBB Pension Insurance Company and ADD.
- A 57-million-euro decrease in the 'Net reinsurance result', relating mainly to non-life insurance, primarily due to a decrease in amounts recoverable from the reinsurer (lower storm-related claims and fewer exceptionally large claims eligible for reinsurance in 2025) and a decrease in reinsurance premiums payable.
- A slight decline in investment income due to a drop in the 'Net result from financial instruments at fair value through profit or loss & Insurance finance income and expense' (mostly due to an increase in interest accretion owing to rising average yield curves), a decrease in net other income and higher impairment (mainly on goodwill), partly offset by higher net interest income and an increase in dividend income.
- Lower 'Operating expenses' driven, among other things, by lower insurance tax, partly offset by higher ICT, marketing and other costs.

- This resulted in a decrease in non-directly attributable operating expenses of 7mln EUR.
- Higher 'Income tax expense' (-49mln EUR) due to a higher result before tax.

### Results from the different insurance entities

The profit contribution of the most material entities is shown in the following table. Largest contributor to this result is KBC Insurance NV with 67% of the KBC Insurance Group's result.

(in m EUR)	2025	2024
<b>KBC Insurance Group</b>	<b>645</b>	<b>515</b>
<i>KBC Insurance NV</i>	430	393
<i>KBC Group Re</i>	33	15
<i>ČSOB Pojišťovna a.s. CZ</i>	118	106
<i>ČSOB Poist'ovňa a.s. SK</i>	10	0
<i>K&amp;H Biztosító</i>	24	11
<i>DZI Insurance</i>	55	41
<i>Other</i>	-25	-51

Table 2: Profit contribution of the different entities

### Underwriting performance

#### Results (KBC Insurance Group)

##### Non-Life

- The 'Result before tax' generated by the non-life insurance business for 2025 (419mln EUR) was 42% higher than in 2024 (296mln EUR).
- In 2025, 'Insurance revenues before reinsurance' totalled 2.721mln EUR, an increase of 9% on the year-earlier figure. They grew by +7% in Belgium, by +17% in the Czech Republic, and by +10% in the three other Central and Eastern European markets combined. Sales of non-life insurance stood at 2.769mln EUR and rose by 9% year-on-year, with growth in all countries and classes of insurance due to a combination of volume and rate increases.
- 'Insurance service expenses before reinsurance' came to -2.237mln EUR in 2025, a 3% increase on the year-earlier figure.
- Of this amount, 'Non-life claim-related expenses' came to -1.406mln EUR in 2025, a -1% decrease on the previous year. This decrease was particularly noticeable in the Czech Republic and Slovakia, largely offset by an increase in Belgium and Bulgaria. The lower expenses were attributable to lower storm-related claims and the negative impact last year of the industry-wide update of claims inflation in personal injury claims, as well as to a higher level of exceptionally large and standard claims, partly driven by portfolio growth. The lower storm-related claims were mainly in the Czech Republic (storm Boris) and Belgium, having an impact of -21mln EUR before reinsurance or -16mln EUR after reinsurance in 2025 (-133mln EUR and -72mln EUR, respectively, in 2024).
- The 'Non-life non-claim-related expenses' component rose due, among other things, to higher commissions (related to the higher insurance revenues) and, to a lesser extent, due to higher costs, noticeable in all countries except Hungary, owing to lower insurance tax.
- The 'Result from reinsurance contracts held' in 2025 was -72mln EUR, compared to -13mln EUR in 2024. This decrease is mainly attributable to lower reinsurance amounts recovered, partly offset by a decrease in reinsurance premiums payable, as reinstatement premiums amounting to approximately -11mln EUR were paid in 2024 as a result of, among other things, storm Boris.
- Taking into account the higher 'Insurance revenues', the (relatively) limited increase in 'Insurance service expenses' and the less positive 'Result from reinsurance contracts held', the combined ratio came to a very favourable 86,7% (a decrease of 3 percentage points on the 2024 level). The combined ratio in 2024 excluding storm Boris was 88,3%.

Non-Life in %	2025	2024	Change in %
Net claim ratio	55,4%	58,4%	-3 pp
Net cost ratio (vs written premium)	31,3%	31,3%	0 pp
Net combined ratio	86,7%	89,7%	-3 pp

Table 3: Net combined ratio (KBC Ins Grp)

Further split up of the Net combined ratio per entity is given in the next table:

Net Combined Ratio		2025	2024
KBC Insurance NV (par BEL)		86,0%	87,6%
ČSOB Pojišťovna a.s. CZ		86,6%	86,3%
ČSOB Poist'ovňa a.s. SK		97,1%	112,4%
K&H Biztosító		94,0%	100,3%
	excl. windfall tax	89,6%	91,3%
DZI Insurance		83,9%	85,7%
<b>KBC Insurance Group</b>		<b>86,7%</b>	<b>89,7%</b>

Table 4: Net combined ratio per entity (KBC Ins Grp)

### Life

At 376mIn EUR, the 'Result before tax' generated by the life insurance business in 2025 was 12% higher than the figure for 2024 (336mIn EUR).

- The insurance service result before reinsurance in 2025 went up by 49mIn EUR, primarily attributable to Belgium. The improved experience result — driven by a higher release of expected claims and claim related costs, as well as lower actual claims and other claim related expenses — was further strengthened by a more favourable settlement of prior year claims
- 'Non-directly attributable income and expenses' rose from 23mIn EUR in 2024 to 30mIn EUR in 2025, primarily due to an increase in 'Net fee and commission income' in Belgium.
- Sales of life insurance products amounted to 3.576mIn EUR, a 23% increase compared to 2024, largely driven by unit-linked insurance contracts in Belgium (non-IFRS 17) and growth in non-unit-linked insurance contracts (IFRS 17), also primarily in Belgium. The share of IFRS 17 non-unit-linked products in our total sales of Life insurance in 2025 stood at 42%, whereas the IFRS 17 unit-linked and non-IFRS 17 stood at 50%, with the remainder consisting of hybrid products (mainly in the Czech Republic).

Sales Life (m EUR)	2025	2024
<b>Total</b>	<b>3.576</b>	<b>2.906</b>
IFRS 17 - non-unit-linked	1.496	1.214
IFRS 17 - unit-linked	171	158
IFRS 17 - hybrid	274	197
Non-IFRS 17	1.635	1.337

Table 5: Overview of the Sales Life portfolio (KBC Ins Grp)

In the table below, where a split per entity is shown, the following increases year-on-year can be derived in the Unit-Linked portfolio (311m EUR), the guaranteed interest products (281m EUR) and the hybrids (77m EUR). The increase is predominantly attributable to KBC Insurance NV, with a rise of 299m EUR in the Unit-Linked portfolio, 277m EUR in guaranteed interest products and 22m EUR in hybrid products.

Sales Life (in m EUR)	2025		2024	
	Total	%	Total	%
<b>Total</b>	<b>3,576</b>	<b>100%</b>	<b>2,905</b>	<b>100%</b>
<i>KBC Insurance NV (BE)</i>	3,093	86.5%	2,494	85.9%
<i>ČSOB Pojišťovna a.s. (CZ)</i>	230	6.4%	195	6.7%
<i>ČSOB Poist'ovňa a.s. (SK)</i>	56	1.6%	50	1.7%
<i>K&amp;H Insurance Zrt. (HU)</i>	92	2.6%	68	2.3%
<i>DZI Insurance (BG)</i>	105	2.9%	98	3.4%

Table 6: Sales Life (KBC Ins Grp)

### Non-technical results

- The non-technical result includes the results from non-insurance subsidiaries, such as VAB and ADD, as these subsidiaries of KBC Insurance cannot be assigned to either the Life or the Non-life business.

- Furthermore, the non-technical result also includes the investment income from equity of KBC Insurance NV (mainly net interest income from bonds) and income tax.
- The non-technical result after tax came to -150mIn EUR in 2025, lower than in 2024 (-117mIn EUR).

## Results (KBC Insurance NV)

### Non-Life

The table below provides an overview of the IFRS17 Non-Life results for 2025 compared to last year 2024:

(in m EUR)	2025	2024	Change in amount	Change in %
<i>Insurance service result - before reinsurance</i>	293	261	32	12.45%
<i>Insurance revenues - before reinsurance</i>	1.612	1.510	102	6.73%
<i>Insurance service expenses (ISE) - before reinsurance</i>	-1.319	-1.250	-69	5.53%
<i>Investment result on assets</i>	79	68	12	17.34%
<i>Insurance finance income or expense (IFE)</i>	-32	-28	-4	14.08%
<b>Net insurance &amp; investment result - before reinsurance</b>	<b>341</b>	<b>301</b>	<b>40</b>	<b>13.40%</b>
<i>Net result from (ceded) reinsurance contracts held</i>	-47	-61	14	-23.3%
<b>Net insurance &amp; investment result - after reinsurance</b>	<b>294</b>	<b>239</b>	<b>54</b>	<b>22.75%</b>
<i>Other profit or loss</i>	-41	-39	-2	5.21%
<b>Non-Life Result (before tax)</b>	<b>253</b>	<b>201</b>	<b>52</b>	<b>26.12%</b>

Table 7: Results Non-Life (KBC Ins NV)

The result before tax is +52m EUR higher than last year mainly due to higher 'Insurance service result', higher investment result on assets, lower 'Insurance finance income or expenses' and higher Net result from (ceded) reinsurance contracts held.

The higher insurance service result reflects a combination of effects:

- Positive drivers include higher insurance revenues (+102m EUR) and a lower storm impact, as no major storm events occurred in 2024 and 2025.
- Negative drivers include higher XL-claims, a more negative impact of normal claims, higher premium-linked commissions driven by increasing premium income, and several adverse parameter updates (including updates to cash-flow profiles in workmen's compensation, default wages for bodily injury reserves, and indicative tables).

In 2025, the net combined ratio decreased, which is mainly explained by a lower claim level.

Non-Life in %	2025	2024	Change in %
Net claim ratio	56,0%	57,6%	-1,6 pp
Net cost ratio	31,2%	31,0%	0,2 pp
Net combined ratio KBC Insurance	87,1%	88,6%	-1,5 pp

Table 8: Net combined ratio (KBC Ins NV)<sup>4</sup>

The detailed net combined ratios for the different classes of business are mentioned hereunder:

<sup>4</sup> The combined ratio for KBC insurance Business Unit Belgium amounted to 86%. This figure differs from the view at KBC Insurance NV, mainly due to the cost ratio: the BU BE view excludes the non-direct administration expenses allocated by KBC Group, resulting in a cost ratio that is roughly 1 percentage point lower. Consequently, the combined ratio is also lower in the BU BE view compared to KBC Insurance NV.

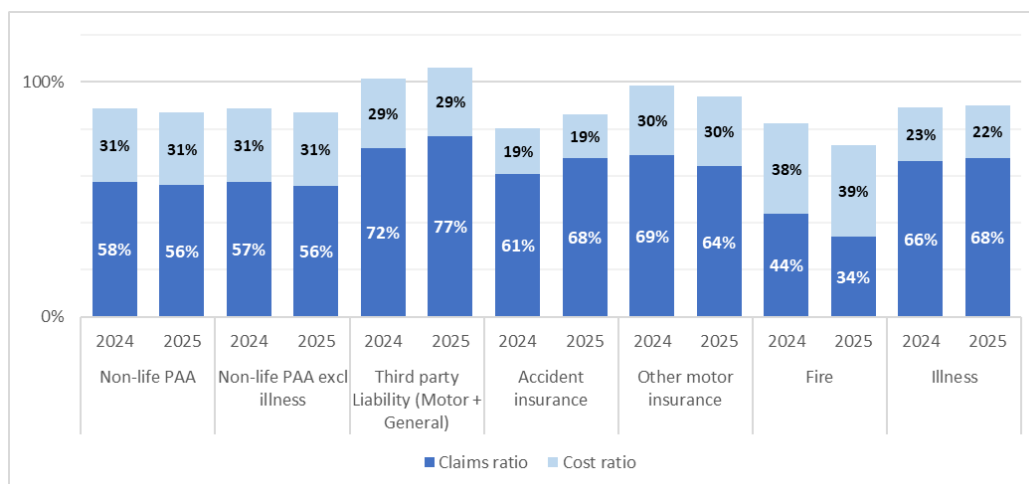


Figure 1: Net combined ratio for different classes of business (KBC Ins NV)

## Life

The tables below provide an overview of the IFRS 17 Life results for 2025 compared to 2024.

(in m EUR)	2025	2024	Change in amount	Change in %
<b>Result before tax</b>	<b>287</b>	<b>260</b>	<b>27</b>	<b>10,4%</b>
Investment result on assets	322	314	8	2,6%
Insurance Finance Income or expense (IFIE)	- 205	- 183	- 22	11,9%
Insurance service result (after reinsurance)	132	99	34	33,9%
Net fee & commission income	84	76	8	10,7%
OPEX - non directly attributable (incl. bank. & ins. tax)	- 46	- 45	- 1	2,2%
<b>Result before tax excluding non recurring results</b>	<b>291</b>	<b>267</b>	<b>24</b>	<b>8,8%</b>
Non recurring results	- 3	- 7	4	-50,3%

Table 9: Life results (KBC Ins NV)

**Investment result on assets: 322m EUR in 2025; +8m EUR vs previous year.**

Higher net interest income on the bond portfolio driven by higher average yield on new investments (vs matured bonds) and reinforced by higher outstanding volumes.

But this higher net interest income has been partly compensated by lower income on other items of the investment result (dividend income, net result on financial instruments at fair value through P&L, impairments).

**Insurance Finance Income or expense (IFIE): -205m EUR in 2025; -22m EUR vs previous year**

- Higher IFIE cost on CSM (-4m; -16m EUR in 2025 vs -12m EUR in 2024) mainly explicable by increasing evolution of locked in curves
- Higher IFIE cost on fulfilment cashflows (FCF) (-18m; -188m EUR in 2025 vs -170m EUR in 2024)
  - Mainly attributable to the growing portfolio Life Experience
  - Declining Life Capital & Life Future 8 portfolio was at very low IFIE cost.
- Remainder explicable by IFIE on Liability on incurred claims (LIC) which is only a small amount in Life Insurances.

**Insurance service result +132m EUR in 2025; +34m EUR vs previous year**

The tables below show the breakdown of Life insurance service result by component and by portfolio.

(in m EUR)	2025	2024	Change in amount	Change in %
<b>Insurance service result (after reinsurance)</b>	<b>132</b>	<b>99</b>	<b>34</b>	<b>33,9%</b>
<i>CSM &amp; RA Release</i>	104	113	- 9	-7,8%
<i>Experience result</i>	20	- 5	25	-465,1%
<i>Changes in loss component</i>	- 22	- 25	2	-9,9%
<i>Past services</i>	23	10	12	122,6%
<i>Life PAA result</i>	12	7	5	62,5%
<i>Ceded result</i>	- 4	- 2	- 3	157,8%

Table 10: Life results by component (KBC Ins NV)

Including non recurring results				
(in m EUR)	2025	2024	Change in amount	Change in %
<b>Insurance service result (after reinsurance)</b>	<b>132</b>	<b>99</b>	<b>34</b>	<b>33,9%</b>
<i>Risk &amp; savings</i>	113	104	9	8,7%
<i>Investments</i>	- 21	- 16	- 5	33,0%
<i>Riders Individual</i>	27	3	24	817,5%
<i>Hybrid products</i>	6	3	4	132,6%
<i>Riders group</i>	12	7	5	65,6%
<i>Ceded result</i>	- 4	- 2	- 3	157,8%

Table 11: Life results by portfolio (KBC Ins NV)

### Net fee & commission income +84m EUR in 2025; +8m EUR vs previous year

- Higher net entry fee (+1m) excellent gross production in 2025, but at a slightly lower net entry fee % (0,18% in 2025 vs 0,20% in 2024).
- Higher management fees (+7m): higher average Assets under Distribution in 2025 resulting from positive market performance in 2025 and positive net production in 2025.

(in m EUR)	2025	2024	Change in amount	change in %
<b>Net fee &amp; commission income</b>	<b>84</b>	<b>76</b>	<b>8</b>	<b>11,1%</b>
<i>Gross production class 23</i>	2.861	2.108	753	35,7%
<i>Class 23 net placement result</i>	5	4	1	17,2%
<i>Class 23 management fees</i>	81	74	7	9,0%
<i>Other net fee &amp; commission income</i>	-3	-3	0	0,4%

Table 12: Life Net Fee &amp; Commission Income

## Investment performance

### Results (KBC Insurance Group)

Table 1: Insurance profitability – P&L (KBC Ins Grp) gives an overview of the investment income for 2025.

The investment result on assets went down by 1m EUR compared to 2024.

The following developments underlying the investment result were identified:

- A 35m EUR increase in 'Total Net interest income', primarily on account of higher interest income from bonds and from inflation-related bonds in Belgium, and lower costs on subordinated loans. This was supplemented by, among other things, higher interest income owing to the reinvestment of maturing government bonds at a higher interest rate in Hungary.
- The 32m EUR decrease in 'Net result from financial instruments at fair value through profit or loss' was entirely due to a lower increase in the fair value of investments related to investment-linked insurance contracts measured under IFRS 17.
- A slight increase in 'Dividend income' of 2m EUR.
- A 3m EUR decrease in the 'Impairment result' (related to a reversal in 2024).
- A 3m EUR decrease in 'Net other income'.

## Net interest income

The table below contains more detailed information on net interest income. Net interest income rises from 417m EUR in 2024 to 452m EUR in 2025. Gross interest income decreases by 25m EUR, while interest expenses decreases by 59m EUR.

(in m of EUR)	2025	2024
<b>Total Net Interest Income</b>	<b>452</b>	<b>417</b>
<b>Interest income</b>	<b>609</b>	<b>634</b>
Interest income on financial instruments calculated using the effective interest rate method		
<i>Financial assets at AC</i>	247	294
<i>Financial assets at FVOCI</i>	323	294
<i>Hedging derivatives</i>	34	38
<i>Financial liabilities (negative interest)</i>	0	0
<i>Other</i>	0	0
Interest income on other financial instruments		
<i>Financial assets MFVPL other than held for trading</i>	2	0
<i>Financial assets held for trading</i>	5	8
<i>Of which economic hedges</i>	5	8
<i>Other financial assets at FVPL</i>	0	0
<b>Interest expense</b>	<b>-158</b>	<b>-217</b>
Interest expense on financial instruments calculated using the effective interest rate method		
<i>Financial liabilities at AC</i>	-124	-188
<i>Financial assets (negative interest)</i>	0	0
<i>Hedging derivatives</i>	-28	-22
<i>Other</i>	-1	-1
Interest expense on other financial instruments		
<i>Financial liabilities held for trading</i>	-5	-7
<i>Of which economic hedges</i>	-5	-7
<i>Other financial liabilities at FVPL</i>	0	0
<i>Net interest expense relating to defined benefit plans</i>	1	1

Table 13: Net interest income (KBC Ins Grp)

## Bond portfolio

The bond portfolio represents the most material part of the investment portfolio, i.e. 79% representing a market value of 16,8b EUR. The composition of the bond portfolio itself is stable, i.e. it consists of:

- 70% government bonds, corresponding to a market value of 11,8b EUR.
- 30% corporate bonds, corresponding to a market value of 5b EUR.

While the market value of the bond portfolio increased by 1.027mIn EUR, this metric alone does not provide a complete view of how the portfolio evolved over the year. Movements in market value can be materially influenced by changes in the interest-rate term structure, and therefore may not reflect underlying portfolio actions such as reinvestments, shifts in credit quality, duration positioning or changes in asset allocation.

## Loans & Mortgages

The loans & mortgages portfolio is almost exclusively linked to KBC Insurance NV. The evolution of the outstanding principal amount (nominal) in the credit portfolio shows a decrease by -126m EUR (or -6,9%) compared to end-of-year 2024. The evolution on market value is mainly driven by the evolution in nominal value as the decrease in interest rates had a compensating effect. Belonging to a bank-insurance group, KBC Insurance NV can benefit from the expertise and infrastructure which is available at the bank side, regarding the commercial aspects and risk assessment of the mortgages and other direct loans.

## Equity

Equity exposure is the 2<sup>nd</sup> largest asset category in the investment portfolio of KBC Insurance Group & KBC Insurance NV, representing 9,9% of the portfolio or 2,1b EUR. Compared to last year the equity exposure has increased by 359m EUR and is a result of:

- The strong performance of the equity market after the first quarter of 2025.

- Purchase of shares in sustainable infrastructure funds.

## Results (KBC Insurance NV)

### *Net interest income*

A higher Net Interest Income (+30m EUR) is primarily explained by;

- impact of higher rate environment for long term interest rates, leading to gradual increasing avg. portfolio yield as yield of new & reinvestments was materially higher than on matured investments
- portfolio increase driven by growth of liability portfolio

### *Bond portfolio*

The bond portfolio represents the most material part of the investment portfolio, i.e. 73% representing a market value of 14,4b EUR. The composition of the bond portfolio itself is stable, i.e. it consists of:

- 68% government bonds, corresponding to a market value of 9,8b EUR.
- 32% corporate bonds, corresponding to a market value of 4,7b EUR.

When focussing on the market value of the bond portfolio an increase of 845m can be noticed.

### *Loans & Mortgages*

The evolution of the outstanding principal amount (book value IFRS) in the credit portfolio, 1,5b outstanding at end-of year 2025, shows a y.o.y. decrease by 133m EUR (or -8%).

### *Equity*

Equities are a material part of the investment portfolio of KBC Insurance NV, representing 16,5% or 3,3b EUR (market value). Compared to last year the equity exposure has increased by 528m EUR.

## Performance of other activities

No other activities are material enough to be included in this SFCR Report.

# System of governance

## Governance, remuneration and fit & proper policy

### Governance of KBC Insurance Group

#### Main insurance companies of KBC Insurance Group

The main entities of the KBC Insurance Group are:

- KBC Insurance NV (Belgium);
- Its subsidiaries:
  - ČSOB Pojišť'ovna a.s. (Czech Republic);
  - ČSOB Poist'ovňa a.s. (Slovak Republic);
  - K&H Insurance Zrt. (Hungary);
  - DZI Life Insurance Jsc (including DZI General Insurance Jsc and UBB Pension Insurance Company EAD) (Bulgaria);
  - KBC Group Re (Luxembourg).

The activities of the main entities of the KBC Insurance Group are operationally organised in business units:

- The Belgian activities of KBC Insurance NV are included under the Belgium Business Unit and organised in the KBC Insurance Products Directorate;
- ČSOB Pojišť'ovna a.s. is part of the Czech Republic Business Unit;
- ČSOB Poist'ovňa a.s., K&H Insurance Zrt. and DZI Life Insurance Jsc (including DZI General Insurance Jsc and UBB Pension Insurance Company EAD) are part of the International Markets Business Unit;
- KBC Group Re is part of Group Centre.

#### Shareholder structure and corporate bodies of KBC Insurance NV

##### Shareholder structure

Apart from 48.889 shares held by KBC Insurance NV itself, all the shares of KBC Insurance NV are held by KBC Group NV. The shareholder structure of KBC Insurance NV is thus as follows:

Shareholders	Number of shares	Percentage
<b>Total</b>	<b>1.050.906</b>	<b>100%</b>
<i>KBC Group NV</i>	1.002.017	95,3%
<i>KBC Insurance NV</i>	48.889	4,7%

Table 14: Shareholder structure

##### Corporate bodies of KBC Insurance NV

KBC Insurance NV is managed according to a dual model, which draws a distinction between:

- The 'Board of Directors' (BoD), which has the task of setting strategy and supervising operational management;
- The 'Executive Committee' (ExCo), which is responsible for the operational management of the company.

The tasks and functioning of the Board of Directors and the Executive Committee are described in the Corporate Governance Charter of KBC Insurance NV.

The Board of Directors is assisted by the following advisory committees:

- The Audit Committee;
- The Risk & Compliance Committee;
- The Remuneration Committee of KBC Group NV;
- The Nomination Committee of KBC Group NV.

The tasks and functioning of Audit Committee and the Risk & Compliance Committee of KBC Insurance NV are described in the Corporate Governance Charter of KBC Insurance NV. The Corporate Governance Charter of KBC Group NV contains the tasks and the rules of procedure of the Remuneration Committee and the Nomination Committee:

- While it is legally not recommended for an insurance company to establish a Nomination Committee, the KBC Group decided to establish such a committee at the level of KBC Group NV, which also operates as a nomination committee for KBC Insurance NV;
- The Remuneration Committee of KBC Group NV (mixed financial holding company and parent of KBC Insurance NV) operates as the remuneration committee of KBC Insurance NV.

## Internal governance of Belgian activities of KBC Insurance NV and KBC Insurance Group

### General remarks

All entities mentioned have their own governance structure.

The subsidiaries of the KBC Insurance Group – KBC Insurance NV, ČSOB Pojišť'ovna, a.s. (Czech Republic), ČSOB Poist'ovňa a.s. (Slovakia), K&H Insurance Zrt. (Hungary), DZI Life Insurance Jsc (including DZI General Insurance Jsc and UBB Pension Insurance Company EAD (Bulgaria), and KBC Group Re (Luxembourg) – are autonomous legal entities. Each one is:

- Managed on a day-to-day basis by an executive body;
- Supervised by a supervisory body and committees (such as and depending on the country specifics): an Audit, Risk & Compliance Committee, a Remuneration Committee and a Nomination Committee.

All the entities develop their strategy and activities within the strategy of the country in which they are active. This country strategy is drawn up in line with the strategy of KBC Group NV and KBC Insurance NV, under the leadership of the Country CEO. The country and insurance strategy, activities and results are reported to:

- The CEO of their respective business units;
- The Executive Committee and Board of Directors of KBC Insurance and KBC Group NV.

Mechanisms are in place to ensure that the insurance companies are integrated within their country, their business unit, the KBC Insurance Group and the KBC Group, that they cooperate and that their activities are monitored.

These mechanisms relate, inter alia, to:

- The role of the management committees at the level of the Business Units;
- The role of the Country Teams;
- The role of Group Communities;
- The role of the GM Group Communities & Insurance;
- The representation of the shareholders in the supervisory bodies;
- The role of the control functions and their reporting requirements.

### *Role of the Country Teams*

A Country Team is established in every country (except Belgium Business Unit) to, inter alia, foster cooperation between the bank and the insurance companies. Each Country Team operates as an advisory body and discusses strategic topics relevant to the entities in each specific country. In addition, it discusses and challenges financial plans and monitors performance.

### *Role of the Group Communities and the role of the GM Group Communities & Insurance*

The mission of the Group Communities is to foster, stimulate and accelerate the transnational collaboration in the KBC Group. This collaboration aims to deliver tangible added value for the entities – make them stronger in the local market – in the domain Insurance and Banking.

The responsibility of the GM Group Communities & Insurance is twofold: (1) developing and fostering the community working within the business domains Insurance and Banking; and (2) supporting the CEO of the International Markets Business Unit (functional reporting line) in the development of the insurance activities outside Belgium (including representation in the local governance, i.e. representing KBC Insurance in the various Supervisory Bodies and Audit, Risk & Compliance Committees of all insurance entities (except KBC Insurance NV)).

#### *The role of the control functions at Group level and their reporting requirements*

Group Risk, Group compliance, the Group actuarial function and Group audit (at the level of the KBC Insurance Group and the KBC Group) include the findings of insurance subsidiaries - second and third line of defence functions in their reports, which are submitted to :

- The Executive Committee of KBC Insurance NV and KBC Group NV;
- The Audit Committee, the Risk & Compliance Committee and the Board of Directors of KBC Insurance NV and KBC Group NV.

### **Governance of the Belgian activities of KBC Insurance NV (“KBC Insurance Products”)**

#### *Management Committees at the level of the Belgium Business Unit*

The insurance activities of KBC Insurance NV are included under the Belgium Business Unit. The following management committees have been set up at the level of this business unit:

- The Belgium Business Unit Management Committee is accountable for designing and proposing the strategy and for managing the execution of the strategy in Belgium Business Unit, fitting the strategy of KBC Group NV and KBC Insurance NV, and, given KBC’s bank-insurance strategy, also of KBC Bank NV;
- The Risk, ALM & Capital Committee, which is dedicated to risk topics and covering all risk types.

The Senior General Manager responsible for the insurance activities of the Belgium Business Unit is a member of these committees.

The Belgium Business Unit reports on its strategy, activities and results to the Executive Committee and to the Board of Directors of both KBC Group NV and KBC Insurance NV.

#### *Management Committees at the level of Insurance Products Belgium*

The activities of KBC Insurance Products are part of the Insurance Products Directorate, headed up by a Senior General Manager. This directorate has its own management committees to steer the activities, including:

- The Insurance Products Management Committee, which manages the KBC Insurance Products Directorate as a whole. It develops the overall strategy of KBC Insurance Products and monitors the business, operational and insurance risk;
- The Insurance Products Risk Management Committee, which mission is to anchor the knowledge about Solvency II and the underlying parameters; come to a transparent, documented risk policy; discuss risk related topics; inform about Solvency II and follow up the Solvency II- & IFRS 17-topics, e.g. parameters, cost allocation, documentation; ad hoc ALM topics (only after delegation), ad hoc topics on sustainability or ESG.
- The Life & Health insurance activities are managed by following committees: a New & Active Product Process Committee, a Risk Management Committee and an Operational Management Committee;
- Non-Life insurance activities are managed by the following committees: a New & Active Product Process Committee, a Risk Management Committee and an Operational Management Committee.

#### *Reporting by the control functions*

The Risk function, the Compliance function and the Actuarial function (known as the second line of defence) and the Audit function (known as the third line of defence) report their findings on the activities of KBC Insurance Products to:

- The management of KBC Insurance Products;
- The Executive Committee of KBC Insurance NV;
- The Audit Committee, the Risk & Compliance Committee and the Board of Directors of both KBC Group NV and KBC Insurance NV.

## **Governance and corporate bodies of the foreign subsidiaries of the KBC Insurance Group**

### *ČSOB Pojišť'ovna a.s –Czech Republic Business Unit*

#### *Representatives of the shareholders in ČSOB Pojišť'ovna, a.s*

KBC Insurance NV, the sole shareholder of ČSOB Pojišť'ovna a.s, has one representative on the Supervisory Body and one on the Nomination & Remuneration Committee. This representative is the General Manager Group Communities & Insurance.

ČSOB Bank has one representative on the Supervisory Board, one on the Audit Committee and one on the Nomination & Remuneration Committee. The representative of ČSOB Bank on the Supervisory Board is the CEO and he fosters cooperation between ČSOB Bank and the insurance company, in particular by aligning their respective strategies.

#### *Management committees of the insurance company*

ČSOB Pojišť'ovna a.s has the following management committees to assist its executive body:

- New & Active Product Process Committee;
- Investment Committee;
- Local Risk & Capital Oversight Committee;
- Reserving and Parameter Committee.

#### *Reporting by the local control functions*

The local risk function, Compliance function and actuarial function (known as the second line of defence), and the local Audit function (known as the third line of defence) report their findings on the activities of ČSOB Pojišť'ovna a.s. to:

- The Board of Directors of the insurance company;
- The Audit Committee of the insurance company.

### *ČSOB Poist'ovňa a.s. (Slovakia), K&H Insurance Zrt. (Hungary) and DZI Life Insurance Jsc (including DZI General Insurance Jsc and UBB Pension Insurance Company EAD) (Bulgaria) – International Markets Business Unit*

#### *Representation of KBC Insurance NV*

KBC Insurance NV, the sole shareholder of ČSOB Poist'ovňa a.s., has a representative on the Supervisory Board, i.e. the General Manager Group Communities & Insurance. It has one representative on the Remuneration Committee: the CEO of the International Markets Business Unit (member of the Executive Committee of KBC Insurance). It has one representative on the Audit, Risk & Compliance Committee, i.e. the General Manager Group Communities & Insurance.

KBC Insurance NV, the sole shareholder of K&H Insurance Zrt., has two representatives in the Supervisory Board: the CEO of the International Markets Business Unit (who is also member of the Remuneration Committee and the Audit, Risk and Compliance Committee) and the General Manager Group Communities & Insurance.

KBC Insurance NV, the sole shareholder of DZI Life Insurance Jsc, has two representatives on the Supervisory Board: the CEO of the International Markets Business Unit (who is also member of the Remuneration Committee) and the General Manager Group Communities & Insurance. They have the same mandates in DZI General Insurance Jsc (DZI Life Insurance Jsc being sole shareholder of this company). KBC Insurance NV is not directly represented in the governance bodies of UBB Pension Insurance Company EAD.

#### *Management committees of the insurance subsidiaries*

The insurance subsidiaries have their own management committees, which assist their respective executive bodies. These committees consist of:

- New & Active Product Process committees;
- Investment committees;
- Local Risk & Capital Oversight committees.

#### *Reporting by the local control functions*

The local Risk function, Compliance function and Actuarial function (known as the second line of defence) and the local Audit function (known as the third line of defence) report their findings on the activities to:

- The management of the insurance subsidiary;
- The Audit, Risk & Compliance Committee of the insurance subsidiary.

#### *KBC Group Re*

KBC Group Re SA is the internal reinsurance subsidiary belonging to the KBC Group. The company specializes in protecting the KBC Group's bank and insurance entities. It provides reinsurance (protection) for insurers being part of the KBC Group while diversifying and optimizing the Group's overall risk retention.

#### *Management structure of KBC Group Re*

KBC Group Re is managed by a Board of Directors. The Board of Directors is responsible for developing and approving the strategy and general policy for the company, including a Risk, Compliance and Audit framework, and monitoring their implementation. The Board is also responsible for the appointment of the Managing Director. The Managing Director does also assume the responsibilities and role of 'Dirigeant agréé' as defined in the Luxembourg regulation 'Loi modifiée du 6 décembre 1991 sur le secteur des assurances'.

The Board also acts as Audit, Risk and Compliance Committee (see further).

The Board is composed of at least 3 members (currently 4) appointed by the General Meeting. It consists of 3 non-executive members, i.e. the Senior General Manager responsible for the insurance activities of the Belgium Business Unit, the General Manager in charge of the Group Communities and Insurance Division, a senior manager of the KBC Insurance Products Directorate (BU BE) and the Managing Director.

The Managing Director is the sole Executive Director.

#### *Audit Risk and Compliance Committee of KBC Group Re*

The Audit, Risk and Compliance Committee is not set up as a separate committee: the Board directly exercises its responsibilities regarding those topics within the audit, risk and compliance domains, i.e. the integrity of the financial reporting, the effectiveness of the internal control measures and risk management processes, and the implementation of the compliance rules.

Following persons, or their representative, participate as permanent guests during these Audit, Risk and Compliance Committee meetings:

- The Internal auditor;
- The Chief Risk Officer (CRO) of the Business Unit Belgium of KBC;

- The Compliance Officer.

The external auditors are invited at least once a year.

#### *Reporting of the local control functions of KBC Group Re*

The local Risk function, Compliance function and Actuarial function, and the Group audit function report on their findings to the Board of Directors when acting as Audit Risk and Compliance Committee.

## Remuneration

Introduced in 2010, the KBC Remuneration Policy defines general remuneration guidelines for all staff and specific remuneration guidelines for those employees who could have a material impact on the risk profile of the company, also known as 'Key Identified Staff'. Continuously changing legislation for financial institutions means that the KBC Remuneration Policy is amended each year. For additional details and background information on the Remuneration Policy, please see the 'Remuneration report' section of the KBC Group annual report, which is available at [www.kbc.com](http://www.kbc.com).

The Compensation Report, on the other hand, provides information on the principles governing remuneration at KBC Group level and discloses remuneration figures based on European and national legislation. This report is also available at [www.kbc.com](http://www.kbc.com).

## Fit & proper policy

The KBC Group Suitability Policy was approved by the Board of Directors of KBC Group NV, KBC Bank NV and KBC Insurance NV. It contains the suitability policy for:

- The Board of Directors;
- The Executive Committee;
- The persons in charge of independent control functions, i.e. 'Key Function Holders'.

The Suitability Policy for the non-executive directors of KBC Group NV, KBC Bank and KBC Insurance include the following requirements:

- The Board of Directors must have sufficient knowledge and expertise of the financial industry and financial markets, and of the banking and insurance activities which are developed within the KBC Group;
- The Board of Directors must have deep knowledge of KBC's strategy and business model and its shareholder structure;
- The directors must have the capability to understand and critically assess the strategy and its business model, the strategic planning and its implementation, the financial reporting, the organization, the effectiveness of the steps taken with the view to create effective governance, oversight and controls, the management information systems, information technology and information security, the impact of technological changes and the digital innovation within the KBC Group, climate and environmental risks, the Risk, Audit and Compliance reports and the functioning of the Risk, Audit and Compliance functions, and the reports of the actuarial function and the functioning of the actuarial function;
- The directors who are appointed to an advisory committee (Audit Committee, Risk & Compliance Committee, Nomination Committee and Remuneration Committee) must have relevant expertise w.r.t. the activities of the committee concerned;
- All directors, whether executive or not, must have the necessary 'independence of mind'.

The Suitability Policy for the members of the Executive Committee (ExCo) of KBC Group NV, KBC Bank and KBC Insurance includes the following requirements:

- The Executive Committee as a whole should have deep knowledge and experience relating to finance, risk management, compliance, audit, actuarial analysis, internal control, information management, innovation and technological transformation, change management, organization, societal issues and the legal and regulatory issues;
- The Executive Committee must have a deep knowledge and experience of the financial industry and of financial markets;

- The Executive Committee must have a deep knowledge and experience of KBC's strategy and business model, and of the banking and insurance activities which are developed within KBC Group;
- ExCo members must have the knowledge and experience to lead the KBC Group and must have in this respect strategic insight. They should have, depending on their position in the Executive Committee, the knowledge and experience relating to finance, risk management, compliance, audit, actuarial analysis, internal control, information management, innovation and technological transformation, change management, organization, societal issues and the legal and regulatory issues, required to perform their duties individually and, as part of the Executive Committee, to be able to function as a team;
- ExCo members must have leadership skills in line with the KBC leadership model;
- ExCo members must have the necessary 'independence of mind';
- ExCo members live the values of the KBC Group.

The fit & proper process involves the following steps:

- The Nomination Committee discusses, assesses and advises the Board of Directors regarding the composition of the Board, its advisory committees and the composition of the Executive Committee;
- It discusses and proposes to the Board the required profile of new directors;
- It assesses the candidates;
- It assesses the suitability of the directors (in case of re-appointment) or of the candidate directors (in case of appointment) taking into account the regulatory requirements and the requirements referred to in the aforementioned Suitability Policy. It conducts this assessment based on the files which are prepared for submission to the supervisory body. It assesses the collective suitability of the Board of Directors. It presents its advice to the Board of Directors.

The Suitability Policy for the Key Function Holders of KBC Group, KBC Bank and KBC Insurance and the Heads of the foreign branches includes i.e. the following requirements:

- They must have the appropriate knowledge and experience for the corresponding position and domain, realised or to be realised through education and training (diploma/on the job) or relevant work experience;
- They must have good communication skills;
- They must act loyal and responsive;
- They must have professional behaviour by providing sufficient guarantees to fulfil the position in a conscientious and independent manner, with specific and strong attention to the independence (conflict of interests) and pastimes.

The process involves the following steps:

- The Corporate HR department discusses, assesses and gives advice to the Executive Committee regarding the appointment of a Key Function Holder;
- It discusses and proposes to the Executive Committee the required profile of the Key Function Holder;
- It assesses the candidates;
- It assesses the fitness and propriety of the Key Function Holders (in case of re-appointment) or of the candidate Key Function Holders (in case of appointment) taking into account the regulatory requirements and the requirements mentioned in the internal policies. It conducts this assessment based on the files which are prepared for submission to the supervisor;
- It presents its advice to the Executive Committee for approval.

## Risk management in KBC Group

The risk, compliance and actuarial functions (who together constitute the 'CRO Services') support KBC in achieving its strategic objectives, to contribute to its resilience and agility, to provide management and the Board with insights supporting risk-conscious decision-making and to proactively inform them about the risks KBC is facing. Priorities for risk management are defined in the KBC Risk Strategy. This strategy finds its origin in the KBC Risk Appetite, the Corporate Strategy and the PEARL+ culture and 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 and actuarial functions regularly assess and update their strategy, considering all relevant elements (e.g., top risks), including the '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, compliance and actuarial functions is based on three key pillars:

- Support the business: we support, advise and challenge the business 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 Corporate Strategy and business we become more digital, data-driven and straight-through. By being more efficient and effective in our business-as-usual processes, we create room to develop approaches for new risks. Moreover, we extend and improve our risk and compliance framework for an increasingly digital, interconnected and sustainable future;
- People: we attract and nurture talent, building an engaged 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

Main elements in our risk governance model:

- The Board of Directors (Board), supported by the Risk & Compliance Committee, 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 are managed appropriately, and for promoting a sound, consistent group-wide risk culture. The number of external mandates held by the members of the Board can be found on our KBC website under the topic 'Leadership' as part of the 'Corporate Governance' section. How the members are recruited, also taking into account the diversity in the composition of the Board, can be found in the 'Corporate governance statement' of the KBC Group NV 2025 Annual Report and under the topic 'Our corporate governance charter' as part of the 'Corporate Governance' section on our KBC website.
- The Risk and Compliance Committee (RCC)
  - is an advisory committee on topics within the Board's accountability, e.g., the group's risk appetite, the monitoring of risk exposure compared to the group's risk appetite and the supervision of the implementation, efficiency and effectiveness of the Risk Management Framework;
  - reviews whether the prices of liabilities and assets and of categories of off-balance-sheet products offered to clients fully take into account the institution's business model and risk appetite, and examines, without prejudice to the tasks of the Remuneration Committee, whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings;
  - issues periodic opinions on the quality, capacity and skills of the risk function.
- The Executive Committee (ExCo) is the integrating management committee on risk management, operating in alignment with decisions taken by the Board related to risk appetite, strategy, and performance goals.
  - It monitors the group's risk exposure to ensure conformity with the risk appetite and the implementation of the Risk Management Framework throughout the group.
  - It forms, extended with relevant parties, the Group Crisis Committee in group-wide crisis situations.
- The ExCo is supported by the CRO Services Management Committee (CRO Services MC), risk committees (right-hand side of the figure) and business committees (left-hand side of the figure), in which representatives of risk are present.

A simplified schematic of our risk governance model is shown below:

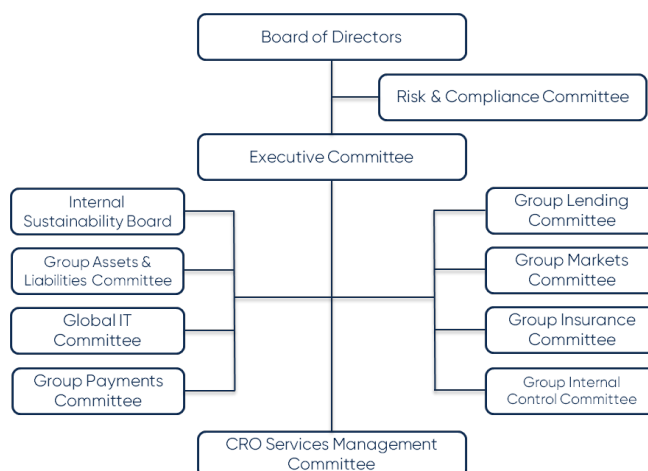


Figure 2: Schematic overview of the risk governance model

In the table below, an overview of risk and business committees and their tasks is provided.

Risk committees	
<b>CRO Services Management Committee</b>	<ul style="list-style-type: none"> <li>Supports the ExCo by defining an appropriate risk management framework and overseeing its adequate implementation, drives the strategy for the CRO Services of KBC by making related decisions and monitoring their implementation, and serves as a cross functional community for the second line of defence fostering groupwide cooperation.</li> <li>Convened on seven occasions during 2025</li> </ul>
<b>Activity-based Group Risk Committees</b>	Support the ExCo in integrated risk monitoring for the below activities at group level: <ul style="list-style-type: none"> <li>for lending: GLC – convened on fourteen occasions</li> <li>for markets: GMC – convened on eleven occasions</li> <li>for insurance: GIC – convened on four occasions</li> </ul>
<b>Group Internal Control Committee (GICC)</b>	<ul style="list-style-type: none"> <li>Supports the ExCo in monitoring and strengthening the quality and effectiveness of KBC's internal control system</li> <li>Convened on four occasions during 2025</li> </ul>
Business committees	
<b>Group Assets and Liabilities Committee (ALCO)</b>	Handles matters related to ALM and liquidity risk
<b>Global IT Committee</b>	Handles matters related to information technology and information security risk
<b>Group Payments Committee</b>	Handles matters related to operational risk in the payments domain
<b>Internal Sustainability Board</b>	Handles matters related to environmental, social and governance (ESG) risks

Figure 3: Overview of risk and business committees

We manage our risks using the 'Three Lines of Defence (LoD)' 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 risk self-assessments are of a sufficiently high standard;

- In line with regulation, independent control functions, both at 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 used to identify, measure and report on risks and to define the risk appetite. 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. Risk departments at group (Group Risk, Group Credit Risk Directorate and Model & Model Risk Management Division) and local level (present in the main entities in our home countries) support the CROs and work closely together. Close collaboration with the business is assured since the independent CROs are present in management committees and take part in the local decision-making process, 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 (Group Compliance, hierarchically under the CRO) and the associated reporting lines (reporting to the RCC and even to the Board in certain cases);
  - The actuarial function ensures additional quality control by providing expert technical actuarial advice to the supervisory body, the RCC and the executive body of KBC Group NV, of KBC Insurance NV and of all reinsurance and insurance entities within the Group. Such advice covers the calculation of the technical provisions for insurance liabilities, the reinsurance policy and underwriting risk. The Actuarial Function Holder of KBC Group and KBC Insurance NV have direct access to their CRO and to the Chair of their RCC, both for ad hoc and recurring topics as well as in case of escalation.
- Internal audit acts as the third Line of Defence. It is responsible for giving reasonable assurance to the Board that the overall internal control environment is effective, and that effective policies and processes are in place and applied consistently throughout the group.

Next to this, insurance companies are required to maintain an internal governance and control framework that ensures a well-functioning internal risk management. Each year, the RCC formally assesses whether the risk, compliance and actuarial functions are functioning independently, effectively and efficiently and have sufficient capacity to do so. For this purpose, KBC conducts a yearly assessment of these functions, including a group-wide risk-based capacity assessment for second LoD resources. This exercise covers the quantity, quality and capacity of staff and resources, and the progress of the functions in the different strategic focus areas. Results are presented and discussed at the RCC. For the audit function, this assessment is taken up by the Audit Committee.

Latest iteration of the exercise confirmed again that, overall, the risk, compliance and actuarial functions have sufficient capacity and the right skills to perform sound risk management. Ongoing attention is, however, required to keep our resources aligned with current external challenges such as increasing regulatory/supervisory requirements and expectations and scarcity in the labour market. The exercise also confirmed that a sufficient mix of experience and maturity is present. Finally, KBC ensures that sufficient expertise is built up or available in newer or rapidly evolving areas in which KBC operates, such as ESG, cybersecurity, artificial intelligence, cloud computing and model risk. A comprehensive employee skill management programme is in place and a significant focus on training and skills development ensures continuous development of expertise.

## Risk management at KBC Insurance NV

Risk management at KBC Insurance NV is fully aligned with the Group governance and frameworks. The role and responsibilities of the Local Risk departments are similar to those at Group level, e.g.

- Local Risk provides support to local business;
- Local Risk provides assistance to local business when implementing the KBC Risk Management Framework, taking into account local specificities and regulations. Local Risk also monitors and reviews the KBC Risk Management Framework as locally implemented.

KBC Insurance NV manages and follows up the risk and the related processes within the directorate (NAPP, risk reporting, ...). The cooperation with the Local Risk department is a.o. situated in risk meetings:

Insurance Products Risk Management Committee: the mission of the meeting is to:

- Anchor the knowledge about Solvency II and IFRS17 and the underlying parameters;
- Discuss risk related items and risk acceptances;
- Follow up risk related ALM & treasury Insurance matters;
- Come to a transparent, documented risk & IFRS17 policy;
- Inform about Solvency II;
- Follow up the Solvency II- & IFRS 17-topics, e.g. parameters, cost allocation, documentation;
- Follow up on ICT security matters.

Insurance Products Life/Non-Life Management Committee: the mission of the meeting is to:

- Maintain a risk and capital 'governance' (policies, reference framework, delegated authority, process, etc.) for all risk types and to recommend strategic changes thereof to the Insurance Products Risk Management Committee;
- Ensure the adequacy and the implementation of the risk and capital governance (for all risk types); including informing the Insurance Products Risk Management Committee about gaps and inefficiencies and taking corrective actions;
- Actively promote the risk and capital agenda;
- To discuss the validity of transactional risk models prior to the final decision being taken by the Belgium Business Unit CRO. The audit and compliance recommendations are being monitored by the local operational risk manager.

Risk, ALM and Capital Committee for Business Unit Belgium: this is a specific Management Committee, dedicated to risk topics and covering all risk types. The mission of the meeting is to:

- Follow-up: regulatory framework + economic environment and other relevant evolutions (e.g; with respect to cyber, climate or ESG);
- Follow-up: audit and compliance recommendations;
- Risk Strategy: setting the risk appetite; strategic risk, ALM and capital management;
- Compliance Strategy: setting the compliance boundaries;
- Advising/Sounding Board: risk, ALM and capital proposals from BU Belgium, presented on Group risk committees or Executive Committee;
- Risk training: providing risk based training for the management of BU Belgium (educational corner);
- Risk awareness: discuss the Top Risk concerns and their evolution.

## Own risk & solvency assessment

The KBC Insurance Group and its insurance and reinsurance subsidiaries conduct an Own Risk and Solvency Assessment (ORSA) to monitor and ensure that business is managed in a sound and prudent way.

KBC's ORSA policy, which is reviewed on an annual basis describes the general KBC approach to the ORSA process and its outcome. The ORSA policy describes the objectives and implementation of the ORSA within KBC, highlights its key underlying processes and the roles & responsibilities of the different stakeholders involved.

The ORSA is an integral part of the business strategy and is taken into account on an ongoing basis in the strategic decisions of the KBC Insurance Group and KBC Insurance NV.

All insurance and reinsurance entities pertaining to KBC Group are in scope of the ORSA. A differentiated but coherent, consistent and proportionate approach is applied, based on the materiality of the entity. The ORSA processes and reporting are implemented with a high degree of consistency in all material entities of KBC Insurance

Group that have a local or individual ORSA report. The ORSA report of KBC Insurance NV has been integrated in the ORSA Group report.

KBC does not require that the non-material entities run the KBC ORSA processes or write an ORSA report. However, the local regulator can impose the need for an ORSA process and reporting.

KBC's ORSA consists of numerous business and risk processes that together contribute to the objectives as set out in the ORSA policy. The reference points for the ORSA are the corporate strategy and the risk appetite objectives. The main processes underlying the regular ORSA are executed on an annual basis and are closely linked to the Strategic Planning Process which also follows an annual cycle.

Taking into account the fact that KBC's Insurance business is sufficiently mature, this annual periodicity is deemed adequate. The Executive Committee of KBC Insurance can decide to perform an additional ad-hoc ORSA if:

- Major deviations from the business plan are observed;
- Major changes to the Group structure or Group composition occur;
- Reclassification of financial assets due to significant changes in the business model.

On a quarterly basis, integrated (insurance) risk reporting reports on: risk signals, the development of the risk profile, results of deep dives, stress & scenario testing. These reports are discussed up to the level of the Executive Committee and the Board of Directors and allow them to manage stress & scenario testing, request (ad-hoc) mid- and long-term risk assessments and review the underpinning ambition and approach.

The annual ORSA process assesses the situation at 31 December and is submitted to the supervisory authority before 30 June of the following year. KBC does not differentiate between the internal and the supervisory ORSA report. Each ORSA report is complemented with an ORSA record which contains all the documents that have been used in the different steps of the ORSA. The local ORSA report of KBC Insurance NV and the ORSA report of KBC Insurance Group are integrated in one document. Detailed analysis (stress testing, assessments) for the local level remains however a vast part of this integrated document.

Based on the outcome of the above processes and assessments, a conclusion is included in the ORSA report that will indicate to what extent the available capital is sufficient to cover the capital requirements. It will link this conclusion to the:

- Changes in the amount and composition of available regulatory capital over the planning horizon and under different economic circumstances;
- Changes in required regulatory capital over the planning horizon, taking into account expected changes to the risk profile of the entity/group;
- The impact of scenario analyses and sensitivities on required and available regulatory capital.

KBC relies on the Solvency II standard formula to assess its overall solvency needs. An assessment is performed on an annual basis to check whether the standard formula is appropriate in relation to the risk profile of KBC.

## Recovery plan

KBC Insurance also has a recovery plan, which ensures that KBC Insurance is ready to take the necessary mitigating actions to return to 'business as usual' in case an extreme crisis undermines its financial stability.

## Other key functions of KBC Insurance Group

### Actuarial function

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

The main tasks of the actuarial function are to:

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

### Governance of the actuarial function

The governance of the actuarial function within KBC is described in the actuarial function charters (both at the level of KBC Group, KBC Insurance NV and at the level of the local entities). In December 2025, the Boards of Directors (BoD) of KBC Group and KBC Insurance NV approved on the annual update of the actuarial function charter of KBC Group and of KBC Insurance NV.

The governance model is set up in such way to ensure the independence of the actuarial function:

- The actuarial function of KBC Group and KBC Insurance NV are located in the second line of defence, and are hence independent from the business (incl. the actuarial departments) situated in the first line of defence.
- The actuarial function Holder of KBC Group and KBC Insurance NV have direct access to their CRO and to the Chair of their RCC, both for ad hoc and recurring topics as well as in case of escalation.
- The actuarial function Holder of KBC Group and KBC Insurance NV report to their RCC and BoD and inform their Executive Committee.

### Staffing of the actuarial function

The actuarial function at the level of KBC Group and Insurance NV leverages resources from the risk functions at group level (resources from the insurance competence centre at Group Risk and from the validation team at Model & Model Risk). The risk based capacity exercise therefore also included the assessment by the respective actuarial function Holders on required resources for the actuarial function of KBC Insurance NV and KBC Group in terms of quantity, skills and expertise. The assessment leads to a formal, binding and documented FTE commitment from the risk function towards the actuarial function of KBC Group and KBC Insurance NV.

Staff is assigned to a task based on their level of expertise, skill and seniority. Experienced colleagues with extensive knowledge facilitate knowledge transfer to junior colleagues through on-the-job training. This balanced mix is present per task performed i.e. junior colleagues are always supported by senior experienced colleagues.

Based on input provided in the Actuarial Function Report, the RCC assesses the quality, capacity, skills and independence of the actuarial function.

### Actuarial Function Report

In line with Solvency II regulatory requirements and the actuarial function Charters, the actuarial function of KBC Group and KBC Insurance NV produce a written report on an annual basis submitted for decision to the BoD of KBC Group and KBC Insurance NV (the Actuarial Function Report or AFR). This reporting is done via the RCC of KBC Group and KBC Insurance NV.

The AFRs must document all tasks that have been undertaken by the actuarial functions and their results, and must clearly identify any deficiencies and give recommendations as to how such deficiencies should be remedied.

The AFRs should as a minimum contain following sections:

- Executive Summary;
- Adequacy of Technical Provisions;

- Opinion on underwriting policy;
- Opinion on adequacy of reinsurance arrangements;
- Assessment on the actuarial function (i.e. including an assessment of the quality, independence and resources of the actuarial function);
- Contribution to Risk Management;
- Activity report and follow-up of recommendations.

## Compliance function

To promote centralisation, consistency and synergy, the Compliance function of KBC Insurance is exercised by Group Compliance. Group Compliance plays a double role with regard to the domains within the scope of Compliance:

- An advisory role to support the business entities in implementing and applying requirements, setting up internal procedures and providing necessary training and awareness communication;
- A monitoring role by performing second-line controls on compliance with requirements.

An Intragroup Specific Agreement, aligned with applicable outsourcing requirements, is in place specifying how this is organized in practice.

Within the Compliance department, there are several technical units, each dealing with specific Compliance domains:

- Financial Markets, including the rules of conduct in distribution of insurance products and rules on making and providing information;
- Consumer and Data Protection & AI;
- Corporate Governance, Ethics and Sustainable Finance;
- Financial Crime Compliance overarching:
  - Embargo Management;
  - Anti-Money Laundering (AML) (including OFAC, the Know Your Customer part of FATCA and the Common Reporting Standard, the EU Regulation on information accompanying transfers of funds and tax fraud prevention), financing of terrorism and preventing the funding of the proliferation of weapons of mass destruction.

The AML and Embargo Management units are split between a Policy section (encompassing both the advisory and monitoring roles) and an Intelligence section.

Both the governance of the Compliance function and the policies within its scope, as defined by the Circular on the Compliance function (Circular NBB\_2012\_14 d.d. 4 December 2012), satisfy the relevant requirements. The NBB Circular \_2016\_31 as replaced by the NBB Circular 2025\_08 regarding the system of governance of the insurance sector confirms the position reflected in Article 55 of the Act of 13 March 2016 on the status and supervision of insurance and reinsurance undertakings, i.e. the Compliance Function has to focus on integrity and codes of conduct.

The legal department of KBC is charged with the task of following up laws and regulations and changes to them in the Solvency II context, as well as communicating on these to the businesses concerned.

The Key Function Holder for Compliance at KBC Insurance is the Head of the Compliance Function of KBC Insurance. This person has a direct reporting line to the CRO of KBC Insurance, who is a member of the Executive Committee, and a functional line to the CEO of KBC Insurance. The Executive Committee of KBC Insurance decides on the annual Compliance plans and submits them to the Risk and Compliance Committee – which is attended by the Head of the Compliance Function and the General Manager Group Compliance – for confirmation. The Compliance Reports are formally submitted every quarter to the Executive Committee, and the Risk and Compliance Committee of KBC Insurance. A separate and specific Compliance Charter and Integrity Policy are in place for KBC Insurance, describing the scope, tasks and responsibilities of every party involved at several levels of the organisation which are reviewed annually and updated if required.

The Executive Committee ensures sufficient resources are provided to deal with compliance risks at KBC Insurance. Within Compliance, there is a dedicated Coordinating Compliance Officer who is responsible for coordinating, supporting and following up matters in respect of the Insurance Products Directorate. There are 1,8 FTEs dedicated as Compliance Risk Managers (CORMs), covering the Life insurance and the Non-Life insurance domain. They are not part of the second line of defence (Compliance), but instead are fully incorporated into the business entity. They are facilitators in implementing and following up Compliance issues and, therefore, support the Senior General Manager and General Managers of Insurance Products in their responsibilities with regard to Compliance. The Insurance Coordinating Compliance Officer and the Compliance Risk Managers work closely together, have regular meetings and organise reporting to the business entities' management.

## Audit function

The internal Audit function of KBC Insurance NV is exercised by KBC Group Corporate Audit. It is regulated by NBB Circular NBB\_2015\_21.

The responsibilities of a KBC Group internal audit department are:

- To provide independent reasonable assurance to the Board of Directors, the Audit Committee and the Executive Committee on the quality and effectiveness of the risk management, internal control and governance processes and systems in place;
- To support the Board of Directors, the Audit Committee and the Executive Committee in taking up their responsibilities in these processes;
- To report any serious issues or risks which it becomes aware of and to undertake any required investigations into high-risk situations in co-operation with Compliance department (e.g. possible fraud, non-compliance with laws, internal guidelines or procedures);
- To make clear and actionable recommendations which address weaknesses noted during its work and to follow up on the implementation status of these recommendations;
- To coordinate with other audit and review entities, including the Statutory Auditors and the Belgian and local Supervisors, to maximise the efforts of all such entities and to minimise unnecessary overlap and/or disruption. It will hold to this end regular meetings with the Statutory Auditors and with the Supervisors;
- To carry out any assignment or projects entrusted to it by the Board of Directors, the Audit Committee or the Executive Committee.

To safeguard its independence and objectivity:

- Internal Audit reports and is accountable to the Audit Committee;
- The internal audit activity remains free from interference by any part of the organisation, including matters of audit selection, procedures, frequency, timing or report content;
- The appointment and dismissal of a head of a KBC Group internal audit department belongs to the authority of the respective Executive Committee or Supervisory Board on the proposal of the Audit Committee. The Head of Corporate Audit KBC Group, and any regulatory body specified under local laws or regulations, must give positive advice before such appointment or dismissal of a local Head of Internal Audit;
- Internal auditors are, during the exercise of their professional duties, authorised to have direct communication with any member of staff, as well as to access all premises and any records, files or data, subject to compliance with local regulations. All members of staff are requested to assist Internal Audit in fulfilling its roles and responsibilities;
- Internal Audit has the authority to perform assignments on its own initiative in all entities, departments, establishments and functions within its scope, subject to proper reporting to the local Executive and Audit Committees;
- Internal Audit has the authority to inform directly, and on its own initiative, the Chairman of the Board of Directors or Supervisory Board of the audited entity, the Chairman of its respective Audit Committee, the members of its Executive Committee, its Statutory Auditors or the local Supervisory Authorities;
- Internal auditors must always be objective and impartial and seek to avoid any conflicts of interest;
- Internal auditors are not directly involved in the operational organisation of an entity, nor in deciding, developing, introducing or implementing risk management and internal control measures;
- Internally recruited auditors respect a cooling-off period;

- Whenever practicable and without jeopardising competence and expertise, internal Audit staff will periodically rotate within the internal Audit function to boost independence.

The scope of Internal Audit covers all entities, all activities and all divisions, including the various control functions, of KBC Insurance NV. To this end, Internal Audit will periodically – and at least once a year - examine and evaluate the areas within its scope. The audit plan is defined applying a risk-based approach while ensuring adequate coverage of matters of legal or regulatory interest. The audit plan is supplemented with a statement on the necessary resources to execute the plan. The audit plan is approved by the respective Audit Committees. Deviations from the audit plan must be reported to the respective Audit Committee at least once a year.

The approach followed in performing the audit assignments should be described in resulting audit reports so that their readers can consider the findings against the approach followed. A risk-based approach is used as the primary auditing method. The level of assurance, which may be gained from Internal Audit's work, is relative to the nature and extent of work carried out. It is therefore essential that the auditor involved, when giving a reasoned opinion, documents sufficient, reliable, relevant, and useful information to support the engagement results and conclusions.

The implementation of the audit recommendations is the responsibility of line management, that will communicate the status of this follow-up regularly to Internal Audit, for monitoring purposes.

To facilitate a consistent approach to Internal Audit across all entities within the KBC Insurance Group, the heads of local internal audit departments are accountable to their supervising Audit Committee and are steered by the Head of Corporate Audit KBC Group. The co-operation between the different internal audit departments is organised in a matrix structure where the competence-based axis intersects with the geographical responsibility axis.

The independence and objectivity of Internal Audit is assured by the KBC Insurance Internal Audit Charter approved by the Board of Directors. The Charter also describes the functioning and organisation of the Internal Audit function.

## Internal Control System

The Internal Control Statement (ICS) is a regulatory required, annual reporting on the overall quality of KBC's Internal Control System based on a holistic, integrated view. It is prepared for each material, regulated bank/insurance entity in the KBC group in compliance with the reporting requirements of the NBB on the "Report of the senior management on the assessment of the internal control".

In support of the KBC ICS, the KBC ICS Policy describes the governance in place and the ICS process including the roles & responsibilities of the main stakeholders involved. The KBC ICS Policy is owned and approved by the Group Board of Directors.

The management and decision making processes with regard to the assessment of the state and quality of the Internal Control System need to be coherent and consistent across KBC group. Hence the KBC ICS Policy is applicable to all entities in scope of the ICS as their local ICS ExCo statements underpin the KBC group consolidated ICS reporting.

The KBC ICS process is a well-embedded process throughout the organisation, following a cascade of steps. The opinion on KBC's Internal Control System has been formulated based on the self-assessment by Business and challenge by domain experts, and on the independent opinion of the Risk, Compliance and Audit functions, both at Local and Group level. Business, Risk, Compliance and Audit each use relevant, fact-based and data-driven information as input for their opinion.

While executing the bottom-up ICS process, all 3 lines of defence express their opinion by means of the following unique scoring scale:

1. Strong
2. Limited improvements needed
3. Significant improvements needed
4. Immediate remedial action required

The Group ExCo is of the opinion that the overall quality of KBC's Internal Control System at the end of 2025 is largely up to standards – score 2. In specific areas (continued) improvements are needed in view of the overall risk appetite of the KBC group consolidated. Appropriate actions have been defined or are ongoing.

After positive advice of the Audit Committee and the Risk & Compliance Committee, the Group Board of Directors approved the Group ExCo opinion on 22 January 2026.

## Outsourcing

### General outsourcing approach at the level of KBC Group

The outsourcing approach of the KBC Group is embedded in the above-mentioned cornerstones:

- KBC aims to maximise the retention and development of its internal knowledge of all aspects related to the bank-insurance model, as well as the related processes and activities;
- In particular, functions, processes, activities that include KBC-specific proprietary information, intellectual property rights, trade secrets, know-how creating a competitive market advantage for KBC over its peers ('Core KBC Know-How'), can never be outsourced to a third party, i.e. an entity outside the KBC Group ('External outsourcing');
- To the extent that technological or economic developments justify the outsourcing of some activities, the KBC Group strives for a maximal retention of knowledge and control of these activities. Therefore, the KBC Group initially turns to the shared services centres within the Group ('Internal Outsourcing');
- In the event of outsourcing, KBC aims for the highest possible quality level in order to ensure and guarantee long-term objectives and clients' interests.

### Outsourcing principles

The KBC Group has an extensive policy on regulated outsourcing and third party risk management (TPRM). This policy is similarly applicable to internal and external outsourcing. The outsourcing policy describes the definition of outsourcing as applied within the Group, an extensive process description, Group coordination and central notification, and the monitoring principles. The latter provides minimum requirements.

Within the Group strategy, KBC Insurance and its main insurance subsidiaries develop their own approach on outsourcing.

As KBC Insurance NV is concerned, an own outsourcing policy is evaluated on an annual basis by the Executive Committee and the Board of Director, and interim updates are made if necessary. An Outsourcing Function Holder (designated by the Board of Directors) is responsible and accountable for the proper functioning of outsourcing and the management of the related risks and documentation. This function holder is assisted by an outsourcing coordinator, who also ensures central safekeeping of all documents and decisions regarding outsourcing. For every outsourcing file, an outsourcing coordinator has to be appointed. This coordinator has an internal notification duty. This notification is not only required for new files, but also for material changes in existing outsourced activities and for renewals.

Outsourcing can have numerous advantages, such as efficiency gains, quality improvements, cost savings or increased speed of service. Nonetheless, whenever outsourcing is considered, KBC Insurance will assess the business case by weighing the costs and benefits while assessing and taking into account the risks. When deciding to outsource, KBC Insurance will strive for the highest possible level of quality in achieving its long-term objectives and safeguarding the interests of its clients.

KBC Insurance is mindful of maintaining a balance between tasks and functions it performs itself and those it outsources so that it retains sufficient in-house resources to assume its responsibilities, monitor risks and manage outsourcing agreements. From this perspective, KBC Insurance will not outsource core management tasks, and will not outsource activities involving core know how to external (non-KBC) parties.

## Outsourced critical or important operational functions

### KBC Insurance

- Entrusts a number of functions - audit, compliance, risk, actuarial, finance, and ICT – to the Belgian-based company KBC Group NV and its subsidiary KBC Global Services NV; this to foster centralization, independence, consistency and synergy.
- Relies on VAB and 24+, Belgian subsidiaries of KBC Insurance NV, and on the shared service centres of KBC Global Services NV in Brno (Czech Republic) and Varna (Bulgaria) for specific insurance-related tasks. For operational tasks relating to the payment of Life insurance policies and for customer guidance in the digital sales process, KBC Insurance also relies on KBC Bank and CBC Banque. For discretionary asset management, it relies on KBC Asset Management.

# Risk profile

## Introduction

An important input when setting capital thresholds is the assessment of the risks KBC Insurance faces. KBC Insurance therefore places significant emphasis on adequate identification of all material risks, so that they can be managed appropriately (measured, analysed and limited) and can be taken into account to determine adequate capitalization.

The KBC Insurance Group Risk Appetite Statement reflects the view of the Board of Directors and top management on risk-taking in general and on the acceptable level and composition of risks in coherence with the desired return. This statement includes a specification of the risk profile and the risk appetite for each risk type into Low risk, Medium risk and High risk.

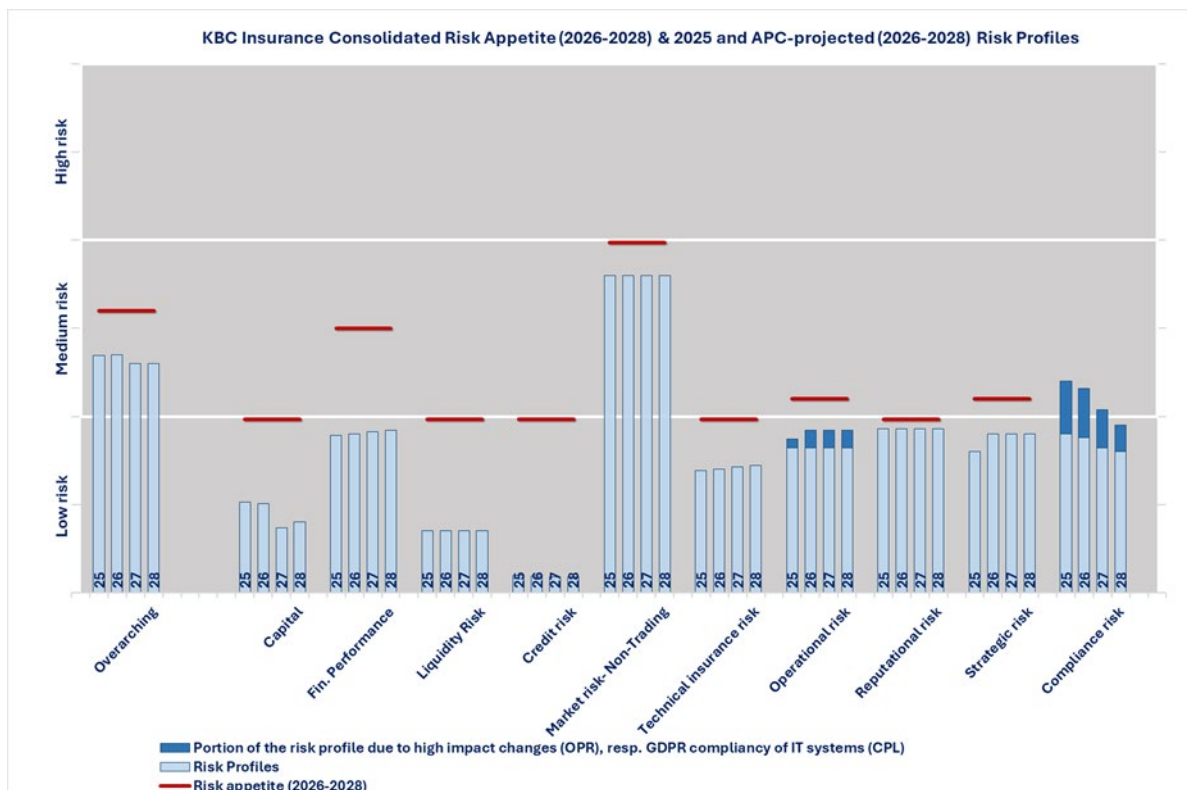


Figure 4: Risk appetite versus risk profile (2025-2028) of KBC Ins Grp

### The risk appetite and profile of KBC Insurance NV is in line with that of KBC Insurance Group.

In KBC Insurance's preliminary Risk Appetite Statement, presented in August 2025, the BoD decided to keep the risk appetite, being Medium, unchanged compared to last year for all domains/risk types. Taking into account the forecasted risk profile based on the APC business plans, no changes in risk appetite levels are proposed in the final Risk Appetite Statement, presented to the BoD in December 2025, compared to the preliminary risk appetite.

The Solvency II ratio is expected to increase over the APC horizon mainly thanks to the increase of the EUR interest rate curves and benign equity market development, including positive impact of the Solvency II review in 2027 (mainly the methodology review of the Risk Margin and the Volatility adjustment). This lowers the capital risk profile.

The technical insurance risk profile is expected to slightly increase over the APC horizon, well within the risk appetite. Assuming no significant natural catastrophe events will occur, the reinsurance market is expected to soften due to the increased availability of capital on the reinsurance market. A marginal increase in the risk profile is anticipated, primarily driven by regulatory uncertainty (e.g., value for money, legal limit for flood, legally imposed

broader coverage). In SK, the 2025 (and 2026) risk profile breaches the risk appetite, mainly driven by MTPL and the higher average claims, with premiums not fully adjusted accordingly. The risk profile is expected to decrease thanks to further premium increases in MTPL and diversification in Non-Life, reaching a Medium risk appetite again starting from 2027.

The operational risk profile is expected to remain at Low, even considering high-impact changes in core countries to support our strategic objectives (e.g., 'The Next Level @Insurance'). The temporary improvement in 2025 is linked to most high-impact changes not having impact yet. All countries expect to maintain a Low risk profile over the APC horizon, except for Belgium where the risk profile is in the low end of the Medium risk zone but improving over the APC horizon.

The compliance risk profile is expected to remain Medium in 2026-2027. Efforts will be concentrated on implementing the AML Regulation (effective mid-2027), balancing strategic developments with GDPR and AI Act requirements and managing embargoes, requiring increasingly granular screening.

The strategic risk profile is expected to face upward pressure in 2026-2028. Intensifying competition, especially from established neobanks, is transforming the financial services sector and redefining client expectations (user experience, marketing approach,...). A changing regulatory landscape might create an uneven playing field, hampering KBC in maintaining its competitive position. Nevertheless, the overall strategic risk profile is expected to remain at the upper end of the Low risk zone, comfortably within the Medium risk appetite.

Note that no risk appetite is set for ESG risk as this risk will materialize through the traditional risk types. The ESG risk appetite objective is therefore reflected in the qualitative statements per risk type. Climate risk and other environmental risks are to be seen as (potential) additional risk drivers, which will increase the risk profile of several risk types if not sufficiently mitigated. The risk can be triggered both by transitional drivers (e.g., changing climate policies and regulation, changing technology and changing consumer preferences, with uncertain impact on our risk profile) and by physical drivers (global warming increasing physical damage from e.g., floods and drought, increasing risk of diseases, lower life expectancy,...).

The potential impact from environmental risk on the risk profiles of the different risk types has been assessed in a qualitative way, based on insights from the Environmental Risk Impact Map and already established climate-related Key Risk Indicators (KRIs). This impact map describes the potential impacts from different nature/climate scenarios on each risk type, using all currently available information (incl. input from stress testing). Though climate risk and other environmental risks are a top risk, no material negative environmental impact is expected within the APC horizon for any of the risk types, except for technical insurance risk, where a marginal increase in the risk profile is anticipated linked to the regulatory uncertainty (relevant for all core countries), e.g., legally imposed broader coverage for certain products or changes in the legal limit for Nat Cat events<sup>5</sup>, yet still well within the risk appetite.

Climate and other environmental risks can impact KBC mostly in the medium to longer term. Hence, in the risk appetite, potential climate change challenges beyond the APC horizon are highlighted to trigger and steer the debate on whether e.g., more actions are needed in the short term to mitigate the medium to longer term risks. We expect upward pressure from environmental change on several risk types (see below). These risks are being closely monitored and action plans are in place or being initiated to mitigate the risks. No additional mitigating actions are currently needed but in case monitoring would indicate a need for additional mitigation, new actions are to be formulated.

## Underwriting risk

*The 'underwriting risk' or 'technical insurance risk' stems from uncertainty regarding the frequency and severity of insured losses. All these risks are kept under control through appropriate underwriting, pricing, claims reserving, reinsurance and claims handling policies of line management and through independent insurance risk management.*

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<sup>5</sup> The legal limit restricts the loss for Belgian insurance undertakings in case of large flood & earthquake events. However, it is still undecided who is responsible to pay out the losses above the legal limit (to be discussed by regional governments), leading to high uncertainty/risk for insurers (costs might come back to the insurers in the end).

The management of the technical insurance risk strategy is the responsibility of the Executive Committee of KBC Insurance Group, assisted by the Group Insurance Committee (GIC), which has representatives from both the business side and the Risk function. Adequate procedures are enforced throughout the KBC Insurance Group to ensure sound, quality underwriting is provided with good overall profitability, within the prescribed retention limits, and in adherence to the group and local risk appetite.

The insurance entities focus mainly on the segments of retail and small enterprises i.e. Private Persons, the Self-Employed and Small and Medium-Sized Enterprises (SMEs). Through the wide range of insurance products that are offered to these clients, an important degree of diversification is reached. Where larger risks are taken in portfolio, or when risks could accumulate to a larger scale, risk mitigation is achieved through the purchase of reinsurance cover. The Group Risk function develops and rolls out a group-wide framework for managing insurance risks within all insurance entities. Group Risk is responsible for providing support with regard to local implementation and the functional direction of the insurance risk management process of the insurance subsidiaries. The insurance risk management framework is designed primarily around the following building blocks:

- Adequate identification and analysis of material insurance risks by, inter alia, analysing new emerging risks, concentration or accumulation risks, and developing early warning signals.
- Appropriate risk measurements and use of these measurements to develop applications aimed at guiding the company towards creating maximum shareholder value. Examples include best estimate valuations of insurance liabilities, ex post economic profitability analyses, natural catastrophe and other Life, Non-Life and Health exposure modelling, stress testing and internal required capital calculations. Stress testing and sensitivity analysis.
- Regular reporting and follow-up of the risk measurements in the Integrated Insurance Risk Report (IIRR).
- Determination of insurance risk limits and conducting compliance checks, as well as providing advice on reinsurance programs.

The following risk aspects have an important impact on the underwriting risk profile of an insurance company:

- Concentration risk:  
Main concentration risk that can be observed for the underwriting risk:
  - Natural catastrophe risks (e.g., storms, floods, earthquakes).
  - Non-natural catastrophe risks or 'man-made' catastrophe risks (e.g., pandemic events, big losses).
  - Concentration risks linked to specific activities (e.g., nuclear risk, terrorism risk).
 The possible concentration risk at KBC Insurance Group level is also assessed. Exposure can be aggregated at group level in different ways:
  - Via accumulation exposure across different entities (e.g., a storm hitting several domestic KBC markets).
  - Via internal reinsurance when direct entities cede important parts of their exposure to KBC Group Re, which keeps the risk in own retention or further cedes the pooled risk to the external reinsurance market.
  - Via credit exposure to reinsurance counterparties.
 KBC Group risk management has developed a model for assessing the group-wide exposure to all Non-Life insurance risks, including natural hazards. This model measures the most material Non-Life insurance risks (catastrophe and Premium & Reserve risk) for all Group insurance and reinsurance companies, with account being taken of outward reinsurance (external and intra group). The resulting concentration risk exposures are used to check compliance with the limit frameworks (group and local level) based upon which adequate reinsurance coverage can be bought.
- Risk mitigation:  
Besides strict underwriting guidelines that should guarantee sound underwriting, reinsurance is bought to support the strategic objectives as formulated in the Risk Appetite Statement. In order to achieve the objectives, the reinsurance policy of the KBC Insurance Group stipulates that every material insurance entity has to acquire reinsurance protection to ensure that its net exposure remains within the bounds of the risk retention limit framework.

The insurance portfolios are protected against the impact of large claims or the accumulation of losses (risk concentration) by means of reinsurance contracts. We divide these reinsurance programs into three main groups, i.e. property insurance, liability insurance and personal insurance, and we re-evaluate and renegotiate them every year. Most of our reinsurance contracts are concluded on a non-proportional basis, which provides cover against the impact of large claims or loss events. The independent insurance risk management function is also responsible for advising on the restructuring of the reinsurance programs. This approach has resulted in optimising the retention of the KBC Group particularly in respect of its exposure to natural catastrophe risk, but also in respect of other lines of business.

Major reinsurance programs on property and liability of KBC insurance entities are centralised via KBC Group Re. These reinsurance programs are re-evaluated and renegotiated every year.

## Solvency Capital Requirement – Underwriting risk

KBC's Life portfolio is well diversified and homogeneous, resulting in a low volatility of the risk result.

(in m EUR)	2025	2024	Nominal change	Relative Change
<b>Total SCR Underwriting before diversification</b>	<b>2.468</b>	<b>2.363</b>	<b>105</b>	<b>4,45%</b>
SCR Non-Life Underwriting	828	821	7	0,86%
SCR Life Underwriting	1.352	1.222	130	10,67%
SCR Health Underwriting	288	321	-32	-10,09%

Table 15: SCR underwriting risk (KBC Ins Grp)

(in m EUR)	2025	2024	Nominal change	Relative Change
<b>Total SCR Underwriting before diversification</b>	<b>2.026</b>	<b>1.953</b>	<b>74</b>	<b>3,77%</b>
SCR Non-Life Underwriting	607	594	13	2,19%
SCR Life Underwriting	1.151	1.051	100	9,51%
SCR Health Underwriting	268	307	-39	-12,80%

Table 16: SCR underwriting risk ( KBC Ins NV)

The capital charge for underwriting risks (before diversification) rose over 2025 by 74 m EUR at KBC Insurance NV level, reinforced at group level by an additional increase of 31m EUR driven by the Central European entities. The SCR underwriting for KBC Insurance NV of 74m EUR is due to an increase in the SCR Life Underwriting with 100m EUR, the SCR Non-Life Underwriting with 13m EUR and the decrease of the SCR Health Underwriting with 39m EUR.

## Best estimate valuations of insurance liabilities

(in m EUR)	2025	2024	Nominal change
Technical Provisions - Non-Life	2.586	2.431	155
Non-Life (excl. Health)	2.252	2.150	102
Health (similar to Non-Life)	333	281	53
Technical Provisions - Life (incl. Index-Linked & Unit-Linked)	30.321	28.936	1.385
Life (excl. Health and IL & UL)	12.574	12.487	87
Health (similar to Life)	292	417	-124
Index-Linked & Unit-Linked	17.455	16.032	1.422
<b>Total net Technical Provisions</b>	<b>32.906</b>	<b>31.366</b>	<b>1.540</b>

Table 17: Net Technical provisions (excl. reinsurance reoverables (KBC Ins Grp))

(in m EUR)	2025	2024	Nominal change
Technical Provisions - Non-Life	1.823	1.727	96
Non-Life (excl. Health)	1.496	1.453	43
Health (similar to Non-Life)	328	274	53
Technical Provisions - Life (incl. Index-Linked & Unit-Linked)	28.654	27.337	1.317
Life (excl. Health and IL & UL)	11.877	11.788	89
Health (similar to Life)	296	420	-124
Index-Linked & Unit-Linked	16.481	15.130	1.351
<b>Total Net Technical Provisions</b>	<b>30.477</b>	<b>29.064</b>	<b>1.413</b>

Table 18: Net Technical provisions (excl. reinsurance recoverables) (KBC Ins NV)

Technical provisions net of reinsurance increase over 2025 with 1.540m EUR at KBC Insurance Group level, mainly driven by the evolution of KBC Insurance NV (1.413m EUR). A large proportion of the 1.413m EUR in KBC Insurance NV is explained by the increase in Index-Linked and Unit-Linked products (1.351m EUR). More details on the (evolution of) technical provisions can be found in the Actuarial Function Report.

The value of technical provisions must equal the sum of a Best Estimate and a Risk Margin. The Best Estimate corresponds to the discounted future cashflows of the insurance obligations. A Risk Margin is added to ensure that the value of the technical provisions is equivalent to the amount an insurance company would require to take on the obligations of the insurance company. The adequacy of provisions is checked per business line at subsidiary level and the overall adequacy is assessed at subsidiary level for all business lines combined.

For Life business also the Value of New business (VNB)/Value of Business In force (VBI) are calculated which are both widely used industry standards to measure the profitability of the Life insurance operations. With this group-wide methodological framework a reference throughout KBC Insurance Group was provided. For Non-Life, each year, the Non-Life economic profitability is analysed in each entity for the most material branches.

## Life risk

In the tables below, an overview is provided of the KBC Insurance Group's breakdown of the technical provisions for the Life business (including Health similar to Life) at end of year 2025.

Lines of Business (in m EUR)	Best Estimate - gross of reinsurance	Risk Margin	Reinsurance Recoverables	Net Technical Provisions	%
<b>Life (incl. Index-Linked &amp; Unit-Linked)</b>	<b>29.474</b>	<b>826</b>	<b>-21</b>	<b>30.321</b>	<b>100%</b>
Life (excl. Health and IL & UL)	11.990	565	-19	12.574	41,5%
Health (similar to Life)	239	52	-2	292	1,0%
Index-Linked & Unit-Linked	17.245	210	0	17.455	57,6%

Table 19: Life Best Estimates/Net Technical Provisions end of year 2025 (KBC Ins Grp)

Lines of Business (in m EUR)	Best Estimate - gross of reinsurance	Risk Margin	Reinsurance Recoverables	Net Technical Provisions	%
<b>Life (incl. Index-Linked &amp; Unit-Linked)</b>	<b>27.961</b>	<b>668</b>	<b>-26</b>	<b>28.654</b>	<b>100%</b>
<i>Life (excl. Health and IL &amp; UL)</i>	11.401	450	-27	11.877	41,4%
<i>Health (similar to Life)</i>	255	41	1	296	1,0%
<i>Index-Linked &amp; Unit-Linked</i>	16.305	177	0	16.481	57,5%

Table 20: Life Best estimates/Net Technical provisions end of year 2025 (KBC Ins NV)

## Non-Life risk

An overview of the KBC Insurance Group's breakdown of the technical provisions for the Non-Life business at end of year 2025 is provided in the table below.

Lines of Business (in m EUR)	Best Estimate - gross of reinsurance	Risk Margin	Reinsurance Recoverables	Net Technical Provisions	%
<b>Non-Life</b>	<b>2.278</b>	<b>381</b>	<b>74</b>	<b>2.586</b>	<b>100%</b>
<i>Non-Life (excl. Health)</i>	2.010	313	71	2.252	87,1%
<i>Health (similar to Non-Life)</i>	268	68	2	333	12,9%

Table 21: Non-Life Best Estimates/Net Technical provisions end of year 2025 (KBC Ins Grp)

Lines of Business (in m EUR)	Best Estimate - gross of reinsurance	Risk Margin	Reinsurance Recoverables	Net Technical Provisions	%
<b>Non-Life</b>	<b>1.587</b>	<b>283</b>	<b>46</b>	<b>1.823</b>	<b>100%</b>
<i>Non-Life (excl. Health)</i>	1.317	224	46	1.496	82,0%
<i>Health (similar to Non-Life)</i>	269	59	0	328	18,0%

Table 22: Non-Life Best Estimates/Net Technical provisions end of year 2025 (KBC Ins NV)

The table below illustrates the premium split per entity for the Non-Life portfolio. 58,7% comes from KBC Insurance NV, followed by 21% from CSOB Pojistovna Czech Republic.

Non-Life Gross written premiums (in m EUR)	2025		2024	
	Gross Written Premium	%	Gross Written Premium	%
<b>Total</b>	<b>2.769</b>	<b>100%</b>	<b>2.547</b>	<b>100%</b>
<i>KBC Insurance NV (BE)</i>	1.625	58,7%	1.531	60,1%
<i>ČSOB Pojišťovna a.s. (CZ)</i>	591	21,3%	510	20,0%
<i>ČSOB Poistovňa a.s. (SK)</i>	93	3,4%	89	3,5%
<i>K&amp;H Insurance Zrt (Hu)</i>	199	7,2%	189	7,4%
<i>DZI General Insurance Jsc (BG)</i>	261	9,4%	227	8,9%

Table 23: Non-Life Gross written premium– split per entity end of year 2025 (KBC Ins Grp)

## Market risk

The process of managing our structural exposure to market risks (including interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk) is also known as Asset/Liability Management (ALM).

'Structural exposure' encompasses all exposure inherent to our commercial activity or to our long-term positions. Trading activities are consequently not included. Structural exposure can also be described as a combination of:

- Mismatches in the insurance activities between liabilities in the Non-Life and Life businesses and the corresponding covering assets;
- The risks associated with holding an investment portfolio for the purpose of (re)investing shareholders' equity;
- The structural currency exposure stemming from the activities abroad (investments in foreign currency, results posted at branches or subsidiaries abroad, foreign exchange risk linked to the currency mismatch between the insurer's liabilities and its corresponding investments).

The management of the ALM risk strategy at KBC is the responsibility of the Group Executive Committee, assisted by the Group Asset Liability Committee, which has representatives from both the business side and the risk function.

Group and Local treasury are responsible for day-to-day operational management of the ALM Risks. They are the first line ALM business. The treasury departments measure and manage this market risk within the playing field defined by the risk appetite. KBC's ALM limits are approved at two levels. On the one hand, limits at the level of the Insurance Group for interest rate risk, equity risk, real estate risk and foreign exchange risk, which are approved by the Board of Directors. On the other hand limits at the level of the solo entities for interest rate risk, equity risk, real estate risk and foreign exchange risk, which are approved by the Group Executive Committee. Together this forms the playing field for KBC's solid first line of defence for ALM risk.

KBC's second line of defence is the responsibility of Group Risk and the local risk departments. Their main task is to measure ALM risks and flag up current and future risk positions. A common ALM Risk Management Framework, an ALM rulebook and shared Group measurement infrastructure ensures that these risks are measured consistently throughout the Group. The ALM Risk Management Framework and ALM Rulebook have been drawn up centrally by Group risk and are applicable for all entities.

The main building blocks of KBC's ALM Risk Management Framework are:

- A broad range of risk measurement methods such as Basis-Point-Value (BPV), interest rate gap analysis, key rate report (i.e. BPV per time bucket) and economic sensitivities, accompanied by a limit framework that is monitored on a frequent basis;
- Capital sensitivities arising from investment book positions that impact available regulatory capital (e.g. bonds that are classified as fair value through other comprehensive income);
- Stress testing and sensitivity analysis.

## Interest Rate Risk

In 2025, the interest rates remained at a high level. This led to a decrease in market value of both assets (considering the large bond portfolio of KBC Insurance NV) and liabilities. The main technique used to measure interest rate risks in the ALM view is the +10 BPV method, which measures the extent to which the net asset value of the portfolio would change if interest rates were to go up by 10 basis points across the entire interest rate term structure. A negative (positive) BPV figure indicates a decrease (increase) in the net asset value of the portfolio.

Interest (Swap +10 BPV) limit KBC Insurance Group (in k EUR)	+10 Swap BPV		Absolute Change
	31-12-2025	31-12-2024	
<b>KBC Insurance Group</b>	<b>3.534</b>	<b>18.465</b>	<b>-14.931</b>
<i>KBC Insurance NV</i>	8.779	21.589	-12.810
<i>KBC Group Re</i>	-1.126	-1.190	64
<i>K&amp;H Biztosító</i>	-697	-325	-372
<i>ČSOB Pojist'ovňa a.s. SK</i>	-500	-75	-425
<i>ČSOB Pojišť'ovna a.s. CZ</i>	-1.794	-667	-1.127
<i>DZI Insurance</i>	-1.128	-867	-261

Table 24: Impact of a parallel 10bp increase in the risk-free int rate curve (KBC Ins Grp)

KBC also uses other techniques such as interest rate gap analysis, key rate reports (i.e. BPV per time bucket), the duration approach, scenario analysis and stress testing (both from a regulatory capital perspective and from a net interest income perspective).

Where the Group's insurance activities are concerned, the fixed-income investments for the Non-Life reserves are invested with the aim of matching the projected pay-out patterns for claims, based on extensive actuarial analysis or well-considered cyclical benchmark profiles.

The Non Unit-Linked Life activities (Branch 21 insurance) combine a guaranteed interest rate with a discretionary participation feature (DPF or profit sharing). The main risks to which the insurer is exposed as a result of such

activities are a low-interest-rate risk (i.e. the risk that return on investments will drop below the guaranteed level) and a risk that the investment return will not be sufficient to give clients a competitive profit sharing rate. The risk of low interest rates is managed via a cash-flow matching policy, which is applied to that portion of the Life insurance portfolios covered by fixed-income securities. Unit-Linked Life insurance investments (Branch 23 insurance) are not dealt with here, since this activity does not entail any material market risk for KBC.

The tables below summarise the exposure to interest rate risk in the Life insurance activities, according to the ALM view. The interest rate sensitive assets and liabilities, relating to Life insurance business offering guaranteed rates, are grouped according to the expected timing of cash flows. Note that the Life insurance liabilities are not only covered by the interest rate sensitive assets which are shown in underlying tables. Next to these interest rate sensitive assets, the balance sheet also contains:

- Interest rate sensitive assets in surplus, i.e. assets that are not linked to any insurance liabilities;
- Interest rate insensitive assets, such as equity & real estate investments, which in general are held to cover the long-term insurance liabilities (i.e. liabilities with a term of 15 to 20 years or higher).

Interest rate risk per 31/12/2025							
Expected cash flows (undiscounted)							
in m EUR	0-1 year	1-2 year	2-3 year	3-4 year	4-5 year	> 5 years	Total
<b>(except for duration, which is expressed in years)</b>							
Fixed-income assets backing liabilities, guaranteed component	1.555	908	1.105	830	843	9.289	14.529
Equity	0	0	0	0	0	0	1.021
Property	0	0	0	0	0	0	365
Other (no maturity)	0	0	0	0	0	0	183
Liabilities guaranteed component	1.257	975	764	751	779	10.556	15.083
Difference in expected cash flows	298	-67	340	79	64	-1.267	-553
<b>Mean duration of assets</b>							<b>5,36</b>
<b>Mean duration of liabilities</b>							<b>6,60</b>

Interest rate risk per 31/12/2024							
Expected cash flows (undiscounted)							
in m EUR	0-1 year	1-2 year	2-3 year	3-4 year	4-5 year	> 5 years	Total
<b>(except for duration, which is expressed in years)</b>							
Fixed-income assets backing liabilities, guaranteed component	1.629	942	924	1.072	895	8.507	<b>13.969</b>
Equity	0	0	0	0	0	0	<b>964</b>
Property	0	0	0	0	0	0	<b>286</b>
Other (no maturity)	0	0	0	0	0	0	<b>182</b>
Liabilities guaranteed component	1.120	941	969	722	714	9.945	<b>14.410</b>
Difference in expected cash flows	509	1	-45	350	181	-1.438	<b>990</b>
<b>Mean duration of assets</b>							<b>5,67</b>
<b>Mean duration of liabilities</b>							<b>7,35</b>

Table 25: Expected undiscounted interest rate sensitive CF for Life ins activities (KBC Ins Grp)

Interest rate risk per 31/12/2025							
Expected cash flows (undiscounted)							
in m EUR	0-1 year	1-2 year	2-3 year	3-4 year	4-5 year	> 5 years	Total
<b>(except for duration, which is expressed in years)</b>							
Fixed-income assets backing liabilities, guaranteed component	1.486	865	1.024	759	709	8.393	13.236
Equity	0	0	0	0	0	0	1.021
Property	0	0	0	0	0	0	365
Other (no maturity)	0	0	0	0	0	0	183
Liabilities guaranteed component	1.242	979	765	746	769	9.886	14.386
Difference in expected cash flows	244	-113	259	13	-60	-1.493	284
<b>Mean duration of assets</b>							<b>4,71</b>
<b>Mean duration of liabilities</b>							<b>6,60</b>

Interest rate risk per 30/12/2024							
Expected cash flows (undiscounted)							
in m EUR	0-1 year	1-2 year	2-3 year	3-4 year	4-5 year	> 5 years	Total
<b>(except for duration, which is expressed in years)</b>							
Fixed-income assets backing liabilities, guaranteed component	1.543	867	865	985	703	7.557	<b>12.520</b>
Equity	0	0	0	0	0	0	<b>964</b>
Property	0	0	0	0	0	0	<b>286</b>
Other (no maturity)	0	0	0	0	0	0	<b>182</b>
Liabilities guaranteed component	1.115	937	963	711	698	9.237	<b>13.661</b>
Difference in expected cash flows	427	-70	-98	274	5	-1.680	<b>291</b>
<b>Mean duration of assets</b>							<b>5,09</b>
<b>Mean duration of liabilities</b>							<b>7,11</b>

Table 26: Expected undiscounted interest rate sensitive CF for Life (KBC Ins NV)

As mentioned above, the main interest rate risk for the insurer is a downside one. KBC adopts a liability-driven ALM approach focused on mitigating the interest rate risk in accordance with KBC's risk appetite. For the remaining interest rate risk, KBC adheres to a policy that takes into account the possible negative consequences of a sustained decline in interest rates and have built up an adequate supplementary buffer.

The tables below show the evolution of the Life insurance reserves broken down by the corresponding interest rate guarantee.

Life Insurance Reserves by Interest Rate Guarantee (in m EUR)	31-12-2025		31-12-2024		Change	
	Amount reserve	Proportion (%)	Amount reserve	Proportion (%)	Absolute	Relative (%)
5,00% and higher	337	2,52%	345	2,71%	-7,83	-2,27%
More than 4,25% up to and including 4,99%	584	4,36%	662	5,21%	-77,91	-11,77%
More than 3,50% up to and including 4,25%	381	2,84%	421	3,31%	-39,81	-9,47%
More than 3,00% up to and including 3,50%	1.054	7,87%	1.105	8,70%	-51,56	-4,66%
More than 2,50% up to and including 3,00%	481	3,59%	505	3,97%	-23,69	-4,69%
More than 0,00% up to and including 2,50%	10.205	76,21%	9.364	73,71%	840,62	8,98%
0,00%	349	2,61%	302	2,38%	47,52	15,73%
<b>Total</b>	<b>13.391</b>	<b>100,00%</b>	<b>12.704</b>	<b>100,00%</b>	<b>687,33</b>	<b>5,41%</b>

Table 27: Breakdown of the Non UL Life ins reserves by guaranteed int rate (KBC Ins Grp)

Life Insurance Reserves by Interest Rate Guarantee (in m EUR)	31-12-2025		31-12-2024		Change	
	Amount Reserve	Proportion (%)	Amount Reserve	Proportion (%)	Absolute	Relative (%)
5,00% and higher	0	0,00%	0	0,00%	-0,07	-48,65%
More than 4,25% up to and including 4,99%	584	4,58%	662	5,47%	-77,91	-11,77%
More than 3,50% up to and including 4,25%	380	2,97%	419	3,46%	-39,17	-9,35%
More than 3,00% up to and including 3,50%	1.054	8,25%	1.105	9,14%	-51,56	-4,66%
More than 2,50% up to and including 3,00%	384	3,01%	401	3,31%	-16,34	-4,08%
More than 0,00% up to and including 2,50%	10.106	79,17%	9.259	76,56%	847,25	9,15%
0,00%	258	2,02%	249	2,06%	9,26	3,73%
<b>Total</b>	<b>12.766</b>	<b>100,00%</b>	<b>12.094</b>	<b>100,00%</b>	<b>671,46</b>	<b>5,55%</b>

Table 28: Breakdown of Non UL Life ins reserves by guaranteed int rate (KBC Ins NV)

## Credit spread risk

From an ALM perspective, KBC manages the credit spread risk for inter alia the sovereign 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. This economic sensitivity is illustrated in the table below together with a breakdown per country.

## Public

Spread Risk Sensitivity 31/12/2025	+100bp Spread BPV (in m EUR)	Proportion of total +100bp Spread BPV
<b>KBC Core Countries</b>	<b>-444,4</b>	<b>59,7%</b>
<i>Belgium</i>	-308,2	41,4%
<i>Czech Republic</i>	-69,0	9,3%
<i>Slovakia</i>	-36,8	5,0%
<i>Ireland</i>	-7,0	0,9%
<i>Bulgaria</i>	-13,9	1,9%
<i>Hungary</i>	-9,5	1,3%
<b>Southern Europe</b>	<b>-49,4</b>	<b>6,6%</b>
<i>Italy</i>	-11,7	1,6%
<i>Portugal</i>	-11,5	1,5%
<i>Spain</i>	-26,1	3,5%
<i>Greece</i>	0,0	0,0%
<b>Other Countries</b>	<b>-250,2</b>	<b>33,6%</b>
<i>France</i>	-130,4	17,5%
<i>Poland</i>	-2,0	0,3%
<i>Germany</i>	-12,9	1,7%
<i>United Kingdom</i>	0,0	0,0%
<i>Austria</i>	-17,5	2,3%
<i>Netherlands</i>	-3,4	0,5%
<i>Rest</i>	-84,0	11,3%
<b>Total</b>	<b>-744,0</b>	<b>100%</b>

Table 29: Spread Risk sensitivity (+100bp) of sovereign bonds (KBC Ins Grp)

Spread Risk Sensitivity 31/12/2025	+100bp Spread BPV (in m EUR)	Proportion of total +100bp Spread BPV
<b>KBC Core Countries</b>	<b>-345,9</b>	<b>54,8%</b>
<i>Belgium</i>	-304,2	48,2%
<i>Slovakia</i>	-31,5	5,0%
<i>Ireland</i>	0,0	0,0%
<i>Bulgaria</i>	-6,8	1,1%
<i>Czech Republic</i>	0,0	0,0%
<i>Hungary</i>	-3,3	0,5%
<b>Southern Europe</b>	<b>-38,2</b>	<b>6,1%</b>
<i>Italy</i>	0,0	0,0%
<i>Portugal</i>	-12,9	2,0%
<i>Spain</i>	-25,4	4,0%
<i>Greece</i>	0,0	0,0%
<b>Other Countries</b>	<b>-246,5</b>	<b>39,1%</b>
<i>France</i>	-130,0	20,6%
<i>Germany</i>	-11,7	1,9%
<i>Austria</i>	-1,6	0,3%
<i>Poland</i>	-11,1	1,8%
<i>Netherlands</i>	-16,0	2,5%
<i>United Kingdom</i>	-0,2	0,0%
<i>Rest</i>	-75,8	12,0%
<b>TOTAL</b>	<b>-630,6</b>	<b>100%</b>

Table 30: Spread risk sensitivity (+100bp) of sovereign bonds (KBC Ins NV)

## Equity risk

The ALM strategies for the insurance business are based on a risk-return evaluation, taking into account the market risk attached to open equity positions.

Equity exposure represents the second-largest asset category in the investment portfolio of KBC Insurance Group and is composed of holdings in related undertakings, including participations, listed and unlisted equities, as well as investments in collective investment undertakings. Equity is representing 9,9% of the investment portfolio or 2,1b EUR. Compared to last year the equity exposure has increased by 359m EUR. The equity portfolio was increased in 25Q4 following the treasury strategy.

Breakdown Equity Portfolio by Sector	31-12-2025	31-12-2024
<b>Total</b>	<b>100%</b>	<b>100%</b>
Agriculture, forestry and fishing	0,0%	0,0%
Mining of metal, lignite and coal	0,7%	0,5%
Manufacturing	35,9%	37,0%
Electricity, gas, steam and air conditioning supply	0,0%	0,0%
Water supply; Sewerage, waste management and remediation activities	0,1%	0,0%
Construction	5,5%	5,1%
Wholesale and retail trade	9,7%	11,1%
Transportation and Storage	1,5%	1,3%
Accommodation and food service activities	0,7%	1,1%
Information and communication	13,5%	12,5%
Financial and insurance activities	25,0%	21,9%
Real Estate Activities	1,7%	2,6%
Professional, scientific and technical activities	2,2%	1,9%
<i>Administrative and support service activities</i>	1,2%	1,1%
<i>Public administration and defence; compulsory social security</i>	0,0%	0,0%
<i>Education</i>	0,0%	0,0%
<i>Human health and social work activities</i>	0,8%	1,1%
<i>Arts, entertainment and recreation</i>	0,1%	0,1%
<i>Other services activities</i>	0,1%	0,2%
<i>Activities of households as employers</i>	0,0%	0,0%
<i>Activities of extraterritorial organisations and bodies</i>	0,0%	0,0%
<i>Unknown</i>	1,3%	2,5%

Table 31: Breakdown equity portfolio (excl. strategic participations) by sector (KBC Ins Grp)

Breakdown Equity Portfolio by Sector	31-12-2025	31-12-2024
<b>Total</b>	<b>100%</b>	<b>100%</b>
Agriculture, forestry and fishing	0,0%	0,0%
Mining of metal, lignite and coal	0,7%	0,5%
Manufacturing	36,7%	38,2%
Electricity, gas, steam and air conditioning supply	0,0%	0,0%
Water supply; Sewerage, waste management and remediation activities	0,1%	0,0%
Construction	5,9%	5,5%
Wholesale and retail trade	9,5%	10,9%
Transportation and Storage	1,4%	1,3%
Accommodation and food service activities	0,4%	0,6%
Information and communication	14,3%	13,2%
Financial and insurance activities	24,4%	21,2%
Real Estate Activities	1,9%	2,8%
Professional, scientific and technical activities	2,2%	2,0%
<i>Administrative and support service activities</i>	1,3%	1,3%
<i>Public administration and defence; compulsory social security</i>	0,0%	0,0%
<i>Education</i>	0,0%	0,0%
<i>Human health and social work activities</i>	0,7%	1,1%
<i>Arts, entertainment and recreation</i>	0,1%	0,1%
<i>Other services activities</i>	0,1%	0,3%
<i>Activities of households as employers</i>	0,0%	0,0%
<i>Activities of extraterritorial organisations and bodies</i>	0,0%	0,0%
<i>Unknown</i>	0,0%	1,2%

Table 32: Breakdown equity portfolio (excl. strategic participations) by sector (KBC Ins NV)

## Property risk

KBC Insurance NV has a real estate portfolio, which is held 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 risk and as a way of optimising the risk/return profile of these portfolios.

The table below provides an ALM view on the sensitivity of economic value to adverse fluctuations (i.e. instant decrease in value by 25%) in the property markets.

Real Estate limit KBC Insurance Group (in m EUR)	Limit 2025	Real Estate Shock (25%)		Change	
	Maximum	31/12/2025	31/12/2024	Absolute	Relative (%)
KBC Insurance Group	164,0	138,4	119,6	18,8	15,7%

Table 33: Impact of a 25% drop in real estate prices (KBC Ins Grp)

Real Estate limit KBC Insurance NV (in m EUR)	Limit 2025	Real Estate Shock (25%)		Change	
	Maximum	31/12/2025	30/12/2024	Absolute	Relative (%)
KBC Insurance NV	150,0	129,8	111,1	18,7	16,8%

Table 34: Impact of a 25% drop in real estate prices (KBC Ins NV)

## Foreign exchange or currency risk and FX exposure

Currency risk originates from all assets and/or liabilities on the balance sheet which are denominated in foreign currency, i.e. a currency different from the reporting currency of the (re)insurance undertaking.

As a consequence, currency risk might be perceived different on the level of the KBC Insurance Group compared to the solo (re)insurance undertaking view. In effect, the figures of the KBC Insurance Group are reported in EUR, while within the group we have 4 solo insurance undertakings which have a different reporting currency, i.e.:

- ČSOB Pojišťovna a.s. (CZ), reporting in CZK
- K&H Biztosító Zrt., reporting in HUF
- DZI Life Insurance Jsc, reporting in BGN
- DZI General Insurance Jsc, reporting in BGN

The KBC Group policy imposes to 'pursue a prudent person approach with regard to the foreign currency exposure'. This policy is adopted in the Non-Trading Market Risk Management Framework (NTMRMF), where it is explicitly stated that all the (re)insurance entities should hedge the currency risk which is residing on their balance sheet.

In line with the risk appetite statement (RAS) an exception to this general currency hedging principle is granted to accommodate for the non-Euro denominated equity positions [incl. strategic (re)insurance participations] on the balance sheet of KBC Insurance Group.

This exemption is based on the assumption that the FX volatility associated with the equity investment portfolio cannot be isolated adequately from the equity exposure itself and is therefore considered to be part of the inherent equity volatility/return.

In practice the requirement as stated in the NTMRMF is implemented as follows by the solo (re)insurance entities:

- The 'natural' currency hedge on the balance sheet, i.e. foreign currency assets covering liabilities in that same foreign currency, are excluded from FX hedging scope;
- Equity positions (i.e. strategic (re)insurance participations, shares, investments in collective investment undertakings,...) in foreign currency are excluded from the FX hedging scope;
- The remaining 'open' foreign currency positions are hedged against FX risk via cross-currency (interest rate) swaps, FX forward contracts, etc.

## Inflation risk

Inflation – as an economic parameter – indirectly affects the life of companies in many respects, in the same way as other parameters do (e.g., economic growth or the rate of unemployment). It 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.

The KBC Insurance Group is directly exposed to inflation risk, linked to either insurance claim accident years or to insurance claim development years, i.e.:

- Inflation linked to accident years.  
If a similar claim (e.g., the exact same car and damage) would happen later in time (e.g. five years later), this could impact the claim amount.
- Inflation linked to development years.  
If claim amounts are not paid out immediately (e.g., delayed or spread over time), this could impact the claim amount.
- Inflation linked to operational costs.

A specific example is workers compensation insurance, where particularly in the case of permanent or long-term disabilities, an annuity benefit is paid to the insured person (with the annuity being linked to inflation by law).

The inflation risk inherently linked to the insurance activities of the KBC Insurance Group is regularly assessed and accordingly mitigated through:

- Correct price setting mechanisms.
- Investment in inflation-linked assets to hedge the inflation risk on the liability side, i.e.
  - Short- and mid-term inflation risk is hedged through inflation-linked bonds.
  - Long-term inflation risk is hedged through equity and real estate exposure.

## Credit Risk

*Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance a borrower), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk, which is the risk for adverse changes in credit ratings.*

KBC manages its Credit Risk at both transactional and portfolio level. Managing credit risk at the transactional level means that we have sound practices, processes and tools in place to identify and measure the risks before and after accepting individual credit exposures. Limits and delegations are set to determine the maximum credit exposure allowed and the level at which acceptance decisions are taken. Managing the risk at portfolio level encompasses, inter alia, periodic measuring and analysing of risk embedded in the consolidated loan and investment portfolios and reporting on it, monitoring limit discipline, conducting stress tests under different scenarios and taking risk mitigating measures.

## PLS limits and monitoring

From a KBC Group perspective, next to the banking entities, also the (re)insurance entities are limited in taking credit concentration risk in their portfolios by the Portfolio Limit System (PLS). This PLS has been in use for many years, and limits are monitored per asset class.

For the following 4 asset classes, concentrations are limited for the (re)insurance entities within KBC Group:

- PLS Sovereigns;
- PLS Sub-National Governments;
- PLS Financial Institutions;
- PLS Corporates and Non-Bank Financial Institutions.

PLS limit breaches are monitored ex-post on a quarterly basis. Breaches continue to be reported when remedial actions are not taken in time or when no remediation is deemed necessary (the latter can only be based on a motivated decision of the Extended Credit Committee) and need to be ratified by the Extended Credit Committee.

## Reinsurance programs

Reinsurance contracts with reinsurance companies are always negotiated by the reinsurance department. In selecting reinsurance undertakings, price is never the only parameter, but KBC also takes into account knowledge transfer, the availability of tools & processes, as well as the financial security and stability of the reinsurance undertakings. As a rule, only reinsurance undertakings with a Standard & Poor's (S&P) rating of minimum BBB are accepted. For long tail contracts a minimum S&P rating of A- is required. In order to mitigate the counterparty default risk, KBC also negotiates claims deposits to limit the credit risk to an absolute minimum.

On a monthly basis all (re)insurance entities of KBC Insurance Group report the status of the reinsurance recoverables by counterparty to the Group Credit Risk Directorate (KBC Group Re on a quarterly basis). The Group Credit Risk Directorate calculates the Group accumulation by counterparty, which is measured against the limits set in the Portfolio Limit System. All possible breaches are reported to the Extended Credit Committee.

## Liquidity risk

*Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses.*

The principal objective of our liquidity management is to enable the core business activities of the KBC Insurance Group to continue to generate revenue, even under adverse circumstances. An insurance entity's liquidity is managed by matching cashflows but is also managed through monitoring the Investment Policy amongst others by ensuring that sufficient investments are made in liquid assets. As a result, insurance entities are less sensitive for 'real' liquidity risk

The nature of liquidity risk of insurance entities is not comparable to that of banking entities, mainly because of the different structure of the asset/liability profile. Banking activities normally have to cope with assets that have longer tenors than the corresponding liabilities. Insurance activities typically have assets that are shorter and much more liquid than the corresponding liabilities.

KBC has developed a Liquidity Risk Management Framework for Insurance entities (LRMF-I). This allows for an enhanced risk management practice including identification, measurement, reporting and response and follow-up on liquidity risk for Insurance entities. Within liquidity risk for the insurance entities, the distinction is made between liquidity risk of Life and Non-Life insurance activities.

### Non-Life liquidity risk

Within the Non-Life insurance business, liquidity risk could arise if a catastrophe (e.g., natural disaster) would take place leading to huge claims and thus large cash demands. The cash outflows will typically take place over a longer time horizon (due to assessment of damage, legal procedures, etc.) and certain levels of claims are covered by reinsurance contracts.

KBC's reinsurance policy states that sufficient claims payment clauses have to be negotiated to ensure that the risk related to a timing mismatch between claims' payments and reinsurance recoverable is as much as possible restricted. More specifically, reinsurance contracts should include provisions allowing to make a request for

immediate claim payment for large losses outside the usual accounting periods ('cash loss' clauses). If a catastrophe would take place leading to very large claims and thus large cash demands, the throughput time of these claims and the payments received from reinsurance companies mean that in practice net outflows are spread over time rather than representing a point-in-time risk. On top of that, cash management tools (e.g., repo of liquid government bonds, pledging assets towards the central bank via KBC Bank NV) are in place to cope with high outflows. In the ORSA stress test scenario, a 1 in 20 year combination of flood, windstorm and drought loss is simulated which generates 339m EUR of extra claims compared to the APC base case scenario, but also a reinsurance recoverable of 33m EUR<sup>6</sup>. KBC Insurance Group can comfortably cope with the delta net outflow of 306m EUR. Even if KBC Insurance Group needs to bridge the full amount of 339m EUR until the cash receipt from the reinsurance companies, this amount can be temporarily financed by repo.

## Life liquidity risk

The Life insurance business could be confronted with liquidity risk as a result of:

- Changing market circumstances (e.g., movement in rates, competition) leading to a surge in early redemptions.
- Changing regulatory environment (e.g., change in beneficial tax regime) leading clients to switch to other non-insurance products (market-wide scenario).
- An idiosyncratic scenario where clients question the insurance company's creditworthiness and reduce their exposure.
- A pandemic-like scenario.
- A combination of the above (combined scenario).

These scenarios could result in a mass lapse of the portfolio. In all of these scenarios, the insurance company should have an adequate liquidity buffer (e.g., cash, liquid assets, contingent credit lines) to cope with these cash outflows. Apart from the idiosyncratic scenario, the time horizon in which the cashflows will take place, is expected to be rather long (i.e. longer than one month), hence reducing the risk of not being able to meet the liabilities at an acceptable cost (e.g., the market value of the assets will be lower than normally expected in the event of idiosyncratic stress situations). Furthermore and especially in the case of KBC Insurance NV, clients will lose their fiscal advantage in case of early surrender. Surrender risk is therefore partially mitigated through fiscal rules. The liquidity risk attached to Life insurance activities is assessed by an internal stress test ratio, as defined in the Liquidity Risk Management Framework.

## Contingent liquidity risk

Liquidity risk can also arise from off-balance sheet exposure at the insurance entities. Collateral agreements for derivative and non-derivative transactions could give rise to liquidity risk when it is required to post additional collateral in adverse market circumstances. These contingent outflows will materialise in the portfolios where the transactions are concluded. However, the off-balance sheet exposure that could give rise to liquidity risk in stressed market circumstances, is rather limited for KBC Insurance Group as well as KBC Insurance NV.

## Expected profits included in future premiums

### Introduction

The Commission Delegated Regulation<sup>7</sup> methodology corresponding with Article 260 aimed at estimating the expected profits included in future premiums (EPIFP) as the difference between two technical provisions through the following process consisting of three steps, i.e.

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<sup>6</sup> Reinsurance recoverable is limited, because the ORSA stress test scenario takes into account a more limited reinsurance program due to the hardening of the reinsurance market.

<sup>7</sup> "Commission Delegated Regulation (EU) 2015/35" of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), European Commission, Brussels, 10 October 2014

- First step – The undertaking calculates the technical provisions using the best estimate assumptions.
- Second step – The undertaking calculates the technical provisions using a lapse rate equal to 100% for future premiums (i.e. none of the future premiums will be received), with all the other assumptions remaining unchanged and on the basis that all policies can be lapsed.
- Third step – The value of profits included in the future premiums is equal to the technical provisions calculated in the Second step minus technical provisions as calculated in the First step.

## Results of KBC Insurance Group

The following tables provide a breakdown of the EPIFP for KBC Group Insurance. The first table provides a split per material undertaking, while the second table gives a comparison between end of year 2025 and end of year 2024 figures (based on QRT S23.01 - Own Funds):

(in m EUR)	Life	Non Life	Total EPIFP
<b>Total</b>	<b>1.261</b>	<b>227</b>	<b>1.487</b>
<i>KBC Insurance NV (BE)</i>	897	153	1.051
<i>ČSOB Pojišťovna a.s. (CZ)</i>	217	4	222
<i>ČSOB Poist'ovňa a.s. (SK)</i>	48	0	49
<i>K&amp;H Insurance Zrt. (HU)</i>	63	20	84
<i>KBC Group Re (LU)</i>	0	38	38
<i>DZI Life Insurance Jsc (BG)</i>	35	0	35
<i>DZI General Insurance Jsc (BG)</i>	0	10	10

Table 35: Expected profits included in future premiums (KBC Ins Grp) split per entity

(in m EUR)	2025	2024	Change in amount
<b>KBC Insurance Group</b>	<b>1.487</b>	<b>1.427</b>	<b>61</b>
<i>Expected profits incl. in future premiums (EPIFP) - Life</i>	1.261	1.123	138
<i>Expected profits incl. in future premiums (EPIFP) - Non- life</i>	227	304	-77

Table 36: Expected profits included in future premiums (KBC Ins Grp)

## 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.*

## Governance

In the area of operational risk, the ExCo is supported by the Group Internal Control Committee (GICC) to strengthen the quality and effectiveness of KBC's internal control system. The governance, rules and procedures on the performance of operational risk management throughout the group are outlined in the Operational Risk Management Framework (ORMF). Its implementation is coordinated and monitored by the Center of Competence Operational Risk within 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 sub-types: Information Technology, Information Security, Business Continuity, Process, Third-party, Model, Legal, Fraud and Personal & Physical (Security) risk.

Besides the GICC there are also several Business Committees that centrally steer management of operational risks:

- The Global IT Committee (GITCO) serves as the governance structure to ensure alignment on Information Security and IT strategy and related group-wide mandatory controls.
- The Global Payments Committee (PAYCO) decides on actions to manage operational risks in the Payments domain within KBC and monitors progress and residual risk exposures.
- The Managerial Group DOT (DORA: Digital Operational Resilience Act, Outsourcing, Third-party) Council follows up the outsourcing and DORA third parties group-wide and decides on actions to improve handling of outsourcing and DORA third-party files and the quality of the Register of Information.

A risk committee structure – consisting of one or more committees with clear roles and responsibilities – is also established at local level.

## The building blocks for managing operational risks

Building upon the Enterprise Risk Management Framework (ERMF), a dedicated Operational Risk Management Framework (ORMF) has been developed which outlines how operational risk should be managed throughout the group.

- **Risk identification:** KBC identifies its operational risks based on various sources such as 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 LoD 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, risk signals are collected by regular proactive scanning of the environment to identify external or internal (cyber) trends which could negatively impact our company in a direct or indirect way.
- **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 and its entities. In addition, KBC closely monitors the maturity of its internal control environment in a data-driven way. This allows us to frequently assess and report on maturity and act when necessary. Once a year, these insights also serve as input for the regulatory required Internal Control Statement (ICS) which evaluates how well KBC is in control of and manages its operational risks.  
To determine the degree of assurance that a control mitigates a particular risk as expected, we measure the control effectiveness via several metrics such as employee phishing campaign click rates, website vulnerability patching speeds and the number of processing errors.
- **Setting and cascading risk appetite:** Overall, KBC strives for a low operational risk environment in a business-as-usual situation. However, in the case of projects that introduce a large-scale transformation (such as mergers or acquisitions), changes in core insurance systems, the level is increased to ‘the lower end of medium’ whilst maintaining strict boundaries. The operational risk appetite is set at the overarching level as well as at the level of each operational sub-type. The current operational risk profile in relation to the operational risk appetite is discussed every quarter as part of the Operational & Compliance Risk Report submitted to the GICC.
- **Risk analysis, reporting, response and follow-up:** Operational risk analysis and reporting aim to give 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 is done on a quarterly basis to the GICC (via the Operational and Compliance Risk Report), to the Board, RCC and ExCo (via the Integrated Risk Report), and monthly to the Global IT Committee (GITCO). The maturity of the internal control environment is reported once a year via the annual Internal Control Statement, to the ExCo, AC, the RCC and the Board and externally, to the NBB, the FSMA and the ECB. These are complemented by regular or ad hoc reports that provide additional detail to the aforementioned reports.
- **Stress testing:** Stress testing in the context of operational risk is done by using scenarios with a potential negative impact on KBC’s (financial) position 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. 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 technical cyber resilience & readiness testing, detailed investigations, employee phishing tests, crisis simulations and other incident drills.

## Managing Operational risks in 2025

As a result of the geopolitical risks that further emerged in 2025, the cyber threat landscape was under increased pressure. Furthermore, the rapid evolution of Artificial Intelligence (incl. deepfake technology) also presented

challenges for our information risk management. KBC maintained a strong cybersecurity posture in 2025, with only a minimal number of incidents reported. However, none of these incidents caused damage to our systems or had a serious impact on our customer service. This is mainly the result of our mature internal controls, strong detection mechanisms and swift management response. KBC has comprehensive insurance policies to mitigate any possible financial impacts caused by potential cyberattacks.

Information security, including cyber-crime fraud, remains a top risk within the group. As such, the Board and the RCC very closely monitor this risk.

As financial institutions increasingly depend on internal and external service providers to support critical operations, the importance of robust Third Party Risk Management (TPRM) has become a strategic priority to safeguard KBC's operational resilience (e.g. continuity of services, prevent loss of data, ...). Recent regulatory initiatives such as the Digital Operational Resilience Act (DORA) and the Single Resolution Board (SRB) outsourcing framework highlight the need to align outsourcing practices with evolving supervisory expectations. DORA aims to create a dedicated framework to safeguard digital operational resilience as the ability of firms and the financial sector to prevent, adapt, respond to, recover, and learn from operational disruptions. KBC continues to advance its commitment to digital operational resilience under DORA. KBC has transitioned to a further detailed implementation and embedding of DORA requirements into the ORMF, ensuring its governance and implementing oversight.

Furthermore, we also continuously follow up on changes in European regulations and national jurisdictions. The overall regulatory documents on Operational Risk Management, issued by the following regulators, have been respected:

- European Commission, the EU Parliament and Council (e.g., on the Digital Operational Resilience Act (DORA)).
- European Banking Authority (EBA) (e.g., Guidelines on Internal Governance), European Insurance and Occupational Pensions Authority (EIOPA), European Securities and Markets Authority (ESMA).
- the Single Resolution Board and the European Systemic Risk Board (e.g., operational guidance on operational continuity in resolution (OCIR)).
- National Regulators, who are responsible for the definition of the national law, including transposition of EU law.

The KBC ORMF is aligned with Basel's 'Principles for Effective Risk Data Aggregation and Risk Reporting', 'Principles for the Sound Management of Operational Risk' and the 'Principles for Operational Resilience'.

The broad spectrum of operational risks is categorised into a number of sub-risk types. In 2025, specific attention was paid to:

### Information (security) risk management

Information risk management encompasses the risks of information security and information technology, driven by an ever-changing cyber threat landscape.

Information security risk is one of the most material risks that financial institutions face today, as it is driven by factors such as geopolitical tensions, organized cybercrime, technological growth and innovation (e.g., use of AI for phishing, deepfakes, ...) and internal factors (such as further digitalisation, experiments with emerging technology, and so on). These threats could lead to a loss of integrity, loss of confidentiality and unplanned unavailability, impacting our data, the availability of our operations and services, KBC's reputation, and so on.

Cyber-risk Management is integrated into the ORMF, including analysis, reporting, registration and follow-up. This ensures alignment with broader risk oversight and KBC objectives.

The actions implemented to manage cyber risk have a groupwide coverage and are part of a continuous process.

KBC actively identifies cyber risks by:

- Monitoring the evolving cyber threat landscape, leveraging cyber threat intelligence from trusted sources, including industry reports, open and commercial threat information feeds, and government information. This ensures early awareness about active and emerging cyber threats.
- Structured vulnerability management to identify, assess, and address security weaknesses across IT systems and infrastructure.
- Comprehensive attack surface management to identify and map all externally exposed assets, identifying areas at risk for cyber threats.
- Third-party and supply chain management. A thorough vetting process is in place to assess the cybersecurity practices of suppliers, contractors, and partners before engagement. By maintaining transparency and collaboration with third parties, KBC mitigates risks associated with external dependencies and ensures a secure and resilient supply chain.
- Regular ethical hacks, challenges, tabletop exercises, and stress tests to recognize cyber threats.
- Targeted training and awareness programs ensure employees across all levels are equipped to identify and report suspicious activities. By fostering a culture of vigilance and preparedness, we strengthen our workforce against cyber risks. To achieve this, we – among other things – regularly conduct internal phishing tests.
- Monitoring the evolving cyber fraud landscape to enhance customer protection and safeguard stakeholder data and financial assets. Continuous analysis and adaptation of security measures support the commitment to stakeholder protection.

By combining cyber threat intelligence with insights and findings from the above activities, we proactively identify, assess and understand cyber risks that could target our company and stakeholders, enhancing our ability to defend against and respond to cyber threats effectively.

Cyber risks are specifically analysed based on likelihood and impact, enabling the risk prioritization and mitigation efforts. Mitigation strategies include implementing robust technical controls, and ensuring adherence to best practices, industry standards and government regulations.

### Third-party risk management

Third-party risk is the risk stemming from problems regarding continuity, integrity and/or quality of the activities outsourced to third parties (whether or not within the group), partnered with third parties or from the equipment or staff made available by these third parties. In view of the potential impact on KBC and its clients, it is important to identify, assess, monitor, and control risks related to all third-party relationships throughout the entire lifecycle of those relationships. Therefore, effective third-party risk management follows the stages of the life cycle for third-party arrangements, which includes due diligence, risk assessment, contracting, onboarding, ongoing monitoring and potential termination.

Internal governance arrangements and sound risk management are in place to assure that the third-party arrangements and the related third-party risks are properly managed and kept within the boundaries of the risk appetite. The business, as the first LoD, always remains accountable for its activities, whether they are (partially) performed by third parties or not. In its Operational Risk Standard on Third-Party Risk Management (TPRM) KBC specifies, both towards the first and second LoD, the minimum requirements for risk assessments, covering all risks affecting the operational and financial resilience of the third-party, as well as the mandatory controls to be performed during the full lifecycle.

Outsourcing is a specific subset of third-party arrangements, where the service provider performs tasks that would otherwise be carried out by the institution itself. Regulatory frameworks such as the EBA Guidelines on Outsourcing and Third Party Risk and the EIOPA Guidelines on Outsourcing provide comprehensive governance expectations, emphasizing risk-based decision-making, board-level accountability, and full lifecycle oversight of outsourcing relationships. To ensure robust management of its third-party processes and risks, KBC has defined one single group-wide approach. This approach comprises the Outsourcing & DORA TPRM policy which sets out the principles and strategy for third-party activities and standardises the approach when a transfer of an activity is considered.

Controls are in place to adequately mitigate risks arising from third parties during the full lifecycle of a contract. Qualitative risk governance of KBC's third-party activities is ensured by regular risk assessments; their frequency being defined by the criticality of the 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, to protect both KBC and its clients. KBC's model risk management standards establish a framework that allows model risk to be identified, understood and efficiently managed, like any other risk type. The scope of this framework covers, a.o. generative AI models and high-risk AI models in line with the EU AI Act.

As the use of AI models is an important aspect of KBC's strategy, it is important to ensure that the output of the AI models we use is aligned with KBC's values and principles. To achieve this, KBC adheres to the Trusted AI Framework.

## 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 to ensure the availability of critical activities. 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, business continuity plans and practical scenarios called runbooks are available on how to handle an ongoing crisis. Lessons are drawn from any (internal or external) incident, crisis or dry-run testing, and, when needed, our BCM plans are adapted.

## Other material risks

### Business environment risk

*Business environment risk is the risk arising from changes in external factors (the structural changes of macro-economic environment, regulation, technology, client behaviour, competitive landscape, socio-demographic environment, climate, etc.) that impact the demand for and/or profitability of our products and services.*

Given the high pace of change in the outside world, incl. macro-economic and geopolitical uncertainties, and the increasing challenging competitive environment, the uncertainty in which the insurance industry operates remains on a permanent high. Moreover, the intensity of political, regulatory and supervisory interference continues to increase further.

Governments are creating an uncertain business environment in which they are increasingly targeting insurance companies to levy taxes in support of government budgets (e.g. multiple extensions of the insurance windfall tax in HU) or in which they are shifting costs towards the insurance sector (e.g. increased legal flood limits in BE). Business environment risk is an inherent consequence of being in business. Therefore no risk appetite and no risk profile is set for this risk as it defines the scene, driven by the external context in which KBC Insurance has to operate (e.g. macro-economic environment, upcoming regulation,...).

Business environment risk is mitigated through a thorough risk identification process and a sound corporate strategy. The Corporate strategy, "S.T.E.M, the Ecosphere", is KBC's strategic answer to deal with changes in our business environment. The sustainability of KBC's business model is evidenced by a strong performance, despite the financial and economic challenges posed by the difficult macro-economic environment. Moreover, the Earnings Assessment shows that KBC remains financially sustainable in the longer run, also under more adverse business conditions than assumed in the APC base case.

### Environmental, Social and Governance (ESG) risk

*ESG risk is the risk of (current or prospective) environmental, social or (corporate) governance (ESG) factors impacting KBC, directly or via its counterparties/exposures.*

**Environmental risk** is the risk arising from climate change (climate risk), nature and biodiversity loss (nature risk) or from other environmental issues caused by human influences on nature, such as scarcity of fresh water, (air, water and soil) pollution and circularity.

A distinction is made between physical and transition risk

- **Physical risks:** The risks arising from physical phenomena associated with both (chronic) climate or environmental trends such as changing weather patterns, rising sea levels, increasing temperature, biodiversity loss, resource scarcity, reduced water availability and changes in water and soil productivity, and (acute) extreme weather events including storms, floods, fires or heatwaves that may disrupt operations, value chains or damage property.
- **Transition risks:** The risks arising from disruptions and shifts associated with the transition to a low-carbon, climate resilient or environmentally sustainable economy. Examples include policy changes (e.g. imposition of carbon-pricing mechanisms, energy efficiency requirements or encouragement of sustainable use of environmental resources), technological changes/progress (e.g., old technology replaced by cleaner technology) and behavioural changes (e.g. consumers or investors shifting towards more sustainable products and services).

**Social risk** is the risk arising from changing expectations concerning relationships with employees, suppliers, customers and communities about e.g. labour and workforce considerations (labour standards, working conditions, diversity, health and safety), human rights and poverty, community impact, customer relationships (customer protection e.g. against cyber-crime, product responsibility, responsible marketing).

**Governance risk** is the risk arising from changing expectations concerning corporate governance (corporate policies & code of conducts e.g. responsibilities of senior staff members, remuneration, internal controls, shareholder rights), anti-corruption & anti-bribery and transparency (e.g. in tax planning, external disclosures).

Environmental, Social & Governance risks (ESG) risks, with a special focus on environmental risk, are top of mind at KBC. Given the increased urgency, climate and other environmental risks were reconfirmed as a top risk in 2025 and have been allocated increased attention and resources. In 2025, the Environmental Risk Impact Map (ERIM) was updated and a Social Risk Pilot exercise was performed for risk identification of social risks. The combined quantitative and qualitative insights are used to assess the potential impact from environmental risk on the risk profiles of the different risk types based on the conclusions of the ERIM for KBC Insurance Group. The ERIM is a risk identification exercise for:

- Climate Change;
- Nature Loss;
- Other Environmental Issues: Air, water and soil pollution, substances of concern and microplastics, water stress, marine resource depletion and non-circular economy.

The ERIM reflects, for climate change and nature loss, the impact of transition and physical risk by:

- Distinguishing between different drivers of transition risk (policy, technology, consumer preference) and physical risk (dependent on environmental risk type).
- Considering three distinct scenarios from the Network of Central Banks and Supervisors for Greening the Financial System (Orderly transition (for climate change: net zero 2050), Delayed Transition and Current Policies), which are widely adopted within the financial industry.
- For three different time horizons: short (APC horizon), medium (between 3 and 10 years), long term (beyond 10 years).

Social risk is assessed through a dedicated risk identification exercise covering the own workforce, workers in the value chain, and consumers and end-users. It primarily affects operational and reputational risks and is not considered to have a material impact on the risk profile or solvency position of KBC Insurance Group within the business planning horizon.

## Compliance risk

*The 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.*

In line with the Risk Appetite, KBC aims to comply with all laws and regulations within the compliance domains, with particular attention to conduct risk and integrity, as non-compliance could result in sanctions, financial losses and reputational harm. For all KBC insurance entities, all relevant regulatory compliance domains are included in their Integrity Policy. The Risk Appetite is further embedded in the Group Compliance Rules, which translate regulatory requirements into principles that are further detailed in procedures and supported by adequate monitoring.

In 2025, Group Compliance continued efforts to implement the Group Compliance Future-proof Strategy, as updated and approved by the KBC Group Board of Directors in March 2024, which defines the key 'Must-Win-Battles' required to strive towards a mature organization and make Group Compliance future-proof. These efforts further strengthened the Group's culture and awareness regarding compliance and supported the evolution toward a unified and aligned Compliance Function across the group. At the same time, the updated Group Compliance Content Strategy 2026–2028, approved by the KBC Group Board of Directors in December 2025, sets out the priorities for Group Compliance in the upcoming years to ensure a timely and effective risk-based implementation of legal and regulatory requirements across compliance domains. It also focuses, amongst others, on enhanced control effectiveness, greater cooperation with the 1st line, enhanced steering of the 1st line and Local Compliance, follow-up on regulatory evolutions and ensuring a holistic, risk-based and data-driven approach to compliance. The ambition is to have synergy and scalability groupwide, on all levels and domains.

Compliance, in its advisory role, will continue to contribute to the Ecosphere and the virtual assistant developments. It will also further enhance its process efficiency through simplification and further automation, using Artificial Intelligence, tailored to its needs, whenever deemed appropriate and ensure that the members of the Compliance teams are prepared and skilled to address a significant paradigm shift experienced in the working environment.

A large part of the Compliance efforts towards insurance will continue to be concentrated on:

#### Anti-Money Laundering (AML)

The prevention of money laundering and terrorism financing, including embargoes, has been a top priority for KBC for many years. KBC already started preparing the gap analysis and drafting action plans as per the updated versions of the Group Compliance Rules on Know Your Customer and Know Your Transactions to align with AML Regulation 2024/1624 and Regulatory Technical Standards and Guidelines in this respect by mid-2027. On top of that the embargo screening and processes are further streamlined groupwide.

#### Insurance Distribution Directive (IDD)

Policyholder protection is crucial for KBC since it is essential for a client-oriented approach with a focus on sustainable long term client relations. Ensuring qualitative advice via consistent prudential standards for insurance intermediaries, installing Duty of Care in general for all insurance products and more specific Suitability for Insurance-based investment (Life) products are cornerstones. Acting in the 'best interest of the customer' when developing and reviewing insurance products and offering this way 'Value for Money' to its customers, is important for KBC.

#### General Data Protection Regulation (GDPR) & Artificial Intelligence (AI) Act

Data protection aspects remain central to maximizing conformity with the GDPR which is applicable as of 25 May 2018. The implementation of GDPR-requirements continues in the context of the digitization strategy of KBC. Similarly, the requirements from the AI Act will require an implementation effort for all products and processes that use AI technology. The AI Act entered into force in August 2024 and the set of requirements regulating prohibited AI systems became applicable as of February 2025.

Overall, maintaining the right balance between the regulatory requirements in place and upcoming, the new business and technological developments inherent in a data-driven strategy now and going forward, will stay challenging, and will require close monitoring of the risk profile for compliance risk during the next years.

## Performance risk

*Risks that drive business income (credit risk, market risk, technical insurance risk and strategic risk) all contribute to the performance of KBC Insurance Group, for which the Corporate strategy targets stability in earnings through the cycle.*

The performance risk profile of KBC Insurance Group is expected to slightly increase driven by expected evolutions in the Non-Life portfolio and the Life portfolio. Performance is in general under pressure as many external factors create high uncertainty.

## Strategic risk

*Strategic risk is the risk due to either not taking a strategic decision, taking a strategic decision that does not have the desired effect or not adequately implementing strategic decisions.*

The rapidly changing environment and client expectations require a clear strategy and robust processes to identify and manage trends, opportunities and risks, to define strategic priorities and to follow up their implementation within a strict risk framework. KBC has put robust strategic processes in place to react to changing circumstances and adjust its corporate strategy, business model and risk management accordingly. There are no early warnings or limits related to strategic risk. Nevertheless, changes in the external environment are monitored and reported to the Board of Directors.

Given the sound processes to monitor evolutions in the outside world and identify potential threats to our business model, the strategic risk profile of KBC Insurance Group remains at the 'low' level over the APC (Aligned Planning Cycle) horizon. Processes regarding strategic risk management are strong and awareness about the challenges for the insurance business is high. Business is acting on these challenges to its business model by means of its strategy and, overall, the implementation of the strategic program is on track.

## Reputational risk

*The risk arising from loss of confidence by or negative perception on the part of stakeholders (such as KBC employees and representatives, customers, 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/customer relationships and have continued access to sources of funding.*

Reputation is a valuable asset in business and this certainly applies to the financial services industry, which thrives to a large extent on trust. Reputational risk is mostly a secondary risk since it is usually connected to – and materialises together with – other risks. To manage reputational risk, we remain focused on sustainable and profitable growth fulfilling our role in society and the local economy to the benefit of all stakeholders. We promote a strong corporate culture that encourages responsible behaviour, including social and environmental responsibilities.

KBC Insurance sets a strict risk appetite on all its risks and has put policies and processes in place to manage them (e.g. NAPP, ...). Furthermore KBC pro-actively manages incidents and puts the client's interests at the heart of what we do and foster trust by treating the client fairly and honestly. The governance, rules and procedures and how reputational risk management should be performed throughout the group are outlined in the Reputational Risk Management Framework. Its implementation is monitored by Group Risk. 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).

## Other information

### Prudent person principle

Since the introduction of Solvency II, the existing legislation on covering assets became supplemented by the 'prudent person' principle. This 'prudent person' principle created the need for KBC to introduce new internal rules to monitor the covering asset requirement in such a way that it is pragmatic, manageable and does not lead to inefficient allocation of assets on the long term.

## Aspects of prudent person principle applicable to company owned investments

### Security

The annual treasury strategy defines the interest rate position and the asset mix for the coming 3 years. This strategy is approved by GExCo and is within the Risk Appetite Statement.

The Investment policy sets the general framework for investments and integrates the different risk frameworks. These guidelines cover the different aspects of investments and ensure that assets are invested in a secure way and according to the overall risk appetite, which is set by the Board of Directors. The asset mix composition guidelines are translated into early warning alert levels on the composition of the asset mix.

Limits are defined, at the level of the board and the executive committee, for the main market risk types, i.e. interest rate risk (+10 BPV), equity risk (39% stress), currency risk (99,9% calibrated stress per currency), real estate risk (25% stress). In addition, limits are defined at the level of the Group Assets Liabilities Committee for intra-group liquidity facility, repo funding and external collateral swaps, based on the notional amount.

For investments into a new asset category or product, a New and Active Process and Products procedure is in place, identifying all risks and operational challenges.

### Quality towards counterparty credit risk

There are procedures in place regarding investments in credit risk bearing assets, where the main principle states that new investments only occur in investment-grade bonds, or in case of externally unrated bonds, following approval of the Group Credit Risk Department where a minimum internal rating equivalent to investment-grade is required.

Monitoring of the existing portfolio (on a weekly basis) is based on the spread evolutions in the market.

For direct credit investments (such as the mortgage portfolio) clear criteria are included in the purchase contract with KBC Bank and all credits have passed the KBC Bank application criteria.

### Concentration Risk

The PLS limits define a maximum investment amount per counterparty at the level of KBC Group NV.

Furthermore, exposure on a single counterparty of maximum 10% of total assets is included as an early warning level.

### Diversification

The asset mix is part of the annual treasury strategy exercise and defines the target asset mix for the coming years.

Maximum levels per type of asset are included in the asset mix composition guidelines.

### Liquidity

KBC follows the Liquidity Risk Management Framework which defines rules on measurement, monitoring, requirements and managing of liquidity risk.

### Return

Investment selection is based on the return on allocated capital (ROAC), with a selection of individual names based on an analysis of risk/return with regard to rating and sector, with the intention to invest in good quality names and the conviction that they will stand until maturity.

### *Ratio Assets covering liabilities*

The Belgian legislation imposes a rule to monitor if the assets are sufficient to cover the corresponding liabilities, i.e. the so called covering assets or 'dekkingswaarde'. The legislation results in the calculation of the underlying ratio, which has to be kept above 100%.

### *Aspects of prudent person principle applicable to policy holder owned investments*

KBC offers their clients a wide range of Unit-Linked (Branch 23) products. In case of Branch 23 products, the net premium paid by the clients is invested into units of one or more internal (Branch 23) funds of KBC.

The investment strategy and risk profile of these internal funds are described in the contract with the client and the legal documentation (e.g. the management regulations PRIIPS Key Information Document). The internal funds linked to these Branch 23 products are invested in undertakings of collective investments (UCIs) or notes managed by KBC Asset Management NV or one of its subsidiaries. The Prospectus of these UCIs and notes are available to the investors.

KBC Asset Management NV ensures that UCI's are managed according the applicable legal investment restrictions (e.g. the UCITS Directive 2009/65/EC – UCITS, AIFMD provisions (in case it is a Luxembourg FCP following the law of 13/02/2007 (La loi FIS),...) and internal control processes safeguard the compliance of actual investments with the strategy and risk profile mentioned in the prospectus.

### *Liquidity*

The net asset value of the internal funds is regularly calculated (on a daily or fortnightly basis) and, in accordance with the provisions set out in the legal documentation, the client is entitled to get – after deduction of the applicable costs and taxes – the net asset value of the units of these internal funds.

### *Best interest of policy holders and beneficiaries*

The risk profile of the client determines the choice of the funds and the link with the underlying assets (UCI's/notes offered), and the advise process is compliant to IDD-MIFID.

The day to day execution of the investment strategy of the funds and the underlying assets is done in compliance with the KBC Asset Management NV 'Best Execution & Client Order Handling Policy'.

### *Sensitivity analysis & stress testing on Solvency II required capital*

Risk sensitivity and stress-testing exercises are set up to uncover risks that would otherwise remain unidentified and also to allow us to observe how risk measurements change under stressed conditions. These sensitivity exercises are performed on a regular basis.

Stress testing is an important risk management tool that adds value both to strategic processes and to day-to-day risk management (risk identification, risk appetite and limit setting, ...). As such, stress testing is an integral part of the risk management framework, and an important building block of ORSA. Stress tests are performed internally within the Insurance Group or at local entity level or are initiated on a regular basis by the regulator (EIOPA or local regulators). KBC also performs ad hoc integrated stress tests to test its vulnerability for specific risks and potential adverse conditions that may arise.

## Valuation for solvency purposes

### Economic balance sheet

The following table provides for KBC Insurance Group both the Solvency II value used in the economic balance sheet and the accounting (IFRS) value for each material class of assets and liabilities. A description of how this value is determined can be found in the sections below.

A more detailed composition of the Solvency II values can be found in the QRT S.02.01 - Balance Sheet.

<b>Economic balance sheet 31-12-2025 (in m EUR)</b>	<b>IFRS Value</b>	<b>Solvency II Value</b>	<b>Difference</b>
<b>Total Assets</b>	<b>40.317</b>	<b>40.163</b>	<b>-154</b>
<i>Goodwill &amp; intangible assets</i>	235	0	-235
<i>Deferred tax assets</i>	40	23	-18
<i>Property (other than for own use)</i>	51	103	52
<i>Participations and related undertakings</i>	459	510	51
<i>Equity Instruments</i>	1.347	1.347	0
<i>Bonds</i>	16.975	16.830	-145
<i>Derivatives</i>	42	42	0
<i>Deposits other than cash equivalents</i>	300	316	16
<i>Assets held for index-linked and unit-linked funds</i>	18.005	18.005	0
<i>Loans &amp; mortgages</i>	1.713	1.540	-173
<i>Reinsurance recoverables</i>	102	53	-49
<i>Own shares</i>	0	203	203
<i>Other</i>	1.048	1.191	143
<b>Total Liabilities</b>	<b>36.253</b>	<b>35.177</b>	<b>-1.076</b>
<i>Technical provisions -Non-Life</i>	3.324	2.659	-665
<i>Technical provisions - Life (excl. Index-linked and unit-linked)</i>	13.068	12.845	-223
<i>Technical provisions - Index-linked and unit-linked</i>	18.038	17.455	-583
<i>Deferred tax liabilities</i>	442	703	261
<i>Derivatives</i>	17	17	0
<i>Subordinated Loan (Tier2)</i>	499	501	2
<i>Other</i>	865	997	132
<b>Excess Assets over Liabilities</b>	<b>4.064</b>	<b>4.985</b>	<b>922</b>

Table 37: Economic balance sheet: assets & liabilities (KBC Ins Grp)

The table below gives for KBC Insurance Group a clear overview of how the IFRS equity is reconciled with the Solvency II value for 'excess assets over liabilities'. The following parts of this section provide a more detailed view on the underlying methodological differences.

## Reconciliation IFRS equity &amp; assets over liabilities Solvency II

(in m EUR)

31-12-2025

Share capital	65
Share premium	1.086
Treasury Shares	-203
Revaluation reserve debt securities (FVOCI)	-698
Revaluation reserve equity instruments (FVOCI)	343
Hedging reserve	-1
Remeasurement of defined benefit obligations (after tax)	52
Reserves	708
Translation differences	20
Hedge of net investments in foreign operations	1
Net profit of the year (IFRS)	645
Insurance finance income and expense (IFIE)	2.045
<b>IFRS parent shareholder's equity</b>	<b>4.064</b>
Minority interest	0
<b>IFRS equity</b>	<b>4.064</b>
Valuation differences between IFRS and Solvency II	
Of which: deduction intangible assets (after tax)	-215
Of which: valuation difference participations	51
Of which: valuation difference real estate at fair value (after tax)	53
Of which: valuation difference fair value loans and receivables (after tax)	-119
Of which: valuation fair value amortised cost bonds (after tax)	-113
Of which: valuation difference reinsurance recoverables	-90
Of which: valuation difference technical liabilities (after tax)	991
Of which: treasury shares	203
Of which: volatility adjustments	112
Of which: other	49
<b>Assets over liabilities Solvency II</b>	<b>4.985</b>

Table 38: Reconciliation IFRS and Solvency II (KBC Ins Grp)

The main differences between IFRS and Solvency II valuations per asset class are:

- **Goodwill and intangible assets** are valued at zero under Solvency II. Under IFRS, software (58m EUR) and goodwill (157m EUR) are included as well. Goodwill includes the goodwill paid on companies included in the scope of consolidation and in relation to the acquisition of activities and mainly relates to the acquisition of DZI Insurance, ČSOB Pojišť'ovna a.s. (CZ) and UBB Pension.
- **Property** (other than for own use) is valued at fair value under Solvency II, while under IFRS it is measured at initial cost minus accumulated depreciation and impairment losses. Value for which the property could be sold between knowledgeable willing parties in an arm's length transaction is much higher than the IFRS accounting value.
- **Equity instruments** are measured at fair value, both under IFRS as under Solvency II. Therefore, the difference between both views is minimal.
- **Bonds** are (mainly) valued using 2 valuation methods under IFRS:
  - Over 75% is valued at fair value through other comprehensive income (FVOCI), meaning the Solvency II value equals the IFRS value;
  - A small 25% of the bonds is valued at amortized cost under IFRS, causing the difference between the IFRS view (amortized cost) and Solvency II view, where these bonds are also measured at fair value. Given the high interest rate environment, the fair value on these bonds is lower than the amortized cost value.
- **Deposits other than cash equivalents** are measured at amortized cost under IFRS and at fair value under Solvency II. Due to the high interest rates, the Solvency II (fair) value is closer to the IFRS value.
- **Assets held for Index-Linked and Unit-Linked funds** are equal under IFRS and Solvency as both are measured at fair value. On liability side, a difference is noticed for Index-Linked and Unit-Linked Technical provisions between IFRS and Solvency as management fees are included under Solvency II.
- **Loans and mortgages** are valued at amortized cost under IFRS. Under Solvency II, these are valued at fair value. Fair value of these loans is lower than the amortized cost value given the higher interest rates.
- **Own Shares/treasury shares:** KBC Insurance NV has 203m EUR of treasury shares. Under IFRS equity (i.e. excess of assets over liabilities under IFRS) treasury shares are deducted from equity, meaning they

are not part of the balance sheet. Under Solvency II treasury shares are reported on the Economic Balance Sheet as an asset. For determining the Available Own Funds under Solvency II, the treasury shares are deducted from the Excess of assets over liabilities.

- **Technical provisions** under Solvency II consist of a best estimate and a risk margin. The best estimate corresponds to the probability-weighted average of future cashflows, which are discounted using the risk free rate and volatility adjustment. The risk margin is calculated using the Solvency Capital Requirement, the cost-of-capital as determined by the regulator and the risk free rate curve. IFRS Technical provisions consists of different types of provisions.
- The higher net **deferred tax liability** under Solvency II compared to IFRS is due to the deferred tax liabilities calculated on the difference between the IFRS and Solvency II balance sheet. The difference between Solvency II and IFRS liabilities is more negative than the difference on the asset side, increasing deferred tax liabilities.

The following table provides for KBC Insurance NV both the Solvency II value used in the economic balance sheet and the accounting (BGAAP) value for each material class of assets and liabilities.

<b>Economic balance sheet 31-12-2025 (in m EUR)</b>	<b>Bgaap Value</b>	<b>Solvency II Value</b>	<b>Difference</b>
<b>Total Assets</b>	<b>37.635</b>	<b>37.300</b>	<b>-335</b>
<i>Goodwill &amp; intangible assets</i>	0	0	0
<i>Deferred tax assets</i>	0	0	0
<i>Property (other than for own use)</i>	35	79	44
<i>Participations and related undertakings</i>	1.259	1.784	525
<i>Equity Instruments</i>	868	1.237	369
<i>Bonds</i>	15.459	14.437	-1.022
<i>Derivatives</i>	9	23	14
<i>Deposits other than cash equivalents</i>	267	282	15
<i>Assets held for index-linked and unit-linked funds</i>	16.981	16.981	0
<i>Loans &amp; mortgages</i>	1.710	1.536	-174
<i>Reinsurance recoverables</i>	163	21	-142
<i>Own shares</i>	203	203	0
<i>Other</i>	681	718	37
<b>Total Liabilities</b>	<b>36.269</b>	<b>32.312</b>	<b>-3.957</b>
<i>Technical provisions -Non-Life</i>	3.561	1.870	-1.691
<i>Technical provisions - Life (excl. Index-linked and unit-linked)</i>	14.121	12.147	-1.974
<i>Technical provisions - Index-linked and unit-linked</i>	16.981	16.481	-500
<i>Deferred tax liabilities</i>	2	585	584
<i>Derivatives</i>	22	17	-5
<i>Subordinated Loan (Tier2)</i>	501	501	0
<i>Other</i>	1.082	711	-371
<b>Excess Assets over Liabilities</b>	<b>1.366</b>	<b>4.988</b>	<b>3.623</b>

Table 39: Economic balance sheet: assets & liabilities (KBC Ins NV)

The table below gives for KBC Insurance NV a clear overview of how the BGAAP value for 'excess assets over liabilities' is reconciled with the Solvency II value for 'excess assets over liabilities'.

Reconciliation BGAAP equity & assets over liabilities Solvency II (in m EUR)		31-12-2025
Share capital		65
Share premium		1.086
Reserves		215
<b>IFRS parent shareholder's equity</b>		<b>1.366</b>
<b>BGAAP equity</b>		<b>1.366</b>
Valuation differences between IFRS and Solvency II		
Of which : deduction intangible assets		0
Of which: valuation difference real estate at fair value (after tax)		33
Of which: valuation difference participations		525
Of which: valuation difference fair value equity		369
Of which: valuation fair value amortised cost bonds (after tax)		-769
Of which: valuation difference fair value loans and receivables (after tax)		-120
Of which: valuation difference reinsurance recoverables		-107
Of which: valuation difference technical liabilities (after tax)		3.124
Of which: other		568
<b>Assets over liabilities Solvency II</b>		<b>4.988</b>

Table 40: Reconciliation BGAAP equity &amp; assets over liabilities with Solvency II (KBC Ins NV)

The main differences between BGAAP and Solvency II valuations per asset class are:

- **Property** (other than for own use) is measured at fair value under Solvency II which explains the difference as under BGAAP property is measured at initial cost minus accumulated depreciation and impairment losses. The fair value (for which the property could be sold between knowledgeable willing parties in an arm's length transaction) is much higher than the BGAAP accounting value.
- Holdings in related undertakings, including **participations** are valued under Solvency II based on the net asset value according the economic balance for insurance companies and for non-insurance companies the net asset value is based on their IFRS financial statements. In BGAAP participating shares are recognized at acquisition costs less impairments, if any.
- **Equity instruments** are measured at fair value under IFRS and Solvency II and measured at cost (i.e. acquisition costs less impairments, if any) under BGAAP.
- **Bonds** are under Solvency II valued at fair value determined according to what is stipulated under IFRS13 Fair value. In BGAAP the bonds are valued at amortized costs less impairment, if any.
- **Assets held for Index-Linked and Unit-Linked funds** are equal under Solvency II and BGAAP as both are measured at fair value.
- **Deposits other than cash equivalents** are measured at amortized cost under BGAAP and at fair value under Solvency II. Due to the high interest rates, the Solvency II (fair) value is closer to the BGAAP value.
- **Loans and mortgages** are valued at amortized cost under BGAAP. Under Solvency II, these are valued at fair value. Fair value of these loans is smaller given the high interest rates.
- **Own Shares**/treasury shares: KBC Insurance NV has 203m EUR of treasury shares. Under Solvency II and BGAAP treasury shares are reported on the Economic Balance Sheet as an asset. For determining the Available Own Funds under Solvency II, the treasury shares are deducted from the Excess of assets over liabilities. In BGAAP an undistributable reserve as part of equity is being created.
- **Technical provisions** under Solvency II consist of a best estimate and a risk margin. Best estimates correspond to the probability-weighted average of future cashflows, which are discounted using the risk-free rate and volatility adjustment. The risk margin is calculated using the Solvency Capital Requirement, the cost-of-capital as determined by the regulator and the risk-free rate curve. Under the statutory accounts these are accounted for according to BGAAP; including the mathematical reserves, the unearned premium reserve, the claims reserve (incl. IBNR), the flashing light reserve and the equalization reserve.
- Pension benefit obligations are recognized under Solvency II in compliance with IAS19 employee benefits. Under BGAAP these pension benefit obligations for the defined benefit plans are not recognized.
- **Deferred tax liabilities** are recognized under Solvency II in compliance with IAS12 income taxes and are mainly the result of the valuation differences on the Technical provisions partly compensated by non-realised losses included in the fair value of the bonds. In BGAAP, deferred taxes are not recognized.

- **Derivatives** fulfil the criteria of hedging instrument under BGAAP and as such are valued on a pro-rata temporis basis. For Solvency II derivatives are values on fair value basis.
- **Other liabilities** under BGAAP include the foreseen dividend pay-out, 129m EUR for 2025 and the fund for future appropriation of 232m EUR.

## Assets – material classes of assets

### Solvency II value

#### Goodwill

Goodwill should be valued at zero (*Delegated Regulation (EU) 2015/35, Article 12*).

#### Deferred taxes

Deferred taxes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, are valued on the basis of the difference between the Solvency II values and the values ascribed to assets and liabilities as recognised and valued for tax purposes (*Delegated Regulation (EU) 2015/35, Article 15*).

### Bonds, equity instruments and loans & mortgages

- For Solvency II purposes, 'Bonds', 'Equity instruments' and 'Loans & mortgages' are valued at the amount for which they could be exchanged between knowledgeable willing parties in an at arm's length transaction. This definition is in line with the IFRS definition of fair value.
- KBC defines 'fair value' as 'the price that would be received to sell 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 distressed sale. A deviation from IFRS is however applicable for the valuation of financial liabilities, as Solvency II explicitly imposes that the fair value may not reflect the own credit risk (*Delegated Regulation (EU) 2015/35, Article 14*).
- All internal valuation models used at KBC are validated by an independent Risk Validation Unit. In addition, the Executive Committee has appointed a Group Valuation Committee to ensure that KBC and its entities meet all the legal requirements for measuring financial assets and liabilities at fair value. The Group Valuation Committee monitors consistent implementation of the KBC Valuation Framework, which consists of various guidelines, including the Group Market Value Adjustments Policy & Additional Value Adjustments and the Group Parameter Review Policy. The Group Valuation Committee 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 Group Valuation Committee every semester. Lastly, certain fair values generated by valuation models are challenged by a team set up specifically for this purpose.
- Market value adjustments are recognised on all positions that are measured at fair value to cover close-out costs, adjustments for less liquid positions or markets, mark-to-model-related valuation adjustments, counterparty risk and funding costs. Credit value adjustments are used when measuring derivatives to ensure that the market value of the derivatives 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 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, geographical location and seniority of the exposure. A funding value adjustment is a correction made to the fair value of 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 the value of the instruments.
- The IFRS9 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 measurement of financial instruments with quoted prices is 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 needs to be maximised, whereas the use of unobservable inputs has to be minimised.
- 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. Observable inputs reflect an active market. Examples of observable inputs are the risk-free rate, exchange rates, stock prices and implied volatility. Valuation techniques based on observable inputs include discounted cash flow analysis, reference to the current or recent fair value of a similar instrument, or third-party pricing, provided that the third-party price is in line with alternative observable market data.
- 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.
- The valuation methodology and the corresponding classification in the fair value hierarchy of the most commonly used financial instruments are summarised in the table below. This table provides an overview of the level in which the instruments are generally classified, but exceptions are possible. In other words, 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.

	Instrument Type	Products	Valuation Technique
<b>Level 1</b>	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	<b>Mark-to-market (quoted prices in active markets), for bonds: BVAL or vendor data.</b>
<b>Level 2</b>	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	<b>Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)</b>
		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	<b>Option pricing model based on observable inputs (e.g., volatilities)</b>
	Linear financial liabilities (without optional features) – cash instruments	Deposits, simple cashflows, repo transactions	<b>Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)</b>
	Semi-liquid bonds/asset backed securities	Semi-liquid bonds/asset backed securities	<b>BVAL, prices corroborated by alternative observable market data, or using comparable spread method</b>
	Debt instruments	KBC IFIMA own issues (liabilities)	<b>Discounted cashflow analysis and valuation of related derivatives based on observable inputs</b>
	Linear financial assets (cash instruments)	Loans, commercial paper	<b>Discounted cashflow analysis based on discount and estimation curves (derived from quoted deposit rates, FX swaps and (CC)IRS)</b>

	Instrument Type	Products	Valuation Technique
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 on 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

Table 41: Valuation methodology and corresponding classification in the fair value hierarchy

### Property (other than for own use)

Property other than for own use is valued at the amount for which they could be exchanged between knowledgeable willing parties in an at arm's length transaction under Solvency II.

### Assets held for index-linked and unit-linked funds

Assets held for Index-Linked and Unit-Linked contracts (classified in line of business 31 (Branch 23) as defined in Annex I of *Delegated Regulation (EU) 2015/35*), are measured at fair value.

### Deposits other than cash equivalents

Deposits other than cash equivalents are measured at fair value. The same principles are applied as discussed for 'Bonds', 'Equity instruments' and 'Loans & mortgages'.

### Own shares

This is the total amount of own shares held directly by the Group (also referred to as 'Treasury shares' under IFRS). The amount of own shares is deducted from the excess of assets over liabilities when determining the available capital.

### IFRS value

To determine the IFRS value, reference can be made to the IFRS valuation rules applicable within KBC as included in the KBC Group annual report – Note 1.2: Summary of significant accounting policies.

## Goodwill

Goodwill is defined as any 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. It is recognised as an intangible asset and is carried at cost less impairment losses. Goodwill is not amortised, but is tested for impairment at least once a year or if there is either internal or external evidence for doing so. An impairment loss is recognised if the carrying amount of the cash-generating unit to which the goodwill belongs exceeds its recoverable amount. Impairment losses on goodwill cannot be reversed. For each new business combination, KBC has to choose whether to measure minority interests at fair value or as their proportionate share of the acquiree's net identifiable assets. This choice determines the amount of goodwill recognised.

## Deferred taxes

Deferred tax assets are recognised for all deductible temporary differences between the carrying value of assets and liabilities and their tax base, and for carry forward of unused tax losses and for carry forward 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 for carry forward unused tax losses. When estimating the period over which tax losses can be used against future taxable profits, KBC uses projections for a period between seven to eight years.

## Bonds, equity instruments and loans & mortgages

KBC applies all the requirements of IFRS9 as from 1 January 2018, except for the hedge accounting transactions which continued to be accounted for in accordance with IAS39.

On initial recognition of a financial asset, KBC first assesses the contractual terms of the instrument in order to classify it as an equity or debt instrument. An equity instrument is defined as any contract that evidences a residual interest in another entity's net assets. In order to satisfy this condition, KBC reviews whether the instrument includes no contractual obligation for 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 which do not meet the criteria of equity instruments are classified as debt instruments by KBC.

## Debt instruments

When KBC concludes that the financial asset is a debt instrument, then on initial recognition, it can be categorised in one of the following categories:

- Mandatorily measured at fair value through profit or loss (FVPL);
- Designated at initial recognition at fair value through profit or loss (FVO);
- Fair value through other comprehensive income (FVOCI);
- Amortised cost (AC).

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

Further, 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 as at FVO:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;

- And the contractual terms of the financial asset give rise on specified dates to cash flows 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 as at FVO:

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

Loans and advances are debt instruments held by the institutions that are not securities and are in general measured at amortised cost.

### *Equity instruments*

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

- Mandatorily measured at fair value through profit or loss (FVPL);
- Equity instruments elected for fair value through other comprehensive income (FVOCI).

### *Derivatives*

KBC can recognise derivative instruments either for trading purpose or as hedging derivatives. Derivatives can have asset or liability positions depending on their actual market value.

- Derivative instruments for trading are always measured at fair value and KBC makes a distinction as follows:
  - Derivatives that are held with a hedging intent but for which hedge accounting cannot be or is not applied (economic hedge): Hedging instruments can be acquired with the intention of economically hedging an external exposure but without the application of hedge accounting. The interest component on these derivatives is recognized under “Net Interest Income” while all other fair value changes are recognized under “Net result from financial instruments at fair value through profit or loss”; Derivatives held without hedging intent (trading derivative): KBC entities can also enter into a derivative position without any intention to hedge economically a position. Such activity can relate to closing / selling an external position in the near term or for short-term profit taking purposes. All fair value changes on such derivatives are recognised under “Net result from financial instruments at fair value through profit or loss”.
- Hedging derivatives are derivatives which are specifically designated in a hedge relationship. The accounting process of the such derivatives are detailed in the section “Hedge Accounting – Hedging Instrument”.

### *Property (other than for own use)*

Property other than for own use or investment property is defined as a real estate property either built, purchased or acquired under a finance lease by KBC, which is held to earn rentals or capital appreciations rather than used by KBC for the supply of services or for administrative purposes.

Investment property is initially recognised at cost (including directly attributable costs). KBC subsequently measures investment property at initial cost minus accumulated depreciation and impairment losses.

### *Assets held for index-linked and unit-linked funds*

Assets held for Index-Linked and Unit-Linked funds are recognised as investment contracts in financial assets mandatorily at fair value through P&L other than Held For Trading (MFVPL).

### *Deposits other than cash equivalents*

Deposits other than cash equivalents are measured at amortised cost.

### Own shares

If an entity reacquires its own equity instruments, those instruments ('treasury shares') are not recognised as an asset on the balance sheet but should be deducted from equity instead.

### BGAAP value

To determine the BGAAP value reference can be made to the BGAAP valuation rules applicable within KBC Insurance NV as included in the Annual Accounts of KBC Insurance NV in note 20 of the BGAAP valuation rules.

Under BGAAP assets and liabilities are measured at costs and no fair valuing is applied within the statutory accounts of KBC Insurance.

### Formation expenses, intangible and tangible assets

Formation expenses are charged directly to the profit and loss account unless the Board of Directors decides otherwise.

Intangible fixed assets whose useful lifetime is limited are depreciated over five years unless the Board of Directors decides otherwise. Systems software is depreciated at the same rate as hardware and is therefore depreciated over a period of three years. Software other than systems software is depreciated over five years. Core systems with a longer useful life are depreciated straight line over a minimum of eight-year period. Core systems are types of standard software, including back-end data applications, for processing operations during the day and updates of the general ledger balances on the mainframe.

All tangible fixed assets are recognised at acquisition cost, less accumulated depreciation. They are recorded at acquisition cost, including ancillary, directly allocable costs (acquisition costs, non-deductible VAT etc.).

The rates of depreciation are determined on the basis of the anticipated useful economic life of the item and are applied according to the straight-line method. All tangible fixed assets are depreciated on an accruals basis from the time they are available for use. The ancillary costs are written off over the life of the asset. A write-down is charged for ancillary costs on the acquisition of land.

### Equity shares

Participating interests and shares that are considered financial fixed assets are recognised at acquisition costs. Write downs are applied only in the event of a lasting impairment in or loss of value, established on the basis of the financial position, the profitability and the prospectus of the company concerned.

Impairment charges are written back immediately when the stock market price rises, albeit to no more than the acquisition value.

Listed shares are recognised at acquisition cost and impaired if the stock market price is sustainably (> 1 year) or significantly (> 30%) lower than the book value, showing that the impairment is sufficiently lasting in nature. The impairment charge is then equal to the difference between the carrying value and the stock market price. Impairment charges are reversed immediately when the stock market price rises, albeit to no more than the acquisition value.

Unlisted shares are written down in the event of a lasting diminution in value or impairment justified by the state, profitability or prospects of the company in which the holdings, shares or profit-share certificates are held.

### Bonds

Fixed-income securities are recognised at amortised costs and interest is recognised according to the effective interest method.

The fixed-income securities are impaired according to the principles that apply for the valuation of granted loans. When market value is declining below acquisition value, an impairment is recognised when there is uncertainty as to whether all or part of the receivable or security will be paid when due.

Fixed-income treasury securities (under 'other financial investments') serving to support liquidity are impaired if their market value is lower than the book value.

Impairment is booked on real estate certificates if their market value is less than their acquisition cost (LOCOM). These impairment charges are written back where the market value rises, up to a maximum of the acquisition cost of the underlying security.

### Loans and advances

Loans and advances are recorded in the balance sheet for the outstanding principal amount, plus the interest past due and sundry costs to be paid by the customers. Loans classified as irrecoverable and doubtful, specific write-downs are posted on a case-by-case basis in order to cover the losses which are considered certain or likely to ensue on the outstanding loans.

### Assets held for index-linked and Unit-Linked funds

Assets held for Index-Linked and Unit-Linked funds are recognised as investment contracts valued at fair value as they cover liabilities whereby the policyholder bears the investment risk.

### Deposits other than cash equivalents

Deposits other than cash equivalents are measured at amortised cost.

### Own shares

If an entity reacquires its own equity instruments, those instruments ('treasury shares') are recognised as an asset on the balance sheet and an undistributable reserve is recognised for the same amount as part of equity.

## Technical provisions

### Solvency II value

In general, the Technical provisions on the Solvency II economic balance sheet have to be calculated as the sum of a best estimate and a risk margin:

- The best estimate corresponds to the probability-weighted average of future cashflows, taking into account the time value of money, using the relevant risk-free interest rate term structure;
- The risk margin is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support the insurance and reinsurance obligations over their lifetime. The cost of capital rate is defined by the regulator and is set at 6%.

An exception to the requirement to calculate a best estimate and a risk margin is made for insurance obligations for which the value can be replicated reliably using financial instruments for which a reliable market value is observable. The value of the Technical provisions associated with these future cash flows shall be determined 'as a whole' (i.e. no separate calculation of best estimate and risk margin), based on the market value of the financial instruments.

Technical provisions Life in general relate for KBC Insurance Group to those insurance liabilities that are 'pursued on similar technical basis to that of Life insurance', even if they are not Life insurances from a pure legal perspective. In practice the classification into Life resp. Non-Life liabilities is based on the actuarial techniques used for calculating the Technical provisions. This split up, specific for the Solvency II regulation framework, entails some classification differences with the IFRS balance sheet.

For calculation of the best estimate, within the Life respectively Non-Life obligations, the contracts have to be split up in so called 'homogeneous risk groups'. These are groups of contracts with similar characteristics and dynamics, for which the same assumptions can be used when projecting the insurance cash flows in the future. Note that this list is also applicable to Non-Life and Health obligations.

In order to obtain the best estimate which corresponds to the probability-weighted average of future cashflows, the best estimate calculation must take into account all uncertainties in the cash flows. Note however that an allowance for uncertainty does not mean that additional margins should be included in the best estimate.

Including these uncertainties requires particular cashflow characteristics to be accounted for in the valuation methodology. This gives rise to specific assumptions on the uncertainty surrounding a number of factors, including the following:

- The timing, frequency and severity of insured events;
- Claim amounts and the period needed to settle the claims;
- The amount of expenses;
- Policyholder behaviour;
- Expected future developments such as future demographic, legal, medical, technological, social, environmental developments including inflation, both entity- and portfolio-specific. For example, in a particular country, this may include changes as a result of legislation, tax measures or the cost of care;
- Interdependency between two sources of uncertainty.

When calculating the best estimate, a projection of the estimated future cashflows is made.

The cashflows are subsequently discounted using the risk free interest rate term structure, as set-up and provided by the regulator. The volatility adjustment can be added to this curve in order to compensate the spread movements of the assets.

The volatility adjustment is designed to protect insurers with long-term liabilities from the impact of volatility on the insurers' solvency position. The volatility adjustment is based on a risk-corrected spread on the assets in a reference portfolio. It is defined as the spread between the interest rate applying to the assets in the reference portfolio and the corresponding risk-free rate, minus the fundamental spread (which represents default or downgrade risk). The volatility adjustment is provided and updated by EIOPA and can differ for each major currency and country.

### Contract boundaries applied to the valuation of technical provisions

Insurers shall recognize an insurance obligation falling within the boundary of the contract at whichever is the earliest, the date the undertaking becomes a party to the contract that gives rise to the obligation, or, the date the insurance cover begins. The obligation shall be derecognized only when it is extinguished, discharged, cancelled or expires.

The calculation of the best estimate should only include future cash-flows associated with existing insurance and reinsurance contracts, i.e. no future expected new business or contracts should be taken into account. Furthermore, all expected future premiums on existing contracts within the contract boundaries of the contract should be taken into account "irrespective of their profitability".

### Homogeneous risk groups used to calculate the technical provisions

Undertakings should segment their (re)insurance obligations into homogeneous risk groups, and as minimum by line of business (LoB), when calculating the Technical provisions. Obligations should be allocated to the line of business that best reflects the nature of the risks relating to the obligation. Hereby the principle of substance over form should be followed for the allocation. This means that the segmentation should reflect the nature of the risks underlying the contract (substance), rather than the legal form of the contract (form).

The segmentation into lines of business distinguishes between Life and Non-Life insurance obligations. As mentioned above, this distinction between Life and Non-Life insurance obligations should be based on the nature of the underlying risk:

- Insurance obligations of business that is pursued on a similar technical basis to that of Life insurance should be considered as Life insurance obligations, even if they are Non-Life insurance from a legal perspective;
- Insurance obligations of business that is not pursued on a similar technical basis to that of Life insurance should be considered as Non-Life insurance obligations, even if they are Life insurance from a legal perspective.

KBC has segmented the insurance business corresponding to these regulations.

A homogeneous risk group is a set of (re)insurance obligations which are managed together and which have similar risk characteristics in terms of, for example, underwriting risk, risk profile of policyholders, product features, etc. The risks in each group should be sufficiently similar to allow for a reliable valuation of the Technical provisions.

We can distinguish between two different types of unbundling of an insurance contract. Where an insurance contract includes Life and Non-Life (re)insurance obligations, it should be unbundled into its Life and Non-Life parts. This is known as unbundling for segmentation purposes. The other type is known as unbundling for calculation of the Technical provisions.

In the end, the result of the segmentation should be such that the entire portfolio of risks is covered, avoiding double counting or exclusion of certain business.

Currently there are 36 lines of business defined on Group level which belong to 4 different categories (Life, Non-Life, SLT Health and NSLT Health), which match the lines of business mentioned in the Solvency II legislation. Every line of business is subdivided into separate homogeneous risk groups. Using these homogeneous risk groups KBC Insurance tries to capture the different factors that determine the risk characteristics of every liability. This way it is possible to capture the different risks of every liability.

### Technical provisions (Life business)

When projecting future cashflows for Life obligations, so-called 'similar to Life techniques' are used. In principle, these Life obligation cashflow projections are made on a policy-by-policy basis. Only in situations when such a calculation is unpractical, policies can be grouped together and the methodology is then applied to the group of policies. This grouping is subject to strict conditions (e.g. it must give approximately the same results as a calculation made on a policy-by-policy basis).

The following cashflows should be taken into account when generating the best estimate of Life insurance obligations:

- The cash inflows should at least include the gross premiums (after tax) included in the contract boundaries at the valuation date. It should be noted that contract boundaries may in some cases not be the same for IFRS and Solvency II. In addition, all cashflows resulting from these premiums are taken into account, e.g. expenses, commissions and guarantees. Investment returns (interests earned, dividends, etc.) are not taken into account. In the case of Unit-Linked contracts, only the risk premiums related to the non-hedgeable portion of the liabilities are taken into account;
- The cash outflows must include at least:
  - The benefit cash outflows should include (non-exhaustive list):
    - Maturity benefits
    - Death benefits
    - Disability benefits
    - Surrender benefits
    - Annuity payments
    - Profit sharing bonuses (e.g. financial or mortality profit sharing)
    - Payments with respect to additional riders
  - Claims payments incurred by the insurer in providing contractual benefits that are paid in kind (if they exist);

- Expenses that are incurred in servicing insurance obligations, such as administrative expenses, investment management expenses, claims management expenses, acquisition expenses, overhead expenses. The projection of expenses has to include future expected inflation.

The cashflow projection method also includes options and guarantees that are related to the contract. A contractual option is defined as a right to change the benefits, to be exercised at the discretion of its holder (generally the policyholder), on terms that are established in advance. Thus, in order to trigger an option, a deliberate decision of its holder is necessary. Examples of such options are:

- Surrender value option: the policyholder has the right to fully or partially surrender the policy and receive a pre-defined lump sum amount;
- Paid-up policy: the policyholder has the right to stop paying premiums and change the policy status to paid-up. Payments may not be reactivated in the future;
- Dormancy option: the policyholder has the right to partially or completely stop paying premiums, but with the option to reactivate the payments in the future;
- Annuity conversion option: the policyholder has the right to convert a lump-sum survival benefit into an annuity at a pre-defined minimum rate of conversion;
- Policy conversion option: the policyholder has the right to convert from one policy to another at pre-determined terms and conditions;
- Extended coverage option: the policyholder has the right to extend the coverage period when the original contract expires, without having to produce further evidence of health.

The contractual options within the business of KBC Insurance NV which are pre-determined in the contract include the following:

- Surrender value option;
- Paid-up policy option.

A financial guarantee is present when there is the possibility to pass losses to the undertaking or to receive additional benefits as a result of changed financial variables (e.g. investment return of the underlying asset portfolio, performance of indices, etc.). In the case of guarantees, the trigger is generally automatic (the mechanism would be set in the policy's terms and conditions) and thus not dependent on a deliberate decision of the policyholder.

The following is a non-exhaustive list of examples of common financial guarantees embedded in Life insurance contracts:

- Guaranteed invested capital: include a capital guarantee of the initial investment amount, usually up to a set percentage. This can be considered as a 0% interest rate guarantee.
  - E.g. a guaranteed return of investment in Unit-Linked funds;
- Guaranteed minimum investment return: minimum interest rate is guaranteed.
  - E.g. investment insurance with a guaranteed minimum return plus a variable – but not guaranteed – profit sharing amount;

If contracts are expected to benefit from profit sharing, this profit sharing must also be included in the projection of the cashflows.

KBC Insurance NV has the following Life insurance contracts where the financial guarantee is embedded in the contract:

- Contract with a guaranteed minimum interest return.

KBC Insurance NV also has contracts where the benefits are based on a declaration of KBC and the timing or the amount of the benefits is at its own discretion:

- Contracts with profit sharing.

Where insurance and reinsurance contracts include financial guarantees, contractual options or future discretionary benefits, the present value of cash flows arising from those contracts may depend both on the expected outcome

of future events and developments and on how the actual outcome in certain scenarios could deviate from the expected outcome. The methods used to calculate the best estimate should take such dependencies into account.

At KBC we calculate in the time value of financial options and guarantees (TVOG), both the optionality of lapse (contractual option, insofar found as relevant for specific products) and profit sharing (financial option) as they are correlated .

More specifically, the embedded optionality is coming from:

- Future profit sharing to the policy holder;
- Lapse behaviour .

According to the Solvency II regulatory framework, obligations arising from Health insurance must be assigned to 'Health SLT' (similar to Life techniques) if the actuarial methods used to calculate these cashflow projections are similar as the ones mentioned in this subchapter.

### Technical provisions (Non-Life business)

The same general principles as outlined in 'Technical provisions (Life business)' apply to Non-Life obligations. When projecting future cashflows for Non-Life obligations, so called 'similar to Non-Life techniques' are used. Specifically for Non-Life obligations, Solvency II requires calculations to be performed separately for 'premium provisions' and 'provisions for claims outstanding':

- The premium provisions relate to claim events occurring after the valuation date and during the remaining in-force period (coverage period) of existing policies held by the undertaking.  
The calculation of the gross best estimates of the premium provision relates to:
  - All expected future premiums for existing policies
  - All future claim payments for existing policies
    - Arising from future events
    - Past the valuation date
    - That will be insured under the insurer's existing policies that have not yet expired
  - Expenses (allocated and unallocated claims expenses, as well as ongoing administration of in-force policies, acquisition costs, overhead expenses, investment management expenses) related to the above.
- The provisions for claims outstanding relate to claim events that have already occurred but that are not settled yet, regardless of whether the claims arising from these events have been reported or not.

Both types of provisions are calculated according to different (standard) actuarial techniques.

The premium provision is calculated on the assumption that the portfolio of policies in a certain line of business is stable enough, so that claims experience from the past can be used to make predictions of claims that will occur in the future. In addition, the assumptions regarding the timing of future cashflows are based on past claims experience.

For the claims provisions, different techniques are used depending on the claim sizes (attritional, large and extra-large claims). An estimate is also made for those claims that have already occurred but which have not yet been reported at valuation date. The best estimate for claims outstanding also includes provisions for claim handling costs, both internal and external costs.

It should be noted that provisions for annuities stemming from Non-Life contracts form part of the Life Technical provisions.

According to the Solvency II regulatory framework, obligations arising from health insurance must be assigned to 'Health NSLT' (non-similar to Life techniques) if the actuarial methods used to calculate these cashflow projections are similar as the ones mentioned in this subchapter.

The table below provides an overview of the best estimate provisions of the Non-Life and the health non-similar to Life lines of businesses, gross of ceded reinsurance, measured according to the Solvency II valuation principles above.

Line of business (in m EUR)	Best Estimate gross of reinsurance recoverables	%
<b>Non-Life (excl. Health)</b>	<b>2.010</b>	<b>88,2%</b>
<i>Motor vehicle liability insurance</i>	986	43,3%
<i>Other Motor Insurance</i>	175	7,7%
<i>Marine, aviation and transport insurance</i>	5	0,2%
<i>Fire and other damage to property insurance</i>	297	13,0%
<i>General liability insurance</i>	393	17,2%
<i>Credit and suretyship insurance</i>	0	0,0%
<i>Legal Expenses insurance</i>	101	4,4%
<i>Assistance</i>	18	0,8%
<i>Miscellaneous financial loss</i>	16	0,7%
<i>Proportional Motor Vehicle Liability reinsurance</i>	2	0,1%
<i>Proportional Other Motor insurance reinsurance</i>	0	0,0%
<i>Proportional Marine, aviation and transport reinsurance</i>	0	0,0%
<i>Proportional Fire and other damage to property reinsurance</i>	2	0,1%
<i>Proportional General liability reinsurance</i>	0	0,0%
<i>Proportional Credit and suretyship reinsurance</i>	0	0,0%
<i>Proportional Legal Expenses reinsurance</i>	0	0,0%
<i>Proportional Miscellaneous financial loss reinsurance</i>	5	0,2%
<i>Non-Proportional Casualty reinsurance</i>	8	0,4%
<i>Non-Proportional Property reinsurance</i>	0	0,0%
<i>Non-Proportional Marine, aviation and transport reinsurance</i>	2	0,1%
<b>Health (similar to Non-Life)</b>	<b>268</b>	<b>11,8%</b>
<i>Medical Expense insurance</i>	22	0,9%
<i>Income Protection insurance</i>	-13	-0,6%
<i>Workers' Compensation insurance</i>	258	11,3%
<i>Proportional Medical expense reinsurance</i>	0	0,0%
<i>Proportional Income Protection reinsurance</i>	0	0,0%
<i>Proportional Workers' compensation reinsurance</i>	1	0,0%
<i>Non-Proportional Health Reinsurance</i>	0	0,0%
<b>Total</b>	<b>2.278</b>	<b>100,0%</b>

Table 42: Best Estimate Non-Life 2025 per line of business (KBC Ins Grp)

Line of business (in m EUR)	Best Estimate gross of reinsurance recoverables	%
<b>Non-Life (excl. Health)</b>	<b>1.317</b>	<b>83,0%</b>
<i>Motor vehicle liability insurance</i>	659	41,5%
<i>Other Motor Insurance</i>	52	3,3%
<i>Marine, aviation and transport insurance</i>	0	0,0%
<i>Fire and other damage to property insurance</i>	156	9,8%
<i>General liability insurance</i>	336	21,2%
<i>Credit and suretyship insurance</i>	0	0,0%
<i>Legal Expenses insurance</i>	96	6,1%
<i>Assistance</i>	10	0,6%
<i>Miscellaneous financial loss</i>	4	0,3%
<i>Proportional Motor Vehicle Liability reinsurance</i>	0	0,0%
<i>Proportional Other Motor insurance reinsurance</i>	0	0,0%
<i>Proportional Marine, aviation and transport reinsurance</i>	0	0,0%
<i>Proportional Fire and other damage to property reinsurance</i>	1	0,1%
<i>Proportional General liability reinsurance</i>	0	0,0%
<i>Proportional Credit and suretyship reinsurance</i>	0	0,0%
<i>Proportional Legal Expenses reinsurance</i>	0	0,0%
<i>Proportional Miscellaneous financial loss reinsurance</i>	0	0,0%
<i>Non-Proportional Casualty reinsurance</i>	3	0,2%
<i>Non-Proportional Property reinsurance</i>	0	0,0%
<i>Non-Proportional Marine, aviation and transport reinsurance</i>	0	0,0%
<b>Health (similar to Non-Life)</b>	<b>269</b>	<b>17,0%</b>
<i>Medical Expense insurance</i>	18	1,1%
<i>Income Protection insurance</i>	-8	-0,5%
<i>Workers' Compensation insurance</i>	258	16,3%
<i>Proportional Medical expense reinsurance</i>	0	0,0%
<i>Proportional Income Protection reinsurance</i>	0	0,0%
<i>Proportional Workers' compensation reinsurance</i>	1	0,0%
<i>Non-Proportional Health Reinsurance</i>	0	0,0%
<b>Total</b>	<b>1.587</b>	<b>100,0%</b>

Table 43: Best Estimate Non-Life 2025 per line of business (KBC Ins NV)

### Technical provisions (total)

The following tables present the gross best estimate, the risk margin and the reinsurance recoverables of KBC Insurance Group and KBC Insurance NV, consistent with the figures on the Economic Balance Sheet at end of year 2025. The best estimates and reinsurance recoverables are discounted at the EIOPA risk free rate, including the volatility adjustment as described in the previous paragraphs:

Lines of Business (in m EUR)	Best Estimate - gross of reinsurance	Risk Margin	Reinsurance Recoverables	Net Technical Provisions
Non-Life	2.278	381	74	2.586
Non-Life (excl. Health)	2.010	313	71	2.252
Health (similar to Non-Life)	268	68	2	333
Life (incl. Index-Linked & Unit-Linked)	29.474	826	-21	30.321
Life (excl. Health and IL & UL)	11.990	565	-19	12.574
Health (similar to Life)	239	52	-2	292
Index-Linked & Unit-Linked	17.245	210	0	17.455
<b>Total</b>	<b>31.752</b>	<b>1.207</b>	<b>53</b>	<b>32.906</b>

Table 44: Total net Technical provisions 2025 (KBC Ins Grp)

Lines of Business (in m EUR)	Best Estimate - gross of reinsurance	Risk Margin	Reinsurance Recoverables	Net Technical Provisions
Non-Life	1.587	283	46	1.823
Non-Life (excl. Health)	1.317	224	46	1.496
Health (similar to Non-Life)	269	59	0	328
Life (incl. Index-Linked & Unit-Linked)	27.961	668	-26	28.654
Life (excl. Health and IL & UL)	11.401	450	-27	11.877
Health (similar to Life)	255	41	1	296
Index-Linked & Unit-Linked	16.305	177	0	16.481
<b>Total</b>	<b>29.547</b>	<b>951</b>	<b>21</b>	<b>30.477</b>

Table 45: Total net Technical provisions 2025 (KBC Ins NV)

## IFRS value

### General

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

### Scope

In general, the following types of contracts within KBC are in scope of IFRS 17: Non-Life insurance contracts, reinsurance contracts (accepted & ceded), Life insurance contracts being the non-Unit-Linked contracts, the Unit-Linked contracts and the hybrid products, and investment contracts with discretionary participating features if issued by a KBC insurance entity.

In general, the following types of contracts are out of scope of IFRS 17: investment contracts without discretionary participating features (IFRS 9), major part of the Unit-Linked contracts of KBC Insurance Belgium (IFRS 9) as these insurance contracts do not contain significant insurance risk, credit cards including certain cover issued by a KBC Bank entity (IFRS 15), and roadside assistance contracts (IFRS 15).

Distinct non-insurance components are separated from the insurance components in the contract and thus accounted for in accordance with the appropriate IFRS.

### Level of aggregation

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

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

### *Aggregation by IFRS 17 portfolio*

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

- Life:
  - Unit-linked
  - Non Unit-Linked
  - Hybrid products
  - Accepted reinsurance
- Non-Life:
  - Personal insurance
  - Liabilities – Motor Third-Party Liability (MTPL)
  - Liabilities – other than MTPL
  - Property (including other) other than fully comprehensive
  - Fully comprehensive
  - Accepted reinsurance
- Ceded reinsurance

### *Aggregation by annual cohort*

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

### *Aggregation by group of contracts: onerous, profitable or doubtful*

#### **BBA and VFA – Expected profitability on initial recognition**

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

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

#### **PAA – Expected profitability on initial recognition**

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

#### **Aggregation by set of contracts**

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

## Measurement

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

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

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

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

### *Measurement of Life insurance liabilities*

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

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

### **Valuation according to the Building Block Approach (BBA)**

The insurance liability consists of the following four blocks:

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

#### *Estimation of expected future cashflows*

The basic principle is that Solvency II cashflows are used to ensure consistency with IFRS 17.

The IFRS 17 estimation of future cashflows deviates from Solvency II on the following points:

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

Contracts under which the insurer provides cover, i.e. under which the insurer is at risk, are within the IFRS 17 contract boundaries. Tacit renewals for Non-Life insurance contracts and contracts with a coverage period starting in the future are outside the IFRS 17 contract boundaries.

Level of aggregation of projected cashflows: the Solvency II aggregation levels are Lines of Business (LoBs) and risk buckets. The IFRS 17 unit of account is based on portfolios, cohorts and expected profitability.

#### *Discounting – time value of money*

A discount rate is created per currency, in line with the currency of the cashflows. The starting point for the creation of the curves are observable market prices of a set of assets with multiple durations.

The inflation assumptions for the nominal cashflows and the discount rates are consistent. Inflation is taken into account in the projection of the cashflows. Notwithstanding the reference to 'cashflows', the standard allows the same discount curve to be applied to all cashflows in the same contract. This simplification is applied at KBC.

For cashflows that vary with underlying items, the discount rate is determined by means of a top-down approach.

Cashflows that vary with underlying items are typically cashflows such as interest-rate guarantees on future premiums that are not fixed at inception of the contract, future profit sharing, future lapses, etc. A top-down approach is achieved by using a risk-free rate adjusted with a spread based on a reference portfolio of assets. Such a portfolio is based on the current asset mix an entity holds. In addition, the discount curve must only reflect the characteristics of the insurance liabilities. The risk-taking curve is adjusted to exclude the part not related to the insurance liabilities.

Per currency, a last liquid point (LLP) is set at the level of KBC that is consistent for all entities. The last liquid points per currency are defined by taking the last available tenor for the risk-free rate in the relevant currency.

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

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

#### *Risk adjustment of Life insurance obligations*

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

Life insurance obligations are characterised by (long-term) cashflows based on biometric parameters.

The risk adjustment is defined as the difference between the Value at Risk (VaR) and the best estimate of future cashflows as part of the fulfilment cashflows. The VaR is calculated at a 75% confidence level.

Non-financial risks included in the VaR model are mortality risk, longevity risk, morbidity/disability risk, lapse risk, expense risk and revision risk. The correlations between the different risk types are in line with the correlation matrix of Solvency II.

#### *Contractual Service Margin*

The contractual service margin (CSM) represents the unearned profit the insurer will recognise in P&L as services are provided under the insurance contracts. The CSM is recognised in the balance sheet as part of the insurance liability on initial recognition in order to avoid a day one gain. The CSM on the balance sheet is released gradually over time, on the basis of services provided in the period, and should be zero at the end of the coverage period for a group of contracts.

The CSM release pattern is based on coverage units in the GoC. The number of coverage units is the quantity of services provided by the insurer under the contracts in that GoC, determined by considering for each contract the quantity of the benefits provided to the policyholder under a contract and its expected coverage period. The CSM amount recognised in P&L is the amount of coverage units allocated to the current period for the insurance coverage provided in the current period.

The number of coverage units is reassessed at the end of each reporting period to reflect the most up-to-date assumptions of the contract.

KBC has opted to reflect the time value of money on coverage units. By discounting the coverage units, a more stable allocation of the CSM to P&L is achieved.

#### **Valuation according to the Variable Fee Approach (VFA)**

Under the VFA, the CSM mainly reflects the fee that KBC expects to earn on the market value of the Assets under Management (AUM), also referred to as 'underlying items'.

The CSM is determined as the net of the fair value of the underlying items and the total entity obligation to the policyholder. The change in the variable fee that impacts the CSM is determined as the net of:

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

KBC applies the simplification of a combined amount rather than the different CSM unlocking adjustments separately.

Under the VFA, the difference in measurement from BBA lies in the subsequent measurement of direct participating contracts. All changes in fulfilment cashflows are absorbed by the CSM, until the CSM becomes negative and a loss is recognised in P&L.

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

Valuation according to the Premium Allocation Approach (PAA) is applied for the liability for most Non-Life products. (PAA) is applied for the liability for most Non-Life products. The PAA Liability for Remaining Coverage (LRC) reflects the premium receipts and the acquisition cashflows adjusted for amounts recognised in the income statement on a pro rata temporis basis. When an insured claim arises, a Liability for Incurred Claims (LIC) is recognised, which is similar to the BBA LIC (see below).

In the case of onerous contracts, an additional liability to cover expected future losses is added to the LRC on the balance sheet and a loss is recognised immediately in P&L.

#### **Valuation according to the Premium Allocation Approach**

The PAA LRC reflects only premiums received and acquisition cashflows. As such, to appropriately present the insurance liability on a cash basis, an adjustment is performed by netting insurance payables and receivables against the LRC value.

A provision for the internal cost of settling claims is included, which is calculated as a percentage based on past experience.

The risk adjustment for Non-Life insurance obligations is only calculated for claims incurred. Consequently, only reserve risk is taken into account. Comparable with Life obligations, a Value at Risk method (VaR) is used, but here it is calculated at a 90% confidence level.

#### ***Subsequent measurement***

##### **BBA/VFA – Liability for Remaining Coverage**

At the end of each reporting period, subsequent to initial recognition, KBC updates its estimates and assumptions to reflect the most up-to-date situation. As a result of these updates, the carrying amount of fulfilment cashflows will vary from one period to another.

Subsequent measurement under BBA/VFA for the LRC is driven by:

- Experience adjustments (either absorbed by the CSM (i.e. related to future service) or recorded in the insurance result (i.e. related to current or past service) and portfolio roll forward;
- Non-economic parameter updates to the fulfilment cashflows;
- Economic parameter updates to the fulfilment cashflows;
- CSM release.

#### **PAA – Liability for Remaining Coverage**

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

#### **BBA/VFA/PAA – Liability for Incurred Claims**

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

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

#### **Other matters**

KBC has opted for a year-to-date approach, i.e. a recalculation of previously reported quarters, with the impact of the recalculation being included in the current period.

#### *Differences in Technical provisions between Solvency II and IFRS value*

The comparison between Solvency II and IFRS 17 technical provisions for KBC Insurance Group is added below. Even though the same underlying actuarial models are mostly used for Solvency II and IFRS 17 technical provisions, important differences remain:

- Difference in pre-claim best estimate: the pre-claim best estimate in Solvency II (part of the non-life best estimate) relates to claims that did not yet occur but are expected within the boundaries of the contract. In Solvency II these losses are estimated based on the claim ratio. For IFRS 17, these losses are not explicitly estimated but are covered by the “liability for remaining coverage” which represents the unearned premium reserve for non-life insurance. The latter is therefore typically larger (entire unearned premium amount) than the Solvency II pre-claim best estimate (expected claims related to the unearned premium amount).
- Conceptual differences between risk margin (using the cost of capital approach) and the risk adjustment (using the value at risk approach).
- Difference in interest rate curve used (e.g. use of locked-in interest rates in IFRS 17).

Difference in contract boundaries (i.e. amount of future premiums/coverage considered).

	Solvency II	IFRS 17	Delta
<b>TP Non-life</b>	2.659	3.324	665
<i>Best estimate</i>	2.278	2.975	
<i>Risk margin / risk adjustment</i>	381	349	
<b>TP Life excl. Unit-linked</b>	12.845	13.068	223
<i>Best estimate</i>	12.229	12.884	
<i>Risk margin / risk adjustment</i>	617	184	
<b>TP Unit-linked</b>	17.455	18.038	583
<i>Best estimate + hedgeable part</i>	17.245	18.026	
<i>Risk margin / risk adjustment</i>	210	12	

Table 46: Difference between technical provision Solvency II &amp; IFRS 17 (KBC Ins Group)

## BGAAP value

### Provisions for unearned premiums and unexpired risk

For the primary business, the provision for unearned premiums is in principle calculated on a daily basis, based on the gross premiums.

For inward treaties, i.e. reinsurance business accepted, the provision for unearned premiums is calculated for each contract separately on the basis of the information communicated by the ceding undertaking and, where necessary, supplemented on the basis of the company's own experience regarding the evolution of the risk over time.

The provision for unearned premiums for the Life insurance business is recorded under the provision for the Life insurance group of activities.

#### *Life insurance provision*

Except for Unit-Linked Life insurance products, this provision is calculated according to current actuarial principles, except taken into account the provision for unearned premiums, the ageing reserve, the provision for annuities payable but not yet due, etc. In principle, these provisions are calculated separately for every insurance contract.

For accepted business (if any), a provision is constituted for each individual contract, based on the information supplied by the ceding undertaking and supplemented, where necessary, by the company's own past experience.

Besides the rules set out below, an additional provision is set aside as required by law. The following rules apply:

- Valuation according to the prospective method: this method is applied for the provisions for conventional Non Unit-Linked Life insurance policies, modern Non Unit-Linked universal Life insurance policies offering a guaranteed rate of interest on future premium payments and for the provision for extra-legal benefits for employees in respect of current annuities. Calculations according to prospective actuarial formulas are based on the technical assumptions made in the contracts.
- Valuation according to the retrospective method: this method is applied for the provision for modern Non Unit-Linked universal Life insurance policies and for the provision for extra-legal benefits for employees in respect of new supplementary premium payments. Calculations according to retrospective actuarial formulas are based on the technical assumptions made in the contracts, though no account is taken of future payments.

#### *Provision for claims outstanding*

For claims reported, the provision is in principle measured separately in each case, taking into account the known facts in the claims file, on the basis of the amounts still due to the injured parties or beneficiaries, plus external costs of settling claims. Where benefits have to be paid in the form of an annuity, the amounts to be set aside for that purpose are calculated using recognised actuarial methods.

For 'claims incurred but not reported' at balance sheet date, an IBNR (Incurred But Not Reported) provision is set aside. In the primary business, this IBNR provision is based on a lump sum per class of insurance depending upon past experience and the trend in the insured portfolio. For extraordinary events, additional amounts are added to the IBNR provision.

For 'claims incurred but not enough reserved' at balance sheet date, an IBNER (Incurred But Not Enough Reserved) provision is set aside if the adequacy procedures demonstrate that the other claims provisions are insufficient to meet future liabilities. This provision contains amounts for claims which have already been reported but which, for technical reasons, could not yet be recorded in the claims file. Where appropriate, a provision is set aside on a prudent basis for possible liabilities arising for claims files already closed.

A provision for the internal cost of settling claims is calculated at a percentage that is based on past experience.

Additional provisions are also constituted as required by law, such as supplementary workmen's compensation provisions.

#### *Provision for profit sharing and rebates*

This heading includes the provision for the profit share that has been allocated but not yet awarded at the end of the financial year for both the group of Life insurance activities and the group of Non-Life insurance activities.

#### *Liability Adequacy Test (LAT)*

A liability adequacy test is performed to evaluate current liabilities, detect possible deficiencies and recognise them in profit or loss.

#### *Equalization and catastrophe provision*

All amounts in the equalisation and catastrophe provision are allocated to offsetting non-recurring underwriting losses in the years ahead, equalising in the loss ratio and covering special risks.

#### *Ceded reinsurance and retrocession*

The effect of reinsurance business ceded and retrocession is entered as an asset and calculated for each contract separately, supplemented where necessary by the company's own past experience regarding the evolution of the risk over time.

## Other liabilities

### Solvency II value

#### Deferred taxes

Deferred taxes, other than deferred tax assets arising from the carry forward of unused tax credits and the carry forward of unused tax losses, are valued on the basis of the difference between the Solvency II values and the values ascribed to assets and liabilities as recognised and valued for tax purposes (*Delegated Regulation (EU) 2015/35*, Article 15).

#### IFRS value

To determine the IFRS value reference can be made to the IFRS valuation rules applicable within KBC, as included in the KBC Group annual report – Note 1 2: Summary of material accounting policies.

#### Deferred taxes

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying amount of an asset or liability and its tax base. They are measured using the tax rates that are substantially 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 which reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of the underlying asset or liability at the balance sheet date.

## Financial liabilities

Financial instruments or their component parts are classified as liabilities or as equity in accordance with the substance of the contractual arrangements on initial recognition 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;
- KBC has a contractual obligation to settle the financial instrument in a variable number of its own equity instruments.

A financial instrument is classified as an equity instrument if both of the conditions are not met and in that case is covered under the section "Equity".

- **Financial liabilities held for trading**  
Held-for-trading liabilities are those incurred principally for the purpose of 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.  
Trading liabilities can include derivative liabilities, short positions in debt and equity instruments, time deposits and debt certificates. In connection with derivative liabilities KBC makes similarly distinction between trading and hedging derivatives as in case for derivative assets.  
Initially, held-for-trading liabilities are measured at fair value. At the end of the reporting date, trading liabilities are measured at fair value. Fair value adjustments are always recorded in the income statement.
- **Financial liabilities upon initial recognition designated by the entity at fair value through profit or loss**  
IFRS9 allows measuring a (group of) financial liability(s) on initial recognition at fair value, whereby fair value changes are recognized in profit or loss except for fair value changes related to the 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 a FV basis:** KBC designates a financial liability or group of financial liabilities at fair value when these are managed and their performance are evaluated on a fair value basis. It is used to account for (unbundled) deposit components (i.e. financial liabilities not including a discretionary participation feature).
  - **Accounting mismatch:** Fair value option can be used when the use eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
  - **Hybrid instruments:** A financial instrument is regarded as a hybrid instrument 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 and then the entire hybrid instrument can be designated at fair value. This results that both the embedded derivative and the host contract are measured at fair value. KBC uses this option when, for example, structured products contain non closely related embedded derivatives, in which case both the host contract and the embedded derivative are measured at fair value.
- **Financial liabilities measured at amortised cost**  
KBC classifies most of its financial liabilities under this category, also those used to fund trading activities, when the trading intent is not present in the financial liabilities (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 and 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.

## BGAAP value

To determine the BGAAP value reference can be made to the BGAAP valuation rules applicable within KBC, as included in the Annual Accounts of KBC Insurance NV– Note 20 on the accounting policies.

### Deferred taxes

Under BGAAP deferred taxes are not recognised.

### Financial liabilities

Financial liabilities are measured at amortised cost.

## Alternative methods for valuation

Not applicable to the KBC Insurance Group.

## Capital Management

The solvency of KBC Insurance Group and KBC Insurance NV is calculated on the basis of Solvency II, conform the pillar 1 requirements. KBC Insurance Group is subject to the Solvency II regime as well as all its insurance subsidiaries. To determine solvency at Group level, the accounting consolidation method is used. An overview of all undertakings in the scope of the Group can be found in QRT S.32.01.

A solvency ratio of 100% is required as a minimum by the regulator. Within KBC, the capital management process aims at reaching an optimal balance between regulatory requirements, rating agencies views, market expectations and management ambitions. It is a key management process relating to all decisions on the level and composition of the capital, both at Group level and towards our subsidiaries.

### Solvency II ratio

#### KBC Insurance Group

As also stated in the 'Capital adequacy' section of the annual report, the Solvency II ratio of KBC Insurance Group amounted to 227% at the end of 2025, which is an increase of 27pp compared to year-end 2024. KBC Insurance Group does not use any of the transitional measures.

The year-on-year evolution of the Solvency II ratio (including the volatility adjustment) was mainly driven by:

- The portion of the 2025 profit that was added to available capital after deduction of foreseeable dividends;
- The increase in long-term interest rates;
- Favourable spread movements.

These effects were partly offset by the impact of higher equity markets, which increased the required capital more than the available capital due to the rise in the symmetric adjustment<sup>8</sup>.

#### Solvency, KBC Insurance Group (including volatility adjustment)

(in m EUR)	31/12/2025	31/12/2024
<b>Own funds</b>	<b>5.154</b>	<b>4.392</b>
Tier 1	4.630	3.873
<i>IFRS parent shareholders' equity</i>	4.064	3.331
<i>Dividend pay-out</i>	-129	-91
<i>Deduction of intangible assets and goodwill (after tax)</i>	-215	-207
<i>Valuation differences (after tax)</i>	774	615
<i>Volatility adjustment</i>	112	189
<i>Other</i>	26	37
Tier 2	501	501
<i>Subordinated loans</i>	501	501
Tier 3	23	18
<i>Deferred taxes</i>	23	18
<b>Solvency Capital Requirement (SCR)</b>	<b>2.268</b>	<b>2.196</b>
<b>Solvency II ratio</b>	<b>227%</b>	<b>200%</b>
Solvency surplus above SCR	2.886	2.196

Table 47: Own funds / Solvency II ratio (KBC Ins Grp)

In the table above, the line "valuation differences" contains among other things the valuation differences between IFRS and Solvency II for the assets as well as for the liabilities.

<sup>8</sup> The symmetric adjustment is an adjustment to the equity risk capital requirement to reduce volatility in the required capital. A positive value will lead to a greater capital requirement during periods of market rises and likewise ('symmetrically') negative adjustments will be made after market drops. The symmetric adjustment reduces the capital requirement when markets are down but increases capital when markets are high, and in that respect acts as a dampener.

Also note there is Tier-3 capital which consists of 23m EUR of net deferred tax assets regarding CSOB Pojistovna Czech Republic. As deferred tax assets and deferred tax liabilities can only be netted if they relate to taxes levied by the same tax authority, this amount cannot be netted with the net deferred tax liability amounts of the other Group entities. The amount of Tier-3 capital is approx. 1% of SCR and can be taken into account fully for the Solvency II ratio calculation.

## KBC Insurance NV

The Solvency II ratio of KBC Insurance NV amounted to 247%, which is an increase of 31pp compared to year-end 2024. KBC Insurance NV does not use any of the transitional measures.

### Solvency, KBC Insurance NV (including volatility adjustment)

(in m EUR)	31/12/2025	31/12/2024
<b>Own funds</b>	<b>5.156</b>	<b>4.400</b>
Tier 1	4.656	3.899
<i>BGAAP parent shareholders' equity</i>	1.366	1.390
<i>Dividend pay-out</i>	-129	-91
<i>Valuation differences (after tax)</i>	2.749	1.896
<i>Volatility adjustment</i>	103	180
<i>Other</i>	568	524
Tier 2	501	501
<i>Subordinated loans</i>	501	501
<b>Solvency Capital Requirement (SCR)</b>	<b>2.085</b>	<b>2.036</b>
<b>Solvency II ratio</b>	<b>247%</b>	<b>216%</b>
Solvency surplus above SCR	3.071	2.364

Table 48: Own funds / Solvency II ratio (KBC Ins NV)

The line 'Other' reflects valuation differences under BGAAP and Solvency II EBS. The main drivers are:

- 'Funds for future allocation' amount to 232mIn EUR in 2025 and are recognised as other liabilities under BGAAP, while it is zero under Solvency II.
- 'Profit participation and dividends payable' amount to 129mIn EUR in 2025 and are recognised as other liabilities under BGAAP, while they are not recognised under Solvency II.

## Own funds

### Basic own funds

The total available capital of KBC Insurance Group amounted to 5.154m EUR end of year 2025. For KBC Insurance NV the available capital amounted to 5.156m EUR end of year 2025.

## KBC Insurance Group

This amount comprises solely basic own fund items, which are eligible to cover the Solvency Capital Requirement and the Minimum Capital Requirement. More information about 'Own funds' can be found in QRT S.23.01.- Own Funds.

Available basic own funds (in m EUR)	31/12/2025	31/12/2024	Nominal change
Tier 1 capital	4.630	3.873	757
Share capital	65	65	0
Share premium	1.086	1.086	0
Surplus funds	0	0	0
Reconciliation reserve	3.479	2.722	757
Excess assets over liabilities	4.985	4.186	800
Expected dividend payments	-129	-91	-38
Own shares	-203	-203	0
Other own fund items	-1.174	-1.169	-5
Tier 2	501	501	0
Tier 2 capital	501	501	0
Deferred tax Assets (net)	23	18	5
Tier 3 capital	23	18	5
<b>Total available basic own funds</b>	<b>5.154</b>	<b>4.392</b>	<b>762</b>

Table 49: Available basic own funds (KBC Ins Grp)

Tier-1 capital amounted to 4.630m EUR at end of year 2025, up 757m EUR on its year-earlier level, due to an increase in the excess of assets over liabilities (+800m EUR more details below), and by increase of retained profit in 2025.

The increase in the excess of assets over liabilities with 800m EUR is caused by higher increase in assets compared to the increase in liabilities due to a.o. higher value of equity, increase of interest rate curves (liabilities decreased more than the value of assets) and lower spreads.

Tier-2 capital consists of a 10-year, subordinated, Solvency II-compliant Tier-2 loan granted by KBC Group to KBC Insurance for an amount of 501m EUR.

Tier-3 capital consists of 23m EUR of net deferred tax assets regarding CSOB Pojistovna Czech Republic.

## KBC Insurance NV

Available basic own funds (in m EUR)	31/12/2025	31/12/2024	Nominal change
Tier 1 capital	4.656	3.899	757
Share capital	65	65	0
Share premium	1.086	1.086	0
Surplus Funds	232	232	0
Reconciliation reserve	3.273	2.517	757
Excess assets over liabilities	4.988	4.194	795
Dividend payments	-129	-91	-38
Own shares	-203	-203	0
Other own fund items	-1.382	-1.382	0
Tier 2	501	501	0
Tier 2 capital	501	501	0
<b>Total available basic own funds</b>	<b>5.156</b>	<b>4.400</b>	<b>756</b>

Table 50: Available basic own funds (KBC Ins NV)

Tier-1 capital amounted to 4.656m EUR at year-end 2025, up 757m EUR on its year-earlier level, caused mainly by an increase in the excess of assets over liabilities (+795m EUR more details below).

The increase in the excess of assets over liabilities with 795m EUR is caused by higher increase in assets compared to the increase in liabilities due to a.o. higher value of equity, increase of interest rate curves (liabilities decreased more than the value of assets) and lower spreads.

Tier-2 capital consists of a 10-year, subordinated, Solvency II-compliant tier-2 loan granted by KBC Group to KBC Insurance for an amount of 501m EUR.

### Ancillary own funds

No ancillary own funds are taken into account, as these funds are not available.

### Material differences between equity

The reason for the valuation differences between IFRS equity according to the financial statements and the excess of assets over Liabilities according to Solvency II are explained in the chapter above 'Valuation for solvency purposes'.

The reasons for the valuation differences between BGAAP equity according to the financial statements and the excess of assets over liabilities according to Solvency II, are explained in the chapter above 'Valuation for solvency purposes'.

## Solvency Capital Requirement & Minimum Capital Requirement

In the standard formula, the SCR is calculated as the sum of different components. The KBC Insurance Group uses the distinguishable components (SCR Market Risk, SCR Counterparty Risk, SCR Life Risk, SCR Health Risk, and SCR Non-Life Risk) to calculate the Basic SCR (BSCR). Because there is some risk of overlap between the different components, diversification reduces the risk involved and the related SCR. After calculating the Basic SCR, three components are added in order to calculate the total SCR. These three elements are the Loss Absorbing Capacity of the Technical Provisions, the Loss Absorbing Capacity of the Deferred Taxes and the SCR Operational Risk.

- The Loss Absorbing Capacity of the Technical Provisions (LAC TP) is calculated according to Article 206 of *Delegated Regulation (EU) 2015/35* and takes into account any legal, regulatory or contractual restrictions in the distribution of future discretionary benefits;
- The adjustment for the Loss Absorbing Capacity of the Deferred Taxes (LAC DT) is calculated according to Article 207 of *Delegated Regulation (EU) 2015/35*, whereby a decrease in deferred tax liabilities or an increase in deferred tax assets results in a decrease of the SCR because of the loss-absorbing capacity of deferred taxes.

### KBC Insurance Group

The table and waterfall chart below show the major components and evolutions of SCR, which stands at 2.268m EUR end-of-year 2025. The SCR Market Risk (1.593m EUR) is the biggest contributor to the SCR. SCR Life Underwriting Risk (1.352m EUR) and SCR Non-Life Underwriting Risk (828m EUR) are second and third, respectively. It should be noted that the total SCR for the Underwriting risks, with Health Underwriting (288m EUR), accounts for 59% of undiversified basic Solvency II Pillar 1 capital.

More information on this matter can be found in QRT S.25.01 - Solvency Capital Requirement - Only Standard Formula.

The Minimum Capital Requirement (MCR) at Group level is equal to the sum of the MCRs of the entities. At 31/12/2025, CSOB Poj. SK and ČSOB Pojišť'ovna a.s. (CZ) reached the cap of the MCR, being 45% of their own SCR, and the rest of the entities remained within the limits with the most material entity (KBC Insurance NV) close to the cap, and with a similar margin compared to last year. Therefore, the evolution of the MCR will mainly follow the evolution of the SCR of the local entities.

(in m EUR)	2025	2024	Nominal change
SCR Non-Life	828	821	7
SCR Health	288	321	-32
SCR Life	1.352	1.222	130
SCR Market risk	1.593	1.533	60
SCR Counterparty default risk	126	121	5
<b>Total SCR before diversification</b>	<b>4.187</b>	<b>4.017</b>	<b>170</b>
Diversification benefits	-1.427	-1.385	-41
<b>Total SCR after diversification</b>	<b>2.760</b>	<b>2.632</b>	<b>129</b>
SCR Operational Risk	170	144	26
Adjustment loss absorbing effect TP	-158	-91	-67
Adjustment deferred taxes	-504	-488	-16
<b>Total after diversification and adjustments</b>	<b>2.268</b>	<b>2.196</b>	<b>72</b>

Table 51: Evolution SCR (KBC Ins Grp) – breakdown per submodule

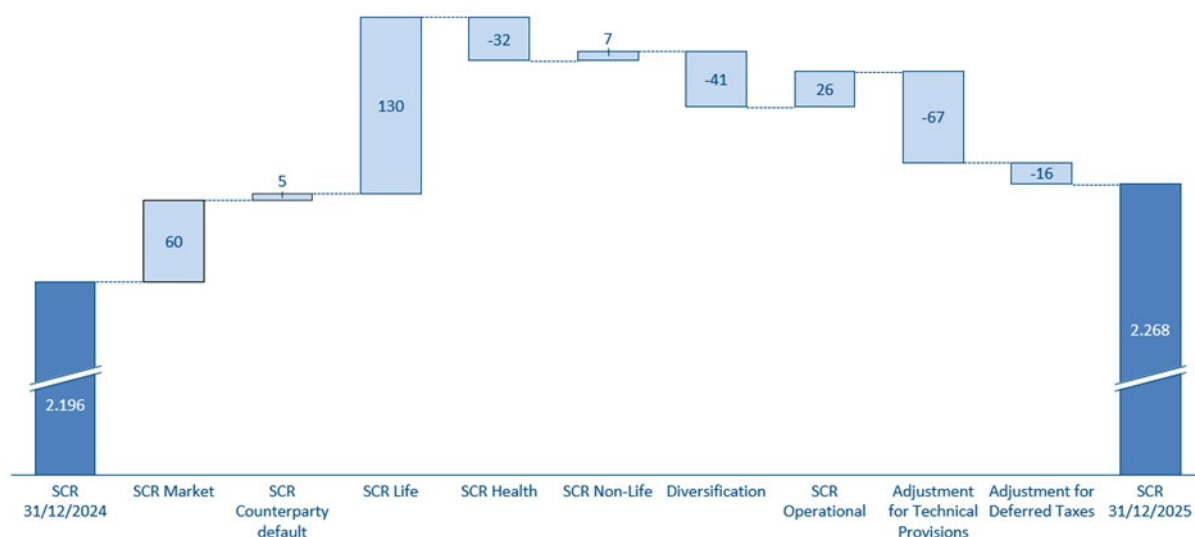


Figure 5: Waterfall graph of evolution SCR 2024 – 2025 (KBC Ins Grp)

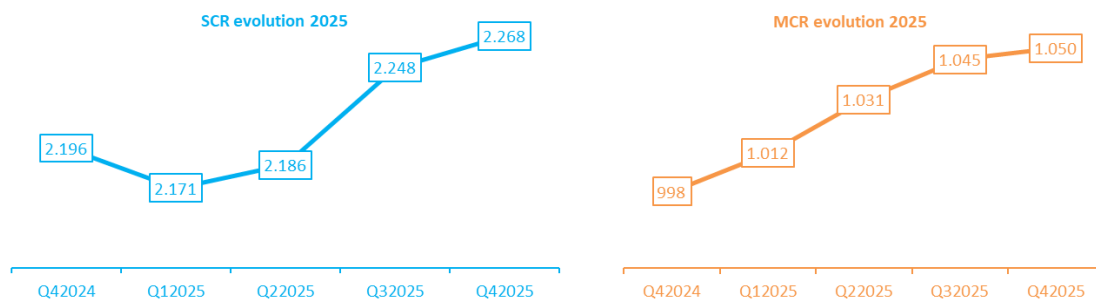


Figure 6: Quarterly evolution of SCR and MCR in 2025 (KBC Ins Grp)

The SCR of KBC Insurance Group increases over 2025 with 72m EUR, largely driven by the following underlying movements:

- The increase of equity risk (linked to the higher equity markets);
- The increase in Life underwriting risk (due to portfolio growth and interest rate changes)
- The increase in interest rate risk (linked to interest rate changes).

This is compensated by:

- A lower concentration risk, which is a direct consequence of an improvement of the average credit quality of the assets.
- A lower health underwriting risk, linked to lower health cat risk due to increased reinsurance being available.
- An increase in adjustment for technical provisions that can be attributed mainly to higher profit sharing valuation (due to higher global equity markets, lower spreads and higher interest rate curve).

### Adjustment of deferred taxes

The adjustment for deferred taxes amounts up to 504m EUR for KBC Insurance Group (467m EUR for KBC Insurance NV) by the end of 2025. The maximum amount of the adjustment for deferred taxes has been taken into account of the SCR because it can be proven that there are sufficient future profits in an after-shock environment.

- Net DTL position on the balance sheet: DTL – DTA
  - Deferred tax assets (DTA) and deferred tax liabilities (DTL) are netted when KBC Insurance NV has a legally enforceable right to set off current tax assets against current tax liabilities and if the deferred tax assets and the deferred tax liabilities relate to taxes levied by the same tax authority;
  - DTA is fully compensated by DTL  
This results for KBC Insurance NV in a net DTL position: KBC Insurance NV recognizes 585m EUR of net deferred tax liabilities on the Economic Balance Sheet. So, there are more profits expected in the future compared to losses.

More information on how deferred tax assets and deferred tax liabilities are calculated can be found in Chapter 5: Valuation for solvency purposes.

- Outcome of Recoverability test: represents the tax that can be recovered after an extreme stress event. This tax can be recovered thanks to probable future profits after the stress event. These future profits have been calculated according to the following assumptions:
  - Projection is based on the 5 years budget plan, which is extrapolated to 10 years;
  - Haircuts are applied on the last 5 years;
  - For the extreme stress event a 1/200 event is applied .
  - Calibrated parameters for the extreme stress event are applied for year 1-2-3-4-5 after the shock;
  - Double counting with the net DTL position on balance sheet is eliminated.

### Diversification effects

The calculation of the Solvency II capital requirement for the KBC Insurance Group is based on method 1 (the accounting-consolidation based method). In this method, the standard formula for the calculation of the Solvency Capital Requirement (SCR) is applied to the consolidated assets and liabilities. The following table shows the total SCR for the KBC Insurance Group as the sum of the SCR for its underlying material entities<sup>9</sup>, compared to the result of the Group SCR calculated according to the accounting-consolidation based method.

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<sup>9</sup> In order to avoid double counting, the SCR of KBC Insurance NV and DZI Insurance already excludes the value of participations in other insurance undertakings part of KBC Insurance Group.

(in m EUR)	12/31/2025
KBC Insurance NV	1.879
KBC Group Re	94
DZI Insurance	101
ČSOB Poist'ovňa a.s. SK	35
ČSOB Pojišť'ovna a.s. CZ	199
K&H Biztosító	75
<b>Stand-alone SCR</b>	<b>2.382</b>
KBC Insurance Group	2.268
<b>Diversification effect</b>	<b>-114</b>

Table 52: Diversification effects in SCR at the level of KBC Ins Grp

Due to the composition of KBC Insurance Group, where KBC Insurance NV accounts for most of the overall capital requirements, the potential sources for diversification (such as geographical diversification) are limited (-114m EUR) and do not manifest themselves in a material way in the Group calculation.

### KBC Insurance NV

The SCR of KBC Insurance NV increases over 2025 with 50m EUR. Main underlying movements are the same as for KBC Insurance Group.

The table below shows the major components of the SCR, which stands at 2.085m EUR. The SCR Market Risk (1.727m EUR) is clearly the biggest contributor to the SCR. SCR Life Underwriting Risk (1.151m EUR) and SCR Non-Life Underwriting Risk (607m EUR) are second and third, respectively. It should be noted that the total SCR for the Underwriting risks, with Health Underwriting (268m EUR), accounts for 53% of undiversified basic Solvency II Pillar 1 capital.

More information on this matter can be found in Quantitative Reporting Template (QRT) S.25.01.21.

(in m EUR)	2025	2024	Nominal change
SCR Non-Life	607	594	13
SCR Health	268	307	-39
SCR Life	1.151	1.051	100
SCR Market risk	1.727	1.632	95
SCR Counterparty default risk	93	96	-3
<b>Total Scr Before Diversification</b>	<b>3.846</b>	<b>3.680</b>	<b>50</b>
Diversification benefits	-1.226	-1.195	-32
<b>Total Scr After Diversification</b>	<b>2.620</b>	<b>2.486</b>	<b>134</b>
SCR Operational Risk	118	103	15
Adjustment loss absorbing effect TP	-186	-95	-91
Adjustment deferred taxes	-467	-458	-9
<b>Total After Diversification And Adjustments</b>	<b>2.085</b>	<b>2.036</b>	<b>50</b>

Table 53: Evolution SCR (KBC Ins NV) – breakdown per submodule

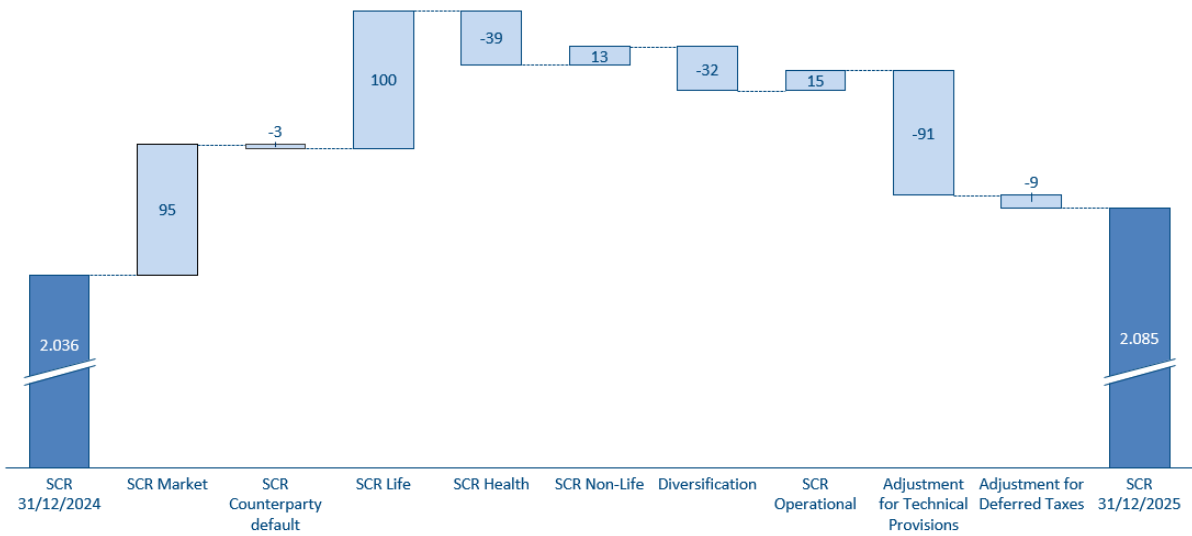


Figure 7: Waterfall graph of evolution SCR 2024 – 2025 (KBC Ins NV)

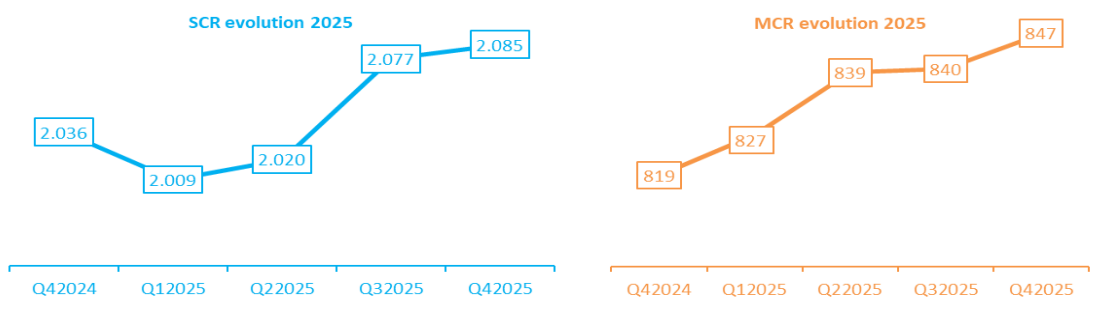


Figure 8: Quarterly evolution of SCR and MCR in 2025 (KBC Ins NV)

## Use of duration-based equity risk sub-module in the calculation of SCR

Noting that the requisite ring-fenced funds do not exist in Belgium, the Solvency Capital Required calculation method using a duration based equity is not applicable.

## Differences between the standard formula and any internal model used

KBC Insurance Group and KBC Insurance NV have opted to calculate the Solvency Capital Requirements based on the standard formula (without any simplifications), rather than calculating them with a self-developed (partial) internal model. Therefore, further information has not been included here.

## Non-compliance with the MCR and non-compliance with the SCR

As KBC Insurance Group and KBC Insurance NV have not faced any form of non-compliance with either the Minimum Capital Requirement or the Solvency Capital Requirement during the reporting period, further information has not been included.

As demonstrated by the various sensitivities calculated as part of the ORSA process, we also expect compliance with Minimum and Solvency Capital Requirement under adverse circumstances in the forward looking view.

## Use of undertaking specific parameters

KBC Insurance Group and KBC Insurance NV did not opt to use undertaking specific parameters to calculate the Solvency Capital Requirements. Therefore, further information has not been included here.

## Any other information

No other information to be included.

# Annex

## Glossary

### Annuity

A contract that provides a series of regular payments (both amount and timing) by the insurer (amount payable / benefit) under specified conditions for a specified period of time.

### APC (Alignment of Planning Cycles)

### ALM (Asset-liability management)

The ongoing process of formulating, implementing, monitoring and revising strategies for both on-balance-sheet and off-balance-sheet items, in order to achieve an organisation's financial objectives, given the organisation's risk tolerance and other constraints.

### Best Estimate

The best estimate shall correspond to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash-flows), using the relevant risk-free interest rate term structure.

The calculation of the best estimate shall be based upon up-to-date and credible information and realistic assumptions and be performed using adequate, applicable and relevant actuarial and statistical methods.

The cash-flow projection used in the calculation of the best estimate shall take account of all the cash in- and out-flows required to settle the insurance and reinsurance obligations over the lifetime thereof.

### BPV (Basis Point Value)

The measure that reflects the change in the net present value of interest rate positions, due to an upward parallel shift of 10 basis points (i.e. 0,10%) in the zero coupon curve.

### Business environment risk

Business risk is the risk arising from changes in external factors that impact the demand for and/or profitability of our products and services. Risk factors that are taken into consideration include the macroeconomic environment, the regulatory framework, client behaviour, the competitive landscape and the socio-demographic environment.

### Catastrophe risk

The risk that a single event, or series of events, of major magnitude, usually over a short period (often 72 hours), leads to a significant deviation in actual claims from the total expected claims. The exact definition of what constitutes a catastrophe varies per insurer.

### CR (Combined ratio)

The combined ratio (CR) is a metric for evaluating the profitability and financial health of an insurance company. To get the CR, divide the total sum of outflows (claims, expenses, commissions) by the earned premium. There is an inverse relationship between the ratio and profitability.

### Compliance risk

The risk that a judicial, administrative or regulatory sanction is imposed on an institution and/or its employees because of a 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.

### Concentration risk

The risk that may arise from an exposure or interactions between different exposures held throughout an institution, with the potential to produce losses large enough to threaten the institution's health or ability to maintain its core operations or cause a material change in an institution's risk profile.

### Credit risk

The potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance, a borrower, guarantor, insurer or re-insurer, counterparty in a professional transaction or issuer of a debt instrument), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk, which is the risk for adverse changes in credit ratings.

### CSM (Contractual Service Margin)

The unearned profit that is released from the balance sheet in P&L over the term of the contract based on services provided.

### DORA (Digital Operational Resilience Act)

EU regulation aiming at strengthening the IT security of financial entities (like insurance companies) and making sure that the financial sector in Europe is able to stay resilient in the event of a severe operational disruption.

### DT (Deferred Taxes)

A deferred tax liability (DTL) represents an obligation to pay taxes in the future (tax debt) because of an expected profit already anticipated on the economic balance sheet.

A deferred tax asset (DTA) is a tax relief which can be recovered in the future (tax credit) because of an expected loss already anticipated on the economic balance sheet.

### EIOPA (European Insurance and Occupational Pensions Authority)

The successor to the Committee of European Insurance and Occupational Pensions Supervisors EIOPA is part of the European System of Financial Supervision consisting of three European Supervisory Authorities and the European Systemic Risk Board. It is an independent advisory body to the European Parliament and the Council of the European Union. EIOPA's core responsibilities are to support the stability of the financial system, transparency of markets and financial products, as well as the protection of insurance policyholders, pension scheme members and beneficiaries.

### EPIFP (Expected profits in Future Premiums)

The difference between technical provisions without risk margin and technical provisions without risk margin under the assumption that future premiums are not received.

### Equity risk

The risk of a change in value caused by deviations of the actual market values of equities and/or income from equities from their expected values

### ESG risk (Environmental, Social and Governance risk)

The risk of (current or prospective) environmental, social or (corporate) governance (ESG) factors impacting KBC, directly or via its counterparties/exposures, arising from climate change, nature and biodiversity loss or from other environmental issues caused by human influences on nature, such as scarcity of fresh water, pollution and waste.

### Fair value

The amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. Market-consistent value or fair value is based on relative pricing or the 'no arbitrage' argument.

### FICO (Financial Conglomerate)

FICOs are financial groups, which offer their services and products in various financial sectors (banking, investment services and insurance sectors).

### Foreign exchange risk

The risk of a change in value caused by the fact that actual foreign currency exchange rates differ from those expected.

FX risk can arise if the assets and liabilities of an insurer are not in the same currency, or if contracts for administrative and other services are contracted in a currency different to the currency implied in the premium determination.

### Health insurance

Generic term applying to all types of insurance indemnifying or reimbursing for losses (e.g. loss of income) caused by illness or disability, or for expenses of medical treatment necessitated by illness or disability.

### IBNR (Incurred but not Reported reserves)

IBNR is the abbreviation of incurred but not reported reserves (IBNR), these are the reserves for claims that become due with the occurrence of the events covered under the insurance policy, but have not been reported yet.

### ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process)

For the financial system to be stable, institutions must have adequate capital and liquidity, and manage these levels effectively. It is thus crucial that they comply with supervisory requirements by establishing ICAAP to ensure capital adequacy and an ILAAP to ensure liquidity adequacy.

### IFIE Insurance Finance Income or Expense / ISE Insurance Service Expenses / OPEX Operating Expenses

### IFRS International Financial Reporting Standards

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.

### Inflation risk

The risk of a change in value caused by a deviation of the actual market-consistent value of assets and/or liabilities from their expected value, due to inflation, e.g. price inflation, wage inflation, etc., leading to an unanticipated change in insurance cost and/or impact of an insurance contract, e.g. with respect to contract limits.

### Insurance contract

A contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or its beneficiary if a specified uncertain future event (the insured event) affects the policyholder.

### Insurance risk

The potential negative deviation from the expected value of an insurance contract or pension claim (or a portfolio thereof).

### Interest rate risk

The potential negative deviation from the expected value of a financial instrument or portfolio thereof due to changes in the level or in the volatility of interest rates.

### Lapse risk

The potential negative deviation from the expected value of an insurance contract or a portfolio thereof due to unexpected changes in policy lapses. Note that the term surrender risk refers specifically to contracts with surrender value.

### Life insurance

Category of insurance contracts for which the benefit payment is based on the occurrence of death, disability, or critical illness of the insured within the specified coverage term, or on the life status of the insured at maturity.

Life insurance offers life and/or death coverage of the insured in the form of a single or multiple (as well regular in case of an annuity) lump sum payments to a beneficiary.

Health insurance products are often sold as a rider to a (group) Life contract. In *sensu stricto* these are not Life insurance, because they do not relate to the occurrence of death.

### Liquidity risk

The risk that an organisation will be unable to meet its payment obligations as they come due because of the inability to liquidate assets or obtain adequate funding (liability liquidity risk) or the risk that it cannot easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions (asset liquidity risk).

### Market risk

The potential negative deviation from the expected value of a financial instrument (or portfolio thereof) due to changes in the level or volatility of market prices.

### Market value

The cost that would be incurred or the gain that would be realised if an outstanding contract was replaced at current market prices (also called replacement value).

### MTPL (Motor Third-Party Liability)

### NBB (National Bank of Belgium)

### NII (Net Interest Income) / NOI (Net Operating Income)

### Non-Life insurance

Generic term used to refer to all types of insurance business other than Life insurance, including for example Property insurance, Liability insurance, Motor insurance, Accident insurance and Health insurance.

### Operational risk

The potential negative deviation from the expected value of the organisation resulting from inadequate or failed internal processes and systems, human error or sudden external events, whether man-made or natural. Operational risk excludes business, strategic and reputational risk.

## ORSA (Own Risk and Solvency Assessment)

The ORSA covers the entirety of the processes and procedures employed for identifying, assessing, monitoring, managing, and reporting on the short- and long-term risks a (re)insurance undertaking faces or may face, and for determining the own funds necessary to ensure that the undertaking's overall solvency needs are met at all times.

## P&L (Profit and Loss statement)

### Performance risk

Risks that drive business income (credit risk, market risk, technical insurance risk and strategic risk) all contribute to the performance of KBC Insurance Group, for which the Corporate strategy targets stability in earnings through the cycle.

### Property risk

Risk referring to potential financial losses from damage to or destruction of physical assets.

## Prudent person principle

The Solvency II Prudent Person Principle requires insurance and reinsurance companies to only invest in assets whose risks they can properly understand, monitor and manage while bearing in mind the best interests of policyholders and ensuring the overall security, liquidity and profitability of the portfolio as a whole.

## QRT (Quantitative Reporting Templates)

### Reinsurance

A contract in which the reinsurer agrees to indemnify the (retro)cedent for part or all of the liability assumed by a cedent under a policy of insurance or by a retrocedent under a contract of reinsurance.

### Reputational risk

The risk arising from loss of confidence by or negative perception on the part of stakeholders – be it accurate or not – that can adversely affect a company's ability to maintain existing, or establish new, business/customer relationships and have continued access to sources of funding.

### Risk appetite

Risk appetite, as defined by the Board of Directors, is the amount and type of risk that KBC is able and willing to accept in pursuit of its strategic objectives. While the ability to accept risk is limited by financial (e.g. available capital) and non-financial regulatory and legal constraints, the willingness to accept risk depends on the interests of various stakeholders (shareholders, creditors, employees, management, regulators, clients, etc.). Risk appetite aims to find the right balance of satisfaction for all stakeholders.

### Risk margin

A generic term, representing the value of the deviation risk of the actual outcome compared with the best estimate, expressed in terms of a defined risk measure

The term 'risk margin' in the context of Solvency II refers to the amount above the best estimate liability.

## ROAC (Return On Allocated Capital)

### S&P (Standard & Poor)

A company specialised in evaluating the credit worthiness of bond issuers. They give the investor an indication of the risks associated with a company or an investment product.

### SCR (Solvency Capital Requirement)

The amount of capital to be held by an insurer to meet the Pillar I requirements under the Solvency II regime.

### Solvency II

Solvency II is a project, initiated by the European Commission in 2001, and resulted in the European directive 2009/138/ EC of 25/11/2009 (Solvency II) which establishes capital requirements and risk management standards that apply across the EU and affect all areas of an insurer's operations. Solvency II aims to move away from the idea that 'one approach fits all' and thus encourages companies to manage risk in a way which is appropriate to the size and nature of their business in order to provide protection to policyholders by reducing the risk of insolvency to insurers.

### Spread risk

Risk of a change in value due to a deviation of the actual market price of credit risk from the expected price.

### Strategic risk

Risk due to either not taking a strategic decision, taking a strategic decision that does not have the desired effect or not adequately implementing strategic decisions.

### TP (Technical Provisions)

The market value of insurance liabilities, which equal the best estimate + risk margin

### TPRM (Third Party Risk Management)

TPRM refers to the process of identifying, assessing, monitoring, and mitigating potential risks associated with an organization's relationships with external third parties, such as vendors, suppliers, contractors, and partners, throughout the whole lifecycle.

### Underwriting risk

Underwriting risk' or 'technical insurance risk' stems from uncertainty regarding the frequency and severity of insured losses. All these risks are kept under control through appropriate underwriting, pricing, claims reserving, reinsurance and claims handling policies of line management and through independent insurance risk management.

### Unit-Linked

A Unit-Linked product combines Life insurance with an investment in one or more funds.

### VaR Value at Risk

VaR is a risk model that estimates the probability of a negative investment result, on top of the previously determined risk level, based on the probability and the term to maturity. The 'value at risk' is calculated using statistical analyses that are based on historical market trends, correlations and price fluctuations.

### VNB (Value of New Business)

Economic view on lifetime profitability of new life insurance business written during a specific time period.

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