

# KBC Group

## Company presentation

### FY 2020 / 4Q 2020

More information: [www.kbc.com](http://www.kbc.com)

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# 4Q 2020 key takeaways

## 4Q20 financial performance

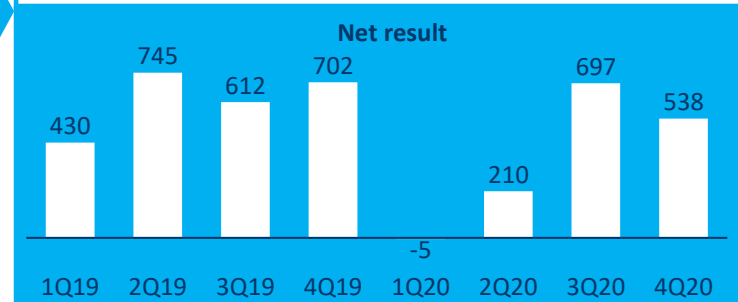
- ❖ **Commercial bank-insurance franchises** in core markets performed well
- ❖ **Customer loans** and **customer deposits** increased y-o-y in most of our core countries
- ❖ Lower **net interest income** and net interest margin
- ❖ Higher **net fee and commission income**
- ❖ Lower **net gains from financial instruments at fair value** and stable **net other income**
- ❖ Sales of **non-life** and **life** insurance up y-o-y
- ❖ Tight **cost** management
- ❖ Slightly higher net **impairments on loans** and sharply higher impairments on 'other' (of which 59m EUR as the result of a one-off software impairment)
- ❖ Solid **solvency** and **liquidity**

Comparisons against the previous quarter unless otherwise stated

Excellent  
net result  
of **538m**  
EUR in  
4Q20

FY20

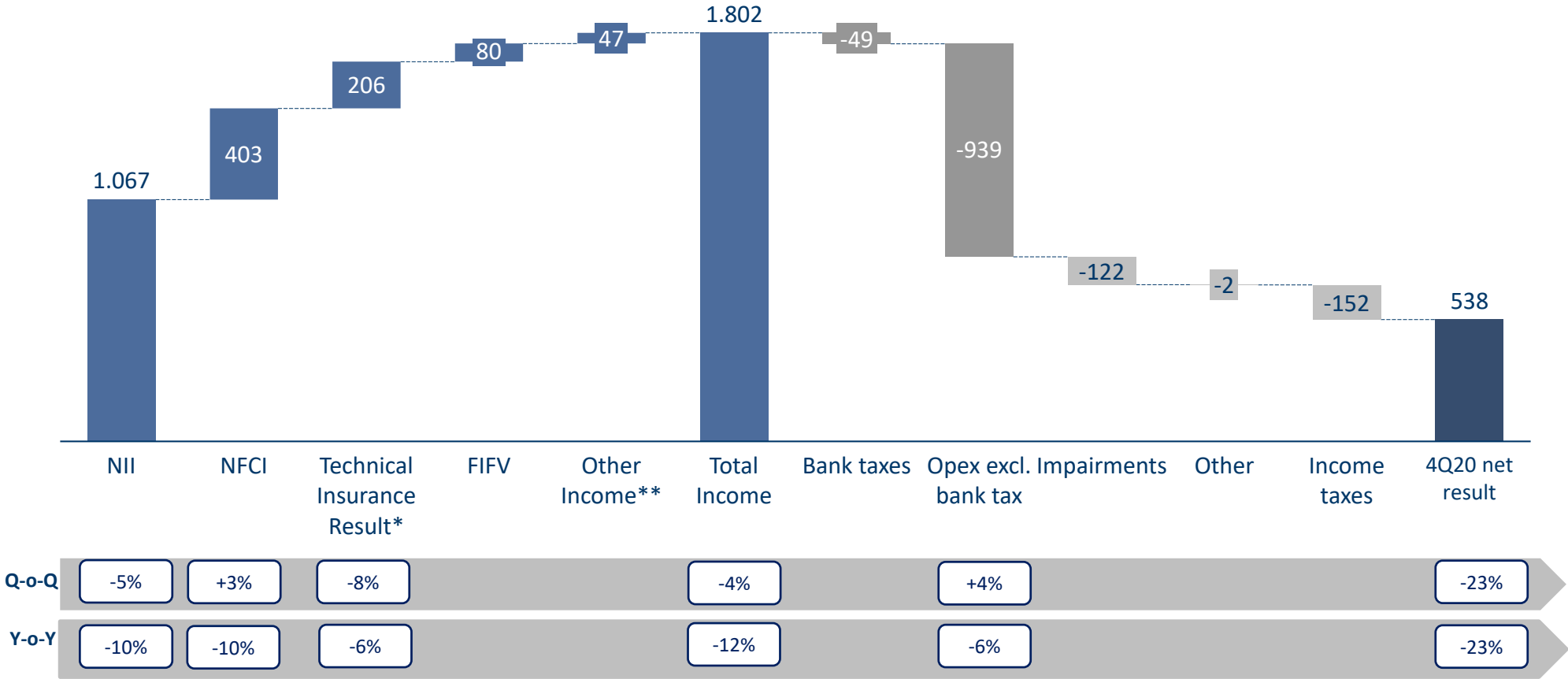
- **ROE 8% (10%\* in 4Q20)**
- **Cost-income ratio 59%** (adjusted for specific items)
- **Combined ratio 85%**
- **Credit cost ratio 0.60% (0.16% without collective Covid-19 impairments\*\*)**
- **Common equity ratio 17.6%** (B3, DC, fully loaded)
- **Leverage ratio 6.4%** (fully loaded)
- **NSFR 146% & LCR 147%**



\* when evenly spreading the bank tax throughout the year

\*\* 783m EUR collective Covid-19 impairments in FY20, of which 672m EUR management overlay and 111m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables

# Overview of building blocks of the 4Q20 net result



\* Earned premiums – technical charges + ceded reinsurance

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



# Main exceptional items

		4Q20	3Q20	4Q19
GROUP	Opex – Update of software capitalisation policy	+10m EUR*		
	Impairments – Software	-59m EUR**		
	<b>Total Exceptional Items CZ BU</b>	<b>-49m EUR</b>		
BE BU	NII – One-off technical item (insurance)	+5m EUR	+26m EUR	
	<b>Total Exceptional Items BE BU</b>	<b>+5m EUR</b>	<b>+26m EUR</b>	
CZ BU	NOI – Legacy legal files	-6m EUR		
	<b>Total Exceptional Items CZ BU</b>	<b>-6m EUR</b>		
IM BU	IRL - NOI – Additional impact for the tracker mortgage review	-3m EUR	-6m EUR	-1m EUR
	HU – Impairments – Modification loss from moratorium	-2m EUR		
	<b>Total Exceptional Items IM BU</b>	<b>-5m EUR</b>	<b>-6m EUR</b>	<b>-1m EUR</b>
GC	Tax – Belgian corporate tax reform			-3m EUR
	<b>Total Exceptional Items GC</b>			<b>-3m EUR</b>
<b>Total Exceptional Items (pre-tax)</b>		<b>-55m EUR</b>	<b>+20m EUR</b>	<b>-4m EUR</b>
<b>Total Exceptional Items (post-tax)</b>		<b>-44m EUR</b>	<b>+14m EUR</b>	<b>-4m EUR</b>

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

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

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Annex 2: Company profile

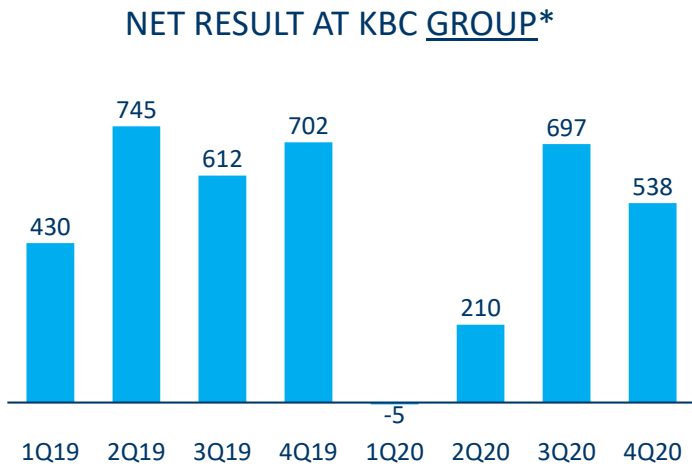
Annex 3: Differently: the next level

Annex 4: Other items

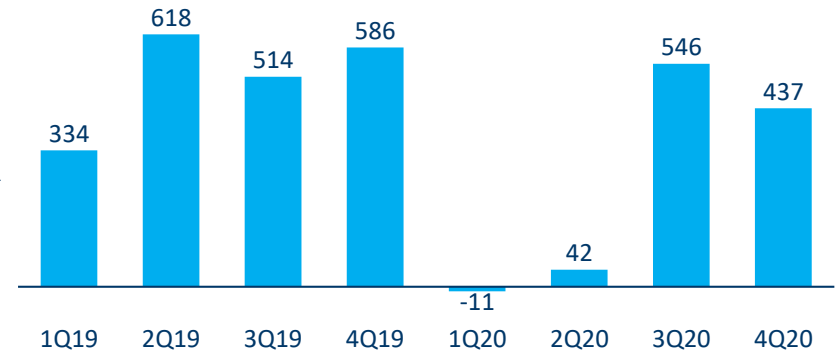
Section 1

# 4Q 2020 performance of KBC Group

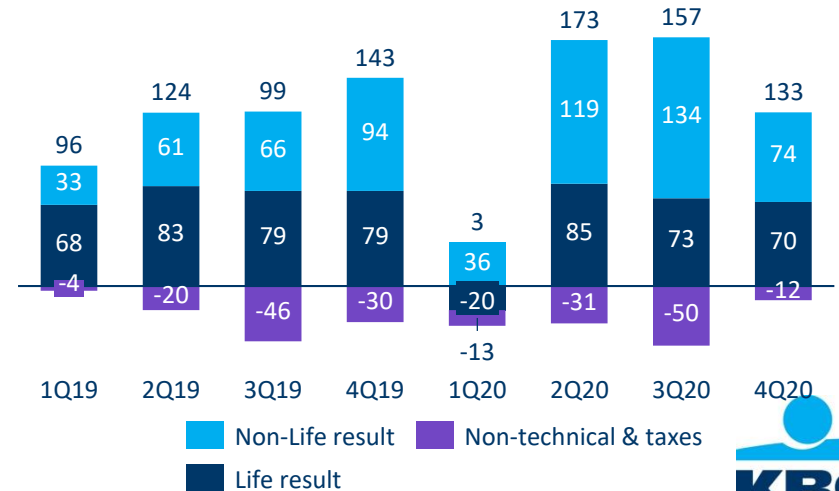
# Net result at KBC Group



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT\*



CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT\*

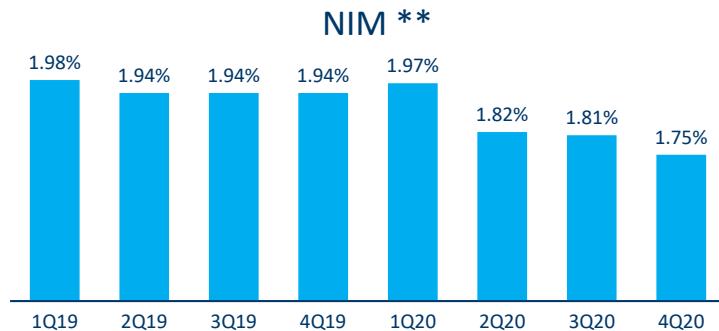
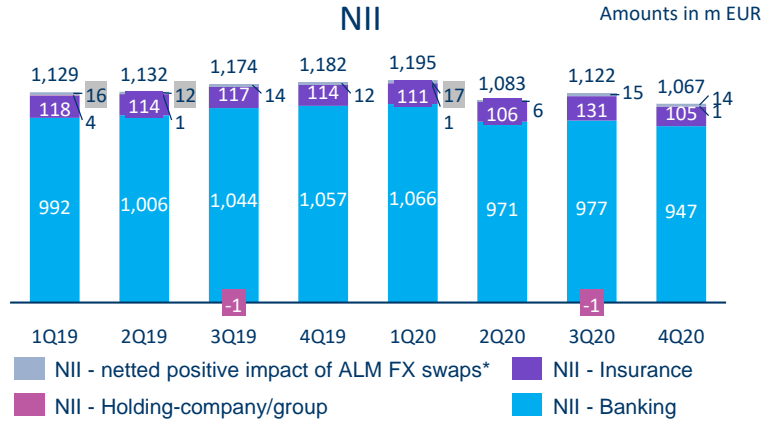


\* Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted for by the holding-company/group items





# Lower net interest income and net interest margin



\* 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 (1,067m EUR)

- Decreased by 5% q-o-q and by 10% y-o-y
- The q-o-q decrease was driven primarily by:
  - lower reinvestment yields
  - a lower positive one-off item at NII Insurance (+5m EUR in 4Q20 versus +26m EUR in 3Q20)
  - depreciation of the CZK & HUF versus the EUR
  - slightly lower netted positive impact of ALM FX swaps
- partly offset by:
  - higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic and Slovakia
  - intensified charging of negative interest rates on certain current accounts to corporates and SMEs
- The y-o-y decrease was mainly the result of the CNB rate cuts, the depreciation of the CZK & HUF versus the EUR and the negative impact of lower reinvestment yields

## Net interest margin (1.75%)

- Decreased by 6 bps q-o-q and by 19 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

Volume

Growth q-o-q\*

Growth y-o-y

Total loans\*\*

160bn

0%

+3%

o/w retail mortgages

72bn

+2%

+7%

Customer deposits\*\*\*

215bn

+1%

+6%

AuM

212bn

+4%

-2%

Life reserves

28bn

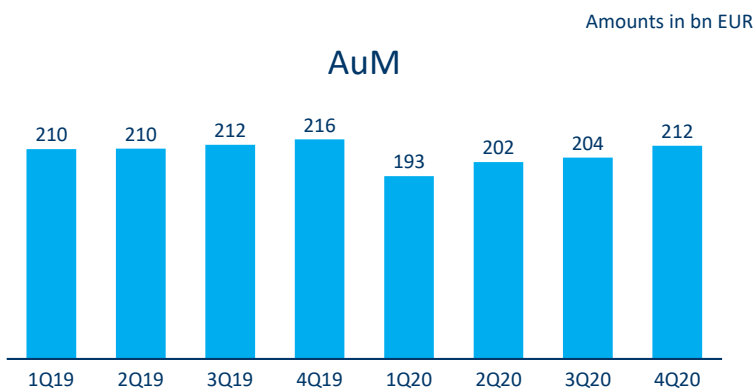
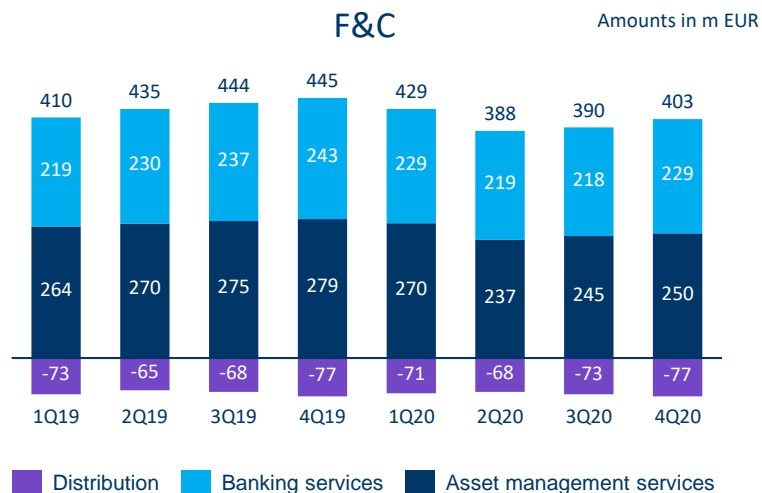
+1%

-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 +2% q-o-q and +11% y-o-y

# Higher net fee and commission income



## Net fee and commission income (403m EUR)

- Up by 3% q-o-q and down by 10% y-o-y
- Q-o-q increase was the result of the following:
  - Net F&C income from Asset Management Services increased by 2% q-o-q as a result of higher management fees, partly offset by lower entry fees from mutual funds and unit-linked life insurance products
  - Net F&C income from banking services rose by roughly 5% q-o-q as higher securities-related fees, higher fees from credit files & bank guarantees and higher network income were partly offset by slightly lower fees from payment services
  - Distribution costs rose by 5% q-o-q due chiefly to higher commissions paid linked to banking products and increased life insurance sales
- Y-o-y decrease was mainly the result of the following:
  - Net F&C income from Asset Management Services fell by 10% y-o-y as a result of lower management fees and entry fees
  - Net F&C income from banking services decreased by 6% y-o-y (-3% 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 roughly stabilised y-o-y

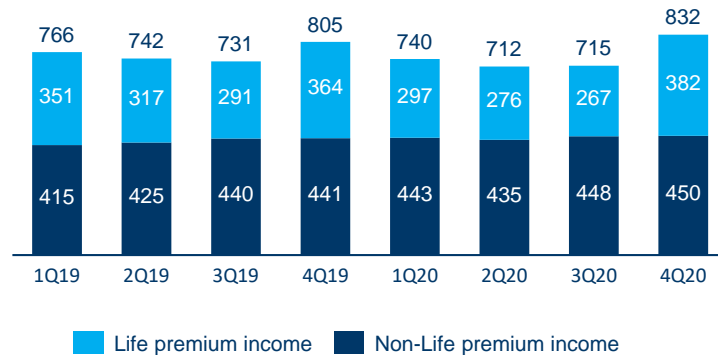
## Assets under management (212bn EUR)

- Increased by 4% q-o-q due entirely to a positive price effect
- Decreased by 2% y-o-y due mainly to net outflows in investment advice



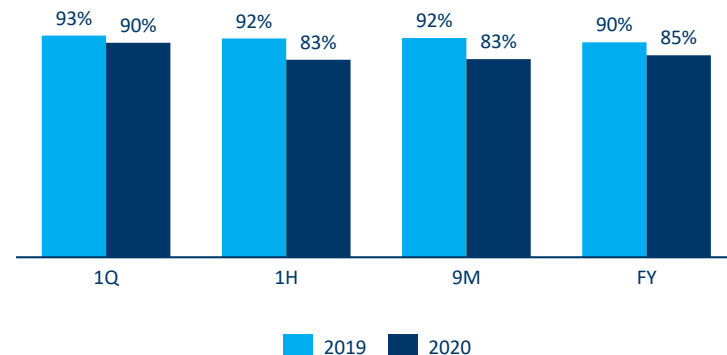
# Non-life and life premium income up y-o-y and excellent combined ratio

## PREMIUM INCOME (GROSS EARNED PREMIUMS)



- **Insurance premium income** (gross earned premiums) **at 832m EUR**
  - Non-life premium income (450m EUR) increased by 2% y-o-y
  - Life premium income (382m EUR) up by 43% q-o-q and by 5% y-o-y

## COMBINED RATIO (NON-LIFE)

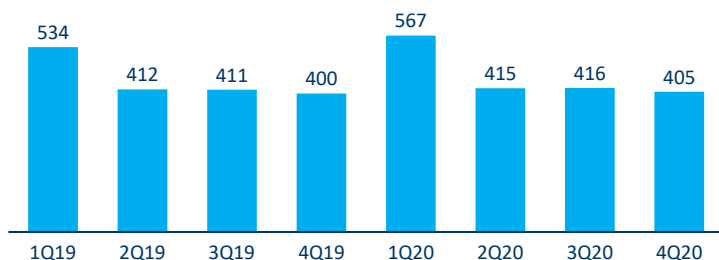


- The non-life **combined ratio** for FY20 amounted to an excellent **85%**. This is the result of 3% y-o-y premium growth combined with 6% y-o-y lower technical charges in FY20. The latter was due mainly to lower normal claims in FY20 (especially in 'Motor' and 'Workmen's compensation', partly due to Covid-19), despite an increase of the ageing reserves in 4Q20 (of 21m EUR)

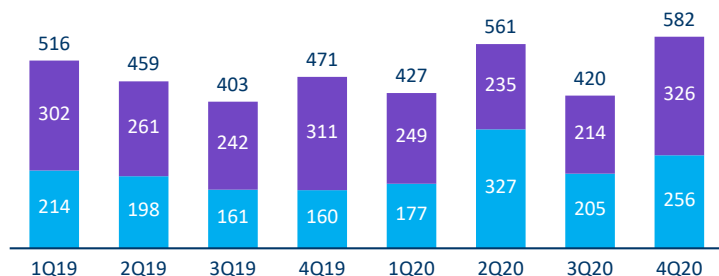
Amounts in m EUR

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

## NON-LIFE SALES (GROSS WRITTEN PREMIUM)



## LIFE SALES



■ Guaranteed interest products ■ Unit-linked products

Amounts in m EUR

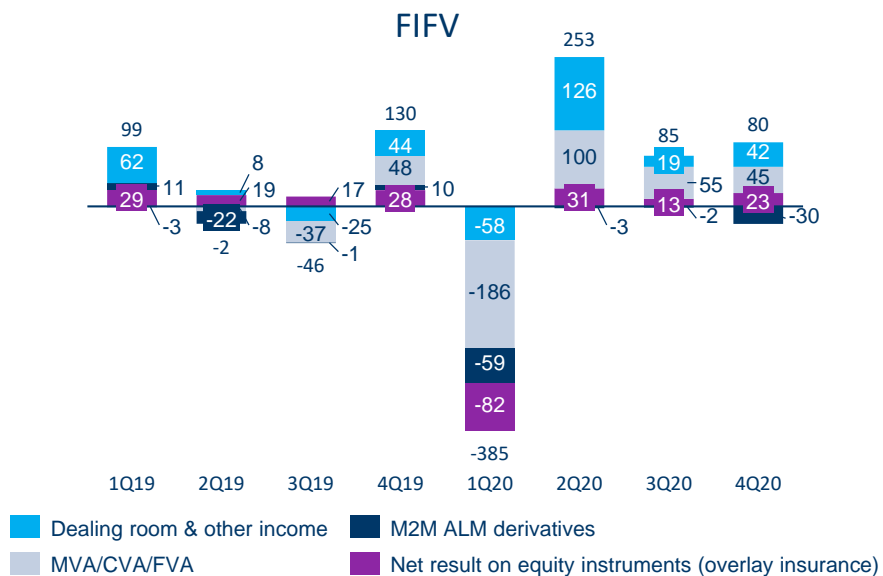
### ■ Sales of non-life insurance products

- Up by only 1% y-o-y due to negative impact of Covid-19 on existing business (mainly 'Workmen's compensation' and 'General third-party liability')

### ■ Sales of life insurance products

- Increased by 39% q-o-q and by 23% y-o-y
- The q-o-q increase was driven by both higher sales of guaranteed interest products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in 4Q20) and unit-linked products in Belgium and the Czech Republic
- The y-o-y increase was driven mainly by higher sales of unit-linked products in Belgium (mainly due to commercial actions towards Retail/SME clients)
- Sales of unit-linked products accounted for 44% of total life insurance sales in 4Q20

# Lower FIFV and stable net other income



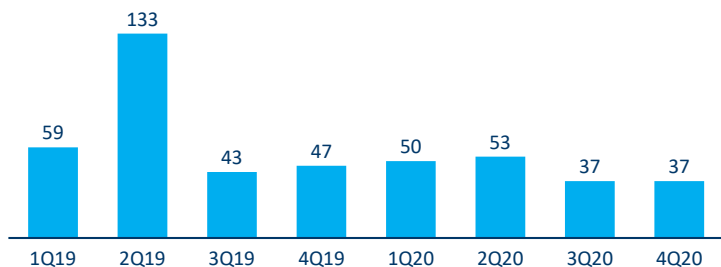
- The q-o-q small decline in **net gains from financial instruments at fair value** was attributable mainly to:

- a negative change in ALM derivatives
- lower market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates, despite increasing equity markets and decreasing counterparty credit spreads & KBC funding spread)
  - FVA: 18m EUR (-5m EUR q-o-q)
  - CVA: 31m EUR (+2m EUR q-o-q)
  - MVA: -4m EUR (-6m EUR q-o-q)

partly offset by:

- higher dealing room & other income
- a higher net result on equity instruments (insurance)

## NET OTHER INCOME

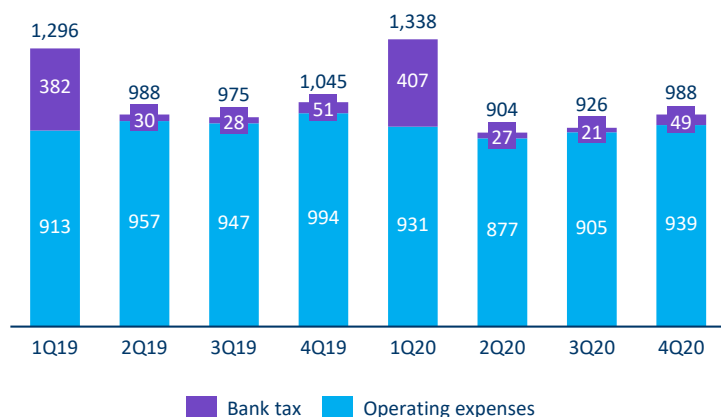


Amounts in m EUR

- Net other income** amounted to 37m EUR, below the normal run rate of around 50m EUR per quarter due to, among other things, a legacy legal file in the Czech Republic (-6m EUR) and an additional impact of the tracker mortgage review in Ireland of -3m EUR

# Tight cost management

## OPERATING EXPENSES



Amounts in m EUR

## BANK TAX SPREAD IN 2020

	TOTAL	Upfront				Spread out over the year				
		4Q20	1Q20	2Q20	3Q20	4Q20	1Q20	2Q20	3Q20	4Q20
BE BU	0	289	2	0	0	0	0	0	0	0
CZ BU	0	40	0	0	0	0	0	0	0	0
Hungary	22	25	1	0	0	20	18	20	22	
Slovakia	0	3	0	0	0	8	8	0	0	
Bulgaria	0	17	-1	0	0	0	0	0	0	
Ireland	26	4	-1	0	0	1	1	1	26	
GC	0	0	0	0	0	0	0	0	0	
<b>TOTAL</b>	<b>49</b>	<b>377</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29</b>	<b>27</b>	<b>21</b>	<b>49</b>	

- Operating expenses excluding bank taxes decreased by 4.2% y-o-y in FY20 (compared to our FY20 guidance of -3.5% y-o-y) due chiefly to the announced cost savings triggered by Covid-19
- Operating expenses excluding bank taxes increased by 4% q-o-q primarily as a result of:
  - higher staff expenses (due largely to a higher accrual of variable compensation and wage inflation in most countries)
  - higher ICT & marketing costs and higher professional fees
 partly offset by:
  - +10m EUR one-off as a result of the updated software capitalisation policy
  - lower facilities expenses

- Cost/income ratio (banking) adjusted for specific items\* at 60% in 4Q20 and 59% in FY20 (58% in FY19). Cost/income ratio (banking): 56% in 4Q20 and 60% in FY20

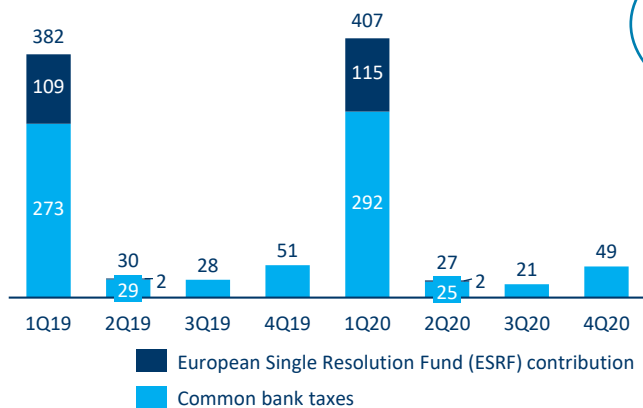
- Total bank taxes (including ESRF contribution) increased by 2% y-o-y to 503m EUR in FY20

\* See glossary (slide 106) for the exact definition

# Overview of bank taxes\*

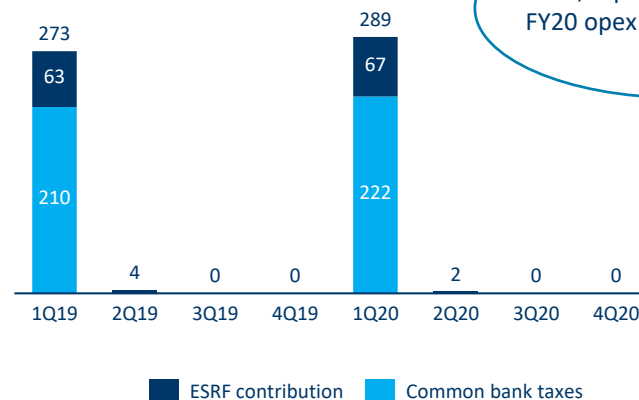
Amounts in m EUR

## KBC GROUP



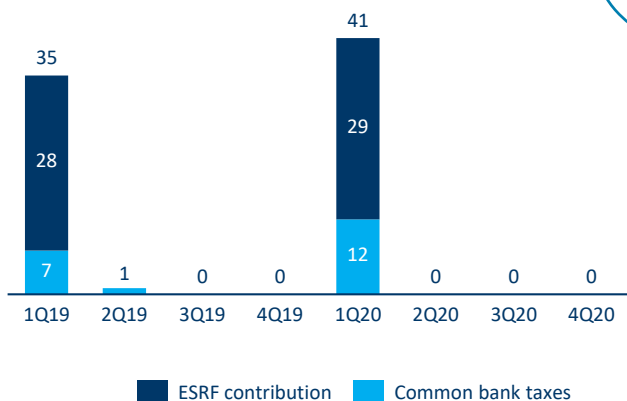
Bank taxes of 503m in FY20, representing 12.1% of FY20 opex at KBC Group\*\*

## BELGIUM BU



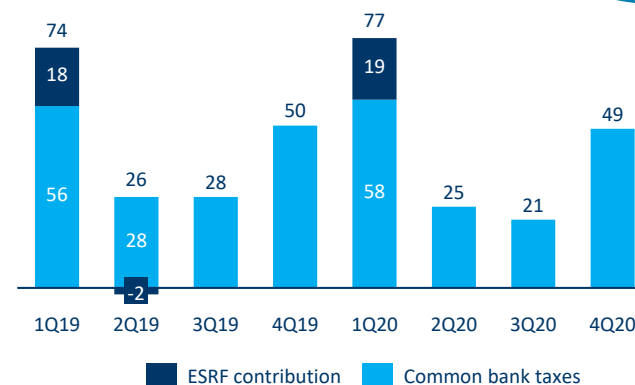
Bank taxes of 291m EUR in FY20, representing 12.1% of FY20 opex at the Belgium BU

## CZECH REPUBLIC BU



Bank taxes of 41m EUR in FY20, representing 5.4% of FY20 opex at the CZ BU

## INTERNATIONAL MARKETS BU



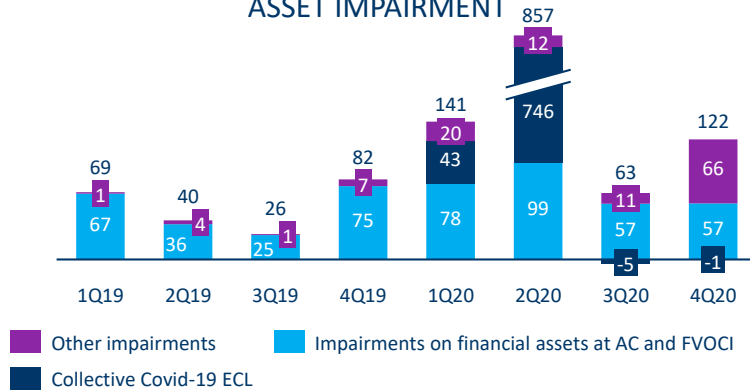
Bank taxes of 171m EUR in FY20, representing 19.1% of FY20 opex at the IM BU

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

\*\* The C/I ratio adjusted for specific items of 59% in FY20 amounts to 51% excluding these bank taxes

# Higher asset impairments

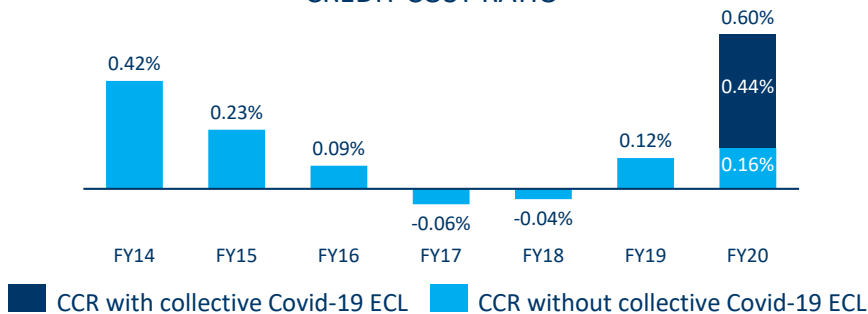
ASSET IMPAIRMENT



## Higher asset impairments q-o-q due to other impairments

- The q-o-q small increase of loan loss provisions was attributable entirely to a lower reversal of collective Covid-19 impairments in 4Q20 (impact from updated IFRS 9 macroeconomic variables was fully offset by the management overlay)
- Impairment of 66m EUR on 'other', of which 59m EUR as the result of a one-off software impairment (see next slide) and a 2m EUR one-off modification loss from moratorium (time value of deferred interest)

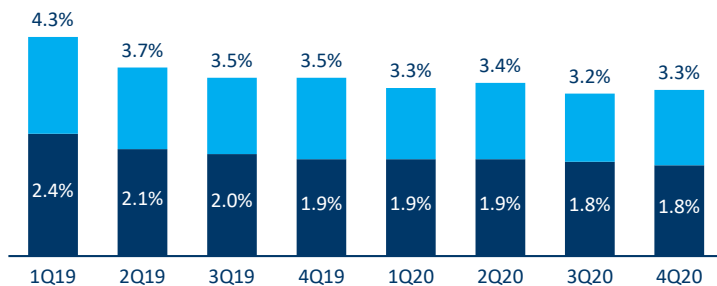
CREDIT COST RATIO



## The credit cost ratio in FY20 amounted to:

- 16 bps (12 bps in FY19) without collective Covid-19 ECL
- 60 bps with collective Covid-19 ECL

IMPAIRED LOANS RATIO



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





# Software impairment and update of software capitalisation policy

## Software impairment 4Q20:

- As a result of concrete impairment triggers related to a few distinct software projects, a **total impairment of -59m EUR** was booked in the fourth quarter results

Entity	Belgium	Czech Rep.	Slovakia	Hungary	Group Centre	Total
Impairment	-28m EUR	-6m EUR	-2m EUR	-5m EUR	-18m EUR	-59m EUR

## Update of software capitalisation policy

- The KBC Board of Directors approved the change in accounting policy, to **no longer capitalise internally developed software assets below a certain materiality threshold** (and which will be immediately expensed in OPEX instead)
- As a result of this change in accounting policy:
  - The **retrospective impact of derecognising the software assets below the threshold** has led to a correction of the opening balance of 2019 equity by -182m EUR before tax (and -143m EUR after tax)\*, without impacting the 2019 P&L nor the capital ratios (as the drop in parent shareholders' equity is compensated by lower intangible fixed assets, which are deducted from common equity)
  - The **impact for 2020** is fully included in the **operating expenses of the fourth quarter**. This amounts to +10m EUR before tax, which is positive as the software depreciations to be reversed exceed the capitalisation to be cancelled

2019

Entity	Belgium	Czech Rep.	Hungary	Group Centre	Total
OPEX	+11m EUR	-4m EUR	+1m EUR	+2m EUR	+10m EUR

2020

- Because of the two items above, the positive **impact on CET1 in the fourth quarter of 2020** coming from the **quick fix “prudently valued software”** decreases **from 21 basis points to 11 basis points**

KBC Group

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Section 2

Covid-19

# COVID-19 (1/9)

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

### Belgium

#### Deferral of payments

**Opt-in: 3 months for consumer finance , 6-9 months for mortgages and non-retail loans,** originally until 31 Oct 2020

Application period extended for a second time (to 31 Mar 2021). All deferrals to expire at the end of June (max. total deferral period of 9 months)

- For private persons: deferral of principal and interest payments, while only deferral of principal payments for non-retail clients
- Interest is accrued over the deferral period, apart from families with net income of less than 1,700 EUR. For the latter group, this results in a modification loss for the bank (-11m EUR booked in 2Q)

#### Guarantee Scheme & liquidity assistance

- A state guarantee scheme of up to 40bn EUR to cover losses incurred on future non-retail loans granted before 31 Dec 2020 to viable companies, with a tenor of max. 12 months and a maximum interest rate of 1.25%. Guarantee covers 50% of losses above 3% of total credit losses and 80% above 5% of losses
- As of 3Q, a revised state guarantee scheme of up to 10bn EUR has been in place to cover losses on future SME loans granted before 31 Dec 2020 (extended until Jun 2021), with a tenor between 1 and 3 years (extended to 5 years) and with a maximum interest rate of 2% (or 2.5% if tenor > 3 years). Guarantee covers 80% of all losses

### Czech Republic

**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%

- The **Czech-Moravian Guarantee and Development Bank (CZMRB)** launched several guarantee programs (COVID II, COVID II Praha, COVID III) for working capital loans provided by commercial banks to non-retail clients. The loan amount is guaranteed up to 80% or 90% of the loan amount. Interest on these loans is subsidised up to 25% (COVID II). **COVID III extended until Jun 2021**
- **The Export Guarantee and Insurance Corporation (EGAP)** under its COVID Plus program offers guarantees on loans provided by commercial banks. EGAP guarantees up to 90% of the loan amount, depending on the rating of the debtor. The program is aimed at companies in which exports accounted for more than 20% of turnover in 2019

### Hungary

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

Extension of the deferral period until 30 Jun 2021

- Applicable for retail and non-retail clients
- Extension conditions are the same as the original moratorium
- Deferral of principal and interest payments
- Interest is accrued over the deferral period, but unpaid interest cannot be capitalised and must be collected on a linear basis during the remaining (extended) lifetime. This resulted in a modification loss for the bank (-18m EUR booked in 1Q; revised to -11m EUR in 2Q and increased to -12m EUR in Q4 due to the extension)

- A guarantee scheme is provided by **Garantiqa and the Hungarian Development Bank**. These state guarantees can cover up to 90% of the loans with a maximum term of 6 years
- **Funding for growth scheme (launched by MNB):** a framework amount of 4.2bn EUR for SMEs that can receive loans with a 20-year tenor and at a maximum interest rate of 2.5%
- Annual interest rate on personal loans granted by commercial banks may not exceed the central bank base rate by more than 5pp (until 31 Dec 2020)

# COVID-19 (2/9)

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

### Slovakia

#### Deferral of payments

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

Application period is still running (but most payment holidays 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

#### Guarantee Scheme & liquidity assistance

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

### Bulgaria

#### Opt-in: 9 months (deferral until 31 Dec 2021 at the latest)

Application period expires on 31 Mar 2021

- Applicable for retail and non-retail customers
- Deferral of principal with or without deferral of interest payments
- For both, full and partial deferrals, the tenor is extended by **9 months (or 6+3)**
- Interest is accrued over the deferral period and repaid in 12 months for consumers; **in 18 months (or 12+6) for non-retail** or 60 months for mortgages in equal instalments

- **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

#### Opt-in: 3 to 6 months

Application period expired on 30 Sep 2020

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

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

# COVID-19 (3/9)

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

### Payment holidays – by country :

Status: 31 Dec 2020 <i>Eur bn</i>	Loan deferrals granted		Expired loan deferrals
	Total	% of total loan portfolio	
<b>KBC Group</b>	<b>13.4</b>	<b>8%</b>	<b>8.7</b>
<i>of which:</i>			
Belgium	7.4	7%	4.9
Czech Republic	2.2	7%	2.2
Hungary (opt-out)	1.6	32%	0.0
Slovakia	0.8	9%	0.3
Bulgaria	0.2	7%	0.2
Ireland	1.2	12%	1.1

### Loans and advances under public Covid-19 guarantee schemes :

Status: 31 Dec 2020	Loans granted EUR m	# obligors k
<b>KBC Group</b>	<b>814</b>	<b>10</b>
<i>of which:</i>		
SME	411	
Corporate	389	

### Payment holidays – by segment :

Status: 31 Dec 2020 <i>Eur bn</i>	Loan deferrals granted		Expired loan deferrals
	Total	% of total loan portfolio	Total
<b>KBC Group</b>	<b>13,4</b>	<b>8%</b>	<b>8,7</b>
<i>of which:</i>			
Mortgages	4,7	7%	3,8
SME	4,0	12%	2,1
Corporate	3,9	9%	2,5

By the end of December 2020:

- The volume of granted loans with payment holidays, according to the EBA definitions, amounted to 13.4bn EUR or 8% of total loan book\*
- Approx. 9bn EUR of moratoria already expired, of which 96% have resumed payments
- Government guaranteed loans granted (under Covid-19 scheme) for 814m EUR

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

# COVID-19 (4/9)

## IFRS 9 scenarios

OPTIMISTIC SCENARIO	BASE-CASE SCENARIO	PESSIMISTIC SCENARIO
Virus spread and impact more quickly under control thanks to earlier than expected large-scale availability of vaccines, allowing social distancing measures and other precautionary measures to be lifted sooner	Start of vaccination process and wider testing and tracing will allow only a very moderate easing of precautionary measures in H1 2021. From mid-2021 on, the normalisation of socio-economic interactions will be helped by the mass rollout of effective vaccines. However, as the vaccination process will take time, socio-economic interactions will not return to normal before 2022	The virus reappears and continues to weigh on society and the economy, because of setbacks in the vaccination process (e.g., logistical problems, disappointing immunity results, etc.)
Steep and steady recovery from the first half of 2021 onwards, with a fast return to pre-Covid-19 levels of activity	The recovery will be gradual. It will take until the second half of 2021 for the mass rollout of vaccines to reinforce the recovery to pre-Covid-19 levels of activity by 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. However, the rollout of the different vaccines will support economic recovery in the medium term. The strength and/or timing of the recovery is country-specific and subject to significant uncertainty. Also, the possible resurgence of virus outbreaks remains a concern and is forcing many countries to maintain or even extend specific lockdown measures.
- Because of this **uncertainty**, we continue working **with three alternative scenarios: a base-case scenario, a more optimistic scenario and a more pessimistic scenario**
- The definition of each scenario reflects the latest virus-related and economic developments, with the following probabilities: **55% for the base-case, 35% for the pessimistic and 10% for the optimistic scenario**

### Macroeconomic scenarios\*

December 2020

Real GDP growth	2020	2021			2022		
	Base	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Euro area	-7.5%	7.4%	2.4%	-3.1%	4.1%	4.1%	1.8%
Belgium	-7.4%	6.8%	0.9%	-4.5%	3.6%	4.1%	1.6%
Czech Republic	-6.5%	4.4%	2.7%	-2.0%	4.1%	5.0%	3.2%
Hungary	-6.0%	6.3%	3.5%	-1.0%	4.5%	4.8%	3.5%
Slovakia	-6.8%	7.0%	4.2%	1.6%	4.8%	4.2%	3.2%
Bulgaria	-5.0%	4.0%	3.0%	-1.0%	3.0%	4.0%	2.0%
Ireland	2.5%	6.0%	4.0%	1.0%	6.0%	4.0%	1.0%

\* The macroeconomic information is based on the economic situation and KBC forecast in December 2020 and hence does not yet reflect the official macroeconomic figures for FY 2020 as reported by different authorities

- The baseline scenario now incorporates an improvement in the macro assumptions for 2020 and a gradual recovery in Europe that accelerates in the second half of 2021

# COVID-19 <sup>(5/9)</sup>

## IFRS 9 scenarios

### Macroeconomic scenarios

December 2020

Unemployment rate	2020	2021			2022		
	Base	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	5.8%	6.2%	7.2%	8.2%	5.9%	6.9%	8.0%
Czech Republic	3.3%	3.5%	4.2%	5.2%	3.3%	4.0%	5.6%
Hungary	4.8%	4.2%	5.0%	7.0%	4.0%	4.6%	6.5%
Slovakia	8.0%	8.0%	9.5%	12.0%	7.5%	8.0%	10.0%
Bulgaria	8.0%	6.0%	10.0%	12.0%	4.3%	7.0%	11.0%
Ireland (*)	18.0%	5.0%	7.0%	14.0%	4.0%	6.0%	10.0%

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

House-price index	2020	2021			2022		
	Base	Optimistic	Base	Pessimistic	Optimistic	Base	Pessimistic
Belgium	3.0%	2.0%	-3.0%	-5.0%	2.5%	1.0%	-2.0%
Czech Republic	6.7%	3.6%	1.5%	-3.0%	4.0%	2.0%	-1.0%
Hungary	-1.0%	2.5%	-1.0%	-4.0%	3.5%	2.0%	-1.0%
Slovakia	9.0%	3.5%	1.2%	-4.0%	4.0%	2.0%	-1.0%
Bulgaria	1.0%	1.0%	0.0%	-1.0%	3.0%	3.0%	0.0%
Ireland	0.0%	3.0%	0.0%	-3.0%	4.0%	1.0%	-3.0%

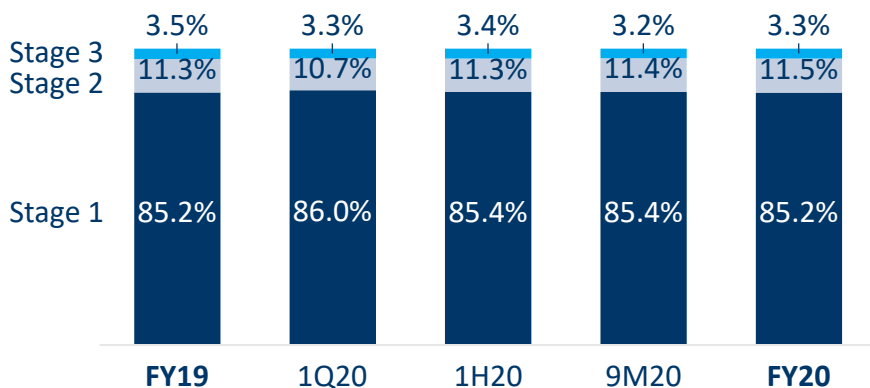
# COVID-19 (6/9)

## Steady staging of loan portfolio

### Total loan portfolio outstanding by segment\*

(in billions of EUR)	FY19	1Q20	1H20	9M20	FY20
<b>Loan portfolio outstanding</b>	<b>175</b>	<b>180</b>	<b>179</b>	<b>179</b>	<b>181</b>
Retail	42%	40%	41%	42%	43%
of which mortgages	38%	37%	38%	39%	40%
of which consumer finance	3%	3%	3%	3%	3%
SME	22%	21%	21%	22%	22%
Corporate	37%	39%	38%	37%	35%

### Total loan portfolio outstanding by IFRS 9 ECL stage\*



- As disclosed during previous quarters, our Expected Credit Loss (ECL) models were not able to adequately reflect all the specifics of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis. Therefore, an expert-based calculation at portfolio level is required via a **management overlay**
- 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 and third quarter, **we recalculated the Covid-19 ECL based on the same methodology used on the performing and non-performing portfolio at the end of December 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 EBA-compliant government measures granted before the end of September 2020, as well as newly granted measures between 1 October 2020 and the end of December 2020, have not led to automatic staging

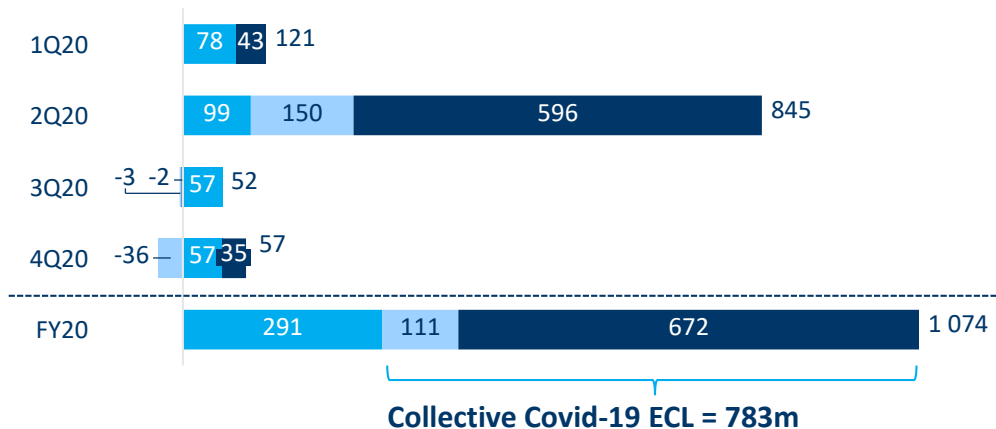
\* Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements



# COVID-19 (7/9)

## Impact of the collective Covid-19 ECL (FY 2020)

### Impairment on financial assets at AC and at FVOCI



- Impairments on financial assets at AC and at FVOCI without any COVID-19 impact
- Covid-19 impact already captured by ECL models
- Management overlay

- The updated assessment of the impact of Covid-19 on the performing and non-performing portfolios after 12M20 (see details in following slides), **resulted in a total collective Covid-19 ECL of 783m EUR (q-o-q release of 1m EUR)** of which:
  - a total management overlay of 672m EUR, with a q-o-q increase of 35m EUR being booked in 4Q20
  - the ECL models captured an impact of 111m EUR after 12M, resulting in a q-o-q release of 36m EUR. The release can be explained by the improvement of the macroeconomic assumptions for 2020 and a gradual recovery which accelerates in the second half of 2021
- The total collective Covid-19 ECL of 783m EUR consists of **6% stage 1, 86% stage 2 and 8% stage 3 impairments**
- Full-year 2020 impairment** (on financial assets at AC and at FVOCI) **amounts to 1,074m EUR** and is fully in line with our year-end guidance of roughly 1.1bn EUR

Credit Cost % (annualized*)	FY19	3M20	1H20	9M20	FY20
Without collective COVID-19 ECL	0.12%	0.17%	0.20%	0.17%	0.16%
With collective COVID-19 ECL		0.27%	0.64%	0.61%	0.60%

\* Collective Covid-19 ECL, not annualised

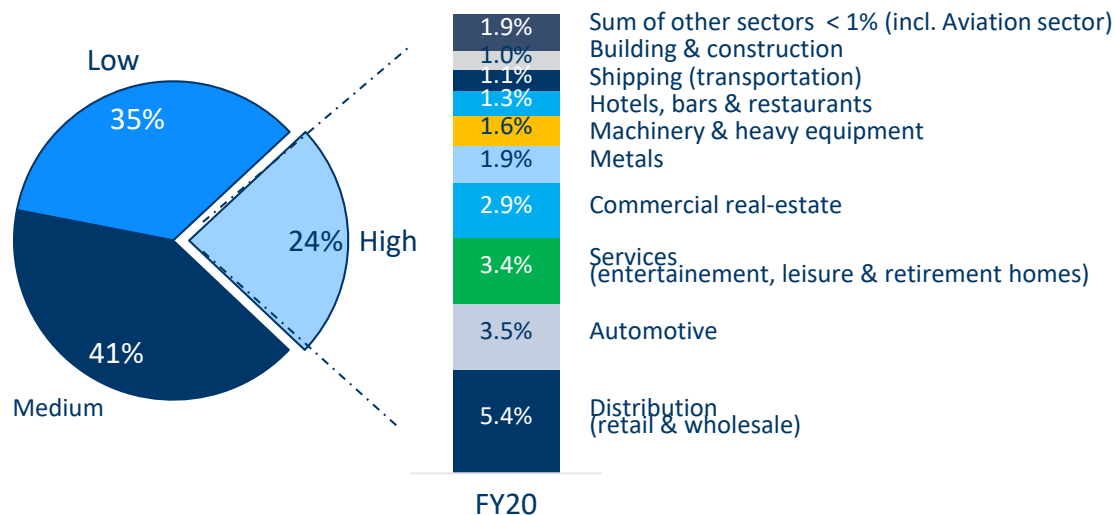
- Including the collective Covid-19 ECL, the Credit Cost Ratio for FY20 amounted to 0.60%



# 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 103bn 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:



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

Aviation sector	As in the previous quarter, both sectors categorised as 'high risk', but with a limited share of 0.3% and 0.2%, respectively
Exploration and production of oil, gas & other fuels	

Machinery & heavy equipment	The entire sector (with a share of 1.6%) was moved into the 'high risk' category as companies active in this sector are considered more vulnerable following the expectation that their clients will defer CAPEX investments (note that a part of the underlying activities was already included in 'high risk' in the previous quarters, see 'sum of sectors <1%')
Distribution	A minor share of activities related to the wholesale distribution of textile and entertainment goods was moved into the 'high risk' category, adding to the already designated retail & wholesale part (mainly retail, fashion and apparel)

\* 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 1m EUR

## Collective Covid-19 ECL per country:

FY20 <i>EUR m</i>	Performing portfolio impact				Non- Performing portfolio	Total FY20	4Q20 3Q20 2Q20 1Q20			
	<i>Optimistic</i> 10%	<i>Base</i> 55%	<i>Pessimistic</i> 35%	Probability weighed			4Q20	3Q20	2Q20	1Q20
<b>KBC Group</b>	<b>511</b>	<b>618</b>	<b>930</b>	<b>717</b>	<b>66</b>	<b>783</b>	<b>-1</b>	<b>-5</b>	<b>746</b>	<b>43</b>
<i>By country:</i>										
Belgium	338	358	464	393	20	413	3	-3	378	35
Czech Republic	95	137	195	153	9	162	-5	9	152	6
Slovakia	23	32	48	37	0	37	0	-3	39	1
Hungary	25	45	81	56	0	56	2	-1	54	1
Bulgaria	7	17	26	19	5	24	1	-5	28	n/a
Ireland	23	29	116	59	32	91	-2	-2	95	n/a

Section 3

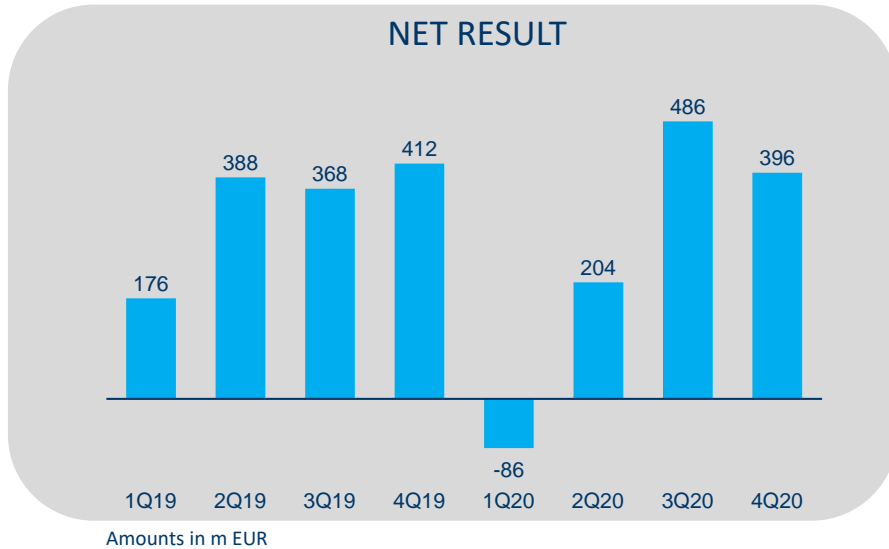
# 4Q 2020 performance of business units

# Business profile



<b>4Q20 NET RESULT</b> (in million euros)	<b>396m</b>	<b>94m</b>	<b>25m</b>	<b>38m</b>	<b>25m</b>	<b>-3m</b>	<b>-38m</b>
<b>ALLOCATED CAPITAL</b> (in billion euros)	<b>7.0bn</b>	<b>1.7bn</b>	<b>0.6bn</b>	<b>0.8bn</b>	<b>0.4bn</b>	<b>0.7bn</b>	<b>0.2bn</b>
<b>LOANS</b> (in billion euros)	<b>103bn</b>	<b>29bn</b>	<b>9bn</b>	<b>5bn</b>	<b>4bn</b>	<b>10bn</b>	
<b>DEPOSITS</b> (in billion euros)	<b>135bn</b>	<b>42bn</b>	<b>9bn</b>	<b>9bn</b>	<b>5bn</b>	<b>5bn</b>	
<b>BRANCHES</b> (end 4Q20)	<b>476</b>	<b>212</b>	<b>175</b>	<b>204</b>	<b>175</b>	<b>12</b>	
<b>Clients</b> (end 4Q20)	<b>3.7m</b>	<b>4.2m</b>	<b>0.8m</b>	<b>1.6m</b>	<b>1.4m</b>	<b>0.3m</b>	

# Belgium BU (1): net result of 396m EUR



**Net result** at the Belgium Business Unit amounted to 396m EUR in 4Q20

- The quarter under review was characterised by lower net interest income, higher net fee and commission income, lower trading and fair value income, higher net other income, an excellent combined ratio, higher sales of life insurance products, higher operating expenses and higher impairment charges q-o-q
- Customer deposits excluding debt certificates and repos rose by 9% y-o-y, while customer loans increased by 3% y-o-y

## ORGANIC VOLUME TREND

Volume

Growth q-o-q\*

Growth y-o-y

Total loans\*\*

103bn

-1%

+3%

o/w retail mortgages

39bn

+3%

+7%

Customer deposits\*\*\*

135bn

-1%

+4%

AuM

194bn

+3%

-3%

Life reserves

26bn

+1%

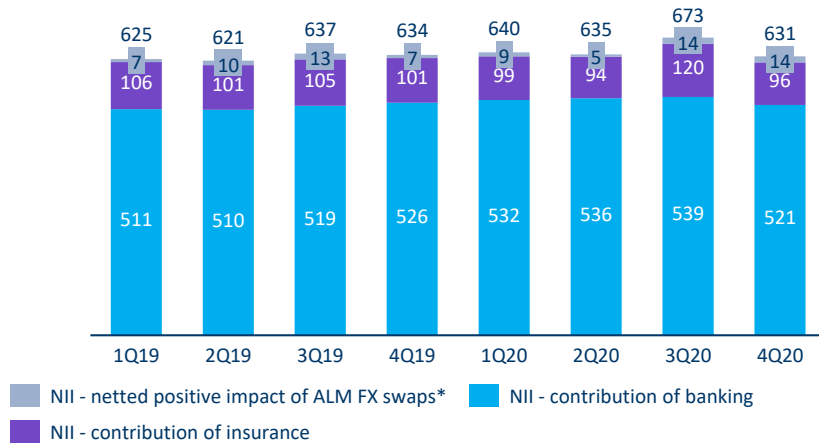
-3%

\* 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 flat q-o-q and +9% y-o-y**

# Belgium BU (2): lower NII and NIM

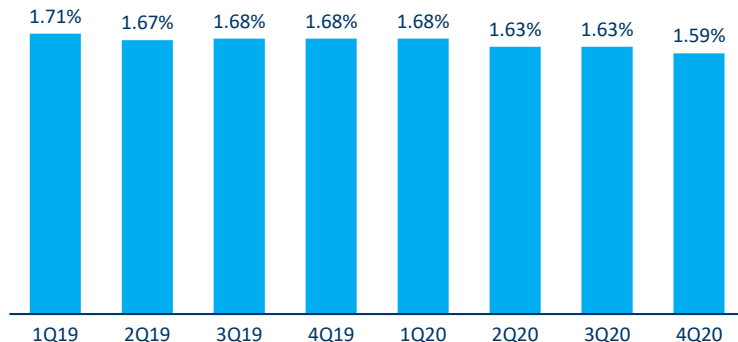
NII Amounts in m EUR



\* From all ALM FX swap desks

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

NIM\*\*



## Net interest income (631m EUR)

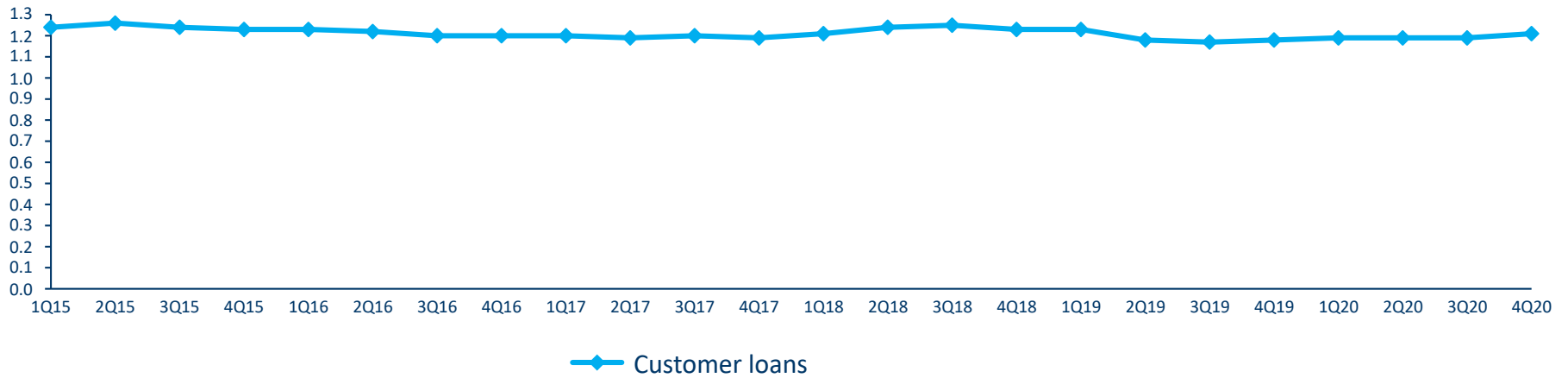
- Excluding the positive one-offs in NII insurance in both quarters (+26m EUR in 3Q20 and +5m in 4Q20), NII fell by 3% q-o-q due mainly to:
  - lower reinvestment yields
  - higher customer term funding cost (due entirely to a breakage fee for the termination of the EIB funding)
 partly offset by:
  - higher margins on new loan production than on outstanding portfolio in all segments
- Excluding the positive on-off in NII insurance of 5m EUR in 4Q20, NII fell by 1% y-o-y as the positive impact of TLTRO3 (+17m EUR y-o-y) and of ECB deposit tiering (+3m EUR y-o-y), higher NII on lending (both volume and margin driven) and a higher netted positive impact of ALM FX swaps was fully offset by the negative impact of lower reinvestment yields and lower NII from the foreign branches

## Net interest margin (1.59%)

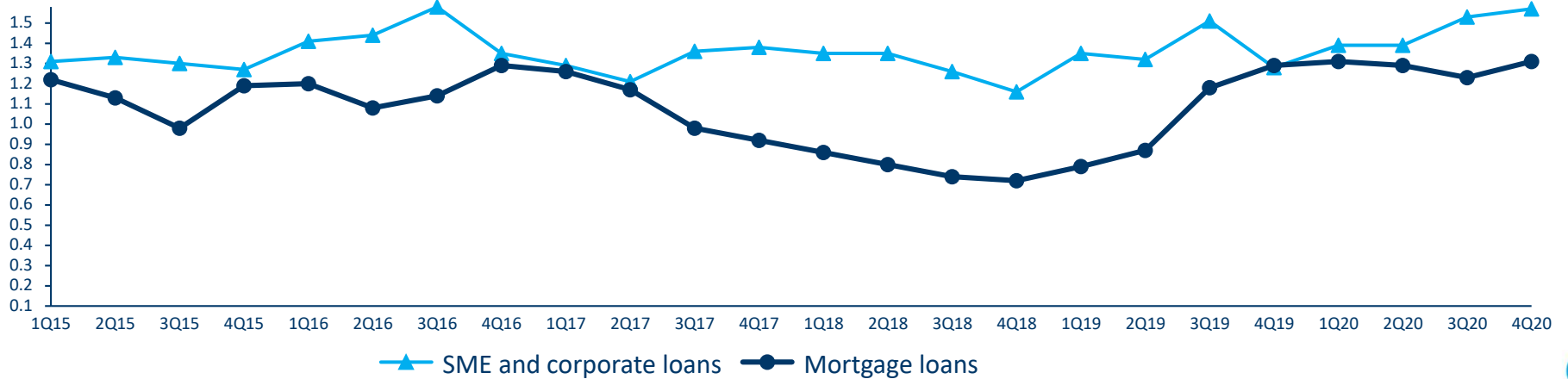
- Decreased by 4 bps q-o-q as higher margins on new loan production than on outstanding portfolio in all segments were more than offset by the negative impact of lower reinvestment yields. Excluding the impact of the breakage fee and timing differences, net interest margin fell by 2 bps q-o-q
- Fell by 9 bps y-o-y due chiefly to the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (denominator)

# Credit margins in Belgium

PRODUCT SPREAD ON CUSTOMER LOAN BOOK, OUTSTANDING



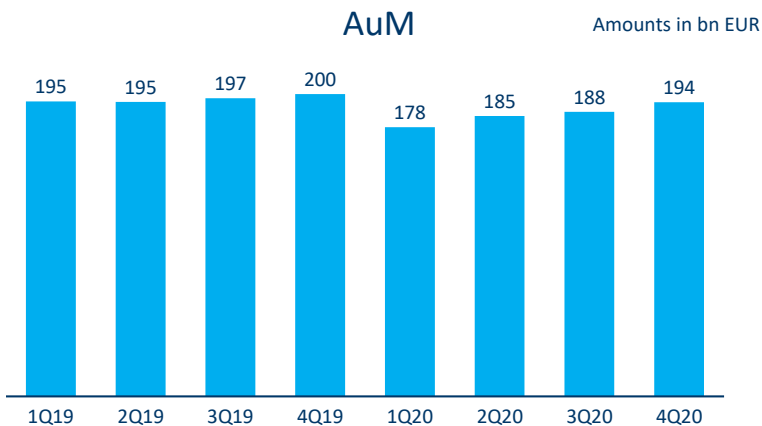
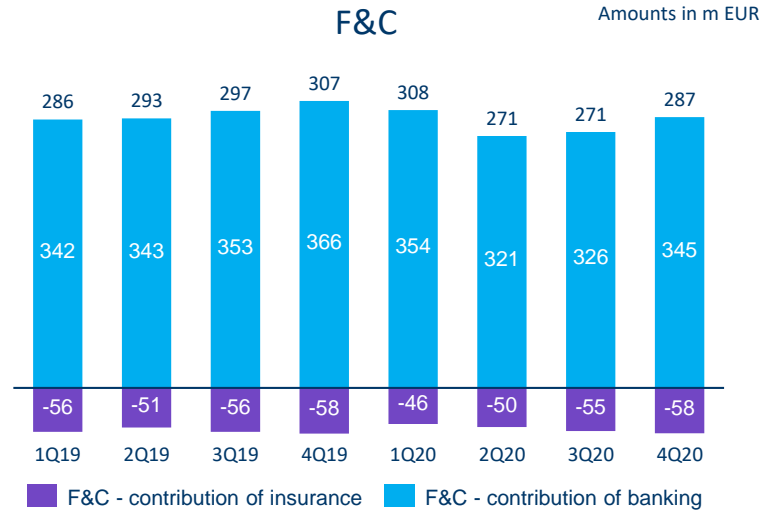
PRODUCT SPREAD ON NEW PRODUCTION







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



## Net fee and commission income (287m EUR)

- Increased by 6% q-o-q due mainly to:
  - higher management fees from mutual funds and unit-linked life insurance products
  - higher securities-related fees
  - higher fees from credit files & bank guarantees
  - higher network income
  - higher fees from payment services
- offset by:
  - lower entry fees from mutual funds and unit-linked life insurance products
  - higher distribution costs due chiefly to higher commissions paid linked to increased life insurance sales
- Fell by 7% y-o-y driven chiefly by lower entry fees, higher distribution costs and lower fees from payment services, partly offset by higher securities-related fees and higher management fees

## Assets under management (194bn EUR)

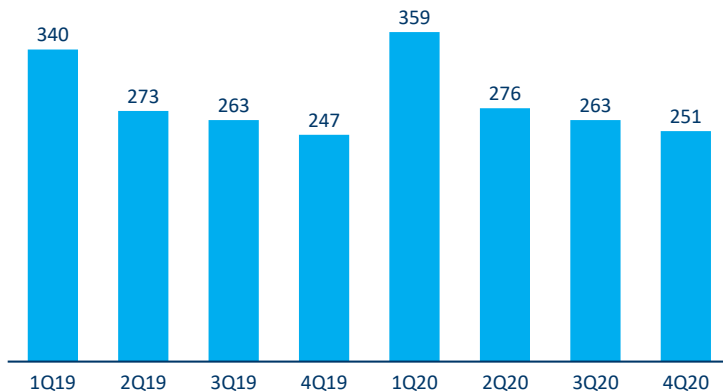
- Increased by 3% q-o-q due to a positive price effect (+4%), partly offset by small net outflows (-1%)
- Decreased by 3% y-o-y, mainly as a result of net outflows (-2%) predominantly in investment advice



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

Amounts in m EUR

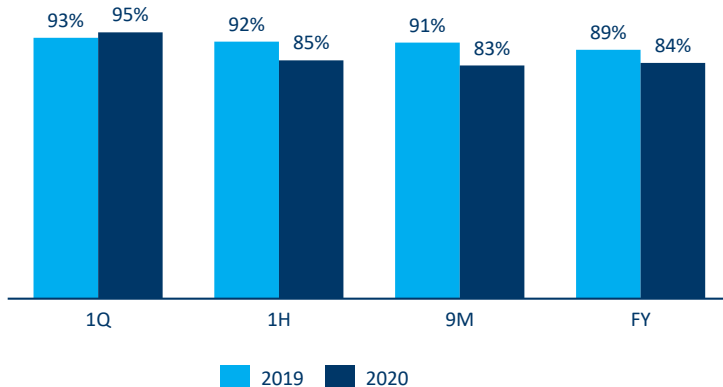
## NON-LIFE SALES (GROSS WRITTEN PREMIUM)



### ■ Sales of non-life insurance products

- Rose by 2% y-o-y
- Premium growth chiefly in class 'Fire', partly offset by the negative impact of Covid-19 (mainly on 'Workmen's compensation' and on 'General third-party liability')

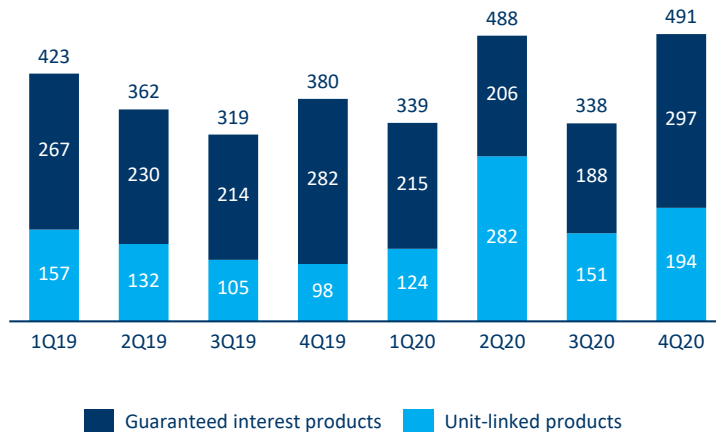
## COMBINED RATIO (NON-LIFE)



- **Combined ratio** amounted to an excellent **84%** in FY20 (89% in FY19). This is the result of 2% y-o-y premium growth combined with 7% y-o-y lower technical charges in FY20. The latter was due mainly to lower normal claims in FY20 (especially in 'Motor' and 'Workmen's compensation', partly due to Covid-19), despite an increase of the ageing reserves in 4Q20 (of 21m EUR). However, note that FY20 was impacted by a more negative ceded reinsurance result compared to FY19

# Belgium BU (5): higher life sales, good cross-selling ratios

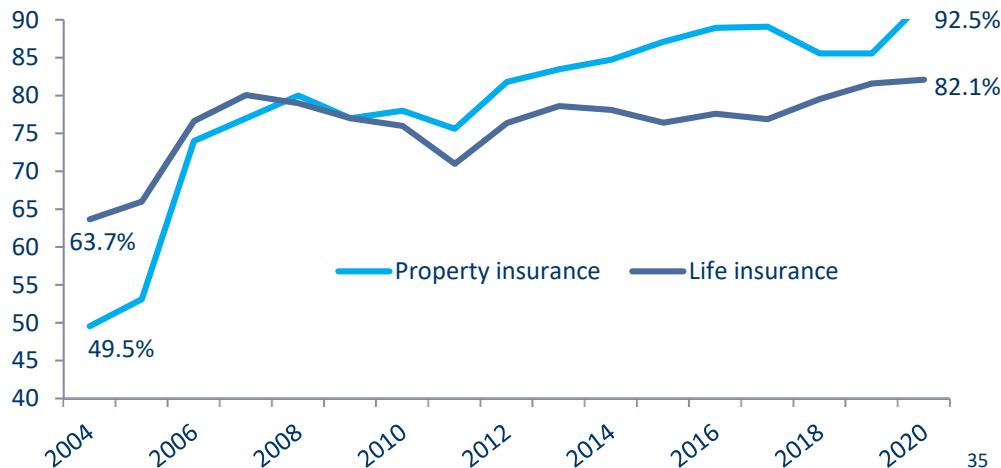
LIFE SALES  
Amounts in m EUR



## ■ Sales of life insurance products

- Increased by 45% q-o-q and 29% y-o-y
- The q-o-q increase was driven by both higher sales of guaranteed interest products (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products) and unit-linked products (mainly due to commercial actions towards Retail/SME clients)
- The y-o-y increase was driven mainly by higher sales of unit-linked products (mainly due to commercial actions towards Retail/SME clients). Also, sales of guaranteed interest products rose y-o-y due mainly to higher volumes in tax-incentivised pension savings products and the suspension of universal single life insurance products in 4Q19
- Guaranteed interest products and unit-linked products accounted for 61% and 39%, respectively, of life insurance sales in 4Q20

MORTGAGE-RELATED CROSS-SELLING RATIOS



## ■ Mortgage-related cross-selling ratios

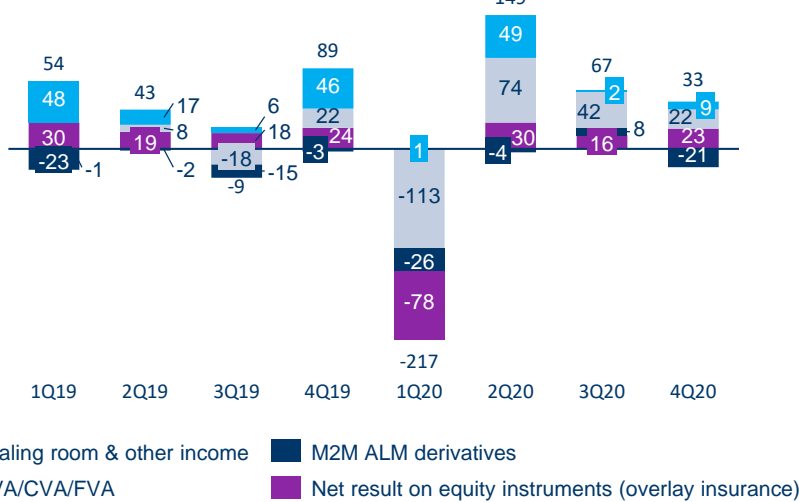
- 92.5% for property insurance
- 82.1% for life insurance



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

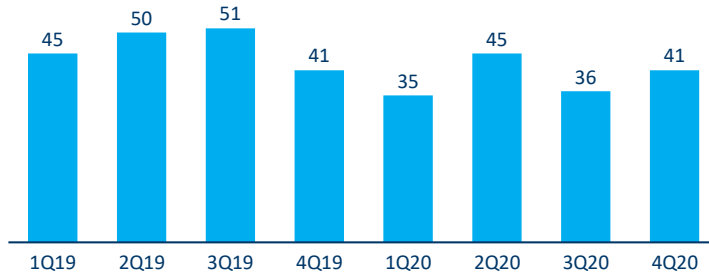
Amounts in m EUR

## FIFV



- The q-o-q decline in net gains from financial instruments at fair value was attributable mainly to:
  - a negative change in ALM derivatives
  - lower market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates, despite increasing equity markets and decreasing counterparty credit spreads & KBC funding spread)
- partly offset by:
  - a higher net result on equity instruments (insurance)
  - higher dealing room & other income

## NET OTHER INCOME



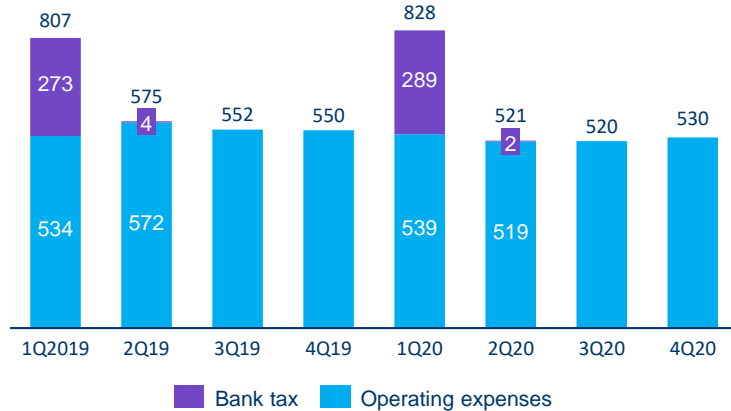
- **Net other income** amounted to 41m EUR in 4Q20



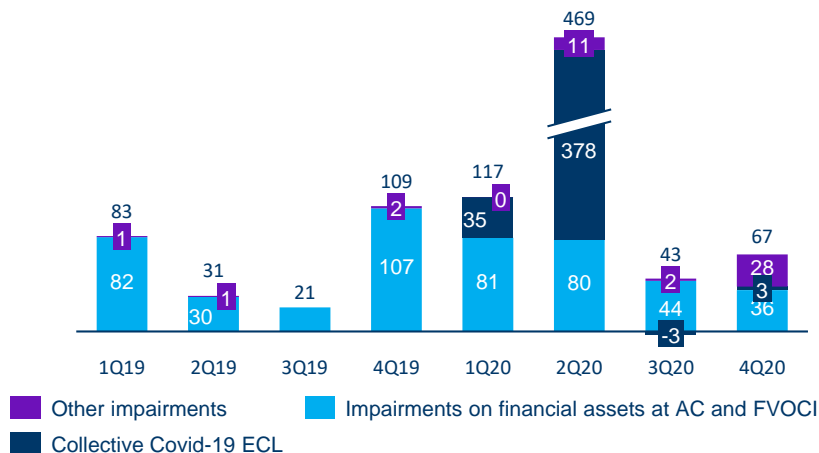
# Belgium BU (7): higher opex and impairments

Amounts in m EUR

## OPERATING EXPENSES



## ASSET IMPAIRMENT



### Operating expenses: +2% q-o-q and -4% y-o-y

- Operating expenses without bank taxes increased by 2% q-o-q as higher staff expenses (due largely to a higher accrual of variable compensation), higher marketing and professional fees were only partly offset by lower facilities expenses and an 11m EUR positive one-off as a result of the updated software capitalisation policy
- Operating expenses without bank taxes decreased by 4% y-o-y due chiefly to lower staff expenses, lower facilities costs and an 11m EUR positive one-off as a result of the updated software capitalisation policy
- Adjusted for specific items, the C/I ratio amounted to 57% both in 4Q20 and in FY20 (60% in FY19)
- Cost/income ratio: 50% in 4Q20 and 57% in FY20

- Loan loss impairments** decreased to 39m EUR in 4Q20 (compared with 41m EUR in 3Q20) as 4Q20 was less impacted by corporate files compared to 3Q20, partly offset by an additional 3m EUR collective Covid-19 ECL booked in 4Q20 (versus a 3m EUR reversal of collective Covid-19 ECL booked in 3Q20). **Credit cost ratio** amounted to 21 bps (22 bps in FY19) without collective Covid-19 ECL and 57 bps with collective Covid-19 ECL in FY20

- Impaired loans ratio** amounted to 2.3%, 1.1% of which over 90 days past due

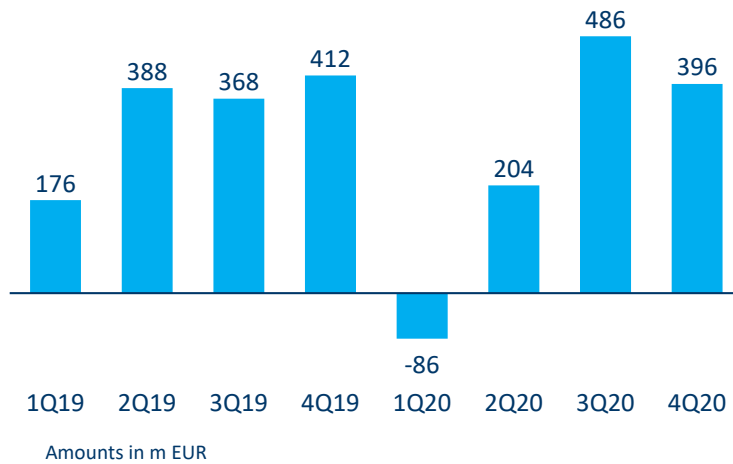
- Impairment of 28m EUR on 'other' (software)



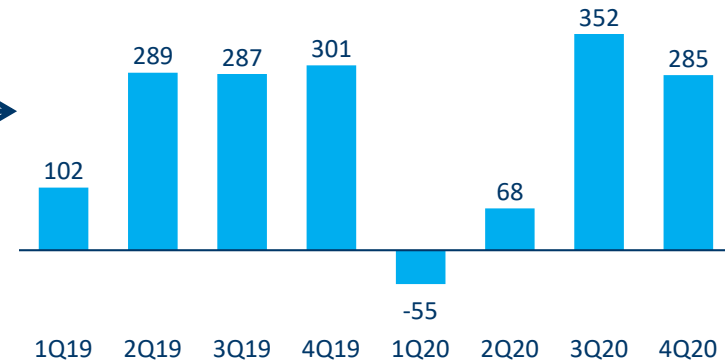


# Net result at the Belgium BU

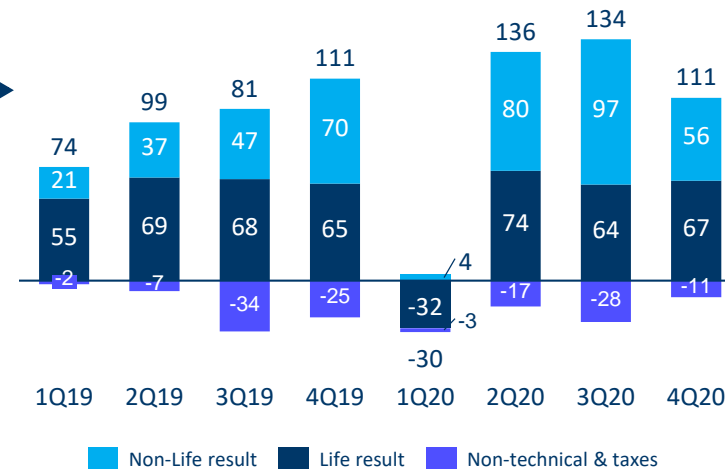
NET RESULT AT THE BELGIUM BU\*



CONTRIBUTION OF BANKING ACTIVITIES TO NET RESULT OF THE BELGIUM BU\*

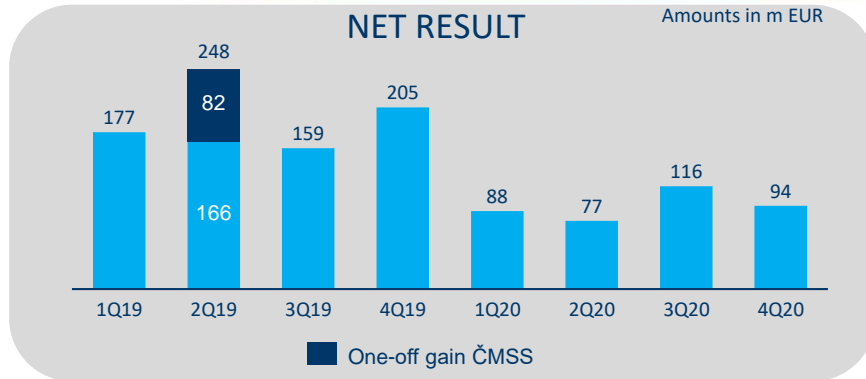


CONTRIBUTION OF INSURANCE ACTIVITIES TO NET RESULT OF THE BELGIUM BU\*



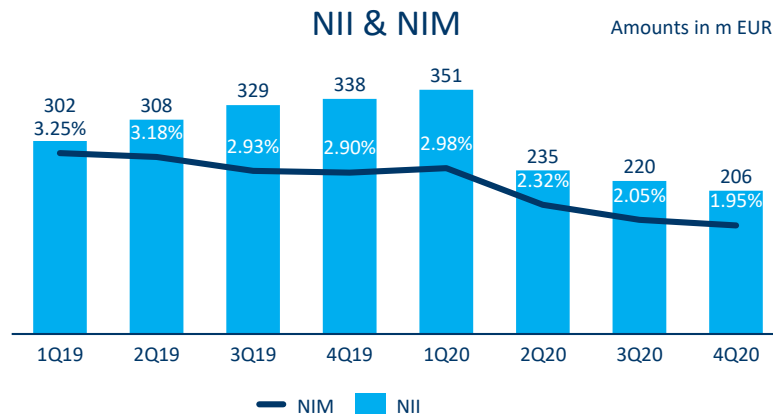
\* Difference between net profit at the Belgium Business Unit and the sum of the banking and insurance contribution is accounted for by the rounding up or down of figures

# Czech Republic BU



Net result of 94m EUR in 4Q20

- 18% q-o-q excluding FX effect due mainly to lower net interest income, lower net fee & commission income, lower net other income, higher costs and higher impairments, partly offset by higher net results from financial instruments at fair value
- Customer deposits (including debt certificates, but excluding repos) rose by 9% y-o-y, while customer loans rose by 1% y-o-y



## Highlights

### Net interest income

- 5% q-o-q and -36% y-o-y (both excl. FX effect)
- Q-o-q decrease primarily due to the further negative impact of CNB rate cuts and the further depreciation of the CZK versus the EUR

### Net interest margin

- Fell by 10 bps q-o-q due mainly to the pressure on deposit margins, despite roughly stable loan portfolio margins

## ORGANIC VOLUME TREND

Volume

Growth q-o-q\*

Growth y-o-y

Total loans \*\*

29bn

0%

+1%

o/w retail mortgages

16bn

+1%

+6%

Customer deposits\*\*\*

42bn

+2%

+9%

AuM

11.4bn

+6%

+5%

Life reserves

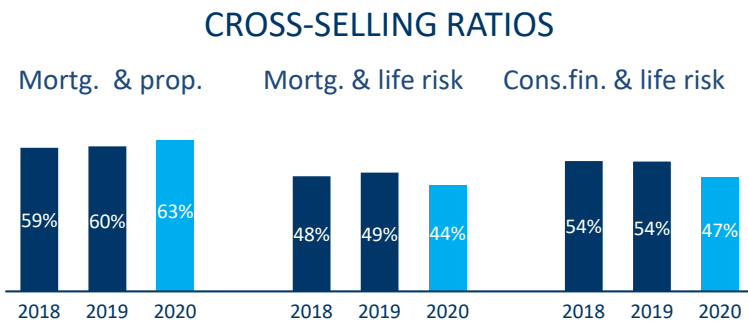
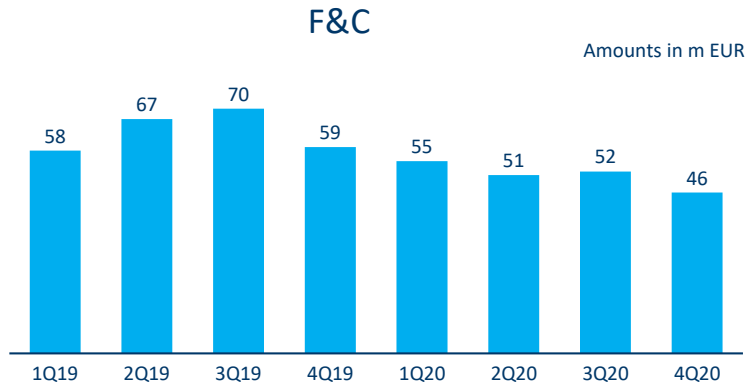
1.3bn

+3%

-6%

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

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



## Net F&C income

- 10% q-o-q and -19% y-o-y (both excl. FX effect)
- The lower q-o-q net F&C income was the result of lower fees from payment services (due partly to Covid-19 lockdown) and higher distribution costs, partly offset by higher securities-related fees

## Assets under management

- 11.4bn EUR
- +6% q-o-q due to a positive price effect (+5%) and net inflows (+1%)
- +5% y-o-y due to net inflows (+3%) and a positive price effect (+2%)

## Trading and fair value income

- 11m EUR higher q-o-q net results from financial instruments at fair value (FIFV) to 26m EUR due to higher dealing room & other income results and a positive q-o-q change in market, credit and funding value adjustments

## Insurance

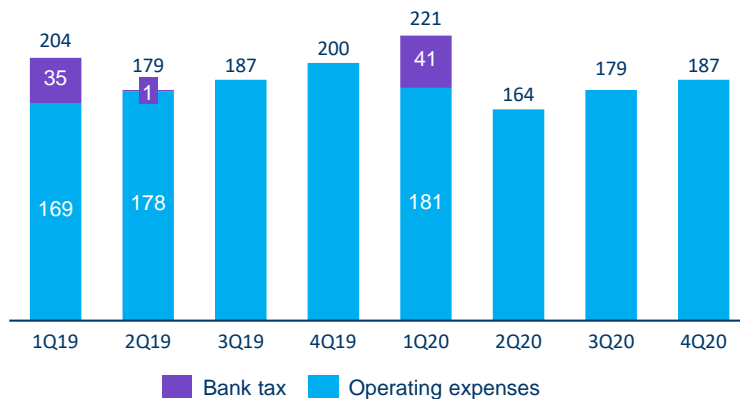
- Insurance premium income (gross earned premium): 136m EUR
  - Non-life premium income (77m EUR) +10% y-o-y excluding FX effect, due to growth in all products (except 'travel' due to Covid-19)
  - Life premium income (59m EUR) +17% q-o-q and +6% y-o-y, excluding FX effect. Q-o-q increase mainly in regular life insurance products
- Combined ratio of 87% in FY20 (94% in FY19)



# Czech Republic BU

## OPERATING EXPENSES

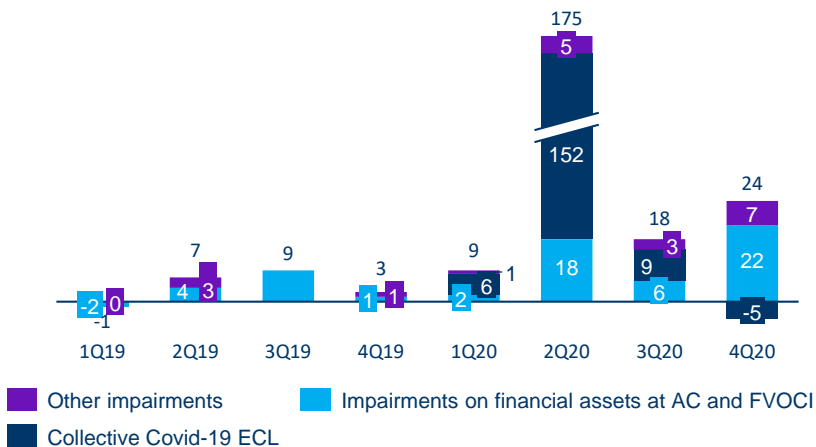
Amounts in m EUR



Bank tax Operating expenses

## ASSET IMPAIRMENT

Amounts in m EUR



Other impairments Impairments on financial assets at AC and FVOCI  
Collective Covid-19 ECL

## Operating expenses

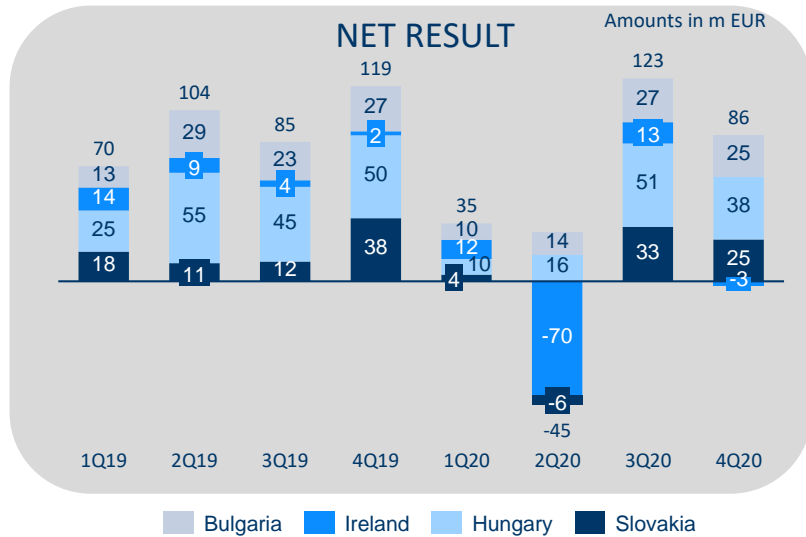
- 187m EUR; +5% q-o-q and -2% y-o-y, both excluding FX effect and bank taxes
  - Q-o-q increase was due mainly to:
    - higher staff expenses
    - higher ICT and marketing costs
    - a 4m EUR negative one-off as a result of the updated software capitalisation policy
  - Y-o-y decrease was chiefly the result of lower facilities expenses, lower marketing, travel & event costs and lower professional fees
- Adjusted for specific items, C/I ratio amounted to roughly 57% in 4Q20 and 53% in FY20 (47% in FY19)

## Loan loss and other impairment

- Loan loss impairments increased q-o-q due mainly to:
  - 22m EUR 'impairments on financial asset at AC' (versus 6m EUR in 3Q20) due mainly to a few SME, leasing and corporate files
 partly offset by:
  - lower collective Covid-19 ECL (5m EUR reversal in 4Q20 versus 9m EUR additionally in 3Q20)
- Credit cost ratio amounted to 0.15% (0.04% in FY19) without collective Covid-19 ECL and 0.67% with collective Covid-19 ECL in FY20
- Impaired loans ratio amounted to 2.3%, 1.0% of which over 90 days past due
- Impairment of 7m EUR on 'other' (mainly software)



# International Markets BU



## Net result of 86m EUR

- Slovakia 25m EUR, Hungary 38m EUR, Bulgaria 25m EUR and Ireland -3m EUR

## Highlights (q-o-q results)

- Higher net interest income. NIM 2.59% in 4Q20 (-2 bps q-o-q and -1 bp y-o-y)
- Higher net fee and commission income
- Lower result from financial instruments at fair value
- Higher net other income
- An excellent combined ratio of 84% in FY20
- Higher life insurance sales
- Higher costs
- Impairment charges in 4Q20 compared with small net impairment releases in 3Q20

### ORGANIC VOLUME TREND

Volume

Growth q-o-q\*

Growth y-o-y

### Total loans \*\*

27bn

+2%

+8%

### o/w retail mortgages

17bn

+2%

+7%

### Customer deposits\*\*\*

28bn

+9%

+16%

### AuM

5.7bn

+4%

+16%

### Life reserves

0.6bn

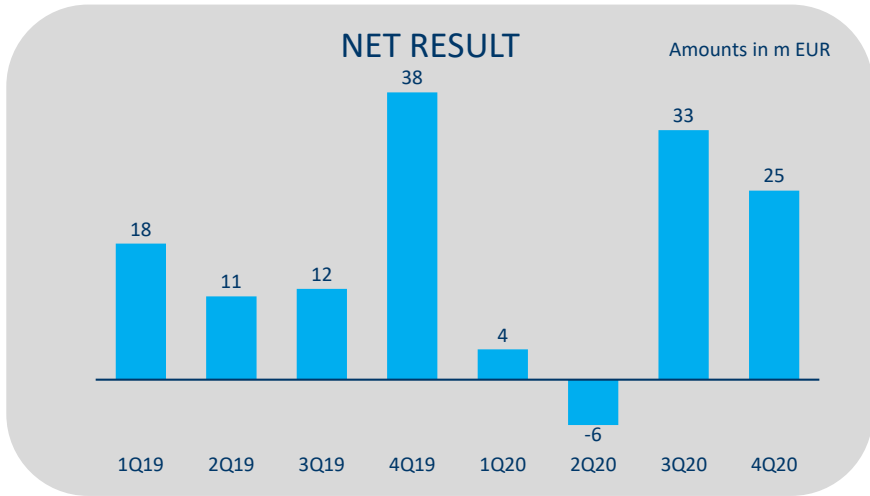
+1%

-6%

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



# International Markets BU - Slovakia



Net result of 25m EUR

## Highlights (q-o-q results)

- Lower net interest income as loan volume growth was more than offset by margin pressure
- Lower net fee & commission income mainly as a result of higher distribution costs due to higher commissions paid linked to increased non-life insurance sales
- Lower result from financial instruments at fair value
- Higher net other income
- Excellent combined ratio (82% in FY20)
- Lower life insurance sales
- Higher operating expenses due mainly to higher ICT costs and professional fees
- Small net loan loss impairment releases in both 4Q20 and 3Q20. Credit cost ratio of 0.19% (0.14% in FY19) without collective Covid-19 ECL and 0.50% with collective Covid-19 ECL in FY20
- Impairment of 2m EUR on 'other' (software)

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	9bn	5bn	9bn
Growth q-o-q*	+1%	+3%	+6%
Growth y-o-y	+6%	+14%	+17%

## Volume trend

- Total customer loans rose by 1% q-o-q and by 6% y-o-y, the latter due almost entirely to the increasing mortgage portfolio
- Total customer deposits increased by 6% q-o-q and by 17% y-o-y (both due mainly to retail and corporate deposits)

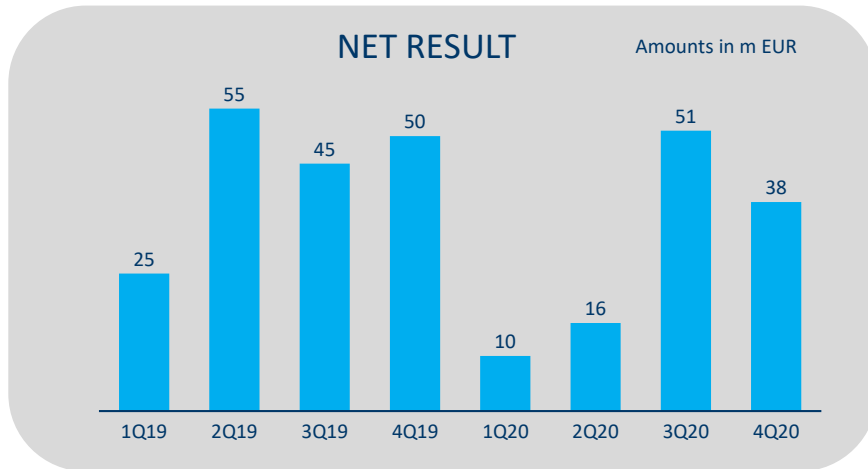
\* Non-annualised

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

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



# International Markets BU - Hungary



Net result of 38m EUR

## Highlights (q-o-q results)

- Higher net interest income excluding FX effect due chiefly to loan volume growth in both retail and corporate segments
- Higher net fee and commission income excluding FX effect, mainly thanks to higher fees from payment services and lower distribution costs
- Higher net results from financial instruments at fair value
- Higher net other income
- Excellent combined ratio (86% in FY20)
- Stable life insurance sales
- Higher operating expenses excluding FX effect due largely to higher staff expenses
- Loan loss impairment charges in 4Q20 (compared with net loan loss impairment releases in 3Q20) due mainly to a few corporate files and 2m EUR additional collective Covid-19 ECL (versus 1m EUR reversal in 3Q20). Credit cost ratio of 0.05% (-0.02% in FY19) without collective Covid-19 ECL and 1.05% with collective Covid-19 ECL in FY20
- Impairment of 9m EUR on 'other', of which a 5m EUR negative one-off software impairment and a 2m EUR one-off modification loss from moratorium (time value of deferred interest)

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	5bn	2bn	9bn
Growth q-o-q*	+3%	+3%	+12%
Growth y-o-y	+19%	+11%	+24%

\* Non-annualised

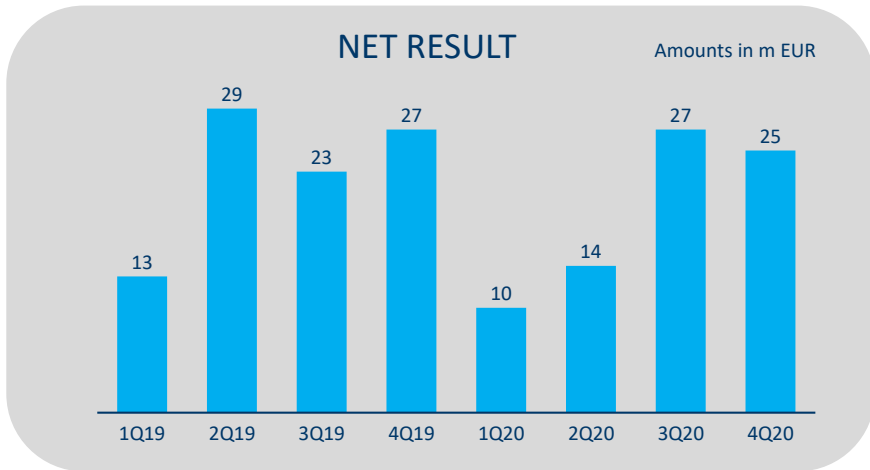
\*\* Loans to customers, excluding reverse repos (and bonds). Growth figures are excluding FX, consolidation adjustments, reclassifications and collective Covid-19 ECL

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

## Volume trend

- Total customer loans rose by 3% q-o-q and by 19% y-o-y, the latter due mainly to consumer finance (baby boom loans) and corporate loans
- Total customer deposits rose by +12% q-o-q and +24% y-o-y (the latter due to growth in all segments)

# International Markets BU - Bulgaria



Net result of 25m EUR

## Highlights (q-o-q results)

- Stable net interest income
- Stable net fee and commission income as higher management fees, higher fees from credit files & bank guarantees, higher network income and lower distribution costs were offset by lower entry fees and lower fees from payment services
- Excellent combined ratio at 82% in FY20
- Higher life insurance sales
- Higher operating expenses due chiefly to higher staff expenses
- Small net loan loss impairment releases in 4Q20 compared with low net loan loss impairment charges in 3Q20. Credit cost ratio of 0.07% (0.14% in FY19) without collective Covid-19 ECL and 0.73% with collective Covid-19 ECL in FY20
- Impairment of 1m EUR on 'other'

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	4bn	1bn	5bn
Growth q-o-q*	+3%	+3%	+14%
Growth y-o-y	+12%	+13%	+23%

## Volume trend:

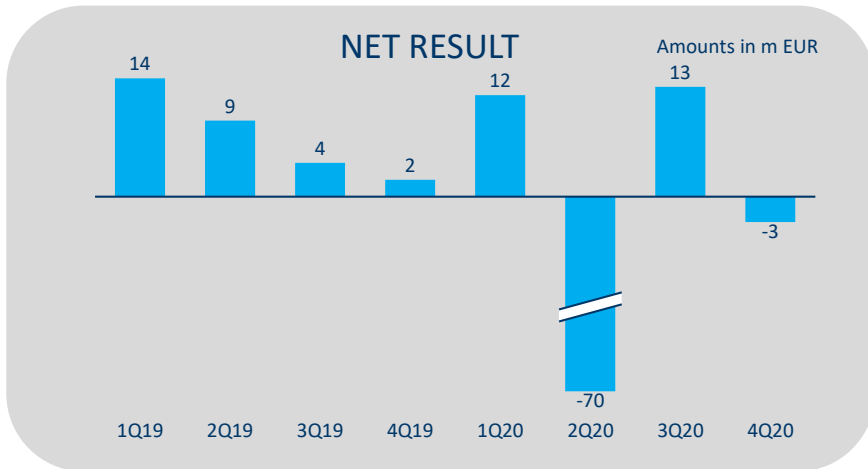
- Total customer loans +3% q-o-q and +12% y-o-y, the latter due to growth in all segments
- Total customer loans: new bank portfolio +3% q-o-q and +13% y-o-y, while legacy -3% q-o-q and -18% y-o-y
- Total customer deposits increased by 14% q-o-q and by 23% y-o-y (both due to growth in all segments)

\* Non-annualised

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

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

# International Markets BU - Ireland



Net result of -3m EUR

## Highlights (q-o-q results)

- Higher net interest income due mainly to lower funding costs and higher mortgage margins
- Lower net results from financial instruments at fair value
- Less negative net other income due to lower additional impact of the tracker mortgage review (-3m EUR in 4Q20 compared with -6m EUR in 3Q20)
- Higher expenses due entirely to higher bank taxes. Operating expenses without bank taxes decreased q-o-q due mainly to lower facilities, training & ICT costs
- Net loan loss impairment releases in 4Q20 compared with no additional net loan loss impairment charges in 3Q20. Credit cost ratio of -0.01% (-0.32% in FY19) without collective Covid-19 ECL and 0.88% with collective Covid-19 ECL in FY20
- Impairment of 1m EUR on 'other'

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	10bn	10bn	5bn
Growth q-o-q*	+2%	+2%	+3%
Growth y-o-y	+3%	+3%	-3%

## Volume trend

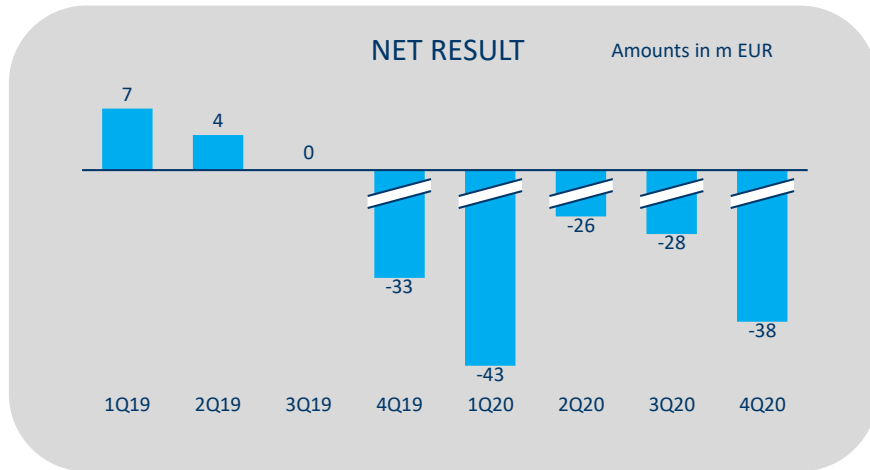
- Total customer loans rose by 3% y-o-y driven by new production of fixed rate mortgages
- Total customer deposits decreased by 3% y-o-y as the increase in retail deposits was more than offset by the deliberate decrease in expensive corporate and credit union deposits

\* 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.

# Group Centre



Net result of -38m EUR

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

## Highlights (q-o-q results)

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

- higher impairments (due entirely to -18m EUR one-off software impairments)
- higher costs
- higher non-life technical charges

partly offset by:

- higher net results from financial instruments at fair value due largely to a positive change in M2M ALM derivatives

## BREAKDOWN OF NET RESULT AT GROUP CENTRE

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
<b>Group item (ongoing business)</b>	<b>2</b>	<b>-1</b>	<b>-12</b>	<b>-35</b>	<b>-46</b>	<b>-25</b>	<b>-24</b>	<b>-39</b>
Operating expenses of group activities	-18	-14	-14	-34	-15	-18	-20	-42
Capital and treasury management	-3	-7	-9	-8	-11	-6	1	-4
Holding of participations	-11	21	1	-2	-3	-1	2	-1
Group Re	0	8	-3	11	7	3	3	6
Other	34	-9	12	-2	-25	-3	-10	3
<b>Ongoing results of divestments and companies in run-down</b>	<b>4</b>	<b>5</b>	<b>12</b>	<b>2</b>	<b>3</b>	<b>-1</b>	<b>-4</b>	<b>0</b>
<b>Total</b>	<b>7</b>	<b>4</b>	<b>0</b>	<b>-33</b>	<b>-43</b>	<b>-26</b>	<b>-28</b>	<b>-38</b>

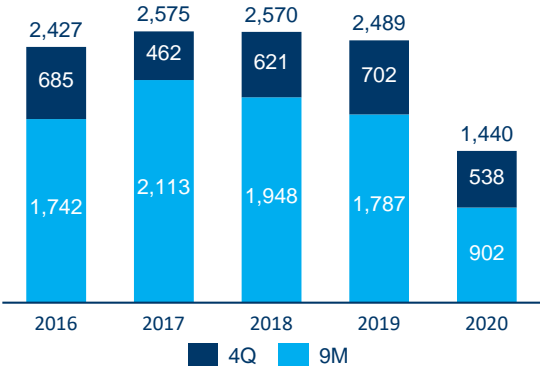
Amounts in m EUR

# Overview of contribution of business units to FY20 result

Amounts in m EUR

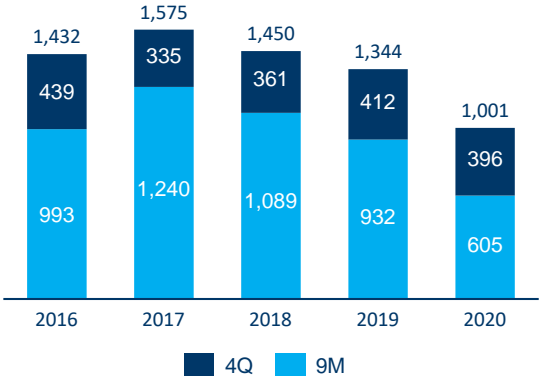
## NET PROFIT – KBC GROUP

FY20 ROAC: 13%



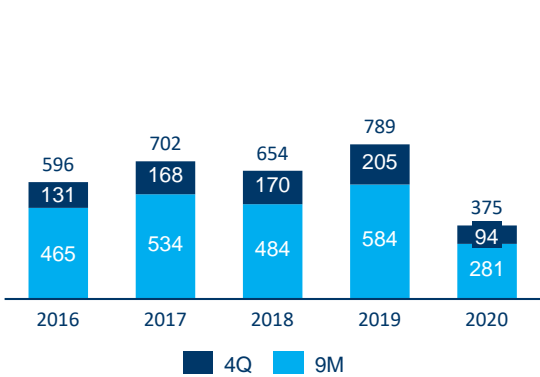
## NET PROFIT – BELGIUM

FY20 ROAC: 14%



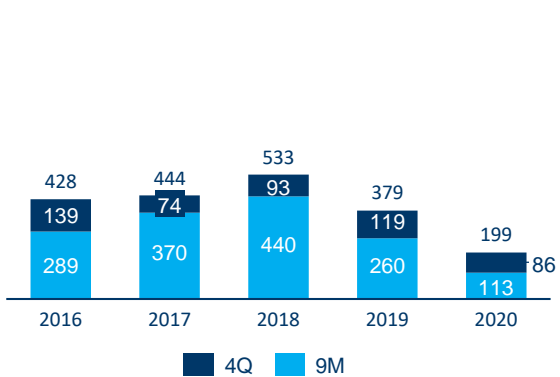
## NET PROFIT – CZECH REPUBLIC

FY20 ROAC: 22%



## NET PROFIT – INTERNATIONAL MARKETS

FY20 ROAC: 8%

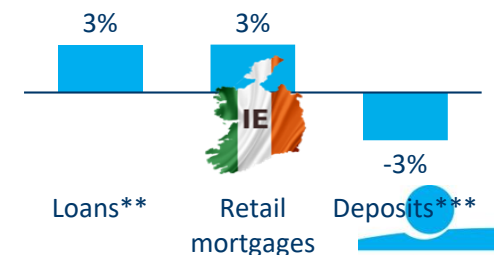
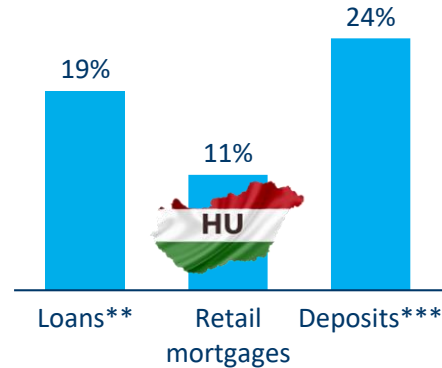
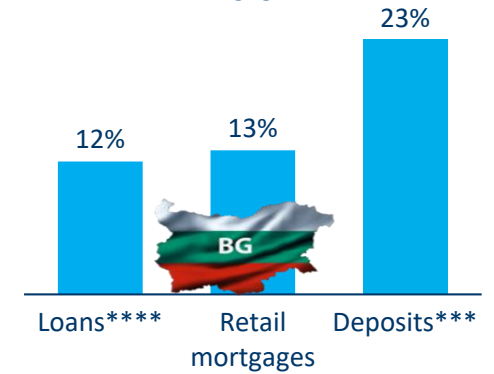
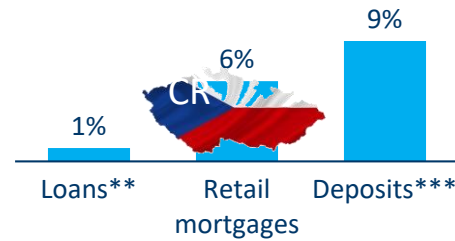
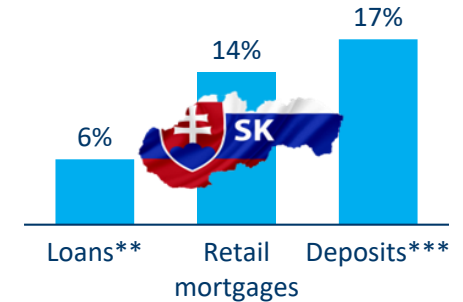
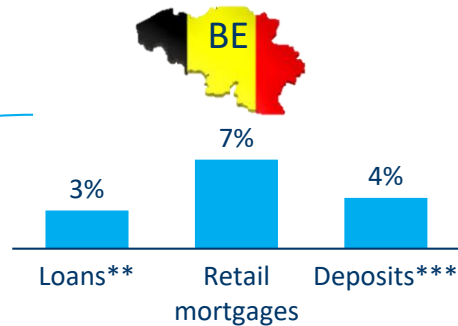
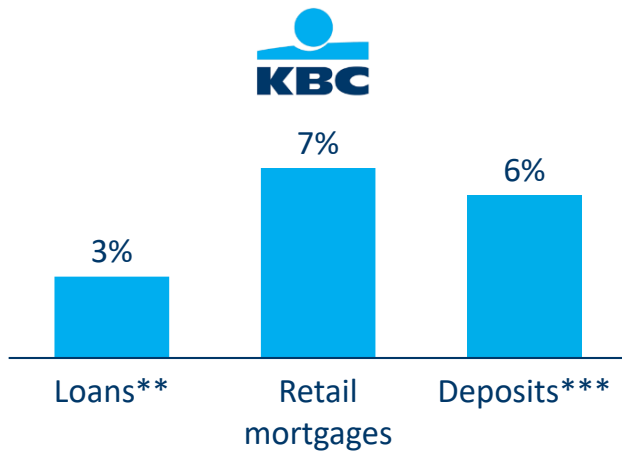




# Balance sheet:

*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 +13% y-o-y, while legacy -18% y-o-y

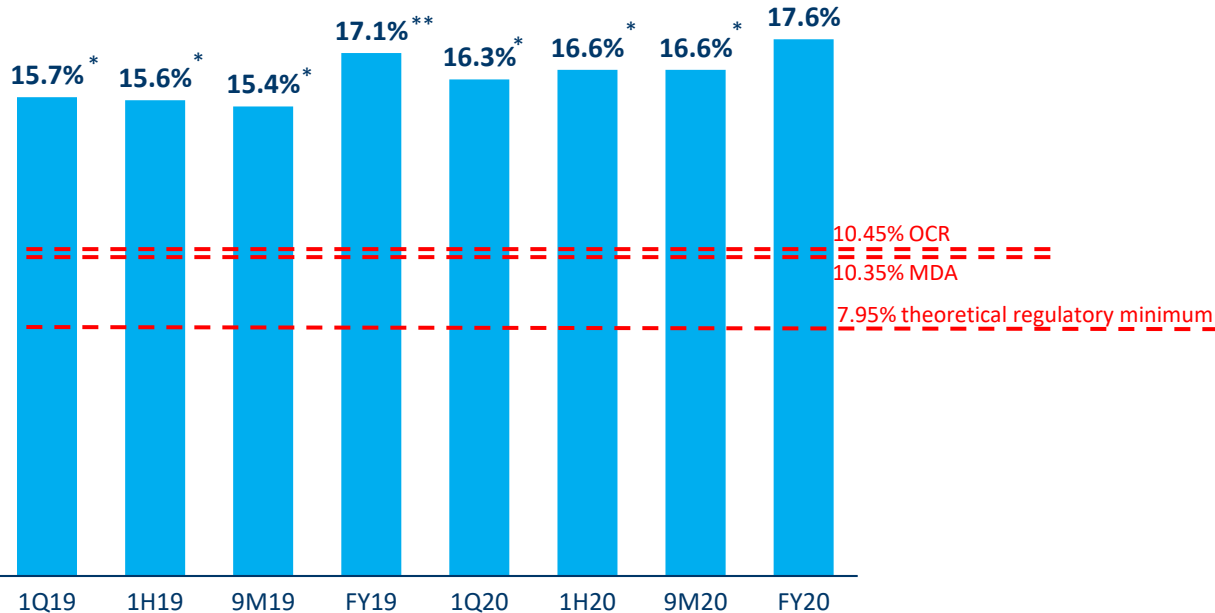


## Section 4

# Strong solvency and solid liquidity

# Strong capital position (1)

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



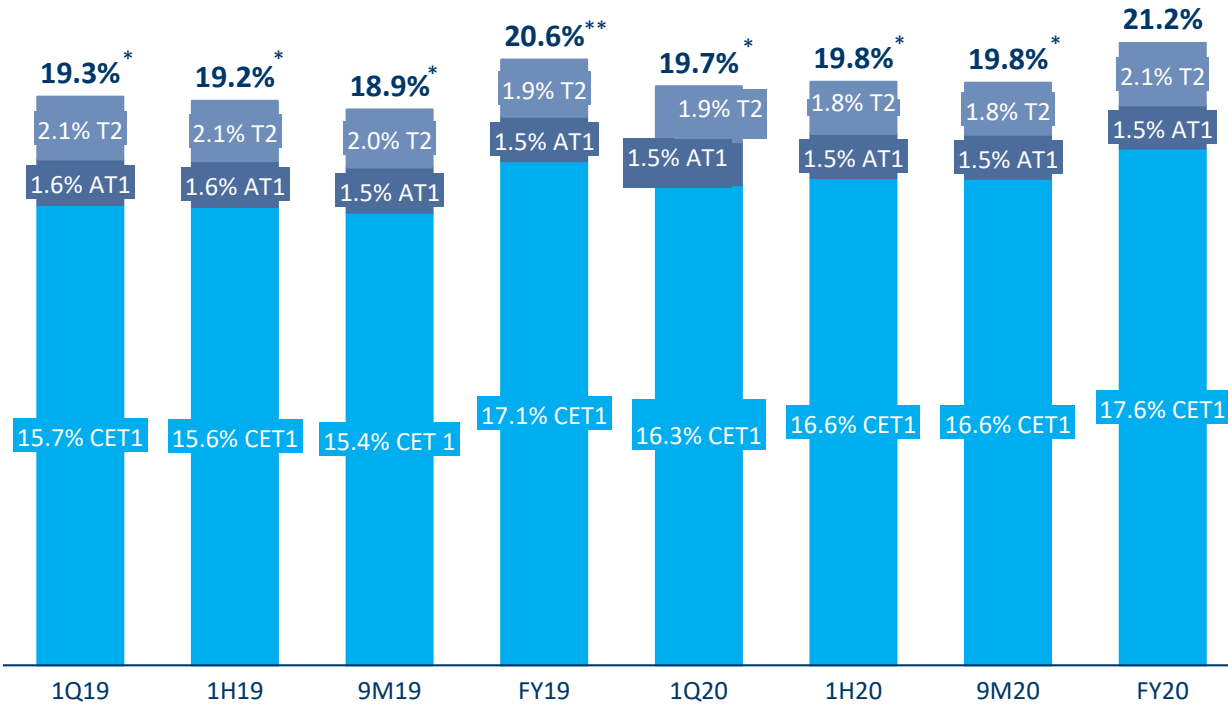
\* No IFRS interim profit recognition given the more stringent ECB approach

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

- The fully loaded common equity ratio increased 1.0% q-o-q to 17.6% at the end of FY20 based on the Danish Compromise
- KBC's CET1 ratio of 17.6% at the end of FY20 represents a solid capital buffer:
  - 9.6% 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)
  - 7.2% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.35% (given small shortfall in AT1 bucket)
  - 7.1% 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%)
- At year-end 2020, the impact of the application of the transitional measures resulted in a positive impact on CET1 ratio of 53 bps compared to fully loaded (transitional CET1 ratio amounted to 18.1% at the end of 2020)

# Strong capital position (2)

## Fully loaded Basel 3 total capital ratio (Danish Compromise)



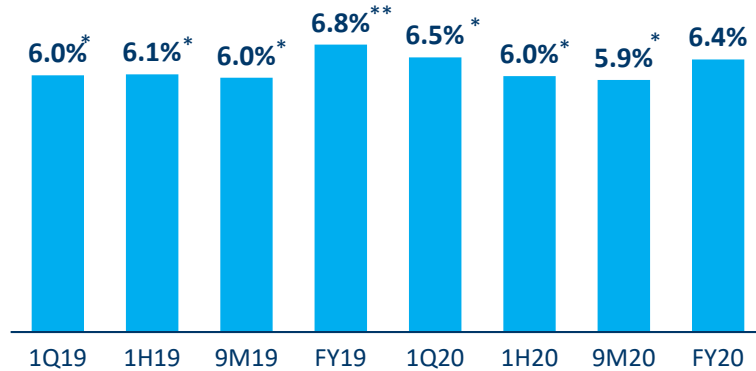
- The fully loaded total capital ratio rose from 19.8% at the end of 9M20 to 21.2% at the end of FY20

\* 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

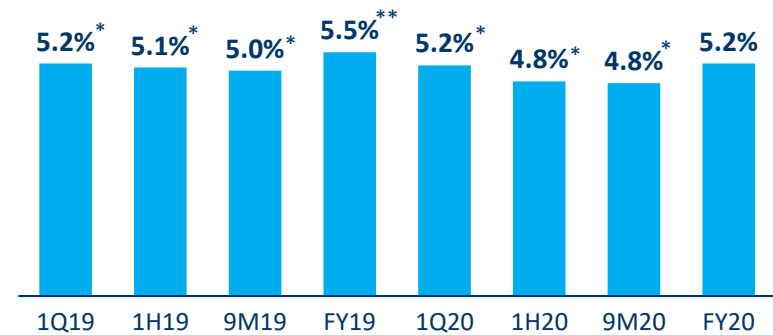
# Fully loaded Basel 3 leverage ratio and Solvency II ratio

## 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

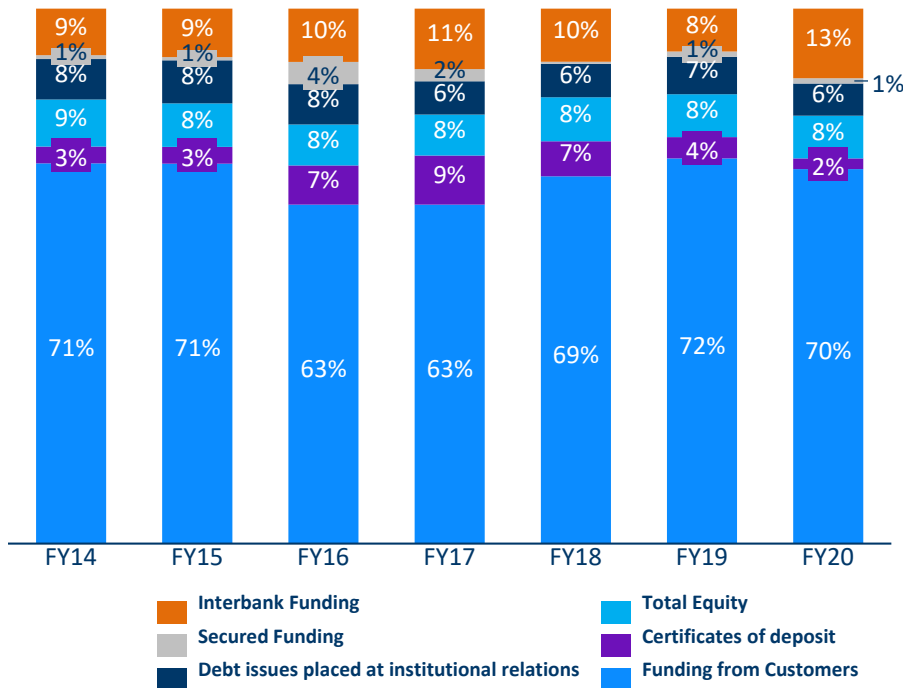
## Solvency II ratio

	9M20	FY20
Solvency II ratio	196%	222%

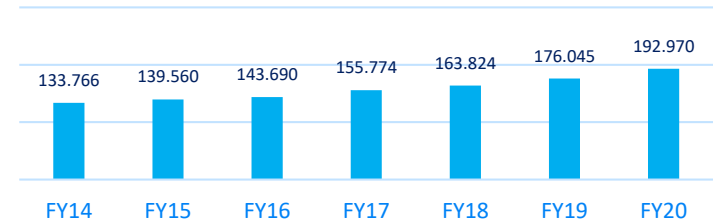
- The q-o-q delta in the Solvency II ratio was mainly driven by the decision to retain the 2020 profit in line with the NBB/EIOPA recommendation

# Strong customer funding base with liquidity ratios remaining very strong

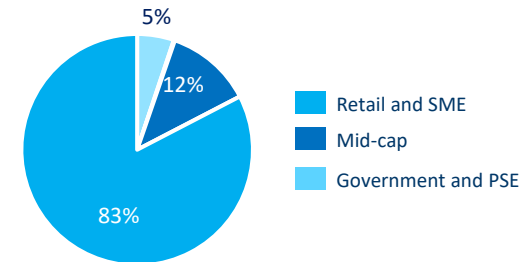
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments and markets
- KBC Bank **participated to the TLTRO III transaction for an amount of 19.5bn 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



70%  
customer  
driven



Ratios	FY19	FY20	Regulatory requirement
NSFR*	136%	146%	≥100%
LCR**	138%	147%	≥100%

- **NSFR is at 146% and LCR is at 147% by the end of FY20**

- Both ratios were well above the regulatory requirement of 100% due to a strong growth in customer funding and the participation to TLTRO III

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

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

KBC Group

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Section 5

Looking forward

# Looking forward

## Economic outlook

- Towards the end of 2020, the second pandemic wave regained some momentum. Nevertheless, the approval of several vaccines and the start of the vaccination campaigns boosted hopes that the pandemic will ultimately be a temporary phenomenon. The agreement between the EU and the UK at year-end 2020 also reduced uncertainty about future trade relations, although the agreement is still far from complete. The conclusion of the US presidential election, too, removed a significant political risk. At the start of 2021, the main economic risk seems related to a possible third pandemic wave and unexpected obstacles to the vaccination campaign. 2021 is set to be a year of transition. The impact of the vaccination programs on the economic recovery will probably become increasingly visible in the second half of 2021. We expect an accelerated recovery for the European economy as of the second half of 2022

## Group guidance for 2021

- Our FY21 NII guidance stands at 4.3bn EUR ballpark figure
- FY21 opex excluding bank taxes is estimated at +2% y-o-y like-for-like (excluding the impact of the OTP SK acquisition) as some cost savings announced in 2020 (actions immediately taken after first lockdown in March 2020) are not sustainable in 2021 and cost savings from our digital first strategy are rather back-end loaded.
- The Credit Cost Ratio (CCR) for FY21 is expected to be in line with the high end of our average through-the-cycle CCR (of 30 - 40bps)

## Basel 4 guidance

- B4 impact (as of 1 January 2023) for KBC Group is estimated at roughly 8bn EUR higher RWA on fully loaded basis at the end of 2020, corresponding with 8% RWA inflation and -1.3% points impact on CET1 ratio





# Differently: the next level

## Long-term financial guidance

### Long-term financial guidance

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

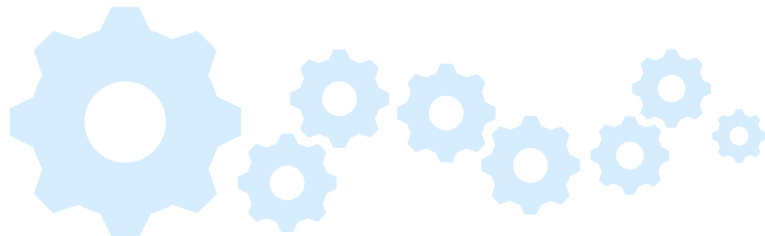
\* Fully loaded, Danish Compromise

### Regulatory requirements

Overall capital requirement (OCR)**	≥ 10.45%	by 2021
MREL as a % of TLOF***	≥ 9.67%	by 2021
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

\*\* Excluding Pillar 2 guidance of 100 bps

\*\*\* SRB will communicate new targets (expected in April 2021), expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE), replacing this target. The new targets need to be achieved by 1 January 2024; a binding interim target as from 1 January 2022 will be defined as well

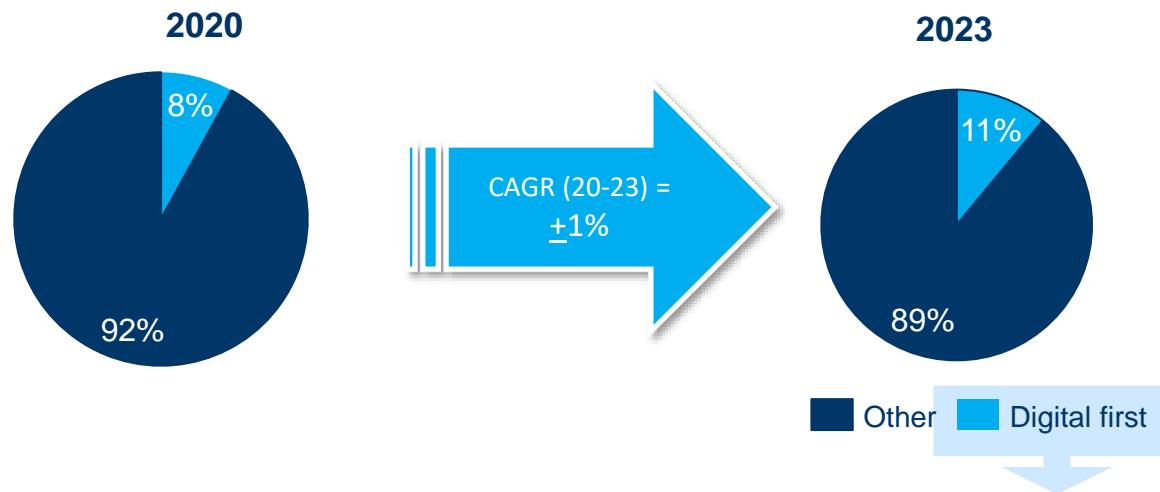




# Differently: the next level

## Digital investment 2021-2023

### OPEX excl. bank taxes



### Forecast Cashflow only digital first strategy 2021-2023 = 1.4bn EUR



### Forecast OPEX only digital first strategy 2021-2023 = 1.1bn EUR



Amounts in m EUR



# Capital distribution over 2019-2020

- KBC's CET1 ratio of 17.6% at the end of FY20 represents a solid capital buffer:
  - 9.6% 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)
  - 7.2% capital buffer compared with the Maximum Distributable Amount (MDA) of 10.35%\*
  - 7.1% 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%)

\* Given a small shortfall in 1.5% AT1 bucket and excess in 2.0% T2 bucket

- Impact of ECB recommendation on dividends:
  - The ECB recommendation of 15 December 2020 limits dividend payments re. 2019 and 2020 profits to the lower of 15% of cumulated 2019-2020 profits and 20 basis points of RWA.
  - As we paid out an interim dividend of EUR 1 per share in November 2019, which represented more than 15% of the 2019 profit, the ECB recommendation limits the dividend payment to 15% of the 2020 profits only. Therefore, for the accounting year 2020, a gross dividend of 0.44 EUR per share will be proposed to the AGM and paid out in May 2021
  - As a consequence of the ECB recommendation, the pay-out for 2019 & 2020 is below the pay-out ratio of at least 50% in our dividend policy. The amounts not distributed are part of the surplus capital of KBC Group (see next slide)
  - Additionally, it is the intention of the Board of Directors of KBC Group to distribute an extra gross dividend of 2.0 EUR per share\* over the accounting year 2020 in 4Q21. The final decision of the Board of Directors is subject to restrictions on dividends being lifted by the ECB

\* This amount is not deducted from the solvency ratios at year-end 2020



# Dividend policy & capital deployment plan as of 2021

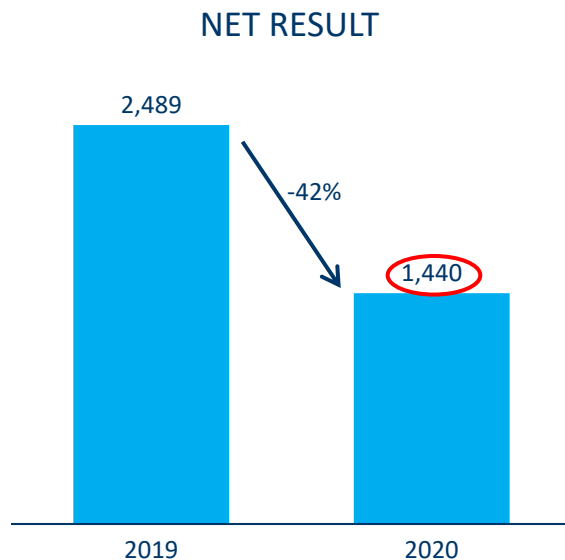
- The **dividend policy** entails :
  - a **payout ratio** (i.e. dividend + AT1 coupon) of at least 50% of the consolidated profit of the accounting year
  - an **interim dividend of 1 EUR per share** (payable in November of the accounting year) as an advance of the total dividend for the accounting year
- We aim to be amongst the better capitalised financial institutions in Europe. Therefore, we are aiming for a **(pre-Basel IV) fully loaded CET1 ratio of 14.5% (= reference capital position)**. A **management buffer of 1%** will be held on top of the reference capital position. When this buffer is used, the Board of directors will decide at its discretion upon the replenishment of the buffer on an annual basis
- On top of the payout ratio of at least 50% of consolidated profit, **all capital which exceeds the reference capital position plus the 1% management buffer**, will be considered for distribution to the shareholders. **Each year**, the Board of Directors will take this **decision at its discretion** when announcing the full year results
- From the moment Basel IV will apply, the capital deployment plan will be updated (as from 1 January 2023 at the earliest)

Annex 1

# FY 2020 performance of KBC Group

# FY 2020 net result amounted to 1,440m EUR

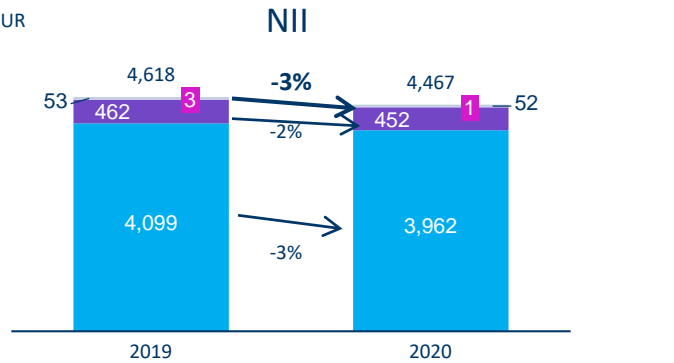
- **Net result fell by 42% y-o-y to 1,440m EUR in 2020**, mainly as a result of the following:



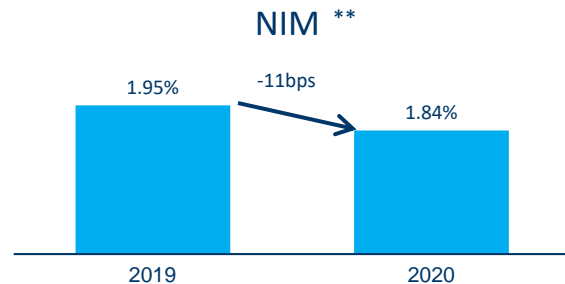
- Revenues fell by 6% y-o-y mainly due to lower net interest income, net fee & commission income, dividend income, net result from FIFV and net other income, partly offset by higher result from life and non-life insurance after reinsurance
- Operating expenses excluding bank tax decreased by 4.2% y-o-y or 160m EUR y-o-y in FY20 (compared to our FY20 guidance of -3.5% y-o-y). Total bank taxes (including ESRF contribution) increased from 491m EUR in FY19 to 503m EUR in FY20
- Impairments amounted to 1,182m EUR in FY20 (compared with 217m EUR in FY19). This was attributable chiefly to:
  - 783m EUR collective Covid-19 impairments in FY20, of which 672m EUR management overlay and 111m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables
  - Impairment of 108m EUR on 'other', of which:
    - a 59m EUR negative one-off software impairment
    - a 29m EUR negative one-off impact of the payment moratorium

# Lower net interest income and net interest margin

Amounts in m EUR



■ NII - netted positive impact of ALM FX swaps\*   ■ NII - insurance contribution  
 ■ NII - contribution of holding-company /group   ■ NII - banking contribution



\* 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

- Net interest income fell by 3% y-o-y
- Net interest income banking fell by 3% y-o-y due mainly to:
  - the result of the CNB rate cuts
  - the depreciation of the CZK & HUF versus the EUR
  - the negative impact of lower reinvestment yields which were partly offset by:
    - continued good loan volume and government bond portfolio growth
    - higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic and Slovakia
    - lower funding costs, due largely to the positive impact of TLTRO3 and of ECB deposit tiering
- Net interest income insurance fell by 2% y-o-y due to the negative impact of lower reinvestment yields, partly offset by a positive one-off item (+31m EUR)
- Loan volumes increased by 3% y-o-y, while customer deposits excluding debt certificates and repos rose by 11% y-o-y

## Net interest margin (1.84%)

- Decreased by 11 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

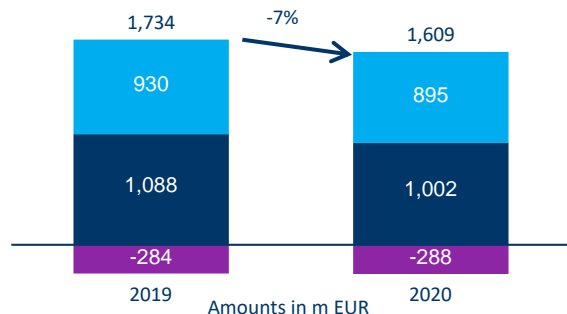
	Total loans*	o/w retail mortgages	Customer deposits**	AuM	Life reserves
Volume	160bn	72bn	215bn	212bn	28bn
Growth y-o-y	+3%	+7%	+6%	-2%	-3%

\* 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 +11% y-o-y**

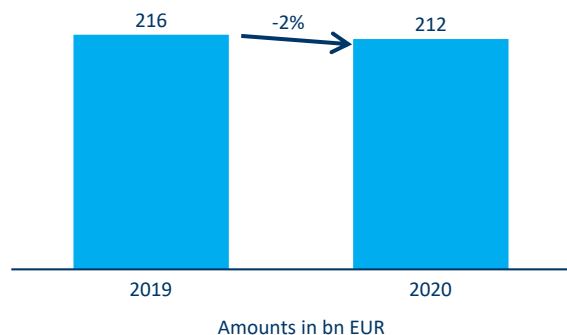
# Lower net fee and commission income and AUM

## F&C



■ Distribution 
 ■ Banking services 
 ■ Asset Management Services

## AuM



## Net fee and commission income

- Decreased by 7% y-o-y:
  - Net F&C from Asset Management Services decreased by 8% y-o-y 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 4% y-o-y (-1% 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 1% y-o-y due chiefly to higher commissions paid linked to banking products and increased non-life insurance sales

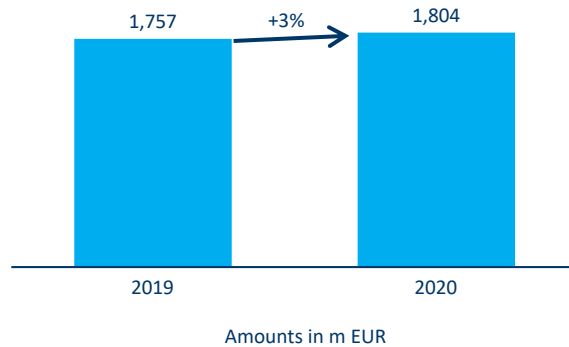
## Assets under management (212bn EUR)

- Decreased by 2% y-o-y due mainly to net outflows in investment advice



# Higher non-life insurance sales and excellent combined ratio

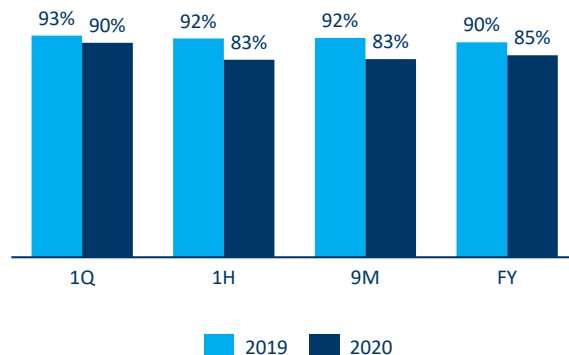
## NON-LIFE SALES (GROSS WRITTEN PREMIUM)



### ■ Sales of non-life insurance products

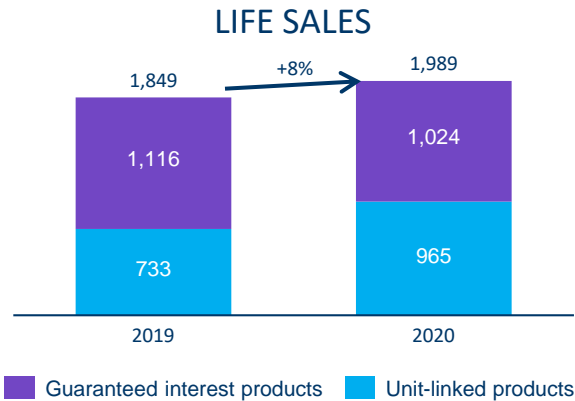
- Up by 3% y-o-y mainly thanks to a good commercial performance in all major product lines in our core markets and tariff increases in 1Q20, partly offset by the negative impact of Covid-19 on new business (in motor) and on existing business (mainly 'Workmen's compensation' and 'General third-party liability')

## COMBINED RATIO (NON-LIFE)

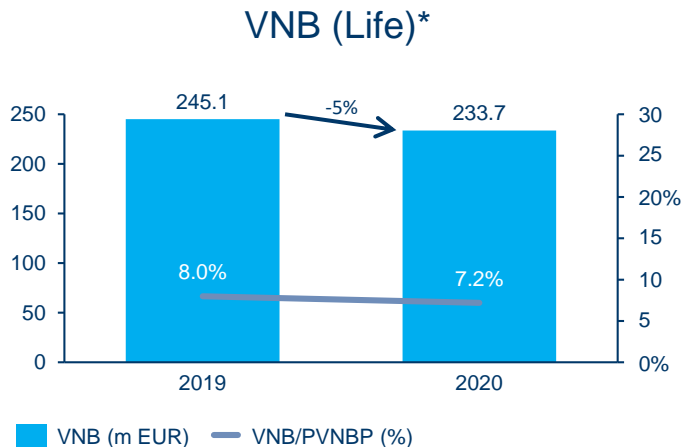


- The **non-life combined ratio** at FY20 stood at an **excellent 85%** (compared with a combined ratio of 90% in FY19)

# Despite Covid-19, life insurance sales increased y-o-y, while VNB only slightly decreased



Amounts in m EUR



## ■ Sales of life insurance products

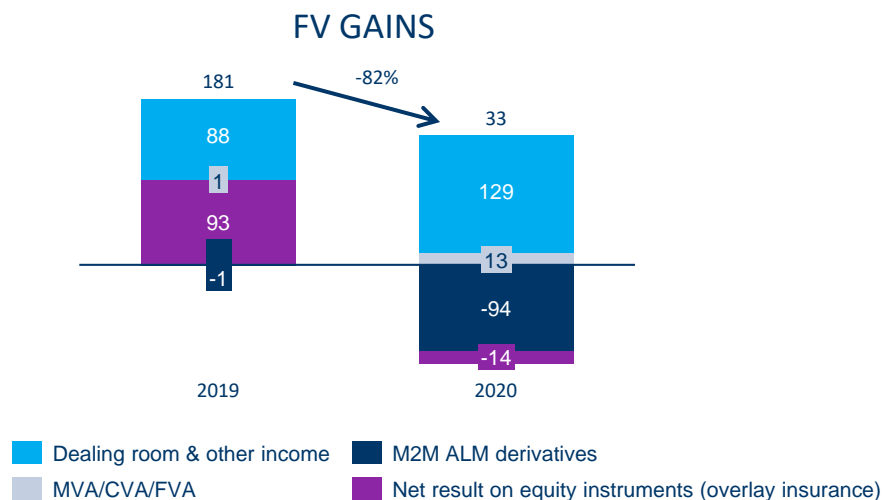
- Up by 8% y-o-y
  - The 32% y-o-y increase in sales of unit-linked products was driven mainly by the launch of new products, a shift from mutual funds to unit-linked products by Private Banking clients and commercial actions towards Retail/SME clients in Belgium
  - Sales of guaranteed interest products decreased by 8% y-o-y due chiefly to the suspension of universal single life insurance products in Belgium
- Sales of unit-linked products accounted for 49% of total life insurance sales

## ■ VNB

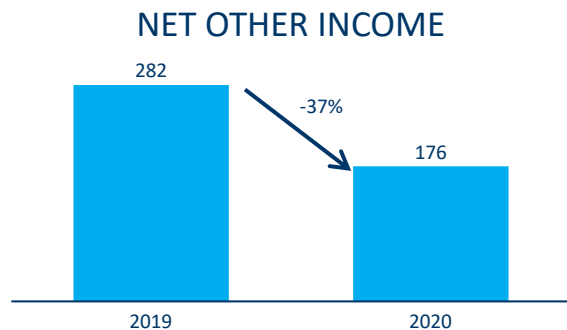
- Slight decrease y-o-y due mainly to the decrease in new business volumes of long-term pension products in K&H Insurance (impacted by the Covid-19 crisis)
- The VNB/PVNBP decreased to 7.2% mainly due to the lower margin on guaranteed interest rate products, driven by decreasing interest rates

- VNB = Value of New Business = present value of all future profit attributable to the shareholders from the new life insurance policies written during the year 2020
- The VNB of KBC Group includes the expected future income generated by other parties within KBC Group arising from the sales of life insurance business. In 2020, this income amounted to 120m EUR (compared with 135m EUR in 2019)
- VNB/PVNBP = VNB at point of sale compared with the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums

# Lower FV gains and lower net other income

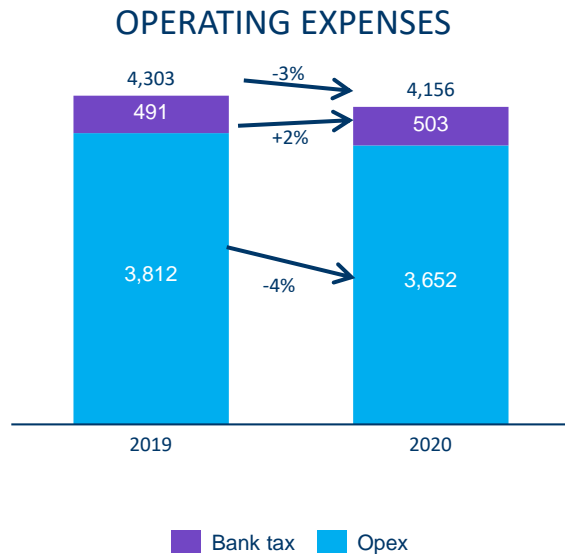


- The lower y-o-y figure for **net gains from financial instruments at fair value** was attributable to:
  - sharply lower net result on equity instruments (insurance)
  - a negative change in ALM derivatives partly offset by:
    - higher dealing room & other income
    - a positive change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio and decreased credit spreads)



- **Net other income** sharply decreased from 282m EUR in FY19 to 176m EUR in FY20. This is mainly the result of a one-off gain of 82m EUR related to the revaluation of the existing 55% stake in ČMSS in 2019

# Tight cost control

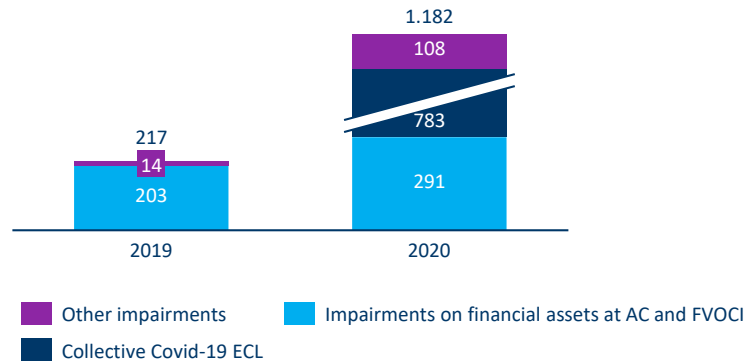


Amounts in m EUR

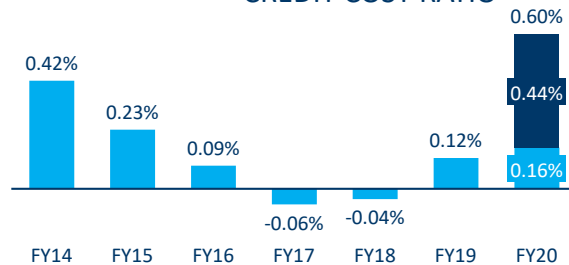
- **Cost/income ratio (banking): 60% in FY20**
- **Adjusted for specific items\*, the C/I ratio amounted to 59% in FY20 (compared with 58% in FY19). Excluding bank tax, C/I ratio adjusted for specific items amounted to 51% in FY20**
- Operating expenses excluding bank tax decreased by 4.2% y-o-y or 160m EUR y-o-y in FY20, even more than the guidance of -3.5% y-o-y, due chiefly to the announced cost savings related to Covid-19
- Total bank taxes (including ESRF contribution) increased by 2% y-o-y to 503m EUR in FY20
- Including higher bank taxes (+12m EUR y-o-y), operating expenses in FY20 fell by 3% y-o-y

# Higher asset impairments, but improved impaired loans ratio

ASSET IMPAIRMENT

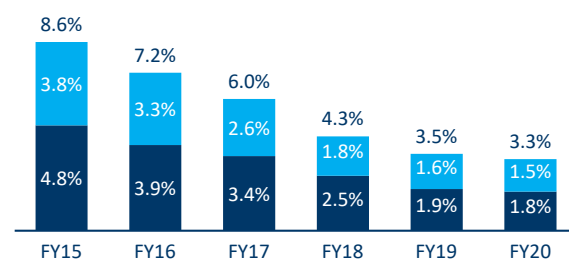


CREDIT COST RATIO



■ CCR with collective Covid-19 ECL ■ CCR without collective Covid-19 ECL

IMPAIRED LOANS RATIO



■ Impaired loans ratio ■ of which over 90 days past due

- **Impairments amounted to 1,182m EUR in FY20** (compared with impairments of 217m EUR in FY19). This increase was attributable chiefly to:

- 783m EUR collective Covid-19 impairments in FY20, of which 672m EUR management overlay and 111m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables
- higher loan loss impairments in the Czech Republic (due mainly to several corporate files) and in the International Markets Business Unit (versus net loan loss impairment reversals in FY19)
- Impairment of 108m EUR on 'other', of which:
  - a 59m EUR negative one-off software impairment as a result of concrete impairment triggers related to a few distinct software projects
  - a 29m EUR negative one-off impact of the payment moratorium (IFRS modification loss from the time value of payment deferral)

- The **credit cost ratio in FY20** amounted to:

- 16 bps (12 bps in FY19) without collective Covid-19 ECL
- 60 bps with collective Covid-19 ECL

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

## Annex 2

# Company profile



# KBC Group in a nutshell (1)

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

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

## ✓ Diversified and strong business performance

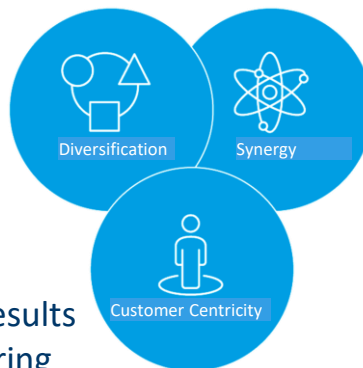


### ... geographically

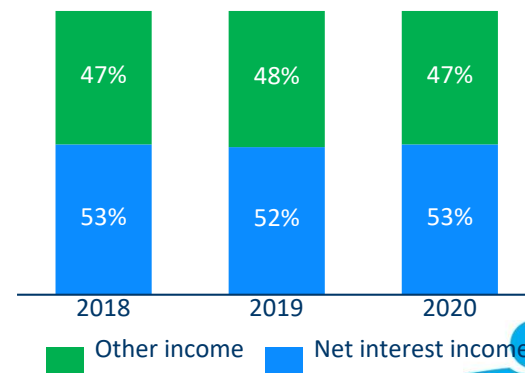
- Mature markets (BE, CZ, IRL) versus developing markets (SK, HU, BG)
- Economies of BE & 4 CEE-countries highly oriented towards Germany, while IRL is more oriented to the UK & US
- Robust market position in all key markets & strong trends in loan and deposit growth

### ... and from a business point of view

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



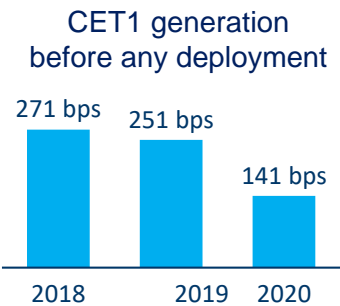
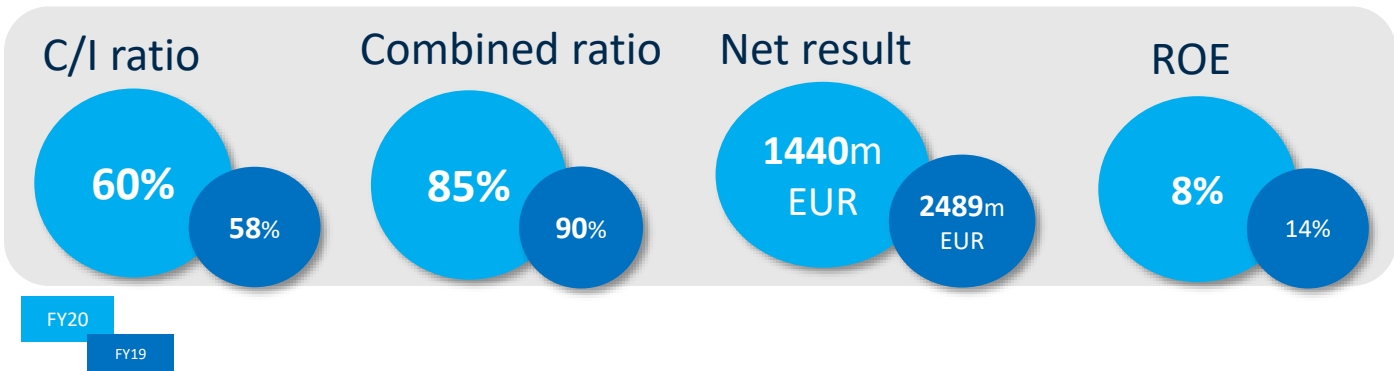
KBC Group: topline diversification 2018-2020 (in %)





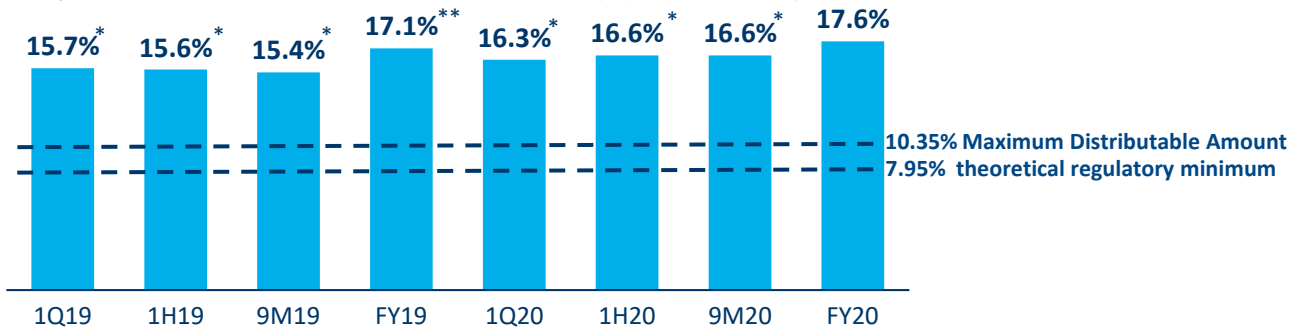
# KBC Group in a nutshell (2)

## ✓ High profitability



## ✓ Solid capital position...

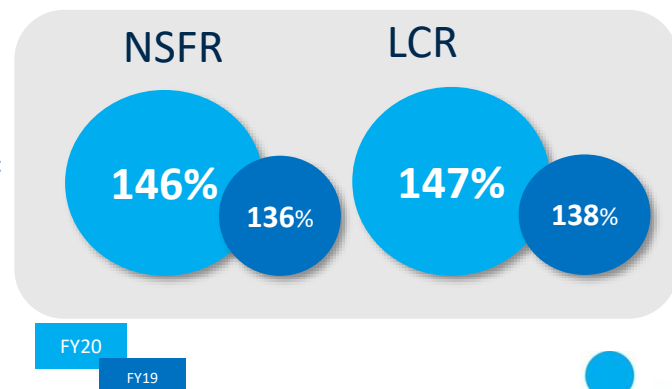
Fully loaded Basel 3 CET1 ratio of KBC Group (Danish Compromise)



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

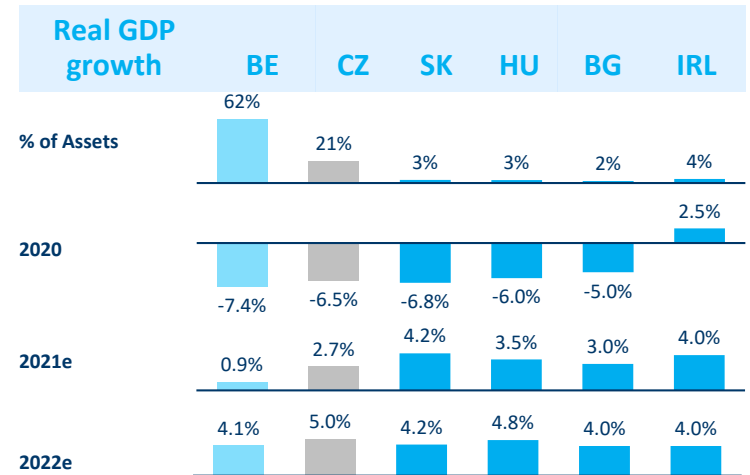
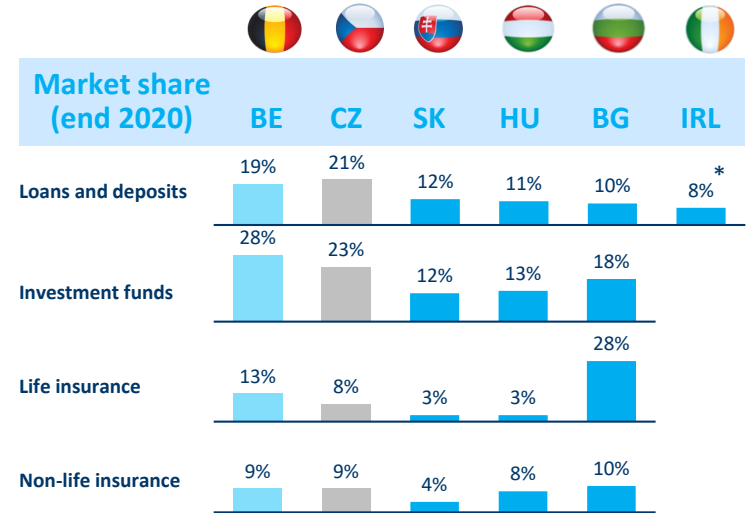
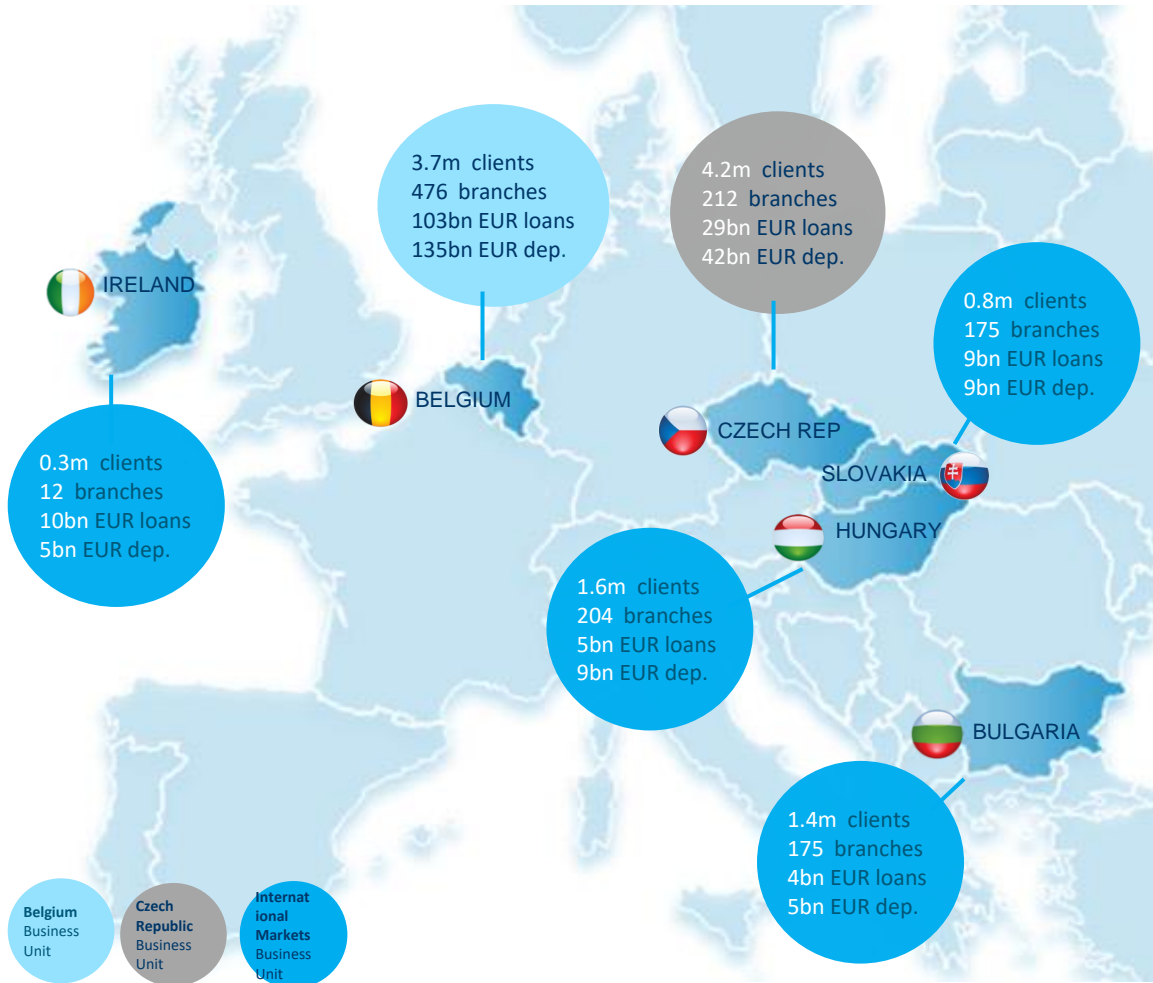
\*\* Taking into account the withdrawal of the final gross dividend over 2019 profit of 2.5 EUR per share

## ✓ ... and robust liquidity positions





# Well-defined core markets

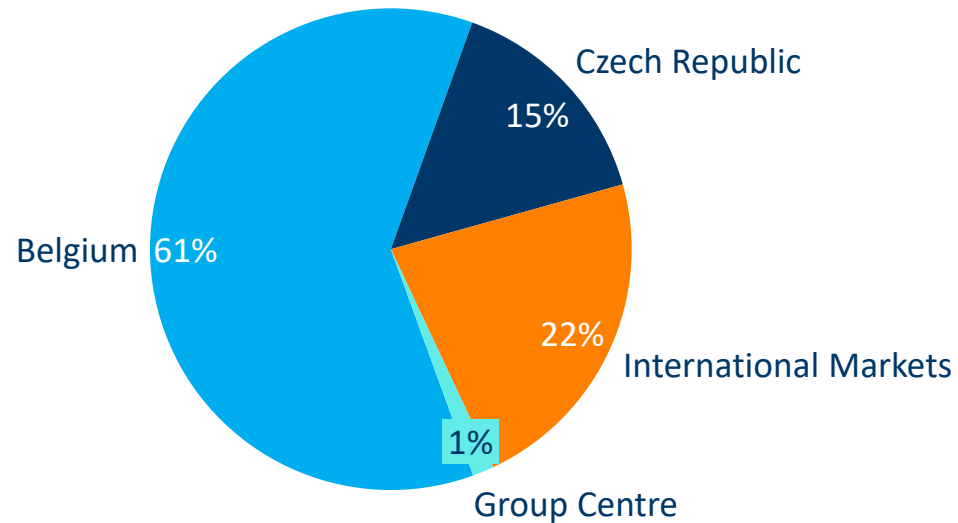


GDP growth: KBC data, Dec '20  
\* Retail segment



# Business profile

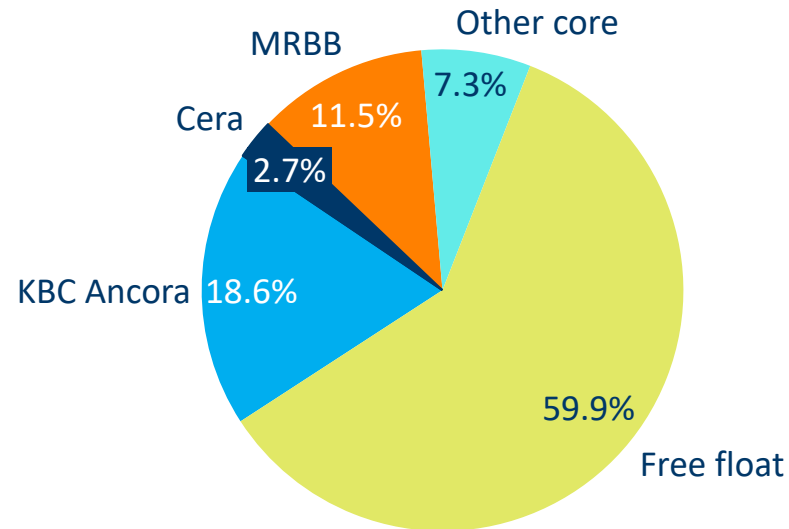
BREAKDOWN OF ALLOCATED CAPITAL (FULLY LOADED) BY BUSINESS UNIT AS AT 31 DECEMBER 2020



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

# Shareholder structure

SHAREHOLDER STRUCTURE AT END 2020



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

## Annex 3



# Differently: the next level

# **Kate**, your digital assistant

## Hyper personalised and trusted financial digital assistant

### PERSONALISED & DATA DRIVEN

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



### RELEVANT & VALUABLE OFFER

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



### AT THE RIGHT TIME

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

### DIGITAL FIRST & E2E

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



### VOLUME

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

### SERVING: SECURE & FRICTIONLESS

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



**'No hassle, no friction, zero delay'**

Johan Thijs



# Differently: the next level

## Digital lead management: From data driven to solution driven



**LEVEL 4: Fully automated lead life cycle management**



**LEVEL 3: AI-powered lead life cycle management**



**LEVEL 2: Lead life cycle management**



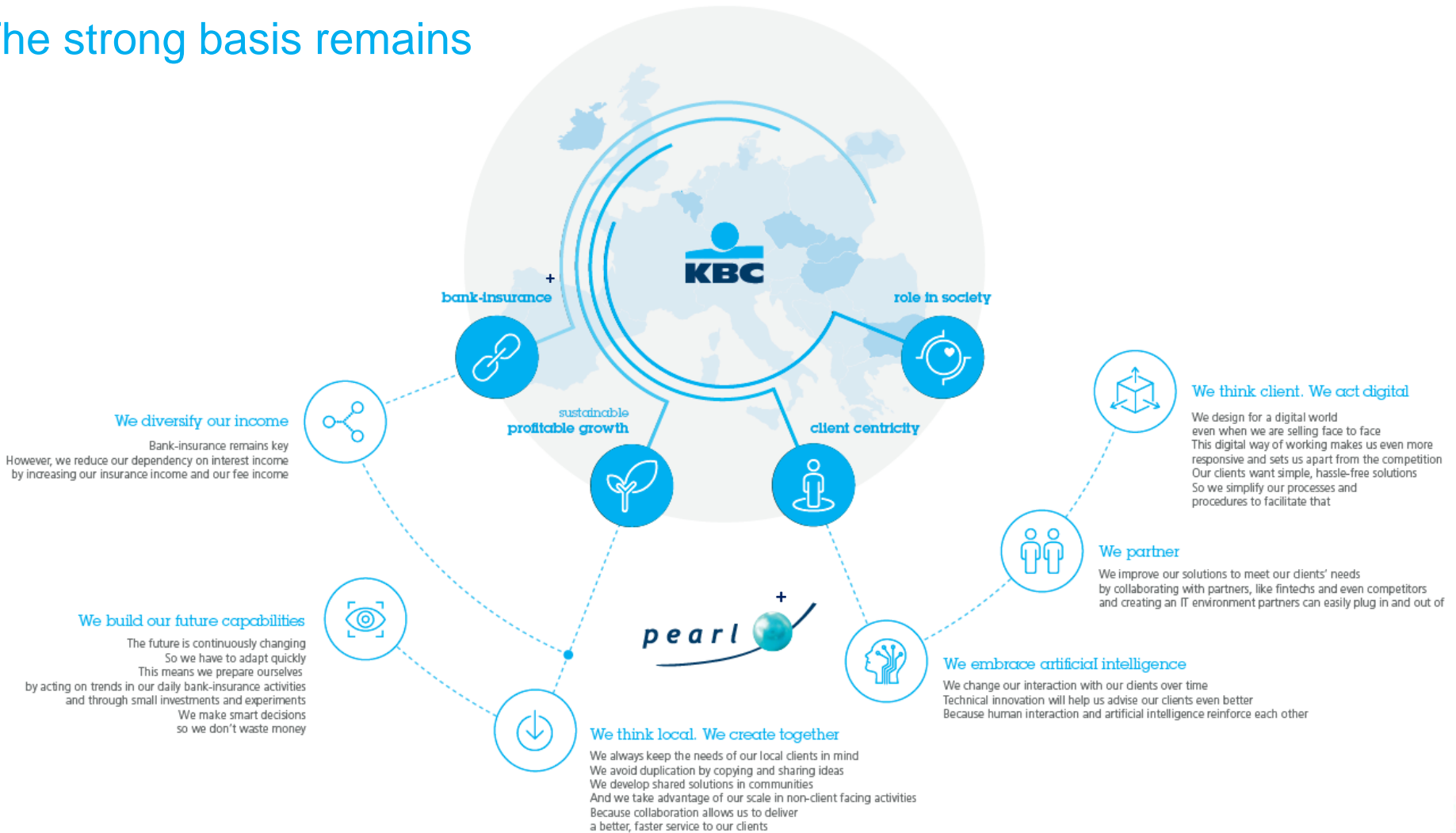
**LEVEL 1: Basic lead management**





# Differently: the next level

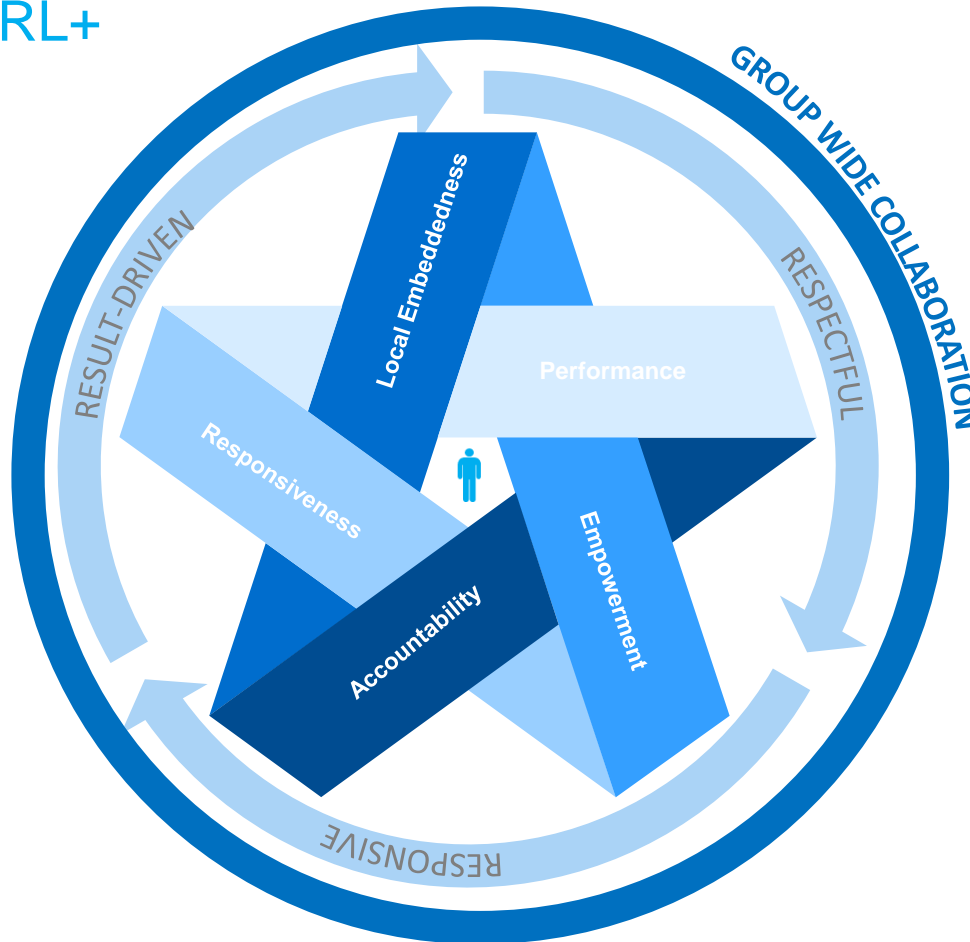
## The strong basis remains





# Differently: the next level

Powered by PEARL+



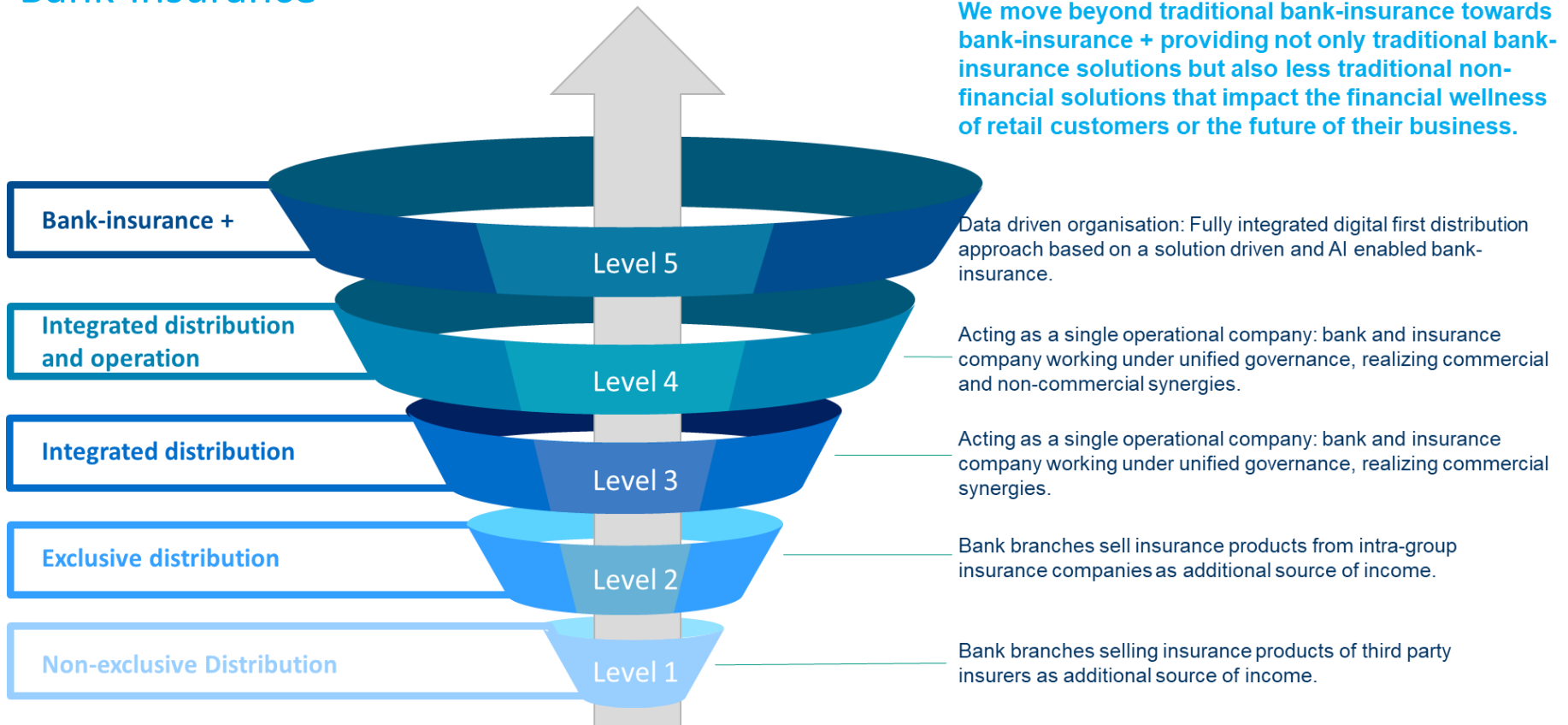
'Why would you build exactly the same thing in your country, when you have the solution next door?'  
Johan Thijs





# Differently: the next level

## Bank-insurance+

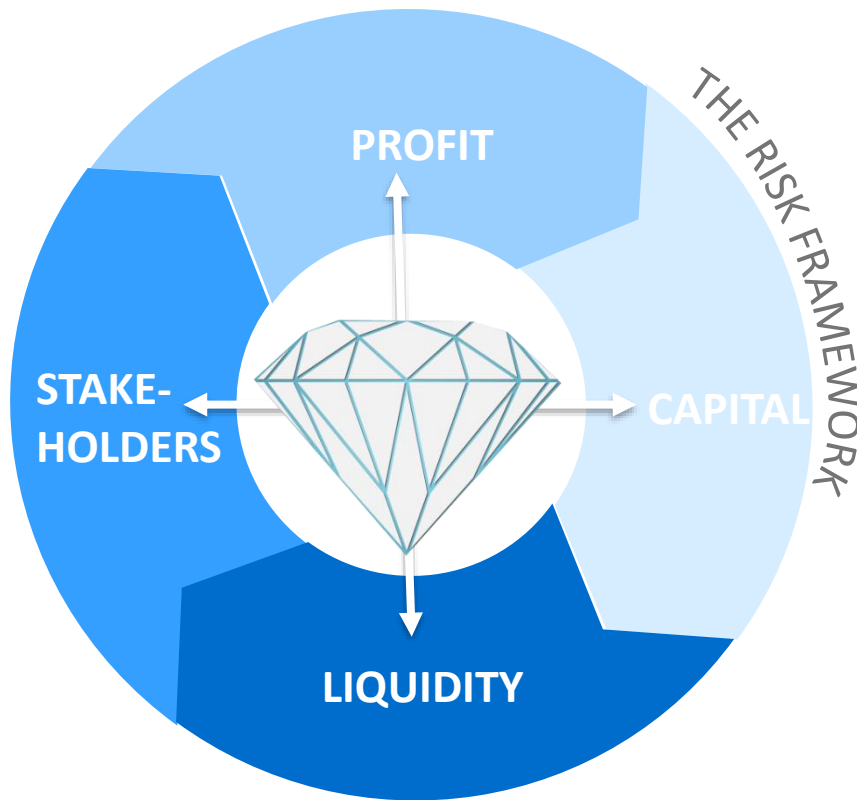


We move beyond traditional bank-insurance towards bank-insurance + providing not only traditional bank-insurance solutions but also less traditional non-financial solutions that impact the financial wellness of retail customers or the future of their business.



# Differently: the next level

## Monitored through the KBC performance diamond



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

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



# Differently: the next level

*Translating strategy into non-financial targets*

## From key priorities to operational targets





# Differently: the next level

Translating strategy into non-financial targets

## Introducing 4 new operational targets (1)

### Customer NPS ranking

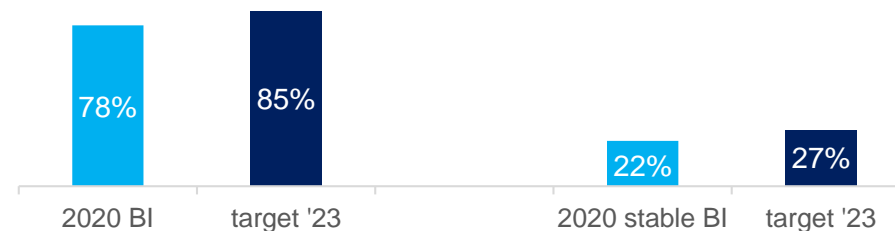


- Target is to remain the reference (top-2 score on group level)

Based on weighted avg of ranking in six core countries

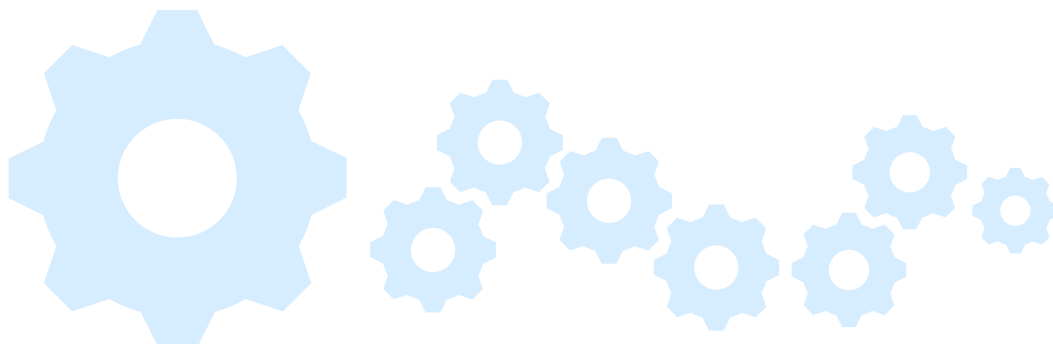
\* Based on the latest available data.

### % bank-insurance (BI) clients



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

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





# Differently: the next level

Translating strategy into non-financial targets

## Introducing 4 new operational targets (2)

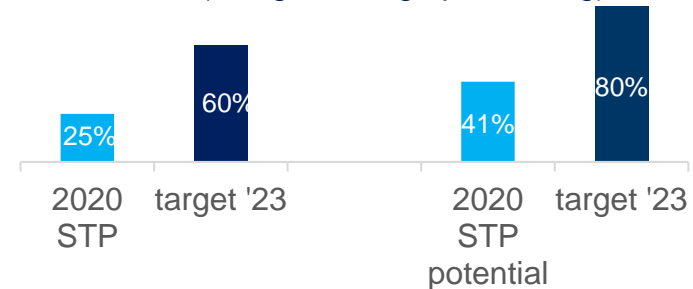
**% digital sales**  
(bank / insurance)



- Digital sales  $\geq 40\%$  of bank sales
- Digital sales  $\geq 25\%$  of insurance sales

Based on weighed avg of selected core products

**STP score\***  
(straight through processing)

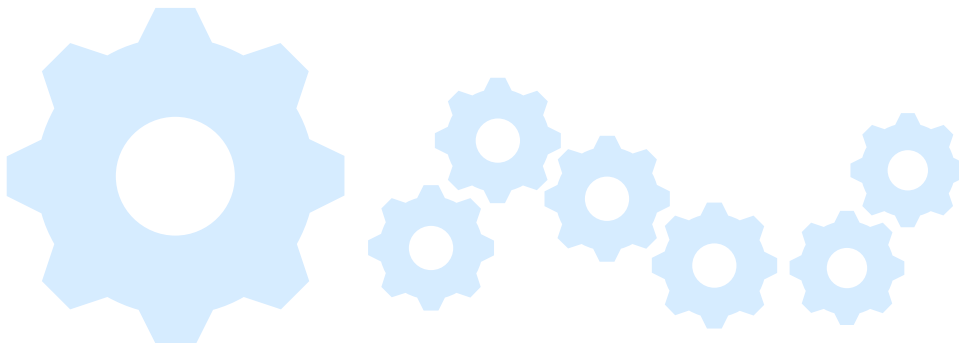


- STP  $\geq 60\%$  and STP potential  $\geq 80\%$

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

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

\* Based on analysis of core commercial products.





# Our sustainability strategy

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

## Limiting our adverse impact

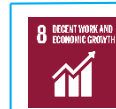
We apply strict sustainability rules to our business activities in respect of human rights, the environment, business ethics and sensitive or controversial social themes. In the light of constantly changing societal expectations and concerns, we review and update our sustainability policies at least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

## Increasing our positive impact

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

## Responsible behaviour

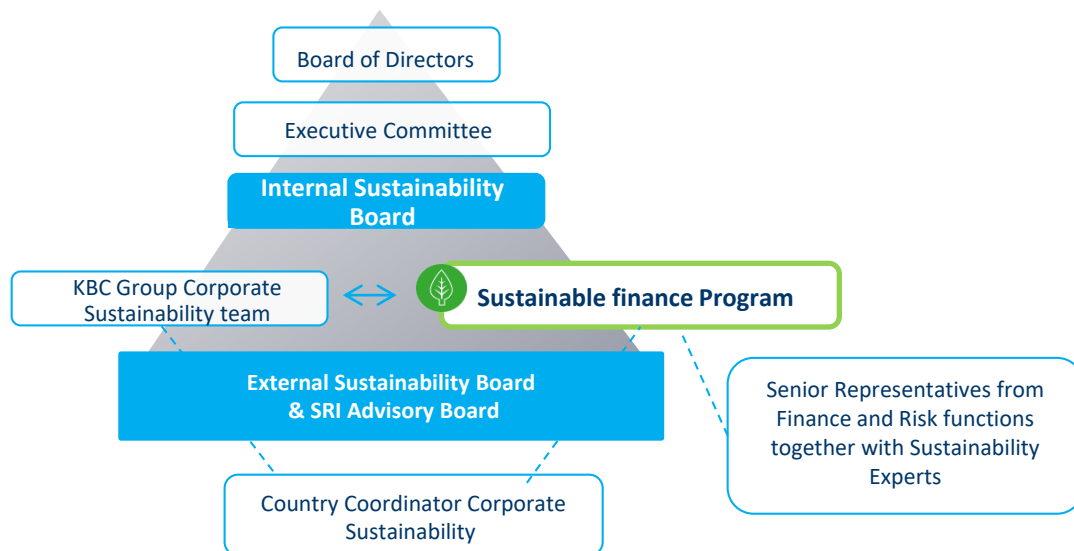
Responsible behaviour is especially relevant for a bank-insurer when it comes to appropriate advice and sales. Therefore, we pay particular attention to training (including testing) and awareness. For that reason, responsible behaviour is also a theme at the KBC University, our senior management training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





# Our sustainability 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 Group Executive Committee and the Board of Directors.
- In each core country, the **CORPORATE SUSTAINABILITY COUNTRY COORDINATOR** is responsible for integrating the decisions of the Internal Sustainability Board and the objectives of the Sustainable Finance Programme. They work closely and frequently with the Group Corporate Sustainability General Manager as well as with their country representative in the ISB.

- 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 **GROUP CORPORATE SUSTAINABILITY DIVISION** is headed by the Group 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.

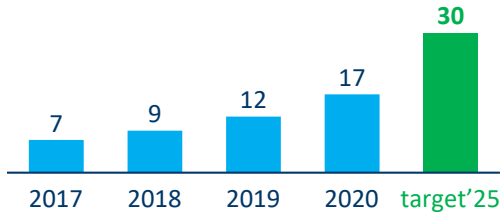


# Our sustainability strategy

We substantially raise the bar for our climate-related ambitions

## Volume of SRI Funds

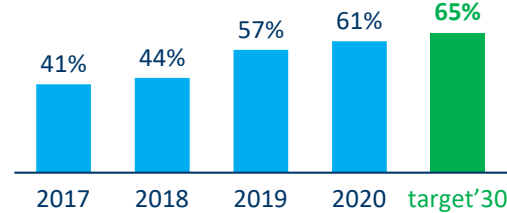
(In billions of EUR)



- Almost doubling of SRI funds by '25 (vs 2020)
- SRI funds ≥ 50% of new fund production by '21

## Renewable energy loans

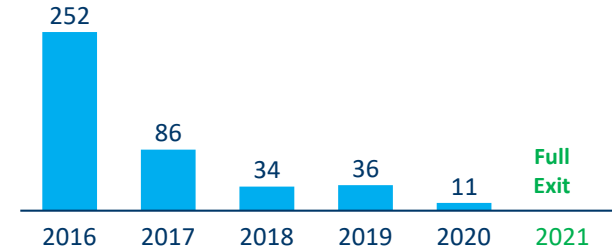
(In % of total energy-sector loan portfolio)



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

## Direct coal-related finance

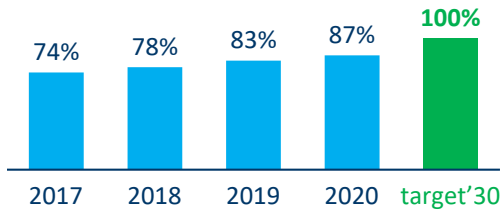
(In millions of EUR)



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

## Green electricity

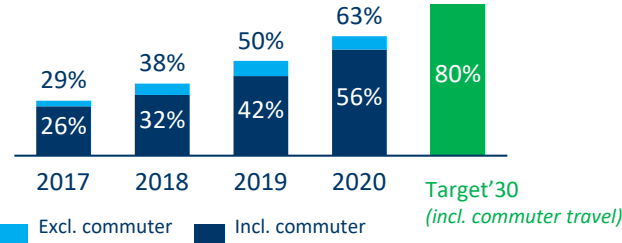
(In % of own electricity consumption)



- Target raised from 90% to 100% by '30

## Reduction own GHG emissions (incl. commuter travel)

(In % compared to 2015)



- Target reduction of own emissions raised from 65% to 80% by '30
- KBC will achieve full climate neutrality as of the end of 2021 by offsetting the balance

Our ESG ratings:	Latest Score (End Jan 2021)
CDP	A- Leadership
FTSE4Good	4.7/5
ISS ESG	C Prime
MSCI	AAA
Sustainalytics	Low Risk: 3 <sup>rd</sup> percentile of 408 diversified banks (risk view)
S&P Global - RobecoSAM	85 <sup>th</sup> percentile of 253 banks assessed
Vigeo Eiris	Not publicly available





# Our sustainability strategy

## Latest achievements

### 2020 achievements:

- Update of the KBC energy policy and implementation of 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 loan (focus on climate and agriculture lending)
- Solar panels on roof KBC building in Belgium, Czech Republic and Bulgaria (resulting in an annual reduction of about 245 tonnes CO2)

### 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
<b>Green finance</b>		
Renewable energy and biofuel sector	1 768	1 235
<b>Social finance</b>		
Health care sector	5 783	5 621
Education sector	975	943
<b>Socially Responsible Investments</b>		
SRI funds under distribution	12 016	8 970
<b>Total</b>	<b>20 542</b>	<b>16 769</b>

(\*) For the sustainability report of 2019, 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



- 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



- 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.



- 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.



## Annex 4

# Other items

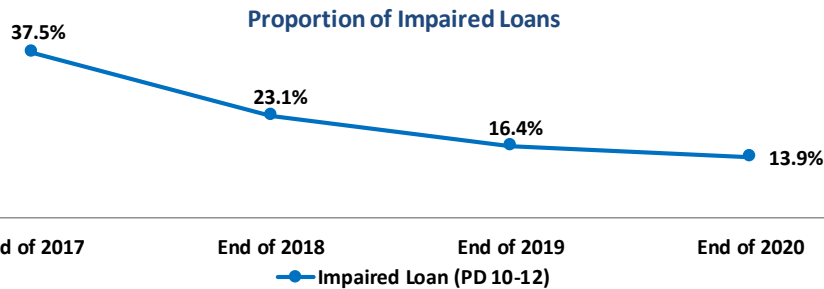
# Loan loss experience at KBC

	<b>FY20 CREDIT COST RATIO</b>	<b>FY19 CREDIT COST RATIO</b>	<b>FY18 CREDIT COST RATIO</b>	<b>FY17 CREDIT COST RATIO</b>	<b>FY16 CREDIT COST RATIO</b>	<b>AVERAGE '99 –'20</b>
<b>Belgium</b>	<b>0.57%</b>	0.22%	0.09%	0.09%	0.12%	n/a
<b>Czech Republic</b>	<b>0.67%</b>	0.04%	0.03%	0.02%	0.11%	n/a
<b>International Markets</b>	<b>0.78%</b>	-0.07%	-0.46%	-0.74%	-0.16%	n/a
<b>Group Centre</b>	<b>-0.23%</b>	-0.88%	-0.83%	0.40%	0.67%	n/a
<b>Total</b>	<b>0.60%</b>	<b>0.12%</b>	<b>-0.04%</b>	<b>-0.06%</b>	<b>0.09%</b>	<b>0.43%</b>

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

# Ireland: impaired loans continue to improve

Loan Portfolio €m	Outstanding	IMPAIRED LOANS	Impaired Loans PD 10-12	Provisions PD 10-12	Impaired Loans PD 10-12 Coverage
Owner occupied mortgages	9,610	1,284	13%	315	25%
Buy to let mortgages	589	139	24%	53	38%
Non Mortgage Retail & SME	127	6	5%	5	83%
Corporate	4	4	100%	2	58%
<b>Total</b>	<b>10,329</b>	<b>1,433</b>	<b>14%</b>	<b>376</b>	<b>26%</b>



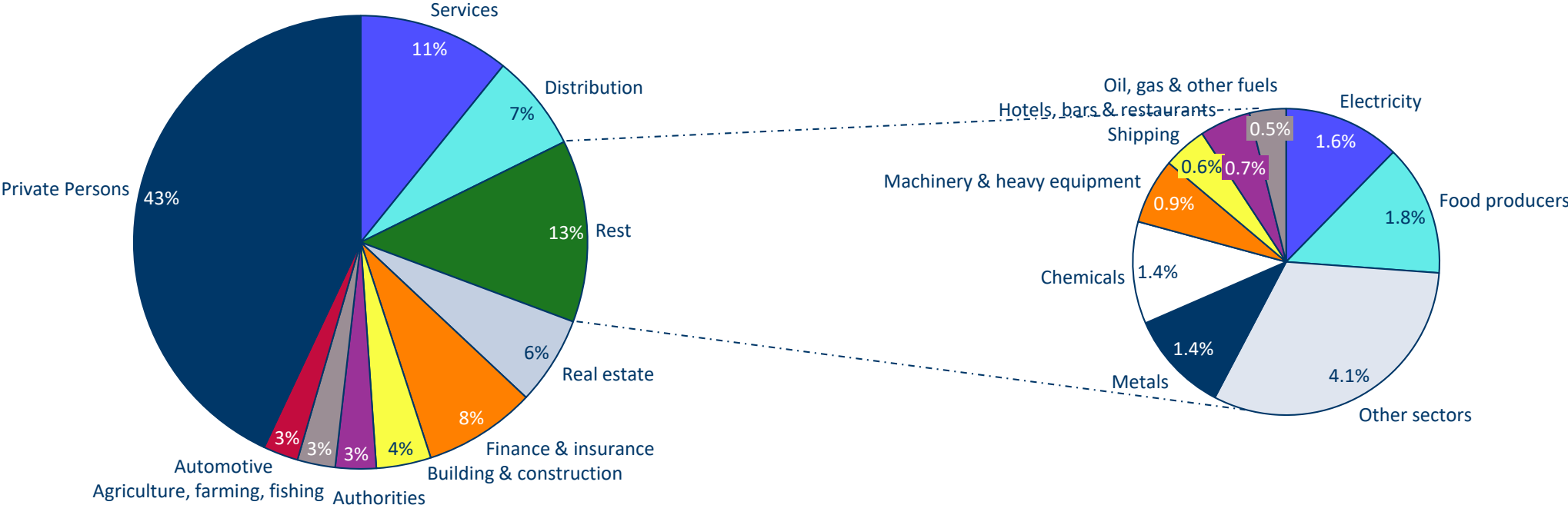
## 4Q20 Total Portfolio

	PD	Exposure	Impairment Provisions	Cover %
<b>Performing</b>	PD 1-8	8,360	18	0.2%
	Of which non Forborne	8,360		
	Of which Forborne	0		
<b>Impair.</b>	PD 9	536	59	11.0%
	Of which non Forborne	189		
	Of which Forborne	347		
	PD 10	651	77	11.9%
	PD 11	677	225	33.3%
	PD 12	105	73	69.6%
	<b>TOTAL PD1-12</b>	<b>10,329</b>	<b>453</b>	
	<i>PD 10-12 Impairment Provisions / (PD 10-12)</i>			26.2%
	<i>Impaired loans (PD 10-12) / Total Exposure</i>			13.9%

- The Irish economy has proven far more resilient to the Covid-19 pandemic than generally expected. It now seems likely that Irish GDP will record solid positive growth in 2020. The delivery of a 'thin' Brexit deal, improved sentiment on vaccination expectations and the ongoing supports provided by the structure of the multinational sector focused on pharma and ICT as well as a very accommodative fiscal stance augur well for the evolution of Irish economic activity through 2021
- Covid-19 related restrictions continue to weigh on the Irish jobs market. Forecasts for unemployment remain elevated with a sustained rebound in Irish economic activity forecast to leave the jobless rate at end 2023 moderately above pre Covid-19 levels
- Irish residential property prices, like the broader Irish economy, have proven far more resilient to the pandemic. Official house price data show a broadly flat trend through the year with only a marginal annual decline beginning in the third quarter. As a result, there is little suggestion of any marked adjustment of property values to increased uncertainty or risks of a materially poorer economic outlook
- Impaired loan portfolio decreased by roughly 36m EUR q-o-q, resulting in impaired loan ratio reducing to 13.9%
- The 5m EUR net impairment release in 4Q20 reflects a 2m EUR net release related to Covid-19 factors and a 3m EUR net release from the legacy NPL portfolio

- 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.

# Sectorial breakdown of outstanding loan portfolio (1) (181bn EUR\*) of KBC Bank Consolidated

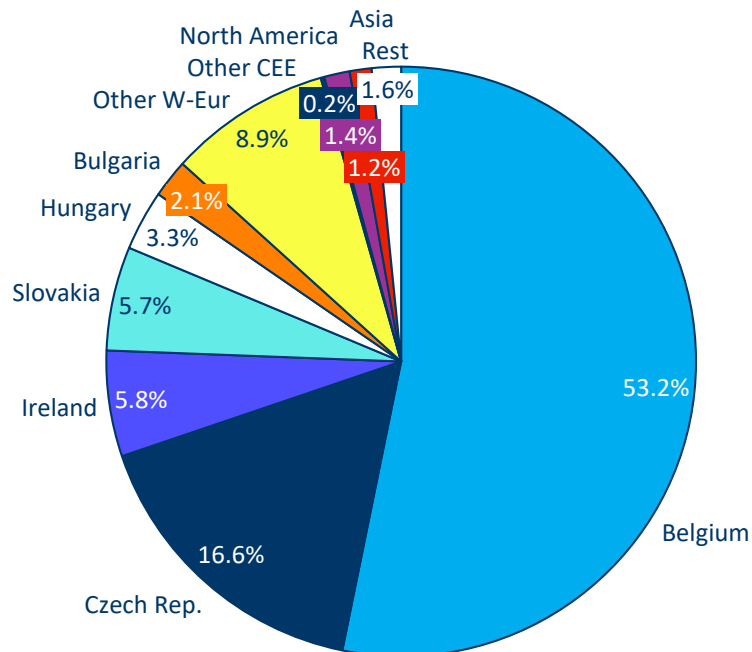


\* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are 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) (181bn EUR\*) of KBC Bank Consolidated

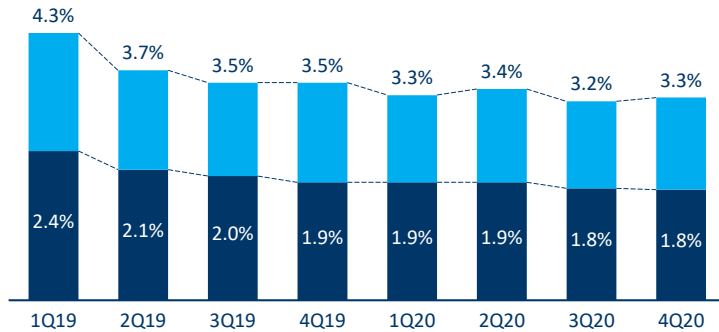


\* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are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

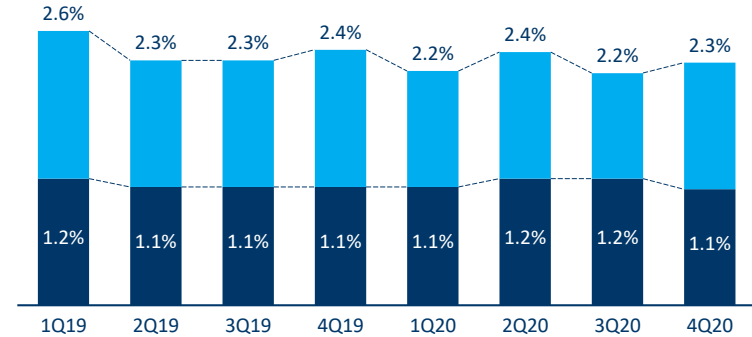
\* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

# Impaired loans ratios, of which over 90 days past due

**KBC GROUP**

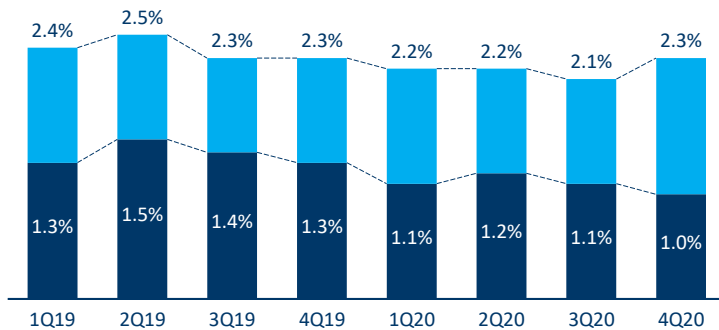


**BELGIUM BU**

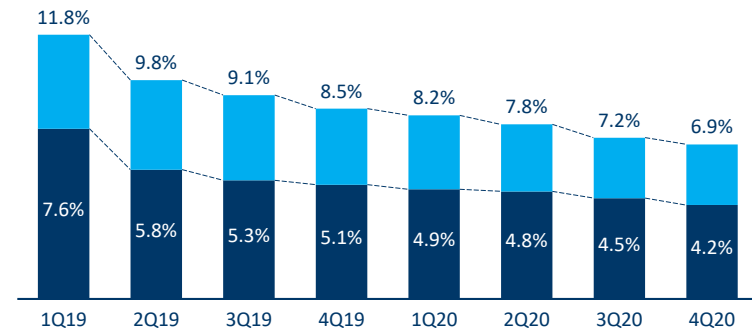


■ Impaired loans ratio  
■ Of which over 90 days past due

**CZECH REPUBLIC BU**



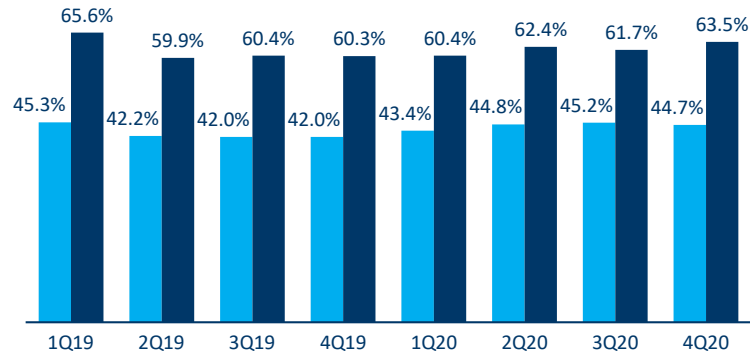
**INTERNATIONAL MARKETS BU**



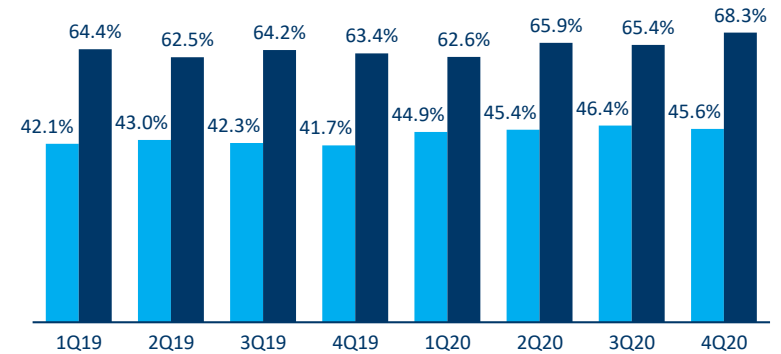


# Cover ratios

## KBC GROUP

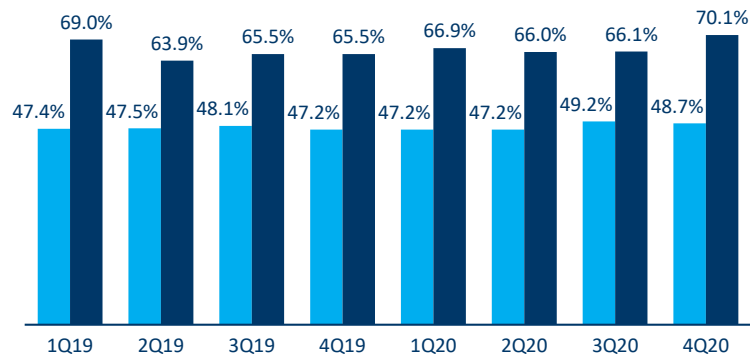


## BELGIUM BU

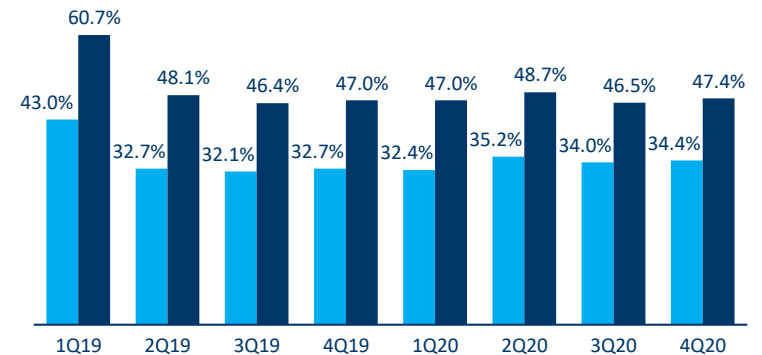


■ Impaired loans cover ratio  
■ Cover ratio for loans with over 90 days past due

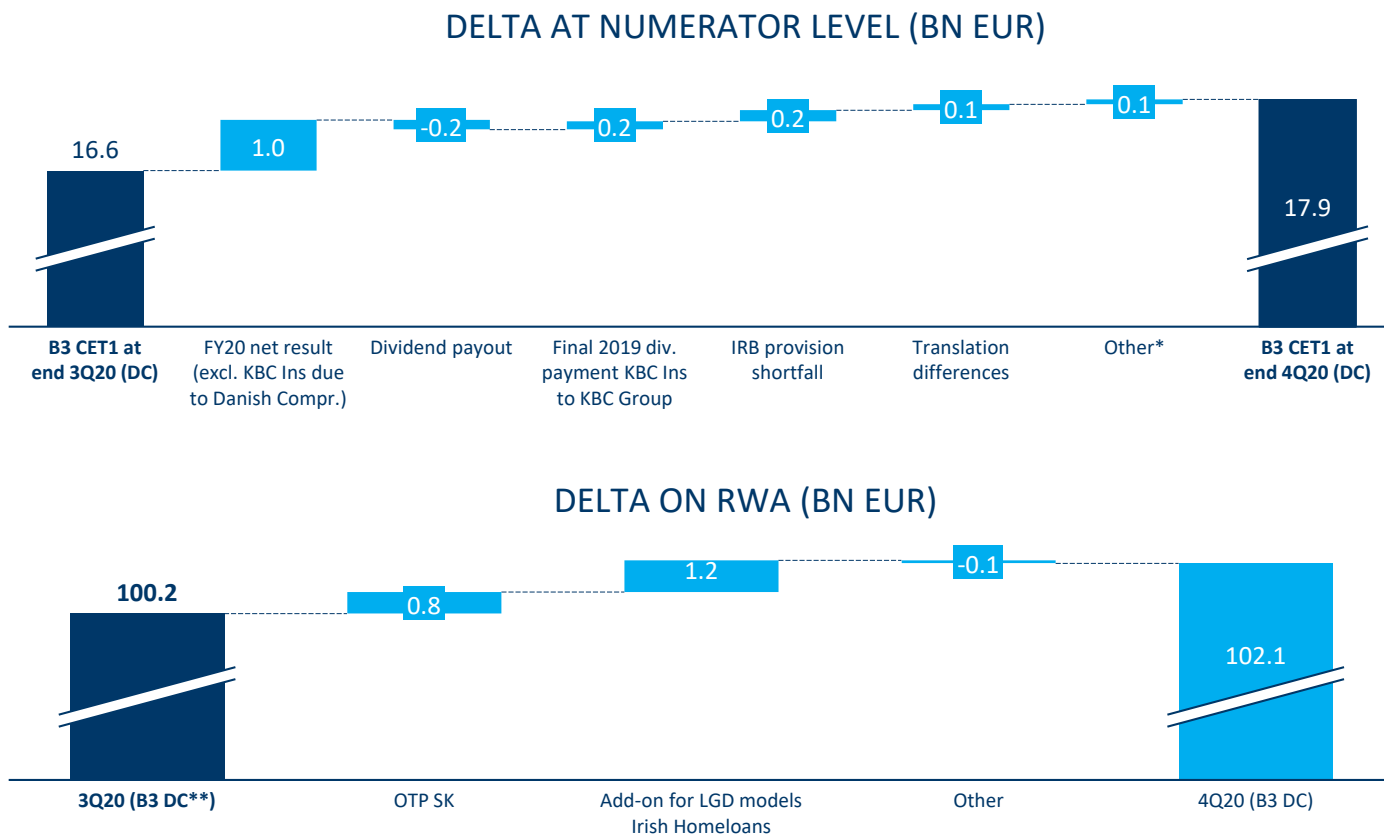
## CZECH REPUBLIC BU



## INTERNATIONAL MARKETS BU



# Fully loaded B3 CET1 based on the Danish Compromise (DC) from 3Q20 to 4Q20



- Fully loaded B3 common equity ratio increased by 1.0% q-o-q at 17.6% at the end of FY20 based on the Danish Compromise
- This clearly exceeds the Overall Capital Requirement (OCR) of 10.45% and the Maximum Distributable Amount (MDA) of 10.35%

\* Includes the q-o-q delta in remeasurement of defined benefit obligations, deferred tax assets on losses carried forward, intangible fixed assets, AT1 coupon, etc.

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

# Overview of B3 CET1 ratios at KBC Group


Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	18,843	114,783	16.4%
DC**, fully loaded	17,948	102,111	17.6%
DM***, fully loaded	17,282	97,481	17.7%

\* FICOD: Financial Conglomerate Directive

\*\* DC: Danish Compromise

\*\*\* DM: Deduction Method

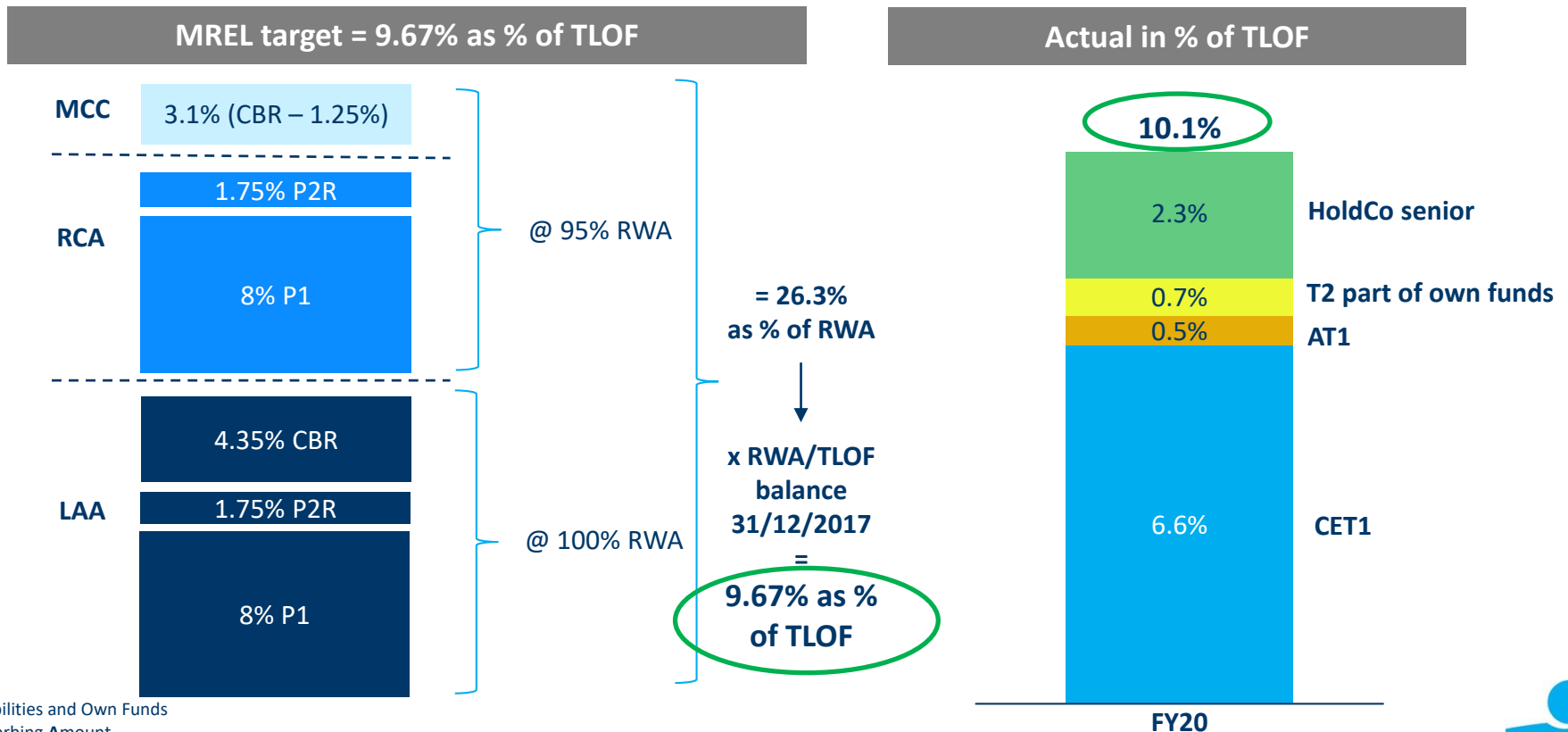
# Application of regulatory quick fixes

Quick fix topic	Applied by 	Timing of implementation	Impact on CET1 ratio	Comment
SME supporting factor	✓	2Q 2020	+32bps at 2Q20	Pulled forward from mid 2021 by regulator
Outliers in Market risk VaR models	✓	2Q 2020	+8bps at 2Q20	Permission granted to exclude COVID-19 outliers
Sovereigns under the Standardised approach	✓	2Q 2020	+10bps at 2Q20	Only applicable for UBB (sovereign exposure in EUR)
IFRS9 transitional measures	✓	2Q 2020	+53bps at 4Q20	Significant impact in 4Q20, linked with 2020 profit recognition
Infrastructure supporting factor	✓	2H 2020	+4bps at 4Q20	Pulled forward from mid 2021 by regulator
Prudential treatment of software	✓	4Q 2020	+11bps at 4Q20	Estimated impact based on final 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

# 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 2<sup>nd</sup> 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
- ✓ SRB will communicate new targets (expected in April 2021), expressed as a percentage of Risk Weighted Assets (RWA) and Leverage Ratio Exposure Amount (LRE), replacing the above-mentioned targets. The new targets need to be achieved by 1 January 2024; a binding interim target as from 1 January 2022 will be defined as well

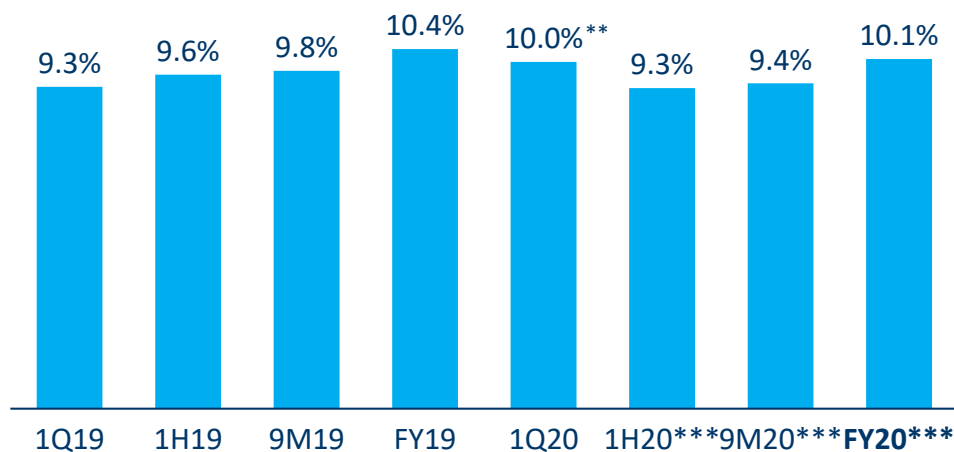


TLOF  
LAA  
RCA  
MCC  
CBR

Total Liabilities and Own Funds  
Loss Absorbing Amount  
ReCapitalisation Amount  
Market Confidence Charge  
Combined Buffer Requirement = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + countercyclical buffer (0.15% in previous target; 0.35% in revised target)

# Available MREL as a % of TLOF

## Available MREL (\*) as a % of TLOF



- The decrease of MREL as a % of TLOF as of 1H20 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 10.8% at the end of FY20

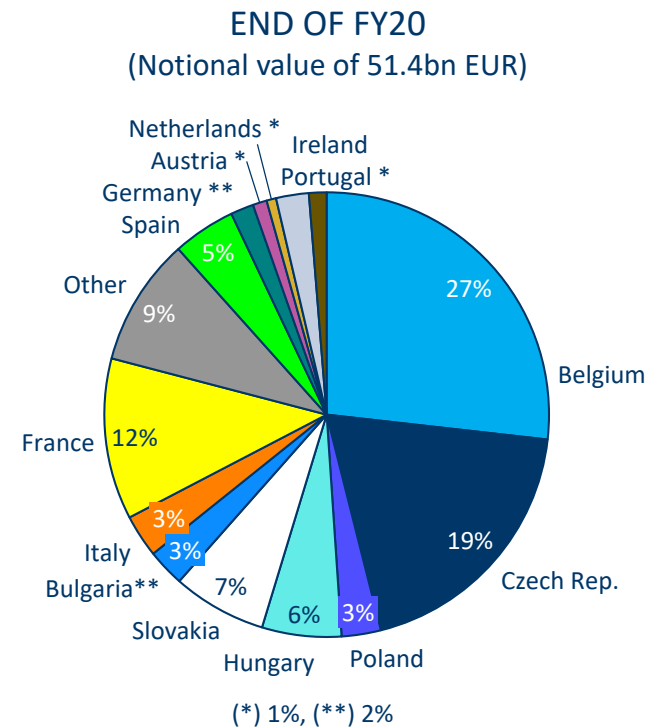
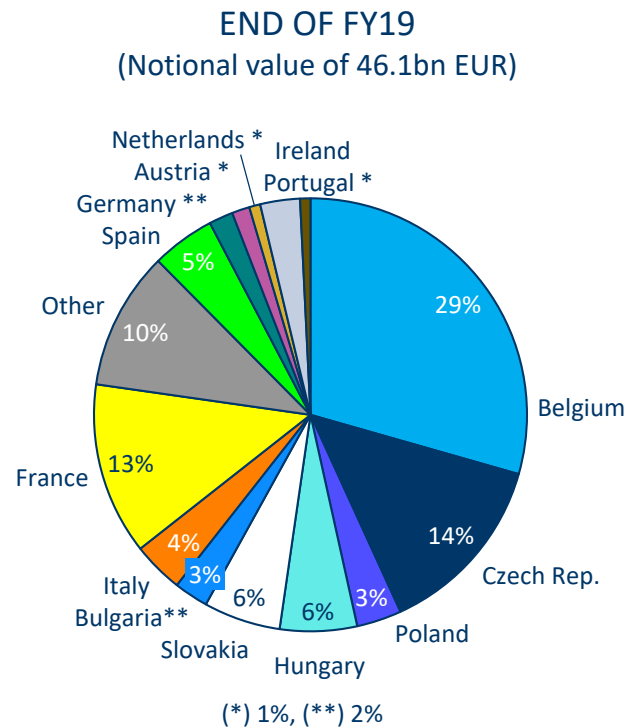
\* Hybrid approach

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

\*\*\* As of 1H20, MREL ratio includes the impact of IFRS9 transitional measures

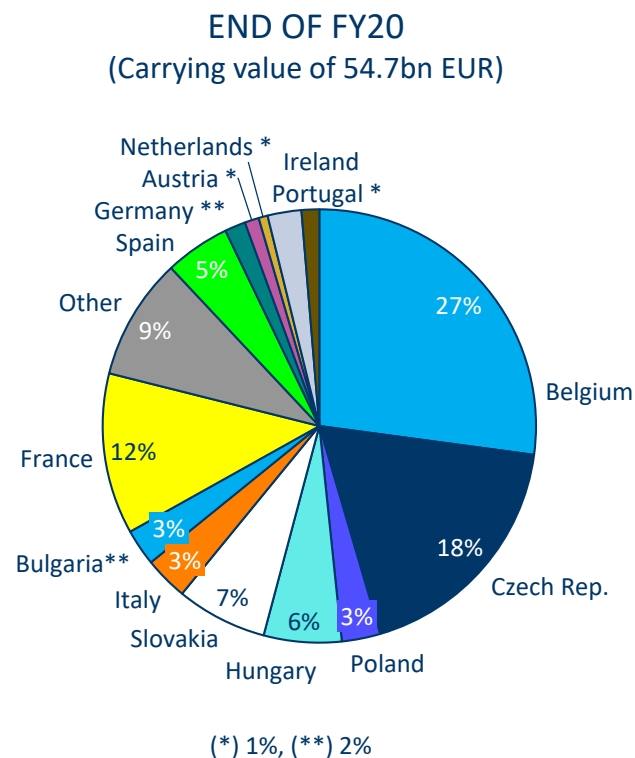
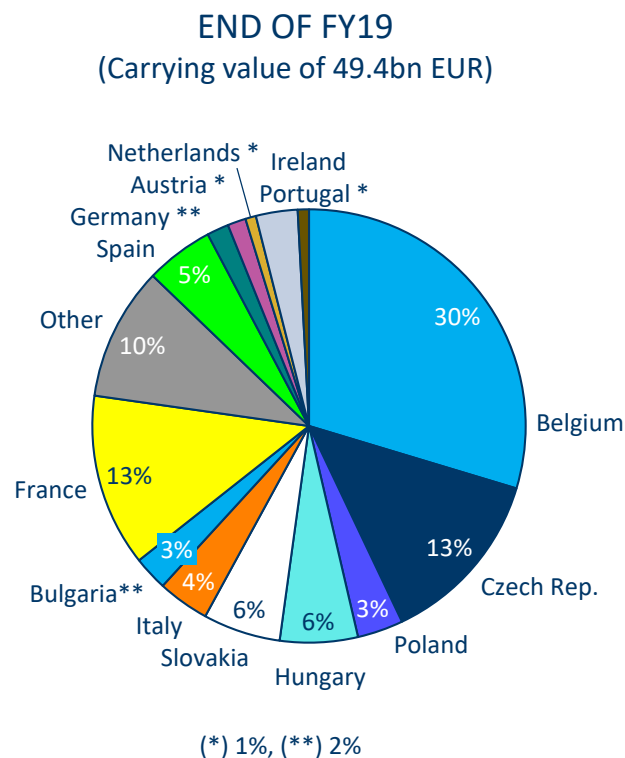
# Government bond portfolio – Notional value

- Notional investment of 51.4bn EUR in government bonds (excl. trading book) at end of FY20, 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 5.8bn EUR at the end of FY20



# Government bond portfolio – Carrying value

- Carrying value of 54.7bn EUR in government bonds (excl. trading book) at end of FY20, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 6.5bn EUR at the end of FY20



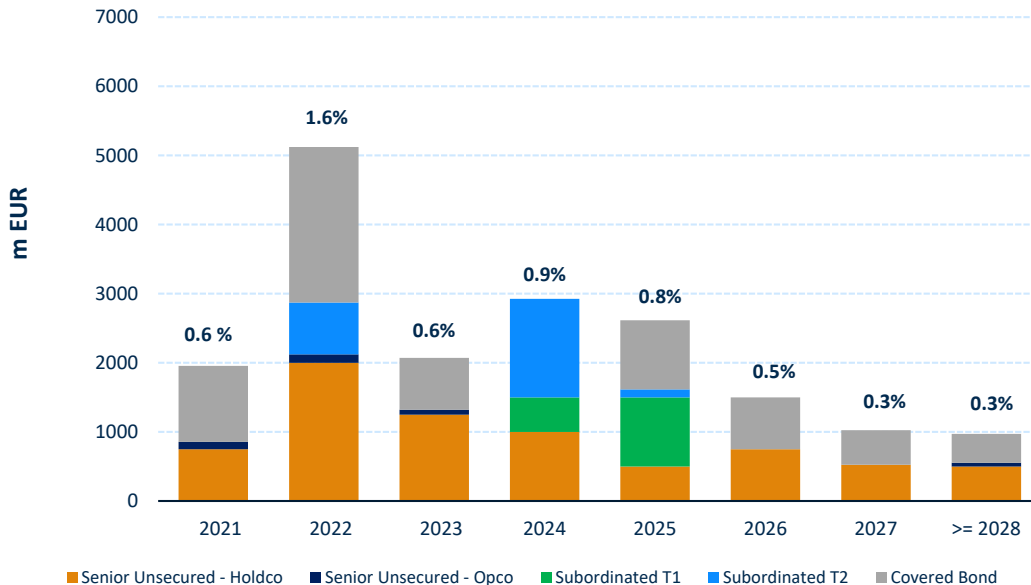
\* Carrying value is the amount at which an asset (or liability) is recognised: for those not valued at fair value this is after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon, while carrying amount is equal to fair value when recognised at fair value



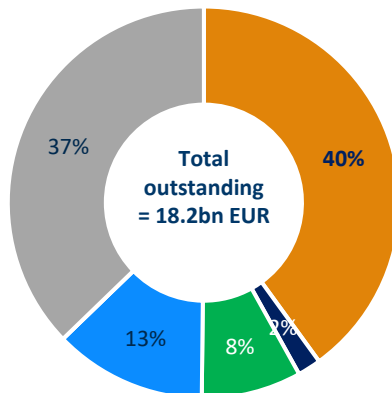
# Upcoming mid-term funding maturities

## Breakdown Funding Maturity Buckets at end 2020

(Including % of KBC Group's balance sheet)



- No issuances in 4Q20
- In January 2021, KBC Group issued a senior benchmark for an amount of 750m EUR with an 8-year maturity with call date after 7 years (not yet included in the graphs)
- KBC Bank has 6 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Covered bonds
  - Structured notes and covered bonds using the private placement format
  - Senior unsecured, T1 and T2 capital instruments issued at KBC Group level and down-streamed to KBC Bank



# Glossary (1)

<b>AQR</b>	Asset Quality Review
<b>B3 / B4</b>	Basel III / Basel IV
<b>CBI</b>	Central Bank of Ireland
<b>Combined ratio (non-life insurance)</b>	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
<b>Common equity ratio</b>	[common equity tier-1 capital] / [total weighted risks]
<b>Cost/income ratio (banking)</b>	[operating expenses of the banking activities of the group] / [total income of the banking activities of the group]
<b>Cost/income ratio adjusted for specific items</b>	<p>The numerator and denominator are adjusted for (exceptional) items which distort the P&amp;L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include:</p> <ul style="list-style-type: none"> <li>• MtM ALM derivatives (fully excluded)</li> <li>• 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)</li> <li>• one-off items</li> </ul>
<b>Credit cost ratio (CCR)</b>	[annualised net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula. As the full collective Covid-19 expected credit losses (ECL) have been booked in 1H20, they were not annualised to calculate the ratio in 1H20
<b>EBA</b>	European Banking Authority
<b>ESMA</b>	European Securities and Markets Authority
<b>ESFR</b>	European Single Resolution Fund
<b>FICOD</b>	Financial Conglomerates Directive
<b>Impaired loans cover ratio</b>	[total specific impairments on the impaired loan portfolio (stage 3) ] / [part of the loan portfolio that is impaired (PD 10-11-12) ]
<b>Impaired loans ratio</b>	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
<b>Leverage ratio</b>	[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
<b>Liquidity coverage ratio (LCR)</b>	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days]
<b>Net interest margin (NIM) of the group</b>	[banking group net interest income excluding dealing room] / [banking group average interest-bearing assets excluding dealing room]
<b>Net stable funding ratio (NSFR)</b>	[available amount of stable funding] / [required amount of stable funding]

## Glossary (2)

<b>MARS</b>	Mortgage Arrears Resolution Strategy
<b>MREL</b>	Minimum requirement for own funds and eligible liabilities
<b>PD</b>	Probability of default
<b>Return on allocated capital (ROAC) for a particular business unit</b>	[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
<b>Return on equity</b>	[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]
<b>TLAC</b>	Total loss-absorbing capacity

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