KBC Group
Press presentation

4Q / FY 2023

Johan Thijs, KBC Group CEO
Luc Popelier, KBC Group CFO

More information: www.kbc.com

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

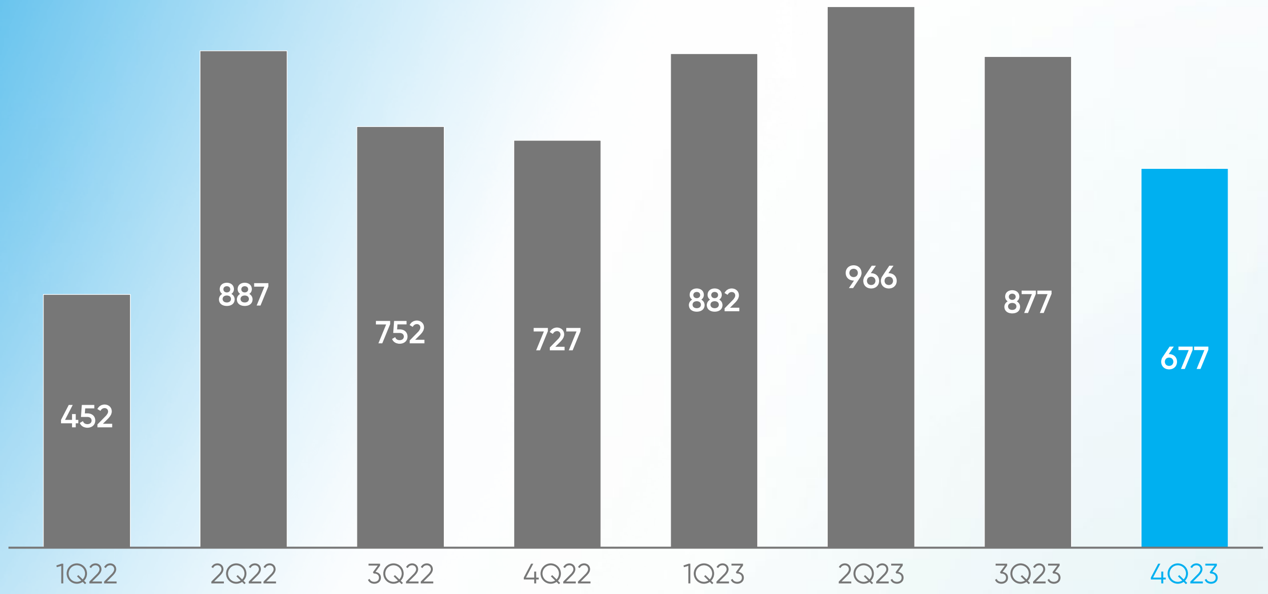
Highlights

Good net result of 677m EUR over 4Q23

- Commercial bank-insurance franchises performed **well**
- As policy rates are peaking, KBC Group is **well-positioned** being an integrated bank-insurer with tailored AM business
- **Customer loans** and **customer deposits** increased q-o-q in almost all our core countries (on a comparable basis)
- Lower **net interest income q-o-q, but better than guided for**
- Higher **net fee and commission income** q-o-q
- Q-o-q stable **net result from financial instruments at fair value** and q-o-q increase of **net other income**
- Strong sales of **non-life insurance** y-o-y, sales of **life insurance** up q-o-q and down y-o-y
- **Costs excl. bank & insurance taxes up q-o-q (fully in line with our FY23 guidance)**
- Limited **net loan loss impairment reversals,** but **high impairments on 'other' and 'goodwill' (109m EUR on building savings company CSOBS)**
- Solid **solvency** and **liquidity**
- **Updated financial guidance**

Net result

in m EUR



FY ratios

- Return on Equity **15%***
- Cost-income ratio **49%****
- Combined ratio **87%**
- Credit cost ratio **0.00%**
- CET1 ratio **15.2%** (B3, DC, fully loaded)
- Leverage ratio **5.7%** (fully loaded)
- NSFR **136%** & LCR **159%**

* Excluding one-offs

** When excluding certain non-operating items.

Capital deployment

For FY23:

- A **total gross dividend of 4.15 EUR per share** will be proposed to the AGM for the accounting year 2023 (of which an interim dividend of 1.0 EUR per share already paid in November 2023 and the remaining 3.15 EUR per share to be paid in May 2024)
- Including the proposed total dividend and AT1 coupon, the pay-out ratio would then amount to approximately 51%
- **In line with our announced capital deployment plan for FY23**, the distribution of the surplus capital above the fully loaded CET1 ratio of 15% will be decided at the discretion of the Board of Directors of KBC Group in 1H24

For FY24:

- **Both our dividend policy** and **capital deployment plan** will be **updated with our 1Q24 results**

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 **15%** in FY23 **KBC** is one of the most profitable EU financial institutions

Solvency

With a **fully loaded CET1 ratio** of **15.2%** at end FY23 KBC is amongst the better capitalised EU banks

Sustainability

SUSTAINALYTICS

Sustainalytics ranks KBC **3rd out of 342** diversified global banks

Digitalisation

SIAPARTNERS

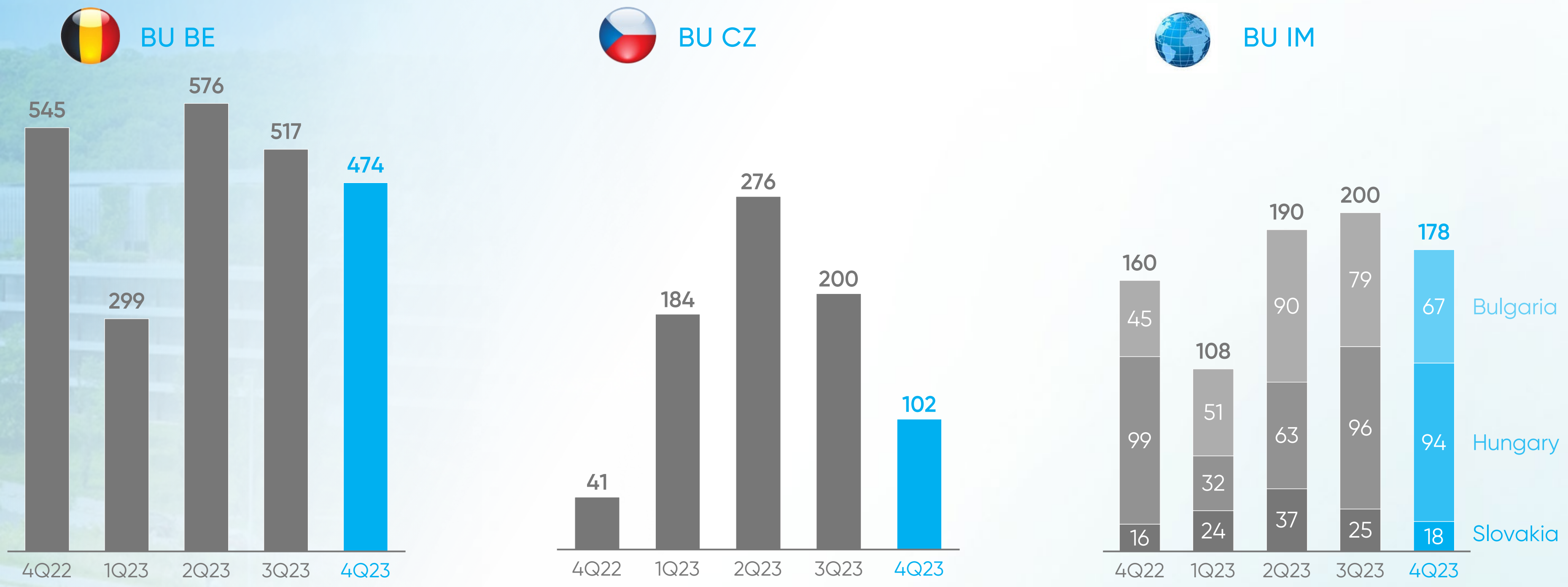
Sia Partners ranks KBC Mobile as **Belgian N°1 banking app and N°3 worldwide**

"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**."

Good contribution from all business units

Net result per business unit

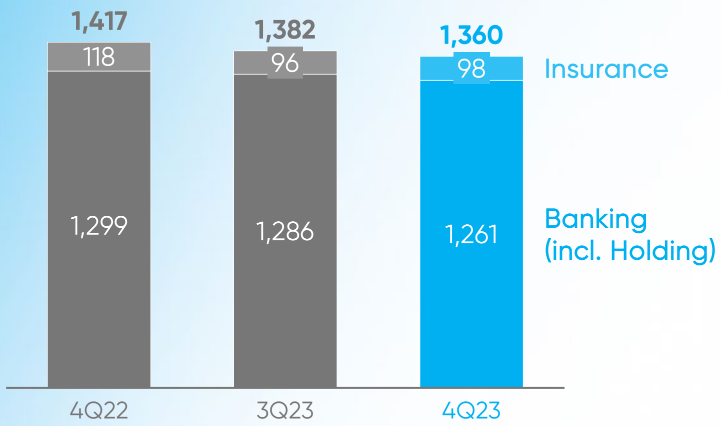
in m EUR



Lower net interest income

Net interest income

in m EUR

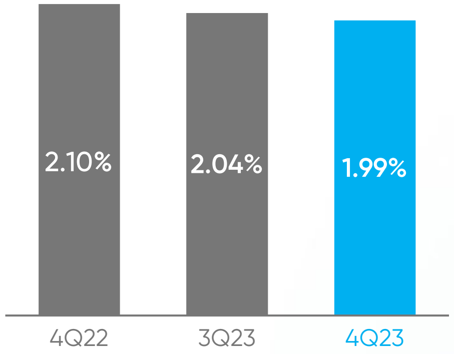


- **NII decreased by 2% q-o-q and by 4% y-o-y**
- Q-o-q decrease was driven primarily by:
  - Negative direct impact from the issuance of the 1-year Belgian State Note (-51m EUR in 4Q23 versus -22m EUR in 3Q23) and higher pass-through on savings accounts in Belgium (as of 1 August 2023)
  - Further shifts from current & savings accounts to term deposits
  - Higher costs on the minimum required reserves held with the central banks (-55m EUR in 4Q23 versus -31m EUR in 3Q23)
  - Higher funding cost of participations and higher wholesale funding cost
  - Lower loan margins in most core markets
  - Lower short-term cash management

  partly offset by:
  - Continued increasing reinvestment yields (which has a positive impact on commercial transformation result)
  - Increased term deposits
  - Loan volume growth
  - Higher NII on inflation-linked bonds (+12m EUR q-o-q)
- Y-o-y decrease was driven primarily by lower lending income, no TLTRO 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, partly offset by sharply increasing commercial transformation result and increased term deposits at better margins

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

- Fell by 5 bps q-o-q and by 11 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

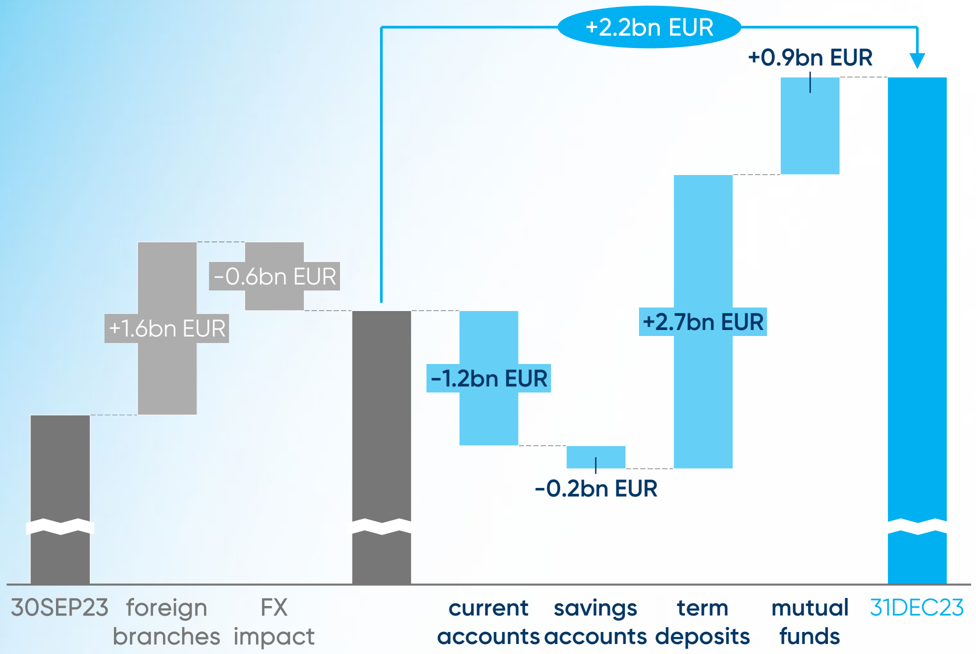
	Total loans**	o/w retail mortgages	Customer deposits***
Volume	184bn	75bn	216bn
Growth q-o-q*	+1%	+1%	+1%
Growth y-o-y	+3%	+3%	-3%

* 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 1% q-o-q and fell by 2% y-o-y**

Inflow of core customer money

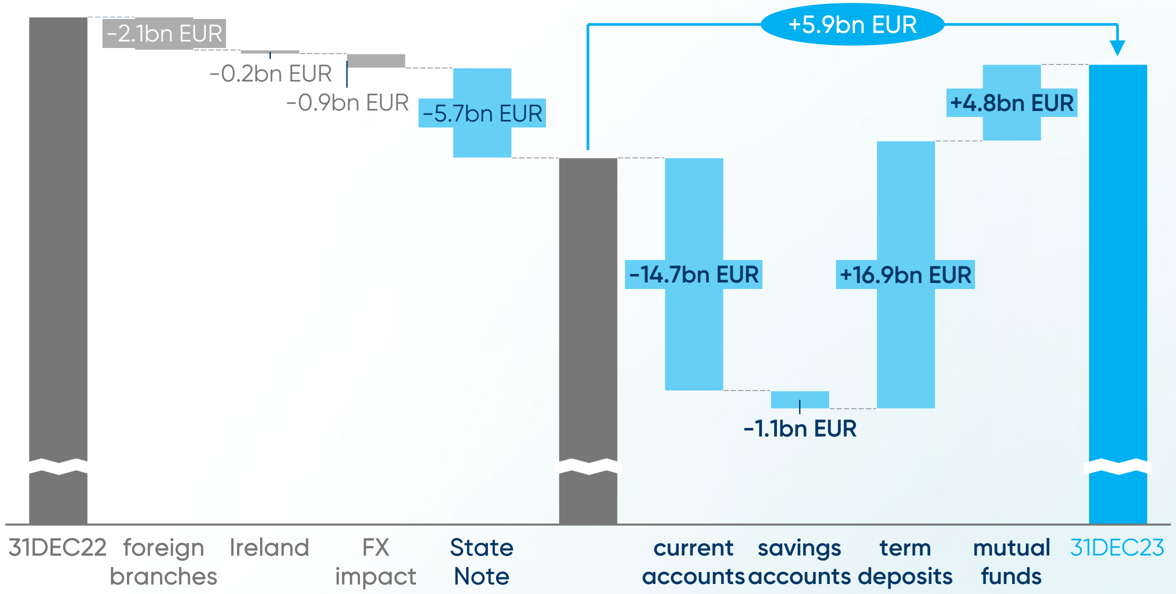
Customer money dynamic over 4Q23

in m EUR



Customer money dynamic over FY23

in m EUR

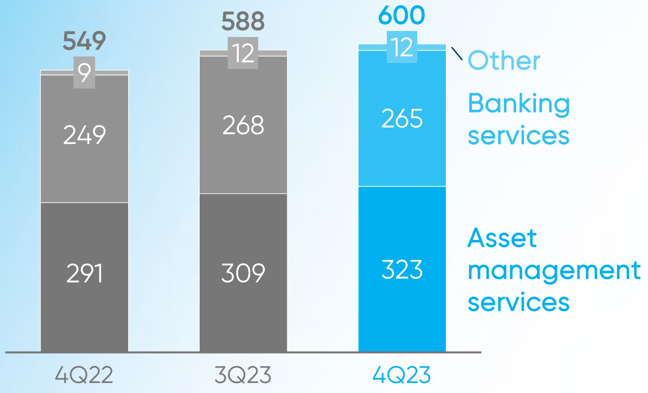


- **4Q23** saw an inflow of core customer money of **+2.2bn EUR** (+1.6bn EUR incl. FX impact)
- Disregarding volatile and one-off items, **FY23** saw an inflow of core customer money of **+5.9bn EUR** (+5.0bn EUR incl. FX impact)

Higher net fee and commission income

Net fee & commission income

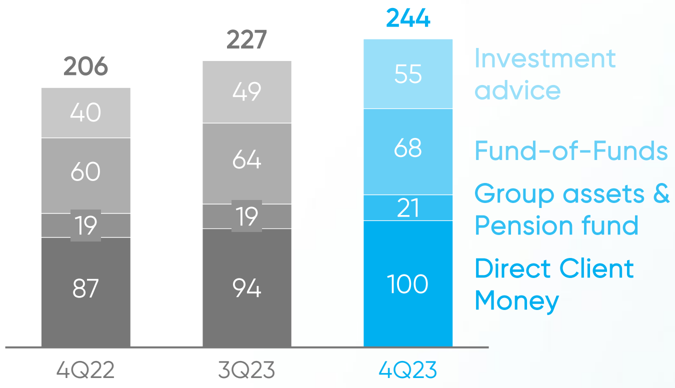
in m EUR



- **Up by 2% q-o-q and by 9% y-o-y**
- Q-o-q increase was mainly the result of:
  - Net F&C income from Asset Management Services increased by 5% q-o-q due to higher management & entry fees
  - Net F&C income from banking services fell by 1% q-o-q. Higher fees from payment services and higher fees from credit files & bank guarantees were partly offset by lower securities-related fees (entirely due to one-off fee from the issuance of the State Note in Belgium in 3Q23), seasonally lower network income and seasonally higher fee expenses in Retail (in the Czech Republic)
- Y-o-y increase was mainly the result of:
  - Net F&C income from Asset Management Services rose by 11% y-o-y due to higher management & entry fees
  - Net F&C income from banking services increased by 6% y-o-y due mainly to higher securities-related fees, higher fees from payment services, higher network income, higher fees from credit files & bank guarantees and lower fee expenses in Retail (in the Czech Republic)

Assets under management

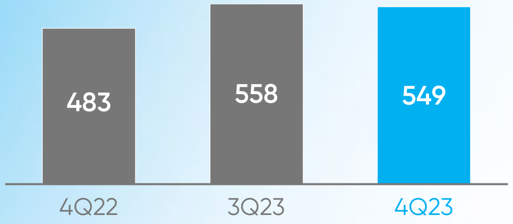
in bn EUR



- **Increased by 8% q-o-q** due to **net inflows (+2%)** and positive market performance (+6%)
- Increased by 19% y-o-y due to net inflows (+9%) and positive market performance (+10%)
- The mutual fund business has seen strong net inflows both in higher-margin direct client money this quarter (0.9bn EUR in 4Q23 versus 1.1bn EUR in 3Q23 and 0.3bn EUR in 4Q22) as well as in lower-margin assets

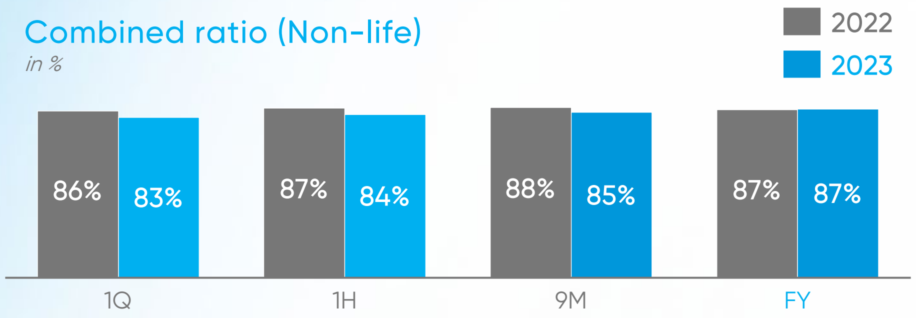
Non-life sales significantly up y-o-y, life sales up q-o-q and down y-o-y

Non-life sales
in m EUR



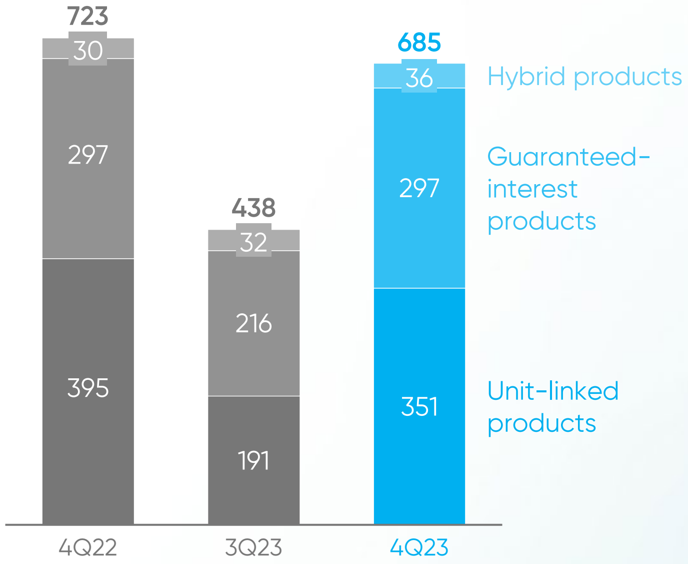
- **Up by 14% y-o-y**, with growth in all countries and all classes, due to a combination of volume and tariff increases

Combined ratio (Non-life)
in %



- **Non-life combined ratio for FY23 amounted to an excellent 87%** (87% in FY22). This is mainly the result of:
  - 11% y-o-y higher insurance revenues before reinsurance
  - 8% y-o-y higher insurance service expenses before reinsurance
  - Lower net result from reinsurance contracts held (down by 68m EUR y-o-y)

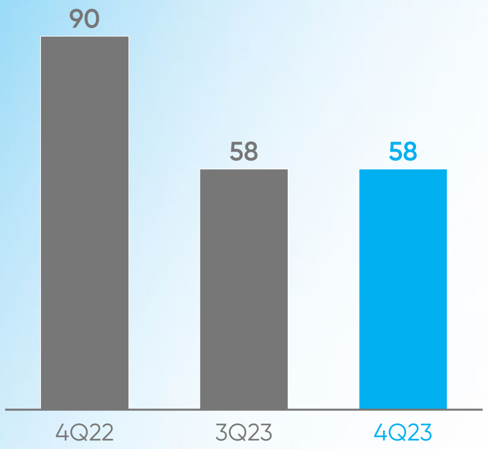
Life sales
in m EUR



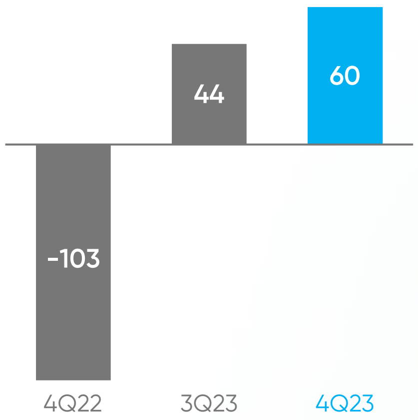
- Increased by 56% q-o-q due to higher sales of unit-linked products (excellent sales in 4Q23 as the result of a successful launch of 2 new structured funds in Belgium), higher sales of guaranteed-interest products (due chiefly to traditionally higher volumes in tax-incentivised pension savings products in Belgium) as well as higher sales of hybrid products
- Decreased by 5% y-o-y due entirely to lower sales of unit-linked products (as the launch of new funds last year was even more successful)
- Sales of guaranteed-interest products and unit-linked products accounted for 43% and 51% of total life insurance sales in 4Q23 respectively, with hybrid products (mainly in the Czech Republic) accounting for the remainder

Stable FIFV result and higher net other income

FIFV
in m EUR



Net other income
in m EUR



- **FIFV stable q-o-q**, attributable mainly to:
  - Higher dealing room result
  - Higher FV result on investments backing unit-linked contracts under IFRS 17 (fully offset by more negative IFIE)

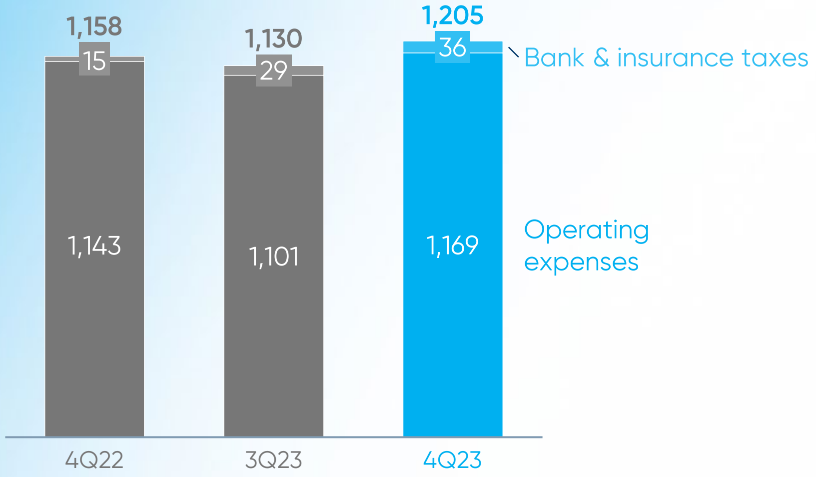
  offset by:
  - Negative credit, funding and market value adjustments, mainly the result of a drop in EUR yield curves and reduced KBC credit & funding spreads
  - Negative change in ALM derivatives and other

- **Above the normal run rate of around 50m EUR per quarter in 4Q23**
  - Due mainly to a one-off realised gain

Costs excluding bank & insurance taxes in line with guidance

Operating expenses (including costs directly attributable to insurance)

in m EUR



Cost/income ratio

When excluding bank and insurance taxes

FY22	FY23
45%	**43%**

- **Operating expenses excluding bank & insurance taxes went up by 6% q-o-q and by 2% y-o-y**
  - The q-o-q increase is due mainly to seasonally higher marketing and professional fee expenses, higher facility costs and higher ICT costs, partly offset by lower staff costs and slightly lower depreciations
  - The y-o-y increase is due to, among other things, higher staff costs (mainly the impact of inflation/wage indexation, despite less FTEs), higher ICT costs, higher facility costs (mainly energy costs), partly offset by lower marketing and professional fee expenses, lower costs in Ireland (related to the sale transaction) and lower depreciations

- **FY23 opex excluding bank & insurance taxes amounted to 4.4bn EUR, in line with our guidance**

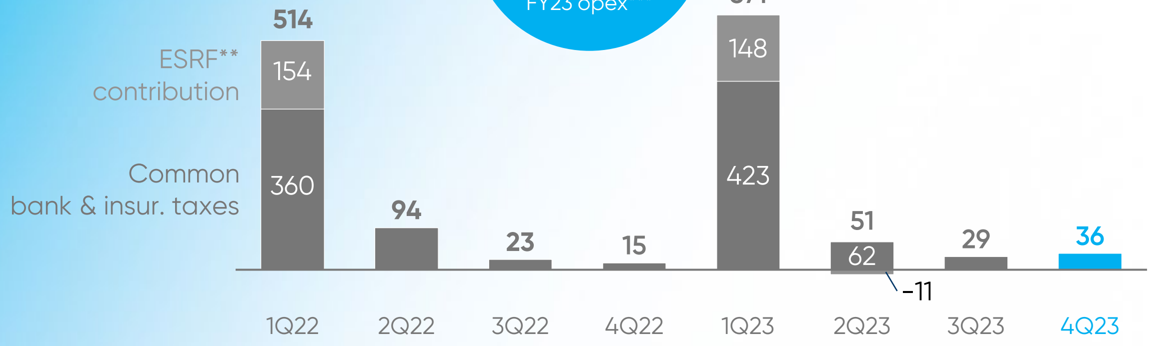
- **FY23 cost/income ratio**
  - 49% when excluding certain non-operating items (49% in FY22)
  - 43% excluding all bank & insurance taxes (45% in FY22)

- Total **FY23 bank & insurance taxes** (including ESRF contribution) increased by 6% y-o-y to 687m EUR (646m EUR in 2022)

Overview of bank & insurance taxes (FY23)*

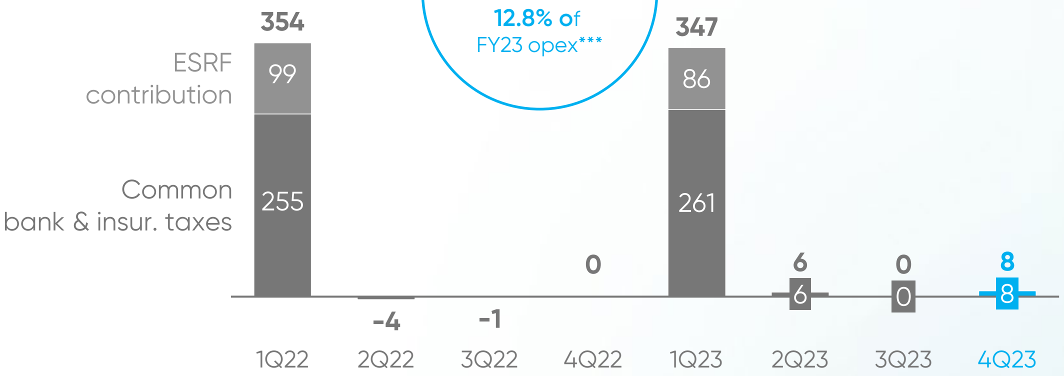
KBC Group
in m EUR

KBC Group 687m EUR — 13.4% of FY23 opex***



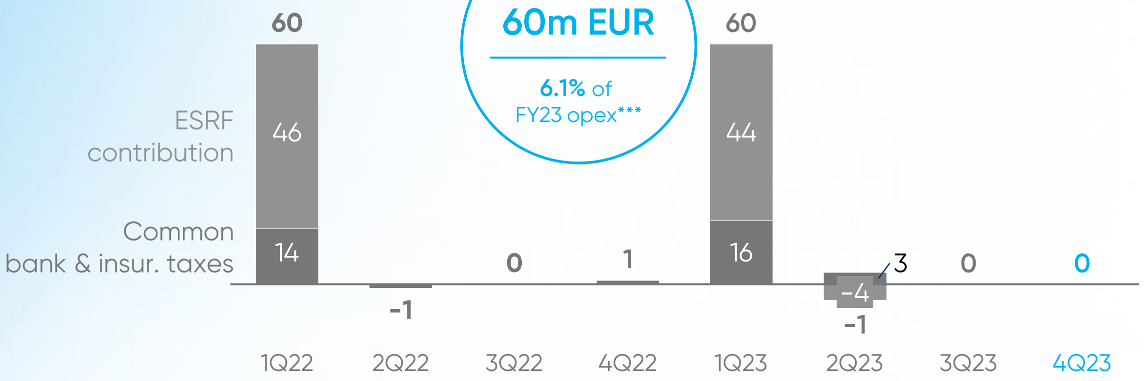
Belgium BU
in m EUR

BU BE 361m EUR — 12.8% of FY23 opex***



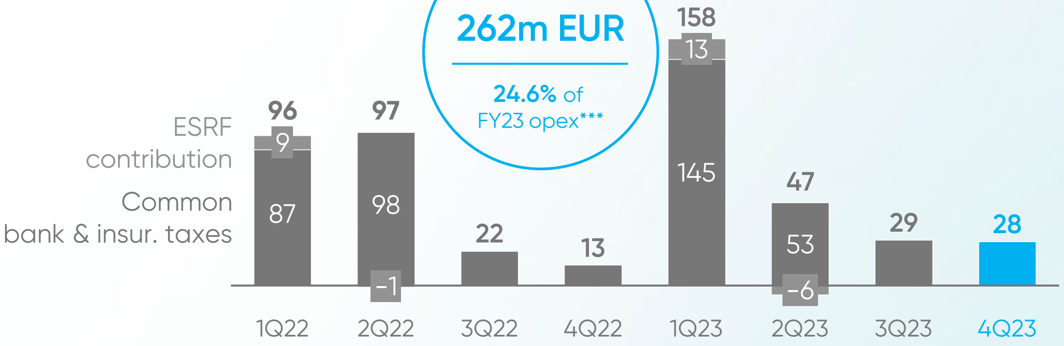
Czech Republic BU
in m EUR

BU CZ 60m EUR — 6.1% of FY23 opex***



International Markets BU
in m EUR

BU IM 262m EUR — 24.6% of FY23 opex***

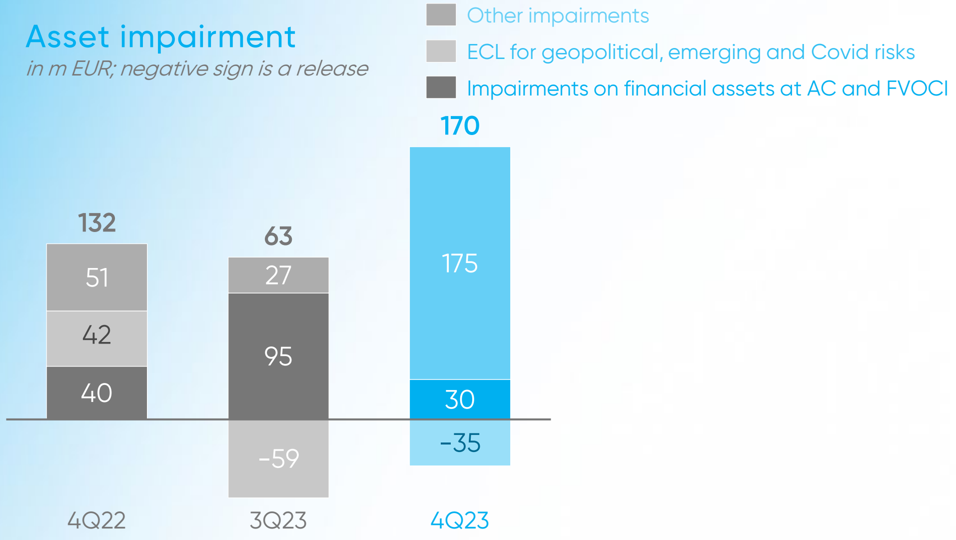


- * This refers solely to the bank & insurance taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.
- ** European Single Resolution Fund
- *** Including directly attributable costs to insurance

Net loan loss impairment releases & excellent credit cost ratio
High other impairments (mainly goodwill and software)

Asset impairment

in m EUR; negative sign is a release

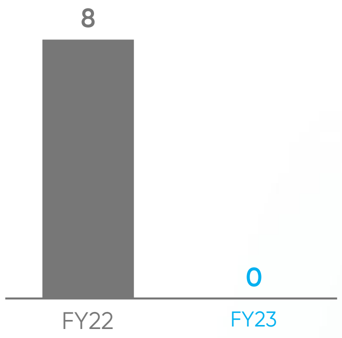


- **Net loan loss impairment charges on lending book, more than offset by a lower geopolitical & emerging risk buffer**
  - **Net loan loss impairment releases of 5m EUR in 4Q23** (compared with net loan loss impairment charges of 36m EUR in 3Q23) due to:
    - 30m EUR net loan loss impairment charges on lending book
    - A decrease of 35m EUR of the ECL buffer, driven mainly by micro- and macroeconomic indicators
    - Total outstanding ECL for geopolitical and emerging risks now stands at 256m EUR (see details on next slide)
- **109m EUR impairment on 'goodwill' on building savings company CSOBS*** (as a result of the reduction of the building savings state subsidy in the Czech Republic) and **66m EUR impairment on 'other'** (versus 27m EUR impairment on 'other' in 3Q23), mainly on software besides 10m EUR modification losses related to the extension of the interest cap regulation in Hungary

* A subsidiary of CSOB Bank

Credit cost ratio

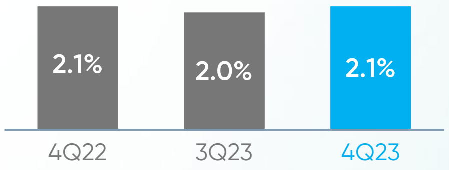
in bps



- The credit cost ratio in FY23 amounted to:
  - 7 bps (0 bps in FY22) without ECL for geopolitical, emerging and Covid risks
  - 0 bps (8 bps in FY22) with ECL for geopolitical, emerging and Covid risks

Impaired loans ratio

in %

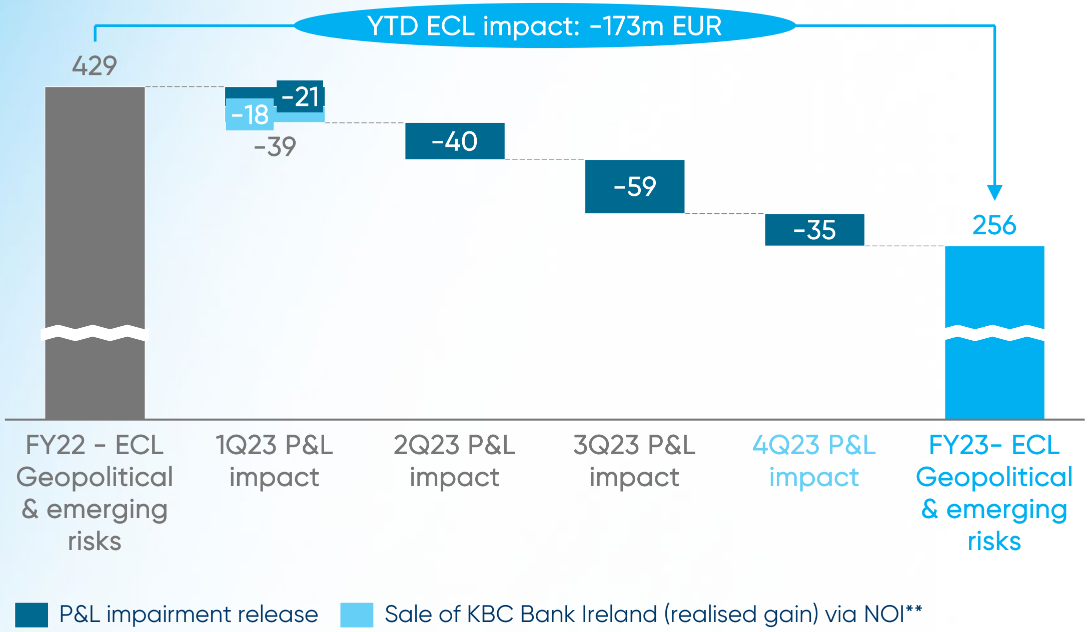


- **The impaired loans ratio amounted to 2.1%** (1.0% of which over 90 days past due)

Outstanding ECL for geopolitical and emerging risks amounts to 256m EUR

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

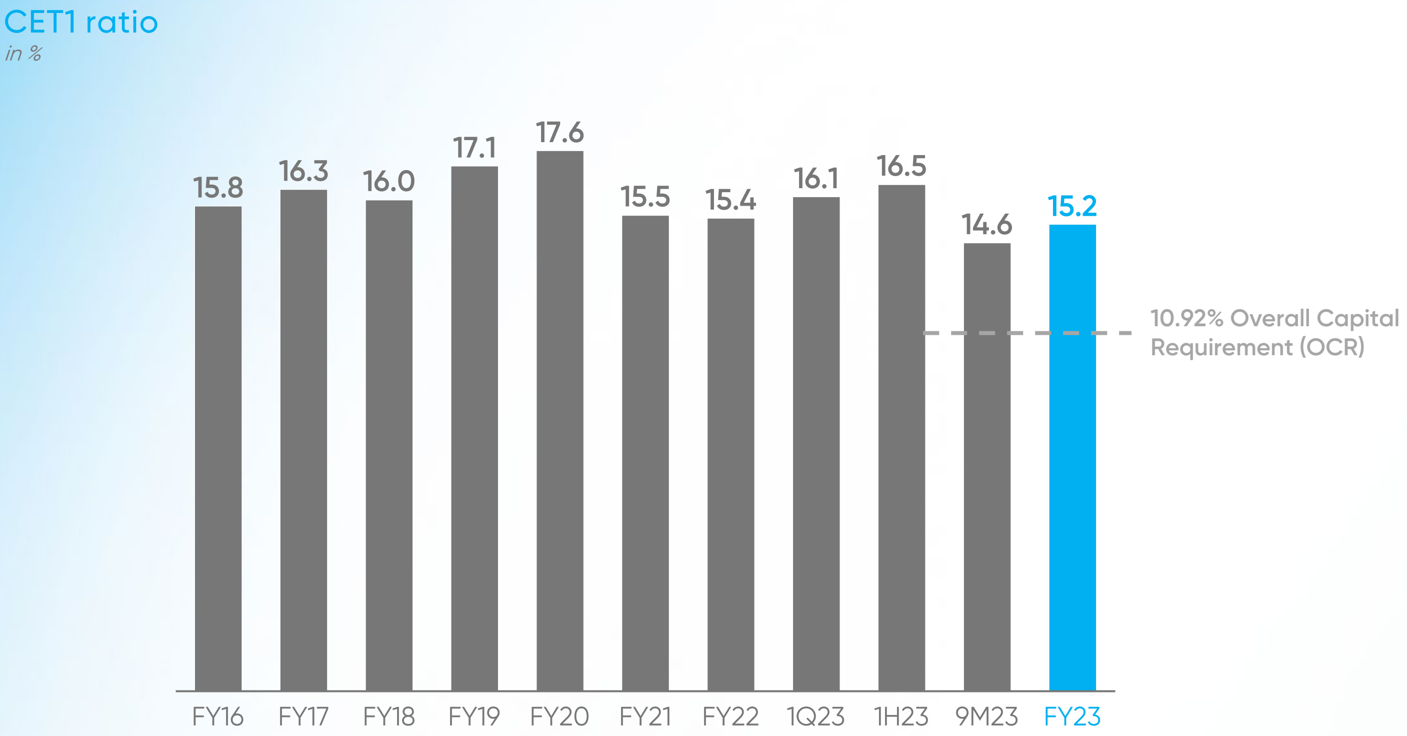
in m EUR; negative sign is a release



In 4Q23 ECL release of 35m EUR, driven mainly by the evolution of micro- and macroeconomic indicators, **resulting in a remaining ECL for geopolitical and emerging risks of 256m EUR at YE23**

* 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

Strong capital position with substantial buffer



Fully loaded B3 common equity ratio amounted to 15.2% at the end of FY23 based on the Danish Compromise

Leverage ratio, Solvency II ratio and liquidity ratios

Leverage ratio | KBC Group

fully loaded, Basel 3

Leverage ratio
5.7% FY23

5.3% FY22

Q-o-q higher leverage ratio (from 5.4% to 5.7%) due mainly to lower leverage ratio exposure chiefly as a result of lower reverse repos and cash balances with central banks (in the denominator)

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

Liquidity ratios | KBC Group

in %

LCR
159% FY23

152% FY22

NSFR
136% FY23

136% FY22

Both LCR* and NSFR** were well above the regulatory requirement of 100%

Solvency II ratio | KBC Group

in %

Solvency II ratio
206% FY23

203% FY22

* 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.

Wrap-up

Excellent financial performance

net result
677m
4Q23
3402m
FY23

return on equity
15%*
YTD

combined ratio
87%
YTD

Outstanding solvency and liquidity

CET1 ratio
15.2%
3.6% buffer vs MDA

NSFR
136%
LCR
159%

SII ratio
206%

Kate convinces customers

4.2 million users in contact with Kate

KATE autonomy
63% BE
66% CZ

Franchise is growing

loan volumes
+3%
y-o-y

customer deposits
-3%
y-o-y

AM net inflows of direct client money
+0.9bn
4Q23

non-life sales
+14%
y-o-y

life sales
-5%
y-o-y

* Excluding one-offs

Looking forward I Economic outlook

- Growth in the euro area stagnated in the fourth quarter of 2023, mainly due to the impact of the ECB's tightening cycle on credit growth and the weakness in the manufacturing sector.
- From the first quarter of 2024 onwards, quarterly growth is expected to become marginally positive again, leading to the recovery gathering strength towards the second half of 2024

- The main risks to our short-term outlook for European growth include the global weakness of the manufacturing sector, in particularly affecting the German economy, and current geopolitical tensions, with risk of renewed supply chain distortions and higher energy and commodity prices.
- Additional risks include the election calendar for 2024 and the increasing cost of financing high levels of sovereign debt in the euro area in the context of subdued short-term economic growth, the run-up to the re-activation of the Stability and Growth Pact and the announced phasing out of PEPP (Pandemic Emergency Purchase Programme) reinvestments by the ECB

Our bank-insurance+ model is firing on all cylinders

Note: all growth figures are based on reported 2023 figures

	2024
Net interest income*	5.3-5.5bn EUR
Organic loan volume growth	*approx. +3%*
Insurance revenues (before reinsurance)	at least +6% y-o-y
Operating expenses and insurance commissions paid (excl. bank/insurance tax)	below +1.7% y-o-y *substantially below inflation*
Cost/income ratio (excl. bank/insurance tax)	below 45%
Combined ratio	below 91%
Credit cost ratio (excl. any changes in the ECL buffer for geopolitical risk that is still in place at year-end 2023)	well below TTC of 25-30bps

*Still based on conservative assumptions, including (i) market forward rates of mid-January, (ii) increase of MRR to 2% as of 1 April 2024, (iii) no deposit inflows when State Note(s) matures, (iv) further shifts from CA/SA to TD and (v) conservative pass-through rates on savings accounts

FY24 financial guidance | NII sensitivities for 2024

5.5bn EUR

Full guidance range accounts for following conservative assumptions:

- Market forward rates of mid-January
- Increase of MRR to 2% as of 1 April 2024
- No deposit inflows when SEP23 State Note matures
- Further shifts from current/savings accounts to term deposits
- Conservative pass-through rates on savings accounts

Within this range, we see following sensitivities assuming full impact/shock as of 1/1/2024:

- Every 25bps rate deviation from the market forward rates (across all currencies) generates 70m EUR NII variance to the 2024 NII (roughly half of this impact coming from implied 25bps parallel impact on long-term rates)
- Additional State Note in Belgium would lead to -25m EUR NII in 2024 per 1bn EUR subscriptions

5.3bn EUR

NII guidance FY24

Our bank-insurance+ model is firing on all cylinders

Note: all growth figures are based on reported 2023 figures

	2026
Net interest income*	CAGR23-26 at least +1.8%
Insurance revenues (before reinsurance)	CAGR23-26 at least +6%
Operating expenses and insurance commissions paid (excl. bank/insurance tax)	CAGR23-26 below +1.7% *substantially below inflation*
Cost/income ratio (excl. bank/insurance tax)	below 42%
Combined ratio	below 91%
Credit cost ratio (excl. any changes in the ECL buffer for geopolitical risk that is still in place at year-end 2023)	well below TTC of 25-30bps

*Still based on conservative assumptions, including (i) market forward rates of mid-January, (ii) increase of MRR to 2% as of 1 April 2024, (iii) no deposit inflows when State Note(s) matures, (iv) further shifts from CA/SA to TD and (v) conservative pass-through rates on savings accounts

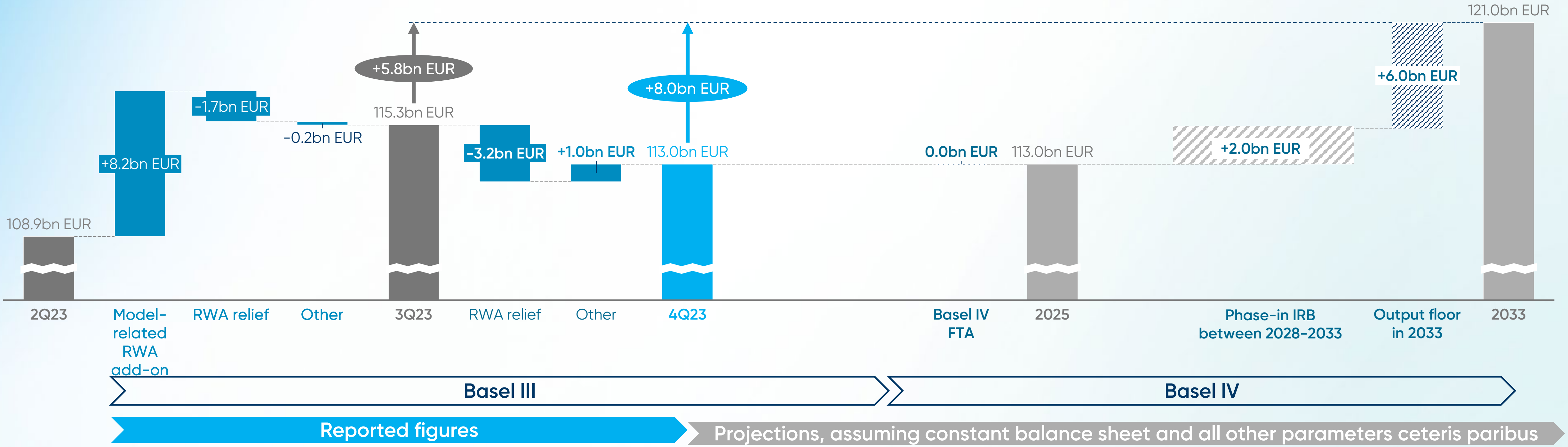
Indicative view on transitional RWA evolution under Basel IV

Based on current EU consensus for Basel IV, a static balance sheet and all other parameters ceteris paribus, without any mitigating actions

- 3Q23 included the previously communicated 8.2bn EUR model-related RWA add-on, partly offset by a RWA relief of 1.7bn EUR
- In 4Q23, a **RWA relief of -3.2bn EUR** ballpark figure (versus -2.0bn EUR previously expected) was partly offset by among other things a RWA increase as a result of volume growth
- **Moving towards the Basel IV era (updated based on the political agreement of the trilogue in December 2023),** KBC projects
  - at 1JAN25, **no first-time application impact (contrary to the +2.5bn EUR RWAs previously)**
  - by 1JAN33, a **fully loaded impact of +8.0bn EUR (contrary to +6.0bn EUR RWAs previously)**
- **Publication in the Official Journal, pending formal votes, legal review and translation, is expected for 2Q24. On this basis, we will update our Basel IV projections in November 2024**

Indicative transitional RWA estimate based on draft EU legislation for Basel IV, static balance sheet and all other parameters ceteris paribus, without any mitigating actions

in bn EUR



Strategy | KBC's non-financial targets (2020-2023)

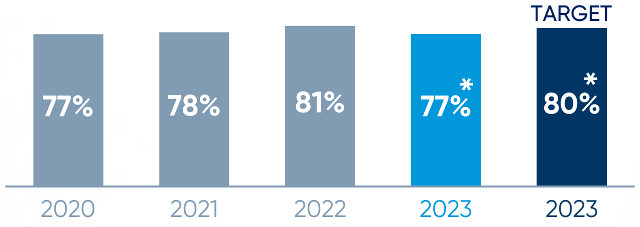
Customer ranking

- **KBC is 3rd in customer NPS (Net Promoter Score) ranking**
  based on weighted avg of ranking in five core countries

Bank-insurance (BI) clients

BI clients

in %



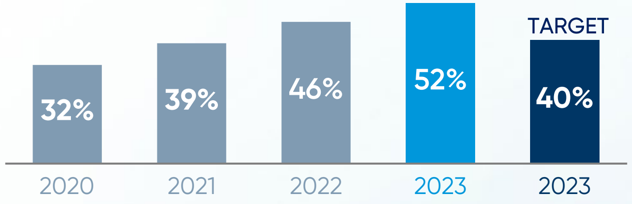
BI customers have at least 1 bank + 1 insurance product of our group.

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

Digital sales

Digital sales banking products*

in %



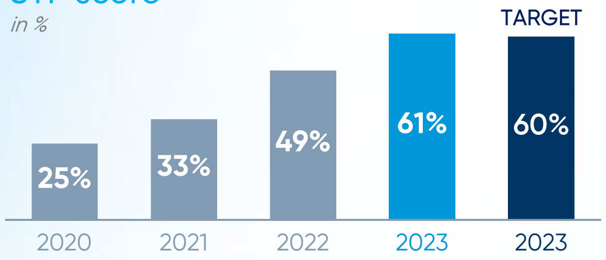
Digital sales 51% of **banking sales** (vs End of 2023 target of ≥40%).

* Based on weighted average of selected core products.

Straight-through processing

STP score*

in %

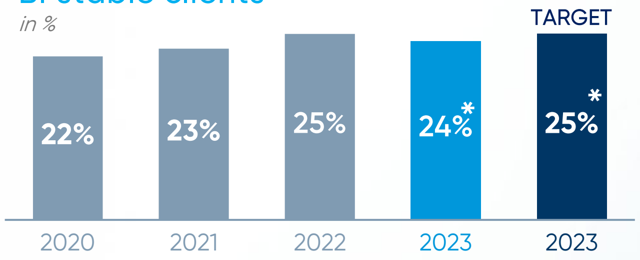


The **STP ratio** measures how many of the services that can be offered digitally are processed without any human intervention and this from the moment of interaction by a client until the final approval by KBC.

* Based on analysis of core commercial products.

BI stable clients

in %

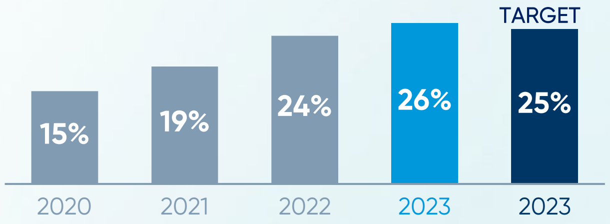


Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3)

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

Digital sales insurance products

in %



Digital sales 26% of **insurance sales** (vs End of 2023 target of ≥25%)

Strategy | New KBC's non-financial targets (2023-2026)

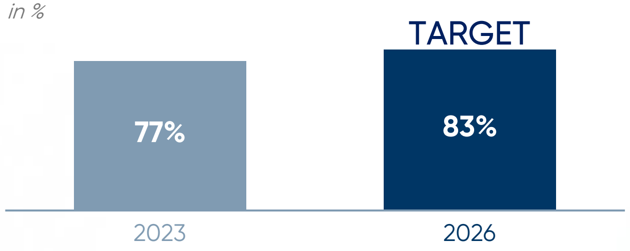
Customer ranking

- **KBC is 3rd 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

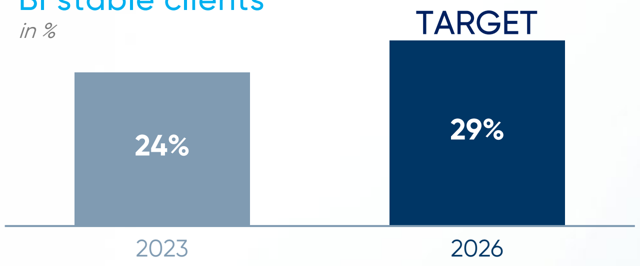
in %



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

BI stable clients

in %

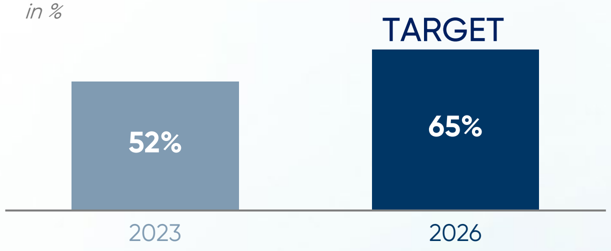


Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3)

Digital sales

Digital sales banking products*

in %

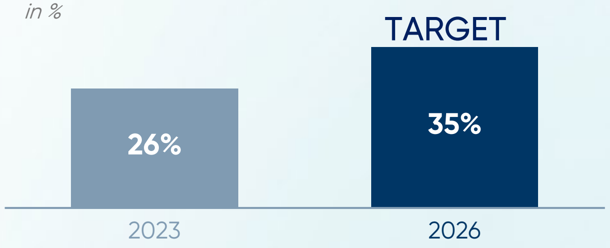


Target: Digital sales 65% of **banking sales**

* Based on weighted average of selected core products.

Digital sales insurance products

in %

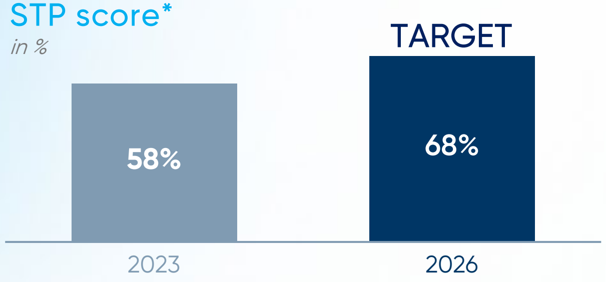


Target: Digital sales 35% of **insurance sales**

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.

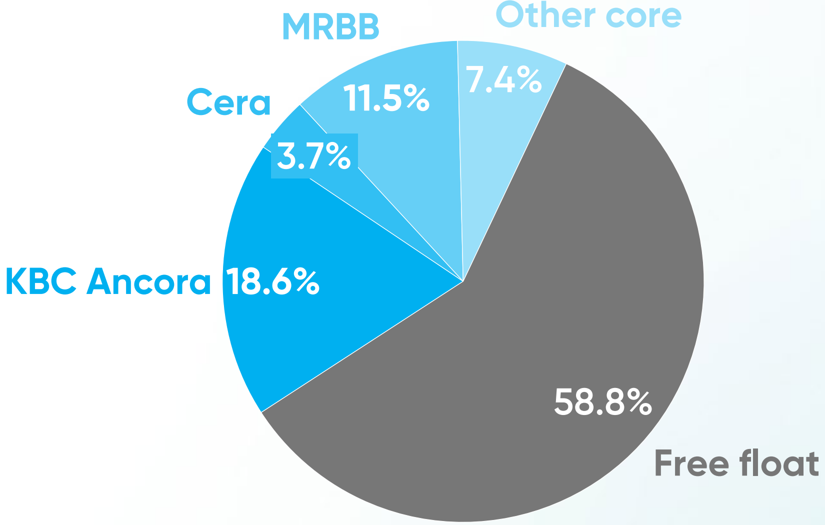
* Based on analysis of all retail processes.

Company profile | KBC Group in a nutshell

Dividend policy & capital distribution (will be updated with 1Q24 results)

- 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 FY23)

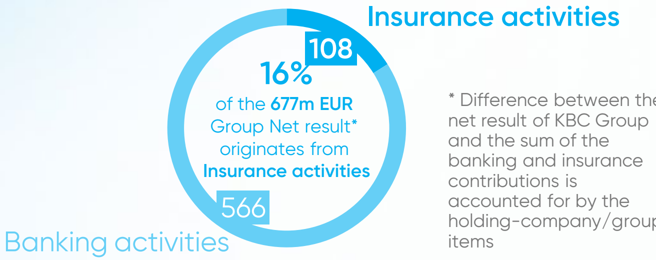


- Roughly **41% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals**. Committed shareholders include the Cera/KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of Belgian industrialist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

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 and 2023)**: a clear recognition of a decade of innovation, development and listening closely to our clients.

4.2 million
users
in contact
with Kate

KATE
autonomy

63% BE
66% 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)

Indirect environmental impact: our progress in brief

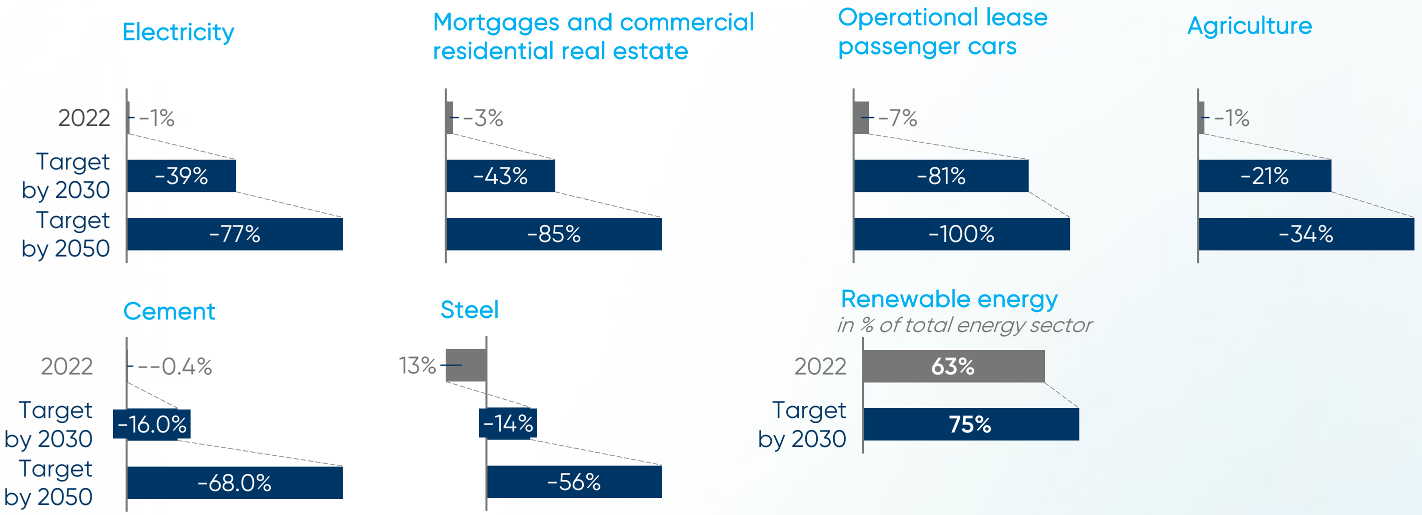
INDIRECT environmental footprint (FY 2022)

- 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

Release date of the Sustainability Report, including the progress on our targets : April 2, 2024

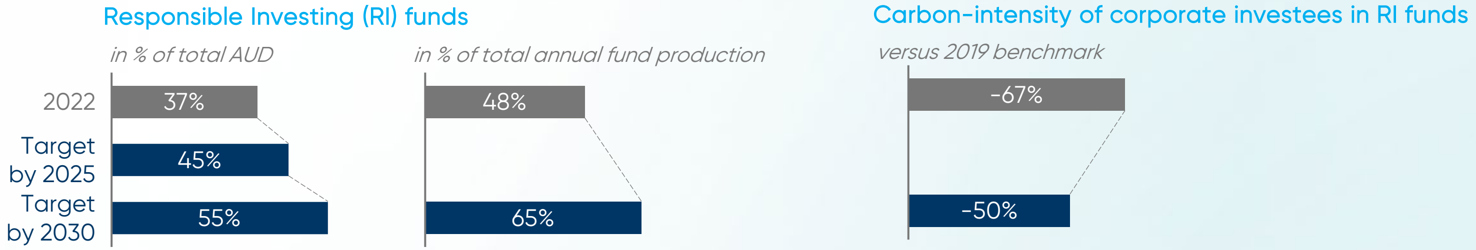
Loan portfolio (selection of sectors)

reduction compared to 2021 baseline, otherwise indicated



Asset management funds

reduction compared to 2021 baseline, otherwise indicated



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
66% CZ

4.2 million users in contact with Kate

use cases
372 BE
223 CZ
415 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 Business
49 BE
53 CZ
33 IM

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.

57,4k sales from Kate leads 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.

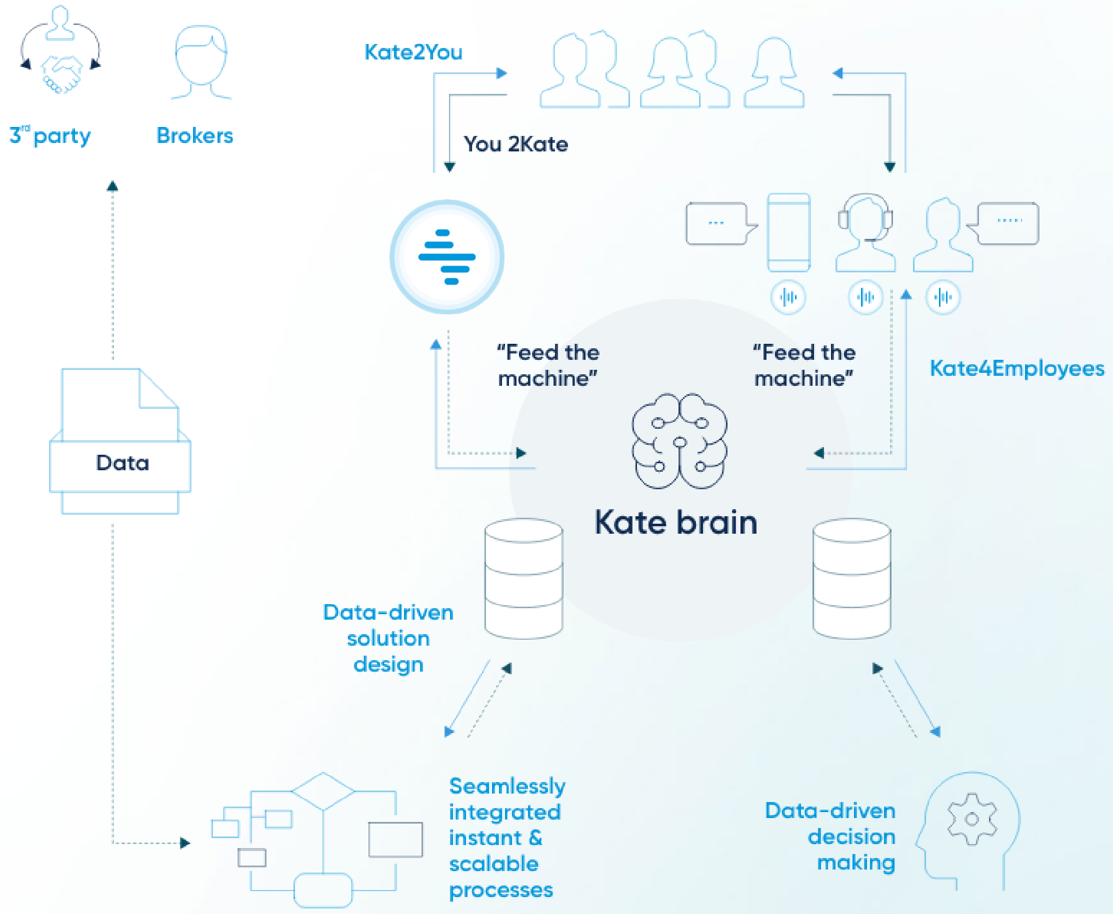
So, Kate is not only steering the interaction with customer-facing touchpoints (digital, physical, remote) but also the product factories and decision makers by **providing relevant insights**.

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**.



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

Agency	ESG rating 29th of December 2023	Position versus industry average
CDP (DISCLOSURE INSIGHT ACTION)	Scale: D- … A; KBC: 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; KBC: 9.8	• 2nd percentile of 342 diversified banks assessed • 3rd of 342 diversified banks
S&P Dow Jones Indices (A Division of S&P Global)	Scale: 0 … 100; KBC: 64	• Top 7% 93rd percentile of 722 banks assessed according to the 2023 methodology
MSCI	Scale: C, B, BB, BBB, A, AA, AAA; KBC: AAA	• Leader among 488 banks assessed
Corporate ESG Performance Prime (RATED BY ISS ESG)	Scale: D-, D, D+, C-, C, C+, …; KBC: C+ prime)	• 1st decile rank of 300 Commercial Banks & Capital Markets assessed
FTSE4Good	Scale: 0, 1, 2, 3, 4, 5; KBC: 4.7	• Top 3% (97th percentile of banks assessed)

Sustainability highlights

Commitment to environmental 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)

TNFD
KBC became an early adopter of the TNFD recommendation and commits to expand its focus to other environmental domains.

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)

Green Bond Framework
Alignment of the KBC Green Bond Framework to environmentally sustainable economic activities (EU Taxonomy Climate Delegate Act)

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

41bn EUR Responsible Investing funds in FY23
or 41% 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

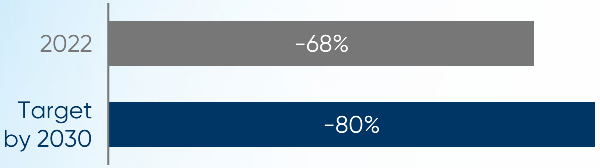
Direct environmental impact: our progress in brief

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.

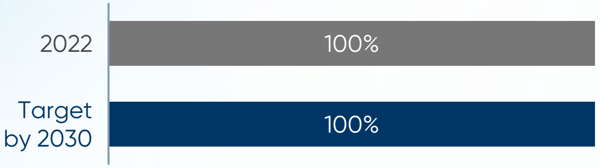
Reduction in our direct GHG emissions

reduction compared to 2015

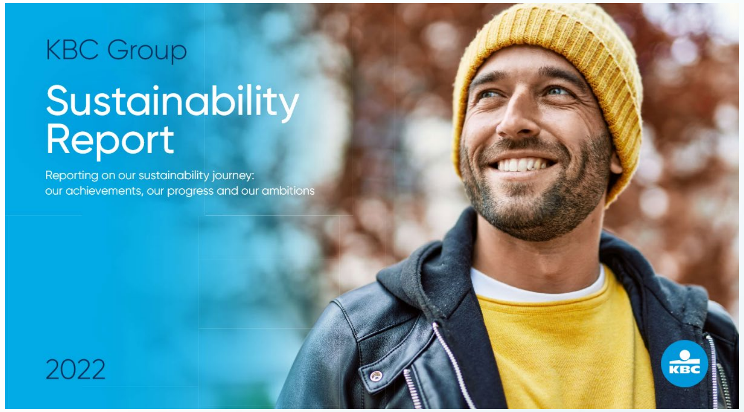


Renewable electricity

in % of own electricity consumption



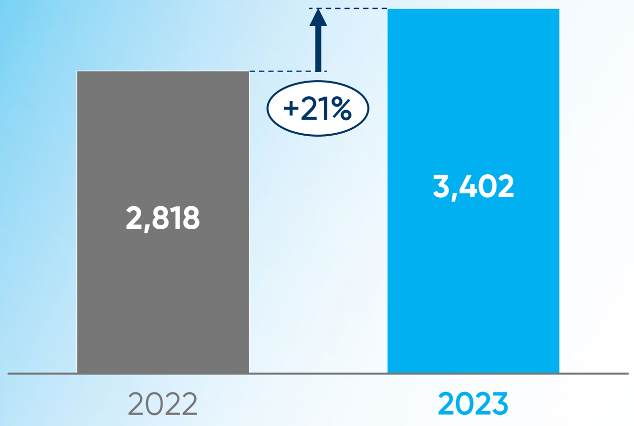
More details in our 2022 Sustainability Report



More details in our 2022 Climate Report

FY23 | Highlights

Net result
in m EUR



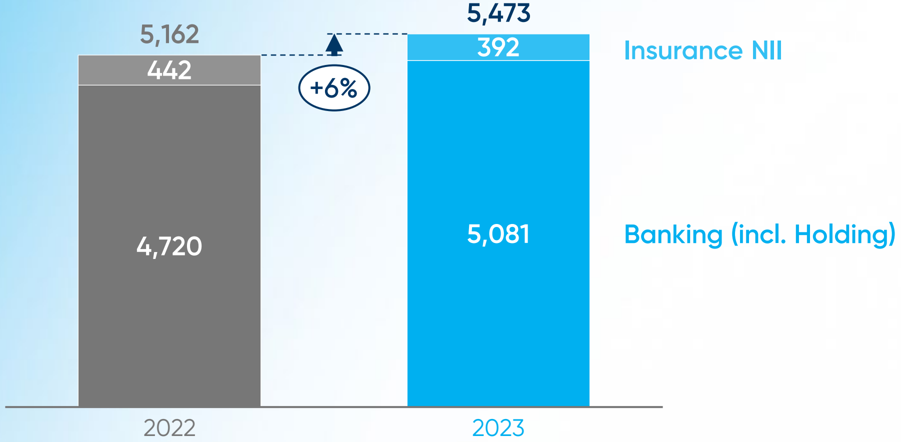
Net result rose by 21% y-o-y to 3,402m EUR in 2023, mainly as a result of the following

- **Revenues rose by 12% y-o-y** due mainly to higher net interest income, higher net fee and commission income, higher insurance revenues (both life and non-life), higher net result from FIFV and sharply higher net other income, partly offset by more negative insurance finance income & expenses (IFIE)
- **Operating expenses excluding bank & insurance taxes** rose by 7% y-o-y to 4.4bn EUR, fully in line with guidance. **FY23 opex (excluding bank & insurance taxes) and insurance commissions** amounted to 4.78bn EUR, in line with guidance (4.75bn EUR ballpark figure). Total bank & insurance taxes (including ESRF contribution) increased from 646m EUR in FY22 to 687m EUR in FY23
- **Net impairment charges amounted to 215m EUR** (compared with 282m EUR in FY22). This was attributable chiefly to :
  - 139m EUR net loan loss impairment charges on lending book
  - A 155m EUR reversal of geopolitical & emerging risk buffer in FY23
  - Impairment of 231m EUR on 'other' and 'goodwill', of which
    - 29m EUR modification losses in Hungary
    - A 77m EUR impairment on intangible assets (mainly software)
    - A 11m EUR one-off impairment related to the sale transactions in Ireland
    - A 5m EUR impairment on tangible assets (in other countries besides Ireland)
    - A 109m EUR goodwill impairment in CZ BU

FY23 | Higher net interest income (better dan guided) and NIM

Net interest income

in m EUR

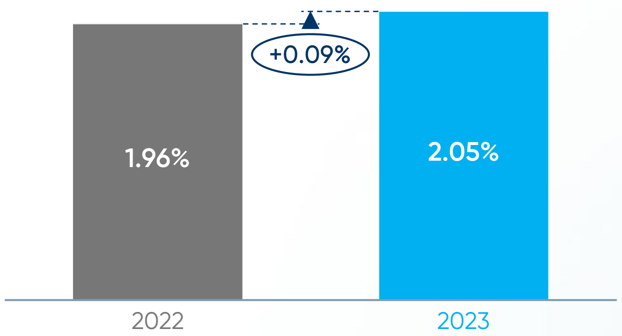


- **Net interest income rose by 6% y-o-y** due mainly to :
  - Higher commercial transformation result
  - Higher ALM result (despite no ECB tiering benefit anymore)
  - Loan volume growth
  - Increased term deposits at better margins
  - Consolidation of Raiffeisen Bank Bulgaria (for a full year in 2023 versus a half year in 2022)

  partly offset by:
  - Loan margin pressure on the outstanding portfolio in almost all countries
  - Negative direct impact from the issuance of the Belgian State Note (-73m EUR)
  - A higher pass-through on savings accounts in some core countries
  - Higher costs on the minimum required reserves held with the central banks (-125m EUR in FY23 versus -13m EUR in FY22)
  - Higher funding cost of participations and higher wholesale funding cost (partly due to no TLTRO benefit anymore)
  - Lower NII on inflation-linked bonds (40m EUR in FY23 versus 100m EUR in FY22)
  - Lower NII in Ireland (64m EUR in FY23 versus 240m EUR in FY22)
  - Lower short-term cash management
- Loan volumes increased by 3% y-o-y, while customer deposits excluding debt certificates and repos fell by 3% y-o-y

Net interest margin

in %



- **Increased by 9 bps y-o-y** for the reasons mentioned under Net interest income and despite an increase in the interest-bearing assets (denominator)

Organic volume trend

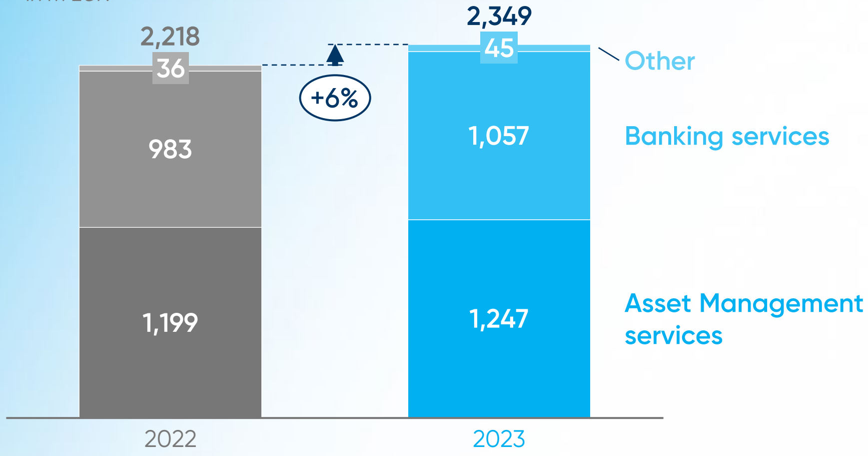
	Total loans*	o/w retail mortgages	Customer deposits**
Volume (EUR)	184bn	75bn	216bn
Growth y-o-y	+3%	+3%	-3%

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

FY23 | Higher net fee and commission income and higher AUM

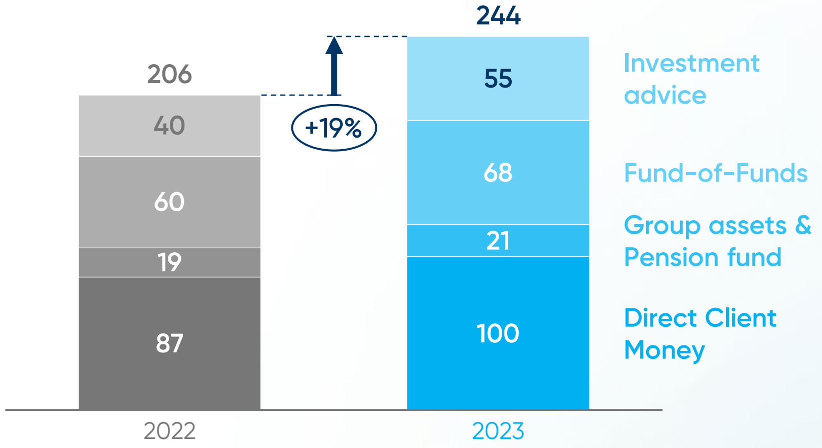
Net fee & commission income

in m EUR



Assets under management

in bn EUR



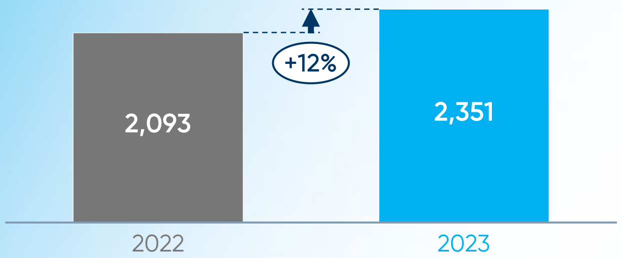
- Net fee and commission income (2,349m EUR) increased by 6% y-o-y
  - Net F&C from Asset Management Services increased by 4% y-o-y driven mainly by higher management & entry fees
  - Net F&C income from banking services increased by 7% y-o-y (including the effect of the consolidation of Raiffeisenbank Bulgaria and the one-off securities-related fees from the issuance of the 1-year State Note in Belgium) driven mainly by higher fees from payment services, higher network income and higher securities-related fees, partly offset by lower fees from credit files & bank guarantees and higher commissions paid linked to banking products

- **Increased by 19% y-o-y** due to net inflows (+9%) and a positive market performance (+10%)
- The mutual fund business has seen 4.8bn EUR net inflows in higher-margin direct client money in FY23 (versus 2.9bn EUR in FY22)

FY23 | Non-life and life insurance sales significantly up y-o-y

Non-life sales

in m EUR



- **Up by 12% y-o-y**, with growth in all countries and all classes, due to a combination of volume and tariff increases

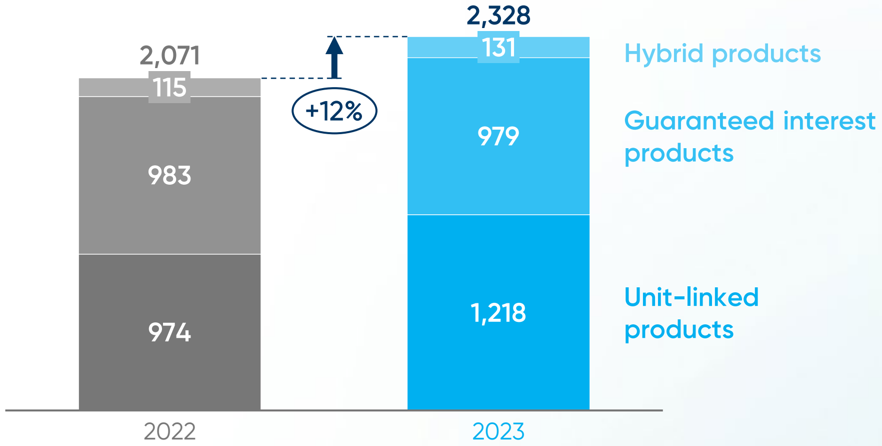
Combined ratio (Non-life)

in %

- **Non-life combined ratio for FY23 amounted to an excellent 87%** (87% in FY22)
  This is the result of:
  - 11% y-o-y earned premium growth in FY23
  - 8% y-o-y higher insurance service expenses before reinsurance
  - Lower net result from reinsurance contracts held (down by 68m EUR y-o-y)

Life sales

in m EUR

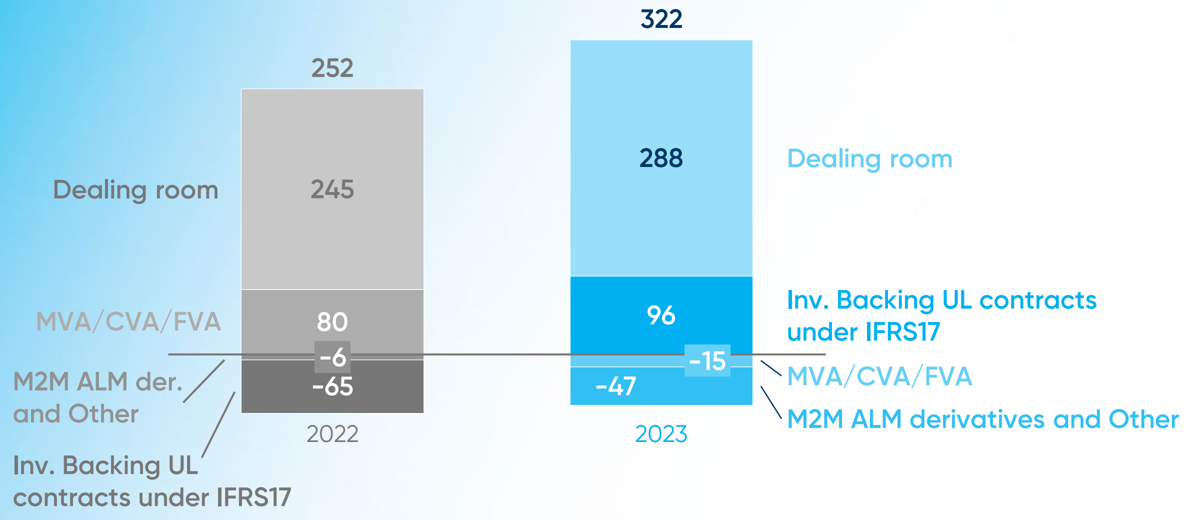


- **Life sales up by 12% y-o-y**
  - The 26% y-o-y increase in sales of unit-linked products was mainly the result of the successful launch of new structured funds in Belgium
  - Sales of guaranteed interest products decreased by 1% y-o-y
- Sales of unit-linked products accounted for 52% of total life insurance sales

FY23 | Higher FIFV result and sharply higher net other income

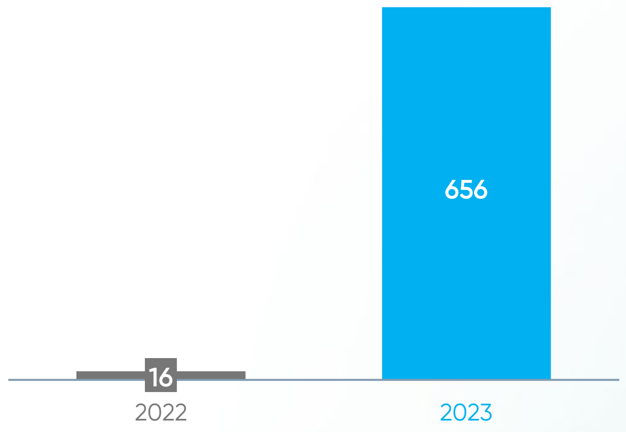
FIFV

in m EUR



Net other income

in m EUR



- **FIFV (322m EUR) higher y-o-y**, attributable mainly to:
  - Higher dealing room
  - Higher FV result on investments backing unit-linked contracts under IFRS 17 (offset by more negative IFIE)

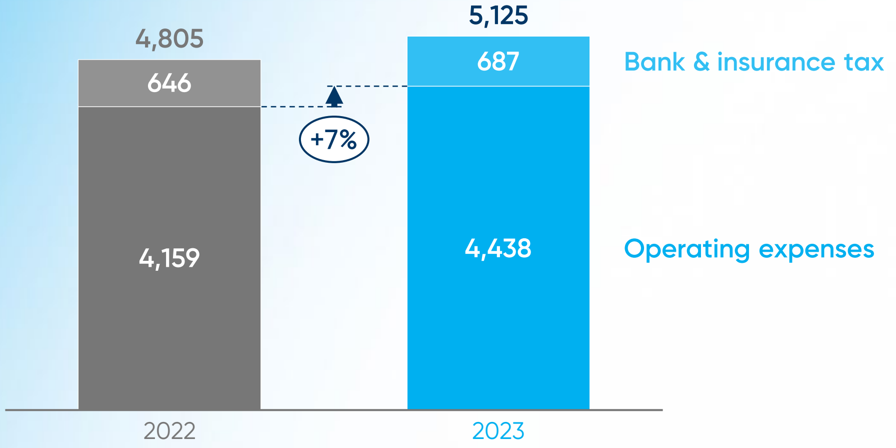
  partly offset by:
  - Negative credit, funding and market value adjustments, mainly the result of a drop in EUR yield curves and KBC credit & funding spreads
  - Negative change in ALM derivatives and other

- **Net Other Income increased from 16m EUR in FY22 to 656m EUR in FY23,** due mainly to:
  - A +408m EUR one-off gain related to the Irish sale transactions in 2023
  - -149m EUR one-off loss related to a legacy legal file in the Czech Republic in 2022

FY23 | Costs in line with guidance

Operating expenses (including costs directly attributable to insurance)

in m EUR



Bank and insurance taxes

in m EUR

	FY23	FY22
BE BU	361	349
CZ BU	60	61
Hungary	238	211
Slovakia	4	7
Bulgaria	20	10
Group Centre	4	8
Total	687	646

- **Operating expenses excluding bank & insurance taxes went up by 7% y-o-y, in line with the guided 4.4bn EUR**
  - The y-o-y increase was due mainly to the consolidation and integration of the former Raiffeisenbank Bulgaria, higher staff expenses (wage inflation), higher ICT costs, higher facility expenses (mainly energy costs) and higher depreciations, partly offset by the impact of the sale of the Irish portfolios in February 2023 and the extraordinary profit bonus for staff in 2022
- **FY23 cost/income ratio**
  - 49% when excluding certain non-operating items* (49% in FY22)
  - 43% excluding all bank & insurance taxes (45% in FY22)

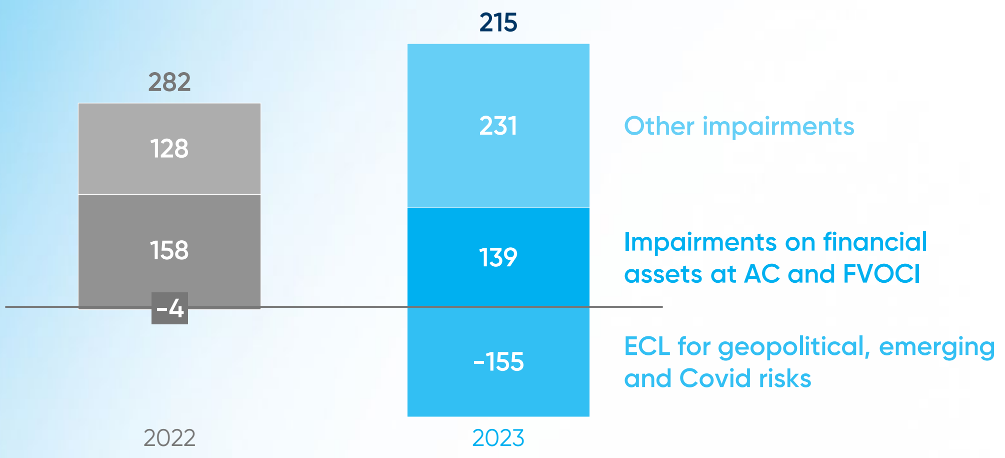
- Total bank & insurance taxes (including ESRF contribution) increased by 6% y-o-y to 687m EUR in 2023 (646m EUR in 2022)

* See glossary for the exact definition

FY23 | Net loan loss impairment charges & excellent credit cost ratio

Asset impairment

in m EUR; negative sign is a release



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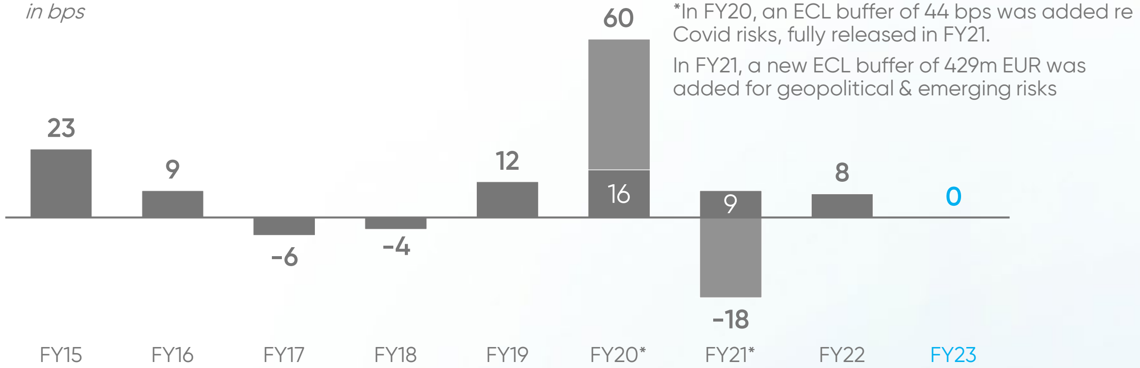
  - 139m EUR net loan loss impairment charges on lending book
  - A 155m EUR reversal of geopolitical & emerging risk buffer in FY23
  - Impairment of 231m EUR on 'other' and 'goodwill', of which
    - 29m EUR modification losses in Hungary
    - A 77m EUR impairment on intangible assets (mainly software)
    - A 11m EUR one-off impairment related to the sale transactions in Ireland
    - A 5m EUR impairment on tangible assets (in other countries besides Ireland)
    - A 109m EUR goodwill impairment in CZ BU

Credit cost ratio

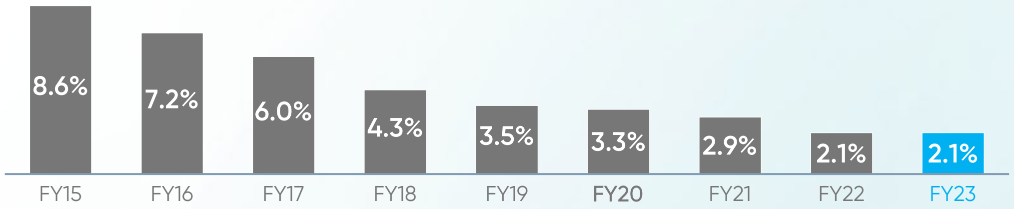
in bps



- The **credit cost ratio in FY23** amounted to:
  - 7 bps (0 bps in FY22) without ECL for geopolitical, emerging and Covid risks
  - 0 bps (8 bps in FY22) with ECL for geopolitical, emerging and Covid risks

Impaired loans ratio

in %



- **The impaired loans ratio amounted to 2.1%** (1.0% of which over 90 days past due)

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.

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

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