

KBC Group / Bank Debt presentation February 2020

More information: www.kbc.com

KBC Group - Investor Relations Office – E-mail: IR4U@kbc.be

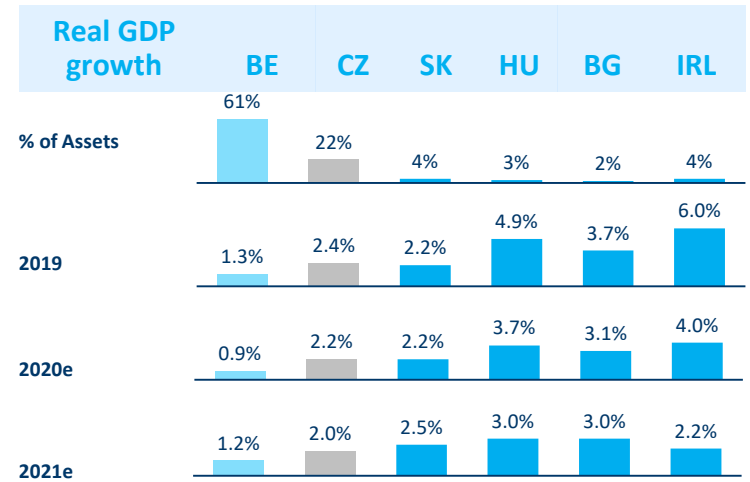
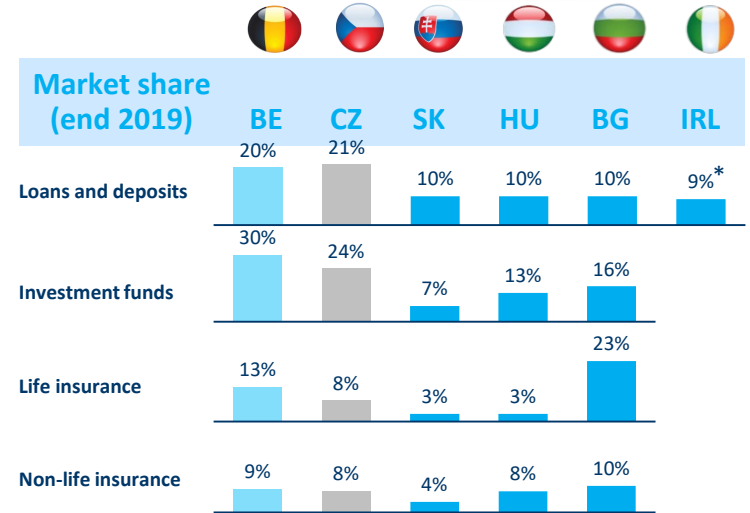
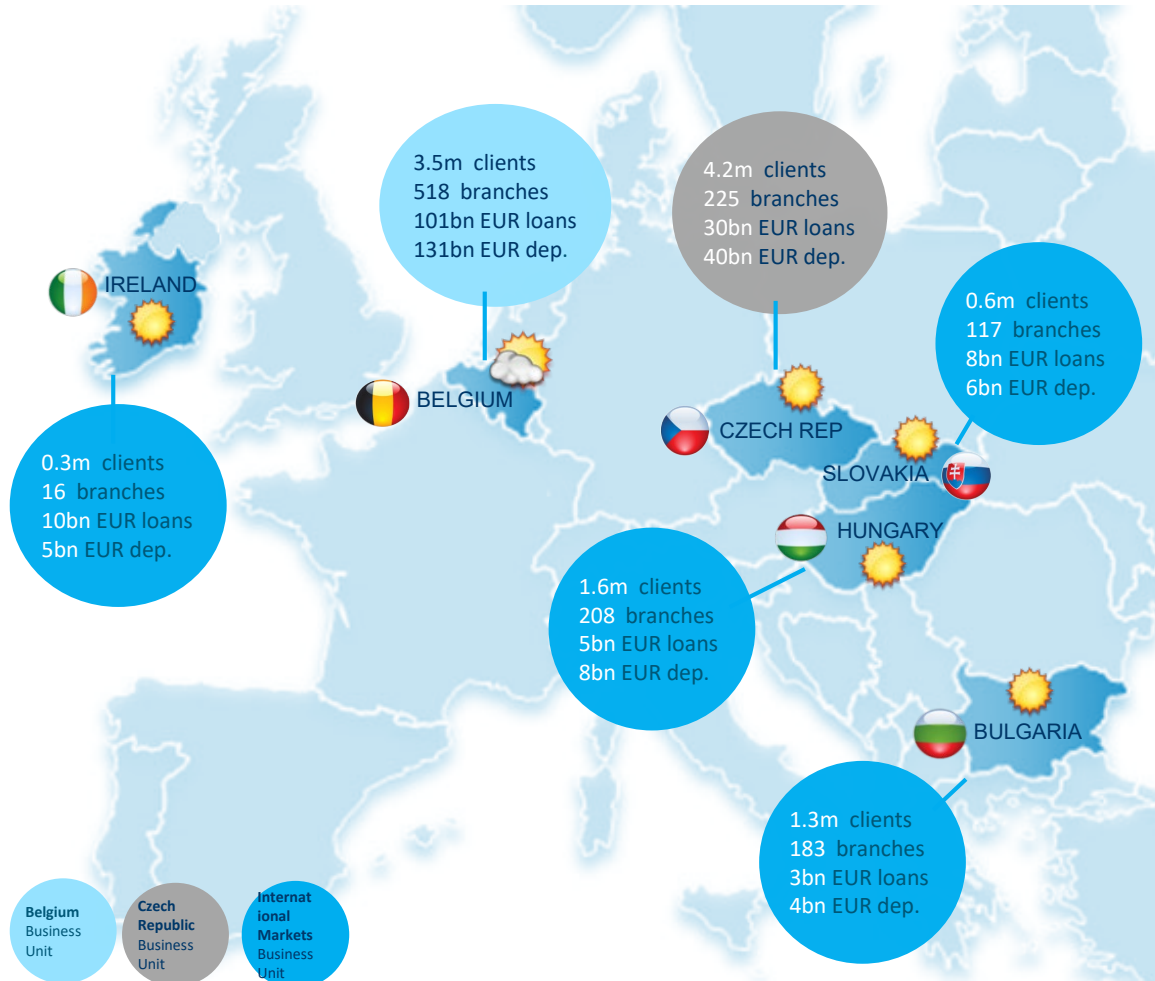


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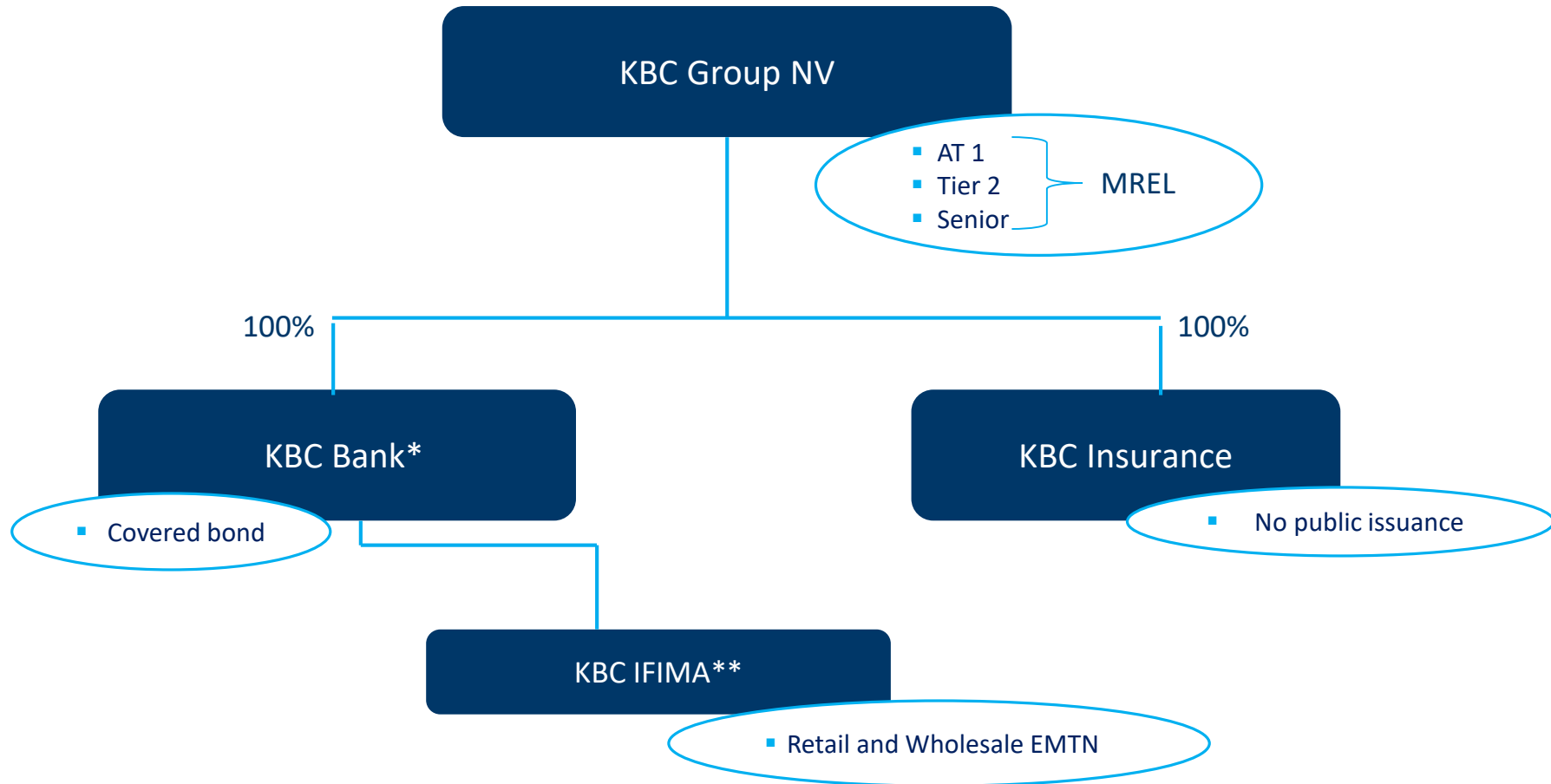
KBC Passport

Well-defined core markets: access to 'new growth' in Europe



KBC Passport

Group's legal structure and issuer of debt instruments



* End of April 2019 the opportunity was taken to simplify the shareholders' structure of KBC AM, the shares of KBC AM held by KBC Group NV (48%) shifted to KBC Bank

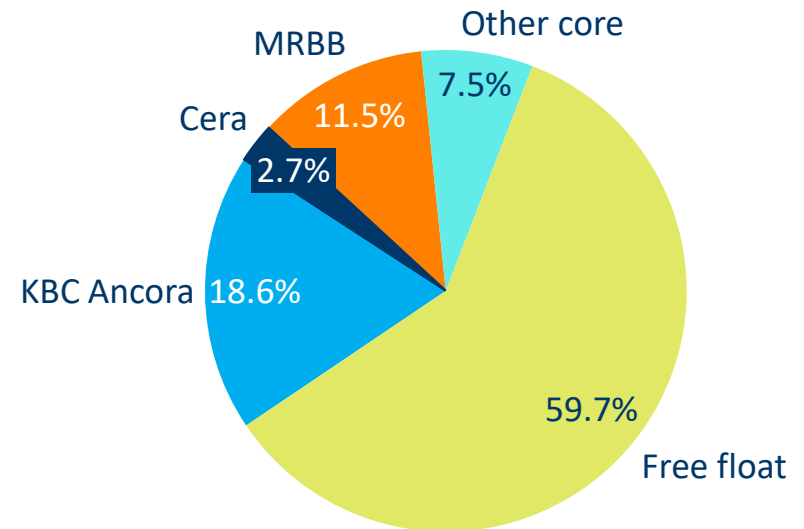
** All debt obligations of KBC IFIMA are unconditionally and irrevocably guaranteed by KBC Bank.

Contents

- 1 Strategy and business profile
- 2 Financial performance (q-o-q evolution)
- 3 Solvency, liquidity and funding
- 4 Covered bond programme
- 5 Green Bond framework
- 6 Looking forward

Appendices

SHAREHOLDER STRUCTURE AT END 2019



- 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 industrialist families
- The free float is held mainly by a large variety of international institutional investors

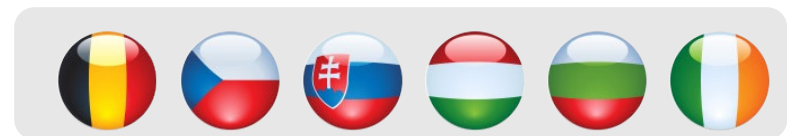


KBC Group in a nutshell (1)

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

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

✓ Diversified and strong business performance

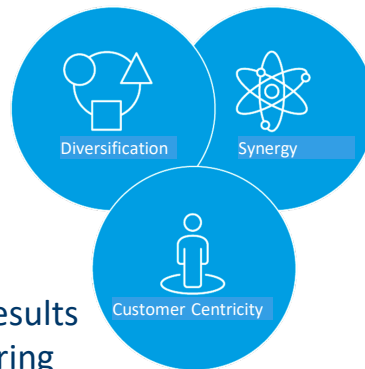


... geographically

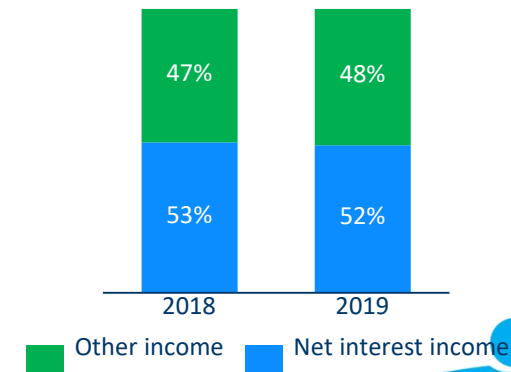
- Mature markets (BE, CZ, IRL) versus developing markets (SK, HU, BG)
- Economies of BE & 4 CEE-countries highly oriented towards Germany, while IRL is more oriented to the UK & US
- Robust market position in all key markets & strong trends in loan and deposit growth

... and from a business point of view

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



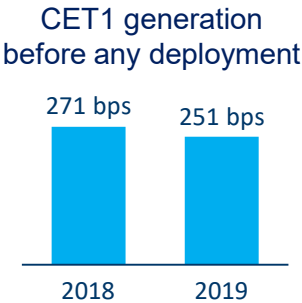
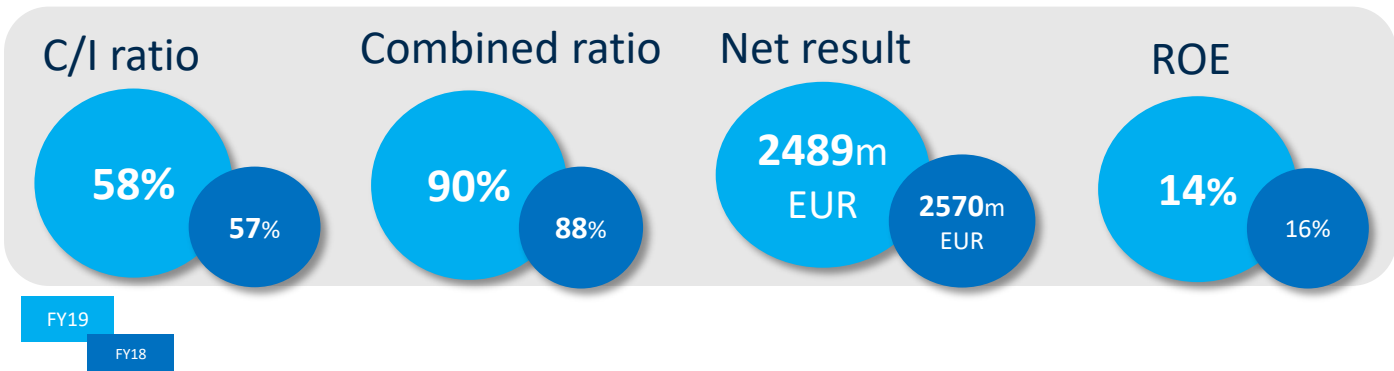
KBC Group: topline diversification 2018-2019 (in %)



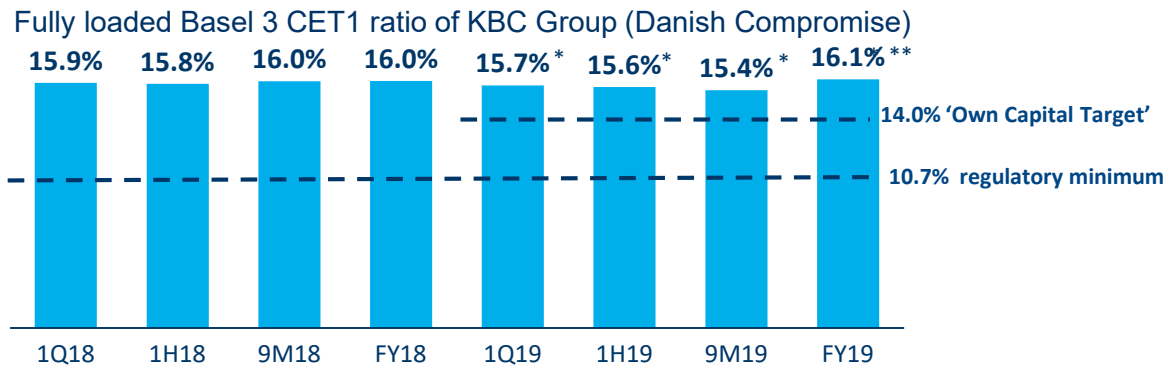


KBC Group in a nutshell (2)

✓ High profitability

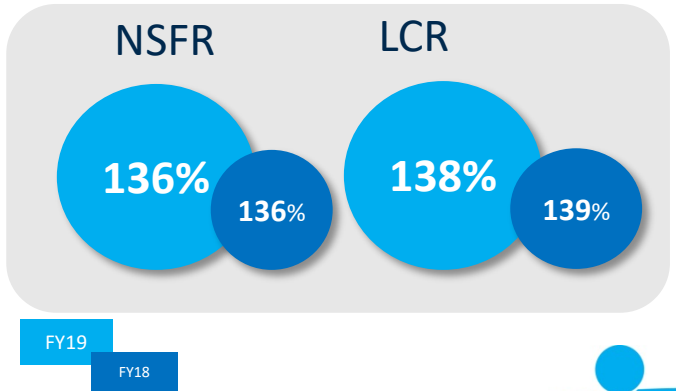


✓ Solid capital position...



* No IFRS interim profit recognition given more stringent ECB approach
 ** 15.7% when including the proposed share buy-back

✓ ... and robust liquidity positions

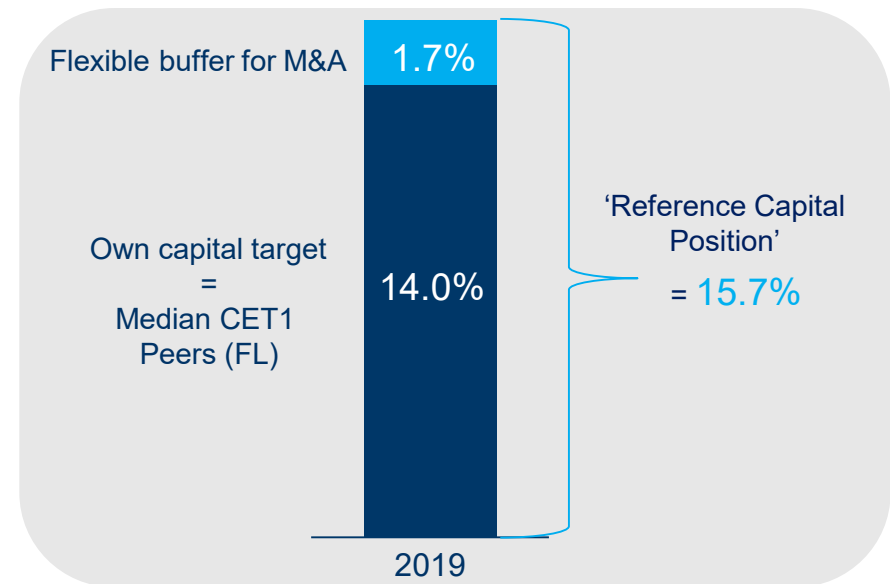




KBC Group in a nutshell (3)

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

- Every year, we assess the CET1 ratios of a peer group of European banks active in the retail, SME and corporate client segments. We position ourselves on the fully loaded median CET1 ratio of the peer group (remained 14% at end of 2018)
- KBC Group's 2% flexible buffer for potential add-on M&A in our core markets decreased to 1.7% as the acquisition of the 45% stake in ČMSS was closed at the end of May 2019
- This buffer comes on top of our 'Own Capital Target' and together they form the 'Reference Capital Position'
- Any M&A opportunity will be assessed subject to very strict financial and strategic criteria

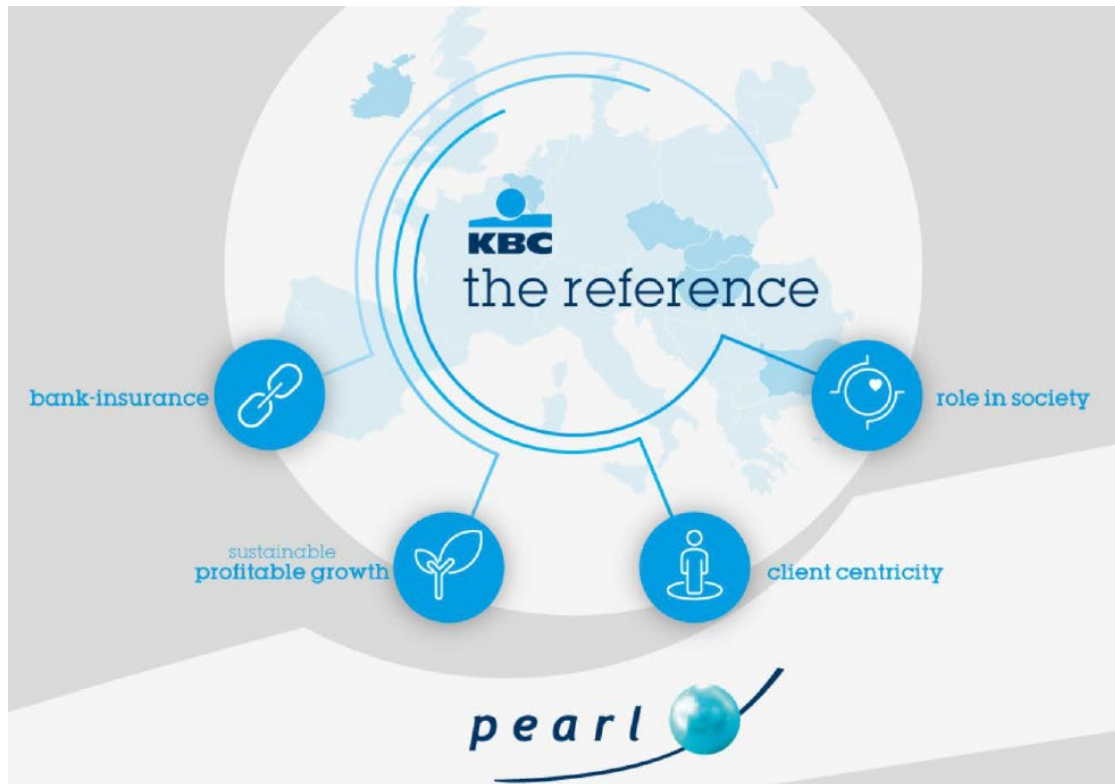


✓ Capital distribution to shareholders

- Payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit
- Interim dividend of 1 EUR per share in November of each accounting year as an advance on the total dividend
- On top of the payout ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the 'Reference Capital Position'

More of the same, but differently

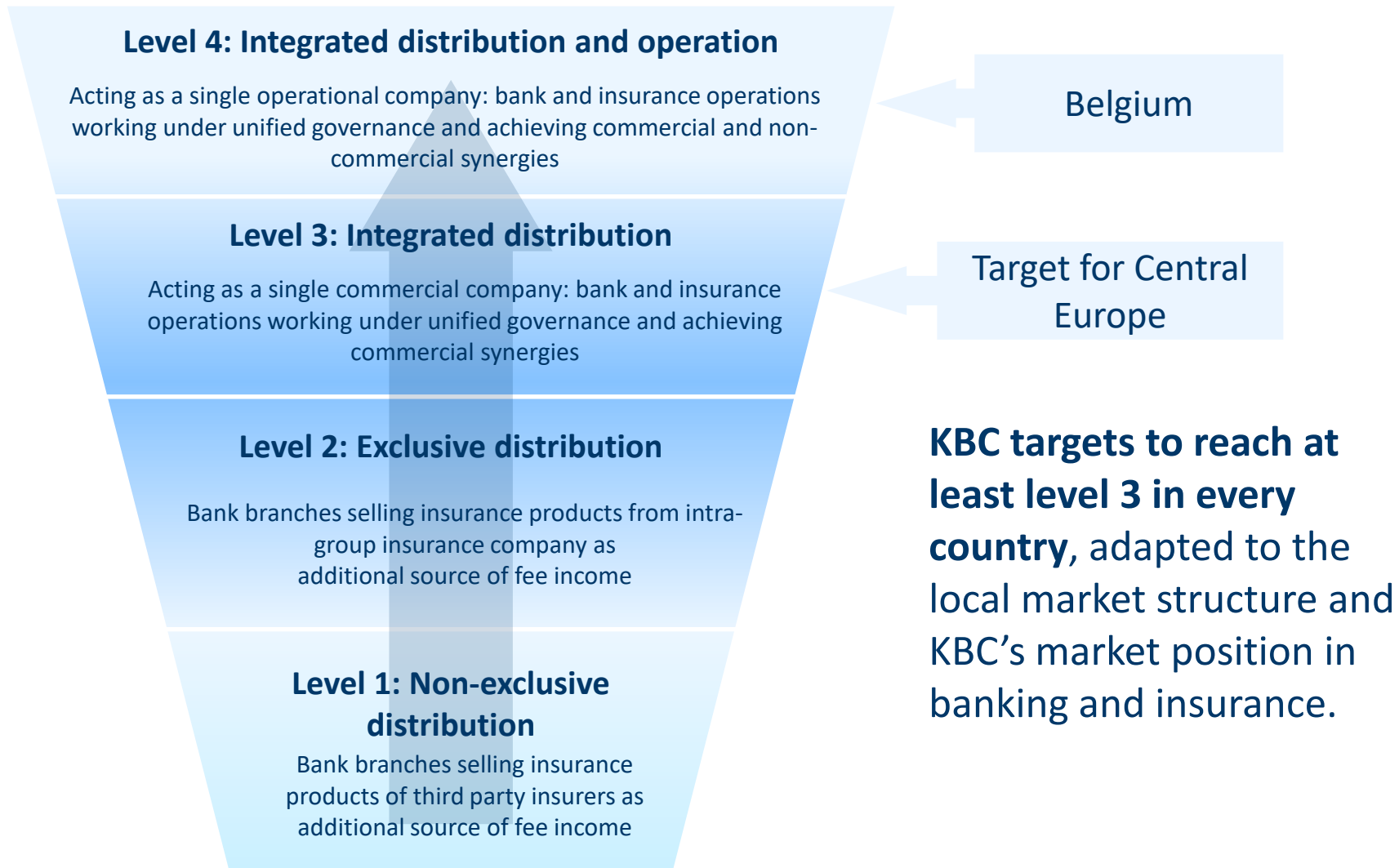
Aiming to be among the best performing financial institutions in Europe



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

Our bank-insurance model

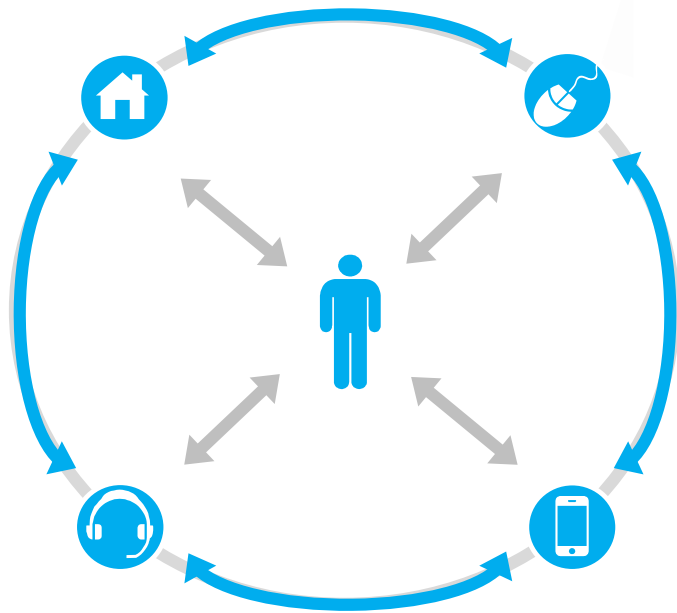
In different countries, different stages of implementation



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

Enhanced channels for empowered clients

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



Enhanced channels for empowered clients

Investing €1.5bn cash-flow (2017-20):

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

Operating Expenses 2017-2020 = 1bn EUR

KBC the reference...

Group financial guidance (Investor visit 2017)

Guidance			End 2019
CAGR total income ('16-'20)*	≥ 2.25%	by 2020	2.3% (CAGR '16-'19)
C/I ratio banking excluding bank tax	≤ 47%	by 2020	51% (FY2019)
C/I ratio banking including bank tax	≤ 54%	by 2020	58% (FY2019)
Combined ratio	≤ 94%	by 2020	90% (FY2019)
Dividend payout ratio	≥ 50%	as of now	76% (end 2019, incl. proposed total dividend, share buy-back and AT1 coupon)

* Excluding marked-to-market valuations of ALM derivatives

Regulatory requirements			End 2019
Common equity ratio*excluding P2G	≥ 10.7%	by 2019	16.1%**
Common equity ratio*including P2G	≥ 11.7%	by 2019	16.1%**
MREL ratio	≥ 9.67%	by 2021	10.0%***
NSFR	≥ 100%	as of now	136%
LCR	≥ 100%	as of now	138%

- Fully loaded, Danish Compromise. P2G = Pillar 2 guidance
- ** 15.7% when including the proposed share buy-back
- *** MREL target as % of TLOF (Total Liabilities and Own Funds)

KBC the reference...

Group non-financial guidance (Investor visit 2017)

Non-financial guidance: CAGR Bank-Insurance clients (1 Bank product + 1 Insurance product)

End 2019
(CAGR '16-'19)

BU BE	≥ 2%	by 2020	+1%
BU CR	≥ 15%	by 2020	+12%
BU IM	≥ 10%	by 2020	+22%

Non-financial guidance: CAGR Bank-Insurance stable clients (3 Bk + 3 Ins products in Belgium; 2 Bk + 2 Ins products in CE)

End 2019
(CAGR '16-'19)

BU BE	≥ 2%	by 2020	+1%
BU CR	≥ 15%	by 2020	+17%
BU IM	≥ 15%	by 2020	+25%

Non-financial guidance: % Inbound contacts via omni-channel and digital channel*

End 2019

KBC Group**	≥ 80%	by 2020	81%
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- Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advisory centre), possibly in addition to contact through physical branches. This means that clients solely interacting with KBC through physical branches (or ATMs) are excluded

** Bulgaria & PSB out of scope for Group target



Sustainability

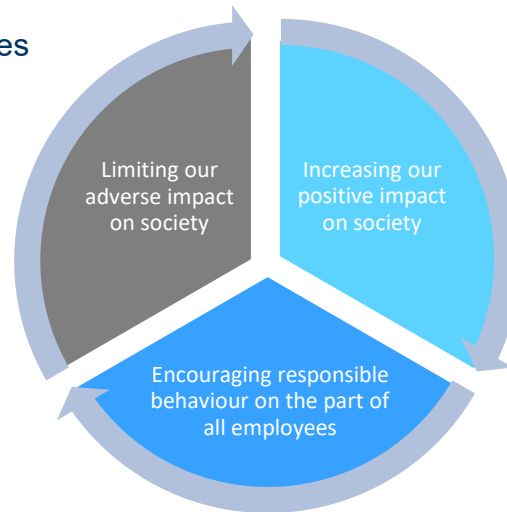
The core of our sustainability strategy



Strict policies for our day-to-day activities

Focus on **sustainable investments**

Reducing our own **environmental footprint**



Four focus domains
that are close to our core activities



Financial literacy



Stimulating entrepreneurship



Environmental responsibility



Longevity or health

The mindset of all KBC staff should go beyond regulation and compliance. Responsible behaviour is a requirement to implement an effective and credible sustainability strategy. Specific focus on responsible selling and responsible advice

2018 & 2019 achievements:

- Launch of the first Belgian **Sustainable Pension Savings Fund** for private individuals
- Successful launch of the Green Bond Framework and **issue of the Inaugural Green Bond of 500m EUR**
- Updated **KBC Sustainability Policies**
- KBC/CSOB announced to **stop financing of Coal Fired Power Generation and Coal mining** (current exposure phases out in 2023)
- Launch of a **Sustainable Finance Program** (implementation of TCFD recommendations and the EU Action Plan on Sustainable Finance)
- In September 2019, we signed the **Collective Commitment to Climate Action**, an initiative of the United Nations Environmental Program Finance Initiative
- KBC endorsed **Febelfin quality standards for sustainable investment** and moreover, KBC applies more stringent sustainability criteria
- KBC continued to divest the exposure in tobacco industry and signed the **Tobacco-Free Finance Pledge**



Sustainability

Our non-financial environmental targets



Indicator	Goal	2019	2018
Share of renewables in total energy credit portfolio	Minimum 50% by 2030	57%	43.8%
Financing of coal-related activities ¹	Immediate stop of coal-related activities and gradual exit in the Czech Republic by 2023	36m EUR exposure	34m EUR exposure
Total GHG emissions (excluding commuter travel)	25% reduction by 2020 relative to 2015, both absolute and per FTE Long term target for a 50%-decrease by 2030	-50% (absolute) -48% (per FTE)	-37.58% (absolute) -36.64% (per FTE)
ISO 14001-certified environmental management system	ISO 14001 certification in all core countries at the end of 2017	All 6 core countries certified	All 6 core countries certified
Business solutions in each of the focus domains	Develop sustainable banking and insurance products and services to meet a range of social and environmental challenges	See Annual Report 2019 (published April 3) & Sustainability Report 2019	See Sustainability & Annual Report 2018
Volume of SRI funds	10 billion EUR by end 2020	12 billion EUR ³	9 billion EUR ²
Awareness of SRI among both our staff and clients	Increase awareness and knowledge of SRI	100% awareness among Belgian sales teams through e-learning courses	100% awareness among Belgian sales teams through e-learning courses



Inclusion in the SAM Sustainability Yearbook 2020



72/100



86/100 (Sector Leader)⁴



C (Prime)



A- (Leadership)

⁽¹⁾ Without UBB in Bulgaria. Note that in 2020, KBC will review its coal policy in the context of its increased climate ambition and new commitments taken in 2019 in this respect. This might result in a broader scope of reporting in the future

⁽²⁾ This excludes 777m EUR from KBC's Pension funds and includes 40m EUR Pricos SRI

⁽³⁾ This excludes 934m EUR from KBC's Pension funds and includes 73m EUR Pricos SRI

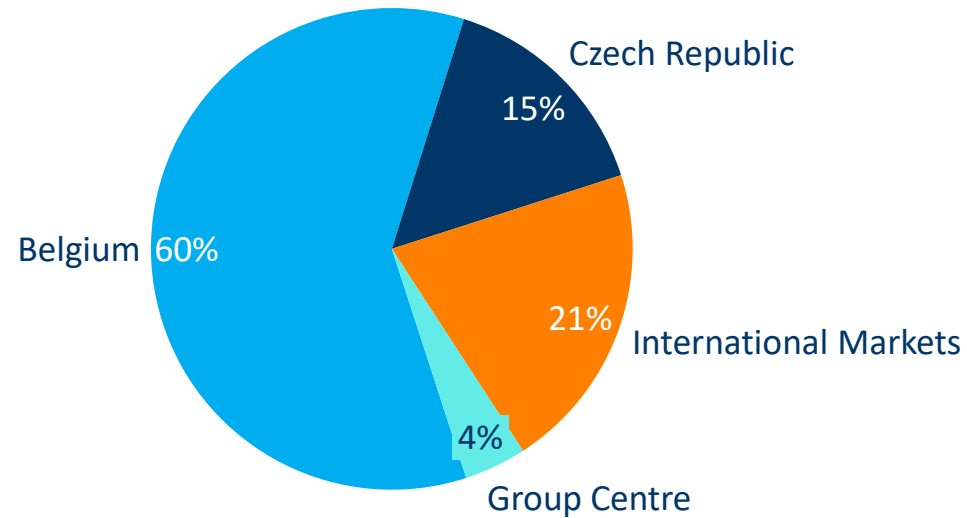
⁽⁴⁾ Annual score (June 2019)

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BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 31 DECEMBER 2019



4Q 2019 key takeaways

4Q19 financial performance

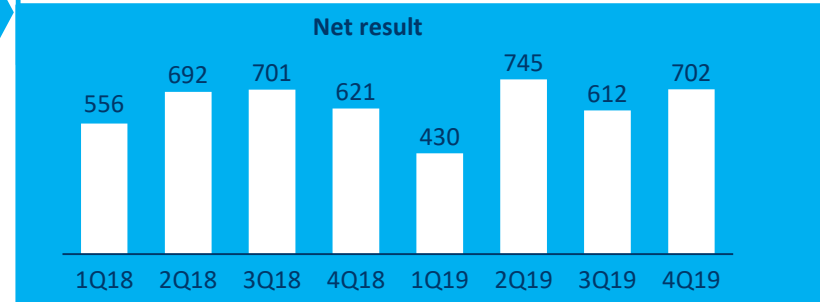
- ❖ Commercial bank-insurance franchises in core markets performed well
- ❖ Customer loans and customer deposits increased in most of our core countries
- ❖ Higher net interest income and stable net interest margin
- ❖ Higher net fee and commission income
- ❖ Higher net gains from financial instruments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

Excellent
net
result of
702m
EUR in
4Q19

Comparisons against the previous quarter unless otherwise stated

FY19

- ROE **14.3%**
- Cost-income ratio **58%***
- Cost-income ratio excluding bank taxes **51%***
- Combined ratio **90%**
- Credit cost ratio **0.12%**
- Common equity ratio **16.1%**** (B3, DC, fully loaded)
- Leverage ratio **6.4%***** (fully loaded)
- NSFR **136%** & LCR **138%**



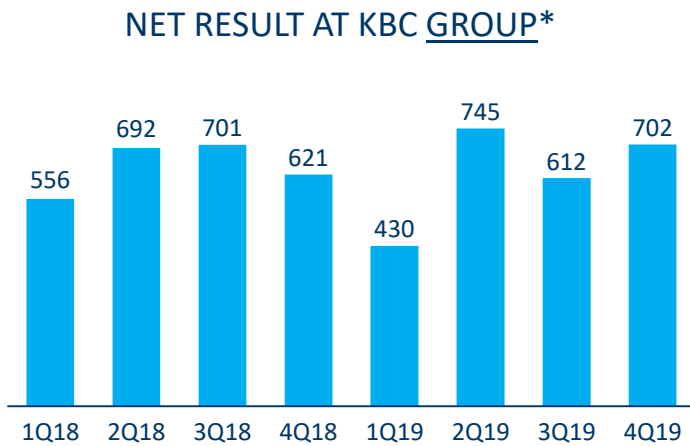
- * Adjusted for specific items (see glossary for the exact definition)
- ** 15.7% when including the proposed share buy-back (see next page)
- *** 6.3% when including the proposed share buy-back (see next page)

4Q 2019 key takeaways

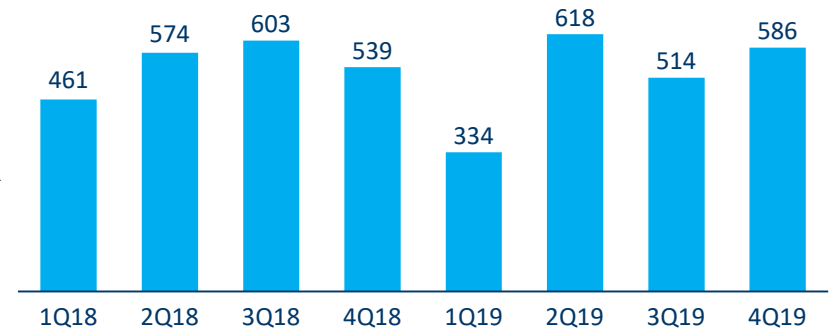
Capital deployment / Dividend proposal

- ❖ A **total gross dividend of 3.5 EUR per share** will be proposed to the AGM for the 2019 accounting year (of which an interim dividend of 1 EUR per share paid in November 2019 and a final dividend of 2.5 EUR per share).
- ❖ Also a **buy-back of maximum 5.5 million shares** will be proposed to the AGM/EGM. This will lead to a CET1 ratio (after capital distribution) of approximately 15.7%. The formal decision to execute a share buy-back is subject to a prior approval of the ECB
- ❖ Including the proposed total dividend, AT1 coupon and share buy-back, the **pay-out ratio will amount to approximately 76%**

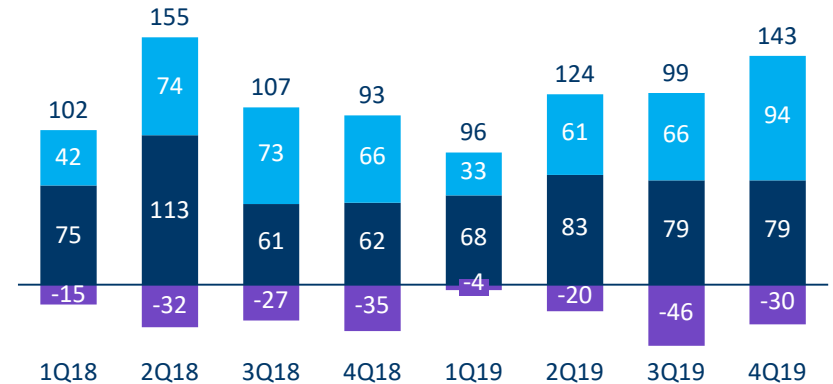
Net result at KBC Group



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*



CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*

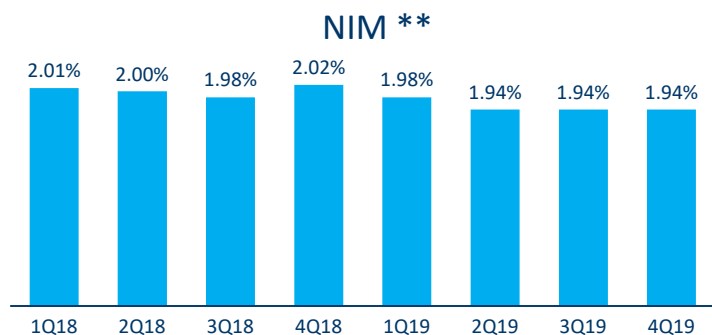
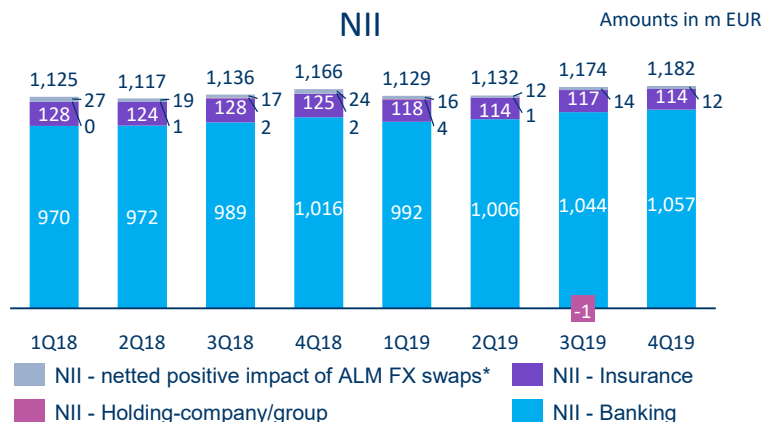


■ Non-Life result ■ Non-technical & taxes
■ Life result



* 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 stable 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 (1,182m EUR)

- Increased by 1% both q-o-q and y-o-y. Note that NII banking increased by 1% q-o-q and by 4% y-o-y
- The q-o-q increase was driven primarily by:
 - continued good loan volume growth
 - higher margins on new mortgage loan production in Belgium
 - positive impact of ECB deposit tiering (+7m EUR q-o-q) partly offset by:
 - lower reinvestment yields in our euro area core countries
 - pressure on loan margins on total outstanding portfolio in most core countries
 - lower NII Insurance (coupon on inflation-linked bonds fully booked in 3Q)
 - slightly lower netted positive impact of ALM FX swaps

Net interest margin (1.94%)

- Stabilised q-o-q and decreased by 8 bps y-o-y, the latter due mainly to the negative impact of lower reinvestment yields and pressure on loan margins on total outstanding portfolio in most core countries

ORGANIC VOLUME TREND

Volume

Growth q-o-q*

Growth y-o-y

Total loans**

o/w retail mortgages

Customer deposits***

AuM

Life reserves

156bn

68bn

203bn

216bn

29bn

0%

+2%

-1%

+2%

+1%

+3%

+4%

+2%

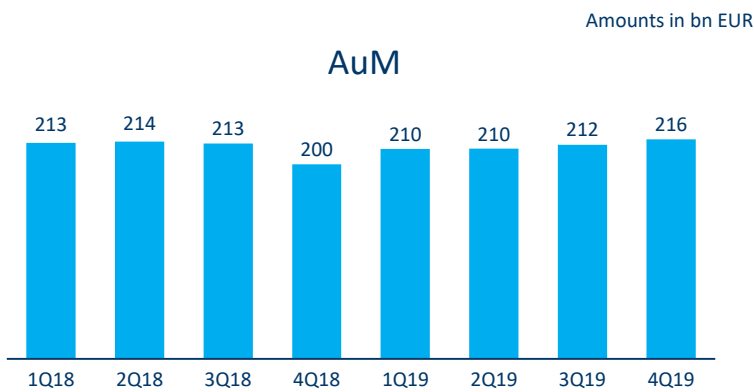
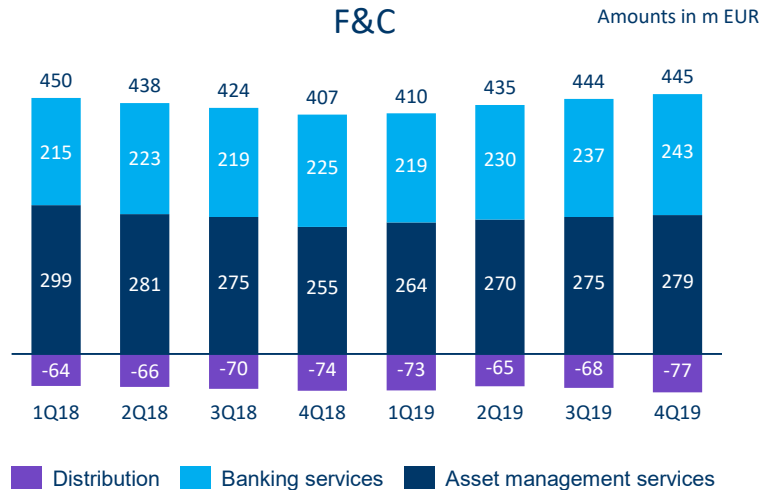
+8%

+3%

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

*** Customer deposits, including debt certificates but excluding repos. Customer deposit volumes excluding debt certificates & repos +1% q-o-q and +8% y-o-y

Higher net fee and commission income



Net fee and commission income (445m EUR)

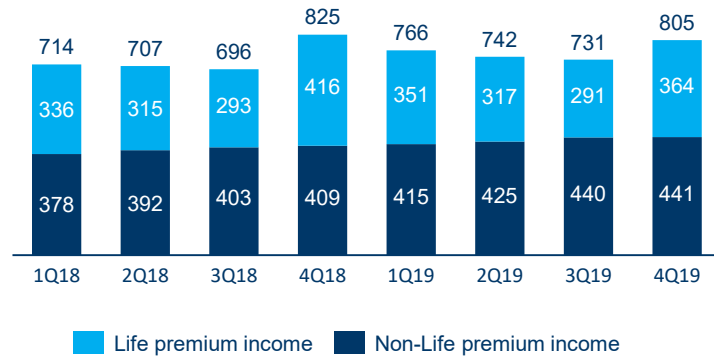
- Slightly higher q-o-q and up by 9% y-o-y
- Q-o-q increase was the result of the following:
 - Net F&C income from Asset Management Services increased by 2% q-o-q as a result of higher entry fees from mutual funds and unit-linked life insurance products
 - Net F&C income from banking services increased by 3% q-o-q due mainly to higher fees from credit files & bank guarantees and higher network income, partly offset by seasonally lower fees from payment services
 - Distribution costs rose by 13% q-o-q due chiefly to higher commissions paid linked to banking products and increased sales of insurance products
- Y-o-y increase was mainly the result of the following:
 - Net F&C income from Asset Management Services rose by 9% y-o-y as a result of both higher management and entry fees from mutual funds & unit-linked life insurance products
 - Net F&C income from banking services increased by 8% y-o-y (all types of fees rose y-o-y)
 - Distribution costs rose by 4% y-o-y

Assets under management (216bn EUR)

- Increased by 2% q-o-q and by 8% y-o-y
- The mutual fund business has seen small net inflows, offset by net outflows in investment advice and group assets

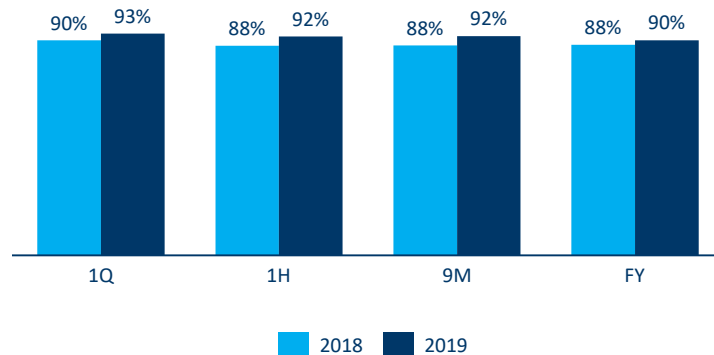
Insurance premium income up y-o-y and excellent combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUMS)



- **Insurance premium income** (gross earned premiums) **at 805m EUR**
 - Non-life premium income (441m) increased by 8% y-o-y
 - Life premium income (364m) up by 25% q-o-q and down by 12% y-o-y

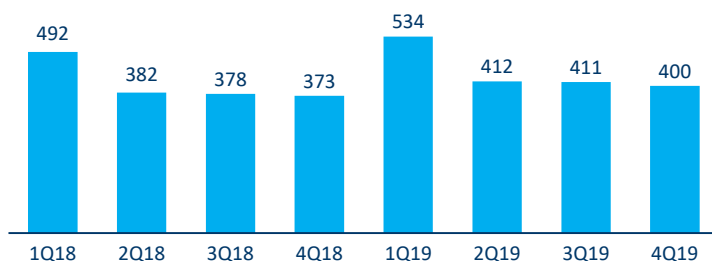
COMBINED RATIO (NON-LIFE)



- The non-life **combined ratio** for FY19 amounted to **90%**, an excellent number despite higher technical charges due to major claims

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

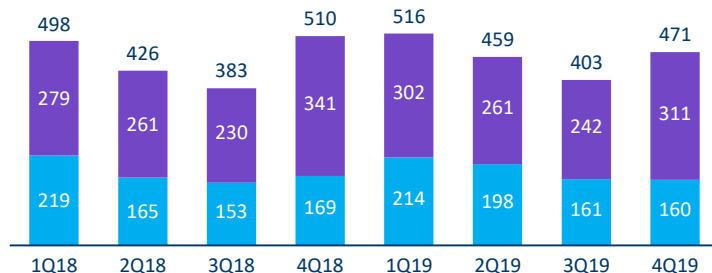
NON-LIFE SALES (GROSS WRITTEN PREMIUM)



■ Sales of non-life insurance products

- Up by 7% y-o-y thanks to a good commercial performance in all major product lines in our core markets and tariff increases

LIFE SALES



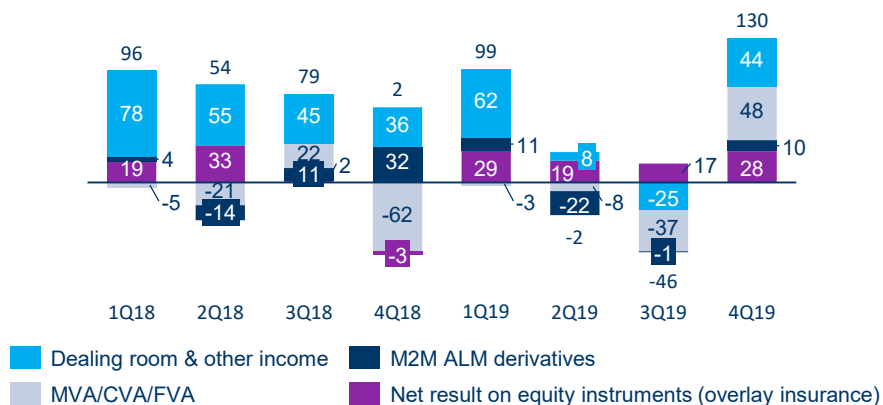
■ Guaranteed interest products ■ Unit-linked products

■ Sales of life insurance products

- Increased by 17% q-o-q and fell by 8% y-o-y
- The q-o-q increase was driven entirely by higher sales of guaranteed interest products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in 4Q19)
- The y-o-y decrease was driven mainly by lower sales of guaranteed interest products (fully due to the suspension of universal single life insurance products in Belgium)
- Sales of unit-linked products accounted for 34% of total life insurance sales in 4Q19

Higher FV gains and higher net other income

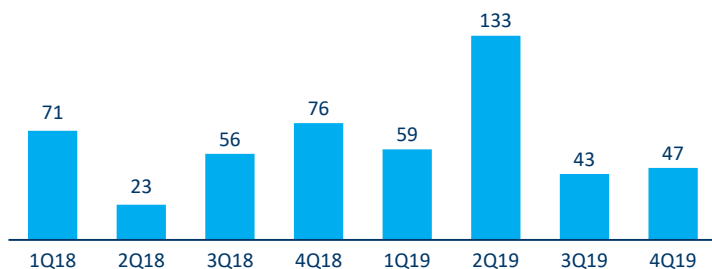
FV GAINS



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

- a positive change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio due to higher long-term interest rates, increasing equity markets and decreasing counterparty credit spreads)
- good dealing room & other income
- higher net result on equity instruments (insurance)
- a positive change in ALM derivatives

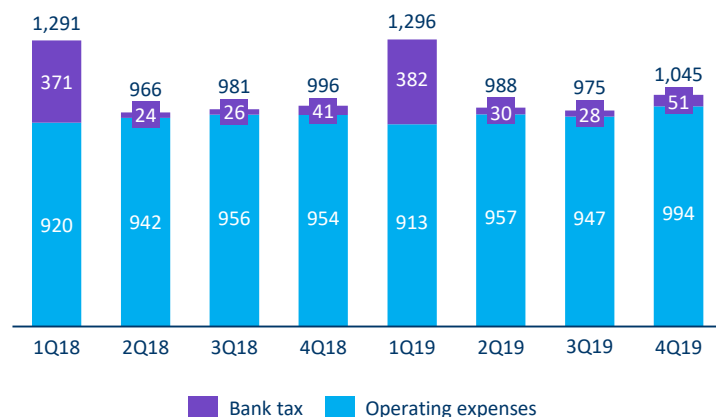
NET OTHER INCOME



- **Net other income** amounted to 47m EUR. This is more or less in line with the normal run rate of around 50m EUR. Note that 3Q19 was negatively impacted by an additional impact of the tracker mortgage review of -18m EUR, while 2Q19 was positively impacted by a one-off gain of 82m EUR related to the revaluation of the existing 55% stake in ČMSS

Strict cost management

OPERATING EXPENSES



- Cost/income ratio (banking): 52% in 4Q19 and 58% in FY19. Cost/income ratio (banking) adjusted for specific items* at 56% in 4Q19 and 58% in FY19 (57% in FY18). **Including higher bank taxes (+29m EUR y-o-y) and the impact of the full consolidation of ČMSS (+30m EUR y-o-y), operating expenses in FY19 rose by 1.6% y-o-y, in line with our FY19 guidance**

- Excluding the impact of the full consolidation of ČMSS, operating costs excluding bank tax roughly stabilised y-o-y in FY19**

- Operating expenses excluding bank tax increased by 5% q-o-q (and 4% y-o-y) primarily as a result of:
 - higher staff expenses (due partly to wage inflation in most countries and a provision for bonuses)
 - timing differences, such as seasonally higher professional fee expenses
 - higher marketing and facilities costs

- Total bank taxes (including ESRF contribution) increased by 6% y-o-y to 491m EUR in FY19

- Direct supervisory expenses rose by 10% y-o-y to 36m EUR in FY19

BANK TAX SPREAD IN 2019

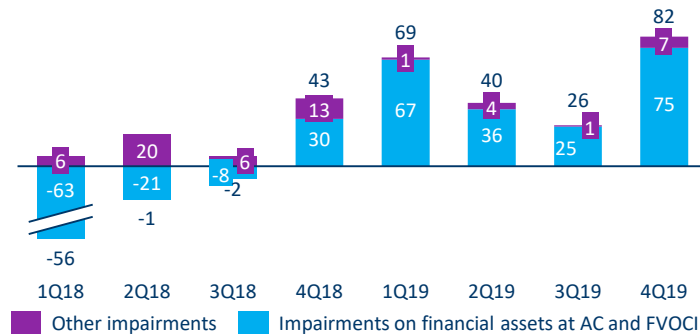
	TOTAL	Upfront				Spread out over the year			
	4Q19	1Q19	2Q19	3Q19	4Q19	1Q19	2Q19	3Q19	4Q19
BE BU	0	273	4	0	0	0	0	0	0
CZ BU	0	35	1	0	0	0	0	0	0
Hungary	20	26	0	0	0	20	22	23	20
Slovakia	5	4	-1	0	0	4	4	4	5
Bulgaria	0	16	-1	0	0	0	0	0	0
Ireland	26	3	0	0	0	1	1	1	26
GC	0	0	0	0	0	0	0	0	0
TOTAL	51	356	3	0	0	25	27	28	51

* See glossary (slide 89) for the exact definition

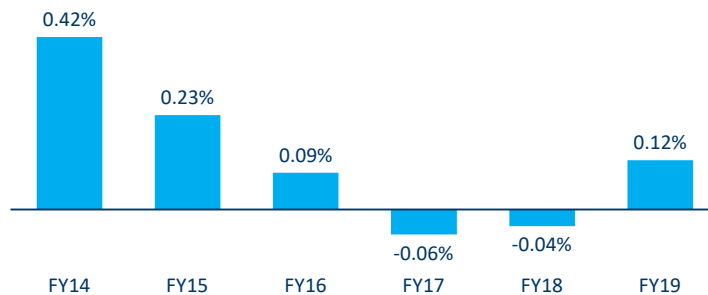


Higher asset impairments, benign credit cost ratio and stable impaired loans ratio

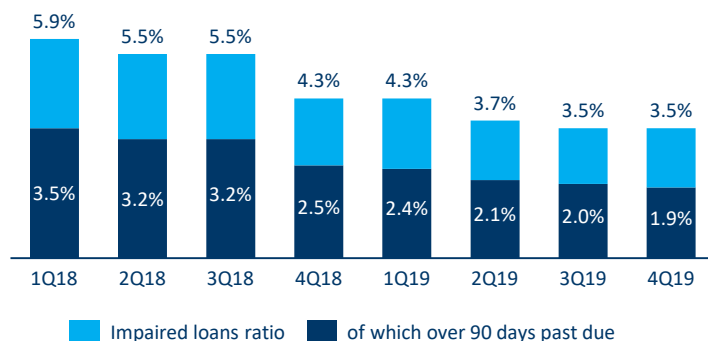
ASSET IMPAIRMENT



CREDIT COST RATIO



IMPAIRED LOANS RATIO



Higher asset impairments q-o-q

- This was attributable to:
 - sharply higher loan loss impairments in Belgium due to 5 corporate files
 - slightly higher loan loss impairments in Hungary partly offset by:
 - higher net loan loss impairment reversals in Ireland (14m EUR in 4Q19 versus 7m in 3Q19) and Group Centre (11m EUR in 4Q19 versus 10m in 3Q19)
 - net loan loss impairment reversals in Slovakia (5m EUR) and Bulgaria (4m EUR) in 4Q19 compared with loan loss impairments in 3Q19
- Impairment of 7m EUR on 'other' (2m EUR in the Belgium Business Unit, 1m EUR in the Czech Republic Business Unit and 4m EUR in the International Markets Business Unit)

The credit cost ratio amounted to 0.12% in FY19

- The **impaired loans ratio** stabilised q-o-q at 3.5%, 1.9% of which over 90 days past due

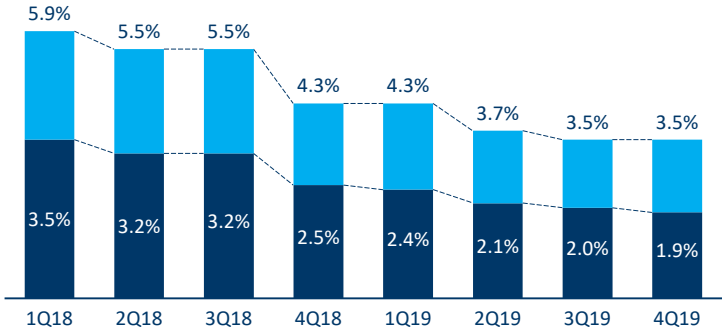
Loan loss experience at KBC

	FY19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	FY16 CREDIT COST RATIO	FY15 CREDIT COST RATIO	AVERAGE '99 –'19
Belgium	0.22%	0.09%	0.09%	0.12%	0.19%	n/a
Czech Republic	0.04%	0.03%	0.02%	0.11%	0.18%	n/a
International Markets	-0.07%	-0.46%	-0.74%	-0.16%	0.32%	n/a
Group Centre	-0.88%	-0.83%	0.40%	0.67%	0.54%	n/a
Total	0.12%	-0.04%	-0.06%	0.09%	0.23%	0.42%

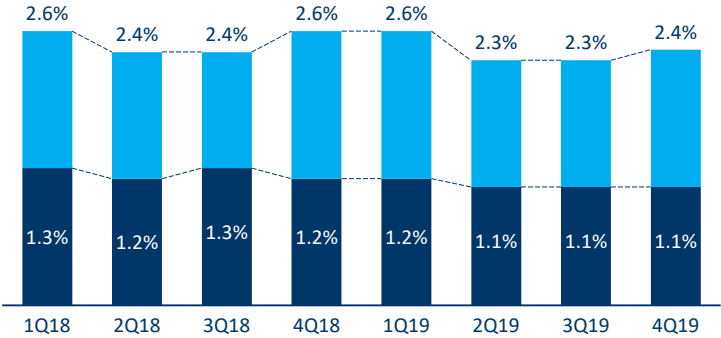
Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

Impaired loans ratios, of which over 90 days past due

KBC GROUP

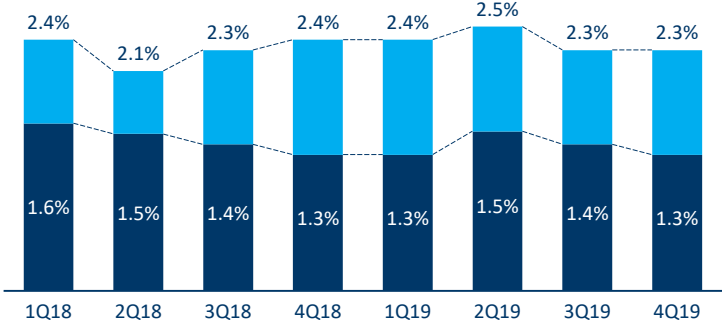


BELGIUM BU

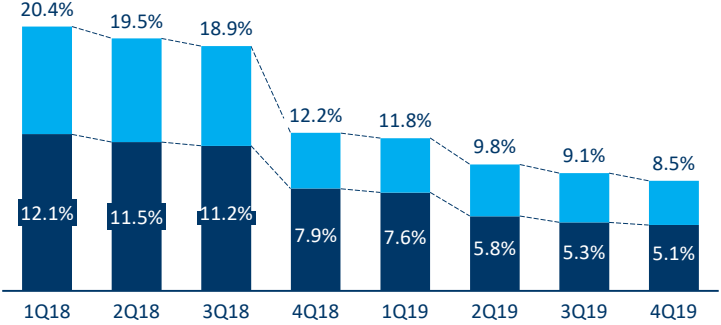


■ Impaired loans ratio
 ■ Of which over 90 days past due

CZECH REPUBLIC BU

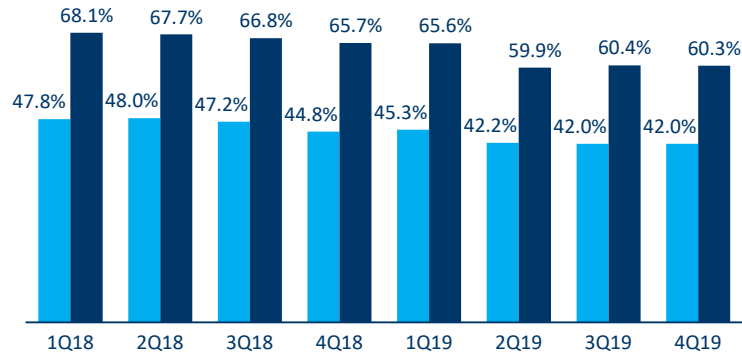


INTERNATIONAL MARKETS BU

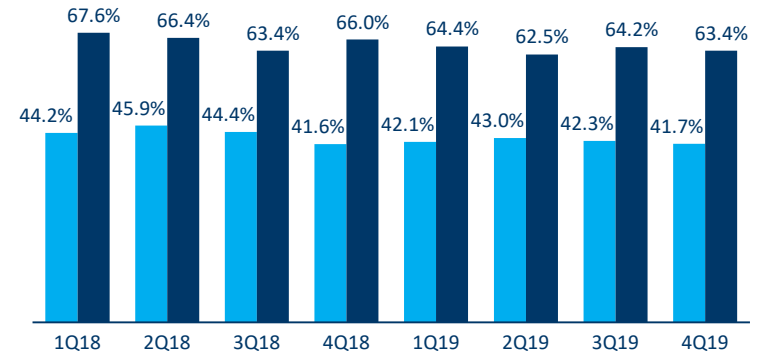


Cover ratios

KBC GROUP

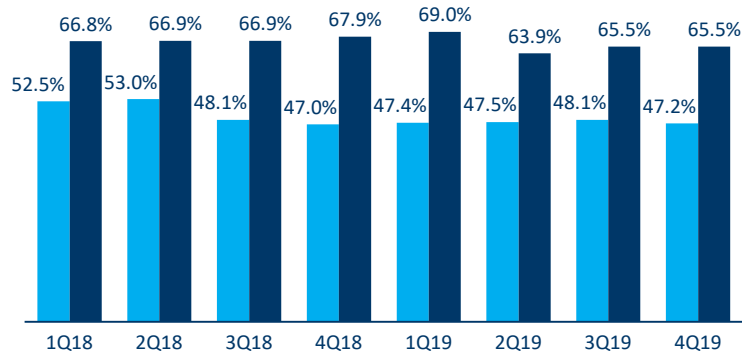


BELGIUM BU

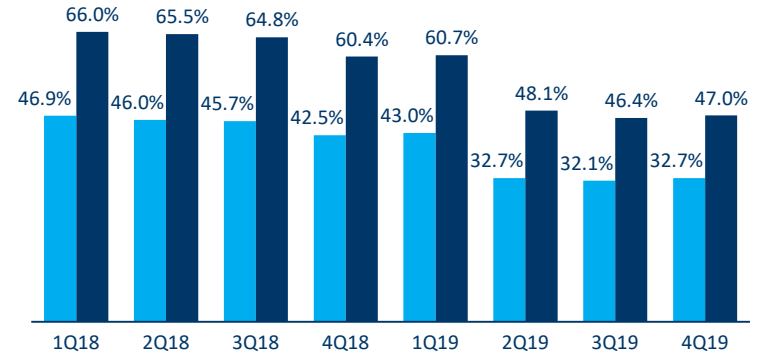


■ Impaired loans cover ratio
■ Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU

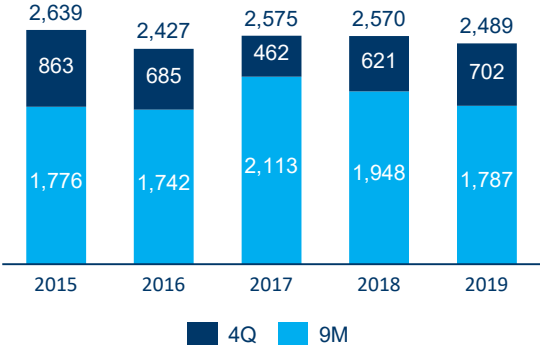


Overview of contribution of business units to FY19 result

Amounts in m EUR

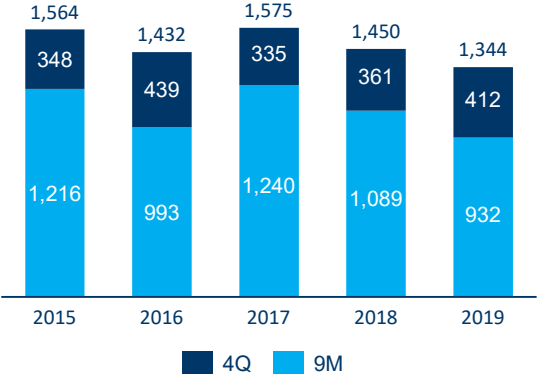
NET PROFIT – KBC GROUP

FY19 ROAC: 22%



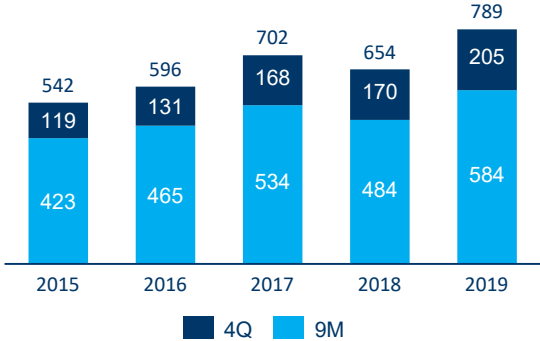
NET PROFIT – BELGIUM

FY19 ROAC: 20%



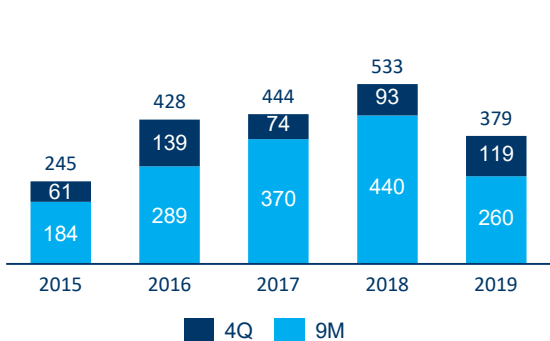
NET PROFIT – CZECH REPUBLIC

FY19 ROAC: 47%



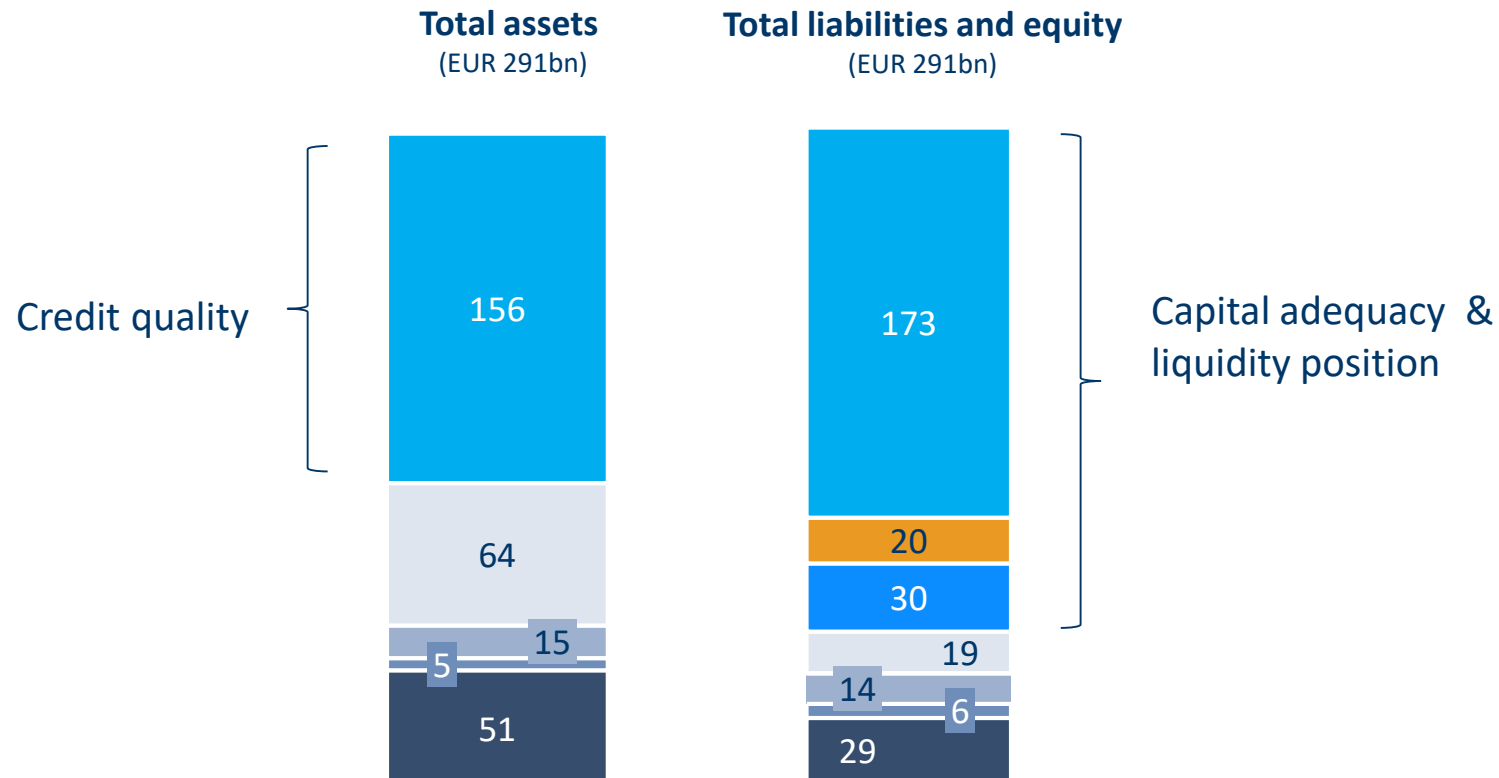
NET PROFIT – INTERNATIONAL MARKETS

FY19 ROAC: 16%



Balance sheet

KBC Group consolidated at YE 2019



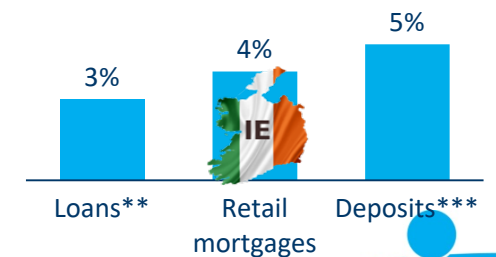
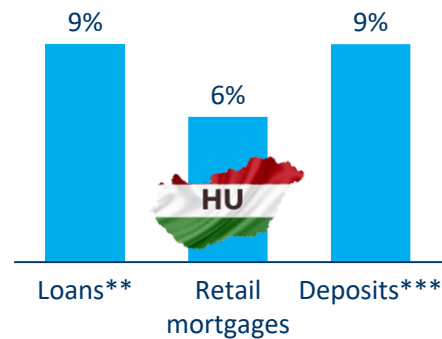
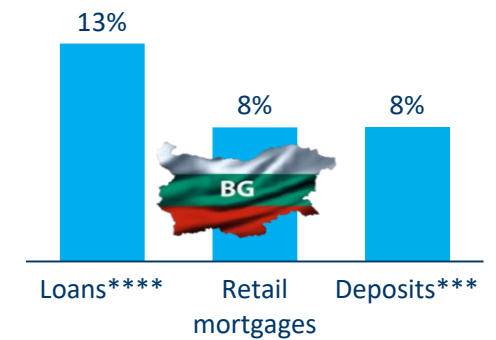
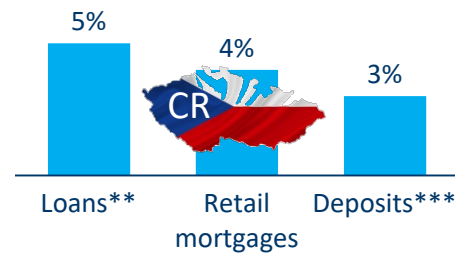
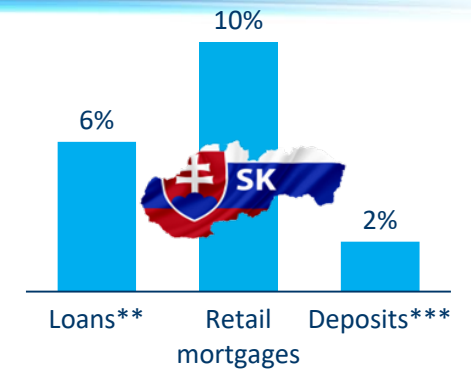
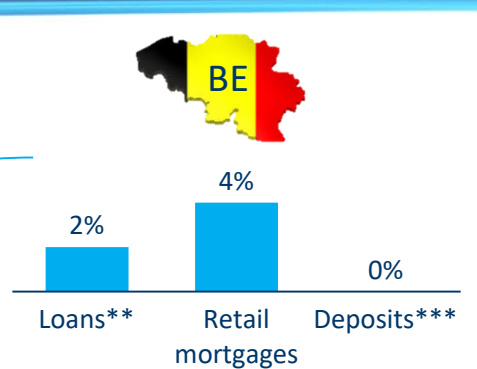
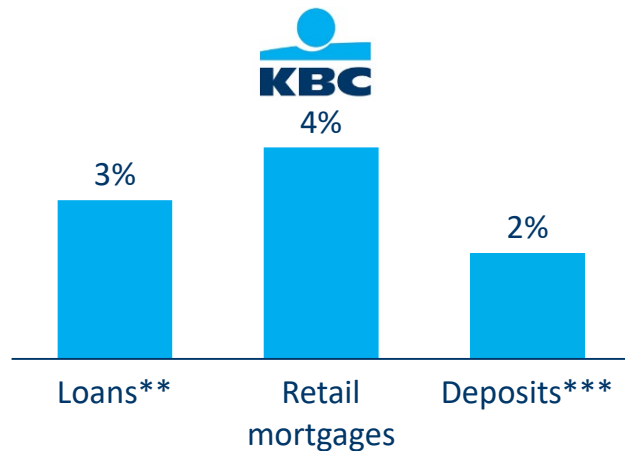
- Loan book (loans and advances to customers)
- Investment portfolio (equity and debt securities)
- Insurance investment contracts
- Trading assets
- Other (incl. interbank loans, reverse repos, property & equipment etc...)
- Deposits from customers
- Equity (including AT1)
- Other MREL instruments and debt certificates
- Technical provisions, before reinsurance NL and L
- Liabilities under insurance investment contracts
- Trading liabilities
- Other (incl. interbank deposits)



Balance sheet

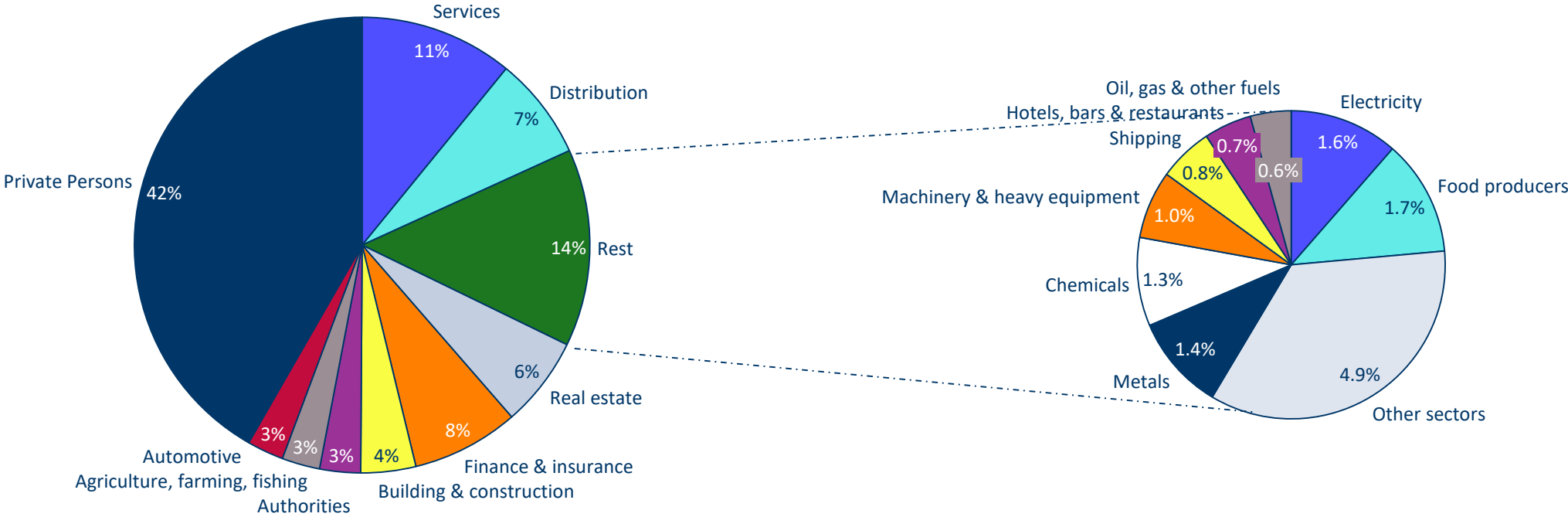
Loans and deposits continue to grow in most core countries

Y-O-Y ORGANIC* VOLUME GROWTH



* Volume growth excluding FX effects and divestments/acquisitions
 ** Loans to customers, excluding reverse repos (and bonds)
 *** Customer deposits, including debt certificates but excluding repos
 **** Total customer loans in Bulgaria: new bank portfolio +14% y-o-y, while legacy -29% y-o-y

Sectorial breakdown of outstanding loan portfolio (1) (175bn EUR*) of KBC Bank Consolidated

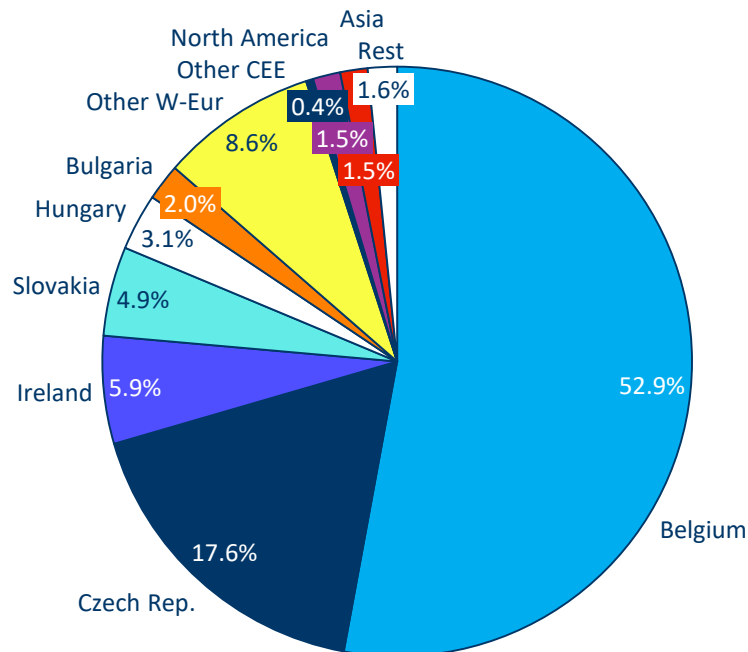


* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are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

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



Geographical breakdown of the outstanding loan portfolio (2) (175bn EUR*) of KBC Bank Consolidated

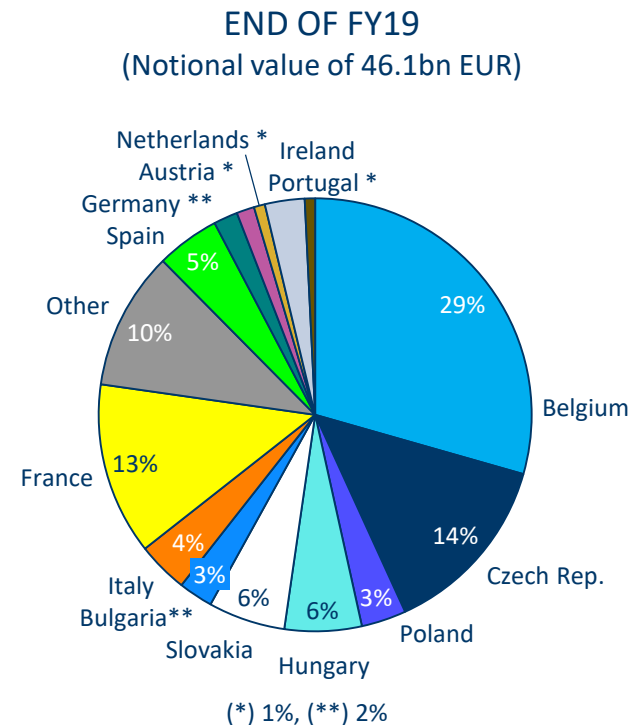
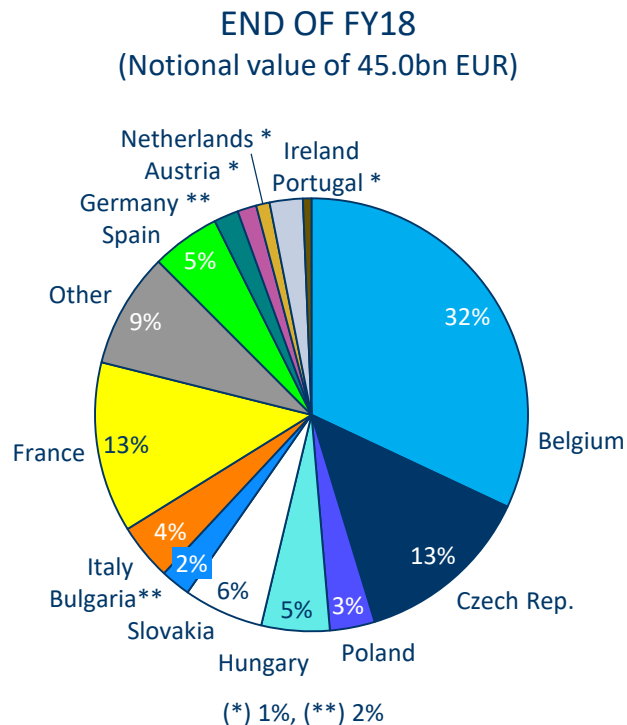


* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are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

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

Government bond portfolio – Notional value

- Notional investment of 46.1bn EUR in government bonds (excl. trading book) at end of FY19, 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 5.7bn EUR at the end of FY19



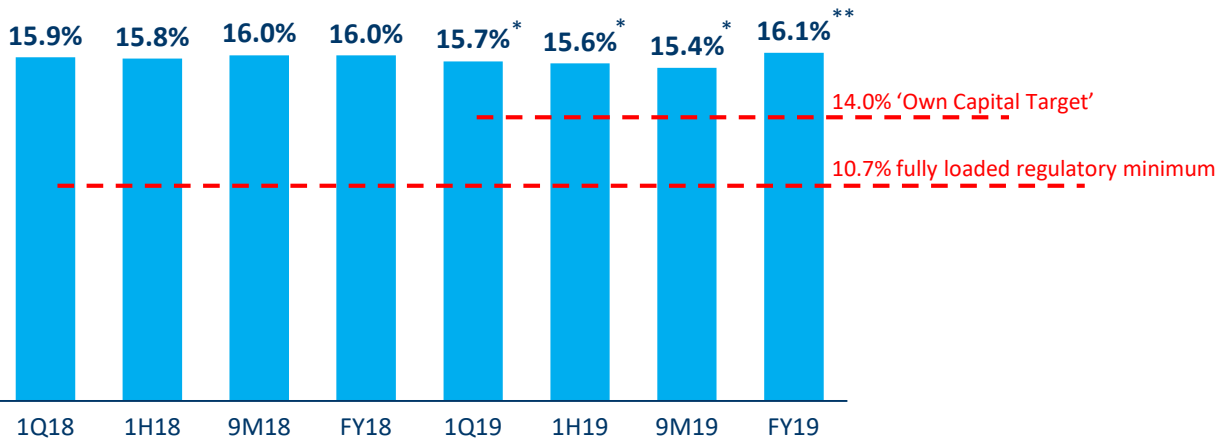
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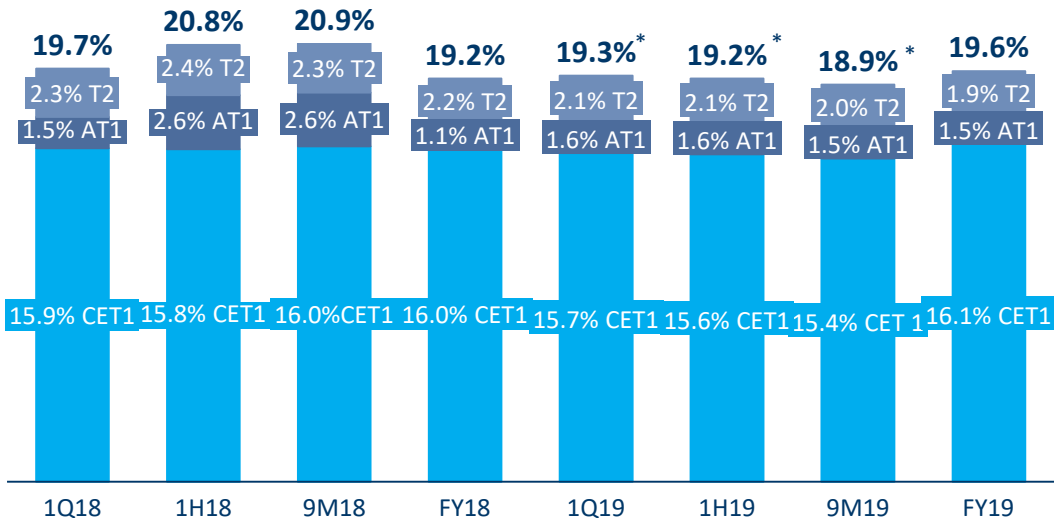
Strong capital position

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



* No IFRS interim profit recognition given more stringent ECB approach
 ** 15.7% when including the proposed share buy-back

Fully loaded Basel 3 total capital ratio (Danish Compromise)



* No IFRS interim profit recognition given more stringent ECB approach

- At the end of 2019, the common equity ratio amounted to 16.1% based on the Danish Compromise. The Board of Directors decided to pay out a total gross dividend of 3.5 EUR per share. The capital above the 'Reference Capital Position' (15.7%) will be distributed (which will be proposed to the AGM/EGM, while the formal decision to execute a share buy-back is subject to a prior approval of the ECB). This will lead to a payout ratio of approximately 76%. As such, taking into account the proposed share buy-back, the CET1 ratio will amount to roughly 15.7% at the end of FY19 based on the Danish Compromise. This clearly exceeds the minimum capital requirements* set by the competent supervisors of 10.7%** fully loaded and our 'Own Capital Target' of 14.0%

* Excludes a pillar 2 guidance (P2G) of 1.0% CET1
 ** 11.1% as of 2020

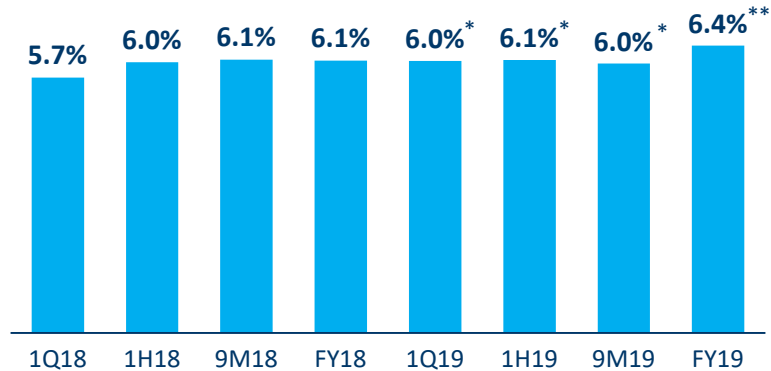
- The fully loaded total capital ratio amounted to 19.6% at the end of 2019

Total distributable items (under Belgian GAAP) KBC Group 9.3bn EUR at FY 2019, of which:

- available reserves: 949m
- accumulated profits: 8 202m

Fully loaded Basel 3 leverage ratio and Solvency II ratio

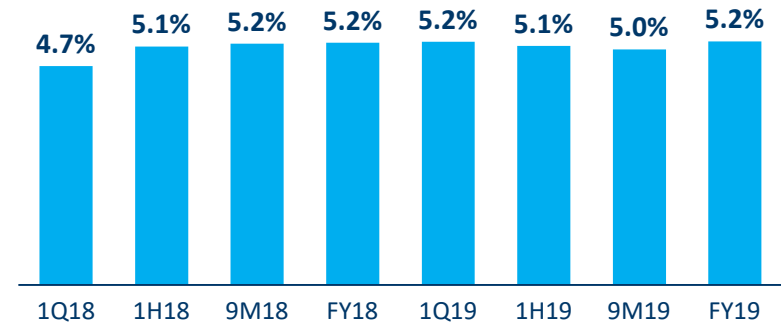
Fully loaded Basel 3 leverage ratio at KBC Group



* No IFRS interim profit recognition given more stringent ECB approach

** 6.3% when including the proposed share buy-back

Fully loaded Basel 3 leverage ratio at KBC Bank



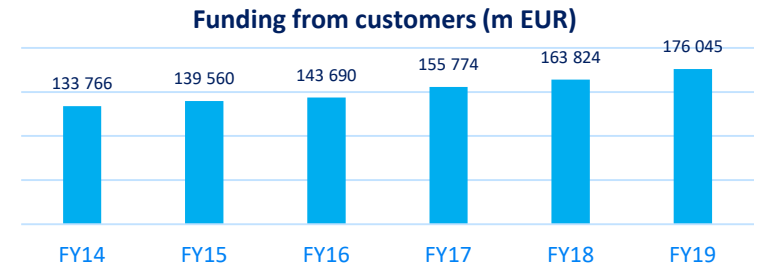
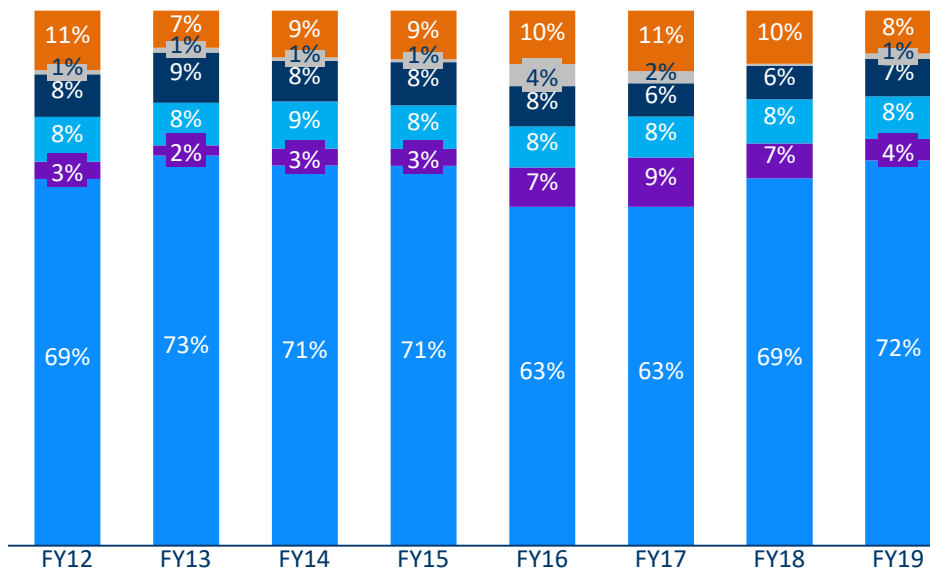
Solvency II ratio

	9M19	FY19
Solvency II ratio	187%	202%

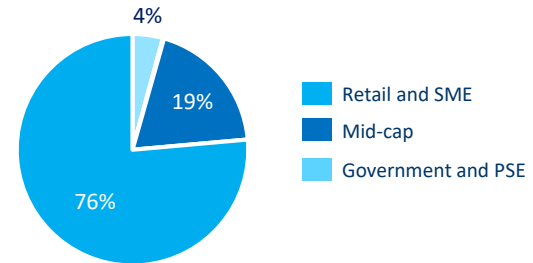
- The increase (+15% points) in the Solvency II ratio was mainly the result of a regulatory update on the treatment of guarantees by regional authorities and increasing interest rates

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
- Customer funding increased slightly at the expense of the certificates of deposits which decreased versus FY18



72%
customer
driven



- Unsecured Interbank Funding
- Secured Funding
- Debt issues placed at institutional relations
- Total Equity
- Certificates of deposit
- Funding from Customers

Ratios	FY18	FY19	Regulatory requirement
NSFR*	136%	136%	≥100%
LCR**	139%	138%	≥100%

- **NSFR is at 136% and LCR is at 138% by the end of 2019**
 - Both ratios were well above the regulatory requirement of 100%

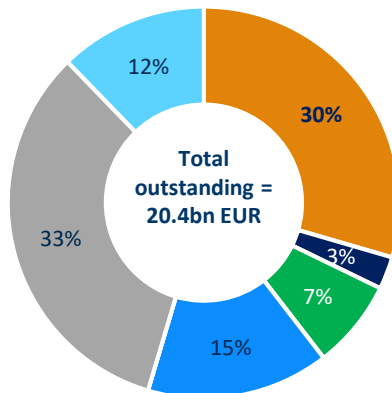
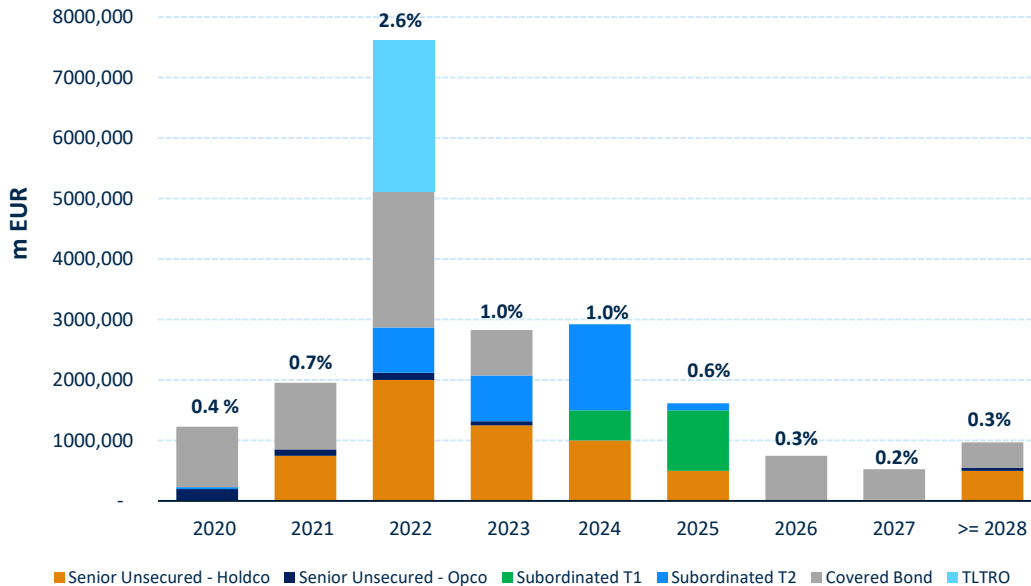
* Net Stable Funding Ratio (NSFR) is based on KBC Bank's interpretation of the proposal of CRR amendment.
 ** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC Bank discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure.



Upcoming mid-term funding maturities

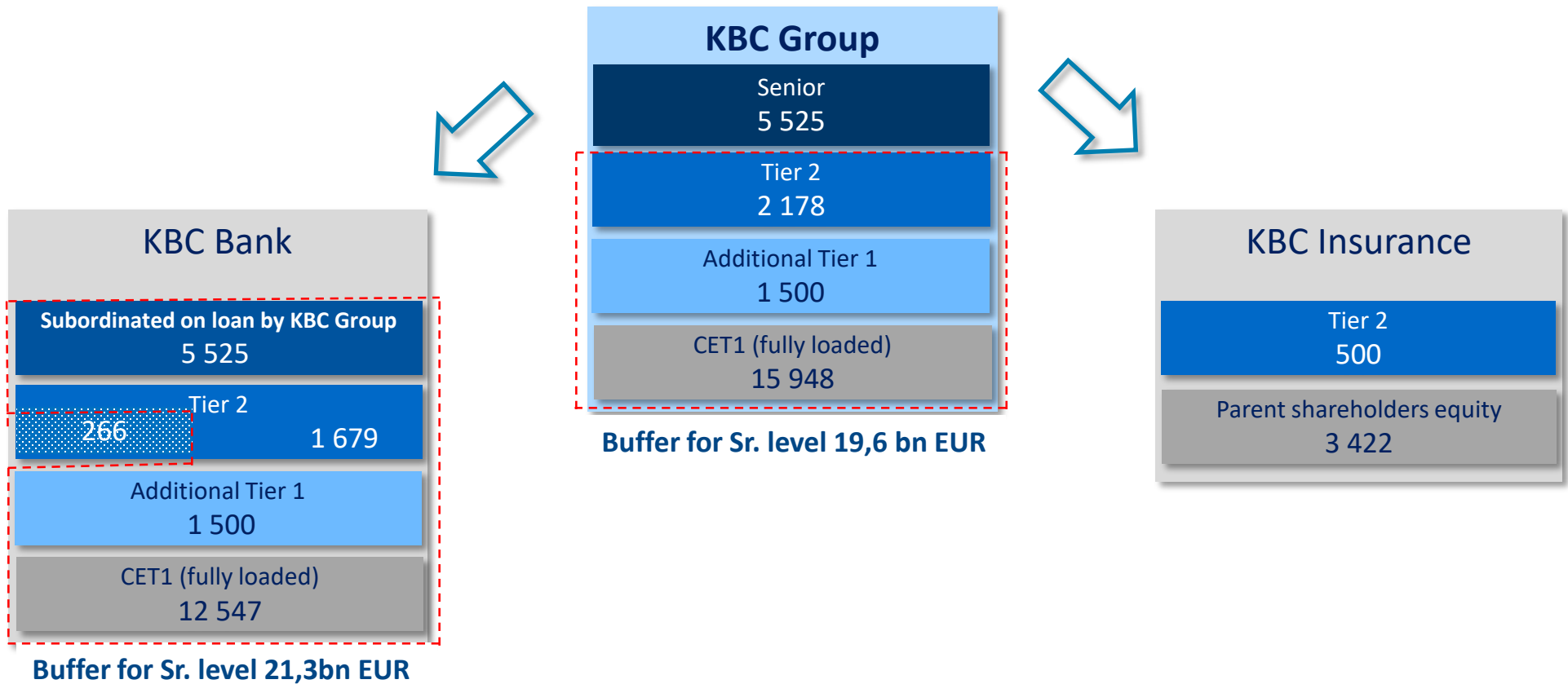
Breakdown Funding Maturity Buckets

(Including % of KBC Group's balance sheet)



- In December 2019, KBC Bank NV decided to early repay the remaining part of the TLTRO II (i.e. 2.545bn EUR) and entered into the TLTRO III for 2.5bn EUR. Current outstanding TLTRO funding amounts to EUR 2.5bn EUR
- KBC Group NV called the remaining outstanding amount of KBC Bank NV AT1 (45m GBP) at its first call date on 19 December 2019 and the 750m EUR Tier 2 bond at its first call date on 25 November 2019
- In January 2020, KBC Group NV successfully issued a new senior HoldCo benchmark of 500m EUR with a 10 year maturity
- 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

KBC has strong buffers cushioning Sr. debt at all levels (YE 2019)

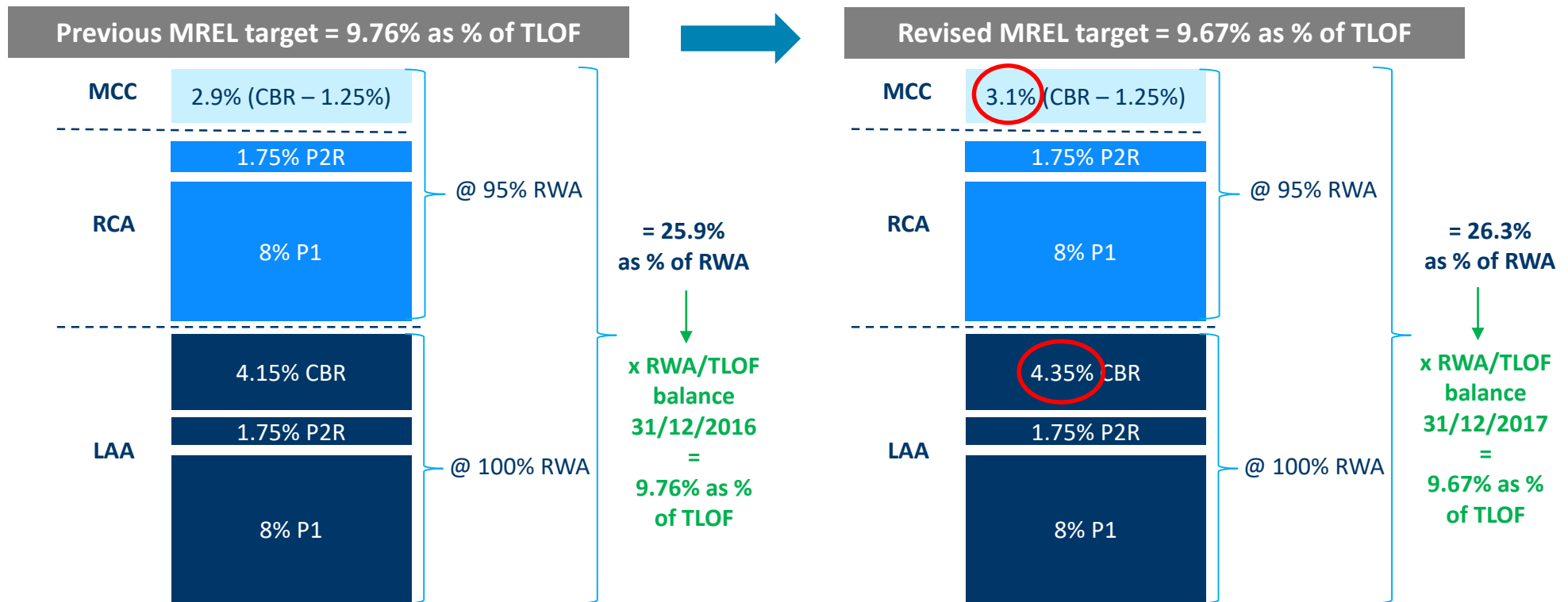


 Legacy T2 issued by KBC Bank will disappear over time

Revised MREL target is slightly lower at 9.67% as % of TLOF

New target applicable as from 31-12-2021, previous target ceases to apply since December 2019

- ✓ The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level, with **bail-in** as the preferred resolution tool
- ✓ SRB's currently applicable approach to **MREL** is defined in the '2018 SRB Policy for the 2nd wave of resolution plans' published on 16 January 2019, which is based on the current legal framework (BRRD 1)
- ✓ **The MREL target for KBC is 9.67% as % of TLOF**, which is based on fully loaded capital requirements as at **31 December 2017**. The target is defined starting from RWA (and reflects the higher countercyclical buffer) and is then converted into a % of TLOF (based on the RWA/TLOF balance)
- ✓ SRB requires KBC to achieve this new target **by 31 December 2021**; the previous 9.76% target is repealed and hence ceases to apply as from December 2019

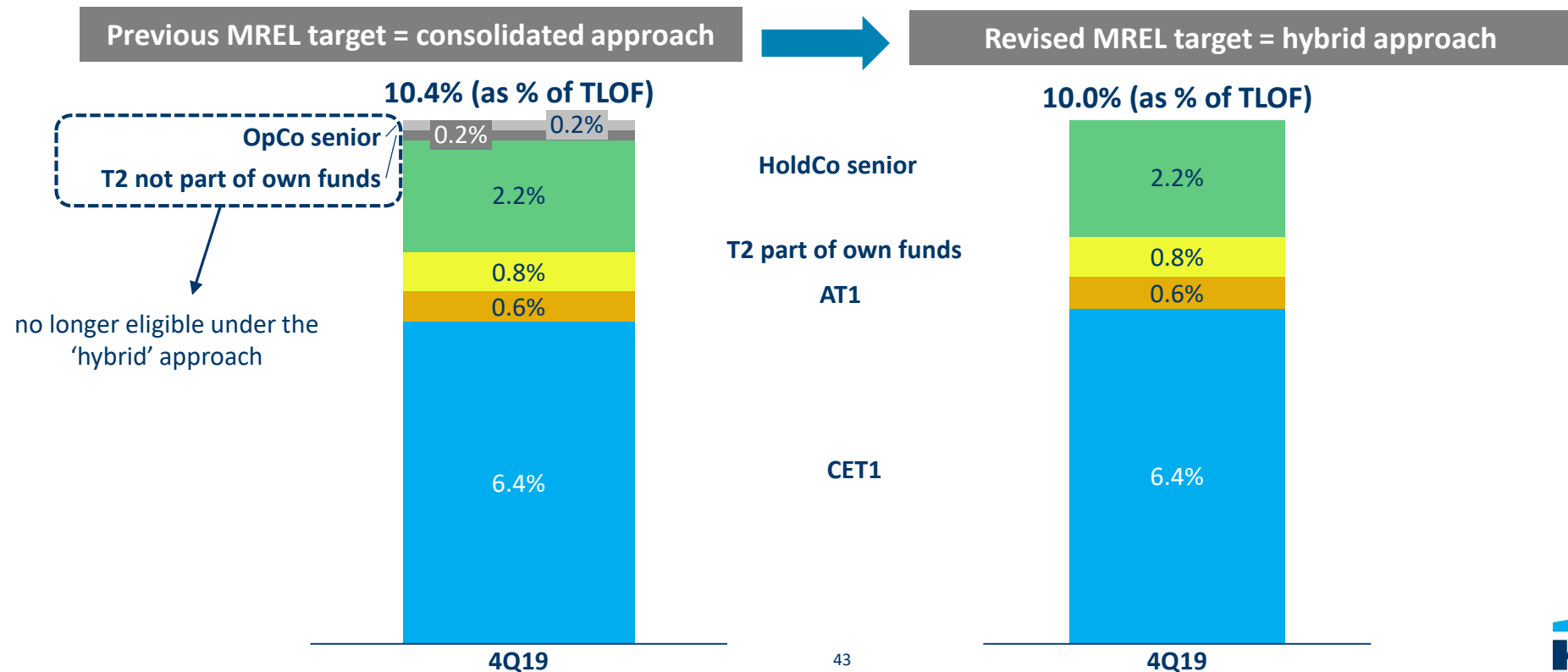


TLOF = Total Liabilities and Own Funds
 LAA = Loss Absorbing Amount
 RCA = ReCapitalisation Amount
 MCC = Market Confidence Charge
 CBR = Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + countercyclical buffer (0.15% in previous target; 0.35% in revised target)

Definition of MREL eligible instruments has been narrowed

As of December 2019, 1bn EUR instruments no longer eligible for SRB to satisfy the MREL target

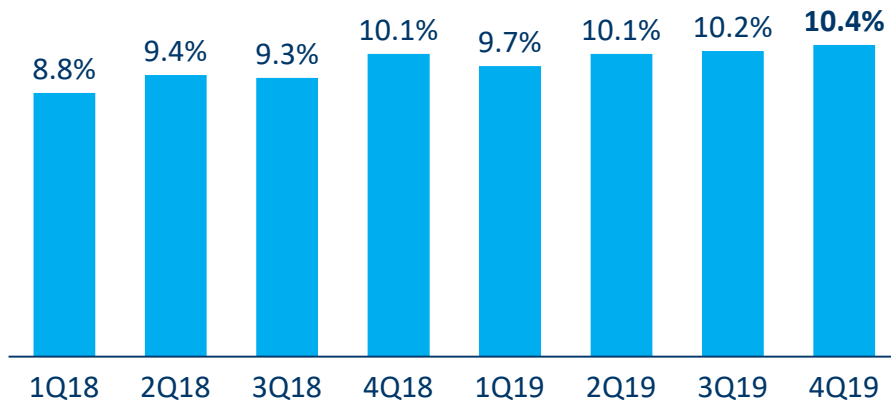
- ✓ Eligible instruments to satisfy the MREL target are defined in the '2018 SRB Policy for the 2nd wave of resolution plans' published on 16/01/2019
- ✓ The so-called '**consolidated approach**' (instruments issued by any entity within the resolution group were accepted by SRB to satisfy the MREL target) has been replaced by a **more restrictive 'hybrid approach'**, whereby the available MREL consists of :
 - Consolidated own funds (CET1 + AT1 + T2) at the level of KBC Group ⇒ 0.5bn EUR T2 down-streamed by KBC Group to KBC Insurance excluded from MREL (because it is deducted from own funds)
 - Liabilities issued by KBC Group NV (= the point of entry) ⇒ 0.5bn EUR instruments issued by OpCo entities excluded from MREL
- ✓ The actual binding target is 9.67% as % of TLOF as from 31-12-2021 (which KBC already complies with)



Available MREL (fully loaded) as a % of TLOF

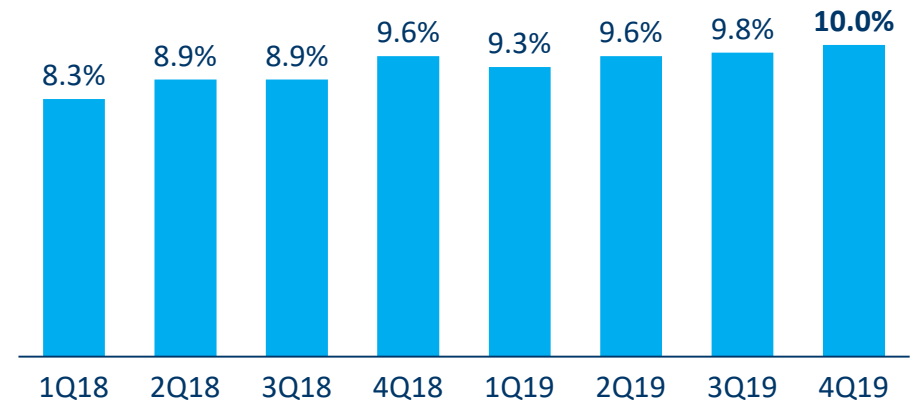
Consolidated approach

Available MREL as a % of TLOF (fully loaded)



Hybrid approach

Available MREL as a % of TLOF (fully loaded)



Latest credit ratings

	Moody's	S&P	Fitch
Group	Senior Unsecured	Baa1	A
	Tier II	-	A-
	Additional Tier I	Ba1	-
	Short-term	P-2	F1
	Outlook	Stable	Stable
Bank	Covered Bonds	Aaa	AAA
	Senior Unsecured	A1	A+
	Tier II	-	BBB
	Short-term	P-1	F1
	Outlook	Stable	Stable
Insurance	Financial Strength Rating	-	A
	Issuer Credit Rating	-	A
	Outlook	-	Stable

Latest updates:

- 28 Nov 2019: Moody's revised KBC Group and KBC Bank outlook to stable and affirmed ratings
- 23 Nov 2018: Fitch rating upgrade of KBC Bank
- 30 July 2018: S&P rating upgrade of KBC Group, KBC Bank, Insurance and CSOB CR.

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KBC's covered bond programme

Residential mortgage covered bond programme

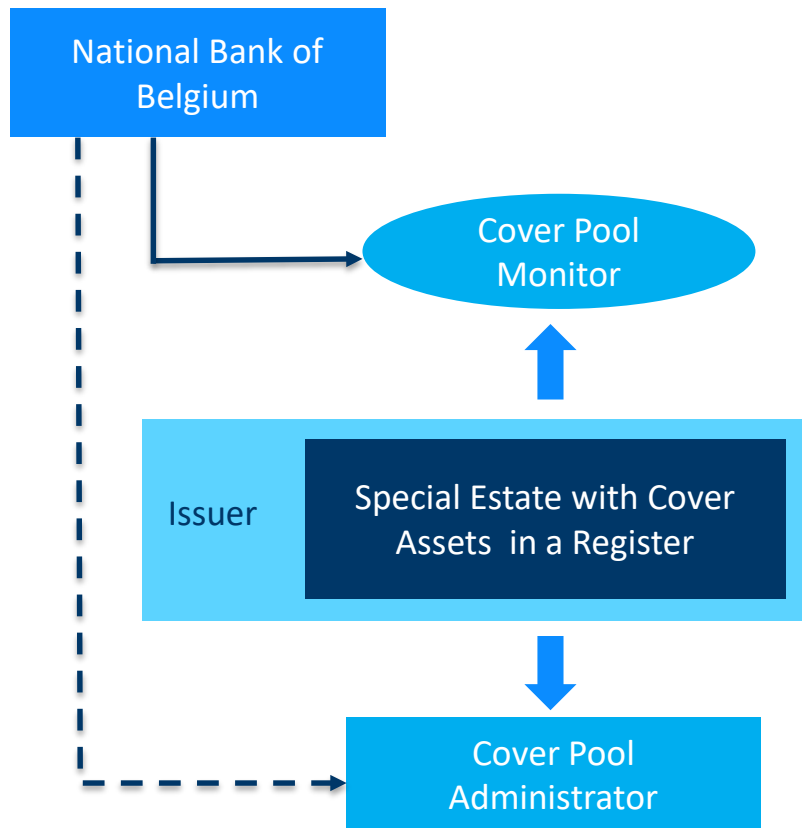
The covered bond programme is considered as an important funding tool for the treasury department. KBC's intentions are to be a frequent benchmark issuer if markets and funding plan permit.

Issuer:	<ul style="list-style-type: none"> • KBC Bank NV
Main asset category:	<ul style="list-style-type: none"> • min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon
Programme size:	<ul style="list-style-type: none"> • Up to 10bn EUR (only) • Outstanding amount of 6,67bn EUR
Interest rate:	<ul style="list-style-type: none"> • Fixed rate, floating rate or zero coupon
Maturity:	<ul style="list-style-type: none"> • Soft bullet: payment of the principal amount may be deferred past the final maturity date until the extended final maturity date if the issuer fails to pay • Extension period is 12 months for all series
Events of default:	<ul style="list-style-type: none"> • Failure to pay any amount of principal on the extended final maturity date • A default in the payment of an amount of interest on any interest payment date
Rating agencies:	<ul style="list-style-type: none"> • Moody's Aaa / Fitch AAA

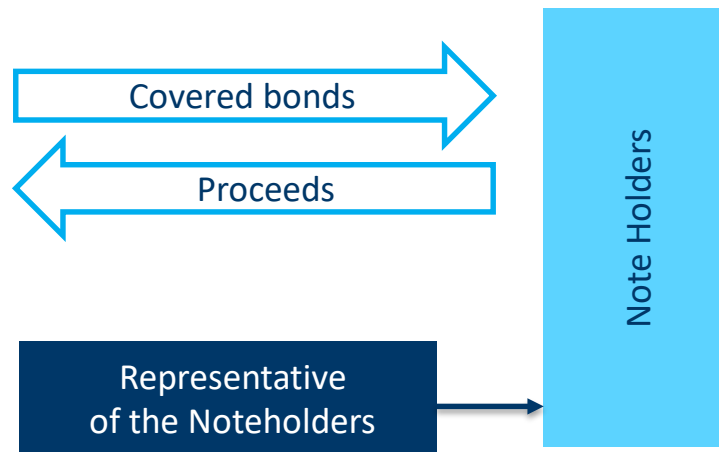
	Moody's	Fitch
Over-collateralisation	10%	4,5%

KBC's covered bond programme

Belgian legal framework



- Direct covered bond issuance from a bank's balance sheet
- Dual recourse, including recourse to a special estate with cover assets included in a register
- The special estate is not affected by a bank's insolvency
- Requires licenses from the **National Bank of Belgium (NBB)**
- Ongoing supervision by the NBB
- The **cover pool monitor** verifies the register and the portfolio tests and reports to the NBB
- The NBB can appoint a cover pool administrator to manage the special estate



KBC's covered bond programme

Strong legal protection mechanisms

1

Collateral type

- The value of one asset category must be at least 85% of the nominal amount of covered bonds
 - KBC Bank selects residential mortgage loans and commits that their value (including collections) will be at least 105%

2

Over-collateralisation Test

- The value of the cover assets must at least be 105% of the covered bonds
 - The value of residential mortgage loans:
 - 1) is limited to 80% LTV
 - 2) must be fully covered by a mortgage inscription (min 60%) plus a mortgage mandate (max 40%)
 - 3) 30 day overdue loans get a 50% haircut and 90 days (or defaulted) get zero value

3

Cover Asset Coverage Test

- The sum of interest, principal and other revenues of the cover assets must at least be the interest, principal and costs relating to the covered bonds
 - Interest rates are stressed by plus and minus 2% for this test

4

Liquidity Test

- Cover assets must generate sufficient liquidity or include enough liquid assets to pay all unconditional payments on the covered bonds falling due the next 6 months
 - Interest rates are stressed by plus and minus 2% for this test

5

Cap on Issuance

- Maximum 8% of a bank's assets can be used for the issuance of covered bonds

KBC's covered bond programme

Cover pool

■ **COVER POOL: BELGIAN RESIDENTIAL MORTGAGE LOANS**

- Exclusively, this is selected as main asset category
- Value (including collections) at least 105% of the outstanding covered bonds
- Branch originated prime residential mortgages predominantly out of Flanders
- Selected cover asset have low average LTV (60%) and high seasoning (61 months)

■ **KBC HAS A DISCIPLINED ORIGINATION POLICY**

- 2009 to 2018 residential mortgage loan losses below 4 bp
- Arrears in Belgium approx. stable over the past 10 years:
 - (i) Cultural aspects, stigma associated with arrears, importance attached to owning one's property
 - (ii) High home ownership also implies that the change in house prices itself has limited impact on loan performance
 - (iii) Well established credit bureau, surrounding legislation and positive property market

Contents

- 1 Strategy and business profile
- 2 Financial performance (q-o-q evolution)
- 3 Solvency, liquidity and funding
- 4 Covered bond programme
- 5 Green bond framework
- 6 Looking forward

Appendices



Sustainability

Introduction to KBC's Green Bond

Rationale: enhancing the KBC sustainability strategy

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

KBC Green Bond Framework

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

Aligned with best practices and market developments

- The KBC Green Bond Framework is in line with the Green Bond Principles (2017)
- Second party opinion provided by Sustainalytics and Pre-issuance- certification by the Climate Bonds Initiative
- KBC intends to align its Green Bond Framework with emerging good practices, such as a potential European Green Bond Standard or other forthcoming regulatory requirements and guidelines
- For latest impact report we refer to the KBC.COM website: <https://www.kbc.com/en/kbc-green-bond>

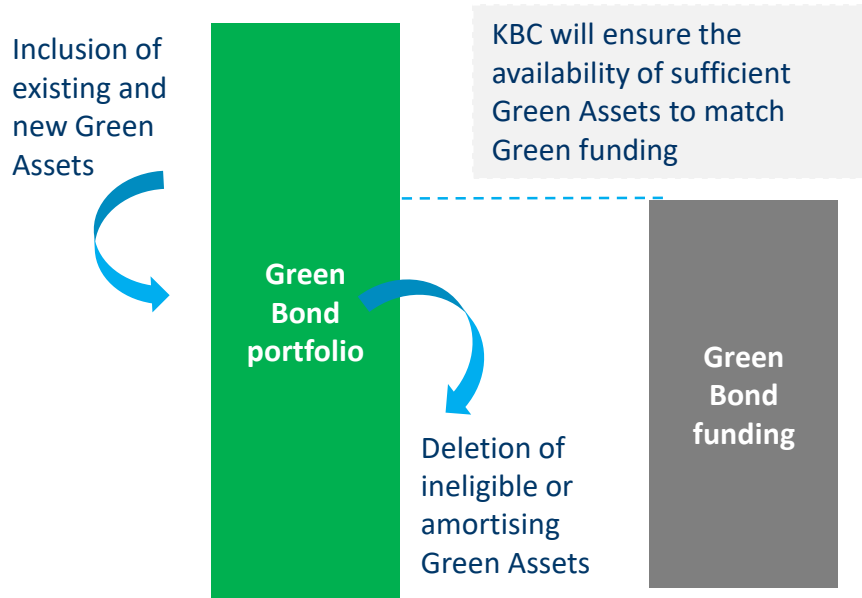




Sustainability

First green bond (June 2018)

KBC GREEN PORTFOLIO APPROACH



- At a first stage, in the context of the inaugural Green Bond, KBC allocated the proceeds to two green asset categories: **renewable energy** (share of 40%) and **residential real-estate loans** (share of 60%).
- Within those categories, KBC has labelled EUR 0.7 billion of Green Assets (status March 2019) in Belgium.
- For future transactions, in cooperation with the relevant business teams, KBC aims to capture more green assets from other categories and expand the green eligibility to more business lines and clients.

Certification

- On 23 May 2018, the Climate Bonds Standard Board approved the certification of the proposed KBC Green Bond

Verification

- One year after issuance and until maturity, a limited assurance report on the allocation of the Green Bond proceeds to Eligible Assets to be provided by an external auditor
- Latest impact report available on KBC.COM website:
<https://www.kbc.com/en/kbc-green-bond>

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Looking forward

Economic outlook

- After the global economic slowdown in 2019, 2020 started with a slightly more positive economic outlook. The euro area economy is expected to gradually recover throughout this year. Very low unemployment rates combined with solid wage inflation, are likely to continue underpinning private consumption as the main driver of economic growth. The main factors that could substantially impede European economic sentiment and growth remain the risk of further economic deglobalisation, including an escalation of trade conflicts, Brexit, political turmoil in some euro-area countries and geopolitical tensions. The spreading of the corona virus is expected to lower Chinese economic growth and to distort global supply channels, leading to temporarily lower growth in advanced economies too. However, the impact on the global economy is expected to be temporary and may be partly compensated later on in 2020

Group guidance

- Solid returns for all Business Units
- B4 impact (as of 1 January 2022) for KBC Group estimated at roughly 8bn EUR higher RWA on fully loaded basis at end 2019, corresponding with 8% RWA inflation and -1.2% points impact on CET1 ratio

Business units

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

Appendices

- 1 Full year 2019 performance
- 2 Overview of outstanding benchmarks
- 3 Summary of KBC's covered bond programme
- 4 Solvency: details on capital
- 5 Details on business unit international markets
- 6 Details on credit exposure of Ireland

Annex 1- Key takeaways for KBC Group

FY 2019 financial performance

- ❖ Commercial bank-insurance franchises in core markets performed well
- ❖ Customer loans and customer deposits increased in most of our core countries
- ❖ Higher net interest income and lower net interest margin
- ❖ Higher net fee and commission income
- ❖ Lower net result from financial instruments at fair value and higher net other income
- ❖ Excellent sales of non-life insurance products and higher sales of life insurance products y-o-y
- ❖ Strict cost management
- ❖ Higher net impairments on loans
- ❖ Solid solvency and liquidity
- ❖ A total gross dividend of 3.5 EUR per share and buy-back of maximum 5.5 million shares will be proposed to the AGM/EGM for the 2019 accounting year (of which an interim dividend of 1 EUR per share paid in November 2019 and a final dividend of 2.5 EUR per share). The formal decision to execute as share-buy back is subject to a prior approval of the ECB

Excellent net result of 2,489m EUR in FY19

FY19

- ROE 14.3%
- Cost-income ratio 58%*
- Cost-income ratio excluding bank taxes 51%*
- Combined ratio 90%
- Credit cost ratio 0.12%
- Common equity ratio 16.1%** (B3, DC, fully loaded)
- Leverage ratio 6.4%*** (fully loaded)
- NSFR 136% & LCR 138%
- Pay-out ratio of approximately 76% (including the proposed dividend, share-buy-back and AT1 coupon)

* Cost/Income ratio (banking) adjusted for specific items: MtM ALM derivatives and one-off items are fully excluded

** 15.7%, when including the proposed share buy-back

*** 6.3% when including the proposed share buy-back

Annex 1: KBC Group

FY 2019 net result amounted to 2,489m EUR

Net result

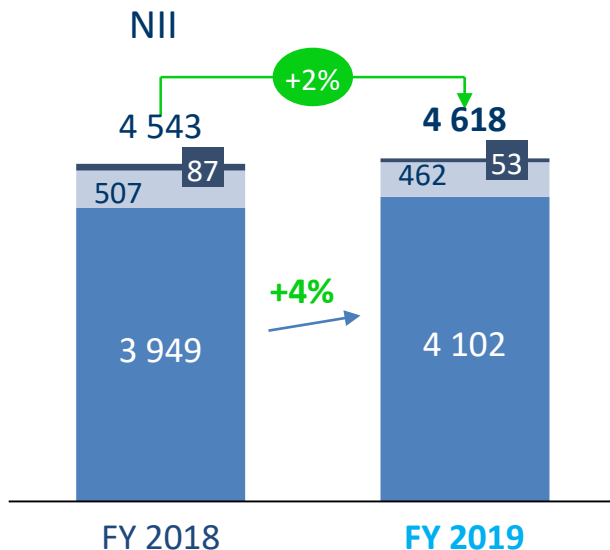


Net result fell by 3% y-o-y to 2,489m EUR in 2019, mainly as a result of the following:

- **Revenues rose by 2% y-o-y** mainly due to higher net interest income, net fee & commission income, net other income and result from life and non-life insurance after reinsurance, partly offset by lower net result from FIFV. Excluding the impact of the full consolidation of ČMSS, revenues roughly stabilised y-o-y
- **Operating expenses excluding bank tax** increased by 1% y-o-y or 40m EUR y-o-y in FY19. Excluding the impact of the full consolidation of ČMSS, operating costs excluding bank tax roughly stabilised y-o-y. Total bank taxes increased from 462m EUR in FY18 to 491m EUR in FY19
- **Impairments amounted to 217m EUR in FY19** (compared with net impairment releases of 17m EUR in FY18). This was attributable chiefly to:
 - sharply higher loan loss impairments in Belgium as a result of several corporate files
 - less net loan loss impairment reversals in Ireland (33m EUR in FY19 compared with 112m EUR in FY18)

Annex 1: Net interest income

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



NII rose by 2% y-o-y

NII banking rose by 4% y-o-y due mainly to:

(+) lower funding costs, the additional positive impact of repo rate hikes in the Czech Republic, continued good loan volume growth, higher margins on new mortgage loan production in most core countries and the full consolidation of ČMSS

partly offset by:

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

NII insurance fell by 9 % y-o-y due to the negative impact of lower reinvestment yields

■ NII - netted positive impact of ALM FX swaps * ■ NII - Insurance ■ NII - Banking (incl. holding-company/group)

NIM**

Full year	FY 2018	FY 2019
NIM	2.00%	1.95%

NIM decreased by 5 bps y-o-y due mainly to the negative impact of lower reinvestment yields, pressure on loan margins on total outstanding portfolio in most core countries and the full consolidation of ČMSS

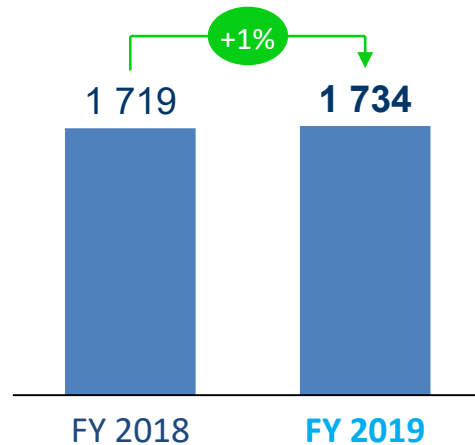
* From all ALM FX swap desks

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

Annex 1: Net fee and commission income

Higher net fee and commission income and AUM

Net fee and commission income

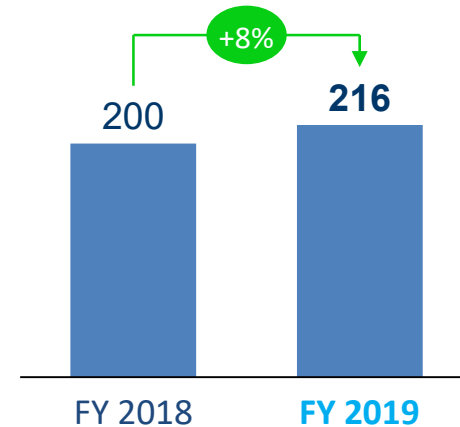


Amounts in millions of EUR

Net fee and commission income increased by 1% y-o-y:

- Net fee and commission income from **Asset Management Services** decreased by 2% y-o-y as a result of lower management fees from mutual funds & unit-linked life insurance products
- Net fee and commission income from **banking services** increased by 5% y-o-y due mainly to higher fees from payment services, higher network income and higher securities-related fees
- Distribution costs rose by 4% y-o-y

Assets under management (AuM)



Amounts in billions of EUR

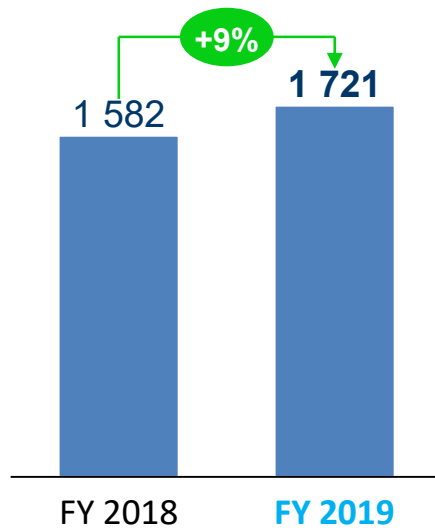
Assets under management (216bn EUR)

- Increased by 8% y-o-y as a positive price effect (+11%) was partly offset by net outflow (-3%)

Annex 1: Non-life insurance

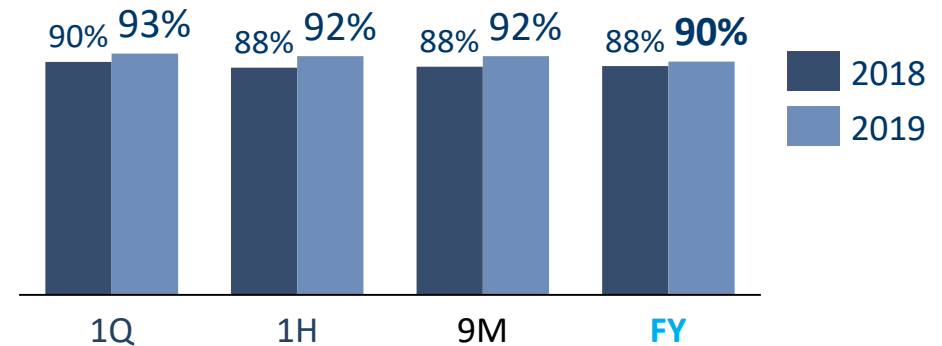
Non-life premium income up y-o-y and excellent combined ratio

Non-Life
(Gross earned premium)



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

Combined ratio non-life

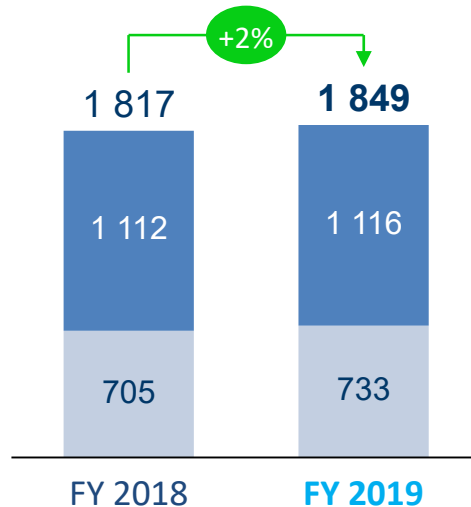


The **non-life combined ratio** for FY19 amounted to **90%**, an excellent number despite higher technical charges due to major claims

Life

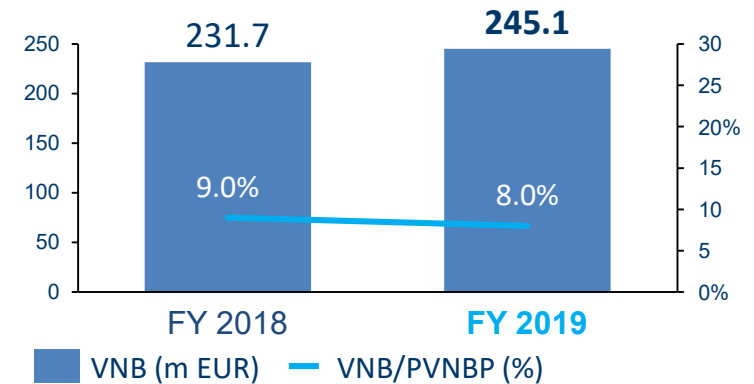
Higher life insurance sales and higher value of new business (VNB)

LIFE SALES



■ Guaranteed interest product ■ Unit-linked products

VNB (Life)*



Sales of Life insurance products up by 2% y-o-y:

- The 4% y-o-y increase in sales of unit-linked products was driven mainly by higher sales of unit-linked products in Belgium
- Sales of guaranteed interest products roughly stabilised y-o-y

Sales of unit-linked products accounted for 40% of total life insurance sales

VNB up by 6% y-o-y to 245.1 EUR due to higher sales of:

- unit-linked products in K&H Insurance and KBC Insurance NV
- risk products in KBC Insurance NV

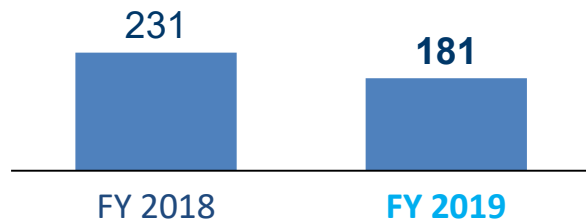
The **VNB/PVNB** decreased to 8.0% mainly due to the lower margin on guaranteed interest rate products, driven by decreasing interest rates

- VNB = Value of New Business = present value of all future profit attributable to the shareholders from the new life insurance policies written during the year 2019
- The VNB of KBC Group includes the expected future income generated by other parties within KBC Group arising from the sales of life insurance business. In 2019, this income amounted to 135m EUR (compared with 114m EUR in 2018)
- VNB/PVNB = VNB at point of sale compared with the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums

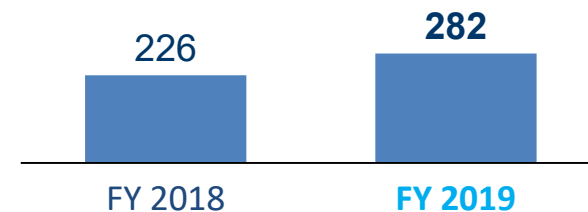
Annex 1: The other total income drivers

Lower fair value result and higher net other income

Fair Value result



Net other income



The lower y-o-y figure for **net result from financial instruments at fair value** was attributable to:

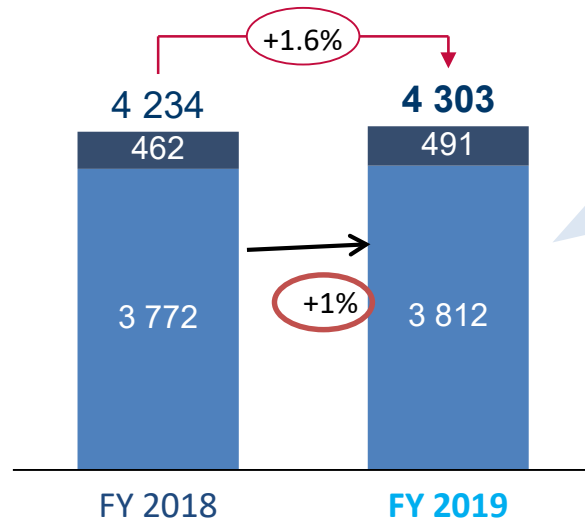
- sharply lower dealing room & other income
 - a negative change in ALM derivatives
- partly offset by:*
- a positive change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio and decreased credit spreads)
 - higher net result on equity instruments (insurance)

Net other income sharply increased to 282m EUR in FY19 from 226m EUR in FY18. This is mainly the result of a one-off gain of 82m EUR related to the revaluation of the existing 55% stake in ČMSS

Annex 1: Operating expenses

Strict cost control

Operating expenses



■ Bank tax ■ Operating expenses

- **Operating expenses excluding bank tax** increased by 1% y-o-y or 40m EUR y-o-y in FY19. **Excluding the impact of the full consolidation of ČMSS, operating costs excluding bank tax roughly stabilized y-o-y**
- **Total bank taxes** increased by 6% y-o-y to 491m in FY19
- Direct supervisory expenses even rose by 10% y-o-y to 36m EUR in FY19
- Including higher bank taxes (+29m EUR y-o-y) and the impact of the full consolidation of ČMSS (+30m EUR y-o-y), **operating expenses in FY19 rose by 1.6% y-o-y, in line with our FY19 guidance**

Cost/Income ratio (banking)*

	FY18	FY19
Cost/Income ratio	57%	58%

Cost/income ratio adjusted for specific items* (banking):
58% in FY19 (compared with 57% in FY18)

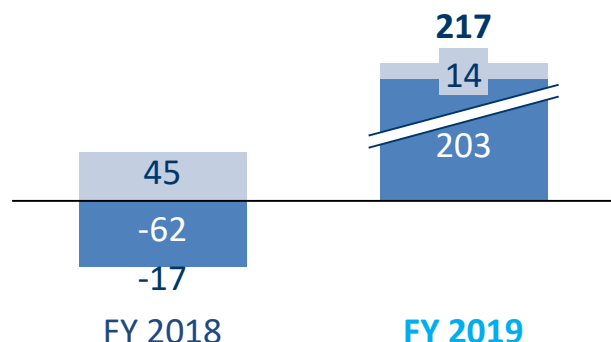
Excluding bank tax, C/I ratio amounted to 51% in FY19

* adjusted for specific items: excluding MtM ALM derivatives and one-off items

Annex 1: Asset impairments

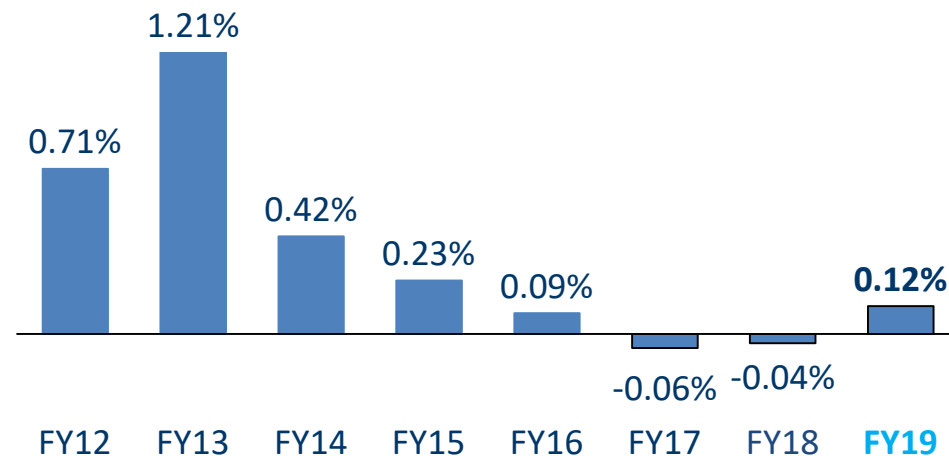
Higher asset impairments, benign credit cost ratio

Asset impairment



- Other impairments
- Impairments on financial assets at AC and FVOCI

Credit cost ratio



Impairments amounted to 217m EUR in FY19 (compared with net impairment releases of 17m EUR in FY18), due chiefly to:

- sharply higher loan loss impairments in Belgium as a result of several corporate files
- slightly higher loan loss impairments in the Czech Republic, Slovakia and Bulgaria
- less net loan loss impairment reversals in Ireland, Group Centre and Hungary

partly offset by:

- lower impairment on 'other'

The **credit cost ratio amounted to 0.12% in FY19** (-0.04% in FY18)

Annex 2 - Outstanding benchmarks

Overview till end of January 2020

Type	Issuer	Amount (in mio)	Maturity	coupon	ISIN	reset spread	Trigger	Level	Own funds	MREL
Additional Tier1										
AT1 24/04/2018	KBC Group	1 000 €	Perpetual	4,250%	BE0002592708	MS 5Y+ 359,4bps	temporary write-down	5,125%	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
AT1 10/03/2019	KBC Group	500 €	Perpetual	4,750%	BE0002638196	MS 5Y+ 468,9bps	temporary write-down	5,125%	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tier2: subordinated notes										
T2 11/03/2015	KBC Group	750 €	11/03/2027	1,875%	BE0002485606	MS 5Y+ 150bps	regulatory+ tax call		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
T2 18/09/2017	KBC Group	500 €	18/09/2029	1,625%	BE0002290592	MS 5Y+ 125bps	regulatory+ tax call		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
T2 03/09/2019	KBC Group	750 €	3/12/2029	0,500%	BE0002664457	MS 5Y+ 110bps	regulatory+ tax call		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Type	Issuer	Amount (in mio)	Maturity	coupon	ISIN	MREL
Senior						
Senior 26/06/2016	KBC Group	750 €	26/04/2021	1,000%	BE6286238561	<input checked="" type="checkbox"/>
Senior 18/10/2016	KBC Group	750 €	18/10/2023	0,750%	BE0002266352	<input checked="" type="checkbox"/>
Senior 01/03/2017	KBC Group	1.250 €	1/03/2022	0,750%	BE0002272418	<input checked="" type="checkbox"/>
Senior 24/05/2017	KBC Group	750 €	24/11/2022	3M+0,55%	BE0002281500	<input checked="" type="checkbox"/>
Senior 27/06/2018	KBC Group	500 €	27/06/2023	0,875%	BE0002602804	<input checked="" type="checkbox"/>
Senior 07/02/2019	KBC Group	1.000 €	25/01/2024	1,125%	BE0002631126	<input checked="" type="checkbox"/>
Senior 10/04/2019	KBC Group	500 €	10/04/2025	0,625%	BE0002645266	<input checked="" type="checkbox"/>
Senior 24/01/2020	KBC Group	500 €	24/01/2030	0,750%	BE0002681626	<input checked="" type="checkbox"/>
Covered bonds						
CB 31/1/2013	KBC Bank	750 €	31/01/2023	2,000%	BE0002425974	
CB 28/5/2013	KBC Bank	1.000 €	28/05/2020	1,250%	BE0002434091	
CB 22/1/2015	KBC Bank	1.000 €	22/01/2022	0,450%	BE0002482579	
CB 28/4/2015	KBC Bank	1.000 €	28/04/2021	0,125%	BE0002489640	
CB 1/3/2016	KBC Bank	1.250 €	1/09/2022	0,375%	BE0002498732	
CB 24/10/2017	KBC Bank	500 €	24/10/2027	0,750%	BE0002500750	
CB 8/3/2018	KBC Bank	750 €	8/03/2026	0,750%	BE0002583616	



Annex 3 – KBC’s covered bond programme

Key cover pool characteristics

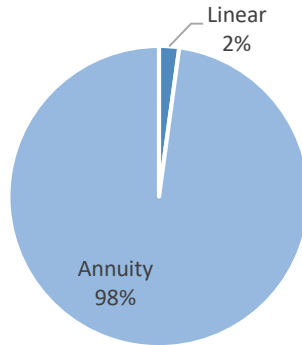
Investor reports, final terms and prospectus are available on www.kbc.com/covered_bonds

Portfolio data as of :	31 December 2019
Total Outstanding Principal Balance	10 825 922 723
Total value of the assets for the over-collateralisation test	10 089 139 793
No. of Loans	141 753
Average Current Loan Balance per Borrower	107 892
Maximum Loan Balance	1 000 000
Minimum Loan Balance	1 000
Number of Borrowers	100 340
Longest Maturity	359 month
Shortest Maturity	1 month
Weighted Average Seasoning	61 months
Weighted Average Remaining Maturity	177 months
Weighted Average Current Interest Rate	1.96%
Weighted Average Current LTV	60%
No. of Loans in Arrears (+30days)	255
Direct Debit Paying	98%

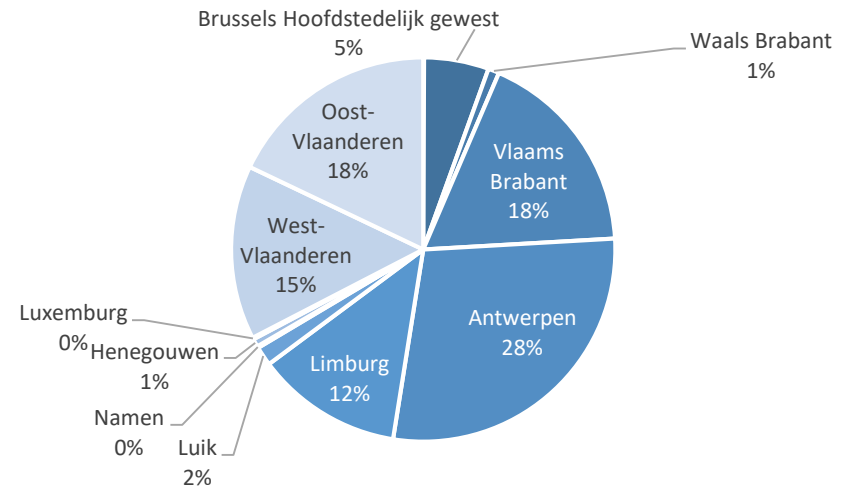
Annex 3 – KBC's covered bond programme

Key cover pool characteristics

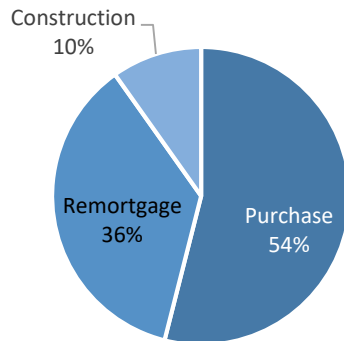
REPAYMENT TYPE (LINEAR VS. ANNUITY)



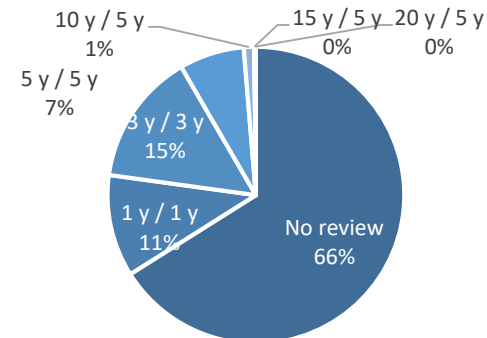
GEOGRAPHICAL ALLOCATION



LOAN PURPOSE



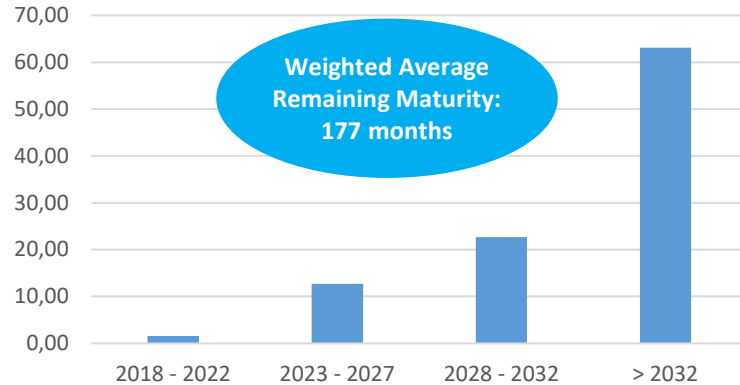
INTEREST RATE TYPE (FIXED PERIODS)



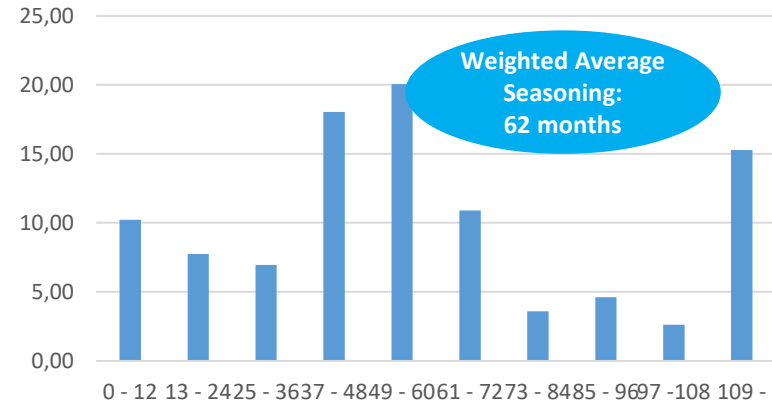
Annex 3 – KBC’s covered bond programme

Key cover pool characteristics

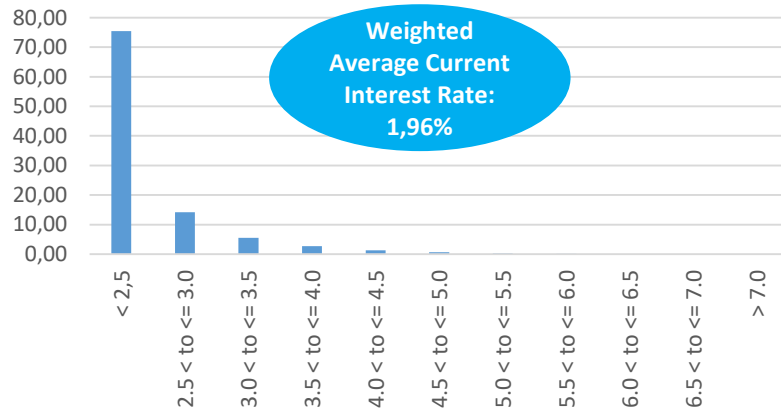
FINAL MATURITY DATE



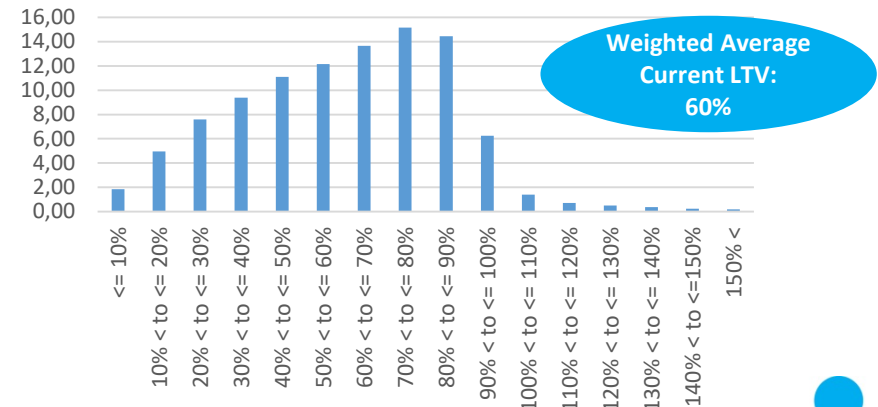
SEASONING



INTEREST RATE



CURRENT LTV

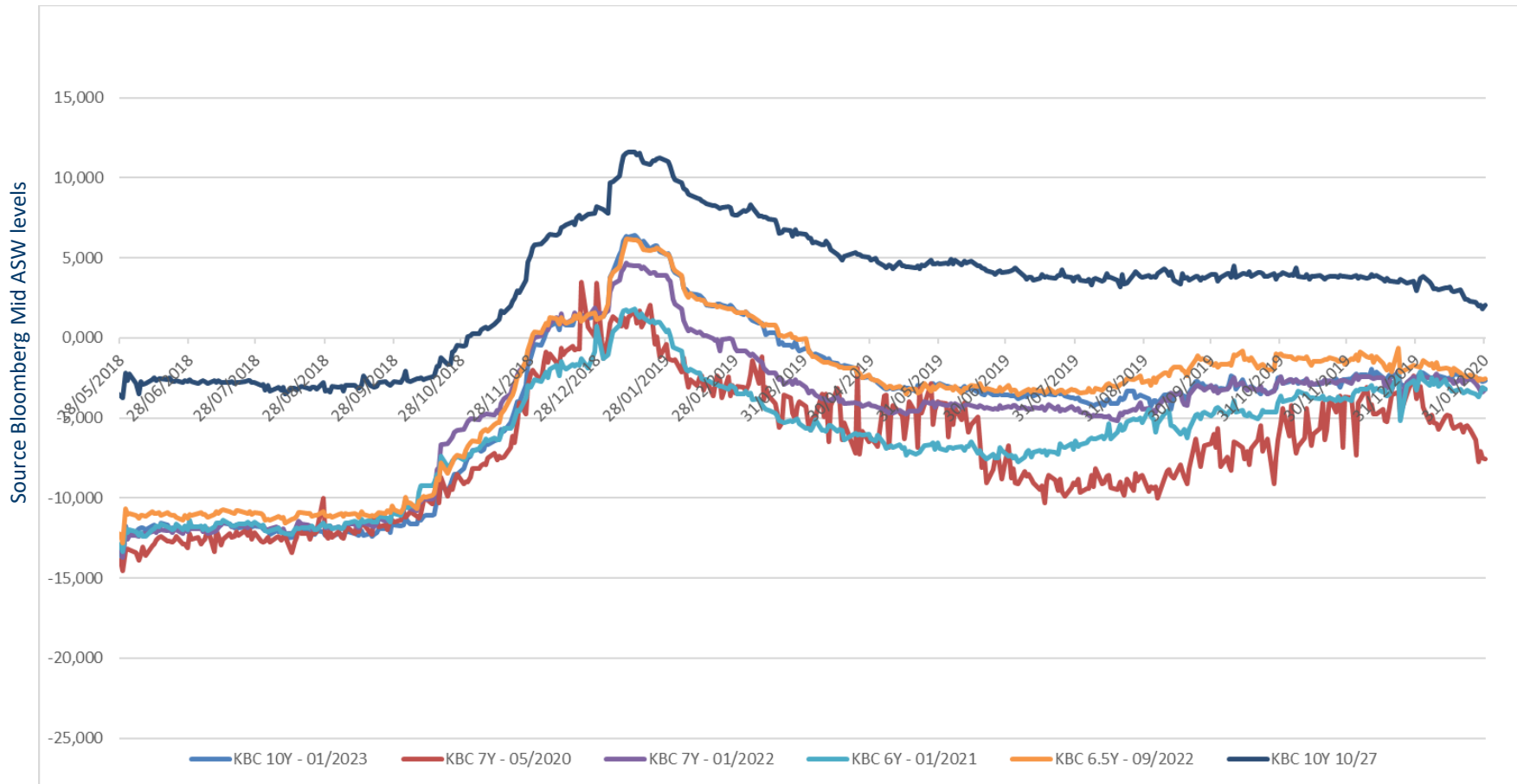


Annex 3 – KBC’s covered bond programme

Benchmark issuance KBC covered bonds

- Since establishment of the covered bond programme KBC has issued eight benchmark issuances:

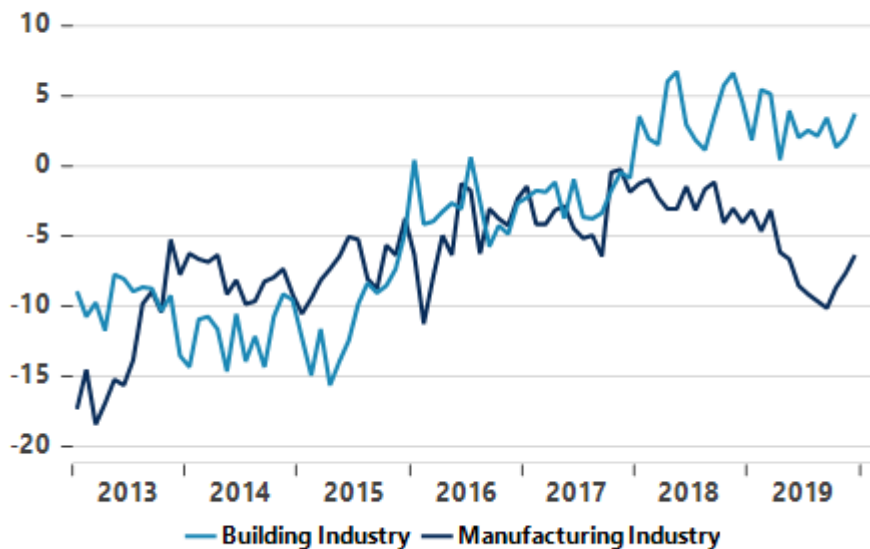
SPREAD EVOLUTION KBC COVERED BONDS (SPREAD IN BP VERSUS 6 MONTH MID SWAP)



Annex 3: Belgian real estate market

In 2019, house price dynamics strengthened due to strong market activity

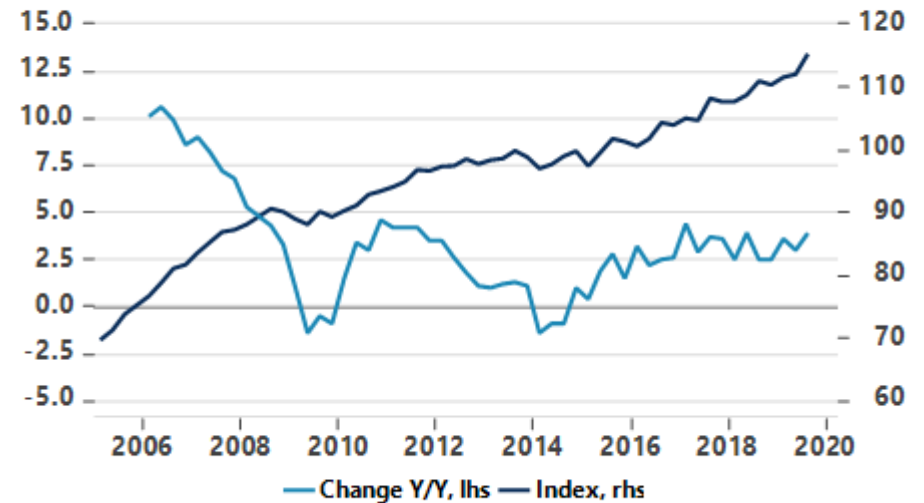
Belgium - NBB business confidence indicator



Source: KBC Economics based on NBB

Belgium - Eurostat house price index

(total dwellings)

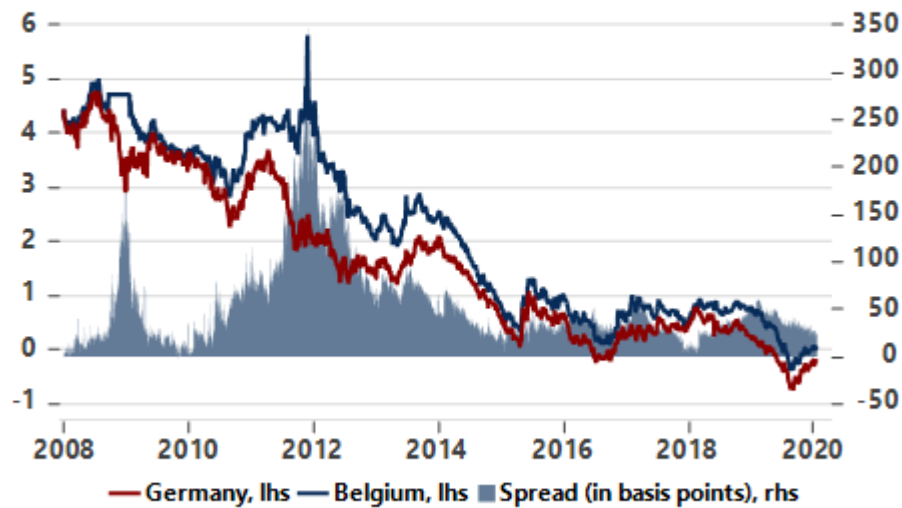


Source: KBC Economics based on Eurostat

Annex 3 - Interest rates

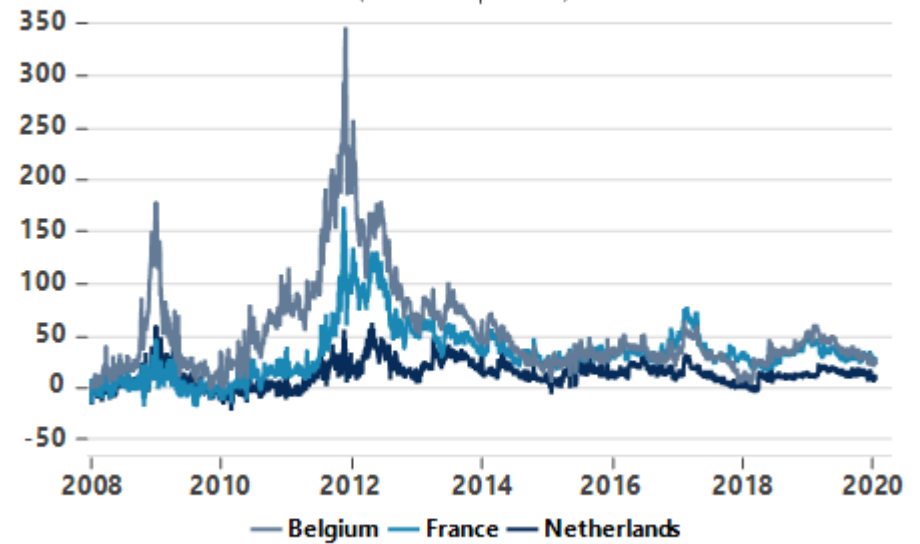
Slightly up, but still historically low

10 year government bond yield (in %)



Source: KBC Economics based on Macrobond

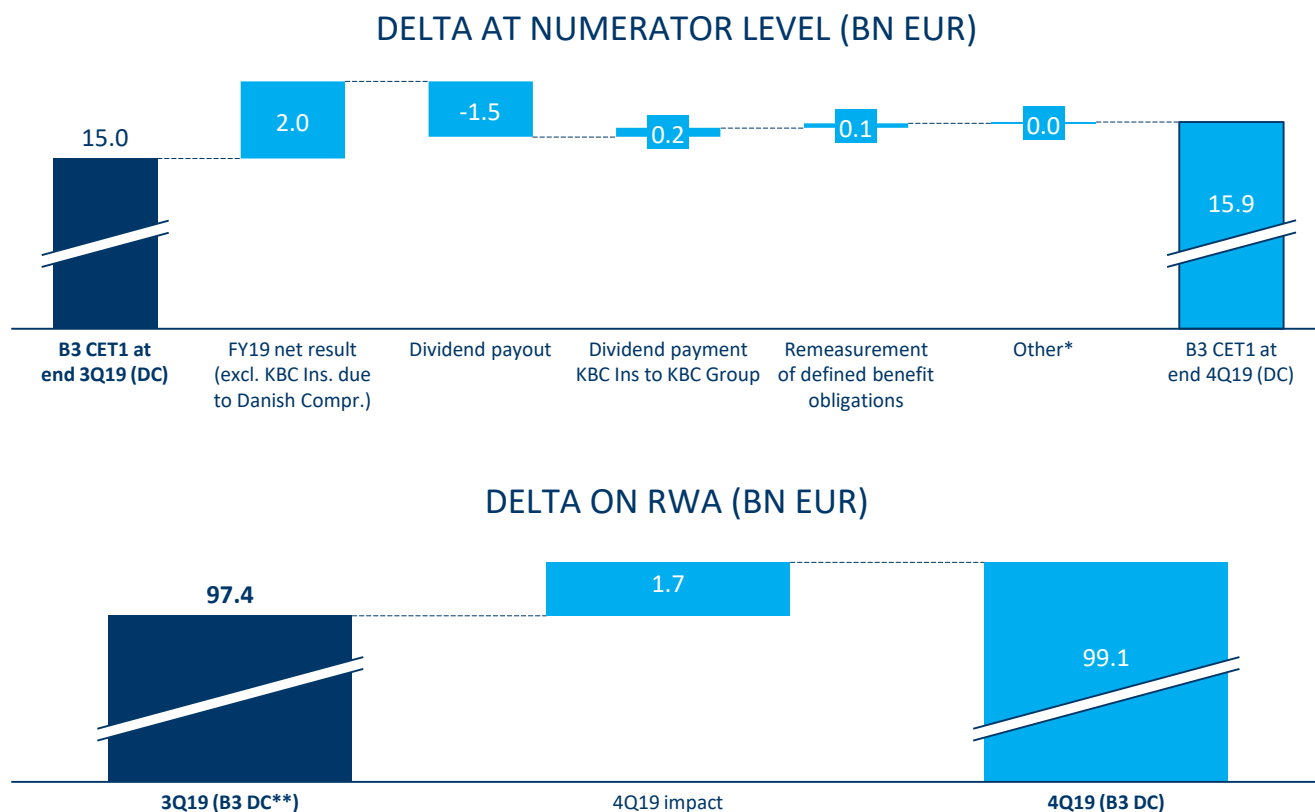
10 year gov. bond yield spread vs. Germany (in basis points)



Source: KBC Economics based on Macrobond

Annex 4 - Solvency details

Fully loaded B3 CET1 based on the Danish Compromise (DC) from 3Q19 to 4Q19



- Fully loaded B3 common equity ratio amounted to 16.1%*** at end FY19 based on the Danish Compromise
- This clearly exceeds the minimum capital requirements set by the competent supervisors of 10.7% fully loaded

* Includes the q-o-q delta in deferred tax assets on losses carried forward, IRB provision shortfall, deduction re. financing provided to shareholders, deduction re. irrevocable payment commitments, intangible fixed assets, AT1 coupon, 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%

*** 15.7% when including the proposed share buy-back

Annex 4 - Solvency details

Overview of B3 CET1 ratios at KBC Group

Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	16,610	111,526	14.9%
DC**, fully loaded	15,948	99,071	16.1%
DM***, fully loaded	15,078	93,936	16.1%

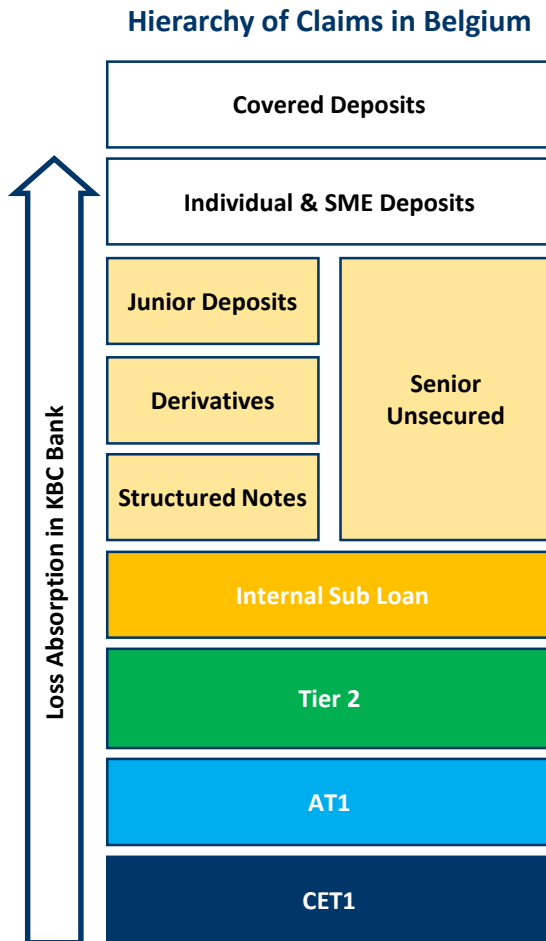
* FICOD: Financial Conglomerate Directive

** DC: Danish Compromise

*** DM: Deduction Method

Annex 4 - Solvency details

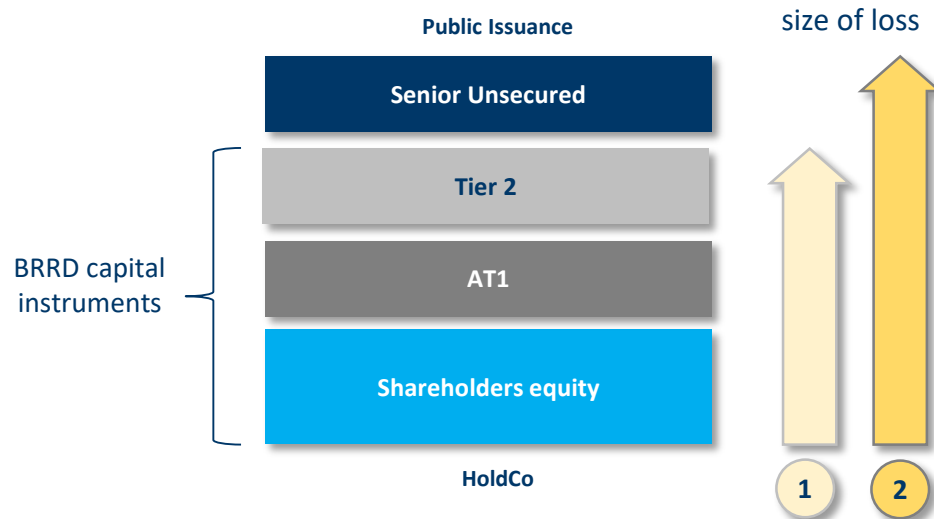
Implementation of the BRRD in Belgium



- The BRRD has been transposed to a large extent by the Act of 25 April 2014 on the legal status and supervision of credit institutions ("The Banking Act") which applies since May-2015, with the exception of some major provisions, such as the bail-in tool. Some provisions will be further implemented by a Royal Decree ("RD"):
 - Bail-in mechanism and MREL requirement of the BRRD: RD was published in the Belgian Official Journal 29 December 2015 and entries into force as from 1 January 2016. However, the resolution strategy and MREL target for KBC are assumptions and have not been determined by the Resolution Authority
 - Group dimension of the BRRD: transposition is currently under preparation
- The competent authorities are
 - Supervision authority (KBC Bank NV, KBC Group NV): ECB/NBB.
 - Resolution authority (KBC Bank NV, KBC Group NV): Single Resolution Board as from 1 January 2016.
 - Competent authority for conduct supervision of financial institutions and intermediaries (KBC Bank NV): FSMA.
- The hierarchy of claims in Belgium is in line with the BRRD as provided for in art. 48 BRRD and applies losses accordingly.
 - Creditors are protected by the No Creditor Worse Off ("NCWO") principle which ensures that creditors in resolution can't be worse-off than in normal insolvency proceedings (art 34(1) BRRD).
- KBC plans on on-lending senior unsecured issued out of KBC Group NV as subordinated instruments at KBC Bank NV to ensure the on-loan would only take losses after Tier 2 securities.
 - Additionally KBC Bank NV's funding needs in senior unsecured are expected to be moderate going forward

Annex 4 - Solvency details

What are the risks for HoldCo senior investors?



In all scenarios surpassing the Point of Non Viability, the investors are protected by the No Creditor Worse Off principle (“NCWO”), which stipulates that no instrument will be worse off in resolution than in normal insolvency proceedings

- 1 Recapitalisation scenario**, losses (originating in any or in all of the underlying entities*) are lower than the size of the capital instruments at the HoldCo level
 - ⇒ part or all of Senior debt issued by the HoldCo can be converted into shares to recapitalise the HoldCo up to a minimum level as decided by the competent authorities. The investor then has a combination of shares and bonds of the HoldCo instead of only bonds and thus (co-)owns the underlying entities. The conversion factor would be determined by the competent authorities applying the NCWO principle.
- 2 Loss absorption scenario**, losses (originating in any or in all of the underlying entities*) exceed the size of the capital instruments at the HoldCo level
 - ⇒ part or all of Senior issued by the HoldCo can be bailed-in to absorb losses. The NCWO principle implies that losses are only up-streamed to the HoldCo upto the amount of the investment of the HoldCo in the entity(ies) generating the losses. Hence, the investor in the HoldCo Senior will lose (up to) its investment to the extent that the amount of outstanding HoldCo senior debt exceeds the value of the remaining underlying entities of the HoldCo

* In KBC Group’s case this would be KBC Bank and/or KBC Insurance

Annex 5 – Business unit international markets

Business profile



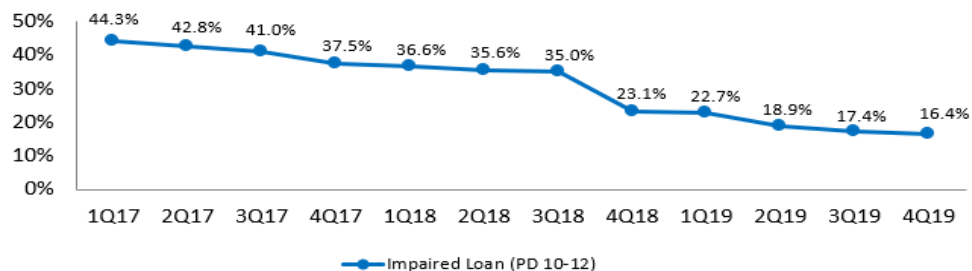
4Q19 NET RESULT (in million euros)	412m	205m	38m	50m	27m	2m	-33m
ALLOCATED CAPITAL (in billion euros)	6.8bn	1.7bn	0.6bn	0.7bn	0.4bn	0.7bn	0.5bn
LOANS (in billion euros)	101bn	30bn	8bn	5bn	3bn	10bn	
DEPOSITS (in billion euros)	131bn	40bn	6bn	8bn	4bn	5bn	
BRANCHES (end 4Q19)	518	225	117	208	183	16	
Clients (end 4Q19)	3.5m	4.2m	0.6m	1.6m	1.3m	0.3m	

Annex 6 - Details on credit exposure of Ireland

Impaired loans ratio further improved

LOAN PORTFOLIO €m	OUTSTANDING	IMPAIRED LOANS	IMPAIRED LOANS PD 10-12	PROVISIONS PD 10-12	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9,315	1,485	16%	336	23%
Buy to let mortgages	664	147	22%	57	39%
Non Mortgage Retail & SME	101	5	5%	4	81%
Corporate	19	19	100%	11	57%
Total	10,100	1,656	16%	408	25%

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



4Q19 Total Portfolio

	PD	Exposure	Impairment Provisions	Cover %
Performing	PD 1-8	7,886	5	0.1%
	Of which non Forborne	7,886		
	Of which Forborne	0		
Impaired	PD 9	558	10	1.8%
	Of which non Forborne	142		
	Of which Forborne	415		
Impaired	PD 10	799	71	8.9%
	PD 11	697	225	32.4%
	PD 12	160	111	69.4%
TOTAL PD1-12		10,100	423	
PD 10-12 Impairment Provisions / (PD 10-12)				24.6%
Impaired loans (PD 10-12) / Total Exposure				16.4%

- The Irish economy sustained positive momentum throughout 2019 in spite of elevated uncertainty related to Brexit. A strong export performance and improvements in domestic spending led to a GDP growth of around 6% for 2019
- Employment continued to increase robustly during 2019 and, with unemployment dropping below 5%, wage growth has picked up. These developments have boosted household purchasing power and supported domestic demand
- Irish house price inflation has stabilised following a period of strong growth. A healthy economy and pent-up demand for housing are broadly offsetting the impact of affordability constraints and Brexit-related uncertainty at a time when supply is growing moderately
- Impaired portfolio decreased by roughly 78m EUR q-o-q resulting in impaired loan ratio reducing to 16.4%. The 14m EUR net impairment releases in 4Q19 were primarily driven by an IFRS9 model review (10m EUR)
- Weighted average indexed LTV on the Retail impaired portfolio improved y-o-y to 98% at 4Q19 (from 99% at 4Q18)

Glossary (1/2)

AQR	Asset Quality Review
B3	Basel III
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (banking)	[operating expenses of the banking activities of the group] / [total income of the banking activities of the group]
Cost/income ratio adjusted for specific items	<p>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:</p> <ul style="list-style-type: none"> • MtM ALM derivatives (fully excluded) • bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC21) • one-off items
Credit cost ratio (CCR)	[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
ESFR	European Single Resolution Fund
FICOD	Financial Conglomerates Directive
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (PD 10-11-12)]
Impaired loans ratio	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity coverage ratio (LCR)	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days]
Net interest margin (NIM) of the group	[banking group net interest income excluding dealing room] / [banking group average interest-bearing assets excluding dealing room]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]

Glossary (2/2)

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

Contacts / Questions

	Kurt De Baenst Investor Relations General Manager	Direct + 32 2 429 35 73 Mobile +32 472 500 427 Kurt.debaenst@kbc.be
	Ilya Vercammen Investor Relations Manager	Direct + 32 2 429 21 26 Mobile +32 472 727 777 Ilya.vercammen@kbc.be
	Dominique Agneesens Investor Relations Manager	Direct + 32 2 429 14 41 Mobile +32 473 657 294 Dominique.agneesens@kbc.be

Company website: www.kbc.com



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