KBC Group
Green Bond

Investor Presentation
June 2018

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Executive Summary (1/3)

Sustain-ability and KBC

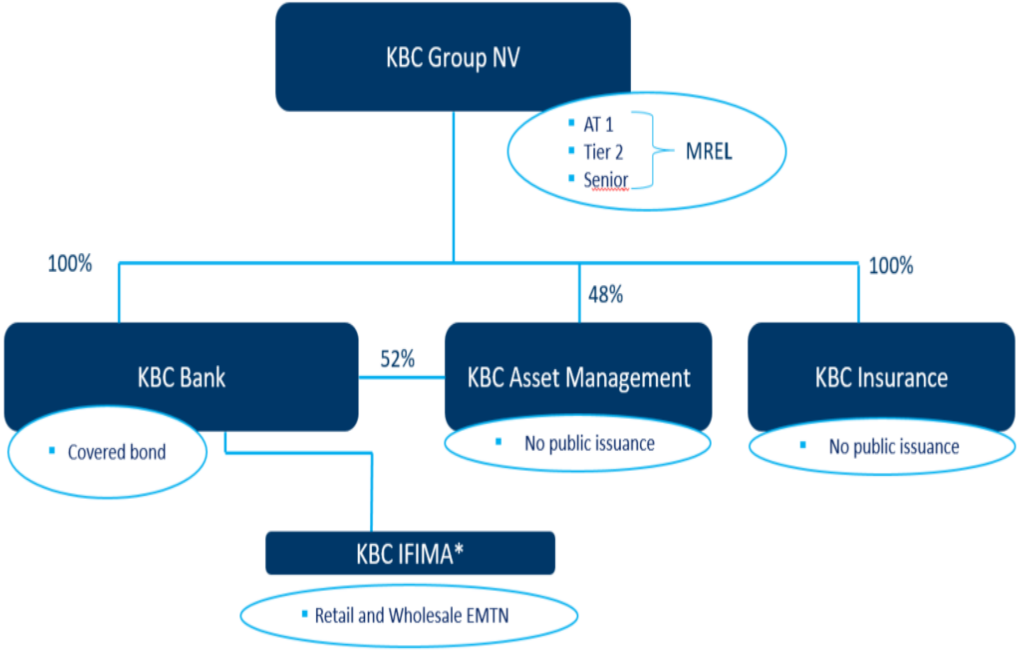
- KBC is a leading European financial group with a focus on providing bank-insurance products and services to retail, SME and mid-cap clients, mainly to its core countries: Belgium, Bulgaria, Czech Republic, Hungary, Ireland and Slovakia
- Our **sustainability strategy** is oriented towards real societal needs and the corresponding UN Sustainable Development Goals
- KBC applies **strict sustainability policies and exclusionary criteria** to its business activities in respect of human rights, business ethics, the environment and sensitive or controversial societal issues
- We also have **strong ambitions to increase our positive impact** on society and the environment
- Besides our approach towards Socially Responsible Investments, we believe issuing a green bond will **contribute to the development of a sustainable financial market** and **diversifying our investor base**

Green Bond Frame-work

- In its Green Bond Framework, KBC identified 7 categories which are aligned with the Green Bond Principles 2017 (GBP)
- For a potential inaugural transaction, KBC will focus on
  - Renewable Energy (wind and solar) and
  - Green Buildings (residential real estate loans)
- A robust **selection process and impact reporting methodology** has been developed for the **Flemish residential Green buildings**, as supported by the Flemish Energy Agency.
- **Sustainalytics Second Opinion** and **Pre-issuance certification by CBI** are available
- KBC Green Bond Framework complies with market best practices, including dedicated **Green Bond Committee**, allocation and **impact reporting** and **annual external audit**

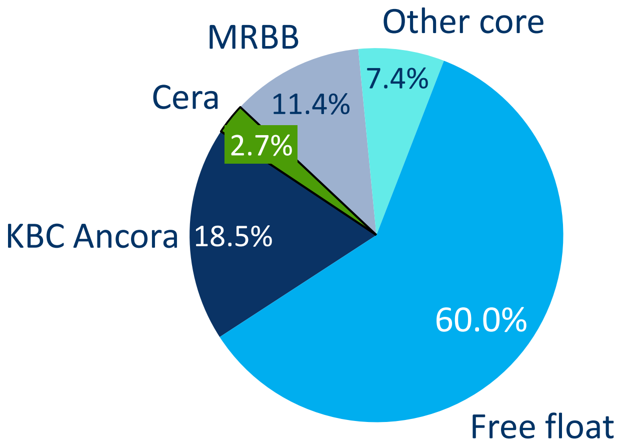
Executive Summary (2/3)

KBC Group Structure



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

Shareholder structure (end 1Q 2018)



Executive Summary (3/3)

FY 2017

1Q 2018

	CET1 ratio[1]	Net result	ROE[2]	C/I ratio[3]	Combined ratio
FY 2017	16.3 %	EUR 2 575 m	17 %	55 %	88 %
1Q 2018	15.9 %	EUR 556 m	14 %	55 %	90 %

Diversified and strong business performance

- Strong performance of the **commercial bank, asset management and insurance activities** in our six core markets
- **Robust market position** in all key markets and strong trends in loan and deposit growth
- **Very strong asset quality** with a negative credit cost ratio in FY 2017 (-0.06%) / 1Q 2018 (-0,15%) and a consistently improving impaired loans ratio (5.9%) in 1Q 2018
- **Strict cost management** resulted in C/I of 55%

Solid capital and robust liquidity positions

- **Capital positions well above regulatory minimum** of 11.6% (incl. P2G). CET1 ratio decreased in 1Q 2018 due to the impact of the first-time application of IFRS9 (-41bps)
- **Well placed with respect to Basel IV**, an estimated 9% RWA inflation on a fully loaded basis as at year-end 2017 (translates into a CET1 impact of -1.3%)[4]
- Fully loaded B3 leverage ratio, based on current CRR legislation, amounts to 5.7% at KBC Group in 1Q 2018
- **Continued strong liquidity position** NSFR at 137% and LCR at 139% (end 1Q 2018).

1. *Fully loaded – Danish Compromise*
2. *ROE of 18% excluding upfront negative effect of EUR 211m one-off due to the Belgian corporate income tax reform . In 1Q18 the ROE taking into account pro rata bank taxes amounted to 19%.*
3. *Adjusted for specific items (see glossary for definition)*
4. *This figure is based on our current interpretation of Basel 4, a static balance sheet and the current economic environment. It also does not take into account possible management actions.*

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The three corner stones of the KBC sustainability strategy

The core of our sustainability strategy: limiting our adverse impact (1/2)

KBC is determined to limit its adverse impact on society by:

- **Strict policies** for its day-to-day activities on **environment**, **human rights**, **business ethics** and **socially sensitive issues**
  - Companies involved in controversial weapon systems and/or considered "worst offenders" of the UN Global Compact Principles are **blacklisted** (excluded from business with KBC group entities)
  - KBC **Human Rights** Policy
  - KBC Modern Slavery Act Statement
  - KBC Group Policy on **Controversial Regimes**
  - KBC Policy on **Soft Commodities**

WE SUPPORT

- **Sustainable and Responsible Bank and Insurance Policy**
  - Project Finance is required to comply with the **Equator Principles**
  - **KBC Energy Policy**:
    - **Target of 50% renewables** in the KBC Energy credit portfolio by 2030
    - KBC abstains from financing oil-based electricity production and unconventional oil & gas
    - KBC decided to **stop financing all coal-related activities**[1], including coal mining
    - Financing of biomass subject to conditions considering environmental impacts
  - KBC is very reluctant towards involvement in any kind of **arm-related activities**
  - Specific policies for **other socially sensitive sectors**, such as intoxicating crops, gambling, fur, palm oil, soy, mining, deforestation, land acquisition and involuntary resettlement of indigenous people and prostitution

Relevant Sustainable Development Goals

(1) *Temporary exception for the Czech republic while gradually reducing credit exposure to zero ultimately in 2023, except for financing of existing coal-fired district heating plants until 2035 under strict conditions, i.e. only to assist further ecological upgrades*

The core of our sustainability strategy: limiting our adverse impact (2/2)

KBC is furthermore determined to limit its adverse impact on society by:

- **Focus on sustainable investments**
  - Actively **promoting sustainable investments** as an equal alternative to conventional investment products
  - Sustainable SRI-offer in discretionary portfolio management: **target of EUR 10 bn SRI-AUM by 2020** (YE 2017 EUR 7.1 bn)
  - The fossil fuels sector has been eliminated from all KBC SRI funds since November 2017
  - In 2018, as first Belgian financial institution, KBC launched an **SRI pension savings fund**.
- **Reducing the own environmental footprint**
  - Reducing KBC's own impact (energy, paper, waste, water and mobility)
  - Target for a 25%-decrease of GHG-emissions 2015-2020
  - Long term target for a 50%-decrease of GHG-emissions by 2030
  - ISO 14001 certification in all core countries

Relevant Sustainable Development Goals

The core of our sustainability strategy: increasing our positive impact

KBC focuses on four sustainability domains in which it aims to address social and environmental challenges to create value for both KBC and society:

1) Environmental responsibility

- Development of **sustainable business solutions**, including:
  - Renovation loans for owners associations
  - Financing of Energy Service Companies (ESCOs)
  - Energy-savings and renovation-check for private home owners
  - Circular Economy finance: ‘product-as-a-service’ and leasing

2) Financial literacy

- Clear communication & appropriate and **transparent advice**
- **Financial education** at secondary schools, provided 800+ lessons
  - No commercial objective: “bank neutral” information material

3) Stimulating Entrepreneurship

- Start-it@KBC: largest incubator in Belgium, providing funding
- **Coaching** of 500+ start-ups
- **Microfinance** and micro insurance in the Southern Hemisphere

4) Longevity / health

- Training sessions on digital literacy
- Health insurances

Relevant Sustainable Development Goals

The core of our sustainability strategy: responsible behaviour

The foundation of responsible behaviour is integrity, which entails honesty, correctness, transparency and confidentiality, combined with a sound risk awareness

- We are convinced that our strategy – powered by the ‘Pearl’ culture and the contribution of all KBC people – will help us earn, retain and grow trust, day by day. This will enable us in turn to become the reference in our core markets
- KBC is committed to go beyond regulation and compliance: since client-centricity is at the heart of our strategy, we focus specifically on **responsible sales and advice**

Relevant Sustainable Development Goals

The focus on responsible behaviour is not linked to a specific SDG but to the expectation towards all companies to be committed to achieve the SDGs. This is the recognition of the responsibility to comply with all relevant legislation, uphold internationally recognised minimum standards and to respect universal rights.

THE GLOBAL GOALS
For Sustainable Development

KBC

Our environmental non-financial targets

Indicator	Goal/ambition	2017	2016
Share of renewables in total energy credit portfolio	Minimum 50% by 2030	41.2%	42.1%
Financing of coal-related activities	Immediate stop of coal-related activities and gradually exit in the Czech Republic by 2023[1]	Progress in line with target	Progress in line with target
Total GHG emissions (excluding commuter travel)	25% reduction by 2020 relative to 2015, both absolute and per FTE Long term target for a 50%-decrease by 2030	-28.9% (absolute) -28.2% (per FTE)	-14.03% (absolute) -14.1% (per FTE)
ISO 14001-certified environmental management system	ISO 14001 certification in all core countries at the end of 2017	All 6 core countries certified	Belgium, Slovakia, Hungary and Bulgaria
Business solutions in each of the focus domains	Develop sustainable banking and insurance products and services to meet a range of social and environmental challenges	Please refer above, the SR 2017 and AR 2017 for examples	Please refer above, the SR 2016 and AR 2016 for examples
Volume of SRI funds	EUR 10 billion by end 2020[2]	EUR 7.1 billion	EUR 2.8 billion
Awareness of SRI among both our staff and clients	Increase awareness and knowledge on SRI	100% awareness of salesforce in Belgium through e-learnings	Progress in line with target

(1) *except for financing of existing coal-fired district heating plants until 2035 under strict conditions, i.e. only to assist further ecological upgrades*
(2) *our first target of EUR 5 billion by end 2018 had already been met mid 2017*

KBC Sustainability Dashboard

We monitor progress in the implementation of our sustainability strategy through our ‘Corporate Sustainability Dashboard’

The Executive Committee and Board of Directors assess the evolution of these parameters twice a year

Bank-insurance	Role in society	Client centricity	Sustainable and profitable growth
Financing the transition to a low carbon society	External sustainability assessments	NPS	Creating long term value
Market leadership SRI	Direct footprint	Customer experience	KBC's ß
Internal Sustainability Governance	Stakeholder dialogue		Risk boundaries
Business development in 4 focus domains	KBC Sustainability Policies		

Reputation index performance

HR-policies (employee engagement - gender diversity)

Responsible behaviour

Employee involvement

KBC

Rating agencies & benchmarks

Rating agencies	
SUSTAINALYTICS	▪ 85/100 (Sector Leader)
oekom research	▪ C (Prime, best in class)
CDP DISCLOSURE INSIGHT ACTION	▪ A- (Leadership)

Benchmarks	
ROBECOSAM We are Sustainability Investing.	▪ 74/100
FTSE4Good	▪ 3.6/5

Commitments and initiatives

UN Global Compact

UN Guiding Principles on Business and Human Rights

UN Environment Programme Finance Initiative (UNEP FI)

Principles for Responsible Investments (PRI)

Task force on Climate-related Financial Disclosure (TCFD)

OECD Guidelines for Multinational Enterprises

Equator Principles

COP 21

Belgian SDG Charter

Green Bond Principles

Energy efficient Mortgages Action Plan

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Introduction to KBC’s Green Bond

Rationale: enhancing the KBC sustainability strategy

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

KBC Green Bond Framework

- KBC follows the momentum created by the inaugural EUR 4.5bn Green OLO issued by the Kingdom of Belgium in February 2018
- KBC is implementing a comprehensive sustainability bond strategy to support the development of the Green Bond markets in Belgium and Europe
- KBC Green Bonds can be issued under the KBC Green Bond Framework via KBC Group NV, KBC Bank NV or any of its other subsidiaries
- In case of Green Bonds issued at the holding company level (KBC Group NV), KBC will allocate an equivalent amount of the proceeds to KBC Bank or its subsidiaries where the Eligible Assets are located
- The KBC Green Bond Framework is intended to accommodate secured and unsecured transactions in various formats and currencies

Aligned with best practices and market developments

- The KBC Green Bond Framework is in line with the Green Bond Principles (2017)
- Second party opinion provided by Sustainalytics and Pre-issuance-certification by the Climate Bonds Initiative
- KBC intends to align its Green Bond Framework with emerging good practices, such as a potential European Green Bond Standard or other forthcoming regulatory requirements and guidelines

KBC Green Bond Use of Proceeds

Use of proceeds

Process for project evaluation and selection

Management of proceeds

Reporting & External review

Category	Eligible assets	To be included in KBC inaugural Green Bond
Renewable energy	▪ Onshore and offshore wind energy ▪ Solar energy ▪ Geothermal energy ▪ Biomass ▪ Waste-to-energy	✓
Energy Efficiency	▪ ‘Green energy loans’ for energy efficient home improvements of KBC retail clients	
Clean Transportation	Low carbon land transport: ▪ Public passenger transport ▪ Electric, hybrid-electric, hydrogen or other non-fossil fuel based vehicles ▪ Dedicated freight railway lines ▪ Supporting infrastructure for low carbon land transport	
Green Buildings	▪ Residential real estate loans ▪ Certified and energy efficient commercial real estate buildings	✓
Pollution Prevention & Control	▪ Waste prevention, reduction and recycling	
Water Management	▪ Sustainable water & wastewater management	
Sustainable Land Use	▪ Sustainable agriculture in the EU ▪ Environmentally-sustainable forestry	

KBC Green Bond Eligibility Criteria

Use of proceeds

Process for project evaluation and selection

Management of proceeds

Reporting & External review

1. Renewable Energy

Loans to finance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources:

- Onshore and offshore wind energy
- Solar energy
- Geothermal energy (with direct emissions ≤ 100g CO_2/kWh)
- Energy from biomass, that is:
  - not grown in areas converted from land with previously high carbon stock such as wetlands or forests
  - not obtained from land with high biodiversity such as primary forests or highly biodiverse grasslands
  - not suitable for human consumption
  - and subject to sustainable transport: no excessive transport of input material or end product
- Waste-to-energy

2. Energy Efficiency - KBC 'Green Energy Loans'

'Green energy loans' for home improvements of KBC retail clients where at least 50% of the home improvements are for energy-efficiency purposes, including:

- New central heating or solar boilers
- Water pumps and other geothermal energy systems
- High-efficiency glazing
- New insulation
- Thermostatic taps
- Solar panels
- Energy audits

Note: As retail clients are required to use at least 50% of the loan for energy-efficiency purposes, conservatively 50% of the outstanding loan amount is viewed as 'eligible'.

3. Clean Transportation

Loans to finance low carbon land transport:

- Public passenger transport, including electric, hybrid-electric, hydrogen or other non-fossil fuel vehicles, rail transport, metros, trams, cable cars, and bicycle schemes
- Private light-duty and heavy goods vehicles that are electric, hybrid-electric, hydrogen or other non-fossil fuel based.
- Dedicated freight railway lines (excluding transport with the main objective of transporting fossil fuels)
- Supporting infrastructure for low carbon land transport e.g. IT upgrades, signalling, communication technologies and charging infrastructure

4. Green Buildings

Residential real estate	Real estate loans for new constructed energy efficient residential buildings in the Flemish Region that comply with the "Energieprestatie en Binnenklimaat" (EPB) requirements included in the building code of the Flemish Region as of 2014 or later (E-level ≤ 60) and for which the first drawdown has occurred after Jan16.
Commercial real estate	New or recently built commercial real estate buildings belonging to the top 15% of the commercial real estate building stock in terms of energy performance in the country of location, or which have obtained any of the following green building certificates:

- LEED: [≥ "**Gold**"]
- BREEAM: [≥ "**Very Good**"]
- HQE: [≥ "**Excellent**"]

5. Pollution Prevention & Control - Waste reduction & recycling

Loans to finance equipment, development, manufacturing, construction, operation and maintenance of facilities and infrastructure for waste prevention, reduction and recycling, including:

- Sharing, repairing, reusing, refurbishing and remanufacturing of goods and recycling of waste

6. Water Management

Loans to finance equipment, development, manufacturing, construction, operation and maintenance of:

- Water recycling and wastewater treatment facilities
- Water storage facilities
- Water distribution systems with improved efficiency/quality
- Urban drainage systems
- Flood mitigation infrastructure, such as infiltration infrastructure

7. Sustainable land use

Loans to finance sustainable land use:

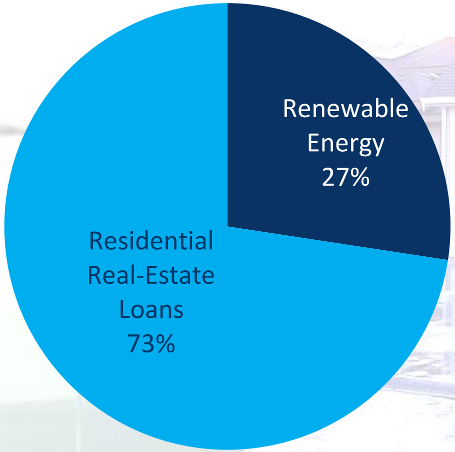
- Sustainable agriculture in the EU, comprised of organic farming as certified in compliance with the EU and national regulation
- Environmentally-sustainable forestry including afforestation or reforestation, and preservation or restoration of natural landscapes soil remediation

Use of Proceeds of KBC inaugural Green Bond

- At a first stage, in the context of its potential inaugural Green Bond, KBC intends to allocate the proceeds to two green asset categories: **renewable energy** and **residential real-estate loans.**
- Within those categories, KBC has identified more than EUR 1.3 billion of Green Assets within its private and corporate client business lines in Belgium.
- For future transactions, in cooperation with the relevant business teams, KBC aims to capture more green assets from other categories and expand the green eligibility to more business lines and clients.

Renewable energy

- Asset type: Project financing
- Origination team: Project Finance
- Identified eligible assets: c. EUR 504m
- Proposed allocation to Green Bond: EUR 147m



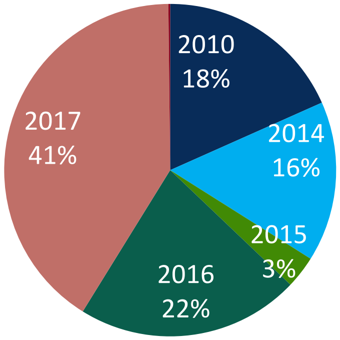
Residential real-estate loans

- Asset type: Amortizing real estate loans
- Origination team: Retail Banking
- Identified eligible assets: c. EUR 818m
- Proposed allocation to Green Bond: EUR 353m

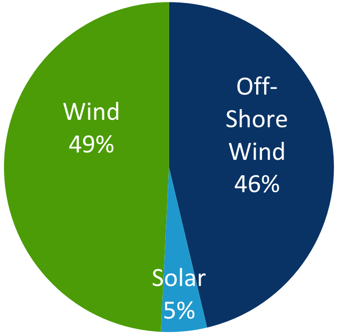
Focus on renewable energy portfolio

- # of loans : 21
- Total loan amount: EUR504 M
- Average loan size: EUR24 M
- # of turbines financed: 366
- Total capacity installed: 1,294 MW
- Annual energy generation: 4,353 GW

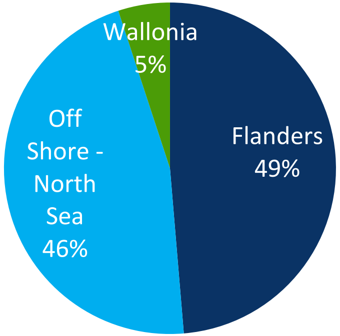
SPLIT BY YEAR OF LOAN CLOSING



SPLIT BY TECHNOLOGY



SPLIT BY LOAN LOCATION



Key project: Wind aan de Stroom

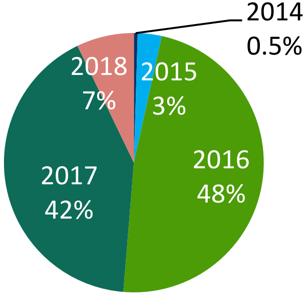
Date: 2014 (phase 1) and 2018 (phase 1 bis)
Status: 16 turbines operational (phase 1)
1 turbine under construction (phase 1 bis)
Technology: on shore wind energy
Share of KBC financing: 17 turbines, out of 21
Loan maturity: 2030
Capacity: 60.2 MW total (KBC share 51.4 MW)
Total energy produced: 127,500 MWh/year
Expected CO_2 avoidance: 14,688 ton CO_2/year

KBC

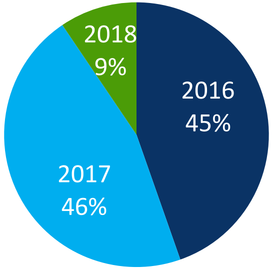
Focus on residential real estate loans portfolio (1/2)

- # of loans: 5,556
- Location: Belgium (Flanders)
- Total amount of loans committed: EUR 1,010m
- Total amount of loans outstanding: EUR 818m
- Average loan amount: EUR 147K

SPLIT BY YEAR OF LOAN COMMITMENT



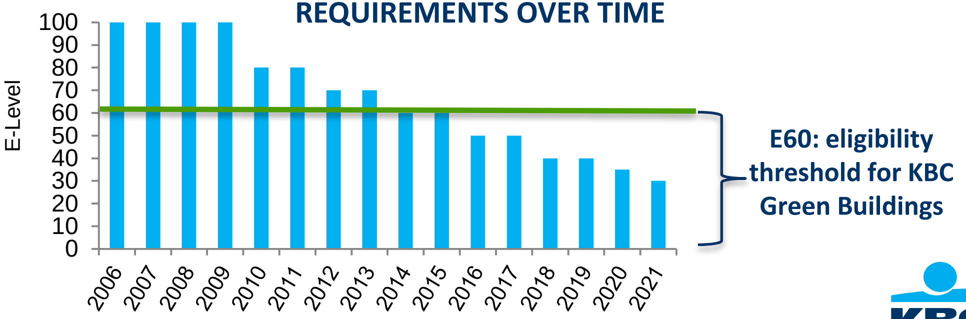
SPLIT BY YEAR OF CONSTRUCTION



ENERGY PERFORMANCE REQUIREMENTS IN FLANDERS

- As of 1 January 2006, permitting requirements of the Building Code of the Flemish Region require all new and significantly renovated residential buildings to comply with the Energy & Indoor Climate Requirements ("EPB")
- Regular adjustment of EPB requirements towards Nearly Zero Energy Buildings in 2021, in line with the EU Energy Performance of Buildings Directive
- KBC eligibility criteria targets loans for new constructed residential buildings that comply with the EPB building code of 2014 or later and obtained an E-level of 60 or lower
- To ensure compliance, a two-year time lag until the first-drawdown of the mortgage loan (year of construction) is taken into account. This means that mortgage loans for new constructed residential buildings in the Flemish Region of which the first drawdown has occurred after January 1, 2016 are eligible

EVOLUTION OF ENERGY PERFORMANCE REQUIREMENTS OVER TIME

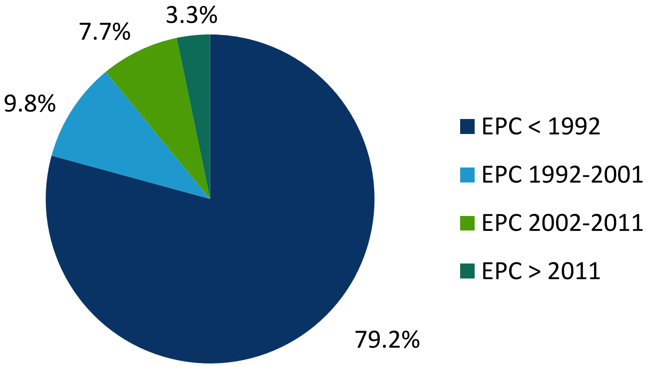


Source: energiesparen.be, E-Level requirements, March 2018

Focus on residential real estate loans portfolio (2/2)

- KBC has performed an in-depth analysis of the Flemish residential energy performance, in order to focus on buildings meeting strict energy performance
- Residential buildings constructed from 2011 represent 3.3% of the Flemish Region building stock
- Flemish Energy Agency ("VEA") data also demonstrates that the most recently build residential dwellings outperform the majority of earlier constructed residential buildings in terms of energy performance, and results in practice, in an energy usage well below the EPC label "A" (100 kWh/m2).
- Based on this analysis, which is supported by the VEA as well as a certification from the Climate Bonds Initiative ("CBI"), KBC Green Building Loans clearly belong to the top 15% of the market.

Distribution of the Flemish residential building stocks by year of EPC



The Flemish Energy Agency supports KBC residential real estate loans eligibility criteria

Dear Sir,
Dear Madam,

We have reviewed the documents "Background eligible Residential Dwellings" (dated April 11, 2018) and "Calculation Impact Green Bond KBC" (dated April 24, 2018) provided to us by KBC Group NV ("KBC").

Based on our review, we confirm that we support the quality and accuracy of the data presented in the document and the corresponding interpretations and conclusions. In particular, we support the conclusion that buildings constructed in accordance with the energy & indoor climate requirements "Energieprestatie en Binnenklimaat" (EPB) included in the building code of the Flemish Region as of 2014 or later (with a maximum E-level of 60) belong to the top 15% of the Flemish residential buildings stock in terms of energy performance.

Kind regards,

VLAAMS ENERGIEAGENTSCHAP

Luc Peeters,
General Administrator

Source: Statbel database, March 2018

KBC

Process for project evaluation and selection

Use of proceeds

Process for project evaluation and selection

Management of proceeds

Reporting & External review

As part of KBC Sustainability Framework and "business as usual" credit application

Alignment with KBC Sustainability policy and exclusion criteria

- Human rights, business ethics, ESG controversies
- Sectorial policies
- Equator Principles
- Selective exclusions policies

As part of KBC Green Bond Framework process

Project submission

KBC Business Units are in charge of:

- verifying the compliance with the Eligibility Criteria
- submitting the projects to the Green Bond Committee

Project selection

- The Green Bond Committee is responsible for:
  - selecting the projects as Eligible Assets
  - document the project assessment process
- The Green Bond Committee is composed by representatives of KBC Group Treasury, Corporate Sustainability as well as Business Units representatives when required

Management of the proceeds

Use of proceeds

Process for project evaluation and selection

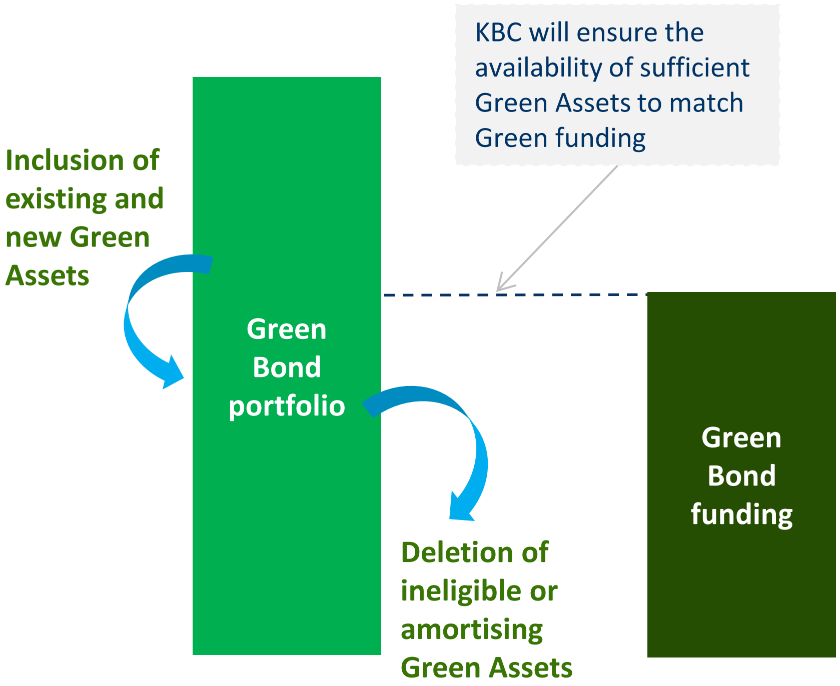
Management of proceeds

Reporting & External review

- **Proceeds allocation**
  - KBC Treasury team in charge of managing the allocation of the net proceeds to Green Assets on a **portfolio basis**
  - Allocated Eligible Assets to be individually **labelled in KBC's internal information** systems and **monitored on a monthly basis**
  - The Green Bond Committee to review the Green Bond Portfolio and approve allocations of bond proceeds to Eligible Assets on a **quarterly basis**

- **Unallocated proceeds policy**
  - Net unallocated proceeds to be invested in money market products, **cash and/or cash equivalent, within the Group's treasury**

KBC GREEN PORTFOLIO APPROACH



Reporting and external review

Use of proceeds

Process for project evaluation and selection

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Reporting & External review

Reporting

- Allocation and impact reporting on annual basis
- Publicly available via the KBC website: https://www.kbc.com/en/kbc-green-bond#tab

Second Opinion

- Sustainalytics provided a second party opinion on KBC Green Bond Framework
- *"Sustainalytics is of the opinion that the KBC Green Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2017. Additionally, Sustainalytics views the KBC's green bond positively."*
- Available on Sustainalytics and KBC websites

Verification

- One year after issuance and until maturity, a limited assurance report on the allocation of the Green Bond proceeds to Eligible Assets to be provided by an external auditor
- To be published on KBC website

Reporting and external review

Use of proceeds

Process for project evaluation and selection

Management of proceeds

Reporting & External review

Certification

- On 23 May 2018, the Climate Bonds Standard Board approved the certification of the proposed KBC Green Bond
- Application was made on the basis of the proposed inaugural allocation, focused on renewable energy and green residential real-estate loans

Certification

Climate Bond Certified

This is to certify that the

KBC Group NV Green Bonds

Issued by

KBC Group NV

Has met the criteria for certification by the Climate Bonds Standard Board on behalf of the Climate Bonds Initiative

23.05.18

Sean Kidney
Chair of the Climate Bonds Standard Board

Impact reporting preview

Use of proceeds

Process for project evaluation and selection

Management of proceeds

Reporting & External review

Key methodical assumptions

- Average energy performance (amount of primary energy required for one year for the heating, the production of hot water, the ventilation and the cooling of a building in the Flanders):
  - 414 kWh/m² for single-family houses
  - 251 kWh/m² for apartments
- Average KBC Green Buildings energy performance:
  - 67 kWh/m² for single-family houses
  - 78 kWh/m² for apartments
- Renewable energy total capacity of 124 MW and an annual production of 295 883 MWh
- Conversion factors:
  - Heating oil = 0.27588 kg CO2e/kWh
  - Natural gas = 0.18416 kg CO2e/kWh
  - Electricity (grid average): 0.127 kg CO2/kWh

Key results (preliminary selected assets)

- KBC real-estate Green loans result in:
  - Annual saving of **5,707 tonnes CO_2e**
  - i.e. 57% less GHG emissions than the same number of average dwellings
- KBC renewable energy projects result in an annual **avoided CO_2** emissions of **37,577 tonnes**
- **TOTAL** annual **avoided CO_2** emissions of **43,284 tonnes**

- KBC has designed an internal methodology to provide the market with impact data on avoided greenhouse gas emissions of the Green Bond
- An avoided greenhouse gas emissions verification statement has been provided by Vinçotte, an independent third party consultant


AVOIDED GREENHOUSE GAS EMISSIONS VERIFICATION STATEMENT

MW/EV180514

GREEN BOND KBC

VINÇOTTE nv

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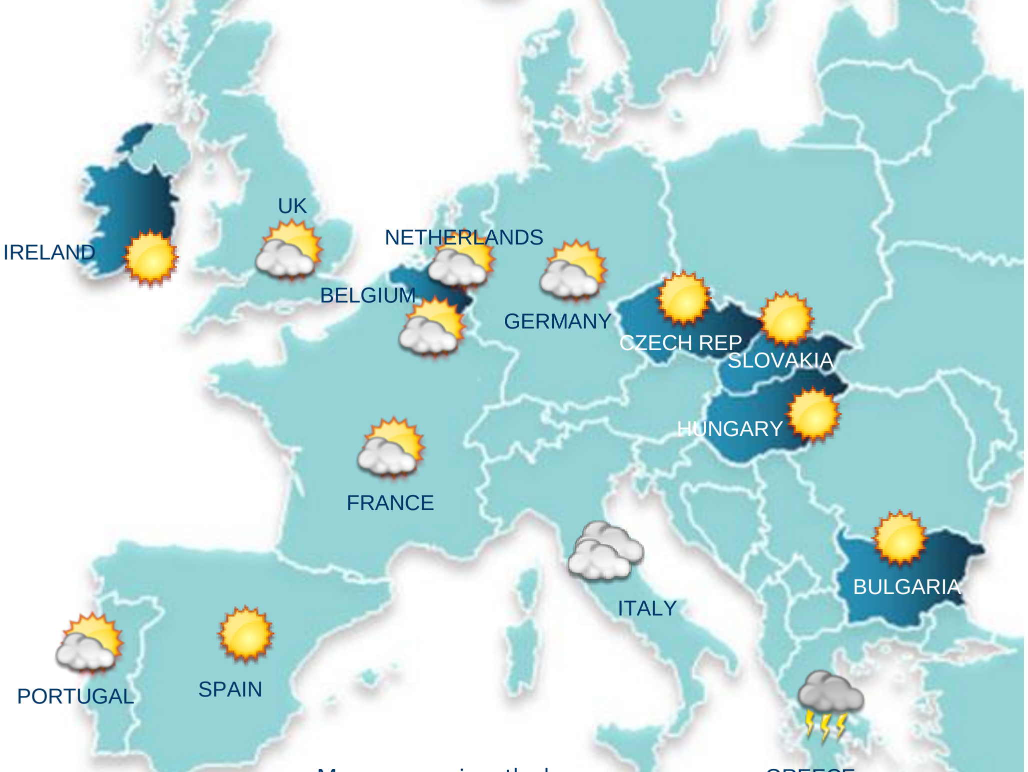
Well-defined core markets provide access to ‘new growth’ in Europe

KBC Group’s core markets



Macroeconomic outlook
Based on GDP, CPI and unemployment trends
Inspired by the Financial Times

MARKET SHARE (END 2017)

	BE	CZ	SK	HU	BG	IRL
Loans and deposits	20%	20%	11%	11%	10%	8%*
Investment funds	33%	22%	7%	13%	13%	
Life insurance	14%	8%	4%	3%	21%	
Non-life insurance	9%	7%	3%	7%	11%	

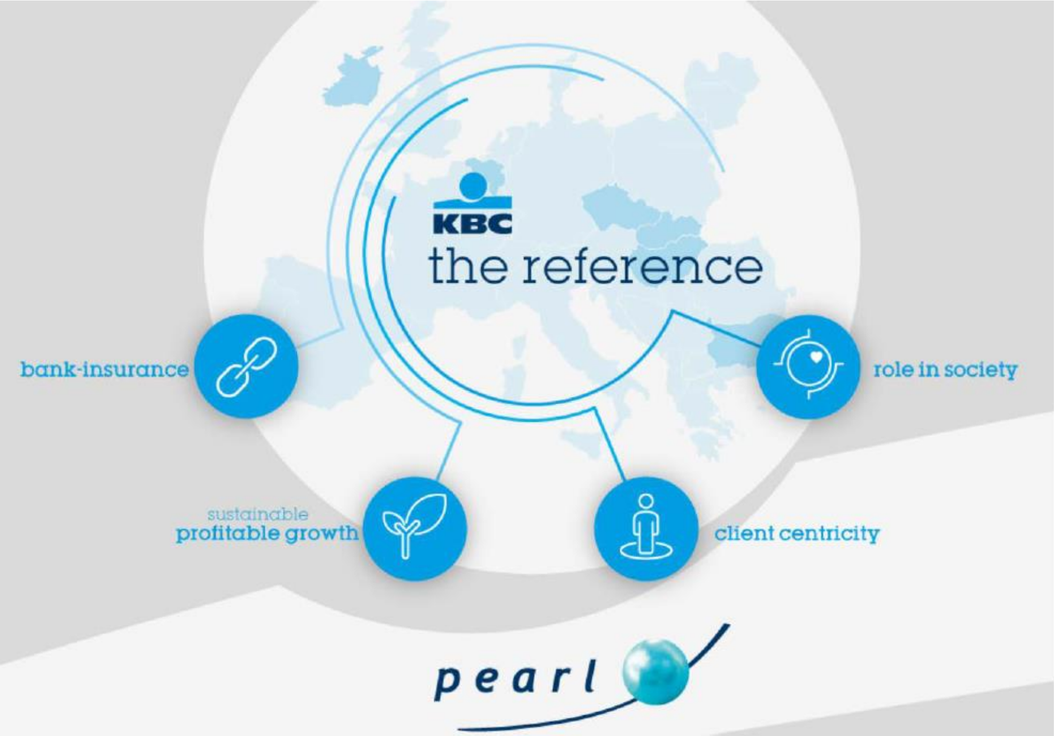
* Only for retail segment

REAL GDP GROWTH OUTLOOK FOR CORE MARKETS[1]

	BE	CZ	SK	HU	BG	IRL
% of Assets	64%	20%	3%	3%	2%	4%
2017	1.7%	4.6%	3.4%	4.0%	3.6%	7.8%
2018e	1.9%	3.3%	3.9%	3.8%	3.6%	6.0%
2019e	1.7%	2.8%	3.9%	3.5%	3.5%	4.0%

1. *Source: KBC data, May 2018*

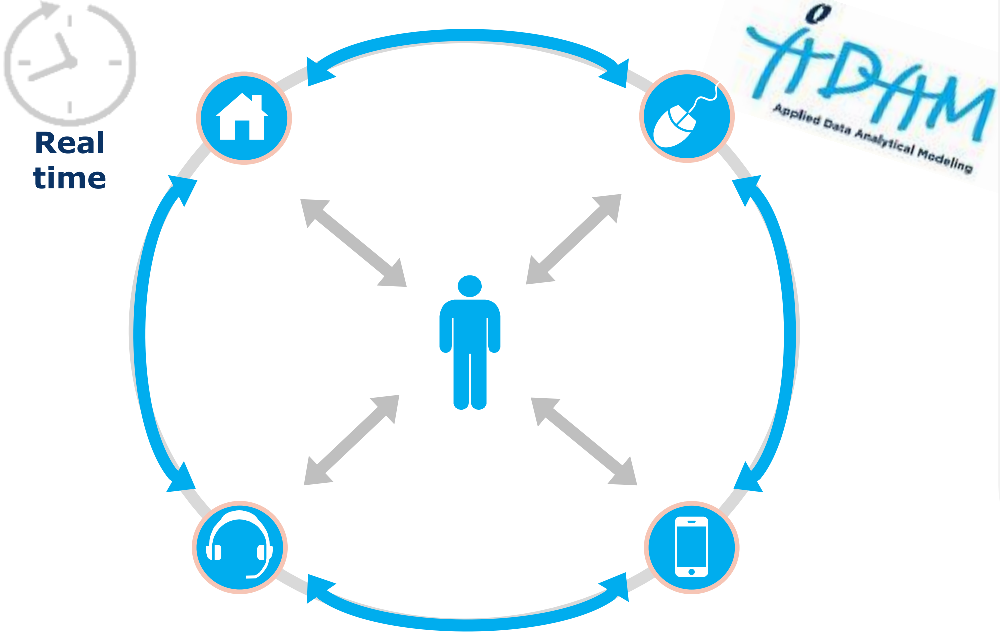
More of the same, but differently...



- KBC wants to be among Europe's best performing financial institutions. This will be achieved by:
  - Strengthening our bank-insurance business model for retail, SME and mid-cap clients in our core markets, in a highly cost-efficient way
  - Focusing on sustainable and profitable growth within the framework of solid risk, capital and liquidity management
  - Creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach
- By achieving this, KBC wants to become the reference in bank-insurance in its core markets

More of the same, **but differently...**
Enhanced channels for empowered clients

Creating superior client satisfaction via a seamless, multi-channel client-centric distribution approach



Investing €1.5bn cash-flow (2017-20):

- Further optimise our integrated distribution model according to a real-time omni-channel approach
- Prepare our applications to engage with Fintechs and other value chain players
- Invest in our digital presence (e.g., social media) to enhance client relationships and anticipate their needs
- Further increase efficiency and effectiveness of data management
- Set up an open architecture IT package as core banking system for our International Markets Business Unit

Guidance as announced at our Investor Visit in June 2017

Our guidance at KBC Group level

Financial guidance ...		Regulatory requirements ...	
Total income[1] CAGR for 2016-2020 ≥ 2.25%	**Combined ratio** ≤ 94% by 2020	**Common equity ratio**[2] **excluding P2G** ≥ 10.6% by 2019	**NSFR** ≥ 100% as of now
Cost/Income ratio excl. banking tax ≤ 47% by 2020	**Dividend payout ratio** ≥ 50% as of now	**Common equity ratio**[2] **including P2G** ≥ 11.6% by 2019	**LCR** ≥ 100% as of now
Cost/Income ratio incl. banking tax ≤ 54% by 2020		**MREL ratio**[3] ≥ 25.9% by May 2019	

1. Excluding marked-to-market valuations of ALM derivatives
2. Fully loaded, Danish Compromise. P2G = Pillar 2 guidance
3. See part 6 – Funding - for more details

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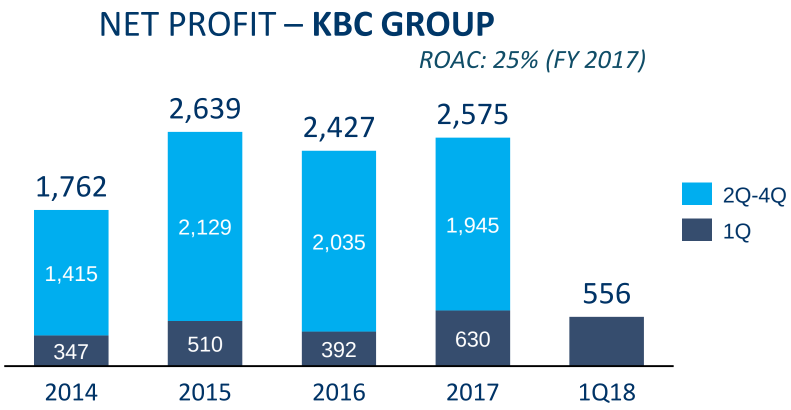
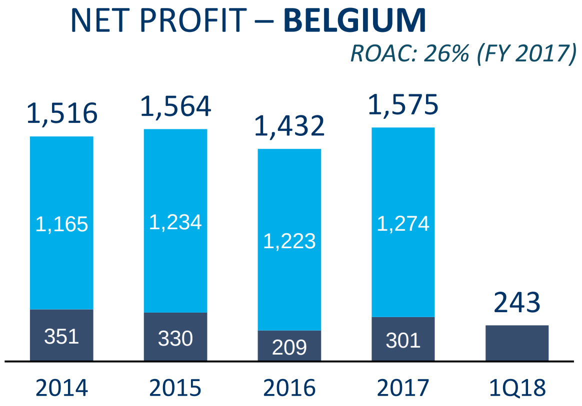
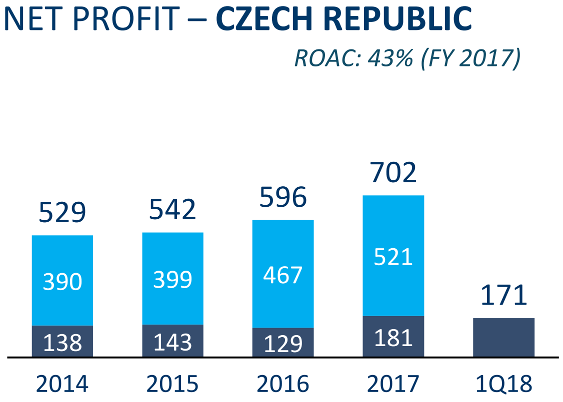
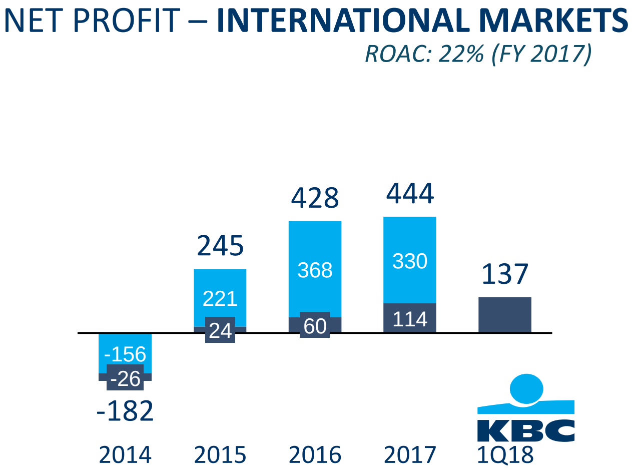
Overview of results based on business units





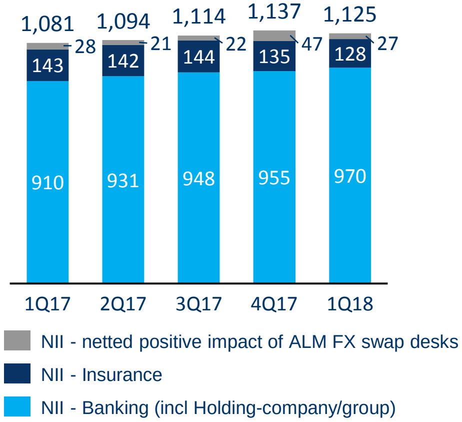




Amounts in m EUR

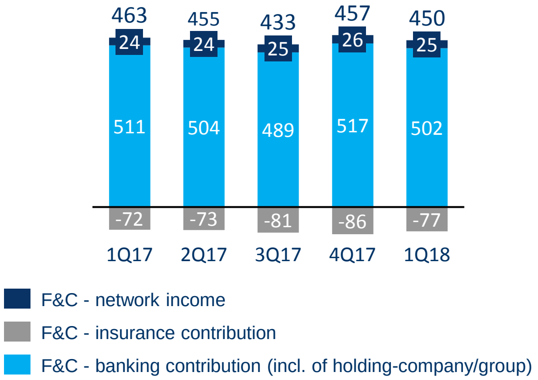
Diversified income within KBC

Net Interest Income (pro-forma for 2017[1])



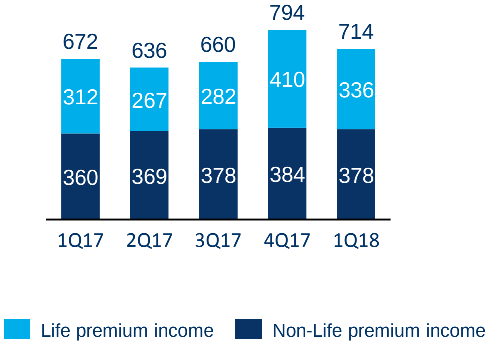
Fees and commission income

(pro-forma for 2017[3])

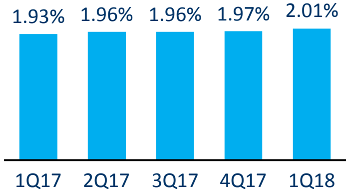


PREMIUM INCOME

(GROSS EARNED PREMIUM)

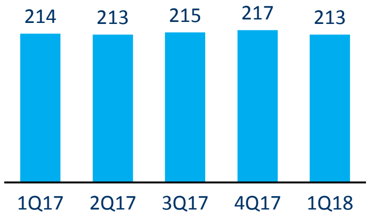


Net interest Margin (pro-forma for 2017[2])



Asset Under Management

Amounts in bn EUR



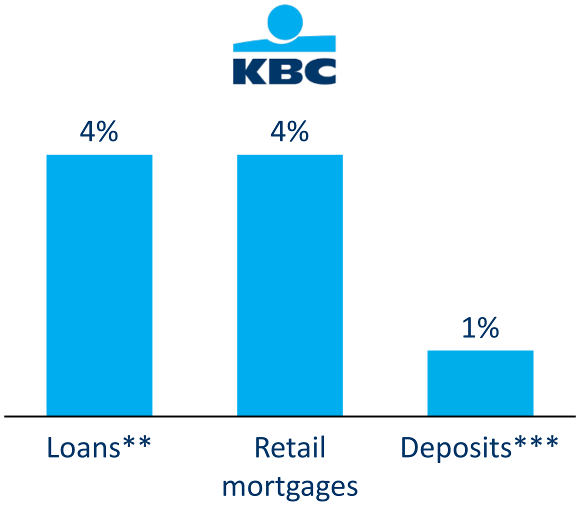
1. *2017 pro forma figures for NII as the impact of ALM FX derivatives was 'netted' in NII as of 2018*
2. *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*
3. *2017 pro forma figures as the network income shifted from FIFV to net F&C as of 2018*

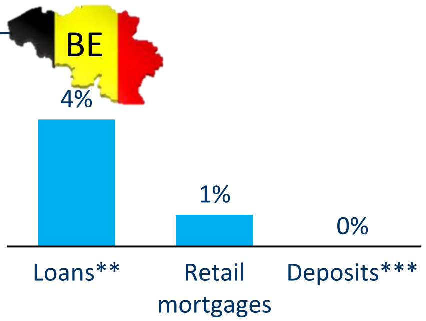
Amounts in m EUR

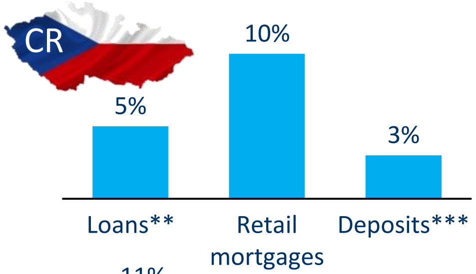
Loans and deposits continue to grow in most core countries

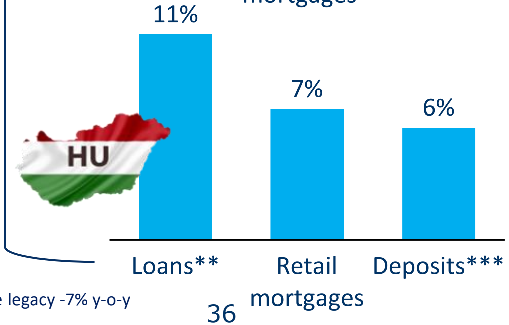
Y-O-Y ORGANIC* VOLUME GROWTH

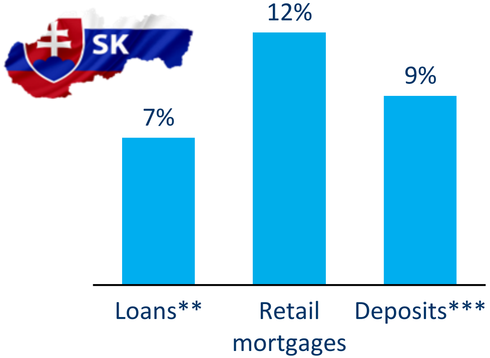
1Q 2018 VS 1Q 2017

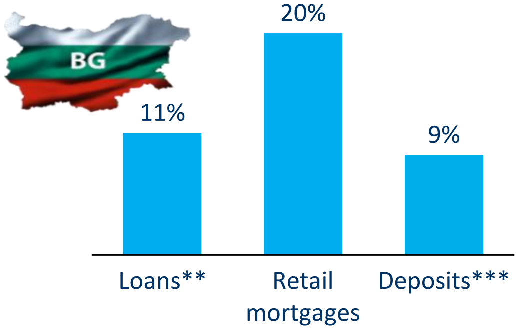


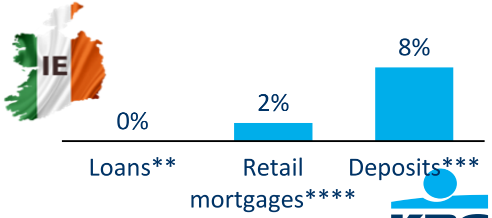












* Volume growth excluding FX effects and divestments/acquisitions

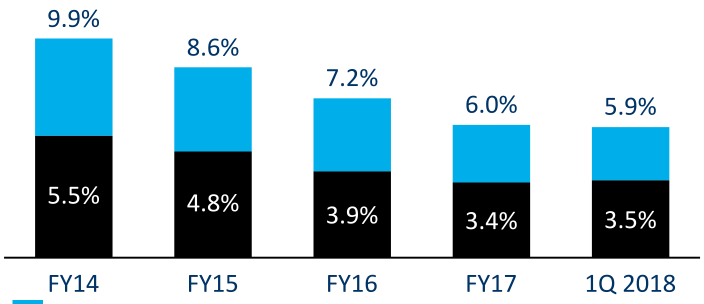
** Loans to customers, excluding reverse repos (and bonds)

*** Customer deposits, including debt certificates but excluding repos

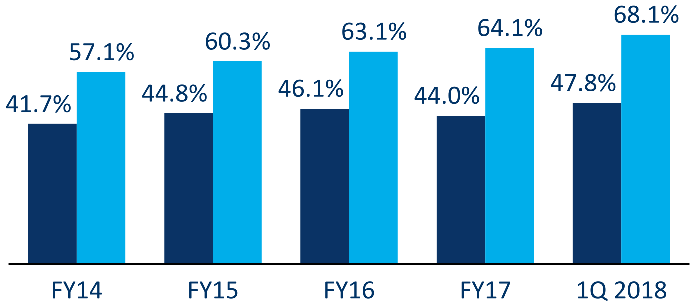
**** Retail mortgages in Ireland: new business (written from 1 Jan 2014) +49% y-o-y, while legacy -7% y-o-y

Robust Asset Quality

Impaired loans ratios, of which over 90 days past due



Cover Ratio

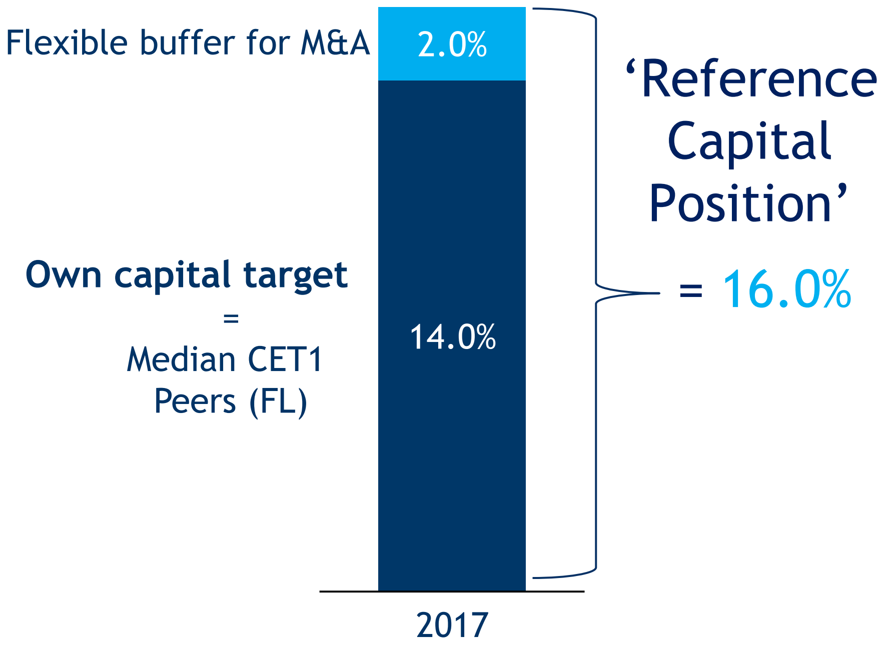


CREDIT COST RATIO	1Q 2018	FY17	FY16	FY15	FY14	AVERAGE '99 –'17
Belgium	0.05%	0.09%	0.12%	0.19%	0.23%	n/a
Czech Republic	0.01%	0.02%	0.11%	0.18%	0.18%	n/a
International Markets	-0.86%	-0.74%	-0.16%	0.32%	1.06%	n/a
Group Centre	-1.43%	0.40%	0.67%	0.54%	1.17%	n/a
Total	**-0.15%**	**-0.06%**	**0.09%**	**0.23%**	**0.42%**	**0.47%**

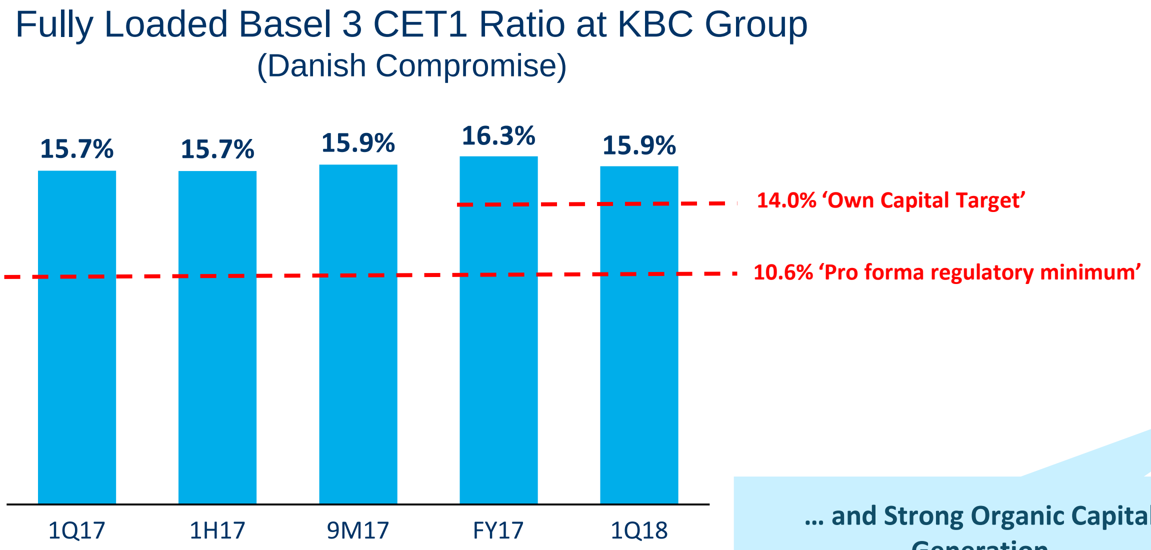
- *Impaired loans ratio/impaired loans cover ratio: As of 1Q18, a switch has been made in the risk reporting figures from outstanding (Stage 3) to the new definition of gross carrying amount*

KBC aims …
to be one of the better capitalized financial institutions in Europe

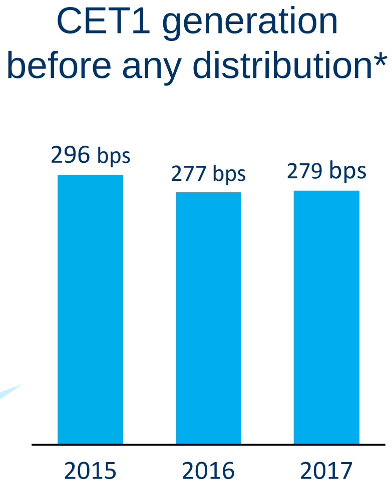
- As a starting point, we assess each year the CET1 ratios of a peer group of European banks active in the Retail, SME and Corporate client segments. We position ourselves on the fully loaded median CET1 ratio of the peer group[1]. The median CET1 of our peers increased from 13.6% end-2016 to 14% end-2017.
- KBC Group wants to keep a flexible buffer of up to 2% CET1 for potential add-on M&A in our core markets
- This buffer comes on top of the 'Own Capital Target' of KBC Group, and all together forms the 'Reference Capital Position'
- Any M&A opportunity will be assessed subject to very strict financial and strategic criteria



Strong capital position



… and Strong Organic Capital Generation



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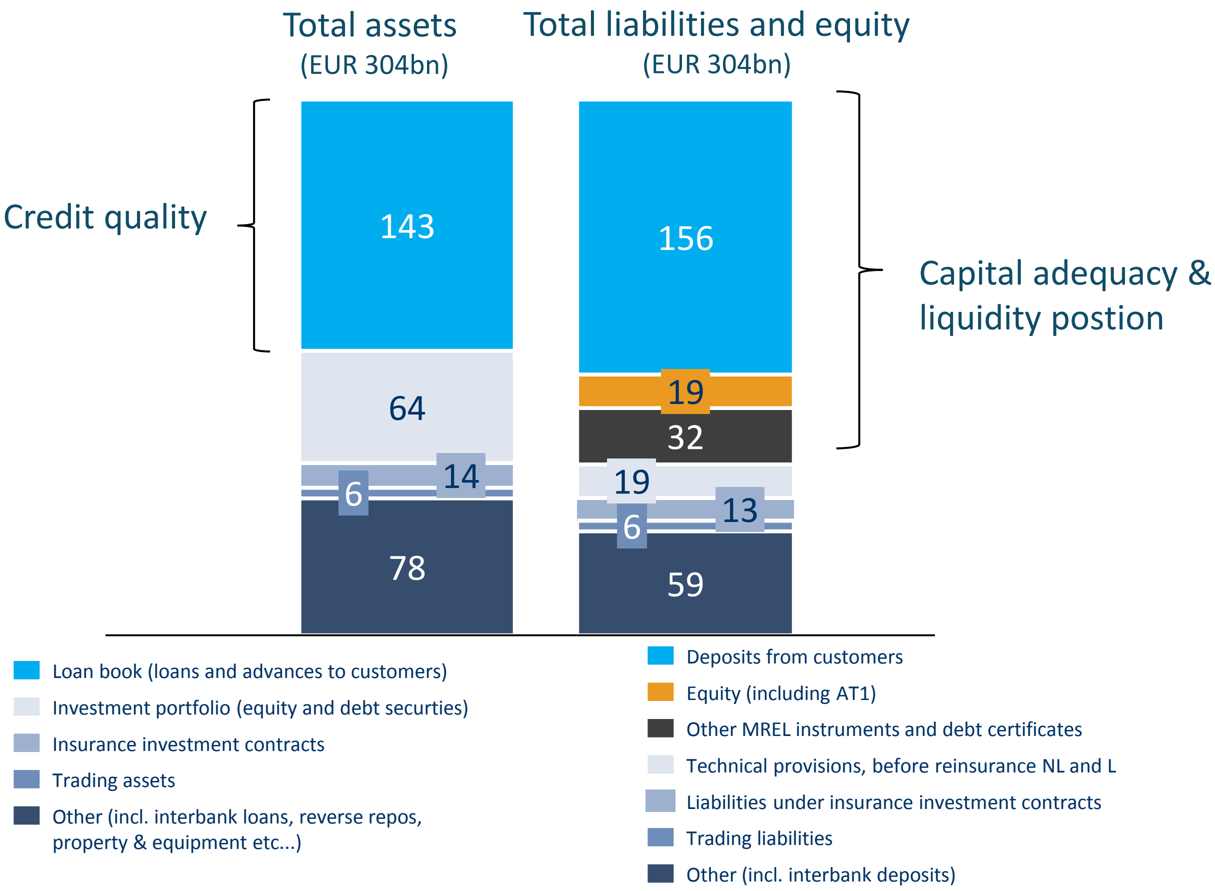
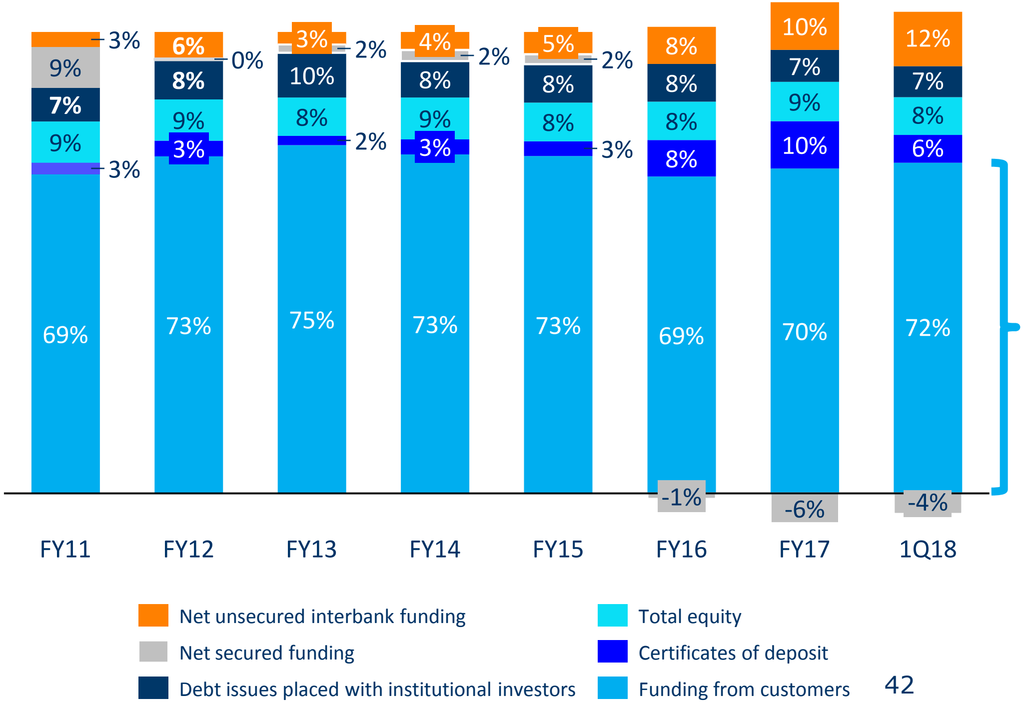
Balance sheet
KBC Group consolidated at 31 March 2018



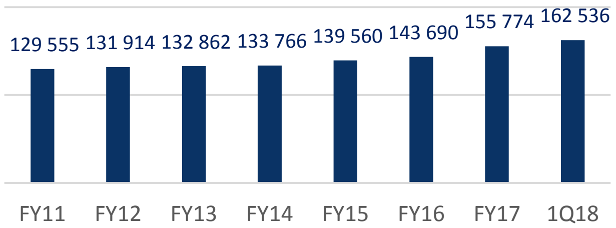
Solid liquidity position

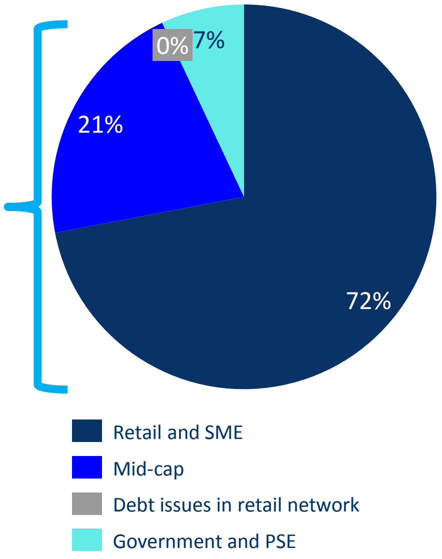
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments & markets
- Customer funding further increased y-o-y in FY17. The elevated amount in certificates of deposit and short-term wholesale funding is on the back of short-term EUR/USD and EUR/CZK basis swap arbitrage opportunities



72% customer driven

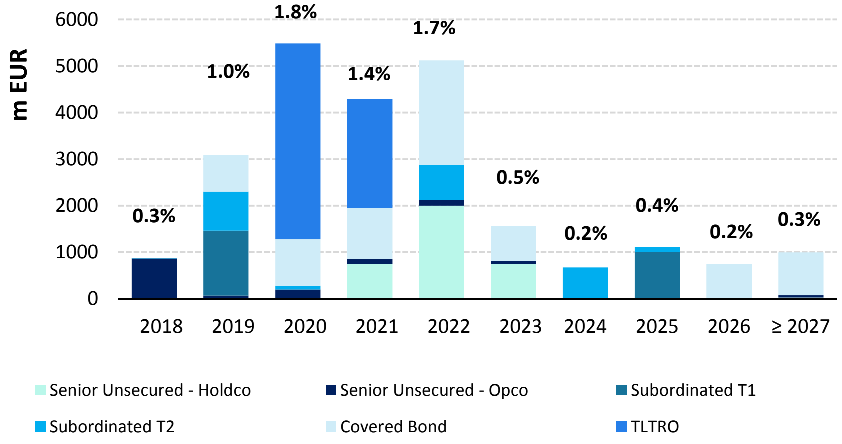
Funding from customers (m EUR)

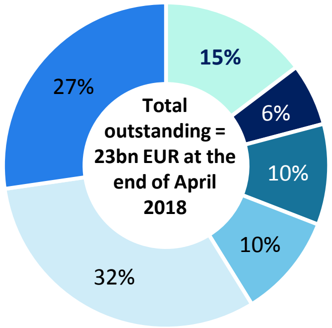




Upcoming mid-term funding maturities

Breakdown Funding Maturity Buckets
(including % of KBC Group's balance sheet)

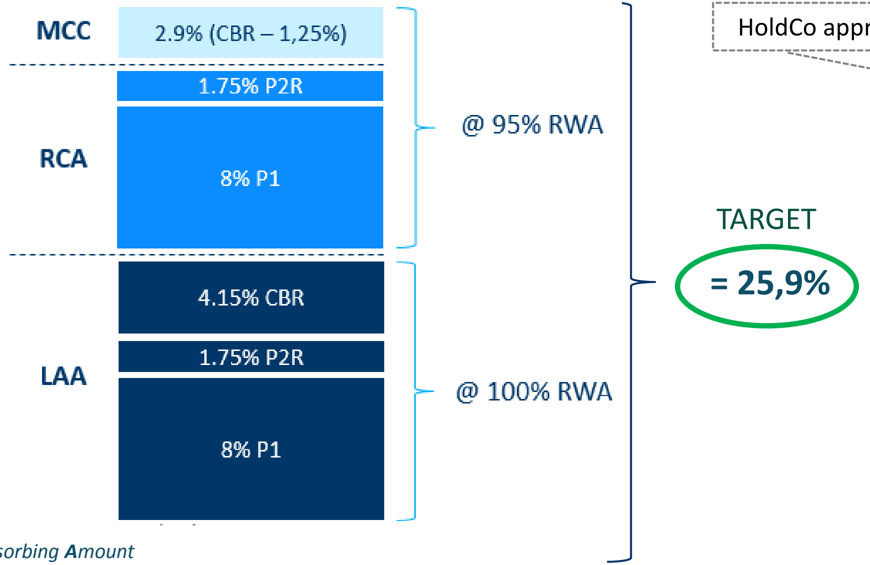


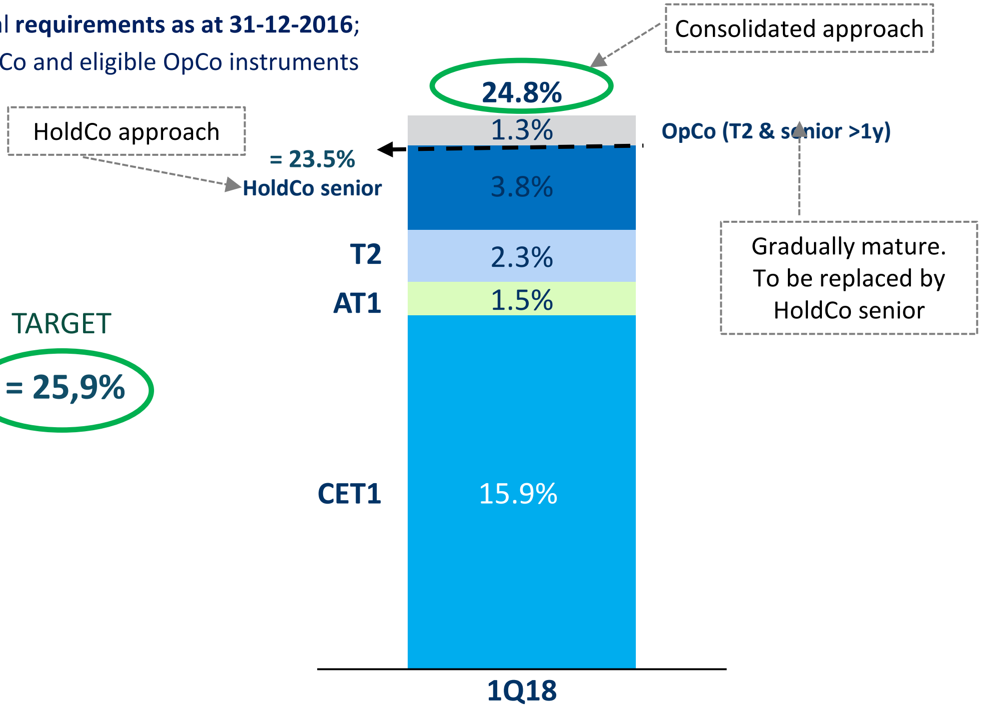


- KBC Bank placed covered bonds of 750m EUR with 8-year maturity and 250m EUR with 20-year maturity in March 2018
- KBC Bank has successfully issued a 1bn EUR additional Tier-1 instrument with 7.5-year non-call perpetual in April 2018
- CoCo has been called (on 25 January 2018)
- KBC Group's credit spreads have widened towards the end of 1Q18
- KBC Bank has 6 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Covered bonds
  - Structured notes and covered bonds using the private placement format
  - Senior unsecured, T1 and T2 capital instruments issued at KBC Group level and down-streamed to KBC Bank

Resolution strategy for KBC

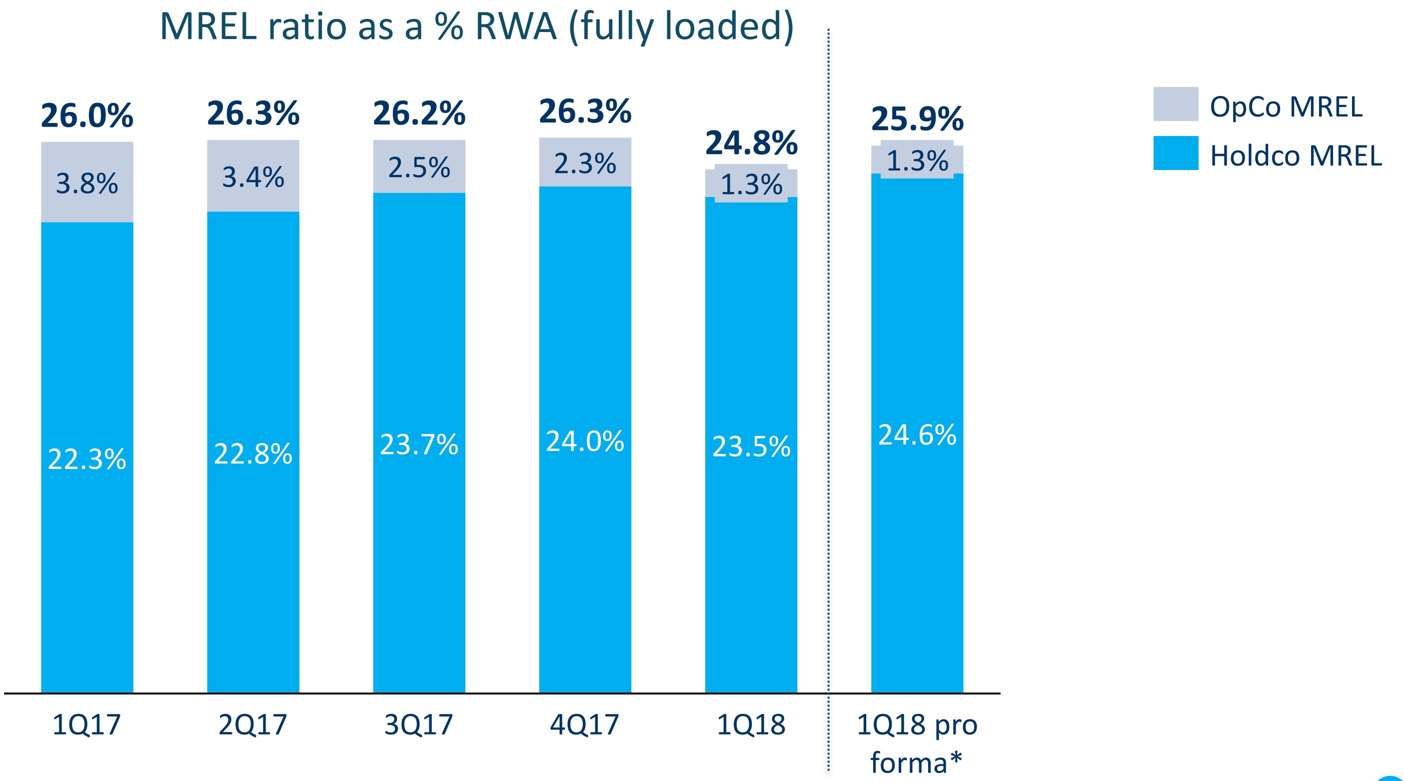
- ✓ The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at the level of KBC Group;
- ✓ **Bail-in** is identified as the preferred resolution tool;
- ✓ SRB's current approach to **MREL** is defined in the '2017 MREL Policy' published on 20 December 2017, which is based on the current legal framework and hence might be revised in the context of the ongoing legislative process to review BRRD;
- ✓ **The MREL target for KBC is 25.9%,** which is based on fully loaded capital **requirements as at 31-12-2016**;
- ✓ SRB requires KBC to achieve this target by 1 May 2019, using both HoldCo and eligible OpCo instruments





LAA *Loss Absorbing Amount*
RCA *ReCapitalisation Amount*
MCC *Market Confidence Charge*
CBR = *Combined Buffer Requirement = 2.5% Conservation Buffer +1.5% O-SII buffer + 0.15% countercyclical buffer*

Available MREL based on KBC resolution strategy



** Pro forma MREL also includes the successful issuance of 1bn EUR additional Tier-1 instrument in April 2018*

Glossary (1/2)

AT1	Additional I Tier I
B3	Basel III
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (banking)	[operating expenses of the banking activities of the group] / [total income of the banking activities of the group]
Cost/income ratio adjusted for specific items	The numerator and denominator are adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include: • MtM ALM derivatives (fully excluded) • bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC21) • one-off items
Credit cost ratio (CCR)	[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
GHG-emissions	Green house gas emissions
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (stage 3)]
Impaired loans ratio	[part of the loan portfolio that is impaired (stage 3)] / [total outstanding loan portfolio]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity coverage ratio (LCR)	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days].
Net interest margin (NIM) of the group	[banking group net interest income excluding dealing room] / [banking group average interest-bearing assets excluding dealing room]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]

Glossary (2/2)

MREL	Minimum requirement for own funds and eligible liabilities
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata)
SDG	Sustainable Development Goals
SRI	Socially Responsible Investments

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