
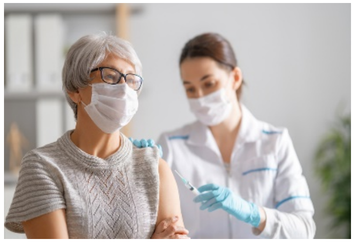

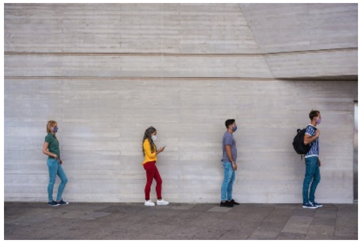

KBC Group
1Q 2021 results
Press presentation

Johan Thijs, KBC Group CEO
Luc Popelier, KBC Group CFO

More detailed analyst presentation available at www.kbc.com

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Key takeaways for KBC Group

1Q 2021 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

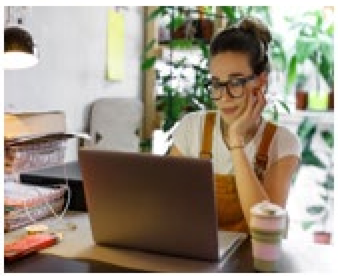
1Q21

- **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



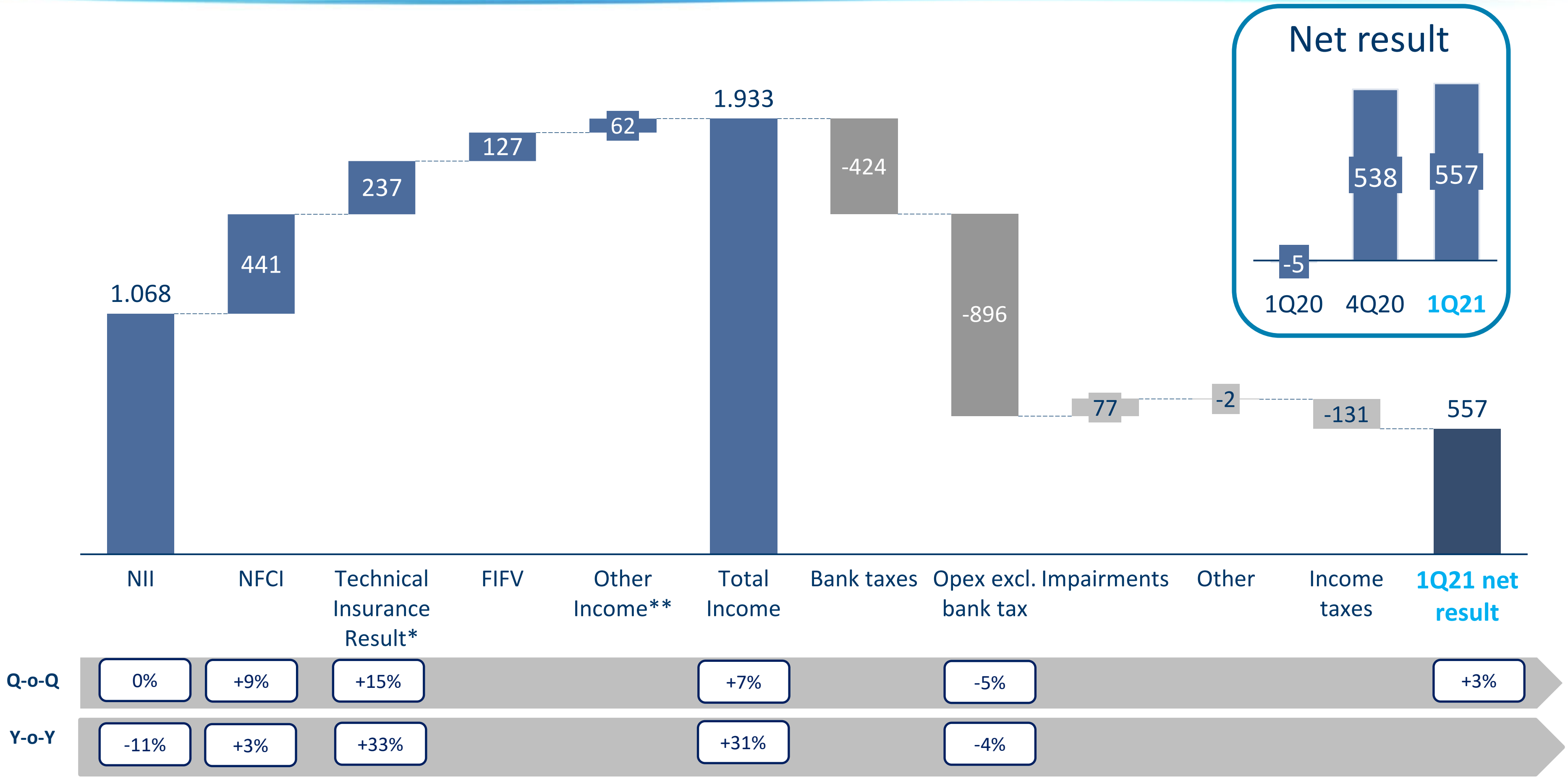



KBC Group
Consolidated results

1Q 2021 performance

KBC Group

Overview of building blocks of the 1Q21 net result



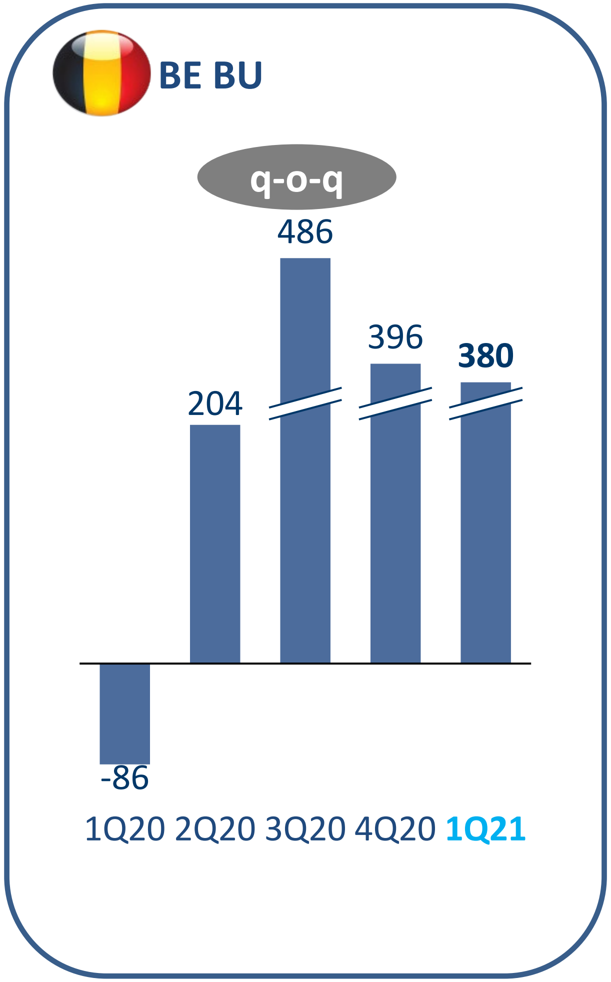
* Earned premiums – technical charges + ceded reinsurance

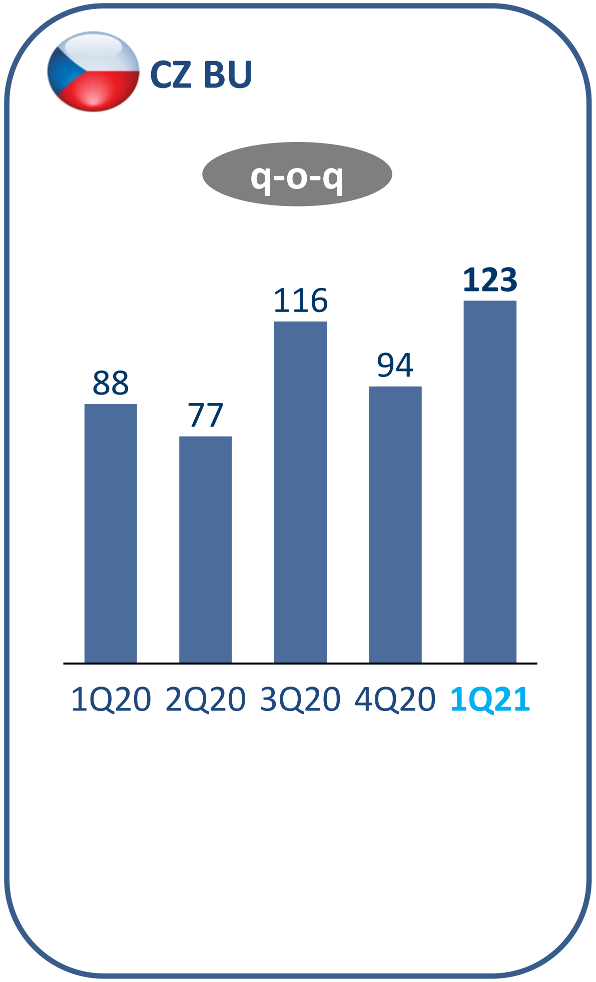
** Dividend income + net realised result from debt instruments FV through OCI + net other income

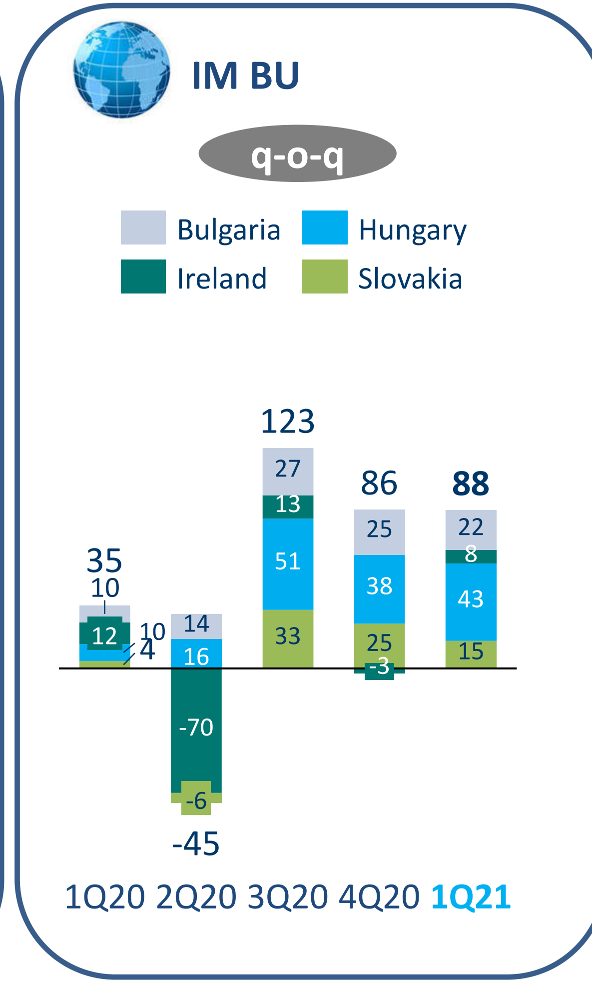
Amounts in millions of EUR

Net result per business unit

Solid contribution from all the business units





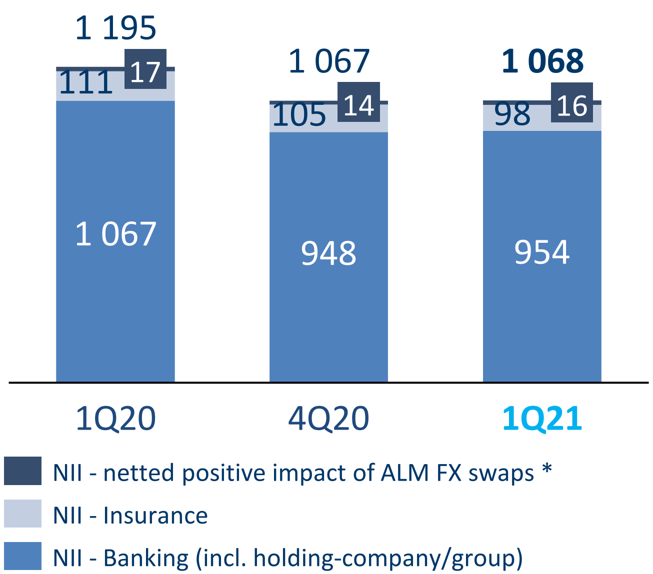


Amounts in millions of EUR

Net interest income

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

Net Interest Income



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 and slightly higher netted positive impact of ALM FX swaps
partly offset by:
(-) lower reinvestment yields and 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**

Quarter	1Q20	4Q20	**1Q21**
NIM	1.97%	1.75%	**1.78%**

NIM 1.78%
Increased by 3 bps q-o-q and decreased by 19 bps y-o-y for the reasons mentioned above

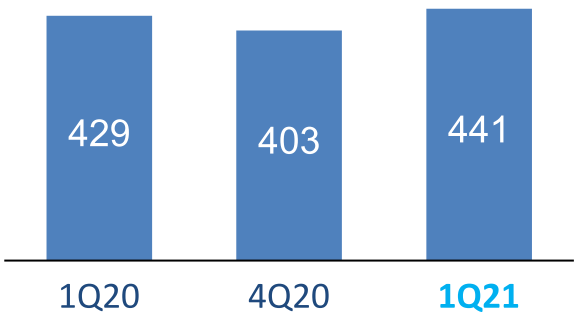
* *From all ALM FX swap desks*
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

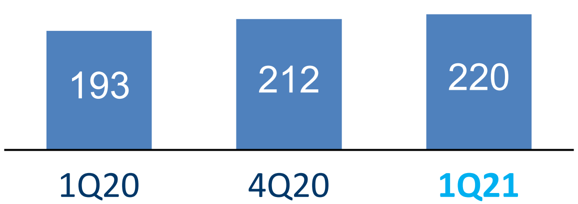
Higher net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income (441m EUR)
Up by 9% q-o-q and by 3% y-o-y
Q-o-q increase was the result of the following:

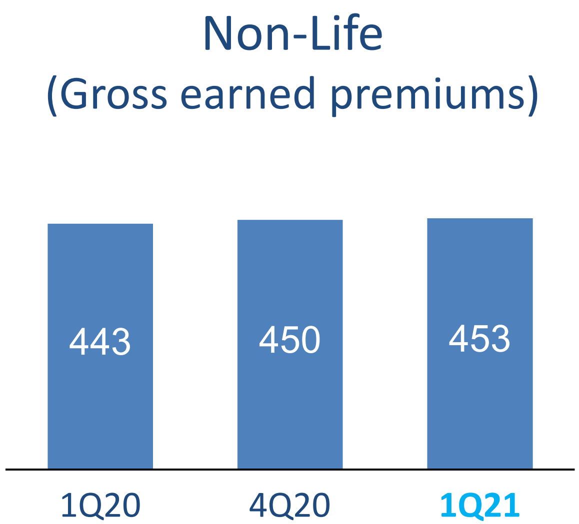
- **Net F&C income from Asset Management Services** increased by 11% q-o-q as a result of higher management fees and entry fees from mutual funds and unit-linked life insurance products
- **Net F&C income from banking services** rose by roughly 3% q-o-q as higher securities-related fees and higher network 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

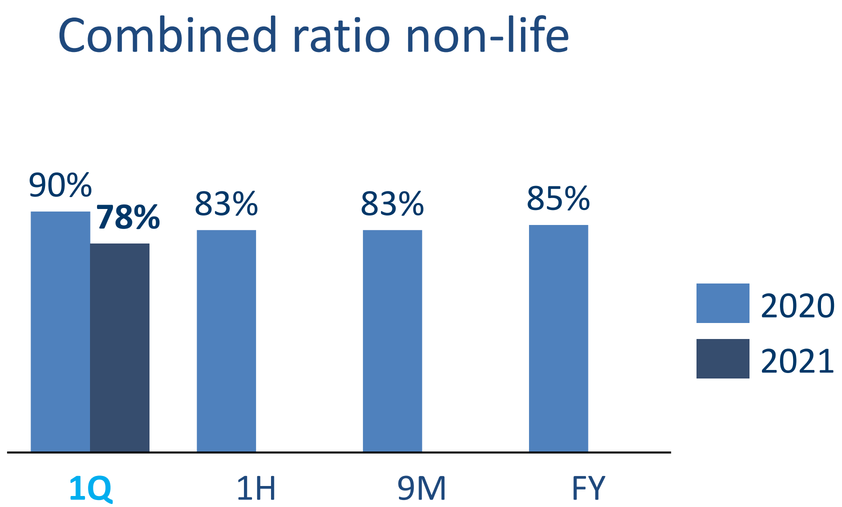
Assets under management (220bn EUR)

- 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

Non-life insurance

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





Y-o-y increase of gross earned premium Non-Life by +2% (mainly 'Fire', 'General third-party liability' and 'Workmen's compensation')

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')

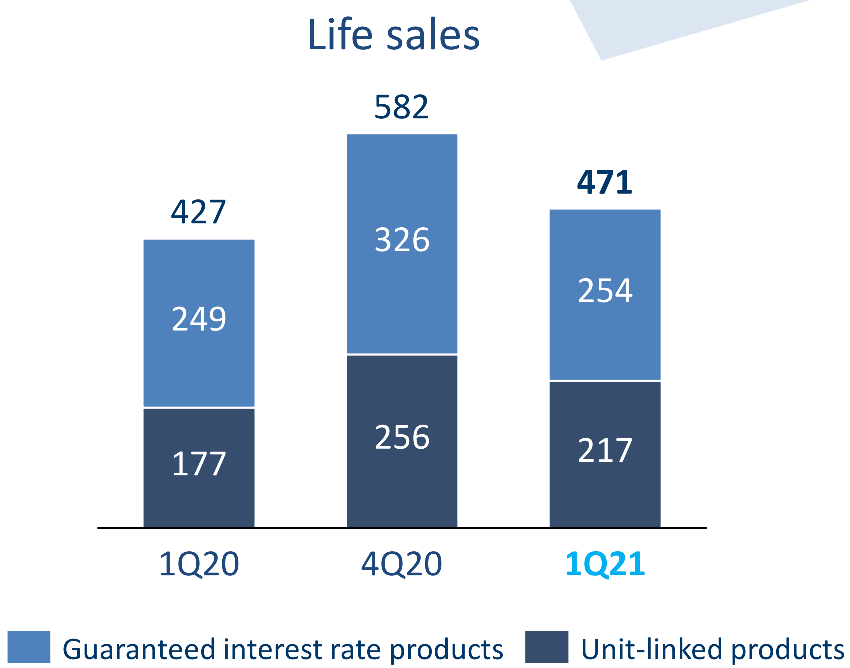
Amounts in millions of EUR

Life insurance

Life sales up y-o-y

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



Amounts in millions of EUR

Net result from financial instruments at fair value

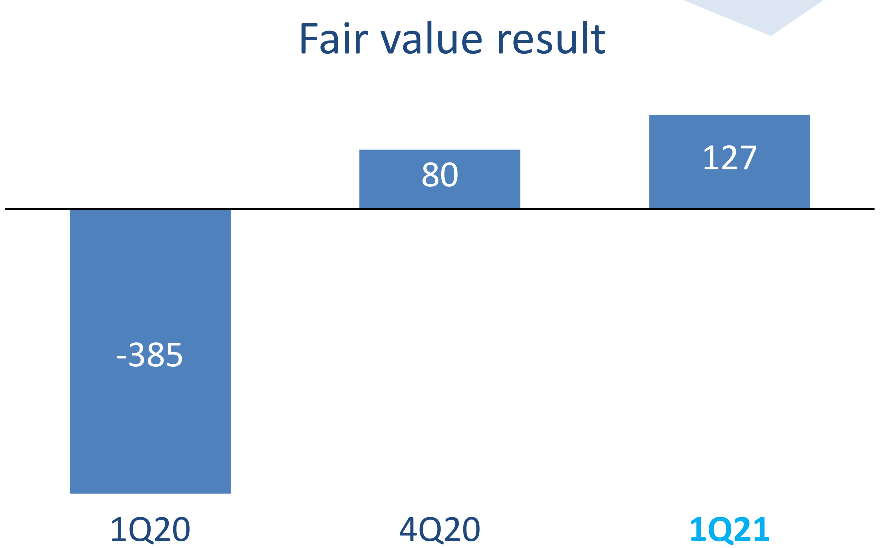
Higher fair value result

The q-o-q increase in **net result 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:

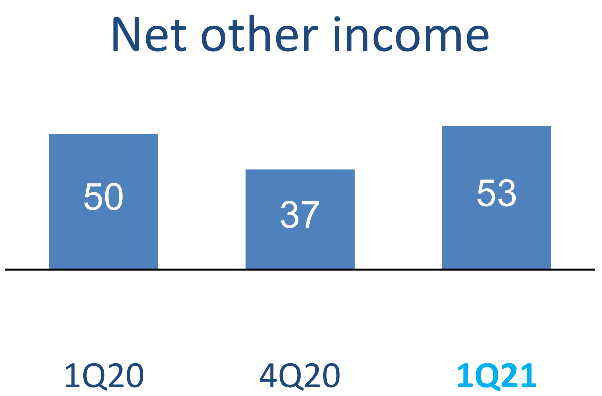
- lower credit and funding value adjustments due to stable counterparty credit and KBC funding spreads in 1Q21 versus decreasing counterparty credit and KBC funding spreads in 4Q20, which more than offset the effect of lower derivative exposures (increasing yield curve) and higher market value adjustments



Amounts in millions of EUR

Net other income

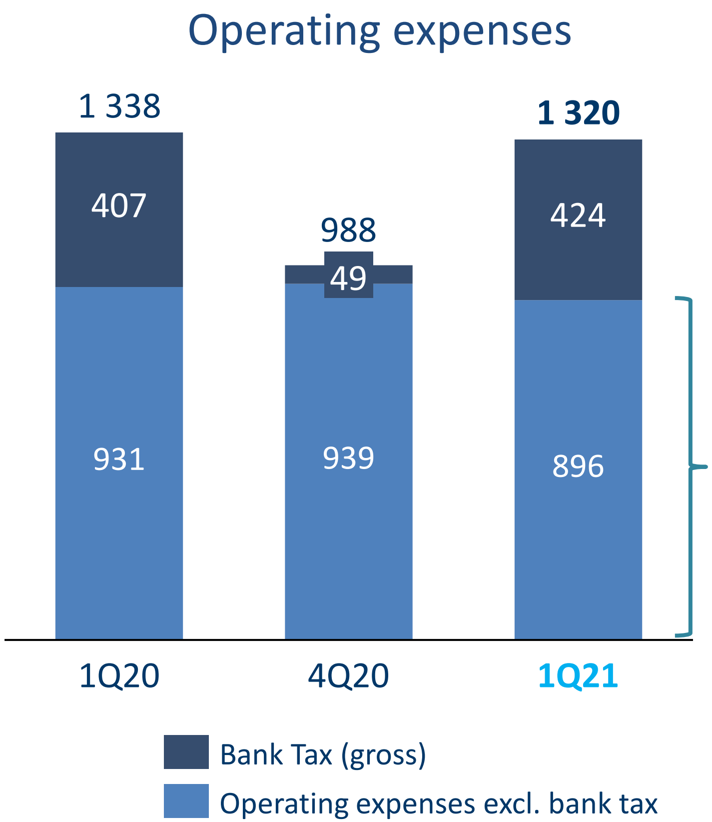
Net other income amounted to 53m EUR, more or less in line with the normal run rate of around 50m EUR per quarter



Amounts in millions of EUR

Operating expenses

Strict cost management, higher bank taxes



	FY20	1Q21
Cost/Income ratio (group)*	57%	**53%**

- **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
- Total bank taxes (including ESRF contribution) are expected to increase by 2% y-o-y to 512m EUR in FY21

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

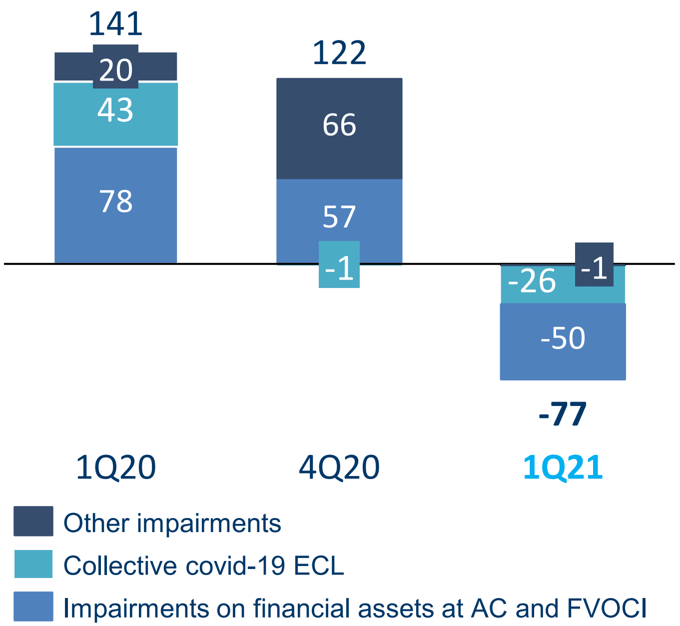
Amounts in millions of EUR

Asset impairments

Net impairments releases and excellent credit cost ratio

Asset impairment

(negative sign is write-back)



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'

Credit cost ratio	FY20	3M21
With collective Covid-19 ECL	0.60%	-0.17%
Without collective Covid-19 ECL	0.16%	-0.11%

The credit cost ratio in 1Q21 amounted to -11bps without collective Covid-19 ECL and -17bps with collective Covid-19 ECL

Amounts in millions of EUR

KBC Group

1Q 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

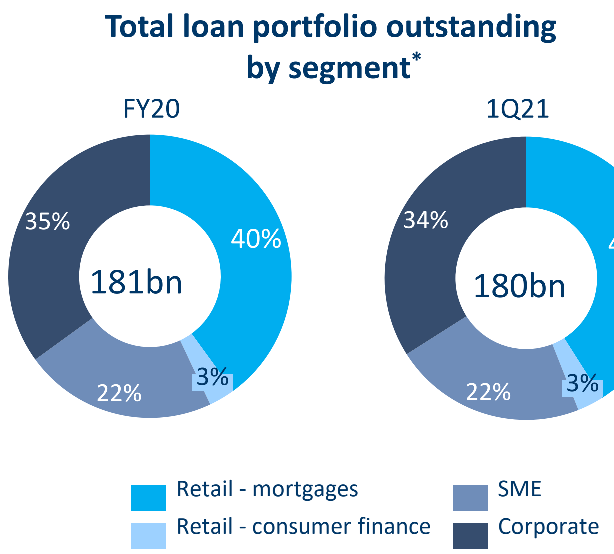
Unemployment rate	2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	6.2%	7.2%	8.2%	5.9%	6.9%	8.0%
Czech Republic	3.5%	3.7%	4.5%	2.8%	3.0%	4.8%
Hungary	3.9%	4.2%	5.8%	3.7%	4.0%	5.5%
Slovakia	8.5%	9.5%	10.0%	7.8%	8.0%	9.5%
Bulgaria	5.0%	5.0%	8.0%	4.3%	4.8%	7.0%
Ireland (*)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

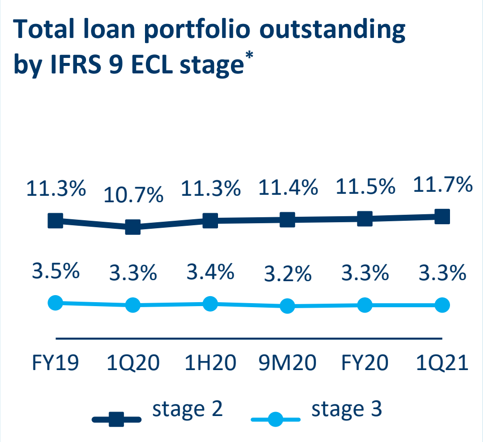
(*) Note: includes temporary layoffs rather than permanent job losses, and as such, may improve rapidly once vaccine rollout becomes better established in Ireland

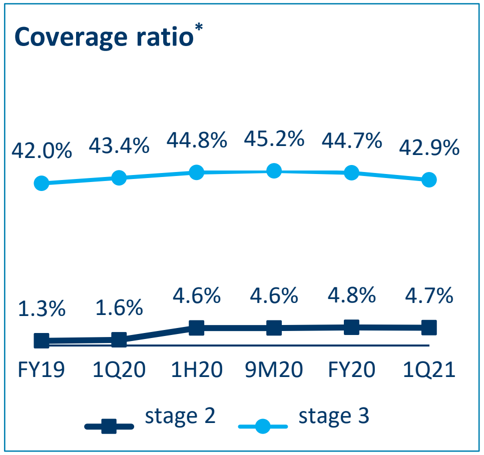
House-price index	2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	3.0%	-1.0%	-3.0%	2.5%	1.5%	-1.0%
Czech Republic	5.0%	3.7%	-1.0%	4.1%	2.4%	-0.9%
Hungary	5.5%	2.0%	-2.0%	6.0%	3.0%	-1.0%
Slovakia	5.0%	2.0%	-2.0%	4.0%	2.5%	-1.0%
Bulgaria	3.0%	2.5%	2.0%	3.5%	3.2%	3.0%
Ireland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

COVID-19 (6/9)

Steady staging of loan portfolio







- 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**

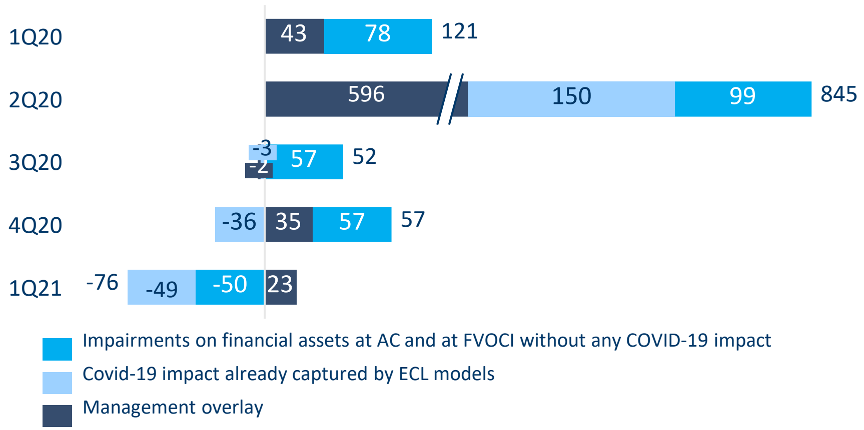
- Until now, only minor PD shifts have been observed in our portfolio, which is reflected in stable staging percentages. Note that any EBA-compliant payment holiday (i.e., fulfilling the conditions set in this respect, such as a maximum 9-month tenor of the payment break), does not attract a forbearance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

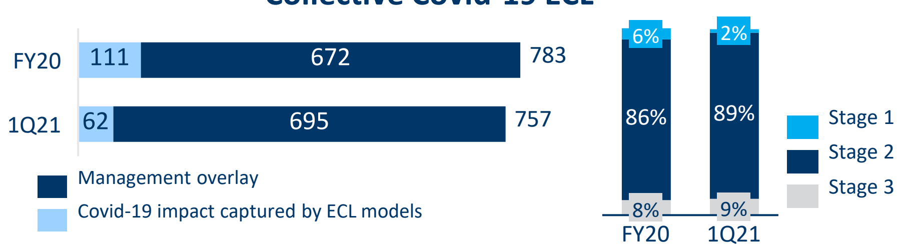
COVID-19 (7/9)

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

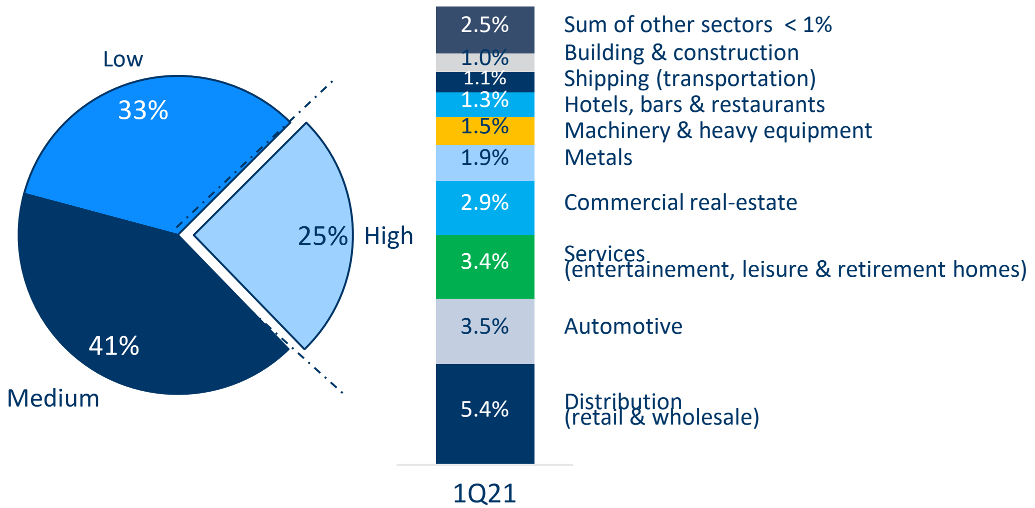
Amounts in m EUR

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



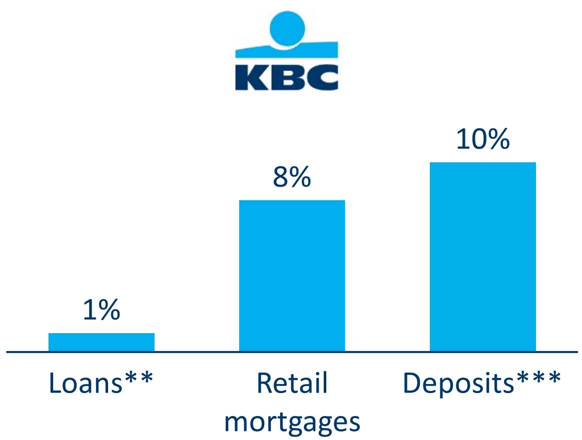

KBC Group

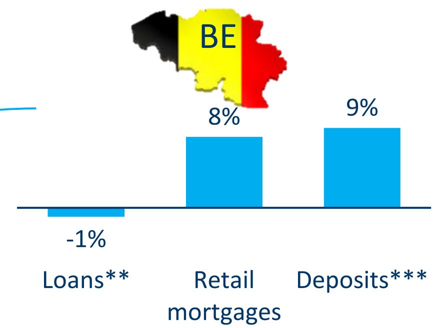
Balance sheet, capital and liquidity

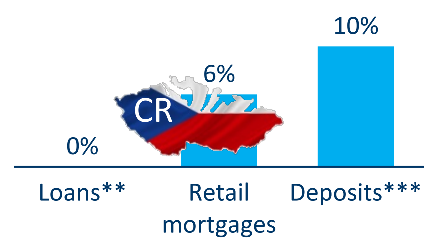
Balance sheet

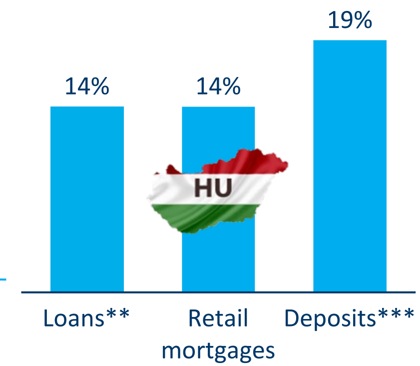
Loans and deposits continue to grow in all countries

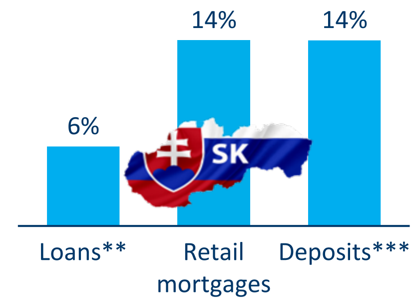
Y-O-Y ORGANIC* VOLUME GROWTH

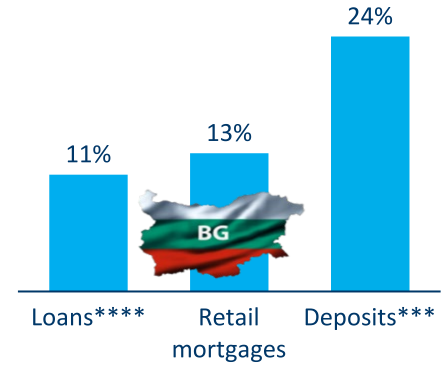


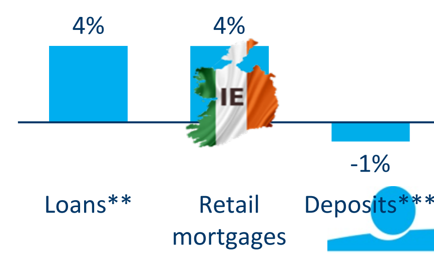












* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL

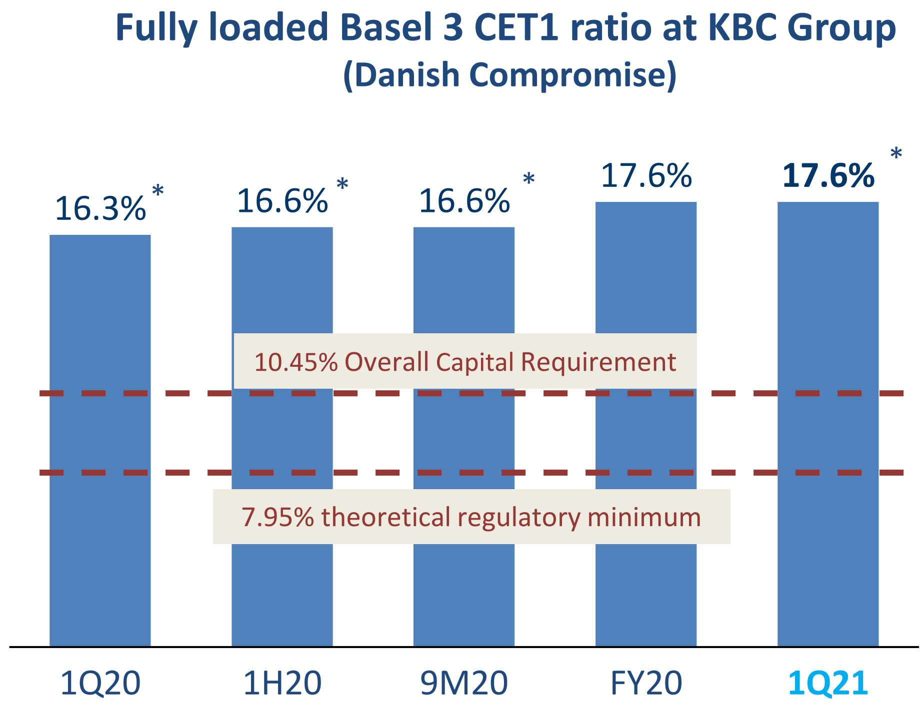
** Loans to customers, excluding reverse repos (and bonds)

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

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

Common equity ratio

Strong capital position



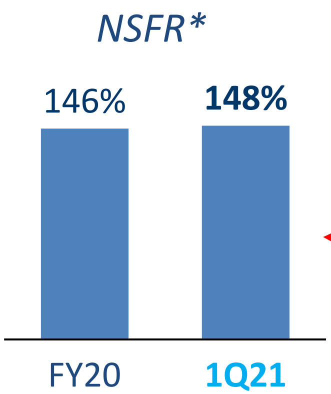
* No IFRS interim profit recognition given the more stringent ECB approach

- **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)
  - **7.2% 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)

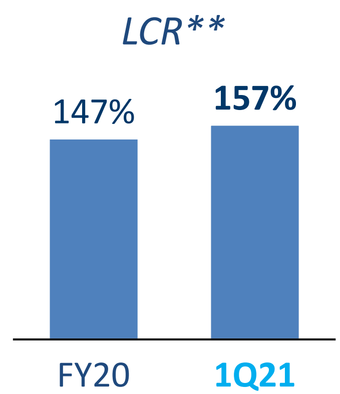
Liquidity ratios

Liquidity continues to be very solid

KBC Group's liquidity ratios



Regulatory Requirement ≥ 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.*




KBC Group
1Q21

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

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

Annex:

KBC Group
Differently: the next level

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

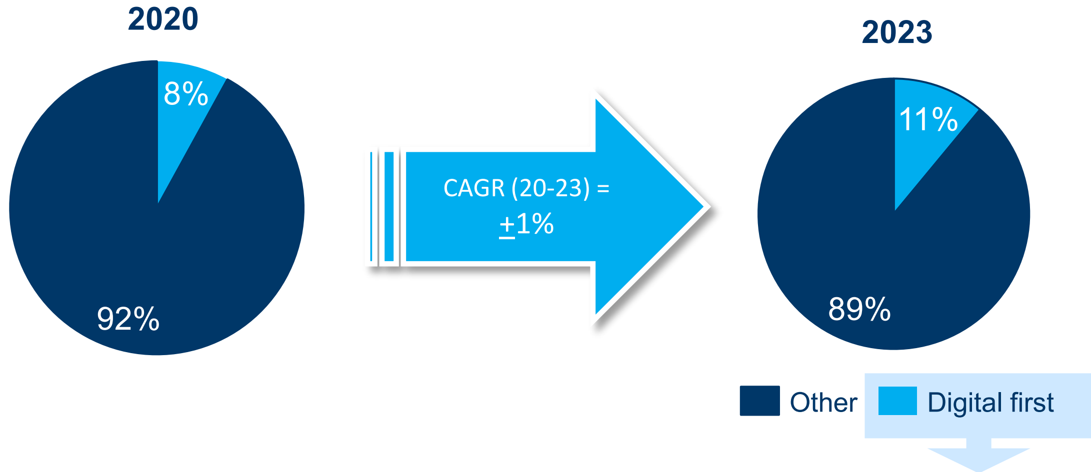
Regulatory requirements		
Overall capital requirement (OCR)**	≥ 10.45%	by 2021
MREL as a % of RWA***	≥ 21.63%	by 2022
MREL as a % of LRE***	≥ 7.34%	by 2022
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

** 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)

Differently: the next level

Translating strategy into non-financial targets

From key priorities to operational targets

No hassle, no frills, zero-delay customer experience

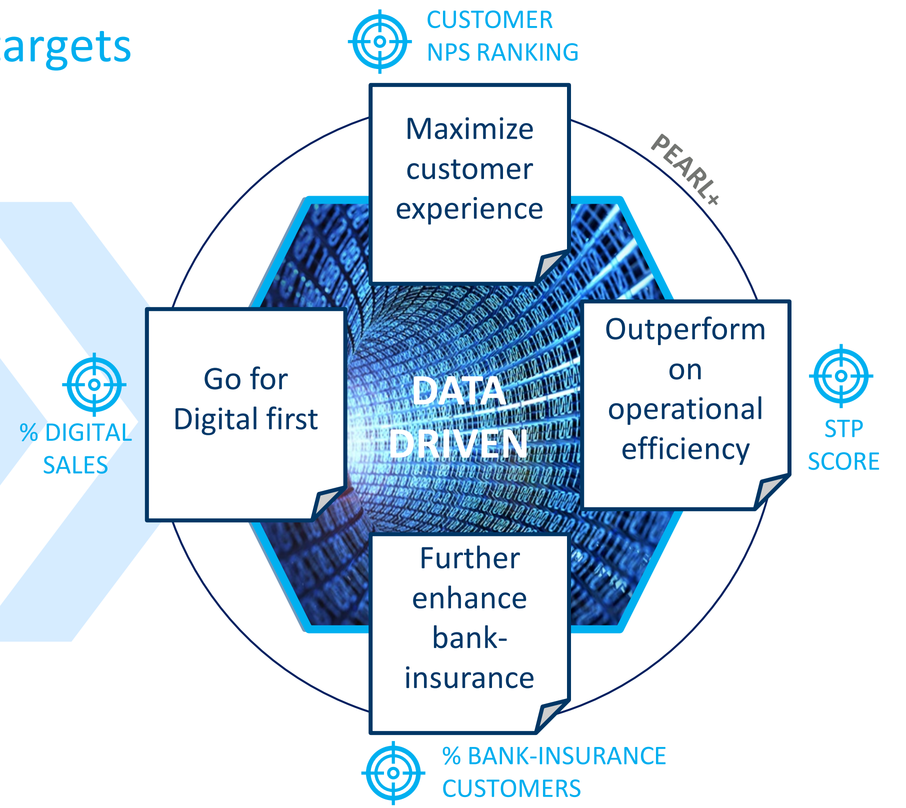
Proactive personalized financial solutions via DATA and AI

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)

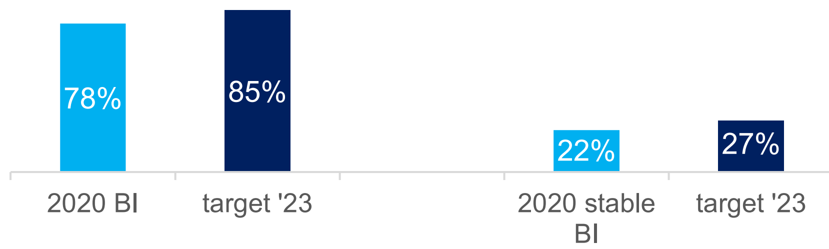
Customer NPS ranking

- 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



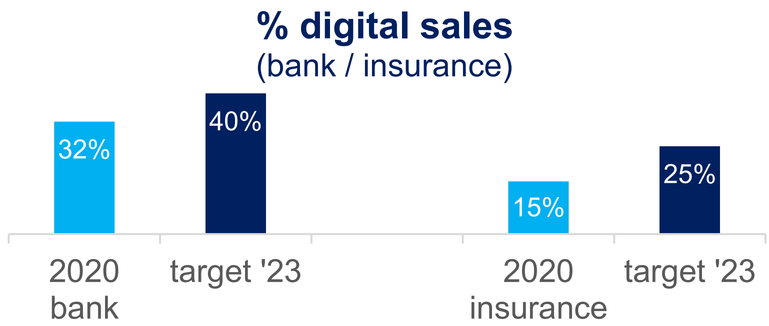
- ≥85% of active customers to be BI customers
- ≥27% of active customers to be stable BI customers

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

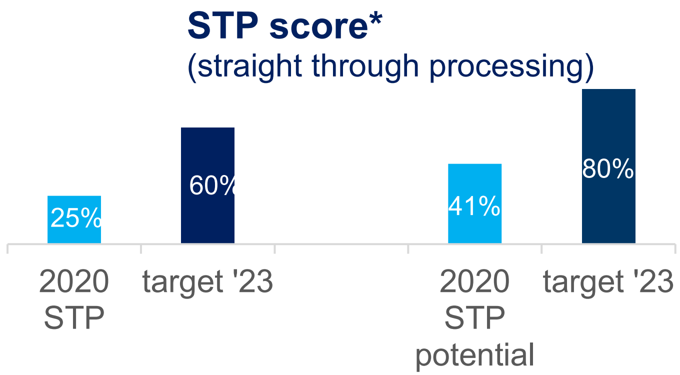
Translating strategy into non-financial targets

Introducing 4 new operational targets (2)



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

Based on weighed avg of selected core products



- STP ≥60% and STP potential ≥80%

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

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

* Based on analysis of core commercial products.

Our sustainability strategy

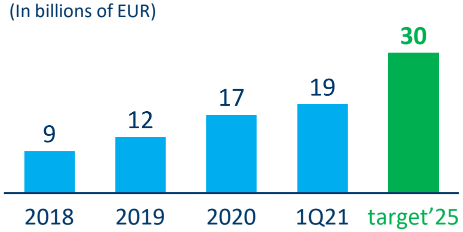
The cornerstones of our sustainability strategy and our commitment to the United Nations Sustainable Development Goals

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

Our sustainability ambitions

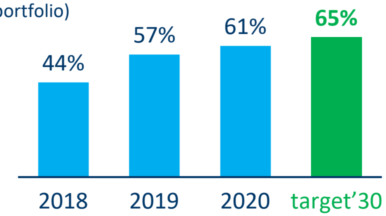
We substantially raise the bar for our climate-related ambitions

Volume of SRI Funds
(In billions of EUR)



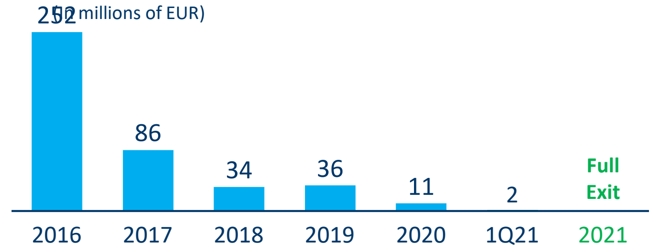
- Almost doubling of SRI funds by '25 (vs 2020)
- SRI funds ≥ 50% of new fund production by '21
- *During 2021 KBC will re-evaluate this target and its definition of SRI funds in line with the new EU Sustainable Finance Disclosure Regulation (SFDR).*

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



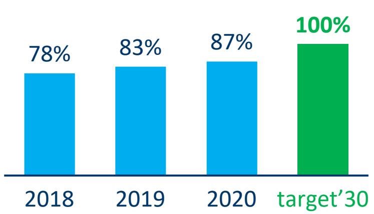
- Target raised from 50% to 65% by '30

Direct coal-related finance
(In millions of EUR)



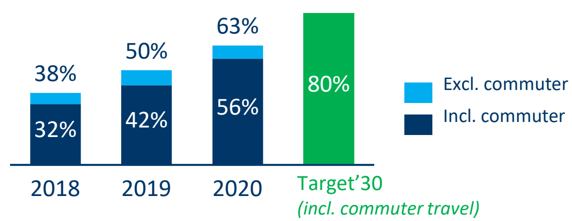
- Proven track record in building down direct coal exposure
- Firm commitment to exit coal, supporting existing clients in their transition. In order to remain eligible for any kind of financing, the related client must commit not to engage into any new coal project and must submit a coal-phase-out plan

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 | 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.*

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