KBC Group
4Q and FY 2020 results
Press presentation

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

More detailed analyst presentation available at www.kbc.com

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Key takeaways for KBC Group

4Q 2020 financial performance

- **Commercial bank-insurance franchises** in core markets performed well
- **Customer loans** and **customer deposits** increased y-o-y in most of our core countries
- Lower **net interest income** and net interest margin
- Higher **net fee and commission income**
- Lower **net gains from financial instruments at fair value** and stable **net other income**
- Sales of **non-life** and **life** insurance up y-o-y
- Tight **cost** management
- Slightly higher net **impairments on loans** and sharply higher impairments on 'other' (of which 59m EUR as the result of a one-off software impairment)
- Solid **solvency** and **liquidity**

Comparisons against the previous quarter unless otherwise stated

Excellent net result of 538m EUR in 4Q20

FY20

- **ROE 8% (10%* in 4Q20)**
- **Cost-income ratio 59%** (adjusted for specific items)
- **Combined ratio 85%**
- **Credit cost ratio 0.60% (0.16% without collective Covid-19 impairments**)**
- **Common equity ratio 17.6%** (B3, DC, fully loaded)
- **Leverage ratio 6.4%** (fully loaded)
- **NSFR 146% & LCR 147%**

* when evenly spreading the bank tax throughout the year
** 783m EUR collective Covid-19 impairments in FY20, of which 672m EUR management overlay and 111m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables

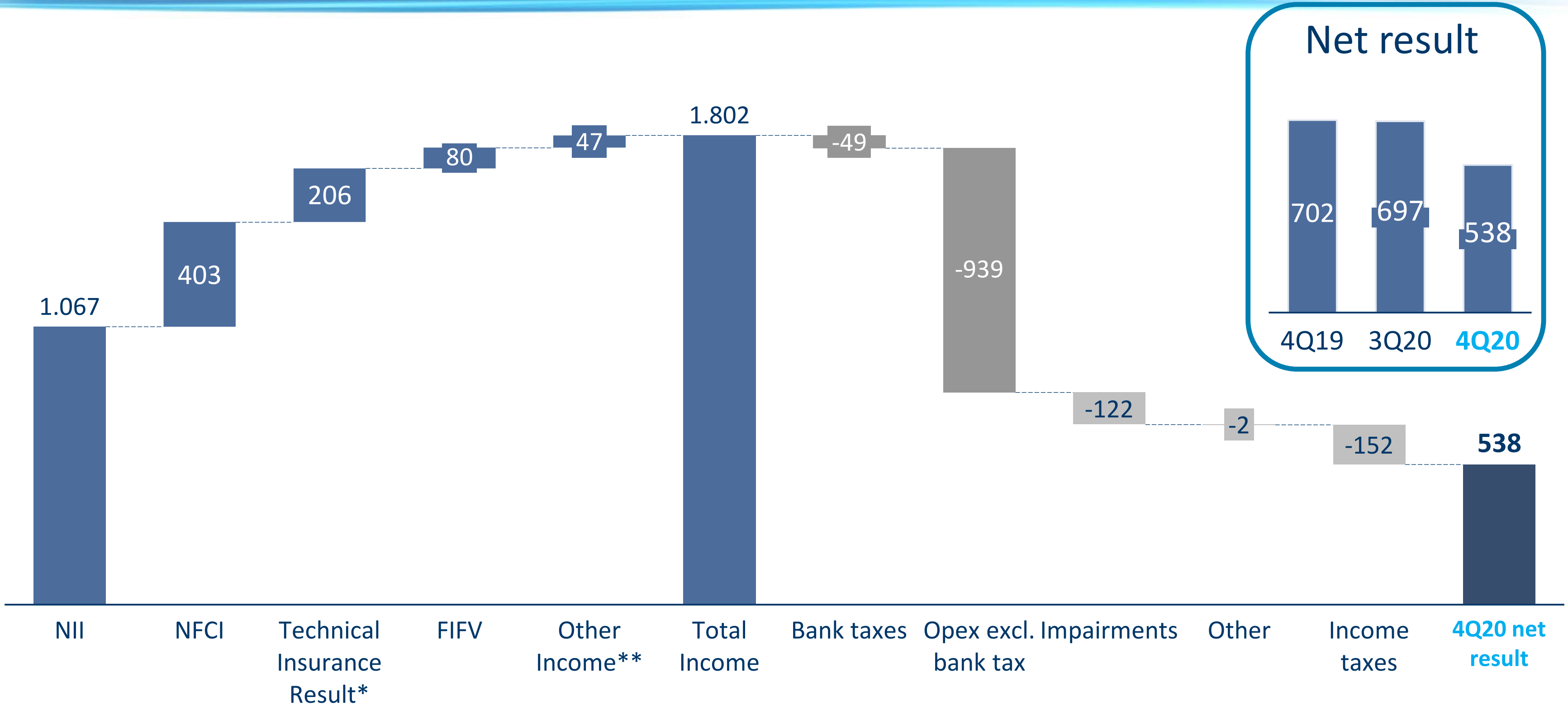



KBC Group
Consolidated results

4Q 2020 performance

KBC Group

Overview of building blocks of the 4Q20 net result



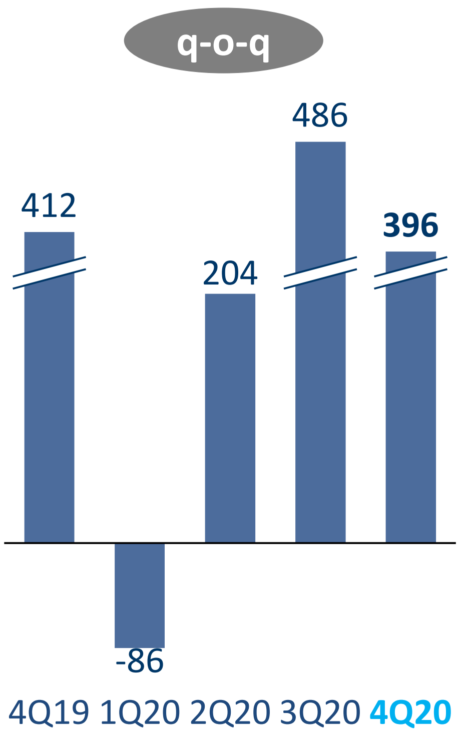
	NII	NFCI	Technical Insurance Result*	FIFV	Other Income**	Total Income	Bank taxes	Opex excl. bank tax	Impairments	Other	Income taxes	4Q20 net result
Q-o-Q	-5%	+3%	-8%			-4%		+4%				-23%
Y-o-Y	-10%	-10%	-6%			-12%		-6%				-23%

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

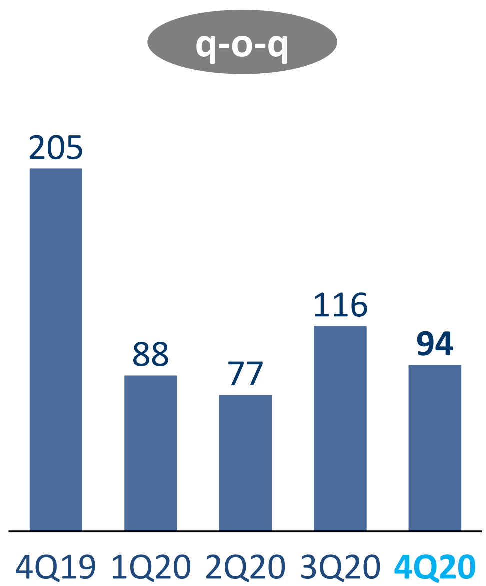
Net result per business unit

Solid contribution from all the business units

BE BU



CZ BU



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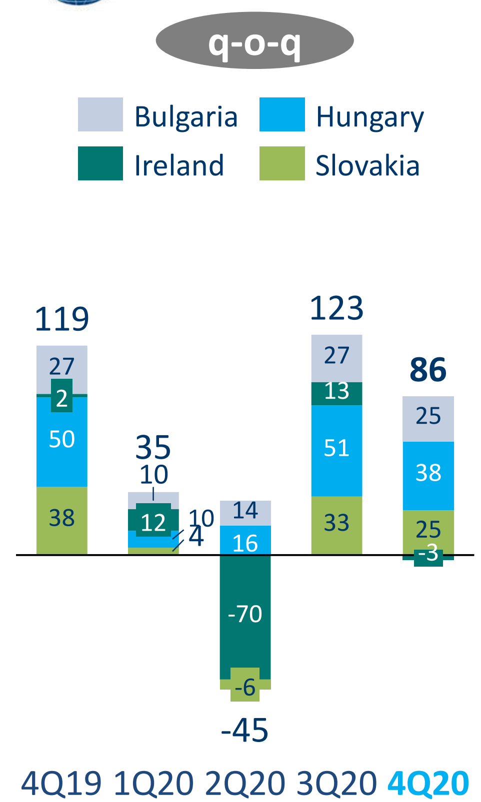
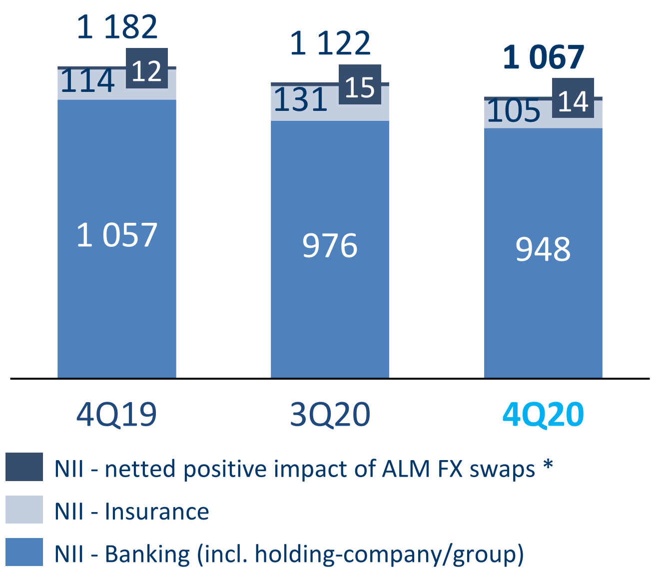


Amounts in millions of EUR

Net interest income

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

Net Interest Income



Net interest income (1,067m EUR)
NII decrease by 5% q-o-q and by 10% y-o-y
The q-o-q decrease was driven primarily by:
(-) lower reinvestment yields, a lower positive one-off item at NII Insurance (+5m EUR in 4Q20 versus +26m EUR in 3Q20), depreciation of the CZK & HUF versus the EUR and slightly lower netted positive impact of ALM FX swaps
partly offset by:
(+) higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic & Slovakia and intensified charging of negative interest rates on certain current accounts to corporates and SMEs

The y-o-y decrease was mainly the result of the CNB rate cuts, the depreciation of the CZK & HUF versus the EUR and the negative impact of lower reinvestment yields

Net interest margin**

Quarter	4Q19	3Q20	**4Q20**
NIM	1.94%	1.81%	**1.75%**

NIM 1.75%
Decreased by 6 bps q-o-q and by 19 bps y-o-y due mainly to the CNB rate cuts, the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (denominator)

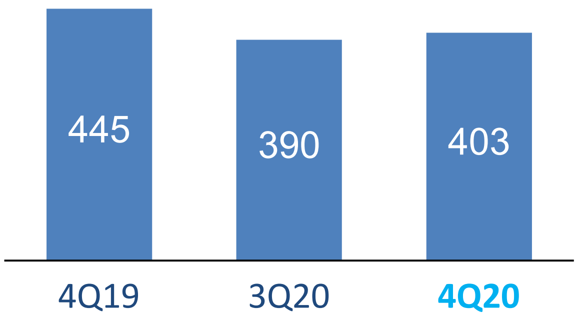
* *From all ALM FX swap desks*
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

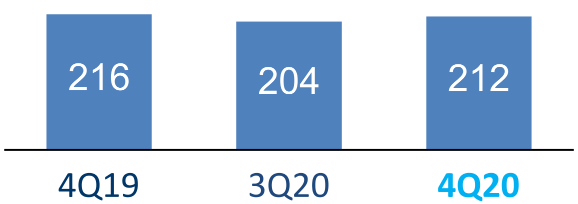
Higher net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income (403m EUR)
Up by 3% q-o-q and down by 10% y-o-y
Q-o-q increase was the result of the following:

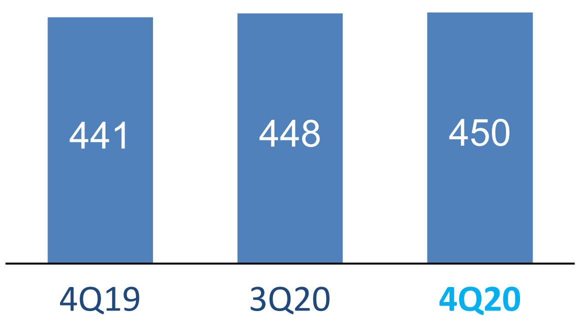
- **Net F&C income from Asset Management Services** increased by 2% q-o-q as a result of higher management fees, partly offset by lower entry fees from mutual funds and unit-linked life insurance products
- **Net F&C income from banking services** rose by roughly 5% q-o-q as higher securities-related fees, higher fees from credit files & bank guarantees and higher network income were partly offset by slightly lower fees from payment services
- **Distribution costs** rose by 5% q-o-q due chiefly to higher commissions paid linked to banking products and increased life insurance sales

Assets under management (212bn EUR)
Increased by 4% q-o-q due entirely to a positive price effect

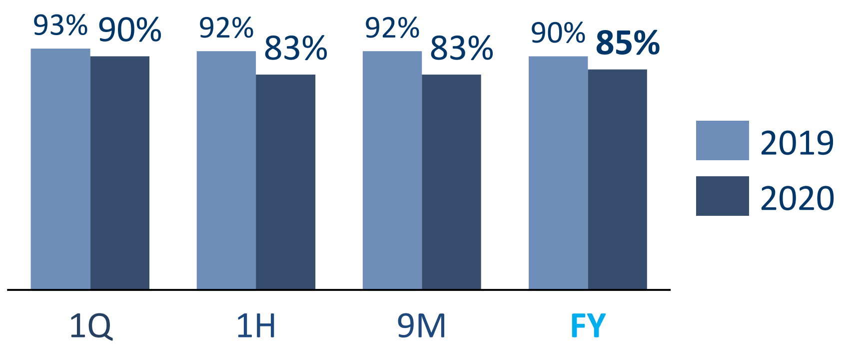
Non-life insurance

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

Non-Life
(Gross earned premiums)



Combined ratio non-life



Y-o-y increase of gross earned premium Non-Life by +2%, despite the negative impact of Covid-19 on existing business (mainly 'Workmen's compensation' and 'General third-party liability')

The **non-life combined ratio for FY20 amounted to an excellent 85%.** This is the result of 3% y-o-y premium growth combined with 6% y-o-y lower technical charges in FY20. The latter was due mainly to lower normal claims in FY20 (especially in 'Motor' and 'Workmen's compensation', partly due to Covid-19), despite an increase of the ageing reserves in 4Q20 (of 21m EUR)

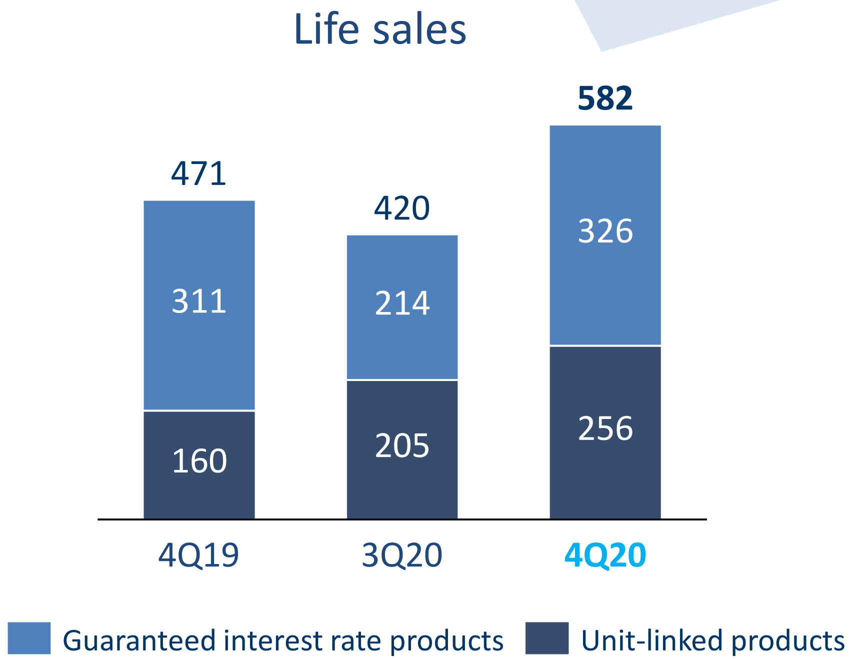
Amounts in millions of EUR

Life insurance

Life sales up q-o-q and y-o-y

Sales of life insurance products increased by 39% q-o-q and by 23% y-o-y

- The **q-o-q increase** was driven by both higher sales of guaranteed interest products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in 4Q20) and unit-linked products in Belgium and the Czech Republic
- The **y-o-y increase** was driven mainly by higher sales of unit-linked products in Belgium (mainly due to commercial actions towards Retail/SME clients)
- Sales of unit-linked products accounted for 44% of total life insurance sales in 4Q20



Amounts in millions of EUR

Net result from financial instruments at fair value

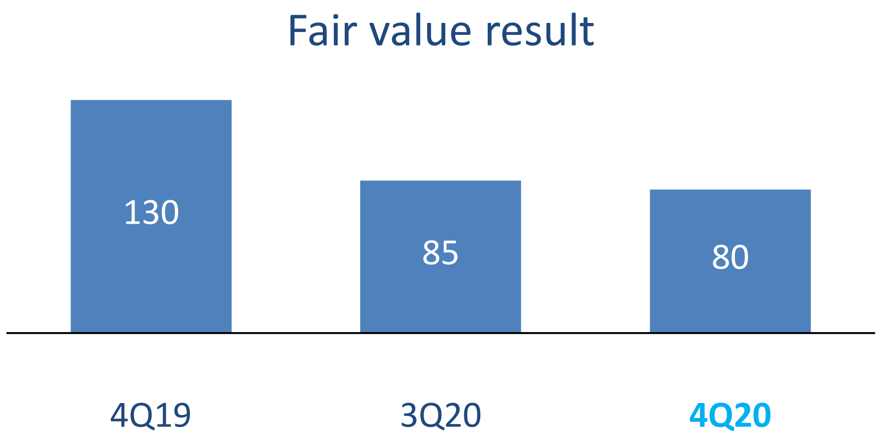
Lower fair value result

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

- a negative change in ALM derivatives
- lower market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates, despite increasing equity markets and decreasing counterparty credit spreads & KBC funding spread)

partly offset by:

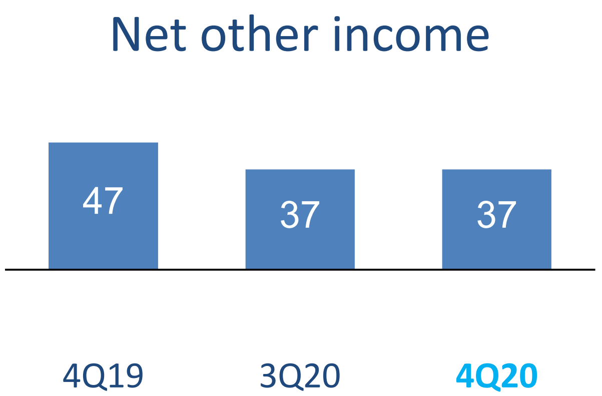
- higher dealing room & other income
- a higher net result on equity instruments (insurance)



Amounts in millions of EUR

Net other income

Net other income amounted to 37m EUR, below the normal run rate of around 50m EUR per quarter due to, among other things, a legacy legal file in the Czech Republic (-6m EUR) and an additional impact of the tracker mortgage review in Ireland of -3m EUR

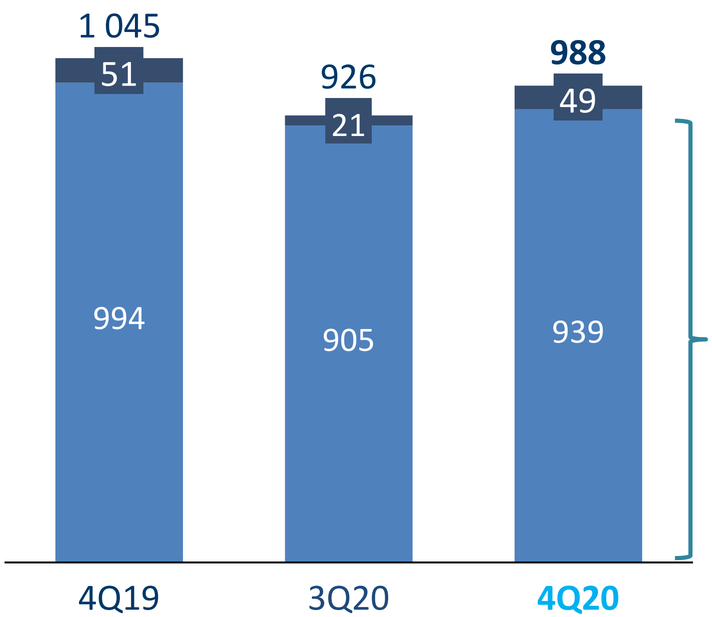


Amounts in millions of EUR

Operating expenses

Tight cost management

Operating expenses



	FY19	FY20
Cost/Income ratio (banking)*	58%	**59%**

- **Operating expenses <u>excluding</u> bank taxes decreased by 4.2% y-o-y in FY20** (compared to our FY20 guidance of -3.5% y-o-y) due chiefly to the announced cost savings triggered by Covid-19
- **Operating expenses <u>excluding</u> bank taxes increased by 4% q-o-q** primarily as a result of:
  - higher staff expenses (due largely to a higher accrual of variable compensation and wage inflation in most countries)
  - higher ICT & marketing costs and higher professional fees

  partly offset by:
  - +10m EUR one-off as a result of the updated software capitalisation policy
  - lower facilities expenses
- Total bank taxes (including ESRF contribution) increased by 2% y-o-y to 503m EUR in FY20

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

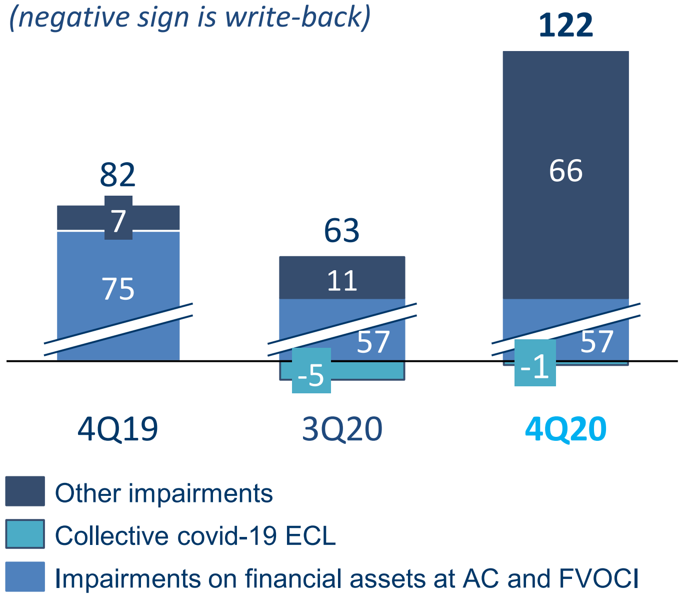
Amounts in millions of EUR

Asset impairments

Higher asset impairments q-o-q

Asset impairment

(negative sign is write-back)



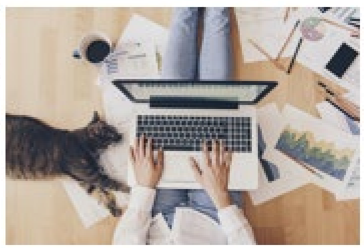
Higher asset impairments q-o-q due to other impairments :

- **The q-o-q small increase of loan loss provisions** was attributable entirely to a lower reversal of collective Covid-19 impairments in 4Q20 (impact from updated IFRS 9 macroeconomic variables was fully offset by the management overlay)
- **Impairment of 66m EUR on 'other',** of which 59m EUR as the result of a one-off software impairment and a 2m EUR one-off modification loss from moratorium (time value of deferred interest)

Credit cost ratio	FY19	FY20
With collective Covid-19 ECL	-	0.60%
Without collective Covid-19 ECL	0.12%	0.16%

The credit cost ratio in FY20 amounted to 16bps without collective Covid-19 ECL and 60bps with collective Covid-19 ECL

Amounts in millions of EUR



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4Q Covid-19

COVID-19 (1/9)

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

Belgium

Deferral of payments

Opt-in: 3 months for consumer finance , 6-9 months for mortgages and non-retail loans, originally until 31 Oct 2020

Application period extended for a second time (to 31 Mar 2021). All deferrals to expire at the end of June (max. total deferral period of 9 months)

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

Guarantee Scheme & liquidity assistance

- **A state guarantee scheme** of up to 40bn EUR to cover losses incurred on future non-retail loans granted before 31 Dec 2020 to viable companies, with a tenor of max. 12 months and a maximum interest rate of 1.25%. Guarantee covers 50% of losses above 3% of total credit losses and 80% above 5% of losses
- **As of 3Q, a revised state guarantee scheme** of up to 10bn EUR has been in place to cover losses on future SME loans granted before 31 Dec 2020 (extended until Jun 2021), with a tenor between 1 and 3 years (extended to 5 years) and with a maximum interest rate of 2% (or 2.5% if tenor > 3 years). Guarantee covers 80% of all losses

Czech Republic

Deferral of payments

Opt-in: 3 or 6 months

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

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

Guarantee Scheme & liquidity assistance

- The **Czech-Moravian Guarantee and Development Bank (CZMRB)** launched several guarantee programs (COVID II, COVID II Praha, COVID III) for working capital loans provided by commercial banks to non-retail clients. The loan amount is guaranteed up to 80% or 90% of the loan amount. Interest on these loans is subsidised up to 25% (COVID II). COVID III extended until Jun 2021
- **The Export Guarantee and Insurance Corporation (EGAP)** under its COVID Plus program offers guarantees on loans provided by commercial banks. EGAP guarantees up to 90% of the loan amount, depending on the rating of the debtor. The program is aimed at companies in which exports accounted for more than 20% of turnover in 2019

Hungary

Deferral of payments

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

Extension of the deferral period until 30 Jun 2021

- Applicable for retail and non-retail clients
- Extension conditions are the same as the original moratorium
- Deferral of principal and interest payments
- Interest is accrued over the deferral period, but unpaid interest cannot be capitalised and must be collected on a linear basis during the remaining (extended) lifetime. This resulted in a modification loss for the bank *(-18m EUR booked in 1Q; revised to -11m EUR in 2Q and increased to -12m EUR in Q4 due to the extension)*

Guarantee Scheme & liquidity assistance

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

COVID-19 (2/9)

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

Deferral of payments

Slovakia

Opt-in: 9 months or 6 months (for leases)

Application period is still running (but most payment holidays will end in 1Q 2021)

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

Bulgaria

Opt-in: 9 months (deferral until 31 Dec 2021 at the latest)

Application period expires on 31 Mar 2021

- Applicable for retail and non-retail customers
- Deferral of principal with or without deferral of interest payments
- For both, full and partial deferrals, the tenor is extended by 9 months (or 6+3)
- Interest is accrued over the deferral period and repaid in 12 months for consumers; in 18 months (or 12+6) for non-retail or 60 months for mortgages in equal instalments

Ireland

Opt-in: 3 to 6 months

Application period expired on 30 Sep 2020

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

Guarantee Scheme & liquidity assistance

Slovakia

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

Bulgaria

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

Ireland

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

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COVID-19 (3/9)

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

Payment holidays – by country :

Status: 31 Dec 2020 *Eur bn*	Loan deferrals granted		Expired loan deferrals
	Total	% of total loan portfolio	
KBC Group	**13.4**	**8%**	**8.7**
of which:			
Belgium	7.4	7%	4.9
Czech Republic	2.2	7%	2.2
Hungary (opt-out)	1.6	32%	0.0
Slovakia	0.8	9%	0.3
Bulgaria	0.2	7%	0.2
Ireland	1.2	12%	1.1

Payment holidays – by segment :

Status: 31 Dec 2020 *Eur bn*	Loan deferrals granted		Expired loan deferrals
	Total	% of total loan portfolio	Total
KBC Group	**13,4**	**8%**	**8,7**
of which:			
Mortgages	4,7	7%	3,8
SME	4,0	12%	2,1
Corporate	3,9	9%	2,5

Loans and advances under public Covid-19 guarantee schemes :

Status: 31 Dec 2020	Loans granted EUR m	# obligors k
KBC Group	**814**	**10**
of which:		
SME	411	
Corporate	389	

By the end of December 2020:

- The volume of granted loans with payment holidays, according to the EBA definitions, amounted to 13.4bn EUR or 8% of total loan book*
- Approx. 9bn EUR of moratoria already expired, of which 96% have resumed payments
- Government guaranteed loans granted (under Covid-19 scheme) for 814m EUR

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

COVID-19 (4/9)

IFRS 9 scenarios

OPTIMISTIC SCENARIO	**BASE-CASE SCENARIO**	PESSIMISTIC SCENARIO
Virus spread and impact more quickly under control thanks to earlier than expected large-scale availability of vaccines, allowing social distancing measures and other precautionary measures to be lifted sooner	Start of vaccination process and wider testing and tracing will allow only a very moderate easing of precautionary measures in H1 2021. From mid-2021 on, the normalisation of socio-economic interactions will be helped by the mass rollout of effective vaccines. However, as the vaccination process will take time, socio-economic interactions will not return to normal before 2022	The virus reappears and continues to weigh on society and the economy, because of setbacks in the vaccination process (e.g., logistical problems, disappointing immunity results, etc.)
Steep and steady recovery from the first half of 2021 onwards, with a fast return to pre-Covid-19 levels of activity	The recovery will be gradual. It will take until the second half of 2021 for the mass rollout of vaccines to reinforce the recovery to pre-Covid-19 levels of activity by the end of 2023	Another (series of) shock(s) takes place, leading to an interrupted and unsteady path to recovery
Sharp, short V-pattern	U-pattern	More L-like pattern, with right leg only slowly increasing

- The Covid-19 pandemic continues to be the main driver of the global economy. However, the rollout of the different vaccines will support economic recovery in the medium term. The strength and/or timing of the recovery is country-specific and subject to significant uncertainty. Also, the possible resurgence of virus outbreaks remains a concern and is forcing many countries to maintain or even extend specific lockdown measures.
- Because of this **uncertainty,** we continue working **with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario**
- The definition of each scenario reflects the latest virus-related and economic developments, with the following probabilities: **55% for the base-case, 35% for the pessimistic and 10% for the optimistic scenario**

Macroeconomic scenarios*

December 2020

Real GDP growth	2020	2021			2022		
	Base	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Euro area	-7.5%	7.4%	2.4%	-3.1%	4.1%	4.1%	1.8%
Belgium	-7.4%	6.8%	0.9%	-4.5%	3.6%	4.1%	1.6%
Czech Republic	-6.5%	4.4%	2.7%	-2.0%	4.1%	5.0%	3.2%
Hungary	-6.0%	6.3%	3.5%	-1.0%	4.5%	4.8%	3.5%
Slovakia	-6.8%	7.0%	4.2%	1.6%	4.8%	4.2%	3.2%
Bulgaria	-5.0%	4.0%	3.0%	-1.0%	3.0%	4.0%	2.0%
Ireland	2.5%	6.0%	4.0%	1.0%	6.0%	4.0%	1.0%

- *The macroeconomic information is based on the economic situation and KBC forecast in December 2020 and hence does not yet reflect the official macroeconomic figures for FY 2020 as reported by different authorities*

- The baseline scenario now incorporates an improvement in the macro assumptions for 2020 and a gradual recovery in Europe that accelerates in the second half of 2021

COVID-19 (5/9)
IFRS 9 scenarios

Macroeconomic scenarios
December 2020

Unemployment rate	2020	2021			2022		
	Base	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Belgium	5.8%	6.2%	7.2%	8.2%	5.9%	6.9%	8.0%
Czech Republic	3.3%	3.5%	4.2%	5.2%	3.3%	4.0%	5.6%
Hungary	4.8%	4.2%	5.0%	7.0%	4.0%	4.6%	6.5%
Slovakia	8.0%	8.0%	9.5%	12.0%	7.5%	8.0%	10.0%
Bulgaria	8.0%	6.0%	10.0%	12.0%	4.3%	7.0%	11.0%
Ireland (*)	18.0%	5.0%	7.0%	14.0%	4.0%	6.0%	10.0%

(*) Note: includes temporary layoffs rather than permanent job losses, and as such, may improve rapidly once vaccine rollout becomes better established in Ireland

House-price index	2020	2021			2022		
	Base	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Belgium	3.0%	2.0%	-3.0%	-5.0%	2.5%	1.0%	-2.0%
Czech Republic	6.7%	3.6%	1.5%	-3.0%	4.0%	2.0%	-1.0%
Hungary	-1.0%	2.5%	-1.0%	-4.0%	3.5%	2.0%	-1.0%
Slovakia	9.0%	3.5%	1.2%	-4.0%	4.0%	2.0%	-1.0%
Bulgaria	1.0%	1.0%	0.0%	-1.0%	3.0%	3.0%	0.0%
Ireland	0.0%	3.0%	0.0%	-3.0%	4.0%	1.0%	-3.0%

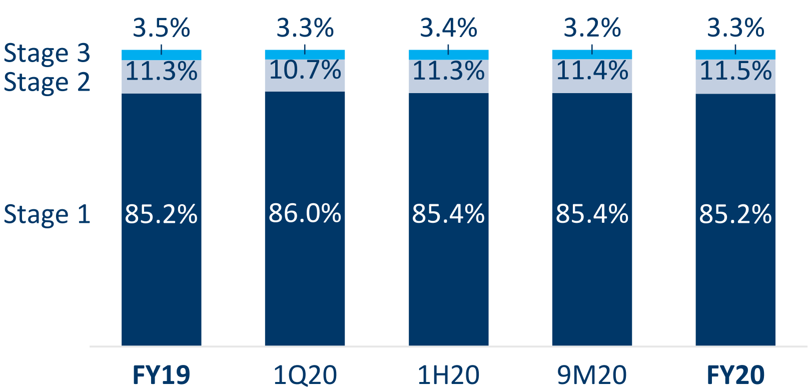
COVID-19 (6/9)

Steady staging of loan portfolio

Total loan portfolio outstanding by segment*

(in billions of EUR)	FY19	1Q20	1H20	9M20	FY20
Loan portfolio outstanding	**175**	**180**	**179**	**179**	**181**
Retail	42%	40%	41%	42%	43%
of which mortgages	38%	37%	38%	39%	40%
of which consumer finance	3%	3%	3%	3%	3%
SME	22%	21%	21%	22%	22%
Corporate	37%	39%	38%	37%	35%

Total loan portfolio outstanding by IFRS 9 ECL stage*



- As disclosed during previous quarters, 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**

- In the first quarter, this calculation was limited to a certain number of (sub)sectors. In the second quarter, driven by significant uncertainties around the Covid-19 crisis, the scope of the management overlay was expanded to include all sectors of our corporate and SME portfolio as well as our retail portfolio

- To be consistent with the second and third quarter, **we recalculated the Covid-19 ECL** based on the same methodology used **on the performing and non-performing portfolio at the end of December 2020** but **including the latest economic scenarios**

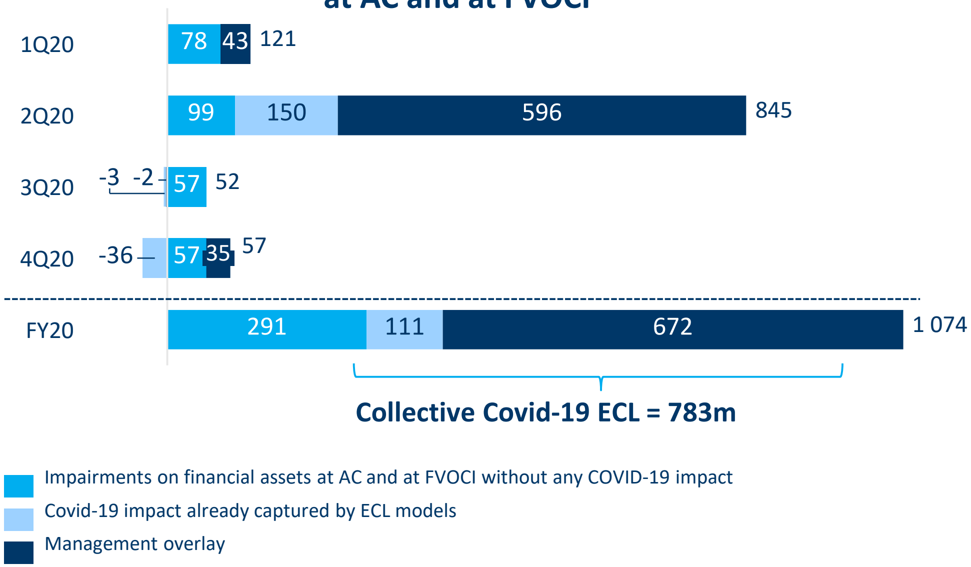
- Until now, only minor PD shifts have been observed in our portfolio, which is reflected in stable staging percentages**.** Note that in line with ECB/ESMA/EBA guidance, any EBA-compliant government measures granted before the end of September 2020, as well as newly granted measures between 1 October 2020 and the end of December 2020, have not led to automatic staging

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

COVID-19 (7/9)

Impact of the collective Covid-19 ECL (FY 2020)

Impairment on financial assets at AC and at FVOCI



Credit Cost % *(annualized*)*	FY19	3M20	1H20	9M20	FY20
Without collective COVID-19 ECL	0.12%	0.17%	0.20%	0.17%	0.16%
With collective COVID-19 ECL		0.27%	0.64%	0.61%	0.60%

** Collective Covid-19 ECL, not annualised*

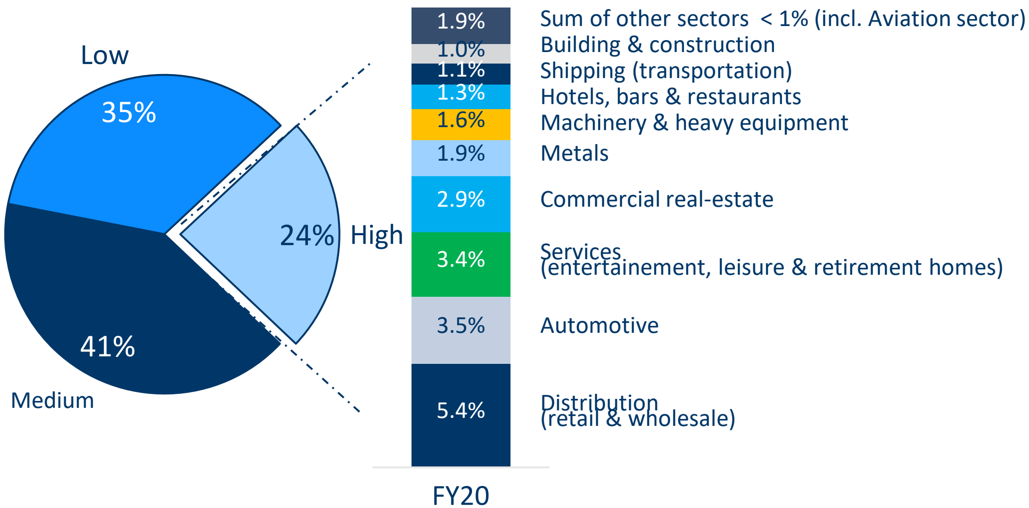
- The updated assessment of the impact of Covid-19 on the performing and non-performing portfolios after 12M20 *(see details in following slides)*, **resulted in a total collective Covid-19 ECL of 783m EUR (q-o-q release of 1m EUR)** of which:
  - a total management overlay of 672m EUR, with a q-o-q increase of 35m EUR being booked in 4Q20
  - the ECL models captured an impact of 111m EUR after 12M, resulting in a q-o-q release of 36m EUR. The release can be explained by the improvement of the macroeconomic assumptions for 2020 and a gradual recovery which accelerates in the second half of 2021
- The total collective Covid-19 ECL of 783m EUR consists of **6% stage 1, 86% stage 2 and 8% stage 3 impairments**
- **Full-year 2020 impairment** (on financial assets at AC and at FVOCI) **amounts to 1,074m EUR** and is fully in line with our year-end guidance of roughly 1.1bn EUR
- Including the collective Covid-19 ECL, the Credit Cost Ratio for FY20 amounted to 0.60%

Amounts in m EUR

COVID-19 (8/9)

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

SME & Corporate loan portfolio* of 103bn EUR broken down by sector sensitivity to Covid-19 :



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

Machinery & heavy equipment	The entire sector (with a share of 1.6%) was moved into the 'high risk' category as companies active in this sector are considered more vulnerable following the expectation that their clients will defer CAPEX investments (note that a part of the underlying activities was already included in 'high risk' in the previous quarters, see 'sum of sectors <1%')
Distribution	A minor share of activities related to the wholesale distribution of textile and entertainment goods was moved into the 'high risk' category, adding to the already designated retail & wholesale part (mainly retail, fashion and apparel)

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

Aviation sector	As in the previous quarter, both sectors categorised as 'high risk', but with a limited share of 0.3% and 0.2%, respectively
Exploration and production of oil, gas & other fuels	

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

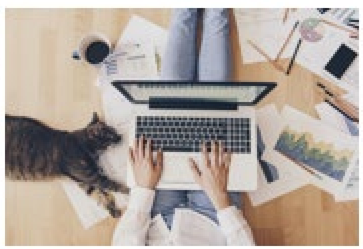
COVID-19 (9/9)

Collective Covid-19 ECL in more detail : q-o-q release of 1m EUR

Collective Covid-19 ECL per country:

FY20 *EUR m*	Performing portfolio impact *Optimistic* 10%	 *Base* *55%*	 *Pessimistic* *35%*	 Probability weigthed	Non-Performing portfolio	Total FY20	4Q20	3Q20	2Q20	1Q20
KBC Group	**511**	**618**	**930**	**717**	**66**	**783**	**-1**	**-5**	**746**	**43**
By country:										
Belgium	338	358	464	393	20	413	3	-3	378	35
Czech Republic	95	137	195	153	9	162	-5	9	152	6
Slovakia	23	32	48	37	0	37	0	-3	39	1
Hungary	25	45	81	56	0	56	2	-1	54	1
Bulgaria	7	17	26	19	5	24	1	-5	28	n/a
Ireland	23	29	116	59	32	91	-2	-2	95	n/a

KBC



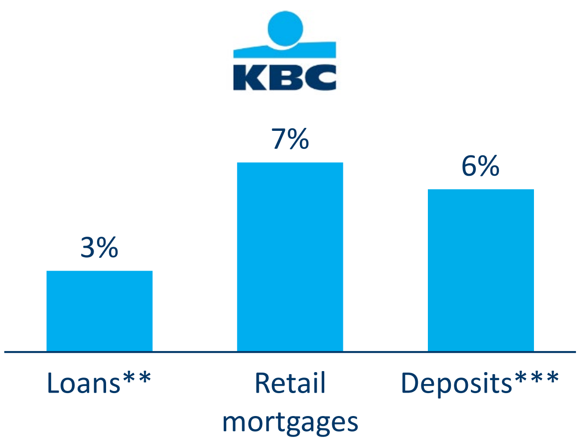
KBC Group

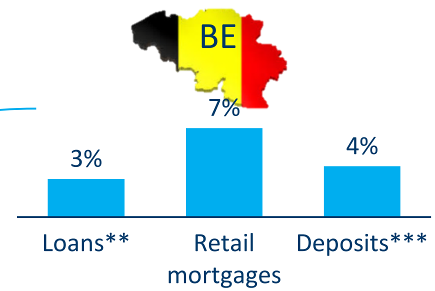
Balance sheet, capital and liquidity

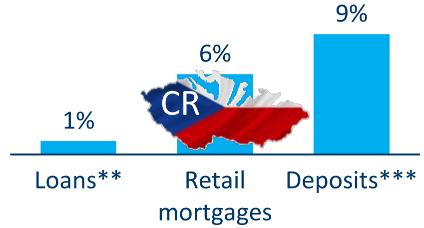
Balance sheet

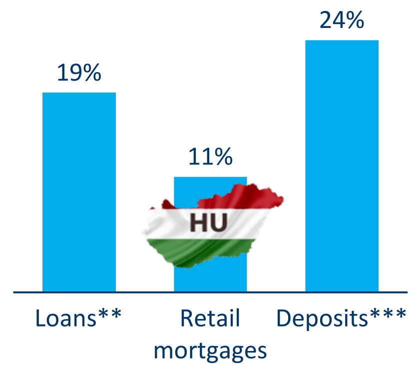
Loans and deposits continue to grow in all countries

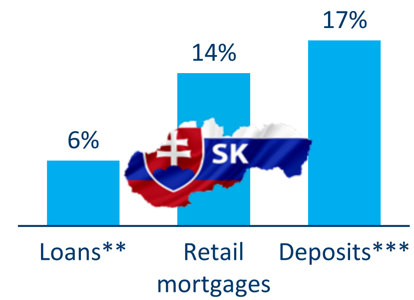
Y-O-Y ORGANIC* VOLUME GROWTH

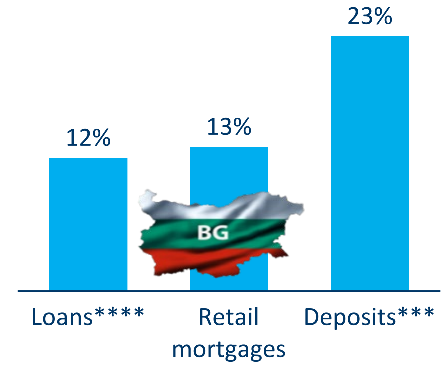


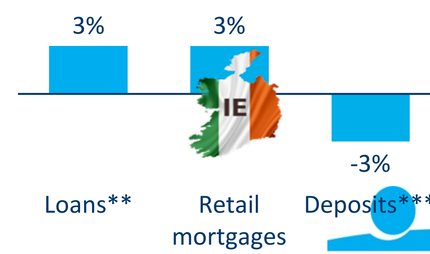












* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL

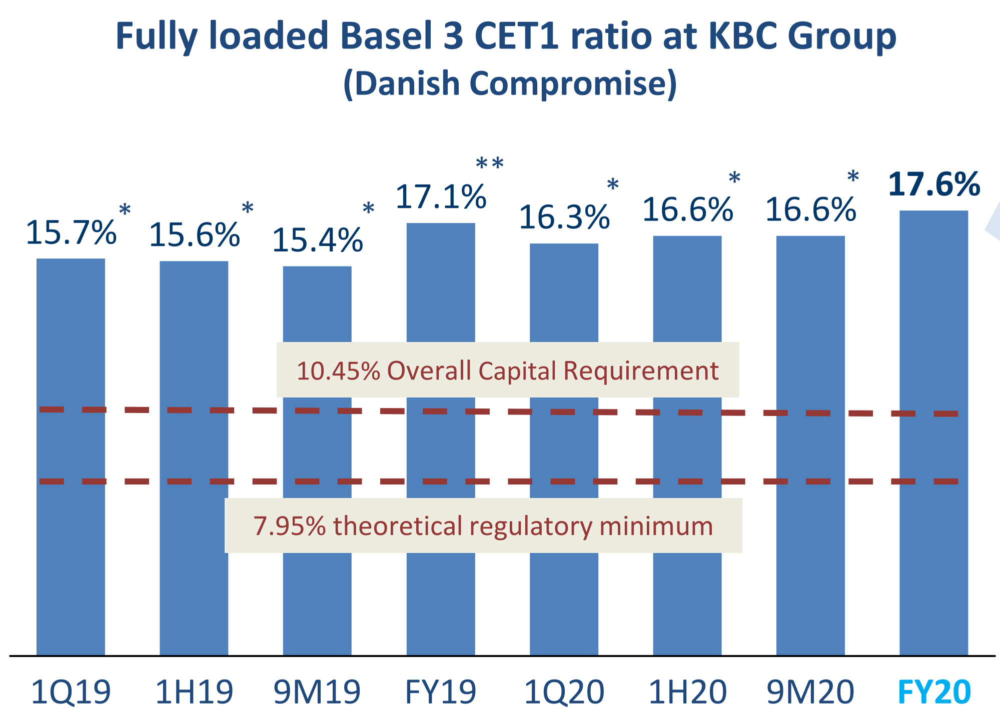
** Loans to customers, excluding reverse repos (and bonds)

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

**** Total customer loans in Bulgaria: new bank portfolio +13% y-o-y, while legacy -18% y-o-y

Common equity ratio

Strong capital position



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

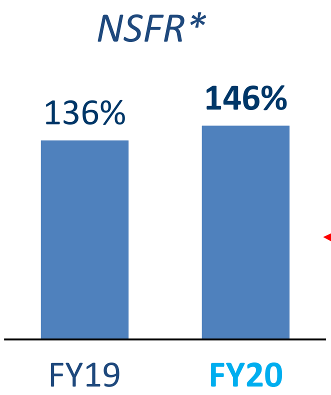
** Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share

- **The fully loaded common equity ratio increased 1.0% q-o-q to 17.6%** at the end of FY20 based on the Danish Compromise
- KBC's CET1 ratio of 17.6% at the end of FY20 represents a solid capital buffer:
  - **9.6% capital buffer compared with the current theoretical minimum capital requirement of 7.95%** (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - **7.1% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45%** (which still includes the 2.50% capital conservation buffer on top of the 7.95%)
- At year-end 2020, the impact of the application of the transitional measures resulted in a positive impact on CET1 ratio of 53 bps compared to fully loaded (transitional CET1 ratio amounted to 18.1% at the end of 2020)

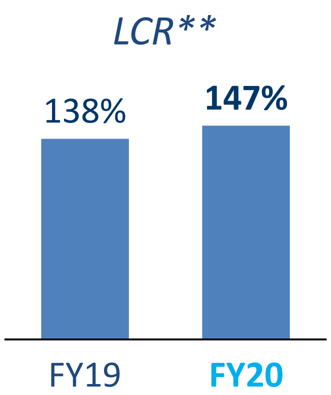
Liquidity ratios

Liquidity continues to be very solid

KBC Group's liquidity ratios



Regulatory Requirement ≥ 100%



NSFR is at 146% and LCR is at 147% by the end of FY20

Both ratios were well above the regulatory requirement of 100% due to a strong growth in customer funding and the participation to TLTRO III

** Net Stable Funding Ratio (NSFR) is based on KBC Bank's interpretation of the proposal of CRR amendment.*

*** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC Bank discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure.*

KBC Group
4Q and FY 2020

Differently: the next level

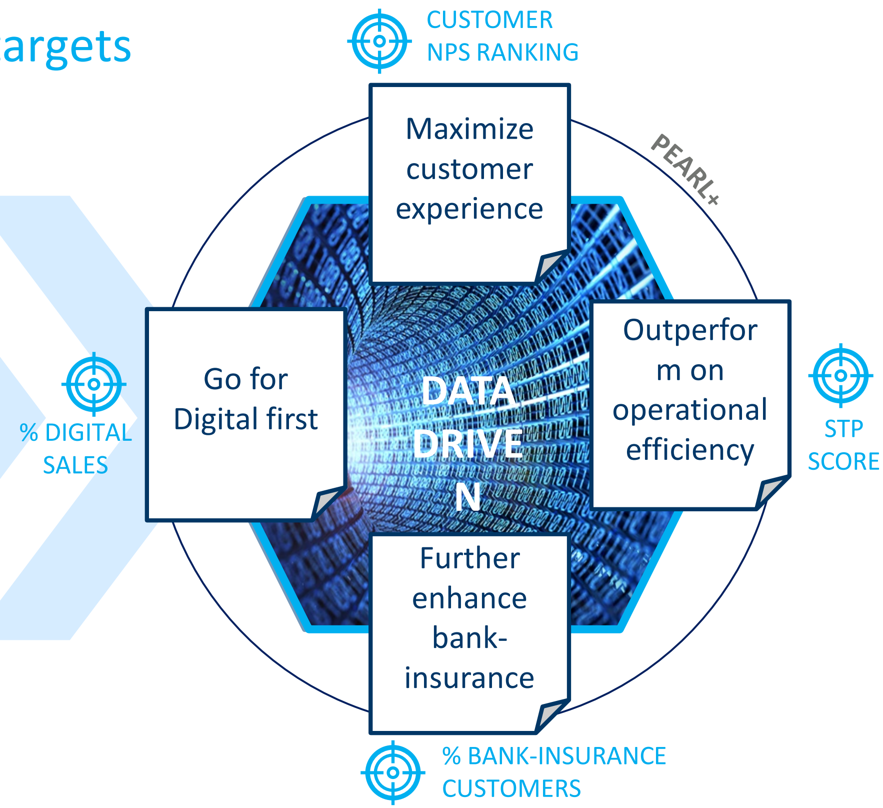
Differently: the next level

Translating strategy into non-financial targets

From key priorities to operational targets

Differently: THE NEXT LEVEL

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



Differently: the next level

Translating strategy into non-financial targets

Introducing 4 new operational targets (1)

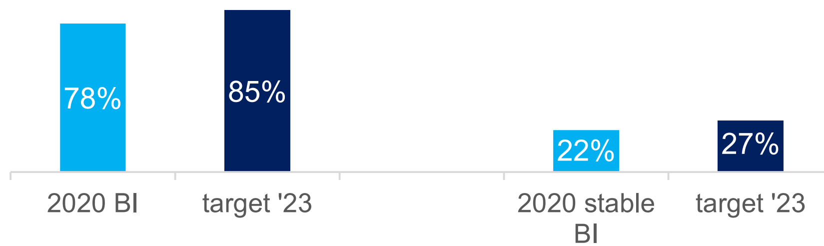
Customer NPS ranking

- 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

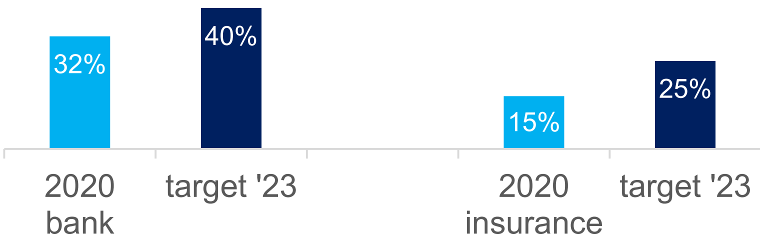
BI customers have at least 1 bank + 1 insurance product of our group.
Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3)

Differently: the next level

Translating strategy into non-financial targets

Introducing 4 new operational targets (2)

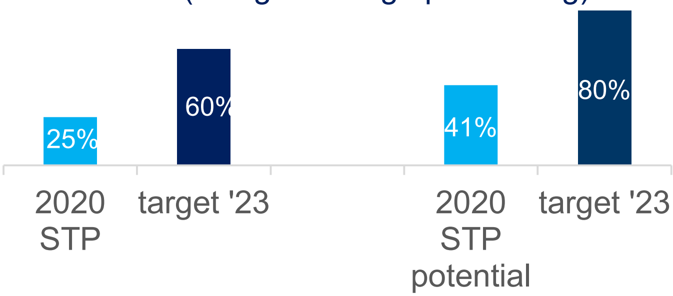
% digital sales
(bank / insurance)



- 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.

Our sustainability strategy

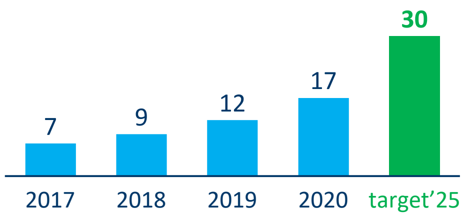
The cornerstones of our sustainability strategy and our commitment to the United Nations Sustainable Development Goals

Limiting our adverse impact	We apply strict sustainability rules to our business activities in respect of human rights, the environment, business ethics and sensitive or controversial social themes. In the light of constantly changing societal expectations and concerns, we review and update our sustainability policies at least every two years.
Increasing our positive impact	We are focusing on areas in which we, as a bank-insurer, can create added value: financial literacy, entrepreneurship, environmental awareness and demographic ageing and/or health. In doing so, we take into account the local context of our different home markets. Furthermore, we also support social projects that are closely aligned with our policy.
Responsible behaviour	Responsible behaviour is especially relevant for a bank-insurer when it comes to appropriate advice and sales. Therefore, we pay particular attention to training (including testing) and awareness. For that reason, responsible behaviour is also a theme at the KBC University, our senior management training programme, in which the theory is taught and practised using concrete situations. Senior managers are then tasked with disseminating it throughout the organisation.

Our sustainability strategy

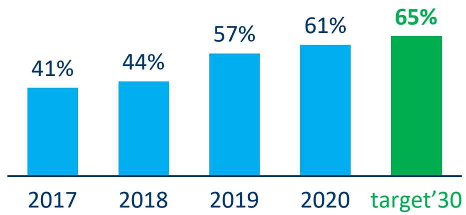
We substantially raise the bar for our climate-related ambitions

Volume of SRI Funds
(In billions of EUR)



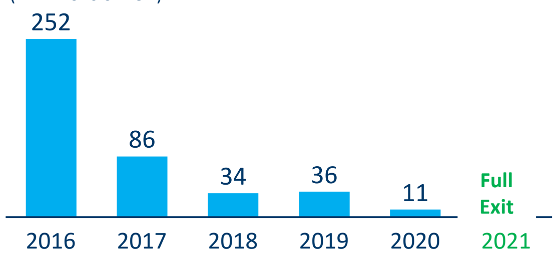
- Almost doubling of SRI funds by '25 (vs 2020)
- SRI funds ≥ 50% of new fund production by '21

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



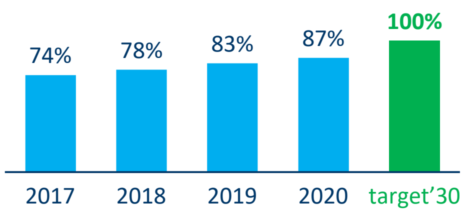
- Target raised from 50% to 65% by '30

Direct coal-related finance
(In millions of EUR)



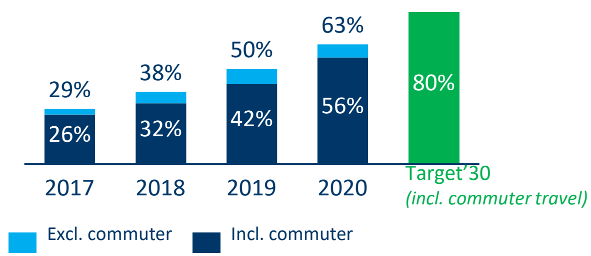
- Proven track record in building down direct coal exposure
- Firm commitment to exit coal, supporting existing clients in their transition. In order to remain eligible for any kind of financing, the related client must commit not to engage into any new coal project and must submit a coal-phase-out plan

Green electricity
(In % of own electricity consumption)



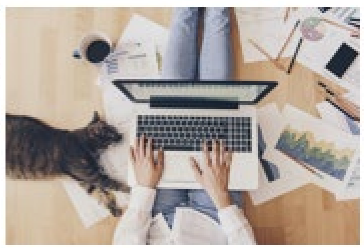
- Target raised from 90% to 100% by '30

Reduction own GHG emissions (incl. commuter travel)
(In % compared to 2015)



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

Our ESG ratings:	Latest Score *(End Jan 2021)*
CDP	A- Leadership
FTSE4Good	4.7/5
ISS ESG	C Prime
MSCI	AAA
Sustainalytics	Low Risk: 3rd percentile of 408 diversified banks *(risk view)*
S&P Global - RobecoSAM	85th percentile of 253 banks assessed
Vigeo Eiris	Not publicly available



KBC Group
4Q and FY 2020

Looking forward

Looking forward

Economic outlook

- Towards the end of 2020, the second pandemic wave regained some momentum. Nevertheless, the approval of several vaccines and the start of the vaccination campaigns boosted hopes that the pandemic will ultimately be a temporary phenomenon. The agreement between the EU and the UK at year-end 2020 also reduced uncertainty about future trade relations, although the agreement is still far from complete. The conclusion of the US presidential election, too, removed a significant political risk. At the start of 2021, the main economic risk seems related to a possible third pandemic wave and unexpected obstacles to the vaccination campaign. 2021 is set to be a year of transition. The impact of the vaccination programs on the economic recovery will probably become increasingly visible in the second half of 2021. We expect an accelerated recovery for the European economy as of the second half of 2022

Group guidance for 2021

- Our FY21 NII guidance stands at 4.3bn EUR ballpark figure
- FY21 opex excluding bank taxes is estimated at +2% y-o-y like-for-like (excluding the impact of the OTP SK acquisition) as some cost savings announced in 2020 (actions immediately taken after first lockdown in March 2020) are not sustainable in 2021 and cost savings from our digital first strategy are rather back-end loaded.
- The Credit Cost Ratio (CCR) for FY21 is expected to be in line with the high end of our average through-the-cycle CCR (of 30 - 40bps)

Basel 4 guidance

- B4 impact (as of 1 January 2023) for KBC Group is estimated at roughly 8bn EUR higher RWA on fully loaded basis at the end of 2020, corresponding with 8% RWA inflation and -1.3% points impact on CET1 ratio

Differently: the next level
Long-term financial guidance

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

* Fully loaded, Danish Compromise

Regulatory requirements		
Overall capital requirement (OCR)**	by 2021	≥ 10.45%
MREL as a % of TLOF***	by 2021	≥ 9.67%
NSFR	as of now	≥ 100%
LCR	as of now	≥ 100%

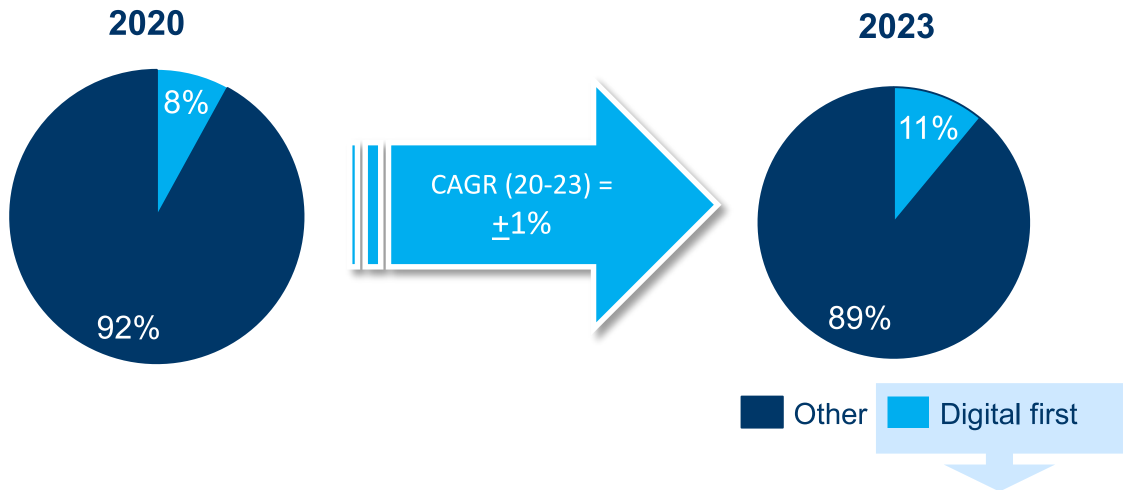
** Excluding Pillar 2 guidance of 100 bps

*** SRB will communicate new targets (expected in April 2021), expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE), replacing this target. The new targets need to be achieved by 1 January 2024; a binding interim target as from 1 January 2022 will be defined as well

Differently: the next level

Digital investment 2021-2023

OPEX excl. bank taxes



Forecast Cashflow only digital first strategy

2021-2023 = 1.4bn EUR

Forecast OPEX only digital first strategy

2021-2023 = 1.1bn EUR

Amounts in m EUR

Capital distribution over 2019-2020

- KBC's CET1 ratio of 17.6% at the end of FY20 represents a solid capital buffer:
  - 9.6% capital buffer compared with the current theoretical minimum capital requirement of 7.95% (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - 7.1% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45% (which still includes the 2.50% capital conservation buffer on top of the 7.95%)

- Impact of ECB recommendation on dividends:
  - The ECB recommendation of 15 December 2020 limits dividend payments re. 2019 and 2020 profits to the lower of 15% of cumulated 2019-2020 profits and 20 basis points of RWA.
    - As we paid out an interim dividend of EUR 1 per share in November 2019, which represented more than 15% of the 2019 profit, the ECB recommendation limits the dividend payment to 15% of the 2020 profits only. Therefore, for the accounting year 2020, a gross dividend of 0.44 EUR per share will be proposed to the AGM and paid out in May 2021
    - As a consequence of the ECB recommendation, the pay-out for 2019 & 2020 is below the pay-out ratio of at least 50% in our dividend policy. The amounts not distributed are part of the surplus capital of KBC Group (see next slide)
  - Additionally, it is the intention of the Board of Directors of KBC Group to distribute an extra gross dividend of 2.0 EUR per share* over the accounting year 2020 in 4Q21. The final decision of the Board of Directors is subject to restrictions on dividends being lifted by the ECB

* This amount is not deducted from the solvency ratios at year-end 2020

Dividend policy & capital deployment plan as of 2021

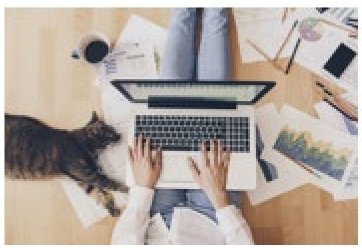
- The dividend policy entails :
  - a payout ratio (i.e. dividend + AT1 coupon) of at least 50% of the consolidated profit of the accounting year
  - an interim dividend of 1 EUR per share (payable in November of the accounting year) as an advance of the total dividend for the accounting year
- We aim to be amongst the better capitalised financial institutions in Europe. Therefore, we are aiming for a (pre-Basel IV) fully loaded CET1 ratio of 14.5% (= reference capital position). A management buffer of 1% will be held on top of the reference capital position. When this buffer is used, the Board of directors will decide at its discretion upon the replenishment of the buffer on an annual basis
- On top of the payout ratio of at least 50% of consolidated profit, all capital which exceeds the reference capital position plus the 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
- From the moment Basel IV will apply, the capital deployment plan will be updated (as from 1 January 2023 at the earliest)

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

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

Johan Thijs, KBC Group CEO



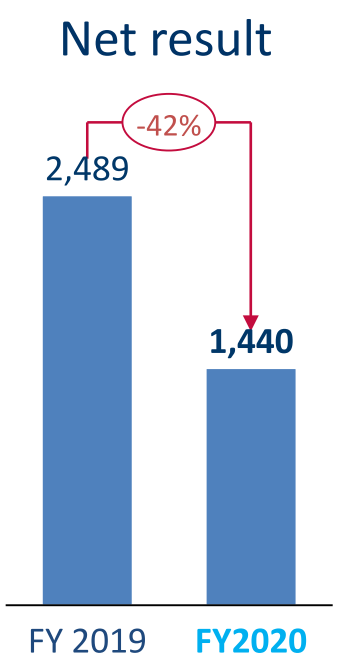



KBC Group
Consolidated results

ANNEX
FY 2020 performance

KBC Group

FY 2020 net result amounted to 1,440m EUR



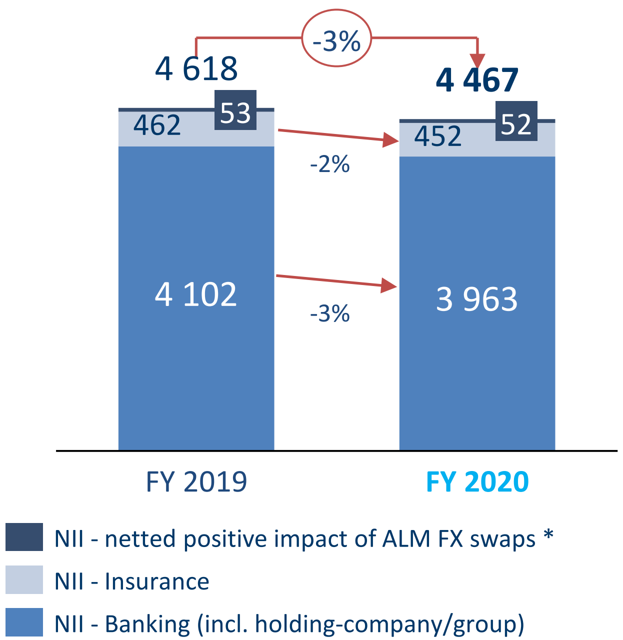
Net result fell by 42% y-o-y to 1,440m EUR in 2020, mainly as a result of the following:

- **Revenues fell by 6% y-o-y** mainly due to lower net interest income, net fee & commission income, dividend income, net result from FIFV and net other income, partly offset by higher result from life and non-life insurance after reinsurance
- **Operating expenses excluding bank tax decreased by 4.2% y-o-y** or 160m EUR y-o-y in FY20 (compared to our FY20 guidance of -3.5% y-o-y). Total bank taxes (including ESRF contribution) increased from 491m EUR in FY19 to 503m EUR in FY20
- **Impairments amounted to 1,182m EUR in FY20** (compared with 217m EUR in FY19). This was attributable chiefly to:
  - 783m EUR collective Covid-19 impairments in FY20, of which 672m EUR management overlay and 111m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables
  - Impairment of 108m EUR on ‘other’, of which:
    - a 59m EUR negative one-off software impairment
    - a 29m EUR negative one-off impact of the payment moratorium

Amounts in millions of EUR

Net interest income

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



NII fell by 3% y-o-y
NII banking fell by 3% y-o-y due mainly to:
(-) the result of the CNB rate cuts, the depreciation of the CZK & HUF versus the EUR and the negative impact of lower reinvestment yields
partly offset by:
(+) continued good loan volume and government bond portfolio growth, higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic & Slovakia and lower funding costs, due largely to the positive impact of TLTRO3 and of ECB deposit tiering

Loan volumes increased by 3% y-o-y, while **customer deposits** excluding debt certificates and repos rose by 11% y-o-y

NII insurance fell by 2 % y-o-y due to the negative impact of lower reinvestment yields, partly offset by a positive one-off item (+31m EUR)

NIM**

Full year	FY 2019	**FY 2020**
NIM	1.95%	**1.84%**

NIM decreased by 11bps y-o-y due mainly to the CNB rate cuts, the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (denominator)

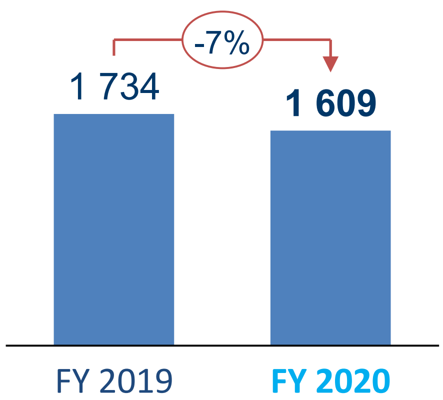
* *From all ALM FX swap desks*
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

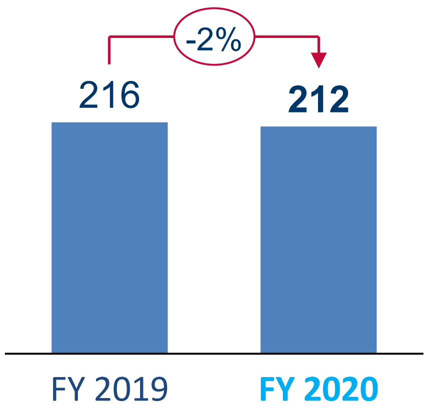
Lower net fee and commission income and AUM

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

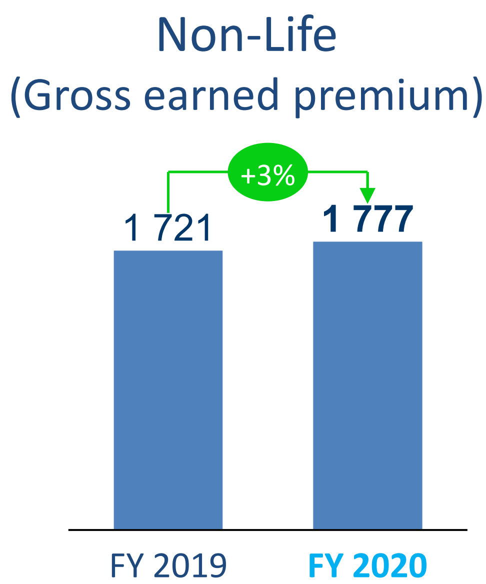
Net fee and commission income decreased by 7% y-o-y:

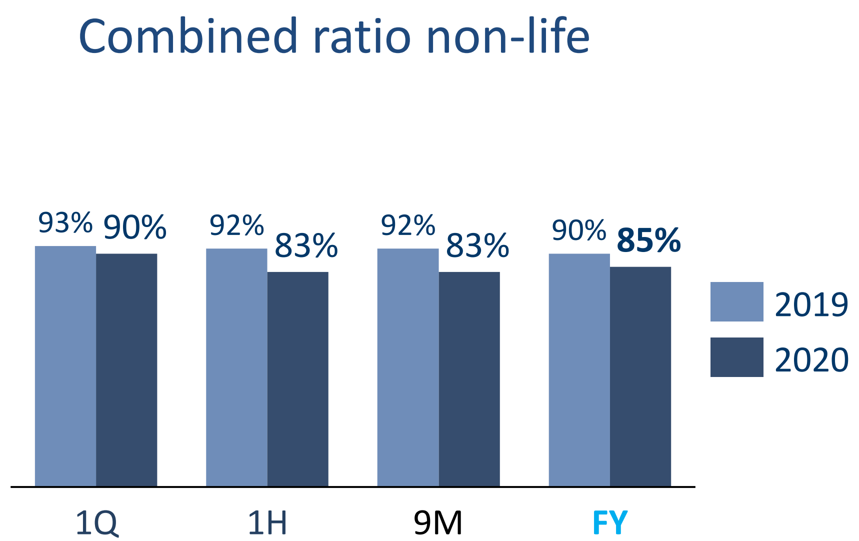
- **Net F&C from Asset Management Services** decreased by 8% y-o-y as a result of lower management and entry fees from mutual funds & unit-linked life insurance products
- **Net F&C income from banking services** decreased by 4% y-o-y (-1% y-o-y excluding FX effect) driven mainly by lower fees from payment services (partly due to less transaction volumes as a result of Covid-19, partly due to the SEPA regulation) and lower fees from credit files & bank guarantees, partly offset by higher securities-related fees
- **Distribution costs** rose by 1% y-o-y due chiefly to higher commissions paid linked to banking products and increased non-life insurance sales

Assets under management (212bn EUR)
Decreased by 2% y-o-y due mainly to net outflows in investment advice

Non-life insurance

Higher non-life insurance sales and excellent combined ratio





Up by 3% y-o-y mainly thanks mainly thanks to a good commercial performance in all major product lines in our core markets and tariff increases in 1Q20, partly offset by the negative impact of Covid-19 on new business (in motor) and on existing business (mainly 'Workmen's compensation' and 'General third-party liability')

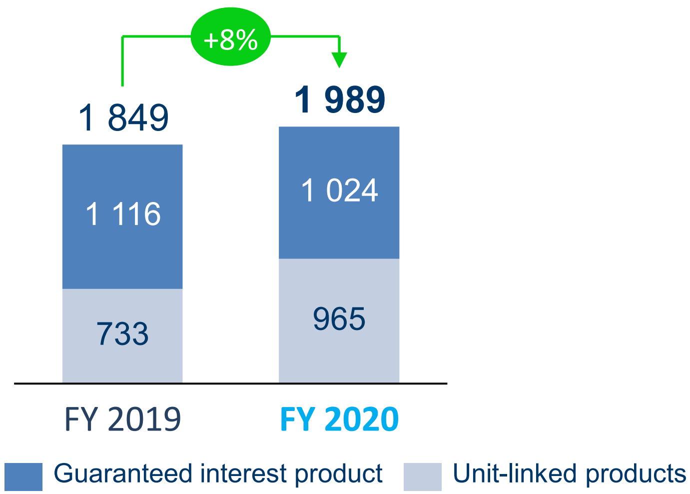
The **non-life combined ratio** at FY20 stood at an **excellent 85%** (compared with a combined ratio of 90% in FY19)

Amounts in millions of EUR

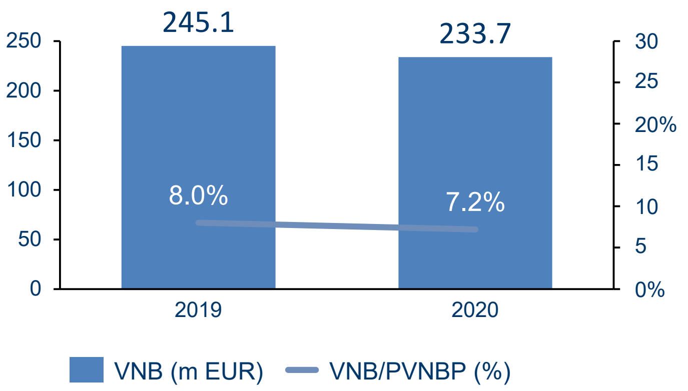
Life

Despite Covid-19, life insurance sales increased y-o-y, while value of new business (VNB) only slightly decreased

LIFE SALES



VNB (Life)*



Sales of Life insurance products up by 8% y-o-y:

- The **32% y-o-y increase in sales of unit-linked products** was driven mainly by the launch of new products, a shift from mutual funds to unit-linked products by Private Banking clients and commercial actions towards Retail/SME clients in Belgium
- **Sales of guaranteed interest products decreased by 8% y-o-y** due chiefly to the suspension of universal single life insurance products in Belgium

Sales of unit-linked products accounted for 49% of total life insurance sales

VNB (Life):

- Slight decrease y-o-y due mainly to the decrease in new business volumes of long-term pension products in K&H Insurance (impacted by the Covid-19 crisis)
- The VNB/PVNBP decreased to 7.2% mainly due to the lower margin on guaranteed interest rate products, driven by decreasing interest rates

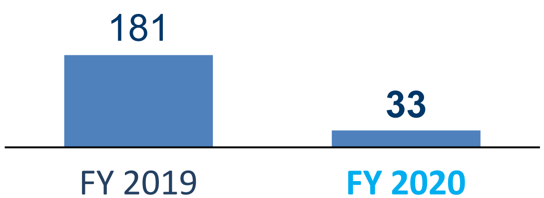
- VNB = Value of New Business = present value of all future profit attributable to the shareholders from the new life insurance policies written during the year 2020
- The VNB of KBC Group includes the expected future income generated by other parties within KBC Group arising from the sales of life insurance business. In 2020, this income amounted to 120m EUR (compared with 135m EUR in 2019)
- VNB/PVNBP = VNB at point of sale compared with the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums

Amounts in millions of EUR

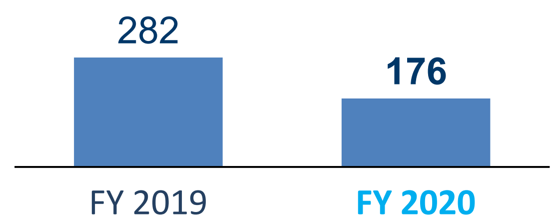
The other total income drivers

Lower fair value result and lower 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 net result on equity instruments (insurance)
- a negative change in ALM derivatives

partly offset by:

- higher dealing room & other income
- 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)

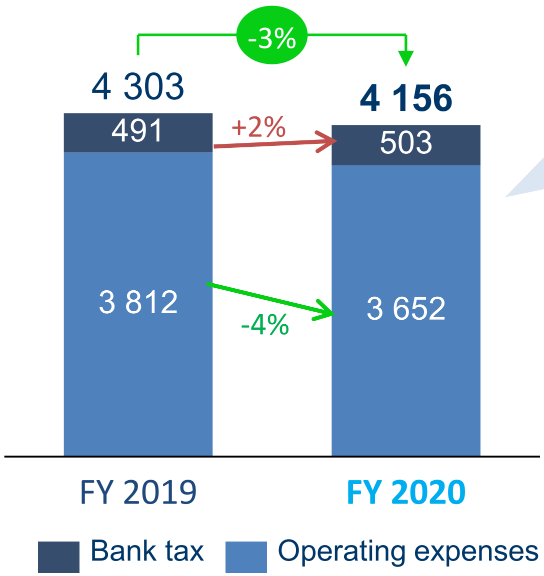
Net other income sharply decreased from 282m EUR in FY19 to 176m EUR in FY20. This is mainly the result of a one-off gain of 82m EUR related to the revaluation of the existing 55% stake in ČMSS in 2019

Amounts in millions of EUR

Operating expenses

Tight cost control

Operating expenses



- **Operating expenses excluding bank tax decreased by 4.2% y-o-y or 160m EUR y-o-y in FY20**, even more than the guidance of -3.5% y-o-y, due chiefly to the announced cost savings related to Covid-19
- **Total bank taxes** (including ESRF contribution) **increased by 2% y-o-y to 503m EUR in FY20**
- Including higher bank taxes (+12m EUR y-o-y), operating expenses in FY20 fell by 3% y-o-y

Cost/Income ratio (banking)*

FY19	**FY20**
58%	**59%**

- **Adjusted for specific items*, the C/I ratio** amounted to **59% in FY20** (compared with 58% in FY19).
- **Excluding bank tax,** C/I ratio adjusted for specific items amounted to **51% in FY20**

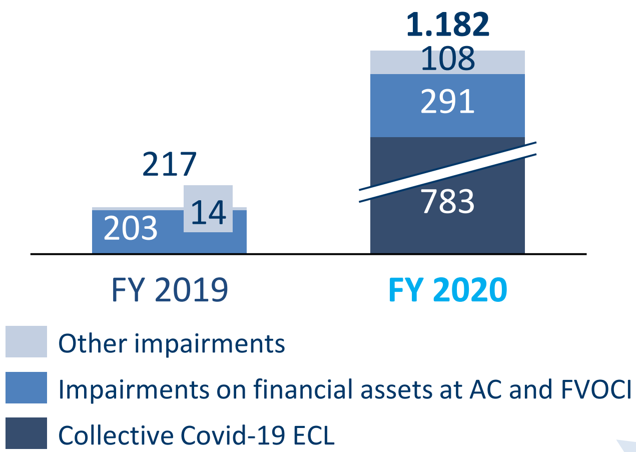
* adjusted for specific items: excluding MtM ALM derivatives and one-off items

Amounts in millions of EUR

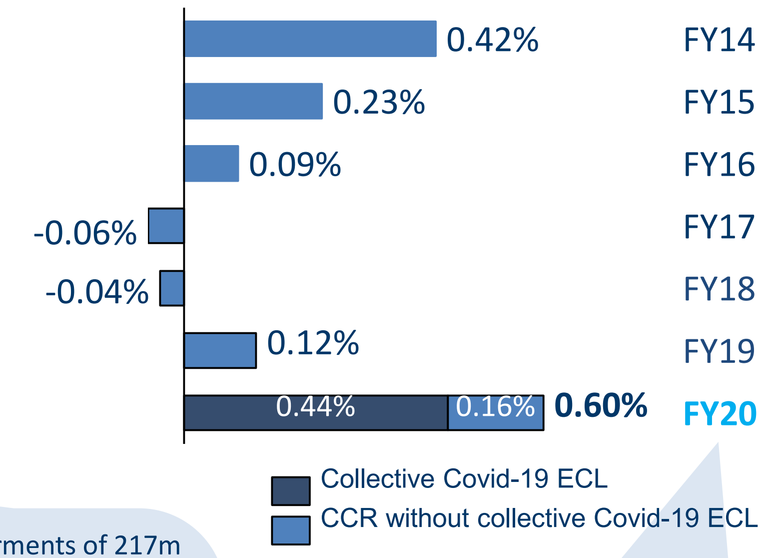
Asset impairments

Higher asset impairments mainly driven by collective Covid-19 impairments

Asset impairment



Credit cost ratio



- **Impairments amounted to 1,182m EUR in FY20** (compared with impairments of 217m EUR in FY19). This increase was attributable chiefly to:
  - 783m EUR collective Covid-19 impairments in FY20, of which 672m EUR management overlay and 111m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables
  - higher loan loss impairments in the Czech Republic (due mainly to several corporate files) and in the International Markets Business Unit (versus net loan loss impairment reversals in FY19)
  - Impairment of 108m EUR on 'other', of which:
    - a 59m EUR negative one-off software impairment as a result of concrete impairment triggers related to a few distinct software projects
    - a 29m EUR negative one-off impact of the payment moratorium (IFRS modification loss from the time value of payment deferral)

The **credit cost ratio in FY20** amounted to:

- 16 bps (12 bps in FY19) without collective Covid-19 ECL
- 60 bps with collective Covid-19 ECL

Amounts in millions of EUR