KBC Group
3Q and 9M 2020 results
Press presentation

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More detailed analyst presentation available at www.kbc.com

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Key takeaways for KBC Group

3Q 2020 financial performance

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

Comparisons against the previous quarter unless otherwise stated

Excellent net result of 697m EUR in 3Q20

9M20

- **ROE* 7% (15% in 3Q20)**
- **Cost-income ratio 59%** (adjusted for specific items)
- **Combined ratio 83%**
- **Credit cost ratio 0.61% (0.17% without collective covid-19 impairments**)**
- **Common equity ratio 16.6%** (B3, DC, fully loaded)
- **Leverage ratio 5.9%** (fully loaded)
- **NSFR 146% & LCR 142%**

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

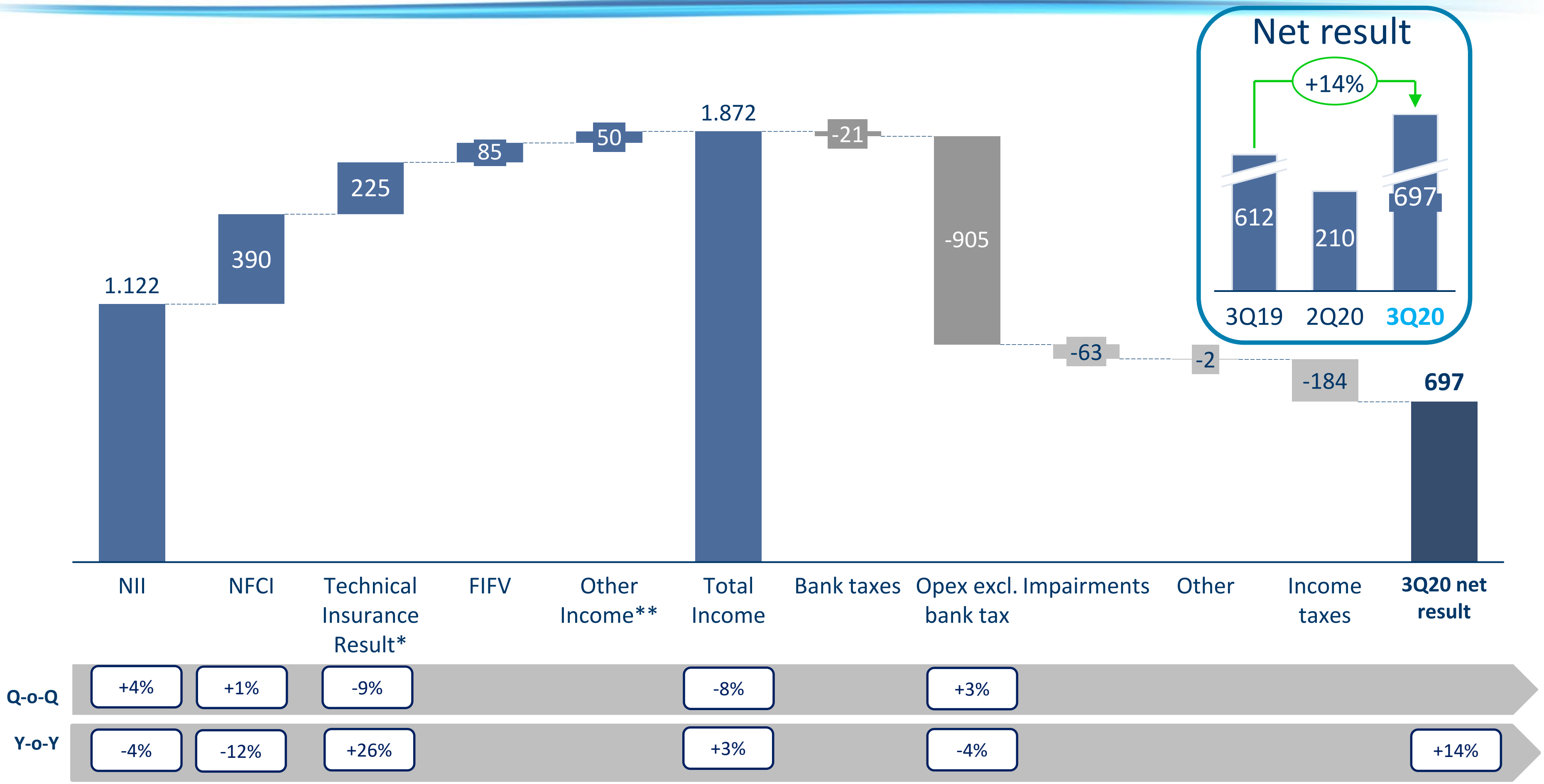
*** 784m EUR collective Covid-19 impairments in 9M20, of which 637m EUR management overlay and 147m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables*

KBC Group Consolidated results

3Q and 9M 2020 performance

KBC Group

Overview of building blocks of the 3Q20 net result



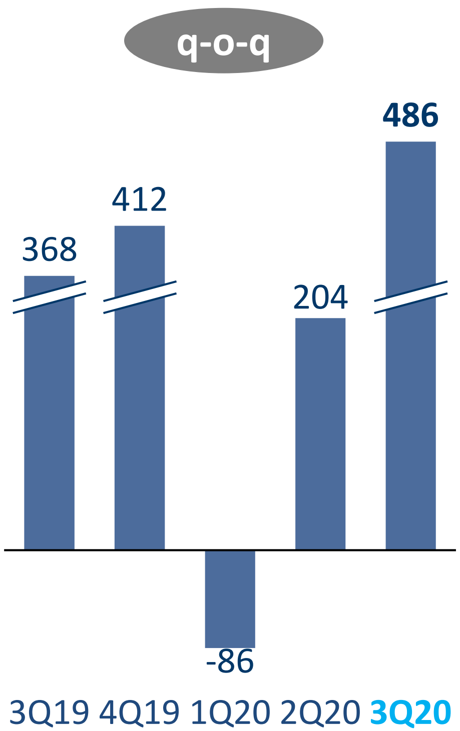
* *Earned premiums – technical charges + ceded reinsurance*

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

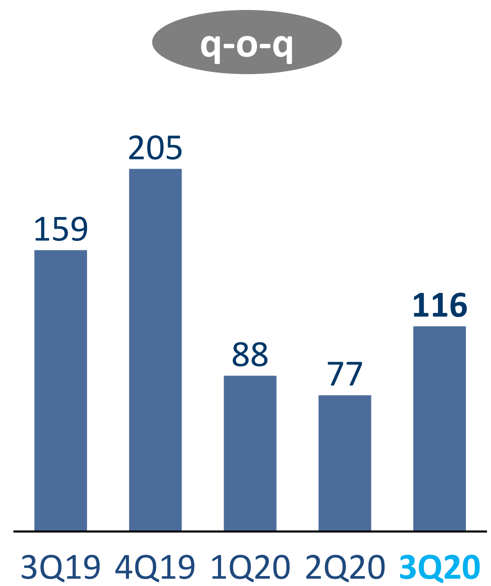
Net result per business unit

Strong contribution from all the business units

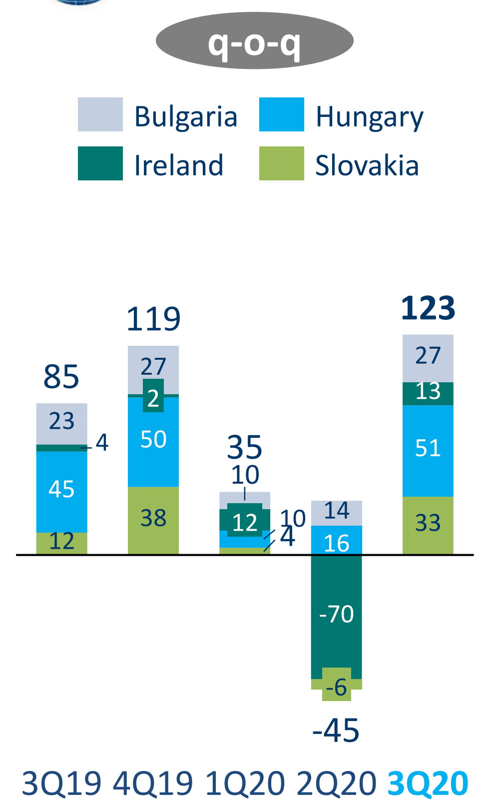
BE BU



CZ BU



IM BU

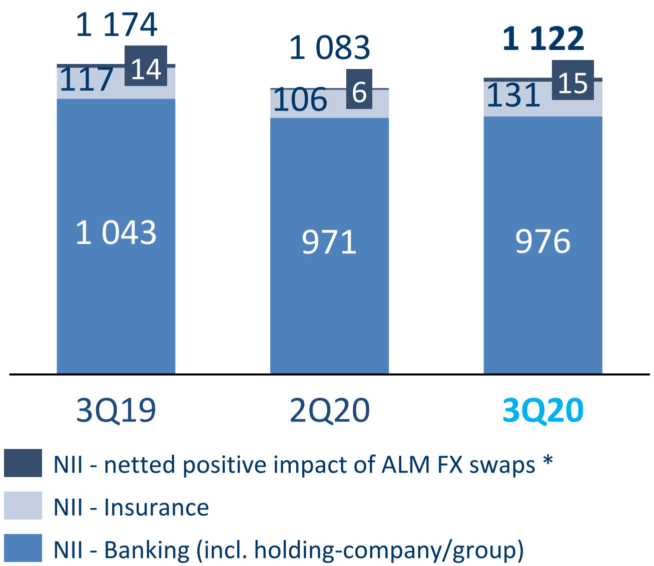


Amounts in millions of EUR

Net interest income

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

Net Interest Income



NII increased by 4% q-o-q and decreased by 4% y-o-y

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

(+) the positive impact of TLTRO3 (+26m EUR q-o-q), a positive one-off item (+26m EUR NII Insurance), higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic & Slovakia and higher netted positive impact of ALM FX swaps

partly offset by:

(-) the further negative impact of the CNB rate cuts (as the last CNB rate cut from 1.00% to 0.25% happened early May 2020) and lower reinvestment yields

The y-o-y decrease was mainly the result of the CNB rate cuts, the depreciation of the CZK & HUF and the negative impact of lower reinvestment yields

Net interest margin**

Quarter	3Q19	2Q20	**3Q20**
NIM	1.94%	1.82%	**1.81%**

NIM 1.81%

Decreased by 1 bp q-o-q and by 13 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)

* *From all ALM FX swap desks*

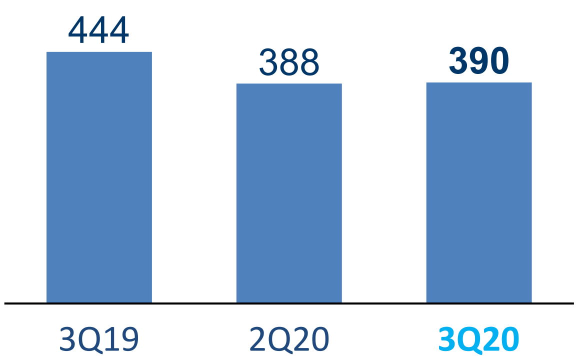
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

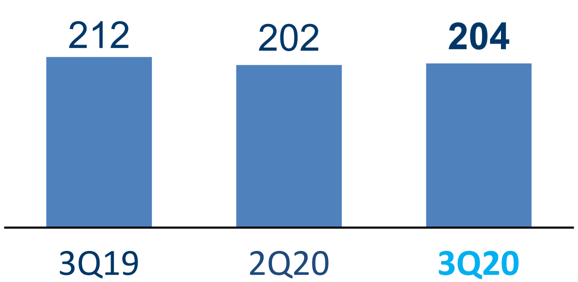
Slightly higher net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

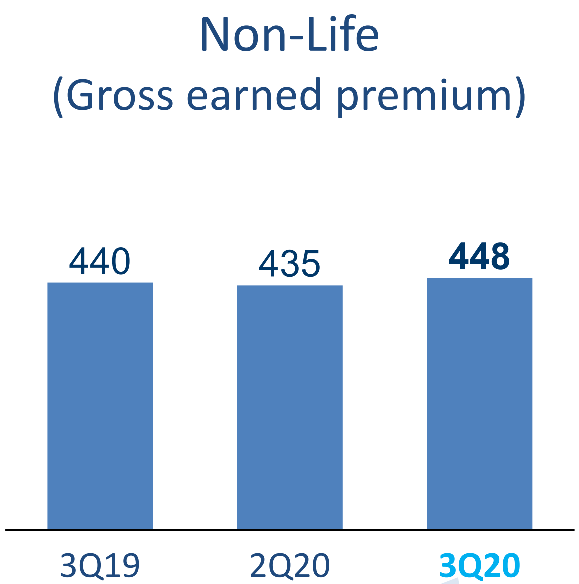
Net fee and commission income (390m EUR)
Up by 1% q-o-q and down by 12% y-o-y
Q-o-q increase was the result of the following:

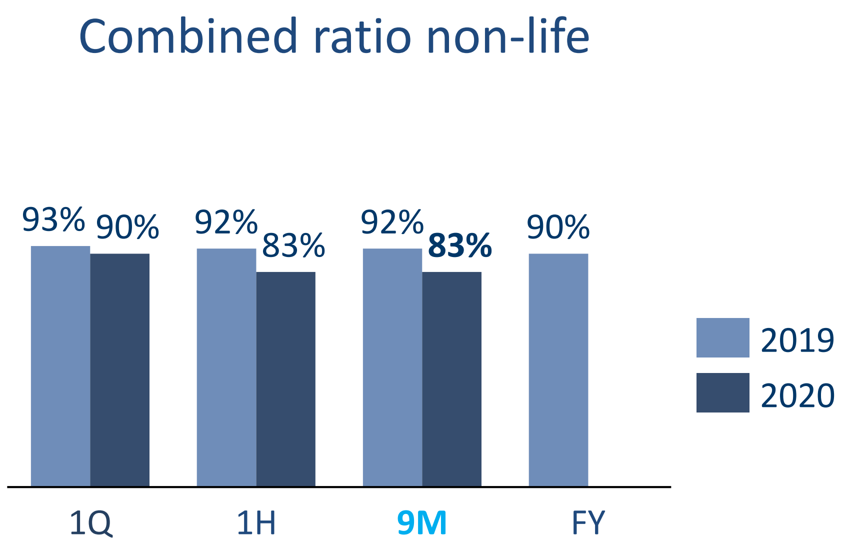
- **Net F&C income from Asset Management Services** increased by 4% q-o-q as a result of higher management fees, partly offset by lower entry fees from unit-linked life insurance products
- **Net F&C income from banking services** roughly stabilised q-o-q as higher fees from payment services and higher network income was offset by lower securities-related fees (after two exceptionally strong quarters)
- **Distribution costs** rose by 8% q-o-q due chiefly to higher commissions paid linked to increased non-life insurance sales

Assets under management (204bn EUR)
Increased by 1% q-o-q due mainly to a positive price effect (+1%), next to limited net inflows in mutual fund business

Non-life insurance

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





Y-o-y increase of gross earned premium Non-Life by +2%, despite the negative impact of Covid-19 on renewals of existing business (mainly 'Workmen's compensation' and 'General third-party liability')

The **non-life combined ratio** for 9M20 amounted to an excellent **83%.** This is the result of y-o-y premium growth combined with 13% y-o-y lower technical charges in 9M20. The latter was due mainly to lower normal claims in 9M20 (especially in Motor due to Covid-19) and a negative one-off in 9M19 (-16m due to reassessment on claims provisions). However, note that 9M20 was impacted by a higher negative ceded reinsurance result compared with 9M19

Amounts in millions of EUR

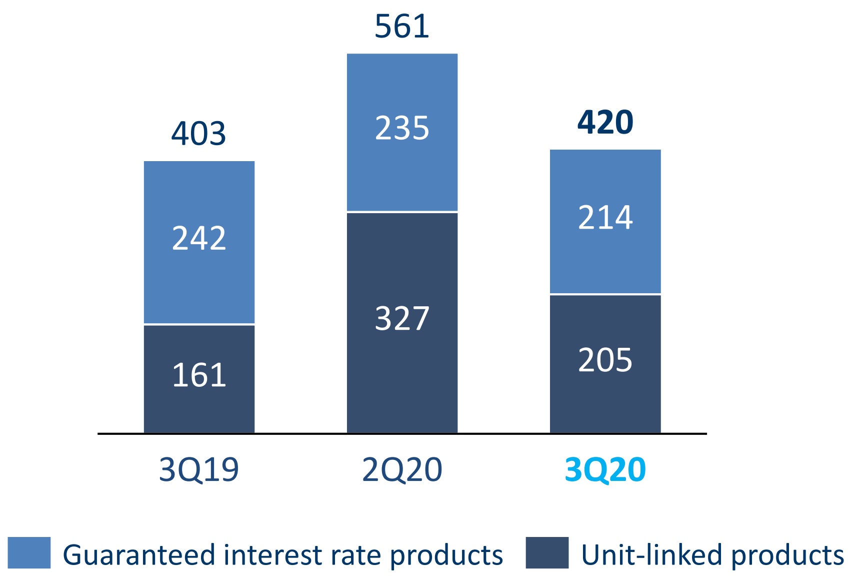
Life insurance

Life sales up y-o-y

Sales of life insurance products decreased by 25% q-o-q, but increased by 4% y-o-y

- The q-o-q decrease was driven by both lower sales of unit-linked products and guaranteed interest products in Belgium
- The y-o-y increase was driven entirely by higher sales of unit-linked products in Belgium (due to a shift from mutual funds to unit-linked products by Private Banking clients), only partly offset by lower sales of guaranteed interest products (due mainly to the suspension of universal single life insurance products in Belgium)
- Sales of unit-linked products accounted for 49% of total life insurance sales in 3Q20

Life sales



Amounts in millions of EUR

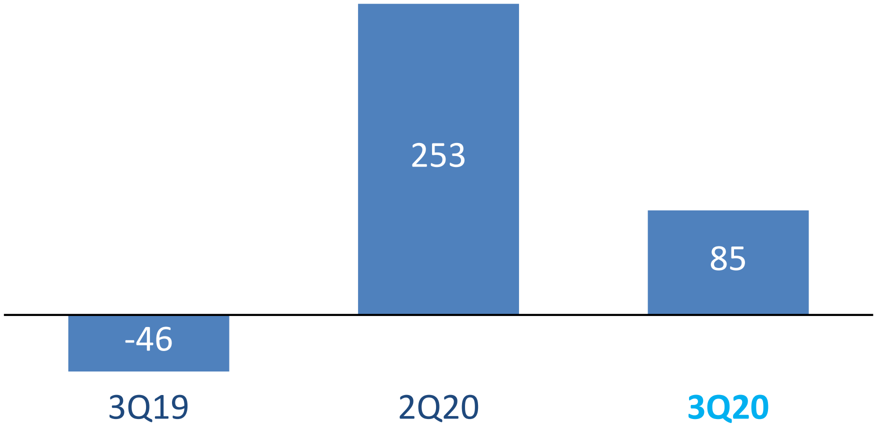
Net result from financial instruments at fair value

Lower fair value result

The q-o-q decline in **net result from financial instruments at fair value** was attributable mainly to the exceptional rebound in 2Q20 :

- a negative change in market, credit and funding value adjustments, although still a positive number (mainly as a result of changes in the underlying market value of the derivatives portfolio due to decreasing counterparty credit spreads & KBC funding spread, partly offset by lower long-term interest rates)
- lower dealing room income after an excellent 2Q20 result
- a lower net result on equity instruments (insurance)

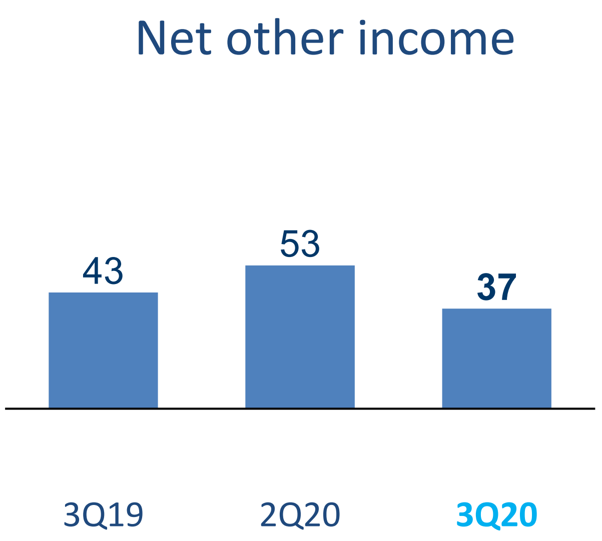
Fair value result



Amounts in millions of EUR

Net other income

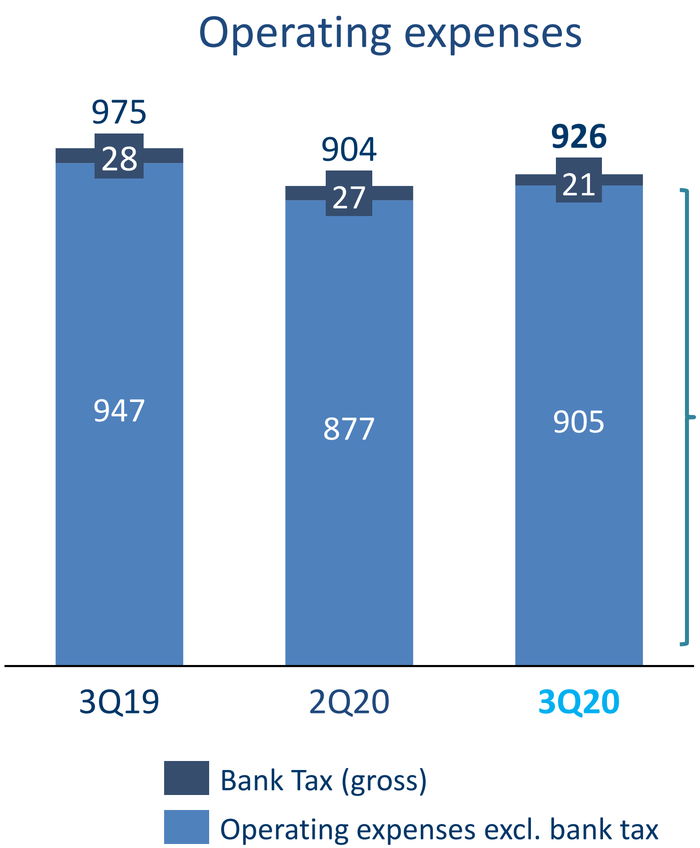
Net other income amounted to 37m EUR, below the normal run rate of around 50m EUR per quarter due to, among other things, an additional impact of the tracker mortgage review in Ireland of -6m EUR (of which -4m related to the tracker mortgage fine)



Amounts in millions of EUR

Operating expenses

Costs significantly down y-o-y



	FY19	9M20
Cost/Income ratio (banking)*	58%	**59%**

- Operating expenses excluding bank taxes decreased by 3.7% y-o-y in 9M20, roughly in line with our FY20 guidance of -3.5% y-o-y due chiefly to the announced cost savings related to Covid-19
- Operating expenses excluding bank taxes increased by 3% q-o-q primarily as a result of:
  - higher staff expenses (largely due to reduced accrued variable remuneration in 2Q20 and wage inflation in most countries, despite less FTEs)
  - seasonally higher marketing costs, higher facilities and depreciation & amortisation costs

  partly offset by:
  - seasonally lower ICT costs and professional fees
- Total bank taxes (including ESRF contribution) are expected to increase by 3% y-o-y to 504m EUR in FY20

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

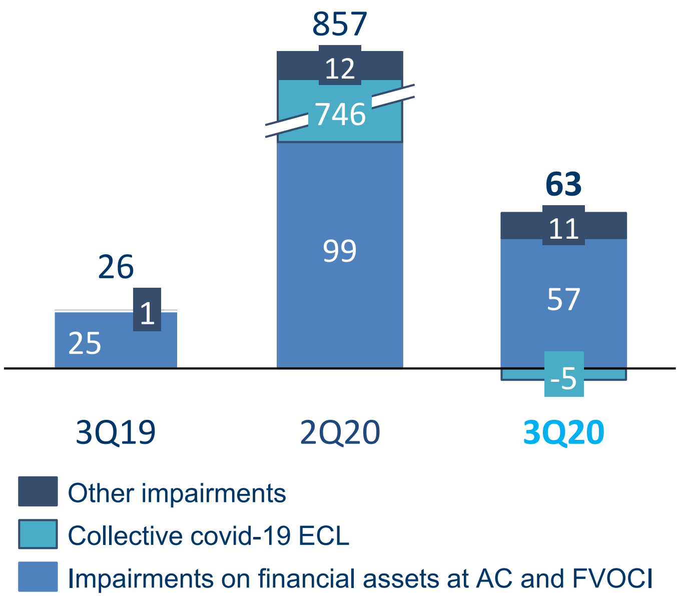
Amounts in millions of EUR

Asset impairments

Sharply lower asset impairments q-o-q

Asset impairment

(negative sign is write-back)



Sharply lower asset impairments q-o-q :

The q-o-q decrease of loan loss impairments was attributable to:

- 746m EUR collective Covid-19 expected credit losses (ECL) booked in 2Q20, of which 5m was reversed in 3Q20 (small impact from updated IFRS 9 macroeconomic variables and management overlay)
- lower loan loss impairments in Belgium and the Czech Republic (2Q20 was impacted by several corporate files in both countries)

Impairment of 11m EUR on 'other' due to several small items (of which 4m EUR – the largest amount – as the result of an impairment on a lease contract related to a HQ building in Hungary)

Credit cost ratio (YTD)	FY19	9M20
With collective covid-19 ECL	-	0.61%
Without collective covid-19 ECL	0.12%	0.17%

The credit cost ratio in 9M20 amounted to 17bps without collective Covid-19 ECL and 61bps with collective Covid-19 ECL

Amounts in millions of EUR




KBC Group

3Q and 9M 2020
Covid-19

COVID-19 (1/9)

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, (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, apart from families with net income of less than 1,700 EUR. For the latter group, this results in a modification loss for the bank *(-11m EUR booked in 2Q)*

Czech Republic

Opt-in: 3 or 6 months

Application period finished on 30 Sep 2020, however end of Oct 2020 all deferrals expired

- Applicable for retail and non-retail clients
- For private persons and entrepreneurs: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients
- Interest is accrued over the deferral period, but must be paid in the final instalment, resulting in a modification loss for the bank *(-5m EUR, booked in 2Q)*
- For consumer loans, the interest during the deferral period may not exceed the 2-week repo rate + 8%

Hungary

Opt-out: a blanket moratorium originally until 31 Dec 2020

Extension of the deferral until 30 JUN 2021 but with certain eligibility criteria (no detailed legislation available yet for non-retail clients)

- Applicable for retail and non-retail clients
- Deferral of principal and interest payments
- Interest is accrued over the deferral period, but unpaid interest cannot be capitalised and must be collected on a linear basis during the remaining (extended) lifetime. This 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** of up to 40bn EUR to cover losses incurred on future non-retail loans granted before 31 Dec 2020 to viable companies, with a tenor of maximum 12 months and a maximum interest rate of 1.25%. Guarantee covers 50% of losses above 3% of total credit losses and 80% above 5% of losses
- **As of 3Q, a revised state guarantee scheme** of up to 10bn EUR has been offered to cover losses on future SME loans granted before 31 Dec 2020, with a tenor between 1 and 3 years and with a maximum interest rate of 2%. Guarantee covers 80% of all losses

Czech Republic

- The **Czech-Moravian Guarantee and Development Bank (CZMRB)** launched several guarantee programs (COVID II, COVID II Praha, COVID III) for working capital loans provided by commercial banks to non-retail clients. The loan amount is guaranteed up to 80% or 90% of the loan amount. Interest on these loans is subsidised up to 25% (COVID II)
- **The Export Guarantee and Insurance Corporation (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 in which exports accounted for more than 20% of turnover in 2019

Hungary

- **A guarantee scheme is provided by Garantiqa and the Hungarian Development Bank.** These state guarantees can cover up to 90% of the loans with a maximum 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 and a maximum interest rate of 2.5%
- Annual interest rate on personal loans granted by commercial banks may not exceed the central bank base rate by more than 5pp (until 31 Dec 2020)

COVID-19 (2/9)

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)

Application period is still running (but most will end in 1Q 2021)

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

Bulgaria

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

Application period expired on 30 Sep 2020

- Applicable for retail and non-retail customers
- Deferral of principal with or without deferral of interest payments
- In the case of principal deferral only, the tenor is extended by 6 months
- Interest is accrued over the 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

Application period expired on 30 Sep 2020

- Applicable for mortgage loans, consumer finance loans and business banking loans with a repayment schedule
- Deferral of principal and interest payments for up to 6 months (with review after 3 months) for mortgages & consumer finance and 3 months for business banking
- Option for customers to extend their loan term by up to 6 months to match the payment holiday
- Interest is accrued over the deferral period

Guarantee Scheme & liquidity assistance

Slovakia

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

Bulgaria

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

Ireland

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

COVID-19 (3/9)

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

By the end of September 2020:

- The volume of granted loans with payment holidays, according to the EBA definitions, amounted to 13.7bn EUR or 9% of total loan book*
- Approx. 1bn EUR of moratoria already expired, of which 97% have resumed payments
- Government guaranteed loans granted (under Covid-19 scheme) for 583m EUR

Payment holidays – by country :

Status: 30 Sep 2020	Loan deferrals granted EUR bn	# obligors k	% of total loan portfolio
KBC Group	**13.7**	**198**	**9%**
of which:			
Belgium	7.7	25	7%
Czech Republic	2.1	22	7%
Hungary (opt-out)	1.7	128	37%
Slovakia	0.8	12	10%
Bulgaria	0.2	5	7%
Ireland	1.2	6	12%

Payment holidays – by segment :

Status: 30 Sep 2020	Loan deferrals granted EUR bn	# obligors k	% of total loan portfolio
KBC Group	**13.7**	**198**	**9%**
of which:			
Mortgages	4.5		7%
SME	4.3		13%
Corporate	4.2		10%

Payment holidays excl. Hungary** – by segment

Status: 30 Sep 2020	Loan deferrals granted EUR bn	# obligors k	% of total loan portfolio
KBC Group (excl. HU)	**12.0**	**70**	**8%**
of which:			
Mortgages	4.0		6%
SME	3.6		11%
Corporate	3.9		9%

*** Hungary opt-out, a blanket moratorium applicable for retail and non-retail loans :*
- *Deferral of principal and interest payments*
- *Interest is accrued over the deferral period, but unpaid interest cannot be capitalised and must be collected on a linear basis during the remaining (extended) lifetime*

Loans and advances under public Covid-19 guarantee schemes :

Status: 30 Sep 2020	Loans granted EUR m	# obligors k
KBC Group	**583**	**7**
of which:		
SME	261	
Corporate	309	

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

KBC

COVID-19 (4/9)

IFRS 9 scenarios

OPTIMISTIC SCENARIO	**BASE-CASE SCENARIO**	PESSIMISTIC SCENARIO
Virus spread and impact sufficiently under control thanks to continued social distancing and other precautionary measures, avoiding the need for another lockdown period	Virus spread and impact sufficiently under control thanks to continued and possibly intensified social distancing and other precautionary measures, avoiding the need for another full lockdown period	Virus reappears and continues to weigh on society and economy, necessitating on-off lockdown periods that have a significant impact on economic activity
Steep and steady recovery from 3Q20 onwards with a fast return to pre-Covid-19 levels of activity	More moderate, but still steady recovery from 3Q20 onwards with a recovery to pre-Covid-19 levels of activity by the end of 2023	Another (series of) shock(s) takes place, leading to an interrupted and unsteady path to recovery
Sharp, short V-pattern	U-pattern	More L-like pattern, with right leg only slowly increasing

- The Covid-19 pandemic continues to be the main driver of the global economy. The epidemiological developments are far from good. The number of new Covid-19 cases are rapidly increasing in many countries. Because of this **uncertainty,** we continue working **with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario**
- The definition of each scenario reflects the latest virus-related and economic developments, while we continue to assign the same probabilities as in previous quarter: **45% for the base-case, 40% for the pessimistic and 15% for the optimistic scenario**

Macroeconomic scenarios*

September 2020

Real GDP growth	2020			2021			2022		
	Optimistic	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Euro area	-6.7%	-8.3%	-11.6%	8.7%	5.2%	-1.0%	2.9%	2.0%	2.2%
Belgium	-6.1%	-9.0%	-11.1%	9.1%	5.1%	-1.1%	2.9%	2.0%	2.0%
Czech Republic	-6.1%	-7.0%	-8.5%	6.2%	4.7%	1.3%	2.8%	3.0%	3.3%
Hungary	-3.0%	-6.2%	-12.0%	4.0%	5.0%	4.0%	3.5%	3.5%	3.5%
Slovakia	-6.5%	-8.0%	-9.5%	6.6%	6.1%	1.6%	4.5%	3.5%	3.8%
Bulgaria	-4.0%	-8.0%	-12.0%	4.0%	5.0%	4.0%	3.0%	3.0%	3.0%
Ireland	0.0%	-5.0%	-10.0%	5.0%	4.0%	1.0%	3.0%	3.5%	2.5%

- For the euro area, we have revised GDP growth for 2020 upwards to -8.3% and, mechanically, this less negative outcome for 2020 translates into a downward revision of growth to 5.2% for 2021

- *The macroeconomic information is based on the economic situation in September 2020 and hence does not yet reflect the official macroeconomic figures for 3Q20 as reported by different authorities*

COVID-19 (5/9)

IFRS 9 scenarios

Macroeconomic scenarios

September 2020

Unemployment rate	2020			2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	6.6%	7.2%	7.8%	7.0%	7.6%	11.0%	6.0%	6.9%	9.5%
Czech Republic	4.3%	5.1%	6.1%	4.2%	5.4%	7.3%	3.5%	4.8%	6.8%
Hungary	4.8%	6.1%	7.5%	4.2%	5.6%	7.5%	4.0%	4.8%	6.5%
Slovakia	7.5%	9.0%	10.0%	8.0%	10.0%	12.0%	7.0%	8.0%	10.5%
Bulgaria	6.0%	8.0%	11.0%	4.3%	10.0%	13.0%	4.2%	7.0%	12.0%
Ireland	8.0%	11.0%	20.0%	6.0%	7.0%	16.0%	5.0%	6.0%	12.0%

House-price index	2020			2021			2022		
	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	1.5%	-0.5%	-1.5%	1.0%	-3.0%	-6.0%	2.5%	1.0%	-2.0%
Czech Republic	5.3%	4.8%	3.5%	1.0%	-0.8%	-4.0%	4.1%	2.0%	-0.8%
Hungary	4.0%	2.0%	-7.5%	1.0%	-1.0%	-5.0%	3.1%	2.0%	-1.0%
Slovakia	6.5%	5.0%	2.0%	1.0%	-1.0%	-5.0%	3.0%	2.0%	-0.5%
Bulgaria	0.5%	-2.0%	-3.0%	1.0%	-1.0%	1.0%	3.0%	3.0%	1.5%
Ireland	-2.0%	-7.0%	-12.0%	4.0%	3.5%	0%	4.0%	3.5%	1.0%

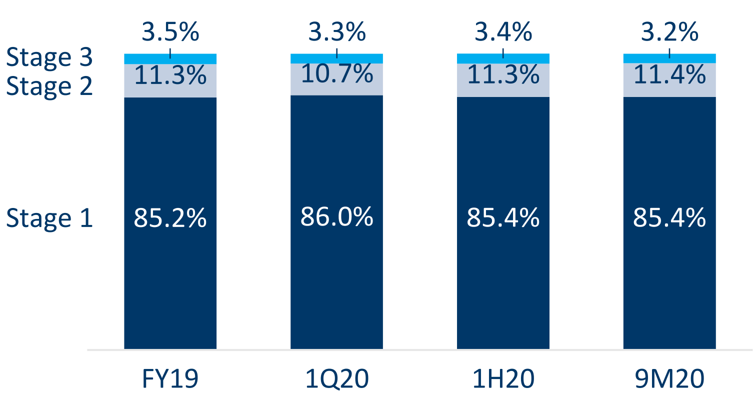
COVID-19 (6/9)

Steady staging of loan portfolio

Loan portfolio*:

(in billions of EUR)	YE19	1Q20	1H20	9M20
Portfolio outstanding	**175**	**180**	**179**	**179**
Retail	42%	40%	41%	42%
of which mortgages	38%	37%	38%	39%
of which consumer financ	3%	3%	3%	3%
SME	22%	21%	21%	22%
Corporate	37%	39%	38%	37%

Total loan portfolio by IFRS 9 ECL stage *



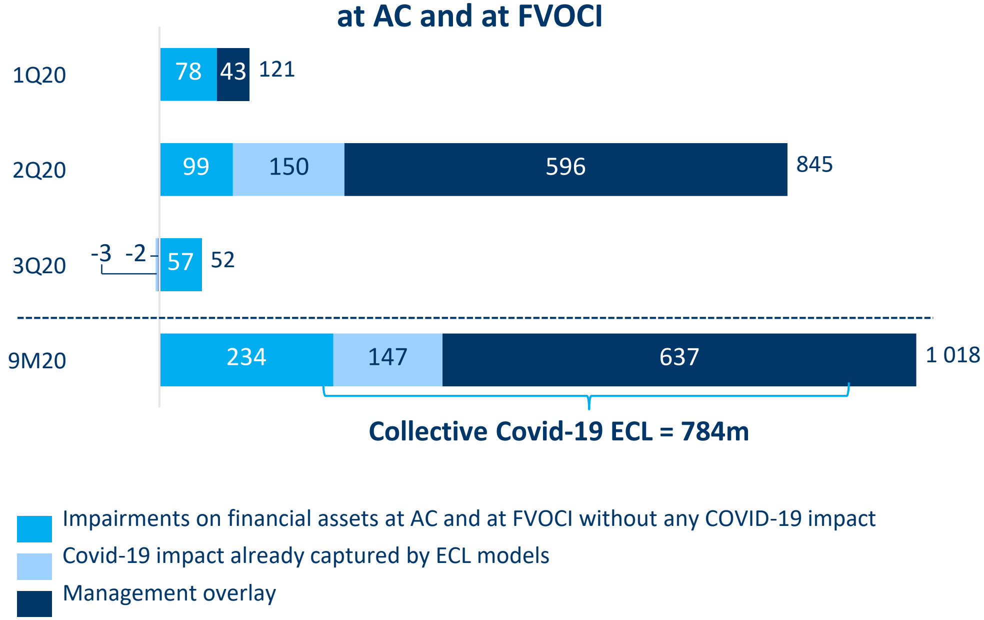
- As disclosed during previous quarters, our Expected Credit Loss (ECL) models were not able to adequately reflect all the specificities of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis. Therefore, an expert-based calculation at portfolio level is required via a **management overlay**
- In the first quarter, this calculation was limited to a certain number of (sub)sectors. In the second quarter, driven by significant uncertainties around the Covid-19 crisis, the scope of the management overlay was expanded to include all sectors of our corporate and SME portfolio as well as our retail portfolio
- To be consistent with the second quarter, **we recalculated the Covid-19 ECL** based on the same methodology used **on the performing and non-performing portfolio by the end of September 2020** but **including the latest economic scenarios**
- **Until now, only minor PD shifts have been observed in our portfolio, which is reflected in stable staging percentages.** Note that in line with ECB/ESMA/EBA guidance, any general government measure granted before the end of September 2020 has not led to automatic staging

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

COVID-19 (7/9)

Impact of the collective Covid-19 ECL after 9M

Impairment on financial assets at AC and at FVOCI



Credit Cost % *(annualized*)*	FY19	3M20	1H20	9M20
Without collective COVID-19 ECL	0.12%	0.17%	0.20%	0.17%
With collective COVID-19 ECL		0.27%	0.64%	0.61%

** Collective Covid-19 ECL, not annualized*

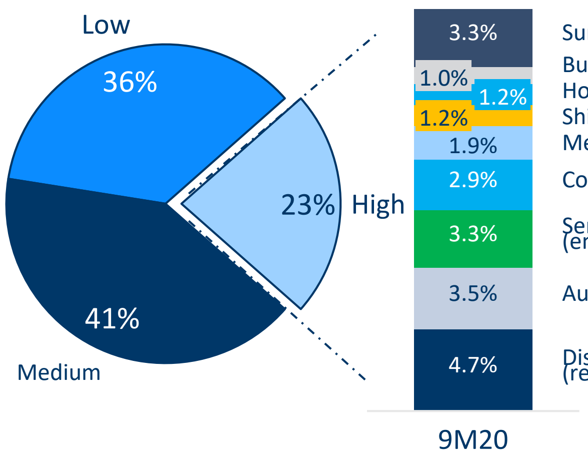
- The updated assessment of the impact of Covid-19 on the performing and non-performing portfolio after 9M20 *(see details in following slides)*, **resulted in a total collective Covid-19 ECL of 784m EUR (q-o-q release of 5m EUR) of which:**
  - a total management overlay of 637m EUR, with a -2m EUR release being booked in 3Q20
  - the ECL models captured an impact of 147m EUR after 9M through the updated macroeconomic variables used in the calculation, resulting in a q-o-q release of -3m EUR
- The total collective Covid-19 ECL of 784m EUR in 9M20 consists of **6% stage 1, 85% stage 2 and 9% stage 3 impairments**
- Including the collective Covid-19 ECL, the Credit Cost Ratio amounted to 0.61% in 9M20
- We are reiterating our estimate for **FY20 impairments** (on financial assets at AC and at FVOCI) of **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 avail themselves of these mitigating measures, 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

COVID-19 (8/9)

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

SME & Corporate loan portfolio* of 104bn EUR broken down by sector sensitivity to Covid-19 :



No major change in the sector split between high-medium-low risk compared to the previous quarter. Only minor reallocations of underlying activities from 'high' to 'medium' or even to 'low' risk. Also very **limited shifts from 'medium' to 'high' risk**, situated mainly in the following sectors:

Distribution	A minor share of activities related to the wholesale distribution of apparel was moved into the 'high risk' category, adding to the already designated retail part (mainly retail fashion)
Services	Increase in 'high risk' category, driven by retirement homes mainly in Belgium
Metals	The activity related to the manufacture of metal structures, linked to the construction of non-residential buildings, was shifted into the 'high risk' category
Building & construction	In the previous quarter, the entire portfolio was allocated to 'medium risk' due to the limited lockdown interruption as this was one of the first sectors to restart. In addition, the temporary unemployment cover provided by the Belgian government tempered the impact. Now, in the third quarter, a limited share of activities related to the construction of non- residential buildings was shifted into the 'high risk' category

Composition of 'other sectors <1%' in more detail :

Aviation sector	As in the second quarter, both sectors categorised as 'high risk', but with a limited share of 0.3% both
Exploration and production of oil, gas & other fuels	

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

COVID-19 (9/9)

Collective Covid-19 ECL in more detail : q-o-q release of 5m EUR

Collective Covid-19 ECL per country:

9M20 EUR m	Performing portfolio impact				Non-Performing portfolio	Total 9M20	3Q20	2Q20	1Q20
	Optimistic 15%	*Base* *45%*	*Pessimistic* *40%*	Probability weighted					
KBC Group	**471**	**621**	**908**	**714**	**70**	**784**	**-5**	**746**	**43**
By country:									
Belgium	300	366	450	390	20	410	-3	378	35
Czech Republic	95	143	198	158	9	167	9	152	6
Slovakia	23	30	50	37	0	37	-3	39	1
Hungary	24	38	82	54	0	54	-1	54	1
Bulgaria	7	16	25	18	5	23	-5	28	n/a
Ireland	22	28	103	57	36	93	-2	95	n/a

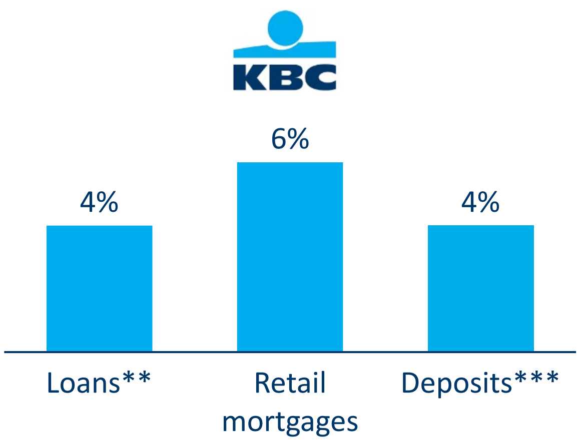
KBC Group

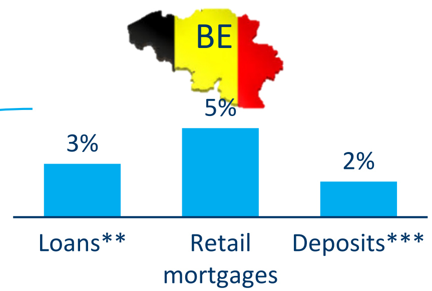
Balance sheet, capital and liquidity

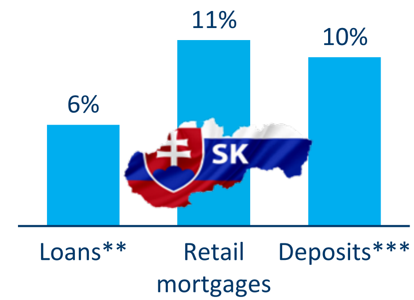
Balance sheet

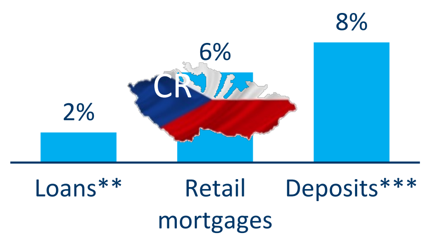
Loans and deposits continue to grow in all countries

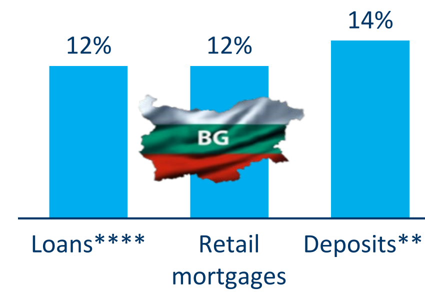
Y-O-Y ORGANIC* VOLUME GROWTH

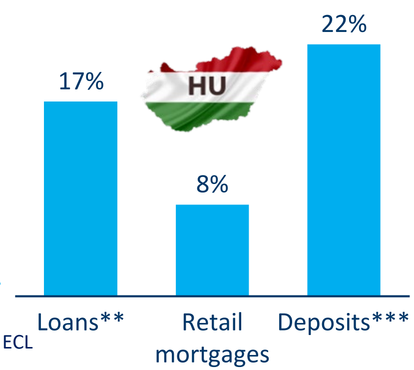


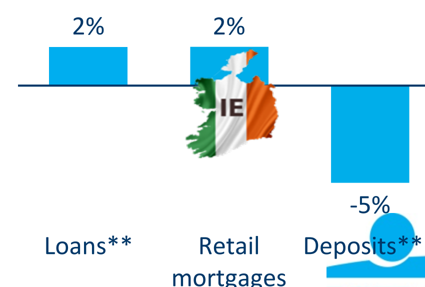










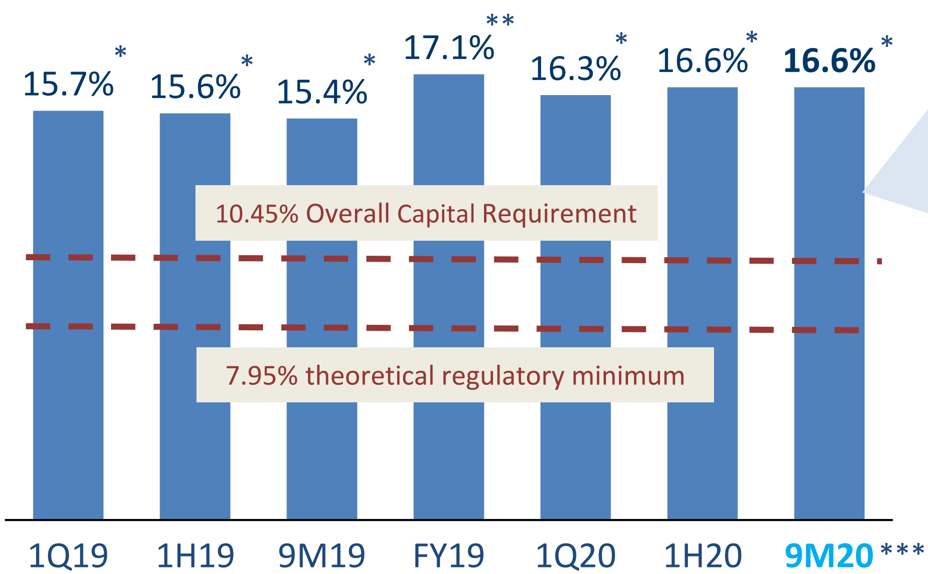


* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos
**** Total customer loans in Bulgaria: new bank portfolio +16% y-o-y, while legacy -28% y-o-y

Common equity ratio

Strong capital position

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



* No IFRS interim profit recognition given 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 9M20 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 56 bps compared to fully loaded

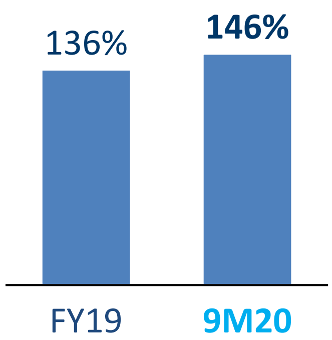
- **The fully loaded common equity ratio stabilised q-o-q at 16.6%** at the end of 9M20 based on the Danish Compromise, despite 1bn EUR RWA add-ons for anticipated PD migrations
- **KBC's CET1 ratio of 16.6%** at the end of 9M20 represents a solid capital buffer:
  - **8.6% capital buffer compared with 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%)

Liquidity ratios

Liquidity continues to be very solid

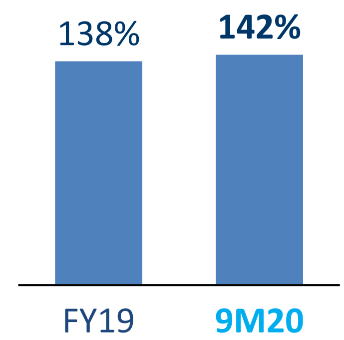
KBC Group's liquidity ratios

*NSFR**



Regulatory Requirement ≥ 100%

*LCR***



** Net Stable Funding Ratio (NSFR) is based on KBC's interpretation of the proposal of CRR amendment*

*** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure*

KBC Group
3Q and 9M 2020

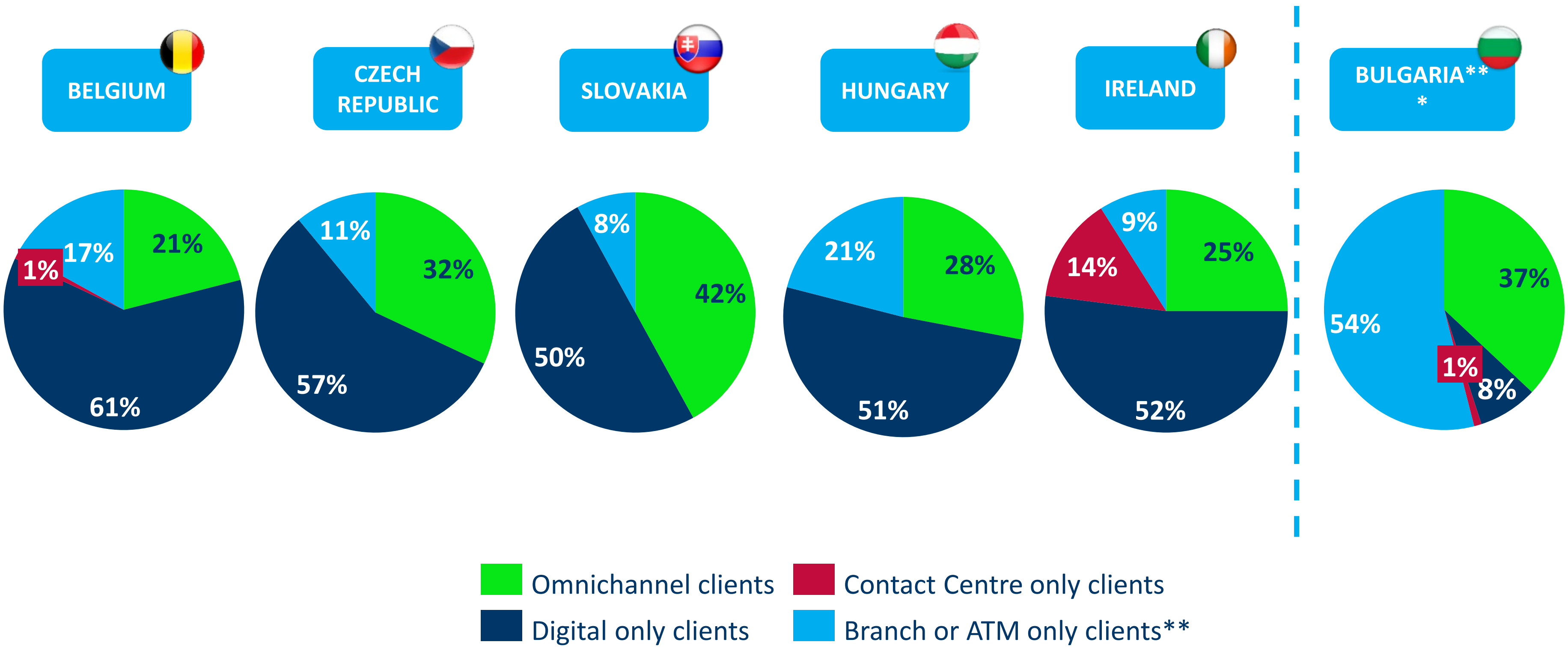
Company profile

Inbound contacts via omni-channel and digital channel* at KBC Group** amounted to 85% in 3Q20… already above the Investor Visit target (≥ 80% by 2020)

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

** Bulgaria & PSB out of scope for Group target

Realisation of omnichannel strategy* – client mix in 3Q20



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

** *Might be slightly underestimated*

*** *Bulgaria out of scope for Group target*

Our sustainability strategy

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

Limiting our adverse impact

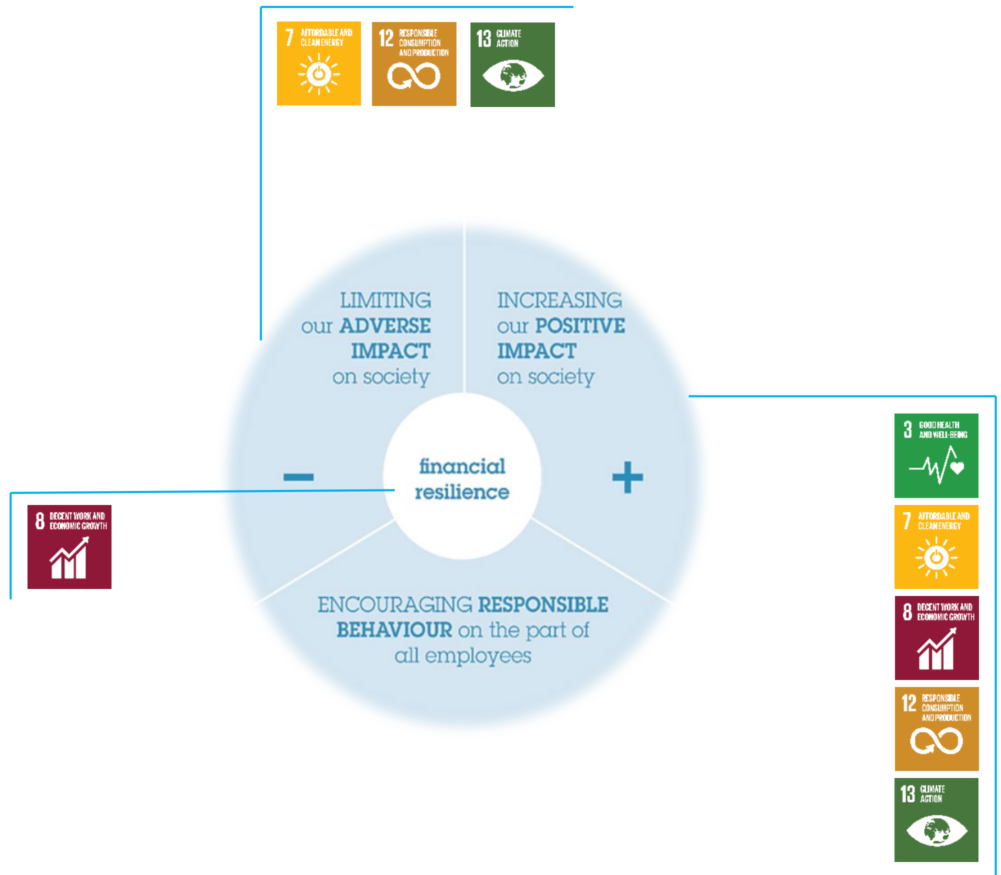
We apply strict sustainability rules to our business activities in respect of human rights, the environment, business ethics and sensitive or controversial social themes. In the light of constantly changing societal expectations and concerns, we review and update our sustainability policies at least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

Increasing our positive impact

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

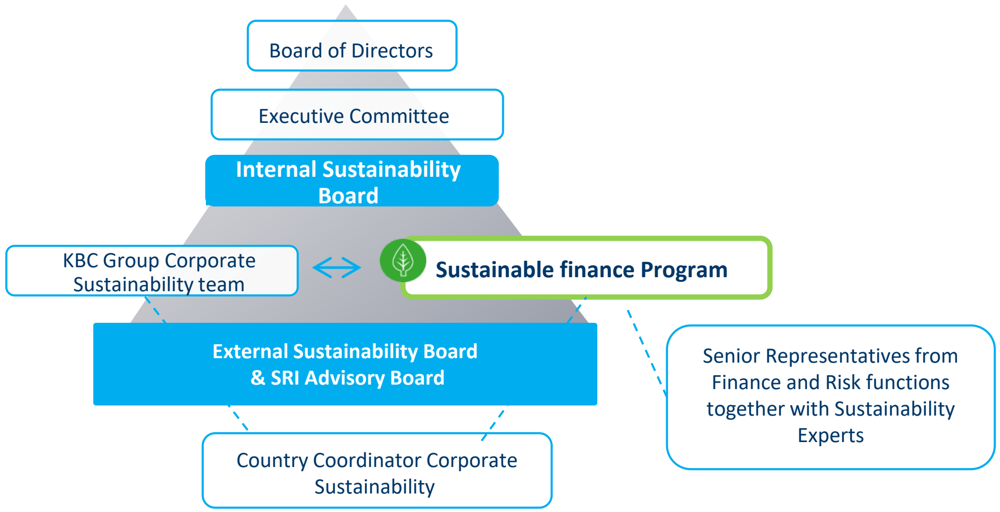
Responsible behaviour

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



Our sustainability strategy

Sustainability embedded in our organisation



- 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 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.

- The Group Executive Committee reports to the BOARD OF DIRECTORS on the sustainability strategy, including policy on climate change.
- The INTERNAL SUSTAINABILITY BOARD (ISB) is chaired by the Group CEO and comprises senior managers from all business units and core countries, the Group CFO (as chairman of Sustainable Finance Steering Committee) and the Corporate Sustainability General Manager. The ISB has group-wide decision rights on all sustainability-related issues (including our climate approach) and is the main platform for driving sustainability at group level. It debates and takes decisions on any sustainability-related matter, both at a strategic level and in more operational terms.
- 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.
- 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

Latest achievements

2020 achievements:

- Update of KBCs energy policy and implementation of the biodiversity policy
- Asset management joins the Climate Action 100+
- KBC, CBC and the European Investment Bank (EIB) together make 300m EUR available to Belgian SMEs for sustainable loans (focus on climate and agriculture lending)
- Solar panels on the roof of a KBC building (BE)

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 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

Our sustainability strategy

Preparing for a science-based approach

We have launched 3 pilot projects (PACTA, PCAF and UNEP FI) working on a series of tools and methodologies :
(1) to enhance our ability to identify and to translate climate-related risks and opportunities in our strategy
(2) quantify the indirect impact of our most carbon-intensive sectors and business lines

Pilots

PACTA – Paris Agreement Capital Transition Assessment

- The first results of the pilot indicate that KBC appears to be less exposed to industrial groups active in the 7 high-carbon sectors (fossil fuels, power, automotive, shipping, aviation, cement and steel) compared to the 16 other PACTA pilot banks

UNEP FINANCE INITIATIVE

- KBC is involved in a project to further develop the methodology used within the UNEP FI programme. The goal of which is to identify the physical risks arising from certain climate scenarios for the most significantly affected sectors in our loan portfolio. We have begun the analysis of physical risks for mortgage loans in Flanders and transition risks for the metals sector

PCAF – Partnership for Carbon Accounting Financials

- In 2019, we began to pilot the PCAF methodology to calculate the carbon footprint of the portfolios: car lease, car loans, mortgage loans for residential real estate and commercial real estate

TOBACCO FREE

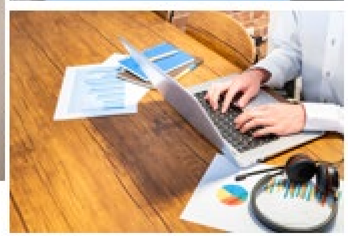
PRI Principles for Responsible Investment

PSI Principles for Sustainable Insurance

WE SUPPORT UN GLOBAL COMPACT

TCFD



KBC Group
3Q and 9M 2020

Looking forward

Looking forward

Economic outlook

- Our base scenario assumed a strong positive growth rebound in 3Q20, while the temporary restrictive policy measures in response to the second wave of the pandemic, such as renewed partial or full lockdowns, will at least temporarily disrupt the road to recovery. However, the respective governments are doing their best to limit the direct impact of these measures on economic activity as much as possible. We expect European unemployment rates to go up in the second half of 2020 as well as in 2021. Main other risk factors include an end of the Brexit transition phase without an EU-UK agreement, as well as renewed tensions in the economic conflict between the US and China

Group guidance

- We are increasing our FY20 NII guidance from 4.4bn EUR to 4.5bn EUR ballpark figure
- We reiterate our FY20 guidance for opex excluding bank taxes (roughly -3.5% y-o-y)
- Also our estimate for FY20 impairments (on financial assets at AC and at FVOCI) remains unchanged 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)
- We will provide a strategy update this afternoon, while new long-term financial guidance as well as our capital deployment plan will be updated together with the FY20 results

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

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

Johan Thijs, KBC Group CEO