KBC Group
Revised Green bond framework

Investor presentation

January 2024

More information: www.kbc.com
KBC Group – Investor Relations Office: IR4U@kbc.be

KBC Group passport | Well-defined core markets

BELGIUM BU

60% of assets
3.9m clients
436 branches

GDP growth
in %, KBC Economics

2022	2023e	2024e
3.2%	0.9%	0.9%

debt to GDP ratio **105%**

Market share
in %, end 2022

loans and deposits	investment funds	life insurance	non-life insurance
20%	28%	12%	9%

118bn EUR loans
133bn EUR deposits

CZECH REPUBLIC BU

24% of assets
4.3m clients
200 branches

GDP growth
in %, KBC Economics

2022	2023e	2024e
2.4%	-0.3%	2.3%

debt to GDP ratio **44%**

Market share
in %, end 2022

loans and deposits	investment funds	life insurance	non-life insurance
21%	24%	7%	9%

37bn EUR loans
52bn EUR deposits

INTERNATIONAL MARKETS BU

	SK	HU	BG
of assets	**4%**	**4%**	**4%**
clients	**0.8m**	**1.6m**	**2.2m**
branches	**103**	**195**	**237**
loans	**11bn EUR**	**6bn EUR**	**9bn EUR**
deposits	**8bn EUR**	**9bn EUR**	**13bn EUR**

GDP growth 2022 -2023e-2024e
in %, KBC Economics

	2022	2023e	2024e
SK	1.7%	1.2%	2.2%
HU	4.6%	-0.5%	3.0%
BG	3.8%	1.8%	2.3%

SK	HU	BG
debt/GDP **62%**	debt/GDP **73%**	debt/GDP **23%**

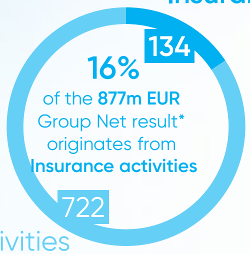
Market share
in %, end 2022

	L&D	funds	life	non-life
SK	12%	7%	2%	5%
HU	11%	11%	3%	7%
BG	19%	14%	26%	12%

What differentiates us from peers

Unique integrated bank-insurance+ model

- We offer an **integrated response** to our clients' banking and insurance needs. Our **organisation** is similarly integrated, operating as a single business and a **digital-first, lead-driven and AI-led bank-insurer**
- The benefit of a **one-stop**, relevant and personalised financial service that allows our clients to choose from a wider and **complementary range of products and services**, which go beyond pure bank-insurance
- **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



* Difference between the net result of KBC Group and the sum of the banking and insurance contributions is accounted for by the holding-company/group items

Successful digital-first approach through KATE

- Our **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 E2E digital process and product development
- **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
- The **independent international consulting firm Sia Partners named KBC Mobile one of the top performing mobile banking app worldwide (N°1 in 2021 and N°3 in 2022 and 2023)**: a clear recognition of a decade of innovation, development and listening closely to our clients

3.7 million users in contact with Kate

KATE autonomy
60% BE
62% CZ

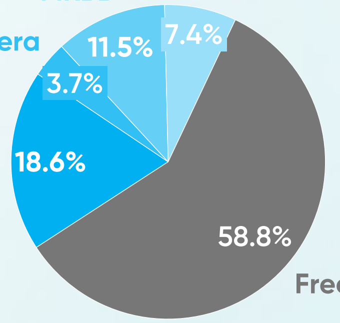
30 million conversations with Kate

Firmly embedded sustainability strategy

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

Core 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 41% of our shares**
- These shareholders act in concert, thereby ensuring shareholder stability in our group
- The **free float** is held mainly by a large variety of international institutional investors



As at end 9M 2023

Our financial footprint

High profitability (IFRS 17 figures)

C/I ratio*
49% FY22
48% 9M23

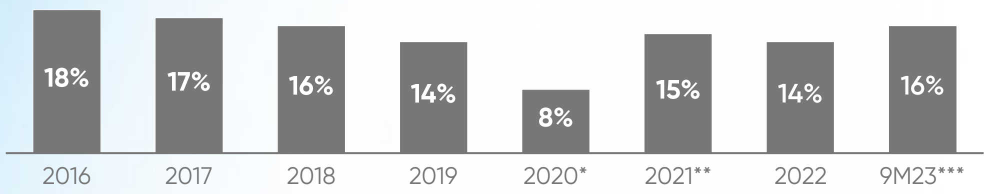
combined ratio
87% FY22
85% 9M23

net result
2,818m FY22
2,725m 9M23

* Adjusted for specific items

Return on Equity

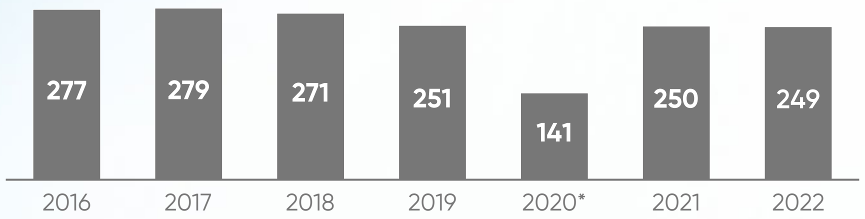
in %



* 11% when adjusted for the collective Covid-19 impairments
** when excluding the one-off items due to the pending sales transactions in Ireland
*** When bank & insurance taxes are evenly spread throughout the year and excluding one-offs

CET1 generation before any capital deployment

in bps

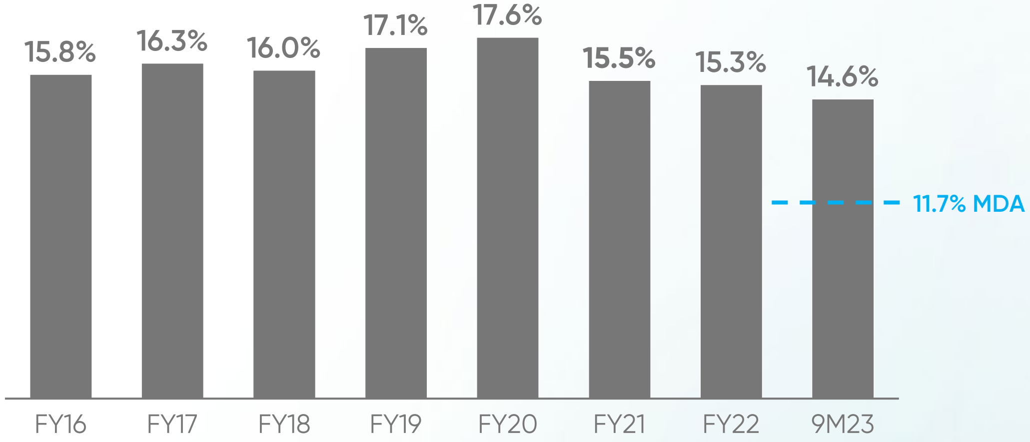


* 202bps when adjusted for the collective Covid-19 impairments

Solid capital position

CET 1 ratio (fully loaded, Danish compromise)

in %



Robust liquidity

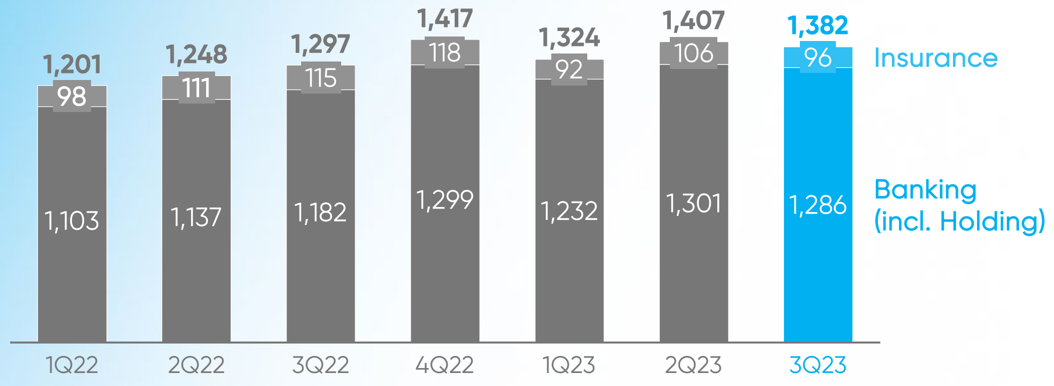
NSFR
136% FY22
139% 9M23

LCR
152% FY22
157% 9M23

Net interest income and customer money dynamic

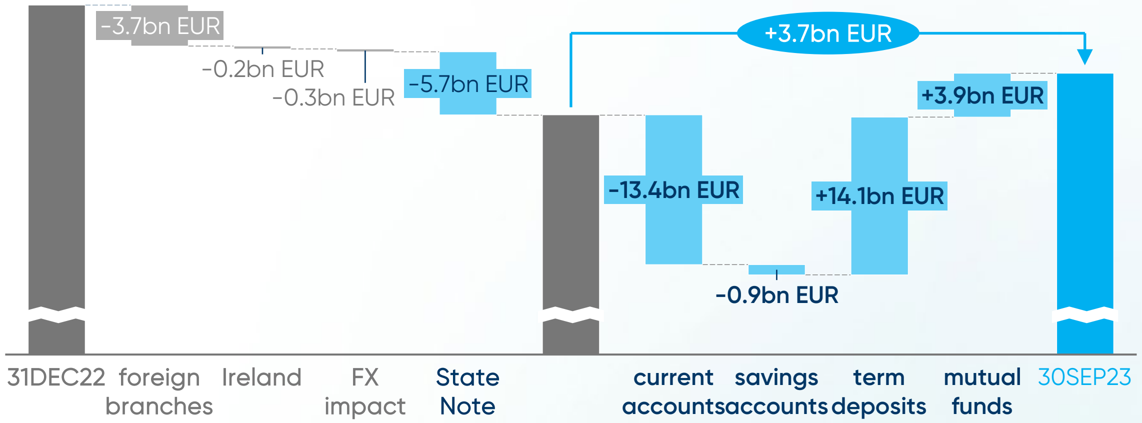
Net interest income

in m EUR



Customer money dynamic over 9M23

in m EUR



- **NII decreased by 2% q-o-q driven primarily by:**
  - Lower NII on inflation-linked bonds (-27m EUR)
  - Negative impact from the issuance of the Belgian State Note (-22m EUR) and higher pass-through on savings accounts in Belgium
  - Higher funding cost of participations and higher wholesale funding cost
  - Higher costs on the minimum required reserves held with the central banks (-5m EUR)
  - Lower loan margins in most core markets

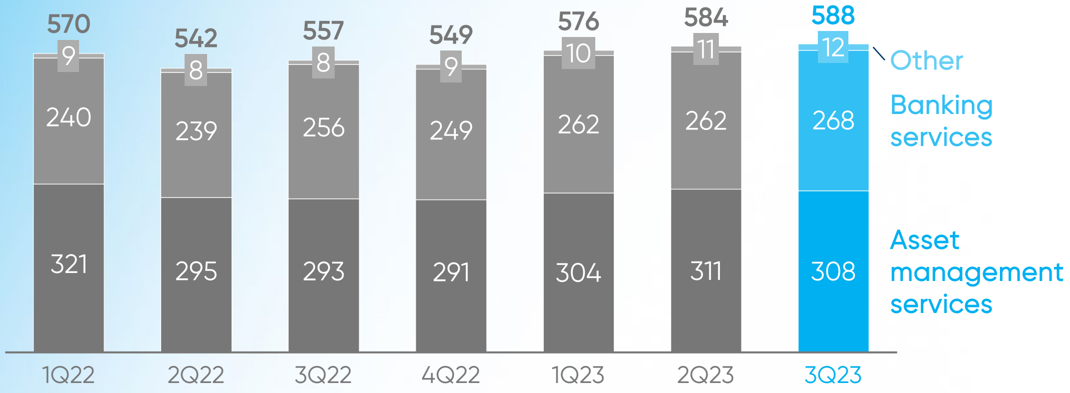
  partly offset by:
  - Higher commercial transformation result (driven by continued increasing reinvestment yields)
  - Increased term deposits
  - Loan volume growth
  - Higher number of days (+7m EUR)

- Disregarding volatile and one-off items, **9M23** saw an inflow of core customer money of **+3.7bn EUR** (+3.4bn EUR incl. FX impact)

Higher net fee and commission income

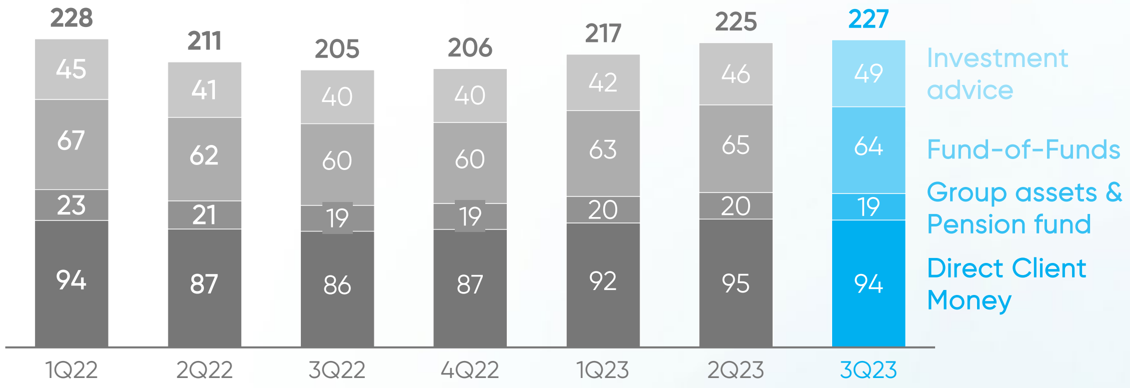
Net fee & commission income

in m EUR



Assets under management

in bn EUR



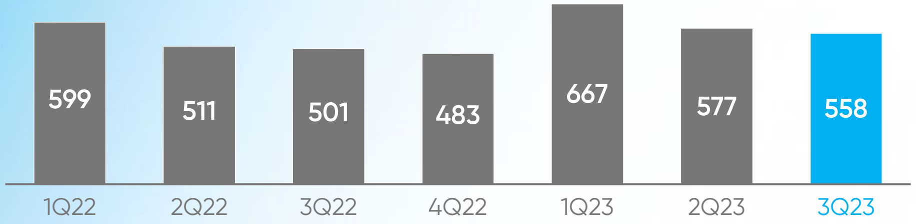
- **Up by 1% q-o-q and by 6% y-o-y**
- Q-o-q increase was mainly the result of:
  - Net F&C income from Asset Management Services decreased by 1% q-o-q due to lower entry fees and lower distribution fees received linked to mutual funds and unit-linked life insurance products, partly offset by higher management fees
  - Net F&C income from banking services rose by 2% q-o-q. Higher securities-related fees (entirely due to one-off fee from the issuance of the State Note in Belgium), seasonally higher network income and higher fees from payment services were partly offset by lower fees from credit files & bank guarantees and higher client incentives

- **Increased by 1% q-o-q** due to **net inflows (+2%),** partly offset by negative market performance (-1%)
- Increased by 11% y-o-y due to net inflows (+6%) and positive market performance (+5%)
- The mutual fund business has seen strong net inflows both in higher-margin direct client money this quarter (1.1bn EUR in 3Q23 versus 1.1bn EUR in 2Q23 and 0.5bn EUR in 3Q22) as well as in lower-margin assets

Non-life and Life sales significantly up y-o-y

Non-life sales

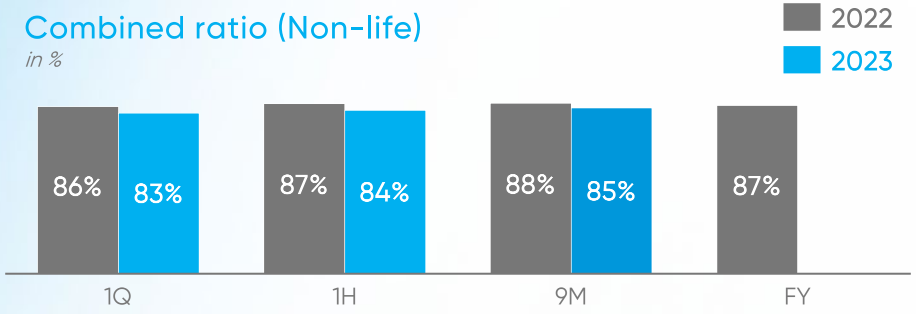
in m EUR



- **Non-Life sales up by 11% y-o-y**, with growth in all countries and all classes, due to a combination of volume and tariff increases

Combined ratio (Non-life)

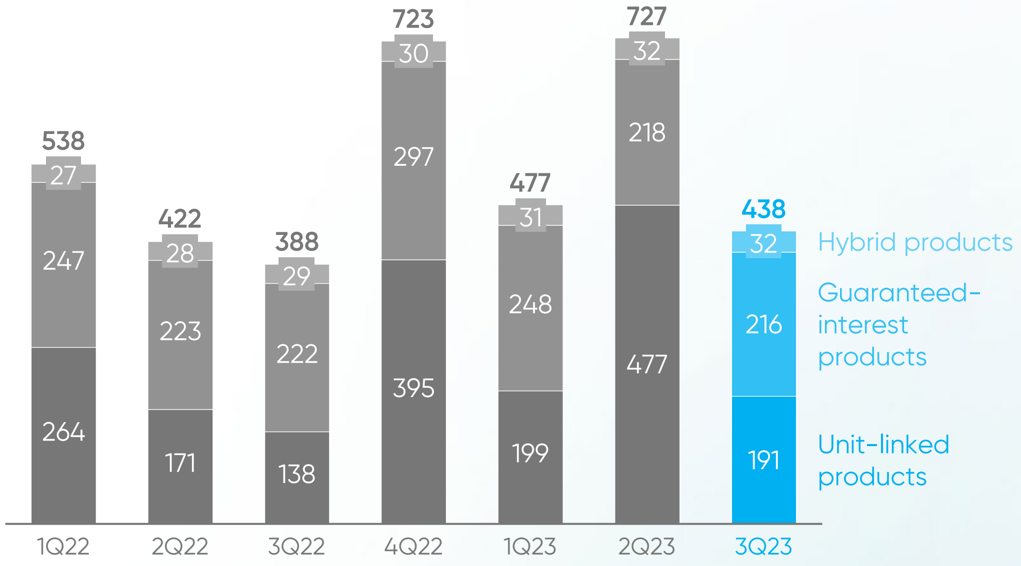
in %



- **Non-life combined ratio for 9M23 amounted to an excellent 85%** (88% in 9M22). This is the result of:
  - 11% y-o-y higher insurance revenues before reinsurance
  - 3% y-o-y higher insurance service expenses before reinsurance (worse claim experience and higher amortised commissions & directly attributable expenses due to inflation were offset partly by lower storm claims)
  - Lower net result from reinsurance contracts held (down by 67m EUR y-o-y)

Life sales

in m EUR

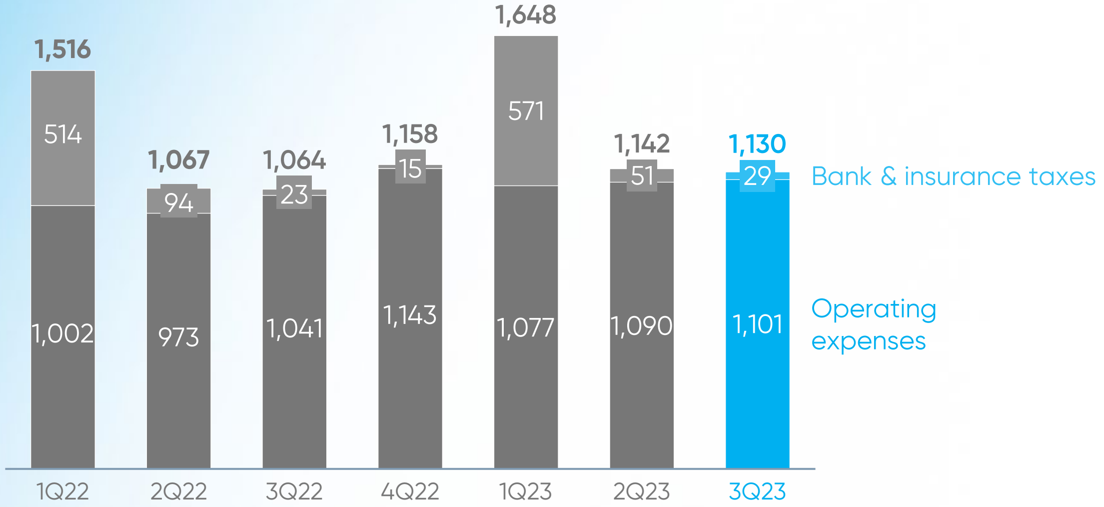


- **Life sales increased by 13% y-o-y**
- **The decrease q-o-q** is driven mainly by lower sales of unit-linked products (excellent sales in 2Q23 as the result of a successful launch of a new structured fund in Belgium)
- Sales of guaranteed-interest products and unit-linked products accounted for 49% and 44% of total life insurance sales in 3Q23 respectively, with hybrid products (mainly in the Czech Republic) accounting for the remainder

Costs excluding bank & insurance taxes slightly increased q-o-q

Operating expenses (including costs directly attributable to insurance)

in m EUR



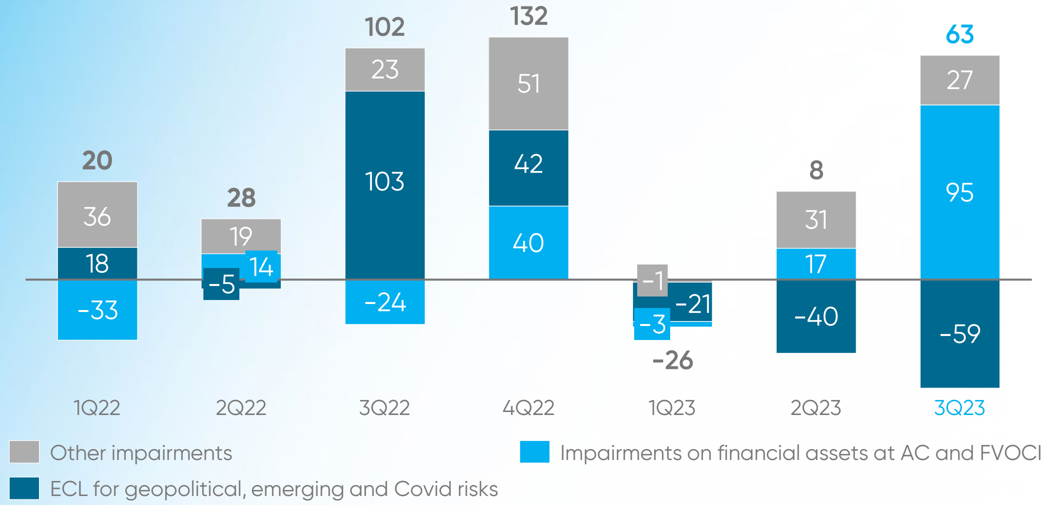
- **Operating expenses excluding bank & insurance taxes went up by 1% q-o-q and by 6% y-o-y**
  - The q-o-q increase is due mainly to higher staff costs, higher ICT costs, higher facility costs and higher depreciations, partly offset by lower costs in Ireland (related to the sale transaction), lower professional fee expenses and seasonally lower marketing costs
- **9M23 cost/income ratio**
  - 48% when excluding certain non-operating items* (49% in FY22)
  - 41% excluding all bank & insurance taxes (45% in FY22)
- **Total bank & insurance taxes** (including ESRF contribution) are expected to increase by 7% y-o-y to 693m EUR in 2023 (646m EUR in 2022)

* See glossary for the exact definition

Robust Asset Quality

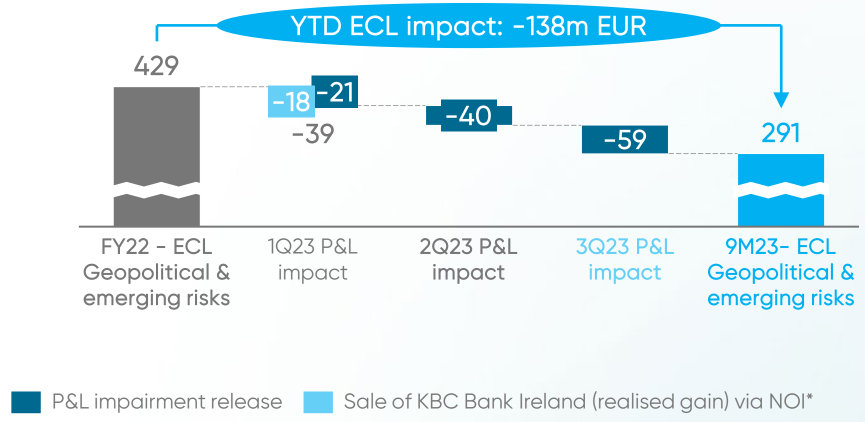
Asset impairment

in m EUR; negative sign is a release



Q-o-q change in the outstanding ECL for geopolitical and emerging risks

in m EUR; negative sign is a release

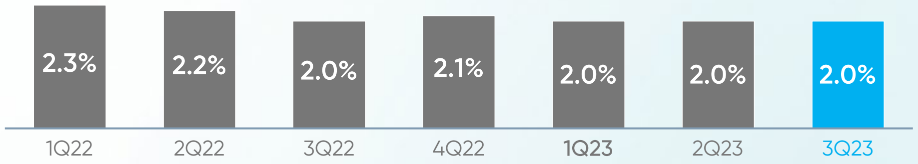


** The ECL release generated by the sale of KBC Bank Ireland was recorded in 'Net Other Income' in 1Q23*

- **Net loan loss impairment charges on lending book combined with a lower geopolitical & emerging risk buffer**
  - **Net loan loss impairment charges of 36m EUR in 3Q23** (compared with net loan loss impairment releases of 23m EUR in 2Q23) due to:
    - 95m EUR net loan loss impairment charges on lending book
    - A decrease of 59m EUR of the ECL buffer, driven mainly by improved micro- and macroeconomic indicators
    - Total outstanding ECL for geopolitical and emerging risks now stands at 291m EUR
  - **27m EUR impairment on 'other'** (versus 31m EUR impairment on 'other' in 2Q23), mainly on software (in Belgium and Hungary)

Impaired loans ratio

in %



- **The impaired loans ratio stabilised at 2.0%** (1.1% of which over 90 days past due)

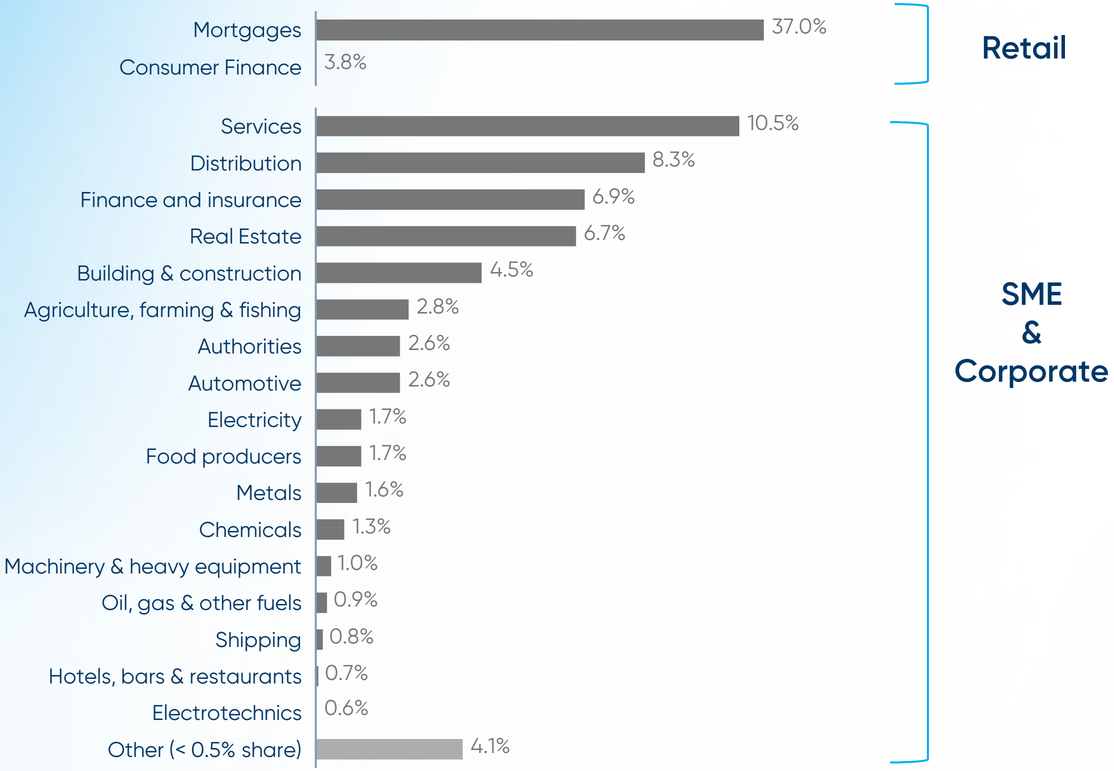
Diversified loan portfolio

Total loan portfolio outstanding

Total loan portfolio outstanding
202bn EUR*
Group level

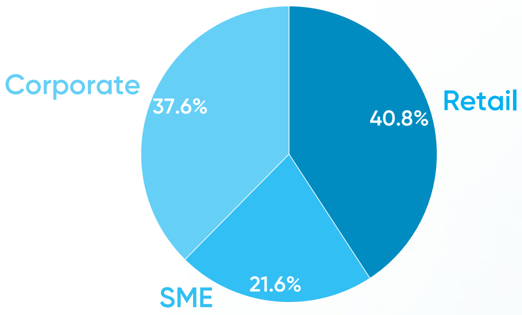
Total loan portfolio outstanding | by sector

*as % of total Group loan portfolio outstanding**



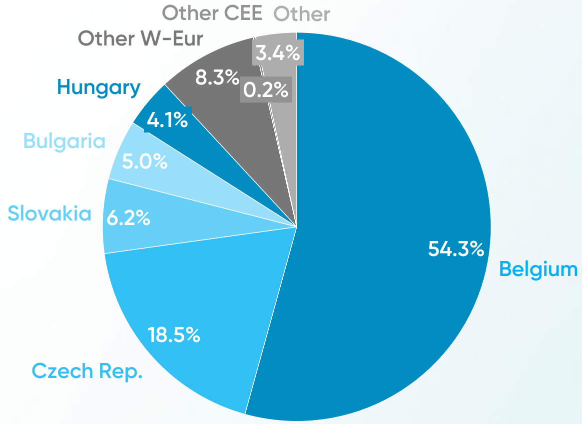
Total loan portfolio outstanding | by segment

*as % of total Group loan portfolio outstanding**



Total loan portfolio outstanding | by geography

*as % of total Group loan portfolio outstanding**

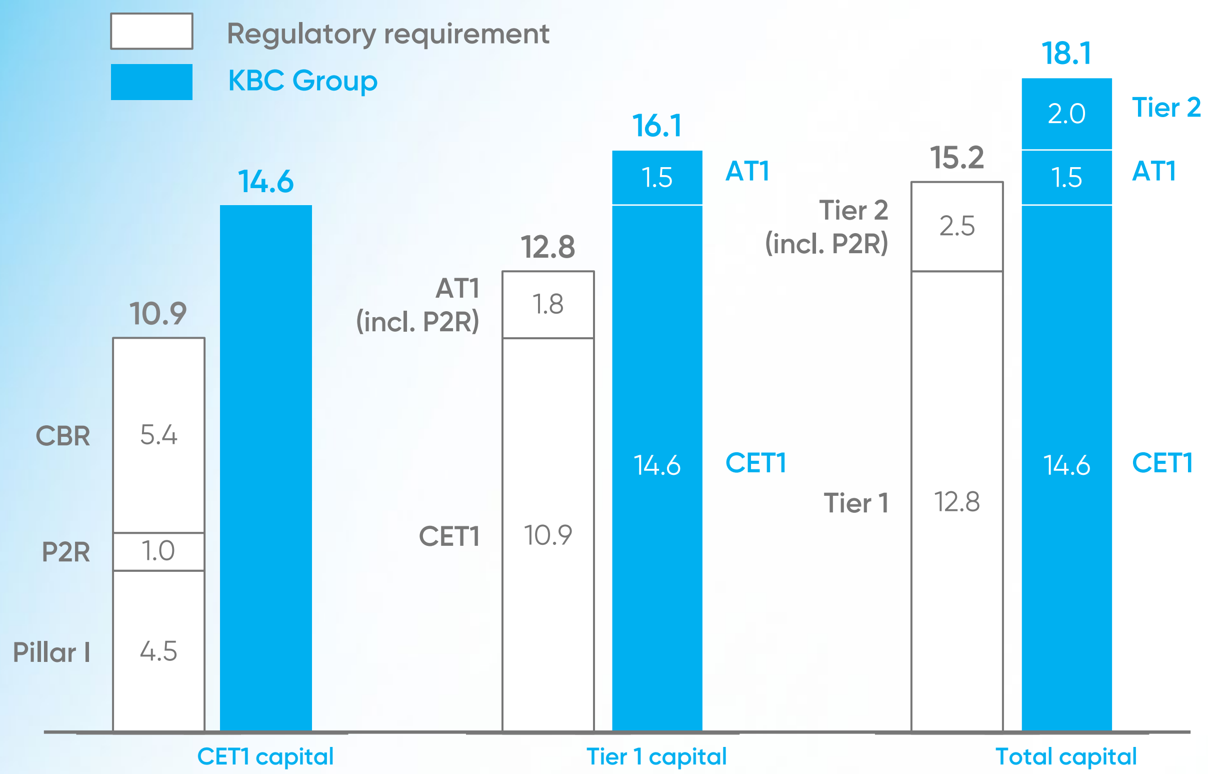


- Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements.

Strong capital position with substantial buffer to MDA

Capital requirements and distance to Maximum Distributable Amount (MDA) restrictions as at 30 SEP 2023 (fully loaded, B3)

in %



Fully loaded B3 common equity ratio amounted to 14.6% at the end of 9M23 **based on the Danish Compromise (which includes the full impact of the share buyback programme of 1.3bn EUR and the model-related RWA add-on of 6.5bn EUR net)**

- **P2R 1.86% (= Pillar II requirement)**
  1.05% to be met with CET1, 35bps eligible for AT1 and 46bps for Tier 2
- **CBR 5.38% (= Combined buffer requirement)**
  2.50% Capital conservation buffer
  1.50% O-SII buffer
  1.24% Countercyclical buffer
  0.14% Systemic risk buffer
- **MDA 11.7%**
  i.e. the net of the CET1 ratio of 14.6% and the **MDA buffer of 2.9%**

Note: As published the 12th of December 2023, the ECB has formally notified KBC of its decision to maintain the P2R at 1.05% and to increase the P2G from 1.0% to 1.25%

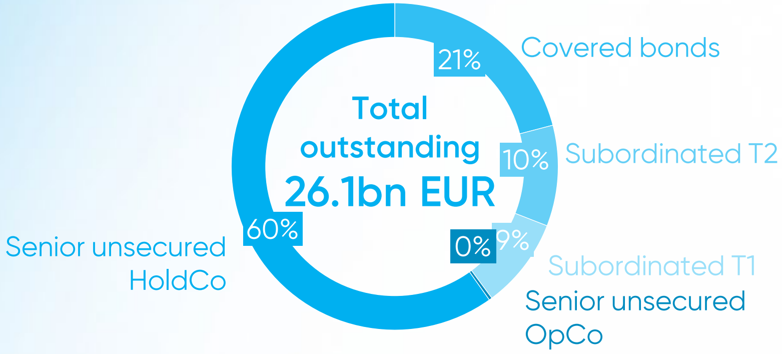
Total distributable items (under Belgian Gaap) KBC Group 10.3bn EUR at 9M23, of which:
- Available reserves: 801m EUR
- Accumulated profits: 7 255m EUR

Upcoming mid-term funding maturities

Total outstanding | 3Q23

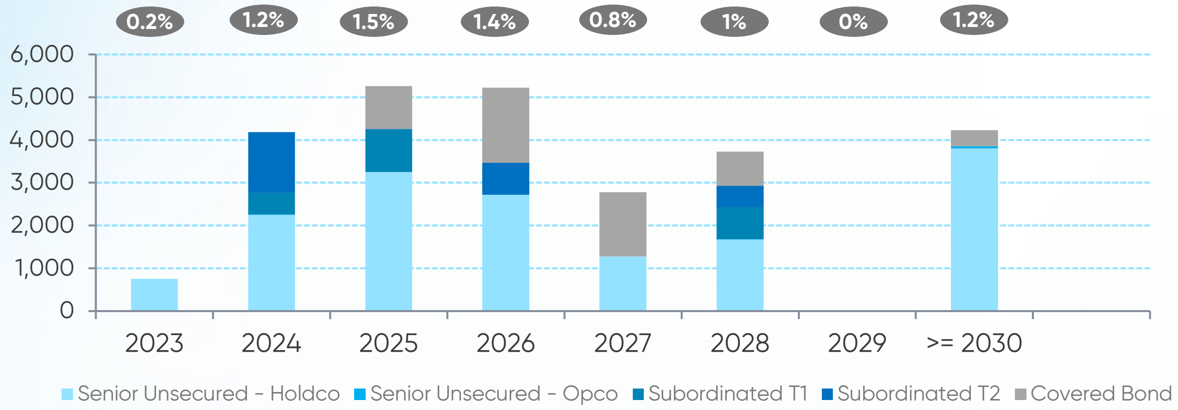
in %

KBC Bank has **6 solid sources of long-term funding**: (i) Retail term deposits, (ii) Retail EMTN, (iii) Public benchmark transactions, (iv) Covered bonds, (v) Structured notes and covered bonds using the private placement format, and (vi) Senior unsecured, T1 and T2 capital instruments issued at KBC Group level and down-streamed to KBC Bank



Funding maturity buckets

in m EUR

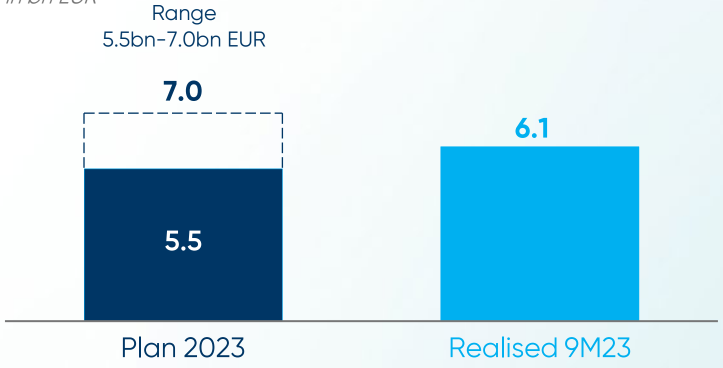


Funding program | 3Q23

- In **September 2023,** KBC Group issued an AT1 for an amount of 750m EUR
- In **September 2023**, KBC Group issued a Senior Holdco benchmark for an amount of 1bn USD, with a 11-year maturity callable after 10 years
- In **September 2023**, KBC Bank issued a covered bond for an amount of 1bn EUR with a 3-year maturity

Funding program | Expected MREL funding (incl. capital instruments)

in bn EUR



We aim to issue 1 green/social bond per year

Note: any change in regulatory requirements, RWA evolutions, MREL targets or market circumstances can change the current disclosed range

Above resolution requirements of 9M23 in terms of MREL

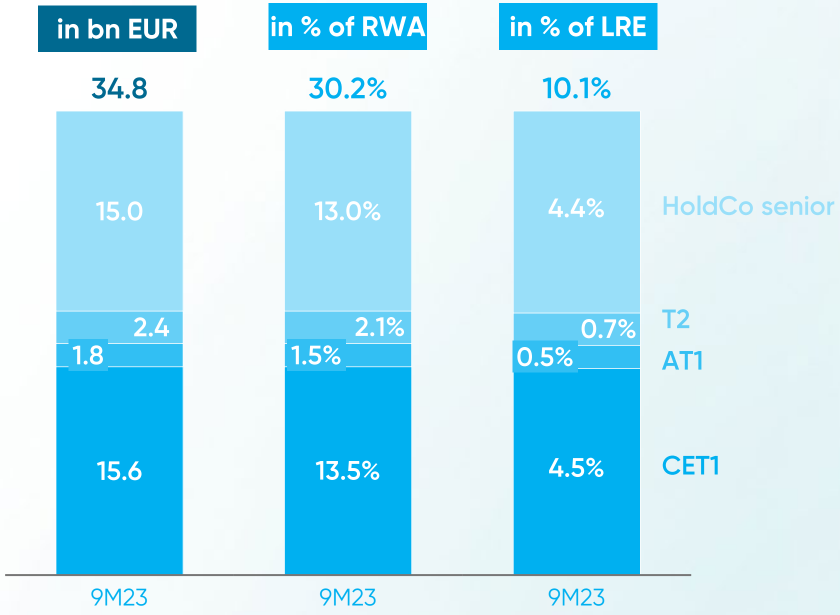
MREL targets

- The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level, with **bail-in** as the preferred resolution tool
- **In April 2023, the SRB communicated updated MREL targets** (under BRRD2) for 01-01-2024, expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE)
- The **new binding MREL targets (incl. CBR on top of the MREL target in % of RWA)** are:
  - **28.30% of RWA** as from 01-01-2024 (including CBR[1] of 5.38% as from 1Q2023), with an intermediate target as from 01-01-2022, reaching 26.51% at YE2023 (including CBR[2] of 4.88%)
  - **7.38% of LRE** as from 01-01-2024, with an intermediate target of 7.34% of LRE as from 01-01-2022

1. Combined Buffer Requirement as of 01-01-2024 = Conservation Buffer (2.50%) + O-SII buffer (1.50%) + Countercyclical Buffer (1.24%) + Systemic Risk Buffer (0.14%)
2. Combined Buffer Requirement at YE 2023 = Conservation Buffer (2.50%) + O-SII buffer (1.50%) + Countercyclical Buffer (0.68%) + Systemic Risk Buffer (0.20%)

MREL actuals

- The **MREL ratio in % of RWA** decreased from 32.2% in 1H23 to 30.2% in 9M23. This is driven mainly by 1) the decrease of CET1 capital due to the share buyback and 2) the RWA add-on in relation to ECB decision
- The **MREL ratio in % of LRE** increased from 9.8% in 1H23 to 10.1% in 9M23, driven by the decrease of the leverage ratio exposure



Sustainability highlights

Commitment to climate action

2030 and 2050 climate targets
Committed to a first set of climate targets for the most material carbon-intensive industrial sectors and product lines in our lending business and our asset management activities

On track
Despite the short lead time since our baseline establishment, our 2022 sustainability report shows that, overall, we are well on track in meeting our portfolio climate targets

Partner in the transition
More than 3 000 customer engagement dialogues since the start to support our clients' transition

SBTi
KBC bolstered its intentions with regard to climate action by committing our banking activities to the Science-Based Targets (SBTi)

Sustainable business

7.4bn EUR
Financing contributing to social objectives

14.3bn EUR
Financing contributing to environmental objectives

600 000 tonnes CO_2e
Avoided GHG emissions through renewable energy project finance

36bn EUR Responsible Investing funds in 9M23
or 39% of total assets under distribution (direct client money)

Social responsibility

Social bond
Issued a second social bond for investments in healthcare and education in 2Q23

34% Female entrepreneurship
among our start-up community in Belgium

10m EUR
Outstanding loans to microfinance institutions and investments in microfinance funds

Diversity in senior management
24% females in senior management roles

Sustainability highlights in 2022, unless otherwise indicated

KBC's ESG ratings and indices are ahead of the curve

Agency	ESG rating 29th of December 2023	Position versus industry average
CDP (DISCLOSURE INSIGHT ACTION)	D- … A — KBC: A	• Leader in addressing climate change • CDP's A list • Financial average service B-
SUSTAINALYTICS	Severe Risk, High Risk, Medium Risk, Low Risk, Negligible Risk — KBC: 9.8	• 2nd percentile of 342 diversified banks assessed • 3rd of 342 diversified banks
S&P Dow Jones Indices (A Division of S&P Global)	0 … 100 — KBC: 64	• Top 7% 93rd percentile of 722 banks assessed according to the 2023 methodology
MSCI	C, B, BB, BBB, A, AA, AAA — KBC: AAA	• Leader among 488 banks assessed
Corporate ESG Performance Prime (RATED BY ISS ESG)	D-, D, D+, C-, C, C+, … — KBC: C+ prime	• 1st decile rank of 300 Commercial Banks & Capital Markets assessed
FTSE4Good	0, 1, 2, 3, 4, 5 — KBC: 4.7	• Top 3% (97th percentile of banks assessed)

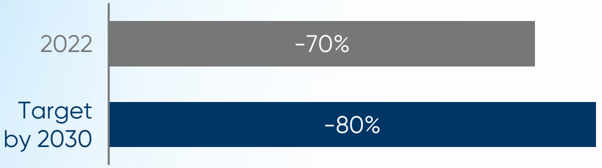
Direct environmental impact: our progress in brief

DIRECT environmental footprint (FY 2022)

- In 2020, we set more stringent ambitions to reduce the GHG emissions resulting from our own operations
- Furthermore, we included commuter travel in our target scope, as we aim to green our policy on employee mobility
- For the second consecutive year, we reached net-climate neutrality by offsetting our residual direct emissions
- Additionally, we committed to increasing our own green electricity consumption to 100% by 2030. The goal was already reached in 2021.

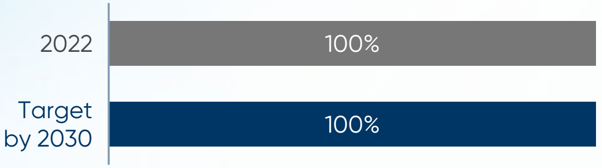
Reduction in our direct GHG emissions

reduction compared to 2015

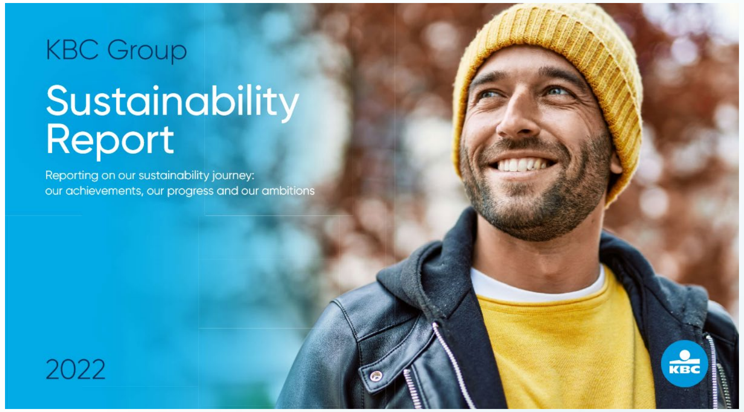


Renewable electricity

in % of own electricity consumption



More details in our 2022 Sustainability Report



More details in our 2022 Climate Report

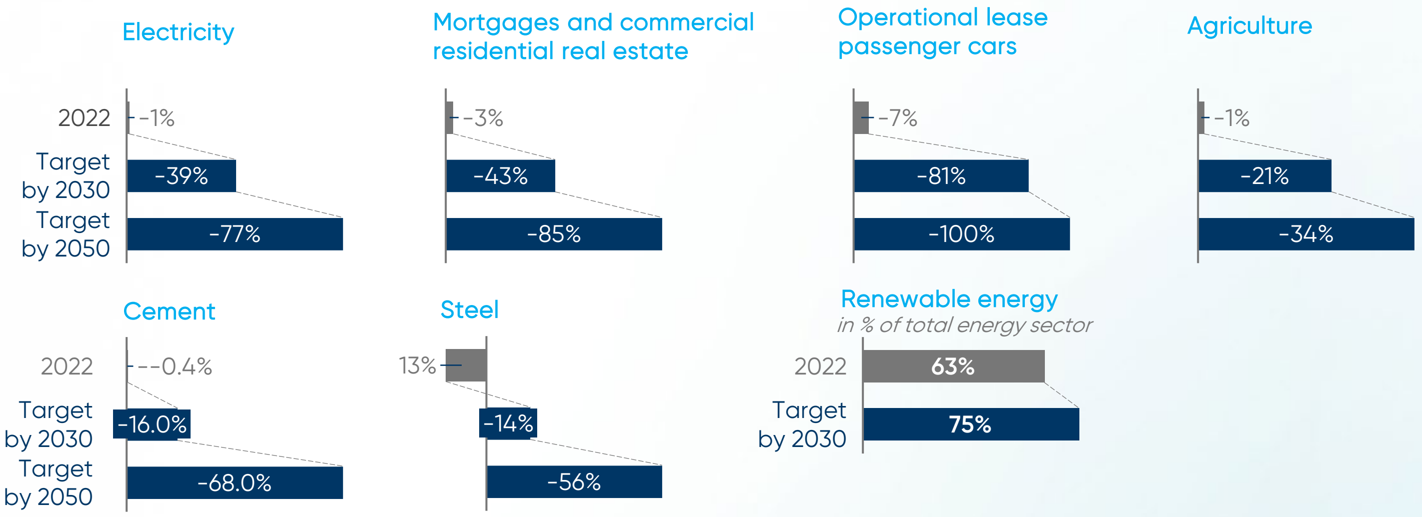
Indirect environmental impact: our progress in brief

INDIRECT environmental footprint (FY 2022)

- We refer to our Collective Commitment to Climate Action (CCCA) and the subsequent publication of our Climate Report at the end of September 2022
- Containing stringent decarbonisation targets for the sectors that cover the majority of our lending portfolio and related GHG emissions (56%) and clear targets for KBC Asset Management's Responsible Investing (RI) funds
- The baseline of the various targets and the actuals have been externally assured

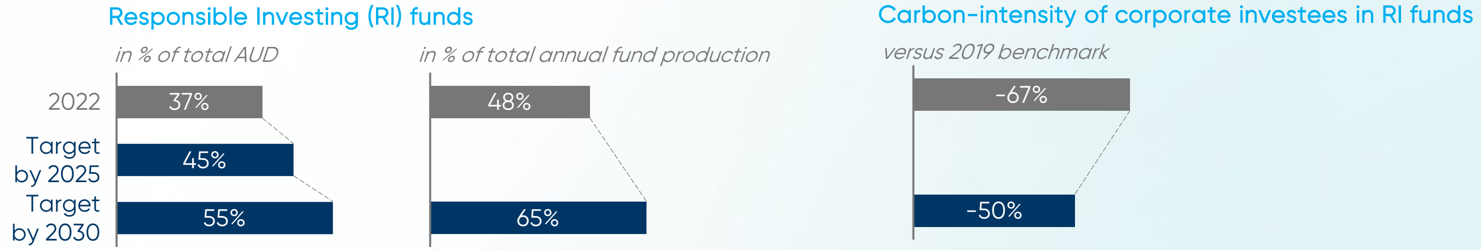
Loan portfolio (selection of sectors)

reduction compared to 2021 baseline, otherwise indicated



Asset management funds

reduction compared to 2021 baseline, otherwise indicated



2023 update of KBC Green Bond framework

A Framework aligned with the best market practices

RATIONALE FOR ISSUANCE OF GREEN BONDS

- KBC is dedicated to increase its positive environmental impact by financing and insuring assets with zero or very low greenhouse gas emissions. Green Bonds also embed this approach in KBC's funding mix and can create a further dimension of transparency around financing that increases KBC's positive environmental impact
- KBC wishes to further support the development of Green, Social & Sustainability bond markets in Belgium and Europe

KBC GREEN BOND FRAMEWORK: ALLIGNED WITH 2021 ICMA GREEN BOND PRINCIPLES

USE OF PROCEEDS

Green Bond **Eligible Assets** include financing in Belgium in the following categories:
- **Energy efficient buildings**
- **Renewable energy**
- **Clean transportation**

PROCESS FOR EVALUATION & SELECTION

- **KBC's Green and Social Bond Committee** is an important part of the selection process for Green Bond Eligible Assets. The Committee's responsibilities include approval of asset inclusion in the Green Bond Portfolio, approval of annual reporting and updating the Framework if required

MANAGEMENT OF PROCEEDS

- KBC intends to exclusively **allocate** an amount equivalent to the **proceeds to a Green Bond portfolio of Eligible Green Assets**
- Allocated Eligible Assets to be identified in KBC's internal information systems and monitored at least on an annual basis

IMPACT REPORTING

- **Allocation of Proceeds** Report will be published annually and will include a limited assurance report
- A Green Bond **impact report** will be published annually on asset category-linked quantitative impact indicators

The 2023 update of KBC green bond framework is available via LINK

2023 update of KBC Green Bond framework

A Framework aligned with the best market practices

USE OF PROCEEDS

ICMA GBP Category	Energy Efficient Buildings	Renewable Energy	Clean Transportation
Eligibility Criteria	Mortgage loans and commercial loans to (re)finance new and existent **residential buildings** smaller than 5.000m², in Belgium which meet the following criteria: o Buildings built after 31 December 2020 with Primary Energy Demand (PED) at least 10% lower than the threshold set in the national nearly zero-energy building (NZEB) requirements o Buildings built before 31 December 2020 that have at least an Energy Performance Certificate (EPC) class A, or are within the top 15 % of the national or regional building stock expressed as operational Primary Energy Demand (PED)	Loans to (re)finance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources in the EU and the UK: o Onshore wind energy o Offshore wind energy o Solar energy	(Re)financing of the purchase, renting, leasing and operation of zero-emission vehicles in Belgium: o Fully Electric, hydrogen or other non-fossil fuel-based vehicles for the transportation of passengers For the avoidance of doubt, no plug-in hybrid vehicles are eligible
EU Taxonomy Objectives and Activity	Climate Change Mitigation: 7.7. Acquisition and ownership of buildings (Related NACE code L 68)	Climate Change Mitigation: 4.1. Electricity generation using solar photovoltaic technology 4.3. Electricity generation from wind power (Related NACE codes D35.11 and F42.22)	Climate Change Mitigation: 6.4. Operation of personal mobility devices, cycle transport 6.5. Transport by motorbikes, passenger cars and light commercial vehicles (Related NACE codes H49.31, H49.39,N77.11 and N77.21)
UN SDG Contribution	7 Affordable and clean energy 9 Industry, innovation and infrastructure 11 Sustainable cities and communities 13 Climate action	7 Affordable and clean energy 13 Climate action	9 Industry, innovation and infrastructure 11 Sustainable cities and communities 13 Climate action

2023 update of KBC Green Bond framework

A Framework aligned with the best market practices

PROCESS FOR EVALUATION & SELECTION

SUSTAINABILTY GOVERNANCE

Project Submission

KBC Business Units are in charge of:
- **Providing information on the compliance** of the projects
- **Submitting the projects** to the Green and Social Bond Committee

Project Selection

The Green and Social Bond Committee is responsible for:
- **Verifying the compliance** of the projects
- **Selection the projects** as Eligible Assets
- **Documenting the assessment** process with the view to demonstrate to an external verifier

The Green and Social Bond Committee is composed of representatives including at least one general manager from Group Treasury, Group Corporate Sustainability and representatives from the business units (when required)

KBC SUSTAINABILTY POLICIES AND EXCLUSION CRITERIA

- Eligible Assets are aligned with KBC's Corporate Sustainability strategy and are expected to comply with local laws and regulations.
- Eligible Assets are evaluated by an assessment against KBC's sustainability policies and standards (standards and policies, along with exclusionary criteria are defined in the KBC Group Sustainability Framework):
    - KBC Blacklist, Human Rights, Controversial Regimes
    - KBC's Credit Risk Standards on Sustainable and Responsible lending

MANAGEMENT OF PROCEEDS

- **KBC intends** to exclusively **allocate an amount equivalent to the Green bond proceeds** to a **portfolio of Eligible Assets**
- Allocated Eligible Assets to be **identified in KBC's internal information systems** and monitored **at least on an annual basis**
- If **an asset no longer meets the eligibility criteria, does not exist anymore or had been repaid early, KBC will remove the loan** from the Green bond portfolio and **will strive to replace it** with an Eligible Asset **as soon as possible**, subject to availability
- Green and Social Bond Committee to review and approve allocations of bond proceeds to Eligible Assets **at least on an annual basis**
- Pending the full allocation of the proceeds to Eligible Assets, or in case insufficient Eligible Assets are available, KBC commits to **hold the balance of net proceeds not allocated to Eligible Assets within the treasury of KBC Group, invested in money market products, cash and/or cash equivalent**

2023 update of KBC Green Bond framework

A Framework aligned with the best market practices

IMPACT REPORTING

ALLOCATION OF PROCEEDS REPORT

Allocation report on an annual basis and publicly available on:

- The total amount of proceeds allocated to Eligible Assets
- The allocated amounts to Eligible Assets per Use of Proceeds Criteria
- Origination timeframe and maturity profile on the loans per Use of Proceeds category
- The amount of unallocated proceeds
- The share of financing versus refinancing

KBC will obtain and publish an annual limited assurance report on the allocation of Green Bonds proceeds to eligible assets.

IMPACT REPORT

KBC aims to report on the impact of the Eligible Assets by category from a sustainable and environmental perspective.

KBC intends to follow the guidelines described in the "Handbook Harmonized Framework for Impact Reporting" published in June 2023

EXAMPLES OF IMPACT INDICATORS IN IMPACT REPORT

Energy Efficient Buildings

- Year of construction
- Certification level
- Estimated annual energy savings in MWh
- Estimated annual Greenhouse Gas (GHG) emissions avoided/reduced in tons of CO_2e

Renewable Energy

- Installed renewable capacity in MW or GW
- Expected or actual annual renewable energy generation in MWh
- Estimated annual GHG Emissions avoided in tons of CO_2e

Clean Transportation

- Estimated annual GHG Emissions avoided /reduced in tons of CO_2e

2023 update of KBC Green Bond framework

Second party Opinion by Sustainalytics

EVALUATION SUMMARY

Prior to issuance, KBC commissioned Sustainalytics to provide a Second Party Opinion to assess the alignment of its updated Green Bond Framework to ICMA's Green Bond Principles 2021 and the EU Taxonomy. The Second Party Opinion is available on LINK

"Based on the above, Sustainalytics is confident that KBC is well positioned to issue green bonds and that the KBC Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021"

"Sustainalitics has assessed the KBC Green Bond Framework for alignment with the technical screening criteria for Substantial Contribution (SC) to the Environmental objectives of the EU taxonomy, and the do no significant harm (DNSH) criteria. Sustainalytics mapped the Framework's three eligibility criteria to five activities in the EU Taxonomy and assessed them as aligned with the applicable SC criteria. Of the 13 activities assessed for alignment with the relevant DNSH criteria, 12 were determined to be aligned and one activity was determined to be partially aligned. Sustainalytics is also of the opinion that the activities and projects to be financed under the Framework will be carried out in alignment with the EU Taxonomy's Minium Safeguards"

As a conclusion, the SPO is of the opinion that for future green bonds, KBC's underlying asset-portfolio is taxonomy aligned for energy efficient buildings and renewable energy. The underlying asset-portfolio of clean transportation is only partly aligned.

WHAT HAS CHANGED?

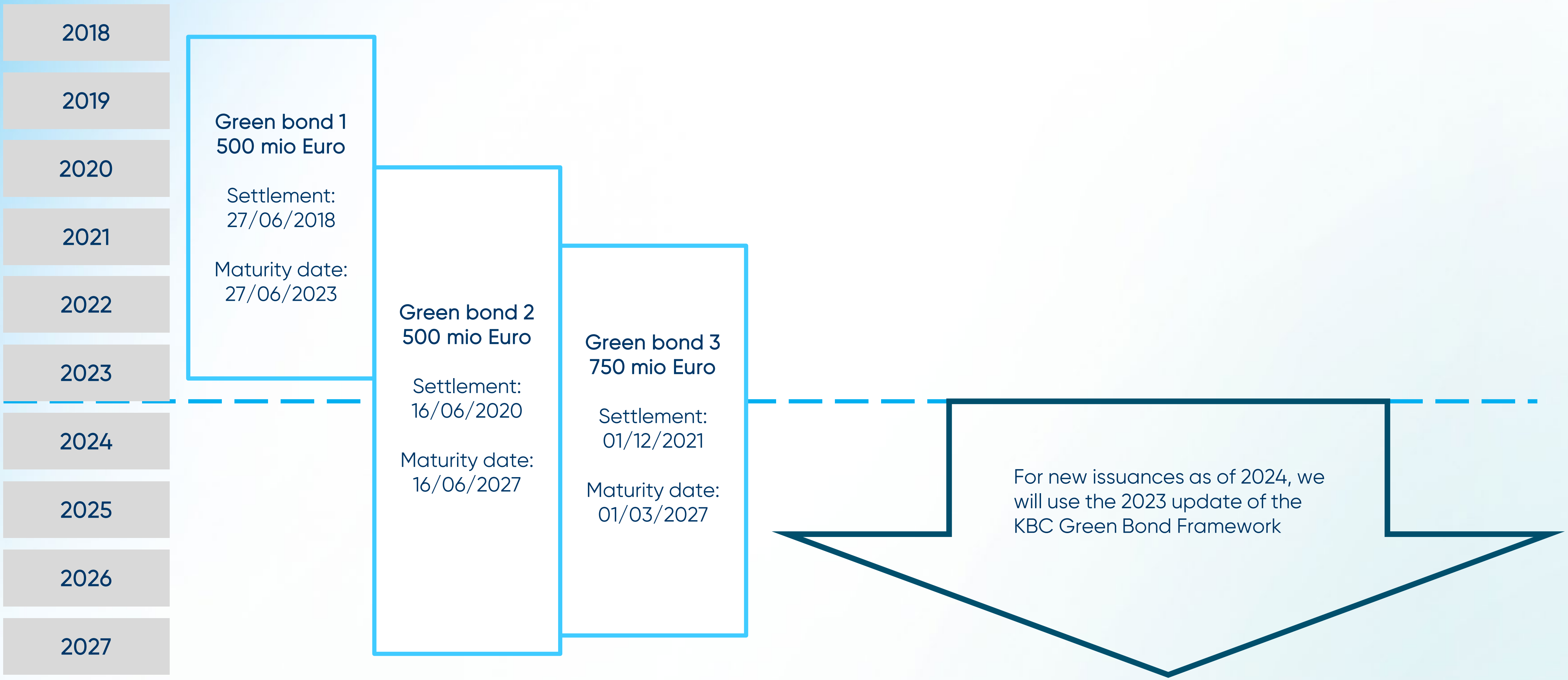
- Strategic selection of green eligible expenditures, focusing on those where Technical Screening Criteria are available
- Updated eligibility criteria, to further align with the Substantial Contribution Criteria of the EU taxonomy Delegated Act
- All activities mapped to the corresponding EU Taxonomy Economic Activities

2023 update of KBC Green Bond framework

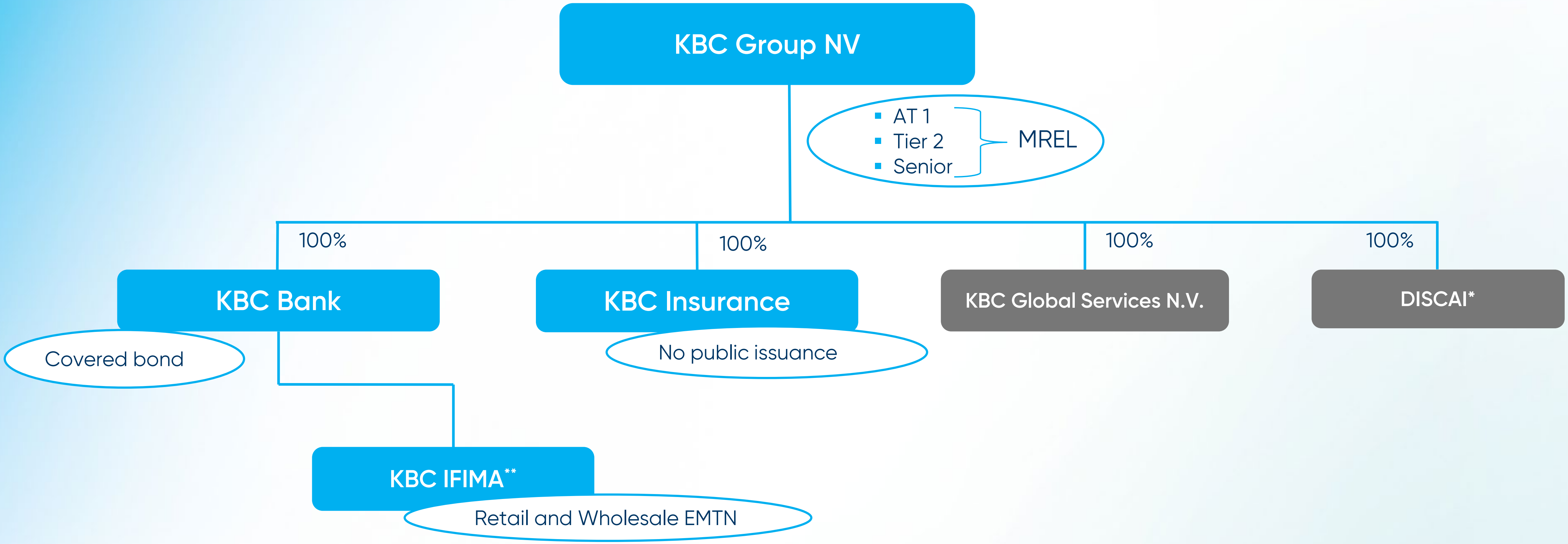
Updated Framework will be used for all new issuances

EXISTING ISSUANCES WILL REMAIN USING THE 2018 GB FRAMEWORK

THE 2023 GB FRAMEWORK WILL BE USED FOR NEW ISSUANCES



KBC Group's legal structure and issuer of debt instruments



* DISCAI (Discovering AI) is a separate fully owned subsidiary, grouping the in-house developed artificial intelligence solutions for commercialisation to third parties (as of 7 March 2022)

** All debt obligations of KBC IFIMA are unconditionally and irrevocably guaranteed by KBC Bank

Last credit ratings

		Moody's	S&P	Fitch
Group	**Senior Unsecured**	**Baa1**	**A-**	**A**
	Tier II	Baa2	BBB	BBB+
	Additional Tier I	Ba1	BB+	BBB-
	Short-term	P-2	A-2	F1
	Outlook	Positive	Stable	Stable
Bank	Covered bonds	Aaa	-	AAA
	Senior Unsecured	**A1 (*)**	**A+**	**A+**
	Tier II	-	BBB	-
	Short-term	P-1	A-1	F1
	Outlook	Positive	Stable	Stable
Insurance	Financial Strength Rating	-	A	-
	Issuer Credit Rating	-	A	-
	Outlook	-	Stable	-

(*) Moody's long-term deposit rating: Aa3 (stable)

Latest update:

6 June 2023: Moody's upgraded KBC Bank's long-term issuer and deposit ratings and affirmed KBC Group's issuer rating (outlook remains positive). The upgrade of KBC Bank's deposit and long-term issuer ratings driven by the continued issuance of senior unsecured and subordinated debt in order to comply with minimum requirement for own funds and eligible liabilities (MREL) targets.

The affirmation of KBC Group's long-term issuer ratings (including positive outlook continues), reflects KBC's sound solvency, strong earnings power, sound asset quality and solid funding profile.

KBC Green Bond framework and issuances

Aligned with best practices and market developments

- **The KBC Green Bond Framework** is in line with the Green Bond Principles (2017)
- Second party opinion provided by Sustainalytics and Pre-issuance-certification by the Climate Bonds Initiative
- KBC intends to align its Green Bond Framework with emerging good practices, such as a potential European Green Bond Standard or other forthcoming regulatory requirements and guidelines
- For details of the KBC green bond framework, we refer to kbc.com: *https://www.kbc.com/en/investor-relations/debt-issuance/kbc-green-bond.html*

- **In the context of the Green Bond**, KBC allocated the proceeds to three green asset categories: **renewable energy (share of 49%) and residential real-estate loans (share of 51%).**
- For future transactions, in cooperation with the relevant business teams, KBC aims to capture more green assets from other categories and expand the green eligibility to more business lines and clients.

Certification

- The Climate Bonds Standard Board approved the certification of the KBC Green Bonds

Verification

- One year after issuance and until maturity, a limited assurance report on the allocation of the Green Bond proceeds to Eligible Assets to be provided by an external auditor
- See latest impact report as of EOY 2022 available on kbc.com:

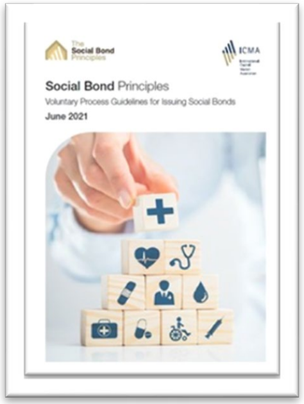
KBC GREEN BOND 2018 – ASSETS & IMPACT *	Renewable energy	Green buildings
Allocated amount	187.9m EUR	312.1m EUR
Electricity produced/energy saved	378,038 mWh	28,895 mWh
Avoided CO_2 emissions	56,399 tonnes	5,371 tonnes
KBC GREEN BOND 2020 – ASSETS & IMPACT	**Renewable energy**	**Green buildings**
Allocated amount	242.9m EUR	257.1m EUR
Electricity produced/energy saved	508,072 mWh	23,800 mWh
Avoided CO_2 emissions	104,362 tonnes	4,424 tonnes
KBC GREEN BOND 2021 – ASSETS & IMPACT	**Renewable energy**	**Green buildings**
Allocated amount	426.4m EUR	323.6m EUR
Electricity produced/energy saved	695,326 mWh	29,961 mWh
Avoided CO_2 emissions	103,736 tonnes	5,570 tonnes

*The KBC Green Bond issued in 2018 has matured on June 27th 2023

KBC Social Bond framework and issuances

Aligned with best practices and market developments

- By adding the social aspect to its funding mix, KBC Bank can further enhance its ability to finance social projects and increase its positive social impact on society
- **The KBC Social Bond Framework** is aligned with ICMA's Social Bond Principles (2021).
- Second party opinion provided by Sustainalytics (May 2022)
- Information pertaining to the Social Bond Framework can be found on kbc.com: *https://www.kbc.com/en/investor-relations/debt-issuance/kbc-social-bond.html*



First financial institution in Belgium

- **KBC Group was the first financial institution in Belgium to issue a Social Bond** (18th of August 2022)
- The first issuance has been 100% allocated to the hospital sector
- The second issuance (June 2023) has been allocated to schools (ca 62%) and hospitals (ca 38%)

Clear Social Bond governance

Use of proceeds	Social Bond Eligible Assets include financing in Belgium in the following categories: • **Access to Essential Services – Education** • **Access to Essential Services - Health** • **Affordable Housing** • **Employment Generation**
Process for evaluation & selection	**KBC's Green and Social Bond Committee** is an important part of the selection process for Social Bond Eligible Assets . The Committee's responsibilities include approval of asset inclusion in the Social Bond Portfolio, approval of annual reporting and updating the Framework if required
Management of proceeds	• KBC intends to exclusively **allocate** an amount equivalent to the net social bond **proceeds to a social bond portfolio of Eligible Assets** • Allocated Eligible Assets to be individually identified in KBC's internal information systems and monitored on a quarterly basis
Reporting	**Social Report** will be published annually and will include: • **Allocation of Proceeds,** including a limited assurance report • various **output indicators** of the allocated Eligible Assets • See latest Social report as of EOY 2022 available on kbc.com

Glossary

Combined ratio (non-life insurance)	Short-term non-life insurance contracts: [claims and claim related costs net of reinsurance + costs other than claims and commissions] / [earned expected premiums received, net of reinsurance]
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio without banking and insurance tax (group)	[operating expenses of the group without banking and insurance tax + Insurance commissions paid] / [total income of the group]
Cost/income ratio adjusted for specific items or C/I ratio when excluding certain non-operating items	The numerator and denominator are adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include (i) MtM ALM derivatives (fully excluded), (ii) bank & insurance taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC21) and (iii) one-off items
Credit cost ratio (CCR)	[annualised net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula.
Impaired loans ratio	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
Liquidity coverage ratio (LCR)	[stock of high-quality liquid assets] / [total net cash outflow over the next 30 calendar days]
MREL	Minimum requirement for own funds and eligible liabilities
Net interest margin (NIM) of the group	[banking group net interest income excluding dealing room] / [banking group average interest-bearing assets excluding dealing room]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity]

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More information

• Company website	KBC
• Quarterly Report • Table of results (Excel)	Quarterly Reports
• Quarterly presentation • Debt presentation	Presentations

Upcoming events

24 Jan 2024	4Q23 black out period
8 Feb 2024	4Q23 Publication of Results

Download the KBC IR APP

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