KBC Group
Company presentation
1Q 2021

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1Q 2021 key takeaways

1Q21 financial performance

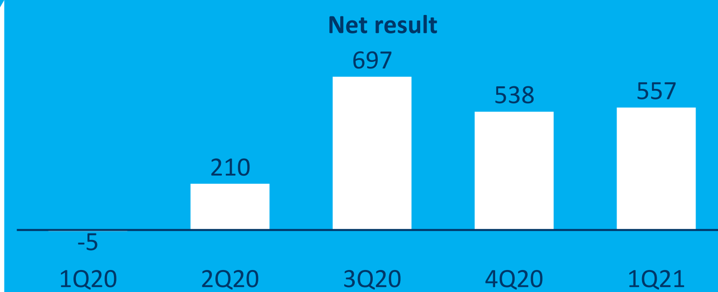
- **Commercial bank-insurance franchises** in core markets performed very well
- **Customer loans** and **customer deposits** increased y-o-y in most of our core countries
- Higher **net interest income** and net interest margin
- Higher **net fee and commission income**
- Higher **net gains from financial instruments at fair value** and higher **net other income**
- Higher sales of **non-life** and **life** insurance y-o-y
- Strict **cost** management, but higher bank taxes (recognized upfront)
- Net **impairment releases**
- Solid **solvency** and **liquidity**

Comparisons against the previous quarter unless otherwise stated

Excellent net result of 557m EUR in 1Q21

1Q21

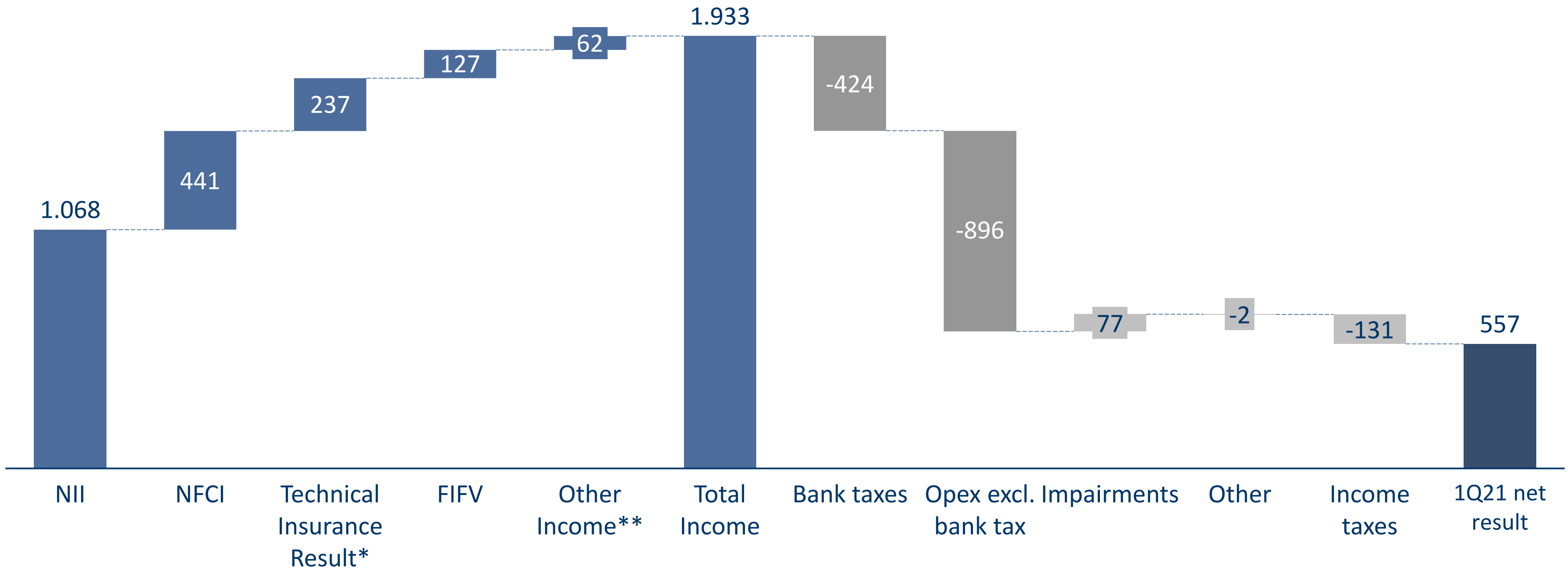
- **ROE 16%***
- **Cost-income ratio excluding bank taxes 46%**
- **Combined ratio 78%**
- **Credit cost ratio -0.17% (-0.11% without collective Covid-19 impairments**)**
- **Common equity ratio 17.6%** (B3, DC, fully loaded)
- **Leverage ratio 5.8%** (fully loaded)
- **NSFR 148% & LCR 157%**



* when evenly spreading the bank tax throughout the year

** Collective Covid-19 impairments lowered from 783m EUR at end 2020 to 757m EUR at end 1Q21

Overview of building blocks of the 1Q21 net result



	NII	NFCI	Technical Insurance Result*	FIFV	Other Income**	Total Income	Bank taxes	Opex excl. bank tax	Impairments	Other	Income taxes	1Q21 net result
Q-o-Q	0%	+9%	+15%			+7%		-5%				+3%
Y-o-Y	-11%	+3%	+33%			+31%		-4%				

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

Main exceptional items

		1Q21	4Q20	1Q20
GROUP	Opex – Update of software capitalisation policy		+10m EUR*	
	Impairments – Software		-59m EUR**	
	Total Exceptional Items GROUP		***-49m EUR***	
BE BU	NII – One-off technical item (insurance)		+5m EUR	
	NII – Early termination of 1 large corporate file			+12m EUR
	Total Exceptional Items BE BU		***+5m EUR***	***+12m EUR***
CZ BU	NOI – Legacy legal files		-6m EUR	
	Total Exceptional Items CZ BU		***-6m EUR***	
IM BU	IRL - NOI – Additional impact for the tracker mortgage review		-3m EUR	
	HU – Impairments – Modification loss from moratorium		-2m EUR	-18m EUR
	Total Exceptional Items IM BU		***-5m EUR***	***-18m EUR***
Total Exceptional Items (pre-tax)		0m EUR	-55m EUR	-6m EUR
Total Exceptional Items (post-tax)		0m EUR	-44m EUR	-7m EUR

* +10m EUR at KBC Group level: +11m EUR in Belgium, -4m EUR in the Czech Republic, +1m EUR in Hungary and +2m EUR in Group Centre

** -59m EUR at KBC Group level: -28m EUR in Belgium, -6m EUR in the Czech Republic, -2m EUR in Slovakia, -5m EUR in Hungary and -18m EUR in Group Centre

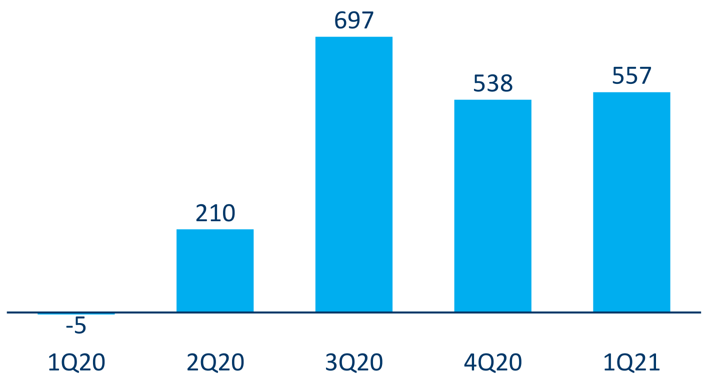
Contents

Section 1

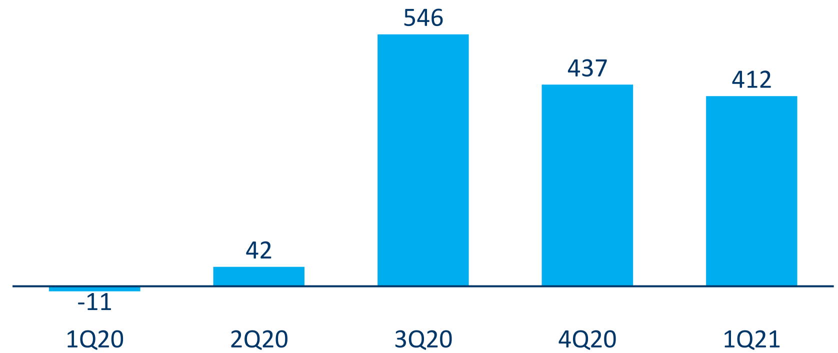
1Q 2021 performance of KBC Group

Net result at KBC Group

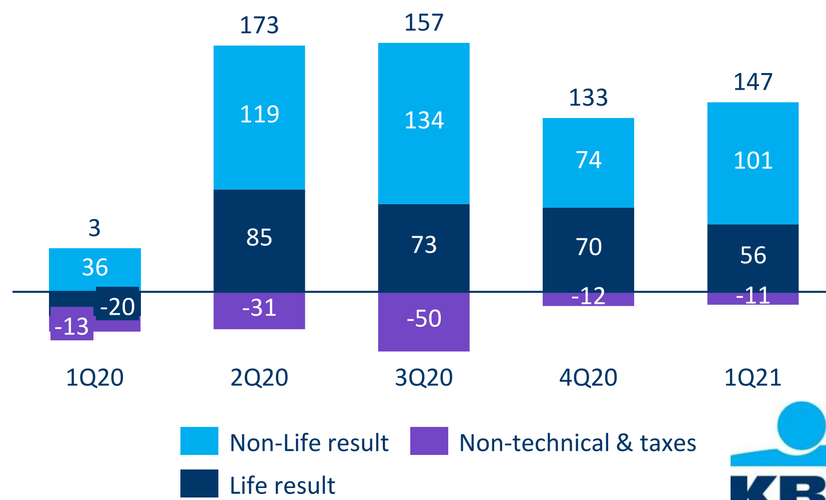
NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*



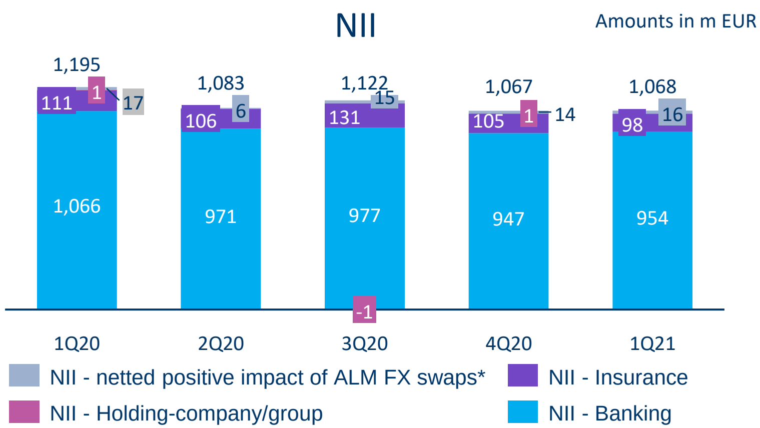
CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*

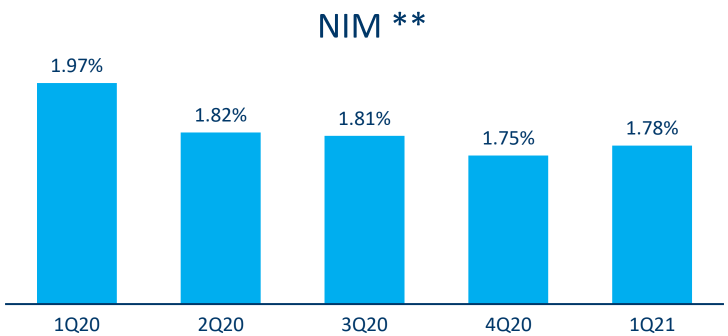


* Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted for by the holding-company/group items

Amounts in m EUR

Higher net interest income and net interest margin





* From all ALM FX swap desks

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

- **Net interest income (1,068m EUR)**
  - NII increased by 1% q-o-q excluding the positive one-off item at NII insurance of 5m EUR in 4Q20
  - NII banking increased by 1% q-o-q, driven primarily by:
    - organic loan volume growth
    - higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium and Slovakia
    - intensified charging of negative interest rates on certain current accounts to corporates and SMEs
    - lower funding costs
    - +7m EUR NII due to the consolidation of OTP SK (as of 1Q21)
    - appreciation of the CZK versus the EUR
    - slightly higher netted positive impact of ALM FX swaps

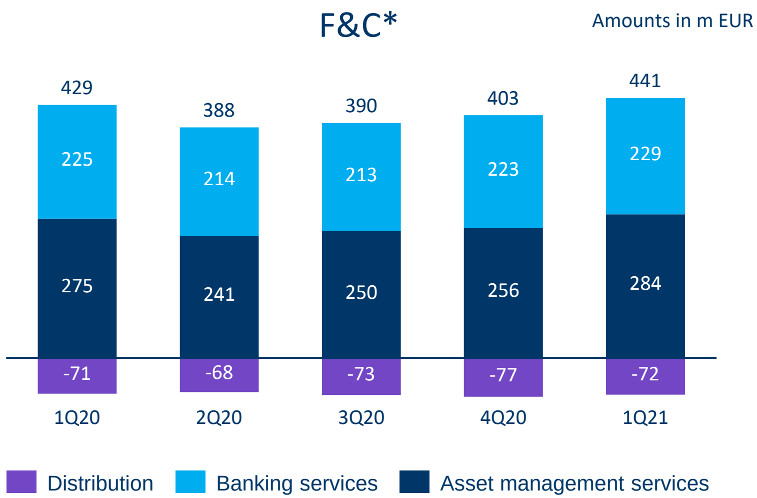
    partly offset by:
    - lower reinvestment yields
    - lower number of days (-15m EUR q-o-q)
  - The 11% y-o-y NII decrease was mainly the result of the CNB rate cuts, the depreciation of the CZK & HUF versus the EUR, the negative impact of lower reinvestment yields and a 12m EUR positive one-off in 1Q20
- **Net interest margin (1.78%)**
  - Increased by 3 bps q-o-q and decreased by 19 bps y-o-y for the reasons mentioned above

ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	161bn	73bn	232bn	220bn	28bn
Growth q-o-q*	+1%	+1%	+8%	+4%	+1%
Growth y-o-y	+1%	+8%	+10%	+14%	+3%

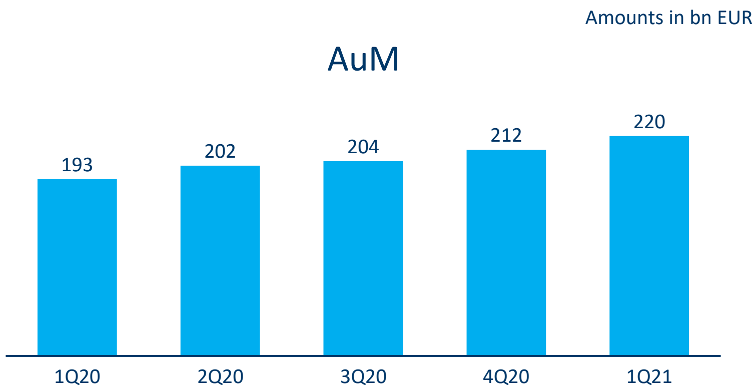
* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL

*** Customer deposits, including debt certificates but excluding repos. **Customer deposit volumes excluding debt certificates & repos +4% q-o-q and +12% y-o-y**

Higher net fee and commission income



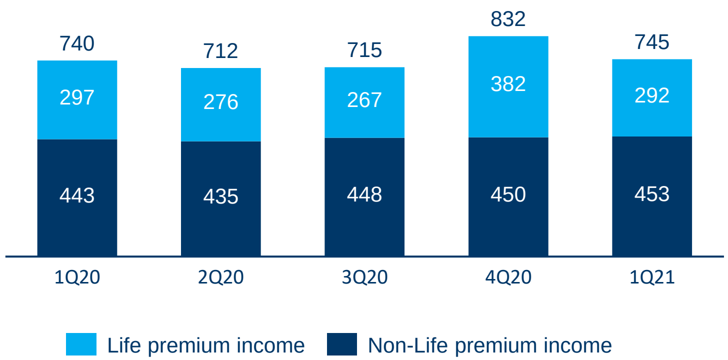
* The building blocks of the 2020 F&C figures were restated, resulting in a shift of roughly 5m EUR per quarter from Banking services to Asset Management services, related to F&C income from CSOB CZ Pension company



- **Net fee and commission income (441m EUR)**
  - Up by 9% q-o-q and by 3% y-o-y
  - Q-o-q increase was the result of the following:
    - Net F&C income from Asset Management Services increased by 11% q-o-q as a result of higher management fees and entry fees from mutual funds and unit-linked life insurance products
    - Net F&C income from banking services rose by roughly 3% q-o-q as higher securities-related fees and higher network income were partly offset by lower fees from payment services (partly seasonal effect, partly due to stricter Covid-19 lockdowns) and lower fees from credit files & bank guarantees. Note that the consolidation of OTP SK (as of 1Q21) contributed 2m EUR
    - Distribution costs fell by 5% q-o-q due chiefly to lower commissions paid linked to banking products and decreased life insurance sales
  - Y-o-y increase was mainly the result of the following:
    - Net F&C income from Asset Management Services rose by 3% y-o-y as a result of higher management fees, partly offset by lower entry fees
    - Net F&C income from banking services increased by 2% y-o-y (+3% y-o-y excluding FX effect) driven mainly by higher securities-related fees, higher network income and higher fees from credit files & bank guarantees, partly offset by lower fees from payment services
    - Distribution costs rose by 3% y-o-y
- **Assets under management (220bn EUR)**
  - Increased by 4% q-o-q due to net inflows (+1%) and a positive price effect (+3%)
  - Increased by 14% y-o-y due almost entirely to a positive price effect

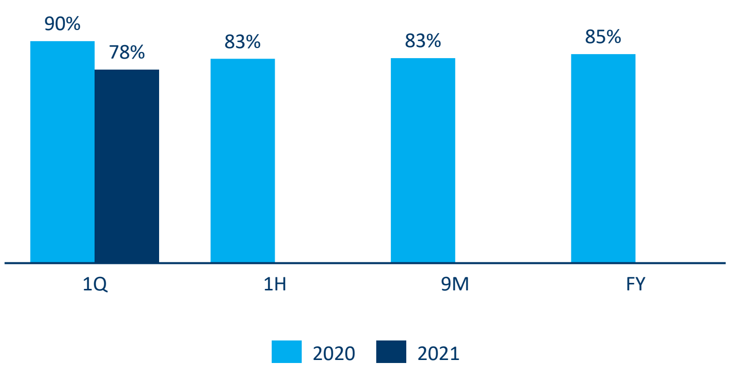
Insurance premium income up y-o-y and excellent combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUMS)



- **Insurance premium income** (gross earned premiums) **at 745m EUR**
  - Non-life premium income (453m EUR) increased by 2% y-o-y
  - Life premium income (292m EUR) fell by 24% q-o-q and by 2% y-o-y

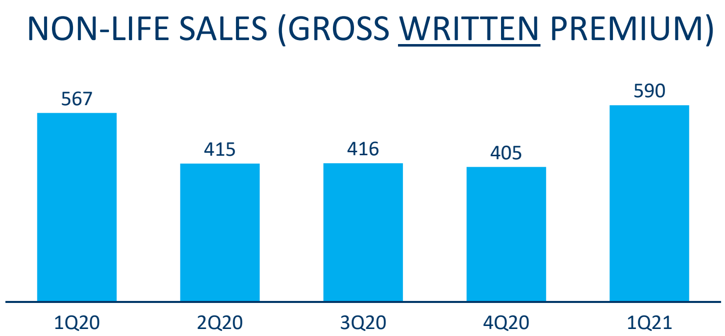
COMBINED RATIO (NON-LIFE)

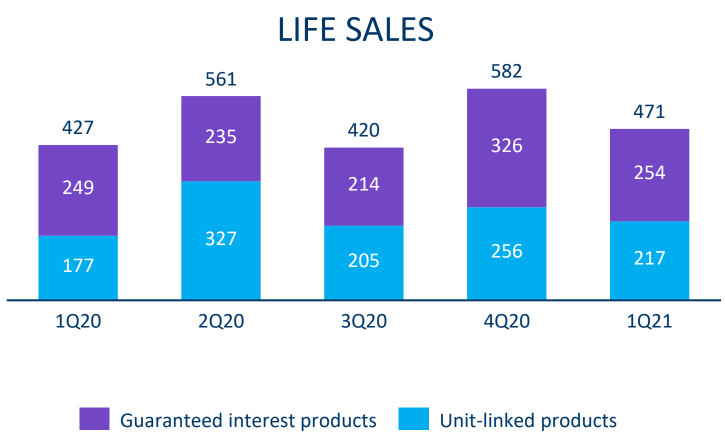


- The non-life **combined ratio** for 1Q21 amounted to an excellent **78%** (90% in 1Q20). This is the result of 2% y-o-y earned premium growth combined with 17% y-o-y lower technical charges. The latter was due mainly to lower storm claims (6m EUR in 1Q21 compared with 51m EUR in 1Q20) and lower normal claims (especially in 'Motor', due largely to Covid-19), partly offset by higher major claims (especially in 'General third-party liability')

Amounts in m EUR

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



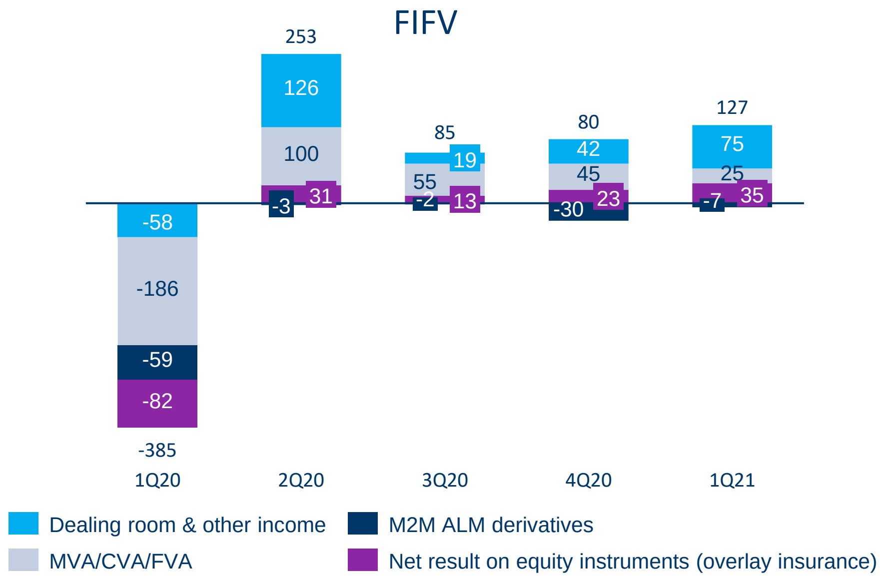


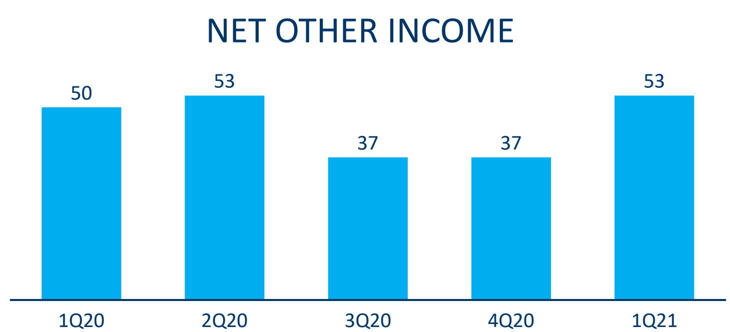
Amounts in m EUR

- **Sales of non-life insurance products**
  - Up by 4% y-o-y chiefly in classes 'Fire', 'General third-party liability' and 'Workmen's compensation'

- **Sales of life insurance products**
  - Decreased by 19% q-o-q and increased by 10% y-o-y
  - The q-o-q decrease was driven by both lower 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 (chiefly due to the strong performance in Private Banking and CBC in 1Q21)
  - Sales of unit-linked products accounted for 46% of total life insurance sales in 1Q21

Higher FIFV and higher net other income





Amounts in m EUR

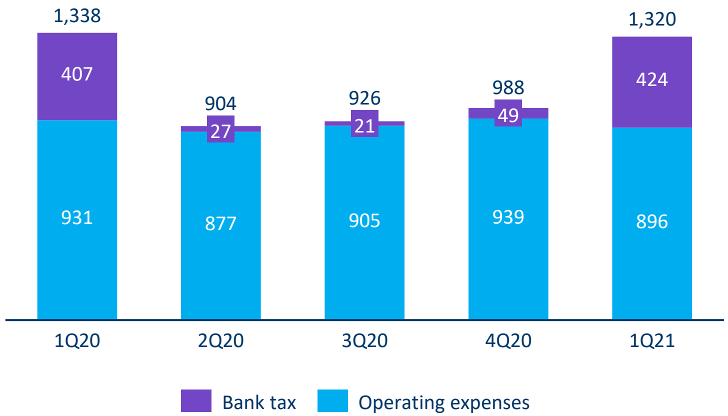
- The q-o-q increase in **net gains from financial instruments at fair value** was attributable mainly to:
  - higher dealing room & other income
  - a positive change in ALM derivatives
  - a higher net result on equity instruments (insurance)

  partly offset by:
  - lower credit and funding value adjustments due to stable counterparty credit and KBC funding spreads in 1Q21 versus decreasing counterparty credit and KBC funding spreads in 4Q20, which more than offset the effect of lower derivative exposures (increasing yield curve) and higher market value adjustments
    - FVA: 8m EUR (-10m EUR q-o-q)
    - CVA: 18m EUR (-13m EUR q-o-q)
    - MVA: -2m EUR (+2m EUR q-o-q)

- **Net other income** amounted to 53m EUR, more or less in line with the normal run rate of around 50m EUR per quarter

Strict cost management, higher bank taxes

OPERATING EXPENSES



Amounts in m EUR

BANK TAX SPREAD IN 2021 (PRELIMINARY)**

	TOTAL	Upfront	Spread out over the year			
	1Q21	1Q21	1Q21	2Q21e	3Q21e	4Q21e
BE BU	**311**	311	0	0	0	0
CZ BU	**50**	50	0	0	0	0
Hungary	**44**	25	18	21	22	23
Slovakia	**6**	3	3	0	0	1
Bulgaria	**9**	9	0	0	0	0
Ireland	**4**	3	1	1	1	20
GC	**0**	0	0	0	0	0
TOTAL	**424**	**402**	**22**	**22**	**23**	**44**

- **The C/I ratio excluding bank taxes amounted to 46% in 1Q21**
- Operating expenses excluding bank taxes decreased by 5% q-o-q primarily as a result of:
  - lower staff expenses
  - seasonally lower marketing costs and professional fees

  partly offset by:
  - 8m EUR costs due to the consolidation of OTP SK (as of 1Q21)
  - appreciation of the CZK versus the EUR
- Operating expenses excluding bank taxes decreased by 4% y-o-y due chiefly to:
  - lower staff expenses (despite consolidation of OTP SK in 1Q21)
  - cost savings triggered by Covid-19, such as lower marketing & facilities costs and lower professional fees
  - lower software depreciations
  - depreciation of the CZK & HUF versus the EUR
- Cost/income ratio (group) adjusted for specific items* at 53% in 1Q21 (57% in FY20). Cost/income ratio (group): 68% in 1Q21, distorted by bank taxes
- **Our FY21 guidance for opex excluding bank taxes remains unchanged: +2% y-o-y like-for-like**
- Total bank taxes (including ESRF contribution) are expected to increase by 2% y-o-y to 512m EUR in FY21

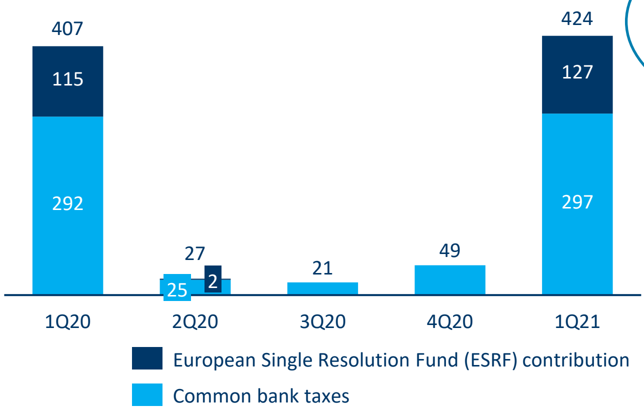
* See glossary (slide 95) for the exact definition

** Still subject to changes

Overview of bank taxes*

Amounts in m EUR

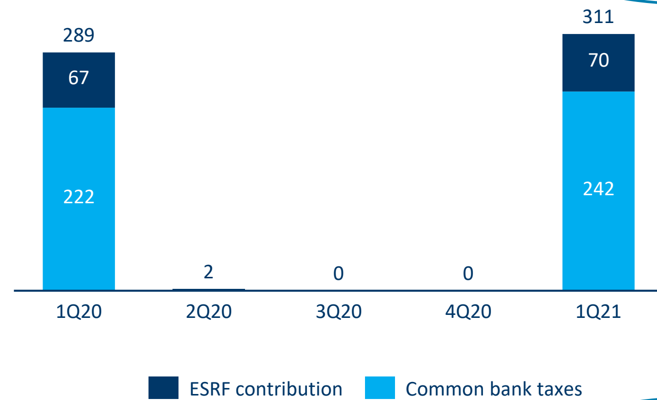
KBC GROUP



Bank taxes of 424m EUR in 1Q21. On a pro rata basis, bank taxes represented 12.5% of 1Q21 opex at KBC Group**

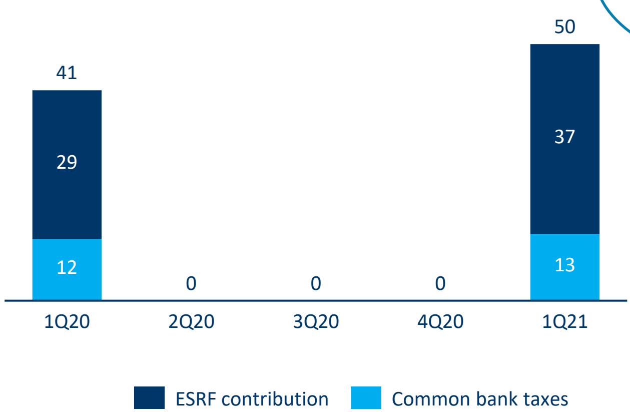
BELGIUM BU

Bank taxes of 311m EUR in 1Q21. On a pro rata basis, bank taxes represented 13.3% of 1Q21 opex at the Belgium BU



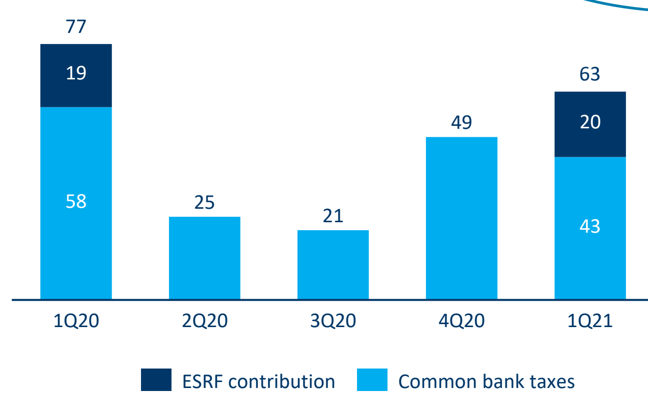
CZECH REPUBLIC BU

Bank taxes of 50m EUR in 1Q21. On a pro rata basis, bank taxes represented 6.8% of 1Q21 opex at the CZ BU



INTERNATIONAL MARKETS BU

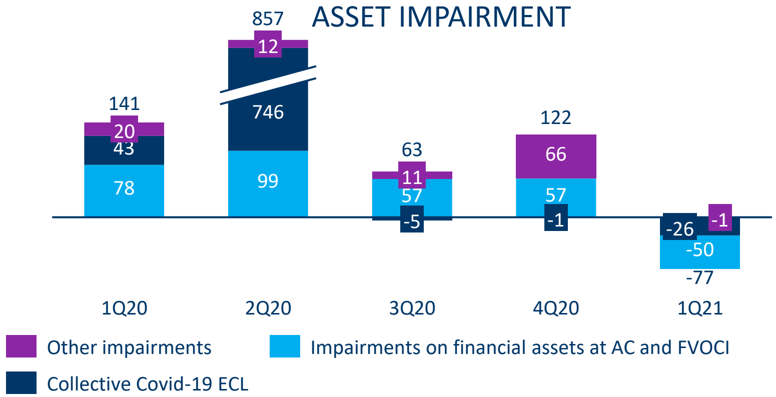
Bank taxes of 63m EUR in 1Q21. On a pro rata basis, bank taxes represented 16.3% of 1Q21 opex at the IM BU

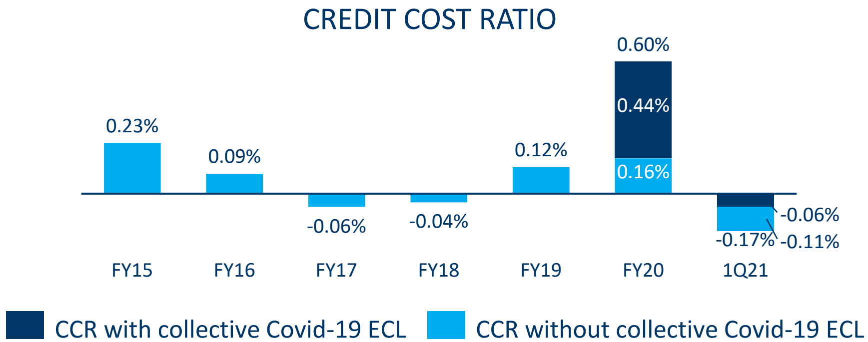


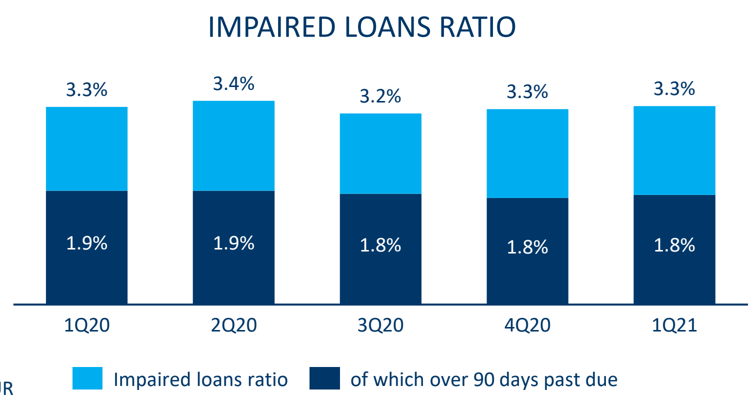
* This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.

** The C/I ratio (group) amounted to 46% excluding these bank taxes

Net impairment releases and excellent credit cost ratio







Amounts in m EUR

- **Net impairment releases**
  - Next to a 26m EUR reversal of collective Covid-19 ECL (lowering the total collective Covid-19 impairments from 783m EUR at end 2020 to 757m EUR at end 1Q21), 1Q21 also benefited from impairment releases in some corporate files in Belgium and the Czech Republic
  - 1m EUR impairment release on 'other'

- The **credit cost ratio in 1Q21** amounted to:
  - -11 bps (16 bps in FY20) without collective Covid-19 ECL
  - -17 bps (60 bps in FY20) with collective Covid-19 ECL

- The **impaired loans ratio** amounted to 3.3%, 1.8% of which over 90 days past due

Section 2

Covid-19

COVID-19 (1/9)

The government & sector measures in each of our core countries are unchanged q-o-q

Deferral of payments

Belgium

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 2Q20)*

Czech Republic

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 2Q20)*
- For consumer loans, the interest during the deferral period may not exceed the 2-week repo rate + 8%

Hungary

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 1Q20; revised to -11m EUR in 2Q20 and increased to -12m EUR in 4Q20 due to the extension)*

Guarantee Scheme & liquidity assistance

Belgium

- **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

- 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 year-end 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

- **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)

The government & sector measures in each of our core countries are unchanged q-o-q

Deferral of payments

Slovakia

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

Application period is still running (but most payment holidays ended 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 expired 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

COVID-19 (3/9)

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

Payment holidays – by country:

Status: 31 Mar 2021	Loan deferrals granted		Expired loan deferrals
	Total *(bn EUR)*	% of total loan portfolio	% of deferrals granted
KBC Group	**13.1**	**8%**	**91%***
of which:			
Belgium	7.3	7%	89%
Czech Republic	2.1	7%	100%
Hungary *(opt-out)*	1.6	31%	No longer EBA-compliant
Slovakia	0.8	9%	83%
Bulgaria	0.2	6%	70%
Ireland	1.2	12%	100%

Payment holidays – by segment:

Status: 31 Mar 2021	Loan deferrals granted		Expired loan deferrals
	Total *(bn EUR)*	% of total loan portfolio	% of deferrals granted
KBC Group	**13.1**	**8%**	**91%***
of which:			
Mortgages	4.7	6%	98%
SME	4.0	12%	89%
Corporate	3.7	8%	87%

Loans and advances under public Covid-19 guarantee schemes:

Status: 31 Mar 2021	Loans granted *(m EUR)*	# obligors k
KBC Group	**929**	**12**
of which:		
SME	513	
Corporate	399	

By the end of March 2021:

- The volume of loans granted payment holidays, according to the EBA definitions, amounted to 13.1bn EUR or 8% of the total loan book**
- Approx. 91%* of EBA-compliant moratoria already expired, of which 98% have resumed payments, whilst only 1% are new defaults
- Government-guaranteed loans (under the Covid-19 scheme) amounted to 929m EUR

* *Excluding Hungary (opt-out)*

** *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 mid-2022	Another (series of) shock(s) takes place, leading to an interrupted and unsteady path to recovery

- One year into the pandemic, the vaccination campaigns are paving the way for (future) gradual re-openings of the economy. However, vaccination is progressing more slowly than expected in the EU and new surges in the pandemic have hit several EU countries during the first quarter.
- 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: **60% for the base-case, 30% for the pessimistic and 10% for the optimistic scenario** (versus 55%-35%-10% at the end of FY20)

Macroeconomic scenarios*

March 2021

Real GDP growth	2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Euro area	7.3%	3.8%	-0.5%	4.1%	4.1%	1.8%
Belgium	7.5%	4.1%	0.2%	3.6%	4.0%	1.6%
Czech Republic	4.4%	3.5%	0.7%	5.1%	4.6%	2.1%
Hungary	5.5%	4.2%	2.5%	5.5%	5.0%	3.5%
Slovakia	5.6%	4.2%	2.2%	4.8%	4.2%	3.5%
Bulgaria	4.0%	3.0%	-1.0%	3.0%	4.0%	2.0%
Ireland	8.0%	5.0%	1.0%	7.0%	4.0%	1.0%

- The economic outlook for the home markets remains aligned to that of the euro area and confirms the better-than-expected level of resilience. However, the high rate of Covid-19 infections in the first quarter of 2021 has led to extended lockdown measures and continues to weigh on the recovery in the short run

- *The macroeconomic information does not yet reflect the official macroeconomic figures for 1Q 2021 as reported by different authorities*

COVID-19 (5/9)

IFRS 9 scenarios

Macroeconomic scenarios

March 2021

Unemployment rate	2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	6.2%	7.2%	8.2%	5.9%	6.9%	8.0%
Czech Republic	3.5%	3.7%	4.5%	2.8%	3.0%	4.8%
Hungary	3.9%	4.2%	5.8%	3.7%	4.0%	5.5%
Slovakia	8.5%	9.5%	10.0%	7.8%	8.0%	9.5%
Bulgaria	5.0%	5.0%	8.0%	4.3%	4.8%	7.0%
Ireland (*)	5.5%	7.0%	14.0%	4.0%	6.0%	10.0%

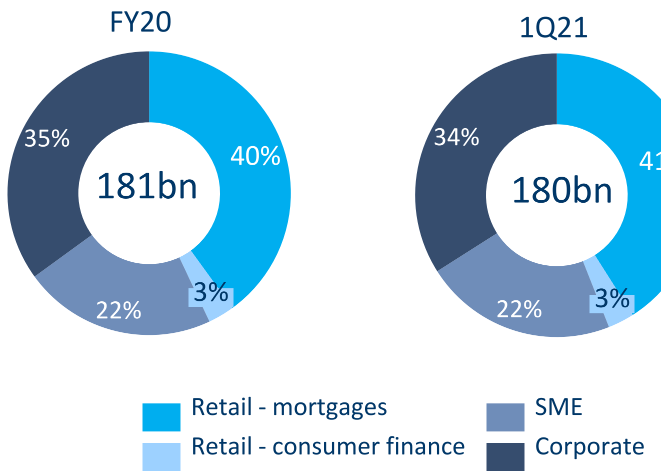
(*) Note: includes temporary layoffs rather than permanent job losses, and as such, may improve rapidly once vaccine rollout becomes better established in Ireland

House-price index	2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	3.0%	-1.0%	-3.0%	2.5%	1.5%	-1.0%
Czech Republic	5.0%	3.7%	-1.0%	4.1%	2.4%	-0.9%
Hungary	5.5%	2.0%	-2.0%	6.0%	3.0%	-1.0%
Slovakia	5.0%	2.0%	-2.0%	4.0%	2.5%	-1.0%
Bulgaria	3.0%	2.5%	2.0%	3.5%	3.2%	3.0%
Ireland	3.0%	1.0%	-2.0%	4.0%	1.0%	-2.0%

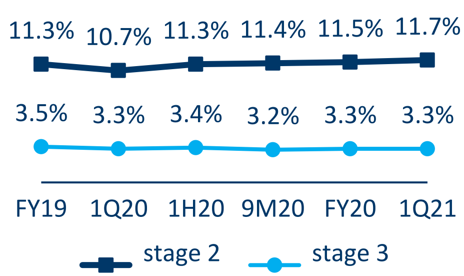
COVID-19 (6/9)

Steady staging of loan portfolio

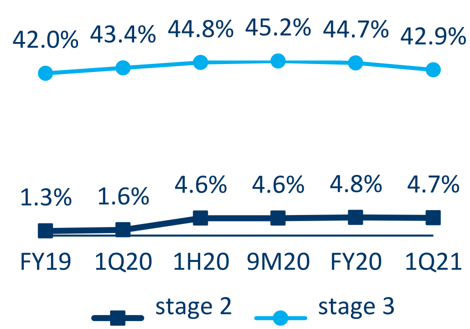
Total loan portfolio outstanding by segment*



Total loan portfolio outstanding by IFRS 9 ECL stage*



Coverage ratio*



- To be consistent with the approach in 2020, **we updated the Covid-19 ECL (incl. management overlay) for the total loan portfolio at the end of March 2021, including the latest economic scenarios and changed scenario weightings**

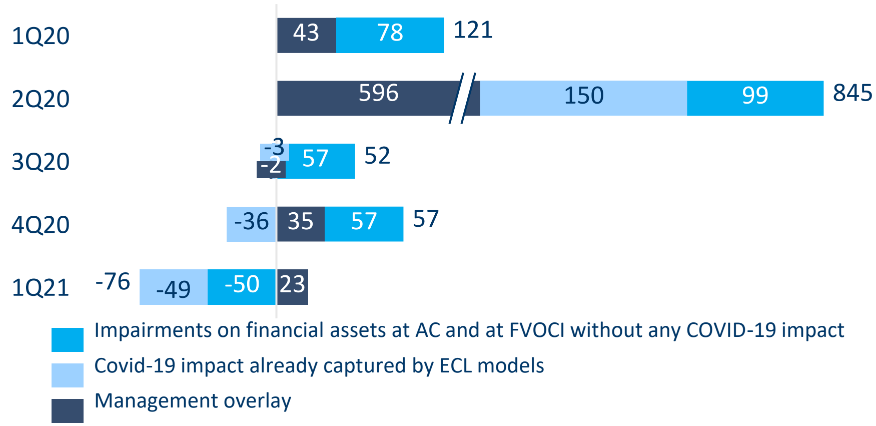
- Until now, only minor PD shifts have been observed in our portfolio, which is reflected in stable staging percentages. Note that any EBA-compliant payment holiday (i.e., fulfilling the conditions set in this respect, such as a maximum 9-month tenor of the payment break), does not attract a forbearance flag and accordingly does not result in automatic staging

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

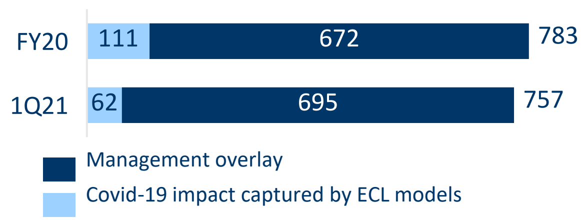
COVID-19 (7/9)

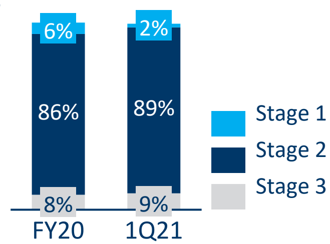
Change in collective Covid-19 ECL, q-o-q decrease of 26m EUR

Impairment on financial assets at AC and at FVOCI



Collective Covid-19 ECL





Credit Cost % *(annualised)*	FY19	FY20	1Q21
Without collective Covid-19 ECL	0.12%	0.16%	-0.11%
With collective Covid-19 ECL		0.60%	-0.17%

Note. a negative sign means a release

- The updated assessment of the impact of Covid-19 on the performing and non-performing portfolios after 3M21 *(see details in following slides)*, **resulted in a total collective Covid-19 ECL of 757m EUR (q-o-q decrease of 26m EUR)** of which:
  - the **ECL models** captured an impact of 62m EUR, resulting in a **q-o-q decrease of 49m EUR**. The decrease can be explained by the improved forward-looking macroeconomic assumptions of -58m EUR, partly offset by a Covid-19-related impact of +9m EUR following PD migrations in stage 1 and stage 2
  - a total **management overlay** of 695m EUR, with **a q-o-q increase of 23m EUR**

- **The total collective Covid-19 ECL of 757m EUR consists of 2% stage 1, 89% stage 2 and 9% stage 3 impairments.** The higher relative share of stage 2 and stage 3 is driven by the decrease of 26m EUR in stage 1

- Including the collective Covid-19 ECL, the Credit Cost Ratio for 3M21 amounted to -0.17%
- Note that our full year guidance for the 2021 Credit Cost Ratio is at the lower end of the average through-the-cycle 30-40bps

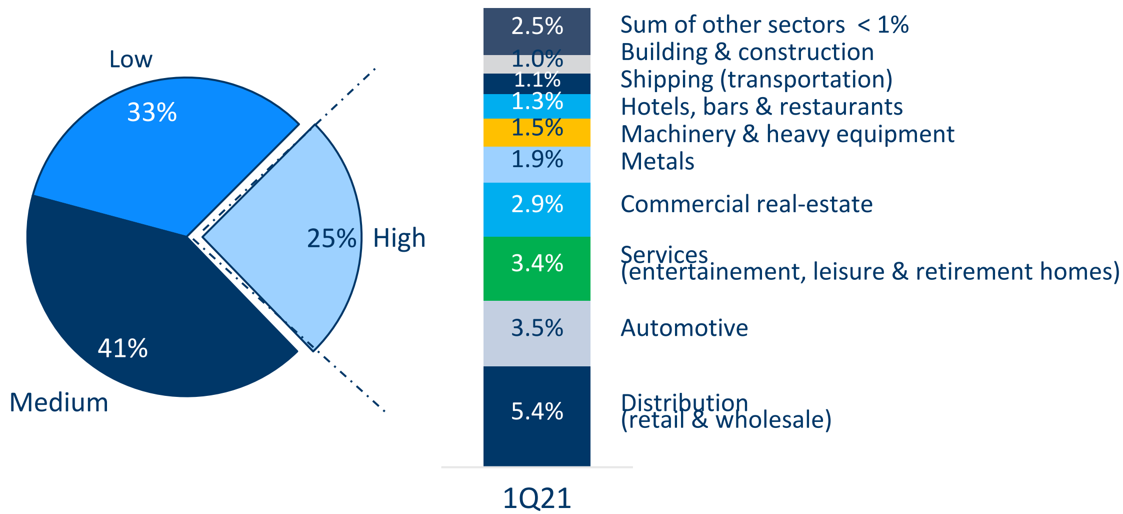
Amounts in m EUR

COVID-19 (8/9)

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

- There were **no changes in the sector split** between high-medium-low risk compared to the previous quarter

SME & Corporate loan portfolio* of 101bn EUR broken down by sector sensitivity to Covid-19 :



Composition of 'other sectors <1%', of which:

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 decrease of 26m EUR

Collective Covid-19 ECL by country:

End of March'21	Performing portfolio impact				Non-Performing portfolio	Total 3M21	1Q21	4Q20	3Q20	2Q20	1Q20
EUR m	*Optimistic* 10%	*Base* *60%*	*Pessimistic* *30%*	Probability weigthed							
KBC Group	**501**	**609**	**917**	**691**	**66**	**757**	**-26**	**-1**	**-5**	**746**	**43**
By country:											
Belgium	326	344	445	373	20	393	-20	3	-3	378	35
Czech Republic	98	141	203	155	9	164	2	-5	9	152	6
Slovakia	22	33	48	36	0	36	-1	0	-3	39	1
Hungary	25	45	79	53	0	53	-3	2	-1	54	1
Bulgaria	7	17	26	19	5	24	0	1	-5	28	n/a
Ireland	23	29	116	55	32	87	-4	-2	-2	95	n/a

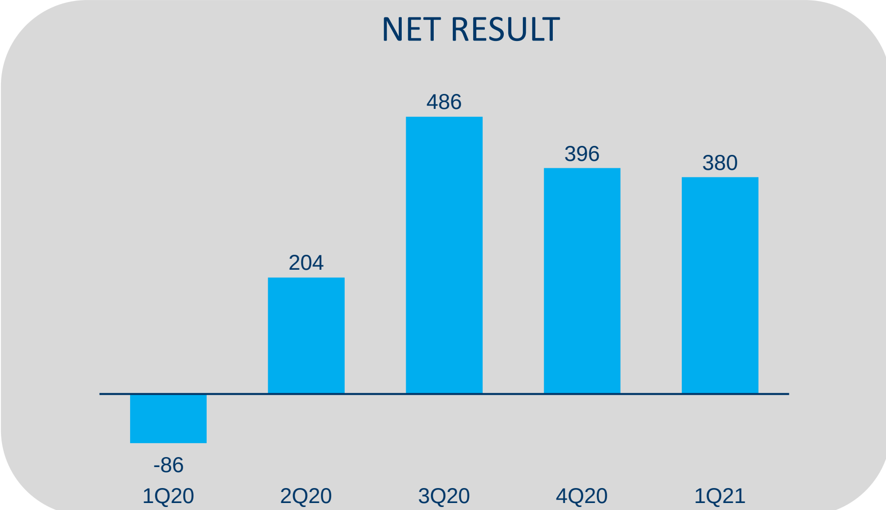
Section 3

1Q 2021 performance of business units

Business profile

	BELGIUM	CZECH REPUBLIC	SLOVAKIA	HUNGARY	BULGARIA	IRELAND	GROUP CENTRE
1Q21 NET RESULT (in million euros)	380m	123m	15m	43m	22m	8m	-35m
ALLOCATED CAPITAL (in billion euros)	7.2bn	1.7bn	0.6bn	0.8bn	0.4bn	0.7bn	0.2bn
LOANS (in billion euros)	104bn	29bn	9bn	5bn	4bn	10bn	
DEPOSITS (in billion euros)	150bn	43bn	8bn	9bn	6bn	5bn	
BRANCHES (end 1Q21)	456	212	174	203	175	12	
Clients (end 1Q21)	3.7m	4.2m	0.8m	1.6m	1.4m	0.3m	

Belgium BU (1): net result of 380m EUR



Amounts in m EUR

Net result at the Belgium Business Unit amounted to 380m EUR in 1Q21

- The quarter under review was characterised by stable net interest income (when excluding the positive one-off in NII insurance of 5m EUR in 4Q20), higher net fee and commission income, higher trading and fair value income, stable net other income, an excellent combined ratio, lower sales of life insurance products, higher operating expenses due entirely to higher bank taxes q-o-q and net impairment releases

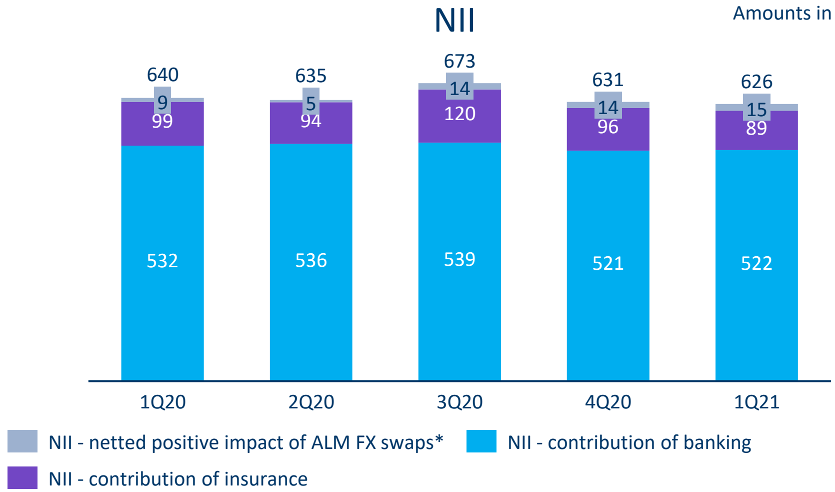
- Customer deposits excluding debt certificates and repos rose by 9% y-o-y, while customer loans fell by 1% y-o-y as 1Q20 total loans was temporarily inflated by extra corporate loan drawings as a result of the Covid-19 outbreak

ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	104bn	39bn	150bn	203bn	26bn
Growth q-o-q*	+1%	+2%	+11%	+4%	+1%
Growth y-o-y	-1%	+8%	+9%	+14%	+4%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL
*** Customer deposits, including debt certificates but excluding repos. **Customer deposit volumes excluding debt certificates & repos +5% q-o-q and +9% y-o-y**

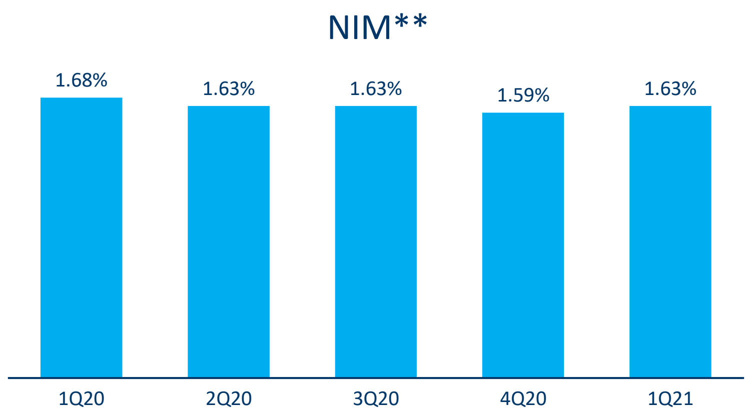
Belgium BU (2): stable NII and higher NIM

Amounts in m EUR



* From all ALM FX swap desks

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

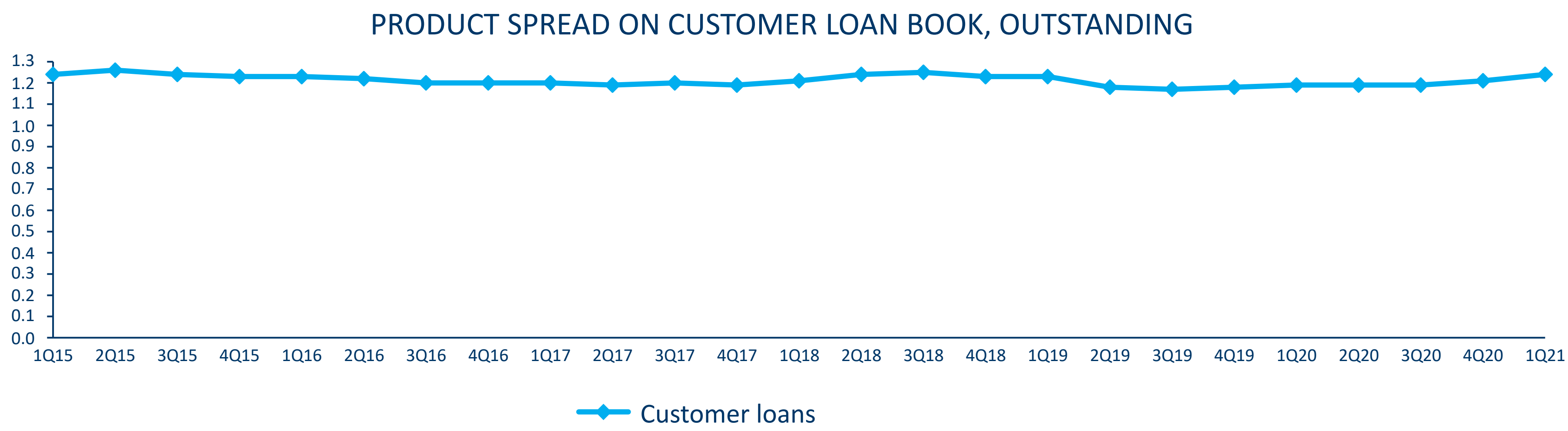


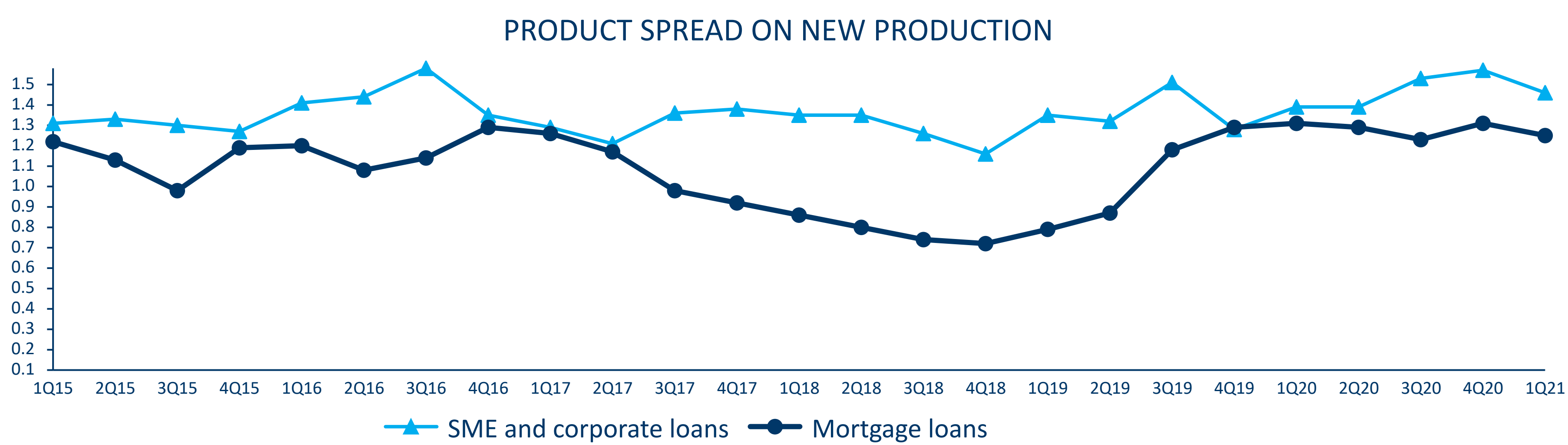
- **Net interest income (626m EUR)**
  - NII stabilised q-o-q excluding the positive one-off in NII insurance of 5m EUR in 4Q20, due mainly to:
    - lower reinvestment yields
    - lower number of days

    fully offset by:
    - loan volume growth
    - higher margins on new loan production than on outstanding portfolio both in the mortgage and corporate segments
    - lower funding costs
    - slightly higher netted positive impact of ALM FX swaps
  - Excluding the 12m EUR positive one-off in 1Q20 due to the early termination of 1 large corporate file, NII only slightly fell y-o-y as the positive impact of TLTRO3 (+17m EUR y-o-y) and of ECB deposit tiering (+2m EUR y-o-y), higher NII on lending (both volume and margin driven) and a higher netted positive impact of ALM FX swaps was fully offset by the negative impact of lower reinvestment yields

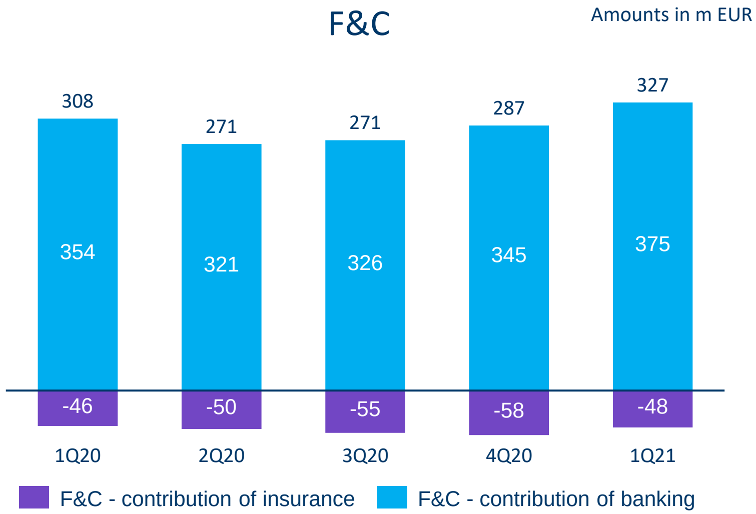
- **Net interest margin (1.63%)**
  - Increased by 4 bps q-o-q as higher NII on lending (both volume and margin driven) and lower funding costs were only partly offset by the negative impact of lower reinvestment yields. Excluding the impact of the breakage fee in 4Q20 and timing differences, net interest margin rose by 3 bps q-o-q
  - Fell by 5 bps y-o-y due chiefly to the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (denominator). Excluding the impact of the positive one-off in 1Q20, NIM only fell by 2 bps y-o-y

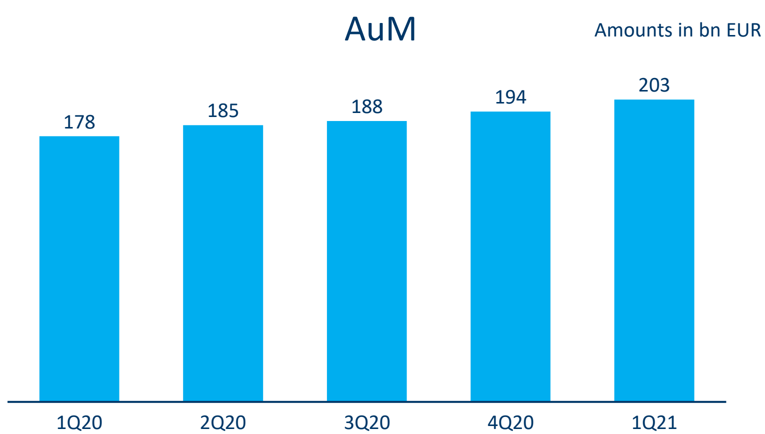
Credit margins in Belgium





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





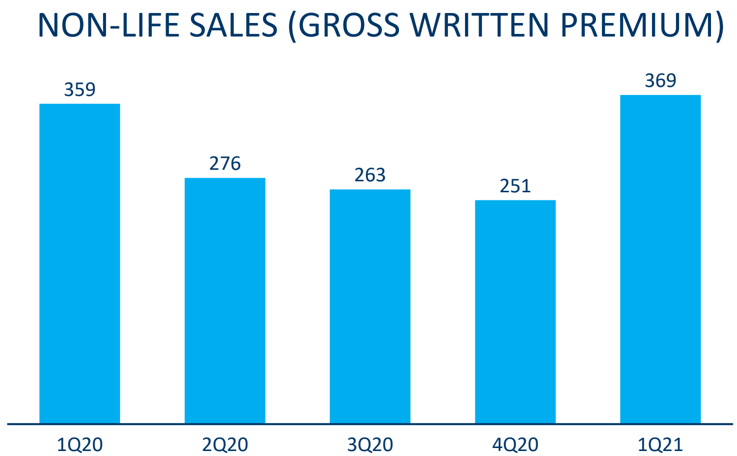
- **Net fee and commission income (327m EUR)**
  - Increased by 14% q-o-q due mainly to:
    - higher management and entry fees from mutual funds and unit-linked life insurance products
    - higher securities-related fees
    - higher network income
    - lower commissions paid linked to insurance sales

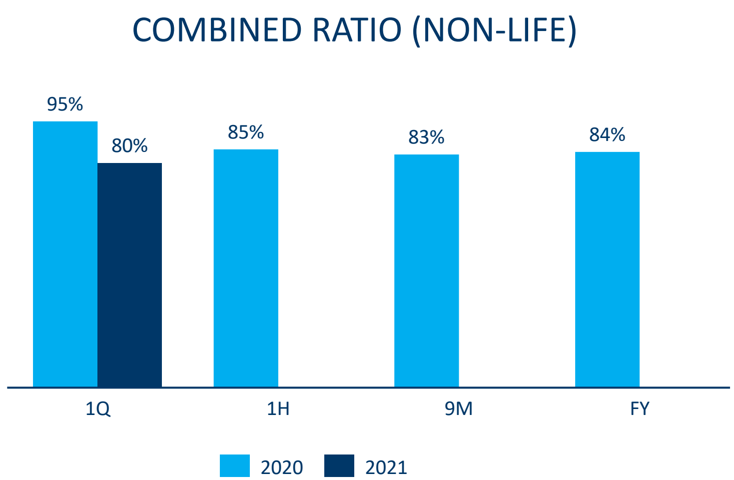
    offset by:
    - lower fees from credit files & bank guarantees
    - lower fees from payment services
  - Rose by 6% y-o-y driven chiefly by higher management fees, higher securities-related fees and higher network income, partly offset by lower entry fees, higher distribution costs and lower fees from payment services

- **Assets under management (203bn EUR)**
  - Increased by 4% q-o-q due to net inflows (+1%) and a positive price effect (+3%)
  - Increased by 14% y-o-y due entirely to a positive price effect

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

Amounts in m EUR





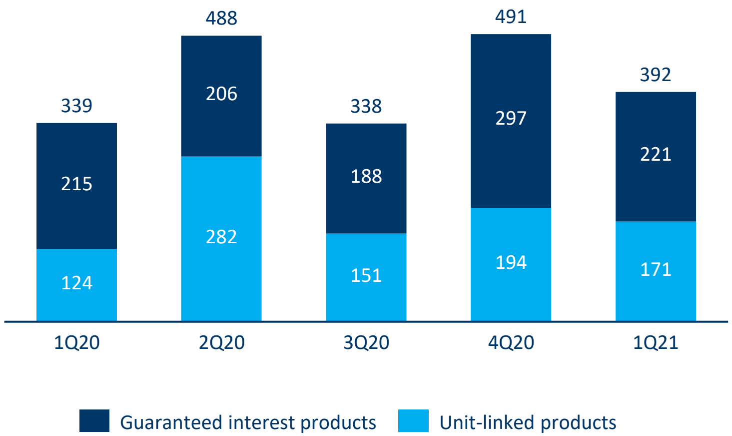
- **Sales of non-life insurance products**
  - Rose by 3% y-o-y
  - Premium growth chiefly in classes 'Fire', 'General third-party liability' and 'Workmen's compensation'

- **Combined ratio** amounted to an excellent **80%** in 1Q21 (95% in 1Q20). This is the result of 2% y-o-y earned premium growth combined with 13% y-o-y lower technical charges in 1Q21. The latter was due mainly to lower storm claims (6m EUR in 1Q21 compared with 48m EUR in 1Q20) and lower normal claims (especially in 'Motor', due largely to Covid-19), partly offset by higher major claims (especially in 'General third-party liability'). Furthermore, note that ceded reinsurance result amounted to 0m EUR in 1Q21, compared to a negative ceded reinsurance result in 1Q20

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

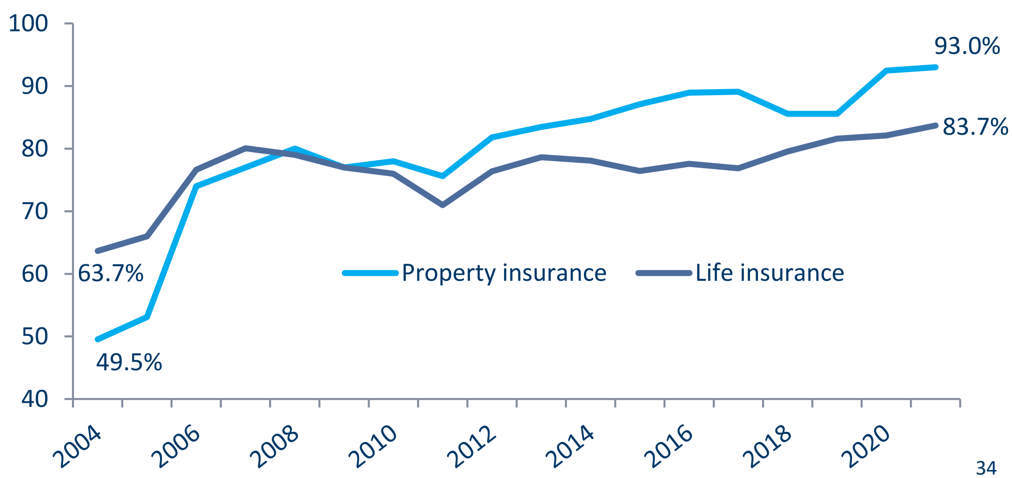
Amounts in m EUR

LIFE SALES



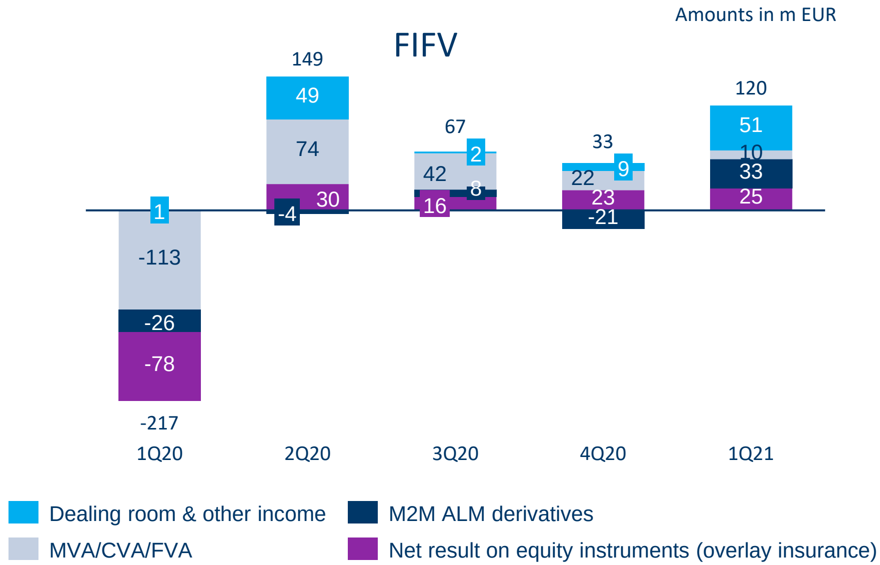
- **Sales of life insurance products**
  - Decreased by 20% q-o-q and increased by 16% y-o-y
  - The q-o-q decrease was driven by both lower sales of guaranteed interest products (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in 4Q20, and the suspension of universal single life insurance products) and unit-linked products
  - The y-o-y increase was driven mainly by higher sales of unit-linked products (chiefly due to the strong performance in Private Banking and CBC in 1Q21)
  - Guaranteed interest products and unit-linked products accounted for 56% and 44%, respectively, of life insurance sales in 1Q21

MORTGAGE-RELATED CROSS-SELLING RATIOS



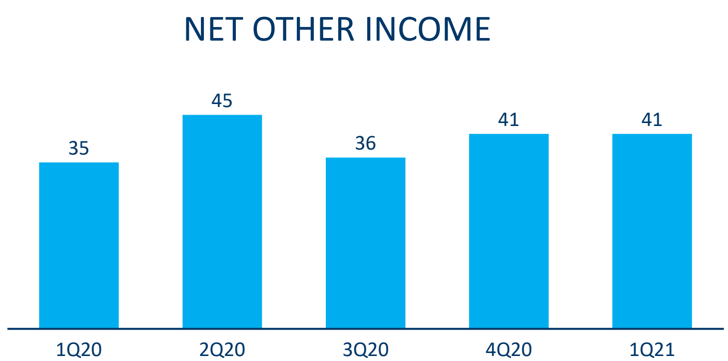
- **Mortgage-related cross-selling ratios**
  - 93.0% for property insurance
  - 83.7% for life insurance

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



- The q-o-q increase in net gains from financial instruments at fair value was attributable mainly to:
  - a positive change in ALM derivatives
  - higher dealing room & other income
  - slightly higher net result on equity instruments (insurance)

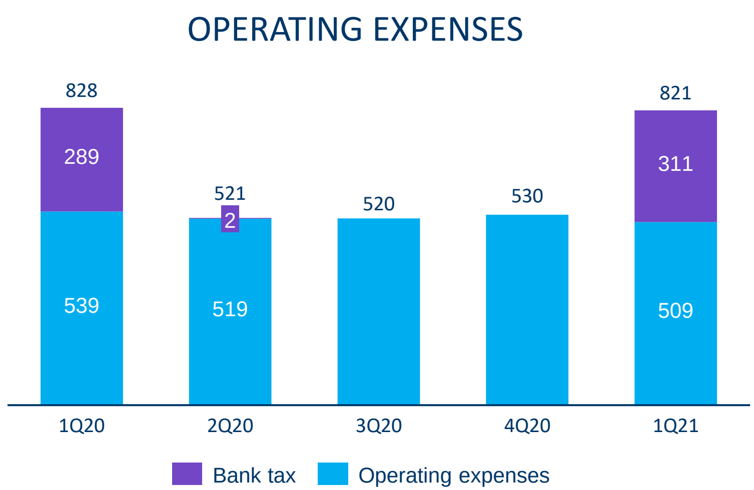
  partly offset by:
  - lower credit and funding value adjustments due to stable counterparty credit and KBC funding spreads in 1Q21 versus decreasing counterparty credit and KBC funding spreads in 4Q20, which more than offset the effect of lower derivative exposures (increasing yield curve) and higher market value adjustments

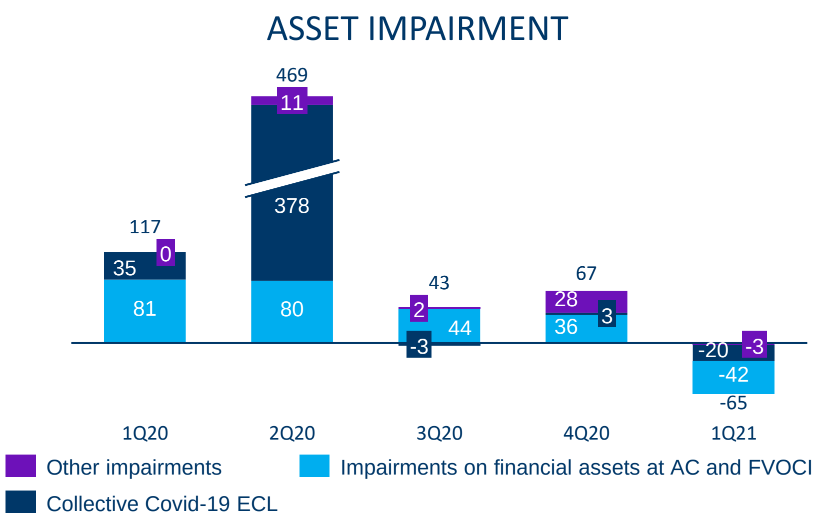


- **Net other income** stabilised at 41m EUR in 1Q21

Belgium BU (7): higher opex entirely due to higher bank taxes and net impairment releases

Amounts in m EUR



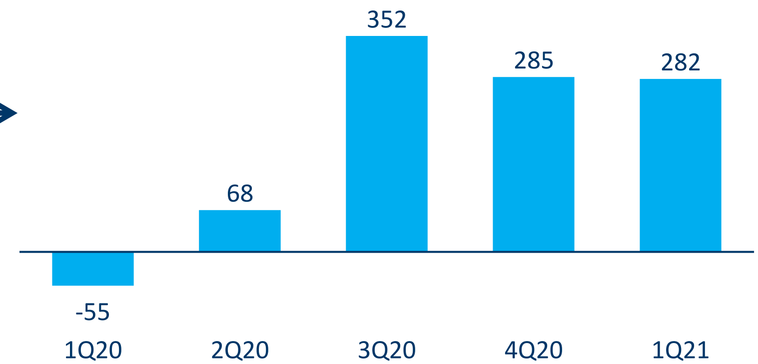


- **Opex without bank taxes**: -4% q-o-q and -6% y-o-y
  - Operating expenses without bank taxes decreased by 4% q-o-q due mainly to lower staff expenses (due largely to less FTEs and a lower accrual of variable compensation) and seasonally lower marketing and professional fees. Note that lower depreciations in 1Q21 offset the 11m EUR positive one-off in 4Q20 as a result of the updated software capitalisation policy
  - Operating expenses without bank taxes decreased by 6% y-o-y due chiefly to lower staff expenses and lower marketing & facilities costs
  - Adjusted for specific items, the C/I ratio (group) amounted to 48% in 1Q21 (54% in FY20)
  - Cost/income ratio (group): 66% in 1Q21, distorted by bank taxes

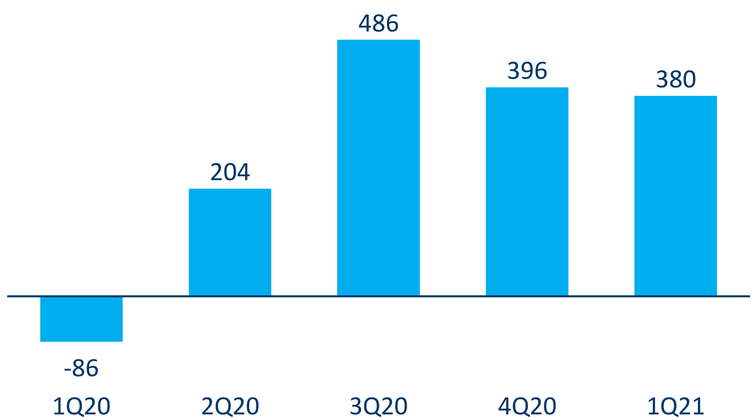
- **Loan loss impairment releases** of 62m EUR compared with 39m EUR loan loss impairments in 4Q20. Besides a 20m EUR reversal of collective Covid-19 ECL, 1Q21 also benefited from impairment releases in some corporate files. **Credit cost ratio** amounted to -14 bps (21 bps in FY20) without collective Covid-19 ECL and -21 bps with collective Covid-19 ECL in 1Q21
- **Impaired loans ratio** amounted to 2.4%, 1.2% of which over 90 days past due
- 3m EUR impairment release on ‘other’ (building)

Net result at the Belgium BU

CONTRIBUTION OF <u>BANKING</u> ACTIVITIES TO NET RESULT OF THE BELGIUM BU*

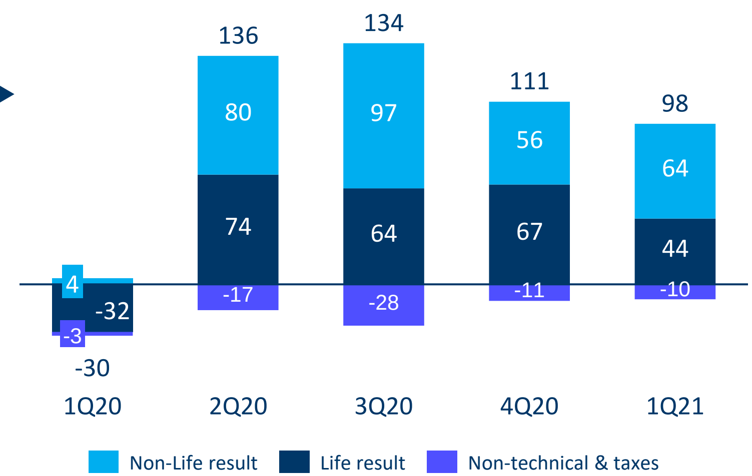


NET RESULT AT THE BELGIUM BU*



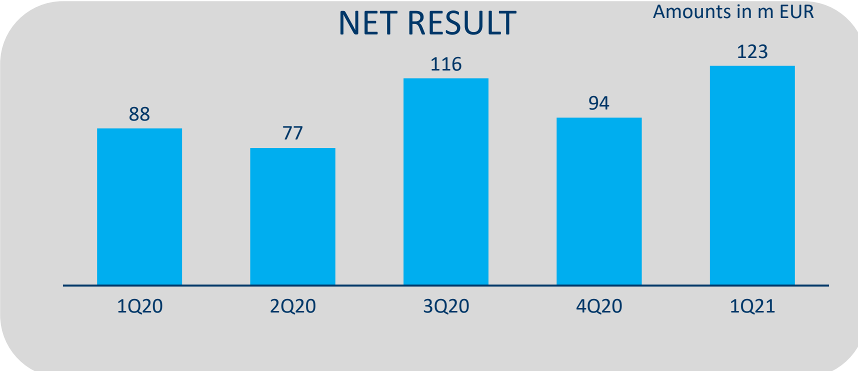
Amounts in m EUR

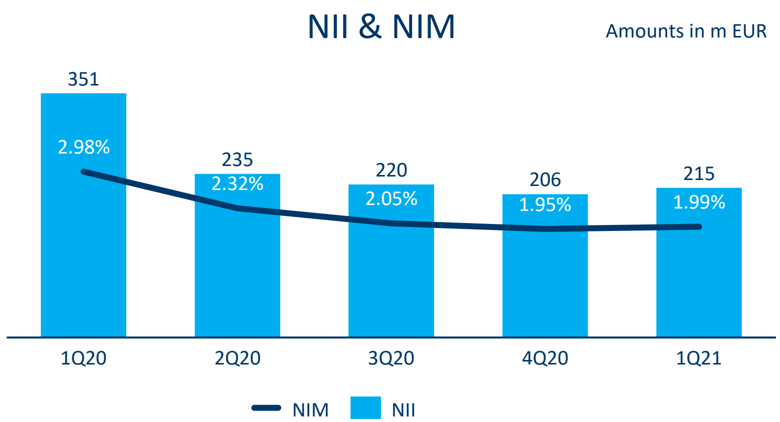
CONTRIBUTION OF <u>INSURANCE</u> ACTIVITIES TO NET RESULT OF THE BELGIUM BU*



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

Czech Republic BU





Net result of 123m EUR in 1Q21

- +29% q-o-q excluding FX effect due mainly to higher net interest income, higher net fee & commission income, higher net results from financial instruments at fair value, higher net other income, an excellent combined ratio and net impairment releases, partly offset by higher costs due entirely to higher bank taxes
- Customer deposits (including debt certificates, but excluding repos) rose by 10% y-o-y, while customer loans stabilised y-o-y

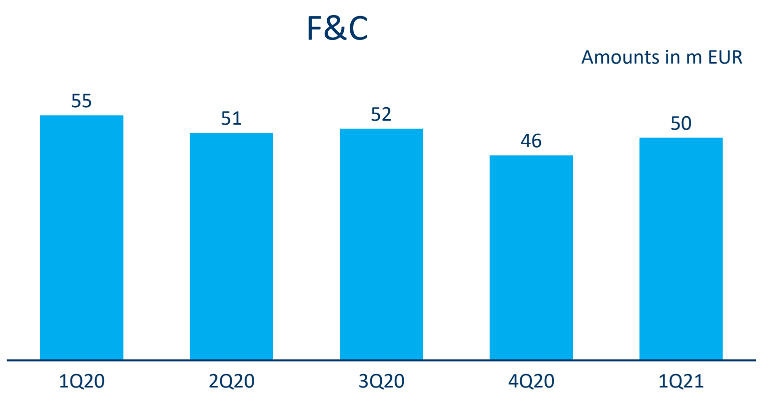
Highlights

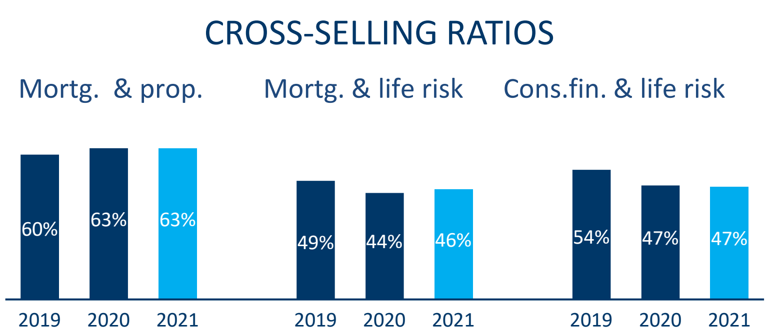
- **Net interest income**
  - +2% q-o-q and -38% y-o-y (both excl. FX effect)
  - Q-o-q increase primarily due to increasing interest rates and the appreciation of the CZK versus the EUR (+5m EUR)
- **Net interest margin**
  - Rose by 4 bps q-o-q due mainly to increasing interest rates, despite pressure on mortgage margins (both on new production and outstanding portfolio)

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	29bn	16bn	43bn	11.9bn	1.2bn
Growth q-o-q*	0%	+1%	+3%	+5%	-2%
Growth y-o-y	0%	+6%	+10%	+20%	0%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL
*** Customer deposits, including debt certificates but excluding repos.

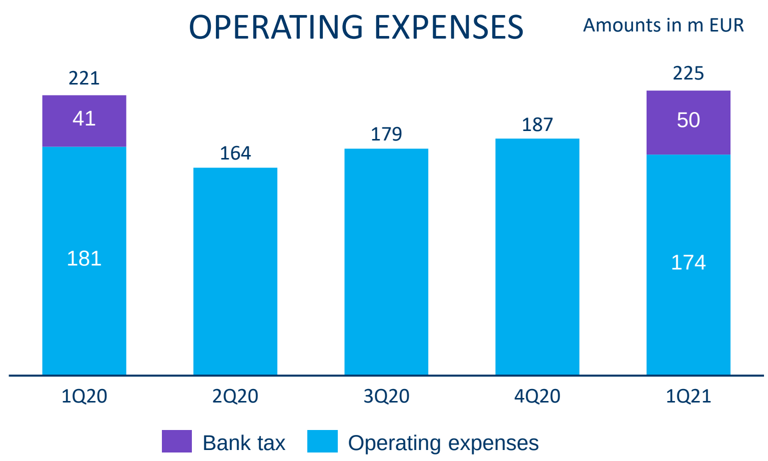
Czech Republic BU

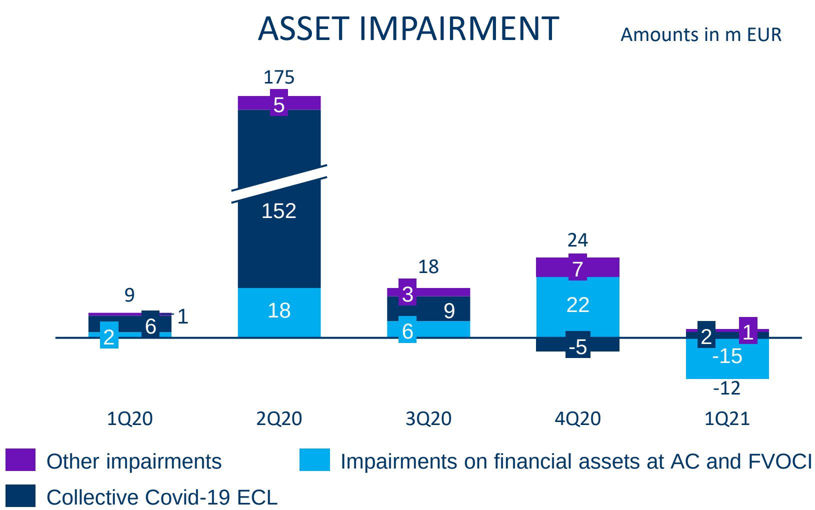




- **Net F&C income**
  - +7% q-o-q and -6% y-o-y (both excl. FX effect)
  - The higher q-o-q net F&C income was the result of lower distribution costs and higher securities-related fees, partly offset by slightly lower fees from payment services (partly seasonal effect, partly due to stricter Covid-19 additional lockdowns)
- **Assets under management**
  - 11.9bn EUR
  - +5% q-o-q due to a positive price effect (+3%) and net inflows (+2%)
  - +20% y-o-y due to a positive price effect (+17%) and net inflows (+2%)
- **Trading and fair value income**
  - 2m EUR higher q-o-q net results from financial instruments at fair value (FIFV) to 29m EUR due to higher dealing room & other income results and a small positive change in ALM derivatives, partly offset by a negative q-o-q change in market, credit and funding value adjustments
- **Insurance**
  - Insurance premium income (gross earned premium): 121m EUR
    - Non-life premium income (78m EUR) +6% y-o-y excluding FX effect, due to growth in all products (except 'travel' due to Covid-19)
    - Life premium income (43m EUR) -29% q-o-q and -17% y-o-y, excluding FX effect, both due mainly to lower sales of unit-linked products
  - Combined ratio of 83% in 1Q21 (87% in FY20)

Czech Republic BU





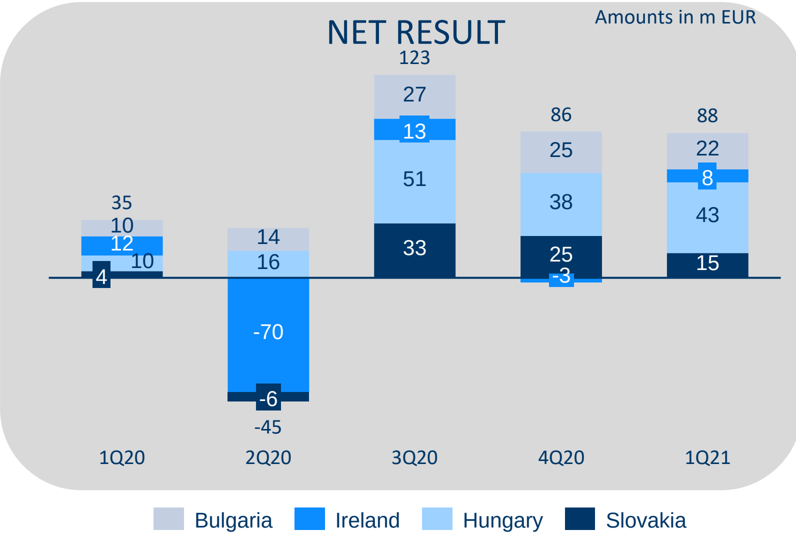
Operating expenses

- 225m EUR; -9% q-o-q and -2% y-o-y, both excluding FX effect and bank taxes
  - Q-o-q decrease was due mainly to:
    - lower staff expenses
    - seasonally lower marketing costs
    - the updated software capitalisation policy in 4Q20 (which led to a 4m EUR negative one-off in 4Q20)
  - Y-o-y decrease was chiefly the result of lower staff costs, lower facilities expenses and lower marketing, travel & event costs, partly offset by higher ICT costs
- Adjusted for specific items, C/I ratio amounted to roughly 53% in 1Q21 (52% in FY20)

Loan loss and other impairment

- Loan loss impairment releases (mainly thanks to some corporate files, partly offset by higher collective Covid-19 ECL (2m EUR additionally in 1Q21 versus 5m EUR reversal in 4Q20)
- Credit cost ratio amounted to -0.19% (0.15% in FY20) without collective Covid-19 ECL and -0.16% with collective Covid-19 ECL in 1Q21
- Impaired loans ratio improved to 2.2%, 1.0% of which over 90 days past due
- Impairment of 1m EUR on ‘other’

International Markets BU



Net result of 88m EUR

- Slovakia 15m EUR, Hungary 43m EUR, Bulgaria 22m EUR and Ireland 8m EUR

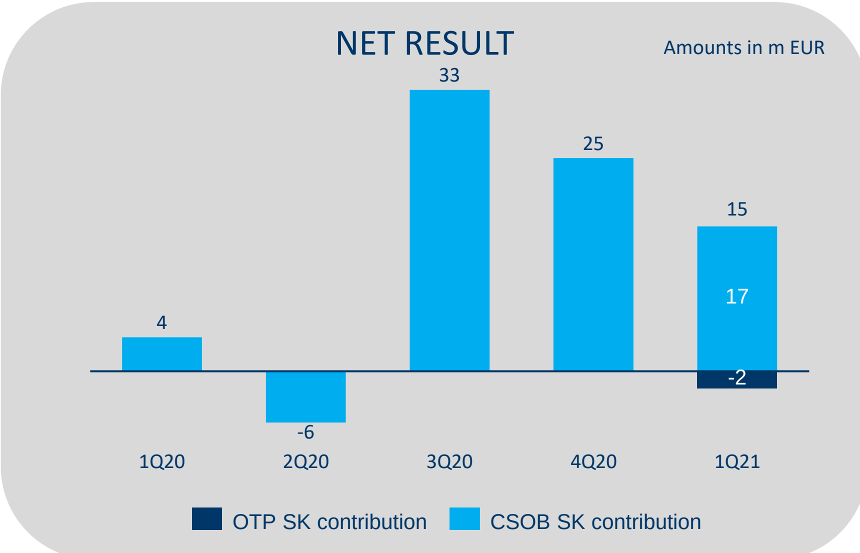
Highlights (q-o-q results)

- Higher net interest income. NIM 2.56% in 1Q21 (-3 bps q-o-q and -5 bps y-o-y)
- Lower net fee and commission income
- Lower result from financial instruments at fair value
- Higher net other income
- An excellent combined ratio of 78% (84% in FY20)
- Higher non-life and life insurance sales
- Higher costs due partly to higher bank taxes
- No impairment charges (compared with impairment charges in 4Q20)

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	28bn	17bn	27bn	6.0bn	0.6bn
Growth q-o-q*	+1%	+1%	-2%	+4%	0%
Growth y-o-y	+7%	+8%	+14%	+20%	+3%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL
*** Customer deposits, including debt certificates but excluding repos.

International Markets BU - Slovakia



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	9bn	5bn	8bn
Growth q-o-q*	+1%	+2%	-5%
Growth y-o-y	+6%	+14%	+14%

- Non-annualised

** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL

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

Net result of 15m EUR (of which -2m EUR of OTP SK, consolidated in P&L as of 2021)

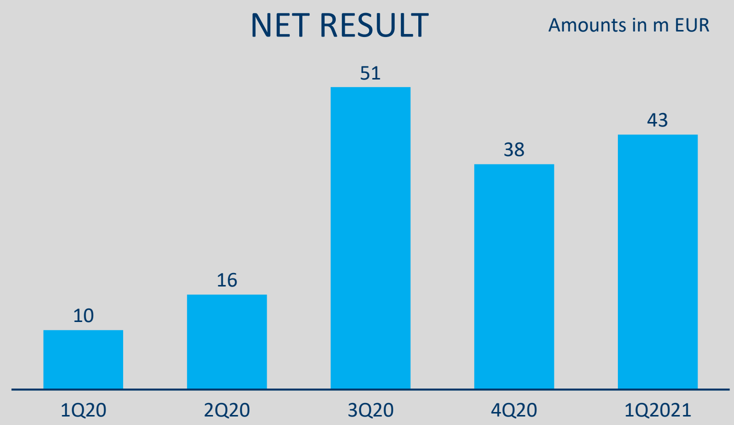
Highlights (q-o-q results)

- Higher net interest income thanks entirely to the contribution of OTP SK
- Higher net fee & commission income mainly as a result of the contribution of OTP SK (+2m EUR) and lower distribution costs
- Lower result from financial instruments at fair value
- Stable net other income
- Excellent combined ratio of 85% (82% in FY20)
- Higher non-life insurance sales and stable life insurance sales
- Higher operating expenses due mainly to the consolidation of OTP SK as of 1Q21 (+8m EUR) and higher bank taxes (+5m EUR)
- Small net loan loss impairment charges (-3m EUR, mainly OTP SK impact) compared to small net loan loss impairment releases in 4Q20. Credit cost ratio of 0.15% (0.19% in FY20) without collective Covid-19 ECL and 0.13% with collective Covid-19 ECL in 1Q21

Volume trend

- Total customer loans rose by 1% q-o-q and by 6% y-o-y, the latter due almost entirely to the increasing mortgage portfolio
- Total customer deposits fell by 5% q-o-q (mainly due to decreasing corporate and term deposits) and rose by 14% y-o-y

International Markets BU - Hungary



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	5bn	2bn	9bn
Growth q-o-q*	+2%	+3%	-3%
Growth y-o-y	+14%	+14%	+19%

- Non-annualised

** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL

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

Net result of 43m EUR

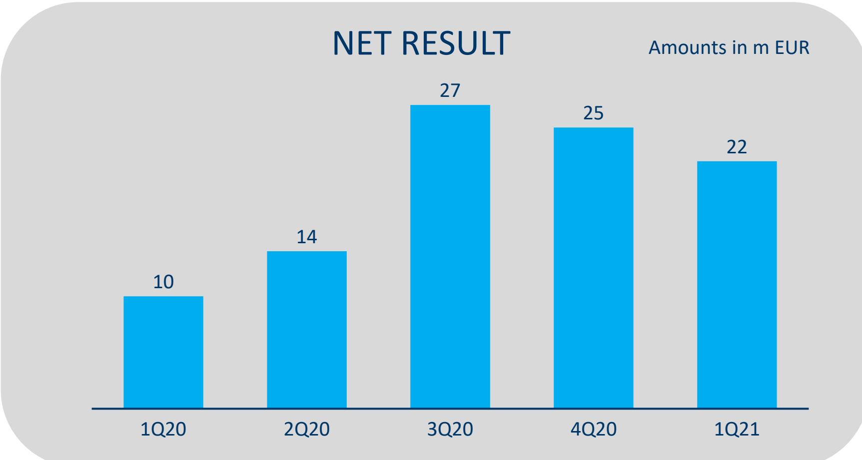
Highlights (q-o-q results)

- Higher net interest income excluding FX effect due chiefly to loan volume growth in retail segment
- Lower net fee and commission income excluding FX effect, due mainly to seasonally lower fees from payment services
- Lower net results from financial instruments at fair value
- Excellent combined ratio of 78% (86% in FY20)
- Higher non-life insurance sales and stable life insurance sales
- Higher operating expenses due entirely to higher bank taxes. Operating costs excluding bank taxes decreased due mainly to lower staff and facilities expenses
- Net loan loss impairment releases in 1Q21 (compared with loan loss impairment charges in 4Q20) in retail segment and a 2m EUR reversal of collective Covid-19 ECL (versus 2m EUR additional collective Covid-19 ECL in 4Q20). Credit cost ratio of 0.01% (0.05% in FY20) without collective Covid-19 ECL and -0.19% with collective Covid-19 ECL in 1Q21

Volume trend

- Total customer loans rose by 2% q-o-q and by 14% y-o-y, the latter due mainly to consumer finance (baby boom loans) and mortgage loans
- Total customer deposits fell by 3% q-o-q (mainly due to decreasing corporate & SME deposits) and rose by 19% y-o-y (due to growth in all segments)

International Markets BU - Bulgaria



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	4bn	1bn	6bn
Growth q-o-q*	+1%	+1%	+2%
Growth y-o-y	+11%	+13%	+24%

- Non-annualised

** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL

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

Net result of 22m EUR

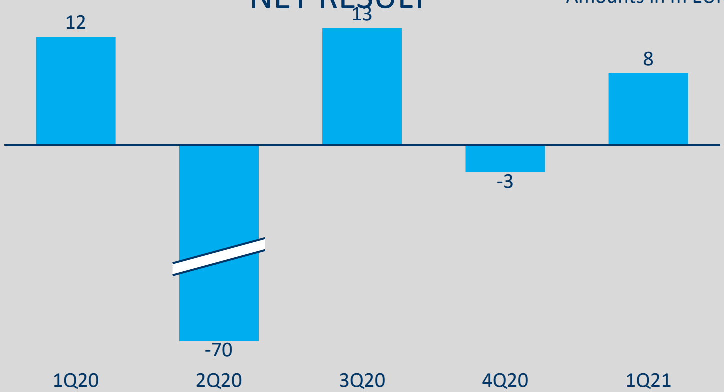
Highlights (q-o-q results)

- Lower net interest income mainly due to margin pressure
- Lower net fee and commission income as higher entry fees and network income was more than offset by seasonally lower fees from credit files & bank guarantees, seasonally lower fees from payment services and higher distribution costs
- Excellent combined ratio at 76% (82% in FY20)
- Lower non-life insurance sales and higher life insurance sales
- Higher operating expenses due entirely to higher bank taxes. Operating costs excluding bank taxes decreased due mainly to lower staff expenses
- Small net loan loss impairment releases both in 1Q21 (in corporate segment) and 4Q20. Credit cost ratio of -0.08% (0.07% in FY20) without collective Covid-19 ECL and -0.08% with collective Covid-19 ECL in 1Q21

Volume trend:

- Total customer loans +1% q-o-q and +11% y-o-y, the latter due to growth in all segments
- Total customer loans: new bank portfolio +1% q-o-q and +12% y-o-y, while legacy -6% q-o-q and -17% y-o-y
- Total customer deposits increased by 2% q-o-q and by 24% y-o-y (the latter due to growth in all segments)

International Markets BU - Ireland



ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	10bn	10bn	5bn
Growth q-o-q*	+1%	+1%	-2%
Growth y-o-y	+4%	+4%	-1%

- Non-annualised

** Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL

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

Net result of 8m EUR

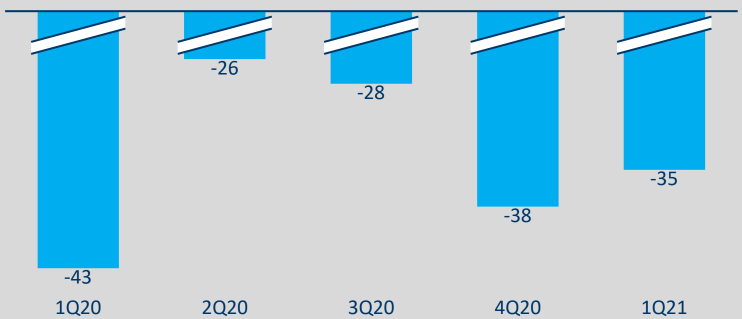
Highlights (q-o-q results)

- Lower net interest income due largely to the recognition of a prior year interest adjustment
- Higher net other income as 4Q20 was affected by a 3m EUR additional impact of the tracker mortgage review
- Lower expenses due entirely to lower bank taxes. Operating expenses without bank taxes increased q-o-q due mainly to higher ICT costs and higher depreciations
- 0m EUR net impairment release in 1Q21 compared with 4m EUR net impairment releases in 4Q20. Credit cost ratio of 0.17% (-0.01% in FY20) without collective Covid-19 ECL and 0.01% with collective Covid-19 ECL in 1Q21

Volume trend

- Total customer loans rose by 1% q-o-q and by 4% y-o-y driven by new production of fixed rate mortgages
- Total customer deposits decreased by 2% q-o-q and by 1% y-o-y as the increase in retail deposits was more than offset by the deliberate decrease in the more expensive corporate and credit union deposits

Group Centre



Net result of -35m EUR

The net result for the Group Centre comprises the results from activities and/or decisions specifically made for group purposes (see table below for components)

Highlights (q-o-q results)

The small q-o-q improvement was attributable mainly to:

- lower costs
- small net impairment reversal (versus impairment charges in 4Q20 due to one-off software impairments)
- higher non-life insurance before reinsurance

partly offset by:

- lower net results from financial instruments at fair value due entirely to a negative change in M2M ALM derivatives
- lower net interest income due largely to lower returns on the ALM bond portfolio and higher subordination costs

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

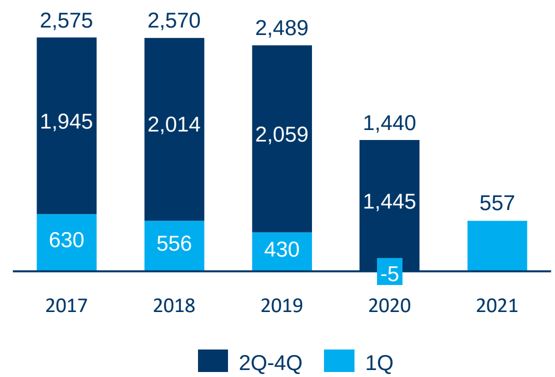
Amounts in m EUR

Overview of contribution of business units to 1Q21 result

Amounts in m EUR

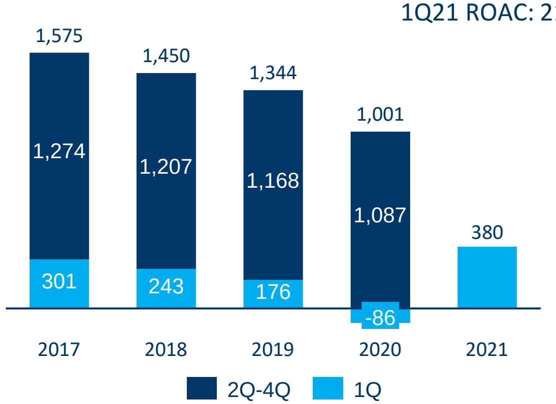
NET PROFIT – **KBC GROUP**

1Q21 ROAC: 19%



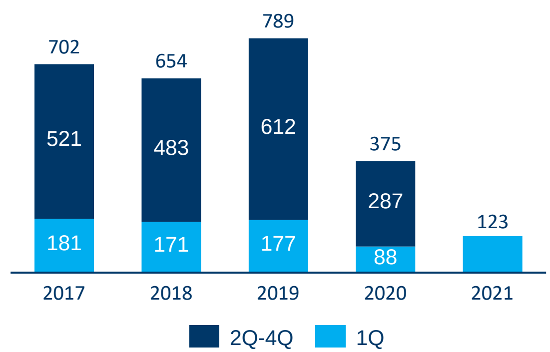
NET PROFIT – **BELGIUM**

1Q21 ROAC: 21%



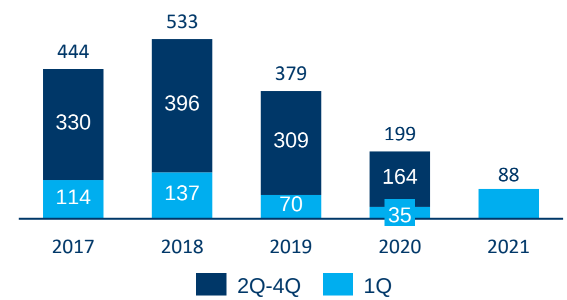
NET PROFIT – **CZECH REPUBLIC**

1Q21 ROAC: 28%



NET PROFIT – **INTERNATIONAL MARKETS**

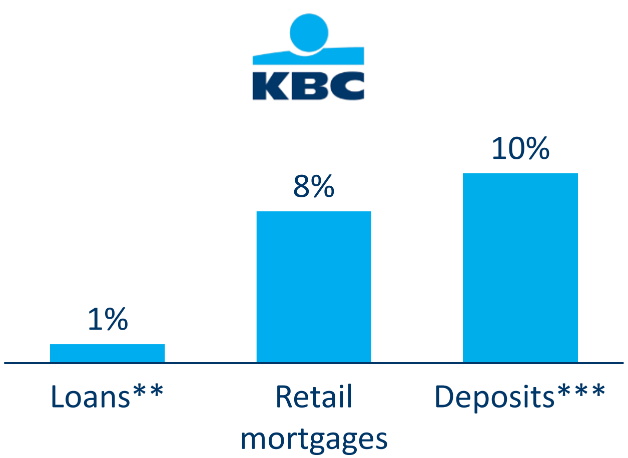
1Q21 ROAC: 14%

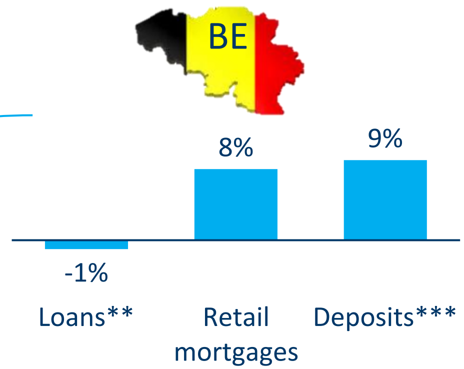


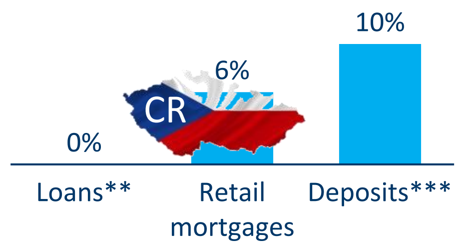
Balance sheet:

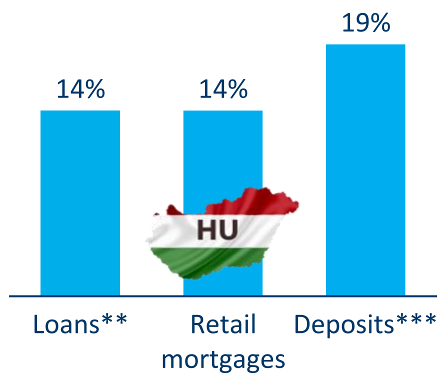
Loans and deposits continue to grow in most countries

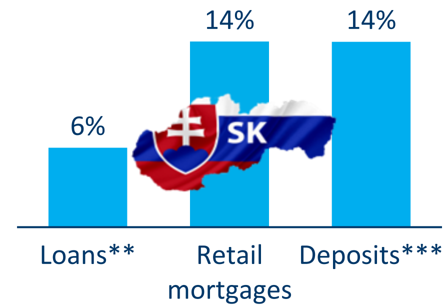
Y-O-Y ORGANIC* VOLUME GROWTH

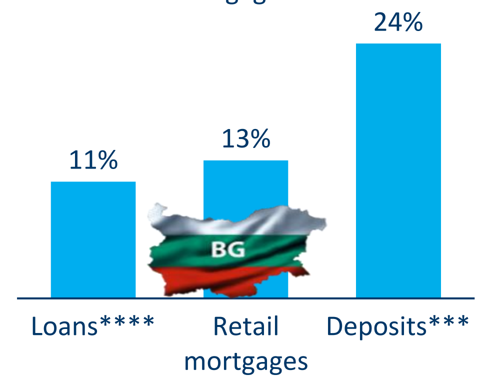


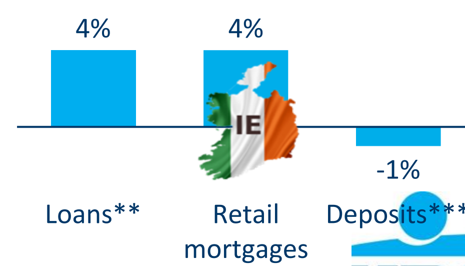












* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL

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

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

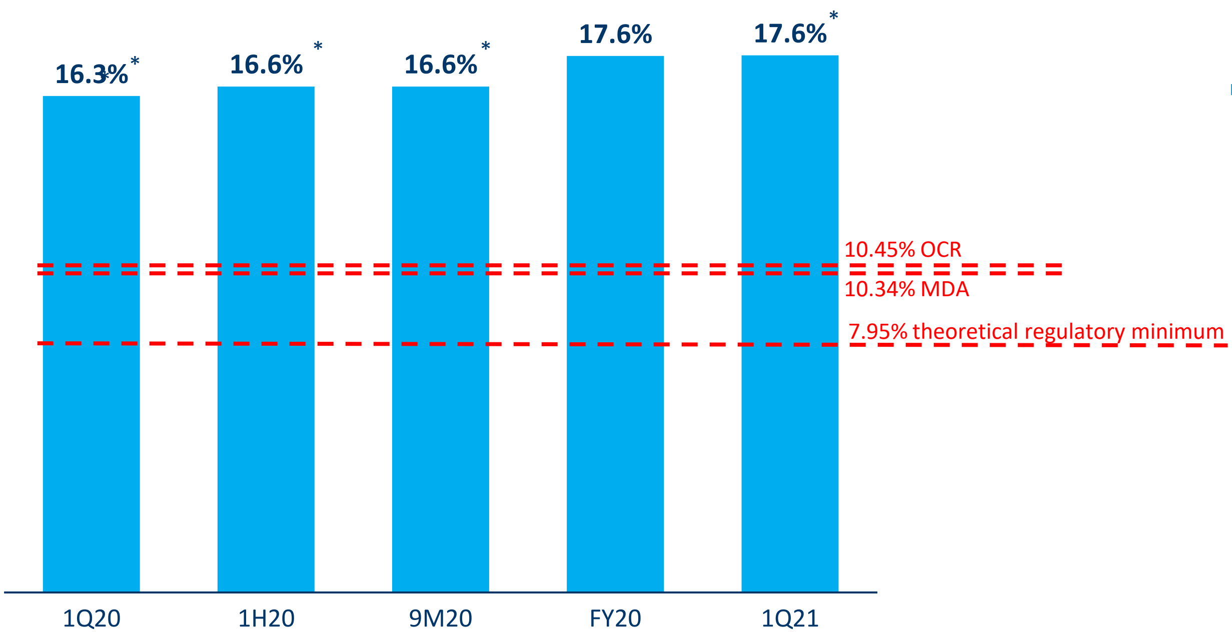
**** Total customer loans in Bulgaria: new bank portfolio +12% y-o-y, while legacy -17% y-o-y

Section 4

Strong solvency and solid liquidity

Strong capital position (1)

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

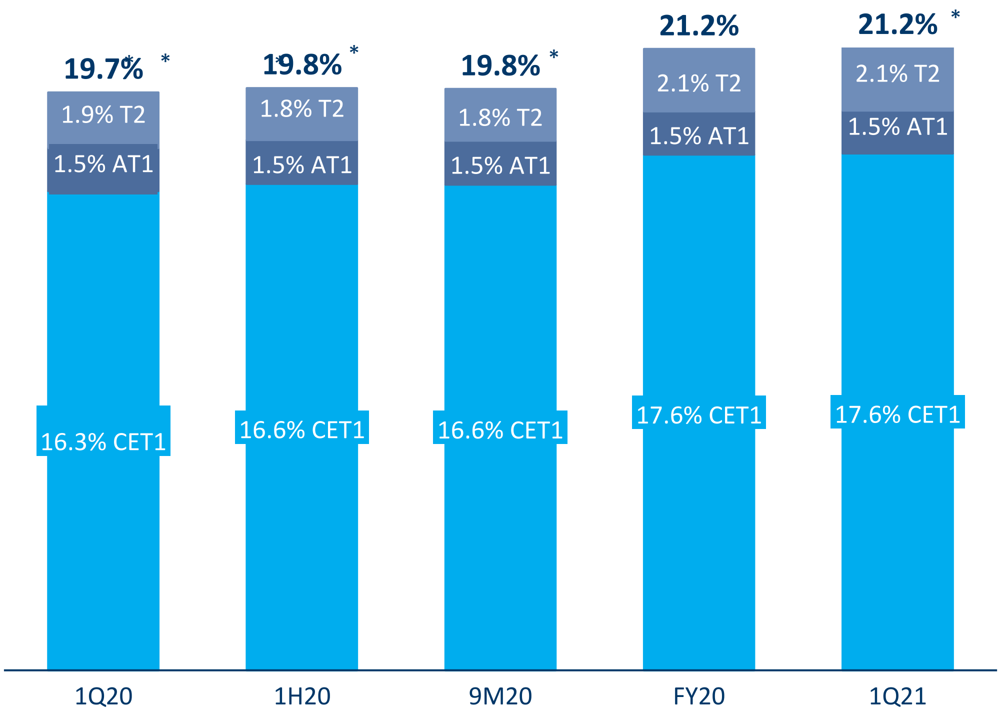


* No IFRS interim profit recognition given the more stringent ECB approach

- **The fully loaded common equity ratio stabilised q-o-q at 17.6%** at the end of 1Q21 based on the Danish Compromise
- KBC's CET1 ratio of 17.6% at the end of 1Q21 represents a solid capital buffer:
  - **9.7% 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)
  - **7.3% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.34%** (given small shortfall in AT1 bucket)
  - **7.2% 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 the end of 1Q21, the impact of the application of the transitional measures resulted in a positive impact on CET1 ratio of 51 bps compared to fully loaded (transitional CET1 ratio amounted to 18.1% at the end of 1Q21)

Strong capital position (2)

Fully loaded Basel 3 total capital ratio (Danish Compromise)

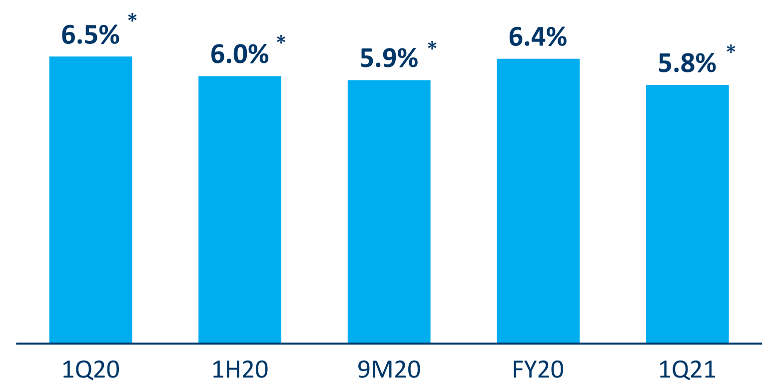


- **The fully loaded total capital ratio stabilised q-o-q at 21.2% at the end of 1Q21**

* No IFRS interim profit recognition given more stringent ECB approach

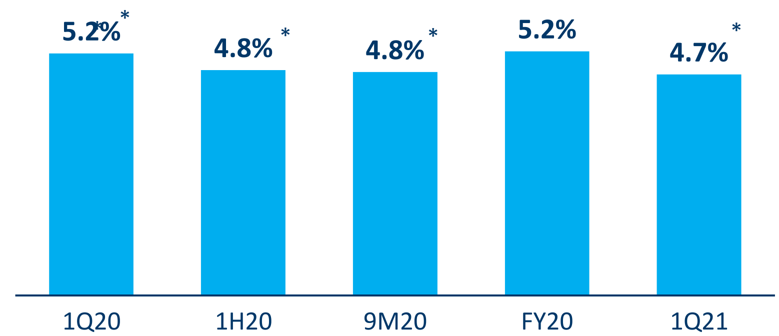
Fully loaded Basel 3 leverage ratio and Solvency II ratio

Fully loaded Basel 3 leverage ratio at KBC Group



* No IFRS interim profit recognition given more stringent ECB approach

Fully loaded Basel 3 leverage ratio at KBC Bank



* No IFRS interim profit recognition given more stringent ECB approach

- The decrease of the leverage ratio was mainly the result of increased short-term money market and repo opportunities

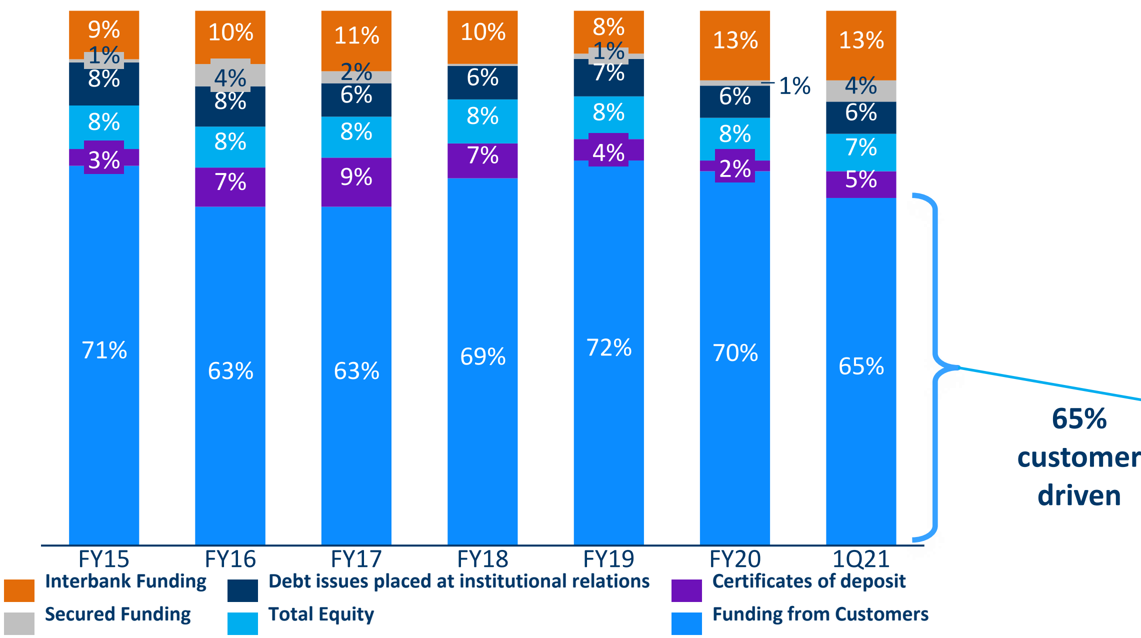
Solvency II ratio

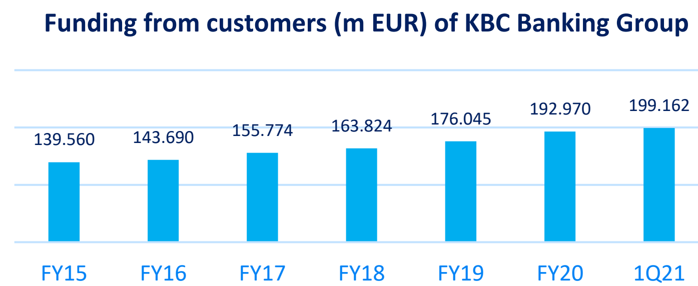
	FY20	1Q21
Solvency II ratio	222%	235%

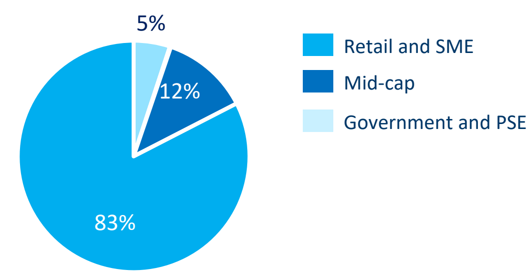
- The q-o-q delta in the Solvency II ratio was mainly driven by an increase of the interest rates combined with a steepening of the yield curve

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

- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments and markets
- **Drop in % customer funding** as growth in interbank/CD/secured funding was even outpacing growth in customer funding – monetising several **short-term money market and repo opportunities**
- KBC Bank **participated to the TLTRO III.7 transaction for an amount of 2.2bn EUR** in March 2021 (bringing the total TLTRO exposure to 24.2bn EUR), which is reflected in the 'Interbank Funding' item below







Ratios	FY20	1Q21	Regulatory requirement
NSFR*	146%	148%	≥100%
LCR**	147%	157%	≥100%

- **NSFR is at 148% and LCR is at 157% by the end of 1Q21**
  - 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.*

Section 5

Looking forward

Looking forward

Economic outlook

- The recent pandemic waves continue to hold most of the continental European countries firmly in their grip. In particular the circulation of more infectious and dangerous virus strains is putting pressure on health systems again, necessitating the extension or introduction of strict lockdown policy measures in many countries. Substantial progress in the health situation can only be expected as the ongoing vaccination campaigns make further progress. The impact of the vaccination programmes on the economic recovery will probably become increasingly visible in the second half of 2021 as the economies gradually reopen. Therefore, we expect European economic growth to accelerate in the second half of 2021 and the level of European economic activity to return to its pre-pandemic level in the course of 2022

Group guidance for 2021

- Our FY21 guidance for NII and opex excluding bank taxes remains unchanged:
  - FY21 NII guidance of 4.3bn EUR ballpark figure
  - FY21 opex excluding bank taxes +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 low end of our average through-the-cycle CCR (of 30 - 40bps) instead of the high end

Differently: the next level
Long-term financial guidance

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

* Fully loaded, Danish Compromise

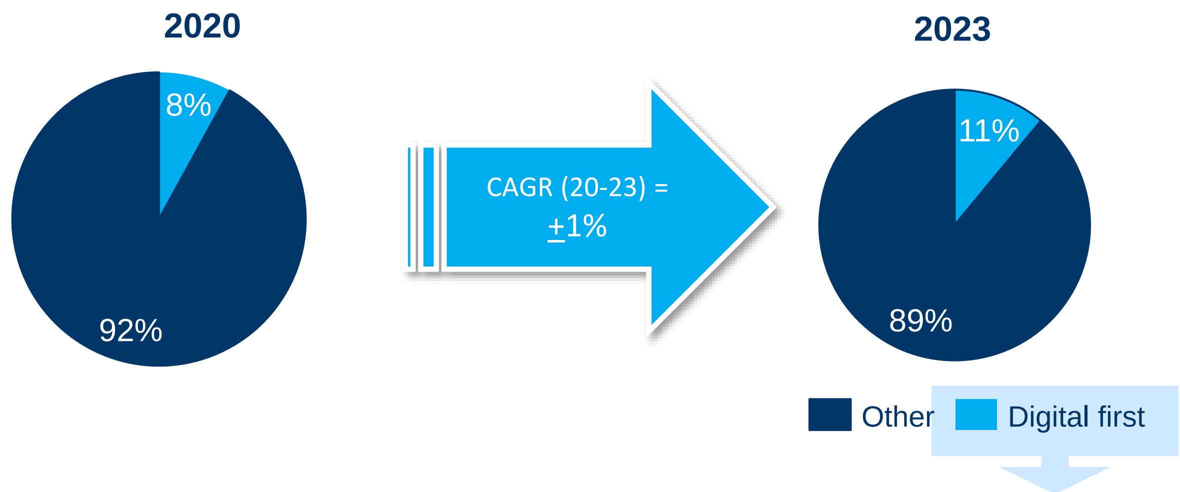
Regulatory requirements		
Overall capital requirement (OCR)**	≥ 10.45%	by 2021
MREL as a % of RWA***	≥ 21.63%	by 2022
MREL as a % of LRE***	≥ 7.34%	by 2022
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

** Excluding Pillar 2 guidance of 100 bps

*** The SRB communicated the new draft MREL targets (under BRRD2) in % of RWA and in % of LRE to KBC. Final confirmation letter expected shortly. Regarding MREL as a % of RWA; (i) an intermediate MREL target of 21.63% as from 01-01-2022 and (ii) a final MREL target of 22.13% as from 01-01-2024. The Combined Buffer Requirement needs to be met on top of the MREL target as a % of RWA

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

Differently: the next level

Dividend policy & capital distribution: unchanged guidance

- **In calendar year 2021, KBC has the intention to pay out 3.44 EUR gross DPS in total:**
  - For the accounting year 2020, a gross DPS of 0.44 EUR was approved at the AGM and will be paid out on 19 May 2021
  - It is the intention of the Board of Directors of KBC Group to distribute an extra DPS of 2.0 EUR 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
  - an interim DPS of 1 EUR as an advance of the total dividend for the accounting year 2021, paid out in November 2021

- **KBC's pre-Basel IV capital deployment plan implies that:**
  - We aim to be amongst the better capitalised financial institutions in Europe
  - On top of the payout ratio of at least 50% of consolidated profit, all capital > 15.5% (the current reference capital position of 14.5% + the current 1% management buffer) will be considered for distribution to the shareholders. Each year, the Board of Directors will take this decision at its discretion when announcing the full year results (next FY results on 10 February 2022)
  - Current capital deployment plan gives much more flexibility to our Board of Directors than in the past:
    - In line with the potential evolutions of our peers' CET1 ratio, our BoD can adjust accordingly the current reference capital position of 14.5% at its discretion
    - the BoD has the flexibility to lower the 1% management buffer at its discretion e.g. in case of an acquisition or in case of buoyant market circumstances
  - From the moment Basel IV will apply, the capital deployment plan will be updated (as from 1 January 2023 at the earliest… but according to rumours, rather from 1 January 2024)

Annex 1

Company profile

KBC Group in a nutshell (1)

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

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

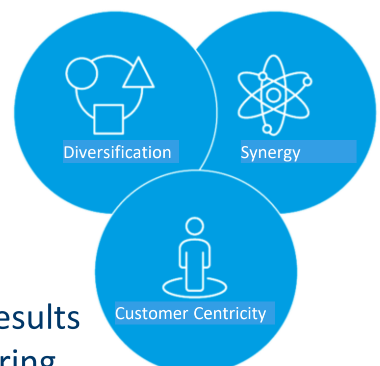
✓ Diversified and strong business performance

… geographically

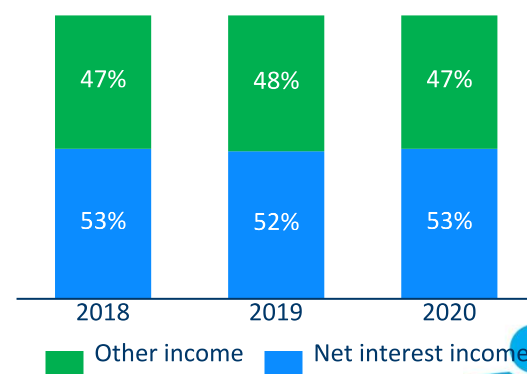
- Mature markets (BE, CZ, IRL) versus developing markets (SK, HU, BG)
- Economies of BE & 4 CEE-countries highly oriented towards Germany, while IRL is more oriented to the UK & US
- Robust market position in all key markets & strong trends in loan and deposit growth

… and from a business point of view

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



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



KBC Group in a nutshell (2)

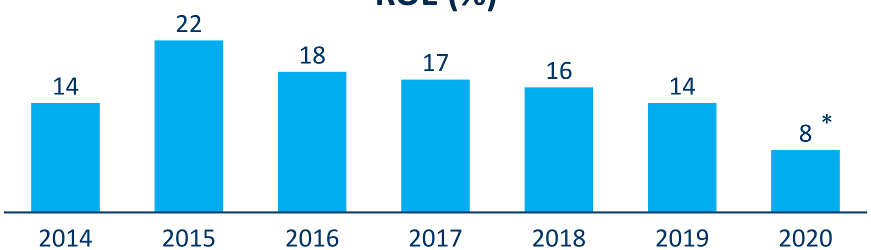
✓ High profitability

C/I ratio*	Combined ratio	Net result
57%	85%	1440m EUR
57%	90%	2489m EUR

FY20
FY19

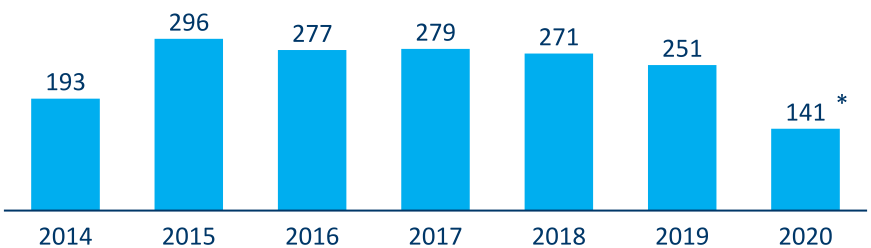
* Adjusted for specific items

ROE (%)



* 11% when adjusted for the collective covid-19 impairments

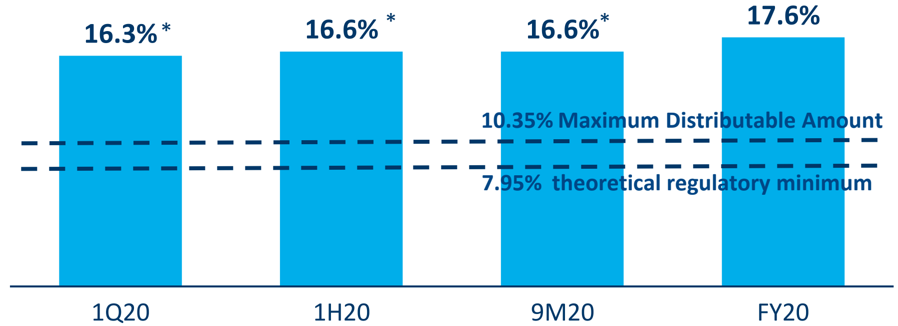
CET1 generation (in bps) before any deployment



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

✓ Solid capital position...

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



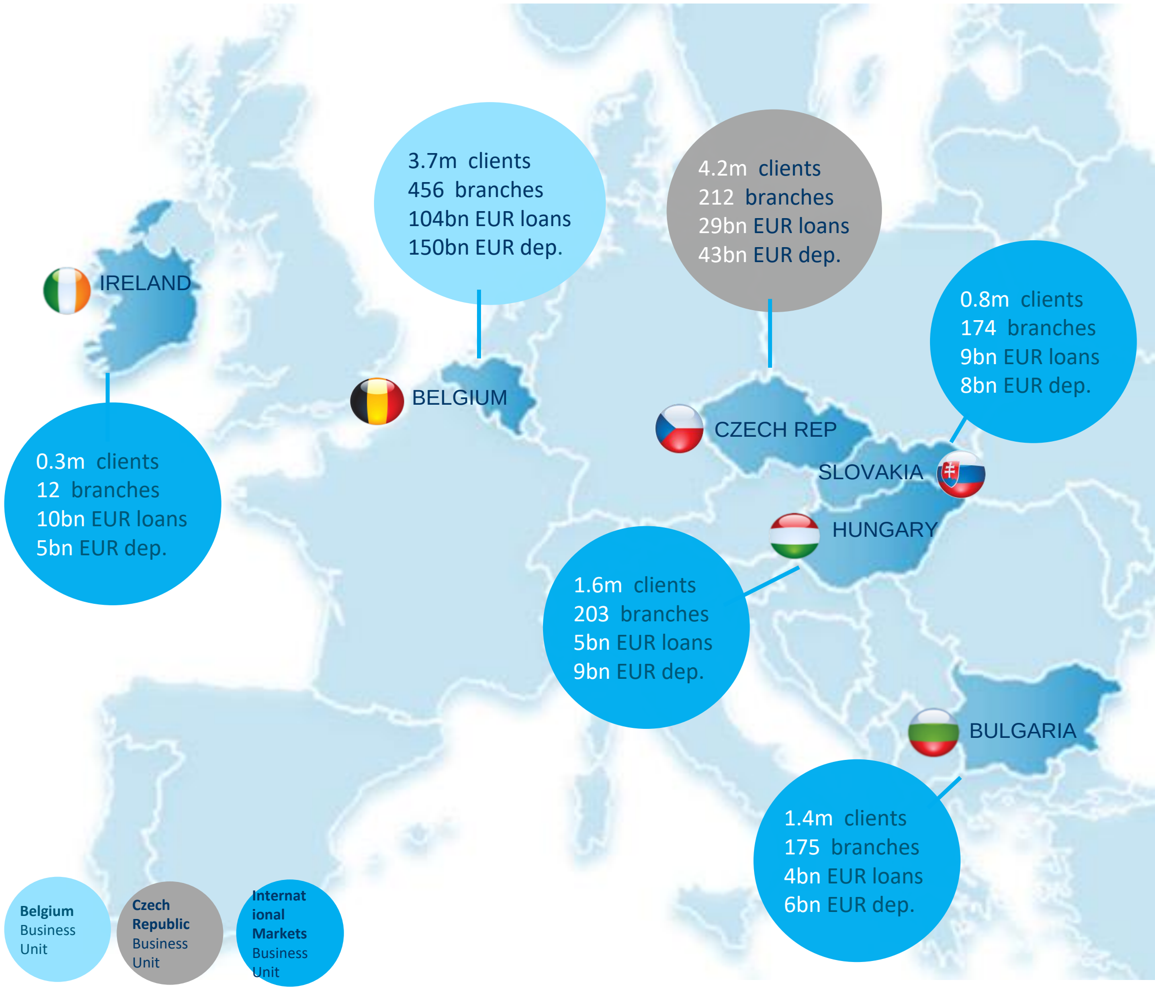
* No IFRS interim profit recognition given more stringent ECB approach

✓ ... and robust liquidity positions

NSFR	LCR
146%	147%
136%	138%

FY20
FY19

Well-defined core markets



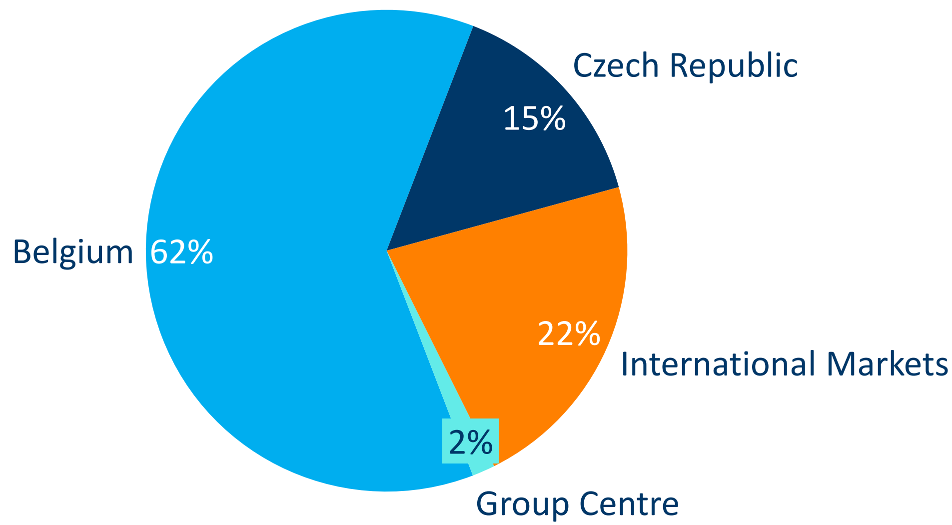
Market share (end 2020)	BE	CZ	SK	HU	BG	IRL
Loans and deposits	19%	21%	12%	11%	10%	8%*
Investment funds	28%	23%	12%	13%	18%	
Life insurance	13%	8%	3%	3%	28%	
Non-life insurance	9%	9%	4%	8%	10%	

Real GDP growth	BE	CZ	SK	HU	BG	IRL
% of Assets	63%	20%	3%	3%	2%	3%
2020	-6.3%	-5.6%	-5.2%	-5.1%	-3.8%	3.4%
2021e	4.1%	3.5%	4.2%	4.2%	3.0%	5.0%
2022e	4.0%	4.6%	4.2%	5.0%	4.0%	4.0%

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

Business profile

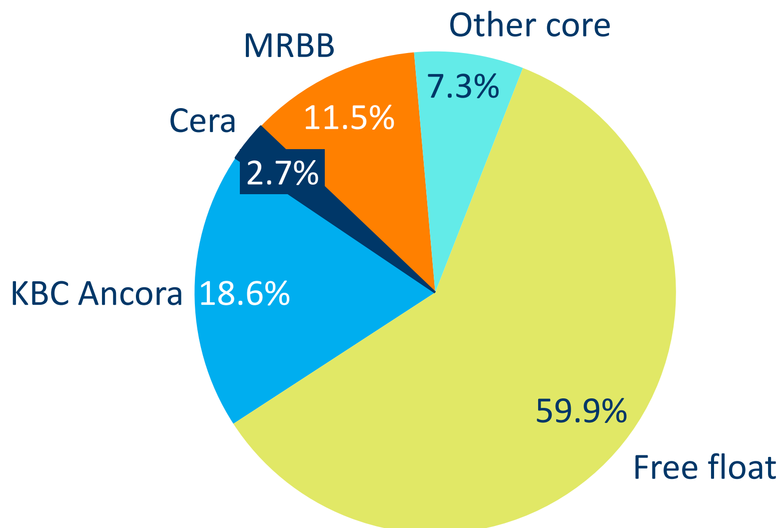
BREAKDOWN OF ALLOCATED CAPITAL (FULLY LOADED) BY BUSINESS UNIT AS AT 31 MARCH 2021



- KBC is a leading player (providing bank-insurance products and services to retail, SME and mid-cap clients) in Belgium, the Czech Republic and its 4 core countries in the International Markets Business Unit

Shareholder structure

SHAREHOLDER STRUCTURE AT END 1Q21



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

Annex 2

Differently: the next level

Kate, your digital assistant

Hyper personalised and trusted financial digital assistant

PERSONALISED & DATA DRIVEN

The interaction between the customer and Kate will be triggered by data analysis (approval granted by customer). Kate will be trained on the basis of the customer's profile, preferences and activities

RELEVANT & VALUABLE OFFER

Kate will only propose offers where sufficient added value is shown or when she can serve the client in an important moment in the client's live

DIGITAL FIRST & E2E

We will offer the client a frictionless End2End digital process and in doing so make bank/insurance simple and hassle free

AT THE RIGHT TIME

Lead journeys driven by time or location are preferably taken care of by Kate, as notifications linked to a specific location or specifying moment in time are perceived as highly personal

SERVING: SECURE & FRICTIONLESS

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

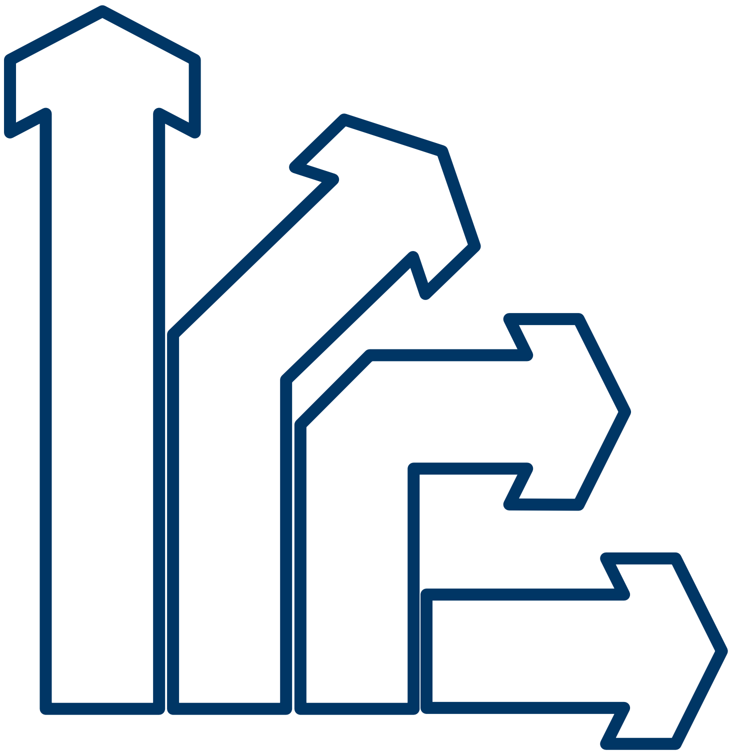
VOLUME

We want all our clients to meet Kate as much as possible. Kate will allow us to reach out to a sufficient volume of clients, in terms of transactions and in terms of number of targetable audience

> **'No hassle, no friction, zero delay'**
> Johan Thijs

Differently: the next level

Digital lead management: From data driven to solution driven



LEVEL 4: Fully automated lead life cycle management

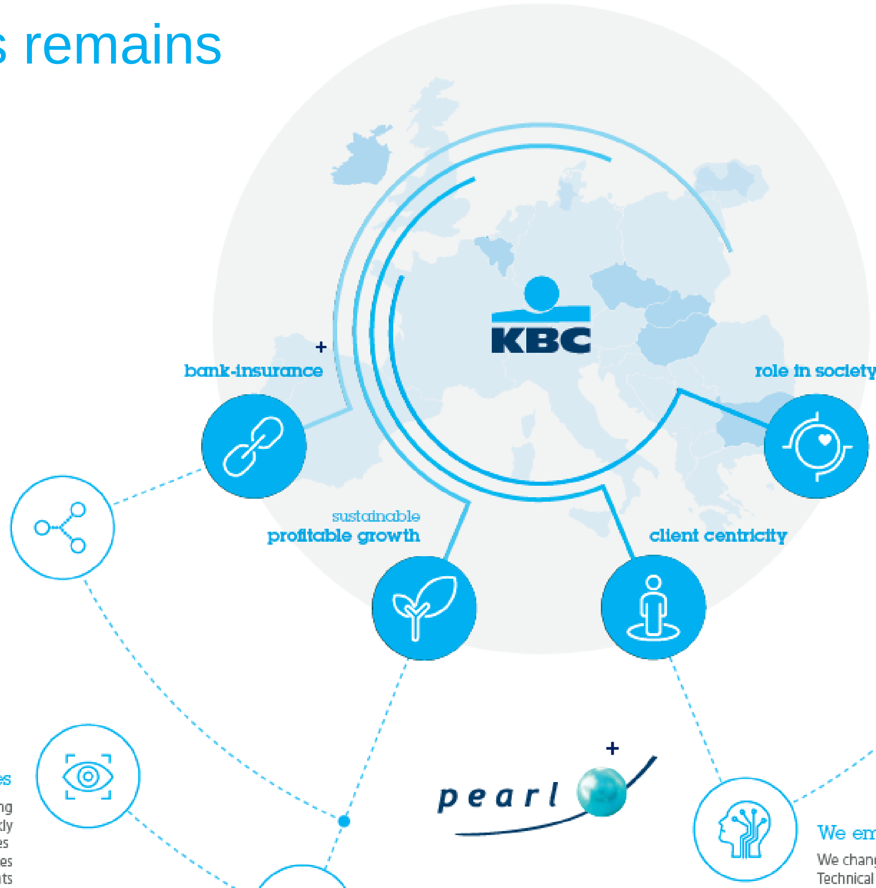
LEVEL 3: AI-powered lead life cycle management

LEVEL 2: Lead life cycle management

LEVEL 1: Basic lead management

Differently: the next level

The strong basis remains



We diversify our income

Bank-insurance remains key
However, we reduce our dependency on interest income
by increasing our insurance income and our fee income

We build our future capabilities

The future is continuously changing
So we have to adapt quickly
This means we prepare ourselves
by acting on trends in our daily bank-insurance activities
and through small investments and experiments
We make smart decisions
so we don't waste money

We think local. We create together

We always keep the needs of our local clients in mind
We avoid duplication by copying and sharing ideas
We develop shared solutions in communities
And we take advantage of our scale in non-client facing activities
Because collaboration allows us to deliver
a better, faster service to our clients

We think client. We act digital

We design for a digital world
even when we are selling face to face
This digital way of working makes us even more
responsive and sets us apart from the competition
Our clients want simple, hassle-free solutions
So we simplify our processes and
procedures to facilitate that

We partner

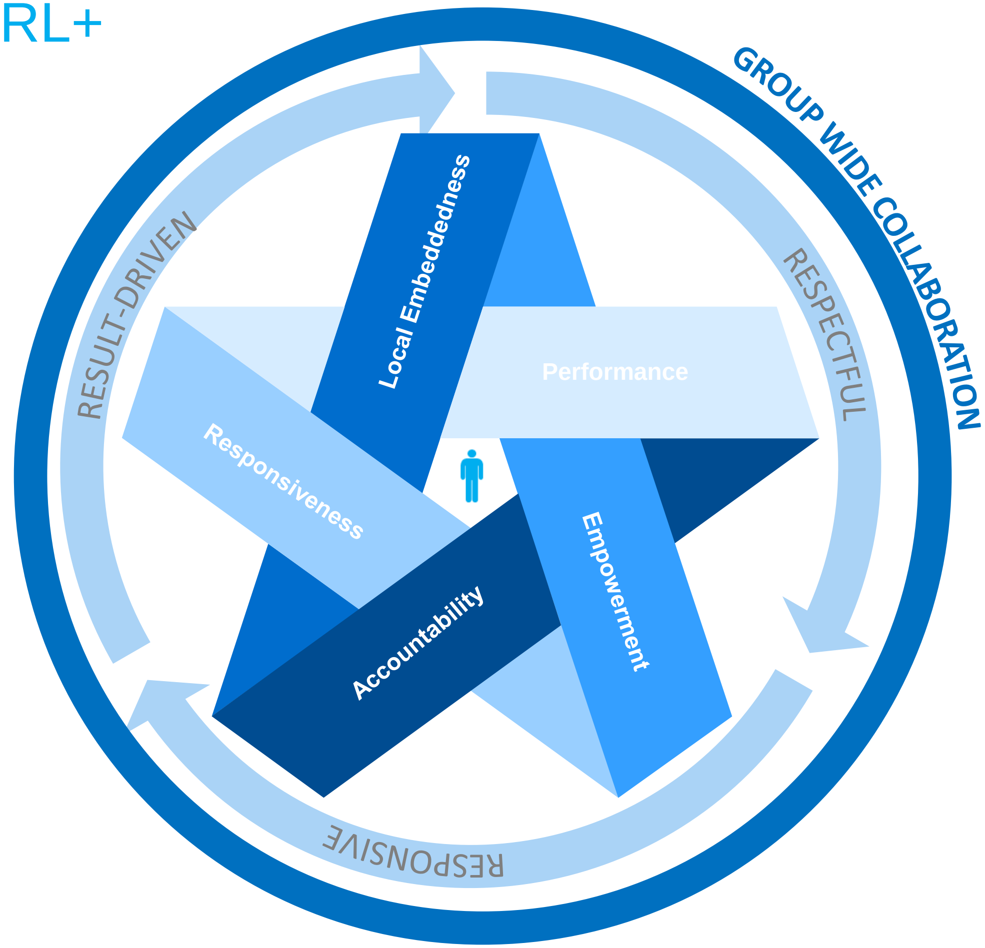
We improve our solutions to meet our clients' needs
by collaborating with partners, like fintechs and even competitors
and creating an IT environment partners can easily plug in and out of

We embrace artificial intelligence

We change our interaction with our clients over time
Technical innovation will help us advise our clients even better
Because human interaction and artificial intelligence reinforce each other

Differently: the next level

Powered by PEARL+

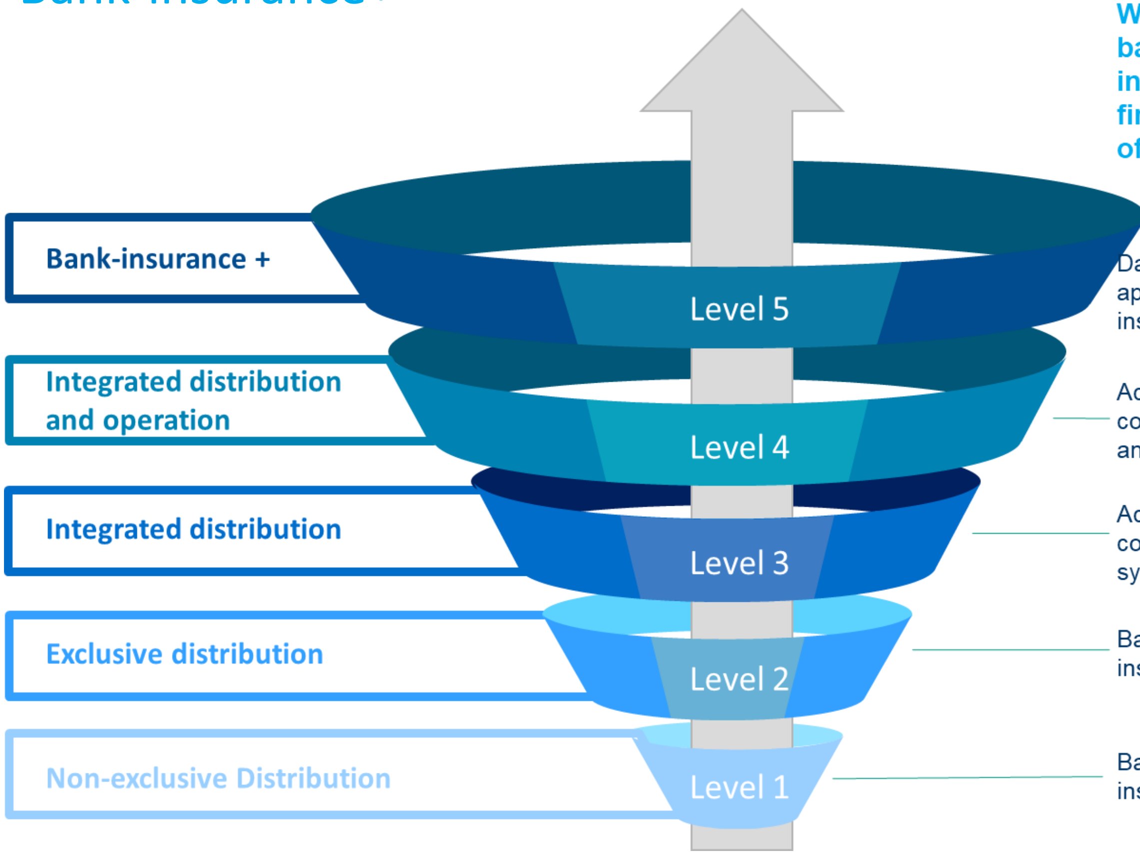


'Why would you build exactly the same thing in your country, when you have the solution next door?'
Johan Thijs

Differently: the next level

Bank-insurance+

We move beyond traditional bank-insurance towards bank-insurance + providing not only traditional bank-insurance solutions but also less traditional non-financial solutions that impact the financial wellness of retail customers or the future of their business.



Data driven organisation: Fully integrated digital first distribution approach based on a solution driven and AI enabled bank-insurance.

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

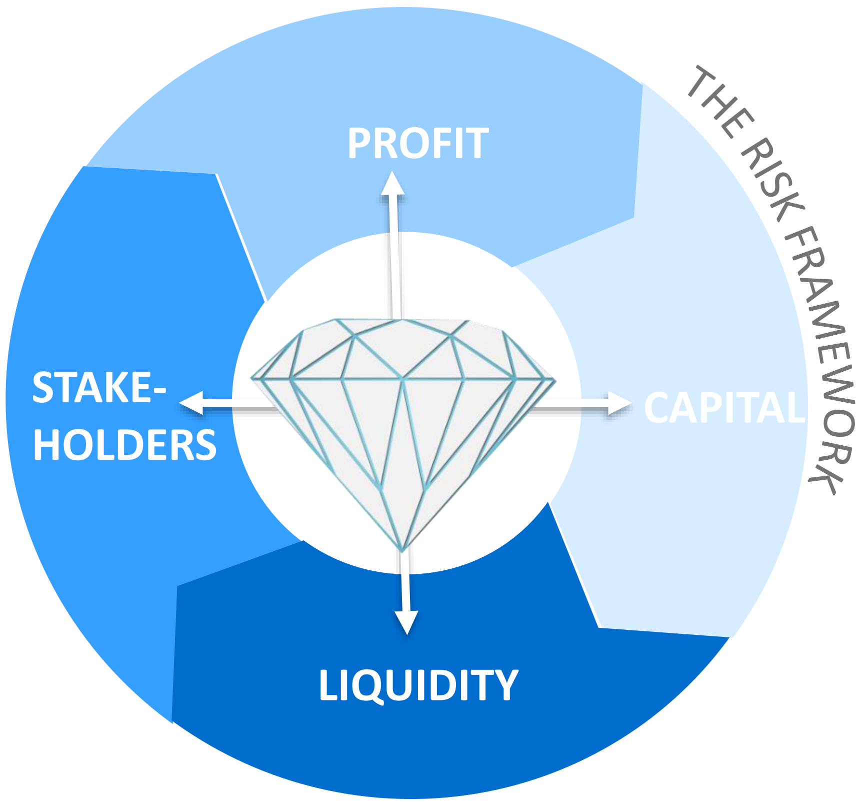
Acting as a single operational company: bank and insurance company working under unified governance, realizing commercial synergies.

Bank branches sell insurance products from intra-group insurance companies as additional source of income.

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

Differently: the next level

Monitored through the KBC performance diamond



The performance diamond defines, within the limits of the risk management framework, the targets for KBC Group and for all the business units for 4 performance dimensions:

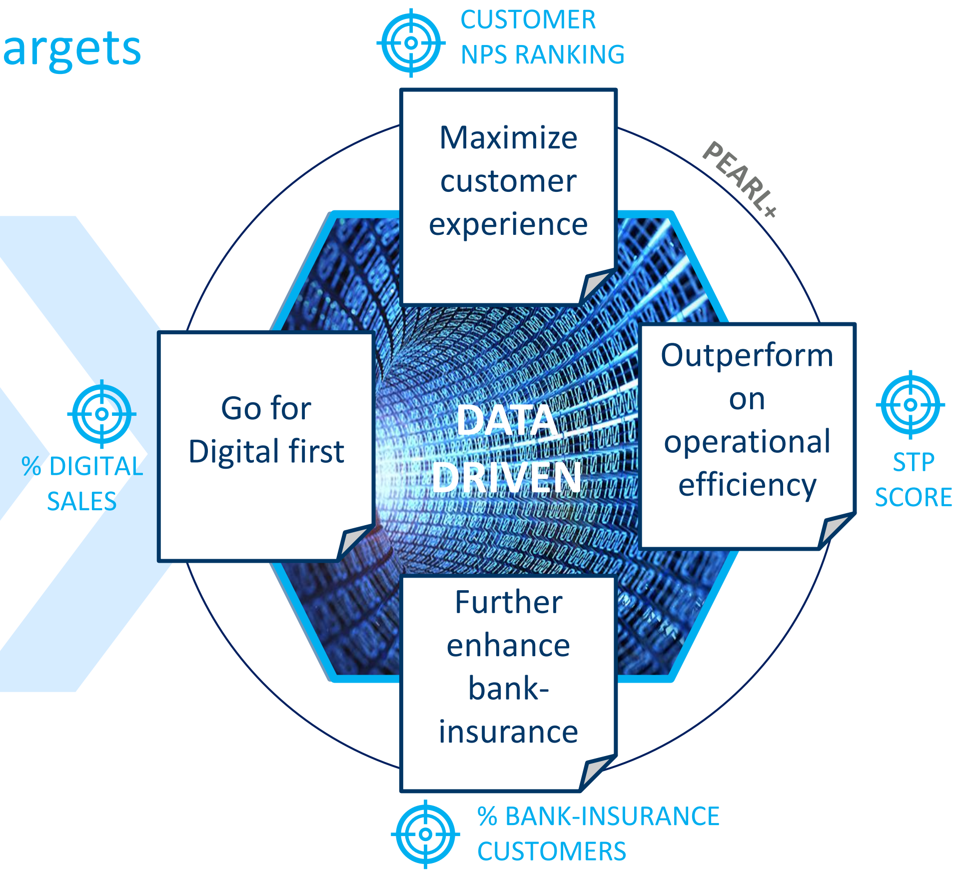
- **NET PROFIT**
- **CAPITAL**
- **LIQUIDITY**
- **STAKEHOLDERS**
  Clients, staff, society, shareholders

Differently: the next level

Translating strategy into non-financial targets

From key priorities to operational targets

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



Differently: the next level

Translating strategy into non-financial targets

Introducing 4 new operational targets (1)

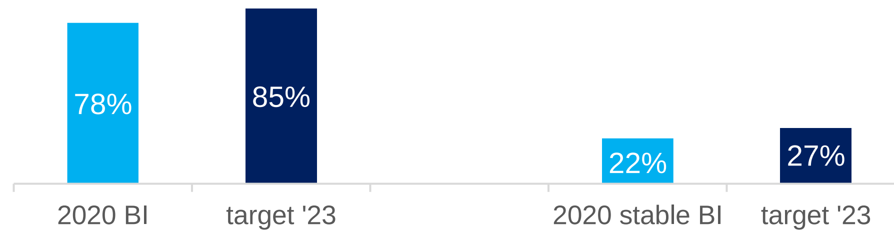
Customer NPS ranking

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

Based on weighted avg of ranking in six core countries

* Based on the latest available data.

% bank-insurance (BI) clients



- ≥85% of active customers to be BI customers
- ≥27% of active customers to be stable BI customers

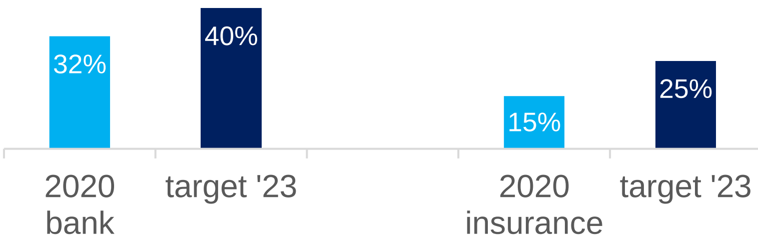
BI customers have at least 1 bank + 1 insurance product of our group.
Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3)

Differently: the next level

Translating strategy into non-financial targets

Introducing 4 new operational targets (2)

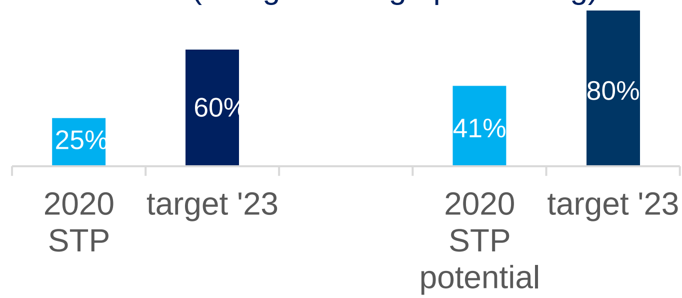
% digital sales
(bank / insurance)



- Digital sales ≥40% of bank sales
- Digital sales ≥25% of insurance sales

Based on weighed avg of selected core products

STP score*
(straight through processing)



- STP ≥60% and STP potential ≥80%

The STP-ratio measures how many of the services that can be offered digitally are processed without any human intervention and this from the moment of interaction by a client until the final approval by KBC.

STP potential measures what the STP-ratio would be if KBC would only have the digital channel in its interaction with clients for a given process or product.

* Based on analysis of core commercial products.

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

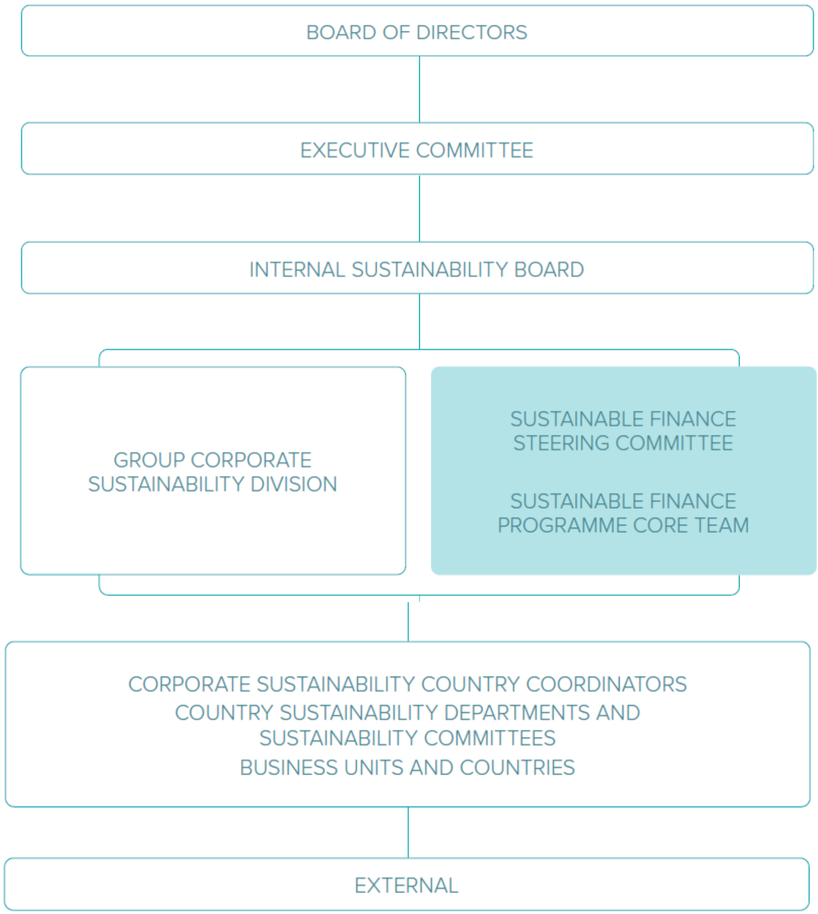
We are focusing on areas in which we, as a bank-insurer, can create added value: financial literacy, entrepreneurship, environmental awareness and longevity and/or health. In doing so, we take into account the local context of our different home markets. Furthermore, we also support social projects that 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 governance

Sustainability embedded in our organization



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

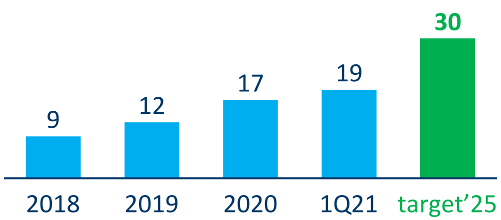
- **Sustainability integrated into our remuneration policy:**
  - The variable remuneration of **Executive Committee members** is linked to - amongst others - progress made in the area of sustainability. The Board of Directors, through its Remuneration Committee, assesses the criteria for evaluating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

Our sustainability ambitions

We substantially raise the bar for our climate-related ambitions

Volume of SRI Funds

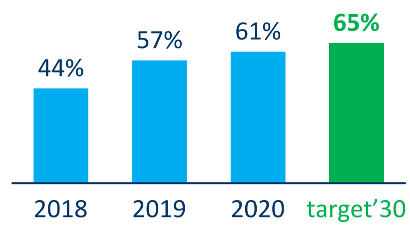
(In billions of EUR)



- Almost doubling of SRI funds by '25 (vs 2020)
- SRI funds ≥ 50% of new fund production by '21
- *During 2021 KBC will re-evaluate this target and its definition of SRI funds in line with the new EU Sustainable Finance Disclosure Regulation (SFDR).*

Renewable energy loans

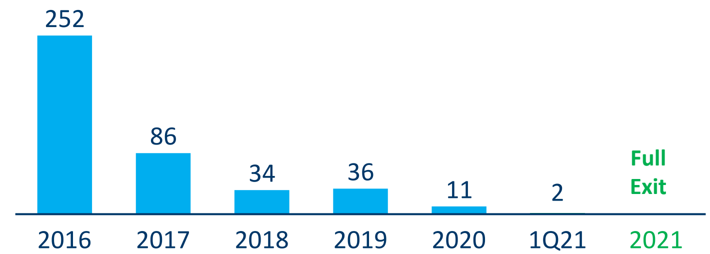
(In % of total energy-sector loan portfolio)



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

Direct coal-related finance

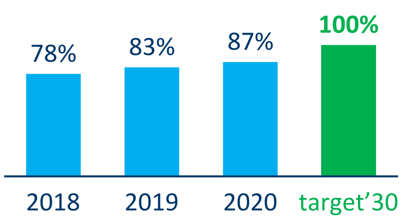
(In millions of EUR)



- 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

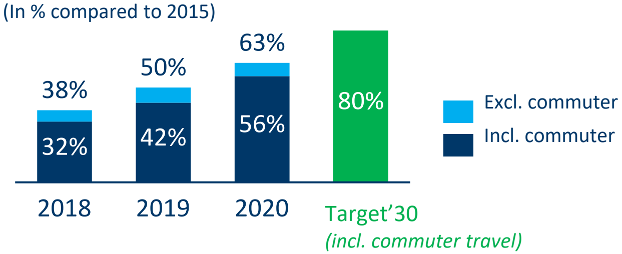
(In % of own electricity consumption)



- 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 of April 2021)*
CDP	A - Leadership
FTSE4Good	4.7/5
ISS ESG	C Prime
MSCI	AAA
Sustainalytics	Low Risk (16.0): 4th percentile of 388 diversified banks *(risk view)*
S&P Global - RobecoSAM	85th percentile of 253 banks assessed (within top 15%)
Vigeo Eiris	Not publicly available

Sustainable finance

Our commitment to contribute to a sustainable society

Sustainable finance (*) (KBC Group, in millions of euros)	2019	2020
Green finance		
Renewable energy and biofuel sector	1 768	1 840
Green mortgages*		8 817
Social finance		
Health care sector	5 783	6 085
Education sector	975	1 031
Socially Responsible Investments		
SRI funds under distribution	12 016	16 780
Total	**20 542**	**34 553**

(*) from 2020 we extended the overview with the green mortgage volumes of Belgium, Czech Republic, Slovakia and Ireland. This amount covers newly built houses and apartments of our outstanding mortgage loans with energy labels A and B (based on the EU's Energy Performance of Buildings Directive)

Green products and business solutions :

- **Business solutions to promote energy efficiency in buildings, industrial processes and mobility**, e.g.: programmes to help companies prepare for energy audits and a sustainable transition, EIB loan for SMEs to finance climate-improving investments at discounted interest rate, green car loan and lease products, bicycle leasing, mobility services through mobile apps, etc.
- Regarding **social finance** we have specific departments that guide social profit institutions and local authorities in areas such as payments, asset management and financing solutions
- SRI as a **key focus area** of our sustainability strategy:
  - Belgian ***Towards Sustainability*** quality label for all our SRI funds
  - Clear **targets**: volume of SRI and % of new production (first offer and preferred investment solution)
  - **Strict exclusion criteria** on top of general exclusion policies for conventional funds
  - **Positive impact** by investing in companies and countries that score well on sustainability
  - **SRI Advisory Board** = external panel of **independent** experts

For the sustainability report of 2020, we refer to the KBC.COM website

Our sustainability strategy

Our commitment to the climate, following the ‘double materiality’ approach

FINANCIAL MATERIALITY*

Committed to manage the impact of climate change on our company

Climate change impact on company

Company impact on climate can be financially material

- **Impact on our business** as a financial institution, in the shape of both **transition and physical risks and opportunities** arising from climate change

ENVIRONMENTAL & SOCIAL MATERIALITY

Committed to manage the direct and indirect impact of our company on climate

Company impact on climate

- **Direct environmental impact** through our own operations
- **Indirect impact on the climate** through financing, investing and insuring other parties who could have a direct impact on the climate

---

- We are committed to **manage our direct environmental impact** and we have substantially raised our ambitions in relation to our direct environmental footprint
- We apply **strict sustainability policies** with respect to human rights, environment, climate and biodiversity, business ethics and sensitive/ controversial societal issues. KBCs sustainability policies **are regularly reviewed**, i.e. at least every two years or more frequently if necessary, and challenged by independent experts in various domains (External Sustainability Board)
- **Updated strategies on the most carbon-intensive industrials sectors and product-lines** (5 out of 11 assessed in 2020) of our lending book. First results and new & updated targets where relevant are presented in so-called **white papers** for the *energy*, *commercial real estate* and *agriculture* sectors, as well as for the following product lines: *mortgage loans* and *car leasing*
- **Ongoing methodological tracks** to understand the potential financial impact of climate-related transition risks on our lending and investment activities and implement new measuring instruments. Based on these methodologies, KBC will be able to publish clear quantitative targets by the end of 2022, in line with the Paris Agreement
- We report on our ongoing climate actions in accordance with **the four pillars of the TCFD Framework** and in line with our commitment to the **Collective Commitment to Climate Action**

PCAF Partnership for Carbon Accounting Financials | UNEP FINANCE INITIATIVE | PACTA Paris Agreement Capital Transition Assessment | Trucost ESG Analysis ** S&P Global | TCFD Task Force on Climate-Related Financial Disclosures | Collective Commitment to Climate Action

** Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.*

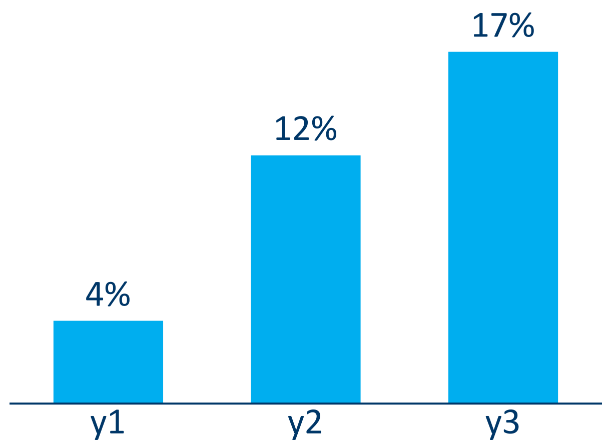
*** S&P Trucost Limited © Trucost 2021*

Annex 3

Other items

Interest rate sensitivity

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



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

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

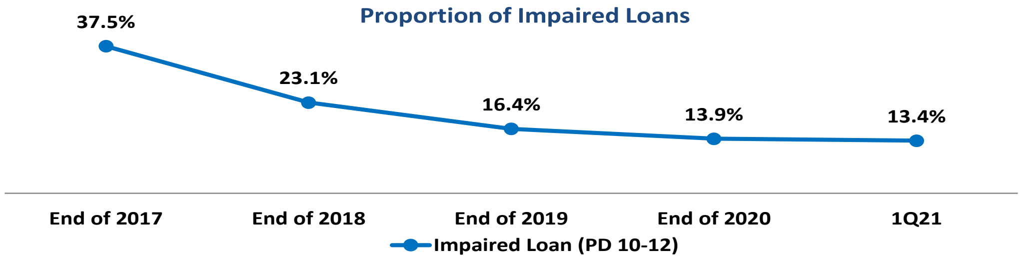
Loan loss experience at KBC

	1Q21 CREDIT COST RATIO	FY20 CREDIT COST RATIO	FY19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	AVERAGE ‘99 –’20
Belgium	**-0.21%**	0.57%	0.22%	0.09%	0.09%	n/a
Czech Republic	**-0.16%**	0.67%	0.04%	0.03%	0.02%	n/a
International Markets	**0.00%**	0.78%	-0.07%	-0.46%	-0.74%	n/a
Group Centre	**-0.09%**	-0.23%	-0.88%	-0.83%	0.40%	n/a
Total	**-0.17%**	**0.60%**	**0.12%**	**-0.04%**	**-0.06%**	**0.43%**

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

Ireland: impaired loans continue to improve

LOAN PORTFOLIO €m	OUTSTANDING	IMPAIRED LOANS	IMPAIRED LOANS PD 10-12	PROVISIONS PD 10-12	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9,692	1,247	13%	311	25%
Buy to let mortgages	568	134	24%	52	39%
Non Mortgage Retail & SME	128	6	5%	5	80%
Corporate	4	4	100%	2	58%
Total	**10,391**	**1,390**	**13%**	**370**	**27%**



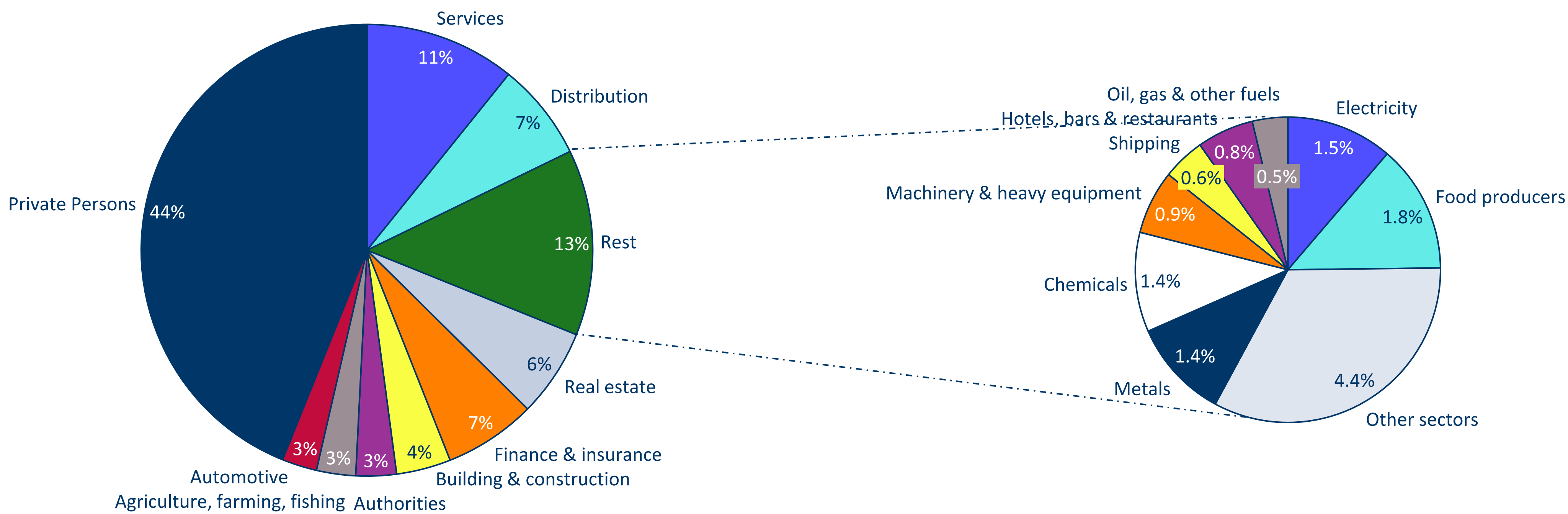
1Q21 Total Portfolio

	PD	Exposure	Impairment Provisions	Cover %
Performing	PD 1-8	8,470	15	0.2%
	Of which non Forborne	8,470		
	Of which Forborne	0		
	PD 9	531	55	10.4%
	Of which non Forborne	179		
	Of which Forborne	352		
Impair.	PD 10	633	73	11.5%
	PD 11	663	232	34.9%
	PD 12	94	65	69.4%
	TOTAL PD1-12	**10,391**	**441**	
	PD 10-12 Impairment Provisions /(PD 10-12)			*26.6%*
	Impaired loans (PD 10-12)/ Total Exposure			*13.4%*

- 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 has weathered the Covid-19 crisis relatively well in terms of growth impacts due to the influence of a buoyant multinational sector and substantial fiscal support to household incomes. Preliminary estimates show that Irish GDP grew by 3.4% in 2020 and a somewhat stronger growth rate is envisaged in 2021
- The impact of the pandemic on the Irish jobs market has been pronounced reflecting significant health related restrictions on mobility and activity. As a result, unemployment has risen significantly and is likely to remain well above pre-pandemic levels despite a marked improvement in domestic spending
- While property transactions fell sharply in 2020, house prices proved far more resilient than envisaged. Official house price data showed a broadly flat trend in the immediate wake of the pandemic and a modest firming subsequently reflecting sustained strength in demand and curtailment of new supply
- Impaired loan portfolio decreased by roughly 43m EUR q-o-q, resulting in impaired loan ratio reducing to 13.4%
- The 0m EUR net impairment release in 1Q21 reflects improved macro-economic variables and scenario weightings offset by management adjustment to stage 3 ECLs

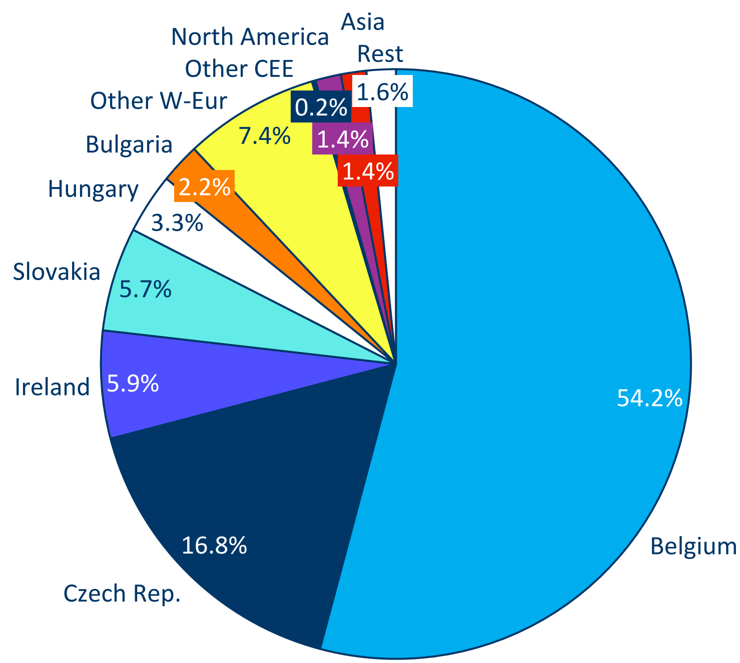
Sectorial breakdown of outstanding loan portfolio (1) (180bn EUR*) of KBC Bank Consolidated



* 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) (180bn EUR*) of KBC Bank Consolidated

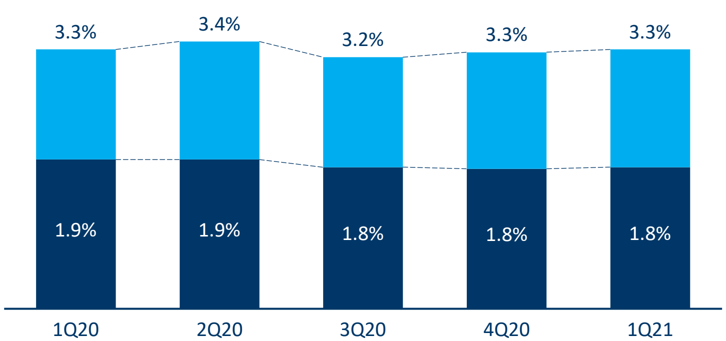


* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are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

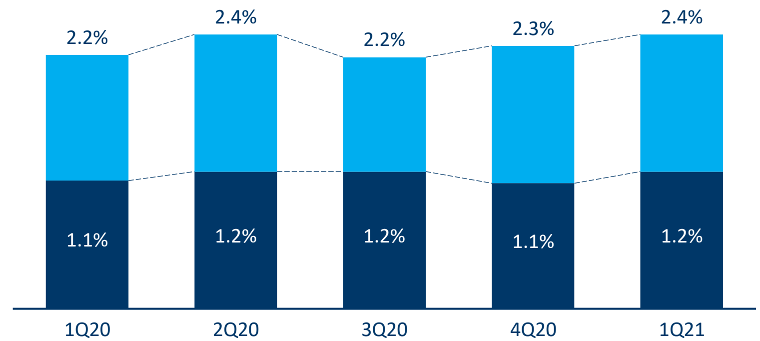
* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

Impaired loans ratios, of which over 90 days past due

KBC GROUP

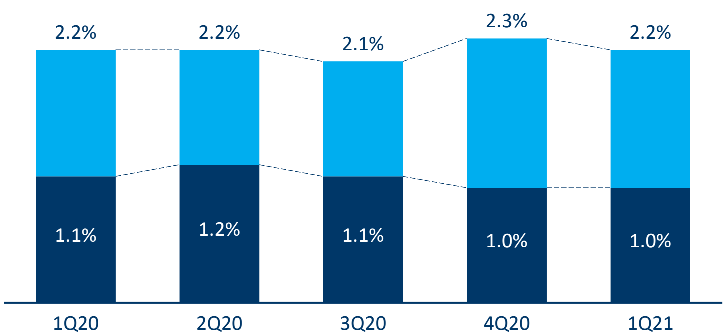


BELGIUM BU

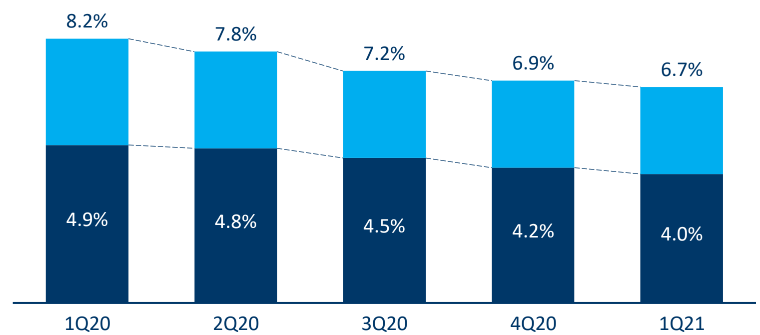


Impaired loans ratio
Of which over 90 days past due

CZECH REPUBLIC BU

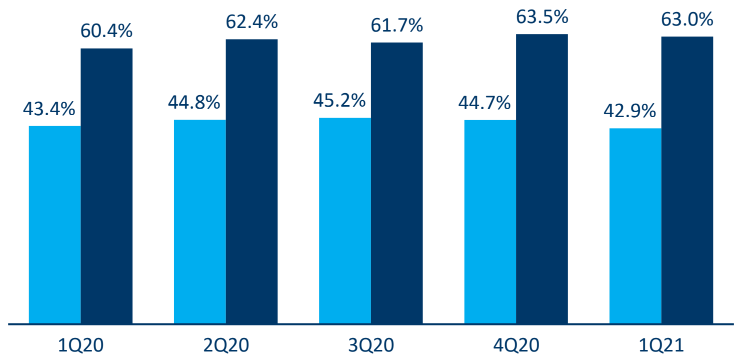


INTERNATIONAL MARKETS BU



Cover ratios

KBC GROUP



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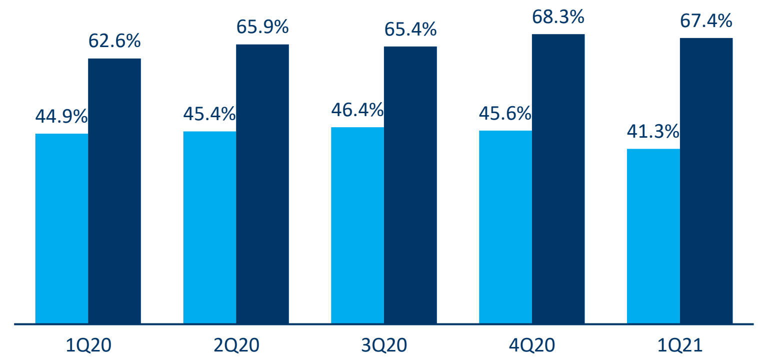
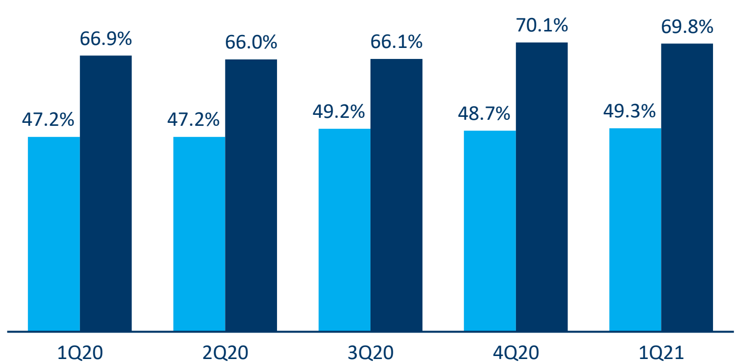
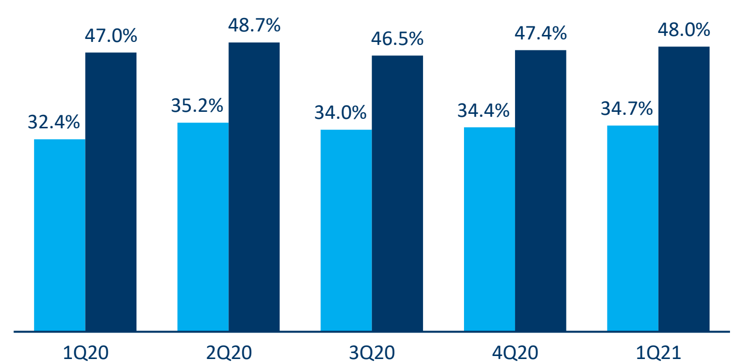


Impaired loans cover ratio
Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU

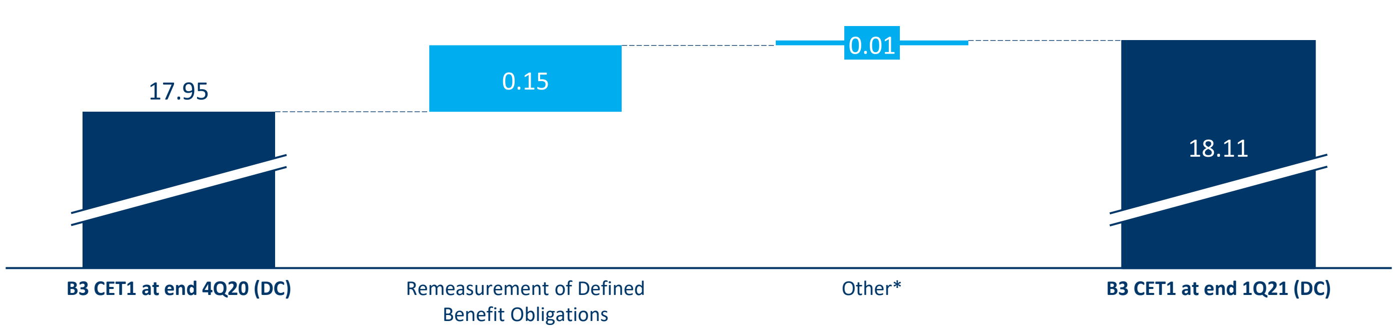


INTERNATIONAL MARKETS BU

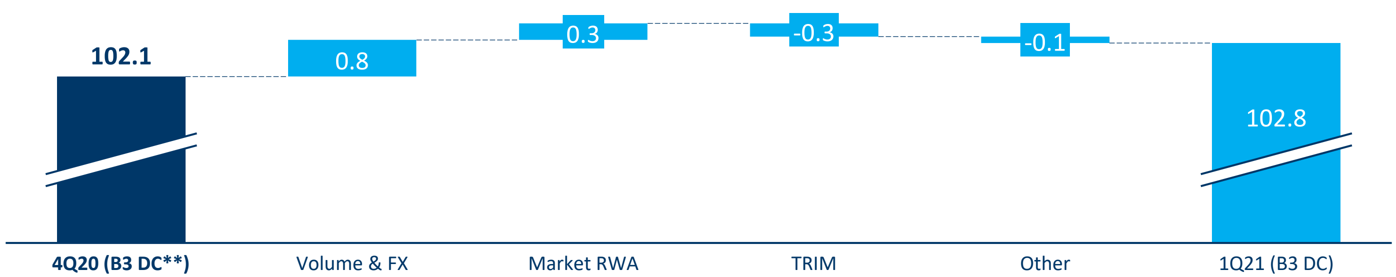


Fully loaded B3 CET1 based on the Danish Compromise (DC) from 4Q20 to 1Q21

DELTA AT NUMERATOR LEVEL (BN EUR)



DELTA ON RWA (BN EUR)



- Fully loaded B3 common equity ratio stabilised q-o-q at 17.6% at the end of 1Q21 based on the Danish Compromise
- This clearly exceeds the Overall Capital Requirement (OCR) of 10.45% and the Maximum Distributable Amount (MDA) of 10.34%

* Includes the q-o-q delta in deferred tax assets on losses carried forward, intangible fixed assets, AT1 coupon, etc.

** Includes the RWA equivalent for KBC Insurance based on DC, calculated as the historical book value of KBC Insurance multiplied by 370%

Overview of B3 CET1 ratios at KBC Group

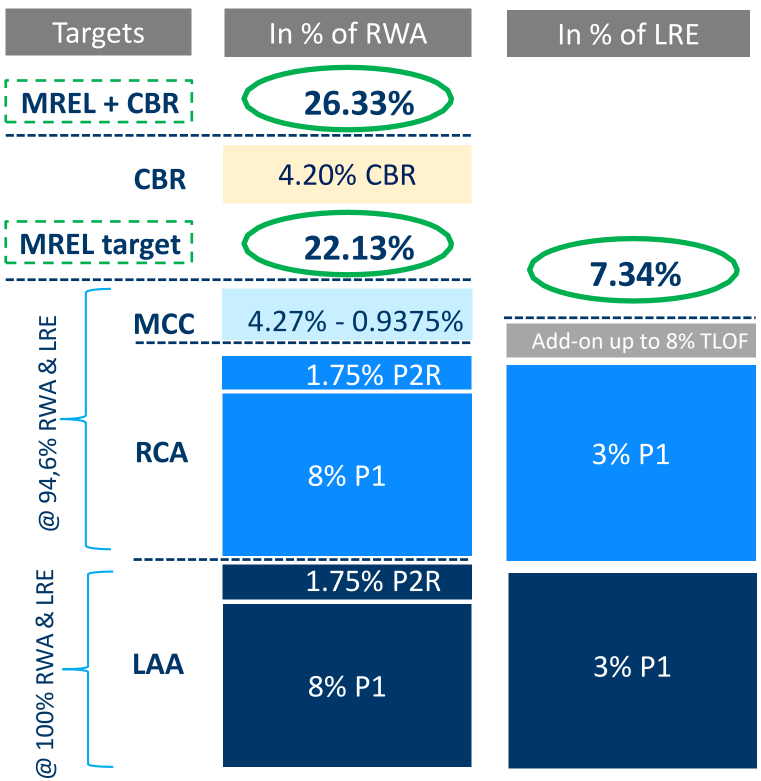
Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	19,493	116,440	16.7%
DC**, fully loaded	18,108	102,796	17.6%
DM***, fully loaded	17,458	98,207	17.8%

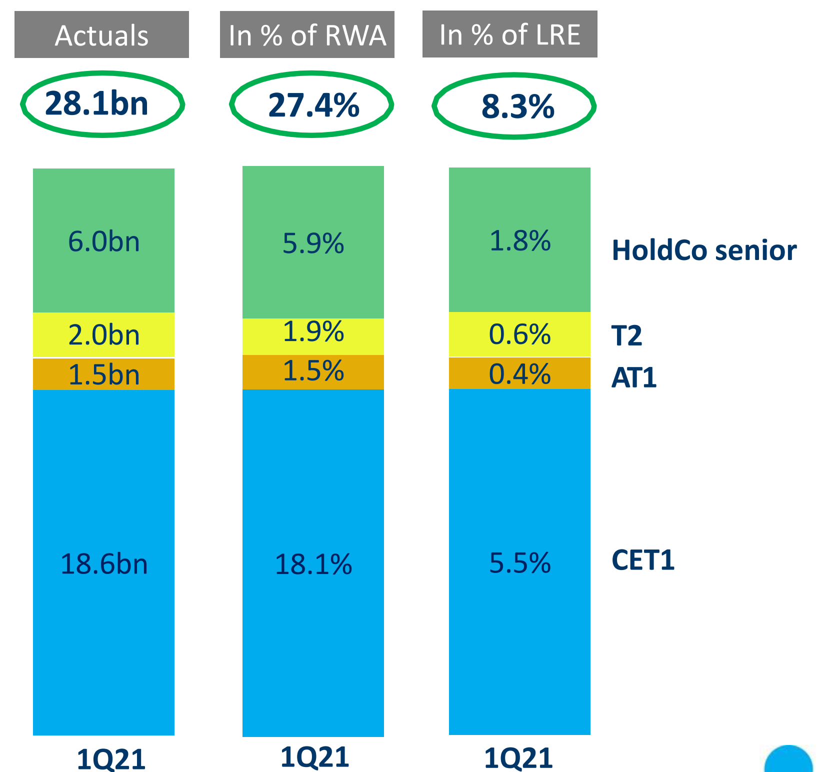
* FICOD: Financial Conglomerate Directive
** DC: Danish Compromise
*** DM: Deduction Method

KBC complies with resolution requirements

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

- ✓ The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level, with **bail-in** as the preferred resolution tool
- ✓ The SRB communicated to KBC new draft MREL targets (under BRRD2), expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE), which will replace the current MREL target of 9.67% of TLOF (which needed to be achieved by 31-12-2021)
- ✓ The **new binding MREL targets** are:
  - ➢ **22.13% of RWA** as from 01-01-2024 with an intermediate target of **21.63%** as from 01-01-2022 **(the CBR needs to be met on top)**
  - ➢ **7.34% of LRE** as from 01-01-2022



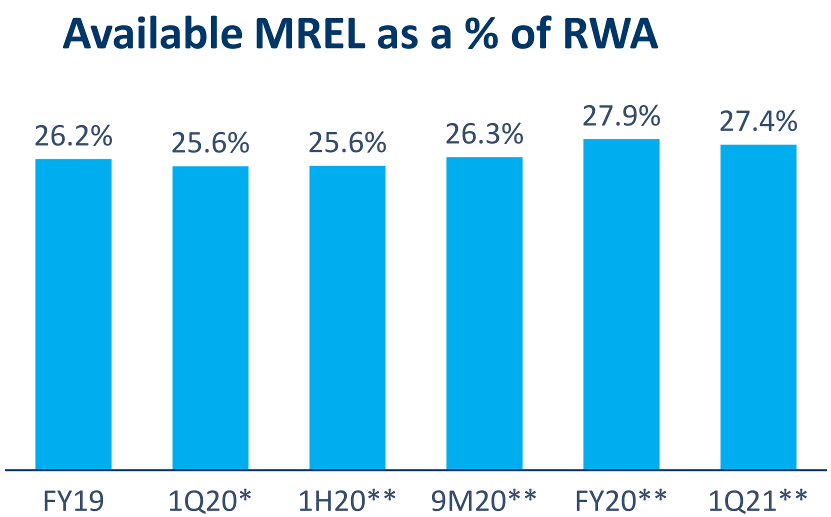


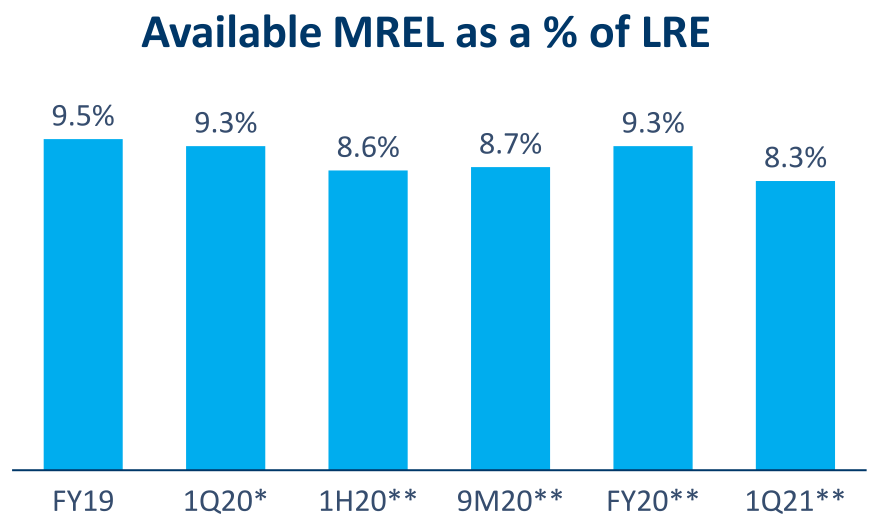
TLOF Total Liabilities and Own Funds LAA **L**oss **A**bsorbing **A**mount RCA **ReC**apitalisation **A**mount

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

CBR **C**ombined **B**uffer **R**equirement = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + Countercyclical Buffer (0.20%), comes on top of the MREL target

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





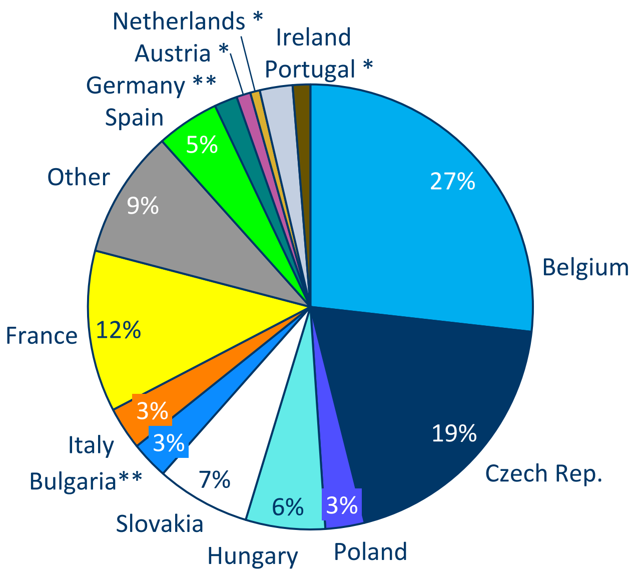
- The MREL ratio decreased both in % of RWA and in % of LRE as 1.25bn EUR available MREL instruments became ineligible (as their maturity date is now < 1 year), only partly offset by a 750m EUR Senior Holdco issuance in 1Q21
- Furthermore, increased short-term money market and repo opportunities also impacted available MREL as a % of LRE

** Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share*
*** As of 1H20, MREL ratio includes the impact of IFRS9 transitional measures*

Government bond portfolio – Notional value

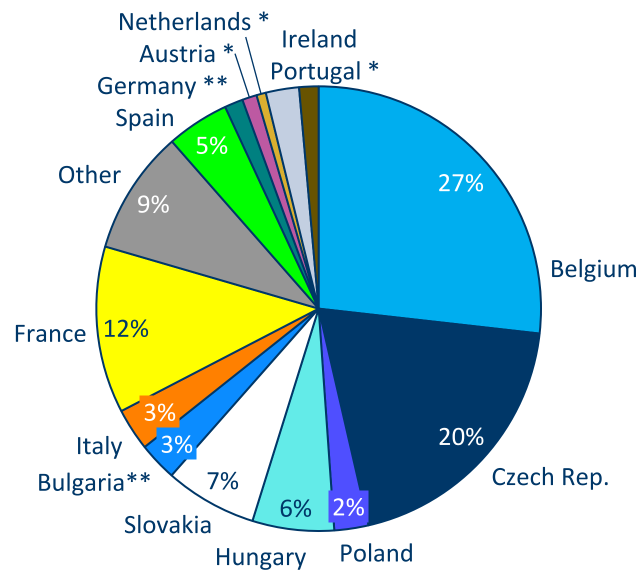
- Notional investment of 52.0bn EUR in government bonds (excl. trading book) at end of 1Q21, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.9bn EUR at the end of 1Q21

END OF FY20
(Notional value of 51.4bn EUR)



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

END OF 1Q21
(Notional value of 52.0bn EUR)

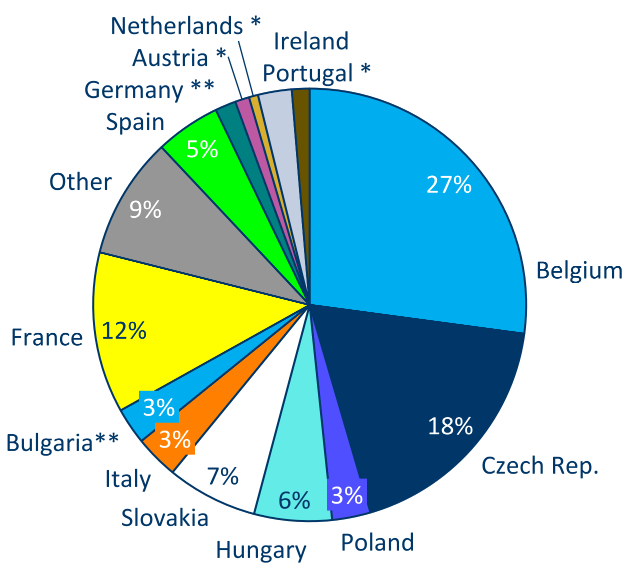


(*) 1%, (**) 2%

Government bond portfolio – Carrying value

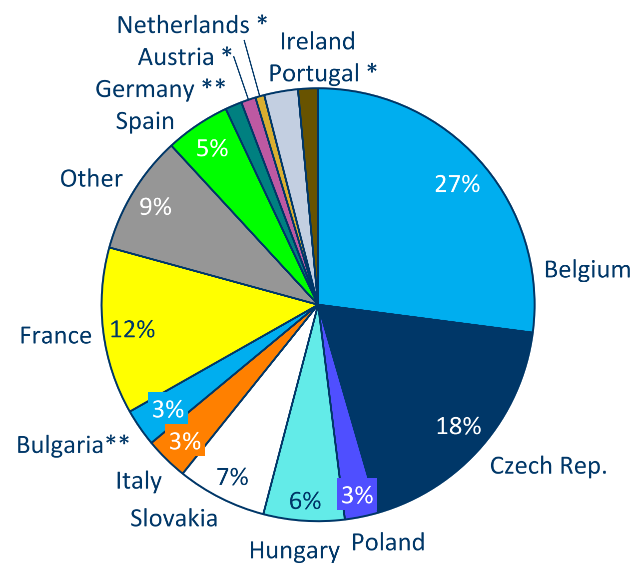
- Carrying value of 54.8bn EUR in government bonds (excl. trading book) at end of 1Q21, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 6.6bn EUR at the end of 1Q21

END OF FY20
(Carrying value of 54.7bn EUR)



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

END OF 1Q21
(Carrying value of 54.8bn EUR)



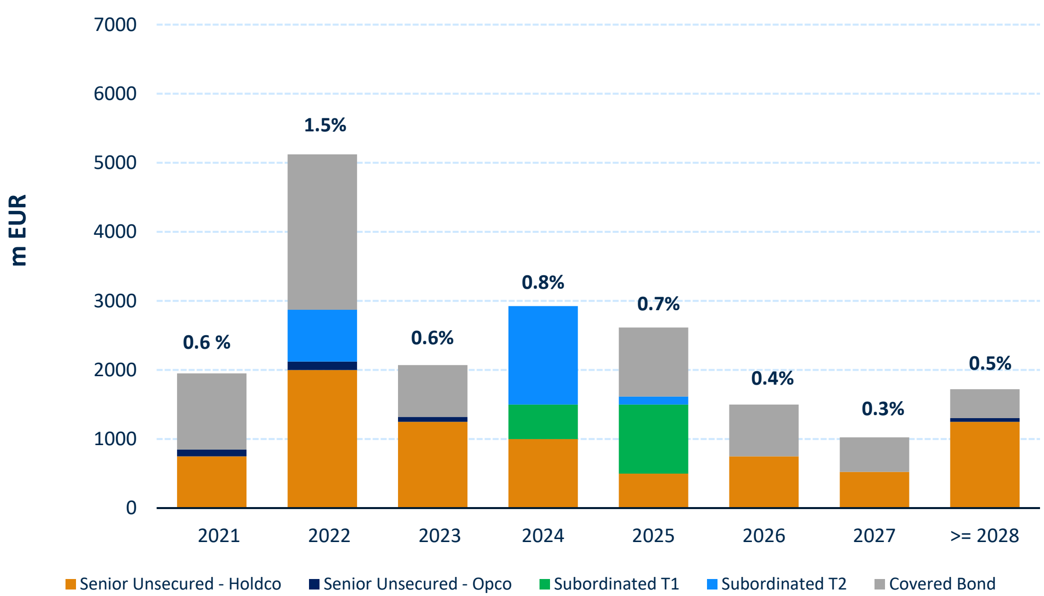
(*) 1%, (**) 2%

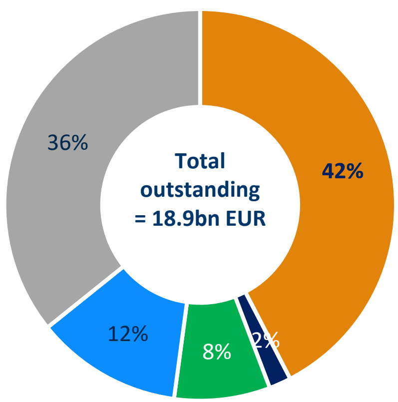
* Carrying value is the amount at which an asset (or liability) is recognised: for those not valued at fair value this is after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon, while carrying amount is equal to fair value when recognised at fair value

Upcoming mid-term funding maturities

Breakdown Funding Maturity Buckets

(Including % of KBC Group's balance sheet)





- In January 2021, KBC Group issued a senior benchmark for an amount of 750m EUR with an 8-year maturity with call date after 7 years

- 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

Glossary (1)

AQR	Asset Quality Review
B3 / B4	Basel III / Basel IV
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (group)	[operating expenses of the group] / [total income of the group]
Cost/income ratio adjusted for specific items	The numerator and denominator are adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include: • MtM ALM derivatives (fully excluded) • bank & insurance taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC21) • one-off items
Credit cost ratio (CCR)	[annualised net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula. As the full collective Covid-19 expected credit losses (ECL) have been booked in 1H20, they were not annualised to calculate the ratio in 1H20
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
ESFR	European Single Resolution Fund
FICOD	Financial Conglomerates Directive
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (PD 10-11-12)]
Impaired loans ratio	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity coverage ratio (LCR)	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days]
Management overlay	Our Expected Credit Loss (ECL) models were not able to adequately reflect all the specifics of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis. Therefore, an expert-based calculation at portfolio level is required via a management overlay

Glossary (2)

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

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