Disclaimer
This document should be read together with the press release of 17 February 2023 "KBC confirms that ČSOB (Czech Republic) was delivered an arbitral award in the arbitration proceedings against ICEC- Holding", in order for the reader to have a complete view on the 2022 financial results of KBC Group.

KBC Group
Analysts' presentation
FY 2022 / 4Q 2022

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Teleconference replay will be available on www.kbc.com until 28 February 2023

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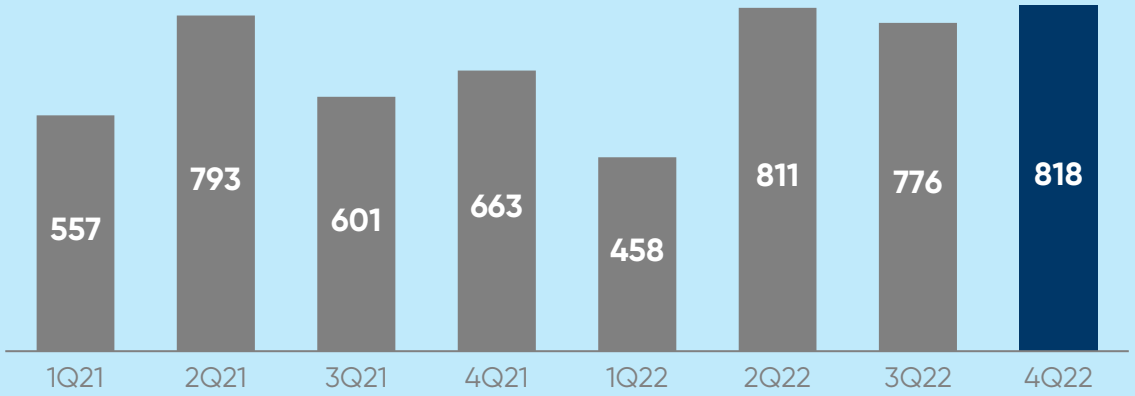
Key takeaways | Excellent net result of 818m EUR over 4Q22

Excellent 4Q22 net result of 818m EUR

NET RESULT
in m EUR



YTD ratios

- Return on Equity 14%
- Cost-income ratio excluding bank taxes 48%
- Combined ratio 89%
- Credit cost ratio 0.08%
- CET1 ratio 15.4% (B3, DC, fully loaded)
- Leverage ratio 5.3% (fully loaded)
- NSFR 136% & LCR 152%

Highlights

- **Commercial bank-insurance franchises** in core markets performed excellently
- **Customer loans** and **customer deposits** increased y-o-y in all our core countries (on a comparable basis)
- All KBC banking activities will **subject its existing climate targets to SBTi**
- Higher **net interest income** q-o-q
- Lower **net fee and commission income** q-o-q
- Q-o-q increase of **net result from financial instruments at fair value** and **net other income**
- Strong sales of **non-life insurance** y-o-y and strong sales of **life insurance** (both q-o-q and y-o-y)
- **Costs excl. bank taxes** increased q-o-q
- Higher net **impairment charges**
- Solid **solvency** and **liquidity**
- **Updated financial guidance** (see slides 20-22)

Key takeaways | Capital deployment

Capital deployment

For FY22:

- A **total gross dividend of 4.0 EUR per share** will be proposed to the AGM for the accounting year 2022 (of which an interim dividend of 1.0 EUR per share already paid in November 2022 and the remaining 3.0 EUR per share to be paid in May 2023)
- Including the proposed total dividend and AT1 coupon, the pay-out ratio would then amount to approximately 60%
- **In line with our announced capital deployment plan for FY22**, we envisage to distribute the surplus capital above the fully loaded CET1 ratio of 15% (approximately 0.4bn EUR), in the form of share buy-back (subject to ECB approval) and/or an extraordinary interim dividend. The final decision by the Board of Directors will be taken in 1H23
- Including the proposed total dividend, AT1 coupon and the surplus capital above the fully loaded CET1 ratio of 15%, the pay-out ratio would then amount to approximately 75%

In 1Q23: capital relief from the closing of the sale of substantially all of KBC Bank Ireland's performing loan asset and liabilities

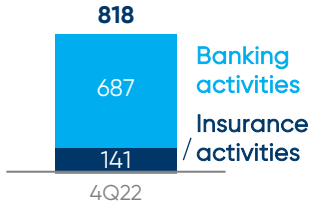
- The closing of the sale of substantially all of KBC Bank Ireland's performing loan assets and liabilities to Bank of Ireland Group will lead to **a capital relief of approximately 1bn EUR**
- **We envisage to distribute this 1bn EUR,** in the form of share buy-back (subject to ECB approval) and/or an extraordinary interim dividend. The final decision by the Board of Directors will be taken in 1H23

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**.

NET RESULT 4Q22 | BANKING & INSURANCE*

in m EUR



17% of the Group Net result originates from **insurance activities**

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

Successful digital-first approach through KATE

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

KATE users 2.9m

KATE active users 1.9m

KATE autonomy 56% | 51% BE | CZ

Firmly embedded sustainability strategy

- As a company that aims to support the transition to a more sustainable and climate-proof society, **we have made sustainability integral to our overall business strategy** and integrated it into our day-to-day business operations and the products and services we provide.
- Our sustainability strategy consists of three cornerstones: **encouraging responsible behaviour on the part of all our employees, increasing our positive impact on society and limiting any adverse impact we might have**. Note that the first ever Climate Report has been published, (Limited Assurance by external auditor)

see **new climate targets** on Slide 63

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 **14%** in FY22
KBC is one of the most profitable EU financial institutions

Solvency

With a **fully loaded CET1 ratio** of **15.4%** at end FY22
KBC is amongst the best capitalised EU banks

Sustainability

Sustainalytics ranks KBC
10th out of 405 diversified global banks

SUSTAINALYTICS

Digitalisation

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

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

SIAPARTNERS

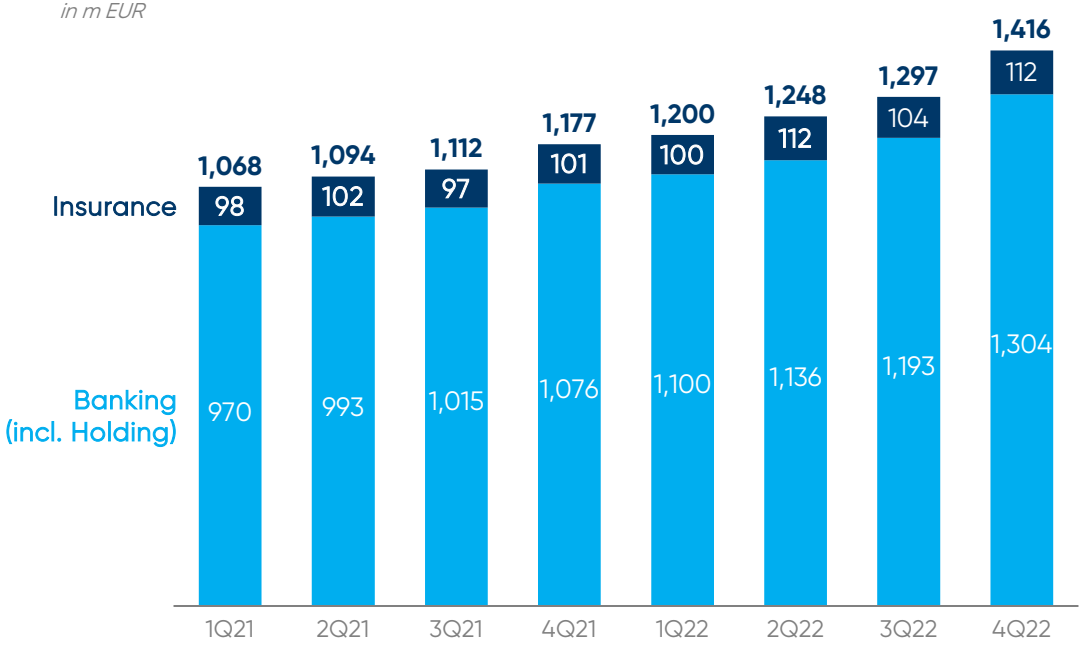
Main exceptional items

		4Q22	3Q22	4Q21
BE BU	Non-Life technical charges – flood impact above legal limit			-7m EUR
	Dividend inc – final liquidation dividend of real estate participation		+12m EUR	
	Total Exceptional items BE BU		***+12m EUR***	***-7m EUR***
IM BU	SK – NOI – Provision for legacy legal files	-7m EUR		
	HU – BK TAX – Recovery of extraordinary Deposit Guarantee Fund	+14m EUR		
	HU – Impairments – Modification losses	-25m EUR	-24m EUR	-1m EUR
	BG – Opex – one-off integration costs Raiffeisenbank Bulgaria	-5m EUR	-6m EUR	
	BG – Opex – one-off EUR adoption costs	-1m EUR		
	Total Exceptional items IM BU	***-24m EUR***	***-30m EUR***	***-1m EUR***
GC BU	IRL – Sales transaction(s) (Opex -5m, Imp. -2m, tax +16m in 4Q22)	+9m EUR	+9m EUR	-44m EUR
	IRL – NOI – Additional impact for the tracker mortgage review			-4m EUR
	NOI – Badwill on OTP SK			+28m EUR
	NOI – Legacy legal file			+6m EUR
	TAX – DTA impact due to increased UK corporate tax rate	+15m EUR		
	Total Exceptional items GC BU	***+24m EUR***	***+9m EUR***	***-14m EUR***
	Total Exceptional items	***0m EUR***	***-9m EUR***	***-22m EUR***
	Total Exceptional items (post-tax)	***+4m EUR***	***-8m EUR***	***-21m EUR***

Higher net interest income

NET INTEREST INCOME

in m EUR



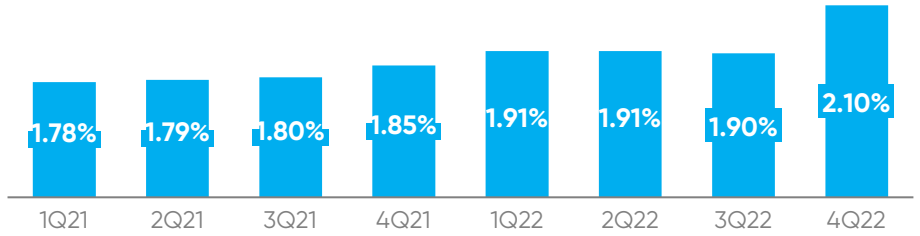
- **Net interest income (1 416m EUR)**
  - NII increased by 9% q-o-q and by 20% y-o-y, the latter due partly to the consolidation of Raiffeisenbank Bulgaria as of 3Q22 (+37m EUR NII in 4Q22)
  - On a comparable basis, NII increased by 9% q-o-q and by 17% y-o-y, driven primarily by:
    - Increasing reinvestment yield in all core countries (except q-o-q in the Czech Republic)
    - Organic loan (y-o-y) and deposit (both q-o-q and y-o-y) volume growth
    - Increased income related to funding (increased term deposits at better margins)
    - Higher NII on insurance bond portfolio (due mainly to inflation-linked bonds)

    partly offset by:
    - The negative effect of lower loan margins in most markets
    - Lower netted positive impact of ALM FX swaps

- **Net interest margin (2.10%)**
  - Rose by 20 bps q-o-q and by 25 bps y-o-y for the reasons mentioned above and despite an increase in the interest-bearing assets (denominator), both q-o-q and y-o-y

NET INTEREST MARGIN

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



- **Organic volume trend**

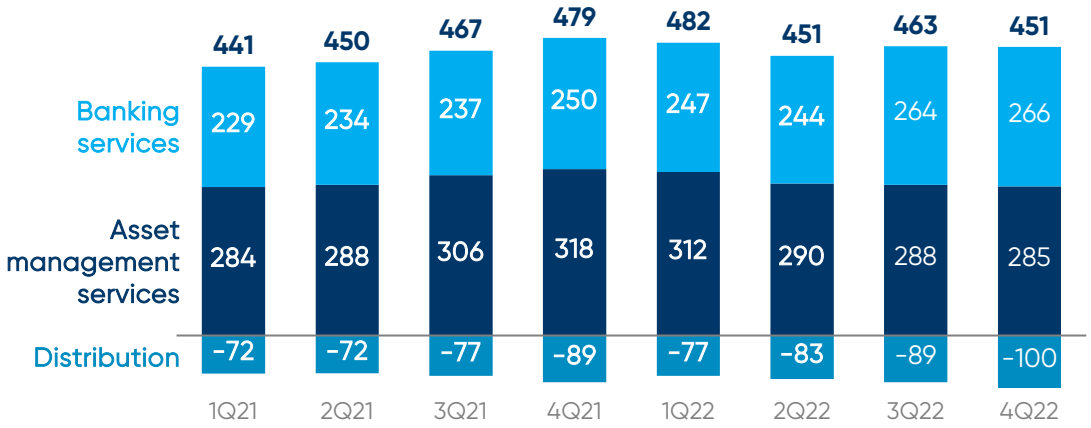
	Total loans**	o/w retail mortgages	Customer deposits***
Volume	186bn	82bn	226bn
Growth q-o-q*	0%	+1%	+2%
Growth y-o-y	+7%	+4%	+8%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds), including Ireland (under IFRS 5) and Raiffeisenbank Bulgaria. Growth figures are excluding FX, consolidation adjustments and reclassifications.
*** Customer deposits, excluding debt certificates and repos, including Ireland (under IFRS 5) and Raiffeisenbank BG. **Excluding the volatility in the foreign branches of KBC Bank (included in BE BU), customer deposits rose by 1% q-o-q and 5% y-o-y**

Lower fee and commission income

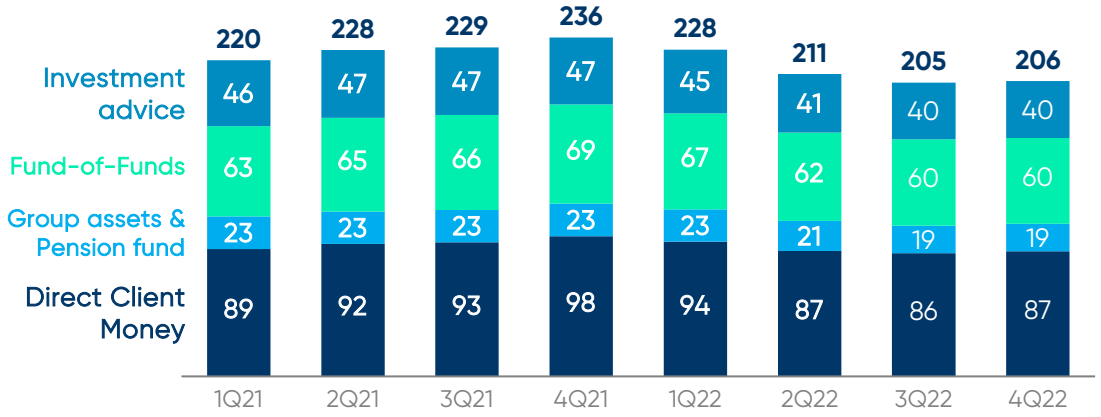
NET FEE & COMMISSION INCOME

in m EUR



ASSETS UNDER MANAGEMENT

in bn EUR



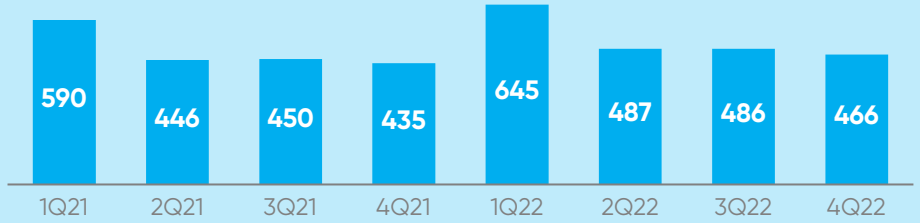
- **Net fee and commission income (451m EUR)**
  - Down by 3% q-o-q and by 6% y-o-y
    (on a comparable basis, down by 3% q-o-q and by 9% y-o-y)
  - Q-o-q decrease was mainly the result of the following:
    - Net F&C income from Asset Management Services decreased by 1% q-o-q (due entirely to lower management fees, partly offset by higher entry fees)
    - Net F&C income from banking services increased by 1% q-o-q. Higher payment-related fees and securities-related fees were partly offset by lower fees from credit files & bank guarantees and higher fee expenses in Retail (in the Czech Republic)
    - Paid distribution costs went up by 12% q-o-q (chiefly higher commissions paid linked to banking products and increased insurance sales, mainly seasonal)
  - Y-o-y decrease was mainly the result of the following:
    - Net F&C income from Asset Management Services fell by 10% y-o-y (lower management and entry fees)
    - Net F&C income from banking services increased by 6% y-o-y, entirely due to the consolidation of Raiffeisenbank Bulgaria as of 3Q22 (+17m EUR net F&C income in 4Q22)
    - Paid distribution costs rose by 12% y-o-y
      (mainly higher commissions paid linked to strong sales of non-life insurance products)

- **Assets under management (206bn EUR)**
  - Increased by 1% q-o-q due almost entirely to the market performance
  - Decreased by 13% y-o-y due to the negative market performance (-15%), partly offset by net inflows (+2%)
  - The mutual fund business has seen net inflows in higher-margin direct client money this quarter (0.3bn in 4Q22 and 2.9bn EUR in FY22), more than offset by net outflows in lower-margin fund-of-funds and group assets

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

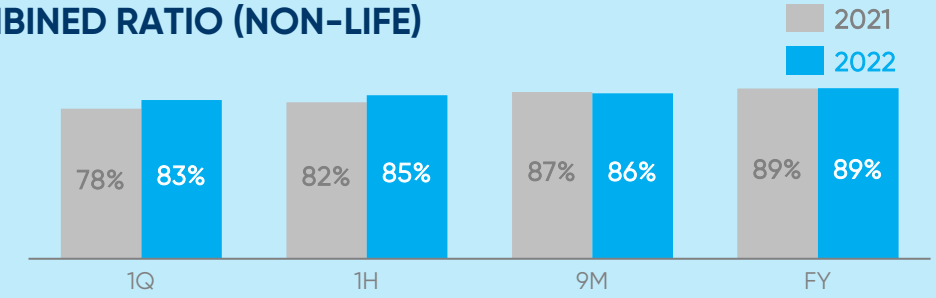
NON-LIFE SALES (GROSS WRITTEN PREMIUMS)

in m EUR



COMBINED RATIO (NON-LIFE)

in %

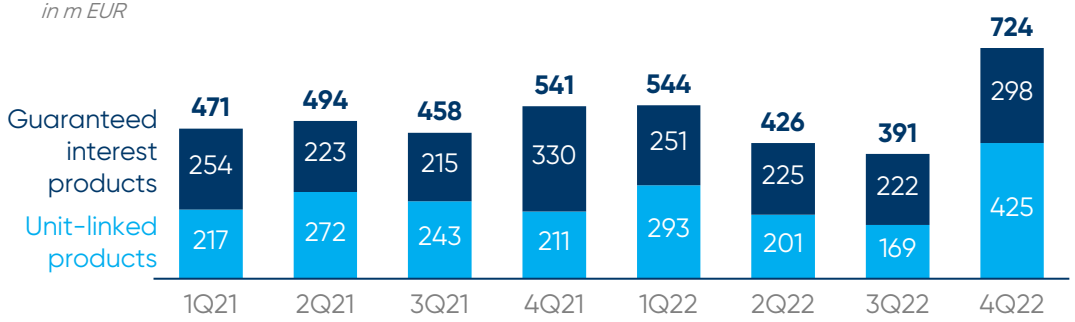


- **Sales of non-life insurance products**
  - Up by 7% y-o-y
    (growth in all countries and almost all classes, but chiefly in the classes 'Motor Comprehensive Cover' and 'Property', as a combination of volume and tariff increases)

- **Non-life combined ratio for FY22 amounted to an excellent 89%** (89% in FY21). This is the result of:
  - 8% y-o-y higher earned premiums
  - 4% y-o-y higher technical charges (higher normal claims and more negative impact of parameter updates were partly offset by lower major claims and lower storm claims)
  - Lower ceded reinsurance result (down by 26m EUR y-o-y)

LIFE SALES

in m EUR

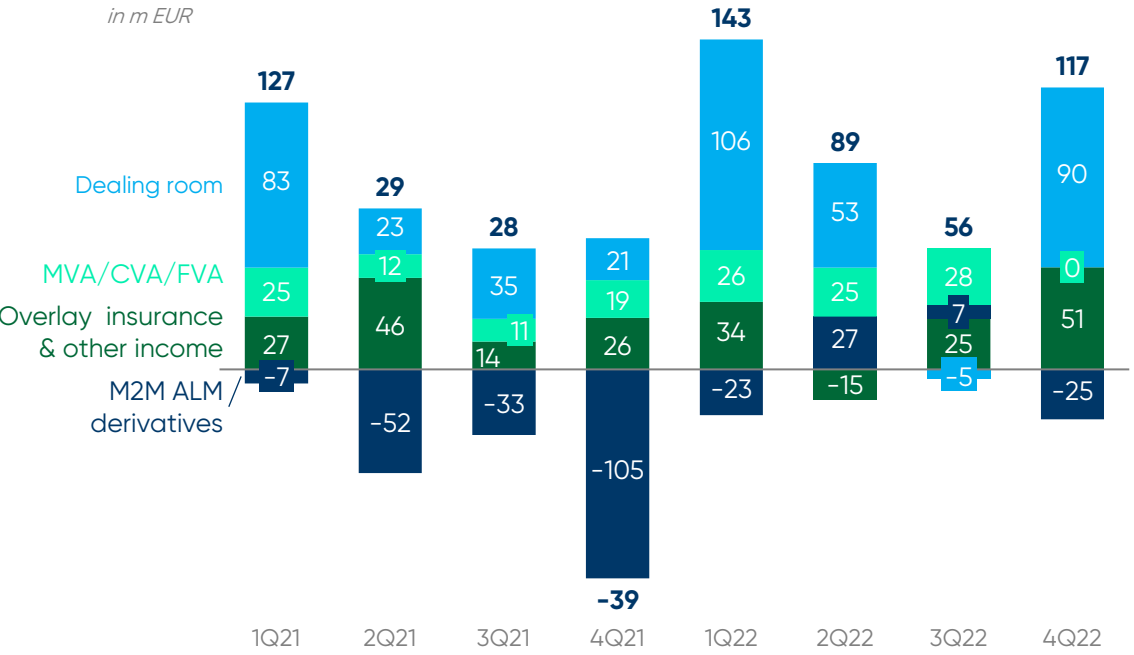


- **Sales of life insurance products**
  - Increased by 85% q-o-q due mainly to excellent sales of unit-linked products (up by 151% q-o-q due mainly to the successful launch of new structured funds in Belgium) and higher sales of guaranteed interest products (due chiefly to traditionally higher volumes in tax-incentivised pension savings products in Belgium)
  - Increased by 34% y-o-y due mainly to higher sales of unit-linked products, partly offset by lower sales of guaranteed interest
  - Sales of unit-linked products accounted for 59% of total life insurance sales in 4Q22

Sharply higher FIFV result and net other income

FIFV

in m EUR

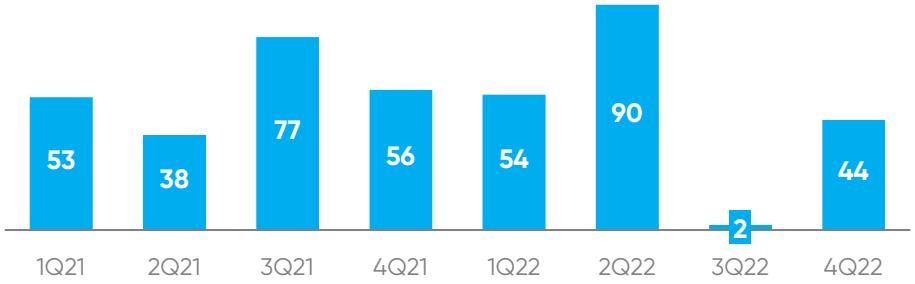


- **The 60m EUR q-o-q increase in FIFV was attributable mainly to:**
  - Significantly higher dealing room
  - Higher net result on equity instruments (insurance) & other income

  partly offset by:
  - Negative change in ALM derivatives
  - Less positive credit value adjustments and negative funding value adjustments which have been only partly offset by positive market value adjustments. The benefits of increased yield curves, an overall increase in equity markets and decreased counterparty credit spreads have been fully compensated by decreased KBC credit and funding spreads

NET OTHER INCOME

in m EUR

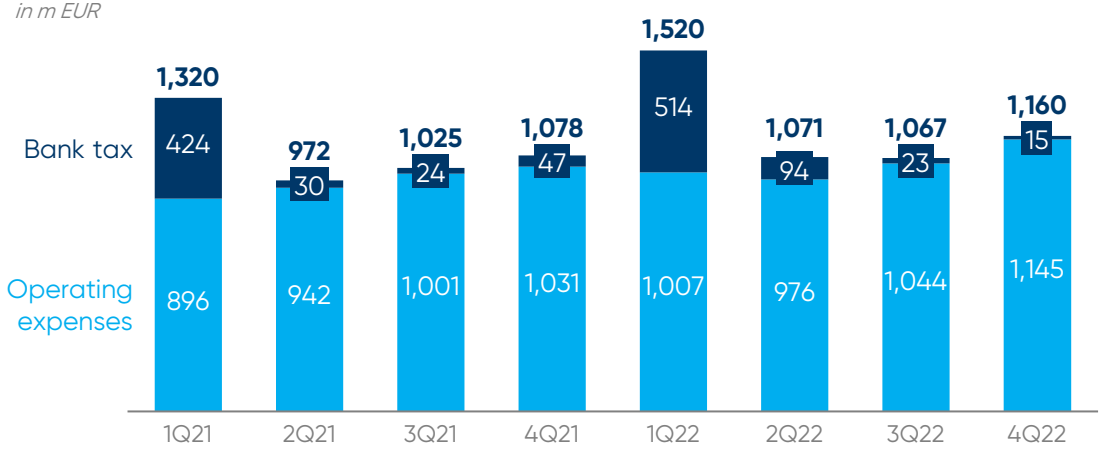


- **Net other income amounted to 44m EUR**
  - Somewhat lower than the normal run rate of around 50m EUR per quarter due to a -7m EUR provision for legacy legal files in Slovakia (while 3Q22 was impacted mainly by realised losses on the sale of bonds)

Costs in line with guidance

OPERATING EXPENSES

in m EUR



- **FY22 opex excluding bank taxes amounted to 4.17bn EUR, in line with our guidance of 4.15bn EUR**
- **Operating expenses in FY22 excluding bank taxes, changes in the consolidation scope, one-offs and FX effect rose by 7% y-o-y** due mainly to higher staff expenses (wage inflation), higher ICT costs, higher marketing and professional fee expenses
- **FY22 cost/income ratio**
  - 54% when excluding certain non-operating items* (55% in FY21)
  - 48% excluding all bank taxes (51% in FY21)

BANK TAX SPREAD 2022

in m EUR

	TOTAL	Upfront				Spread out over the year			
	4Q22	1Q22	2Q22	3Q22	4Q22	1Q22	2Q22	3Q22	4Q22
BE BU	0	354	-4	-1	0	0	0	0	0
CZ BU	1	60	-1	0	0	0	0	0	1
Hungary	13	56	78	0	-14	21	22	22	27
Slovakia	0	6	0	0	0	0	0	0	0
Bulgaria	0	12	-2	0	0	0	0	0	0
Ireland & Group Centre	1	3	1	0	0	1	1	1	1
TOTAL	15	492	72	-1	0	23	23	23	15

- **Operating expenses excluding bank taxes** went up by 10% q-o-q and by 11% y-o-y. When excluding the 24m EUR consolidation impact of Raiffeisenbank Bulgaria in 4Q22, opex excluding bank taxes increased by 9% y-o-y
  - The q-o-q increase is due mainly to the impact of inflation/wage indexation, higher ICT costs, seasonally higher marketing and professional fee expenses as well as higher depreciations, partly offset by less negative one-off costs related to the sales transaction in Ireland (-5m EUR in 4Q22 versus -15m EUR in 3Q22)
  - The like-for-like y-o-y increase is due to, among other things, the impact of inflation/wage indexation, higher ICT costs, higher marketing and professional fee expenses, partly offset by less negative one-off costs related to the sales transactions in Ireland (-5m EUR in 4Q22 versus -16m EUR in 4Q21)
- Total bank taxes (including ESRF contribution) increased by 23% y-o-y to 646m EUR in FY22

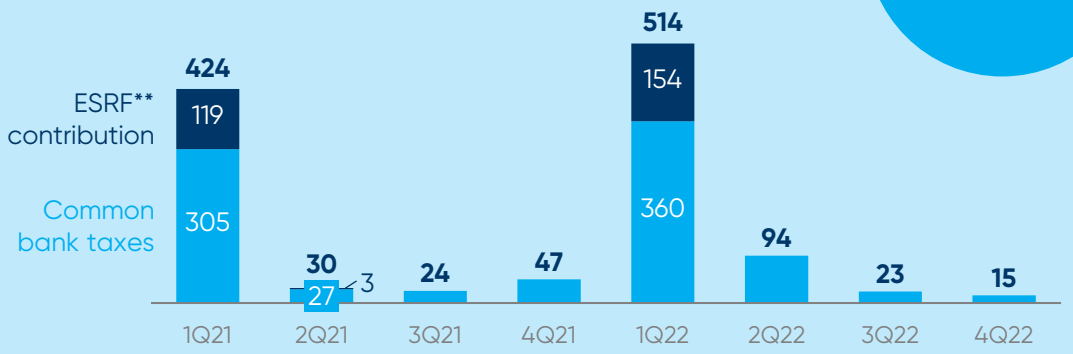
* See glossary for the exact definition

Overview of bank taxes*

KBC GROUP

in m EUR

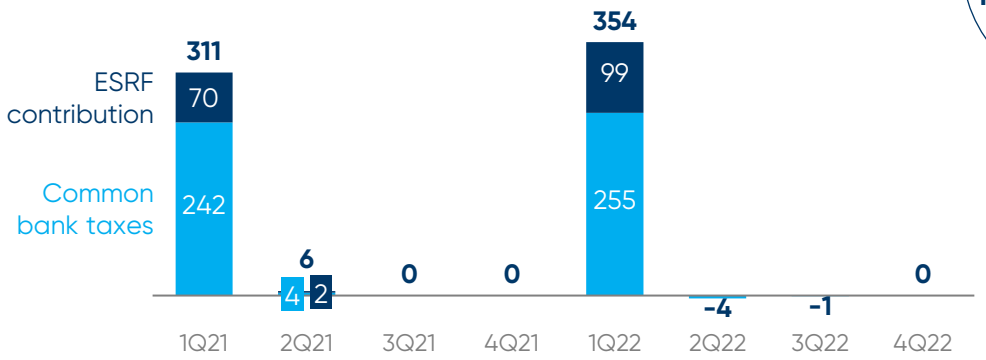
KBC Group
646m EUR
13.4% of FY22 opex



BELGIUM BU

in m EUR

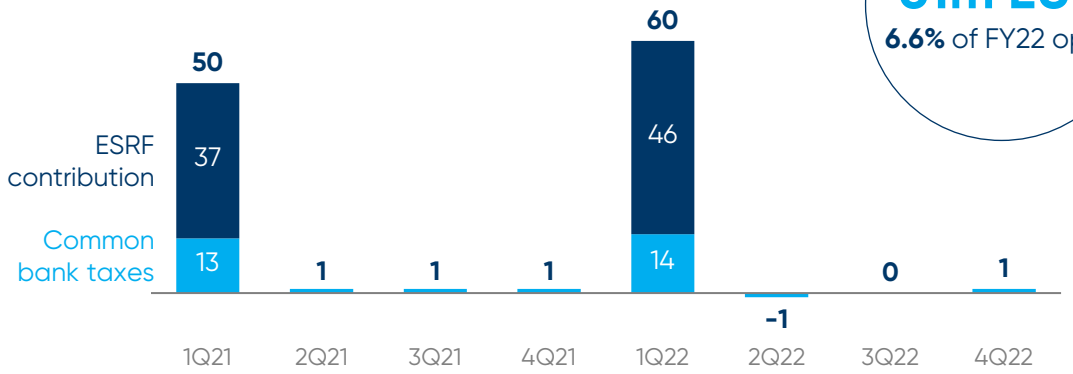
Belgium BU
349m EUR
13.2% of FY22 opex



CZECH REPUBLIC BU

in m EUR

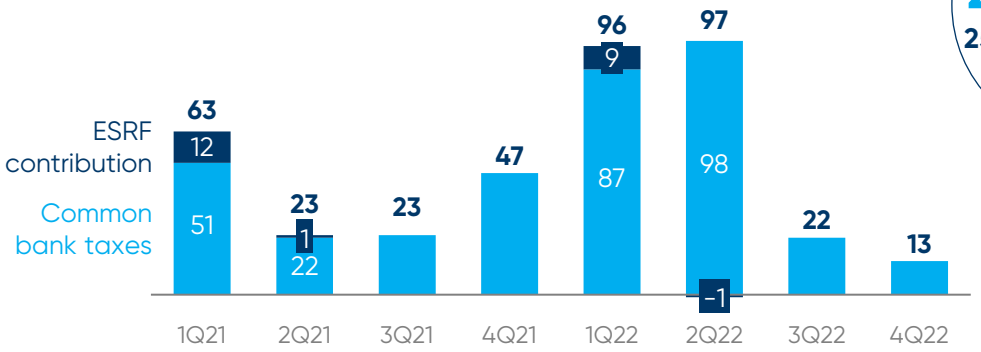
Czech Rep. BU
61m EUR
6.6% of FY22 opex



INTERNATIONAL MARKETS*** BU

in m EUR

Int. Markets BU
228m EUR
25.2% of FY22 opex



- 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.

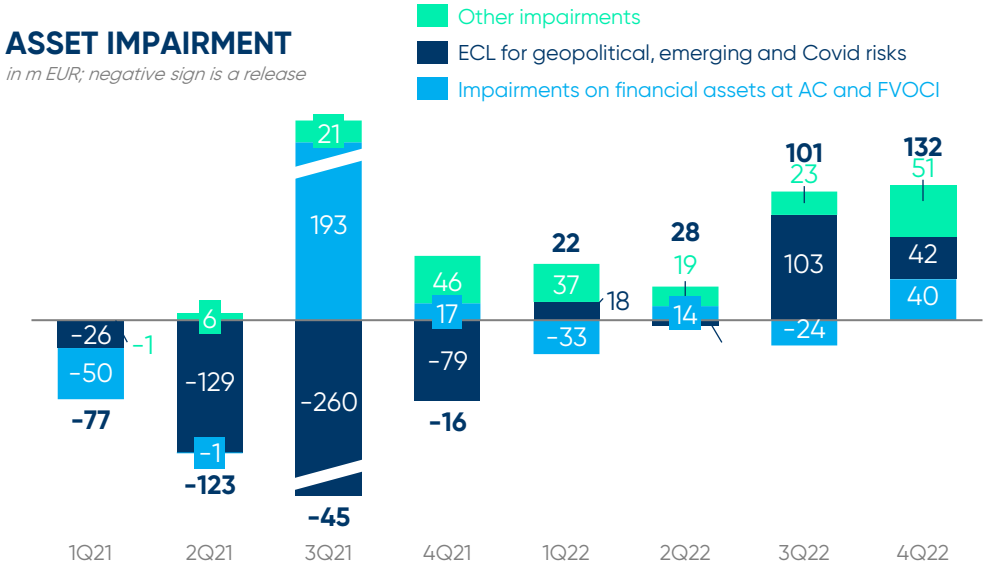
** European Single Resolution Fund

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

Net loan loss impairment charges & excellent credit cost ratio

ASSET IMPAIRMENT

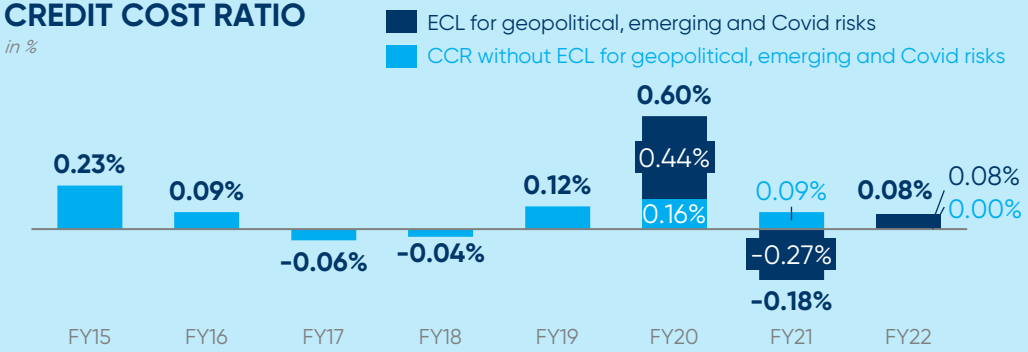
in m EUR; negative sign is a release



- **Net loan loss impairment charges on lending book combined with an increased geopolitical & emerging risk buffer**
  - Net loan loss impairment charges of 82m EUR in 4Q22 (compared with 79m EUR in 3Q22) due to:
    - 40m EUR net loan impairment charges on lending book
    - An increase of 42m EUR due to the uncertainties surrounding geopolitical and emerging risks
    - Total outstanding ECL for geopolitical and emerging risks now stands at 429m EUR (see details on next slide)
  - 51m EUR impairment on 'other', due mainly to:
    - 25m EUR modification losses related to the interest cap regulation in Hungary (19m EUR for SMEs and an additional 6m EUR for retail mortgages)
    - A 21m EUR impairment on (in)tangibles
    - A 5m EUR goodwill impairment in the Czech Republic

CREDIT COST RATIO

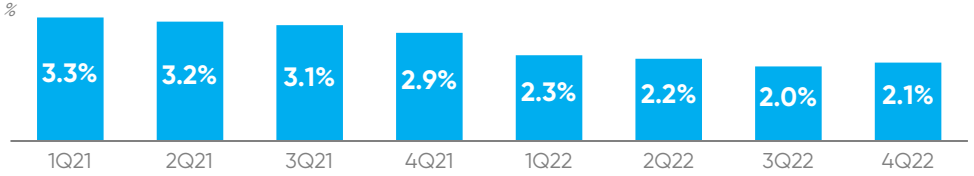
in %



- **The credit cost ratio in FY22 amounted to:**
  - 0 bps (9 bps in FY21) without ECL for geopolitical, emerging and Covid risks
  - 8 bps (-18 bps in FY21) with ECL for geopolitical, emerging and Covid risks

IMPAIRED LOANS RATIO

in %

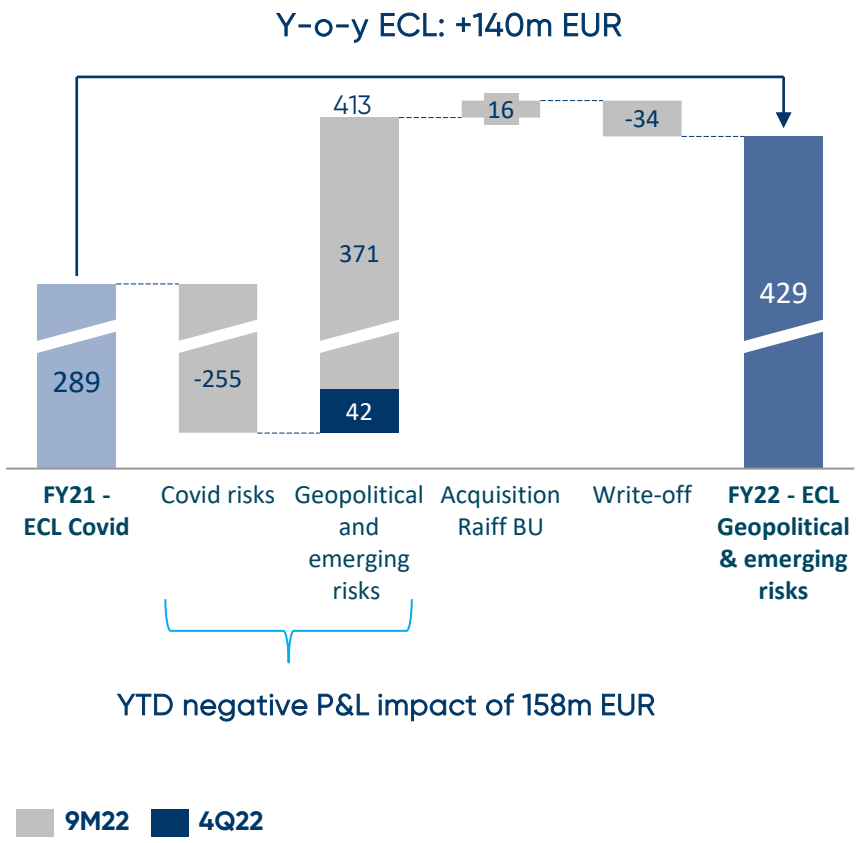


- **The impaired loans ratio amounted to 2.1%**
  (1.1% of which over 90 days past due)

Outstanding ECL for geopolitical and emerging risks amounts to 429m EUR

Y-O-Y CHANGE IN THE OUTSTANDING ECL FOR COVID, GEOPOLITICAL & EMERGING RISKS

in m EUR; negative sign is a release



OUTSTANDING ECL BY RISK DRIVERS AT YE22 (and q-o-q change)

in m EUR; negative sign is a release

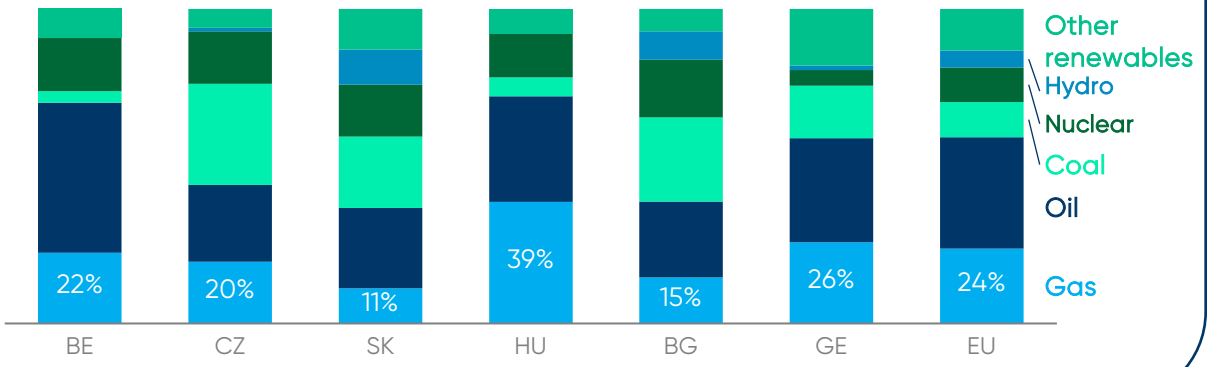
A	No direct subsidiaries	KBC has **no direct subsidiaries** in Russia, Belarus or Ukraine
B	Very limited **direct** credit exposure	**Direct transfer risk exposure** amounts to **29m EUR ECL,** mainly concentrated in commercial exposure on Russian banks (due to recoveries, down from 34m EUR[2] after 9M22 or -5m EUR q-o-q). No exposure on Russian sovereign debt
C	**Indirect** credit impact: counterparties	Counterparties-at-risk: (total client credit exposure at group level) • Corp & SME with >20% sales, cost or profit in R, B or U • Corp & SME directly impacted by possible disruption of Russian oil and gas supplies ➔ Outstanding exposure[1]: 2.8bn EUR ➔ **ECL: 39m EUR** (down from 49m EUR after 9M22 or **-10m EUR q-o-q,** due mainly to the list of Belgian clients being updated)
D	Emerging risks (secondary credit impact): portfolios/ (sub)sectors	Vulnerable clients in retail and non-retail portfolios/(sub)sectors impacted by newly emerging risks (energy prices/supply bottlenecks/higher cost of living and rising interest rates) ➔ Outstanding exposure[1]: 11.3bn EUR ➔ **ECL: 304m EUR (up from 255m EUR[2] after 9M22 or +49m EUR q-o-q,** driven mainly by the sectors that are vulnerable to the energy crisis being refined)
E	Macroeconomic scenarios	Downward revision of macroeconomic forecasts, partly compensated by slightly improved probabilities to 60%/5%/35% (for base-case/optimistic/pessimistic scenario) ➔ **ECL: 57m EUR (up from 49m EUR after 9M22 or +8m EUR q-o-q)**
Outstanding ECL		**A + B + C + D + E = ECL: 429m EUR (+42m EUR q-o-q)**

1. *Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements*
2. *Including Raiffeisenbank Bulgaria , +6m (B) and +10m (D)*

Macroeconomic impact of the Russia/Ukraine conflict

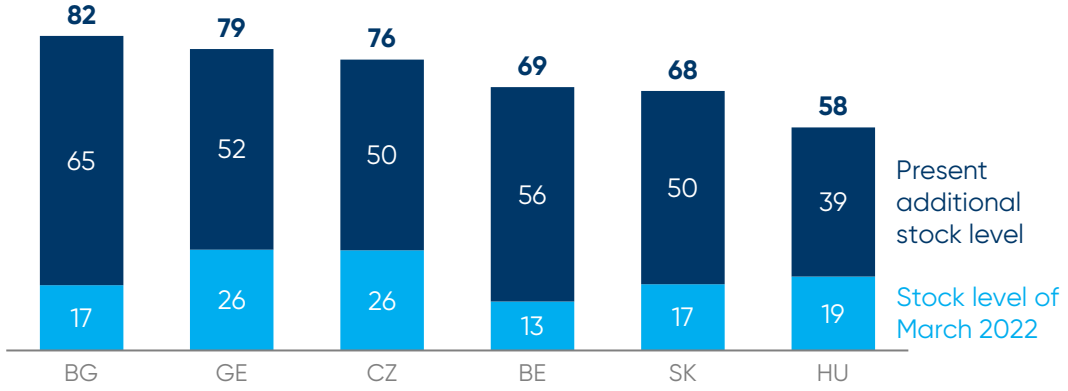
PRIMARY ENERGY CONSUMPTION | DECOMPOSITION

in fraction of Joules consumed; Source: BP



NATURAL GAS STOCK LEVEL | AS ON 31/JAN/23

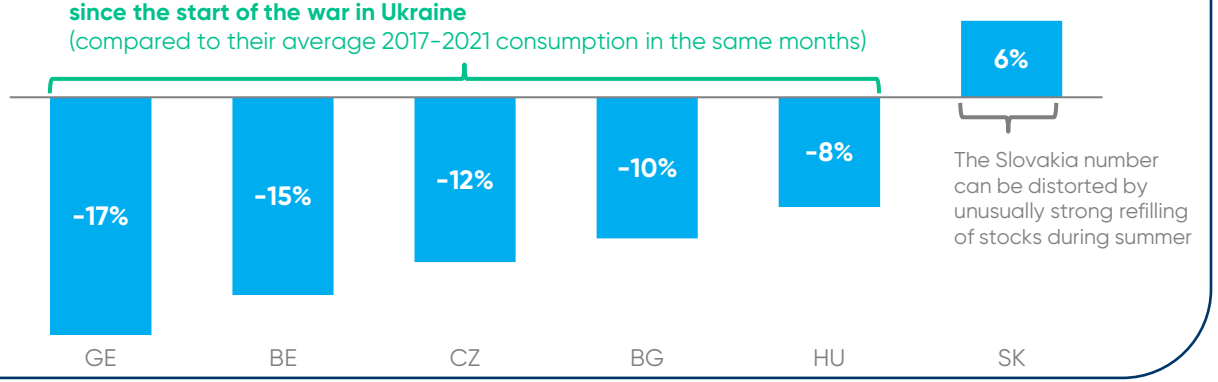
in % of capacity; Source: KBC Economics based on GIE



NATURAL GAS CONSUMPTION MAR-NOV | 2022 VS AVG 2017-2021

in %; Source: KBC Economics based on Eurostat

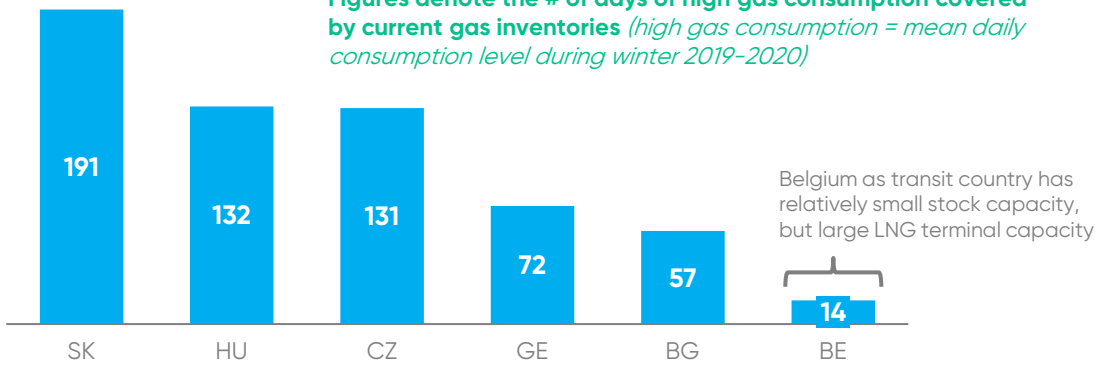
Most countries have substantially lowered natural gas consumption since the start of the war in Ukraine
(compared to their average 2017-2021 consumption in the same months)



NATURAL GAS COVERAGE | AS ON 31/JAN/23

in %; Source: KBC Economics based on GIE, Eurostat

Figures denote the # of days of high gas consumption covered by current gas inventories *(high gas consumption = mean daily consumption level during winter 2019-2020)*



Business profile

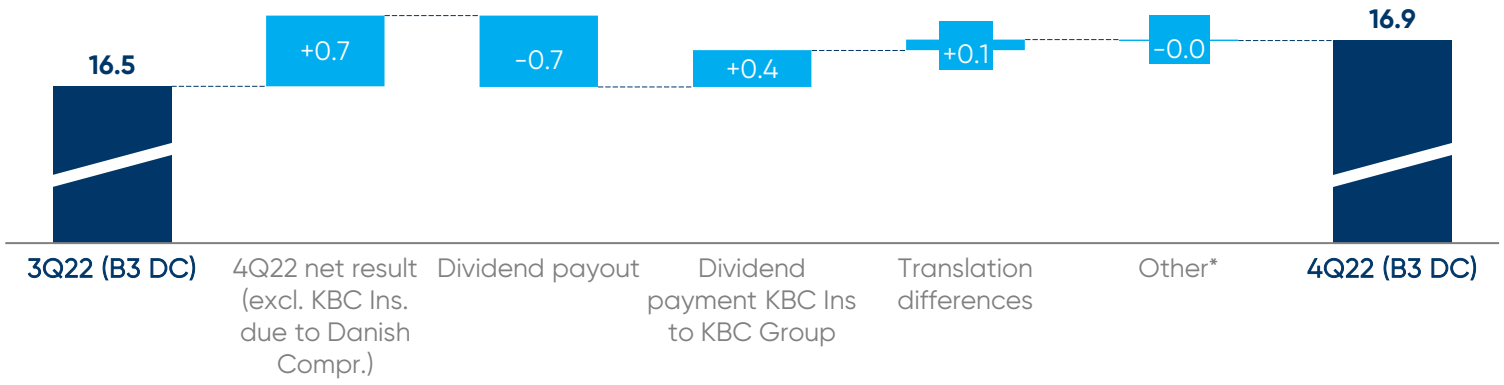
	KBC GROUP	BELGIUM BU	CZECH REPUBLIC BU	SLOVAKIA	HUNGARY	BULGARIA	GROUP CENTRE	Of which IRELAND
				INTERNATIONAL MARKETS BU			GROUP CENTRE BU	
4Q22 NET RESULT (in million euros)	818m	525m	159m	17m	104m	48m	-35m	33m
FY22 ROAC (in %)	22%	22%	38%	18%				
ALLOCATED CAPITAL (in %)		59%	16%	6%	7%	7%	5%	4%
LOANS* (in billion euros) (q-o-q organic** growth loans)	186bn (0%)	117bn (0%)	35bn (0%)	11bn (+3%)	6bn (+1%)	9bn (+3%)		8bn (-6%)
DEPOSITS*** (in billion euros) (q-o-q organic** growth deposits)	226bn (+2%)	145bn (+3%)	49bn (+1%)	8bn (+2%)	9bn (+3%)	12bn (+6%)		2bn (-20%)
BRANCHES (end 4Q22)		420	201	110	195	266		
CLIENTS (end 4Q22)	13m	3.8m	4.3m	0.8m	1.6m	2.4m		

* Loans to customers, excluding reverse repos (and bonds)
** Volume growth excluding FX effects, divestments/acquisitions and reclassifications
*** Customer deposits, excluding debt certificates and repos. Excluding the volatility in the foreign branches of KBC Bank (included in Belgium BU), customer deposits rose by 6% y-o-y both at KBC Group level as well as in Belgium BU

Fully loaded B3 CET1 from 3Q22 to 4Q22 (based on Danish Compromise)

Q-O-Q VARIANCE OF CET1 CAPITAL

in bn EUR



Q-O-Q VARIANCE OF RWA

in bn EUR

- **Fully loaded B3 common equity ratio amounted to 15.4% at the end of FY22** based on the Danish Compromise

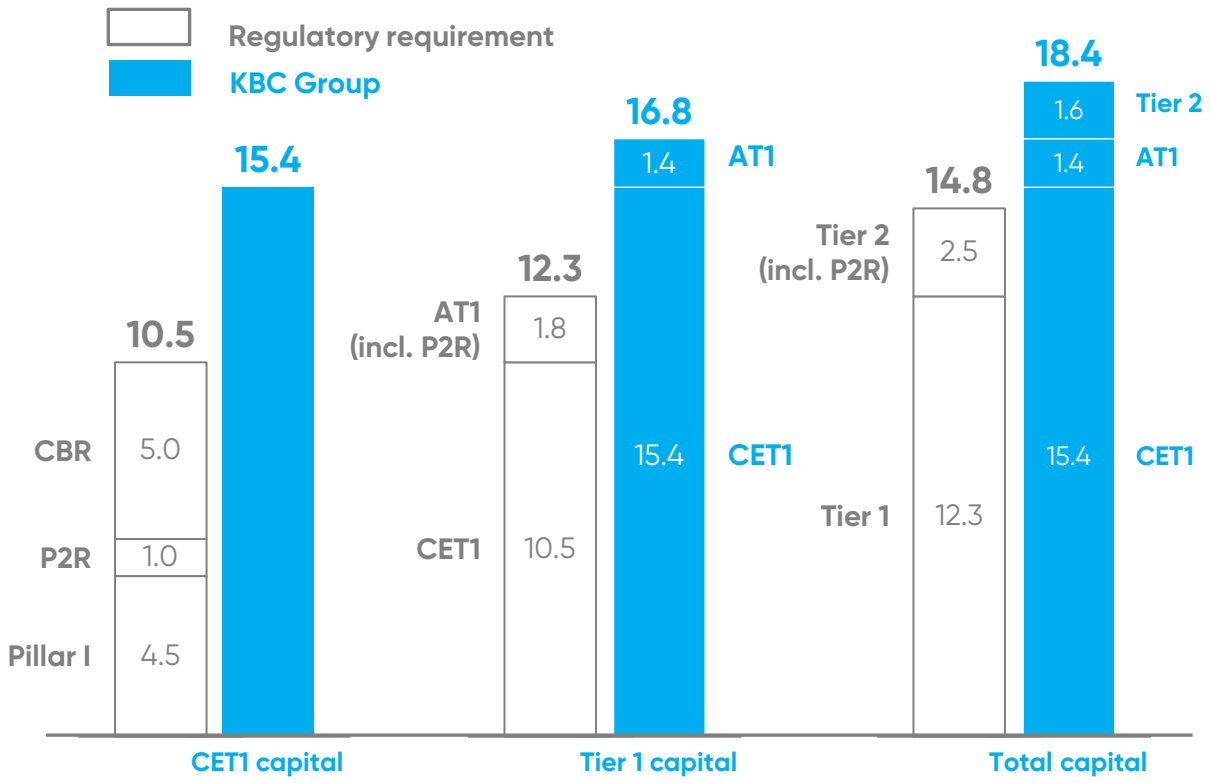
* Includes the q-o-q delta in deferred tax assets on losses carried forward, intangible fixed assets, AT1 coupon, remeasurement of defined benefit obligations, deduction pension plan assets, NPL shortfall etc.

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

Strong capital position with substantial buffer to MDA

CAPITAL REQUIREMENTS AND DISTANCE TO MAXIMUM DISTRIBUTABLE AMOUNT (MDA) RESTRICTIONS AS AT 31 DEC'22 (FULLY LOADED, B3)

in %



- **P2R 1.86% (= Pillar II requirement)**
  1.05% to be met with CET1, 35bps eligible for AT1 and 46bps for Tier 2
- **CBR 4.95% (= Combined buffer requirement)**
  2.50% Capital conservation buffer
  1.50% O-SII buffer
  0.75% Countercyclical buffer
  0.20% Systemic risk buffer
- **OCR (11.3%) buffer 4.1%**
- **MDA buffer 3.6%**
  lowest of the buffers between available and required (i) CET1 capital, (ii) Tier 1 capital and (iii) Total capital
- **MDA 11.8%**
  i.e. the net of the CET1 ratio (15.4%) and the MDA buffer (3.6%)

	CET1 capital	Tier 1 capital	Total capital
Distance to MDA restrictions	4.9%	4.4%	3.6%
	5,396m EUR	4,862m EUR	3,933m EUR

Leverage ratio, Solvency II ratio and liquidity ratios

LEVERAGE RATIO | KBC GROUP

fully loaded, Basel 3

leverage ratio
5.3%
FY22
5.2% in 9M22

Slight q-o-q increase of the leverage ratio

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

SOLVENCY II RATIO | KBC INSURANCE

SII ratio
203%
FY22
227% in 9M22

The q-o-q delta (-24pp) in the Solvency II ratio was driven mainly by inverted EUR interest rate curves and higher equity markets

LIQUIDITY RATIOS | KBC GROUP

LCR
152%
FY22
155% in 9M22

NSFR
136%
FY22
140% in 9M22

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

* Net Stable Funding Ratio (NSFR) is based on KBC Bank's interpretation of the proposal of CRR amendment.
** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC Bank discloses 12 months average LCR in accordance with EBA guidelines on LCR disclosure.

Looking forward

Economic outlook

- While at the end of 2022 some of the headwinds to the global economy turned into tailwinds (mild winter weather, significant structural savings in gas consumption…) and despite strong economic resilience last year, we expect a broad-based slowdown
- Inflation may have peaked in major economies as headline inflation turned lower in the US and the euro area. Going forward, we expect inflation to gradually decelerate as energy inflation falls back and core inflation gradually decreases
- We expect central banks (i.e. FED and ECB) to continue their rate hikes in the first half of 2023, while early moving CEE-central banks such as the CNB and NBH remain in a wait-and-see stance against a backdrop of still high inflation

Group guidance for 2023*

- Our **FY23 total income guidance** stands at **9.4bn EUR ballpark figure** (including a 0.4bn EUR positive one-off effect upon closing of substantially all of KBC Bank Ireland's performing loan assets and its deposit book), of which **5.7bn EUR ballpark for NII**
- **FY23 opex excluding bank taxes** is estimated at **4.4bn EUR ballpark figure**
- The **credit cost ratio for 2023** is estimated at **20-25bps** (below the through-the-cycle CCR of 25-30bps), excluding any movement in the ECL buffer

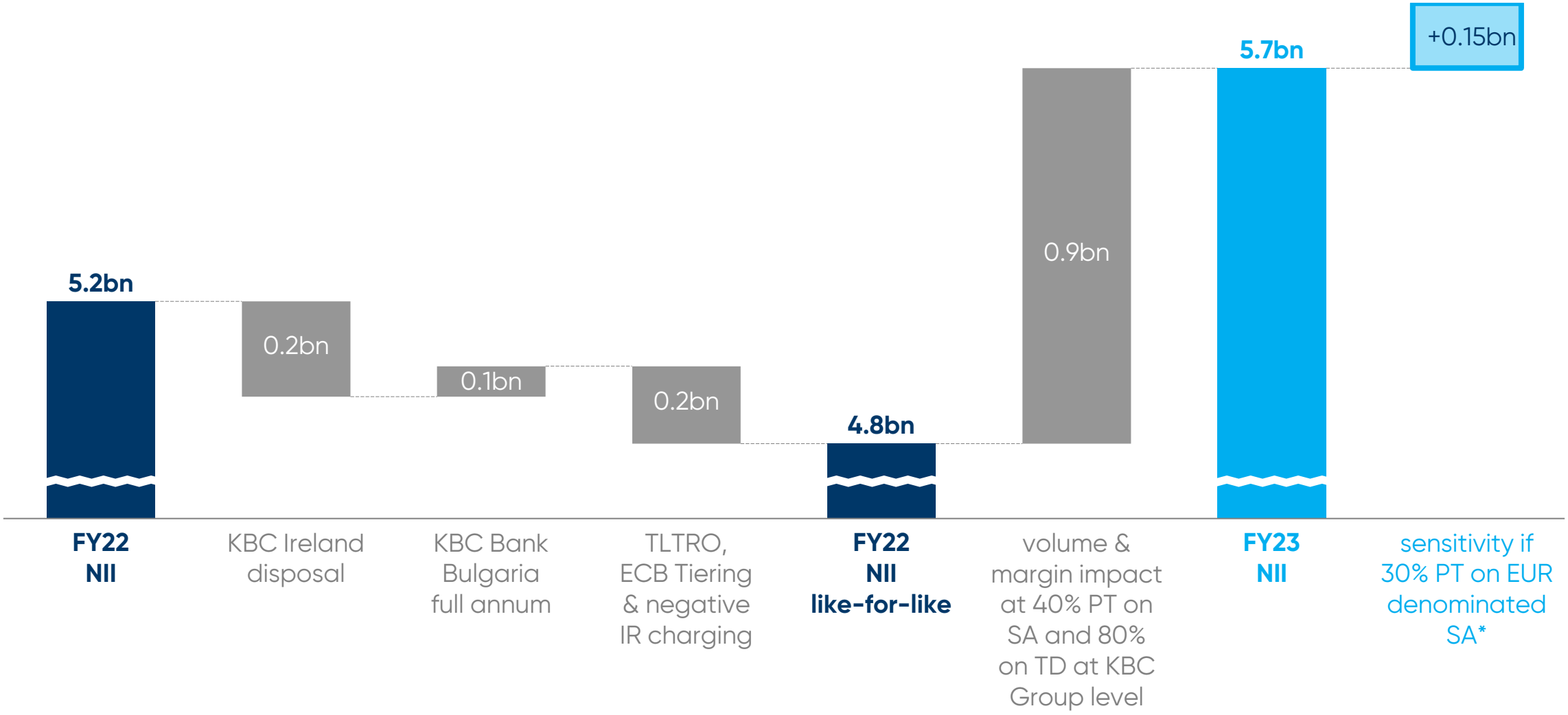
Basel 4 guidance

- The B4 impact on RWA will be phased-in, and therefore the first-time application RWA impact in 2025 will only be approximately 3bn EUR

* Our Group guidance for 2023 is based on the market forward rates of 3 February 2023 (for ST & LT interest rates). We took into account a pass-through rate of 40% on saving accounts and 80% on term deposits at KBC Group level. Volume growth in 2023 is estimated at roughly 3-4% y-o-y. Note that IFRS17 impact is not yet taken into account (explanatory slides will be provided on 18 April 2023)

2023 NII sensitivity

NII EVOLUTION WITH PASS-THROUGH SENSITIVITY
in bn EUR



PT = Pass-Through rate; SA = Savings Accounts; TD = Term Deposits

* With 40% PT on non-EUR denominated SA and 80% on TD

Long-term / 3-year financial guidance

3-year financial guidance*		
CAGR total income ('22-'25)	± 6.0%	by 2025
CAGR OPEX excl. bank taxes ('22-'25)	± 1.8%	by 2025
Combined ratio	≤ 92%	as of now
Surplus capital **	> 15%	as of now

⇒ **Jaws of ± 4.2%**

⇒ **C/I ratio excl BT ±43%**

* Our long-term financial guidance is based on the market forward rates of 3 February 2023 (for ST & LT interest rates). We took into account a pass-through rate of 40% on saving accounts and 80% on term deposits at KBC Group level. Note that IFRS17 impact is not yet taken into account.
KBC estimates that the forward rates are on the conservative side.
** Fully loaded CET1 ratio, Danish Compromise

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

Regulatory requirements		
Overall capital requirement (OCR)*	≥ 11.31%	by 2023
MREL as a % of RWA**	≥ 27.87%	by 2024
MREL as a % of LRE**	≥ 7.38%	by 2024
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

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

Wrap-up | KBC's engine firing on all cylinders

Excellent financial performance

net result
818m in 4Q22
2864m in FY22

ROE
14%
FY22

Outstanding solvency and liquidity

CET1 ratio
15.4%
3.6% buffer vs MDA

SII ratio
203%

NSFR
136%
LCR
152%

KATE convinces customers

KATE users
2.9m*
FY22

KATE autonomy
56% | 51%
BE | CZ

Franchise is growing

FY22 loan volumes
+7%
y-o-y

FY22 customer deposits
+8%
y-o-y

FY22 non-life sales
+8%
y-o-y

FY22 life sales
+6%
y-o-y

FY22 AM net inflows of direct client money
+2.9bn
y-o-y

* Of which 1.9m active users

Supplemental information & disclosures

BU & FY22 view
(slide 24-43)

- Belgium BU
- Czech Republic BU
- International Markets BU
  - Slovakia
  - Hungary
  - Bulgaria
- Group Centre BU
  - Ireland
- FY 2022

Annexes
(slide 44-70)

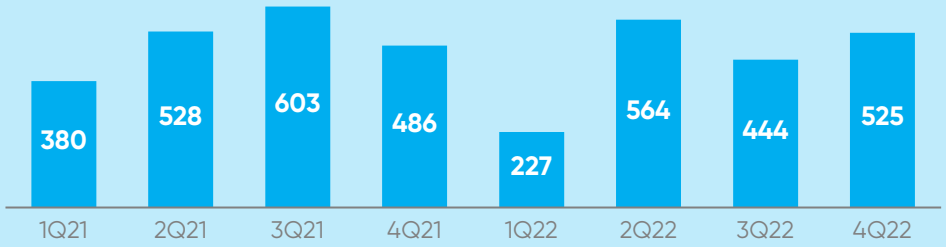
- Company profile
- KBC strategy
- Sustainability
- Asset quality
- MREL & funding

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

Belgium BU (1) | Net result & NII

NET RESULT

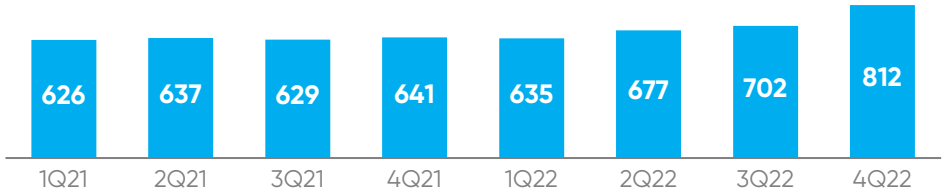
in m EUR



- **Net result of 525m EUR in 4Q22**
  - The quarter was characterised by higher net interest income, higher net fee and commission income, higher net result from financial instruments at fair value, higher net other income, lower sales of non-life insurance and higher sales of life insurance products, higher operating expenses and higher net impairment charges
  - Customer deposits excluding debt certificates and repos rose by 11% y-o-y, while customer loans rose by 8% y-o-y

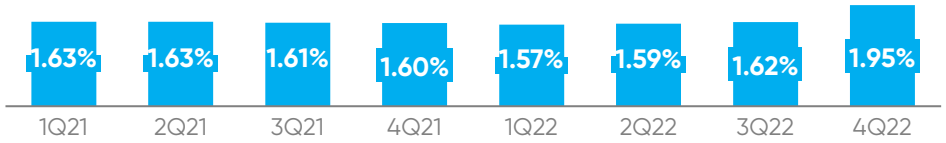
NET INTEREST INCOME

in m EUR



NET INTEREST MARGIN

in %



- **Net interest income**
  - +16% q-o-q, driven mainly by higher reinvestment yields thanks to increasing interest rates, deposit volume growth, lower funding costs and higher NII on insurance bond portfolio (due mainly to inflation-linked bonds) partly offset by margin pressure on the outstanding loan portfolio in all segments
  - +27% y-o-y for the same reasons mentioned above including good loan volume growth and despite no charging of negative interest rates on current accounts held by corporate entities and SMEs and no positive tiering effect anymore (which was the case in 4Q21)

- **Net interest margin**
  - Increased by 33 bps q-o-q and by 35 bps y-o-y for the reasons mentioned above, despite an increase in the interest-bearing assets (denominator), both q-o-q and y-o-y

- **Organic volume trend**

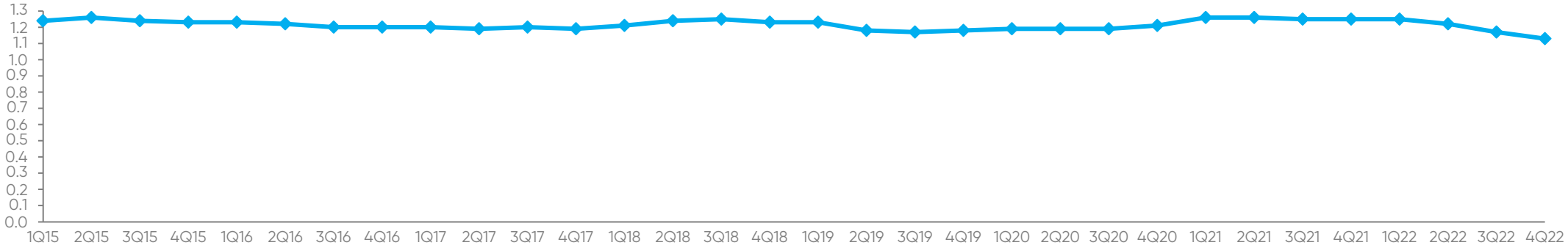
	Total loans**	o/w retail mortgages	Customer deposits***
Volume	117bn EUR	44bn EUR	145bn EUR
Growth q-o-q*	0%	+1%	+3%
Growth y-o-y	+8%	+7%	+11%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments and reclassifications.
*** Customer deposits, excluding debt certificates and repos. **Excluding the volatility in the foreign branches of KBC Bank (included in BE BU), customer deposits rose slightly q-o-q and 6% y-o-y**

Belgium BU (2) | Credit margins in Belgium

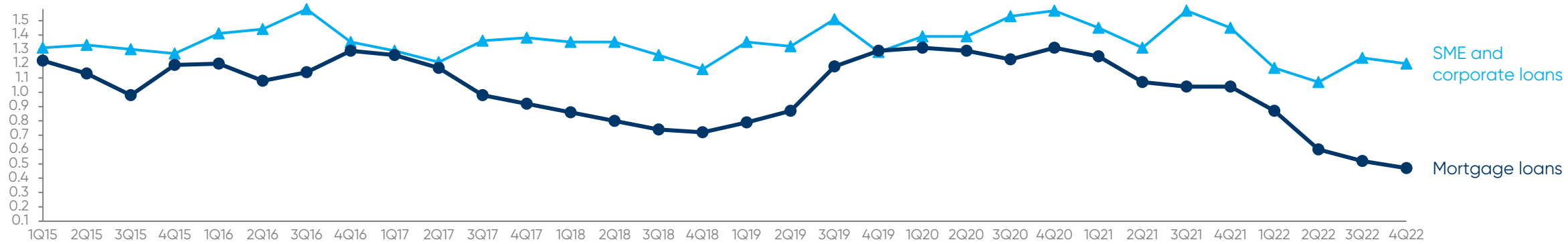
PRODUCT SPREAD ON CUSTOMER LOAN BOOK – OUTSTANDING

in %



PRODUCT SPREAD – NEW PRODUCTION

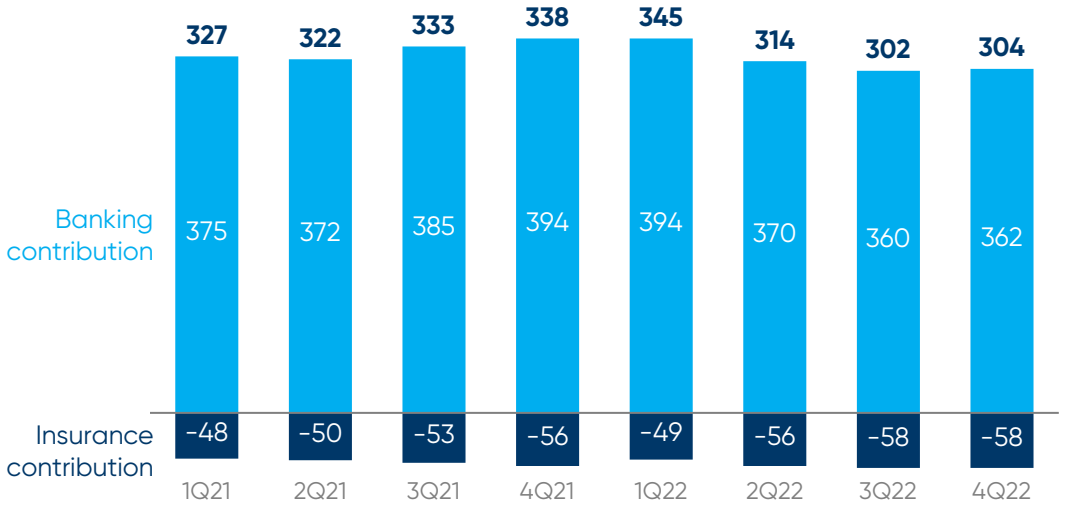
in %



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

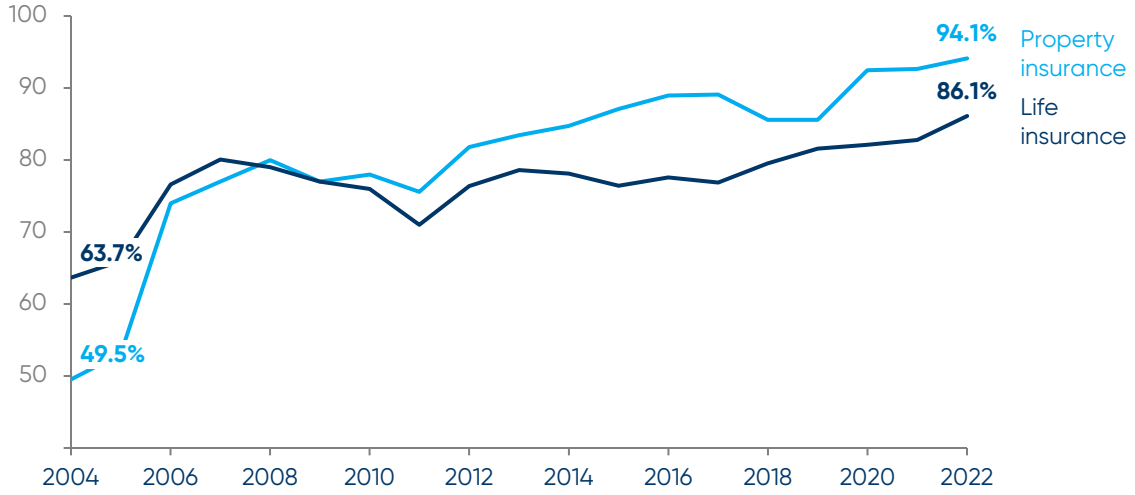
NET FEE & COMMISSION INCOME

in m EUR



MORTGAGE-RELATED CROSS-SELLING RATIOS

In %



- **Net fee & commission income**
  - +1% q-o-q and -10% y-o-y
  - The 1% higher q-o-q net F&C income was mainly the result of higher entry fees, higher payment-related fees and higher securities-related fees, partly offset by lower management fees and higher distribution commissions paid
  - The 10% lower y-o-y net F&C income was driven chiefly by lower management and entry fees, lower securities-related fees, lower fees from credit files & bank guarantees, lower network income and higher distribution commissions paid partly offset by higher fees from payment services

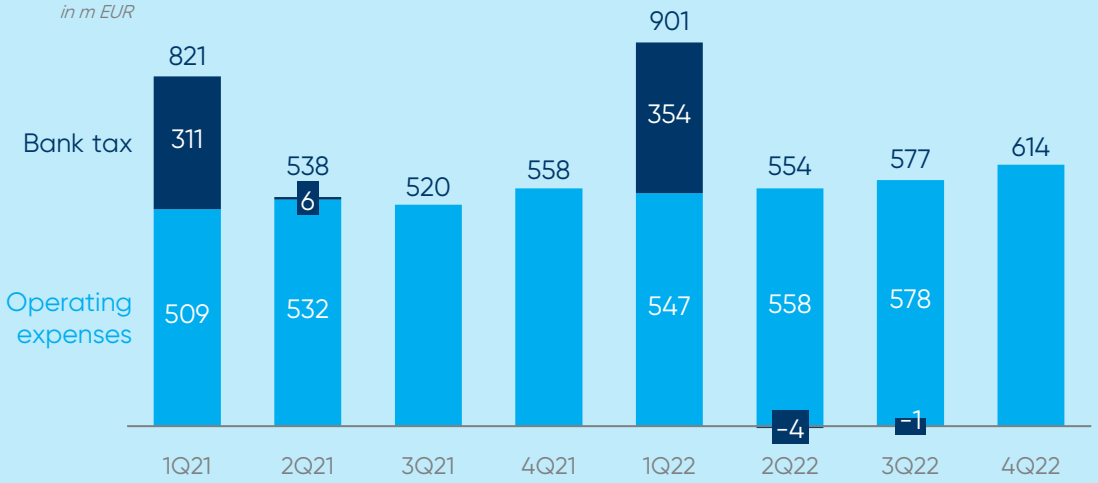
- **Assets under management**
  - 184bn EUR
  - Stabilised q-o-q and decreased by 15% y-o-y due entirely to the negative market performance.

- **Insurance**
  - Insurance sales: 910m EUR
    - Non-life sales (280m EUR) +5% y-o-y, due to premium growth in all classes, but chiefly in the classes 'Motor Comprehensive Cover' and 'Property', as a combination of volume and tariff increases
    - Life sales (630m EUR) more than doubled q-o-q and increased by 41% y-o-y
      - ✓ The q-o-q increase was driven by excellent sales of unit-linked products (+202% q-o-q due mainly to the successful launch of new structured funds) and higher sales of guaranteed interest products (due chiefly to traditionally higher volumes in tax-incentivised pension savings products)
      - ✓ The y-o-y increase was driven fully by higher sales of unit-linked products, partly offset by lower sales of guaranteed interest products
  - Combined ratio amounted to an excellent 90% in FY22 (90% in FY21)

Belgium BU (4) | Opex & impairments

OPERATING EXPENSES

in m EUR

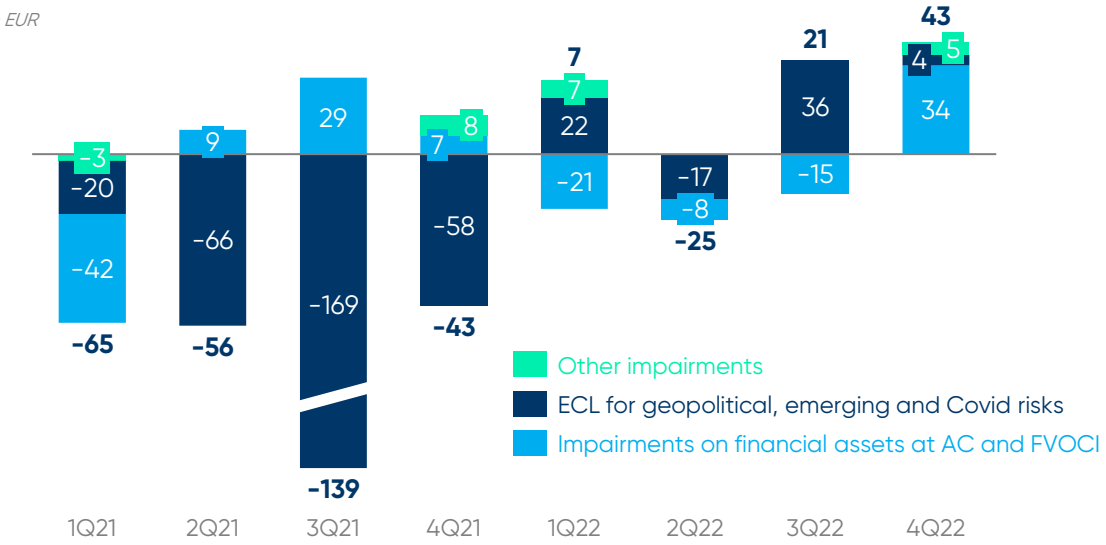


- **Opex excl. bank tax: +6% q-o-q and +10% y-o-y**
  - Operating expenses without bank taxes increased by 6% q-o-q due mainly to:
    - Higher ICT costs
    - Seasonally higher marketing and professional fee expenses

    partly offset by:
    - Lower facilities costs
  - Operating expenses without bank taxes rose by 10% y-o-y due chiefly to higher staff expenses (due largely to wage indexation, partly offset by less FTEs), higher ICT cost, higher marketing expenses and higher professional fees
  - **Cost/income ratio** adjusted for specific items: 53% in FY22 (51% in FY21)

ASSET IMPAIRMENT

in m EUR

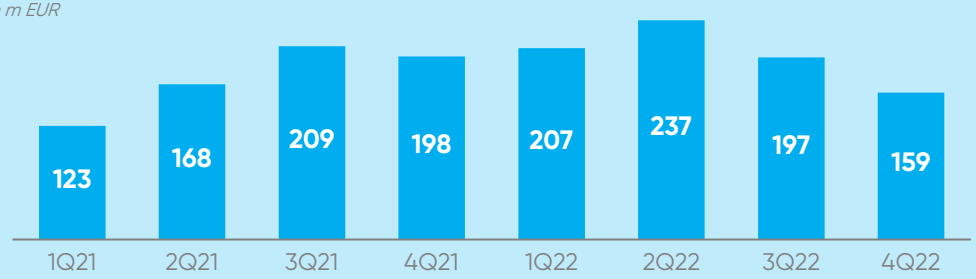


- **Loan loss impairment charges** of 38m EUR in 4Q22 (compared with 21m EUR in 3Q22). Besides an additional 4m EUR impairment charge for geopolitical and emerging risks, there were loan loss impairment charges mainly in the retail & SME portfolios and corporates in foreign branches. Credit cost ratio amounted to 3 bps in FY22 (-26 bps in FY21)
- 5m EUR impairment on 'other' (mainly ICT impairments)
- **Impaired loans ratio** amounted to 1.9%, 0.9% of which over 90 days past due

Czech Republic BU (1) | Net result & NII

NET RESULT

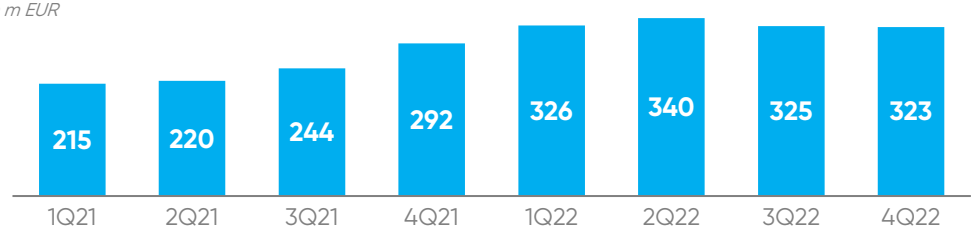
in m EUR



- **Net result of 159m EUR in 4Q22**
  - -20% q-o-q excluding FX effect due mainly to lower net interest income, lower net fee & commission income, lower net result from financial instruments at fair value, lower non-life and life insurance result (both incurred higher technical charges due to a release of technical provisions in 3Q22) and higher costs, partly offset by higher net other income and slightly lower net impairment charges
  - Customer deposits (excluding debt certificates and repos) rose by 7% y-o-y, while customer loans rose by 5% y-o-y

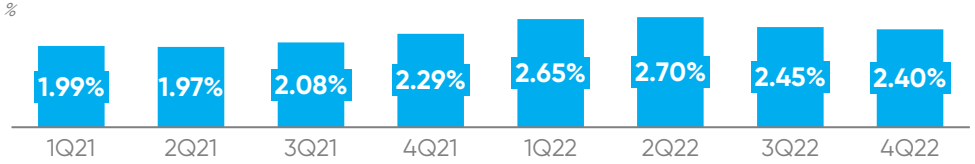
NET INTEREST INCOME

in m EUR



NET INTEREST MARGIN

in %



- **Net interest income**
  - -2% q-o-q and +6% y-o-y (both excl. FX effect)
  - Q-o-q decrease was mainly the result of higher pass-through on the deposit side and pressure on commercial loan margins (mainly on mortgages and corporate loans), partly offset by increased income related to funding, higher positive impact of ALM FX swaps and slightly higher NII on insurance bond portfolio
  - Y-o-y increase was primarily due to increasing interest rates, growth in loan and deposit volumes and increased income related to funding, despite pressure on commercial loan margins and higher pass-through on the deposit side
- **Net interest margin**
  - Fell by 5 bps q-o-q and rose by 11 bps y-o-y for the reasons mentioned above and an increase in the interest-bearing assets (denominator), both q-o-q and y-o-y

- **Organic volume trend**

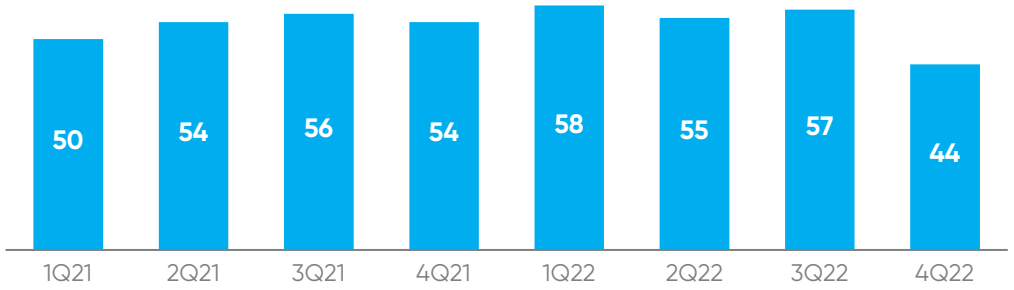
	Total loans**	o/w retail mortgages	Customer deposits***
Volume	35bn EUR	20bn EUR	49bn EUR
Growth q-o-q*	0%	+1%	+1%
Growth y-o-y	+5%	+4%	+7%

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

Czech Republic BU (2) | Other income lines & cross-selling

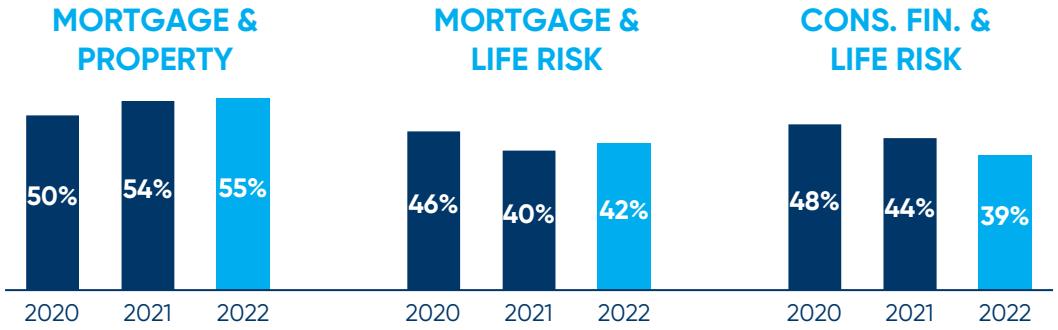
NET FEE & COMMISSION INCOME

in m EUR



CROSS-SELLING RATIOS

in %

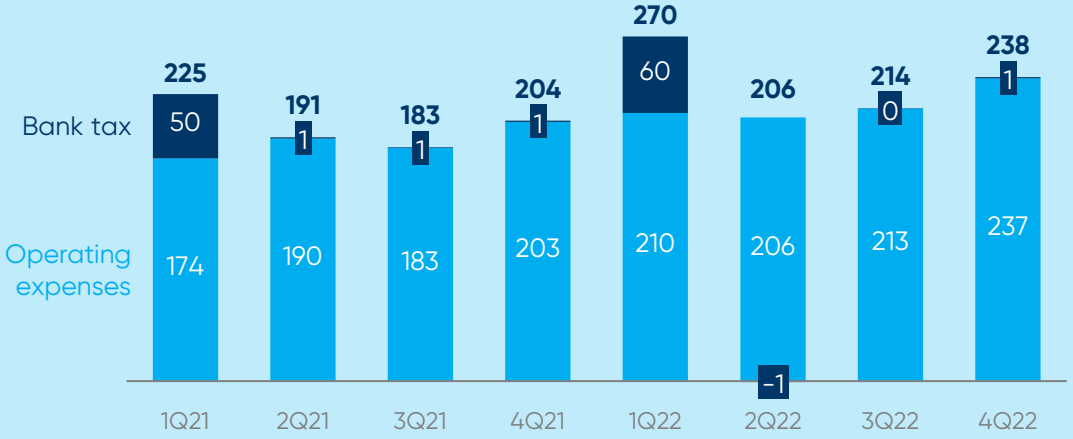


- **Net fee & commission income**
  - -24% q-o-q and -22% y-o-y (both excl. FX effect)
  - The lower q-o-q net F&C income was mainly the result of seasonally higher commissions paid linked to banking products, higher fee expenses in Retail and lower fees from payment services, partly offset by higher management fees and network income
  - The lower y-o-y net F&C income was driven chiefly by lower management and entry fees, higher fee expenses in Retail and higher distribution costs linked to insurance products, partly offset by higher network income and higher securities-related fees
- **Assets under management**
  - 15.1bn EUR
  - +5% q-o-q due to net inflows (+1%) and the positive market performance (+4%)
  - +7% y-o-y due to net inflows (+11%) and the negative market performance (-3%)
- **Insurance**
  - Insurance premium income (gross earned premium): 150m EUR
    - Non-life premium income (106m EUR) +15% y-o-y excluding FX effect, due to growth in all products
    - Life premium income (44m EUR) -1% q-o-q and -11% y-o-y, excluding FX effect. The q-o-q decrease was entirely the result of lower sales of unit-linked products
  - An excellent combined ratio of 83% in FY22 (87% in FY21)

Czech Republic BU (3) | Opex & impairments

OPERATING EXPENSES

in m EUR

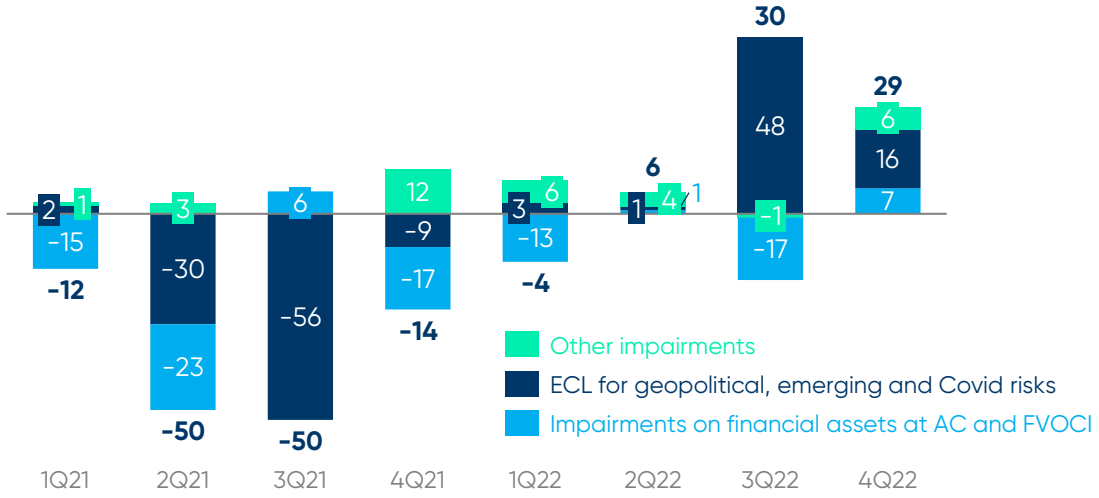


- **Opex excl. bank tax:** +10% q-o-q and +12% y-o-y, excl. FX effect
  - Q-o-q increase was due mainly to:
    - Higher staff expenses (wage drift)
    - Higher ICT cost
    - Higher marketing costs

    partly offset by:
    - Lower professional fees
  - Y-o-y increase was chiefly the result of higher ICT costs, higher marketing expenses and higher depreciations, partly offset by lower professional fees and lower staff expenses, despite high inflation
  - Adjusted for specific items, **C/I ratio** amounted to roughly 48% in FY22 (53% in FY21)

ASSET IMPAIRMENT

in m EUR

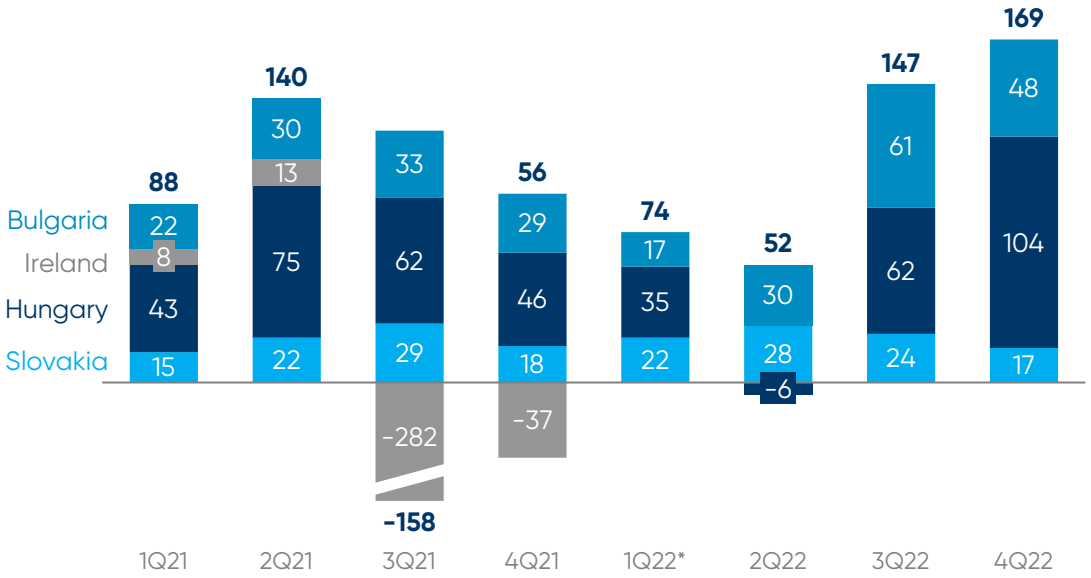


- **Loan loss and other impairment**
  - **Loan loss impairment charges** of 23m EUR in 4Q22 compared with 31m EUR in 3Q22. Besides an additional 16m EUR net impairment charge for geopolitical and emerging risks, there were loan loss impairment charges in 4Q22 mainly in the corporate and consumer finance portfolios
  - **Credit cost ratio** amounted to 0.13% in FY22 (-0.42% in FY21)
  - 6m EUR impairment on 'other' (mainly goodwill)
  - **Impaired loans ratio** amounted to 1.7%, 0.8% of which over 90 days past due

International markets BU (1) | Highlights

NET RESULT

in m EUR



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

- **Net result of 169m EUR (Slovakia 17m EUR, Hungary 104m EUR, Bulgaria 48m EUR)**
- **Highlights (q-o-q)**
  - Higher net interest income. NIM 3.18% in 4Q22 (+7 bps q-o-q and +49 bps y-o-y)
  - Stable net fee and commission income
  - Higher result from financial instruments at fair value
  - Lower net other income
  - An excellent combined ratio of 85% in FY22 (86% in FY21)
  - Lower non-life insurance sales and higher life insurance sales
  - Higher operating expenses
  - Higher net impairment charges

- **Organic volume trend**

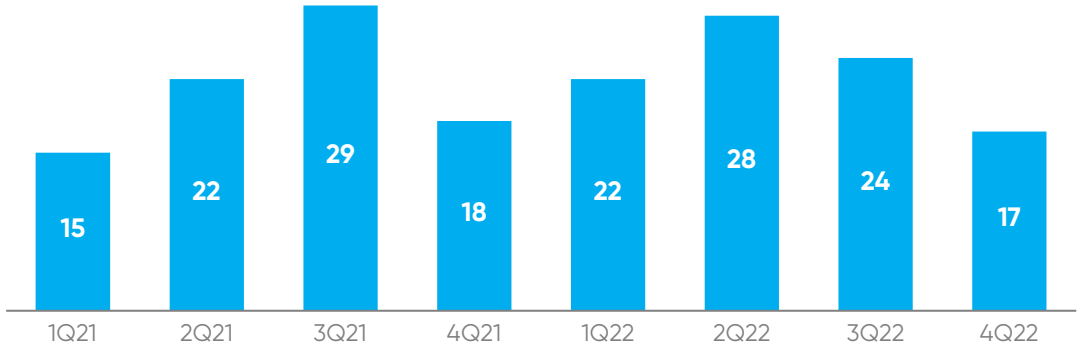
	Total loans**	o/w retail mortgages	Customer deposits***	AuM
Volume	25bn EUR	10bn EUR	30bn EUR	6.9bn EUR
Growth q-o-q*	+2%	+3%	+4%	+5%
Growth y-o-y	+17%	+16%	+8%	+6%

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

International markets BU (2) | Slovakia

NET RESULT

in m EUR



- **Net result of 17m EUR in 4Q22**
- **Highlights (q-o-q)**
  - Higher net interest income due to higher reinvestment yields, good loan and deposit volume growth, higher commercial loan margins (in all segments, except consumer finance) and lower funding costs
  - Higher net fee & commission income due chiefly to higher entry fees, higher network income and higher payment-related fees
  - Lower result from financial instruments at fair value (mainly due to a negative change in ALM derivatives)
  - Lower net other income due to a -7m EUR one-off provision for legacy legal files
  - An excellent combined ratio of 87% in FY22 (92% in FY21)
  - Slightly lower non-life and life insurance sales
  - Higher operating expenses due mainly to higher staff expenses, higher facilities costs and higher depreciations
  - Higher net impairment charges, due mainly to an additional 12m EUR impairment for geopolitical and emerging risks, partly offset by loan loss impairment releases (mainly for SMEs). Credit cost ratio of 0.17% in FY22 (-0.16% in FY21)

- **Organic volume trend**

	Total loans**	o/w retail mortgages	Customer deposits***
Volume	11bn EUR	6bn EUR	8bn EUR
Growth q-o-q*	+3%	+3%	+2%
Growth y-o-y	+15%	+19%	+10%

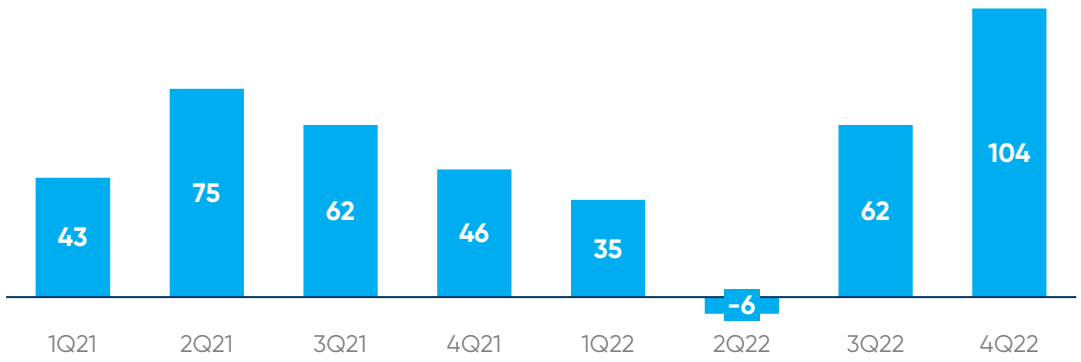
- **Volume trend**
  - Total customer loans rose by 3% q-o-q (especially growth in corporate loans and mortgages) and by 15% y-o-y (strong loan growth in all segments)
  - Total customer deposits rose by 2% q-o-q (due mainly to strong corporate deposit growth) and by 10% y-o-y (due chiefly to strong corporate deposit growth)

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

International markets BU (3) | Hungary

NET RESULT

in m EUR



- **Net result of 104m EUR in 4Q22**
- **Highlights (q-o-q)**
  - Higher net interest income excluding FX effect due chiefly to increasing interest rates, loan and deposit volume growth, partly offset by pressure on commercial loan margins
  - Higher net fee and commission income excluding FX effect driven mainly by higher payment-related fees
  - Higher net results from financial instruments at fair value (strong dealing room result)
  - An excellent combined ratio of 87% in FY22 (87% in FY21)
  - Stable operating expenses excluding FX effect. Higher ICT and facilities costs, and higher staff and professional fee expenses were offset by lower bank taxes (14m EUR recovery in 4Q22 of the extraordinary DGS fee related to winding down Sberbank HU in 1Q22)
  - Lower net loan loss impairment charges. Credit cost ratio of 0.42% in FY22 (-0.34% in FY21)
  - 25m EUR modification losses related to the interest cap regulation in Hungary (19m EUR for SMEs and an additional 6m EUR for retail mortgages) and 5m EUR impairments on other assets

- **Organic volume trend**

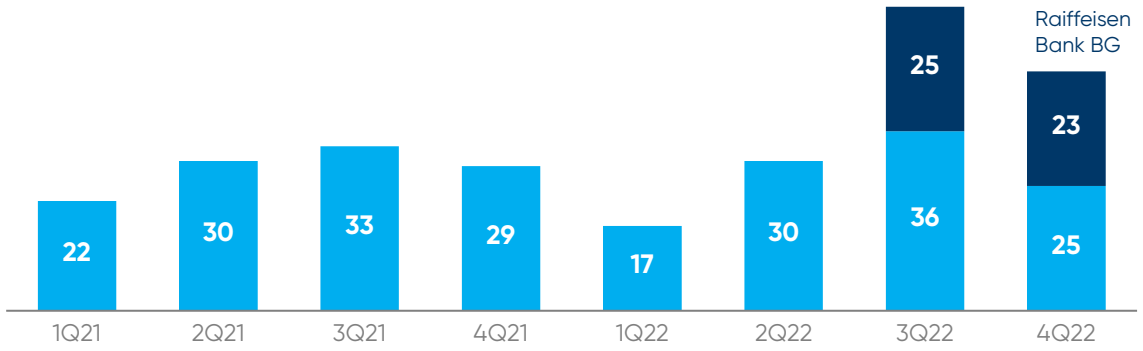
	Total loans**	o/w retail mortgages	Customer deposits***
Volume	6bn EUR	2bn EUR	9bn EUR
Growth q-o-q*	+1%	+0%	+3%
Growth y-o-y	+18%	+1%	+6%

- **Volume trend**
  - Total customer loans rose by 1% q-o-q and by 18% y-o-y (the latter due mainly to strong growth in corporate loans and consumer loans)
  - Total customer deposits rose by 3% q-o-q and by 6% y-o-y (the latter due chiefly to strong corporate deposit growth)

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

International markets BU (4) | Bulgaria

NET RESULT
in m EUR



- **Net result of 48m EUR in 4Q22, of which 23m EUR from the consolidation of the acquired Raiffeisenbank Bulgaria**
- **Highlights (q-o-q)**
  - Higher net interest income was driven mainly by increasing interest rates and strong loan and deposit volume growth in all segments, partly offset by pressure on commercial margins
  - Lower net fee and commission income due mainly to lower management fees, seasonally lower payment-related fees and network income
  - Stable net results from financial instruments at fair value and higher net other income
  - An excellent combined ratio of 83% in FY22 (82% in FY21)
  - Stable non-life insurance sales and sharply higher life insurance sales
  - Higher operating expenses due mainly to higher staff, marketing and professional fee expenses, and higher facilities costs. Note that Raiffeisenbank Bulgaria contributed 24m EUR in 4Q22 versus 26m EUR in 3Q22 (of which roughly 5m EUR one-off integration costs in both quarters)
  - Higher net loan loss impairment charges due to a 7m EUR additional impairment for geopolitical and emerging risks (versus 1m EUR in 3Q22) and 7m EUR net impairment charges mainly for retail and SMEs. Credit cost ratio of 0.43% in FY22 (-0.06% in FY21)
  - 3m EUR impairment on 'other'
- **Volume trend**
  - Total customer loans rose by 3% q-o-q and by 19% y-o-y (due to growth in all segments, both q-o-q and y-o-y, except for consumer finance loans q-o-q)
  - Total customer deposits rose by 6% q-o-q (due mainly to higher corporate deposits) and by 10% y-o-y (due to growth in all segments)

- **Organic volume trend**

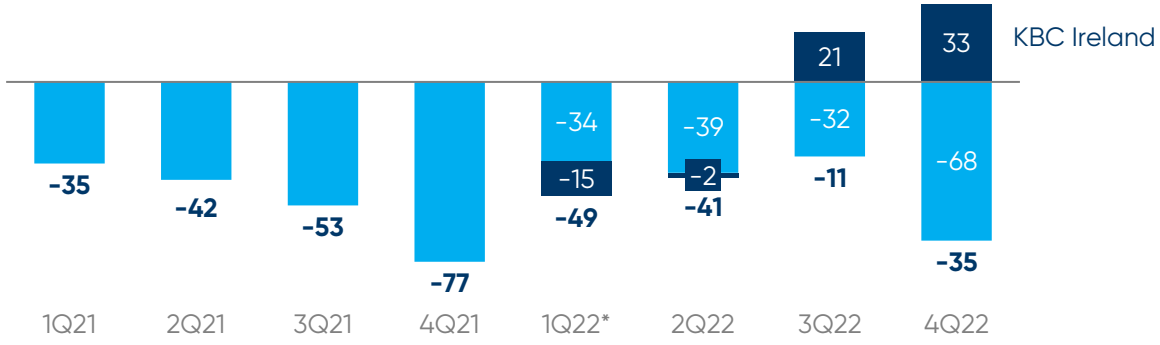
	Total loans**	o/w retail mortgages	Customer deposits***
Volume	9bn EUR	2bn EUR	12bn EUR
Growth q-o-q*	+3%	+5%	+6%
Growth y-o-y	+19%	+23%	+10%

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

Group Centre BU (1) | Highlights

NET RESULT

in m EUR



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

- **Net result of -35m EUR in 4Q22**, of which +33m EUR from Ireland
  - The net result for the Group Centre comprises the results from activities and/or decisions specifically made for group purposes (see table below for components) and, as of 1Q22, Ireland
- **Highlights (q-o-q)**
  - Excluding Ireland (see next slide), the q-o-q lower result of Group Centre was attributable mainly to:
    - Lower net interest income due mainly to:
      - ✓ Higher funding costs of bonds and participations driven by increased EUR rates
      - ✓ Higher subordinated debt and wholesale funding costs due to new issuances in 4Q22
    - Lower non-life insurance result
    - Higher costs

BREAKDOWN OF NET RESULT AT GROUP CENTRE BU

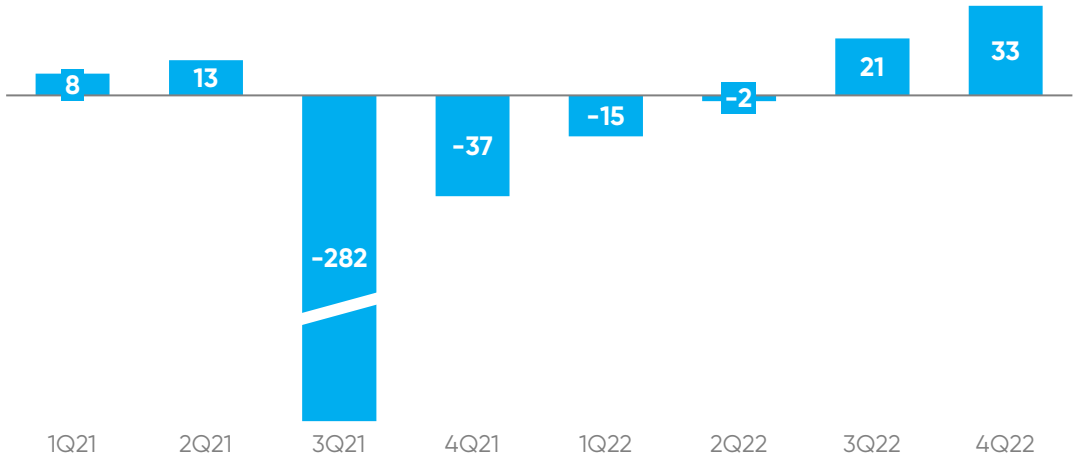
in m EUR

	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22
Group item (ongoing business)	-34	-37	-50	-81	-34	-37	-33	-92
Operating expenses of group activities	-16	-11	-17	-42	-21	-14	-22	-40
Capital and treasury management	-4	-6	-3	0	4	-16	5	-17
Holding of participations	1	0	1	29	-12	-10	-15	-32
Group Re	18	5	-5	17	0	7	2	-6
Other	-33	-25	-27	-85	-4	-5	-3	3
Ongoing results of divestments and companies in run-down	0	-5	-3	4	-15	-4	22	57
Total	**-35**	**-42**	**-53**	**-77**	**-49**	**-41**	**-11**	**-35**

Group Centre BU (2) | Ireland

NET RESULT

in m EUR



- **Net result of 33m EUR in 4Q22**
- **Highlights (q-o-q)**
  - Higher net interest income due mainly to higher reinvestment yields thanks to increasing interest rates and lower funding costs largely offset by a decrease of lending income due to a loan & deposit volume reduction and margin pressure
  - Lower expenses due mainly to lower one-off costs as a result of the sales transaction in Ireland in 4Q22 (-5m EUR in 4Q22 versus -15m EUR in 3Q22) and lower ICT costs in 4Q22, partly offset by higher depreciations
  - Net loan loss impairment reversals in 4Q22. Credit cost ratio of -0.07% in FY22 (1.43% in FY21)
  - A positive one-off tax effect of 16m EUR as a result of the sales transaction in Ireland

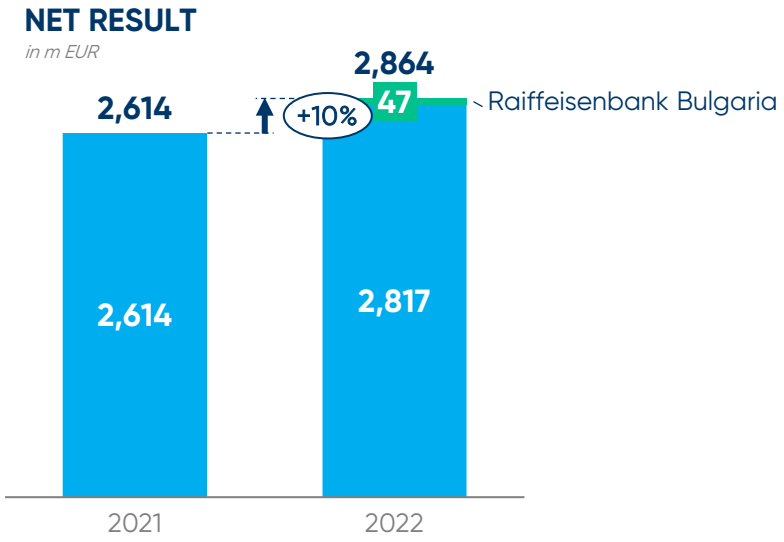
- **Organic volume trend**

	Total loans**	o/w retail mortgages	Customer deposits***
Volume	8bn EUR	8bn EUR	2bn EUR
Growth q-o-q*	-6%	-6%	-20%
Growth y-o-y	-14%	-14%	-52%

- **Volume trend**
  - Total customer loans fell by 6% q-o-q and by 14% y-o-y as a result of increased redemptions in 4Q22
  - Total customer deposits decreased by 20% q-o-q and by 52% y-o-y, as customers ended the banking relationship (as a result of the withdrawal from Ireland)

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

FY 2022 | Net result amounted to 2 864m EUR

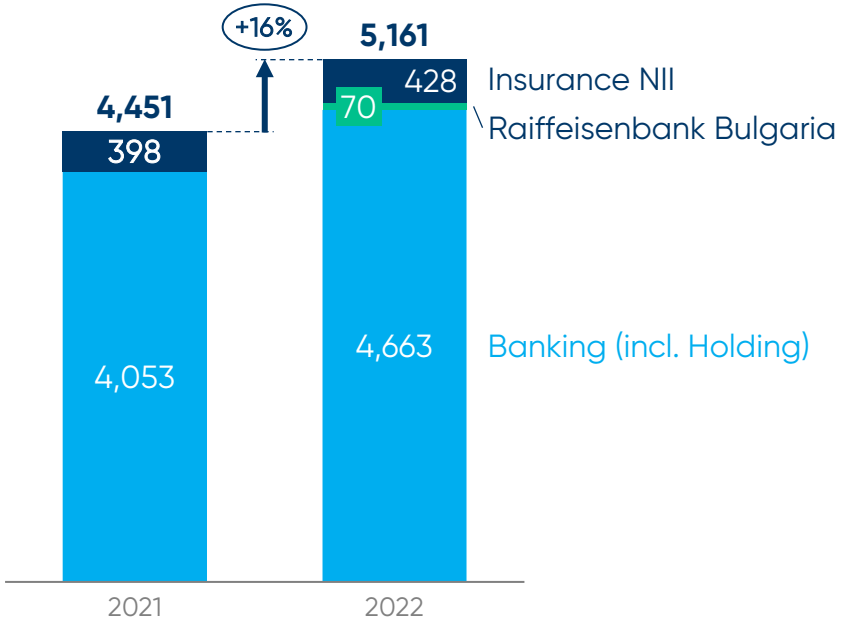


- **Net result rose by 10% y-o-y to 2,864m EUR in 2022 (and +8% y-o-y excluding Raiffeisenbank Bulgaria)**, mainly as a result of the following
  - **Revenues rose by 14% y-o-y (and +13% y-o-y excluding Raiffeisenbank Bulgaria)** mainly due to higher net interest income, net result from FIFV, higher result from insurance (both life and non-life), higher dividend income and slightly higher net fee and commission income, partly offset by lower net other income and lower net realised result from debt instruments at fair value through OCI
  - **Operating expenses excluding bank taxes** rose by 8% y-o-y (and +6% y-o-y excluding Raiffeisenbank Bulgaria) to 4.17bn EUR, in line with the guided 4.15bn EUR. Total bank taxes (including ESRF contribution) increased from 525m EUR in FY21 to 646m EUR in FY22
  - **Net impairment charges amounted to 284m EUR** (compared with net impairment releases of 261m EUR in FY21). This was attributable chiefly to :
    - A 413m EUR geopolitical & emerging risk buffer
    - A 255m EUR reversal of collective Covid-19 impairments in FY22
    - One-off loan loss impairments of 17m EUR as a result of the two pending sales transactions in Ireland
    - 21m EUR loan loss provision reversals on some individual files
    - Impairment of 130m EUR on 'other', of which
      - 63m EUR modification losses in Hungary
      - A 24m EUR one-off as a result of the two pending sales transactions in Ireland
      - A 38m EUR impairment, mainly on (in)tangibles (in other countries besides Ireland)
      - A 5m EUR goodwill impairment in CZ BU

FY 2022 | Higher NII and NIM

NET INTEREST INCOME

in m EUR

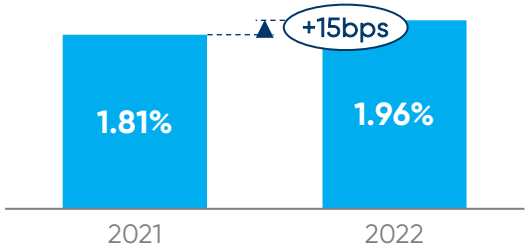


- **Net interest income (5 161m EUR)**
  - Net interest income rose by 16% y-o-y due mainly to :
    - Increasing reinvestment yield in all core countries
    - Good loan and deposit volume growth
    - Increased income related to funding (increased term deposits at better margins and slightly positive impact of TLTRO3)
    - Consolidation of Raiffeisen Bank Bulgaria as of 3Q22 (70m EUR NII in 2H22)
    - Higher NII on insurance bond portfolio (due mainly to inflation-linked bonds)
    - Higher netted positive impact of ALM FX swaps
    - The appreciation of the CZK versus the EUR

    partly offset by:
    - Loan margin pressure on the outstanding portfolio in almost all countries
    - Less positive impact of charging of negative interest rates on current accounts held by corporate entities and SMEs and less positive impact of ECB deposit tiering
    - The depreciation of the HUF versus the EUR
  - Loan volumes increased by 7% y-o-y, while customer deposits excluding debt certificates and repos rose by 8% y-o-y
- **Net interest margin (1.96%)**
  - Increased by 15 bps y-o-y for the reasons mentioned above and despite an increase of the interest-bearing assets (denominator)

NET INTEREST MARGIN

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



- **Organic volume trend**

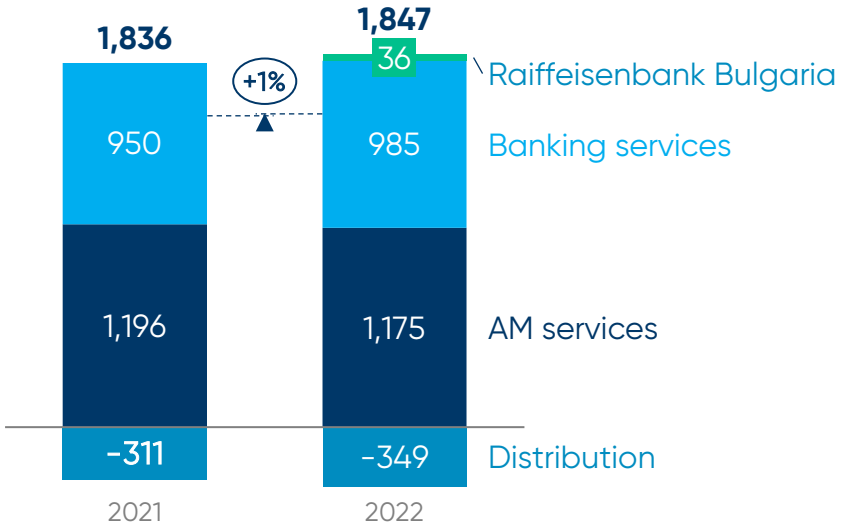
	Total loans*	o/w retail mortgages	Customer deposits**
Volume	186bn	82bn	226bn
Growth y-o-y	+7%	+4%	+8%

* Loans to customers, excluding reverse repos (and bonds), including Ireland (under IFRS 5) and Raiffeisenbank Bulgaria. Growth figures are excluding FX, consolidation adjustments and reclassifications.
** Customer deposits, excluding debt certificates and repos, including Ireland (under IFRS 5) and Raiffeisenbank BG.

FY 2022 | Higher net fee and commission income and lower AUM

NET FEE & COMMISSION INCOME

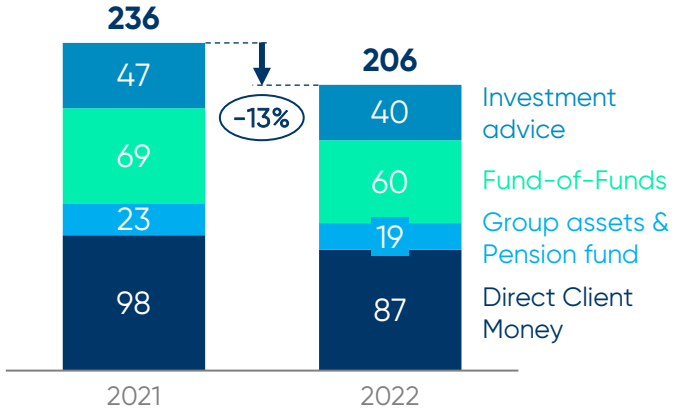
in m EUR



- **Net fee and commission income (1,847m EUR)**
  - Increased by 1% y-o-y
    - Net F&C from Asset Management Services decreased by 2% y-o-y driven entirely by lower entry fees. Management fees roughly stabilised y-o-y
    - Net F&C income from banking services increased by 7% y-o-y driven mainly by higher fees from payment services, higher network income and higher fees from credit files & bank guarantees, partly offset by lower securities-related fees. Net F&C income from banking services rose by 4% y-o-y on a comparable basis (excluding the +36m EUR impact in 2H22 from the consolidation of Raiffeisenbank Bulgaria)
    - Distribution costs rose by 12% y-o-y due chiefly to higher commissions paid linked to banking products and increased non-life insurance sales

ASSETS UNDER MANAGEMENT

in bn EUR

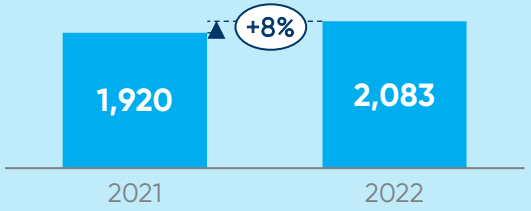


- **Assets under management (206bn EUR)**
  - Decreased by 13% y-o-y due entirely to the market performance (-15%), partly offset by net inflows (+2%)
  - The mutual fund business has seen 2.9bn EUR net inflows in higher-margin direct client money in FY22

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

NON-LIFE SALES (GROSS WRITTEN PREMIUMS)

in m EUR



COMBINED RATIO (NON-LIFE)

in %

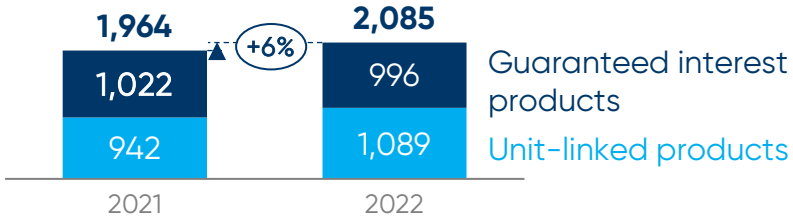
- **Sales of non-life insurance products**
  - Up by 8% y-o-y thanks to growth in all classes
- **The non-life combined ratio for FY22 amounted to an excellent 89%** (89% in FY21). This is the result of :
  - 8% y-o-y earned premium growth in FY22
  - 4% y-o-y higher technical charges in FY22 due mainly to:
    - Higher normal claims and more negative impact of parameter updates

    partly offset by:
    - Lower major claims and lower storm claims
  - Lower ceded reinsurance result (down 26m EUR y-o-y)

Note that the technical charges for Life and Non-Life (after reinsurance) in 2022 included a release of technical provisions of respectively 31m EUR and 10m EUR, booked in the Czech Republic, as a result of reassessing the confidence level of the technical provisions

LIFE SALES

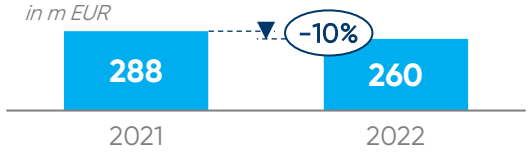
in m EUR



- **Sales of life insurance products**
  - Up by 6% y-o-y
    - The 16% 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 3% y-o-y
  - Sales of unit-linked products accounted for 52% of total life insurance sales

VNB* LIFE

in m EUR



7.7%	8.9%	VNB/PVNBP**

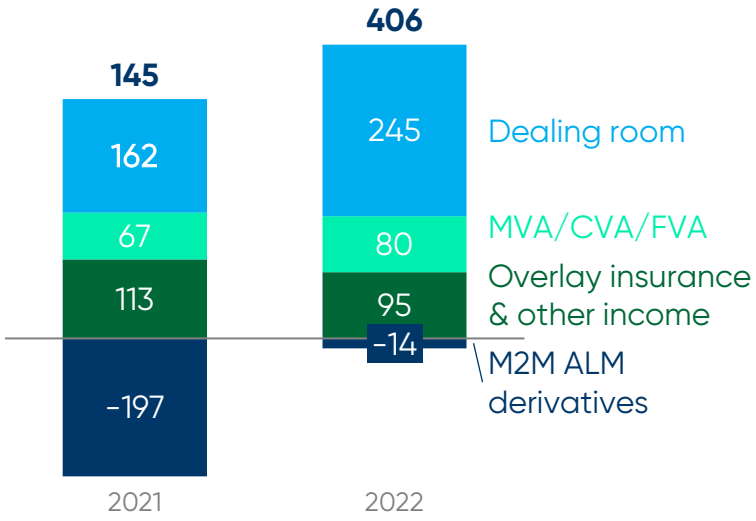
- **Value of New Business (VNB)**
  - Decrease y-o-y mainly driven by lower fee income on unit-linked products in Belgium, partly offset by higher interest rates
  - The VNB/PVNBP increased to 8.9% due to the higher margin on guaranteed interest rate products, driven by increasing interest rates

* VNB = 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 2022, this income amounted to 102m EUR (compared with 124m EUR in 2021)
** VNB/PVNBP = VNB compared to the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums

FY 2022 | Higher FV gains and lower net other income

FIFV

in m EUR

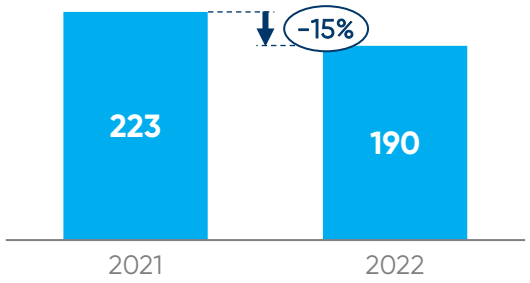


- **Net gains from financial instruments at fair value (406m EUR)**
  - Increased y-o-y attributable to
    - Higher dealing room
    - A less negative change in ALM derivatives
    - A positive change in market, credit and funding value adjustments

    partly offset by:
    - Lower net result on equity instruments (insurance) & other income

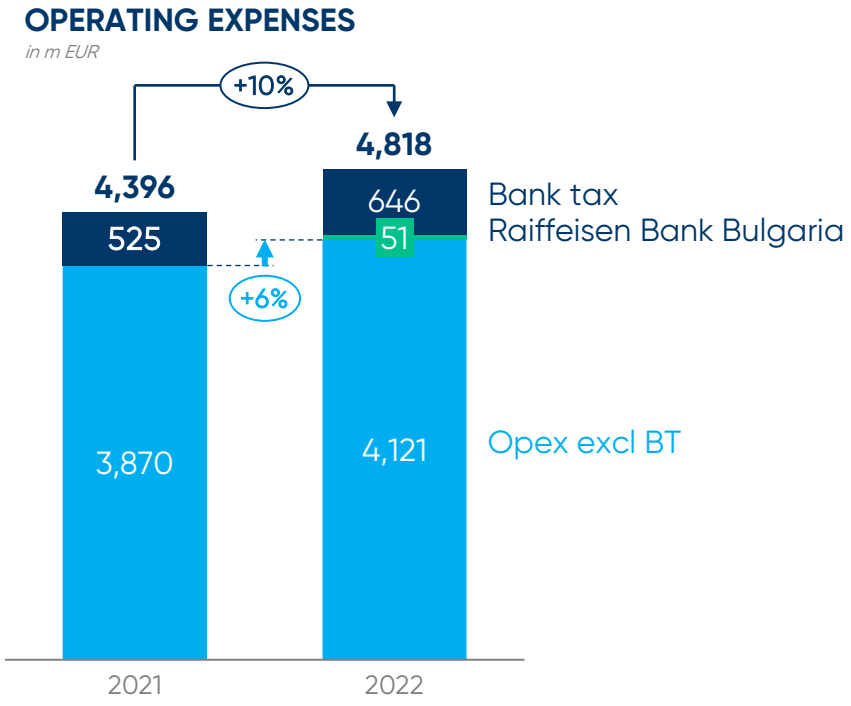
NET OTHER INCOME

in m EUR



- **Net other income (190m EUR)**
  - Decreased from 223m EUR in FY21 to 190m EUR in FY22. This is somewhat lower than the normal run rate of 200m EUR per year due mainly to realised losses on the sale of bonds, largely offset by some positive one-off items (including a 68m EUR realised gain on the sale of a real estate subsidiary at KBC Insurance)

FY 2022 | Costs in line with guidance

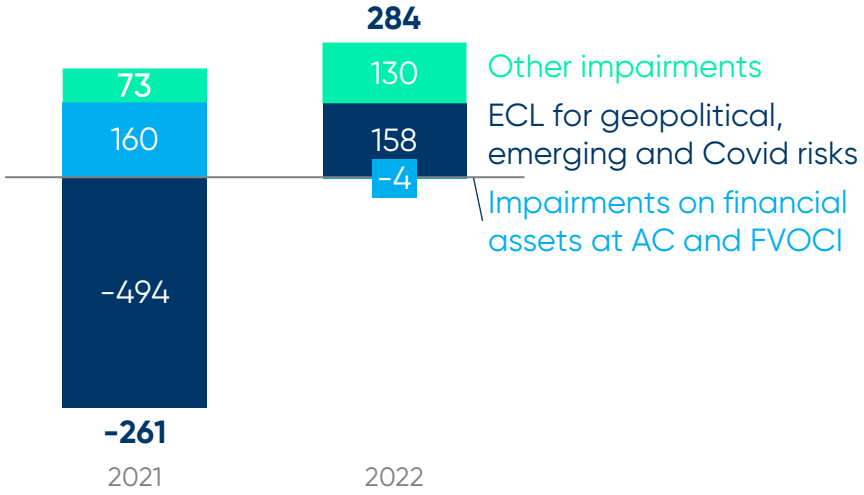


- **Operating expenses excluding bank taxes** rose by 8% y-o-y (and +6% y-o-y excluding Raiffeisenbank Bulgaria) to 4.17bn EUR, in line with the guided 4.15bn EUR
- **Operating expenses in FY22 excluding bank taxes, changes in the consolidation scope, one-offs and FX effect rose by 7% y-o-y** due mainly to higher staff expenses (wage inflation), higher ICT costs, higher marketing and professional fee expenses
- **The C/I ratio excluding bank taxes amounted to 48% in FY22** (51% in FY21)
- Total bank taxes (including ESRF contribution) increased from 525m EUR in FY21 to 646m EUR in FY22

FY 2022 | Net impairment charges and excellent CCR

ASSET IMPAIRMENT

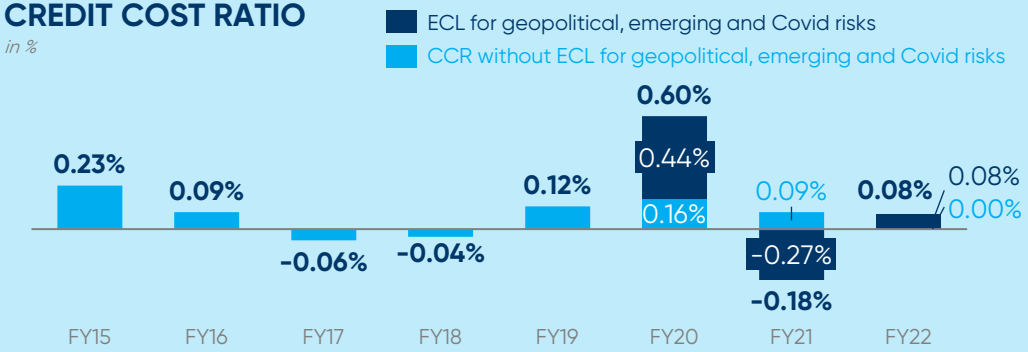
in m EUR; negative sign is a release



- **Net impairment charges amounted to 284m EUR** (compared with net impairment releases of 261m EUR in FY21). This was attributable chiefly to
  - A 413m EUR geopolitical & emerging risk buffer
  - A 255m EUR reversal of collective Covid-19 impairments in FY22
  - One-off loan loss impairments of 17m EUR as a result of the two pending sales transactions in Ireland
  - 21m EUR net loan loss provision reversals on some individual files
  - Impairment of 130m EUR on 'other', of which
    - 63m EUR modification losses in Hungary
    - A 24m EUR one-off as a result of the two pending sales transactions in Ireland
    - A 38m EUR impairment, mainly on (in)tangibles (in other countries besides Ireland)
    - A 5m EUR goodwill impairment in CZ BU

CREDIT COST RATIO

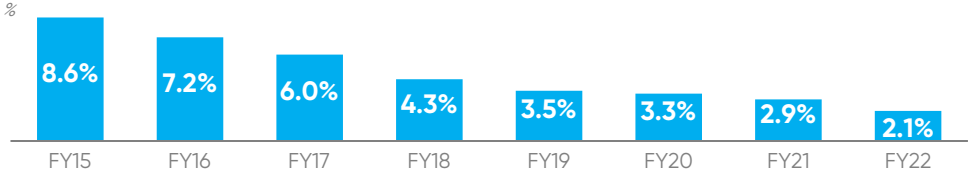
in %



- **The credit cost ratio in FY22 amounted to:**
  - 0bps (9bps in FY21) without ECL for geopolitical, emerging and Covid risks
  - 8bps (-18bps in FY21) with ECL for geopolitical, emerging and Covid risks

IMPAIRED LOANS RATIO

in %



- **The impaired loans ratio improved to 2.1%**
  (1.1% of which over 90 days past due)

Company profile | KBC Group in a nutshell (1)

✓ We want to be among Europe's best performing financial institutions! By achieving this, KBC wants to be the reference in bank-insurance in its core markets

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

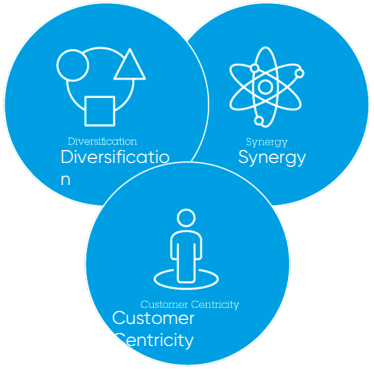
✓ Diversified and strong business performance

… geographically

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

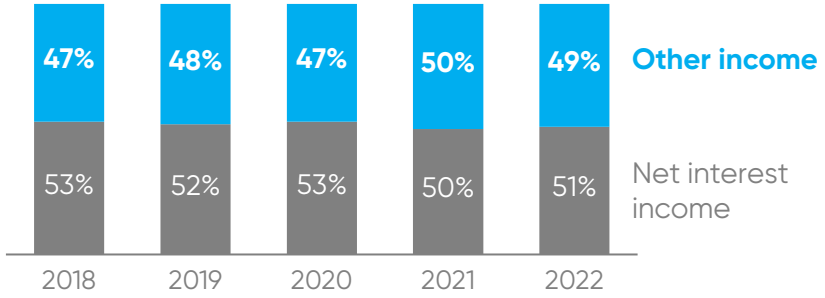
… and from a business point of view

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



KBC GROUP TOPLINE DIVERSIFICATION

in %



Company profile | KBC Group in a nutshell (2)

high profitability

C/I ratio*
54% | FY22
55% | FY21

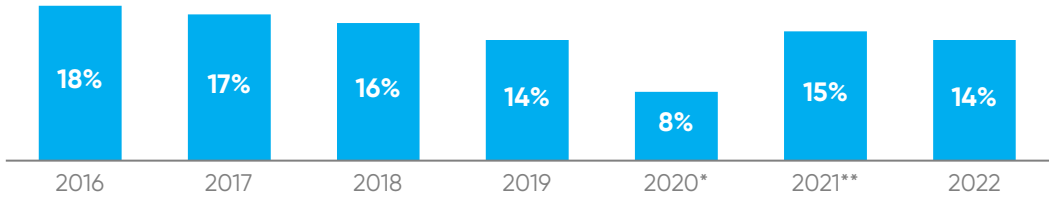
Combined ratio
89% | FY22
89% | FY21

Net result
2,864m | FY22
2,614m | FY21

* Adjusted for specific items

RETURN ON EQUITY

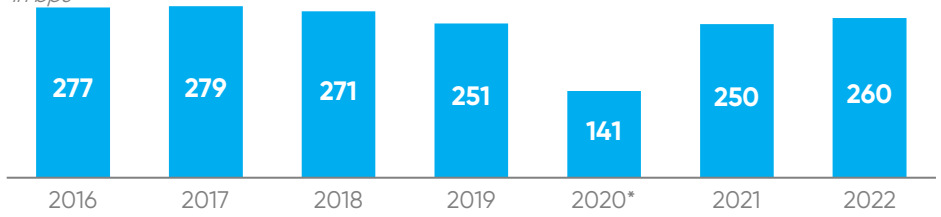
in %



* 11% when adjusted for the collective covid impairments
** when excluding the one-off items due to the pending sales transactions in Ireland

CET1 GENERATION BEFORE ANY DEPLOYMENT

in bps

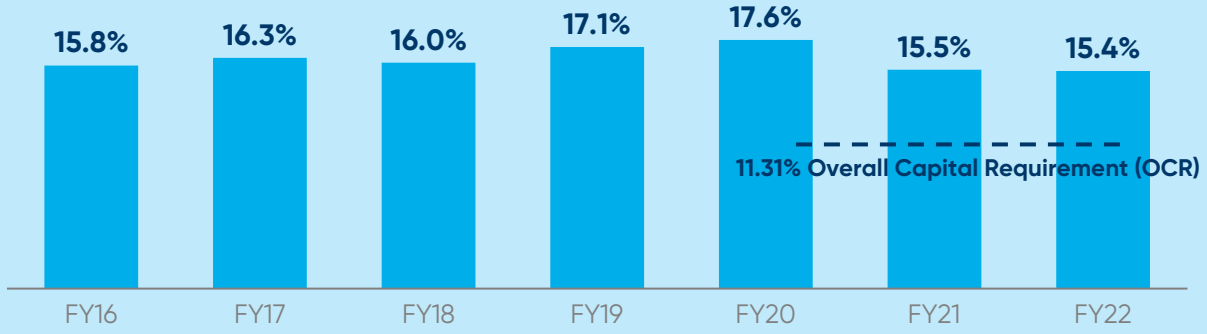


* 202bps when adjusted for the collective covid-19 impairments

solid capital position

CET1 RATIO (FULLY LOADED, DANISH COMPROMISE)

in %



robust liquidity

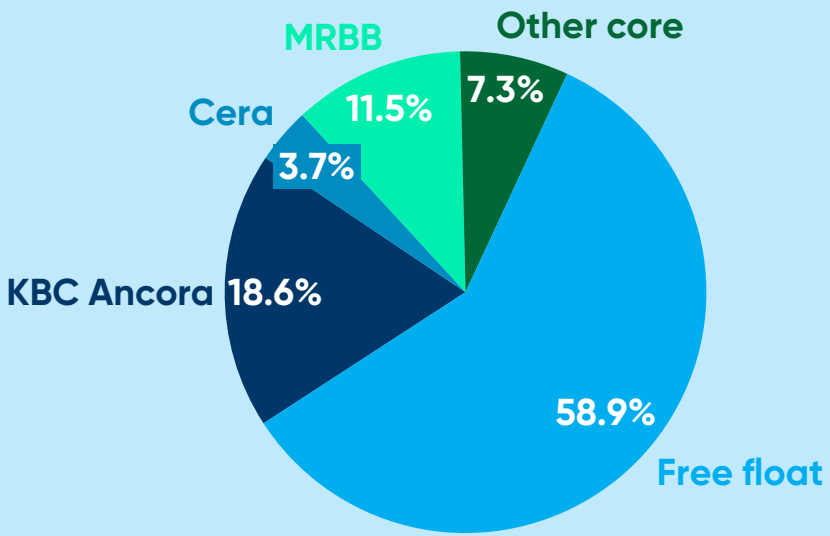
NSFR
136% | FY22
148% | FY21

LCR
152% | FY22
167% | FY21

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

Shareholder structure
(as at end FY22)



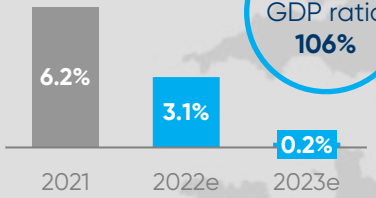
- Roughly **41% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals**. Committed shareholders include the Cera/KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of Belgian industrialist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

Company profile | Well-defined core markets

BELGIUM BU

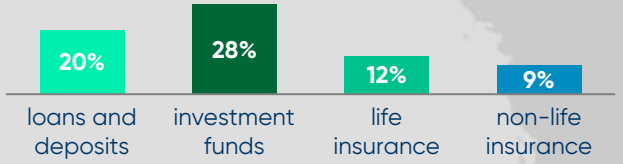
61% of assets
3.8m clients
420 branches

GDP GROWTH
in %, KBC Economics



debt to GDP ratio 106%

MARKET SHARE
in %, end 2022

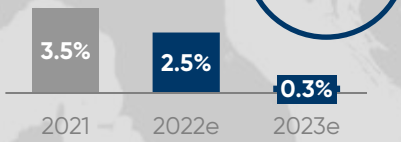


117bn EUR loans
145bn EUR deposits

CZECH REPUBLIC BU

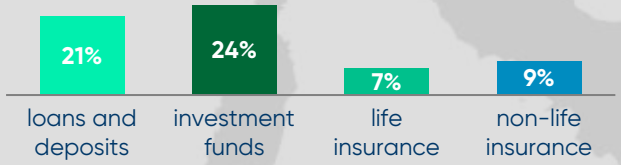
20% of assets
4.3m clients
201 branches

GDP GROWTH
in %, KBC Economics



debt to GDP ratio 44%

MARKET SHARE
in %, end 2022



35bn EUR loans
49bn EUR deposits

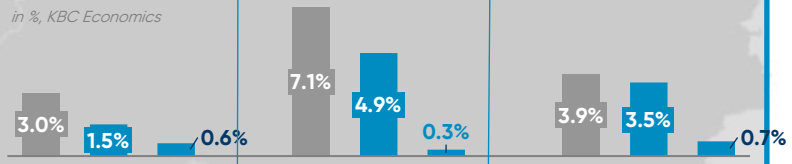
INTERNATIONAL MARKETS BU

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

HU
4% of assets
1.6m clients
195 branches
6bn EUR loans
9bn EUR deposits

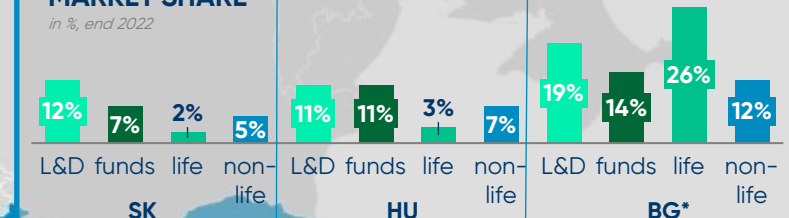
BG
3% of assets
2.4m clients
266 branches
9bn EUR loans
12bn EUR deposits

GDP GROWTH 2021-2022e-2023e
in %, KBC Economics



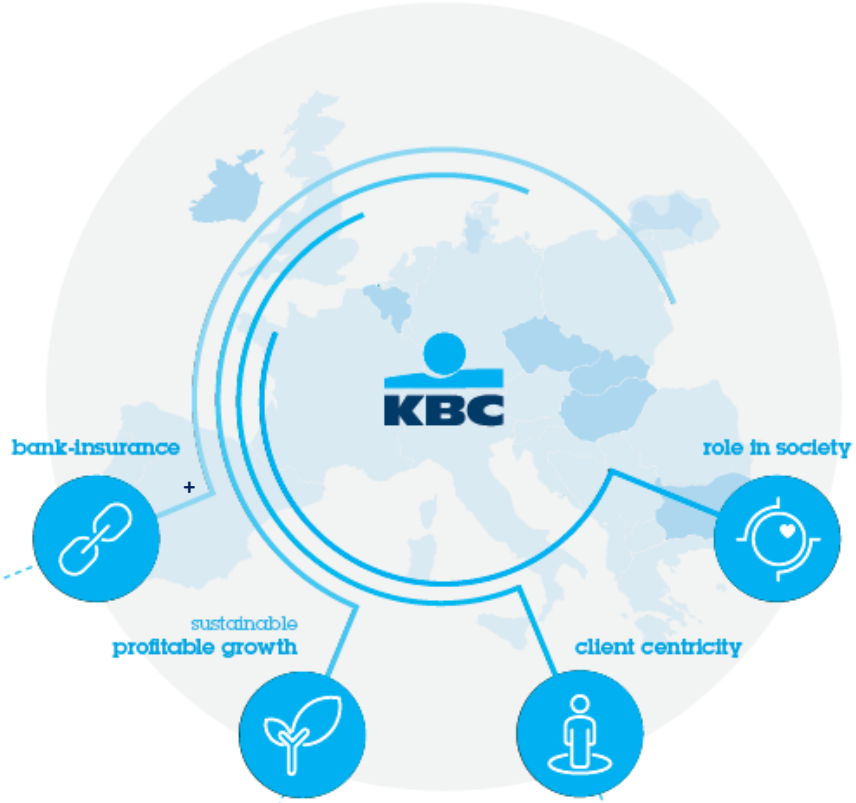
debt/GDP 62% | debt/GDP 74% | debt/GDP 23%

MARKET SHARE
in %, end 2022



* Pro forma incl. acquisition of Raiffeisenbank Bulgaria

Strategy | Differently: the next level



We diversify our income

Bank-insurance remains key
However, we reduce our dependency on interest income
by increasing our insurance income and our fee income

We build our future capabilities

The future is continuously changing
So we have to adapt quickly
This means we prepare ourselves
by acting on trends in our daily bank-insurance activities
and through small investments and experiments
We make smart decisions
so we don't waste money

+

pearl

We think local. We create together

We always keep the needs of our local clients in mind
We avoid duplication by copying and sharing ideas
We develop shared solutions in communities
And we take advantage of our scale in non-client facing activities
Because collaboration allows us to deliver
a better, faster service to our clients

We think client. We act digital

We design for a digital world
even when we are selling face to face
This digital way of working makes us even more
responsive and sets us apart from the competition
Our clients want simple, hassle-free solutions
So we simplify our processes and
procedures to facilitate that

We partner

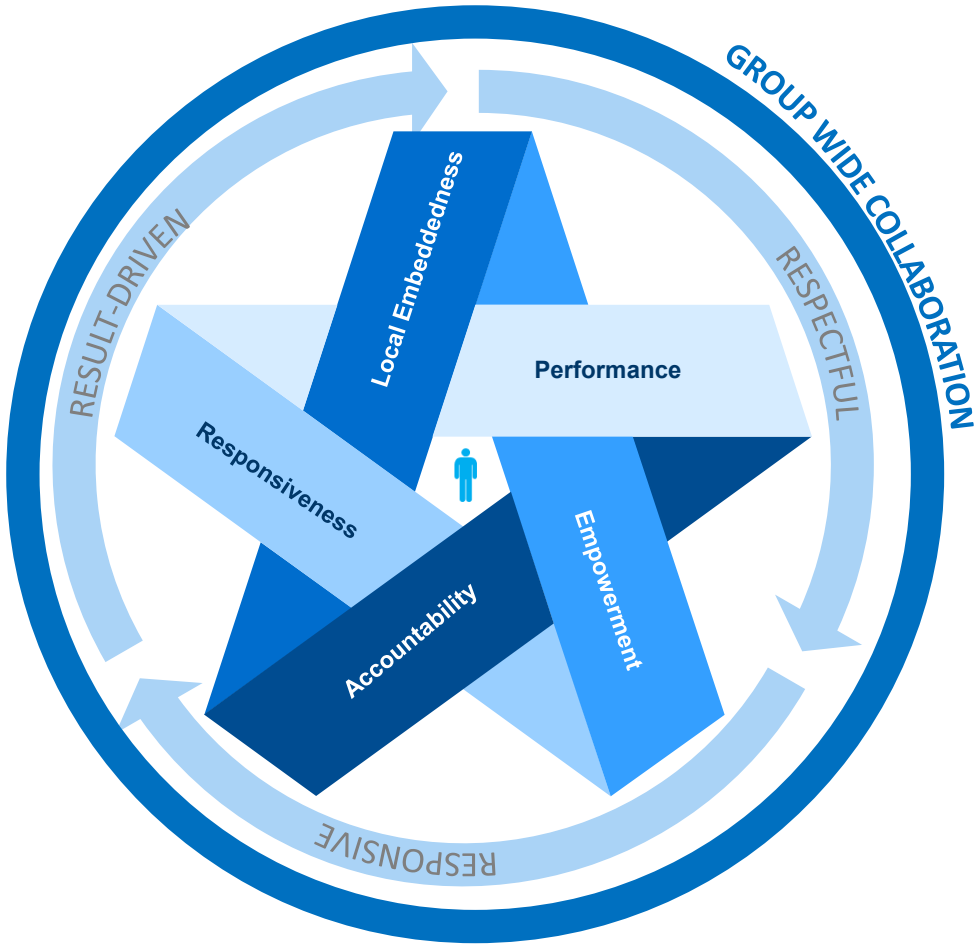
We improve our solutions to meet our clients' needs
by collaborating with partners, like fintechs and even competitors
and creating an IT environment partners can easily plug in and out of

We embrace artificial intelligence

We change our interaction with our clients over time
Technical innovation will help us advise our clients even better
Because human interaction and artificial intelligence reinforce each other

Strategy | Powered by PEARL

Differently: THE NEXT LEVEL



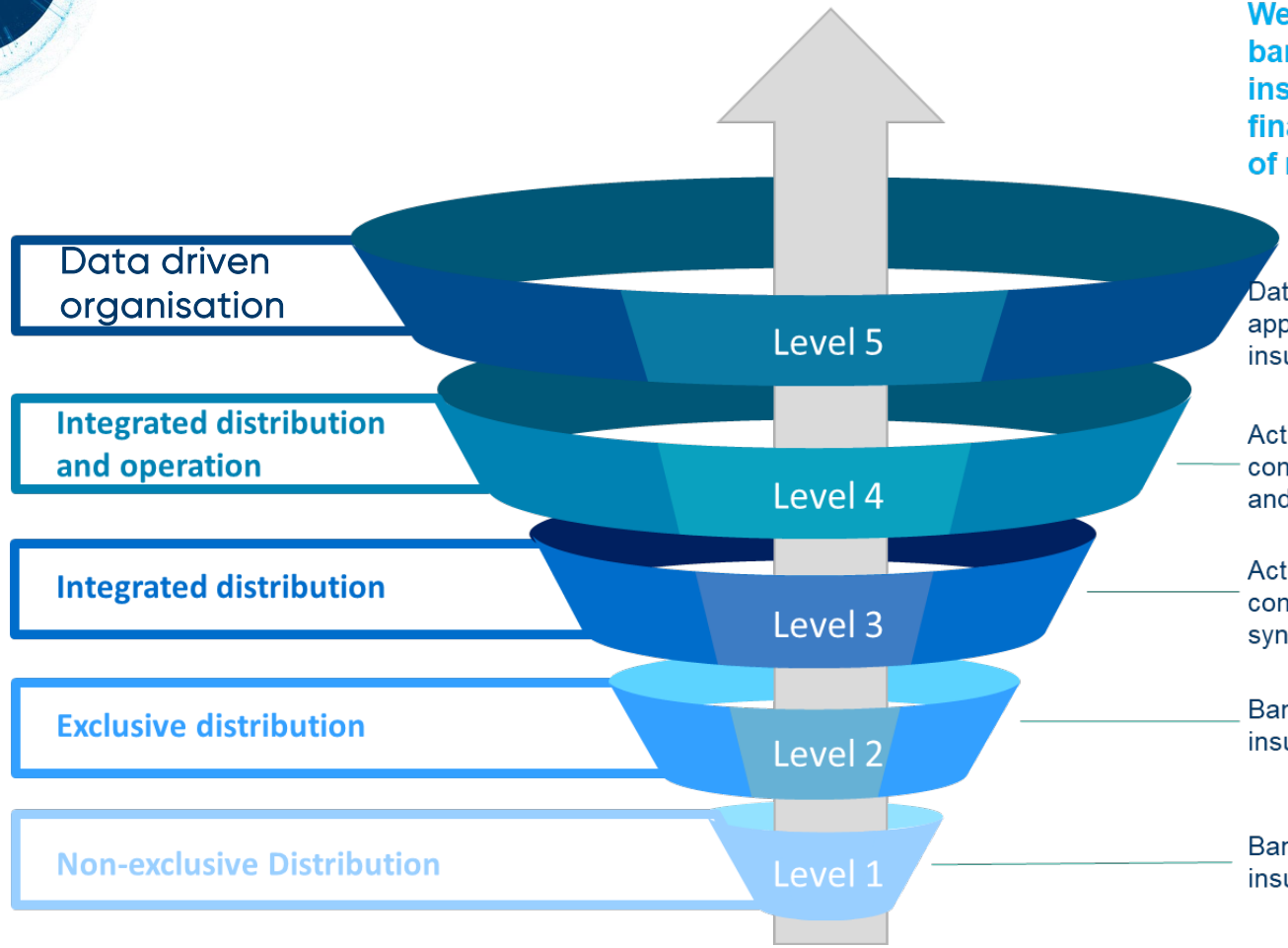
'Why would you build exactly the same thing in your country, when you have the solution next door?'

Johan Thijs

Strategy | Bank-insurance+

Differently: THE NEXT LEVEL

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



Data driven organisation: Fully integrated digital first distribution approach based on a solution driven and AI enabled bank-insurance.

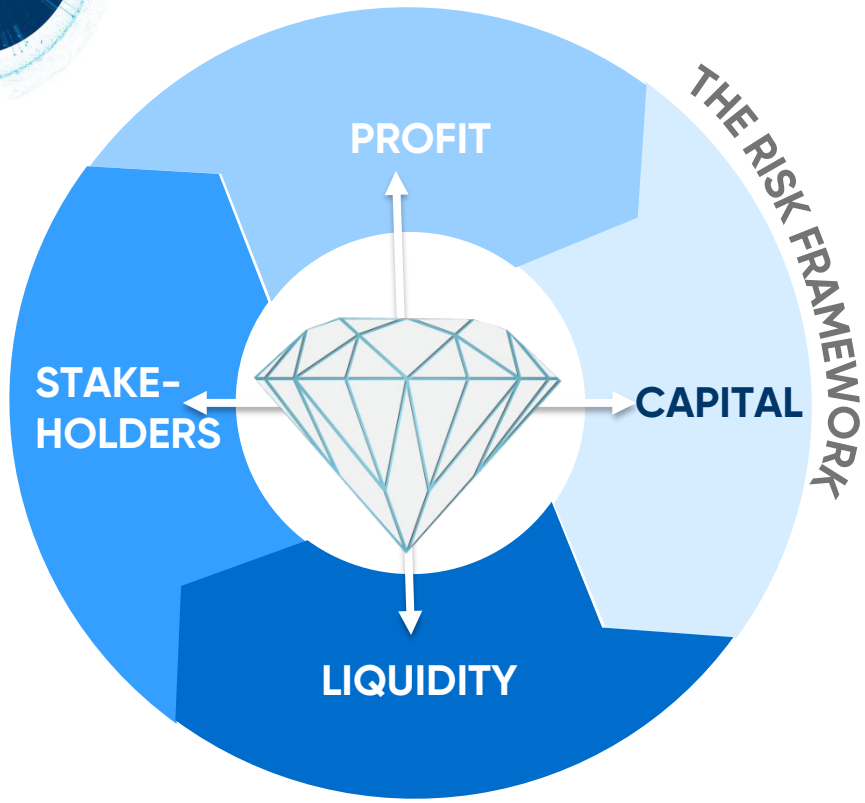
Acting as a single operational company: bank and insurance company working under unified governance, realizing commercial and non-commercial synergies.

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

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

Bank branches selling insurance products of third party insurers as additional source of income.

Strategy | Monitored through the KBC performance diamond



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

NET PROFIT

CAPITAL

LIQUIDITY

STAKEHOLDERS
Clients, staff, society, shareholders

KATE | KBC's hyper personalised and trusted digital assistant

Kate

PERSONALISED & DATA DRIVEN

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

RELEVANT & VALUABLE OFFER

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

AT THE RIGHT TIME

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

DIGITAL FIRST & E2E

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

SERVING: SECURE & FRICTIONLESS

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

VOLUME

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

'No hassle, no friction, zero delay'

Johan Thijs

KATE | Four flavors

Kate4MassRetail

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

Available in all KBC's core countries!

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

Kate Group Platform

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

Kate4Employees

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

Already available in CZ and BE
To be launched in HU, BG and SK (2H23)

Growing number of retail **USE CASES:** BE: 258, CZ: 154, IM: 135

Kate AUTONOMY 56% BE 51% CZ

use cases for Micro-SME's : 21 in BE & 35 in CZ

2 892 364 clients already in contact with Kate (BE+CZ+IM)

Four flavors, one Kate

'KATE IN A BOX' delivered to all core countries

Total of 580K Leads picked up by employees in CZ & BE in 2022

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.

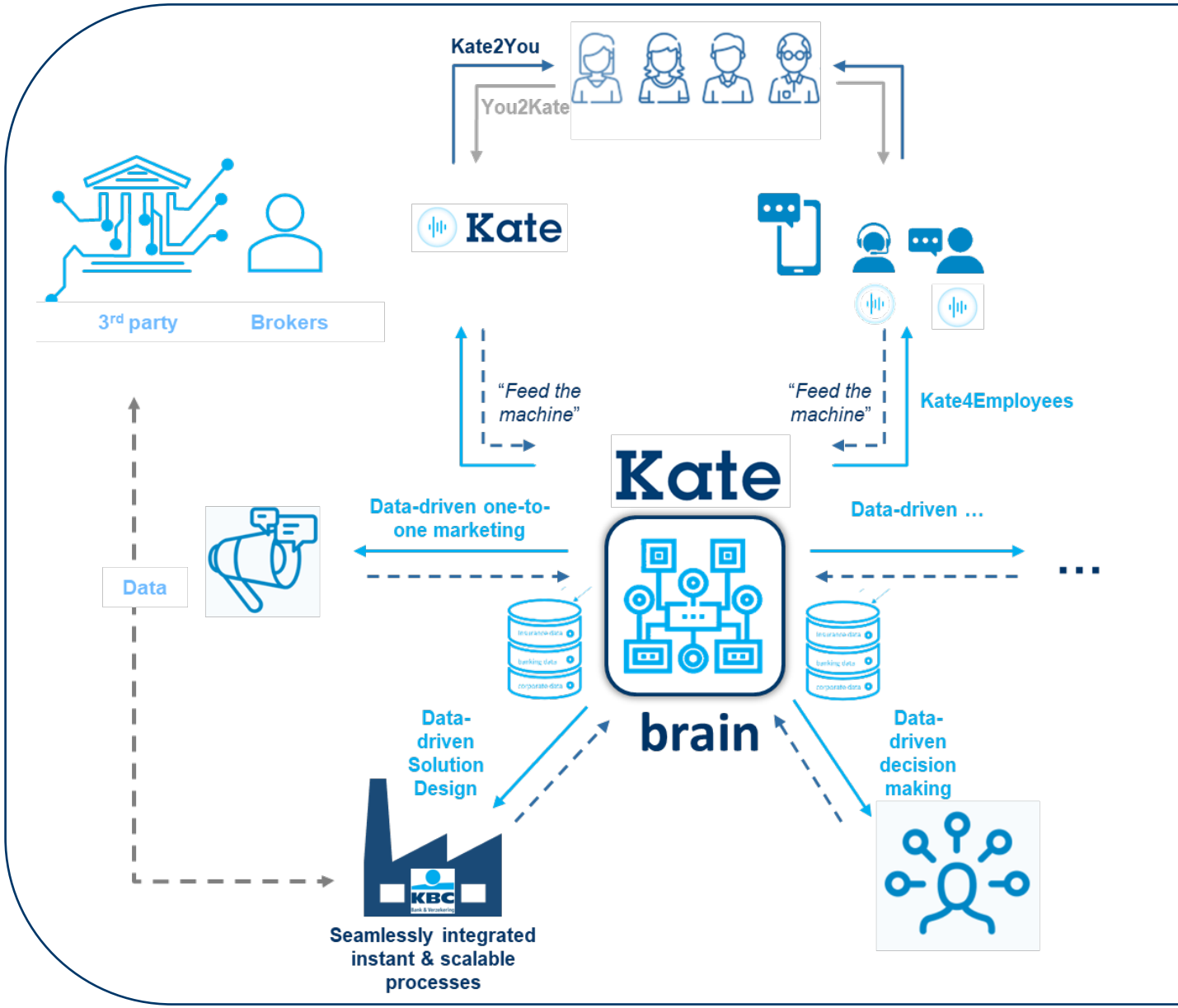
So, Kate is not only steering the interaction with customer-facing touchpoints (digital, physical, remote) but also the product factories and decision makers by providing relevant insights.

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**.

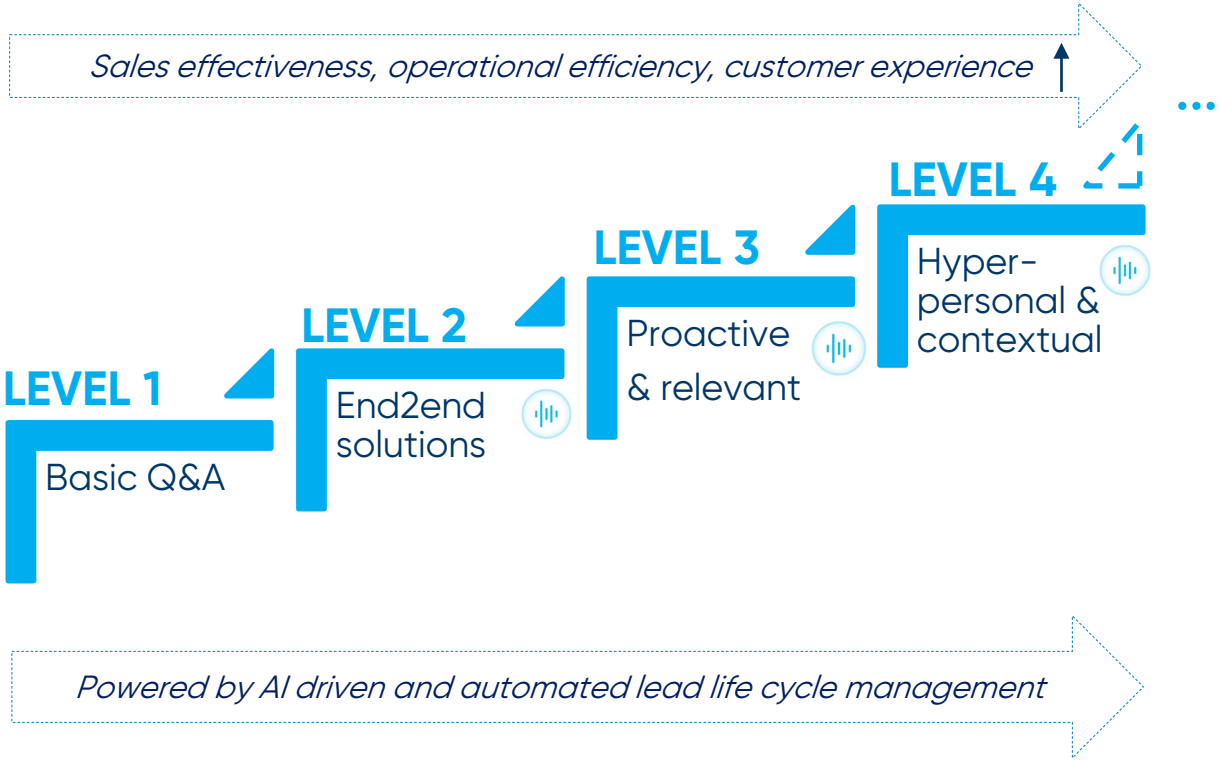
Very important in this are the **feedbacks loops** from all interactions to make **sure Kate is learning** and getting smarter, resulting in better decision making.

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 (better sales productivity).**



KATE | From basic chatbot to hyper-personal digital assistant



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

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

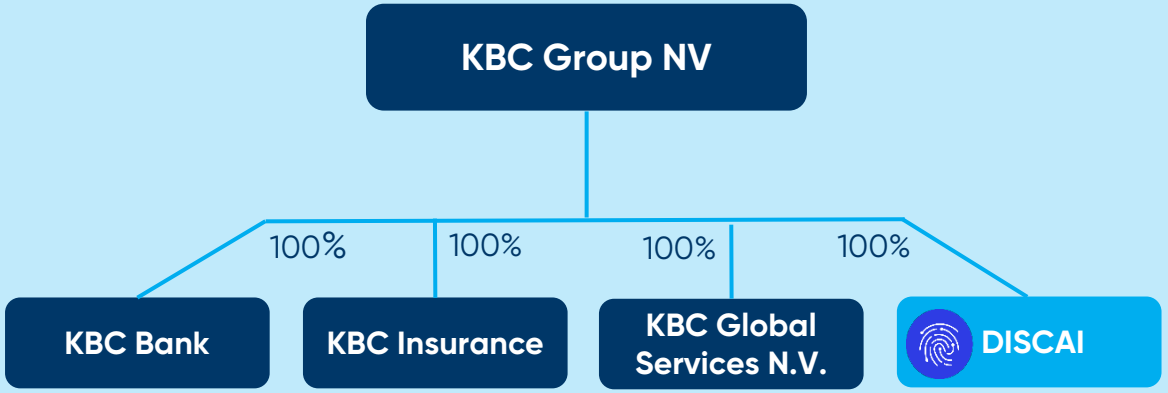
LEVEL 2: Kate reactively offers digital end-to-end solutions to customers

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

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

DISCAI - Discovering AI

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



next steps for DISCAI

✓ Starting with commercialisation of AML platform

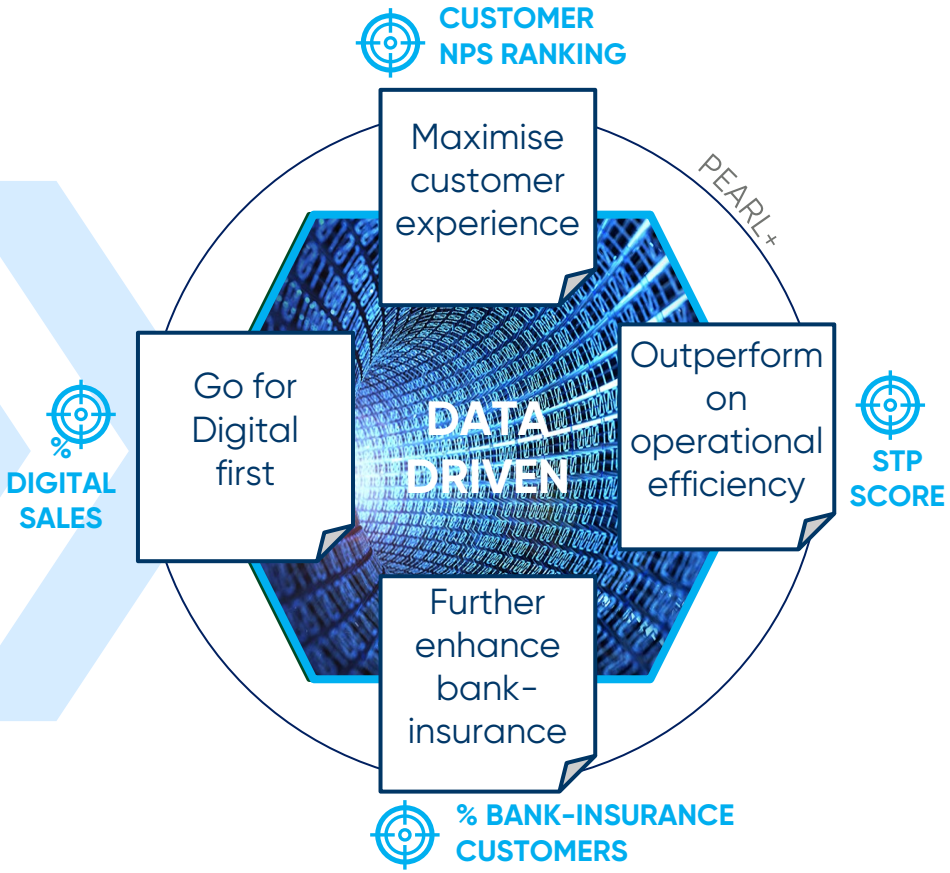
- Innovative and high-performance **AI-based solution** developed by KBC for **anti-money laundering** (AML), a global challenge for financial institutions
- Much **more effective** solution in detecting fraud cases ('know your transaction (**KYT**)' under AML regulations), trend-based instead of rule-based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

✓ More potential innovative solutions in the future

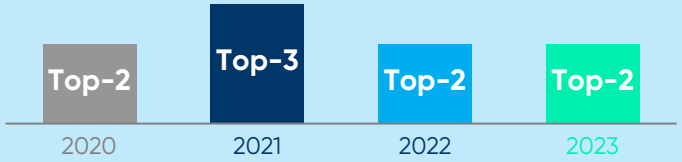
- In a next phase, **DISCAI** will assist companies and organisations from various sectors in search for **high-performance and innovative solutions** to technological and regulatory challenges

Strategy | Translating strategy into non-financial targets

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



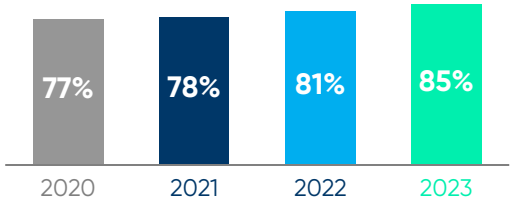
Customer NPS ranking



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

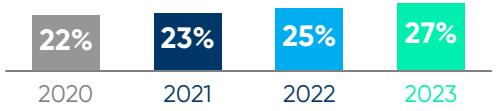
Bank-insurance (BI) clients

BI CLIENTS
in %



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

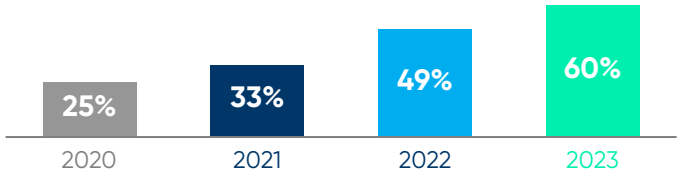
BI STABLE CLIENTS
in %



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

Straight-through processing (STP)

STP SCORE*
in %

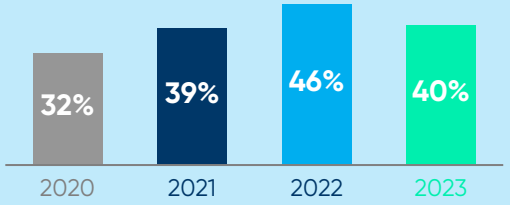


The **STP ratio** measures how many of the services that can be offered digitally are processed without any human intervention and this from the moment of interaction by a client until the final approval by KBC.

* Based on analysis of core commercial products.

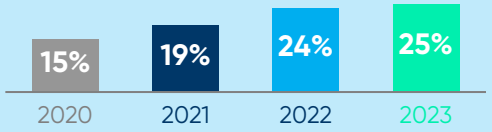
Digital sales

DIGITAL SALES BANKING PRODUCTS*
in %



Digital sales 46% of **banking sales** (vs 2023 target of ≥40%).

DIGITAL SALES INSURANCE PRODUCTS
in %



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

* Based on weighted average of selected core products.

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

Agency	ESG rating of 28th of December 2022 (previous score)	Position versus industry average
CDP	D- … A; **A** (A-)	• Leader in addressing climate change • CDP's A-list • Financial average service B-
SUSTAINALYTICS	Severe Risk, High Risk, Medium Risk, Low Risk, Negligible Risk; **12.5** (12.8)	• 3rd percentile of 405 diversified banks assessed • 10th of 405 diversified banks
S&P Dow Jones Indices (A Division of S&P Global)	0 … 100; **75** (74)	• Top 15% (85th percentile* of 242 banks assessed) * Final percentile of 2022 ranking is not available, as not all banks have been assessed yet by S&P Global
MSCI	C, B, BB, BBB, A, AA, AAA; **AAA** (AAA)	• 5th percentile of 197 banks assessed
Corporate ESG Performance Prime, RATED BY ISS ESG	D-, D, D+, C-, C, C+, … ; **C+ prime** (C prime)	• 1st decile rank of 300 Commercial Banks & Capital Markets assessed
FTSE4Good	0, 1, 2, 3, 4, 5; **4.3** (4.7)	• Top 10% (90th percentile of banks assessed)

Some recent ESG realisations

ESG Environmental

- Disclosure of 2030-2050 climate targets for our lending portfolio and responsible investing funds in line with **our CCCA ambitions**
- All KBC banking activities have committed to the **Science Based Targets initiative (SBTi)**
- We calculated the climate-related impact of our **own investments and asset management portfolio** through **Trucost data and methodology**
- KBC received the **Terra Carta Seal** in recognition of its commitment to creating a sustainable future.
- **Net climate-neutral** regarding our direct environmental footprint

ESG Social

- 32bn EUR in **Responsible Investing funds**
- Implementation of our social bond framework and **first Belgian financial institution to issue a 750m EUR social bond**
- 9.7m EUR of outstanding **loans to microfinance institutions and investments in microfinance funds**, reaching 1.4m rural entrepreneurs and farmers in the South
- Promoting **female entrepreneurship** targeting 50% of female founders in our start-up community
- Promoting **diversity and an inclusive culture. Inclusion in** the Bloomberg Gender-Equality Index.
- First-time participation to the **Workforce disclosure initiative** and signatory of the **Women's Empowerment Principles**

ESG Governance

- Top level responsibility for sustainability and climate change – anchored in our **sustainability governance and remuneration**
- **Our people** as one of the main drivers in our sustainable transition.
- KBC, CBC and K&H have been awarded **Top Employer certification** by the Top Employer's Institute
- Completion of **responsible behaviour awareness training** by the vast majority of staff in all core countries
- **Strengthening of our sustainability governance**. The country general manager sustainability has functional reporting requirements to the Senior General Manager Sustainability at KBC Group

Our environmental footprint

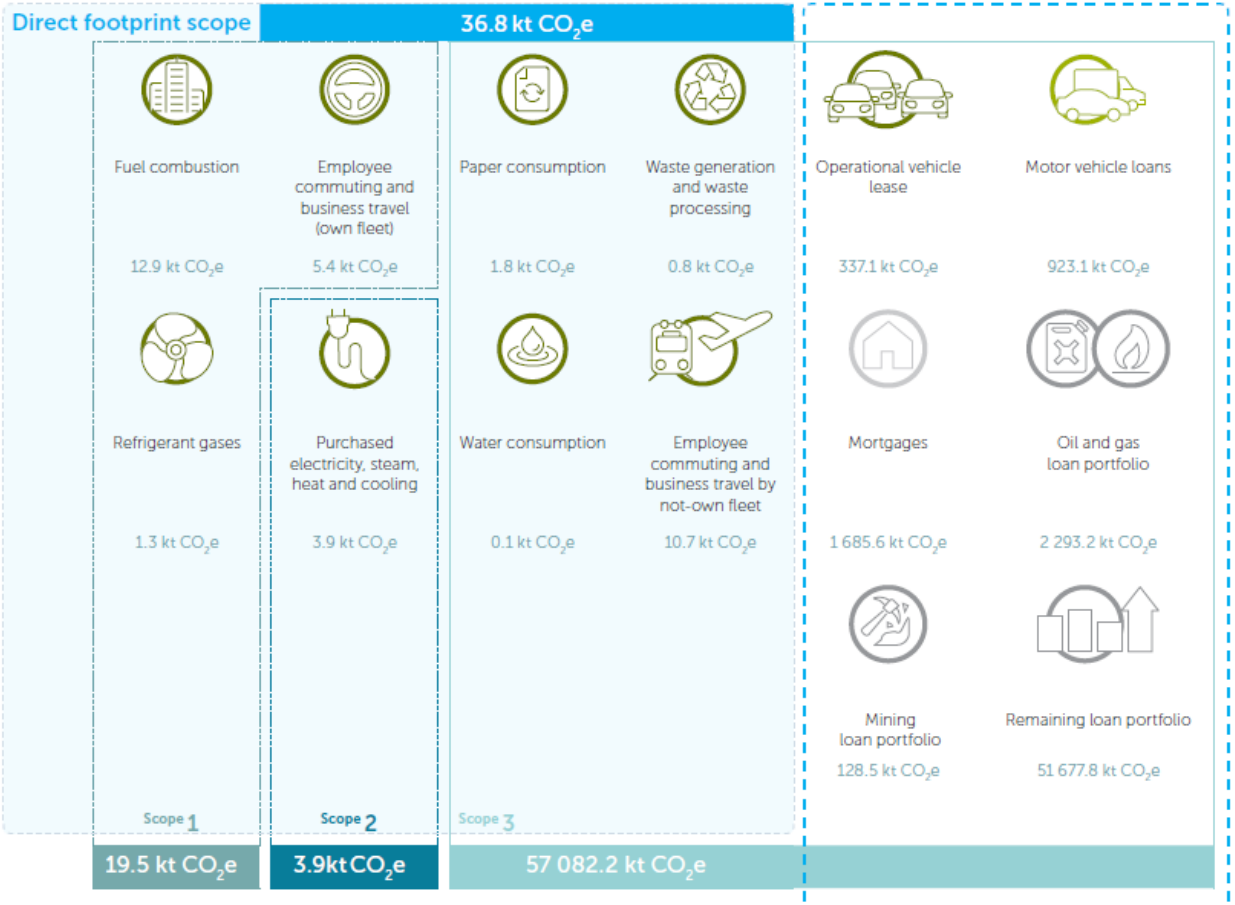


Figure 5.1: Scope and source of KBC Group's total GHG emissions totalling 57.1 Mt CO_2e

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

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

DIRECT footprint scope*:

Measure, reduce and set clear targets on our **direct footprint scope** already since 2015.

- At YE 2021, we achieved the target **of 100% of renewable energy** (in % of own electricity consumption)
- We already **substantially reduced our own GHG emissions by -71% in 2021 vs -80% targeted by 2030** (reduction compared to 2015)
- In line with our commitment, we reached **net-climate neutrality by offsetting** our residual direct emissions

INDIRECT footprint scope*:

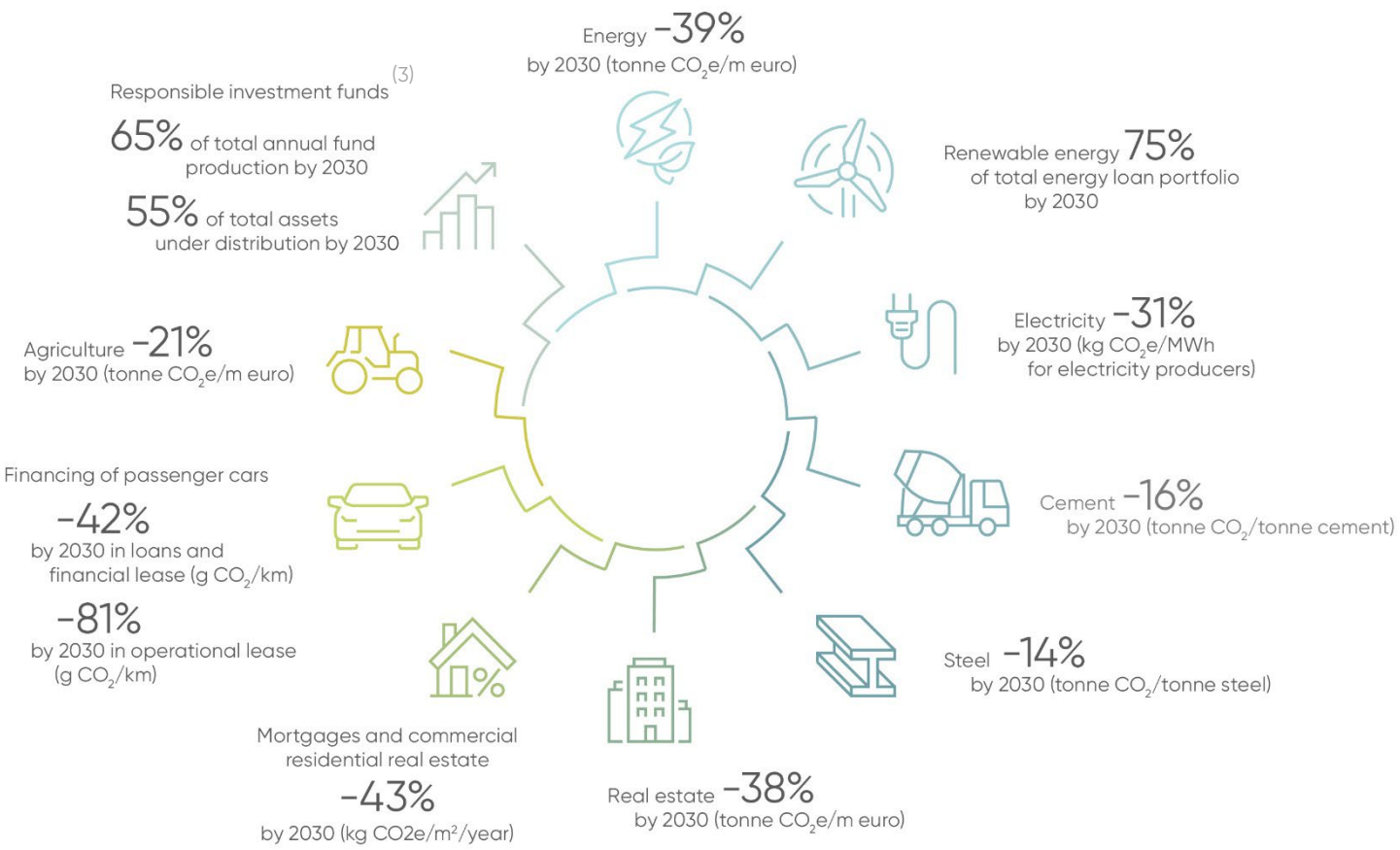
- In 2021, for the first time, we have calculated the **Scope 3 emissions** from our **loan and lease portfolio** (the financed emissions). More details in our 2021 Sustainability Report (KBC.COM)

* The publication of the sustainability report 2022 will be on 3rd of April 2023

Our 2030 Climate targets

INDIRECT footprint

Specific targets[1] for reducing future GHG emissions[2] of our lending and asset management business



- In September 2019, KBC strengthened its climate commitment by signing the **UN Collective Commitment to Climate Action** (CCCA)
- We aligned our business strategy with **the Paris Agreement** to keep global warming well below 2°C, while striving for a target of 1.5°C
- By signing the CCCA, KBC takes concrete actions **to reduce exposure to most material and climate sensitive sectors and product lines**
- The **first Climate Report** details our commitment, objectives and accomplishments in our role as a CCCA company (see KBC.COM website). The baseline data and underlying calculations **received limited assurance**
- In 2022, we measured our **performance** in the covered sectors, and we will publicly disclose all details in our 2022 Sustainability Report.

1. 2050 KBC targets available in our KBC Group Climate Report
2. Percentage reduction compared to 2021 levels
3. Additional target of 50% reduction of the carbon intensity of the Corporate investees in responsible funds by 2030 (versus the end of 2019)

Loan loss experience at KBC

CREDIT COST RATIO*

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

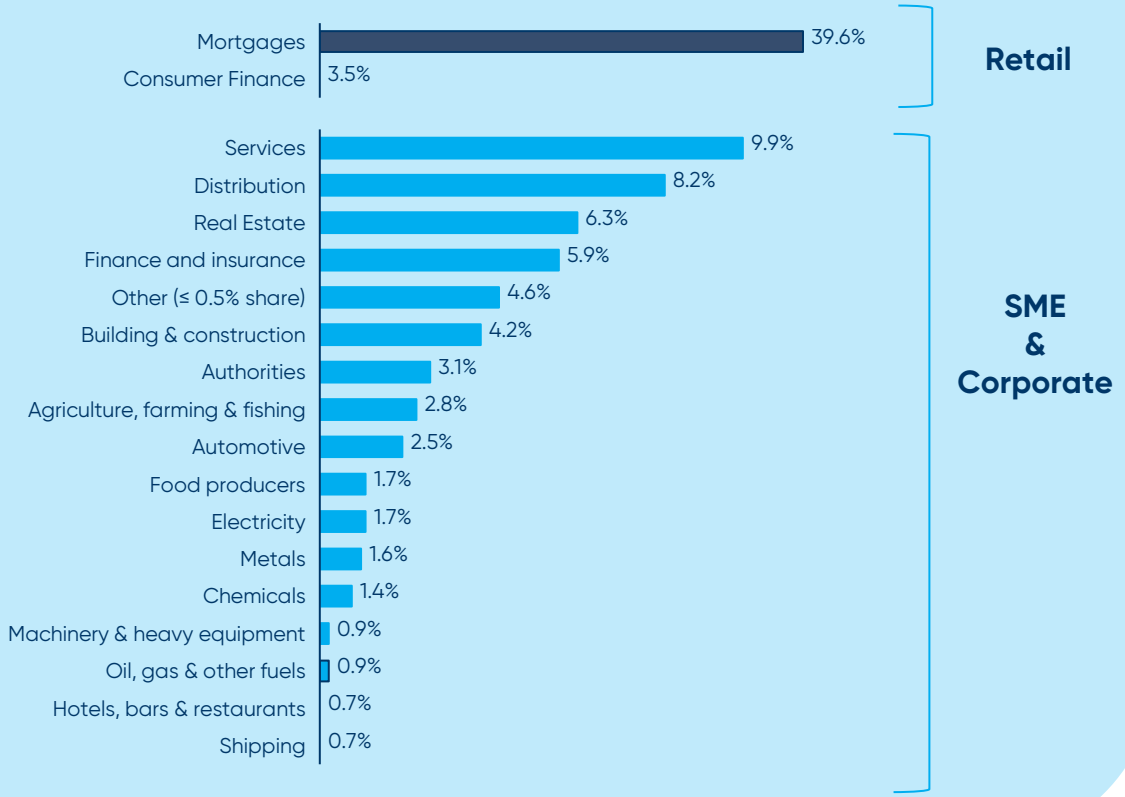
	FY22	FY21	FY20	FY19	FY18	FY17	AVERAGE '99 –'22
Belgium BU	**0.03%**	-0.26%	0.57%	0.22%	0.09%	0.09%	n/a
Czech Republic BU	**0.13%**	-0.42%	0.67%	0.04%	0.03%	0.02%	n/a
International Markets BU*	**0.31%**	0.36%	0.78%	-0.07%	-0.46%	-0.74%	n/a
Group Centre BU*	**-0.04%**	0.28%	-0.23%	-0.88%	-0.83%	0.40%	n/a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

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

Diversified loan portfolio

TOTAL LOAN PORTFOLIO OUTSTANDING – BY SECTOR

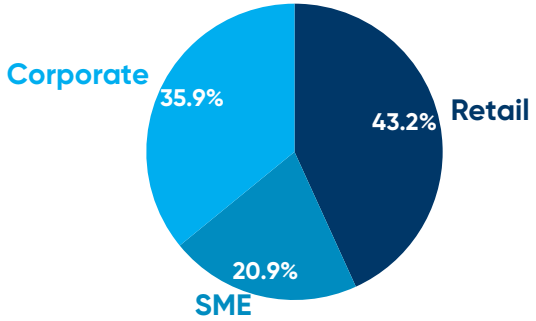
*as % of total Group loan portfolio outstanding**



Total loan portfolio outstanding
206bn EUR
Group level**

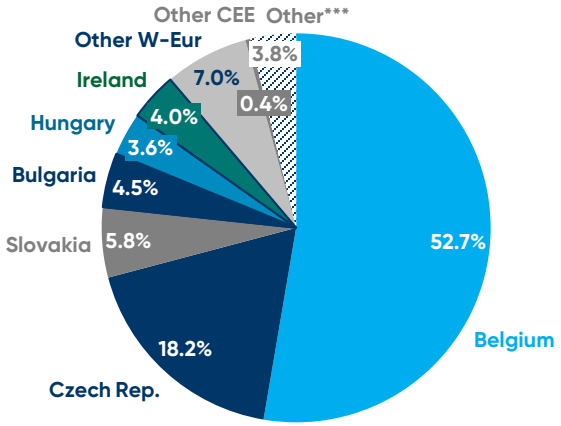
TOTAL LOAN PORTFOLIO OUTSTANDING – BY SEGMENT

*as % of total Group loan portfolio outstanding**



TOTAL LOAN PORTFOLIO OUTSTANDING – BY GEOGRAPY

*as % of total Group loan portfolio outstanding**



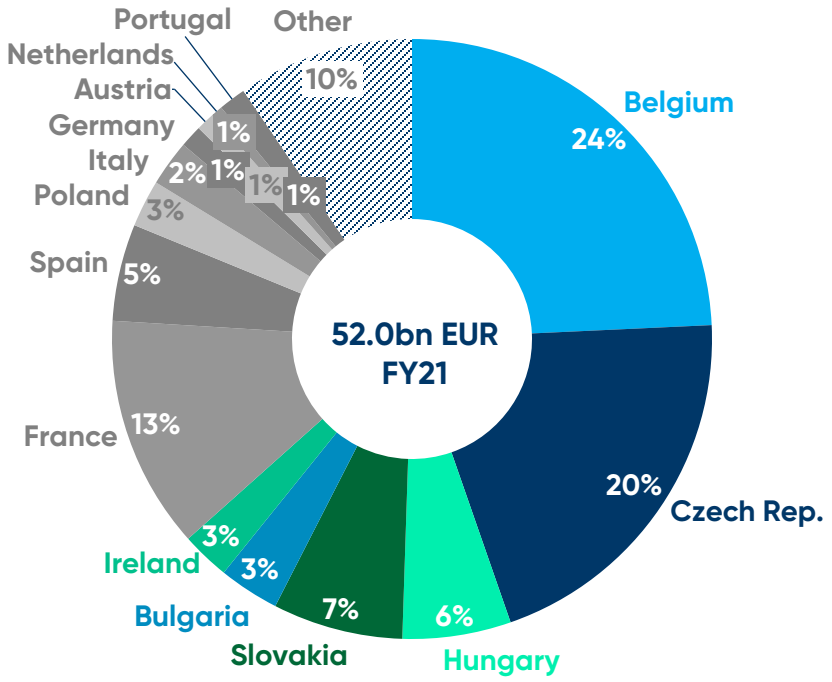
* Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
** Including loan portfolio of KBC Bank Ireland and KBC Bank Bulgaria as of 3Q22 (+4.5bn EUR at YE22). The pro-forma total loan portfolio outstanding without KBC Bank Ireland amounts to 198bn EUR.
*** 'Other' includes 0.01% of the outstanding portfolio to Russia and Ukraine

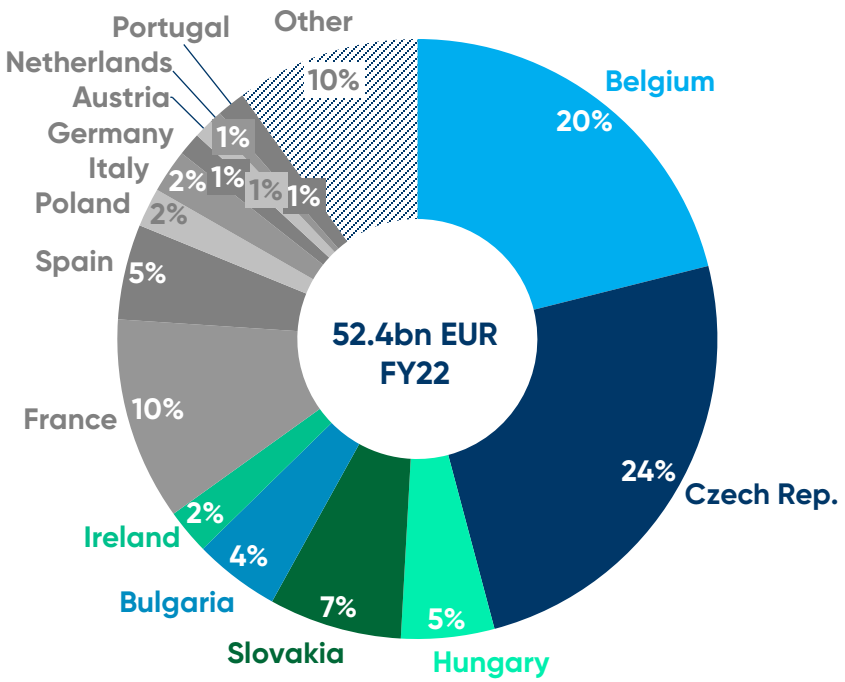
substantial and well-diversified government bond portfolio

- **Carrying value of 52.4bn EUR in government bonds** (excl. trading book) at end of FY22, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- **Carrying value of GIIPS exposure amounted to 5.6bn EUR** at the end of FY22

GOVERNMENT BOND PORTFOLIO – CARRYING VALUE* FY21/FY22

in %



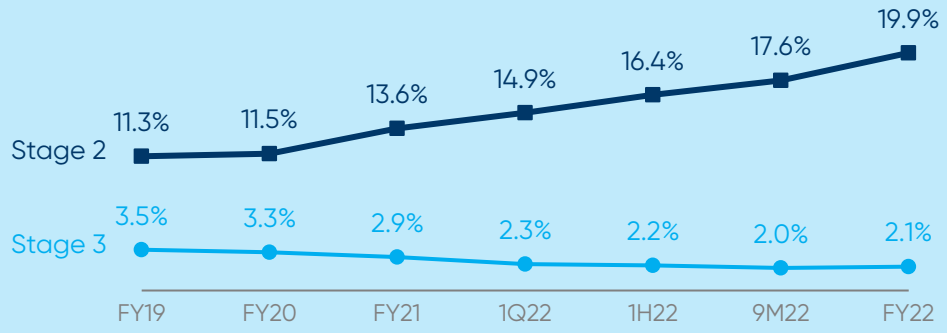


* Carrying value is the amount at which an asset (or liability) is recognised: for those not valued at fair value this is after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon, while carrying amount is equal to fair value when recognised at fair value

Loan portfolio breakdown by IFRS 9 ECL stage

TOTAL LOAN PORTFOLIO OUTSTANDING – BY IFRS9 ECL STAGE*

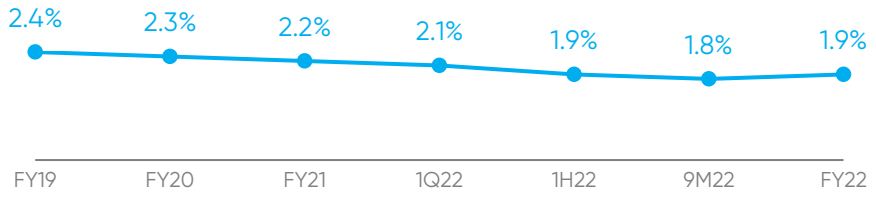
in %; as % of total Group loan portfolio outstanding



- Decrease of Stage 3 portfolio is mainly related to the sale of non-performing portfolio of Ireland
- As of 2H21, the increase of the Stage 2 portfolio resulted mainly from collective transfer to Stage 2 of Stage 1 portfolios for the impact of Covid and the Czech interest rate increases.
- In 2022, in line with strict application of the general ECB guidance on staging, an additional exposure was transferred to Stage 2 linked to the geopolitical and emerging risks, partly compensated in 2Q22 by the full release of the collective transfer of Covid
- Excluding these collective transfers and a model recalibration in 4Q22, no general deterioration has been observed in our portfolio

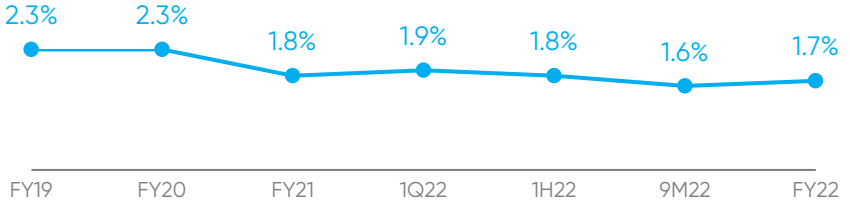
STAGE 3 RATIO | BELGIUM BU

in %



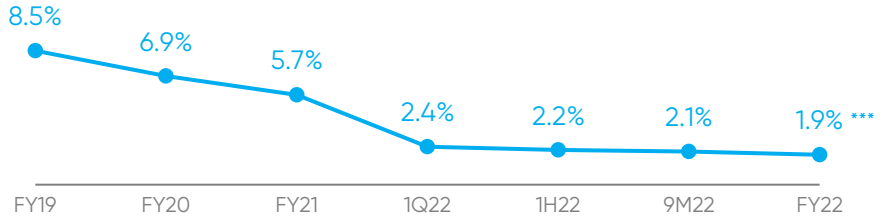
STAGE 3 RATIO | CZECH REPUBLIC BU

in %



STAGE 3 RATIO | INTERNATIONAL MARKETS BU**

in %

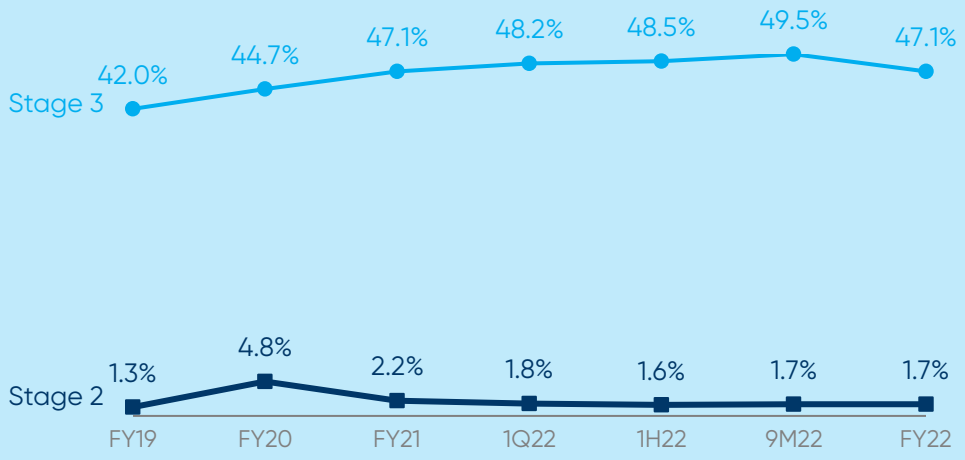


* Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
** As of 1Q 2022, KBC Ireland has been shifted from International Markets BU to Group Centre BU. No restatements have been made
*** As of 3Q 2022, including KBC Bank Bulgaria with a Stage 3 ratio of 2.6% at FY22

Cover ratios

COVER RATIO – BY IFRS9 ECL STAGE*

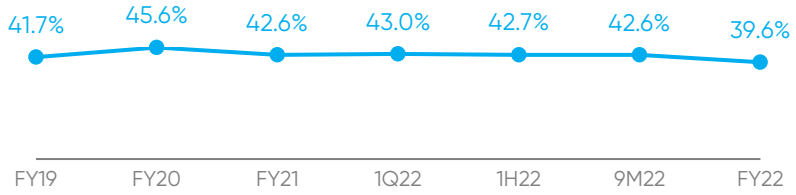
in %



- In 2022, the higher Stage 3 cover ratio is driven mainly by the sale of non-performing mortgage loans of Ireland
- The q-o-q decrease of the Stage 3 cover ratio is driven mainly by inflow of stage 3 files with high collateral
- From 2H21, the decline of the Stage 2 cover ratio resulted mainly from collective shifts to Stage 2 (linked to the geopolitical and emerging risks, partly compensated in 2Q22 by the full release of the collective transfer of Covid)

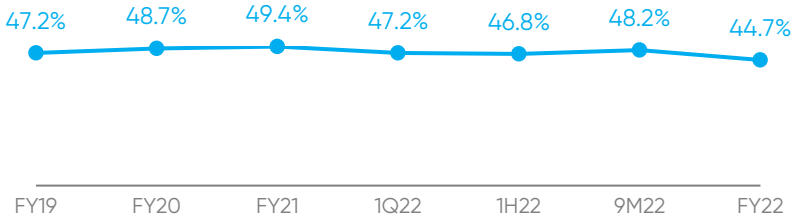
STAGE 3 COVER RATIO | BELGIUM BU

in %



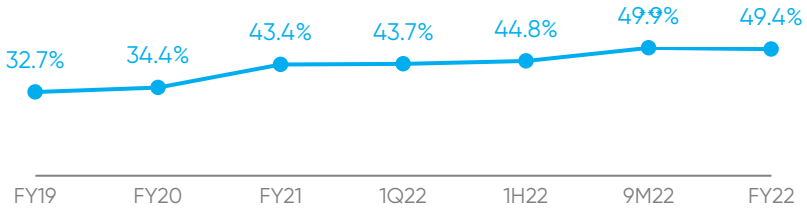
STAGE 3 COVER RATIO | CZECH REPUBLIC BU

in %



STAGE 3 COVER RATIO | INTERNATIONAL MARKETS BU**

in %



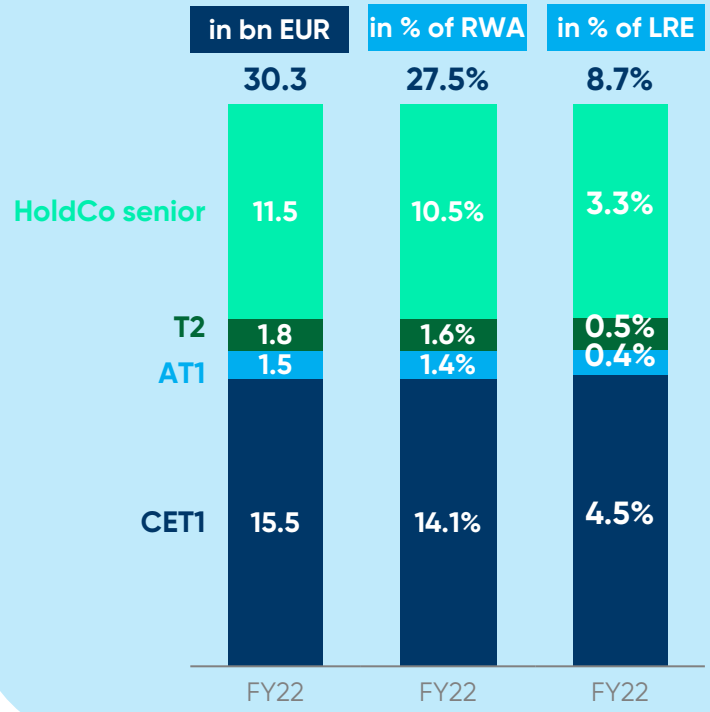
* Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
** As of 1Q 2022, KBC Ireland has been shifted from International Markets BU to Group Centre BU. No restatements have been made
*** As of 3Q 2022 including Raiffeisenbank Bulgaria with a coverage ratio of 64% at FY22

Above resolution requirements of 2022 in terms of MREL

MREL targets

- The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level, with **bail-in** as the preferred resolution tool
- **In December 2022, the SRB communicated updated draft MREL targets**[1] (under BRRD2) for 01-01-2024, expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE)
- The **new binding MREL targets (incl. CBR on top of the MREL target in % of RWA)** are:
  - **27.87% of RWA** as from 01-01-2024 (including CBR[2] of 4.95% as from 4Q2023), with an intermediate target as from 01-01-2022, reaching 26.21% at YE2022 (including CBR[3] of 4.58%)
  - **7.38% of LRE** as from 01-01-2024, with an intermediate target of 7.34% of LRE as from 01-01-2022

MREL actuals



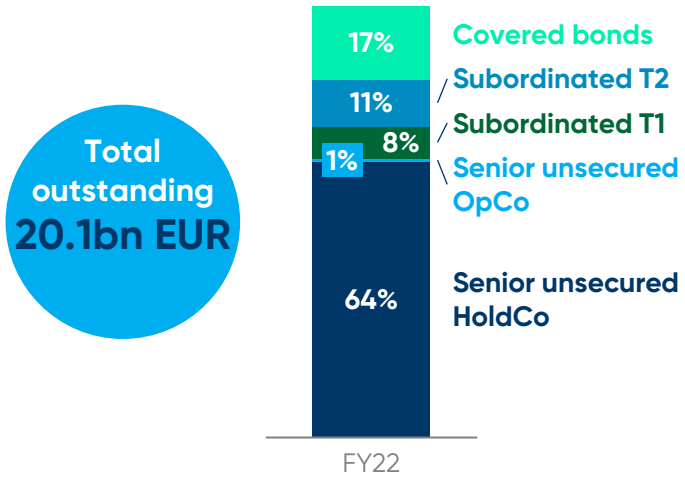
- The **MREL ratio in % of RWA** increased from 27.2% in 3Q22 to 27.5% in 4Q22. This is driven mainly by the issuance of a new Holdco senior instrument and an increase of the CET1 capital
- The **MREL ratio in % of LRE** increased from 8.6% in 3Q22 to 8.7% in 4Q22, driven by the issuance of a new HoldCo senior instrument, an increase of the CET1 capital and a decrease of the leverage ratio exposure

1. The official MREL decision is expected during 2Q23
2. Combined Buffer Requirement as of 01-01-2024 = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + Countercyclical Buffer (0.75%) + Systemic Risk Buffer (0,20%)
3. Combined Buffer Requirement at YE 2022 = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + Countercyclical Buffer (0.39%) + Systemic Risk Buffer (0,20%)

upcoming mid-term funding maturities

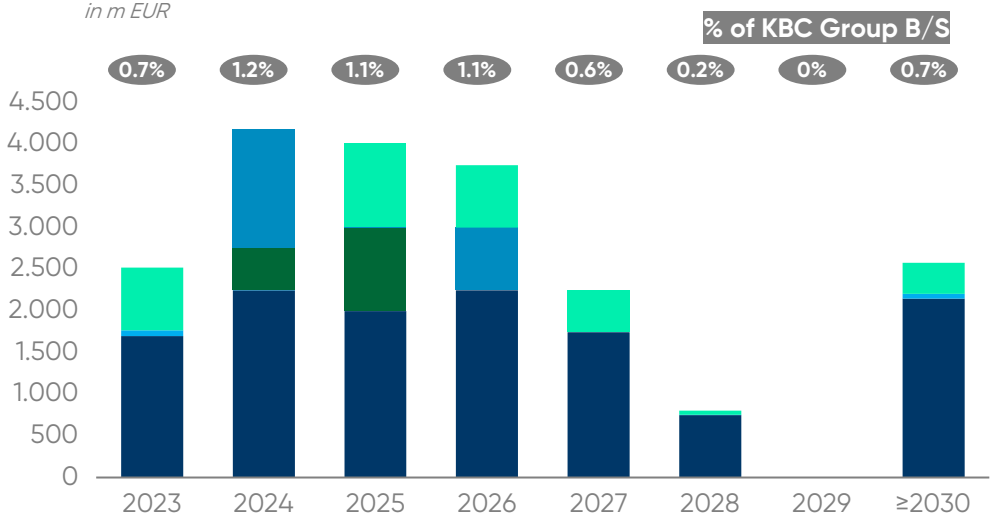
TOTAL OUTSTANDING

in %



FUNDING MATURITY BUCKETS

in m EUR



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

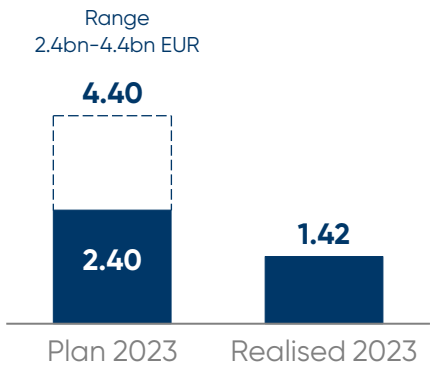
- Retail term deposits
- Retail EMTN
- Public benchmark transactions
- Covered bonds
- Structured notes and covered bonds using the private placement format
- Senior unsecured, T1 and T2 capital instruments issued at KBC Group level and down-streamed to KBC Bank

FUNDING PROGRAM 4Q22

- In **November 2022**, KBC Group issued a senior Holdco benchmark for an amount of 1bn EUR with a 5-year maturity callable after 4 years.

EXPECTED MREL FUNDING PROGRAM

in bn EUR



We aim to issue 1 green/social bond per year

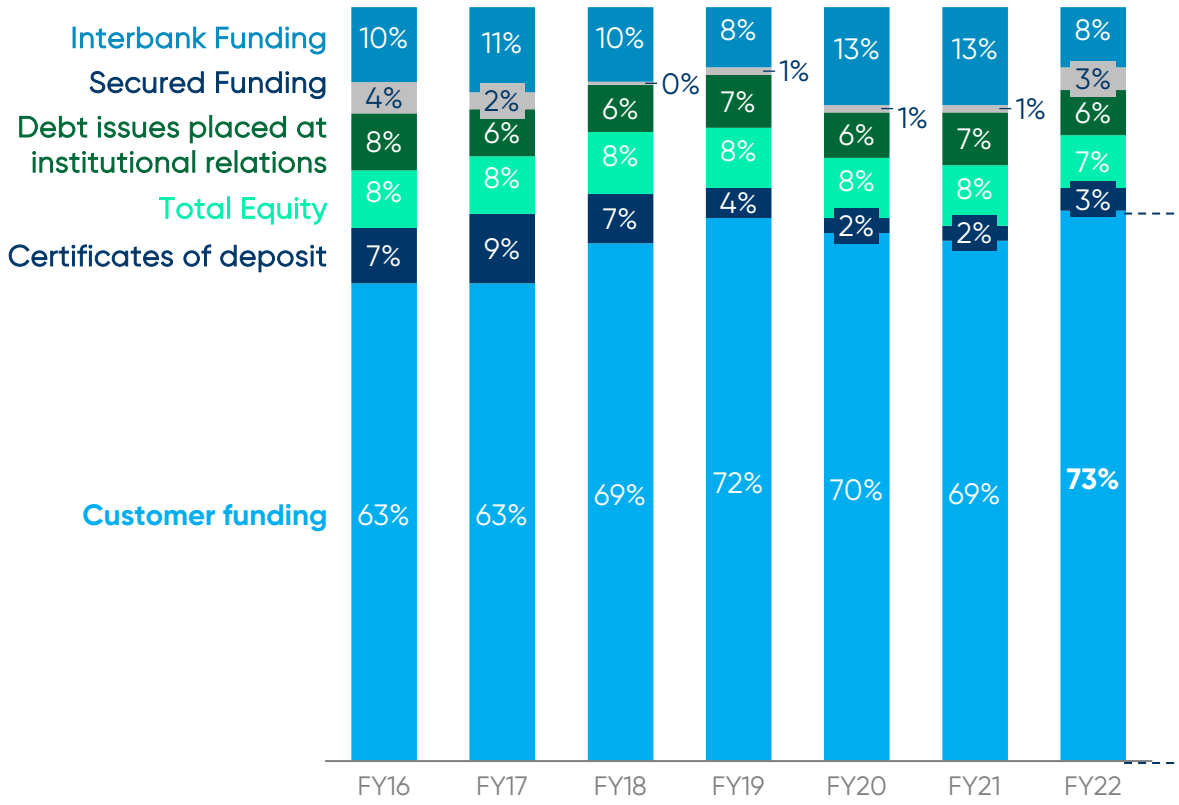
Note: any change in regulatory requirements, RWA evolutions, MREL targets or market circumstances can change the current disclosed range

In **January 2023**, KBC Group issued a senior Holdco benchmark of 1bn USD with a 6 years maturity callable after 5 years.
Later in **January**, KBC Group also issued a subordinated Tier 2 of 500m EUR with a 10.25 years maturity callable after 5.25 years.
(*Both are not included in the above figures as not part of the 4Q2022 position*).

strong and growing customer funding base

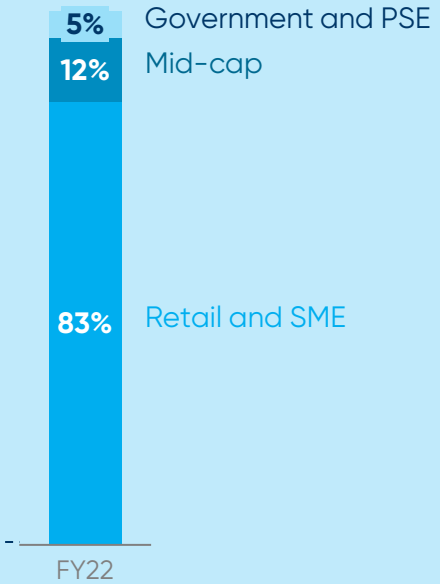
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments and markets
- **Stable % in customer funding** compared to balance sheet total (but net growth in customer funding in absolute terms)
- KBC **Bank participated to the TLTRO III** for a remaining exposure of 15.4bn EUR which is reflected in the 'Interbank Funding' item below

FUNDING BASE
in %

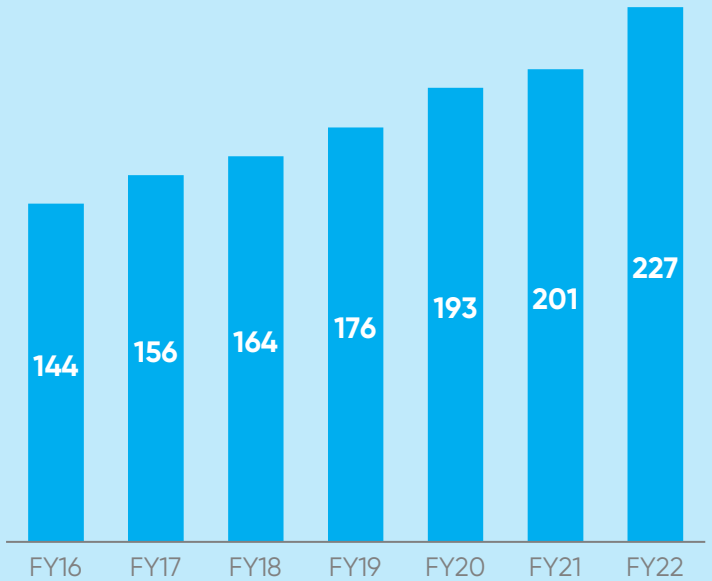


zoom on customer funding

CUSTOMER FUNDING
in %



CUSTOMER FUNDING
in bn EUR



Glossary

B3 / B4	Basel III / Basel IV
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (group)	[operating expenses of the group] / [total income of the group]
Cost/income ratio adjusted for specific items	The numerator and denominator are adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include (i) MtM ALM derivatives (fully excluded), (ii) bank & insurance taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC21) and (iii) one-off items
Credit cost ratio (CCR)	[annualised net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula. As the full collective Covid-19 expected credit losses (ECL) have been booked in 1H20, they were not annualised to calculate the ratio in 1H20
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
ESFR	European Single Resolution Fund
FICOD	Financial Conglomerates Directive
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (PD 10-11-12)]
Impaired loans ratio	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity coverage ratio (LCR)	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days]
Management overlay	Our Expected Credit Loss (ECL) models were not able to adequately reflect all the specifics of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis. Therefore, an expert-based calculation at portfolio level is required via a management overlay
MREL	Minimum requirement for own funds and eligible liabilities
Net interest margin (NIM) of the group	[banking group net interest income excluding dealing room] / [banking group average interest-bearing assets excluding dealing room]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]
PD	Probability of default
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for fair value through Other Comprehensive Income (OCI) assets]
TLAC	Total loss-absorbing capacity

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More information

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

Upcoming 2023 events

10 February	Equity roadshow, London
1 March	Equity roadshow, Paris
8 March	Equity roadshow, Frankfurt
8 March	Equity roadshow, NY
9 March	Equity roadshow, Boston
14 March	Equity conference, London
3 April	Annual report 2022
24 April	1Q23 black out period
4 May	Annual General Meeting
16 May	1Q23 Publication of Results
17 May	Equity roadshow, London

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- This presentation contains non-IFRS information and forward-looking statements with respect to the strategy, earnings and capital trends of KBC, involving numerous assumptions and uncertainties. There is a risk that these statements may not be fulfilled and that future developments differ materially. Moreover, KBC does not undertake any obligation to update the presentation in line with new developments.
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