KBC Group

Press presentation

2Q and 1H 2022 results

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2Q 2022 key takeaways

- **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 53-54)
- **Interim dividend** of 1 EUR per share in November 2022

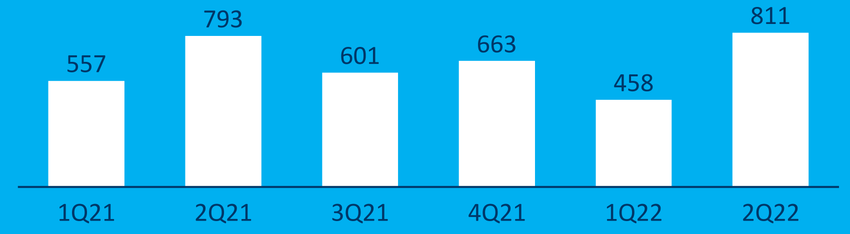
Excellent net result of 811m EUR in 2Q22

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



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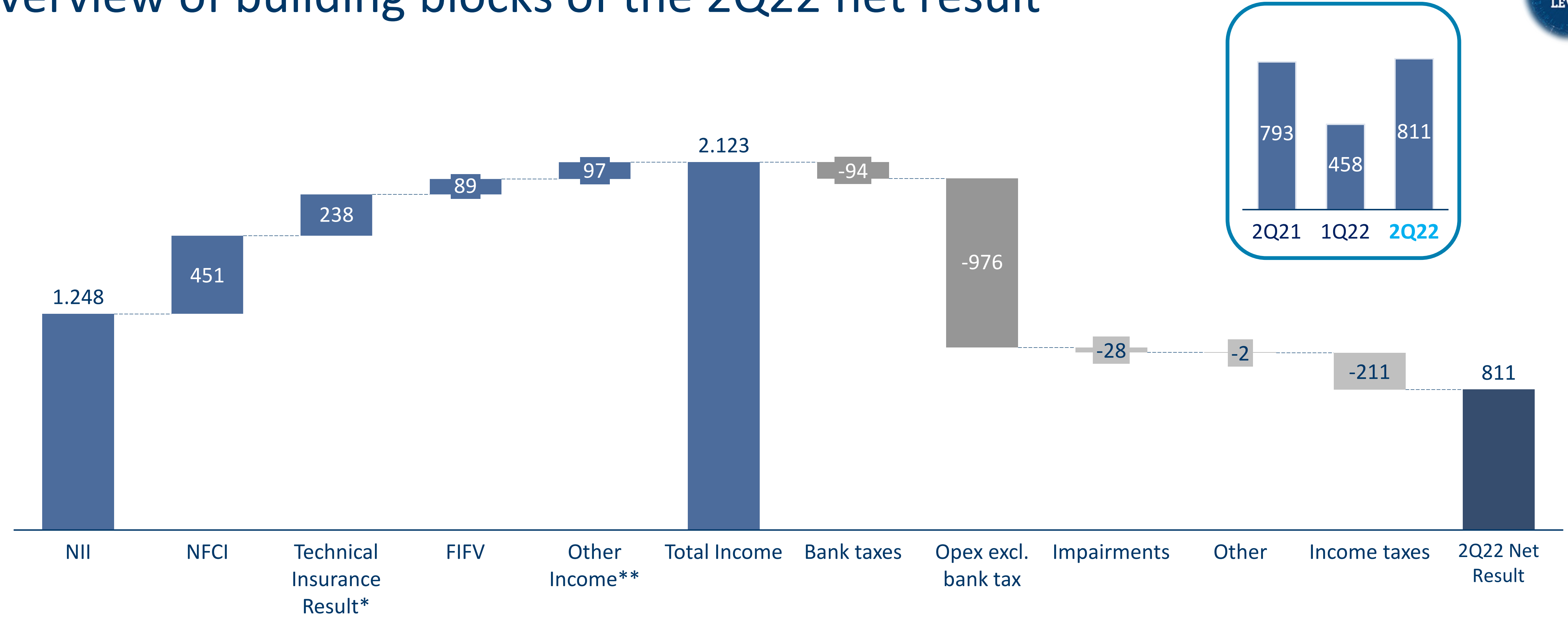
1. When bank taxes are evenly spread throughout the year
2. As of 1Q22, interim profit recognition (based on 50% profit accrual)

Comparisons against the previous quarter unless otherwise stated

2Q 2022 performance of KBC Group

Overview of building blocks of the 2Q22 net result



Q-o-Q	+4%	-6%	+3%			0%		-3%				+77%
Y-o-Y	+14%	0%	+6%			+15%		+4%				+2%

* Earned premiums – technical charges + ceded reinsurance

** Dividend income + net realised result from debt instruments FV through OCI + net other income

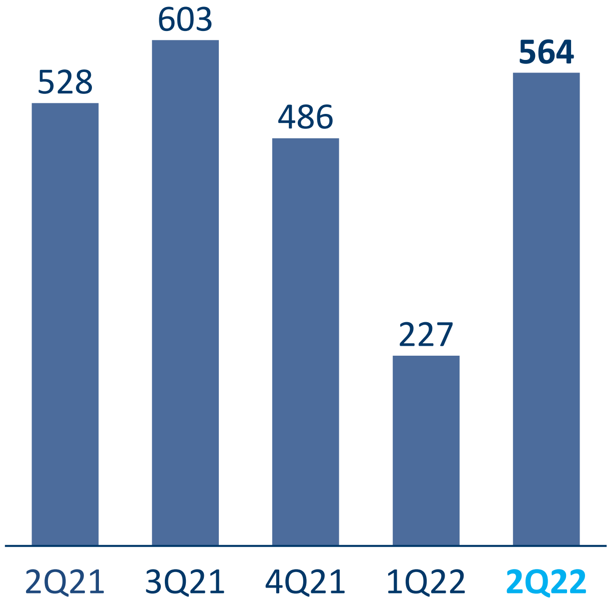
Amounts in millions of EUR

Net result per business unit

Excellent contribution from all business units

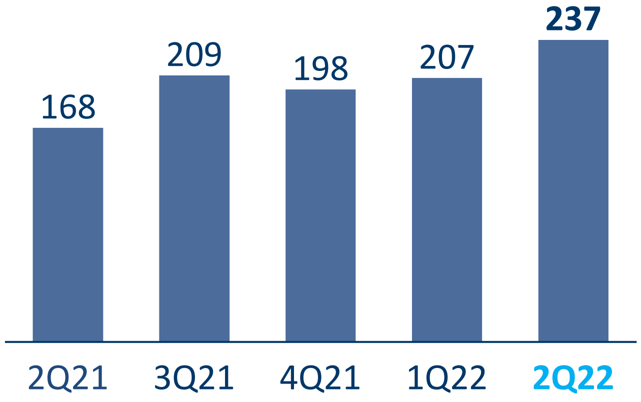
BE BU

q-o-q



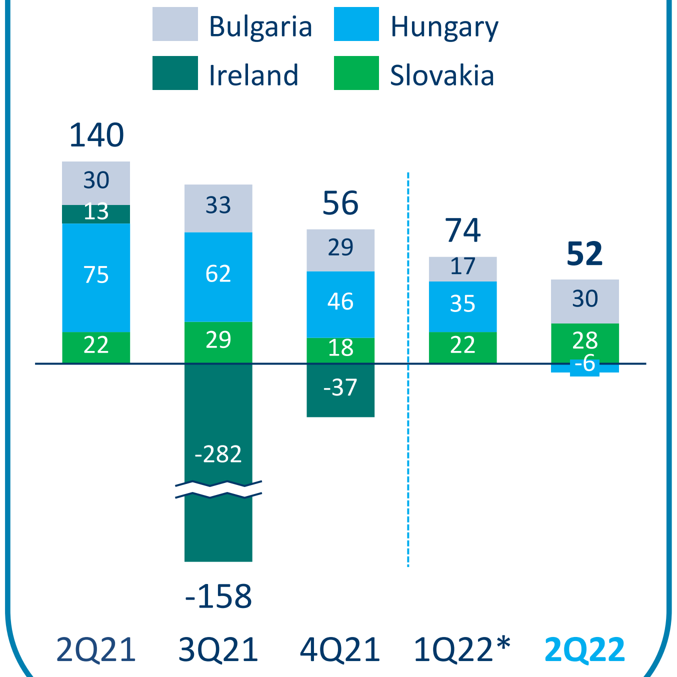
CZ BU

q-o-q



IM BU

q-o-q



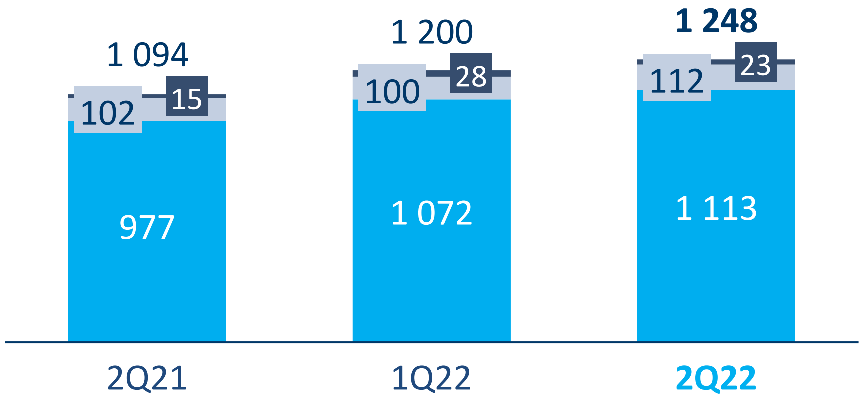
Amounts in millions of EUR

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

Net interest income

Higher net interest income (NII) and stable net interest margin (NIM)

Net Interest Income



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) and 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**

Quarter	2Q21	1Q22	**2Q22**
NIM	1.79%	1.91%	**1.91%**

NIM 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

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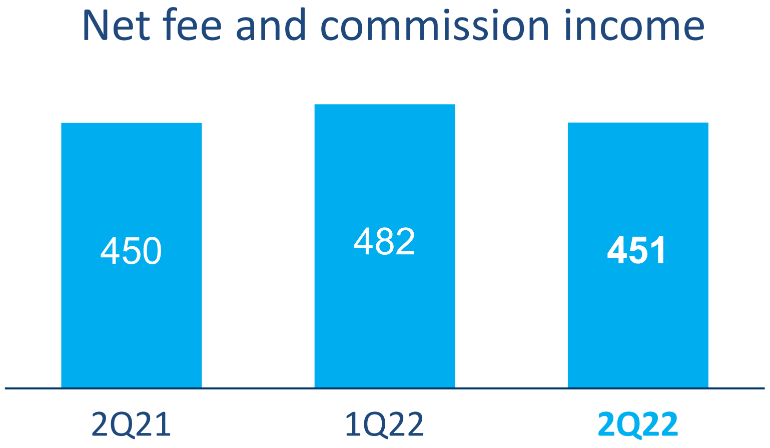
* *From all ALM FX swap desks*

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

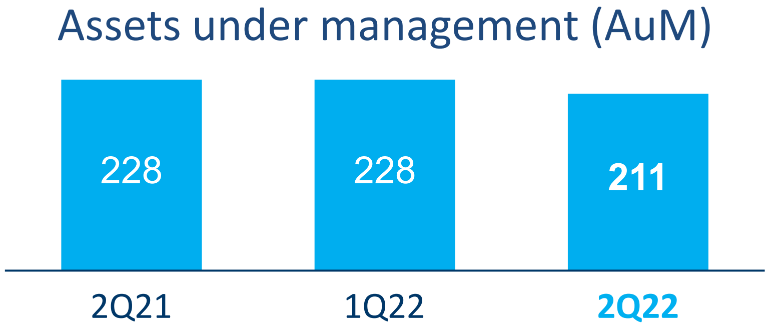
Amounts in millions of EUR

Net fee and commission income

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



Amounts in millions of EUR



Amounts in billions of EUR

Net fee and commission income 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
- **Distribution costs paid** 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
- **Distribution costs paid** rose by 15% y-o-y: mainly higher commissions paid linked to strong sales of insurance products

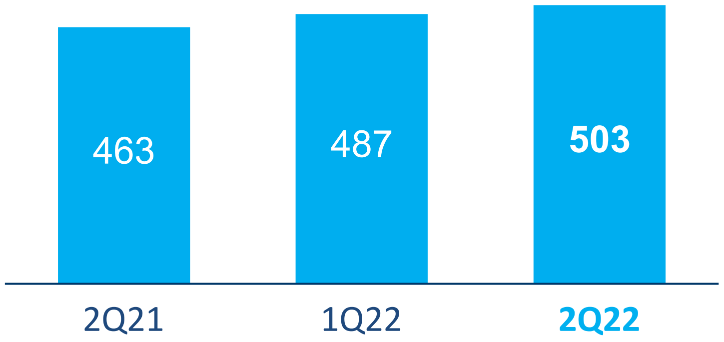
Assets under management (211bn EUR)

- Decreased by 8% q-o-q and by 7% y-o-y as net inflows were more than offset by negative price effect

Non-life insurance

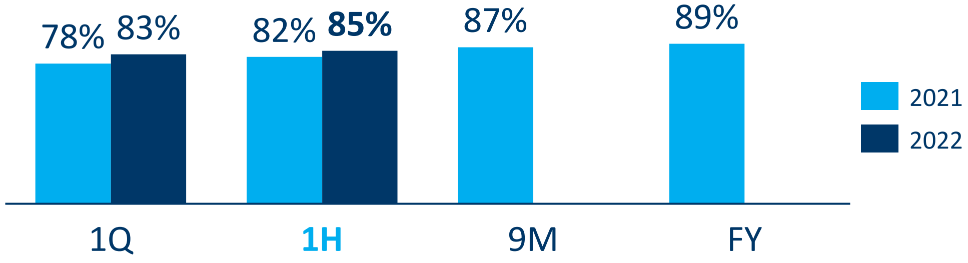
Non-life premium income up y-o-y and excellent combined ratio

Non-Life
(Gross earned premiums)



Y-o-y increase of gross earned premium **Non-Life by +9% in 2Q22**

Combined ratio non-life



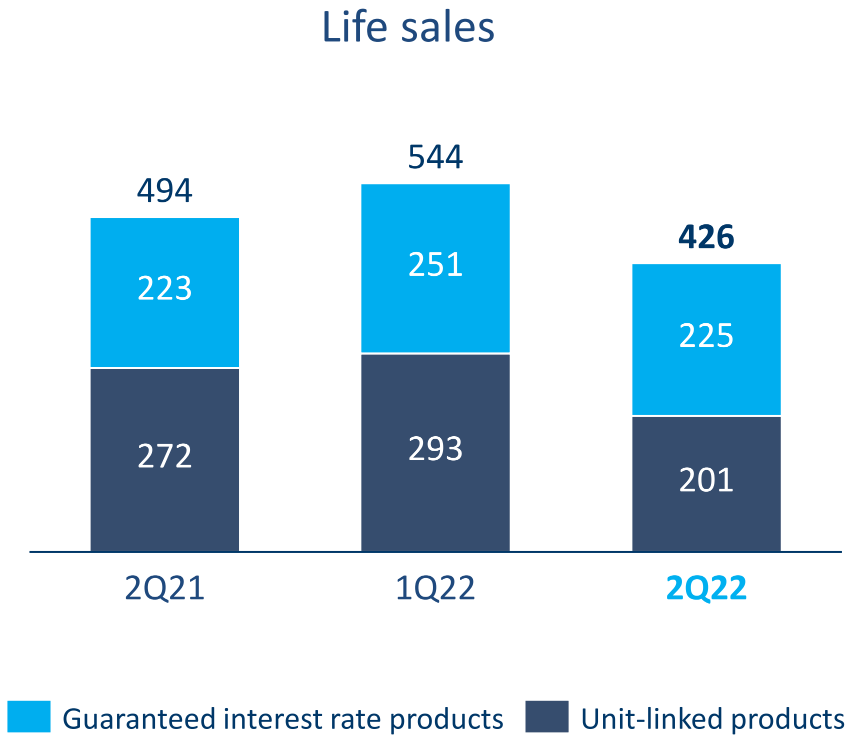
The non-life **combined ratio** for 1H22 amounted to an excellent **85%** (82% in 1H21). This is the result of:

- 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)

Amounts in millions of EUR

Life insurance

Life sales down q-o-q and y-o-y



Sales of life insurance products

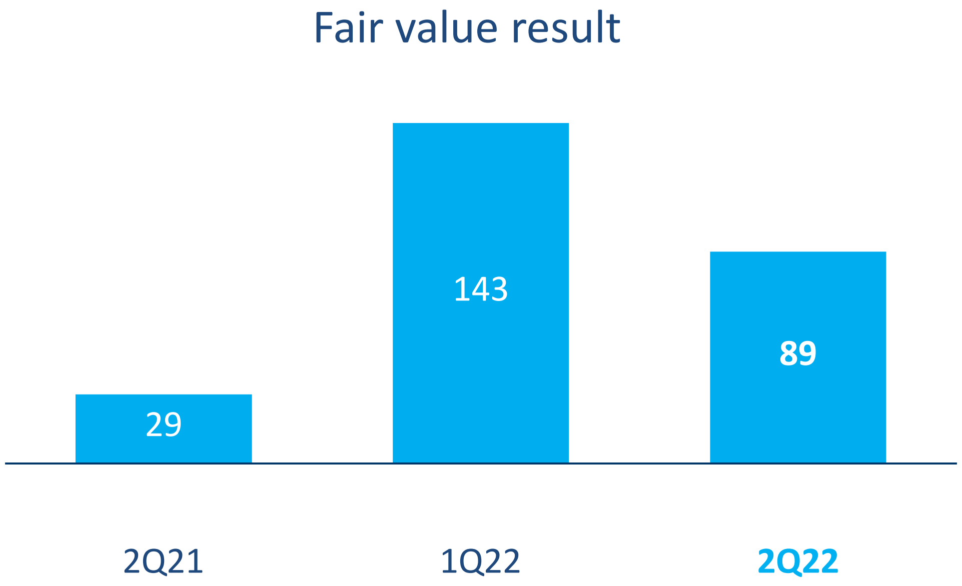
- **Decreased by 22% q-o-q** due mainly to lower sales of unit-linked products and guaranteed interest products in Belgium
- **Decreased by 14% y-o-y** due mainly to:
  - a decrease of sales of unit-linked products in Belgium and the Czech Republic

  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

Amounts in millions of EUR

Net result from financial instruments at fair value

Decrease of net result from financial instruments at fair value (following an extremely strong 1Q22)



The **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

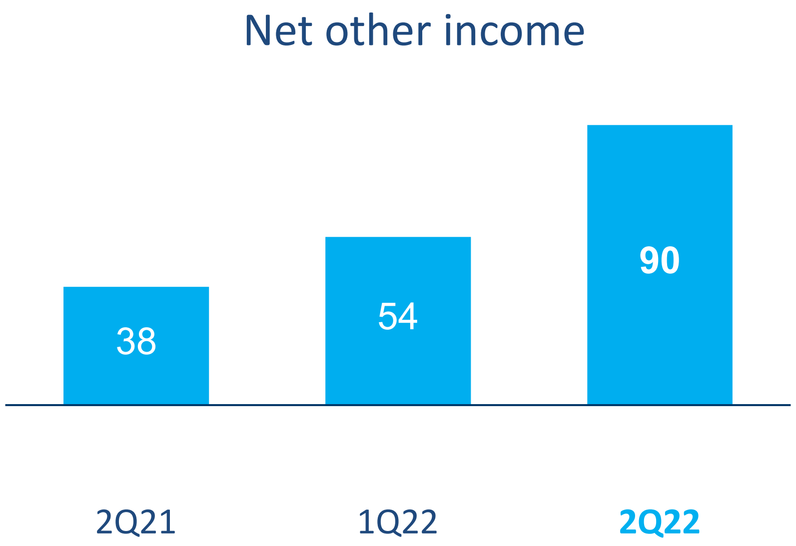
- significantly positive change in ALM derivatives due mainly to increasing EUR rates

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)

Amounts in millions of EUR

Net other income

Net other income sharply above normal run rate

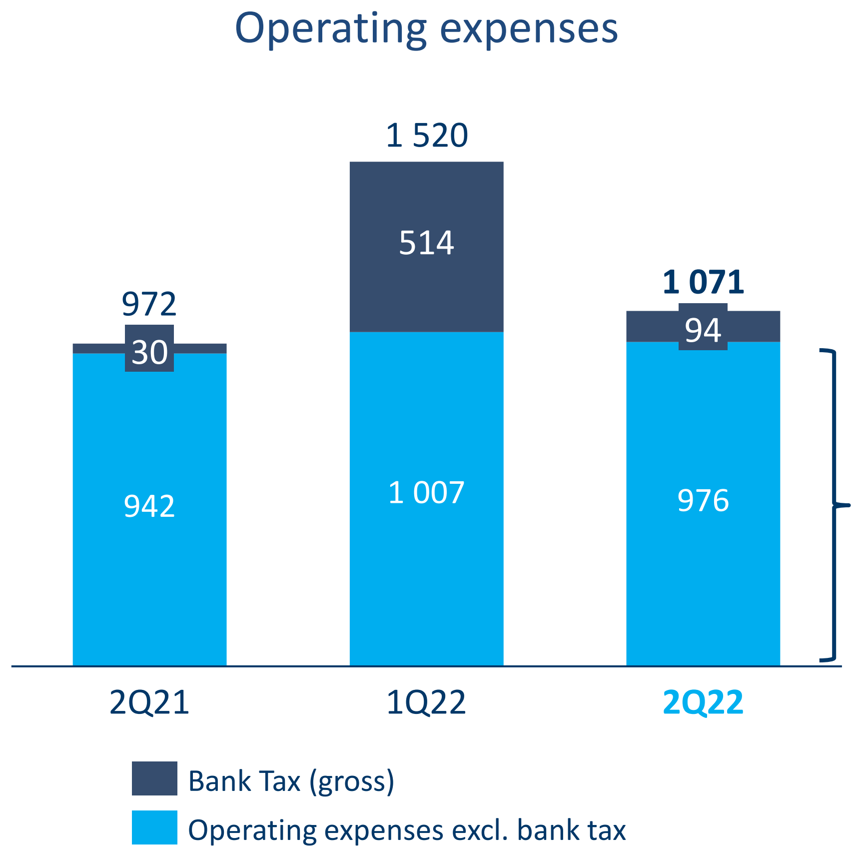


- **Net other income** amounted to 90m EUR
  - sharply higher than the normal run rate of around 50m EUR per quarter
  - included a one-off 68m EUR realised gain on the sale of real estate subsidiary at KBC Insurance, which more than offset realised losses on the sale of bonds

Amounts in millions of EUR

Operating expenses

Costs excluding bank taxes decreased q-o-q



	FY21	**1H22**
Cost/Income ratio (group)*	55%	**53%**

- **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

Amounts in millions of EUR

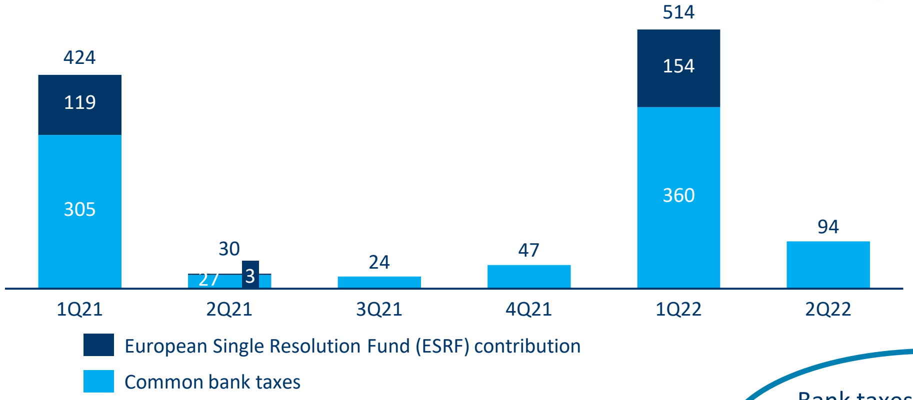
** Cost/Income ratio (group) adjusted for specific items: MtM ALM derivatives and one-off items are fully excluded but bank and insurance taxes are included pro-rata*

Operating expenses

*Overview of bank taxes**

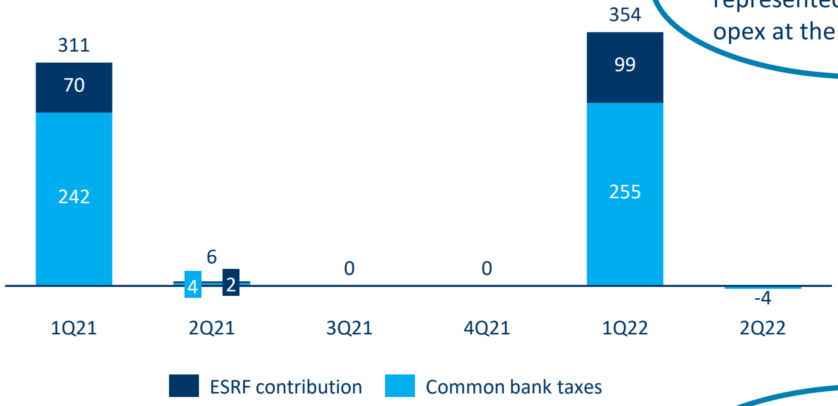
KBC GROUP

Bank taxes of 608m EUR YTD. On a pro rata basis, bank taxes represented 14.3% of 1H22 opex at KBC Group



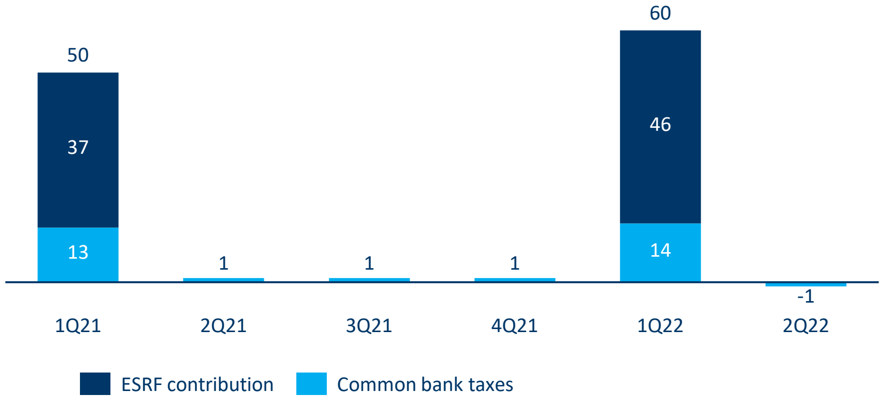
BELGIUM BU

Bank taxes of 350m EUR YTD. On a pro rata basis, bank taxes represented 13.7% of 1H22 opex at the Belgium BU



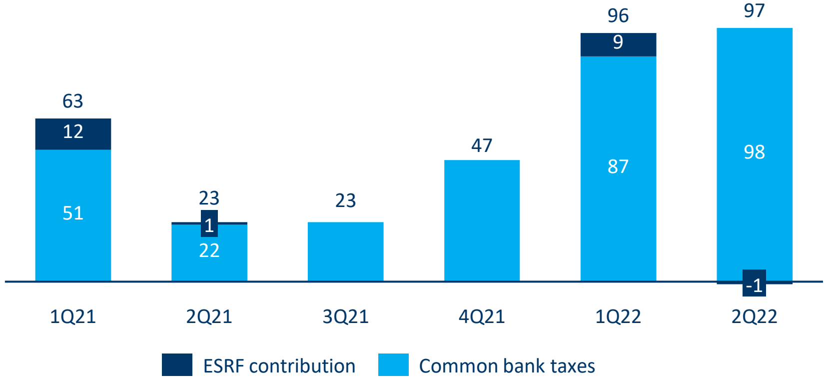
CZECH REPUBLIC BU

Bank taxes of 60m EUR YTD. On a pro rata basis, bank taxes represented 6.9% of 1H22 opex at the CZ BU



INTERNATIONAL MARKETS BU**

Bank taxes of 193m EUR YTD. On a pro rata basis, bank taxes represented 28.3% of 1H22 opex at the IM BU



- This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.

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

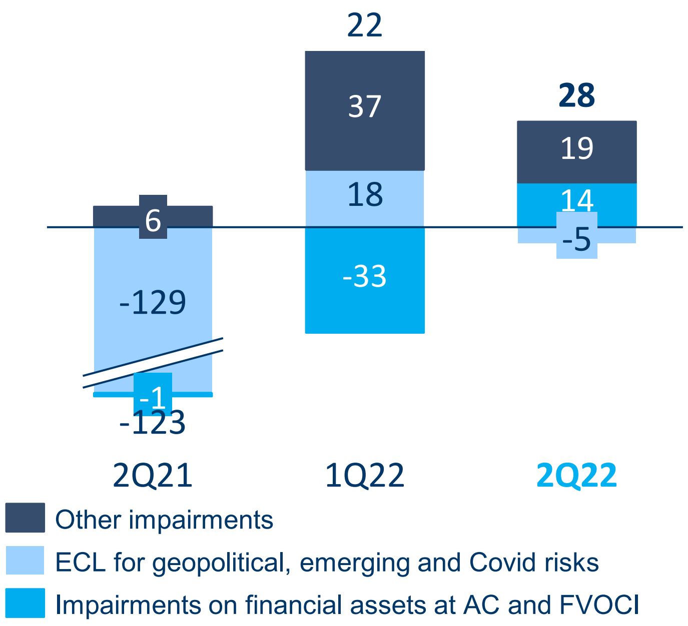
Amounts in m EUR

Asset impairments

Small net loan loss impairment charges and excellent credit cost ratio

Asset impairment

(negative sign is write-back)



Credit cost ratio*	FY21	1H22
With ECL for geopolitical, emerging and Covid risks	-0.18%	-0.01%
Without ECL for geopolitical, emerging and Covid risks	0.09%	-0.02%

**negative sign is write-back*

Amounts in millions of EUR

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)

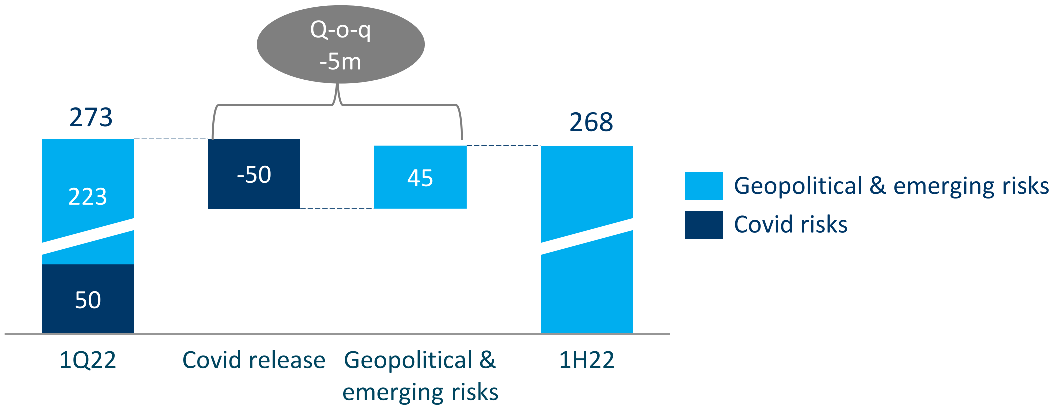
The credit cost ratio in 1H22 amounted to -2 bps without ECL for geopolitical, emerging and Covid risks and -1 bps with ECL for geopolitical, emerging and Covid risks

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: 6.3b 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)**

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* *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.*

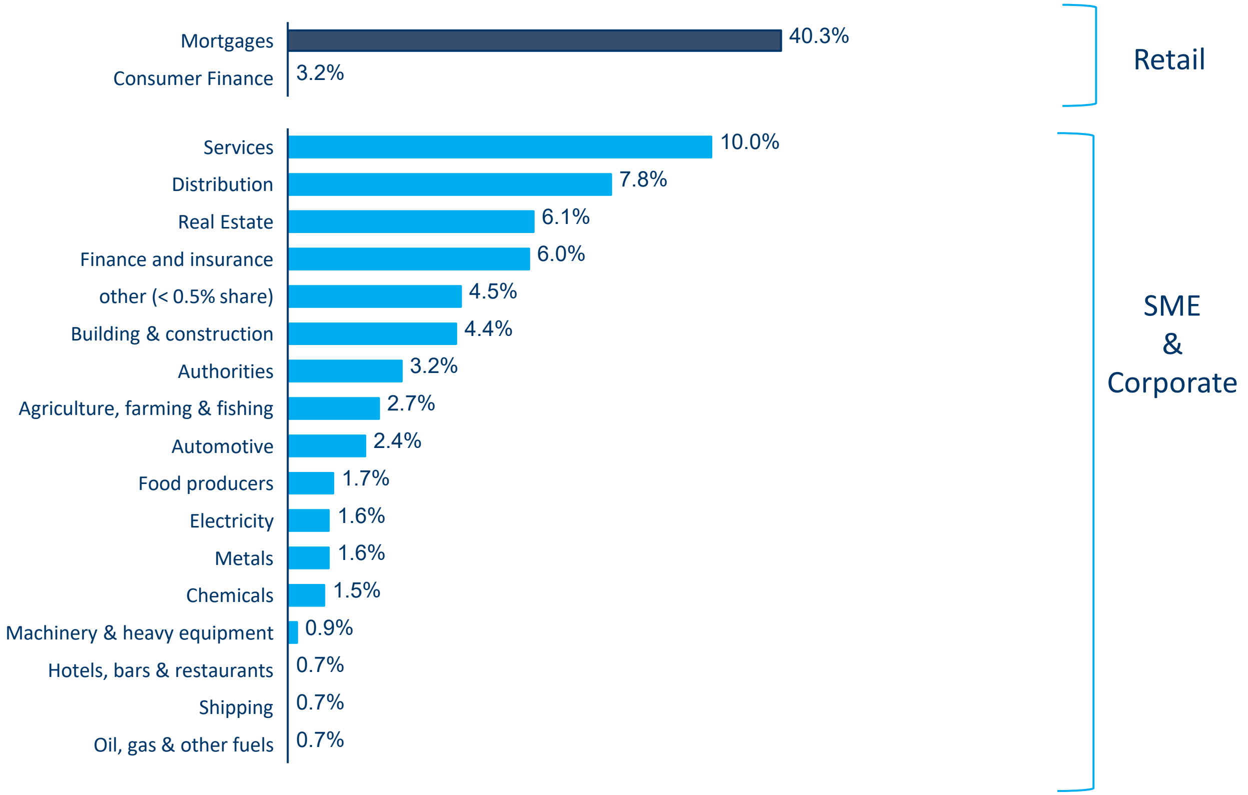
** *Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements*

Differently THE NEXT LEVEL

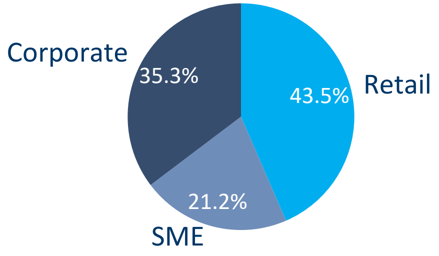
Diversified loan portfolio

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

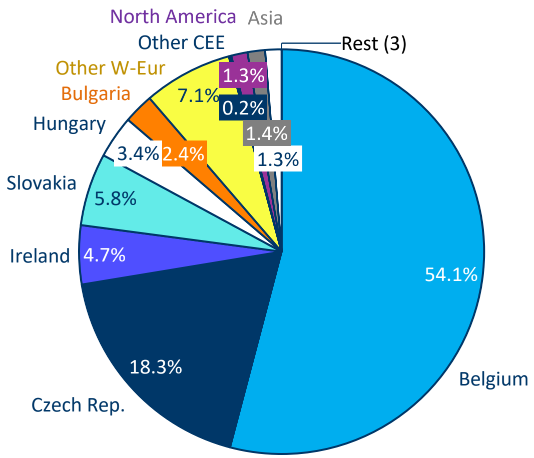
197bn EUR(2)



Total loan portfolio outstanding by segment(1)



Total loan portfolio outstanding by geographical breakdown(1)

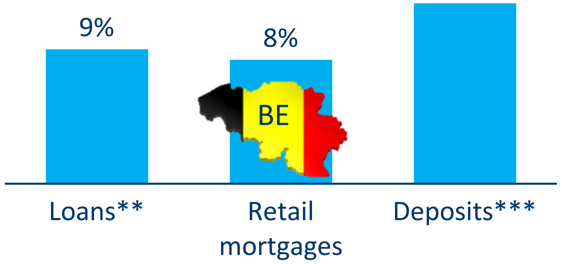


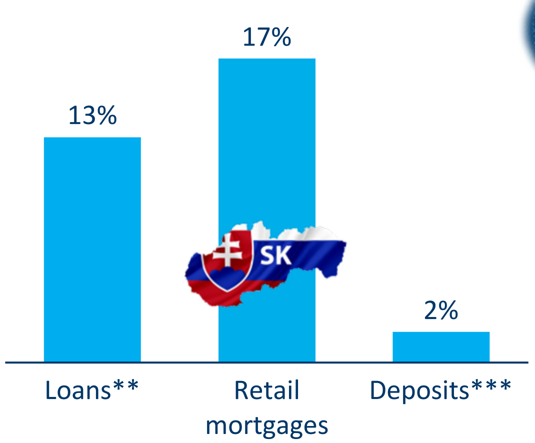
(1) Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
(2) Including loan portfolio of KBC Bank Ireland, the pro-forma total loan portfolio outstanding without KBC Bank Ireland amounts to 188bn EUR
(3) The 'rest' part includes 0.02% of the outstanding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

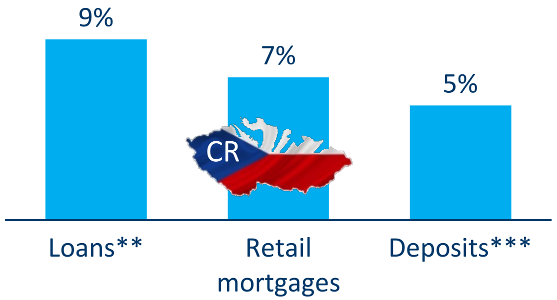
Balance sheet:

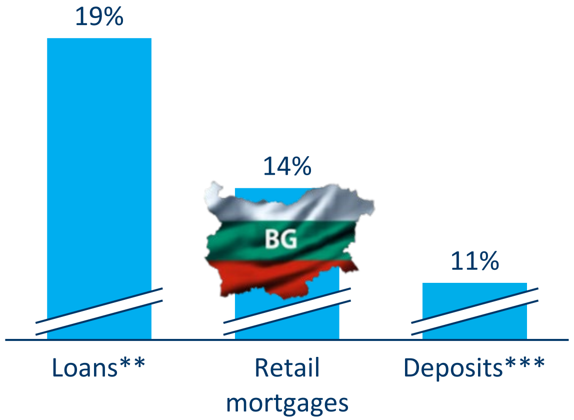
Loans and deposits continue to grow in most countries

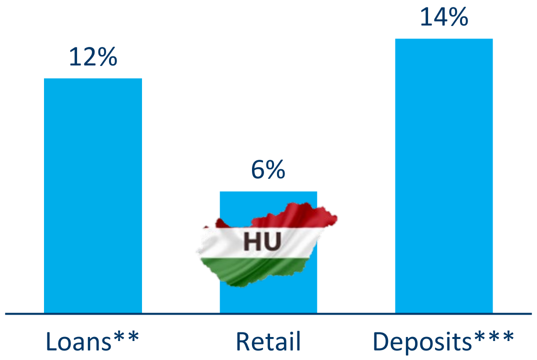
Y-O-Y ORGANIC* VOLUME GROWTH

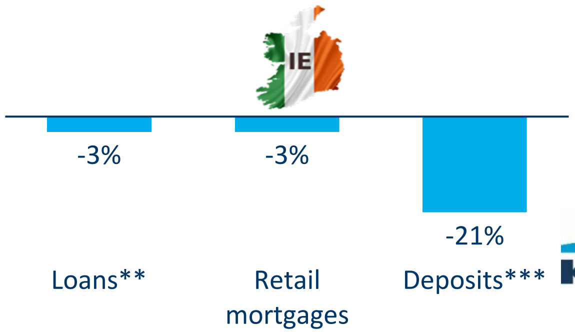












* Volume growth excluding FX effects, divestments/acquisitions and reclassifications

** 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

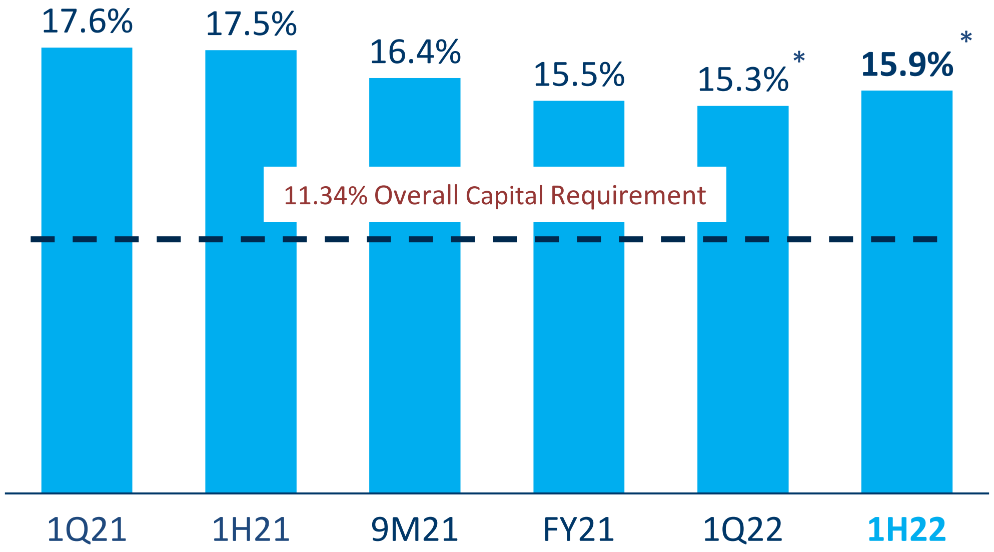
Differently THE NEXT LEVEL

Strong solvency and solid liquidity

Common equity ratio

Strong capital position

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



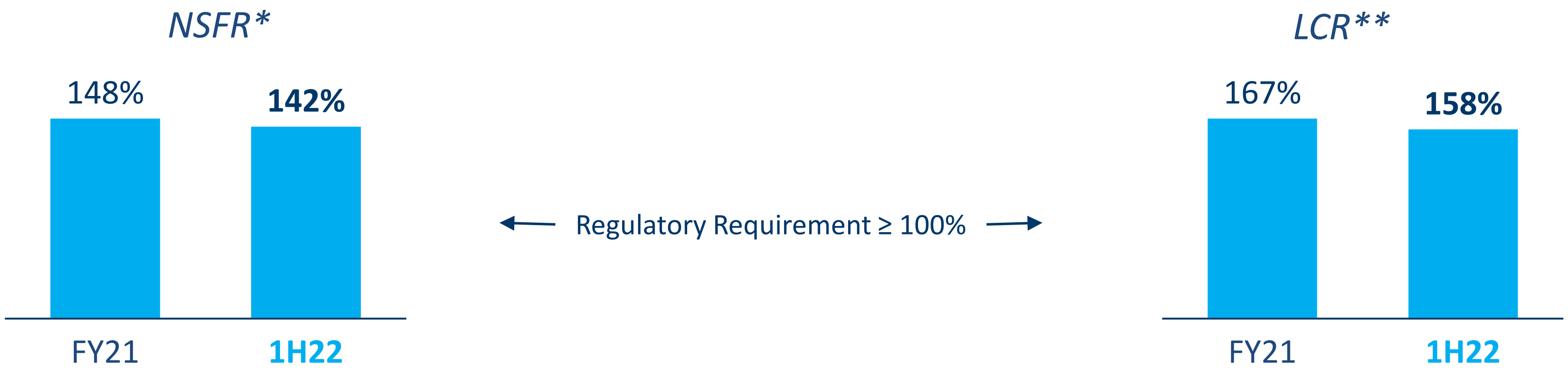
* As of 1Q22, interim profit recognition (based on 50% profit accrual)

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

Liquidity ratios

Liquidity continues to be very solid

KBC Group's liquidity ratios



- **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

** 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.*

Looking forward

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

⇒ **Jaws of ± 4% (instead of 3% earlier guided)**

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

* IFRS17 impact is not yet taken into account given early days

** Fully loaded CET1 ratio, Danish Compromise

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

> *We put our clients centre stage as they keep counting on us to help them realise and protect their dreams. We do this proactively and work together to support the society and create sustainable growth. We are genuinely grateful for the confidence they put in us.*
>
> *Particularly in these challenging times, I would like to explicitly thank our customers and stakeholders for their confidence and our staff for their relentless efforts.*
>
> *Johan Thijs, KBC Group CEO*

Annex 1

Differently: the next level

KATE

Kate4MassRetail

Kate is a **personal virtual assistant** that engages with our retail customers to save them time and money.
Kate engages both in a reactive way (**You2Kate**) and a proactive way (**Kate2You**).

Available in all KBC's core countries!
BG launched in February, HU in July & SK in August

Kate4Business

Kate will also engage with our **SME and corporate clients** with relevant and actionable insights that are personal and proactive.

Already available in BE and CZ

Four flavors, one Kate

Growing number of **USE CASES: 148 in BE, 114 in CZ & 27 in BG**

Kate AUTONOMY 50% BE 40% CZ

2 135 000 clients already in contact with Kate (BE+CZ+BG)

use cases for small SME's: 10 in BE & 23 in CZ

'KATE IN A BOX' delivered to all core countries

Total of 318K Leads dispatched in CZ & BE in 2022

Kate Group Platform

We do not build Kate for every country individually. Kate is **built once at a group level and then deployed to all core countries** (Kate in a box).
Technically, we have set up a shared infrastructure on the cloud that allows us to share use cases, code and IT components maximally.
Furthermore, KBC strives to have a common user interface and persona, so Kate **looks and feels the same everywhere**.
Finally, everything that can be developed at group level is governed by a specific steering committee that develops and maintains the group Kate infrastructure.

Kate4Employees

Kate will also have an **impact on our employees**: Kate will provide **commercial steering** towards our work force, she will **augment our workforce** to better serve our clients, Kate will serve as a back-up for our network and will automate certain administrative tasks.
In doing so, employees can focus on providing even more added value to our client.
This will also give tools to management to better coach employees and plan ahead.

Already available in CZ and BE
To be launched in HU, BG and SK (2023)

KBC is becoming a data-driven organisation with KATE at the core

Kate is more than an interface towards customers. It also refers to the AI-enhanced software at our center: the **Kate brain.**

The Kate brain will be the driving force behind data-driven **decision making**, **product design and development**, **marketing**, **commercial and sales steering** and much more.

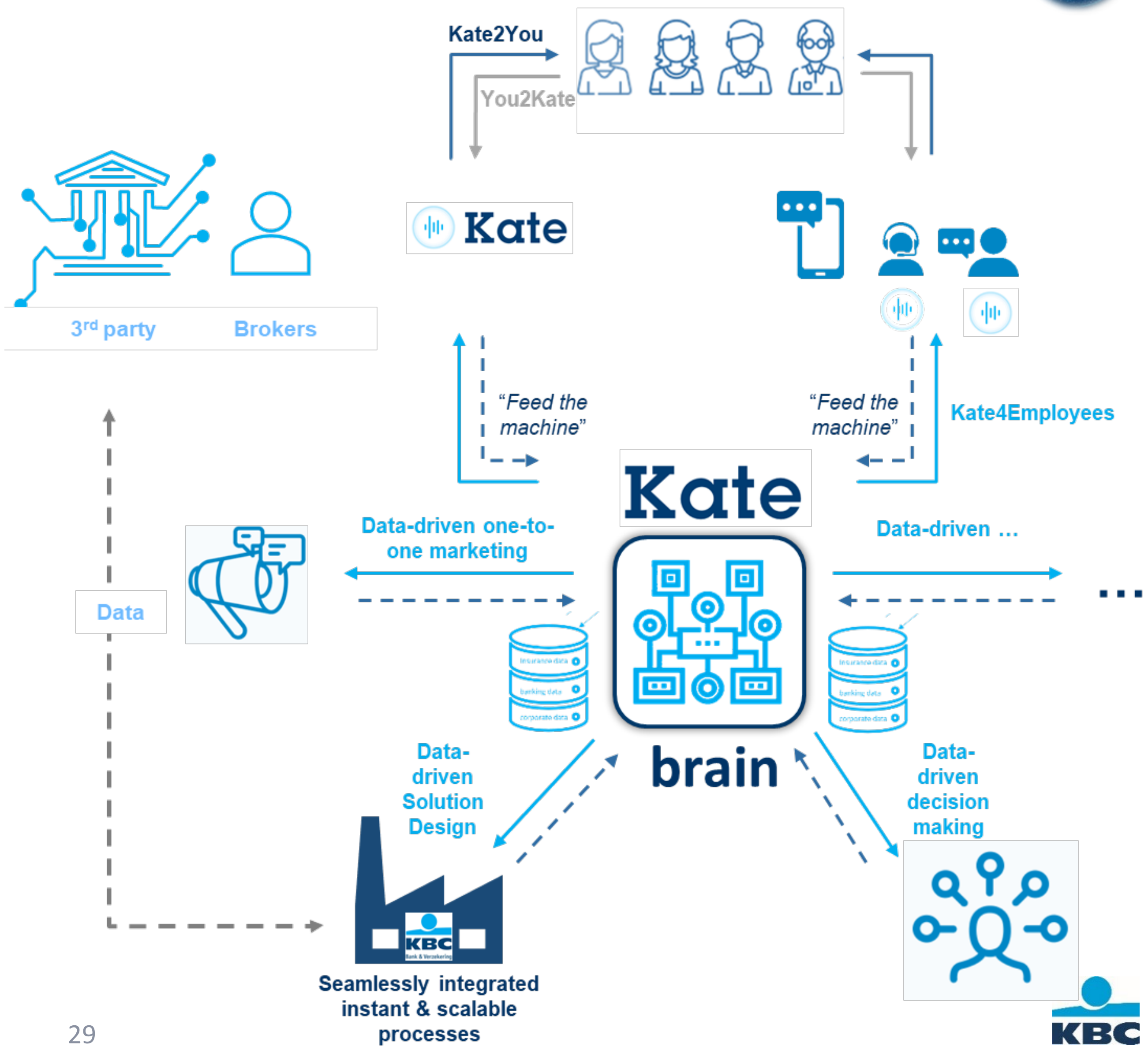
So, Kate is not only steering the interaction with customer-facing touchpoints (digital, physical, remote) but also the product factories and decision makers by providing relevant insights.

The Kate brain is fed by our own banking and insurance **data-sources** but also by data sources from third party services, resulting in **seamlessly integrated, instant (STP) and scalable processes**.

Very important in this are the **feedbacks loops** from all interactions to make **sure Kate is learning** and getting smarter, resulting in better decision making.

The main purpose remains the same: happy customers. As a data-driven company we remain guided by our **client-centric vision.**

Another upside of being AI-powered and solution-driven, is that we not only **save time (cost reductions),** not only for the customer, and **we improve our sales efforts (better sales productivity).**



Kate2You

You2Kate

Kate

3rd party

Brokers

"Feed the machine"

"Feed the machine"

Kate4Employees

Data

Data-driven one-to-one marketing

Kate

brain

Data-driven …

…

Data-driven Solution Design

Data-driven decision making

Seamlessly integrated instant & scalable processes

Differently: THE NEXT level

Translating strategy into non-financial targets

Update on our 4 operational targets (1)

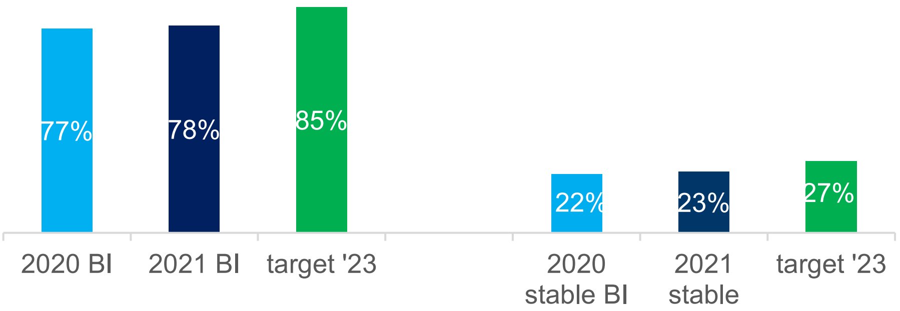
Customer NPS ranking

- 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

* Based on the latest available data.

% bank-insurance (BI) clients



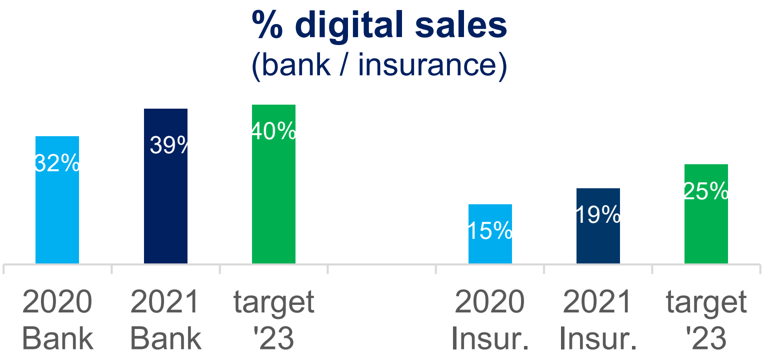
- 78% of active customers are BI customers at end 2021 (vs 2023 target of 85%)
- 23% of active customers are stable BI customers at end 2021 (vs 2023 target of 27%)

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)

Differently: THE NEXT level

Translating strategy into non-financial targets

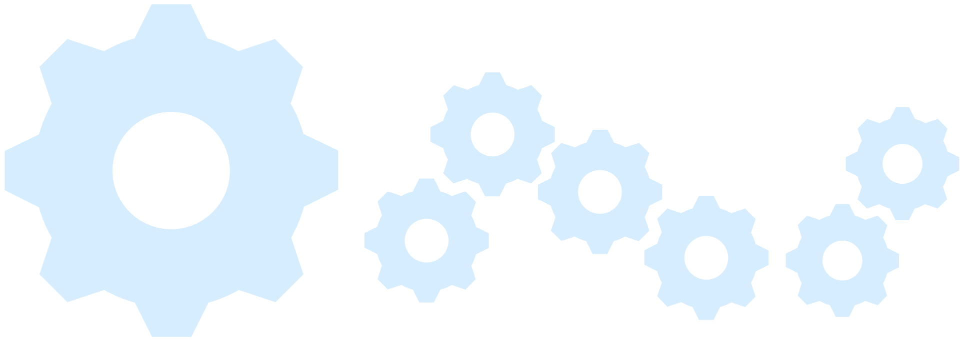
Update on our 4 operational targets (2)

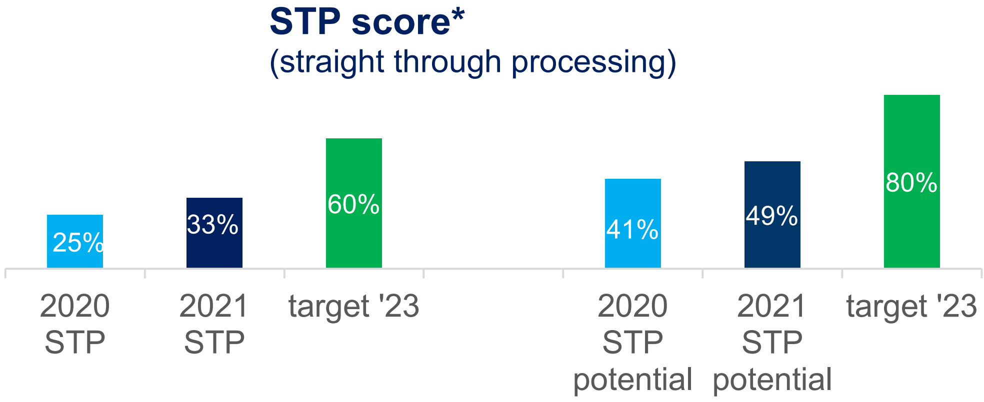


% digital sales
(bank / insurance)

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

Based on weighted 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.

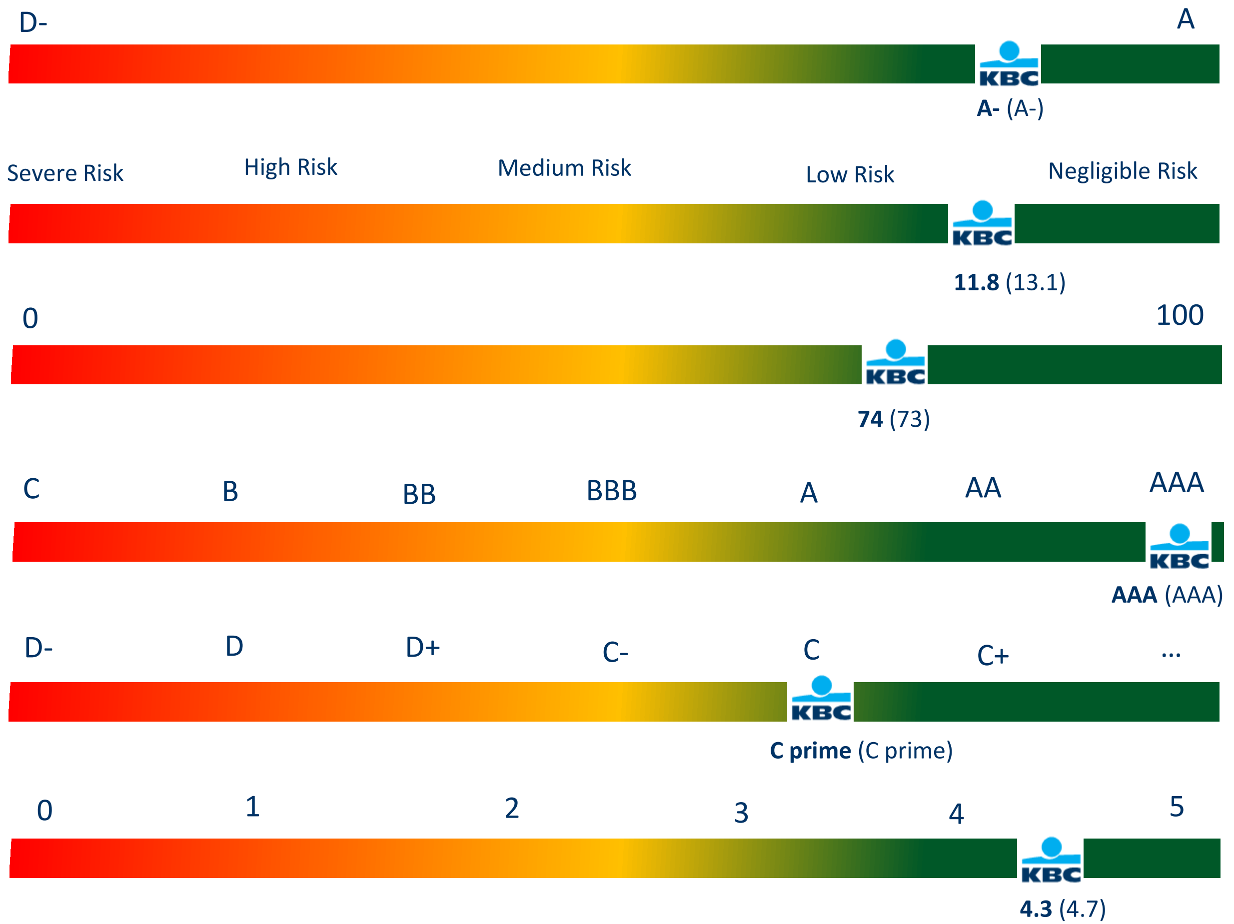
STP potential measures what the STP ratio would be if KBC would only have the digital channel in its interaction with clients for a given process or product.

* Based on analysis of core commercial products.

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**
CDP	**A-** (A-)	Financial services average B
SUSTAINALYTICS	**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	**74** (73)	Top 12% (88th percentile of 242 banks assessed)
MSCI	**AAA** (AAA)	4th percentile of 189 banks assessed
Corporate ESG Performance Prime RATED BY ISS ESG	**C prime** (C prime)	1st decile rank of 300 Commercial Banks & Capital Markets assessed
FTSE4Good	**4.3** (4.7)	Top 2% (98th percentile of banks assessed)



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

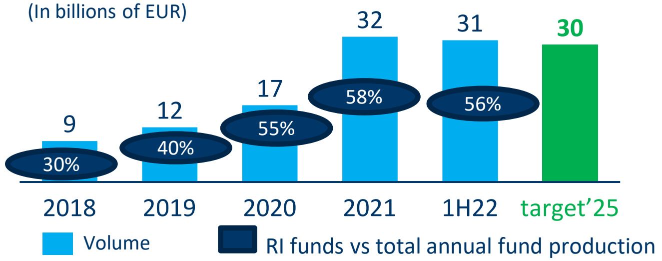
Our sustainability ambitions

We substantially raise the bar for our climate-related ambitions

Achieved ✓

Volume of Responsible Investing Funds(*)

(In billions of EUR)

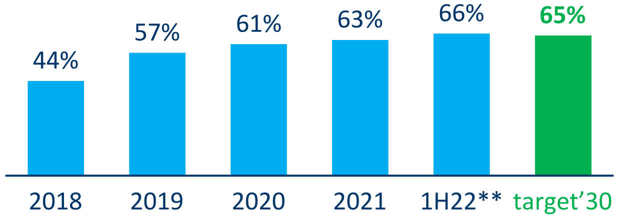


- End of 2021: volume of Responsible Investing funds includes all Belgian KBC pension savings funds (adding 6bn EUR)
- Responsible Investing funds ≥ 50% of annual fund production from 2021 onwards

Achieved ✓

Renewable energy loans

(In % of total energy sector loan portfolio)

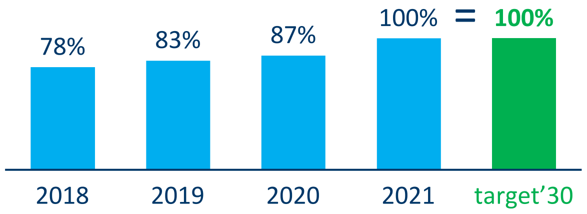


- Target set to 65% by '30
- In the first half of 2022, Project Finance Belgium concluded 3 new renewable energy transactions for a total amount of 61m EUR

Achieved ✓

Renewable electricity

(In % of own electricity consumption)

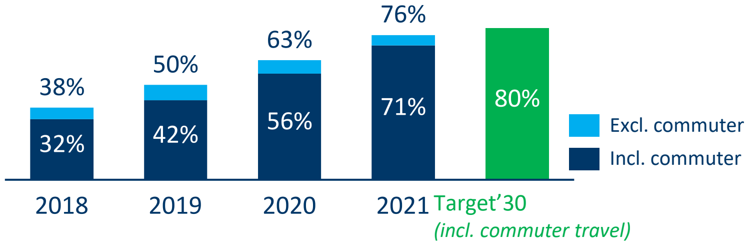


- Continued installation of photovoltaic panels on buildings we own and operate ourselves

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

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(*) 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