KBC Group
1Q 2020 results
Press presentation

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More detailed analyst presentation available at www.kbc.com

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Key takeaways for KBC Group

*1Q 2020 financial performance**

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

Net result of -5m EUR in 1Q20

1Q20

- **ROE 4%***
- **Cost-income ratio 69%** (adjusted for specific items)
- **Combined ratio 90%**
- **Credit cost ratio 0.27% (and 0.17% without management overlay)**
- **Common equity ratio 16.3%** (B3, DC, fully loaded)
- **Leverage ratio 6.5%** (fully loaded)
- **NSFR 134% & LCR 135%**

* *when evenly spreading the bank tax throughout the year*

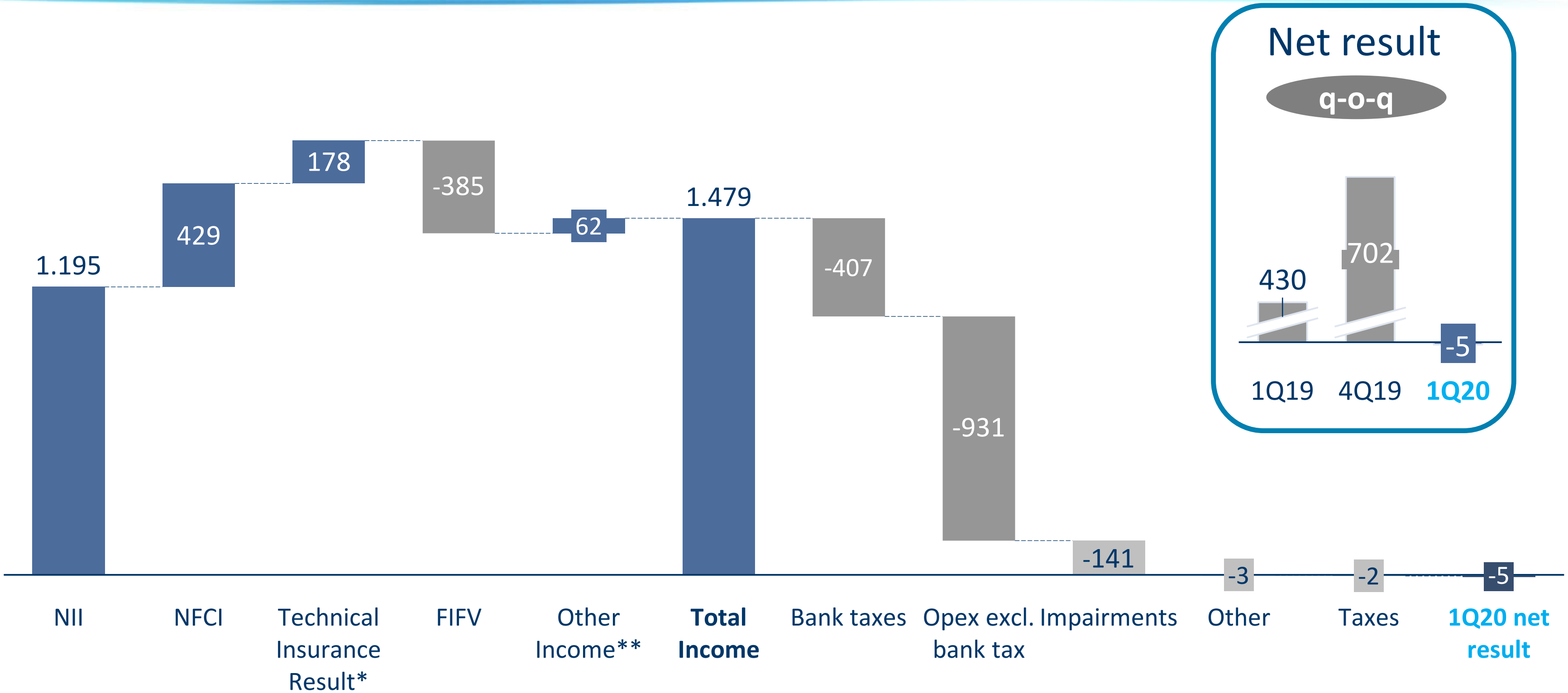
* Comparisons against the previous quarter unless otherwise stated

KBC Group Consolidated results

1Q 2020 performance

KBC Group

Overview of building blocks of the 1Q20 net result



	NII	NFCI	Technical Insurance Result*	Total Income	Opex excl. bank tax
Q-o-Q	+1%	-4%	-19%	-28%	-6%
Y-o-Y	+6%	+5%	+18%	-21%	+2%

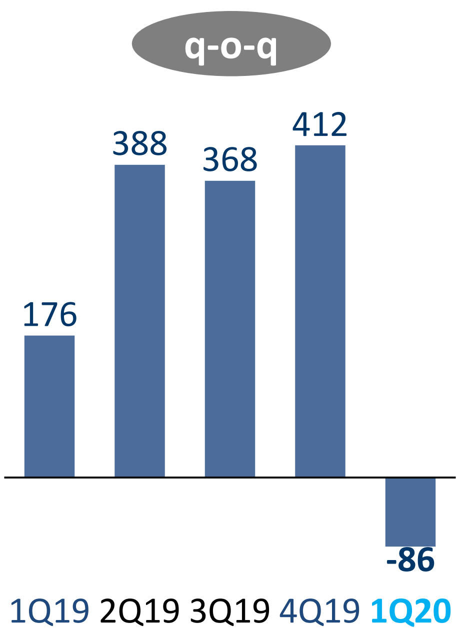
* *Earned premiums – technical charges + ceded reinsurance*
** *Dividend income + net realised result from debt instruments FV through OCI + net other income*

Amounts in millions of EUR

Net result per business unit

Except Belgium, positive contribution of the business units

BE BU



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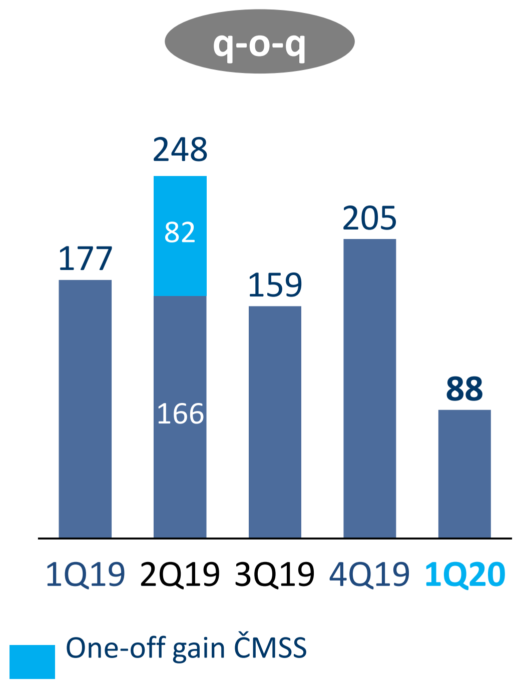

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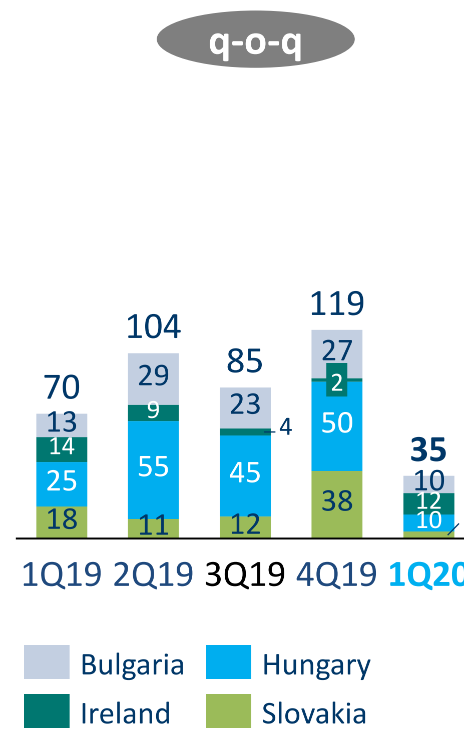
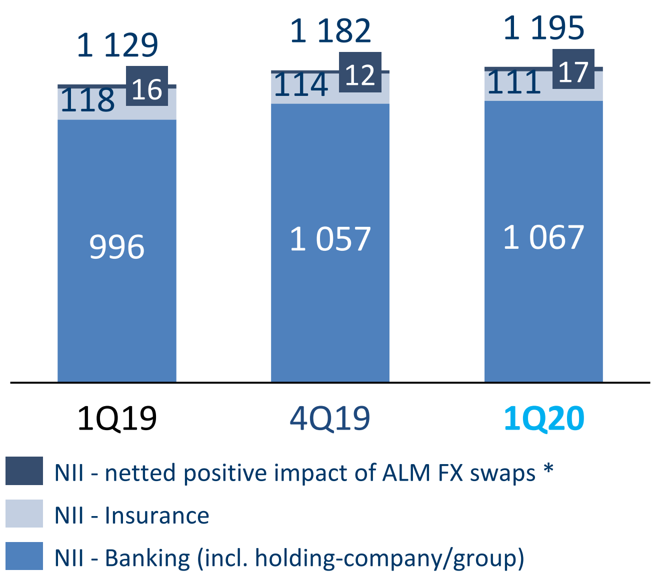


Amounts in millions of EUR

Net interest income

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

Net Interest Income



NII increased by 1% q-o-q and by 6% y-o-y. Note that NII banking rose by 1% q-o-q and by 7% y-o-y

The q-o-q increase was driven primarily by:

(+) continued good loan volume growth, higher margins on new loan production in all segments in Belgium, lower funding cost, higher netted positive impact of ALM FX swaps, positive impact of ECB deposit tiering (+3m EUR q-o-q), a 12m EUR positive one-off due to the early termination of 1 large corporate file in Belgium and the positive impact of the CNB repo rate hike early February (to 2.25%)

partly offset by:

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

Net interest margin**

Quarter	1Q19	4Q19	**1Q20**
NIM	1.98%	1.94%	**1.97%**

NIM 1.97%

Increased by 3bps q-o-q (positively impacted by the +12m EUR one-off item in Belgium and the CNB rate hike early February) and decreased by 1 bp y-o-y, the latter due mainly to the negative impact of lower reinvestment yields and pressure on loan margins on total outstanding portfolio in most core countries

* *From all ALM FX swap desks*

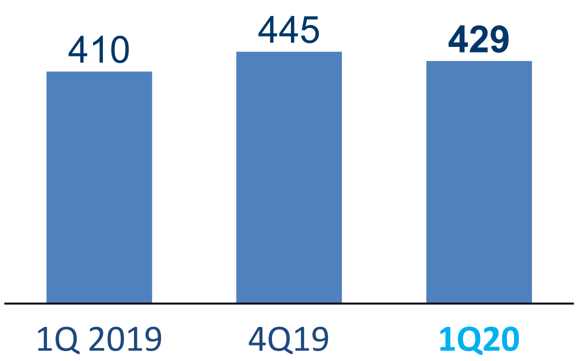
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

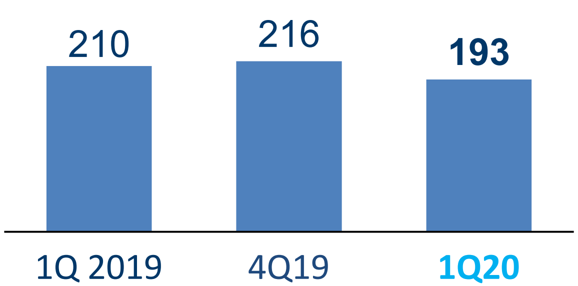
Lower net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income (429m EUR)

Down by 4% q-o-q and up by 5% y-o-y

Q-o-q decrease was the result of the following:

- **Net F&C income from Asset Management services** decreased by 3% q-o-q as a result of lower management and entry fees from mutual funds & unit-linked life insurance products
- **Net F&C income from banking services** decreased by 6% q-o-q due mainly to lower fees from payment services (partly seasonal effect, partly due to the SEPA regulation) and lower fees from credit files & bank guarantees, partly offset by higher securities-related fees
- **Distribution costs** fell by 9% q-o-q due chiefly to lower commissions paid linked to banking products and decreased sales of life insurance products

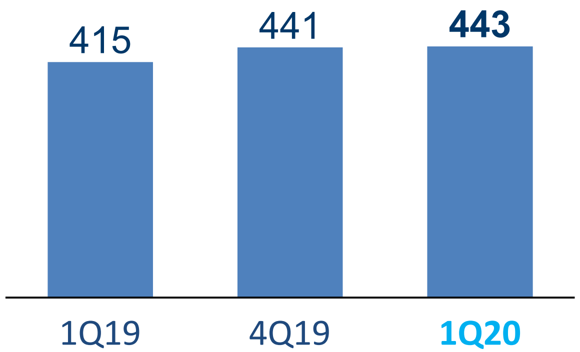
Assets under management (193bn EUR)

- Decreased by 11% q-o-q (and by 8% y-o-y) due almost entirely to a negative price effect (-10% q-o-q)
- The mutual fund business has seen net inflows (+0.6bn EUR), more than offset by net outflows in investment advice and group assets

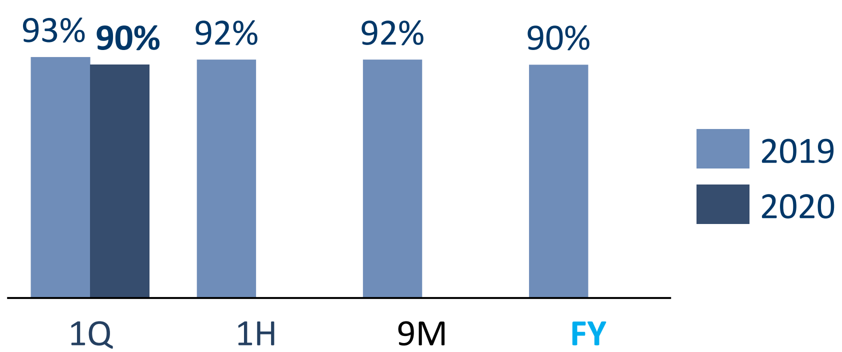
Non-life insurance

Non-life premium income up and excellent combined ratio

Non-Life
(Gross earned premium)



Combined ratio non-life



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

The **non-life combined ratio** for 1Q20 amounted to **90%,** an excellent number. Note that higher y-o-y technical charges from storm claims (especially in Belgium) were almost fully offset by lower normal and major claims

Amounts in millions of EUR

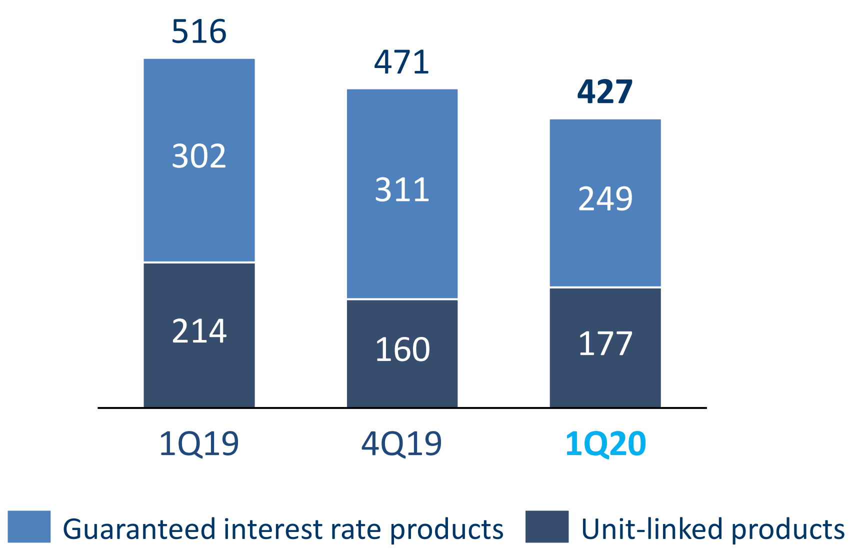
Life insurance

Life sales down

Sales of life insurance products decreased by 9% q-o-q and by 17% y-o-y

- The q-o-q decrease was driven entirely by lower sales of guaranteed interest products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in 4Q19)
- The y-o-y decrease was driven mainly by lower sales of guaranteed interest products (due to the suspension of universal single life insurance products in Belgium) and lower sales of unit-linked products both in Belgium and the Czech Republic
- Sales of unit-linked products accounted for 42% of total life insurance sales in 1Q20

Life sales



Amounts in millions of EUR

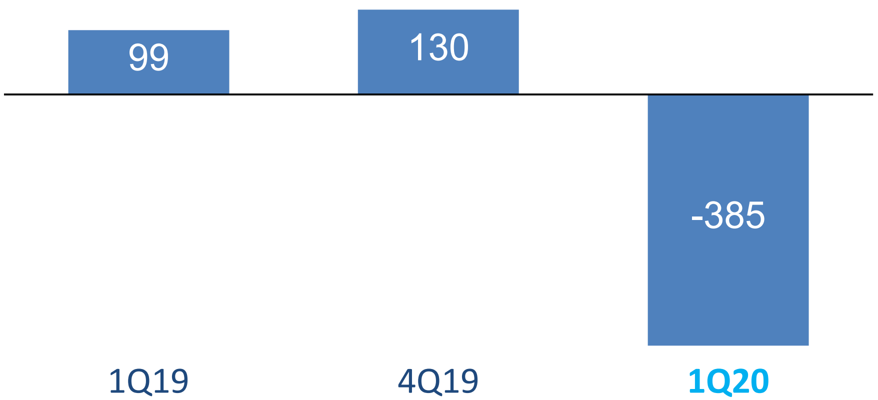
Net result from financial instruments at fair value

Sharply lower fair value result

The sharply lower q-o-q figures for **net result from financial instruments at fair value** were attributable mainly to:

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

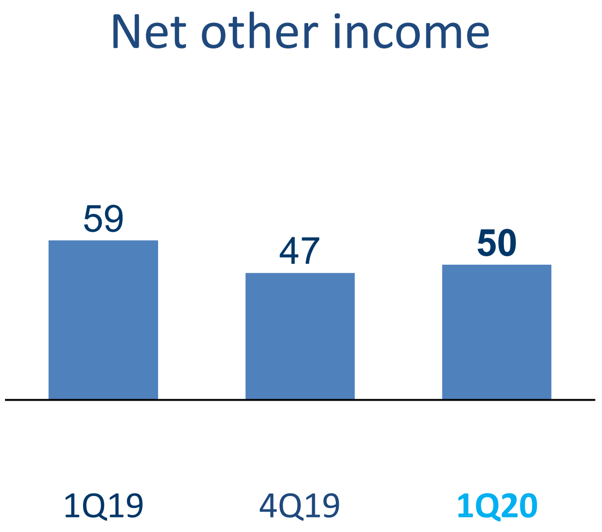
Fair value result



Amounts in millions of EUR

Net other income

Net other income amounted to 50m EUR, fully in line with the normal run rate

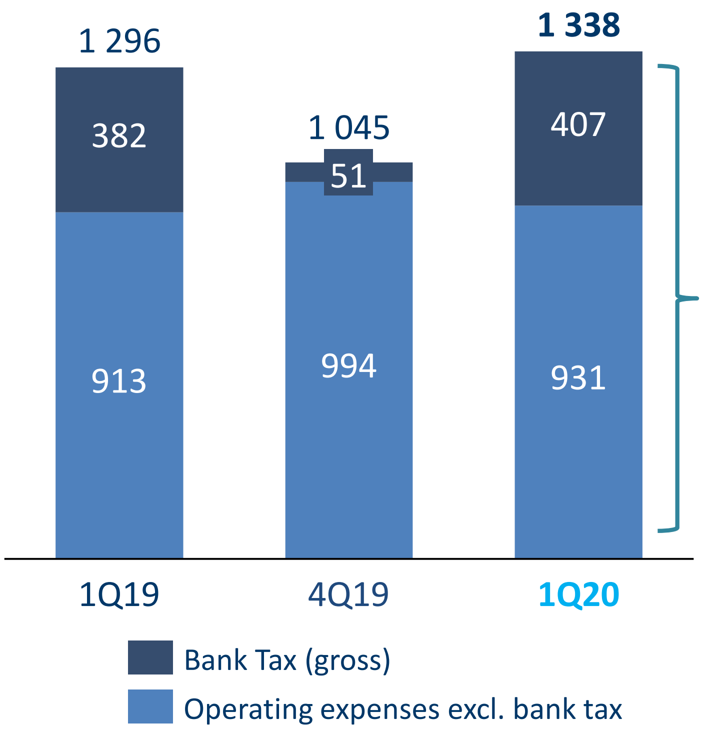


Amounts in millions of EUR

Operating expenses

Strict cost management

Operating expenses



	FY19	1Q20
Cost/Income ratio (banking)*	58%	**69%**

- Operating expenses <u>excluding</u> bank taxes decreased by 6% q-o-q primarily as a result of:
  - lower staff expenses (partly due to lower number of FTEs q-o-q), despite wage inflation in most countries
  - seasonally lower professional fee and marketing costs
- Operating expenses <u>excluding</u> bank taxes increased by 2% y-o-y driven chiefly by the full consolidation of CMSS (15m EUR in 1Q20). Excluding CMSS in 1Q20 and excluding the 8m EUR positive one-off in 1Q19, **operating expenses decreased by 0.5% y-o-y**
- Total bank taxes (including ESRF contribution) are expected to increase by 6% y-o-y to 521m EUR in FY20

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

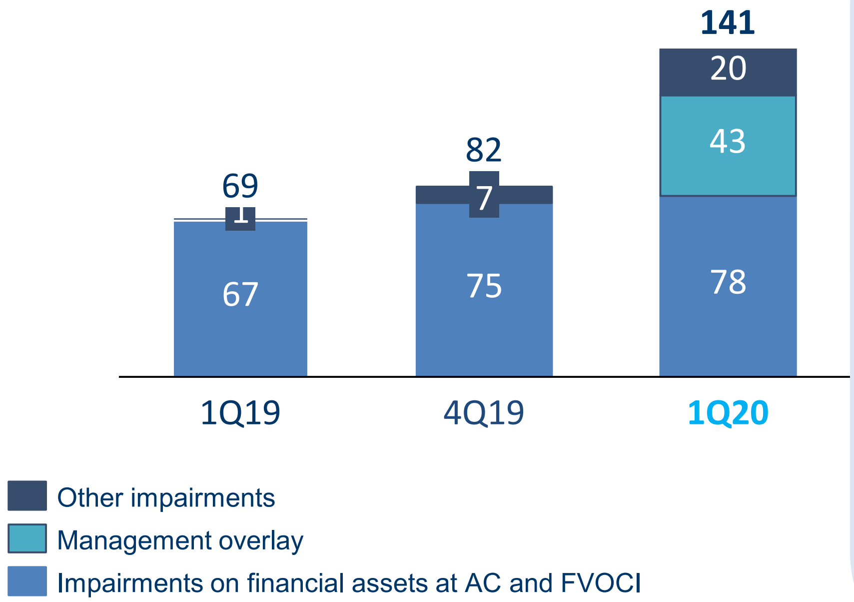
Amounts in millions of EUR

Asset impairments

Higher asset impairments, benign credit cost ratio

Asset impairment

(negative sign is write-back)



Higher asset impairments q-o-q :

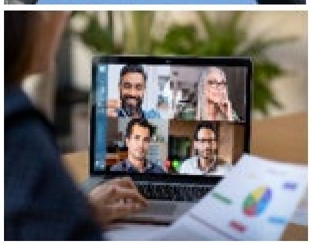
- A large part of the loan loss provisions was related to impairments on a number of corporate loans in Belgium, as was the case in previous quarters
- The q-o-q increase of loan loss provisions was attributable to:
  - 43m EUR impairments from the covid-19 IFRS9 management overlay (see slides 15-23 for more details)
  - lower net loan loss impairment reversals in Ireland (1m EUR in 1Q20 versus 14m in 4Q19) and Group Centre (9m EUR in 1Q20 versus 11m in 4Q19)
  - small loan loss impairment in Slovakia and Bulgaria (compared with net impairment releases in 4Q19)
- Impairment of 20m EUR on ‘other’, of which an 18m EUR negative one-off impact of the payment moratorium in Hungary (IFRS modification loss from the time value of payment deferral)

Credit cost ratio (YTD)	**FY19**	**3M20**
With management overlay	-	0.27%
Without management overlay	0.12%	0.17%

The credit cost ratio amounted to 0.17% without management overlay and 0.27% with management overlay in 1Q20

Amounts in millions of EUR



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Covid-19

COVID-19 (1/8)

Commitment towards our stakeholders

SAFETY AND CONTINUITY

- **Safety of staff and clients received priority,** continuity of service was guaranteed
- **All systems up and running as of day one**; KBC operationally well prepared to address this crisis
- Resulted in **massive numbers of staff working remotely.** In Belgium, 95% of our employees currently work remote and around 65%-90% in the other core countries

DIGITAL IS THE NEW NORMAL

- Corona-lockdown impact on digital sales, service and digital signing so far very positive. KBC is **clearly benefitting from the digital transformation efforts** and investments made in previous years and through its multichannel distribution it can offer the clients a service level which is very close to the one prior to the Corona situation

DIGITAL BOOST IN DIFFERENT CORE MARKETS

- The investment platform Bolero (Belgium) is booming. In March, the number of new clients rose by no less than 700% and the number of transactions by 400% compared to the same period last year
- In Ireland, volume of new current accounts opened in March jumped 10% from previous month with a 30% spike in new openings in the latter half of the month following COVID-19 restrictions
- The digital claims processes (in Bulgaria) for both CASCO and Property were installed, enabling clients to settle their claims end-to-end without physical interaction. Since March we see digital claims raising from 3.5 % to 17.5% of total claims. More specifically, 75 % of all property claims were settled fully remotely by April
- In Czech Republic, during March, digital sales of mutual funds more than tripled compared to an average week of 2019

COVID-19 (2/8)

Overview of government response in our core countries

	Belgium	Czech Republic	Hungary
Deferral of payments	**Opt-in: 6 months, (maximum until 31 Oct 2020)** • Applicable for mortgages and viable companies • For private persons: deferral of principal and interest, while only capital deferral for commercial clients • Interest is accrued over deferral period, with the exception of families with net income less than 1,700 EUR. For the latter group, this results in a modification loss for the bank (est. in 2Q)	**Opt-in: 3 or 6 months** • Applicable for retail and non-retail clients • For private persons: deferral of principal and interest, while only capital deferral for commercial clients • Interest is accrued over the deferral period, but the interest has to be repaid in the last instalment, resulting in a small modification loss for the bank (est. in 2Q) • For consumer loans, the interest during the deferral period cannot exceed 2-week repo rate + 8%	**Opt-out: a blanket moratorium until 31 Dec 2020** • Applicable for retail and non-retail • Deferral of principal and interest • Interest is accrued over deferral period, but unpaid interest cannot be capitalized and must be collected on a linear way during the remaining (extended) lifetime. This results in a modification loss for the bank (estimated at -18m EUR, booked in 1Q)
Guarantee Scheme & liquidity assistance	• **A state guarantee scheme** up to 50bn EUR to cover losses incurred on future loans granted before 30 Sep 2020 to viable companies, with a tenor of maximum 12 months. Guarantee covers 50% of losses above 3% of total credit losses and 80% above 5% of losses • **New loans with a maturity of 12 months** under the government guarantee scheme (leasing and factoring excluded), with maximum interest of 1.25%	• Providing a **guarantee for company loans** (up to 80%, maximum amount of the loan up to 548 000 EUR) from commercial banks, **sponsored by Czech-Moravian Guarantee and Development Bank** • **Interest-free loans provided by the Czech-Moravian Guarantee and Development bank** to entrepreneurs and SMEs ranging from 18 000 EUR to 548 000 EUR, up to 2 year maturity including a 12 months grace period	• Already existing government guarantee scheme (Garantiqa) is largely extended to cope with Covid-19 crisis • Annual interest rate on personal loans granted by **commercial banks** may not exceed the central bank base rate by more than 5 percentage points

COVID-19 (3/8)

Overview of government response in our core countries

Deferral of payments

Slovakia

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

- Applicable for retail customers, entrepreneurs and SMEs
- Deferral of principal and interest
- Interest is accrued over the deferral period, but the client has the option to repay all interests at once after the moratorium or repay on a linear basis. The latter option would result in a small modification loss for the bank (est. in 2Q)

Bulgaria

Opt-in: 6 months (maximum until 31 Dec 2020)

- Applicable for retail and non-retail
- Deferral of principal and interest
- Interest is accrued over deferral period

Ireland

Opt-in: 3 to 6 months

- Applicable for mortgage loans, consumer finance loans and business banking loans with repayment schedule
- Deferral of principal and interest for up to 6 months (with revision after 3 months) for Mortgages & Consumer finance and 3 months for business banking
- Interest is accrued over deferral period, but repaid on linear basis, resulting in a modification loss for the bank (est. in 2Q)

Guarantee Scheme & liquidity assistance

Slovakia

- **State offers bank guarantees of up to 500m EUR** a month to commercial clients
- Working capital loans aimed at helping SMEs in particular to bridge this period (loan amount up to 500 000 EUR, with 3 years maturity including a 12 months grace period), in preparation by EXIM Bank of the Slovak Rep.
- **Proposal for banks** to grant Short term interest-free loans to companies guaranteed by SZRB

Bulgaria

- **700m BGN of state guarantees** provided by the Bulgarian Development Bank to commercial banks of which 100m EUR provided for an interest-free personal loan up to 750 EUR

Ireland

- **A credit guarantee scheme** will be provided by the pillar banks to affected firms. Loans of up to 1m EUR will be available (estimated at 150m EUR)
- A 200m EUR in liquidity support for struggling firms made available by Enterprise Ireland
- Working capital and long-term loans (up to 1.5m EUR) will be provided by the **Strategic Banking Corporation** of Ireland's Covid-19 Working Capital Scheme at reduced rates totaling 650m EUR

COVID-19 (4/8)

IFRS 9 scenarios

OPTIMISTIC SCENARIO	BASE SCENARIO	PESSIMISTIC SCENARIO
Virus spread quickly under control, fast decline in number of cases	Virus spread and impact under control thanks to longer lockdown	Virus spread continues until vaccination becomes available
Lockdown lifted fast in Q2, in combination with testing	Slow and gradual removal of lockdown from Q3 on	On-off lockdowns until vaccination
Fall in economic activity 1H20, steep recovery from Q3 onwards	Major fall in economic activity in 1H20, gradual recovery in Q3+Q4	Longer term stagnation and negative growth
Sharp, short V pattern	Pronounced V/U-pattern	W/L-pattern, with right leg only slowly increasing

- Because of the **uncertainty surrounding** the spread of the covid-19 virus and impact of the policy reactions to mitigate the economic impact and boost the recovery, we distinguish between **three economic scenarios: a base scenario and an optimistic and pessimistic alternative.**
- In each scenario the economic decline in 2020 is substantial and a recovery will follow. The scenarios differ in terms of the magnitude of the shock and the recovery path, which are determined by the virus evolution and the fight against it.

Macroeconomic scenarios

(situation at March 31, 2020)

Real GDP growth	2020			2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Euro area	-6.0%	-11.3%	-14.0%	6.5%	11.0%	-3.2%	1.3%	1.2%	5.0%
Belgium	-5.0%	-9.5%	-13.2%	6.0%	12.3%	-3.2%	1.3%	1.3%	5.0%
Czech Republic	-5.0%	-10.0%	-15.0%	2.0%	4.0%	0.0%	2.1%	2.0%	3.0%
Hungary	-3.0%	-9.0%	-12.0%	2.0%	4.0%	1.0%	3.0%	3.0%	3.0%
Slovakia	-5.0%	-10.0%	-14.0%	2.5%	5.0%	-2.5%	2.6%	2.5%	2.5%
Bulgaria	-4.0%	-10.0%	-12.0%	3.0%	5.0%	2.0%	3.0%	3.0%	3.0%
Ireland	-2.0%	-5.0%	-10.0%	2.0%	4.0%	1.0%	2.6%	3.5%	2.5%

COVID-19 (5/8)
IFRS 9 scenarios

Macroeconomic scenarios
(situation at March 31, 2020)

Unemployment rate	2020			2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	5.9%	6.2%	10.0%	5.8%	5.8%	12.0%	5.6%	5.6%	9.5%
Czech Republic	3.5%	4.5%	5.5%	4.0%	5.5%	7.0%	3.7%	5.0%	7.0%
Hungary	5.7%	7.2%	12.0%	4.4%	5.0%	8.7%	4.0%	4.3%	5.9%
Slovakia	8.0%	9.0%	12.0%	9.3%	11.0%	14.0%	7.7%	8.0%	14.0%
Bulgaria	6.8%	8.0%	11.0%	7.7%	10.0%	13.0%	6.1%	7.0%	12.0%
Ireland	9.7%	14.0%	20.0%	7.1%	9.0%	18.0%	5.6%	6.0%	12.0%

House-price index	2020			2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	-1.0%	-3.0%	-6.0%	0.0%	-2.0%	-4.0%	1.5%	1.0%	-1.0%
Czech Republic	0.0%	-2.0%	-4.0%	-0.8%	-3.5%	-6.0%	2.0%	2.0%	0.0%
Hungary	-1.0%	-5.0%	-7.5%	0.0%	-3.0%	-5.0%	2.5%	2.0%	1.0%
Slovakia	-1.0%	-5.0%	-7.0%	0.5%	-2.0%	-3.0%	2.0%	2.0%	1.0%
Bulgaria	0.5%	-2.0%	-4.0%	1.0%	-1.0%	-3.0%	3.0%	3.0%	0.0%
Ireland	-6.0%	-12.0%	-20.0%	5.0%	8.0%	-5.0%	4.0%	5.0%	3.0%

COVID-19 (6/8)

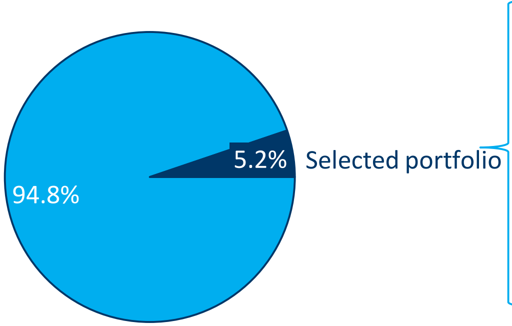
Stress assumptions applied

Loan portfolio*:

(in billions of EUR)	1Q20	YE19
Portfolio outstanding	**180**	**175**
Retail	40%	42%
of which mortgages	37%	38%
of which consumer finance	3%	3%
SME	21%	22%
Corporate	39%	37%

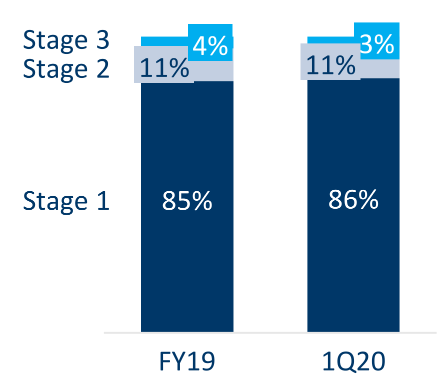
- Our 1Q20 collective Expected Credit Losses (ECL) calculations are based on pre-Covid-19 macroeconomics. The ECL models are not able to adequately reflect the specificities of the Covid-19 crisis nor the various government measures implemented in the different countries to support households, SME's and Corporates through this crisis. Therefore, an expert-based calculation on portfolio level has been performed to take into account the adjusted macroeconomic circumstances and the different government measures via a **management overlay**.
- Following **stress-assumptions** were applied on the performing portfolio by the end of March 2020:
  - Certain PD downgrades between 1** and 3 notches applied, with the assumption that higher PD's will be more affected
  - On average SMEs would be more vulnerable than corporates
  - Only a certain number of (sub)sectors are included. These sub-portfolios represent about 5.2% of our total corporate and SME portfolio (or 3.1% of our total outstanding portfolio) . For retail, no additional impact assessed as various government measures will prevent any significant impact on this portfolio
  - In line with ECB/ESMA/EBA guidance, any general government measure has not led to an automatic staging

(Sub)sectors defined within the SME & Corporate portfolio*:



Distribution (retail)	2.1%
Shipping (transportation)	1.2%
Hotels, bars & restaurants	1.0%
Services (entertainment & leisure)	0.7%
Aviation	0.3%

Total loan portfolio by IFRS 9 ECL stage *



- * Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
- ** A 1 notch downgrade represents a doubling of the probability of default

COVID-19 (7/8)

Which (sub)sectors are in scope*?

Distribution (retail) (2.2bn EUR)	• Circa 18% of the portfolio has been defined at high risk • Retail trade services of cars, textiles, audio, construction materials etc.
Shipping (1.3bn EUR)	• Focused on the transportation sector • Circa 81% of the total shipping portfolio has been defined at high risk
Hotels, bars & restaurants (1.0bn EUR)	• The full portfolio has been defined at high risk • Also concerns catering, holiday parks and guest rooms
Services (0.7bn EUR)	• Circa 4% of the portfolio has been defined at high risk • Focused on travel agencies, tour operators, museums, organizations of concerts, theaters, hairdressers etc.
Aviation (0.3bn EUR)	• The full portfolio has been defined at high risk

- The portfolios defined are only stage 1 and stage 2, management (collective) overlay less relevant for stage 3 because subject to individual assessment
- Excluding Bulgaria and Ireland (immaterial impact in 1Q20)

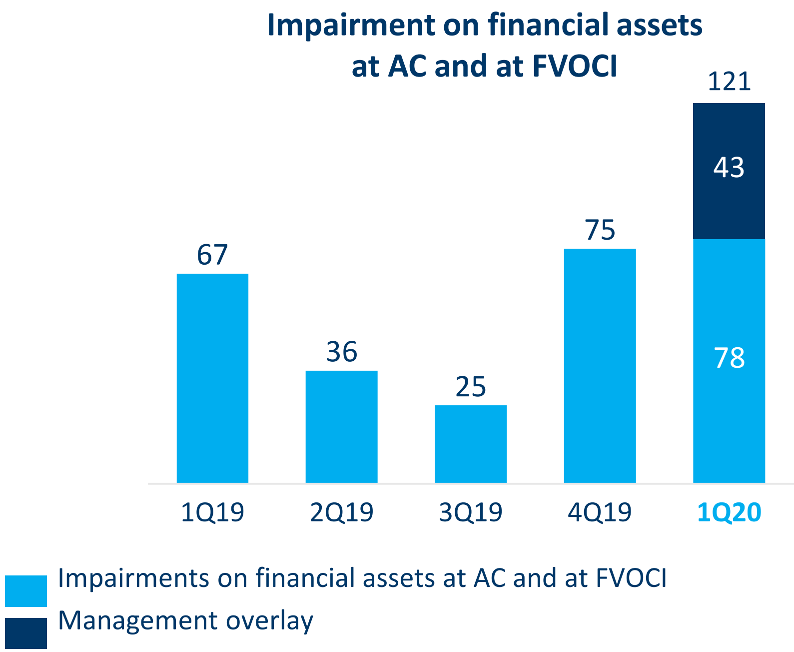
(*) The oil sector , the commercial real estate sector and the construction sector were not included in the management overlay for the following reasons:

- *Oil: the lower demand for oil products is expected to be temporary. KBC exposure to oil exploration and production is very limited and resulted in exclusion of this sector*
- *Commercial real-estate: low interest rate environment and the need for more environmental friendly buildings will continue to support the development sector. Interruption in rental payments in completed properties is limited to certain segments directly impacted by the lockdown measures. Such interruption is expected to be temporary. Rental deferrals are expected to be granted, but for a short period (at present, landlords are negotiating with tenants for rental deferrals instead of rental forgiveness; in certain countries, governments have imposed a moratorium on rental payments with short-term repayment schedule). Furthermore, lending LTVs offering substantial buffer against value decreases*
- *Construction: Interruption is limited, is one of the first sectors to restart and also temporary unemployment cover foreseen by the Belgian government.*

KBC

COVID-19 (8/8)

Impact of the COVID-19 management overlay

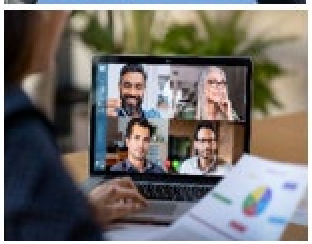
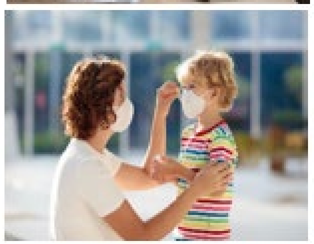


Credit Cost % *(annualized)*	3M19	1H19	9M19	FY19	3M20
Without management overlay	0.16%	0.12%	0.10%	0.12%	0.17%
With management overlay					0.27%

- Taken into account this stress on a certain number of (sub)sectors, the **management overlay amounts to 43m EUR in 1Q20** (BU BE: 35m EUR, BU CR: 6m EUR, HU: 1m EUR and SK: 1m EUR)
- For this management overlay (fully assigned to stage 2) we attributed 100% weight to the base scenario, which is currently the most likely scenario
- Including the management overlay, the Credit Cost Ratio increased in 1Q20 with +10bps to 0.27%
- As a result of the coronavirus pandemic, we estimate the **FY20 impairments at roughly 1.1bn EUR (base scenario)**. Depending on a number of events such as the length and depth of the economic downturn, the significant number of government measures in each of our core countries, some of which still need to be worked out in detail, and the unknown amount of customers which will call upon these mitigating actions, we estimate the FY20 impairment to range between roughly 0.8bn EUR (optimistic scenario) and roughly 1.6bn EUR (pessimistic scenario)

Amounts in m EUR



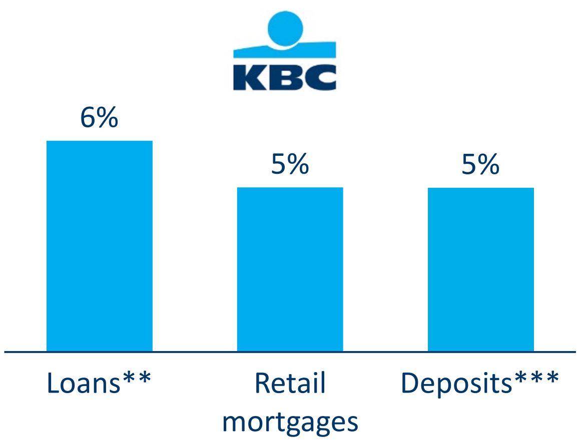
KBC Group

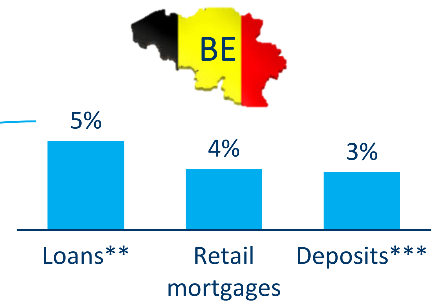
Balance sheet, capital and liquidity

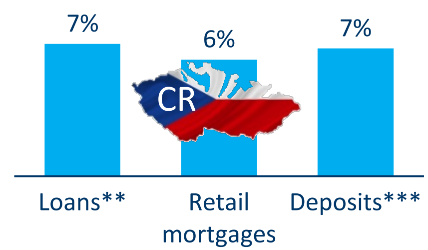
Balance sheet

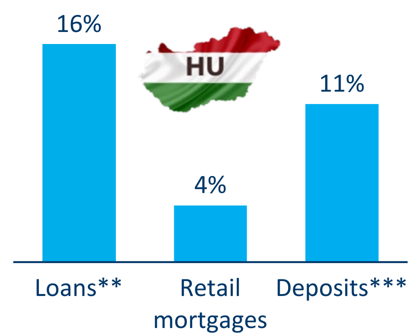
Loans and deposits continue to grow in most core countries

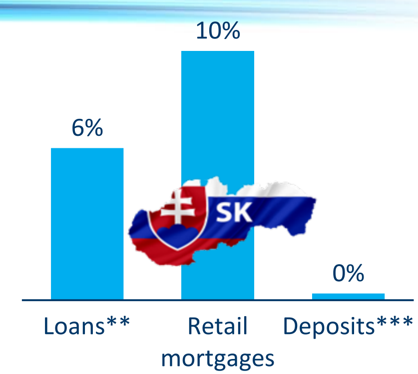
Y-O-Y ORGANIC* VOLUME GROWTH

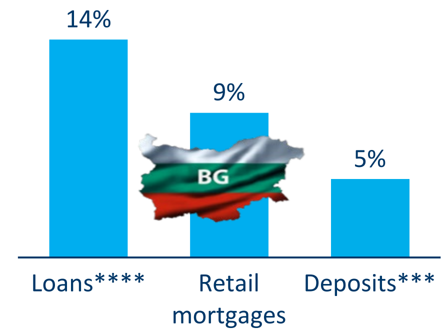


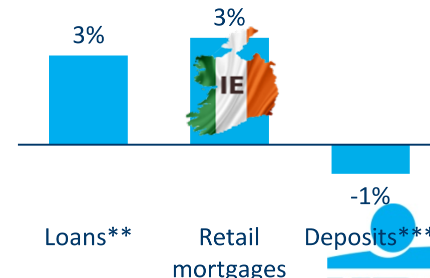












* Volume growth excluding FX effects and divestments/acquisitions

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

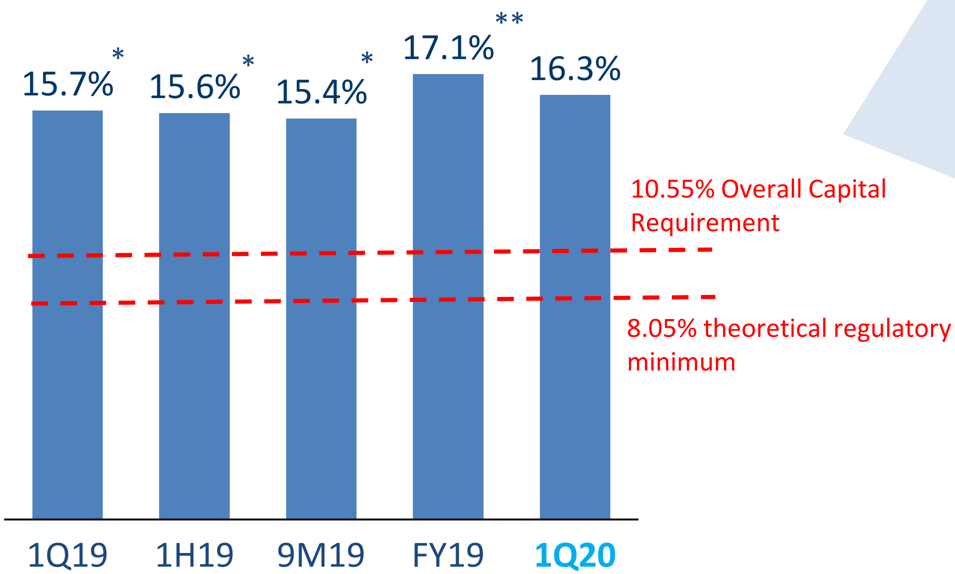
*** Customer deposits, including debt certificates but excluding repos

**** Total customer loans in Bulgaria: new bank portfolio +15% y-o-y, while legacy -26% y-o-y

Common equity ratio

Strong capital position

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



* No IFRS interim profit recognition given more stringent ECB approach

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

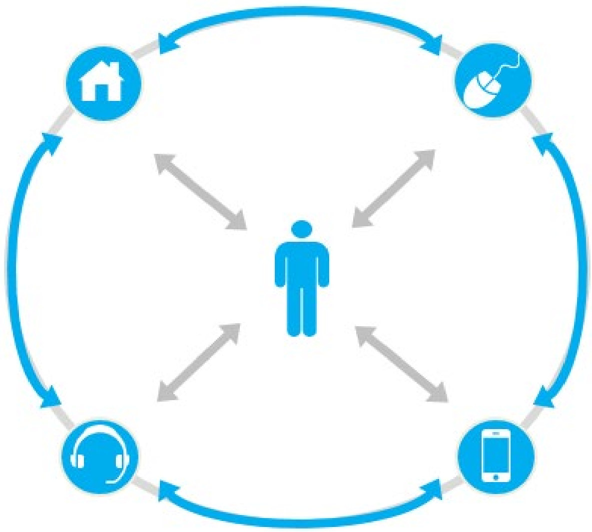
- **The common equity ratio amounted to 16.3%** at the end of 1Q20 based on the Danish Compromise
- KBC's CET1 ratio of 16.3% at the end of 1Q20 represents a solid capital buffer:
  - **8.3% capital buffer compared with the current theoretical minimum capital requirement of 8.05%** (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - **5.8% capital buffer compared with the Overall Capital Requirement (OCR) of 10.55%** (which still includes the 2.5% capital conservation buffer on top of the 8.05%)
- The q-o-q decrease of the CET1 ratio was mainly the result of a RWA increase. The RWA increase of 3.35bn EUR was roughly:
  - +1.5bn EUR RWAs covid-related (mainly volume driven and market RWA)
  - +1.8bn EUR RWAs non-covid volume growth related

Liquidity ratios

Liquidity continues to be solid

KBC Group's liquidity ratios

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



KBC Group

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

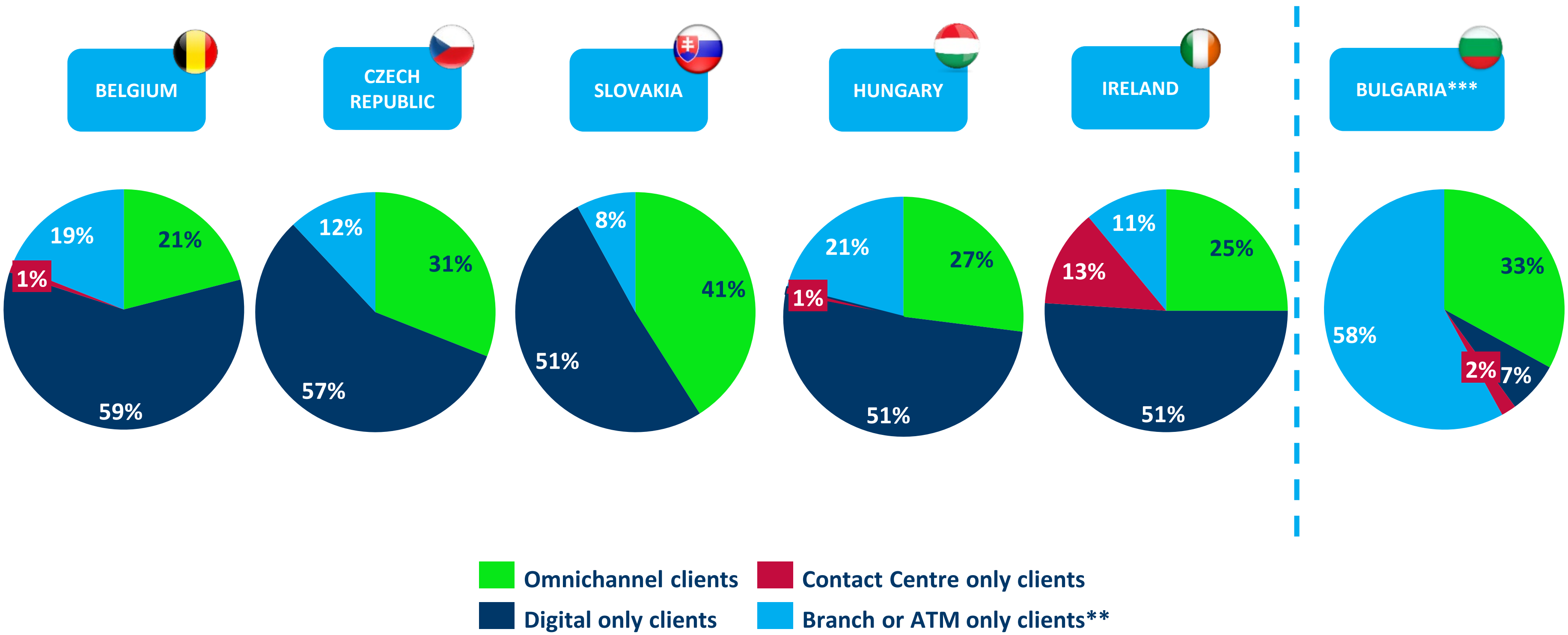
Inbound contacts via omni-channel and digital channel* at KBC Group** amounted to 83% in 1Q20… already above the Investor Visit target (≥ 80% by 2020)

Actual 1Q 2020	Target 2020
83%	80%

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

** Bulgaria & PSB out of scope for Group target

Realisation of omnichannel strategy* – client mix in 1Q20



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

** Might be slightly underestimated

*** Bulgaria out of scope for Group target

Our sustainability strategy

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

Limiting our adverse impact

We apply strict sustainability rules to our business activities in respect of human rights, the environment, business ethics and sensitive or controversial social themes. In the light of constantly changing societal expectations and concerns, we review and update our sustainability policies at least every two years.

Increasing our positive impact

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

Responsible behaviour

Responsible behaviour is especially relevant for a bank-insurer when it comes to appropriate advice and sales. Therefore, we pay particular attention to training (including testing) and awareness. For that reason, responsible behaviour is also a theme at the KBC University, our senior management training programme, in which the theory is taught and practised using concrete situations. Senior managers are then tasked with disseminating it throughout the organisation.

Our sustainability strategy

Sustainability governance

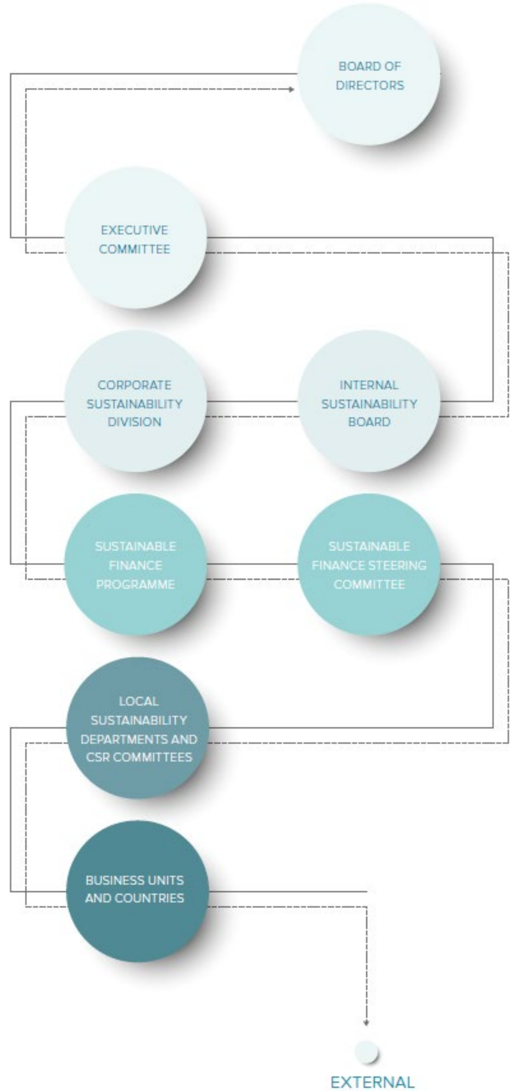
The EXECUTIVE COMMITTEE is the highest level with direct responsibility for sustainability, including policy on climate change.

The CORPORATE SUSTAINABILITY DIVISION is headed by the Corporate Sustainability General Manager and reports directly to the Group CEO. The team is responsible for developing the sustainability strategy and implementing it across the group. The team monitors and informs the Executive Committee and the Board of Directors on progress twice a year via the KBC Sustainability Dashboard.

A SUSTAINABLE FINANCE PROGRAMME to focus on integrating the climate approach within the group. It oversees and supports the business as it develops its climate-resilience in line with the TCFD recommendations and the EU Action Plan.

The LOCAL SUSTAINABILITY DEPARTMENTS in each of the core countries support the senior managers on the Internal Sustainability Board in integrating the sustainability strategy and organising & communicating local sustainability initiatives. CSR committees in each country supply and validate non-financial information.

Sustainability is anchored in our core activities – bank, insurance and asset management – IN ALL THREE BUSINESS UNITS AND SIX CORE COUNTRIES.



The Group Executive Committee reports to the BOARD OF DIRECTORS on the sustainability strategy, including policy on climate change.

The INTERNAL SUSTAINABILITY BOARD is chaired by the CEO and comprises senior managers from all core countries and the Corporate Sustainability General Manager. The sustainability strategy is drawn up, implemented and communicated under the authority of the Internal Sustainability Board.

The programme is overseen by a SUSTAINABLE FINANCE STEERING COMMITTEE chaired by the Group CFO. Via the KBC Sustainability Dashboard, progress is discussed regularly within the Internal Sustainability Board, the Executive Committee and the Board of Directors. The latter is used to evaluate the programme's status report once a year.

In addition to our internal organisation, we have set up EXTERNAL ADVISORY BOARDS to advise KBC on various aspects of sustainability. They consist of experts from the academic world:
An EXTERNAL SUSTAINABILITY BOARD advises the Corporate Sustainability Division on KBC sustainability policies and strategy.
An SRI ADVISORY BOARD acts as an independent body for the SRI funds and oversees screening of the socially responsible character of the SRI funds offered by KBC Asset Management.

Our sustainability strategy

Our non-financial targets

Indicator	Goal/ambition level	2019 (= 1Q20)	2018
Share of renewables in the total energy credit portfolio	Minimum 50% by 2030	57%	44%
Financing of coal-related activities	Reduce financing of coal sector and coal-fired power generation to zero by 2023*	36 million euros	34 million euros
Volume of SRI funds at KBC Asset Management	10 billion euros by year-end 2020 14 billion euros by year-end 2021 20 billion euros by year-end 2025	12 billion euros	9 billion euros
Total GHG emissions excluding commuter travel (absolute and per FTE)	-25% for the period 2015-2020 -50% for the period 2015-2030 -65% for the period 2015-2040	Absolute: -50% Intensity: -48%	Absolute: -38% Intensity: -37%
Own green electricity consumption	90% green electricity by 2030	83%	78%

** We exclude oil, gas and coal extraction and oil and coal-fired power generation. ČSOB in the Czech Republic will be the sole and temporary exception to this with regard to the financing of ecological improvements to coal-fired, centrally controlled heating networks. Detailed information on this matter is provided in the KBC Energy Policy, which is available at www.kbc.com. KBC has recently announced a strengthening of its policy on coal-fired power generation, which will enter into effect on July 1, 2020. This will broaden the scope of reporting in the future. Figures exclude UBB in Bulgaria.*

Our ESG ratings:	Score 2019	Sustainability recognition and indices
S&P Global - RobecoSAM	72/100	Inclusion in the SAM Sustainability Yearbook 2020
CDP	A- Leadership	CDP Supplier Engagement Leader 2019
FTSE4Good	4.6/5	FTES4Good Index Series
ISS Oekom	C Prime	Prime (best-in-class)
Sustainalytics	86/100	STOXX Global ESG Leaders indices
Vigeo Eiris	Not publicly available	Euronext Vigeo Index: Benelux 20, Europe 120, Eurozone 120 and Ethibel Sustainability Index Excellence Europe
MSCI	AAA	MSCI Belgium Investable Market Index (IMI), MSCI Belgium Index

Our sustainability strategy

2019 achievements

2019 achievements:

- We signed the Collective Commitment to Climate Action, an initiative of the UNEP FI (Sep 2019)
- The entire range of KBC sustainable funds is fully compliant with the Febelfin quality standard for sustainable investment
- KBC signed the Tobacco-Free Finance Pledge drawn up by the international organisation Tobacco Free Portfolios
- KBC signed the 'Open letter to index providers on controversial weapons exclusions' – an investor initiative coordinated by Swiss Sustainable Finance
- We continued to build on 'Team Blue' – a group-wide initiative at KBC to strengthen ties and promote cooperation among all of the group's staff in the different countries in which KBC operates.

Sustainable finance (KBC Group, in millions of euros)	2019	2018
Green finance		
Renewable energy and biofuel sector	1 768	1 235
Social finance		
Health care sector	5 783	5 621
Education sector	975	943
Socially Responsible Investments		
SRI funds under distribution	12 016	8 970
Total	**20 542**	**16 769**

For the latest sustainability report, we refer to the KBC.COM website: *https://www.kbc.com/en/corporate-sustainability/reporting.html*

KBC Group
1Q 2020

Looking forward

Looking forward

Economic outlook

- Economic growth in 2020 will move into negative territory in the euro area and the US as a consequence of the demand and supply side disruptions the coronavirus crisis causes. However, we envisage a strong recovery in 2021. After all, rather than being a normal recession, the current economic situation is a temporary standstill due to the virus containment measures. Once these are gradually lifted, economic activity is expected to gradually pick up again. Moreover, the recovery will be boosted by various policy initiatives to mitigate the economic damage. This is subject to major uncertainty though as risks remain tilted to the downside

Group guidance

- The FY20 NII guidance has been lowered from 4.65bn EUR to 4.3bn EUR ballpark figure, mainly due to the CNB rate cuts (roughly -0.2bn EUR) and the depreciation of the CZK & HUF versus the EUR (roughly -0.1bn EUR)
- The FY20 guidance for OPEX excluding bank taxes has been changed from maximum +1.6% y-o-y towards roughly -3.5% y-o-y due to extra cost savings
- As a result of the coronavirus pandemic, we estimate the FY20 impairments at roughly 1.1bn EUR (base scenario). Depending on a number of events such as the length and depth of the economic downturn, the significant number of government measures in each of our core countries, some of which still need to be worked out in detail, and the unknown amount of customers who will call upon these mitigating actions, we estimate the FY20 impairment to range between roughly 0.8bn EUR (optimistic scenario) and roughly 1.6bn EUR (pessimistic scenario)
- The impact of the coronavirus-lockdown on digital sales, services and digital signing so far has been very positive. KBC is clearly benefitting from the digital transformation efforts made so far
- B4 has been postponed by 1 year (as of 1 January 2023 instead of 2022)

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

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

Johan Thijs, KBC Group CEO