KBC Group
Company presentation
3Q 2021

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3Q 2021 key takeaways

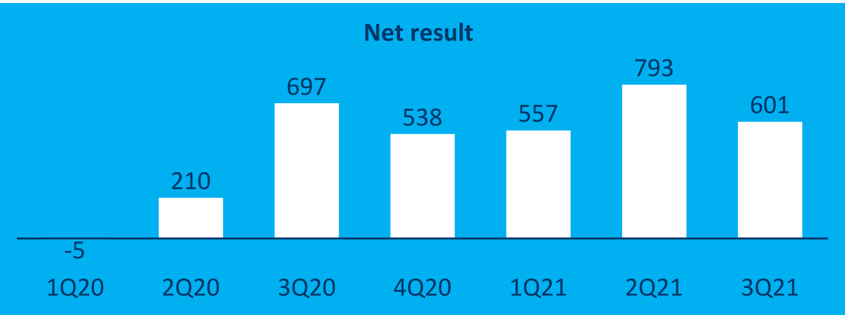
3Q21 financial performance

- **Commercial bank-insurance franchises** in core markets performed extremely well
- **Customer loans** and **customer deposits** increased y-o-y in most of our core countries
- KBC recently decided to **no longer provide direct credit, advice or insurance to new oil and gas fields**
- Higher **net interest income** and net interest margin
- Higher **net fee and commission income**
- Stable **net gains from financial instruments at fair value** and higher **net other income**
- Excellent sales of **non-life** insurance y-o-y and lower sales of **life** insurance q-o-q. Severe flood impact in Belgium
- Good **cost** management, distorted by some one-offs
- Net **impairment releases,** despite the impact of the pending sales transactions in Ireland
- Solid **solvency** and **liquidity**
- A **dividend of 2 EUR per share** over the accounting year 2020 and an **interim dividend of 1 EUR per share** (as advance payment on the total 2021 dividend) will be paid on 17 November 2021

Excellent net result of 601m EUR in 3Q21

9M21

- **ROE 16%***
- **Cost-income ratio excluding bank taxes 50%**
- **Combined ratio 87%**
- **Credit cost ratio -0.20% (-0.02% without collective Covid-19 impairments** and one-off impact of pending sales in Ireland)**
- **Common equity ratio 16.4%** (B3, DC, fully loaded)
- **Leverage ratio 5.4%** (fully loaded)
- **NSFR 153% & LCR 167%**



* when evenly spreading the bank tax throughout the year and excluding the one-off items due to the pending sales transactions in Ireland

** Collective Covid-19 impairments lowered from 783m EUR at end 2020 to 368m EUR at end 9M21 (see slide 19)

Comparisons against the previous quarter unless otherwise stated

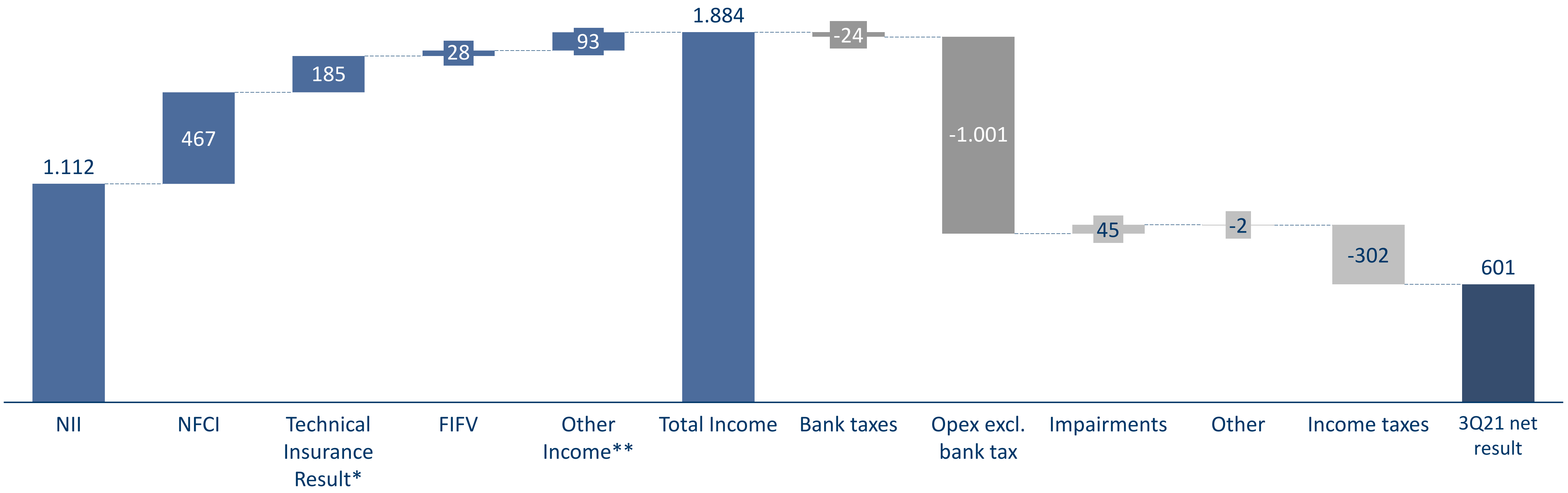
KBC: the reference

What?	Current relative ranking	Position versus industry average
Profitability (9M21 ROE*)	KBC 16%	KBC amongst most profitable banks
Solvency (9M21 CET1 ratio)	KBC 16.4%	KBC amongst best capitalised banks
ESG / Sustainability** SUSTAINALYTICS	KBC	KBC 4th of 396 diversified banks
Digitalisation SIAPARTNERS	Conclusion of Sia Partners (independent research agency) is clear: 'KBC Mobile is a perfect and efficient banking app for everyday needs and one of the most innovative with some interesting extras. The app surprises customers with the wide range of functionalities and the virtual assistance by Kate.' KBC	KBC Mobile N°1 by Sia Partners

* when evenly spreading the bank tax throughout the year and excluding the one-off items due to the pending sales transactions in Ireland

** relative scoring versus banking sector

Overview of building blocks of the 3Q21 net result



	NII	NFCI	Technical Insurance Result*	FIFV	Other Income**	Total Income	Bank taxes	Opex excl. bank tax	Impairments	Other	Income taxes	3Q21 net result
Q-o-Q	+2%	+4%	-18%	-4%		+2%		+6%				-24%
Y-o-Y	-1%	+20%	-18%	-67%		+1%		+11%				-14%

* Earned premiums – technical charges + ceded reinsurance
** Dividend income + net realised result from debt instruments FV through OCI + net other income

Main exceptional items

		3Q21	2Q21	3Q20
GROUP	Opex – Covid-related staff bonus		-18m EUR	
	Total Exceptional Items GROUP		***-18m EUR***	
BE BU	NII – One-off technical item (insurance)			+26m EUR
	Non-Life technical charges – flood impact above the legal limit (solidarity)	-38m EUR		
	NOI – Sale of the KBC Antwerp Tower	+13m EUR		
	NOI – Settlements		-8m EUR	
	Opex – Sale of the KBC Antwerp Tower	+9m EUR		
	Total Exceptional Items BE BU	***-15m EUR***	***-8m EUR***	***+26m EUR***
IM BU	IRL – NOI – Additional impact for the tracker mortgage review	-13m EUR		-6m EUR
	IRL – Opex – Signing of two pending sales transactions	-81m EUR		
	IRL – Impairments – Signing of two pending sales transactions	-185m EUR		
	HU – Impairments – Modification loss from moratorium	-5m EUR	-2m EUR	
	IRL – Income tax – Signing of two pending sales transactions	-53m EUR		
	Total Exceptional Items IM BU	***-337m EUR***	***-2m EUR***	***-6m EUR***
	Total Exceptional Items	-352m EUR	-28m EUR	+20m EUR
	Total Exceptional Items (post-tax)	-346m EUR	-22m EUR	+14m EUR

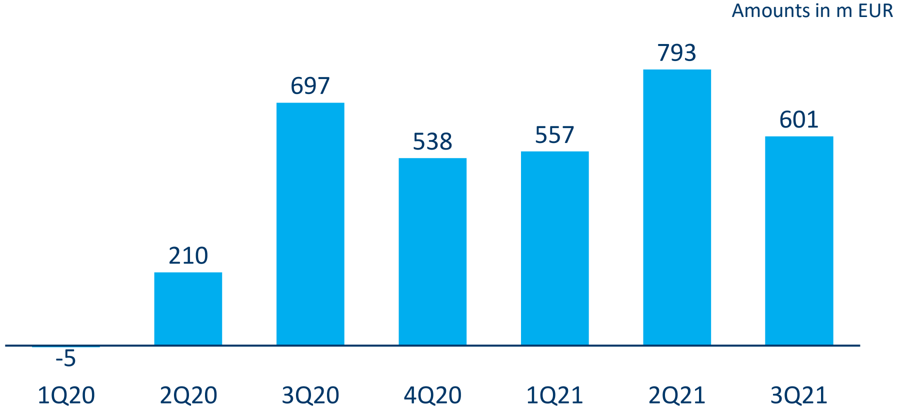
Contents

Section 1

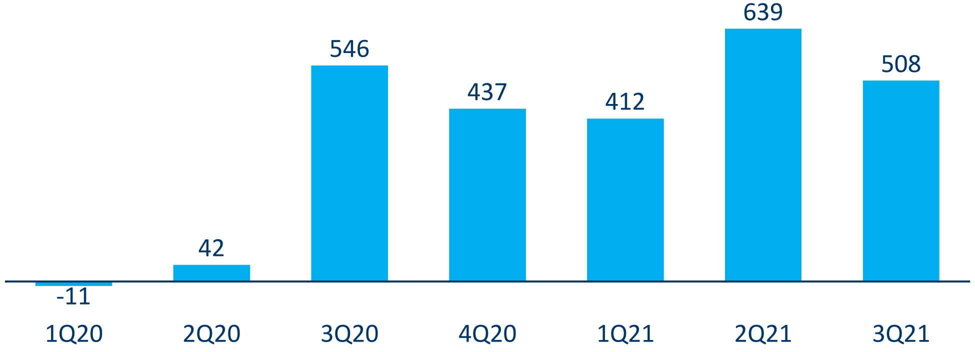
3Q 2021 performance of KBC Group

Net result at KBC Group

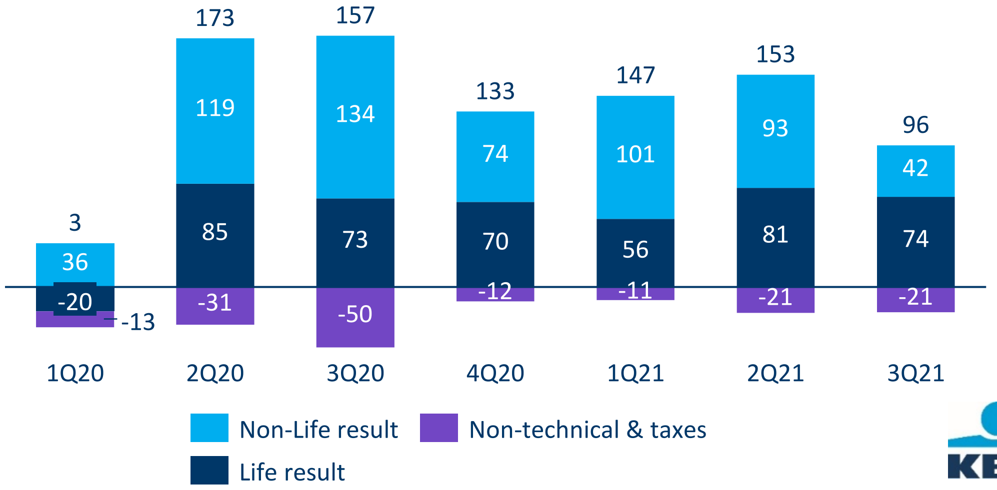
NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*

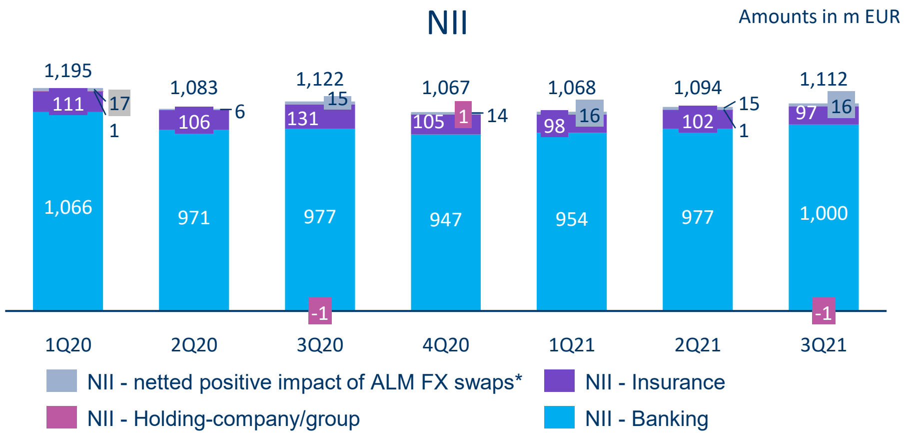


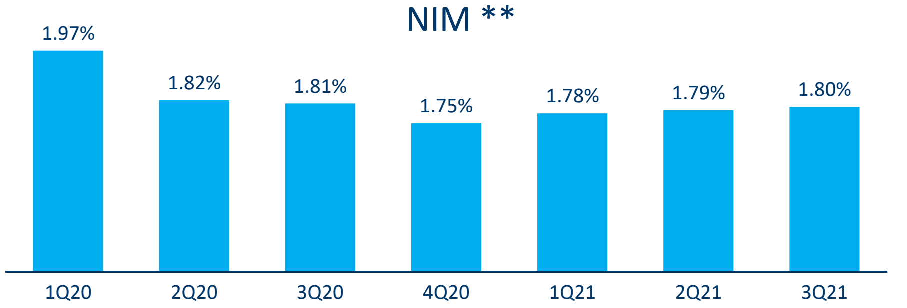
CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*



* 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

Higher net interest income and 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 (1,112m EUR)**
  - NII increased by 2% q-o-q, driven primarily by:
    - organic loan volume growth
    - a positive impact of the CNB rate hikes
    - 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 versus the EUR (+2m EUR q-o-q)
    - slightly higher netted positive impact of ALM FX swaps

    partly offset by:
    - lower reinvestment yields in euro-denominated countries
    - margin pressure on the outstanding mortgage portfolio, particularly in the Czech Republic, Hungary and Bulgaria
    - lower NII on insurance bond portfolio (inflation-linked bonds)
  - The 1% y-o-y NII decrease was mainly the result of lower reinvestment yields (impacting both banking and insurance), margin pressure on the outstanding mortgage portfolio in CEE and the 26m EUR positive one-off (in NII insurance) in 3Q20, partly offset by higher NII lending, a positive impact of the CNB rate hikes, lower funding costs, intensified charging of negative interest rates on certain current accounts to corporates and SMEs, the consolidation of OTP SK and a positive FX effect
- **Net interest margin (1.80%)**
  - Increased by 1 bp q-o-q and decreased by 1 bp y-o-y for the reasons mentioned above and an increase of the interest-bearing assets (denominator)

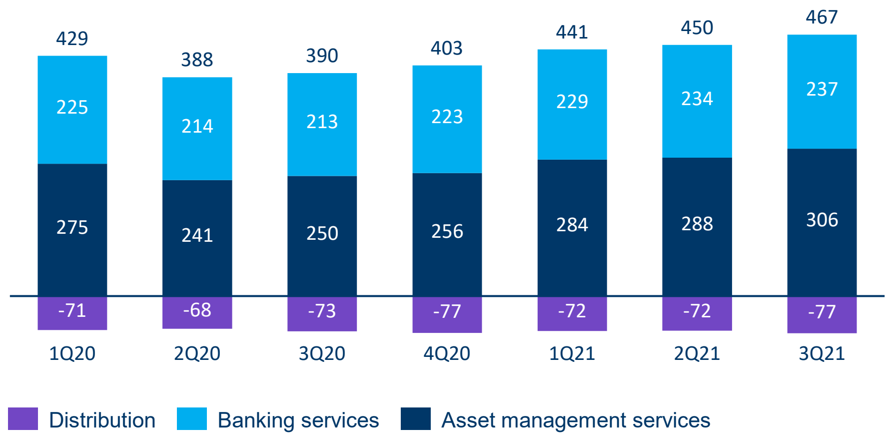
ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	167bn	76bn	202bn	229bn	28bn
Growth q-o-q*	+2%	+1%	+1%	+1%	0%
Growth y-o-y	+4%	+7%	+7%	+12%	+3%

* 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, excluding debt certificates and repos. Customer deposit volumes including debt certificates and repos -3% q-o-q and +10% y-o-y

Higher net fee and commission income

F&C*

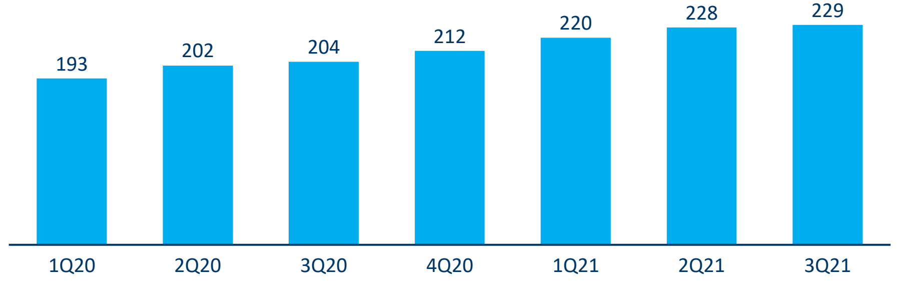
Amounts in m EUR



* The building blocks of the 2020 F&C figures were restated, resulting in a shift of roughly 5m EUR per quarter from Banking services to Asset Management services, related to F&C income from CSOB CZ Pension company

AuM

Amounts in bn EUR



Net fee and commission income (467m EUR)

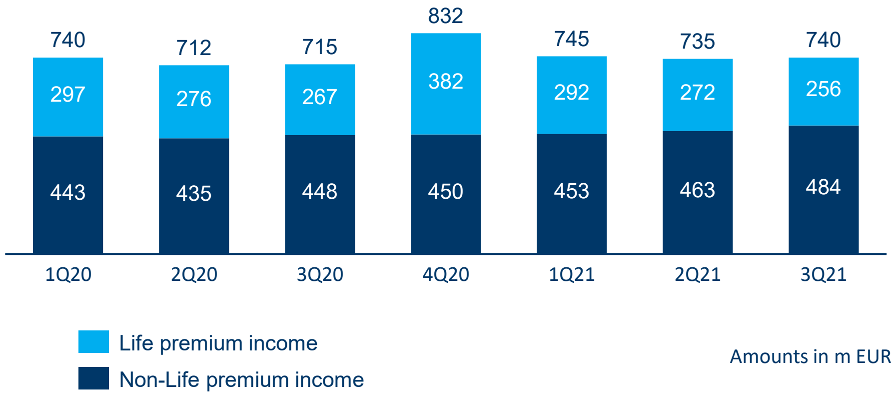
- Up by 4% q-o-q and by 20% y-o-y
- Q-o-q increase was the result of the following:
  - Net F&C income from Asset Management Services increased by 6% q-o-q as a result of higher management fees, partly offset by deliberately reduced entry fees from mutual funds and unit-linked life insurance products 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, higher network income and slightly higher securities-related fees were partly offset by lower fees from credit files & bank guarantees
  - Distribution costs rose by 6% q-o-q due chiefly to higher commissions paid linked to increased insurance sales
- Y-o-y increase was mainly the result of the following:
  - Net F&C income from Asset Management Services rose by 22% y-o-y driven almost entirely by higher management fees
  - Net F&C income from banking services increased by 11% y-o-y (+10% y-o-y excluding FX effect) driven mainly by higher fees from payment services, higher network income and higher securities-related fees
  - Distribution costs rose by 5% y-o-y due chiefly to higher commissions paid linked to increased non-life insurance sales

Assets under management (229bn EUR)

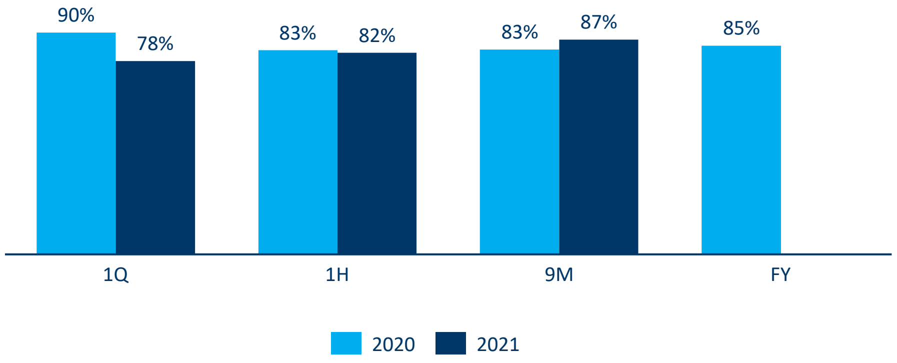
- Increased by 1% q-o-q due mainly to a positive price effect, in addition to net inflows (and important shift from low-margin institutional & advisory mandates towards retail funds)
- Increased by 12% y-o-y due to net inflows (+1%) and a positive price effect (+11%)

Insurance premium income up y-o-y and excellent combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUMS)



COMBINED RATIO (NON-LIFE)



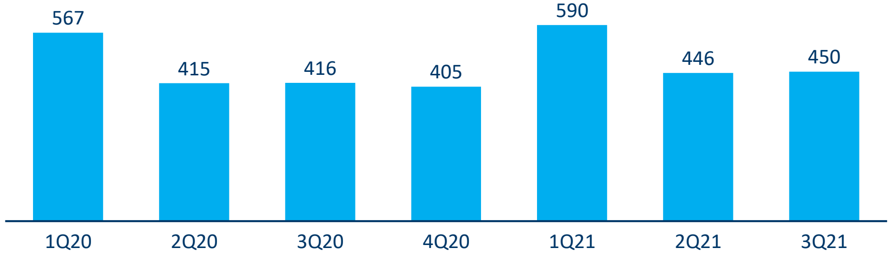
- **Insurance premium income** (gross earned premiums) **at 740m EUR**
  - Non-life premium income (484m EUR) increased by 8% y-o-y in 3Q21
  - Life premium income (256m EUR) fell by 6% q-o-q and by 4% y-o-y in 3Q21

- The non-life **combined ratio** for 9M21 amounted to an excellent **87%** (83% in 9M20). This is the result of:
  - 5% y-o-y earned premium growth in 9M21
  - 22% y-o-y higher technical charges in 9M21 due mainly to:
    - the severe flood impact in Belgium during summer (100m EUR gross impact and 79m EUR net impact after reinsurance, of which 38m EUR above the legal limit*)
    - higher normal claims (mainly in ‘Motor’, ‘Workmen’s compensation’ and ‘General third-party liability’, primarily due to the re-opening of the economy)
    - partly offset by lower impact of parameter updates
  - ceded reinsurance result, which amounted to +12m EUR in 9M21 (versus -28m EUR in 9M20) due to higher recuperations for floods, storms and major claims

* i.e. the ceiling introduced in Belgian law on the intervention of insurers in the event of very large floods

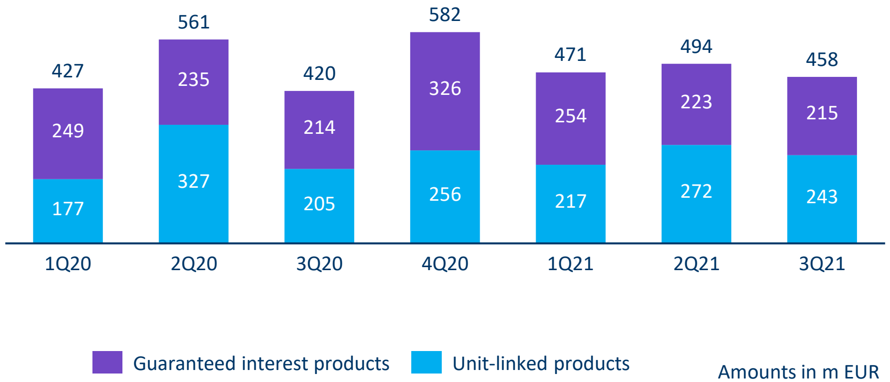
Non-life sales up y-o-y, life sales down q-o-q and up y-o-y

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



Amounts in m EUR

LIFE SALES

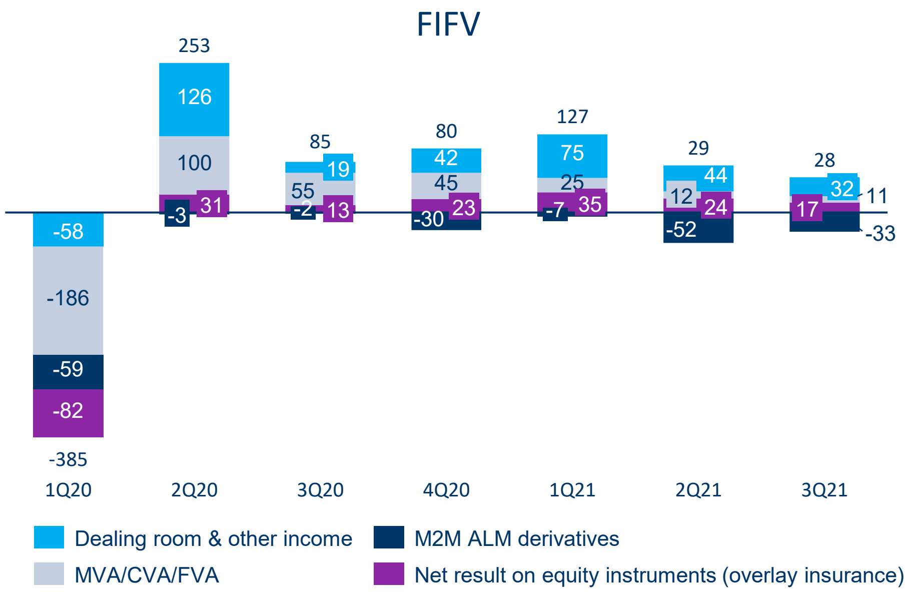


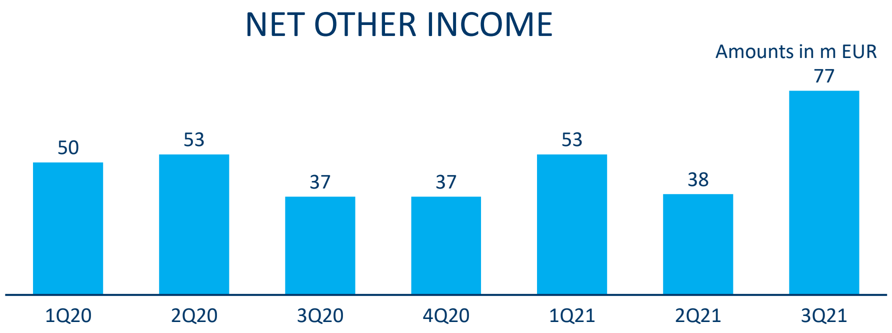
Amounts in m EUR

- **Sales of non-life insurance products**
  - Up by 8% y-o-y due to growth in all classes, but chiefly in the classes ‘Motor Comprehensive Cover’, ‘Property’ and ‘General third-party liability’

- **Sales of life insurance products**
  - Decreased by 7% q-o-q and increased by 9% y-o-y
  - The q-o-q decrease was driven mainly by lower unit-linked products in Belgium and the Czech Republic and lower sales of guaranteed interest products in Belgium
  - The y-o-y increase was driven almost entirely by higher sales of unit-linked products in Belgium and Bulgaria (partly due to the consolidation of the NN’s life insurance activities)
  - Sales of unit-linked products accounted for 53% of total life insurance sales in 3Q21

Stable FIFV and higher net other income





- The q-o-q stabilisation in **net gains from financial instruments at fair value** was attributable mainly to:
  - a positive change in ALM derivatives

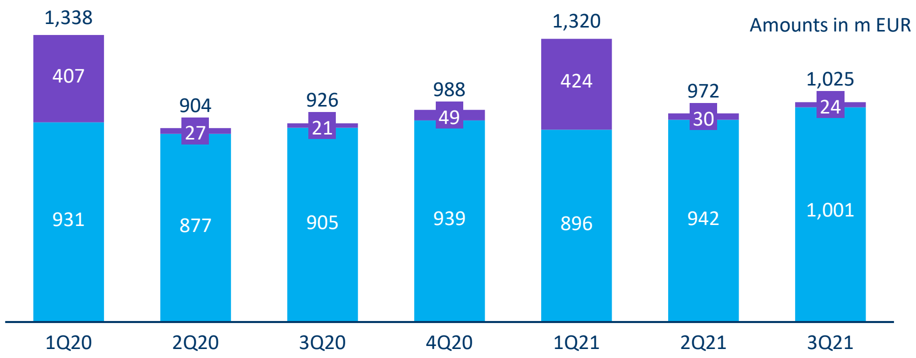
  partly offset by:
  - lower dealing room & other income
  - a lower net result on equity instruments (insurance)

  Note that xVA roughly stabilised q-o-q:
  - FVA: 2m EUR (-1m EUR q-o-q)
  - CVA: 6m EUR (-1m EUR q-o-q)
  - MVA: 3m EUR (+1m EUR q-o-q)

- **Net other income** amounted to 77m EUR, higher than the normal run rate of around 50m EUR per quarter due to realised gains on the sale of bonds. Also note that net other income was impacted by two offsetting one-offs (+13m EUR gain on the sale of the Antwerp tower and -13m EUR additional impact for the tracker mortgage review in Ireland)

Continued good cost management

OPERATING EXPENSES



EXPECTED BANK TAX SPREAD IN 2021

Amounts in m EUR

	TOTAL	Upfront			Spread out over the year			
	3Q21	1Q21	2Q21	3Q21	1Q21	2Q21	3Q21	4Q21e
BE BU	**0**	311	6	0	0	0	0	0
CZ BU	**1**	50	1	1	0	0	0	0
Hungary	**22**	25	2	0	18	21	22	23
Slovakia	**0**	3	0	0	3	0	0	1
Bulgaria	**0**	9	-1	0	0	0	0	0
Ireland	**1**	3	0	0	1	1	1	20
GC	**0**	0	0	0	0	0	0	0
TOTAL	**24**	**402**	**8**	**1**	**22**	**22**	**23**	**44**

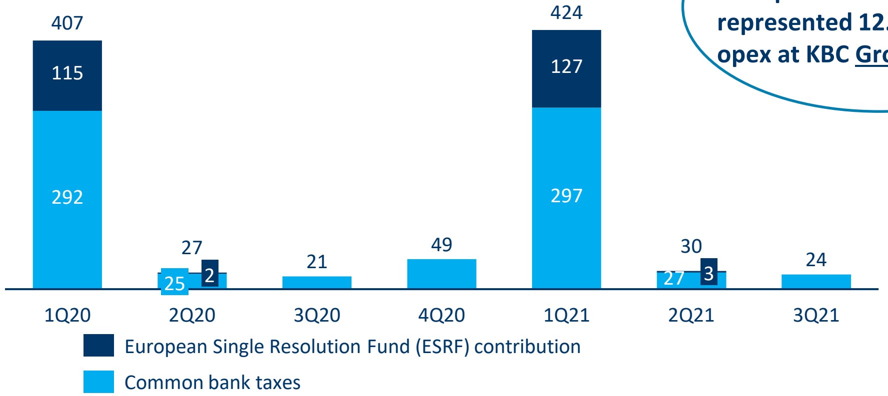
- **Operating expenses in 9M21 excluding FX, bank taxes, changes in the consolidation scope and one-offs stabilised y-o-y**
- The C/I ratio excluding bank taxes amounted to 50% YTD
- Note that both 2Q21 and 3Q21 were impacted by one-offs:
  - -81m EUR one-off staff-related costs in 3Q21 as a result of the signing of the two pending sales transactions in Ireland
  - +9m EUR release of cost provision due to the sale of the Antwerp tower in 3Q21
  - -18m EUR Covid-related staff bonus in 2Q21
- Operating expenses excluding FX, bank taxes, changes in the consolidation scope and one-offs roughly stabilised q-o-q as:
  - lower staff expenses
  - seasonally lower professional fees and marketing costs

  were offset by
  - higher ICT costs
- Operating expenses excluding FX, bank taxes, changes in the consolidation scope and one-offs rose by roughly 1% y-o-y due chiefly to higher staff expenses (due to higher accruals for variable remuneration and wage inflation in most countries, despite lower number of FTEs), higher ICT and marketing costs, partly offset by lower facilities costs and lower software depreciations
- Cost/income ratio (group) adjusted for specific items* at 54% both in 3Q21 and YTD (57% in FY20). Cost/income ratio (group): 54% in 3Q21 and 59% YTD, distorted by bank taxes and one-offs
- Total bank taxes (including ESRF contribution) are expected to increase by 4% y-o-y to 521m EUR in FY21

* See glossary (slide 94) for the exact definition

Overview of bank taxes*

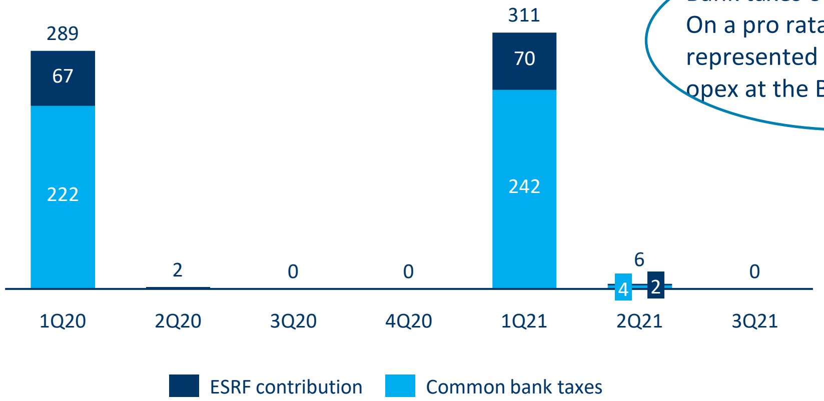
KBC GROUP



Bank taxes of 478m EUR YTD. On a pro rata basis, bank taxes represented 12.1% of 9M21 opex at KBC Group**

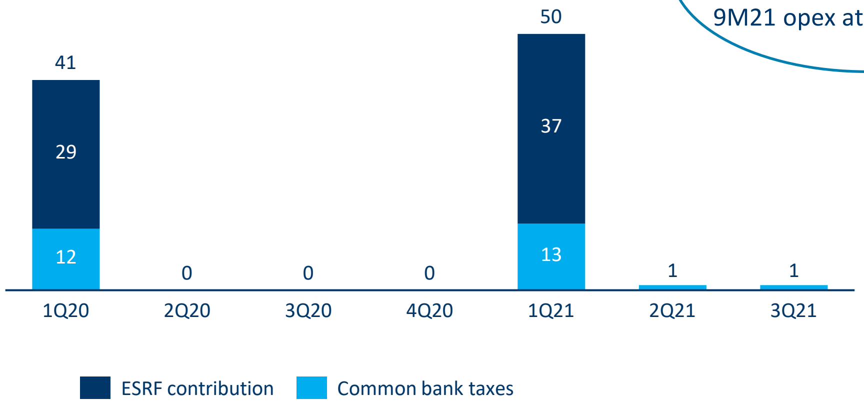
Amounts in m EUR

BELGIUM BU



Bank taxes of 318m EUR YTD. On a pro rata basis, bank taxes represented 13.2% of 9M21 opex at the Belgium BU

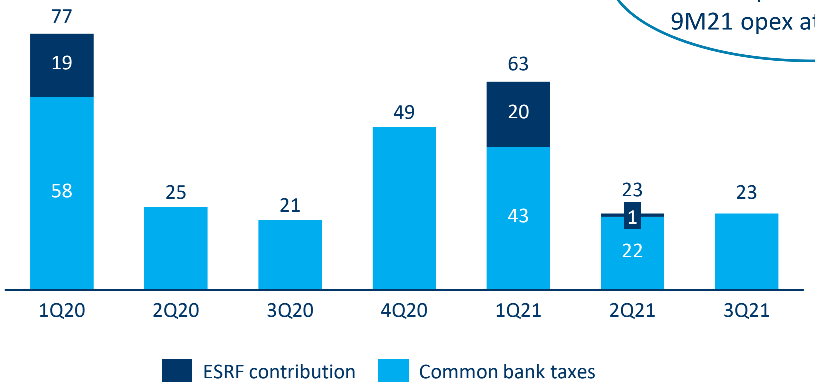
CZECH REPUBLIC BU



Bank taxes of 51m EUR YTD. On a pro rata basis, bank taxes represented 6.8% of 9M21 opex at the CZ BU

Amounts in m EUR

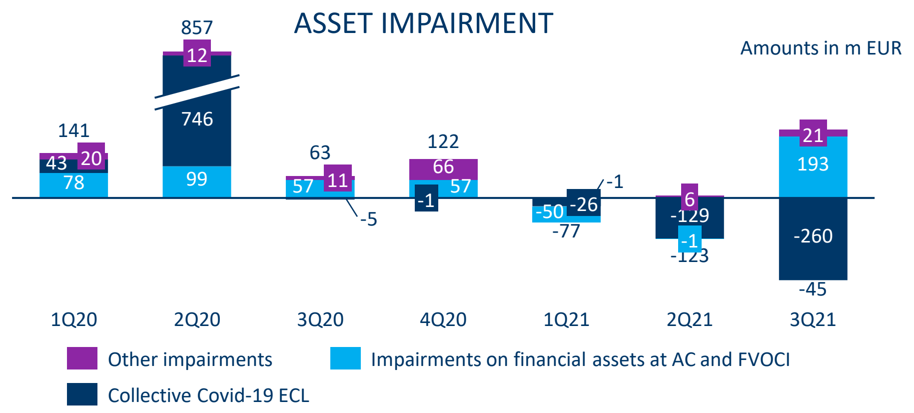
INTERNATIONAL MARKETS BU

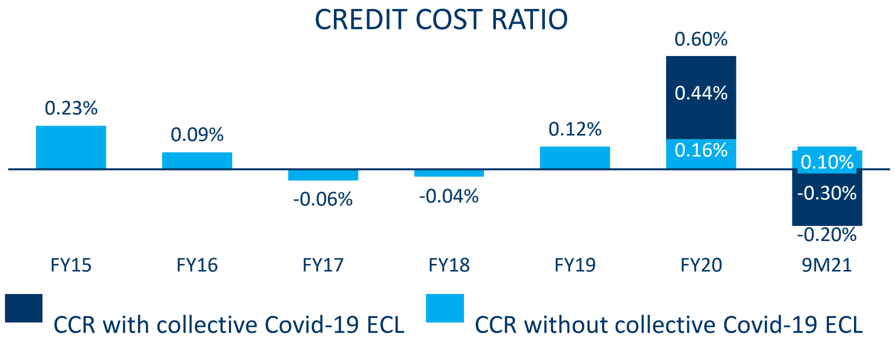


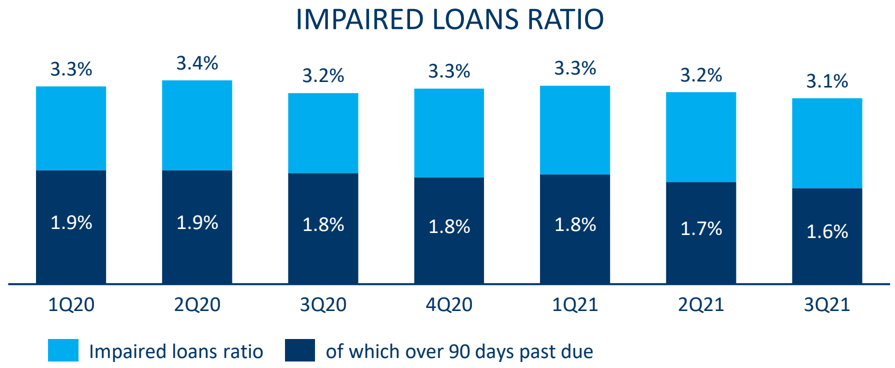
Bank taxes of 109m EUR YTD. On a pro rata basis, bank taxes represented 14.4% of 9M21 opex at the IM BU

* 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 (group) amounted to 50% in 9M21 excluding these bank taxes

Lower net impairment releases and excellent credit cost ratio







- **Net impairment releases**
  - Loan loss impairment releases of 66m EUR in 3Q21 (compared with 130m EUR in 2Q21) due mainly to:
    - a 260m EUR reversal of collective Covid-19 ECL (lowering the total collective Covid-19 impairments from 628m EUR in 2Q21 to 368m EUR in 3Q21)

    partly offset by
    - one-off loan loss impairments of 170m EUR as a result of the signing of the two pending sales transactions in Ireland
    - 23m EUR loan loss impairments mainly for a few individual corporate files
  - 21m EUR impairment on ‘other’, of which:
    - a 15m EUR one-off as a result of the signing of the two pending sales transactions in Ireland, among other things due to fixed asset impairment on (in)tangibles
    - a 5m EUR one-off in Hungary due to modification losses on payment moratorium extension and interest cap on credit cards/overdrafts in moratorium till mid-2022

- The **credit cost ratio in 9M21** amounted to:
  - 10 bps (16 bps in FY20) without collective Covid-19 ECL
  - -20 bps (60 bps in FY20) with collective Covid-19 ECL

- The impaired loans ratio improved to 3.1%, 1.6% of which over 90 days past due. **Excluding Ireland, the impaired loans ratio amounted to 2.5%**

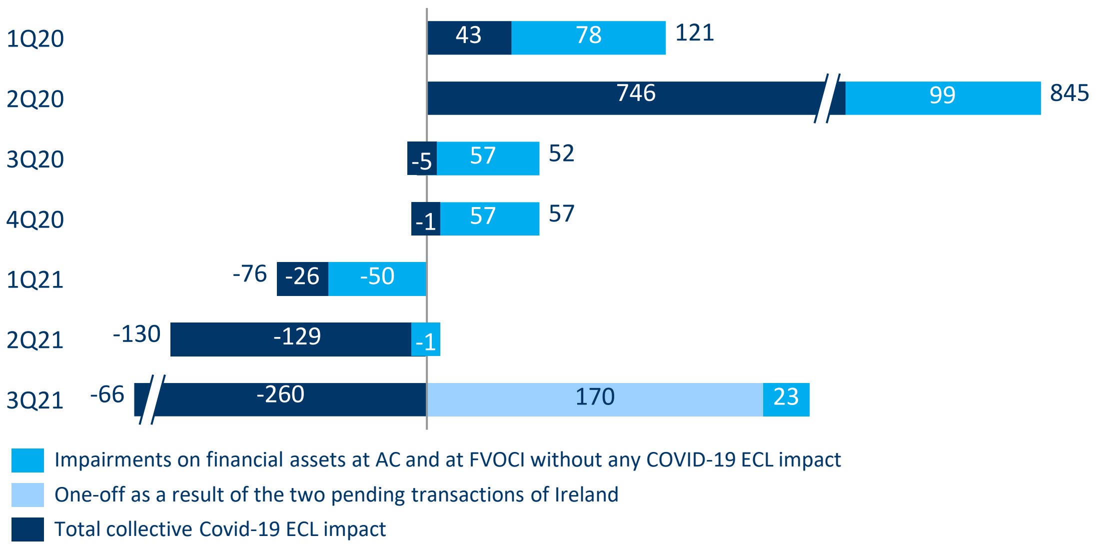
Section 2

Covid-19

Covid-19 Expected credit loss (ECL)

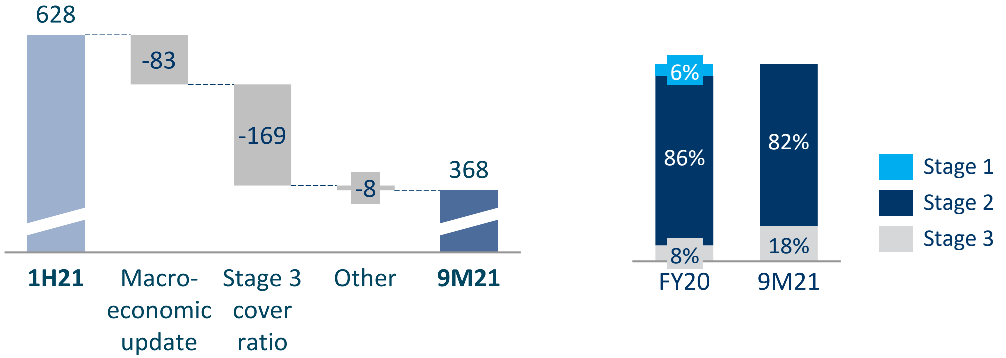
q-o-q reversal of 260m EUR

Impairment on financial assets at AC and at FVOCI



- At year-end 2020, the collective Covid-19 ECL on the performing and non-performing portfolio amounted to 783m EUR driven by an expert-based calculation at portfolio level
- In the first half of 2021, an updated Covid-19 impact assessment resulted in a reversal of 155m EUR (26m EUR in 1Q21 and 129m EUR in 2Q21), which was driven primarily by an update of the probabilities of the macroeconomic scenarios and a change in sector stress applied to less vulnerable sectors
- In the third quarter of 2021, an improvement in the macroeconomic assumptions and lower stage 3 cover ratio applied, **resulted in a total collective Covid-19 ECL of 368m EUR (q-o-q reversal of 260m EUR)**

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



- **The total collective Covid-19 ECL of 368m EUR consists of 82% Stage 2 and 18% Stage 3 impairments.** The higher relative share of Stage 3 impairments was driven by the reversal of collective Covid-19 ECL mainly in Stage 1 and Stage 2

Amounts in m EUR

Covid-19 ECL

by country

Collective Covid-19 ECL by country:

EUR m	9M21	Quarter 3Q21	2Q21	1Q21	FY20	Quarter 4Q20	3Q20	2Q20	1Q20
KBC Group	**368**	**-260**	**-129**	**-26**	**783**	**-1**	**-5**	**746**	**43**
By country:									
Belgium	158	-169	-66	-20	413	3	-3	378	35
Czech Republic	78	-56	-30	2	162	-5	9	152	6
Slovakia	20	-10	-6	-1	37	0	-3	39	1
Hungary	41	-3	-9	-3	56	2	-1	54	1
Bulgaria	16	-4	-4	0	24	1	-5	28	n/a
Ireland	55	-18	-14	-4	91	-2	-2	95	n/a

Covid-19

IFRS 9 macroeconomic scenarios

Macroeconomic scenarios

September 2021

Real GDP growth	2021			2022		
Annual average growth (in %)	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Euro area	5.2%	4.2%	2.1%	5.6%	4.5%	2.2%
Belgium	5.8%	5.3%	3.3%	5.1%	3.6%	2.1%
Czech Republic	3.8%	3.5%	1.8%	5.8%	4.5%	1.8%
Hungary	7.5%	6.7%	4.3%	5.7%	5.1%	2.2%
Slovakia	4.6%	4.2%	2.8%	5.0%	4.6%	3.0%
Bulgaria	6.0%	4.6%	3.0%	4.0%	4.0%	3.0%
Ireland	13.0%	10.0%	6.0%	8.0%	5.0%	2.0%

Unemployment rate*	2021			2022		
End-of-year (in %)	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	6.1%	6.5%	7.0%	5.5%	6.0%	6.5%
Czech Republic	2.7%	3.0%	4.2%	2.3%	2.6%	4.0%
Hungary	3.6%	3.8%	4.5%	3.3%	3.5%	4.2%
Slovakia	7.5%	8.0%	9.0%	7.2%	7.5%	8.5%
Bulgaria	4.5%	5.0%	7.0%	4.3%	4.8%	6.0%
Ireland	7.5%	10.0%	16.0%	4.0%	6.0%	10.0%

House-price index	2021			2022		
Annual average growth (in %)	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	6.0%	4.0%	2.0%	3.5%	2.5%	-2.0%
Czech Republic	10.3%	9.8%	8.0%	5.0%	3.7%	-0.6%
Hungary	6.5%	4.5%	0.0%	6.0%	3.5%	-1.0%
Slovakia	8.0%	6.0%	2.0%	5.0%	3.0%	-2.0%
Bulgaria	5.5%	5.0%	3.8%	5.8%	4.8%	3.5%
Ireland	7.0%	4.5%	2.0%	5.0%	3.0%	0.0%

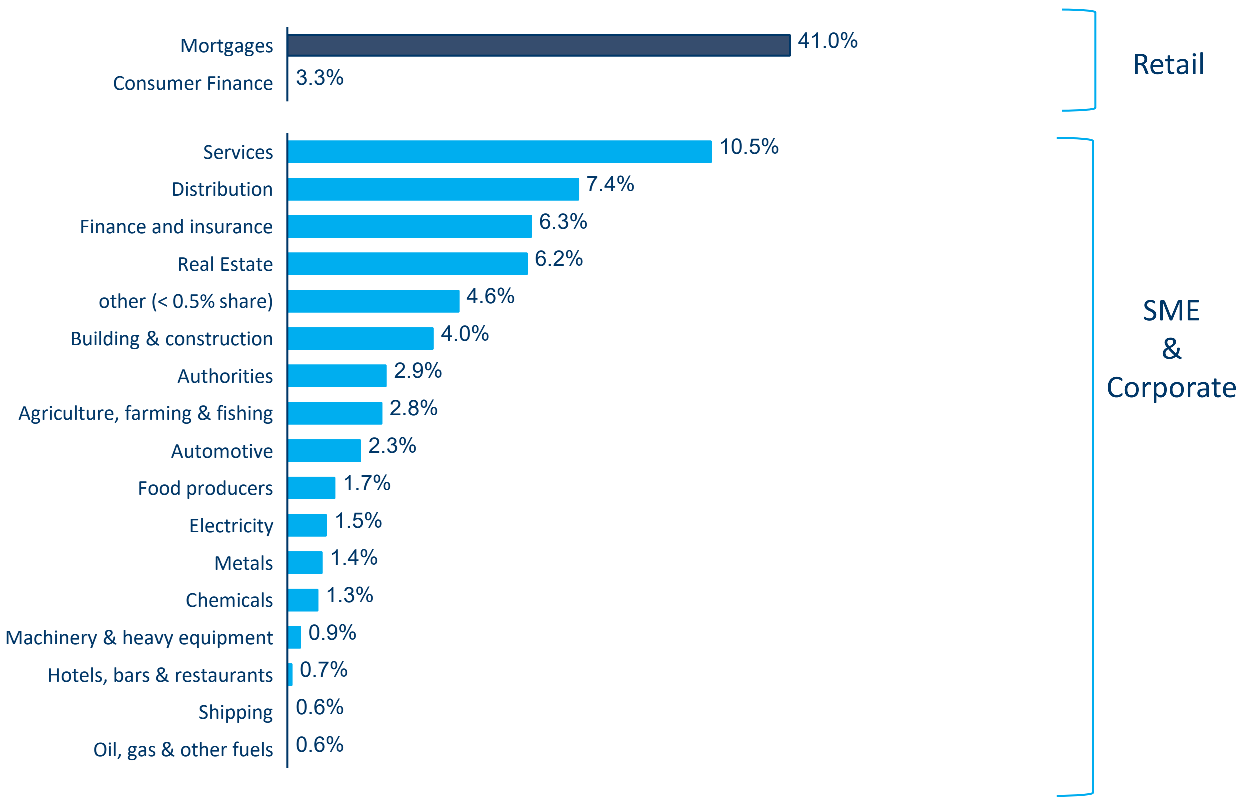
(*) Note: Eurostat definition, except for Ireland (national Covid-19 adjusted unemployment rate)

- The economic outlook is again more optimistic compared to previous quarter and, looking forward, we expect the pace of the recovery to remain strong. Overall, we maintain a positive economic outlook, despite new uncertainties surrounding the path back to normality, created by such factors as the spread of the Delta variant and current supply chain disruptions
- 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 pandemic evolution and related economic developments, with the following probabilities: **80% for the base-case, 10% for the pessimistic and 10% for the optimistic scenario** (in line with 2Q21)
- The economic outlook for the home markets remains aligned to that of the euro area and confirms the better-than-expected level of resilience

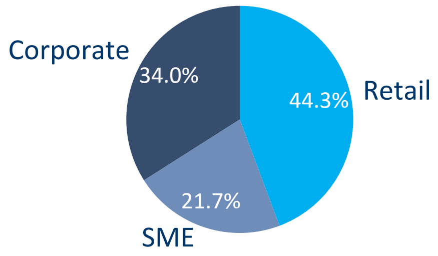
Covid-19
Diversified loan portfolio

Total loan portfolio outstanding by sector
as a % of total Group portfolio outstanding(1)

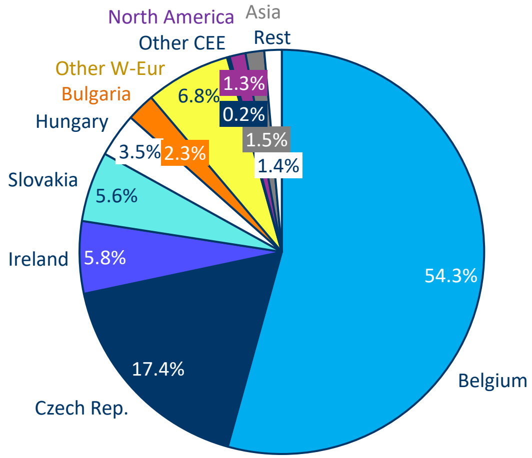
185bn EUR(2)



Total loan portfolio outstanding by segment(1)



Total loan portfolio outstanding by geographical breakdown(1)

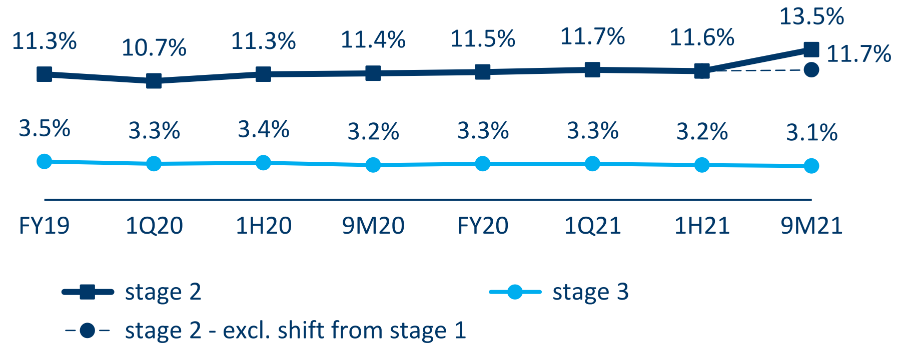


(1) Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
(2) Including loan portfolio of KBC Bank Ireland, the pro-forma total loan portfolio outstanding without KBC Bank Ireland amounts to 175bn EUR

Covid-19

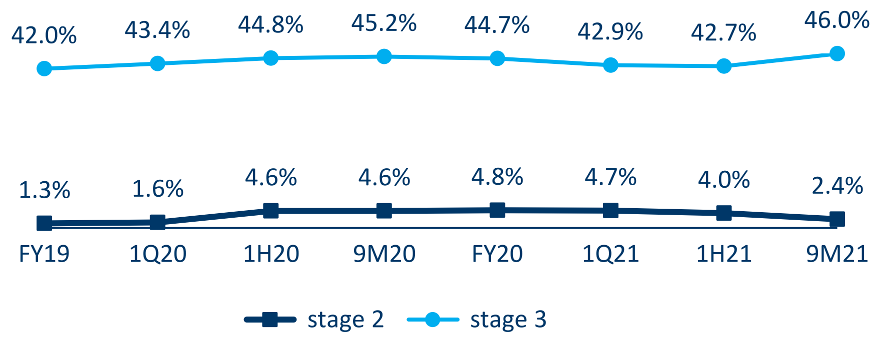
Continue improvement of stage 3

Total loan portfolio outstanding by IFRS 9 ECL stage*



- As of 3Q21, given the aim of returning fully to the regular impairment process, KBC has decided to capture part of the Covid-19 ECL by means of a collective transfer to Stage 2 of two Stage 1 portfolios for which the repayment is still uncertain. More specifically, they concern SME & Corporate clients active in a highly vulnerable sectors (see details on next slide) and the payment holidays (Retail & Non-Retail) that are still ongoing or ended up to 6 months ago. The related files will revert to Stage 1 after a probation period of 6 months if no other signs of an increase in credit risk are detected
- Excluding this collective transfer, only minor PD shifts have been observed in our portfolio
- Excluding KBC Bank Ireland, the pro-forma stage 3 ratio is 2.5%

Coverage ratio*



- The q-o-q increase of the Stage 3 coverage ratio is mainly driven by additional impairments from the sale of the non-performing portfolio in Ireland
- Excluding KBC Bank Ireland, the pro-forma Stage 3 coverage ratio is 47.2% (versus 47.0% in 2Q21)
- From 1Q21, the decline of the Stage 2 coverage ratio resulted mainly from the release of the collective Covid-19 ECL over previous quarters in combination with the collective shift to Stage 2 in 3Q21

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

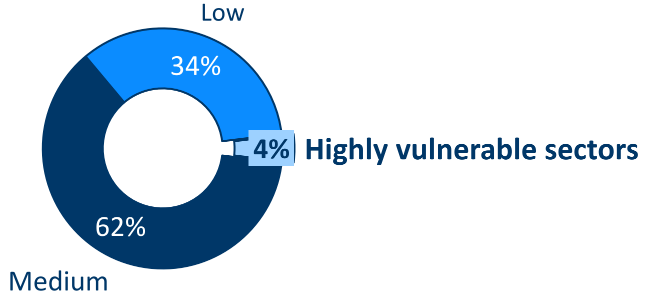
Covid-19

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

No changes made compared to the previous quarter in the applied concept of sector sensitivity:

- 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
- As of 2Q21, 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

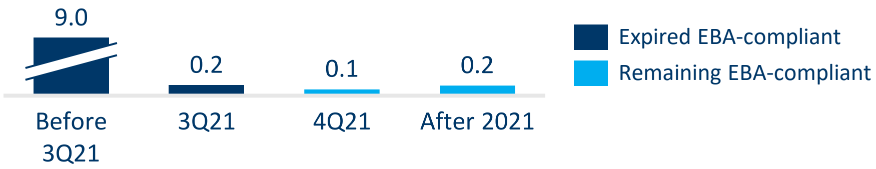
Overview of payment holidays and public Covid-19 guarantee schemes

Payment holidays – expiring volumes

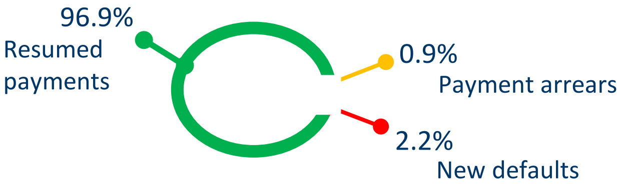
(in bn EUR)

By the end of September 2021:

- The volume of loans granted payment holidays, amounted to 10.9bn[1] EUR or 7% of the total loan book[2] (EBA-compliant + 1.4bn EUR opt-out of HU)



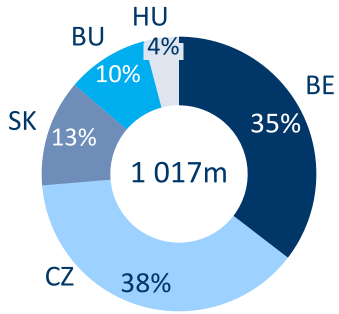
- By now, 9.2bn EUR EBA-compliant payment holidays expired and only 0.3bn EUR EBA-compliant payment holidays is still outstanding



- Non-EBA-compliant:
  - Hungary: additional extension of opt-out until end of October 2021 while a conditional/opt-in moratorium will be available until the end of June 2022. At the end of September 2021, total active payment holidays account for 1bn EUR or 18% of the total loan book. The latest extension resulted in a modification loss of 5m EUR
  - The remaining non-EBA-compliant portfolios are mainly in BE and CR, for a total amount of 0.3bn EUR[3]

Public Covid-19 guarantee schemes

(in m EUR)



By country:	Loans granted	Covered by government-guarantee
KBC Group	**1 017**	**79%**
BE BU [4]	360	78%
CZ BU	389	85%
Slovakia	128	64%
Bulgaria	98	83%
Hungary	42	60%
Ireland	-	-

By the end of September 2021:

- Government-guaranteed loans (under the Covid-19 scheme) amounted to 1 017m EUR for 15k obligors
- Belgium: As of 2Q21, 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. From 3Q21, the volume of payment holidays is excluding the granted moratoria of KBC Bank Ireland (1.2bn EUR), because no longer EBA compliant (defined as assets under IFRS 5)
(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 mainly expired given the 12 months maturity

Section 3

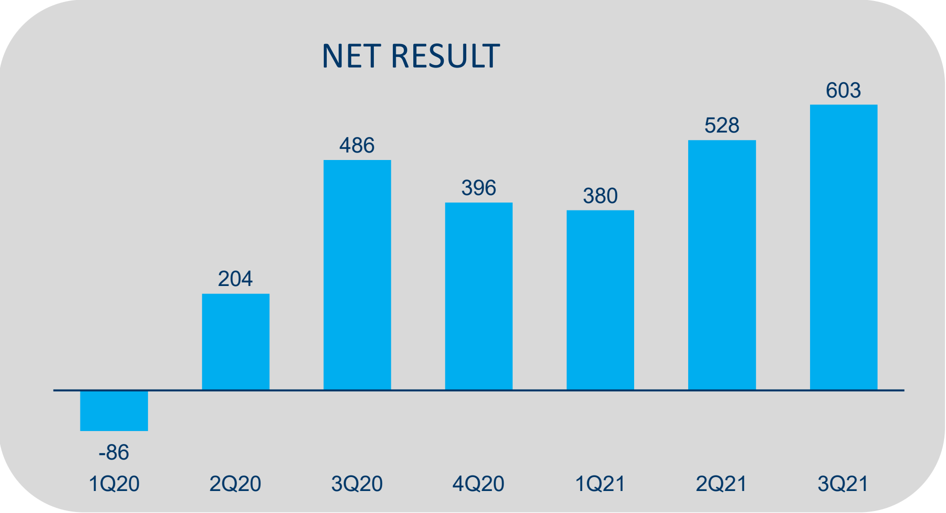
3Q 2021 performance of business units

Business profile

	BELGIUM	CZECH REPUBLIC	SLOVAKIA	HUNGARY	BULGARIA	IRELAND	GROUP CENTRE
3Q21 NET RESULT (in million euros)	603m	209m	29m	62m	33m	-282m	-53m
ALLOCATED CAPITAL (in billion euros)	7.3bn	1.8bn	0.6bn	0.9bn	0.4bn	0.7bn	0.2bn
LOANS (in billion euros)	107bn	31bn	9bn	5bn	4bn	10bn	
DEPOSITS* (in billion euros)	131bn	44bn	8bn	9bn	6bn	5bn	
BRANCHES (end 3Q21)	455	208	174	200	173	12	
Clients (end 3Q21)	3.7m	4.2m	0.8m	1.6m	1.5m	0.3m	

* Customer deposits, excluding debt certificates and repos

Belgium BU (1): net result of 603m EUR



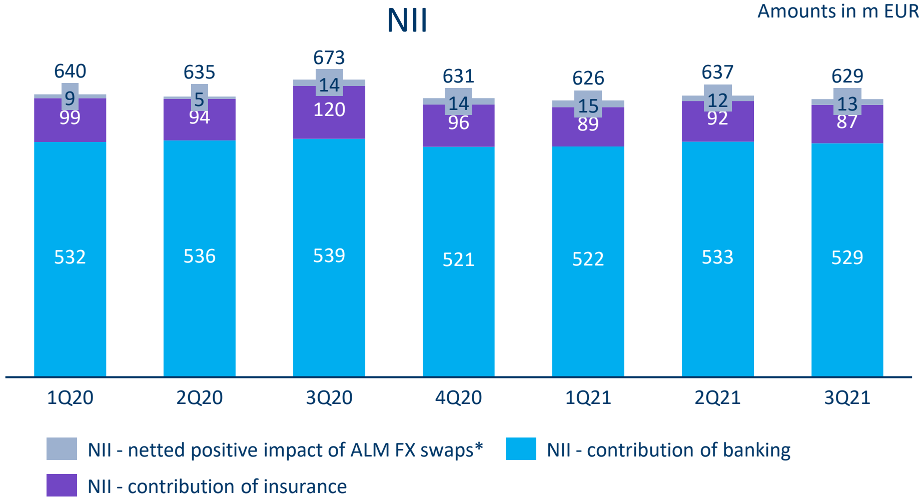
Amounts in m EUR

- **Net result** at the Belgium Business Unit amounted to 603m EUR in 3Q21
  - The quarter under review was characterised by lower net interest income, higher net fee and commission income, lower dividend income, lower trading and fair value income, higher net other income, flood impact on non-life insurance, lower sales of life insurance products, lower operating expenses and higher net impairment releases q-o-q
- Customer deposits excluding debt certificates and repos rose by 6% y-o-y, while customer loans rose by 3% y-o-y

ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	107bn	41bn	131bn	209bn	26bn
Growth q-o-q*	+1%	+2%	0%	+1%	0%
Growth y-o-y	+3%	+8%	+6%	+11%	+3%

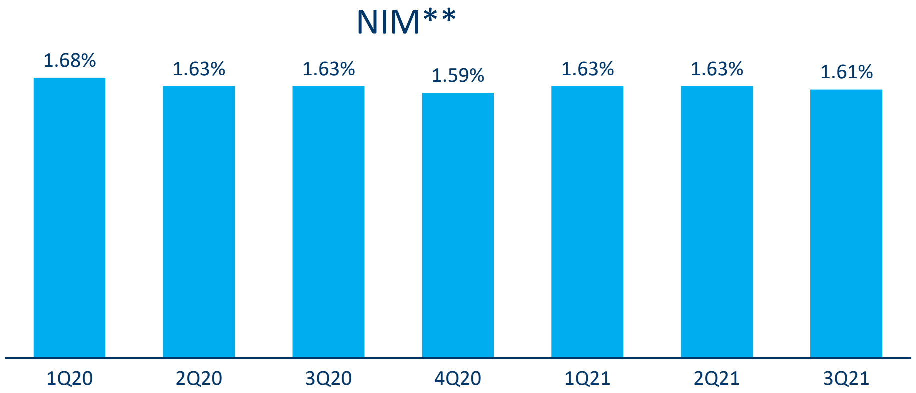
* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL
*** Customer deposits, excluding debt certificates and repos. Customer deposit volumes including debt certificates and excluding repos -5% q-o-q and +10% y-o-y

Belgium BU (2): lower NII and NIM



* From all ALM FX swap desks

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

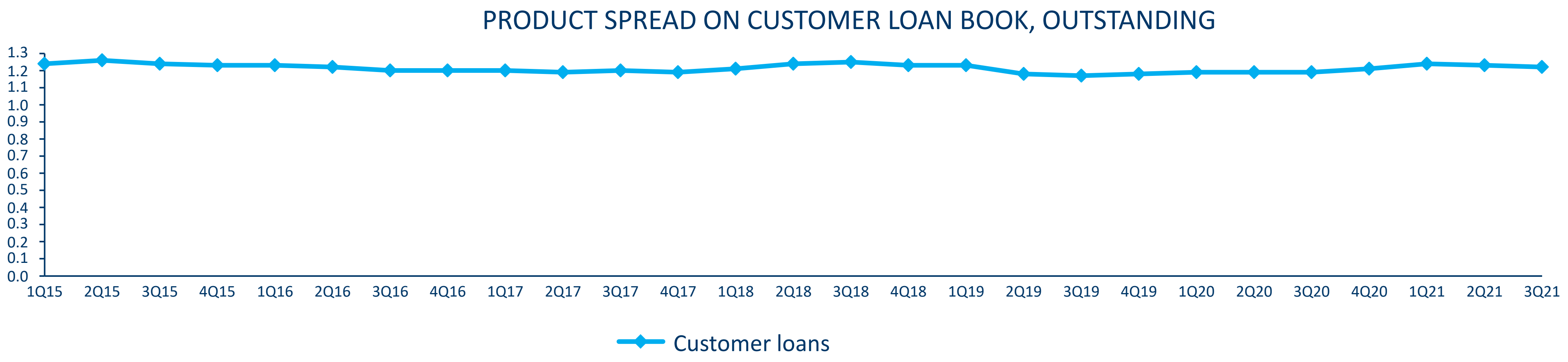


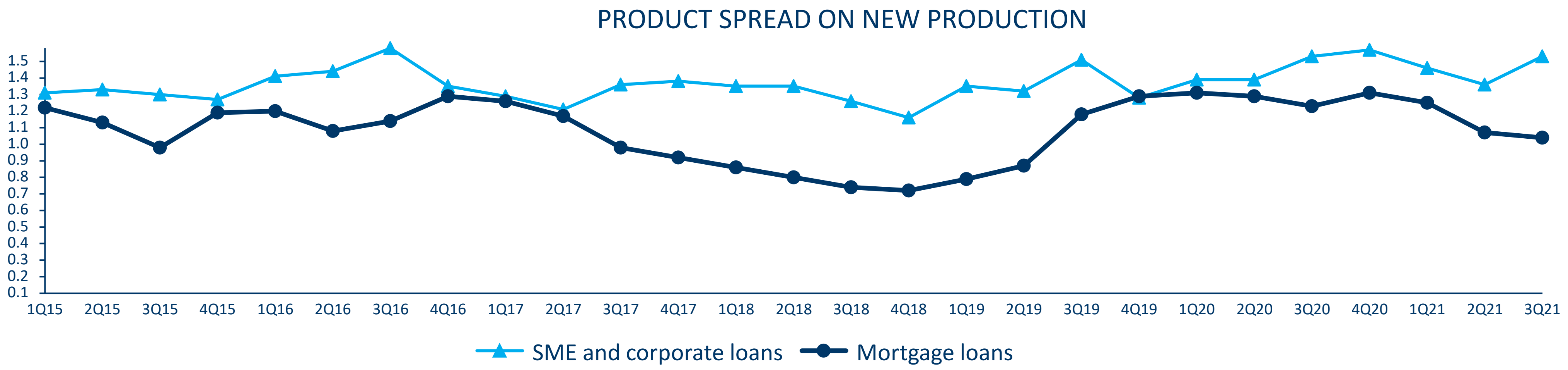
- **Net interest income (629m EUR)**
  - NII fell by 1% q-o-q due mainly to:
    - lower reinvestment yields
    - lower NII on bond portfolio insurance due to inflation-linked bonds

    partly offset by:
    - good loan volume growth in all segments
    - higher margins on new loan production than on outstanding portfolio both in the SME, corporate and consumer finance segments, while roughly the same margins on new loan production and outstanding portfolio for mortgages
    - higher number of days
    - slightly lower funding costs
    - slightly higher netted positive impact of ALM FX swaps
  - NII decreased by 7% y-o-y as higher NII on lending, lower funding costs (of which +3m EUR y-o-y positive impact of TLTRO3), intensified charging of negative interest rates on certain current accounts to corporates and SMEs and the positive impact of ECB deposit tiering (+2m EUR y-o-y) was more than offset by the negative impact of lower reinvestment yields (both on banking and insurance) and the 26m EUR positive one-off (in NII insurance) in 3Q20

- **Net interest margin (1.61%)**
  - Decreased by 2 bps both q-o-q and y-o-y as higher NII on lending and lower funding costs were offset by the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (the latter only for the y-o-y comparison)

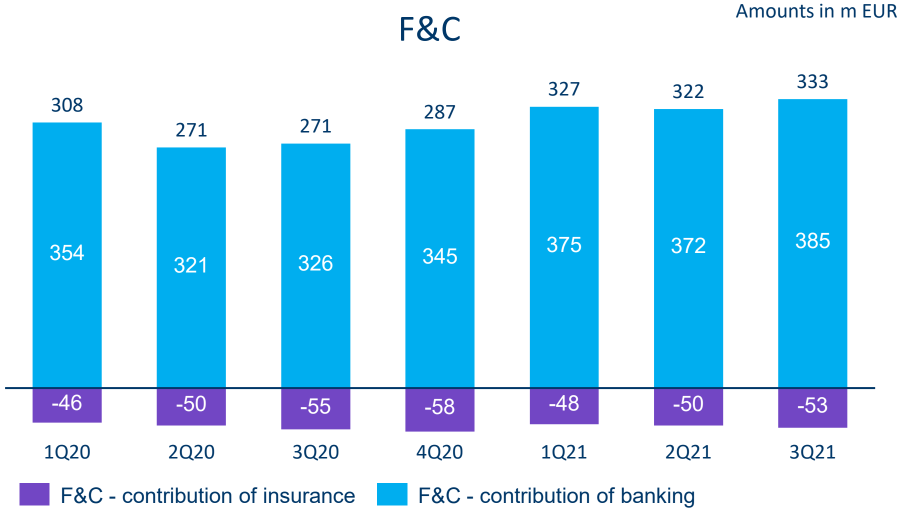
Credit margins in Belgium

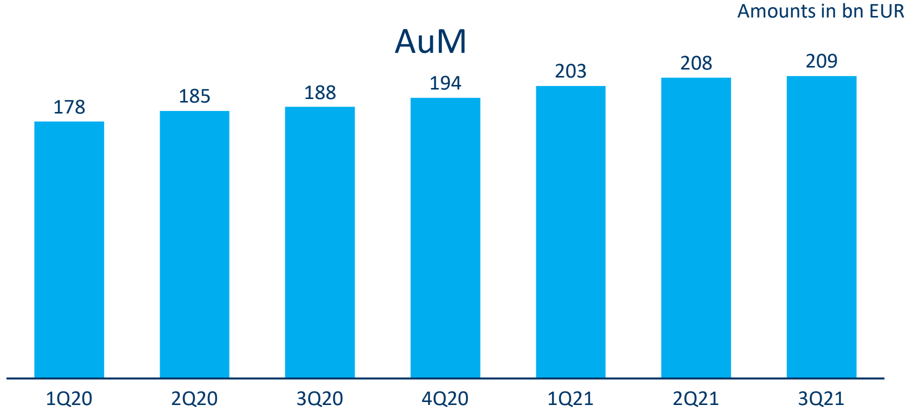




Differently THE NEXT LEVEL

Belgium BU (3): higher net F&C income level



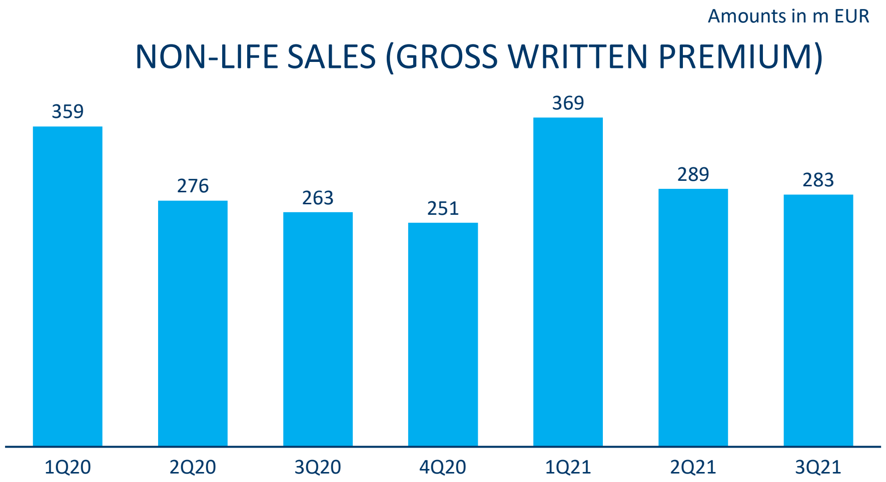


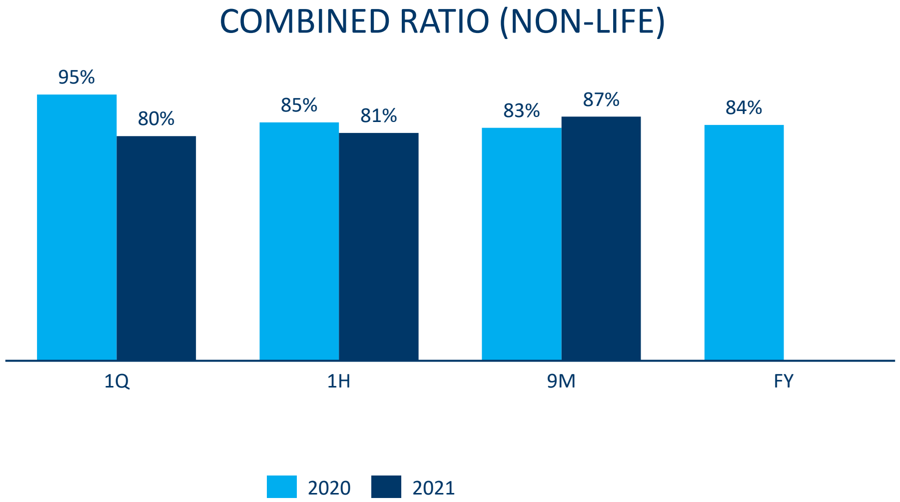
- **Net fee and commission income (333m EUR)**
  - Increased by 3% q-o-q due mainly to:
    - higher management fees
    - higher fees from payment services

    partly offset by:
    - deliberately reduced entry fees from mutual funds and unit-linked life insurance products as part of successful commercial campaigns
    - lower fees from credit files & bank guarantees
    - lower securities-related fees
    - lower network income
    - higher commissions paid linked to increased insurance sales
  - Rose by 23% y-o-y driven chiefly by higher management fees, higher fees from payment services, higher securities-related fees and higher network income, partly offset by lower fees from credit files & bank guarantees and higher distribution costs

- **Assets under management (209bn EUR)**
  - Increased by 1% q-o-q due entirely to a positive price effect (Note an important shift from low-margin institutional & advisory mandates towards retail funds)
  - Increased by 11% y-o-y due almost entirely to a positive price effect

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



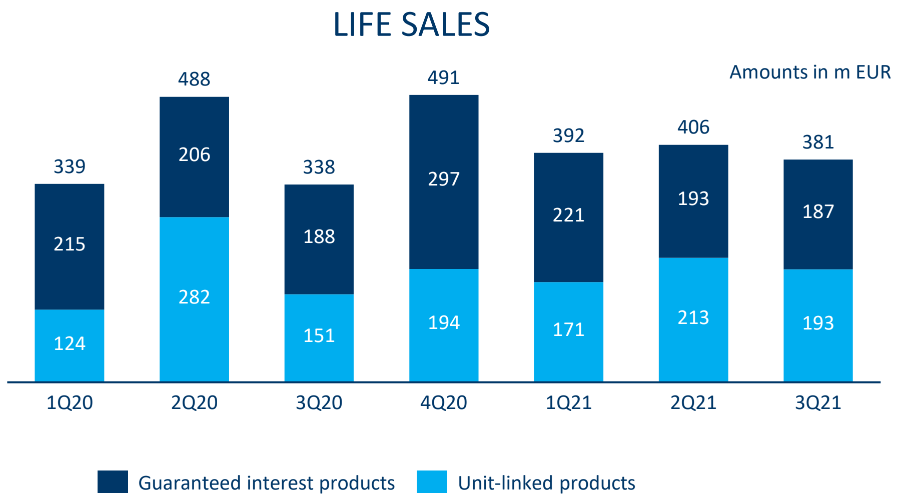


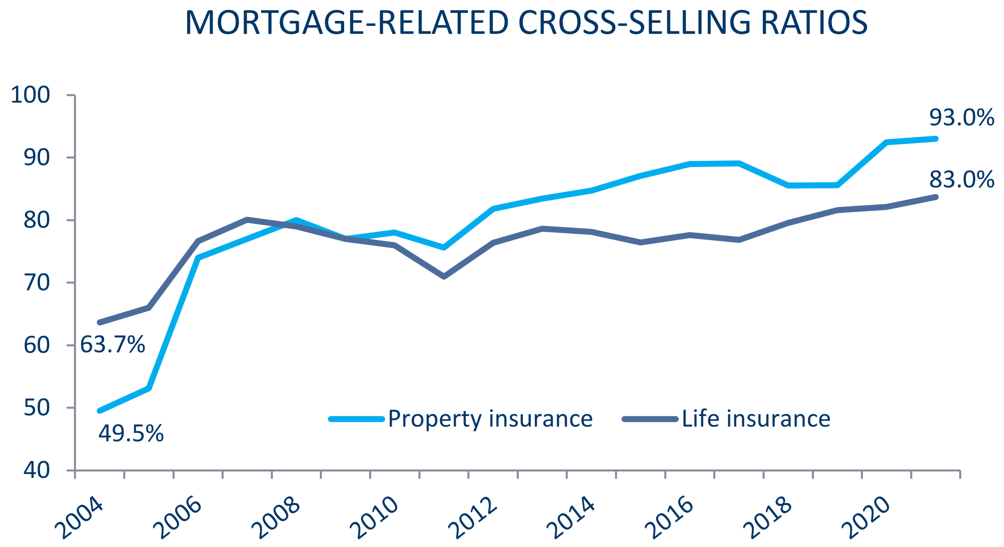
- **Sales of non-life insurance products**
  - Rose by 7% y-o-y in 3Q21
  - Premium growth in all classes, but chiefly in the classes 'Motor Comprehensive Cover', 'Property' and 'General third-party liability'

- **Combined ratio** amounted to an excellent **87%** in 9M21 (83% in 9M20). This is the result of:
  - 4% y-o-y earned premium growth in 9M21
  - 27% y-o-y higher technical charges in 9M21 due mainly to:
    - the severe flood impact during summer (100m EUR gross impact and 79m EUR net impact after reinsurance, of which 38m EUR above the legal limit*)
    - higher normal claims (mainly in 'Motor', 'Workmen's compensation' and 'General third-party liability', primarily due to the re-opening of the economy),
    - partly offset by lower impact of parameter updates
  - ceded reinsurance result, which amounted to +24m EUR in 9M21 (versus -25m EUR in 9M20) due to higher recuperations for floods, storms and major claims

* i.e. the ceiling introduced in Belgian law on the intervention of insurers in the event of very large floods

Belgium BU (5): life sales lower q-o-q, but higher y-o-y, good cross-selling ratios

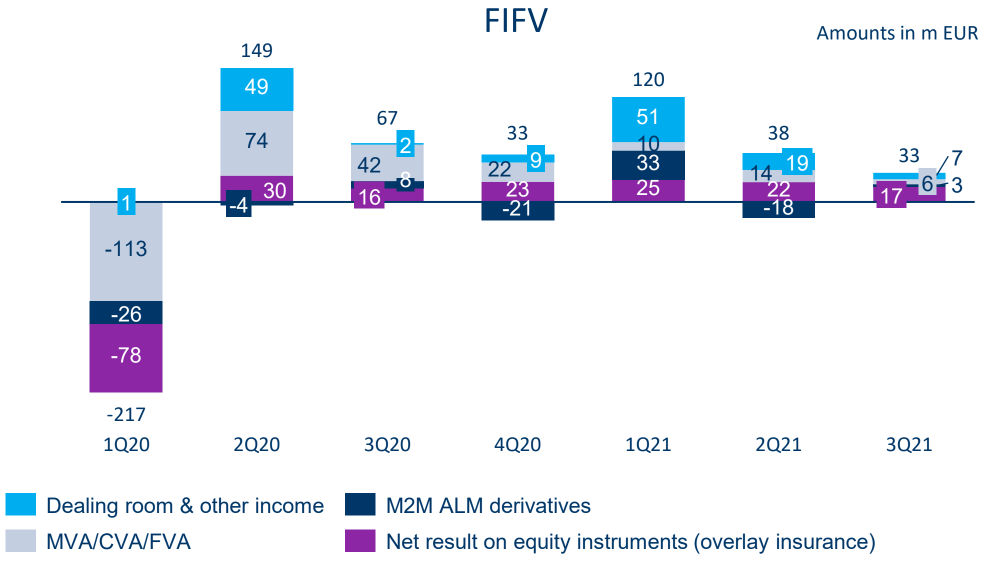




- **Sales of life insurance products**
  - Decreased by 6% q-o-q and increased by 13% y-o-y
  - The q-o-q decrease was driven mainly by seasonally lower sales of unit-linked products
  - The y-o-y increase was driven entirely by higher sales of unit-linked products driven by commercial campaigns
  - Guaranteed interest products and unit-linked products accounted for 49% and 51%, respectively, of life insurance sales in 3Q21

- **Mortgage-related cross-selling ratios**
  - 93.0% for property insurance
  - 83.0% for life insurance

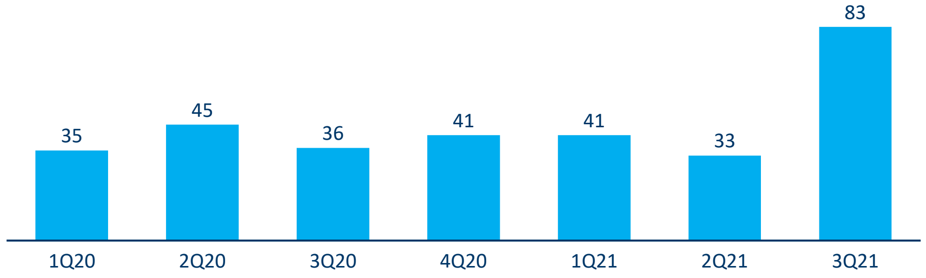
Belgium BU (6): lower FIFV and higher net other income



- The q-o-q decrease in net gains from financial instruments at fair value was attributable mainly to:
  - lower dealing room & other income
  - lower credit, funding and market value adjustments (due to q-o-q less increasing long-term interest rates & stock markets and less decreasing counterparty credit & KBC funding spreads)
  - lower net result on equity instruments (insurance)

  partly offset by:

  - a positive change in ALM derivatives

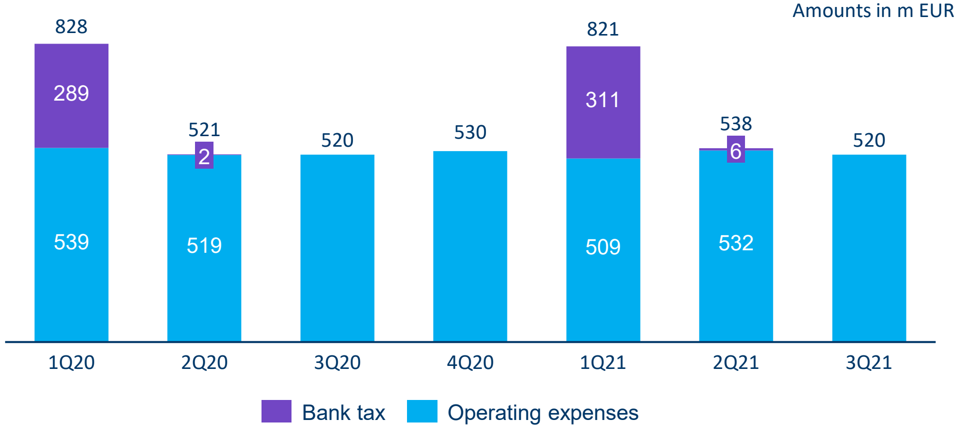


- **Net other income** increased to 83m EUR in 3Q21 due to realised gains on the sale of bonds and a +13m EUR one-off gain on the sale of the Antwerp tower (while 2Q21 included some negative one-offs)

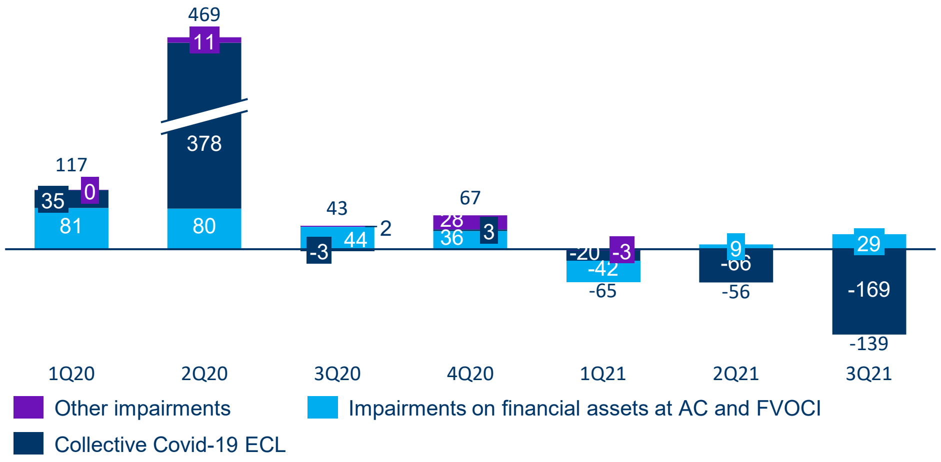
Differently THE NEXT LEVEL

Belgium BU (7): lower opex and higher net impairment releases

OPERATING EXPENSES



ASSET IMPAIRMENT



- **Opex without bank taxes**: -2% q-o-q and flat y-o-y
  - Operating expenses without bank taxes decreased by 2% q-o-q due entirely to one-offs (+9m EUR release of cost provision due to the sale of the Antwerp tower in 3Q21 and -5m EUR Covid-related staff bonus in 2Q21)
  - Operating expenses without bank taxes and one-offs roughly stabilised q-o-q as lower staff costs was offset by higher ICT costs and seasonally higher marketing costs
  - Operating expenses without bank taxes and one-offs slightly increased y-o-y due chiefly to higher staff expenses (due to wage inflation and higher variable remuneration) and slightly higher marketing costs, partly offset by lower facilities expenses
  - Adjusted for specific items, the C/I ratio (group) amounted to 51% in 3Q21 and 50% YTD (54% in FY20)
  - Cost/income ratio (group): 44% in 3Q21 and 52% YTD, distorted by bank taxes and one-offs

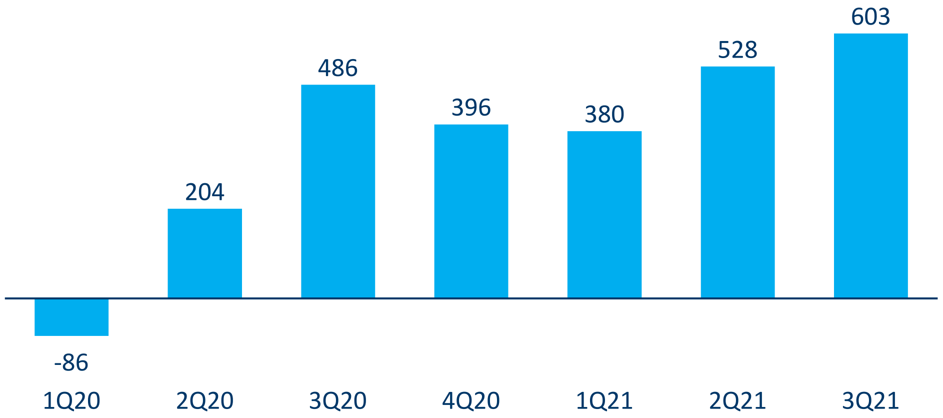
- **Loan loss impairment releases** of 139m EUR compared with 56m EUR in 2Q21. Besides a 169m EUR reversal of collective Covid-19 ECL, 3Q21 was slightly impacted by two corporate files. **Credit cost ratio** amounted to 0 bps (21 bps in FY20) without collective Covid-19 ECL and -29 bps with collective Covid-19 ECL in 9M21

- **Impaired loans ratio** improved to 2.4%, 1.0% of which over 90 days past due

Net result at the Belgium BU

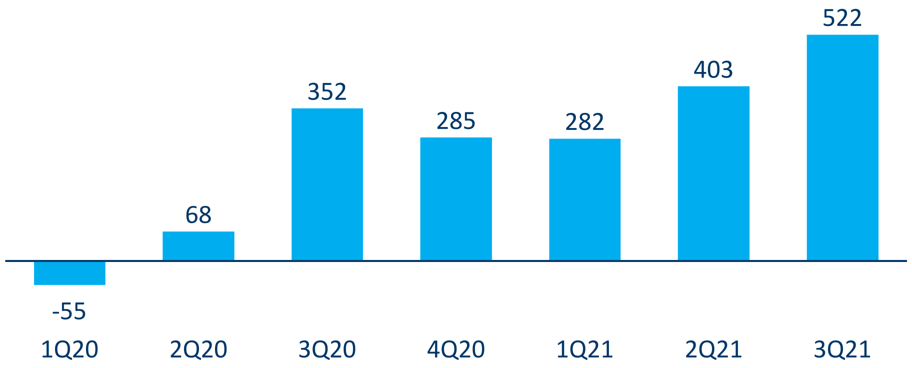
NET RESULT AT THE BELGIUM BU*

Amounts in m EUR

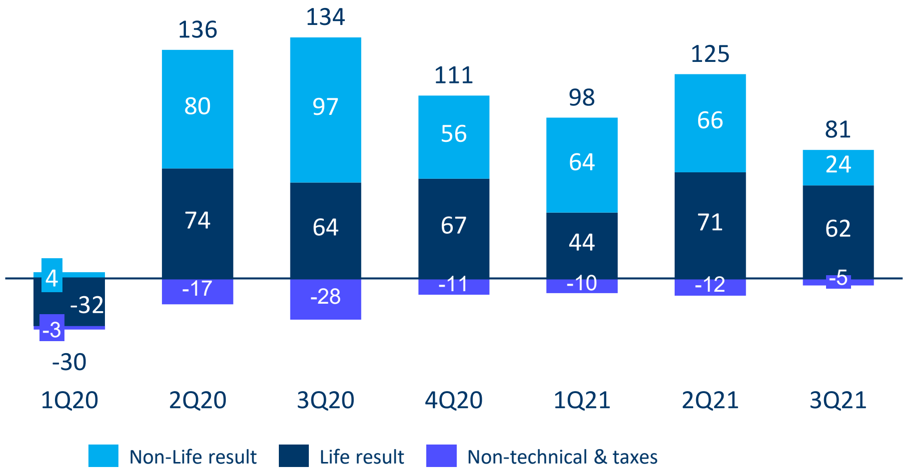


* Difference between net profit at the Belgium Business Unit and the sum of the banking and insurance contribution is accounted for by the rounding up or down of figures

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

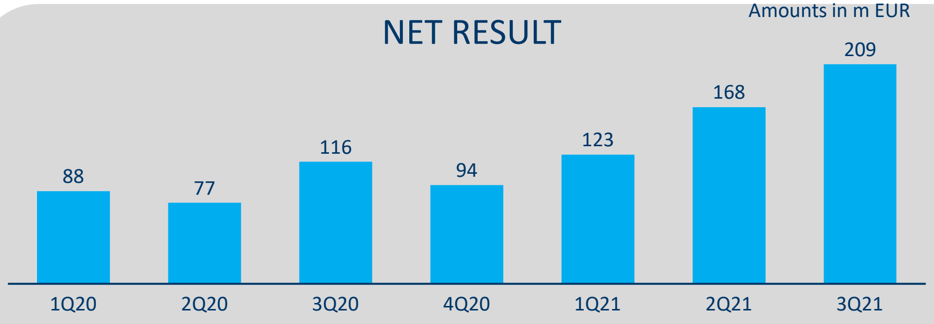


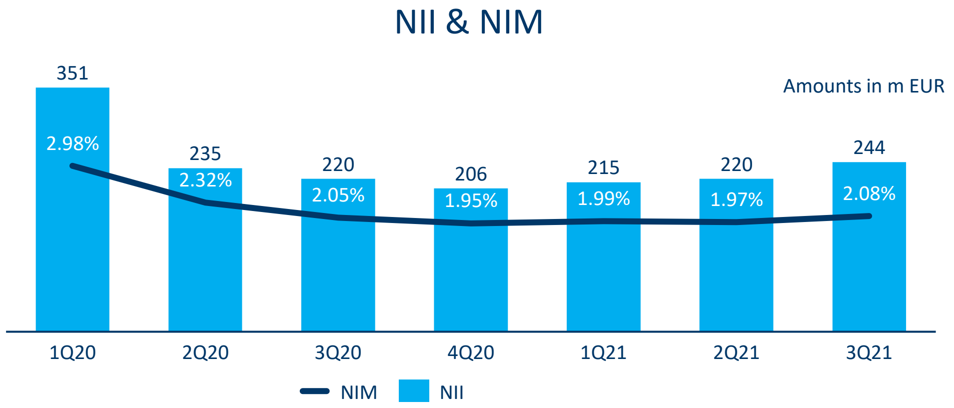
CONTRIBUTION OF INSURANCE ACTIVITIES TO NET RESULT OF THE BELGIUM BU*



Differently THE NEXT LEVEL

Czech Republic BU





Net result of 209m EUR in 3Q21

- +24% q-o-q excluding FX effect due mainly to higher net interest income, higher net fee & commission income, higher net results from financial instruments at fair value, lower net other income, an excellent combined ratio, lower costs and stable net impairment releases
- Customer deposits (excluding debt certificates and repos) rose by 9% y-o-y, while customer loans increased by 4% y-o-y

Highlights

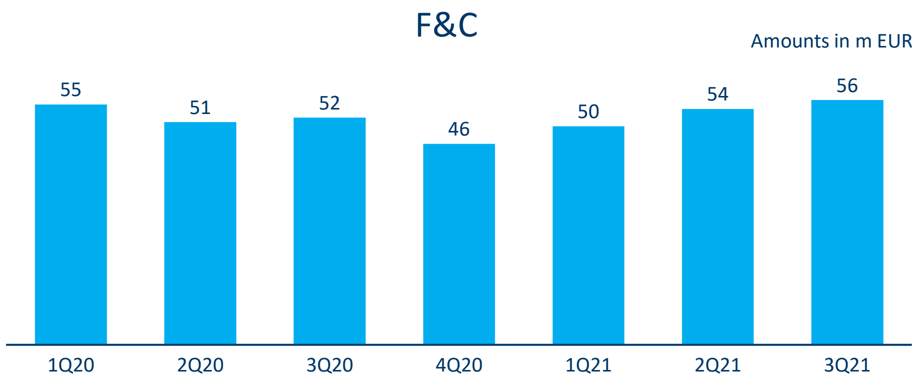
- **Net interest income**
  - +10% q-o-q and +7% y-o-y (both excl. FX effect)
  - Q-o-q increase primarily due to short- & long-term increasing interest rates and growth in loan and deposit volumes, despite pressure on commercial margins
- **Net interest margin**
  - Rose by 11 bps q-o-q and 3 bps y-o-y for the reasons mentioned above and an increase of the interest-bearing assets (denominator)

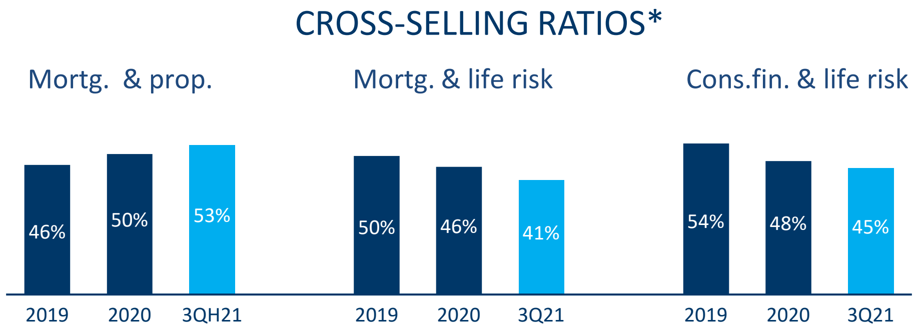
ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	31bn	17bn	44bn	13.3bn	1.2bn
Growth q-o-q*	+2%	+1%	+1%	+4%	-2%
Growth y-o-y	+4%	+6%	+9%	+23%	+1%

* 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 excluding debt certificates and repos

KBC

Czech Republic BU



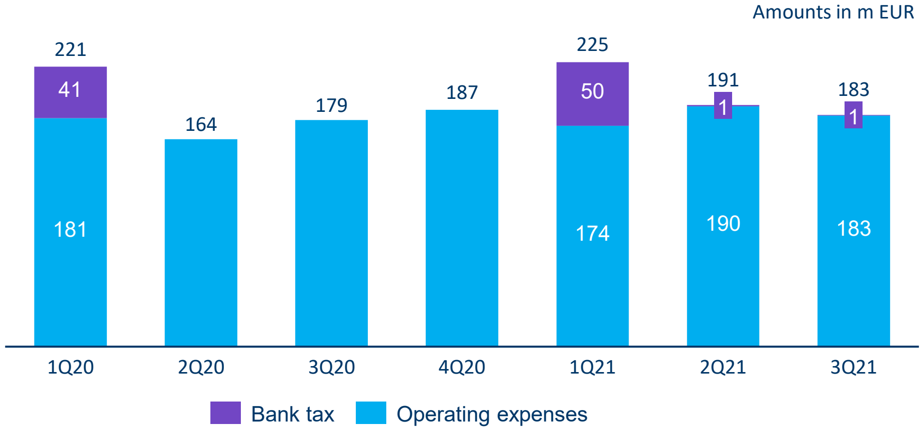


* FY19 and FY20 figures have been restated as a result of the integration of Hypoteční Banka in the retail sales network in 1H21

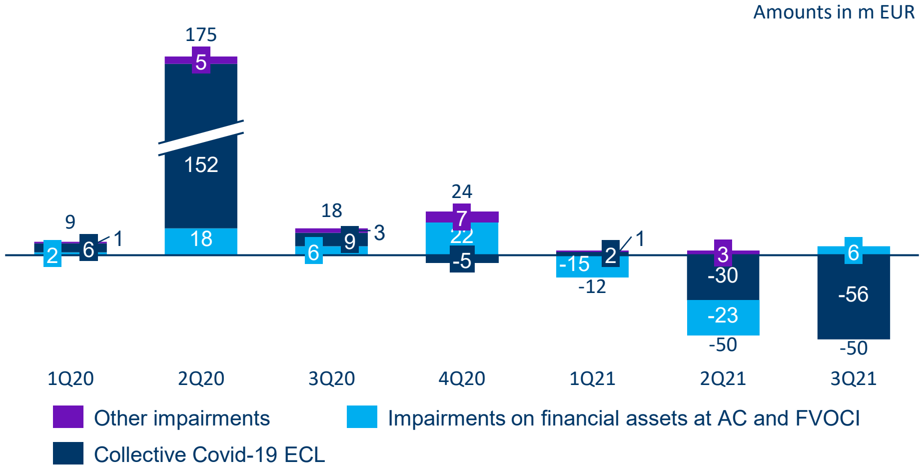
- **Net F&C income**
  - +2% q-o-q and +5% y-o-y (both excl. FX effect)
  - The higher q-o-q net F&C income was the result of higher fees from payment services, higher network income and higher securities-related fees
- **Assets under management**
  - 13.3bn EUR
  - +4% q-o-q due entirely to net inflows
  - +23% y-o-y due to net inflows (+12%) and a positive price effect (+11%)
- **Trading and fair value income**
  - 17m EUR higher q-o-q net results from financial instruments at fair value (FIFV) due to a positive q-o-q change in market, credit and funding value adjustments (due mainly to a strong increase of the CZK interest rate curve), a positive change in ALM derivatives and higher dealing room income results
- **Insurance**
  - Insurance premium income (gross earned premium): 129m EUR
    - Non-life premium income (88m EUR) +9% y-o-y excluding FX effect, due to growth in all products
    - Life premium income (41m EUR) -20% q-o-q and -21% y-o-y, excluding FX effect, both due mainly to lower sales of unit-linked products
  - Combined ratio of 87% in 9M21 (87% in 9M20)

Czech Republic BU

OPERATING EXPENSES



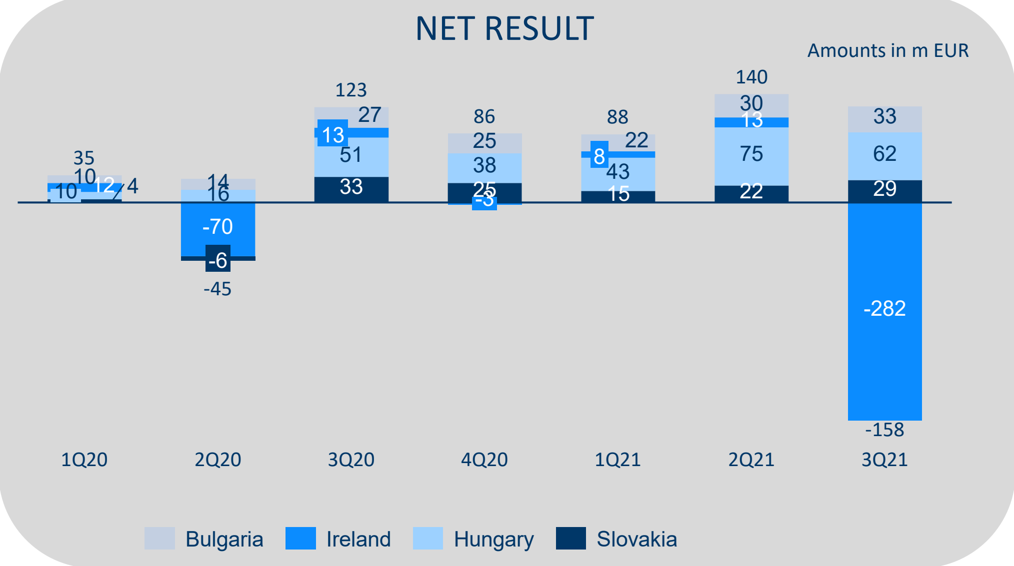
ASSET IMPAIRMENT



- **Operating expenses**
  - 183m EUR; -5% q-o-q and -2% y-o-y, both excluding FX effect and bank taxes
    - Q-o-q decrease was due mainly to:
      - lower ICT costs
      - lower staff expenses due chiefly to a -4m EUR one-off Covid-related staff bonus in 2Q21
      - lower professional fees
    - Y-o-y decrease was chiefly the result of lower general administrative expenses, partly offset by slightly higher staff and marketing expenses
  - Adjusted for specific items, C/I ratio amounted to roughly 51% in 3Q21 and 54% YTD (52% in FY20)

- **Loan loss and other impairment**
  - Net impairment releases stabilised q-o-q. In 3Q21, a 56m EUR reversal of the collective Covid-19 ECL was partly offset by limited loan loss provisions (mainly on one corporate file)
  - Credit cost ratio amounted to -0.13% (0.15% in FY20) without collective Covid-19 ECL and -0.47% with collective Covid-19 ECL in 9M21
  - Impaired loans ratio improved to 2.0%, 0.8% of which over 90 days past due

International Markets BU



Net result of -158m EUR

- Slovakia 29m EUR, Hungary 62m EUR, Bulgaria 33m EUR and Ireland -282m EUR

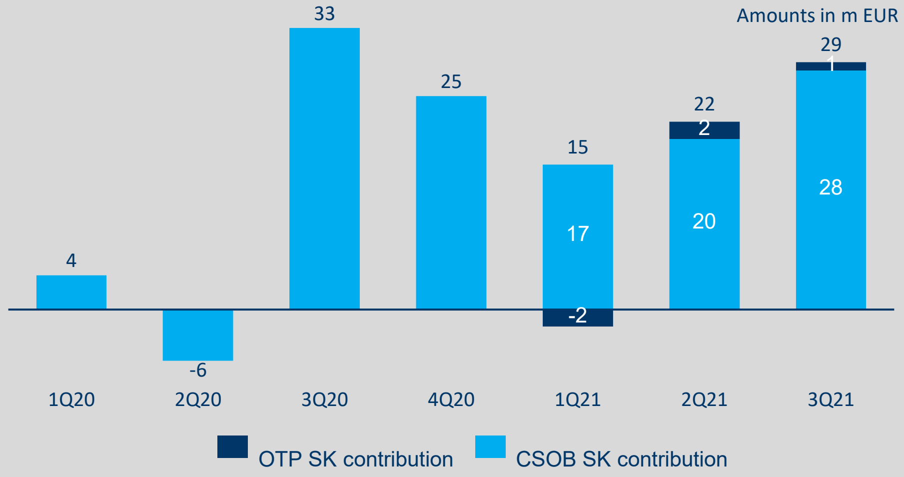
Highlights (q-o-q results)

- Higher net interest income. NIM 2.60% in 3Q21 (+2 bps q-o-q and -1 bp y-o-y)
- Higher net fee and commission income
- Lower result from financial instruments at fair value
- Lower net other income due mainly to additional impact for the tracker mortgage review in Ireland
- An excellent combined ratio of 85% in 9M21 (82% in 9M20)
- Lower non-life insurance sales and higher life insurance sales
- Higher costs due entirely to a -81m EUR one-off as a result of the signing of the two pending sales transactions in Ireland
- Net impairment charges of 142m EUR in 3Q21 due entirely to a 185m EUR one-off as a result of the signing of the two pending sales transactions in Ireland (compared with net impairment releases in 2Q21)
- The signing of the two pending sales transactions in Ireland also led to a -53m EUR one-off tax impact due to the derecognition of deferred tax assets

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	29bn	18bn	27bn	6.5bn	0.8bn
Growth q-o-q*	+2%	+1%	+1%	+3%	+13%
Growth y-o-y	+6%	+6%	+8%	+18%	+18%

* 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, excluding debt certificates and repos

International Markets BU - Slovakia



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	9bn	5bn	8bn
Growth q-o-q*	+1%	+2%	-3%
Growth y-o-y	+5%	+11%	-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, excluding debt certificates and repos

Net result of 29m EUR (of which 1m EUR of OTP SK, consolidated in P&L as of 2021)

Highlights (q-o-q results)

- Higher net interest income due to lower funding costs and loan volume growth, partly offset by pressure on commercial margins
- Lower net fee & commission income due chiefly to lower entry fees and higher distribution costs (higher commissions paid linked to increased non-life insurance sales)
- Lower result from financial instruments at fair value
- Excellent combined ratio of 88% in 9M21 (83% in 9M20)
- Slightly higher non-life insurance sales and stable life insurance sales
- Lower operating expenses due mainly to a -2m EUR one-off Covid-related staff bonus in 2Q21. Lower marketing costs were offset by higher professional fees and higher depreciations
- Higher net loan loss impairment releases (14m in 3Q21 versus 6m EUR in 2Q21). Credit cost ratio of 0.00% (0.19% in FY20) without collective Covid-19 ECL and -0.23% with collective Covid-19 ECL in 9M21

Volume trend

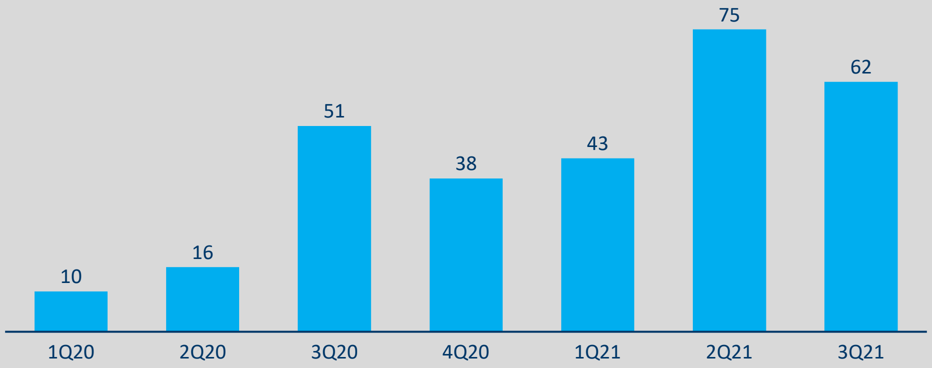
- Total customer loans rose by 1% q-o-q and by 5% y-o-y, the latter due almost entirely to the increasing mortgage portfolio (and to a more limited extent the increasing SME portfolio)
- Total customer deposits fell by 3% q-o-q and by 5% y-o-y (as the increase in retail & SME deposits was more than offset by managed outflow of corporate and financial institutions deposits as a result of charging negative external rates)

Differently THE NEXT LEVEL

International Markets BU - Hungary

NET RESULT

Amounts in m EUR



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	5bn	2bn	9bn
Growth q-o-q*	+5%	+4%	+1%
Growth y-o-y	+13%	+16%	+12%

- 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, excluding debt certificates and repos

Net result of 62m EUR

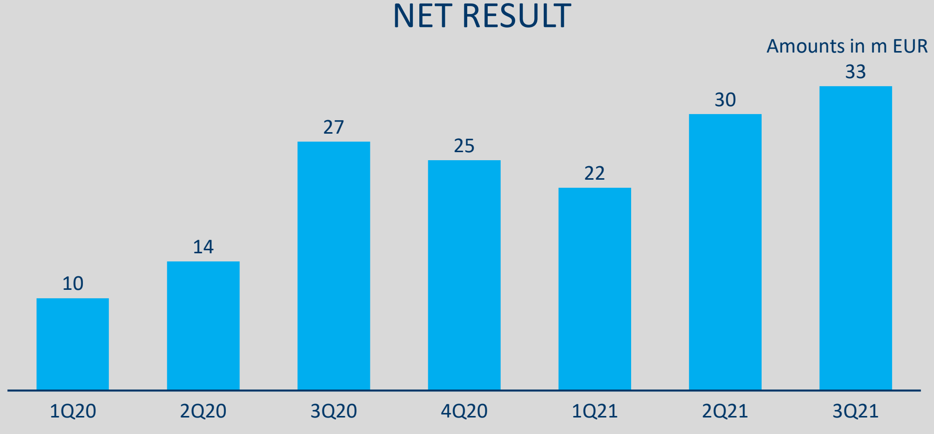
Highlights (q-o-q results)

- Higher net interest income excluding FX effect due chiefly to loan volume growth in all segments
- Higher net fee and commission income excluding FX effect, due mainly to higher asset management fees, slightly higher fees from payment services and network income, higher securities-related fees and higher fees from credit files & bank guarantees
- Lower net results from financial instruments at fair value
- Excellent combined ratio of 87% in 9M21 (84% in 9M20)
- Higher non-life insurance sales and lower life insurance sales
- Lower operating expenses driven entirely by a -3m EUR one-off Covid-related staff bonus in 2Q21
- Lower net loan loss impairment releases in 3Q21 due mainly to lower reversal of collective Covid-19 ECL. Credit cost ratio of -0.40% (0.05% in FY20) without collective Covid-19 ECL and -0.72% with collective Covid-19 ECL in 9M21
- 5m EUR impairment on ‘other’ (modification losses on payment moratorium extension and interest cap on credit cards/overdrafts in moratorium till mid-2022)

Volume trend

- Total customer loans rose by 5% q-o-q (in all segments, in particular in consumer finance (baby boom loans) and corporate loans) and by 13% y-o-y (due mainly to consumer finance and mortgage loans)
- Total customer deposits rose by 1% q-o-q (due to retail & SME deposits) and rose by 12% y-o-y (due to growth in all segments)

International Markets BU - Bulgaria



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	4bn	1bn	6bn
Growth q-o-q*	+3%	+3%	+2%
Growth y-o-y	+11%	+12%	+25%

* 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, excluding debt certificates and repos

Net result of 33m EUR

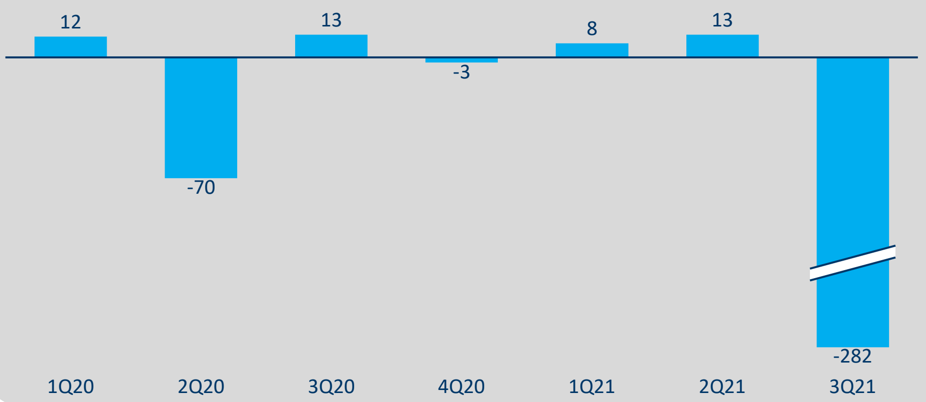
Highlights (q-o-q results)

- Higher net interest income driven mainly by intensified charging of negative interest rates on certain current accounts to corporates and SMEs
- Higher net fee and commission income due mainly to higher management & entry fees (due partly to the consolidation of the former NN Pension company), higher payment services fees, higher network income, higher fees from credit files & bank guarantees and lower distribution costs
- Excellent combined ratio at 80% in 9M21 (79% in 9M20)
- Lower non-life insurance sales and higher life insurance sales (due to the consolidation of the NN's life insurance activities)
- Roughly stable operating expenses excluding bank taxes (consolidation of NN's activities in 3Q21 versus one-off Covid-related staff bonus in 2Q21)
- Small net loan loss impairment releases both in 3Q21 and 2Q21. Credit cost ratio of 0.14% (0.07% in FY20) without collective Covid-19 ECL and -0.13% with collective Covid-19 ECL in 9M21

Volume trend:

- Total customer loans +3% q-o-q and +11% y-o-y due to growth in all segments
- Total customer loans: new bank portfolio +4% q-o-q and +12% y-o-y, while legacy -3% q-o-q and -15% y-o-y
- Total customer deposits increased by 2% q-o-q (due to retail & corporate deposits) and by 25% y-o-y (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%	+3%
Growth y-o-y	+3%	+3%	+4%

* 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, excluding debt certificates and repos

Net result of -282m EUR

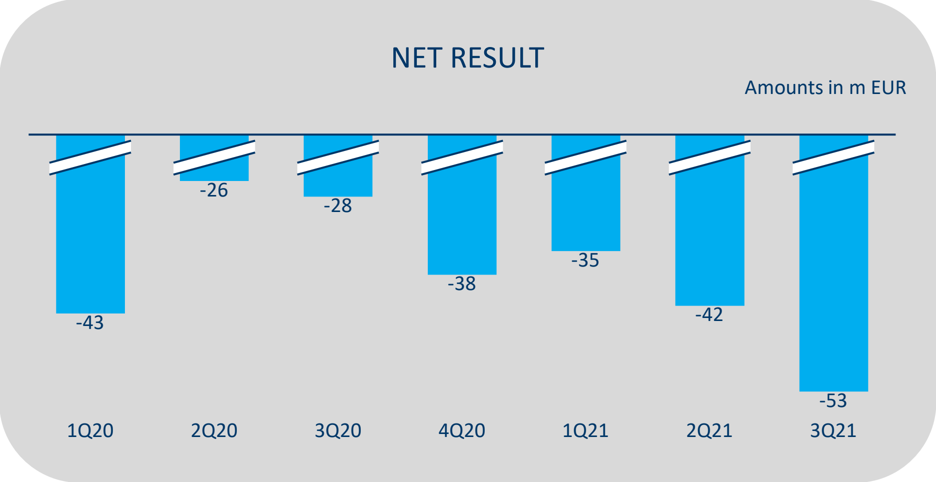
Highlights (q-o-q results)

- Stable net interest income
- Higher expenses due entirely to a -81m EUR one-off as a result of the signing of the two pending sales transactions.
- Net impairment charges of 165m EUR in 3Q21 due entirely to a 185m EUR one-off as a result of the signing of the two pending sales transactions (compared with 0m EUR net impairment charge/release in 2Q21), partly offset by an 18m reversal of collective Covid-19 ECL. Credit cost ratio of 2.37% (-0.01% in FY20) without collective Covid-19 ECL and 1.90% with collective Covid-19 ECL in 9M21
- The signing of the two pending sales transactions also led to a -53m EUR one-off tax impact due to the write-off of the DTA (Deferred Tax Asset)

Volume trend

- Total customer loans fell by 1% q-o-q and rose by 3% y-o-y (the latter driven by new production of fixed rate mortgages)
- Total customer deposits increased by 3% q-o-q and by 4% y-o-y

Group Centre



Net result of -53m 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 q-o-q deterioration was attributable mainly to:

- higher costs
- lower net results from financial instruments at fair value, related to a negative change in ALM derivatives

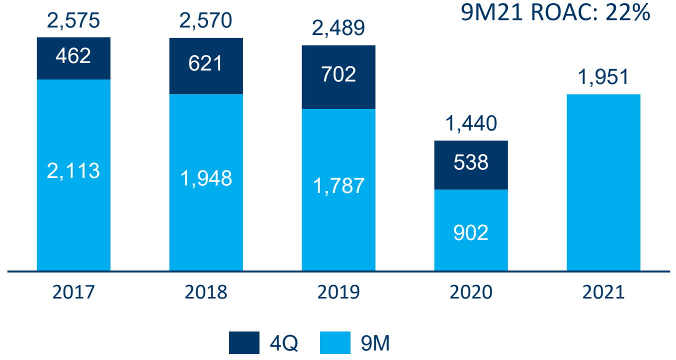
BREAKDOWN OF NET RESULT AT GROUP CENTRE	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Group item (ongoing business)	**-46**	**-25**	**-24**	**-39**	**-34**	**-37**	**-50**
Operating expenses of group activities	-15	-18	-20	-42	-16	-11	-17
Capital and treasury management	-11	-6	1	-4	-4	-6	-3
Holding of participations	-3	-1	2	-1	1	0	1
Group Re	7	3	3	6	18	5	-5
Other	-25	-3	-10	3	-33	-25	-27
Ongoing results of divestments and companies in run-down	**3**	**-1**	**-4**	**0**	**0**	**-5**	**-3**
Total	**-43**	**-26**	**-28**	**-38**	**-35**	**-42**	**-53**

Amounts in m EUR

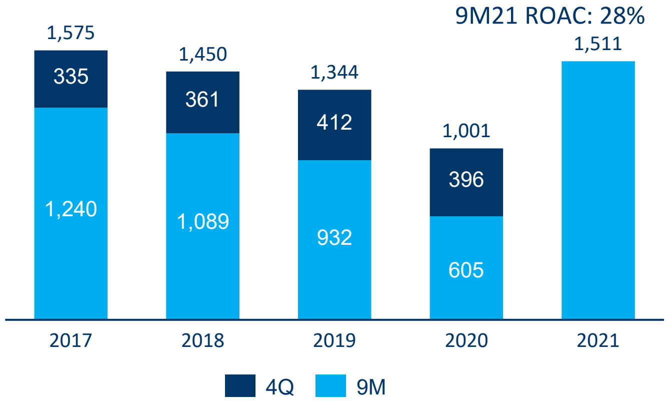
Overview of contribution of business units to 9M21 result

Amounts in m EUR

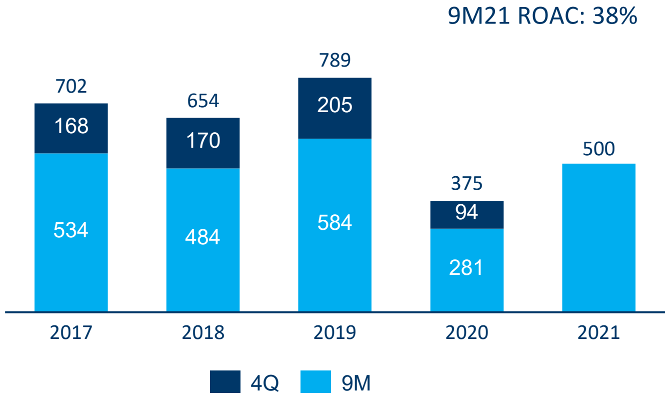
NET PROFIT – **KBC GROUP**



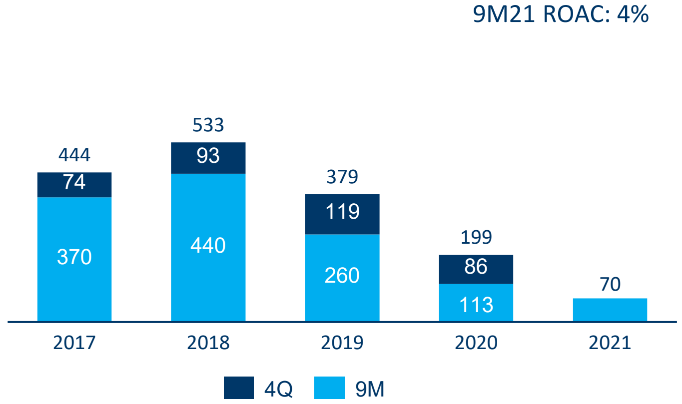
NET PROFIT – **BELGIUM**



NET PROFIT – **CZECH REPUBLIC**



NET PROFIT – **INTERNATIONAL MARKETS**

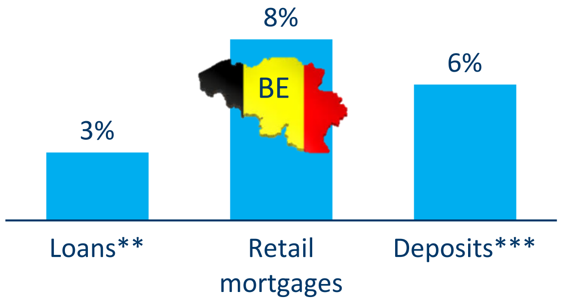


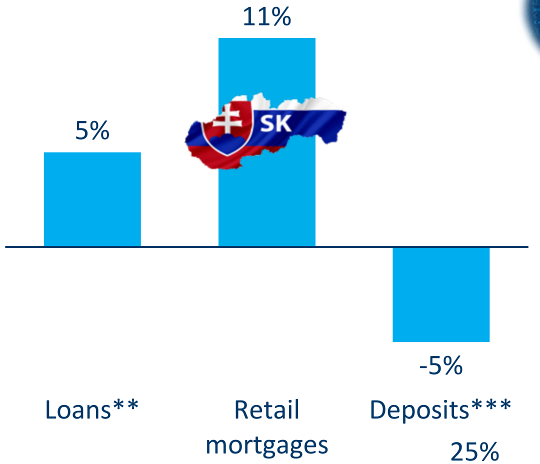
Differently THE NEXT LEVEL

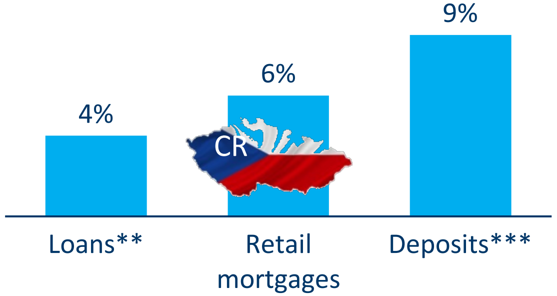
Balance sheet:

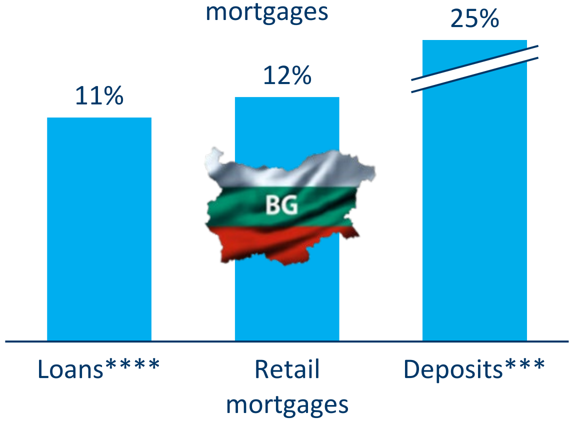
Loans and deposits continue to grow in most countries

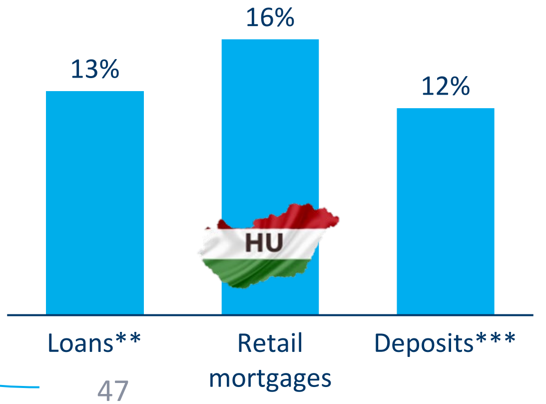
Y-O-Y ORGANIC* VOLUME GROWTH

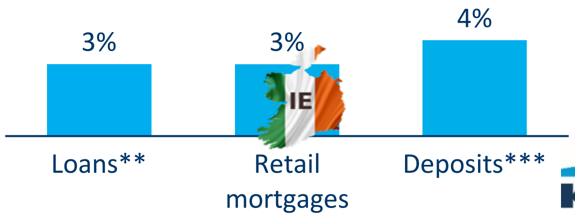












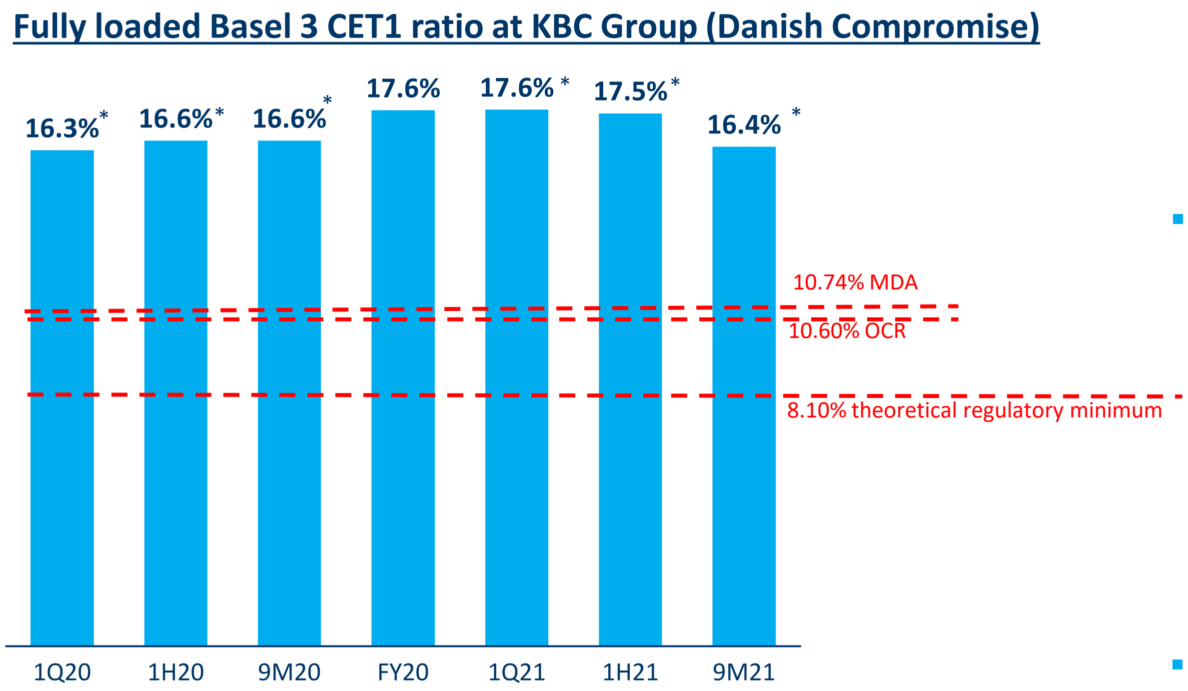
* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, excluding debt certificates and repos
**** Total customer loans in Bulgaria: new bank portfolio +12% y-o-y, while legacy -15% y-o-y

Differently THE NEXT LEVEL

Section 4

Strong solvency and solid liquidity

Strong capital position (1)



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

- **The fully loaded common equity ratio amounted to 16.4%** at the end of 9M21 based on the Danish Compromise. The q-o-q decrease is the result of the payout of the 3 EUR interim dividend per share (2 EUR over the accounting year 2020 and 1 EUR as an advance payment of the total dividend for the accounting year 2021)

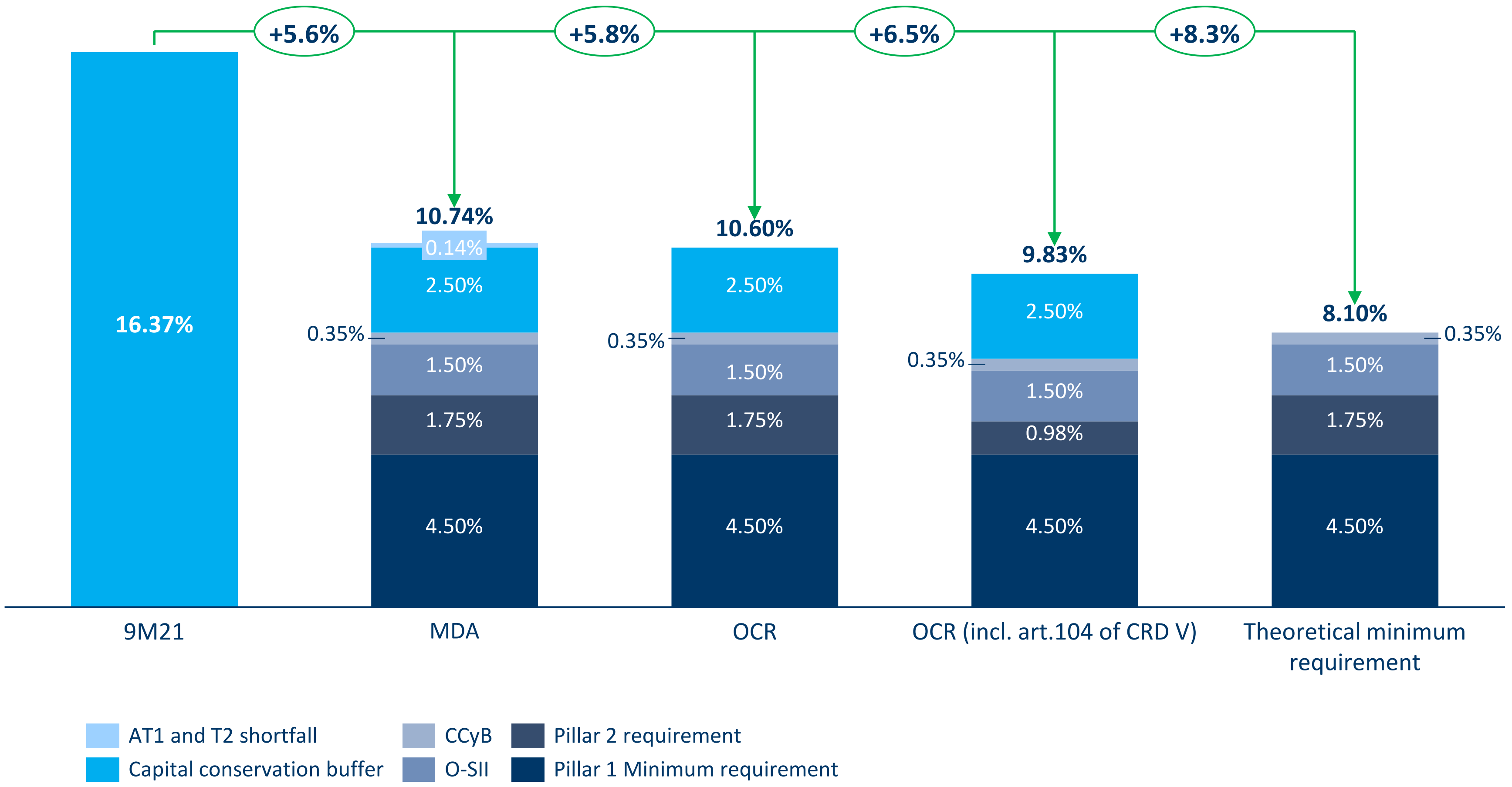
- KBC's CET1 ratio of 16.4% at the end of 9M21 represents a solid capital buffer:
  - **8.3% capital buffer compared with the current theoretical minimum capital requirement of 8.10%** (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - **5.8% capital buffer compared with the Overall Capital Requirement (OCR) of 10.60%** (which still includes the 2.50% capital conservation buffer on top of the 8.10%)
  - **5.6% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.74%** (given small shortfall in AT1 and T2 bucket)

- At the end of 9M21, the impact of the application of the transitional measures resulted in a positive impact on CET1 ratio of 50 bps compared to fully loaded (transitional CET1 ratio amounted to 16.9% at the end of 9M21)

- Note that at the completion of the transaction with Bank of Ireland Group (expected in 2H22), KBC's strong CET1 ratio will further improve with a positive impact of +0.9%-points primarily by reducing risk-weighted assets

Strong capital position

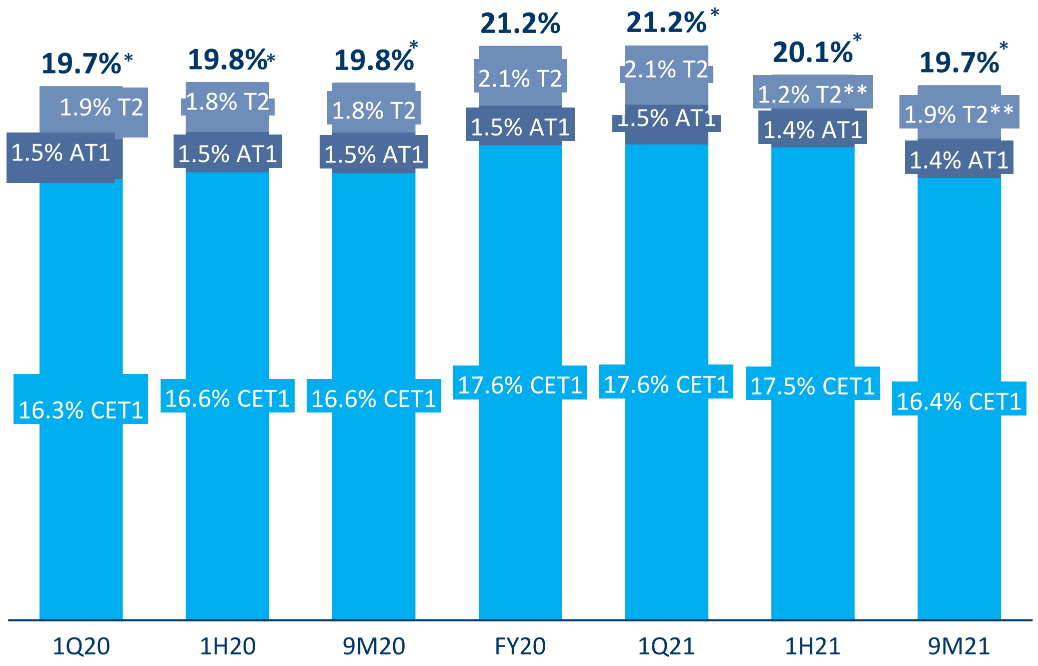
Fully loaded Basel 3 CET1 ratio at KBC Group (Danish Compromise)



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

Strong capital position (2)

Fully loaded Basel 3 total capital ratio (Danish Compromise)



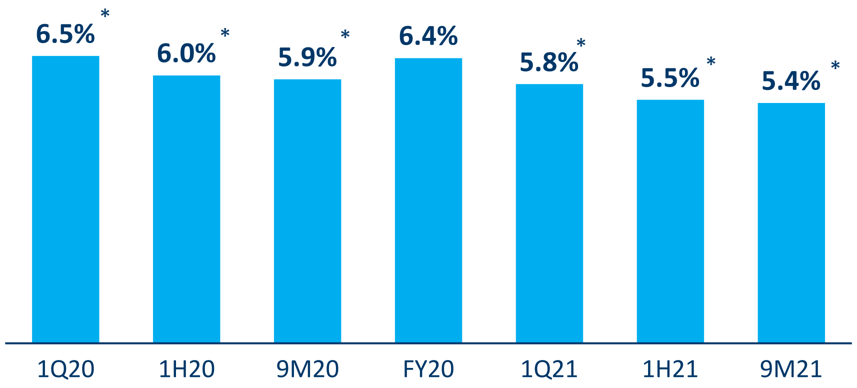
* No IFRS interim profit recognition given more stringent ECB approach

** As of 2Q21, the fully loaded T2 capital excludes the T2 instruments grandfathered under CRR2. These T2 instruments are however included in the actual (transitional) T2 capital for the period of grandfathering, in line with CRR2 and the COREP 3.0 reporting framework

- **The fully loaded total capital ratio amounted to 19.7% at the end of 9M21**

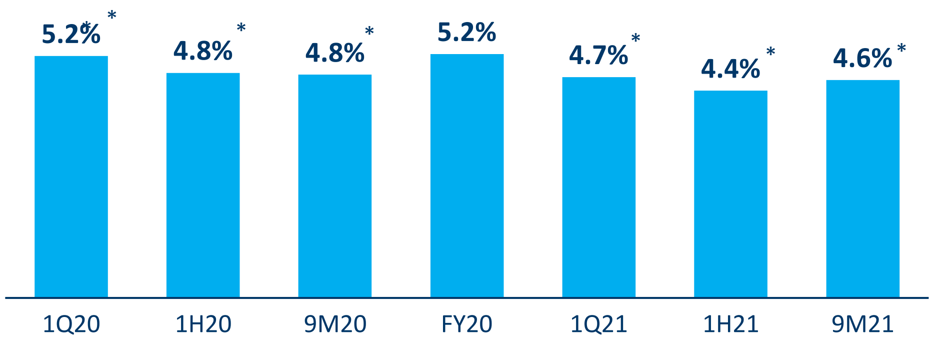
Fully loaded Basel 3 leverage ratio and Solvency II ratio

Fully loaded Basel 3 leverage ratio at KBC Group



* No IFRS interim profit recognition given more stringent ECB approach

Fully loaded Basel 3 leverage ratio at KBC Bank



* No IFRS interim profit recognition given more stringent ECB approach

- The decrease of the leverage ratio was mainly the result of:
  - increased short-term money market and repo opportunities as of 1Q21
  - regulatory and methodology changes implemented as of 2Q21
  - the payout of the 3 EUR dividend per share, partly offset by reduced short-term money market and repo opportunities in 3Q21

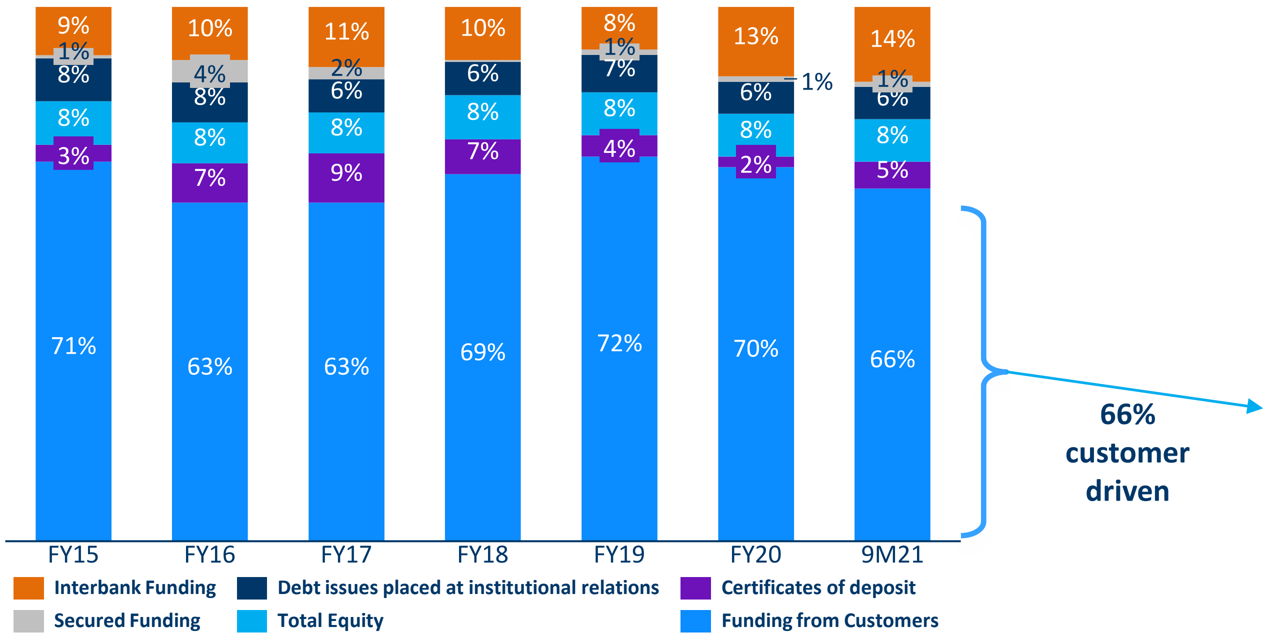
Solvency II ratio

	1H21	9M21
Solvency II ratio	221%	218%

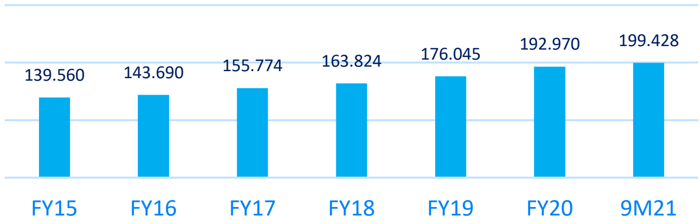
- The q-o-q delta in the Solvency II ratio was entirely driven by the acquisition of the NN Life branch and Pension fund in Bulgaria

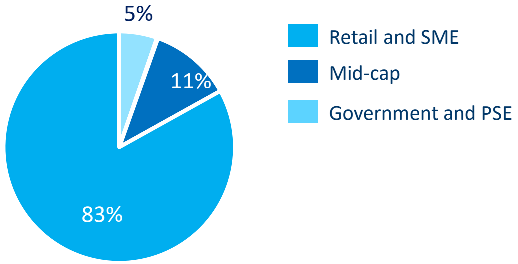
Strong and growing customer funding base with liquidity ratios remaining very strong

- 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
- **Drop in % customer funding** as growth in interbank/CD/secured funding was even outpacing growth in customer funding – monetising several **short-term money market and repo opportunities**
- KBC Bank **participated to the TLTRO III.8 transaction for an amount of 0.35bn EUR** in June 2021 (bringing the total TLTRO exposure to 24.5bn EUR), which is reflected in the 'Interbank Funding' item below



Funding from customers (m EUR) of KBC Banking Group





Ratios	FY20	9M21	Regulatory requirement
NSFR*	146%	153%	≥100%
LCR**	147%	167%	≥100%

** 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.*

- **NSFR is at 153% and LCR is at 167% by the end of 9M21**
  - Both ratios were well above the regulatory requirement of 100% due to a strong growth in customer funding and the participation to TLTRO III

Section 5

Looking forward

Looking forward

Economic outlook

- Quarterly growth in the US and the euro area was positive again in the third quarter, despite a growth deceleration in the US. European economic activity is likely to return to its pre-pandemic level by the end of 2021. Our growth outlook for KBC home markets is broadly aligned with our outlook for the euro area. We estimate that quarterly growth in the third quarter was positive again and above the long-term potential growth rate
- The main risks to our short-term growth outlook include longer-than-expected supply-side bottlenecks, more persistent high energy prices and a damaging cost-push spiral if rising inflation expectations get persistently embedded in the wage formation process

Group guidance for 2021

- We maintain our FY21 NII guidance of 4.4bn EUR ballpark figure
- Our FY21 guidance for opex excluding bank taxes is adjusted to slightly below the +2% y-o-y like-for-like. Note however that, next to the impact of the OTP SK acquisition as of 2021, the one-off -18m EUR Covid-related bonus in 2Q21 and the one-offs in 3Q21 (mainly Ireland) come on top
- The Credit Cost Ratio (CCR) for FY21 is adjusted from 0bps to around -10bps (excluding potential further Covid-19 ECL reversals in 4Q21)

Basel 4 guidance

- Assuming a static balance sheet (end 9M21), we reconfirm the B4 impact for KBC Group at roughly 8bn EUR higher RWA on a fully loaded basis (impact between 2025 and 2033), corresponding with 7% RWA inflation and -1.1% points impact on CET1 ratio at the end of 9M21. Note that the B4 impact on RWA will be phased-in, and therefore the first-time application RWA impact in 2025 will only be approximately 2bn EUR

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

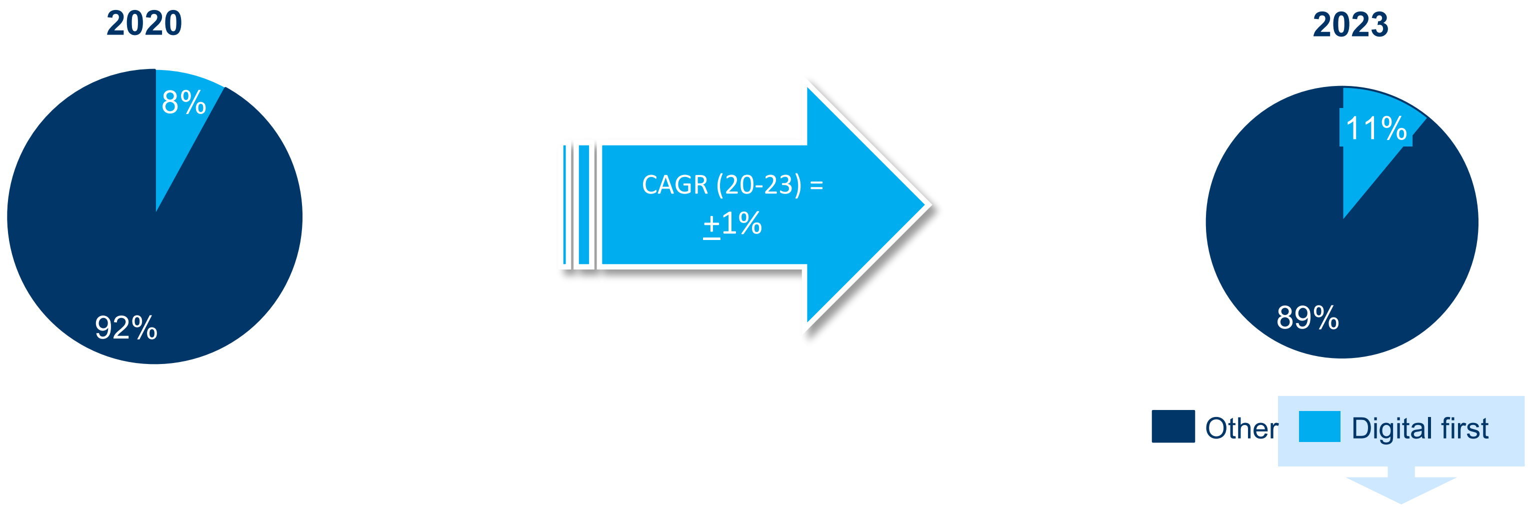
Regulatory requirements		
Overall capital requirement (OCR)**	≥ 10.60%	by 2021
MREL as a % of RWA***	≥ 25.98%	by 2022
MREL as a % of LRE***	≥ 7.34%	by 2022
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

** 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 25.98% as from 01-01-2022 and (ii) a final MREL target of 26.48% 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

Amounts in m EUR

Forecast OPEX only digital first strategy

2021-2023 = 1.1bn EUR

Differently: the next level

Dividend policy & capital distribution: unchanged guidance

- **In calendar year 2021, KBC will pay out 3.44 EUR DPS in total:**
  - For the accounting year 2020, a DPS of 0.44 EUR was approved at the AGM and has been paid out on 19 May 2021
  - The Board of Directors of KBC Group decided to distribute an interim dividend of 3.00 euros per share (paid out on 17 November 2021), consisting of:
    - 2.00 euros per share for financial year 2020
    - 1.00 euros per share, as an advance on the total dividend for financial year 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

Annex 1

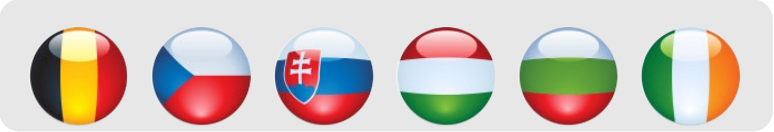
Company profile

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

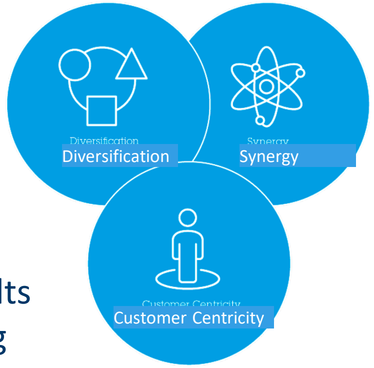


… geographically

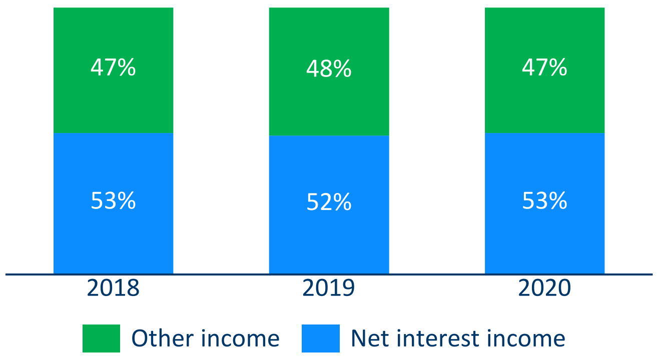
- Mature markets (BE, CZ, IRL) versus developing markets (SK, HU, BG)
- Economies of BE & 4 CEE-countries highly oriented towards Germany, while IRL is more oriented to the UK & US
- Robust market position in all key markets & strong trends in loan and deposit growth

… 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

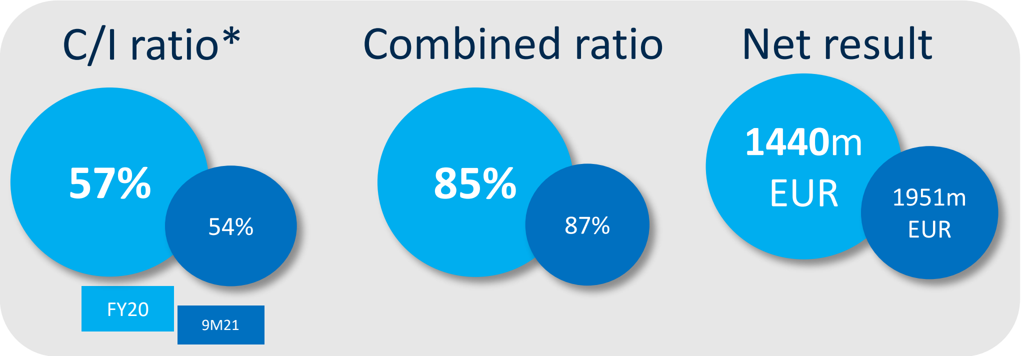


KBC Group: topline diversification 2018-2020 (in %)

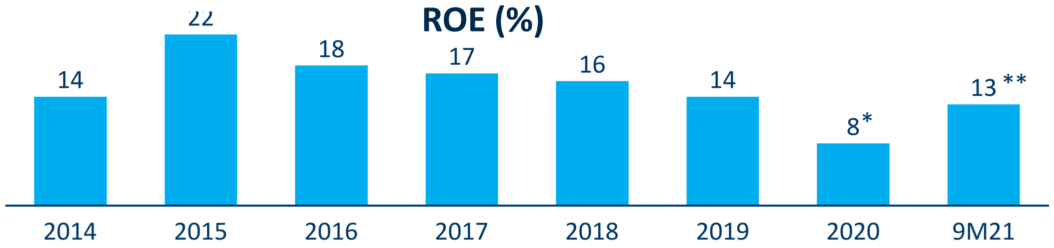


KBC Group in a nutshell (2)

✓ High profitability

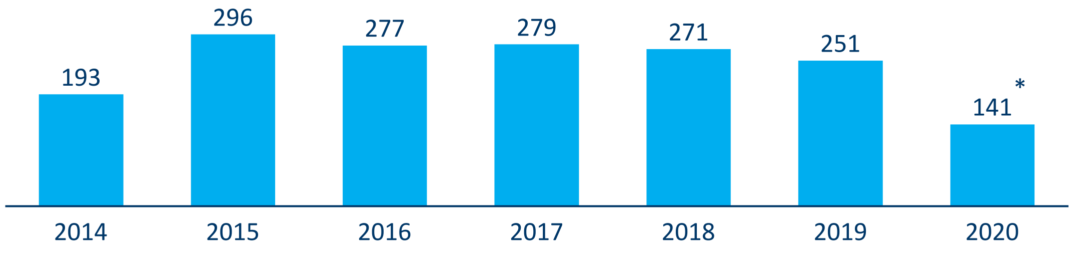


* Adjusted for specific items



* 11% when adjusted for the collective covid-19 impairments
** when evenly spreading the bank tax throughout the year

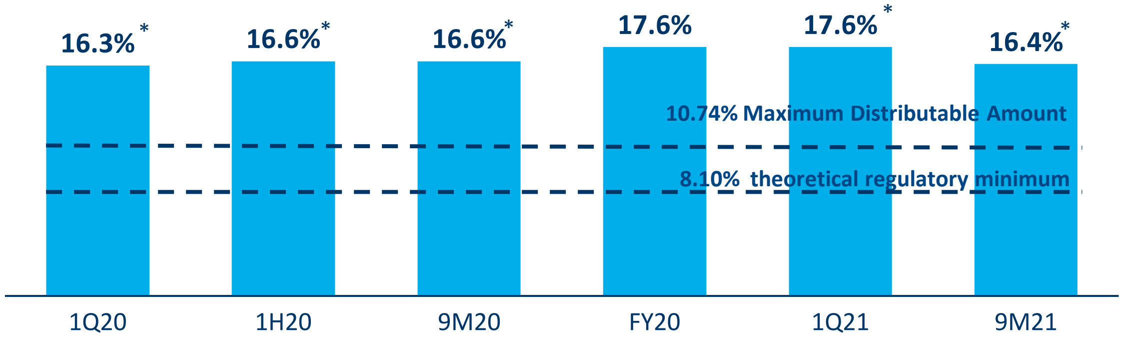
CET1 generation (in bps) before any deployment



* 202bps when adjusted for the collective covid-19 impairments

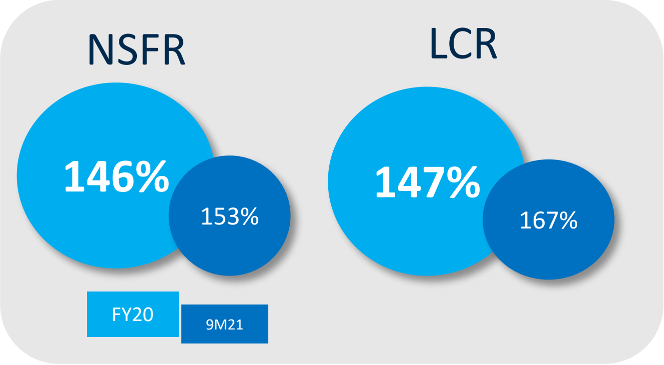
✓ Solid capital position...

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

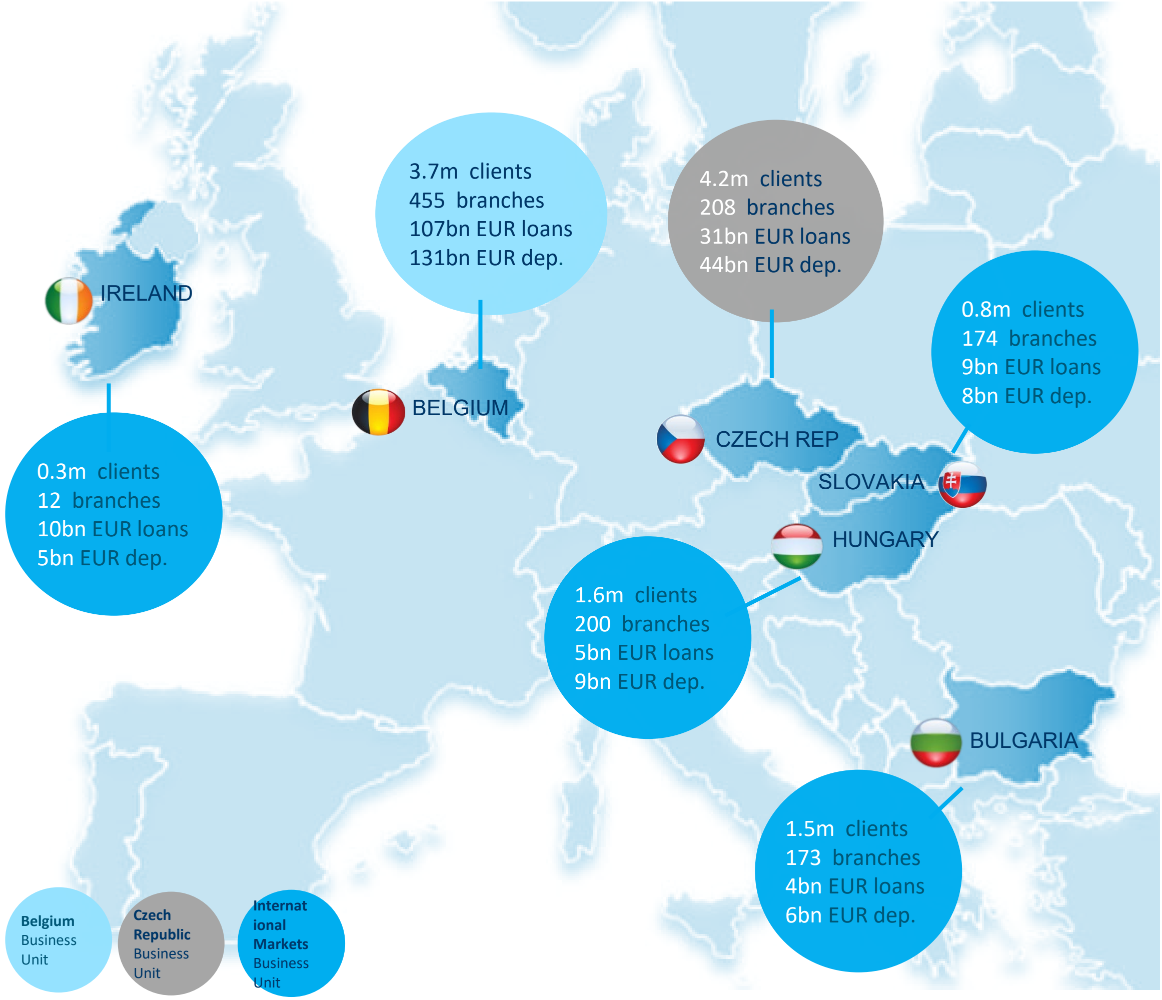


* No IFRS interim profit recognition given more stringent ECB approach

✓ ... and robust liquidity positions



Well-defined core markets



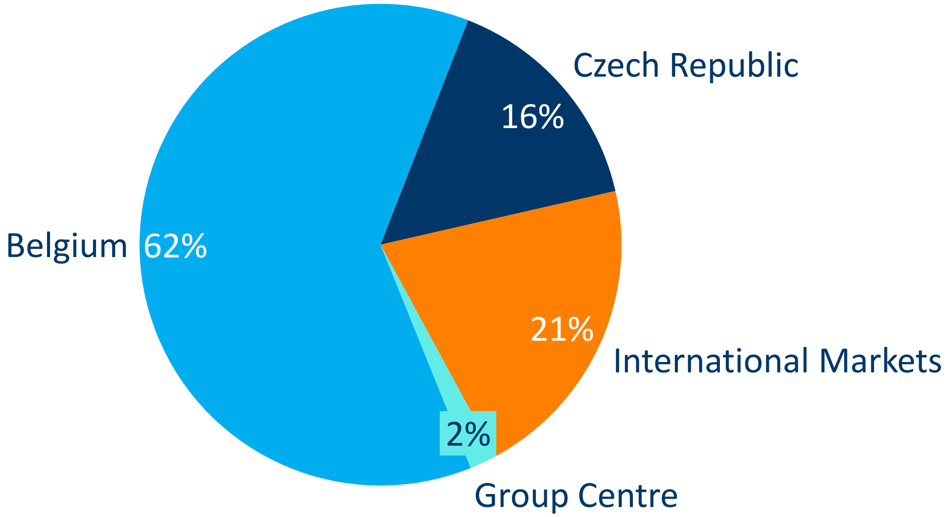
Market share (end 2020)	BE	CZ	SK	HU	BG	IRL
Loans and deposits	19%	21%	12%	11%	10%	8%*
Investment funds	28%	23%	12%	13%	18%	
Life insurance	13%	8%	3%	3%	28%	
Non-life insurance	9%	9%	4%	8%	10%	

Real GDP growth	BE	CZ	SK	HU	BG	IRL
% of Assets	63%	21%	3%	4%	2%	3%
2020	-6.3%	-5.6%	-5.2%	-5.1%	-3.8%	3.4%
2021e	5.3%	3.5%	4.2%	6.7%	4.6%	10.0%
2022e	3.6%	4.5%	4.6%	5.1%	4.0%	5.0%

GDP growth: KBC data, September '21
* Retail segment

Business profile

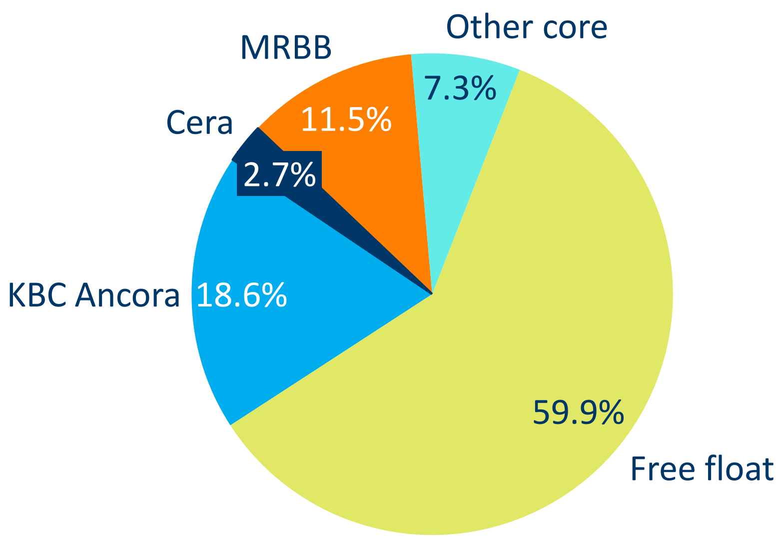
BREAKDOWN OF ALLOCATED CAPITAL (FULLY LOADED) BY BUSINESS UNIT AS AT 30 SEPTEMBER 2021



- 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 9M21



- 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

KBC Group

Annex 2

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

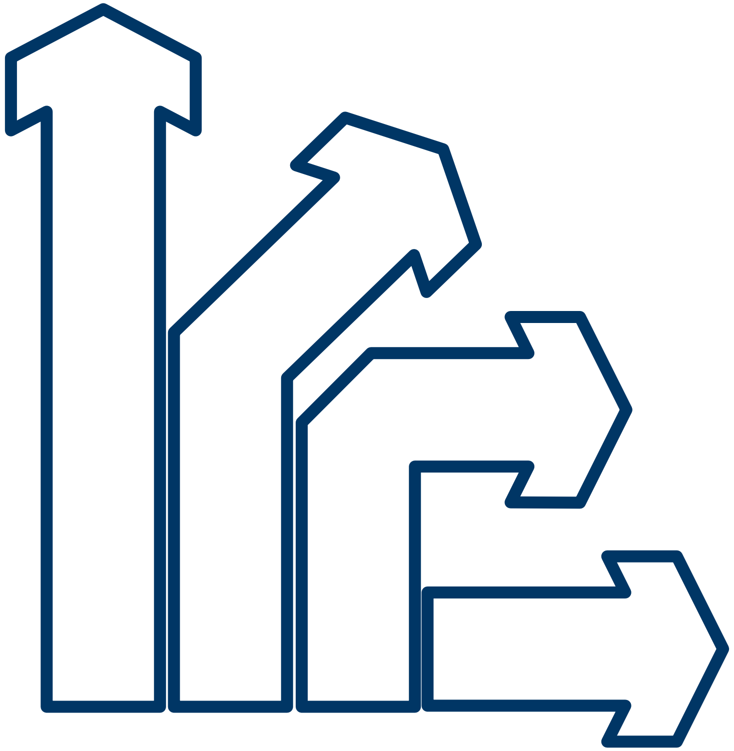
SERVING: SECURE & FRICTIONLESS
Kate will help the client saving time and/or money, focusing more on the convenience factor. Kate will also serve the client regarding security and fraud

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

Differently: THE NEXT level

Digital lead management: From data driven to solution driven



LEVEL 4: Fully automated lead life cycle management

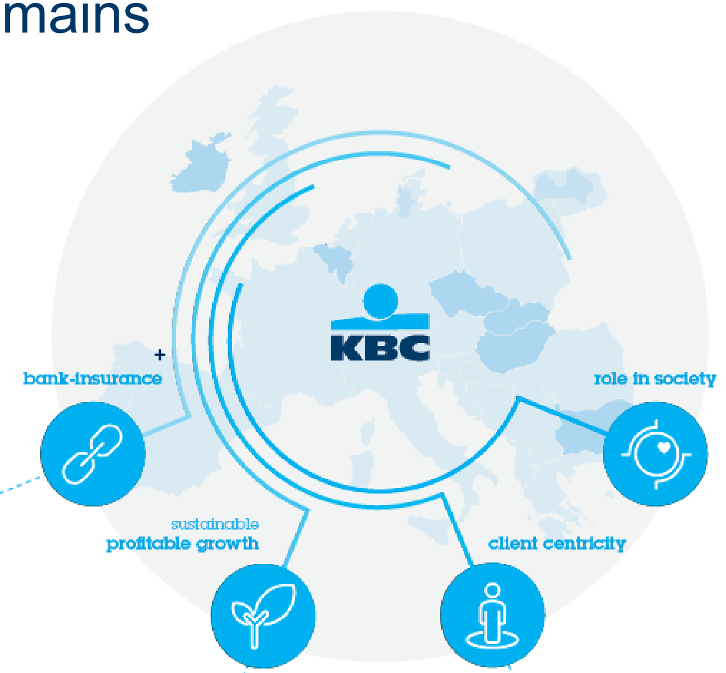
LEVEL 3: AI-powered lead life cycle management

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

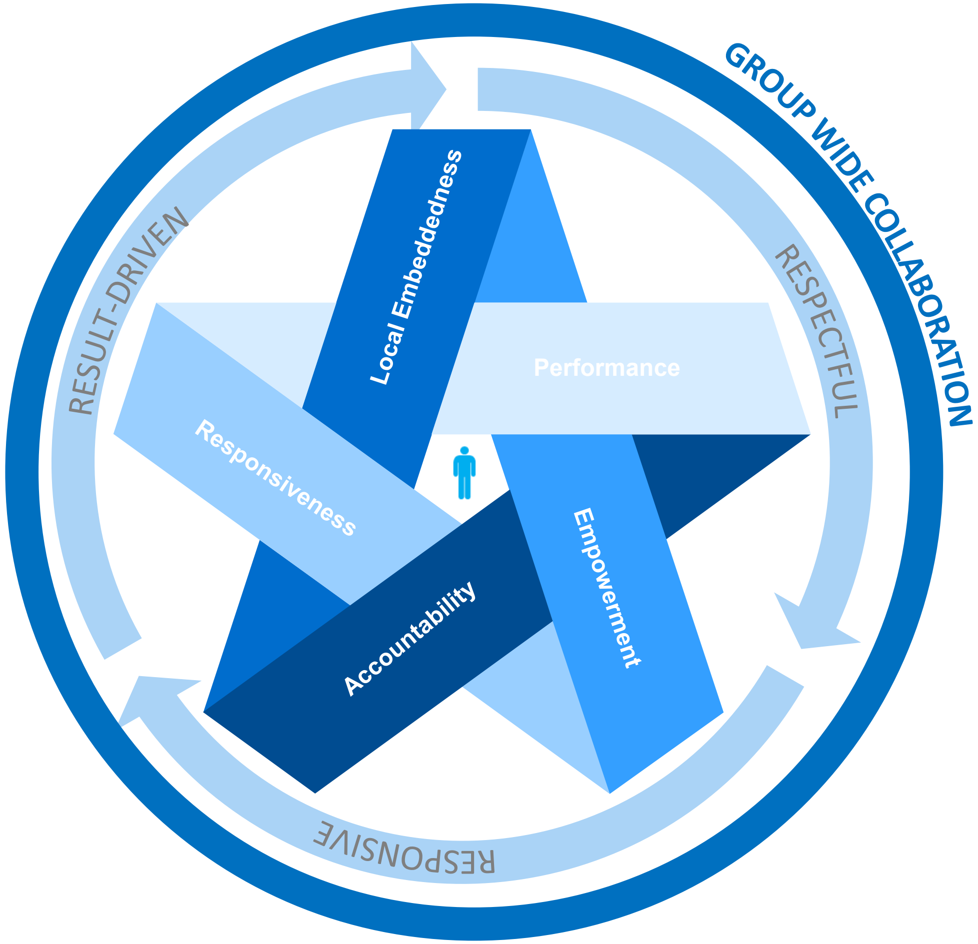
We improve our solutions to meet our clients' needs
by collaborating with partners, like fintechs and even competitors
and creating an IT environment partners can easily plug in and out of

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

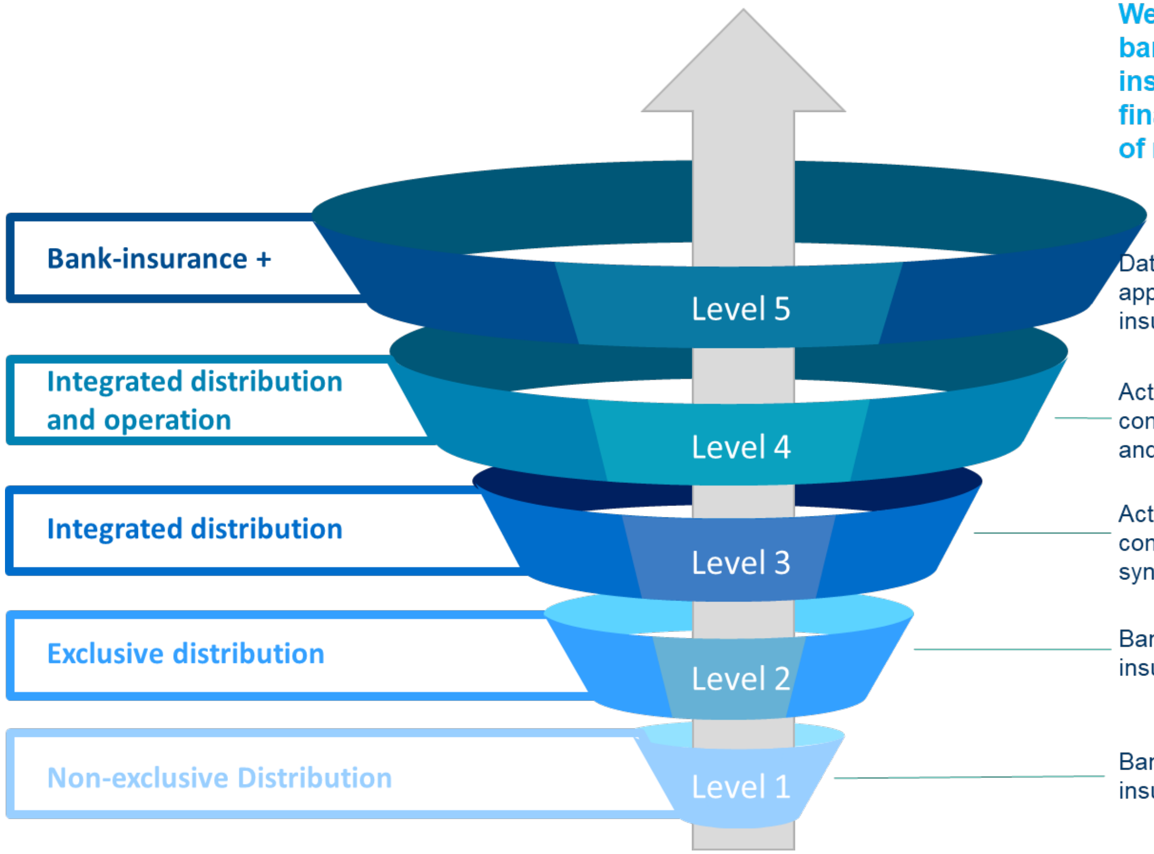
Powered by PEARL+



‘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.

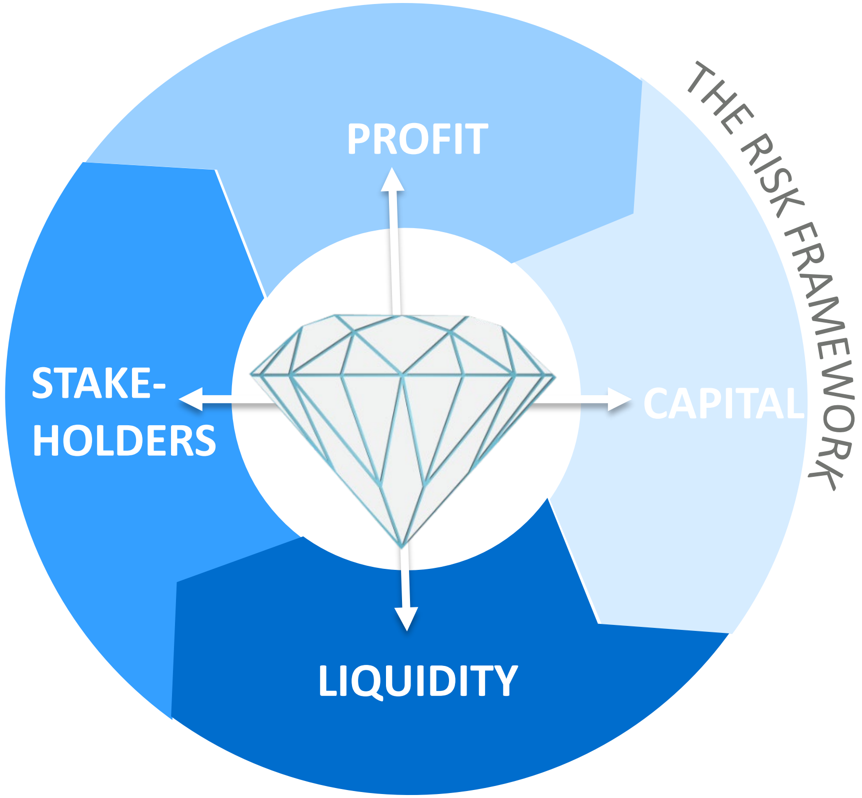
Acting as a single operational company: bank and insurance company working under unified governance, realizing commercial synergies.

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

Translating strategy into non-financial targets

From key priorities to operational targets

No hassle, no frills, zero-delay customer experience

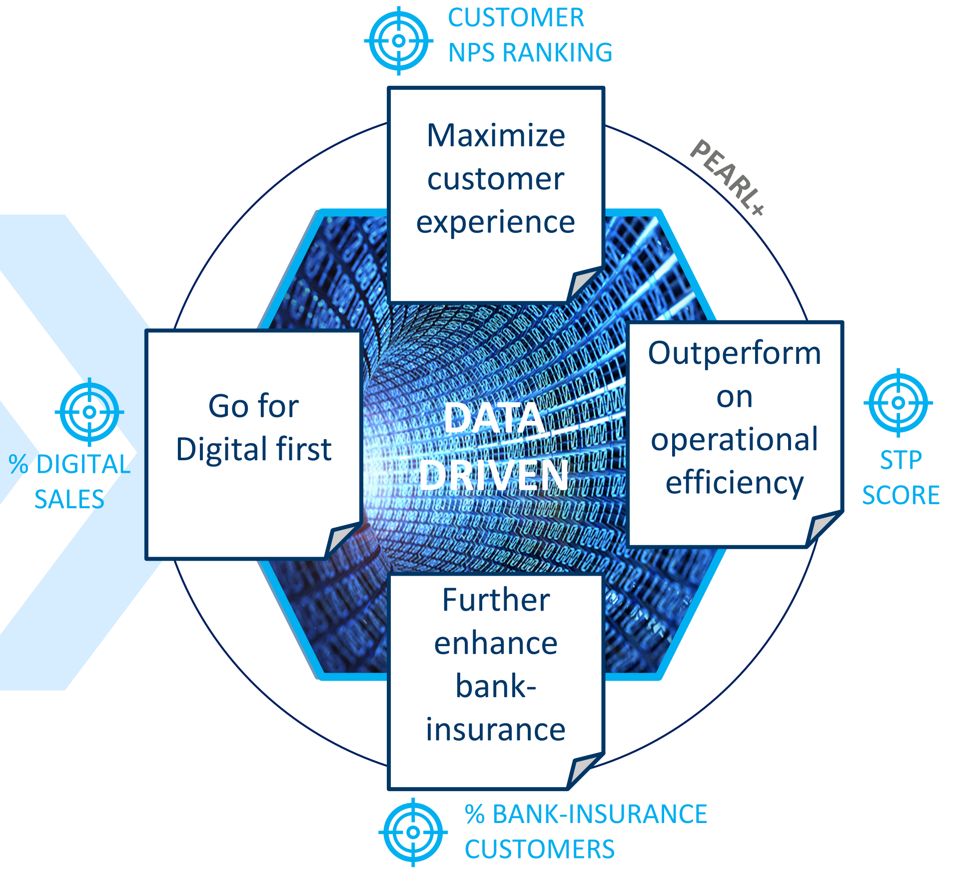
Proactive personalized financial solutions via DATA and AI

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)

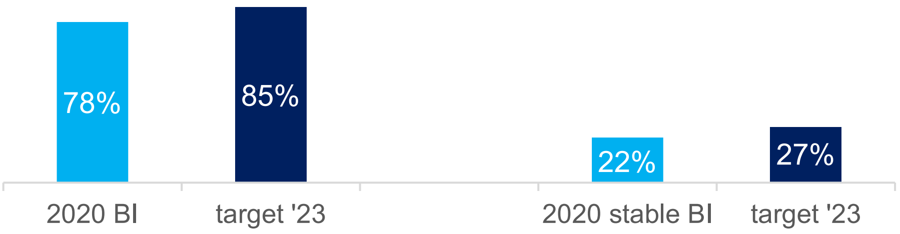
Customer NPS ranking

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

Based on weighted avg of ranking in six core countries

* 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

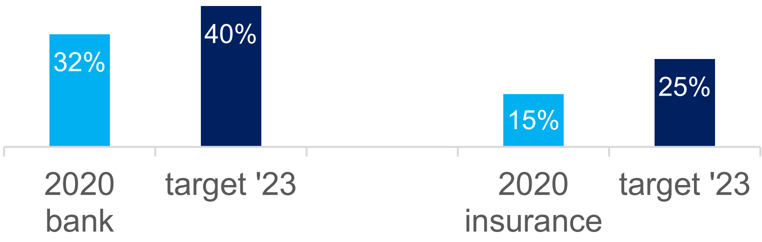
BI customers have at least 1 bank + 1 insurance product of our group.
Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3)

Differently: THE NEXT level

Translating strategy into non-financial targets

Introducing 4 new operational targets (2)

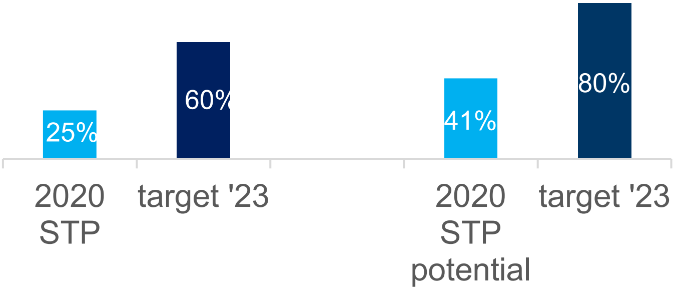
% digital sales
(bank / insurance)



- ➢ 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.

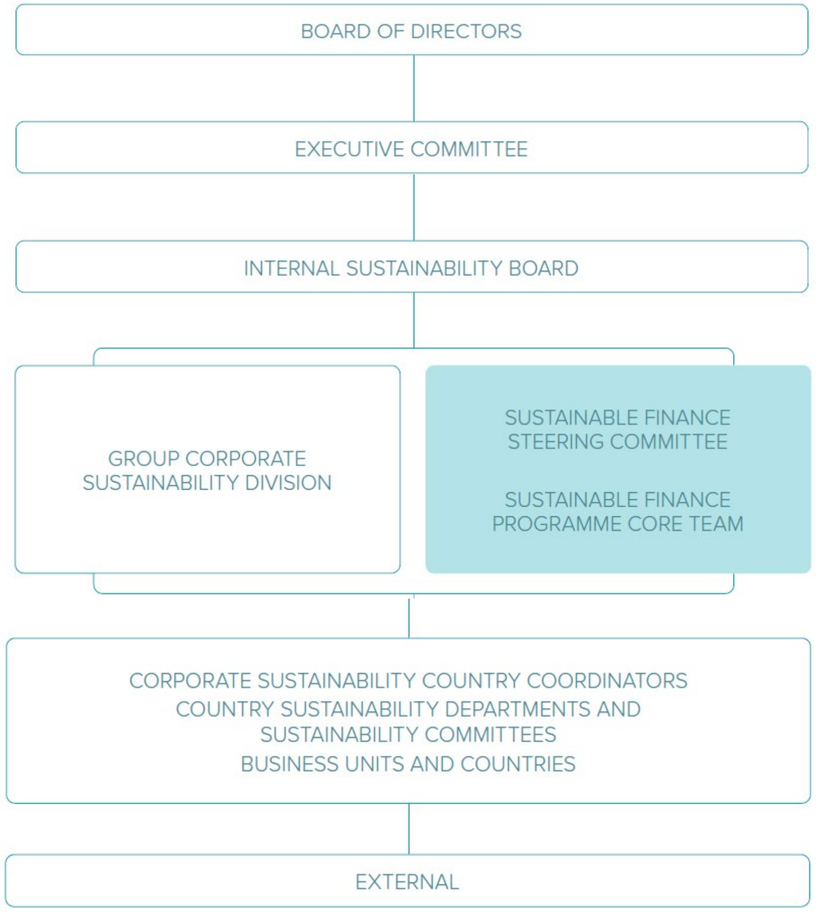
ESG ratings and indices

Ahead of the curve

Agencies	Current ESG rating (score previous year)	Position versus industry average
CDP	Scale D- to A; **A-** (A-)	Financial services average B
Sustainalytics	Scale Severe Risk, High Risk, Medium Risk, Low Risk, Negligible Risk; **13.5** (15)	2nd percentile of 396 diversified banks assessed 4th of 396 diversified banks
S&P Dow Jones Indices (A Division of S&P Global)	Scale 0 to 100; **73** (72)	85th percentile of 253 banks assessed
MSCI	Scale C, B, BB, BBB, A, AA, AAA; **AAA** (AAA)	2nd percentile of 196 banks assessed
ISS ESG Corporate ESG Performance Prime	Scale D-, D, D+, C-, C, C+, …; **C prime** (C prime)	1st decile rank of 287 Commercial Banks & Capital Markets assessed
FTSE4Good	Scale 0 to 5; **4.2** (4.7)	87th percentile of banks assessed

Our sustainability governance

Sustainability embedded in our organization



- **Top level responsibility** for sustainability and climate strategy
  - The **Executive committee** has the highest level of direct responsibility for sustainability and climate change and reports on it to the **Board of Directors**
  - **Direct responsibility of the Group CEO and Group CFO** for sustainability and climate as chairman in the different governance bodies
- Nomination of **country coordinators in all our core markets** to effectively implement centrally-decided strategies, senior representation of all core countries in **Internal Sustainability Board.**
- Specific **Sustainable Finance Programme** to integrate our policy on climate change and climate action plan within the group
- **External advisory boards** to advise and challenge us on our sustainable strategy

- **Sustainability integrated into our remuneration policy:**
  - The variable remuneration of **Executive Committee members** is linked to - amongst others - progress made in the area of sustainability. The Board of Directors, through its Remuneration Committee, assesses the criteria for evaluating the members of the Executive Committee in this respect
  - At least 10% of the variable remuneration received by **senior management** depends on the achievement of individual targets agreed in advance as part of the group's sustainability strategy, including our climate policy
  - The non-recurrent results-based bonus KBC pays its **employees** in Belgium has been partially linked to our direct footprint target – reducing paper consumption – but also to employee development (training days, digitality and progress management) and to cybersecurity (phishing tests)

Our sustainability roadmap

KBC milestones and initiatives

2004

Equator Principles

We have been a signatory to the Equator Principles (Eps) since 2004 and have integrated them in our lending policy of project finance

2005 **First sustainability report published**

2006 **Joined the UN Global compact**

2011 **First report to society published**

2016 **Signed the UNEP FI Principles for Responsible Investment** (2016) **and for Sustainable Insurance** (2018)

2018 **First Green Bond**

The first Belgian financial institution that issued a green bond

2019 **Signed the UNEP FI Principles for Responsible Banking & Collective Commitment to Climate Action**

By signing the Collective Commitment to Climate Action, we have committed ourselves to stimulate the greening of the economy as much as possible and so limit global warming to well below 2°C, striving for 1.5°C, in line with the Paris climate agreement

2020 **KBC Asset Management signed Climate Action 100+**

This is an investor-led initiative to engage systemically important GHG emitters and other companies across the global economy, which have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement

Continuous ESG actions…

2022

Translate the 1.5°C target into concrete objectives per sector, based on scientific scenarios, by the end of 2022

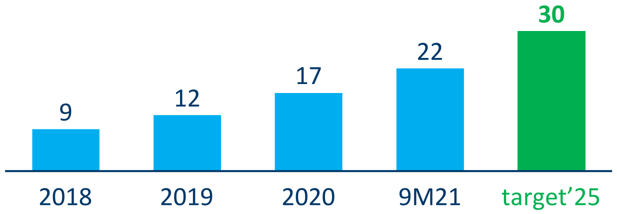
'We will no longer provide direct credit, advice or insurance to new oil and gas fields'

Johan Thijs

Our sustainability ambitions

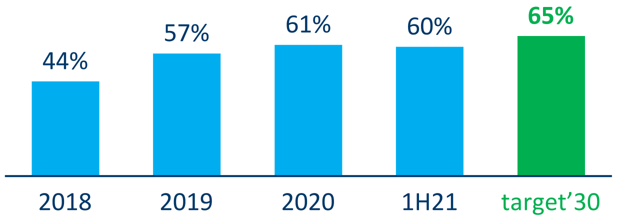
We substantially raise the bar for our climate-related ambitions

Volume of SRI Funds
(In billions of EUR)



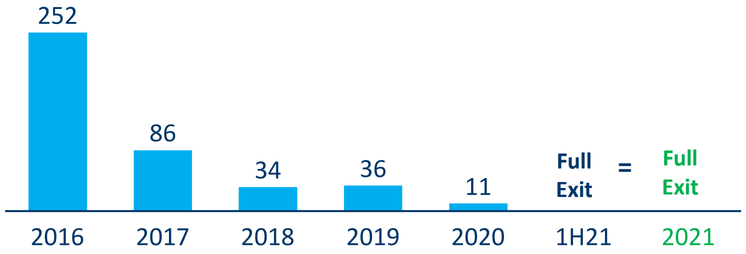
- Almost doubling of SRI funds by '25 (vs 2020)
- SRI funds ≥ 50% of new fund production by '21
- Including art. 8 & 9 of SFDR

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



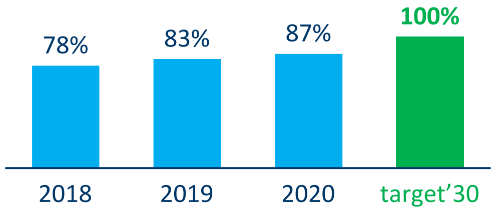
- Target raised from 50% to 65% by '30

Direct coal-related finance
(In millions of EUR)



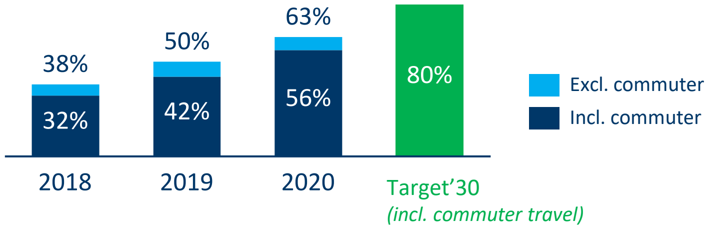
- All remaining direct coal exposure has been phased out in line with our commitment
- Firm commitment to exit indirect coal exposure, supporting existing clients in their transition. In order to remain eligible for any kind of financing, the related client must commit not to engage into any new coal 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 net climate neutrality as of the end of 2021 by offsetting our residual direct emissions

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**

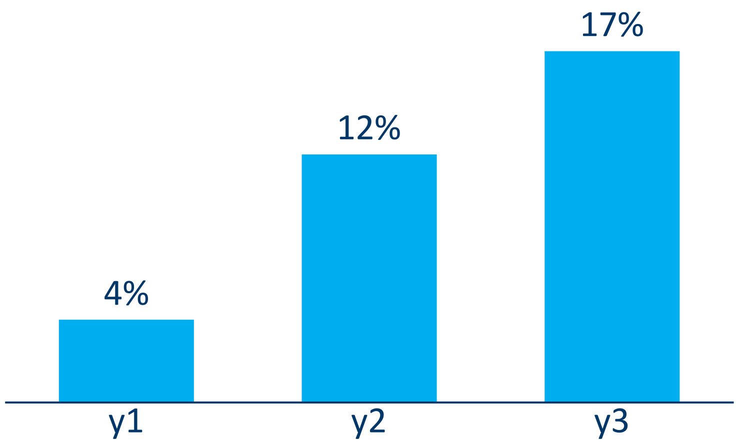
** Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.*
*** S&P Trucost Limited © Trucost 2021*

Annex 3

Other items

Interest rate sensitivity

Impact of an immediate +100bps parallel rate shock across all currencies on NII at KBC Group level



%: change on NII at KBC Group level as % of total FY20 reported NII

This impact is based on:
- a static balance sheet
- a conservative pass-through rate

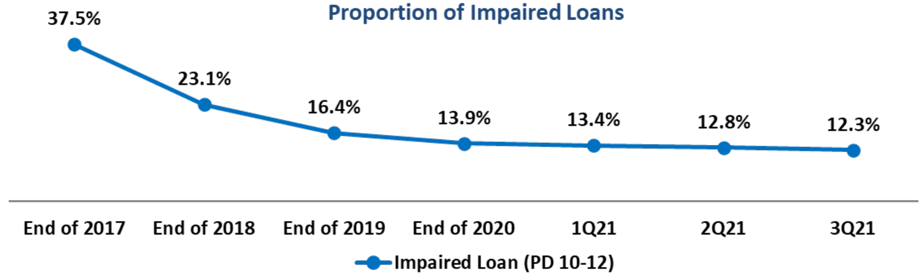
Loan loss experience at KBC

	9M21 CREDIT COST RATIO	FY20 CREDIT COST RATIO	FY19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	AVERAGE '99 –'20
Belgium	**-0.29%**	0.57%	0.22%	0.09%	0.09%	n/a
Czech Republic	**-0.47%**	0.67%	0.04%	0.03%	0.02%	n/a
International Markets	**0.41%**	0.78%	-0.07%	-0.46%	-0.74%	n/a
Group Centre	**0.37%**	-0.23%	-0.88%	-0.83%	0.40%	n/a
Total	**-0.20%**	**0.60%**	**0.12%**	**-0.04%**	**-0.06%**	**0.43%**

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

Ireland: impaired loans continue to improve

LOAN PORTFOLIO €m	OUTSTANDING	IMPAIRED LOANS	IMPAIRED LOANS PD 10-12	PROVISIONS PD 10-12	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9,864	1,155	12%	467	40%
Buy to let mortgages	532	128	24%	67	53%
Non Mortgage Retail & SME	131	6	5%	6	90%
Corporate	4	4	100%	2	58%
Total	**10,530**	**1,293**	**12%**	**542**	**42%**



3Q21 Total Portfolio

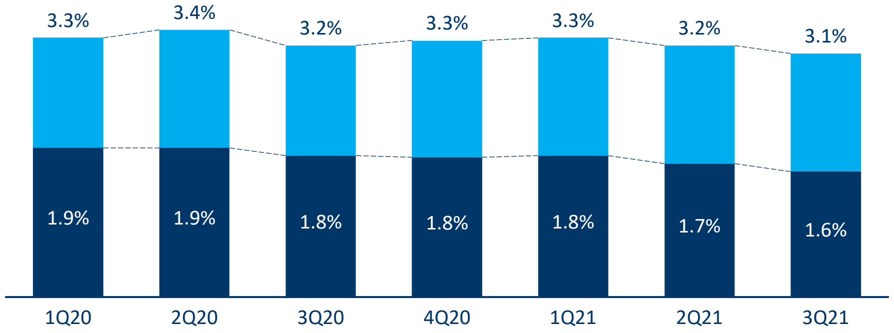
	PD	Exposure	Impairment Provisions	Cover %
Performing	PD 1-8	8,755	12	0.1%
Performing	Of which non Forborne	8,754		
Performing	Of which Forborne	0		
Performing	PD 9	483	28	5.7%
Performing	Of which non Forborne	153		
Performing	Of which Forborne	330		
Impair.	PD 10	559	126	22.5%
Impair.	PD 11	649	342	52.7%
Impair.	PD 12	84	74	87.3%
	TOTAL PD1-12	**10,530**	**581**	
	PD 10-12 Impairment Provisions /(PD 10-12)			*41.9%*
	Impaired loans (PD 10-12)/ Total Exposure			*12.3%*

- 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.

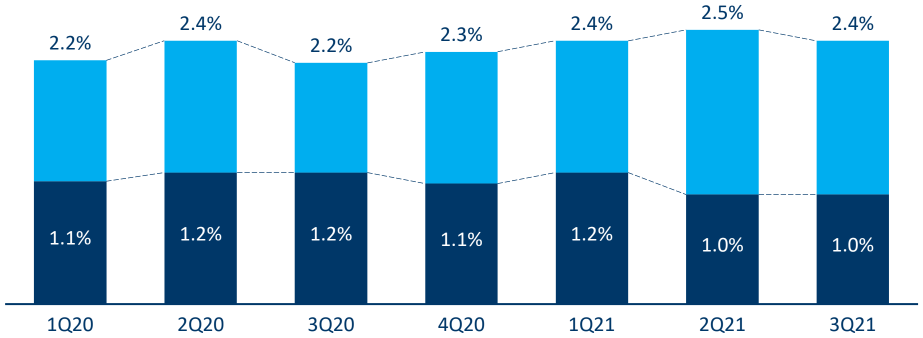
- 2021 has seen sustained strength in multinational exports and a solid rebound in domestic activity. As a result, Irish GDP growth seems likely to remain on a notably faster trajectory than other advanced economies this year
- Improving domestic economic conditions have prompted a significant recovery in the jobs market in Ireland, leading to a marked rebound in employment and an associated drop in unemployment through 2021
- Irish residential property price inflation has accelerated materially through the course of 2021 reflecting restrictions on new construction as well as the pre-existing supply shortfall and some uplift in demand
- Impaired loan portfolio decreased by roughly 51m EUR q-o-q, resulting in impaired loan ratio reducing to 12.3%
- 149m EUR net loan loss impairment charges in 3Q21 due mainly to charges reflecting the higher probability of NPL portfolio sales, partly offset by a reversal of collective Covid-19 ECL
- 15m EUR impairment on ‘other’ (among other things due to fixed asset impairment on (in)tangibles)

Impaired loans ratios, of which over 90 days past due

KBC GROUP

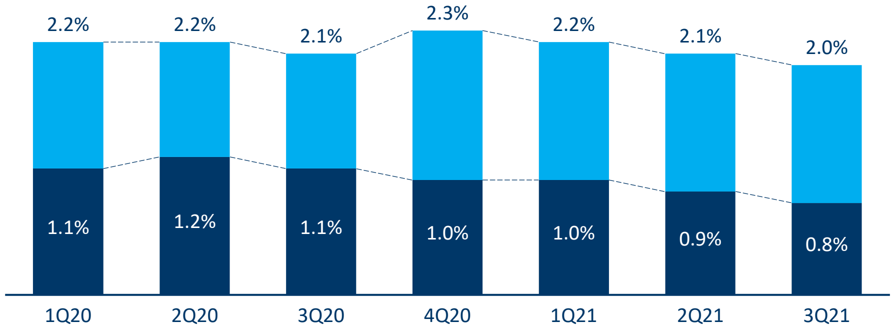


BELGIUM BU

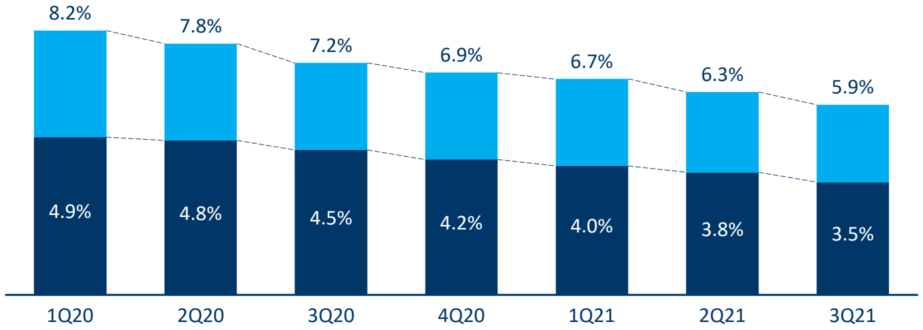


Impaired loans ratio
Of which over 90 days past due

CZECH REPUBLIC BU

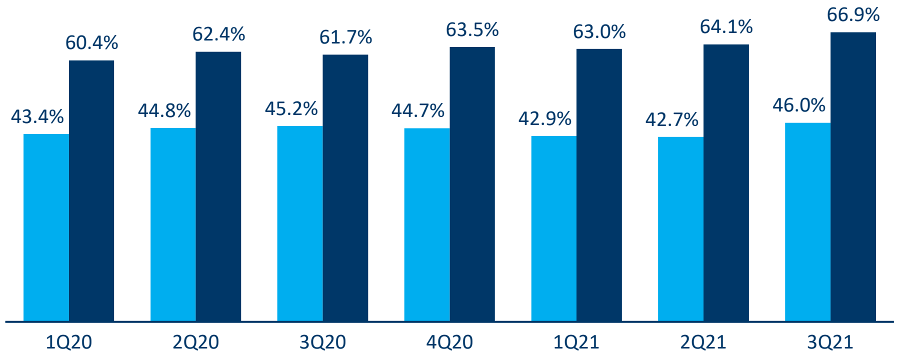


INTERNATIONAL MARKETS BU



Cover ratios

KBC GROUP



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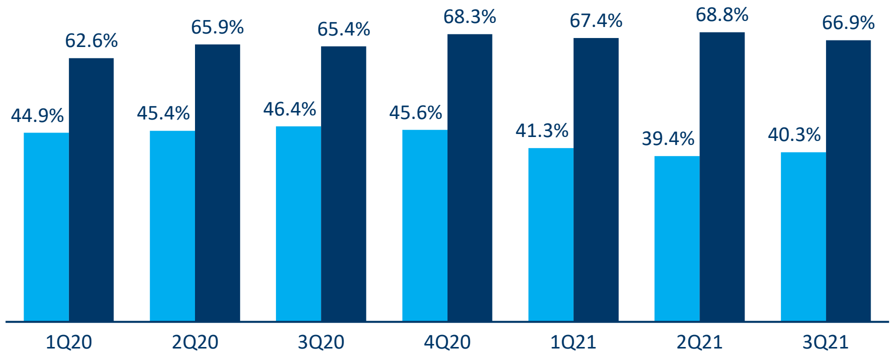
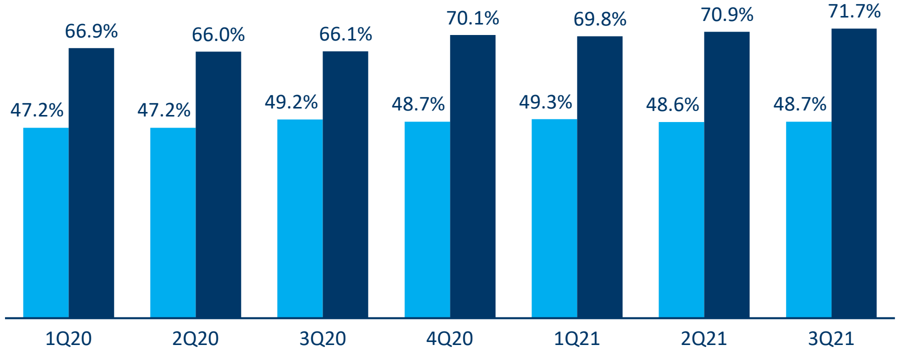


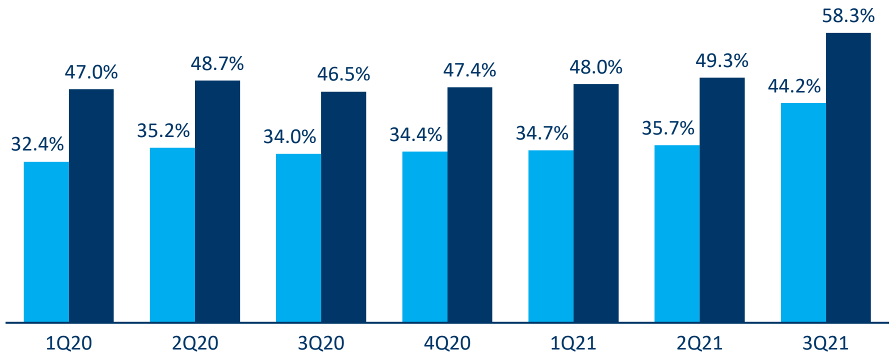
Impaired loans cover ratio

Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU

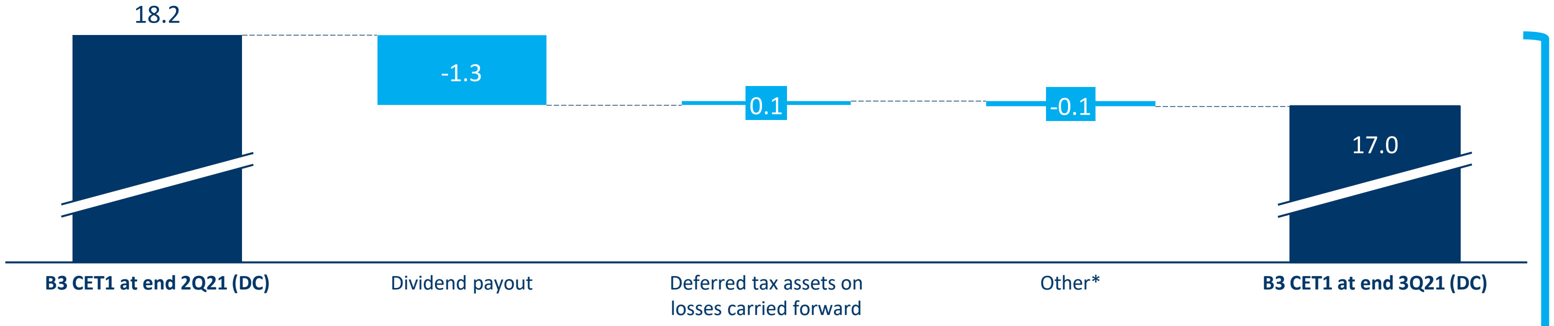


INTERNATIONAL MARKETS BU

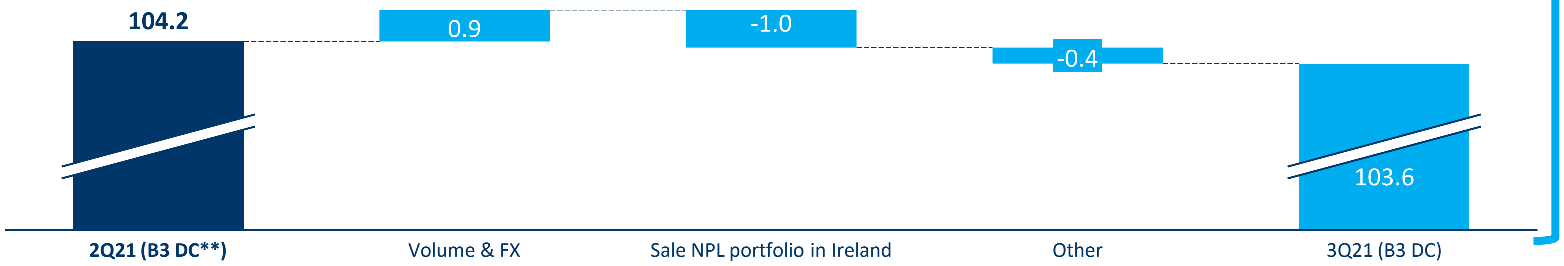


Fully loaded B3 CET1 based on the Danish Compromise (DC) from 2Q21 to 3Q21

DELTA AT NUMERATOR LEVEL (BN EUR)



DELTA ON RWA (BN EUR)



- Fully loaded B3 common equity ratio amounted to 16.4% at the end of 9M21 based on the Danish Compromise
- This clearly exceeds the Overall Capital Requirement (OCR) of 10.60% and the Maximum Distributable Amount (MDA) of 10.74%

* Includes the q-o-q delta in remeasurement of defined benefit obligations, intangible fixed assets, AT1 coupon, translation differences, 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

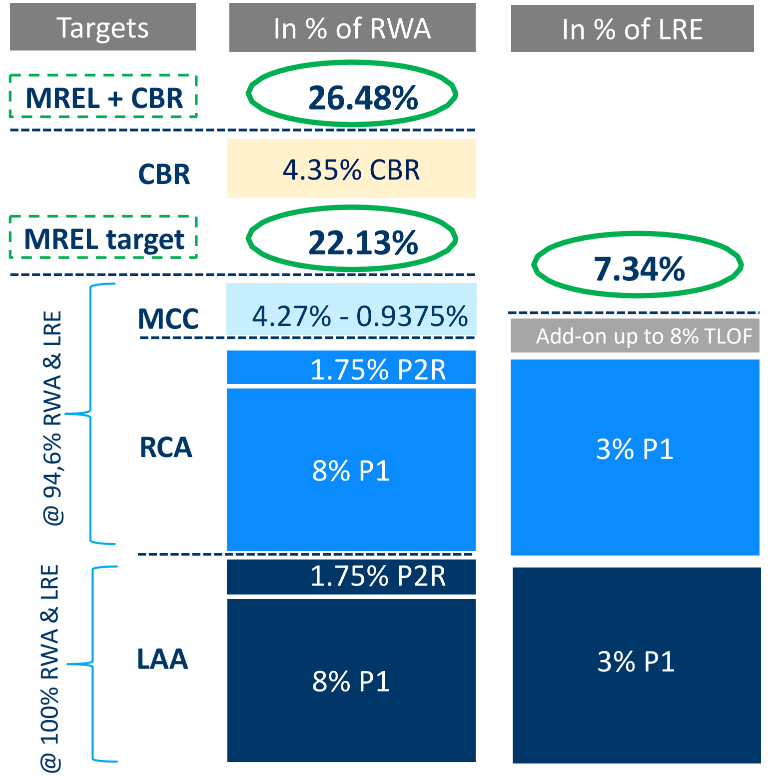
Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	18,664	119,017	15.7%
DC**, fully loaded	16,968	103,633	16.4%
DM***, fully loaded	16,207	98,767	16.4%

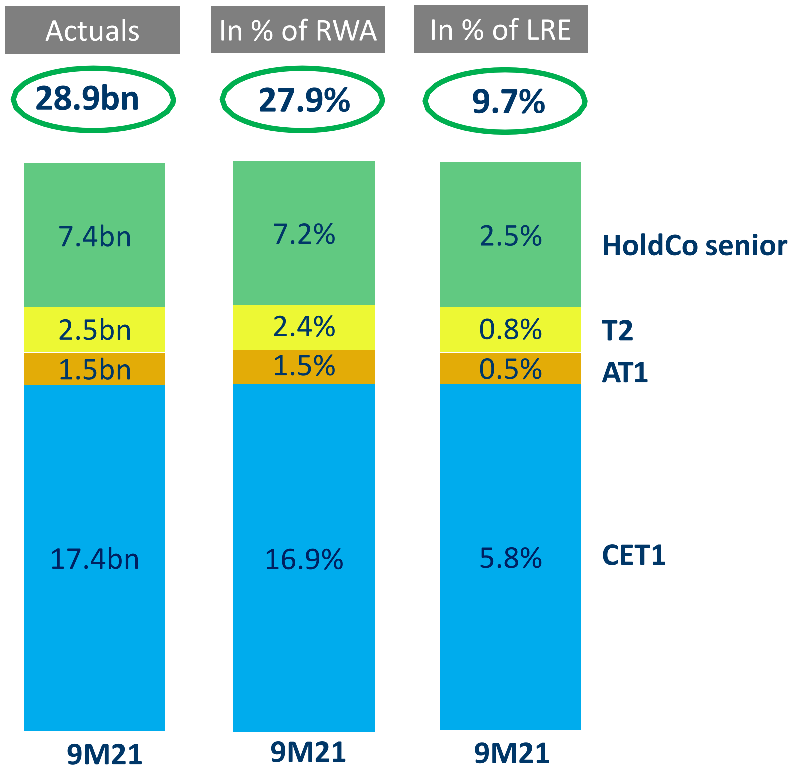
* FICOD: Financial Conglomerate Directive
** DC: Danish Compromise
*** DM: Deduction Method

KBC complies with resolution requirements

New MREL targets applicable as from 01-01-2024, with intermediate targets as from 01-01-2022

- 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
- The SRB communicated to KBC the final MREL targets (under BRRD2), expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE)
- The **new binding MREL targets (incl. CBR on top of the MREL target in % of RWA)** are:
  - **26.48% of RWA** as from 01-01-2024, with an intermediate target of **25.98%** as from 01-01-2022
  - **7.34% of LRE** as from 01-01-2022



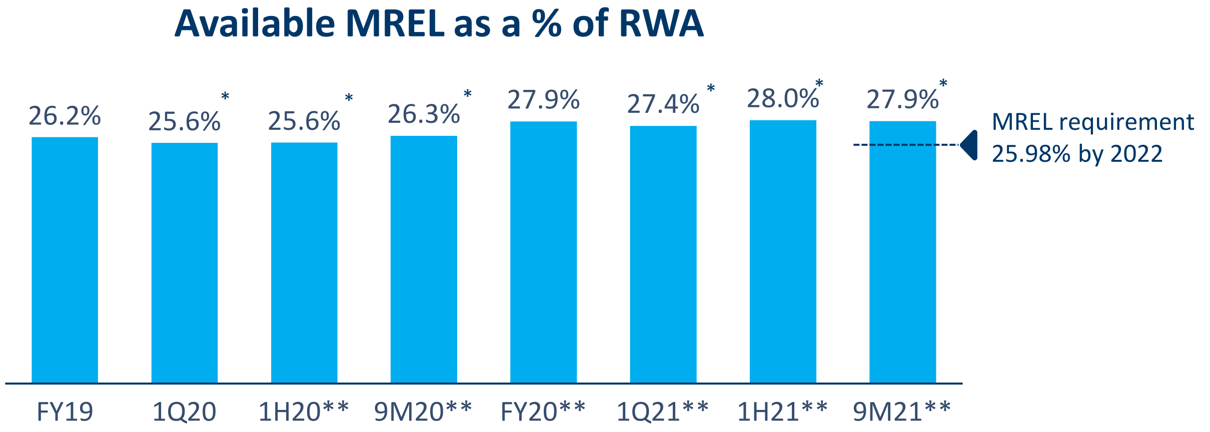


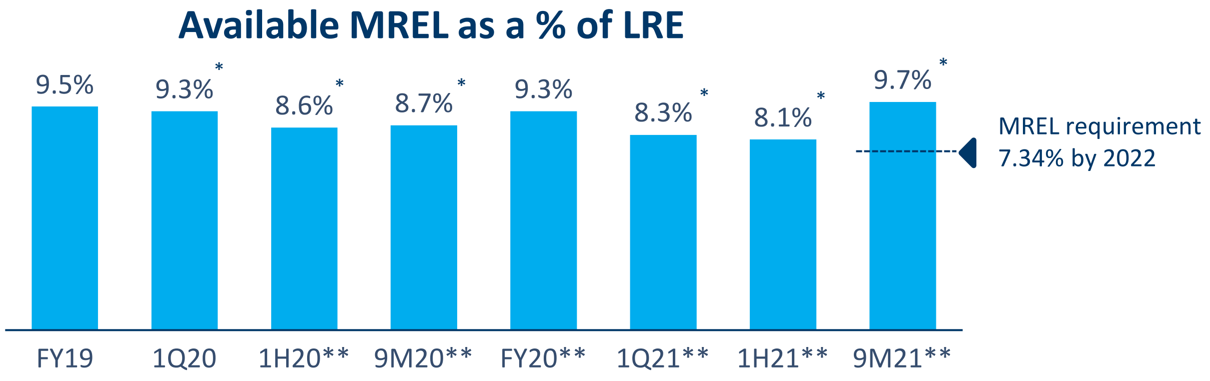
TLOF Total Liabilities and Own Funds LAA **L**oss **A**bsorbing **A**mount RCA **R**e**C**apitalisation **A**mount

MCC **M**arket **C**onfidence **C**harge = CBR (4.27% as at 2Q 2020) minus 93.75 bps; the discount will decrease in the next years to reach the BRRD2 reference level of CBR minus the Countercyclical Buffer

CBR **C**ombined **B**uffer **R**equirement = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + Countercyclical Buffer (0.35%), comes on top of the MREL target

Available MREL as a % of RWA and LRE (BRRD2)





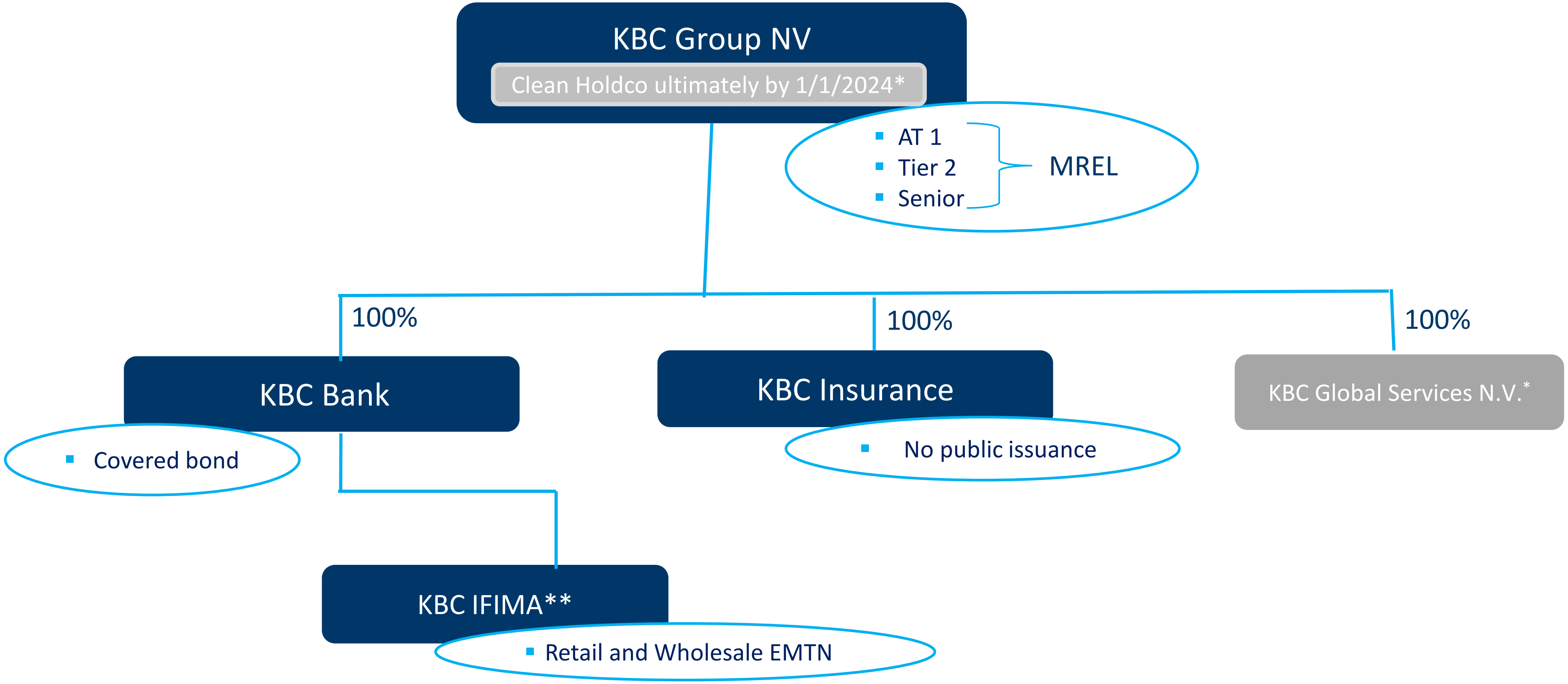
** No IFRS interim profit recognition given more stringent ECB approach*
*** As of 1H20, MREL ratio includes the impact of IFRS9 transitional measures*

- The **MREL ratio in % of RWA** slightly decreased vs. 2Q21, due to decrease of the available MREL, mainly driven by:
  - decrease of the CET1 capital due to the deduction of the interim dividend of 3 euro per share
  - partially compensated by increase of the T2 capital (in view of the issuance of a new T2 instrument in 3Q)
  - issuance of a new HoldCo Senior instrument

- The **MREL ratio in % of LRE** considerably increases compared to 2Q21, due to decrease of the Leverage Ratio Exposure (mainly driven by implementation in the 3Q reporting of the ECB relief measure allowing temporary exclusion of the exposure to central banks from the Leverage Ratio Exposure)

KBC Passport

Group's legal structure and issuer of debt instruments



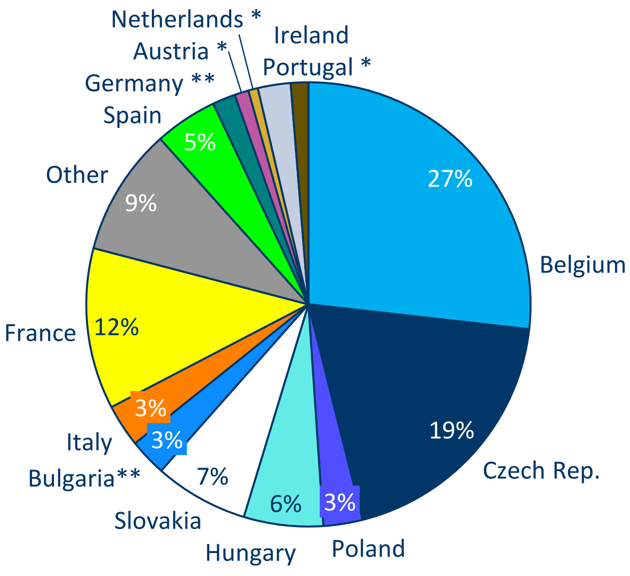
* To ensure that KBC's HoldCo senior debt is eligible for the subordinated MREL target (i.e., to make sure that no excluded liabilities ranking pari passu or junior with HoldCo senior debt are present in KBC Group NV), the KBC Group ExCo decided on to make KBC Group NV a Clean HoldCo for the purpose of resolution. Ultimately from 1/1/2024, all the activities of KBC Group NV will be transferred to a new subsidiary of KBC Group NV (with exception of the group controlling functions), the financial holding activities and issuing own funds and MREL instruments that remain at KBC Group NV

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

Government bond portfolio – Notional value

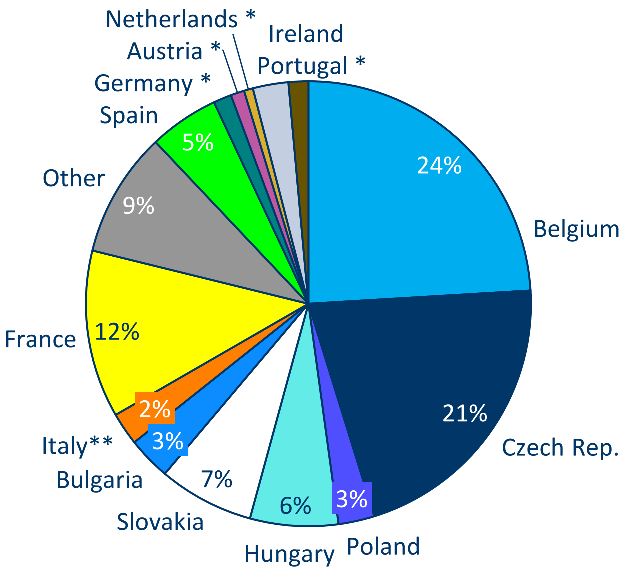
- Notional investment of 48.5bn EUR in government bonds (excl. trading book) at end of 9M21, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.6bn EUR at the end of 9M21

END OF FY20
(Notional value of 51.4bn EUR)



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

END OF 9M21
(Notional value of 48.5bn EUR)

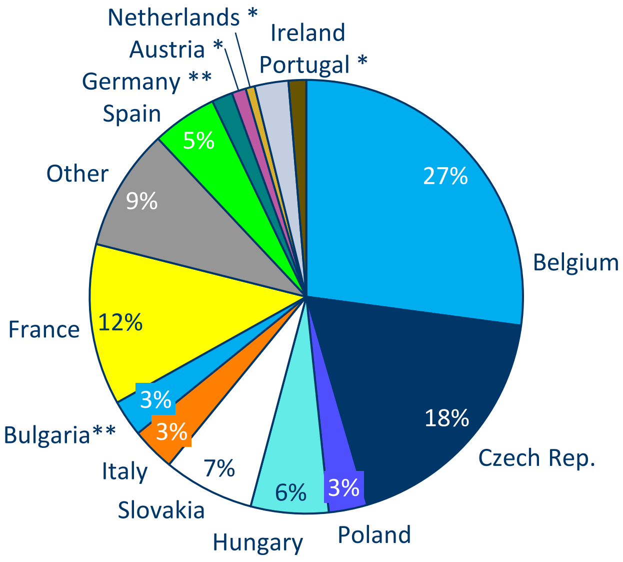


(*) 1%, (**) 2%

Government bond portfolio – Carrying value

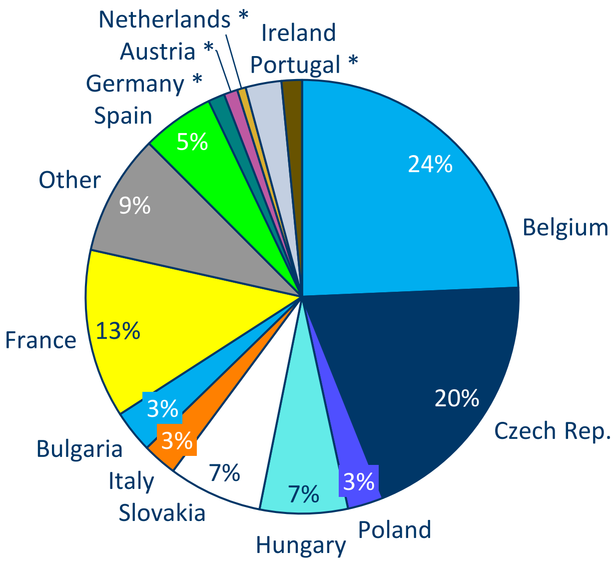
- Carrying value of 50.7bn EUR in government bonds (excl. trading book) at end of 9M21, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 6.2bn EUR at the end of 9M21

END OF FY20
(Carrying value of 54.7bn EUR)



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

END OF 9M21
(Carrying value of 50.7bn EUR)



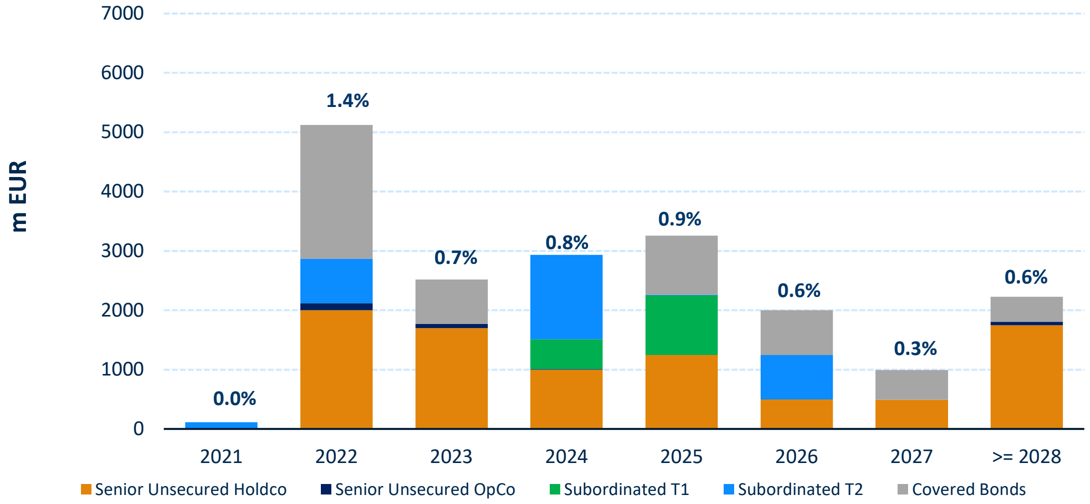
(*) 1%, (**) 2%

* 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

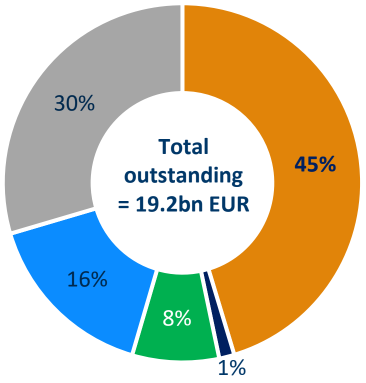
Breakdown Funding Maturity Buckets

(Including % of KBC Group's balance sheet)



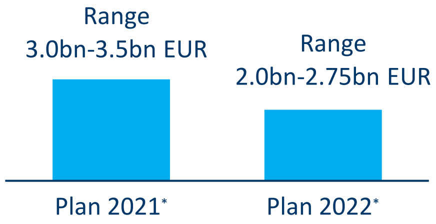
KBC Bank has 6 solid sources of long-term funding:

- 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



Expected funding program

We aim to issue 1 green/social bond per year



- In **January 2021**, KBC Group issued a senior benchmark for an amount of 750m EUR with an 8-year maturity with call date after 7 years
- In **May 2021**, KBC Group issued a senior benchmark for an amount of 500m EUR with a 10-year maturity
- In **June 2021**, a 450m EUR private placement 3NC2 senior transaction was issued
- In **September 2021,** KBC Group NV issued 750m EUR Tier 2 with a 10.25-year maturity (call option between 5 and 5.25 years)
- Also in **September 2021**, 400m GBP senior holdco 6NC5 was issued

* Any change in regulatory requirements, RWA evolutions, MREL targets or market circumstances can modify the current disclosed range

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 (group)	[operating expenses of the group] / [total income 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 & insurance 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]
Management overlay	Our Expected Credit Loss (ECL) models were not able to adequately reflect all the specifics 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

Glossary (2)

MARS	Mortgage Arrears Resolution Strategy
MREL	Minimum requirement for own funds and eligible liabilities
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]
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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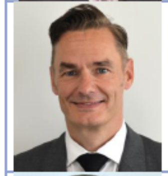	Ilya Vercammen Investor Relations Manager	Direct + 32 2 429 21 26 Mobile +32 472 727 777 Ilya.vercammen@kbc.be
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More information

• Company website	KBC
• Quarterly Report • Table of results (Excel)	Quarterly Reports
• Quarterly presentation • Debt presentation	Presentations

Upcoming events

12 November 2021	Equity roadshow London
16 November 2021	Equity roadshow Copenhagen
17 November 2021	Credit update Madrid
19 November 2021	Equity roadshow Frankfurt
24 November 2021	Equity roadshow Zurich/Lugano
30 November 2021	Equity roadshow Geneve
6 December 2021	Equity roadshow Paris
8 December 2021	Equity roadshow New York
9 December 2021	Equity roadshow Boston
13 December 2021	ESG roadshow
10 February 2022	4Q21 result publication