

# KBC Group

## Press presentation

### 1Q 2022 results

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# 1Q 2022 key takeaways

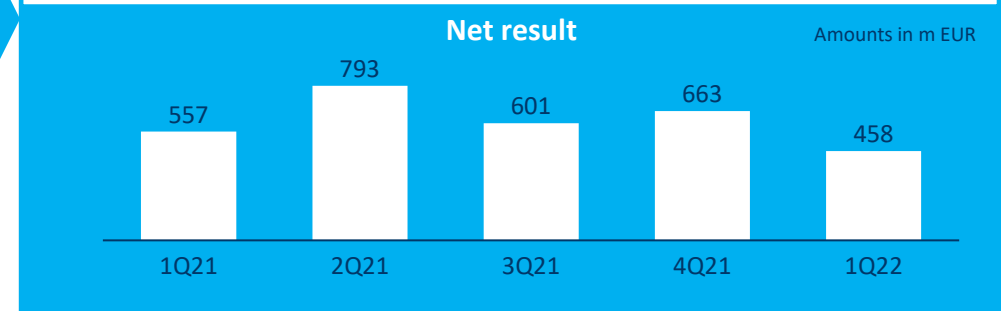


- ❖ **Commercial bank-insurance franchises** in core markets performed excellently
- ❖ **Customer loans** and **customer deposits** increased y-o-y in most of our core countries (on a comparable basis)
- ❖ We have now realised our goal to systematically roll out **Responsible Investing** in all our core 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 bonus<sup>1</sup>)
- ❖ 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

1Q22

- **ROE 14%**<sup>2</sup>
- **Cost-income ratio excluding bank taxes 48%**
- **Combined ratio 83%**
- **Credit cost ratio -0.03%**
- **Common equity ratio 15.3%** (B3, DC, fully loaded)<sup>3</sup>
- **Leverage ratio 5.0%** (fully loaded)
- **NSFR 149% & LCR 162%**



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

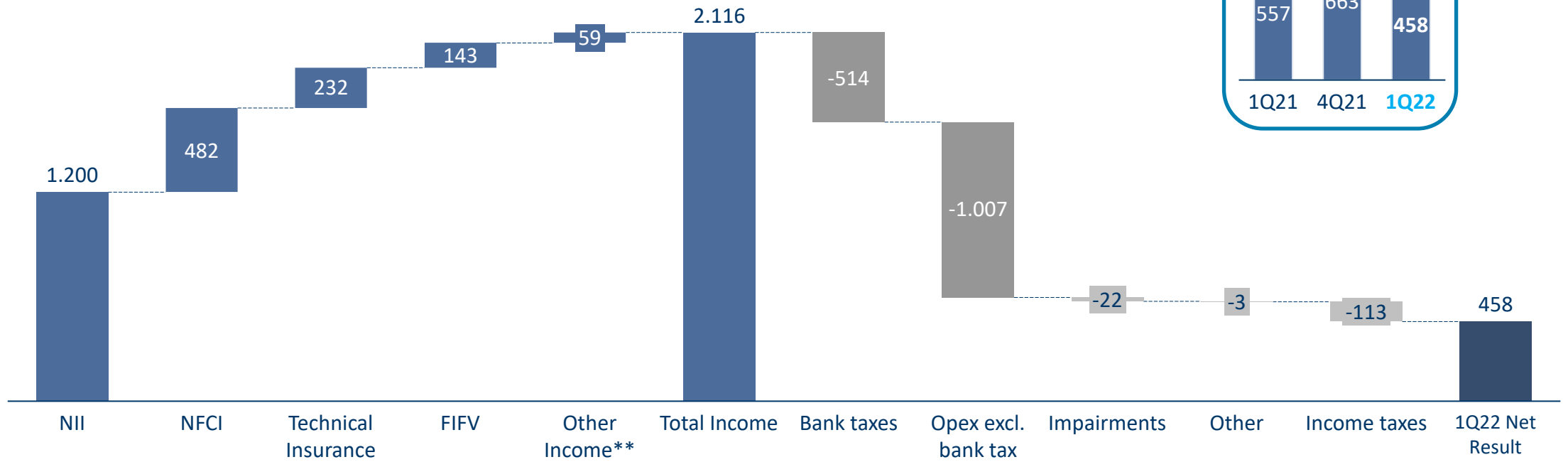
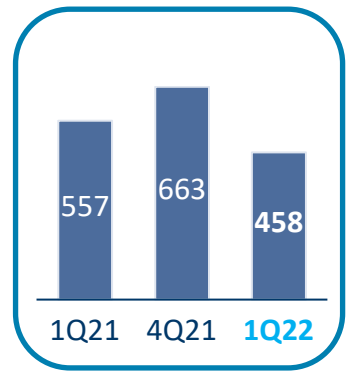


Provisions for direct exposure on credit portfolio	55m EUR	→	<ul style="list-style-type: none"> <li>• <b>Direct loan exposure to Russia, Belarus &amp; Ukraine</b> amounts to approx. 55m EUR, mostly commercial exposure to Russian banks</li> </ul>
Provisions for indirect impact on credit portfolio	33m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



## 1Q 2022 performance of KBC Group

# Overview of building blocks of the 1Q22 net result

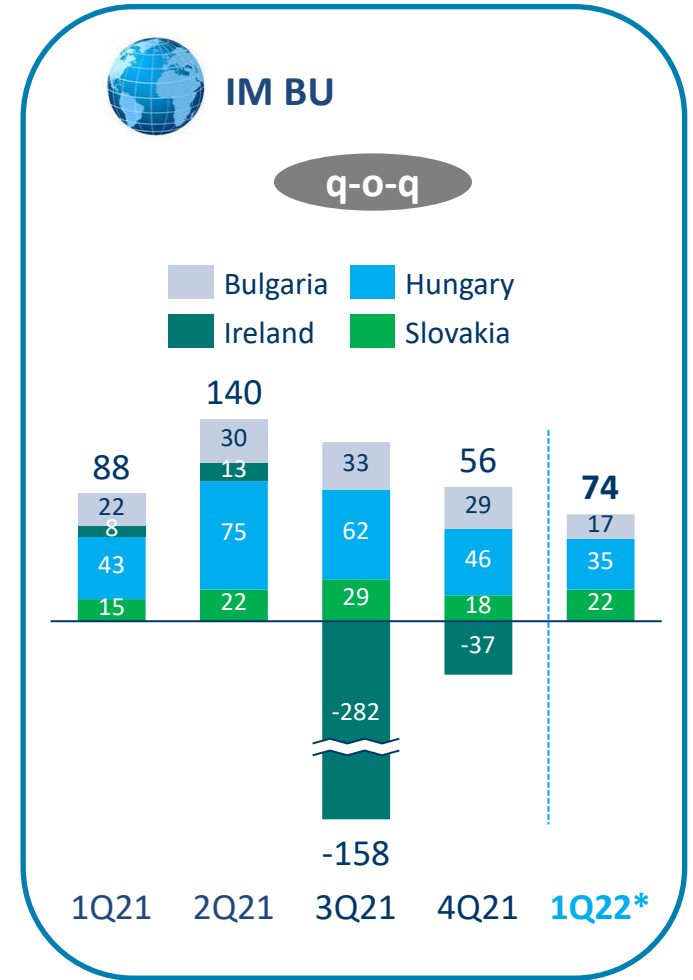
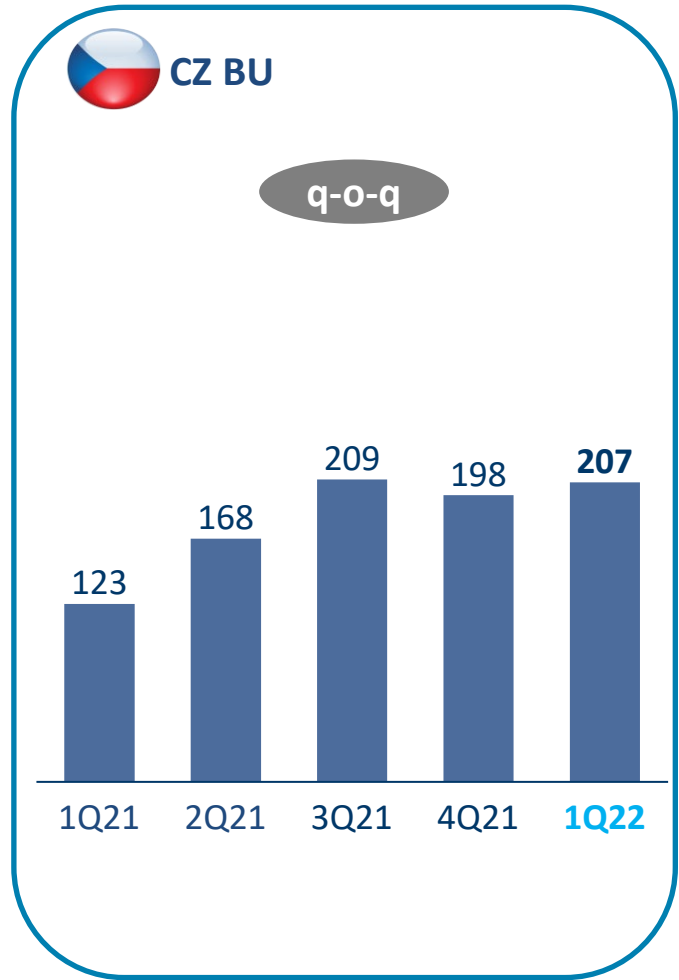
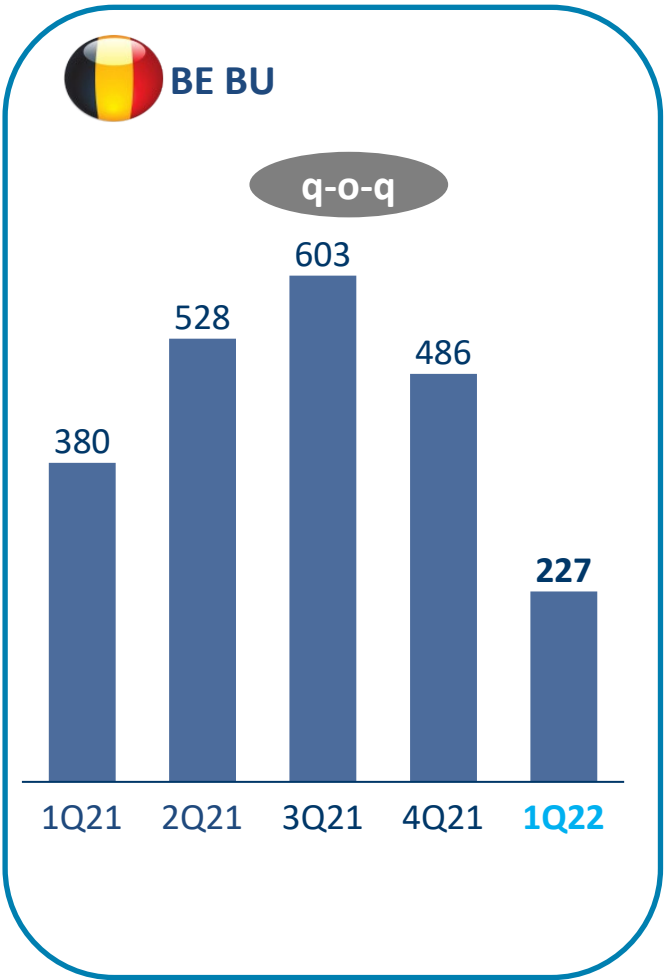


Q-o-Q	+2%	+1%	+13%		+12%		-2%				-31%
Y-o-Y	+12%	+9%	-2%		+9%		+12%				-18%

\* Earned premiums – technical charges + ceded reinsurance  
 \*\* Dividend income + net realised result from debt instruments FV through OCI + net other income

# Net result per business unit

Excellent contribution from all countries



Amounts in millions of EUR

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

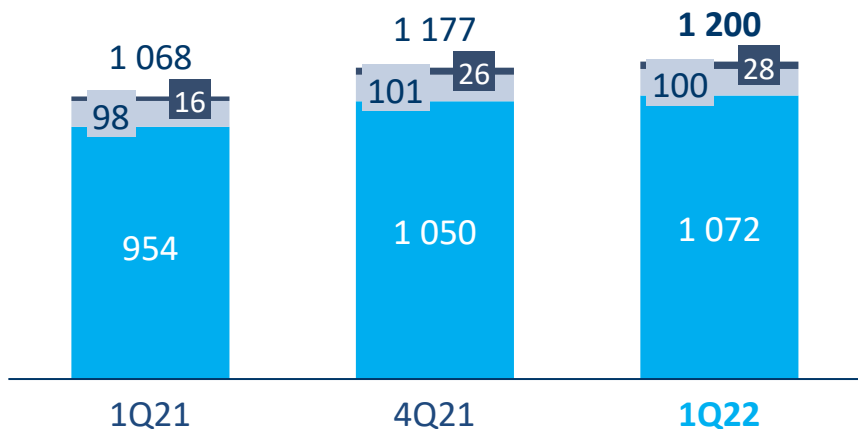


# Net interest income

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



## Net Interest Income



- NII - netted positive impact of ALM FX swaps \*
- NII - Insurance
- NII - Banking (incl. holding-company/group)

**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) and higher netted positive impact of ALM FX swaps (mainly y-o-y)

partly offset by:

(-) the negative effect of lower loan margins in most markets, decreasing reinvestment yield in euro-denominated countries and lower number of days (quarter-on-quarter)

## Net interest margin \*\*

Quarter	1Q21	4Q21	1Q22
NIM	1.78%	1.85%	<b>1.91%</b>

**NIM 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)

\* From all ALM FX swap desks

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

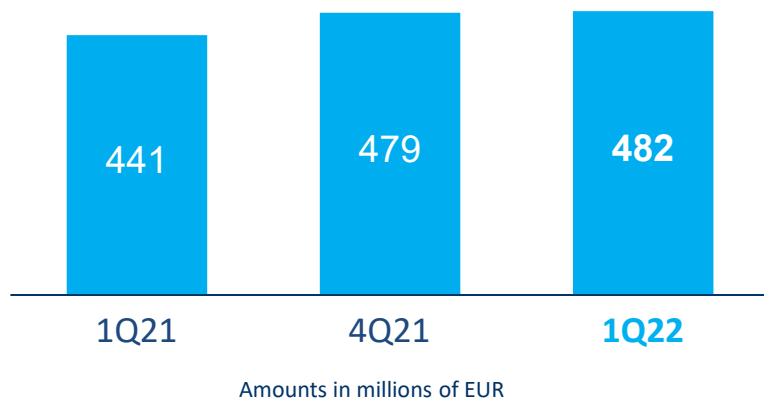


# Net fee and commission income

Higher net fee and commission income



Net fee and commission income



Assets under management (AuM)



## Net fee and commission income up by 1% q-o-q and by 9% y-o-y

Q-o-q increase was 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
- **Distribution costs paid** 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
- **Distribution costs paid** rose by 6% y-o-y: mainly higher commissions paid linked to strong sales of non-life insurance products

## Assets under management (228bn EUR)

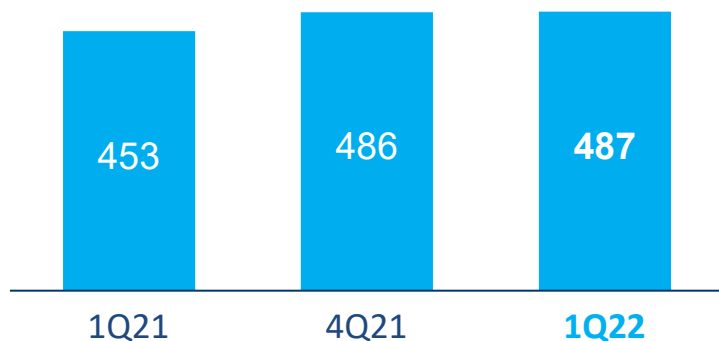
- Decreased by 3% q-o-q as extremely strong net inflows were more than offset by negative price effect
- Increased by 3% y-o-y due to extremely strong net inflows and a small positive price effect

# Non-life insurance

Non-life premium income up y-o-y and excellent combined ratio

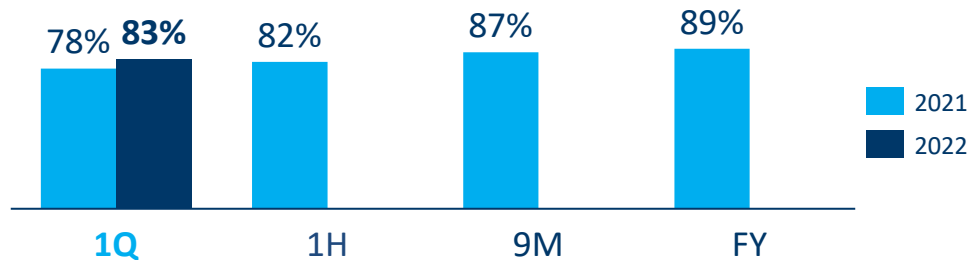


### Non-Life (Gross earned premiums)



Y-o-y increase of gross earned premium **Non-Life** by +8% in 1Q22

### Combined ratio non-life



The non-life **combined ratio** for 1Q22 amounted to an excellent **83%** (78% in 1Q21). This is the result of:

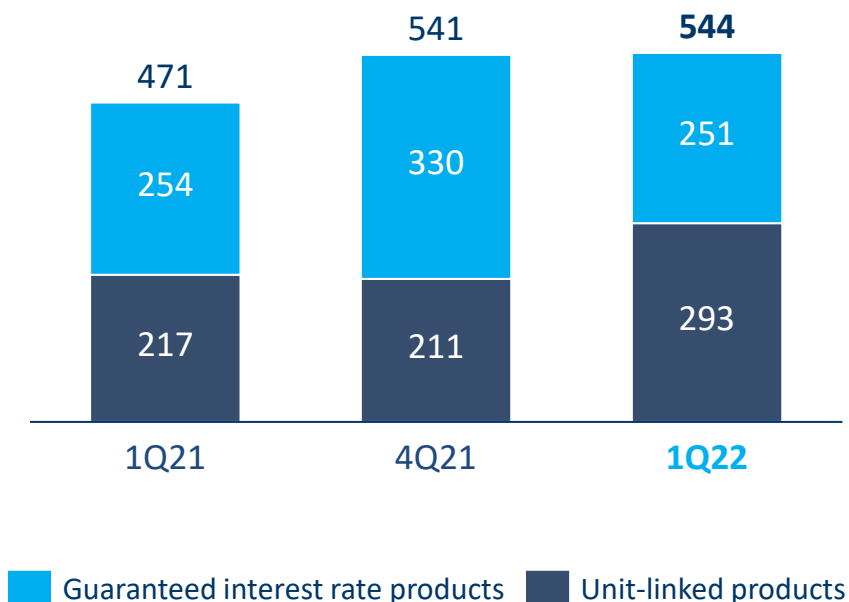
- 8% y-o-y earned premium growth
- 35% y-o-y higher technical charges due mainly to:
  - significantly higher storm impact in Belgium
  - only partly offset by lower major claims
- significantly higher ceded reinsurance result (up 37m EUR y-o-y, cf. storm recoveries)

# Life insurance

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



## Life sales



Sales of life insurance products increased by 1% q-o-q and by 16% y-o-y

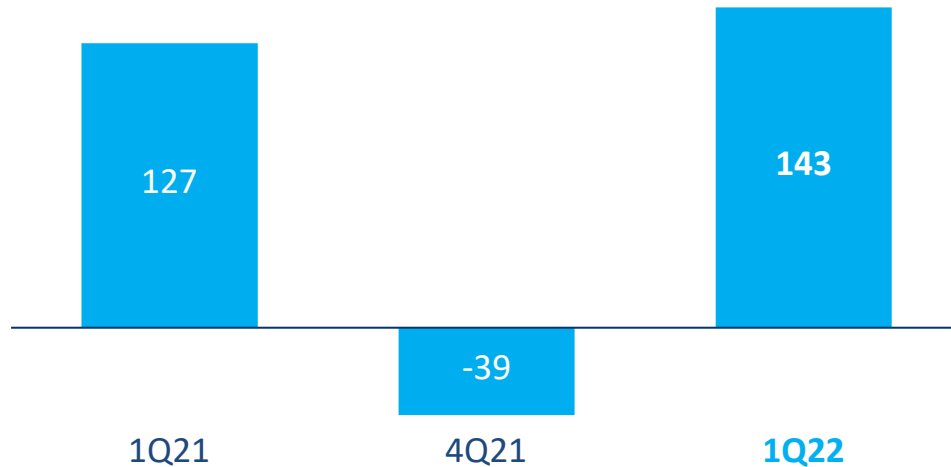
- **The q-o-q increase** was driven mainly by higher sales of unit-linked products in Belgium partly offset by a decrease of sale of guaranteed interest products (partly due to traditionally higher volumes in tax incentivised pension savings products in 4Q21)
- **The y-o-y increase** was driven entirely by a 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

# Net result from financial instruments at fair value

*Strong increase of net result from financial instruments at fair value*



## Fair value result



The **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

partly offset by

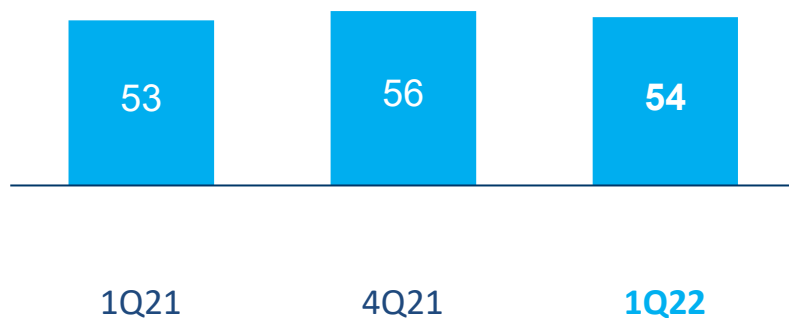
- a slightly lower net result on equity instruments (insurance)

# Net other income

*Stable net other income*



## Net other income



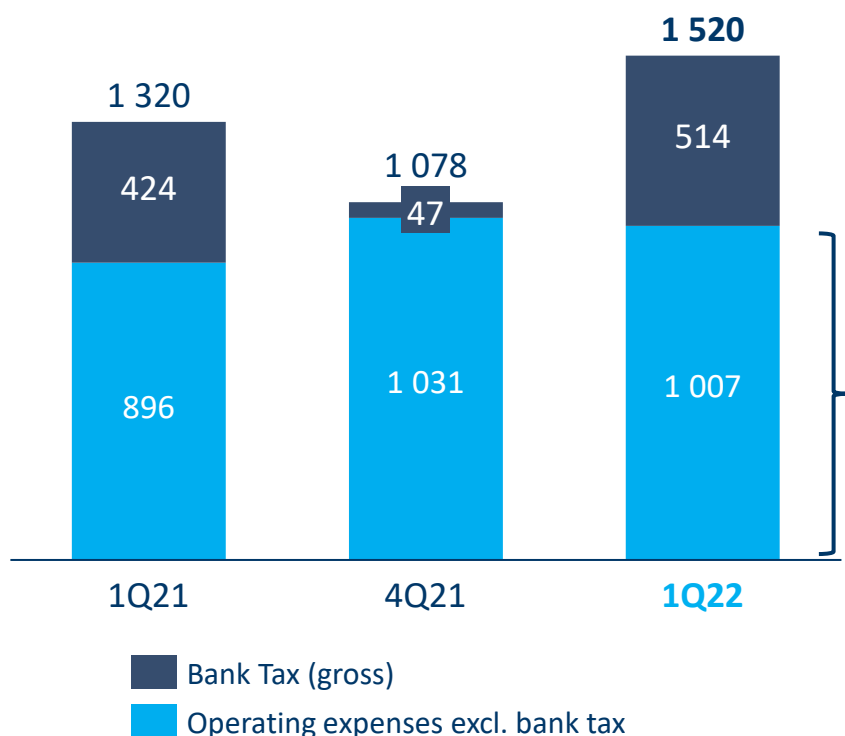
- **Net other income** amounted to 54m EUR, slightly higher than the normal run rate of around 50m EUR per quarter. 1Q22 includes some one-offs (such as a positive 7m EUR related to a legal file in the Czech Republic)

# Operating expenses

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



## Operating expenses



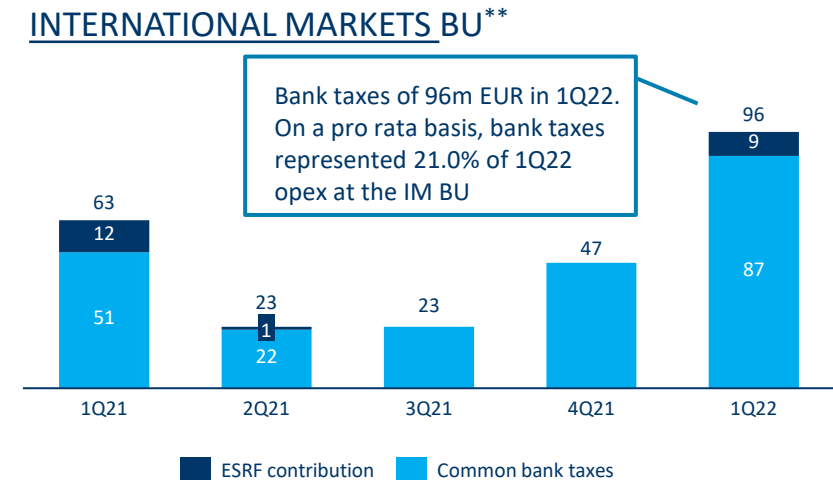
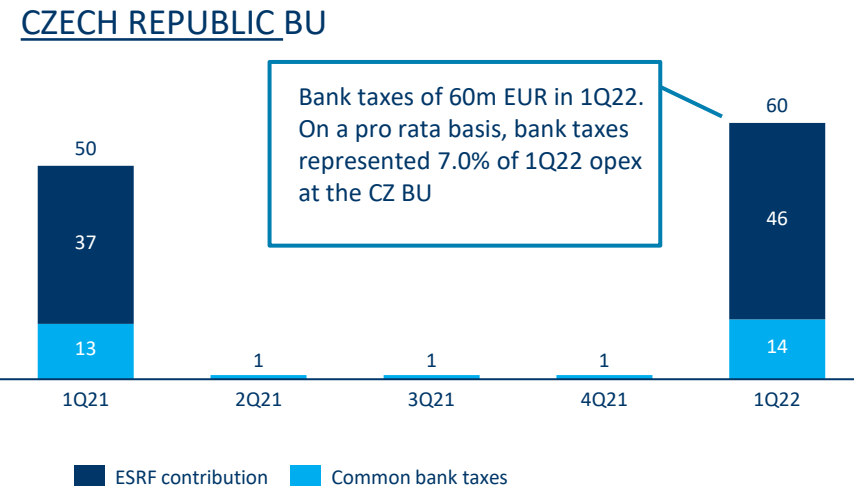
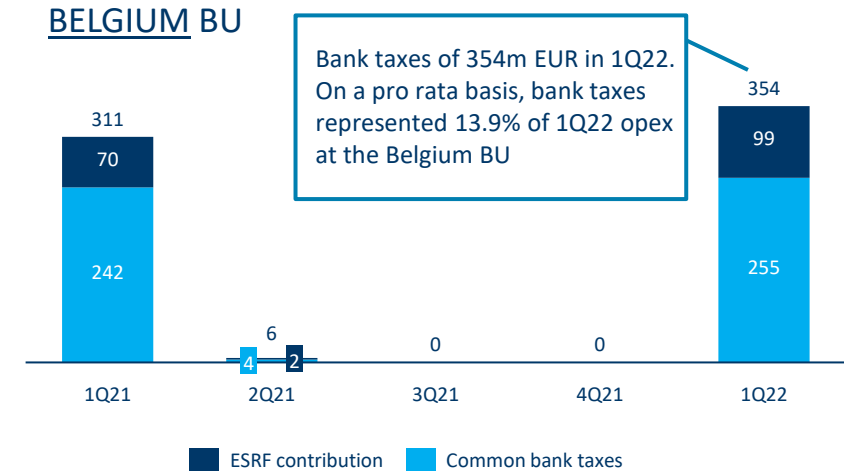
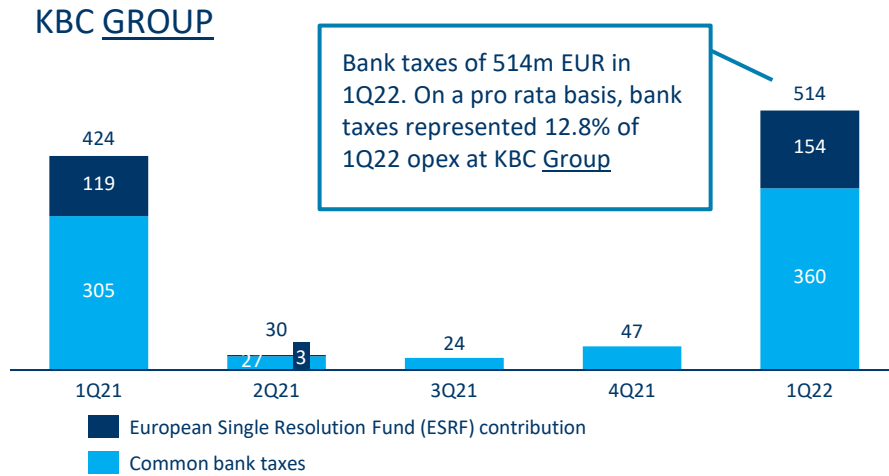
## Cost/Income ratio (group)\*

FY21	1Q22
55%	53%

- 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)
- The C/I ratio excluding bank taxes amounted to 48% in 1Q22 (51% in FY21)

# Operating expenses

## Overview of bank taxes\*



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

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

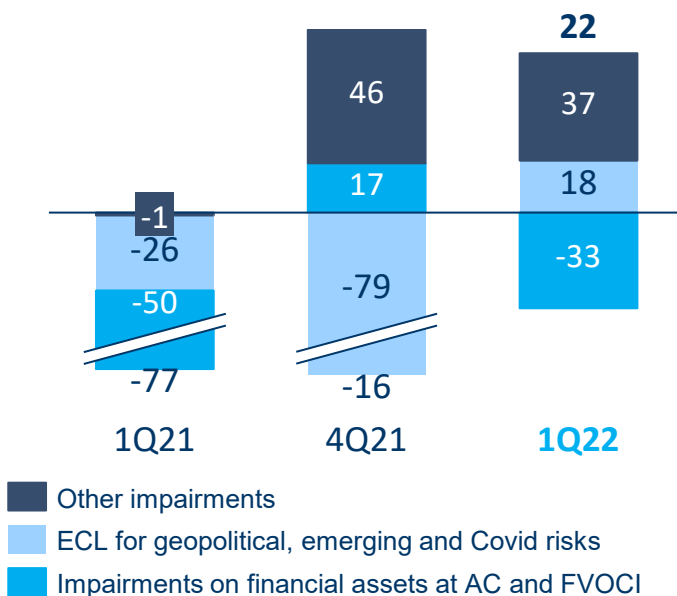
# Asset impairments

Net loan loss impairment releases and excellent credit cost ratio



## Asset impairment

(negative sign is write-back)



## 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 without ECL for geopolitical, emerging and Covid risks and -3 bps 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

Credit cost ratio*	FY21	1Q22
With ECL for geopolitical, emerging and Covid risks	-0.18%	-0.03%
Without ECL for geopolitical, emerging and Covid risks	0.09%	-0.07%

\*negative sign is write-back

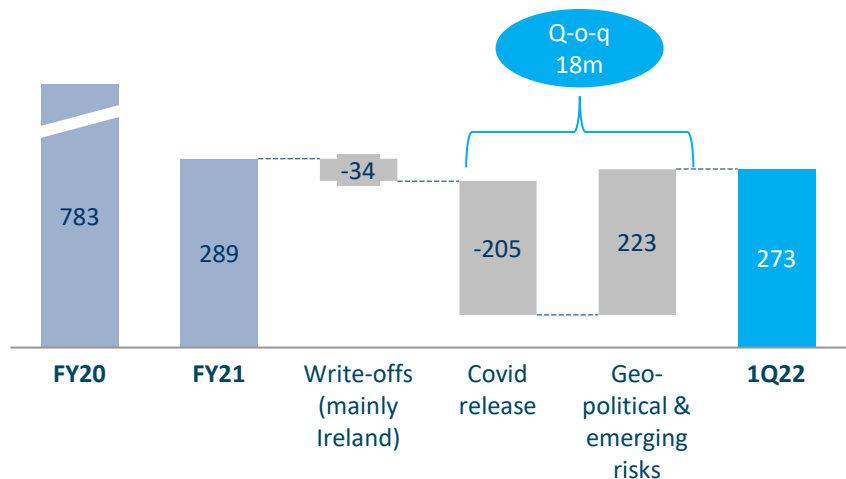


# Outstanding ECL for geopolitical, emerging and Covid risks

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
<b>KBC Group</b>	<b>289</b>	<b>273</b>	-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



<b>A</b> No direct subsidiaries	KBC has <b>no direct subsidiaries</b> in Russia (R), Belarus (B) or Ukraine (U)
<b>B</b> Very limited direct credit exposure	<b>Direct credit exposure amounts to approx. 55m EUR</b> Of which 49m EUR transfer risk exposure on Russia, mainly concentrated in commercial exposure on Russian banks (this exposure cannot increase any further). <b>No exposure on Russian sovereigns.</b>
<b>C</b> Indirect credit impact: Counterparties*	<b>Counterparties-at-risk:</b> (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 → <b>Outstanding exposure** : 2.0bn EUR → Total P&amp;L charge* : 33m EUR</b>
<b>D</b> Emerging risks (Secondary Indirect credit impact): Portfolios/(Sub)sectors*	<b>Vulnerable clients in retail and non-retail Portfolios/(Sub)sectors impacted by newly emerging risk</b> (energy prices/supply bottlenecks/higher cost of living and rising interest rates) → <b>Outstanding exposure** : 5.9bn EUR → Total P&amp;L charge* : 135m EUR</b>
<b>Estimated total P&amp;L charge (on credit exposure)</b>	<b>A + B + C + D = 223m EUR</b>

\* 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

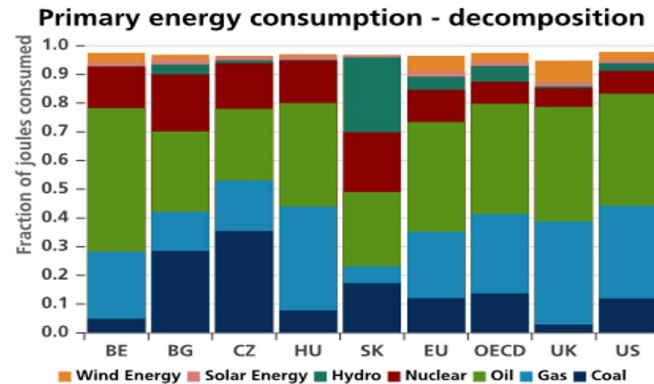
Source: KBC economics

### 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:

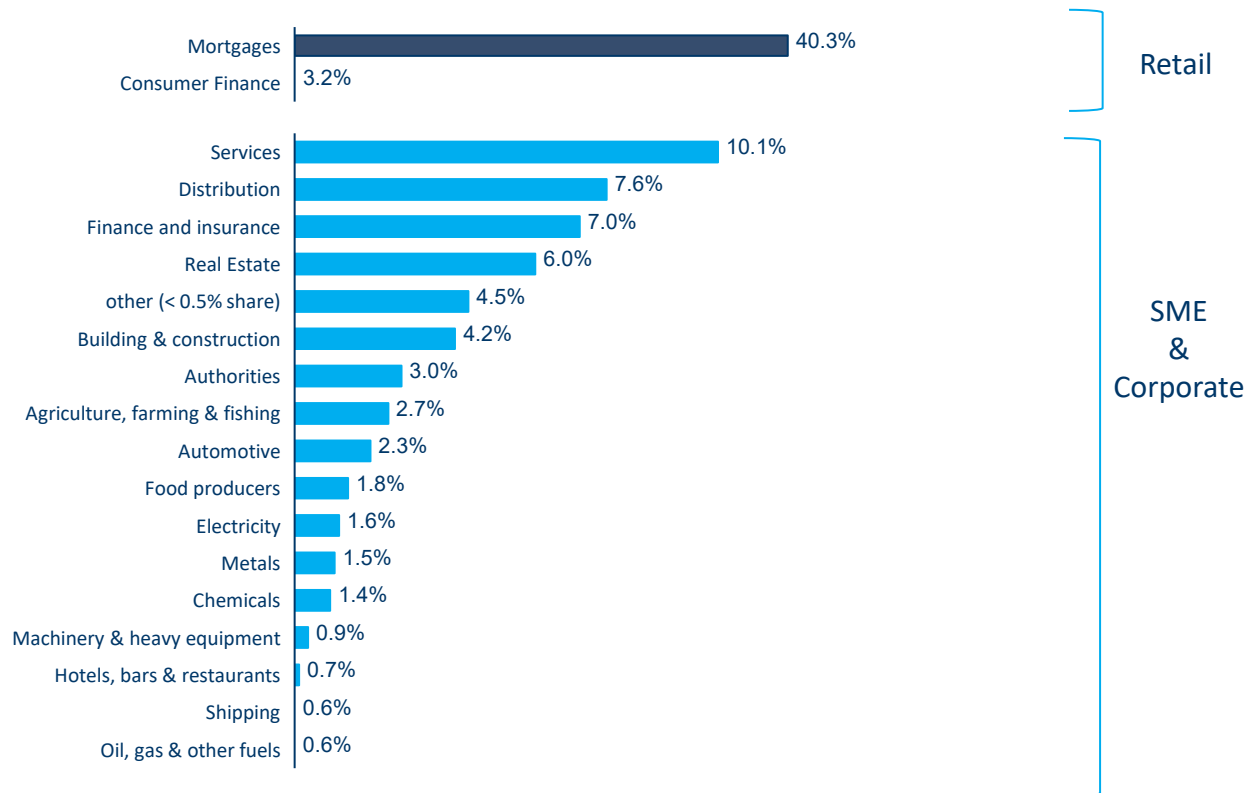
- Soaring commodity prices
- Policy normalisation track changes for FED and ECB
- CEE currencies facing pressure
- CZK and HUF interest rates increased significantly
- Closing of production facilities in Ukraine adding to the already existing supply issues
- Sharply increasing gas prices resulting in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

# Diversified loan portfolio

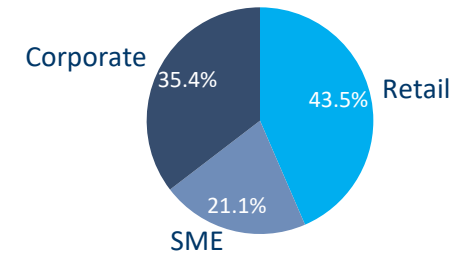


**Total loan portfolio outstanding by sector as a % of total Group portfolio outstanding<sup>(1)</sup>**

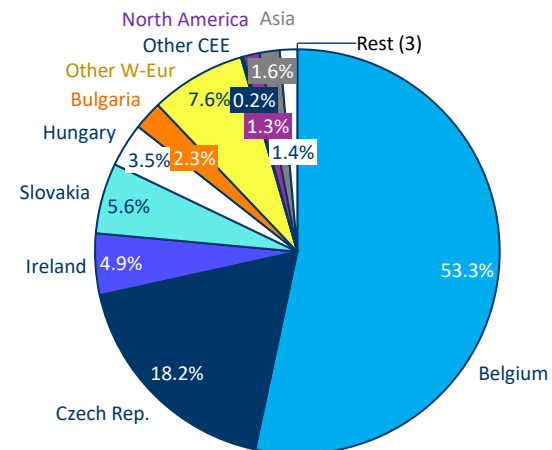
194bn EUR<sup>(2)</sup>



**Total loan portfolio outstanding by segment<sup>(1)</sup>**



**Total loan portfolio outstanding by geographical breakdown<sup>(1)</sup>**



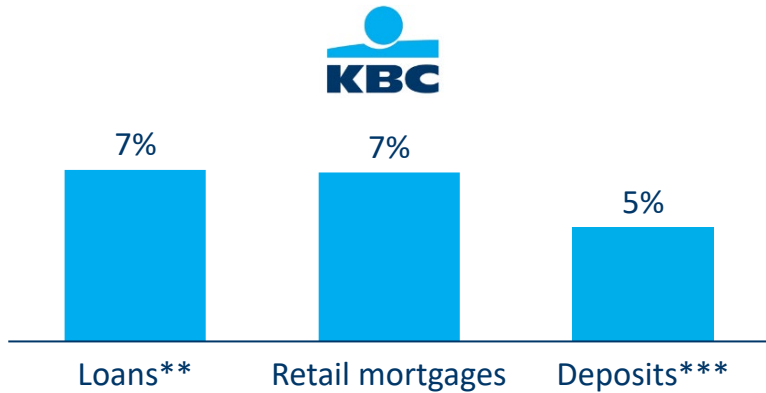
(1) Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements  
 (2) Including loan portfolio of KBC Bank Ireland, the pro-forma total loan portfolio outstanding without KBC Bank Ireland amounts to 185bn EUR  
 (3) The 'rest' part includes 0.03% of the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

# Balance sheet:

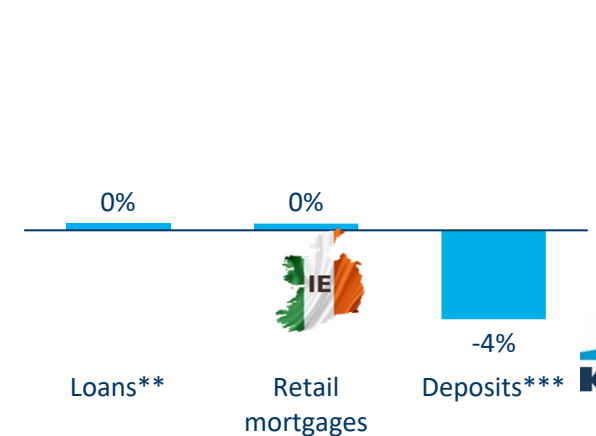
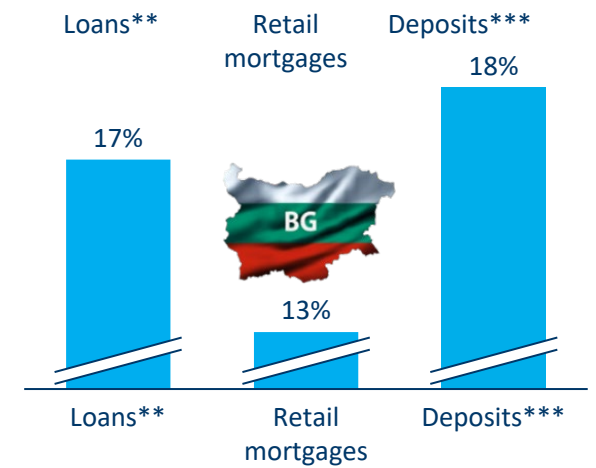
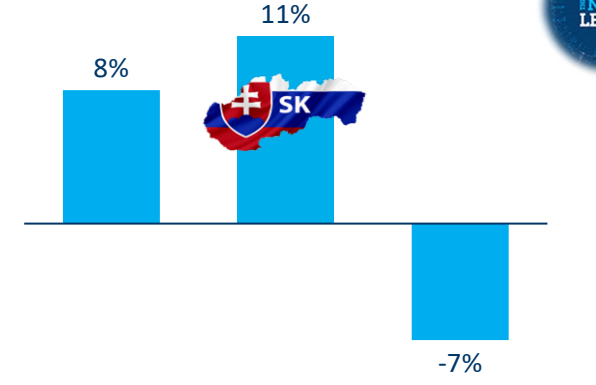
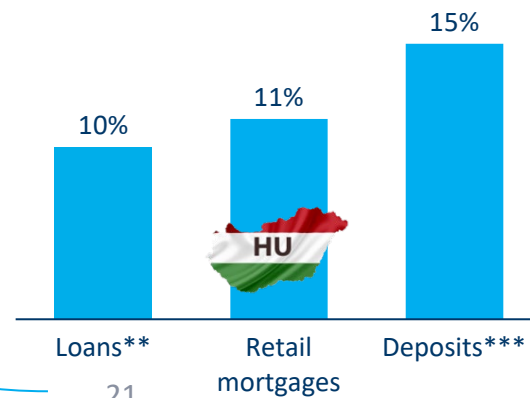
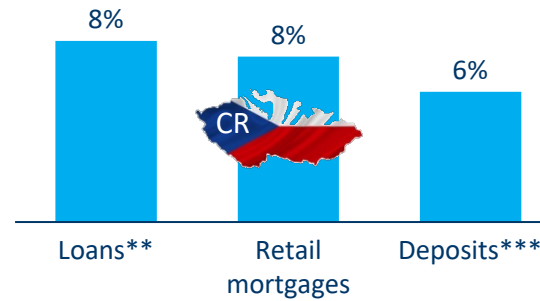
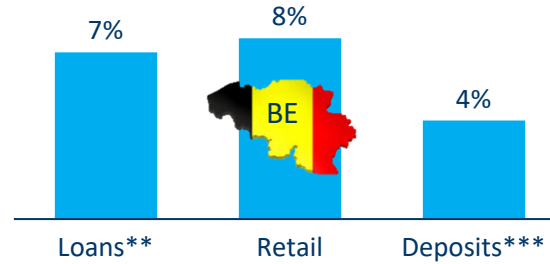
Loans and deposits continue to grow in most countries



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





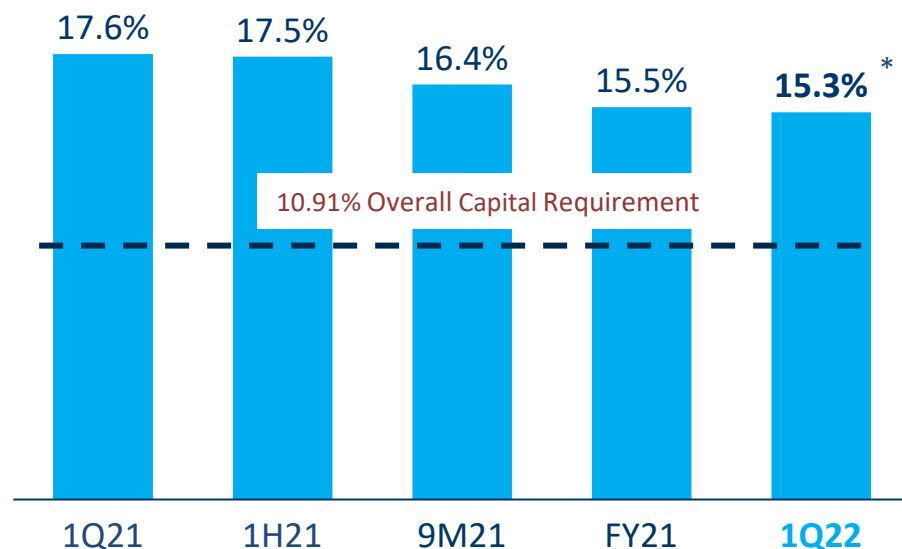
## Strong solvency and solid liquidity

# Common equity ratio

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)

- 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%
- At the end of 1Q22, the transitional CET1 ratio amounted to 15.2%

# Liquidity ratios

Liquidity continues to be very solid



## KBC Group's liquidity ratios



- **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

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

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





## Looking forward

# 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)

*The tragedy unfolding in Ukraine has caused immense human suffering and we express our heartfelt solidarity with all the victims of the conflict, both those in the region itself and the large number of refugees in various guest countries in Europe.*

*Particularly in these challenging times, I would like to explicitly thank our customers and stakeholders for their confidence and our staff for their relentless efforts.*

*Johan Thijs, KBC Group CEO*



## Annex 1

# Differently: the next level

## 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)





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



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

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

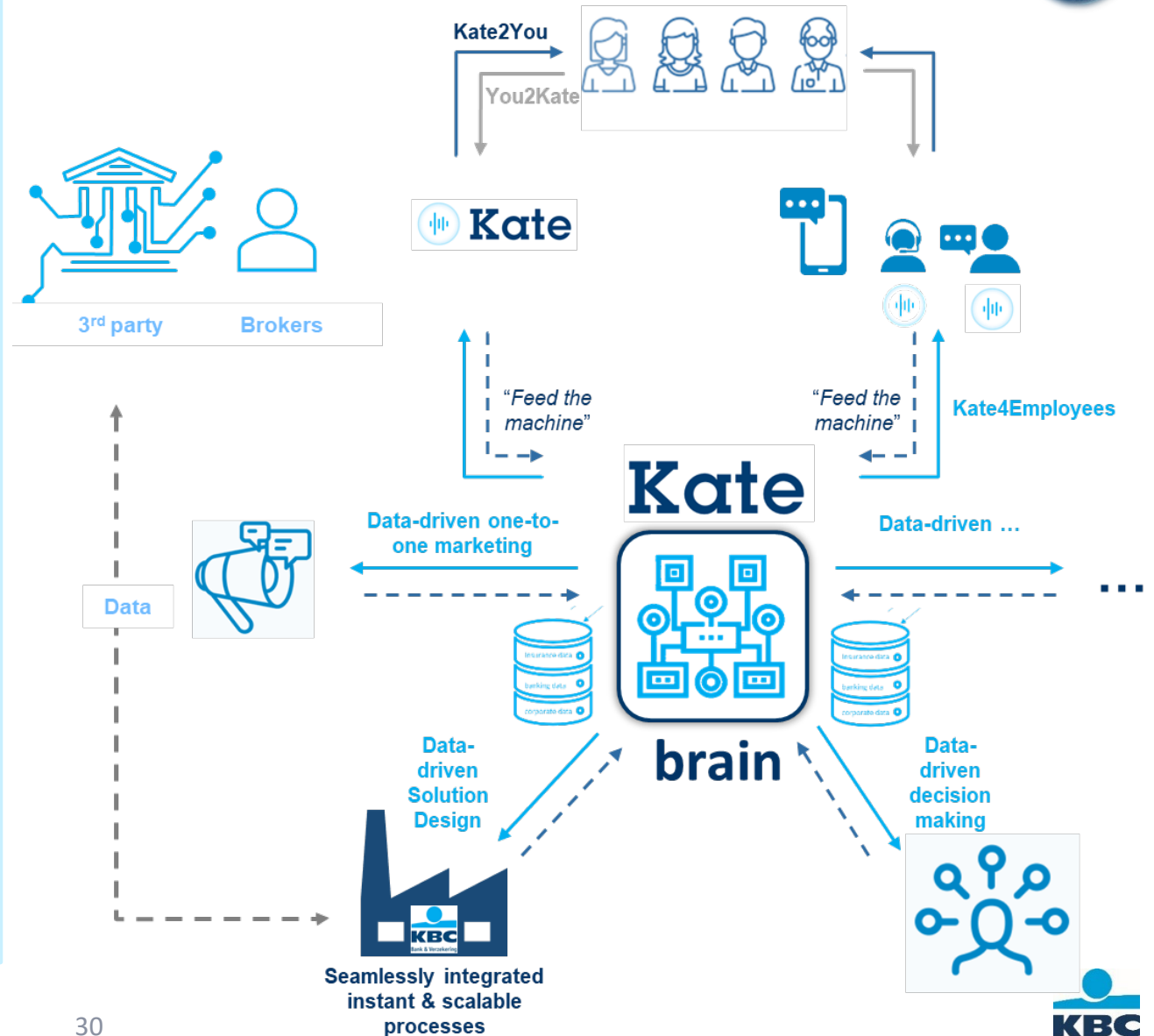
So, Kate is not only steering the interaction with customer-facing touchpoints (digital, physical, remote) but also the product factories and decision makers by providing relevant insights.

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

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

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

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



# Guidance as provided on February 10<sup>th</sup>

## 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

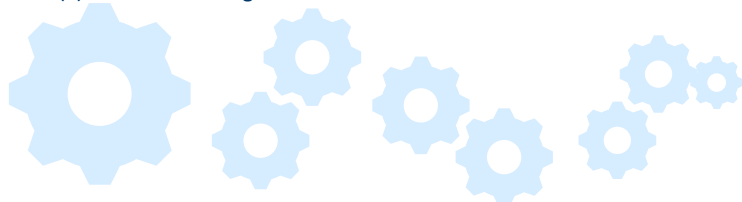
\*\* Fully loaded CET1 ratio, Danish Compromise

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

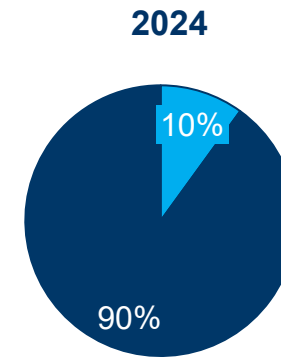
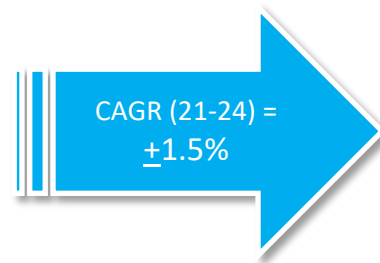
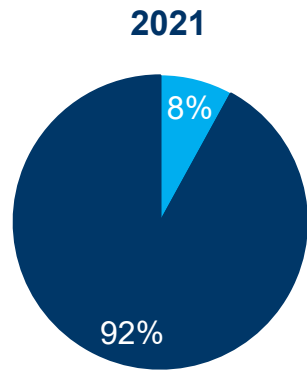


# Differently: the next level

## 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



# Differently: THE NEXT level

Translating strategy into non-financial targets

## Update on our 4 operational targets (1)

### Customer NPS ranking

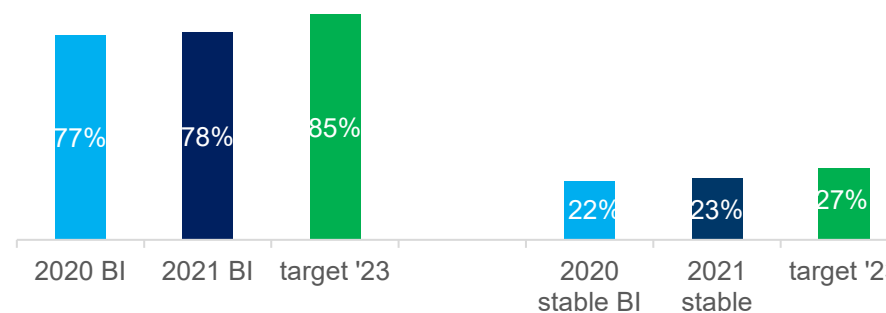


- KBC is 3rd in customer NPS ranking
- Target is to remain the reference (top-2 score on group level)

Based on weighted avg of ranking in six core countries

\* Based on the latest available data.

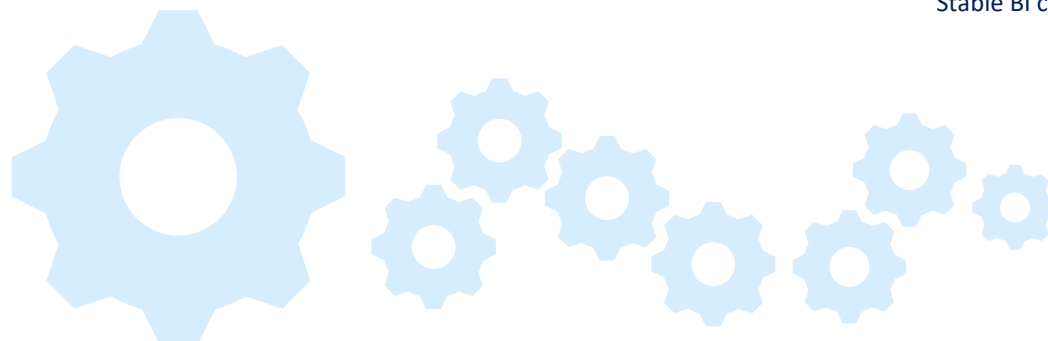
### % bank-insurance (BI) clients



- 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)

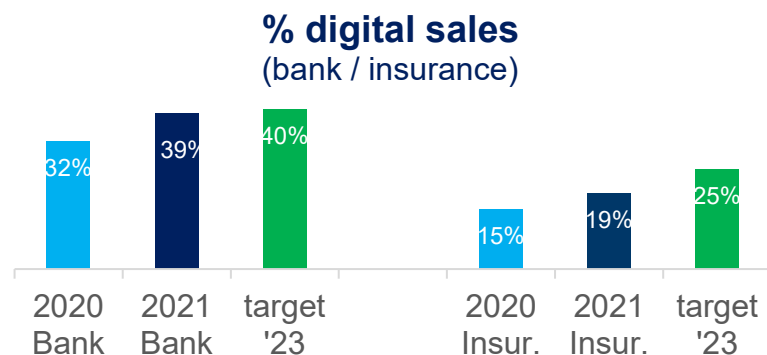




# Differently: THE NEXT level

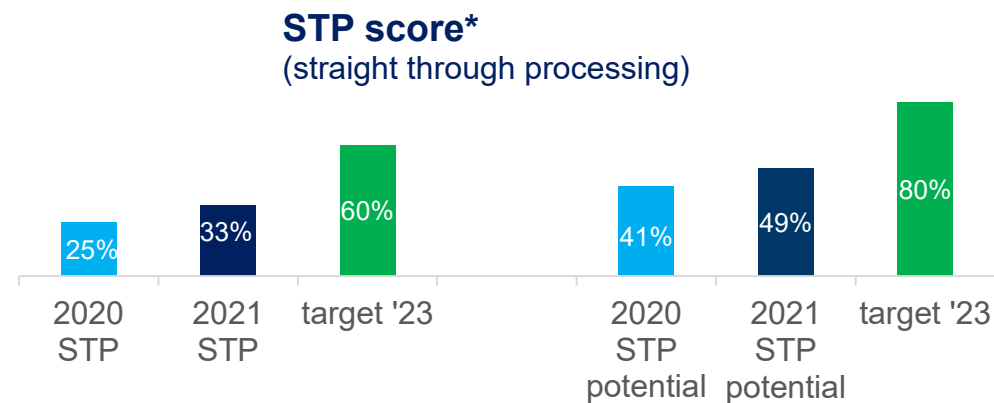
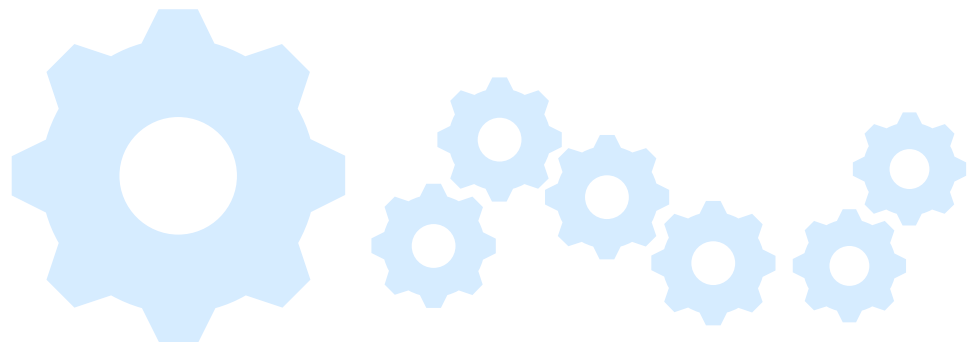
Translating strategy into non-financial targets

## 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 weighted 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.



# ESG ratings and indices

Ahead of the curve



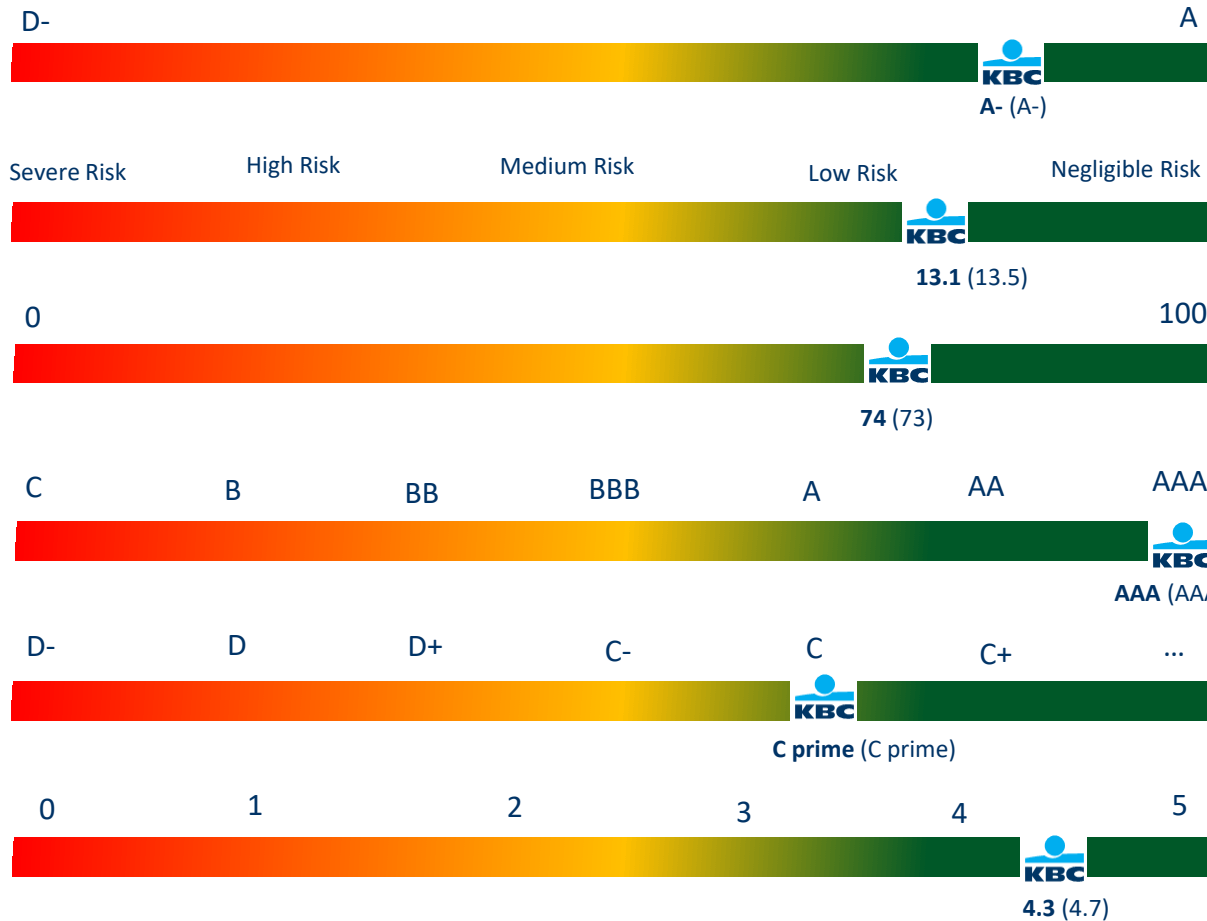
## Agencies

## ESG rating of 29<sup>th</sup> of April 2022 (previous score)

## Position versus industry average



FTSE4Good



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





# 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

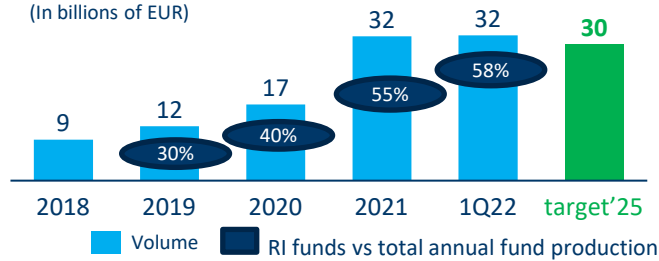
We substantially raise the bar for our climate-related ambitions



Achieved ✓

## Volume of Responsible Investing Funds(\*)

(In billions of EUR)

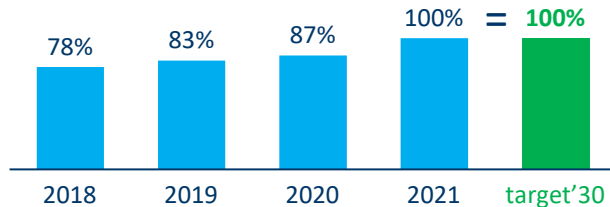


- End of 2021: volume of Responsible Investing funds includes all Belgian KBC pension savings funds (adding 6bn EUR)
- Responsible Investing funds ≥ 50% of annual fund production from 2021 onwards

Achieved ✓

## Renewable electricity

(In % of own electricity consumption)

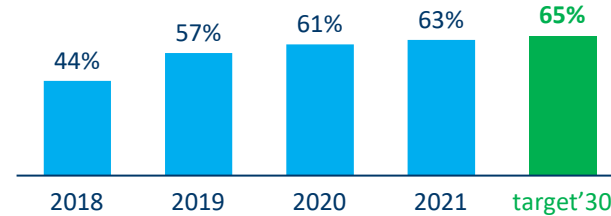


- Continued installation of photovoltaic panels on buildings we own and operate ourselves

Above track ●

## Renewable energy loans

(In % of total energy sector loan portfolio)



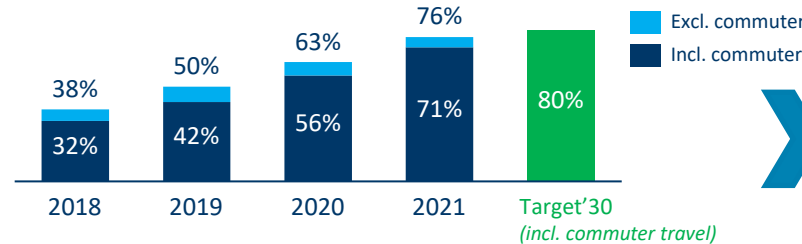
- Target set to 65% by '30
- During 2021, Project Finance Belgium concluded 7 new renewable energy transactions for a total amount of 195m EUR

Above track ●

## Reduction own GHG emissions

(incl. commuter travel)

(In % compared to 2015)

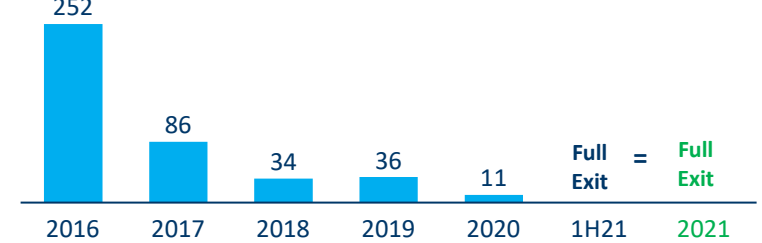


- Target reduction of own emissions set to 80% by '30
- A business travel ban and the switch to teleworking in 2020 and 2021 drove the strong result in terms of reduction in GHG emissions

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.

