KBC Group
Company presentation

2Q 2023

More information: www.kbc.com

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Accounting framework | Implementation of IFRS 17

IFRS 17 (Insurance contracts) is effective from 1 January 2023 (with retrospective application for 2022) and replaces IFRS 4:

- **The income statement is updated to include the new items introduced by IFRS 17** (also the quarterly figures of 2022 have been restated accordingly)

- **This does not change the underlying economics and steering of the business**
  - No change to KBC Group CET1 ratio
  - No change to capital distribution policy
  - No change to KBC Insurance Solvency II ratio

- It primarily constitutes a new accounting framework
  - **New structure of KBC specific bank-insurance integrated income statement** and some changes to the balance sheet
  - **Some changes to specific Group and Insurance KPIs**, including Cost-income ratio and Combined ratio
  - Belgium unit-linked contracts are not accounted for under IFRS 17, but remain accounted for under IFRS 9, as they do not contain an insurance component

Refer to KBC.com for more details on **concepts applied within KBC's transition to IFRS 17** as well as **restatements of the 2022 quarterly and annual results** (publication of 18APR23)

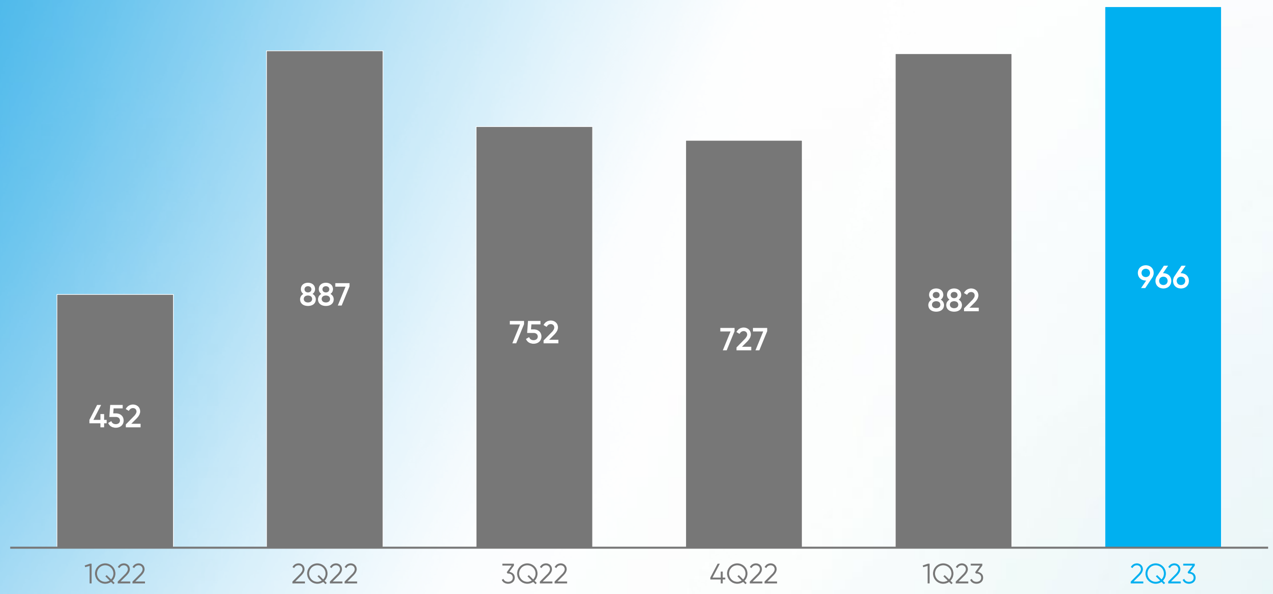
Highlights

- **Commercial bank-insurance franchises** in core markets performed excellently
- **Customer loans** and **customer deposits** increased q-o-q in most of our core countries (on a comparable basis)
- KBC issued its **second social bond in May 2023**
- Higher **net interest income** q-o-q
- Higher **net fee and commission income** q-o-q
- Q-o-q higher **net result from financial instruments at fair value** and q-o-q decrease of **net other income**
- Strong sales of **non-life insurance** y-o-y and strong sales of **life insurance** (both q-o-q and y-o-y)
- Costs down q-o-q due entirely to lower bank & insurance taxes; **costs excl. bank & insurance taxes slightly up q-o-q**
- **Small net loan loss impairment releases**
- Solid **solvency** and **liquidity**

Excellent net result of 966m EUR over 2Q23

Net result

in m EUR



YTD ratios

- Return on Equity 16%*
- Cost-income ratio 49%**
- Combined ratio 84%
- Credit cost ratio -0.04%
- CET1 ratio 16.5% (B3, DC, fully loaded)
- Leverage ratio 5.4% (fully loaded)
- NSFR 145% & LCR 152%

* When bank & insurance taxes are evenly spread throughout the year and excluding one-offs

** When excluding certain non-operating items. See glossary for the exact definition

3 capital impacts in the near future

Share buyback of 1.3bn EUR + 1 EUR interim DPS

- **KBC Group will distribute** – over and above the 4 euros already paid as the dividend for 2022 – **1.3bn EUR of surplus capital**, in line with the capital deployment plan KBC Group announced for full-year 2022
- After having received ECB approval, the Board of Directors decided to **distribute 1.3bn EUR in the form of a share buyback** (starting as soon as possible and ending by August 2024)
- As such, 1.3bn EUR will be deducted from the fully loaded and transitional CET1 (ratio) **as of 3Q23**
- In line with our general dividend policy, we will **also pay out an interim dividend of 1 euro per share in November 2023** as an advance on the total dividend for financial year 2023

Further optimisation of KBC's capital structure

- In line with CRD V Art. 104a(4), ECB allows banks to satisfy the P2R with Additional Tier 1 instruments (up to 1.5/8) and Tier 2 instruments (up to 2/8) based on the same relative weights as allowed for meeting the 8% Pillar 1 Requirement
- KBC Group currently has a P2R of 1.86%
- Contrary to most of our peers, KBC currently fills its P2R almost entirely with more conservative but also more expensive CET1 capital
- **KBC decided to further optimise its capital structure** and as such, KBC **will fill up the AT1 and Tier 2 buckets within P2R**

RWA add-on, mitigated

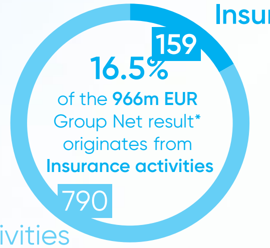
- KBC Group has received a final ECB supervisory decision, following model reviews for predominantly KBC's Belgian corporate & SME credit portfolio
- As a result of this, KBC will be subject to a RWA add-on of approximately 8.2bn EUR in 3Q23. **This 8.2bn EUR RWA add-on will be mitigated** by (1) a 1.7bn EUR RWA release in 3Q23, (2) an expected RWA relief of 2.0bn EUR ballpark figure before year-end 2023 due to model simplification and (3) roughly 4.5bn EUR of the 8.2bn EUR RWA add-on is frontloading of the IRB B4 CET1 impact in 2025*
- **There is currently no material deterioration noticed in the credit portfolio including the Belgian Corporate & SME loan portfolio**

* Note that the FTA impact of B4 has increased from the guided 3bn EUR impact to roughly 7bn EUR due to insurance (to be risk weighted in 2025 at 250% instead of 100%)

Strategic focus | What differentiates us from peers

Unique integrated bank-insurance+ model

- We offer an **integrated response** to our clients' banking and insurance needs. Our **organisation** is similarly integrated, operating as a single business and a **digital-first, lead-driven and AI-led bank-insurer**.
- Our integrated model offers our clients the **benefit of a comprehensive, one-stop, relevant and personalised financial service** that allows them to choose from a wider, complementary and optimised range of products and services, which go beyond pure bank-insurance.
- For ourselves, it offers benefits in terms of income and risk diversification, additional sales potential through intensive co-operation between the bank and insurance distribution channels, significant cost-savings and synergies, and heightened interaction opportunities with and a **more complete understanding of our clients**.



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

Successful digital-first approach through KATE

- Our **digital interaction with clients** forms the basis of our business model in our strategy, not only in terms of sales and advice, but also in E2E digital process and product development.
- **Artificial intelligence** and data analysis will play an important part in digital sales and advice. Kate, our personal digital assistant, is featured prominently in this regard.
- **The independent international consulting firm Sia Partners named KBC Mobile one of the top performing mobile banking app worldwide (N°1 in 2021 and N°3 in 2022)**: a clear recognition of a decade of innovation, development and listening closely to our clients.

3.4 million users in contact with Kate

KATE autonomy

63% BE
62% CZ

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 impact we might have**. Note that the first ever Climate Report has been published, (Limited Assurance by external auditor)

see climate targets on Slide 57

Strategic focus | The reference

At KBC it is our ambition to **be the reference** for bank-insurance **in all our core markets**

Profitability

With a **Return on Equity** of **16%** in 1H23 **KBC** is one of the most profitable EU financial institutions

Solvency

With a **fully loaded CET1 ratio** of **16.5%** at end 1H23 KBC is amongst the best capitalised EU banks

Sustainability

Sustainalytics ranks KBC **9th out of 381** diversified global banks

Digitalisation

Sia Partners ranks KBC Mobile as **Belgian N°1 banking app and N°3 worldwide**

"KBC Mobile is a **perfect** and **efficient** banking app for everyday needs and one of the **most innovative** with some **interesting extras**. The app surprises customers with the wide range of functionalities and the **virtual assistance by Kate**."

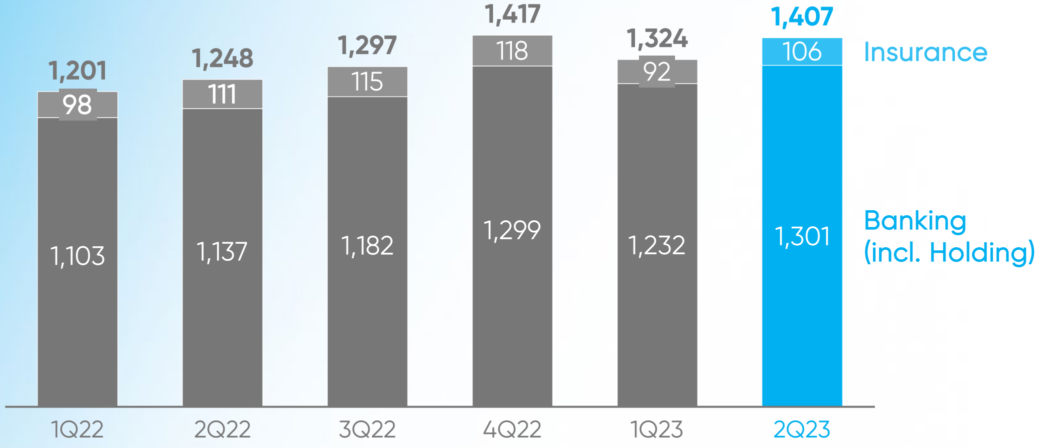
Main exceptional items

		2Q23	1Q23	2Q22
BE BU	NOI – Recuperation Belgian bank & insur. taxes + moratorium interests		+48m EUR	
	NOI – Gain on the sale of a real estate subsidiary			+68m EUR
	Total Exceptional items BE BU		***+48m EUR***	***+68m EUR***
CZ BU	NOI – Legacy legal file(s)		-2m EUR	
	Total Exceptional items CZ BU		***-2m EUR***	
IM BU	HU – BK & INS TAX – Temporary extra windfall bank and insurance tax	-22m EUR	-79m EUR	-78m EUR
	HU – BK TAX – (Recovery of) extraordinary Deposit Guarantee Fund		+9m EUR	
	HU – Impairments – Modification losses	-19m EUR		-14m EUR
	BG – Opex – Integration costs Raiffeisenbank Bulgaria	-3m EUR	-1m EUR	
	BG – Opex – EUR adoption costs		-1m EUR	
	Total Exceptional items IM BU	***-44m EUR***	***-72m EUR***	***-92m EUR***
GC BU	IRL – Sales transaction(s) (NOI -1m, opex -1m and impairments-11m in 2Q23)	-12m EUR	+370m EUR	-17m EUR
	Total Exceptional items GC BU	***-12m EUR***	***+370m EUR***	***-17m EUR***
	Total Exceptional items	***-56m EUR***	***344m EUR***	***-40m EUR***
	Total Exceptional items (post-tax)	*-50m EUR*	*340m EUR*	*-32m EUR*

Higher net interest income in line with expectations

Net interest income

in m EUR

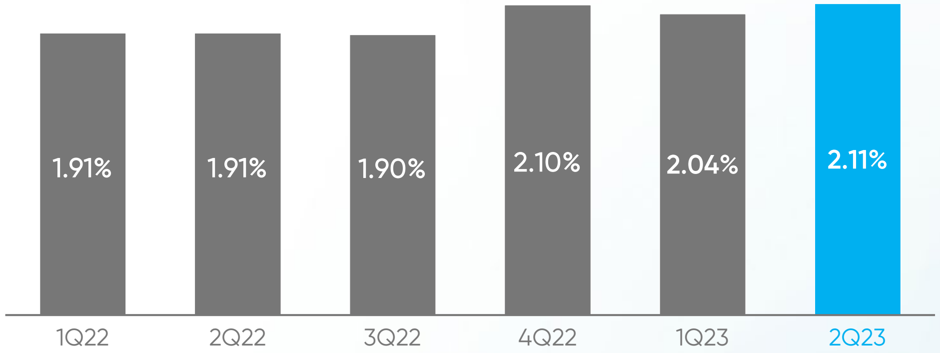


- **NII increased by 6% q-o-q and by 13% y-o-y**
- Q-o-q increase was driven primarily by:
  - Higher commercial transformation result (in all core countries)
  - Higher NII on inflation-linked bonds (+37m EUR)
  - Increased term deposits at better margins
  - Slightly higher lending income (as volume growth more than offsets the negative effect of lower loan margins in most core markets)
  - Higher number of days (+7m EUR)

  partly offset by:
  - 11m EUR lower NII in Ireland (due to the sale early Feb 2023)
  - Higher funding cost of participations
  - Higher costs on the minimum required reserves held with the central bank in both Hungary and Bulgaria (-12m EUR)
- Y-o-y increase was driven primarily by sharply increasing commercial transformation result, the consolidation of Raiffeisenbank Bulgaria as of 3Q22 and increased term deposits at better margins, partly offset by lower lending income, no TLTRO & ECB tiering benefit anymore, lower NII in Ireland, lower NII on inflation-linked bonds, higher funding cost of participations & MREL and higher costs on the minimum required reserves

Net interest margin*

in %, calculated excl. the dealing room and the net positive impact of ALM FX swaps & repos



* Excluding Ireland as of 2023 due to the sale early February 2023

- Rose by 7 bps q-o-q and by 20 bps y-o-y for the reasons mentioned on net interest income, despite an increase in the interest-bearing assets (denominator), both q-o-q and y-o-y

Organic volume trend

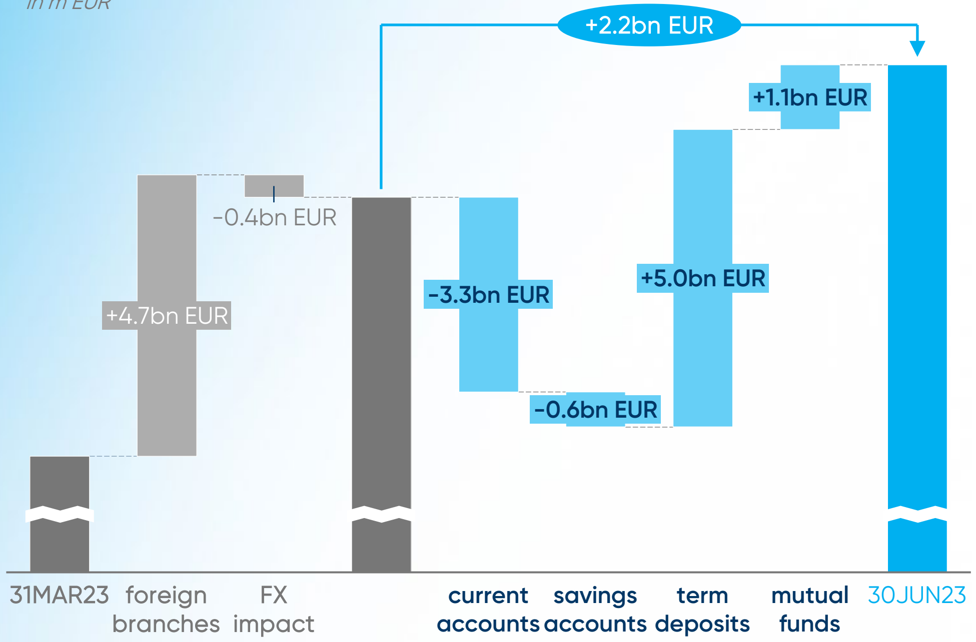
	Total loans**	o/w retail mortgages	Customer deposits***
Volume	182bn	75bn	225bn
Growth q-o-q*	+2%	+1%	+3%
Growth y-o-y	+4%	+4%	0%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments and reclassifications.
*** Customer deposits, excluding debt certificates and repos. **Excluding the volatility in the foreign branches of KBC Bank (included in BE BU), core customer deposits rose by 0.5% q-o-q and by 2% y-o-y**

Inflow of core customer money

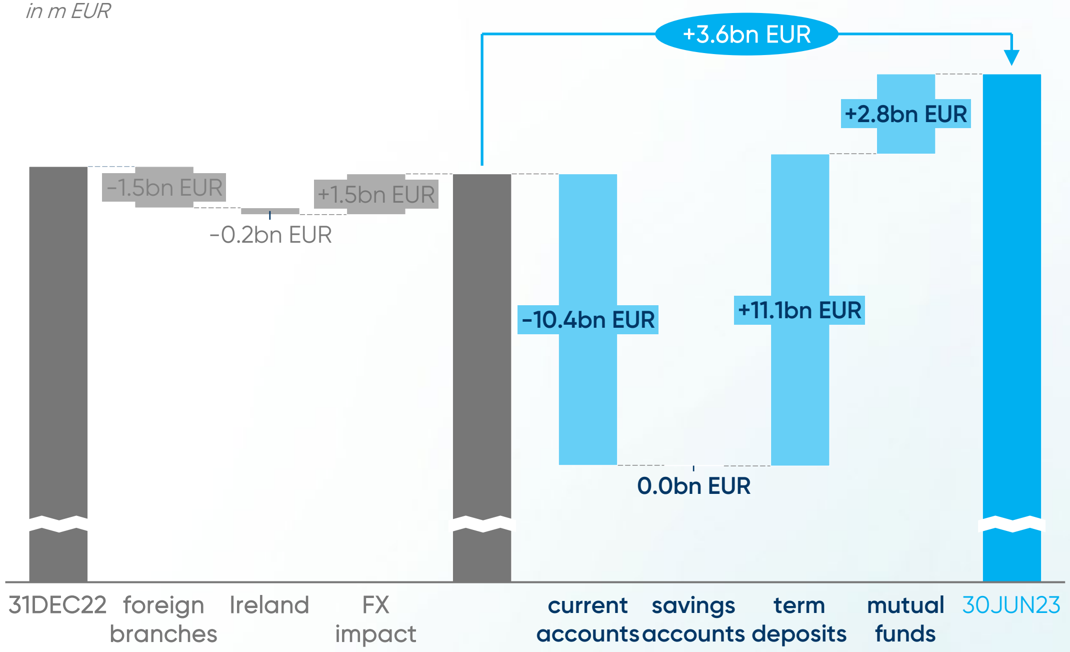
Customer money dynamic over 2Q23

in m EUR



Customer money dynamic over 1H23

in m EUR



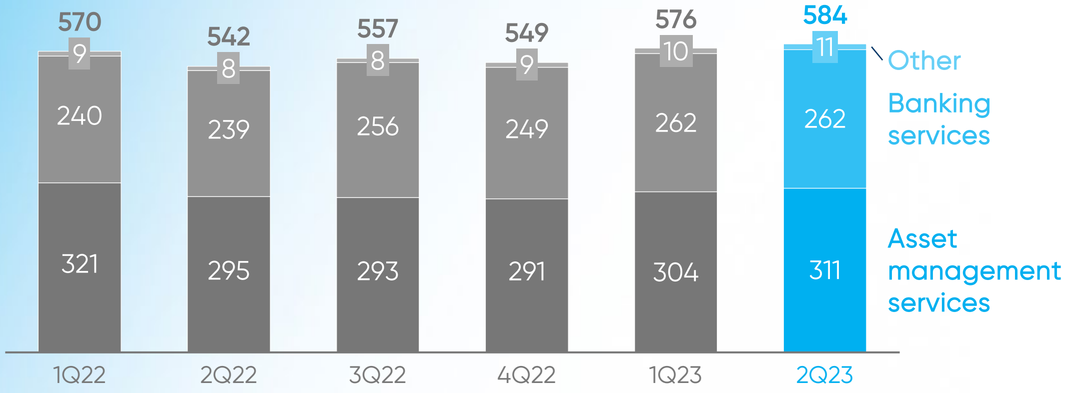
- **2Q23** saw a further inflow of core customer money of **+2.2bn EUR** (+1.8bn EUR incl. FX impact)

- **1H23** saw a further inflow of core customer money of **+3.6bn EUR** (+5.1bn EUR incl. FX impact)

Higher fee and commission income

Net fee & commission income

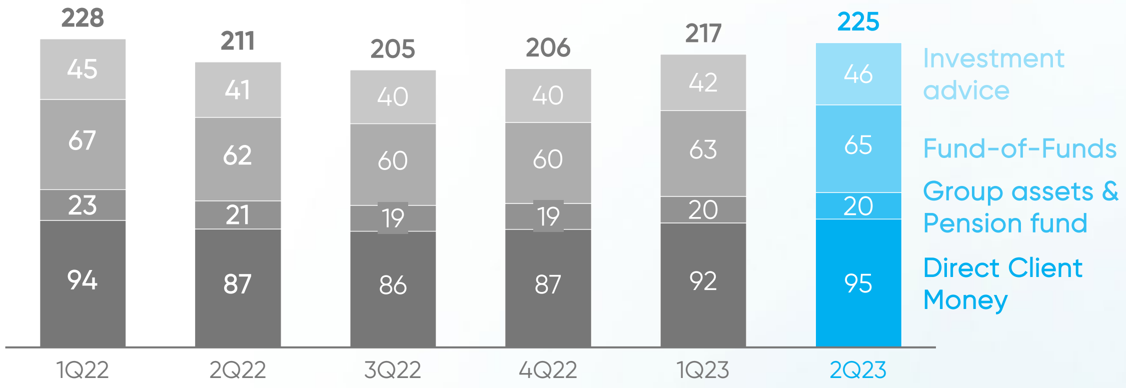
in m EUR



- **Up by 1% q-o-q and by 8% y-o-y**
- Q-o-q increase was mainly the result of the following:
  - Net F&C income from Asset Management Services increased by 2% q-o-q due to higher management fees, partly offset by seasonally lower entry fees and lower distribution fees received linked to unit-linked life insurance products
  - Net F&C income from banking services stabilised q-o-q. Higher fees from payment services and higher fees from credit files & bank guarantees were offset by lower securities-related fees and higher client incentives
- Y-o-y increase was mainly the result of the following:
  - Net F&C income from Asset Management Services rose by 6% y-o-y (due mainly to higher management and entry fees)
  - Net F&C income from banking services increased by 9% y-o-y, partly due to the consolidation of Raiffeisenbank Bulgaria as of 3Q22. Higher fees from payment services, higher network income and lower client incentives in Retail (in the Czech Republic) were only partly offset by lower securities-related fees, lower fees from credit files & bank guarantees and higher distribution commissions paid for banking products

Assets under management

in bn EUR

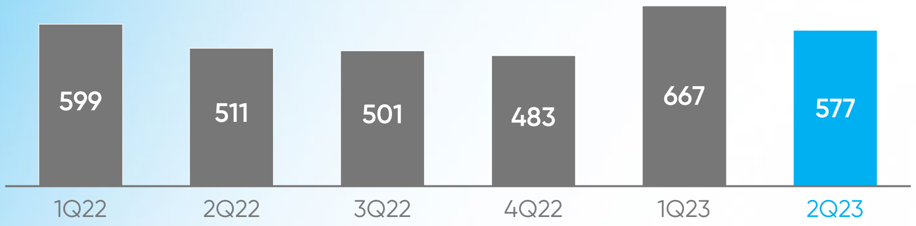


- **Increased by 4% q-o-q** due to **net inflows (+2%)** and the positive market performance (+2%)
- Increased by 7% y-o-y due to net inflows (+4%) and the positive market performance (+3%)
- The mutual fund business has seen strong net inflows both in higher-margin direct client money this quarter (1.1bn EUR in 2Q23 versus 1.8bn EUR in 1Q23 and 0.5bn EUR in 2Q22) as well as in lower-margin assets

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

Non-life sales

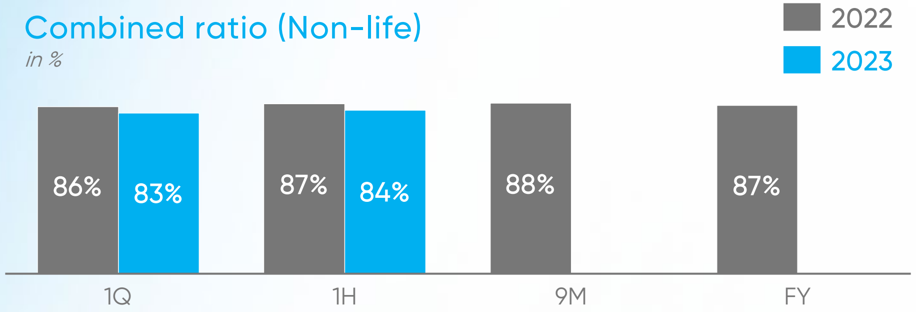
in m EUR



- **Up by 13% y-o-y**, with growth in all countries and all classes, due to a combination of volume and tariff increases

Combined ratio (Non-life)

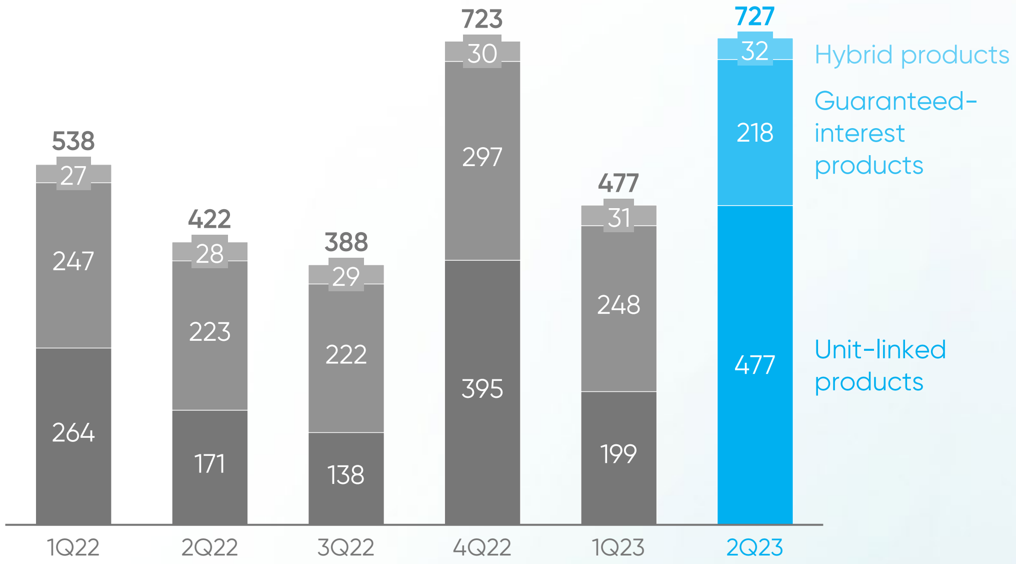
in %



- **Non-life combined ratio for 1H23 amounted to an excellent 84%** (87% in 1H22). This is the result of:
  - 11% y-o-y higher insurance revenues before reinsurance
  - Roughly stable y-o-y insurance service expenses before reinsurance (higher major claims and higher amortised commissions & directly attributable expenses were offset by lower storm claims)
  - Lower net result from reinsurance contracts held (down by 61m EUR y-o-y)

Life sales

in m EUR

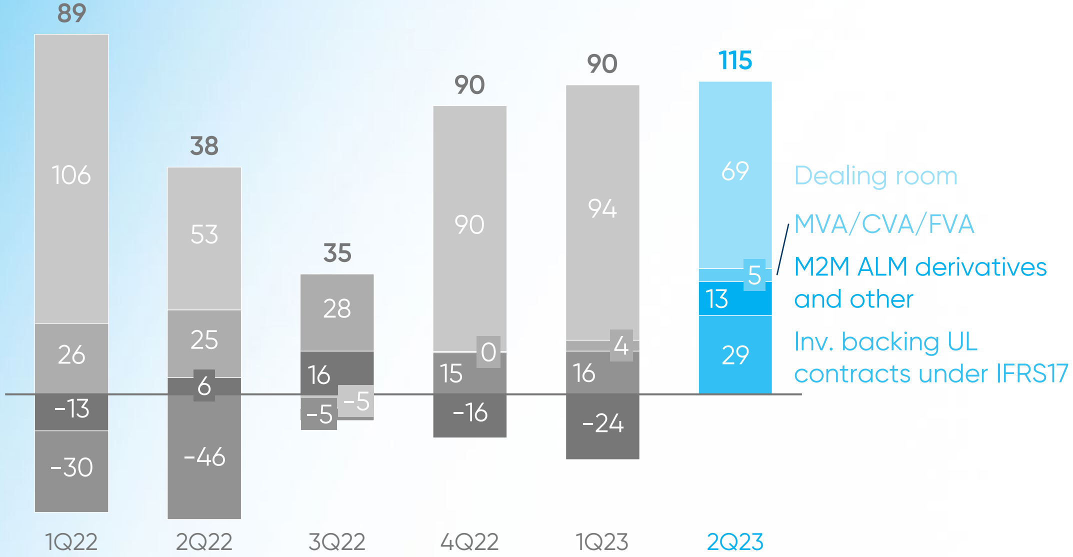


- Increased by 52% q-o-q due mainly to higher sales of unit-linked products (excellent sales in 2Q23 as the result of a successful launch of a new structured fund in Belgium), partly offset by lower sales of guaranteed-interest products (volumes in tax-incentivised pension savings products in Belgium are traditionally higher during 1Q and 4Q)
- Increased by 72% y-o-y due to higher sales of unit-linked products and hybrid products, partly offset by slightly lower sales of guaranteed-interest products
- Sales of guaranteed-interest products and unit-linked products accounted for 30% and 66% of total life insurance sales in 2Q23 respectively, with hybrid products (mainly in the Czech Republic) accounting for the remainder

Higher FIFV result and net other income in line with normal run rate

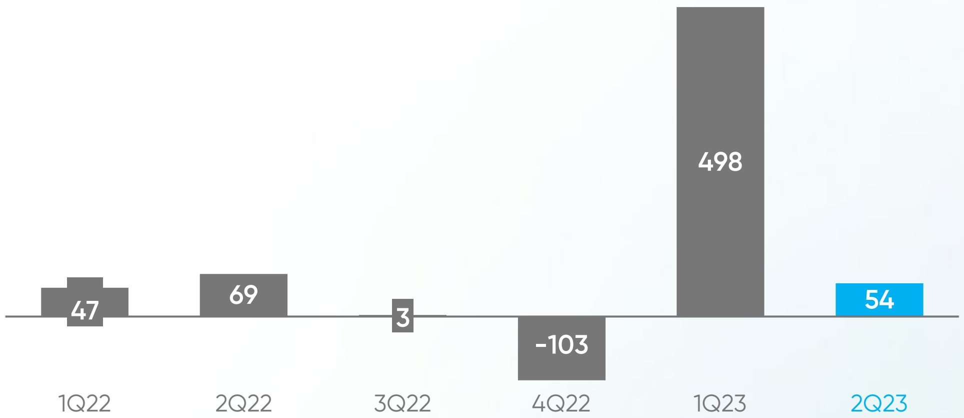
FIFV

in m EUR



Net other income

in m EUR



- **FIFV higher q-o-q**, attributable mainly to:
  - Positive change in ALM derivatives and other
  - Positive credit value adjustments more than offset negative market value adjustments q-o-q, while funding value adjustments were stable q-o-q. This was mainly the result of an increased EUR yield curve and a decrease in some credit spreads
  - Higher FV result on investments backing unit-linked contracts under IFRS 17 (offset by lower IFIE)

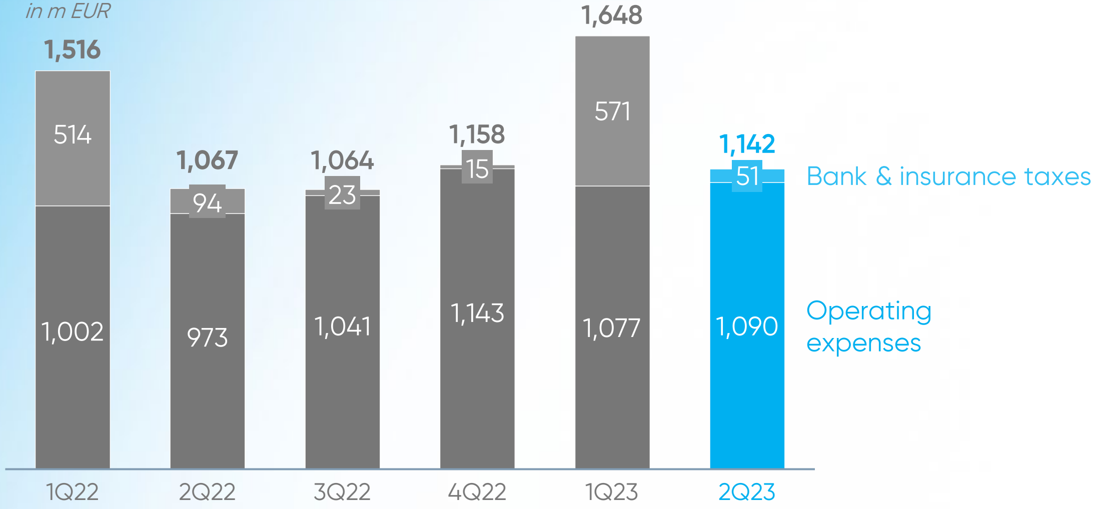
  partly offset by:
  - Lower dealing room result

- **Roughly in line with the normal run rate of around 50m EUR per quarter in 2Q23**
- 1Q23 was impacted mainly by a +405m EUR one-off gain related to the Irish sale transaction (announced on 3 Feb 2023) and a 48m EUR recuperation of Belgian bank and insurance taxes paid in the past (2016), and the linked moratorium interests

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

Operating expenses (including directly attributable costs to insurance)

in m EUR



Bank and insurance tax spread 2023 (preliminary)

in m EUR

	Total	Upfront		Spread out over the year			
	2Q23	1Q23	2Q23	1Q23	2Q23	3Q23e	4Q23e
BE BU	6	347	6	0	0	0	0
CZ BU	-1	60	-1	0	0	0	0
Hungary	52	106	24	24	27	30	31
Slovakia	-1	4	-1	0	0	0	1
Bulgaria	-4	24	-4	0	0	0	0
Group Centre	-1	5	-1	0	0	0	0
Total	51	547	24	24	27	30	32

- **Operating expenses excluding bank & insurance taxes went up by 1% q-o-q and by 12% y-o-y**
  - The q-o-q increase is due mainly to higher ICT costs, higher marketing expenses as well as higher professional fee expenses (partly seasonal effect), partly offset by lower costs in Ireland (related to the sale transaction), lower depreciations and slightly lower facility expenses
  - The y-o-y increase is due to, among other things, the consolidation of Raiffeisenbank Bulgaria, the impact of inflation/wage indexation (despite less FTEs), higher ICT costs, higher facility expenses (mainly energy costs) and higher depreciations, partly offset by lower costs in Ireland (related to the sale transaction) and slightly lower marketing expenses

- 1H23 cost/income ratio
  - 49% when excluding certain non-operating items* (49% in FY22)
  - 40% excluding all bank & insurance taxes (45% in FY22)

- Note that 2Q23 included a temporary extra windfall bank & insurance tax in Hungary of 22m EUR, besides the 79m EUR booked in 1Q23

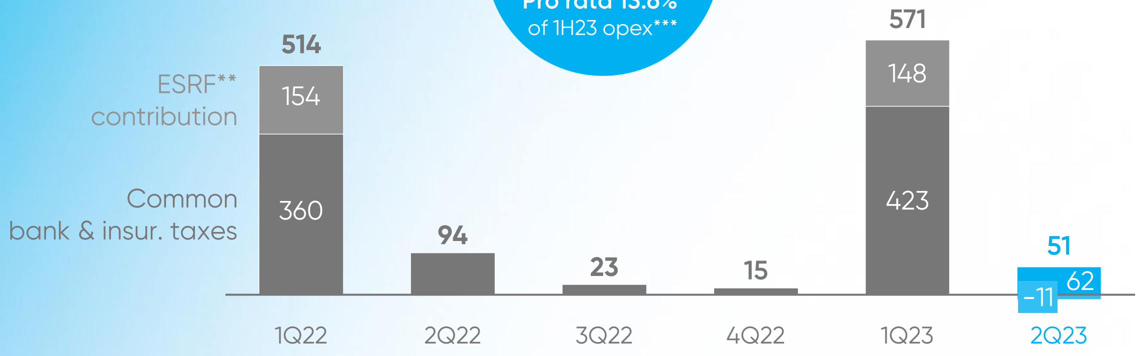
- Total bank & insurance taxes (including ESRF contribution) are expected to increase by 6% y-o-y to 684m EUR in 2023 (646m EUR in 2022)

* See glossary for the exact definition

Overview of bank & insurance taxes year-to-date (1H23)*

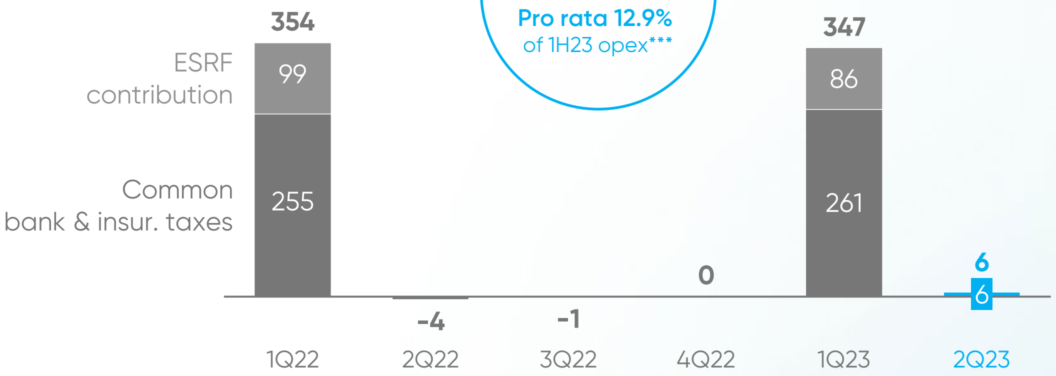
KBC Group
in m EUR

KBC Group
622m EUR
Pro rata 13.6%
of 1H23 opex***



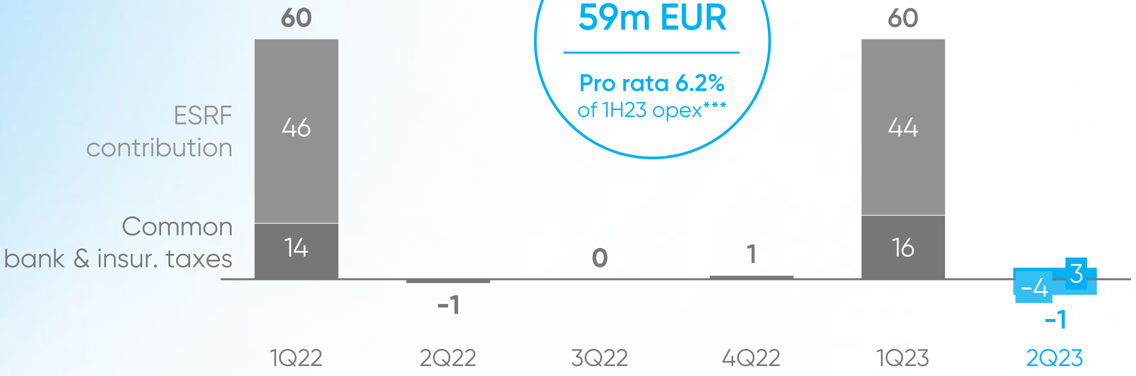
Belgium BU
in m EUR

BU BE
353m EUR
Pro rata 12.9%
of 1H23 opex***



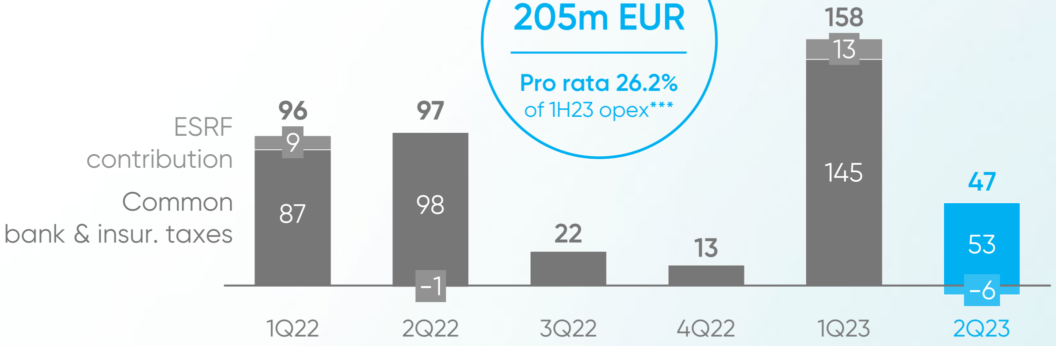
Czech Republic BU
in m EUR

BU CZ
59m EUR
Pro rata 6.2%
of 1H23 opex***



International Markets BU
in m EUR

BU IM
205m EUR
Pro rata 26.2%
of 1H23 opex***



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

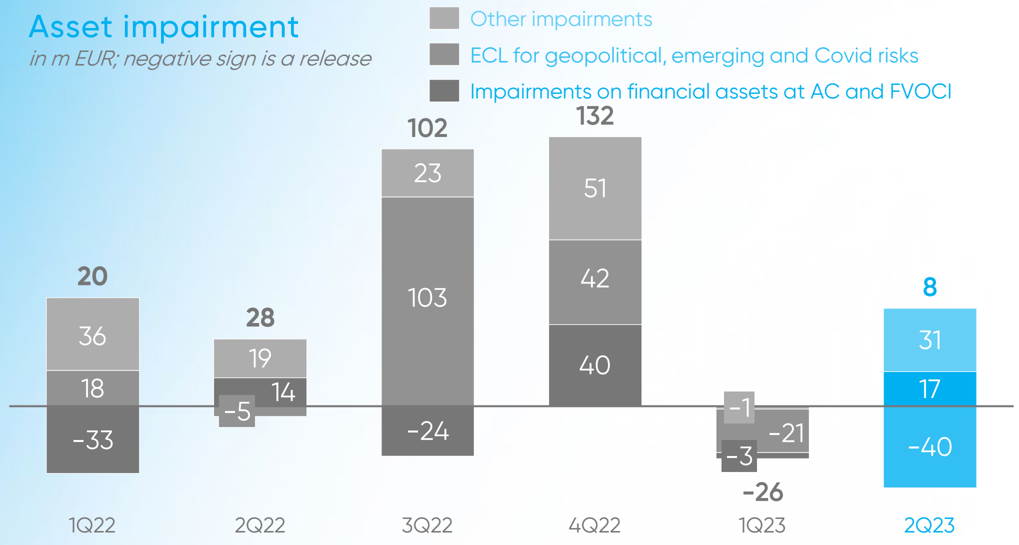
** European Single Resolution Fund

*** Including directly attributable costs to insurance

Net loan loss impairment releases & excellent credit cost ratio

Asset impairment

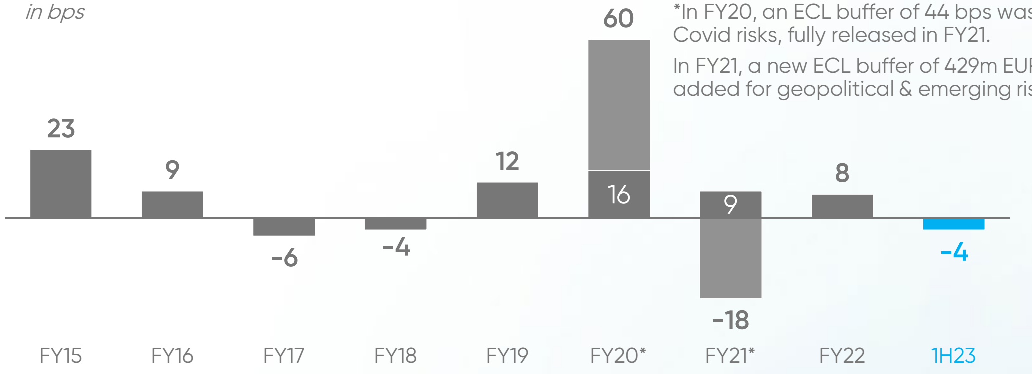
in m EUR; negative sign is a release



- **Small net loan loss impairment charges on lending book combined with a lower geopolitical & emerging risk buffer**
  - **Net loan loss impairment releases of 23m EUR in 2Q23** (compared with net loan loss impairment releases of 24m EUR in 1Q23) due to:
    - 17m EUR net loan loss impairment charges on lending book
    - A decrease of 40m EUR of the ECL buffer due to less uncertainties surrounding geopolitical and emerging risks
    - Total outstanding ECL for geopolitical and emerging risks now stands at 350m EUR (see details on next slide)
  - **31m EUR impairment on 'other'** (versus 1m EUR impairment release on 'other' in 1Q23), of which:
    - 19m EUR modification losses, related to the extension of the interest cap regulation in Hungary (until year-end 2023)
    - 11m EUR impairment related to the sale agreements in Ireland

Credit cost ratio

in bps



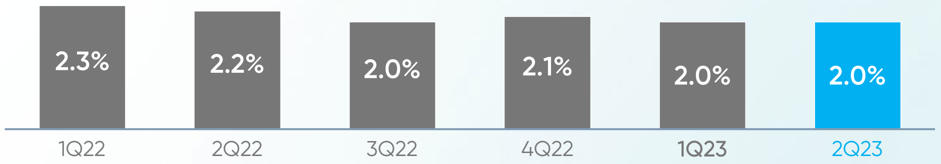
*In FY20, an ECL buffer of 44 bps was added re Covid risks, fully released in FY21.

In FY21, a new ECL buffer of 429m EUR was added for geopolitical & emerging risks

- The credit cost ratio in 1H23 amounted to:
  - 2 bps (0 bps in FY22) without ECL for geopolitical, emerging and Covid risks
  - -4 bps (8 bps in FY22) with ECL for geopolitical, emerging and Covid risks

Impaired loans ratio

in %

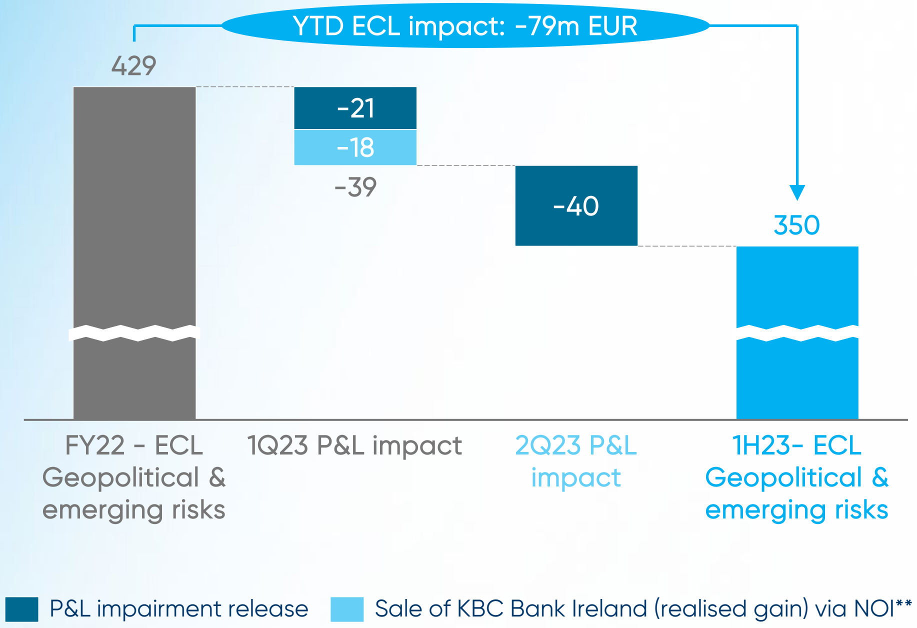


- **The impaired loans ratio stabilised at 2.0%** (1.0% of which over 90 days past due)

Outstanding ECL for geopolitical and emerging risks amounts to 350m EUR

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

in m EUR; negative sign is a release



In 2Q23 ECL release of 40m EUR, driven by improved macroeconomic indicators and a review of the sectors considered to be impacted by the geopolitical and emerging risks

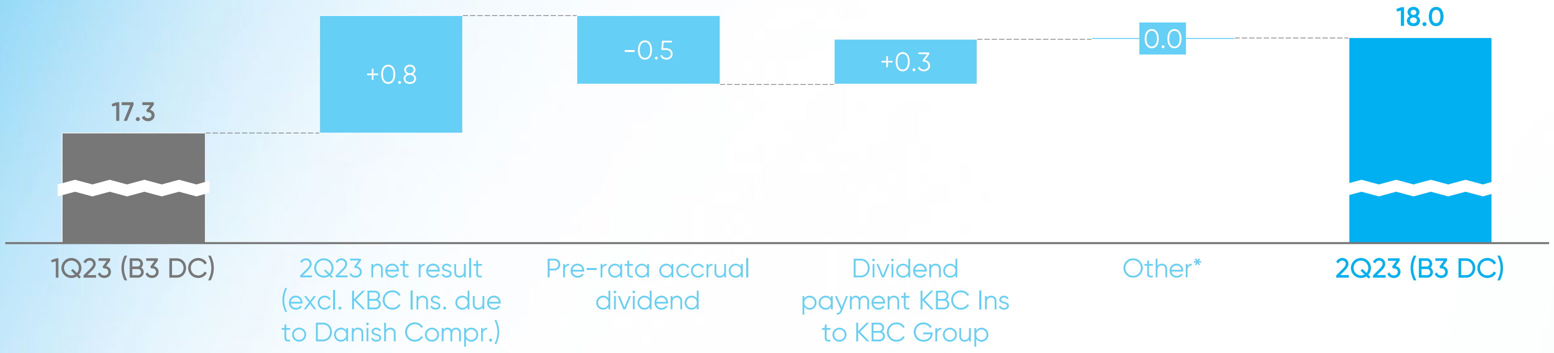
resulting in a remaining ECL for geopolitical and emerging risks of 350m EUR at end 1H23

* Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
** The ECL release generated by the sale of KBC Bank Ireland was recorded in 'Net Other Income' in 1Q23

Fully loaded Basel III CET1 from 1Q23 to 2Q23

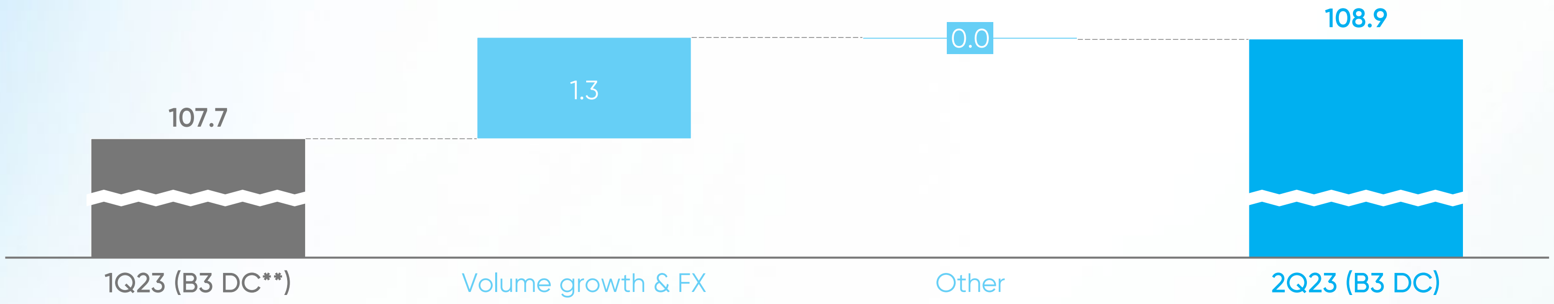
Q-o-q variance of CET1 capital

in bn EUR



Q-o-q variance of RWA

in bn EUR



Fully loaded B3 common equity ratio amounted to 16.5% at the end of 1H23 based on the Danish Compromise

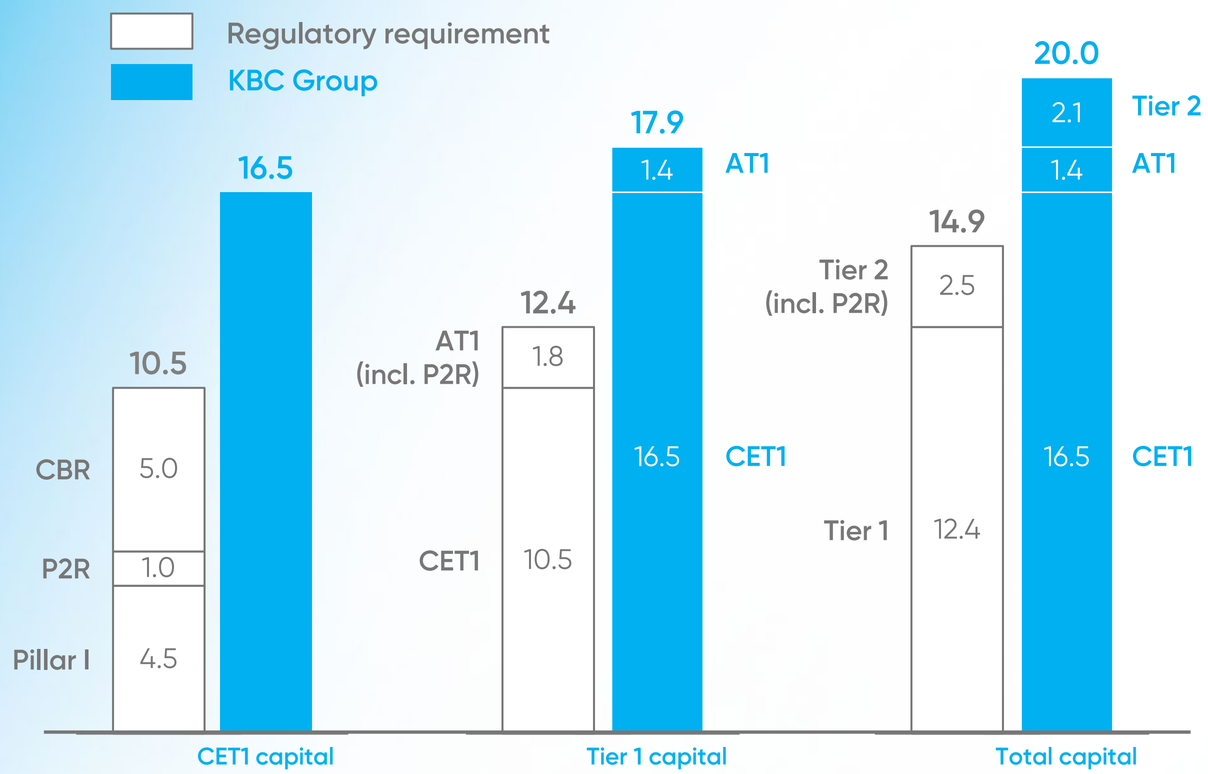
* Includes the q-o-q delta in translation differences, deferred tax assets on losses carried forward, intangible fixed assets, AT1 coupon, remeasurement of defined benefit obligations, deduction pension plan assets, NPL shortfall etc.

** Includes the RWA equivalent for KBC Insurance based on DC, calculated as the historical book value of KBC Insurance multiplied by 370%

Strong capital position with substantial buffer to MDA

Capital requirements and distance to Maximum Distributable Amount (MDA) restrictions as at 30JUN23 (fully loaded, B3)

in %



- **P2R 1.86% (= Pillar II requirement)**
  1.05% to be met with CET1, 35bps eligible for AT1 and 46bps for Tier 2
- **CBR 4.99% (= Combined buffer requirement)**
  2.50% Capital conservation buffer
  1.50% O-SII buffer
  0.78% Countercyclical buffer
  0.21% Systemic risk buffer
- **OCR (10.5%) buffer 6.0%**
- **MDA buffer 5.1%**
  lowest of the buffers between available and required (i) CET1 capital, (ii) Tier 1 capital and (iii) Total capital
- **MDA 11.4%**
  i.e. the net of the CET1 ratio (16.5%) and the MDA buffer (5.1%)

CET1 capital	Tier 1 capital	Total capital	
6.0%	5.5%	5.1%	**Distance to MDA restrictions**
6,483m EUR	5,969m EUR	5,591m EUR	

Leverage ratio, Solvency II ratio and liquidity ratios

Leverage ratio | KBC Group

fully loaded, Basel 3

Leverage ratio
5.4% 1H23
5.3% FY22

Q-o-q decrease of the leverage ratio (from 5.5% in 1Q23 to 5.4% in 2Q23) due mainly to higher cash balances with central banks (in the denominator), to a large extent compensated by the higher Tier 1 capital (in the numerator)

Note that as of 1Q22, interim profit is recognised (based on 50% profit accrual)

Liquidity ratios | KBC Group

in %

LCR
152% 1H23
152% FY22

NSFR
145% 1H23
136% FY22

Both LCR* and NSFR** were well above the regulatory requirement of 100% due to a strong growth in customer funding and the participation to TLTRO III

Solvency II ratio | KBC Group

in %

Solvency II ratio
206% 1H23
203% FY22

Roughly stable qoq (-1pp) and YTD (+3pp)

* 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 with EBA guidelines on LCR disclosure.

Looking forward

Economic outlook

- The **low GDP growth in the euro area** is expected to continue in the remainder of 2023, likely caused by the ECB's monetary policy tightening and the weakness in the global manufacturing sector.
- The main risks to our short-term outlook for European growth relate to the weakening of global growth, the persistence of underlying core inflation (excluding food and energy), and the uncertainty regarding the timing and impact of the monetary policy tightening by the ECB. Other risks relate to still elevated real estate valuations and high levels of debt in the context of tightening financing conditions.

Group guidance under IFRS17 | 2023

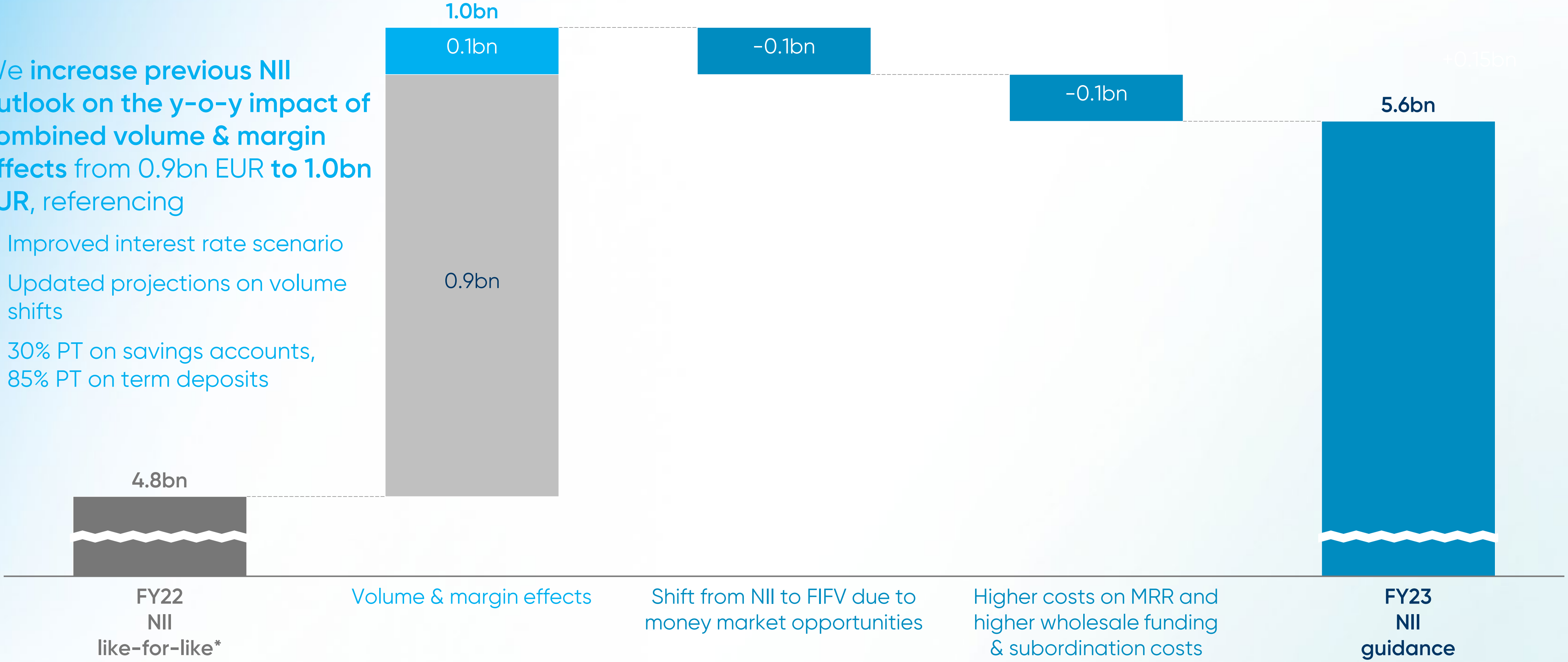
- Our **FY23 total income guidance** remains at **11.15bn EUR ballpark figure** (including a 0.4bn EUR positive one-off effect upon closing of substantially all of KBC Bank Ireland's performing loan assets and its deposit book), of which **5.6bn EUR ballpark for NII (instead of 5.7bn EUR ballpark previously due to (1) higher costs on the Minimum Required Reserves (MRR) held with central banks and (2) increased wholesale funding & subordination costs)**
- **FY23 opex (excluding bank & insurance taxes) and insurance commissions** is estimated at **4.75bn EUR ballpark figure (not changed)**
- The **credit cost ratio for FY23** is estimated at **10-15bps, instead of 20-25bps previously**, both excluding any movement in the ECL buffer

FY23 NII guidance

in bn EUR; PT = Pass-Through rate; MRR = Minimum Required Reserves

We **increase previous NII outlook on the y-o-y impact of combined volume & margin effects** from 0.9bn EUR **to 1.0bn EUR**, referencing

- Improved interest rate scenario
- Updated projections on volume shifts
- 30% PT on savings accounts, 85% PT on term deposits



*FY22 NII, accounting for impacts of (i) KBC Ireland disposal, (ii) KBC Bank Bulgaria acquisition and (iii) TLTRO, ECB Tiering & negative charging

Long-term / 3-year financial guidance (as provided with FY22 results, not updated)

3-year financial guidance*

CAGR total income ('22-'25)	± 7.3%	by 2025
CAGR OPEX (excl. bank & ins. taxes) and insurance commissions ('22-'25)	± 2.3%	by 2025
Combined ratio	≤ 92%	as of now
Surplus capital **	> 15%	as of now

Jaws
±5.0%

C/I ratio excl. BIT
±39%

* Our long-term financial guidance is **based on the market forward rates of 3 February 2023** (for ST & LT interest rates). We took into account a pass-through rate of 40% on savings accounts and 80% on term deposits at KBC Group level. Note that on 18 April 2023, the guidance has been translated from IFRS 4 to IFRS 17
** 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)*	≥ 10.54%	by 2023
MREL as a % of RWA**	≥ 27.91%	by 2024
MREL as a % of LRE**	≥ 7.38%	by 2024
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

* Excluding Pillar 2 guidance of 100 bps
** In December 2022, the SRB communicated the updated draft MREL targets (under BRRD2) for 01-01-2024 in % of RWA and in % of LRE

Wrap-up

Excellent financial performance

net result
966m
2Q23

return on equity
16%*
YTD

combined ratio
84%
YTD

Outstanding solvency and liquidity

CET1 ratio
16.5%
5.1% buffer vs MDA

NSFR
145%
LCR
152%

SII ratio
206%

Kate convinces customers

3.4 million users in contact with Kate

KATE autonomy
63% BE
62% CZ

Franchise is growing

loan volumes
+4%
y-o-y

customer deposits
0%
y-o-y

AM net inflows of direct client money
+1.1bn
2Q23

non-life sales
+13%
y-o-y

life sales
+72%
y-o-y

* When bank & insurance taxes are evenly spread throughout the year and excluding one-offs

Supplemental information & disclosures

Business unit view (slide 25-38)

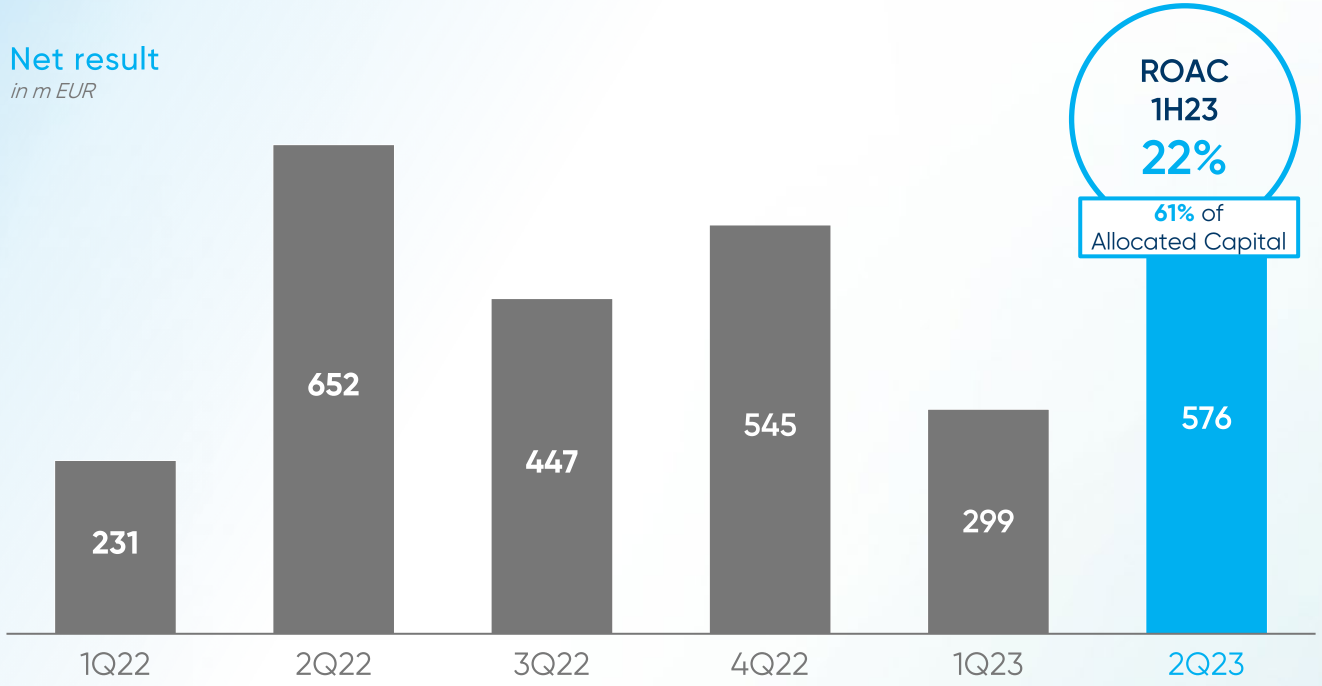
- Belgium BU
- Czech Republic BU
- International Markets BU
  - Slovakia
  - Hungary
  - Bulgaria
- Group Centre BU

Annexes (slide 39-65)

- Company profile
- KBC strategy
- Sustainability
- Asset quality
- MREL & funding

Navigate quickly to this content by using the below tabs in the digital version of this memo

Belgium BU (1) | Net result

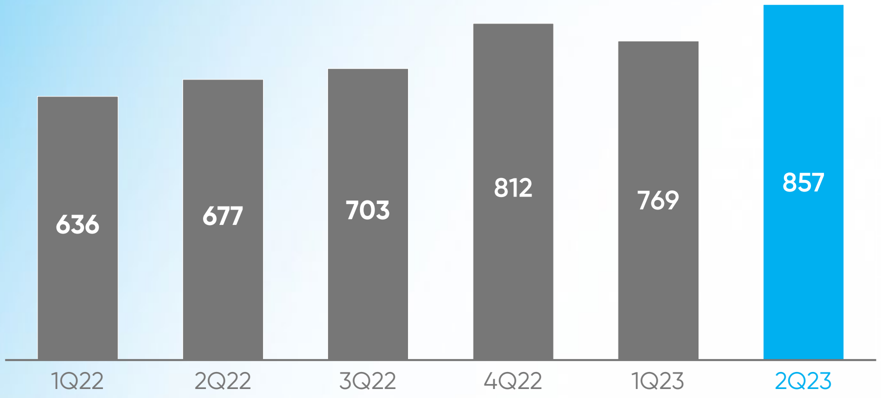


- The quarter was characterised by higher net interest income, lower net fee and commission income, lower net result from financial instruments at fair value, higher dividend income, lower net other income, lower sales of non-life insurance and higher sales of life insurance products, lower operating expenses (due entirely to lower bank & insurance taxes) and net impairment charges (versus releases in 1Q23)

Belgium BU (2) | Net interest income

Net interest income

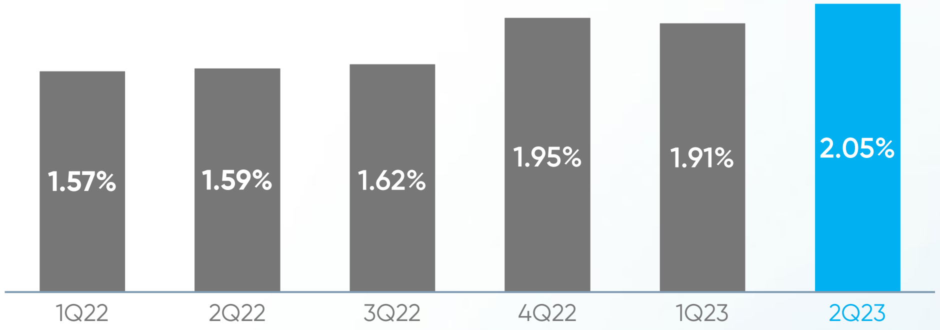
in m EUR



- +11% q-o-q, driven mainly by higher commercial transformation result, higher NII on inflation-linked bonds, increased term deposits at better margins and slightly higher lending income (despite margin pressure on the outstanding loan portfolio in all segments)
- +27% y-o-y due chiefly to much higher transformation result (despite shift from current accounts to term deposits) and increased term deposits at better margins, partly offset by lower lending income, lower NII on inflation-linked bonds and no TLTRO & ECB tiering benefit anymore

Net interest margin

in %



- Increased by 14 bps q-o-q and by 46 bps y-o-y for the reasons mentioned on net interest income, despite an increase in the interest-bearing assets (denominator), both q-o-q and y-o-y

Organic volume trend

	Total loans**	o/w retail mortgages	Customer deposits***
Volume (EUR)	118bn	45bn	143bn
Growth q-o-q*	+1%	+1%	+4%
Growth y-o-y	+3%	+4%	-2%

* Non-annualised

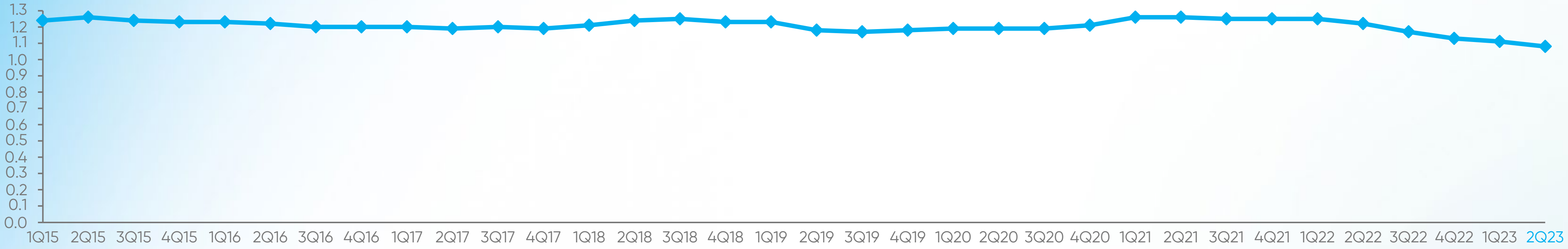
** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments and reclassifications

*** Customer deposits, excluding debt certificates and repos. **Excluding the volatility in the foreign branches of KBC Bank (included in BE BU), customer deposits roughly stabilised q-o-q and rose by 1% y-o-y**

Belgium BU (3) | Credit margins in Belgium

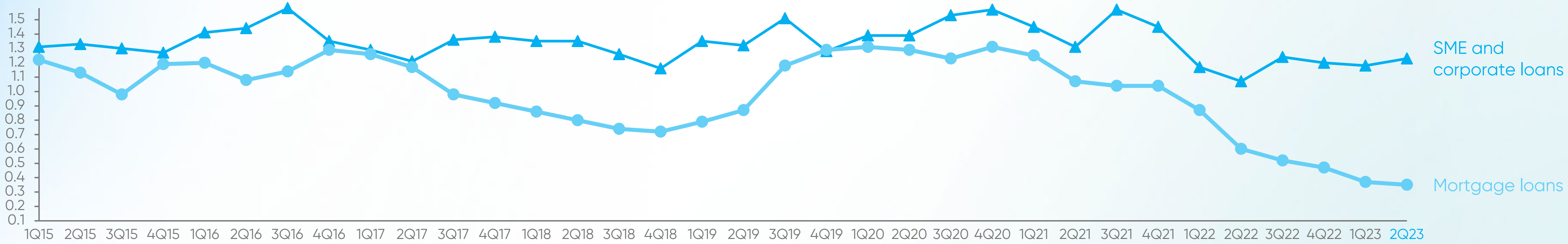
Product spread on customer loan book | Outstanding

in %



Product spread | New production

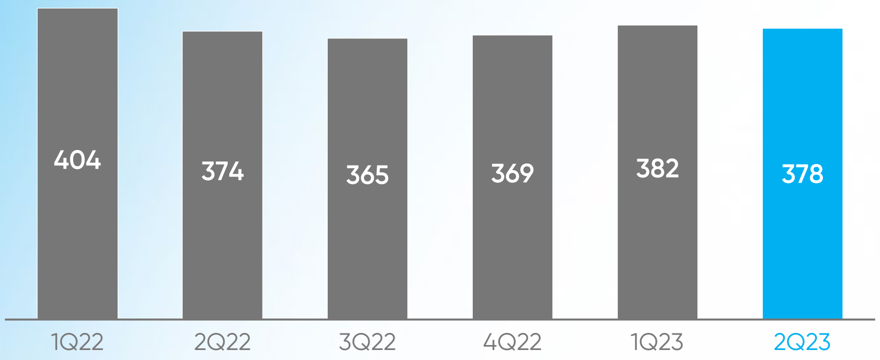
in %



Belgium BU (4) | Other income lines & cross-selling

Net fee & commission income

in m EUR



- The 1% lower q-o-q net F&C income was mainly the result of lower entry fees, lower securities-related fees, lower payment-related fees, lower network income and seasonally lower distribution fees received for insurance products, partly offset by higher management fees and higher fees from credit files & bank guarantees
- The 1% higher y-o-y net F&C income was driven chiefly by higher management & entry fees and higher distribution fees received for insurance products, partly offset by lower fees from credit files & bank guarantees, lower fees from payment services, lower securities-related fees, lower network income and higher distribution commissions paid linked to mutual funds

Assets under management

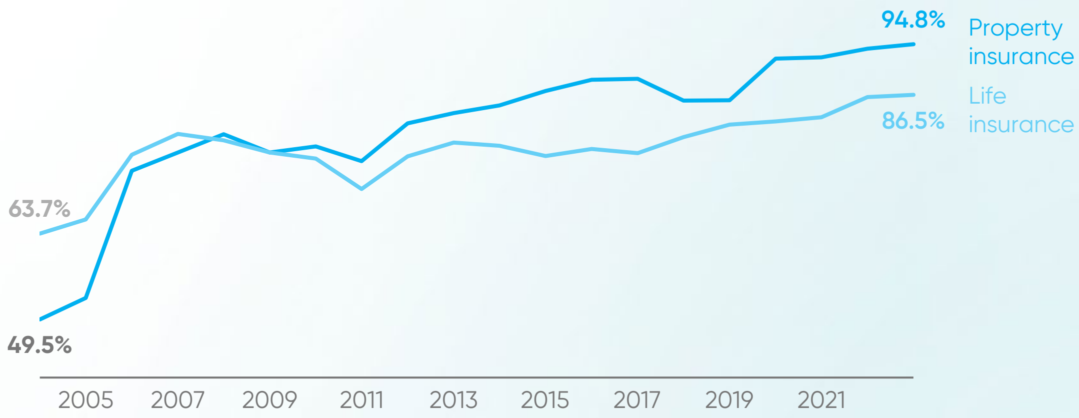
- 200bn EUR
- Increased by 4% q-o-q due to net inflows (+2%) and the positive market performance (+2%)
- Increased by 5% y-o-y due to net inflows (+3%) and the positive market performance (+2%)

Insurance

- Insurance sales: 963m EUR
  - Non-life sales (344m EUR) +10% y-o-y, due to premium growth in all classes, due to a combination of volume and tariff increases
  - Life sales (619m EUR) increased by 62% q-o-q and by 78% y-o-y, both driven by higher sales of unit-linked products (due mainly to the successful launch of a new structured fund in 2Q23), partly offset by lower sales of guaranteed-interest products (volumes in tax-incentivised pension savings products are traditionally higher during 1Q and 4Q)
- Combined ratio amounted to an excellent 82% in 1H23 (86% in 1H22)

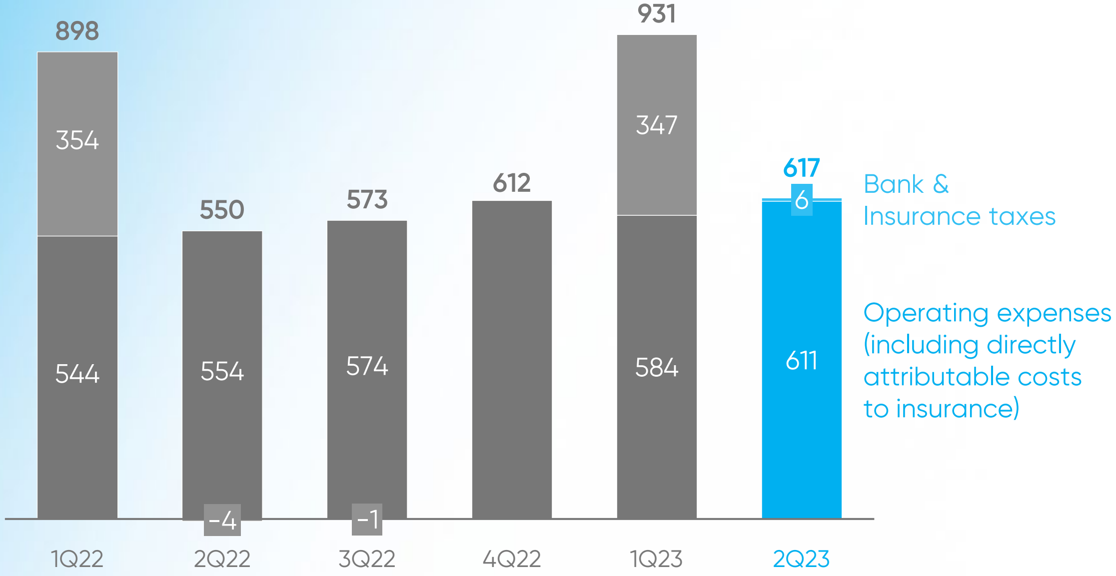
Mortgage-related cross-selling ratios

in %

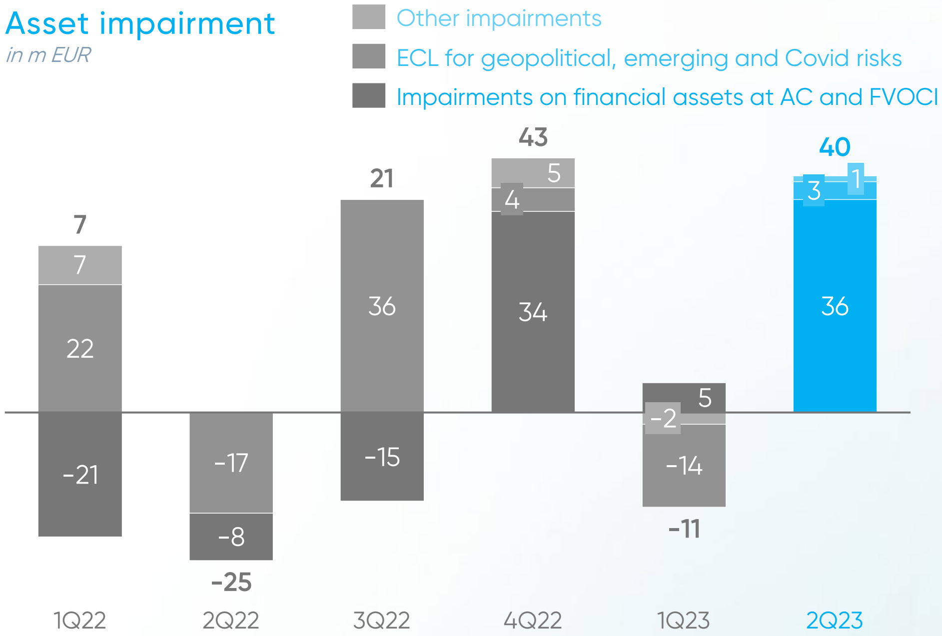


Belgium BU (5) | Opex & impairments

Operating expenses
in m EUR



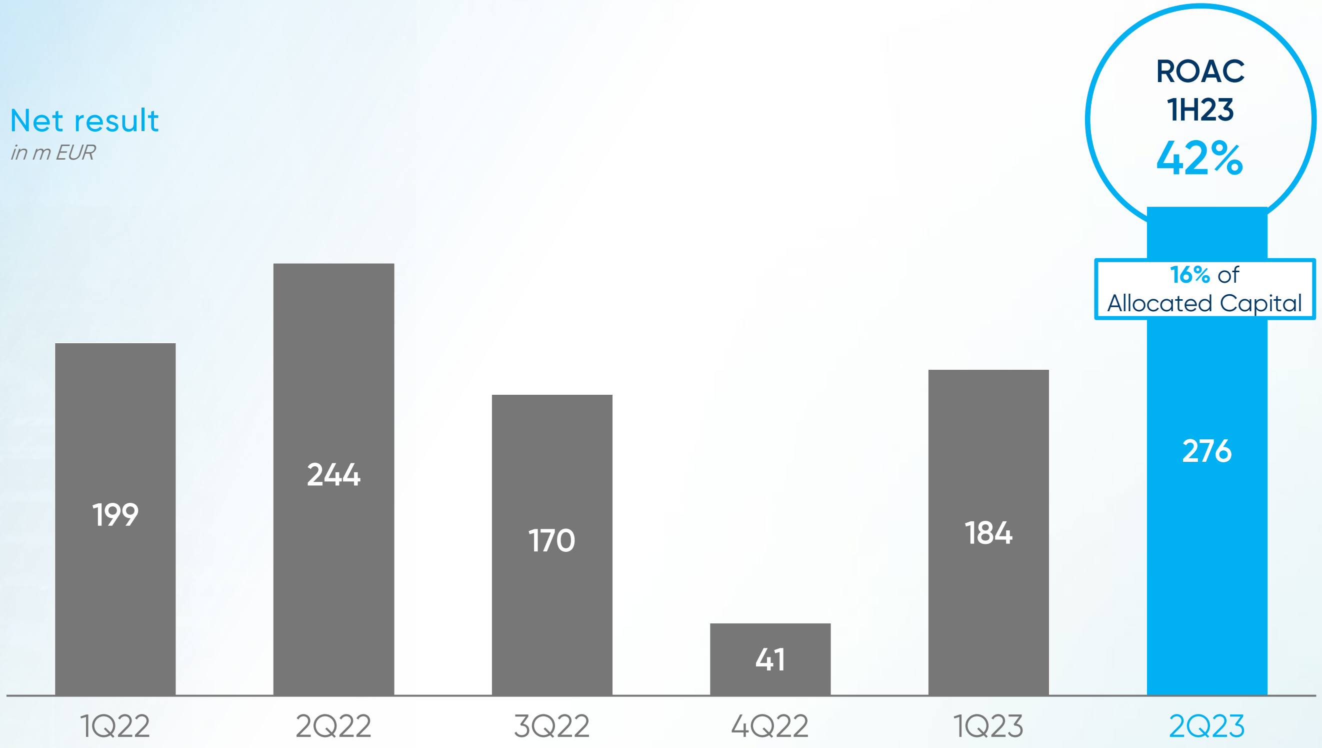
Asset impairment
in m EUR



- **Opex (including directly attributable costs to insurance, but excluding bank & insurance taxes): +5% q-o-q and +10% y-o-y**
- +5% q-o-q due mainly to higher ICT costs, seasonally higher marketing & professional fee expenses and higher nearshoring costs
- +10% y-o-y due chiefly to higher staff expenses (due largely to wage indexation, despite less FTEs in 2Q23), higher ICT costs and higher facilities costs (mainly energy costs)
- Cost/income ratio adjusted for specific items: 45% in 1H23 (47% in FY22)

- **Net loan loss impairment charges of 39m EUR in 2Q23 (compared with 9m EUR releases in 1Q23).** There were small loan loss impairment charges for a few retail and SME & corporate files (partly in foreign branches). Credit cost ratio amounted to 5 bps in 1H23 (3 bps in FY22)
- 1m EUR impairment charge on 'other'
- **Impaired loans ratio amounted to 2.0%, 0.9% of which over 90 days past due**

Czech Republic BU (1) | Net result

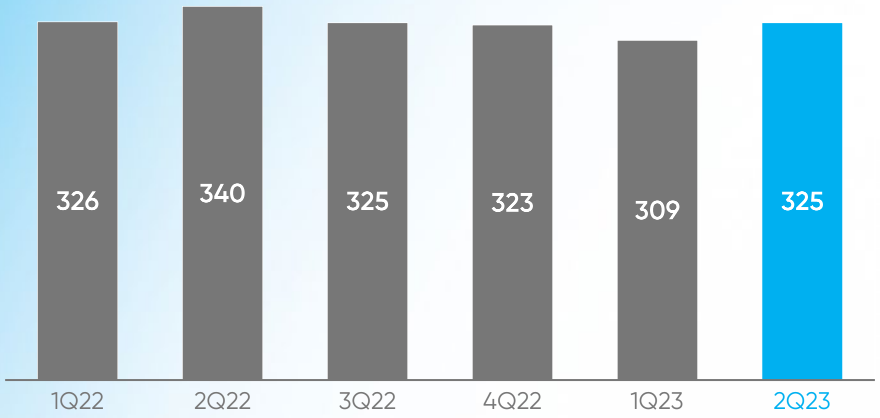


- The quarter was characterised by higher net interest income, higher net fee & commission income, lower net result from financial instruments at fair value, higher sales of non-life insurance and slightly lower sales of life insurance products, higher net other income, lower costs (due entirely to bank & insurance taxes) and higher net impairment releases

Czech Republic BU (2) | Net interest income

Net interest income

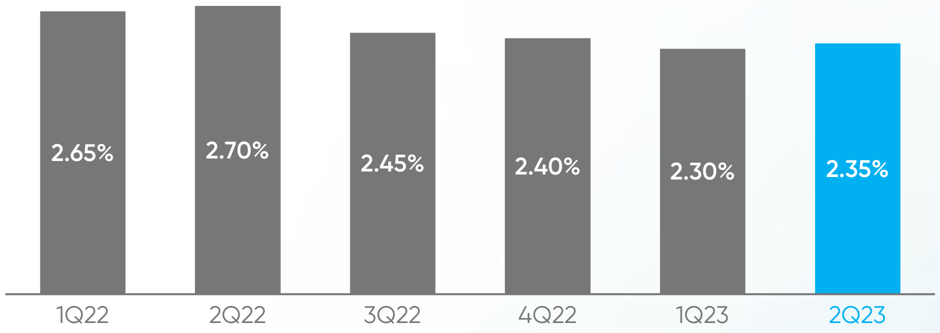
in m EUR



- +5% q-o-q and -8% y-o-y (both excl. FX effect)
- Q-o-q increase driven mainly by higher commercial transformation result (higher reinvestment yields), higher lending income (mainly corporates with higher volumes and margins) and increased term deposits at better margins, partly offset by a decreased ALM result
- Y-o-y decrease was mainly the result of lower transformation result (higher pass-through on the deposit side and shift to term deposits), lower lending income (volume growth more than offset by margin pressure) and decreased ALM result, partly offset by income related to funding (increased term deposits)

Net interest margin

in %



- Rose by 5 bps q-o-q and fell by 35 bps y-o-y for the reasons mentioned on net interest income and an increase in the interest-bearing assets (denominator), both q-o-q and y-o-y

Organic volume trend

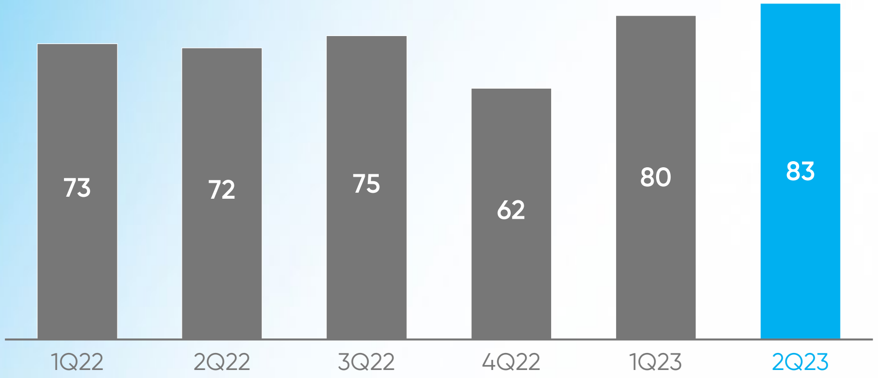
	Total loans**	o/w retail mortgages	Customer deposits***
Volume (EUR)	37bn	20bn	52bn
Growth q-o-q*	+2%	0%	+2%
Growth y-o-y	+3%	+2%	+7%

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

Czech Republic BU (3) | Other income lines & cross-selling

Net fee & commission income

in m EUR



- The 3% higher q-o-q net F&C income excl. FX effect was mainly the result of higher fees from payment services, higher entry fees and higher distribution fees received for insurance products, partly offset by lower securities-related fees and higher distribution fees paid for banking products
- The 11% higher y-o-y net F&C income excl. FX effect was driven chiefly by lower client incentives in Retail, higher fees from payment services, higher distribution fees received for mutual funds, higher network income and higher entry fees, partly offset by higher distribution fees paid for banking products

Assets under management

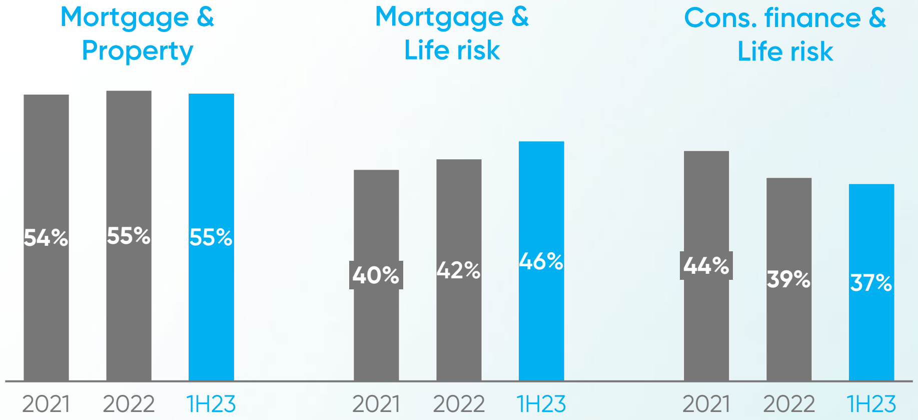
- 16.8bn EUR
- +2% q-o-q due to net inflows (+1%) and positive market performance (+1%)
- +22% y-o-y due to net inflows (+11%) and positive market performance (+12%)

Insurance

- Insurance sales: 170m EUR
  - Non-life sales (124m EUR) +17% y-o-y (+13% excl. FX), due to premium growth in all classes
  - Life sales (46m EUR) decreased by 1% q-o-q and rose by 12% y-o-y (+8% excl. FX). The q-o-q decrease was entirely the result of lower sales of guaranteed-interest products, while the y-o-y increase was fully driven by higher sales of unit-linked products and hybrid products
- An excellent combined ratio of 82% in 1H23 (81% in 1H22)

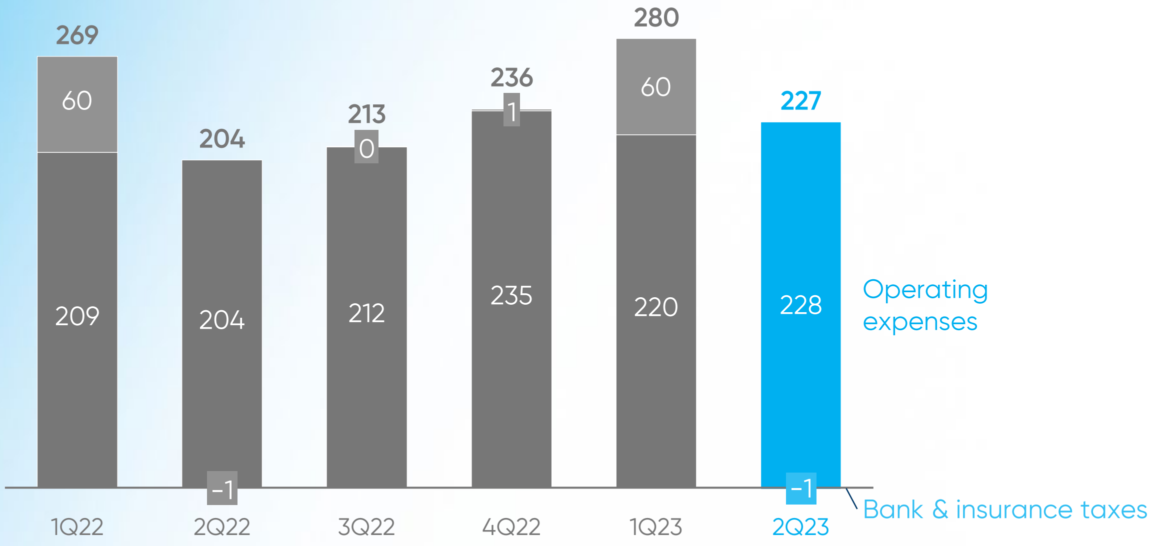
Mortgage-related cross-selling ratios

in %

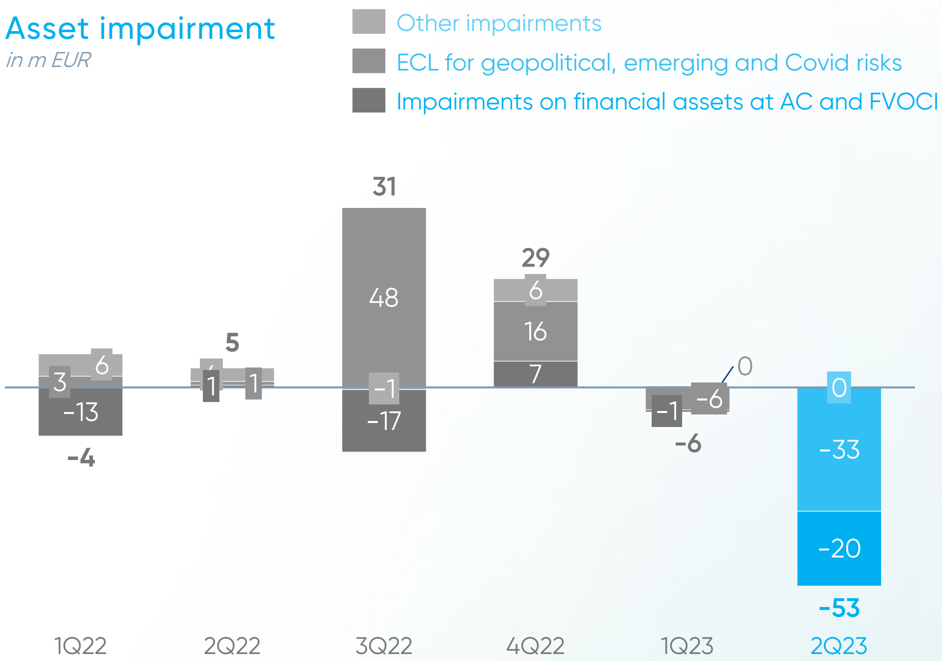


Czech Republic BU (4) | Opex & impairments

Operating expenses
in m EUR



Asset impairment
in m EUR

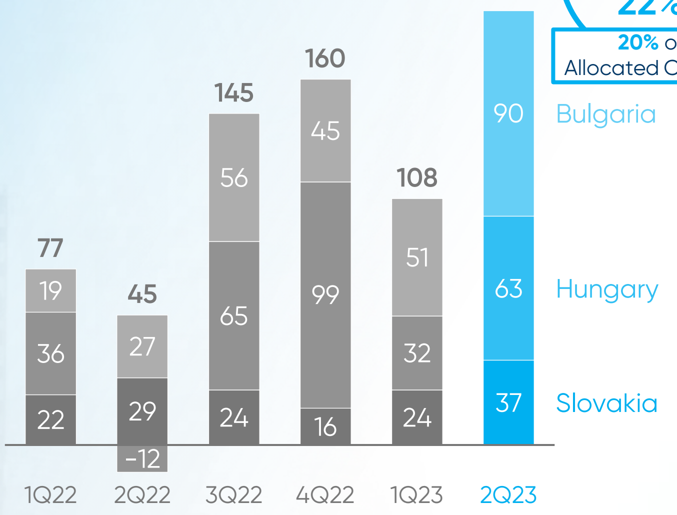


- **Opex (incl. directly attributable costs to insurance and excl. bank & insurance taxes): +3% q-o-q and +7% y-o-y, excl. FX effect**
- Q-o-q increase was due mainly to higher staff expenses, higher ICT costs, seasonally higher marketing costs and professional fees, partly offset by lower facilities costs and lower depreciations
- Y-o-y increase was chiefly the result of higher staff expenses, higher ICT costs and higher depreciations, partly offset by lower marketing costs and lower facilities expenses
- Adjusted for specific items, C/I ratio amounted to roughly 45% in 1H23 (44% in FY22)

- **Net loan loss impairment reversal** of 53m EUR in 2Q23 compared with 7m EUR loan loss impairment releases in 1Q23. Besides a 33m EUR net impairment reversal for geopolitical and emerging risks, there were 20m EUR net loan loss impairment releases mainly for several corporate files
- **Credit cost ratio** amounted to -0.30% in 1H23 (0.13% in FY22)
- **Impaired loans ratio** amounted to 1.4%, 0.9% of which over 90 days past due

International markets BU (1) | Highlights

Net result
in m EUR



ROAC 1H23
22%
20% of Allocated Capital

Highlights (q-o-q)

- Higher net interest income. NIM 3.26% in 2Q23 (-5 bps q-o-q and +42 bps y-o-y)
- Higher net fee and commission income
- Higher result from financial instruments at fair value
- Lower non-life and higher life insurance sales
- A combined ratio of 97% in 1H23 (91% in 1H22). Excluding the significant windfall tax on insurance in Hungary booked in 1Q23, the combined ratio amounted to an excellent 90% in 1H23
- Lower operating expenses (including directly attributable costs to insurance) due entirely to lower bank & insurance taxes
- Small net impairment charges (versus releases in 1Q23)

Organic volume trend

	Total loans**	o/w retail mortgages	Customer deposits***
Volume (EUR)	27bn	10bn	30bn
Growth q-o-q*	+2%	+1%	0%
Growth y-o-y	+13%	+9%	+1%

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

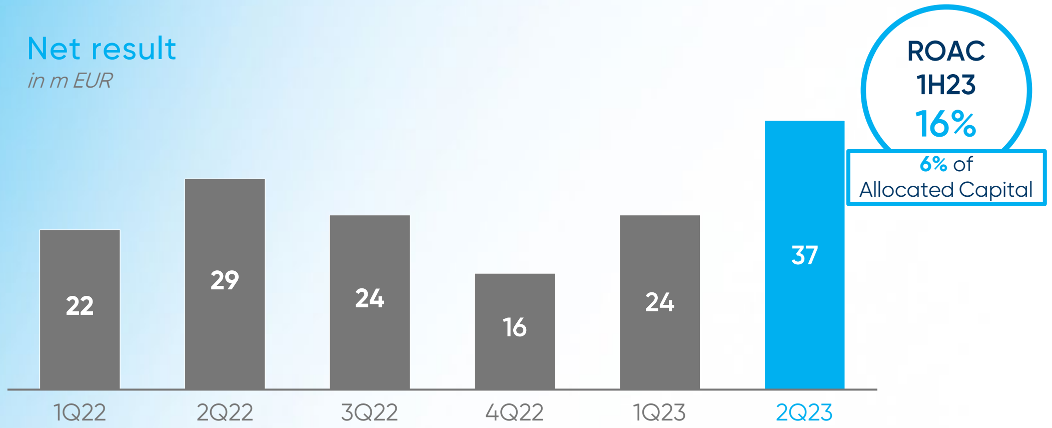
Assets under management

- 8.1bn EUR (+8% q-o-q and +20% y-o-y)

International markets BU (2) | Slovakia

Net result

in m EUR



Highlights (q-o-q)

- Roughly stable net interest income as better commercial transformation result (higher reinvestment yields and limited pass-through on the deposit side) and higher lending income (due to strong loan volume growth) were offset by higher funding costs
- Higher net fee & commission income due chiefly to higher fees from credit files & bank guarantees
- Higher result from financial instruments at fair value (mainly due to a positive change in ALM derivatives)
- Lower non-life insurance sales and slightly higher life insurance sales
- A combined ratio of 96% in 1H23 (88% in 1H22) due to higher claims (mainly MTPL and casco)
- Stable operating expenses excluding bank & insurance taxes
- Net impairment releases in 2Q23 (versus limited net impairment charges in 1Q23). Besides a 6m EUR net impairment reversal for geopolitical and emerging risks, there were 3m EUR net loan loss impairment releases for a few corporate files. Credit cost ratio of -0.13% in 1H23 (0.17% in FY22)

Volume trend

- Total customer loans rose by 2% q-o-q and by 11% y-o-y (the latter due mainly to strong loan growth in corporate and mortgage loans)
- Total customer deposits rose by 3% q-o-q and by 5% y-o-y (both due chiefly to strong corporate deposit growth)

Organic volume trend

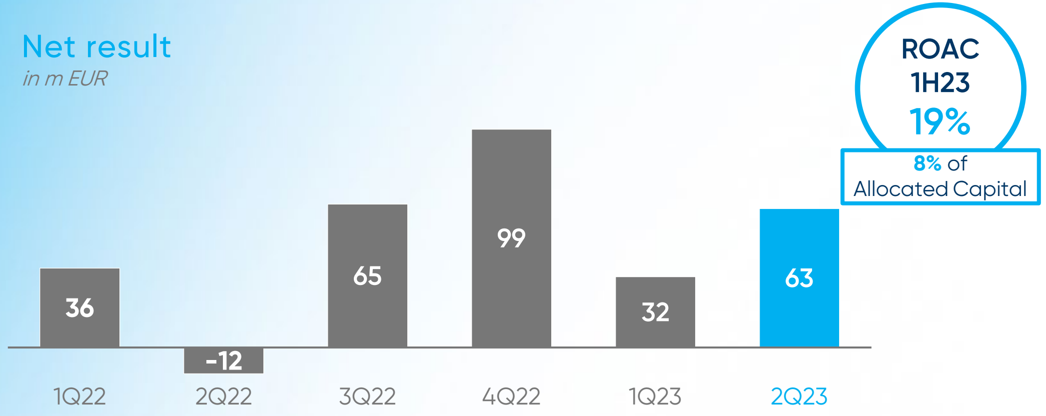
	Total loans**	o/w retail mortgages	Customer deposits***
Volume (EUR)	11bn	6bn	8bn
Growth q-o-q*	+2%	+1%	+3%
Growth y-o-y	+11%	+10%	+5%

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

International markets BU (3) | Hungary

Net result

in m EUR



Highlights (q-o-q)

- Lower net interest income due mainly to lower ALM result (significantly higher costs of minimum required reserves as a result of the newly introduced tiered reserve system), partly offset by higher commercial transformation result, higher lending income and higher income related to increased term deposits (at higher margins)
- Higher net fee and commission income driven mainly by higher fees from payment services and increasing mutual funds volumes
- Higher net results from financial instruments at fair value (strong dealing room result and higher fair value of unit-linked funds, the latter offset by lower IFIE)
- Lower non-life and life insurance sales
- A combined ratio of 111% in 1H23 (100% in 1H22) due to increased windfall tax on insurance booked in 1Q23. Excluding this windfall tax, the combined ratio amounted to 95% in 1H23
- Lower operating expenses due entirely to lower bank & insurance taxes (an extra 22m EUR temporary windfall bank & insurance tax booked in 2Q23 versus 79m EUR 1Q23). Operating expenses excluding FX effect and bank & insurance taxes rose by 9% q-o-q (increase of staff, ICT, facility costs and higher depreciations)
- Net impairment charges, due mainly to a 19m EUR additional impairment related to the interest cap regulation in Hungary (interest cap was extended until year-end 2023). Credit cost ratio of -0.16% in 1H23 (0.42% in FY22)

Volume trend

- Total customer loans rose by 1% q-o-q and by 16% y-o-y (the latter due mainly to strong growth in corporate loans, baby boom loans and SME loans)
- Total customer deposits fell by 2% q-o-q and by 6% y-o-y (the latter due chiefly to lower retail & Private Banking deposits)

Organic volume trend

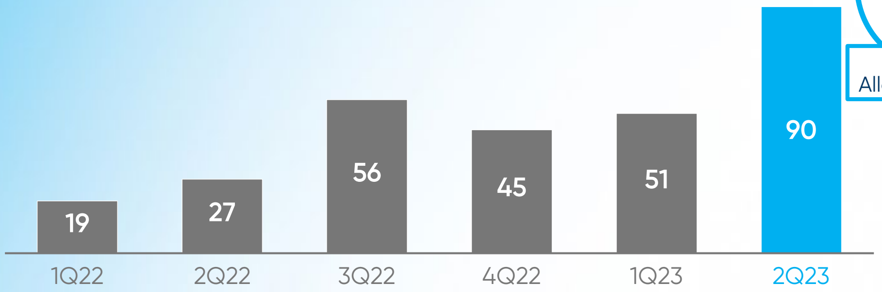
	Total loans**	o/w retail mortgages	Customer deposits***
Volume (EUR)	7bn	2bn	9bn
Growth q-o-q*	+1%	0%	-2%
Growth y-o-y	+16%	-1%	-6%

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

International markets BU (4) | Bulgaria

Net result

in m EUR



ROAC 1H23 **30%**

7% of Allocated Capital

Highlights (q-o-q)

- Higher net interest income was driven mainly by higher commercial transformation result (increasing interest rates and still limited pass-through), higher income related to increased term deposits (at higher margins) and slightly higher lending income (despite pressure on loan margins in all segments), partly offset by higher costs on the minimum required reserves held with the central bank
- Stable net fee and commission income
- Higher net results from financial instruments at fair value (offset by lower IFIE)
- Higher non-life and life insurance sales
- An excellent combined ratio of 82% in 1H23 (82% in 1H22)
- Lower operating expenses due entirely to lower bank & insurance taxes. Excluding bank & insurance taxes, operating expenses increased due mainly to higher staff and ICT expenses (the latter mainly due to the integration of the acquired Raiffeisenbank Bulgaria into UBB)
- Net loan loss impairment releases due mainly to a 10m EUR impairment reversal for geopolitical and emerging risks. Credit cost ratio of 0.05% in 1H23 (0.43% in FY22)

Volume trend

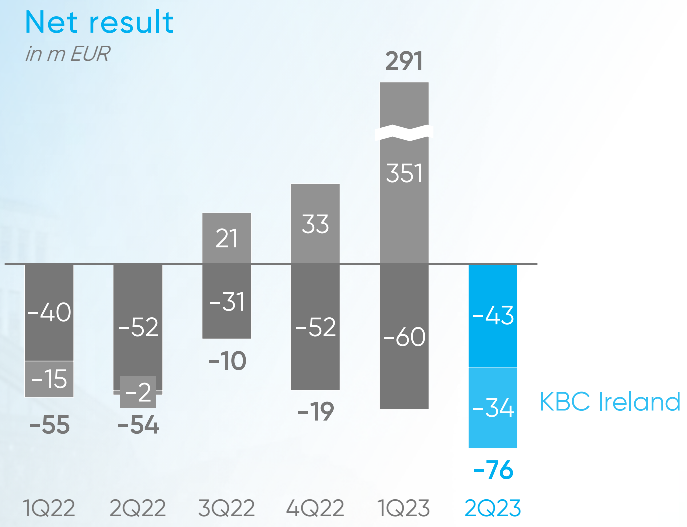
- Total customer loans rose by 3% q-o-q and by 15% y-o-y (both due to growth in all segments)
- Total customer deposits rose by 1% q-o-q (higher retail and SME deposits were partly offset by lower corporate deposits) and by 7% y-o-y (due to growth in all segments)

Organic volume trend

	Total loans**	o/w retail mortgages	Customer deposits***
Volume (EUR)	9bn	2bn	12bn
Growth q-o-q*	+3%	+3%	+1%
Growth y-o-y	+15%	+23%	+7%

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

Group Centre BU | Highlights



- The net result for the Group Centre comprises the results from activities and/or decisions specifically made for group purposes and, as of 1Q22, Ireland
- Note that 1Q23 included 351m EUR from KBC Bank Ireland, which reflects the impact of the sale of substantially all of KBC Ireland's performing loan assets and deposits in addition to a small portfolio of non-performing mortgages and credit card balances (announced on 3 Feb 2023). This has led to a one-off P&L impact of 370m EUR in 1Q23, spread over several P&L lines: net F&C +1m EUR, NOI +405m EUR, opex -10m EUR, imp.+2m EUR, tax -28m EUR

- Note that 2Q23 included a one-off P&L impact of -12m EUR pre-tax as a result of the Irish sale transaction, spread over several P&L lines: NOI -1m EUR, opex -1m EUR and impairments -11m EUR

Highlights (q-o-q), excluding Ireland

- Excluding Ireland, the q-o-q less negative result of Group Centre was attributable mainly to:
  - Higher net results from financial instruments at fair value, mainly due to the realised FX result on the dividend payments from CSOB Bank Czech Republic to KBC Bank and positive change in ALM derivatives
  - Lower opex

  partly offset by
  - Lower net interest income due mainly to:
    - Higher funding costs of bonds and participations driven by increased euro rates
    - Higher subordinated debt costs due to new issuances in 2Q23

Company profile | KBC Group in a nutshell (1)

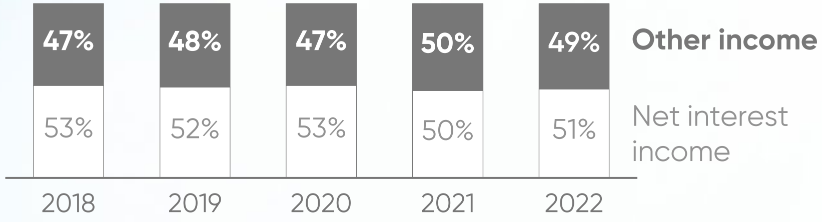
Diversified and strong business performance

- **geographically …**
  - Mature markets (BE, CZ) combined with developing markets (SK, HU, BG)
  - Robust market position in all key markets & strong trends in loan and deposit growth

- **… and from a business point of view**
  - An integrated bank-insurer
  - Strongly developed & tailored AM business
  - Strong value creator with good operational results through the cycle
  - Unique selling proposition: in-depth knowledge of local markets and profound relationships with clients
  - Integrated model creates cost synergies and results in a complementary & optimised product offering
  - Broadening 'one-stop shop' offering to our clients

KBC Group topline diversification

in %



We want to be among Europe's best performing financial institutions

- We are a leading European financial group with a focus on providing bank-insurance products and services to retail, SME and mid-cap clients, in our core countries: Belgium, Czech Republic, Slovakia, Hungary and Bulgaria
- As a result of the withdrawal from Ireland, arising M&A opportunities beyond our core markets may be assessed (for approval of the Board of Directors) taking into account very strict strategic, financial, operational & risk criteria

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

Company profile | KBC Group in a nutshell (2)

High profitability (IFRS 17 figures)

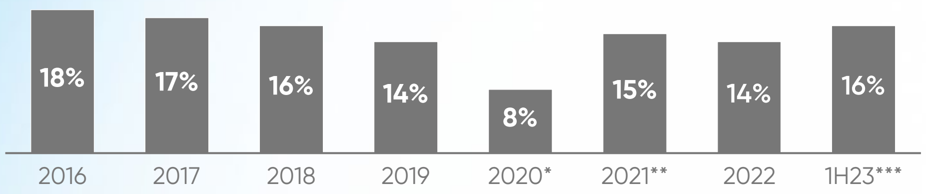
C/I ratio*
49% FY22
49% 1H23

combined ratio
87% FY22
84% 1H23

net result
2,818m FY22
1,848m 1H23

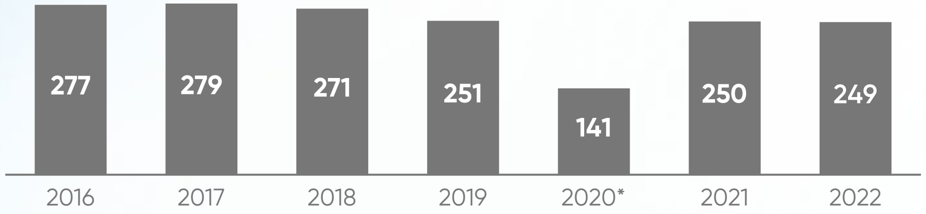
* Adjusted for specific items

Return on Equity
in %



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

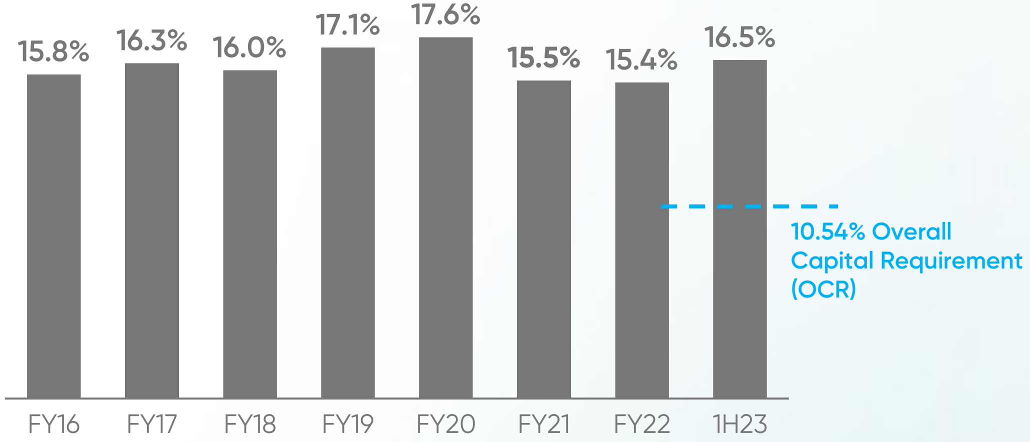
CET1 generation before any capital deployment
in bps



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

Solid capital position

CET 1 ratio (fully loaded, Danish compromise)
in %



Robust liquidity

NSFR
136% FY22
145% 1H23

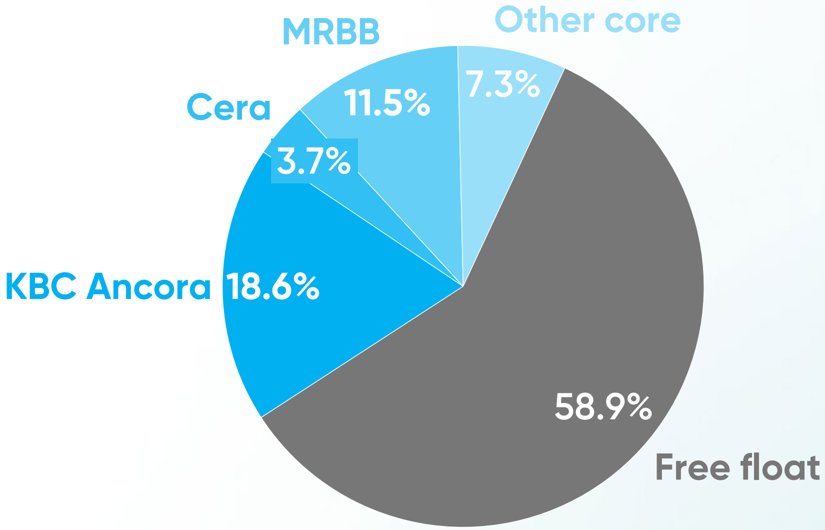
LCR
152% FY22
152% 1H23

Company profile | KBC Group in a nutshell (3)

Dividend policy & capital distribution
(as of 2023)

- 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

Shareholder structure
(as at end 1H23)



- Roughly **41% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals**. Committed shareholders include the Cera/KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of Belgian industrialist families
- The **free float** is held mainly by a large variety of international institutional investors

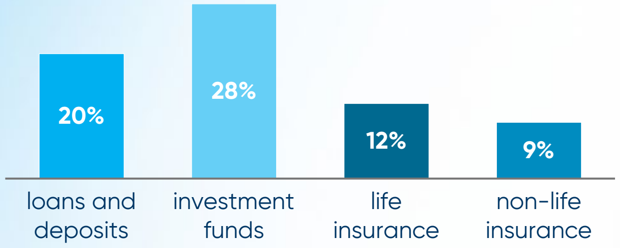
Company profile | Well-defined core markets

Belgium BU

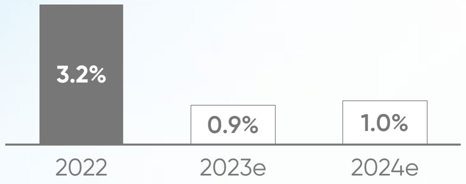
61% of assets
3.9m clients
440 branches

118bn EUR loans
143bn EUR deposits

Market share
in %, end 2022



GDP growth
in %, KBC Economics



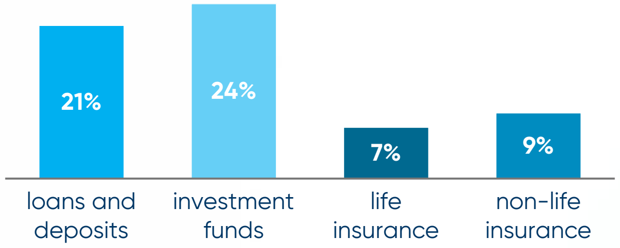
105% debt-to-GDP ratio

Czech Republic BU

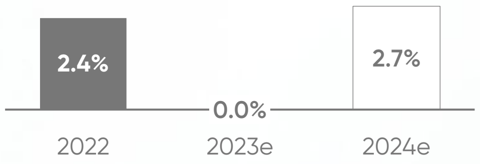
23% of assets
4.3m clients
200 branches

37bn EUR loans
52bn EUR deposits

Market share
in %, end 2022



GDP growth
in %, KBC Economics



44% debt-to-GDP ratio

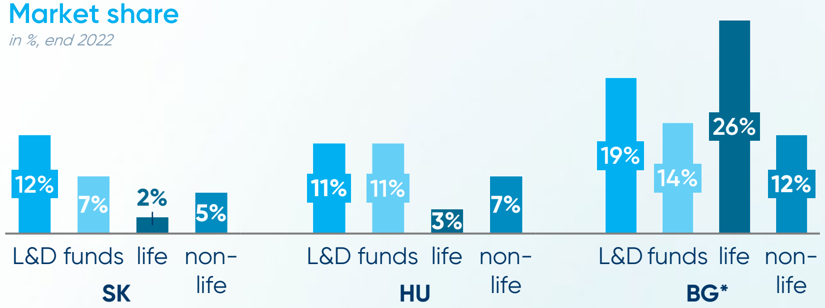
International Markets BU

SK
4% of assets
0.8m clients
108 branches
11bn EUR loans
8bn EUR deposits

HU
4% of assets
1.6m clients
195 branches
7bn EUR loans
9bn EUR deposits

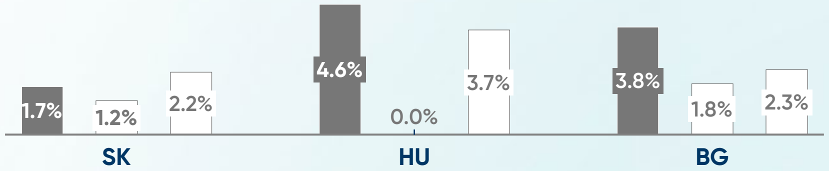
BG
4% of assets
2.2m clients
258 branches
9bn EUR loans
12bn EUR deposits

Market share
in %, end 2022



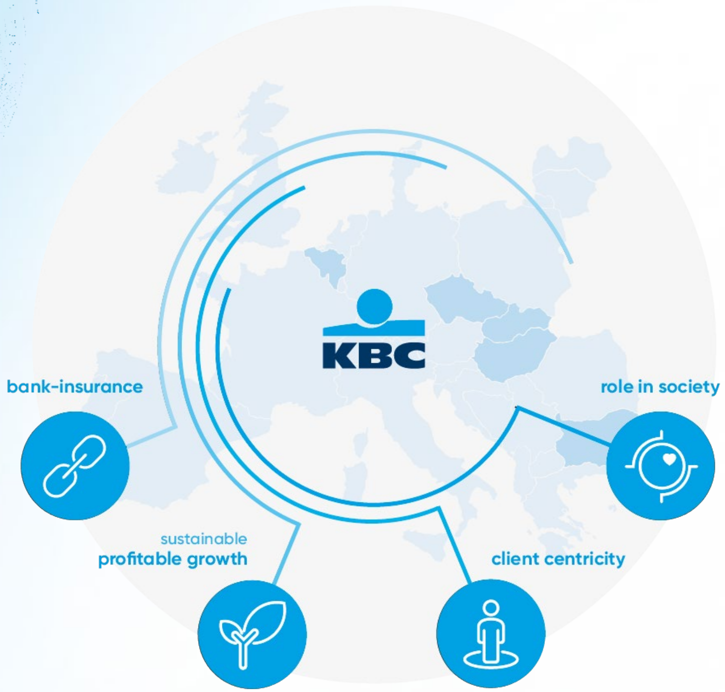
* Pro forma incl. acquisition of Raiffeisenbank Bulgaria

GDP growth
in %, KBC Economics



62% debt/GDP **73%** debt/GDP **23%** debt/GDP

Strategy | Differently: the next level

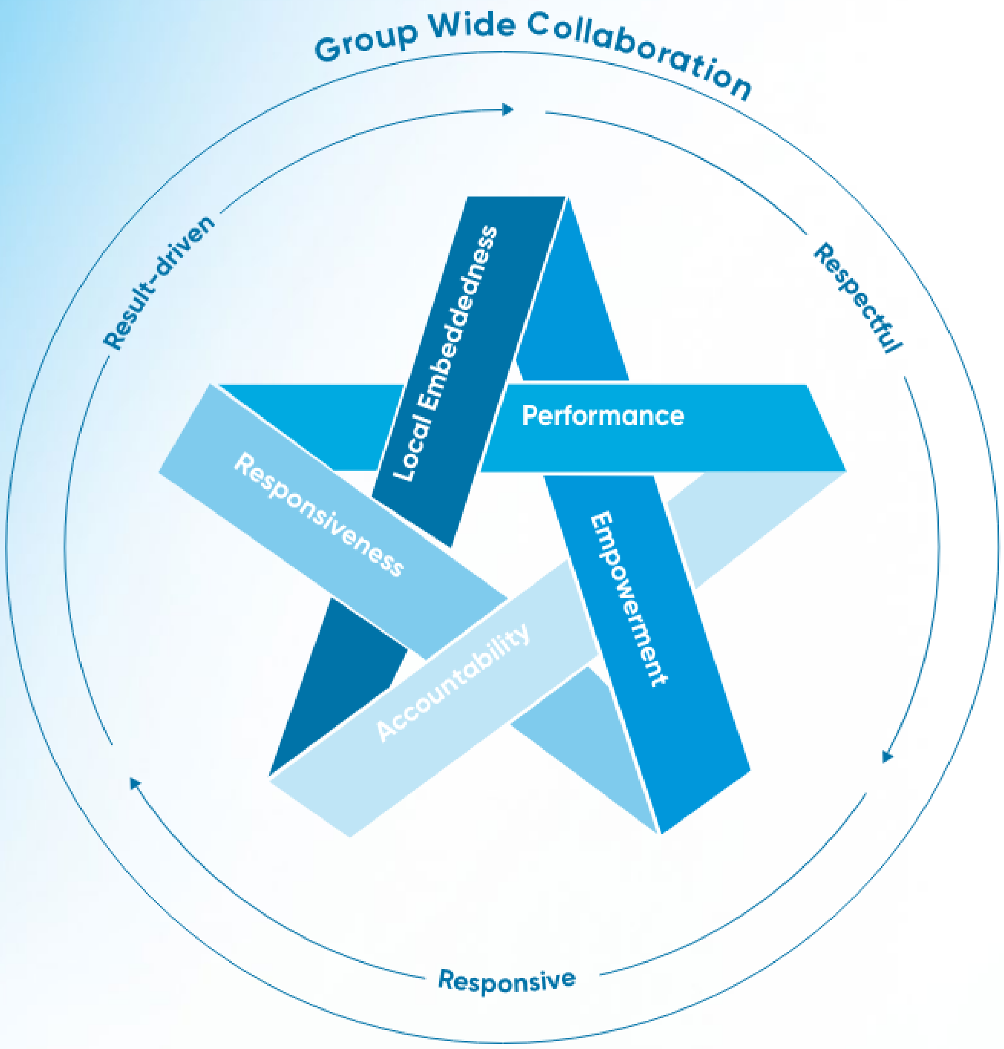


Our strategy rests on the following principles:

- We place our clients at the centre of everything we do.
- We look to offer our clients a unique bank-insurance experience.
- We focus on our group's long-term development and aim to achieve sustainable and profitable growth
- We meet our responsibility to society and local economics
- We implement our strategy within a strict risk, capital and liquidity management framework

As part of our PEARL+ business culture, we focus on jointly developing solutions, initiatives and ideas within the group

Strategy | Powered by PEARL

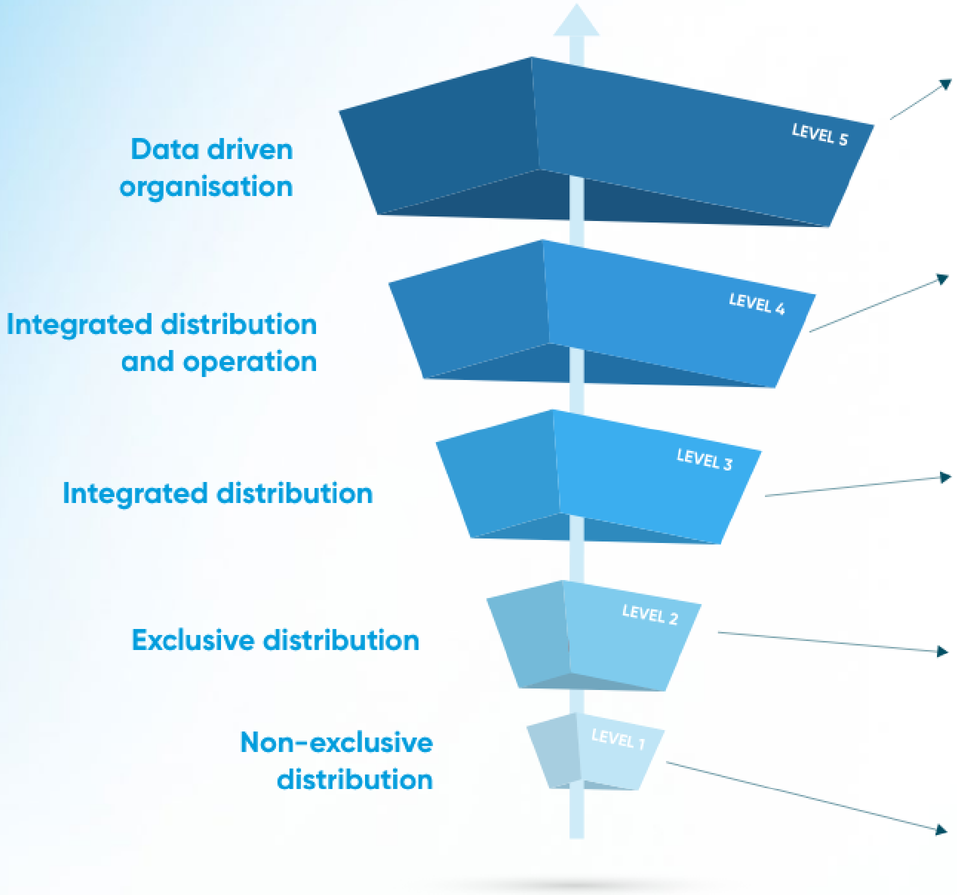


'Why would you build exactly the same thing in your country, when you have the solution next door?'

Johan Thijs

Strategy | Bank-insurance+

We move beyond traditional bank-insurance towards bank-insurance+, providing not only traditional bank-insurance solutions but also less traditional non-financial solutions that impact the financial wellness of retail customers or the future of their business



Data driven organization: fully integrated digital first distribution approach based on a solution driven and AI enabled bank-insurance

Acting as a single operational company: bank and insurance company working under unified governance, realizing commercial and non-commercial synergies

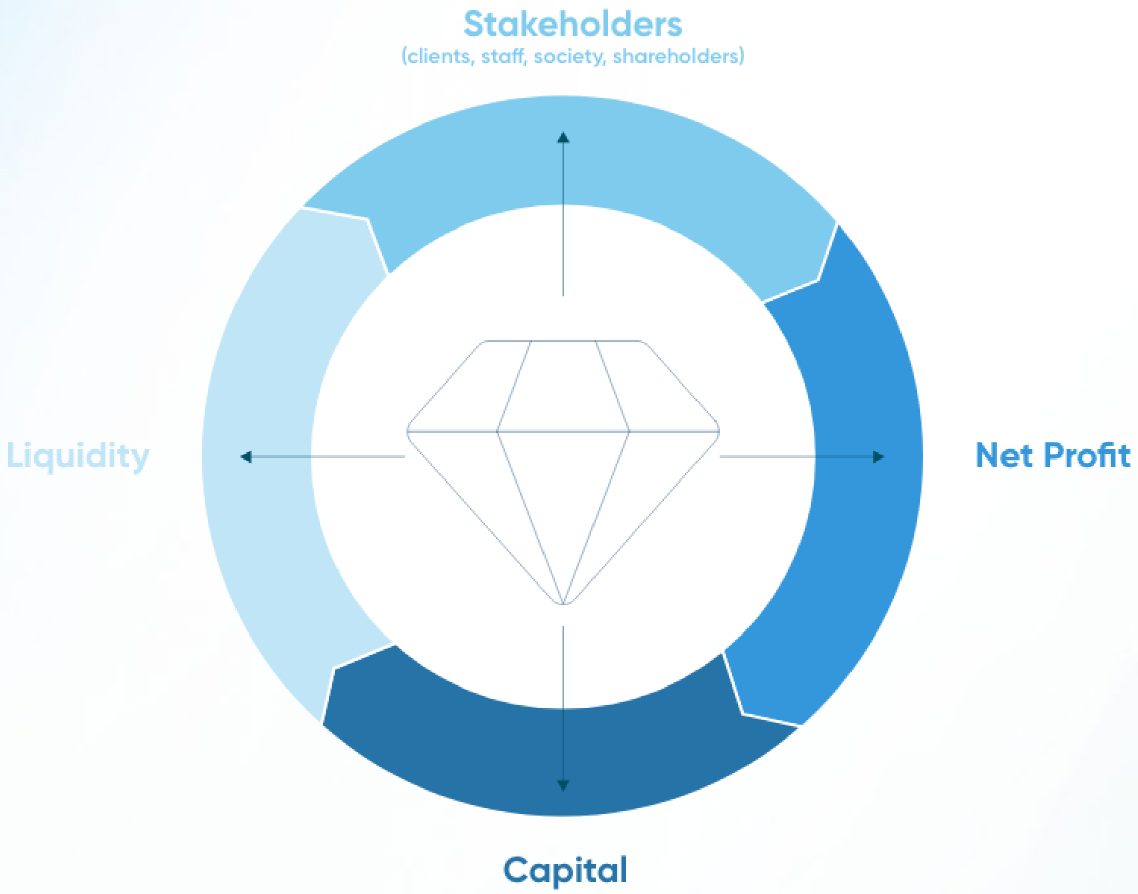
Acting as a single operational company: bank and insurance company working under unified governance, realizing commercial synergies

Bank branches sell insurance products from intra-group insurance companies as additional source of income

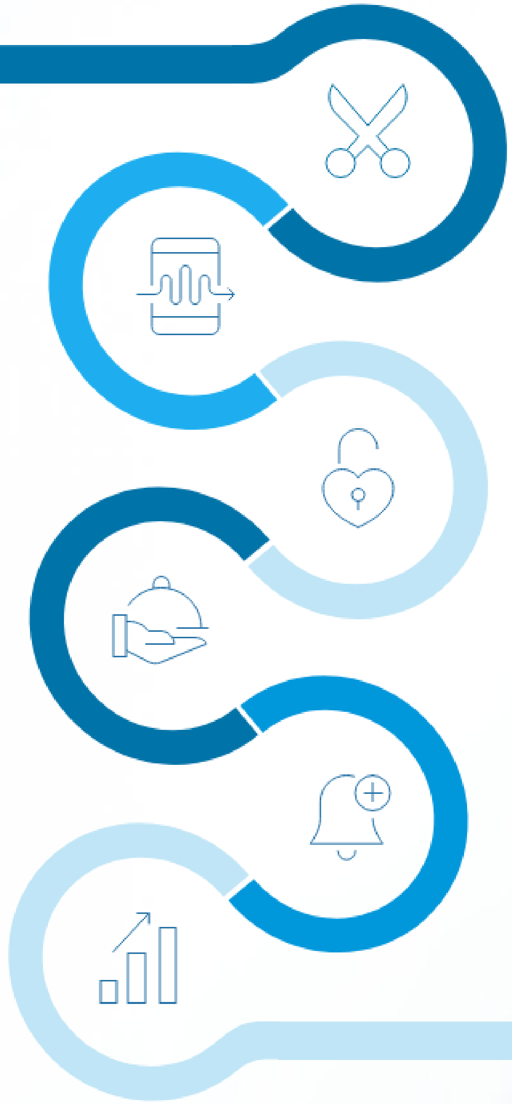
Bank branches sell insurance products of third-party insurers as additional source of income

Strategy | The KBC performance diamond

The performance diamond defines, within the limits of the risk management framework, the targets for KBC Group and for all the business units for 4 performance dimensions:



Kate | KBC's hyper personalised and trusted digital assistant



Personalised & data driven

The interaction between the customer and Kate will be triggered by data analysis (approval granted by customer). Kate will be trained on the basis of the customer's profile, preferences and activities

Digital first & E2E

We will offer the client a frictionless End2End digital process and in doing so make bank/insurance simple and hassle free

Relevant & valuable offer

Kate will only propose offers where sufficient added value is shown or when she can serve the client in an important moment in the client's live

Serving: secure & frictionless

Kate will help the client saving time and/or money, focusing more on the convenience factor. Kate will also serve the client regarding security and fraud

At the right time

Lead journeys driven by time or location are preferably taken care of by Kate, as notifications linked to a specific location or specifying moment in time are perceived as highly personal

Volume

We want all our clients to meet Kate as much as possible. Kate will allow us to reach out to a sufficient volume of clients, in terms of transactions and in terms of number of targetable audience

'No hassle, no friction, zero delay'

Johan Thijs

Kate | Four flavours, one 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**).

Kate is available in all KBC's core countries!

KATE autonomy
63% BE
62% CZ

3.4 million users in contact with Kate

use cases
332 BE
205 CZ
183 IM

Kate4Business

Kate will also engage with our **self-employed, micro-SME, SME and corporate clients** with relevant and actionable insights that are personal and proactive.

Already **available in BE and CZ** in a mobile environment. Web environment to follow soon.

use cases micro SMEs
30+ BE
40+ CZ

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**.

'KATE IN A BOX' delivered to all core countries

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 (2H23)

450K leads picked up by employees in CZ & BE YTD

Kate | 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.

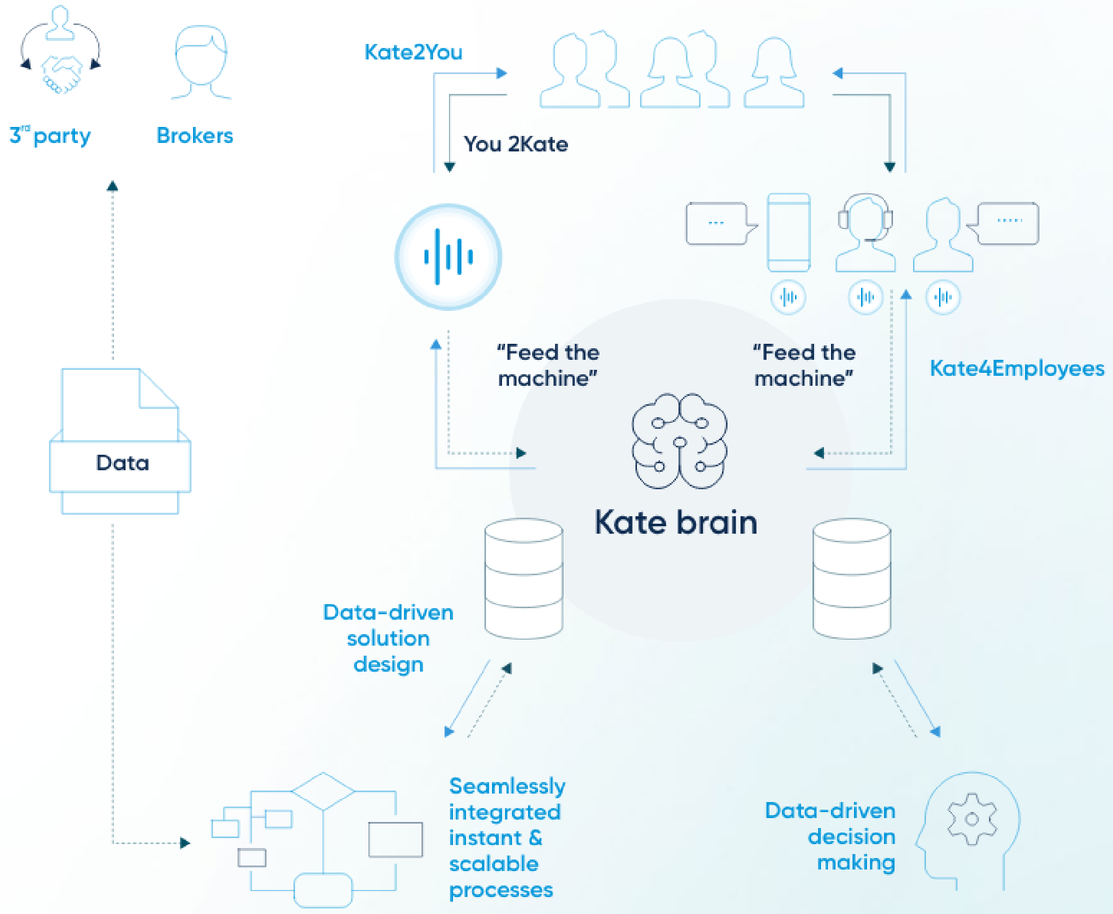
So, Kate is not only steering the interaction with customer-facing touchpoints (digital, physical, remote) but also the product factories and decision makers by **providing relevant insights**.

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 through **better sales productivity**.



Kate | From basic chatbot to hyper-personal digital assistant

Sales effectiveness, operational efficiency, customer experience ↗
Powered by AI driven and automated lead life cycle management

Level 4: Kate offers hyper-personal solutions at the right time

Level 3: Kate proactively offers actionable end-to-end solutions to unburden customers (to save time and money)

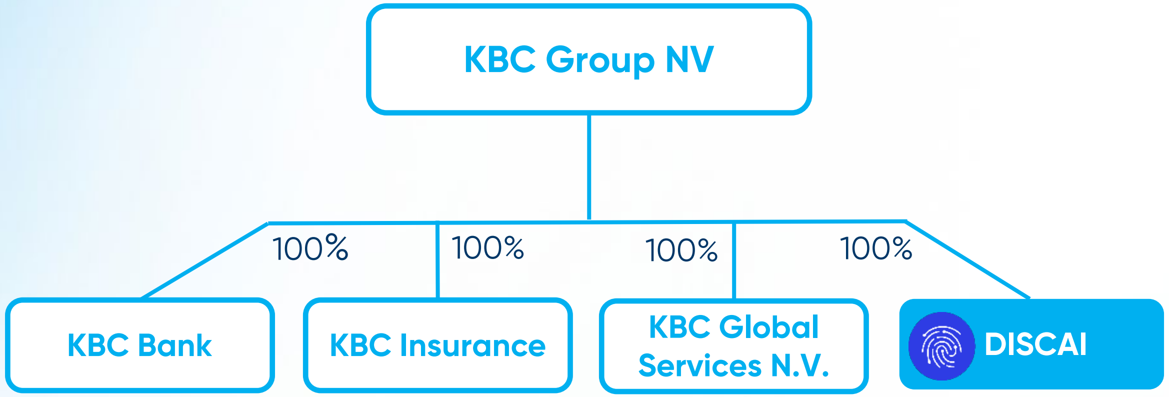
Level 2: Kate reactively offers digital end-to-end solutions to customers

Level 1: A chatbot answers basic questions from customers on day-to-day bankinsurance needs

DISCAI | KBC's AI fintech, launched on 7 March 2022

DISCAI – Discovering AI

- Fully owned KBC Group subsidiary, grouping the in-house developed **artificial intelligence** (AI) **solutions**
- **Bank-Insurance as a Service**
  - Offering **innovative solutions** to other companies
  - Leverage investments in **data**, AI, together with KBC's **financial expertise**
  - Fully in line with **KBC's strategy** to go beyond traditional bank-insurance offering and **income diversification**



Next steps for DISCAI

✓ **Starting with commercialisation of AML platform**

- Innovative and high-performance **AI-based solution** developed by KBC for **anti-money laundering** (AML), a global challenge for financial institutions
- Much **more effective** solution in detecting fraud cases ('know your transaction (**KYT**)' under AML regulations), trend-based instead of rule-based
- Adhering to **strict data privacy standards**
- Partnering with **KPMG** to attract interested B2B parties and support implementation in various countries
- Initial focus on parties **geographically close to KBC Group**

✓ **More potential innovative solutions in the future**

- In a next phase, **DISCAI** will assist companies and organisations from various sectors in search for **high-performance and innovative solutions** to technological and regulatory challenges

Strategy | Translating strategy into non-financial targets

Differently: THE NEXT LEVEL
KBC

- No hassle, no frills, zero-delay customer experience
- Proactive personalized financial solutions via DATA and AI
- Re-design & automation of all processes
- Bank-insurance+
- Digital lead management: from data driven to solution driven
- Group-wide collaboration

PEARL+

Data Driven

Customer NPS Ranking
Maximise customer experience

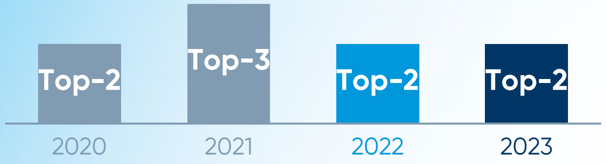
Digital Sales
Go for Digital first

STP Score
Outperform on operational efficiency

% Bank-Insurance Customers
Further enhance bank-insurance

Strategy | Update on KBC's non-financial targets

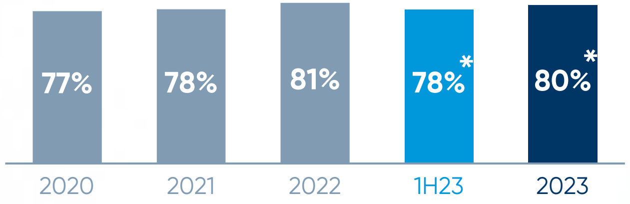
Customer ranking



- **KBC is 2nd in customer NPS (Net Promoter Score) ranking** based on weighted avg of ranking in five core countries
- **Target is to remain the reference** (i.e. Top-2 score on group level)

Bank-insurance (BI) clients

BI clients
in %

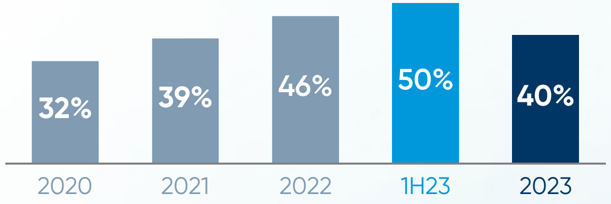


BI customers have at least 1 bank + 1 insurance product of our group

* An adjustment was made given the change of scope (acquisition of RBBG)

Digital sales

Digital sales banking products*
in %

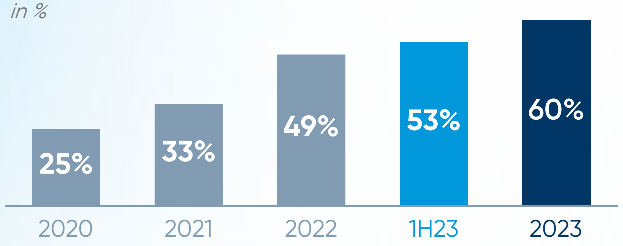


Digital sales 50% of **banking sales** (vs end of 2023 target of ≥40%)

* Based on weighted average of selected core products.

Straight-through processing

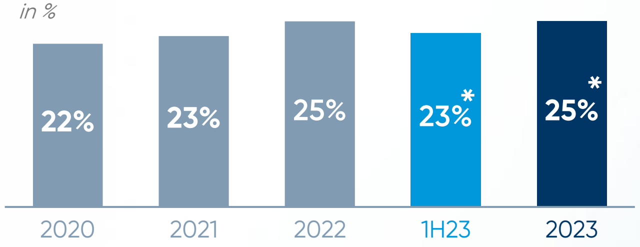
STP score*
in %



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.

* Based on analysis of core commercial products.

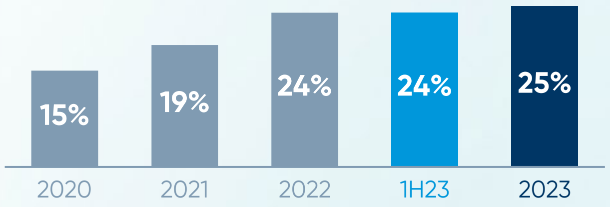
BI stable clients
in %



Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3)

* An adjustment was made given the change of scope (acquisition of RBBG)

Digital sales insurance products
in %



Digital sales 24% of **insurance sales** (vs end of 2023 target of ≥25%)

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

Agency	ESG rating of 18th of July 2023 (previous score)	Position versus industry average
CDP (DISCLOSURE INSIGHT ACTION)	Scale: D- … A **A** (A-)	• Leader in addressing climate change • CDP's A list • Financial average service B-
SUSTAINALYTICS	Scale: Severe Risk, High Risk, Medium Risk, Low Risk, Negligible Risk **12.5** (12.8)	• 3rd percentile of 381 diversified banks assessed • 9th of 381 diversified banks
S&P Dow Jones Indices (A Division of S&P Global)	Scale: 0 … 100 **75** (74)	• Top 5% (95th percentile of 762 banks assessed)
MSCI	Scale: C, B, BB, BBB, A, AA, AAA **AAA** (AAA)	• Leader among 488 banks assessed
Corporate ESG Performance Prime, RATED BY ISS ESG	Scale: D-, D, D+, C-, C, C+, … **C+ prime** (C prime)	• 1st decile rank of 299 Commercial Banks & Capital Markets assessed
FTSE4Good	Scale: 0, 1, 2, 3, 4, 5 **4.7** (4.3)	• Top 4% (96th percentile of banks assessed)

Sustainability highlights

Commitment to climate action

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

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

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

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

Sustainable business

7.4bn EUR
Financing contributing to social objectives

14.3bn EUR
Financing contributing to environmental objectives

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

37bn EUR Responsible Investing funds in 1H23
or 39% of total assets under distribution (direct client money)

Social responsibility

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

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

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

Diversity in senior management
24% females in senior management roles

Sustainability highlights in 2022, unless otherwise indicated

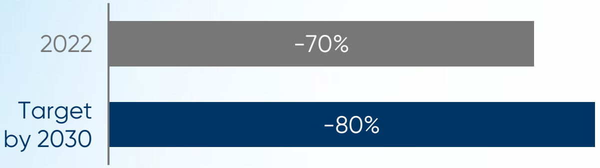
Direct environmental impact: our progress in brief

DIRECT environmental footprint (FY 2022)

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

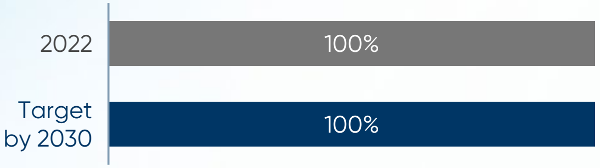
Reduction in our direct GHG emissions

reduction compared to 2015

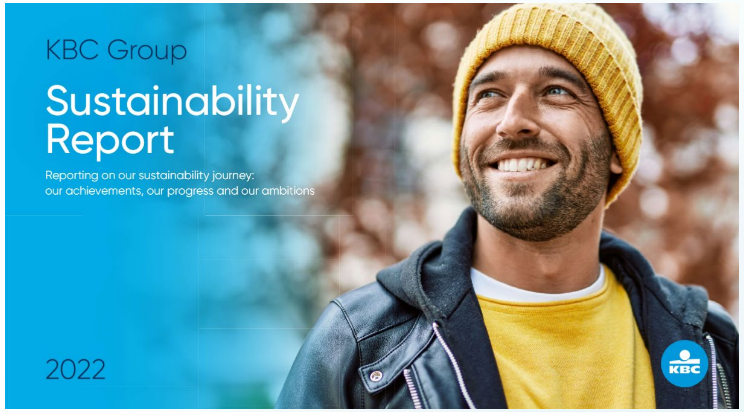


Renewable electricity

in % of own electricity consumption



More details in our 2022 Sustainability Report



More details in our 2022 Climate Report

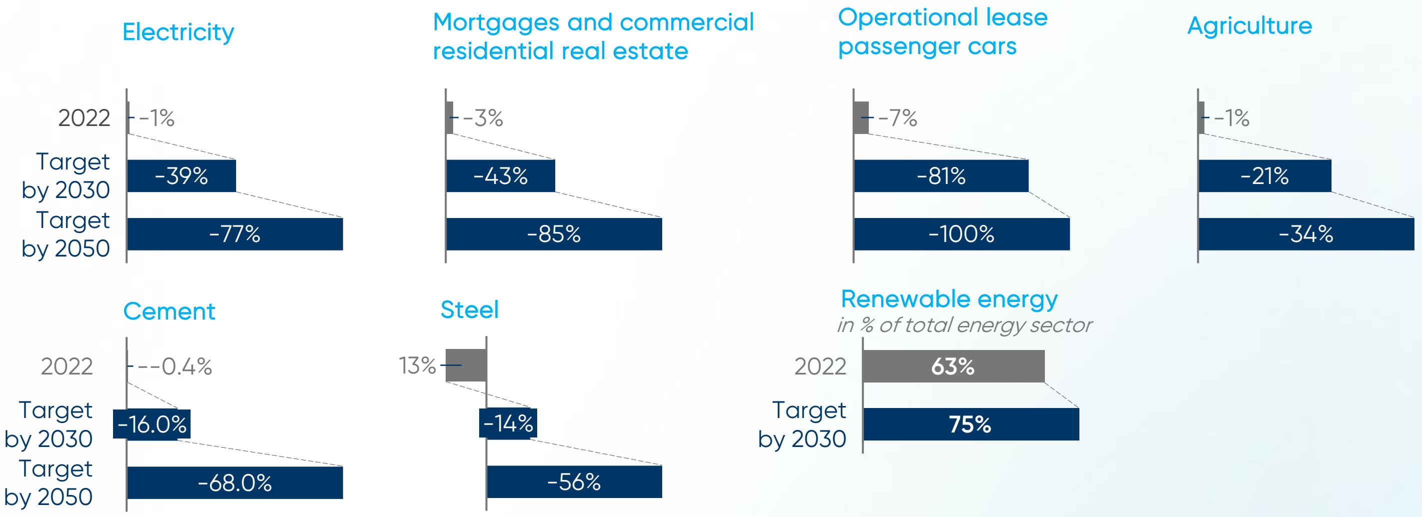
Indirect environmental impact: our progress in brief

INDIRECT environmental footprint (FY 2022)

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

Loan portfolio (selection of sectors)

reduction compared to 2021 baseline, otherwise indicated



Asset management funds

reduction compared to 2021 baseline, otherwise indicated

Loan loss experience at KBC

Credit cost ratio*

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

	1H23	FY22	FY21	FY20	FY19	FY18	FY17	AVERAGE '99 –'22
Belgium BU	0.05%	0.03%	-0.26%	0.57%	0.22%	0.09%	0.09%	n/a
Czech Republic BU	-0.30%	0.13%	-0.42%	0.67%	0.04%	0.03%	0.02%	n/a
International Markets BU*	-0.08%	0.31%	0.36%	0.78%	-0.07%	-0.46%	-0.74%	n/a
Group Centre BU*	-0.23%	-0.04%	0.28%	-0.23%	-0.88%	-0.83%	0.40%	n/a
Total	-0.04%	0.08%	-0.18%	0.60%	0.12%	-0.04%	-0.06%	0.39%

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

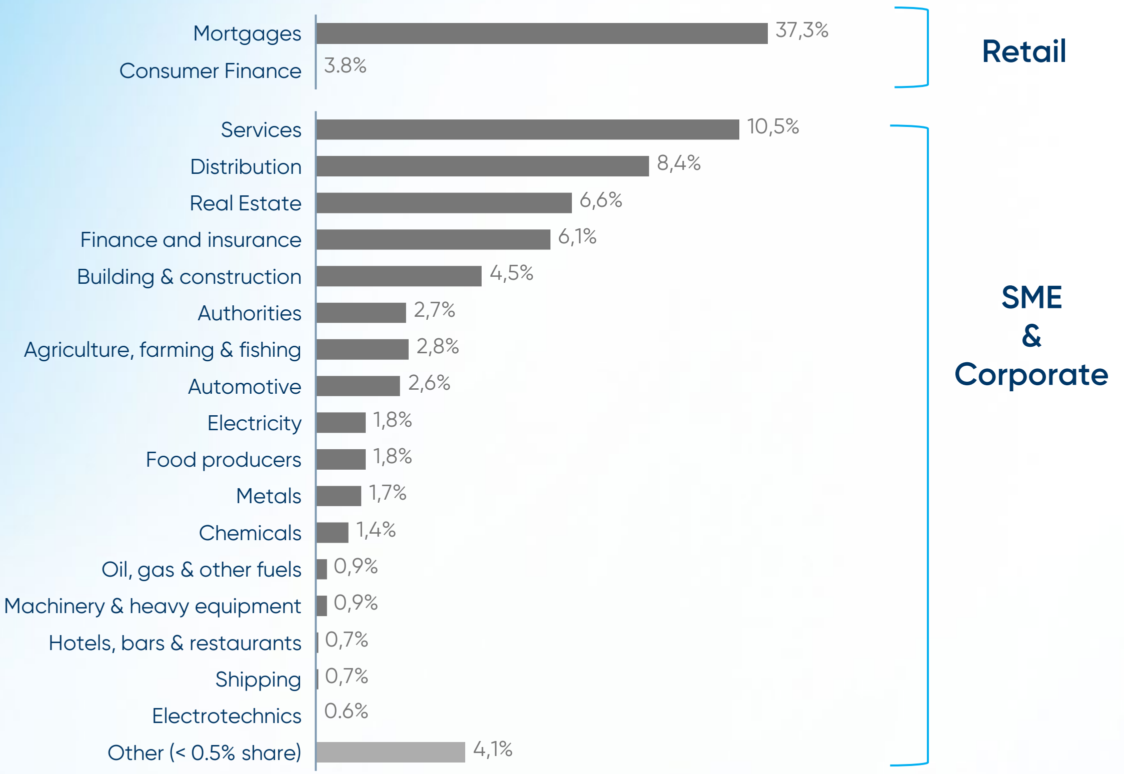
Diversified loan portfolio

Total loan portfolio outstanding

Total loan portfolio outstanding
201bn EUR*
Group level

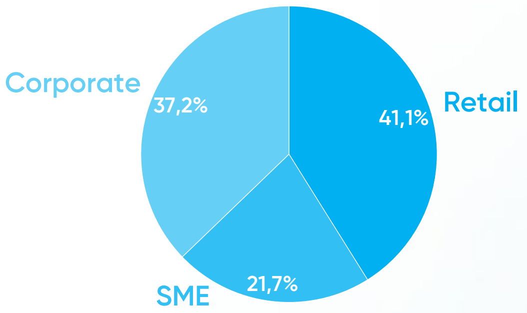
Total loan portfolio outstanding | by sector

*as % of total Group loan portfolio outstanding**



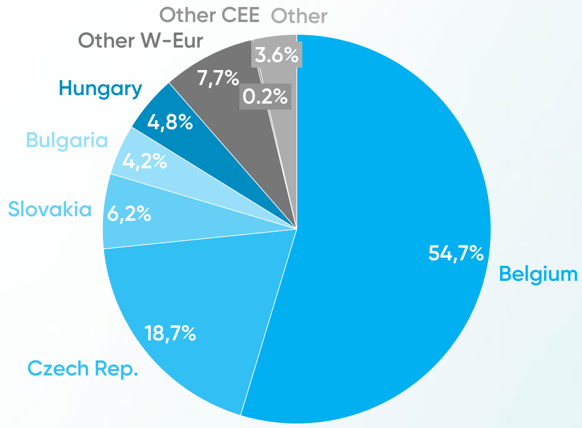
Total loan portfolio outstanding | by segment

*as % of total Group loan portfolio outstanding**



Total loan portfolio outstanding | by geography***

*as % of total Group loan portfolio outstanding**

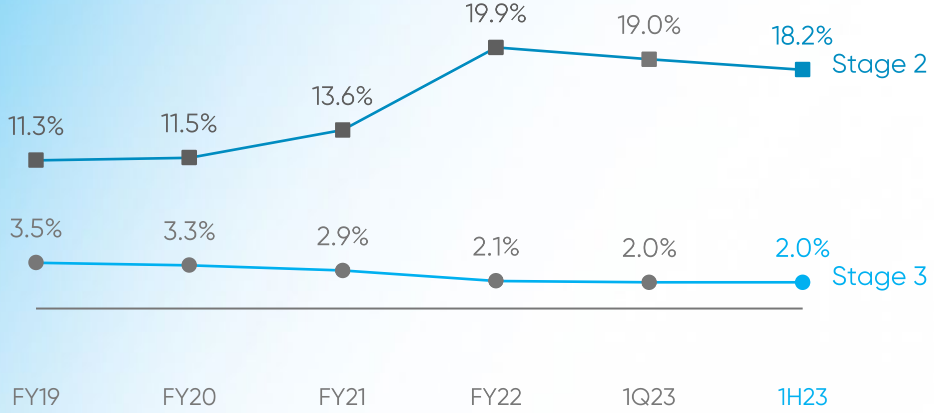


- Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements.

Loan portfolio breakdown by IFRS 9 ECL stage

Total loan portfolio outstanding | by IFRS9 ECL Stage*

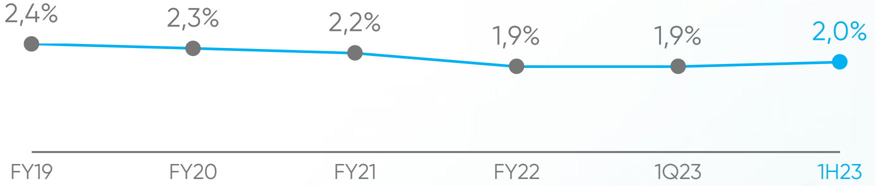
as % of total Group loan portfolio outstanding



- Drop of **Stage 3 ratio over the years** is driven mainly by the sale of the Irish loan portfolio
- The increase of **Stage 2 portfolio** in 2022 resulted mainly from collective transfer to Stage 2 of Stage 1 portfolios, linked to the geopolitical and emerging risks (in line with strict application of the general ECB guidance on staging)
- Q-o-q decline of **Stage 2 ratio** is driven mainly by review of the sector list (linked to the geopolitical and emerging risks)
- Excluding these collective transfers, no general deterioration has been observed in our portfolio

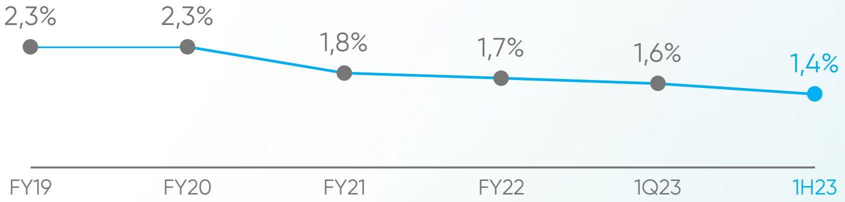
Stage 3 ratio | Belgium BU

in %



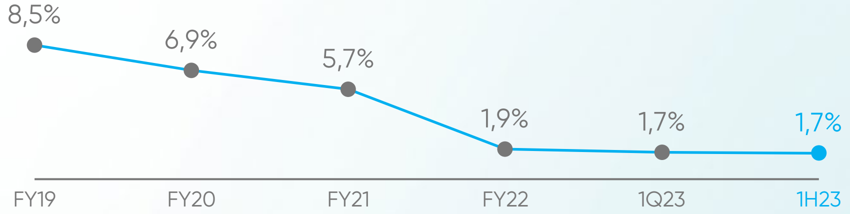
Stage 3 ratio | Czech Republic BU

in %



Stage 3 ratio | International Markets BU

in %

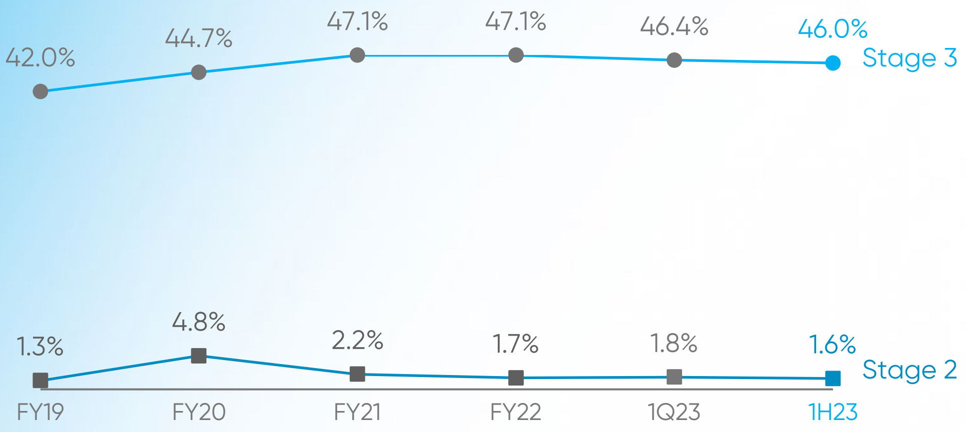


* Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements

Cover ratios

Cover ratio | by IFRS9 ECL Stage*

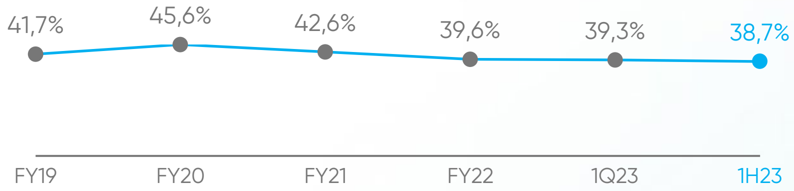
in %



- The q-o-q limited decrease of the **Stage 3 cover ratio** is driven mainly by write-off of stage 3 files with above average cover ratio in Belgium
- The decline of the **Stage 2 cover ratio** as of 2021, resulted mainly from collective shifts to Stage 2 (linked to Covid and the geopolitical & emerging risks). The further reduction in 2Q23 can largely be explained by the quarterly release of the geopolitical & emerging risks impact

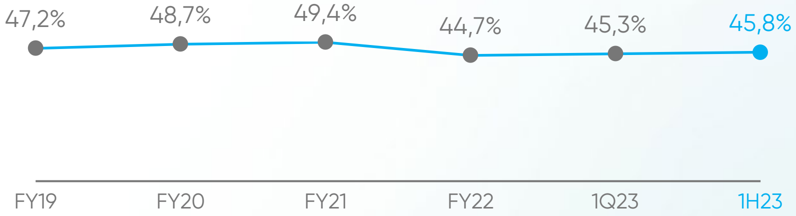
Stage 3 cover ratio | Belgium BU

in %



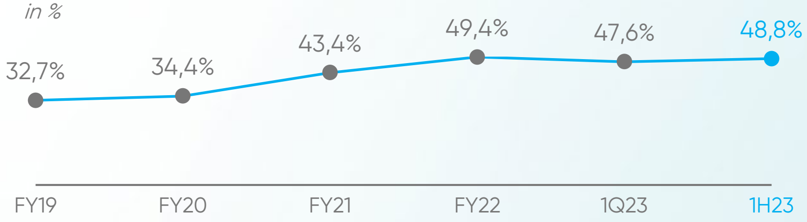
Stage 3 cover ratio | Czech Republic BU

in %



Stage 3 cover ratio | International Markets BU

in %



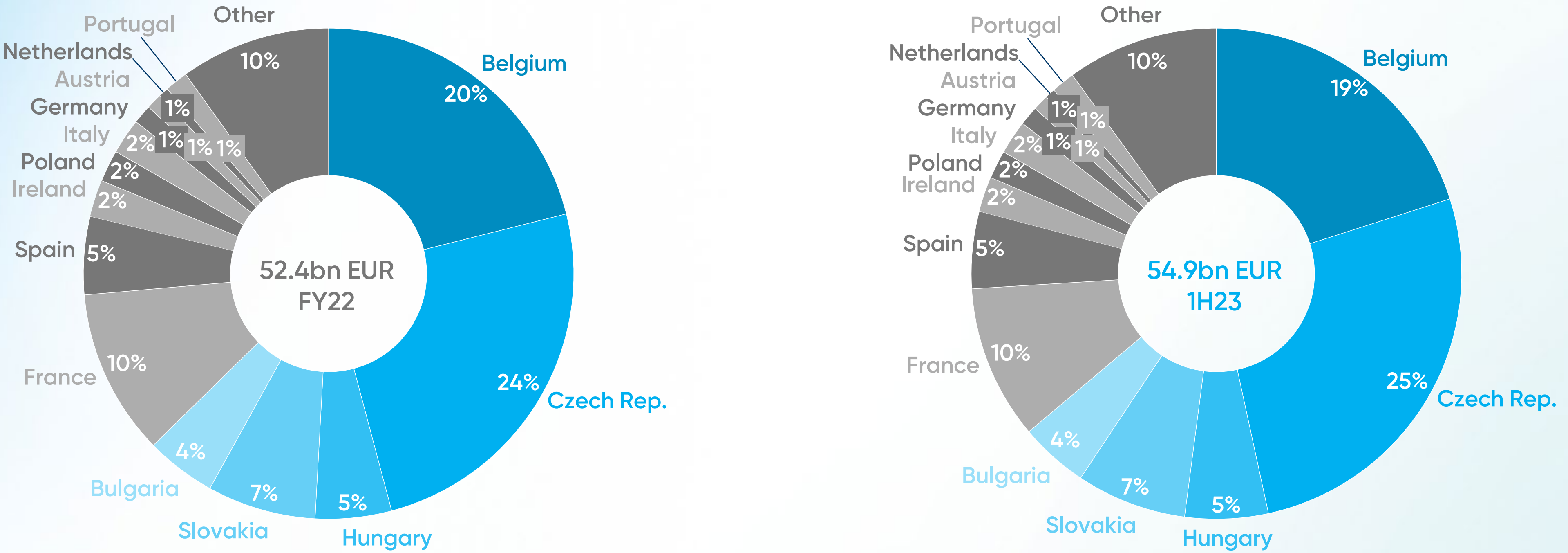
* Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements

Substantial and well-diversified government bond portfolio

- **Carrying value of 54.9bn EUR in government bonds** (excl. trading book) at end of 1H23, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- **Carrying value of GIIPS exposure amounted to 5.6bn EUR** at the end of 1H23

Government bond portfolio | Carrying value* FY22/1H23

in %



* Carrying value is the amount at which an asset (or liability) is recognised: for those not valued at fair value this is after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon, while carrying amount is equal to fair value when recognised at fair value

Above resolution requirements of 1H23 in terms of MREL

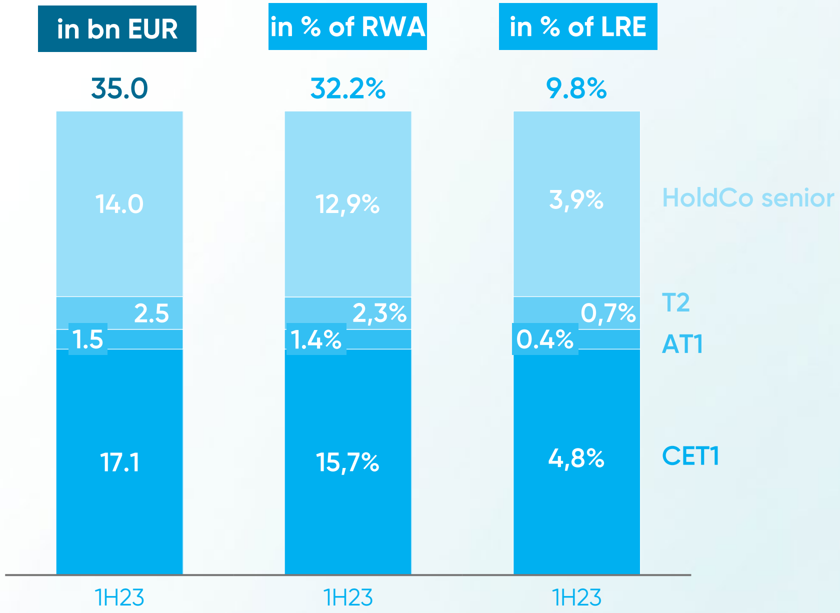
MREL targets

- The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level, with **bail-in** as the preferred resolution tool
- **In April 2023, the SRB communicated updated MREL targets** (under BRRD2) for 01-01-2024, expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE)
- The **new binding MREL targets (incl. CBR on top of the MREL target in % of RWA)** are:
  - **27.91% of RWA** as from 01-01-2024 (including CBR[1] of 4.99% as from 1Q2023), with an intermediate target as from 01-01-2022, reaching 26.55% at YE2023 (including CBR[2] of 4.92%)
  - **7.38% of LRE** as from 01-01-2024, with an intermediate target of 7.34% of LRE as from 01-01-2022

1. Combined Buffer Requirement as of 01-01-2024 = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + Countercyclical Buffer (0.78%) + Systemic Risk Buffer (0.21%)
2. Combined Buffer Requirement at YE 2023 = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + Countercyclical Buffer (0.71%) + Systemic Risk Buffer (0.21%)

MREL actuals

- The **MREL ratio in % of RWA** increased from 30.1% in 1Q23 to 32.2% in 1H23. This is driven mainly by the issuance of senior holdco instruments
- The **MREL ratio in % of LRE** increased from 9.5% in 1Q23 to 9.8% in 1H23, driven by the increase of the available MREL

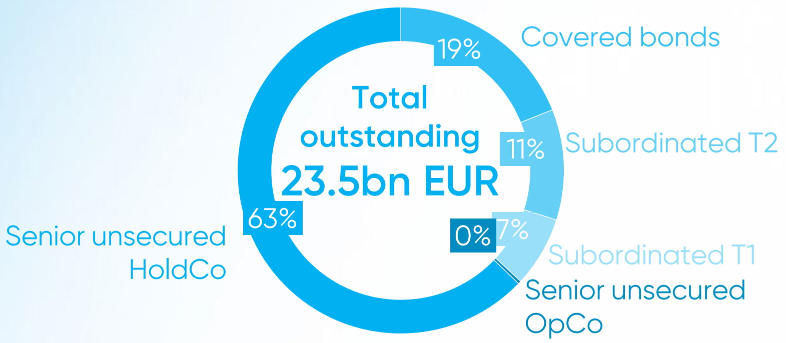


Upcoming mid-term funding maturities

Total outstanding | 2Q23

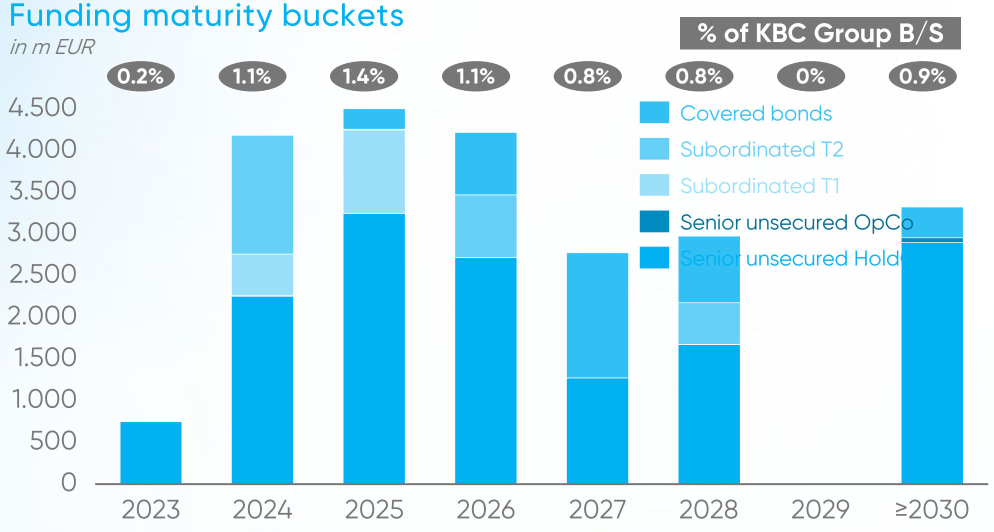
in %

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



Funding maturity buckets

in m EUR

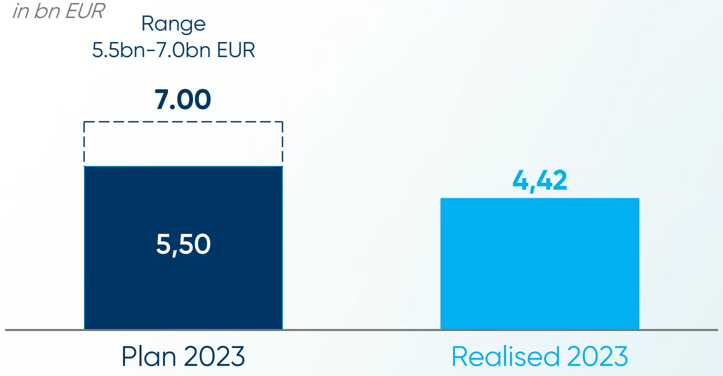


Funding program | 2Q23

- In **April 2023**, KBC Group issued a senior Holdco benchmark for an amount of 1bn EUR with a 7-year maturity callable after 6 years.
- In **June 2023**, KBC Group issued a covered bond for an amount of 750m EUR with a 5-year maturity.
- In **June 2023**, KBC Group issued its first dual tranche. The first tranche was a Senior Holdco benchmark for an amount of 1.25bn EUR with a 3-year maturity callable after 2 years. The second tranche was a senior HoldCo benchmark for an amount of 750m with an 8.5-year maturity in social format.

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

in bn EUR

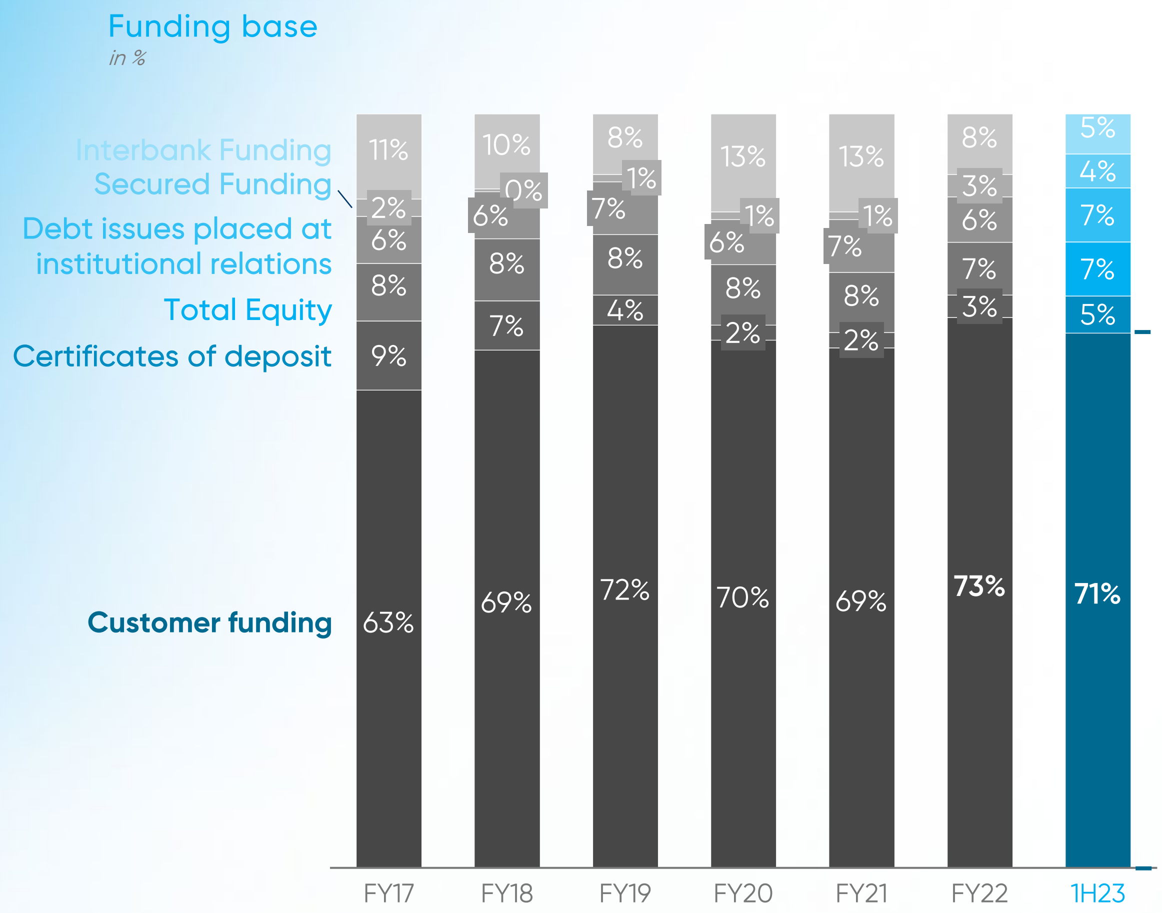


We aim to issue 1 green/social bond per year

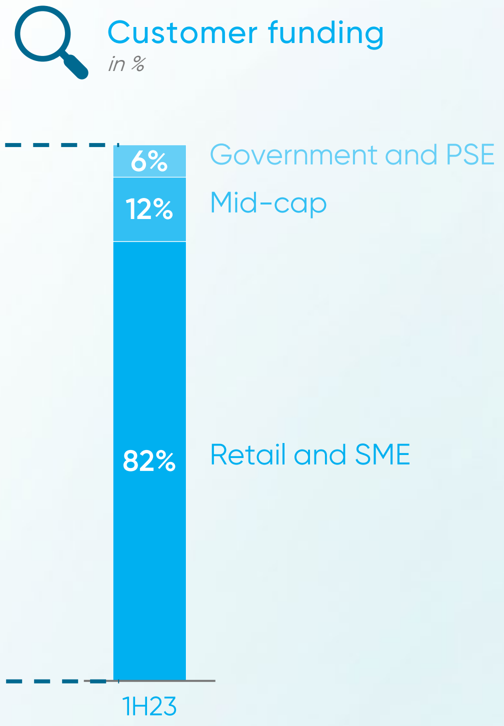
Note: any change in regulatory requirements, RWA evolutions, MREL targets or market circumstances can change the current disclosed range

Strong and growing customer funding base

- 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 remaining exposure of 2.6bn EUR which is reflected in the 'Interbank Funding' item below



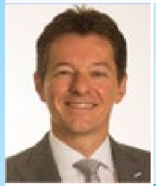
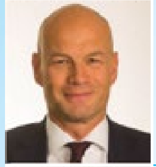
Roughly 50% of total customer deposits are covered by the Deposit Guarantee Fund



Glossary

B3 / B4	Basel III / Basel IV
Combined ratio (non-life insurance)	Short-term non-life insurance contracts: [claims and claim related costs net of reinsurance + costs other than claims and commissions] / [earned expected premiums received, net of reinsurance]
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio without banking and insurance tax (group)	[operating expenses of the group without banking and insurance tax + Insurance commissions paid] / [total income of the group]
Cost/income ratio adjusted for specific items or C/I ratio when excluding certain non-operating items	The numerator and denominator are adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include (i) MtM ALM derivatives (fully excluded), (ii) bank & insurance taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC21) and (iii) one-off items
Credit cost ratio (CCR)	[annualised net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula.
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]
TLAC	Total loss-absorbing capacity

Contacts / questions

	**Johan Thijs** KBC Group CEO	
	**Luc Popelier** KBC Group CFO	
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More information

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

Upcoming events

11 August	Equity roadshow, London
6 September	Equity roadshow, London
7 September	Equity roadshow, Scandinavia
12 September	Equity conference, NY
13 September	Equity roadshow, Boston
18 September	Equity roadshow, US MidWest
19 September	Equity conference, London
5 October	Equity roadshow, Paris
9 November	3Q23 Publication of Results
10 November	Equity roadshow, London

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