KBC Group
Acquisition of 365.bank in Slovakia

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Executive summary

KBC has agreed to acquire (in cash) 98.45% of **365.bank** in Slovakia, based on a **total value** for 365.bank of **761m EUR**

Indisputable strategic rationale

- Enhancing the footprint in Slovakia by strengthening the operating size in the market and reaching a **16% market share** (total assets), closing the gap with the top 3 competitors
- In line with KBC's strategy to achieve reference positions in its core markets, the increase in critical market mass and the complementary business mix of 365.bank and ČSOB SK will allow KBC to further benefit from **cross-selling potential**
- KBC will particularly strengthen its reach in retail banking as well as benefit from access to the unique client base and distribution network of 365.bank (and exclusive partnership with Slovak Post)

Strong financial rationale

- **EPS accretive** from year 1 onwards
- Purchase price represents a **1.4x Book Value** [1] and **9.4x P/E** [2] multiple
- Leveraging on the combined entity, the cross-selling potential and KBC's expertise:
  - **Synergies** (incl. integration and restructuring costs) will quickly increase to **at least 75m EUR as of 2028** onwards (pre-tax)
  - **Return on investment** is estimated at **16%**, while the **RoE** of the pro-forma combined Slovakian entity is uplifted to roughly **15%** (both by 2028, i.e. after a two-year integration period), substantially above the cost of equity
- Estimated **capital impact** on KBC Group's unfloored fully loaded CET1 ratio will be limited to **approximately -50bps** upon closing
- This transaction is fully **in line with the updated capital deployment plan** as from 2025, with focus predominantly on further organic growth and M&A
- The transaction is subject to relevant regulatory and anti-trust approvals and **expected to close by the end of this year**

Notes: [1] based on the equity position of 365.bank at year-end 2024; [2] based on the average 2022-2024 net profit of 365.bank

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1 Transaction overview

2 Strategic rationale

3 Financial impact

4 Wrap-up

Transaction highlights

1. Transaction overview

- KBC has agreed to acquire 98.45% of **365.bank** ("Target"), based on a total value for 365.bank of **761m EUR**
- The purchase price represents a **1.4x Book Value**[1] and **9.4x P/E**[2] multiple
- The acquisition price will be paid in **cash** at completion
- Transaction is subject to the relevant regulatory and anti-trust approvals and expected **to close by the end of this year**

2. Strategic rationale

- Strengthening our market position and closing the gap with the top 3 market players in Slovakia, in line with KBC's strategy to achieve market reference positions in its core markets, which will allow KBC to further benefit from cross-selling potential
- Substantial **value creation for shareholders** through **net synergies** (incl. -98m EUR one-off integration and restructuring costs mainly over the first two years) which are expected to reach -15m EUR in 2026 and +7m EUR in 2027, quickly ramping up to at least +75m EUR as of 2028 onwards (pre-tax numbers)
- This will lead to a **Return on Investment** of **16%** and a **Return on Equity** of the pro-forma combined Slovakian entity which is uplifted to roughly **15%**, both by 2028
- 365.bank is the 7th largest bank in Slovakia based on total assets with a market share of 3.7% and particular strength in retail segment. The combined entity will reach a **16% market share** (total assets)
- Access to unique distribution network with 365.bank currently serving its customers via c. 1,400 post offices (exclusive partnership with Slovak Post) in addition to the own network of 57 branches
- Acquisition of large and loyal customer base of **c. 830k clients** (mass retail)
- 58% of all 365.bank brand customers were onboarded digitally
- Transaction represents an in-market combination with sound strategic and financial rationale

3. Financial impact

- Estimated **capital impact** on KBC Group's unfloored fully loaded CET1 ratio will be limited to **approximately -50bps** (at completion)
- The Transaction will be accretive to KBC Group's EPS as of year 1
- KBC is financing the Transaction in cash using internal resources
- This transaction is fully **in line with the updated capital deployment plan** as from 2025, with focus predominantly on further organic growth and M&A

Notes: [1] based on the equity position of 365.bank at year-end 2024; [2] based on the average 2022-2024 net profit of 365.bank

Overview of 365.bank
Retail-oriented bank with unique distribution network

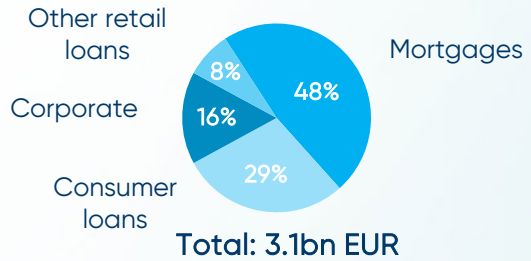
Business description

- 365.bank is a commercial retail-oriented bank operating since 1992 in Slovakia offering a wide range of services and products to individuals as well as for corporates, with subsidiaries in asset management (#4 in Slovakia with 1.6bn EUR AuM) and consumer finance
- The bank operates under two brands (365.bank and Poštová banka) with different distribution models and client profiles
  - 365.bank was first introduced in 2018 as a fully digital bank and became the main brand of the Group in 2021 when the Poštová banka branches were taken over
  - Poštová banka brand is used in the strategic long-standing exclusive cooperation with Slovak Post to distribute banking products through post offices
- As of 2024, 365.bank is serving more than 830k customers with c. 1,300 employees (FTEs) via 57 branches and through the exclusive partnership with Slovak Post giving access to c. 1,400 post offices distributed all over the country
- As of 2024, the bank was #7 in Slovakia by loans and deposits with market shares of c. 3% and c. 4%, respectively

Key financials – 365.bank

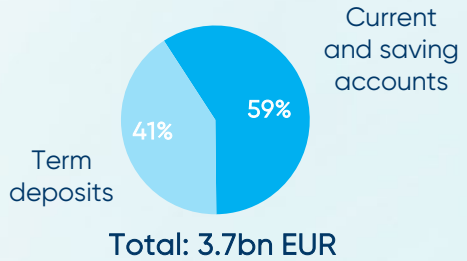
Income statement (m EUR)	2022	2023	2024
Net interest income	134	143	144
Net fee and commission income	70	67	76
Total income	**242**	**224**	**264**
Operating expenses	(131)	(126)	(121)
Bank taxes (incl. special levy)	(3)	(1)	(25)
Loan loss provisions	7	(6)	(24)
Net Result	**92**	**81**	**70**
Balance sheet (m EUR)			
Total assets	4,731	4,639	4,681
Customer loans (gross)	3,135	2,992	3,131
Customer deposits	3,482	3,434	3,715
Shareholders' equity	757	689	551
KPIs			
L/D ratio	90%	87%	84%
C/I ratio (excl. bank tax)	54%	56%	46%
NPL ratio (stage 3)	5.4%	6.0%	5.1%
NPL coverage ratio (stage 3)	77%	63%	64%
Cost of risk (bps)	(23)	21	77
CET1 ratio	22.5%	21.0%	18.4%

Loan book profile (2024)



Total: 3.1bn EUR

Deposit portfolio profile (2024)



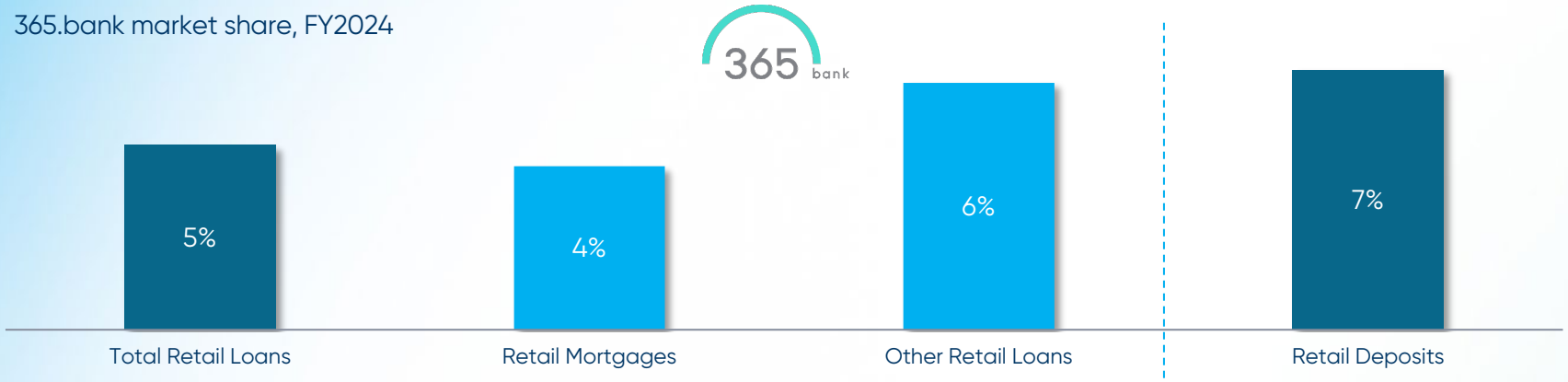
Total: 3.7bn EUR

Source: Company information

Overview of 365.bank
Specific expertise in retail banking and particularly consumer finance

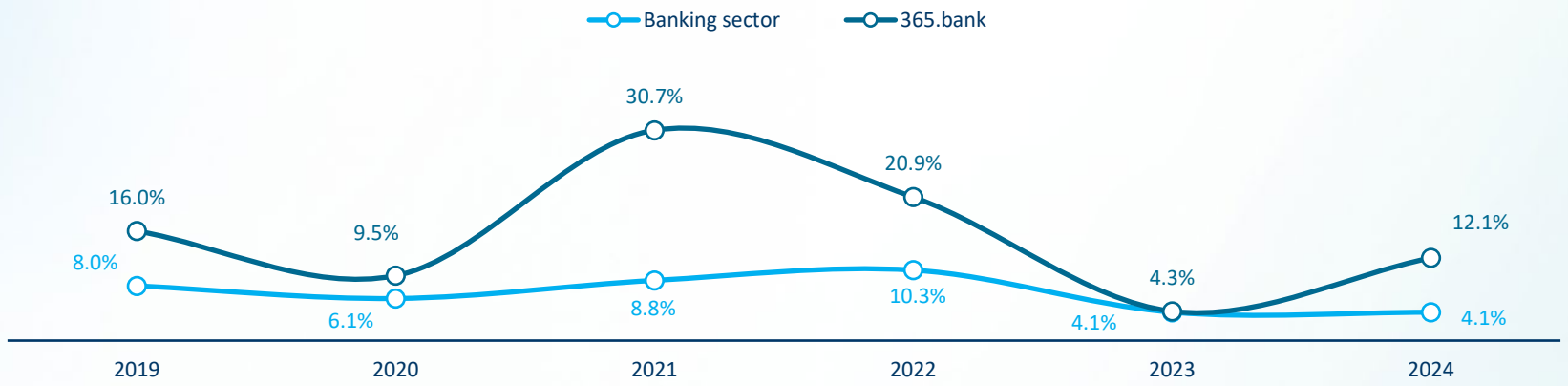
365.bank's market share in Retail Segment as of FY2024

365.bank market share, FY2024



Year-on-Year Retail Loan Growth: 365.bank vs Slovak Banking Sector (2019-2024)

365.bank vs Slovak Banking Sector[1], YoY



Commentary

- 365.bank specialises in serving retail clients, **holding a c. 4% market share in mortgages, a c. 6% market share in other retail loans (incl. 13% market share in consumer loans), and a c. 7% market share in retail deposits**
- **Since 2019, 365.bank's retail loan portfolio growth has consistently outperformed** the broader Slovak banking sector

Sources: Company information, National Bank of Slovakia.

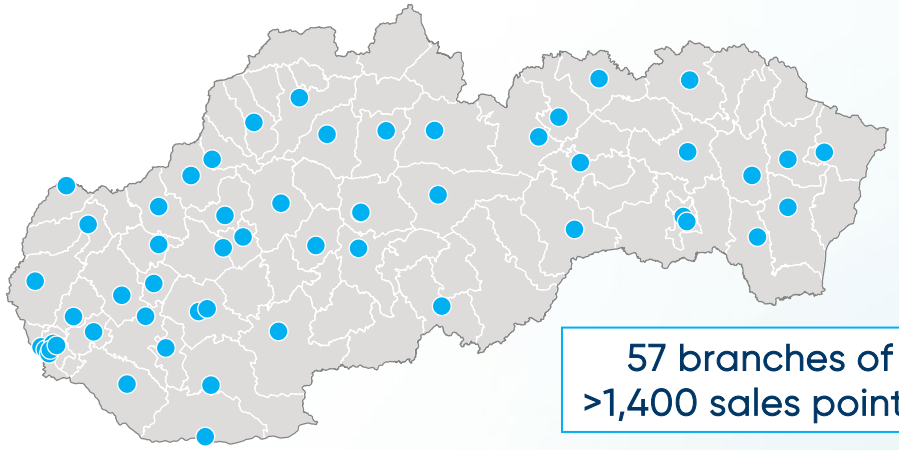
[1]National Bank of Slovakia statistics – Outstanding amounts of loans provided and their average interest rates

Overview of 365.bank
Operating under 2 brands offering unique distribution network

Commentary

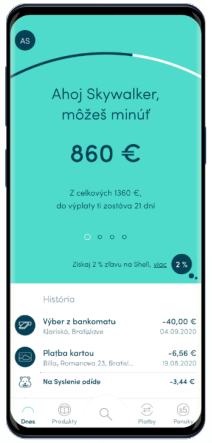
- 365.bank operates under 2 brands, 365.bank and Poštová banka
  - 365.bank brand caters to a younger, urban mass / affluent segments, focusing on digital banking via mobile and online platforms
  - Poštová banka (via Slovak Post) targets mass and low-mass customer segments in all towns with over 1.5k residents
- 365.bank has strong digital capabilities being pioneer in introducing digital products in Slovak market[1] and with almost half of new current accounts opened digitally in 2024
- Highest geographical penetration based on the 365.bank branch network supported by an exclusive partnership with the Slovak Post, with having >1,400 points of sale in total, including:
  - 57 branches of 365.bank
  - >1,400 sales points in each branch of Slovak Post (employees of Slovak Post), including 105 sales points of Poštová banka in Slovak Post branches (employees of 365.bank)

365.Bank has the highest geographical penetration in Slovakia



57 branches of 365.bank and >1,400 sales points at Slovak Post

365.bank digital capabilities

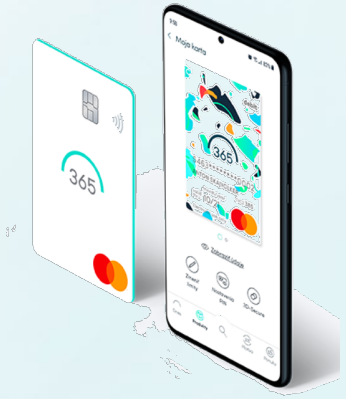


~48%

of current accounts opened in 2024 via digital channel

~58%

of 365.bank customers were onboarded digitally[2]

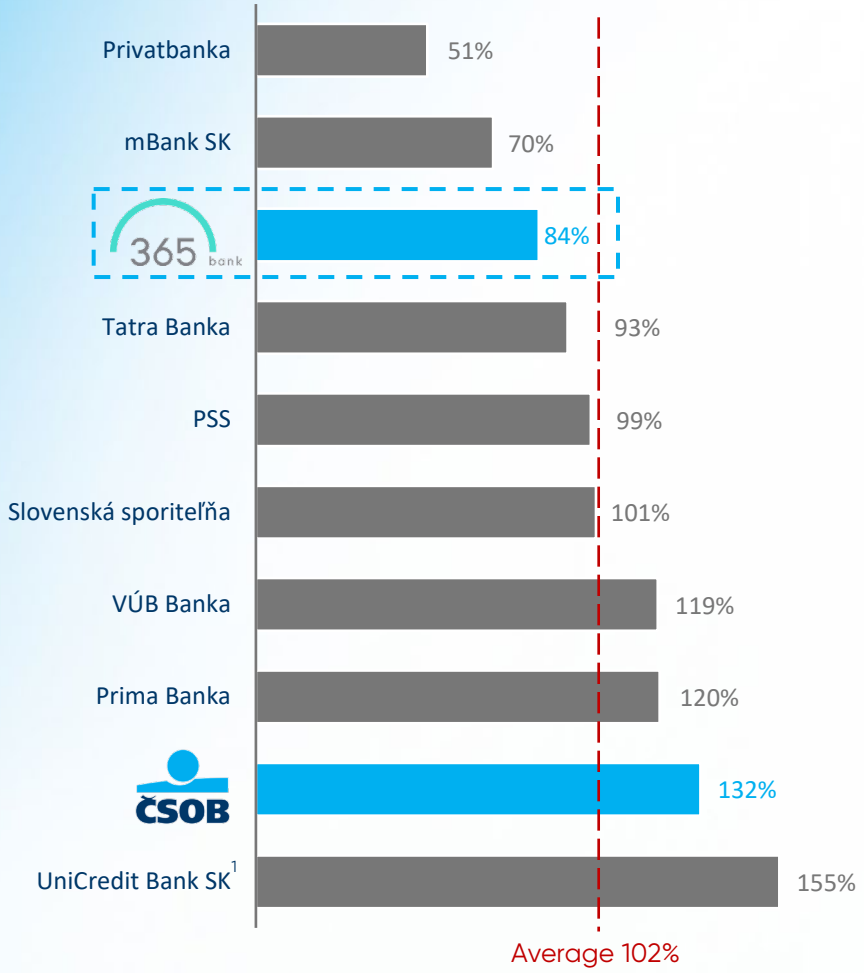


Sources: Companies information

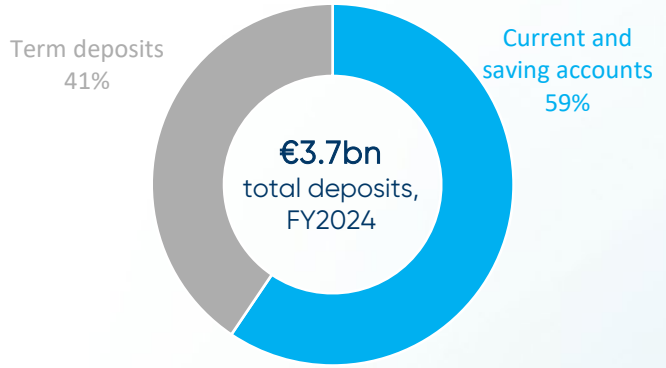
[1] In 2019, 365.bank started offering loans digitally; in 2020, the bank introduces the first fully digital card on the Slovak market; in 2023, "Smartie" kids digital banking app was introduced together with the micro-savings product "Syslenie" (where each payment is rounded up to the next Euro, with the rounded amount automatically transferred to the savings account); [2] Out of c.220k customers under 365.bank brand (i.e. excl. customers under Poštová banka brand)

Overview of 365.bank
One of the lowest 2024 loan-to-deposit ratios amongst top-10 largest Slovak banks

Loan-to-deposit ratio of largest banks in the Slovak market, FY2024



Deposit portfolio breakdown of 365.bank, FY2024



Commentary

- 365.bank has an **appealing liquidity profile with one of the lowest 2024 loan-to-deposit ratios amongst top-10 largest Slovak banks**
- Mix of current and saving accounts and term deposits in 365.bank's deposit portfolio is in line with the broader Slovak market

Source: Companies data, National Bank of Slovakia

[1] Deposits are illustratively calculated based on the share of SK in total CZSK assets (given no separate SK reporting)

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In-market combination with sound strategic and financial rationale

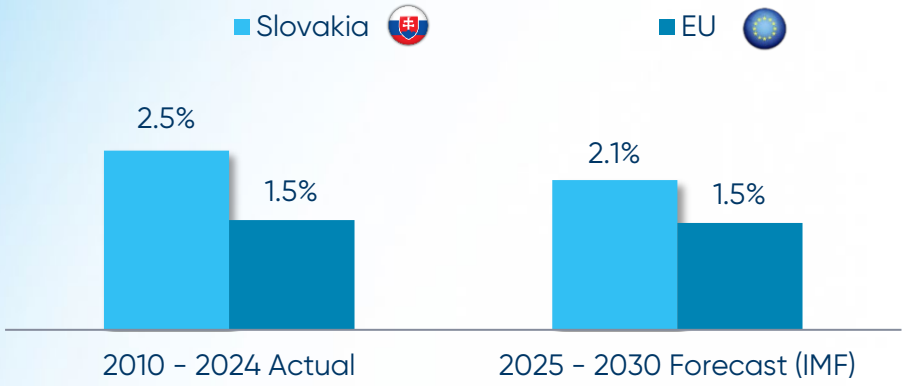
1. **Increasing presence in Slovakia**, an **attractive growth market** which **KBC knows well**
2. **Further improve footprint in Slovakia** with the second acquisition in 5 years **leading to top 3 position (net loans)**
3. **Highly complementary product portfolio to current ČSOB operations**
4. **Highly synergetic transaction** with **significant value creation** for KBC Group's shareholders

An attractive transaction with immediate effects

Increased presence in an attractive and fast-growing market

Average Historical and Projected Real GDP Growth Rate[1]

Real GDP Growth Rate (%)



Commentary

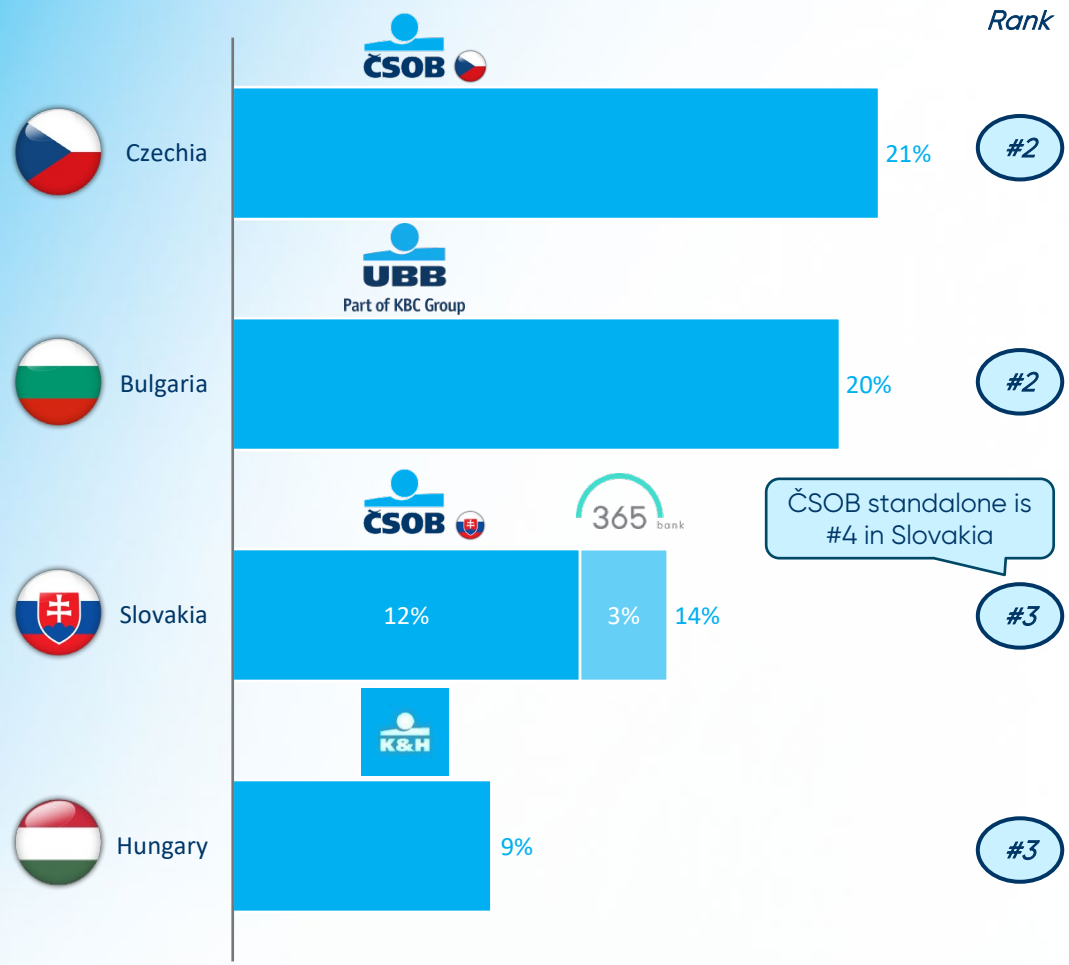
- Slovakian economy has an **attractive growth profile** outperforming EU growth rates both historically and based on near-term expectations

Sources: IMF, National Banks, EBF

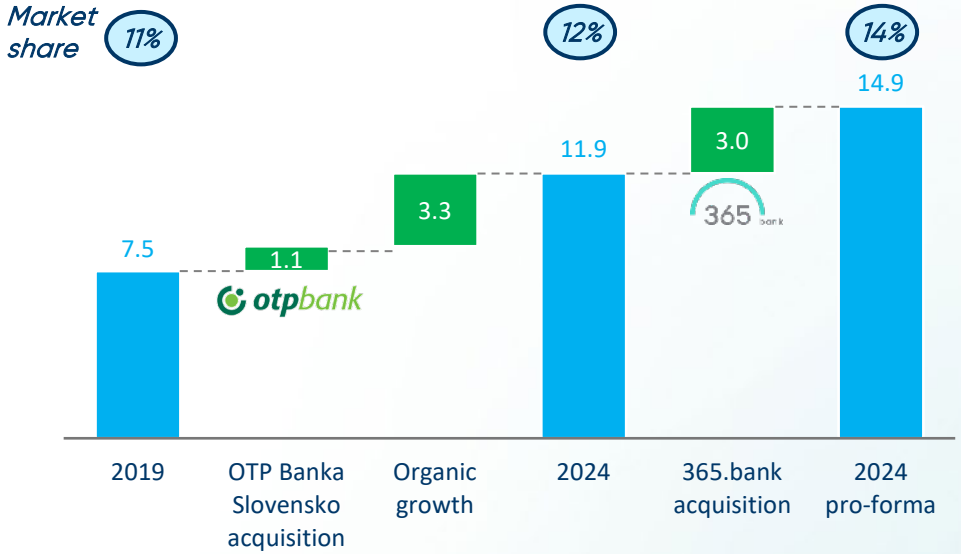
[1] IMF as of October 2024.

Strengthening footprint by establishing market reference positions in all CEE markets

KBC net loans market share in CEE region, FY2024



KBC net loan portfolio development in Slovakia over last 5 years (€bn)



KBC has doubled size of its Slovak franchise over the last 5 years

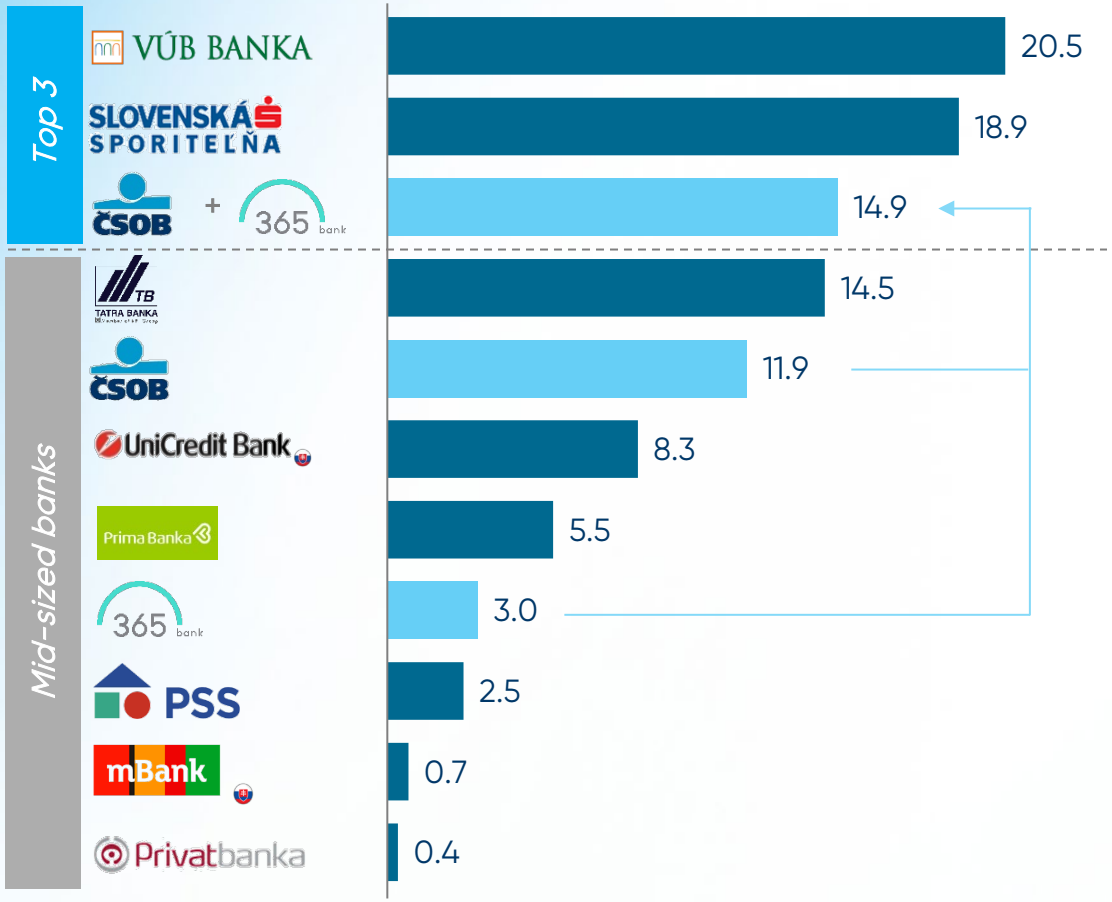
Commentary

- KBC is **further solidifying its position in the CEE region** via the acquisition of 365.bank, **becoming the 3rd largest bank in Slovakia** (in terms of net loans) in line with its reference position in other CEE markets of presence
- Further improvement of footprint in Slovakia with the second acquisition in 5 years

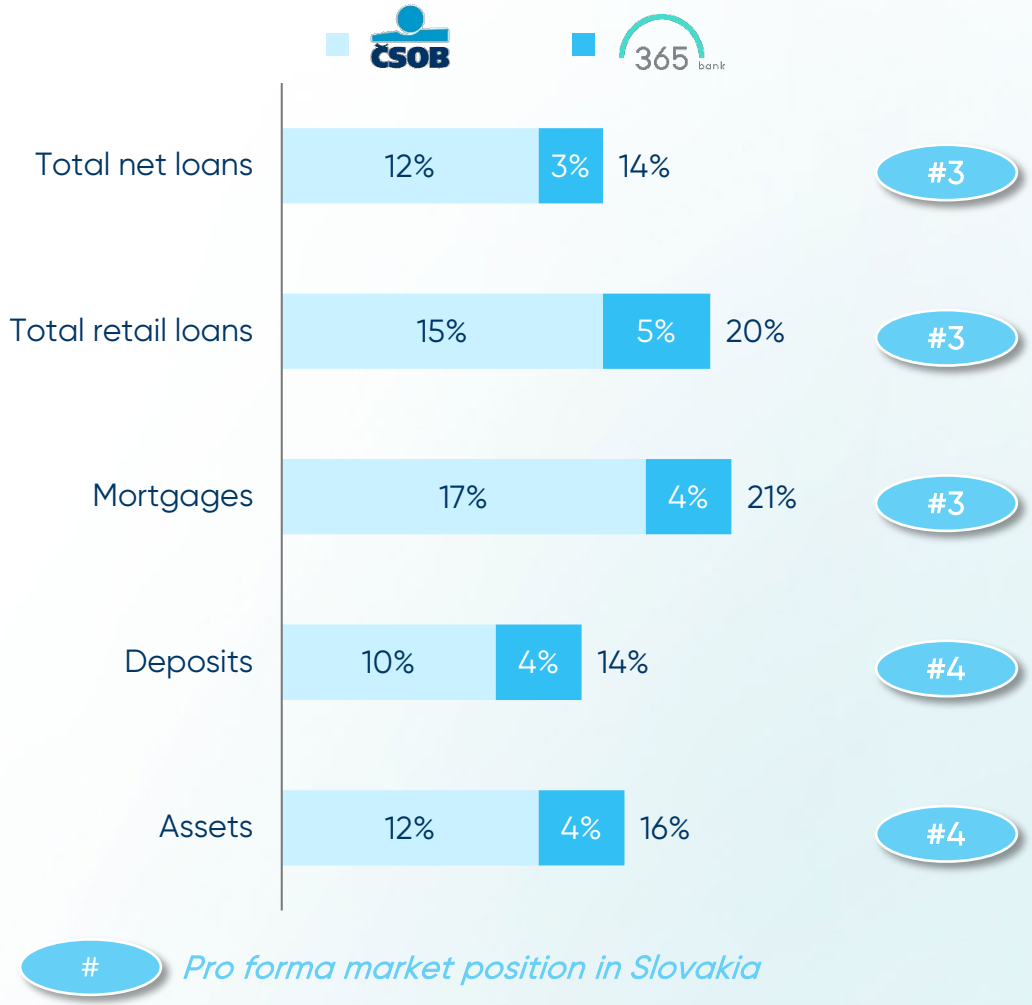
Source: Company filings, National Bank of Slovakia, Czech National Bank, Hungarian National Bank, Bulgarian National Bank

Creation of top 3 bank in Slovakia with particular strength in retail segment

Total net loans of Slovak top-10 largest banks (bn EUR, FY2024)



Improved market shares in Slovakia (FY2024)



Source: Companies information, National Bank of Slovakia

Significant synergy potential driving value creation

Cost Synergies

- **Key synergy sources include:**
  - **Optimisation** of distribution platform
    - **Reorganisation** of branch network
    - **Migration** to a single IT platform, data centers, call center and product factories
  - **Streamlining** HQ functions
  - **Removal** of overlapping marketing, legal and consulting services

Revenue and Funding Synergies

- **Cross-sell** of:
  - KBC's **insurance products** linked to mortgages and consumer loans
  - KBC's **asset management** services
- **Funding synergies** through:
  - Enabling 365.bank to achieve **lower MREL funding costs** as part of KBC Group
  - **Utilisation of** 365.bank's **excess liquidity**

Integration Costs

- **One-off** restructuring costs:
  - **Break-up fees** for rental and other contracts
  - **IT migrations costs**
  - Intangible **write-offs**
  - **Severance** payments
  - **Retention** packages

Compelling financial impact of the transaction for KBC shareholders

EPS accretion

As of year one

KBC EPS accretion

Return on Investment

c. 16%

2028e

Return on Investment in 2028e

Return on Equity

c. 15%

2028e

RoE of pro-forma combined Slovakian entity

Net synergies

Net synergies (incl. integration and restructuring costs) ramping up from -15m EUR in 2026 to +7m EUR in 2027 and remaining above +75m EUR from 2028 onwards on a pre-tax basis

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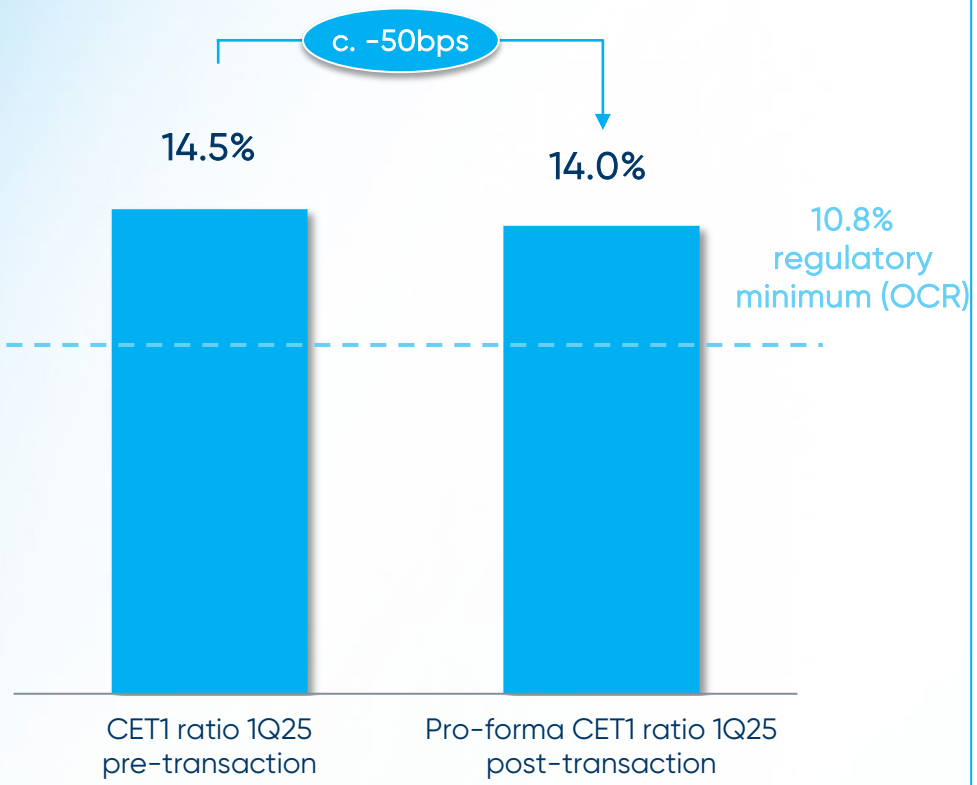
Acquisition to have limited impact on KBC Group unfloored FL CET1 ratio

Pro-forma unfloored fully-loaded CET1 ratio at KBC Group



Comments

- Consideration will be fully paid in cash from available funds
- Estimated limited impact of the transaction on KBC Group unfloored fully loaded CET1 capital ratio (c. -50bps)
- KBC Group remains very well capitalized, well above the fully-loaded regulatory minimum (OCR) of 10.8% at 1Q25
- This transaction is fully in line with the updated capital deployment plan as from 2025, with focus predominantly on further organic growth and M&A

Overview of combined financials in Slovakia

m EUR		ČSOB	365 bank	ČSOB + 365 bank
Balance sheet (2024)	Total assets	15,406	4,681	20,087
	Gross customer loans	11,887	3,131	15,018
	Customer deposits	8,993	3,715	12,708
Profit & Loss (2024)	Net interest income	276	144	420
	Total income	485	264	749
	Operating expenses	(261)	(121)	(382)
	Loan provisions	17	(24)	(6)
	Net result	101	70	171
Other Metrics (2024)	Loan / Deposits ratio	132%	84%	118%
	Cost income ratio (excl. bank tax)	54%	46%	51%
	Credit cost ratio	(0.14%)	0.77%	0.04%
	NPL (stage 3) ratio	1.6%	5.1%	2.3%
	Employees (FTE)	2,679	1,292	3,971

Source: Company data
Notes: Based on simple sum of banks' data without taking into account any M&A impacts, synergies, etc.

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Wrap-up

- Acquisition (in cash) of a 98.45% stake in **365.bank**, based on a total value for 365.bank of **761m EUR**, with purchase price representing a **1.4x Book Value** [1] and **9.4x P/E** [2] multiple
- Strengthening our market position and closing the gap with the **top 3** market players in Slovakia, in line with KBC's strategy to achieve reference positions in its core markets, which will allow KBC to further benefit from **cross-selling potential**
- **EPS accretive** transaction from year 1 onwards with a compelling **Return on Investment of 16%** and a **RoE** of the pro-forma combined Slovakian entity which is uplifted to roughly **15%** (both in 2028) supported by net **synergies** (incl. -98m EUR one-off integration and restructuring costs mainly over the first two years) which are expected to reach -15m EUR in 2026 and +7m EUR in 2027, quickly ramping up to at least +75m EUR as of 2028 onwards (pre-tax)
- Estimated **capital impact** on KBC Group's unfloored fully loaded CET1 will be limited to **approximately -50bps** upon closing
- This transaction is fully **in line with the updated capital deployment plan** as from 2025, with focus predominantly on further organic growth and M&A
- Transaction is subject to relevant regulatory and anti-trust approvals and expected to **close by the end of this year**

Notes: [1] based on the equity position of 365.bank at year-end 2024; [2] based on the average 2022-2024 net profit of 365.bank

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