KBC Group

Credit Update & Social Bond Framework

Investor Presentation

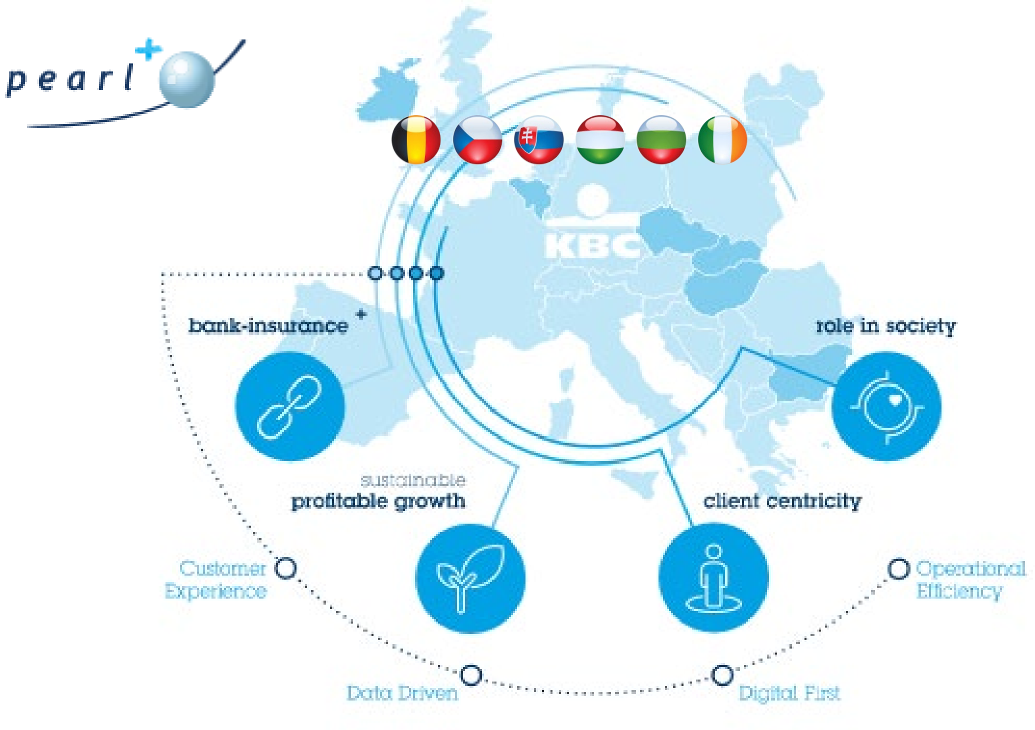
June 2022

Contents

Credit Update & Social Bond Framework

KBC group passport

Who we are



✓ **We want to be among Europe's best performing financial institutions! By achieving this, KBC wants to be the reference in bank-insurance in its core markets**

- We are a leading European financial group with a focus on providing bank-insurance products and services to retail, SME and mid-cap clients
- Through our activities, we want to help our clients to offer proactive and data-driven solutions to meet our clients' needs
- We operate in our core markets: Belgium, Czech Republic, Slovakia, Hungary, Bulgaria and Ireland

✓ **We sum up our business culture in the acronym 'PEARL+' and we encourage all our employees to behave in a way that is responsive, respectful and result-driven**

I AM TEAM BLUE

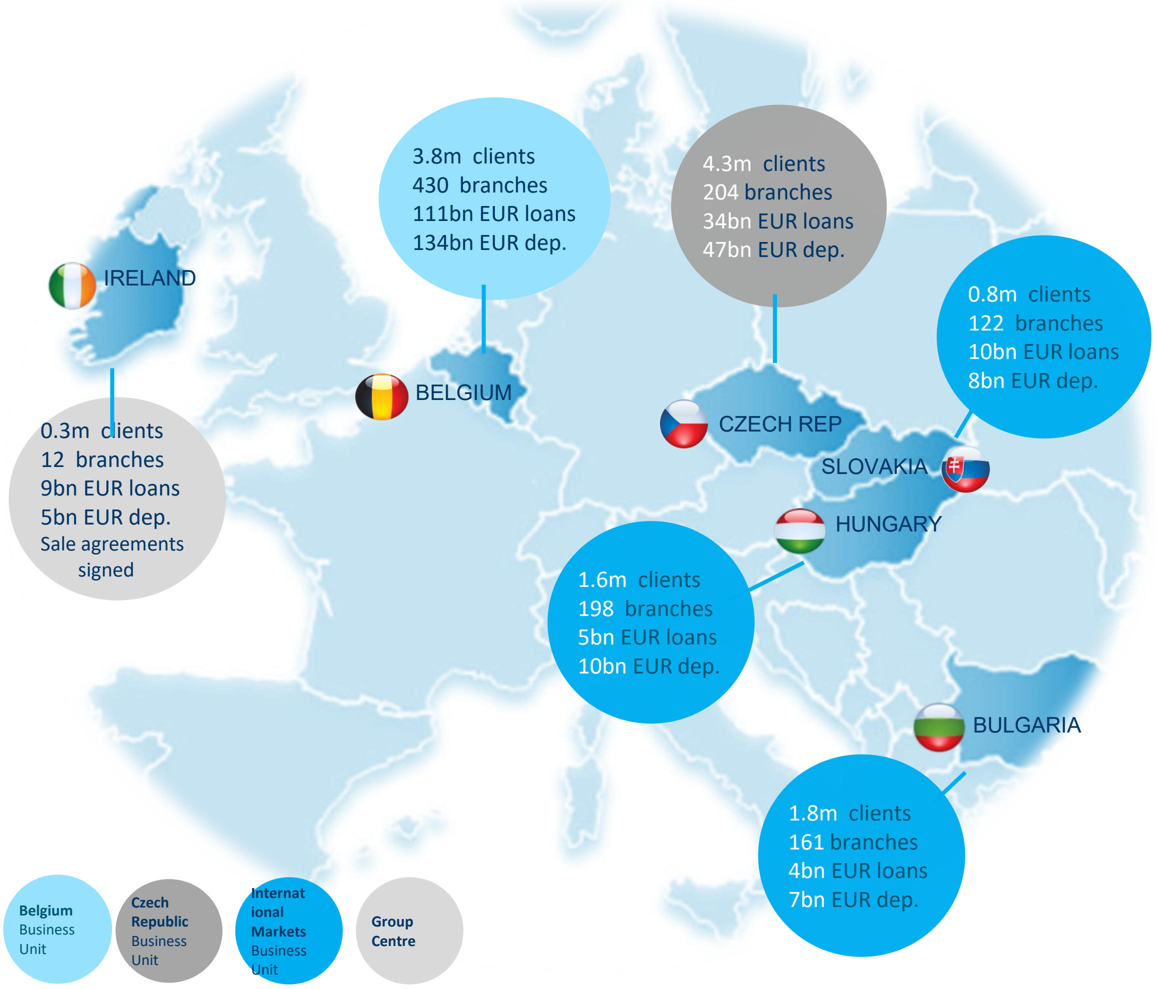
'Team Blue' symbolises the way we cooperate across borders and our group's different business units, encouraging the smart-copying of each other's ideas and pooling experiences. In the present, deeply changing digital world, it is an exceptional advantage to be able to work in this group-wide manner.

Our clients, staff and network as at 31-12-2021

Clients	12 million
Staff	40 000
Bank branches	1 159
Insurance network	310 agencies in Belgium, various distribution channels in Central and Eastern Europe

KBC Passport

Well-defined core markets



Market share (end 2021)	BE	CZ	SK	HU	BG	IRL
Loans and deposits	19%	20%	11%	11%	11%	9%*
Investment funds	28%	23%	7%	12%	10%	
Life insurance	13%	8%	3%	3%	22%	
Non-life insurance	9%	9%	5%	7%	12%	

Real GDP growth	BE	CZ	SK	HU	BG	IRL
% of Assets	61%	25%	4%	4%	2%	3%
2021	6,1%	3,3%	3,0%	7,1%	3,8%	13,5%
2022e	2.0%	1.8%	2.5%	3.7%	2.5%	5.0%
2023e	1.1%	3.1%	3.4%	3.1%	3.0%	3.5%

GDP growth: KBC data, April ‘22
* Retail segment

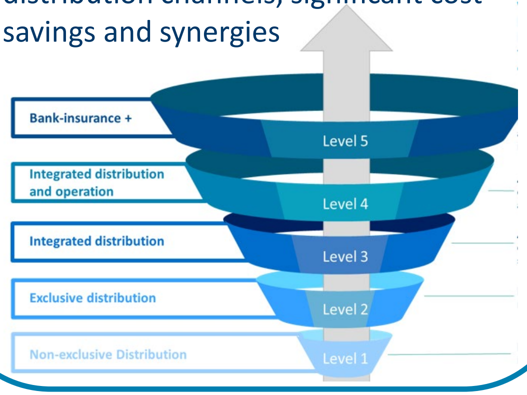
KBC

KBC group passport

What differentiates us from peers

Unique integrated bank-insurance model

- Our organisation is **similarly integrated**, with most services operating at group level and the group also managed in an integrated style
- 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



Successful digital approach

- 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
- In September 2021, **the independent international consulting firm Sia Partners named KBC Mobile the best mobile banking app worldwide**: a clear recognition of a decade of innovation, development and listening closely to our clients

Kate

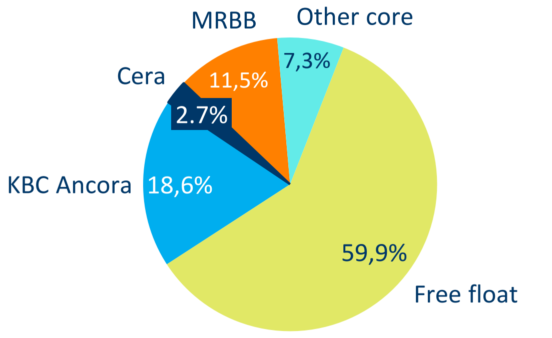
Firmly embedded sustainability strategy

- 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**

Most relevant SDGs for the group

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 40%** of our shares at the end of 2021
- These shareholders act in concert, thereby ensuring shareholder stability in our group

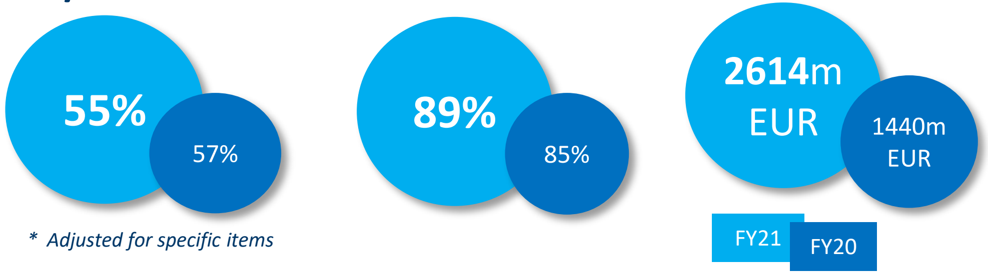


KBC group passport

Our financial footprint

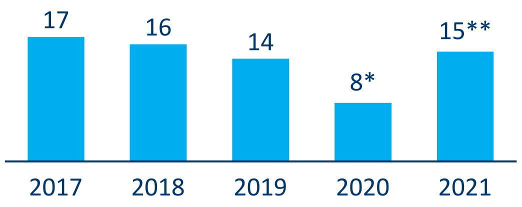
✓ High profitability...

C/I ratio* | Combined ratio | Net result



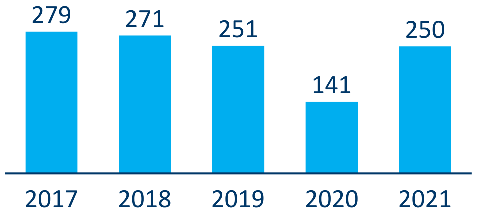
* *Adjusted for specific items*

ROE (%)



CET1 generation (in bps)

before any deployment



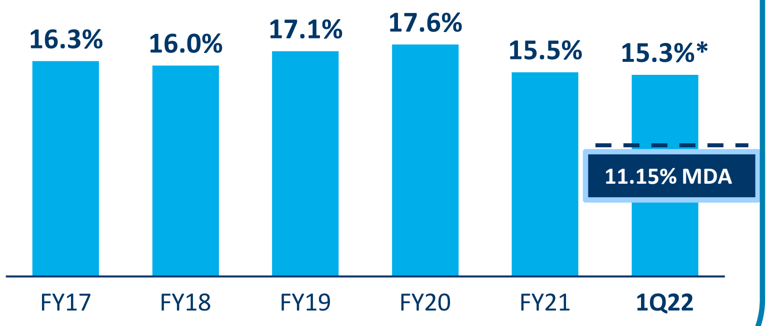
* 11% when adjusted for the collective covid impairments

** when excluding the one-off items due to the pending sales transactions in Ireland

✓ Solid capital position...

Fully loaded Basel 3 CET1 ratio

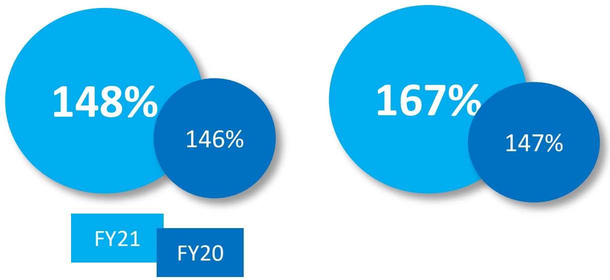
(Danish Compromise)



* As of 1Q22, interim profit recognition (based on 50% profit accrual)

✓ ... and robust liquidity positions

NSFR | LCR



Contents

Credit Update & Social Bond Framework

Key takeaways for KBC Group

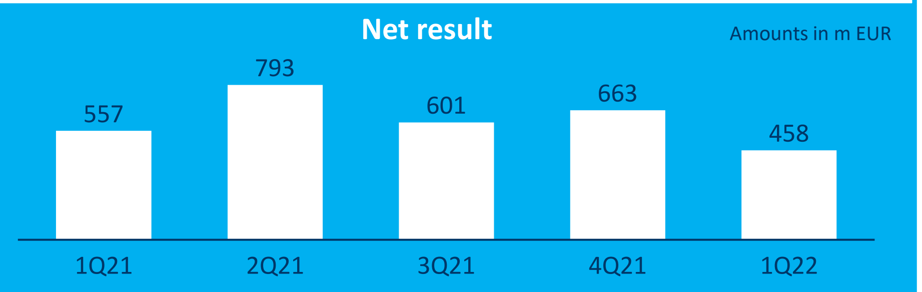
1Q22 financial performance

- **Commercial bank-insurance franchises** in core markets performed excellently
- **Customer loans** and **customer deposits** increased y-o-y in most of our core countries (on a comparable basis)
- We have now realised our goal to systematically roll out **Responsible Investing** in all our core markets
- Higher **net interest income** and net interest margin
- Slightly higher **net fee and commission income**
- Significant increase of **net result from financial instruments at fair value**
- Very strong **non-life** insurance performance and higher sales of **life** insurance y-o-y
- **Costs in 1Q** include bulk of full-year bank taxes; costs excl. bank taxes down q-o-q (notwithstanding extraordinary staff bonus[1])
- Net **impairment release,** notwithstanding creation of geopolitical & emerging risks reserve (largely offset by partial release of Covid reserves)
- Solid **solvency** and **liquidity**

Excellent net result of 458m EUR in 1Q22

1Q22

- **ROE 14%[2]**
- **Cost-income ratio excluding bank taxes 48%**
- **Combined ratio 83%**
- **Credit cost ratio -0.03%**
- **Common equity ratio 15.3%** (B3, DC, fully loaded)[3]
- **Leverage ratio 5.0%** (fully loaded)
- **NSFR 149% & LCR 162%**



1. One-off bonus for our staff for their achievements in what was a challenging and difficult year (Covid)
2. When bank taxes are evenly spread throughout the year
3. As of 1Q22, interim profit recognition (based on 50% profit accrual)

Comparisons against the previous quarter unless otherwise stated

Update on the Russia/Ukraine conflict (including emerging risks)

Limited impact on KBC

Provisions for direct exposure on credit portfolio	55m EUR*	**Direct loan exposure to Russia, Belarus & Ukraine** amounts to approx. **55m EUR**, mostly commercial exposure to Russian banks
Provisions for indirect impact on credit portfolio	33m EUR*	**Indirect credit exposure to Russia, Ukraine and Belarus**: • Corporate & SME clients with a **material activity in Russia, Ukraine and Belarus** or a material dependency on these markets for imports or exports • Corporate & SME clients **vulnerable to oil and/or gas disruption**
Provisions for emerging risks	135m EUR*	• Corporate & SME clients vulnerable to **supply chain issues** and **increasing commodity and energy prices** • Retail clients vulnerable to **higher cost of living** and/or **higher repayments** due to higher rates
Insurance exposure	No direct exposure	• **No direct insurance exposure** in Russia/Belarus/Ukraine • War-induced claims are excluded from policies
Asset management exposure	Very little exposure	• Exposure to Russian and Ukrainian assets amounts to **only 150k** EUR
Cyber risk	Addit. preventive measures taken	• No targeted cyber attacks towards KBC entities detected so far. All entities remain extremely vigilant of any suspicious events
Economic outlook (GDP outlook for euro area)	GDP 2.3%	• Fears of stagflation, but **KBC still assumes 2.3% GDP growth in the euro area** for **2022**, revised down from 3.5% pre-war
Increased Deposit Guarantee Fund contributions	+24m EUR	• **Extraordinary contribution** to the Deposit Guarantee Fund in **Hungary, as a result of the resolution of Sberbank Hungary**

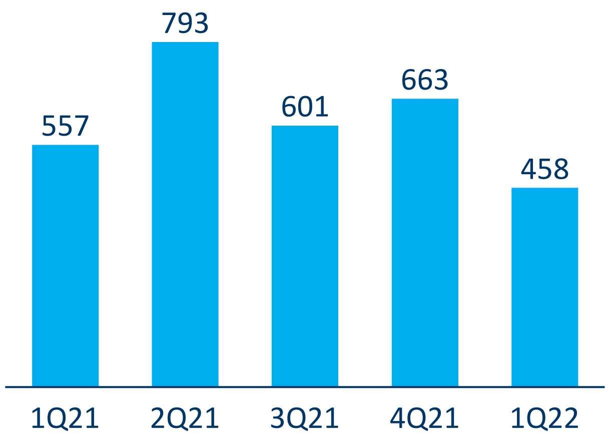
* *See more detail on page 20*

Net result at KBC Group

Amounts in m EUR

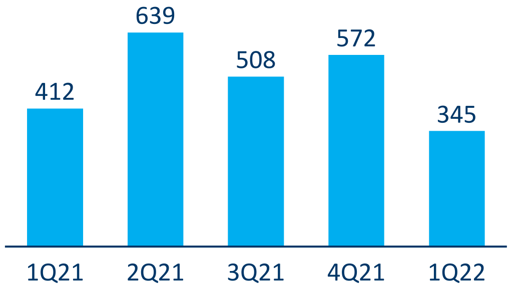
NET RESULT AT KBC GROUP*

1Q22 ROE: 14%

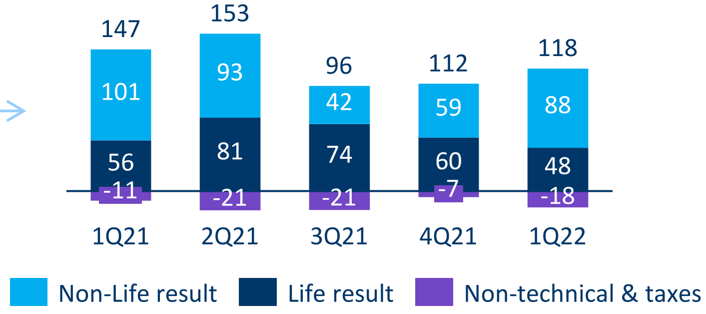


- *Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted for by the holding-company/group items. The difference between net result at KBC Group and the sum of Belgium, Czech Republic and International Markets is accounted for by the Group Centre*

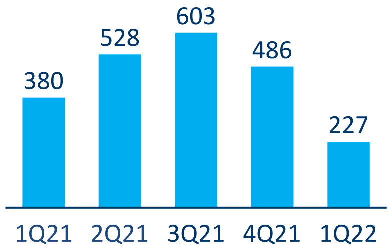
Contribution of BANKING ACTIVITIES*



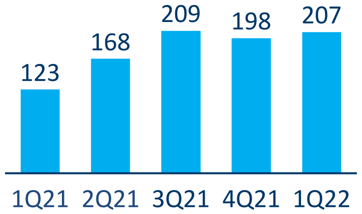
Contribution of INSURANCE ACTIVITIES*



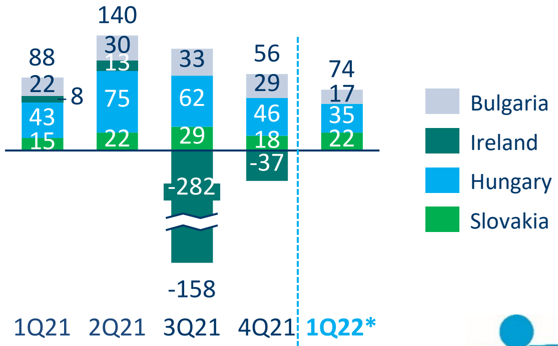
Contribution of BELGIUM



Contribution of CZECH REPUBLIC

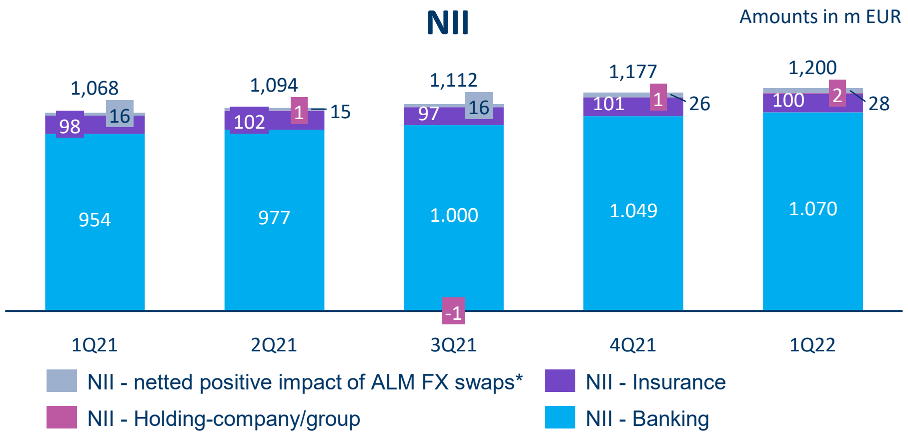


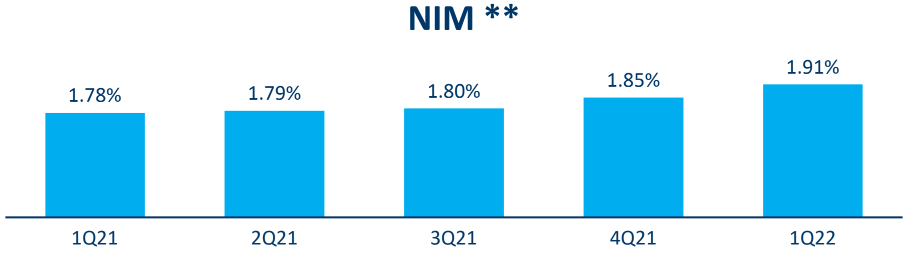
Contribution of INTERNATIONAL MARKETS



**As of 1Q 2022, KBC Ireland has been shifted from Business Unit International Markets to Group Centre. No restatements have been made.*

Higher net interest income and net interest margin





* From all ALM FX swap desks
** NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos

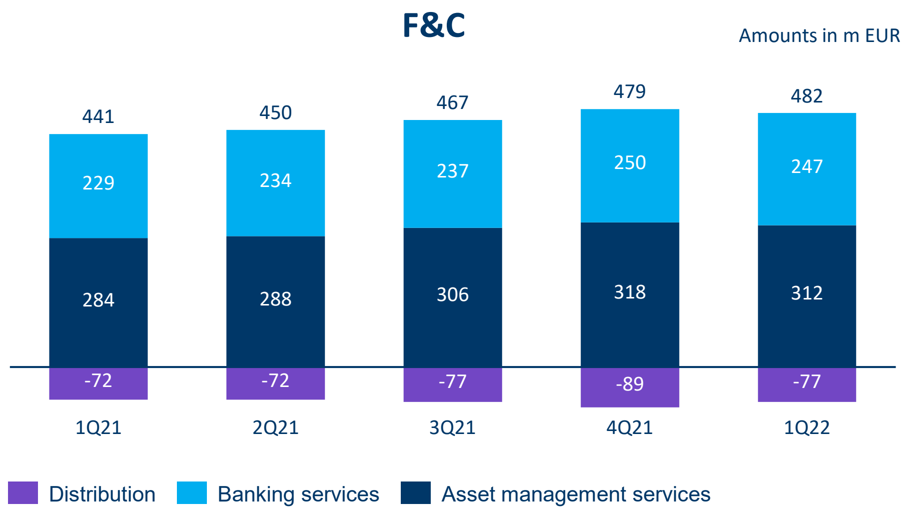
- **Net interest income (1 200m EUR)**
  - NII increased by 2% q-o-q and 12% y-o-y, driven primarily by:
    - organic loan volume growth
    - rate hikes in the Czech Republic (and to a lesser extent also in Hungary)
    - extensive charging of negative interest rates on more current accounts held by corporate entities and SMEs
    - positive forex effect (appreciation of Czech koruna against the euro)
    - higher netted positive impact of ALM FX swaps (mainly y-o-y)

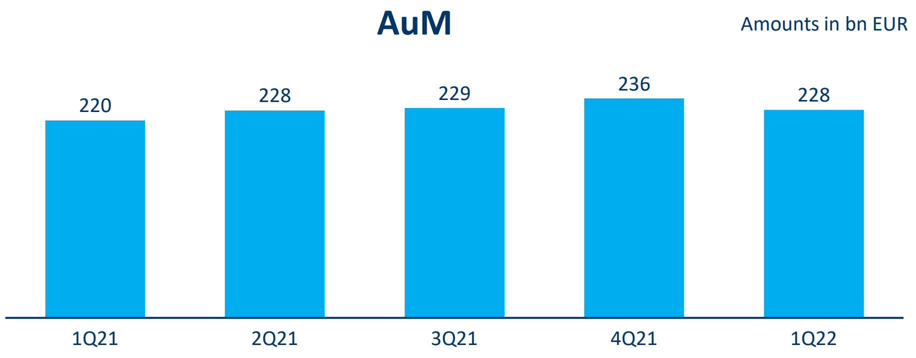
    These elements more than offset :
    - the negative effect of lower loan margins in most markets
    - decreasing reinvestment yield in euro-denominated countries
    - lower number of days (quarter-on-quarter)
- **Net interest margin (1.91%)**
  - Increased by 6 bps q-o-q and by 13 bps y-o-y for the reasons mentioned above
  - despite an increase of the interest-bearing assets (denominator)

ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	174bn	79bn	210bn	228bn	28bn
Growth q-o-q*	+2%	+2%	+3%	-3%	-2%
Growth y-o-y	+7%	+7%	+5%	+3%	+0%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds), including Ireland (under IFRS 5) . Growth figures are excluding FX, consolidation adjustments and reclassifications.
*** Customer deposits, excluding debt certificates and repos, including Ireland (under IFRS 5).

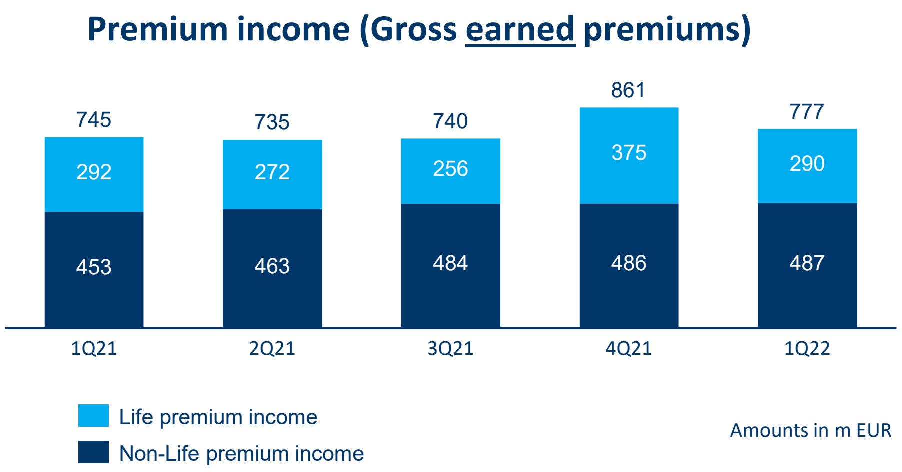
Higher net fee and commission income

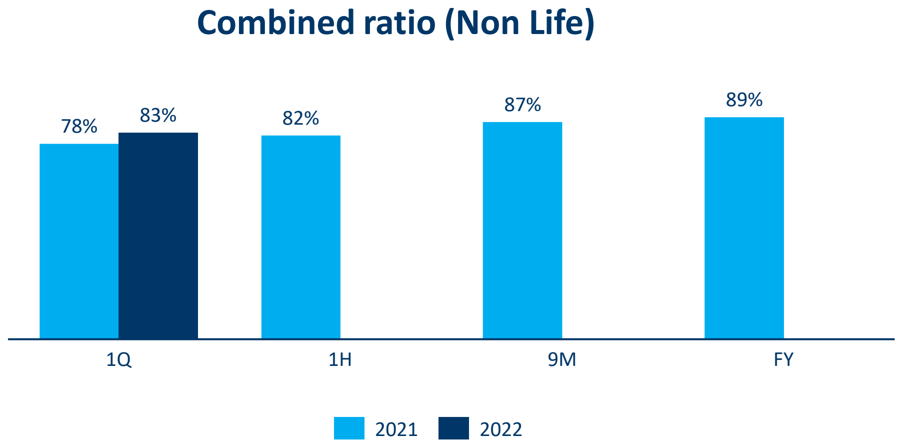




- **Net fee and commission income (482m EUR)**
  - Up by 1% q-o-q and by 9% y-o-y
  - Q-o-q increase was mainly the result of the following:
    - Net F&C income from Asset Management Services decreased by 2% q-o-q (a drop in management fees due to lower AuM, only partially offset by higher entry fees due to strong gross sales)
    - Net F&C income from banking services decreased by 1% q-o-q (a drop in payment fees only partially offset by higher credit/guarantee-related fees and securities-related fees)
    - Paid distribution costs went down by 14% q-o-q (seasonally lower commissions paid linked to banking and insurance products)
  - Y-o-y increase was mainly the result of the following:
    - Net F&C income from Asset Management Services rose by 10% y-o-y (higher management fees, despite lower entry fees)
    - Net F&C income from banking services increased by 8% y-o-y (mainly higher fees from payment services)
    - Paid distribution costs rose by 6% y-o-y (mainly higher commissions paid linked to strong sales of non-life insurance products)
- **Assets under management (228bn EUR)**
  - Decreased by 3% q-o-q (extremely strong net inflows more than offset by negative price effect)
  - Increased by 3% y-o-y (extremely strong net inflows and small positive price effect)

Insurance premium income up y-o-y and excellent combined ratio

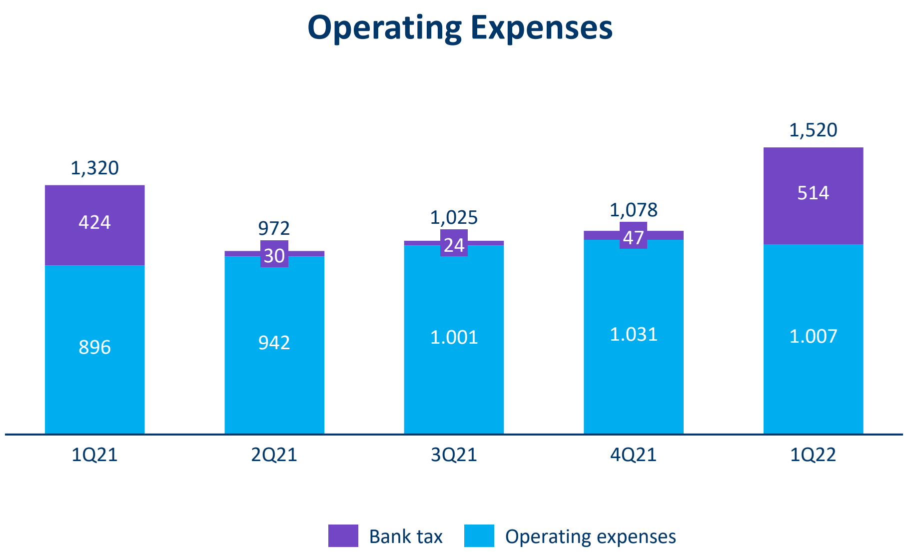




- **Insurance premium income** (gross earned premiums) **at 777m EUR**
  - Non-life premium income (487m EUR) increased by 8% y-o-y
  - Life premium income (290m EUR) decreased by 23% q-o-q and by 1% y-o-y

- Non-life **combined ratio** for 1Q22 amounted to an excellent **83%** (78% in 1Q21). This is the result of:
  - 8% y-o-y higher earned premiums
  - 35% y-o-y higher technical charges (due mainly to significantly higher storm impact in BE, only partly offset by lower major claims)
  - Significantly higher ceded reinsurance result (up 37m EUR y-o-y, cf. storm recoveries)

Costs excluding bank taxes and one-off items decreased q-o-q



Cost/Income ratio	FY21	**1Q22**
C/I ratio*	55%	**53%**
C/I ratio excluding bank taxes	51%	**48%**

** Cost/Income ratio (group) adjusted for specific items: MtM ALM derivatives and one-off items are fully excluded but bank and insurance taxes are included pro-rata*

- **Operating expenses** in 1Q22 at first sight increased by 41% q-o-q and by 15% y-o-y, strongly influenced by the following:
  - **Extraordinary staff bonus of 41m EUR** in 1Q22
  - 1Q includes bulk of the **bank taxes** for the full year (514m EUR), increased by 21% y-o-y driven by:
    - an extraordinary charge of 24m EUR related to Sberbank Hungary wind down, without this one-off the bank taxes rose 16% y-o-y
    - the remainder of the increase is linked to balance sheet growth and SRF contribution percentage increase
- **Operating expenses excluding bank taxes** went down by 2% q-o-q and increased by 12% y-o-y
  - The q-o-q decrease is due, among other things, to lower one-off charges related to the Irish sale transactions, lower ICT, facility and marketing expenses (partly seasonal effect) as well as lower professional fee expense, partly offset by the extraordinary staff bonus, the impact of inflation/wage indexation, and a negative forex effect
  - The y-o-y increase is due, among other things, to the above-mentioned extraordinary staff bonus, one-off charges related to the Irish sale transactions, higher ICT expenses, inflation/wage indexation and a negative forex effect
  - **Operating expenses excluding bank taxes and one-offs decreased 6% q-o-q and increased by 7% y-o-y (1Q21 very low due to Covid)**

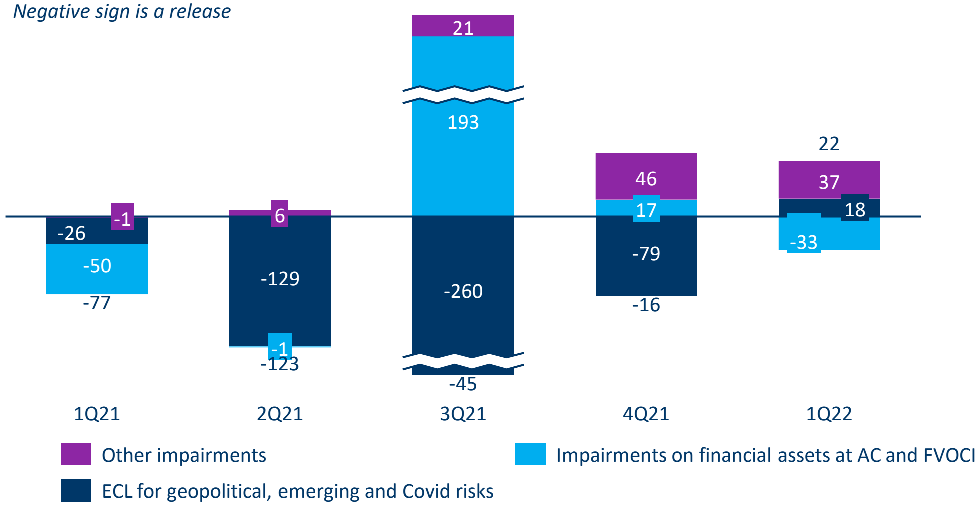
Amounts in m EUR

Net loan loss impairment releases

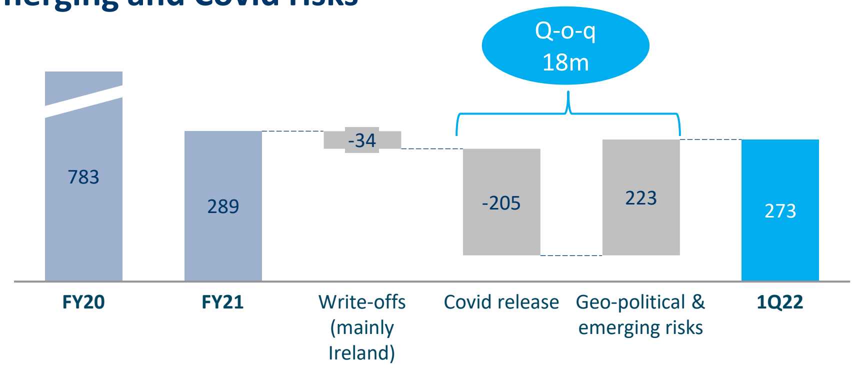
q-o-q release for Covid risk offset by geopolitical & emerging risks

Asset Impairment

Negative sign is a release



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



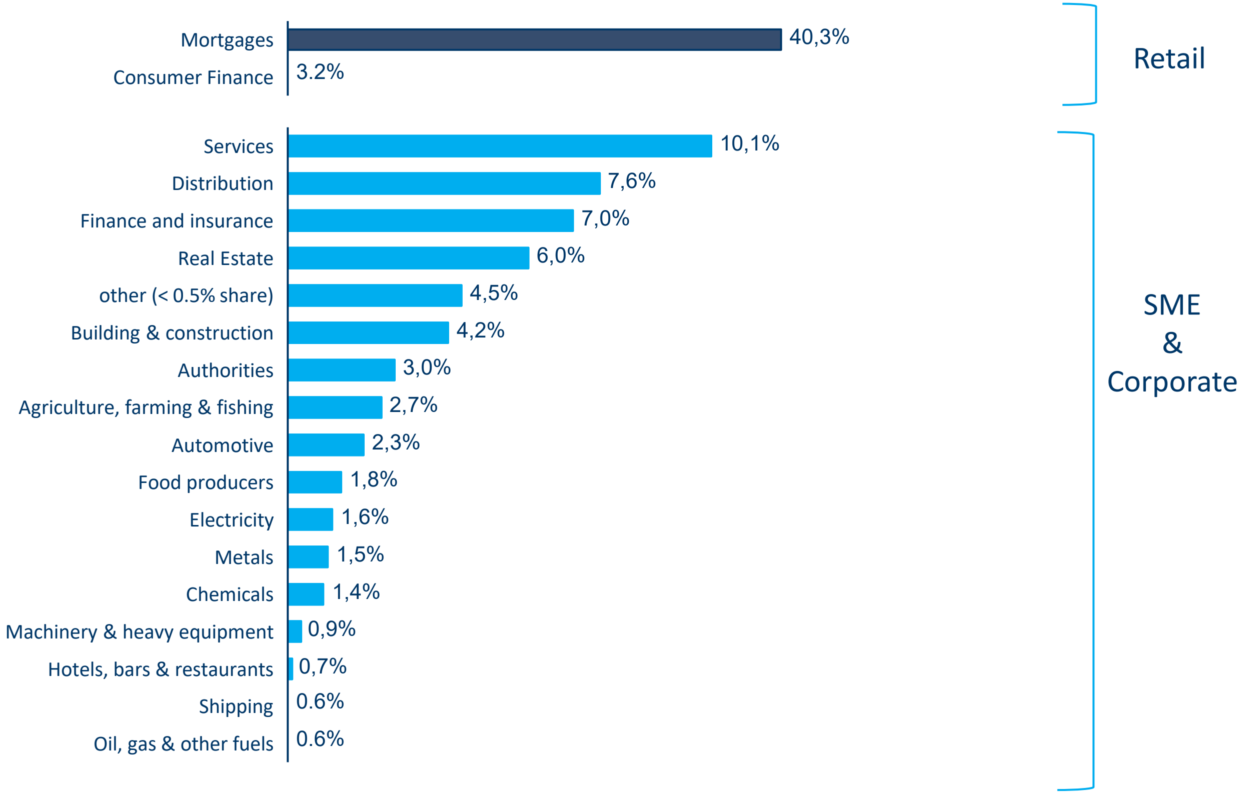
- **Net loan loss impairment releases**
  - **Loan loss impairment releases of 15m EUR in 1Q22** (compared with 62m EUR in 4Q21) due to:
    - 33m EUR loan impairment releases
    - a reduction of 205m EUR of the outstanding ECL for Covid
    - partly offset by an increase of 223m EUR due to the uncertainties surrounding geopolitical and emerging risks
    - total ECL for geopolitical, emerging and Covid risks now stands at 273m EUR (see details on next slides)
  - **37m EUR impairment on 'other', due mainly to**:
    - a 24m EUR impairment related to the sale agreements in Ireland
    - a 11m EUR impairment one-off on real estate in BE

Amounts in m EUR

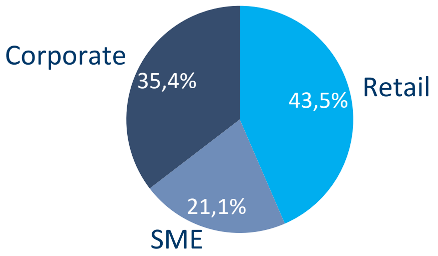
Diversified loan portfolio

Total loan portfolio outstanding by sector
as a % of total Group portfolio outstanding(1)

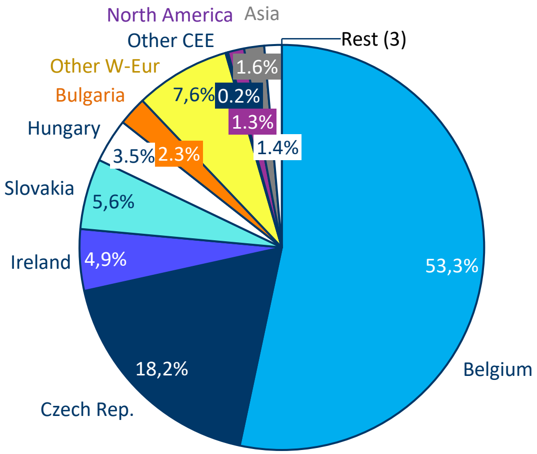
194bn EUR(2)



Total loan portfolio outstanding by segment(1)



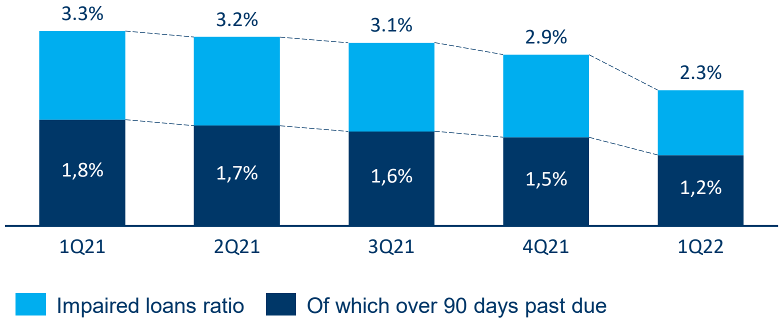
Total loan portfolio outstanding by geographical breakdown(1)



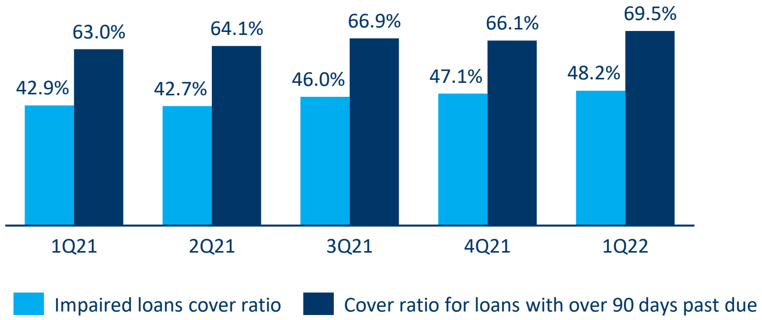
(1) Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
(2) Including loan portfolio of KBC Bank Ireland, the pro-forma total loan portfolio outstanding without KBC Bank Ireland amounts to 185bn EUR
(3) The 'rest' part includes 0.03% of the outstanding portfolio to Russia and Ukraine

Robust Asset Quality

Impaired loans ratios, of which over 90 days past due



Cover ratios



Credit cost ratio

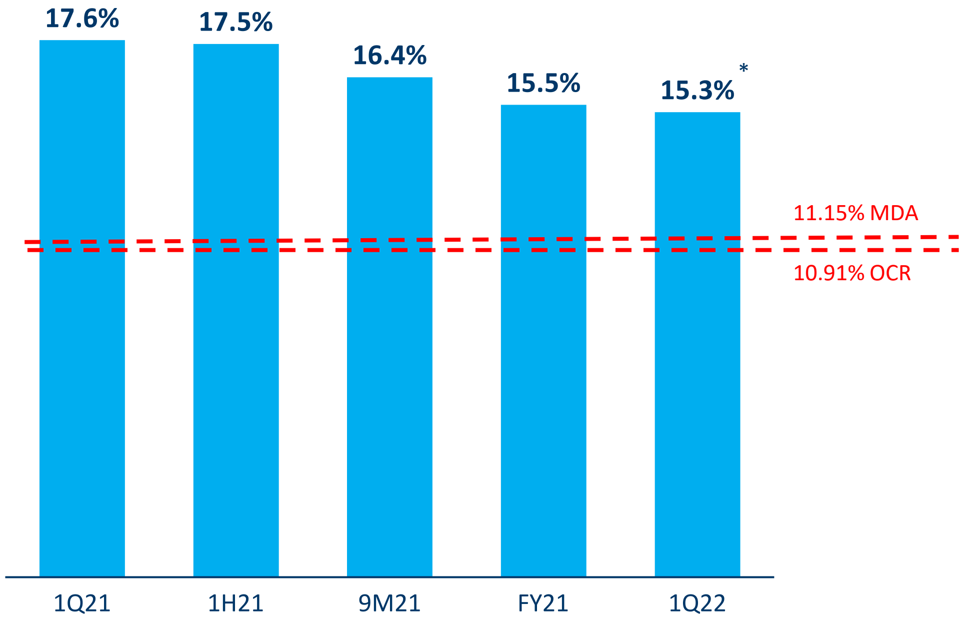
	1Q22 CREDIT COST RATIO	FY21 CREDIT COST RATIO	FY20 CREDIT COST RATIO	FY19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	AVERAGE '99 –'21
Belgium	**0.00%**	-0.26%	0.57%	0.22%	0.09%	0.09%	n/a
Czech Republic	**-0.11%**	-0.42%	0.67%	0.04%	0.03%	0.02%	n/a
International Markets*	**0.16%**	0.36%	0.78%	-0.07%	-0.46%	-0.74%	n/a
Group Centre*	**-0.49%**	0.28%	-0.23%	-0.88%	-0.83%	0.40%	n/a
Total	**-0.03%**	**-0.18%**	**0.60%**	**0.12%**	**-0.04%**	**-0.06%**	**0.40%**

Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

* As of 1Q 2022, KBC Ireland has been shifted from Business Unit International Markets to Group Centre. No restatements have been made

Strong capital position

Fully loaded Basel 3 CET1 ratio at KBC Group (Danish Compromise)



* As of 1Q22, interim profit recognition (based on 50% profit accrual)

Total distributable items (under Belgian GAAP) KBC Group 6.2bn EUR at 1Q22, of which:

- available reserves: 949m
- accumulated profits: 5 063m

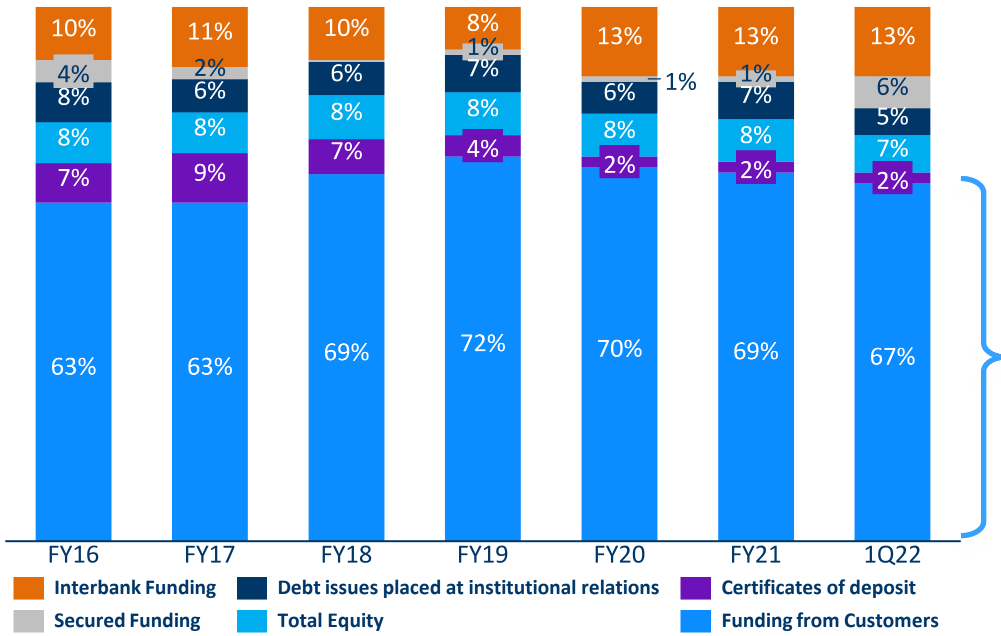
- **The fully loaded common equity ratio amounted to 15.3%** at the end of 1Q22 based on the Danish Compromise.
  - The q-o-q decrease in 1Q22 is mainly related to increase of the risk weighted assets (mainly volume driven)
  - The q-o-q decrease in 4Q21 was the result of the payout of a 7.6 EUR gross dividend per share (of which 3.0 EUR final ordinary dividend per share related to the accounting year 2021 and 4.6 EUR extraordinary dividend per share)
  - This came on top of the 3.0 EUR interim dividend per share (2.0 EUR over the accounting year 2020 and 1.0 EUR as an advance payment of the total dividend for the accounting year 2021) already paid in November 2021. This explained the q-o-q CET1 ratio decrease in 3Q21

- KBC's CET1 ratio of 15.3% at the end of 1Q22 represents a solid capital buffer:
  - **4.35% capital buffer compared with the Overall Capital Requirement (OCR) of 10.91%**
  - **4.11% capital buffer compared with the Maximum Distributable Amount (MDA) of 11.15%** (given small shortfall in AT1 and T2 bucket)

- At the end of 1Q22, the transitional CET1 ratio amounted to 15.2%

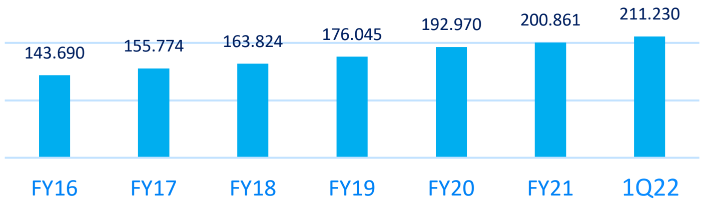
Strong and growing customer funding base with liquidity ratios remaining very strong

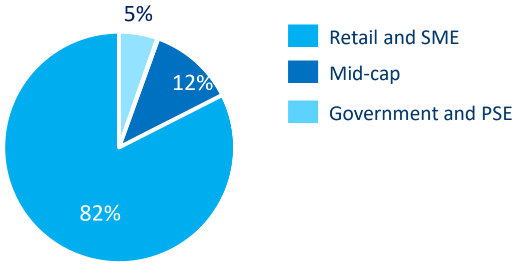
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments and markets;
- **Drop in % customer funding** as growth in secured funding due to market opportunities was even outpacing growth in customer funding;
- KBC Bank **participated to the TLTRO III** for a total exposure of 24.5bn EUR which is reflected in the 'Interbank Funding' item below.



67% customer driven

Funding from customers (m EUR) of KBC Banking Group





Ratios	FY21	1Q22	Regulatory requirement
NSFR*	148%	149%	≥100%
LCR**	167%	162%	≥100%

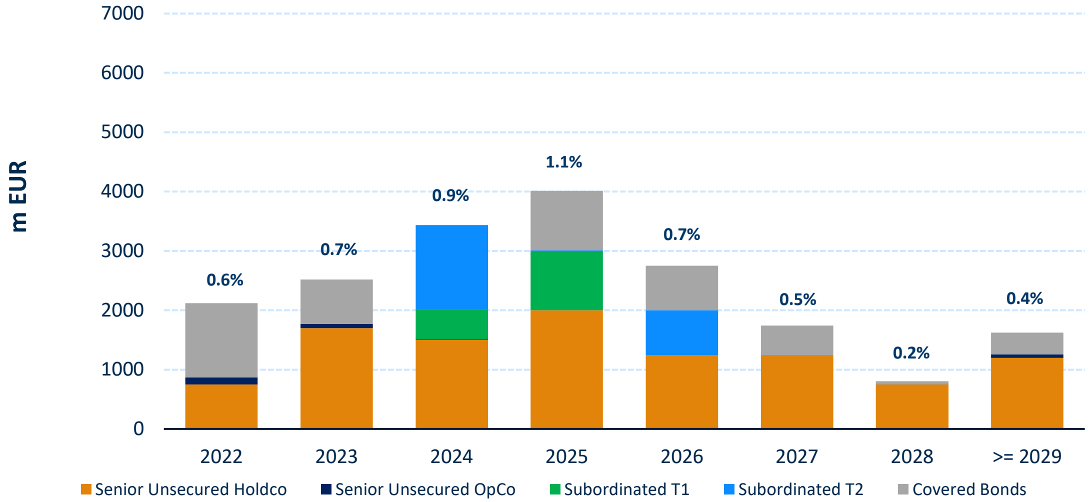
- **NSFR is at 149% and LCR is at 162% by the end of 1Q22**
  - Both ratios were well above the regulatory requirement of 100% due to a strong growth in customer funding and the participation to TLTRO III

** Net Stable Funding Ratio (NSFR) is based on KBC Bank's interpretation of the proposal of CRR amendment.*
*** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC Bank discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure.*

Upcoming mid-term funding maturities

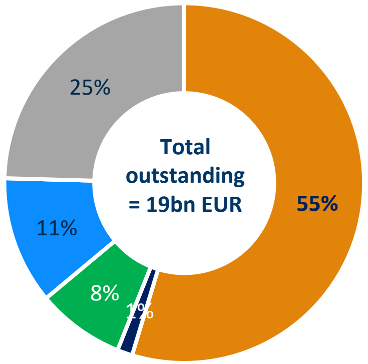
Breakdown Funding Maturity Buckets

(Including % of KBC Group's balance sheet)

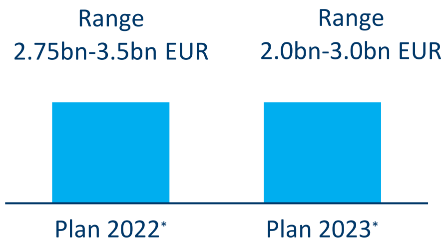


KBC Bank has 6 solid sources of long-term funding:

- Retail term deposits
- Retail EMTN
- Public benchmark transactions
- Covered bonds
- Structured notes and covered bonds using the private placement format
- Senior unsecured, T1 and T2 capital instruments issued at KBC Group level and downstreamed to KBC Bank



Expected funding program



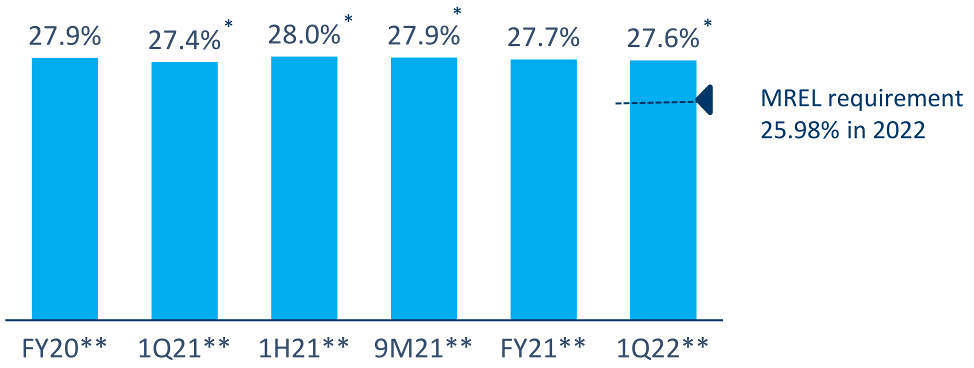
We aim to issue 1 green/social bond per year

- In **January 2022**, KBC Group issued a senior benchmark for an amount of 750m EUR with a 6-year maturity callable after 5Y
- In **February 2022**, KBC Group issued 700m EUR via Private Placements (i.e., 500m EUR 3NC2 and 200m EUR tap on outstanding 2031)
- In **March 2022**, KBC Group issued a senior benchmark for an amount of 750m EUR with a 4-year maturity callable after 3Y

* Any change in regulatory requirements, RWA evolutions, MREL targets or market circumstances can modify the current disclosed range

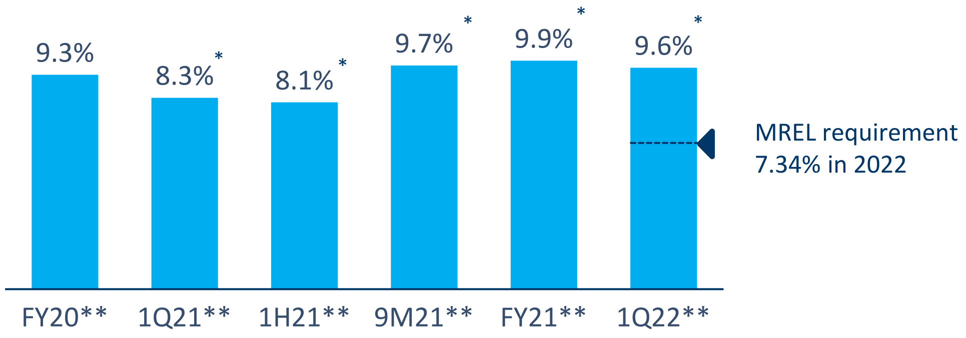
Available MREL as a % of RWA and LRE (BRRD2)

Available MREL as a % of RWA



- The **MREL ratio in % of RWA** slightly decreased vs. 4Q21, due to increase of the RWA; the available MREL increased: decrease in CET1 capital due to the inclusion of 2021 profit and dividend distributions, was compensated by issuance of 2.2bn EUR of new HoldCo instruments.

Available MREL as a % of LRE



- The **MREL ratio in % of LRE** slightly decreases compared to 4Q21, due to increase of the Leverage Ratio Exposure (mainly driven by increase of cash and cash balances).

** No IFRS current year interim profit recognition given more stringent ECB approach*
*** As of 1H20, MREL ratio includes the impact of IFRS9 transitional measures*

Contents

Credit Update & Social Bond Framework

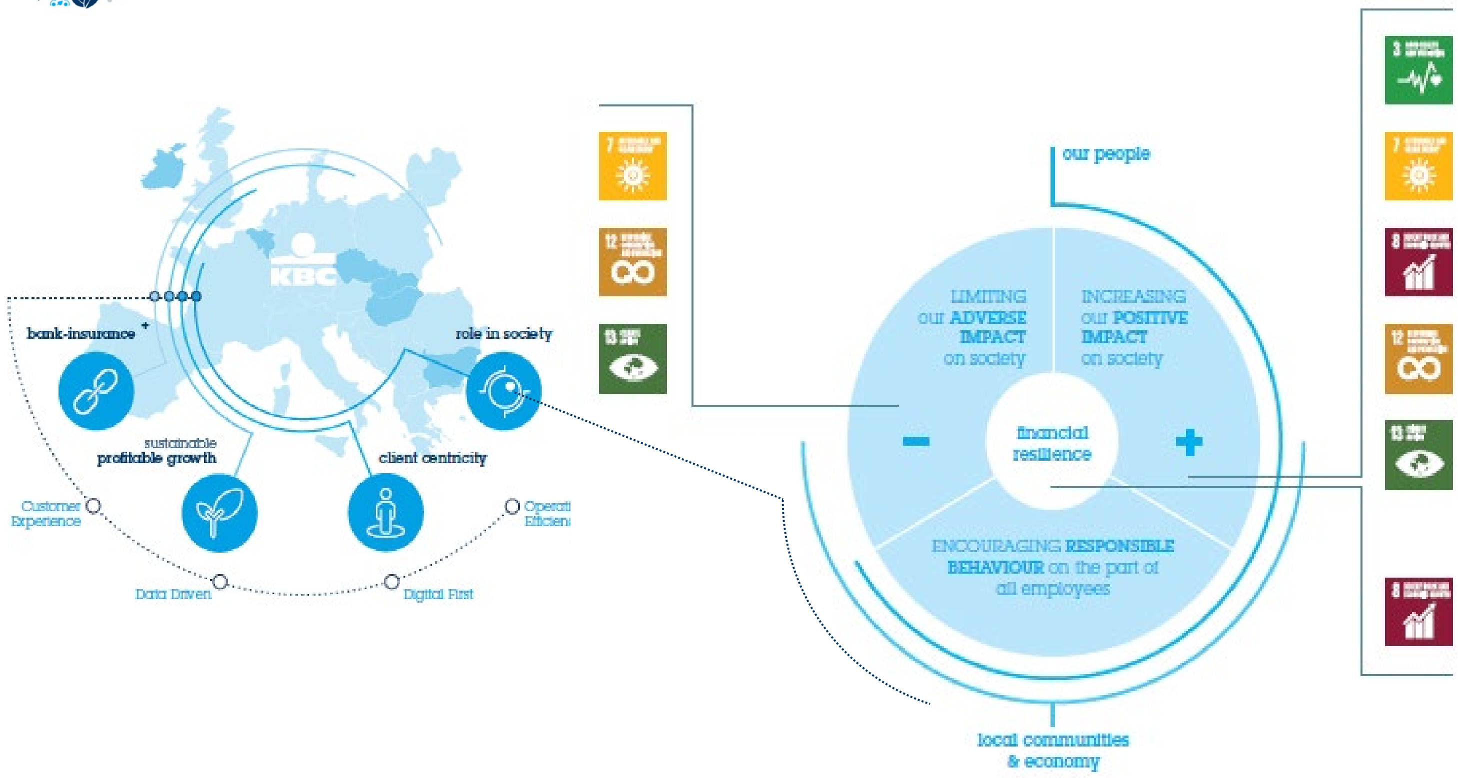
ESG ratings and indices

Ahead of the curve

Agencies	ESG rating of 29th of April 2022 (previous score)	Position versus industry average
CDP	D- … A **A-** (A-)	• Financial services average B
SUSTAINALYTICS	Severe Risk, High Risk, Medium Risk, Low Risk, Negligible Risk **13.1** (13.5)	• 3rd percentile of 413 diversified banks assessed • 9th of 413 diversified banks
S&P Dow Jones Indices (A Division of S&P Global)	0 … 100 **74** (73)	• Top 12% • (88th percentile of 242 banks assessed)
MSCI	C, B, BB, BBB, A, AA, AAA **AAA** (AAA)	• 3rd percentile of 189 banks assessed
Corporate ESG Performance Prime (RATED BY ISS ESG)	D-, D, D+, C-, C, C+, … **C prime** (C prime)	• 1st decile rank of 299 Commercial Banks & Capital Markets assessed
FTSE4Good	0, 1, 2, 3, 4, 5 **4.3** (4.7)	• Top 4% • (96th percentile of banks assessed)

Sustainability as an integral part of our corporate strategy

Creating long-term sustainable value in five high-impact areas



Good health and well-being
Developing banking and insurance products that focus on health, healthcare and improving quality of life

Affordable and clean energy
Supporting the transition to renewable energy and energy efficient solutions and gradual exit of non-sustainable energy solutions

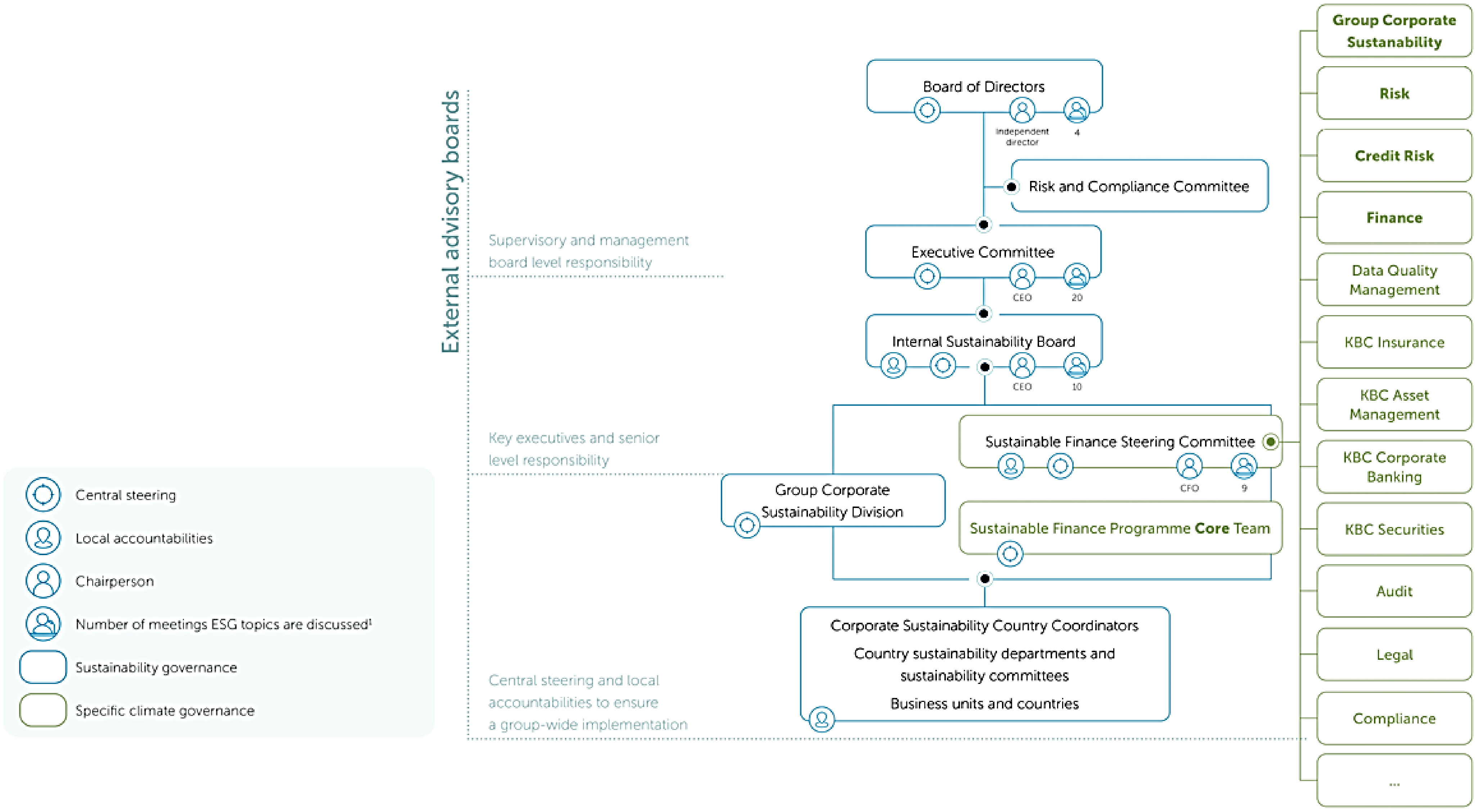
Decent work and economic growth
Supporting (female) entrepreneurship and job creation and facilitating sustainable local development in the South and contributing to financial inclusion through microfinance and microinsurance

Responsible consumption and production
Developing business solutions that meet a range of social and environmental challenges and promoting SRI funds among our clients

Climate action
Limiting our own operational environmental impact and our indirect impact by supporting our clients in their sustainability transition, addressing climate-related risks and focusing on climate-related opportunities

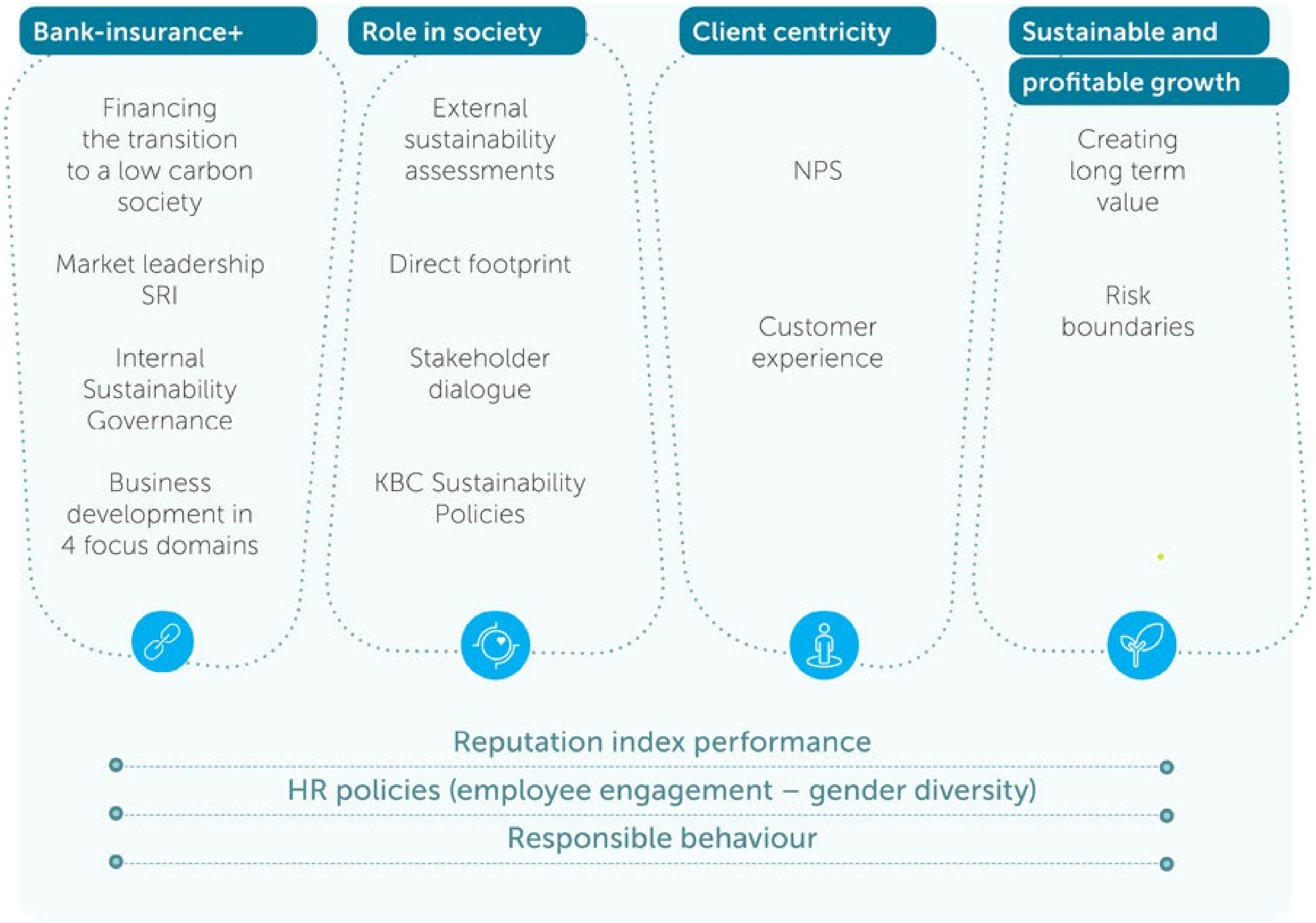
Our sustainability governance

Sustainability embedded in our organization



KBC Sustainability Dashboard

Following-up and evaluating the implementation of our sustainability and climate strategy



(Long-term) sustainability-linked incentives for employees and top management

- The variable remuneration of Executive Committee members is linked to, in amongst others, progress made in the area of sustainability, which is evaluated every six months using the **KBC Sustainability Dashboard**. The Board of Directors, through its Remuneration Committee, assesses the criteria for evaluating the members of the Executive Committee in this respect.
- At least 10% of the variable remuneration paid to senior management depends on the achievement of individual targets agreed in advance as part of the group's sustainability strategy, including our climate policy.
- The non-recurrent results-based bonus KBC pays its employees in Belgium has been partially linked to sustainability targets since 2012. In 2021, the targets were linked partly to our direct footprint – reducing paper consumption – but also to employee development (training days, digitality and progress management) and to cybersecurity (phishing tests). The targets are decided upfront for a period of 2 years.

Our sustainability roadmap

KBC milestones and initiatives

2004

Equator Principles

We have been a signatory to the Equator Principles (Eps) since 2004 and have integrated them in our lending policy of project finance

2006

Joined the UN Global compact and **published first sustainability report over FY 2005**

2011

First report to society published

2016

Signed the UNEP FI Principles for Responsible Investment (2016) **and for Sustainable Insurance** (2018)

2018

First Green Bond

The first Belgian financial institution that issued a green bond

2019

Signed the UNEP FI Principles for Responsible Banking & Collective Commitment to Climate Action

By signing the Collective Commitment to Climate Action, we have committed ourselves to stimulate the greening of the economy as much as possible and so limit global warming to well below 2°C, striving for 1.5°C, in line with the Paris climate agreement

2020

KBC Asset Management signed Climate Action 100+

This is an investor-led initiative to engage systemically important GHG emitters and other companies across the global economy, which have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement

Continuous ESG actions…

2022

Translate the 2°C target into concrete objectives per sector, based on scientific scenarios, by the end of 2022

In 2022, KBC intends to launch its first KBC Social Bond

"We report on our GHG emissions of our entire loan and lease portfolios as well as our climate analysis by sector"

Johan Thijs

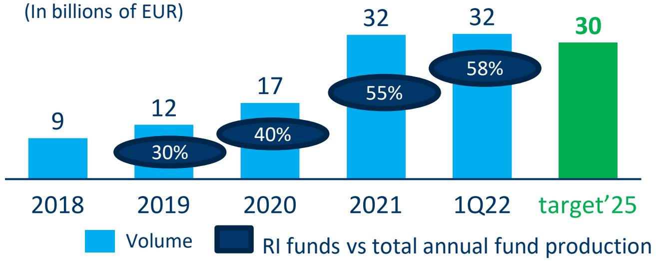
Our sustainability ambitions and targets

We substantially raise the bar for our climate-related ambitions

Achieved

Volume of Responsible Investing Funds(*)

(In billions of EUR)

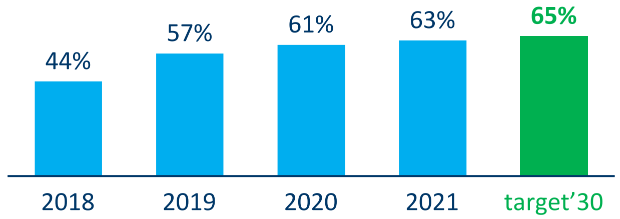


- End of 2021: volume of Responsible Investing funds includes all Belgian KBC pension savings funds (adding 6bn EUR)
- Responsible Investing funds ≥ 50% of annual fund production from 2021 onwards

Above track

Renewable energy loans

(In % of total energy sector loan portfolio)

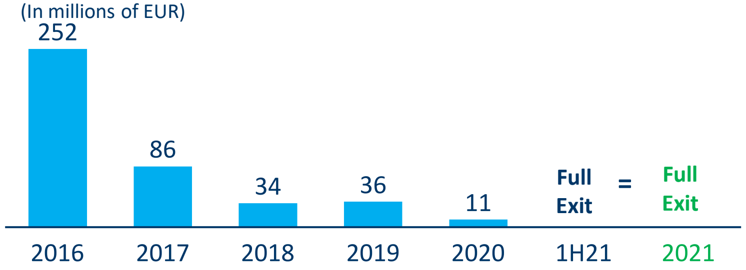


- Target set to 65% by '30
- During 2021, Project Finance Belgium concluded 7 new renewable energy transactions for a total amount of 195m EUR

Achieved

Direct coal-related finance

(In millions of EUR)

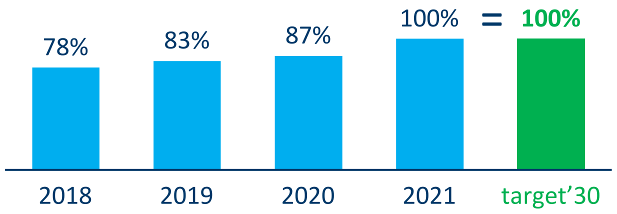


- All remaining direct coal exposure has been phased out in line with our commitment
- Firm commitment to exit indirect coal exposure, supporting existing clients in their transition. In order to remain eligible for any kind of financing, the related client must commit not to engage into any new coal project and must submit a coal-phase-out plan (to be achieved by 2030 at the latest)

Achieved

Renewable electricity

(In % of own electricity consumption)

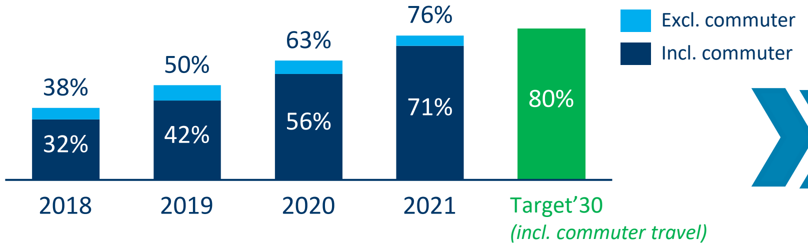


- Continued installation of photovoltaic panels on buildings we own and operate ourselves

Above track

Reduction own GHG emissions (incl. commuter travel)

(In % compared to 2015)



- Target reduction of own emissions set to 80% by '30
- A business travel ban and the switch to teleworking in 2020 and 2021 drove the strong result in terms of reduction in GHG emissions

Achieved

- **KBC achieved net climate neutrality as of the end of 2021 by offsetting our residual direct emissions**
- Three selected climate projects all complying with the highest standards and with clear link to the SDGs and our sustainability strategy

(*) Responsible Investing framework is a KBC in-house but well proven and externally challenged framework. KBC Asset Management is further aligning this framework to new EU regulations such as SFDR and MIFID and currently works under the assumption that all SRI funds are either article 8 or article 9 funds under the SFDR.

Strong progress on Environmental, Social and Governance issues

Some latest highlights

ESG – Environmental

- All remaining direct coal exposure has been phased out in line with our commitment
- We calculated the GHG emissions for the entire KBC Group’s loan and lease portfolio for the first time based on the PCAF methodology
- We calculated the climate-related impact of our own investments and asset management portfolio through Trucost data and methodology
- Net climate-neutral regarding our direct environmental footprint

ESG – Social

- 31.7bn EUR in Responsible Investing funds
- 10.2m EUR of outstanding loans to microfinance institutions and investments in microfinance funds, reaching 1.7m rural entrepreneurs and farmers in the South
- Promoting female entrepreneurship among our start-up community
- Promoting diversity and an inclusive culture and inclusion in the Bloomberg Gender-Equality Index

ESG – Governance

- Top level responsibility for sustainability and climate change – anchored in our sustainability governance and remuneration
- Our people as one of the main drivers in our sustainable transition
- Our climate business game was further enrolled to our senior management as part of our leadership development programme
- Completion of responsible behaviour awareness training by the vast majority of staff in all core countries

Sustainable finance

Taking into account ESG considerations in all our core activities

Sustainable finance products channel funds to finance customer transactions, supporting the transition of our clients in many sectors and domains: environmentally and socially sustainable solutions. As mapping is ongoing, the table does not provide a full overview.

- **ESG** in the investments on behalf of our clients
- **ESG** in KBC Group's own investments
- Our commitment concerning **social** impact
- Our commitment to the **environment**

Table 5.1: Sustainable finance (KBC Group, millions of euros, end-of-year data)

	2021	2020	2019
Financing contributing to environmental objectives (granted amount)			
Renewable energy and biofuel sector	2 115	1 840	1 768
Mortgages for energy-efficient housing	9 517[1]	8 817[1]	-
Financing for low carbon vehicles (outstanding amount)	120[2]	-	-
Total	11 752	10 657	1 768
Financing contributing to social objectives (granted amount)			
Healthcare and senior living sector	6 059	6 085	5 783
Education sector	1 093	1 031	975
BRS Microfinance Coop: loans to microfinance institutions and investments in microfinance funds (cooperative share capital)	10 (22)	12 (22)	14 (22)
Total	7 162	7 128	6 772
Socially responsible investment (SRI) on behalf of our clients			
SRI funds under distribution[3]	31 700	16 780	12 016

[1] Includes data as per 30 September 2020 for Belgium, the Czech Republic, Ireland and Slovakia and data as per 30 September 2021 for all KBC's core countries (newly built dwellings with energy performance labels A and B, based on actual EPC labels or on first approximation when no labels are available, and considered as energy-efficient housing).
[2] Includes data for financial leasing, loans and operational leasing from 1 October 2020 up until 30 September 2021 for Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia (vehicles with emissions < 50 g CO_2/km and in alignment with substantial contribution criteria of the EU taxonomy, including bicycles, motorbikes, passenger cars and light commercial vehicles).
[3] KBC Asset Management current SRI framework is a KBC in-house but well proven and externally challenged framework. KBC Asset Management is further aligning this framework to new EU regulations such as SFDR and MiFID and currently works under the assumption that all SRI funds are either Article 8 or Article 9 funds under the SFDR.

Our commitment concerning our social impact

Increasing our social impact through our core activities

Social impact financing: Financing and insuring projects that contribute to and provide access to social goods and services such as education, basic infrastructure, hospitals … . Some examples:

AZ Delta (Health - hospitals)

As an example of our role as financier of hospitals, KBC took part in a consortium that co-financed the construction of a new site hospital of AZ Delta in Rumbeke, West-Flanders. KBC financed about 120 million EUR, which was a about 28% of the total investment. Split across several sites, AZ Delta provides care in the cities of Rumbeke, Menen, Torhout and Roeselaere and is an important link in the hospital landscape of Flanders. For the construction of the new hospital building in Rumbeke, a clear choice was made to apply sustainable and energy-saving measures, without compromising on the high comfort requirements. Also, in terms of sustainable water management, we can state that more than 60% of the roof area of the new building is geared to recovering rainwater and that the building contains more than 40% green roofs. Energy efficiency is guaranteed by implementing techniques like cogeneration and bore hole energy via heat pump. Next to this, energy consumption is reduced or even avoided by using high efficiency installations as destination control of elevators and passive sun protection.

AZ Zeno (Health - Care facilities)

In 2021, KBC committed to finance the expansion works for De Lindeboom on the campus of AZ Zeno in Blankenberge. The capacity of the elderly care units will increase to 166. Another example is the construction of a new and modern care home in Heist, also for De Lindeboom. The building – formerly used as a school – will be refurbished and used for a different purpose. The new residential care centre will accommodate 38 large rooms and a green inner garden which increases the capacity of the elderly care units to 75.

Egied Van Broeckhoven School (Education)

KBC financed the land on which the Egied Van Broeckhoven School will be built in accordance to the DBFM (Design Build Finance Maintain) formula. The school is a new Dutch-speaking secondary Jesuit education school in Molenbeek (the Brussels region). The new school building – which will open its doors in 2023 – will meet the need for Dutch-language education in Brussels. It will offer general (ASO), vocational (BSO) and technical (TSO) courses within two study domains: the science domain STEM (Science, Technology and Mathematics) and the care domain 'Society and Welfare'. 860 pupils will be able to follow a career path focussing on the needs of the labour market.

Social impact finance

	Note	Unit	2021	2020	2019
Loan portfolio in healthcare and senior living sector (granted amount)	1	bn EUR	6.06	6.09	5.78
Loan portfolio in education sector (granted amount)	1	bn EUR	1.09	1.03	0.98

[1] FY data

Contents

Credit Update & Social Bond Framework

KBC Social Bond Framework

A Framework aligned with the best market practices

RATIONALE FOR ISSUANCE OF SOCIAL BONDS

- **KBC is dedicated to increase its positive social impact by financing and insuring the healthcare & education sectors. Adding social bonds to KBC's funding mix can create a further dimension of transparency around financing that increases KBC's positive social impact.**

- **KBC wishes to further support the development of Green, Social & Sustainability bond markets in Belgium and Europe**

KBC SOCIAL BOND FRAMEWORK: ALIGNED WITH 4 CORE COMPENENTS OF ICMA SBP 2021

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 EVAULATION & 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

- Allocation of Proceeds Report will be published annually and will include a limited assurance report
- Social Report will be published annually on various indicator metrics of the allocated Eligible Assets

KBC Social Bond Framework

A Framework aligned with the best market practices

USE OF PROCEEDS

THEME	Access to Essential Services - Education		Access to Essential Services - Health		Affordable Housing	Employment Generation
SOCIAL CATEGORY	Access to education	Affordable basic infrastructure for sport and culture	Hospitals	Care facilities	Social housing	SME loans
ELIGIBILITY CRITERIA	(Re)financing of activities for public schools • Construction, extension or refurbishment of equipment and infrastructures • Dedicated programmes, furniture, learning materials and other equipment	Support of projects improving access to sport and cultural facilities (e.g. construction of facilities)	(Re)financing for the development, acquisition, construction, extension or refurbishment of buildings, equipment, infrastructures and general corporate purposes related to hospitals Focus for KBC's inaugural Social Bond	(Re)financing of residential and elderly care centres, disabled care, and service flats: • Construction, extension, refurbishment of equipment and infrastructures • Acquisition of buildings, facilities or equipment	(Re)financing of social housing: • Development, construction, renovation and maintenance of social housing projects	(Re)financing of: • SMEs in socio-economically disadvantaged areas • SMEs impacted by the consequences of extreme events such as extreme weather events and natural disasters • SMEs affected by a pandemic crisis such as the Covid-19 crisis (including, but not limited to hospitality, entertainment & leisure services, and manufacturing activities assigned within the shipping sector)
TARGET POPULATION	General public access to state/public schools and free private schools	General public	General public	• Aging population • People with disabilities	Governmental agencies that provide social mortgages and housing	• SMEs in socio-economically disadvantaged areas • SMEs impacted by the consequences of extreme events or pandemics
SDG CONTRIBUTION	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH		3 GOOD HEALTH AND WELL-BEING; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE		11 SUSTAINABLE CITIES AND COMMUNITIES	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

KBC Social Bond Framework

A Framework aligned with the best market practices

PROCESS FOR EVAULATION & SELECTION

SUSTAINABILITY GOVERNANCE

Project submission

- KBC Business Units are in charge of:
  - **Providing information on the compliance** of the projects with the criteria for Eligible Assets
  - **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 with the Use of Proceeds requirements and with the standards of the KBC Group Sustainability Framework, where applicable
  - **Selecting the projects** as Eligible Assets
  - **Considering perceived environmental and social risks** associated with each of the relevant projects as a part of the approval and monitoring of Eligible Asset allocation
  - **Documenting the assessment process** with the view to demonstrate to an independent auditor that selected loans meet the applicable eligibility criteria
- The Green and Social Bond Committee is composed of representatives including at least one general manager from Group Treasury, Corporate Sustainability and representatives from the business units (when required)

ALIGNMENT WITH KBC SUSTAINABILITY POLICIES AND EXCLUSION CRITERIA

- Eligible Assets are both **aligned with KBC's Corporate Sustainability strategy** and **comply with local laws and regulations,** including any applicable regulatory, environmental and social requirements
- 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 & Responsible Lending

KBC Social Bond Framework

A Framework aligned with the best market practices

MANAGEMENT OF PROCEEDS

- **KBC intends** to exclusively **allocate an amount equivalent to the** net **social bond proceeds** to **a portfolio of Eligible Assets**
- Allocated Eligible Assets to be individually **identified in KBC's internal information systems** and monitored on a **quarterly basis**
- **If an asset no longer meets the eligibility criteria, KBC will remove the loan** from the Social 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 on a **quarterly 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 the Group, invested in money market products, cash and/or cash equivalent**.

KBC Social Bond Framework

A Framework aligned with the best market practices

REPORTING

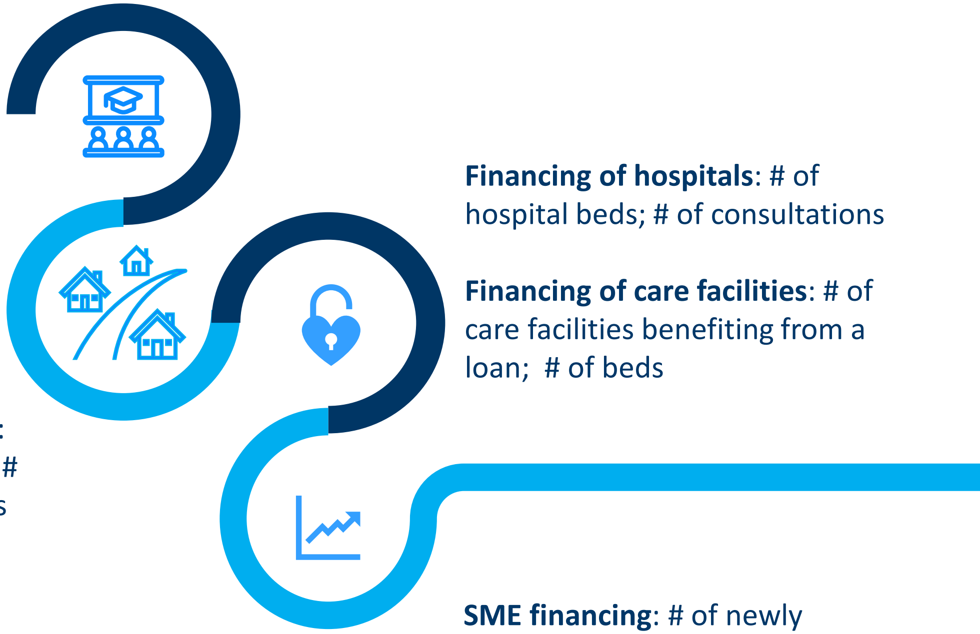
ALLOCATION OF PROCEEDS REPORT

- **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 category
    - Origination timeframe and maturity profile of the loans per Use of Proceeds category
    - The amount of unallocated proceeds, if any
- KBC will obtain an annual limited assurance report of the allocation of social bond proceeds to eligible assets, to be made publicly available.

SOCIAL REPORT

- Report on various indicator metrics of the Eligible assets on an annual basis:
    - (Output, Outcome and Impact Indicators) subject to the availability of information and baseline data and based on methodologies that will be publicly available
    - Where relevant, **SBP's Harmonized Framework for Impact Reporting for Social Bonds** may guide impacting reporting

EXAMPLES OF KEY REPORTING INDICATORS IN SOCIAL REPORT



Access to education: # of education facilities

Financing of hospitals: # of hospital beds; # of consultations

Financing of care facilities: # of care facilities benefiting from a loan; # of beds

Social housing: # of dwellings; # of beneficiaries

SME financing: # of newly created companies; # of SMEs benefiting from a loan

KBC Social 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 Social Bond Framework to ICMA's Social Bond Principals (SBP)
- Sustainalytics has reviewed KBC's Social Bond Framework and issued a Second Party Opinion verifying the compliance of the Framework with core components of the SBP
- The Second Party Opinion is available on https://www.kbc.com/en/investor-relations/debt-issuance/kbc-social-bond.html

"Sustainalytics is of the opinion that the KBC Social Bond Framework is credible and **impactful** and **aligns with the four core components of the Social Bond Principles 2021."**

SUSTAINALYTICS
a Morningstar company

HIGHLIGHTS

- **"The eligible categories for the use of proceeds** – Access to Education, Affordable Basic Infrastructure for Sport and Culture, Hospitals, Care Facilities, Social Housing and SME Loans – **are aligned with those recognized by the Social Bond Principles 2021." (Sustainalytics SPO, KBC SB Framework, May 2022)**

- "Sustainalytics considers that **investments in the eligible categories are expected to lead to positive social impact in Belgium** and **advance the UN Sustainable Development Goals,** specifically SDGs 3, 4, 8, 9 and 11." **(Sustainalytics SPO, KBC SB Framework, May 2022)**

- "Based on [KBC's] policies, standards and assessments, Sustainalytics is of the opinion that the bank has **implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories." (Sustainalytics SPO, KBC SB Framework, May 2022)**

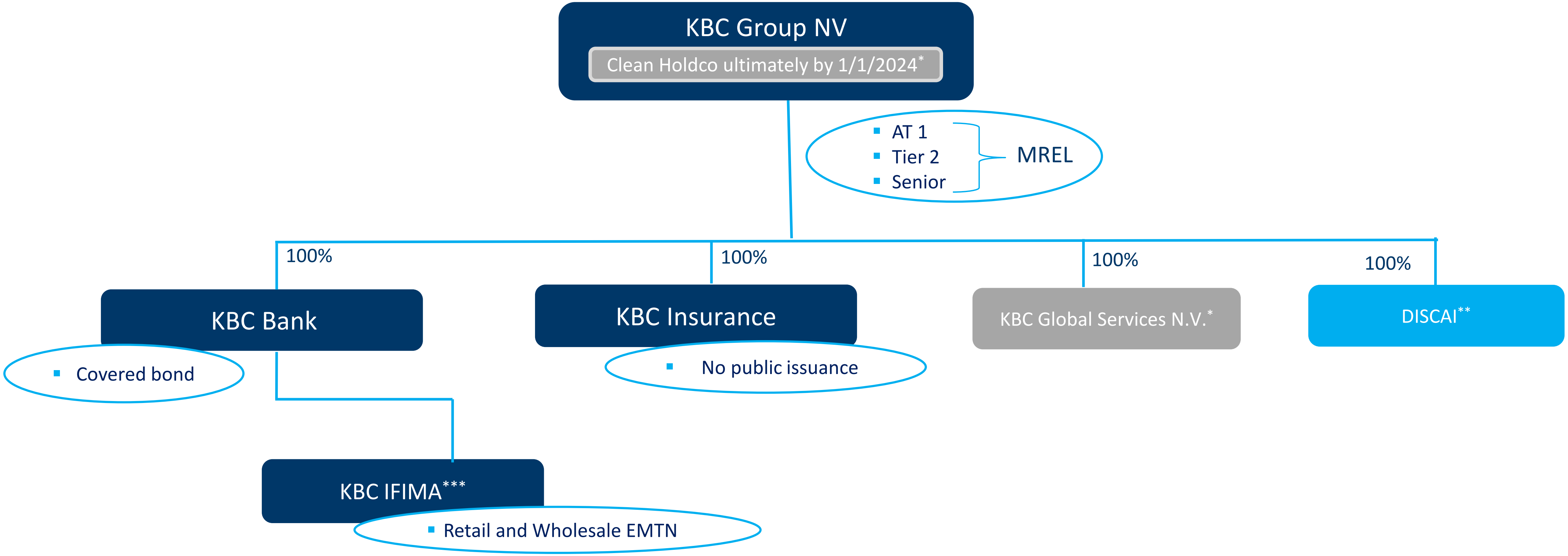
Appendices

Credit Update & Social Bond Framework

1. Group’s legal structure and issuer of debt instruments
2. Latest credit ratings
3. Glossary

KBC Passport

Appendix 1 - Group's legal structure and issuer of debt instruments



- To ensure that KBC's HoldCo senior debt is eligible for the subordinated MREL target (i.e., to make sure that no excluded liabilities ranking pari passu or junior with HoldCo senior debt are present in KBC Group NV), the KBC Group ExCo decided on to make KBC Group NV a Clean HoldCo for the purpose of resolution. Ultimately from 1/1/2024, all the activities of KBC Group NV will be transferred to a new subsidiary of KBC Group NV (with exception of the group controlling functions), the financial holding activities and issuing own funds and MREL instruments that remain at KBC Group NV

** 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

Appendix 2- Latest 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	Stable	Stable	Stable
Bank	Covered Bonds	Aaa	-	AAA
	Senior Unsecured	**A2**	**A+**	**A+**
	Tier II	-	BBB	-
	Short-term	P-1	A-1	F1
	Outlook	Stable	Stable	Stable
Insurance	Financial Strength Rating	-	A	-
	Issuer Credit Rating	-	A	-
	Outlook	-	Stable	-

Latest updates:

- ***12 October 2021:* Fitch** revised the outlooks on KBC Group and KBC Bank to stable. The revision of the outlook reflects Fitch's updated economic assumptions for the group's main operating countries. This means back to the situation pre Covid.
- ***13 July 2021*: Moody's** has left KBC Group's *senior debt rating* unchanged but has downgraded KBC Bank's senior debt rating by one notch to A2 from A1. The outlook remains stable. The downgrade is driven by Moody's new rating methodology related to Loss Given Failure (LGF). However, Moody's view of KBC's fundamental creditworthiness remains the same. The *long-term deposit rating* of KBC Bank N.V. has been downgraded to A1 from Aa3. The rating agency also downgraded the backed *senior unsecured debt and Medium-Term Notes (MTN) programme ratings* of KBC IFIMA S.A. to A2 from A1, and to (P)A2 from (P)A1, respectively
- ***23 June 2021*: S&P** revised the outlook to stable from negative for KBC Group, KBC Insurance and KBC Group RE given the improvement of the economic risk trend in Belgium. This means back to the situation pre Covid

Appendix 3 - Glossary

B3	Basel III
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (group)	[operating expenses of the group] / [total income of the group]
Cost/income ratio adjusted for specific 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: • MtM ALM derivatives (fully excluded) • 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) • one-off items
Credit cost ratio (CCR)	[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
EBA	European Banking Authority
Impaired loans ratio	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
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]
PD	Probability of default
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for fair value through Other Comprehensive Income (OCI) assets]

Contacts / Questions

	Kurt De Baenst Investor Relations General Manager	Direct + 32 2 429 35 73 Mobile +32 472 500 427 Kurt.debaenst@kbc.be
	Ilya Vercammen Investor Relations Manager	Direct + 32 2 429 21 26 Mobile +32 472 727 777 Ilya.vercammen@kbc.be
	Dominique Agneesens Investor Relations Manager	Direct + 32 2 429 14 41 Mobile +32 473 657 294 Dominique.agneesens@kbc.be
	Martijn Schelstraete Investor Relations Analyst	Direct + 32 2 429 08 12 Mobile +32 474 213 535 Martijn.schelstraete@kbc.be

More information

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

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