


KBC Group
2Q and 1H 2020 results
Press presentation

Johan Thijs, KBC Group CEO
Rik Scheerlinck, KBC Group CFO

More detailed analyst presentation available at www.kbc.com

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Key takeaways for KBC Group

*2Q 2020 financial performance**

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

Net result of 210m EUR in 2Q20

1H20

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

• when evenly spreading the bank tax throughout the year

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

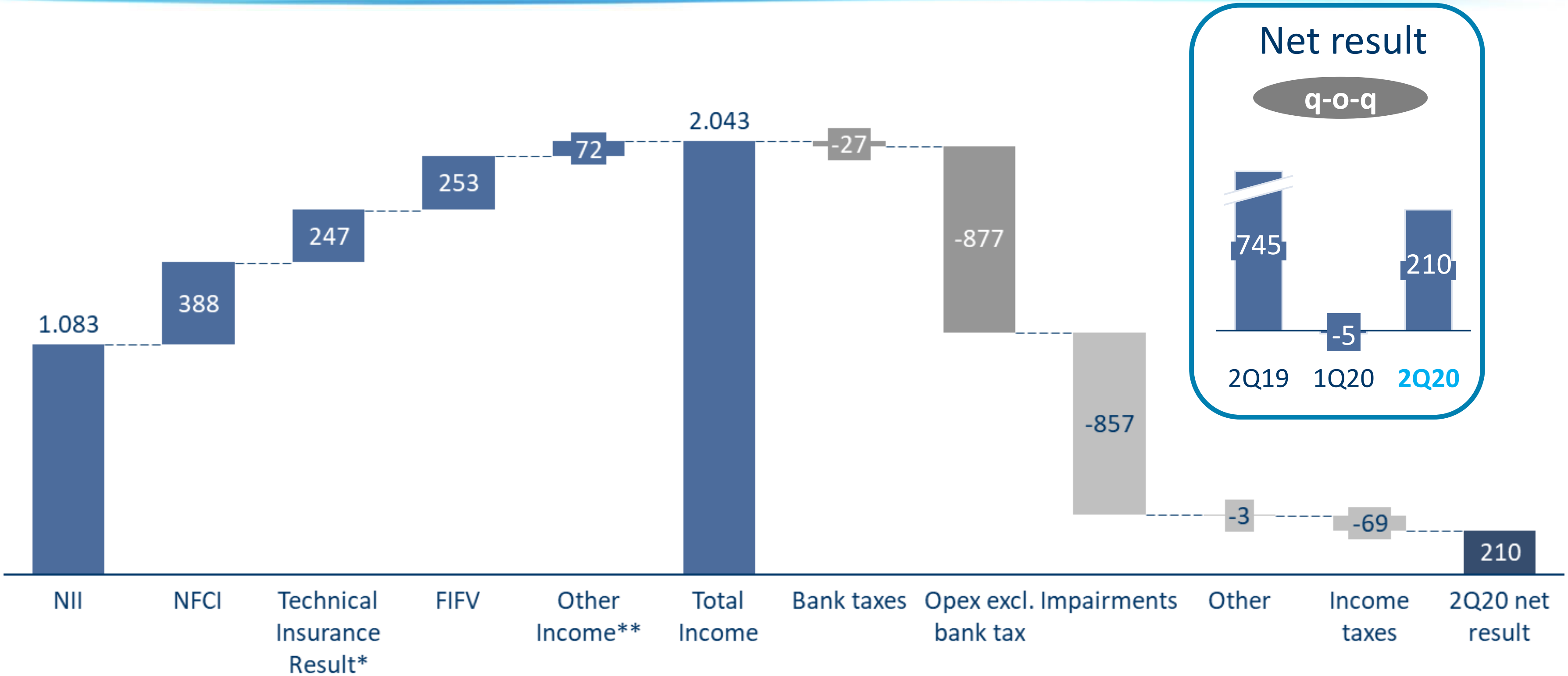
* Comparisons against the previous quarter unless otherwise stated

KBC Group
Consolidated results

2Q and 1H 2020 performance

KBC Group

Overview of building blocks of the 2Q20 net result



	NII	NFCI	Technical Insurance Result*	FIFV	Other Income**	Total Income	Bank taxes	Opex excl. bank tax
Q-o-Q	-9%	-10%	+39%			+38%		-6%
Y-o-Y	-4%	-11%	+40%			+7%		-8%

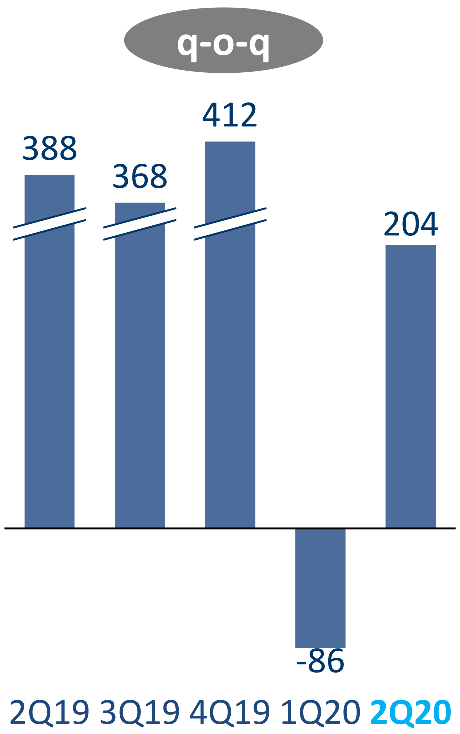
* *Earned premiums – technical charges + ceded reinsurance*

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

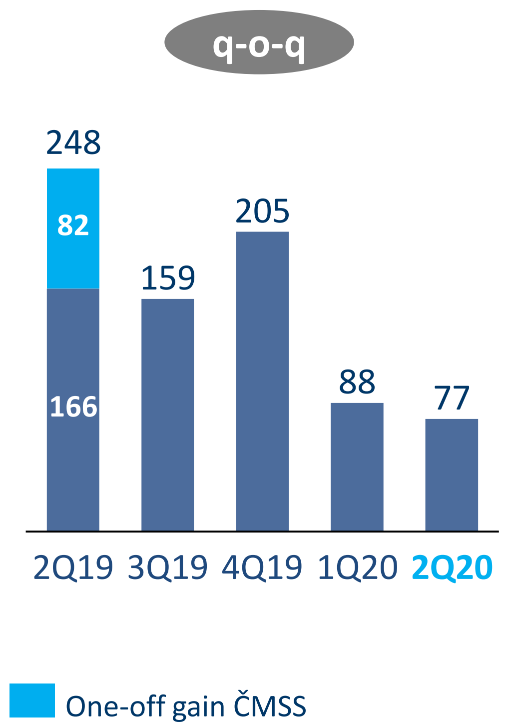
Net result per business unit

Contribution of the business units negatively impacted by collective Covid-19 impairments

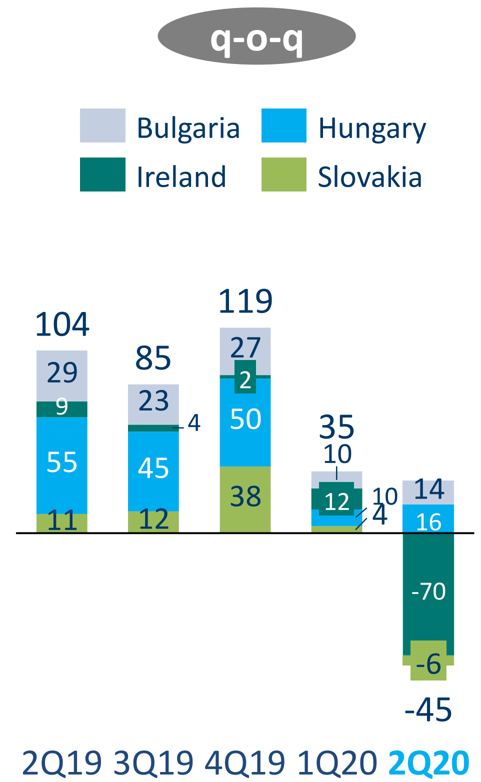
BE BU



CZ BU



IM BU

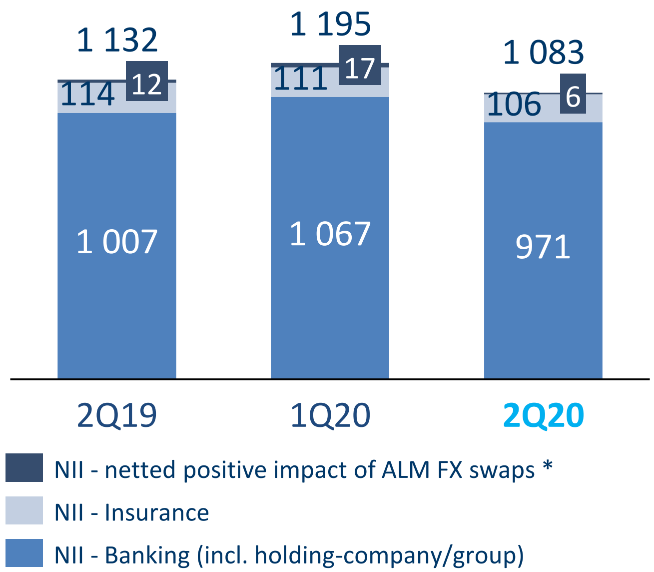


Amounts in millions of EUR

Net interest income

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

Net Interest Income



NII decreased by 9% q-o-q and by 4% y-o-y

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

(-) the CNB rate cuts (from 2.25% early February to 0.25% early May 2020), the depreciation of the CZK & HUF versus the EUR (-18m EUR q-o-q), lower reinvestment yields, pressure on loan margins on total outstanding portfolio in most core countries (except in Belgium) and lower netted positive impact of ALM FX swaps

partly offset by:

(+) lower funding cost, higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic & Slovakia and higher NII due to larger bond portfolio

Net interest margin**

Quarter	2Q19	1Q20	**2Q20**
NIM	1.94%	1.97%	**1.82%**

NIM 1.82%

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

* *From all ALM FX swap desks*

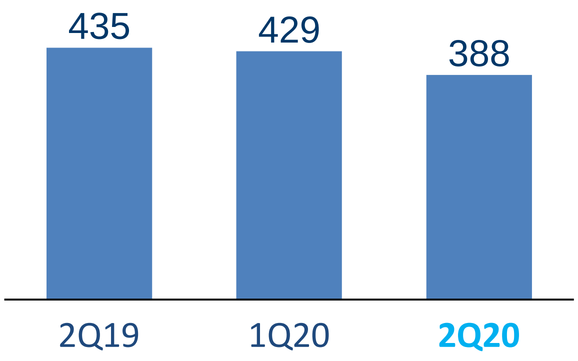
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

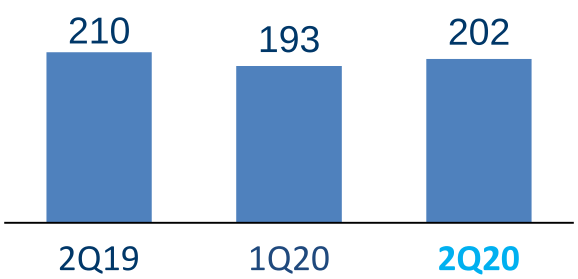
Lower net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income (388m EUR)
Down by 10% q-o-q and up by 11% y-o-y
Q-o-q decrease was the result of the following:

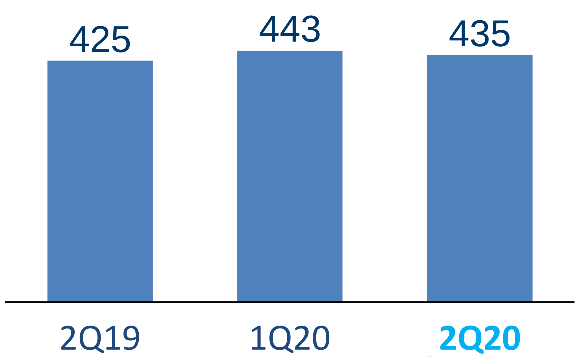
- **Net F&C income from Asset Management Services** decreased by 12% q-o-q as a result of lower management and entry fees from mutual funds & unit-linked life insurance products
- **Net F&C income from banking services** decreased by 5% q-o-q (-3% q-o-q excluding FX effect) due mainly to lower fees from payment services (less transaction volumes as a result from Covid-19) and lower network income, partly offset by higher fees from credit files & bank guarantees
- **Distribution costs** fell by 4% q-o-q

Assets under management (202bn EUR)
Increased by 4% q-o-q due to a positive price effect (+5%), partly offset by net outflows (-1%)

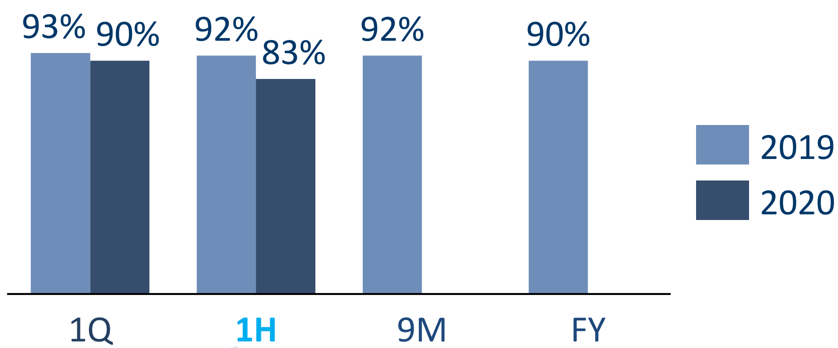
Non-life insurance

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

Non-Life
(Gross earned premium)



Combined ratio non-life



Negative impact of Covid-19 on new business (mainly in motor and property) and on renewals, still **y-o-y increase of gross earned premium Non-Life by +2%**

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

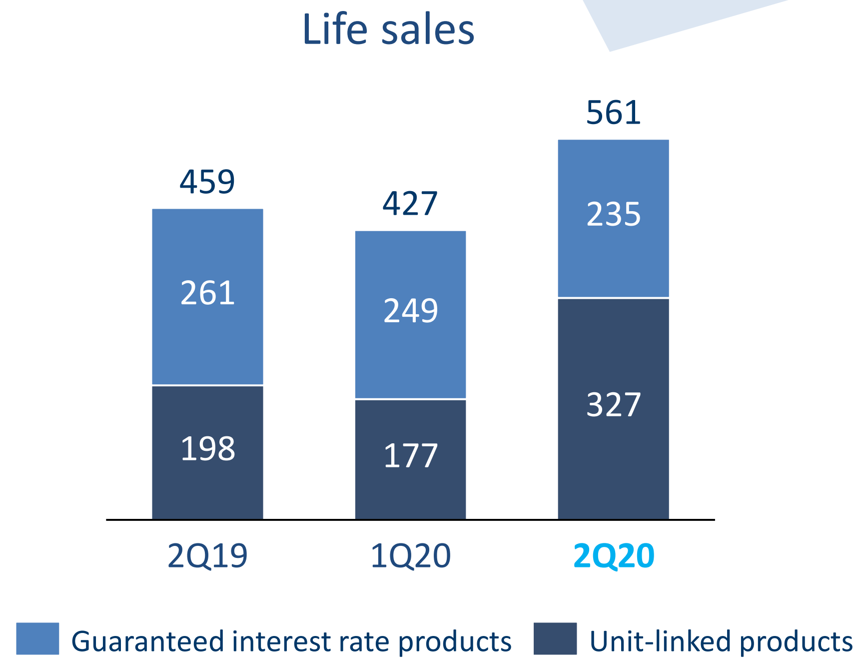
Amounts in millions of EUR

Life insurance

Life sales up

Sales of life insurance products increased by 32% q-o-q and by 22% y-o-y

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



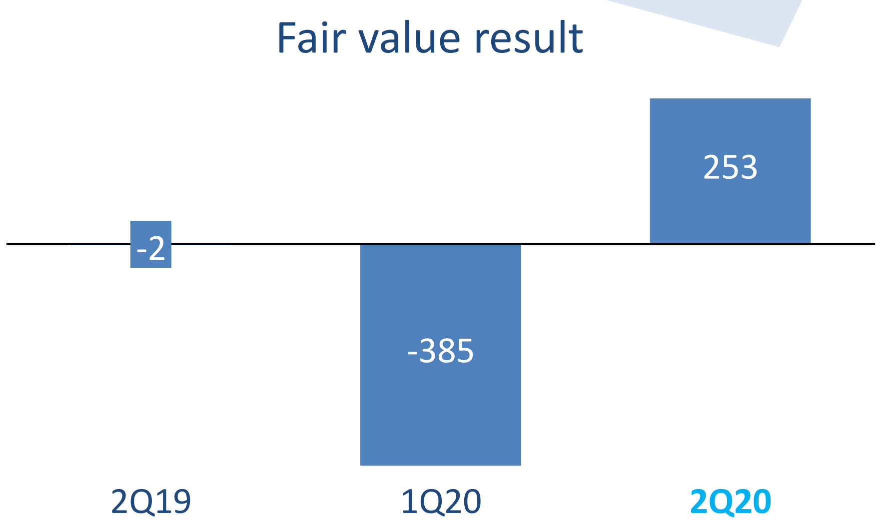
Amounts in millions of EUR

Net result from financial instruments at fair value

Sharply higher fair value result

The q-o-q strong rebound in **net result from financial instruments at fair value** was attributable mainly to:

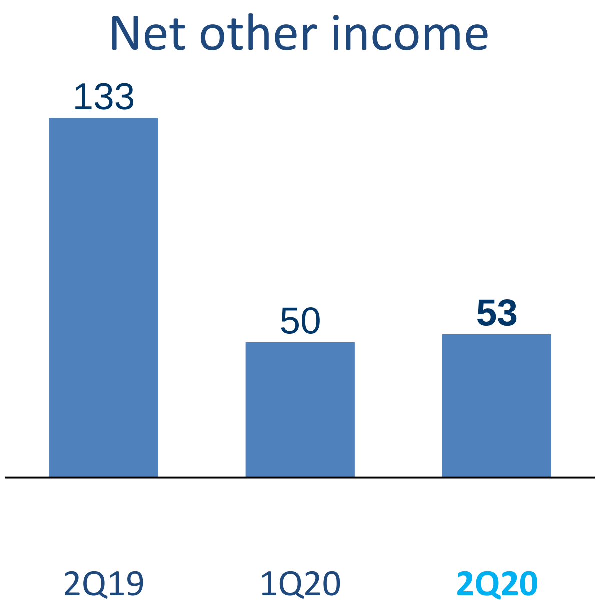
- a positive change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio due to increasing equity markets and decreasing counterparty credit spreads & KBC funding spread, partly offset by lower long-term interest rates)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



Amounts in millions of EUR

Net other income

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



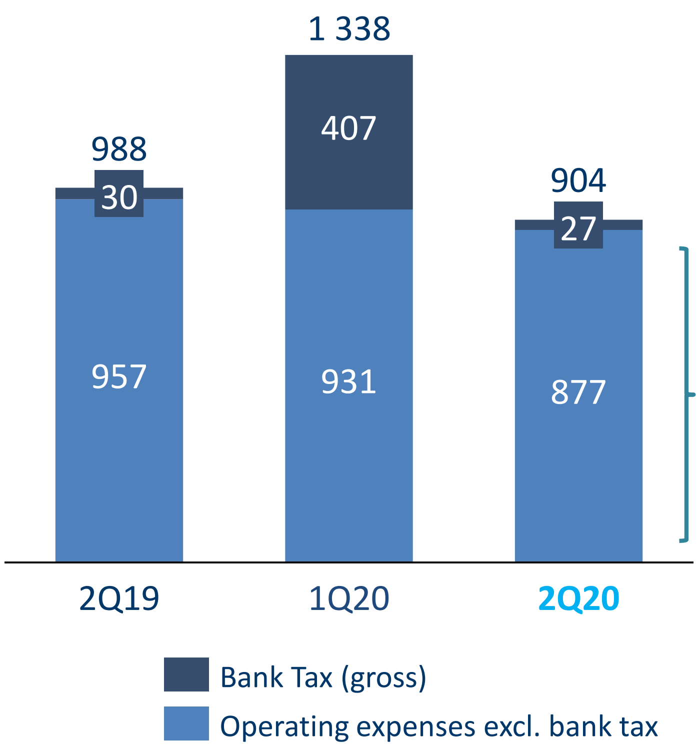
Amounts in millions of EUR

Operating expenses

Cost significantly down

	FY19	1H20
Cost/Income ratio (banking)*	58%	**59%**

Operating expenses



- Operating expenses <u>excluding</u> bank taxes decreased by 6% q-o-q primarily as a result of the announced cost savings related to Covid-19:
  - lower staff expenses (partly due to reduced accrued variable remuneration and less FTEs q-o-q), despite wage inflation in most countries
  - lower facilities, marketing, travel and event costs
  - FX effect (-14m EUR q-o-q)
- Operating expenses <u>excluding</u> bank taxes decreased by 8% y-o-y due partly to the announced cost savings related to Covid-19, despite the full consolidation of CMSS (15m EUR in 2Q20 versus 5m EUR in 2Q19). Also note that 2Q19 was impacted by the 12m EUR negative one-offs
- Total bank taxes (including ESRF contribution) are expected to increase by 3% y-o-y to 504m EUR in FY20

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

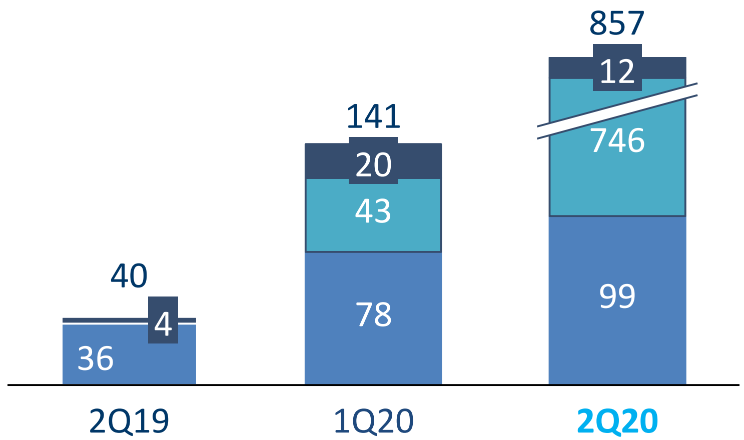
Amounts in millions of EUR

Asset impairments

Higher asset impairments driven by full collective Covid-19 expected credit losses already booked in 1H20

Asset impairment

(negative sign is write-back)



Higher asset impairments q-o-q :

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

- 746m EUR collective Covid-19 impairments, of which 596m EUR management overlay (compared with 43m EUR in 1Q20) and 150m EUR impairments captured by the ECL models through the updated IFRS 9 macroeconomic variables. Note that based on the assumptions at the end of 2Q20, the full collective Covid-19 expected credit losses (ECL) have already been booked in 1H20
- higher loan loss impairments in Belgium and the Czech Republic due mainly to several corporate files

Impairment of 12m EUR on 'other', of which a 16m EUR negative one-off impact of the payment moratorium in Belgium and the Czech Republic, partly offset by a 7m EUR positive one-off partial reversal of the payment moratorium in Hungary booked in 1Q20 (IFRS modification loss from the time value of payment deferral)

***Credit cost ratio* (YTD)**	**FY19**	**1H20**
With collective covid-19 ECL	-	0.64%
Without collective covid-19 ECL	0.12%	0.20%

The credit cost ratio amounted to 0.20% without collective Covid-19 ECL and 0.64% with collective Covid-19 ECL (already 100% booked in 1H20)

Amounts in millions of EUR

KBC Group

2Q and 1H 2020
Covid-19

COVID-19 (1/9)

Commitment towards our stakeholders

Safety & continuity

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

Digital is the new normal

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

Digital boost in different core markets

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

COVID-19 (2/9)

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

Deferral of payments

Belgium

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

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

Czech Republic

Opt-in: 3 or 6 months

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

Hungary

Opt-out: a blanket moratorium until 31 Dec 2020

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

Guarantee Scheme & liquidity assistance

Belgium

- **A state guarantee scheme** up to 40bn EUR to cover losses incurred on future non-retail loans granted before 30 Sep 2020 to viable companies, with a tenor of maximum 12 months and with maximum interest of 1.25%. Guarantee covers 50% of losses above 3% of total credit losses and 80% above 5% of losses
- **As of 3Q, a revised state guarantee scheme** up to 10bn EUR has been offered to cover losses on future SME loans granted before 31 Dec 2020, with a tenor between 1 and 3 years and with maximum interest of 2%. Guarantee covers 80% on all losses

Czech Republic

- The **Czech-Moravian Guarantee and Development (CZMRB)** launched several guarantee programs (COVID II, COVID II Praha, COVID III) for working capital loans provided by commercial banks to non-retail clients. The loan amount is guaranteed up to 80% or 90% of the loan amount. Interest on these loans is subsidised up to 25% (COVID II)
- **The Export Guarantee and Insurance Cooperation (EGAP)** under its COVID Plus program offers guarantees on loans provided by commercial banks. EGAP guarantees 70% to 80% of the loan amount, depending on the rating of the debtor. The program is aimed at companies for which exports accounted for more than 20% of turnover in 2019

Hungary

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

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COVID-19 (3/9)

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

Deferral of payments

Slovakia

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

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

Bulgaria

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

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

Ireland

Opt-in: 3 to 6 months

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

Guarantee Scheme & liquidity assistance

Slovakia

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

Bulgaria

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

Ireland

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

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COVID-19 (4/9)

IFRS 9 scenarios

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

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

Macroeconomic scenarios*

June 2020

Real GDP growth	2020			2021			2022		
	Optimistic	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Euro area	-6.0%	-9.6%	-14.0%	6.5%	6.2%	-3.2%	1.3%	1.2%	5.0%
Belgium	-5.0%	-9.5%	-13.2%	6.0%	5.7%	-3.2%	1.3%	1.3%	5.0%
Czech Republic	-5.0%	-10.0%	-15.0%	4.0%	6.0%	3.0%	2.5%	3.5%	2.7%
Hungary	-3.0%	-6.2%	-10.0%	4.0%	5.0%	4.0%	3.5%	3.5%	3.5%
Slovakia	-5.0%	-10.0%	-14.0%	4.5%	7.0%	1.5%	2.6%	4.5%	2.5%
Bulgaria	-4.0%	-8.0%	-12.0%	3.0%	5.0%	4.0%	3.0%	3.0%	3.0%
Ireland	-2.0%	-5.0%	-10.0%	2.0%	4.0%	1.0%	2.6%	3.5%	2.5%

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

COVID-19 (5/9)
IFRS 9 scenarios

Macroeconomic scenarios
June 2020

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

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

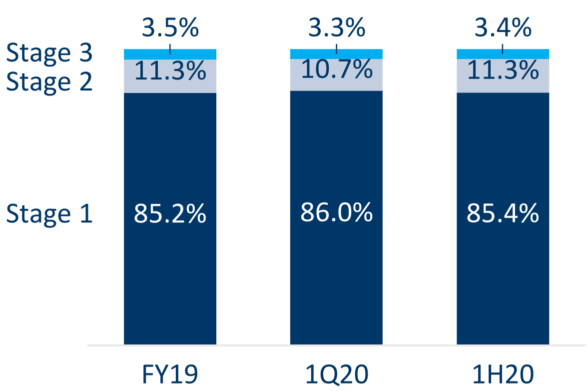
COVID-19 (6/9)

Stress assumptions applied

Loan portfolio*:

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

Total loan portfolio by IFRS 9 ECL stage *



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

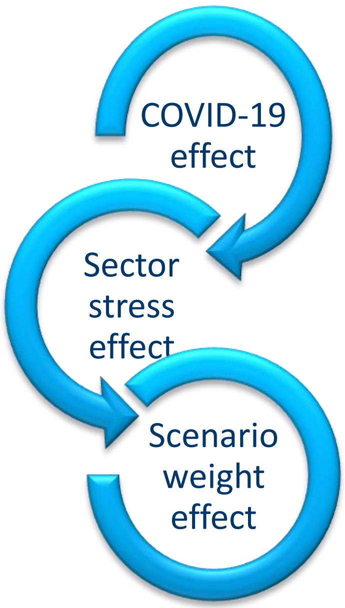
Existing performing portfolio	• **A 3-step methodology has been applied** *(see next slide)* • In line with ECB/ESMA/EBA guidance, any general government measure has not led to an automatic staging
Existing non-performing portfolio	• An additional impact assessment was performed on a portfolio basis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

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

COVID-19 (7/9)

Stress methodology applied on the performing portfolio

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



Step 1: Covid-19 stress

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

Step 2: Additional sector stress effect

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

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

Step 3: Application of scenario weight

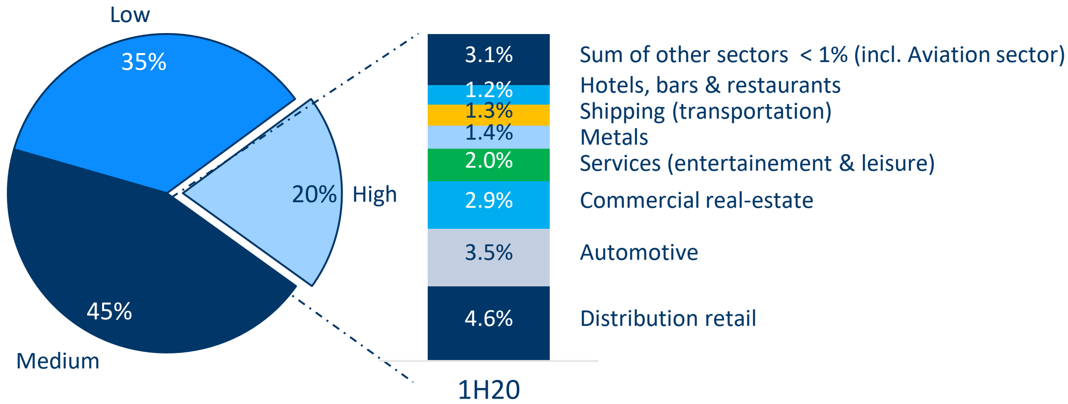
To define the **collective Covid-19** impact, under an optimistic and pessimistic scenario, a scaling factor was applied on the estimated sector-driven Covid-19 base-case ECL. The final overlay was determined by weighting the Covid-19 ECL under the three scenarios with the following weights: 45% for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

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

COVID-19 (8/9)

Details of the collective Covid-19 ECL

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



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

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

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

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

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

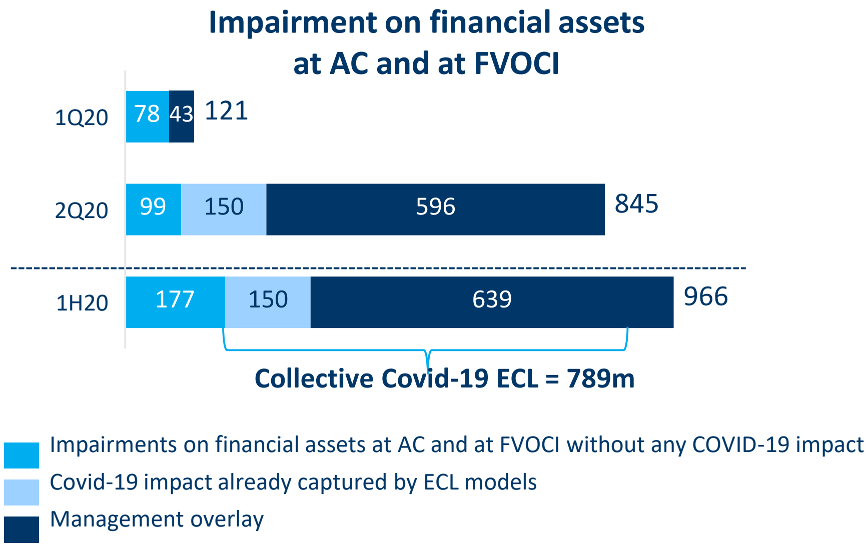
Collective Covid-19 ECL per country:

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

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

COVID-19 (9/9)

Impact of the collective Covid-19 ECL



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

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

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

Amounts in m EUR

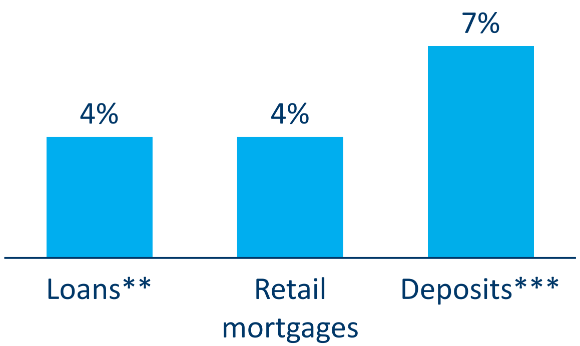
KBC Group

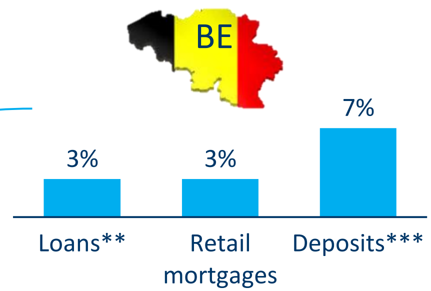
Balance sheet, capital and liquidity

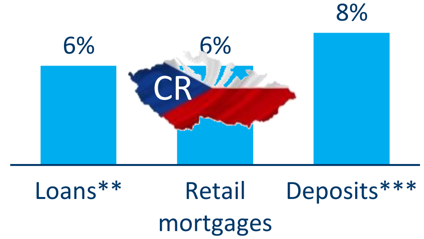
Balance sheet

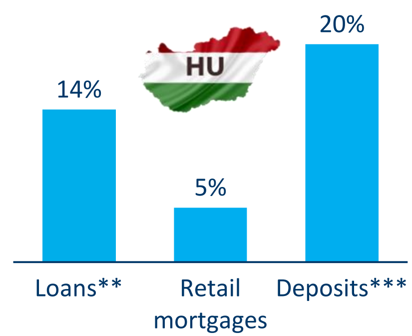
Loans and deposits continue to grow in all countries

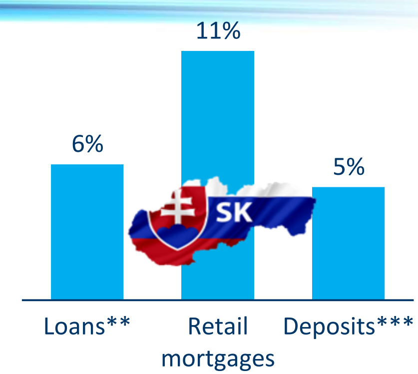
Y-O-Y ORGANIC* VOLUME GROWTH

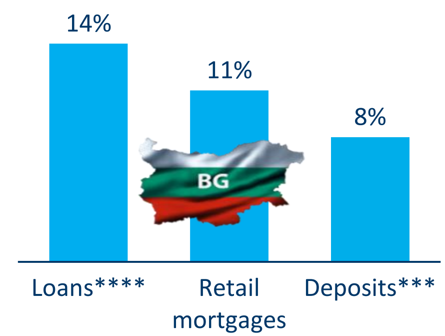


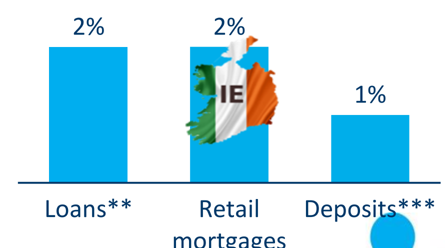










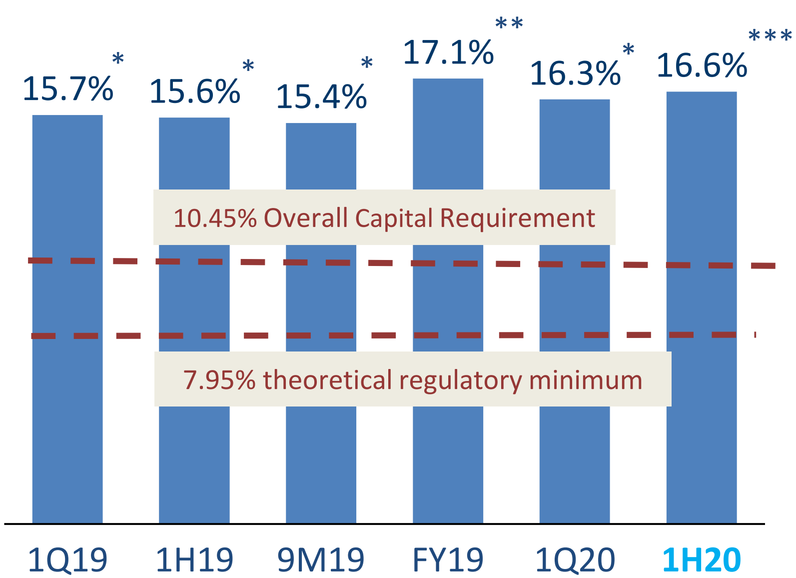


* Volume growth excluding FX effects, divestments/acquisitions and collective covid-19 ECL
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos
**** Total customer loans in Bulgaria: new bank portfolio +15% y-o-y, while legacy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

Common equity ratio

Strong capital position

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



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

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

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

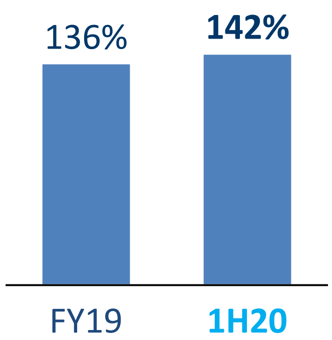
- **The fully loaded common equity ratio amounted to 16.6%** at the end of 1H20 and represents a solid capital buffer:
  - **8.6% capital buffer compared with the current theoretical minimum capital requirement of 7.95%** (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - **6.1% capital buffer compared with the Overall Capital Requirement (OCR) of 10.45%** (which still includes the 2.50% capital conservation buffer on top of the 7.95%)
- The q-o-q increase of the CET1 ratio was mainly the result of an **RWA decrease**. The RWA decrease of 2.1bn EUR was due mainly to the positive impact of the implementation of the extended SME supporting factor

Liquidity ratios

Liquidity continues to be very solid

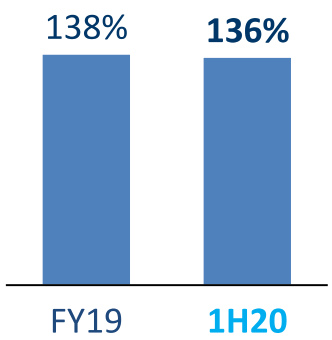
KBC Group's liquidity ratios

*NSFR**



Regulatory Requirement ≥ 100%

*LCR***



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

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

KBC Group
2Q and 1H 2020

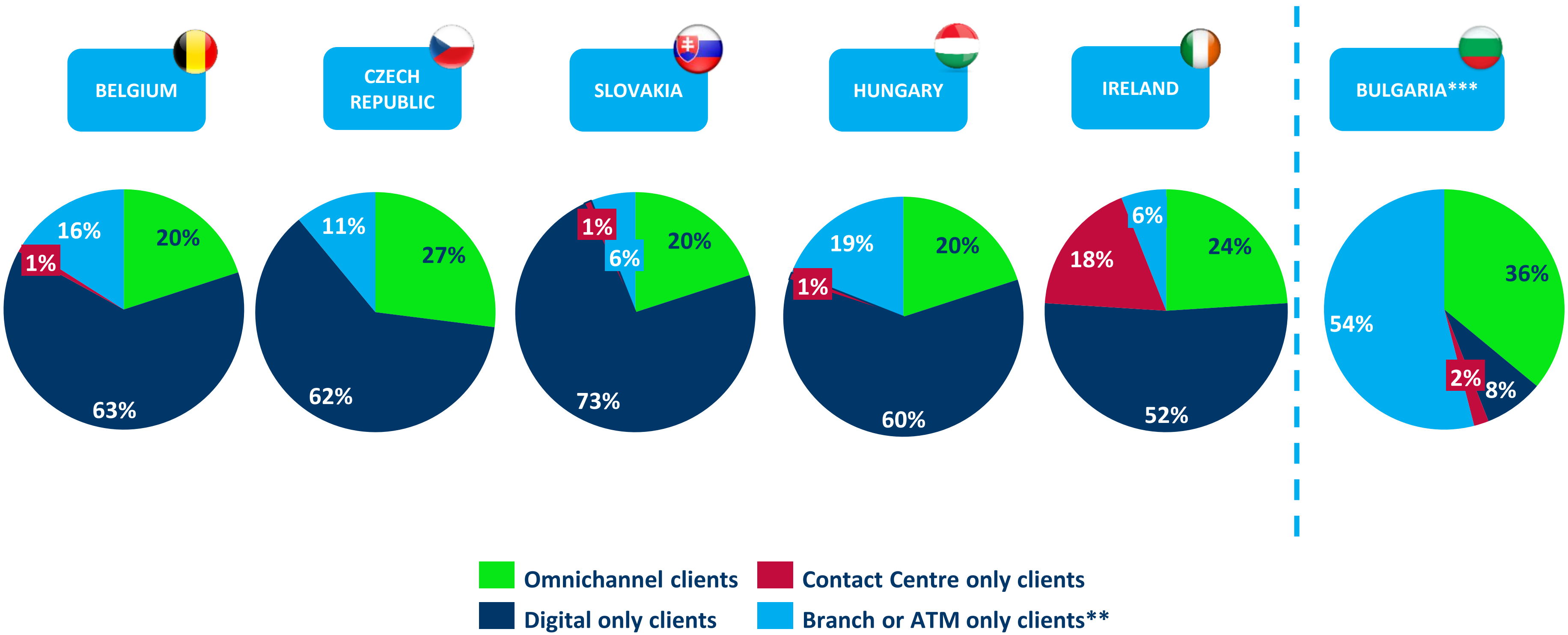
Company profile

Inbound contacts via omni-channel and digital channel* at KBC Group** amounted to 85% in 2Q20… already above the Investor Visit target (≥ 80% by 2020)

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

** Bulgaria & PSB out of scope for Group target

Realisation of omnichannel strategy* – client mix in 2Q20



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

** Might be slightly underestimated

*** Bulgaria out of scope for Group target

Our sustainability strategy

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

Limiting our adverse impact

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

Increasing our positive impact

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

Responsible behaviour

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

Our sustainability strategy

Sustainability governance

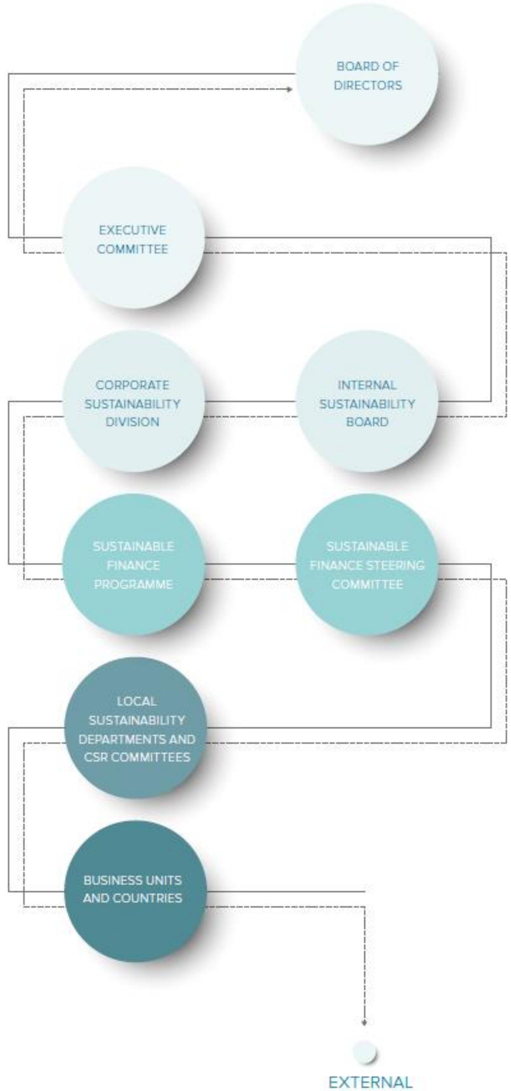
The EXECUTIVE COMMITTEE is the highest level with direct responsibility for sustainability, including policy on climate change.

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

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

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

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



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

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

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

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

Our sustainability strategy

Our non-financial targets

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

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

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

Our sustainability strategy

2019 achievements

2019 achievements:

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

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

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

KBC Group
2Q and 1H 2020

Looking forward

Looking forward

Economic outlook

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

Group guidance

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

KBC

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

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

Johan Thijs, KBC Group CEO