KBC Group
Press presentation
4Q 2021 and FY 2021 results

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Key takeaways for KBC Group

Excellent performance: KBCs engine firing on all its cylinders

Excellent net result of **663m EUR in 4Q21**

- NII up 6% q-o-q to 1,177m EUR, boosted by rates hikes in CZ and HU
- Higher fees (+3% q-o-q) given higher AM fees and higher banking services fees
- Better Non-Life result after Reinsurance - Combined Ratio for FY21: an excellent 89%
- Lower FIFV and lower net other income
- Costs in line with guidance
- Net impairment releases
- ROE in FY21: 15%*

Franchise performing very well

- Continued strong production in mortgages (+2% q-o-q, +6% y-o-y) and term loans, increasing in all countries
- Customer deposits flat q-o-q, +6% y-o-y
- Gross earned premium of non-Life insurance +8% y-o-y, with growth in all classes
- Sale of life insurance products: +18% q-o-q

KBC amongst best capitalized banks

- CET1 15.5% in FY21, which means a buffer of 4.7% versus OCR of 10.8%
- Solvency II ratio in FY21: 201%
- Strong liquidity in FY21: NSFR 148% - LCR 167%
- Dividend proposal: A total gross dividend of 10.6 EUR per share will be proposed to the AGM (of which 3.0 EUR already paid in November 2021 and 7.6 EUR to be paid in May 2022)

Kate is convincing customers

- Digital assistant Kate is convincing customers as already 1.75m clients were already in contact with Kate
- Growing number of cases: > 170 in BE & CZ
- Digital sales boosted by Covid-19
- Kate autonomy already up to 37%
- KBC Mobile named best mobile banking app worldwide by independent research agency Sia Partners

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

Key takeaways for KBC Group

Capital deployment, dividend proposal and short & long-term financial guidance

For FY21:

- A **final gross dividend of 7.6 EUR per share, bringing the total gross dividend to 10.6 EUR per share,** will be proposed to the AGM, of which:
  - ☐ a dividend of 2.0 EUR per share related to the accounting year 2020, already paid in November 2021
  - ☐ an ordinary dividend of 4.0 EUR per share related to the accounting year 2021 (of which an interim dividend of 1.0 EUR per share already paid in November 2021 and the remaining 3.0 EUR per share to be paid in May 2022)
  - ☐ an extraordinary dividend of 4.6 EUR per share (to be paid in May 2022)

- This will lead to a fully loaded CET1 ratio (after capital distribution) of 15.5%, **in line with our announced capital deployment plan for FY21**

- The **pay-out ratio** (including AT1 coupon) amounts to approximately:
  - ☐ 66% based on the proposed ordinary dividend of 4.0 EUR per share related to the accounting year 2021
  - ☐ 139% based on the proposed total dividend of 8.6 EUR per share (ordinary + extraordinary dividend)

As of FY22:

- **Short-term financial guidance for 2022** (see slide 25)

- On top of the payout ratio of at least 50% of consolidated profit, **all capital > 15.0% fully loaded CET1 ratio will be considered for distribution** to the shareholders, at the discretion of the Board of Directors when announcing the full year results (FY22 results on 9 February 2023) (see slide 28)

- **Updated 3-year long-term financial guidance** (see slides 26-27):

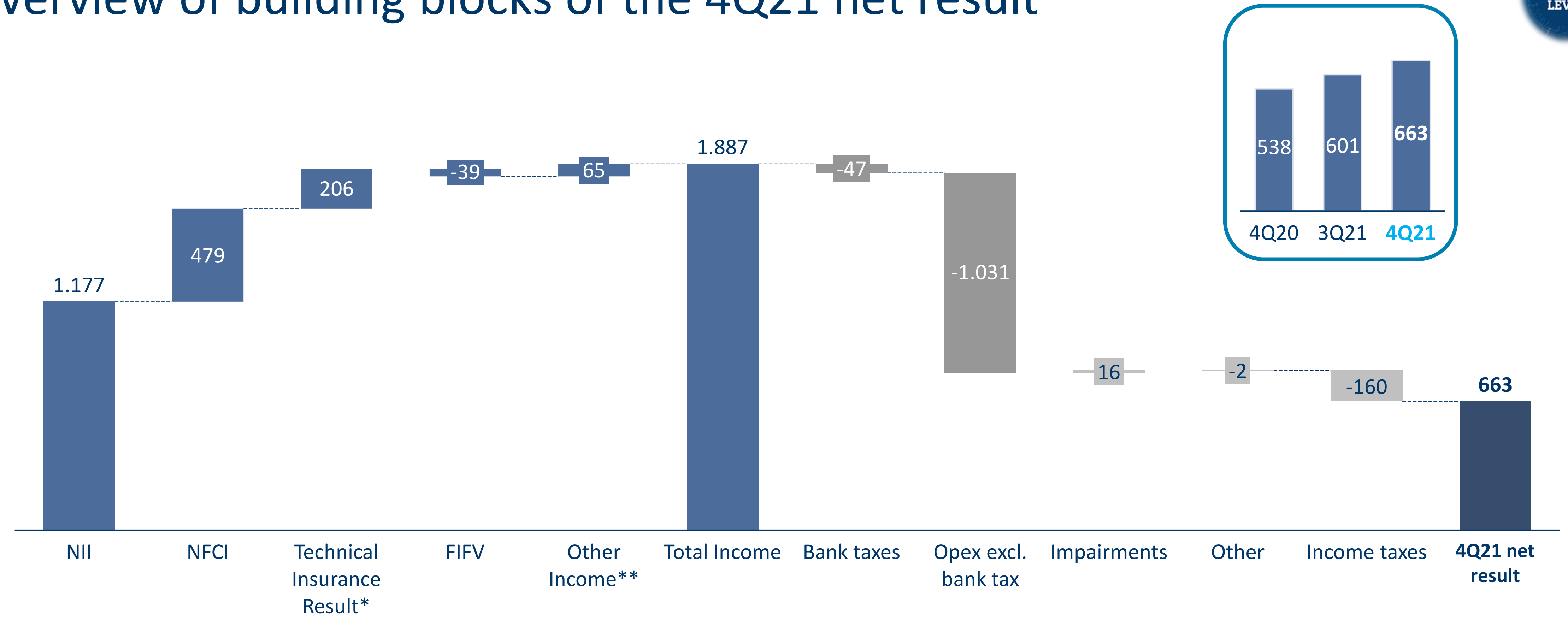
Financial long-term guidance*	
Total Income (CAGR 21-24)	± 4.5% by 2024
Operating expenses excl. bank tax (CAGR 21-24)	± 1.5% by 2024
Combined ratio	≤ 92% as of now

Jaws
±3%

** IFRS 17 impact Is not yet taken into account*

4Q and FY 2021 performance of KBC Group

Overview of building blocks of the 4Q21 net result



	NII	NFCI	Technical Insurance Result*	Total Income	Opex excl. bank tax	4Q21 net result
Q-o-Q	+6%	+3%	+11%	0%	+3%	+10%
Y-o-Y	+10%	+19%	0%	+5%	+10%	+23%

* Earned premiums – technical charges + ceded reinsurance

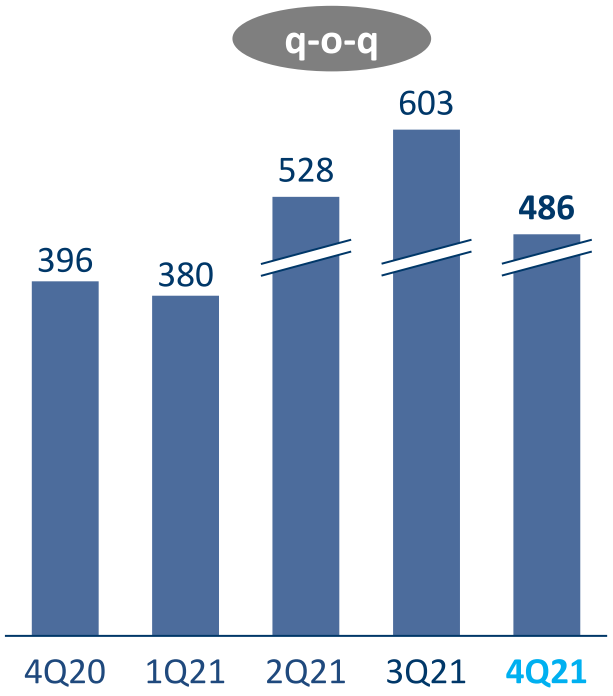
** Dividend income + net realised result from debt instruments FV through OCI + net other income

Amounts in millions of EUR

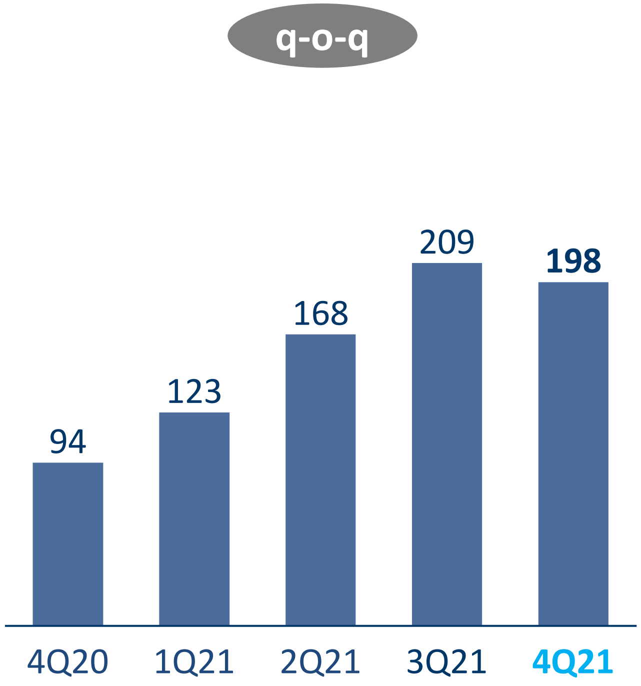
Net result per business unit

Excellent contribution from all countries, except for Ireland due to a one-off impact (-319m EUR in 3Q and -42m EUR in 4Q) related to the signing of two pending sales transactions

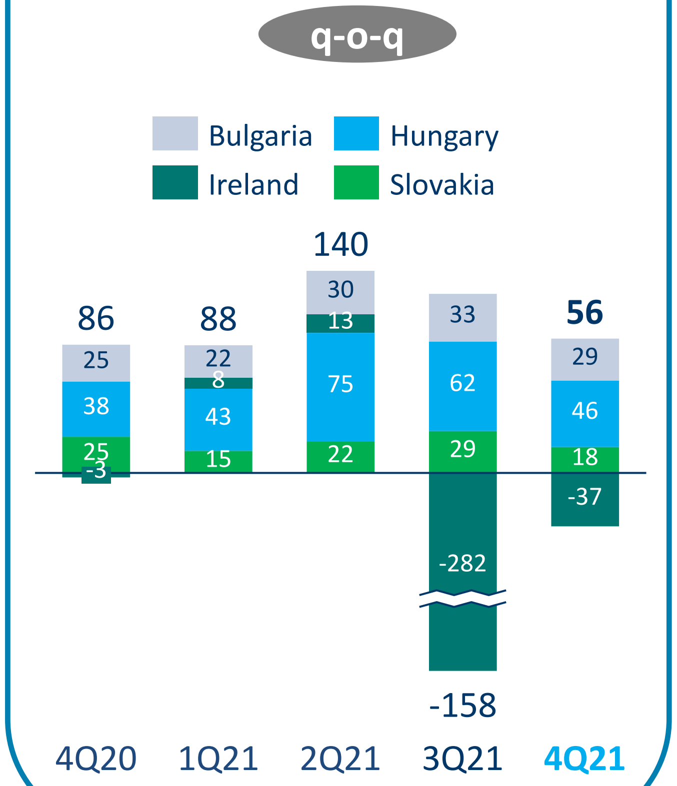
BE BU



CZ BU



IM BU

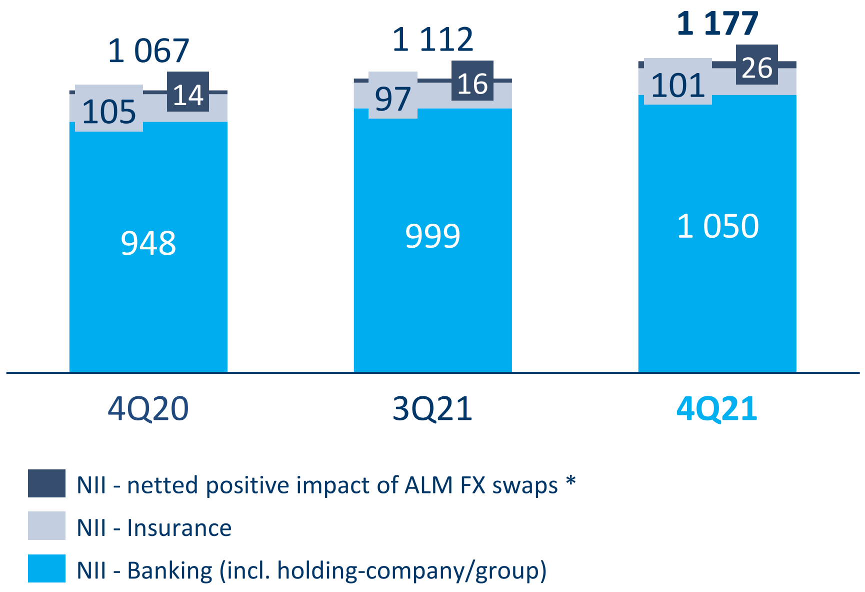


Amounts in millions of EUR

Net interest income

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

Net Interest Income



Net interest margin**

Quarter	4Q20	3Q21	**4Q21**
NIM	1.75%	1.80%	**1.85%**

NII increased by 6% q-o-q, driven primarily by:

(+) organic loan volume growth, a positive impact of the CNB and MNB rate hikes, intensified charging of negative interest rates on certain current accounts to corporates and SMEs, higher netted positive impact of ALM FX swaps and higher NII on insurance bond portfolio (inflation-linked bonds)

partly offset by:

(-) lower reinvestment yields in euro-denominated countries, margin pressure on the outstanding loan portfolio in almost all countries and depreciation of the HUF versus the EUR (-2 EUR q-o-q)

The **10% y-o-y NII increase** was mainly the result of the positive impact of the CNB and MNB rate hikes, higher NII lending (volume-driven), lower funding costs, intensified charging of negative interest rates on certain current accounts to corporates and SMEs, higher netted positive impact of ALM FX swaps, the consolidation of OTP SK and a positive FX effect, partly offset by lower reinvestment yields in euro-denominated countries (impacting both banking and insurance) and margin pressure on the outstanding loan portfolio in almost all countries

NIM 1.85%

Increased by 5 bps q-o-q and by 10 bps y-o-y for the reasons mentioned above, despite an increase of the interest-bearing assets (denominator)

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* *From all ALM FX swap desks*

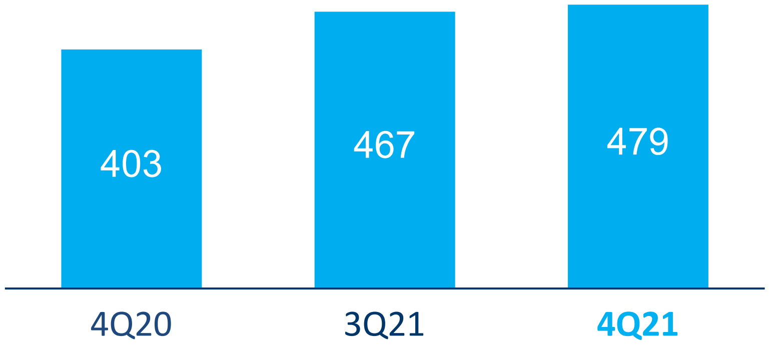
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

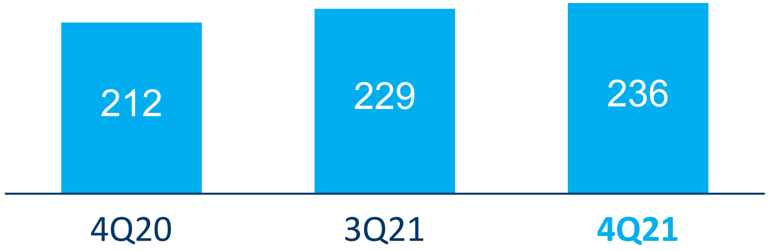
Higher net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income up by 3% q-o-q and by 19% y-o-y

Q-o-q increase was the result of the following:

- **Net F&C income from Asset Management Services** increased by 4% q-o-q due entirely to higher management fees. Entry fees stabilised q-o-q
- **Net F&C income from banking services** rose by roughly 5% q-o-q (+6% q-o-q excluding FX effect) as a result of higher fees from payment services, higher securities-related fees, higher fees from credit files & bank guarantees and higher network income
- **Distribution costs** rose 17% q-o-q due chiefly to higher extra commissions paid linked to banking products and increased life insurance sales

Y-o-y increase was mainly the result of the following:

- **Net F&C income from Asset Management Services** rose by 24% y-o-y driven by higher management and entry fees
- **Net F&C income from banking** services increased by 12% y-o-y (+11% y-o-y excluding FX effect) driven mainly by higher fees from payment services and higher network income
- **Distribution costs rose by 16% y-o-y** due chiefly to higher extra commissions paid linked to banking products and increased insurance sales

Assets under management (236bn EUR)

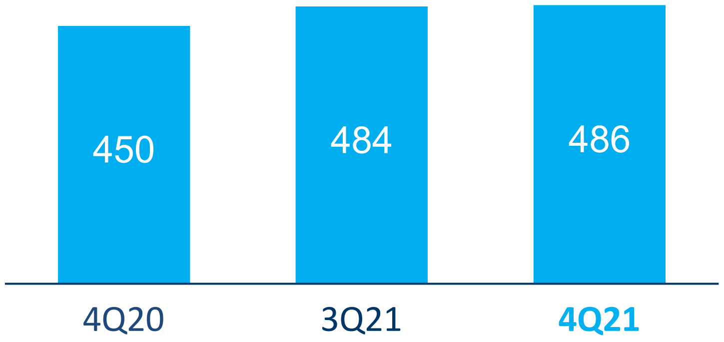
- Increased by 3% q-o-q and by 12% y-o-y due mainly to a positive price effect
- The mutual fund business has seen good net inflows in high-margin collective and discretionary management this quarter, more than offset by net outflows in low-margin investment advice

Non-life insurance

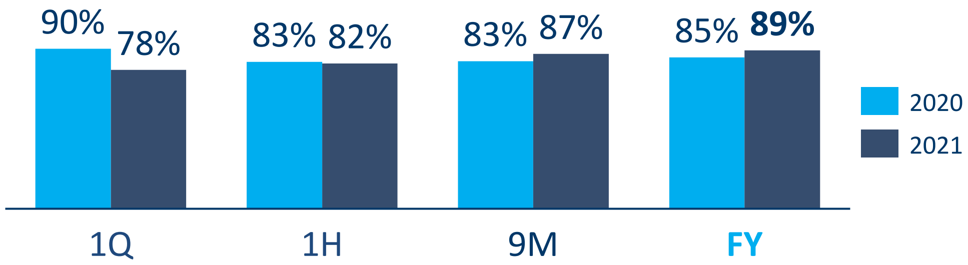
Non-life premium income up and excellent combined ratio

Non-Life

(Gross earned premiums 4Q)



Combined ratio non-life (FY21)



Y-o-y increase of gross earned premium **Non-Life by +8% in 4Q21**

The non-life **combined ratio** for FY21 amounted to an excellent **89%** (85% in FY20). This is the result of:

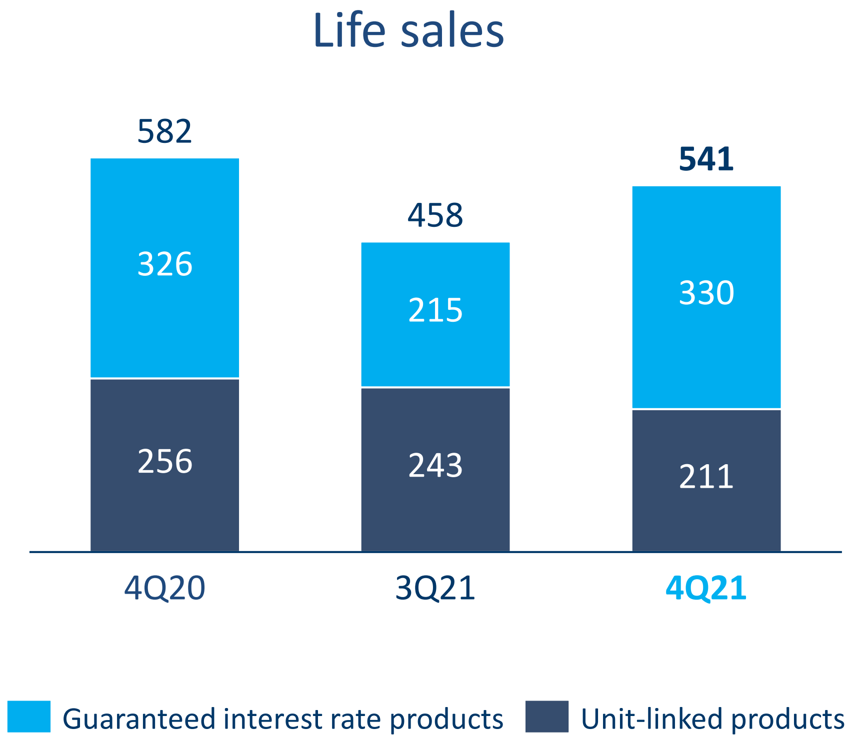
- 6% y-o-y earned premium growth in FY21
- 21% y-o-y higher technical charges in FY21 due mainly to:
  - the severe flood impact in Belgium during summer (110m EUR gross impact and 87m EUR net impact after reinsurance, of which 45m EUR above the legal limit*)
  - higher normal claims (mainly in ‘Motor’, ‘Property’ and ‘Workmen’s compensation’, primarily due to the re-opening of the economy)
  - partly offset by lower impact of parameter updates
- ceded reinsurance result, which amounted to +27m EUR in FY21 (versus -18m EUR in FY20) due to higher recuperations for floods and storms

* i.e. the ceiling introduced in Belgian law on the intervention of insurers in the event of very large floods

Amounts in millions of EUR

Life insurance

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



Sales of life insurance products increased by 18% q-o-q and decreased by 7% y-o-y

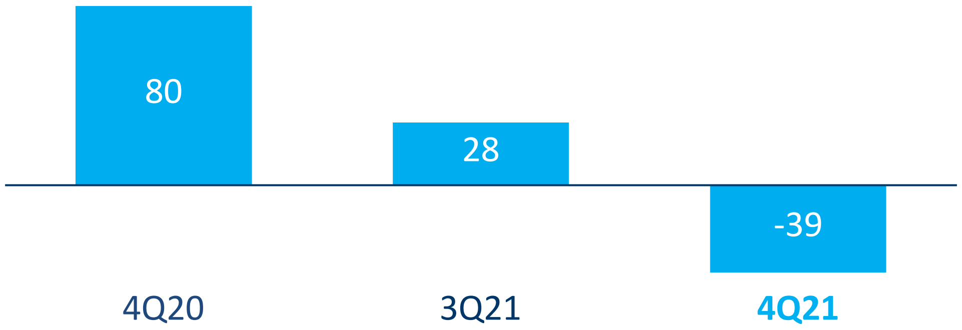
- **The q-o-q increase** was driven mainly by higher sales of guaranteed interest products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in 4Q21), partly offset by lower sales of unit-linked products in Belgium
- **The y-o-y decrease** was driven entirely by lower sales of unit-linked products in Belgium and the Czech Republic, partly offset by higher sales of unit-linked products in Bulgaria (partly due to the consolidation of the NN's life insurance activities)
- **Sales of unit-linked products** accounted for 39% of total life insurance sales in 4Q21

Amounts in millions of EUR

Net result from financial instruments at fair value

Small net losses from financial instruments at fair value

Fair value result



The **q-o-q decrease in FIFV** was attributable mainly to:

- a negative change in ALM derivatives (especially due to a substantial increase of Hungarian interest rates in ALM derivatives, not in hedge accounting… which will be recovered over time)
- lower dealing room & other income

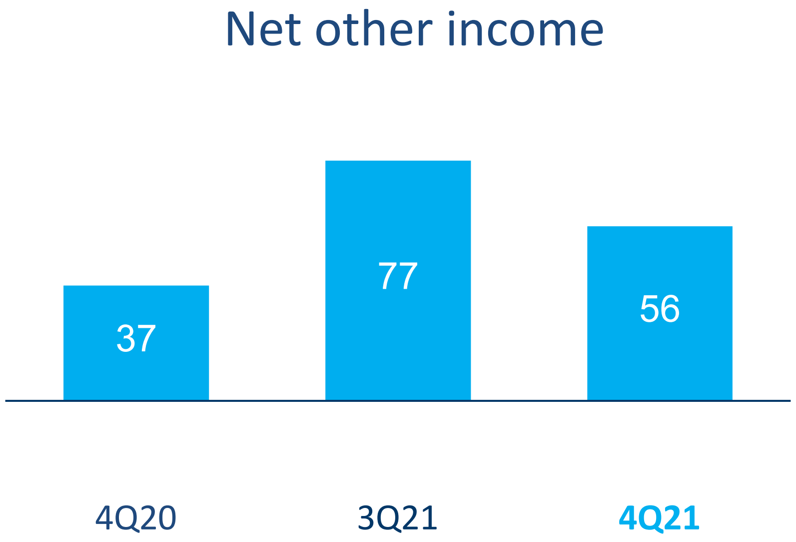
partly offset by

- a higher net result on equity instruments (insurance)
- more positive credit and funding value adjustments mainly due to an increase in the yield curve, increasing equity markets and a decrease in counterparty credit spreads, partly offset by an increase in KBC funding spreads

Amounts in millions of EUR

Net other income

Lower net other income

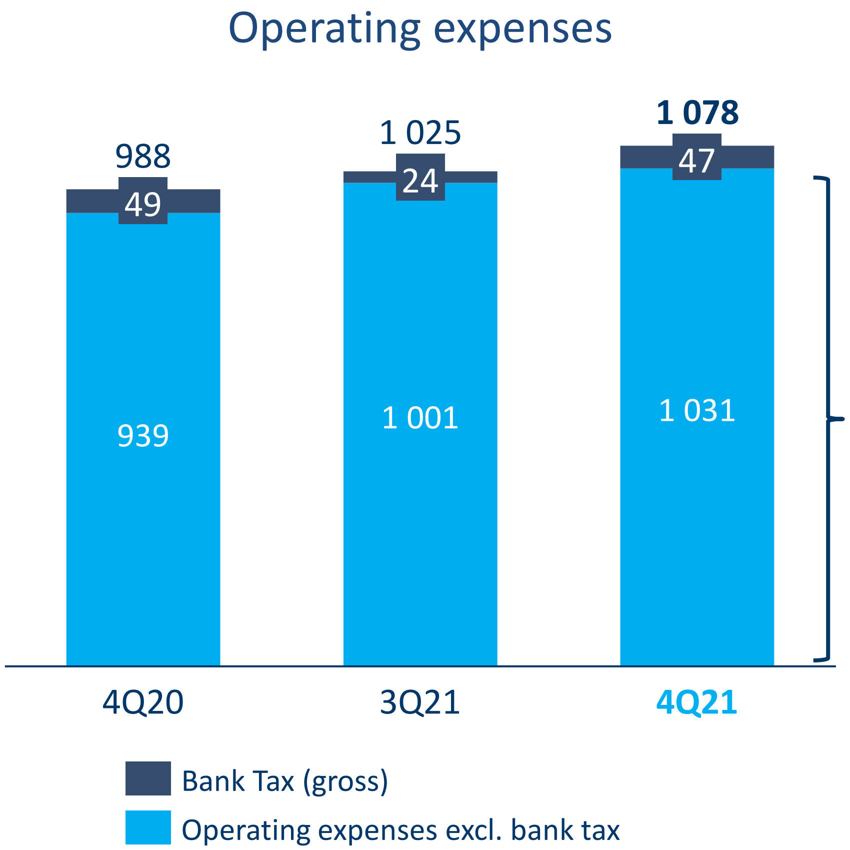


- **Net other income** amounted to 56m EUR, slightly higher than the normal run rate of around 50m EUR per quarter, despite realised losses on the sale of bonds
- **Note that 4Q21 was impacted by some one-offs**: +28m one-off badwill on OTP SK (in Group Centre) and +6m EUR one-off for a legacy legal file (in Group Centre), partly offset by -4m EUR additional impact for the tracker mortgage review in Ireland and -3m EUR related to the two pending sales transactions in Ireland

Amounts in millions of EUR

Operating expenses

Continued good cost management



	FY20	**FY21**
Cost/Income ratio (group)*	57%	**55%**

- **Operating expenses in FY21 excluding bank taxes, changes in the consolidation scope and one-offs rose by 1.5% y-o-y (+1.0% y-o-y when also excluding FX), fully in line with our FY21 guidance of slightly below +2% like-for-like**
- The C/I ratio excluding bank taxes amounted to 51% in FY21
- Note that both 3Q21 and 4Q21 were impacted by one-offs:
  - -16m EUR one-off costs in 4Q21 as a result of the two pending sales transactions in Ireland, mainly related to accelerated depreciations
  - -81m EUR one-off staff-related costs in 3Q21 as a result of the signing of the two pending sales transactions in Ireland
  - +9m EUR release of cost provision due to the sale of the Antwerp tower in 3Q21
- Operating expenses excluding FX, bank taxes, changes in the consolidation scope and one-offs increased by 10% q-o-q due mainly to:
  - higher staff expenses (due largely to a higher accrual of variable compensation, wage inflation in most countries and higher pension costs)
  - seasonally higher professional fees and marketing costs
  - higher ICT and facilities costs

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

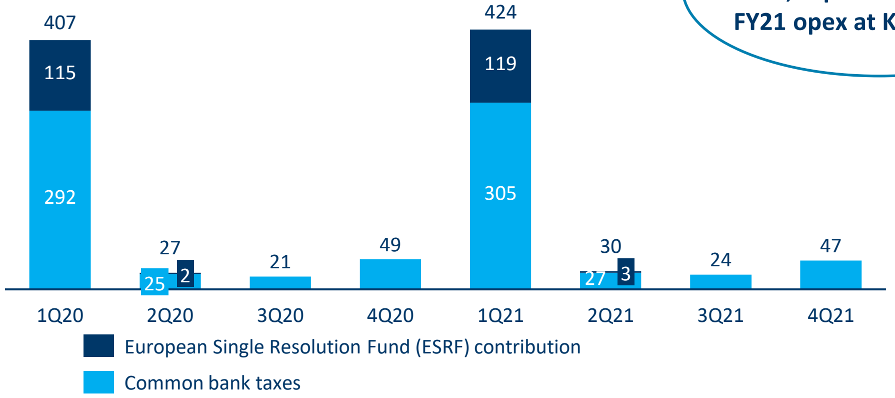
Amounts in millions of EUR

Operating expenses

*Overview of bank taxes**

KBC GROUP

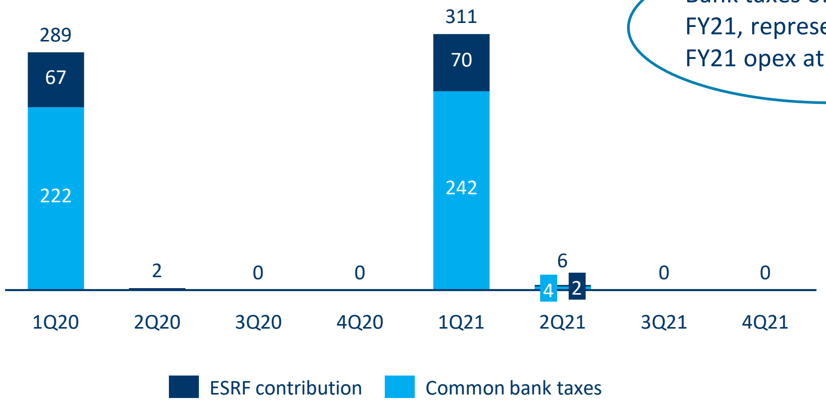
Bank taxes of 525m EUR in FY21, representing 11.9% of FY21 opex at KBC Group**



Amounts in m EUR

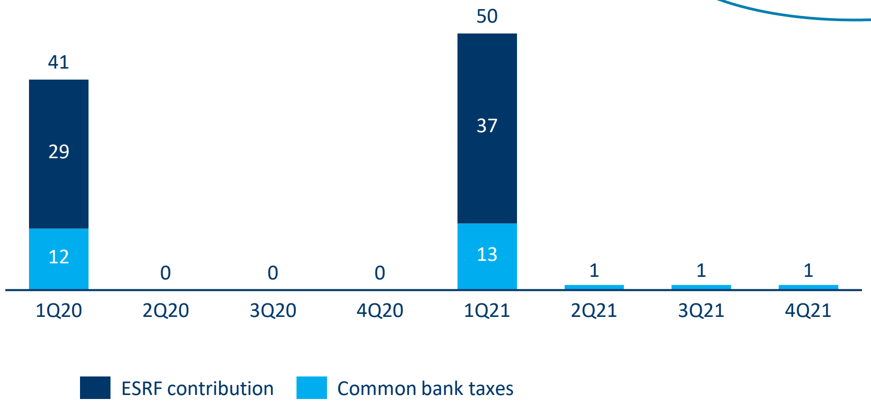
BELGIUM BU

Bank taxes of 318m EUR in FY21, representing 13.1% of FY21 opex at the Belgium BU



CZECH REPUBLIC BU

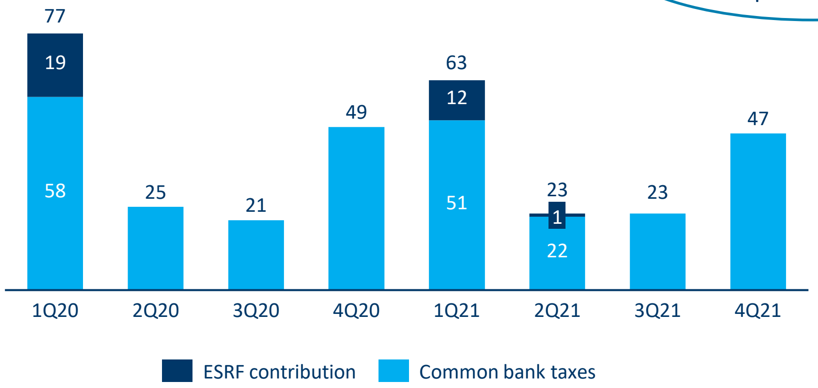
Bank taxes of 52m EUR in FY21, representing 6.5% of FY21 opex at the CZ BU



Amounts in m EUR

INTERNATIONAL MARKETS BU

Bank taxes of 156m EUR in FY21, representing 14.9% of FY21 opex at the IM BU



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

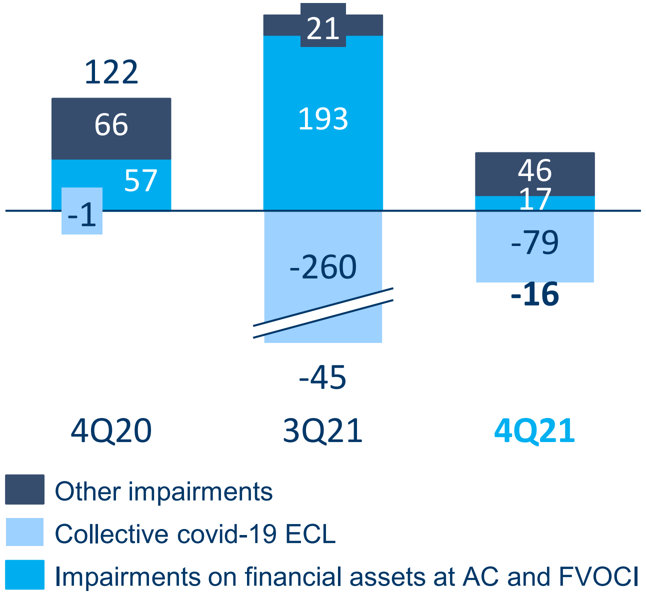
** The C/I ratio (group) amounted to 51% in FY21 excluding these bank taxes

Asset impairments

Net impairment releases and excellent credit cost ratio

Asset impairment

(negative sign is write-back)



Credit cost ratio	FY20	**FY21**
With collective Covid-19 ECL	0.60%	-0.18%
Without collective Covid-19 ECL	0.16%	0.09%

Net impairment releases

- Loan loss impairment releases of 62m EUR in 4Q21 (compared with 66m EUR in 3Q21) due to:
  - a 79m EUR reversal of collective Covid-19 ECL (lowering the total collective Covid-19 impairments from 368m EUR in 3Q21 to 289m EUR in 4Q21)

  partly offset by
  - one-off loan loss impairments of 8m EUR as a result of the two pending sales transactions in Ireland
  - 9m EUR loan loss impairments mainly for a few individual corporate files
- 46m EUR impairment on ‘other’, due mainly to:
  - a 17m EUR one-off as a result of the two pending sales transactions in Ireland due to impairment on (in)tangibles
  - a 17m EUR impairment on (in)tangibles in other countries (besides Ireland)
  - a 7m EUR goodwill impairment in the Czech Republic

The credit cost ratio in FY21 amounted to 9bps without collective Covid-19 ECL and -18bps with collective Covid-19 ECL

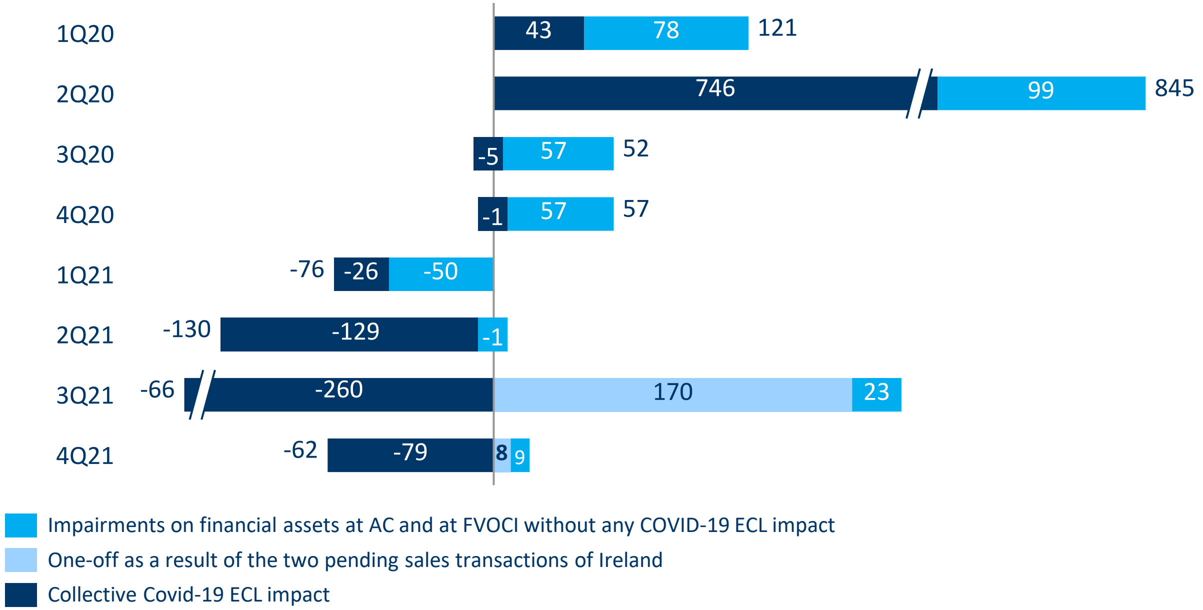
Amounts in millions of EUR

Covid-19

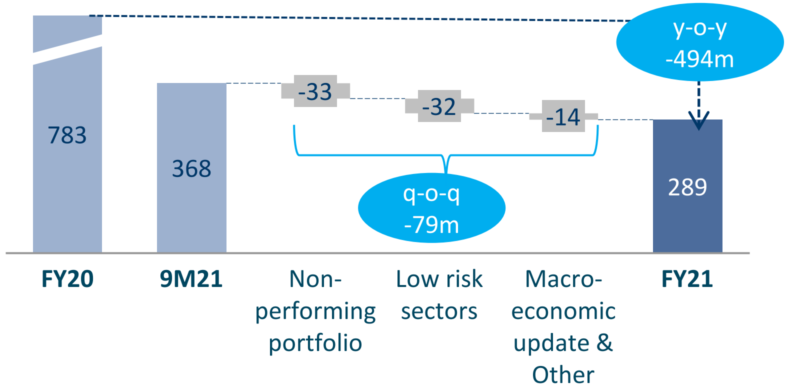
Covid-19 Expected Credit Loss (ECL)

q-o-q reversal of 79m EUR

Impairment on financial assets at AC and at FVOCI



Total collective Covid-19 ECL (incl. management overlay)



Since 2Q20, the **calculation principles** for the expert-based Covid-19 impact calculation at portfolio level **have remained the same**. Updates have been made over time to reflect portfolio changes, macroeconomic changes and ongoing insights into the impact of the pandemic on sector risk and additional default risk.

- At **year-end 2020**, the collective Covid-19 ECL for the performing and non-performing portfolio amounted to **783m EUR** driven by an expert-based calculation at portfolio level
- In the **first nine months** of **2021**, an updated Covid-19 impact assessment resulted in a **reversal** of **415m EUR** (26m EUR in 1Q21 , 129m EUR in 2Q21 and 260m EUR in 3Q21), which was mainly driven by an improvement of the macroeconomic assumptions (incl. probabilities), change in sector stress applied to less vulnerable sectors and lower loss given default for the performing portfolio
- In the **fourth quarter** of **2021**, **the reversal** of **79m EUR** was due mainly to:
    - the reduction in the existing non-performing portfolio ECL buffer (33m EUR), since there has been no need to use this buffer since the start of the crisis
    - the release of additional Covid-19 impairment (32m EUR) for low-risk sectors (e.g., financial sector and pharma sector)
    - further smaller changes in the macroeconomic scenarios (14m EUR)

  and resulted in a total collective Covid-19 ECL of 289m EUR at year-end 2021 (total y-o-y reversal of 494m EUR)

Amounts in millions of EUR

Covid-19

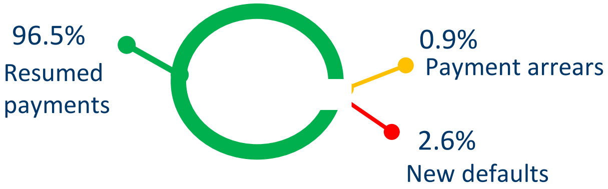
Overview of payment holidays and public Covid-19 guarantee schemes

Payment holidays – expiring volumes

(in bn EUR)

By the end of December 2021:

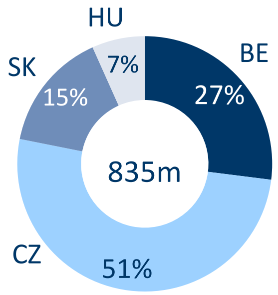
- The volume of loans granted payment holidays amounted to 10bn EUR(1) or 6% of the total loan book(2) (8.7bn EUR EBA-compliant + 1.3bn EUR non-EBA compliant in HU)
- By now, nearly all EBA-compliant payment holidays have expired, of which:



- Non-EBA-compliant:
  - Hungary: the opt-out moratorium ended at the end of October 2021 and was replaced by a conditional/opt-in moratorium that runs until the end of June 2022. By the end of December 2021, total active payment holidays accounted for 0.1bn EUR or 3% of the total loan book
  - The remaining non-EBA-compliant portfolios are mainly in BE & CR and total 0.4bn EUR(3)

Public Covid-19 guarantee schemes

(in m EUR)



By country:	Loans granted	Covered by government guarantee
KBC Group	**835**	**79%**
BE BU (4)	225	80%
CZ BU	427	85%
Slovakia	127	63%
Hungary	56	59%
Ireland & Bulgaria	-	-

By the end of December 2021:

- Government-guaranteed loans (under the Covid-19 scheme) amounted to 835m EUR for 6k obligors
- Belgium: As of 2Q21, extension of the revised state guarantee scheme (launched in 3Q20 for up to 10bn EUR) to cover losses on future SME loans granted before 31 Dec 2021 (instead of 30 JUN 2021). This government guarantee covers 80% of all losses, in total

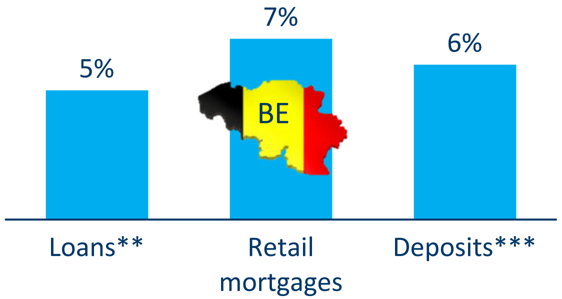
(1) In line with the external EBA templates. The volume of payment holidays excludes the loans granted moratoria at KBC Bank Ireland, because they are no longer EBA-compliant (defined as assets under IFRS 5)
(2) Loans to customers, excluding reverse repos (and bonds)
(3) Mainly Belgian retail loans and leases not fully in line with national moratoria legislation and early deferral requests in the Czech Republic (before implementation of national moratoria legislation)
(4) In Belgium, no longer any exposure under the first Covid guarantee scheme, which has reached the end of its 12-month term

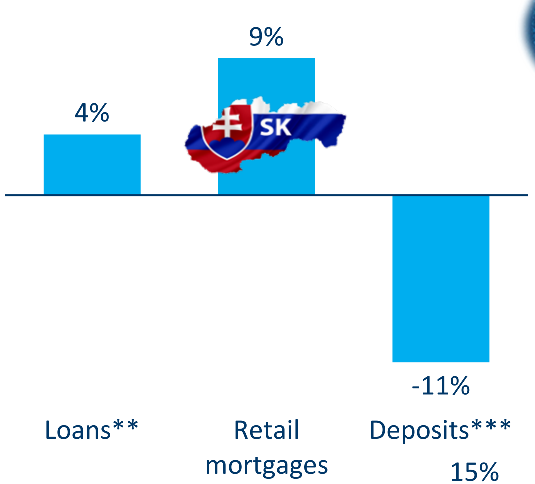
Strong solvency and solid liquidity

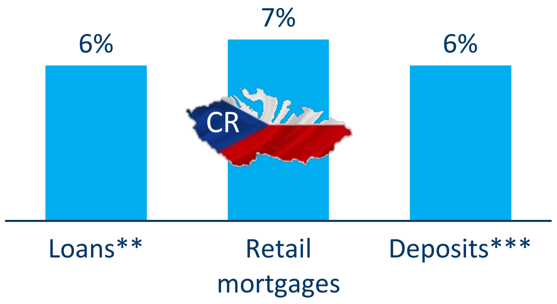
Balance sheet:

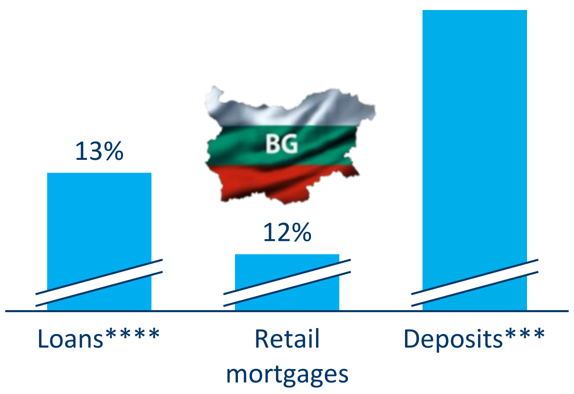
Loans and deposits continue to grow in most countries

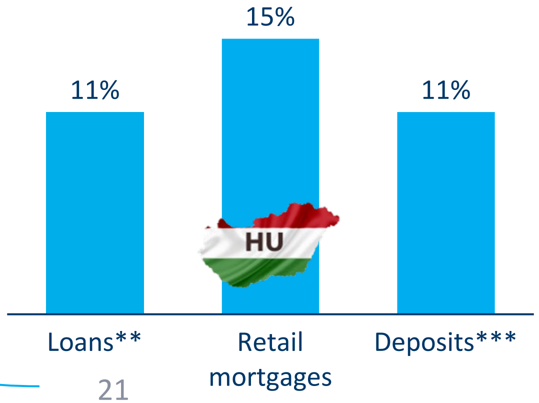
Y-O-Y ORGANIC* VOLUME GROWTH











* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL

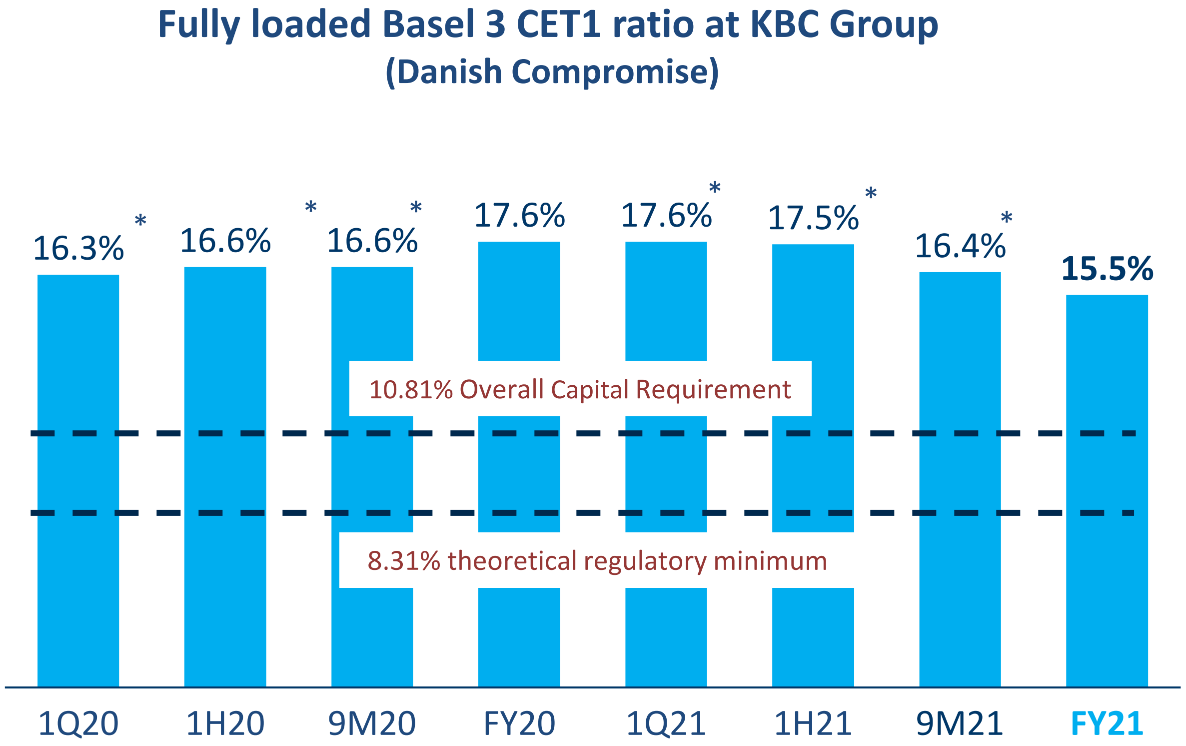
** Loans to customers, excluding reverse repos (and bonds)

*** Customer deposits, excluding debt certificates and repos

**** Total customer loans in Bulgaria: new bank portfolio +15% y-o-y, while legacy -31% y-o-y

Common equity ratio

Strong capital position



* No IFRS interim profit recognition given the more stringent ECB approach

- **The fully loaded common equity ratio amounted to 15.5%** at the end of FY21 based on the Danish Compromise.
  - The q-o-q decrease in 4Q21 was the result of the payout of a 7.6 EUR gross dividend per share (of which 3.0 EUR final ordinary dividend per share related to the accounting year 2021 and 4.6 EUR extraordinary dividend per share), which will be proposed to the AGM and to be paid in May 2022
  - This came on top of the 3.0 EUR interim dividend per share (2.0 EUR over the accounting year 2020 and 1.0 EUR as an advance payment of the total dividend for the accounting year 2021) already paid in November 2021. This explained the q-o-q CET1 ratio decrease in 3Q21

- KBC's CET1 ratio of 15.5% at the end of FY21 represents a solid capital buffer:
  - **7.2% capital buffer compared with the current theoretical minimum capital requirement of 8.31%** (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - **4.7% capital buffer compared with the Overall Capital Requirement (OCR) of 10.81%** (which still includes the 2.50% capital conservation buffer on top of the 8.31%)

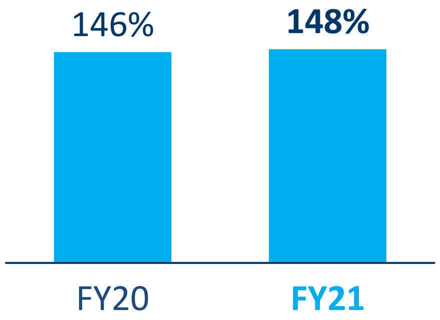
- At the end of FY21, the impact of the application of the transitional measures resulted in a positive impact on CET1 ratio of 127 bps compared to fully loaded (transitional CET1 ratio amounted to 16.8% at the end of FY21)

Liquidity ratios

Liquidity continues to be very solid

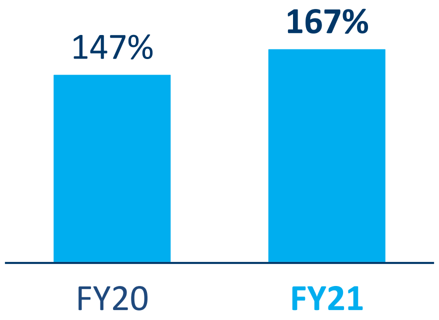
KBC Group’s liquidity ratios

*NSFR**



← Regulatory Requirement ≥ 100% →

*LCR***



- **NSFR is at 148% and LCR is at 167% by the end of FY21**
  - Both ratios were well above the regulatory requirement of 100% due to a strong growth in customer funding and the participation to TLTRO III

** Net Stable Funding Ratio (NSFR) is based on KBC Bank’s interpretation of the proposal of CRR amendment.*

*** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC Bank discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure.*

Looking forward

Differently: the next level

Outlook, short-term guidance for 2022 and Basel 4 guidance

Economic outlook

- The fourth quarter saw economic dynamics diverging between the US and the euro area economy. While US growth dynamics accelerated quarter-on-quarter in Q4, economic growth in the euro area actually slowed down, mainly as a result of the impact of the fourth pandemic wave and the omicron variant. Nevertheless, European economic activity almost fully recovered, with its pre-pandemic level GDP-level in reach by the end of 2021. Our growth outlook for KBC's home markets is broadly aligned with that for the euro area
- The main risks to our short-term growth outlook include the implications of the geopolitical conflict between Russia and Ukraine, the omicron variant, longer-than-expected supply-side bottlenecks, more persistent high energy prices and a damaging cost-push spiral if higher and rising inflation expectations get persistently embedded in the wage formation process. Finally, the global debt build-up remains topical, especially if financing conditions will be less supported by monetary policy and the global financial cycle turns

Group guidance for 2022*

- Our FY22 total income guidance stands at 8.2bn EUR ballpark figure (including the already announced 0.2bn EUR positive one-off effect upon closing of substantially all of KBC Bank Ireland's performing loan assets and its deposit book), of which 4.55bn EUR ballpark for NII
- FY22 opex excluding bank taxes is estimated at approximately 3.9bn EUR (excluding one-offs) and 4.0bn EUR (including additional one-offs in Ireland and some one-off integration/restructuring costs of Raiffeisen Bulgaria)
- The Credit Cost Ratio (CCR) for FY22 is estimated at around 10bps (including Covid-19 ECL reversals in 2022)

Basel 4 guidance

- Assuming a static balance sheet (end 2021), we reconfirm the B4 impact for KBC Group at roughly 8bn EUR higher RWA on a fully loaded basis (impact between 2025 and 2033), corresponding with 7% RWA inflation and -1.1% points impact on CET1 ratio at the end of 2021. Note that the B4 impact on RWA will be phased-in, and therefore the first-time application RWA impact in 2025 will only be approximately 2bn EUR

* Our Group guidance for 2022 is based on the following assumptions:

- deconsolidation of KBC Bank Ireland and the consolidation of Raiffeisen Bulgaria both as of mid-2022
- no P&L benefit from TLTRO3 anymore as of mid-2022 (meaning for KBC Group only 60m EUR positive NII impact in 2022 versus roughly 120m EUR in 2021) and no potential mitigating ECB measures taken into account
- We took into account a CNB policy rate of 4.50% throughout the year and no potential ECB rate hikes in 2022'

Differently: the next level

3-year and long-term financial guidance

3-year financial guidance*

CAGR total income ('21-'24)	+ 4.5%	by 2024
CAGR OPEX excl. bank taxes ('21-'24)	+ 1.5%	by 2024
Combined ratio	≤ 92%	as of now
Surplus capital **	> 15%	as of now

=> Jaws of ± 3%
=> C/I ratio excl BT ±47% in 2024

* IFRS17 impact is not yet taken into account given early days
** Fully loaded CET1 ratio, Danish Compromise (see slide 28)

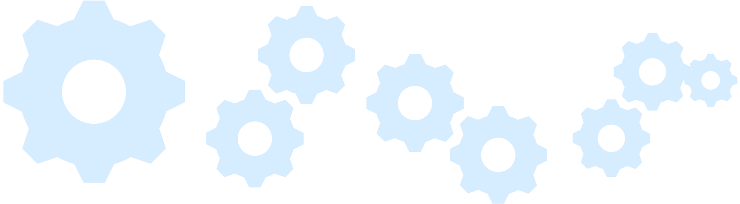
Long-term financial guidance

Credit cost ratio	25-30 bps	Through-the-cycle

Regulatory requirements

Overall capital requirement (OCR)*	≥ 10.81%	by 2022
MREL as a % of RWA**	≥ 26.58%	by 2024
MREL as a % of LRE**	≥ 7.34%	by 2022
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

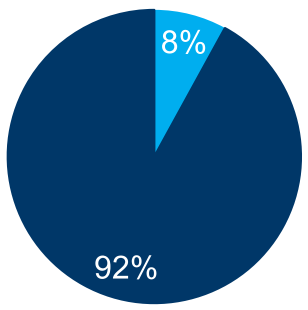
* Excluding Pillar 2 guidance of 100 bps
** The SRB communicated the final MREL targets (under BRRD2) in % of RWA and in % of LRE to KBC. Regarding MREL as a % of RWA; (i) an intermediate MREL target of 25.98% as from 01-01-2022 and (ii) a final MREL target of 26.58% as from 01-01-2024



Differently: the next level
Digital investment 2022-2024

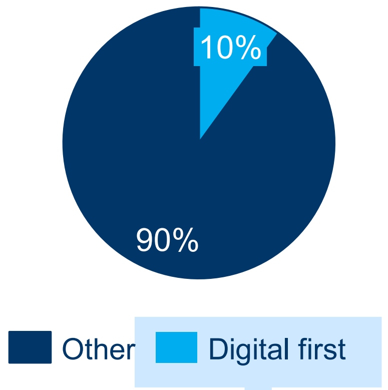
OPEX excl. bank taxes

2021



CAGR (21-24) =
±1.5%

2024



Forecast Cashflow only digital first strategy
2022-2024 = 1.4bn EUR

Forecast OPEX only digital first strategy
2022-2024 = 1.1bn EUR

Amounts in millions of EUR

Differently: the next level

Dividend policy & capital distribution as of 2022

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

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

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

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

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

* next FY results on 9 February 2023

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

Annex 1

Differently: the next level

KATE

Kate4MassRetail

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

Already available in BE and CZ
To be launched in BG (1Q22), HU (2Q22), SK (3Q22)

Kate4Business

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

Already available in BE and CZ

Four flavors, one Kate

Growing number of **USE CASES: >170 in BE & CZ**

Kate AUTONOMY 37%

9 use cases live for small SME's in BE

1 750 000 clients already in contact with Kate (BE+CZ)

'KATE IN A BOX' delivered to all core countries

62 000 Kate tips processed by employees in 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.

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
To be launched in BE (1Q22) and in HU, BG and SK (2023)

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

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

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

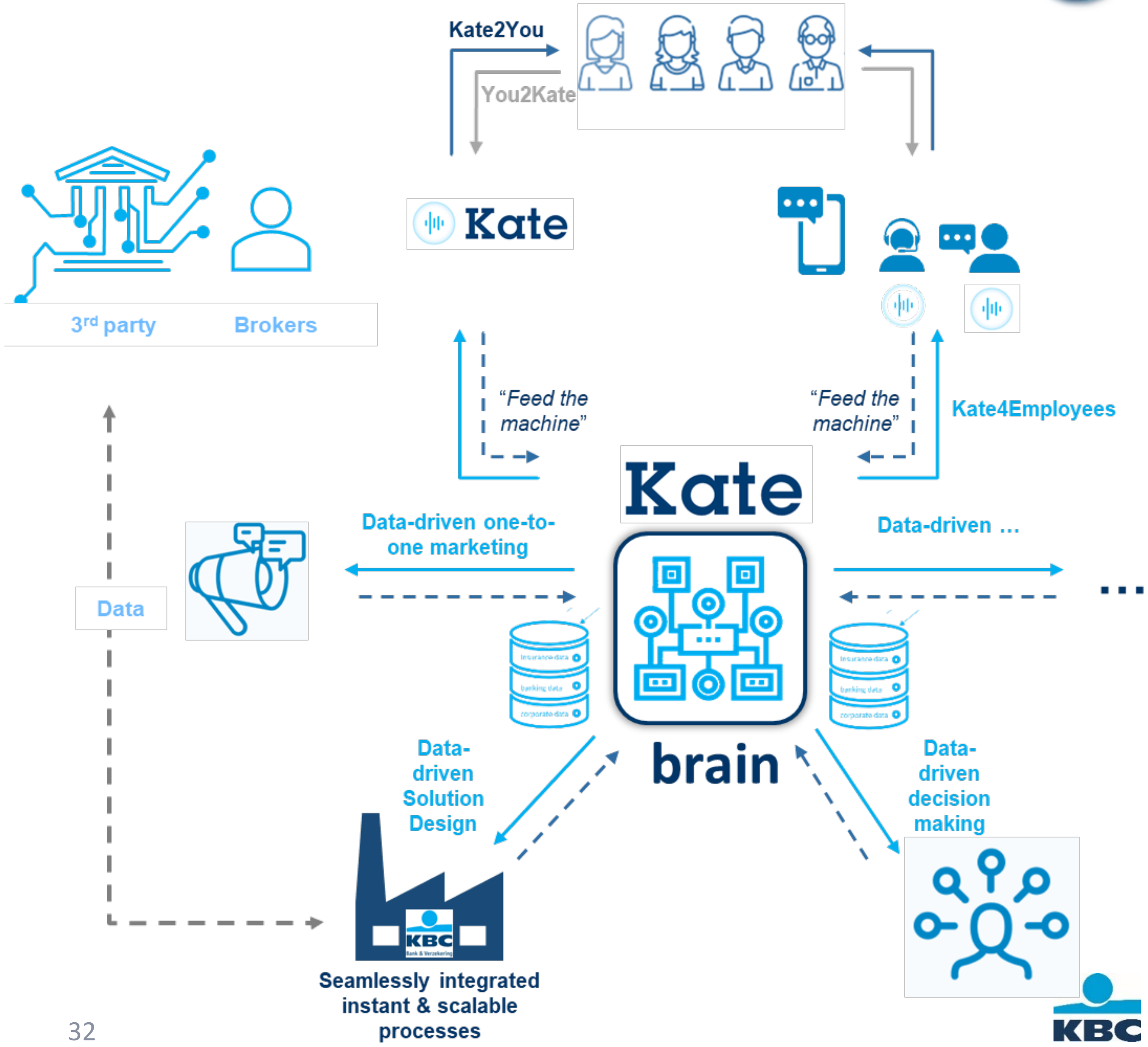
So, Kate is not only steering the interaction with customer-facing touchpoints (digital, physical, remote) but also the product factories and decision makers by providing relevant insights.

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

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

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

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

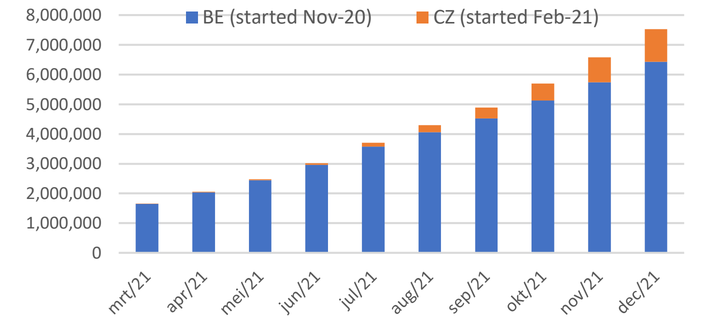


Kate4MassRetail : Implementation in Belgium and Czech Republic

KEY NUMBERS

- **1 318 000** (BE) + **438 000** (CZ) **unique clients** that have clicked the ‘Kate bubble’
- **528 000** (BE) + **112 000** (CZ) **customers that used Kate** (they went one step further than just clicking the ‘Kate bubble’)
- **>170 use cases implemented** for retail customers in Belgium and Czech Republic combined
- Number of started **conversations: You2Kate**
  - **1 125 000** in CZ
  - **6 826 000** in BE
- Number of **proactive messages: Kate2You**
  - **52 000** in CZ
  - **997 000** in BE
- Kate can send **proactive messages to >720 000** (BE+CZ) clients

Monthly You2Kate conversations (cumulative)



Hi,
I’m **Kate**!
I’m here to make your life easier.

That gives you more time to enjoy what’s really important.

And that goes for **2022** as well.

Top used cases in BE & CZ

You2Kate cases

„Kate, please pay 200 CZK/EUR to Andrea“

„ Kate, show me my green card“ (car insurance MTPL)

„Can you help me with my credit/debit card“

„ Has a certain transaction been concluded?”

„Where can I find my bank account statements“

Top Kate approaches in BE & CZ

Kate2You cases

Kate offers to help you save on your energy bill

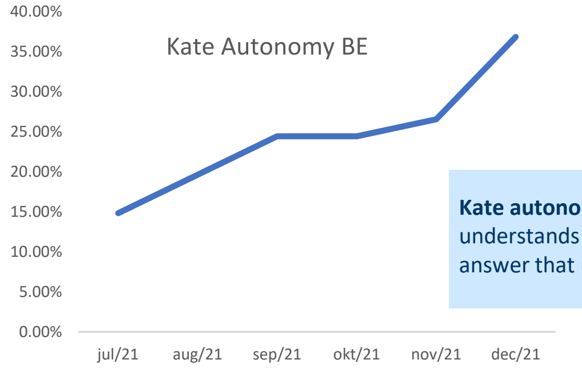
Kate offers to save your ‘proof of guarantee’ in the digital vault

Kate offers a Premium account

Kate offers savings product for newborns

Is Kate becoming smarter? Can she answer client questions autonomously?

% of all You2Kate conversations (average BE&CZ) – Results Dec 21



Kate autonomy : % of questions that Kate actually understands and where she is able to show an answer that unburdens the client **37%**

Differently **THE NEXT LEVEL**

Kate4Employees : Results in Czech Republic and ambitions in Belgium

Kate4Employees focuses on 4 different aspects that try to support the commercial employees: commercial steering towards our work force, Kate will augment our workforce to better serve our clients, Kate will serve as a back-up for our network and Kate will automate certain administrative tasks

KEY RESULTS CZ

(Cumulative results since launch 10/09/21 - 3/12/21)

1 365 active users of K4E

61 919 tips by K4E processed

Leading to

24 426 products sold

of which primarily

20 055 Smart activation

266 Funds worth 59 mio CZK

7 cases for banking employees launched

Employees rated the **user-friendliness 4.8/5** and the **usefulness 4.2/5**

Examples cases from CZ

Kate helps with investments

- Kate provides **context** to better target the offering
- Kate prepares **relevant arguments** to cross sell clients with investments
- Kate uses **language of typical employee**
- The context is shown at **one place** and the employees don't have to look to other systems

Digitalization of clients

- Kate regularly analyzes my client **portfolio** and helps me find clients, which are not actively using CSOB digital channels and apps and are at the same time **likely to onboard digital**

KEY AMBITIONS BE

6 use cases planned for first release in **February 2022**

15 use cases planned so far to be implemented by **1H 2023**

Domains include **banking, insurance and investments**

Branch employees, relationship managers and tied agents will be supported

Examples cases from BE

Start the day with Kate

- Kate automatically **assigns new hot leads** to employees based on his/her skills.
- These leads are labeled as 'must do's' and 'might do's'
- Kate **takes into account potential unavailability** when assigning these leads

Kate prepares scheduled meetings

- Kate **prepares every appointment** an employee has with a client
- The preparation is a **mix of data** (leads, tasks, insights,..) available in the CRM and the employees' own notes.

First use cases for **International Markets** expected to be implemented in 2H 2023. Building upon the knowhow and best practices from CZ & BE.

Differently: THE NEXT level

Translating strategy into non-financial targets

Update on our 4 operational targets (1)

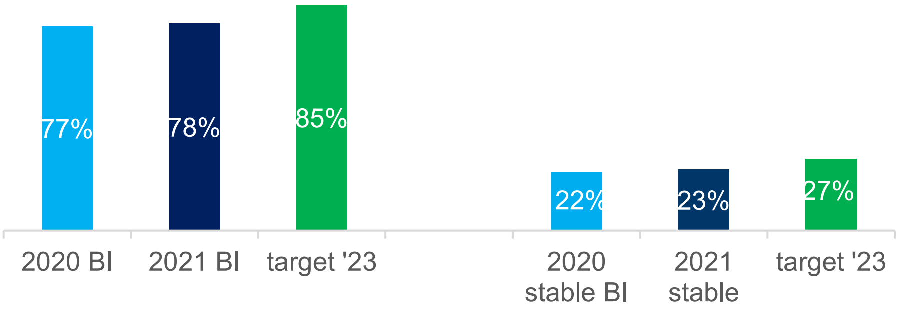
Customer NPS ranking

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

Based on weighted avg of ranking in six core countries

* Based on the latest available data.

% bank-insurance (BI) clients



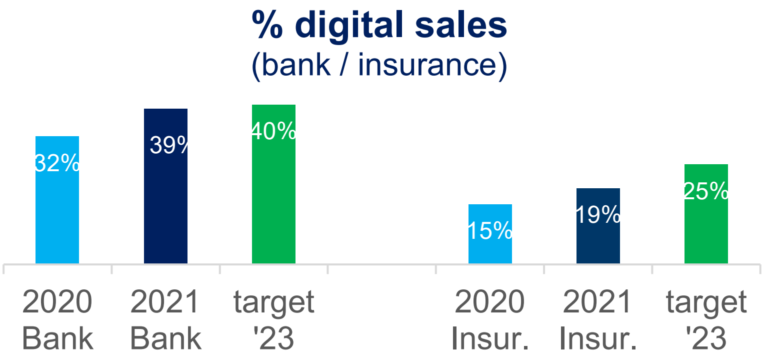
- 78% of active customers are BI customers at end 2021 (vs 2023 target of 85%)
- 23% of active customers are stable BI customers at end 2021 (vs 2023 target of 27%)

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

Differently: THE NEXT level

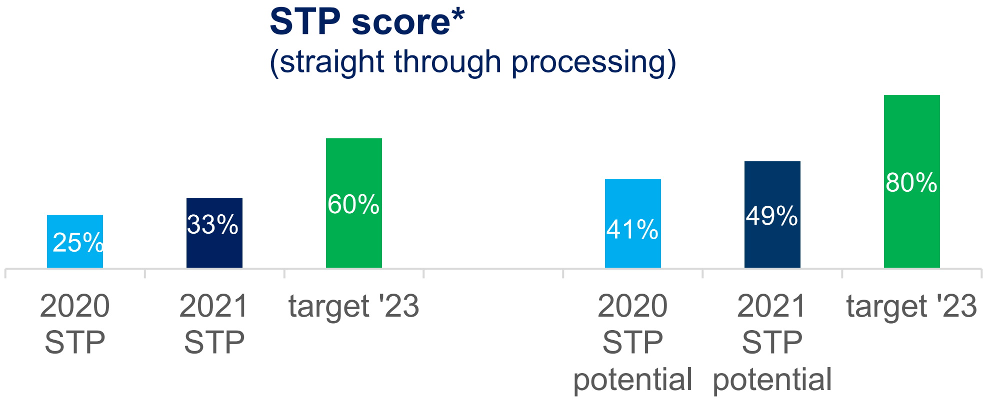
Translating strategy into non-financial targets

Update on our 4 operational targets (2)



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

Based on weighed avg of selected core products



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

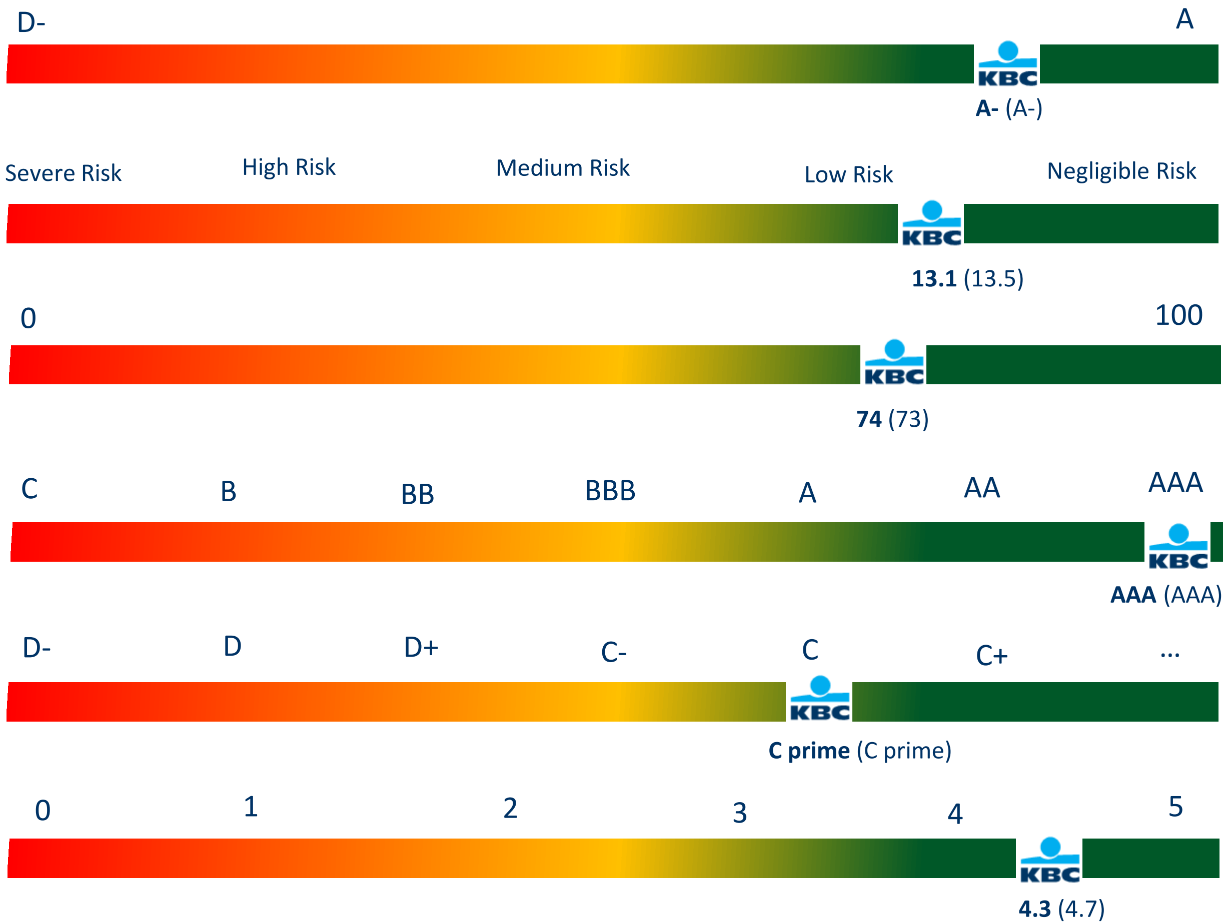
The STP-ratio measures how many of the services that can be offered digitally are processed without any human intervention and this from the moment of interaction by a client until the final approval by KBC.

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

* Based on analysis of core commercial products.

ESG ratings and indices

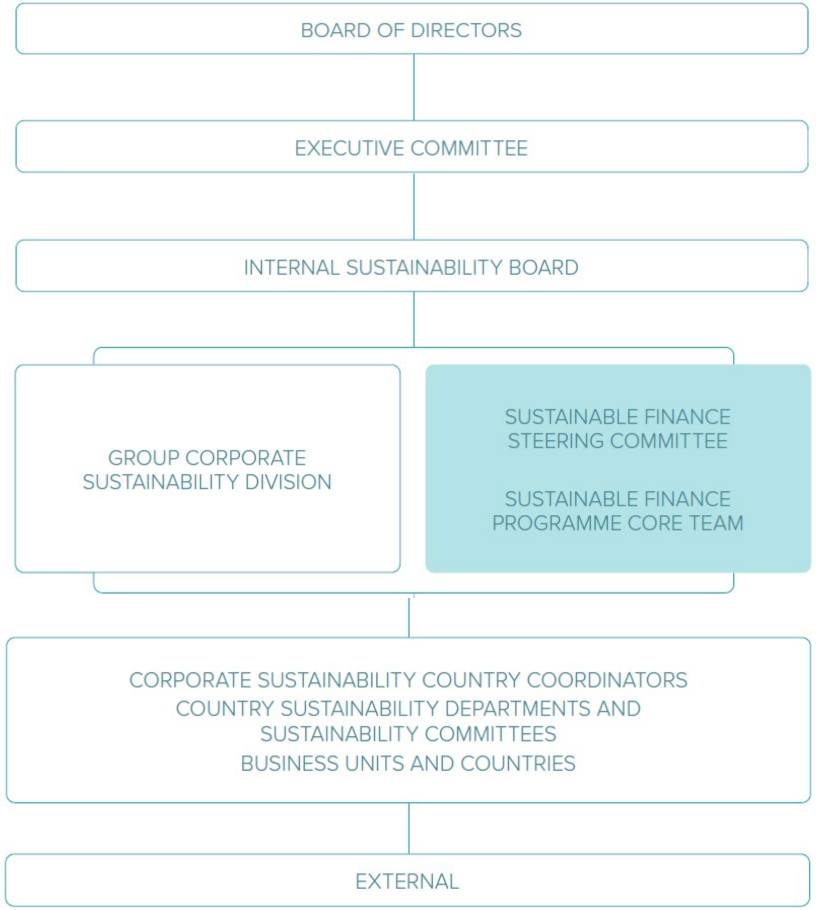
Ahead of the curve



Agencies	**ESG rating of 1st of Feb 2022** (previous score)	**Position versus industry average**
CDP	**A-** (A-)	Financial services average B
SUSTAINALYTICS	**13.1** (13.5)	2nd percentile of 415 diversified banks assessed 5th of 415 diversified banks
S&P Dow Jones Indices A Division of S&P Global	**74** (73)	88th percentile of 242 banks assessed
MSCI	**AAA** (AAA)	3rd percentile of 191 banks assessed
Corporate ESG Performance Prime RATED BY ISS ESG	**C prime** (C prime)	1st decile rank of 300 Commercial Banks & Capital Markets assessed
FTSE4Good	**4.3** (4.7)	96th percentile of banks assessed

Our sustainability governance

Sustainability embedded in our organization



BOARD OF DIRECTORS

EXECUTIVE COMMITTEE

INTERNAL SUSTAINABILITY BOARD

GROUP CORPORATE SUSTAINABILITY DIVISION

SUSTAINABLE FINANCE STEERING COMMITTEE

SUSTAINABLE FINANCE PROGRAMME CORE TEAM

CORPORATE SUSTAINABILITY COUNTRY COORDINATORS
COUNTRY SUSTAINABILITY DEPARTMENTS AND SUSTAINABILITY COMMITTEES
BUSINESS UNITS AND COUNTRIES

EXTERNAL

- **Top level responsibility** for sustainability and climate strategy
  - The **Executive committee** has the highest level of direct responsibility for sustainability and climate change and reports on it to the **Board of Directors.** The **Risk and Compliance Committee** monitors sustainability-related risks.
  - **Direct responsibility of the Group CEO and Group CFO** for sustainability and climate as chairman in the different governance bodies
- Nomination of **sustainability country coordinators in all our core markets** to effectively implement centrally-decided strategies, senior representation of all core countries in **Internal Sustainability Board.**
- Specific **Sustainable Finance Programme** to integrate our policy on climate change and climate action plan within the group
- **External advisory boards** to advise and challenge us on our sustainability strategy

- **Sustainability integrated into our remuneration policy:**
  - The variable remuneration of **Executive Committee members** is linked to - amongst others - progress made in the area of sustainability. The Board of Directors, through its Remuneration Committee, assesses the criteria for evaluating the members of the Executive Committee in this respect
  - At least 10% of the variable remuneration received by **senior management** depends on the achievement of individual targets agreed in advance as part of the group’s sustainability strategy, including our climate policy
  - The non-recurrent results-based bonus KBC pays its **employees** in Belgium has been partially linked to our direct footprint target – reducing paper consumption – but also to employee development (training days, digitality and progress management) and to cybersecurity (phishing tests). Targets are decided upfront for a period of each time 2 years (long term sustainability-linked incentive)

Our sustainability roadmap

KBC milestones and initiatives

2004

Equator Principles

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

2006

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

2011

First report to society published

2016

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

2018

First Green Bond

The first Belgian financial institution that issued a green bond

2019

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

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

2020

KBC Asset Management signed Climate Action 100+

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

Continuous ESG actions…

2022

Translate the 1.5°C target into concrete objectives per sector, based on scientific scenarios, by the end of 2022

> *'We will no longer provide direct credit, advice or insurance to new oil and gas fields'*
>
> Johan Thijs

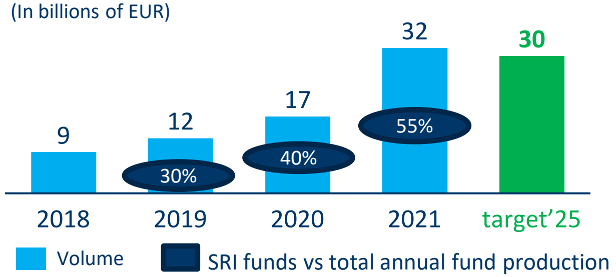
Our sustainability ambitions

We substantially raise the bar for our climate-related ambitions

Achieved ✓

Volume of SRI Funds(*)

(In billions of EUR)

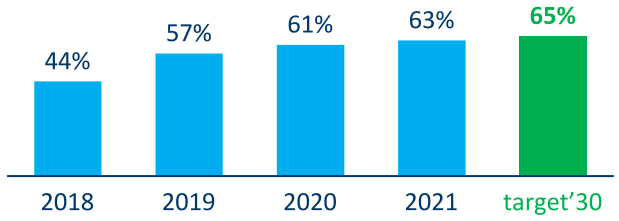


- End of 2021: volume of SRI includes all Belgian KBC pension savings funds (adding 6bn EUR)
- SRI funds ≥ 50% of annual fund production from 2021 onwards

Above track ●

Renewable energy loans

(In % of total energy-sector loan portfolio)

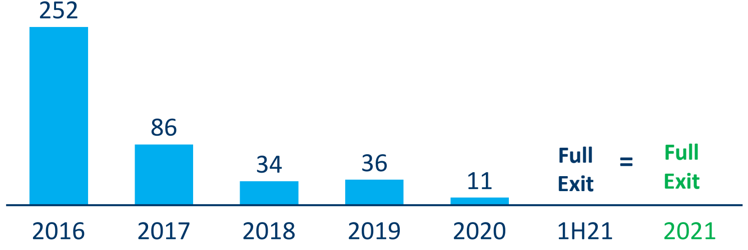


- Target set to 65% by '30
- During 2021, Project Finance Belgium concluded 7 new renewable energy transactions for a total amount of 195m EUR

Achieved ✓

Direct coal-related finance

(In millions of EUR)

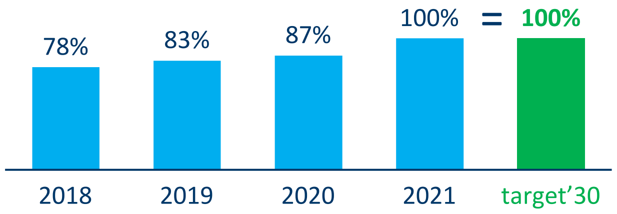


- All remaining direct coal exposure has been phased out in line with our commitment
- Firm commitment to exit indirect coal exposure, supporting existing clients in their transition. In order to remain eligible for any kind of financing, the related client must commit not to engage into any new coal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

Achieved ✓

Renewable electricity

(In % of own electricity consumption)

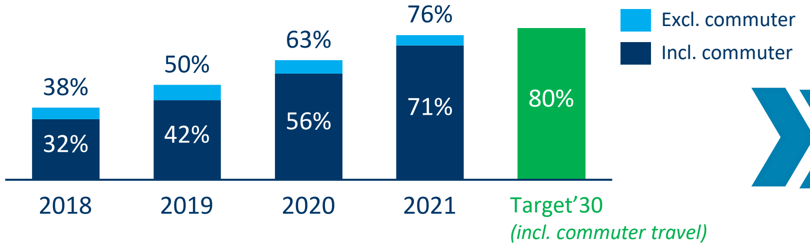


- Continued installation of photovoltaic panels on buildings we own and operate ourselves

Above track ●

Reduction own GHG emissions (incl. commuter travel)

(In % compared to 2015)



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

Achieved ✓

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

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

Strong progress on in Environmental, Social and Governance issues

Some highlights

ESG

Environmental

- We successfully issued our third 750-million euros KBC Green Bond in November 2021
- As of November 2021, KBC group no longer provides direct financing, insurances or advisory services to the exploration and extraction of all new oil and gas fields
- In 2021, all remaining direct coal exposure has been phased out in line with our commitment and 6 months ahead of schedule

ESG

Social

- Continued to look for a good balance between work and private life of our employees and invested in digital and collaboration tools
- Promoting female entrepreneurship among our start-up community
- Awarded an exceptional Covid-related bonus for all our employees

ESG

Governance

- Completion of a leadership development programme dedicated to climate change by our senior management
- Focus on diversity with a clear policy commitment on diversity and inclusion and a clear ambition to increase gender diversity in senior management
- Completion of responsible behaviour awareness by the vast majority of staff in all countries.

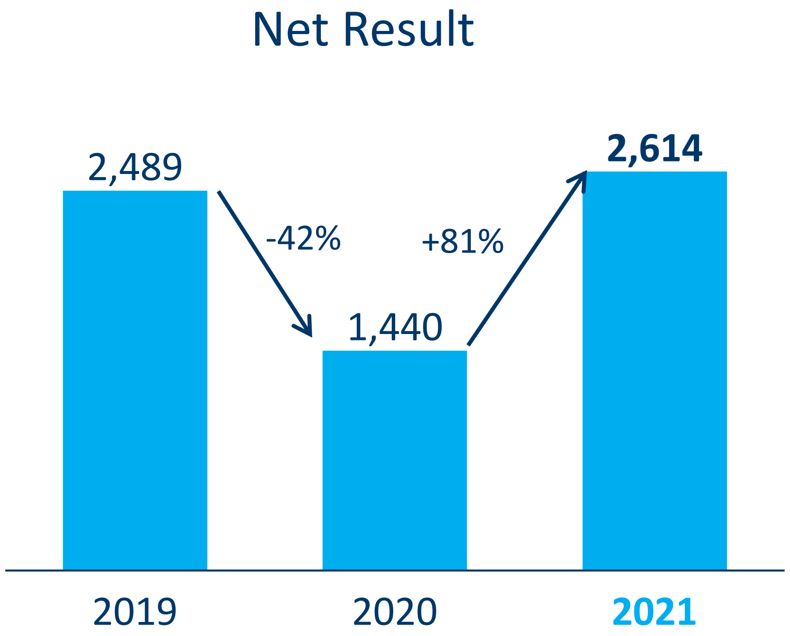
KBC Group

Annex 2

FY 2021 performance of KBC Group

KBC Group

FY 2021 net result amounted to 2,614m EUR

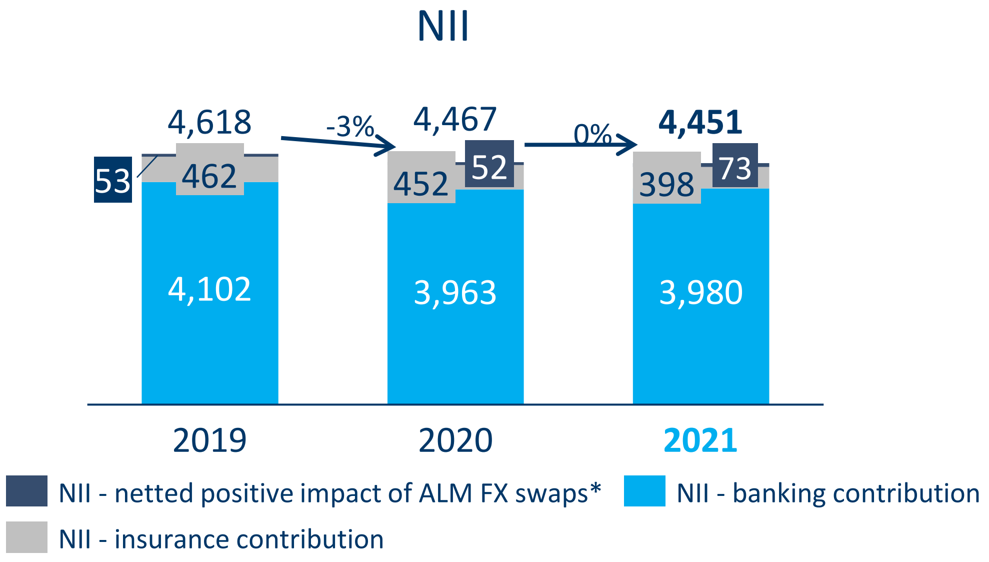


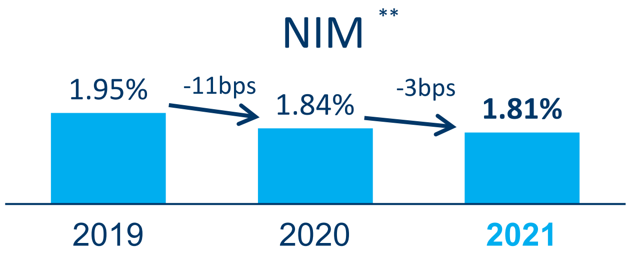
- **Net result rose by 81% y-o-y to 2,614m EUR in 2021,** mainly as a result of the following:
  - Revenues rose by 5% y-o-y mainly due to higher net fee & commission income, net result from FIFV, net other income and higher result from life insurance, partly offset by lower result from non-life insurance after reinsurance (the severe flood impact in Belgium during summer)
  - Operating expenses in FY21 excluding bank taxes, changes in the consolidation scope and one-offs rose by 1.5% y-o-y (+1.0% y-o-y when also excluding FX), fully in line with our FY21 guidance of slightly below +2% like-for-like. Total bank taxes (including ESRF contribution) increased from 503m EUR in FY20 to 525m EUR in FY21
  - Net impairment releases amounted to 261m EUR (compared with net impairment charges of 1,182m EUR in FY20). This was attributable chiefly to:
    - a 494m EUR reversal of collective Covid-19 impairments in FY21
    - one-off loan loss impairments of 178m EUR as a result of the two pending sales transactions in Ireland
    - 18m EUR loan loss provision releases on some individual files
    - Impairment of 73m EUR on 'other', of which:
      - a 32m EUR one-off as a result of the two pending sales transactions in Ireland due to impairment on (in)tangibles
      - a 20m EUR impairment on (in)tangibles in other countries (besides Ireland)
      - 8m EUR modification losses in Hungary
      - a 7m EUR goodwill impairment in BU CZ

Amounts in millions of EUR

Net interest income

Roughly stable net interest income (NII) and lower net interest margin (NIM)





- **Net interest income**
  - Net interest income roughly stabilised y-o-y
  - Net interest income banking slightly increased y-o-y due mainly to:
    - continued good loan volume growth
    - intensified charging of negative interest rates on certain current accounts to corporates and SMEs
    - lower funding costs, due largely to the positive impact of TLTRO3 and of ECB deposit tiering
    - consolidation of the OTP SK
    - higher netted positive impact of ALM FX swaps
    - the appreciation of the CZK versus the EUR

    which were partly offset by:
    - the negative impact of lower reinvestment yields in euro-denominated countries
    - margin pressure on the outstanding portfolio in almost all countries
  - Net interest income insurance fell by 12% y-o-y due to the negative impact of lower reinvestment yields in 2021 and 31m positive one-off technical items in 2020
  - Loan volumes increased by 5% y-o-y, while customer deposits excluding debt certificates and repos rose by 6% y-o-y

- **Net interest margin (1.81%)**
  - Decreased by 3 bps y-o-y due mainly to the negative impact of lower reinvestment yields in euro-denominated countries, margin pressure on the outstanding portfolio in almost all countries and an increase of the interest-bearing assets (denominator)

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* From all ALM FX swap desks

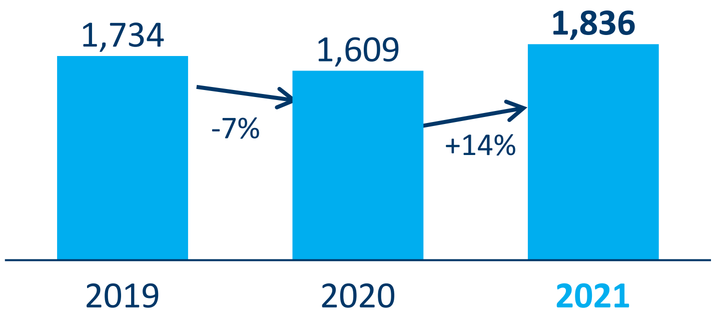
** NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos

Amounts in millions of EUR

Net fee and commission income

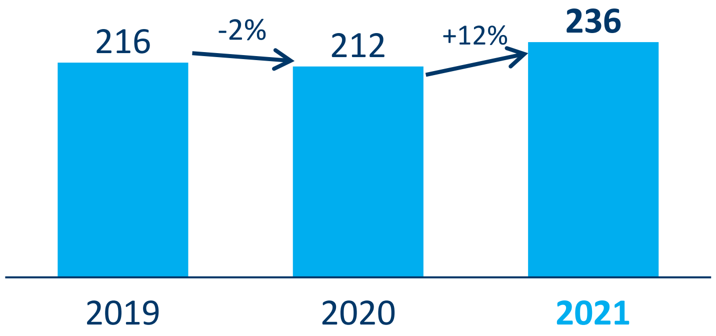
Higher net fee and commission income and AUM

Net fee and commission income



Amounts in millions of EUR

AUM



Amounts in billions of EUR

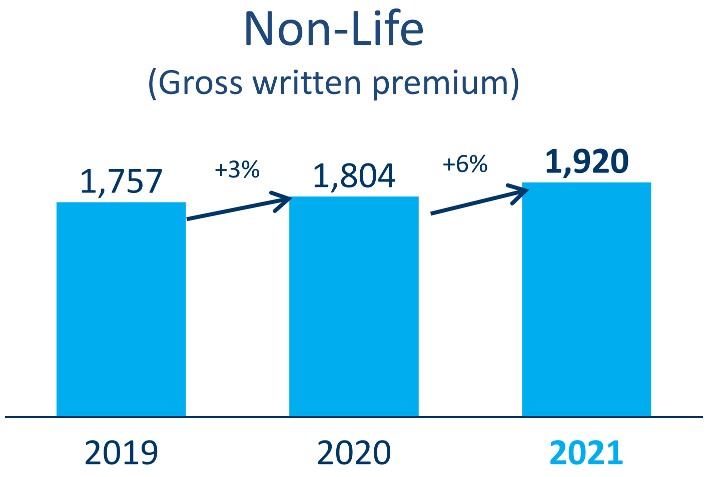
- **Net fee and commission income**
  - Increased by 14% y-o-y:
    - Net F&C from Asset Management Services increased by 17% y-o-y driven entirely by higher management fees. Entry fees stabilised y-o-y
    - Net F&C income from banking services increased by 9% y-o-y (8% y-o-y excluding FX effect) driven mainly by higher fees from payment services, higher network income, higher securities-related fees and higher fees from credit files & bank guarantees
    - Distribution costs rose by 8% y-o-y due chiefly to higher commissions paid linked to banking products and increased insurance sales

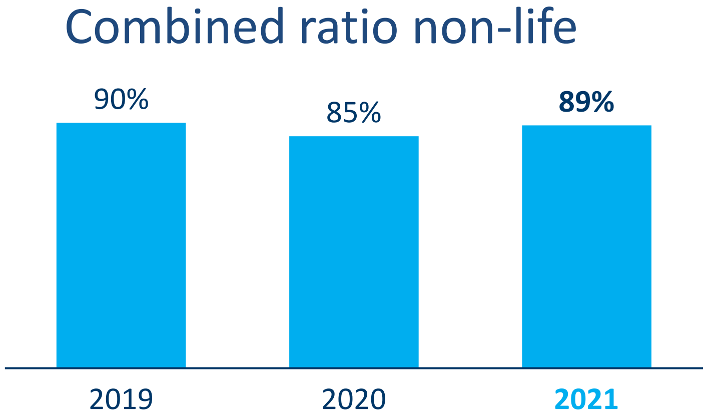
- **Assets under management (236bn EUR)**

  Increased by 12% y-o-y due mainly to a positive price effect (+11%) and net inflows (+1%)

Non-life insurance

Higher non-life insurance sales and excellent combined ratio





Amounts in millions of EUR

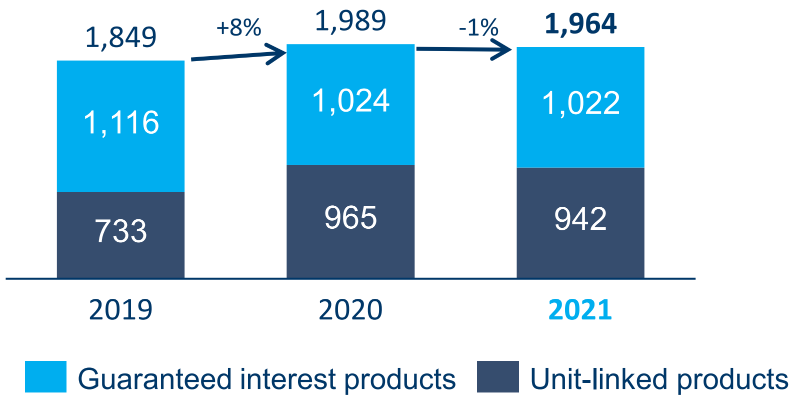
- **Sales of non-life insurance products**
  Up by 6% y-o-y thanks to growth in all classes

- The non-life **combined ratio** for FY21 amounted to an **excellent 89%** (85% in FY20). This is the result of:
  - 6% y-o-y earned premium growth in FY21
  - 21% y-o-y higher technical charges in FY21 due mainly to:
    - the severe flood impact in Belgium during summer (110m EUR gross impact and 87m EUR net impact after reinsurance, of which 45m EUR above the legal limit*)
    - higher normal claims (mainly in ‘Motor’, ‘Property’ and ‘Workmen’s compensation’, primarily due to the re-opening of the economy)
    - partly offset by lower impact of parameter updates
  - ceded reinsurance result, which amounted to +27m EUR in FY21 (versus -18m EUR in FY20) due to higher recuperations for floods and storms

Life

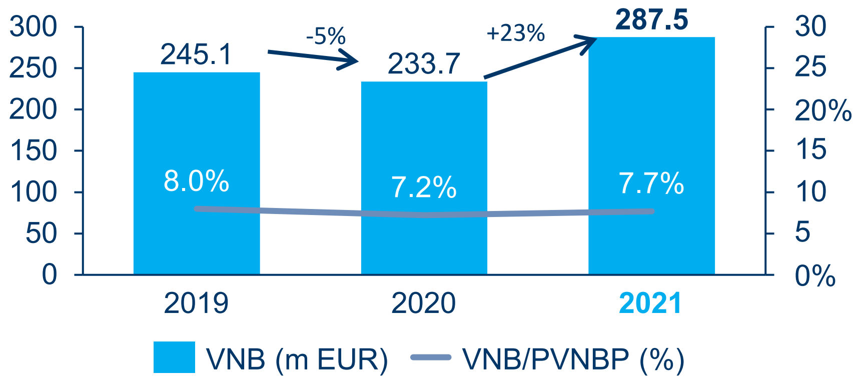
Life insurance sales slightly decreased, while value of new business (VNB) sharply increased

Life Sales



- **Sales of life insurance products**
  - Down by 1% y-o-y
    - The 2% y-o-y decrease in sales of unit-linked products was the result of a shift from mutual funds to unit-linked products by Private Banking clients in 2020, only partly offset by higher sales of unit-linked products by Retail/SME clients in 2021
    - Sales of guaranteed interest products roughly stabilised
  - Sales of unit-linked products accounted for 48% of total life insurance sales

VNB (Life)*



- **VNB**
  - Increase y-o-y mainly driven by higher fee income on unit-linked products in Belgium
  - The VNB/PVNBP increased to 7.7% due to the higher margin on guaranteed interest rate products, driven by increasing interest rates

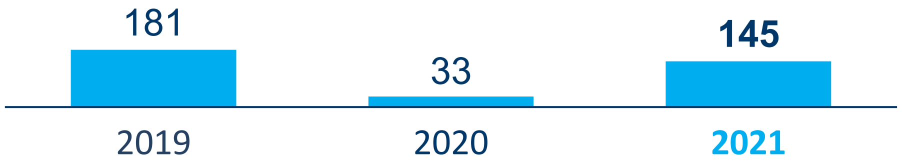
- VNB = Value of New Business = present value of all future profit attributable to the shareholders from the new life insurance policies written during the year
- The VNB of KBC Group includes the expected future income generated by parties other than KBC Insurance, but within KBC Group (e.g. KBC Bank & KBC Asset Management) arising from the sales of life insurance business. In 2021, this income amounted to 124m EUR (compared with 120m EUR in 2020)
- VNB/PVNBP = VNB at point of sale compared with the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums

Amounts in millions of EUR

The other total income drivers

Higher fair value result and higher net other income

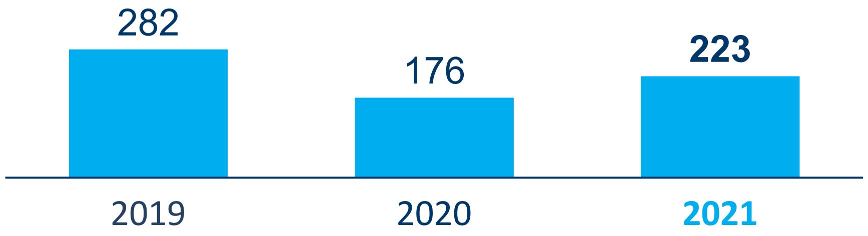
Fair Value result



- The higher y-o-y figure for **net gains from financial instruments at fair value** was attributable to:
  - sharply higher net result on equity instruments (insurance)
  - higher dealing room & other income
  - a positive change in market, credit and funding value adjustments

  partly offset by:
  - a negative change in ALM derivatives

Net other income



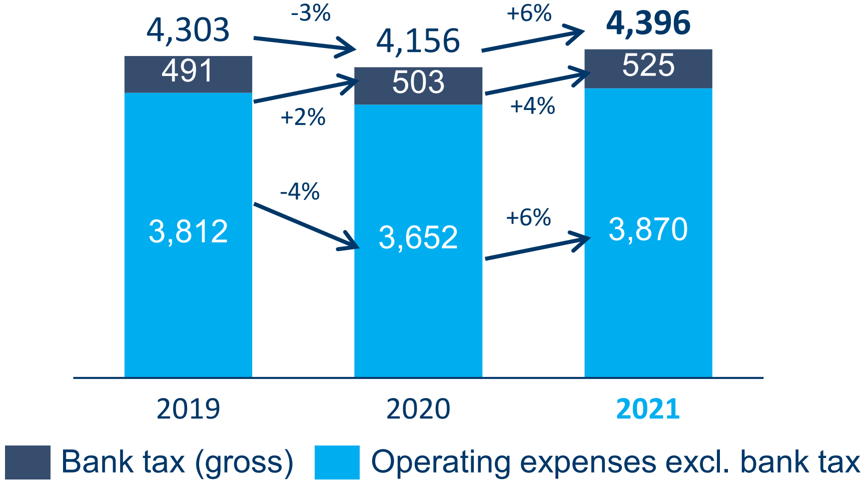
- **Net other income** increased from 176m EUR in FY20 to 223m EUR in FY21. This is somewhat higher than the normal run rate of 200m EUR per year due to some one-off items (with an overall positive impact of 19m EUR)

Amounts in millions of EUR

Operating expenses

Tight cost control

Operating expenses



Cost/Income ratio (banking)*

FY20	**FY21**
57%	**55%**

* adjusted for specific items: excluding MtM ALM derivatives and one-off items

- **Operating expenses in FY21 excluding bank taxes, changes in the consolidation scope and one-offs rose by 1.5% y-o-y** (+1.0% y-o-y when also excluding FX), fully in line with our FY21 guidance of slightly below +2% like-for-like

- **The C/I ratio excluding bank taxes amounted to 51% in FY21**

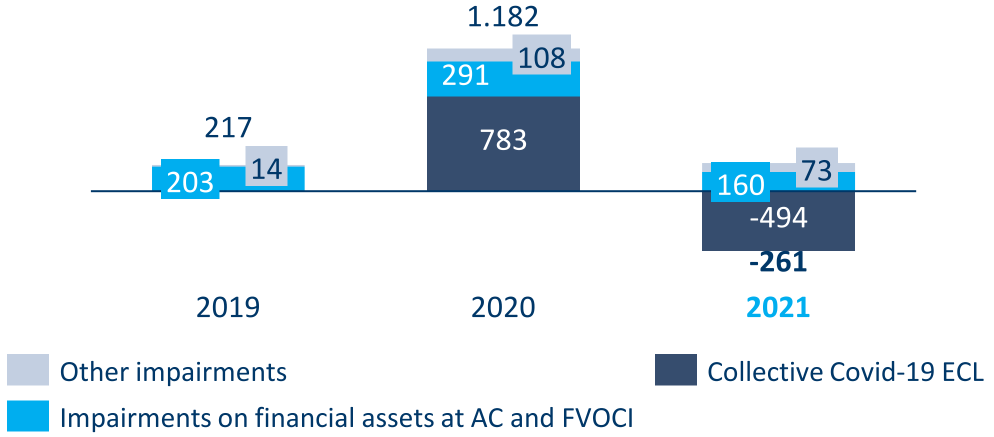
- Contrary to FY20 (+10m EUR one-off), FY21 operating expenses were negatively impacted by -106m EUR one-offs:
  - -18m EUR Covid-related bonus in 2Q21
  - +9m EUR release of cost provision due to the sale of the Antwerp tower in 3Q21
  - -81m EUR one-off staff-related costs in 3Q21 as a result of the signing of the two pending sales transactions in Ireland
  - -16m EUR one-off costs in 4Q21 as a result of the two pending sales transactions in Ireland, mainly related to accelerated depreciations

- Total bank taxes (including ESRF contribution) increased from 503m EUR in FY20 to 525m EUR in FY21

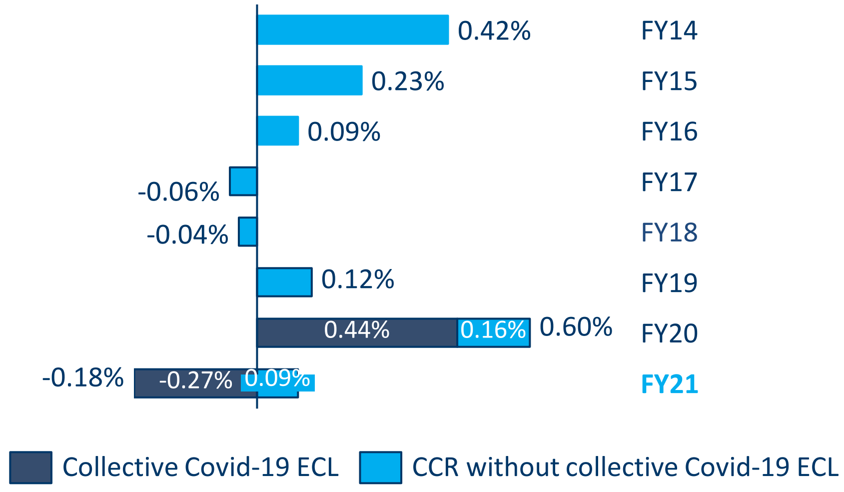
Amounts in millions of EUR

Asset impairments

Net impairment releases and excellent credit cost ratio



Asset impairment



Credit cost ratio

- **Net impairment releases amounted to 261m EUR** (compared with net impairment charges of 1,182m EUR in FY20). This was attributable chiefly to:
  - a 494m EUR reversal of collective Covid-19 impairments in FY21
  - one-off loan loss impairments of 178m EUR as a result of the two pending sales transactions in Ireland
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    - a 32m EUR one-off as a result of the two pending sales transactions in Ireland due to impairment on (in)tangibles
    - a 20m EUR impairment on (in)tangibles in other countries (besides Ireland)
    - 8m EUR modification losses in Hungary
    - a 7m EUR goodwill impairment in the Czech Republic

- The **credit cost ratio in FY21** amounted to:
  - 9 bps (16 bps in FY20) without collective Covid-19 ECL
  - -18 bps (60 bps in FY20) with collective Covid-19 ECL

Amounts in millions of EUR