KBC Group
Press presentation
1Q 2023

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Key takeaways

Excellent financial performance

net result
882m

return on equity
15%*

combined ratio
83%

Outstanding solvency and liquidity

CET1 ratio
16.1%
4.8% buffer vs MDA

NSFR
139%
LCR
152%

SII ratio
207%

Kate convinces customers

3.2 million users in contact with Kate

KATE autonomy
57% BE
54% CZ

Franchise is growing

loan volumes
+6%
y-o-y

customer deposits
+3%
y-o-y

AM net inflows of direct client money
+1.8bn

non-life sales
+11%
y-o-y

life sales
-11%
y-o-y

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

Accounting framework | Implementation of IFRS 17

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

- **The income statement is updated to include the new items introduced by IFRS 17** (also the quarterly figures of 2022 have been restated accordingly)
- **This does not change the underlying economics and steering of the business**
  - No change to KBC Group CET1 ratio
  - No change to capital distribution policy
  - No change to KBC Insurance Solvency II ratio
- It primarily constitutes a new accounting framework
  - **New structure of KBC specific bank-insurance integrated income statement** and some changes to the balance sheet
  - **Some changes to specific Group and Insurance KPIs**, including Cost-income ratio and Combined ratio
  - Belgium unit-linked contracts are not accounted for under IFRS 17, but remain accounted for under IFRS 9, as they do not contain an insurance component

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

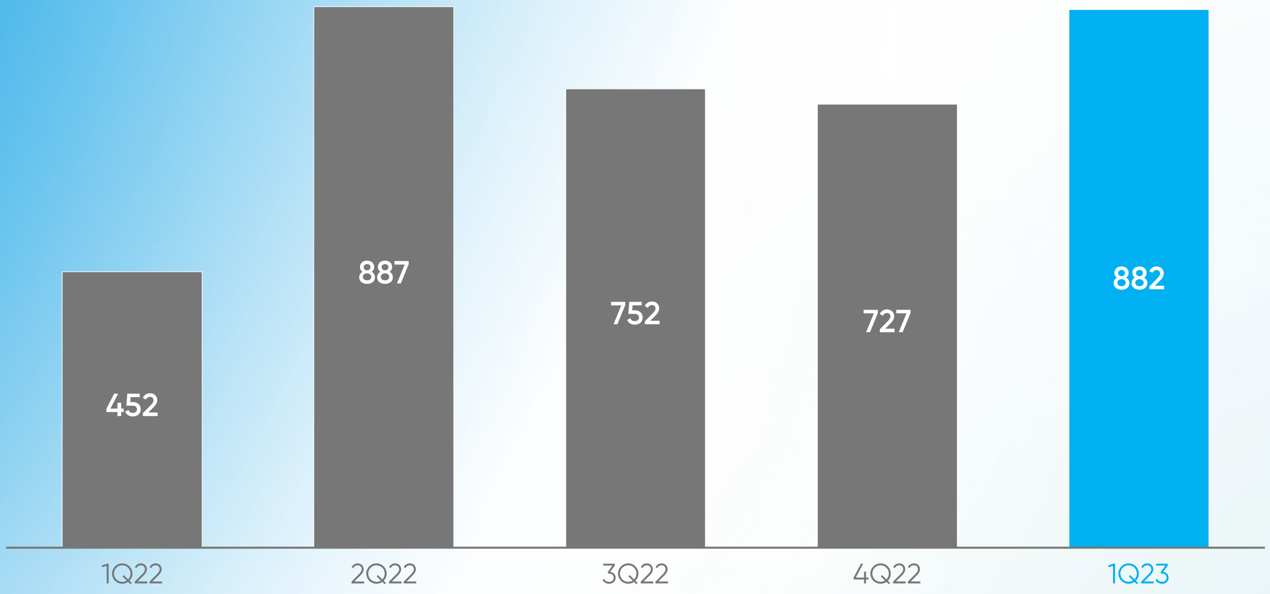
Highlights

- **Commercial bank-insurance franchises** in core markets performed excellently
- **Customer loans** and **customer deposits** increased y-o-y in most of our core countries (on a comparable basis)
- KBC Bank will **subject its existing climate targets to SBTi**
- Lower **net interest income q-o-q**
- Higher **net fee and commission income** q-o-q
- Q-o-q stable **net result from financial instruments at fair value** and q-o-q increase of **net other income**
- Higher sales of **non-life insurance** y-o-y and lower sales of **life insurance** (both q-o-q and y-o-y)
- Costs in 1Q include bulk of full-year bank & insurance taxes; **costs excl. bank & insurance taxes down q-o-q**
- **Net impairment release**
- Solid **solvency** and **liquidity**

Excellent net result of 882m EUR over 1Q23

Net result

in m EUR



YTD ratios

- Return on Equity 15%*
- Cost-income ratio 50%**
- Combined ratio 83%
- Credit cost ratio -0.04%
- CET1 ratio 16.1% (B3, DC, fully loaded)
- Leverage ratio 5.5% (fully loaded)
- NSFR 139% & LCR 152%

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

** When excluding certain non-operating items

Strategic focus | The reference

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

Profitability

With a **Return on Equity** of **15%** in 1Q23 **KBC** is one of the most profitable EU financial institutions

Solvency

With a **fully loaded CET1 ratio** of **16.1%** at end 1Q23 KBC is amongst the best capitalised EU banks

Sustainability

Sustainalytics ranks KBC **11th out of 387** diversified global banks

Digitalisation

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

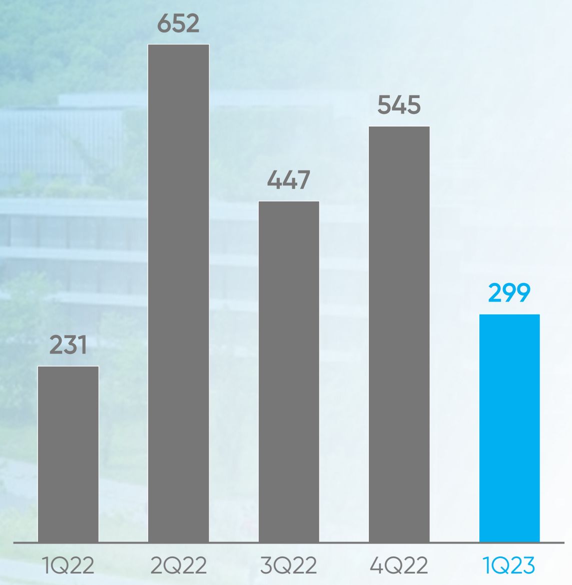
"KBC Mobile is a **perfect** and **efficient** banking app for everyday needs and one of the **most innovative** with some **interesting extras**. The app surprises customers with the wide range of functionalities and the **virtual assistance by Kate**."

Excellent contribution from all business units

Net result per business unit

in m EUR

BU BE



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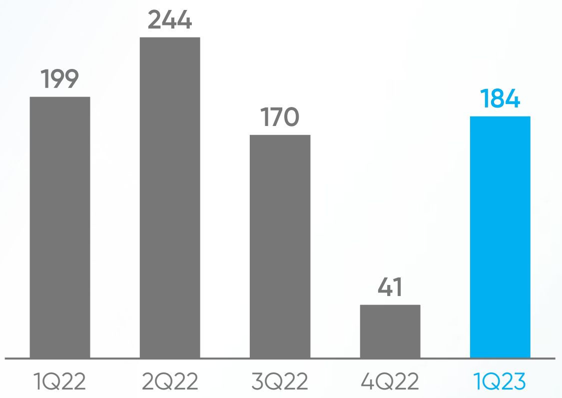

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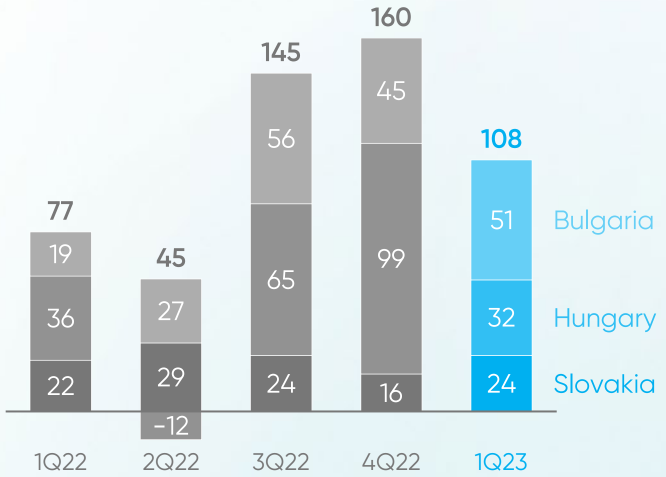
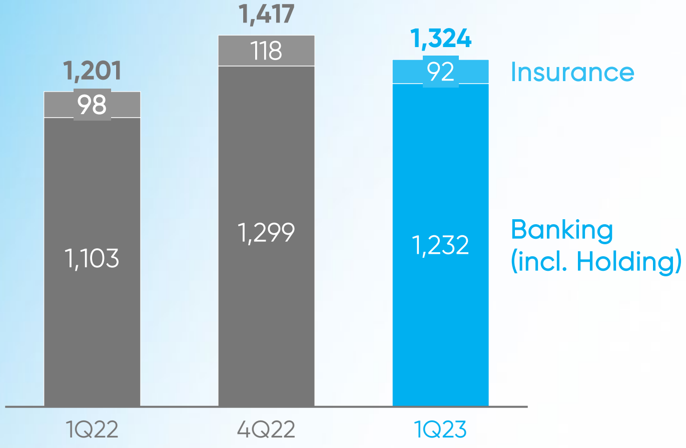


Lower net interest income fully in line with expectations

Net interest income

in m EUR

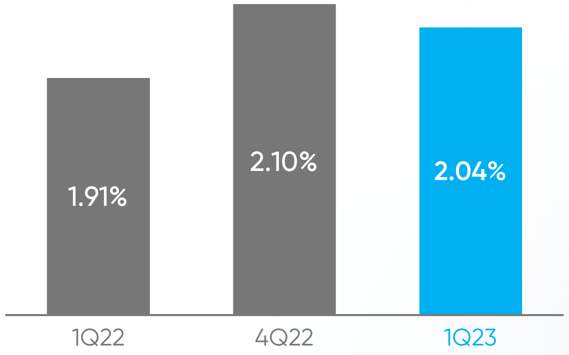


- **NII decreased by 7% q-o-q and increased by 10% y-o-y**
- Q-o-q decrease was driven primarily by:
  - No TLTRO benefit anymore in 1Q23 (versus 41m EUR benefit in 4Q22)
  - 33m EUR lower NII in Ireland (due to the sale early Feb 2023)
  - Higher pass-through on savings accounts in Belgium (from 11 bps to 60 bps)
  - The negative effect of lower loan margins in most core markets
  - Higher funding cost of participations
  - Temporary lower NII on inflation-linked bonds (-44m EUR)
  - Lower number of days (-15m EUR)

  partly offset by:
  - Increasing reinvestment yield in euro-denominated core countries
  - Increased term deposits at better margins
- Y-o-y increase was driven primarily by (sharply) increasing reinvestment yield in all core countries (except in the Czech Republic), organic loan & deposit volume growth and the consolidation of Raiffeisenbank Bulgaria as of 3Q22, partly offset by the negative effect of lower loan margins in most core markets, no TLTRO benefit anymore, lower NII in Ireland (due to the sale), lower NII on inflation-linked bonds and higher funding costs of participations

Net interest margin*

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



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

- Fell by 6 bps q-o-q and rose by 13 bps y-o-y (respectively -4 bps and +17 bps excluding Ireland in NIM in reference quarters in 2022) for the reasons mentioned on net interest income and an increase in the interest-bearing assets (denominator), both q-o-q and y-o-y

Organic volume trend

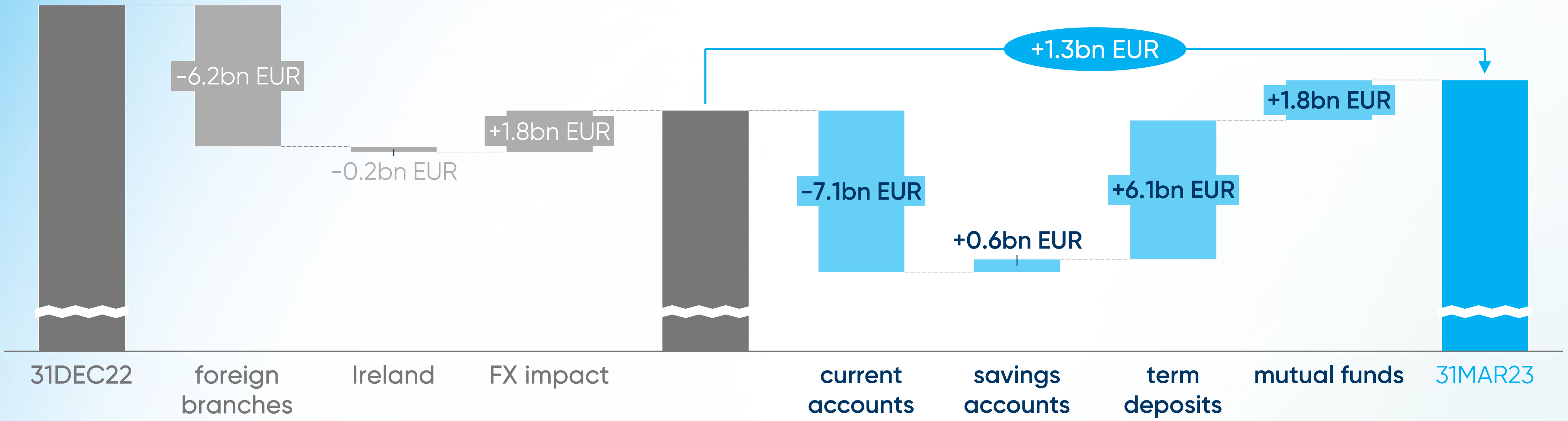
	Total loans**	o/w retail mortgages	Customer deposits***
Volume	180bn	75bn	219bn
Growth q-o-q*	0%	+1%	-3%
Growth y-o-y	+6%	+6%	+3%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds), including Raiffeisenbank Bulgaria. Growth figures are excluding FX, consolidation adjustments and reclassifications.
*** Customer deposits, excluding debt certificates and repos, including Raiffeisenbank BG. **Excluding the volatility in the foreign branches of KBC Bank (included in BE BU), core customer deposits roughly stabilised q-o-q and rose by 3% y-o-y**

Inflow of core customer money

Customer money dynamic over 1Q23

in m EUR



Net inflows in term deposits and mutual funds more than offset current accounts outflow

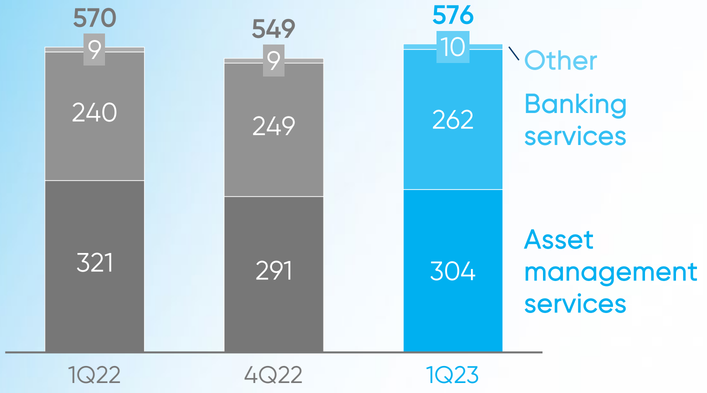
- 1Q23 saw a further inflow of core customer money of +1.3bn EUR (+3.1bn EUR incl. FX impact) :
  - Net inflows into term deposits (+6.1bn EUR) and mutual funds (+1.8bn EUR anchoring money), partly coming from outflows from current accounts (-7.1bn EUR)
  - Savings accounts slightly increased (+0.6bn EUR)

- Note that:
  - Within the foreign branches (allocated to Belgium BU), deposits are typically more volatile as they are driven by short-term cash management opportunities. These deposits are typically invested overnight with a very small margin, mainly with central banks (ECB, FED, etc.). Over 1Q23, these short-term deposits were reduced by 6.2bn EUR due to lower cash management opportunities
  - A further -0.2bn EUR was attributable to the sale of KBC Ireland

Higher fee and commission income

Net fee & commission income

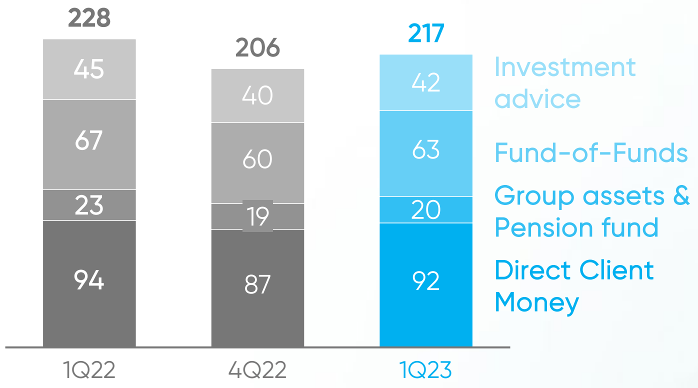
in m EUR



- **Up by 5% q-o-q and by 1% y-o-y**
- Q-o-q increase was mainly the result of the following:
  - Net F&C income from Asset Management Services increased by 5% q-o-q due to higher management & entry fees and higher distribution fees received linked to mutual funds
  - Net F&C income from banking services increased by 5% q-o-q. Higher securities related fees, lower distribution commissions paid for banking products and lower client incentives in Retail (in the Czech Republic) were partly offset by lower fees from payment services and lower fees from credit files & bank guarantees
- Y-o-y increase was mainly the result of the following:
  - Net F&C income from Asset Management Services fell by 5% y-o-y (due mainly to lower management and entry fees)
  - Net F&C income from banking services increased by 9% y-o-y, partly due to the consolidation of Raiffeisenbank Bulgaria as of 3Q22. Higher fees from payment services, higher network income, higher securities-related fees and lower client incentives in Retail (in the Czech Republic) were only partly offset by lower fees from credit files & bank guarantees and higher distribution commissions paid for banking products

Assets under management

in bn EUR

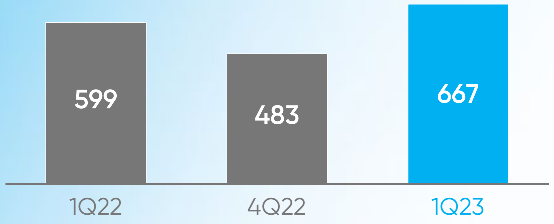


- **Increased by 5% q-o-q** due to **net inflows (+2%)** and the positive market performance (+3%)
- Decreased by 5% y-o-y due entirely to the negative market performance (-7%), partly offset by net inflows (+2%)
- The mutual fund business has seen net inflows both in higher-margin direct client money this quarter (1.8bn in 1Q23) as well as in lower-margin assets

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

Non-life sales

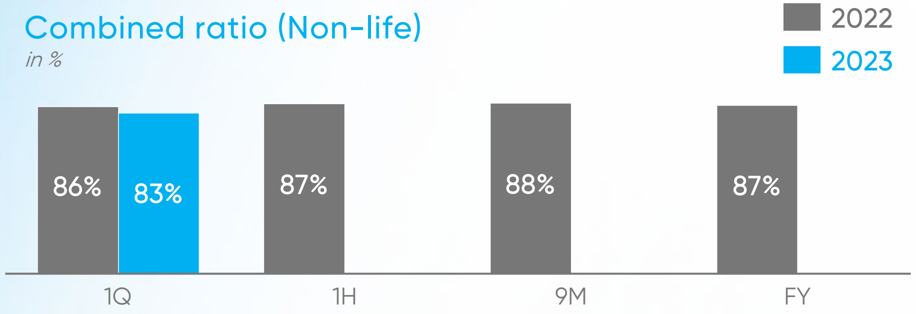
in m EUR



- **Up by 11% y-o-y**, with growth in all countries and all classes, due to a combination of volume and tariff increases

Combined ratio (Non-life)

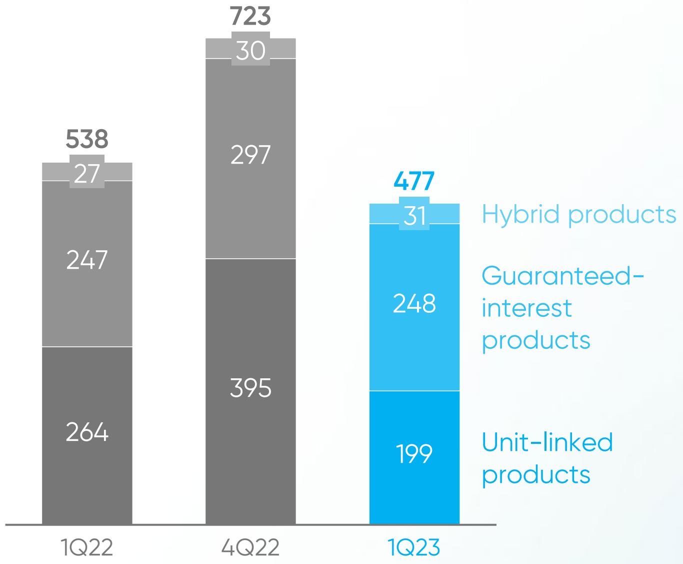
in %



- **Non-life combined ratio for 1Q23 amounted to an excellent 83%** (86% in 1Q22). This is the result of:
  - 10% y-o-y higher insurance revenues before reinsurance
  - 3% y-o-y lower insurance service expenses before reinsurance (higher major claims were more than offset by much lower storm claims)
  - Lower net result from reinsurance contracts held (down by 42m EUR y-o-y)

Life sales

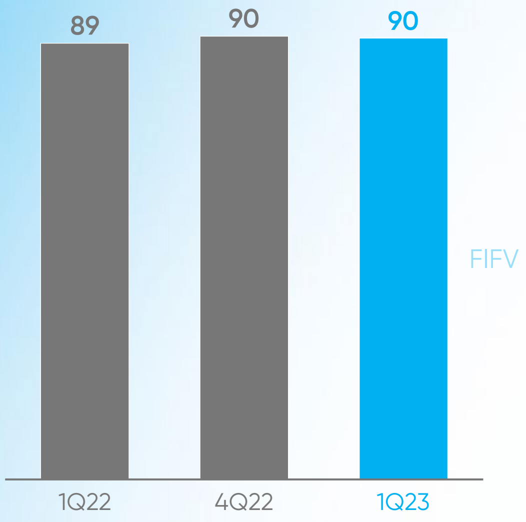
in m EUR



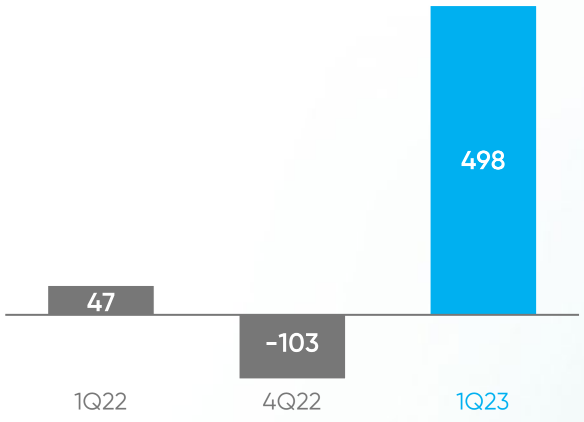
- Decreased by 34% q-o-q due mainly to lower sales of unit-linked products (excellent sales in 4Q22 due mainly to the successful launch of new structured funds in Belgium) and lower sales of guaranteed-interest products (due partly to traditionally higher volumes in tax-incentivised pension savings products in Belgium in 4Q22)
- Decreased by 11% y-o-y due entirely to lower sales of unit-linked products, partly offset by higher sales of hybrid products (in the Czech Republic) and slightly higher sales of guaranteed-interest products (in Belgium)
- Sales of guaranteed-interest products and unit-linked products accounted for 52% and 42% of total life insurance sales in 1Q23 respectively, with hybrid products (mainly in the Czech Republic) accounting for the remainder

Stable FIFV result and sharply higher net other income

FIFV
in m EUR



Net other income
in m EUR



- **FIFV roughly stable q-o-q**, attributable mainly to:
  - Higher dealing room result
  - Positive funding value adjustments more than offset negative credit value adjustments q-o-q, while market value adjustments were stable q-o-q. This was mainly the result of the positive evolution of KBC funding and credit spreads slightly offset by the negative evolution of counterparty credit spreads
  - Slightly higher result on investments backing unit-linked contracts under IFRS 17

  partly offset by:

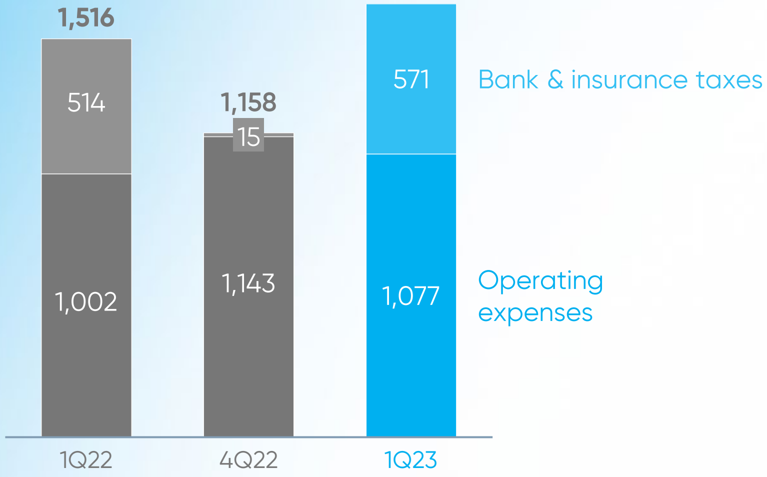
  - Negative change in ALM derivatives and other

- **Sharply higher than the normal run rate of around 50m EUR per quarter in 1Q23** due mainly to:
  - A +405m EUR one-off gain related to the Irish sales transaction (announced on 3 Feb 2023)
  - A 48m EUR recuperation of Belgian bank and insurance taxes paid in the past (2016), and the linked moratorium interests
- 4Q22 was impacted mainly by a -149m EUR charge for a legacy legal file in the Czech Republic

Costs excluding bank & insurance taxes decreased q-o-q

Operating expenses (including directly attributable costs to insurance)

in m EUR



Cost/income ratio

When excluding certain non-operating items

FY22	1Q23
49%	**50%**

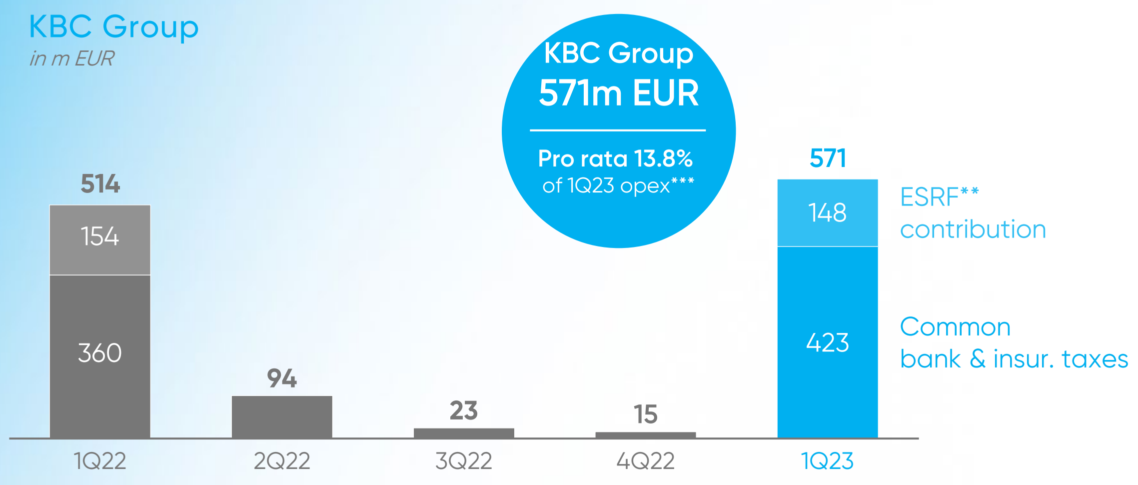
- **Operating expenses excluding bank & insurance taxes went down by 6% q-o-q and went up by 7% y-o-y**
  - The q-o-q decrease is due mainly to lower staff expenses, lower ICT and marketing expenses (partly seasonal effect) as well as lower professional fee expenses, partly offset by higher one-off charges related to the Irish sales transaction (-10m EUR in 1Q23 versus -5m EUR in 4Q22) and slightly higher facility expenses
  - The y-o-y increase is due to, among other things, the consolidation of Raiffeisenbank Bulgaria, the impact of inflation/wage indexation (despite less FTEs), higher ICT and facility expenses, partly offset by the extraordinary staff bonus of 41m EUR in 1Q22

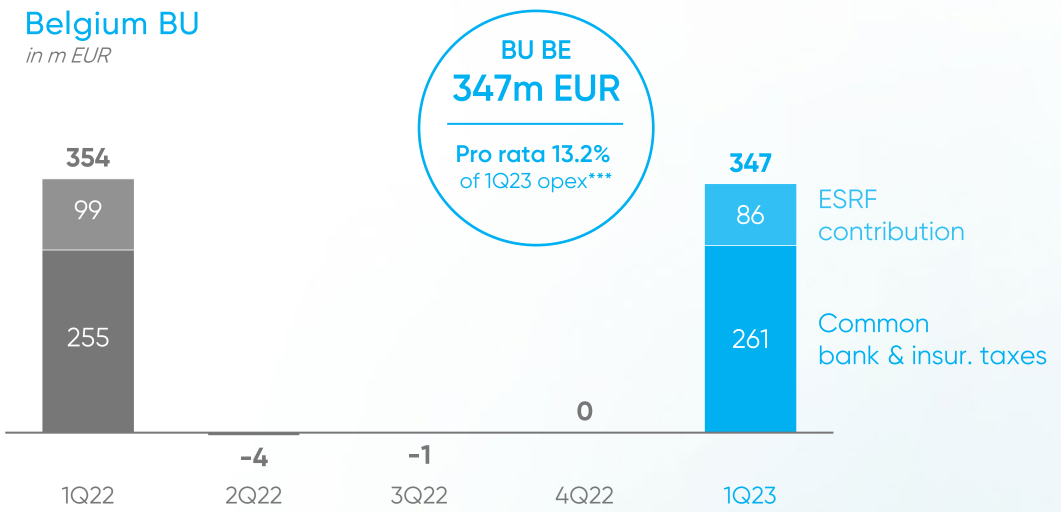
- 1Q23 cost/income ratio
  - 50% when excluding certain non-operating items (49% in FY22)
  - 38% excluding all bank & insurance taxes (45% in FY22)

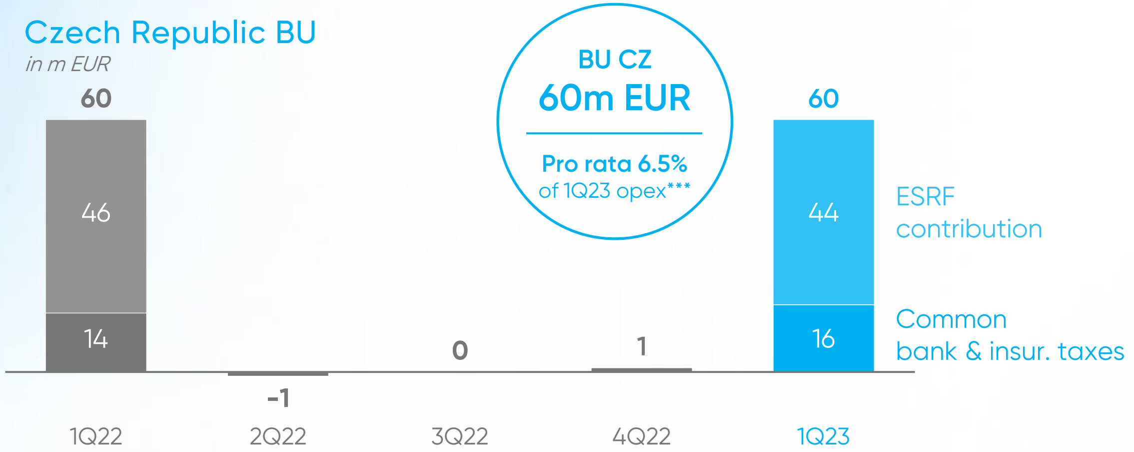
- **1Q includes the bulk of the bank & insurance taxes for the full year (571m EUR), an 11% increase y-o-y** driven mainly by:
  - Hungary as the temporary extra windfall bank & insurance tax of 79m EUR was booked in 1Q23 (versus 78m EUR in 2Q22), while the extraordinary Deposit Guarantee Fund contribution of 24m EUR in 1Q22 was partly recovered in 1Q23 (-9m EUR)
  - Bulgaria (+12m EUR y-o-y), chiefly due to the acquisition of Raiffeisenbank Bulgaria

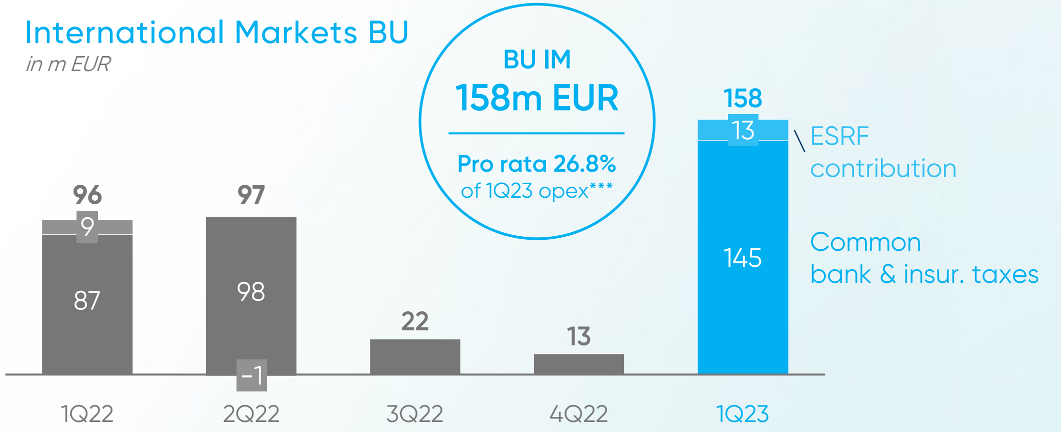
- Total bank & insurance taxes (including ESRF contribution) are expected to increase by 7% y-o-y to 690m EUR in 2023 (646m EUR in 2022)

Overview of bank & insurance taxes*







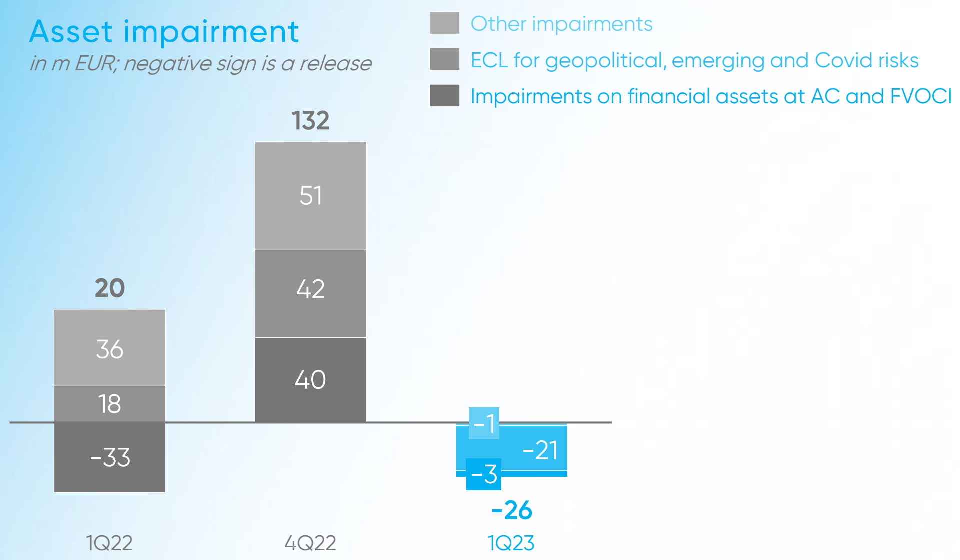


* This refers solely to the bank & insurance taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.
** European Single Resolution Fund
*** Including directly attributable costs to insurance

Net loan loss impairment releases & excellent credit cost ratio

Asset impairment

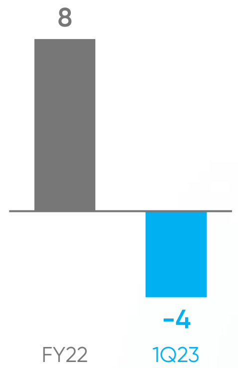
in m EUR; negative sign is a release



- **Net loan loss impairment releases on lending book combined with a lower geopolitical & emerging risk buffer**
  - **Net loan loss impairment releases of 24m EUR in 1Q23** (compared with net loan loss impairment charges of 82m EUR in 4Q22) due to:
    - 3m EUR net loan impairment releases on lending book
    - A decrease of 21m EUR due to less uncertainties surrounding geopolitical and emerging risks
    - Total outstanding ECL for geopolitical and emerging risks now stands at 390m EUR (see details on next slide)
  - **1m EUR impairment release on 'other'** (versus 51m EUR impairment on 'other' in 4Q22)

Credit cost ratio

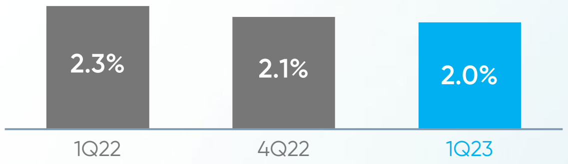
in bps



- The credit cost ratio in 1Q23 amounted to:
  - 0 bps (0 bps in FY22) without ECL for geopolitical, emerging and Covid risks
  - -4 bps (8 bps in FY22) with ECL for geopolitical, emerging and Covid risks

Impaired loans ratio

in %

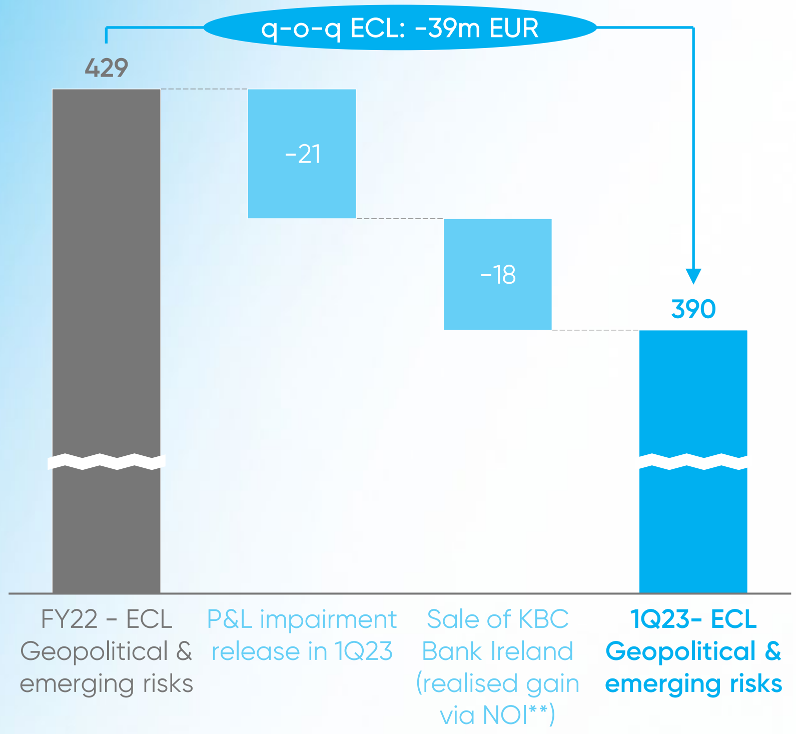


- **The impaired loans ratio improved to 2.0%** (1.0% of which over 90 days past due)

Outstanding ECL for geopolitical and emerging risks amounts to 390m EUR

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

in m EUR; negative sign is a release



Outstanding ECL by risk drivers at 1Q23 (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 **25m EUR ECL,** mainly concentrated in commercial exposure on Russian banks (due to recoveries, down from 29m EUR after FY22 or -4m 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*: 2.1bn EUR → **ECL: 33m EUR** (down from 39m EUR after FY22 or **-6m EUR q-o-q,** due mainly to a refinement of the list of clients expected to be indirectly impacted by the military conflict)
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*: 10.1bn EUR → **ECL: 280m EUR (down from 304m EUR after FY22 or -24m EUR q-o-q,** driven primarily by sale of KBC Bank Ireland portfolio (-13m EUR) and business-as-usual developments (-11m EUR))
E	Macroeconomic scenarios	The probabilities applied in 1Q 2023 are 65%/5%/30% (for base-case/optimistic/ pessimistic scenario) → **ECL: 52m EUR** (down from 57m EUR after FY22 or -5m EUR q-o-q, driven by the sale of KBC Bank Ireland)
	Outstanding ECL	**A + B + C + D + E = ECL : 390m EUR** **(-39m EUR q-o-q, of which -18m from the sale of KBC Bank Ireland[2])**

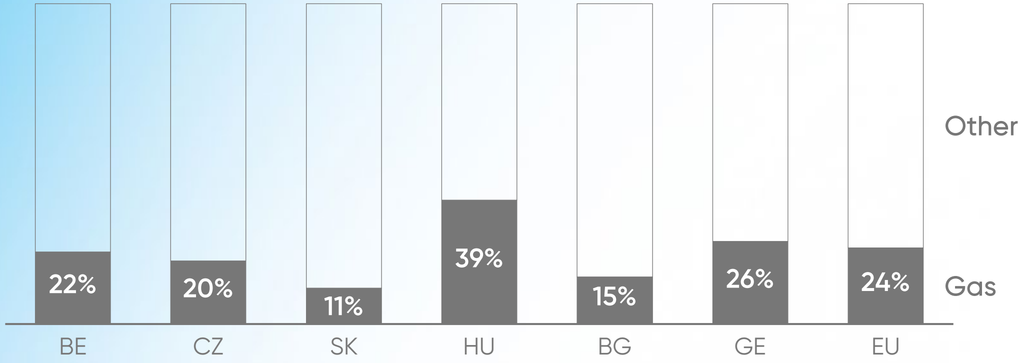
* Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements

** The ECL release generated by the sale of KBC Bank Ireland was recorded in 'Net Other Income'

Gas supply shortage has become a very remote issue in KBC's core countries

Primary energy consumption | Decomposition

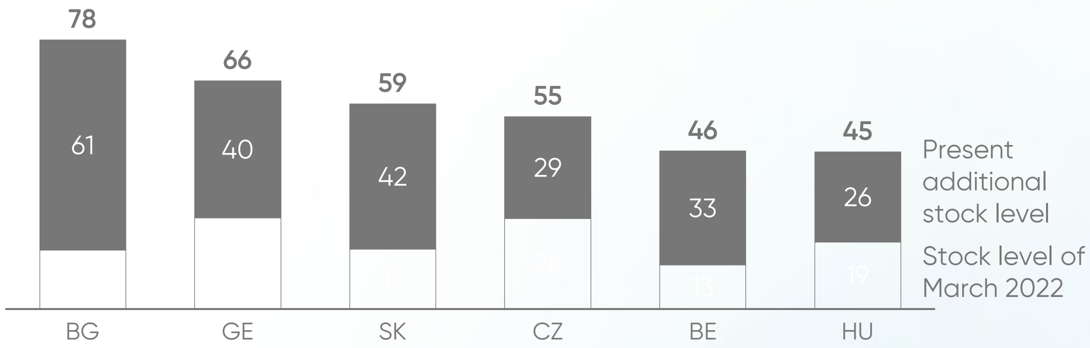
in fraction of Joules consumed; Source: BP



All of KBC's core countries rely on other energy sources than gas for the majority of their primary energy consumption

Natural gas stock level | as at end APR23

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



Present stock levels are still far beyond the levels at the start of the war

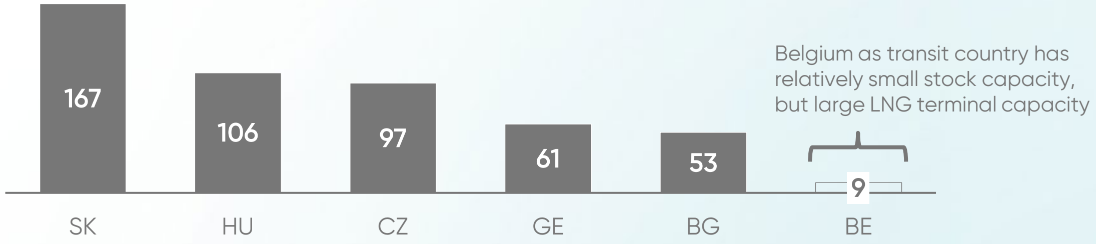
Natural gas consumption APR-MAR | APR22-MAR23 VS AVG 2017-2022

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 2017-2022 consumption in the same months)

Natural gas coverage | as at end APR23

in # days; Source: KBC Economics based on GIE. Eurostat

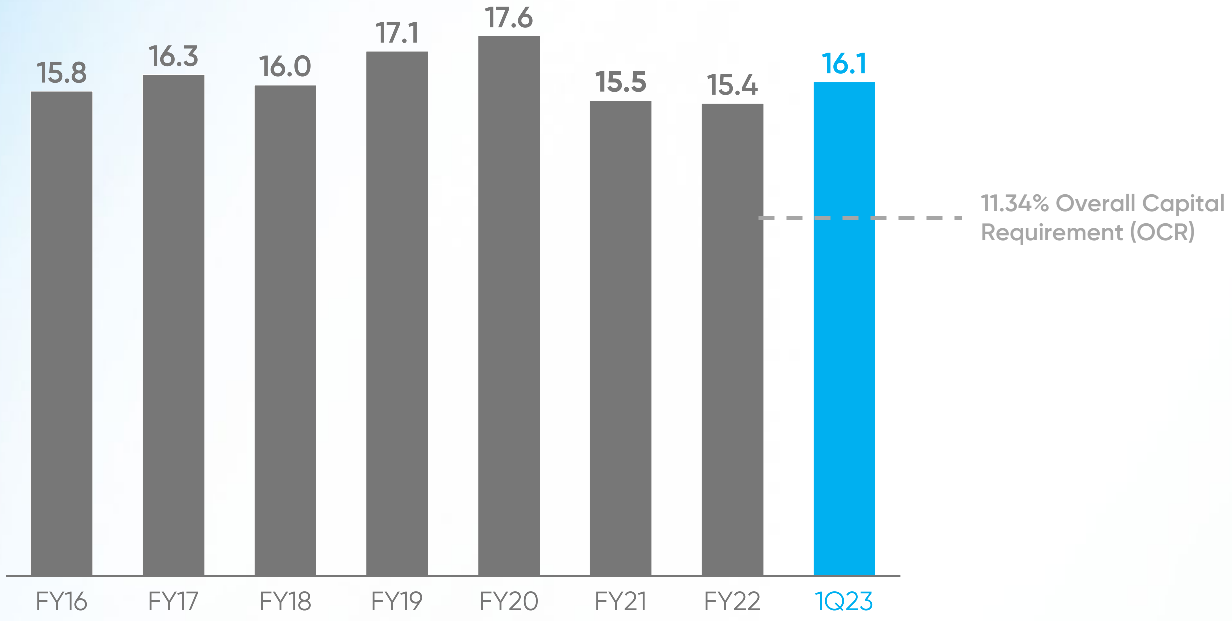


Figures denote the # of days of high gas consumption covered by current gas inventories *(high gas consumption = mean daily consumption level during winter 2019-2020)*

All CE core countries still have substantial gas supplies at the start of Spring

Strong capital position with substantial buffer

CET1 ratio
in %



Fully loaded B3 common equity ratio amounted to 16.1% at the end of 1Q23 based on the Danish Compromise

Leverage ratio, Solvency II ratio and liquidity ratios

Leverage ratio | KBC Group

fully loaded, Basel 3

Leverage ratio
5.5% 1Q23
5.3% FY22

Q-o-q increase of the leverage ratio due mainly to higher CET1 capital and lower other assets (mainly due to closing sale in IRL)

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

Liquidity ratios | KBC Group

in %

LCR
152% 1Q23
152% FY22

NSFR
139% 1Q23
136% FY22

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

Solvency II ratio | KBC Group

in %

Solvency II ratio
207% 1Q23
203% FY22

The q-o-q delta (+4pp) in the Solvency II ratio was driven mainly by a decrease of the EUR interest rate curve (especially on the shorter term), partly offset by the negative impact of higher equity markets

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

Looking forward

Economic outlook

- The **low GDP growth in the euro area** early this year is expected to persist in the remainder of 2023, likely caused by persistent effects of the energy crisis and of the tightening of the ECB's monetary policy
- The main risks to our short-term outlook for European growth relate to the persistence of underlying core inflation (excluding food and energy), and the uncertainty regarding the timing and impact of the monetary policy tightening response by the ECB and, more broadly, by the Fed. Other major risks relates to elevated real estate valuations and high levels of debt in the context of tightening financing conditions worldwide.

Group guidance* under IFRS17 | 2023 (as provided with FY22 results)

- Our **FY23 total income guidance** stands at **11.15bn EUR ballpark figure** (including a 0.4bn EUR positive one-off effect upon closing of substantially all of KBC Bank Ireland's performing loan assets and its deposit book), of which **5.7bn EUR ballpark for NII**
- **FY23 opex (excluding bank & insurance taxes) and insurance commissions** is estimated at **4.75bn EUR ballpark figure**
- The **credit cost ratio for FY23** is estimated at **20-25bps** (below the through-the-cycle CCR of 25-30bps), excluding any movement in the ECL buffer

* 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. Loan volume growth in 2023 is estimated at roughly 3-4% y-o-y. Note that on 18 April 2023, the guidance has been translated from IFRS 4 to IFRS 17

Long-term / 3-year financial guidance (as provided with FY22 results)

3-year financial guidance*

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

Jaws
±5.0%

C/I ratio excl. BIT
±39%

* Our long-term financial guidance is **based on the market forward rates of 3 February 2023** (for ST & LT interest rates). We took into account a pass-through rate of 40% on savings accounts and 80% on term deposits at KBC Group level. Note that on 18 April 2023, the guidance has been translated from IFRS 4 to IFRS 17
** Fully loaded CET1 ratio, Danish Compromise

Long-term financial guidance

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

Regulatory requirements

Overall capital requirement (OCR)*	≥ 11.34%	by 2023
MREL as a % of RWA**	≥ 27.90%	by 2024
MREL as a % of LRE**	≥ 7.38%	by 2024
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

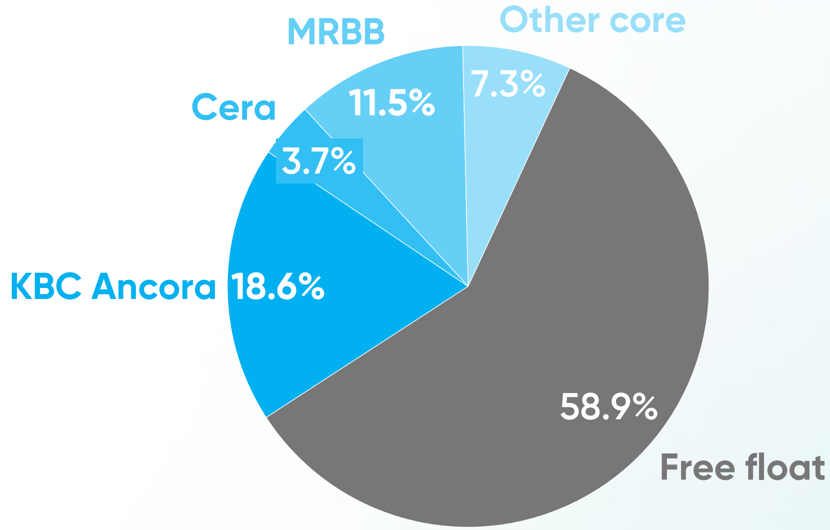
* Excluding Pillar 2 guidance of 100 bps
** In December 2022, the SRB communicated the updated draft MREL targets (under BRRD2) for 01-01-2024 in % of RWA and in % of LRE

Dividend policy, capital distribution and shareholder structure

Dividend policy & capital distribution (as of 2023)

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

Shareholder structure (as at end 1Q23)

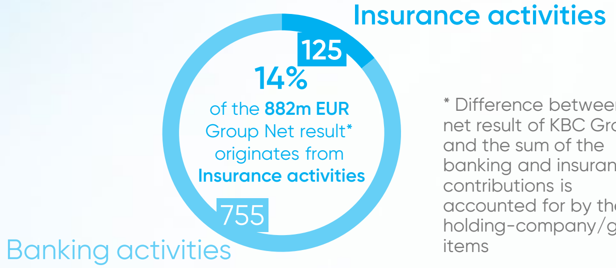


- Roughly **41% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals**. Committed shareholders include the Cera/KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of Belgian industrialist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

Strategic focus | What differentiates us from peers

Unique integrated bank-insurance+ model

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



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

Successful digital-first approach through KATE

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

3.2 million users in contact with Kate

KATE autonomy

57% BE
54% CZ

Firmly embedded sustainability strategy

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

see climate targets on next slide

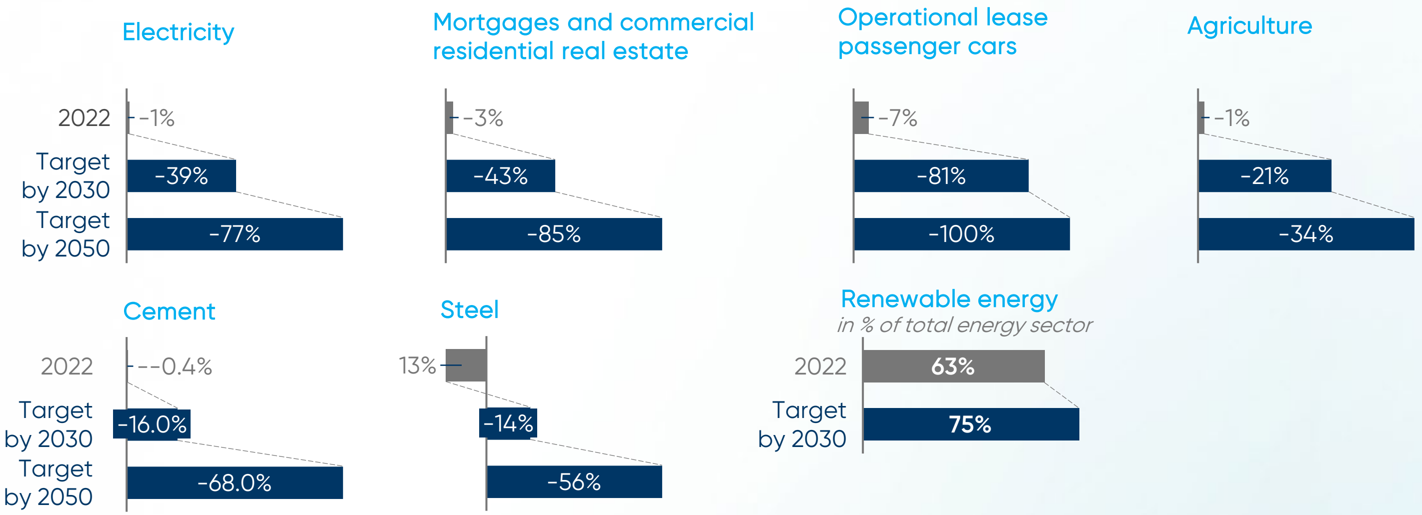
Indirect environmental impact: our progress in brief

INDIRECT environmental footprint (FY 2022)

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

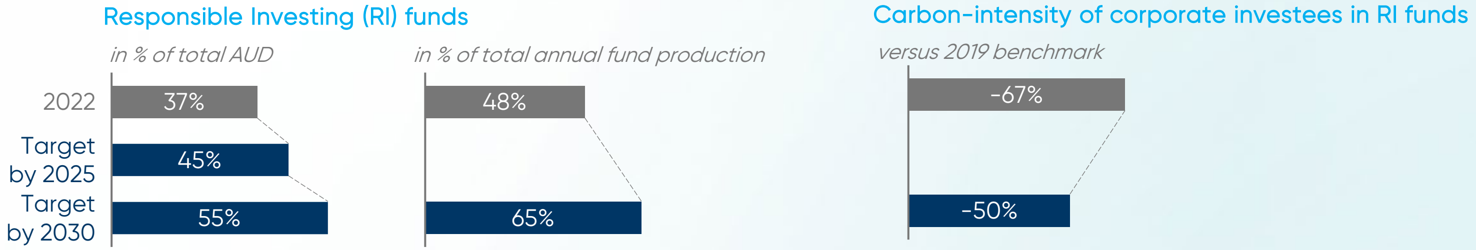
Loan portfolio (selection of sectors)

reduction compared to 2021 baseline, otherwise indicated



Asset management funds

reduction compared to 2021 baseline, otherwise indicated



Kate | Four flavours, one Kate

Kate4MassRetail

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

Kate is available in all KBC's core countries!

KATE autonomy
57% BE
54% CZ

3.2 million users in contact with Kate

use cases
310 BE
172 CZ
155 IM

Kate4Business

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

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

use cases micro SMEs
>25 BE
>40 CZ

Kate Group Platform

We do not build Kate for every country individually. Kate is built once at a group level and then deployed to all core countries (**Kate in a box**).

Technically, we have set up a shared infrastructure on the cloud that allows us to **share use cases, code and IT components maximally**.

Furthermore, KBC strives to have a **common user interface and persona**, so Kate looks and feels the same everywhere.

Finally, everything that can be developed at group level is governed by a specific steering committee that **develops and maintains the group Kate infrastructure**.

'KATE IN A BOX'
delivered to all core countries

Kate4Employees

Kate will also have an impact on our employees: Kate will provide commercial steering towards our work force, she will augment our workforce to better serve our clients, Kate will serve as a back-up for our network and will automate certain administrative tasks.

In doing so, employees can focus on providing even more added value to our client.

This will also give tools to management to better coach employees and plan ahead.

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

284k leads picked up by employees in CZ & BE in 1Q23

Kate | A data-driven organisation with Kate at the core

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

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

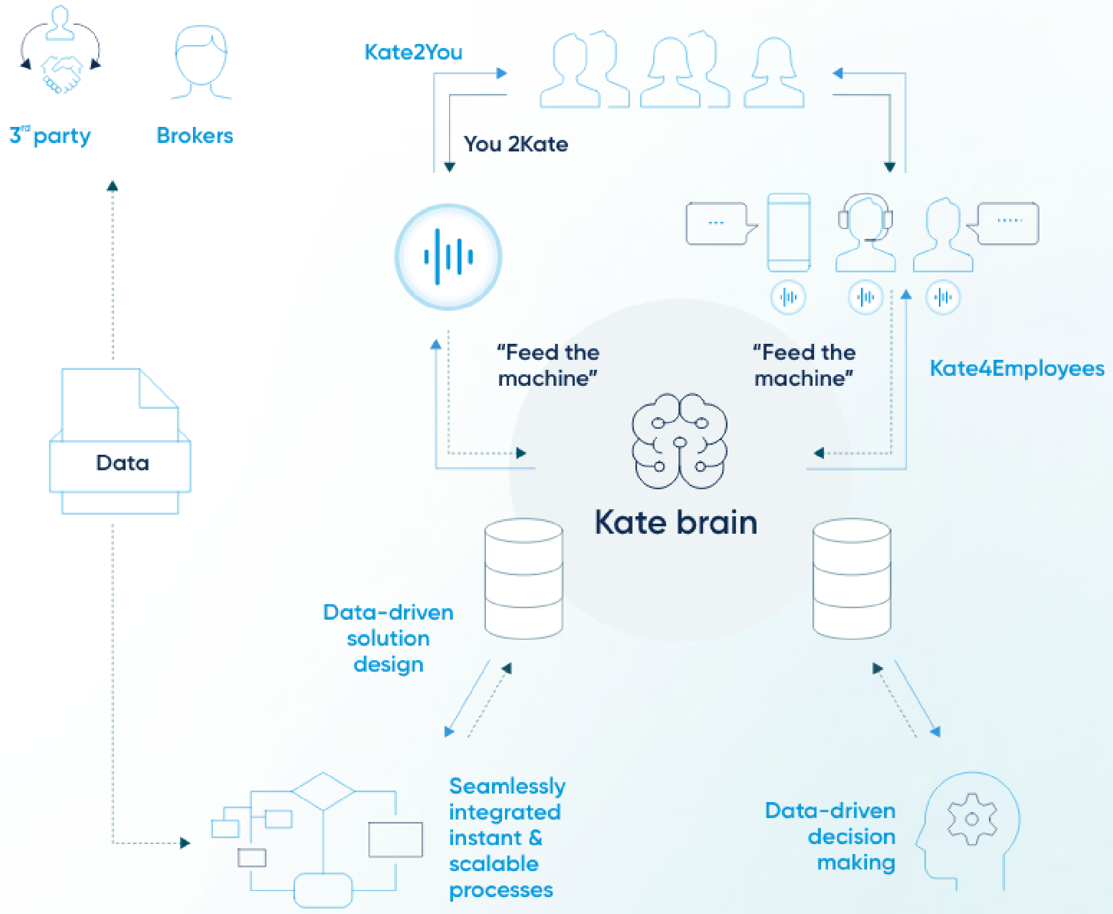
So, Kate is not only steering the interaction with customer-facing touchpoints (digital, physical, remote) but also the product factories and decision makers by **providing relevant insights**.

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

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

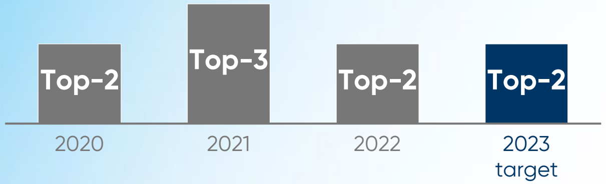
The main purpose remains the same: happy customers. As a **data-driven company** we remain guided by our **client-centric vision**.

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



Strategy | KBC's non-financial targets (update on a half-year basis)

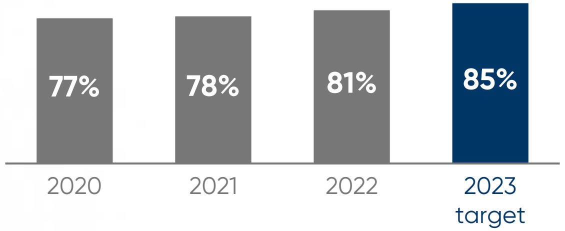
Customer ranking



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

Bank-insurance (BI) clients

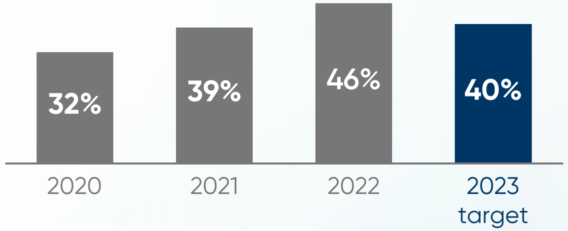
BI clients
in %



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

Digital sales

Digital sales banking products*
in %

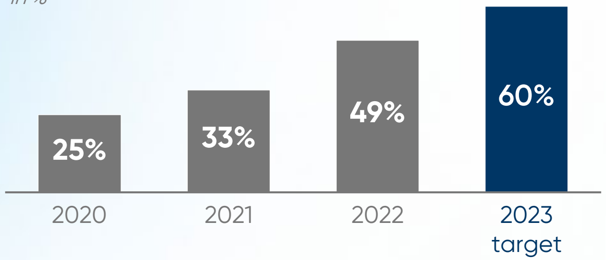


Digital sales 46% of **banking sales** (vs 2023 target of ≥40%).

* Based on weighted average of selected core products.

Straight-through processing

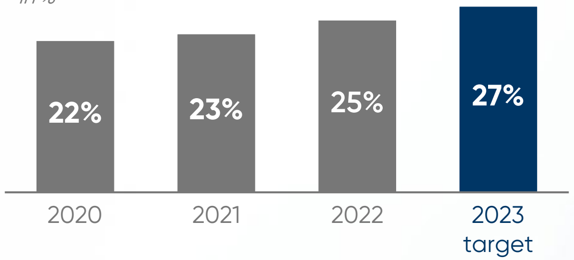
STP score*
in %



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

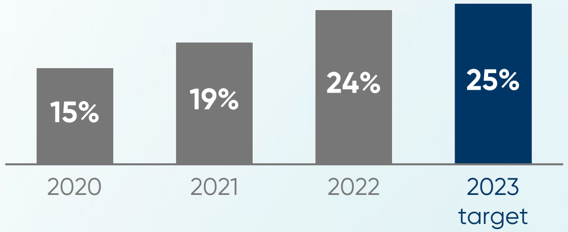
* Based on analysis of core commercial products.

BI stable clients
in %



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

Digital sales insurance products
in %



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

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

Agency	ESG rating of 27th of April 2023 (previous score)	Position versus industry average
CDP (Disclosure Insight Action)	Scale: D- … A **A** (A-)	• Leader in addressing climate change • CDP's A list • Financial average service B-
Sustainalytics	Scale: Severe Risk, High Risk, Medium Risk, Low Risk, Negligible Risk **12.5** (12.8)	• 4^{th} percentile of 387 diversified banks assessed • 11^{th} of 387 diversified banks
S&P Dow Jones Indices (A Division of S&P Global)	Scale: 0 … 100 **75** (74)	• Top 5% (95^{th} percentile of 755 banks assessed)
MSCI	Scale: C, B, BB, BBB, A, AA, AAA **AAA** (AAA)	• 6^{th} percentile of 198 banks assessed
Corporate ESG Performance Prime – Rated by ISS ESG	Scale: D-, D, D+, C-, C, C+, ... **C+ prime** (C prime)	• 1^{st} decile rank of 301 Commercial Banks & Capital Markets assessed
FTSE4Good	Scale: 0, 1, 2, 3, 4, 5 **4.3** (4.7)	• Top 10% (90^{th} percentile of banks assessed)

Sustainability highlights

Commitment to climate action

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

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

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

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

Sustainable business

7.4bn EUR
Financing contributing to social objectives

14.3bn EUR
Financing contributing to environmental objectives

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

34.5bn EUR Responsible Investing funds in 1Q23
or 38% of total assets under distribution (direct client money)

Social responsibility

Social bond
Issued a 750m EUR social bond for investments in healthcare

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

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

Diversity in senior management
24% females in senior management roles

Sustainability highlights in 2022, unless otherwise indicated

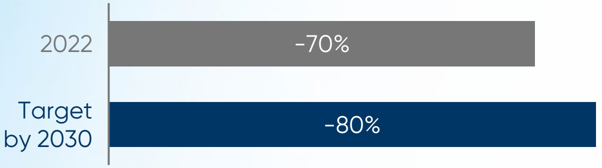
Direct environmental impact: our progress in brief

DIRECT environmental footprint (FY 2022)

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

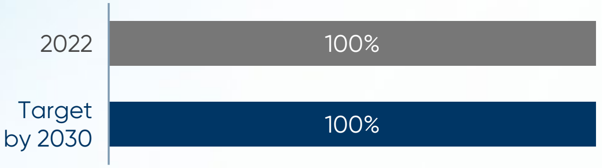
Reduction in our direct GHG emissions

reduction compared to 2015

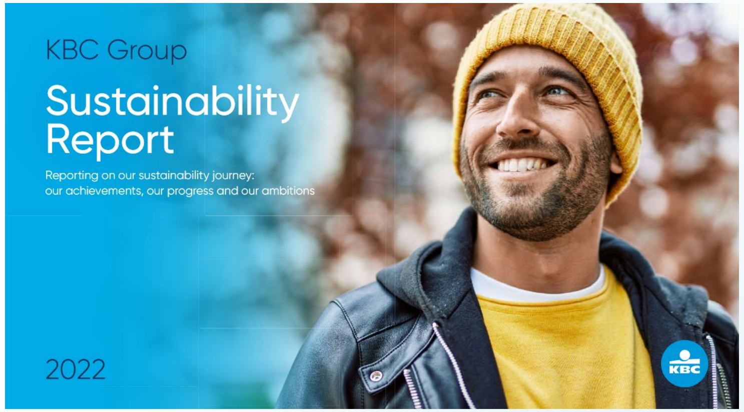


Renewable electricity

in % of own electricity consumption



More details in our 2022 Sustainability Report



More details in our 2022 Climate Report

We put our clients centre stage as they keep counting on us to help them realise and protect their dreams. We do this proactively and work together to support the society and create sustainable growth. We are genuinely grateful for the confidence they put in us.

I would like to explicitly thank our customers and stakeholders for their confidence and our staff for their relentless efforts.

Johan Thijs, KBC Group CEO

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