


KBC Group
2Q and 1H 2021 results
Press presentation

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More detailed analyst presentation available at www.kbc.com

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Key takeaways for KBC Group

2Q 2021 financial performance

- **Commercial bank-insurance franchises** in core markets performed very well
- **Customer loans** and **customer deposits** increased y-o-y in most of our core countries
- We **fully eliminated** our remaining **direct exposure to coal** in June 2021, six months ahead of our own schedule
- Higher **net interest income** and net interest margin
- Higher **net fee and commission income**
- Lower **net gains from financial instruments at fair value** and lower **net other income**
- Excellent sales of **non-life** insurance y-o-y and higher sales of **life** insurance q-o-q
- Good **cost** management in line with guidance. A one-off -18m EUR Covid-related staff bonus has additionally been granted
- Higher net **impairment releases**
- Solid **solvency** and **liquidity**

Excellent net result of 793m EUR in 2Q21

1H21

- **ROE 15%***
- **Cost-income ratio excluding bank taxes 49%**
- **Combined ratio 82%**
- **Credit cost ratio -0.22% (-0.06% without collective Covid-19 impairments**)**
- **Common equity ratio 17.5%** (B3, DC, fully loaded)
- **Leverage ratio 5.5%** (fully loaded)
- **NSFR 152% & LCR 166%**

* when evenly spreading the bank tax throughout the year

** Collective Covid-19 impairments lowered from 757m EUR at end 1Q21 to 628m EUR at end 2Q21

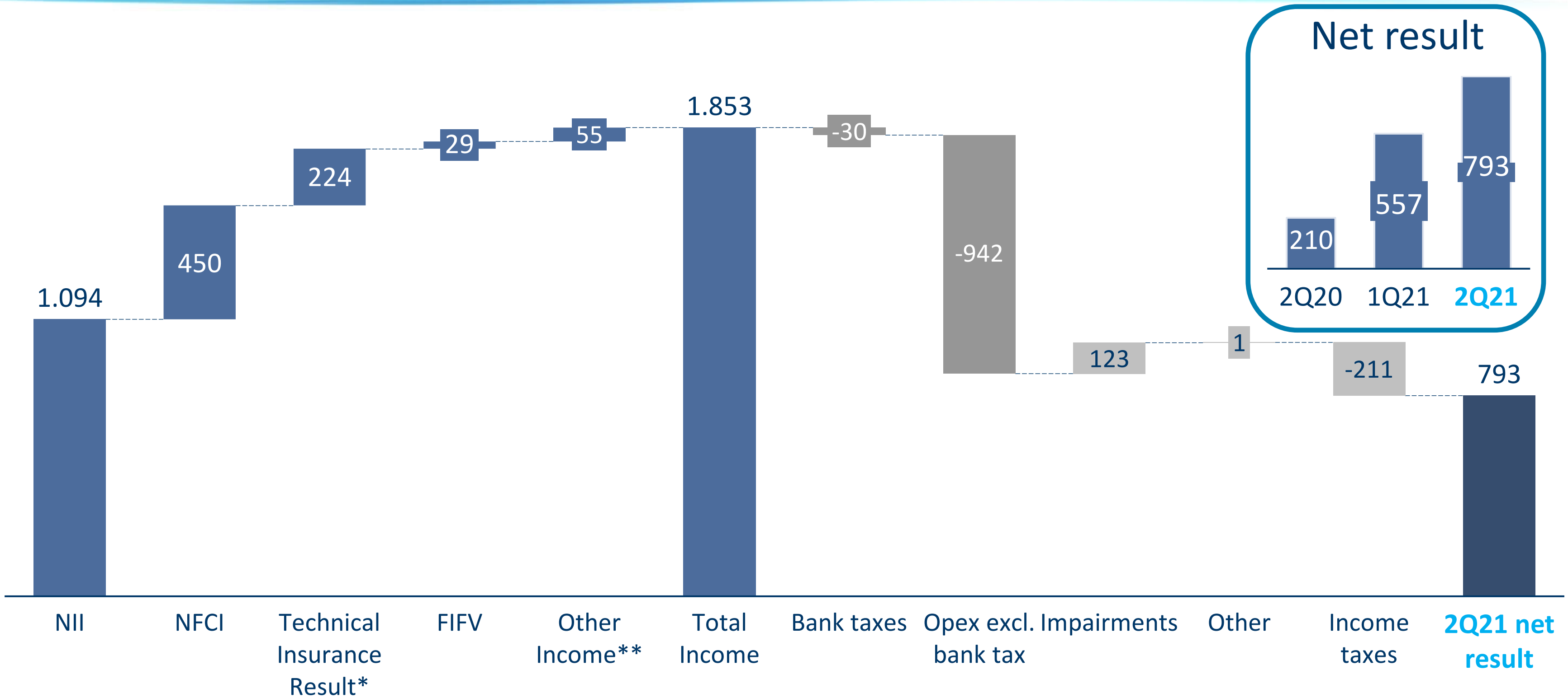
Comparisons against the previous quarter unless otherwise stated

KBC Group
Consolidated results

2Q and 1H 2021 performance

KBC Group

Overview of building blocks of the 2Q21 net result



	NII	NFCI	Technical Insurance Result*	FIFV	Other Income**	Total Income	Bank taxes	Opex excl. bank tax	Impairments	Other	Income taxes	2Q21 net result
Q-o-Q	2%	+2%	-5%	-77%		-4%		+5%				+43%
Y-o-Y	+1%	+16%	-9%	-89%		-9%		+7%				

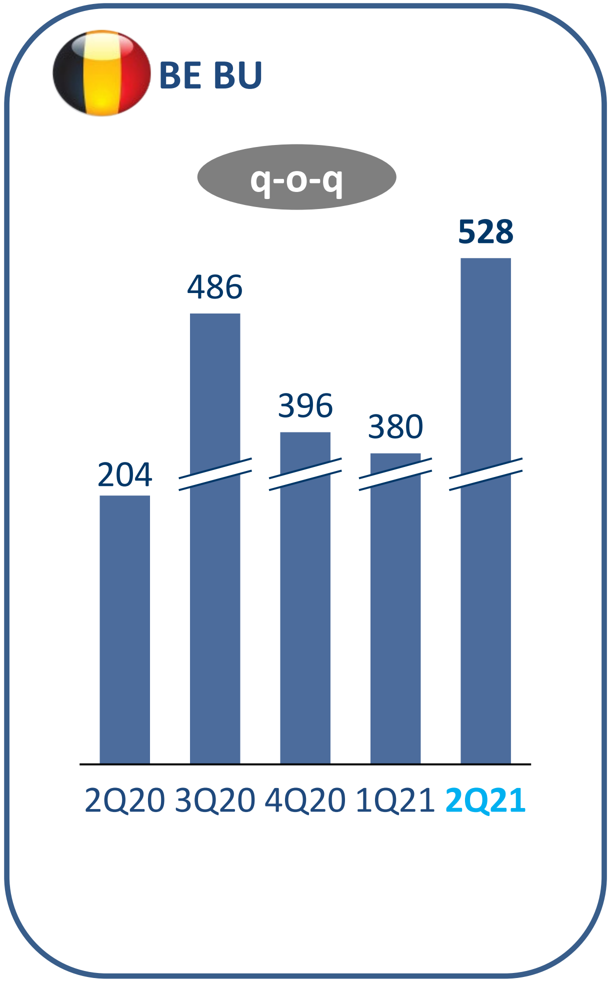
* Earned premiums – technical charges + ceded reinsurance

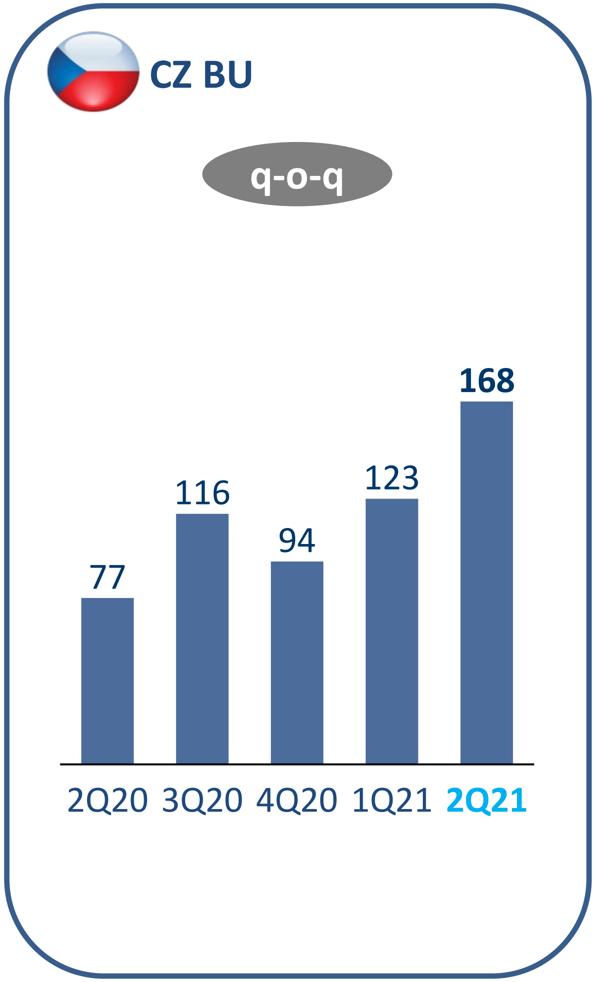
** Dividend income + net realised result from debt instruments FV through OCI + net other income

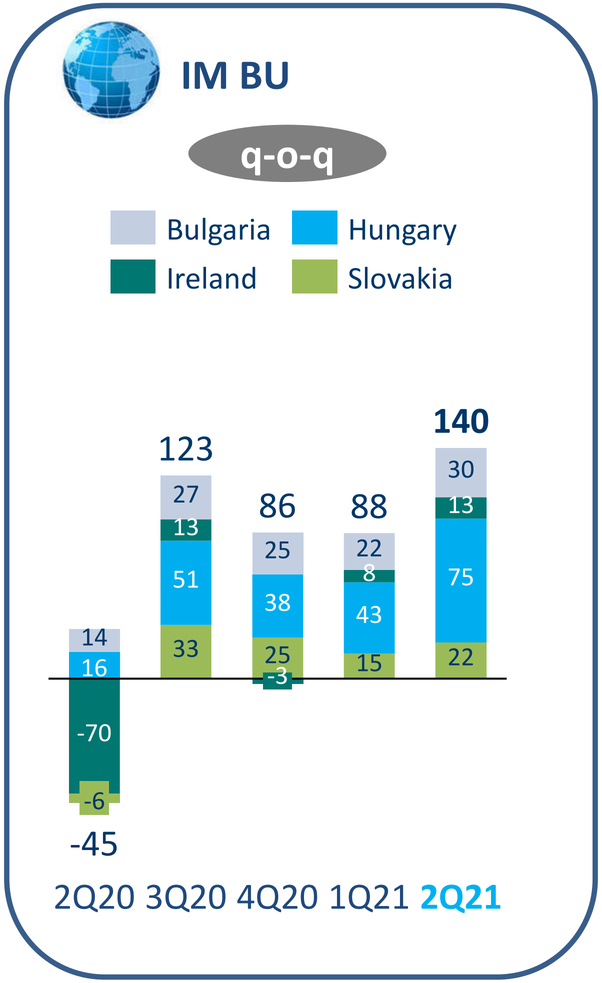
Amounts in millions of EUR

Net result per business unit

Excellent contribution from all the business units





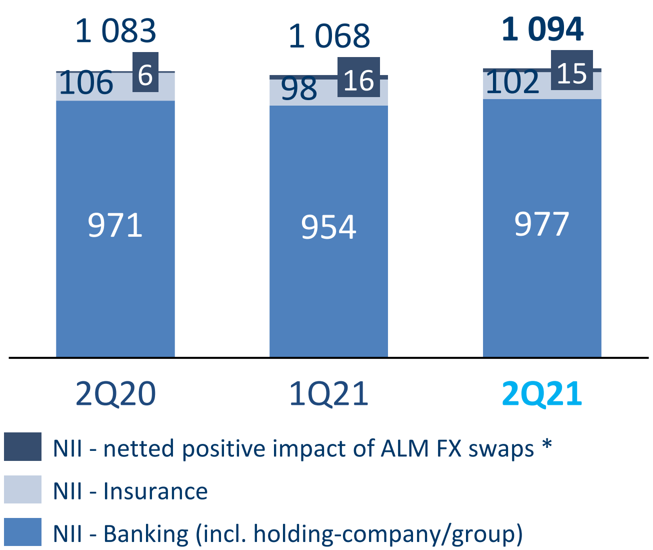


Amounts in millions of EUR

Net interest income

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

Net Interest Income



NII increased by 2% q-o-q, driven primarily by:

(+) organic loan volume growth, intensified charging of negative interest rates on certain current accounts to corporates and SMEs, lower funding costs, higher number of days (+7m EUR q-o-q), appreciation of the CZK and HUF versus the EUR (+5m EUR q-o-q) and higher NII on insurance bond portfolio (inflation linked bonds)

partly offset by:

(-) lower reinvestment yields, margin pressure on mortgages, particularly in the Czech Republic and Hungary and slightly lower netted positive impact of ALM FX swaps

The 1% y-o-y NII increase was mainly the result of higher NII lending, lower funding costs, intensified charging of negative interest rates on certain current accounts to corporates and SMEs, a positive FX effect, higher netted positive impact of ALM FX swaps and the consolidation of OTP SK partly offset by the negative impact of CNB rate cuts and lower reinvestment yields

Net interest margin**

Quarter	2Q20	1Q21	**2Q21**
NIM	1.82%	1.78%	**1.79%**

NIM 1.79%

Increased by 1 bps q-o-q and decreased by 3 bps y-o-y for the reasons mentioned above and an increase of the interest-bearing assets (denominator)

* *From all ALM FX swap desks*

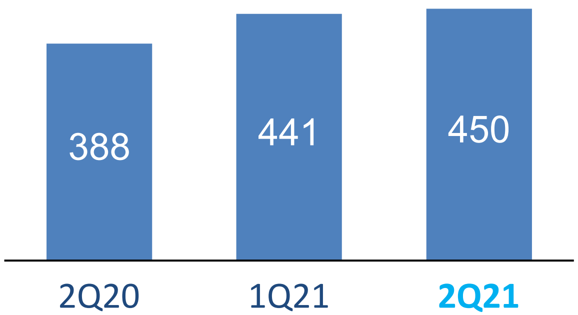
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

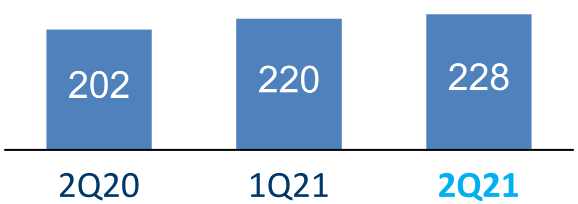
Higher net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income (450m EUR)
Up by 2% q-o-q and by 16% y-o-y
Q-o-q increase was the result of the following:

- **Net F&C income from Asset Management Services** increased by 2% q-o-q as a result of higher management fees, partly offset by deliberately reduced entry fees from mutual funds and unit-linked life insurance products as part of successful commercial campaigns
- **Net F&C income from banking services** rose by roughly 2% q-o-q (+1% q-o-q excluding FX effect) as higher fees from payment services and higher fees from credit files & bank guarantees were partly offset by lower securities-related fees and lower network income
- **Distribution costs** stabilised q-o-q

Assets under management (228bn EUR)

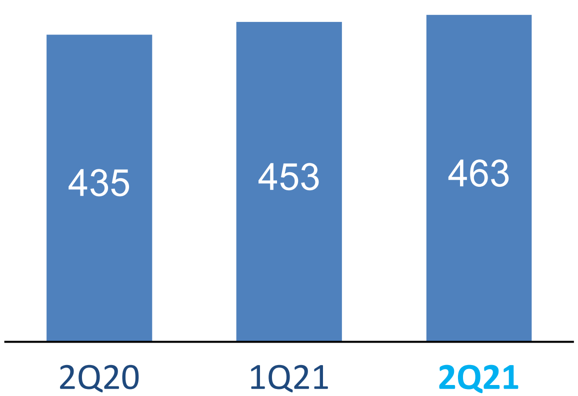
- Increased by 3% q-o-q due mainly to a positive price effect (+3%), in addition to net inflows
- Increased by 13% y-o-y due to net inflows (+1%) and a positive price effect (+12%)

Non-life insurance

Non-life premium income up and excellent combined ratio

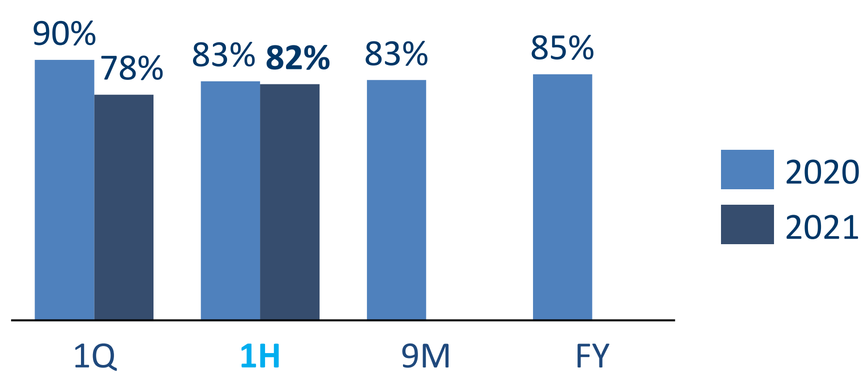
Non-Life
(Gross earned premiums Q2)

Y-o-y increase of gross earned premium Non-Life by +6% in 2Q21



Combined ratio non-life (H1)

The **non-life combined ratio for 1H21 amounted to an excellent 82%** (83% in 1H20). This is the result of 4% y-o-y earned premium growth combined with 6% y-o-y higher technical charges. The latter was due mainly to higher normal claims (mainly in 'Motor', 'Fire' and 'General third-party liability') and higher major claims (especially in 'General third-party liability' and 'Fire'), partly offset by lower storm claims (despite the impact of windstorms and a tornado in the Czech Republic in 2Q21) and lower impact of parameter updates. Furthermore, note that the ceded reinsurance result was less negative in 1H21 (-12m EUR) versus 1H20 (-20m EUR)



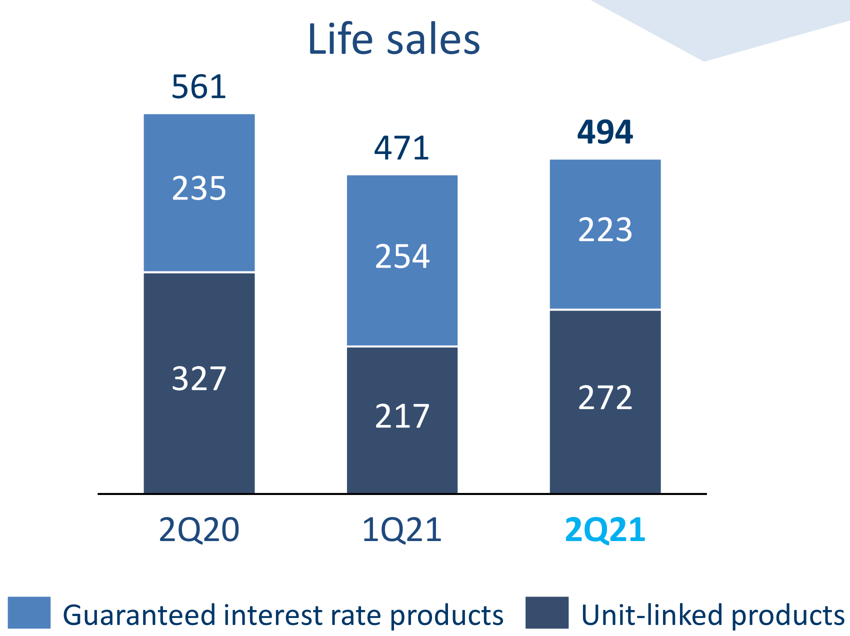
Amounts in millions of EUR

Life insurance

Life sales up q-o-q

Sales of life insurance products increased by 5% q-o-q and decreased by 12% y-o-y

- The **q-o-q increase** was driven mainly by higher unit-linked products in Belgium and the Czech Republic, partly offset by lower sales of guaranteed interest products (volumes in tax-incentivised pension savings products are traditionally higher during 1Q and 4Q in Belgium)
- The **y-o-y decrease** was driven by both lower sales of unit-linked products in Belgium (due to high level in 2Q20 as a result of switches from mutual funds to unit-linked products by Private Banking clients) and 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 55% of total life insurance sales in 2Q21



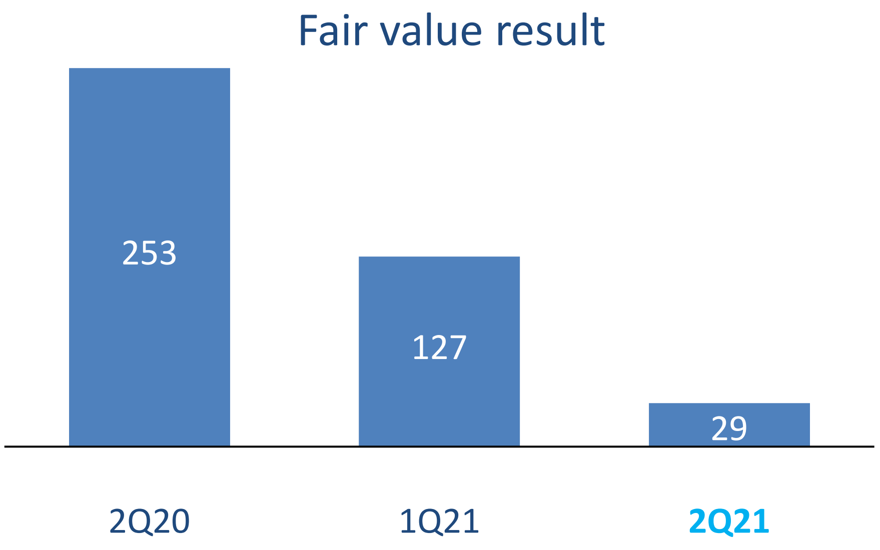
Amounts in millions of EUR

Net result from financial instruments at fair value

Lower fair value result

The q-o-q decrease in **net result from financial instruments at fair value** was attributable mainly to:

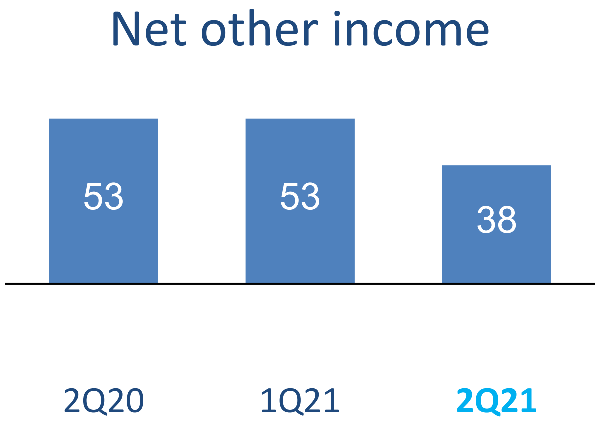
- a negative change in ALM derivatives
- lower dealing room income
- a lower net result on equity instruments (insurance)
- less positive credit and funding value adjustments mainly due to increased IRS hedging-transactions deals in CSOB CZ



Amounts in millions of EUR

Net other income

Net other income amounted to 38m EUR, lower than the normal run rate of around 50m EUR per quarter due to some negative one-offs, among other things, the settlement of a tax dispute and the realised losses on (government) bonds

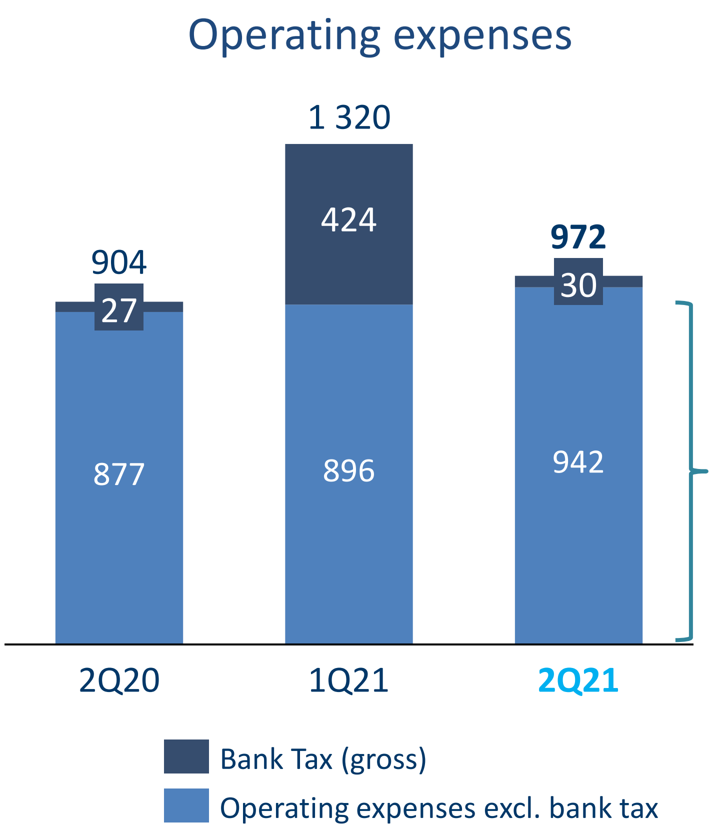


Amounts in millions of EUR

Operating expenses

Good cost management, lower bank taxes

	FY20	1H21
Cost/Income ratio (group)*	57%	**54%**



- **Operating expenses excluding bank taxes in 1H21 rose by 0.7% y-o-y like-for-like. The C/I ratio excluding bank taxes amounted to 49% in 1H21**
- **Operating expenses <u>excluding</u> bank taxes increased by 5% q-o-q** primarily as a result of:
  - higher staff expenses, due partly to 1) an -18m EUR Covid-related bonus and 2) wage inflation in most countries
  - higher ICT costs
  - seasonally lower marketing costs and professional fees in 1Q21
  - appreciation of the CZK and HUF versus the EUR (-5m EUR)

** Cost/Income ratio (group) adjusted for specific items: MtM ALM derivatives and one-off items are fully excluded but bank and insurance taxes are included pro-rata*

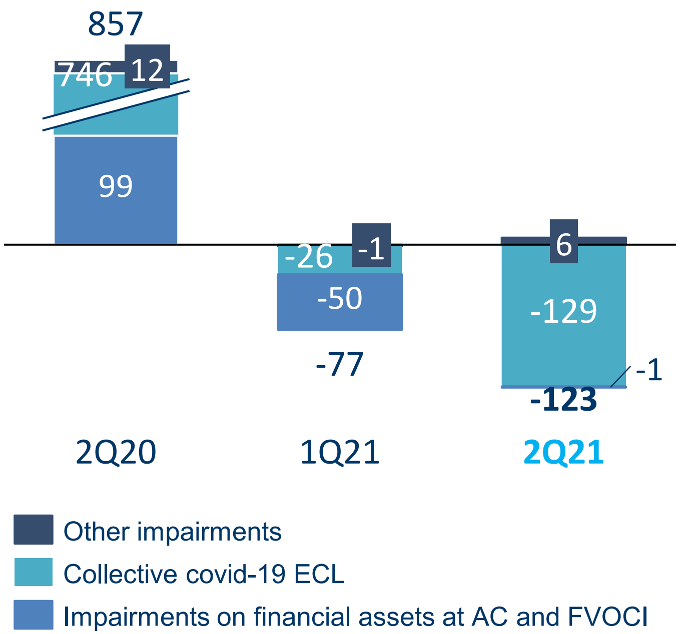
Amounts in millions of EUR

Asset impairments

Higher net impairments releases and excellent credit cost ratio

Asset impairment

(negative sign is write-back)



Net impairment releases:

- Loan loss impairment releases of 130m EUR in 2Q21 (compared with 76m EUR in 1Q21), due almost entirely to a 129m EUR reversal of collective Covid-19 ECL (lowering the total collective Covid-19 impairments from 757m EUR at end 1Q21 to 628m EUR in 2Q21)
- 6m EUR impairment on 'other'

Credit cost ratio	FY20	1H21
With collective Covid-19 ECL	0.60%	-0.22%
Without collective Covid-19 ECL	0.16%	-0.06%

The credit cost ratio in 1H21 amounted to -6bps without collective Covid-19 ECL and -22bps with collective Covid-19 ECL

Amounts in millions of EUR

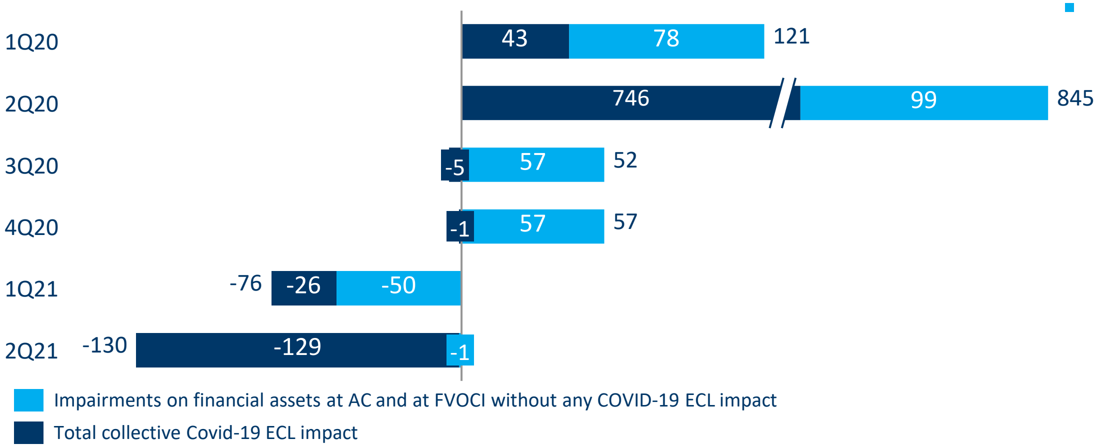
KBC Group

2Q and 1H 2021
Covid-19

COVID-19 Expected credit loss (ECL) (1/6)

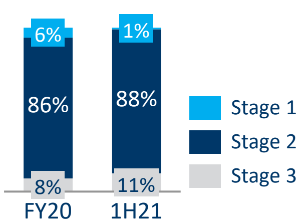
q-o-q decrease of 129m EUR

Impairment on financial assets at AC and at FVOCI



- The updated assessment of the impact of Covid-19 on the performing and non-performing portfolios after 1H21, **resulted in a total collective Covid-19 ECL of 628m EUR (q-o-q decrease of 129m EUR)**, mainly driven by:
  - an update of the scenario probabilities towards 80% for the base-case, 10% for the pessimistic and 10% for the optimistic scenario (as opposed to 60%-30%-10% at the end of 1Q21) resulting in a decrease of 59m EUR
  - a change in sector stress applied to less vulnerable sectors, causing a decrease of 66m EUR

Total collective Covid-19 ECL (incl. management overlay)



- **The total collective Covid-19 ECL of 628m EUR consists of 1% stage 1, 88% stage 2 and 11% stage 3 impairments.** The higher relative share of stage 2 and stage 3 impairments was driven by the decrease in stage 1 impairments resulting from the improvement of the macro-economic assumptions

Amounts in m EUR

COVID-19 ECL (2/6)

by country

Collective Covid-19 ECL by country:

End of June'21	Performing portfolio impact				Non-Performing portfolio	1H21	2Q21	1Q21	4Q20	3Q20	2Q20	1Q20
EUR m	*Optimistic* 10%	*Base* *80%*	*Pessimistic* *10%*	Probability weigthed								
KBC Group	**447**	**542**	**837**	**562**	**66**	**628**	**-129**	**-26**	**-1**	**-5**	**746**	**43**
By country:												
Belgium	283	300	391	307	20	327	-66	-20	3	-3	378	35
Czech Republic	87	123	175	125	9	134	-30	2	-5	9	152	6
Slovakia	21	30	43	30	0	30	-6	-1	0	-3	39	1
Hungary	25	42	78	44	0	44	-9	-3	2	-1	54	1
Bulgaria	6	15	23	15	5	20	-4	0	1	-5	28	n/a
Ireland	25	32	127	41	32	73	-14	-4	-2	-2	95	n/a
versus 1Q21 :	***501***	***609***	***917***	***691***	***66***	***757***						

COVID-19 (3/6)

IFRS 9 macroeconomic scenarios

Macroeconomic scenarios

June 2021

Real GDP growth	2021			2022		
Annual average growth (in %)	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Euro area	5.2%	3.9%	2.1%	5.6%	4.4%	2.2%
Belgium	5.8%	4.5%	3.3%	5.1%	4.1%	2.1%
Czech Republic	4.2%	3.5%	1.8%	5.8%	4.5%	1.7%
Hungary	5.5%	4.5%	3.8%	6.0%	5.3%	4.0%
Slovakia	5.0%	3.7%	2.5%	5.2%	4.5%	3.0%
Bulgaria	4.0%	3.0%	1.0%	4.0%	4.0%	2.0%
Ireland	8.0%	5.0%	1.0%	7.0%	4.0%	1.0%

Unemployment rate*	2021			2022		
End-of-year (in %)	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	6.5%	7.0%	7.5%	6.2%	6.7%	7.2%
Czech Republic	3.1%	3.4%	4.2%	2.9%	3.2%	4.0%
Hungary	3.8%	4.0%	4.5%	3.5%	3.7%	4.2%
Slovakia	8.5%	9.5%	10.0%	7.8%	8.0%	9.5%
Bulgaria	5.0%	5.0%	8.0%	4.3%	4.8%	7.0%
Ireland	6.5%	8.0%	14.0%	5.0%	6.0%	10.0%

House-price index	2021			2022		
Annual average growth (in %)	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	3.5%	1.0%	-1.0%	3.0%	1.5%	-3.0%
Czech Republic	8.1%	6.2%	2.0%	5.2%	2.5%	-3.5%
Hungary	5.5%	3.5%	0.0%	6.0%	3.0%	-1.0%
Slovakia	8.0%	4.0%	2.0%	5.0%	2.5%	-2.0%
Bulgaria	4.5%	4.0%	3.8%	4.0%	3.8%	3.5%
Ireland	5.0%	3.0%	0.0%	5.0%	2.0%	-1.0%

(*) Note: Eurostat definition, except for Ireland (national Covid-19 adjusted unemployment rate)

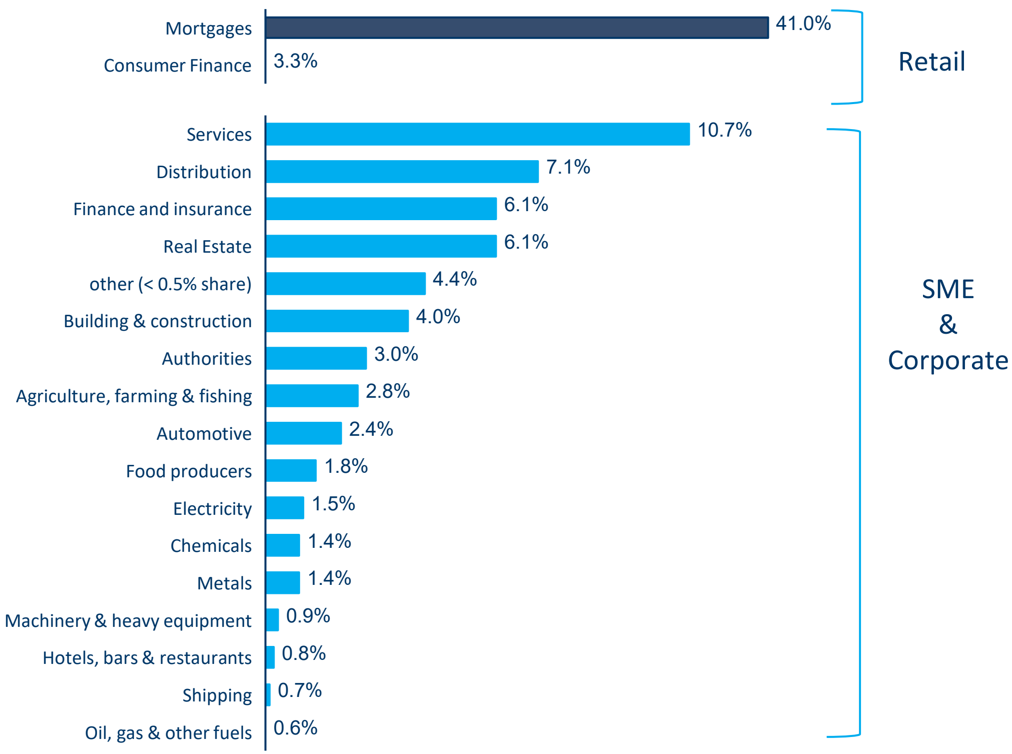
- The economic outlook is more optimistic compared to previous quarter, driven by the largely resolved uncertainties regarding vaccine supplies in the EU. Recent developments increasingly confirm a re-opening of the economy aligned with the increase of the vaccination rate. However, the outlook remains subject to considerable risks, largely related to new virus variants undermining the effectiveness of existing vaccines and shortfalls in vaccination demand
- 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, with the following probabilities**: 80% for the base-case, 10% for the pessimistic and 10% for the optimistic scenario** (as opposed to 60%-30%-10% at the end of 1Q21)
- The economic outlook for the home markets remains aligned to that of the euro area and confirms the better-than-expected level of resilience

COVID-19 (4/6)

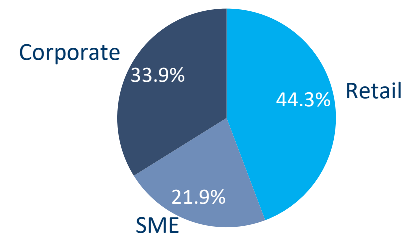
Diversified loan portfolio

Total loan portfolio outstanding by sector
in % of total Group outstanding*

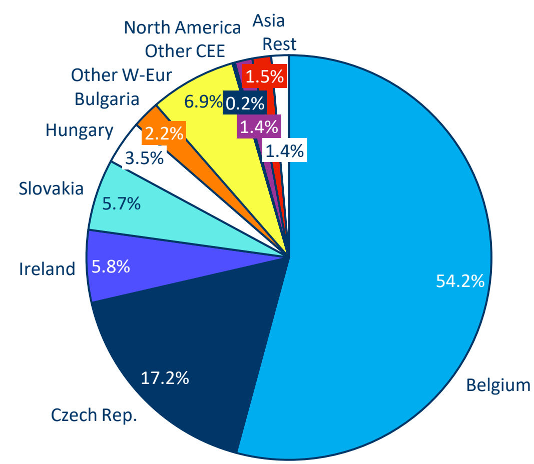
182bn EUR



Total loan portfolio outstanding by segment*



Total loan portfolio outstanding by geographical breakdown*



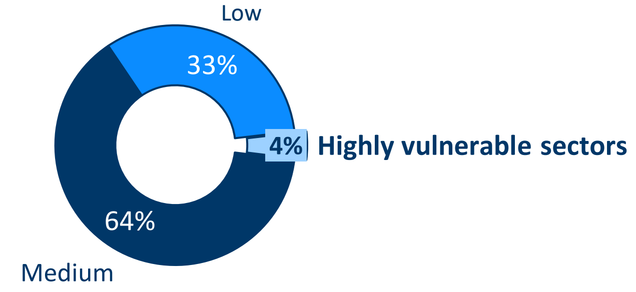
- Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements

COVID-19 (5/6)

SME & Corporate loan portfolio* broken down by sector sensitivity to Covid-19

- **From mid-2020, a sectoral risk effect** was incorporated **into the calculation of the collective Covid-19 ECL impact**. All exposures in the SME & Corporate portfolio were classified as high, medium or low risk based on the expected impact of the Covid-19 crisis on the sector affected
- Based on the latest developments, we **recategorised the high-risk sectors** into two groups:
  - the more vulnerable part is still risk weighted at 150% (in line with the originally defined high risk sectors)
  - the less vulnerable part is risk weighted at 100% (in line with the originally defined medium risk sectors)
- Furthermore, we continue to apply a Covid-19 sector risk weight of 50% to the low-risk sectors

4% of the total SME & Corporate loan portfolio is categorised as highly vulnerable (or 2% of the total loan portfolio)



HIGHLY VULNERABLE RISK SECTORS:	
Hotels, bars & restaurants	Fully allocated
Services	A minor share of activities related to entertainment & leisure services
Distribution	Only the activities linked to the wholesale distribution of apparel and retail fashion
Commercial real-estate	A minor share of activities linked to the development of office properties & shopping projects and all activities related to hotels & leisure
Shipping	Mainly the manufacturing activities assigned within the shipping sector
Aviation	Fully allocated

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

COVID-19 (6/6)

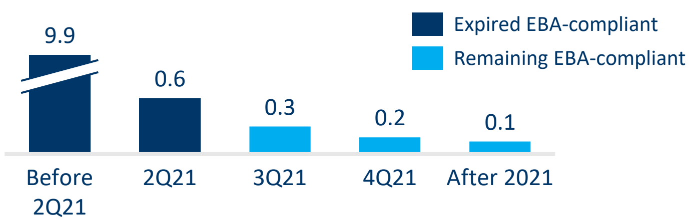
Overview of payment holidays and public Covid-19 guarantee schemes

Payment holidays – expiring volumes

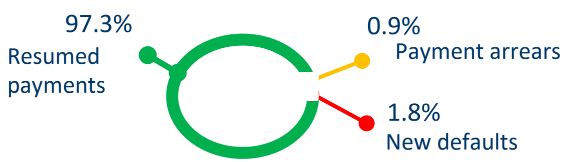
(in bn EUR)

By the end of June 2021:

- The volume of loans granted payment holidays, amounted to 12.7bn[1] EUR or 8% of the total loan book[2] (EBA-compliant + 1.6bn opt-out of HU)



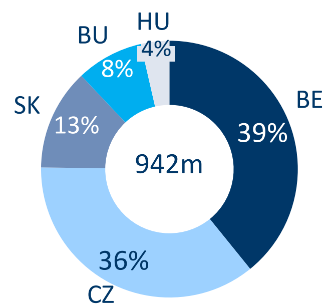
- By now, 10.5bn EUR EBA-compliant payment holidays expired and only 0.6bn EUR EBA-compliant payment holidays is still outstanding



- Non-EBA-compliant:
  - Hungary: additional extension of opt-out until 30 SEP 2021 for a total amount of 1.6bn EUR or 31% of the total loan book. The extension by 3 months resulted in a modification loss of 2m EUR
  - The remaining non-EBA-compliant portfolios are mainly in BE and CR, for a total amount of 0.6bn EUR[3]

Public Covid-19 guarantee schemes

(in m EUR)



	Loans granted	Covered by government-guarantee
KBC	**942**	**77%**
BE BU[4]	369	72%
CZ BU	339	85%
Slovakia	120	69%
Bulgaria	80	84%
Hungary	34	61%
Ireland	-	-

By the end of June 2021:

- Government-guaranteed loans (under the Covid-19 scheme) amounted to 942m EUR for 15k obligors
- Belgium: second extension of the revised state guarantee scheme (launched in 3Q20 of up to 10bn EUR) to cover losses on future SME loans granted before 31 Dec 2021 (instead of 30 JUN 2021). This government guarantee covers 80% of all losses, in total

(1) In line with the external EBA templates
(2) Loans to customers, excluding reverse repos (and bonds)
(3) Mainly Belgian retail loans and leases not fully in line with national moratoria legislation and early deferral requests in Czech Republic (before implementation of national moratoria legislation)
(4) In Belgium, the exposure of the first Covid guarantee scheme decreased by approximately 300m EUR in 2Q21, as COVID I scheme mainly expired given the 12 months maturity

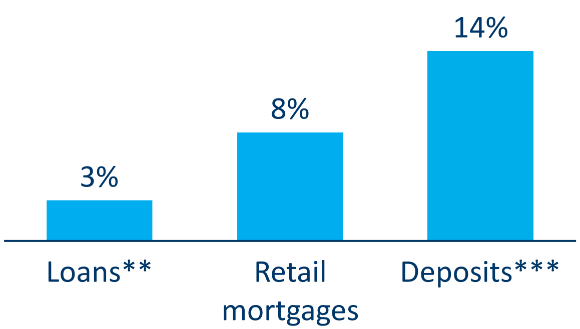
KBC Group

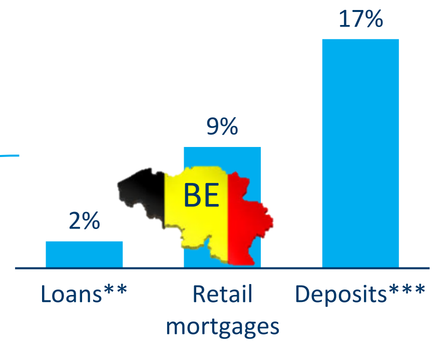
Balance sheet, capital and liquidity

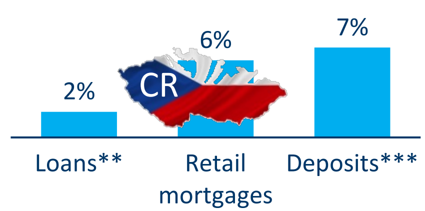
Balance sheet:

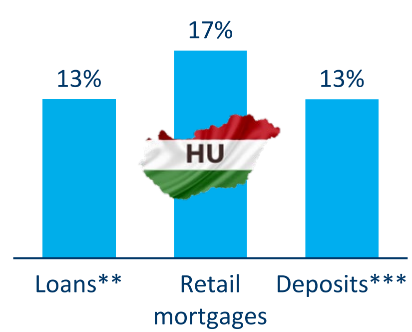
Loans and deposits continue to grow in most countries

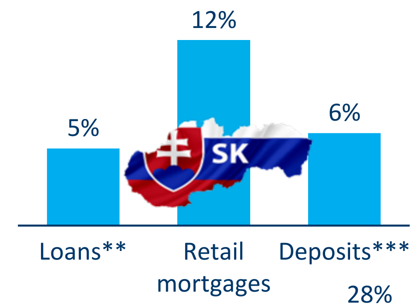
Y-O-Y ORGANIC* VOLUME GROWTH

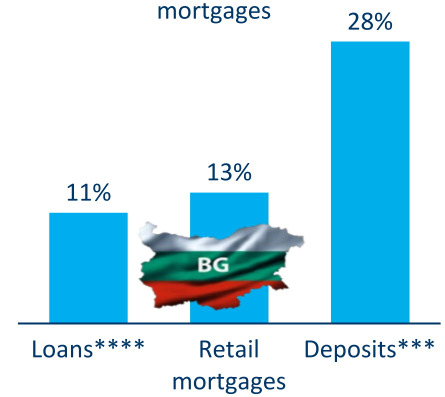


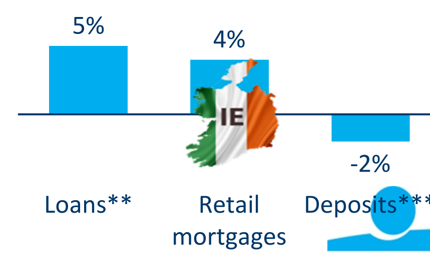












* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL

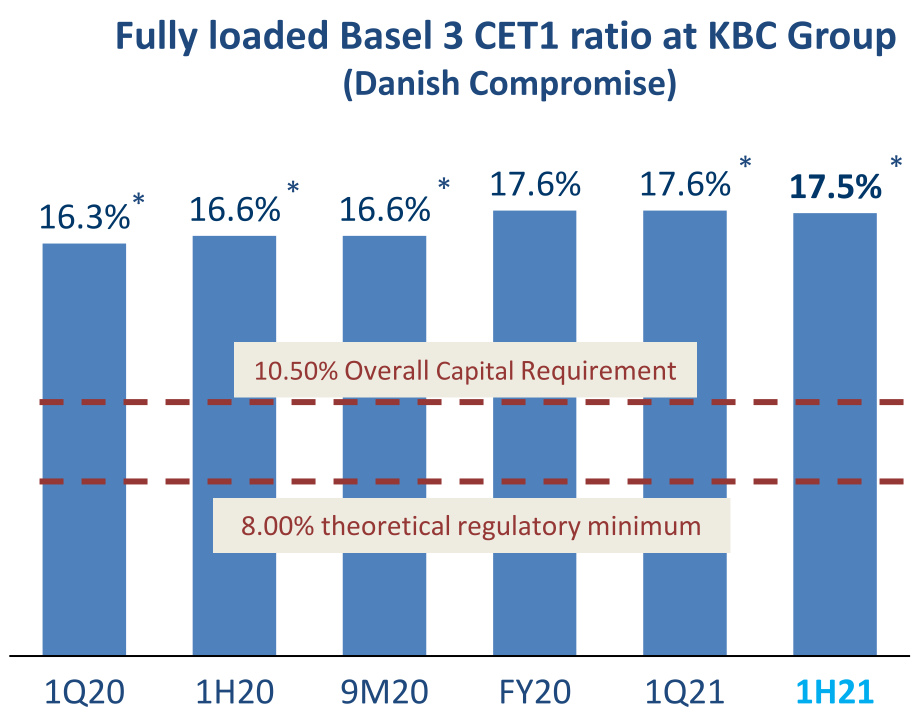
** Loans to customers, excluding reverse repos (and bonds)

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

**** Total customer loans in Bulgaria: new bank portfolio +12% y-o-y, while legacy -20% y-o-y

Common equity ratio

Strong capital position



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

- **The fully loaded common equity ratio amounted to 17.5%** at the end of 1H21 based on the Danish Compromise

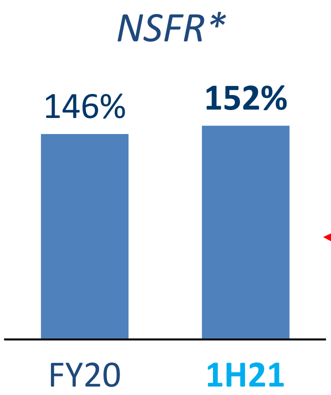
- KBC's CET1 ratio of 17.5% at the end of 1H21 represents a solid capital buffer:
  - **9.5% capital buffer compared with the current theoretical minimum capital requirement of 8.00%** (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - **7.0% capital buffer compared with the Overall Capital Requirement (OCR) of 10.50%** (which still includes the 2.50% capital conservation buffer on top of the 8.00%)

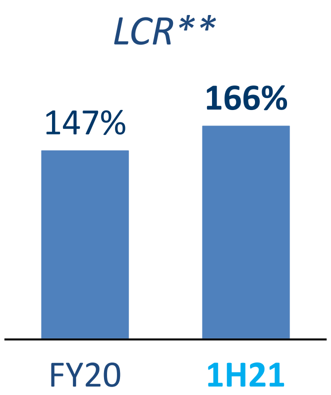
- At the end of 1QH1, the impact of the application of the transitional measures resulted in a positive impact on CET1 ratio of 51 bps compared to fully loaded (transitional CET1 ratio amounted to 18.0% at the end of 1H21)

Liquidity ratios

Liquidity continues to be very solid

KBC Group's liquidity ratios





Regulatory Requirement ≥ 100%

NSFR is at 152% and LCR is at 166% by the end of 1H21

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.*

KBC Group
2Q and 1H 2021

Looking forward

Looking forward

Economic outlook

- The progress of the vaccination campaigns was the main driver of global economic growth in the second quarter. Despite the appearance of new infectious virus variants, recent data suggest a decoupling of the rate of infections from the rates of hospitalization and Intensive Care Unit occupancy, thanks to the availability of vaccines. We therefore expect that in the second half of 2021, the European economies will further re-open by gradually easing the remaining pandemic-related restrictions that still weigh on the economy. Therefore, we expect European economic growth to accelerate in the second half of 2021. The level of European economic activity is likely to return to its pre-pandemic level in early-2022

Group guidance for 2021

- We are increasing our FY21 NII guidance from 4.3bn EUR to 4.4bn EUR ballpark figure
- Our FY21 guidance for opex excluding bank taxes remains unchanged: +2% y-o-y like-for-like despite negative FX effect as some cost savings announced in 2020 (actions immediately taken after first lockdown in March 2020) are not sustainable in 2021 and cost savings from our digital first strategy are rather back-end loaded. Note however that, next to the impact of the OTP SK acquisition as of 2021, the one-off -18m EUR Covid-related bonus comes on top
- The Credit Cost Ratio (CCR) for FY21 is expected to be around 0bps (excluding potential further Covid-19 ECL reversals in 2H21) instead of the low end of our average through-the-cycle CCR (of 30 - 40bps). This is not taking into account any potential impact of the signing of the two pending loan sales transactions (performing and non-performing loan portfolios) at KBC Bank Ireland
- Starting mid July, Belgium (and particularly the eastern part) was severely hit by several floods. This will have a negative impact of KBC in 3Q 2021 in the non-life technical result. The true extent of the human loss and material damage caused by these extreme weather conditions will become clear in the coming weeks. Nevertheless, the first estimated impact after reinsurance (before tax) is around -41 million euros (under current legislation)

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

Particularly in these challenging times, I would like to explicitly thank our customers and stakeholders for their confidence and our staff for their relentless efforts. Above all, I want to wish everyone also a good health.

Johan Thijs, KBC Group CEO

Annex:

KBC Group
Differently: the next level

Differently: the next level
Long-term financial guidance

Long-term financial guidance		
CAGR total income ('20-'23)	± 2%	by 2023
CAGR OPEX excl. bank taxes ('20-'23)	± 1%	by 2023
Combined ratio	≤ 92%	by 2023
Common equity ratio*	14.5%, with a management buffer of 1% on top of	as of now

* Fully loaded, Danish Compromise

Regulatory requirements		
Overall capital requirement (OCR)**	≥ 10.50%	by 2021
MREL as a % of RWA***	≥ 25.88%	by 2022
MREL as a % of LRE***	≥ 7.34%	by 2022
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

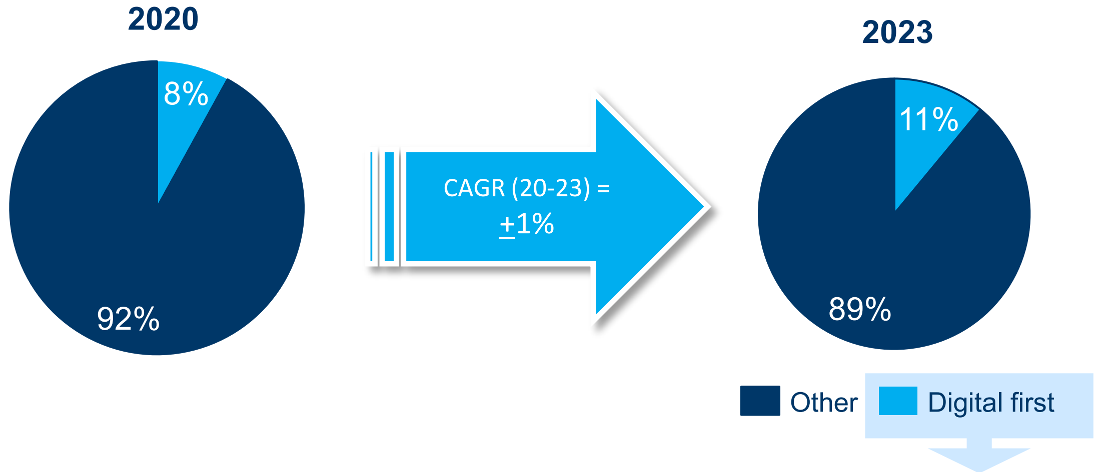
** Excluding Pillar 2 guidance of 100 bps

*** The SRB communicated the final MREL targets (under BRRD2) in % of RWA and in % of LRE to KBC. Regarding MREL as a % of RWA; (i) an intermediate MREL target of 25.88% as from 01-01-2022 and (ii) a final MREL target of 26.38% as from 01-01-2024.

Differently: the next level

Digital investment 2021-2023

OPEX excl. bank taxes



Forecast Cashflow only digital first strategy
2021-2023 = 1.4bn EUR

Forecast OPEX only digital first strategy
2021-2023 = 1.1bn EUR

Amounts in m EUR

Differently: the next level

Dividend policy & capital distribution: unchanged guidance

- **In calendar year 2021, KBC has the intention to pay out 3.44 EUR gross DPS in total:**
  - For the accounting year 2020, a gross DPS of 0.44 EUR was approved at the AGM and has been paid out on 19 May 2021
  - It is the intention of the Board of Directors of KBC Group to distribute an extra DPS of 2.0 EUR over the accounting year 2020 in 4Q21
  - an interim DPS of 1 EUR as an advance of the total dividend for the accounting year 2021, paid out in November 2021

- **KBC's pre-Basel IV capital deployment plan implies that:**
  - We aim to be amongst the better capitalised financial institutions in Europe
  - On top of the payout ratio of at least 50% of consolidated profit, all capital > 15.5% (the current reference capital position of 14.5% + the current 1% management buffer) will be considered for distribution to the shareholders. Each year, the Board of Directors will take this decision at its discretion when announcing the full year results (next FY results on 10 February 2022)
  - Current capital deployment plan gives much more flexibility to our Board of Directors than in the past:
    - In line with the potential evolutions of our peers' CET1 ratio, our BoD can adjust accordingly the current reference capital position of 14.5% at its discretion
    - the BoD has the flexibility to lower the 1% management buffer at its discretion e.g. in case of an acquisition or in case of buoyant market circumstances
  - From the moment Basel IV will apply, the capital deployment plan will be updated (as from 1 January 2023 at the earliest… but according to rumours, rather from 1 January 2024)

Differently: the next level

Translating strategy into non-financial targets

From key priorities to operational targets

Differently: THE NEXT LEVEL

No hassle, no frills, zero-delay customer experience

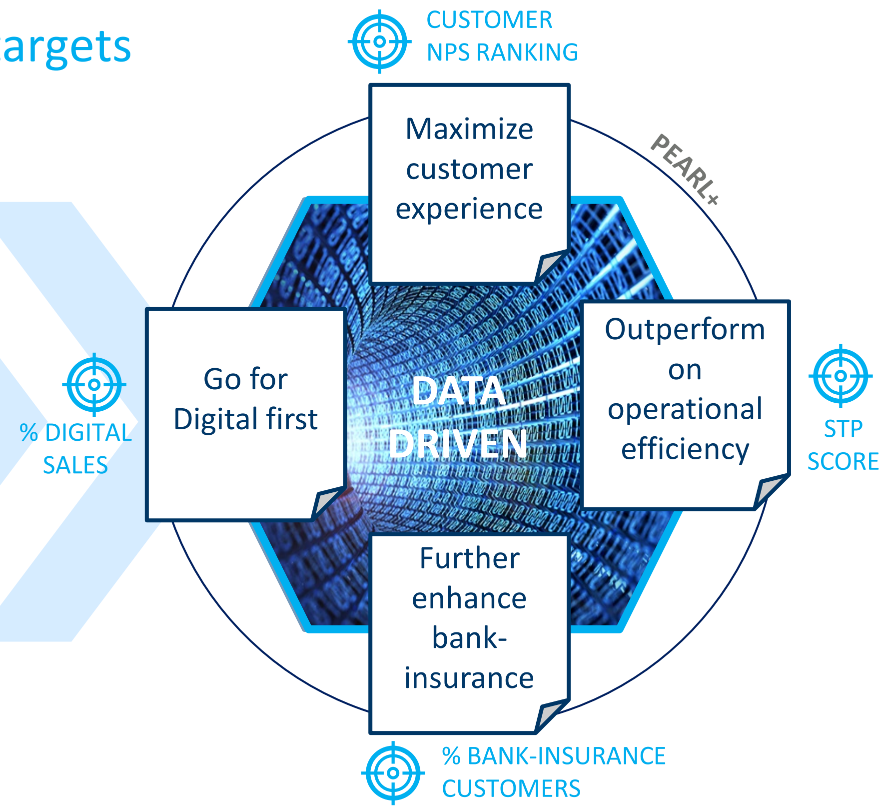
Proactive personalized financial solutions via DATA and AI

Re-design & automation of all processes

Bank-insurance+

Digital lead management: from data driven to solution driven

Group-wide collaboration



Introducing 4 new operational targets (1)

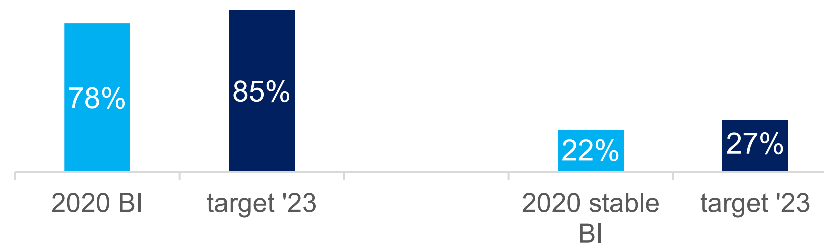
Customer NPS ranking

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

Based on weighted avg of ranking in six core countries

* Based on the latest available data.

% bank-insurance (BI) clients



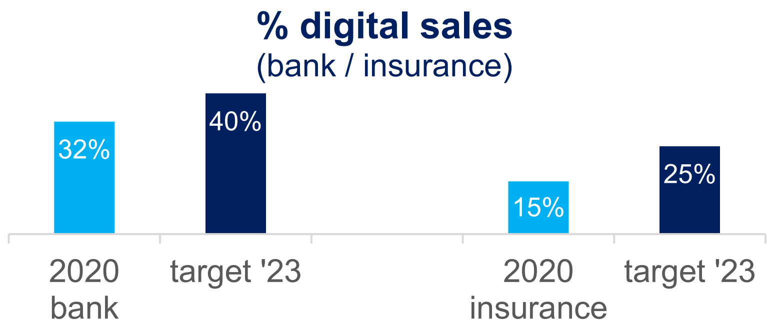
- ≥85% of active customers to be BI customers
- ≥27% of active customers to be stable BI customers

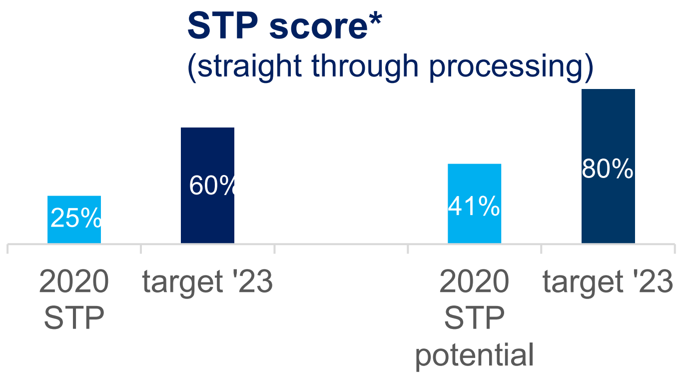
BI customers have at least 1 bank + 1 insurance product of our group.
Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3)

Differently: the next level

Translating strategy into non-financial targets

Introducing 4 new operational targets (2)





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

Based on weighed avg of selected core products

- 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.

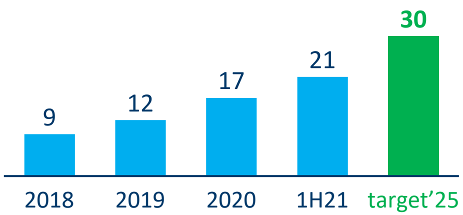
Responsible behaviour

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.

Our sustainability ambitions

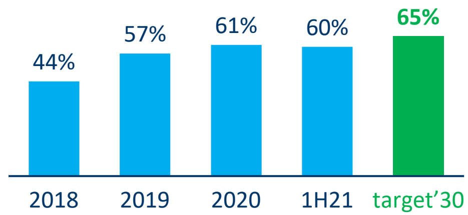
We substantially raise the bar for our climate-related ambitions

Volume of SRI Funds
(In billions of EUR)



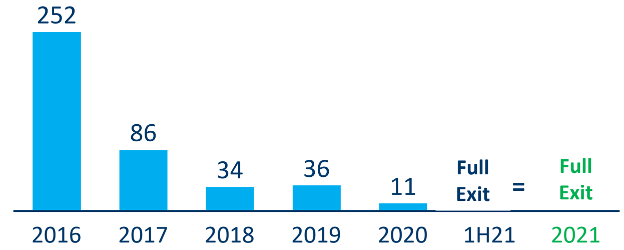
- Almost doubling of SRI funds by '25 (vs 2020)
- SRI funds ≥ 50% of new fund production by '21
- Including art. 8 & 9 of SFRD

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



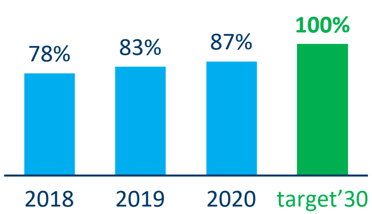
- Target raised from 50% to 65% by '30

Direct coal-related finance
(In millions of EUR)



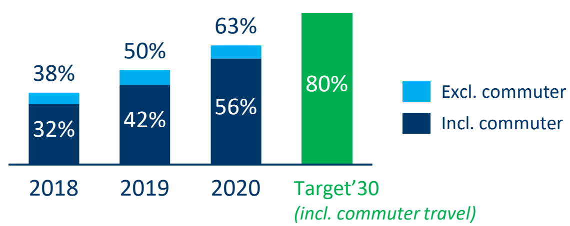
- All remaining direct coal exposure has been phased out in line with our commitment
- Firm commitment to exit indirect coal exposure, supporting existing clients in their transition. In order to remain eligible for any kind of financing, the related client must commit not to engage into any new coal project and must submit a coal-phase-out plan (to be achieved by 2030 at the latest)

Green electricity
(In % of own electricity consumption)



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

Reduction own GHG emissions (incl. commuter travel)
(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 *(14th of July 2021)*
CDP	A - Leadership
FTSE4Good	4.7/5
ISS ESG	C Prime
MSCI	AAA
Sustainalytics	Low Risk (15.9): 3rd percentile of 417 diversified banks *(risk view)*
S&P Global - RobecoSAM	85th percentile of 253 banks assessed (within top 15%)
Vigeo Eiris	Not publicly available

Sustainable finance

Our commitment to contribute to a sustainable society

Sustainable finance (*) (KBC Group, in millions of euros)	2019	2020
Green finance		
Renewable energy and biofuel sector	1 768	1 840
Green mortgages*		8 817
Social finance		
Health care sector	5 783	6 085
Education sector	975	1 031
Socially Responsible Investments		
SRI funds under distribution	12 016	16 780
Total	**20 542**	**34 553**

(*) from 2020 we extended the overview with the green mortgage volumes of Belgium, Czech Republic, Slovakia and Ireland. This amount covers newly built houses and apartments of our outstanding mortgage loans with energy labels A and B (based on the EU's Energy Performance of Buildings Directive)

Green products and business solutions :

- **Business solutions to promote energy efficiency in buildings, industrial processes and mobility**, e.g.: programmes to help companies prepare for energy audits and a sustainable transition, EIB loan for SMEs to finance climate-improving investments at discounted interest rate, green car loan and lease products, bicycle leasing, mobility services through mobile apps, etc.
- Regarding **social finance** we have specific departments that guide social profit institutions and local authorities in areas such as payments, asset management and financing solutions
- SRI as a **key focus area** of our sustainability strategy:
  - Belgian ***Towards Sustainability*** quality label for all our SRI funds
  - Clear **targets**: volume of SRI and % of new production (first offer and preferred investment solution)
  - **Strict exclusion criteria** on top of general exclusion policies for conventional funds
  - **Positive impact** by investing in companies and countries that score well on sustainability
  - **SRI Advisory Board** = external panel of **independent** experts

For the sustainability report of 2020, we refer to the KBC.COM website

Our sustainability strategy

Our commitment to the climate, following the 'double materiality' approach

FINANCIAL MATERIALITY*

Committed to manage the impact of climate change on our company

ENVIRONMENTAL & SOCIAL MATERIALITY

Committed to manage the direct and indirect impact of our company on climate

- **Impact on our business** as a financial institution, in the shape of both **transition and physical risks and opportunities** arising from climate change

- **Direct environmental impact** through our own operations
- **Indirect impact on the climate** through financing, investing and insuring other parties who could have a direct impact on the climate

- We are committed to **manage our direct environmental impact** and we have substantially raised our ambitions in relation to our direct environmental footprint
- We apply **strict sustainability policies** with respect to human rights, environment, climate and biodiversity, business ethics and sensitive/ controversial societal issues. KBCs sustainability policies **are regularly reviewed**, i.e. at least every two years or more frequently if necessary, and challenged by independent experts in various domains (External Sustainability Board)
- **Updated strategies on the most carbon-intensive industrials sectors and product-lines** (5 out of 11 assessed in 2020) of our lending book. First results and new & updated targets where relevant are presented in so-called **white papers** for the *energy*, *commercial real estate* and *agriculture* sectors, as well as for the following product lines: *mortgage loans* and *car leasing*
- **Ongoing methodological tracks** to understand the potential financial impact of climate-related transition risks on our lending and investment activities and implement new measuring instruments. Based on these methodologies, KBC will be able to publish clear quantitative targets by the end of 2022, in line with the Paris Agreement
- We report on our ongoing climate actions in accordance with **the four pillars of the TCFD Framework** and in line with our commitment to the **Collective Commitment to Climate Action**

PCAF Partnership for Carbon Accounting Financials | UNEP FINANCE INITIATIVE | PACTA Paris Agreement Capital Transition Assessment | Trucost ESG Analysis ** S&P Global | TCFD Task Force on Climate-Related Financial Disclosures | Collective Commitment to Climate Action

* *Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.*

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KBC