KBC Group
Company presentation
3Q 2020

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3Q 2020 key takeaways

3Q20 financial performance

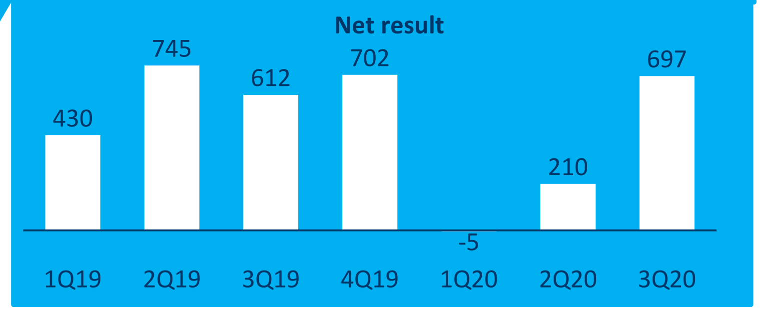
- **Commercial bank-insurance franchises** in core markets performed well
- **Customer loans** and **customer deposits** increased y-o-y in most of our core countries
- Higher **net interest income** and lower net interest margin
- Slightly higher **net fee and commission income**
- Lower **net gains from financial instruments at fair value** and lower **net other income**
- Excellent result of **non-life** insurance and excellent sales of **life** insurance y-o-y
- Strict **cost** management
- Sharply lower net **impairments on loans**
- Solid **solvency** and **liquidity**

Comparisons against the previous quarter unless otherwise stated

Excellent net result of 697m EUR in 3Q20

9M20

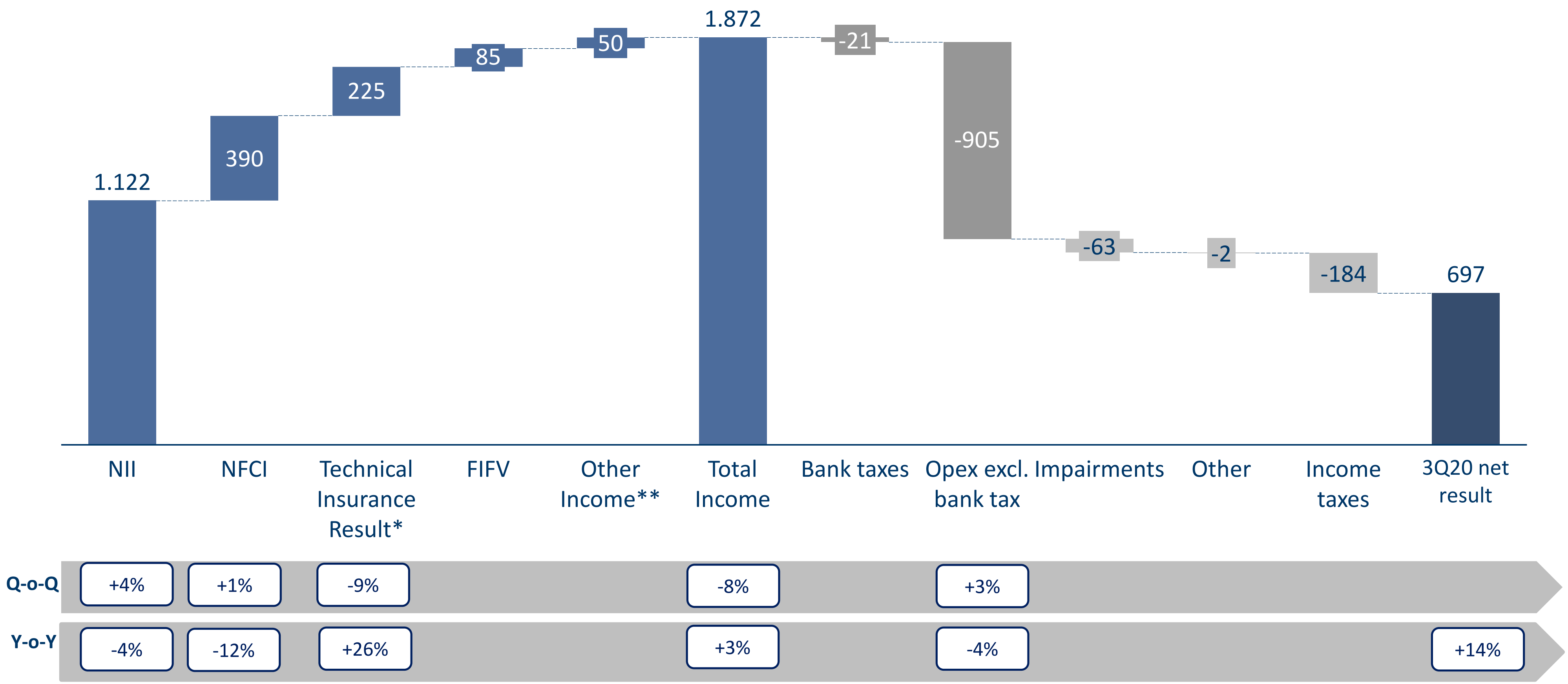
- **ROE*** **7% (15% in 3Q20)**
- **Cost-income ratio** **59%** (adjusted for specific items)
- **Combined ratio** **83%**
- **Credit cost ratio** **0.61% (0.17% without collective Covid-19 impairments**)**
- **Common equity ratio** **16.6%** (B3, DC, fully loaded)
- **Leverage ratio** **5.9%** (fully loaded)
- **NSFR** **146%** & **LCR** **142%**



* when evenly spreading the bank tax throughout the year

** 784m EUR collective Covid-19 impairments in 9M20, of which 637m EUR management overlay and 147m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables

Overview of building blocks of the 3Q20 net result



* Earned premiums – technical charges + ceded reinsurance

** Dividend income + net realised result from debt instruments FV through OCI + net other income

Main exceptional items

		3Q20	2Q20	3Q19
BE BU	NII – one-off technical item (insurance)	+26m EUR		
	Impairments – Modification loss from moratorium		-11m EUR	
	Total Exceptional Items BE BU	***+26m EUR***	***-11m EUR***	
CZ BU	Opex – Restructuring costs			-5m EUR
	Opex – Release provision of legacy legal files			+4m EUR
	Impairments – Modification loss from moratorium		-5m EUR	
	Total Exceptional Items CZ BU		***-5m EUR***	***-1m EUR***
IM BU	IRL - NOI – Additional impact for the tracker mortgage review	-6m EUR		-18m EUR
	HU – Impairments – Modification loss from moratorium		+7m EUR	
	Total Exceptional Items IM BU	***-6m EUR***	***+7m EUR***	***-18m EUR***
GC	NOI – Settlement of old legal file			+3m EUR
	Total Exceptional Items GC			***+3m EUR***
Total Exceptional Items (pre-tax)		+20m EUR	-9m EUR	-16m EUR
Total Exceptional Items (post-tax)		+14m EUR	-6m EUR	-16m EUR

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5 Looking forward

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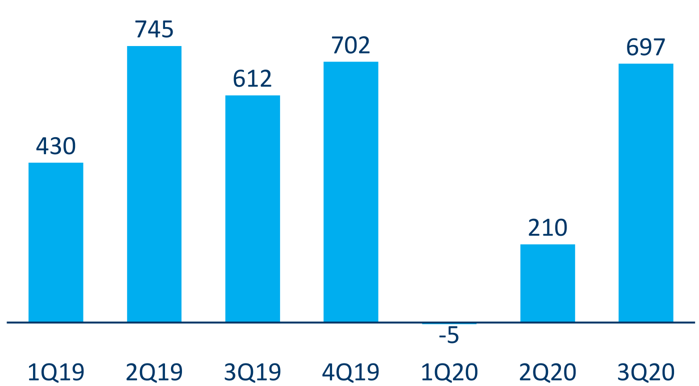
Annex 3: Other items

Section 1

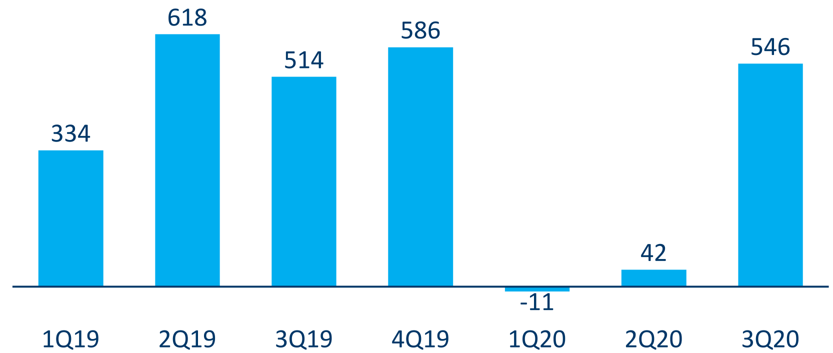
3Q 2020 performance of KBC Group

Net result at KBC Group

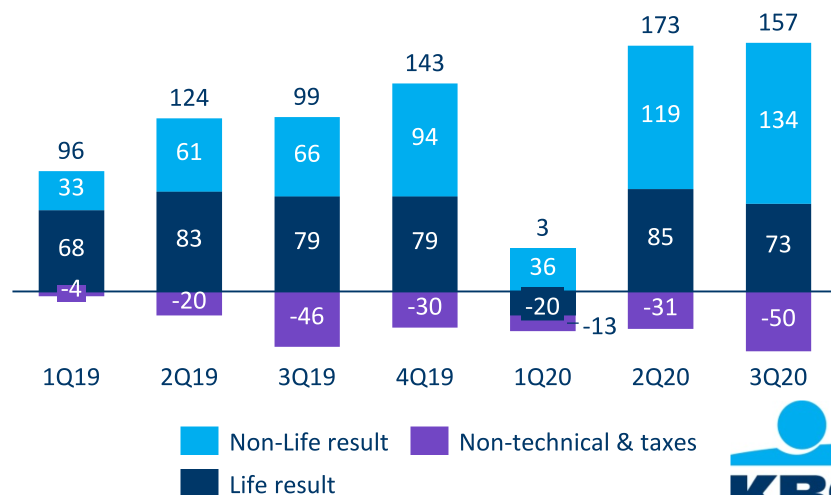
NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*



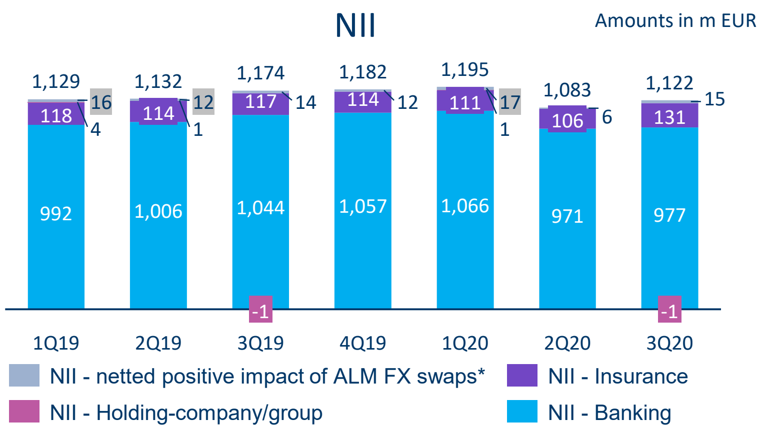
CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*

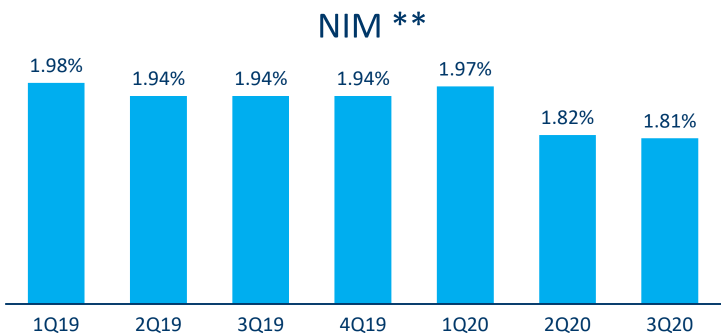


* Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted for by the holding-company/group items

Amounts in m EUR

Higher net interest income and lower net interest margin





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

- **Net interest income (1,122m EUR)**
  - Increased by 4% q-o-q and decreased by 4% y-o-y
  - The q-o-q increase was driven primarily by:
    - the positive impact of TLTRO3 (+26m EUR q-o-q)
    - a positive one-off item (+26m EUR NII insurance)
    - higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic and Slovakia
    - higher netted positive impact of ALM FX swaps

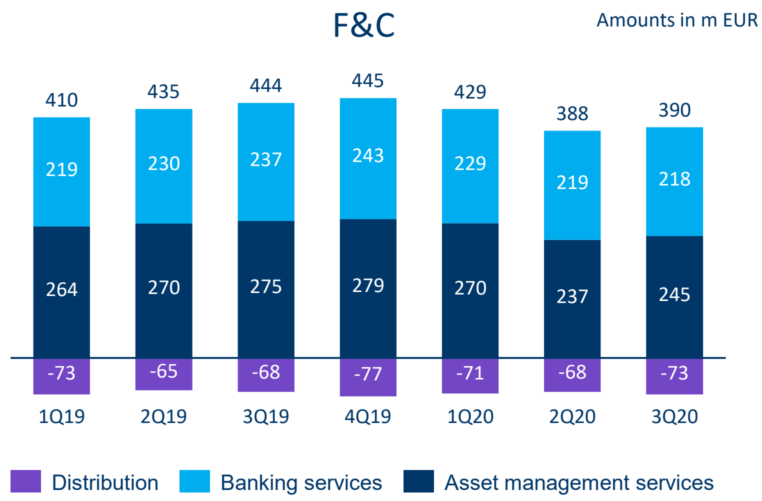
    partly offset by:
    - the further negative impact of the CNB rate cuts (as the last CNB rate cut from 1.00% to 0.25% happened early May 2020)
    - lower reinvestment yields
  - The y-o-y decrease was mainly the result of the CNB rate cuts, the depreciation of the CZK & HUF and the negative impact of lower reinvestment yields

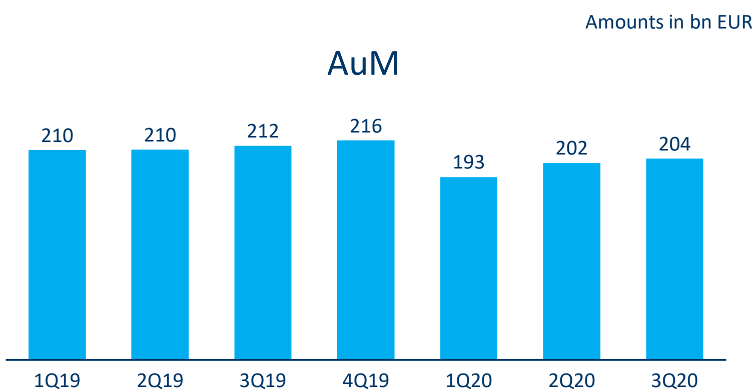
- **Net interest margin (1.81%)**
  - Decreased by 1 bp q-o-q and by 13 bps y-o-y due mainly to the CNB rate cuts, the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (denominator)

ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	158bn	69bn	212bn	204bn	27bn
Growth q-o-q*	+1%	+2%	+1%	+1%	0%
Growth y-o-y	+4%	+6%	+4%	-4%	-3%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL
*** Customer deposits, including debt certificates but excluding repos. **Customer deposit volumes excluding debt certificates & repos +1% q-o-q and +9% y-o-y**

Slightly higher net fee and commission income





- **Net fee and commission income (390m EUR)**
  - Up by 1% q-o-q and down by 12% y-o-y
  - Q-o-q increase was the result of the following:
    - Net F&C income from Asset Management Services increased by 4% q-o-q as a result of higher management fees, partly offset by lower entry fees from unit-linked life insurance products
    - Net F&C income from banking services roughly stabilised q-o-q as higher fees from payment services and higher network income was offset by lower securities-related fees (after two exceptionally strong quarters)
    - Distribution costs rose by 8% q-o-q due chiefly to higher commissions paid linked to increased non-life insurance sales
  - Y-o-y decrease was mainly the result of the following:
    - Net F&C income from Asset Management Services fell by 11% y-o-y as a result of lower management fees and entry fees
    - Net F&C income from banking services decreased by 8% y-o-y (-6% y-o-y excluding FX effect) driven mainly by lower fees from payment services (partly due to less transaction volumes as a result of Covid-19, partly due to the SEPA regulation) and lower fees from credit files & bank guarantees, partly offset by higher securities-related fees
    - Distribution costs rose by 7% y-o-y due chiefly to higher commissions paid linked to banking products and increased non-life insurance sales

- **Assets under management (204bn EUR)**
  - Increased by 1% q-o-q due mainly to a positive price effect (+1%), next to limited net inflows in mutual fund business
  - Decreased by 4% y-o-y due mainly to a negative price effect

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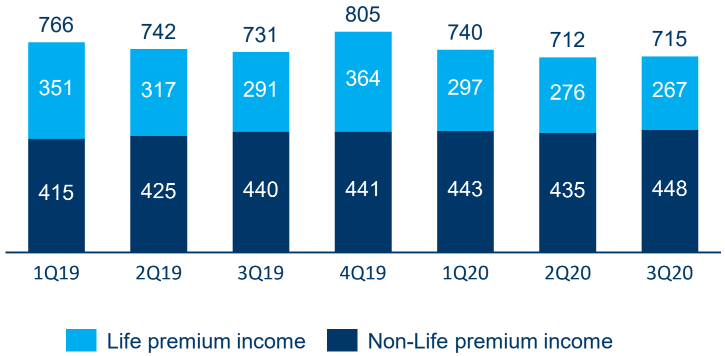
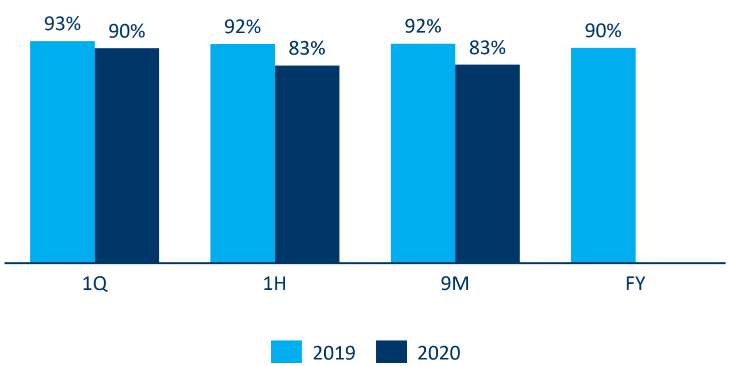
Non-life premium income up y-o-y and excellent combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUMS)



- **Insurance premium income** (gross earned premiums) **at 715m EUR**
  - Non-life premium income (448m EUR) increased by 2% y-o-y
  - Life premium income (267m EUR) down by 3% q-o-q and by 8% y-o-y

COMBINED RATIO (NON-LIFE)

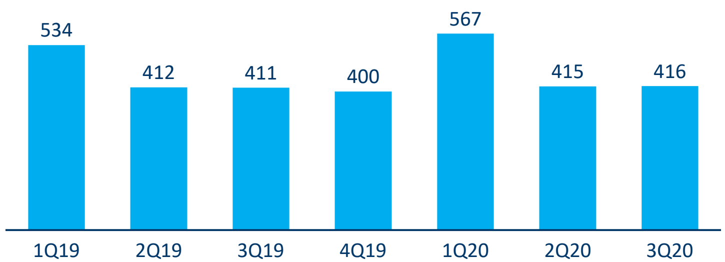


- The non-life **combined ratio** for 9M20 amounted to an excellent **83%.** This is the result of 4% y-o-y premium growth combined with 13% y-o-y lower technical charges in 9M20. The latter was due mainly to lower normal claims in 9M20 (especially in Motor due to Covid-19) and a negative one-off in 9M19 (-16m due to reassessment on claims provisions). However, note that 9M20 was impacted by a higher negative ceded reinsurance result compared with 9M19

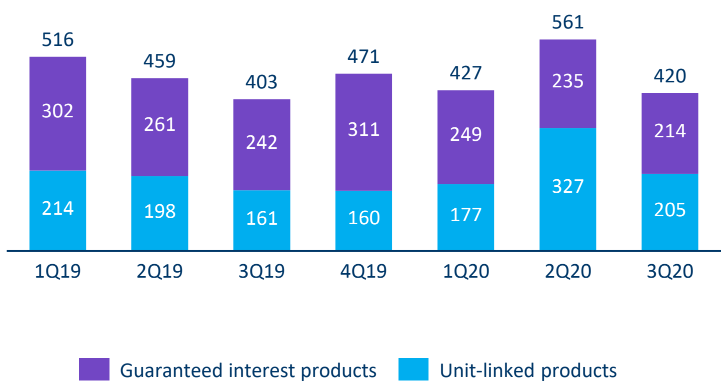
Amounts in m EUR

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

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



LIFE SALES

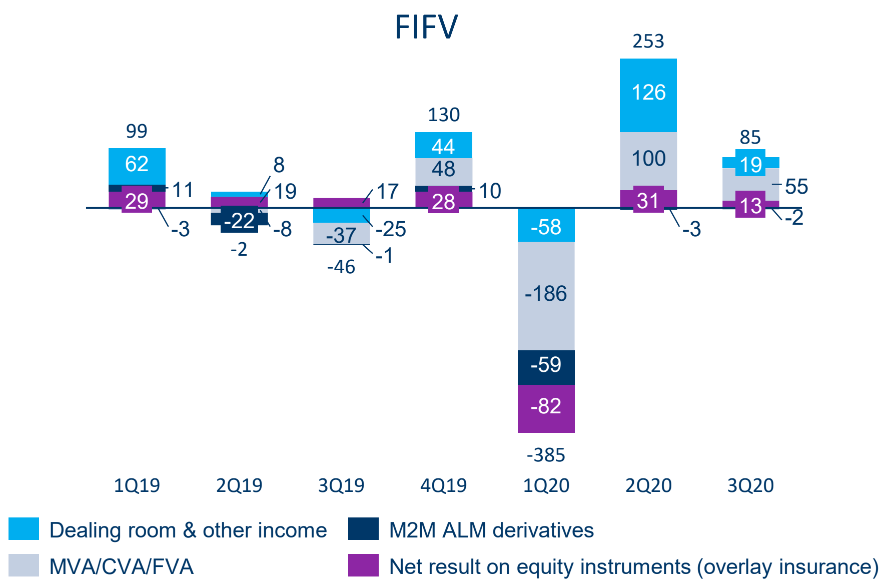


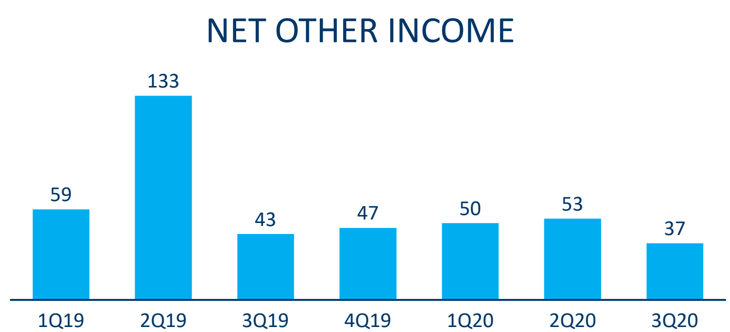
Amounts in m EUR

- **Sales of non-life insurance products**
  - Up by only 1% y-o-y due to negative impact of Covid-19 on renewals of existing business (mainly ‘Workmen’s compensation’ and ‘General third-party liability’)

- **Sales of life insurance products**
  - Decreased by 25% q-o-q, but increased by 4% y-o-y
  - The q-o-q decrease was driven by both lower sales of unit-linked products and guaranteed interest products in Belgium
  - The y-o-y increase was driven entirely by higher sales of unit-linked products in Belgium (due to a shift from mutual funds to unit-linked products by Private Banking clients), only partly offset by lower sales of guaranteed interest products (due mainly to the suspension of universal single life insurance products in Belgium)
  - Sales of unit-linked products accounted for 49% of total life insurance sales in 3Q20

Lower FIFV and net other income





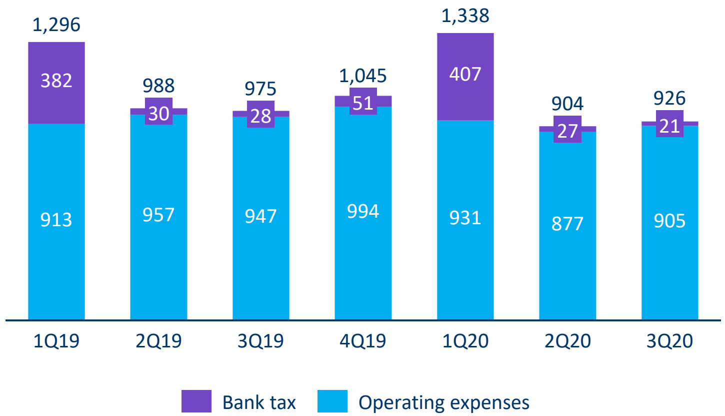
Amounts in m EUR

- The q-o-q decline in **net gains from financial instruments at fair value** was attributable mainly to the exceptional rebound in 2Q20:
  - a negative change in market, credit and funding value adjustments, although still a positive number (mainly as a result of changes in the underlying market value of the derivatives portfolio due to decreasing counterparty credit spreads & KBC funding spread, partly offset by lower long-term interest rates)
    - FVA: 24m EUR (-49m EUR q-o-q)
    - CVA: 30m EUR (+3m EUR q-o-q)
    - MVA: 2m EUR (+1m EUR q-o-q)
  - lower dealing room income after an excellent 2Q20 result
  - a lower net result on equity instruments (insurance)

- **Net other income** amounted to 37m EUR, below the normal run rate of around 50m EUR per quarter due to, among other things, an additional impact of the tracker mortgage review in Ireland of -6m EUR (of which -4m related to the tracker mortgage fine)

Strict cost management

OPERATING EXPENSES



Amounts in m EUR

EXPECTED BANK TAX SPREAD IN 2020

	TOTAL	Upfront			Spread out over the year			
	3Q20	1Q20	2Q20	3Q20	1Q20	2Q20	3Q20	4Q20e
BE BU	**0**	289	2	0	0	0	0	0
CZ BU	**0**	40	0	0	0	0	0	0
Hungary	**20**	25	1	0	20	18	20	24
Slovakia	**0**	3	0	0	8	8	0	0
Bulgaria	**0**	17	-1	0	0	0	0	0
Ireland	**1**	4	-1	0	1	1	1	26
GC	**0**	0	0	0	0	0	0	0
TOTAL	**21**	**377**	**0**	**0**	**29**	**27**	**21**	**50**

- Operating expenses excluding bank taxes decreased by 3.7% y-o-y in 9M20, roughly in line with our FY20 guidance of -3.5% y-o-y due chiefly to the announced cost savings related to Covid-19
- Operating expenses excluding bank taxes increased by 3% q-o-q primarily as a result of:
  - higher staff expenses (largely due to reduced accrued variable remuneration in 2Q20 and wage inflation in most countries, despite less FTEs)
  - seasonally higher marketing costs, higher facilities and depreciation & amortisation costs

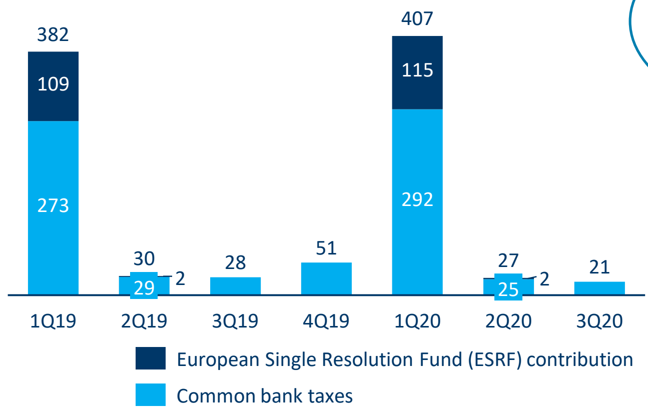
  partly offset by:
  - seasonally lower ICT costs and professional fees
- Cost/income ratio (banking) adjusted for specific items* at 58% in 3Q20 and 59% YTD (58% in FY19). Cost/income ratio (banking): 52% in 3Q20 and 61% YTD, both distorted by bank taxes and the latter by lower FIFV
- Total bank taxes (including ESRF contribution) are expected to increase by 3% y-o-y to 504m EUR in FY20

* See glossary (slide 102) for the exact definition

Overview of bank taxes*

Amounts in m EUR

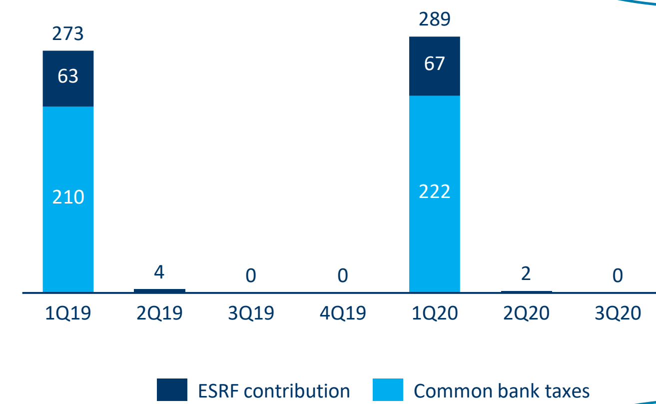
KBC GROUP



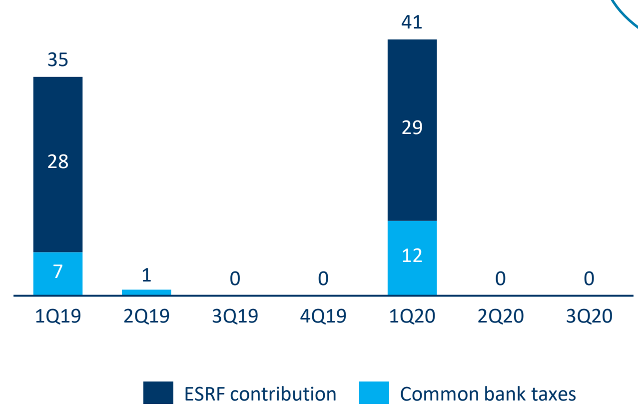
Bank taxes of 454m EUR YTD. On a pro rata basis, bank taxes represented 12.2% of 9M20 opex at KBC Group**

BELGIUM BU

Bank taxes of 291m EUR YTD. On a pro rata basis, bank taxes represented 12.1% of 9M20 opex at the Belgium BU



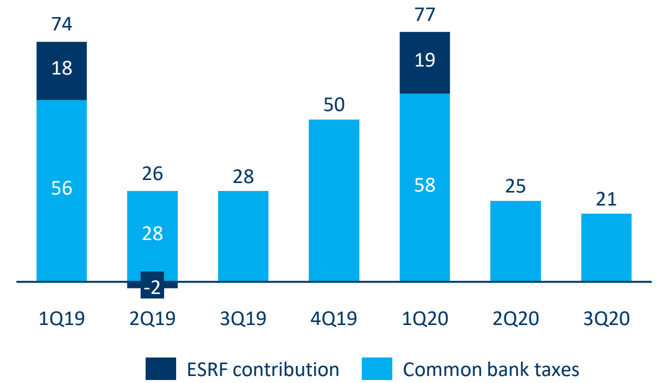
CZECH REPUBLIC BU



Bank taxes of 41m EUR YTD. On a pro rata basis, bank taxes represented 5.6% of 9M20 opex at the CZ BU

INTERNATIONAL MARKETS BU

Bank taxes of 123m EUR YTD. On a pro rata basis, bank taxes represented 19.3% of 9M20 opex at the IM BU

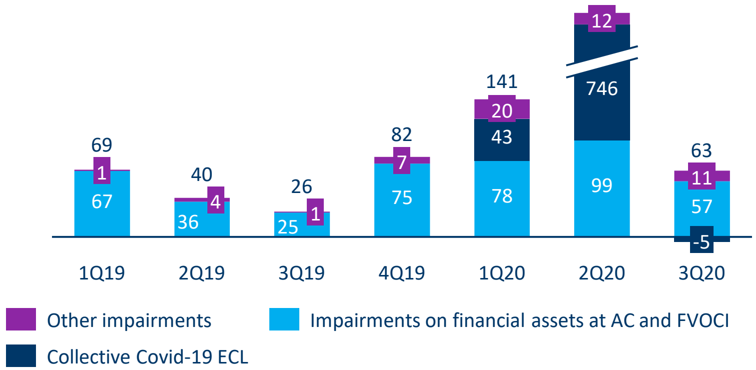


* This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.

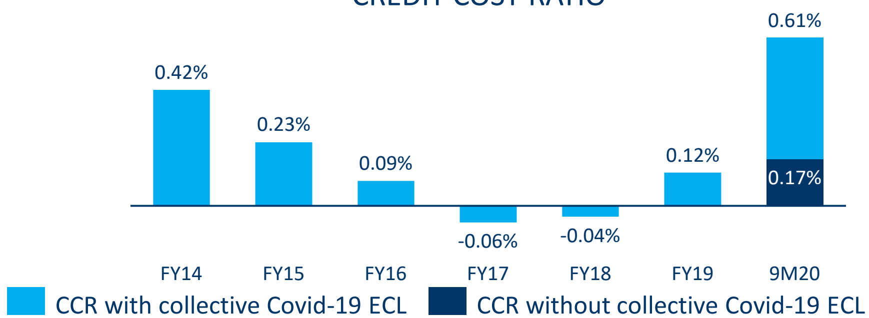
** The C/I ratio adjusted for specific items of 59% in 9M20 amounts to 51% excluding these bank taxes

Sharply lower asset impairments

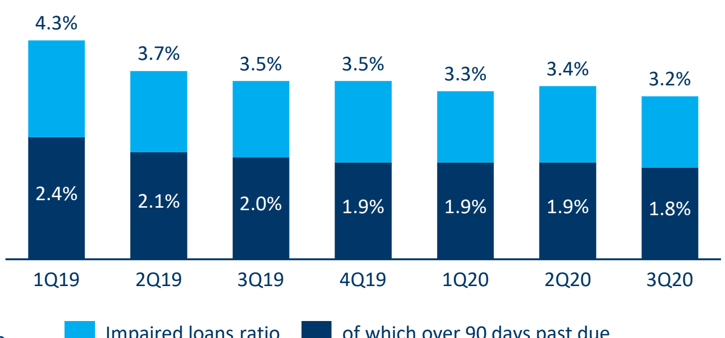
ASSET IMPAIRMENT



CREDIT COST RATIO



IMPAIRED LOANS RATIO



Amounts in m EUR

- **Sharply lower asset impairments q-o-q**
  - The q-o-q decrease of loan loss provisions was attributable mainly to:
    - 746m EUR collective Covid-19 impairments booked in 2Q20, of which 5m was reversed in 3Q20 (small impact from updated IFRS 9 macroeconomic variables and management overlay)
    - lower loan loss impairments in Belgium and the Czech Republic (2Q20 was impacted by several corporate files in both countries)
  - Impairment of 11m EUR on ‘other’ due to several small items (of which 4m EUR – the largest amount – as the result of an impairment on a lease contract related to a HQ building in Hungary)

- The **credit cost ratio in 9M20** amounted to:
  - 17 bps (12 bps in FY19) without collective Covid-19 ECL
  - 61 bps with collective Covid-19 ECL

- The **impaired loans ratio** improved to 3.2%, 1.8% of which over 90 days past due

Section 2

Covid-19

COVID-19 (1/9)

Latest status of government & sector measures in each of our core countries

Deferral of payments

Belgium

Opt-in: 3 months for consumer finance , 6-9 months for mortgages and non-retail loans, (until 31 Oct 2020 and can be extended to 31 Dec 2020)

- For private persons: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients
- Interest is accrued over the deferral period, apart from families with net income of less than 1,700 EUR. For the latter group, this results in a modification loss for the bank *(-11m EUR booked in 2Q)*

Czech Republic

Opt-in: 3 or 6 months

Application period finished on 30 Sep 2020, however end of Oct 2020 all deferrals expired

- Applicable for retail and non-retail clients
- For private persons and entrepreneurs: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients
- Interest is accrued over the deferral period, but must be paid in the final instalment, resulting in a modification loss for the bank *(-5m EUR, booked in 2Q)*
- For consumer loans, the interest during the deferral period may not exceed the 2-week repo rate + 8%

Hungary

Opt-out: a blanket moratorium originally until 31 Dec 2020

Extension of the deferral until 30 JUN 2021 but with certain eligibility criteria (no detailed legislation available for non-retail clients)

- Applicable for retail and non-retail clients
- Deferral of principal and interest payments
- Interest is accrued over the deferral period, but unpaid interest cannot be capitalised and must be collected on a linear basis during the remaining (extended) lifetime. This results in a modification loss for the bank (*-18m EUR booked in 1Q; revised to -11m EUR in 2Q based on the actual opt-out ratio)*

Guarantee Scheme & liquidity assistance

Belgium

- **A state guarantee scheme** of up to 40bn EUR to cover losses incurred on future non-retail loans granted before 31 Dec 2020 to viable companies, with a tenor of maximum 12 months and a maximum interest rate of 1.25%. Guarantee covers 50% of losses above 3% of total credit losses and 80% above 5% of losses
- **As of 3Q, a revised state guarantee scheme** of up to 10bn EUR has been offered to cover losses on future SME loans granted before 31 Dec 2020, with a tenor between 1 and 3 years and with a maximum interest rate of 2%. Guarantee covers 80% of all losses

Czech Republic

- The **Czech-Moravian Guarantee and Development Bank (CZMRB)** launched several guarantee programs (COVID II, COVID II Praha, COVID III) for working capital loans provided by commercial banks to non-retail clients. The loan amount is guaranteed up to 80% or 90% of the loan amount. Interest on these loans is subsidised up to 25% (COVID II)
- **The Export Guarantee and Insurance Corporation (EGAP)** under its COVID Plus program offers guarantees on loans provided by commercial banks. EGAP guarantees 70% to 80% of the loan amount, depending on the rating of the debtor. The program is aimed at companies in which exports accounted for more than 20% of turnover in 2019

Hungary

- **A guarantee scheme is provided by Garantiqa and the Hungarian Development Bank.** These state guarantees can cover up to 90% of the loans with a maximum tenor of 6 years
- **Funding for growth scheme (launched by MNB)**: a framework amount of 4.2bn EUR for SMEs that can receive loans with a 20-year tenor and a maximum interest rate of 2.5%
- Annual interest rate on personal loans granted by commercial banks may not exceed the central bank base rate by more than 5pp (until 31 Dec 2020)

COVID-19 (2/9)

Latest status of government & sector measures in each of our core countries

Deferral of payments

Slovakia

Opt-in: 9 months or 6 months (for leases)
Application period is still running (but most will end in 1Q 2021)

- Applicable for retail customers, SMEs and entrepreneurs
- Deferral of principal and interest payments
- Interest is accrued over the deferral period, but the customer has the option of paying all interest at once after the moratorium or paying it on a linear basis. The latter option would result in an immaterial modification loss for the bank

Bulgaria

Opt-in: 6 months (until 31 Mar 2021 at the latest)
Application period expired on 30 Sep 2020

- Applicable for retail and non-retail customers
- Deferral of principal with or without deferral of interest payments
- In the case of principal deferral only, the tenor is extended by 6 months
- Interest is accrued over the deferral period and is payable in 12 months (consumer and non-retail) or 60 months (mortgages) in equal instalments

Ireland

Opt-in: 3 to 6 months
Application period expired on 30 Sep 2020

- Applicable for mortgage loans, consumer finance loans and business banking loans with a repayment schedule
- Deferral of principal and interest payments for up to 6 months (with review after 3 months) for mortgages & consumer finance and 3 months for business banking
- Option for customers to extend their loan term by up to 6 months to match the payment holiday
- Interest is accrued over the deferral period

Guarantee Scheme & liquidity assistance

Slovakia

- **Anti-Corona Guarantee program offered by the Slovak Investment Holding (SIH)** and aimed at SMEs, consists of two components: (i) an 80% state guarantee with a 50% portfolio cap and (ii) the interest rate subsidy of up to 4% p.a.
- In addition, financial aid in the form of the State guarantee schemes, with guaranteed fee subsidy can be provided by the (i) Slovak Investment Holding (guarantee of up to 90% % for loans < 2m EUR) and the (ii) Export-Import Bank of SR (guarantee of up to 80% for loans of 2-20m EUR). No portfolio cap is applied

Bulgaria

- **0.4bn EUR of state guarantees provided by the Bulgarian Development Bank** to commercial banks. Of this amount, 0.1bn EUR is used to guarantee 100% of consumer loans, while 0.3bn EUR is planned to be used to guarantee 80% of non-retail loans

Ireland

- The Irish authorities put substantial relief measures in place, amongst other measures, via the SBCI. KBC Bank Ireland is mainly focused on individual customers, therefore the relief programs for business customers are less relevant

COVID-19 (3/9)

Overview of EBA compliant payment holidays and public Covid-19 guarantee schemes

By the end of September 2020:

- The volume of granted loans with payment holidays, according to the EBA definitions, amounted to 13.7bn EUR or 9% of total loan book*
- Approx. 1bn EUR of moratoria already expired, of which 97% have resumed payments
- Government guaranteed loans granted (under Covid-19 scheme) for 583m EUR

Payment holidays – by country :

Status: 30 Sep 2020	Loan deferrals granted EUR bn	# obligors k	% of total loan portfolio
KBC Group	**13.7**	**198**	**9%**
of which:			
Belgium	7.7	25	7%
Czech Republic	2.1	22	7%
Hungary (opt-out)	1.7	128	37%
Slovakia	0.8	12	10%
Bulgaria	0.2	5	7%
Ireland	1.2	6	12%

Payment holidays – by segment :

Status: 30 Sep 2020	Loan deferrals granted EUR bn	# obligors k	% of total loan portfolio
KBC Group	**13.7**	**198**	**9%**
of which:			
Mortgages	4.5		7%
SME	4.3		13%
Corporate	4.2		10%

Payment holidays excl. Hungary** – by segment :

Status: 30 Sep 2020	Loan deferrals granted EUR bn	# obligors k	% of total loan portfolio
KBC Group (excl. HU)	**12.0**	**70**	**8%**
of which:			
Mortgages	4.0		6%
SME	3.6		11%
Corporate	3.9		9%

*** Hungary opt-out, a blanket moratorium applicable for retail and non-retail loans :*
- *Deferral of principal and interest payments*
- *Interest is accrued over the deferral period, but unpaid interest cannot be capitalised and must be collected on a linear basis during the remaining (extended) lifetime*

Loans and advances under public Covid-19 guarantee schemes :

Status: 30 Sep 2020	Loans granted EUR m	# obligors k
KBC Group	**583**	**7**
of which:		
SME	261	
Corporate	309	

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

COVID-19 (4/9)

IFRS 9 scenarios

OPTIMISTIC SCENARIO	**BASE-CASE SCENARIO**	PESSIMISTIC SCENARIO
Virus spread and impact sufficiently under control thanks to continued social distancing and other precautionary measures, avoiding the need for another lockdown period	Virus spread and impact sufficiently under control thanks to continued and possibly intensified social distancing and other precautionary measures, avoiding the need for another full lockdown period	Virus reappears and continues to weigh on society and economy, necessitating on-off lockdown periods that have a significant impact on economic activity
Steep and steady recovery from 3Q20 onwards with a fast return to pre-Covid-19 levels of activity	More moderate, but still steady recovery from 3Q20 onwards with a recovery to pre-Covid-19 levels of activity by the end of 2023	Another (series of) shock(s) takes place, leading to an interrupted and unsteady path to recovery
Sharp, short V-pattern	U-pattern	More L-like pattern, with right leg only slowly increasing

- The Covid-19 pandemic continues to be the main driver of the global economy. The epidemiological developments are far from good. The number of new Covid-19 cases are rapidly increasing in many countries. Because of this **uncertainty,** we continue working **with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario**
- The definition of each scenario reflects the latest virus-related and economic developments, while we continue to assign the same probabilities as in previous quarter: **45% for the base-case, 40% for the pessimistic and 15% for the optimistic scenario**

Macroeconomic scenarios*

September 2020

Real GDP growth	2020			2021			2022		
	Optimistic	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Euro area	-6.7%	-8.3%	-11.6%	8.7%	5.2%	-1.0%	2.9%	2.0%	2.2%
Belgium	-6.1%	-9.0%	-11.1%	9.1%	5.1%	-1.1%	2.9%	2.0%	2.0%
Czech Republic	-6.1%	-7.0%	-8.5%	6.2%	4.7%	1.3%	2.8%	3.0%	3.3%
Hungary	-3.0%	-6.2%	-12.0%	4.0%	5.0%	4.0%	3.5%	3.5%	3.5%
Slovakia	-6.5%	-8.0%	-9.5%	6.6%	6.1%	1.6%	4.5%	3.5%	3.8%
Bulgaria	-4.0%	-8.0%	-12.0%	4.0%	5.0%	4.0%	3.0%	3.0%	3.0%
Ireland	0.0%	-5.0%	-10.0%	5.0%	4.0%	1.0%	3.0%	3.5%	2.5%

- For the euro area, we have revised GDP growth for 2020 upwards to -8.3% and, mechanically, this less negative outcome for 2020 translates into a downward revision of growth to 5.2% for 2021

- *The macroeconomic information is based on the economic situation in September 2020 and hence does not yet reflect the official macroeconomic figures for 3Q20 as reported by different authorities*

KBC

COVID-19 (5/9)

IFRS 9 scenarios

Macroeconomic scenarios

September 2020

Unemployment rate	2020			2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	6.6%	7.2%	7.8%	7.0%	7.6%	11.0%	6.0%	6.9%	9.5%
Czech Republic	4.3%	5.1%	6.1%	4.2%	5.4%	7.3%	3.5%	4.8%	6.8%
Hungary	4.8%	6.1%	7.5%	4.2%	5.6%	7.5%	4.0%	4.8%	6.5%
Slovakia	7.5%	9.0%	10.0%	8.0%	10.0%	12.0%	7.0%	8.0%	10.5%
Bulgaria	6.0%	8.0%	11.0%	4.3%	10.0%	13.0%	4.2%	7.0%	12.0%
Ireland	8.0%	11.0%	20.0%	6.0%	7.0%	16.0%	5.0%	6.0%	12.0%

House-price index	2020			2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	1.5%	-0.5%	-1.5%	1.0%	-3.0%	-6.0%	2.5%	1.0%	-2.0%
Czech Republic	5.3%	4.8%	3.5%	1.0%	-0.8%	-4.0%	4.1%	2.0%	-0.8%
Hungary	4.0%	2.0%	-7.5%	1.0%	-1.0%	-5.0%	3.1%	2.0%	-1.0%
Slovakia	6.5%	5.0%	2.0%	1.0%	-1.0%	-5.0%	3.0%	2.0%	-0.5%
Bulgaria	0.5%	-2.0%	-3.0%	1.0%	-1.0%	1.0%	3.0%	3.0%	1.5%
Ireland	-2.0%	-7.0%	-12.0%	4.0%	3.5%	0%	4.0%	3.5%	1.0%

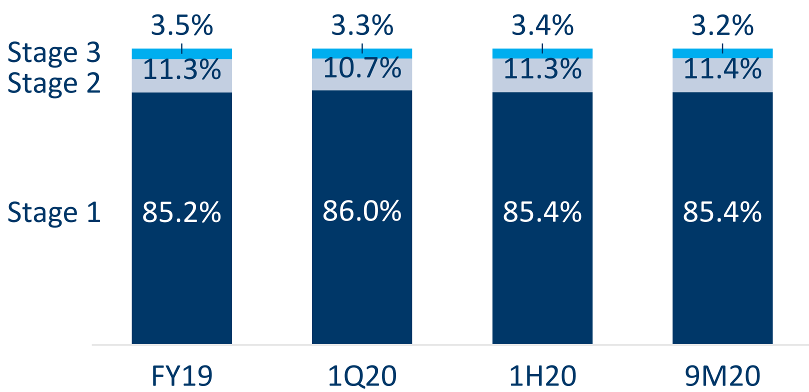
COVID-19 (6/9)

Steady staging of loan portfolio

Loan portfolio*:

(in billions of EUR)	YE19	1Q20	1H20	9M20
Portfolio outstanding	**175**	**180**	**179**	**179**
Retail	42%	40%	41%	42%
of which mortgages	38%	37%	38%	39%
of which consumer financ	3%	3%	3%	3%
SME	22%	21%	21%	22%
Corporate	37%	39%	38%	37%

Total loan portfolio by IFRS 9 ECL stage *

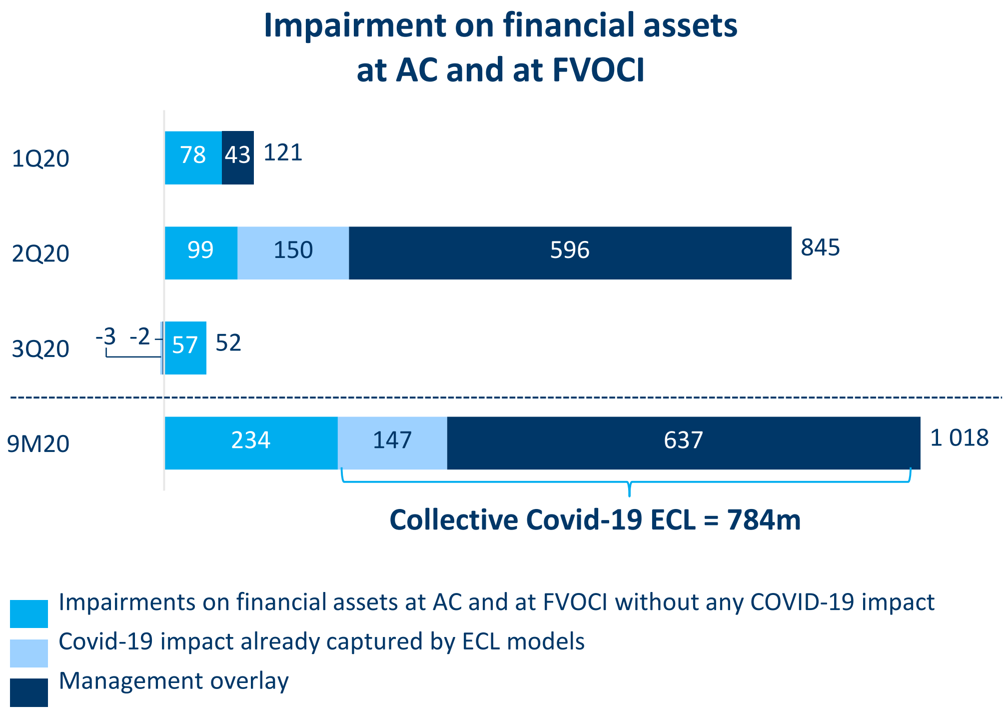


- As disclosed during previous quarters, our Expected Credit Loss (ECL) models were not able to adequately reflect all the specificities of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis. Therefore, an expert-based calculation at portfolio level is required via a **management overlay**
- In the first quarter, this calculation was limited to a certain number of (sub)sectors. In the second quarter, driven by significant uncertainties around the Covid-19 crisis, the scope of the management overlay was expanded to include all sectors of our corporate and SME portfolio as well as our retail portfolio
- To be consistent with the second quarter, **we recalculated the Covid-19 ECL** based on the same methodology used **on the performing and non-performing portfolio by the end of September 2020** but **including the latest economic scenarios**
- **Until now, only minor PD shifts have been observed in our portfolio, which is reflected in stable staging percentages.** Note that in line with ECB/ESMA/EBA guidance, any general government measure granted before the end of September 2020 has not led to automatic staging

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

COVID-19 (7/9)

Impact of the collective Covid-19 ECL after 9M



Credit Cost % *(annualized*)*	FY19	3M20	1H20	9M20
Without collective COVID-19 ECL	0.12%	0.17%	0.20%	0.17%
With collective COVID-19 ECL		0.27%	0.64%	0.61%

** Collective Covid-19 ECL, not annualized*

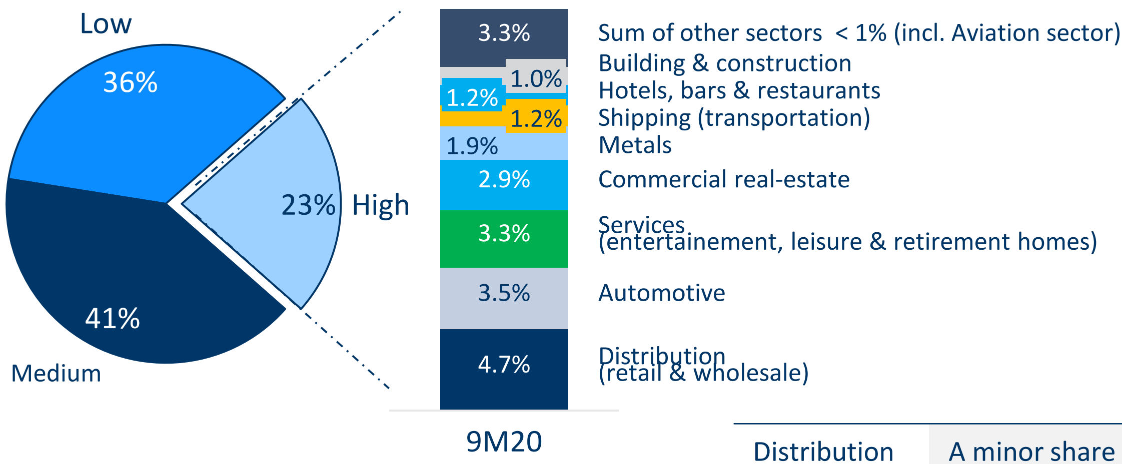
- The updated assessment of the impact of Covid-19 on the performing and non-performing portfolio after 9M20 *(see details in following slides)*, **resulted in a total collective Covid-19 ECL of 784m EUR (q-o-q release of 5m EUR) of which:**
  - a total management overlay of 637m EUR, with a -2m EUR release being booked in 3Q20
  - the ECL models captured an impact of 147m EUR after 9M through the updated macroeconomic variables used in the calculation, resulting in a q-o-q release of -3m EUR
- The total collective Covid-19 ECL of 784m EUR in 9M20 consists of **6% stage 1, 85% stage 2 and 9% stage 3 impairments**
- Including the collective Covid-19 ECL, the Credit Cost Ratio amounted to 0.61% in 9M20
- We are reiterating our estimate for **FY20 impairments** (on financial assets at AC and at FVOCI) of **roughly 1.1bn EUR** as a result of the coronavirus pandemic. Depending on a number of events such as the length and depth of the economic downturn, the significant number of government measures in each of our core countries, and the unknown number of customers who will avail themselves of these mitigating measures, we estimate the FY20 impairments to range between roughly 0.8bn EUR (optimistic scenario) and roughly 1.6bn EUR (pessimistic scenario)

Amounts in m EUR

COVID-19 (8/9)

Collective Covid-19 ECL in more detail : no major change in the classification of sector risk

SME & Corporate loan portfolio* of 104bn EUR broken down by sector sensitivity to Covid-19 :



No major change in the sector split between high-medium-low risk compared to the previous quarter. Only minor reallocations of underlying activities from 'high' to 'medium' or even to 'low' risk. Also very **limited shifts from 'medium' to 'high' risk**, situated mainly in the following sectors:

Distribution	A minor share of activities related to the wholesale distribution of apparel was moved into the 'high risk' category, adding to the already designated retail part (mainly retail fashion)
Services	Increase in 'high risk' category, driven by retirement homes mainly in Belgium
Metals	The activity related to the manufacture of metal structures, linked to the construction of non-residential buildings, was shifted into the 'high risk' category
Building & construction	In the previous quarter, the entire portfolio was allocated to 'medium risk' due to the limited lockdown interruption as this was one of the first sectors to restart. In addition, the temporary unemployment cover provided by the Belgian government tempered the impact. Now, in the third quarter, a limited share of activities related to the construction of non- residential buildings was shifted into the 'high risk' category

Composition of 'other sectors <1%' in more detail :

Aviation sector	As in the second quarter, both sectors categorised as 'high risk', but with a limited share of 0.3% both
Exploration and production of oil, gas & other fuels	

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

COVID-19 (9/9)

Collective Covid-19 ECL in more detail : q-o-q release of 5m EUR

Collective Covid-19 ECL per country:

9M20	Performing portfolio impact				Non-Performing portfolio	Total 9M20	3Q20	2Q20	1Q20
EUR m	*Optimistic* 15%	*Base* *45%*	*Pessimistic* *40%*	Probability weighted					
KBC Group	**471**	**621**	**908**	**714**	**70**	**784**	**-5**	**746**	**43**
By country:									
Belgium	300	366	450	390	20	410	-3	378	35
Czech Republic	95	143	198	158	9	167	9	152	6
Slovakia	23	30	50	37	0	37	-3	39	1
Hungary	24	38	82	54	0	54	-1	54	1
Bulgaria	7	16	25	18	5	23	-5	28	n/a
Ireland	22	28	103	57	36	93	-2	95	n/a

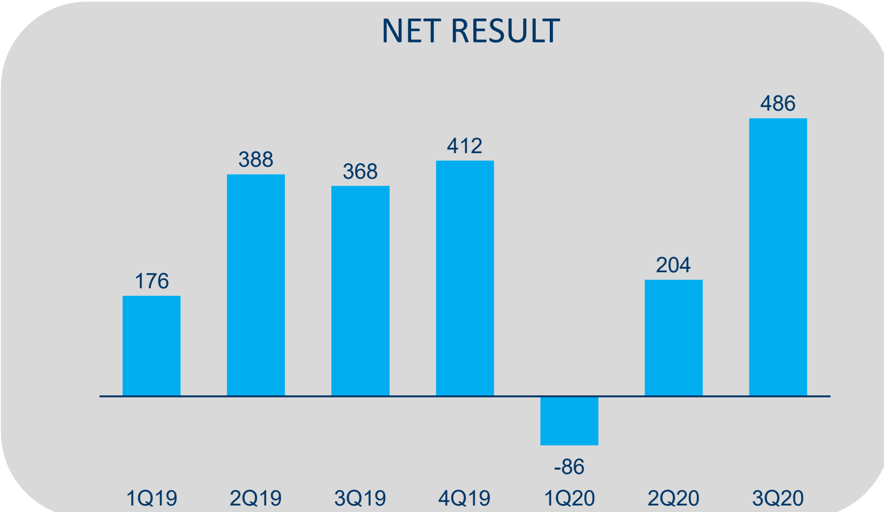
Section 3

3Q 2020 performance of business units

Business profile

	BELGIUM	CZECH REPUBLIC	SLOVAKIA	HUNGARY	BULGARIA	IRELAND	GROUP CENTRE
3Q20 NET RESULT (in million euros)	486m	116m	33m	51m	27m	13m	-28m
ALLOCATED CAPITAL (in billion euros)	7.0bn	1.7bn	0.6bn	0.8bn	0.4bn	0.6bn	0.2bn
LOANS (in billion euros)	104bn	28bn	8bn	5bn	3bn	10bn	
DEPOSITS (in billion euros)	137bn	39bn	7bn	8bn	5bn	5bn	
BRANCHES (end 3Q20)	507	221	117	208	176	16	
Clients (end 3Q20)	3.7m	4.2m	0.6m	1.6m	1.4m	0.3m	

Belgium BU (1): net result of 486m EUR



Amounts in m EUR

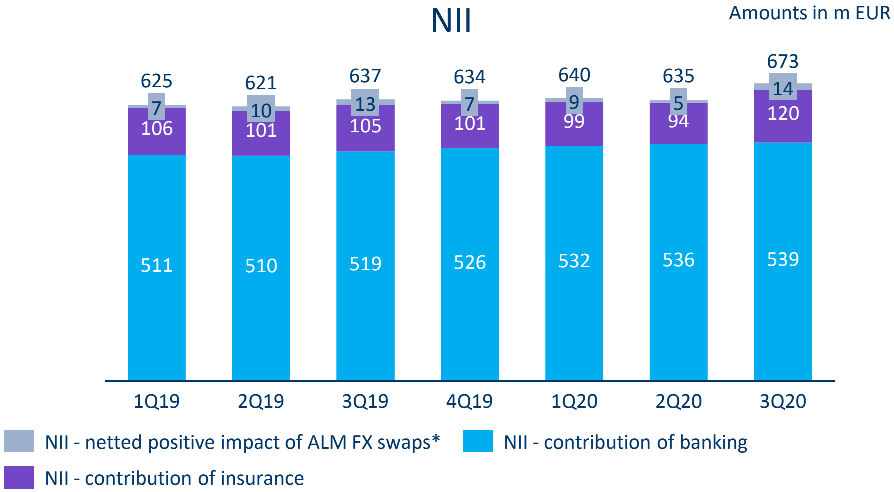
Net result at the Belgium Business Unit amounted to 486m EUR in 3Q20

- The quarter under review was characterised by higher net interest income, stable net fee and commission income, lower dividend income, lower trading and fair value income, lower net other income, an excellent combined ratio, lower sales of life insurance products, stable operating expenses and sharply lower impairment charges q-o-q
- Customer deposits excluding debt certificates and repos rose by 9% y-o-y, while customer loans increased by 3% y-o-y

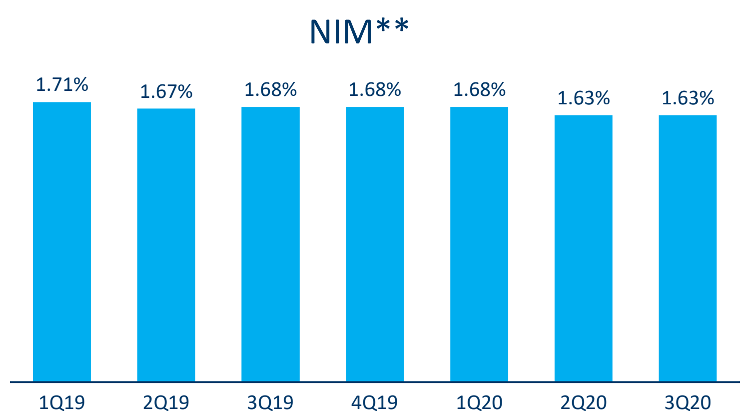
ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	104bn	38bn	137bn	188bn	26bn
Growth q-o-q*	0%	+2%	0%	+1%	0%
Growth y-o-y	+3%	+5%	+2%	-5%	-3%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL
*** Customer deposits, including debt certificates but excluding repos. **Customer deposit volumes excluding debt certificates & repos flat q-o-q and +9% y-o-y**

Belgium BU (2): higher NII and stable NIM



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

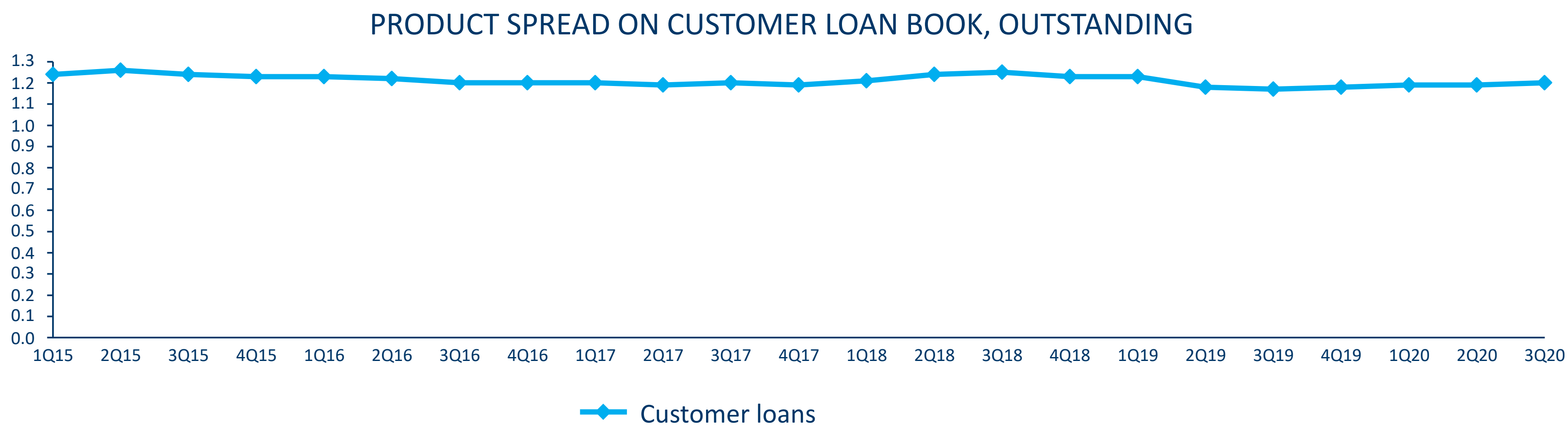


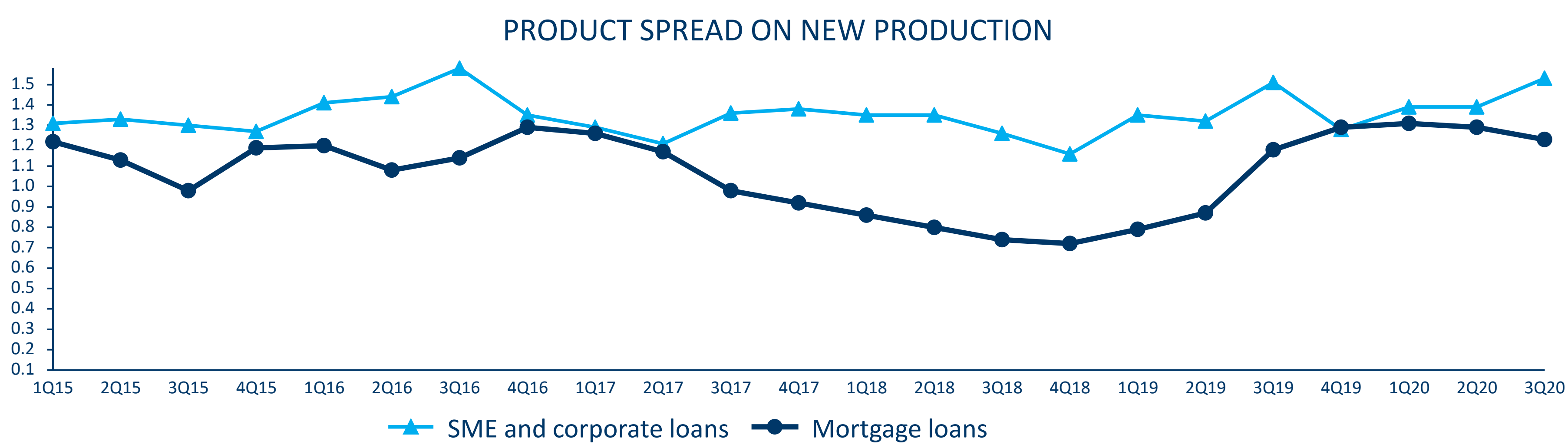
- **Net interest income (673m EUR)**
  - Excluding the 26m EUR positive one-off in 3Q20 (in NII insurance), NII rose by 2% q-o-q and y-o-y due mainly to:
    - higher margins on new loan production than on outstanding portfolio in all segments
    - the positive impact of TLTRO3 (+16m EUR q-o-q) and of ECB deposit tiering (+9m EUR y-o-y)
    - higher netted positive impact of FX swaps

    partly offset by:
    - lower reinvestment yields

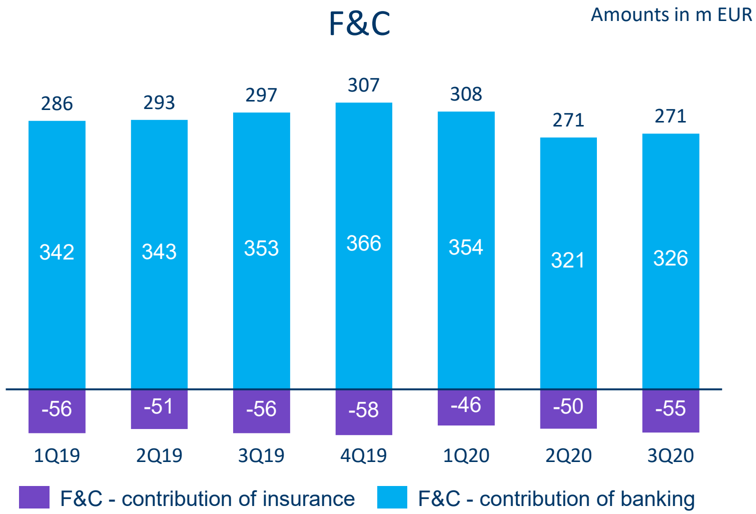
- **Net interest margin (1.63%)**
  - Stabilised q-o-q as higher margins on new loan production than on outstanding portfolio in all segments and the positive impact of TLTRO3 was offset by the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (denominator)
  - Fell by 5 bps y-o-y due chiefly to the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (denominator)

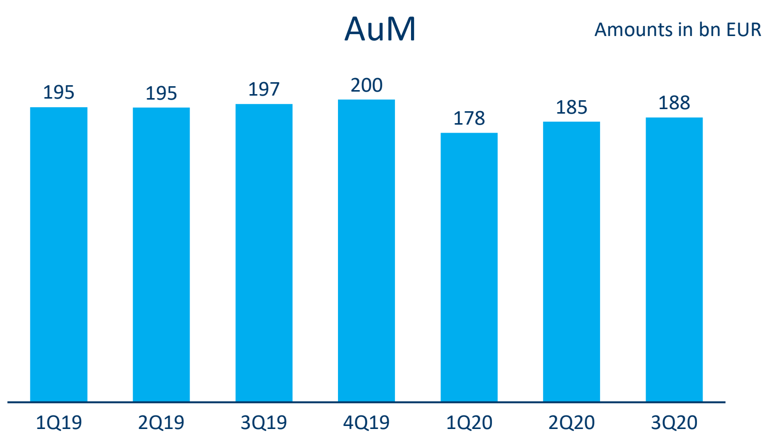
Credit margins in Belgium





Belgium BU (3): stable net F&C income





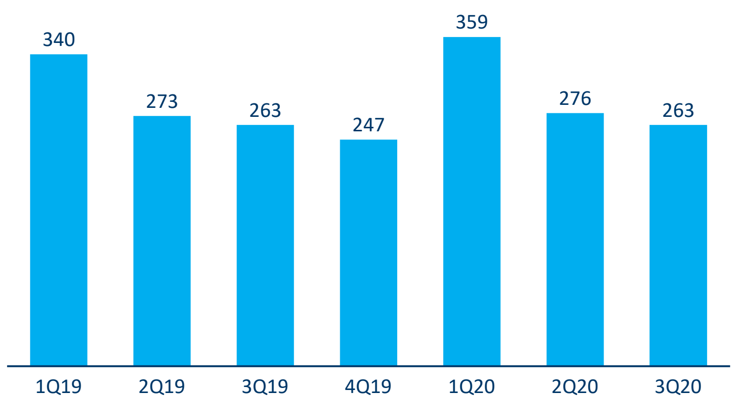
- **Net fee and commission income (271m EUR)**
  - Stabilised q-o-q due mainly to:
    - higher management fees from mutual funds and unit-linked life insurance products
    - higher fees from payment services

    offset by:
    - lower securities-related fees (after two exceptionally strong quarters)
    - lower entry fees from unit-linked life insurance products
    - lower fees from credit files & bank guarantees
    - higher distribution costs due chiefly to higher commissions paid linked to mutual funds and increased non-life insurance sales
  - Fell by 9% y-o-y driven chiefly by lower entry & management fees, lower fees from payment services and higher distribution costs, partly offset by higher securities-related fees
- **Assets under management (188bn EUR)**
  - Increased by 1% q-o-q due to a positive price effect (+1%)
  - Decreased by 5% y-o-y as a result of net outflows (-2%) and a negative price effect (-2%)

Belgium BU (4): stable y-o-y non-life sales, excellent combined ratio

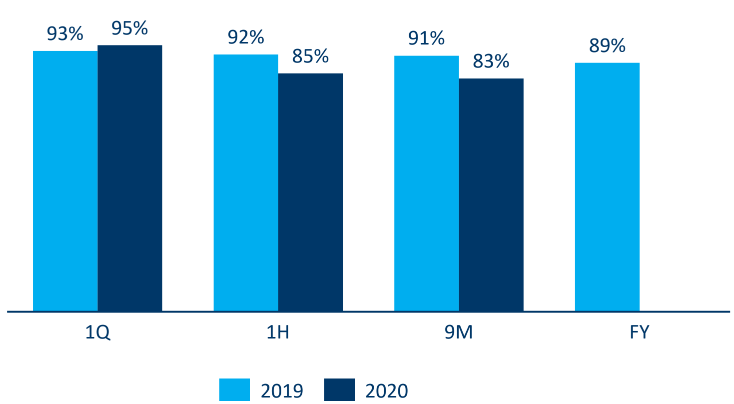
Amounts in m EUR

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



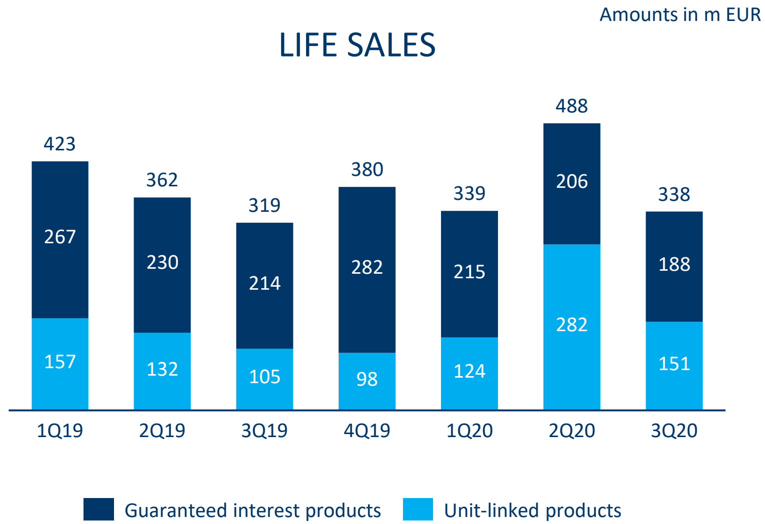
- **Sales of non-life insurance products**
  - Stabilised y-o-y
  - Premium growth mainly in classes ‘Fire’ and ‘Motor comprehensive cover’, offset by the negative impact of Covid-19 on ‘Workmen’s compensation’ and on ‘General third-party liability’

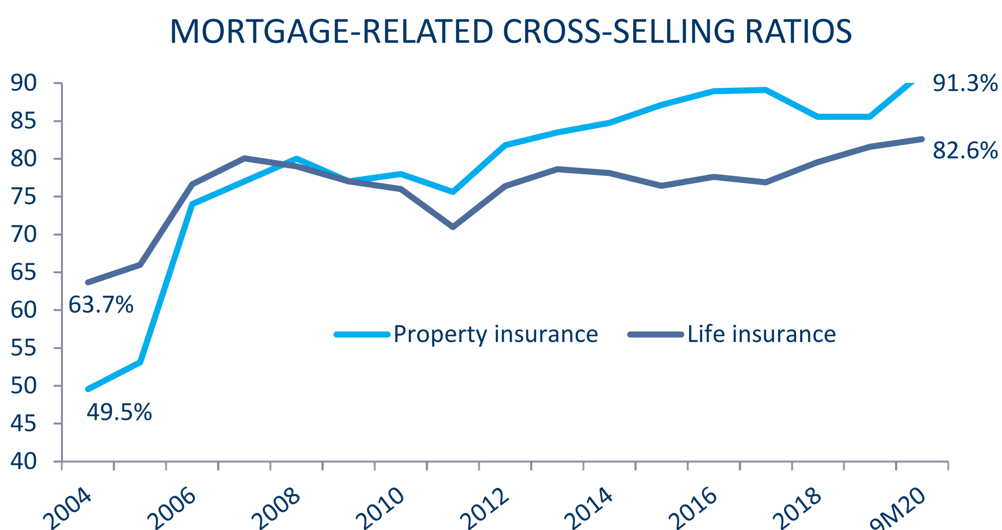
COMBINED RATIO (NON-LIFE)



- **Combined ratio** amounted to an excellent **83%** in 9M20 (91% in 9M19). This is the result of 3% y-o-y premium growth combined with 16% y-o-y lower technical charges in 9M20. The latter was due mainly to lower normal claims in 9M20 (especially in Motor due to Covid-19) and a negative one-off in 9M19 (-16m EUR due to reassessment on claims provisions). However, note that 9M20 was impacted by a negative ceded reinsurance result (compared with a positive ceded reinsurance result in 9M19)

Belgium BU (5): lower life sales, good cross-selling ratios



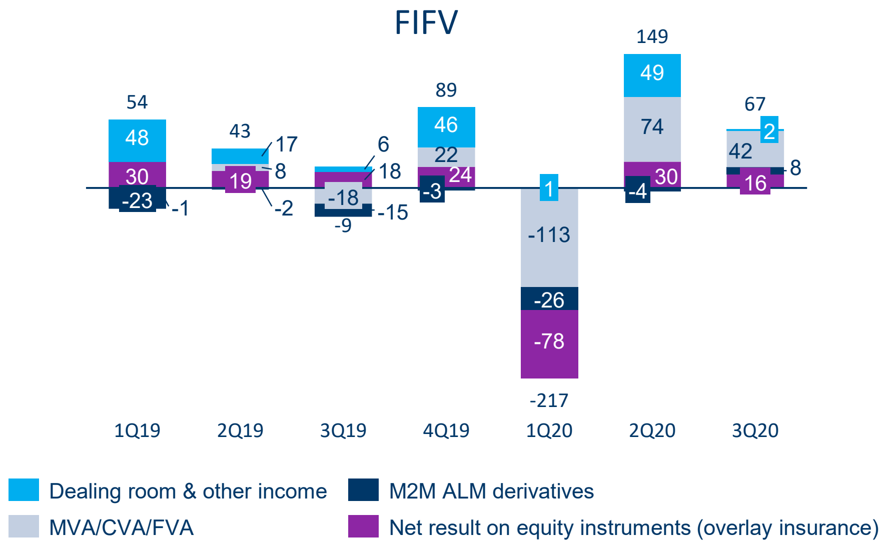


- **Sales of life insurance products**
  - Decreased by 31% q-o-q, but increased by 6% y-o-y
  - The q-o-q decrease was driven by both lower sales of unit-linked products (mainly due to less shifts from mutual funds to unit-linked products by Private Banking clients) and guaranteed interest products (due mainly to the seasonally lower sales of private pension products to self-employed people)
  - The y-o-y increase was driven entirely by higher sales of unit-linked products (due to the shift from mutual funds to unit-linked products by Private Banking clients), only partly offset by lower sales of guaranteed interest products (due mainly to the suspension of universal single life insurance products)
  - Guaranteed interest products and unit-linked products accounted for 55% and 45%, respectively, of life insurance sales in 3Q20

- **Mortgage-related cross-selling ratios**
  - 91.3% for property insurance
  - 82.6% for life insurance

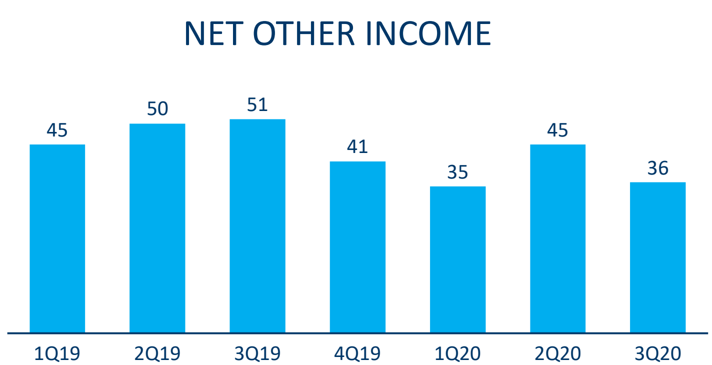
Belgium BU (6): lower FIFV and net other income

Amounts in m EUR



- The q-o-q decline in net gains from financial instruments at fair value was attributable mainly to the strong rebound in 2Q20:
  - a negative change in market, credit and funding value adjustments, although still a positive number (mainly as a result of changes in the underlying market value of the derivatives portfolio due to decreasing counterparty credit spreads & KBC funding spread, despite lower long-term interest rates)
  - lower dealing room income
  - a lower net result on equity instruments (insurance)

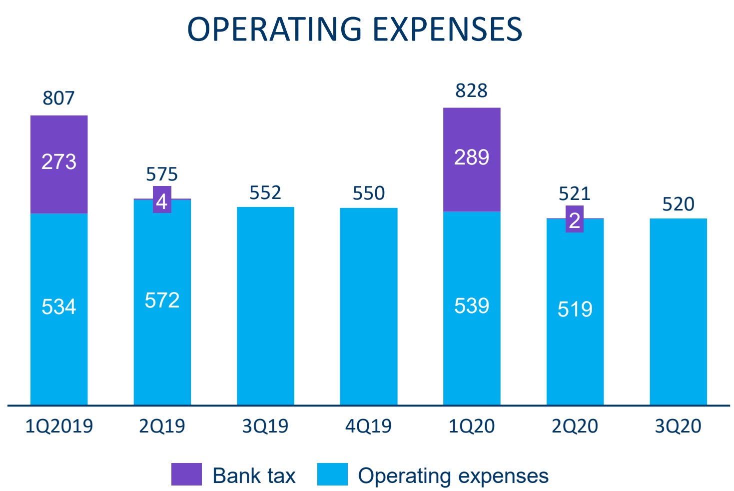
  partly offset by:
  - a positive change in ALM derivatives

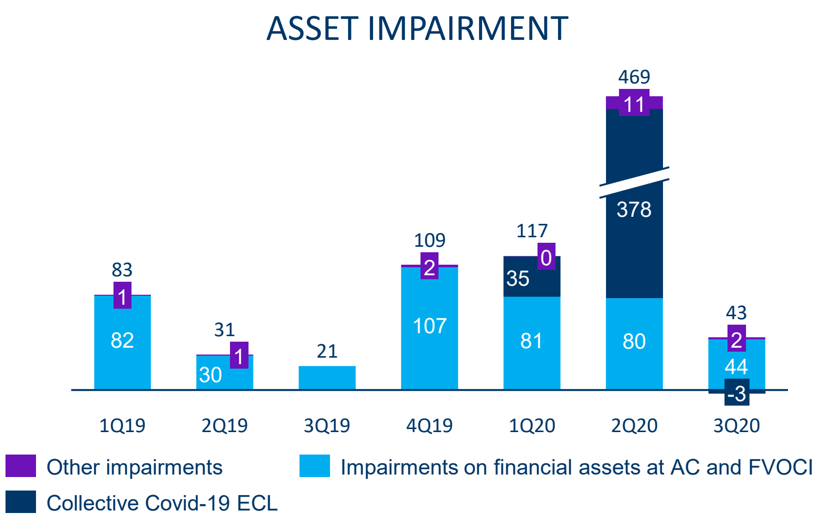


- **Net other income** amounted to 36m EUR in 3Q20

Belgium BU (7): stable opex and sharply lower impairments

Amounts in m EUR



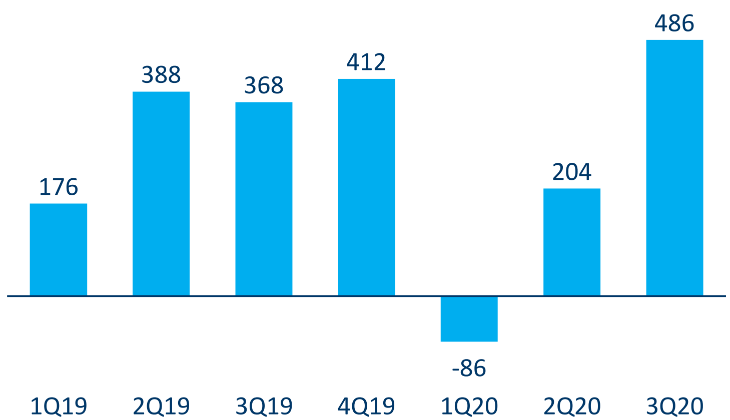


- **Operating expenses**: stable q-o-q and -6% y-o-y
  - Operating expenses without bank taxes roughly stabilised q-o-q as seasonally higher marketing and facilities costs were fully offset by lower ICT costs and professional fees
  - Operating expenses without bank taxes decreased by 6% y-o-y due chiefly to lower staff expenses, ICT costs, marketing and facilities cost
  - Adjusted for specific items, the C/I ratio amounted to 55% in 3Q20 and 57% YTD (60% in FY19)
  - Cost/income ratio: 47% in 3Q20 and 60% YTD

- **Loan loss impairments** decreased to 41m EUR in 3Q20 (compared with 458m EUR in 2Q20), largely due to a 3m EUR reversal of collective Covid-19 ECL booked in 3Q20 versus 378m EUR collective Covid-19 ECL booked in 2Q20. Furthermore, 3Q20 was less impacted by several corporate files compared to 2Q20. **Credit cost ratio** amounted to 23 bps (22 bps in FY19) without collective Covid-19 ECL and 59 bps with collective Covid-19 ECL in 9M20
- **Impaired loans ratio** improved to 2.2%, 1.2% of which over 90 days past due
- Impairment of 2m EUR on 'other'

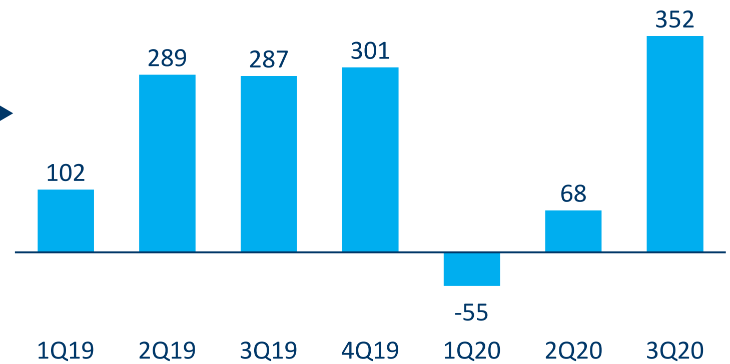
Net result at the Belgium BU

NET RESULT AT THE BELGIUM BU*

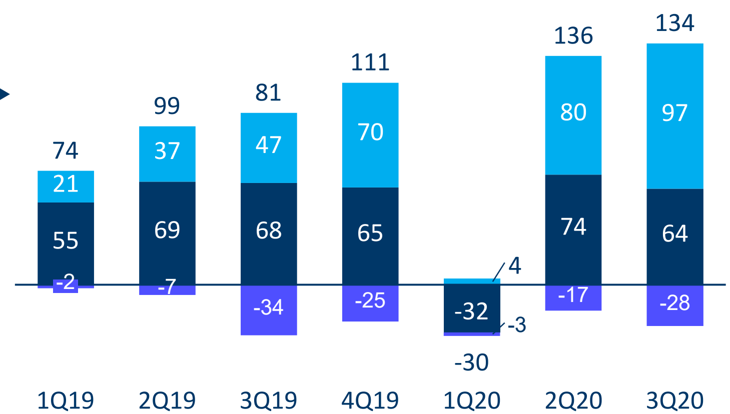


Amounts in m EUR

CONTRIBUTION OF BANKING ACTIVITIES TO NET RESULT OF THE BELGIUM BU*

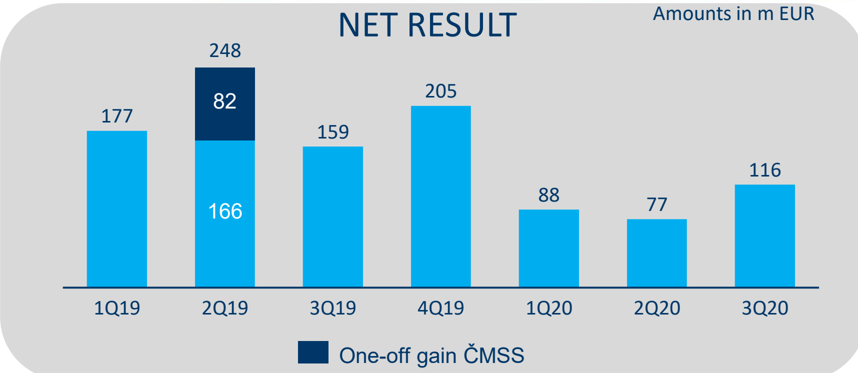


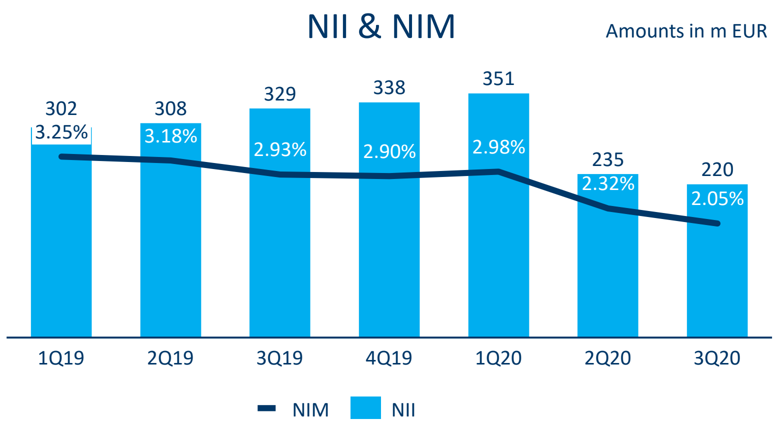
CONTRIBUTION OF INSURANCE ACTIVITIES TO NET RESULT OF THE BELGIUM BU*



* Difference between net profit at the Belgium Business Unit and the sum of the banking and insurance contribution is accounted for by the rounding up or down of figures

Czech Republic BU





Net result of 116m EUR in 3Q20

- +46% q-o-q excluding FX effect due entirely to sharply lower impairments, partly offset by lower net interest income, sharply lower net results from financial instruments at fair value, lower insurance result and higher costs
- Customer deposits (including debt certificates, but excluding repos) rose by 8% y-o-y, while customer loans rose by 2% y-o-y

Highlights

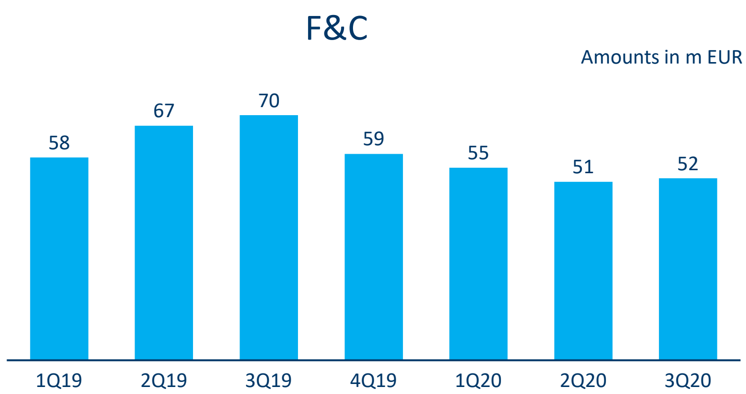
- **Net interest income**
  - -10% q-o-q and -31% y-o-y (both excl. FX effect)
  - Q-o-q decrease primarily due to the further negative impact of CNB rate cuts (from 2.25% early February to 0.25% early May 2020) and lower netted positive impact of ALM FX swap

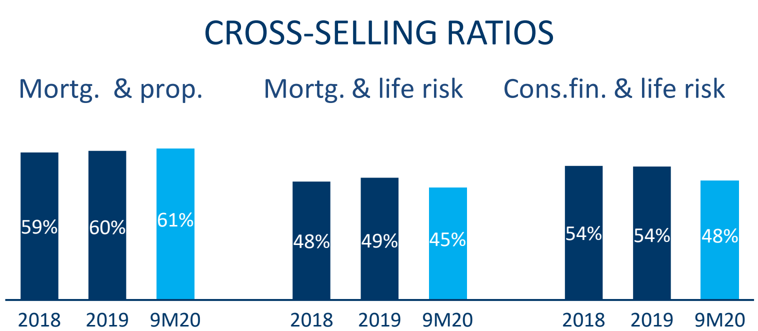
- **Net interest margin**
  - Fell by 27 bps q-o-q due mainly to the repo rate cut in May and an increase of the interest-bearing assets (denominator)

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	28bn	15bn	39bn	10.8bn	1.2bn
Growth q-o-q*	0%	+2%	0%	0%	-3%
Growth y-o-y	+2%	+6%	+8%	+3%	-6%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL
*** Customer deposits, including debt certificates but excluding repos.

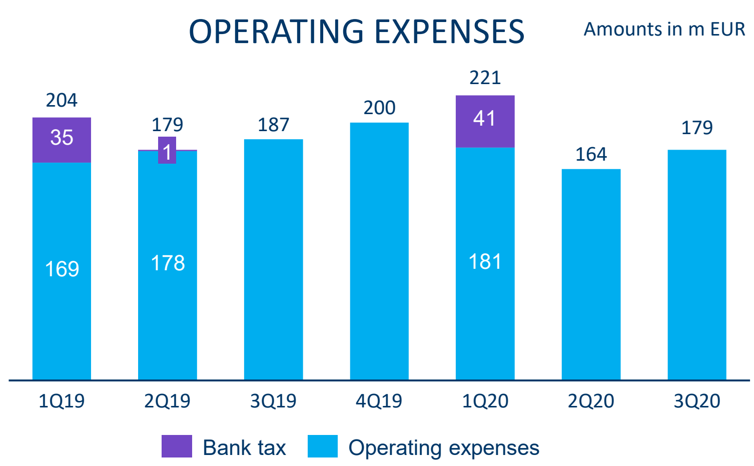
Czech Republic BU

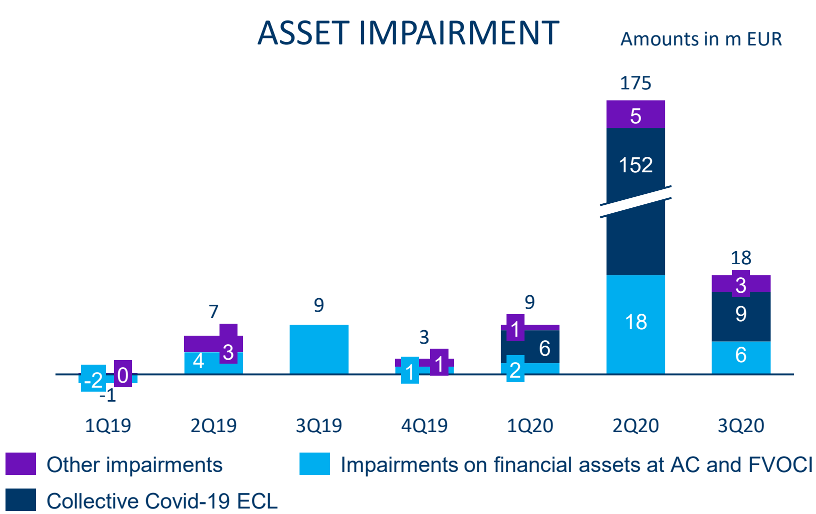




- **Net F&C income**
  - Roughly stable q-o-q and -24% y-o-y (both excl. FX effect)
  - The roughly stable q-o-q net F&C income was the result of higher network income, offset by lower securities-related fees
- **Assets under management**
  - 10.8bn EUR
  - Flat q-o-q
  - +3% y-o-y due to net inflows (+4%), partly offset by a negative price & FX effect (-1%)
- **Trading and fair value income**
  - 74m EUR lower q-o-q net results from financial instruments at fair value (FIFV) to 16m EUR due mainly to lower dealing room results and a negative q-o-q change in market, credit and funding value adjustments
- **Insurance**
  - Insurance premium income (gross earned premium): 128m EUR
    - Non-life premium income (78m EUR) +10% y-o-y excluding FX effect, due to growth in all products (except 'travel' due to Covid-19)
    - Life premium income (50m EUR) +11% q-o-q and -3% y-o-y, excluding FX effect. Q-o-q increase mainly in single life insurance products
  - Combined ratio of 87% in 9M20 (94% in FY19)

Czech Republic BU





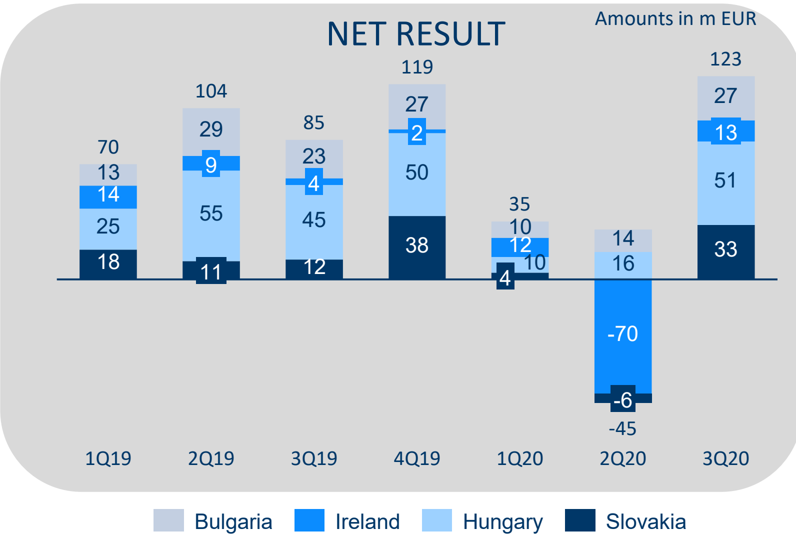
Operating expenses

- 179m EUR; +7% q-o-q and -1% y-o-y, both excluding FX effect and bank taxes
  - Q-o-q increase was due mainly to higher staff expenses (largely due to reduced accrued variable remuneration in 2Q20 and wage inflation in 3Q20), higher professional fees and higher depreciation & amortisation
  - Y-o-y decrease was chiefly the result of lower staff expenses and lower marketing, travel & event costs
- Adjusted for specific items, C/I ratio amounted to roughly 58% in 3Q20 and 51% YTD (47% in FY19)

Loan loss and other impairment

- Loan loss impairments decreased q-o-q due mainly to:
  - much lower collective Covid-19 ECL (9m EUR in 3Q20 versus 152m EUR in 2Q20)
  - only 6m EUR ‘impairments on financial asset at AC’ (versus 18m EUR in 2Q20 due mainly to a few corporate files)
- Credit cost ratio amounted to 0.10% (0.04% in FY19) without collective Covid-19 ECL and 0.64% with collective Covid-19 ECL in 9M20
- Impaired loans ratio improved to 2.1%, 1.1% of which over 90 days past due
- Impairment of 3m EUR on ‘other’

International Markets BU



Net result of 123m EUR

- Slovakia 33m EUR, Hungary 51m EUR, Bulgaria 27m EUR and Ireland 13m EUR

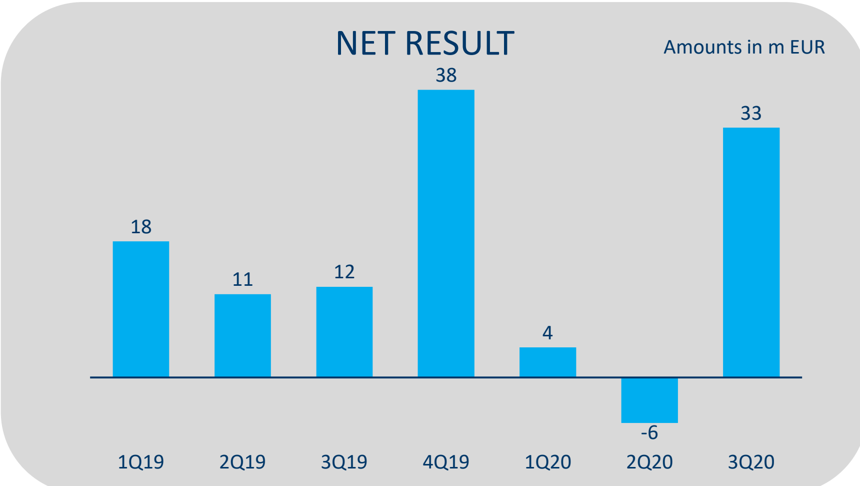
Highlights (q-o-q results)

- Higher net interest income. NIM 2.61% in 3Q20 (+3 bps q-o-q and stable y-o-y)
- Higher net fee and commission income
- Higher result from financial instruments at fair value
- An excellent combined ratio of 82% in 9M20
- Higher non-life & life insurance sales
- Higher costs
- Small net loan loss impairment releases in 3Q20 compared with high loan loss impairment charges in 2Q20. 215m EUR collective Covid-19 impairments were booked in 2Q20, of which 11m EUR was reversed in 3Q20 (small impact from updated IFRS 9 macroeconomic variables and management overlay)

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	26bn	16bn	25bn	5.5bn	0.6bn
Growth q-o-q*	+3%	+2%	+3%	+1%	-2%
Growth y-o-y	+7%	+6%	+11%	+16%	-5%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL
*** Customer deposits, including debt certificates but excluding repos.

International Markets BU - Slovakia



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	8bn	4bn	7bn
Growth q-o-q*	+2%	+4%	+9%
Growth y-o-y	+6%	+11%	+10%

- Non-annualised

** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL

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

Net result of 33m EUR

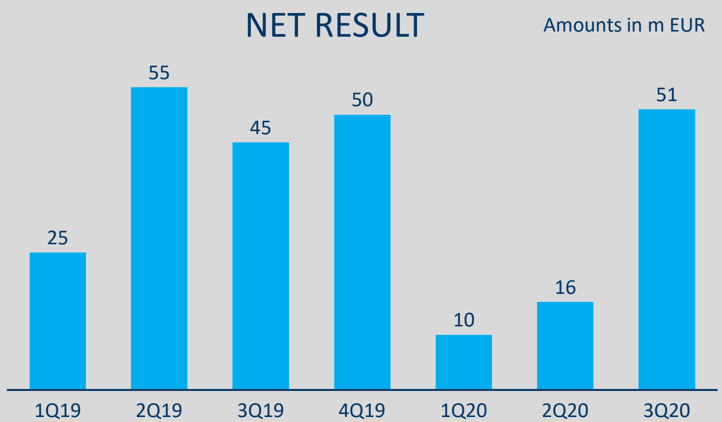
Highlights (q-o-q results)

- Higher net interest income due mainly to loan volume growth
- Slightly higher net fee & commission income as a result of higher payment-related fees
- Lower result from financial instruments at fair value
- Lower net other income
- Excellent combined ratio (83% in 9M20)
- Higher non-life and life insurance sales
- Lower operating expenses due entirely to lower bank taxes
- Net loan loss impairment releases in 3Q20 compared with high loan loss impairment charges in 2Q20 (due almost entirely to 39m EUR collective Covid-19 ECL). 3m EUR of the collective Covid-19 ECL was reversed in 3Q20. Credit cost ratio of 0.19% (0.14% in FY19) without collective Covid-19 ECL and 0.53% with collective Covid-19 ECL in 9M20

Volume trend

- Total customer loans rose by 2% q-o-q and by 6% y-o-y, the latter due entirely to the increasing mortgage portfolio
- Total customer deposits increased by 9% q-o-q and by 10% y-o-y (both due mainly to retail and SME deposits)

International Markets BU - Hungary



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	5bn	2bn	8bn
Growth q-o-q*	+6%	+4%	+2%
Growth y-o-y	+17%	+8%	+22%

* Non-annualised
** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL
*** Customer deposits, including debt certificates but excluding repos.

Net result of 51m EUR

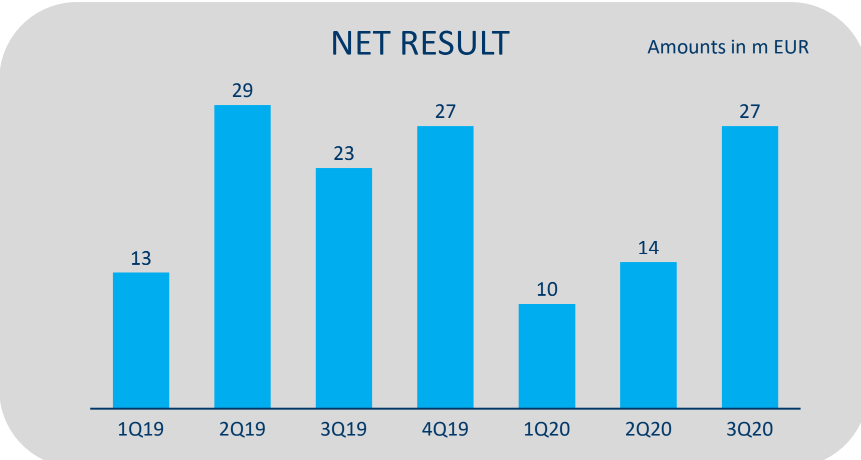
Highlights (q-o-q results)

- Higher net interest income excluding FX effect due chiefly to loan volume growth
- Stable net fee and commission income excluding FX effect due mainly to Covid-19
- Higher net results from financial instruments at fair value
- Excellent combined ratio (84% in 9M20)
- Higher life insurance sales
- Higher operating expenses excluding FX effect due largely to higher staff expenses and higher bank taxes, partly offset by lower professional fees
- Net loan loss impairment releases in 3Q20 compared with high loan loss impairment charges in 2Q20 (due almost entirely to 54m EUR collective Covid-19 ECL). 1m EUR of the collective Covid-19 ECL was reversed in 3Q20. Credit cost ratio of -0.09% (-0.02% in FY19) without collective Covid-19 ECL and 0.89% with collective Covid-19 ECL in 9M20
- Impairment of 5m EUR on ‘other’ (of which 4m EUR as the result of an impairment on a lease contract related to a HQ building)

Volume trend

- Total customer loans rose by 6% q-o-q and by 17% y-o-y, the latter due mainly to corporate and consumer finance loans
- Total customer deposits rose by +2% q-o-q and +22% y-o-y (the latter due to growth in all segments)

International Markets BU - Bulgaria



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	3bn	1bn	5bn
Growth q-o-q*	+3%	+4%	+4%
Growth y-o-y	+12%	+12%	+14%

* Non-annualised

** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL

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

Net result of 27m EUR

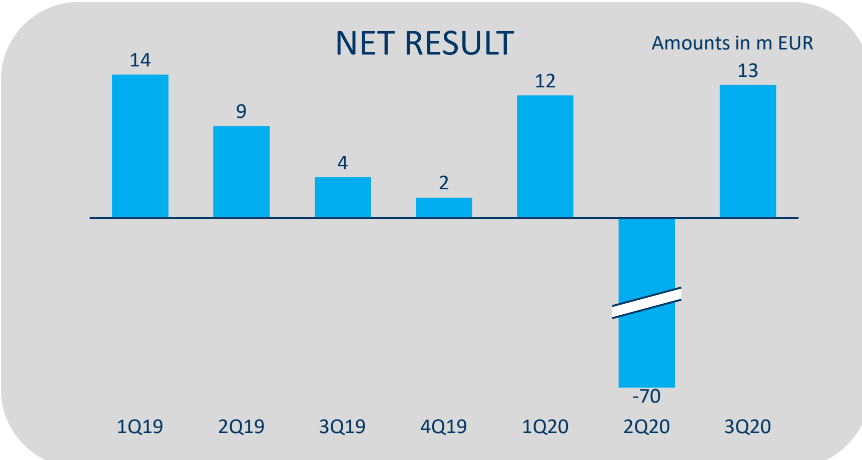
Highlights (q-o-q results)

- Stable net interest income
- Higher net fee and commission income driven mainly by higher fees from payment services
- Excellent combined ratio at 79% in 9M20, positively influenced by slower pace of claims-level normalisation in 3Q20 (after exceptionally low claims level in 2Q20 driven by Covid-19)
- Higher operating expenses due chiefly to higher staff and ICT costs
- Sharply lower net loan loss impairment charges in 3Q20 (as 2Q20 was impacted by 28m EUR collective Covid-19 ECL). Credit cost ratio of 0.17% (0.14% in FY19) without collective Covid-19 ECL and 0.81% with collective Covid-19 ECL in 9M20

Volume trend:

- Total customer loans +3% q-o-q and +12% y-o-y, the latter mainly due to corporates, SMEs and retail mortgages
- Total customer loans: new bank portfolio +3% q-o-q and +16% y-o-y, while legacy -9% q-o-q and -28% y-o-y
- Total customer deposits increased by 4% q-o-q and by 14% y-o-y (the latter due to growth in all segments)

International Markets BU - Ireland



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	10bn	10bn	5bn
Growth q-o-q*	+1%	+1%	-4%
Growth y-o-y	+2%	+2%	-5%

- Non-annualised

** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL

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

Net result of 13m EUR

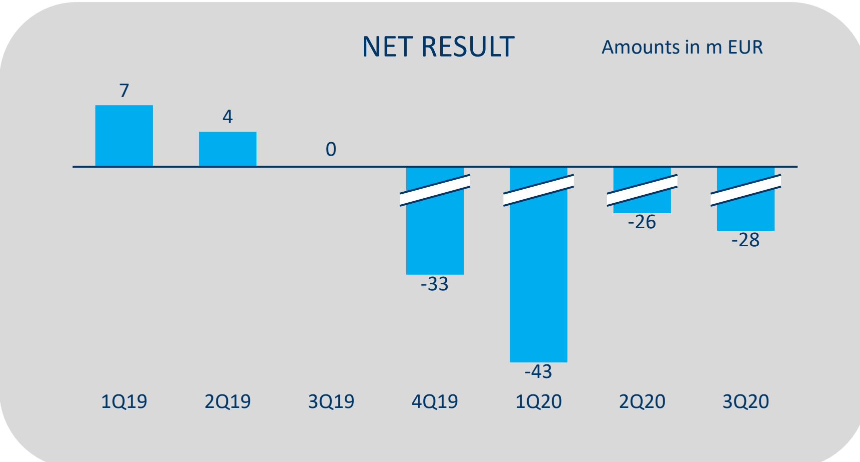
Highlights (q-o-q results)

- Higher net interest income due mainly to lower funding costs (due mainly to the positive impact of TLTRO3) and higher mortgage margins
- Higher net results from financial instruments at fair value
- Lower net other income due to an additional impact of the tracker mortgage review of -6m EUR (a.o. 18m EUR tracker mortgage fine, of which 14m EUR was already provisioned in 3Q19)
- Higher expenses due to higher bank taxes
- No additional net loan loss impairment charges in 3Q20 (as 2Q20 was impacted by 95m EUR collective Covid-19 ECL). Credit cost ratio of 0.02% (-0.32% in FY19) without collective Covid-19 ECL and 0.94% with collective Covid-19 ECL in 9M20

Volume trend

- Total customer loans rose by 2% y-o-y driven by new production of fixed rate mortgages
- Total customer deposits decreased by 4% q-o-q and by 5% y-o-y as the increase in retail deposits was more than offset by the deliberate decrease in expensive corporate and credit union deposits

Group Centre



Net result of -28m EUR

The net result for the Group Centre comprises the results from activities and/or decisions specifically made for group purposes (see table below for components)

Highlights (q-o-q results)

The small q-o-q deterioration was attributable mainly to:

- lower net results from financial instruments at fair value due largely to a negative change in M2M ALM derivatives
- higher costs
- lower ceded reinsurance result

partly offset by:

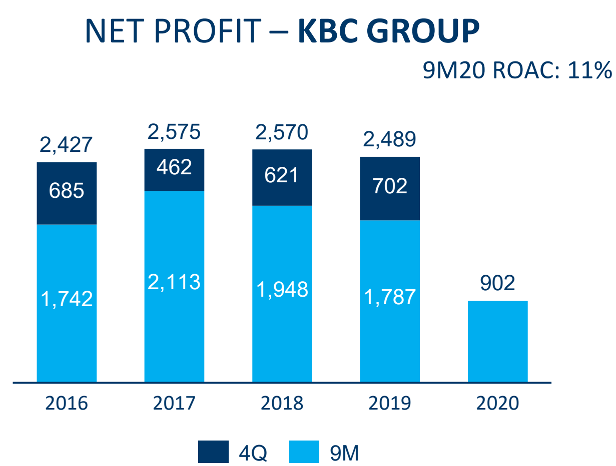
- higher net interest income due to the positive impact of TLTRO3 (+9m EUR q-o-q)

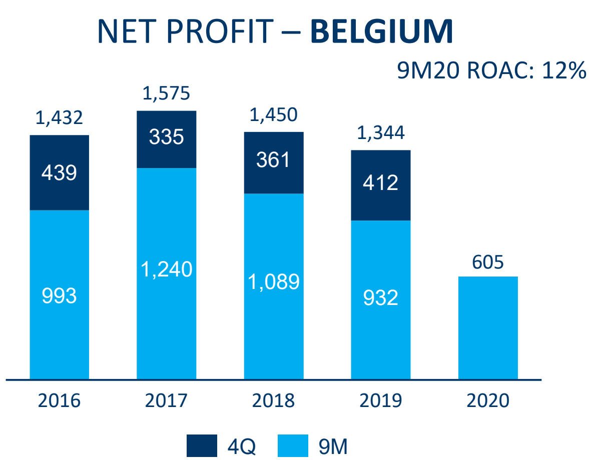
BREAKDOWN OF NET RESULT AT GROUP CENTRE	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
Group item (ongoing business)	**2**	**-1**	**-12**	**-35**	**-46**	**-25**	**-24**
Operating expenses of group activities	-18	-14	-14	-34	-15	-18	-20
Capital and treasury management	-3	-7	-9	-8	-11	-6	1
Holding of participations	-11	21	1	-2	-3	-1	2
Group Re	0	8	-3	11	7	3	3
Other	34	-9	12	-2	-25	-3	-10
Ongoing results of divestments and companies in run-down	**4**	**5**	**12**	**2**	**3**	**-1**	**-4**
Total	**7**	**4**	**0**	**-33**	**-43**	**-26**	**-28**

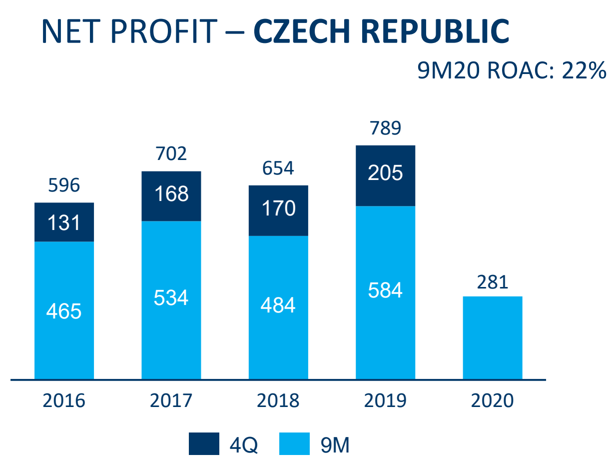
Amounts in m EUR

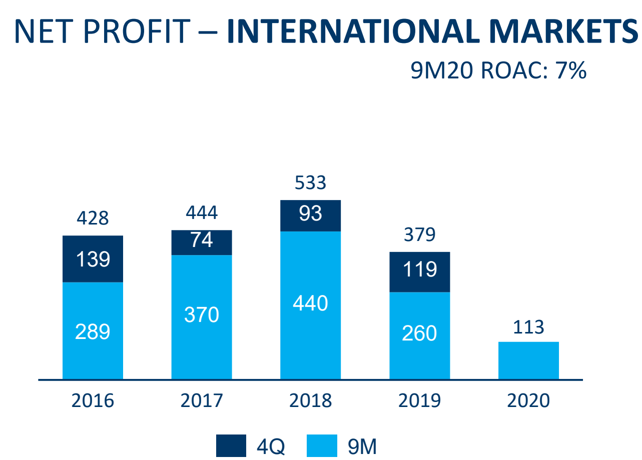
Overview of contribution of business units to 9M20 result

Amounts in m EUR



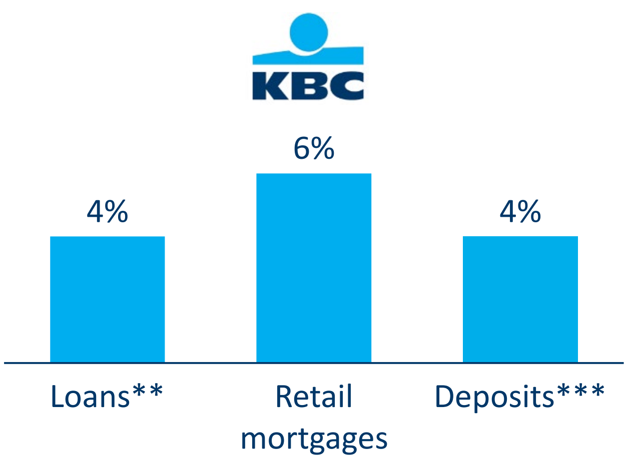


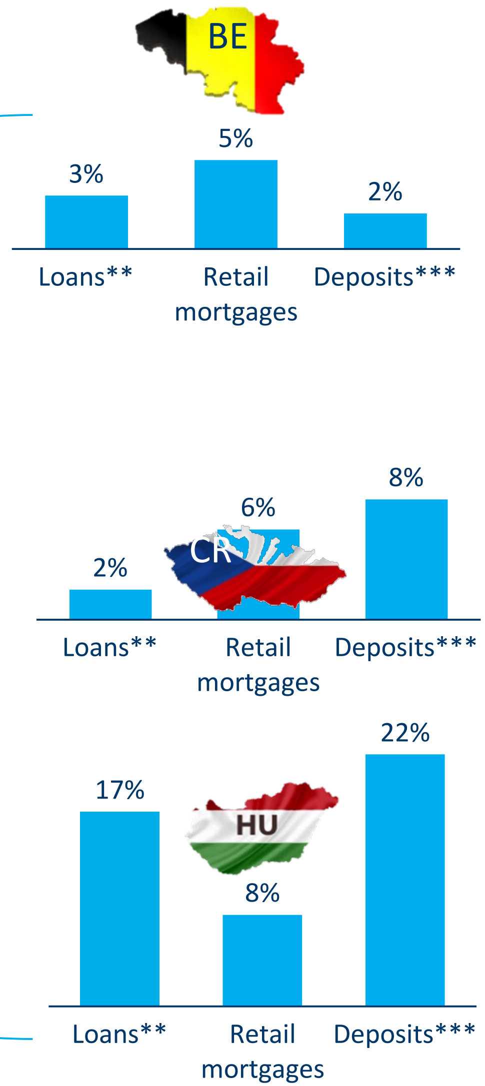


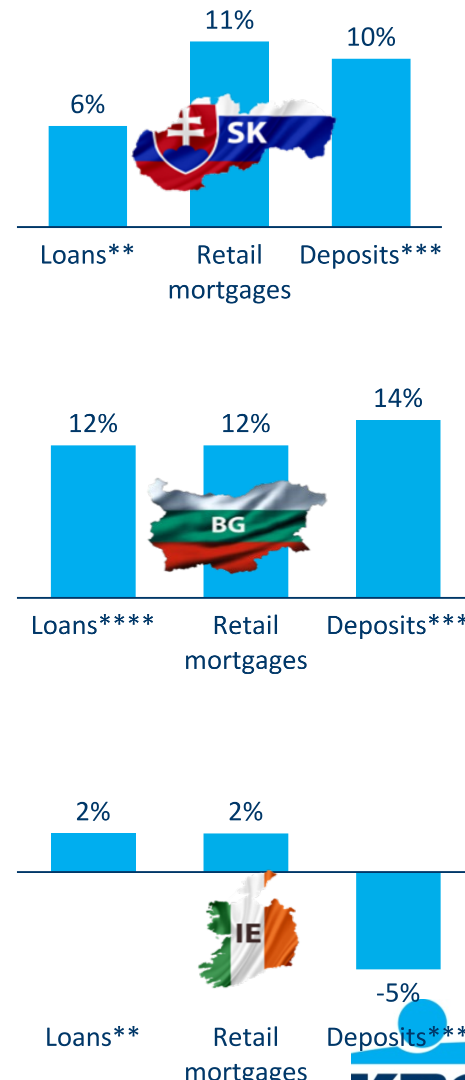


Balance sheet:
Loans and deposits continue to grow in all countries

Y-O-Y ORGANIC* VOLUME GROWTH







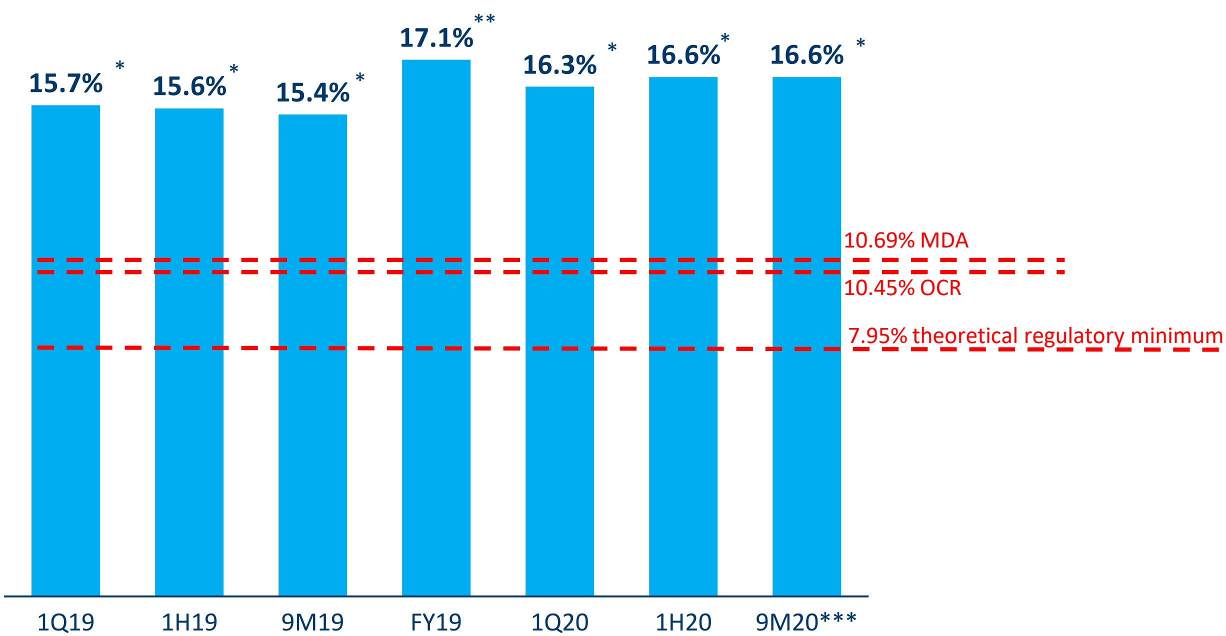
* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos
**** Total customer loans in Bulgaria: new bank portfolio +16% y-o-y, while legacy -28% y-o-y

Section 4

Strong solvency and solid liquidity

Strong capital position (1)

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



* No IFRS interim profit recognition given the more stringent ECB approach

** Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share

*** The impact of transitional was limited to 2 bps at the end of 9M20 as there was no profit reservation. At year-end 2020, the impact of the application of the transitional measures is expected to result in a positive impact on CET1 of 56 bps compared to fully loaded

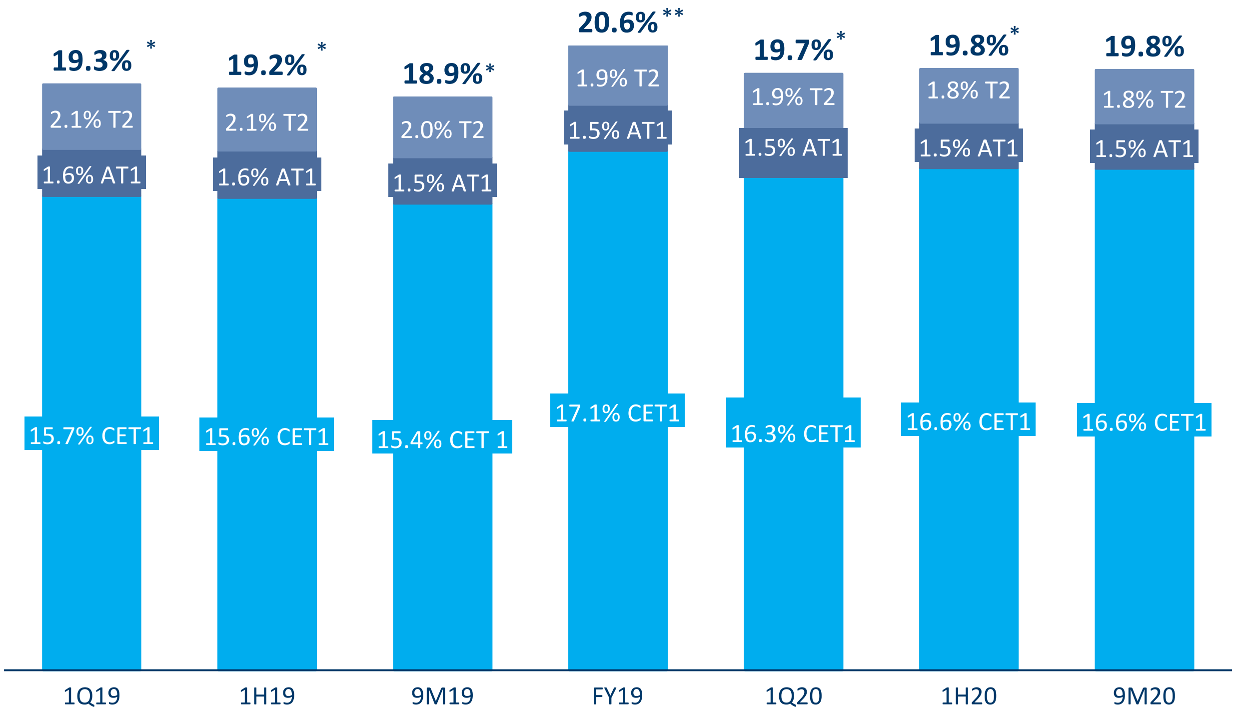
- **The fully loaded common equity ratio stabilised q-o-q at 16.6%** at the end of 9M20 based on the Danish Compromise, despite 1bn EUR RWA add-ons for anticipated PD migrations

- KBC's CET1 ratio of 16.6% at the end of 9M20 represents a solid capital buffer:
  - **8.6% capital buffer compared with the current theoretical minimum capital requirement of 7.95%** (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - **6.1% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45%** (which still includes the 2.50% capital conservation buffer on top of the 7.95%)
  - **5.9% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.69%** (given small shortfall in AT1 and T2 bucket)

- The difference between fully loaded CET1 ratio and the IFRS9 transitional CET1 ratio only amounted to 2 bps in 3Q20 ***

Strong capital position (2)

Fully loaded Basel 3 total capital ratio (Danish Compromise)



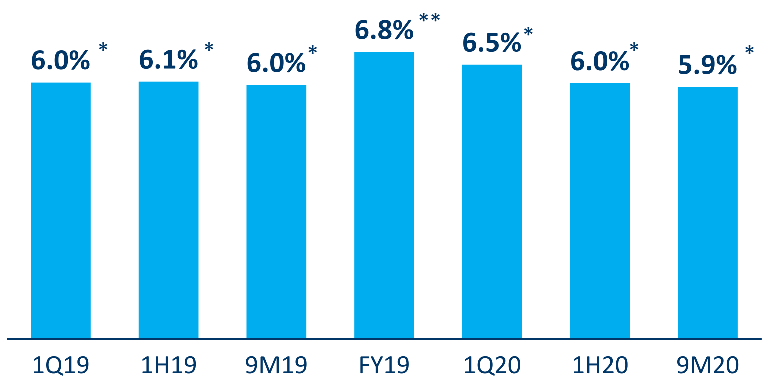
- **The fully loaded total capital ratio stabilised q-o-q at 19.8% at the end of 9M20**

* No IFRS interim profit recognition given more stringent ECB approach

** Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share

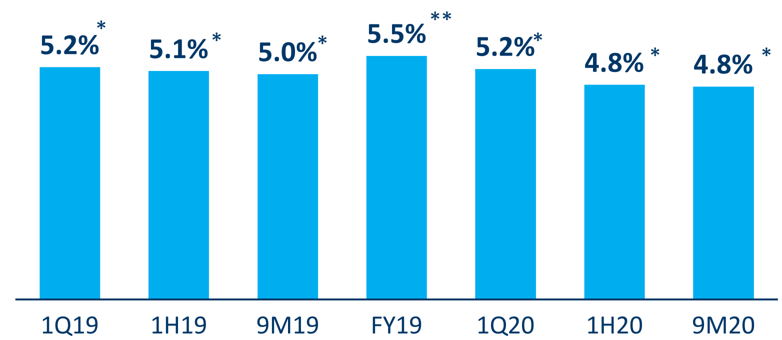
Fully loaded Basel 3 leverage ratio and Solvency II ratio

Fully loaded Basel 3 leverage ratio at KBC Group



* No IFRS interim profit recognition given more stringent ECB approach
** Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share

Fully loaded Basel 3 leverage ratio at KBC Bank



* No IFRS interim profit recognition given more stringent ECB approach
** Taking into account the adjustment of the final dividend over 2019

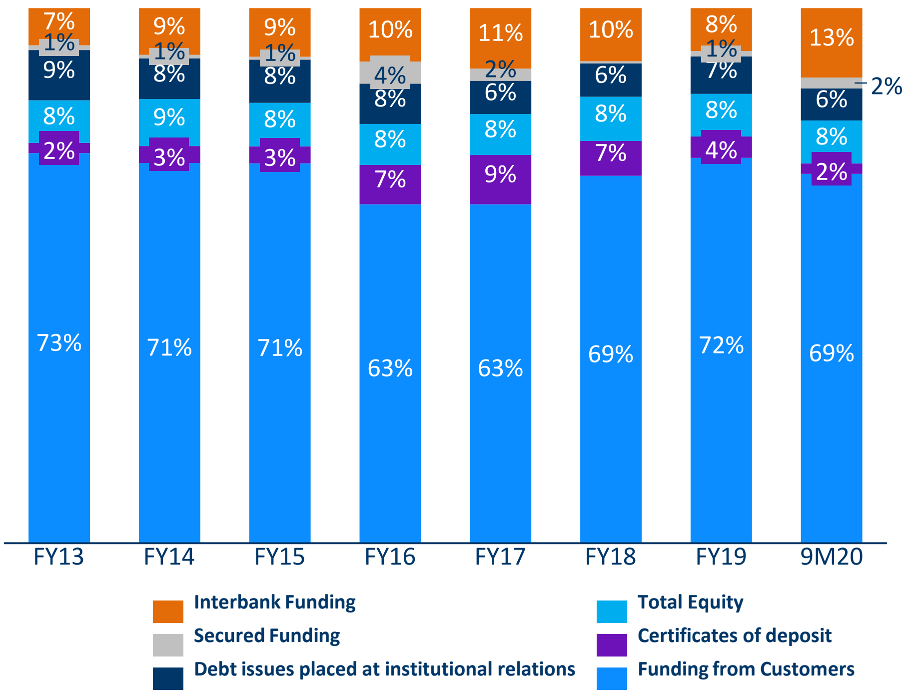
Solvency II ratio

	1H20	9M20
Solvency II ratio	198%	196%

- The q-o-q delta in the Solvency II ratio was mainly driven by a lower compensating effect of the volatility adjustment

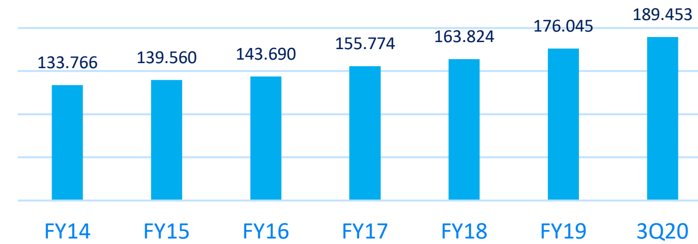
Strong customer funding base with liquidity ratios remaining very strong

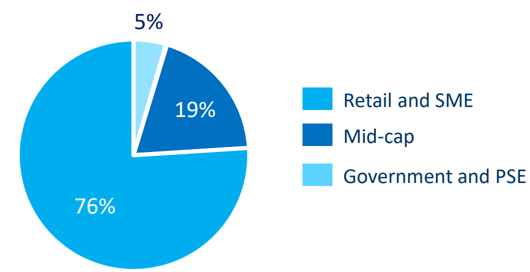
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments and markets
- KBC Bank **participated to the TLTRO III transaction for an amount of 19.5bn EUR in June** (bringing the total TLTRO exposure to 21.9bn EUR), which significantly increased its funding mix proportion and is reflected in the 'Interbank Funding' item below



69% customer driven

Funding from customers (m EUR) of KBC Banking Group





Ratios	FY19	9M20	Regulatory requirement
NSFR*	136%	146%	≥100%
LCR**	138%	142%	≥100%

- **NSFR is at 146% and LCR is at 142% by the end of 9M20**
  - 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.*

Section 5

Looking forward

Looking forward

Economic outlook

- Our base scenario assumed a strong positive growth rebound in 3Q20, while the temporary restrictive policy measures in response to the second wave of the pandemic, such as renewed partial or full lockdowns, will at least temporarily disrupt the road to recovery. However, the respective governments are doing their best to limit the direct impact of these measures on economic activity as much as possible. We expect European unemployment rates to go up in the second half of 2020 as well as in 2021. Main other risk factors include an end of the Brexit transition phase without an EU-UK agreement, as well as renewed tensions in the economic conflict between the US and China

Group guidance

- We are increasing our FY20 NII guidance from 4.4bn EUR to 4.5bn EUR ballpark figure
- We reiterate our FY20 guidance for opex excluding bank taxes (roughly -3.5% y-o-y)
- Also our estimate for FY20 impairments (on financial assets at AC and at FVOCI) remains unchanged at roughly 1.1bn EUR as a result of the coronavirus pandemic. Depending on a number of events such as the length and depth of the economic downturn, the significant number of government measures in each of our core countries, and the unknown number of customers who will call upon these mitigating actions, we estimate the FY20 impairments to range between roughly 0.8bn EUR (optimistic scenario) and roughly 1.6bn EUR (pessimistic scenario)
- So far, the impact of the coronavirus lockdown on digital sales, services and digital signing has been very positive. KBC is clearly benefiting from the digital transformation efforts made in the past
- B4 has been postponed by one year (as of 1 January 2023 instead of 2022)
- We will provide a strategy update this afternoon, while new long-term financial guidance as well as our capital deployment plan will be updated together with the FY20 results

Annex 1

Company profile

KBC Group in a nutshell (1)

✓ We want to be among Europe's best performing financial institutions! By achieving this, KBC wants to become the reference in bank-insurance in its core markets

- We are a leading European financial group with a focus on providing bank-insurance products and services to retail, SME and mid-cap clients, in our core countries: Belgium, Czech Republic, Slovakia, Hungary, Bulgaria and Ireland.

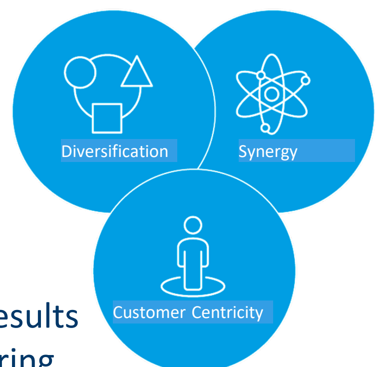
✓ Diversified and strong business performance

… geographically

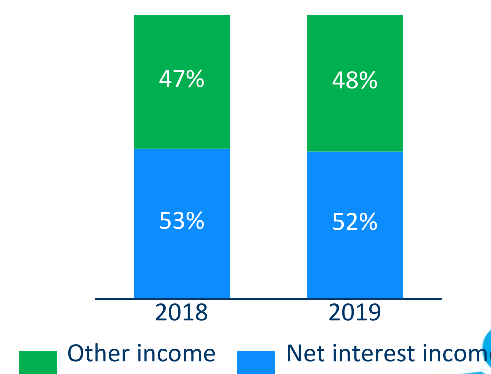
- Mature markets (BE, CZ, IRL) versus developing markets (SK, HU, BG)
- Economies of BE & 4 CEE-countries highly oriented towards Germany, while IRL is more oriented to the UK & US
- Robust market position in all key markets & strong trends in loan and deposit growth

… and from a business point of view

- An integrated bank-insurer
- Strongly developed & tailored AM business
- Strong value creator with good operational results through the cycle
- Unique selling proposition: in-depth knowledge of local markets and profound relationships with clients
- Integrated model creates cost synergies and results in a complementary & optimised product offering
- Broadening 'one-stop shop' offering to our clients



KBC Group: topline diversification 2018-2019 (in %)

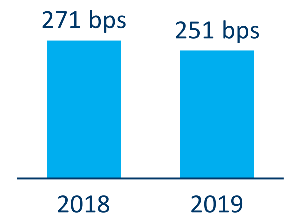


KBC Group in a nutshell (2)

✓ High profitability

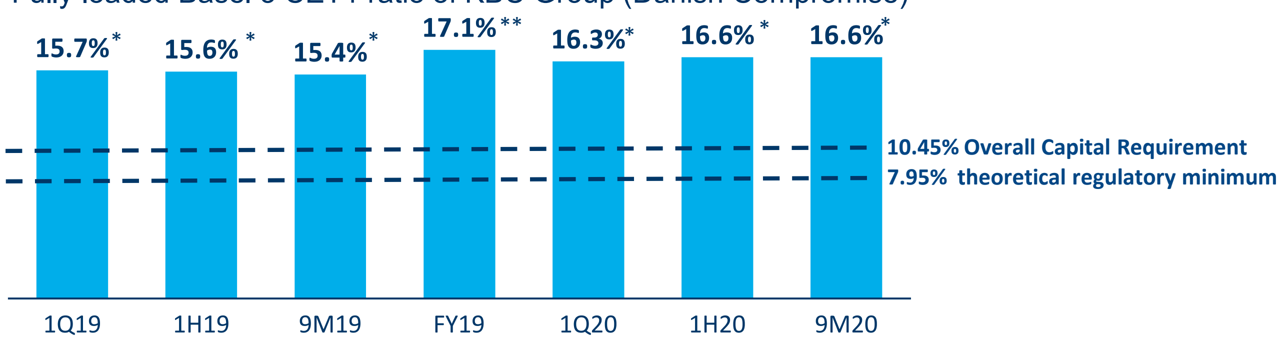
	C/I ratio	Combined ratio	Net result	ROE
FY19	58%	90%	2489m EUR	14%
9M20	59%	83%	902m EUR	7%

CET1 generation before any deployment



✓ Solid capital position...

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



* No IFRS interim profit recognition given more stringent ECB approach

** Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share

✓ ... and robust liquidity positions

	NSFR	LCR
FY19	136%	138%
9M20	146%	142%

KBC Group in a nutshell (3)

✓ We aim to be one of the better capitalised financial institutions in Europe

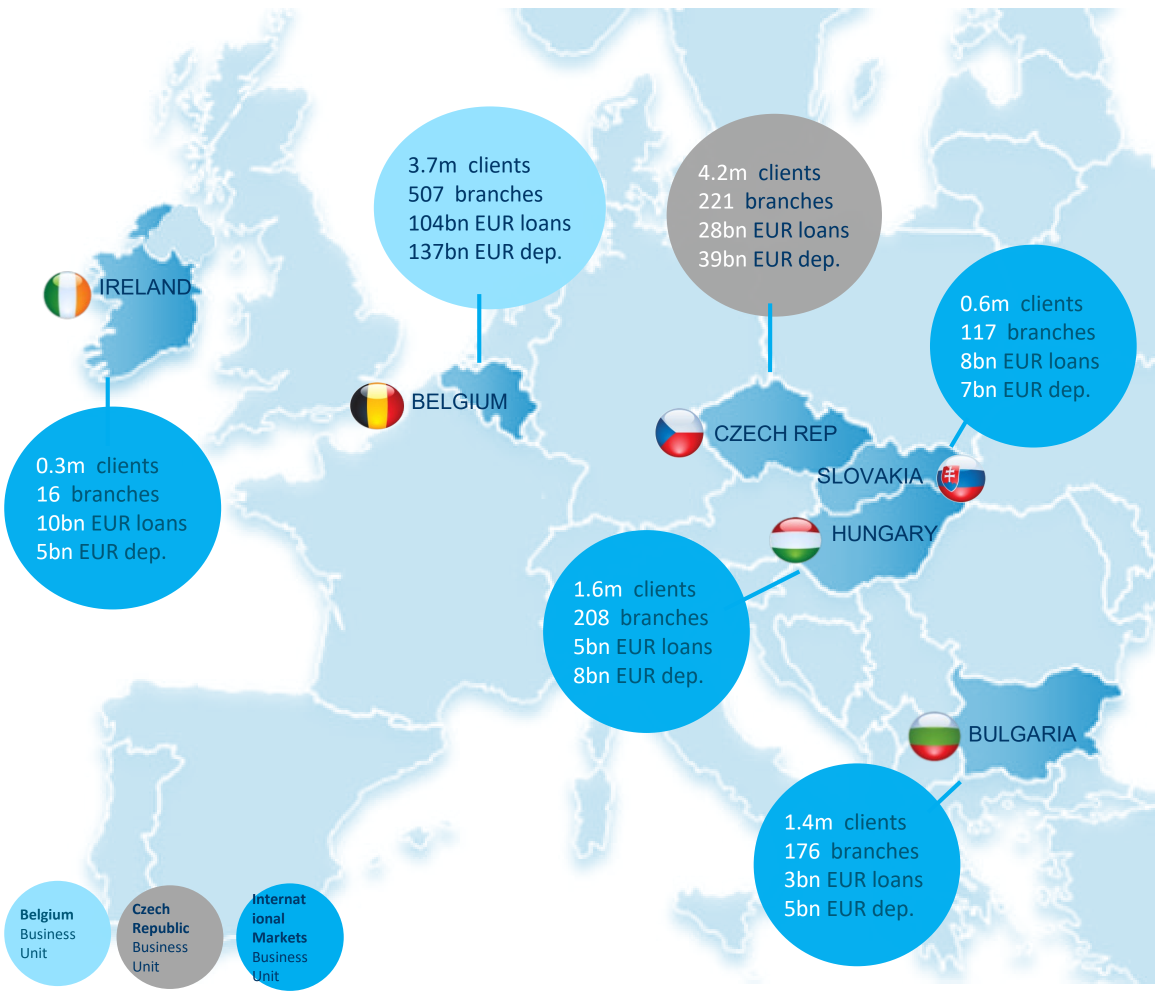
- On 28 July 2020, the European Central Bank extended its recommendation not to pay dividends and not to buy back shares until January 2021. In line with the recent ECB recommendation, we cannot execute our usual dividend policy. As a consequence, no interim dividend will be paid out in Nov'20
- KBC's CET1 ratio of 16.6%* at end 9M20 represents a solid capital buffer:
  - 8.6% capital buffer compared with the current theoretical minimum capital requirement of 7.95% (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - 6.1% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45% (which still includes the 2.50% capital conservation buffer on top of the 7.95%)
  - 5.9% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.69% (given small shortfall in AT1 and T2 bucket)
- Any M&A opportunity will be assessed subject to very strict financial and strategic criteria

* No IFRS interim profit recognition given more stringent ECB approach

✓ Capital distribution to shareholders (usual policy)

- Payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit
- Interim dividend of 1 EUR per share in November of each accounting year as an advance on the total dividend.
- As we find ourselves in unprecedented circumstances and as the economic impact of the coronavirus pandemic on the economy is still very uncertain, it is too early days to make statements about the capital distribution to shareholders as it will also depend on different regulatory measures and the stance the ECB will take later on this year/beginning of next year.
- We will announce an update of our capital deployment plan together with the FY20 results

Well-defined core markets



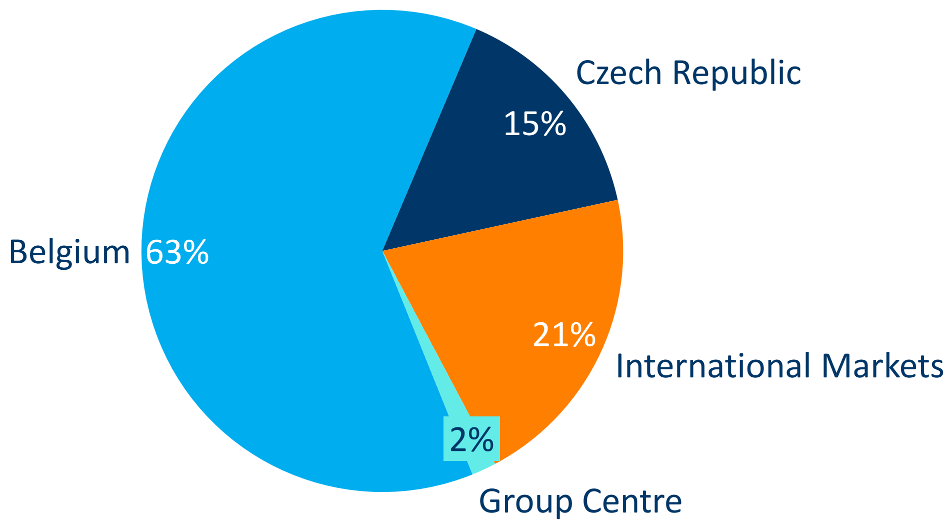
Market share (end 2019)	BE	CZ	SK	HU	BG	IRL
Loans and deposits	20%	21%	10%	10%	10%	9%*
Investment funds	30%	24%	7%	13%	16%	
Life insurance	13%	8%	3%	3%	23%	
Non-life insurance	9%	8%	4%	8%	10%	

Real GDP growth	BE	CZ	SK	HU	BG	IRL
% of Assets	63%	20%	3%	3%	2%	4%
2019	1.4%	2.5%	2.4%	4.9%	3.4%	5.5%
2020e	-9.0%	-7.0%	-8.0%	-6.2%	-8.0%	-5.0%
2021e	5.1%	4.7%	6.1%	5.0%	5.0%	4.0%

GDP growth: KBC data, Sept '20
* Retail segment

Business profile

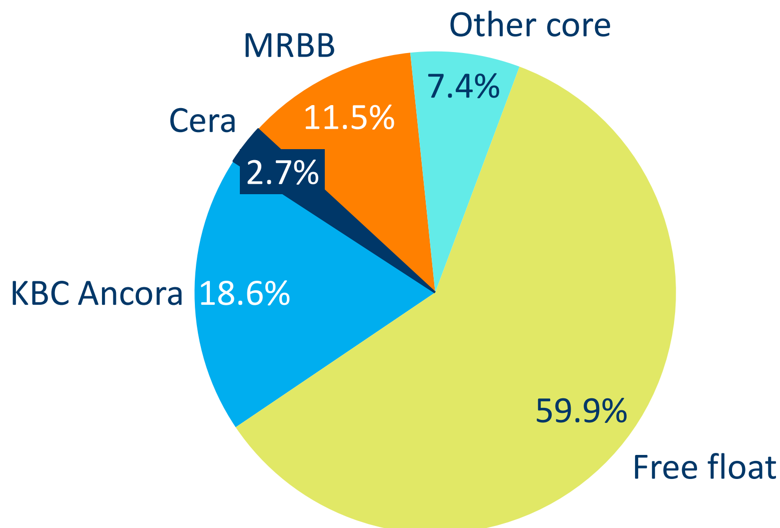
BREAKDOWN OF ALLOCATED CAPITAL (FULLY LOADED) BY BUSINESS UNIT AS AT 30 SEPTEMBER 2020



- KBC is a leading player (providing bank-insurance products and services to retail, SME and mid-cap clients) in Belgium, the Czech Republic and its 4 core countries in the International Markets Business Unit

Shareholder structure

SHAREHOLDER STRUCTURE AT END 9M20



- Roughly 40% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals. Committed shareholders include the Cera/KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of Belgian industrialist families
- The free float is held mainly by a large variety of international institutional investors

Annex 2

Differently: the next level

KBC is the reference: The winning factors

Trust

Capitalising on the trust customers place in us today

Customer experience

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

Straight-through processes

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

Personalised solutions

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

Broad offer

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

Beyond bank-insurance

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

Differently: the next level

Products and services are top-notch

KBC relies on its own products for Financial Services
i.e. Closed product architecture

KBC relies on 3rd parties for non-financial services
KBC acts as gate-keeper in these eco-systems

KBC's products and services are top-notch
of high standards, simple and easy to use (zero-hassle)

Requires investments in E2E processes
These processes need to be digital first

Continuously improving the customer journey by matching identified customer needs with high-end personalised product & services that solve these needs

Kate, your digital assistant

Hyper personalised and trusted financial digital assistant

PERSONALISED & DATA DRIVEN

The interaction between the customer and Kate will be triggered by data analysis (approval granted by customer). Kate will be trained on the basis of the customer's profile, preferences and activities

RELEVANT & VALUABLE OFFER

Kate will only propose offers where sufficient added value is shown or when she can serve the client in an important moment in the client's live

DIGITAL FIRST & E2E

We will offer the client a frictionless End2End digital process and in doing so make bank/insurance simple and hassle free

AT THE RIGHT TIME

Lead journeys driven by time or location are preferably taken care of by Kate, as notifications linked to a specific location or specifying moment in time are perceived as highly personal

SERVING: SECURE & FRICTIONLESS

Kate will help the client saving time and/or money, focusing more on the convenience factor. Kate will also serve the client regarding security and fraud

VOLUME

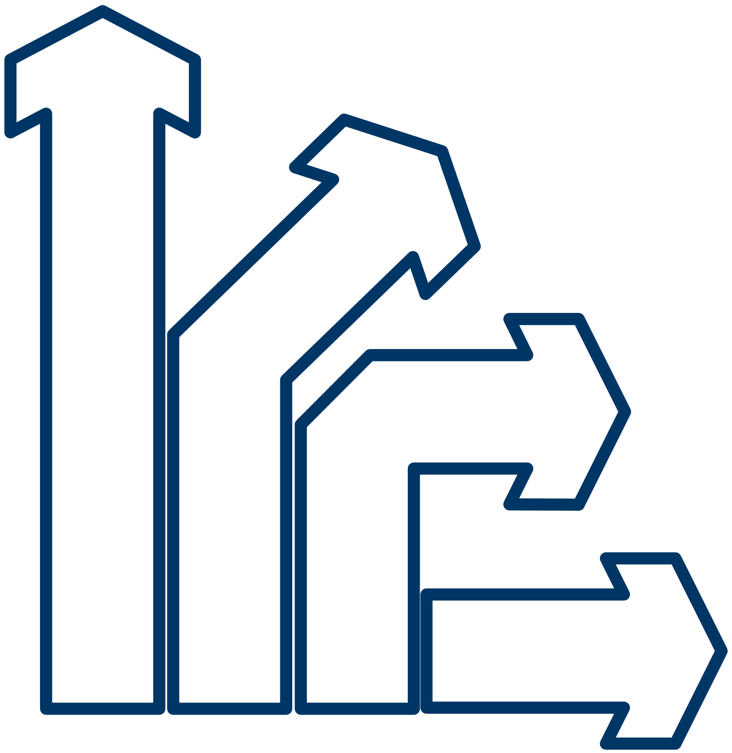
We want all our clients to meet Kate as much as possible. Kate will allow us to reach out to a sufficient volume of clients, in terms of transactions and in terms of number of targetable audience

'No hassle, no friction, zero delay'
Johan Thijs

KBC

Differently: the next level

Digital lead management: From data driven to solution driven



LEVEL 4: Fully automated lead life cycle management

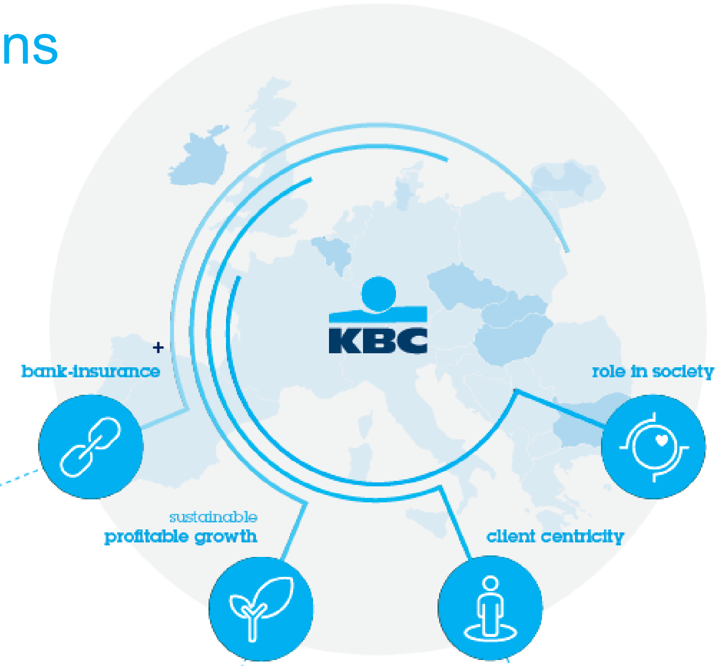
LEVEL 3: AI-powered lead life cycle management

LEVEL 2: Lead life cycle management

LEVEL 1: Basic lead management

Differently: the next level

The strong basis remains



We diversify our income

Bank-insurance remains key
However, we reduce our dependency on interest income
by increasing our insurance income and our fee income

We build our future capabilities

The future is continuously changing
So we have to adapt quickly
This means we prepare ourselves
by acting on trends in our daily bank-insurance activities
and through small investments and experiments
We make smart decisions
so we don't waste money

pearl +

We think local. We create together

We always keep the needs of our local clients in mind
We avoid duplication by copying and sharing ideas
We develop shared solutions in communities
And we take advantage of our scale in non-client facing activities
Because collaboration allows us to deliver
a better, faster service to our clients

We think client. We act digital

We design for a digital world
even when we are selling face to face
This digital way of working makes us even more
responsive and sets us apart from the competition
Our clients want simple, hassle-free solutions
So we simplify our processes and
procedures to facilitate that

We partner

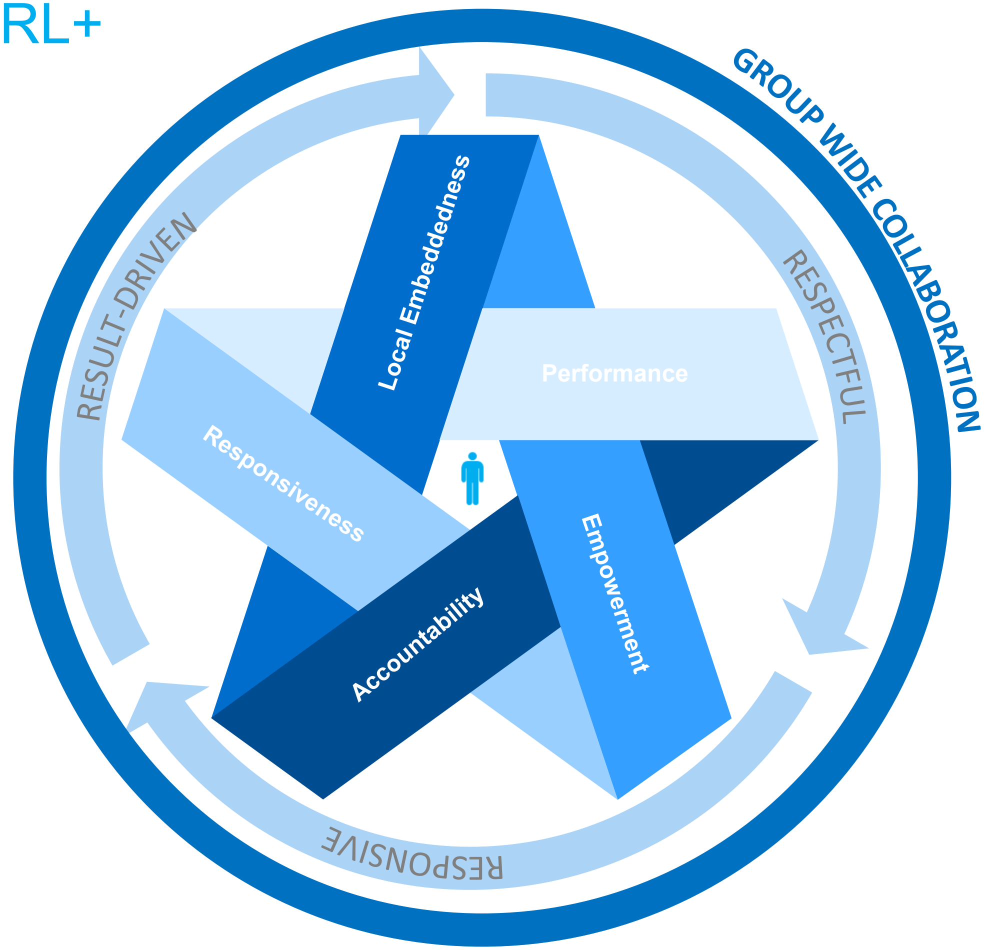
We improve our solutions to meet our clients' needs
by collaborating with partners, like fintechs and even competitors
and creating an IT environment partners can easily plug in and out of

We embrace artificial intelligence

We change our interaction with our clients over time
Technical innovation will help us advise our clients even better
Because human interaction and artificial intelligence reinforce each other

Differently: the next level

Powered by PEARL+

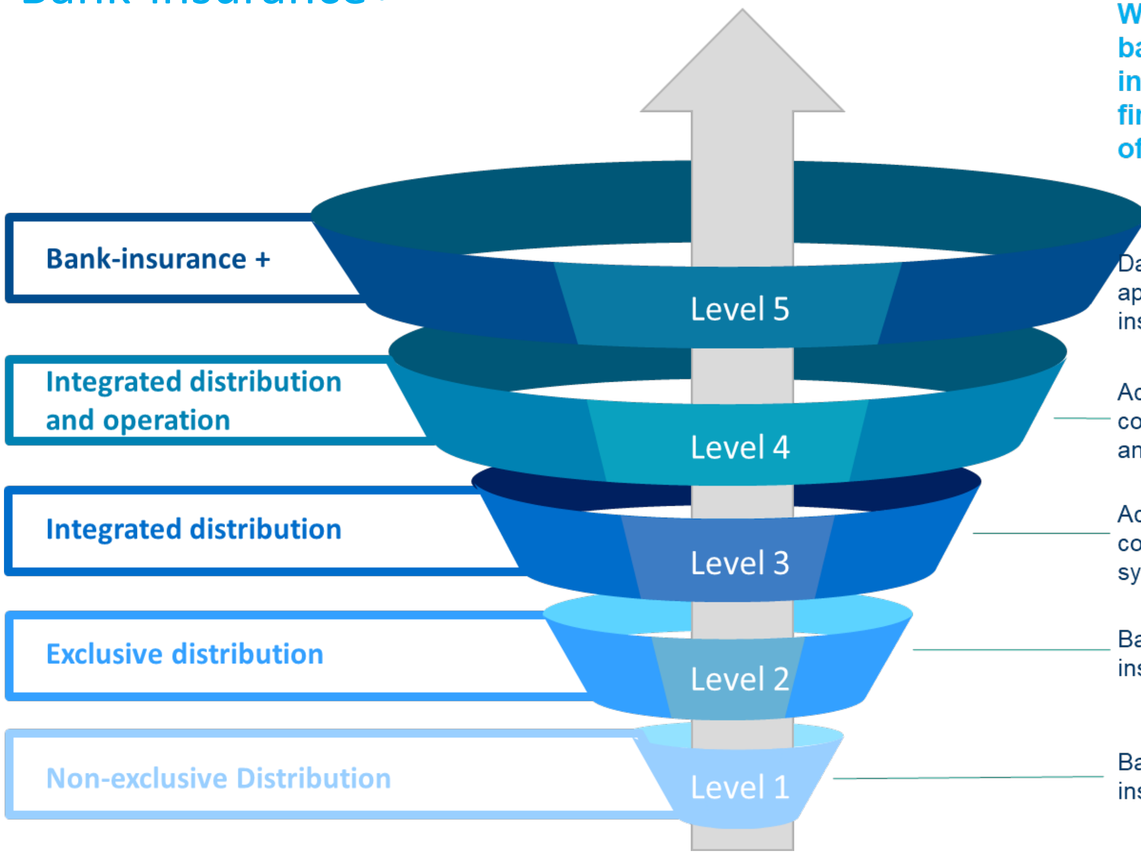


‘Why would you build exactly the same thing in your country, when you have the solution next door?’
Johan Thijs

Differently: the next level

Bank-insurance+

We move beyond traditional bank-insurance towards bank-insurance + providing not only traditional bank-insurance solutions but also less traditional non-financial solutions that impact the financial wellness of retail customers or the future of their business.



Data driven organisation: Fully integrated digital first distribution approach based on a solution driven and AI enabled bank-insurance.

Acting as a single operational company: bank and insurance company working under unified governance, realizing commercial and non-commercial synergies.

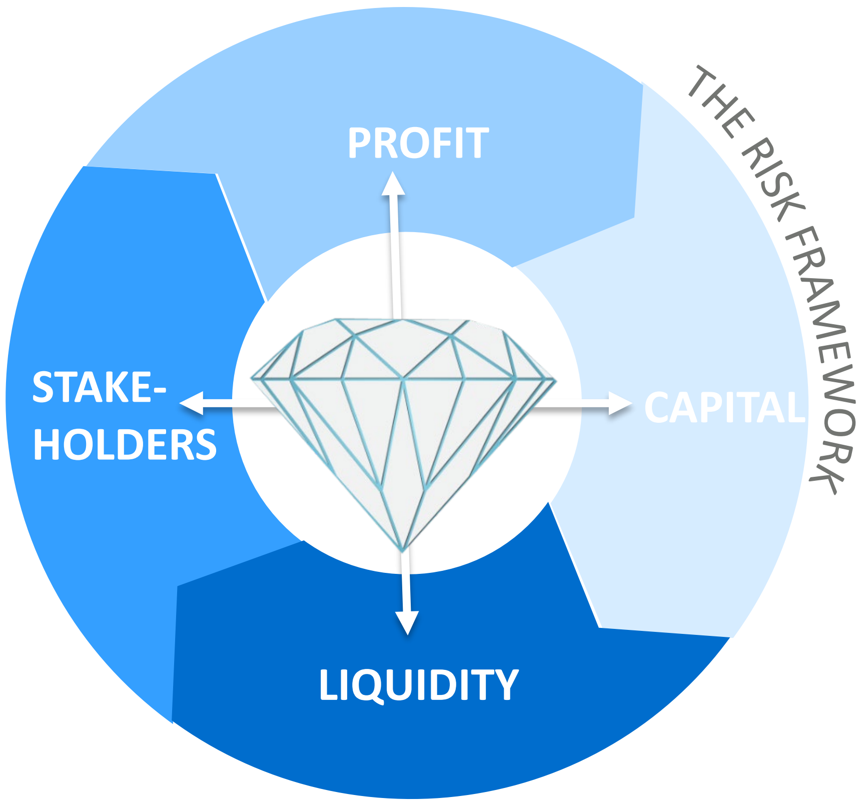
Acting as a single operational company: bank and insurance company working under unified governance, realizing commercial synergies.

Bank branches sell insurance products from intra-group insurance companies as additional source of income.

Bank branches selling insurance products of third party insurers as additional source of income.

Differently: the next level

Monitored through the KBC performance diamond

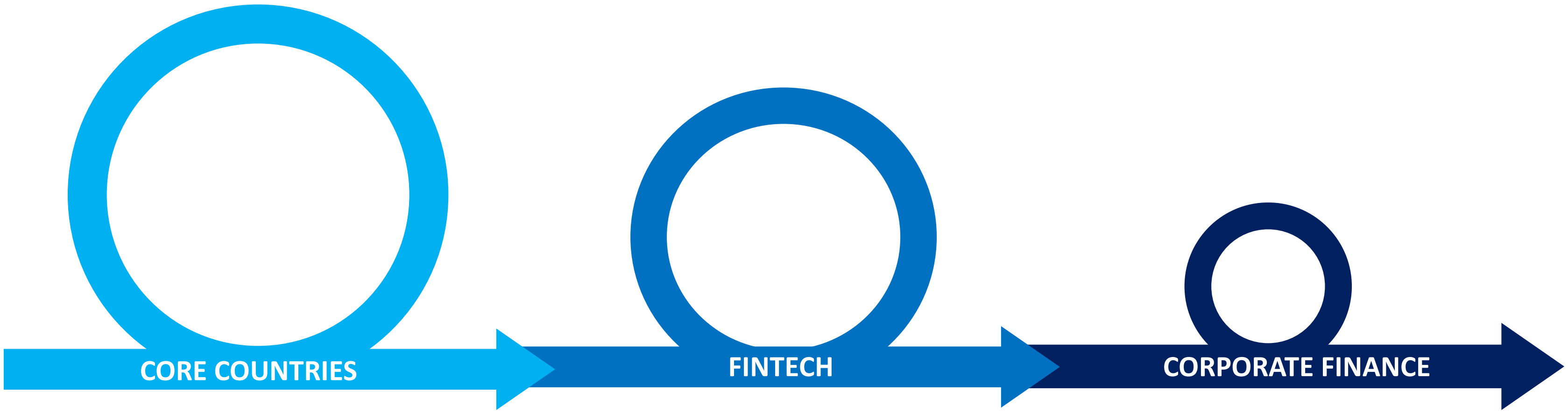


The performance diamond defines, within the limits of the risk management framework, the targets for KBC Group and for all the business units for 4 performance dimensions:

- **NET PROFIT**
- **CAPITAL**
- **LIQUIDITY**
- **STAKEHOLDERS**
  Clients, staff, society, shareholders

Differently: the next level

Geographical playing field



Strategy remains focused on our 6 core countries, where we continue to look for bolt-on acquisitions

Developing a FinTech network: next to partnerships, FinTechs can be acquired in order to support the implementation of our strategy by addressing our current white spots

Additionally we reviewed the focus of KBC Securities and are developing an advisory services franchise, adapted to our midcap corporate banking client base in our core countries, whilst allowing a limited expansion as well in our neighboring countries, leveraging on international networks

Differently: the next level

Retail/SME vs SME/corporate: same approach – different speeds

DIGITAL

- ✓ Trusted partner for financial and related services (Bank-Insurance+)
- ✓ Intelligent digital assistant ‘KATE’ that pro-actively takes the hassle to fulfill financial needs away from the client
- ✓ We offer convenience by simplifying daily activities
- ✓ KBC relies on its own solutions for financial services. For non-financial related services we rely on 3rd parties

PHYGITAL

- ✓ Trusted partner for financial and ‘strategically adjacent’ services
- ✓ The human factor remains paramount, through accountmanagers, with data and technology acting as prime levers
- ✓ a strong regional advisory services franchise
- ✓ Strategic adjacent services ensure a complete integrated Bank-Insurance + customer journey and offer

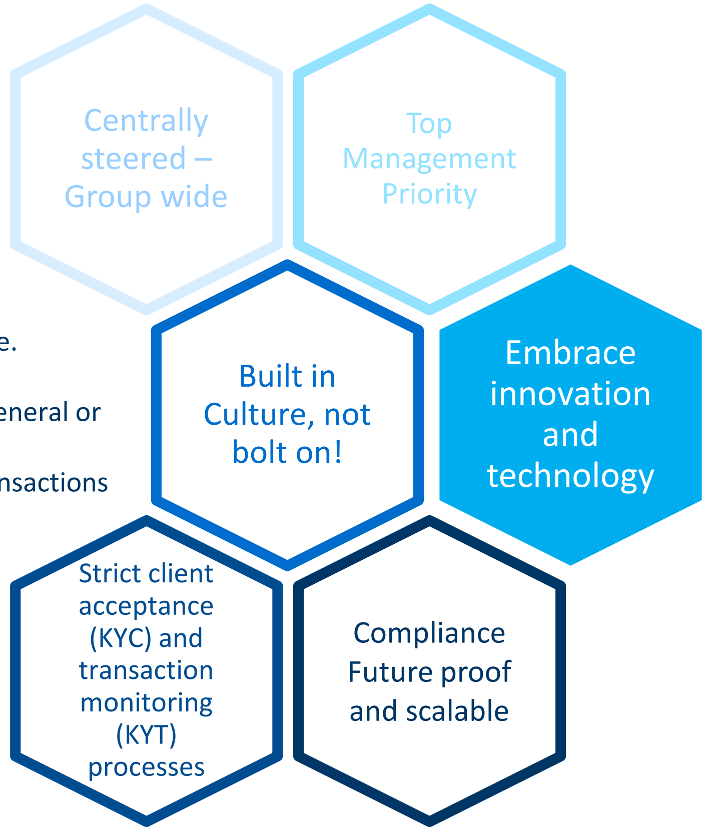
Differently: the next level

Taking AML to the next level

- Compliance groupwide function with clear governance structure
- Identical building blocks in different countries
- International cooperation supported by Expertise Board

- Constantly improving awareness and culture.
- Constantly updated rules and policies
- Career long training and e-learning, more general or dedicated to client facing staff
- Clear guidelines with regards to atypical transactions

- Part of the integration process in M&A
- Very limited N° of non-resident clients
- Regular updates of client information (supported by Big Data and AI)
- Behavioural analysis + use of scenario tools



- Responsible behavior top priority of CEO
- Periodic reporting to highest management levels

- **Advanced data driven detection.**
- **Advanced monitoring tools using AI engine (algorithmic self-learning model)**
- **Rule-based → trend-based**

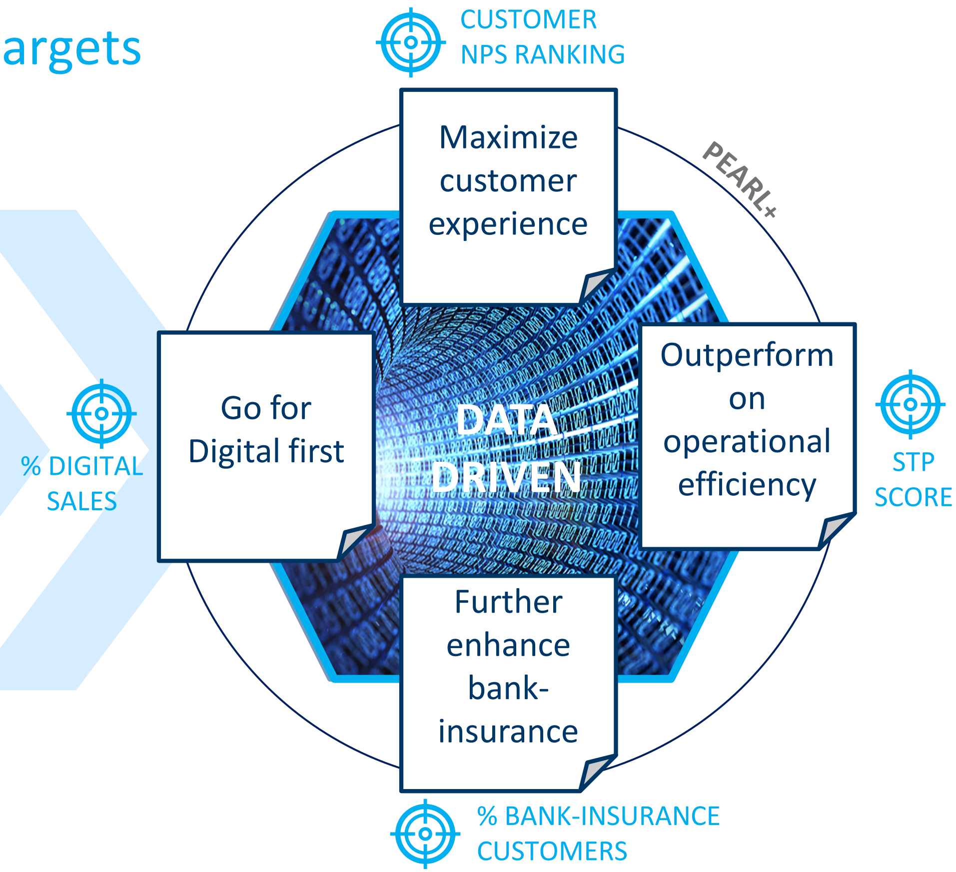
- Increased focus on monitoring and constant quality control
- First layer of defence is network

Differently: the next level

Translating strategy into non-financial targets

From key priorities to operational targets

- No hassle, no frills, zero-delay customer experience
- Proactive personalized financial solutions via DATA and AI
- Re-design & automation of all processes
- Bank-insurance+
- Digital lead management: from data driven to solution driven
- Group-wide collaboration

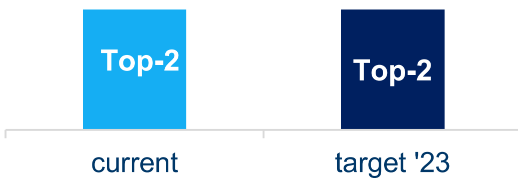


Differently: the next level

Translating strategy into non-financial targets

Introducing 4 new operational targets (1)

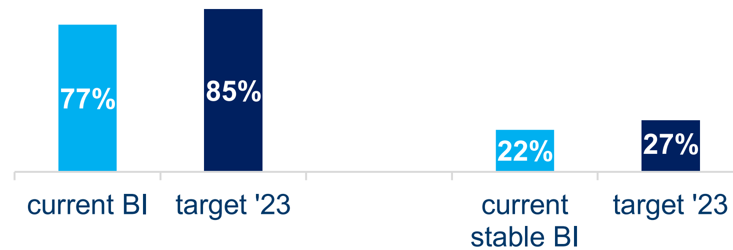
Customer NPS ranking



- ➢ Target is to remain the reference (top-2 score on group level)

Based on weighted avg of ranking in six core countries

% bank-insurance (BI) clients



- ➢ ≥85% of active customers to be BI customers
- ➢ ≥27% of active customers to be stable BI customers

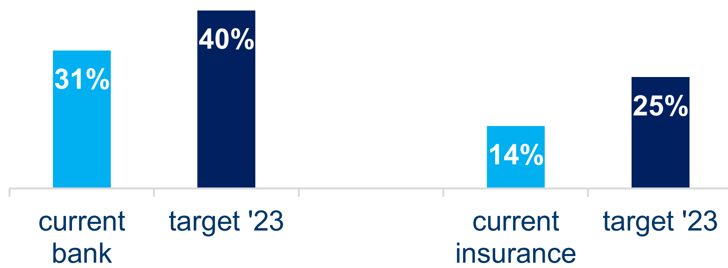
BI customers have at least 1 bank + 1 insurance product of our group.
Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3).

Differently: the next level

Translating strategy into non-financial targets

Introducing 4 new operational targets (2)

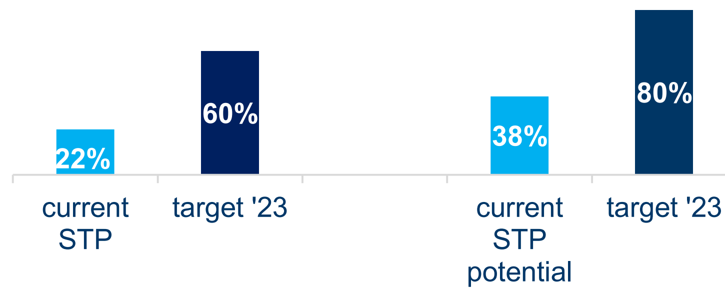
% digital sales (bank / insurance)



- ➢ Digital sales ≥40% of bank sales
- ➢ Digital sales ≥25% of insurance sales

Based on weighed avg of selected core products

STP score*
(straight through processing)



- ➢ STP ≥60% and STP potential ≥80%

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

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

* Based on analysis of core commercial products.

Our sustainability strategy

The cornerstones of our sustainability strategy and our commitment to the United Nations Sustainable Development Goals

Limiting our adverse impact

We apply strict sustainability rules to our business activities in respect of human rights, the environment, business ethics and sensitive or controversial social themes. In the light of constantly changing societal expectations and concerns, we review and update our sustainability policies at least every two years.

Increasing our positive impact

We are focusing on areas in which we, as a bank-insurer, can create added value: financial literacy, entrepreneurship, environmental awareness and demographic ageing and/or health. In doing so, we take into account the local context of our different home markets. Furthermore, we also support social projects that are closely aligned with our policy.

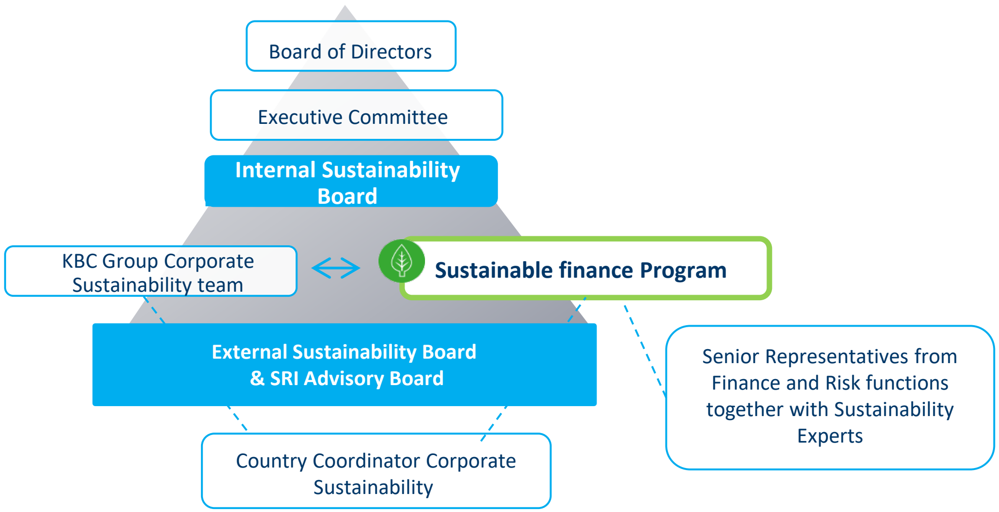
Responsible behaviour

Responsible behaviour is especially relevant for a bank-insurer when it comes to appropriate advice and sales. Therefore, we pay particular attention to training (including testing) and awareness. For that reason, responsible behaviour is also a theme at the KBC University, our senior management training programme, in which the theory is taught and practised using concrete situations. Senior managers are then tasked with disseminating it throughout the organisation.

KBC

Our sustainability strategy

Sustainability embedded in our organisation



- The Group Executive Committee reports to the BOARD OF DIRECTORS on the sustainability strategy, including policy on climate change.
- The INTERNAL SUSTAINABILITY BOARD (ISB) is chaired by the Group CEO and comprises senior managers from all business units and core countries, the Group CFO (as chairman of Sustainable Finance Steering Committee) and the Corporate Sustainability General Manager. The ISB has group-wide decision rights on all sustainability-related issues (including our climate approach) and is the main platform for driving sustainability at group level. It debates and takes decisions on any sustainability-related matter, both at a strategic level and in more operational terms.
- The CORPORATE SUSTAINABILITY DIVISION is headed by the Corporate Sustainability General Manager and reports directly to the Group CEO. The team is responsible for developing the sustainability strategy and implementing it across the group. The team monitors and informs the Executive Committee and the Board of Directors on progress twice a year via the KBC Sustainability Dashboard.

- A SUSTAINABLE FINANCE PROGRAMME to focus on integrating the climate approach within the group. It oversees and supports the business as it develops its climate-resilience in line with the TCFD recommendations and the EU Action Plan.
- The programme is overseen by a SUSTAINABLE FINANCE STEERING COMMITTEE chaired by the Group CFO. Via the KBC Sustainability Dashboard, progress is discussed regularly within the Internal Sustainability Board, the Executive Committee and the Board of Directors. The latter is used to evaluate the programme's status report once a year.

- In addition to our internal organisation, we have set up EXTERNAL ADVISORY BOARDS to advise KBC on various aspects of sustainability. They consist of experts from the academic world:
  - An EXTERNAL SUSTAINABILITY BOARD advises the Corporate Sustainability Division on KBC sustainability policies and strategy.
  - An SRI ADVISORY BOARD acts as an independent body for the SRI funds and oversees screening of the socially responsible character of the SRI funds offered by KBC Asset Management.

Our sustainability strategy

Latest achievements

2020 achievements:

- Update of KBCs energy policy and implementation of the biodiversity policy
- Asset management joins the Climate Action 100+
- KBC, CBC and the European Investment Bank (EIB) together make 300m EUR available to Belgian SMEs for sustainable loans (focus on climate and agriculture lending)
- Solar panels on the roof of a KBC building (BE)

2019 achievements:

- **We signed the Collective Commitment to Climate Action, an initiative of the UNEP FI (Sep 2019)**
- The entire range of KBC sustainable funds is fully compliant with the Febelfin quality standard for sustainable investment
- KBC signed the Tobacco-Free Finance Pledge drawn up by the international organisation Tobacco Free Portfolios
- KBC signed the ‘Open letter to index providers on controversial weapons exclusions’ – an investor initiative coordinated by Swiss Sustainable Finance
- We continued to build on ‘Team Blue’ – a group-wide initiative at KBC to strengthen ties and promote cooperation among all the group’s staff in the different countries in which KBC operates

Sustainable finance (KBC Group, in millions of euros)	2019	2018
Green finance		
Renewable energy and biofuel sector	1 768	1 235
Social finance		
Health care sector	5 783	5 621
Education sector	975	943
Socially Responsible Investments		
SRI funds under distribution	12 016	8 970
Total	**20 542**	**16 769**

For the latest sustainability report, we refer to the KBC.COM website: *https://www.kbc.com/en/corporate-sustainability/reporting.html*

Our sustainability strategy

Preparing for a science-based approach

We have launched 3 pilot projects (PACTA, PCAF and UNEP FI) working on a series of tools and methodologies :
(1) to enhance our ability to identify and to translate climate-related risks and opportunities in our strategy
(2) quantify the indirect impact of our most carbon-intensive sectors and business lines

Pilots

PACTA Paris Agreement Capital Transition Assessment

- The first results of the pilot indicate that KBC appears to be less exposed to industrial groups active in the 7 high-carbon sectors (fossil fuels, power, automotive, shipping, aviation, cement and steel) compared to the 16 other PACTA pilot banks

UNEP FINANCE INITIATIVE

- KBC is involved in a project to further develop the methodology used within the UNEP FI programme. The goal of which is to identify the physical risks arising from certain climate scenarios for the most significantly affected sectors in our loan portfolio. We have begun the analysis of physical risks for mortgage loans in Flanders and transition risks for the metals sector

PCAF Partnership for Carbon Accounting Financials

- In 2019, we began to pilot the PCAF methodology to calculate the carbon footprint of the portfolios: car lease, car loans, mortgage loans for residential real estate and commercial real estate

TOBACCO FREE

PRI Principles for Responsible Investment

PSI Principles for Sustainable Insurance

WE SUPPORT UN GLOBAL COMPACT

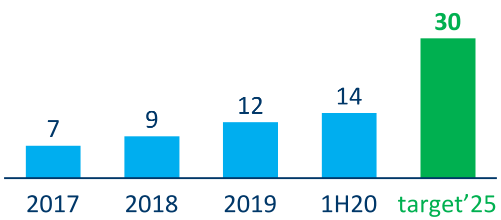
TCFD

KBC

Our sustainability strategy

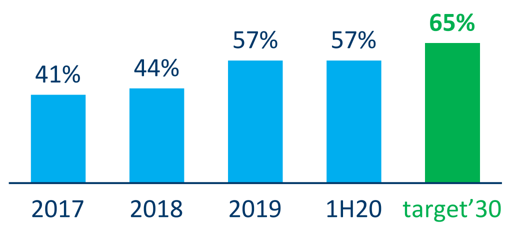
We substantially raise the bar for our climate-related ambitions

Volume of SRI Funds
(In billions of EUR)



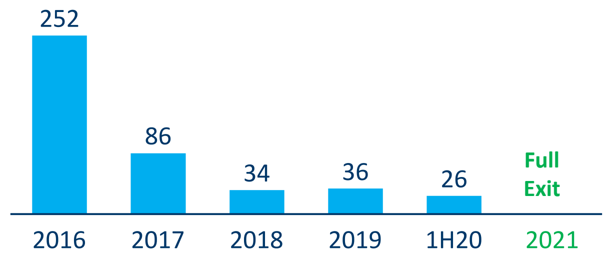
- More than doubling of SRI funds by '25
- SRI funds ≥ 50% of new fund production by '21

Renewable energy loans
(In % of total energy-sector loan portfolio)



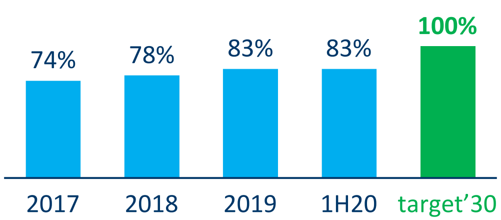
- Target raised from 50% to 65% by '30

Direct coal-related finance
(In millions of EUR)



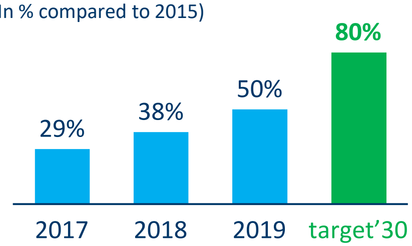
- Proven track record in building down direct coal exposure
- Firm commitment to exit coal, supporting existing clients in their transition

Green electricity
(In % of own electricity consumption)



- Target raised from 90% to 100% by '30

Reduction own GHG emissions
(In % compared to 2015)



- Target reduction of own emissions raised from 65% to 80% by '30
- KBC will achieve full climate neutrality as of the end of 2021 by offsetting the balance

Our ESG ratings:	Latest Score *(11 Nov 2020)*
CDP	A- Leadership
FTSE4Good	4.6/5
ISS Oekom	C Prime
MSCI	AAA
Sustainalytics	Low Risk: 4th percentile of 385 diversified banks (Nov 4,2020)
S&P Global - RobecoSAM	72/100
Vigeo Eiris	Not publicly available

Annex 3

Other items

KBC the reference…

Group financial guidance (Investor visit 2017)

Guidance			End 2019
CAGR total income ('16-'20)*	≥ 2.25%	by 2020	*2.3% (CAGR '16-'19)*
C/I ratio banking excluding bank tax	≤ 47%	by 2020	*51% (FY2019)*
C/I ratio banking including bank tax	≤ 54%	by 2020	*58% (FY2019)*
Combined ratio	≤ 94%	by 2020	*90% (FY2019)*
Dividend payout ratio	≥ 50%	as of now	*19%***

* Excluding marked-to-market valuations of ALM derivatives

Regulatory requirements			End 2019
Common equity ratio*excluding P2G	≥ 10.7%	by 2019	*17.1%***
Common equity ratio*including P2G	≥ 11.7%	by 2019	*17.1%***
MREL ratio	≥ 9.67%	by 2021	*10.4%****
NSFR	≥ 100%	as of now	*136%*
LCR	≥ 100%	as of now	*138%*

- Fully loaded, Danish Compromise. P2G = Pillar 2 guidance

** Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share and the cancellation of the share buy-back program of 5.5 million shares

*** MREL target as % of TLOF (Total Liabilities and Own Funds), taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share

KBC the reference…

Group non-financial guidance (Investor visit 2017)

Non-financial guidance: CAGR Bank-Insurance clients (1 Bank product + 1 Insurance product)			***End 2019*** *(CAGR '16-'19)*
BU BE	≥ 2%	by 2020	*+1%*
BU CR	≥ 15%	by 2020	*+12%*
BU IM	≥ 10%	by 2020	*+22%*

Non-financial guidance: CAGR Bank-Insurance stable clients (3 Bk + 3 Ins products in Belgium; 2 Bk + 2 Ins products in CE)			***End 2019*** *(CAGR '16-'19)*
BU BE	≥ 2%	by 2020	*+1%*
BU CR	≥ 15%	by 2020	*+17%*
BU IM	≥ 15%	by 2020	*+25%*

Non-financial guidance: % Inbound contacts via omni-channel and digital channel*			***End 2019***
KBC Group**	≥ 80%	by 2020	*81%*

- Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advisory centre), possibly in addition to contact through physical branches. This means that clients solely interacting with KBC through physical branches (or ATMs) are excluded

** Bulgaria & PSB out of scope for Group target

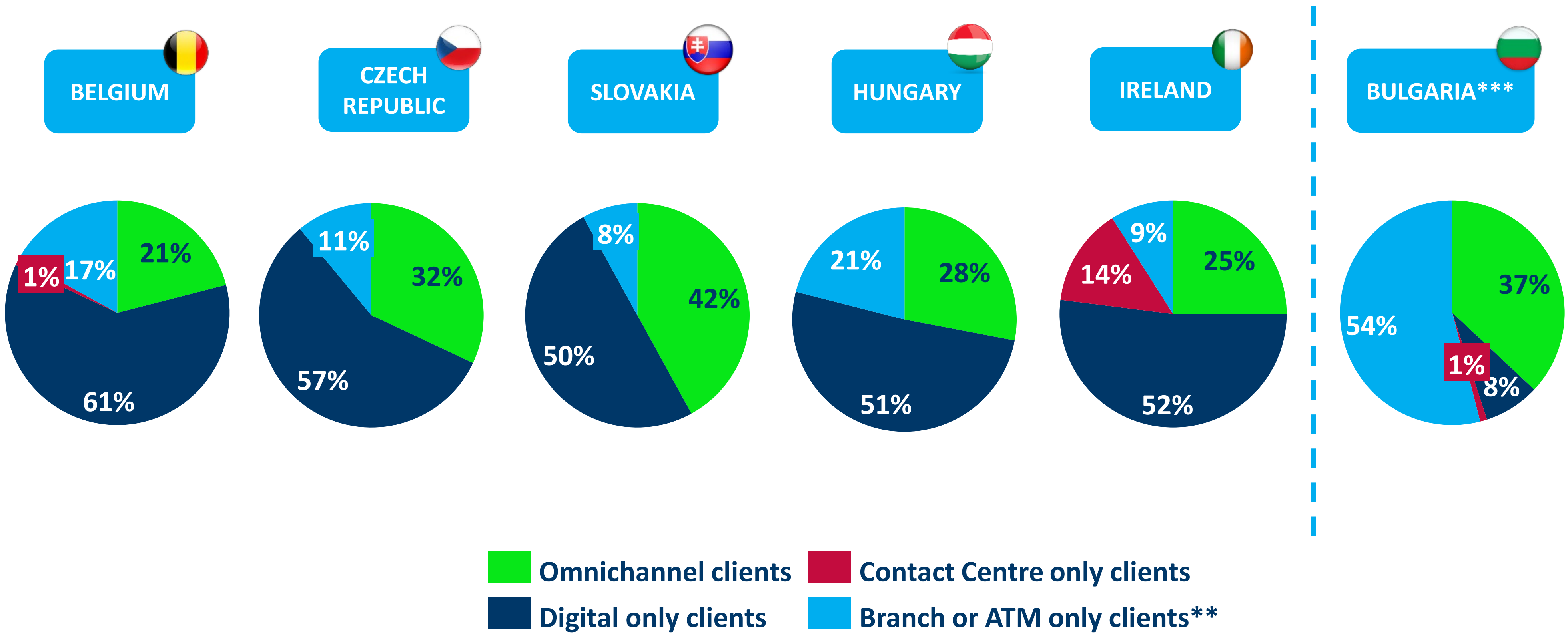
Inbound contacts via omni-channel and digital channel* at KBC Group** amounted to 85% in 3Q20… already above the Investor Visit target (≥ 80% by 2020)

Actual 3Q 2020	Target 2020
85%	80%

- Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advisory centre), possibly in addition to contact through physical branches. This means that clients solely interacting with KBC through physical branches (or ATMs) are excluded

** Bulgaria & PSB out of scope for Group target

Realisation of omnichannel strategy* – client mix in 3Q20



* Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advisory centre), possibly in addition to contact through physical branches. This means that clients solely interacting with KBC through physical branches (or ATMs) are excluded

** Might be slightly underestimated

*** Bulgaria out of scope for Group target

Loan loss experience at KBC

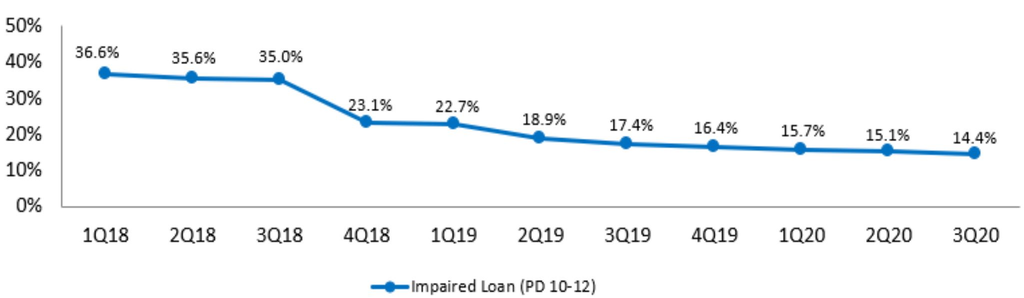
	9M20 CREDIT COST RATIO	FY19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	FY16 CREDIT COST RATIO	AVERAGE '99 –'19
Belgium	**0.59%**	0.22%	0.09%	0.09%	0.12%	n/a
Czech Republic	**0.64%**	0.04%	0.03%	0.02%	0.11%	n/a
International Markets	**0.79%**	-0.07%	-0.46%	-0.74%	-0.16%	n/a
Group Centre	**-0.27%**	-0.88%	-0.83%	0.40%	0.67%	n/a
Total	**0.61%**	**0.12%**	**-0.04%**	**-0.06%**	**0.09%**	**0.42%**

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

Ireland: impaired loans continues to improve, but Covid-19 reflects a headwind for further improvements in the short term

LOAN PORTFOLIO €m	OUTSTANDING	IMPAIRED LOANS	IMPAIRED LOANS PD 10-12	PROVISIONS PD 10-12	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9,445	1,318	14%	341	26%
Buy to let mortgages	608	142	23%	55	39%
Non Mortgage Retail & SME	118	6	5%	5	79%
Corporate	3	3	100%	2	59%
Total	**10,174**	**1,469**	**14%**	**402**	**27%**

PROPORTION OF IMPAIRED LOANS



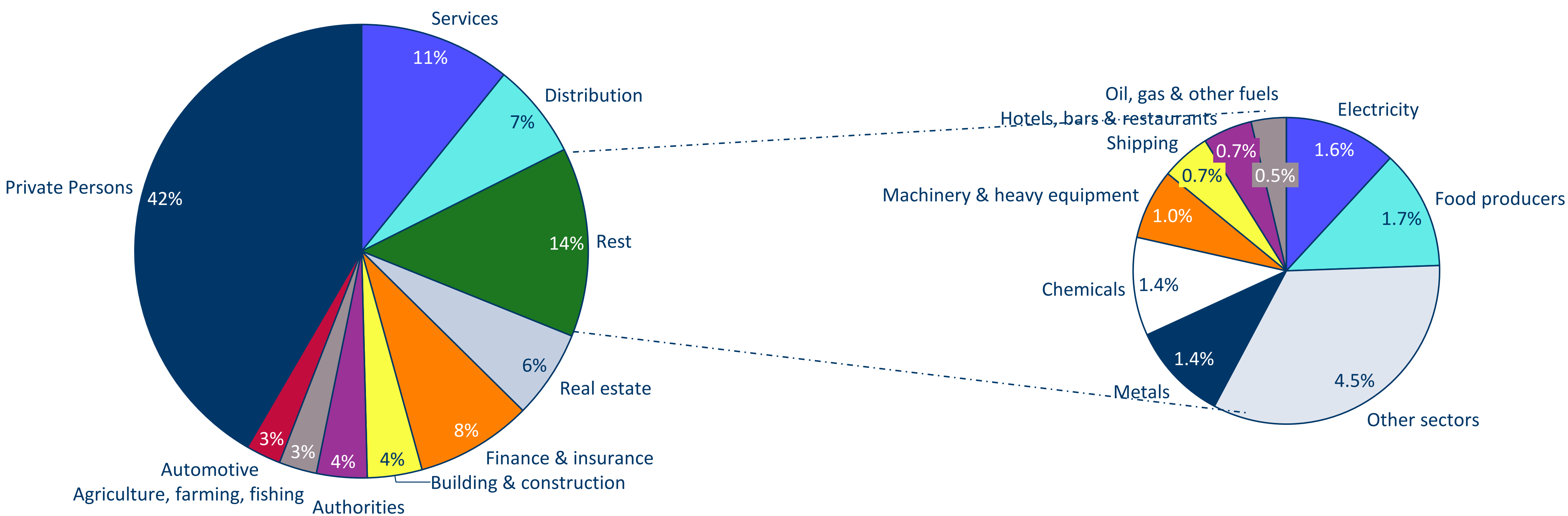
3Q20 Total Portfolio

	PD	Exposure	Impairment Provisions	Cover %
Performing	PD 1-8	8,117	19	0.2%
	Of which non Forborne	8,116		
	Of which Forborne	1		
	PD 9	588	58	9.8%
	Of which non Forborne	176		
	Of which Forborne	412		
Impaired	PD 10	671	83	12.3%
	PD 11	678	233	34.4%
	PD 12	120	87	72.0%
	TOTAL PD1-12	**10,174**	**479**	
	PD 10-12 Impairment Provisions /(PD 10-12)			*27.4%*
	Impaired loans (PD 10-12)/ Total Exposure			*14.4%*

- Forborne loans (in line with EBA Technical Standards) comprise loans on a live restructure or continuing to serve a probation period post-restructure/cure to Performing

- After a sharp deterioration in activity and employment in 2Q20 because of Covid-19, the Irish economy experienced a strong rebound through the summer months. However, the 6-week increased Covid-19 restrictions announced 19 October 2020 will have a negative impact in 4Q20. Overall, the resilience of the multinational sector and improving domestic conditions are likely to result in a smaller contraction in GDP than previously envisaged
- Covid-19 related restrictions and broader uncertainty about economic prospects continue to weigh heavily on the Irish jobs market. While there has been some improvement since the spring low-point, the return to more normal labour market conditions has been modest and uneven and may be further interrupted by increased Covid-related restrictions in the final quarter. As a result, the underlying unemployment rate is still expected to end the year markedly higher than the 5% rate seen at the beginning of the year
- Irish residential property prices have proven far more resilient to the pandemic than expected notwithstanding the substantial decline in housing transactions. While some softness in housing prices may follow from weakened prospects for employment and incomes, any fall seems likely to be notably smaller and slower to materialise than previously envisaged
- Impaired loan portfolio decreased by roughly 57m EUR q-o-q, resulting in an impaired loan ratio reducing to 14.4%
- The roughly 0m EUR net impairment charge in 3Q20 reflects a roughly 12m EUR increase to the COVID-19 related management overlay for Stage 1 & 2, offset by a roughly 13m EUR release to Stage 3, primarily driven by updated future macro-economic factors

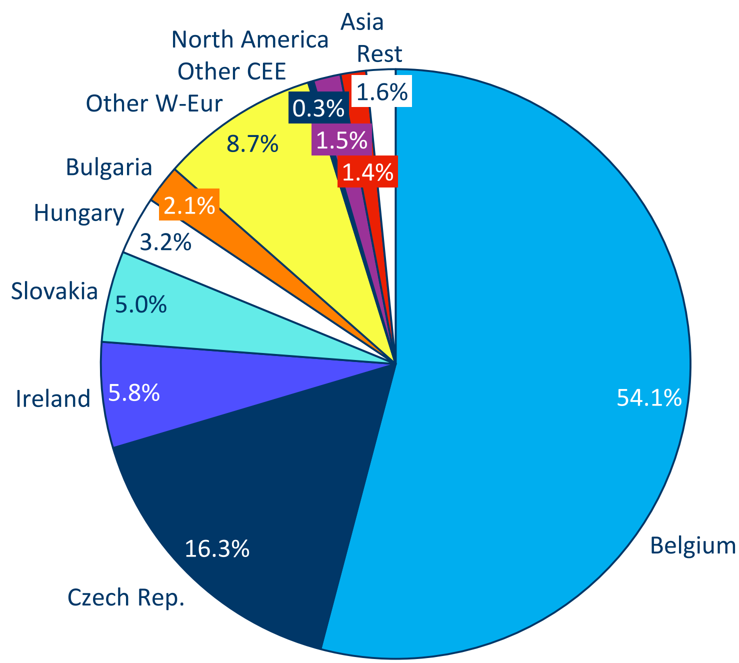
Sectorial breakdown of outstanding loan portfolio (1) (179bn EUR*) of KBC Bank Consolidated



* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate or bank issued, hence government bonds and trading book exposure are not included

* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

Geographical breakdown of the outstanding loan portfolio (2) (179bn EUR*) of KBC Bank Consolidated

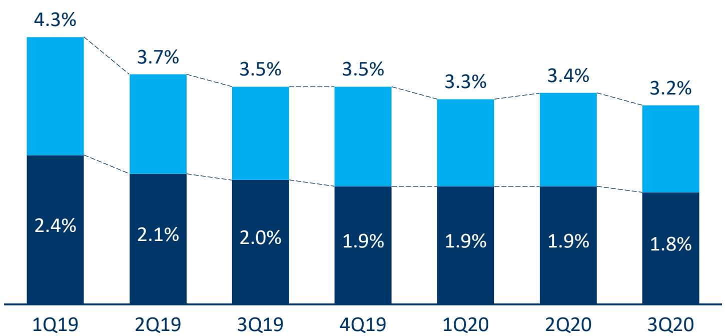


* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate or bank issued, hence government bonds and trading book exposure are not included

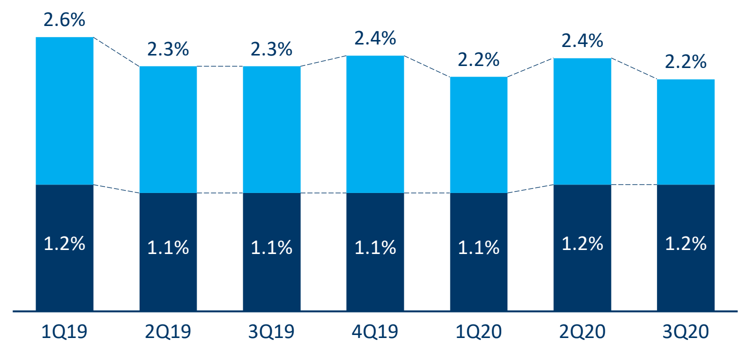
* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

Impaired loans ratios, of which over 90 days past due

KBC GROUP



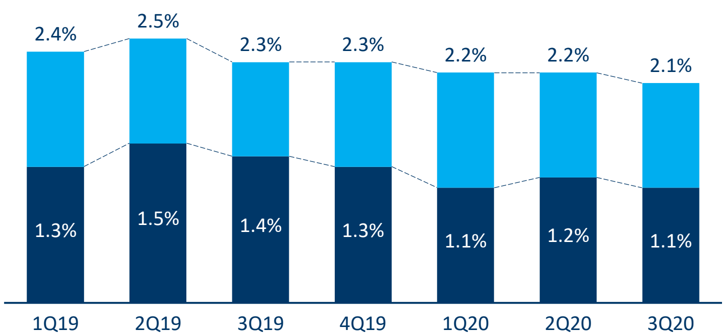
BELGIUM BU



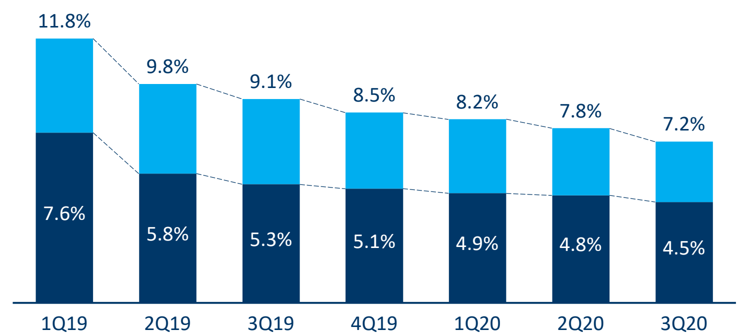
Impaired loans ratio

Of which over 90 days past due

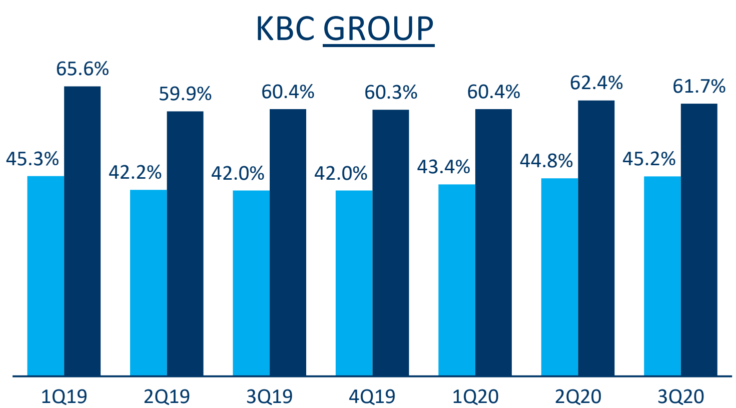
CZECH REPUBLIC BU

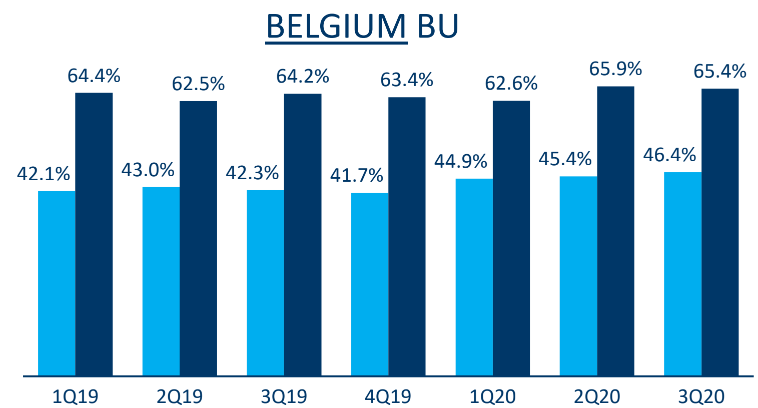


INTERNATIONAL MARKETS BU

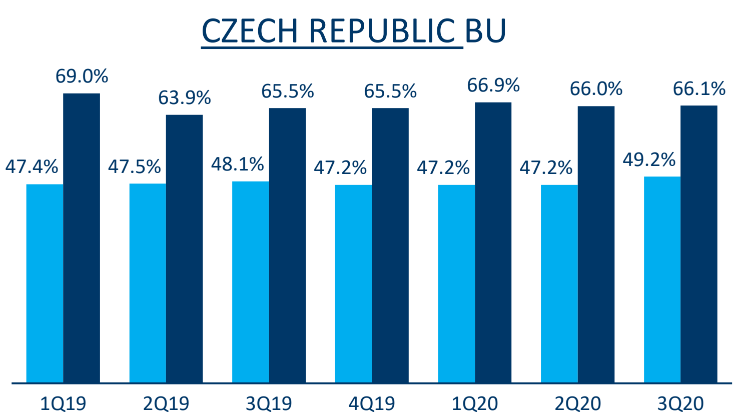


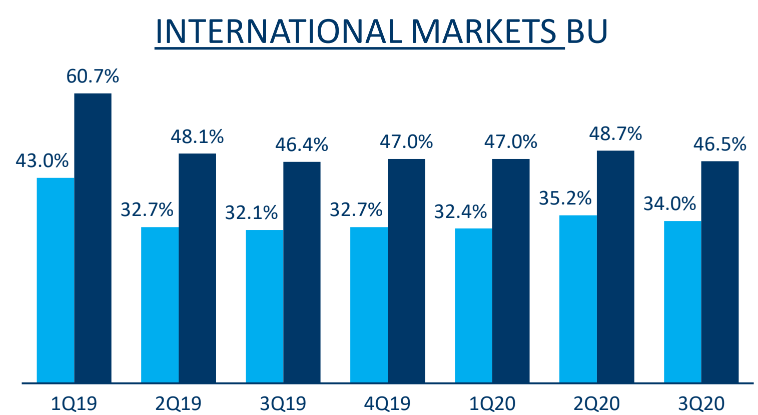
Cover ratios



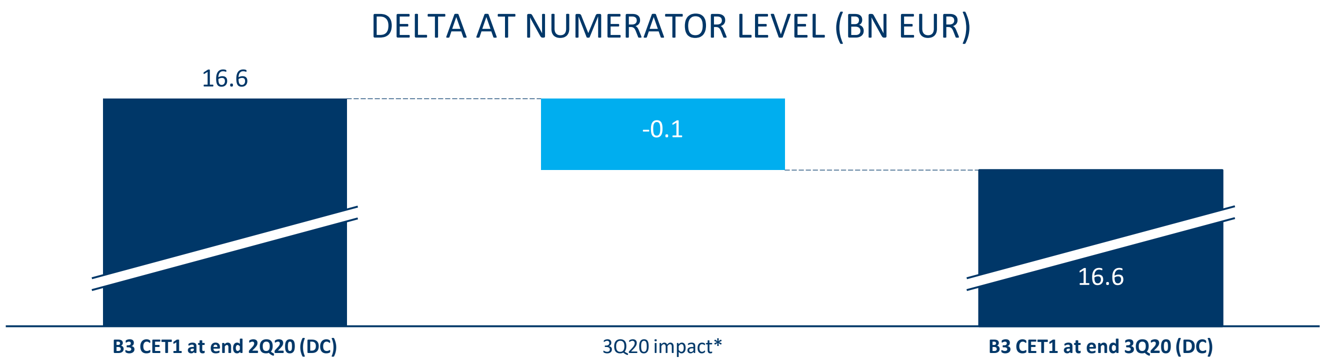


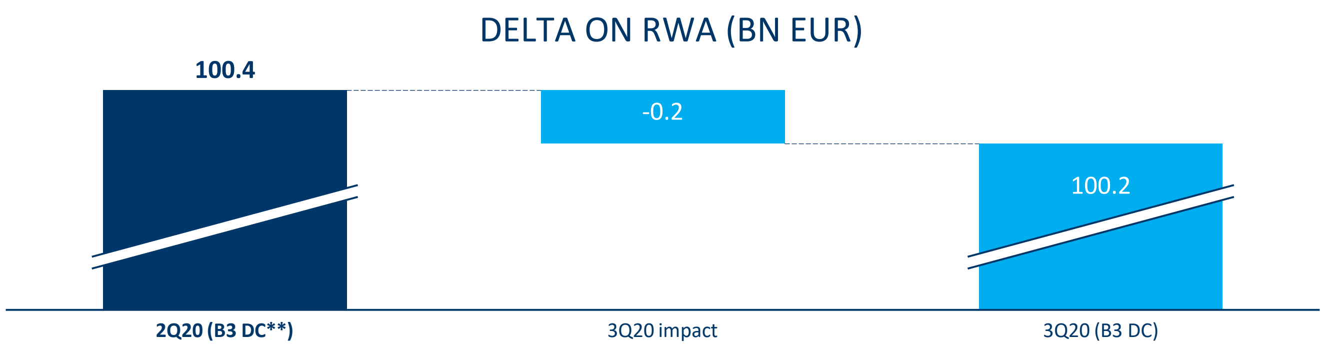
Impaired loans cover ratio
Cover ratio for loans with over 90 days past due





Fully loaded B3 CET1 based on the Danish Compromise (DC) from 2Q20 to 3Q20





- Fully loaded B3 common equity ratio stabilised q-o-q at 16.6% at the end of 9M20 based on the Danish Compromise, despite 1bn EUR RWA add-ons for anticipated PD migrations
- This clearly exceeds the Overall Capital Requirement (OCR) of 10.45% and the Maximum Distributable Amount (MDA) of 10.69%

* Includes the q-o-q delta in remeasurement of defined benefit obligations, deferred tax assets on losses carried forward, IRB provision shortfall, deduction re. financing provided to shareholders, deduction re. irrevocable payment commitments, intangible fixed assets, AT1 coupon, prudent valuation, etc.

** Includes the RWA equivalent for KBC Insurance based on DC, calculated as the historical book value of KBC Insurance multiplied by 370%

Overview of B3 CET1 ratios at KBC Group

Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	17,283	111,486	15.5%
DC**, fully loaded	16,579	100,169	16.6%
DM***, fully loaded	15,774	95,195	16.6%

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

Application of regulatory quick fixes

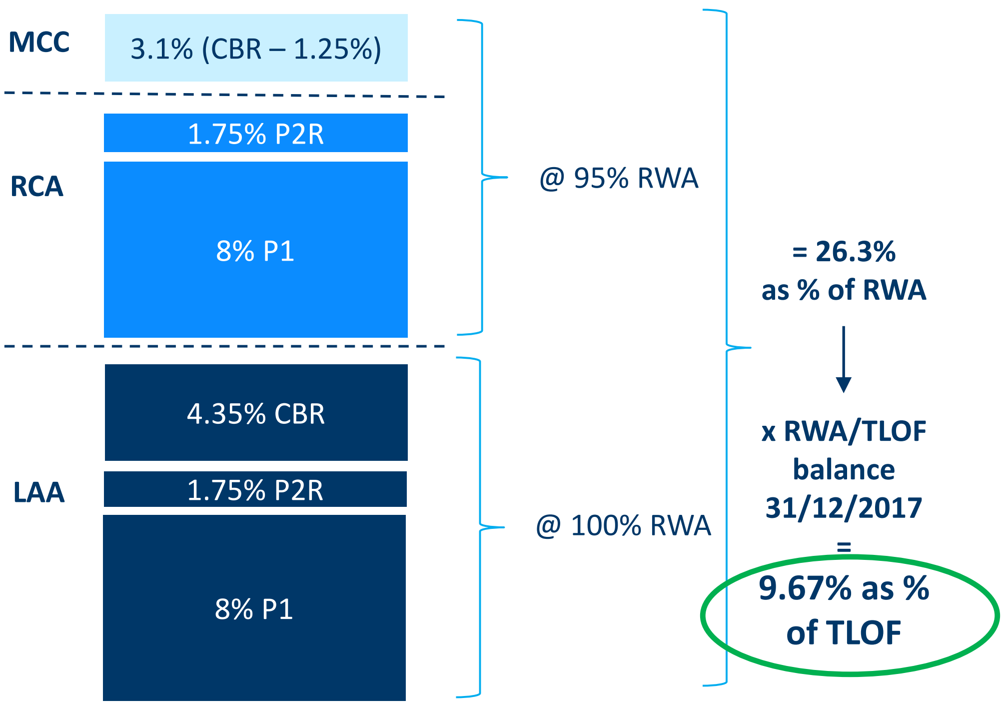
Quick fix topic	Applied by KBC	Timing of implementation	Estimated impact on CET1 ratio	Comment
SME supporting factor	✓	2Q 2020	**+32bps**	Pulled forward from mid 2021 by regulator
Outliers in Market risk VaR models	✓	2Q 2020	**+8bps**	Permission granted to exclude COVID-19 outliers
Sovereigns under the Standardised approach	✓	2Q 2020	**+10bps**	Only applicable for UBB (sovereign exposure in EUR)
IFRS9 transitional measures	✓	2Q-4Q 2020	**+56bps** at 4Q20 (of which +2bps at 2Q20)	4Q20 estimated impact
Infrastructure supporting factor	✓	2H 2020	**+2bps**	Pulled forward from mid 2021 by regulator
Prudential treatment of software	✓	4Q 2020	**+21bps**	Estimated impact based on final draft RTS
Filter for FVOCI gains/losses on government exposures	✗			Not applied by KBC given temporary and immaterial impact
Retail under the Standardized approach	✗			Not applied by KBC given limited exposure and immaterial impact
Leverage ratio and exclusion of central banks exposure	✗			Not applied by KBC given already very strong leverage ratio

KBC complies with resolution requirements

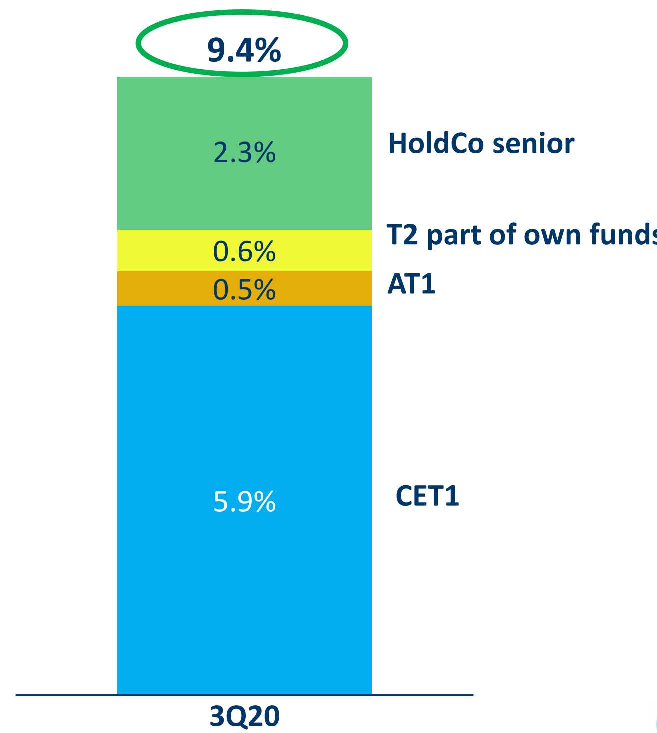
MREL target applicable as from 31-12-2021

- ✓ The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level, with **bail-in** as the preferred resolution tool
- ✓ SRB's currently applicable approach to **MREL** is defined in the '2018 SRB Policy for the 2nd wave of resolution plans' published on 16 January 2019, which is based on the current legal framework (BRRD 1)
- ✓ The **actual binding target is 9.67% as % of TLOF** as from 31-12-2021

MREL target = 9.67% as % of TLOF

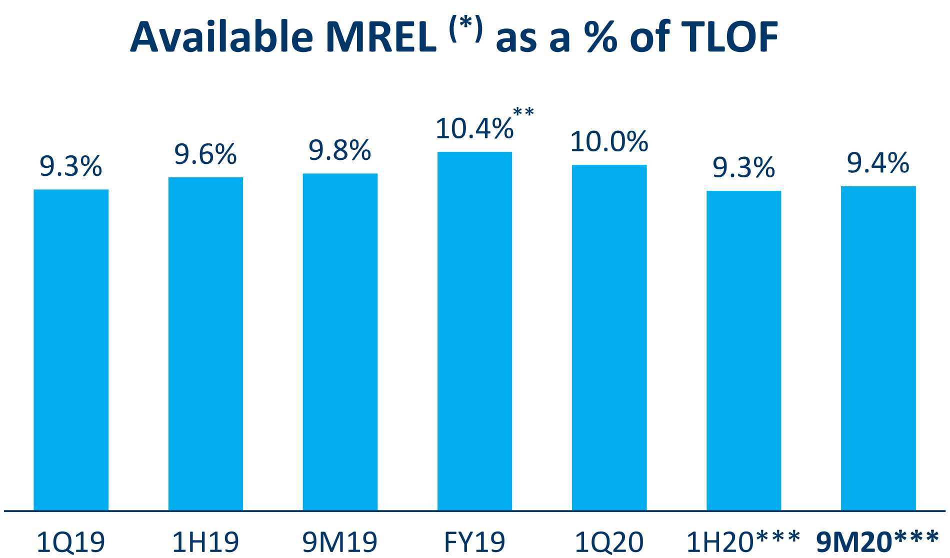


Actual in % of TLOF



TLOF	Total Liabilities and Own Funds
LAA	**L**oss **A**bsorbing **A**mount
RCA	**ReC**apitalisation **A**mount
MCC	**M**arket **C**onfidence **C**harge
CBR	**C**ombined **B**uffer **R**equirement = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + countercyclical buffer (0.15% in previous target; 0.35% in revised target)

Available MREL as a % of TLOF



- The decrease of MREL as a % of TLOF as of 1H20 can be fully explained by the participation in TLTRO III for an amount of 19.5bn EUR in June 2020. Excluding this, MREL would have amounted to 10.1% at the end of 9M20

Hybrid approach

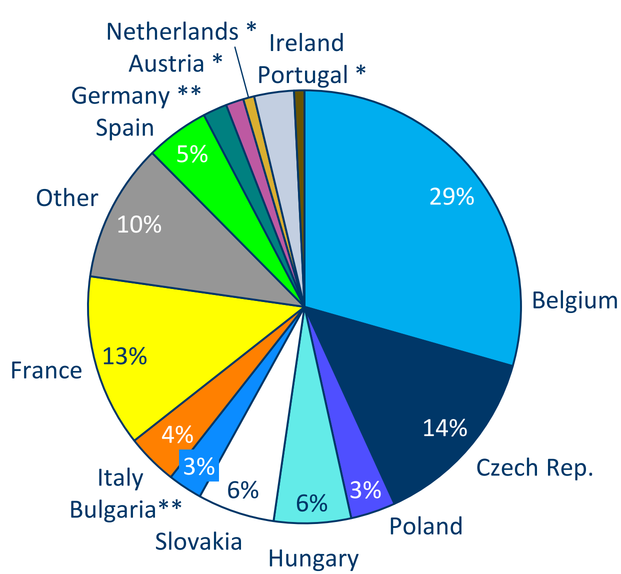
** *Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share*

*** *As of 1H20, MREL ratio includes the impact of IFRS9 transitional measures*

Government bond portfolio – Notional value

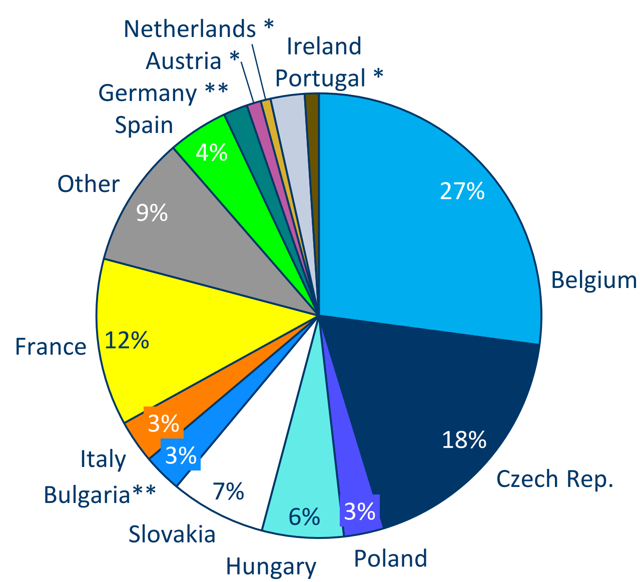
- Notional investment of 49.7bn EUR in government bonds (excl. trading book) at end of 9M20, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.5bn EUR at the end of 9M20

END OF FY19
(Notional value of 46.1bn EUR)



(*) 1%, (**) 2%

END OF 9M20
(Notional value of 49.7bn EUR)

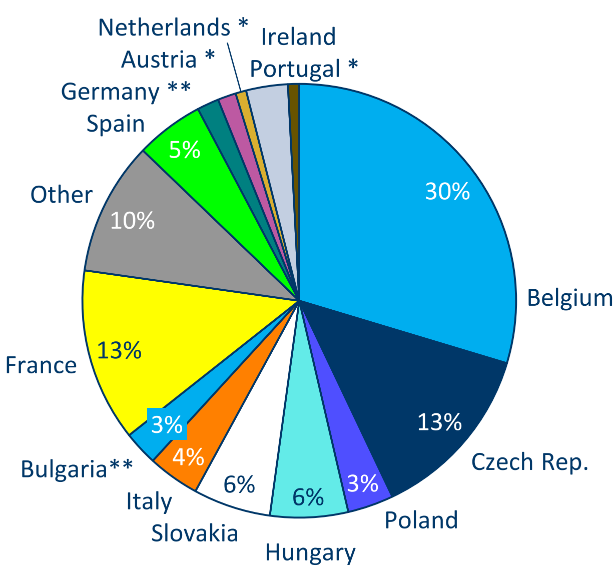


(*) 1%, (**) 2%

Government bond portfolio – Carrying value

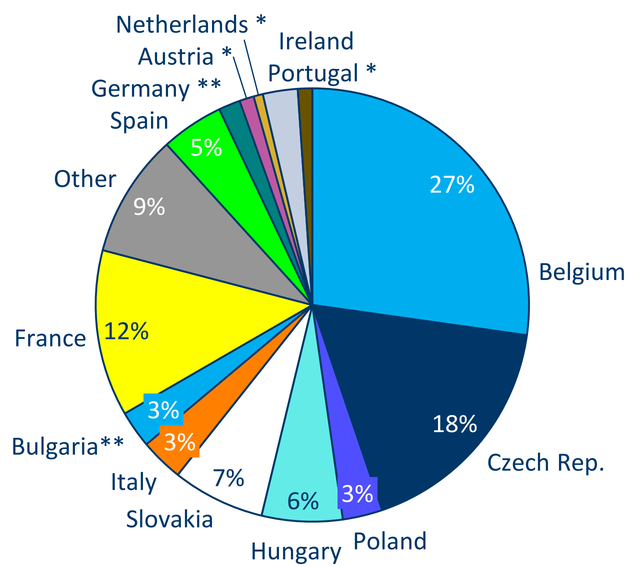
- Carrying value of 53.2bn EUR in government bonds (excl. trading book) at end of 9M20, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 6.1bn EUR at the end of 9M20

END OF FY19
(Carrying value of 49.4bn EUR)



(*) 1%, (**) 2%

END OF 9M20
(Carrying value of 53.2bn EUR)

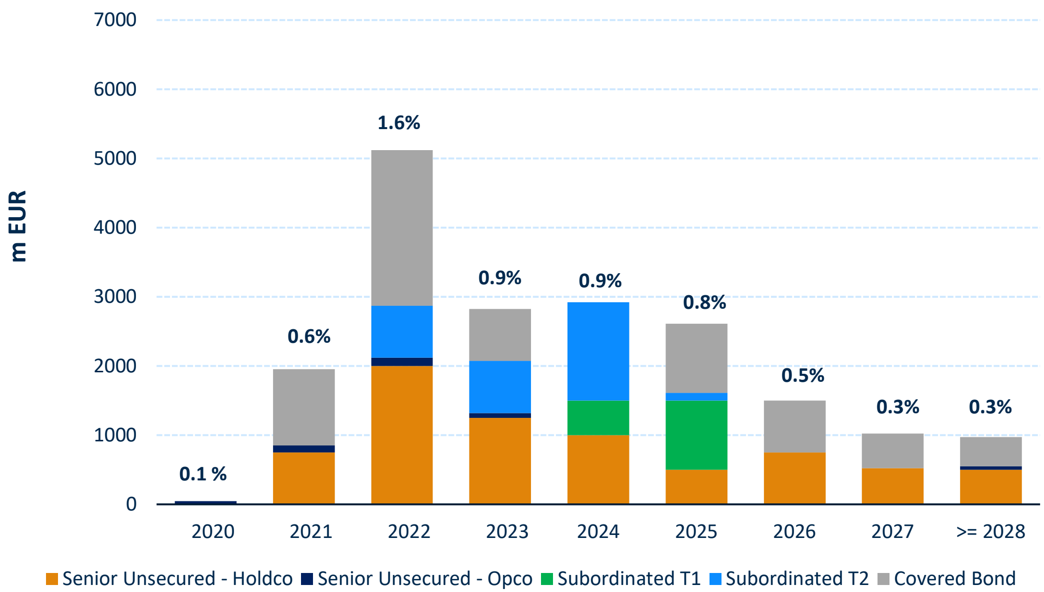


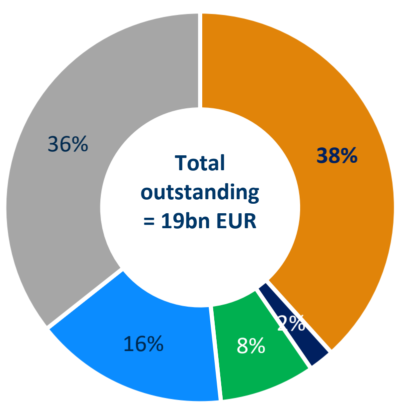
(*) 1%, (**) 2%

* Carrying value is the amount at which an asset (or liability) is recognised: for those not valued at fair value this is after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon, while carrying amount is equal to fair value when recognised at fair value

Upcoming mid-term funding maturities

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





- In September 2020, KBC Group issued a senior benchmark for an amount of 750m EUR with a 6 year maturity with call date after 5 years
- 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

Glossary (1)

AQR	Asset Quality Review
B3 / B4	Basel III / Basel IV
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (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)	[annualised 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. As the full collective Covid-19 expected credit losses (ECL) have been booked in 1H20, they were not annualised to calculate the ratio in 1H20
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
ESFR	European Single Resolution Fund
FICOD	Financial Conglomerates Directive
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (PD 10-11-12)]
Impaired loans ratio	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity coverage ratio (LCR)	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days]
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]

KBC

Glossary (2)

MARS	Mortgage Arrears Resolution Strategy
MREL	Minimum requirement for own funds and eligible liabilities
PD	Probability of default
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for fair value through Other Comprehensive Income (OCI) assets]
TLAC	Total loss-absorbing capacity

Contacts / Questions

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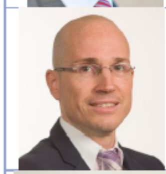
	Rik Scheerlinck KBC Group CFO	
	Kurt De Baenst Investor Relations General Manager	Direct + 32 2 429 35 73 Mobile +32 472 500 427 Kurt.debaenst@kbc.be
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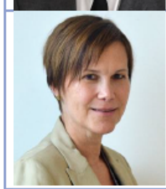	Dominique Agneesens Investor Relations Manager	Direct + 32 2 429 14 41 Mobile +32 473 657 294 Dominique.agneesens@kbc.be
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