

KBC Group

Debt presentation

May 2022



More information: www.kbc.com

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

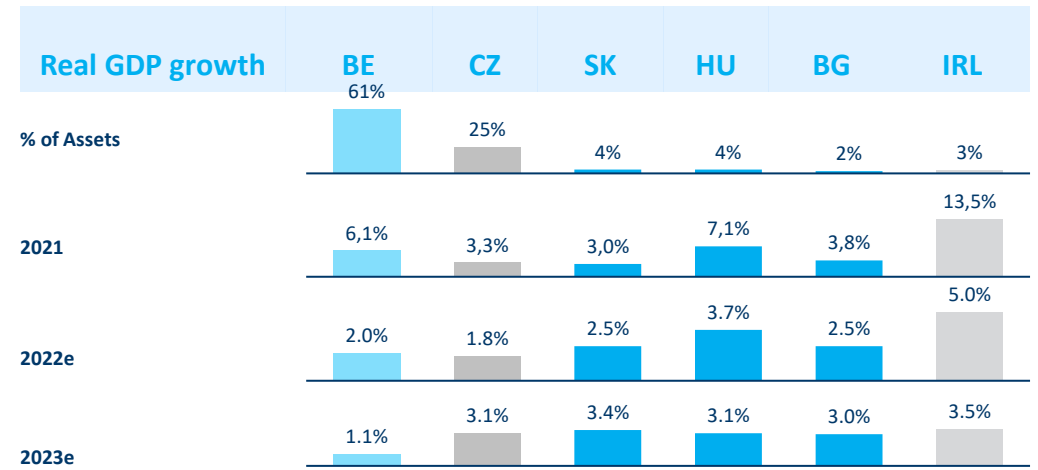
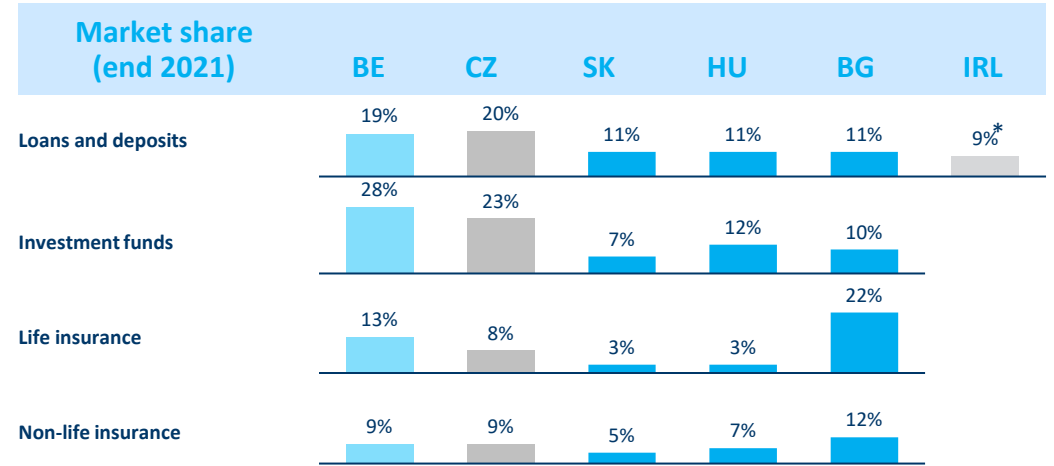
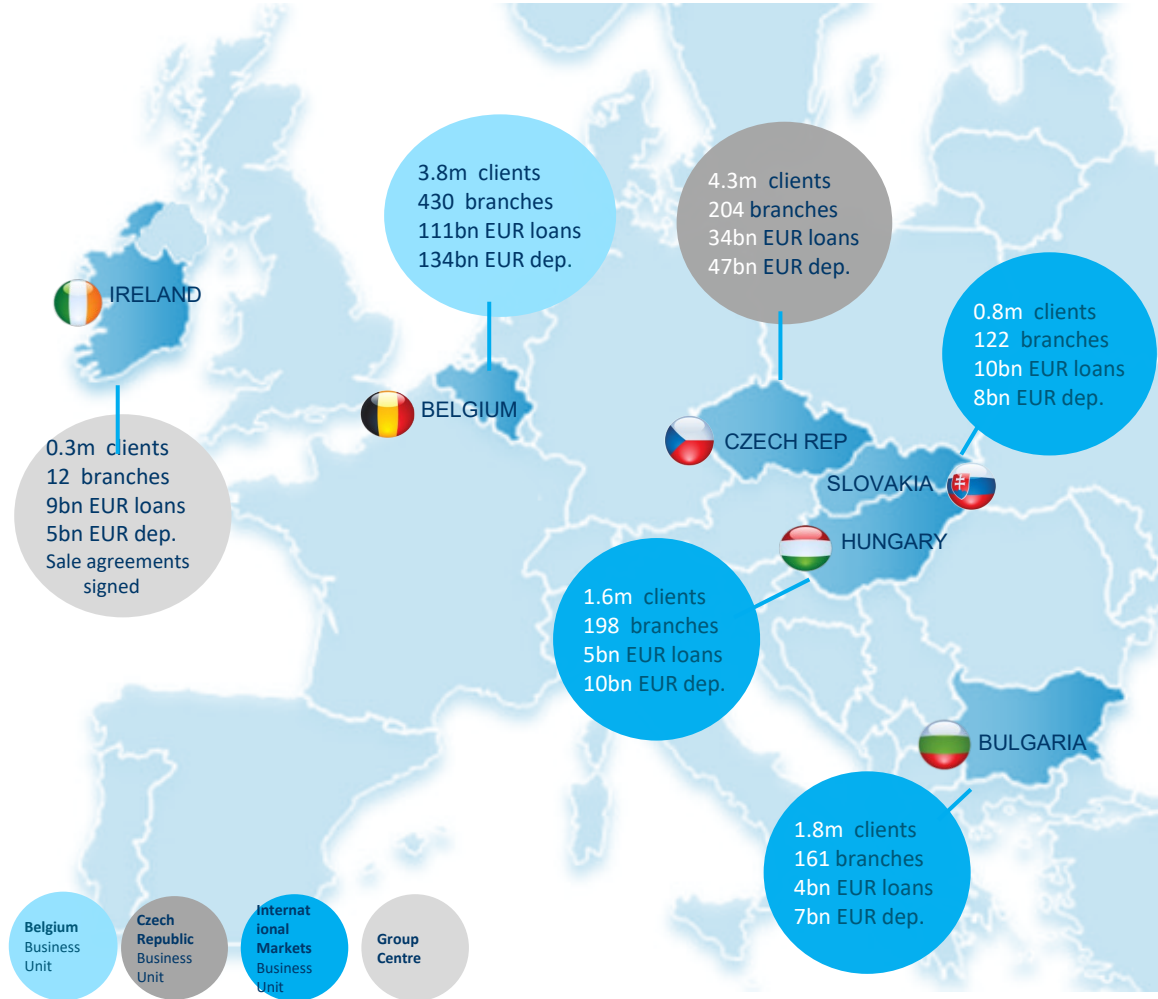


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- KBC believes that this presentation is reliable, although some information is condensed and therefore incomplete. KBC cannot be held liable for any loss or damage resulting from the use of the information.
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- By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.

KBC Passport

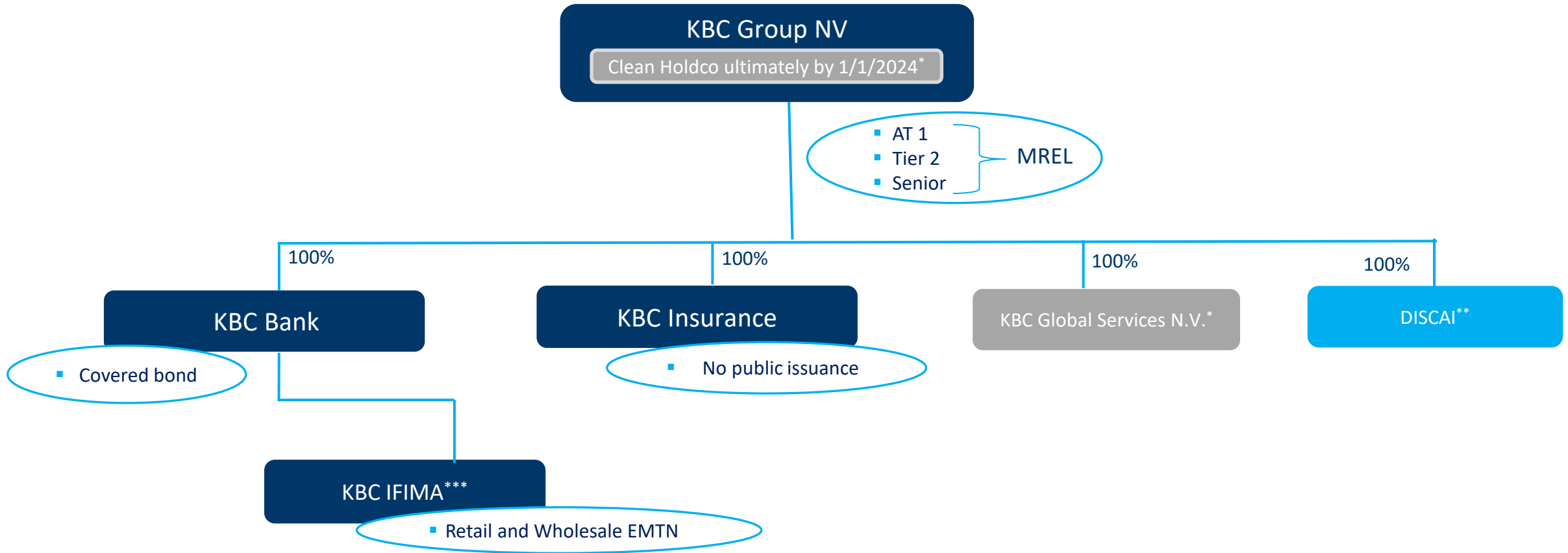
Well-defined core markets



GDP growth: KBC data, April '22
* Retail segment

KBC Passport

Group's legal structure and issuer of debt instruments



• To ensure that KBC's HoldCo senior debt is eligible for the subordinated MREL target (i.e., to make sure that no excluded liabilities ranking pari passu or junior with HoldCo senior debt are present in KBC Group NV), the KBC Group ExCo decided on to make KBC Group NV a Clean HoldCo for the purpose of resolution. Ultimately from 1/1/2024, all the activities of KBC Group NV will be transferred to a new subsidiary of KBC Group NV (with exception of the group controlling functions), the financial holding activities and issuing own funds and MREL instruments that remain at KBC Group NV

** DISCAI (Discovering AI) is a separate fully owned subsidiary, grouping the in-house developed artificial intelligence solutions for commercialisation to third parties (as of 7 March 2022)

*** All debt obligations of KBC IFIMA are unconditionally and irrevocably guaranteed by KBC Bank

Latest credit ratings

		Moody's	S&P	Fitch
Group	Senior Unsecured	Baa1	A-	A
	Tier II	Baa2	BBB	BBB+
	Additional Tier I	Ba1	BB+	BBB-
	Short-term	P-2	A-2	F1
	Outlook	Stable	Stable	Stable
Bank	Covered Bonds	Aaa	-	AAA
	Senior Unsecured	A2	A+	A+
	Tier II	-	BBB	-
	Short-term	P-1	A-1	F1
	Outlook	Stable	Stable	Stable
Insurance	Financial Strength Rating	-	A	-
	Issuer Credit Rating	-	A	-
	Outlook	-	Stable	-

Latest updates:

- **12 October 2021: Fitch** revised the outlooks on KBC Group and KBC Bank to stable. The revision of the outlook reflects Fitch's updated economic assumptions for the group's main operating countries. This means back to the situation pre Covid.
- **13 July 2021: Moody's** has left KBC Group's *senior debt rating* unchanged but has downgraded KBC Bank's senior debt rating by one notch to A2 from A1. The outlook remains stable. The downgrade is driven by Moody's new rating methodology related to Loss Given Failure (LGF). However, Moody's view of KBC's fundamental creditworthiness remains the same. The *long-term deposit rating* of KBC Bank N.V. has been downgraded to A1 from Aa3. The rating agency also downgraded the backed *senior unsecured debt and Medium-Term Notes (MTN) programme ratings* of KBC IFIMA S.A. to A2 from A1, and to (P)A2 from (P)A1, respectively
- **23 June 2021: S&P** revised the outlook to stable from negative for KBC Group, KBC Insurance and KBC Group RE given the improvement of the economic risk trend in Belgium. This means back to the situation pre Covid



ESG ratings and indices

Ahead of the curve



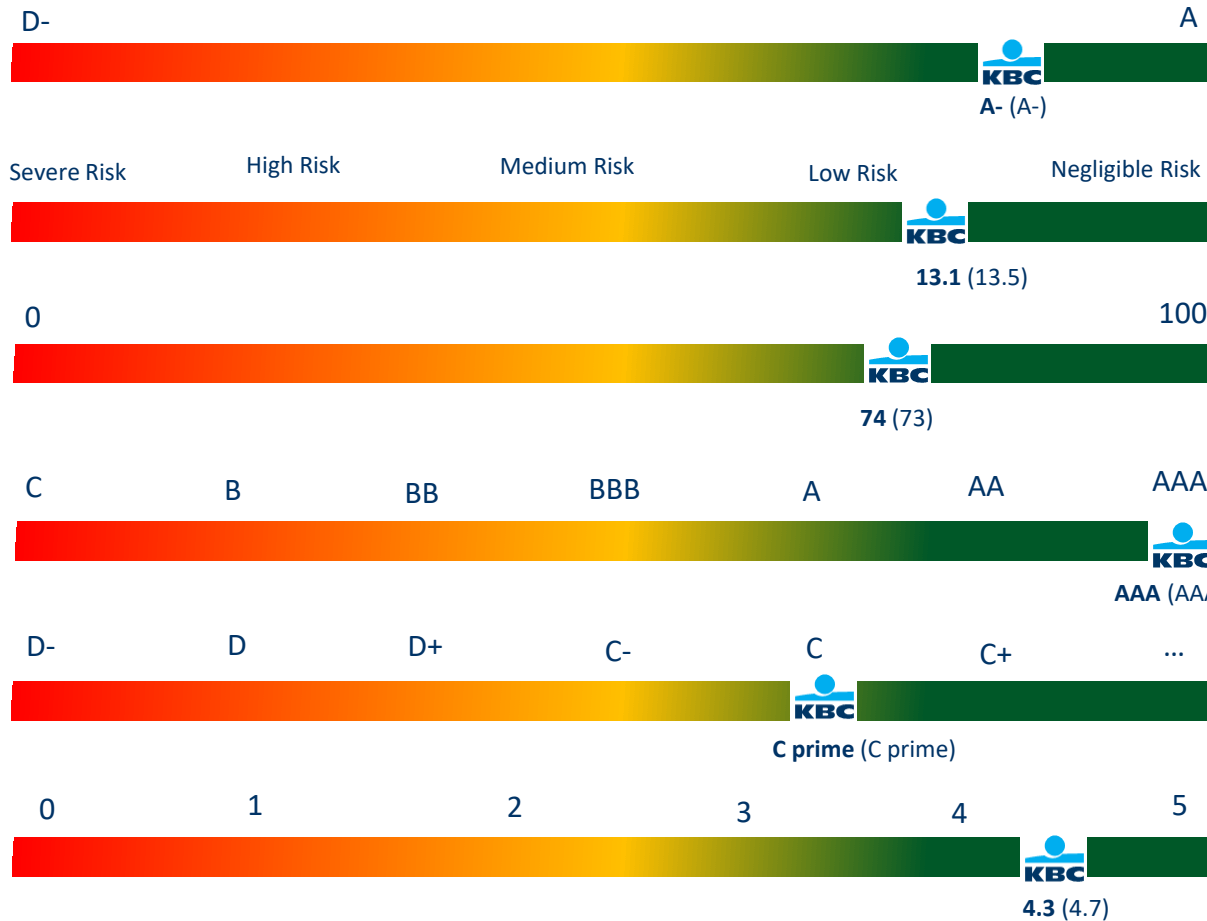
Agencies

ESG rating of 29th of April 2022 (previous score)

Position versus industry average



FTSE4Good



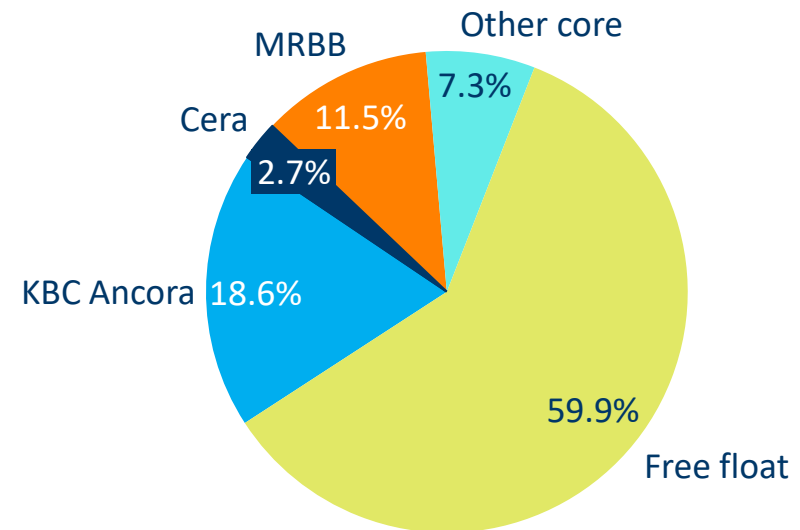
- Financial services average B
- 3rd percentile of 413 diversified banks assessed
- 9th of 413 diversified banks
- Top 12%
- (88th percentile of 242 banks assessed)
- 3rd percentile of 189 banks assessed
- 1st decile rank of 299 Commercial Banks & Capital Markets assessed
- Top 4%
- (96th percentile of banks assessed)



Contents

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2. Financial performance
3. Solvency, liquidity and funding
4. Covered bond programme
5. Green & Social bond framework
6. Looking forward
Appendices

SHAREHOLDER STRUCTURE AT END 1Q2022



- Roughly 40% 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 industrialist families
- The free float is held mainly by a large variety of international institutional investors



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, Bulgaria; for Ireland, sale agreements were signed (not yet completed).
- As a result of the (potential) 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, IRL) versus developing markets (SK, HU, BG)
- Robust market position in all key markets & strong trends in loan and deposit growth

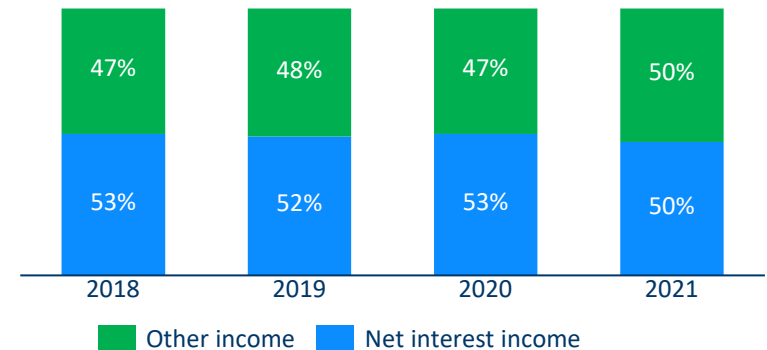


... and from a business point of view

- 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 2018-2021 (in %)

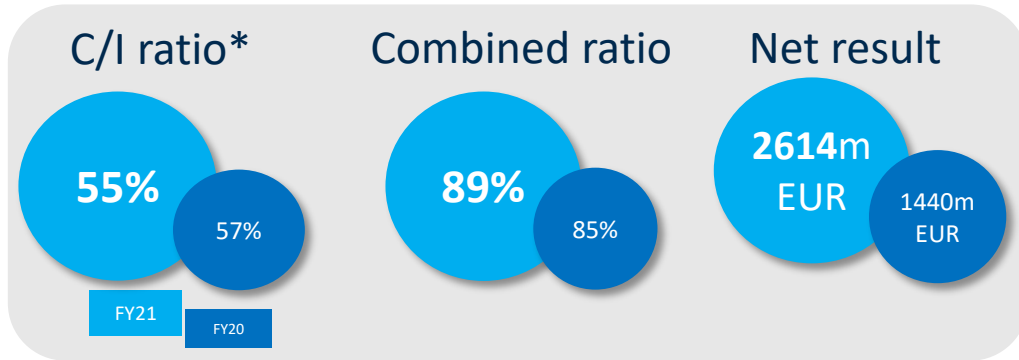




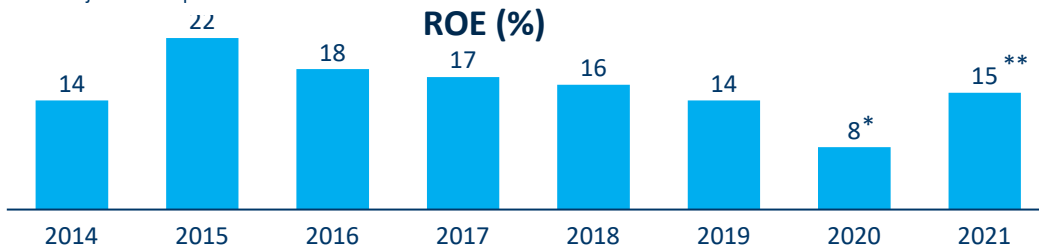
KBC Group in a nutshell (2)



✓ High profitability



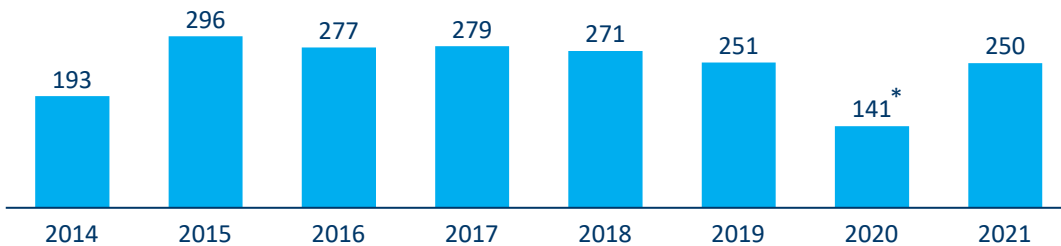
* Adjusted for specific items



* 11% when adjusted for the collective covid impairments

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

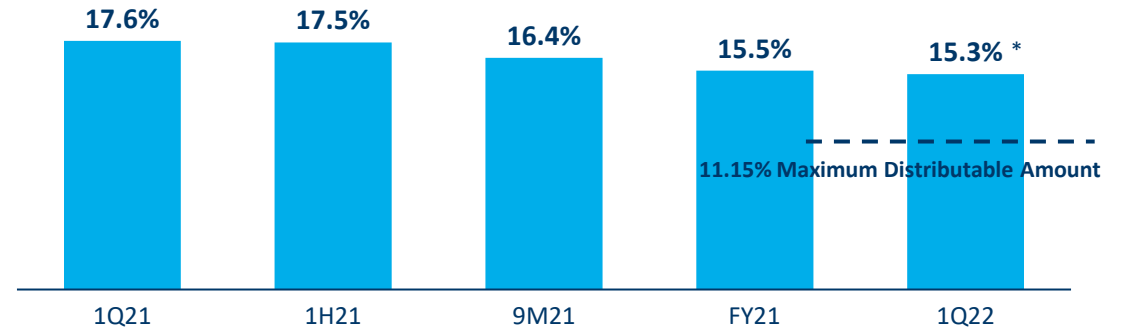
CET1 generation (in bps) before any deployment



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

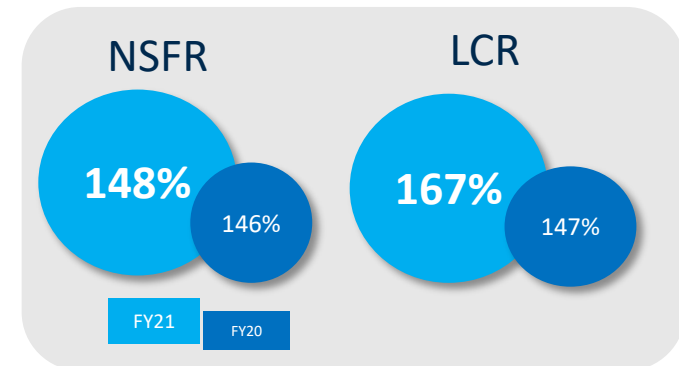
✓ Solid capital position...

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



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

✓ ... and robust liquidity positions





Differently THE NEXT LEVEL

KBC is the reference: The winning factors



Trust

Capitalising on the trust customers place in us today

Customer experience

Providing zero-hassle, no-frills customer experience leveraging our unique strengths on data-security and data-privacy

Straight-through processes

This implies re-design of processes and avoiding to digitise the current ones. Aim is E2E digital processes

Personalised solutions

Using data and AI to offer proactively compelling, relevant and personalised financial solutions

Broad offer

Emphasising our broad financial offer and ensuring these solutions are Bigtech proof (pro-active, convenient & personalised)

Beyond bank-insurance

Staying focused on the financial wellness of our customers and offer services to become embedded in our customer's daily life

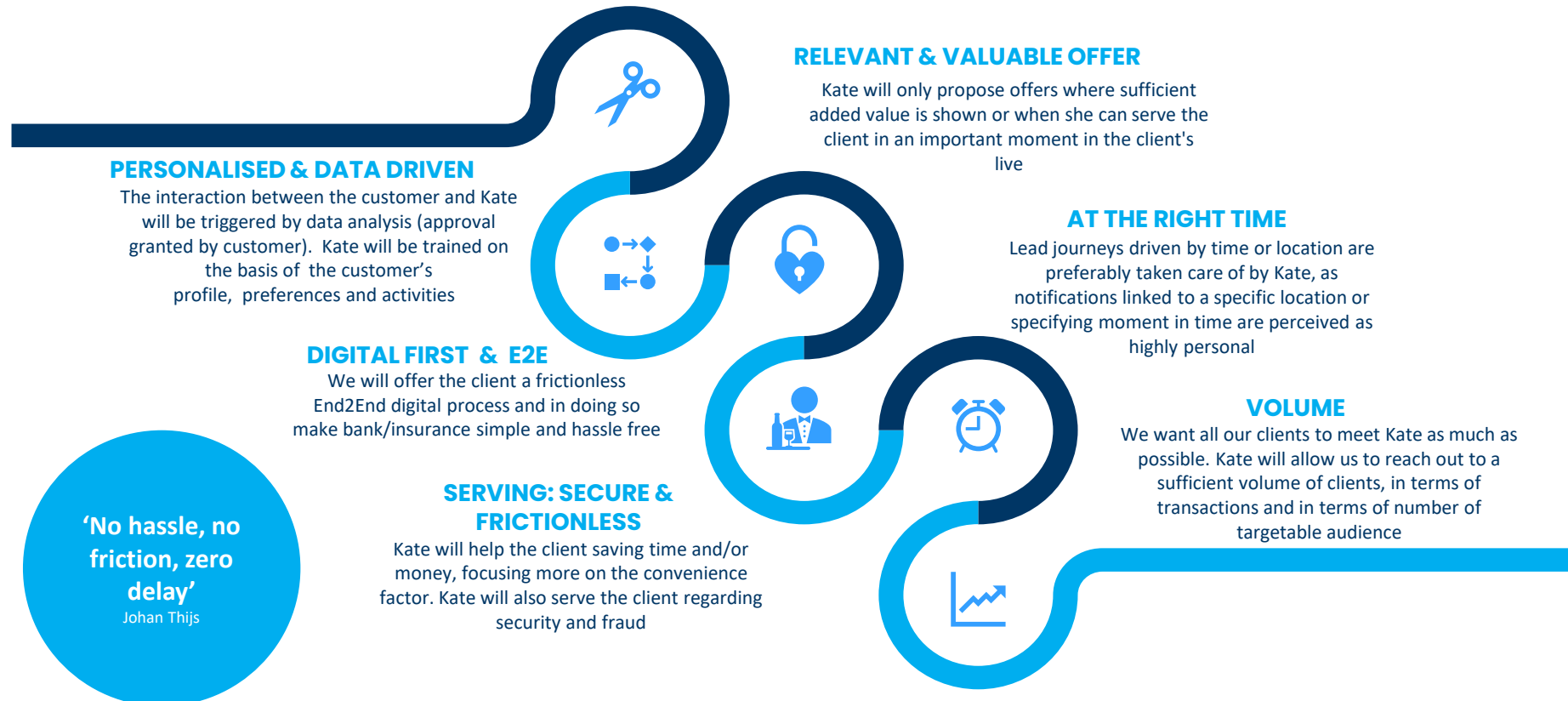




Kate, your digital assistant



Hyper personalised and trusted financial digital assistant



Kate4MassRetail

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

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

Kate4Business

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

Already available in BE and CZ

Kate Group Platform

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

Kate4Employees

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

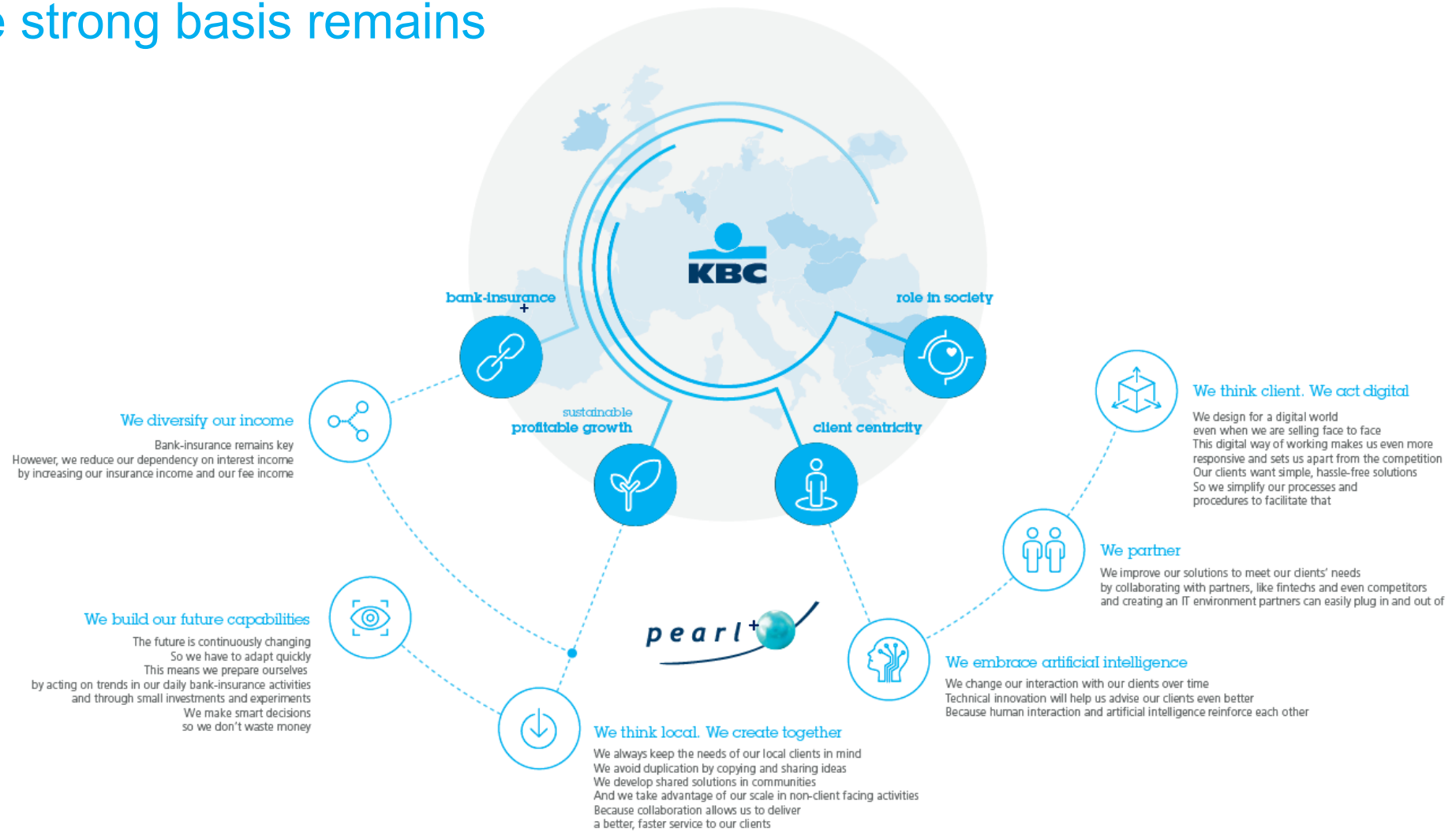
Already available in CZ and BE
To be launched in HU, BG and SK (2023)





Differently THE NEXT LEVEL

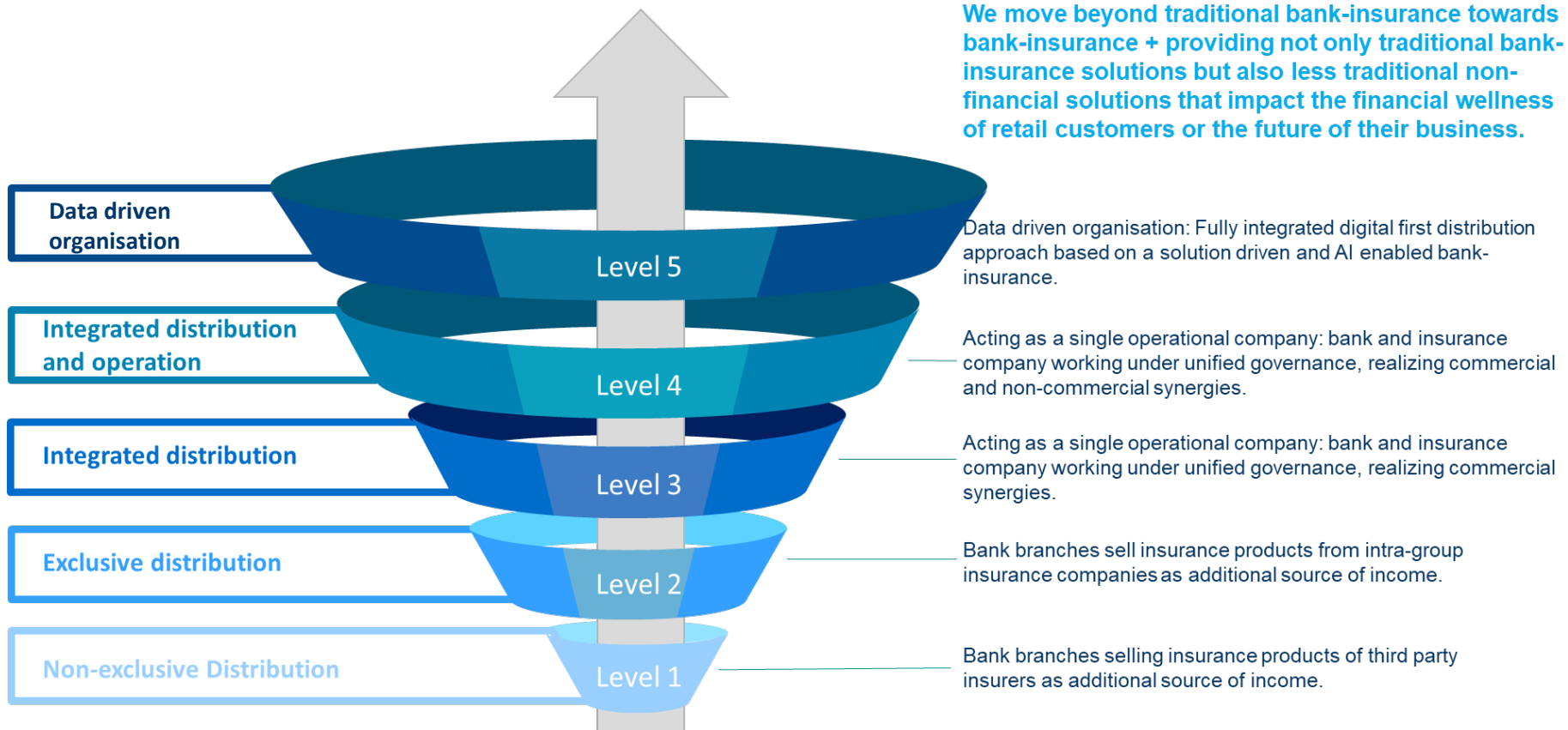
The strong basis remains





Differently: THE NEXT level

Bank-insurance+





Differently THE NEXT LEVEL

Translating strategy into non-financial targets

Update on our 4 operational targets (1)

Customer NPS ranking

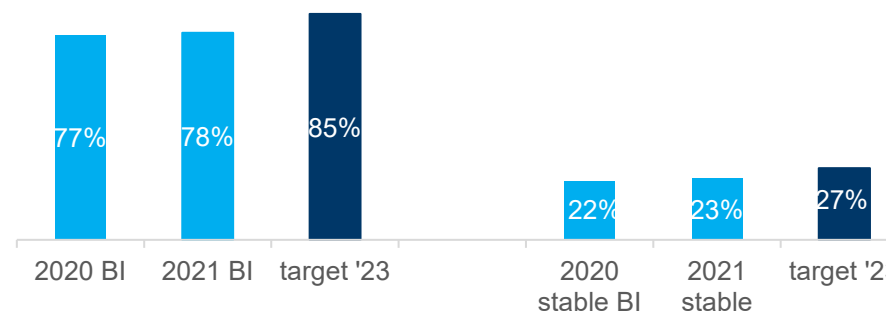


- KBC is 3rd in customer NPS ranking
- Target is to remain the reference (top-2 score on group level)

Based on weighted avg of ranking in six core countries

* Based on the latest available data.

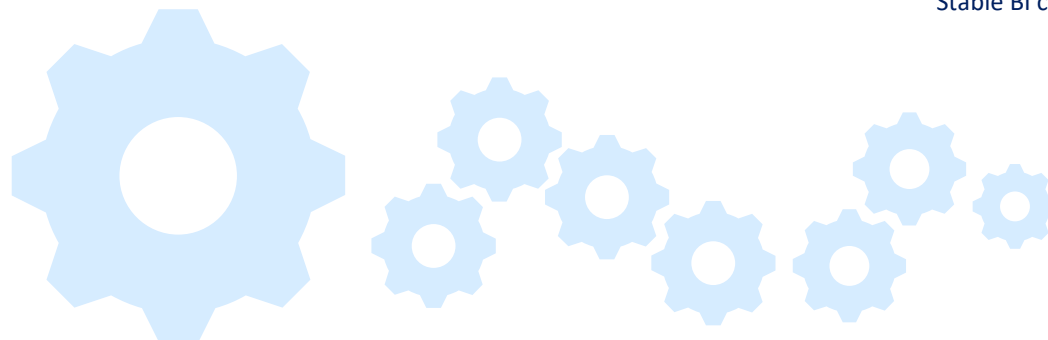
% bank-insurance (BI) clients



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

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

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

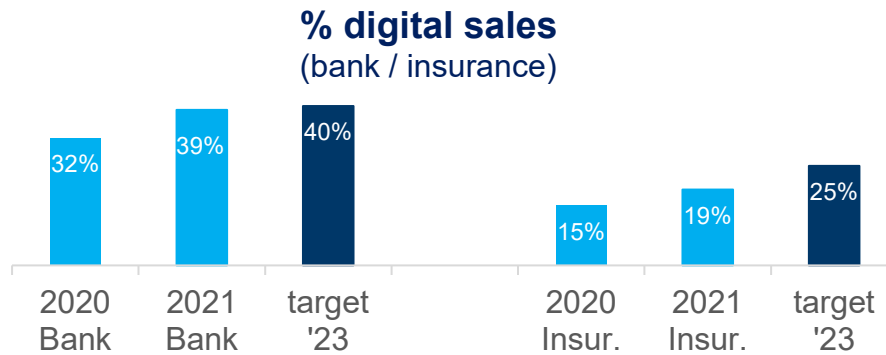




Differently THE NEXT LEVEL

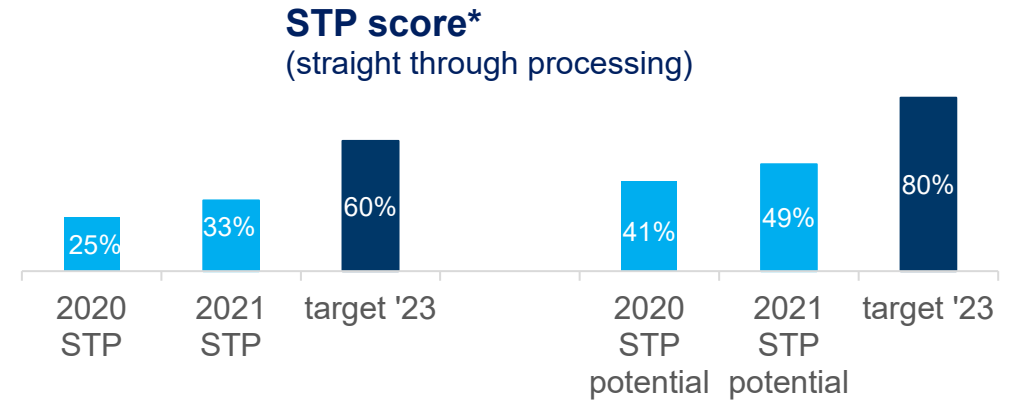
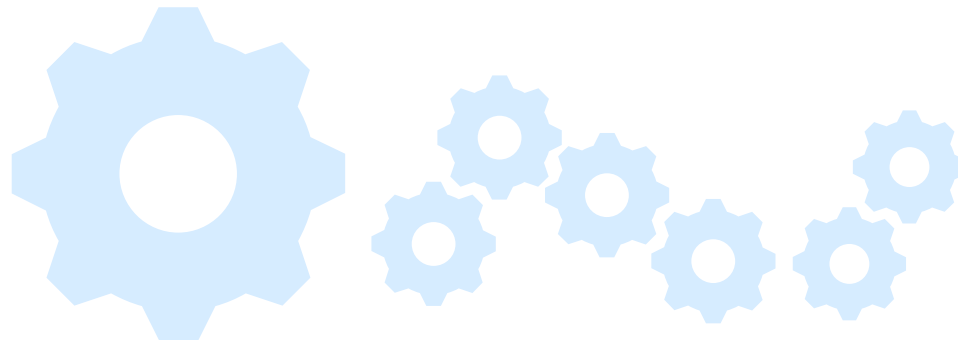
Translating strategy into non-financial targets

Update on our 4 operational targets (2)



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

Based on weighed avg of selected core products



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

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

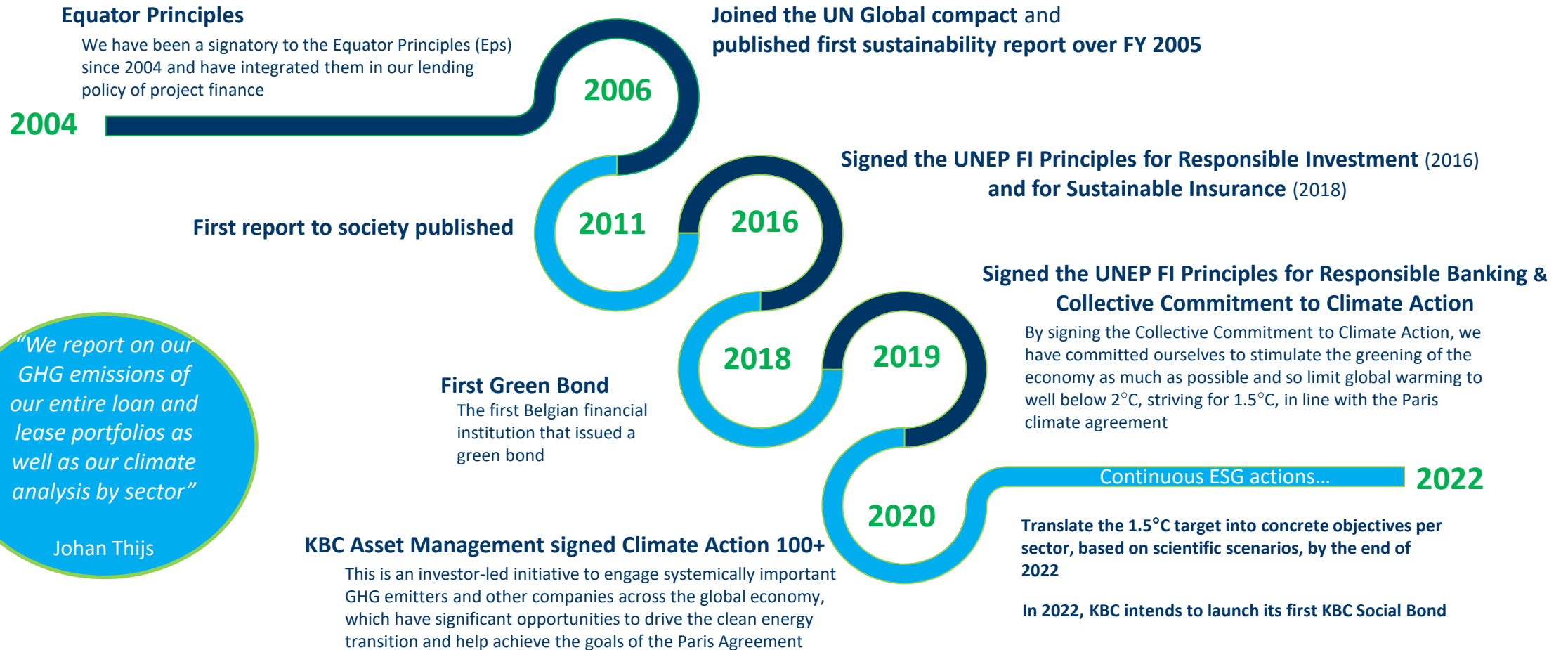
STP potential measures what the STP-ratio would be if KBC would only have the digital channel in its interaction with clients for a given process or product.

* Based on analysis of core commercial products.



Our sustainability roadmap

KBC milestones and initiatives



"We report on our GHG emissions of our entire loan and lease portfolios as well as our climate analysis by sector"

Johan Thijs





Strong progress on in Environmental, Social and Governance issues

Some latest highlights



ESG

Environmental

- All remaining direct coal exposure has been phased out in line with our commitment
- We calculated the GHG emissions for the entire KBC Group's loan and lease portfolio for the first time based on the PCAF methodology
- We calculated the climate-related impact of our own investments and asset management portfolio through Trucost data and methodology
- Net climate-neutral regarding our direct environmental footprint



ESG

Social

- 31.7bn EUR in Responsible Investing funds
- 10.2m EUR of outstanding loans to microfinance institutions and investments in microfinance funds, reaching 1.7m rural entrepreneurs and farmers in the South
- Promoting female entrepreneurship among our start-up community
- Promoting diversity and an inclusive culture and inclusion in the Bloomberg Gender-Equality Index



ESG

Governance

- Top level responsibility for sustainability and climate change – anchored in our sustainability governance and remuneration
- Our people as one of the main drivers in our sustainable transition
- Our climate business game was further enrolled to our senior management as part of our leadership development programme
- Completion of responsible behaviour awareness training by the vast majority of staff in all core countries



Our sustainability ambitions

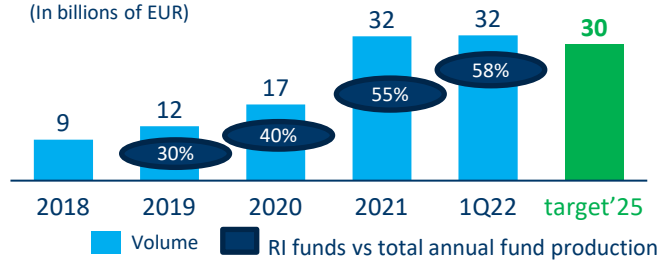
We substantially raise the bar for our climate-related ambitions



Achieved ✓

Volume of Responsible Investing Funds(*)

(In billions of EUR)

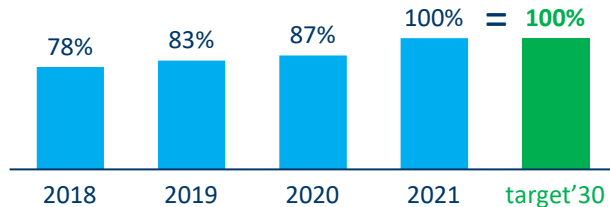


- End of 2021: volume of Responsible Investing funds includes all Belgian KBC pension savings funds (adding 6bn EUR)
- Responsible Investing funds ≥ 50% of annual fund production from 2021 onwards

Achieved ✓

Renewable electricity

(In % of own electricity consumption)

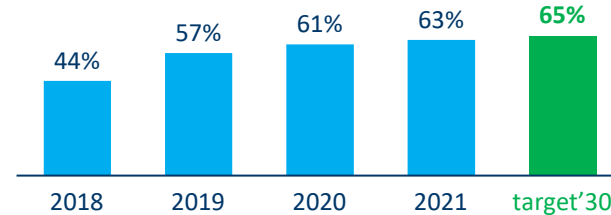


- Continued installation of photovoltaic panels on buildings we own and operate ourselves

Above track ●

Renewable energy loans

(In % of total energy sector loan portfolio)



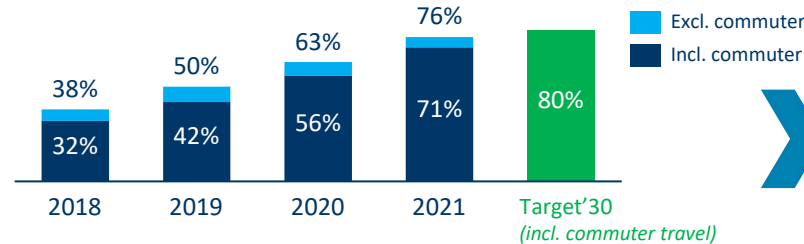
- Target set to 65% by '30
- During 2021, Project Finance Belgium concluded 7 new renewable energy transactions for a total amount of 195m EUR

Above track ●

Reduction own GHG emissions

(incl. commuter travel)

(In % compared to 2015)

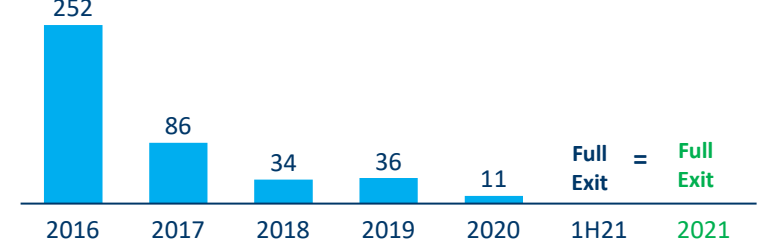


- Target reduction of own emissions set to 80% by '30
- A business travel ban and the switch to teleworking in 2020 and 2021 drove the strong result in terms of reduction in GHG emissions

Achieved ✓

Direct coal-related finance

(In millions of EUR)



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

Achieved ✓

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

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



Our environmental footprint

Measuring and reporting both our direct and indirect footprint scope

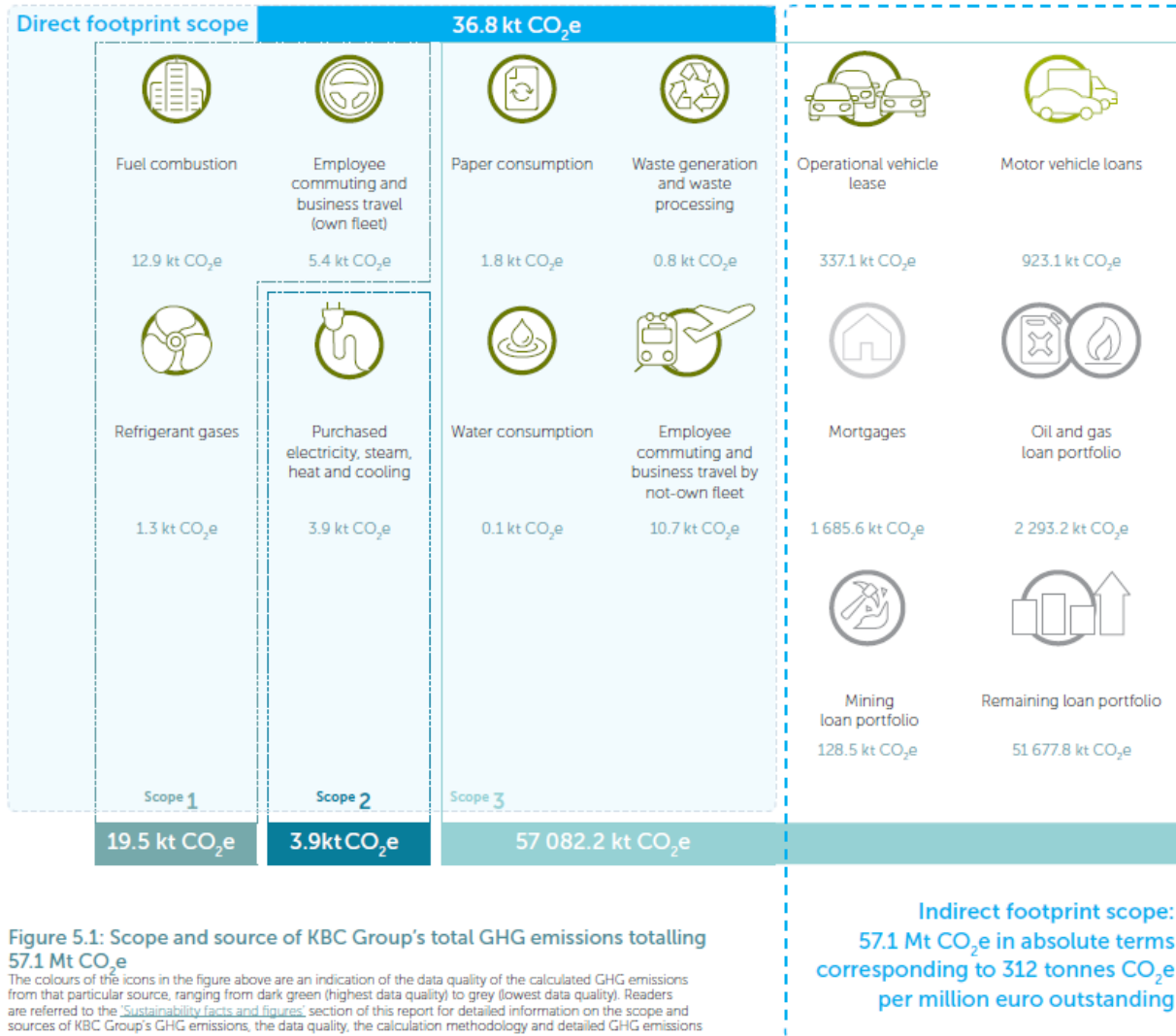


Figure 5.1: Scope and source of KBC Group's total GHG emissions totalling 57.1 Mt CO₂e

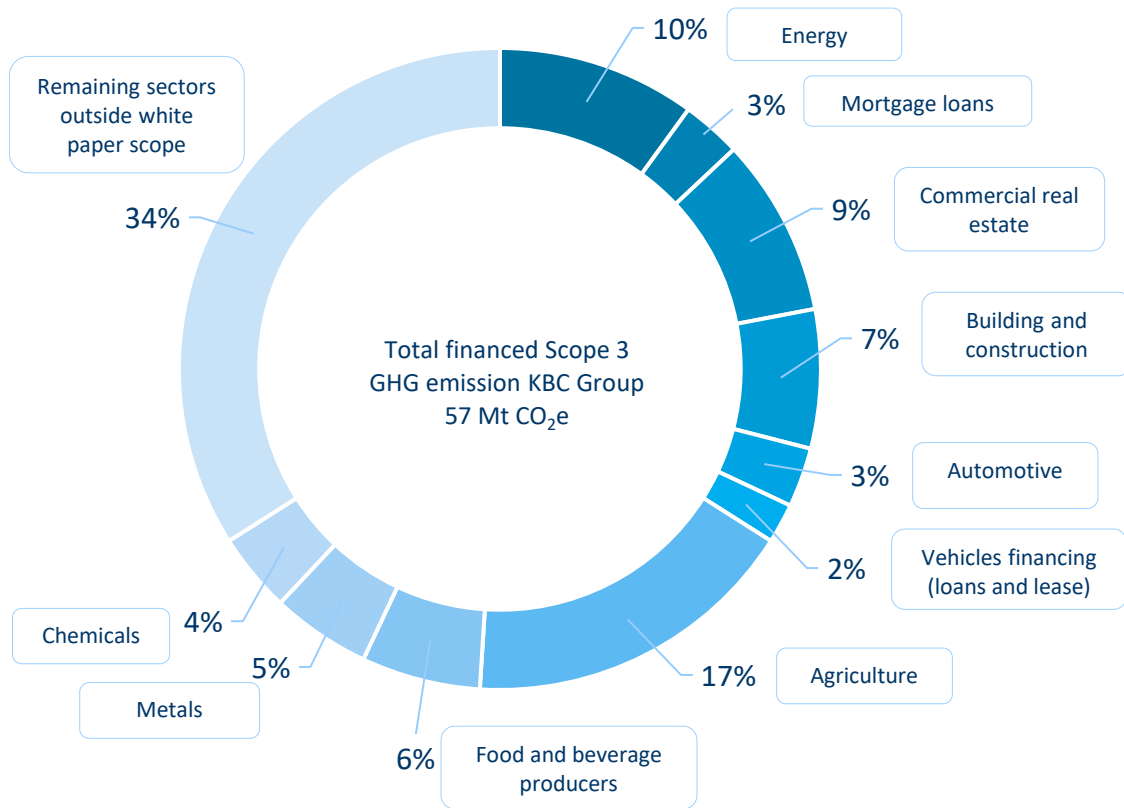
The colours of the icons in the figure above are an indication of the data quality of the calculated GHG emissions from that particular source, ranging from dark green (highest data quality) to grey (lowest data quality). Readers are referred to the 'Sustainability facts and figures' section of this 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.

- Measure, reduce and set clear targets on our **direct footprint scope** already since 2015.
 - We already substantially reduced our direct footprint by -71% in 2021.
 - In line with our commitment, we reached net-climate neutrality with respect to our direct footprint scope in 2021.
- Measure our **indirect footprint scope** as a first step to identify strategies to reduce this impact and set related targets.
 - In 2021, for the first time, we have calculated the Scope 3 financed emissions of KBC Group's total loan and lease portfolio.



Our environmental footprint

Measuring and reporting both our direct and indirect footprint scope

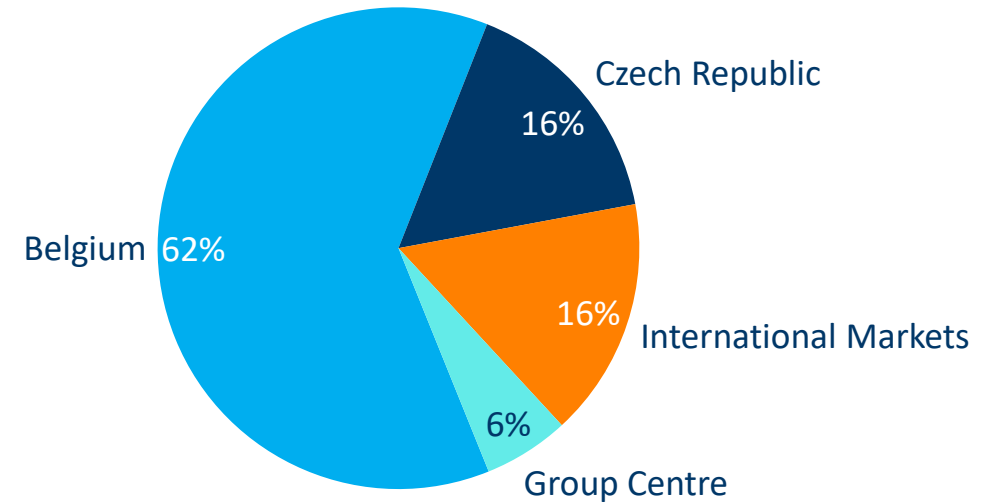


Most material climate-sensitive sectors and product lines and associated Scope 3 GHG emissions in % of total financed GHG emissions of KBC Group. For detailed emission figures per sector and more information on the calculation methodology, please refer the 2021 Sustainability Report of KBC Group, Facts and figures.

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**BREAKDOWN OF ALLOCATED CAPITAL
BY BUSINESS UNIT AS AT
31 March 2022**



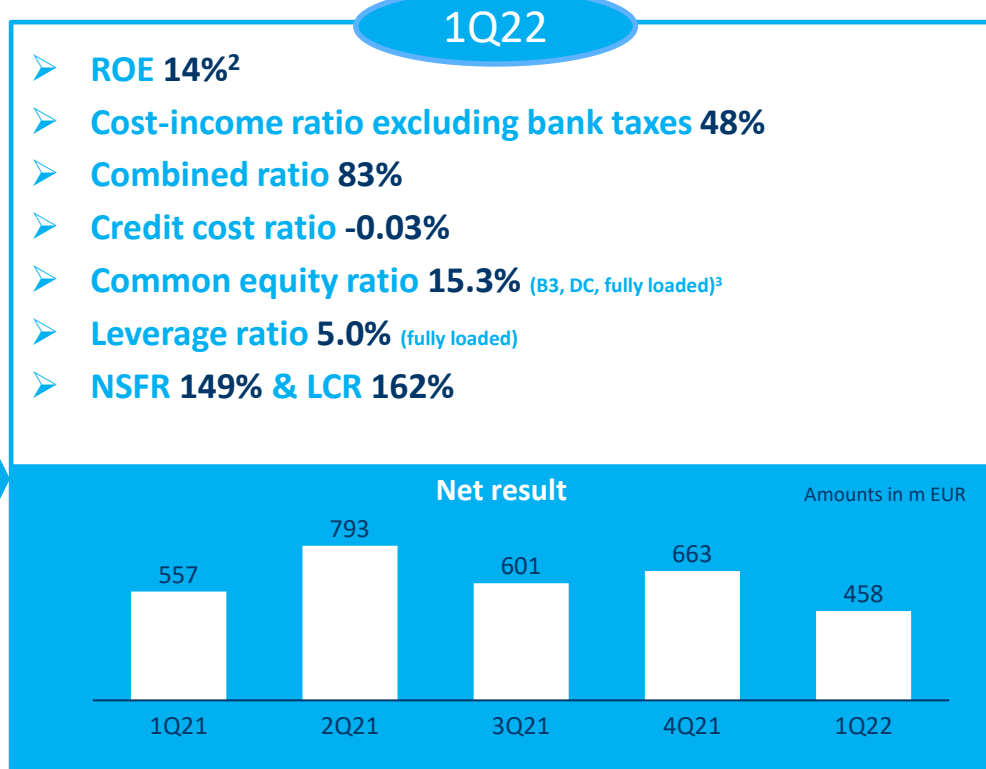
Key takeaways for KBC Group

1Q22 financial performance



- ❖ **Commercial bank-insurance franchises** in core markets performed excellently
- ❖ **Customer loans** and **customer deposits** increased y-o-y in most of our core countries (on a comparable basis)
- ❖ We have now realised our goal to systematically roll out **Responsible Investing** in all our core markets
- ❖ Higher **net interest income** and net interest margin
- ❖ Slightly higher **net fee and commission income**
- ❖ Significant increase of **net result from financial instruments at fair value**
- ❖ Very strong **non-life** insurance performance and higher sales of **life** insurance y-o-y
- ❖ **Costs in 1Q** include bulk of full-year bank taxes; costs excl. bank taxes down q-o-q (notwithstanding extraordinary staff bonus¹)
- ❖ Net **impairment release**, notwithstanding creation of geopolitical & emerging risks reserve (largely offset by partial release of Covid reserves)
- ❖ Solid **solvency** and **liquidity**

Excellent net result of 458m EUR in 1Q22



1. One-off bonus for our staff for their achievements in what was a challenging and difficult year (Covid)
2. When bank taxes are evenly spread throughout the year
3. As of 1Q22, interim profit recognition (based on 50% profit accrual)

Update on the Russia/Ukraine conflict (including emerging risks)

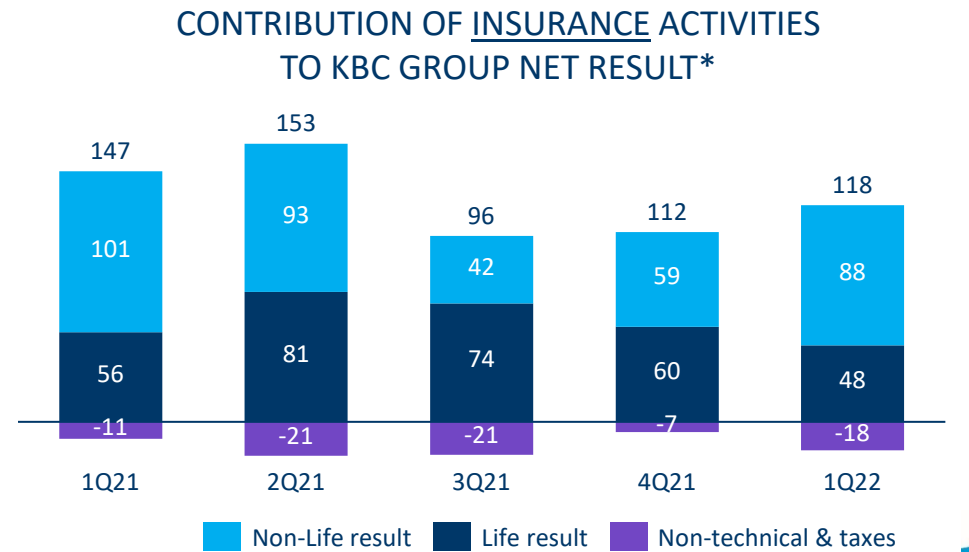
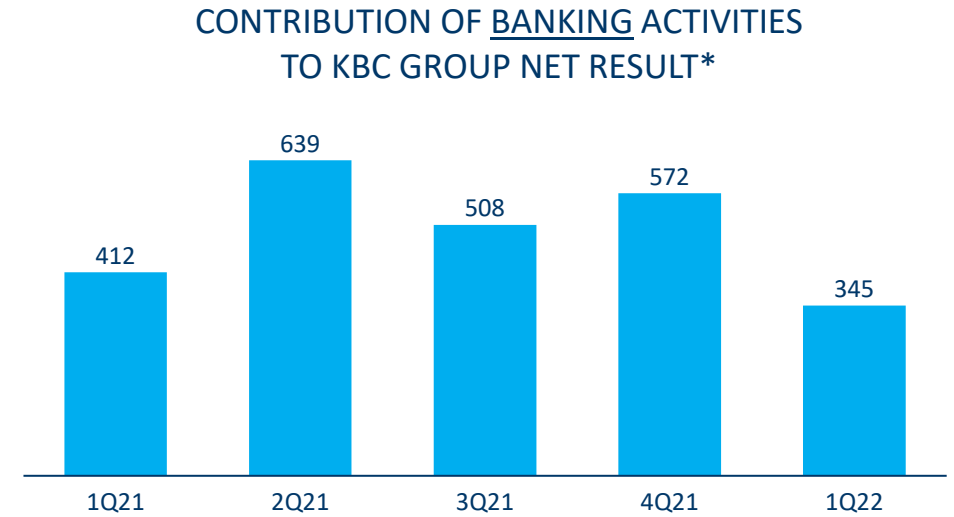
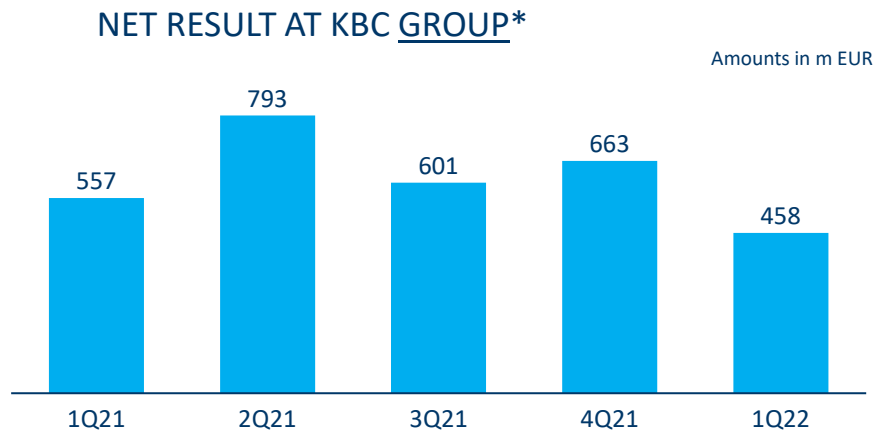
Limited impact on KBC



Provisions for direct exposure on credit portfolio	55m EUR*	→	Direct loan exposure to Russia, Belarus & Ukraine amounts to approx. 55m EUR, mostly commercial exposure to Russian banks
Provisions for indirect impact on credit portfolio	33m EUR*	→	Indirect credit exposure to Russia, Ukraine and Belarus: <ul style="list-style-type: none"> • Corporate & SME clients with a material activity in Russia, Ukraine and Belarus or a material dependency on these markets for imports or exports • Corporate & SME clients vulnerable to oil and/or gas disruption
Provisions for emerging risks	135m EUR*	→	<ul style="list-style-type: none"> • Corporate & SME clients vulnerable to supply chain issues and increasing commodity and energy prices • Retail clients vulnerable to higher cost of living and/or higher repayments due to higher rates
Insurance exposure	No direct exposure	→	<ul style="list-style-type: none"> • No direct insurance exposure in Russia/Belarus/Ukraine • War-induced claims are excluded from policies
Asset management exposure	Very little exposure	→	<ul style="list-style-type: none"> • Exposure to Russian and Ukrainian assets amounts to only 150k EUR
Cyber risk	Addit. preventive measures taken	→	<ul style="list-style-type: none"> • No targeted cyber attacks towards KBC entities detected so far. All entities remain extremely vigilant of any suspicious events
Economic outlook (GDP outlook for euro area)	GDP 2.3%	→	<ul style="list-style-type: none"> • Fears of stagflation, but KBC still assumes 2.3% GDP growth in the euro area for 2022, revised down from 3.5% pre-war
Increased Deposit Guarantee Fund contributions	+24m EUR	→	<ul style="list-style-type: none"> • Extraordinary contribution to the Deposit Guarantee Fund in Hungary, as a result of the resolution of Sberbank Hungary

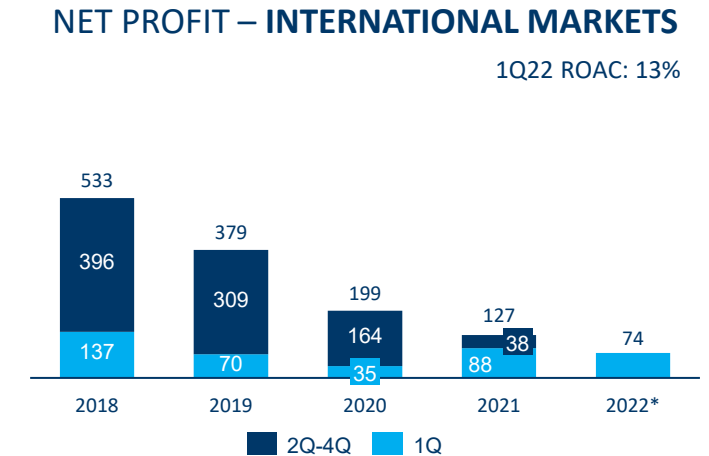
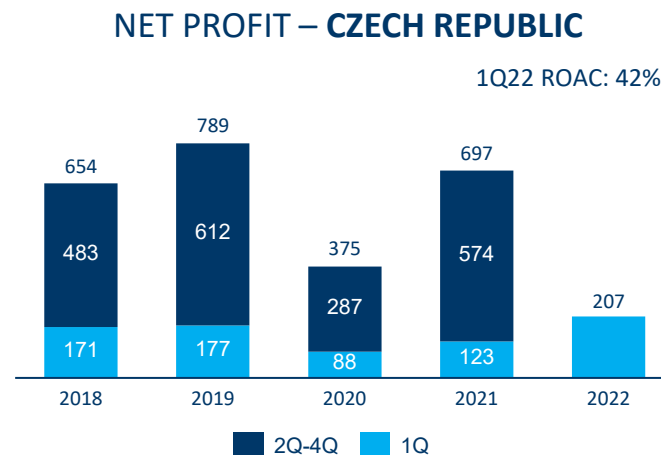
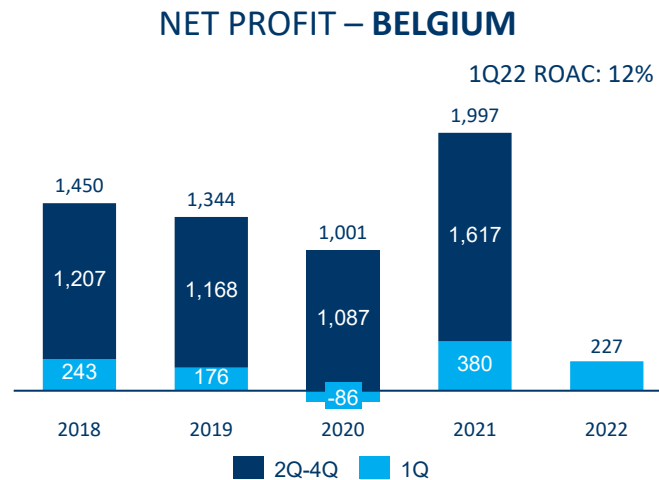
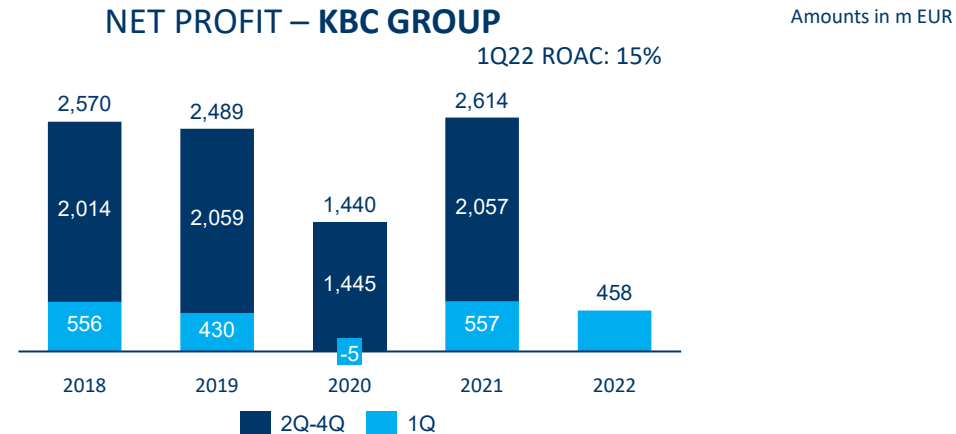
* See more detail on page 20

Net result at KBC Group



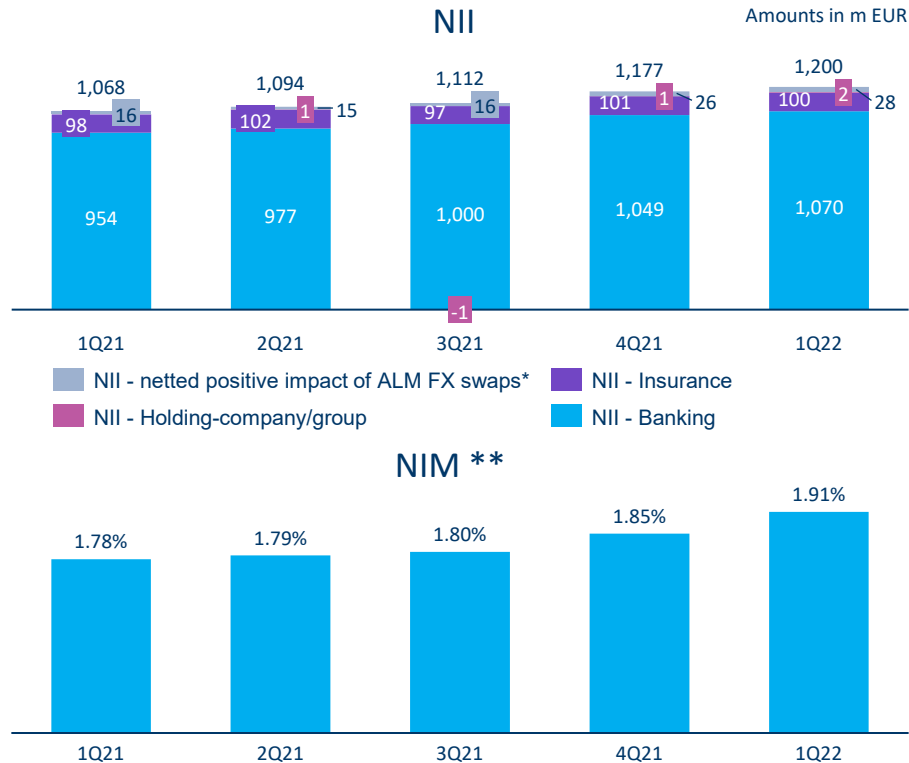
* Difference between the net result at KBC Group and the sum of the banking and insurance contributions is accounted for by the holding-company/group items

Overview of contribution of business units to 1Q22 result



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

Higher net interest income and net interest margin



* From all ALM FX swap desks

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

Net interest income (1 200m EUR)

- NII increased by 2% q-o-q and 12% y-o-y, driven primarily by:
 - organic loan volume growth
 - rate hikes in the Czech Republic (and to a lesser extent also in Hungary)
 - extensive charging of negative interest rates on more current accounts held by corporate entities and SMEs
 - positive forex effect (appreciation of Czech koruna against the euro)
 - higher netted positive impact of ALM FX swaps (mainly y-o-y)
- These elements more than offset :
- the negative effect of lower loan margins in most markets
 - decreasing reinvestment yield in euro-denominated countries
 - lower number of days (quarter-on-quarter)

Net interest margin (1.91%)

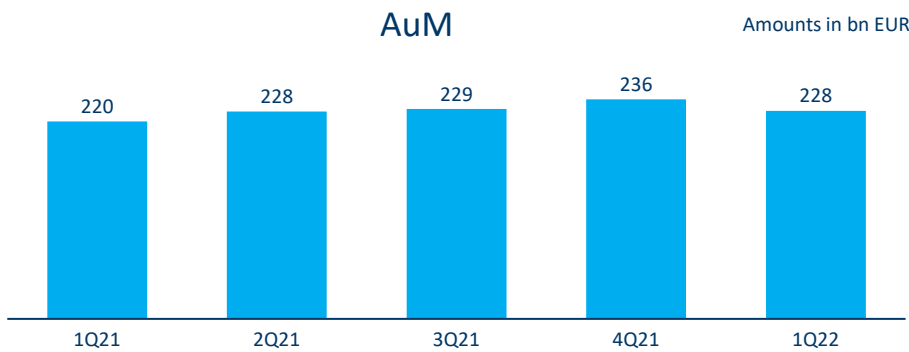
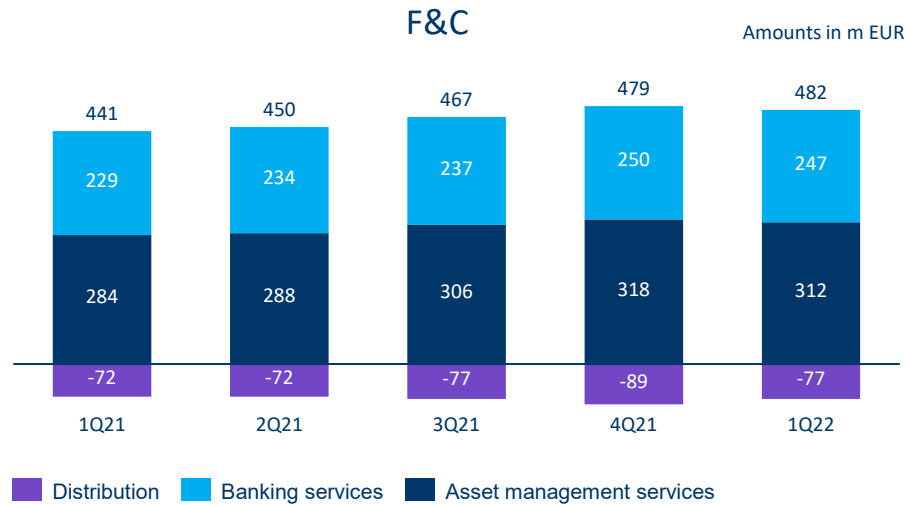
- Increased by 6 bps q-o-q and by 13 bps y-o-y for the reasons mentioned above
- despite an increase of the interest-bearing assets (denominator)

ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	174bn	79bn	210bn	228bn	28bn
Growth q-o-q*	+2%	+2%	+3%	-3%	-2%
Growth y-o-y	+7%	+7%	+5%	+3%	+0%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds), including Ireland (under IFRS 5) . Growth figures are excluding FX, consolidation adjustments and reclassifications.

*** Customer deposits, excluding debt certificates and repos, including Ireland (under IFRS 5).

Higher net fee and commission income



Net fee and commission income (482m EUR)

- Up by 1% q-o-q and by 9% y-o-y
- Q-o-q increase was mainly the result of the following:
 - Net F&C income from Asset Management Services decreased by 2% q-o-q (a drop in management fees due to lower AuM, only partially offset by higher entry fees due to strong gross sales)
 - Net F&C income from banking services decreased by 1% q-o-q (a drop in payment fees only partially offset by higher credit/guarantee-related fees and securities-related fees)
 - Paid distribution costs went down by 14% q-o-q (seasonally lower commissions paid linked to banking and insurance products)
- Y-o-y increase was mainly the result of the following:
 - Net F&C income from Asset Management Services rose by 10% y-o-y (higher management fees, despite lower entry fees)
 - Net F&C income from banking services increased by 8% y-o-y (mainly higher fees from payment services)
 - Paid distribution costs rose by 6% y-o-y (mainly higher commissions paid linked to strong sales of non-life insurance products)

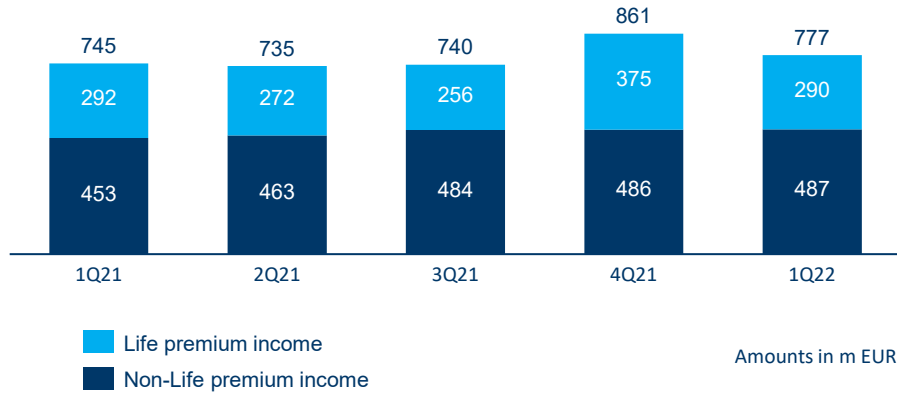
Assets under management (228bn EUR)

- Decreased by 3% q-o-q (extremely strong net inflows more than offset by negative price effect)
- Increased by 3% y-o-y (extremely strong net inflows and small positive price effect)

Insurance premium income up y-o-y and excellent combined ratio

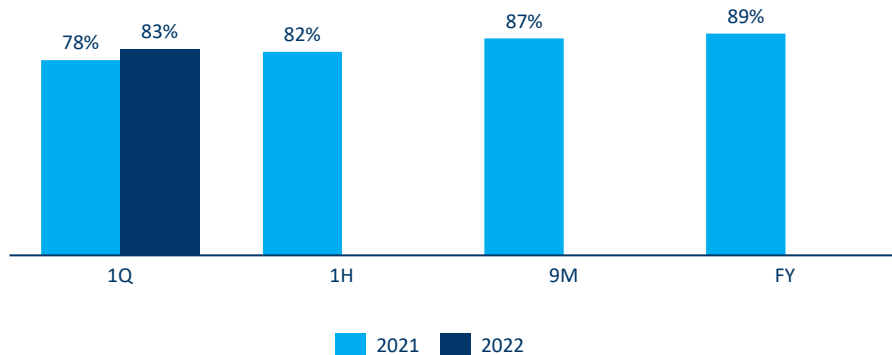


PREMIUM INCOME (GROSS EARNED PREMIUMS)



- **Insurance premium income (gross earned premiums) at 777m EUR**
 - Non-life premium income (487m EUR) increased by 8% y-o-y
 - Life premium income (290m EUR) decreased by 23% q-o-q and by 1% y-o-y

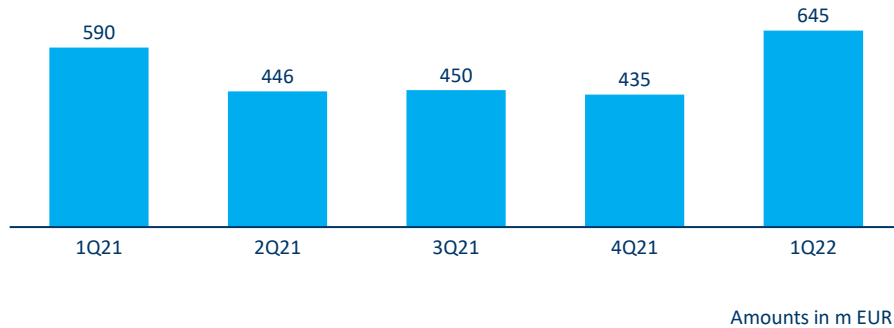
COMBINED RATIO (NON-LIFE)



- Non-life **combined ratio** for 1Q22 amounted to an excellent **83%** (78% in 1Q21). This is the result of:
 - 8% y-o-y higher earned premiums
 - 35% y-o-y higher technical charges (due mainly to significantly higher storm impact in BE, only partly offset by lower major claims)
 - Significantly higher ceded reinsurance result (up 37m EUR y-o-y, cf. storm recoveries)

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

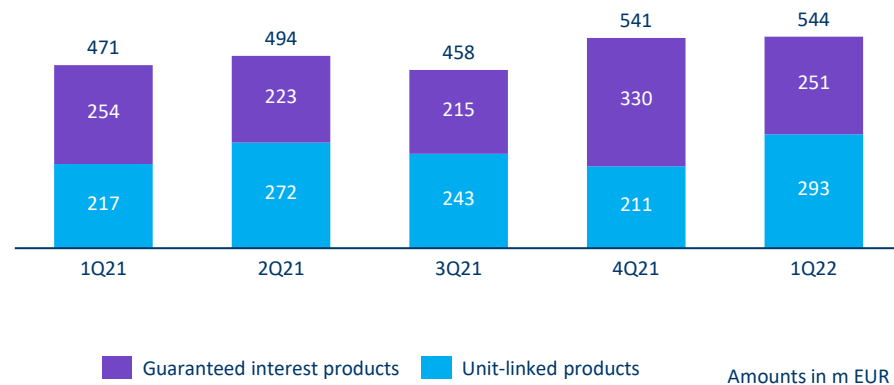
NON-LIFE SALES (GROSS WRITTEN PREMIUM)



Sales of non-life insurance products

- Up by 9% y-o-y (growth in almost all classes, but chiefly in the classes 'Motor Comprehensive Cover' and 'Property'; volume and tariff increases)

LIFE SALES

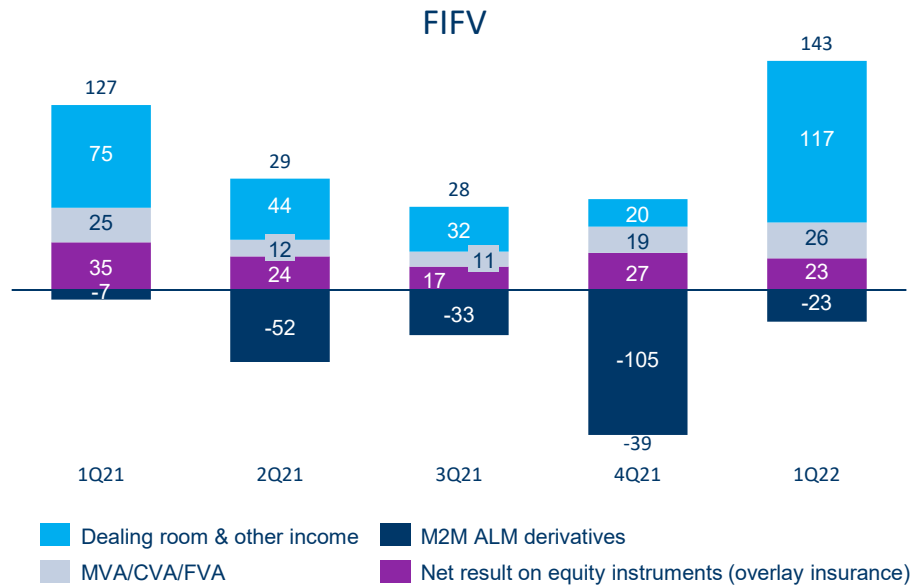


Sales of life insurance products

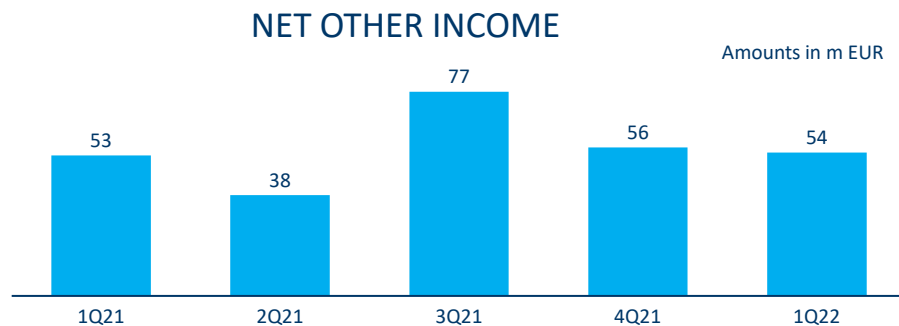
- Increased by 1% q-o-q (higher sales of unit-linked products in Belgium partly offset by decrease of sale of guaranteed interest products (partly due to traditionally higher volumes in tax incentivised pension savings products in 4Q21))
- Increased by 16% y-o-y (strong increase of sale of unit-linked products in Belgium and Bulgaria (partly due to the consolidation of the NN Bulgaria's life insurance activities))
- Sales of unit-linked products accounted for 54% of total life insurance sales in 1Q22

Strong increase of net result from financial instruments at fair value

Net other income slightly above normal run rate



- The 182m EUR q-o-q increase in **FIFV** was attributable mainly to:
 - Significantly higher dealing room and other income (higher trading and sales desks revenues due to upward shifts of IR yield curves and widening of cross-currency spreads, in combination with high volatility on the market leading to increased client activity)
 - Significantly less negative change in ALM derivatives (previous quarter negatively impacted by increase in HUF interest rates, not in hedge accounting, whereas as of 1 January 2022 hedge accounting was applied on these positions to reduce volatility)
 - More positive market value adjustments (uptrending yield curves and decreased KBC funding exposure, partly compensated by increased counterparty credit spreads due to geopolitical risk and decrease of equity markets)
 - Slightly lower net result on equity instruments (insurance)

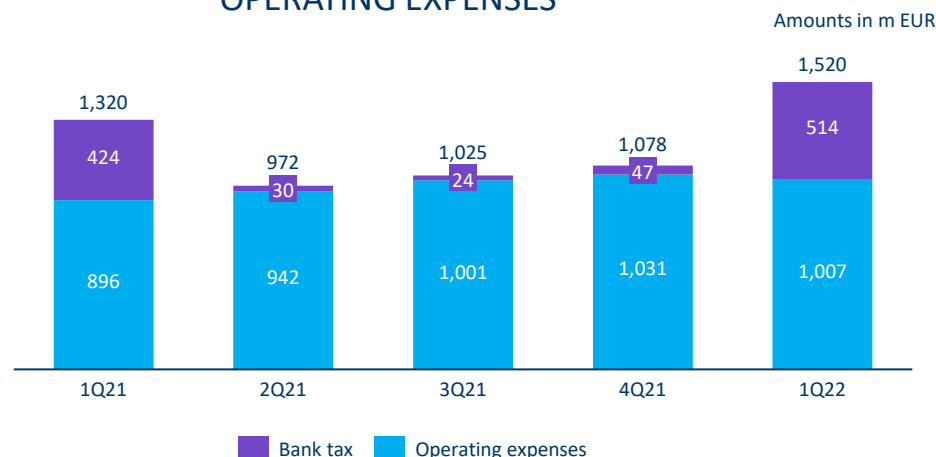


- **Net other income** amounted to 54 EUR
 - Slightly higher than the normal run rate of around 50m EUR per quarter
 - Includes some one-offs (such as a positive 7m EUR related to a legal file in the Czech Republic)

Costs excluding bank taxes and one-off items decreased q-o-q



OPERATING EXPENSES



BANK TAX SPREAD IN 2022 (preliminary)

Amounts in m EUR

	TOTAL	Upfront	Spread out over the year			
	1Q22	1Q22	1Q22	2Q22	3Q22	4Q22
BE BU	354	354	0	0	0	0
CZ BU	60	60	0	1	1	1
Hungary	78	56	21	23	23	25
Slovakia	6	6	0	0	0	0
Bulgaria	12	12	0	0	0	0
Ireland & Group Centre	4	3	1	1	1	0
TOTAL	514	492	23	25	25	26

- Operating expenses** in 1Q22 at first sight increased by 41% q-o-q and by 15% y-o-y, strongly influenced by the following:
 - Extraordinary staff bonus of 41m EUR** in 1Q22
 - 1Q includes bulk of the **bank taxes** for the full year (514m EUR), increased by 21% y-o-y driven by:
 - an extraordinary charge of 24m EUR related to Sberbank Hungary wind down, without this one-off the bank taxes rose 16% y-o-y
 - the remainder of the increase is linked to balance sheet growth and SRF contribution percentage increase
- Operating expenses excluding bank taxes** went down by 2% q-o-q and increased by 12% y-o-y
 - The q-o-q decrease is due, among other things, to lower one-off charges related to the Irish sale transactions, lower ICT, facility and marketing expenses (partly seasonal effect) as well as lower professional fee expense, partly offset by the extraordinary staff bonus, the impact of inflation/wage indexation, and a negative forex effect
 - The y-o-y increase is due, among other things, to the above-mentioned extraordinary staff bonus, one-off charges related to the Irish sale transactions, higher ICT expenses, inflation/wage indexation and a negative forex effect
 - Operating expenses excluding bank taxes and one-offs decreased 6% q-o-q and increased by 7% y-o-y (1Q21 very low due to Covid)
- Cost/income ratio**
 - 53% when evenly spreading the bank taxes over the year and excluding certain non-operating items* (55% in FY21)
 - 48% excluding all bank taxes (51% in FY21)

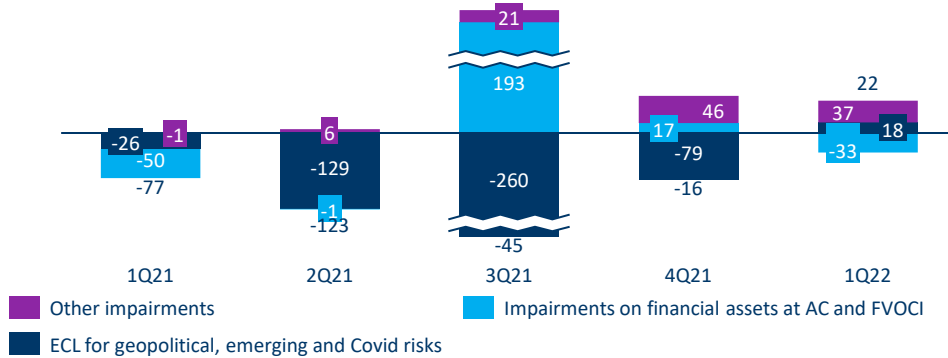
Net loan loss impairment releases and excellent credit cost ratio



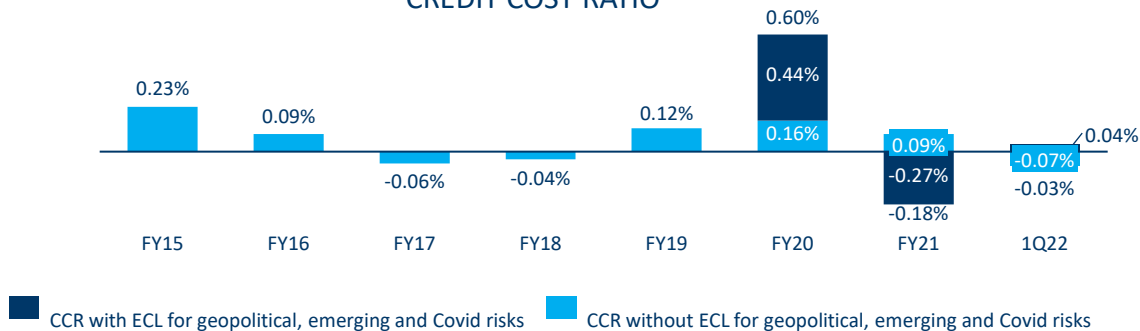
ASSET IMPAIRMENT

Negative sign is a release

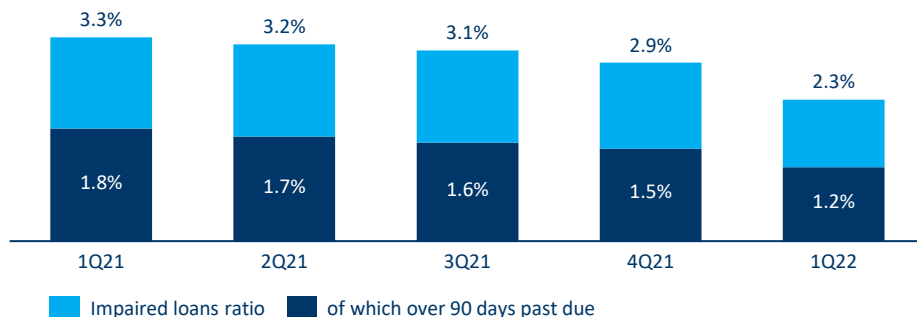
Amounts in m EUR



CREDIT COST RATIO



IMPAIRED LOANS RATIO



Net loan loss impairment releases

- **Loan loss impairment releases of 15m EUR in 1Q22** (compared with 62m EUR in 4Q21) due to:
 - 33m EUR loan impairment releases
 - a reduction of 205m EUR of the outstanding ECL for Covid
 - partly offset by an increase of 223m EUR due to the uncertainties surrounding geopolitical and emerging risks
 - total ECL for geopolitical, emerging and Covid risks now stands at 273m EUR (see details on next slides)

37m EUR impairment on 'other', due mainly to:

- a 24m EUR impairment related to the sale agreements in Ireland
- a 11m EUR impairment one-off on real estate in BE

The credit cost ratio in 1Q22 amounted to:

- -7 bps (9 bps in FY20) without ECL for geopolitical, emerging and Covid risks
- -3 bps (-18 bps in FY21) with ECL for geopolitical, emerging and Covid risks

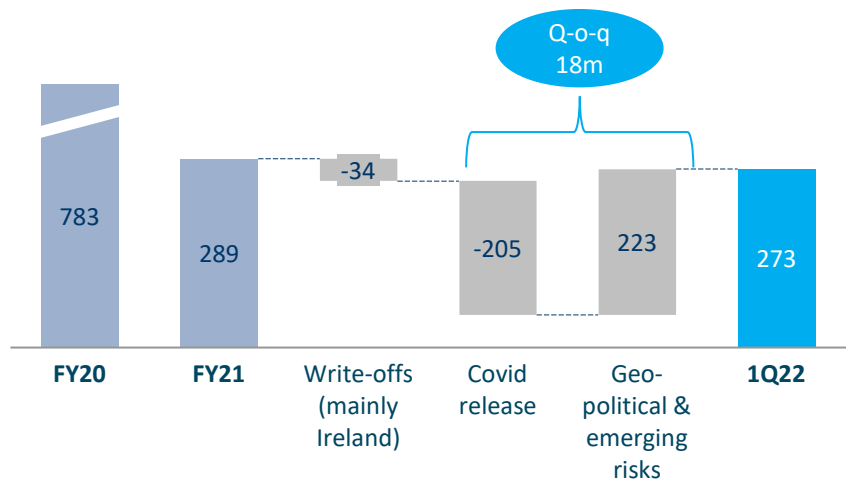
- The impaired loans ratio improved to 2.3% (1.2% of which over 90 days past due), driven by the sale of the bulk of the non-performing portfolio of Ireland in February

Outstanding ECL for geopolitical, emerging and Covid risks

q-o-q release for Covid risk offset by geopolitical & emerging risks



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



Outstanding ECL by country

Geopolitical, emerging and Covid risks				
Eur m	YE21	1Q22	P&L changes:	
			Covid	Geopolitical & emerging risks
KBC Group	289	273	-205	223
<i>By country:</i>				
Belgium	100	122	-95	117
Czech Republic	69	70	-61	64
Slovakia	20	22	-17	21
Hungary	37	41	0	4
Bulgaria	12	12	-10	11
Ireland	51	6	-22	6

- During 1Q 2022, we updated the impact assessment of risks that could adversely affect our loan portfolio. As a result, the **outstanding ECL for Covid was supplemented with the outcome of the impact assessments of geopolitical and emerging risks** (see next slides)
- At the end of 1Q 2022, the outstanding ECL for geopolitical, emerging and Covid risks included an impairment charge of 18m EUR, driven by:
 - a **reduction of 205m EUR in the outstanding ECL for Covid**, due to the impairment release in the retail portfolio and almost the entire SME & Corporate portfolio (remaining 50m EUR Covid ECL for highly vulnerable sectors - which represent just 4% of the total SME & Corporate loan portfolio of KBC Group - and for the Hungarian retail and non-retail portfolio)
 but offset by:
 - an **increase in the outstanding ECL of 223m EUR, due to the uncertainties surrounding geopolitical & emerging risks** (see next slides)
 - a **write-off of 34m EUR**, mainly as a result of the completion of the sale of the Irish NPL portfolio to CarVal (only balance sheet movement)
 and resulted in an **outstanding ECL for geopolitical, emerging and Covid risks of 273m EUR**

Update on the Russia/Ukraine conflict (including emerging risks) (1/2)

Estimated impact on credit exposure



A No direct subsidiaries	KBC has no direct subsidiaries in Russia (R), Belarus (B) or Ukraine (U)
B Very limited direct credit exposure	Direct credit exposure amounts to approx. 55m EUR Of which 49m EUR transfer risk exposure on Russia, mainly concentrated in commercial exposure on Russian banks (this exposure cannot increase any further). No exposure on Russian sovereigns.
C Indirect credit impact: Counterparties*	Counterparties-at-risk: (total client credit exposure on group level): Corp & SME counterparties with a material activity in/dependence towards R,B or U (i.e., >20% of either sales, cost or profit), either directly or indirectly through a client/supplier and Corp & SME counterparts that are directly impacted by a possible disruption in oil and gas supplies → Outstanding exposure** : 2.0bn EUR → Total P&L charge* : 33m EUR
D Emerging risks (Secondary Indirect credit impact): Portfolios/(Sub)sectors*	Vulnerable clients in retail and non-retail Portfolios/(Sub)sectors impacted by newly emerging risk (energy prices/supply bottlenecks/higher cost of living and rising interest rates) → Outstanding exposure** : 5.9bn EUR → Total P&L charge* : 135m EUR
Estimated total P&L charge (on credit exposure)	A + B + C + D = 223m EUR

* Estimation of impairments (in C and D): it is expected that PDs of listed counterparties and portfolios/sectors at risk will change in the future even though this is not reflected in the current financials. To capture this impact (i.e., forward-looking IFRS 9), a collective stage 2 shift is accompanied by an ECL management overlay (by applying conservative stage 2 and stage 3 cover rates), taking expected PD downgrades into account.

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

Update on the Russia/Ukraine conflict (including emerging risks) (2/2)

Macro economic impact of the Russia/Ukraine conflict



GDP Outlook downward revised Rising commodity prices feed into inflation

Outlook Period avg in %	GDP Growth				Inflation			
	April 2022		Pre-war 2022		April 2023		Pre-war 2023	
	2022	2022	2023	2023	2022	2022	2023	2023
US	3.1	3.3	1.9	2.3	6.5	3.6	2.0	2.2
UK	4.0	4.4	1.8	2.1	7.5	4.6	4.5	2.5
Germany	1.5	2.7	1.1	2.2	7.4	4.0	4.2	2.0
France	2.6	3.7	1.3	2.2	6.0	3.4	3.8	1.4
Euro Area	2.3	3.5	1.4	2.4	7.3	3.6	4.0	1.6
Belgium	2.0	2.8	1.1	1.8	8.3	4.5	2.0	1.4
Czech Republic	1.8	4.3	3.1	3.7	10.1	5.3	4.5	2.2
Slovakia	2.5	4.5	3.4	4.5	7.9	6.5	8.0	3.5
Hungary	3.7	4.8	3.1	4.0	9.0	5.8	4.5	3.3
Bulgaria	2.5	4.0	3.0	3.0	11.1	5.5	5.3	2.5

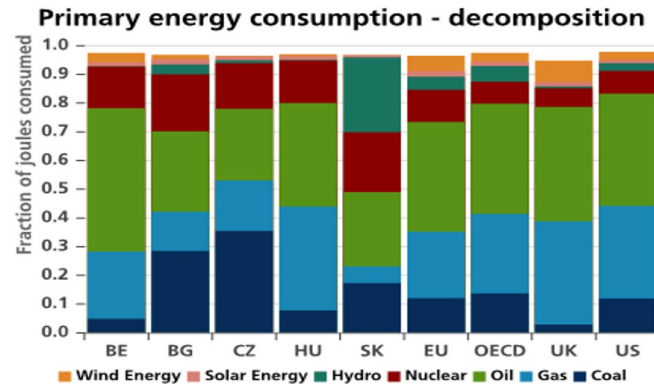
Source: KBC economics

Exports/imports to Russia/Ukraine: Impact limited

% of GDP 2019	Exports to Ukraine	Imports from Ukraine	Exports to Russia	Imports from Russia
US	0,0	0,0	0,0	0,1
UK	0,0	0,0	0,1	0,5
Germany	0,1	0,1	0,8	0,8
France	0,0	0,0	0,2	0,3
Belgium	0,1	0,1	0,9	1,7
Czech Republic	0,6	0,4	1,7	1,3
Slovakia	0,7	0,6	1,5	3,5
Hungary	1,8	1,1	1,2	3,1
Bulgaria	0,6	0,9	0,9	5,4

Source: KBC economics based on IMF, Eurostat, BEA

Primary energy consumption – Decomposition



Source: KBC economics based on BP

Markets have been very volatile

We see:

- Soaring commodity prices
- Policy normalisation track changes for FED and ECB
- CEE currencies facing pressure
- CZK and HUF interest rates increased significantly
- Closing of production facilities in Ukraine adding to the already existing supply issues
- Sharply increasing gas prices resulting in EU plans to build down gas dependency on Russia. Supply cuts could trigger further impact on economic growth

Loan loss experience at KBC



	1Q22 CREDIT COST RATIO	FY21 CREDIT COST RATIO	FY20 CREDIT COST RATIO	FY19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	AVERAGE '99 –'21
Belgium	0.00%	-0.26%	0.57%	0.22%	0.09%	0.09%	n/a
Czech Republic	-0.11%	-0.42%	0.67%	0.04%	0.03%	0.02%	n/a
International Markets*	0.16%	0.36%	0.78%	-0.07%	-0.46%	-0.74%	n/a
Group Centre*	-0.49%	0.28%	-0.23%	-0.88%	-0.83%	0.40%	n/a
Total	-0.03%	-0.18%	0.60%	0.12%	-0.04%	-0.06%	0.40%

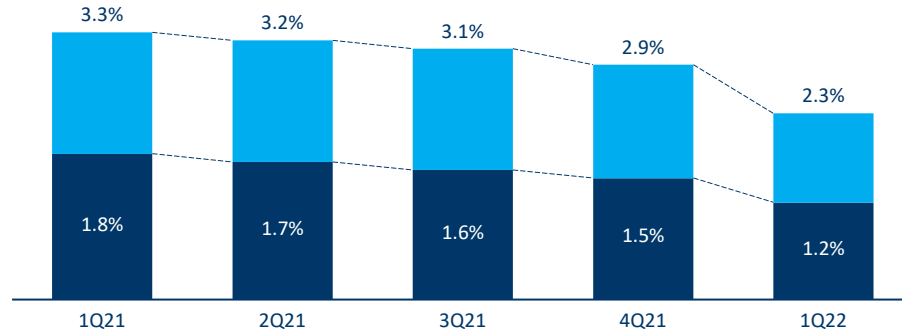
Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

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

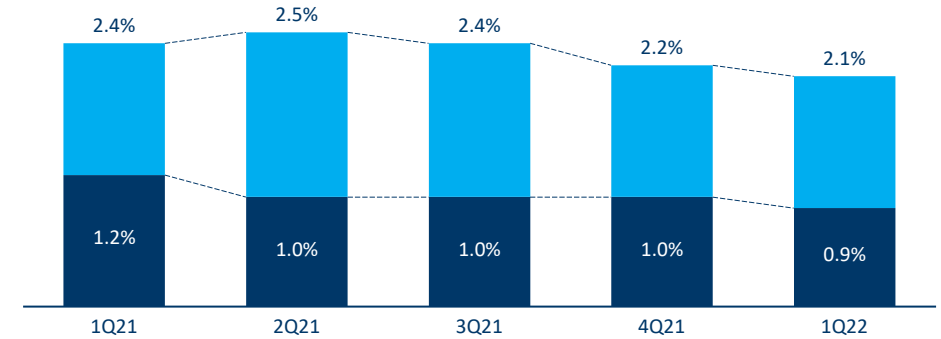
Impaired loans ratios, of which over 90 days past due



KBC GROUP

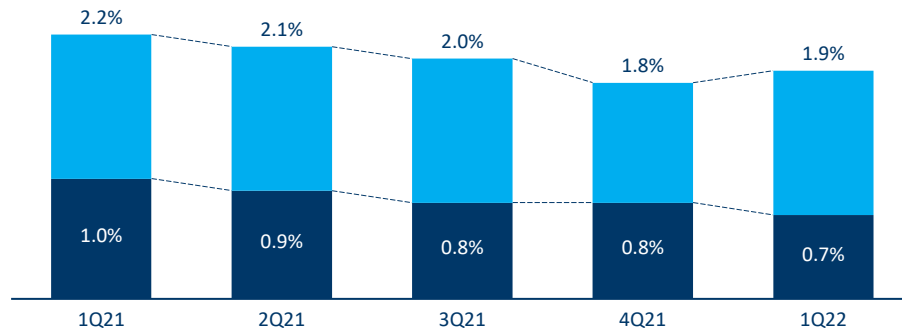


BELGIUM BU

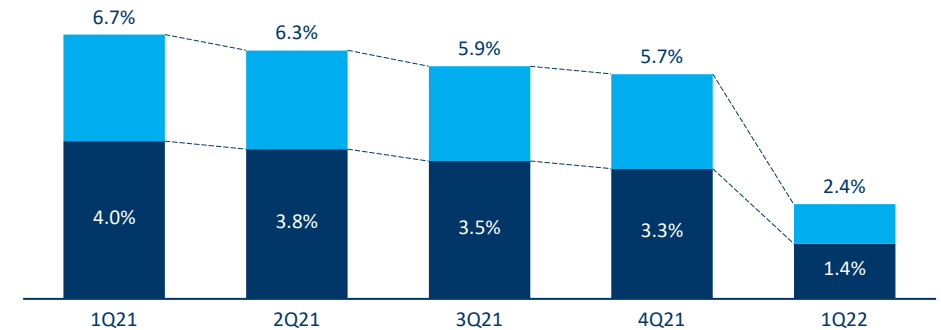


■ Impaired loans ratio
■ Of which over 90 days past due

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU*

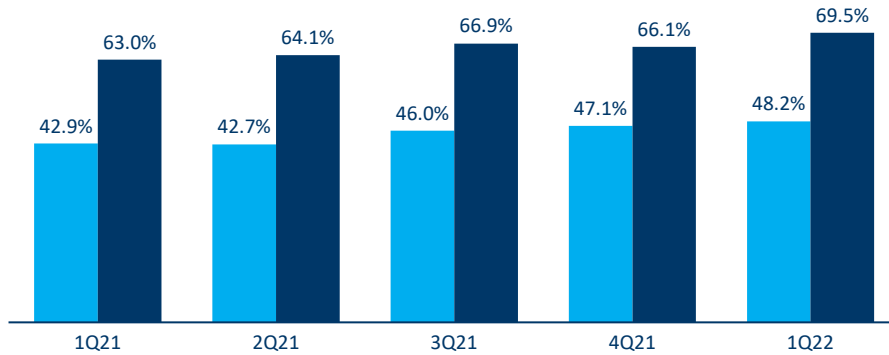


* As of 1Q 2022, KBC Ireland has been shifted from Business Unit International Markets to Group Centre. No restatements have been made

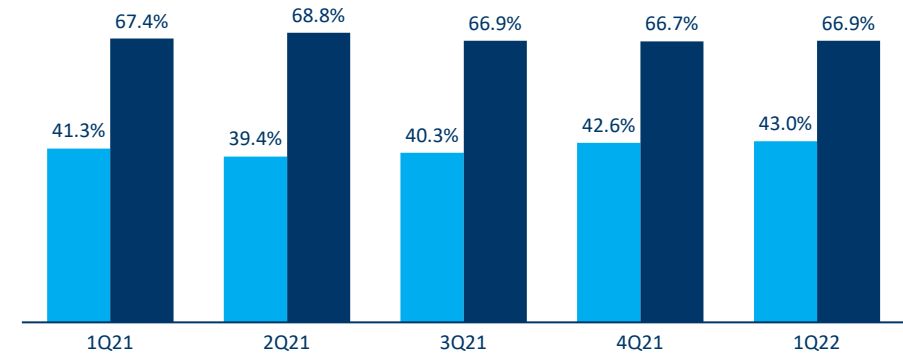
Cover ratios



KBC GROUP

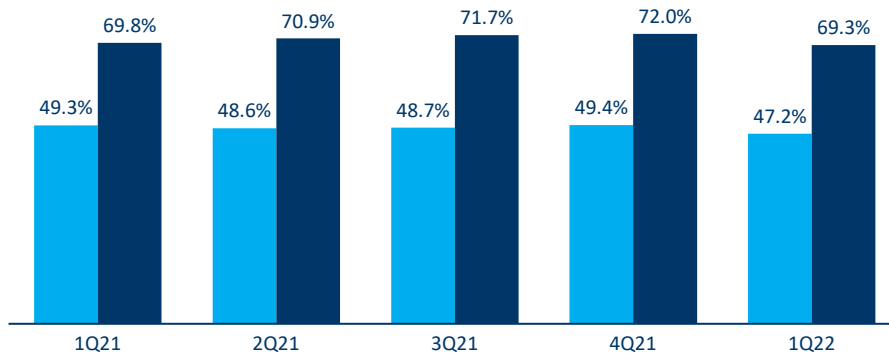


BELGIUM BU

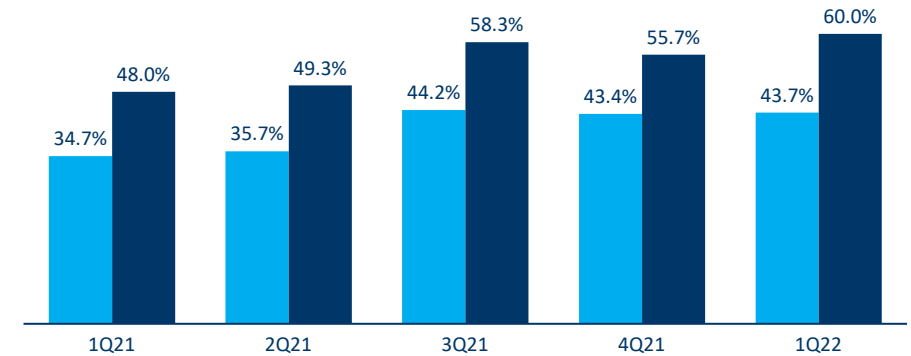


■ Impaired loans cover ratio
■ Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



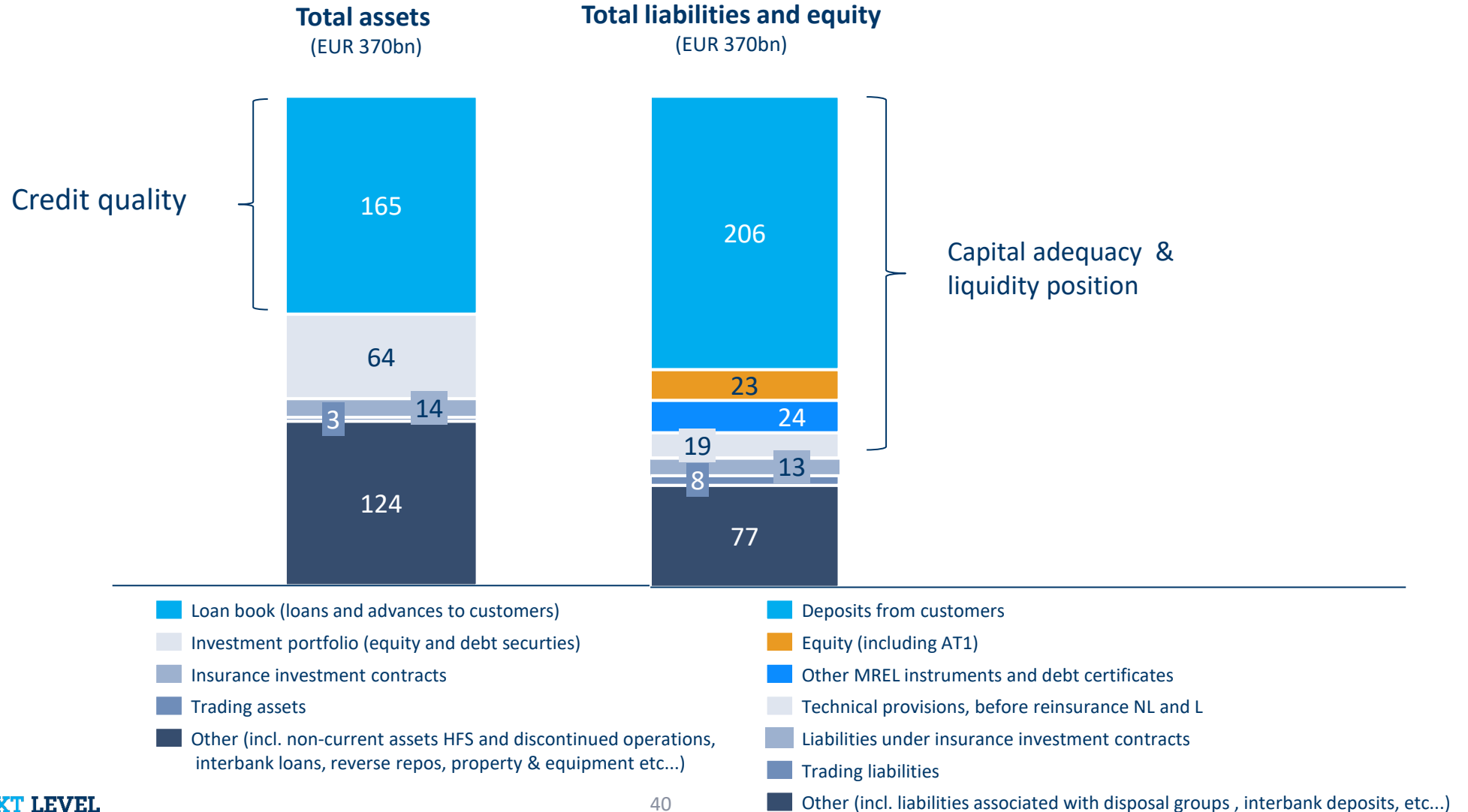
INTERNATIONAL MARKETS BU *



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

Balance sheet

KBC Group consolidated at the end of March 2022

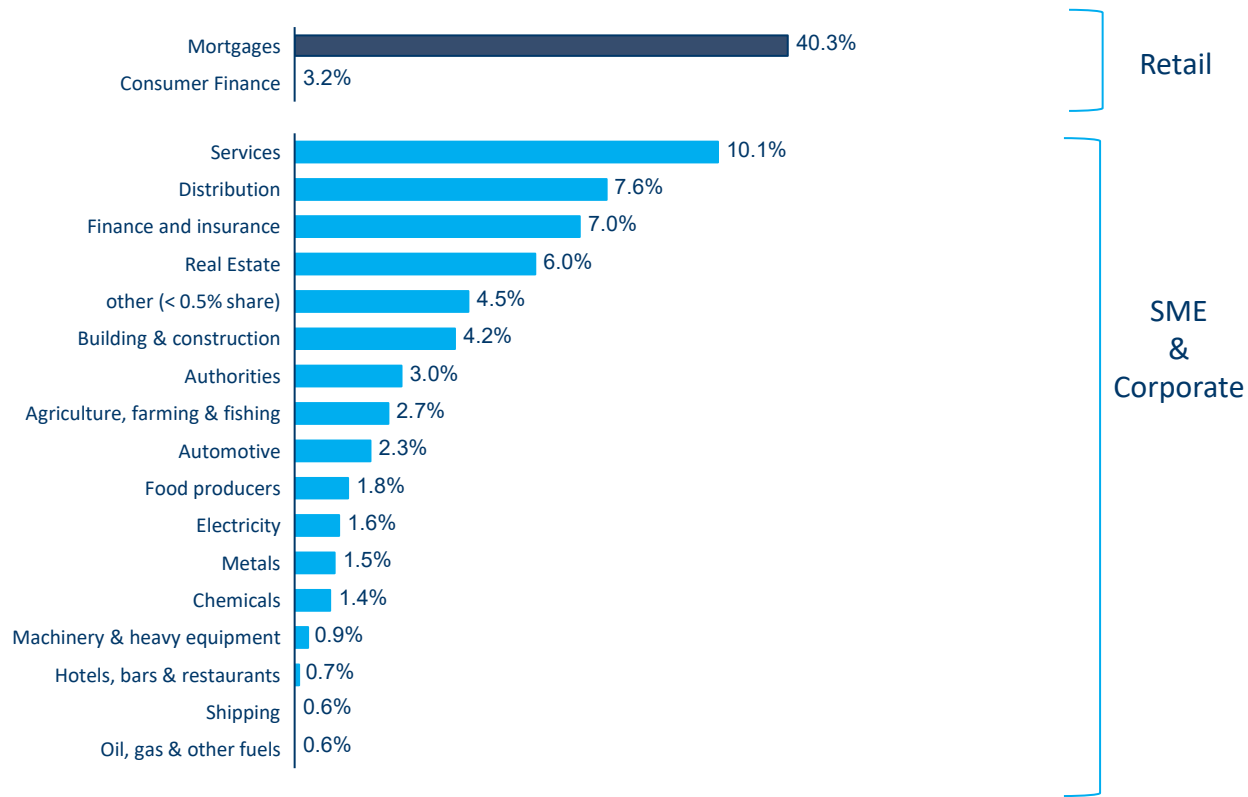


Diversified loan portfolio

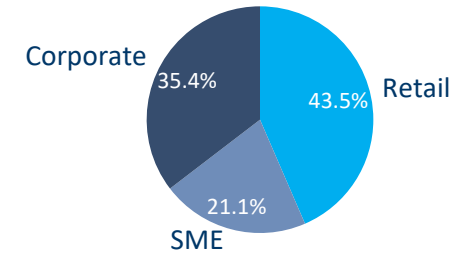


Total loan portfolio outstanding by sector as a % of total Group portfolio outstanding⁽¹⁾

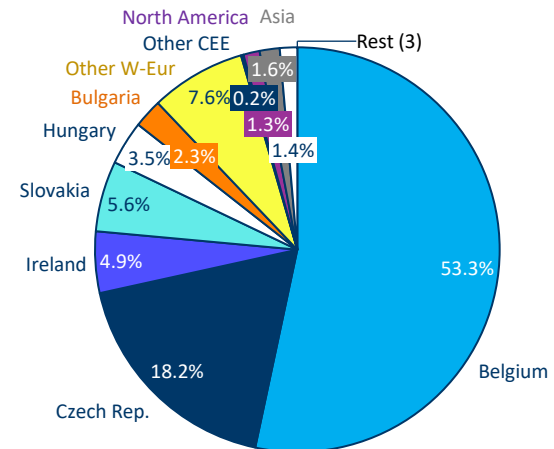
194bn EUR⁽²⁾



Total loan portfolio outstanding by segment⁽¹⁾



Total loan portfolio outstanding by geographical breakdown⁽¹⁾



(1) Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
 (2) Including loan portfolio of KBC Bank Ireland, the pro-forma total loan portfolio outstanding without KBC Bank Ireland amounts to 185bn EUR
 (3) The 'rest' part includes 0.03% of the outstanding portfolio to Russia and Ukraine

Balance sheet:

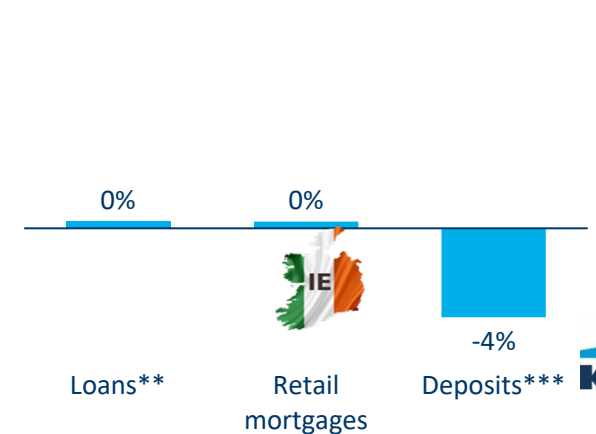
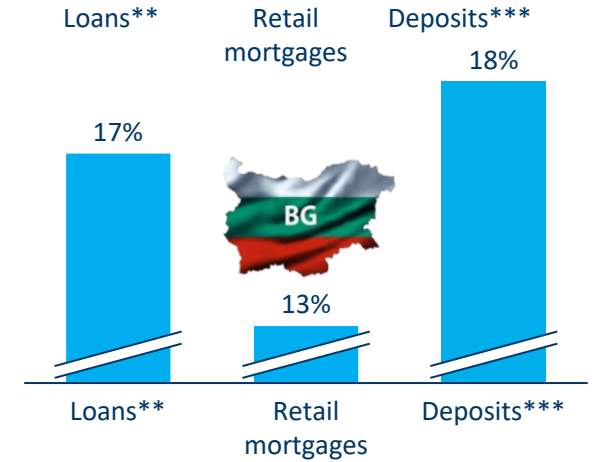
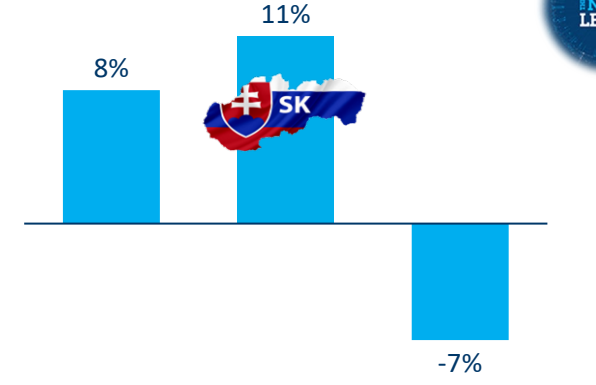
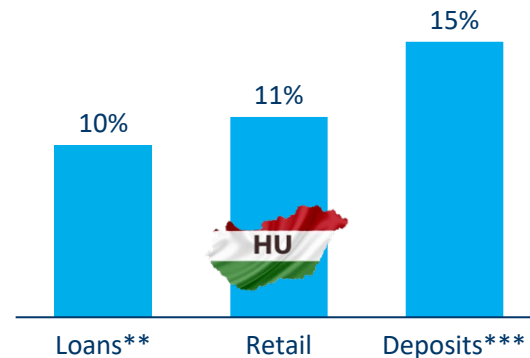
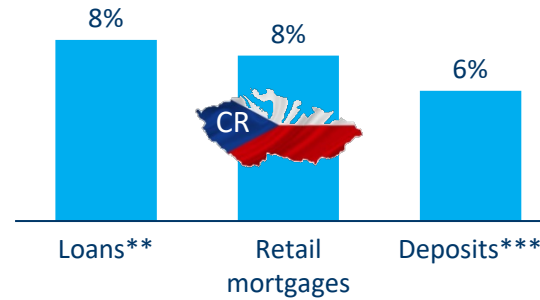
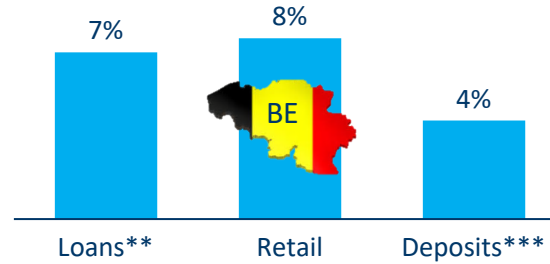
Loans and deposits continue to grow in most countries



Y-O-Y ORGANIC* VOLUME GROWTH



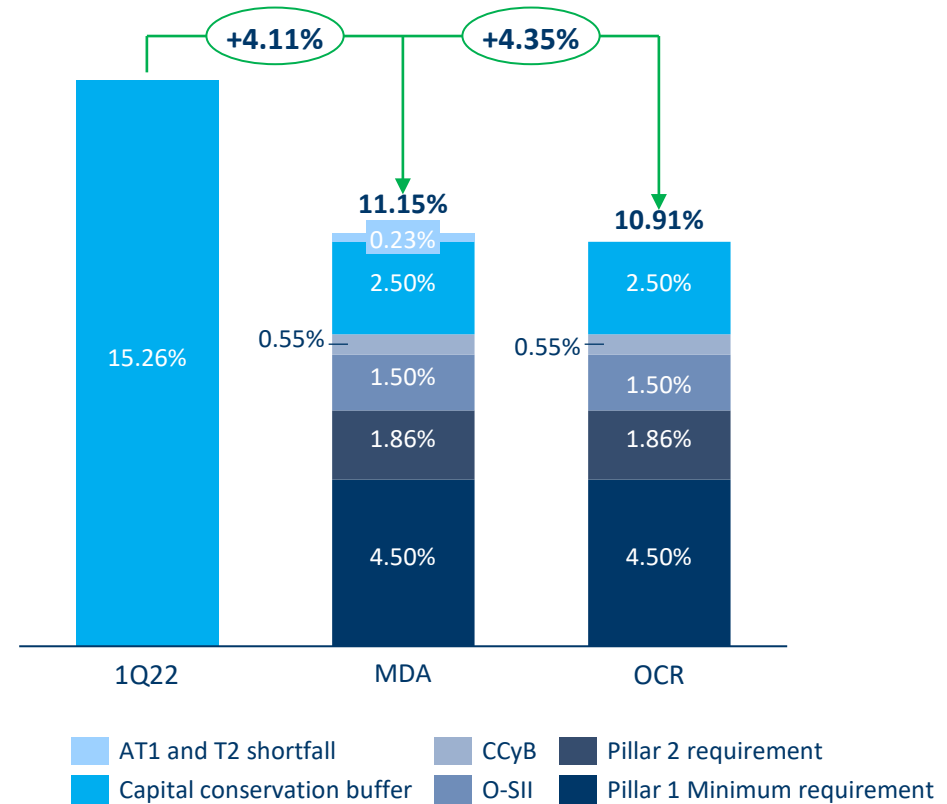
* Volume growth excluding FX effects, divestments/acquisitions and reclassifications
 ** Loans to customers, excluding reverse repos (and bonds)
 *** Customer deposits, excluding debt certificates and repos



Contents

- 1. Strategy and business profile
- 2. Financial performance
- 3. Solvency, liquidity and funding**
- 4. Covered bond programme
- 5. Green & Social bond framework
- 6. Looking forward
- Appendices

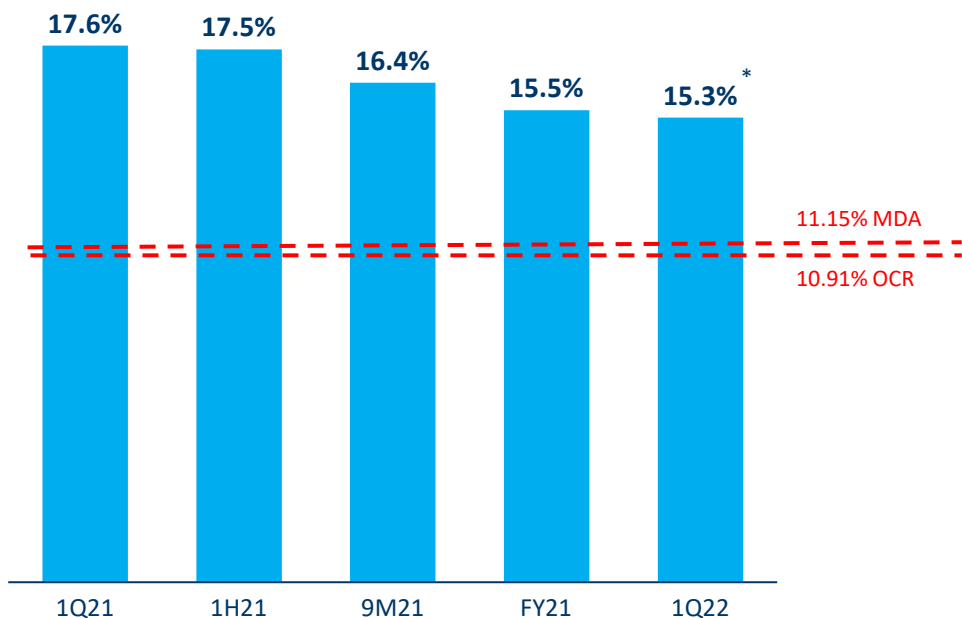
Fully loaded Basel 3 CET1 ratio at KBC Group
(Danish Compromise)



Strong capital position



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



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

Total distributable items (under Belgian GAAP) KBC Group 6.2bn EUR at 1Q22, of which:

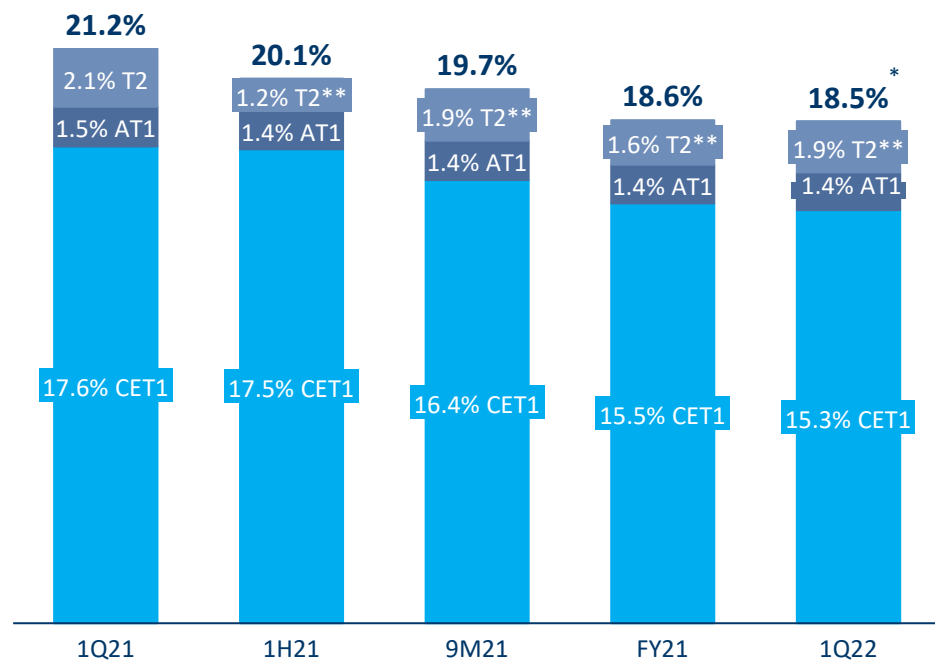
- available reserves: 949m
- accumulated profits: 5 063m

- **The fully loaded common equity ratio amounted to 15.3%** at the end of 1Q22 based on the Danish Compromise.
 - The q-o-q decrease in 1Q22 is mainly related to increase of the risk weighted assets (mainly volume driven)
 - The q-o-q decrease in 4Q21 was the result of the payout of a 7.6 EUR gross dividend per share (of which 3.0 EUR final ordinary dividend per share related to the accounting year 2021 and 4.6 EUR extraordinary dividend per share)
 - This came on top of the 3.0 EUR interim dividend per share (2.0 EUR over the accounting year 2020 and 1.0 EUR as an advance payment of the total dividend for the accounting year 2021) already paid in November 2021. This explained the q-o-q CET1 ratio decrease in 3Q21
- KBC's CET1 ratio of 15.3% at the end of 1Q22 represents a solid capital buffer:
 - **4.35% capital buffer compared with the Overall Capital Requirement (OCR) of 10.91%**
 - **4.11% capital buffer compared with the Maximum Distributable Amount (MDA) of 11.15%** (given small shortfall in AT1 and T2 bucket)
- At the end of 1Q22, the transitional CET1 ratio amounted to 15.2%

Strong capital position



Fully loaded Basel 3 total capital ratio (Danish Compromise)



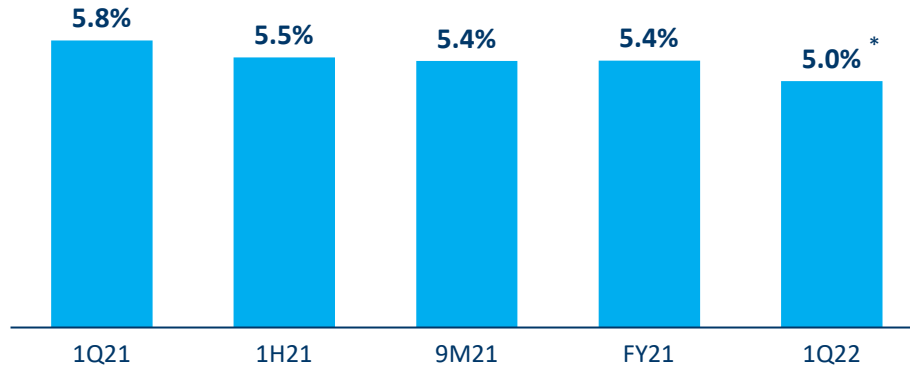
- The fully loaded total capital ratio amounted to 18.5% at the end of 1Q22
- The q-o-q decrease in 4Q21 was mainly the result of the payout of a final 7.6 EUR gross dividend per share

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

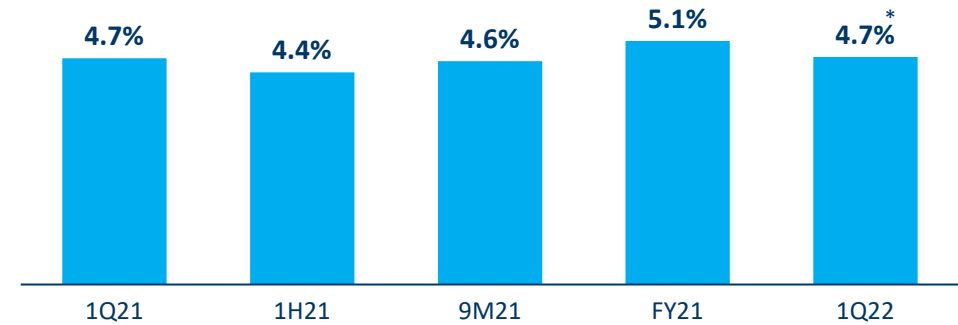
** As of 2Q21, the fully loaded T2 capital excludes the T2 instruments grandfathered under CRR2. These T2 instruments are however included in the actual (transitional) T2 capital for the period of grandfathering, in line with CRR2 and the COREP 3.0 reporting framework

Fully loaded Basel 3 leverage ratio and Solvency II ratio

Fully loaded Basel 3 leverage ratio at KBC Group



Fully loaded Basel 3 leverage ratio at KBC Bank



- The decrease of the leverage ratio at KBC Group was mainly the result of increased short-term money market and repo opportunities as of 1Q21

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

Solvency II ratio

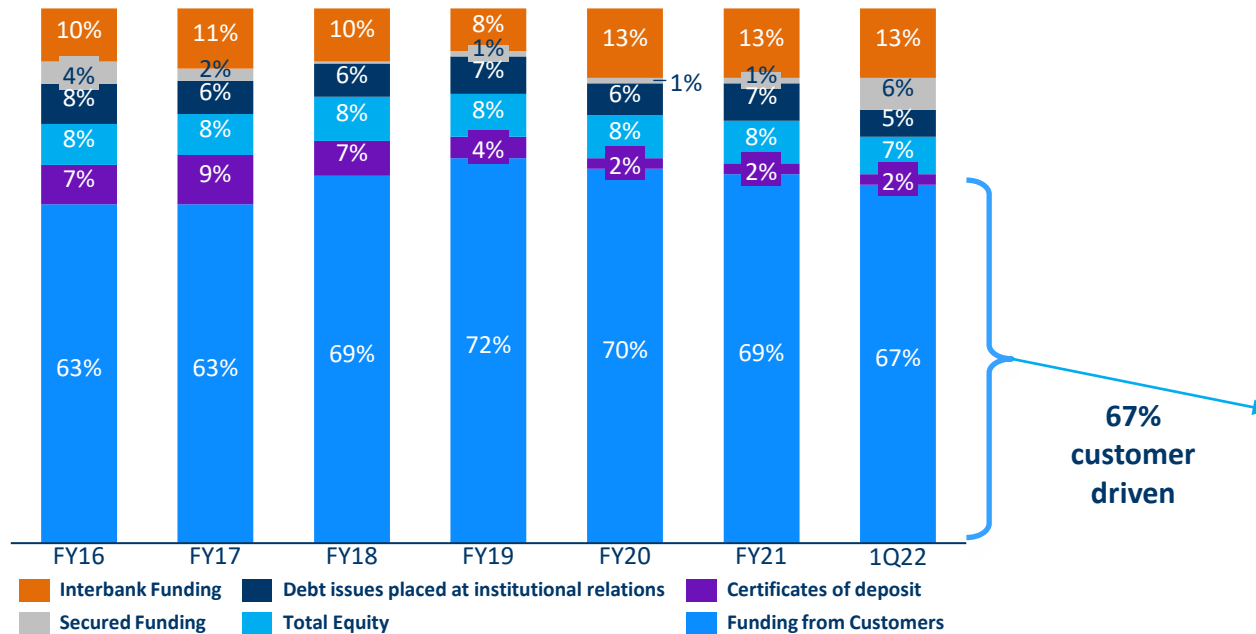
	FY21	1Q22
Solvency II ratio	201%	217%

- The q-o-q delta (+16pp) in the Solvency II ratio was driven mainly by the higher interest rates

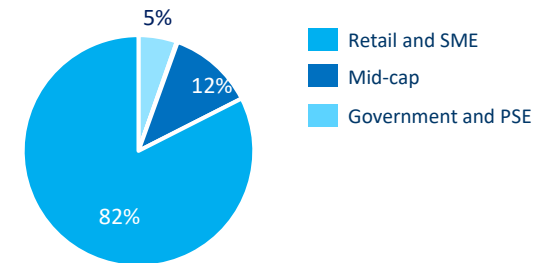
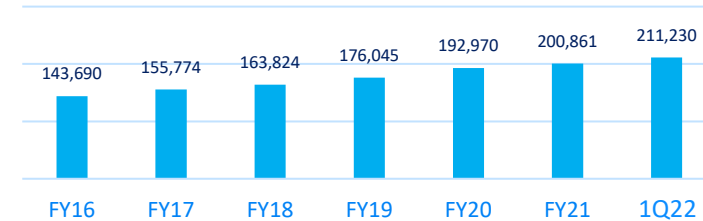
Strong and growing customer funding base with liquidity ratios remaining very strong



- 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;
- **Drop in % customer funding** as growth in secured funding due to market opportunities was even outpacing growth in customer funding;
- KBC Bank **participated to the TLTRO III** for a total exposure of 24.5bn EUR which is reflected in the ‘Interbank Funding’ item below.



Funding from customers (m EUR) of KBC Banking Group



67% customer driven

Ratios	FY21	1Q22	Regulatory requirement
NSFR*	148%	149%	≥100%
LCR**	167%	162%	≥100%

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

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

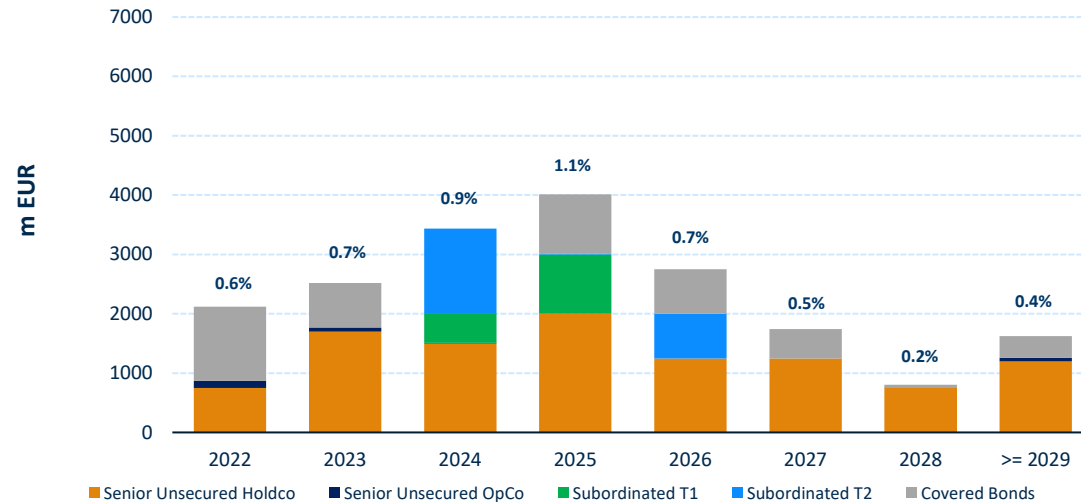
- **NSFR is at 149% and LCR is at 162% by the end of 1Q22**

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

Upcoming mid-term funding maturities

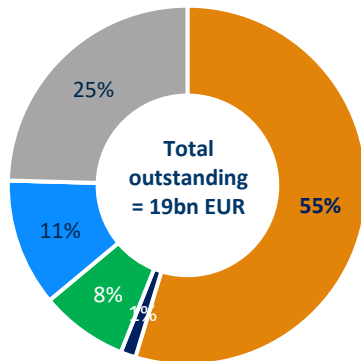
Breakdown Funding Maturity Buckets

(Including % of KBC Group's balance sheet)

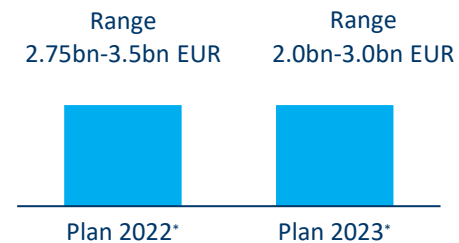


KBC Bank has 6 solid sources of long-term funding:

- 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 downstreamed to KBC Bank



Expected funding program

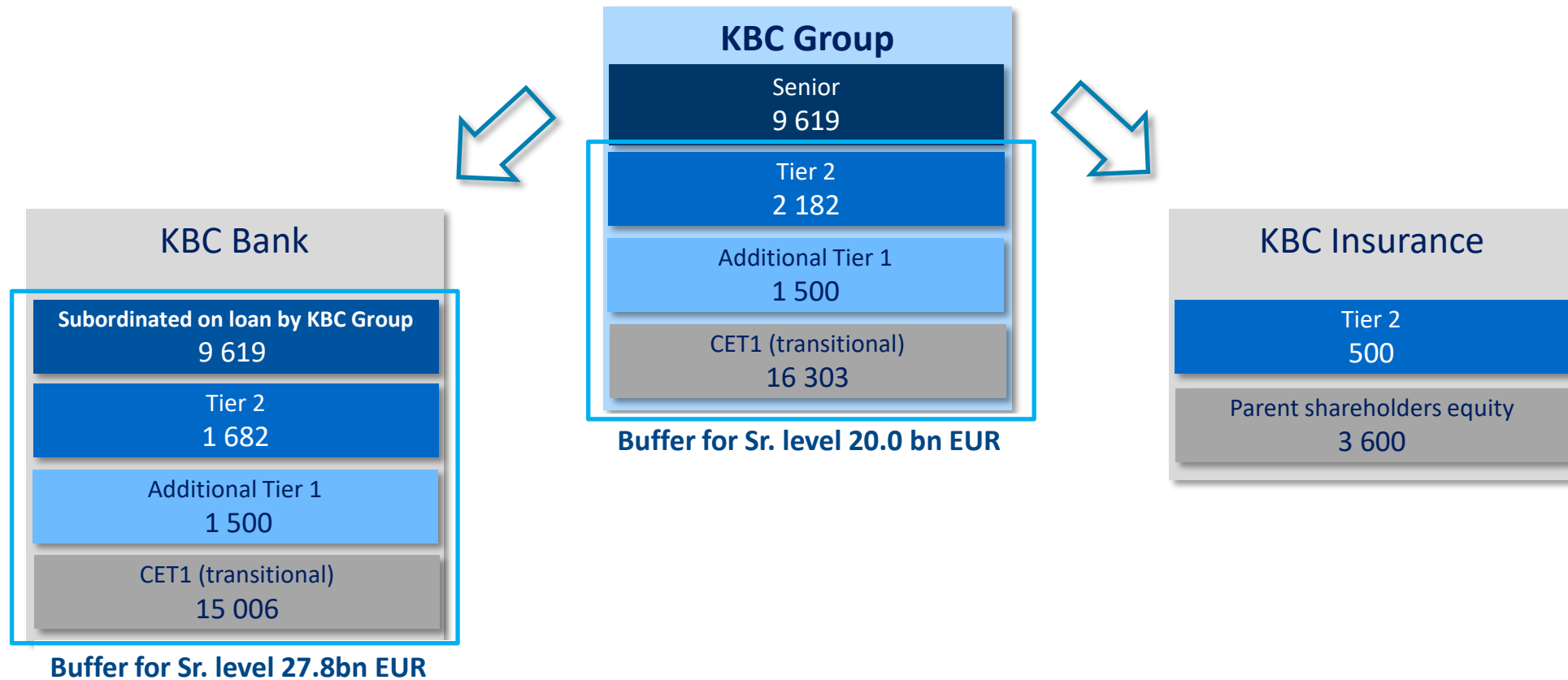


We aim to issue 1 green/social bond per year

- In **January 2022**, KBC Group issued a senior benchmark for an amount of 750m EUR with a 6-year maturity callable after 5Y
- In **February 2022**, KBC Group issued 700m EUR via Private Placements (i.e., 500m EUR 3NC2 and 200m EUR tap on outstanding 2031)
- In **March 2022**, KBC Group issued a senior benchmark for an amount of 750m EUR with a 4-year maturity callable after 3Y

* Any change in regulatory requirements, RWA evolutions, MREL targets or market circumstances can modify the current disclosed range

KBC has strong buffers cushioning Sr. debt at all levels (1Q 2022)



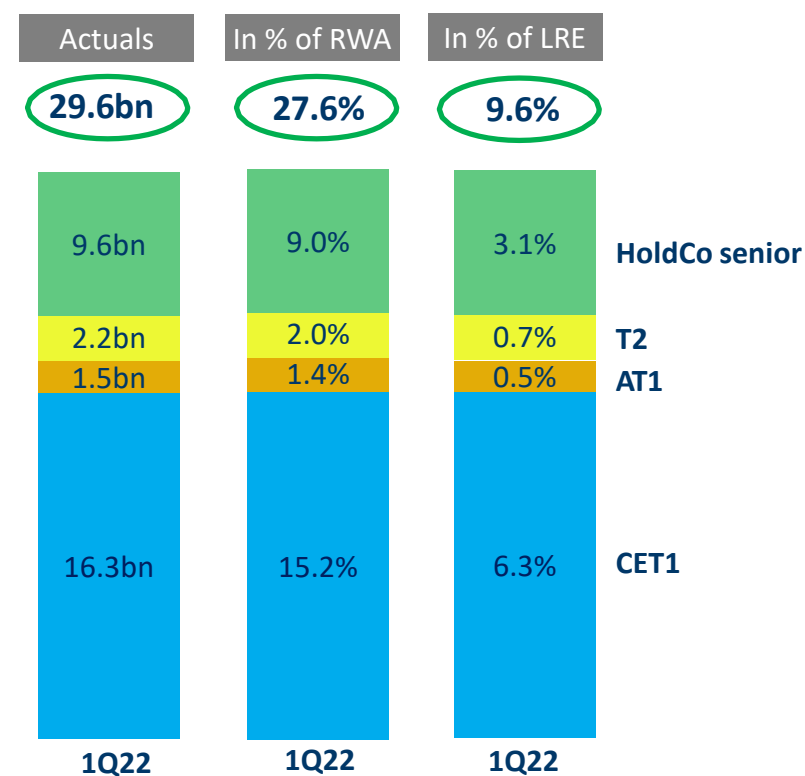
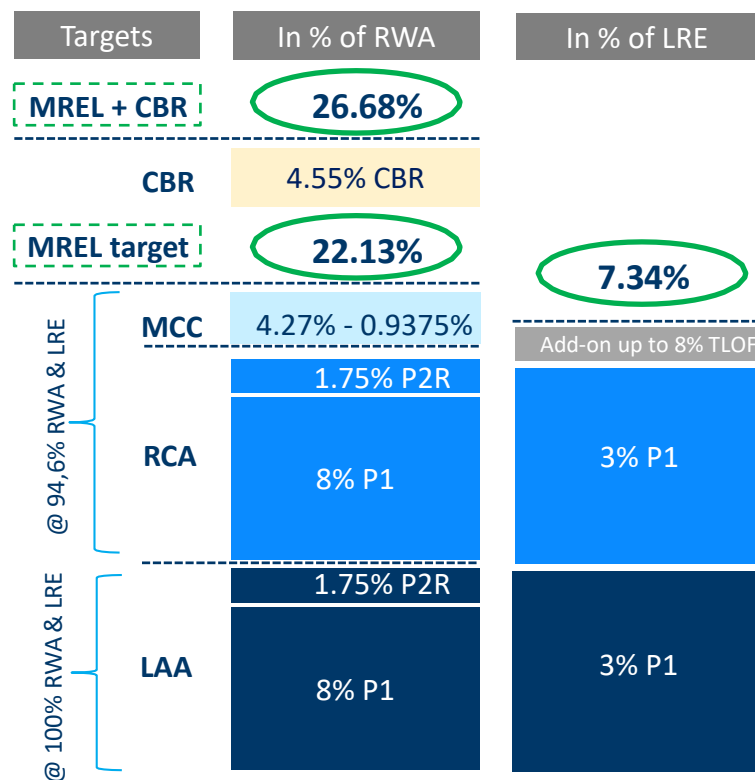
nominal amounts in million EUR

KBC complies with resolution requirements



New MREL targets applicable as from 01-01-2024, with intermediate targets as from 01-01-2022

- The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level, with **baill-in** as the preferred resolution tool
- The SRB communicated to KBC the final MREL targets (under BRRD2), 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:
 - 26.68% of RWA** as from 01-01-2024 (including CBR of 4.55% as from 2Q2023), with an intermediate target of **25.98%** as from 01-01-2022 (including CBR of 4.35% for 2022)
 - 7.34% of LRE** as from 01-01-2022

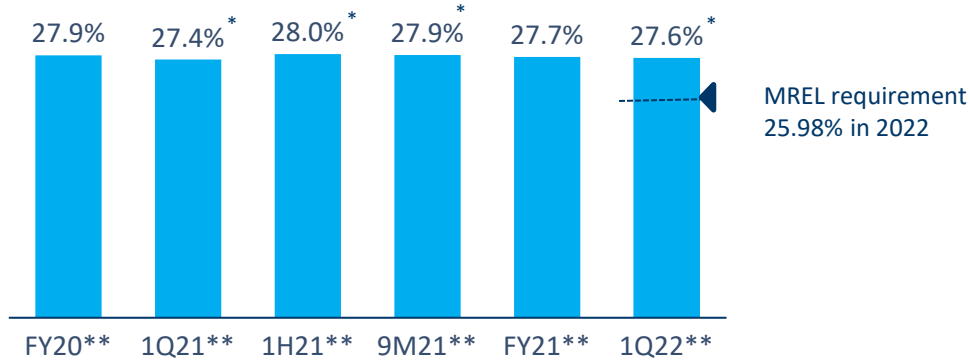


TLOF Total Liabilities and Own Funds LAA Loss Absorbing Amount RCA ReCapitalisation Amount
 MCC Market Confidence Charge = CBR (4.27% as at 2Q 2020) minus 93.75 bps; the discount will decrease in the next years to reach the BRRD2 reference level of CBR minus the Countercyclical Buffer
 CBR Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + Countercyclical Buffer (0.35% for 2022 and 0.55% as from 2Q 2023), comes on top of the MREL target



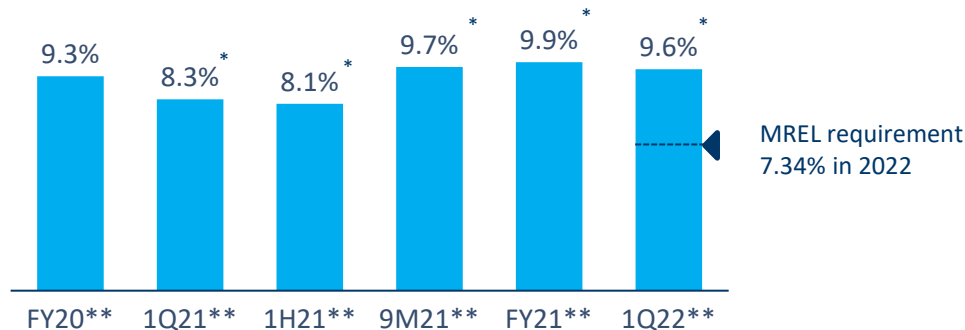
Available MREL as a % of RWA and LRE (BRRD2)

Available MREL as a % of RWA



- The **MREL ratio in % of RWA** slightly decreased vs. 4Q21, due to increase of the RWA; the available MREL increased: decrease in CET1 capital due to the inclusion of 2021 profit and dividend distributions, was compensated by issuance of 2.2bn EUR of new HoldCo instruments.

Available MREL as a % of LRE



- The **MREL ratio in % of LRE** slightly decreases compared to 4Q21, due to increase of the Leverage Ratio Exposure (mainly driven by increase of cash and cash balances).

(the considerable increase of the ratio in 3Q21 vs. 2Q21 - from 8.1% to 9.7% - was due to decrease of the Leverage Ratio Exposure, mainly driven by implementation in the 3Q reporting of the ECB relief measure allowing temporary exclusion of the exposure to central banks from the Leverage Ratio Exposure)

* No IFRS current year interim profit recognition given more stringent ECB approach
 ** As of 1H20, MREL ratio includes the impact of IFRS9 transitional measures

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KBC's covered bond programme

Residential mortgage covered bond programme

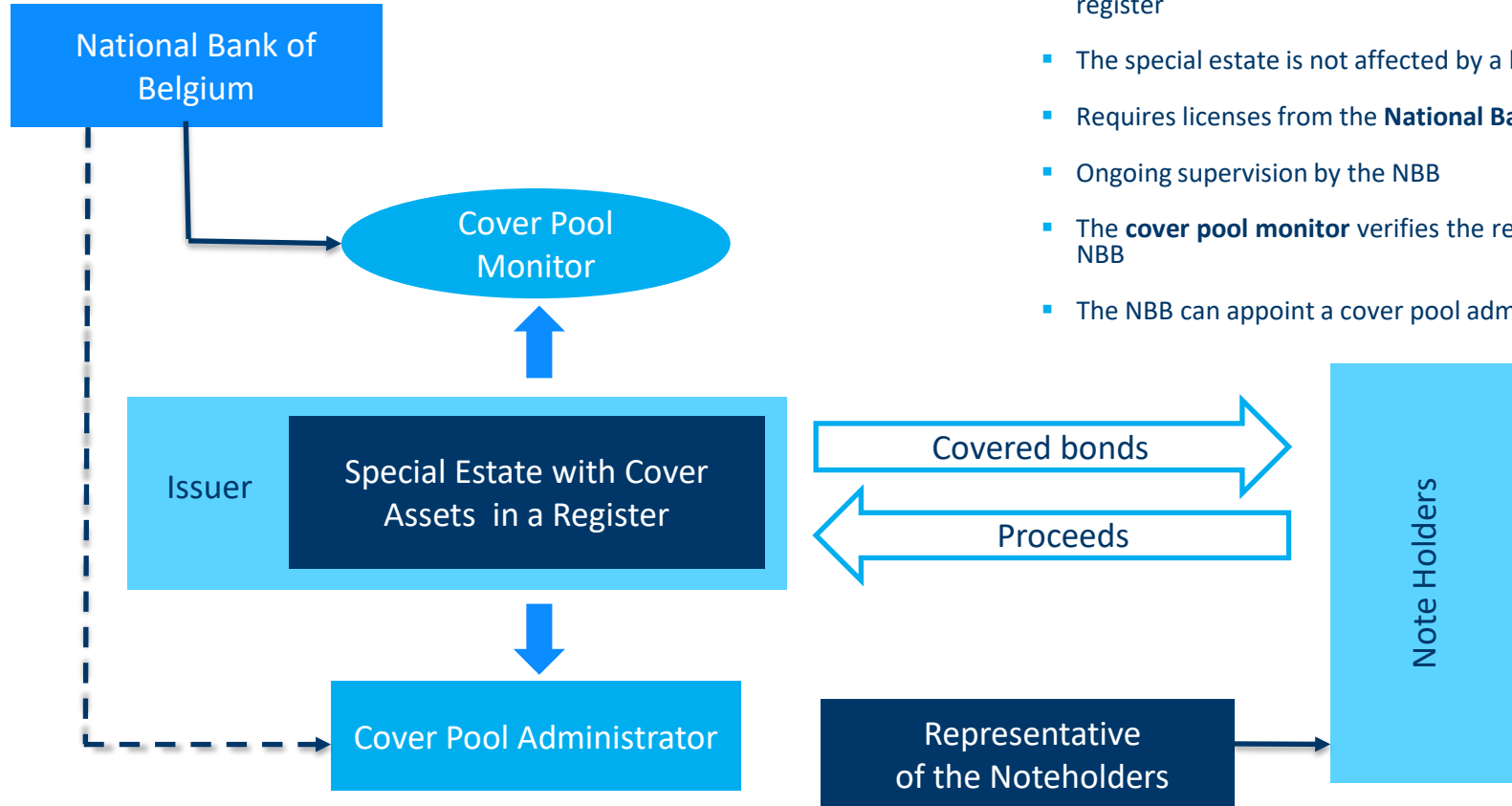


The covered bond programme is considered as an important funding tool for the treasury department. KBC's intentions are to be a frequent benchmark issuer if markets and funding plan permit.

Issuer:	<ul style="list-style-type: none"> KBC Bank NV 	
Main asset category:	<ul style="list-style-type: none"> min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon 	
Programme size:	<ul style="list-style-type: none"> 17.5bn EUR Outstanding amount of 10.67bn EUR 	
Interest rate:	<ul style="list-style-type: none"> Fixed rate, floating rate or zero coupon 	
Maturity:	<ul style="list-style-type: none"> Soft bullet: payment of the principal amount may be deferred past the final maturity date until the extended final maturity date if the issuer fails to pay Extension period is 12 months for all series 	
Events of default:	<ul style="list-style-type: none"> Failure to pay any amount of principal on the extended final maturity date A default in the payment of an amount of interest on any interest payment date 	
Rating agencies:	<ul style="list-style-type: none"> Moody's Aaa / Fitch AAA 	
	Moody's	Fitch
Over-collateralisation	9.5%	4%
	TPI Cap Probable	D-cap 4 (moderate risk)

KBC's covered bond programme

Belgian legal framework



- Direct covered bond issuance from a bank's balance sheet
- Dual recourse, including recourse to a special estate with cover assets included in a register
- The special estate is not affected by a bank's insolvency
- Requires licenses from the **National Bank of Belgium (NBB)**
- Ongoing supervision by the NBB
- The **cover pool monitor** verifies the register and the portfolio tests and reports to the NBB
- The NBB can appoint a cover pool administrator to manage the special estate

KBC's covered bond programme

Strong legal protection mechanisms



1 Collateral type

- The value of one asset category must be at least 85% of the nominal amount of covered bonds
 - KBC Bank selects residential mortgage loans and commits that their value (including collections) will be at least 105%

2 Over-collateralisation Test

- The value of the cover assets must at least be 105% of the covered bonds
 - The value of residential mortgage loans:
 - 1) is limited to 80% LTV
 - 2) must be fully covered by a mortgage inscription (min 60%) plus a mortgage mandate (max 40%)
 - 3) 30 day overdue loans get a 50% haircut and 90 days (or defaulted) get zero value

3 Cover Asset Coverage Test

- The sum of interest, principal and other revenues of the cover assets must at least be the interest, principal and costs relating to the covered bonds
 - Interest rates are stressed by plus and minus 2% for this test

4 Liquidity Test

- Cover assets must generate sufficient liquidity or include enough liquid assets to pay all unconditional payments on the covered bonds falling due the next 6 months
 - Interest rates are stressed by plus and minus 2% for this test

5 Cap on Issuance

- Maximum 12.5% of a bank's assets can be used for the issuance of covered bonds (temporary increase)

KBC's covered bond programme

Cover pool



■ COVER POOL: BELGIAN RESIDENTIAL MORTGAGE LOANS

- Exclusively, this is selected as main asset category
- Value (including collections) at least 105% of the outstanding covered bonds
- Branch originated prime residential mortgages predominantly out of Flanders
- Selected cover assets have low average LTV (63.3%) and high seasoning (54 months)

■ KBC HAS A DISCIPLINED ORIGINATION POLICY

- 2009 to 2021 residential mortgage loan losses below 4 bps
- Arrears in Belgium approx. stable over the past 10 years:
 - (i) Cultural aspects, stigma associated with arrears, importance attached to owning one's property
 - (ii) High home ownership also implies that the change in house prices itself has limited impact on loan performance
 - (iii) Well established credit bureau, surrounding legislation and positive property market

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Sustainability

KBC Green bond framework



Rationale: enhancing the KBC sustainability strategy

- KBC is convinced that the financial industry has a key role to play in the transition to a low carbon economy and is willing to contribute to the development of a sustainable financial market
- Green funding provides an opportunity to KBC Bank to further enhance its ability to finance the green projects of its clients and to mobilise all its stakeholders around this objective

KBC Green Bond Framework

- KBC is implementing a comprehensive sustainability bond strategy to support the development of the Green Bond markets in Belgium and Europe
- KBC Green Bonds can be issued under the KBC Green Bond Framework via KBC Group NV, KBC Bank NV or any of its other subsidiaries
- In case of Green Bonds issued at the holding company level (KBC Group NV), KBC will allocate an equivalent amount of the proceeds to KBC Bank or its subsidiaries where the Eligible Assets are located
- The KBC Green Bond Framework is intended to accommodate secured and unsecured transactions in various formats and currencies

Aligned with best practices and market developments

- The KBC Green Bond Framework is in line with the Green Bond Principles (2017)
- Second party opinion provided by Sustainalytics and Pre-issuance-certification by the Climate Bonds Initiative
- KBC intends to align its Green Bond Framework with emerging good practices, such as a potential European Green Bond Standard or other forthcoming regulatory requirements and guidelines
- For details of the KBC green bond framework, we refer to the KBC.COM website: <https://www.kbc.com/en/investor-relations/debt-issuance/kbc-green-bond.html>



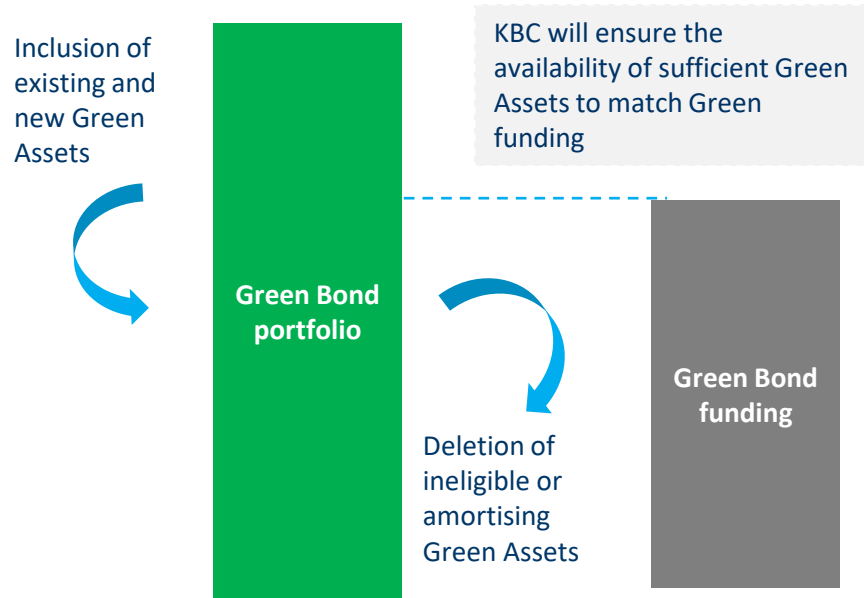


Sustainability

Green bonds



KBC GREEN PORTFOLIO APPROACH



- In the context of the Green Bond, KBC allocated the proceeds to three green asset categories: **renewable energy** (share of 45%) and **residential real-estate loans** (share of 55%).
- For future transactions, in cooperation with the relevant business teams, KBC aims to capture more green assets from other categories and expand the green eligibility to more business lines and clients.

Certification

- The Climate Bonds Standard Board approved the certification of the KBC Green Bonds

Verification

- One year after issuance and until maturity, a limited assurance report on the allocation of the Green Bond proceeds to Eligible Assets to be provided by an external auditor
- See latest impact report as of EOY 2021 available on KBC.COM website.



Overview of the KBC Green Bond assets and annual impact		
Green Bond 2018		
	Renewable energy	Green buildings
Allocated amount	EUR 195.9m	EUR 304.1m
Electricity produces/energy saved (mWh)	378,038	25,951
Avoided CO2 emissions (tonnes)	77,414	4,861
Green Bond 2020		
	Renewable energy	Green buildings
Allocated amount	EUR 264.8m	EUR 235.2m
Electricity produces/energy saved (mWh)	413,354	20,075
Avoided CO2 emissions (tonnes)	84,647	3,761
Green Bond 2021		
	Renewable energy	Green buildings
Allocated amount	EUR 323.5m	EUR 426.5m
Electricity produces/energy saved (mWh)	592,276	36,395
Avoided CO2 emissions (tonnes)	121,286	6,819

Note: new impact report will be available with 1Q22 publication (incl. green bond of 2021)



Sustainability

KBC Social Bond Framework



Rationale: enhancing the KBC sustainability strategy

- KBC is dedicated to increase its positive social impact through its core activities by financing & insuring the (health)care & education sector. Healthcare and well-being are at the heart of KBC's activities as a bank-insurer.
- By adding the social aspect to its funding mix, KBC Bank can further enhance its ability to finance social projects and increase its positive social impact on society.

KBC Social Bond Framework

- Via its Green Bond Framework and new Social Bond Framework, KBC is implementing a comprehensive sustainable bond strategy to support the development of GSS bond markets in Belgium and Europe.
- KBC social bond(s) can be issued under the Social Bond Framework via KBC Group NV or KBC Bank NV. If KBC issues social bond(s) at the level of KBC Group NV, it will allocate an equivalent amount of the social bond proceeds to KBC Bank NV.
- The KBC Social Bond Framework is intended to accommodate secured and unsecured (including subordinated) transactions in various formats and currencies.

Aligned with best practices and market developments

- The KBC Social Bond Framework is aligned with ICMA's Social Bond Principles (2021).
- Second party opinion provided by Sustainalytics (May 2022)
- Information pertaining to the Social Bond Framework can be found on the KBC.COM webpage: <https://www.kbc.com/en/investor-relations/debt-issuance/kbc-social-bond.html>



Social Bond Principles

Voluntary Process Guidelines for Issuing Social Bonds

June 2021



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Looking forward

Economic outlook 2022

- Repercussions of the Russian invasion of Ukraine hit the global economy at a time that it had still not fully recovered from the pandemic crisis
- High-for-longer energy prices imply lower growth and significantly higher inflation in 2022
- European economy is hit more severely than US due to its dependency on energy imports from Russia. Central European economies are most exposed
- Fed expected to continue its front-loaded rate tightening cycle and to start reducing the size of its balance sheet
- ECB set to end net asset purchases and to make first steps towards normalising its policy rate bringing policy rates back into positive territory
- More dovish ECB (compared to Fed) weighs on euro/dollar exchange rate
- Shifting ECB policy stance leads to moderately higher intra-EMU sovereign spreads
- Global bond yields rising further in line with monetary tightening cycle but yields still at moderate levels. Real bond yields in the euro area will remain negative
- Czech National Bank and National Bank of Hungary are already close to reaching the peak of their front-loaded rate tightening cycle
- Main economic risks include a further escalation of the war, more severe adverse commodity price shocks and supply chain disruptions and remaining pandemic risks (e.g. Chinese lockdowns)

Group guidance for 2022

- Last quarter, we provided the market with a clear FY22 guidance based upon a set of macroeconomic and business assumptions. Subsequently, the invasion of Russia in Ukraine is causing major macroeconomic and financial shocks, and very volatile markets. This is clearly going to have an impact on our financial performance. Starting from a base scenario whereby the war in Ukraine will continue for at least several months but will not escalate, we see our cost growth this year somewhat higher than previously guided, driven by the strong increase in inflation and the one-off extraordinary staff bonus for our employees*. On the other hand, however, we expect our total income (including NII) to be increasingly supported by a further improving interest rate climate and an already excellent first quarter result. Combined - under the base scenario - the jaws (income growth versus costs growth) for this year should be at least at the same level we envisaged in our earlier FY22 guidance.
- Due to the creation of a provision for geopolitical and emerging risks (EUR 223 million), the credit cost ratio for 2022 is also likely to be higher than 10 bps but below 25 bps (25-30 bps = through-the-cycle CCR guidance).
- We continue to monitor and analyse the situation and will provide further guidance for 2022 and long-term guidance for 2024 with the second quarter results publication.

* One-off bonus for our staff for their achievements in what was a challenging and difficult year (Covid)

Guidance as provided on February 10th

3-year and long-term financial guidance



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

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

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

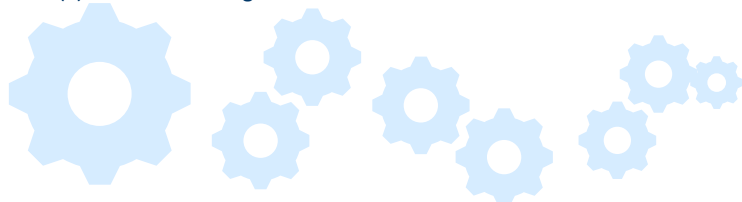
** Fully loaded CET1 ratio, Danish Compromise

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

Regulatory requirements		
Overall capital requirement (OCR)*	≥ 10.91%	by 2022
MREL as a % of RWA**	≥ 26.68%	by 2024
MREL as a % of LRE**	≥ 7.34%	by 2022
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

* Excluding Pillar 2 guidance of 100 bps

** The SRB communicated the final MREL targets (under BRRD2) in % of RWA and in % of LRE to KBC. Regarding MREL as a % of RWA; (i) an intermediate MREL target of 25.98% as from 01-01-2022 and (ii) a final MREL target of 26.68% as from 01-01-2024

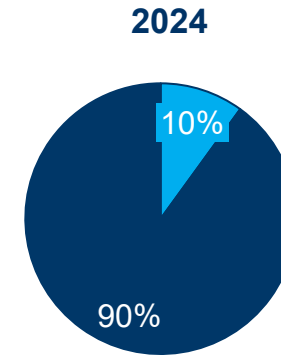
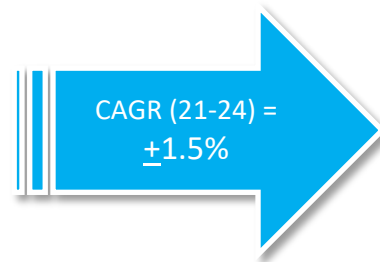
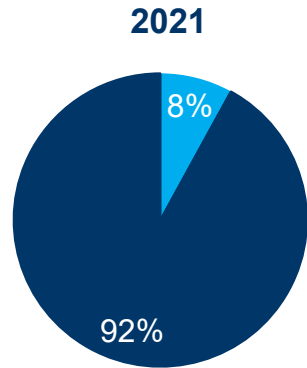


Differently: the next level

Digital investment 2022-2024



OPEX excl. bank taxes



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



Amounts in m EUR

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



Differently: the next level

Dividend policy & capital distribution as of 2022



- We aim to be **amongst the better capitalised** financial institutions in Europe. As a consequence, the dividend policy of KBC Group is tailored to that purpose. Each year, the Board of Directors will decide, at its discretion, on the total dividend based on the assessment of risks, forward looking profitability and strategic opportunities
- **Payout ratio policy** (i.e. dividend + AT1 coupon) **of at least 50% of consolidated profit** of the accounting year
- **Interim dividend of 1 EUR per share** in November of each accounting year as an advance on the total dividend
- On top of the payout ratio of at least 50% of consolidated profit, **each year** (when announcing the full year results*), the Board of Directors will take a **decision, at its discretion**, on the distribution of the **capital above 15.0% fully loaded CET1 ratio, so-called surplus capital**. The distribution of this surplus capital can be **in the form of a cash dividend, a share buy-back or a combination of both**
- From the moment Basel IV will apply (as from 1 January 2025 at the earliest), the capital deployment plan will be updated

* next FY results on 9 February 2023

Appendices



1. Overview of outstanding benchmarks
2. Summary of KBC's covered bond programme
3. Solvency: details on capital
4. Details on business unit international markets & Ireland

Annex 1 - Outstanding benchmarks

Overview till end of April 2022



Additional Tier 1 securities:

Issuer	Currency	Isin Code	Issued (in mio)	Coupon	Re-off spread	Settlement date	Call date	Maturity	Trigger	Level
KBC Group	EUR	BE0002592708	1,000	4.25%	M/S+359,4bps	24/04/2018	24/10/2025	Perpetual	Temporary write-down	5.125%
KBC Group	EUR	BE0002638196	500	4.75%	M/S+468,9bps	5/03/2019	5/03/2024	Perpetual	Temporary write-down	5.125%

Tier 2 securities:

Issuer	Currency	Isin Code	Issued (in mio)	Coupon	Re-off spread	Settlement date	Call date	Maturity date	Tenor	Trigger
KBC Group	EUR	BE0002290592	500	1.625%	M/S +125bps	18/09/2017	18/09/2024	18/09/2029	12YNC7	regulatory + tax call
KBC Group	EUR	BE0002664457	750	0.500%	M/S+110bps	3/09/2019	3/12/2024	3/12/2029	10.25NC5.25	regulatory + tax call
KBC Group	EUR	BE0002819002	750	0.625%	M/S+95bps	7/09/2021	7/09/2026	7/12/2031	10.25NC5.25	regulatory + tax call

Senior Holdco :

Issuer	Currency	Isin Code	Issued (in mio)	Coupon	Re-off spread	Settlement date	Maturity date	Tenor
KBC Group	EUR	BE0002266352	750	0.750%	M/S +65bps	18/10/2016	18/10/2023	7y
KBC Group	EUR	BE0002281500	750	3M Euribor +55bps	3M Euribor +55bps	24/05/2017	24/11/2022	5,5y
KBC Group	EUR	BE0002602804	500	0.875%	M/S +72bps	27/06/2018	27/06/2023	5y
KBC Group	EUR	BE0002631126	750+250	1.125%	M/S +95bps	25/01/2019	25/01/2024	5y
KBC Group	EUR	BE0002645266	500	0.625%	M/S +60bps	10/04/2019	10/04/2025	6y
KBC Group	EUR	BE0002681626	500	0.750%	M/S +65bps	24/01/2020	24/01/2030	10y
KBC Group	EUR	BE0974365976	500	0.500%	M/S +72bps	16/06/2020	16/06/2027	7NC6
KBC Group	EUR	BE0002728096	750	0.125%	M/S +60bps	3/09/2020	3/09/2026	6NC5
KBC Group	EUR	BE0002766476	750	0.125%	M/S+60bps	14/01/2021	14/01/2029	8NC7
KBC Group	EUR	BE0002799808	500 + 200	0.750%	M/S+65bps	31/05/2021	31/05/2031	10y
KBC Group	GBP	BE0002820018	400	1.250%	M/S+52bps	21/09/2021	21/09/2027	6y
KBC Group	EUR	BE0002832138	750	0.250%	M/S+47bps	1/12/2021	1/03/2027	5.25NC4.25
KBC Group	EUR	BE0002839208	750	0.750%	M/S+70bps	21/01/2022	21/01/2028	6NC5
KBC Group	EUR	BE0002846278	750	1.500%	M/S+90bps	29/03/2022	29/03/2026	4NC3



Annex 2 – KBC’s covered bond programme

Key cover pool characteristics



Investor reports, final terms and prospectus are available on www.kbc.com/covered_bonds

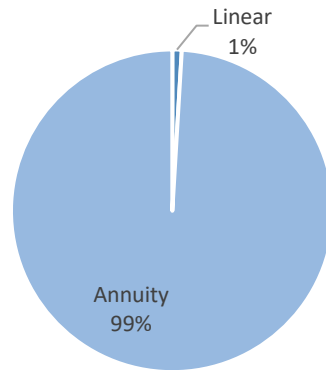
Portfolio data as of :	31 March 2022
Total Outstanding Principal Balance	16 580 393 895
Total value of the assets for the over-collateralisation test	15 106 303 374
No. of Loans	216 004
Average Current Loan Balance per Borrower	118 934
Maximum Loan Balance	1 000 000
Minimum Loan Balance	1 000
Number of Borrowers	139 408
Longest Maturity	359 months
Shortest Maturity	1 month
Weighted Average Seasoning	54 months
Weighted Average Remaining Maturity	185 months
Weighted Average Current Interest Rate	1.62%
Weighted Average Current LTV	63.3%
No. of Loans in Arrears (+30days)	186
Direct Debit Paying	98%

Annex 2 – KBC's covered bond programme

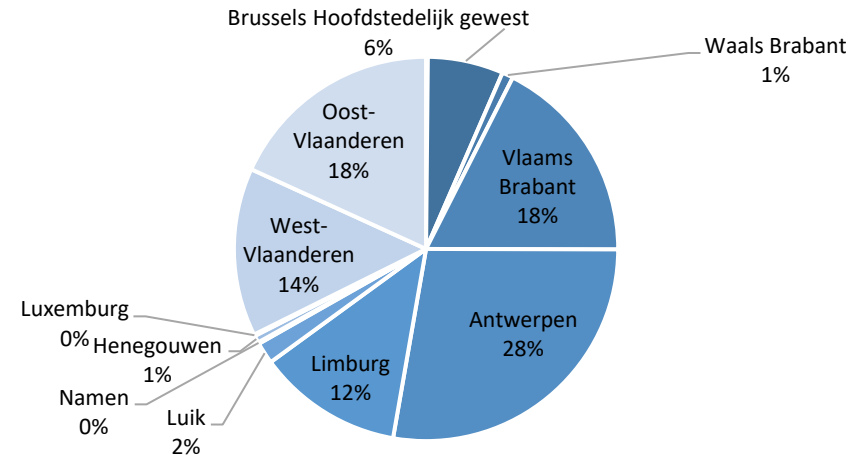
Key cover pool characteristics



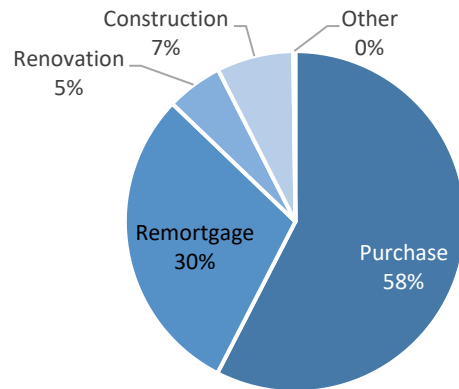
REPAYMENT TYPE (LINEAR VS. ANNUITY)



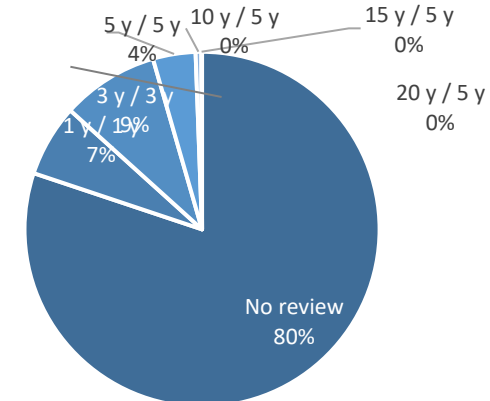
GEOGRAPHICAL ALLOCATION



LOAN PURPOSE



INTEREST RATE TYPE (FIXED PERIODS)

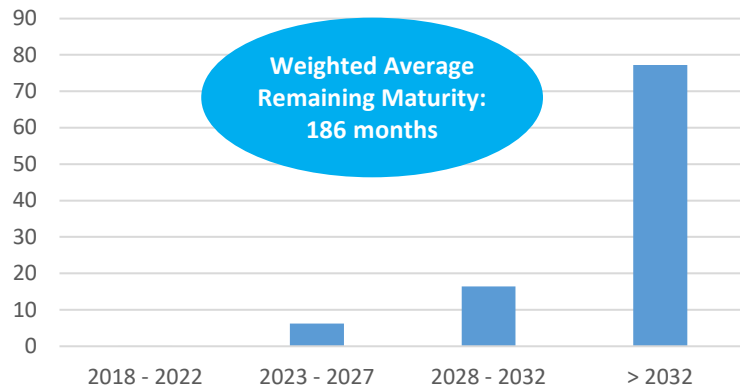


Annex 2 – KBC’s covered bond programme

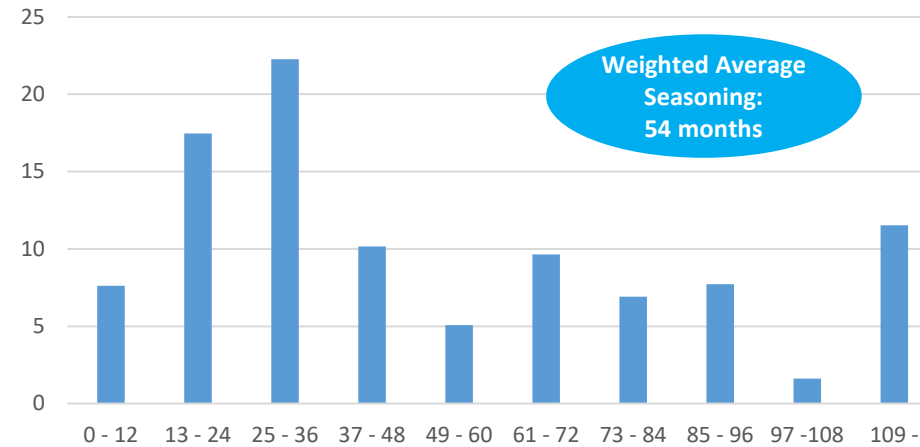
Key cover pool characteristics



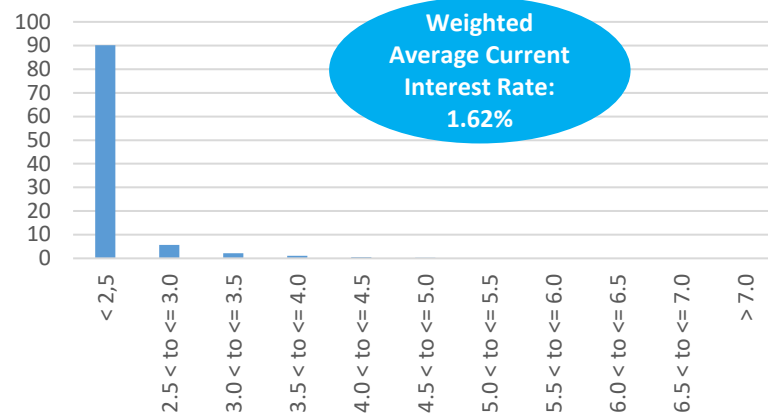
FINAL MATURITY DATE



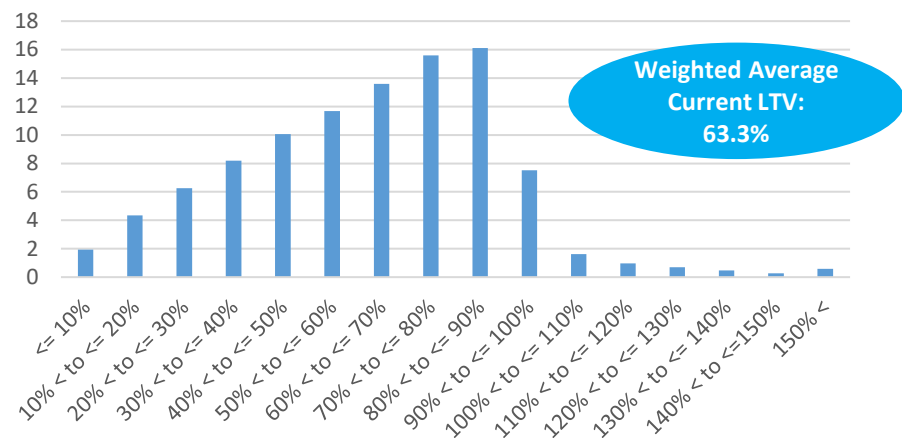
SEASONING



INTEREST RATE



CURRENT LTV

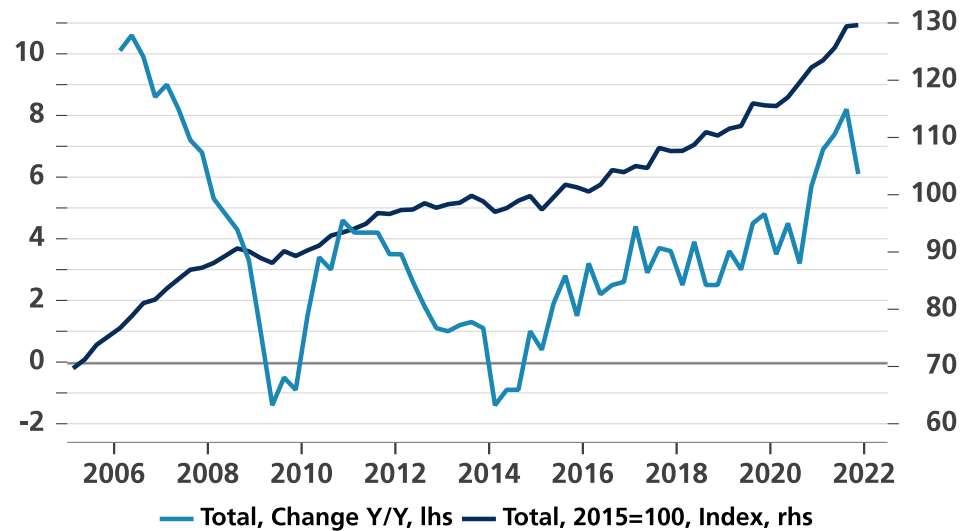


Annex 2 - Belgian real estate market

Housing market performed strong during the pandemic crisis

The yoy house price increase slowed to 6.1% in Q4 2021, from 6.9%, 7.4% and 8.2% in Q1, Q2 and Q3.

Belgium - Eurostat house price index
(total dwellings)



Source: KBC Economics based on Eurostat

Annex 3 - Solvency details

Overview of B3 CET1 ratios at KBC Group

Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	18,117	121,663	14.9%
DC**, fully loaded	16,362	107,256	15.3%
DM***, fully loaded	15,544	102,248	15.2%

- * FICOD: Financial Conglomerate Directive
- ** DC: Danish Compromise
- *** DM: Deduction Method

Annex 4 – Business unit international markets

Business profile



	BELGIUM	CZECH REPUBLIC	SLOVAKIA	HUNGARY	BULGARIA	GROUP CENTRE	Of which IRELAND
1Q22 NET RESULT (in million euros)	227m	207m	22m	35m	17m	-49m	-15m
ALLOCATED CAPITAL (in billion euros)	7.8bn	2.0bn	0.7bn	0.9bn	0.5bn	0.7bn	0.5bn
LOANS (in billion euros)	111bn	34bn	10bn	5bn	4bn		9bn
DEPOSITS* (in billion euros)	134bn	47bn	8bn	10bn	7bn		5bn
BRANCHES (end 1Q22)	430	204	122	198	161		12
Clients (end 1Q22)	3.8m	4.3m	0.8m	1.6m	1.8m		0.3m

* Customer deposits, excluding debt certificates and repos

Glossary (1/2)



B3	Basel III
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	<p>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:</p> <ul style="list-style-type: none"> • MtM ALM derivatives (fully excluded) • 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) • one-off items
Credit cost ratio (CCR)	[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
ESFR	European Single Resolution Fund
FICOD	Financial Conglomerates Directive
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (PD 10-11-12)]
Impaired loans ratio	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity coverage ratio (LCR)	[stock of high-quality liquid assets] / [total net cash outflow over the next 30 calendar days]
MREL	Minimum requirement for own funds and eligible liabilities
Net interest margin (NIM) of the group	[banking group net interest income excluding dealing room] / [banking group average interest-bearing assets excluding dealing room]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]
PD	Probability of default
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, 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 events

13 May 2022	Equity roadshow, London
19 May 2022	Equity roadshow, Asia
19 May 2022	UBS Conference, Lausanne
31 May 2022	Equity roadshow, Toronto
1 June 2022	DB Conference, New York
8 June 2022	GS Conference, Rome
21 June 2022	ESG-CSR virtual roadshow
11 August 2022	2Q2022 Publication of interim results
12 August 2022	Equity roadshow, London

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