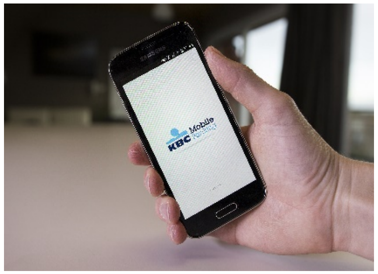


KBC Group
3Q and 9M 2019 results
Press presentation

Johan Thijs, KBC Group CEO
Rik Scheerlinck, KBC Group CFO

More detailed analyst presentation available at www.kbc.com

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Key takeaways for KBC Group

*3Q 2019 financial performance**

- **Commercial bank-insurance franchises** in core markets performed well
- **Customer loans** and **customer deposits** increased in most of our core countries
- Higher **net interest income** and stable net interest margin
- Higher **net fee and commission income**
- Lower **net result from financial instruments at fair value** (mainly due to poor dealing room income) and lower **net other income**
- Excellent sales of **non-life** and **life** insurance y-o-y
- Strict **cost** management
- Lower net **impairments on loans**
- Solid **solvency** and **liquidity**
- An **interim dividend of 1 EUR per share** (as advance payment on the total 2019 dividend) will be paid on 15 November 2019

Good net result of 612m EUR in 3Q19

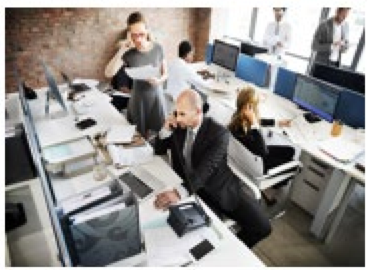
9M19

- **ROE 15%***
- **Cost-income ratio 59%** (adjusted for specific items)
- **Combined ratio 92%**
- **Credit cost ratio 0.10%**
- **Common equity ratio 15.4%**** (B3, DC, fully loaded)
- **Leverage ratio 6.0%** (fully loaded)
- **NSFR 135% & LCR 140%**

* when evenly spreading the bank tax throughout the year

** 15.9%, when including 9M19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

* Comparisons against the previous quarter unless otherwise stated



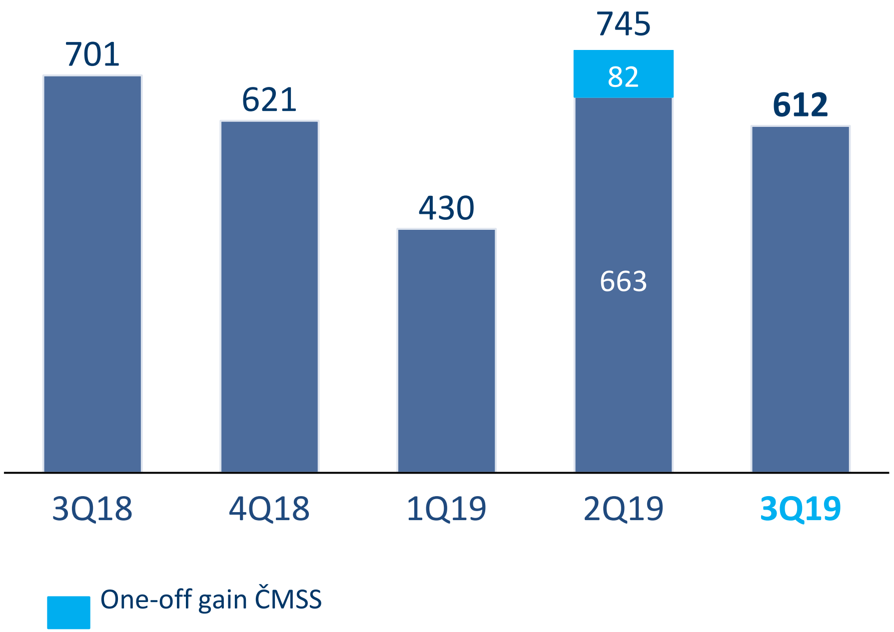
KBC Group Consolidated results

3Q and 9M 2019 performance

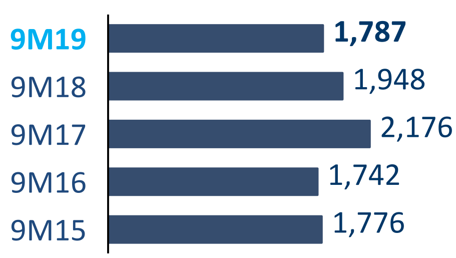
KBC Group

Good net result of 612m in 3Q 2019

Quarterly net result



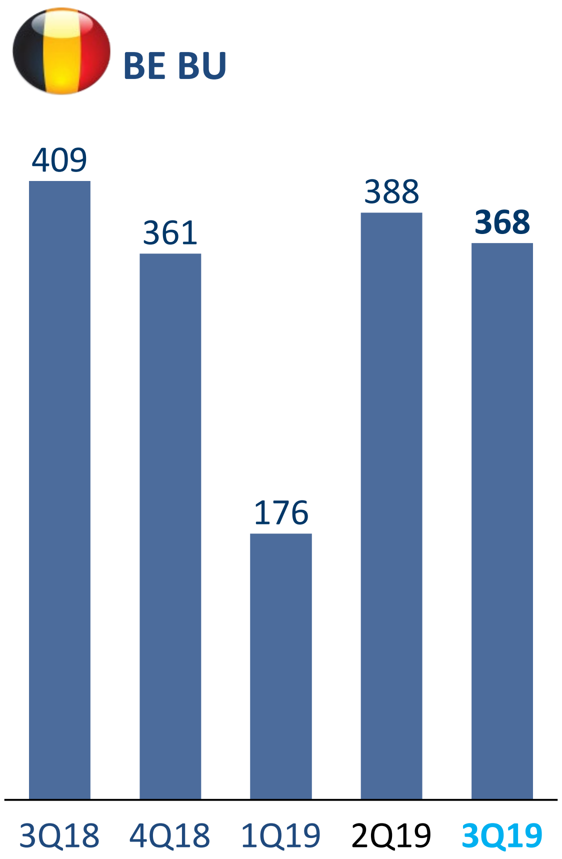
9 Months net result
(YTD)

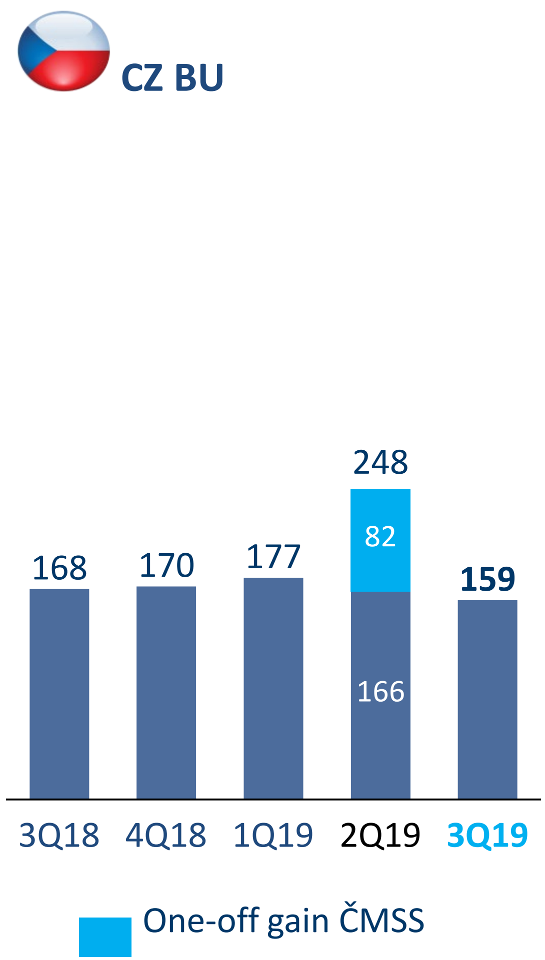


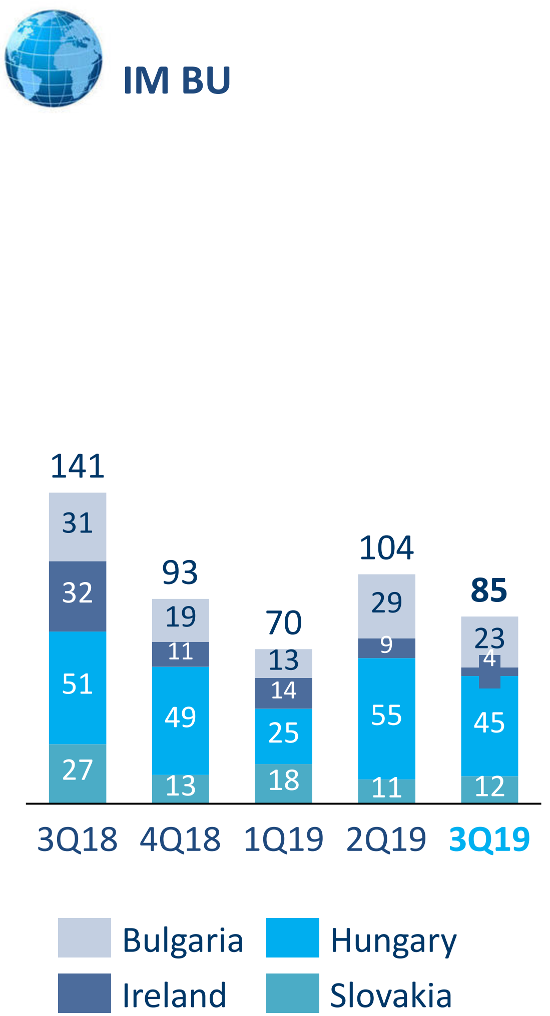
Amounts in millions of EUR

Net result per business unit

Overall positive contribution of the business units





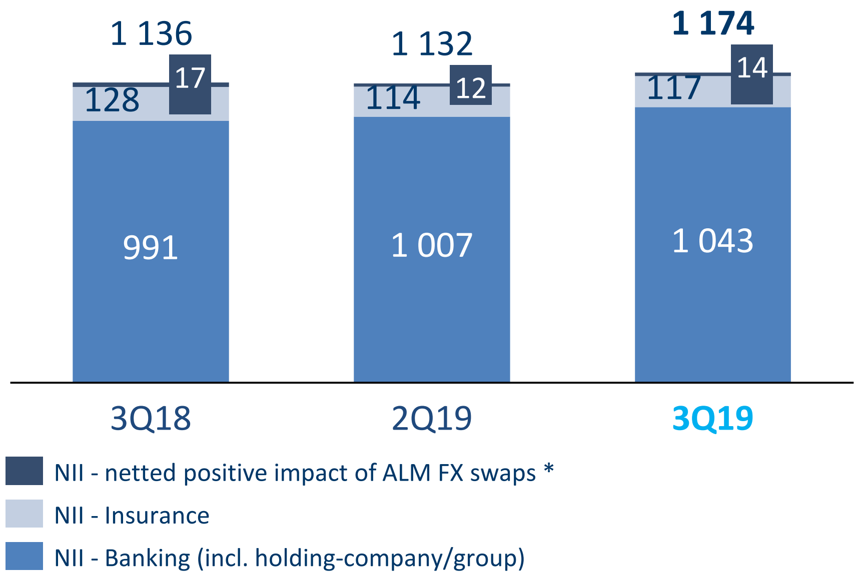


Amounts in millions of EUR

Net interest income

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

Net Interest Income



NII increased by 4% q-o-q and by 3% y-o-y. Note that NII banking increased even by 4% q-o-q and by 6% y-o-y.

The q-o-q increase was driven primarily by:

(+) continued good loan volume growth, higher margins on new loan production in most core countries, 3-month full consolidation of ČMSS (+14m EUR q-o-q), small additional positive impact of short-term interest rate increase in the Czech Republic, higher number of days, higher NII insurance (coupon on inflation linked bonds fully booked in 3Q) and slightly higher netted positive impact of ALM FX swaps

partly offset by:

(-) lower reinvestment yields in our euro area core countries and pressure on loan margins on total outstanding portfolio in most core countries

Net interest margin**

Quarter	3Q18	2Q19	**3Q19**
NIM	1.98%	1.94%	**1.94%**

NIM 1.94%

Stabilised q-o-q and decreased by 4 bps y-o-y, the latter due mainly to the negative impact of lower reinvestment yields, pressure on loan margins on total outstanding portfolio and an increase of the interest bearing assets

* *From all ALM FX swap desks*

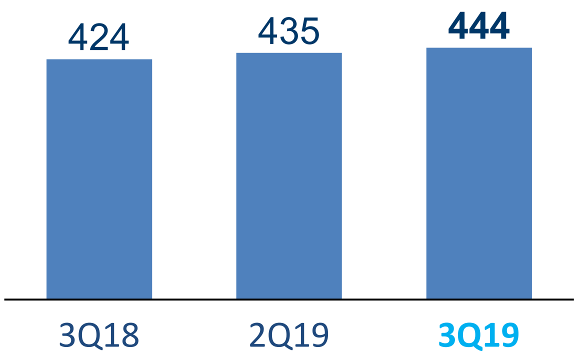
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

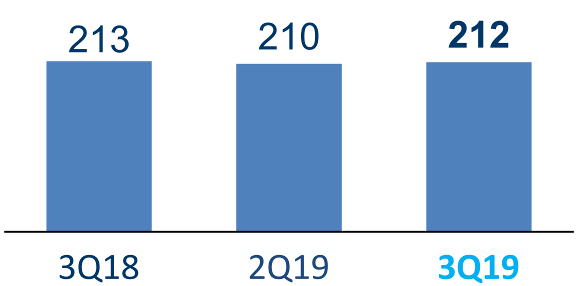
Higher net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income (444m EUR)
Up by 2% q-o-q and by 5% y-o-y
Q-o-q increase was the result of:

- **Net F&C income from Asset Management services** increased by 2% q-o-q as a result of both higher management and entry fees from mutual funds and unit-linked life insurance products
- **Net F&C income from banking services** increased by 3% q-o-q due mainly to seasonally higher fees from payment services and full consolidation of ČMSS (+4m EUR q-o-q), partly offset by lower securities-related fees
- **Distribution costs** rose by 4% q-o-q due chiefly to higher commission paid linked to increased non-life insurance sales

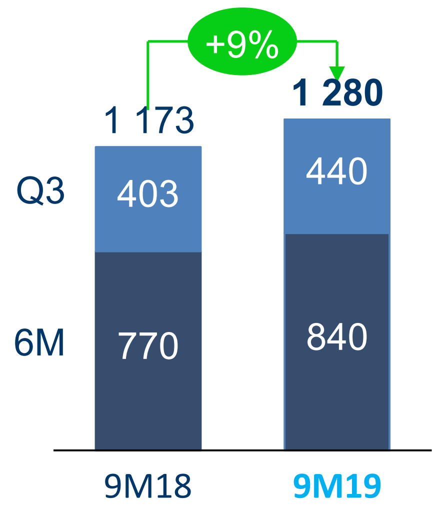
Assets under management (212bn EUR)

- Increased by 1% q-o-q and roughly stabilised y-o-y
- The mutual fund business has seen net outflows in 3Q19, mainly in investment advice

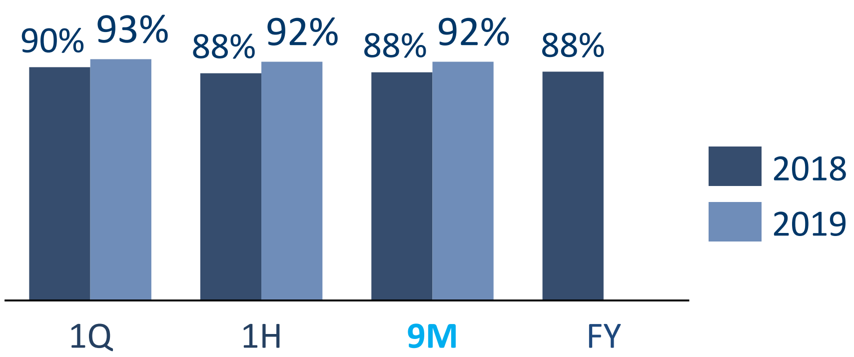
Non-life insurance

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

Non-Life (Gross earned premium)



Combined ratio non-life



Up by 9% y-o-y mainly thanks to a good commercial performance in all major product lines in our core markets and tariff increases

The **non-life combined ratio** for 9M19 amounted to **92%,** a good number despite higher technical charges due mainly to large claims (storm and fire, especially in 1Q19) and a reassessment on claims provisions in 2Q19 (-16m EUR), partly offset by ceded reinsurance result

Amounts in millions of EUR

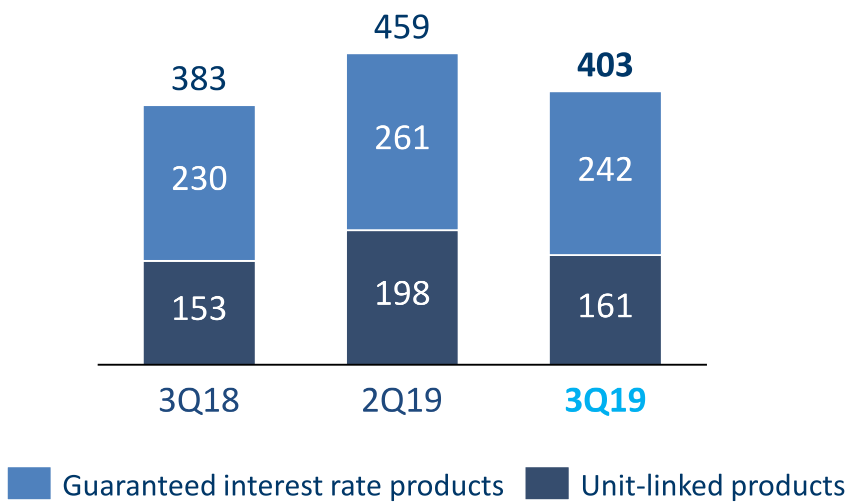
Life insurance

Life sales up y-o-y

Sales of Life insurance products decreased by 12% q-o-q and rose by 5% y-o-y

- The q-o-q decrease was driven by both lower sales of guaranteed interest products and unit-linked products in all countries
- The y-o-y increase was driven entirely by both higher sales of guaranteed interest products and unit-linked products in Belgium
- Sales of unit-linked products accounted for 40% of total life insurance sales in 3Q19

Life sales



Amounts in millions of EUR

Net result from financial instruments at fair value

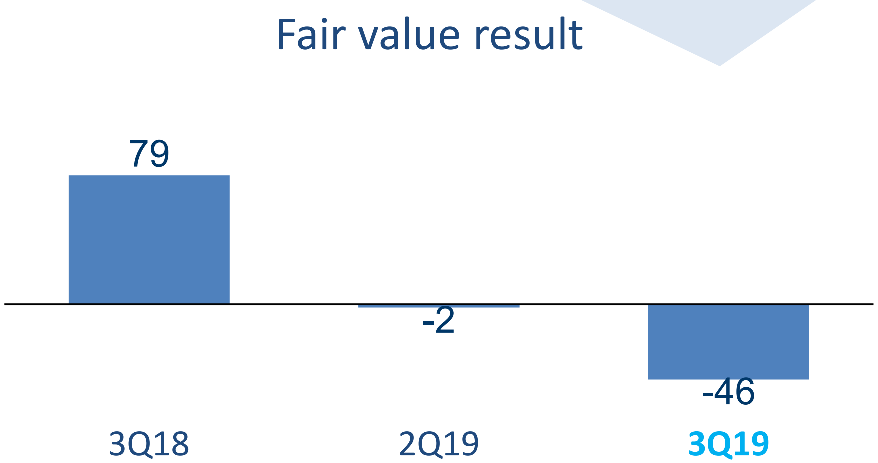
Lower fair value result

The lower q-o-q figures for **net result from financial instruments at fair value** were attributable mainly to:

- a negative change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates and slightly increasing counterparty credit spreads and KBC funding spread)
- poor dealing room & other income
- slightly lower net result on equity instruments (insurance)

partly offset by

- a positive change in ALM derivatives

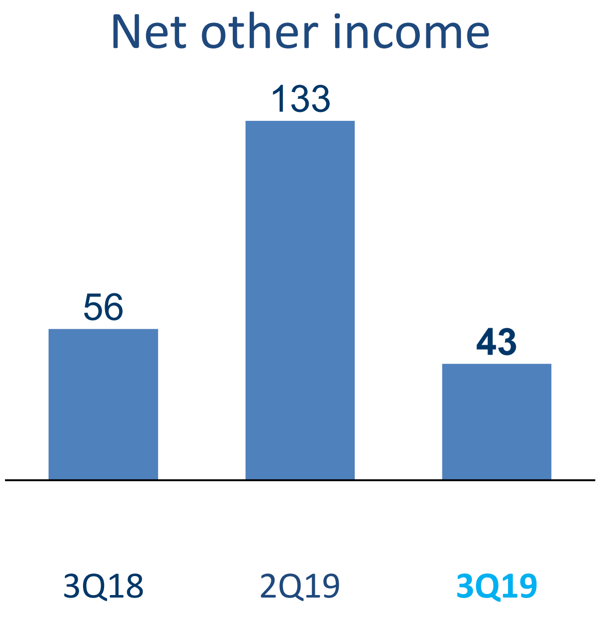


Amounts in millions of EUR

Net other income

Net other income slightly below normal run rate

Net other income amounted to 43m EUR, this is slightly lower than the normal run rate of around 50m EUR due mainly to an additional impact of the tracker mortgage review of -18m EUR (of which a -14m EUR provision for a potential sanction). Note that 2Q19 was positively impacted by a one-off gain of 82m EUR related to the revaluation of the existing 55% stake in ČMSS

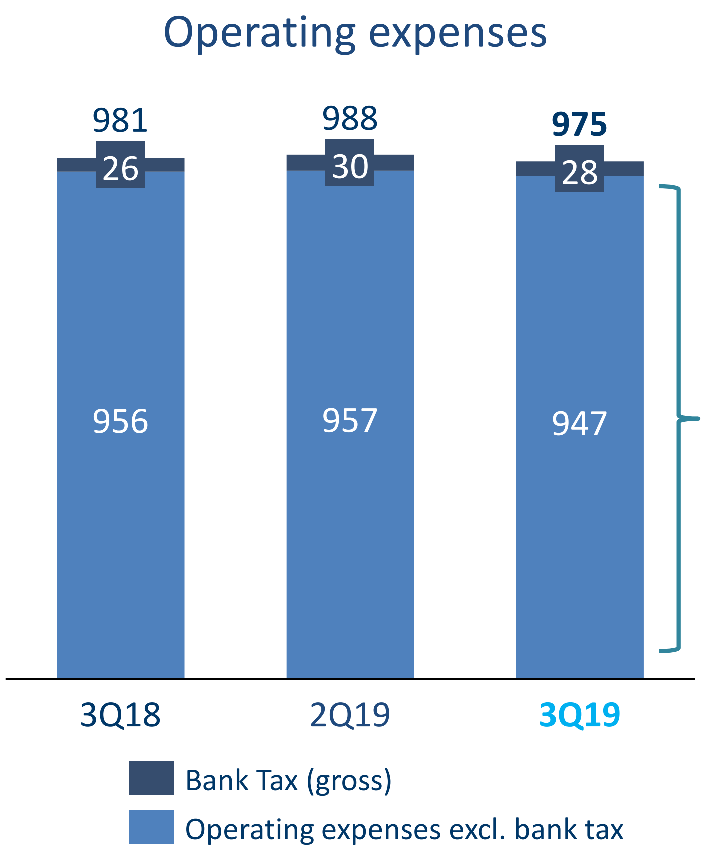


Amounts in millions of EUR

Operating expenses

Strict cost management

	FY18	9M19
Cost/Income ratio*	57%	59%



Operating expenses excluding bank tax decreased by 1% q-o-q primarily as a result of:

- lower staff expenses, despite wage inflation in most countries
- 12m EUR negative one-offs in 2Q19 (of which 10m management reorganisation costs in Belgium) versus a 1m EUR negative one-off in 3Q19
- seasonally lower ICT costs

partly offset by:

- full consolidation of ČMSS (11m EUR in 3Q19 versus 5m in 2Q19)

Excluding the full consolidation of ČMSS, bank tax, FX effect and one-off costs, operating expenses in 9M19 rose by roughly 0.3% y-o-y

Total bank taxes (including ESRF contribution) are expected to increase from 462m EUR in FY18 to 494m EUR in FY19.

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

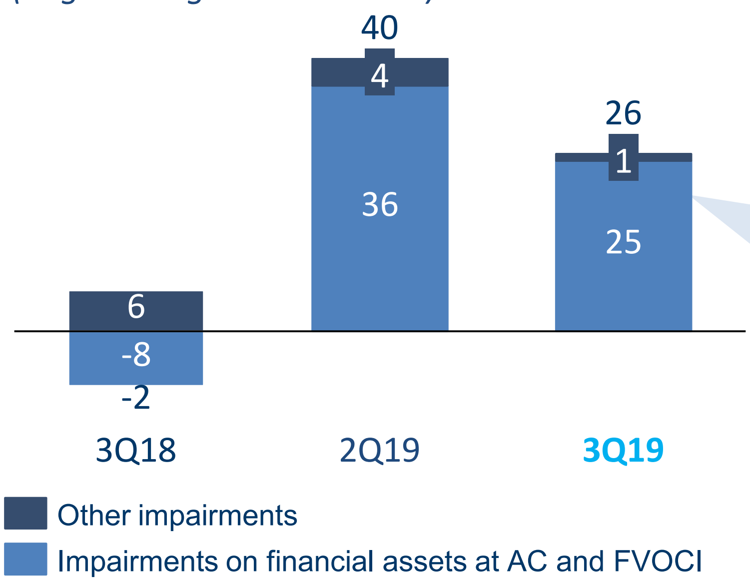
Amounts in millions of EUR

Asset impairments

Lower asset impairments, benign credit cost ratio

Asset impairment

(negative sign is write-back)



Lower asset impairments q-o-q, mainly to:

- lower loan loss impairments in Belgium and Slovakia
- net loan loss impairment reversals in Ireland (7m EUR) and Group Centre (10m EUR)

partly offset by:

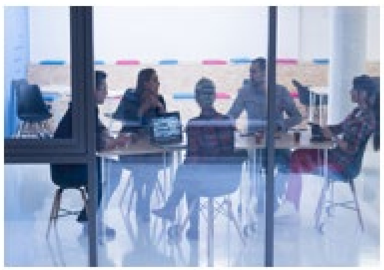
- slightly higher loan loss impairments in the Czech Republic, Bulgaria and Hungary

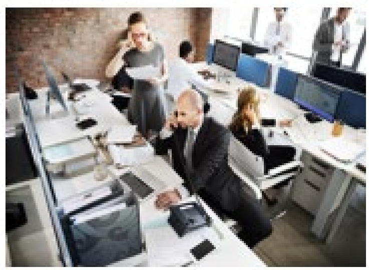
Credit cost ratio (YTD)

FY18	9M19
-0.04%	0.10%

The credit cost ratio amounted to 0.10% in 9M19

Amounts in millions of EUR





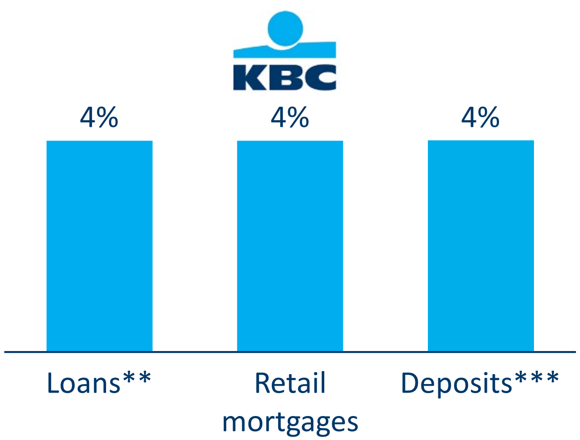
KBC Group

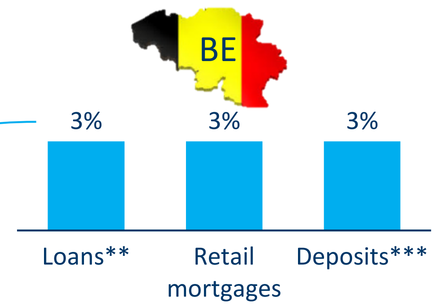
Balance sheet, capital and liquidity

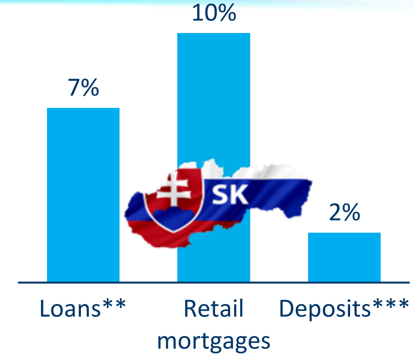
Balance sheet

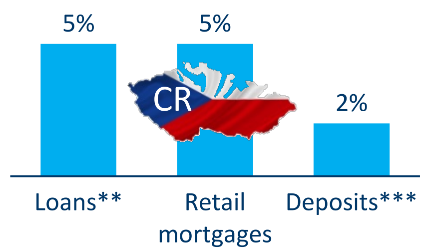
Loans and deposits continue to grow in most core countries

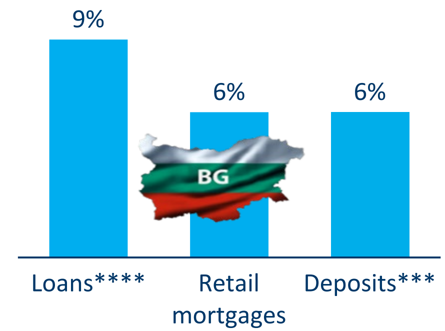
Y-O-Y ORGANIC* VOLUME GROWTH

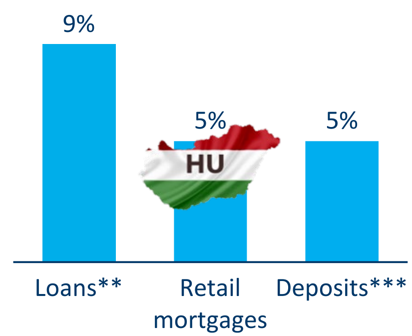


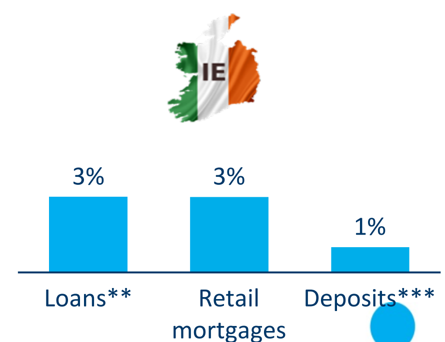












* Volume growth excluding FX effects and divestments/acquisitions
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos
**** Total customer loans in Bulgaria: new bank portfolio +11% y-o-y, while legacy -26% y-o-y

More stringent ECB approach re. dividend policy

Our unchanged dividend policy / capital distribution to shareholders

- 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
- On top of the payout ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the 'Reference Capital Position'

More stringent ECB approach since 1Q19, based on the ECB Umbrella Decision

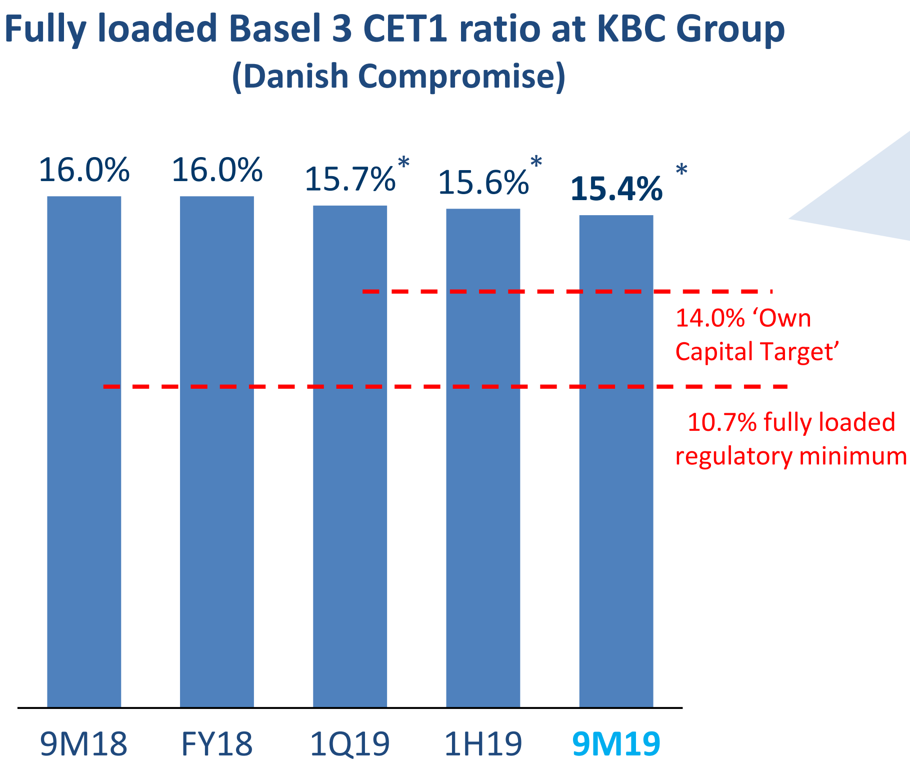
- We can apply for interim profit recognition based on the ECB Umbrella Decision (Decision EU 2015/656 of 4 February 2015), which states that the dividend to be deducted is the highest of (i) maximum pay-out according to dividend policy, (ii) average pay-out ratio over the last 3 years or (iii) last year's pay-out ratio
- The ECB interprets 'at least 50%' as a range with an upper end of 100% pay-out

What does this mean in practice in the meantime?

- In anticipation of further clarification and reaching agreement upon our approach re. the interim profit recognition process going forward, no IFRS interim profit has been recognised for 9M19. This resulted in a CET1 ratio of 15.4% at the end of 9M19
- When including 9M19 net result taking into account 59% pay-out (dividend + AT1 coupon), in line with the payout ratio in FY2018, the CET1 ratio at KBC Group (Danish Compromise) amounted to 15.9% at the end of 9M19

Common equity ratio

Strong capital position



* No IFRS interim profit recognition given more stringent ECB approach

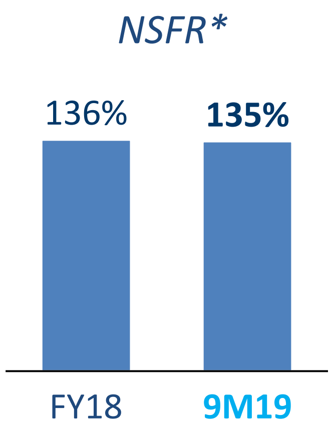
The common equity ratio slightly decreased from 15.6% at the end of 2Q19 to 15.4%* at the end of 3Q19 based on the Danish Compromise. This **clearly exceeds** the minimum capital requirements** set by the competent supervisors of 10.7% fully loaded. Our 'Own Capital Target' remained at 14.0% for 2019 after the update of the median CET1 ratio of our peer group (based on FY18 numbers)

* See previous slide...Is 15.9% when including 9M19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

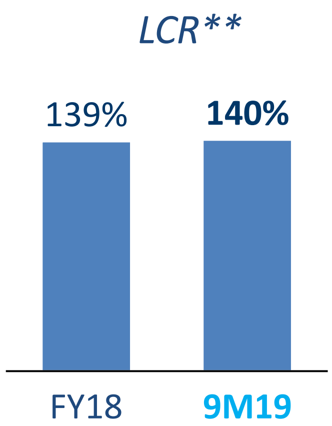
** Excludes a pillar 2 guidance (P2G) of 1.0% CET1

Liquidity ratios
Liquidity continues to be solid

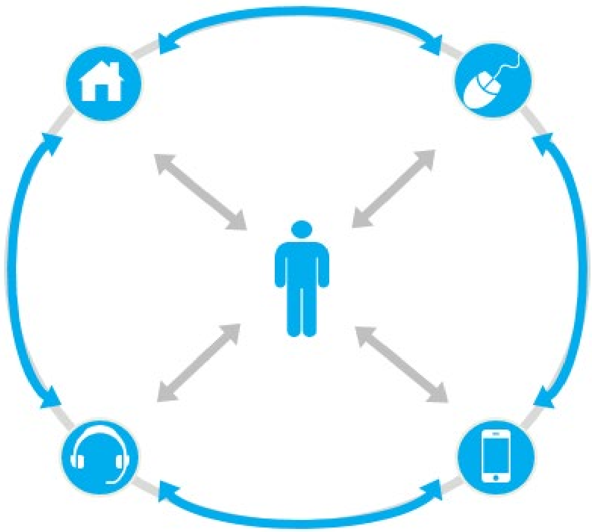
KBC Group's liquidity ratios



Regulatory Requirement ≥ 100%



** Net Stable Funding Ratio (NSFR) is based on KBC's interpretation of the proposal of CRR amendment*
*** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure*



KBC Group

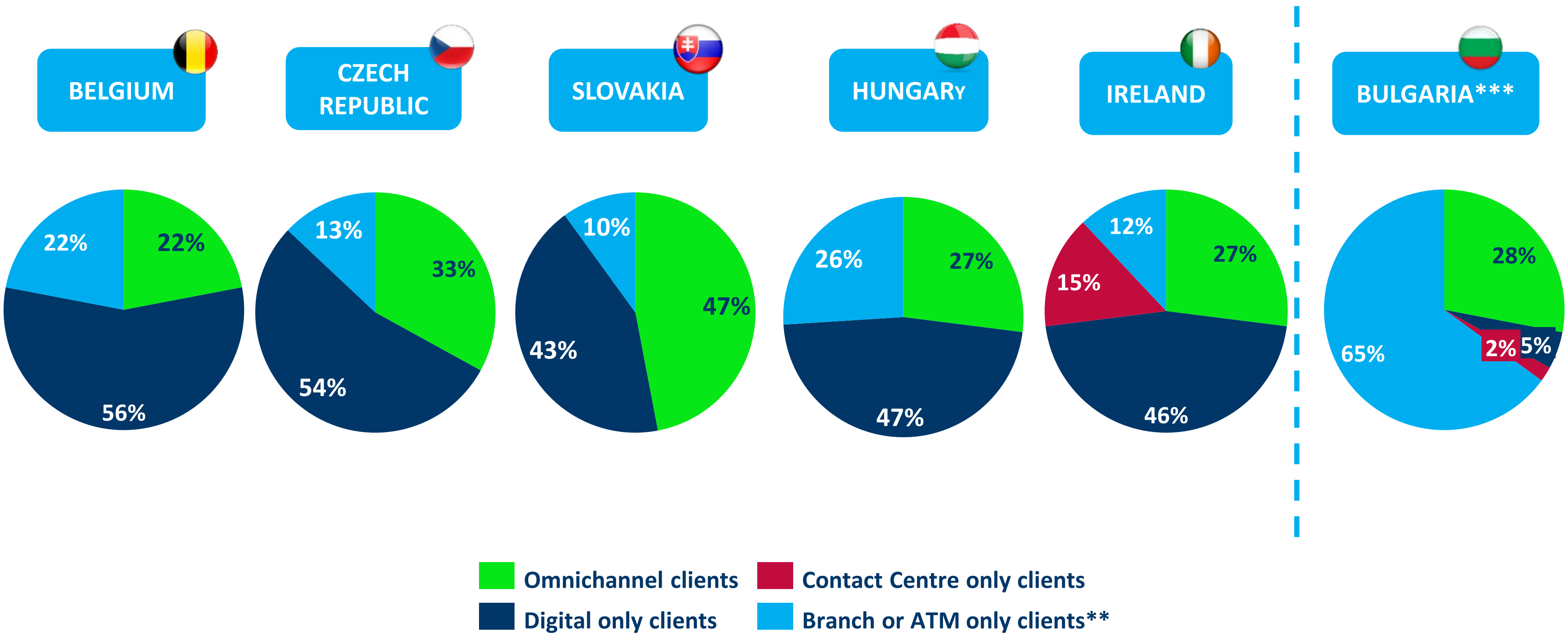
More of the same...
but differently ...

Inbound contacts via omni-channel and digital channel* at KBC Group** amounted to 80% in 3Q19… already reaching the Investor Visit target (≥ 80% by 2020)

- 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 & Postal Savings Bank (PSB) in Czech Republic, both out of scope for Group target

Realisation of omnichannel strategy* – client mix in 3Q19



* 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

KBC Group
3Q and 9M 2019

Looking forward

Looking forward

Economic outlook

- In line with global economic developments, the European economy is currently slowing down. Decreasing unemployment rates and growing labour shortages in some European economies, combined with solid wage inflation, are likely to continue underpinning private consumption. Investment is also likely to remain supportive for growth. The main factors that could substantially impede European economic sentiment and growth remain the risk of further economic de-globalisation, including an escalation of trade conflicts, Brexit and political turmoil in some euro area countries

Group guidance

- Solid returns for all Business Units
- B4 impact (as of 1 January 2022) for KBC Group estimated at roughly 8bn EUR higher RWA on fully loaded basis at end 2018, corresponding with 9% RWA inflation and -1.3% points impact on CET1 ratio

Business units

- Next to the Belgium and Czech Republic Business Units, the International Markets Business Unit has become a strong net result contributor (although 2018 figures were flattered by net impairment releases)

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

Johan Thijs, KBC Group CEO