KBC Group

Press presentation

3Q 2021 and 9M 2021 results

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Key takeaways for KBC Group

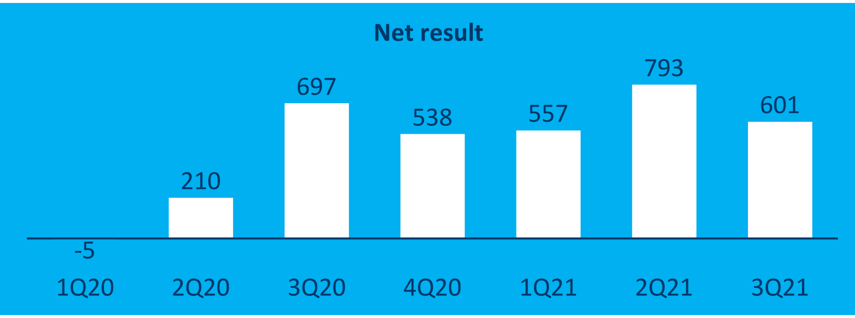
3Q 2021 financial performance

- **Commercial bank-insurance franchises** in core markets performed extremely well
- **Customer loans** and **customer deposits** increased y-o-y in most of our core countries
- KBC recently decided to **no longer provide direct credit, advice or insurance to new oil and gas fields**
- Higher **net interest income** and net interest margin
- Higher **net fee and commission income**
- Stable **net gains from financial instruments at fair value** and higher **net other income**
- Excellent sales of **non-life** insurance y-o-y and lower sales of **life** insurance q-o-q. Severe flood impact in Belgium
- Good **cost** management, distorted by some one-offs
- Net **impairment releases,** despite the impact of the pending sales transactions in Ireland
- Solid **solvency** and **liquidity**
- A **dividend of 2 EUR per share** over the accounting year 2020 and an **interim dividend of 1 EUR per share** (as advance payment on the total 2021 dividend) will be paid on 17 November 2021

Excellent net result of 601m EUR in 3Q21

9M21

- **ROE 16%***
- **Cost-income ratio excluding bank taxes 50%**
- **Combined ratio 87%**
- **Credit cost ratio -0.20% (-0.02% without collective Covid-19 impairments** and one-off impact of pending sales in Ireland)**
- **Common equity ratio 16.4%** (B3, DC, fully loaded)
- **Leverage ratio 5.4%** (fully loaded)
- **NSFR 153% & LCR 167%**



* when evenly spreading the bank tax throughout the year and excluding the one-off items due to the pending sales transactions in Ireland

** Collective Covid-19 impairments lowered from 783m EUR at end 2020 to 368m EUR at end 9M21 (see slide 19)

Comparisons against the previous quarter unless otherwise stated

KBC: the reference

What?	Current relative ranking	Position versus industry average
Profitability (9M21 ROE*)	KBC 16%	KBC amongst most profitable banks
Solvency (9M21 CET1 ratio)	KBC 16.4%	KBC amongst best capitalised banks
ESG / Sustainability** SUSTAINALYTICS	KBC	KBC 4th of 396 diversified banks
Digitalisation SIAPARTNERS	Conclusion of Sia Partners (independent research agency) is clear: 'KBC Mobile is a perfect and efficient banking app for everyday needs and one of the most innovative with some interesting extras. The app surprises customers with the wide range of functionalities and the virtual assistance by Kate.' KBC	KBC Mobile N°1 by Sia Partners

* when evenly spreading the bank tax throughout the year and excluding the one-off items due to the pending sales transactions in Ireland
** relative scoring versus banking sector

Differently: THE NEXT level

Belgium: digital conversion at full speed

Digital channels

- 1.7 million users (KBC Mobile and/or KBC Touch)
- Significant digital sales (ranging from 25% to 85%)
- Administrative processes almost fully digital (+85%)
- 46 000 platform customers[1] (9M2021 = FY 2020)

3rd party services

- 661 000 users
- +3 m transactions (> FY 2020: 2,7m)
- 316 000 cashback users
  - 722 000 activated deals
  - 756 000 euro saved by customers

Kate

- 651 000 'advanced Kate' users
- 4.6 million conversations
- 491 000 push messages
- 71 active cases

Bolero

- new customers +21% YTD
- Transactions +8.5% YTD (compared to exceptional 9M 2020)

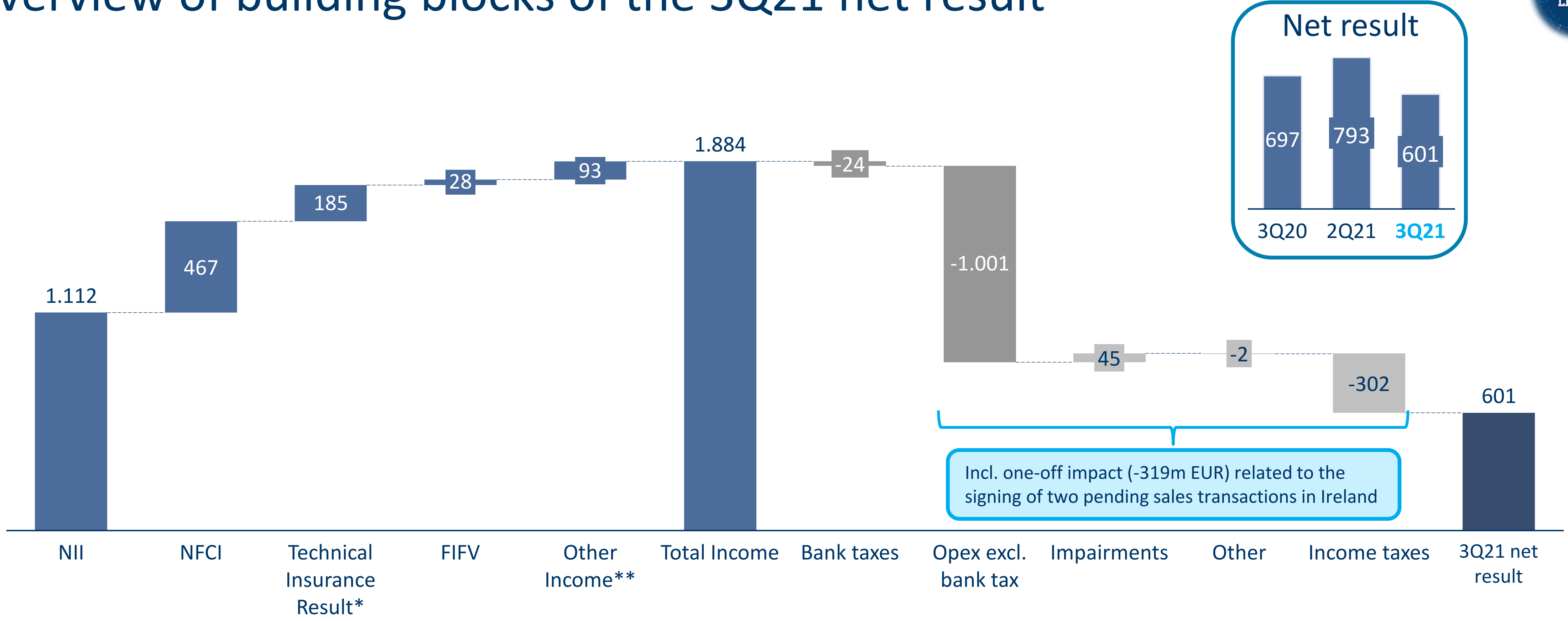
Matti

- new customers +41% YTD
- AUM +85% YTD

[1] i.e. users of KBC Mobile who don't have a KBC banking or insurance product

3Q and 9M 2021 performance of KBC Group

Overview of building blocks of the 3Q21 net result



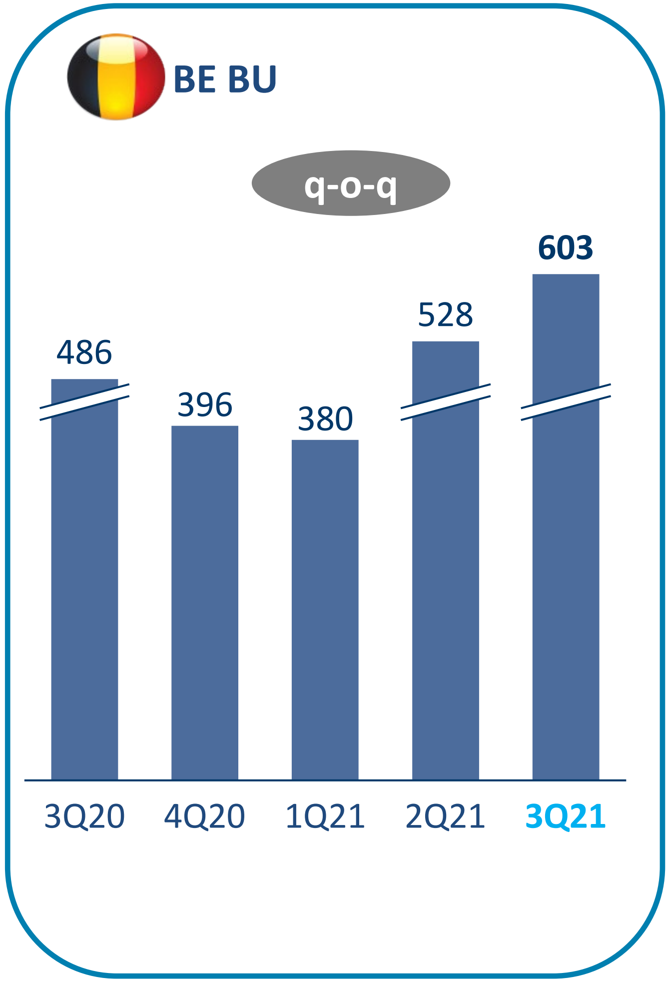
	NII	NFCI	Technical Insurance Result*	FIFV	Other Income**	Total Income	Bank taxes	Opex excl. bank tax	Impairments	Other	Income taxes	3Q21 net result
Q-o-Q	+2%	+4%	-18%	-4%		+2%		+6%				-24%
Y-o-Y	-1%	+20%	-18%	-67%		+1%		+11%				-14%

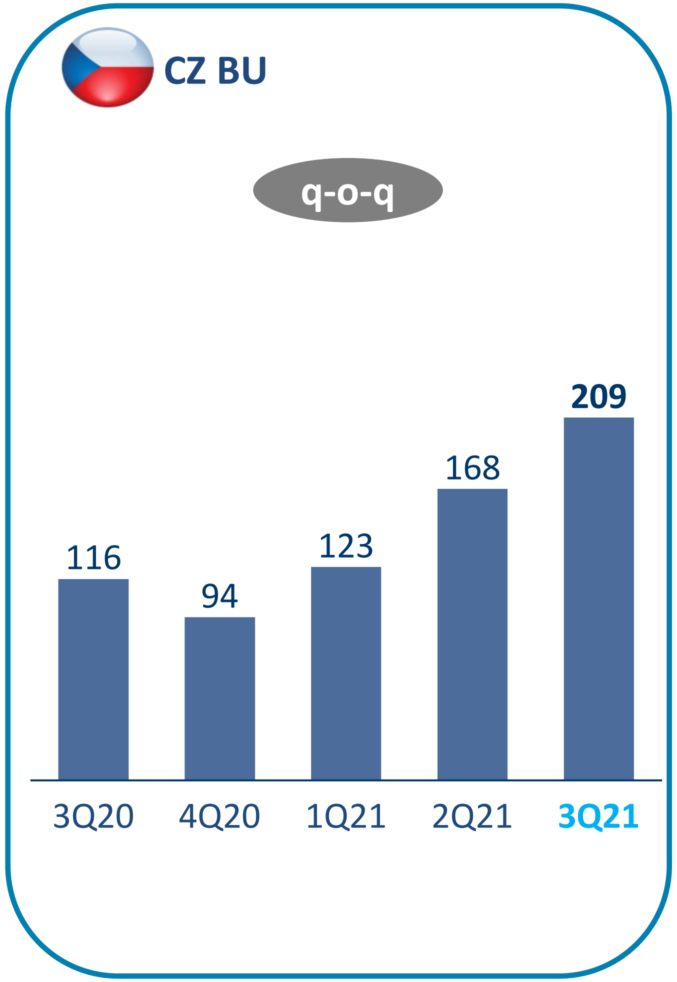
* Earned premiums – technical charges + ceded reinsurance
** Dividend income + net realised result from debt instruments FV through OCI + net other income

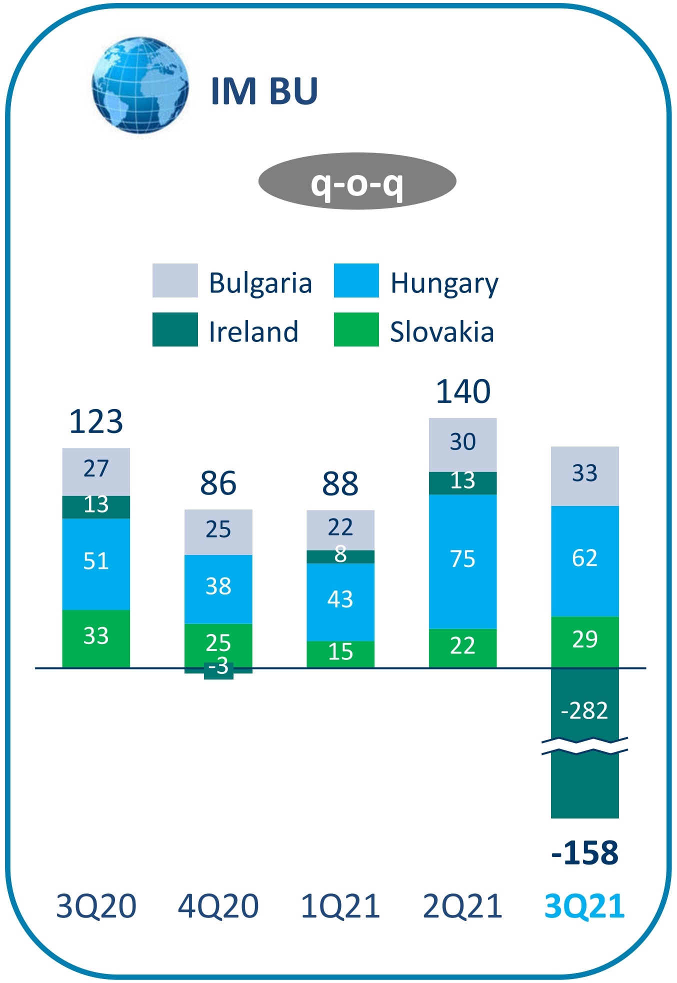
Amounts in millions of EUR

Net result per business unit

Excellent contribution from all countries, except for Ireland due to a one-off impact (-319m EUR) related to the signing of two pending sales transactions





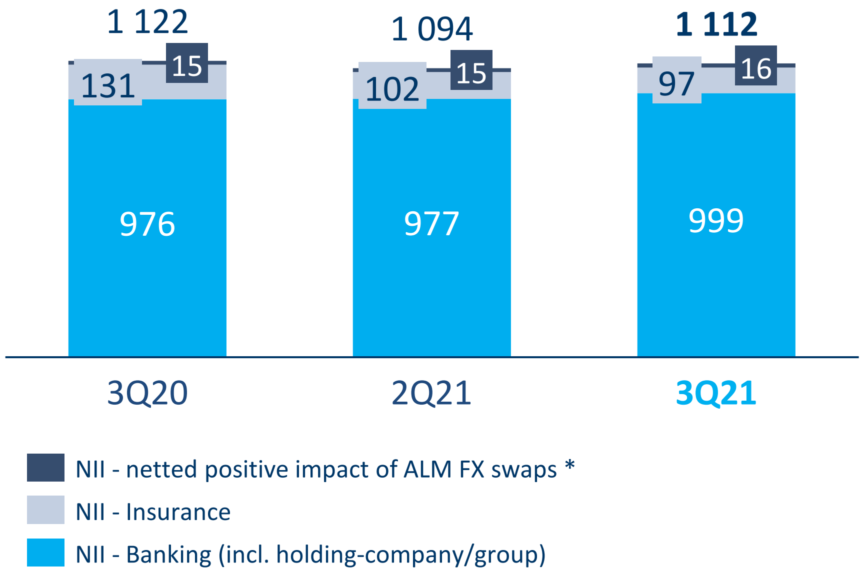


Amounts in millions of EUR

Net interest income

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

Net Interest Income



Net interest margin**

Quarter	3Q20	2Q21	**3Q21**
NIM	1.81%	1.79%	**1.80%**

NII increased by 2% q-o-q, driven primarily by:
(+) organic loan volume growth, a positive impact of the CNB rate hikes, intensified charging of negative interest rates on certain current accounts to corporates and SMEs, lower funding costs, higher number of days (+7m EUR q-o-q), appreciation of the CZK versus the EUR (+2m EUR q-o-q) and slightly higher netted positive impact of ALM FX swaps
partly offset by:
(-) lower reinvestment yields in euro-denominated countries, margin pressure on the outstanding mortgage portfolio, particularly in the Czech Republic, Hungary & Bulgaria and lower NII on insurance bond portfolio (inflation-linked bonds)

The 1% y-o-y NII decrease was mainly the result of lower reinvestment yields (impacting both banking and insurance), margin pressure on the outstanding mortgage portfolio in CEE and the 26m EUR positive one-off (in NII insurance) in 3Q20, partly offset by higher NII lending, a positive impact of the CNB rate hikes, lower funding costs, intensified charging of negative interest rates on certain current accounts to corporates and SMEs, the consolidation of OTP SK and a positive FX effect

NIM 1.80%
Increased by 1 bp q-o-q and decreased by 1 bp y-o-y for the reasons mentioned above and an increase of the interest-bearing assets (denominator)

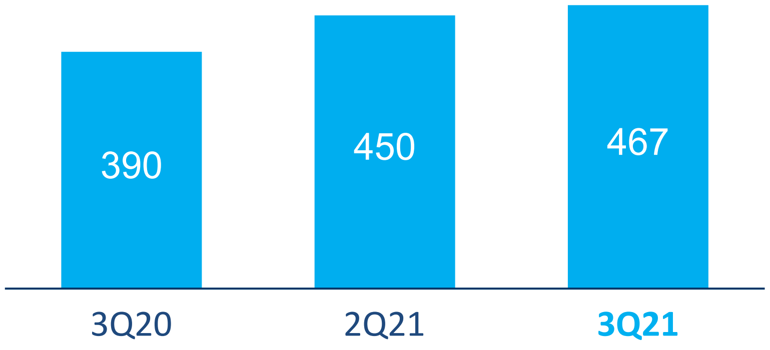
* *From all ALM FX swap desks*
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

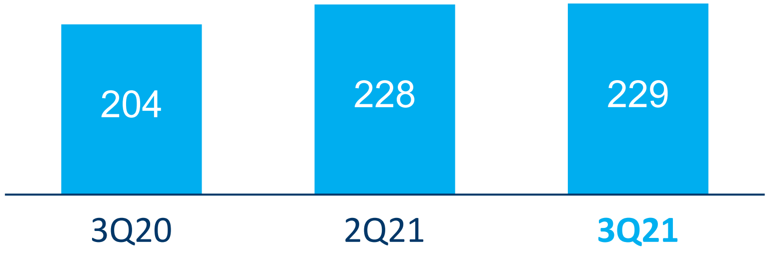
Higher net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income (467m EUR)

Up by 4% q-o-q and by 20% y-o-y

Q-o-q increase was the result of the following:

- **Net F&C income from Asset Management Services** increased by 6% q-o-q as a result of higher management fees, partly offset by deliberately reduced entry fees from mutual funds and unit-linked life insurance products as part of successful commercial campaigns
- **Net F&C income from banking services** rose by roughly 2% q-o-q (+1% q-o-q excluding FX effect) as higher fees from payment services, higher network income and slightly higher securities-related fees were partly offset by lower fees from credit files & bank guarantees
- **Distribution costs** rose by 6% q-o-q due chiefly to higher commissions paid linked to increased insurance sales

Assets under management (229bn EUR)

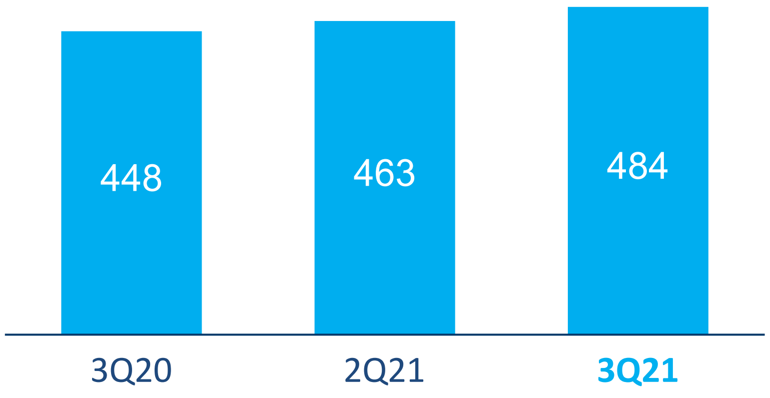
- Increased by 1% q-o-q due mainly to a positive price effect, in addition to net inflows (and important shift from low-margin institutional & advisory mandates towards retail funds)
- Increased by 12% y-o-y due to net inflows (+1%) and a positive price effect (+11%)

Non-life insurance

Non-life premium income up and excellent combined ratio

Non-Life
(Gross earned premiums 3Q)

Y-o-y increase of gross earned premium Non-Life by +8% in 3Q21

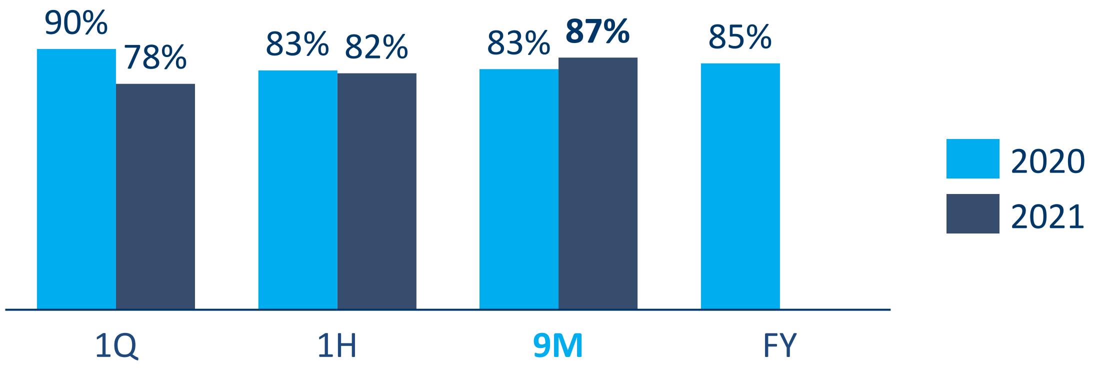


Amounts in millions of EUR

Combined ratio non-life (9M)

The non-life **combined ratio** for 9M21 amounted to an excellent **87%** (83% in 9M20). This is the result of:

- 5% y-o-y earned premium growth in 9M21
- 22% y-o-y higher technical charges in 9M21 due mainly to:
    - the severe flood impact in Belgium during summer (100m EUR gross impact and 79m EUR net impact after reinsurance, of which 38m EUR above the legal limit*)
    - higher normal claims (mainly in ‘Motor’, ‘Workmen’s compensation’ and ‘General third-party liability’, primarily due to the re-opening of the economy)
    - partly offset by lower impact of parameter updates
- ceded reinsurance result, which amounted to +12m EUR in 9M21 (versus -28m EUR in 9M20) due to higher recuperations for floods, storms and major claims



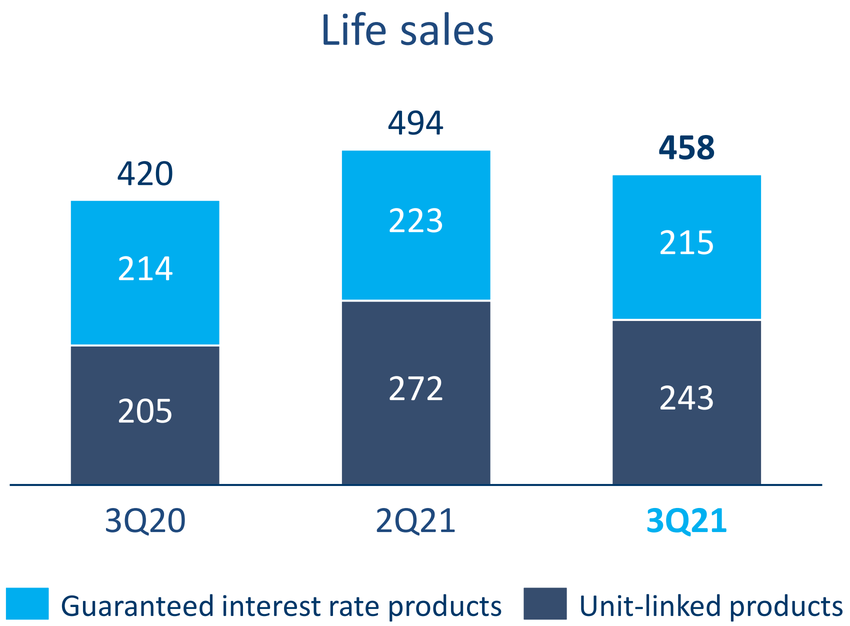
* i.e. the ceiling introduced in Belgian law on the intervention of insurers in the event of very large floods

Life insurance

Life sales down q-o-q and up y-o-y

Sales of life insurance products decreased by 7% q-o-q and increased by 9% y-o-y

- The **q-o-q decrease** was driven mainly by lower unit-linked products in Belgium and the Czech Republic and lower sales of guaranteed interest products in Belgium
- The **y-o-y increase** was driven almost entirely by higher sales of unit-linked products in Belgium and Bulgaria (partly due to the consolidation of the NN's life insurance activities)
- Sales of unit-linked products accounted for 53% of total life insurance sales in 3Q21



Amounts in millions of EUR

Net result from financial instruments at fair value

Stable fair value result

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

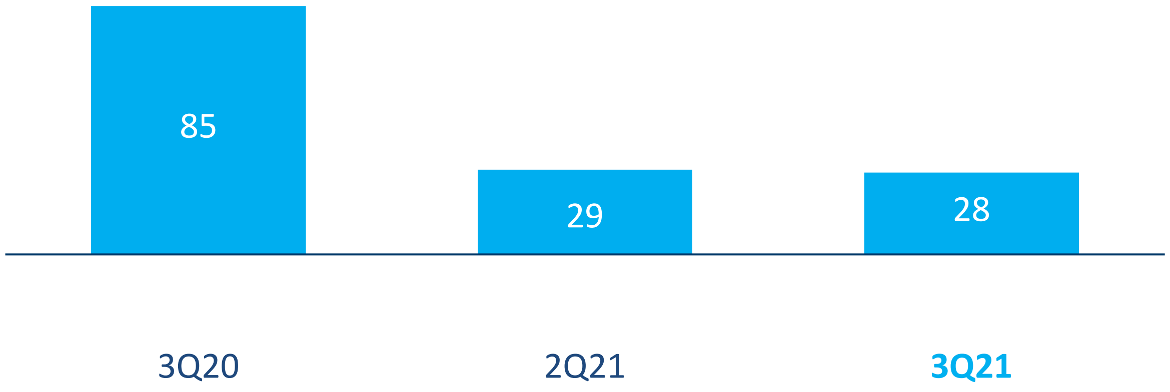
- a positive change in ALM derivatives

partly offset by:

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

- Note that credit, funding and market value adjustments roughly stabilized q-o-q

Fair value result

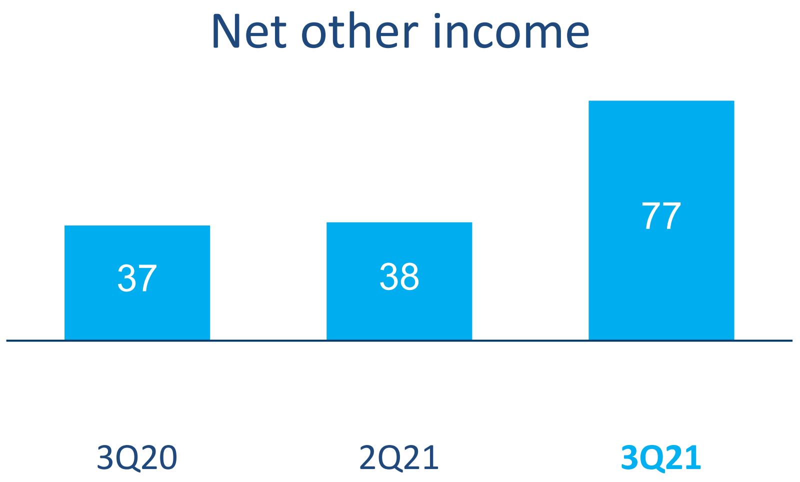


Amounts in millions of EUR

Net other income

Higher net other income

Net other income amounted to 77m EUR, higher than the normal run rate of around 50m EUR per quarter due to realised gains on the sale of bonds. Also note that net other income was impacted by two offsetting one-offs (+13m EUR gain on the sale of the Antwerp tower and -13m EUR additional impact for the tracker mortgage review in Ireland)

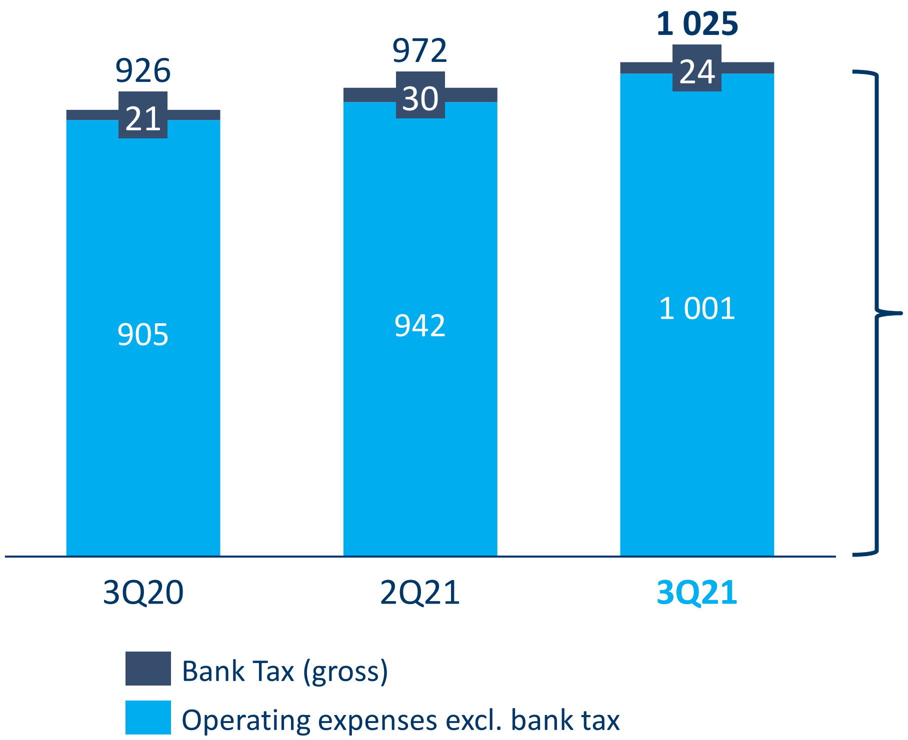


Amounts in millions of EUR

Operating expenses

Continued good cost management

Operating expenses



	FY20	**9M21**
Cost/Income ratio (group)*	57%	**54%**

- **Operating expenses in 9M21 excluding FX, bank taxes, changes in the consolidation scope and one-offs stabilised y-o-y. The C/I ratio excluding bank taxes amounted to 50% in 9M21.**
- **Note that both 2Q21 and 3Q21 were impacted by one-offs:**
  - -81m EUR one-off staff-related costs in 3Q21 as a result of the signing of the two pending sales transactions in Ireland
  - +9m EUR release of cost provision due to the sale of the Antwerp tower in 3Q21
  - -18m EUR Covid-related staff bonus in 2Q21
- **Operating expenses excluding FX, bank taxes, changes in the consolidation scope and one-offs roughly stabilised q-o-q as::**
  - lower staff expenses
  - seasonally lower professional fees and marketing costs

  were offset by
  - higher ICT costs

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

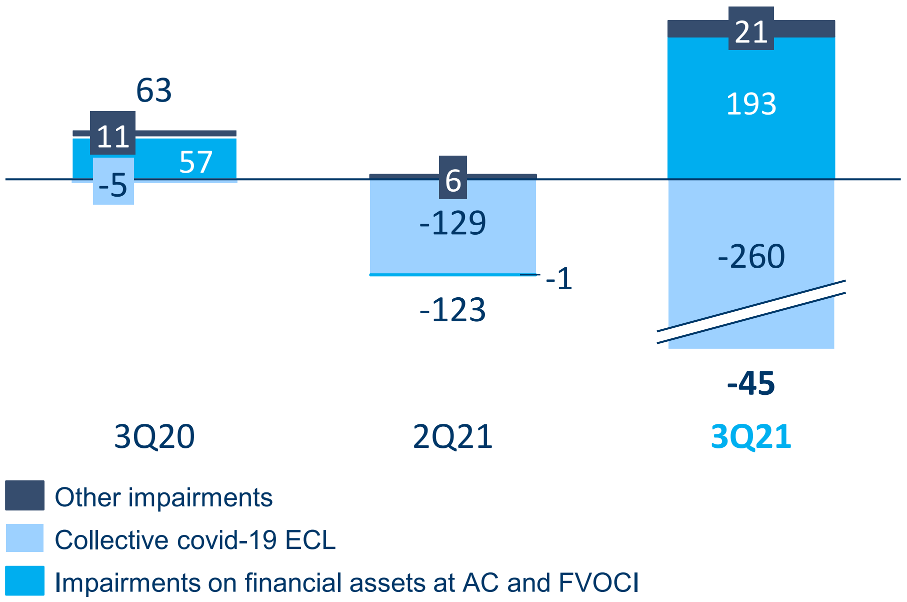
Amounts in millions of EUR

Asset impairments

Lower net impairment releases and excellent credit cost ratio

Asset impairment

(negative sign is write-back)



Credit cost ratio	FY20	9M21
With collective Covid-19 ECL	0.60%	-0.20%
Without collective Covid-19 ECL	0.16%	0.10%

Net impairment releases:

- Loan loss impairment releases of 66m EUR in 3Q21 (compared with 130m EUR in 2Q21) due mainly to:
  - a 260m EUR reversal of collective Covid-19 ECL (lowering the total collective Covid-19 impairments from 628m EUR in 2Q21 to 368m EUR in 3Q21)

  partly offset by
  - one-off loan loss impairments of 170m EUR as a result of the signing of the two pending sales transactions in Ireland
  - 23m EUR loan loss impairments mainly for a few individual corporate files

- 21m EUR impairment on 'other', of which:
  - a 15m EUR one-off as a result of the signing of the two pending sales transactions in Ireland, among other things due to fixed asset impairment on (in)tangibles
  - a 5m EUR one-off in Hungary due to modification losses on payment moratorium extension and interest cap on credit cards/overdrafts in moratorium till mid-2022

The credit cost ratio in 9M21 amounted to 10bps without collective Covid-19 ECL and -20bps with collective Covid-19 ECL

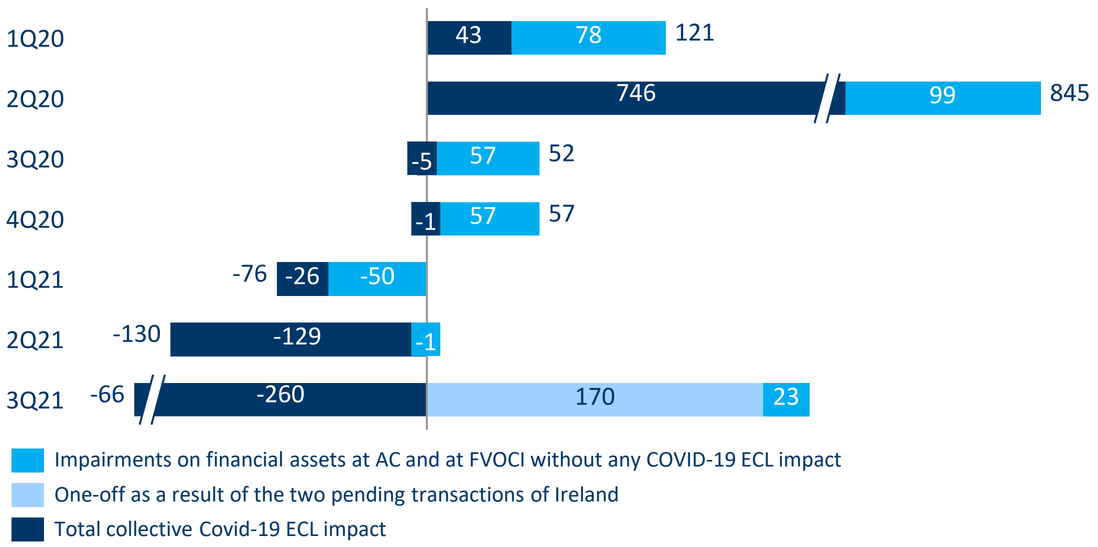
Amounts in millions of EUR

Covid-19

Covid-19 Expected credit loss (ECL)

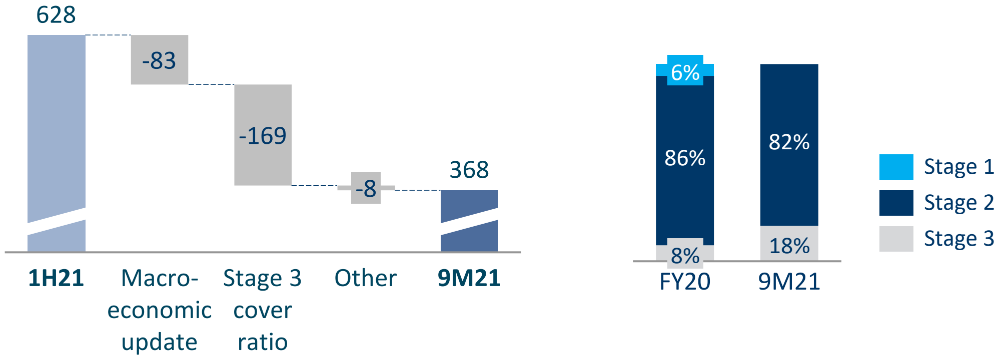
q-o-q reversal of 260m EUR

Impairment on financial assets at AC and at FVOCI



- At year-end 2020, the collective Covid-19 ECL on the performing and non-performing portfolio amounted to 783m EUR driven by an expert-based calculation at portfolio level
- In the first half of 2021, an updated Covid-19 impact assessment resulted in a reversal of 155m EUR (26m EUR in 1Q21 and 129m EUR in 2Q21), which was driven primarily by an update of the probabilities of the macroeconomic scenarios and a change in sector stress applied to less vulnerable sectors
- In the third quarter of 2021, an improvement in the macroeconomic assumptions and lower stage 3 cover ratio applied, **resulted in a total collective Covid-19 ECL of 368m EUR (q-o-q reversal of 260m EUR)**

Total collective Covid-19 ECL (incl. management overlay)



Amounts in m EUR

- **The total collective Covid-19 ECL of 368m EUR consists of 82% Stage 2 and 18% Stage 3 impairments.** The higher relative share of Stage 3 impairments was driven by the reversal of collective Covid-19 ECL mainly in Stage 1 and Stage 2

Covid-19 ECL

by country

Collective Covid-19 ECL by country:

EUR m	9M21	Quarter 3Q21	2Q21	1Q21	FY20	Quarter 4Q20	3Q20	2Q20	1Q20
KBC Group	**368**	**-260**	**-129**	**-26**	**783**	**-1**	**-5**	**746**	**43**
By country:									
Belgium	158	-169	-66	-20	413	3	-3	378	35
Czech Republic	78	-56	-30	2	162	-5	9	152	6
Slovakia	20	-10	-6	-1	37	0	-3	39	1
Hungary	41	-3	-9	-3	56	2	-1	54	1
Bulgaria	16	-4	-4	0	24	1	-5	28	n/a
Ireland	55	-18	-14	-4	91	-2	-2	95	n/a

Covid-19

IFRS 9 macroeconomic scenarios

Macroeconomic scenarios

September 2021

Real GDP growth	2021			2022		
Annual average growth (in %)	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Euro area	5.2%	4.2%	2.1%	5.6%	4.5%	2.2%
Belgium	5.8%	5.3%	3.3%	5.1%	3.6%	2.1%
Czech Republic	3.8%	3.5%	1.8%	5.8%	4.5%	1.8%
Hungary	7.5%	6.7%	4.3%	5.7%	5.1%	2.2%
Slovakia	4.6%	4.2%	2.8%	5.0%	4.6%	3.0%
Bulgaria	6.0%	4.6%	3.0%	4.0%	4.0%	3.0%
Ireland	13.0%	10.0%	6.0%	8.0%	5.0%	2.0%

Unemployment rate*	2021			2022		
End-of-year (in %)	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Belgium	6.1%	6.5%	7.0%	5.5%	6.0%	6.5%
Czech Republic	2.7%	3.0%	4.2%	2.3%	2.6%	4.0%
Hungary	3.6%	3.8%	4.5%	3.3%	3.5%	4.2%
Slovakia	7.5%	8.0%	9.0%	7.2%	7.5%	8.5%
Bulgaria	4.5%	5.0%	7.0%	4.3%	4.8%	6.0%
Ireland	7.5%	10.0%	16.0%	4.0%	6.0%	10.0%

House-price index	2021			2022		
Annual average growth (in %)	**Optimistic**	**Base**	**Pessimistic**	**Optimistic**	**Base**	**Pessimistic**
Belgium	6.0%	4.0%	2.0%	3.5%	2.5%	-2.0%
Czech Republic	10.3%	9.8%	8.0%	5.0%	3.7%	-0.6%
Hungary	6.5%	4.5%	0.0%	6.0%	3.5%	-1.0%
Slovakia	8.0%	6.0%	2.0%	5.0%	3.0%	-2.0%
Bulgaria	5.5%	5.0%	3.8%	5.8%	4.8%	3.5%
Ireland	7.0%	4.5%	2.0%	5.0%	3.0%	0.0%

(*) Note: Eurostat definition, except for Ireland (national Covid-19 adjusted unemployment rate)

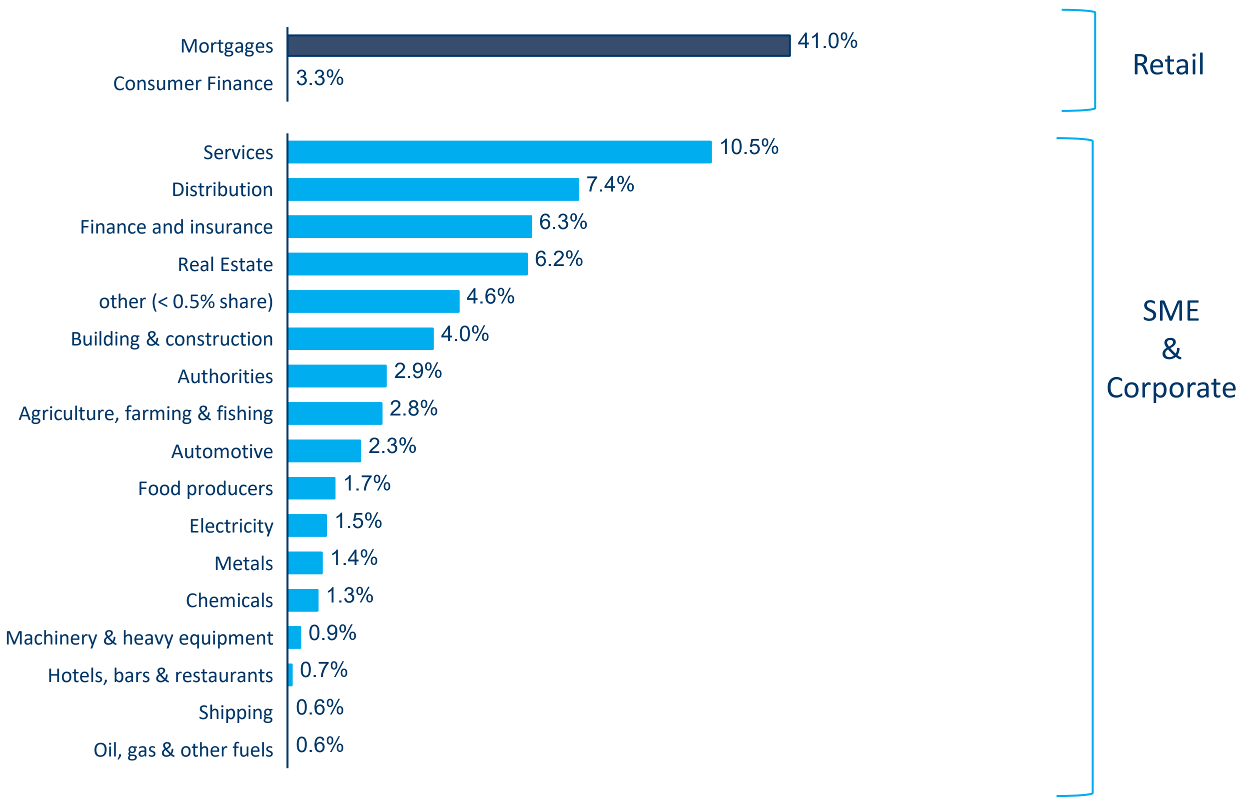
- The economic outlook is again more optimistic compared to previous quarter and, looking forward, we expect the pace of the recovery to remain strong. Overall, we maintain a positive economic outlook, despite new uncertainties surrounding the path back to normality, created by such factors as the spread of the Delta variant and current supply chain disruptions
- 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 pandemic evolution and related economic developments, with the following probabilities: **80% for the base-case, 10% for the pessimistic and 10% for the optimistic scenario** (in line with 2Q21)
- The economic outlook for the home markets remains aligned to that of the euro area and confirms the better-than-expected level of resilience

Covid-19

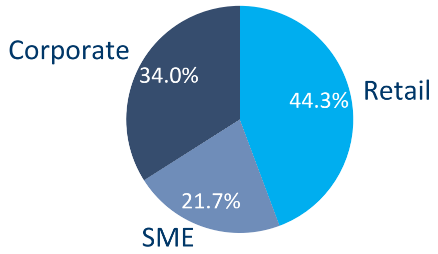
Diversified loan portfolio

Total loan portfolio outstanding by sector
as a % of total Group portfolio outstanding(1)

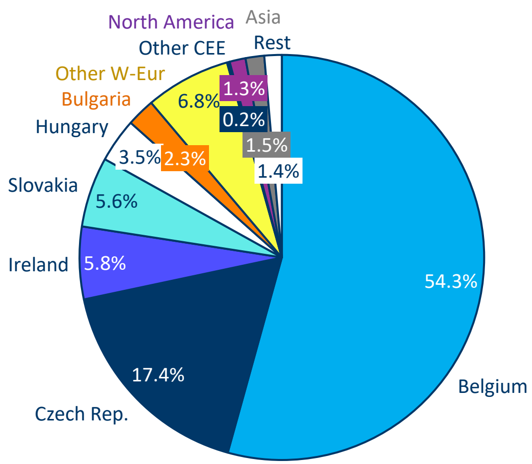
185bn EUR(2)



Total loan portfolio outstanding by segment(1)



Total loan portfolio outstanding by geographical breakdown(1)

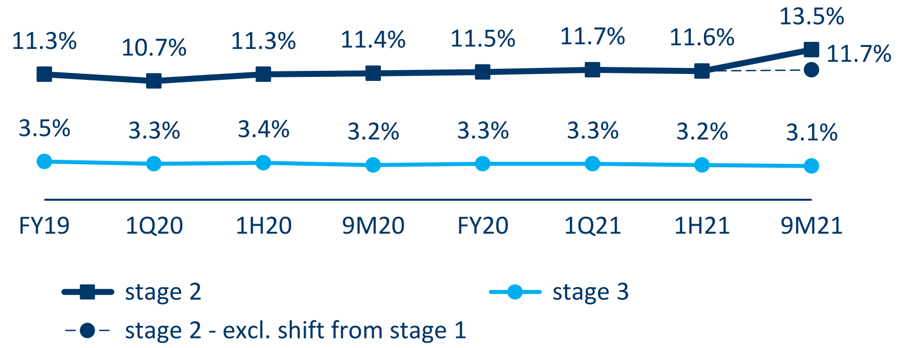


(1) Aligned with the credit risk view of our loan portfolio as reported in the quarterly financial statements
(2) Including loan portfolio of KBC Bank Ireland, the pro-forma total loan portfolio outstanding without KBC Bank Ireland amounts to 175bn EUR

Covid-19

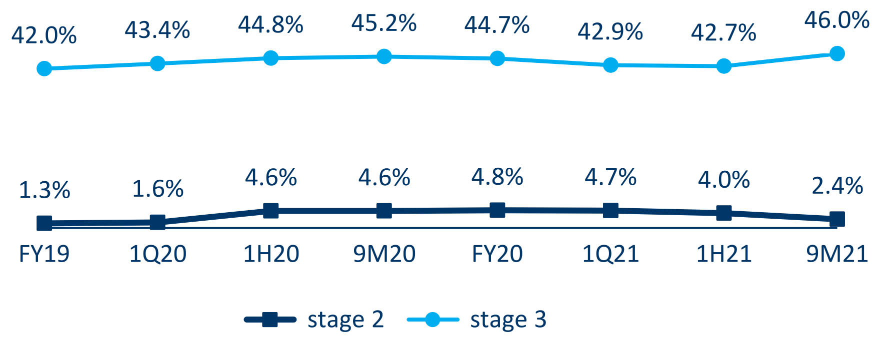
Continue improvement of stage 3

Total loan portfolio outstanding by IFRS 9 ECL stage*



- As of 3Q21, given the aim of returning fully to the regular impairment process, KBC has decided to capture part of the Covid-19 ECL by means of a collective transfer to Stage 2 of two Stage 1 portfolios for which the repayment is still uncertain. More specifically, they concern SME & Corporate clients active in a highly vulnerable sectors (see details on next slide) and the payment holidays (Retail & Non-Retail) that are still ongoing or ended up to 6 months ago. The related files will revert to Stage 1 after a probation period of 6 months if no other signs of an increase in credit risk are detected
- Excluding this collective transfer, only minor PD shifts have been observed in our portfolio
- Excluding KBC Bank Ireland, the pro-forma stage 3 ratio is 2.5%

Coverage ratio*



- The q-o-q increase of the Stage 3 coverage ratio is mainly driven by additional impairments from the sale of the non-performing portfolio in Ireland
- Excluding KBC Bank Ireland, the pro-forma Stage 3 coverage ratio is 47.2% (versus 47.0% in 2Q21)
- From 1Q21, the decline of the Stage 2 coverage ratio resulted mainly from the release of the collective Covid-19 ECL over previous quarters in combination with the collective shift to Stage 2 in 3Q21

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

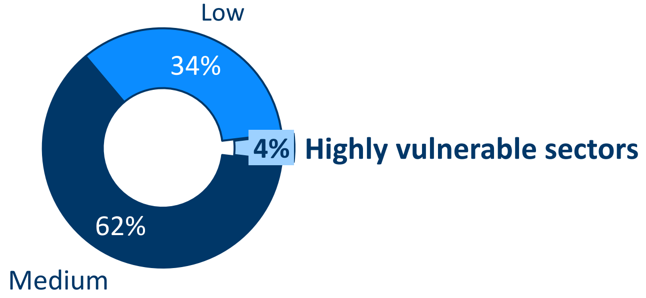
Covid-19

SME & Corporate loan portfolio broken down by sector sensitivity to Covid-19*

No changes made compared to the previous quarter in the applied concept of sector sensitivity:

- From mid-2020, a sectoral risk effect was incorporated into the calculation of the collective Covid-19 ECL impact. All exposures in the SME & Corporate portfolio were classified as high, medium or low risk based on the expected impact of the Covid-19 crisis on the sector affected
- As of 2Q21, we recategorised the high-risk sectors into two groups:
  - the more vulnerable part is still risk weighted at 150% (in line with the originally defined high risk sectors)
  - the less vulnerable part is risk weighted at 100% (in line with the originally defined medium risk sectors)
- Furthermore, we continue to apply a Covid-19 sector risk weight of 50% to the low-risk sectors

4% of the total SME & Corporate loan portfolio is categorised as highly vulnerable (or 2% of the total loan portfolio)



HIGHLY VULNERABLE RISK SECTORS:	
Hotels, bars & restaurants	Fully allocated
Services	A minor share of activities related to entertainment & leisure services
Distribution	Only the activities linked to the wholesale distribution of apparel and retail fashion
Commercial real-estate	A minor share of activities linked to the development of office properties & shopping projects and all activities related to hotels & leisure
Shipping	Mainly the manufacturing activities assigned within the shipping sector
Aviation	Fully allocated

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

Covid-19

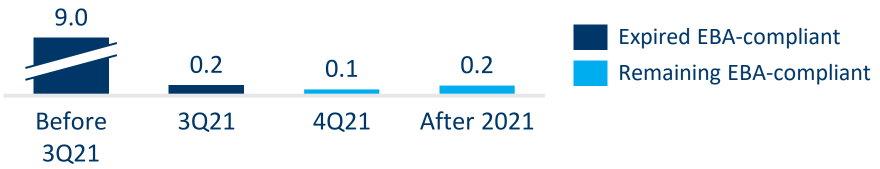
Overview of payment holidays and public Covid-19 guarantee schemes

Payment holidays – expiring volumes

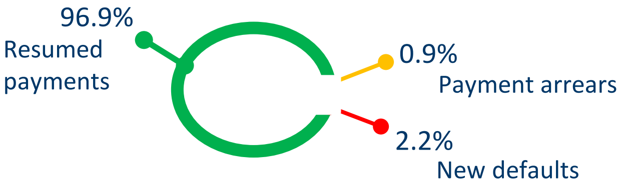
(in bn EUR)

By the end of September 2021:

- The volume of loans granted payment holidays, amounted to 10.9bn[(1)] EUR or 7% of the total loan book[(2)] (EBA-compliant + 1.4bn EUR opt-out of HU)



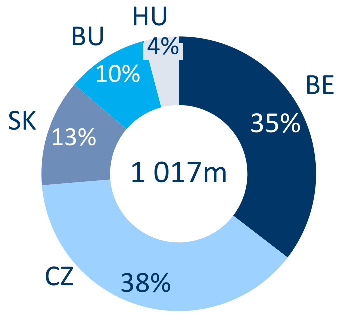
- By now, 9.2bn EUR EBA-compliant payment holidays expired and only 0.3bn EUR EBA-compliant payment holidays is still outstanding



- Non-EBA-compliant:
  - Hungary: additional extension of opt-out until end of October 2021 while a conditional/opt-in moratorium will be available until the end of June 2022. At the end of September 2021, total active payment holidays account for 1bn EUR or 18% of the total loan book. The latest extension resulted in a modification loss of 5m EUR
  - The remaining non-EBA-compliant portfolios are mainly in BE and CR, for a total amount of 0.3bn EUR[(3)]

Public Covid-19 guarantee schemes

(in m EUR)



By country:	Loans granted	Covered by government-guarantee
KBC Group	**1 017**	**79%**
BE BU [(4)]	360	78%
CZ BU	389	85%
Slovakia	128	64%
Bulgaria	98	83%
Hungary	42	60%
Ireland	-	-

By the end of September 2021:

- Government-guaranteed loans (under the Covid-19 scheme) amounted to 1 017m EUR for 15k obligors
- Belgium: As of 2Q21, extension of the revised state guarantee scheme (launched in 3Q20 of up to 10bn EUR) to cover losses on future SME loans granted before 31 Dec 2021 (instead of 30 JUN 2021). This government guarantee covers 80% of all losses, in total

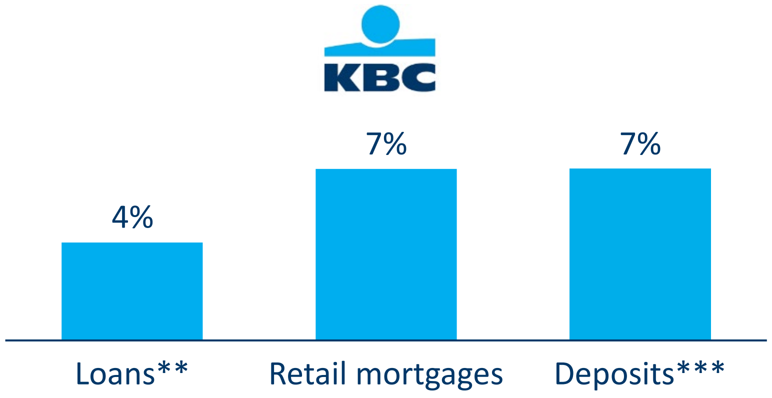
(1) In line with the external EBA templates. From 3Q21, the volume of payment holidays is excluding the granted moratoria of KBC Bank Ireland (1.2bn EUR), because no longer EBA compliant (defined as assets under IFRS 5)
(2) Loans to customers, excluding reverse repos (and bonds)
(3) Mainly Belgian retail loans and leases not fully in line with national moratoria legislation and early deferral requests in Czech Republic (before implementation of national moratoria legislation)
(4) In Belgium, the exposure of the first Covid guarantee scheme mainly expired given the 12 months maturity

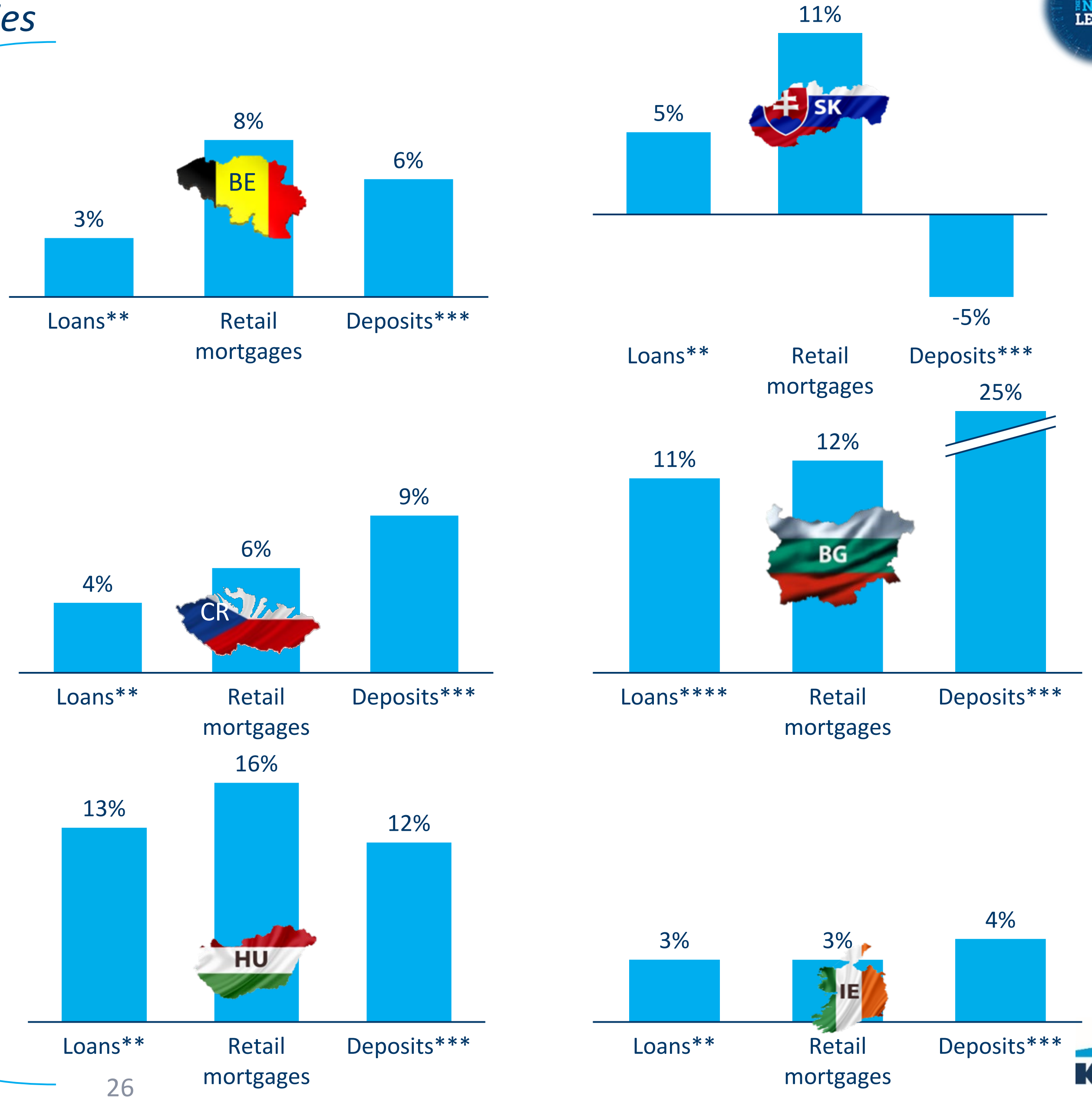
Strong solvency and solid liquidity

Balance sheet:

Loans and deposits continue to grow in most countries

Y-O-Y ORGANIC* VOLUME GROWTH



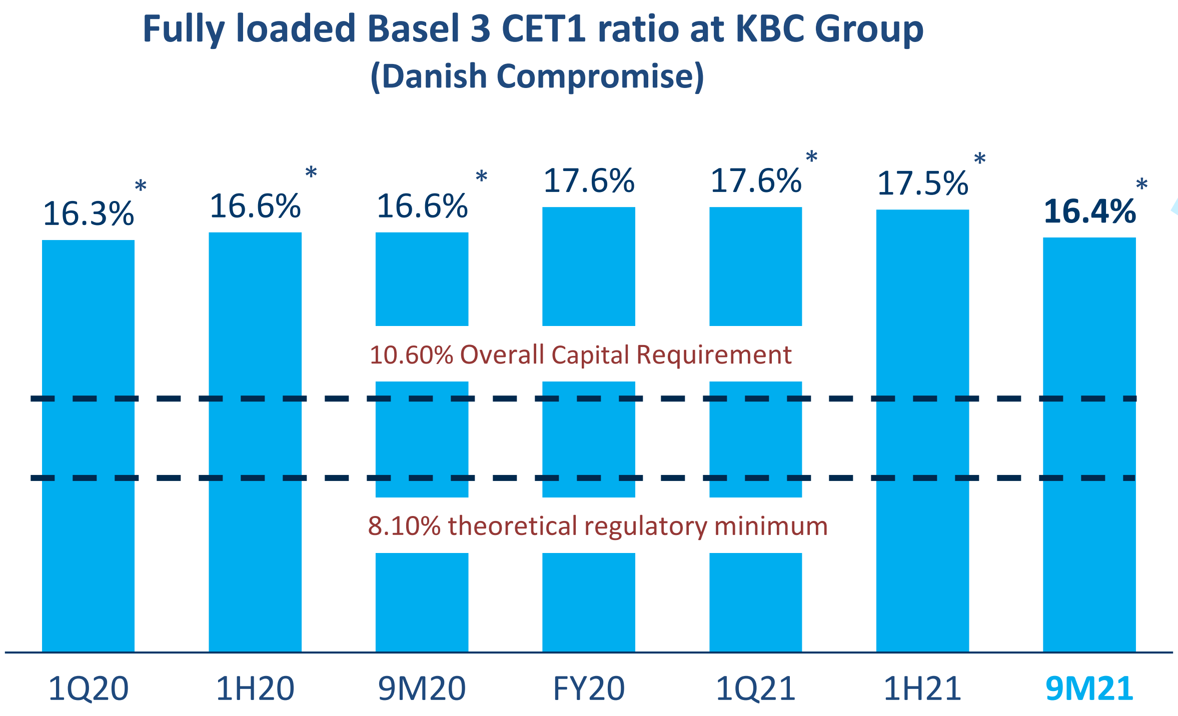


* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, excluding debt certificates and repos
**** Total customer loans in Bulgaria: new bank portfolio +12% y-o-y, while legacy -15% y-o-y

Differently THE NEXT LEVEL

Common equity ratio

Strong capital position



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

- **The fully loaded common equity ratio amounted to 16.4%** at the end of 9M21 based on the Danish Compromise. The q-o-q decrease is the result of the payout of the 3 EUR interim dividend per share (2 EUR over the accounting year 2020 and 1 EUR interim dividend as an advance payment of the total dividend for the accounting year 2021)

- KBC's CET1 ratio of 16.4% at the end of 9M21 represents a solid capital buffer:
  - **8.3% capital buffer compared with the current theoretical minimum capital requirement of 8.10%** (as a result of the announced ECB and National Bank measures which provided significant temporary relief on the minimum capital requirements)
  - **5.8% capital buffer compared with the Overall Capital Requirement (OCR) of 10.60%** (which still includes the 2.50% capital conservation buffer on top of the 8.10%)

- At the end of 9M21, the impact of the application of the transitional measures resulted in a positive impact on CET1 ratio of 50 bps compared to fully loaded (transitional CET1 ratio amounted to 16.9% at the end of 9M21)

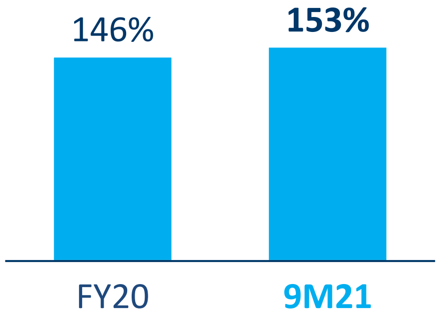
- Note that at the completion of the transaction with Bank of Ireland Group (expected in 2H22), KBC's strong CET1 ratio will further improve with a positive impact of +0.9%-points primarily by reducing risk-weighted assets

Liquidity ratios

Liquidity continues to be very solid

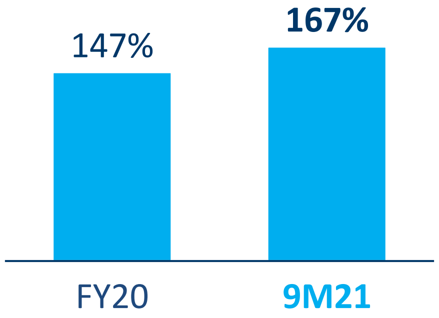
KBC Group's liquidity ratios

*NSFR**



Regulatory Requirement ≥ 100%

*LCR***



NSFR is at 153% and LCR is at 167% by the end of 9M21

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.*

Section 5

Looking forward

Looking forward

Economic outlook

- Quarterly growth in the US and the euro area was positive again in the third quarter, despite a growth deceleration in the US. European economic activity is likely to return to its pre-pandemic level by the end of 2021. Our growth outlook for KBC home markets is broadly aligned with our outlook for the euro area. We estimate that quarterly growth in the third quarter was positive again and above the long-term potential growth rate
- The main risks to our short-term growth outlook include longer-than-expected supply-side bottlenecks, more persistent high energy prices and a damaging cost-push spiral if rising inflation expectations get persistently embedded in the wage formation process

Group guidance for 2021

- We maintain our FY21 NII guidance of 4.4bn EUR ballpark figure
- Our FY21 guidance for opex excluding bank taxes is adjusted to slightly below the +2% y-o-y like-for-like. Note however that, next to the impact of the OTP SK acquisition as of 2021, the one-off -18m EUR Covid-related bonus in 2Q21 and the one-offs in 3Q21 (mainly Ireland) come on top
- The Credit Cost Ratio (CCR) for FY21 is adjusted from 0bps to around -10bps (excluding potential further Covid-19 ECL reversals in 4Q21)

Basel 4 guidance

- Assuming a static balance sheet (end 9M21), we reconfirm the B4 impact for KBC Group at roughly 8bn EUR higher RWA on a fully loaded basis (impact between 2025 and 2033), corresponding with 7% RWA inflation and -1.1% points impact on CET1 ratio at the end of 9M21. Note that the B4 impact on RWA will be phased-in, and therefore the first-time application RWA impact in 2025 will only be approximately 2bn EUR

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

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

Johan Thijs, KBC Group CEO

Annex: KBC Group – Differently: the next level

Differently: the next level
Long-term financial guidance

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

* Fully loaded, Danish Compromise

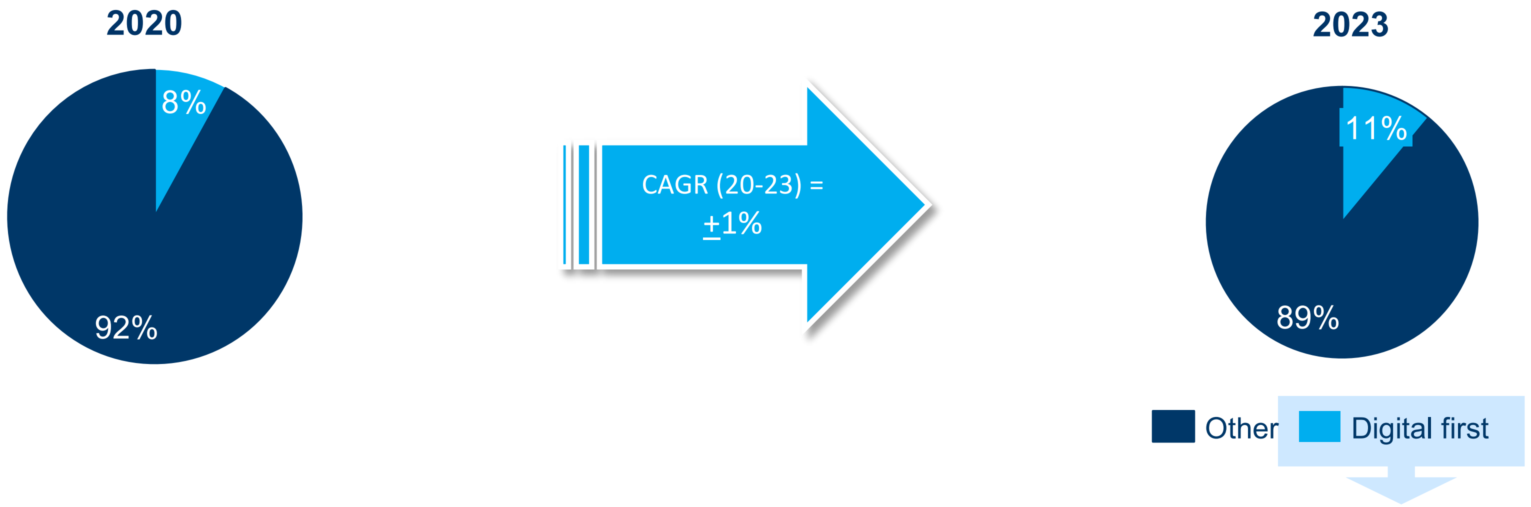
Regulatory requirements		
Overall capital requirement (OCR)**	≥ 10.60%	by 2021
MREL as a % of RWA***	≥ 25.98%	by 2022
MREL as a % of LRE***	≥ 7.34%	by 2022
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

** Excluding Pillar 2 guidance of 100 bps

*** The SRB communicated the final MREL targets (under BRRD2) in % of RWA and in % of LRE to KBC. Regarding MREL as a % of RWA; (i) an intermediate MREL target of 25.98% as from 01-01-2022 and (ii) a final MREL target of 26.48% as from 01-01-2024

Differently: the next level
Digital investment 2021-2023

OPEX excl. bank taxes



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

Amounts in m EUR

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

Differently: the next level

Dividend policy & capital distribution: unchanged guidance

- **In calendar year 2021, KBC will pay out 3.44 EUR DPS in total:**
  - For the accounting year 2020, a DPS of 0.44 EUR was approved at the AGM and has been paid out on 19 May 2021
  - The Board of Directors of KBC Group decided to distribute an interim dividend of 3.00 euros per share (paid out on 17 November 2021), consisting of:
    - 2.00 euros per share for financial year 2020
    - 1.00 euros per share, as an advance on the total dividend for financial year 2021

- **KBC's pre-Basel IV capital deployment plan implies that:**
  - We aim to be amongst the better capitalised financial institutions in Europe
  - On top of the payout ratio of at least 50% of consolidated profit, all capital > 15.5% (the current reference capital position of 14.5% + the current 1% management buffer) will be considered for distribution to the shareholders. Each year, the Board of Directors will take this decision at its discretion when announcing the full year results (next FY results on 10 February 2022)
  - Current capital deployment plan gives much more flexibility to our Board of Directors than in the past:
    - In line with the potential evolutions of our peers' CET1 ratio, our BoD can adjust accordingly the current reference capital position of 14.5% at its discretion
    - the BoD has the flexibility to lower the 1% management buffer at its discretion e.g. in case of an acquisition or in case of buoyant market circumstances
  - From the moment Basel IV will apply, the capital deployment plan will be updated

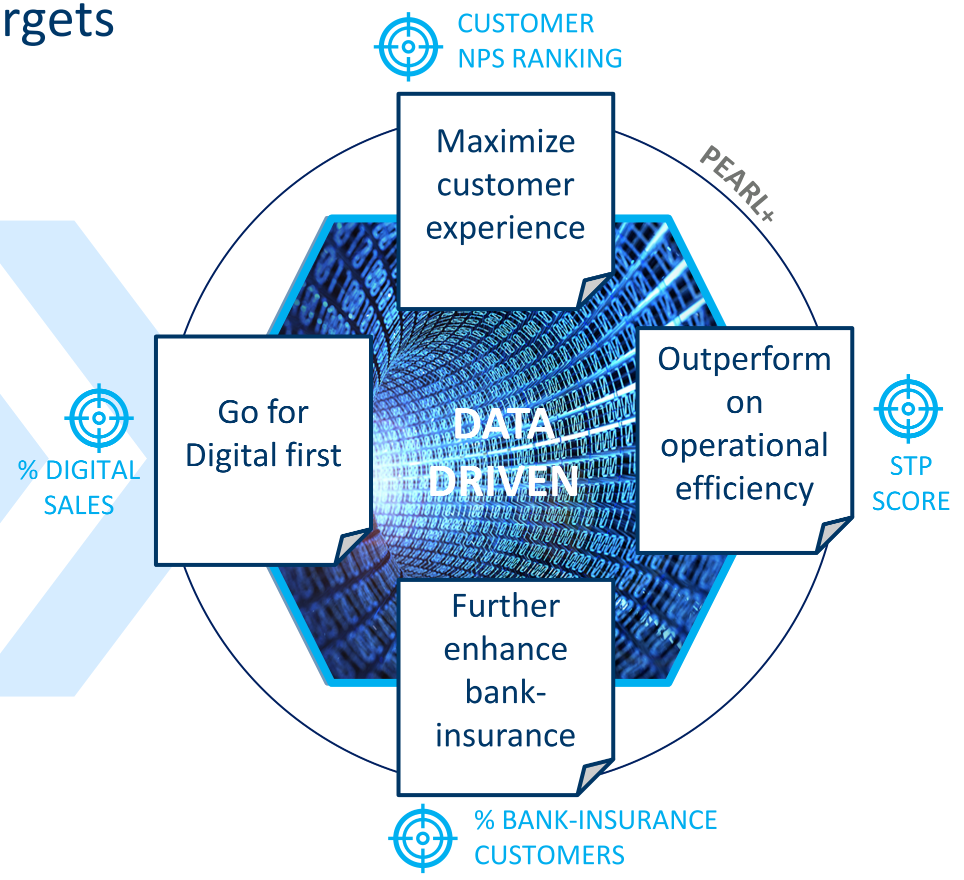
Differently: THE NEXT level

Translating strategy into non-financial targets

From key priorities to operational targets

Differently: THE NEXT LEVEL

- No hassle, no frills, zero-delay customer experience
- Proactive personalized financial solutions via DATA and AI
- Re-design & automation of all processes
- Bank-insurance+
- Digital lead management: from data driven to solution driven
- Group-wide collaboration



Differently: THE NEXT level

Translating strategy into non-financial targets

Introducing 4 new operational targets (1)

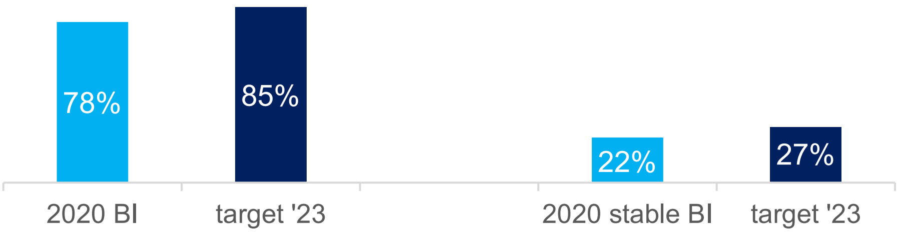
Customer NPS ranking

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

Based on weighted avg of ranking in six core countries

* Based on the latest available data.

% bank-insurance (BI) clients



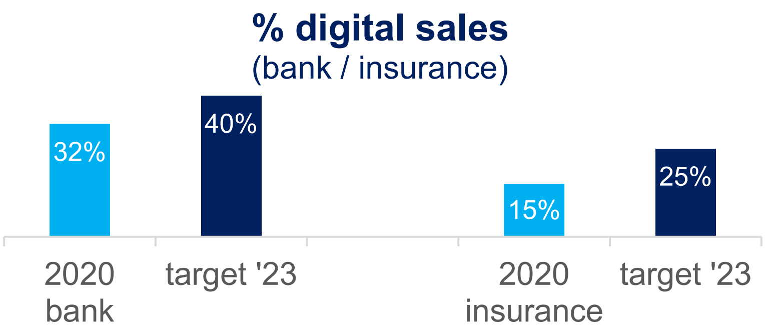
- ➢ ≥85% of active customers to be BI customers
- ➢ ≥27% of active customers to be stable BI customers

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

Differently: THE NEXT level

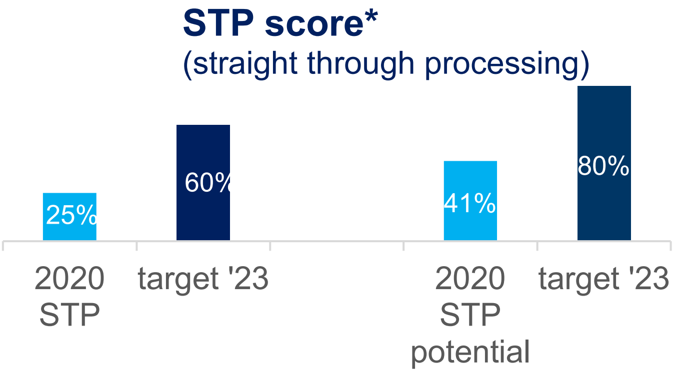
Translating strategy into non-financial targets

Introducing 4 new operational targets (2)



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

Based on weighed avg of selected core products



- ➢ STP ≥60% and STP potential ≥80%

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

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

* Based on analysis of core commercial products.

ESG ratings and indices

Ahead of the curve

Agencies	Current ESG rating (score previous year)	Position versus industry average
CDP (Driving Sustainable Economies)	Scale: D- … A KBC: **A-** (A-)	Financial services average B
Sustainalytics	Scale: Severe Risk, High Risk, Medium Risk, Low Risk, Negligible Risk KBC: **13.5** (15)	2nd percentile of 396 diversified banks assessed 4th of 396 diversified banks
S&P Dow Jones Indices (A Division of S&P Global)	Scale: 0 … 100 KBC: **73** (72)	85th percentile of 253 banks assessed
MSCI	Scale: C, B, BB, BBB, A, AA, AAA KBC: **AAA** (AAA)	2nd percentile of 196 banks assessed
Corporate ESG Performance Prime (Rated by ISS ESG)	Scale: D-, D, D+, C-, C, C+, … KBC: **C prime** (C prime)	1st decile rank of 287 Commercial Banks & Capital Markets assessed
FTSE4Good	Scale: 0, 1, 2, 3, 4, 5 KBC: **4.2** (4.7)	87th percentile of banks assessed

Our sustainability roadmap

KBC milestones and initiatives

2004

Equator Principles

We have been a signatory to the Equator Principles (Eps) since 2004 and have integrated them in our lending policy of project finance

2005 **First sustainability report published**

2006 **Joined the UN Global compact**

2011 **First report to society published**

2016 **Signed the UNEP FI Principles for Responsible Investment** (2016) **and for Sustainable Insurance** (2018)

2018 **First Green Bond**

The first Belgian financial institution that issued a green bond

2019 **Signed the UNEP FI Principles for Responsible Banking & Collective Commitment to Climate Action**

By signing the Collective Commitment to Climate Action, we have committed ourselves to stimulate the greening of the economy as much as possible and so limit global warming to well below 2°C, striving for 1.5°C, in line with the Paris climate agreement

2020 **KBC Asset Management signed Climate Action 100+**

This is an investor-led initiative to engage systemically important GHG emitters and other companies across the global economy, which have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement

Continuous ESG actions... **2022**

Translate the 1.5°C target into concrete objectives per sector, based on scientific scenarios, by the end of 2022

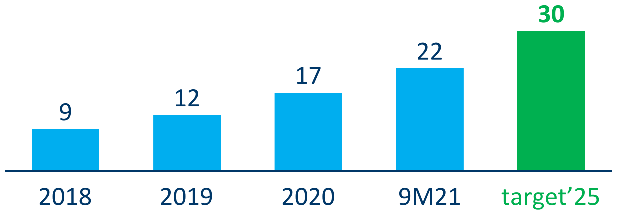
'We will no longer provide direct credit, advice or insurance to new oil and gas fields'

Johan Thijs

Our sustainability ambitions

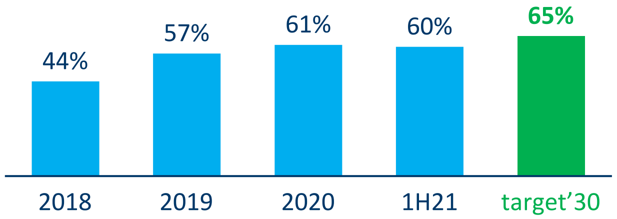
We substantially raise the bar for our climate-related ambitions

Volume of SRI Funds
(In billions of EUR)



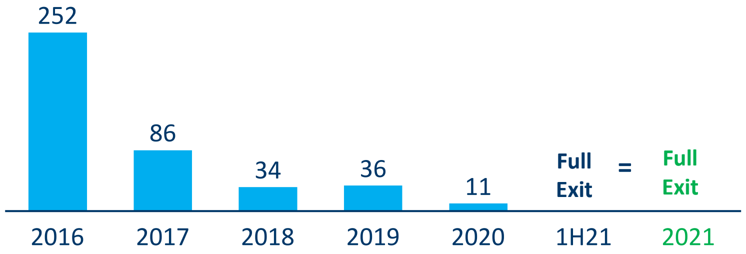
- Almost doubling of SRI funds by '25 (vs 2020)
- SRI funds ≥ 50% of new fund production by '21
- Including art. 8 & 9 of SFDR

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



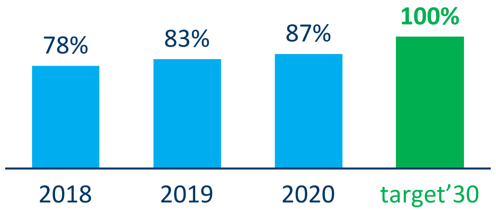
- Target raised from 50% to 65% by '30

Direct coal-related finance
(In millions of EUR)



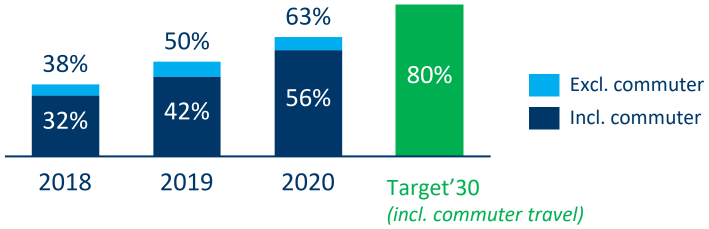
- All remaining direct coal exposure has been phased out in line with our commitment
- Firm commitment to exit indirect coal exposure, supporting existing clients in their transition. In order to remain eligible for any kind of financing, the related client must commit not to engage into any new coal project and must submit a coal-phase-out plan (to be achieved by 2030 at the latest)

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 net climate neutrality as of the end of 2021 by offsetting our residual direct emissions

For the sustainability report of 2020, we refer to the KBC.COM website

Our sustainability strategy

Our commitment to the climate, following the 'double materiality' approach

FINANCIAL MATERIALITY*

Committed to manage the impact of climate change on our company

ENVIRONMENTAL & SOCIAL MATERIALITY

Committed to manage the direct and indirect impact of our company on climate

- **Impact on our business** as a financial institution, in the shape of both **transition and physical risks and opportunities** arising from climate change

- **Direct environmental impact** through our own operations
- **Indirect impact on the climate** through financing, investing and insuring other parties who could have a direct impact on the climate

- We are committed to **manage our direct environmental impact** and we have substantially raised our ambitions in relation to our direct environmental footprint
- We apply **strict sustainability policies** with respect to human rights, environment, climate and biodiversity, business ethics and sensitive/ controversial societal issues. KBCs sustainability policies **are regularly reviewed**, i.e. at least every two years or more frequently if necessary, and challenged by independent experts in various domains (External Sustainability Board)
- **Updated strategies on the most carbon-intensive industrials sectors and product-lines** (5 out of 11 assessed in 2020) of our lending book. First results and new & updated targets where relevant are presented in so-called **white papers** for the *energy*, *commercial real estate* and *agriculture* sectors, as well as for the following product lines: *mortgage loans* and *car leasing*
- **Ongoing methodological tracks** to understand the potential financial impact of climate-related transition risks on our lending and investment activities and implement new measuring instruments. Based on these methodologies, KBC will be able to publish clear quantitative targets by the end of 2022, in line with the Paris Agreement
- We report on our ongoing climate actions in accordance with **the four pillars of the TCFD Framework** and in line with our commitment to the **Collective Commitment to Climate Action**

PCAF Partnership for Carbon Accounting Financials | UNEP FINANCE INITIATIVE | PACTA Paris Agreement Capital Transition Assessment | Trucost ESG Analysis ** S&P Global | TCFD Task Force on Climate-Related Financial Disclosures | Collective Commitment to Climate Action

** Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.*
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