KBC Group / Bank
Debt presentation
August 2020

More infomation: www.kbc.com

KBC Group - Investor Relations Office – E-mail: IR4U@kbc.be

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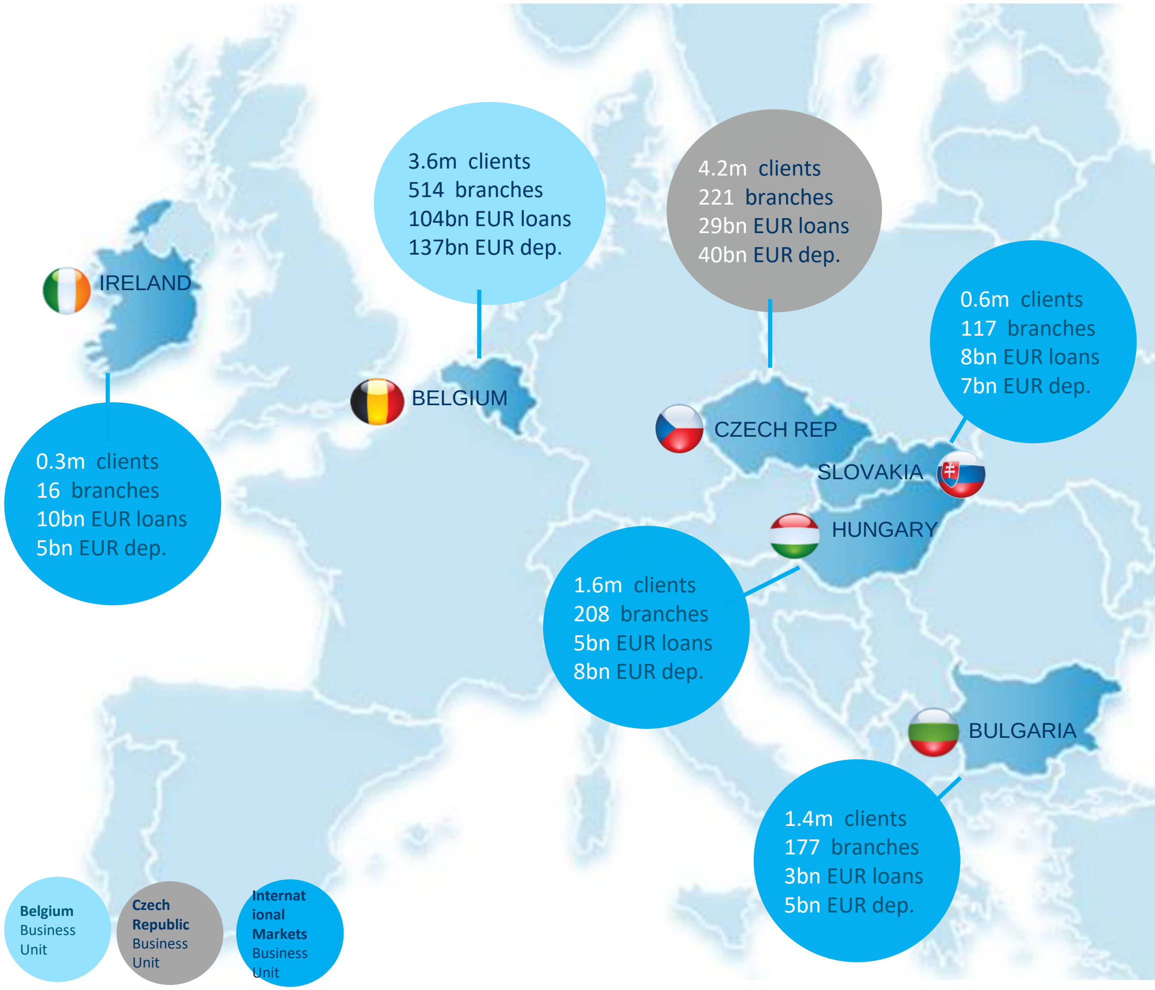
KBC Passport

Well-defined core markets



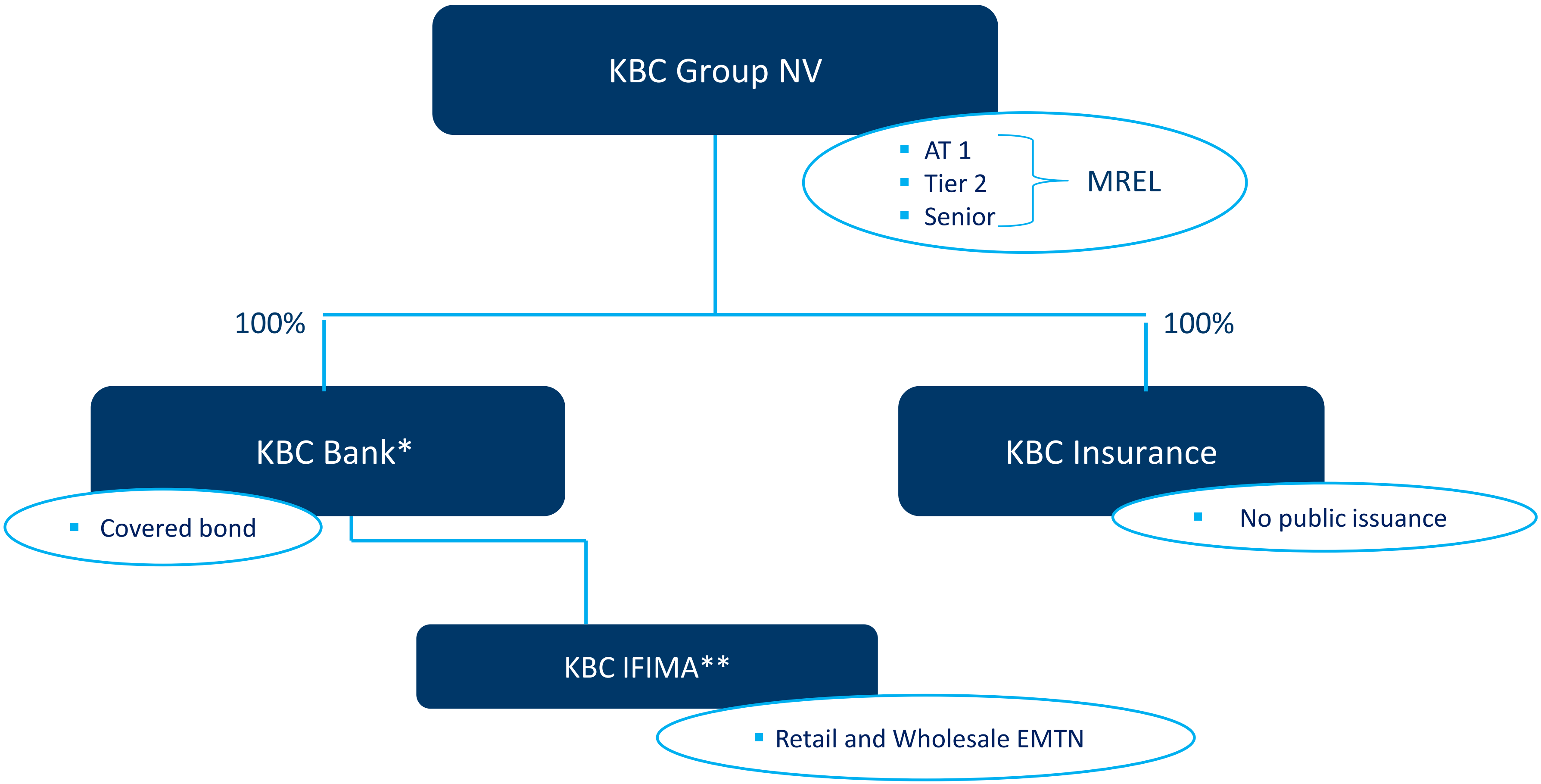
Market share (end 2019)	BE	CZ	SK	HU	BG	IRL
Loans and deposits	20%	21%	10%	10%	10%	9%*
Investment funds	30%	24%	7%	13%	16%	
Life insurance	13%	8%	3%	3%	23%	
Non-life insurance	9%	8%	4%	8%	10%	

Real GDP growth	BE	CZ	SK	HU	BG	IRL
% of Assets	63%	20%	3%	3%	2%	4%
2019	1.4%	2.5%	2.4%	4.9%	3.4%	5.5%
2020e	-9.5%	-10.0%	-10.0%	-6.2%	-8.0%	-5.0%
2021e	5.7%	6.0%	7.0%	5.0%	5.0%	4.0%

GDP growth: KBC data, June '20
* Retail segment

KBC Passport

Group's legal structure and issuer of debt instruments



* End of April 2019 the opportunity was taken to simplify the shareholders' structure of KBC AM, the shares of KBC AM held by KBC Group NV (48%) shifted to KBC Bank

** All debt obligations of KBC IFIMA are unconditionally and irrevocably guaranteed by KBC Bank.

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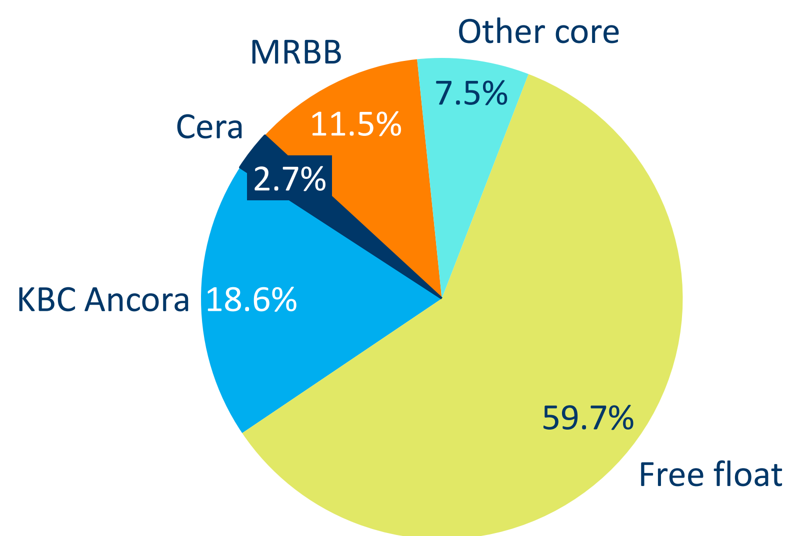
SHAREHOLDER STRUCTURE AT END 1H20



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

KBC Group in a nutshell (1)

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

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

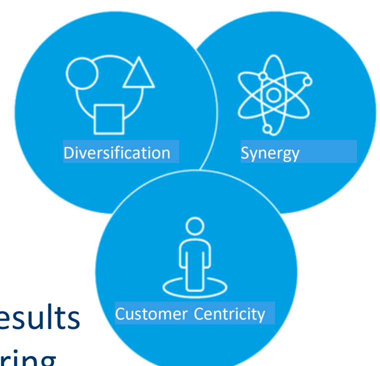
✓ Diversified and strong business performance

… geographically

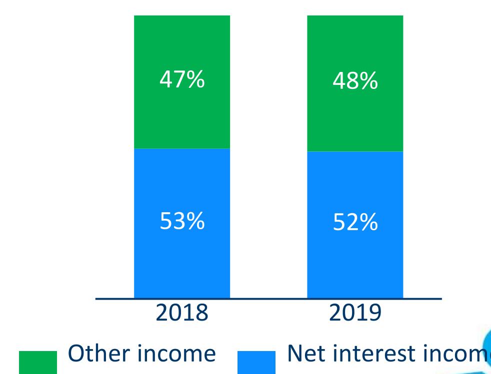
- Mature markets (BE, CZ, IRL) versus developing markets (SK, HU, BG)
- Economies of BE & 4 CEE-countries highly oriented towards Germany, while IRL is more oriented to the UK & US
- Robust market position in all key markets & strong trends in loan and deposit growth

… and from a business point of view

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



KBC Group: topline diversification 2018-2019 (in %)

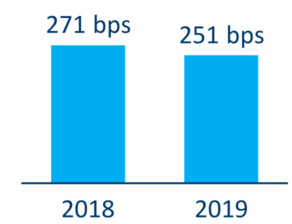


KBC Group in a nutshell (2)

✓ High profitability

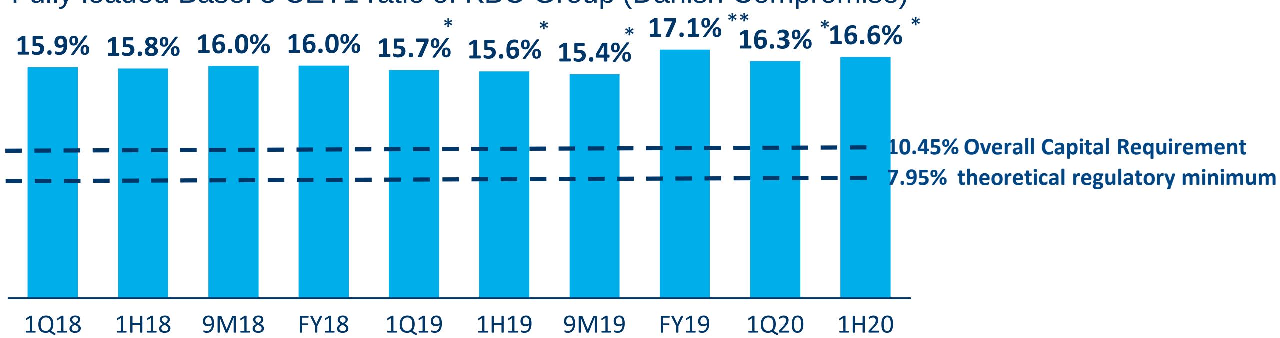
	C/I ratio	Combined ratio	Net result	ROE
FY19	58%	90%	2489m EUR	14%
1H20	59%	83%	205m EUR	4%

CET1 generation before any deployment



✓ Solid capital position…

Fully loaded Basel 3 CET1 ratio of 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

✓ … and robust liquidity positions

	NSFR	LCR
FY19	136%	138%
1H20	142%	136%

KBC Group in a nutshell (3)

✓ We aim to be one of the better capitalised financial institutions in Europe

- On 28 July 2020, the European Central Bank extended its recommendation not to pay dividends and not to buy back shares until January 2021. In line with the recent ECB recommendation, we cannot execute our usual dividend policy. As a consequence, no interim dividend will be paid out in Nov'20
- KBC's CET1 ratio of 16.6%* at end 1H20 represents a solid capital buffer:
  - 8.6% capital buffer compared with the current theoretical minimum capital requirement of 7.95% (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - 6.1% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45% (which still includes the 2.50% capital conservation buffer on top of the 7.95%)
  - 5.9% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.68% (given small shortfall in AT1 and T2 bucket)
- Any M&A opportunity will be assessed subject to very strict financial and strategic criteria

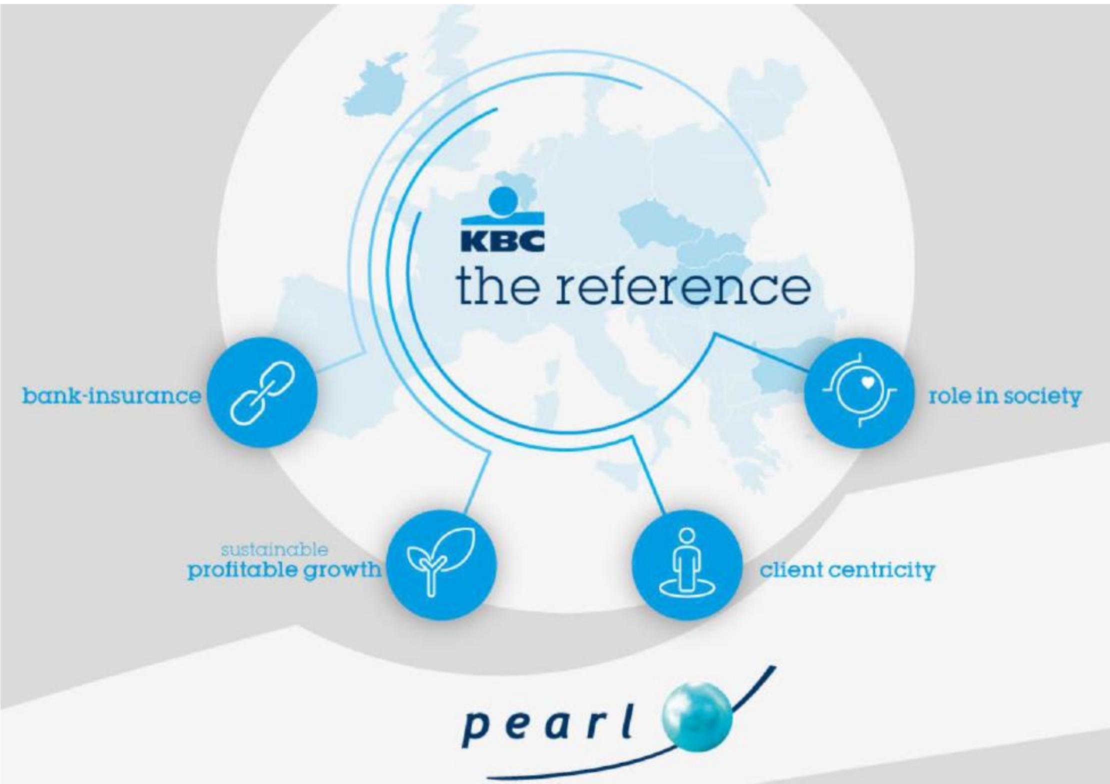
* No IFRS interim profit recognition given more stringent ECB approach

✓ Capital distribution to shareholders (usual policy)

- Payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit
- Interim dividend of 1 EUR per share in November of each accounting year as an advance on the total dividend.
- As we find ourselves in unprecedented circumstances and as the economic impact of the coronavirus pandemic on the economy is still very uncertain, it is too early days to make statements about the capital distribution to shareholders as it will also depend on different regulatory measures and the stance the ECB will take later on this year/beginning of next year.
- We will announce an update of our capital deployment plan together with the FY20 results

More of the same, but differently

Aiming to be among the best performing financial institutions in Europe



- KBC wants to be among Europe's best performing financial institutions. This will be achieved by:
  - Strengthening our bank-insurance business model for retail, SME and mid-cap clients in our core markets, in a highly cost-efficient way
  - Focusing on sustainable and profitable growth within the framework of solid risk, capital and liquidity management
  - Creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach
- By achieving this, KBC wants to become the reference in bank-insurance in its core markets

Our bank-insurance model

In different countries, different stages of implementation

Level 4: Integrated distribution and operation

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

Belgium

Level 3: Integrated distribution

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

Target for Central Europe

Level 2: Exclusive distribution

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

Level 1: Non-exclusive distribution

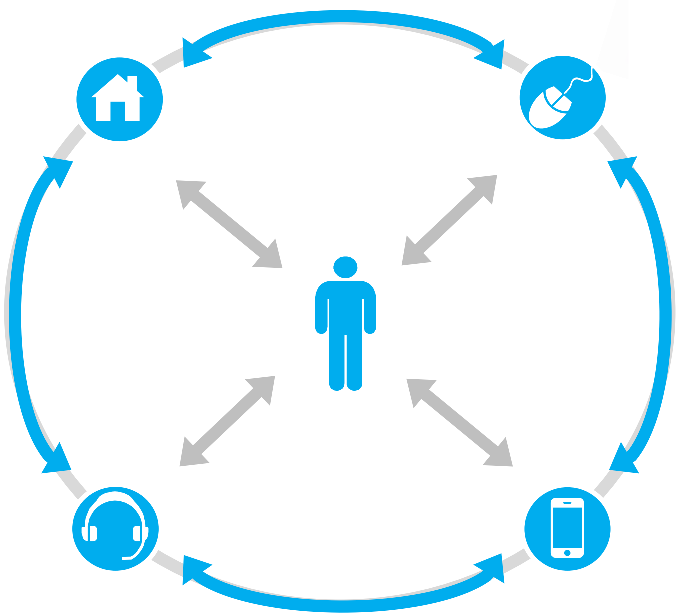
Bank branches selling insurance products of third party insurers as additional source of fee income

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

More of the same… **but differently…**

Enhanced channels for empowered clients

Creating superior client satisfaction via a seamless, multi-channel client-centric distribution approach



Enhanced channels for empowered clients

Investing €1.5bn cash-flow (2017-20):

- Further optimise our integrated distribution model according to a real-time omni-channel approach
- Prepare our applications to engage with Fintechs and other value chain players
- Invest in our digital presence (e.g. social media) to enhance client relationships and anticipate their needs
- Further increase efficiency and effectiveness of data management
- Set up an open architecture IT package as core banking system for our International Markets Business Unit

Operating Expenses 2017-2020 = 1bn EUR

KBC the reference…

Group financial guidance (Investor visit 2017)

Guidance			*End 2019*
CAGR total income ('16-'20)*	≥ 2.25%	by 2020	*2.3% (CAGR '16-'19)*
C/I ratio banking excluding bank tax	≤ 47%	by 2020	*51% (FY2019)*
C/I ratio banking including bank tax	≤ 54%	by 2020	*58% (FY2019)*
Combined ratio	≤ 94%	by 2020	*90% (FY2019)*
Dividend payout ratio	≥ 50%	as of now	*19%***

* Excluding marked-to-market valuations of ALM derivatives

Regulatory requirements			*End 2019*
Common equity ratio*excluding P2G	≥ 10.7%	by 2019	*17.1%***
Common equity ratio*including P2G	≥ 11.7%	by 2019	*17.1%***
MREL ratio	≥ 9.67%	by 2021	*10.4%****
NSFR	≥ 100%	as of now	*136%*
LCR	≥ 100%	as of now	*138%*

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

** Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share and the cancellation of the share buy-back program of 5.5 million shares

*** MREL target as % of TLOF (Total Liabilities and Own Funds), taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share

KBC the reference…

Group non-financial guidance (Investor visit 2017)

Non-financial guidance: CAGR Bank-Insurance clients (1 Bank product + 1 Insurance product)			***End 2019*** *(CAGR '16-'19)*
BU BE	≥ 2%	by 2020	*+1%*
BU CR	≥ 15%	by 2020	*+12%*
BU IM	≥ 10%	by 2020	*+22%*

Non-financial guidance: CAGR Bank-Insurance stable clients (3 Bk + 3 Ins products in Belgium; 2 Bk + 2 Ins products in CE)			***End 2019*** *(CAGR '16-'19)*
BU BE	≥ 2%	by 2020	*+1%*
BU CR	≥ 15%	by 2020	*+17%*
BU IM	≥ 15%	by 2020	*+25%*

Non-financial guidance: % Inbound contacts via omni-channel and digital channel*			***End 2019***
KBC Group**	≥ 80%	by 2020	*81%*

- 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

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

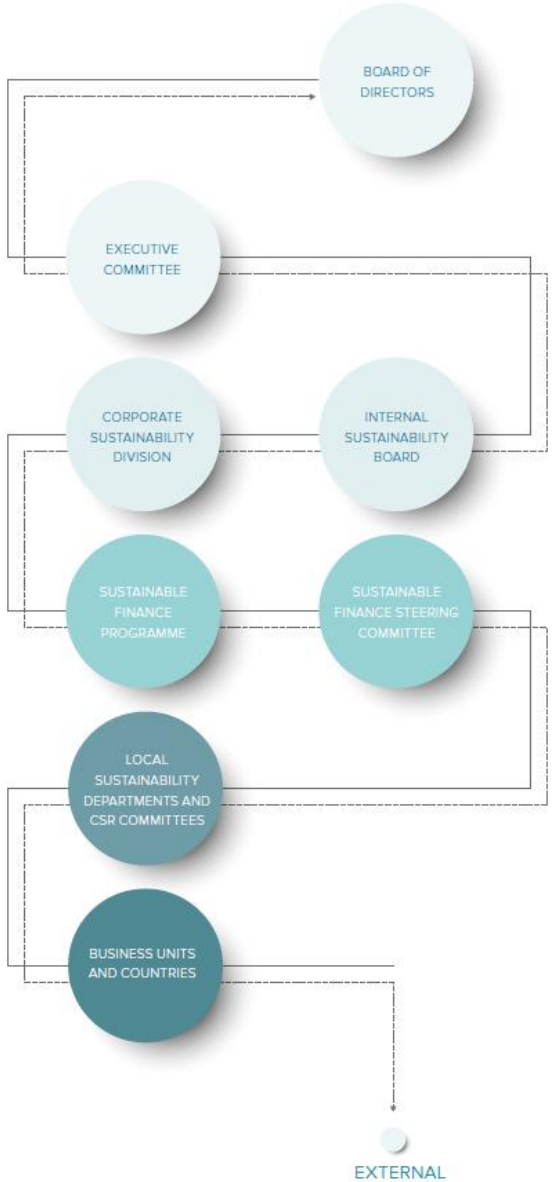
The EXECUTIVE COMMITTEE is the highest level with direct responsibility for sustainability, including policy on climate change.

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	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

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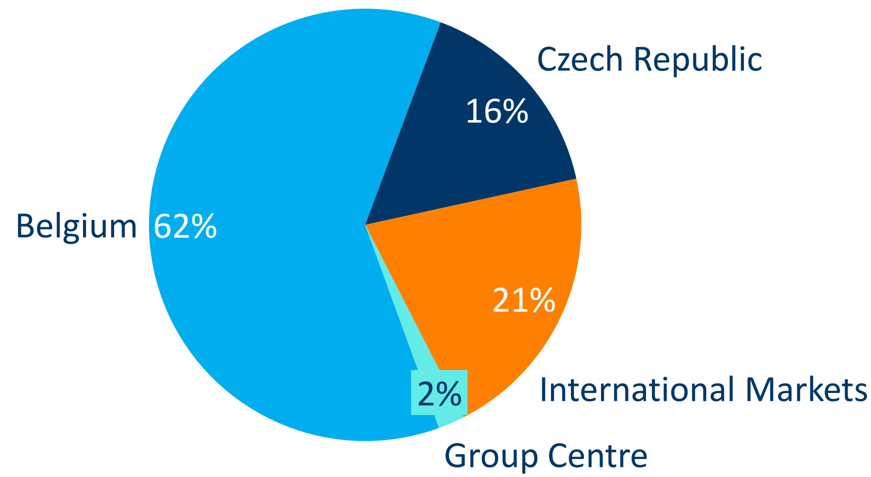
BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 30 JUNE 2020



2Q 2020 key takeaways

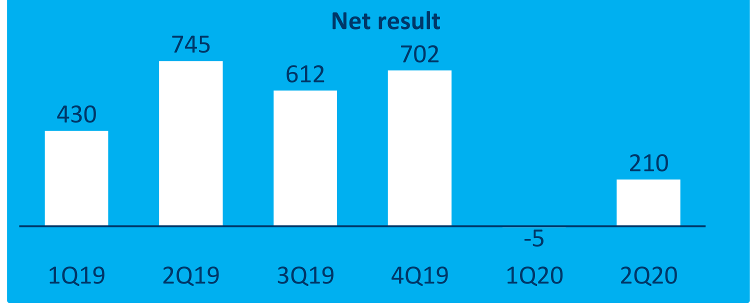
2Q20 financial performance

- **Commercial bank-insurance franchises** in core markets performed well
- **Customer loans** and **customer deposits** increased y-o-y in all of our core countries
- Lower **net interest income** and net interest margin
- Lower **net fee and commission income**
- Sharply higher **net gains from financial instruments at fair value** and higher **net other income**
- Excellent result of **non-life & life** insurance
- **Costs** significantly down
- Higher net **impairments on loans.** The full collective Covid-19 expected credit losses have already been booked in 1H20
- Solid **solvency** and **liquidity**
- In line with the recent ECB recommendation, we cannot execute our usual dividend policy. As a consequence, **no interim dividend** will be paid out in November 2020

Net result of 210m EUR in 2Q20

1H20

- **ROE 4%***
- **Cost-income ratio 59%** (adjusted for specific items)
- **Combined ratio 83%**
- **Credit cost ratio 0.64% (0.20% without collective covid-19 impairments**)**
- **Common equity ratio 16.6%** (B3, DC, fully loaded)
- **Leverage ratio 6.0%** (fully loaded)
- **NSFR 142% & LCR 136%**



* when evenly spreading the bank tax throughout the year

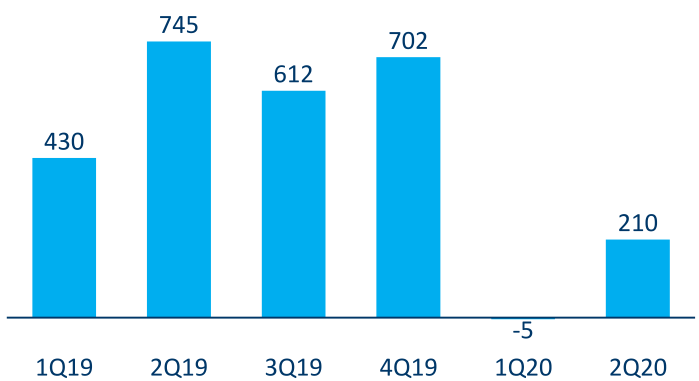
** 789m EUR collective Covid-19 impairments in 1H20, of which 639m EUR management overlay (596m EUR in 2Q20 and 43m EUR in 1Q20) and 150m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables in 2Q20

Comparisons against the previous quarter unless otherwise stated

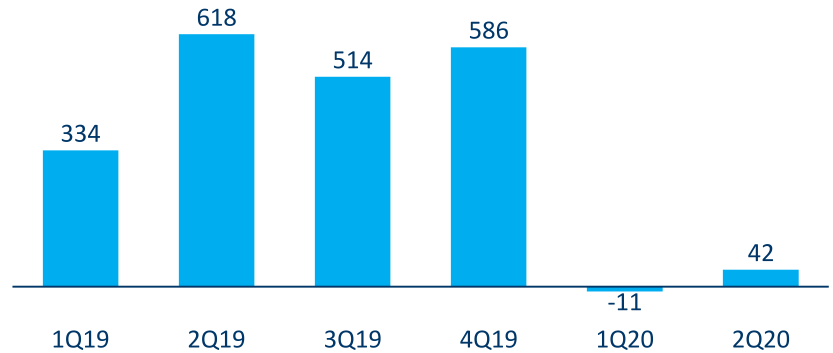
KBC

Net result at KBC Group

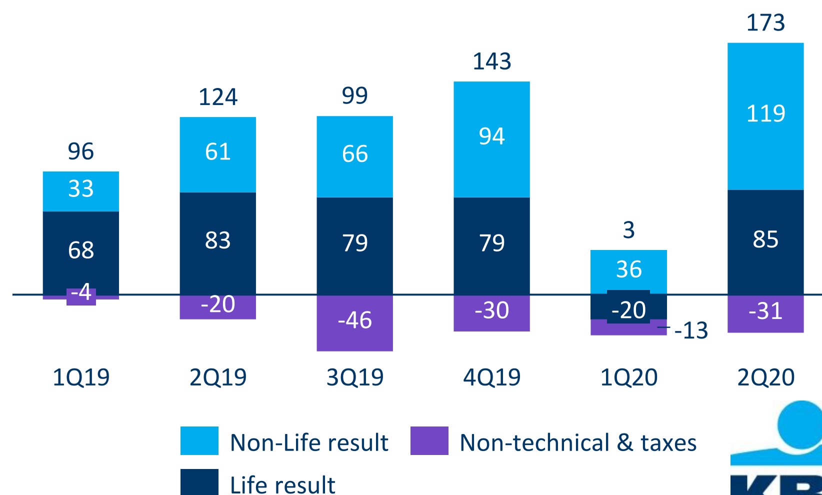
NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*



CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*

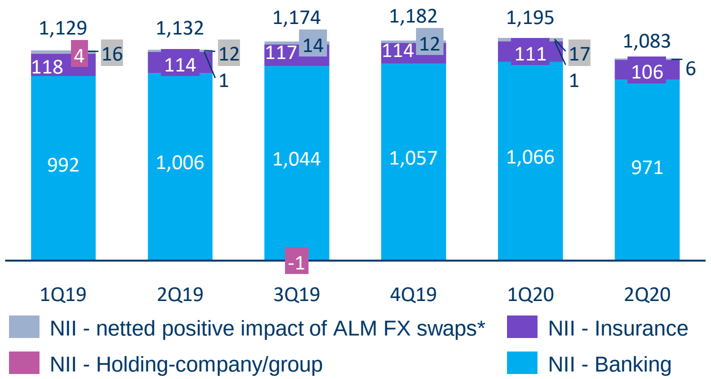


* Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted for by the holding-company/group items

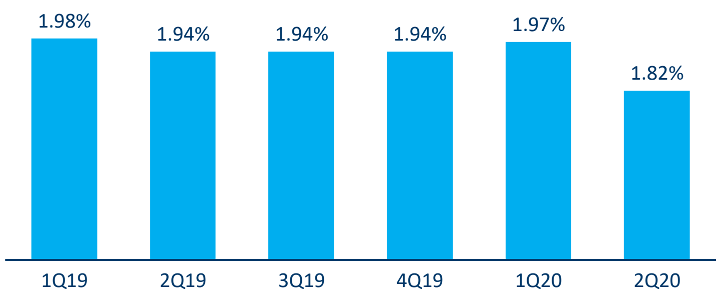
Lower net interest income and net interest margin

NII

Amounts in m EUR



NIM **



* 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 (1,083m EUR)**
  - Decreased by 9% q-o-q and by 4% y-o-y
  - The q-o-q decrease was driven primarily by:
    - the CNB rate cuts (from 2.25% early February to 0.25% early May 2020)
    - the depreciation of the CZK & HUF versus the EUR (-18m EUR q-o-q)
    - lower reinvestment yields
    - pressure on loan margins on total outstanding portfolio in most core countries (except in Belgium)
    - lower netted positive impact of ALM FX swaps

    partly offset by:
    - lower funding cost
    - higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic and Slovakia
    - higher NII due to larger bond portfolio

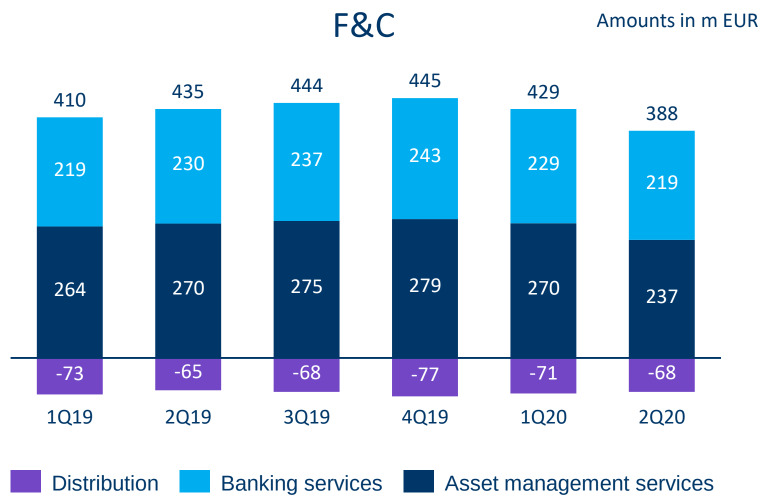
- **Net interest margin (1.82%)**
  - Decreased by 15 bps q-o-q and by 12 bps y-o-y due mainly to the CNB rate cuts, the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (denominator)

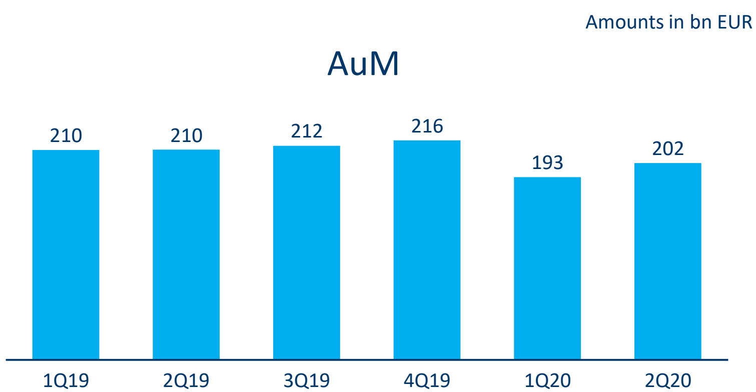
ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	158bn	68bn	211bn	202bn	28bn
Growth q-o-q*	0%	+1%	+1%	+4%	+2%
Growth y-o-y	+4%	+4%	+7%	-4%	-3%

* 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 +5% q-o-q and +11% y-o-y**

Lower net fee and commission income



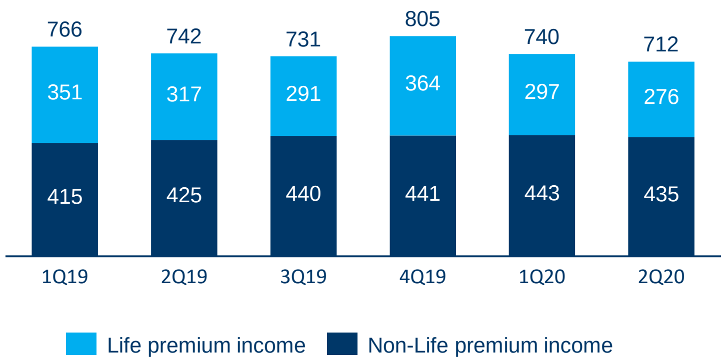


- **Net fee and commission income (388m EUR)**
  - Down by 10% q-o-q and by 11% y-o-y
  - Q-o-q decrease was the result of the following:
    - Net F&C income from Asset Management Services decreased by 12% q-o-q as a result of lower management and entry fees from mutual funds & unit-linked life insurance products
    - Net F&C income from banking services decreased by 5% q-o-q (-3% q-o-q excluding FX effect) due mainly to lower fees from payment services (less transaction volumes as a result from Covid-19) and lower network income, partly offset by higher fees from credit files & bank guarantees
    - Distribution costs fell by 4% q-o-q
  - Y-o-y decrease was mainly the result of the following:
    - Net F&C income from Asset Management Services fell by 13% y-o-y as a result of lower management fees and entry fees
    - Net F&C income from banking services decreased by 5% y-o-y (-2% y-o-y excluding FX effect) driven mainly by lower fees from payment services (partly due to less transaction volumes as a result of Covid-19, partly due to the SEPA regulation) and lower fees from credit files & bank guarantees, partly offset by higher securities-related fees
    - Distribution costs rose by 3% y-o-y due chiefly to higher commissions paid linked to banking products

- **Assets under management (202bn EUR)**
  - Increased by 4% q-o-q due to a positive price effect (+5%), partly offset by net outflows (-1%)
  - Decreased by 4% y-o-y as a result of net outflows (-3%) and a negative price effect (-1%)

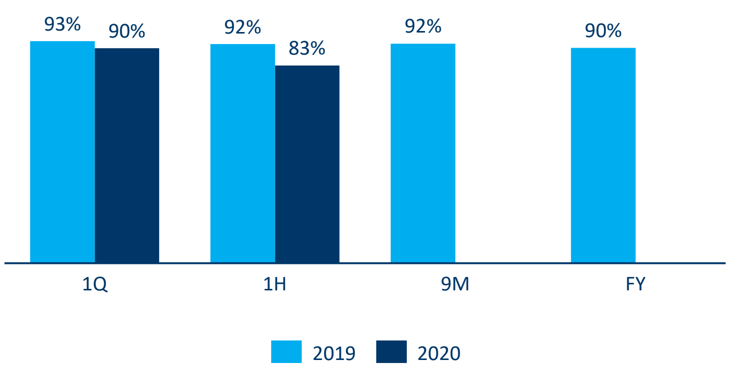
Non-life premium income up y-o-y and excellent combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUMS)



- **Insurance premium income** (gross earned premiums) **at 712m EUR**
  - Non-life premium income (435m EUR) increased by 2% y-o-y
  - Life premium income (276m EUR) down by 7% q-o-q and by 13% y-o-y

COMBINED RATIO (NON-LIFE)

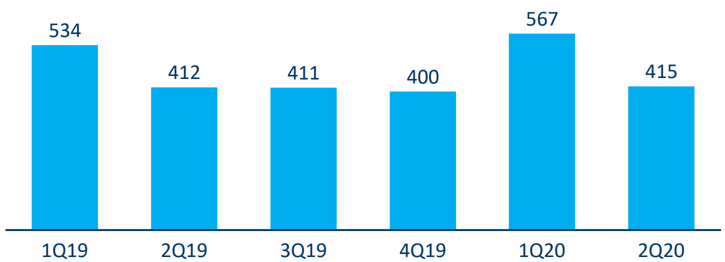


- The non-life **combined ratio** for 1H20 amounted to an excellent **83%.** This is the result of 5% y-o-y premium growth combined with 13% y-o-y lower technical charges in 1H20. The latter was due mainly to lower normal claims in 1H20 (especially in Motor due to Covid-19) and a negative one-off in 1H19 (-16m due to reassessment on claims provisions). However, note that 1H20 was impacted by a higher negative ceded reinsurance result compared with 1H19

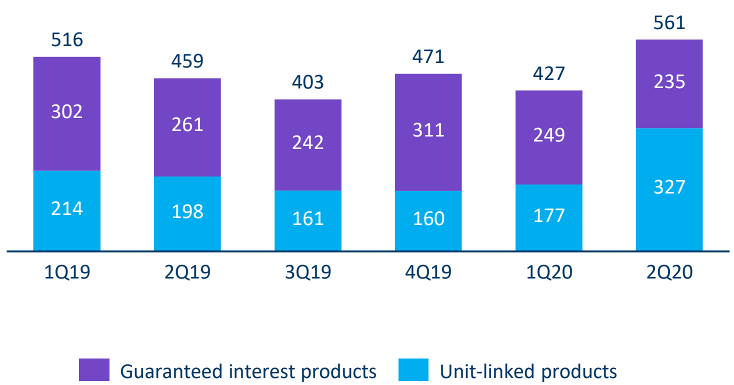
Amounts in m EUR

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

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



LIFE SALES

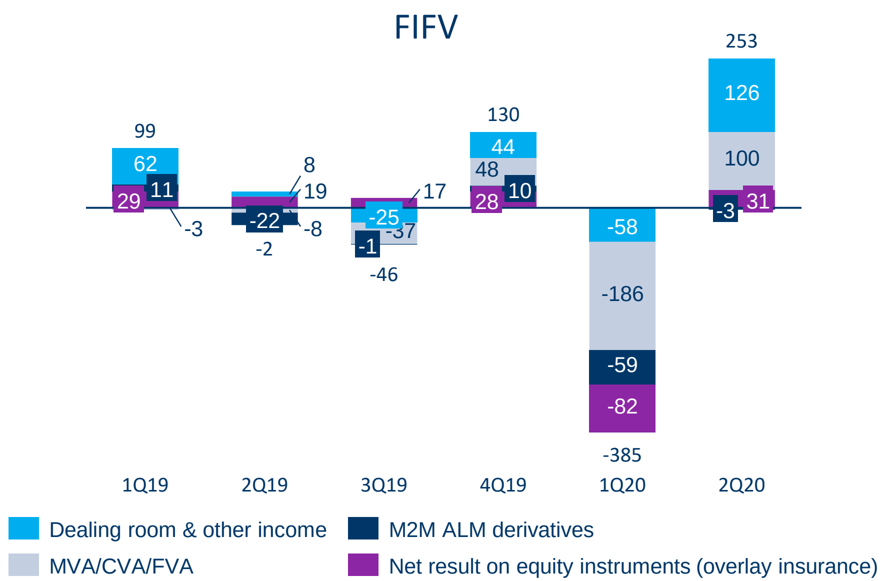


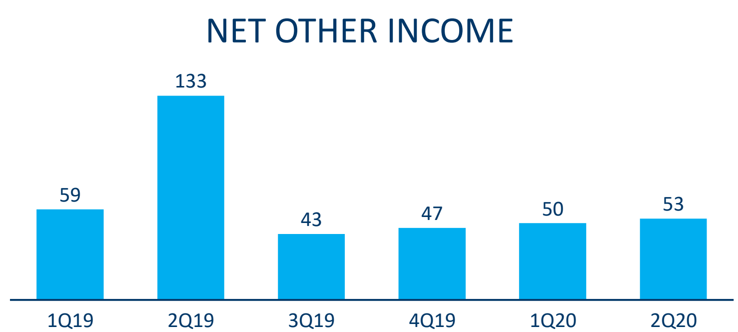
Amounts in m EUR

- **Sales of non-life insurance products**
  - Up by only 1% y-o-y due to negative impact of Covid-19 on new business (mainly in motor and property) and on renewals

- **Sales of life insurance products**
  - Increased by 32% q-o-q and by 22% y-o-y
  - The q-o-q and y-o-y increase was driven entirely by higher sales of unit-linked products in Belgium (due to the launch of new products), only partly offset by lower sales of guaranteed interest products (mainly due to the suspension of universal single life insurance products in Belgium)
  - Sales of unit-linked products accounted for 58% of total life insurance sales in 2Q20

Sharply higher FIFV and higher net other income





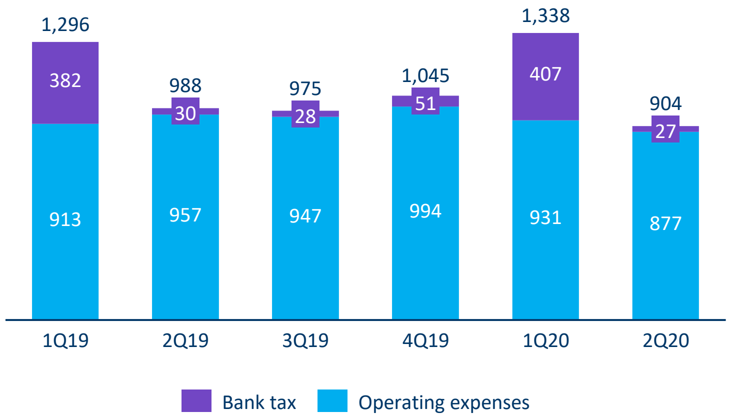
Amounts in m EUR

- The q-o-q strong rebound in **net gains from financial instruments at fair value** was attributable mainly to:
  - a positive change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio due to increasing equity markets and decreasing counterparty credit spreads & KBC funding spread, partly offset by lower long-term interest rates)
    - FVA: 73m EUR (+173m EUR q-o-q)
    - CVA: 26m EUR (+105m EUR q-o-q)
    - MVA: 1m EUR (+8m EUR q-o-q)
  - excellent dealing room income
  - a higher net result on equity instruments (insurance)
  - a positive change in ALM derivatives

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

Costs significantly down

OPERATING EXPENSES



Amounts in m EUR

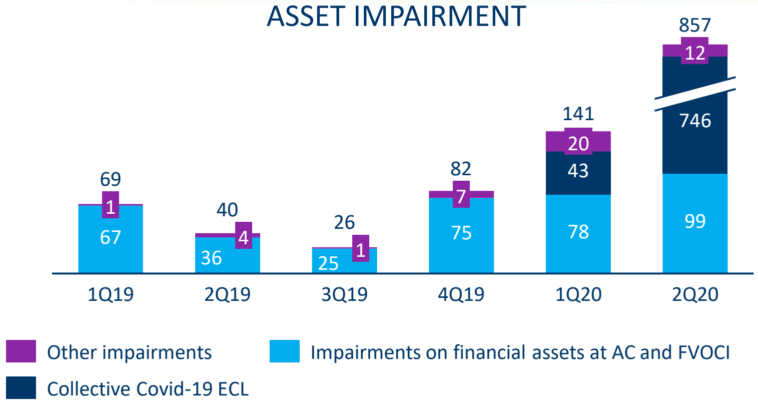
BANK TAX SPREAD IN 2020 (PRELIMINARY)**

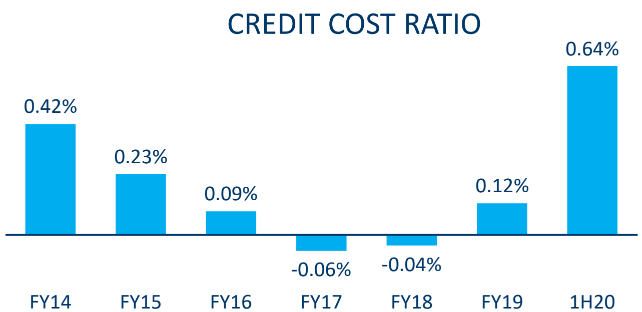
	TOTAL	Upfront		Spread out over the year			
	2Q20	1Q20	2Q20	1Q20	2Q20	3Q20e	4Q20e
BE BU	**2**	289	2	0	0	0	0
CZ BU	**0**	40	0	0	0	0	0
Hungary	**18**	25	1	20	18	22	22
Slovakia	**8**	3	0	8	8	0	0
Bulgaria	**-1**	17	-1	0	0	0	0
Ireland	**0**	4	-1	1	1	1	26
GC	**0**	0	0	0	0	0	0
TOTAL	**27**	**377**	**0**	**29**	**27**	**23**	**48**

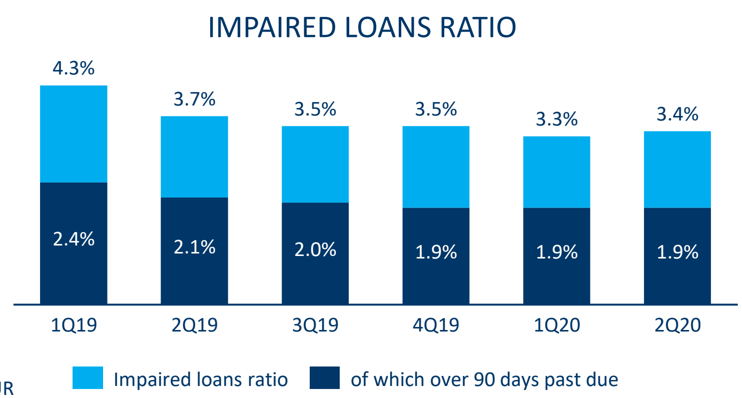
- Operating expenses excluding bank taxes decreased by 6% q-o-q primarily as a result of the announced cost savings related to Covid-19:
  - lower staff expenses (partly due to reduced accrued variable remuneration and less FTEs q-o-q), despite wage inflation in most countries
  - lower facilities, marketing, travel and event costs
  - FX effect (-14m EUR q-o-q)
- Operating expenses excluding bank taxes decreased by 8% y-o-y due partly to the announced cost savings related to Covid-19, despite the full consolidation of CMSS (15m EUR in 2Q20 versus 5m EUR in 2Q19). Also note that 2Q19 was impacted by the 12m EUR negative one-offs
- Cost/income ratio (banking) adjusted for specific items* at 52% in 2Q20 and 59% YTD (58% in FY19), the latter distorted by sharply lower FIFV (Financial Instruments at Fair Value). Cost/income ratio (banking): 46% in 2Q20 and 66% YTD, both distorted by bank taxes and the latter by sharply lower FIFV
- Total bank taxes (including ESRF contribution) are expected to increase by 3% y-o-y to 504m EUR in FY20

* See glossary (slide 90) for the exact definition
** Still subject to changes

Full collective Covid-19 expected credit losses have already been booked in 1H20







Amounts in m EUR

- **Higher asset impairments q-o-q**
  - The q-o-q increase of loan loss provisions was attributable to:
    - 746m EUR collective Covid-19 impairments, of which 596m EUR management overlay (compared with 43m EUR in 1Q20) and 150m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables. Note that based on the assumptions at the end of 2Q20, the full collective Covid-19 expected credit losses (ECL) have already been booked in 1H20
    - higher loan loss impairments in Belgium and the Czech Republic due mainly to several corporate files
  - Impairment of 12m EUR on 'other', of which a 16m EUR negative one-off impact of the payment moratorium in Belgium and the Czech Republic, partly offset by a 7m EUR positive one-off partial reversal of the payment moratorium in Hungary booked in 1Q20 (IFRS modification loss from the time value of payment deferral)

- The **credit cost ratio in 1H20** amounted to:
  - 20 bps (12 bps in FY19) without collective Covid-19 ECL
  - 64 bps with collective Covid-19 ECL (already 100% booked in 1H20)

- The **impaired loans ratio** amounted to 3.4%, 1.9% of which over 90 days past due

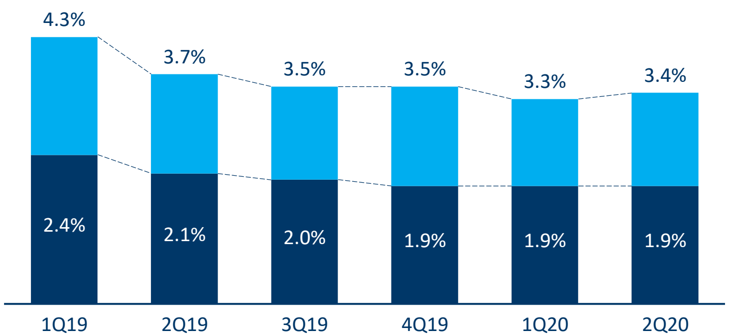
Loan loss experience at KBC

	1H20 CREDIT COST RATIO	FY19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	FY16 CREDIT COST RATIO	AVERAGE '99 –'19
Belgium	**0.63%**	0.22%	0.09%	0.09%	0.12%	n/a
Czech Republic	**0.62%**	0.04%	0.03%	0.02%	0.11%	n/a
International Markets	**0.82%**	-0.07%	-0.46%	-0.74%	-0.16%	n/a
Group Centre	**-0.53%**	-0.88%	-0.83%	0.40%	0.67%	n/a
Total	**0.64%**	**0.12%**	**-0.04%**	**-0.06%**	**0.09%**	**0.42%**

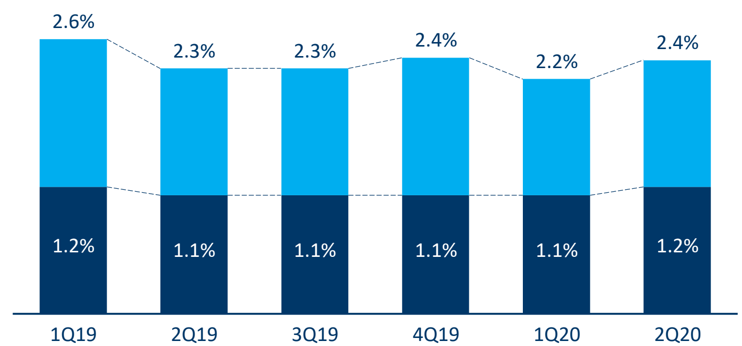
Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

Impaired loans ratios, of which over 90 days past due

KBC GROUP

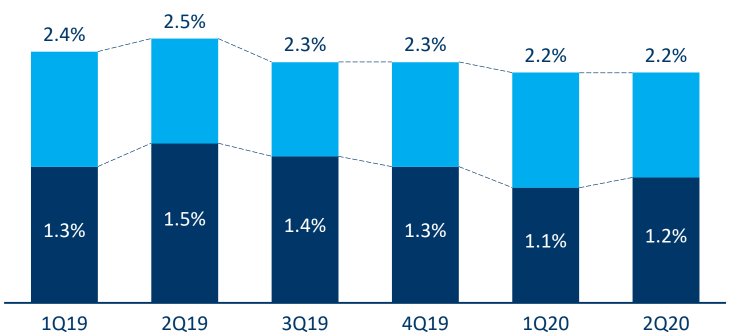


BELGIUM BU

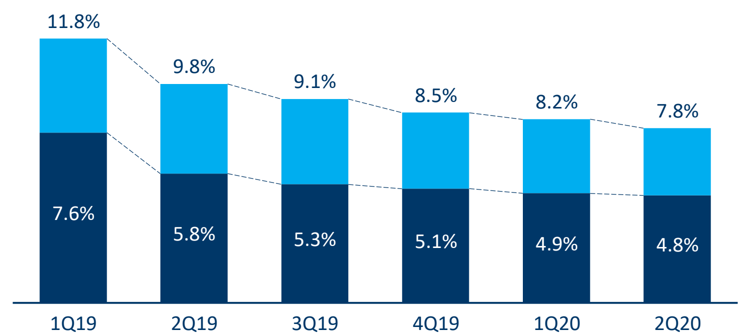


Impaired loans ratio
Of which over 90 days past due

CZECH REPUBLIC BU

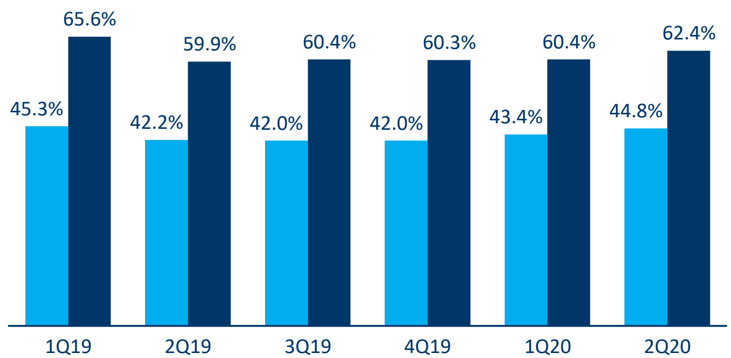


INTERNATIONAL MARKETS BU



Cover ratios

KBC GROUP



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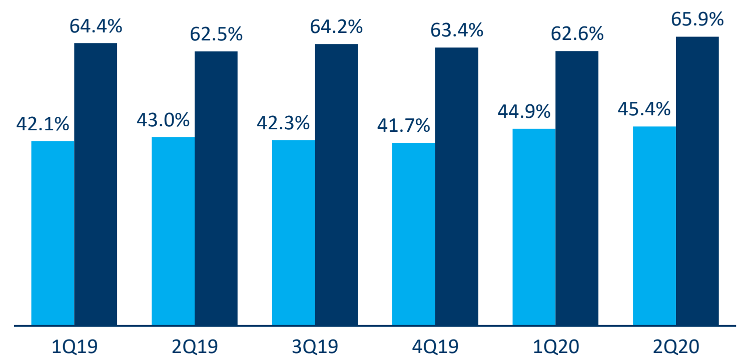
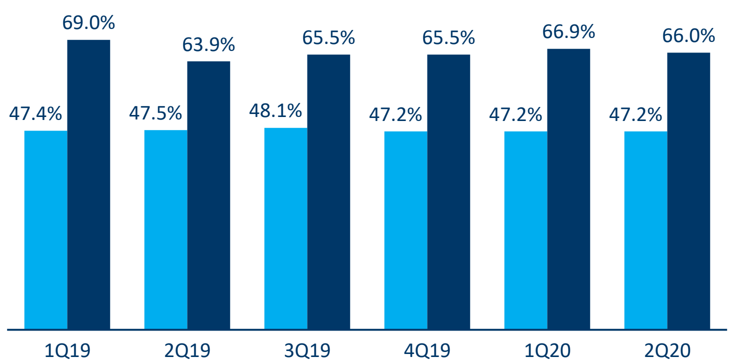


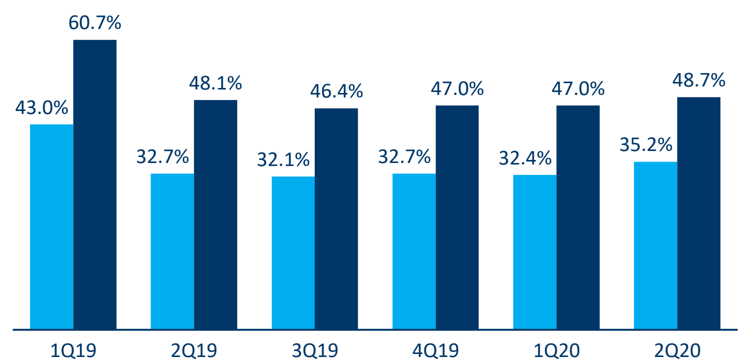
Impaired loans cover ratio

Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU

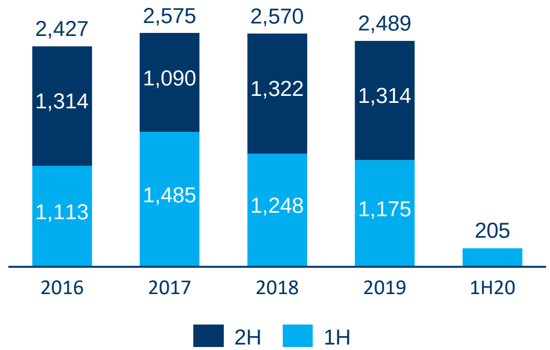


Overview of contribution of business units to 1H20 result

Amounts in m EUR

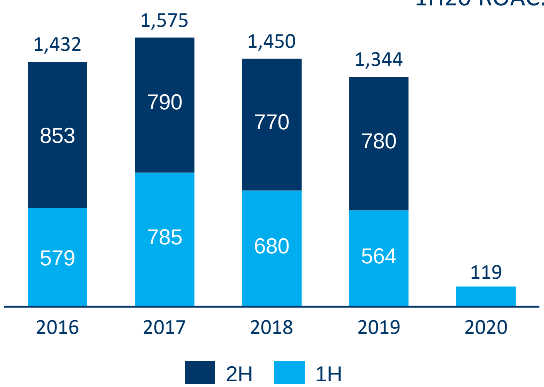
NET PROFIT – **KBC GROUP**

1H20 ROAC: 4%



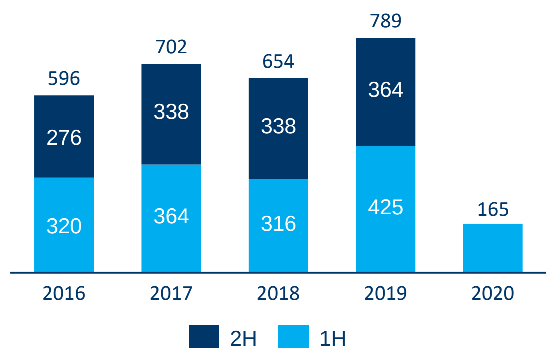
NET PROFIT – **BELGIUM**

1H20 ROAC: 3%



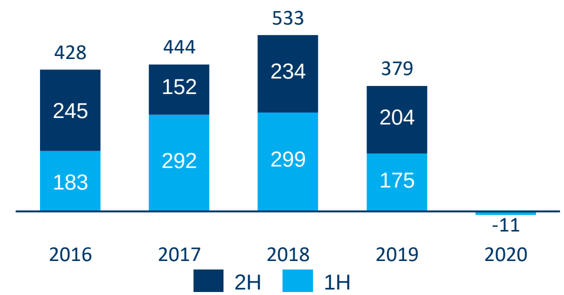
NET PROFIT – **CZECH REPUBLIC**

1H20 ROAC: 19%



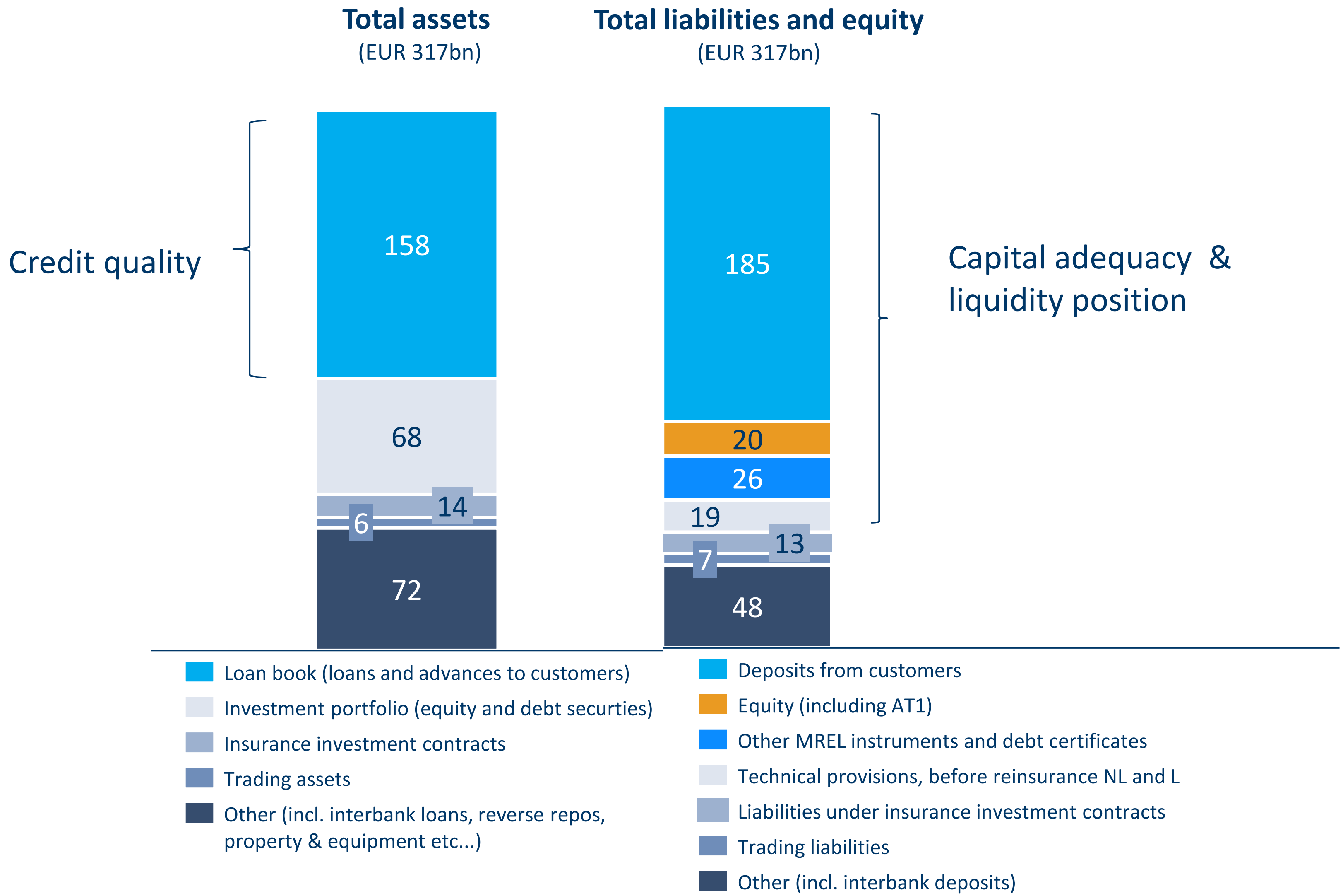
NET PROFIT – **INTERNATIONAL MARKETS**

1H20 ROAC: -1%



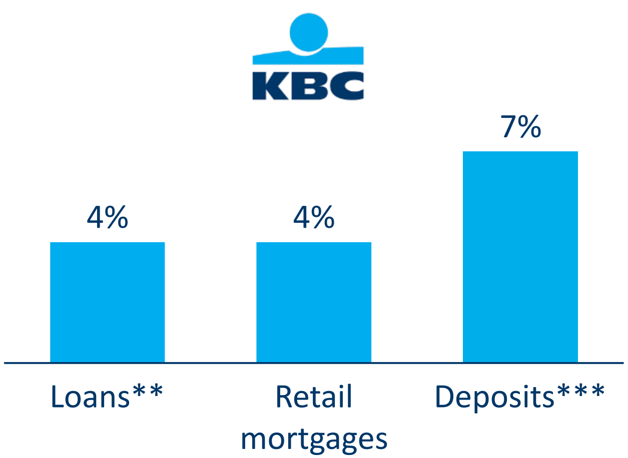
Balance sheet

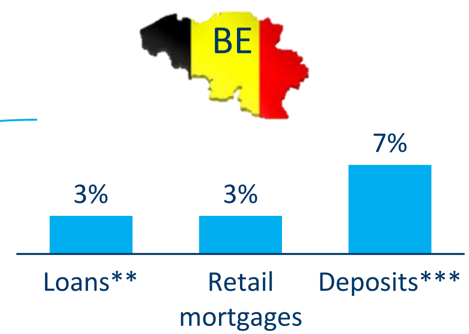
KBC Group consolidated at the end of June 2020

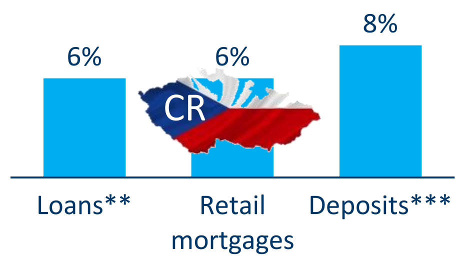


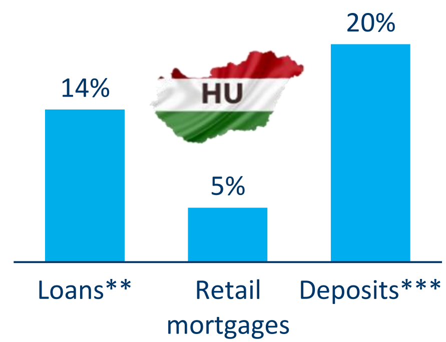
Balance sheet:
Loans and deposits continue to grow in all countries

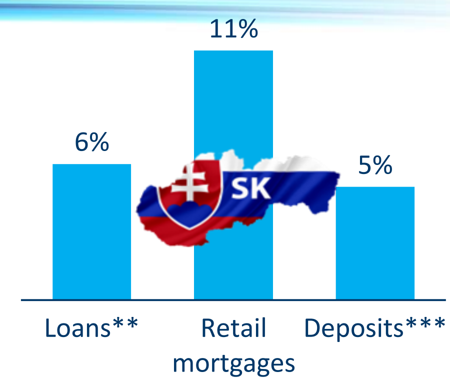
Y-O-Y ORGANIC* VOLUME GROWTH

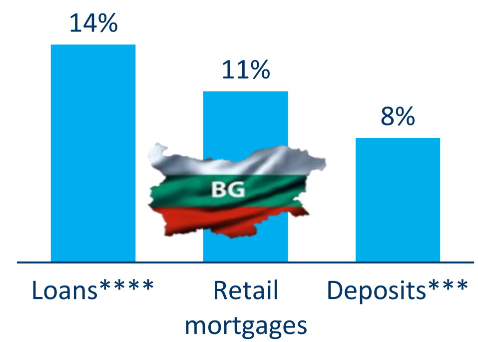


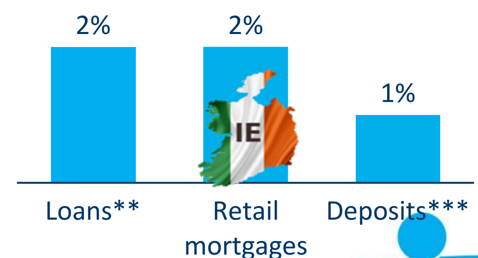






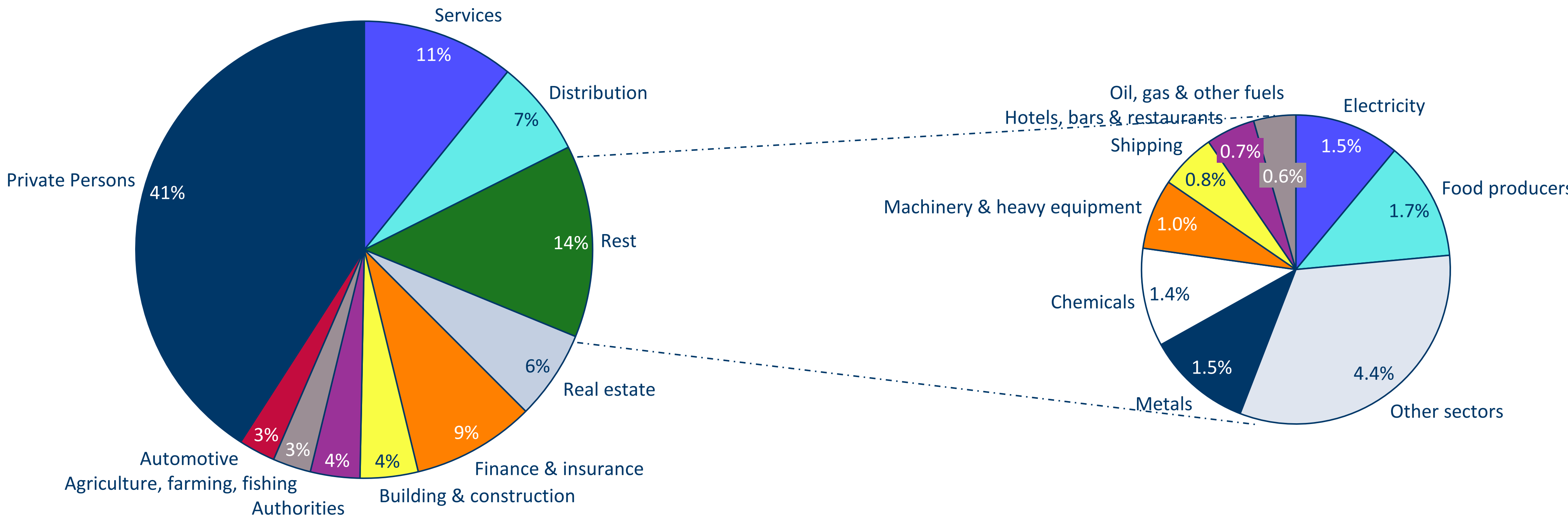






* Volume growth excluding FX effects, divestments/acquisitions and collective covid-19 ECL
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos
**** Total customer loans in Bulgaria: new bank portfolio +15% y-o-y, while legacy -22% y-o-y

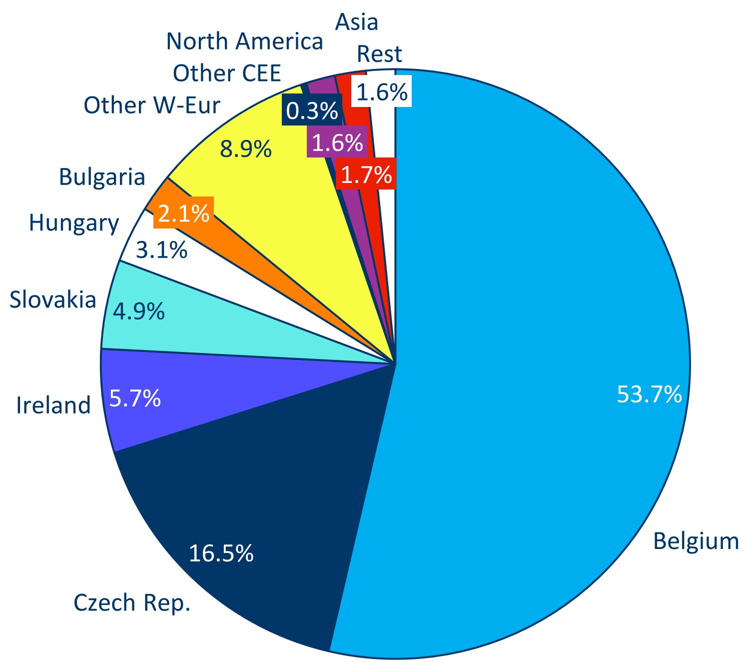
Sectorial breakdown of outstanding loan portfolio (1) (179bn EUR*) of KBC Bank Consolidated



* 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) (179bn EUR*) of KBC Bank Consolidated



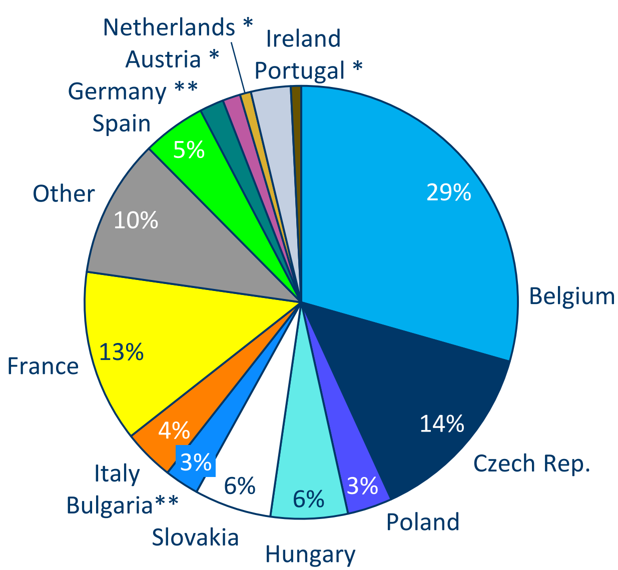
* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are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

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

Government bond portfolio – Notional value

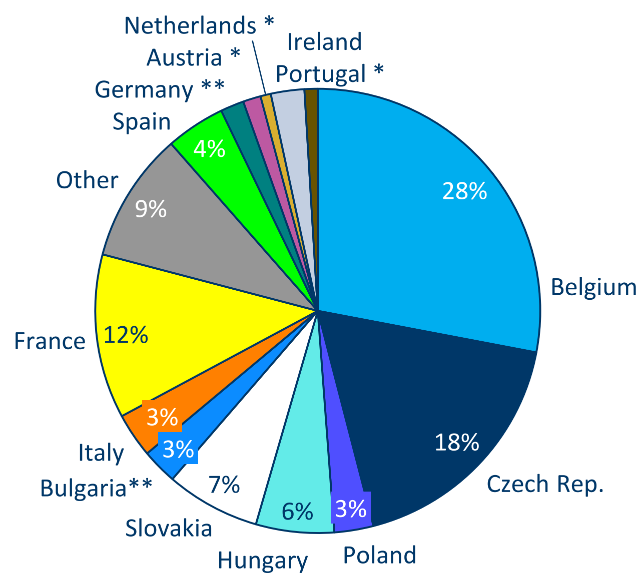
- Notional investment of 50.5bn EUR in government bonds (excl. trading book) at end of 1H20, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.5bn EUR at the end of 1H20

END OF FY19
(Notional value of 46.1bn EUR)



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

END OF 1H20
(Notional value of 50.5bn EUR)

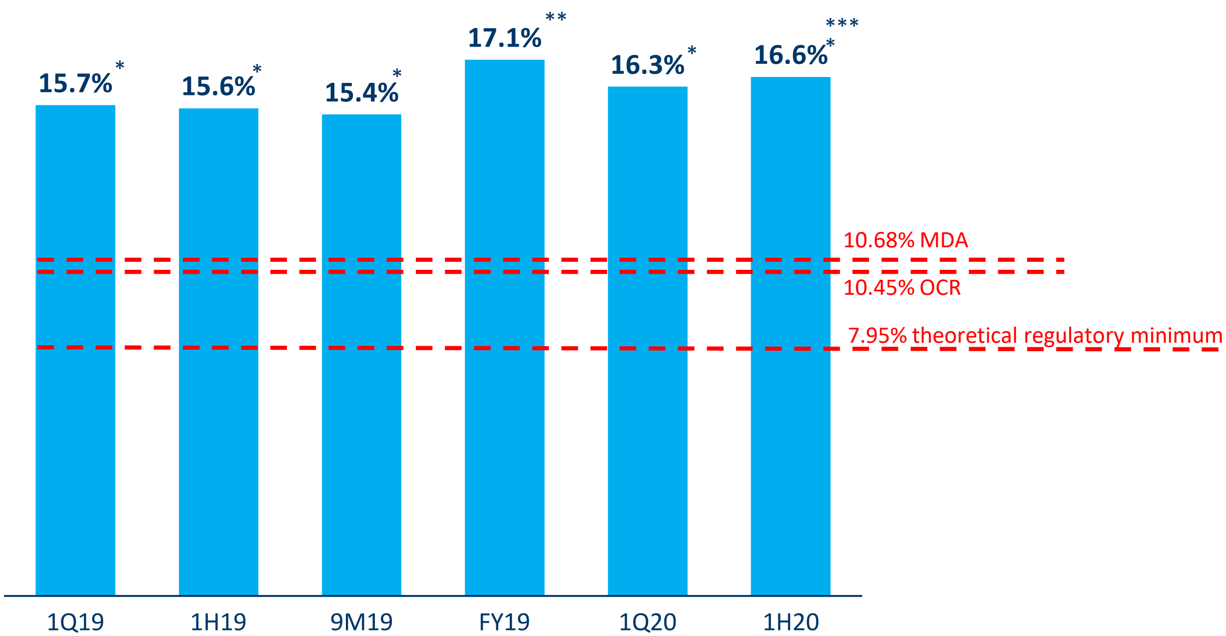


(*) 1%, (**) 2%

Contents

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

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

*** The impact of transitional was limited to 2 bps at the end of 1H20 as there was no profit reservation. At year-end 2020, the impact of the application of the transitional measures is expected to result in a positive impact on CET1 of 52 bps compared to fully loaded

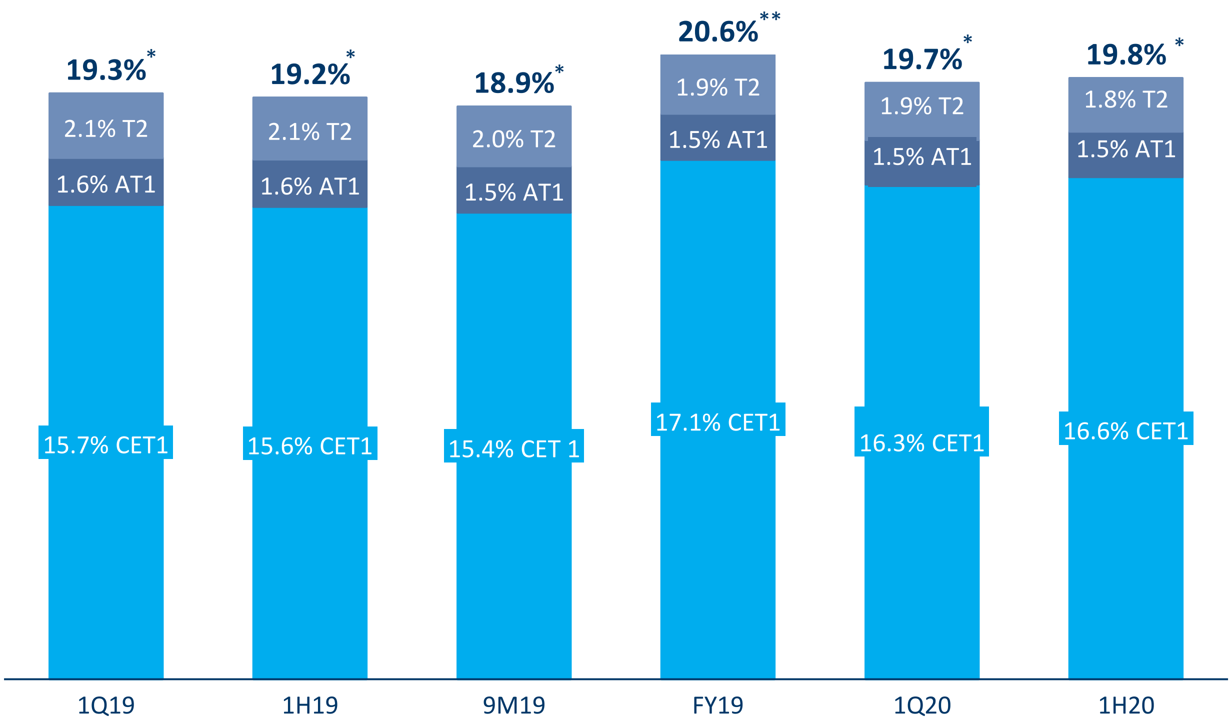
Total distributable items (under Belgian GAAP) KBC Group 10.6bn EUR at 1H 2020, of which:

- available reserves: 949m
- accumulated profits: 8 192m

- **The fully loaded common equity ratio amounted to 16.6%** at the end of 1H20 based on the Danish Compromise
- KBC's CET1 ratio of 16.6% at the end of 1H20 represents a solid capital buffer:
  - **8.6% capital buffer compared with the current theoretical minimum capital requirement of 7.95%** (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - **6.1% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45%** (which still includes the 2.50% capital conservation buffer on top of the 7.95%)
  - **5.9% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.68%** (given small shortfall in AT1 and T2 bucket)
- The q-o-q increase of the CET1 ratio was mainly the result of a RWA decrease. The RWA decrease of 2.1bn EUR was due mainly to the positive impact of the implementation of the extended SME supporting factor
- The difference between fully loaded CET1 ratio and the IFRS9 transitional CET1 ratio only amounted to 2 bps in 2Q20 ***

Strong capital position (2)

Fully loaded Basel 3 total capital ratio (Danish Compromise)

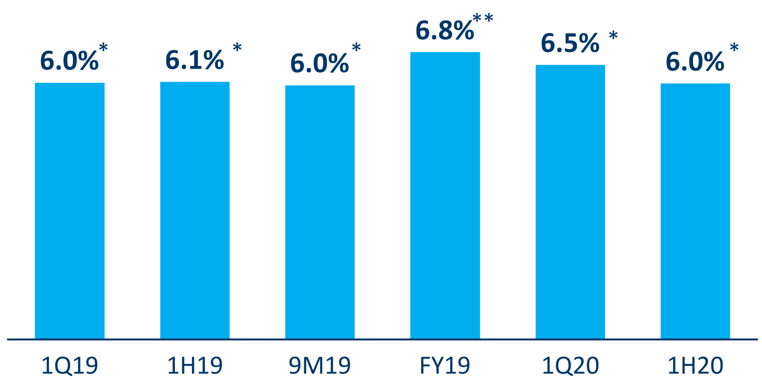


- **The fully loaded total capital ratio rose from 19.7% at the end of 1Q20 to 19.8% at the end of 1H20** due mainly to RWA decrease

* 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

Fully loaded Basel 3 leverage ratio and Solvency II ratio

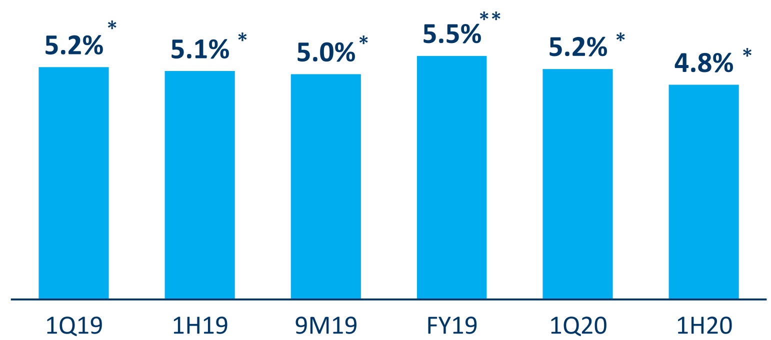
Fully loaded Basel 3 leverage ratio at KBC Group



* No IFRS interim profit recognition given more stringent ECB approach

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

Fully loaded Basel 3 leverage ratio at KBC Bank



* No IFRS interim profit recognition given more stringent ECB approach

** Taking into account the adjustment of the final dividend over 2019

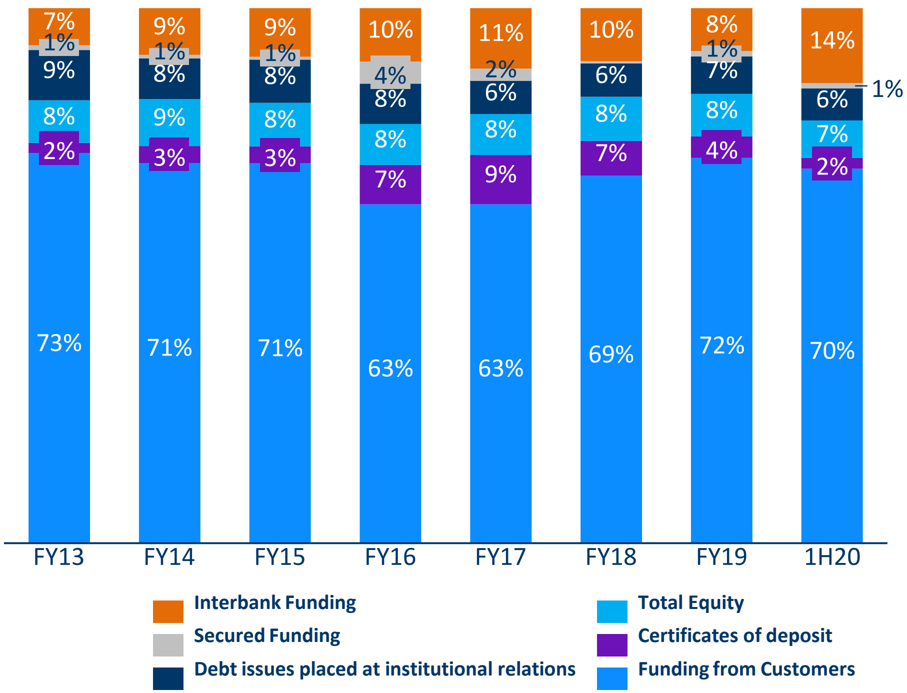
Solvency II ratio

	1Q20	1H20
Solvency II ratio	212%	198%

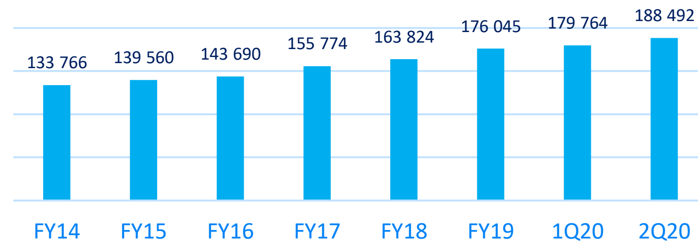
- The q-o-q delta in the Solvency II ratio was mainly driven by lower compensating effects of volatility and symmetric adjustments and decrease in interest rates

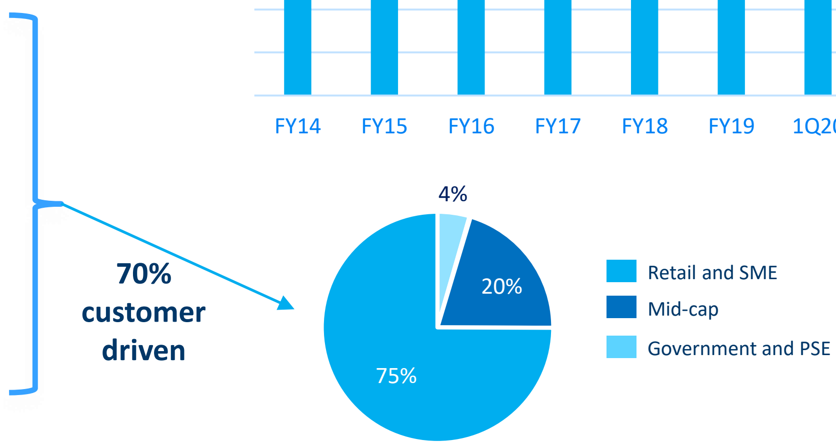
Strong customer funding base with liquidity ratios remaining very strong

- 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
- KBC Bank **participated to the TLTRO III transaction for an amount of 19.5bn EUR in June** (bringing the total TLTRO exposure to 21.9bn EUR), which significantly increased its funding mix proportion and is reflected in the 'Interbank Funding' item below



Funding from customers (m EUR) of KBC Banking Group



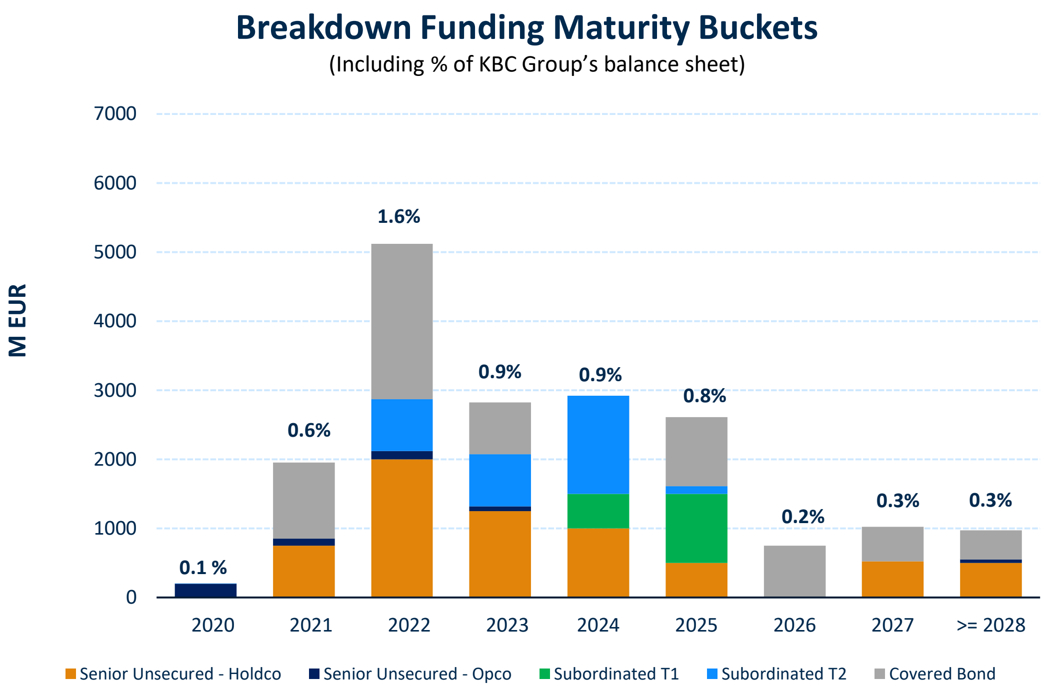


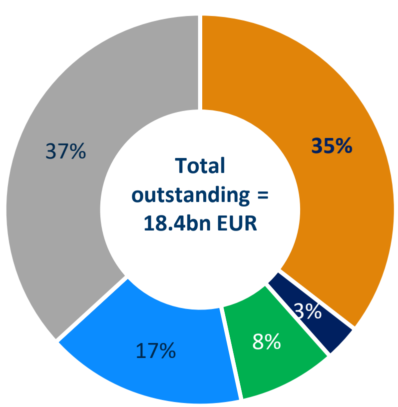
Ratios	FY19	1H20	Regulatory requirement
NSFR*	136%	142%	≥100%
LCR**	138%	136%	≥100%

- **NSFR is at 142% and LCR is at 136% by the end of 1H20**
  - 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.*

Upcoming mid-term funding maturities





- In December 2019, KBC Bank NV decided to early repay the remaining part of the TLTRO II (i.e. 2.545bn EUR) and entered into the TLTRO III for 2.5bn EUR
- In May 2020, KBC Bank issued a covered bond for an amount of 1bn EUR with a 5.5 year maturity
- In June 2020, KBC Group issued its second Green senior benchmark for an amount of 500m EUR with a 7 year maturity with call date after 6 years
- In June 2020, KBC Bank participated in TLTRO III for an amount of 19.5bn EUR, which brings the total TLTRO exposure to 21.9bn EUR maturing in 2023

- KBC Bank has 6 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Covered bonds
  - Structured notes and covered bonds using the private placement format
  - Senior unsecured, T1 and T2 capital instruments issued at KBC Group level and down-streamed to KBC Bank

KBC has strong buffers cushioning Sr. debt at all levels (1H 2020)

KBC Group

Senior
5 771

Tier 2
2 179

Additional Tier 1
1 500

CET1 (fully loaded)
16 636

Buffer for Sr. level 20.3 bn EUR

KBC Bank

Subordinated on loan by KBC Group
5 771

Tier 2
195 | 1 680

Additional Tier 1
1 500

CET1 (fully loaded)
12 893

Buffer for Sr. level 21.8bn EUR

KBC Insurance

Tier 2
500

Parent shareholders equity
3 354

Legacy T2 issued by KBC Bank will disappear over time

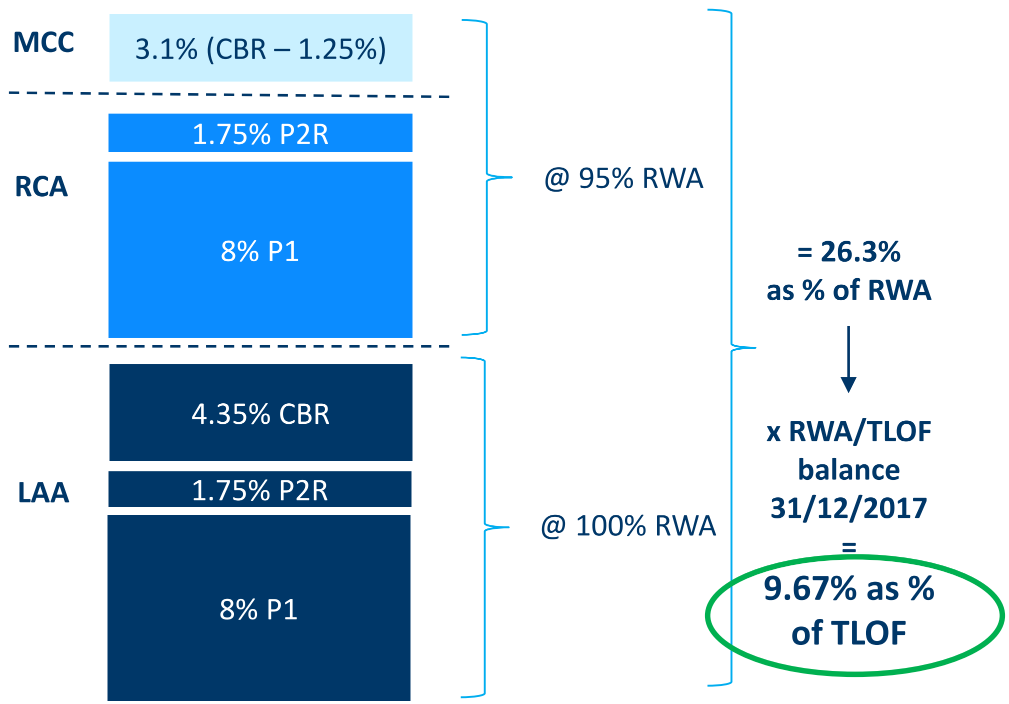
nominal amounts in million EUR

KBC complies with resolution requirements

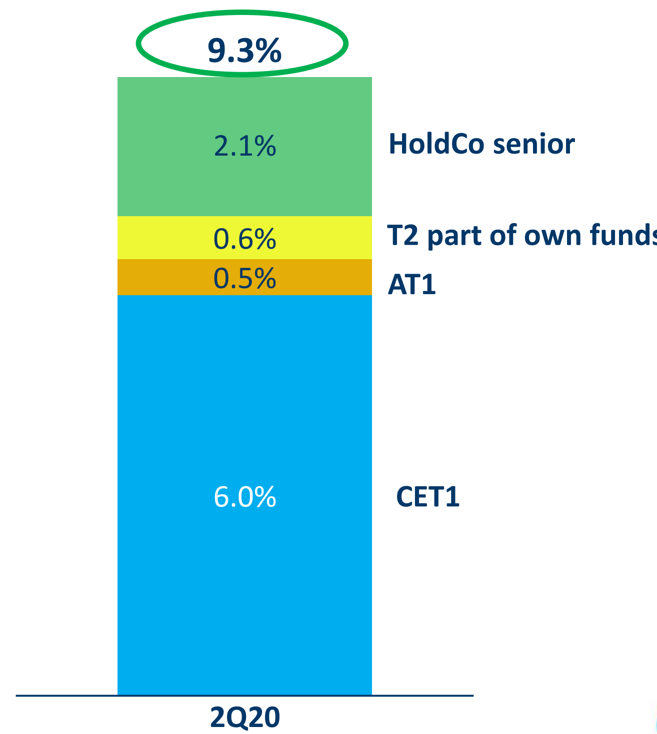
MREL target applicable as from 31-12-2021

- ✓ 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
- ✓ SRB's currently applicable approach to **MREL** is defined in the '2018 SRB Policy for the 2nd wave of resolution plans' published on 16 January 2019, which is based on the current legal framework (BRRD 1)
- ✓ The **actual binding target is 9.67% as % of TLOF** as from 31-12-2021

MREL target = 9.67% as % of TLOF



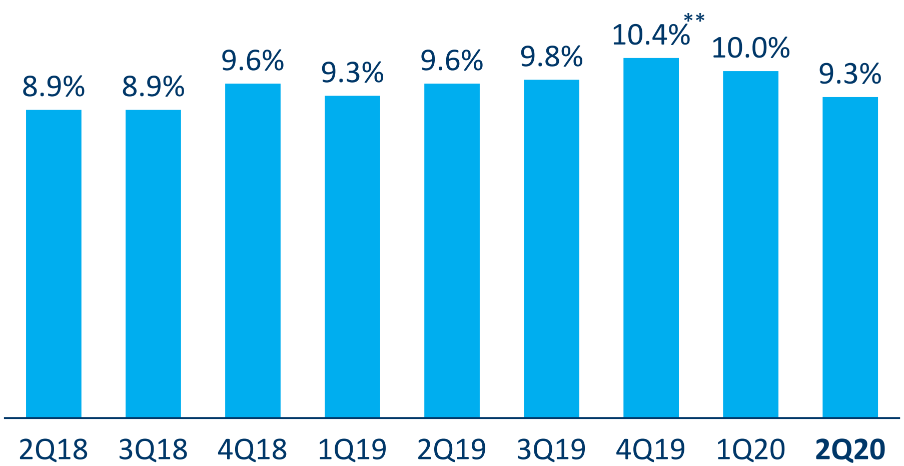
Actual in % of TLOF



TLOF Total Liabilities and Own Funds
LAA **L**oss **A**bsorbing **A**mount
RCA **R**e**C**apitalisation **A**mount
MCC **M**arket **C**onfidence **C**harge
CBR **C**ombined **B**uffer **R**equirement = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + countercyclical buffer (0.15% in previous target; 0.35% in revised target)

Available MREL (fully loaded) as a % of TLOF

Available MREL (*) as a % of TLOF (fully loaded)



- The q-o-q decrease of MREL as a % of TLOF can be fully explained by the participation in TLTRO III for an amount of 19.5bn EUR in June 2020. Excluding this, MREL would have amounted to 10.0%

*Hybrid approach

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

Latest credit ratings

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

Latest updates triggered by the COVID-19 pandemic:

- *23 Apr 2020:* S&P revised KBC Group and KBC Insurance outlook to negative. The outlook for KBC Bank remains Stable because of the substantial buffers of already existing bail-in-able debt.
- *30 Mar 2020*: Fitch revised KBC Group and KBC Bank outlook to negative. Next to that, driven by methodology changes, Fitch downgraded Tier 2 debt by one notch to 'BBB+ and upgraded AT1 debt by one notch to 'BBB-'.

Contents

COVID-19 (1/9)

Commitment towards our stakeholders

Safety & continuity

- All principles of health & safety in line with local government recommendations
- Vast majority of staff worked remotely during lockdown. In the meanwhile, partial return of staff on premise (split teams (remote/on premise) to ensure continuity)
- Dedicated crisis team
- Continuous Covid-19 communication update (such as social distancing instructions) via different information channels
- Cancellation of all travel & events

Digital is the new normal

- During lockdown, our customers switched in large numbers to digital channels
- The digital share of total product sales hit record levels in our six core countries
- Growth in % of customers who have at least one of our digital apps in all age categories, but exceptionally strong growth among customers of > 55 years

Digital boost in different core markets

- New additional services in KBC Mobile (Belgium), such as those for purchasing film tickets and for topping up call credit, transport solutions like renting of a shared car and the launch of 'Goal Alert' (where customers and non-customers of KBC, will be able to watch the goals, action replays and highlights of the weekend's football matches in Belgium). For insured victims of a physical accident (private individuals), it is now also possible to upload their medical expenses online and to follow-up the status of the processing of their claims digitally
- UBB Interlease was the first leasing company in Bulgaria to introduce fully digital front office activities and the digital signing of lease contracts a month before the Covid-19 outbreak. Customers welcomed the digital service and 24% of all leasing contracts have already been signed remotely since the start of May
- KBC Bank Ireland experimented with an innovative way to interact with (potential) customers remotely. Live webinars are organised where customers are informed about the process of buying, financing and insuring a house. Customers can ask questions live and book appointments. The first of its kind in Ireland with 1,300 registrations (via social media)

COVID-19 (2/9)

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

Deferral of payments

Belgium

Opt-in: 3 months for consumer finance , 6-9 months for mortgages and non-retail loans, (maximum until 31 Oct 2020 and can be extended to 31 Dec 2020)

- 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, 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 (-11m EUR booked in 2Q)

Czech Republic

Opt-in: 3 or 6 months

- 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 has to be paid in the last instalment, resulting in a modification loss for the bank (-5m EUR, booked in 2Q)
- For consumer loans, the interest during the deferral period cannot exceed 2-week repo rate + 8%

Hungary

Opt-out: a blanket moratorium until 31 Dec 2020

- Applicable for retail and non-retail
- Deferral of principal and interest payments
- Interest is accrued over deferral period, but unpaid interest cannot be capitalised and must be collected on a linear way during the remaining (extended) lifetime. This results in a modification loss for the bank (-18m EUR booked in 1Q; revised to -11m EUR in 2Q based on the actual opt-out ratio)

Guarantee Scheme & liquidity assistance

Belgium

- **A state guarantee scheme** up to 40bn EUR to cover losses incurred on future non-retail loans granted before 30 Sep 2020 to viable companies, with a tenor of maximum 12 months and with maximum interest 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** up to 10bn EUR has been offered to cover losses on future SME loans granted before 31 Dec 2020, with a tenor between 1 and 3 years and with maximum interest of 2%. Guarantee covers 80% on all losses

Czech Republic

- The **Czech-Moravian Guarantee and Development (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)
- **The Export Guarantee and Insurance Cooperation (EGAP)** under its COVID Plus program offers guarantees on loans provided by commercial banks. EGAP guarantees 70% to 80% of the loan amount, depending on the rating of the debtor. The program is aimed at companies for 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 tenor 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 at 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

COVID-19 (3/9)

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

Deferral of payments

Slovakia

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

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

Bulgaria

Opt-in: 6 months (until 31 Mar 2021 at the latest)

- Applicable for retail and non-retail
- Deferral of principal and interest payments
- In case of principal deferral only, tenor is extended with 6 months
- Interest is accrued over deferral period and is payable in 12 months (consumer and non-retail) or 60 months (mortgages) in equal instalments

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 payments for up to 6 months (with revision after 3 months) for mortgages & consumer finance and 3 months for business banking
- Option for customers to extend their loan term by up to 6 months to match payment break term
- Interest is accrued over the deferral period

Guarantee Scheme & liquidity assistance

Slovakia

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

Bulgaria

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

Ireland

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

COVID-19 (4/9)

IFRS 9 scenarios

OPTIMISTIC SCENARIO	**BASE-CASE SCENARIO**	PESSIMISTIC SCENARIO
Virus spread quickly and definitively brought under control, with no further risk of future lockdowns, fast decline in number of cases	Virus spread and impact under control without additional extensive lockdown measures	Spread continues until vaccination becomes available, with partial or full lockdowns
Steep and steady recovery from 3Q20 onwards with a fast return to pre-Covid-19 activity levels	More moderate, but still steady recovery from 3Q20 onwards with a recovery to pre-Covid-19 activity levels by end 2023	Longer term stagnation and negative growth, with unsteady recovery path
Sharp, short V pattern	Pronounced V/U-pattern	More L-like pattern, with right leg only slowly increasing

- Despite a gradual lifting of lockdown measures in many countries, there remains substantial uncertainty about the economic impact of the precautionary lockdown measures as well as about the policy reactions to mitigate the impact of the crisis
- 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 remains approximately the same as in the previous quarter, but we are assigning the following probabilities: **45% for the base-case scenario, 40% for the pessimistic and 15% for the optimistic scenario**
- We have revised up euro area GDP growth for 2020 to -9.6% and, mechanically, this less negative outcome for 2020 translates into a downward revision of 2021 growth to 6.2%

Macroeconomic scenarios*

June 2020

Real GDP growth	2020			2021			2022		
	Optimistic	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Euro area	-6.0%	-9.6%	-14.0%	6.5%	6.2%	-3.2%	1.3%	1.2%	5.0%
Belgium	-5.0%	-9.5%	-13.2%	6.0%	5.7%	-3.2%	1.3%	1.3%	5.0%
Czech Republic	-5.0%	-10.0%	-15.0%	4.0%	6.0%	3.0%	2.5%	3.5%	2.7%
Hungary	-3.0%	-6.2%	-10.0%	4.0%	5.0%	4.0%	3.5%	3.5%	3.5%
Slovakia	-5.0%	-10.0%	-14.0%	4.5%	7.0%	1.5%	2.6%	4.5%	2.5%
Bulgaria	-4.0%	-8.0%	-12.0%	3.0%	5.0%	4.0%	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%

- *The macro-economic information is based on the economic situation in June 2020 and hence do not yet reflect the official macroeconomic figures for 2020Q2 as reported by different authorities*

COVID-19 (5/9)

IFRS 9 scenarios

Macroeconomic scenarios

June 2020

Unemployment rate	2020			2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	5.9%	7.2%	10.0%	5.8%	7.6%	12.0%	5.6%	6.9%	9.5%
Czech Republic	3.1%	5.2%	7.0%	3.5%	5.7%	7.1%	3.0%	4.6%	7.6%
Hungary	4.8%	6.4%	9.0%	4.2%	5.6%	7.5%	4.0%	4.8%	5.9%
Slovakia	8.0%	9.0%	12.0%	9.2%	10.5%	13.0%	7.7%	8.0%	14.0%
Bulgaria	6.0%	8.0%	11.0%	4.1%	10.0%	13.0%	4.2%	7.0%	12.0%
Ireland	8.2%	11.0%	20.0%	6.1%	7.0%	16.0%	5.1%	6.0%	10.0%

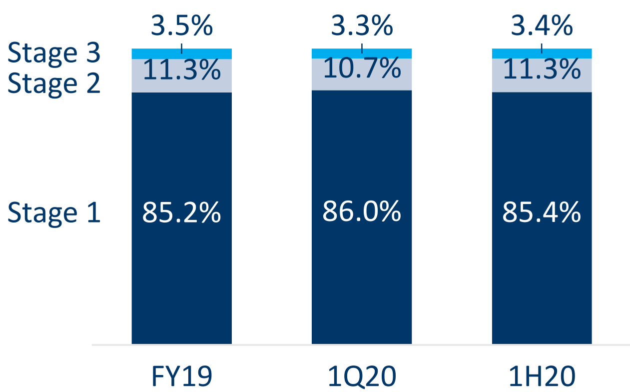
House-price index	2020			2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	-1.0%	-3.0%	-6.0%	0.0%	-2.0%	-4.0%	1.5%	1.0%	-1.0%
Czech Republic	0.0%	-2.0%	-4.0%	-0.8%	-3.5%	-6.0%	2.0%	2.0%	0.0%
Hungary	-1.0%	-5.0%	-7.5%	0.0%	-3.0%	-5.0%	2.5%	2.0%	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 (6/9)
Stress assumptions applied

Loan portfolio*:

(in billions of EUR)	YE19	1Q20	1H20
Portfolio outstanding	**175**	**180**	**179**
Retail	42%	40%	41%
of which mortgages	38%	37%	38%
of which consumer finance	3%	3%	3%
SME	22%	21%	21%
Corporate	37%	39%	38%

Total loan portfolio by IFRS 9 ECL stage *



- As in the first quarter, our Expected Credit Loss (ECL) models were not able to adequately reflect all the specificities of the Covid-19 crisis nor 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 has been performed via a **management overlay**
- In the first quarter, this exercise was performed for a certain number of (sub)sectors. Driven by significant uncertainty about how the virus would spread, the extent of the consequential lockdown measures and the government response to the economic instability. The significant uncertainty still exists, especially around the possibility and timing of resurgence of the virus or even a return in several waves, but the widespread extent of the economic crunch has become clearer. **Therefore, the scope of the management overlay has been expanded to include all sectors of our corporate and SME portfolio as well as our retail portfolio**
- To be consistent with optimistic and pessimistic scenarios we applied the following stress-assumptions to the performing and non- performing portfolio by the end of June 2020 :

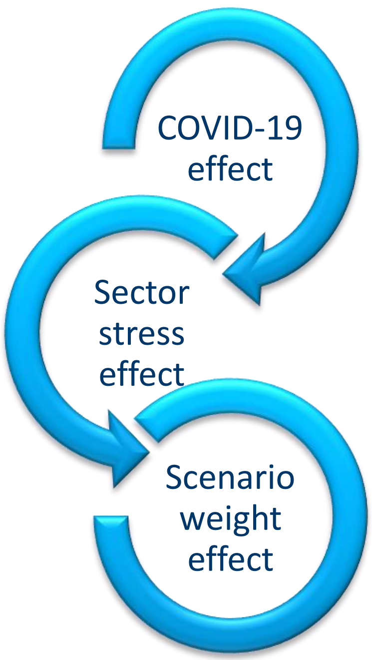
Existing performing portfolio	• **A 3-step methodology has been applied** *(see next slide)* • In line with ECB/ESMA/EBA guidance, any general government measure has not led to an automatic staging
Existing non-performing portfolio	• An additional impact assessment was performed on a portfolio basis for the **stage 3 collective exposures** based on expert judgement • Additional impairments due to Covid-19 on **individually assessed** stage 3 loans are already included in P&L impairments and thus not included in the management overlay

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

COVID-19 (7/9)

Stress methodology applied on the performing portfolio

3-step approach to estimate additional Covid-19 impact on the performing portfolio :



Step 1: Covid-19 stress

On the **performing portfolio** we applied an expert-based stress migration matrix* linked to the macro forecast for end June 2020. After doing so, a certain portion of the portfolio moved to inferior PD rating classes or default, a certain portion remained unchanged and a minor portion improved. As such, we obtain an estimate of the **Covid-19 ECL** (Expected Credit Loss) according to our **base-case scenario** (versus the normal through-the-cycle migration matrix)

Step 2: Additional sector stress effect

The COVID-19 ECL generated by the migration matrix, was further refined by taking a **sectoral stress effect into account.** The purpose of this step is to reflect the fact that some sectors will be more heavily affected than others, something which had not been included in the migration matrices.

All exposures in the SME and Corporate portfolio were classified as high, medium or low risk based on the expected impact of the Covid-19 crisis on the sector affected (for Mortgages and Consumer finance, no sectoral stress was applied). Based on this classification, the following weights have been applied to the ECL impact: 150% for high risk sectors, 100% for medium risk sectors and 50% for low risk sectors *(see more details on next slide)*. This resulted in a **sector-driven Covid-19 base-case ECL** following the base-case scenario

Step 3: Application of scenario weight

To define the **collective Covid-19** impact, under an optimistic and pessimistic scenario, a scaling factor was applied on the estimated sector-driven Covid-19 base-case ECL. The final overlay was determined by weighting the Covid-19 ECL under the three scenarios with the following weights: 45% for the base-case, 15% for the optimistic and 40% for the pessimistic scenario (*see more details on next slide)*

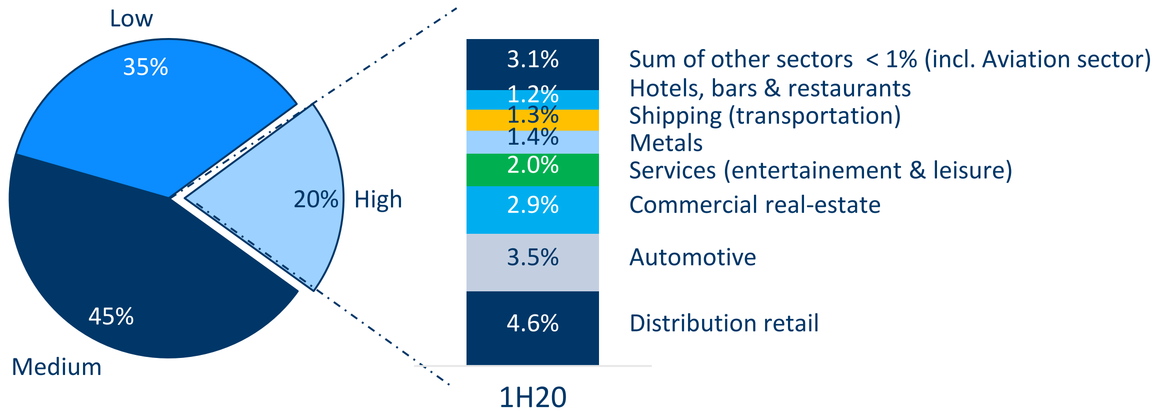
** The migration matrix is defined per country and per segment*

KBC

COVID-19 (8/9)

Details of the collective Covid-19 ECL

SME & Corporate loan portfolio* of 106bn EUR split by Covid-19 sector sensitivity:



Some details on the composition of 'other sectors < 1%':

- The aviation sector was fully assigned as high risk sector, but with limited share of 0.3%
- The sector of exploration and production of oil, gas & other fuels was fully allocated as high risk sector, but with limited share of 0.2%

The construction sector was defined as medium risk, due to limited interruption, was one of the first sectors to restart and also temporary unemployment cover foreseen by the Belgian government

Sector-driven Covid-19 ECL (base-case scenario):

KBC Group	Performing portfolio				
EUR m	*High risk sectors 150%*	*Medium risk sectors 100%*	*Low risk sectors 50%*	*Mortgages & other retail*	TOTAL
Base-case scenario	**175**	**244**	**68**	**124**	**611**
Optimistic scenario	146	200	52	86	484
Pessimistic scenario	248	337	96	189	870

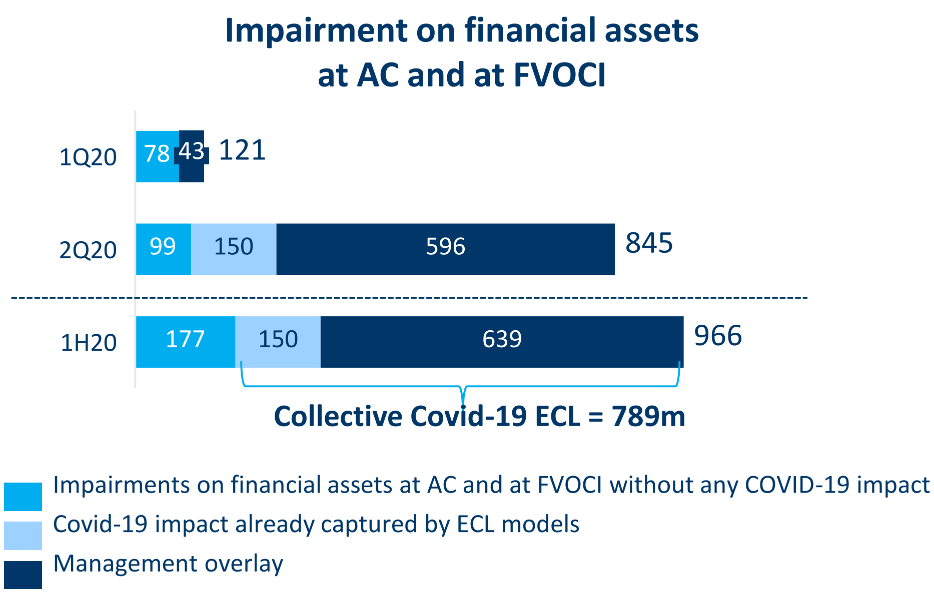
Collective Covid-19 ECL per country:

	Performing portfolio				Non-Performing portfolio	Total 1H20	2Q20	1Q20
EUR m	*Optimistic* 15%	*Base* *45%*	*Pessimistic* *40%*	Probability weigthed				
KBC Group	**484**	**611**	**870**	**696**	**93**	**789**	**746**	**43**
By country:								
Belgium	285	355	478	393	20	413	378	35
Czech Republic	103	129	186	148	10	158	152	6
Slovakia	30	34	50	40	0	40	39	1
Hungary	37	48	69	55	0	55	54	1
Bulgaria	5	14	19	15	13	28	28	n/a
Ireland	24	32	68	45	50	95	95	n/a

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

COVID-19 (9/9)

Impact of the collective Covid-19 ECL



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

** No annualisation of the Collective Covid-19 ECL*

- The 3-step stress approach to the performing portfolio and the additional impact assessment of the non-performing portfolio **resulted in a total collective Covid-19 ECL of 789m EUR in 1H20, of which:**
  - a 43m EUR management overlay was booked in 1Q20
  - a 596m EUR management overlay was booked in 2Q20
  - the ECL models captured an impact of 150m EUR in 2Q20 through the updated macroeconomic variables used in the calculation
- The total collective Covid-19 ECL of 789m EUR in 1H20 consists of 7% stage 1, 81% stage 2 and 12% stage 3 impairments
- Including the collective Covid-19 ECL, the Credit Cost Ratio amounted to 0.64% in 1H20
- We are reiterating our estimate for **FY20 impairments** (on financial assets at AC and at FVOCI) at **roughly 1.1bn EUR** as a result of the coronavirus pandemic. 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, and the unknown number of customers who will call upon these mitigating actions, we estimate the FY20 impairments to range between roughly 0.8bn EUR (optimistic scenario) and roughly 1.6bn EUR (pessimistic scenario)

Amounts in m EUR

Contents

KBC’s covered bond programme

Residential mortgage covered bond programme

The covered bond programme is considered as an important funding tool for the treasury department.
KBC’s intentions are to be a frequent benchmark issuer if markets and funding plan permit.

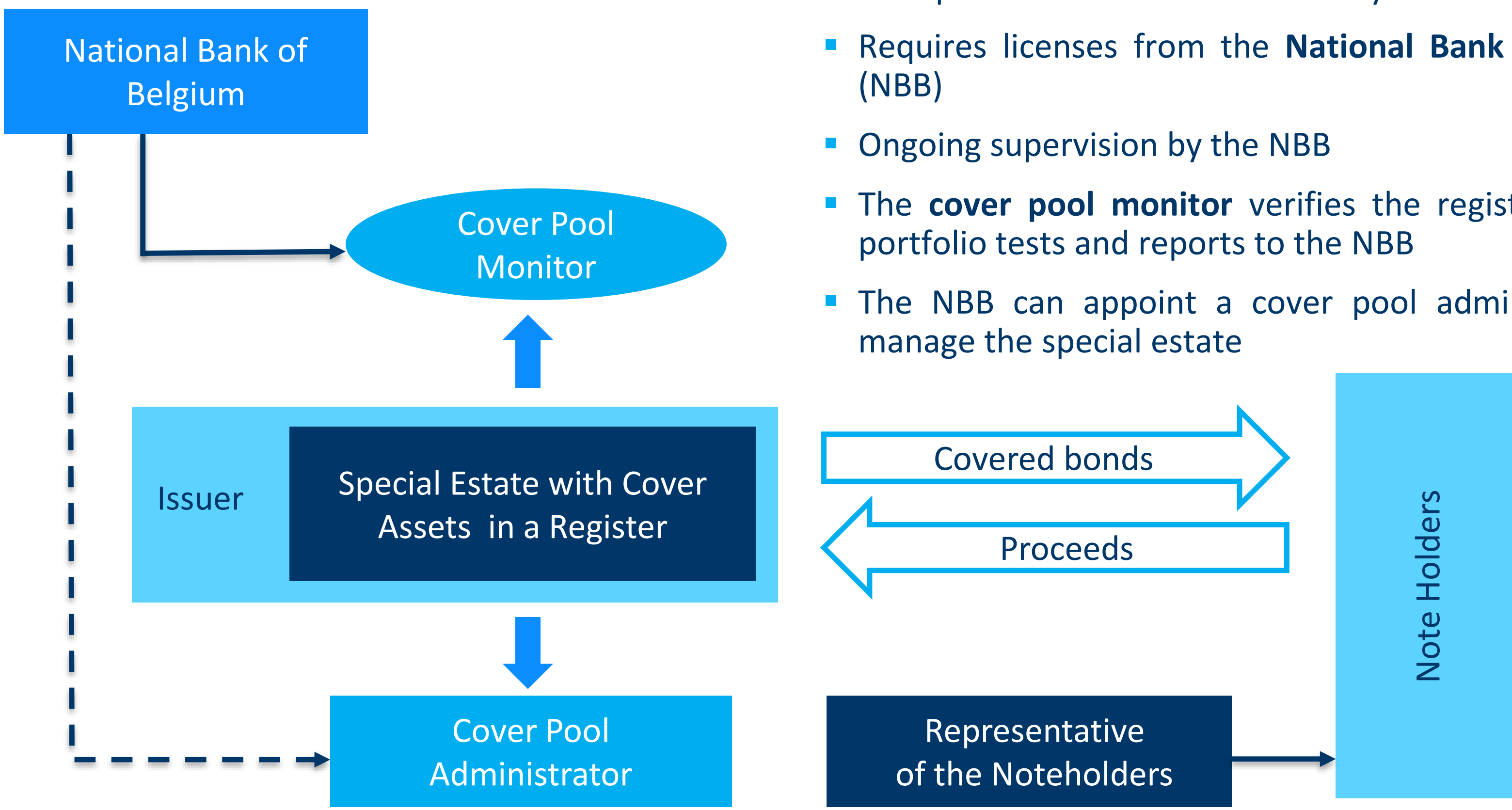
Issuer:	• KBC Bank NV
Main asset category:	• min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon
Programme size:	• **17,5bn EUR** • **Outstanding amount of 12,77bn EUR as of 30/6/2020**
Interest rate:	• Fixed rate, floating rate or zero coupon
Maturity:	• Soft bullet: payment of the principal amount may be deferred past the final maturity date until the **extended final maturity date** if the issuer fails to pay • Extension period is 12 months for all series
Events of default:	• Failure to pay any amount of principal on the extended final maturity date • A default in the payment of an amount of interest on any interest payment date
Rating agencies:	• Moody’s Aaa / Fitch AAA

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

KBC's covered bond programme

Belgian legal framework

- Direct covered bond issuance from a bank's balance sheet
- Dual recourse, including recourse to a special estate with cover assets included in a register
- The special estate is not affected by a bank's insolvency
- Requires licenses from the **National Bank of Belgium** (NBB)
- Ongoing supervision by the NBB
- The **cover pool monitor** verifies the register and the portfolio tests and reports to the NBB
- The NBB can appoint a cover pool administrator to manage the special estate



KBC's covered bond programme

Strong legal protection mechanisms

1 Collateral type

- The value of one asset category must be at least 85% of the nominal amount of covered bonds
  - KBC Bank selects residential mortgage loans and commits that their value (including collections) will be at least 105%

2 Over-collateralisation Test

- The value of the cover assets must at least be 105% of the covered bonds
  - The value of residential mortgage loans:
    1) is limited to 80% LTV
    2) must be fully covered by a mortgage inscription (min 60%) plus a mortgage mandate (max 40%)
    3) 30 day overdue loans get a 50% haircut and 90 days (or defaulted) get zero value

3 Cover Asset Coverage Test

- The sum of interest, principal and other revenues of the cover assets must at least be the interest, principal and costs relating to the covered bonds
  - Interest rates are stressed by plus and minus 2% for this test

4 Liquidity Test

- Cover assets must generate sufficient liquidity or include enough liquid assets to pay all unconditional payments on the covered bonds falling due the next 6 months
  - Interest rates are stressed by plus and minus 2% for this test

5 Cap on Issuance

- Maximum 12,5% of a bank's assets can be used for the issuance of covered bonds (temporary increase)

KBC's covered bond programme

Cover pool

- **COVER POOL: BELGIAN RESIDENTIAL MORTGAGE LOANS**
  - Exclusively, this is selected as main asset category
  - Value (including collections) at least 105% of the outstanding covered bonds
  - Branch originated prime residential mortgages predominantly out of Flanders
  - Selected cover asset have low average LTV (66%) and high seasoning (49 months)

- **KBC HAS A DISCIPLINED ORIGINATION POLICY**
  - 2009 to 2019 residential mortgage loan losses below 4 bp
  - Arrears in Belgium approx. stable over the past 10 years:
    - (i) Cultural aspects, stigma associated with arrears, importance attached to owning one's property
    - (ii) High home ownership also implies that the change in house prices itself has limited impact on loan performance
    - (iii) Well established credit bureau, surrounding legislation and positive property market

Contents

Sustainability
Introduction to KBC's Green Bonds

Rationale: enhancing the KBC sustainability strategy

- KBC is convinced that the financial industry has a key role to play in the transition to a low carbon economy and is willing to contribute to the development of a sustainable financial market
- Green funding provides an opportunity to KBC Bank to further enhance its ability to finance the green projects of its clients and to mobilise all its stakeholders around this objective

KBC Green Bond Framework

- KBC is implementing a comprehensive sustainability bond strategy to support the development of the Green Bond markets in Belgium and Europe
- KBC Green Bonds can be issued under the KBC Green Bond Framework via KBC Group NV, KBC Bank NV or any of its other subsidiaries
- In case of Green Bonds issued at the holding company level (KBC Group NV), KBC will allocate an equivalent amount of the proceeds to KBC Bank or its subsidiaries where the Eligible Assets are located
- The KBC Green Bond Framework is intended to accommodate secured and unsecured transactions in various formats and currencies

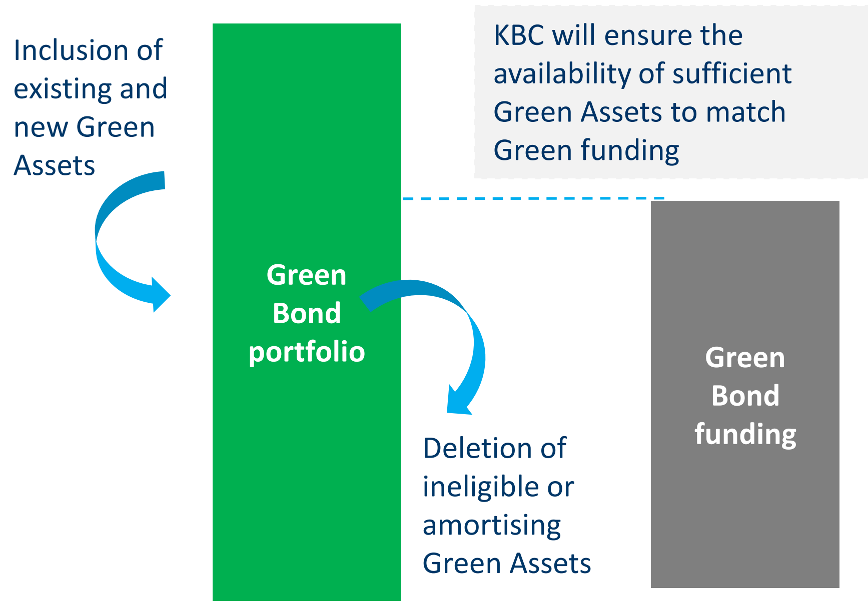
Aligned with best practices and market developments

- The KBC Green Bond Framework is in line with the Green Bond Principles (2017)
- Second party opinion provided by Sustainalytics and Pre-issuance- certification by the Climate Bonds Initiative
- KBC intends to align its Green Bond Framework with emerging good practices, such as a potential European Green Bond Standard or other forthcoming regulatory requirements and guidelines
- For latest impact report we refer to the KBC.COM website: *https://www.kbc.com/en/kbc-green-bond*

Sustainability

Green bonds

KBC GREEN PORTFOLIO APPROACH



- In the context of the Green Bond, KBC allocated the proceeds to two green asset categories: **renewable energy** (share of 50%) and **residential real-estate loans** (share of 50%).
- For future transactions, in cooperation with the relevant business teams, KBC aims to capture more green assets from other categories and expand the green eligibility to more business lines and clients.

Certification

- The Climate Bonds Standard Board approved the certification of the KBC Green Bonds

Verification

- One year after issuance and until maturity, a limited assurance report on the allocation of the Green Bond proceeds to Eligible Assets to be provided by an external auditor
- Latest impact report March 2020 available on KBC.COM website: *https://www.kbc.com/en/kbc-green-bond*

Contents

Looking forward

Economic outlook

- Our base scenario assumes a steady, but gradual recovery path in Europe as well as in the US. In 2020, the European and US economy will face a strong recovery in Q3 and Q4, and this will be continued in 2021. However, risks are tilted to the downside. New virus outbreaks followed by partial or full lockdowns may temporarily disrupt the recovery path. We expect European unemployment rates to go up in the second half of 2020 as well as in 2021. Main other risk factors include the US-China trade and economic conflict and the still ongoing Brexit negotiations. We expect euro area real GDP levels to recover to their pre-coronavirus levels by the end of 2023 at the earliest

Group guidance

- We are increasing our FY20 NII guidance from 4.3bn EUR to 4.4bn EUR ballpark figure
- Also our FY20 guidance for opex excluding bank taxes remains unchanged: roughly -3.5% y-o-y
- We are reiterating our estimate for FY20 impairments (on financial assets at AC and at FVOCI) at roughly 1.1bn EUR as a result of the coronavirus pandemic. 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, and the unknown number of customers who will call upon these mitigating actions, we estimate the FY20 impairments to range between roughly 0.8bn EUR (optimistic scenario) and roughly 1.6bn EUR (pessimistic scenario)
- So far, the impact of the coronavirus lockdown on digital sales, services and digital signing has been very positive. KBC is clearly benefiting from the digital transformation efforts made in the past
- B4 has been postponed by one year (as of 1 January 2023 instead of 2022)
- In line with the recent ECB recommendation, we cannot execute our normal dividend policy. As a consequence, no interim dividend will be paid out in November 2020
- We will provide a strategy update together with the 3Q20 results, while new long-term guidance as well as our capital deployment plan will be updated together with the FY20 results

Appendices

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

Annex 1 - Outstanding benchmarks

Overview till end of July 2020

Type	Issuer	Amount (in mio)	Maturity	coupon	ISIN	reset spread	Trigger	Level	Own funds	MREL
Additional Tier1										
AT1 24/04/2018	KBC Group	1 000 €	Perpetual	4,250%	BE0002592708	MS 5Y+ 359,4bps	temporary write-down	5,125%	☑	☑
AT1 10/03/2019	KBC Group	500 €	Perpetual	4,750%	BE0002638196	MS 5Y+ 468,9bps	temporary write-down	5,125%	☑	☑
Tier2: subordinated notes										
T2 11/03/2015	KBC Group	750 €	11/03/2027	1,875%	BE0002485606	MS 5Y+ 150bps	regulatory+ tax call		☑	☑
T2 18/09/2017	KBC Group	500 €	18/09/2029	1,625%	BE0002290592	MS 5Y+ 125bps	regulatory+ tax call		☑	☑
T2 03/09/2019	KBC Group	750 €	3/12/2029	0,500%	BE0002664457	MS 5Y+ 110bps	regulatory+ tax call		☑	☑

Senior						
Senior 26/06/2016	KBC Group	750 €	26/04/2021	1,000%	BE6286238561	☑
Senior 18/10/2016	KBC Group	750 €	18/10/2023	0,750%	BE0002266352	☑
Senior 01/03/2017	KBC Group	1 250 €	1/03/2022	0,750%	BE0002272418	☑
Senior 24/05/2017	KBC Group	750 €	24/11/2022	3M+0,55%	BE0002281500	☑
Senior 27/06/2018	KBC Group	500 €	27/06/2023	0,875%	BE0002602804	☑
Senior 07/02/2019	KBC Group	1 000 €	25/01/2024	1,125%	BE0002631126	☑
Senior 10/04/2019	KBC Group	500 €	10/04/2025	0,625%	BE0002645266	☑
Senior 24/01/2020	KBC Group	500 €	24/01/2030	0,750%	BE0002681626	☑
Senior 16/06/2020	KBC Group	500 €	16/06/2027	0,375%	BE0974365976	☑
Covered bonds						
CB 31/1/2013	KBC Bank	750 €	31/01/2023	2,000%	BE0002425974	
CB 22/1/2015	KBC Bank	1 000 €	22/01/2022	0,450%	BE0002482579	
CB 28/4/2015	KBC Bank	1 000 €	28/04/2021	0,125%	BE0002489640	
CB 1/3/2016	KBC Bank	1 250 €	1/09/2022	0,375%	BE0002498732	
CB 24/10/2017	KBC Bank	500 €	24/10/2027	0,750%	BE0002500750	
CB 8/3/2018	KBC Bank	750 €	8/03/2026	0,750%	BE0002583616	
CB 03/06/2020	KBC Bank	1 000 €	3/12/2025	0,000%	BE0002707884	

Annex 2 – KBC's covered bond programme

Key cover pool characteristics

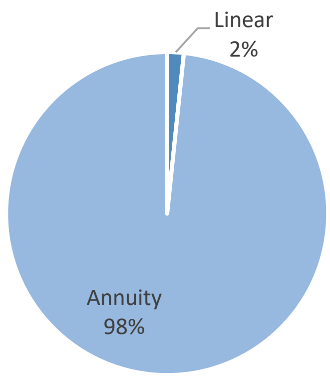
Investor reports, final terms and prospectus are available on www.kbc.com/covered_bonds

Portfolio data as of :	30 June 2020
Total Outstanding Principal Balance	17 267 841 741
Total value of the assets for the over-collateralisation test	15 427 722 718
No. of Loans	235 798
Average Current Loan Balance per Borrower	120 373
Maximum Loan Balance	1 000 000
Minimum Loan Balance	1 000
Number of Borrowers	143 453
Longest Maturity	359 month
Shortest Maturity	1 month
Weighted Average Seasoning	49 months
Weighted Average Remaining Maturity	187 months
Weighted Average Current Interest Rate	1.77%
Weighted Average Current LTV	66%
No. of Loans in Arrears (+30days)	240
Direct Debit Paying	98%

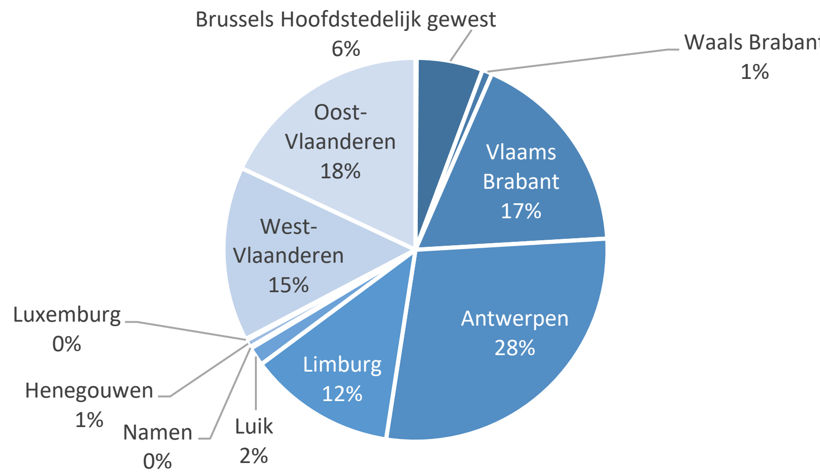
Annex 2 – KBC's covered bond programme

Key cover pool characteristics

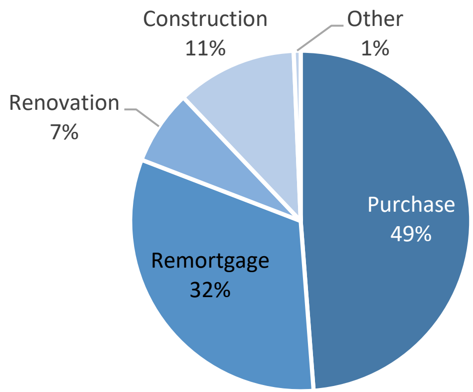
REPAYMENT TYPE (LINEAR VS. ANNUITY)



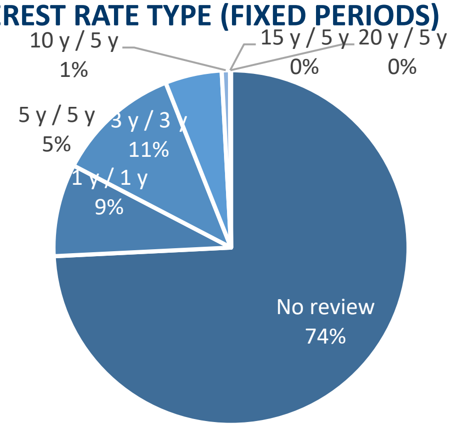
GEOGRAPHICAL ALLOCATION



LOAN PURPOSE

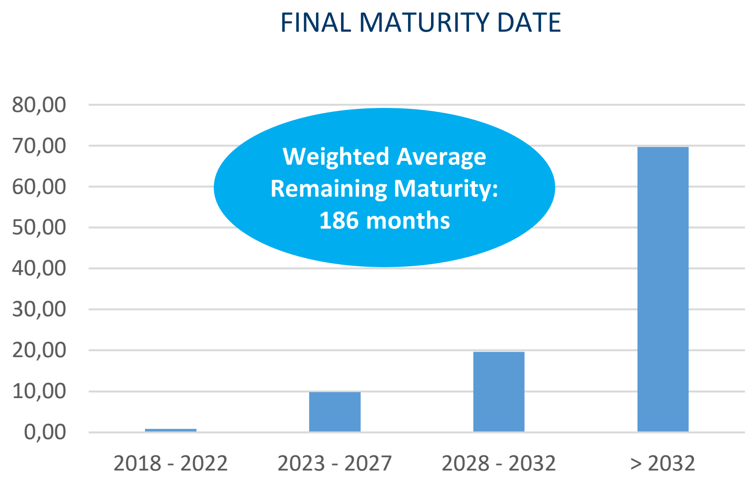


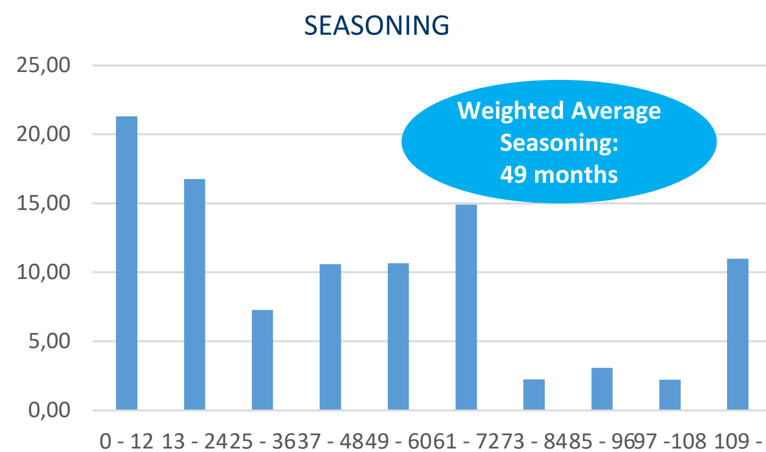
INTEREST RATE TYPE (FIXED PERIODS)

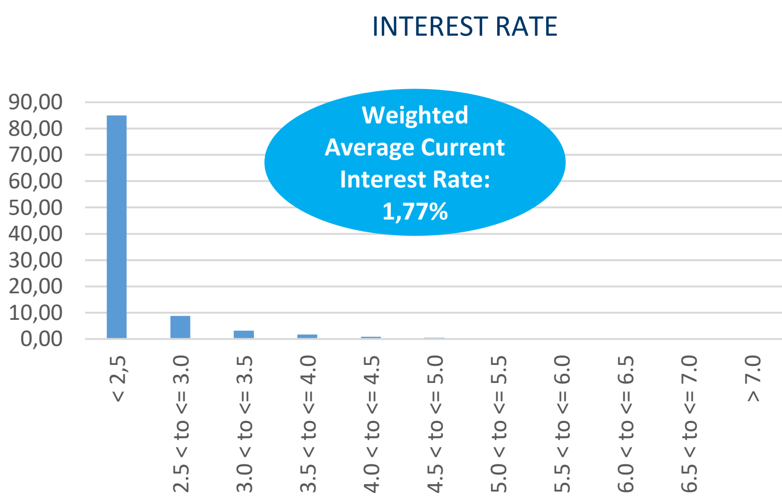


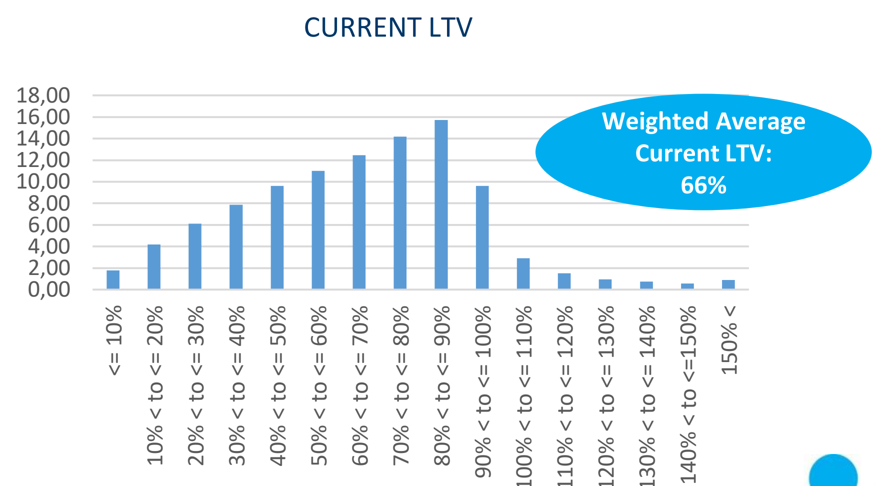
Annex 2 – KBC's covered bond programme

Key cover pool characteristics







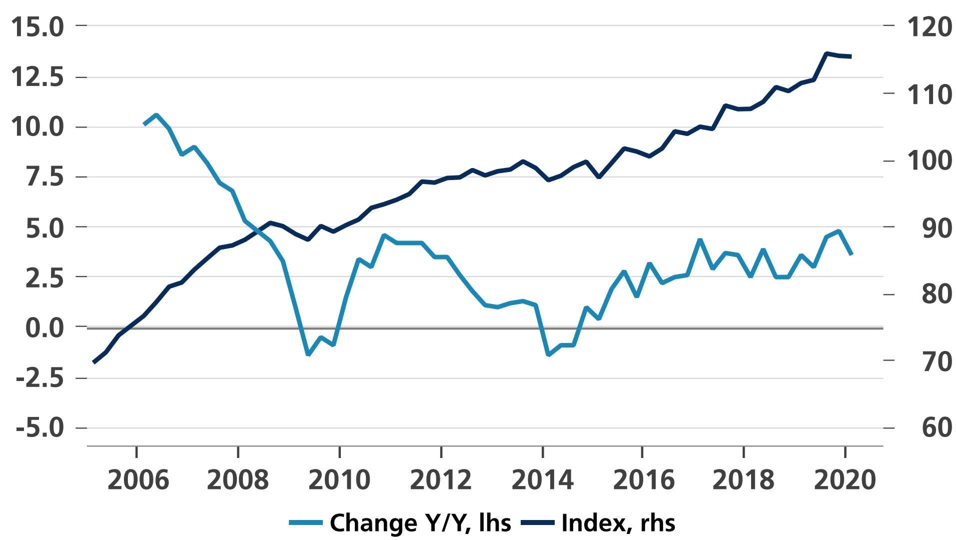


KBC

Annex 2: Real estate market in Belgium

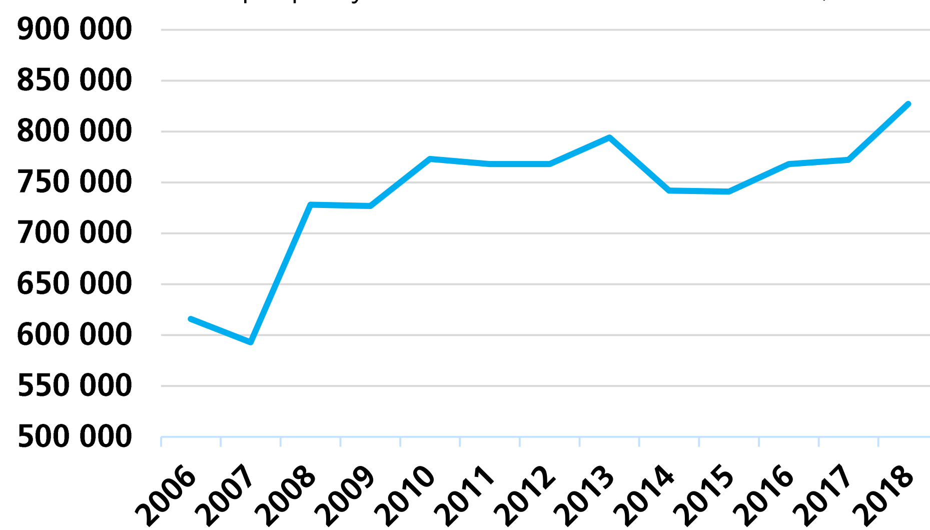
House prices are now expected to decline, due to higher unemployment and a decline in household income, but the crisis will not result in a price crash

Belgium - Eurostat house price index
(total dwellings)



Source: KBC Economics based on Eurostat

Increased investor appetite for real estate
(number of Belgian households owning real estate property other than the main residence)

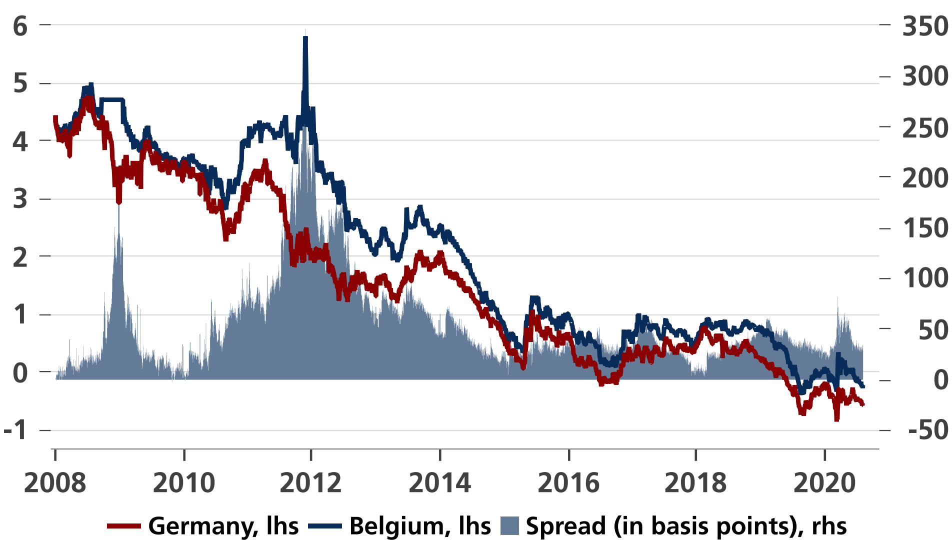


Source: FOD Economie

Annex 2 - Interest rates

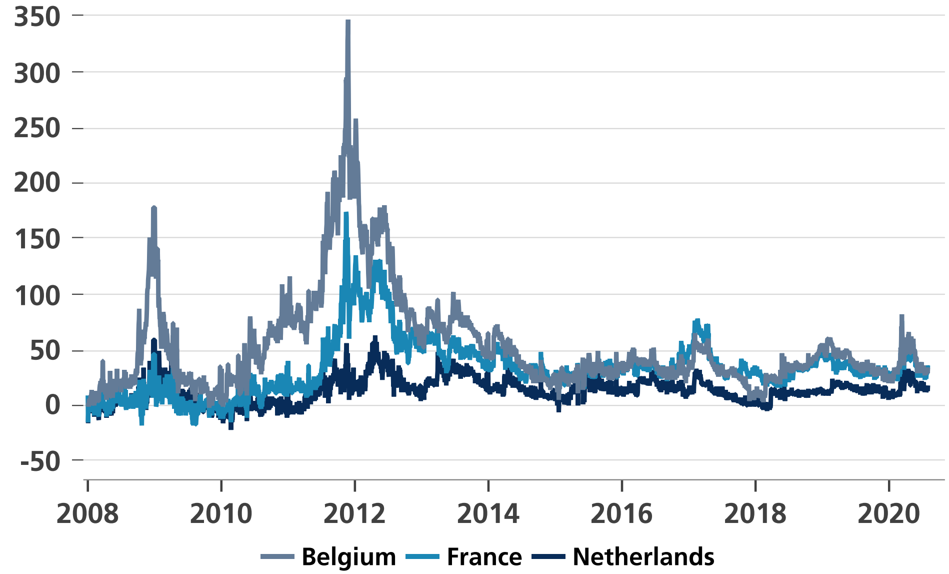
Belgian spread vs. 10y German Bund forecast to remain at around 30 bps

10 year government bond yield
(in %)



Source: KBC Economics based on Macrobond

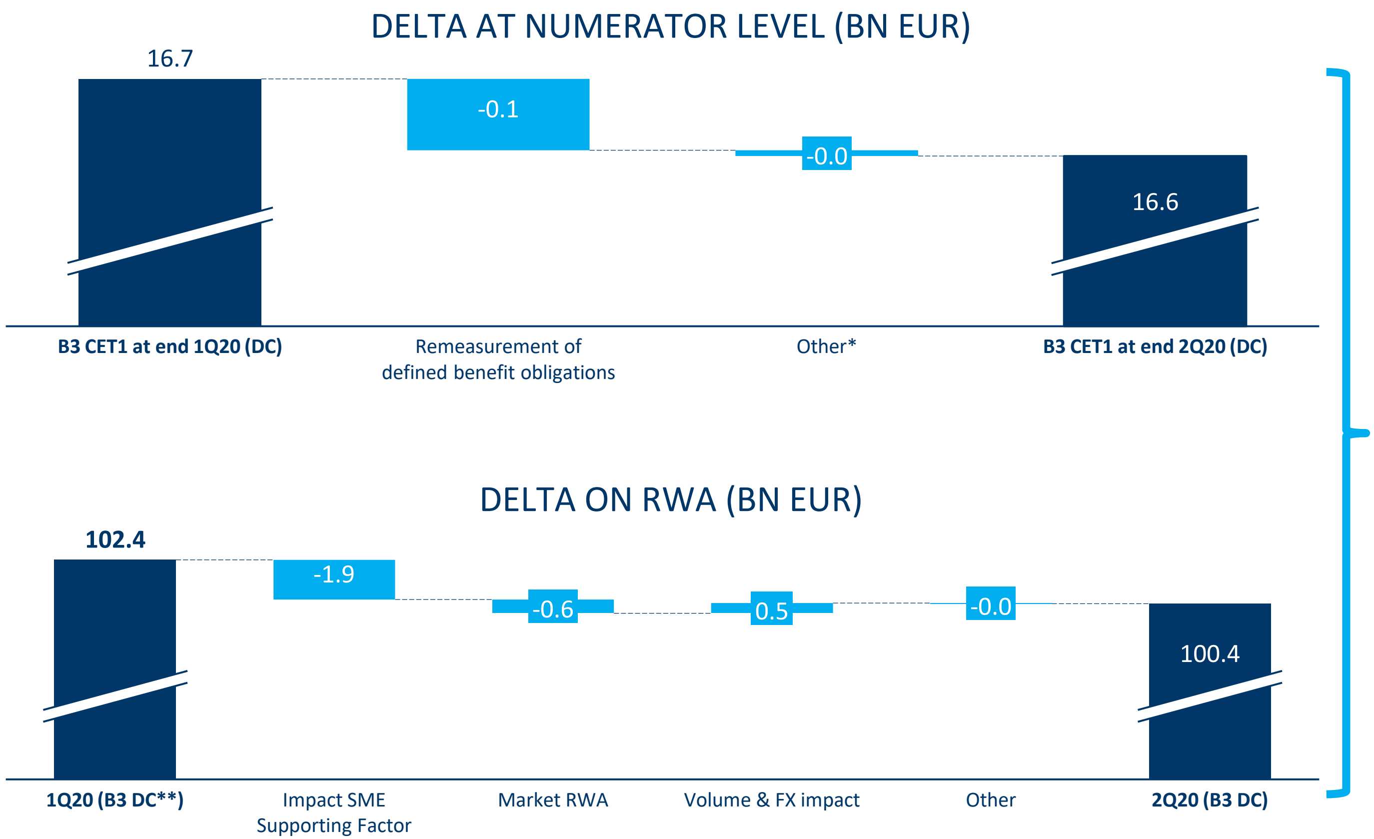
10 year gov. bond yield spread vs. Germany
(in basis points)



Source: KBC Economics based on Macrobond

Annex 3 - Solvency details

Fully loaded B3 CET1 based on the Danish Compromise (DC) from 1Q20 to 2Q20



- Fully loaded B3 common equity ratio amounted to 16.6% at end 1H20 based on the Danish Compromise
- This clearly exceeds the Overall Capital Requirement (OCR) of 10.45% and the Maximum Distributable Amount (MDA) of 10.68%

* Includes the q-o-q delta in translation differences, deferred tax assets on losses carried forward, IRB provision shortfall, deduction re. financing provided to shareholders, deduction re. irrevocable payment commitments, intangible fixed assets, AT1 coupon, prudent valuation, etc.

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

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

Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	17,178	111,202	15.4%
DC**, fully loaded	16,636	100,354	16.6%
DM***, fully loaded	15,837	95,395	16.6%

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

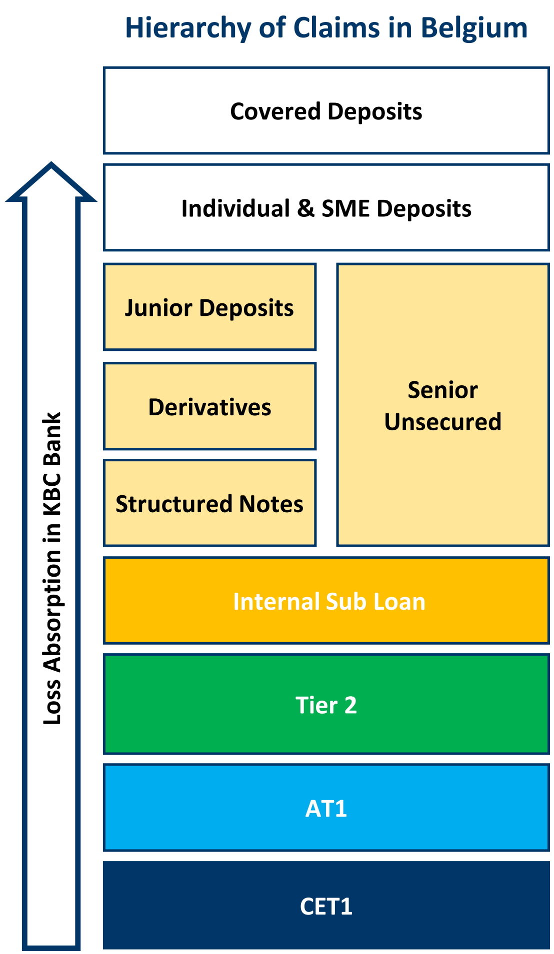
Annex 3 – Solvency details

Application of regulatory quick fixes

Quick fix topic	Applied by KBC	Timing of implementation	Estimated impact on CET1 ratio	Comment
SME supporting factor	✓	2Q 2020	**+32bps**	Pulled forward from mid 2021 by regulator
Outliers in Market risk VaR models	✓	2Q 2020	**+8bps**	Permission granted to exclude COVID-19 outliers
Sovereigns under the Standardised approach	✓	2Q 2020	**+10bps**	Only applicable for UBB (sovereign exposure in EUR)
IFRS9 transitional measures	✓	2Q-4Q 2020	**+52bps** at 4Q20 (of which +2bps at 2Q20)	4Q20 estimated impact
Infrastructure supporting factor	✓	2H 2020	**+2bps**	Pulled forward from mid 2021 by regulator
Prudential treatment of software	✓	2H 2020	**+22bps**	Estimated impact based on draft RTS
Filter for FVOCI gains/losses on government exposures	✗			Not applied by KBC given temporary and immaterial impact
Retail under the Standardized approach	✗			Not applied by KBC given limited exposure and immaterial impact
Leverage ratio and exclusion of central banks exposure	✗			Not applied by KBC given already very strong leverage ratio

Annex 3 - Solvency details

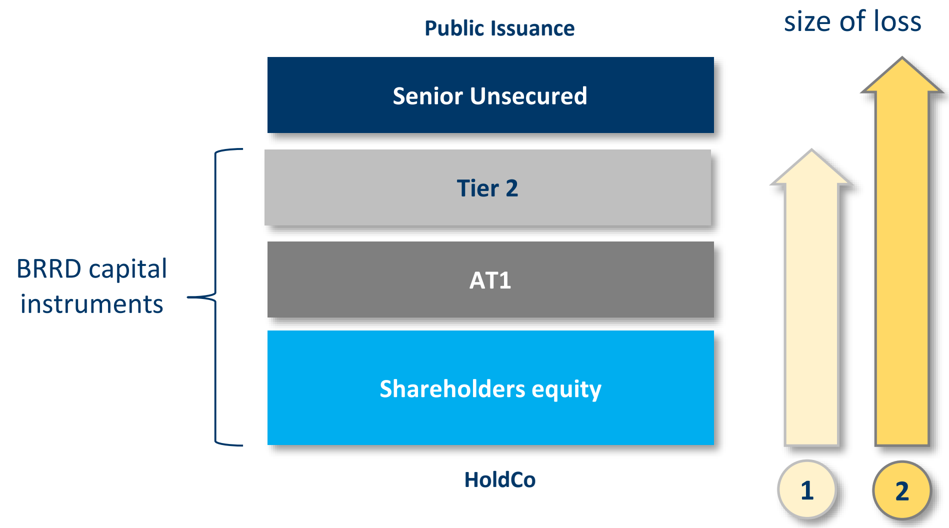
Implementation of the BRRD in Belgium



1. The BRRD has been transposed to a large extent by the Act of 25 April 2014 on the legal status and supervision of credit institutions ("The Banking Act") which applies since May-2015, with the exception of some major provisions, such as the bail-in tool. Some provisions will be further implemented by a Royal Decree ("RD"):
   - Bail-in mechanism and MREL requirement of the BRRD: RD was published in the Belgian Official Journal 29 December 2015 and entries into force as from 1 January 2016. However, the resolution strategy and MREL target for KBC are assumptions and have not been determined by the Resolution Authority
   - Group dimension of the BRRD: transposition is currently under preparation
2. The competent authorities are
   - Supervision authority (KBC Bank NV, KBC Group NV): ECB/NBB.
   - Resolution authority (KBC Bank NV, KBC Group NV): Single Resolution Board as from 1 January 2016.
   - Competent authority for conduct supervision of financial institutions and intermediaries (KBC Bank NV): FSMA.
3. The hierarchy of claims in Belgium is in line with the BRRD as provided for in art. 48 BRRD and applies losses accordingly.
   - Creditors are protected by the No Creditor Worse Off ("NCWO") principle which ensures that creditors in resolution can't be worse-off than in normal insolvency proceedings (art 34(1) BRRD).
4. KBC plans on on-lending senior unsecured issued out of KBC Group NV as subordinated instruments at KBC Bank NV to ensure the on-loan would only take losses after Tier 2 securities.
   - Additionally KBC Bank NV's funding needs in senior unsecured are expected to be moderate going forward

Annex 3 - Solvency details

What are the risks for HoldCo senior investors?



In all scenarios surpassing the Point of Non Viability, the investors are protected by the No Creditor Worse Off principle ("NCWO"), which stipulates that no instrument will be worse off in resolution than in normal insolvency proceedings

1 **Recapitalisation scenario,** losses (originating in any or in all of the underlying entities*) are lower than the size of the capital instruments at the HoldCo level

⇨ part or all of Senior debt issued by the HoldCo can be converted into shares to recapitalise the HoldCo up to a minimum level as decided by the competent authorities. The investor then has a combination of shares and bonds of the HoldCo instead of only bonds and thus (co-)owns the underlying entities. The conversion factor would be determined by the competent authorities applying the NCWO principle.

2 **Loss absorption scenario,** losses (originating in any or in all of the underlying entities*) exceed the size of the capital instruments at the HoldCo level

⇨ part or all of Senior issued by the HoldCo can be bailed-in to absorb losses. The NCWO principle implies that losses are only up-streamed to the HoldCo upto the amount of the investment of the HoldCo in the entity(ies) generating the losses. Hence, the investor in the HoldCo Senior will lose (up to) its investment to the extent that the amount of outstanding HoldCo senior debt exceeds the value of the remaining underlying entities of the HoldCo

* In KBC Group's case this would be KBC Bank and/or KBC Insurance

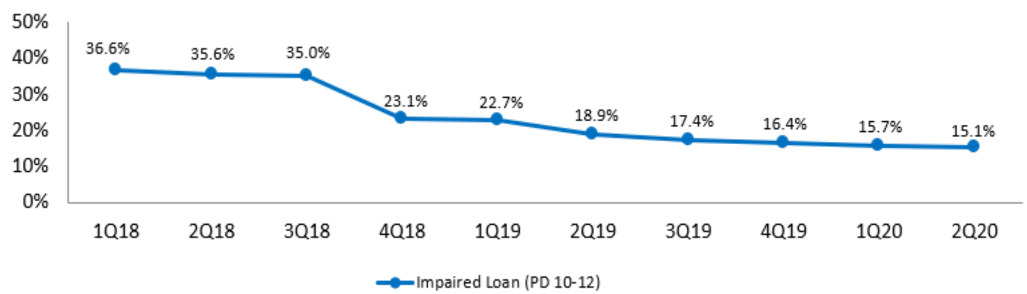
Annex 4 – Business unit international markets
Business profile

	BELGIUM	CZECH REPUBLIC	SLOVAKIA	HUNGARY	BULGARIA	IRELAND	GROUP CENTRE
2Q20 NET RESULT (in million euros)	204m	77m	-6m	16m	14m	-70m	-26m
ALLOCATED CAPITAL (in billion euros)	6.9bn	1.7bn	0.6bn	0.8bn	0.4bn	0.6bn	0.2bn
LOANS (in billion euros)	104bn	29bn	8bn	5bn	3bn	10bn	
DEPOSITS (in billion euros)	137bn	40bn	7bn	8bn	5bn	5bn	
BRANCHES (end 2Q20)	514	221	117	208	177	16	
Clients (end 2Q20)	3.6m	4.2m	0.6m	1.6m	1.4m	0.3m	

Annex 5 - Ireland: impaired loans continues to improve, but Covid-19 reflects a headwind for further improvements in the short term

LOAN PORTFOLIO €m	OUTSTANDING	IMPAIRED LOANS	IMPAIRED LOANS PD 10-12	PROVISIONS PD 10-12	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9,342	1,369	15%	358	26%
Buy to let mortgages	625	144	23%	59	41%
Non Mortgage Retail & SME	106	5	5%	4	84%
Corporate	8	8	100%	6	77%
Total	**10,081**	**1,527**	**15%**	**427**	**28%**

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



2Q20 Total Portfolio

	PD	Exposure	Impairment Provisions	Cover %
Performing	PD 1-8	7,979	18	0.2%
	Of which non Forborne	7,977		
	Of which Forborne	1		
	PD 9	576	45	7.9%
	Of which non Forborne	162		
	Of which Forborne	414		
Impaired	PD 10	715	88	12.3%
	PD 11	677	242	35.8%
	PD 12	135	97	72.4%
	TOTAL PD1-12	**10,081**	**490**	
	PD 10-12 Impairment Provisions /(PD 10-12)			*28.0%*
	Impaired loans (PD 10-12)/ Total Exposure			*15.1%*

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

- The Irish economy began 2020 on a strong footing, but saw a severe curtailment of output in 2Q20 because of Covid-19 related disruptions. There has been evidence of a partial rebound in some recent indicators and some areas of multinational activity have experienced only limited disruption. However, a significantly negative outturn for Irish economic activity for 2020 as a whole remains likely
- Health-related restrictions and a broader deterioration in economic activity have resulted in a marked weakening of the Irish jobs market. Although recent data suggest some reversal of earlier layoffs, unemployment is still expected to end the year about double the 5% rate seen at the beginning of the year
- While the pandemic prompted a sudden and sharp drop in housing transactions in the spring, residential property prices proved more resilient initially than might have been expected. However, a weaker profile for employment and incomes is likely to weigh on housing related activity and prices as 2020 progresses
- Impaired loan portfolio decreased by roughly 58m EUR q-o-q, resulting in an impaired loan ratio reducing to 15.1%
- The 97m EUR net impairment charge in 2Q20 was driven by updated IFRS 9 macroeconomic variables and scenario probability weightings for Covid-19 and a Covid-19 related management overlay
- Coverage ratios q-o-q for stage 2 (7.9% in 2Q20 versus 1.9% in 1Q20) and stage 3 (28.0% in 2Q20 versus 24.4% in 1Q20) have increased reflecting the additional impairment charge recognised in 2Q20

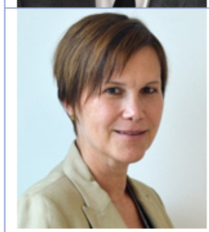
Glossary (1/2)

AQR	Asset Quality Review
B3	Basel III
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (banking)	[operating expenses of the banking activities of the group] / [total income of the banking activities of the group]
Cost/income ratio adjusted for specific items	The numerator and denominator are adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include: • MtM ALM derivatives (fully excluded) • bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC21) • one-off items
Credit cost ratio (CCR)	[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
ESFR	European Single Resolution Fund
FICOD	Financial Conglomerates Directive
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (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]
Net interest margin (NIM) of the group	[banking group net interest income excluding dealing room] / [banking group average interest-bearing assets excluding dealing room]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]

Glossary (2/2)

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

Contacts / Questions

	Kurt De Baenst Investor Relations General Manager	Direct + 32 2 429 35 73 Mobile +32 472 500 427 Kurt.debaenst@kbc.be
	Ilya Vercammen Investor Relations Manager	Direct + 32 2 429 21 26 Mobile +32 472 727 777 Ilya.vercammen@kbc.be
	Dominique Agneesens Investor Relations Manager	Direct + 32 2 429 14 41 Mobile +32 473 657 294 Dominique.agneesens@kbc.be

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