KBC Group / Bank
Debt presentation
August 2019

More infomation: www.kbc.com
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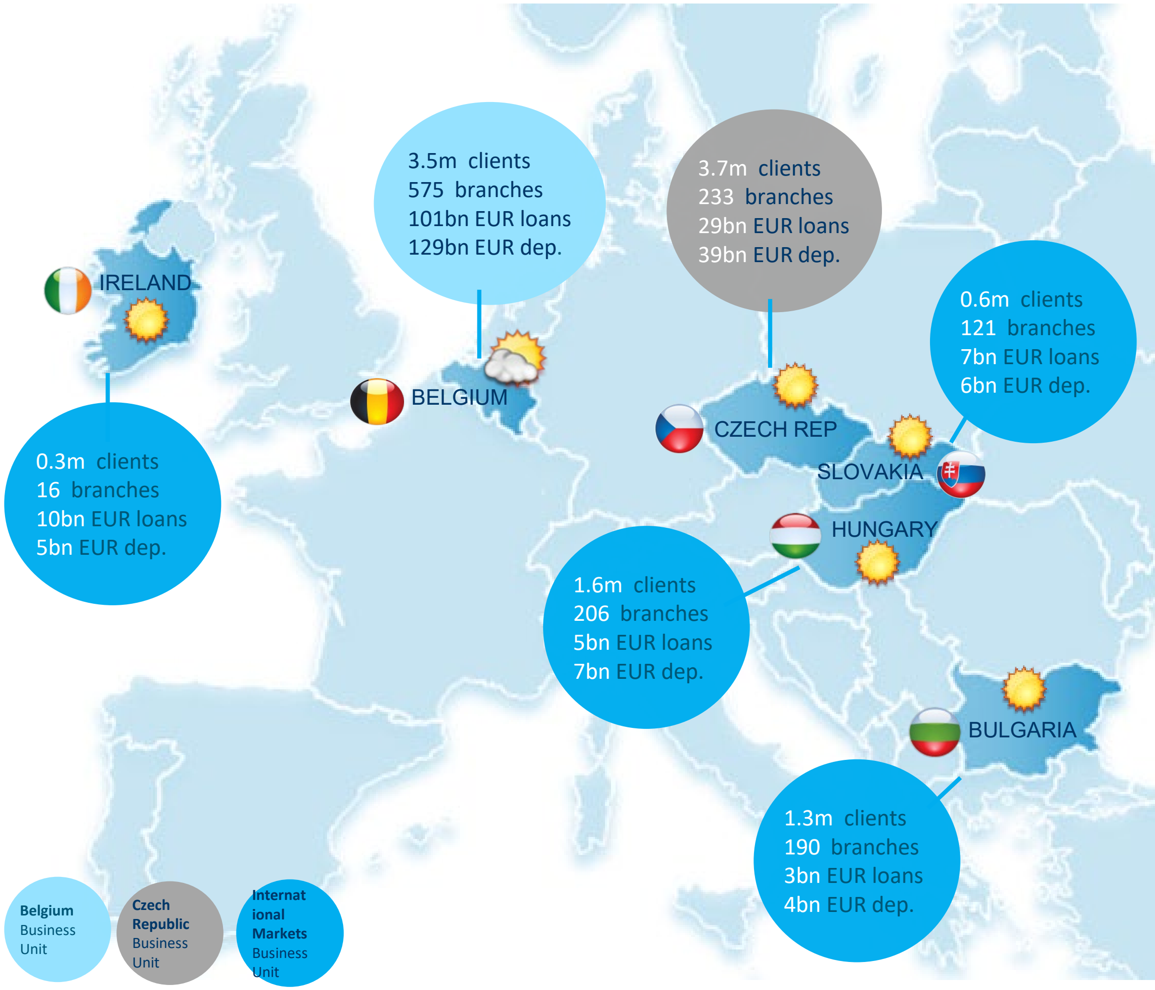
KBC Passport

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



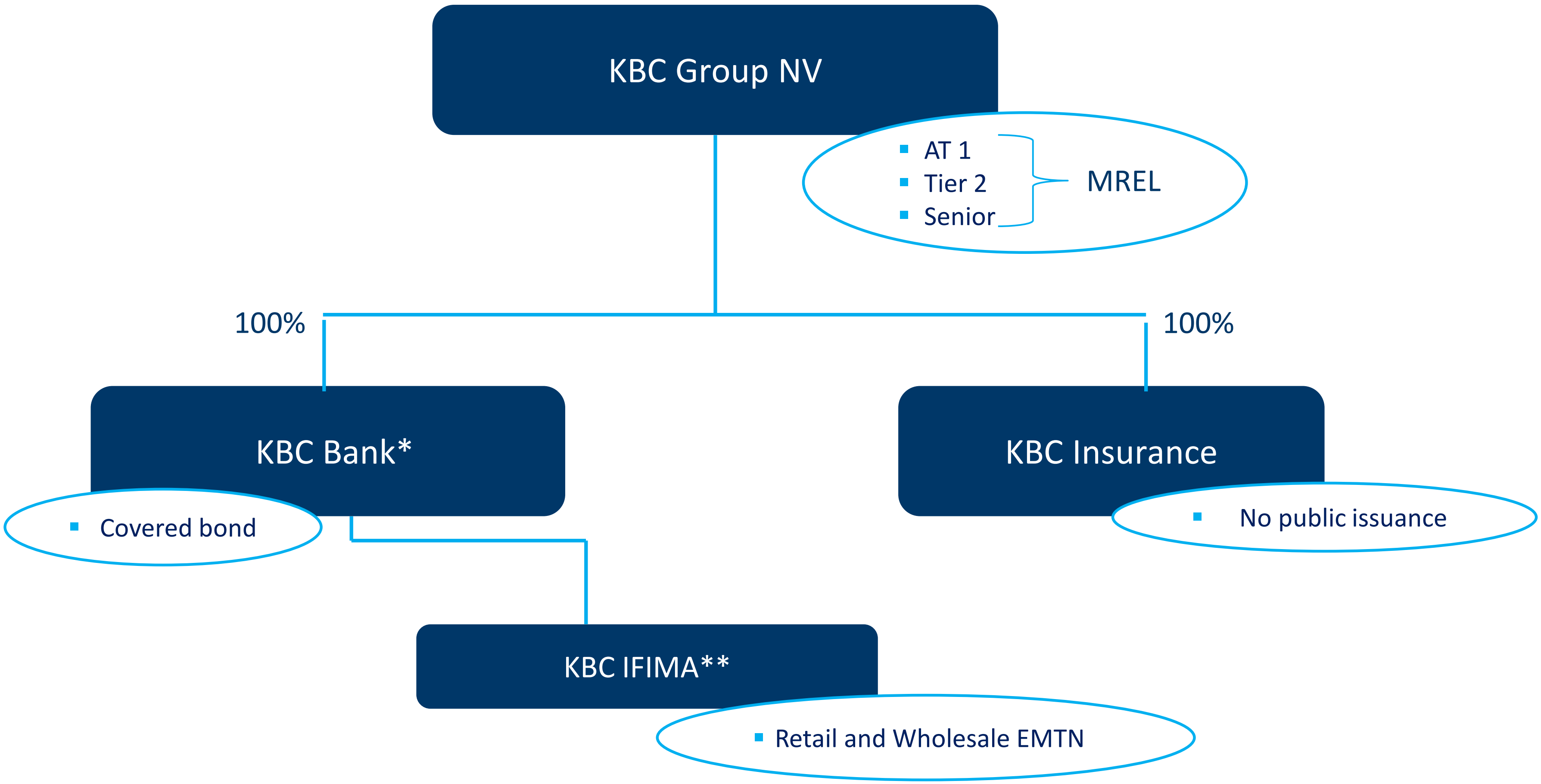
Market share (end 2018)	BE	CZ	SK	HU	BG	IRL
Loans and deposits	20%	19%	10%	11%	10%	9%*
Investment funds	32%	23%	7%	13%	14%	
Life insurance	13%	8%	4%	3%	24%	
Non-life insurance	9%	8%	3%	7%	11%	

Real GDP growth	BE	CZ	SK	HU	BG	IRL
% of Assets	61%	23%	4%	3%	2%	4%
2018	1.4%	2.9%	4.1%	4.9%	3.1%	8.2%
2019e	1.2%	2.5%	3.5%	4.3%	3.2%	5.0%
2020e	1.1%	2.3%	3.4%	3.5%	3.1%	3.0%

GDP growth: KBC data, May '19
* Retail segment

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.

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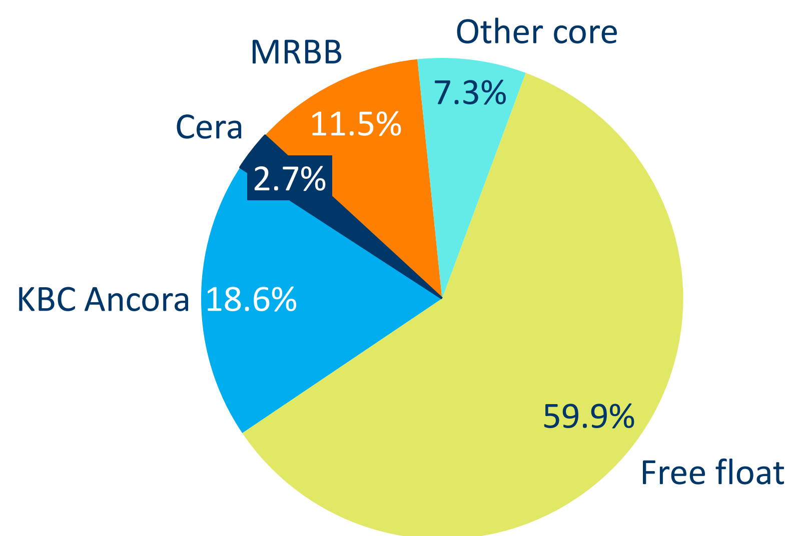
SHAREHOLDER STRUCTURE AT END 1H19



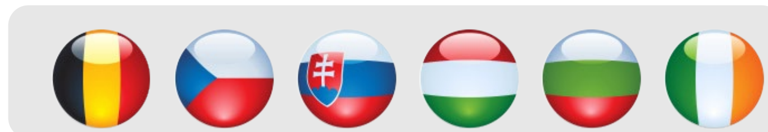
- Roughly 40% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals. Committed shareholders include the Cera/KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of industrialist families
- 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

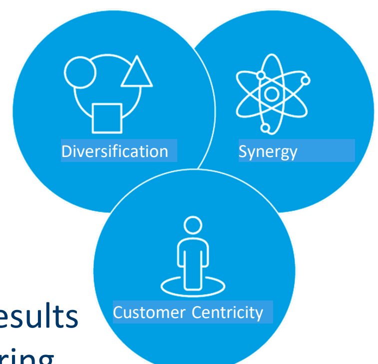


… geographically

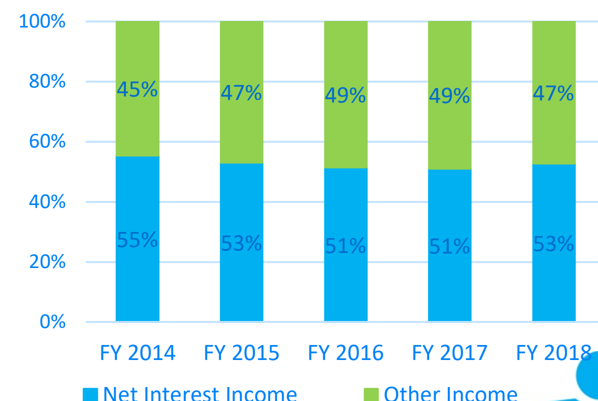
- Mature markets (BE, CZ, IRL) versus developing markets (SK, HU, BG)
- Economies of BE & 4 CEE-countries highly oriented towards Germany, while IRL is more oriented to the UK & US
- Robust market position in all key markets & strong trends in loan and deposit growth

… 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 2014-2018 (in %)

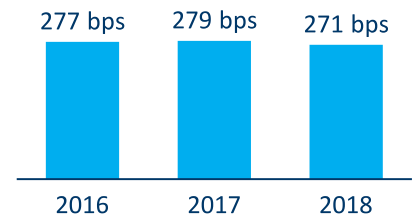


KBC Group in a nutshell (2)

✓ High profitability

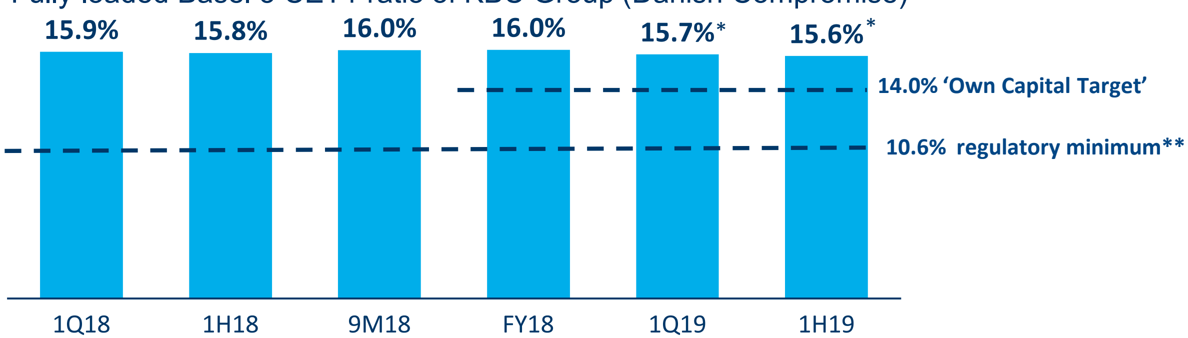
	C/I ratio	Combined ratio	Net result	ROE
FY18	57%	88%	EUR 2570m	16%
1H19	59%	92%	EUR 1175m	15%

CET1 generation
before any deployment



✓ Solid capital position…

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



✓ … and robust liquidity positions

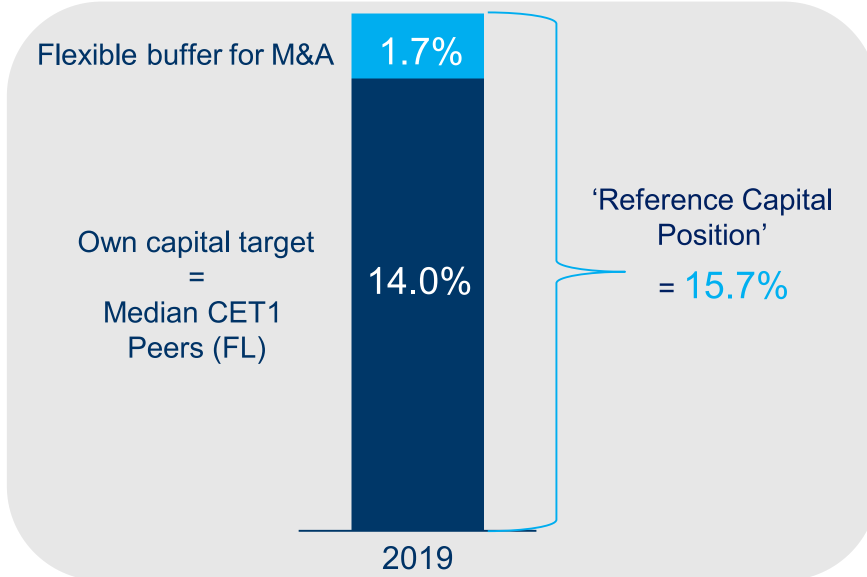
	NSFR	LCR
FY18	136%	139%
1H19	133%	140%

* No interim profit recognition given more stringent ECB approach
** 10.7% regulatory minimum in 2019

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

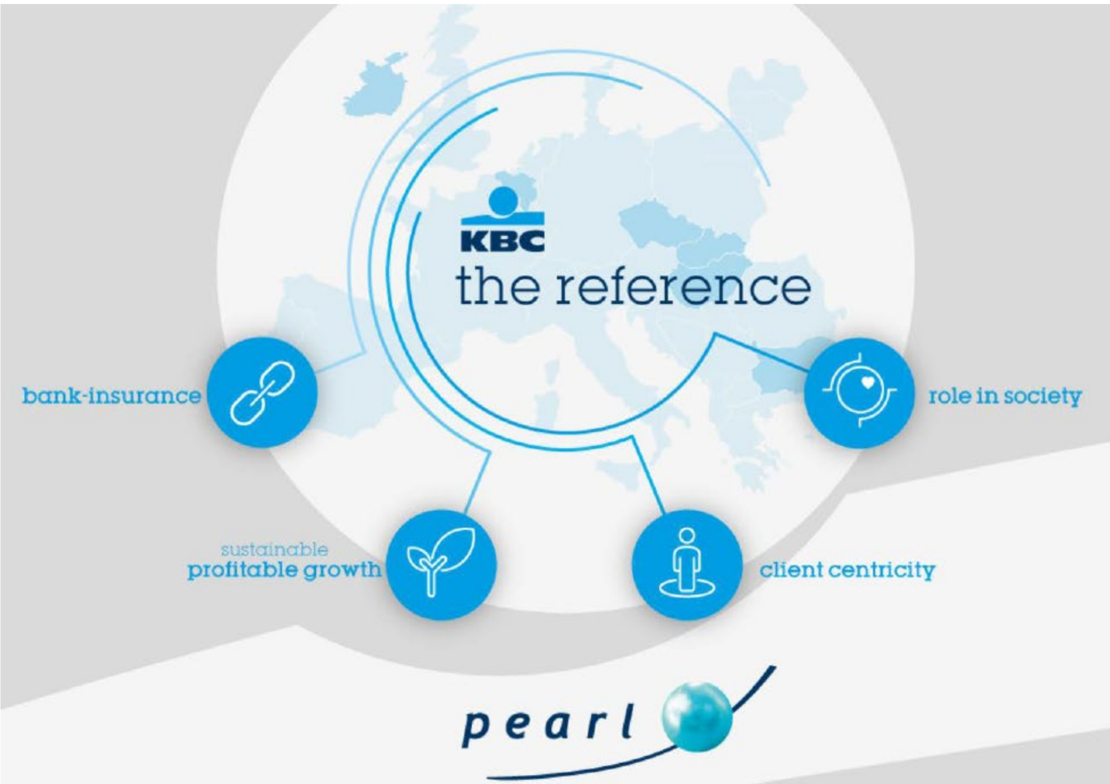


✓ Capital distribution to shareholders

- 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

Level 4: Integrated distribution and operation

Acting as a single operational company: bank and insurance operations working under unified governance and achieving commercial and non-commercial synergies

Belgium

Level 3: Integrated distribution

Acting as a single commercial company: bank and insurance operations working under unified governance and achieving commercial synergies

Target for Central Europe

Level 2: Exclusive distribution

Bank branches selling insurance products from intra-group insurance company as additional source of fee income

Level 1: Non-exclusive distribution

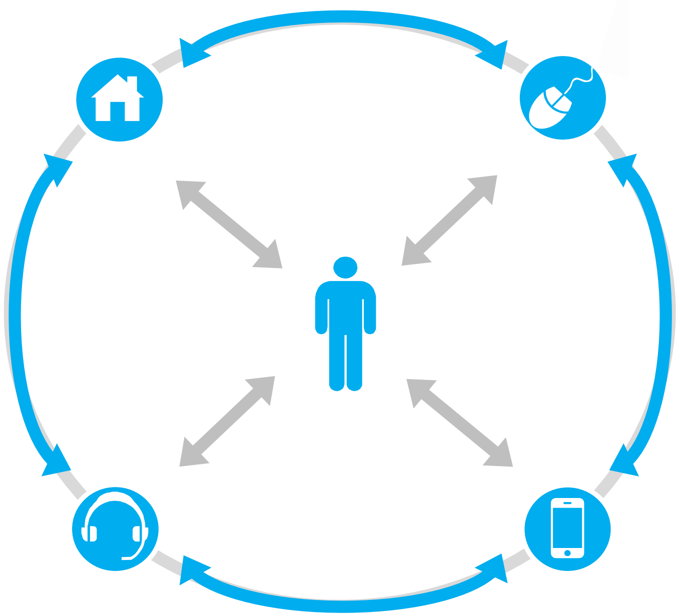
Bank branches selling insurance products of third party insurers as additional source of fee income

KBC targets to reach at least level 3 in every country, adapted to the local market structure and KBC's market position in banking and insurance.

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 <u>€1.5bn cash-flow</u> (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 2018
CAGR total income ('16-'20)*	≥ 2.25%	by 2020	*2.5% (CAGR FY18 – FY16)*
C/I ratio banking excluding bank tax	≤ 47%	by 2020	*51% (FY2018)*
C/I ratio banking including bank tax	≤ 54%	by 2020	*57.5% (FY2018)*
Combined ratio	≤ 94%	by 2020	*88% (FY2018)*
Dividend payout ratio	≥ 50%	as of now	*59% (end 2018, incl. total dividend and AT1 coupon)*

* Excluding marked-to-market valuations of ALM derivatives

Regulatory requirements			End 1H19
Common equity ratio*excluding P2G	≥ 10.7%	by 2019	*15.6%***
Common equity ratio*including P2G	≥ 11.7%	by 2019	*15.6%***
MREL ratio	≥ 9.76%	by May '19	*10.1%****
NSFR	≥ 100%	as of now	*133%*
LCR	≥ 100%	as of now	*140%*

- Fully loaded, Danish Compromise. P2G = Pillar 2 guidance

** See slide 40… Is 15.9% when including 1H19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

*** 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 2018*** *(growth FY18-FY16)*
BU BE	≥ 2%	by 2020	*+1%*
BU CR	≥ 15%	by 2020	*+12%*
BU IM	≥ 10%	by 2020	*+31%*

Non-financial guidance: CAGR Bank-Insurance stable clients (3 Bk + 3 Ins products in Belgium; 2 Bk + 2 Ins products in CE)			***End 2018*** *(growth FY18-FY16)*
BU BE	≥ 2%	by 2020	*+1%*
BU CR	≥ 15%	by 2020	*+19%*
BU IM	≥ 15%	by 2020	*+33%*

Non-financial guidance: % Inbound contacts via omni-channel and digital channel*			***End 2Q19***
KBC Group**	≥ 80%	by 2020	*80%*

- 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

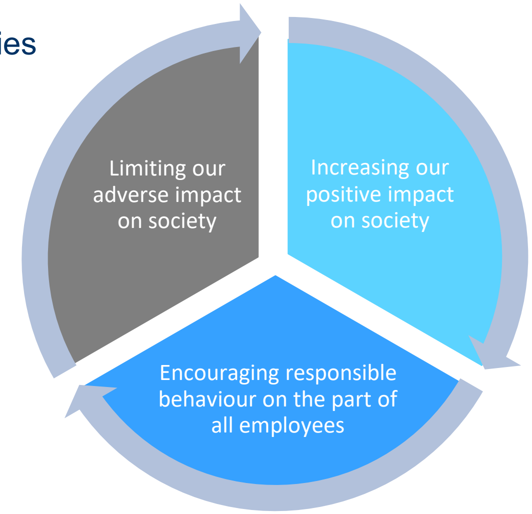
Sustainablity
The core of our sustainability strategy

3 GOOD HEALTH AND WELL-BEING | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

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 & 1H19 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**
- **SRI funds amounted to 10.3bn EUR** by the end of 1H19 (11.2bn EUR including KBC's Pension Fund for its employees)
- 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)

Please find more info in our 2018 Sustainability Report

Sustainablity
Our non-financial environmental targets

3 GOOD HEALTH AND WELL-BEING | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

Indicator	Goal	2018	2017
Share of renewables in total energy credit portfolio	Minimum 50% by 2030	43.8%	41.1%
Financing of coal-related activities	Immediate stop of coal-related activities and gradual exit in the Czech Republic by 2023[1]	34m EUR exposure	86m 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	-37.58% (absolute) -36.64% (per FTE)	-28.9% (absolute) -28.1% (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	Belgium, Slovakia, Hungary and Bulgaria
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 Sustainability & Annual Report 2018	For examples: see Sustainability & Annual Report 2018
Volume of SRI funds	10 billion EUR by end 2020[2]	9 billion EUR[3]	7.1 billion EUR
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	Progress in line with target

ROBECOSAM We are Sustainability Investing.
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SUSTAINALYTICS
85/100 (Sector Leader)

oekom research
C (Prime, best in class)

CDP DISCLOSURE INSIGHT ACTION
A- (Leadership)

(1) Except for financing of existing coal-fired district heating plants until 2035 under strict conditions, i.e. only to assist further ecological upgrades
(2) Our initial target of 5 billion EUR by the end of 2018 had already been met by mid-2017
(3) This excludes 777m EUR from KBC's Pension funds and includes 40m EUR Pricos SRI

KBC

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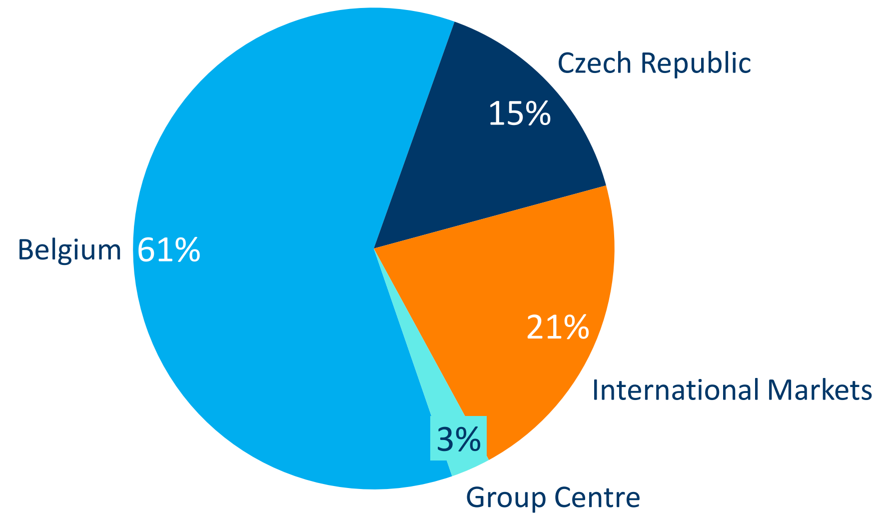
BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 30 JUNE 2019



2Q 2019 key takeaways

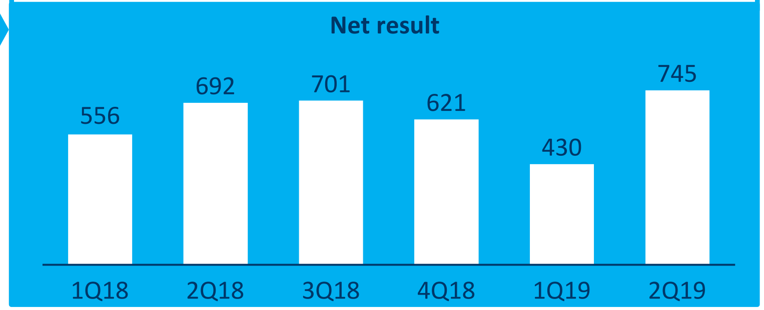
2Q19 financial performance*

- **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 gains from financial instruments at fair value** and higher **net other income**
- Excellent sales of **non-life** and **life** insurance y-o-y
- Strict **cost** management
- Lower net **impairments on loans**
- Solid **solvency** and **liquidity**
- **Interim dividend** of 1 EUR per share in Nov'19

Good net result of 745m EUR in 2Q19

1H19

- **ROE 15.4%***
- **Cost-income ratio 59%** (adjusted for specific items)
- **Combined ratio 92%**
- **Credit cost ratio 0.12%**
- **Common equity ratio 15.6%**** (B3, DC, fully loaded)
- **Leverage ratio 6.1%** (fully loaded)
- **NSFR 133% & LCR 140%**

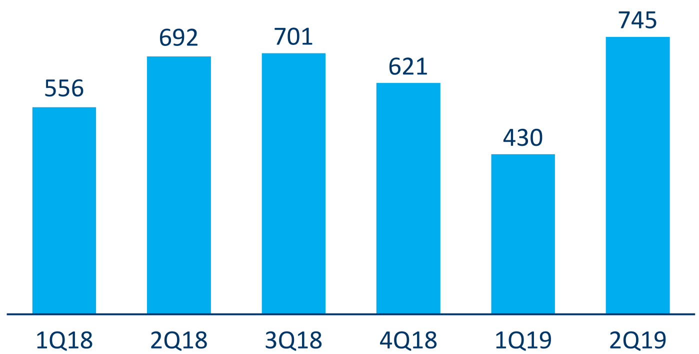


* when evenly spreading the bank tax throughout the year
** 15.9% when including 1H19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

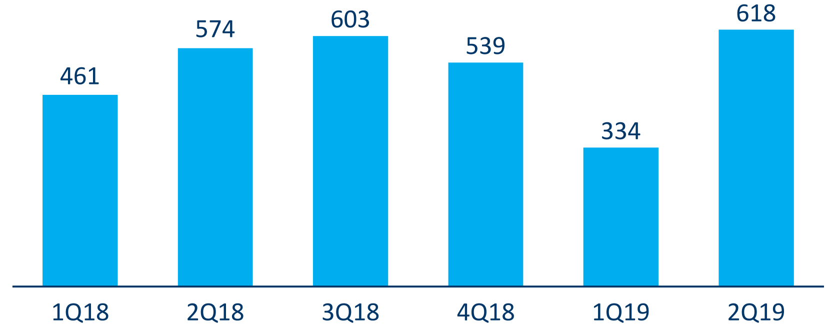
* Comparisons against the previous quarter unless otherwise stated
** Customer deposit volumes excluding debt certificates & repos

Net result at KBC Group

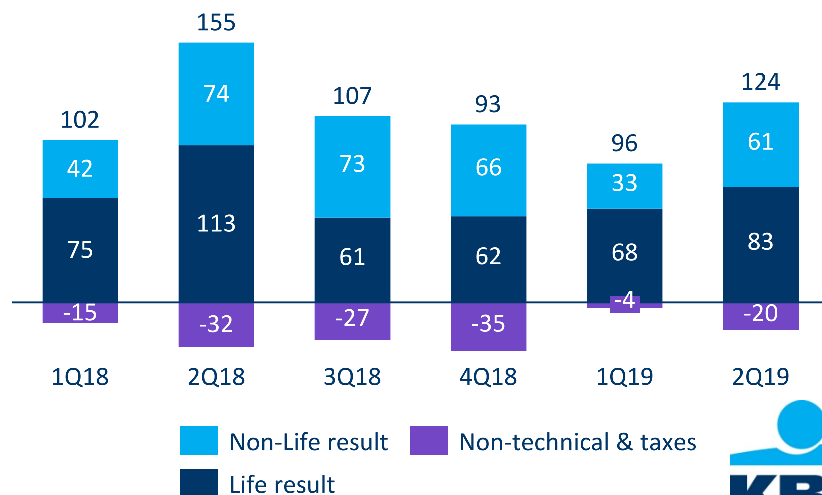
NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*



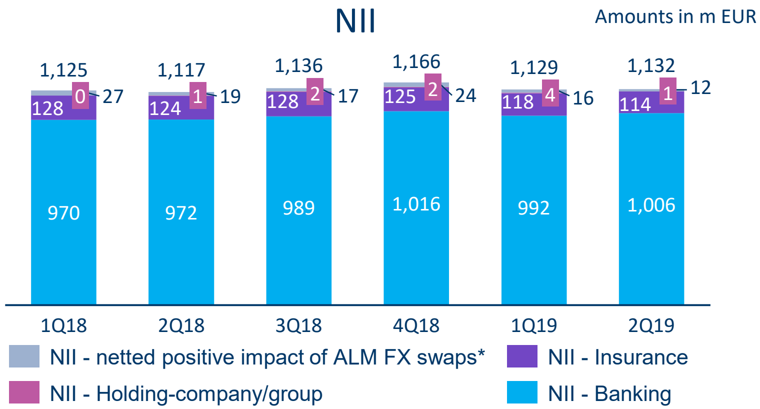
CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*

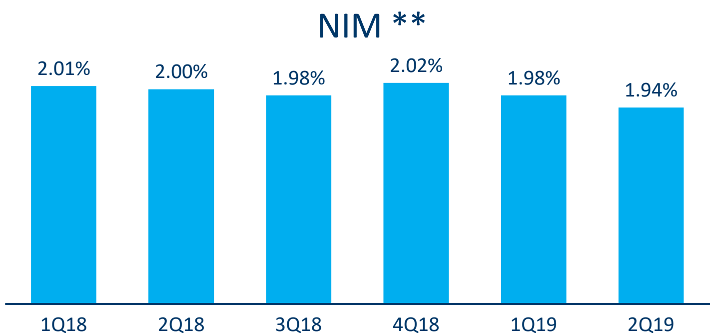


* Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted for by the holding-company/group items

Amounts in m EUR

Higher net interest income and lower 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 (1,132m EUR)**
  - Slightly increased q-o-q and up by 1% y-o-y. Note that NII banking increased by 1% q-o-q and by 3% y-o-y
  - The q-o-q small increase was driven primarily by:
    - continued good loan volume growth
    - small additional positive impact of short-term interest rate increases in the Czech Republic
    - 1-month full consolidation of ČMSS (7m EUR)
    - higher number of days

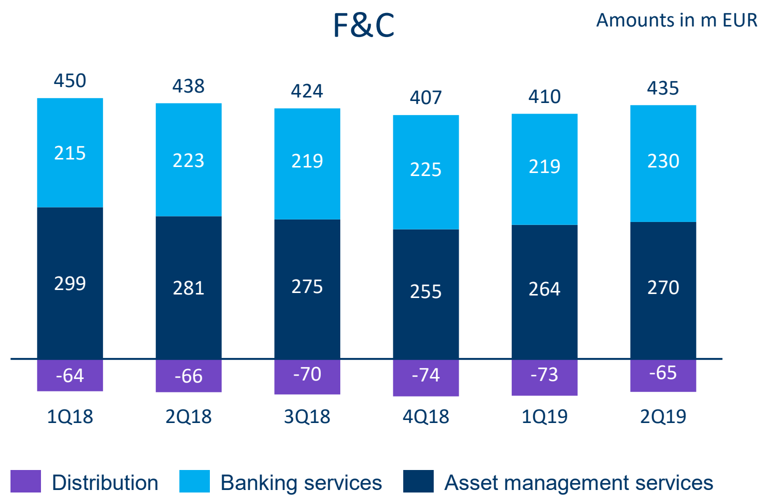
    almost fully offset by:
    - lower reinvestment yields in our euro area core countries
    - pressure on commercial loan margins (on total outstanding portfolio) in most core countries
    - slightly lower netted positive impact of ALM FX swaps

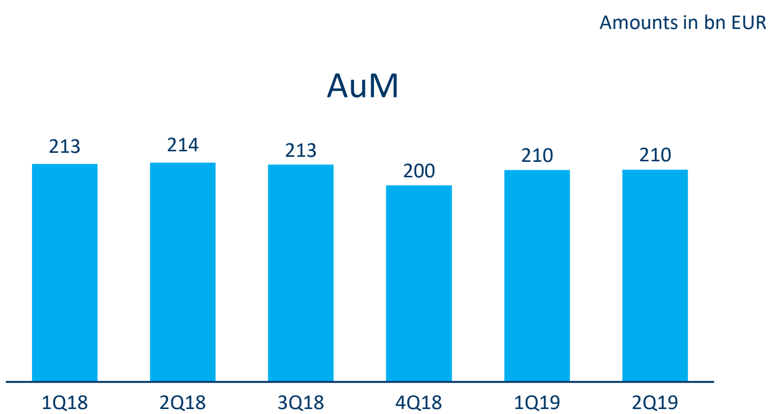
- **Net interest margin (1.94%)**
  - Down by 4 bps q-o-q and by 6 bps y-o-y due mainly to negative impact of lower reinvestment yields, pressure on commercial loan margins (on total outstanding portfolio) and an increase of the interest-bearing assets (denominator)

ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	154bn	66bn	199bn	210bn	28bn
Growth q-o-q*	+1%	+1%	-2%	0%	0%
Growth y-o-y	+4%	+4%	0%	-2%	-1%

* 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 flat q-o-q and +3% y-o-y**

Higher net fee and commission income

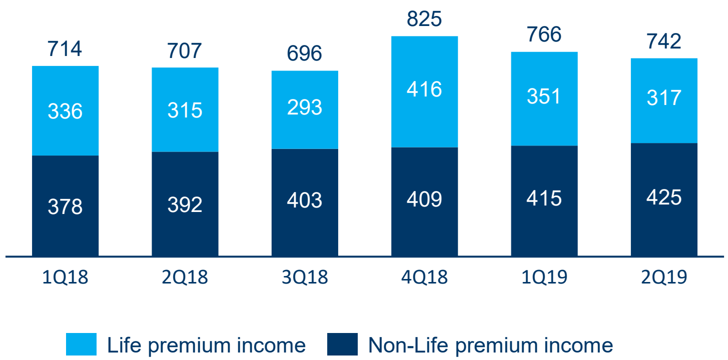




- **Net fee and commission income (435m EUR)**
  - Up by 6% q-o-q and slightly down y-o-y
  - Q-o-q increase was the result chiefly of the following:
    - Net F&C income from Asset Management Services increased by 2% q-o-q as a result of higher management fees from mutual funds and unit-linked life insurance products, partly offset by lower entry fees
    - Net F&C income from banking services increased by 5% q-o-q due mainly to seasonally higher fees from payment services, higher securities-related fees, 1-month full consolidation of ČMSS (2m EUR), higher fees from credit files & bank guarantees and higher network income
    - Distribution costs fell by 10% q-o-q due chiefly to seasonally higher premium income in 1Q19
  - Y-o-y decrease was mainly the result of the following:
    - Net F&C income from Asset Management Services decreased by 4% y-o-y mainly as a result of lower management fees from mutual funds & unit-linked life insurance products
    - Net F&C income from banking services increased by 3% y-o-y as higher securities-related fees, higher network income and 1-month full consolidation of ČMSS (2m EUR), more than offset lower fees from credit files & bank guarantees
    - Distribution costs fell by 1% y-o-y
- **Assets under management (210bn EUR)**
  - Stabilised q-o-q, but decreased by 2% y-o-y
  - The mutual fund business has seen net outflows in 2Q19, mainly in investment advice

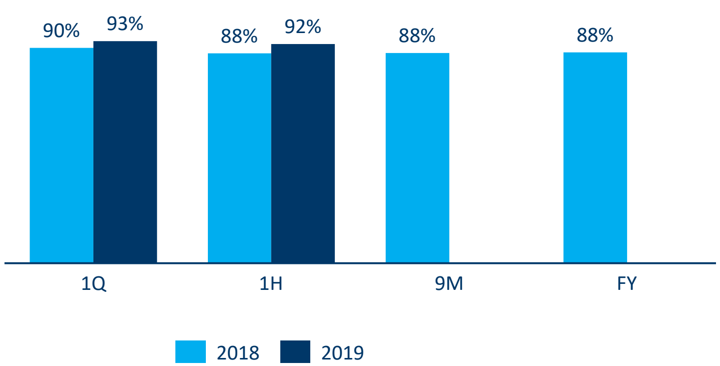
Insurance premium income up y-o-y and good combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUMS)



- **Insurance premium income** (gross earned premiums) **at 742m EUR**
  - Non-life premium income (425m) increased by 9% y-o-y
  - Life premium income (317m) down by 10% q-o-q and up by 1% y-o-y

COMBINED RATIO (NON-LIFE)

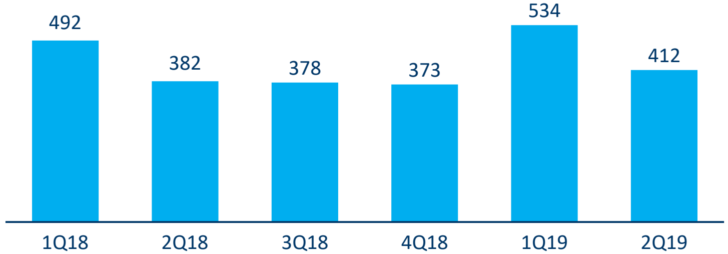


- The non-life **combined ratio** for 1H19 amounted to **92%**, a good number despite high technical charges due mainly to large claims (storm and fire, especially in 1Q19) and a reassessment on claims provisions in 2Q19 (-16m EUR), partly offset by ceded reinsurance result

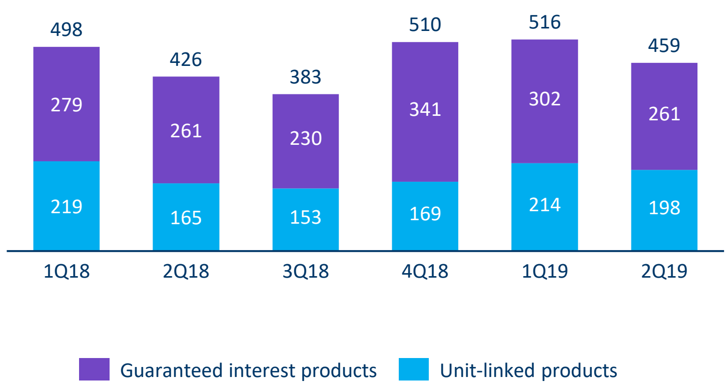
Amounts in m EUR

Non-life and life sales up y-o-y

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



LIFE SALES

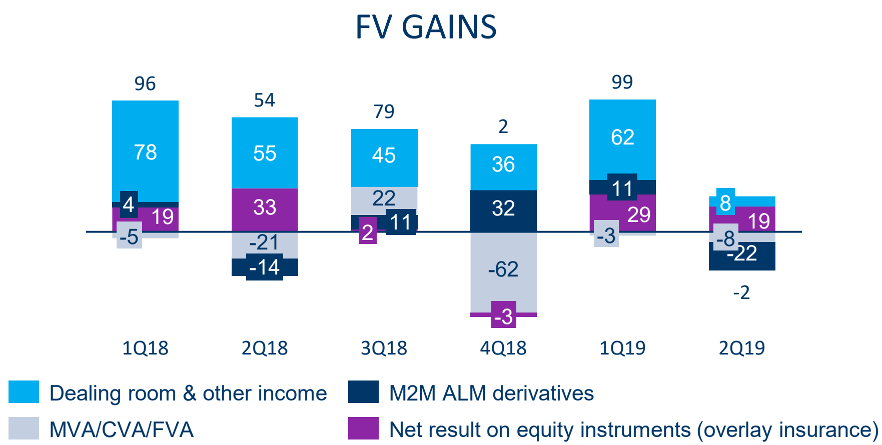


- **Sales of non-life insurance products**
  - Up by 8% y-o-y thanks to a good commercial performance in all major product lines in our core markets and tariff increases

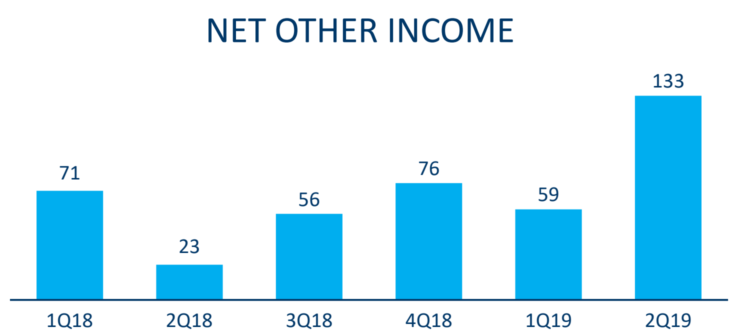
- **Sales of life insurance products**
  - Decreased by 11% q-o-q and rose by 8% y-o-y
  - The q-o-q decrease was driven entirely by lower sales of guaranteed interest products and unit-linked products in Belgium, partly offset by slightly higher sales of unit-linked products in the Czech Republic
  - The y-o-y increase was driven entirely by higher sales of unit-linked products in Belgium (and to a lesser extent in the Czech Republic)
  - Sales of unit-linked products accounted for 43% of total life insurance sales in 2Q19

Amounts in m EUR

Lower FV gains and higher net other income



- The lower q-o-q figures for **net gains from financial instruments at fair value** were attributable mainly to:
  - weak dealing room income
  - a negative change in ALM derivatives
  - lower net result on equity instruments (insurance) due to less favourable stock markets in 2Q19 compared to 1Q19
  - a negative change in market, credit and funding value adjustments in the Czech Republic (mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates)

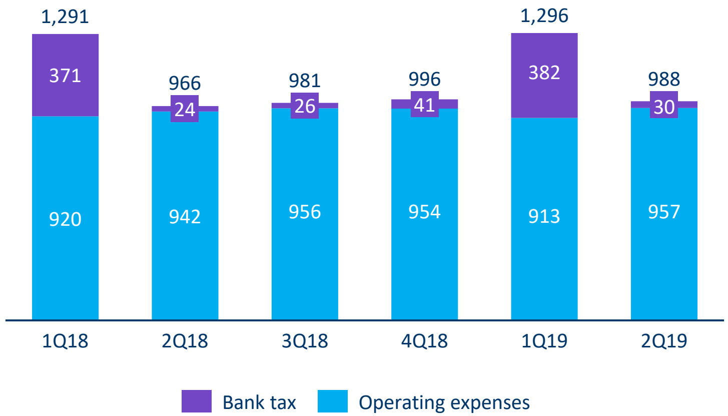


- **Net other income** amounted to 133m EUR. In addition to the normal run rate of around 50m EUR per quarter, 2Q19 was positively impacted by a one-off gain of 82m EUR related to the revaluation of the existing 55% stake in ČMSS

Amounts in m EUR

Strict cost management

OPERATING EXPENSES



EXPECTED BANK TAX SPREAD IN 2019 (PRELIMINARY)**

	TOTAL	Upfront		Spread out over the year			
	2Q19	1Q19	2Q19	1Q19	2Q19	3Q19e	4Q19e
BE BU	**4**	273	4	0	0	0	0
CZ BU	**1**	35	1	0	0	0	0
Hungary	**22**	26	0	20	22	23	24
Slovakia	**3**	4	-1	4	4	4	5
Bulgaria	**-1**	16	-1	0	0	0	0
Ireland	**1**	3	0	1	1	1	23
GC	**0**	0	0	0	0	0	0
TOTAL	**30**	**356**	**3**	**25**	**27**	**28**	**52**

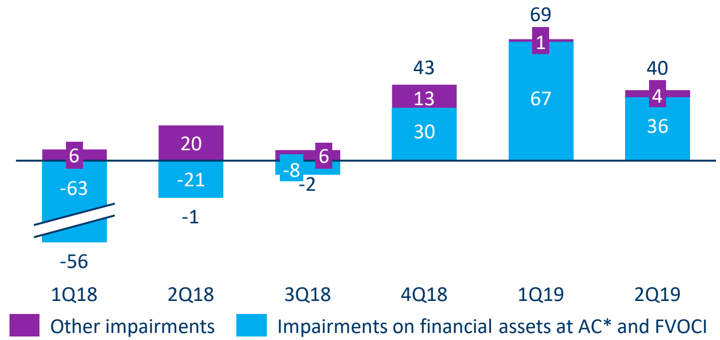
Amounts in m EUR

- **Excluding the 1-month full consolidation of ČMSS, bank tax, FX effect and one-off costs, operating expenses in 1H19 rose by roughly 1% y-o-y**
- Cost/income ratio (banking) adjusted for specific items* at 60% in 2Q19 and 59% YTD (57% in FY18) Cost/income ratio (banking): 53% in 2Q19 and 63% YTD, distorted by the bank taxes
- Operating expenses excluding bank tax increased by 5% q-o-q primarily as a result of:
  - 12m EUR negative one-offs in 2Q19 (of which 10m management reorganisation costs in Belgium and 2m EUR costs related to the sale of part of the legacy loan portfolio in Ireland) versus a 8m EUR positive one-off in 1Q19
  - seasonally lower professional fee, facilities & marketing expenses in 1Q19
  - wage inflation in most countries
  - higher depreciation & amortisation costs
  - 1-month full consolidation of ČMSS (5m EUR)
- Operating expenses without bank tax increased by 2% y-o-y due mainly to negative one-offs in 2Q19 and 1-month full consolidation of ČMSS
- Total bank taxes (including ESRF contribution) are expected to increase from 462m EUR in FY18 to 491m EUR in FY19

* See glossary (slide 77) for the exact definition ** Still subject to changes

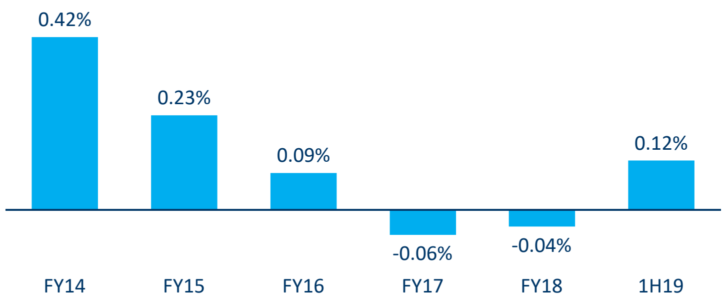
Lower asset impairments, benign credit cost ratio and improved impaired loans ratio

ASSET IMPAIRMENT

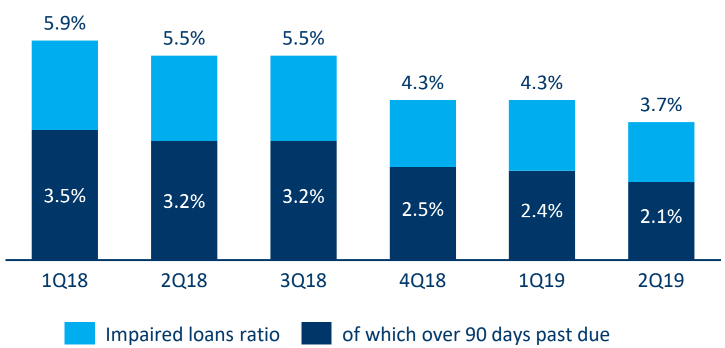


* AC = Amortised Cost. Under IAS 39, impairments on L&R

CREDIT COST RATIO



IMPAIRED LOANS RATIO



- **Lower asset impairments q-o-q**
  - This was attributable mainly to:
    - lower loan loss impairments in Belgium, as 1Q19 was impacted by a few corporate files
    - small net loan loss impairment reversals in Hungary and Group Centre

    partly offset by:
    - slightly higher loan loss impairments in the Czech Republic and Slovakia
  - Note that in Ireland, 12m EUR net impairment releases were offset by charges related to the sale of part of the legacy loan portfolio

- The **credit cost ratio** amounted to 0.12% in 1H19 due to higher gross impairments in Belgium

- The **impaired loans ratio** improved to 3.7%, 2.1% of which over 90 days past due. The q-o-q improvement was mainly the result of the accounting write-off of certain fully provisioned legacy loans in Ireland during 2Q19

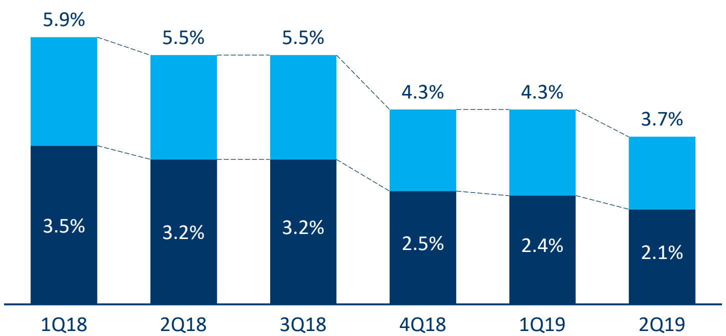
Loan loss experience at KBC

	1H19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	FY16 CREDIT COST RATIO	FY15 CREDIT COST RATIO	AVERAGE ‘99 –’18
Belgium	**0.20%**	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	**-0.01%**	-0.46%	-0.74%	-0.16%	0.32%	n/a
Group Centre	**-0.57%**	-0.83%	0.40%	0.67%	0.54%	n/a
Total	**0.12%**	**-0.04%**	**-0.06%**	**0.09%**	**0.23%**	**0.44%**

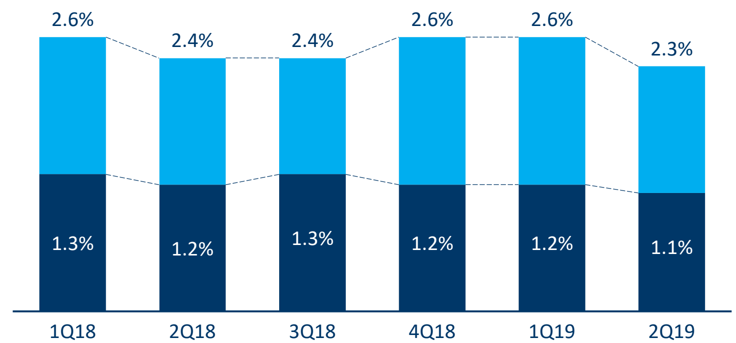
Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

Impaired loans ratios, of which over 90 days past due

KBC GROUP

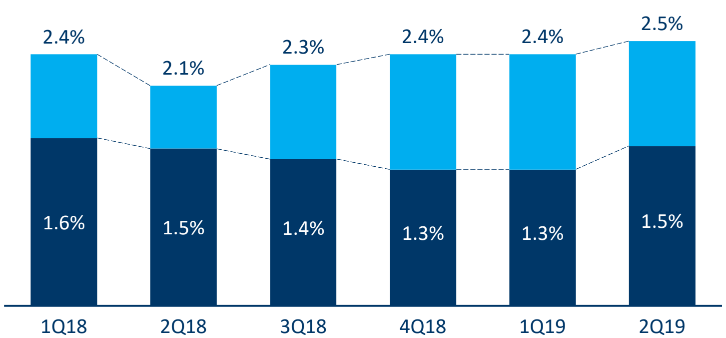


BELGIUM BU

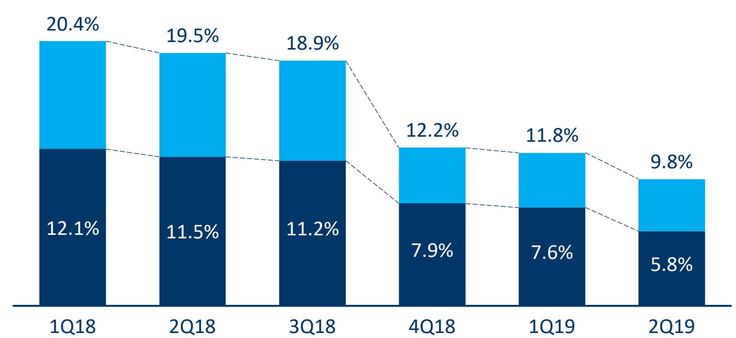


Impaired loans ratio
Of which over 90 days past due

CZECH REPUBLIC BU

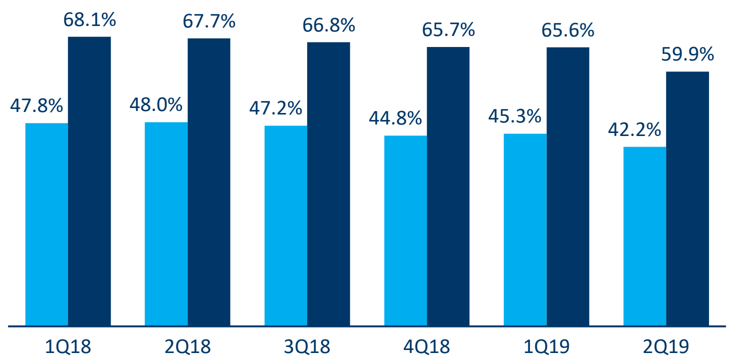


INTERNATIONAL MARKETS BU

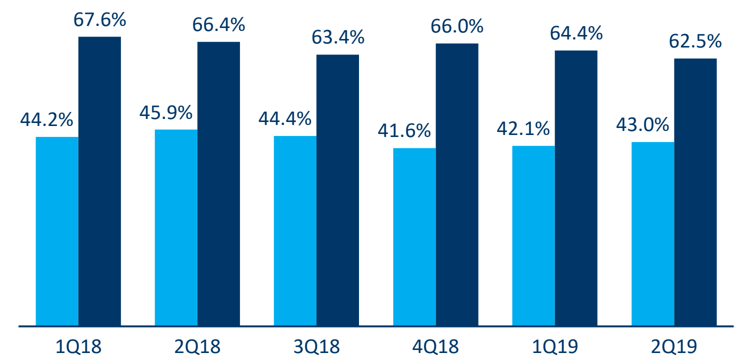


Cover ratios

KBC GROUP



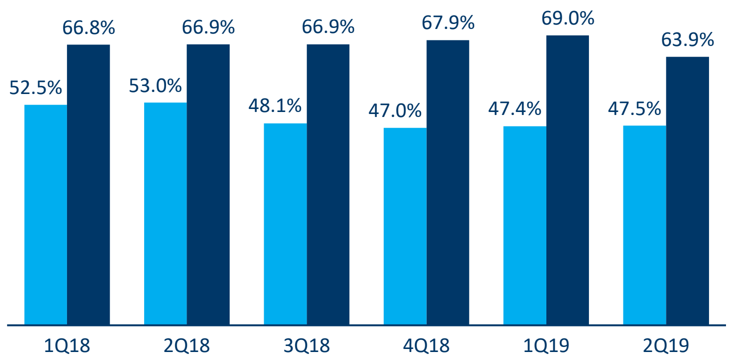
BELGIUM BU



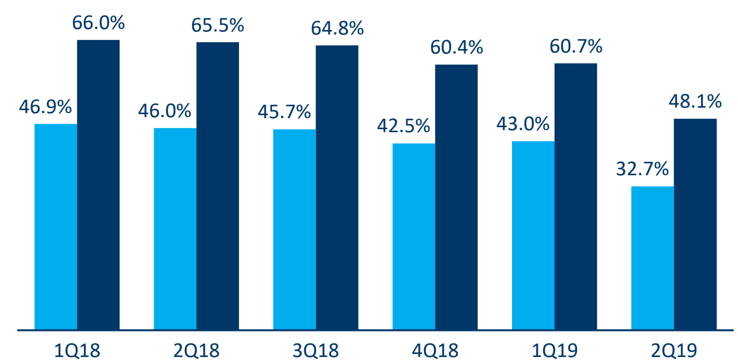
Impaired loans cover ratio

Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU

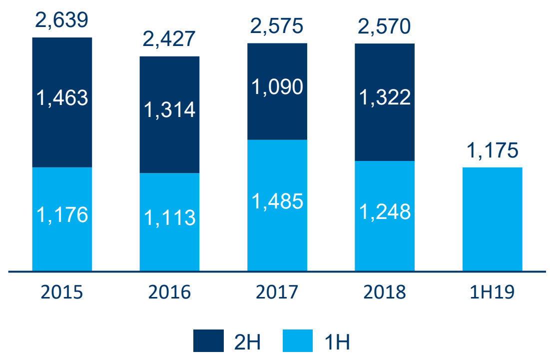


Overview of contribution of business units to 1H19 result

Amounts in m EUR

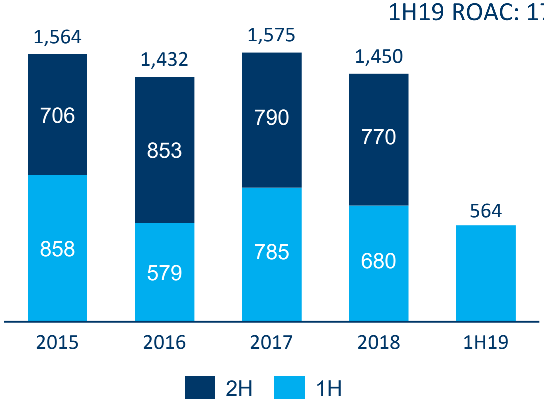
NET PROFIT – **KBC GROUP**

1H19 ROAC: 21%*



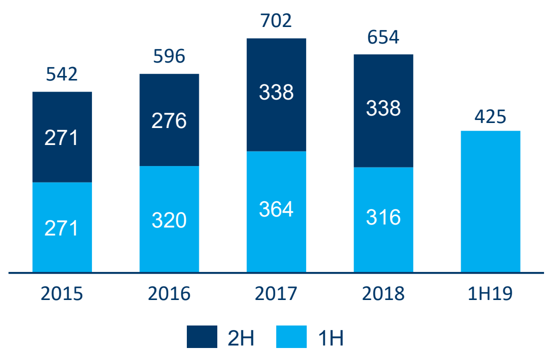
NET PROFIT – **BELGIUM**

1H19 ROAC: 17%*



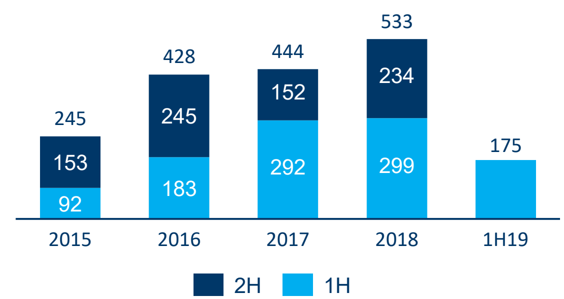
NET PROFIT – **CZECH REPUBLIC**

1H19 ROAC: 51%*



NET PROFIT – **INTERNATIONAL MARKETS**

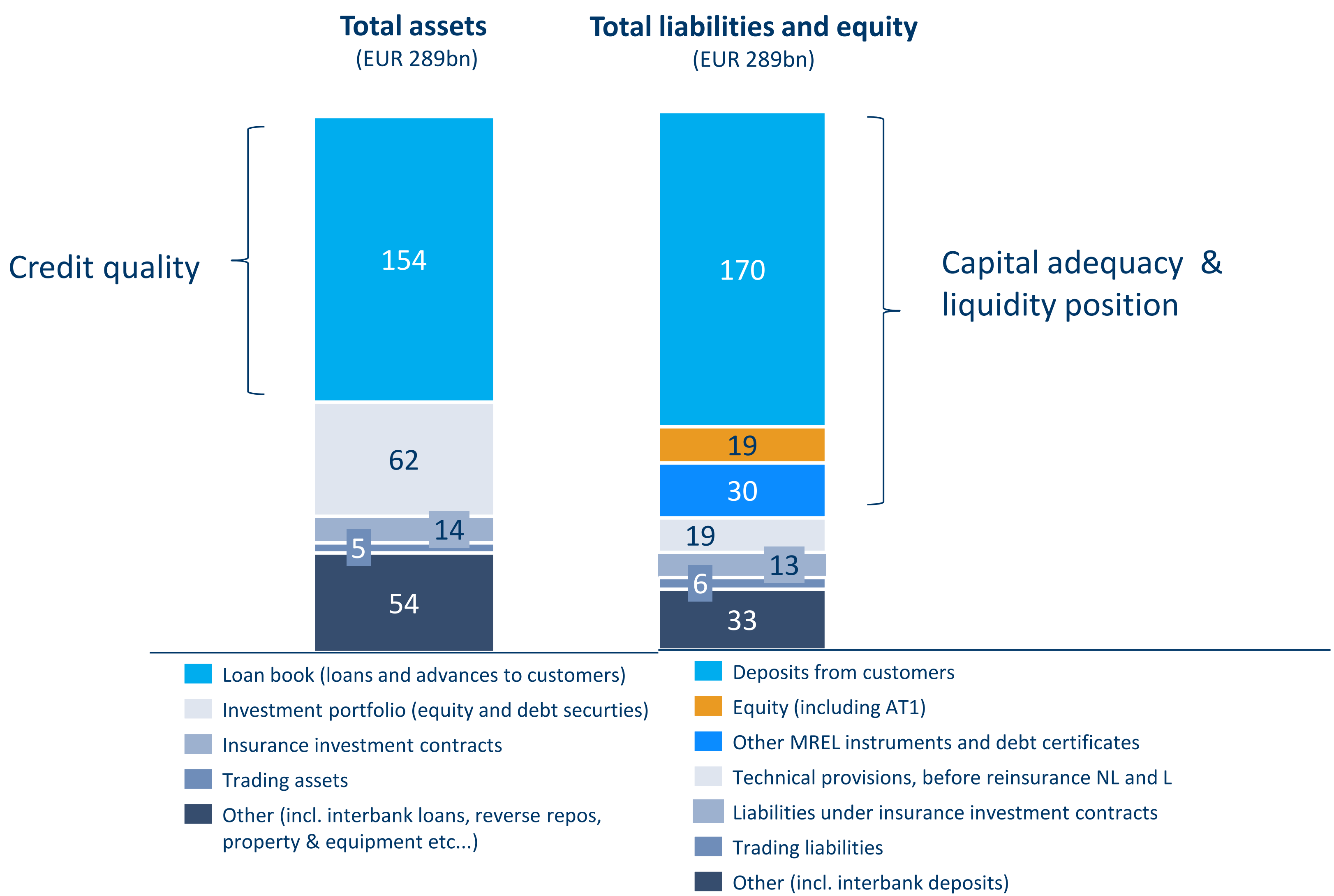
1H19 ROAC: 15%*



* Distorted by bank taxes

Balance sheet

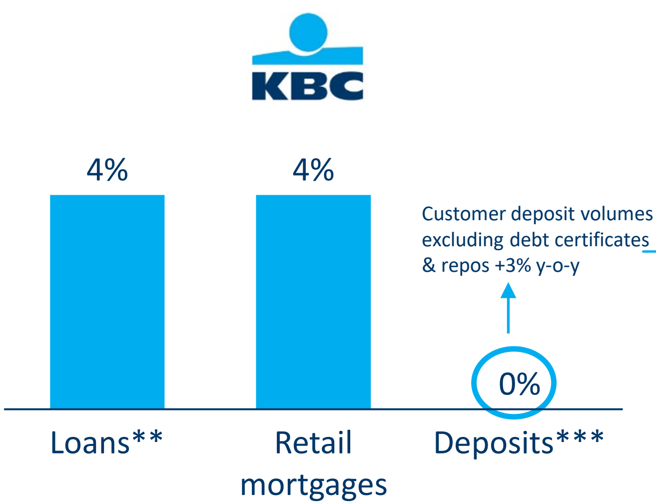
KBC Group consolidated at 30 June 2019

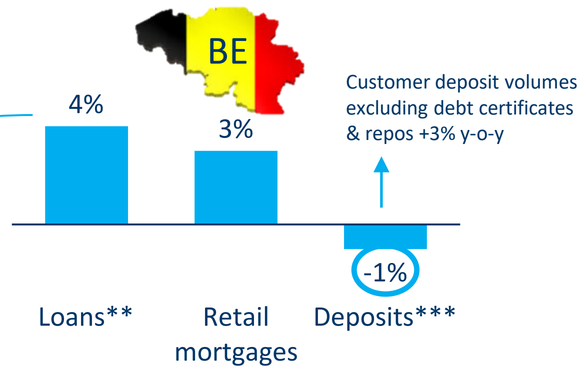


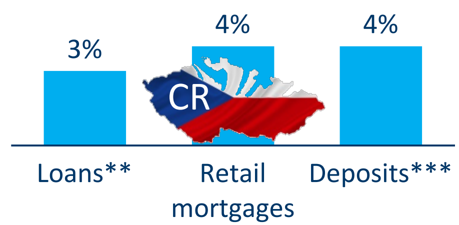
Balance sheet:

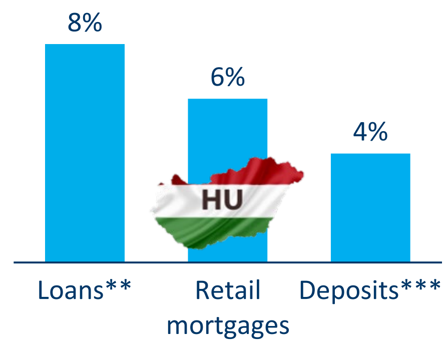
Loans and deposits continue to grow in most core countries

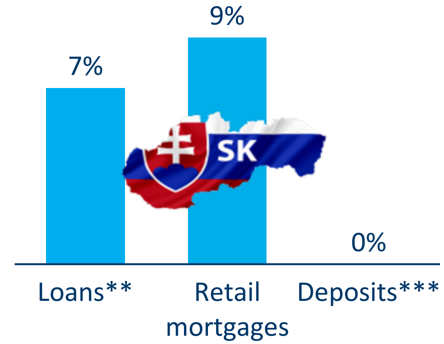
Y-O-Y ORGANIC* VOLUME GROWTH

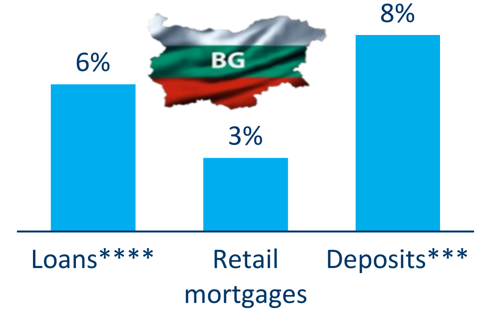


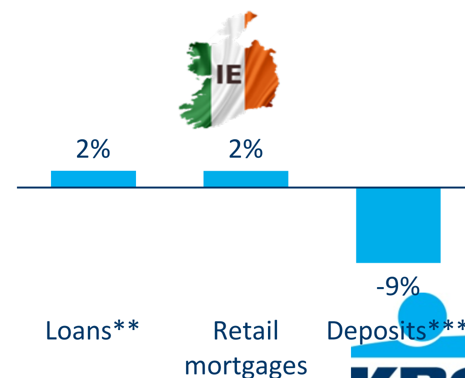






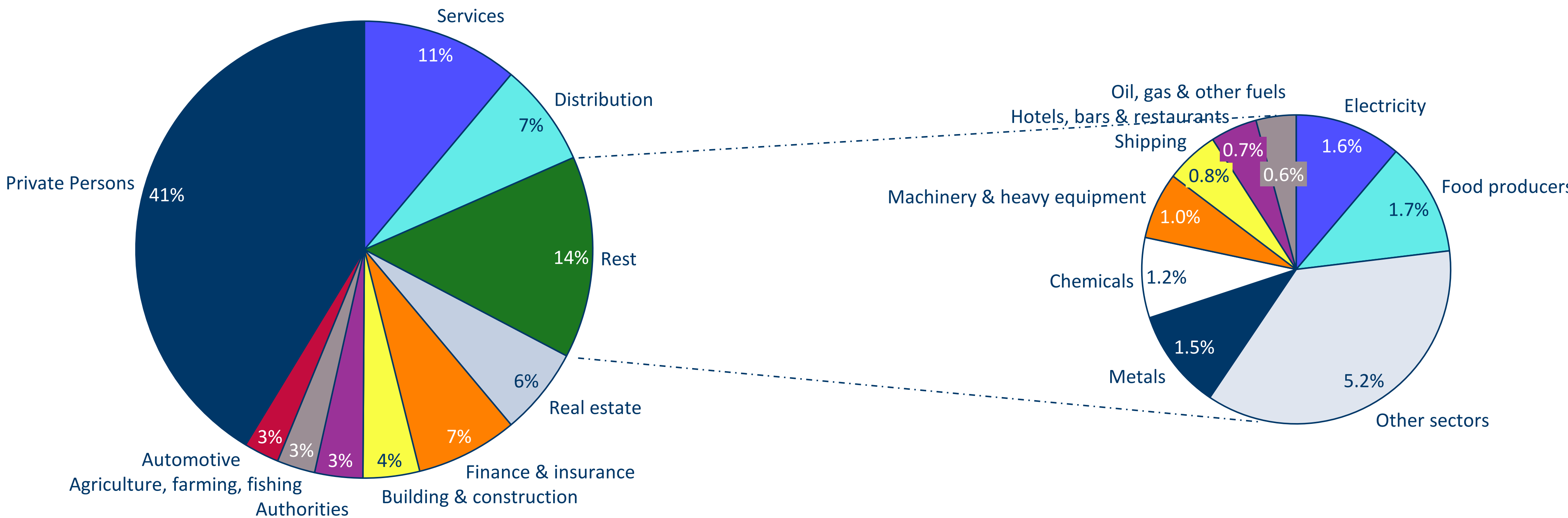






* Volume growth excluding FX effects and divestments/acquisitions
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos
**** Total customer loans in Bulgaria: new bank portfolio +7% y-o-y, while legacy -24% y-o-y

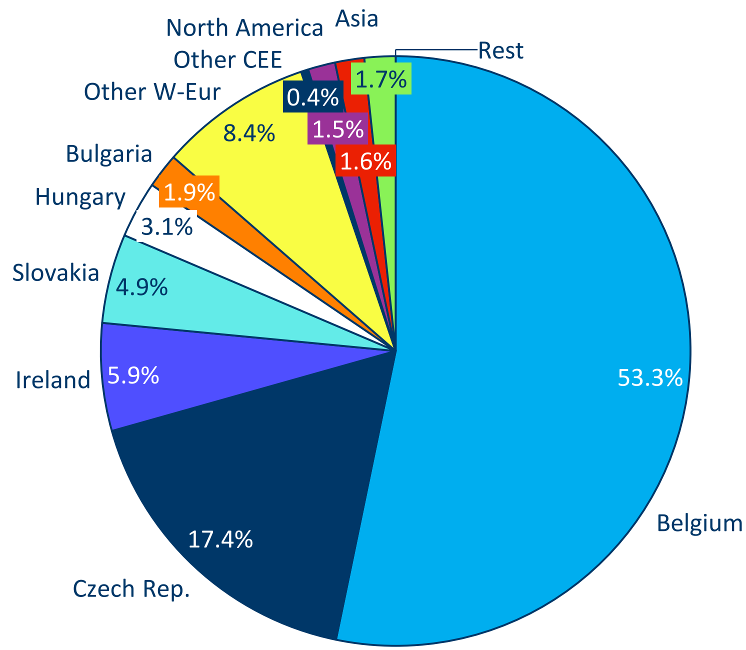
Sectorial breakdown of outstanding loan portfolio (1) (173bn EUR*) of KBC Bank Consolidated



* 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) (173bn EUR*) of KBC Bank Consolidated



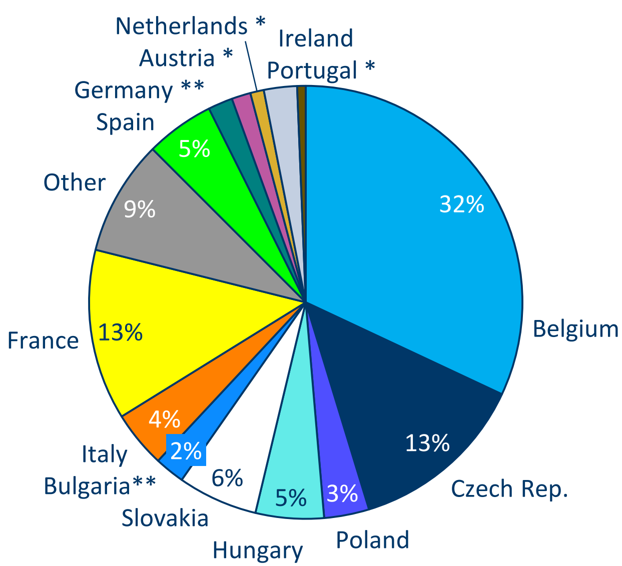
* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are 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

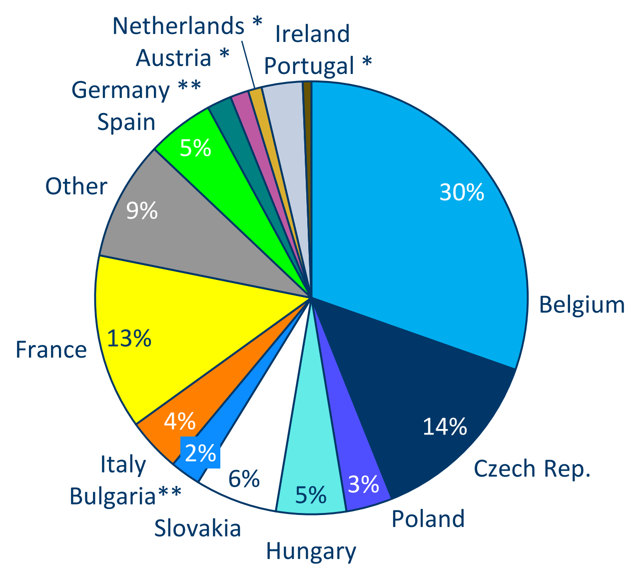
- Notional investment of 44.6bn EUR in government bonds (excl. trading book) at end of 1H19, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.7bn EUR at the end of 1H19

END OF FY18
(Notional value of 45.0bn EUR)



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

END OF 1H19
(Notional value of 44.6bn EUR)



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

Contents

More stringent ECB approach re. dividend policy

Our unchanged dividend policy / capital distribution to shareholders

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

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

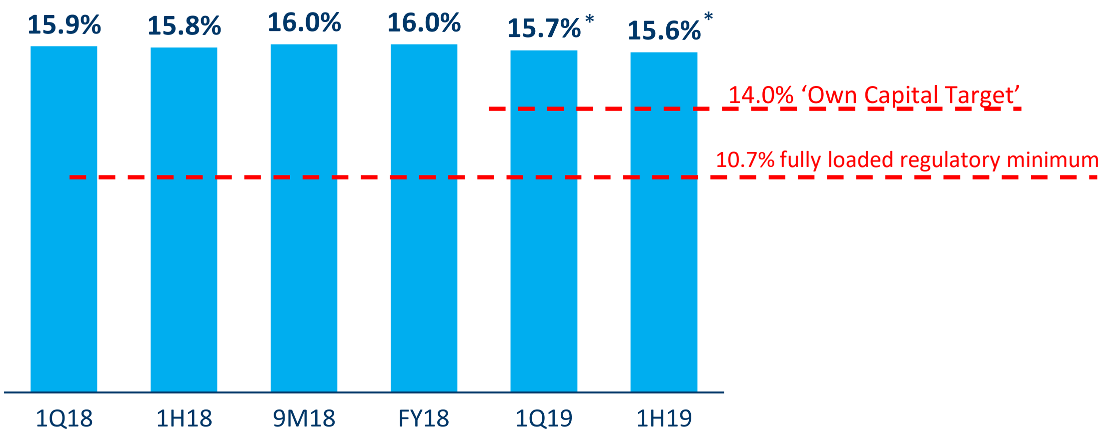
- We can apply for interim profit recognition based on the ECB Umbrella Decision (Decision EU 2015/656 of 4 February 2015), which states that the dividend to be deducted is the highest of (i) maximum pay-out according to dividend policy, (ii) average pay-out ratio over the last 3 years or (iii) last year's pay-out ratio
- BUT since recently:
  - the ECB interprets 'at least 50%' as a range with an upper end of 100% pay-out
  - the ECB indicated that KBC should first accrue for the interim dividend of 1 EUR per share before any profit can be recognised (under the ECB Umbrella decision)

What does this mean in practice in the meantime?

- In anticipation of further clarification and reaching agreement upon our approach re. the interim profit recognition process going forward, no interim profit has been recognised for 1H19. This resulted in a CET1 ratio of 15.6% at the end of 1H19
- When including 1H19 net result taking into account 59% pay-out (dividend + AT1 coupon), in line with the payout ratio in FY2018, the CET1 ratio at KBC Group (Danish Compromise) amounted to 15.9% at the end of 1H19

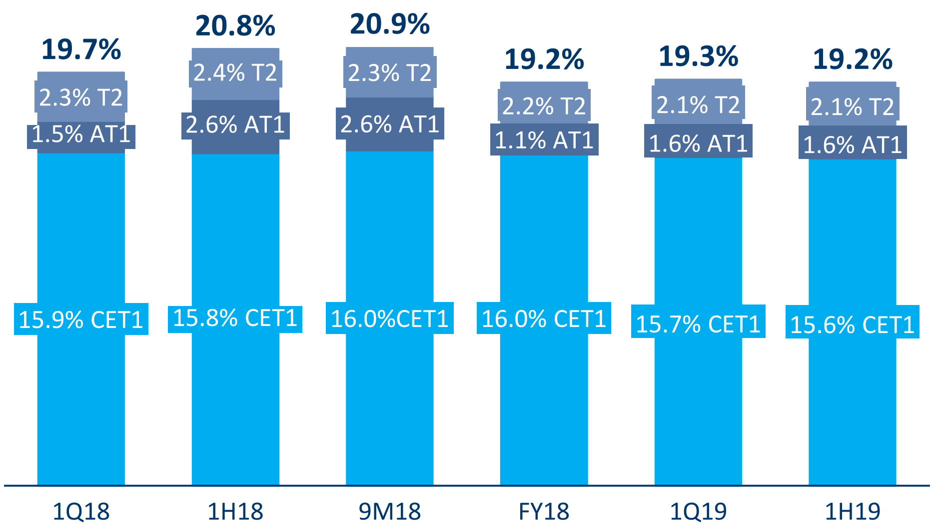
Strong capital position

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



* No interim profit recognition given more stringent ECB approach

Fully loaded Basel 3 total capital ratio (Danish Compromise)



- **The common equity ratio slightly decreased from 15.7% at the end of 1Q19 to 15.6%* at the end of 2Q19** based on the Danish Compromise due mainly to the closing of the ČMSS transaction, partly offset by final dividend payment of KBC Insurance to KBC Group. This **clearly exceeds** the minimum capital requirements** set by the competent supervisors of 10.7% fully loaded. Our ‘Own Capital Target’ remained at 14.0% for 2019 after the update of the median CET1 ratio of our peer group (based on FY18 numbers)

  * See previous slide…Is 15.9% when including 1H19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

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

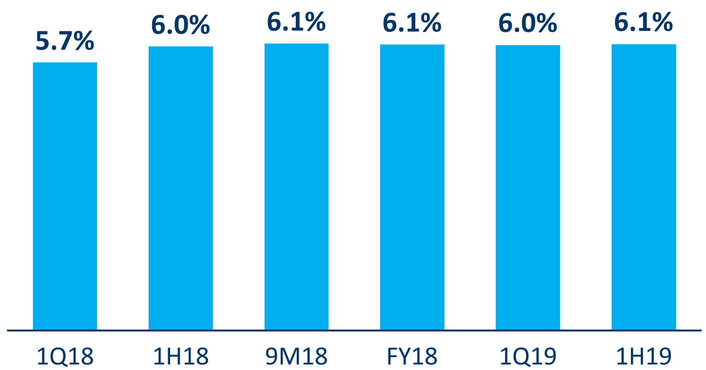
- **The fully loaded total capital ratio fell from 19.3% at the end of 1Q19 to 19.2% at the end of 2Q19**

Total distributable items (under Belgian GAAP) KBC Group 9.5bn EUR at 1Q 2019, of which:

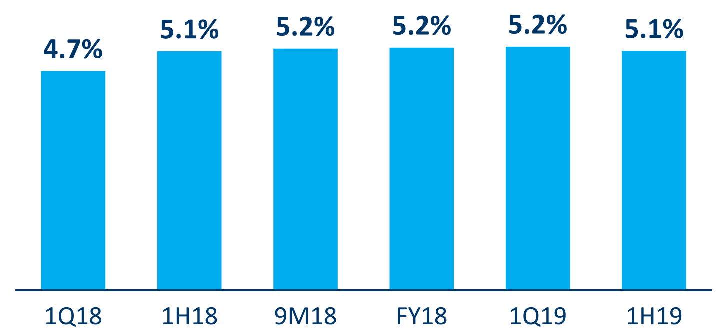
- available reserves: 949m
- accumulated profits: 5 207m

Fully loaded Basel 3 leverage ratio and Solvency II ratio

Fully loaded Basel 3 leverage ratio at KBC Group



Fully loaded Basel 3 leverage ratio at KBC Bank



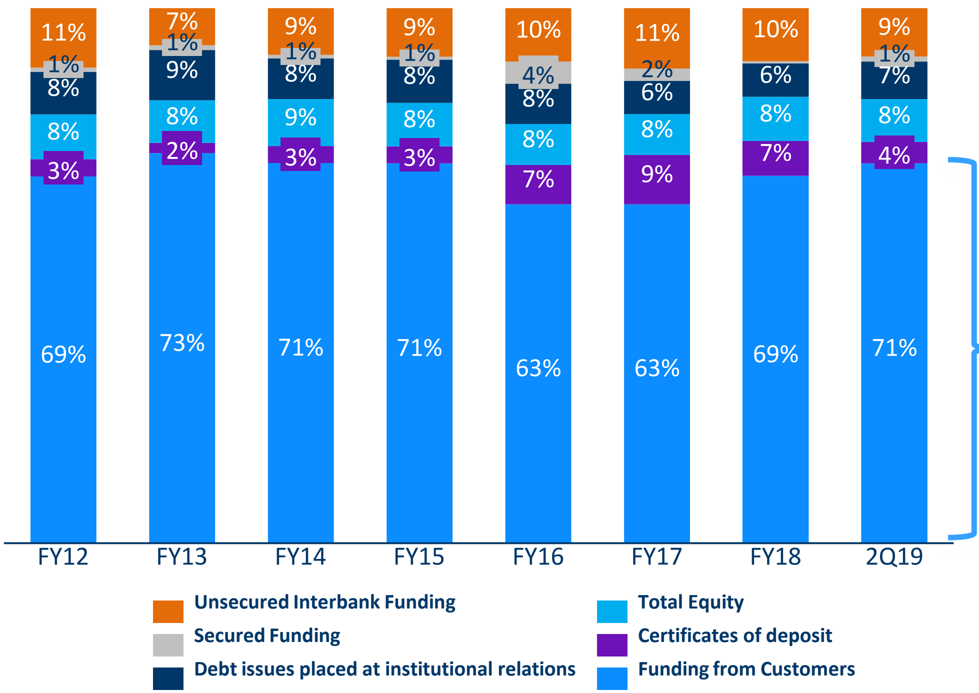
Solvency II ratio

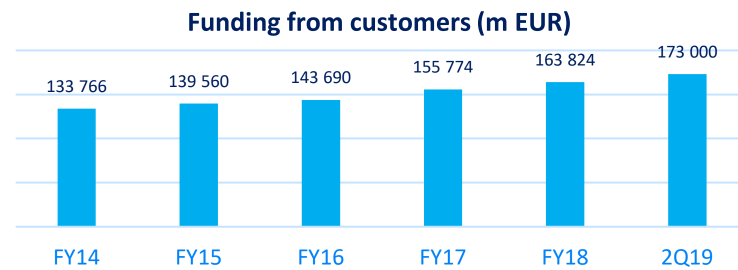
	1Q19	1H19
Solvency II ratio	210%	201%

- The decrease (-9% points) in the Solvency II ratio was mainly the result of lower interest rates, impact of sovereign spreads movements, lapse parameter updates and implementation of a new FX hedging policy

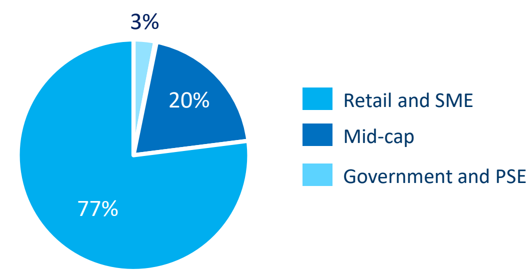
Strong and growing customer funding base with liquidity ratios remaining very strong

- 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. The elevated amount of ST wholesale funding remains as a result of continued ST arbitrage opportunities





71% customer driven

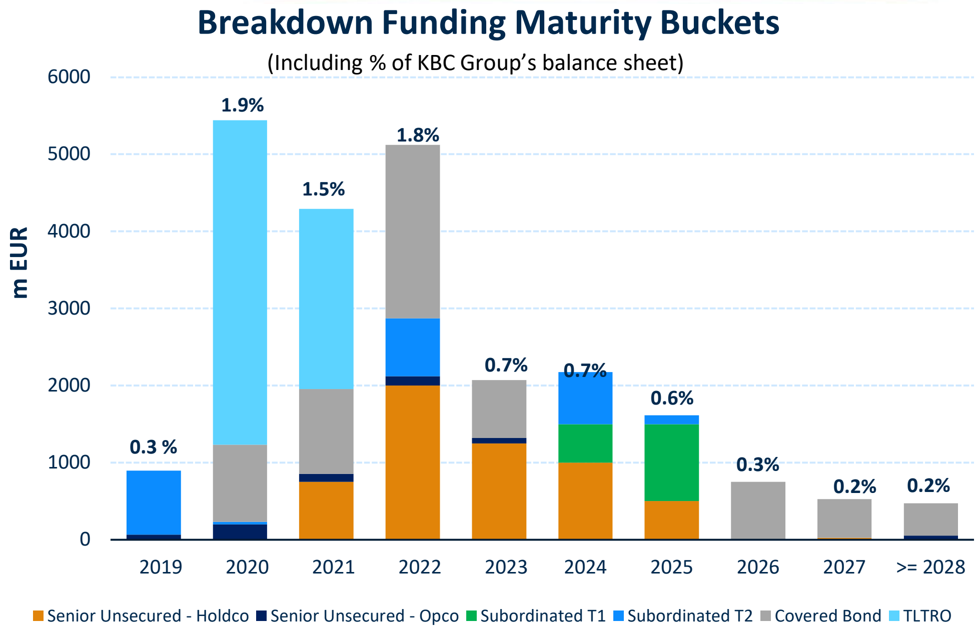


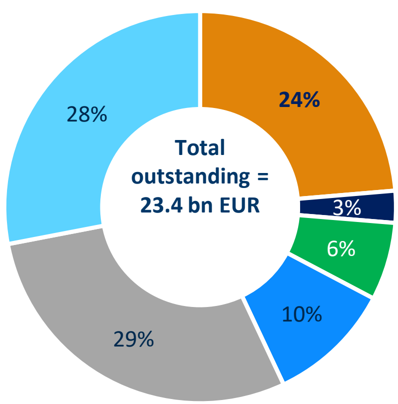
Ratios	FY18	1H19	Regulatory requirement
NSFR*	136%	133%	≥100%
LCR**	139%	140%	≥100%

- **NSFR is at 133% and LCR is at 140% by the end of 2Q19**
  - 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





- **CoCo has been called** (on 25 January 2018)
- KBC Bank placed **covered bonds of 750m EUR** with 8-year maturity and **250m EUR with 20-year maturity** in March 2018
- KBC Group issued a perpetual non-call **7.5-year additional Tier-1 instrument of 1bn EUR** in April 2018
- KBC Group successfully issued its **inaugural green senior benchmark issue of 500m EUR with a 5-year maturity** in June 2018
- In January 2019, KBC Group NV has successfully issued a new **senior holdco** benchmark of **750mn EUR with 5 year maturity**
- In March 2019, KBC Goup NV successfully issued a **new perpetual AT1 instrument** of 500m EUR
- KBC Group NV **called** the inaugural 1.4bn EUR **AT1 instrument** at its first call date (March 2019)
- In April 2019, KBC Group NV successfully issued a new senior holdco benchmark of 500m EUR with 6-year maturity.
- In June 2019, KBC Group NV successfully issued a 250m EUR tap of the KBC Group NV 1.125% senior issue maturing on 25 January 2024

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 (30 June 2019)

KBC Group

Senior
5 524

Tier 2
2 182

Additional Tier 1
1 500

CET1 (fully loaded)
15 031

Buffer for Sr. level 18.7 bn EUR

KBC Bank

Subordinated on loan by KBC Group
5 524

Tier 2
362
1 683

Additional Tier 1
1 500

CET1 (fully loaded)
12 243

Buffer for Sr. level 20.9bn EUR

KBC Insurance

Tier 2
500

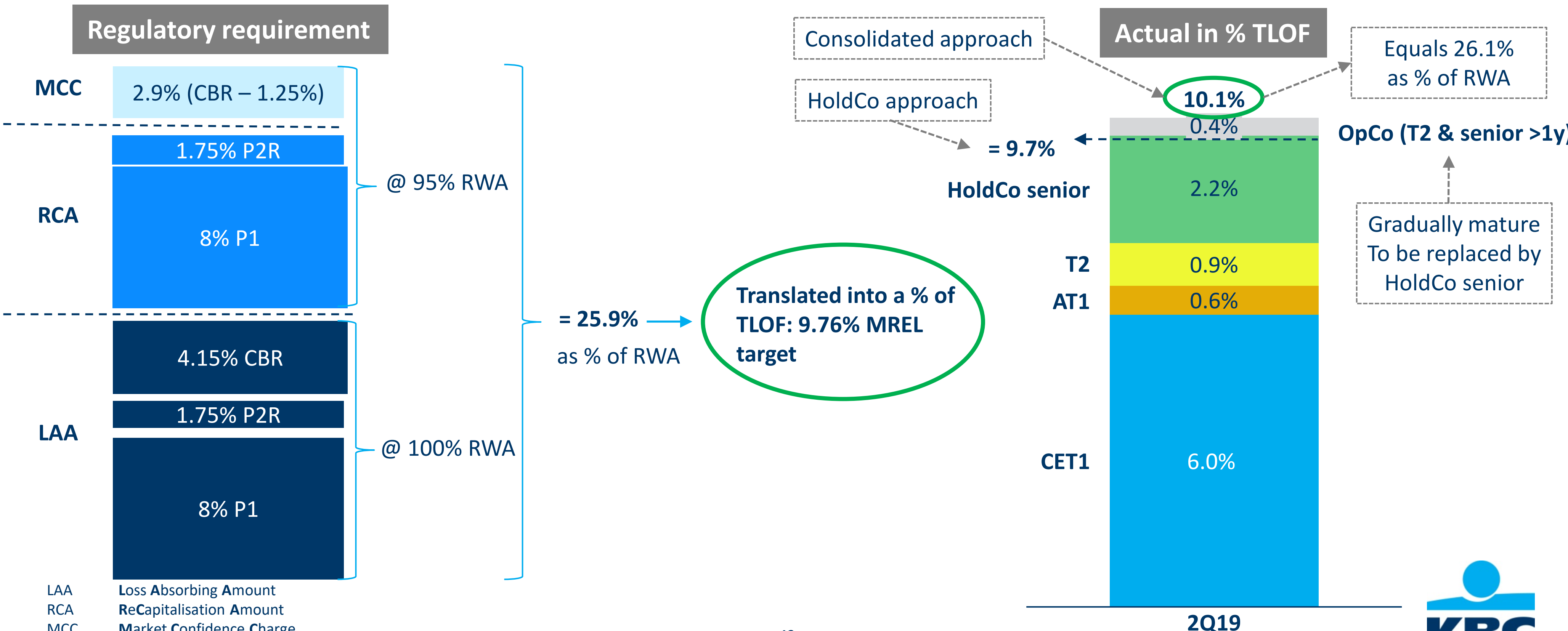
Parent shareholders equity
3 345

Legacy T2 issued by KBC Bank will disappear over time

nominal amounts in million EUR

KBC complies with resolution requirements

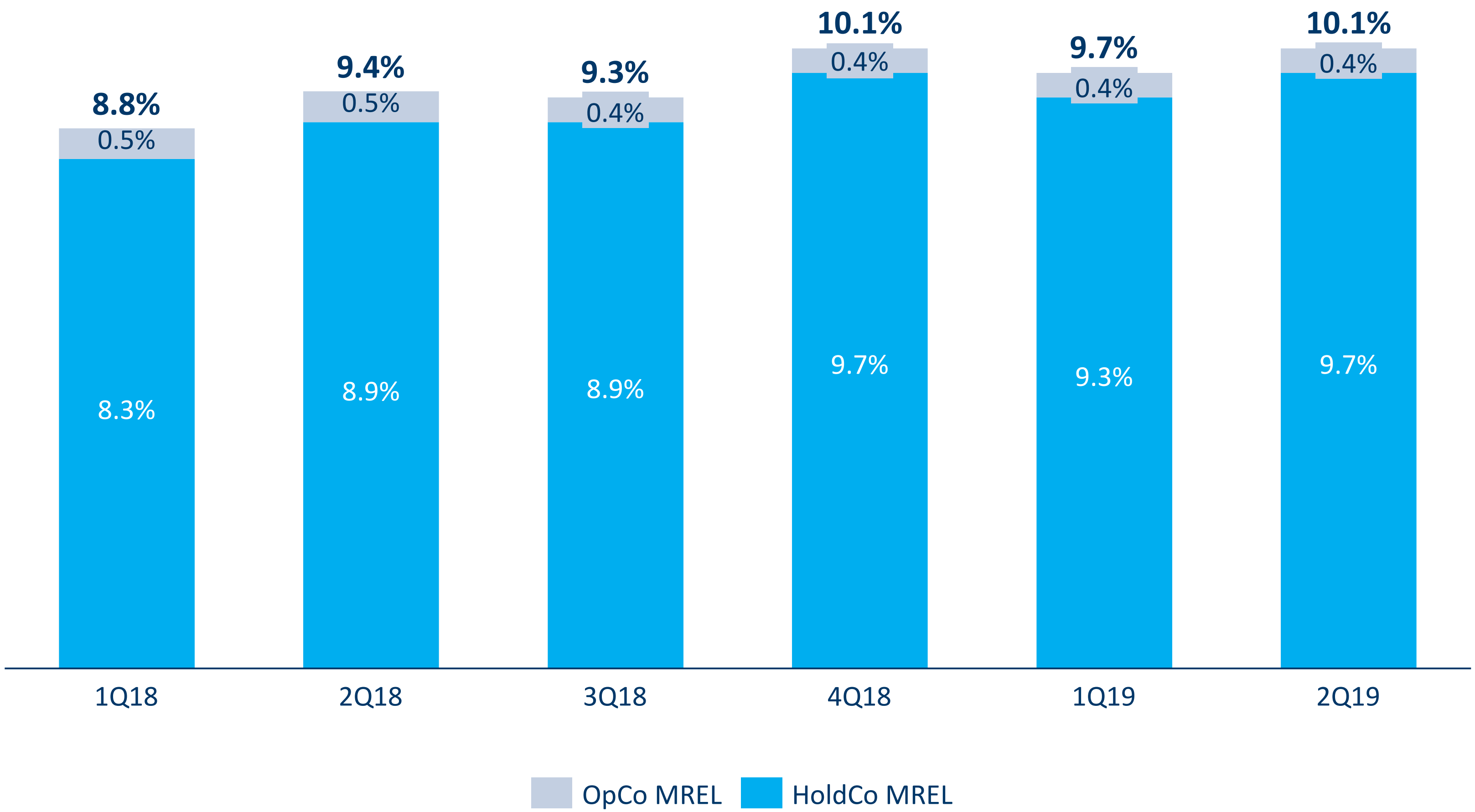
- ✓ The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level
- ✓ **Bail-in** is identified as the preferred resolution tool
- ✓ SRB's current approach to **MREL** is defined in the '2017 MREL Policy' published on 20 December 2017, which is based on the current legal framework and hence might be revised in the context of the ongoing legislative process to review BRRD
- ✓ **The MREL target for KBC is 9.76% as % of TLOF,** which is based on fully loaded capital **requirements as at 31 December 2016**
- ✓ SRB requires KBC to achieve this target by 1 May 2019, using both HoldCo and eligible OpCo instruments – **KBC complies with the requirement**: **the MREL ratio of KBC Group consolidated as of 30-06-2019 is 10.1% as % of TLOF**



LAA Loss Absorbing Amount
RCA ReCapitalisation Amount
MCC Market Confidence Charge
CBR = Combined Buffer Requirement = 2.5% Conservation Buffer +1.5% O-SII buffer + 0.15% countercyclical buffer

TLOF = Total Liabilities and Own Funds

Available MREL as a % of TLOF (fully loaded)



Latest credit ratings

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

Latest updates:

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

KBC

Contents

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.

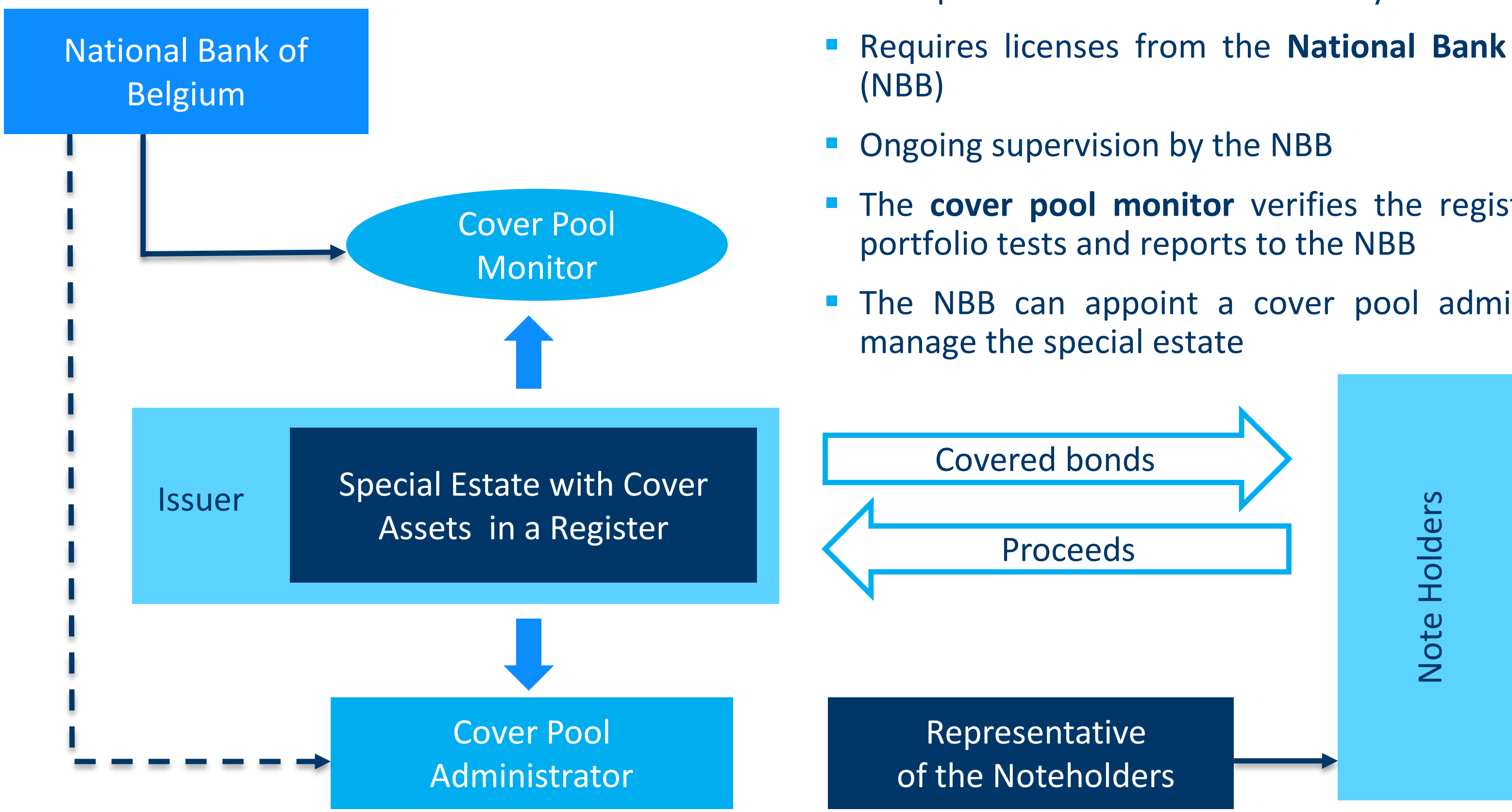
Issuer:	• KBC Bank NV
Main asset category:	• min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon
Programme size:	• **Up to 10bn EUR (only)** • **Outstanding amount of 6,67bn EUR**
Interest rate:	• Fixed rate, floating rate or zero coupon
Maturity:	• Soft 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:	• 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:	• Moody's Aaa / Fitch AAA

	Moody's	Fitch
Over-collateralisation	**10%**	**7,5%**
	TPI Cap Probable	**D-cap 4 (moderate risk)**

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 (59%) and high seasoning (64 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

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

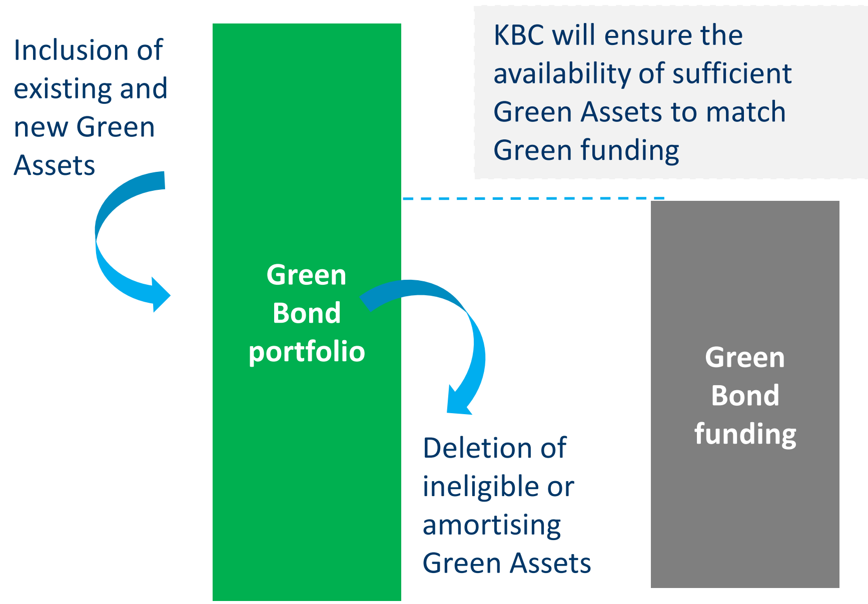
- The KBC Green Bond Framework is in line with the Green Bond Principles (2017)
- Second party opinion provided by Sustainalytics and Pre-issuance- certification by the Climate Bonds Initiative
- KBC intends to align its Green Bond Framework with emerging good practices, such as a potential European 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*

KBC

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*

Contents

Looking forward

Economic outlook

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

Group guidance

- Solid returns for all Business Units
- B4 impact (as of 1 January 2022) for KBC Group estimated at roughly 8bn EUR higher RWA on fully loaded basis at end 2018, corresponding with 9% RWA inflation and -1.3% points impact on CET1 ratio
- Referring to our dividend policy, KBC will pay an interim dividend of 1 EUR per share in November 2019, as an advance payment on the total dividend. The pay-out ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit is reconfirmed

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. Overview of outstanding benchmarks
2. Summary of KBC's covered bond programme
3. Solvency: details on capital
4. Details on business unit international markets
5. Details on credit exposure of Ireland

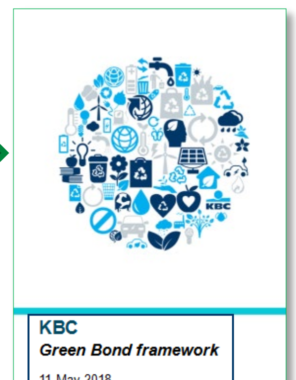
Annex 1 - Outstanding benchmarks

Overview till end of July 2019

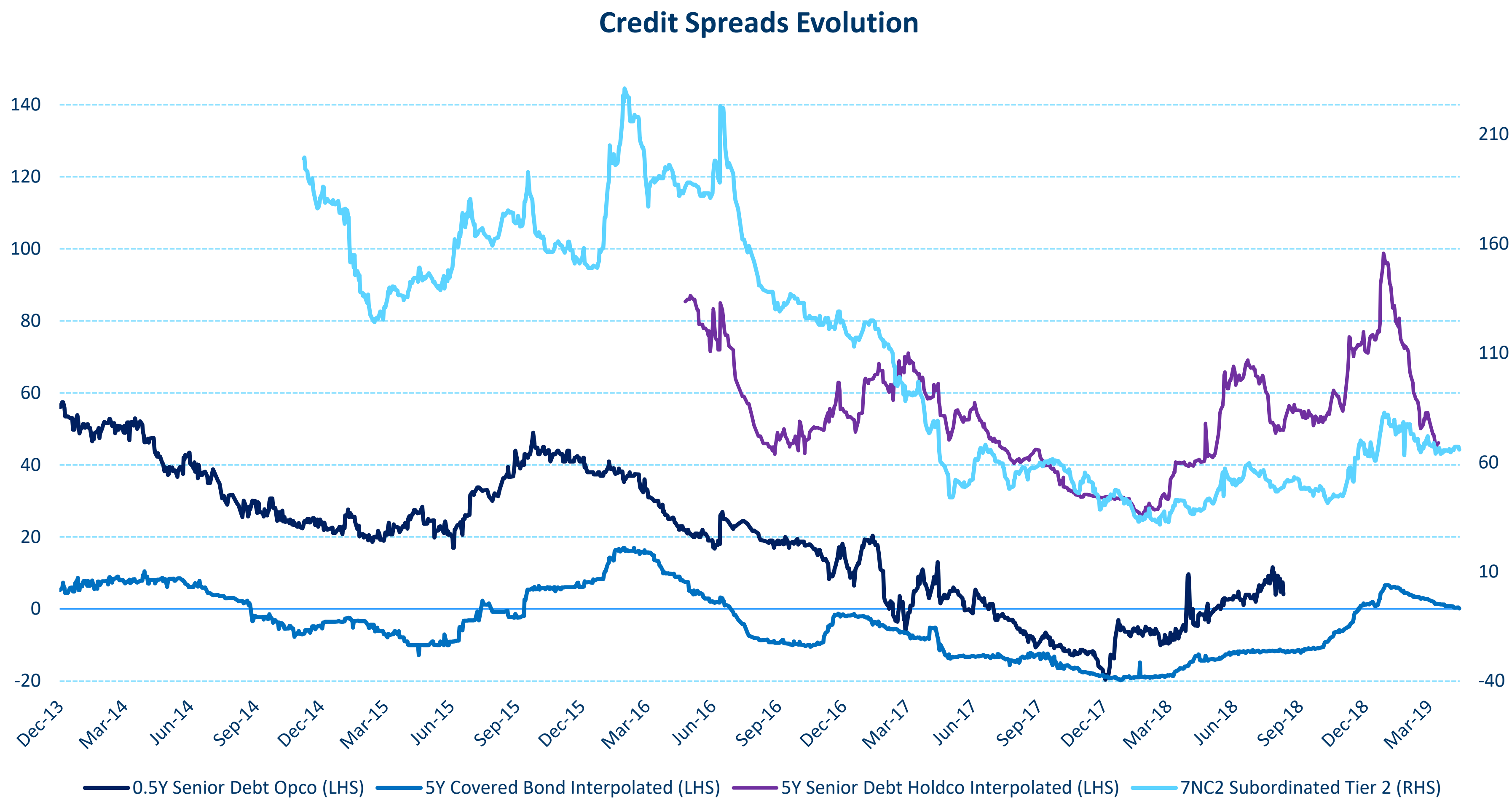
Type	Issuer	Amount (in mio)	Next call date	Maturity	coupon	ISIN	reset spread	Trigger	Level	Own funds	MREL
Additional Tier1											
AT1 24/04/2018	KBC Group	1 000 €	24/10/2025	Perpetual	4,250%	BE0002592708	MS 5Y+ 359,4bps	temporary write-down	5,125%	☑	☑
AT1 10/03/2019	KBC Group	500 €	10/03/2024	Perpetual	4,750%	BE0002638196	MS 5Y+ 468,9bps	temporary write-down	5,125%	☑	☑
Tier2: subordinated notes											
AT1	KBC Bank	£44,5	19/12/2019	Perpetual	6,202%	BE0119284710	GBP 3M Libor + 193bp	supervisory event or concursus		GF*	☑
T2 25/11/2014	KBC Group	750 €	25/11/2019	25/11/2024	2,375%	BE0002479542	MS 5Y+ 198bps	regulatory+ tax call		☑	☑
T2 11/03/2015	KBC Group	750 €	11/03/2022	11/03/2027	1,875%	BE0002485606	MS 5Y+ 150bps	regulatory+ tax call		☑	☑
T2 18/09/2017	KBC Group	500 €	18/09/2024	18/09/2029	1,625%	BE0002290592	MS 5Y+ 125bps	regulatory+ tax call		☑	☑

* GF: Grand-fathered

Type	Issuer	Amount (in mio)	Maturity	coupon	ISIN	MREL
Senior						
Senior 26/06/2016	KBC Group	750 €	26/04/2021	1,000%	BE6286238561	☑
Senior 18/10/2016	KBC Group	750 €	18/10/2023	0,750%	BE0002266352	☑
Senior 01/03/2017	KBC Group	1 250 €	1/03/2022	0,750%	BE0002272418	☑
Senior 24/05/2017	KBC Group	750 €	24/11/2022	3M+0,55%	BE0002281500	☑
Senior 27/06/2018	KBC Group	500 €	27/06/2023	0,875%	BE0002602804	☑
Senior 07/02/2019	KBC Group	1 000 €	25/01/2024	1,125%	BE0002631126	☑
Senior 10/04/2019	KBC Group	500 €	10/04/2025	0,625%	BE0002645266	☑
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 1
Credit spreads evolution



Annex 2 – KBC's covered bond programme

Key cover pool characteristics

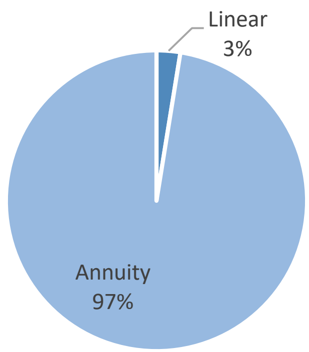
Investor reports, final terms and prospectus are available on www.kbc.com/covered_bonds

Portfolio data as of :	30 June 2019
Total Outstanding Principal Balance	10 094 651 066
Total value of the assets for the over-collateralisation test	9 470 418 626
No. of Loans	137 129
Average Current Loan Balance per Borrower	104 281
Maximum Loan Balance	1 000 000
Minimum Loan Balance	1 000
Number of Borrowers	96 802
Longest Maturity	359 month
Shortest Maturity	1 month
Weighted Average Seasoning	63 months
Weighted Average Remaining Maturity	174 months
Weighted Average Current Interest Rate	2.08%
Weighted Average Current LTV	59%
No. of Loans in Arrears (+30days)	255
Direct Debit Paying	98%

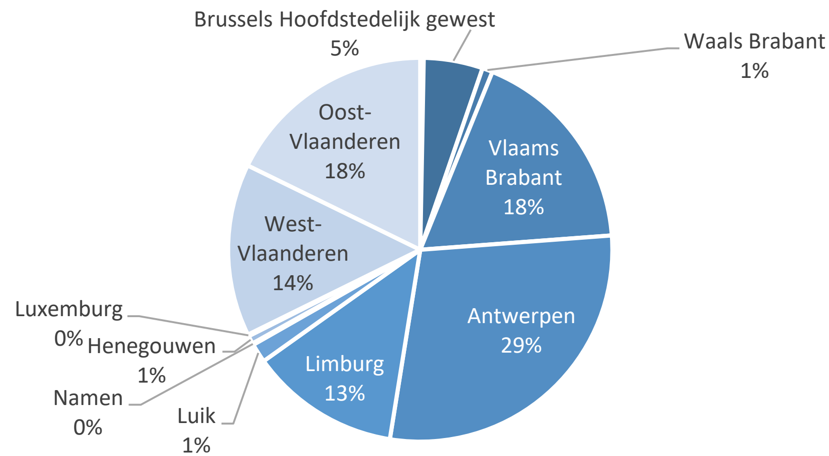
Annex 2 – KBC's covered bond programme

Key cover pool characteristics

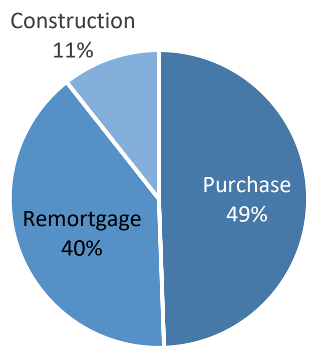
REPAYMENT TYPE (LINEAR VS. ANNUITY)



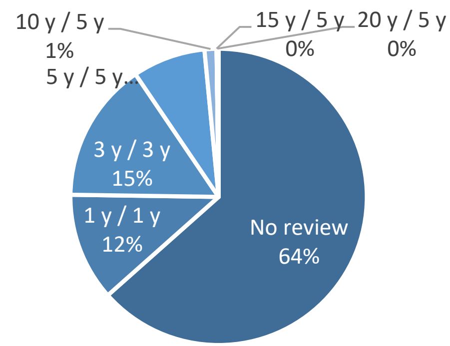
GEOGRAPHICAL ALLOCATION



LOAN PURPOSE

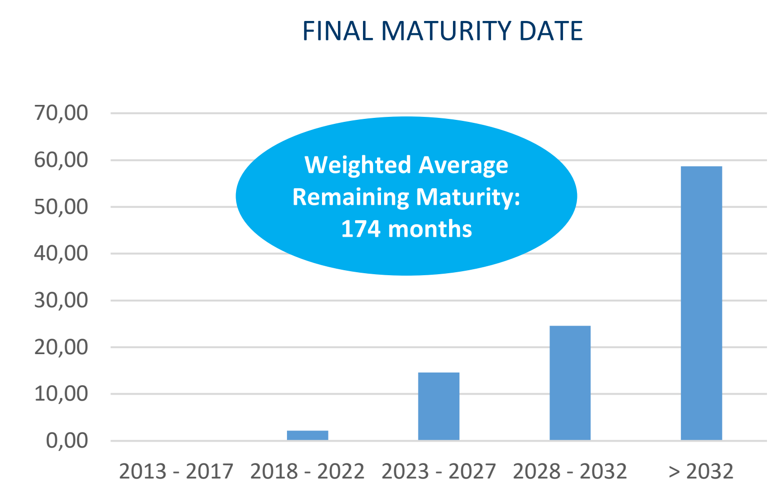


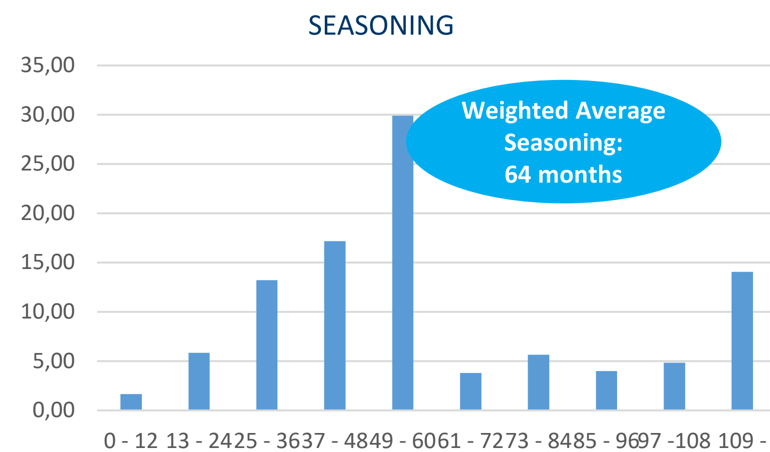
INTEREST RATE TYPE (FIXED PERIODS)

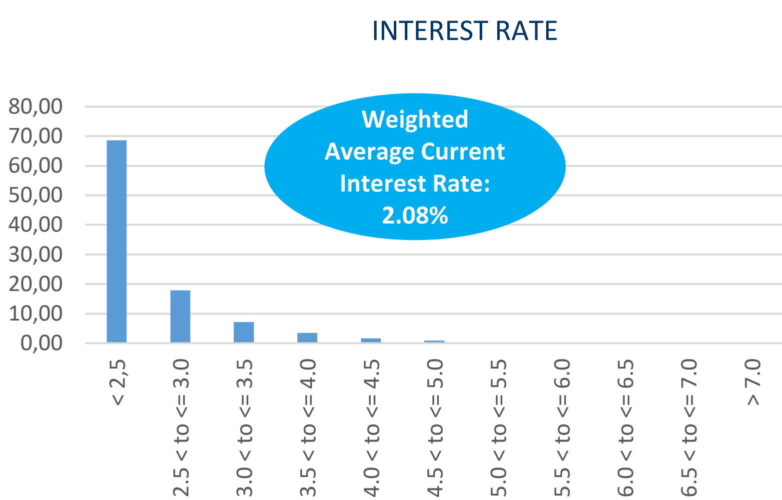


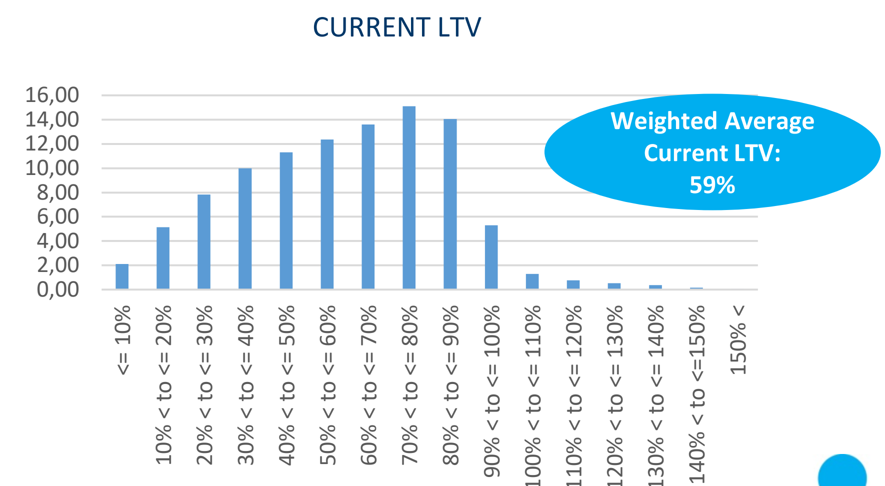
Annex 2 – KBC's covered bond programme

Key cover pool characteristics







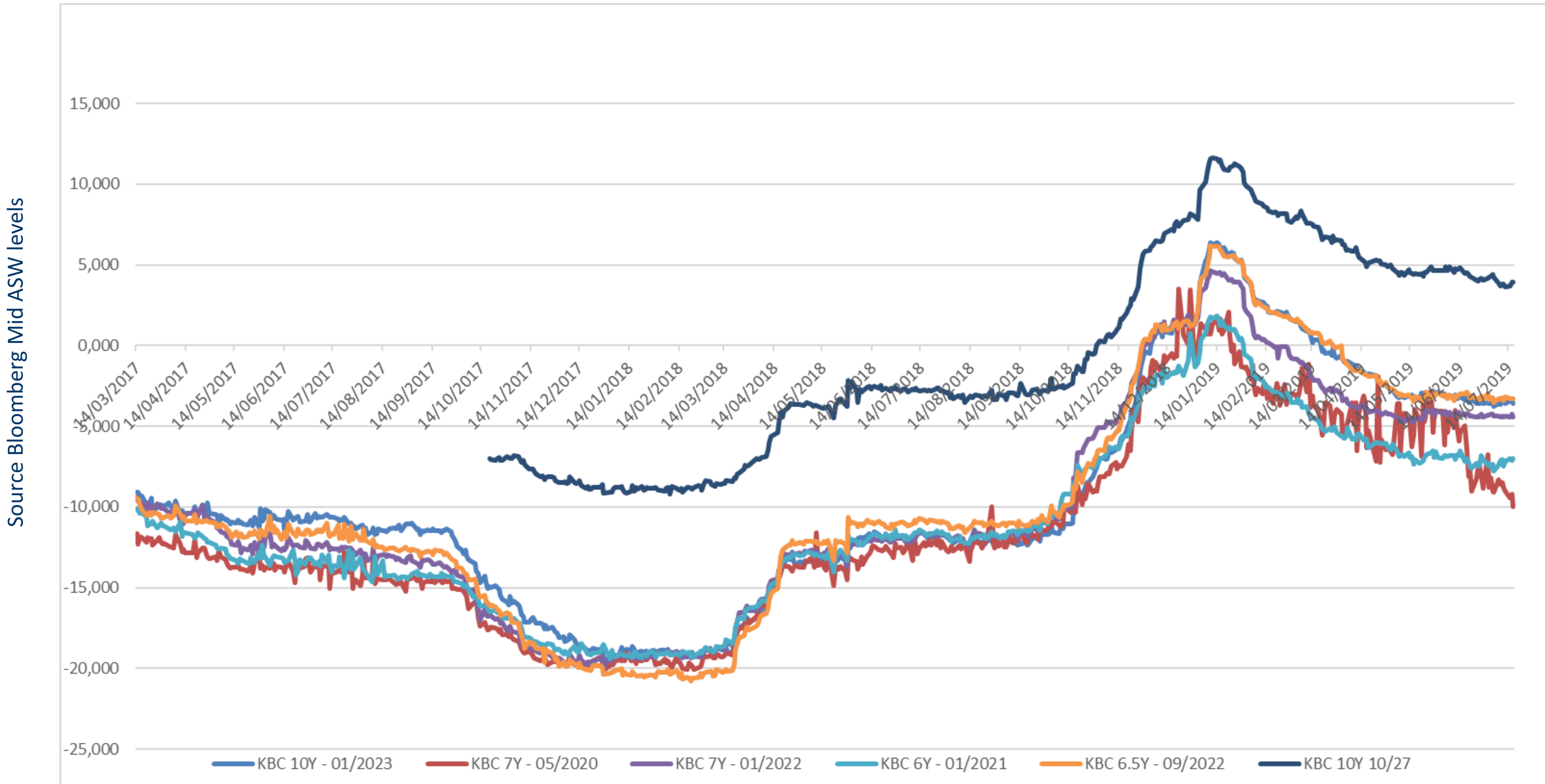


Annex 2 – KBC's covered bond programme

Benchmark issuance KBC covered bonds

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

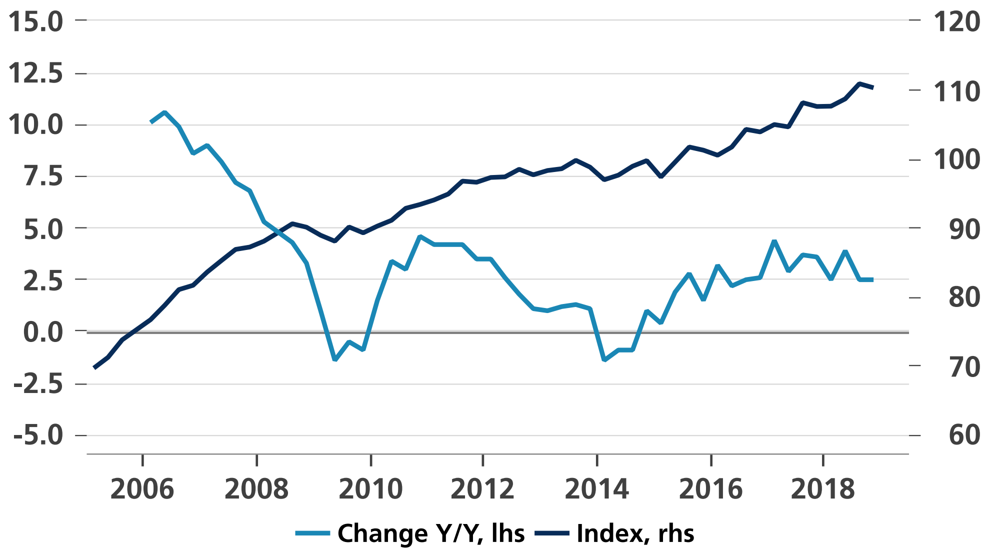
SPREAD EVOLUTION KBC COVERED BONDS (SPREAD IN BP VERSUS 6 MONTH MID SWAP)



Annex 2: Belgian real estate market

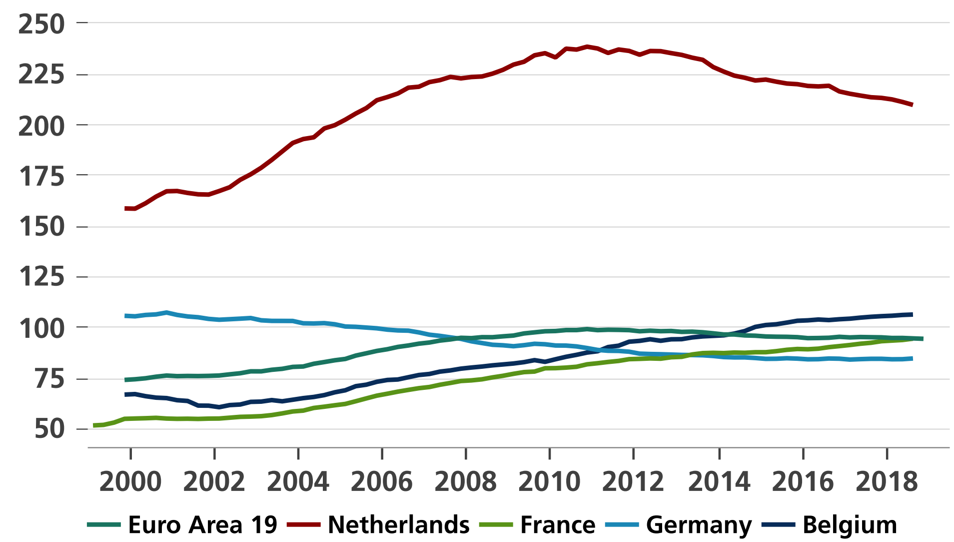
In 2018, price growth fell back to 2.9% yoy, from 3.6% yoy in 2017

Belgium - Eurostat house price index
(total dwellings)



Source: KBC Economics based on Eurostat

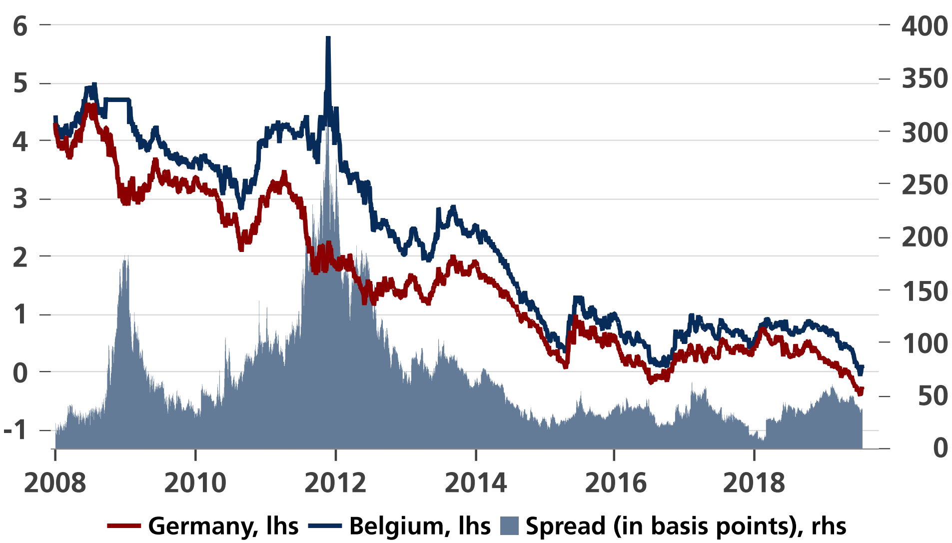
Household debt
(loans outstanding, % of gross disposable income)



Source: KBC Economics based on ECB

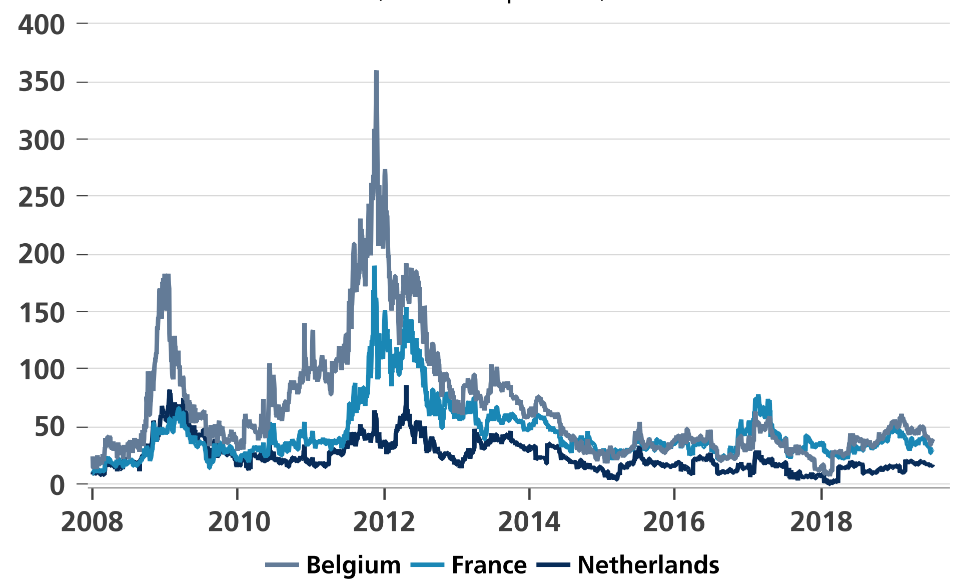
Annex 2 - Interest rates still historically low

10 year government bond yield
(in %)



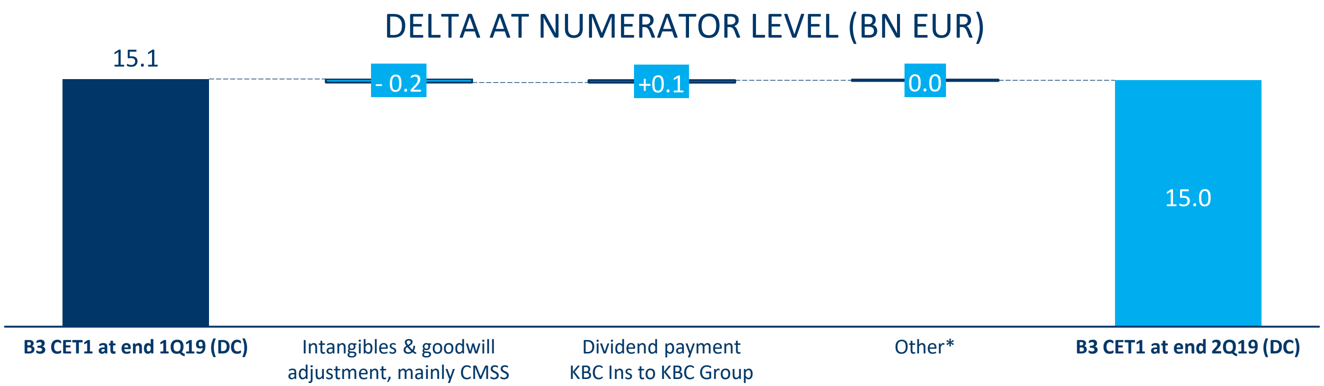
Source: KBC Economics based on Macrobond

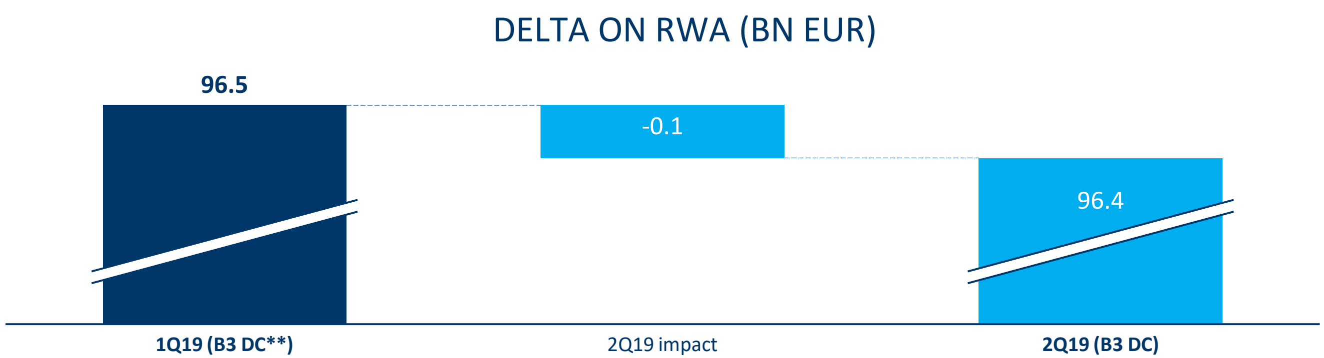
10 year gov. bond yield spread vs. Germany
(in basis points)



Source: KBC Economics based on Macrobond

Annex 3 - Solvency details
Fully loaded B3 CET1 based on the Danish Compromise (DC) from 1Q19 to 2Q19





- Fully loaded B3 common equity ratio amounted to 15.6% at end 1H19 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, remeasurement of defined benefit obligations, 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%

*** See slide 40… Is 15.9% when including 1H19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

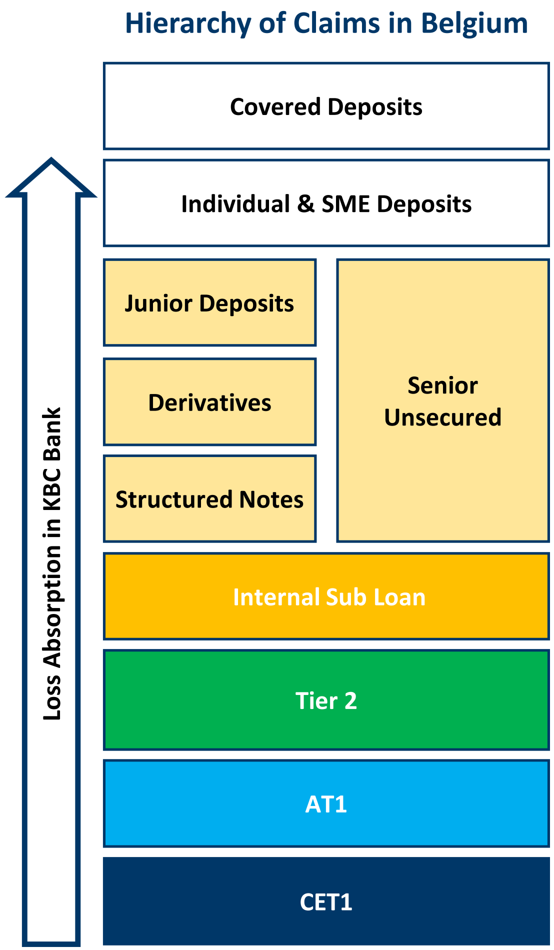
Annex 3 - Solvency details
Overview of B3 CET1 ratios at KBC Group

Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	15,818	109,184	14.5%
DC**, fully loaded	15,031	96,389	15.6%
DM***, fully loaded	14,070	91,024	15.5%

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

Annex 3 - Solvency details

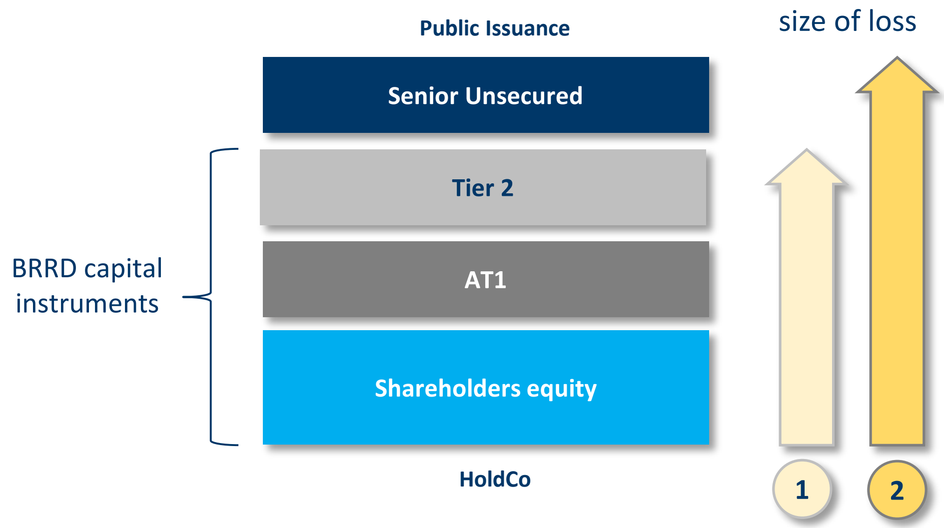
Implementation of the BRRD in Belgium



1. 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
2. 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.
3. 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).
4. 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 3 - 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 4 – Business unit international markets

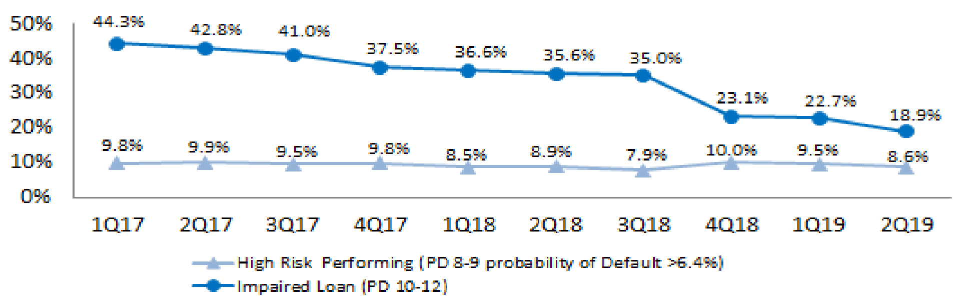
Business profile

2Q 2019	Slovakia	Hungary	Bulgaria	Ireland	BU Int. Markets
Net result (in million euros)	11m	55m	29m	9m	**104m**
Allocated Capital (in billion euros)	0.6bn	0.7bn	0.4bn	0.7bn	**2.4bn**
Loans (in billion euros)	7bn	5bn	3bn	10bn	**24bn**
Deposits (in billion euros)	6bn	7bn	4bn	5bn	**23bn**
Credit Cost Ratio (%)	0.27%	-0.13%	0.15%	-0.23%	**-0.01%**
Impaired loans ratio (PD10-12)	1.8%	3.5%	12.1%	18.8%	**9.8%**

Annex 5 - Details on credit exposure of Ireland
Impaired loans ratio further improved

LOAN PORTFOLIO €m	OUT-STANDING	IMPAIRED LOANS	IMPAIRED LOANS PD 10-12	PROVISIONS PD 10-12	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9,104	1,669	18%	370	22%
Buy to let mortgages	738	186	25%	86	46%
Non Mortgage Retail	77	4	5%	3	84%
Corporate	54	26	48%	13	51%
Total	**9,973**	**1,885**	**19%**	**473**	**25%**

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



2Q19 Total Portfolio

	PD	Exposure	Impairment Provisions	Cover %
Performing	PD 1-8	7,468	6	0.1%
	Of which non Forborne	7,464		
	Of which Forborne	4		
	PD 9	619	23	3.7%
	Of which non Forborne	102		
	Of which Forborne	517		
Impaired	PD 10	948	84	8.9%
	PD 11	719	235	32.7%
	PD 12	218	153	70.3%
	TOTAL PD1-12	**9,973**	**501**	
	PD 10-12 Impairment Provisions /(PD 10-12)			*25.1%*

- Forborne loans (in line with EBA Technical Standards) comprise loans on a live restructure or continuing to serve a probation period post-restructure/cure to Performing

- The Irish economy started 2019 on a strong footing and while growth is expected to moderate, we now expect GDP to increase by about 5%
- Strong gains in employment have led to further falls in unemployment. This, combined with rising incomes, is supporting domestic demand
- Increasing supply, affordability constraints and Brexit-related uncertainty have contributed to a marked easing in house price inflation
- During 2Q19, KBC Bank Ireland completed the sale of its legacy performing corporate loan portfolio of roughly 0.3bn EUR to Bank of Ireland
- Impaired portfolio decreased by roughly 504m EUR q-o-q predominantly due to the accounting write-off of certain fully provisioned legacy loans during 2Q19, resulting in impaired loan ratio reducing to 18.9% and coverage ratio falling to 25.1%
- Weighted average indexed LTV on the Retail impaired portfolio has improved y-o-y and in 2Q19 decreased to 99% (from 100% at 2Q18)

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	The numerator and denominator are adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include: • MtM ALM derivatives (fully excluded) • bank 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 (stage 3)]
Impaired loans ratio	[part of the loan portfolio that is impaired (stage 3)] / [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

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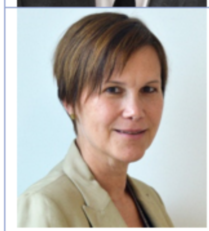	Dominique Agneesens Investor Relations Manager	Direct + 32 2 429 14 41 Mobile +32 473 657 294 Dominique.agneesens@kbc.be

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