KBC Group

Debt presentation

August 2022

More infomation: www.kbc.com

KBC Group - Investor Relations Office – E-mail: IR4U@kbc.be

Important information for investors

- This presentation is provided for information purposes only. It does not constitute an offer to sell or the solicitation to buy any security issued by the KBC Group.

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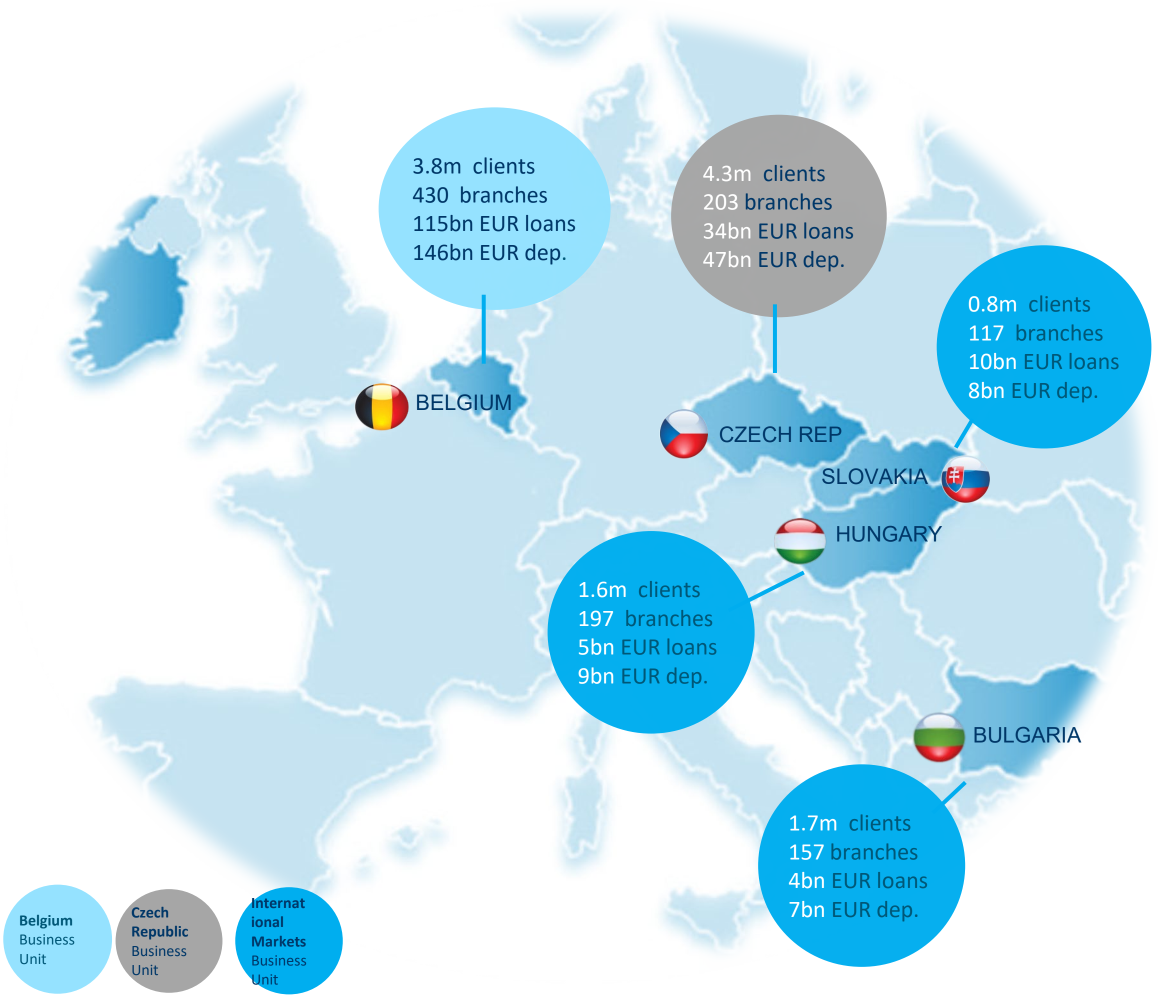
KBC Group Passport

Well-defined core markets



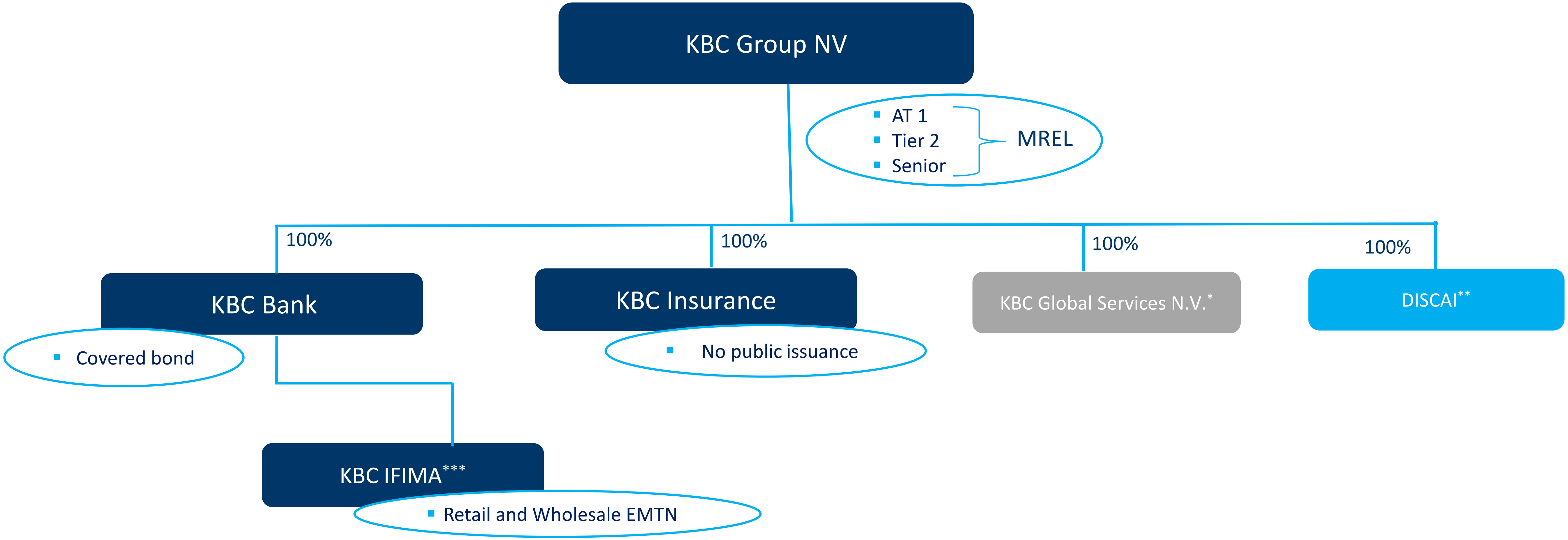
Market share (end 2021)	BE	CZ	SK	HU	BG
Loans and deposits	19%	20%	11%	11%	11%
Investment funds	28%	23%	7%	12%	10%
Life insurance	13%	8%	3%	3%	22%
Non-life insurance	9%	9%	5%	7%	12%

Real GDP growth	BE	CZ	SK	HU	BG
% of Assets	60%	23%	4%	3%	2%
2021	6,2%	3,5%	3,0%	7,1%	4,0%
2022e	2.4%	2.4%	2.1%	5.1%	1.8%
2023e	0.3%	1.5%	2.2%	1.0%	2.3%

GDP growth: KBC data, August ‘22

KBC Group Passport

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. All the activities of KBC Group NV have been transferred (as at 1/6/2022) 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

KBC Group Passport

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	Positive	Stable	Stable
Bank	Covered Bonds	Aaa	-	AAA
	Senior Unsecured	**A2**	**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	-

Latest updates:

- ***28 July 2022: Moody's*** changed the outlook to positive and reflected the expectation that KBC's strong earnings generated in recent years will continue to be supported by strong revenue growth, thanks to (i) continued volume growth, (ii) gradual positive effects from rising interest rates on assets and liabilities, despite headwinds from the macro-economic environment. This, combined with Moody's expectation of a moderate cost of risk, should more than offset inflationary pressures on costs
- ***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

KBC Group Passport

ESG ratings and indices – Ahead of the curve

Agencies	ESG rating of 25th of July 2022 (previous score)		Position versus industry average
	Scale	KBC rating	
CDP	D- … A	**A-** (A-)	• Financial services average B
SUSTAINALYTICS	Severe Risk / High Risk / Medium Risk / Low Risk / Negligible Risk	**11.8** (13.1)	• 3rd percentile of 415 diversified banks assessed • 9th of 415 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)	• 4th 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 300 Commercial Banks & Capital Markets assessed
FTSE4Good	0 / 1 / 2 / 3 / 4 / 5	**4.3** (4.7)	• Top 2% • (98th percentile of banks assessed)

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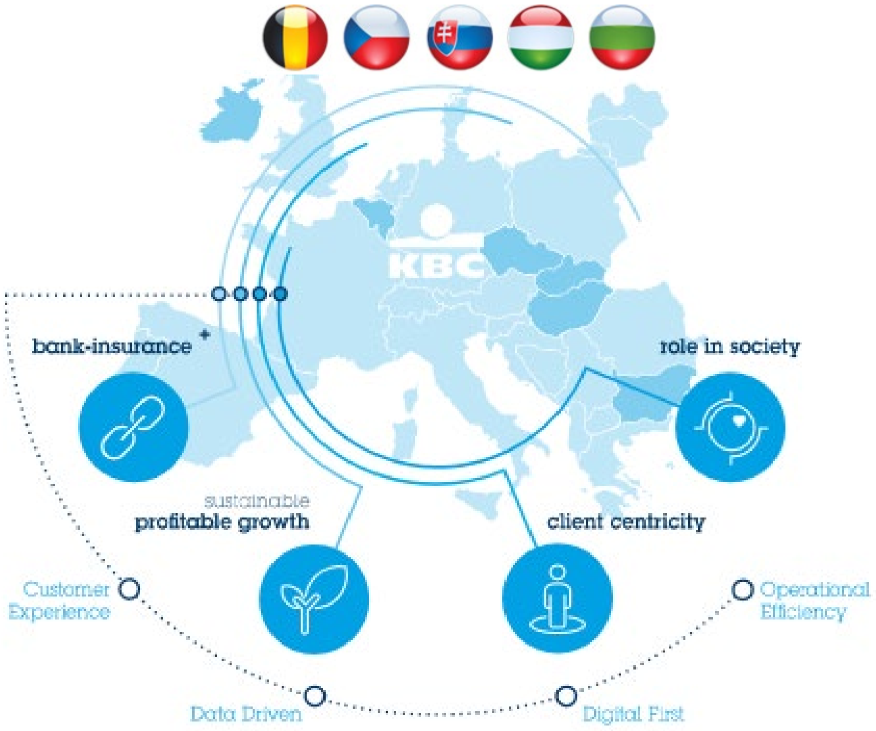


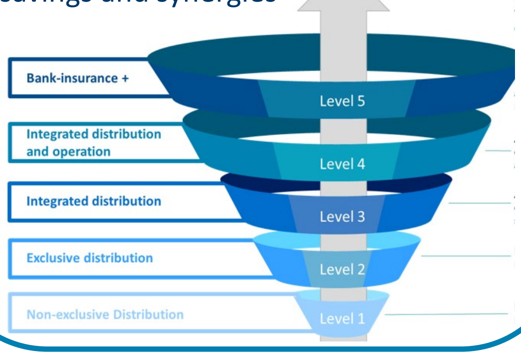
KBC
bank-insurance
role in society
sustainable
profitable growth
client centricity
Customer Experience
Operational Efficiency
Data Driven
Digital First

KBC Group in a nutshell

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

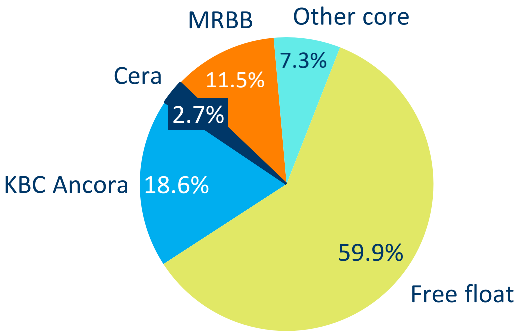
Firmly embedded sustainability strategy

- 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 in a nutshell

Our financial footprint

✓ High profitability...

C/I ratio*

55% (FY21) / 53% (1H22)

** Adjusted for specific items*

Combined ratio

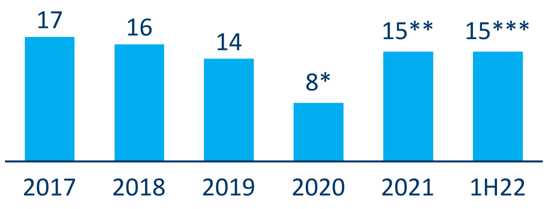
89% (FY21) / 85% (1H22)

Net result

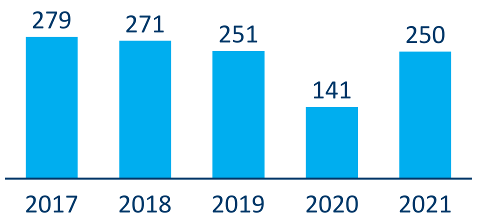
2614m EUR (FY21) / 1269m EUR (1H22)

FY21 1H22

ROE (%)



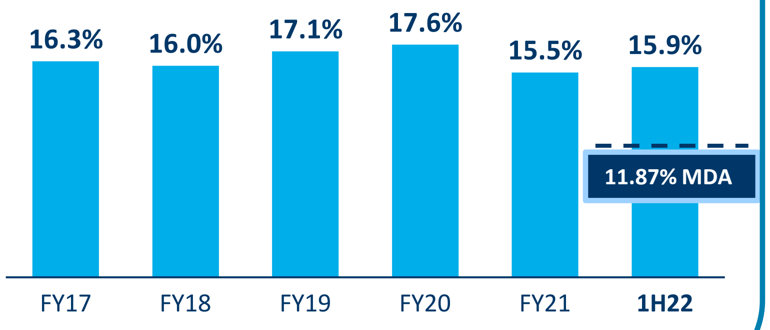
CET1 generation (in bps)
before any deployment



KBC

✓ 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

148% (FY21) / 142% (1H22)

LCR

167% (FY21) / 158% (1H22)

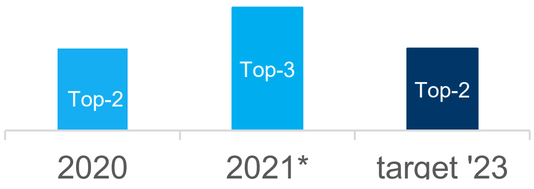
FY21 1H22

* 11% when adjusted for the collective covid impairments
** when excluding the one-off items due to the pending sales transactions in Ireland
*** when evenly spreading the bank tax throughout the year

KBC Group in a nutshell

Our non-financial targets

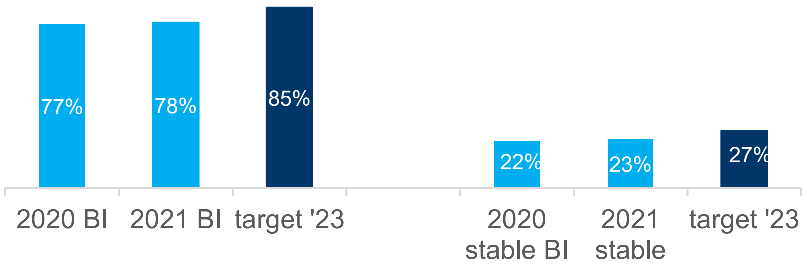
Customer NPS ranking



- KBC is 3rd in customer NPS ranking
- Target is to remain the reference (top-2 score on group level)

Based on weighted avg of ranking in six core countries

% bank-insurance (BI) clients

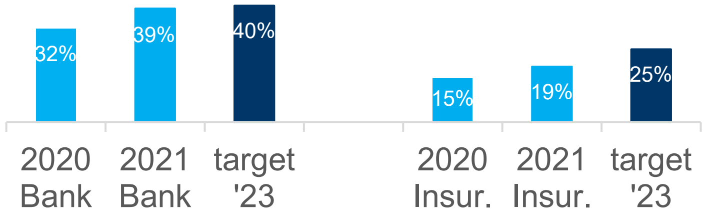


- 78% of active customers are BI customers at end 2021 (vs 2023 target of 85%)
- 23% of active customers are stable BI customers at end 2021 (vs 2023 target of 27%)

BI customers have at least 1 bank + 1 insurance product of our group.
Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3)

% digital sales

(bank / insurance)

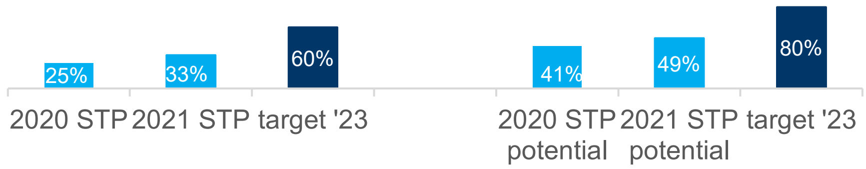


- Digital sales 39% of bank sales (vs 2023 target of ≥40%)
- Digital sales 19% of insurance sales (vs 2023 target of ≥25%)

Based on weighed avg of selected core products

STP score

(straight through processing)



- STP at 33% at end 2021 (vs 2023 target of ≥60%)
- STP potential at 49% at end 2021 (vs 2023 target of ≥80%)

The STP-ratio measures how many of the services that can be offered digitally are processed without any human intervention and this from the moment of interaction by a client until the final approval by KBC.

STP potential measures what the STP-ratio would be if KBC would only have the digital channel in its interaction with clients for a given process or product.

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

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

- 31bn 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

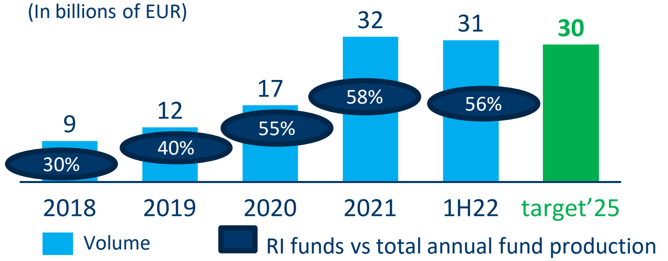
Our sustainability ambitions

We substantially raise the bar for our climate-related ambitions

Achieved

Volume of Responsible Investing Funds(*)

(In billions of EUR)

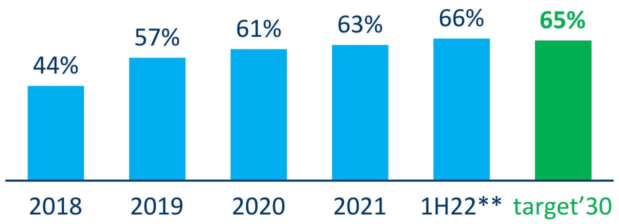


- End of 2021: volume of Responsible Investing funds includes all Belgian KBC pension savings funds (adding 6bn EUR)
- Responsible Investing funds ≥ 50% of annual fund production from 2021 onwards

Achieved

Renewable energy loans

(In % of total energy sector loan portfolio)

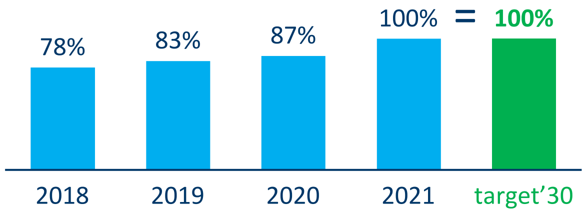


- Target set to 65% by '30
- In the first half of 2022, Project Finance Belgium concluded 3 new renewable energy transactions for a total amount of 61m EUR

Achieved

Renewable electricity

(In % of own electricity consumption)

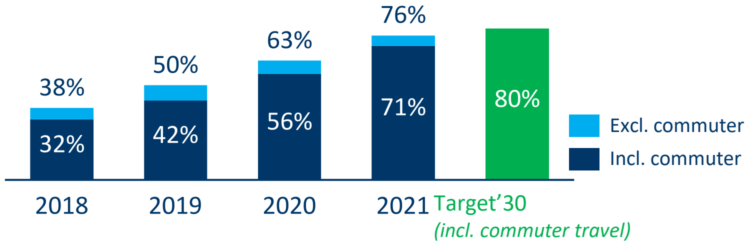


- Continued installation of photovoltaic panels on buildings we own and operate ourselves

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

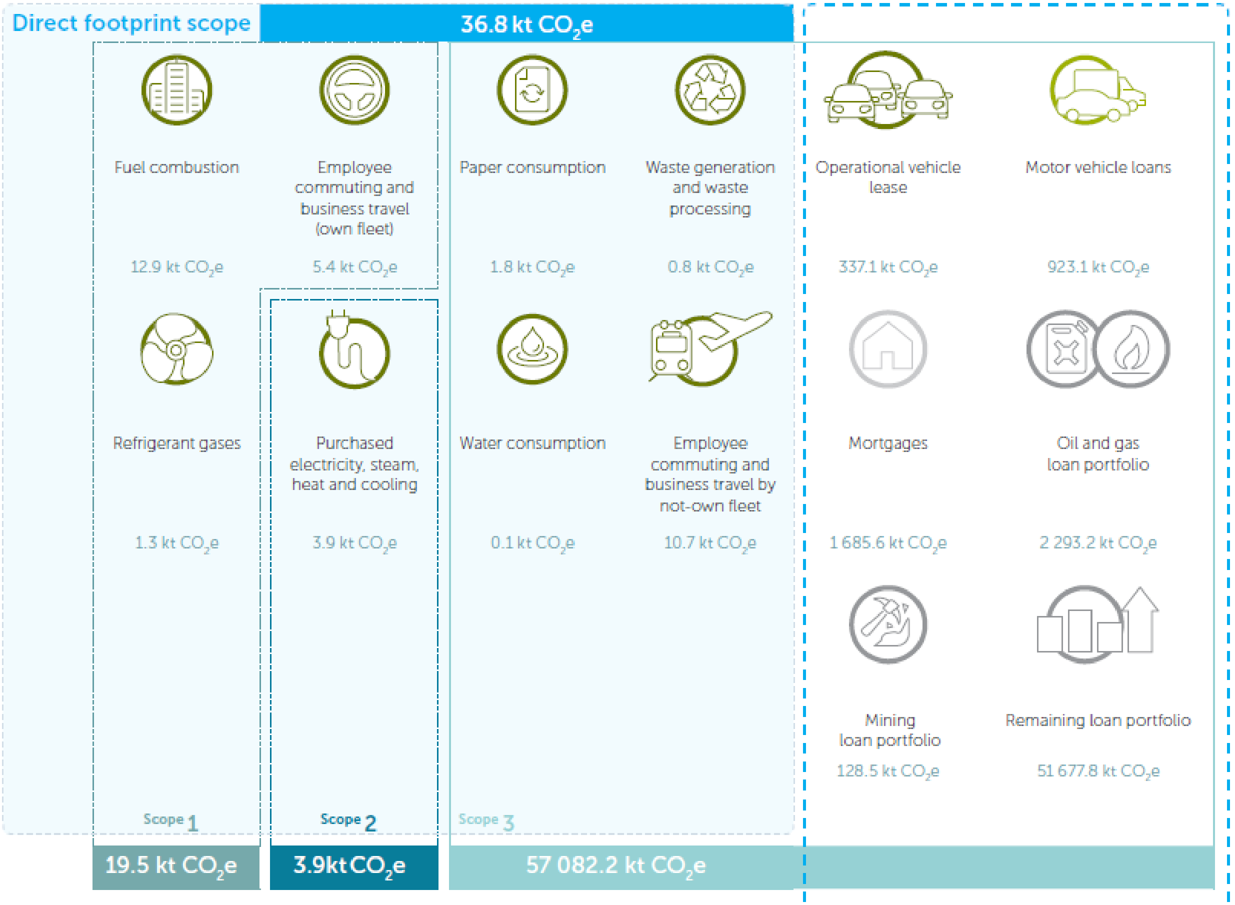
- **KBC achieved net climate neutrality as of the end of 2021 by offsetting our residual direct emissions**
- Three selected climate projects all complying with the highest standards and with clear link to the SDGs and our sustainability strategy

(*) 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.

(**) figures at 31/5/2022

Our environmental footprint

Measuring and reporting both our direct and indirect footprint scope



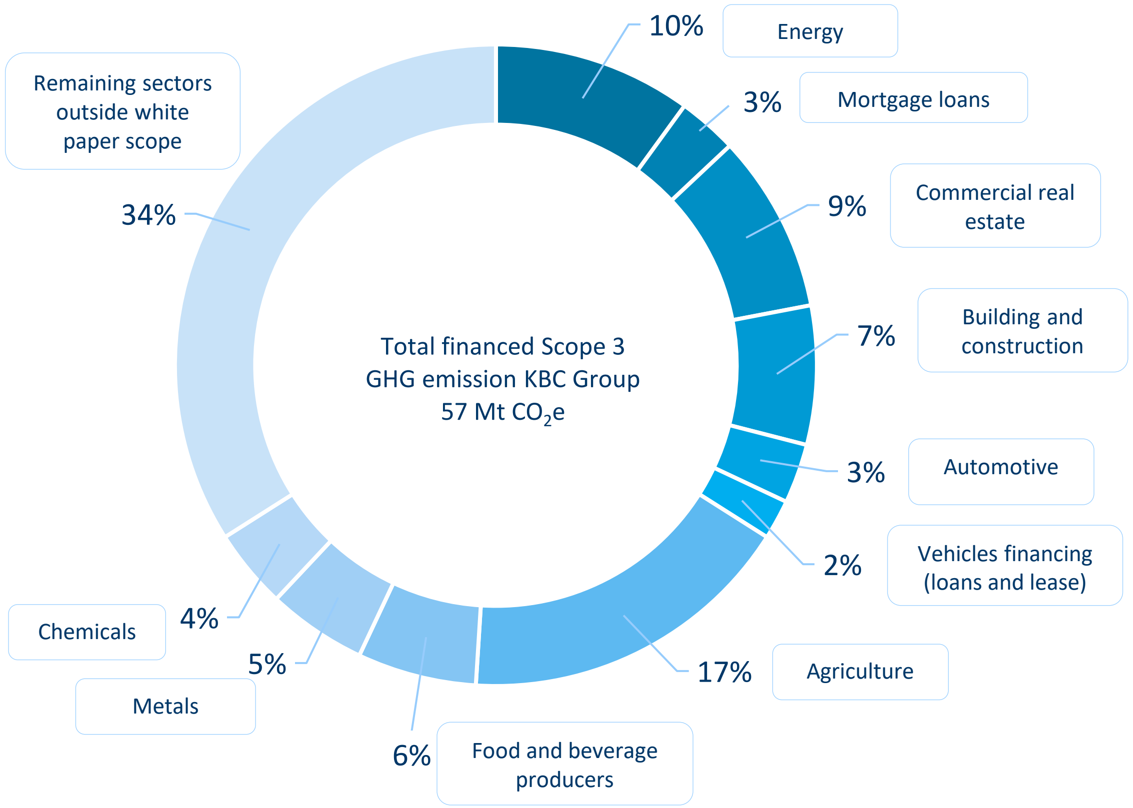
Indirect footprint scope:
57.1 Mt CO_2e in absolute terms corresponding to 312 tonnes CO_2e per million euro outstanding

Figure 5.1: Scope and source of KBC Group's total GHG emissions totalling 57.1 Mt CO_2e
The colours of the icons in the figure above are an indication of the data quality of the calculated GHG emissions from that particular source, ranging from dark green (highest data quality) to grey (lowest data quality). Readers are referred to the 'Sustainability facts and figures' section of this report for detailed information on the scope and sources of KBC Group's GHG emissions, the data quality, the calculation methodology and detailed GHG emissions figures and emission intensity data per sector.

- Measure, reduce and set clear targets on our **direct footprint scope** already since 2015.
  - We already substantially reduced our direct footprint by -71% in 2021.
  - In line with our commitment, we reached net-climate neutrality with respect to our direct footprint scope in 2021.
- Measure our **indirect footprint scope** as a first step to identify strategies to reduce this impact and set related targets.
  - In 2021, for the first time, we have calculated the Scope 3 financed emissions of KBC Group's total loan and lease portfolio.

Our environmental footprint

Measuring and reporting both our direct and indirect footprint scope



Most material climate-sensitive sectors and product lines and associated Scope 3 GHG emissions in % of total financed GHG emissions of KBC Group. For detailed emission figures per sector and more information on the calculation methodology, please refer the 2021 Sustainability Report of KBC Group, Facts and figures.

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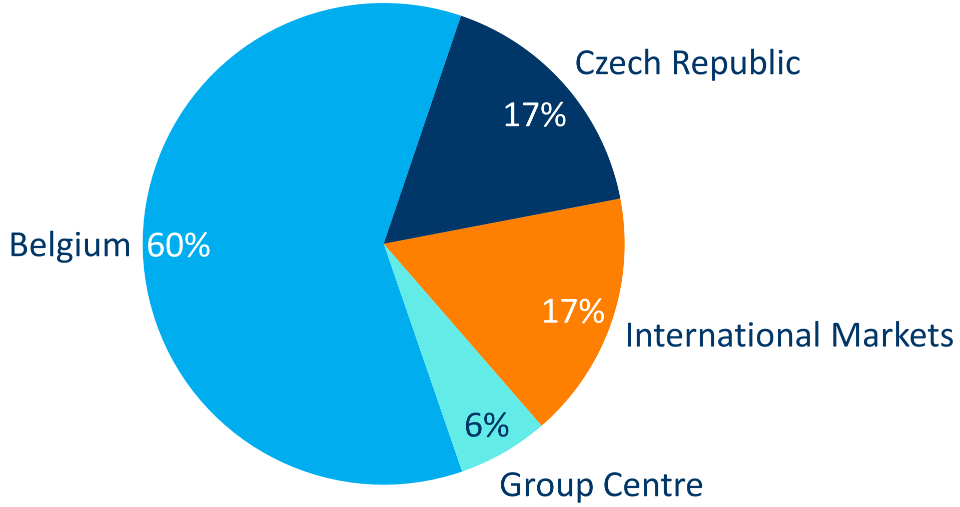
BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 30 June 2022



Key takeaways for KBC Group

2Q22 financial performance

- **Commercial bank-insurance franchises** in core markets performed excellently
- **Customer loans** and **customer deposits** increased y-o-y in all our core countries (on a comparable basis)
- Substantially all previously determined **sustainability ambitions were achieved,** and new targets will be set by end 3Q22
- Higher **net interest income** and stable net interest margin
- Lower **net fee and commission income** q-o-q (but stable y-o-y)
- Decrease of **net result from financial instruments at fair value,** but increase of **net other income**
- Very strong **non-life** insurance performance and lower sales of **life** insurance y-o-y
- **Costs excl. bank taxes** decreased q-o-q
- Small net **impairment charges,** notwithstanding a 45m EUR extra creation of geopolitical & emerging risks reserve (offset by release of remaining Covid reserves)
- Solid **solvency** and **liquidity**
- **Updated financial guidance** (see slides 54-55)
- **Interim dividend** of 1 EUR per share in November 2022

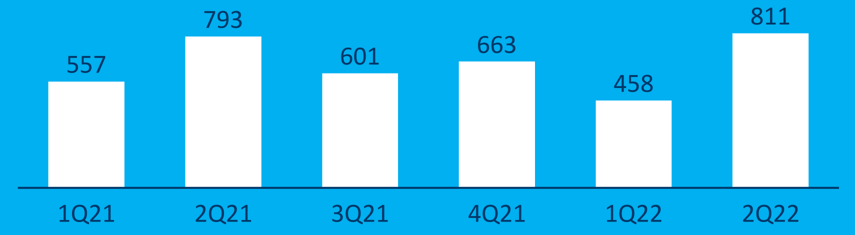
Excellent net result of 811m EUR in 2Q22

1H22

- **ROE 15%**[1]
- **Cost-income ratio excluding bank taxes 47%**
- **Combined ratio 85%**
- **Credit cost ratio -0.01%**
- **Common equity ratio 15.9%** (B3, DC, fully loaded)[2]
- **Leverage ratio 5.1%** (fully loaded)
- **NSFR 142% & LCR 158%**

Net result

Amounts in m EUR

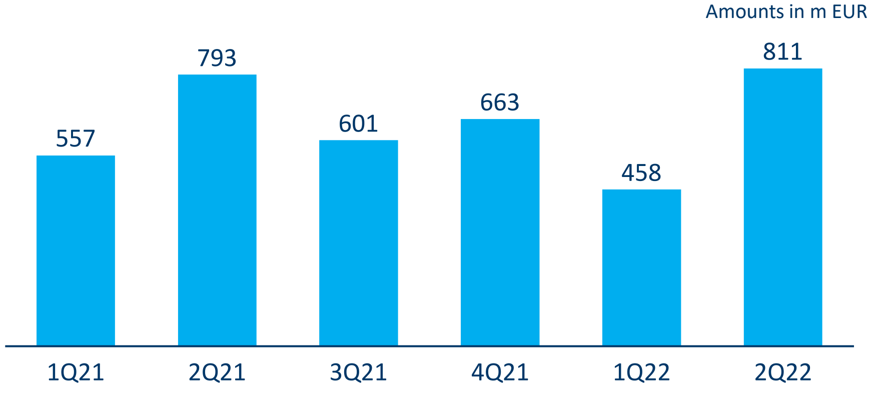


1. When bank taxes are evenly spread throughout the year
2. As of 1Q22, interim profit recognition (based on 50% profit accrual)

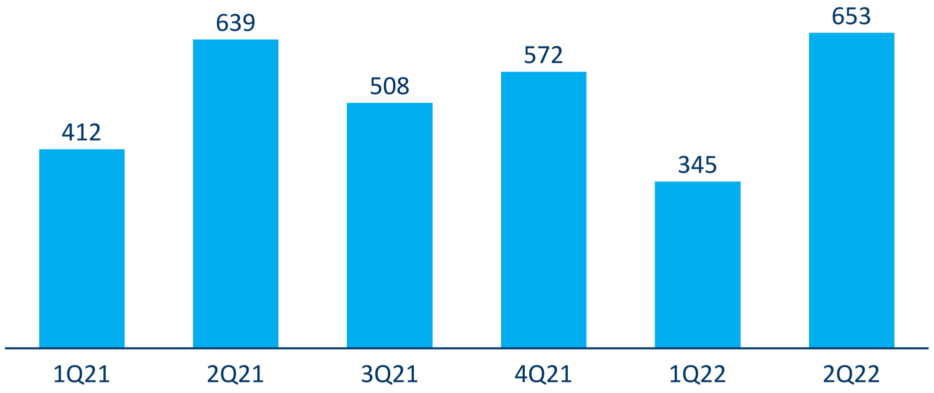
Comparisons against the previous quarter unless otherwise stated

Net result at KBC Group

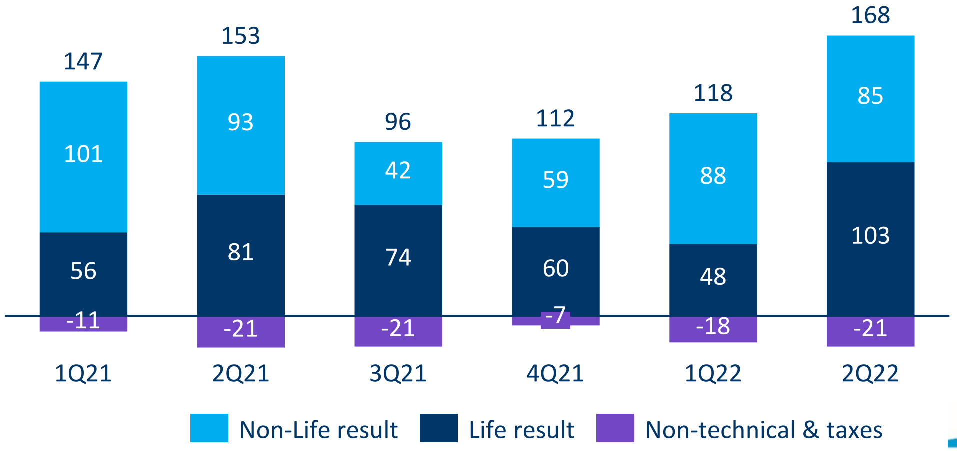
NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*



CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*



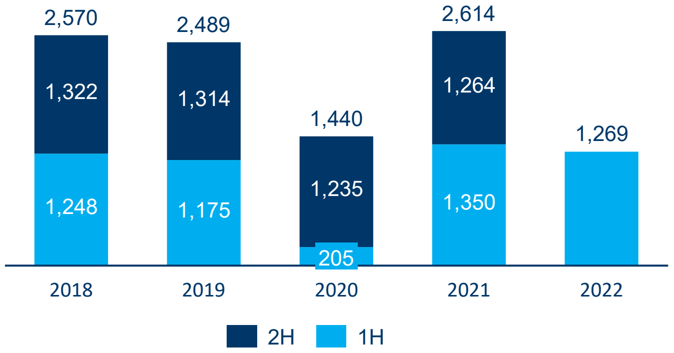
* Difference between the net result at KBC Group and the sum of the banking and insurance contributions is accounted for by the holding-company/group items

Overview of contribution of business units to 1H22 result

Amounts in m EUR

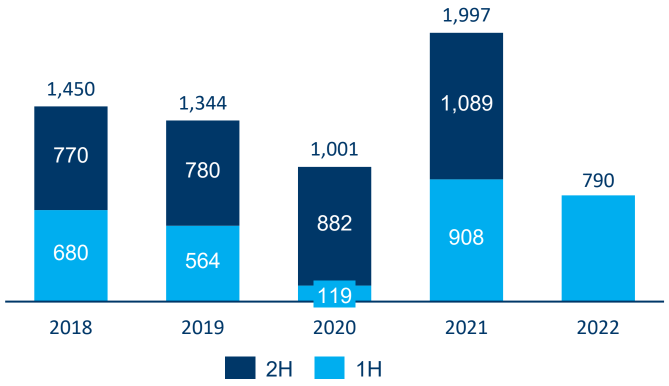
NET PROFIT – **KBC GROUP**

1H22 ROAC: 20%



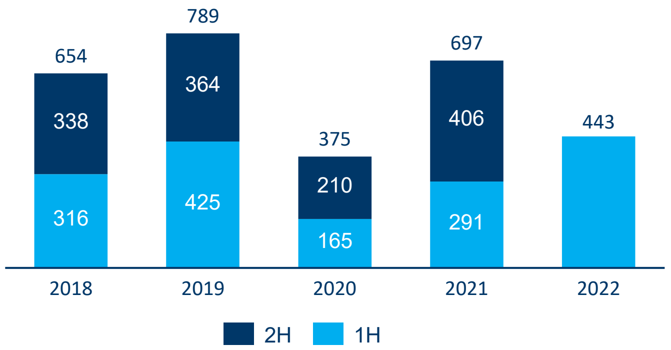
NET PROFIT – **BELGIUM**

1H22 ROAC: 20%



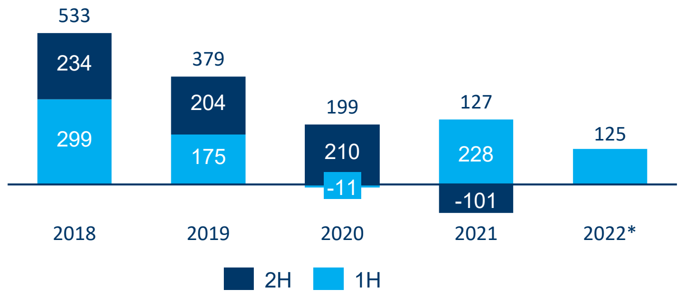
NET PROFIT – **CZECH REPUBLIC**

1H22 ROAC: 43%



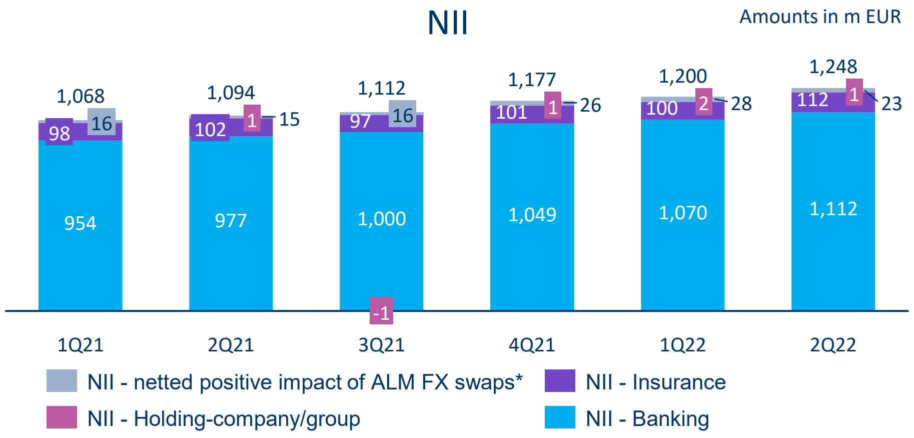
NET PROFIT – **INTERNATIONAL MARKETS**

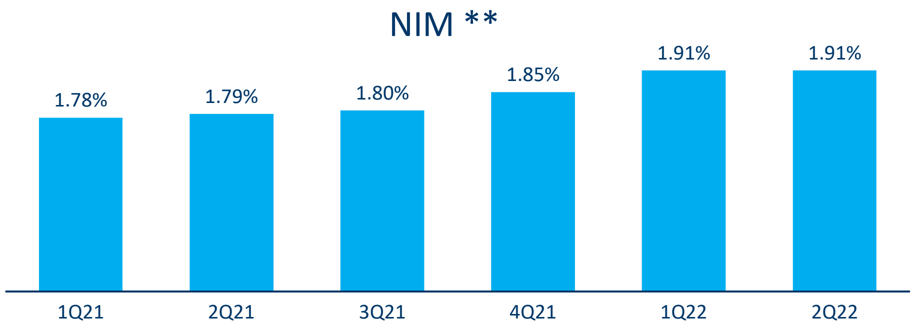
1H22 ROAC: 11%



**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 stable 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 248m EUR)**
  - NII increased by 4% q-o-q and 14% y-o-y, driven primarily by:
    - Strong organic loan & deposit volume growth
    - Increasing reinvestment yield in euro-denominated countries (q-o-q, for the first time in a while)
    - 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
    - Higher NII on insurance bond portfolio (due mainly to inflation-linked bonds)
    - Higher number of days (quarter-on-quarter)

    partly offset by:
    - The negative effect of lower loan margins in most markets
    - Higher funding cost participations (due mainly to increasing CZK rates)

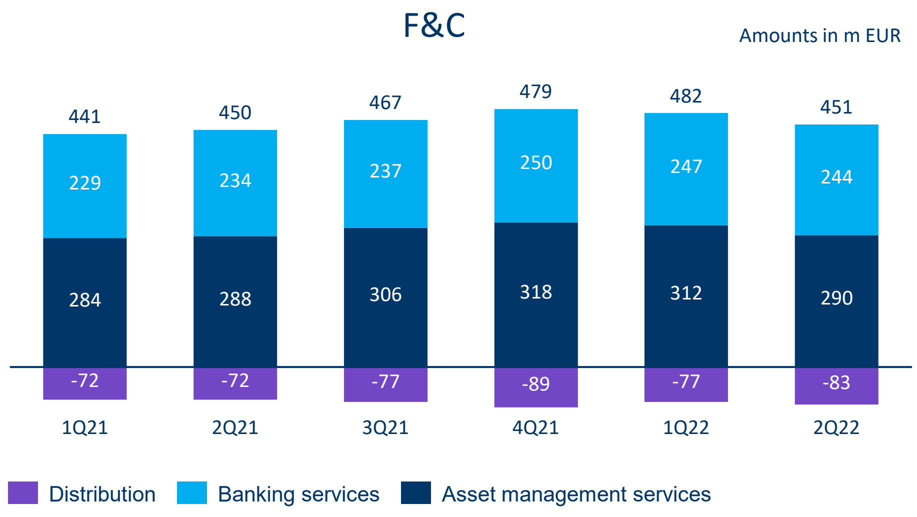
- **Net interest margin (1.91%)**
  - Stable q-o-q and increased by 12 bps y-o-y for the reasons mentioned above and an increase of the interest-bearing assets (denominator), both q-o-q and y-o-y

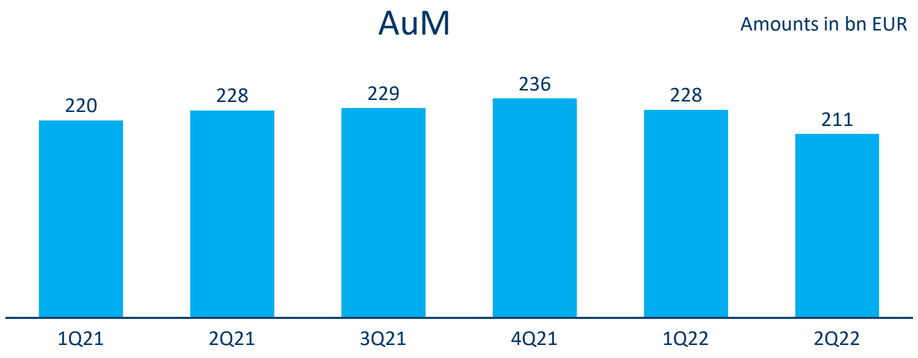
ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	178bn	79bn	220bn	211bn	27bn
Growth q-o-q*	+3%	+2%	+6%	-8%	-4%
Growth y-o-y	+9%	+7%	+9%	-7%	-5%

* 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). Excluding the volatility in the foreign branches of KBC Bank (included in BU BE), customer deposits rose by 1% q-o-q and 6% y-o-y

Lower net fee and commission income q-o-q, but stable y-o-y

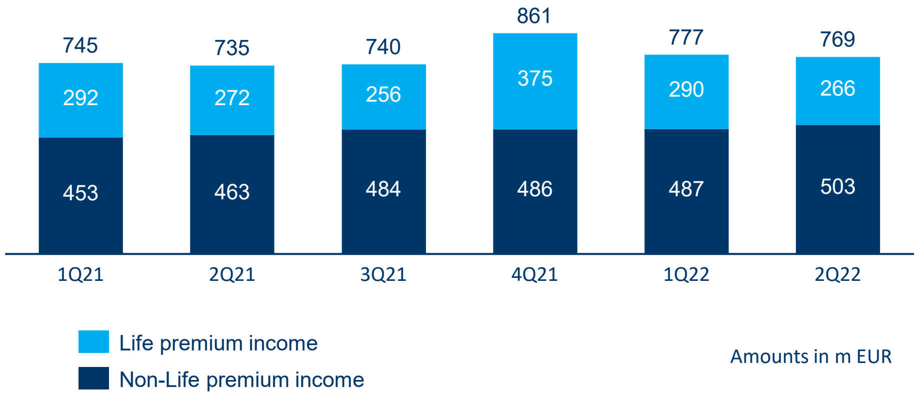




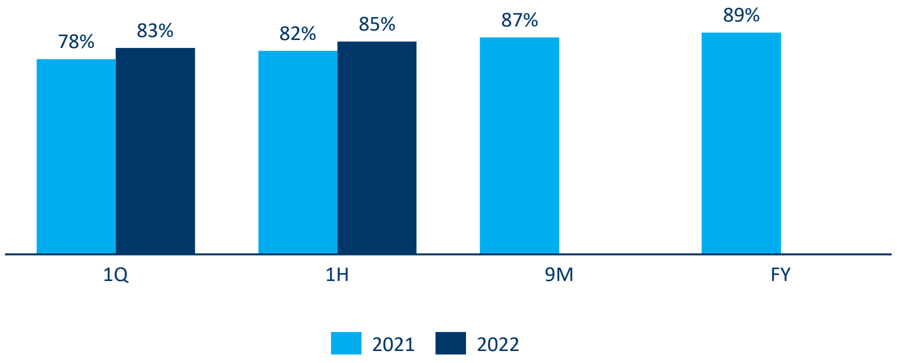
- **Net fee and commission income (451m EUR)**
  - Down by 6% q-o-q and stable y-o-y
  - Q-o-q decrease was mainly the result of the following:
    - Net F&C income from Asset Management Services decreased by 7% q-o-q (despite net inflows in 2Q22, a drop in management fees due to lower AuM, seasonally lower entry fees and both management & entry fees being negatively impacted by decreasing stock markets)
    - Net F&C income from banking services decreased by 1% q-o-q (higher payment fees and credit/guarantee-related fees more than offset by lower securities-related fees and network income)
    - Paid distribution costs went up 9% q-o-q (chiefly higher commissions paid linked to increased non-life insurance sales)
  - Y-o-y stable net F&C was mainly the result of the following:
    - Net F&C income from Asset Management Services rose by 1% y-o-y (higher management fees, but lower entry fees)
    - Net F&C income from banking services increased by 5% y-o-y (all types of banking services fees increased y-o-y)
    - Paid distribution costs rose by 15% y-o-y (mainly higher commissions paid linked to strong sales of insurance products)
- **Assets under management (211bn EUR)**
  - Decreased by 8% q-o-q and by 7% y-o-y as net inflows were more than offset by negative price effect

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

PREMIUM INCOME (GROSS EARNED PREMIUMS)



COMBINED RATIO (NON-LIFE)

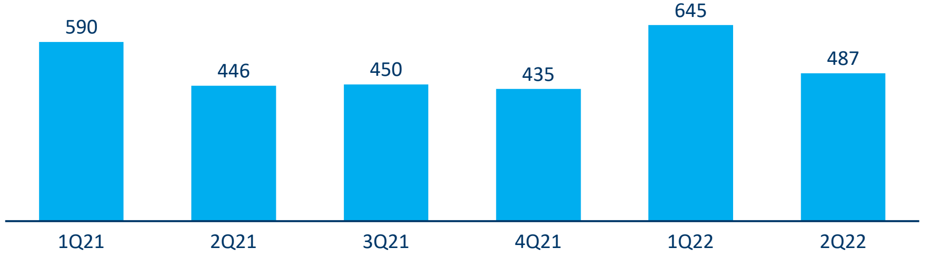


- **Insurance premium income** (gross earned premiums) **at 769m EUR**
  - Non-life premium income (503m EUR) increased by 9% y-o-y
  - Life premium income (266m EUR) decreased by 8% q-o-q and by 2% y-o-y

- Non-life **combined ratio** for 1H22 amounted to an excellent **85%** (82% in 1H21). This is the result of:
  - 8% y-o-y higher earned premiums
  - 23% y-o-y higher technical charges
    (due mainly to significantly higher storm impact in BE in 1Q22 and higher normal claims)
  - Significantly higher ceded reinsurance result
    (up 39m EUR y-o-y, cf. storm recoveries)

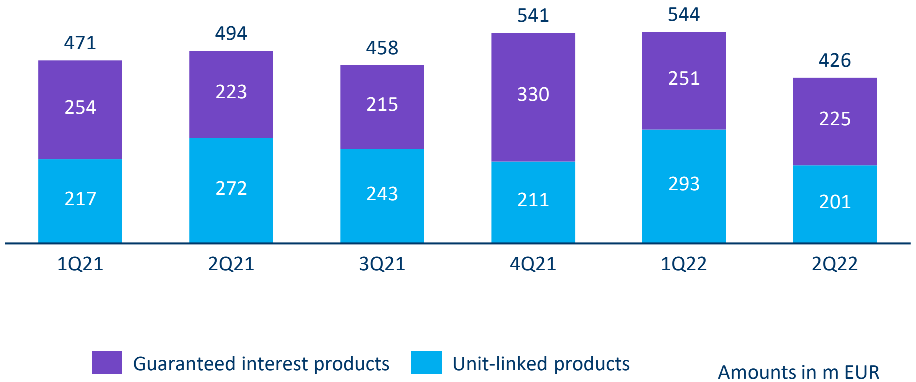
Non-life sales significantly up y-o-y, life sales down q-o-q and y-o-y

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



Amounts in m EUR

LIFE SALES



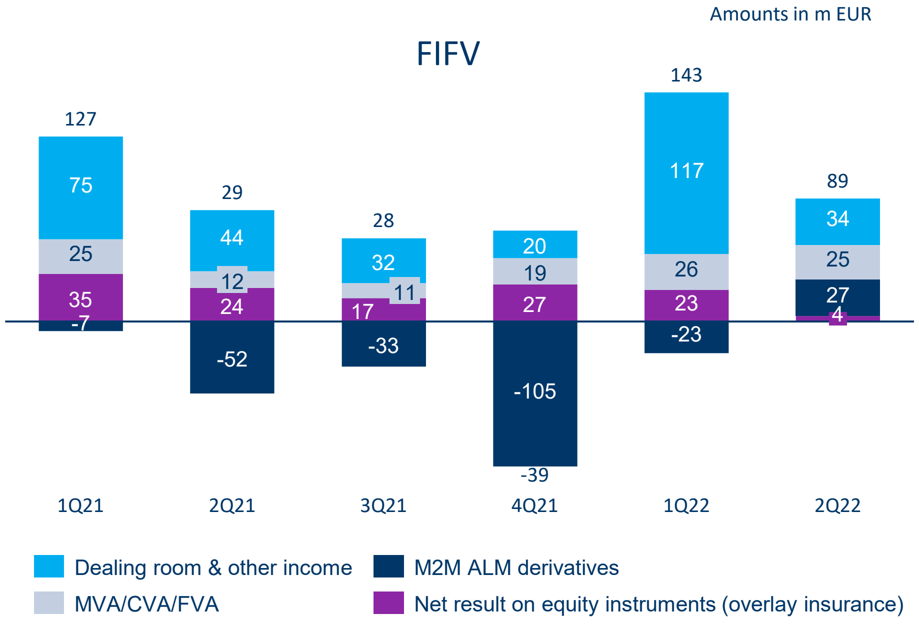
Amounts in m EUR

- **Sales of non-life insurance products**
  - Up by 9% y-o-y
    (growth in almost all classes, but chiefly in the classes 'Motor Comprehensive Cover', 'Property', 'Workmen's compensation' and 'Travel insurance', as a combination of volume and tariff increases)

- **Sales of life insurance products**
  - Decreased by 22% q-o-q due mainly to lower sales of unit-linked products and guaranteed interest products in Belgium
  - Decreased by 14% y-o-y due mainly to:
    - A decrease of sales of unit-linked products in Belgium and the Czech Republic

    partly offset by:
    - A small increase of sales of guaranteed interest products in Belgium
    - An increase of sales of both unit-linked and guaranteed interest products in Bulgaria (partly due to the consolidation of the NN Bulgaria's life insurance activities)
  - Sales of unit-linked products accounted for 47% of total life insurance sales in 2Q22

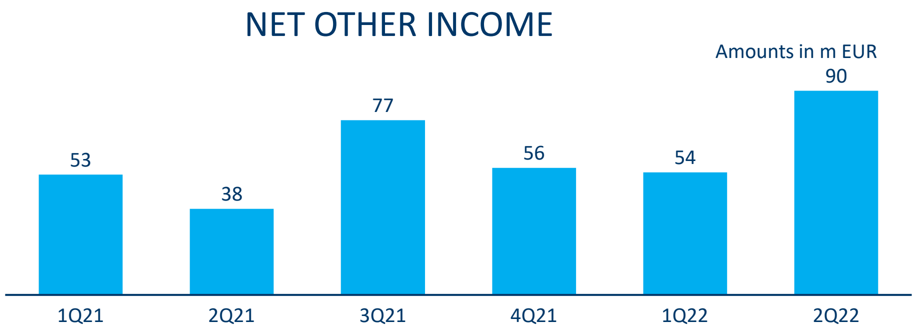
Decrease of net result from financial instruments at fair value (following an extremely strong 1Q22). Net other income sharply above normal run rate



- The 54m EUR q-o-q decrease in **FIFV** was attributable mainly to:
  - Significantly lower dealing room and other income (as 1Q22 was extremely strong)
  - Lower net result on equity instruments (insurance) due to difficult stock markets

  partly offset by:
  - Significantly positive change in ALM derivatives due mainly to increasing EUR rates

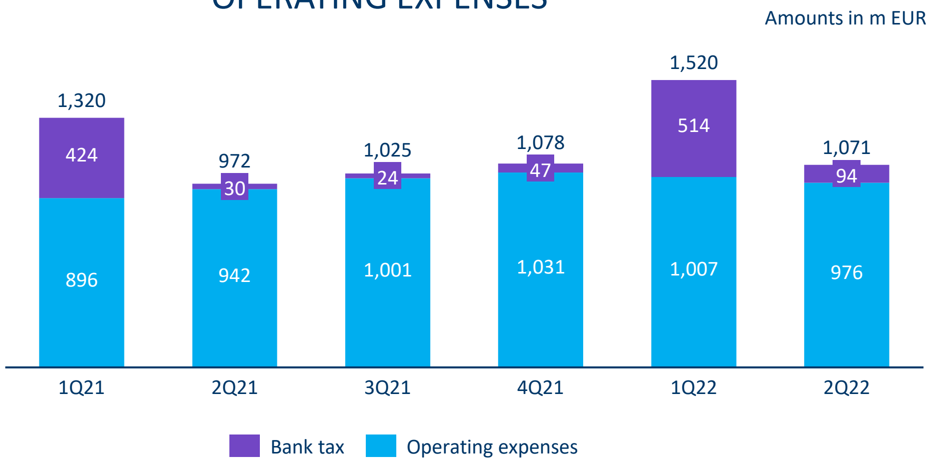
  Note that less positive credit value adjustments were more or less offset by more positive funding and market value adjustments. Like in 1Q22, the benefits of increased yield curves and decreased funding exposures in 2Q22 have been only partly offset by mainly increased counterparty credit spreads (ongoing geopolitical risk from the war in Ukraine)



- **Net other income** amounted to 90m EUR
  - Sharply higher than the normal run rate of around 50m EUR per quarter
  - Included a one-off 68m EUR realised gain on the sale of real estate subsidiary at KBC Insurance, which more than offset realised losses on the sale of bonds

Costs excluding bank taxes decreased q-o-q

OPERATING EXPENSES



BANK TAX SPREAD IN 2022 (preliminary)**

Amounts in m EUR

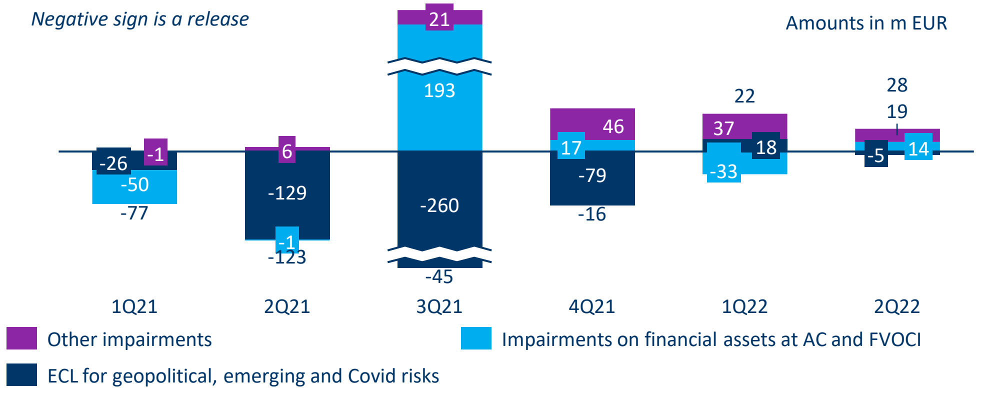
	TOTAL	Upfront		Spread out over the year			
	2Q22	1Q22	2Q22	1Q22	2Q22	3Q22e	4Q22e
BE BU	**-4**	354	-4	0	0	0	0
CZ BU	**-1**	60	-1	0	0	1	1
Hungary	**99**	56	78	21	22	23	25
Slovakia	**0**	6	0	0	0	0	0
Bulgaria	**-2**	12	-2	0	0	0	0
Ireland & Group Centre	**2**	3	1	1	1	1	0
TOTAL	**94**	**492**	**72**	**23**	**23**	**25**	**26**

- **Operating expenses excluding bank taxes** went down by 3% q-o-q and increased by 4% y-o-y
  - The q-o-q decrease is due mainly to the extraordinary staff bonus and accelerated depreciations in Ireland in 1Q22, partly offset by the impact of inflation/wage indexation, higher ICT, facility and marketing expenses (partly seasonal effect) as well as higher professional fee expenses
  - The y-o-y increase is due to, among other things, higher ICT expenses, inflation/wage indexation, higher marketing expenses and higher professional fee expenses
  - Operating expenses excluding bank taxes and one-offs increased by 2% q-o-q and by 5% y-o-y
- **Operating expenses excluding FX, bank taxes and one-offs** rose by 5% y-o-y in 1H22
- **Cost/income ratio**
  - 53% when evenly spreading the bank taxes over the year and excluding certain non-operating items* (55% in FY21)
  - 47% excluding all bank taxes (51% in FY21)
- Note that 2Q22 included a newly introduced extra bank and insurance tax in Hungary of 78m EUR. Total bank taxes (including ESRF contribution) are expected to increase by 26% y-o-y to 659m EUR in 2022

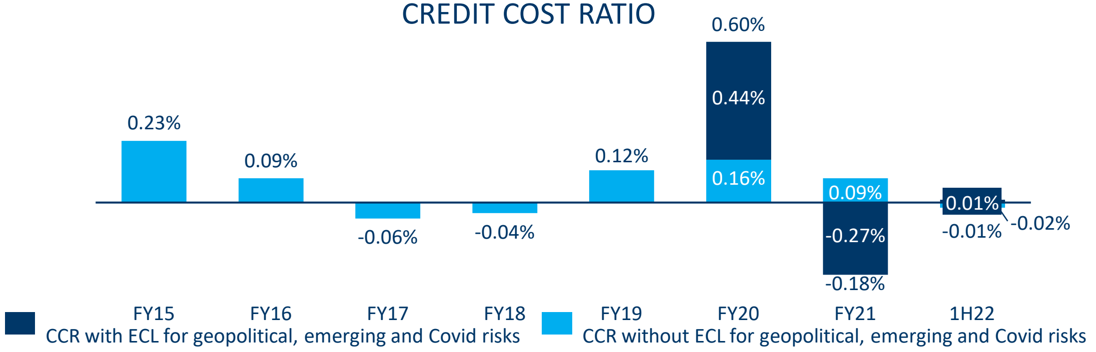
* See glossary for the exact definition ** Still subject to changes

Small net loan loss impairment charges and excellent credit cost ratio

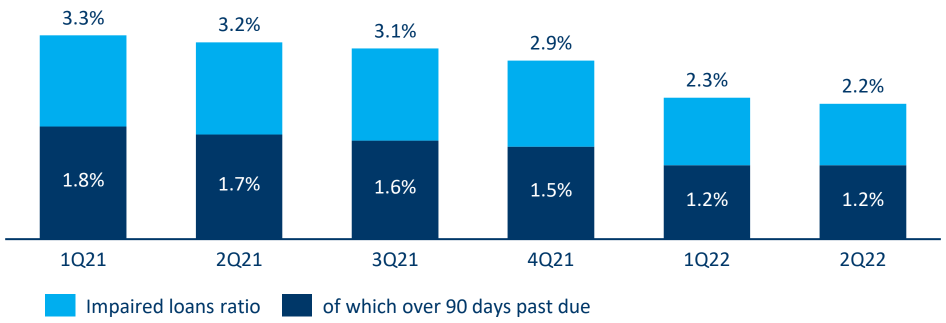
ASSET IMPAIRMENT



CREDIT COST RATIO



IMPAIRED LOANS RATIO

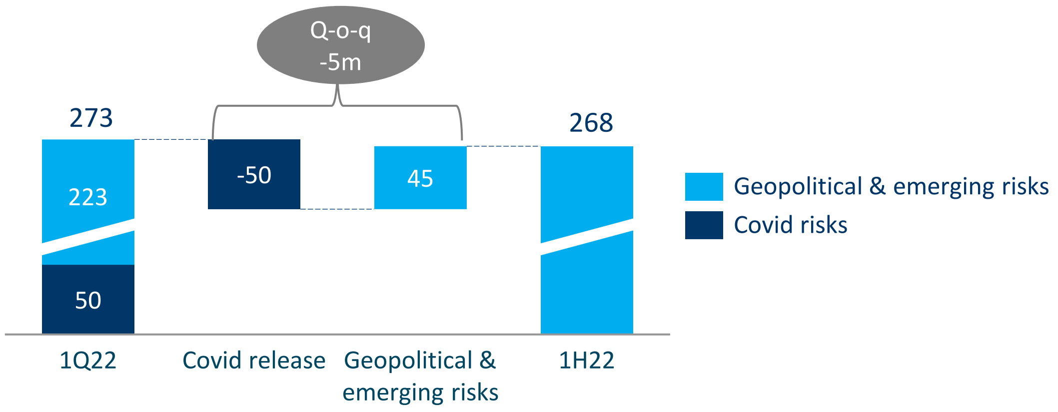


- **Net impairment charges**
  - **Net loan loss impairment charges of 9m EUR in 2Q22** (compared with 15m EUR releases in 1Q22) due to:
    - Only 1m EUR loan impairment charges for individual files
    - 13m EUR one-off loan impairment charges related to the sales transaction in Ireland
    - A full release of 50m EUR of the outstanding ECL for Covid
    - Partly offset by an increase of 45m EUR due to the uncertainties surrounding geopolitical and emerging risks (net of roughly 20m EUR recoveries of Russian exposures)
    - Total outstanding ECL for geopolitical, emerging and Covid risks now stands at 268m EUR (see details on next slides)
  - **19m EUR impairment on ‘other’, due mainly to**:
    - 14m EUR modification losses, largely related to the interest cap regulation in Hungary (interest cap was extended until year-end 2022)
- The **credit cost ratio in 1H22** amounted to:
  - -2 bps (9 bps in FY21) without ECL for geopolitical, emerging and Covid risks
  - -1 bps (-18 bps in FY21) with ECL for geopolitical, emerging and Covid risks
- The impaired loans ratio improved to 2.2% (1.2% of which over 90 days past due)

Outstanding ECL for geopolitical, emerging and covid risks

Stable buffer q-o-q

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



Outstanding ECL by country

Geopolitical, emerging and Covid risks				
			P&L changes:	
Eur m	1Q22	1H22	*Covid*	*Geopolitical & emerging risks*
KBC Group	**273**	**268**	*-50*	*45*
By country:				
Belgium	122	**105**	*-5*	*-12*
Czech Republic	70	**71**	*-6*	*7*
Slovakia	22	**25**	*-1*	*4*
Hungary	41	**41**	*-37*	*37*
Bulgaria	12	**15**	*-1*	*4*
Ireland	6	**11**	*0*	*5*

- At the end of 2Q 2022, the **ECL for geopolitical and emerging risks amounted to 268m EUR** and included an **impairment release of 5m EUR**, driven by a full release of 50m EUR for Covid ECL, partly offset by an impairment charge of 45m EUR for geopolitical and emerging risks
  - **The full Covid ECL release** reflects the fact that current and forward-looking payment indicators for the remaining subset of customers, do not point to any repayment issues. Specifically for Hungary, the more substantial release this quarter relative to the other countries can be explained by the longer continuation of moratoria measures taken by the Hungarian government
  - **The ECL for geopolitical and emerging risks increased by 45m EUR**. The main drivers are the updated impact assessment, the negative revision of probabilities applied to the macroeconomic scenarios, but partly offset by a reduction in direct transfer risk (see next slide)

Amounts in m EUR

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

Estimated outstanding ECL

A	**No direct subsidiaries**	KBC has **no direct subsidiaries** in Russia (R), Belarus (B) or Ukraine (U)
B	**Very limited direct credit exposure**	**Direct transfer risk exposure amounts to approx. 35m EUR (-20m q-o-q)** (mainly concentrated in commercial exposure on Russian banks) down from 55m EUR in 1Q22 due to recoveries from these counterparties. **No exposure on Russian sovereigns.**
C	**Indirect credit impact: counterparties***	**Counterparties-at-risk:** (total client credit exposure on group level) • Corp & SME with >20% sales, cost or profit in R, B or U • Corp & SME directly impacted by possible disruption of Russian oil and gas supplies ➔ **Outstanding exposure**: 2.0bn EUR** ➔ **Total P&L charge*: 33m EUR (no changes q-o-q)**
D	**Emerging risks (secondary indirect credit impact): portfolios/(sub)sectors***	**Vulnerable clients in retail and non-retail portfolios/(sub)sectors impacted by newly emerging risks** (energy prices/supply bottlenecks/higher cost of living and rising interest rates) ➔ **Outstanding exposure**: 6.3bn EUR (up from 5.9bn EUR)** ➔ **Total P&L charge*: 168m EUR (+33m q-o-q)**
E	**Macroeconomic scenarios**	**Probabilities of macroeconomic scenarios were adjusted** from resp. 80%/10%/10% to 60%/5%/35% for base-case/optimistic/pessimistic scenario, leading to an **additional ECL of 32m EUR in 2Q22**
	Estimated outstanding ECL	A + B + C + D + E = **268m EUR (+45m q-o-q)**

**   Estimation of impairments (in **C** and **D**): it is expected that PDs of listed counterparties and portfolios/sectors at risk will change in the future even though this is not reflected in the current financials . To capture this impact (i.e., forward-looking IFRS 9), a collective stage 2 shift is accompanied by an ECL management overlay (by applying conservative stage 2 and stage 3 cover rates), taking expected PD downgrades into account.*

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

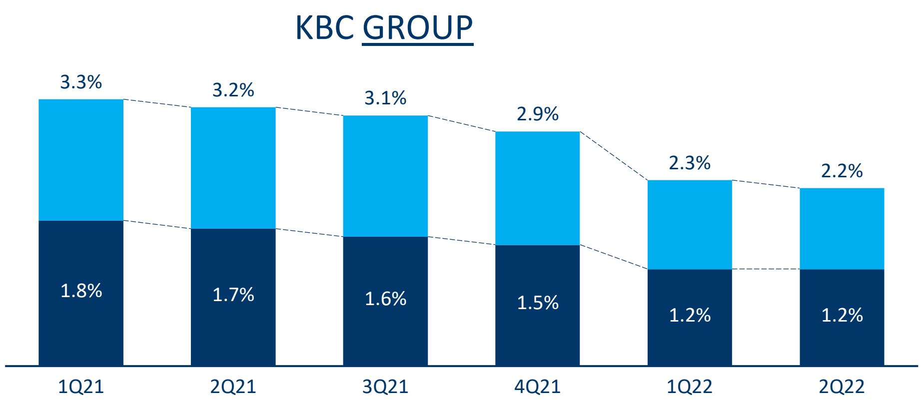
Loan loss experience at KBC

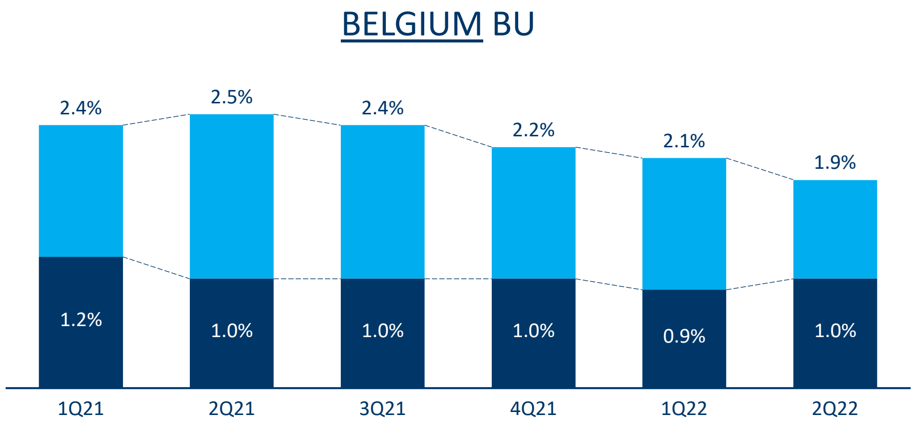
	1H22 CREDIT COST RATIO	FY21 CREDIT COST RATIO	FY20 CREDIT COST RATIO	FY19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	AVERAGE ‘99 –’21
Belgium	**-0.04%**	-0.26%	0.57%	0.22%	0.09%	0.09%	n/a
Czech Republic	**-0.04%**	-0.42%	0.67%	0.04%	0.03%	0.02%	n/a
International Markets*	**0.22%**	0.36%	0.78%	-0.07%	-0.46%	-0.74%	n/a
Group Centre*	**0.03%**	0.28%	-0.23%	-0.88%	-0.83%	0.40%	n/a
Total	**-0.01%**	**-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

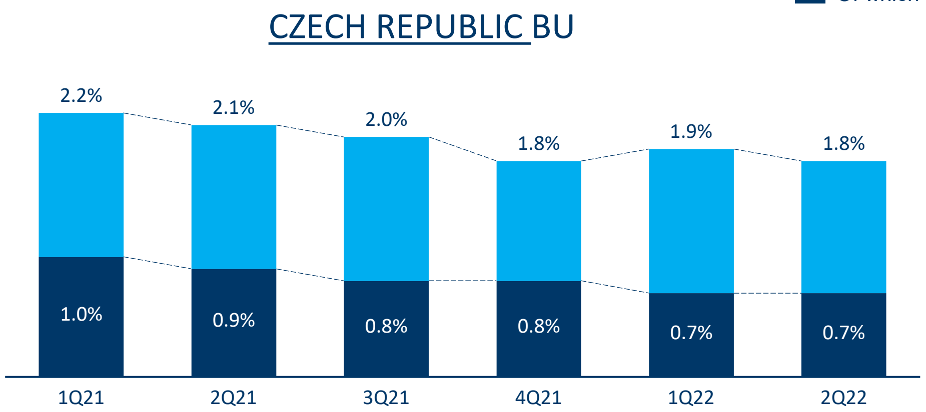
Impaired loans ratios, of which over 90 days past due

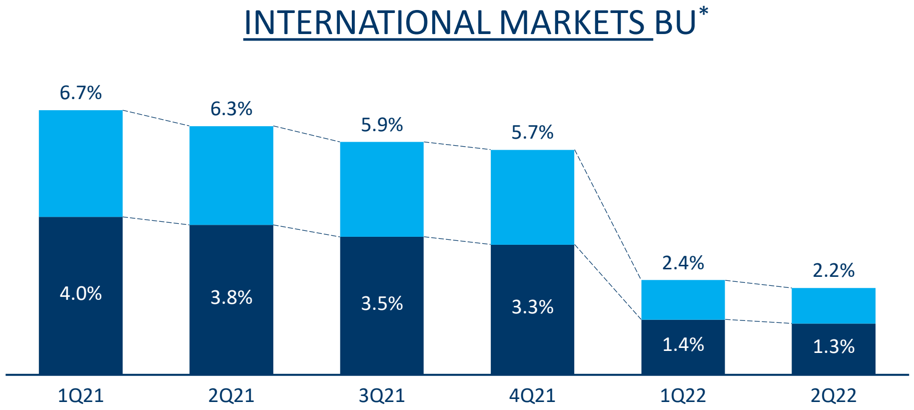




Impaired loans ratio

Of which over 90 days past due





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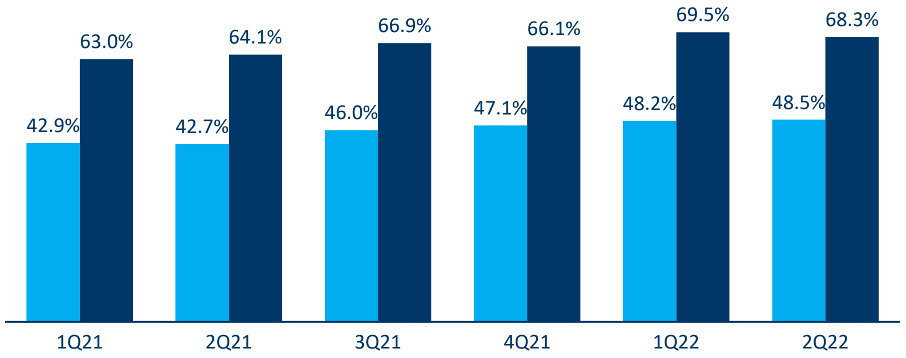
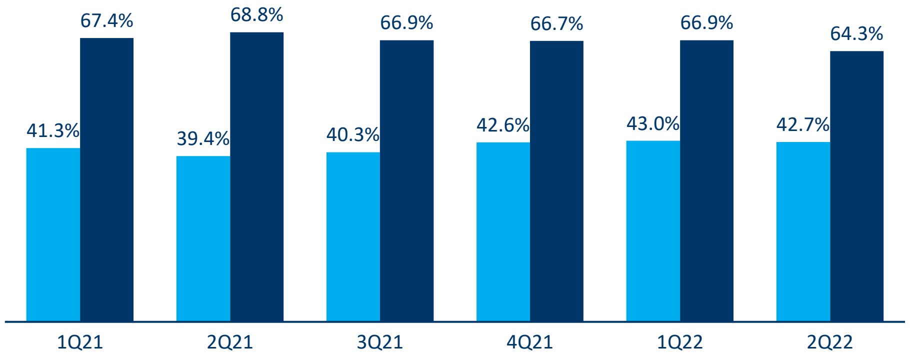
Cover ratios

KBC GROUP

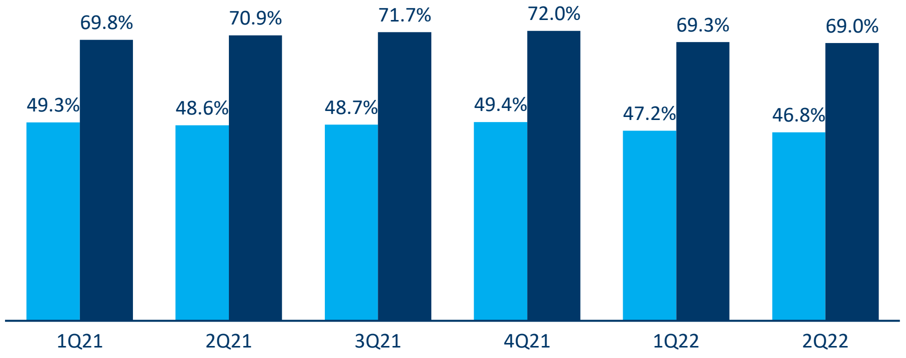


BELGIUM BU

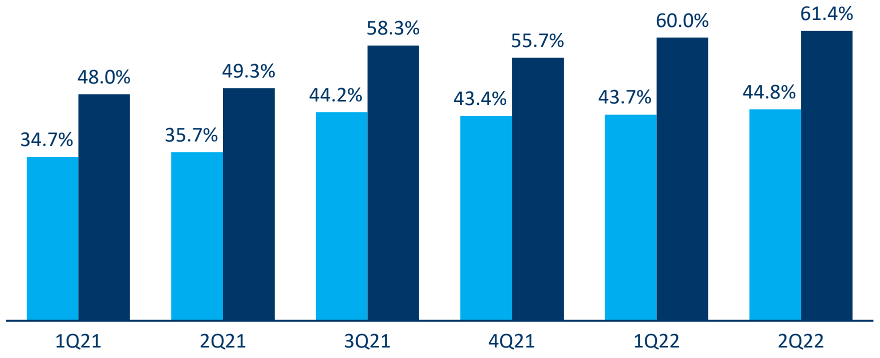


Impaired loans cover ratio
Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



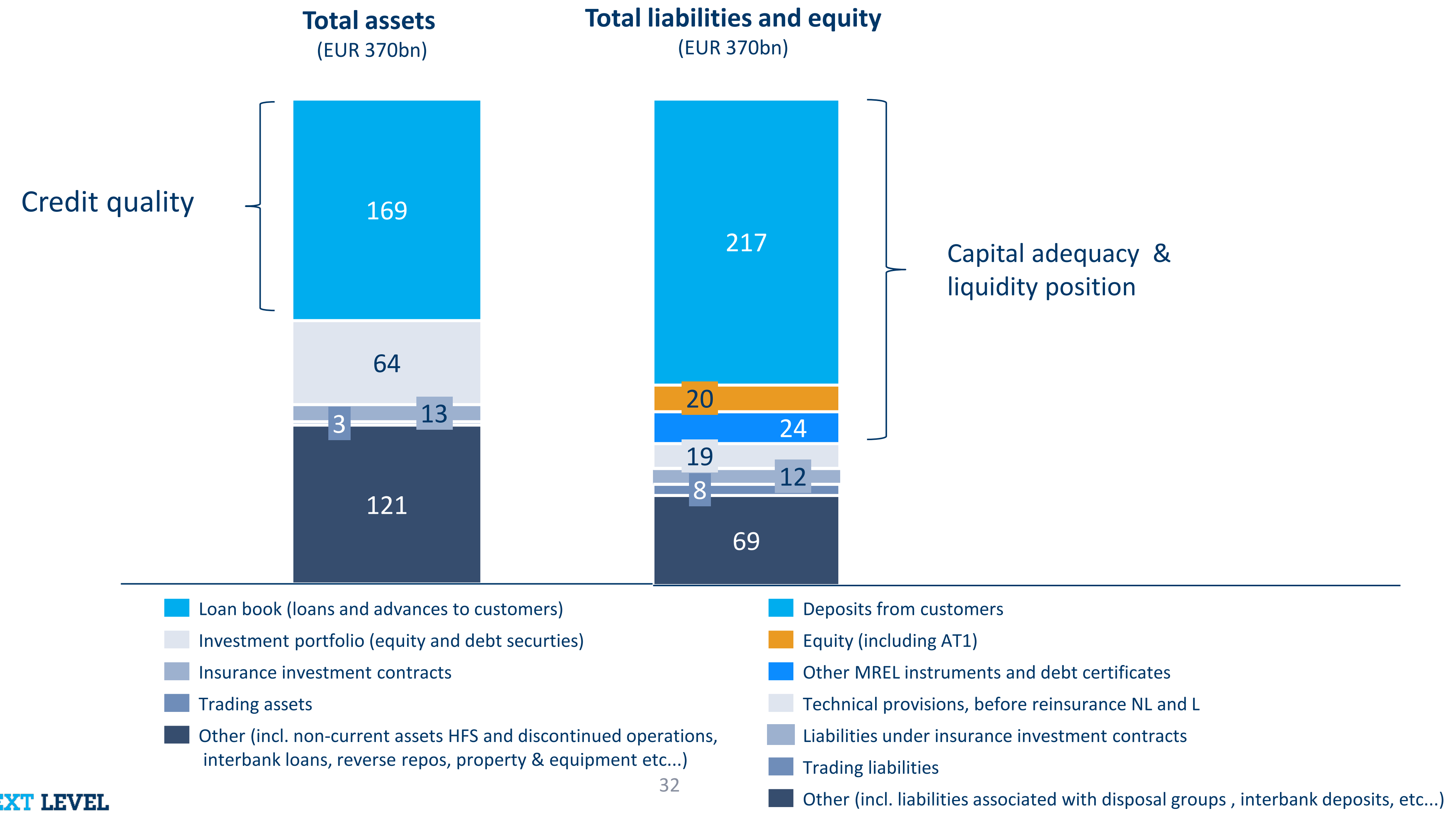
INTERNATIONAL MARKETS BU *



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

Balance sheet

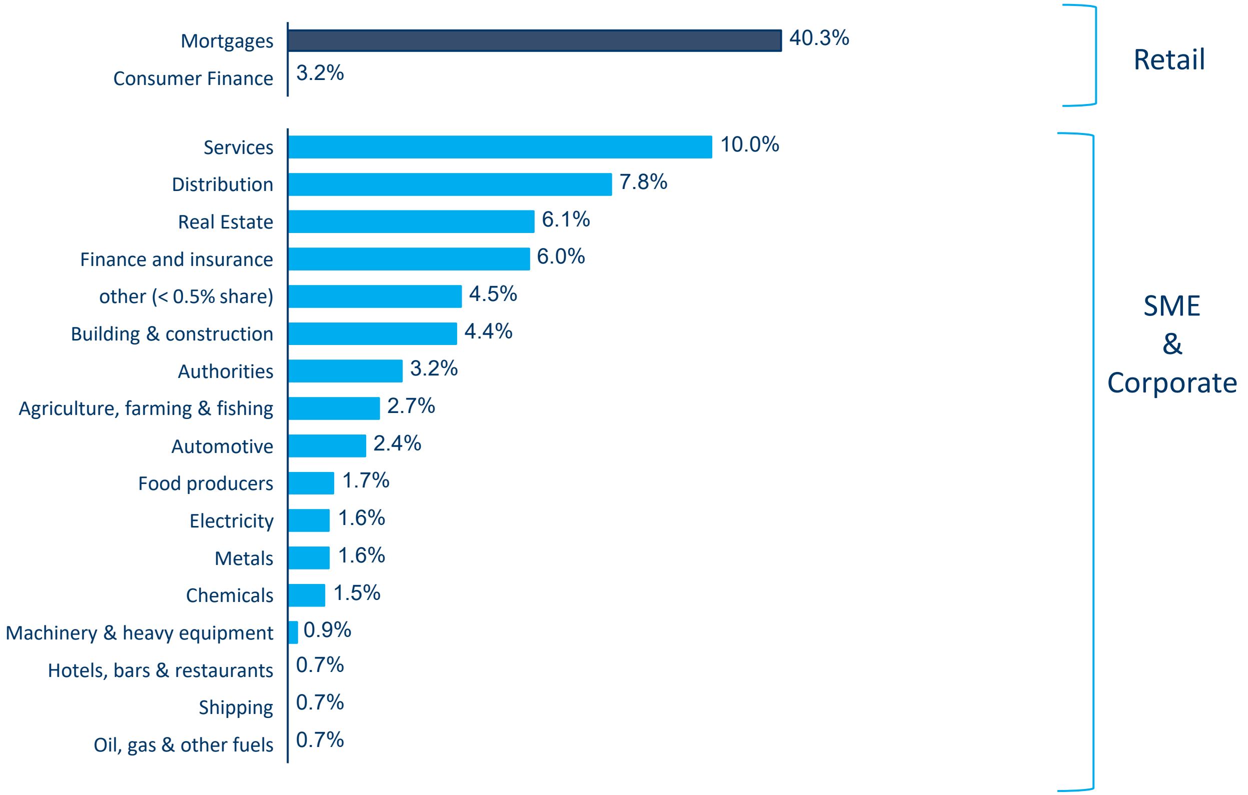
KBC Group consolidated at the end of June 2022



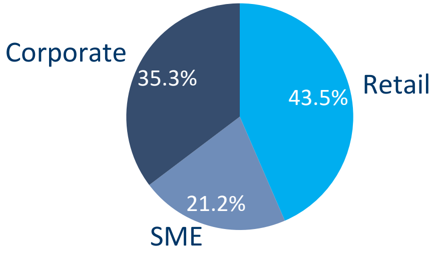
Diversified loan portfolio

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

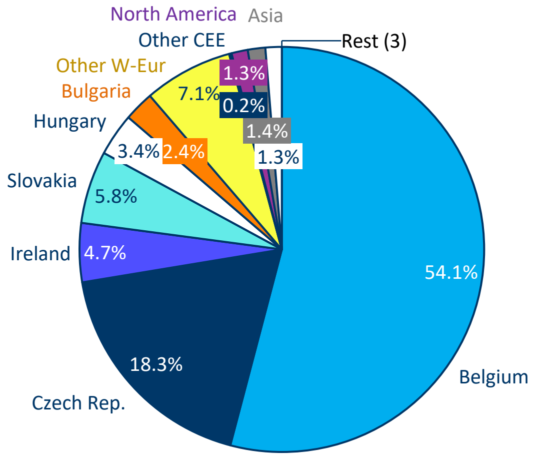
197bn EUR(2)



Total loan portfolio outstanding
by segment(1)



Total loan portfolio outstanding
by geographical breakdown(1)

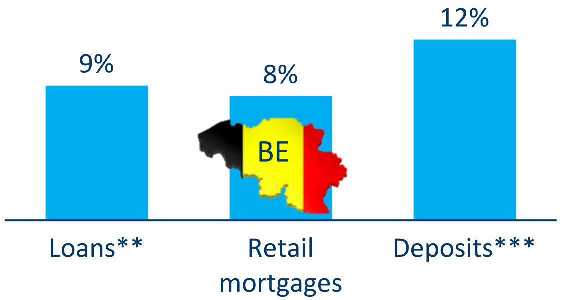


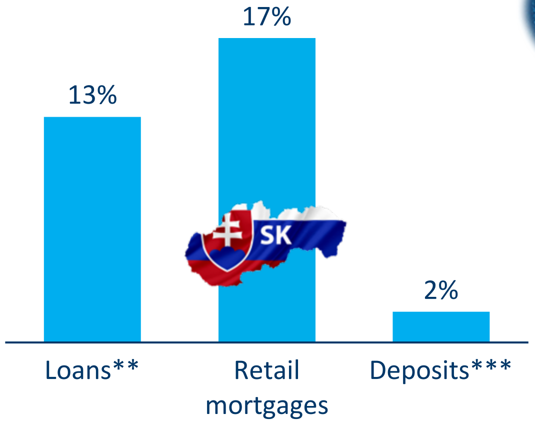
(1) Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
(2) Including loan portfolio of KBC Bank Ireland, the pro-forma total loan portfolio outstanding without KBC Bank Ireland amounts to 188bn EUR
(3) The 'rest' part includes 0.02% of the outstanding portfolio to Russia and Ukraine

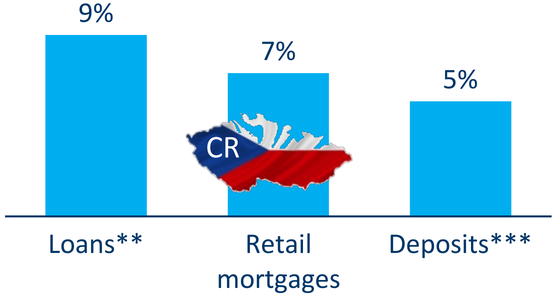
Balance sheet:

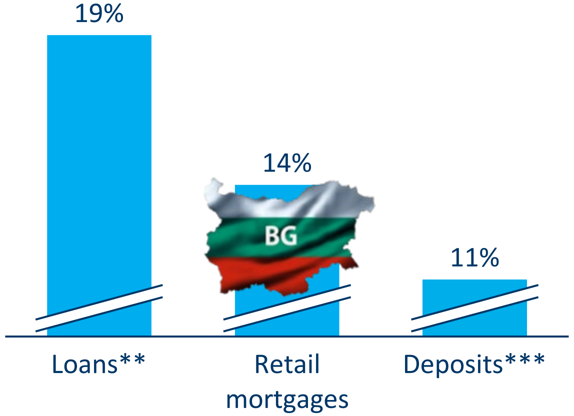
Loans and deposits continue to grow in most countries

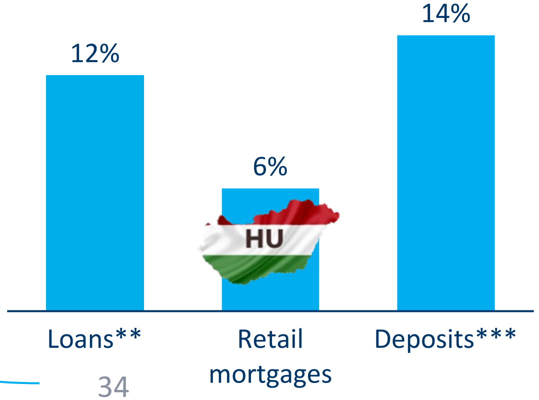
Y-O-Y ORGANIC* VOLUME GROWTH

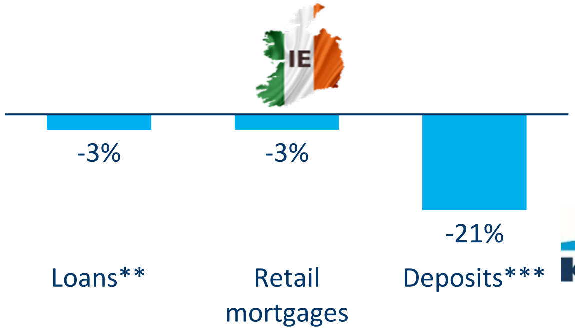












* Volume growth excluding FX effects, divestments/acquisitions and reclassifications

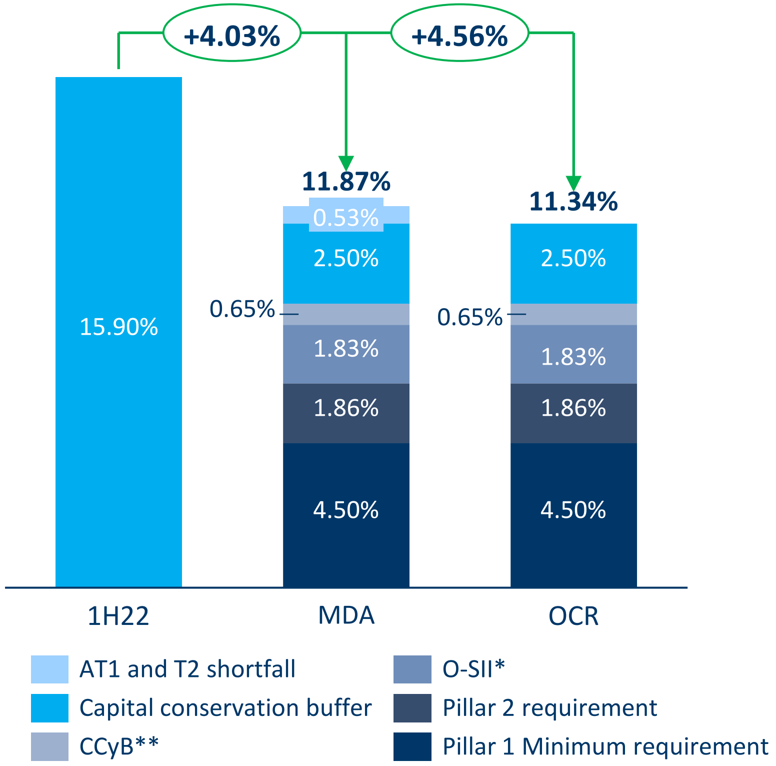
** Loans to customers, excluding reverse repos (and bonds)

*** Customer deposits, excluding debt certificates and repos. Excluding the volatility in the foreign branches of KBC Bank (included in BU BE), customer deposits rose by 6% y-o-y both at KBC Group level as well as in Business Unit Belgium

Contents

Fully loaded Basel 3 CET1 ratio at KBC Group

(Danish Compromise)

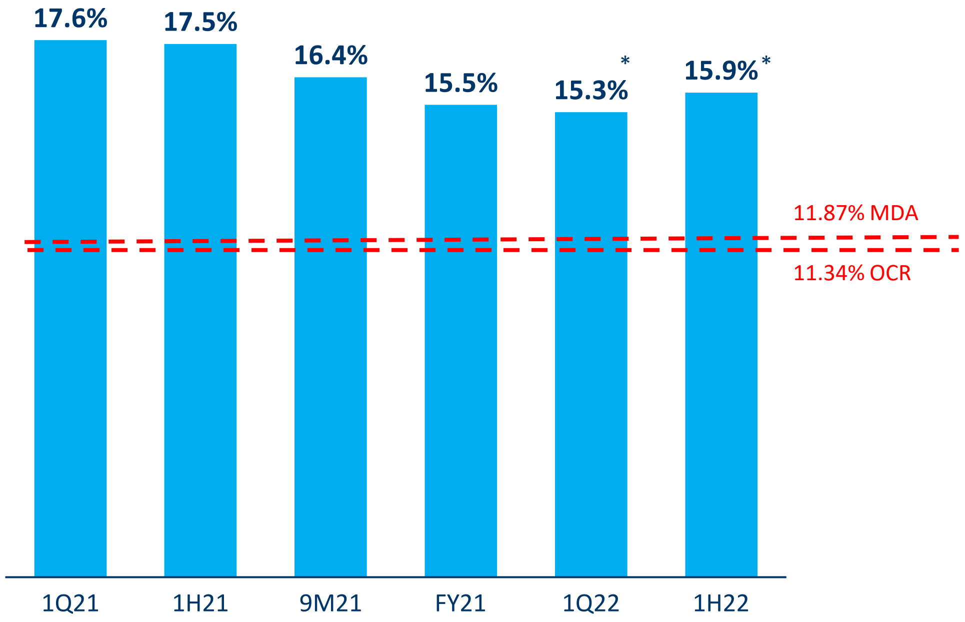


- 1.50% O-SII in 1Q22 + an increase of the sectoral systemic risk buffer by 33bps as of 2Q22 as offsetting factor for the removal of NBB add-on on the Belgian mortgage portfolio

** Increased from 0.55% in 1Q22 to 0.65% in 2Q22

Strong capital position (1)

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 8.2bn EUR at 1H22, of which:

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

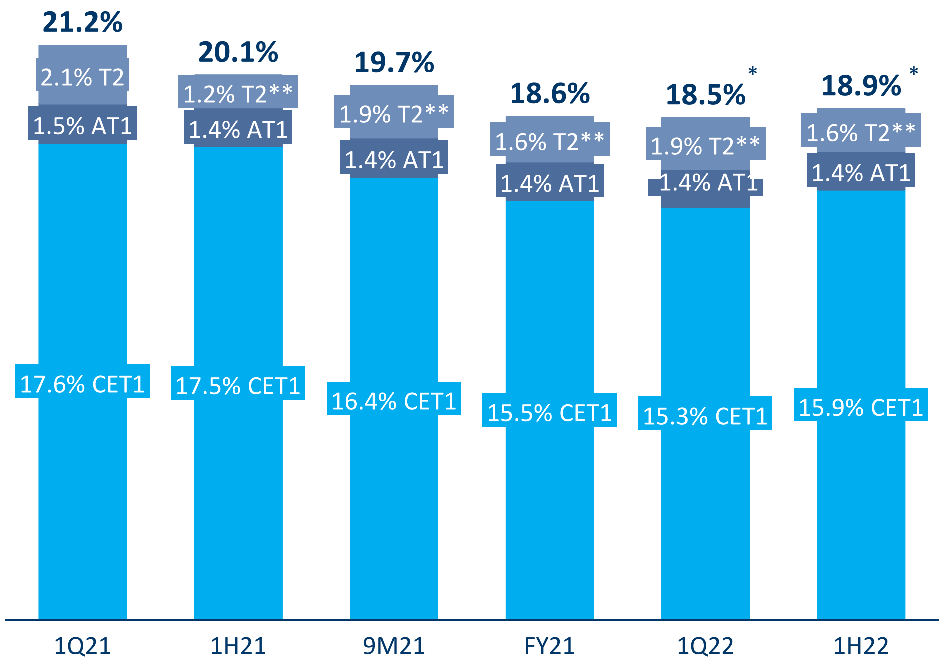
- **The fully loaded common equity ratio amounted to 15.9%** at the end of 1H22 based on the Danish Compromise.
  - The q-o-q increase in 2Q22 is mainly related to interim profit recognition (based on 50% profit accrual), a dividend payment from KBC Insurance to KBC Group and a decrease of the risk weighted assets

- KBC's CET1 ratio of 15.9% at the end of 1H22 represents a solid capital buffer:
  - **4.56% capital buffer compared with the Overall Capital Requirement (OCR) of 11.34%**
  - **4.03% capital buffer compared with the Maximum Distributable Amount (MDA) of 11.87%** (given small shortfall in AT1 and T2 bucket)

- At the end of 1H22, the transitional CET1 ratio amounted to 15.1%

Strong capital position (3)

Fully loaded Basel 3 total capital ratio (Danish Compromise)



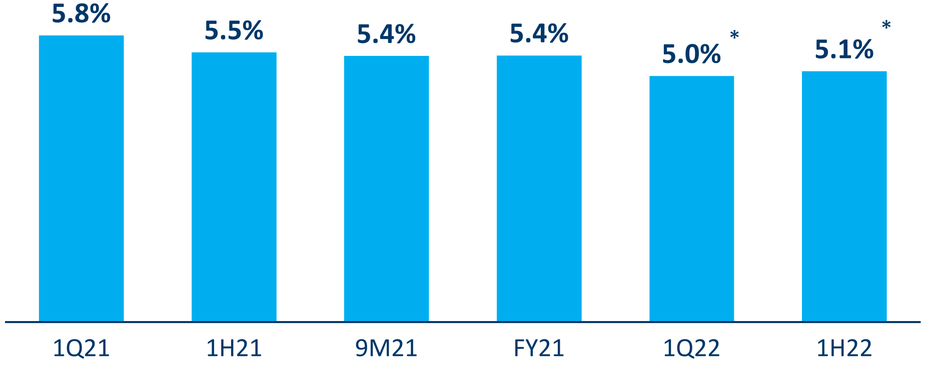
* As of 1Q22, interim profit recognition (based on 50% profit accrual)

** As of 2Q21, the fully loaded T2 capital excludes the T2 instruments grandfathered under CRR2. These T2 instruments are however included in the actual (transitional) T2 capital for the period of grandfathering, in line with CRR2 and the COREP 3.0 reporting framework

- **The fully loaded total capital ratio amounted to 18.9% at the end of 1H22**

Fully loaded Basel 3 leverage ratio and Solvency II ratio

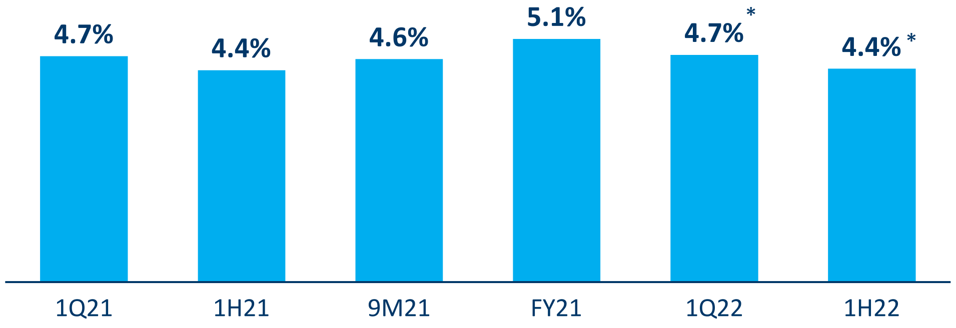
Fully loaded Basel 3 leverage ratio at KBC Group



- The decrease of the leverage ratio at KBC Group was mainly the result of increased short-term money market and repo opportunities as of 1Q21

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

Fully loaded Basel 3 leverage ratio at KBC Bank



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

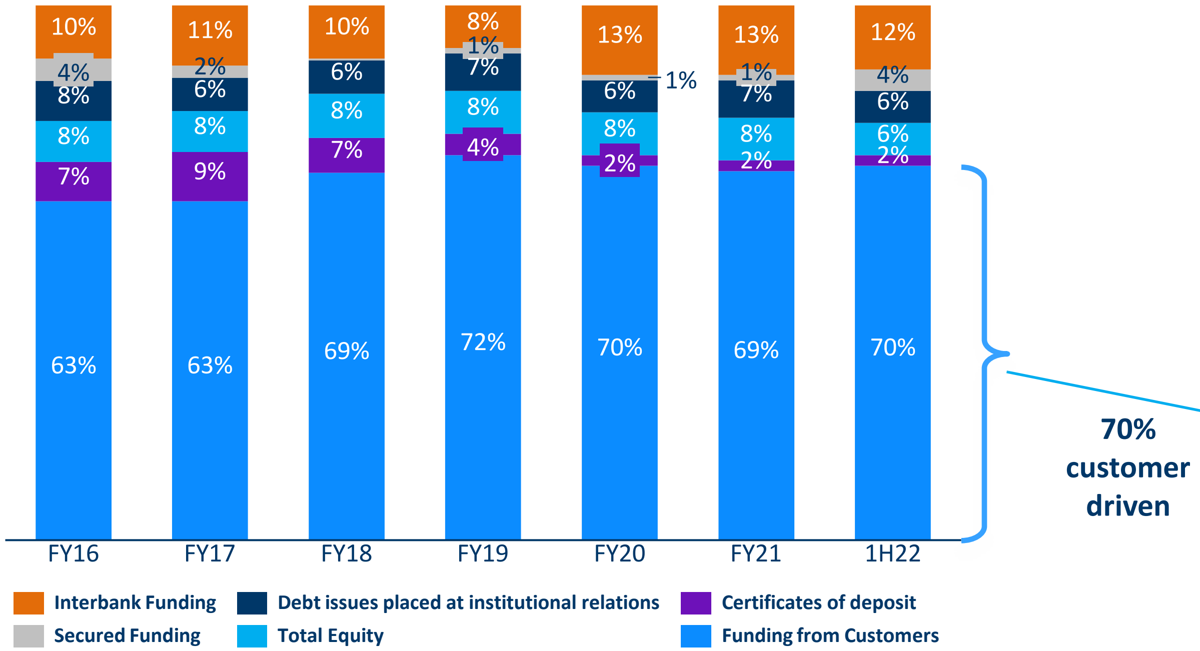
Solvency II ratio

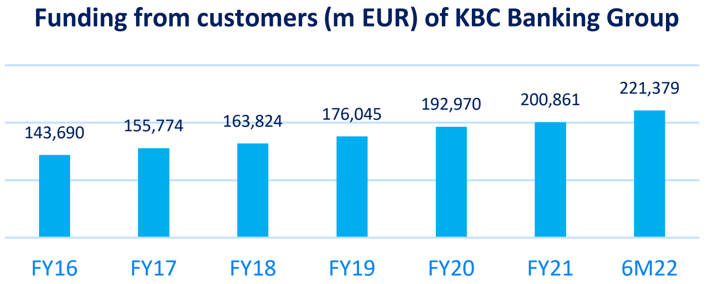
	1Q22	1H22
Solvency II ratio	217%	242%

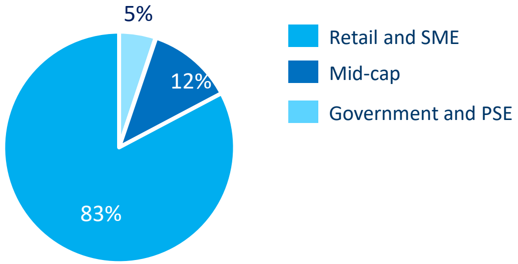
- The q-o-q delta (+25pp) in the Solvency II ratio was driven mainly by higher interest rates, increased corporate spreads and lower equity markets

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;
- **Stable % in customer funding** compared to balance sheet total (but net growth in customer funding in absolute terms);
- KBC Bank **participated to the TLTRO III** for a total exposure of 24.5bn EUR which is reflected in the 'Interbank Funding' item below.







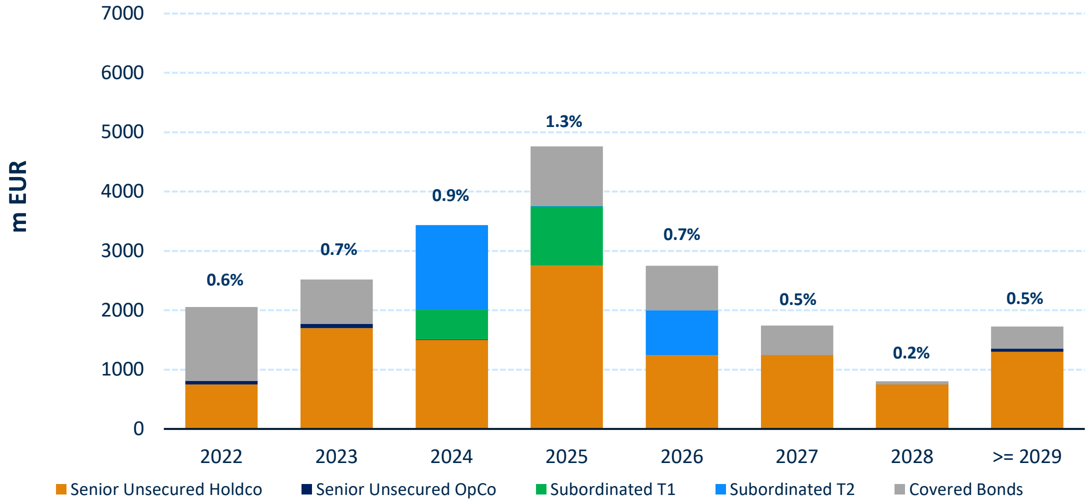
Ratios	FY21	1H22	Regulatory requirement
NSFR*	148%	142%	≥100%
LCR**	167%	158%	≥100%

** 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.*

- **NSFR is at 142% and LCR is at 158% by the end of 1H22**
  - Both ratios were well above the regulatory requirement of 100% due to a strong growth in customer funding and the participation to TLTRO III

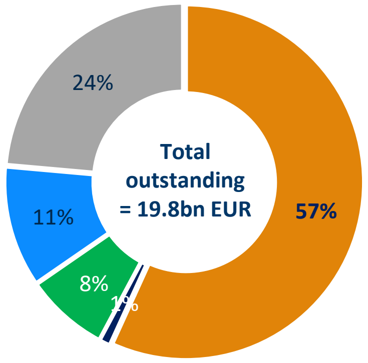
Upcoming mid-term funding maturities

Breakdown Funding Maturity Buckets
(Including % of KBC Group's balance sheet)



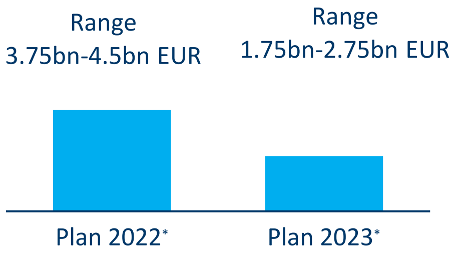
KBC Bank has 6 solid sources of long-term funding:

- 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 down-streamed to KBC Bank



Expected funding program

We aim to issue 1 green/social bond per year



In 1H 2022, **KBC issued in total 3.050m EUR**, of which in Q2:

- In **June 2022**, KBC Group issued a senior benchmark for an amount of 750m EUR with a 3-year maturity callable after 2Y.
- In **June 2022**, KBC Group issued 100m EUR 12Y via Private Placements.

- Expected funding plan modified due to a delay of transaction approval of the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book
  Note: any change in regulatory requirements, RWA evolutions, MREL targets or market circumstances can change the current disclosed range

KBC has strong buffers cushioning Sr. debt at all levels (1H 2022)

KBC Group

Senior
9 962

Tier 2
2 182

Additional Tier 1
1 500

CET1 (transitional)
16 022

Buffer for Sr. level 19.7 bn EUR

KBC Bank

Subordinated on loan by KBC Group
9 962

Tier 2
1 683

Additional Tier 1
1 500

CET1 (transitional)
14 298

Buffer for Sr. level 27.4bn EUR

KBC Insurance

Tier 2
500

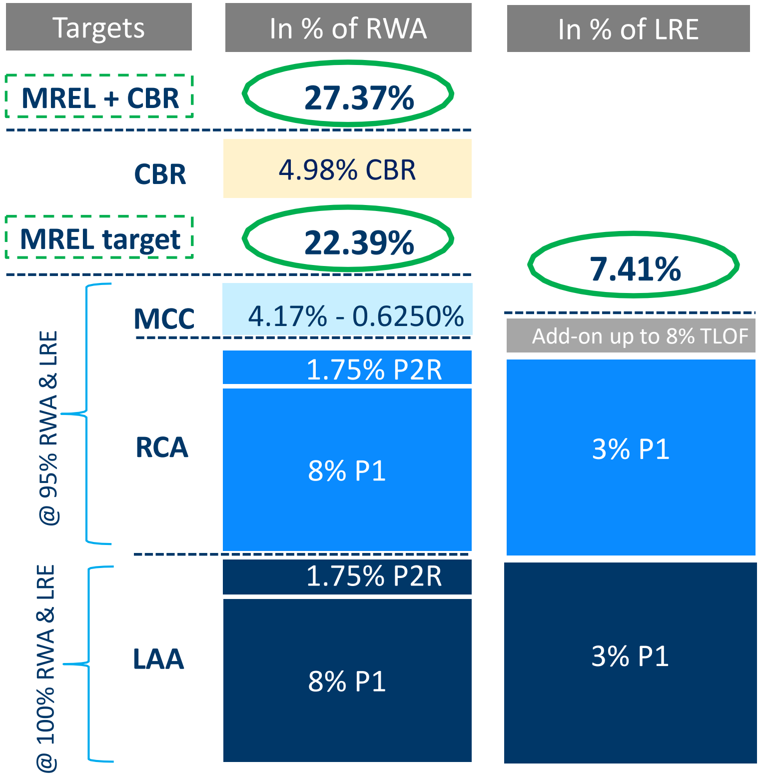
Parent shareholders equity
2 676

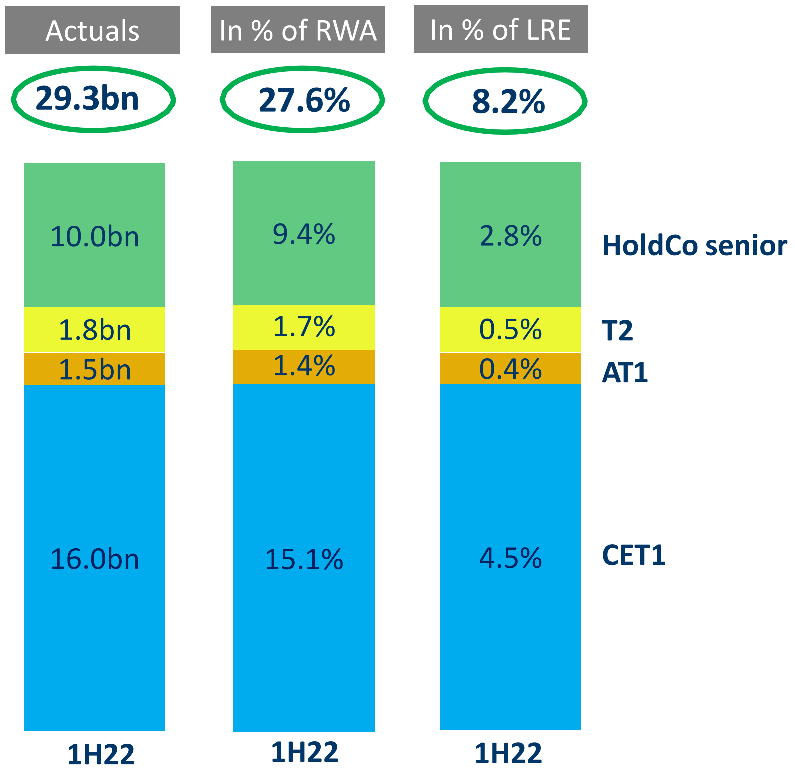
nominal amounts in million EUR

KBC complies with resolution requirements

New MREL targets applicable as from 01-01-2024, with intermediate targets as from 01-01-2022

- 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 2Q22, the SRB communicated to KBC updated final 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:
  - **27.37% of RWA** as from 01-01-2024 (including CBR of 4.98% as from 3Q2023), with an intermediate target of **26.36%** as from 01-01-2022 (including CBR of 4.73% for 2022)
  - **7.41% of LRE** as from 01-01-2024, with an intermediate target of **7.34% of LRE** as from 01-01-2022

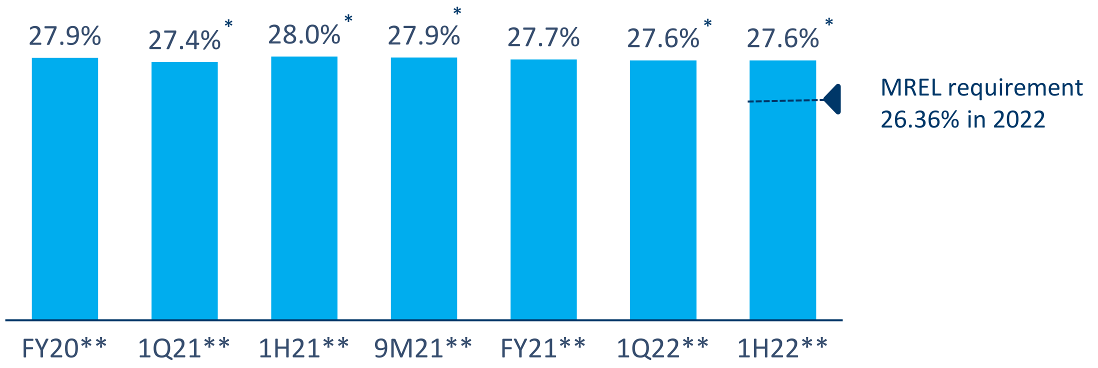




TLOF Total Liabilities and Own Funds LAA **L**oss **A**bsorbing **A**mount RCA **R**e**C**apitalisation **A**mount
MCC **M**arket **C**onfidence **C**harge = CBR (4.17% as at 4Q 2020) minus 62.50 bps; the discount will decrease in the next years to reach the BRRD2 reference level of CBR minus the Countercyclical Buffer
CBR **C**ombined **B**uffer **R**equirement = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + Countercyclical Buffer (0.40% for 2022 and 0.65% as from 3Q 2023) + Systemic Risk Buffer (0,33%), comes on top of the MREL target

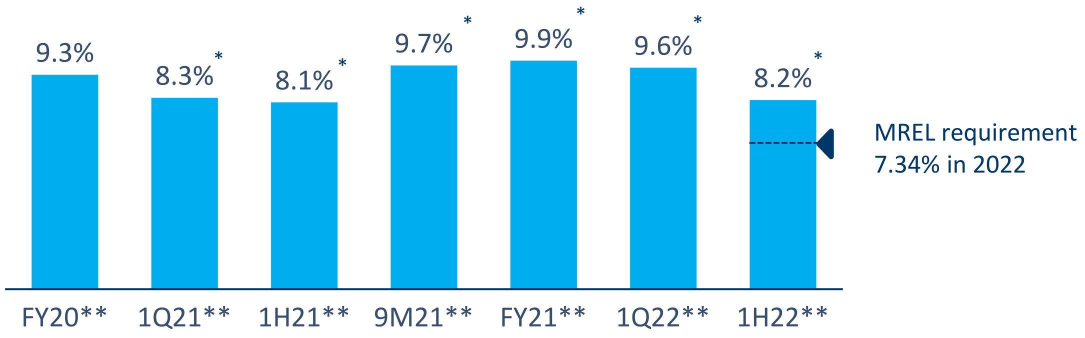
Available MREL as a % of RWA and LRE (BRRD2)

Available MREL as a % of RWA



- The **MREL ratio in % of RWA** remained stable q-o-q and well above the MREL requirements

Available MREL as a % of LRE



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

- The **MREL ratio in % of LRE** decreased q-o-q, but remained well above the MREL requirements. The decrease is due to higher Leverage Ratio Exposure (the exposure to central banks is no longer excluded from the Leverage Ratio Exposure as from 2Q22)

(in the period from 3Q21 to 1Q22, the MREL ratio in % of LRE is at higher levels due to lower Leverage Ratio Exposure, in view of the implementation in the 3Q reporting of the ECB relief measure allowing temporary exclusion of the exposure to central banks from the Leverage Ratio Exposure)

Contents

KBC's covered bond programme

Residential mortgage covered bond programme

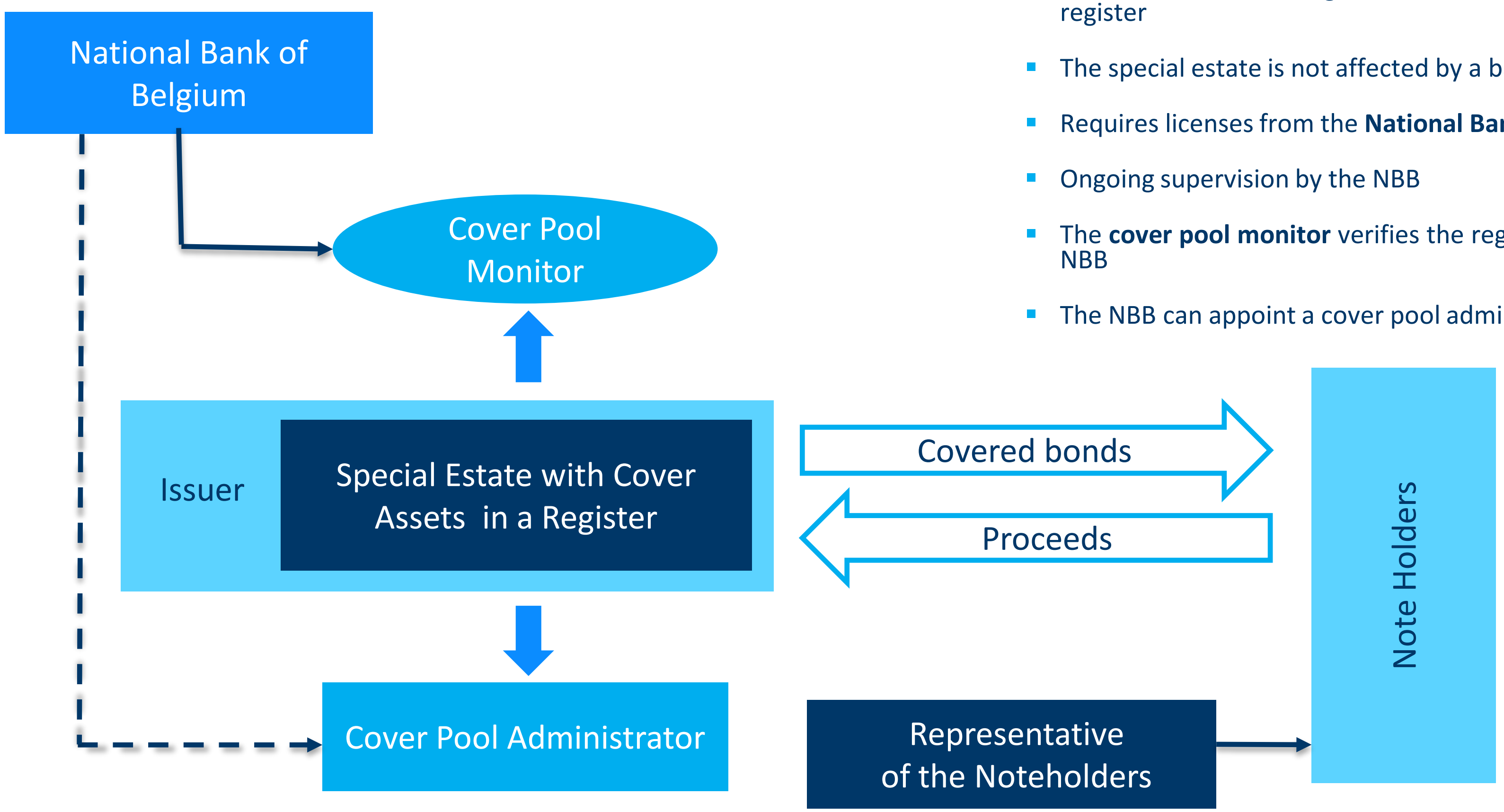
The covered bond programme is considered as an important funding tool for the treasury department.
KBC's intentions are to be a frequent benchmark issuer if markets and funding plan permit.

Issuer:	• KBC Bank NV
Main asset category:	• min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon
Programme size:	• **17.5bn EUR** • **Outstanding amount of 10.67bn EUR**
Interest rate:	• Fixed rate, floating rate or zero coupon
Maturity:	• Soft bullet: payment of the principal amount may be deferred past the final maturity date until the **extended final maturity date** if the issuer fails to pay • Extension period is 12 months for all series
Events of default:	• Failure to pay any amount of principal on the extended final maturity date • A default in the payment of an amount of interest on any interest payment date
Rating agencies:	• Moody's Aaa / Fitch AAA

	Moody's	Fitch
Over-collateralisation	**9.5%**	**4%**
	TPI Cap Probable	**D-cap 4 (moderate risk)**

KBC’s covered bond programme

Belgian legal framework



- Direct covered bond issuance from a bank’s balance sheet
- Dual recourse, including recourse to a special estate with cover assets included in a register
- The special estate is not affected by a bank’s insolvency
- Requires licenses from the **National Bank of Belgium** (NBB)
- Ongoing supervision by the NBB
- The **cover pool monitor** verifies the register and the portfolio tests and reports to the NBB
- The NBB can appoint a cover pool administrator to manage the special estate

KBC’s covered bond programme

Strong legal protection mechanisms

1 Collateral type

- The value of one asset category must be at least 85% of the nominal amount of covered bonds
  - KBC Bank selects residential mortgage loans and commits that their value (including collections) will be at least 105%

2 Over-collateralisation Test

- The value of the cover assets must at least be 105% of the covered bonds
  - The value of residential mortgage loans:
    1) is limited to 80% LTV
    2) must be fully covered by a mortgage inscription (min 60%) plus a mortgage mandate (max 40%)
    3) 30 day overdue loans get a 50% haircut and 90 days (or defaulted) get zero value

3 Cover Asset Coverage Test

- The sum of interest, principal and other revenues of the cover assets must at least be the interest, principal and costs relating to the covered bonds
  - Interest rates are stressed by plus and minus 2% for this test

4 Liquidity Test

- Cover assets must generate sufficient liquidity or include enough liquid assets to pay all unconditional payments on the covered bonds falling due the next 6 months
  - Interest rates are stressed by plus and minus 2% for this test

5 Cap on Issuance

- Maximum 12.5% of a bank’s assets can be used for the issuance of covered bonds (temporary increase)

KBC's covered bond programme

Cover pool

▪ COVER POOL: BELGIAN RESIDENTIAL MORTGAGE LOANS

- Exclusively, this is selected as main asset category
- Value (including collections) at least 105% of the outstanding covered bonds
- Branch originated prime residential mortgages predominantly out of Flanders
- Selected cover assets have low average LTV (62.6%) and high seasoning (56 months)

▪ KBC HAS A DISCIPLINED ORIGINATION POLICY

- 2009 to 2021 residential mortgage loan losses below 4 bps
- Arrears in Belgium approx. stable over the past 10 years:
  - (i) Cultural aspects, stigma associated with arrears, importance attached to owning one's property
  - (ii) High home ownership also implies that the change in house prices itself has limited impact on loan performance
  - (iii) Well established credit bureau, surrounding legislation and positive property market

Contents

Sustainability
KBC Green bond framework

Rationale: enhancing the KBC sustainability strategy

- KBC is convinced that the financial industry has a key role to play in the transition to a low carbon economy and is willing to contribute to the development of a sustainable financial market
- Green funding provides an opportunity to KBC Bank to further enhance its ability to finance the green projects of its clients and to mobilise all its stakeholders around this objective

KBC Green Bond Framework

- KBC is implementing a comprehensive sustainability bond strategy to support the development of the Green Bond markets in Belgium and Europe
- KBC Green Bonds can be issued under the KBC Green Bond Framework via KBC Group NV, KBC Bank NV or any of its other subsidiaries
- In case of Green Bonds issued at the holding company level (KBC Group NV), KBC will allocate an equivalent amount of the proceeds to KBC Bank or its subsidiaries where the Eligible Assets are located
- The KBC Green Bond Framework is intended to accommodate secured and unsecured transactions in various formats and currencies

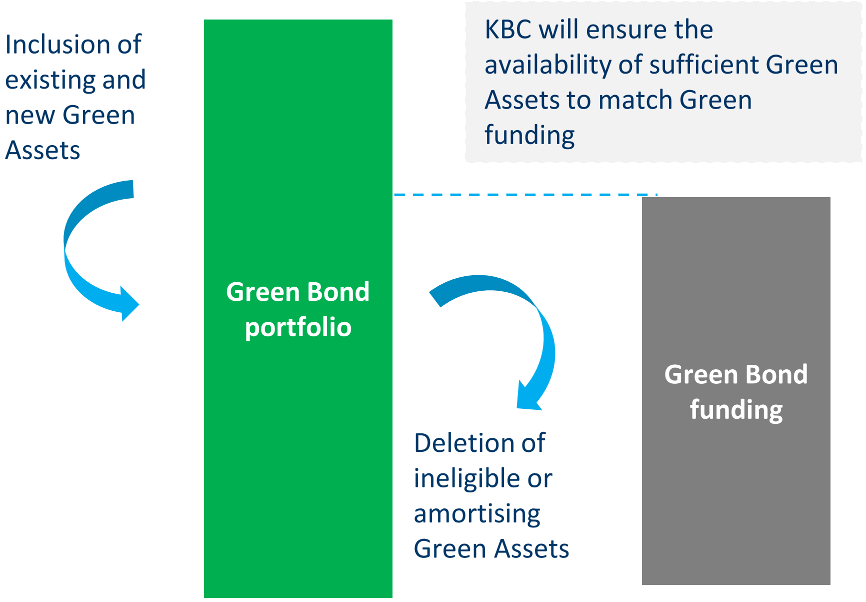
Aligned with best practices and market developments

- 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 the KBC.COM website: *https://www.kbc.com/en/investor-relations/debt-issuance/kbc-green-bond.html*

Sustainability

Green bonds

KBC GREEN PORTFOLIO APPROACH



- In the context of the Green Bond, KBC allocated the proceeds to three green asset categories: **renewable energy** (share of 45%) and **residential real-estate loans** (share of 55%).
- 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 2021 available on KBC.COM website.

Overview of the KBC Green Bond assets and annual impact		
Green Bond 2018		
	Renewable energy	Green buildings
Allocated amount	EUR 195.9m	EUR 304.1m
Electricity produces/energy saved (mWh)	378,038	25,951
Avoided CO2 emissions (tonnes)	77,414	4,861
Green Bond 2020		
	Renewable energy	Green buildings
Allocated amount	EUR 264.8m	EUR 235.2m
Electricity produces/energy saved (mWh)	413,354	20,075
Avoided CO2 emissions (tonnes)	84,647	3,761
Green Bond 2021		
	Renewable energy	Green buildings
Allocated amount	EUR 323.5m	EUR 426.5m
Electricity produces/energy saved (mWh)	592,276	36,395
Avoided CO2 emissions (tonnes)	121,286	6,819

Sustainability

KBC Social Bond Framework

Rationale: enhancing the KBC sustainability strategy

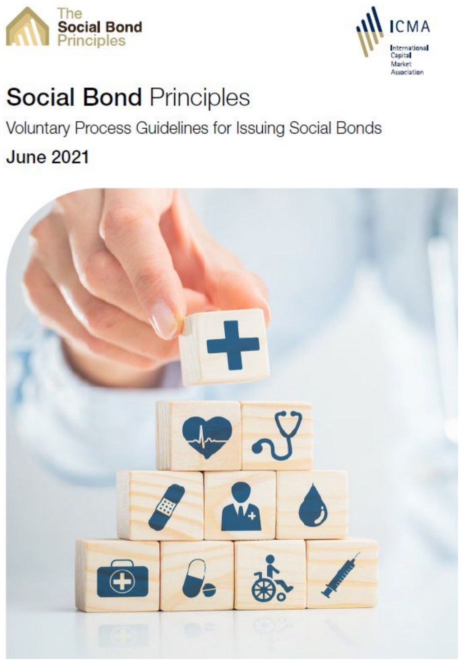
- KBC is dedicated to increase its positive social impact through its core activities by financing & insuring the (health)care & education sector. Healthcare and well-being are at the heart of KBC's activities as a bank-insurer.
- By adding the social aspect to its funding mix, KBC Bank can further enhance its ability to finance social projects and increase its positive social impact on society.

KBC Social Bond Framework

- Via its Green Bond Framework and new Social Bond Framework, KBC is implementing a comprehensive sustainable bond strategy to support the development of GSS bond markets in Belgium and Europe.
- KBC social bond(s) can be issued under the Social Bond Framework via KBC Group NV or KBC Bank NV. If KBC issues social bond(s) at the level of KBC Group NV, it will allocate an equivalent amount of the social bond proceeds to KBC Bank NV.
- The KBC Social Bond Framework is intended to accommodate secured and unsecured (including subordinated) transactions in various formats and currencies.

Aligned with best practices and market developments

- 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 the KBC.COM webpage: *https://www.kbc.com/en/investor-relations/debt-issuance/kbc-social-bond.html*


The Social Bond Principles
ICMA
International Capital Market Association
Social Bond Principles
Voluntary Process Guidelines for Issuing Social Bonds
June 2021

Contents

Looking forward

Economic outlook

- In 2Q22, both in Belgium and in the Czech Republic economic growth slowed, but remained positive at +0.2% q-o-q. For the second half of 2022, we expect the war in Ukraine to impact the European economy more severely than its US counterpart. Therefore, an economic stagnation in the euro area in the coming quarters cannot be excluded.
- The ECB has also ended net purchases under its general Asset Purchase Programme at the end of June, and raised its policy rates end-July by 50 basis points to address above-target inflation rates in the euro area. We expect this to be the start of a cycle of rate normalization
- The most important risk to our short-term European growth outlook relates to the possibility of a severe distortion of Russian gas supplies leading to critical energy deficits. Other risks continue to include the general post-pandemic supply chain disruptions, reappearing pandemic waves and the vulnerability caused by high levels of debt in the context of globally tightening financing conditions

Group guidance for 2022*

Based upon our latest set of macroeconomic and business assumptions (impacted by the invasion of Russia in Ukraine, causing major macroeconomic and financial shocks, and very volatile markets):

- We increased our FY22 total income guidance from 8.0bn EUR** to 8.4bn EUR ballpark figure (both figures excluding the 0.2bn EUR positive one-off effect upon closing the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book, due to a delay of transaction approval), of which 5.05bn EUR ballpark for NII (versus 4.55bn EUR initially guided)
- We increased our FY22 opex excluding bank taxes from 4.0bn EUR to 4.15bn (including one-offs) due to higher than initially expected inflation, the delay of transaction approval in Ireland and the one-off staff bonus of 41m EUR in 1Q22
- This implies that the jaws in 2022 (between y-o-y topline growth and opex growth) increased from roughly 2.5% initially to roughly 4.0%
- We confirm our guided credit cost ratio for 2022 of between 10 and 25 bps (25-30 bps = through-the-cycle CCR guidance)

* Our Group guidance for 2022 is based on the following assumptions:
  - the consolidation of Raiffeisen Bulgaria as of mid-2022 and the consolidation of KBC Bank Ireland for the entire year 2022 (due to a delay of transaction approval)
  - an additional P&L benefit from TLTRO3 of 74m EUR in 2H22 and no potential offsetting ECB measures taken into account
  - We took into account the CNB policy rate at 7.50% by end 2022 and further ECB rate hikes during 2022 (1.50% by end 2022)
  - Volume growth estimated at roughly 7% y-o-y (versus 4%-5% initially guided)

** Was 8.2bn EUR initially, but this was including the 0.2bn EUR positive one-off effect upon closing the sale of substantially all of KBC Bank Ireland's performing loan assets and its deposit book

Differently: the next level

3-year and long-term financial guidance

3-year financial guidance*		
CAGR total income ('21-'24)	± 7.0%	by 2024
CAGR OPEX excl. bank taxes ('21-'24)	± 3.0%	by 2024
Combined ratio	≤ 92%	as of now
Surplus capital **	> 15%	as of now

* IFRS17 impact is not yet taken into account given early days
** Fully loaded CET1 ratio, Danish Compromise

⇒ **Jaws of ± 4%**
(instead of 3% earlier guided)
⇒ **C/I ratio excl BT ±46% in 2024**
(instead of ±47% earlier guided)

Long-term financial guidance		
Credit cost ratio	25-30 bps	Through-the-cycle

Regulatory requirements		
Overall capital requirement (OCR)*	≥ 11.34%	by 2022
MREL as a % of RWA**	≥ 27.37%	by 2024
MREL as a % of LRE**	≥ 7.41%	by 2024
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

* Excluding Pillar 2 guidance of 100 bps
** The SRB communicated the final MREL targets (under BRRD2) in % of RWA and in % of LRE to KBC.
Regarding MREL as a % of RWA, an intermediate MREL target of 26.36% as from 01-01-2022.
Regarding MREL as a % of LRE, an intermediate MREL target of 7.34% as from 01-01-2022.

Differently: the next level
Dividend policy & capital distribution as of 2022

- We aim to be amongst the better capitalised financial institutions in Europe. As a consequence, the dividend policy of KBC Group is tailored to that purpose. Each year, the Board of Directors will decide, at its discretion, on the total dividend based on the assessment of risks, forward looking profitability and strategic opportunities

- Payout ratio policy (i.e., dividend + AT1 coupon) of at least 50% of consolidated profit of the accounting year

- Interim dividend of 1 EUR per share in November of each accounting year as an advance on the total dividend

- On top of the payout ratio of at least 50% of consolidated profit, each year (when announcing the full year results*), the Board of Directors will take a decision, at its discretion, on the distribution of the capital above 15.0% fully loaded CET1 ratio, so-called surplus capital. The distribution of this surplus capital can be in the form of a cash dividend, a share buy-back or a combination of both

- From the moment Basel IV will apply (as from 1 January 2025 at the earliest), the capital deployment plan will be updated

* next FY results on 9 February 2023

Appendices

Annex 1 - Outstanding benchmarks

Overview till end of July 2022

Additional Tier 1 securities:

Issuer	Currency	Isin Code	Issued (in mio)	Coupon	Re-off spread	Settlement date	Call date	Maturity	Trigger	Level
KBC Group	EUR	BE0002592708	1,000	4.25%	M/S+359,4bps	24/04/2018	24/10/2025	Perpetual	Temporary write-down	5.125%
KBC Group	EUR	BE0002638196	500	4.75%	M/S+468,9bps	5/03/2019	5/03/2024	Perpetual	Temporary write-down	5.125%

Tier 2 securities:

Issuer	Currency	Isin Code	Issued (in mio)	Coupon	Re-off spread	Settlement date	Call date	Maturity date	Tenor	Trigger
KBC Group	EUR	BE0002290592	500	1.625%	M/S +125bps	18/09/2017	18/09/2024	18/09/2029	12YNC7	regulatory + tax call
KBC Group	EUR	BE0002664457	750	0.500%	M/S+110bps	3/09/2019	3/12/2024	3/12/2029	10.25NC5.25	regulatory + tax call
KBC Group	EUR	BE0002819002	750	0.625%	M/S+95bps	7/09/2021	7/09/2026	7/12/2031	10.25NC5.25	regulatory + tax call

Senior Holdco :

Issuer	Currency	Isin Code	Issued (in mio)	Coupon	Re-off spread	Settlement date	Maturity date	Tenor
KBC Group	EUR	BE0002266352	750	0.750%	M/S +65bps	18/10/2016	18/10/2023	7y
KBC Group	EUR	BE0002281500	750	3M Euribor +55bps	3M Euribor +55bps	24/05/2017	24/11/2022	5,5y
KBC Group	EUR	BE0002602804	500	0.875%	M/S +72bps	27/06/2018	27/06/2023	5y
KBC Group	EUR	BE0002631126	750+250	1.125%	M/S +95bps	25/01/2019	25/01/2024	5y
KBC Group	EUR	BE0002645266	500	0.625%	M/S +60bps	10/04/2019	10/04/2025	6y
KBC Group	EUR	BE0002681626	500	0.750%	M/S +65bps	24/01/2020	24/01/2030	10y
KBC Group	EUR	BE0974365976	500	0.500%	M/S +72bps	16/06/2020	16/06/2027	7NC6
KBC Group	EUR	BE0002728096	750	0.125%	M/S +60bps	3/09/2020	3/09/2026	6NC5
KBC Group	EUR	BE0002766476	750	0.125%	M/S+60bps	14/01/2021	14/01/2029	8NC7
KBC Group	EUR	BE0002799808	500 + 200	0.750%	M/S+65bps	31/05/2021	31/05/2031	10y
KBC Group	GBP	BE0002820018	400	1.250%	M/S+52bps	21/09/2021	21/09/2027	6y
KBC Group	EUR	BE0002832138	750	0.250%	M/S+47bps	1/12/2021	1/03/2027	5.25NC4.25
KBC Group	EUR	BE0002839208	750	0.750%	M/S+70bps	21/01/2022	21/01/2028	6NC5
KBC Group	EUR	BE0002846278	750	1.500%	M/S+90bps	29/03/2022	29/03/2026	4NC3
KBC Group	EUR	BE0974423569	750	2.875%	M/S+125bps	29/06/2022	29/06/2025	3NC2

Annex 2 – KBC's covered bond programme

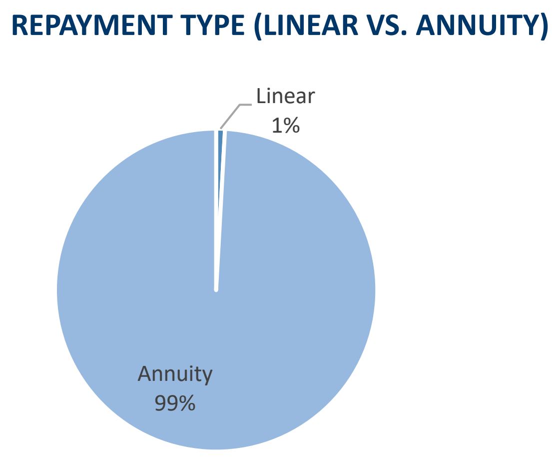
Key cover pool characteristics

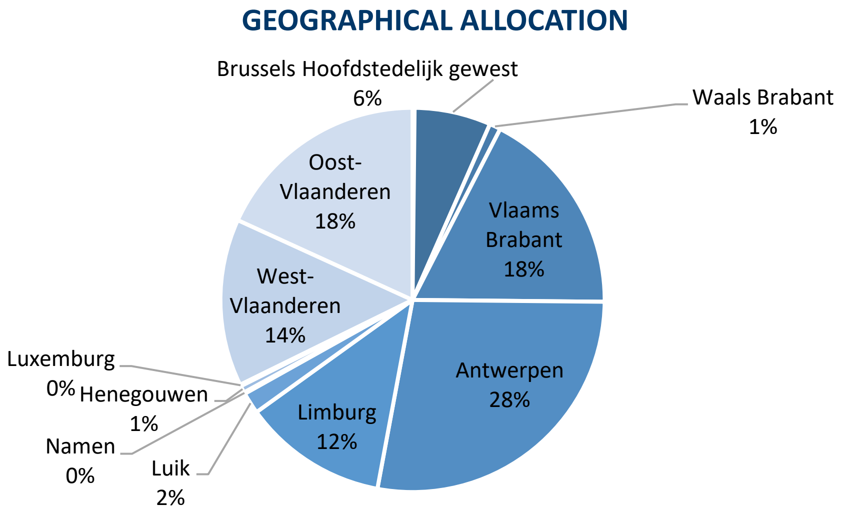
Investor reports, final terms and prospectus are available on www.kbc.com/covered_bonds

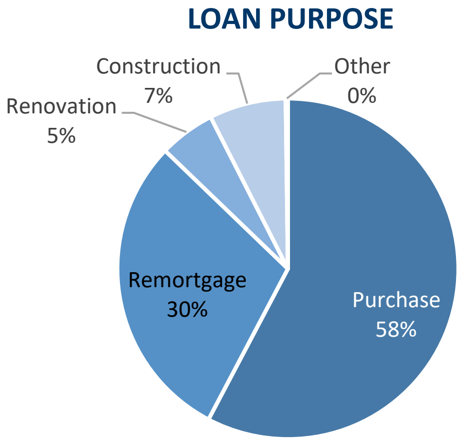
Portfolio data as of :	30 June 2022
Total Outstanding Principal Balance	16 546 728 127
Total value of the assets for the over-collateralisation test	15 140 307 941
No. of Loans	214 439
Average Current Loan Balance per Borrower	118 807
Maximum Loan Balance	1 000 000
Minimum Loan Balance	1 000
Number of Borrowers	139 274
Longest Maturity	359 months
Shortest Maturity	1 month
Weighted Average Seasoning	56 months
Weighted Average Remaining Maturity	186 months
Weighted Average Current Interest Rate	1.61%
Weighted Average Current LTV	62.6%
No. of Loans in Arrears (+30days)	188
Direct Debit Paying	98%

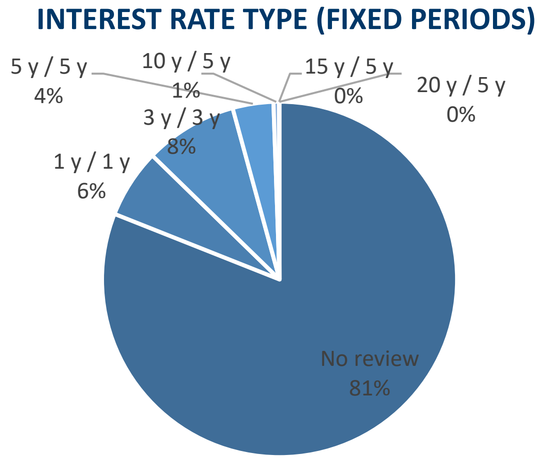
Annex 2 – KBC’s covered bond programme

Key cover pool characteristics



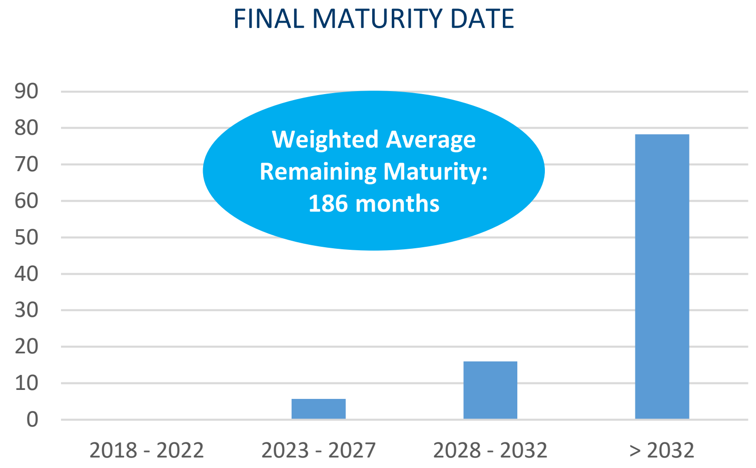


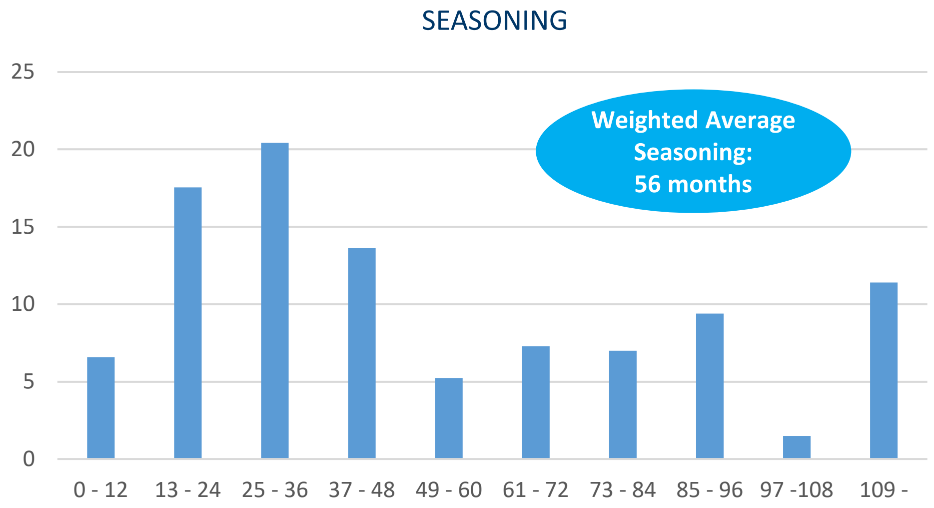


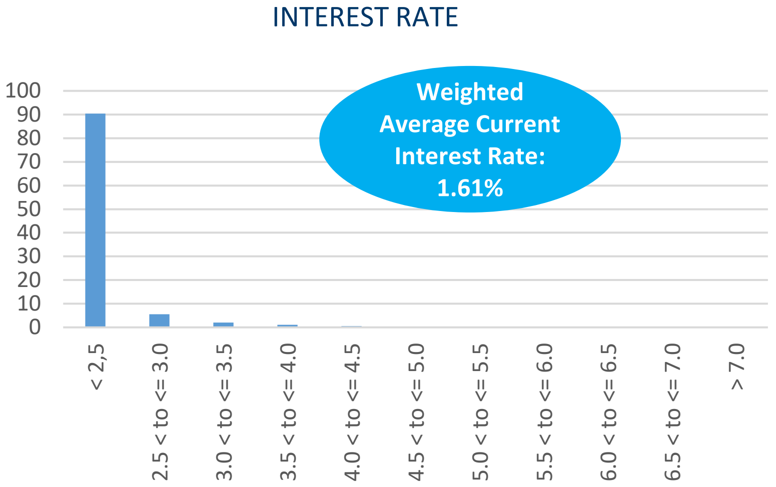


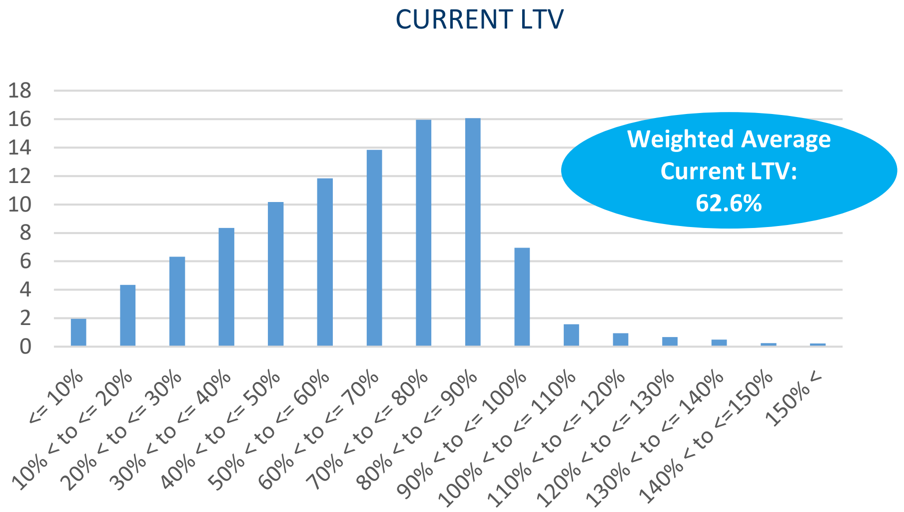
Annex 2 – KBC's covered bond programme

Key cover pool characteristics







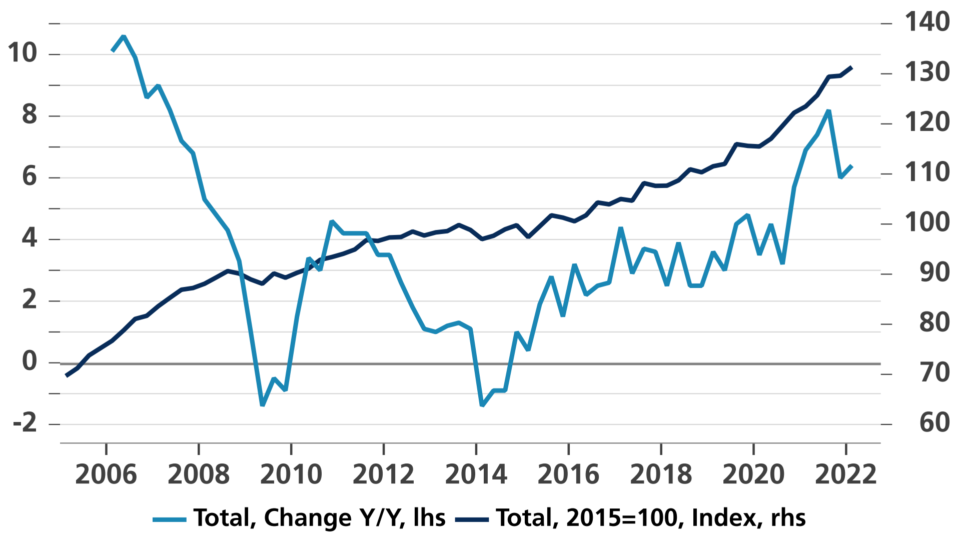


Annex 2 - Belgian real estate market

House price dynamics in Belgium seem to slow down

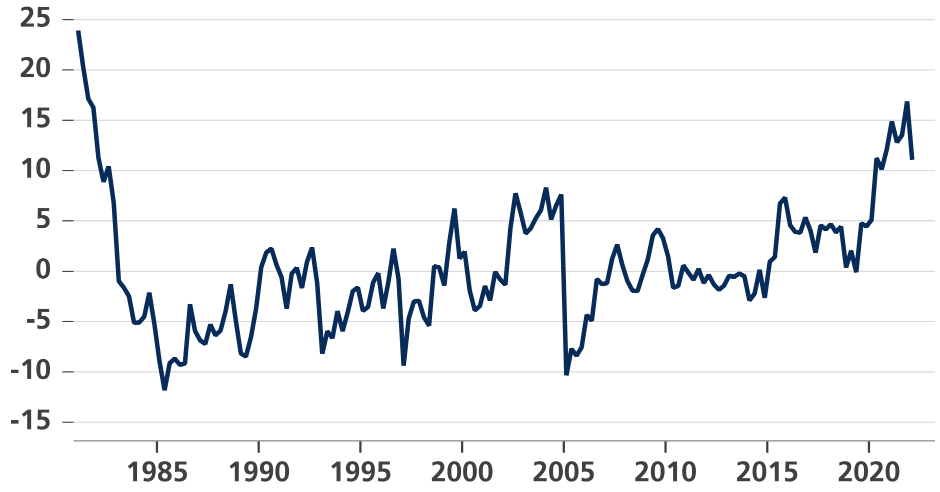
The y-o-y house price increase slowed to 6.0% in Q4 2021 and 6.4% in Q1 2022, down from 8.2% in Q3 2021.
The overvaluation of Belgian real estate fell to 11% in Q1 2022.

Belgium - Eurostat house price index
(total dwellings)



Source: KBC Economics based on Eurostat

Belgium - Under-/overvaluation housing market
(in %, KBC econometric model) (*)



Source: own calculation KBC Economics
(*) Deviation from the 'fundamental price' as determined by household disposable income, mortgage interest rate, number of families and real estate taxation.

Annex 3 - Solvency details

Overview of B3 CET1 ratios at KBC Group

Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	18,289	118,211	15.5%
DC**, fully loaded	16,875	106,105	15.9%
DM***, fully loaded	16,110	101,231	15.9%

* FICOD: Financial Conglomerate Directive
** DC: Danish Compromise
*** DM: Deduction Method

Annex 4 – Business unit international markets

Business profile

	BELGIUM	CZECH REPUBLIC	SLOVAKIA	HUNGARY	BULGARIA	GROUP CENTRE	Of which IRELAND
2Q22 NET RESULT (in million euros)	564m	237m	28m	-6m	30m	-41m	-2m
ALLOCATED CAPITAL (in billion euros)	7.7bn	2.1bn	0.7bn	0.9bn	0.5bn	0.8bn	0.6bn
LOANS (in billion euros)	115bn	34bn	10bn	5bn	4bn		9bn
DEPOSITS* (in billion euros)	146bn	47bn	8bn	9bn	7bn		4bn
BRANCHES (end 2Q22)	430	203	117	197	157		12
Clients (end 2Q22)	3.8m	4.3m	0.8m	1.6m	1.7m		0.2m

* Customer deposits, excluding debt certificates and repos

Glossary (1/2)

B3	Basel III
CBI	Central Bank of Ireland
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
ESMA	European Securities and Markets Authority
ESFR	European Single Resolution Fund
FICOD	Financial Conglomerates Directive
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (PD 10-11-12)]
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]
TLAC	Total loss-absorbing capacity

Contacts / Questions

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Download the KBC IR APP

More information

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

Upcoming events

12 August 2022	Equity roadshow, London
6 September 2022	Equity roadshow, Scandinavia
7 September 2022	Equity roadshow, London
8 September 2022	Equity roadshow, Frankfurt
13 September 2022	Barclays Conference, New York
14 September 2022	Equity roadshow, Boston
19 September 2022	Equity roadshow, US Midwest
21 September 2022	BoAML Conference, LOndon
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9 November 2022	3Q2022 Publication of interim results
10 November 2022	Equity roadshow, London