KBC Group / Bank
Debt presentation
February 2021

More infomation: www.kbc.com

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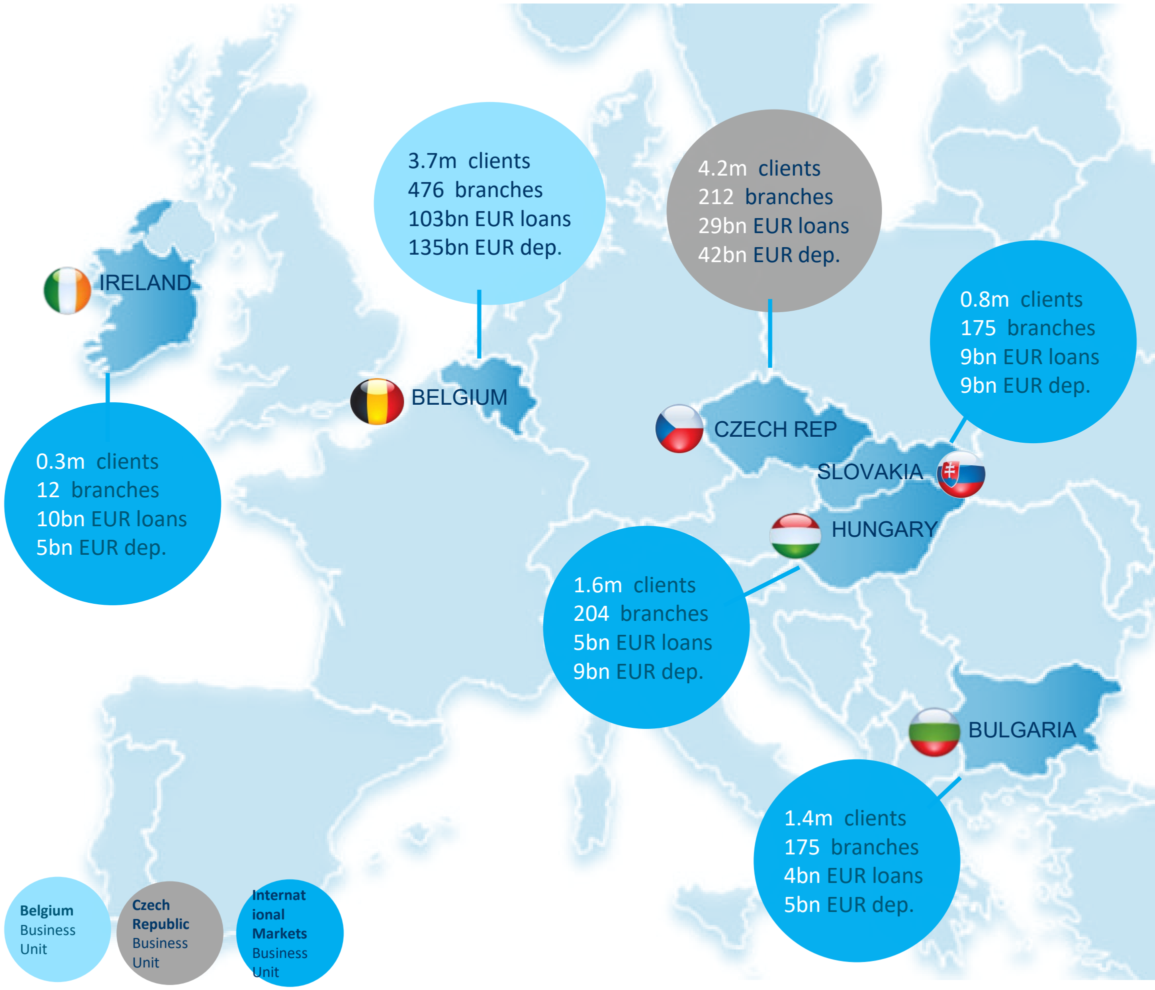
KBC Passport

Well-defined core markets



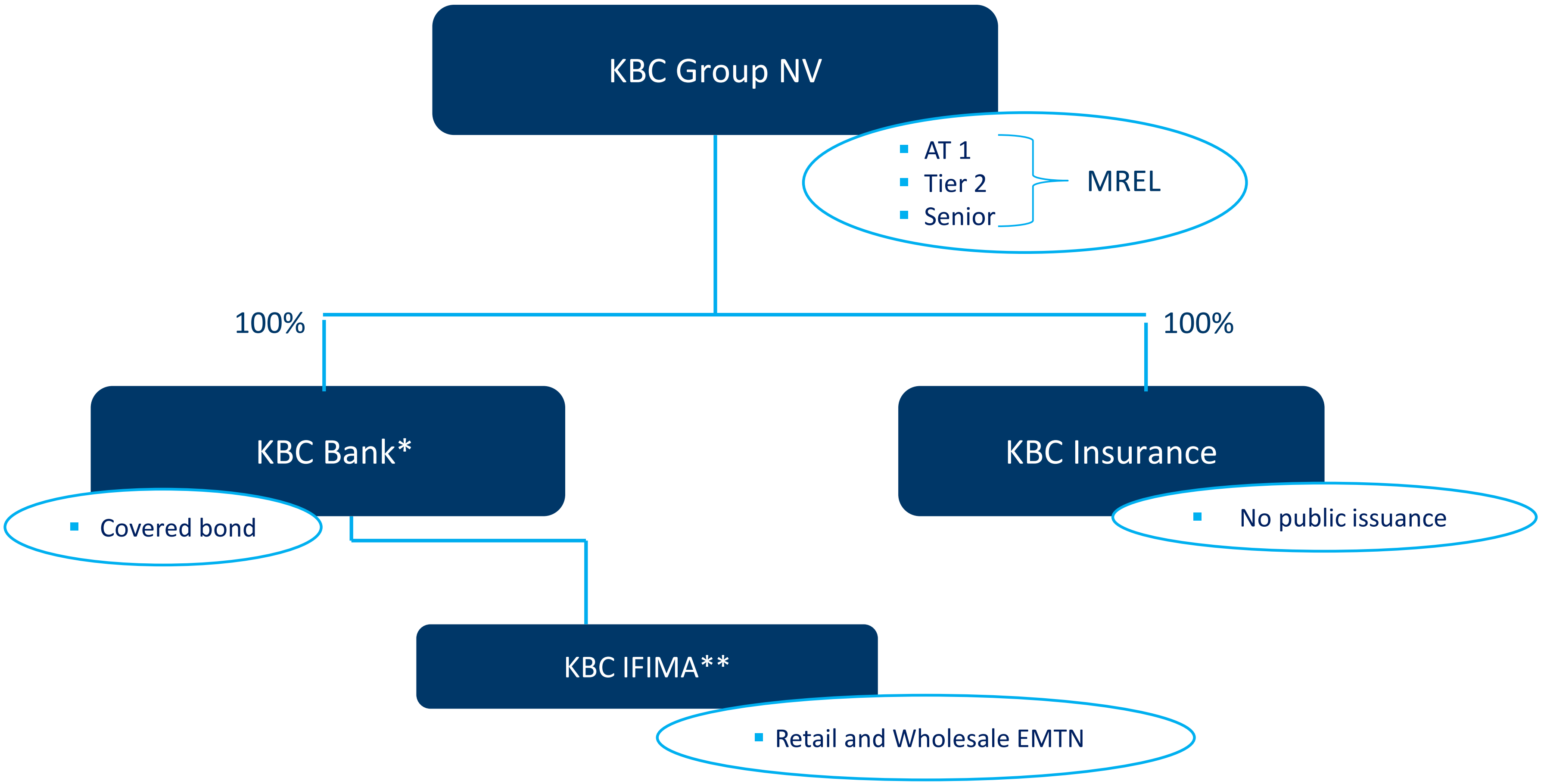
Market share (end 2020)	BE	CZ	SK	HU	BG	IRL
Loans and deposits	19%	21%	12%	11%	10%	8%*
Investment funds	28%	23%	12%	13%	18%	
Life insurance	13%	8%	3%	3%	28%	
Non-life insurance	9%	9%	4%	8%	10%	

Real GDP growth	BE	CZ	SK	HU	BG	IRL
% of Assets	62%	21%	3%	3%	2%	4%
2020	-7.4%	-6.5%	-6.8%	-6.0%	-5.0%	2.5%
2021e	0.9%	2.7%	4.2%	3.5%	3.0%	4.0%
2022e	4.1%	5.0%	4.2%	4.8%	4.0%	4.0%

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

KBC Passport

Group's legal structure and issuer of debt instruments



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

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

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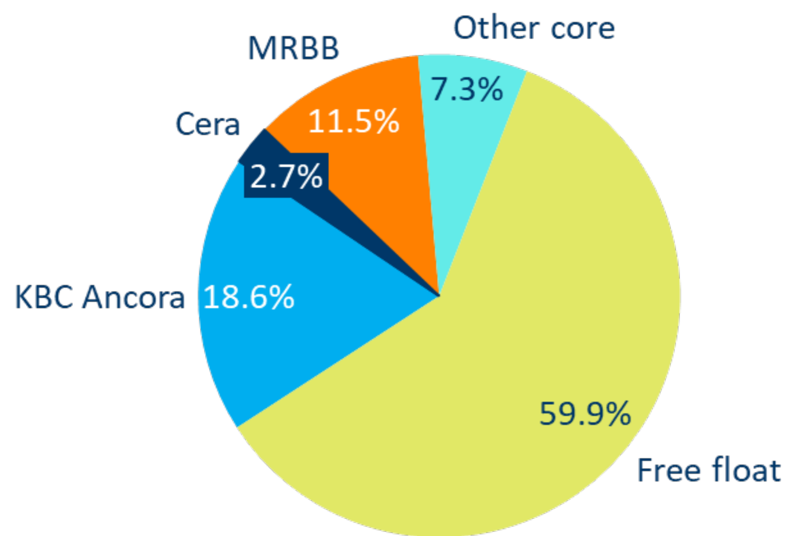
SHAREHOLDER STRUCTURE AT END 2020



- 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 industrialist families
- The free float is held mainly by a large variety of international institutional investors

KBC Group in a nutshell (1)

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

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

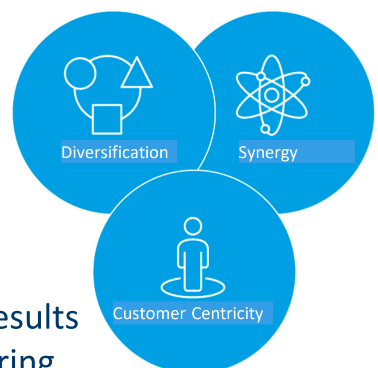
✓ Diversified and strong business performance

… geographically

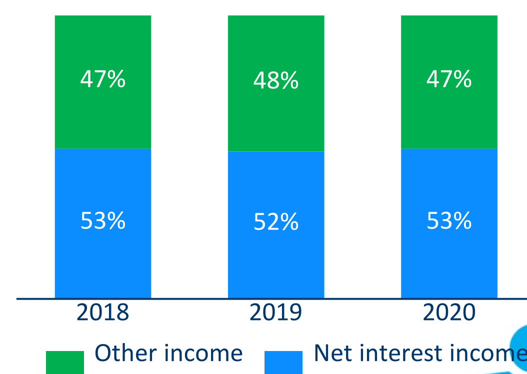
- Mature markets (BE, CZ, IRL) versus developing markets (SK, HU, BG)
- Economies of BE & 4 CEE-countries highly oriented towards Germany, while IRL is more oriented to the UK & US
- Robust market position in all key markets & strong trends in loan and deposit growth

… and from a business point of view

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



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

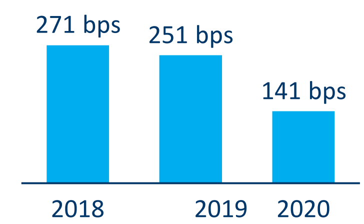


KBC Group in a nutshell (2)

✓ High profitability

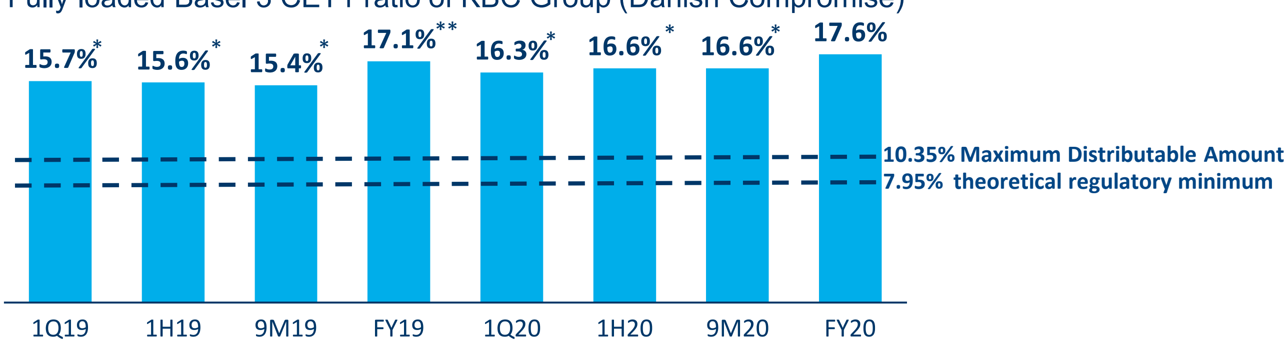
	C/I ratio	Combined ratio	Net result	ROE
FY20	60%	85%	1440m EUR	8%
FY19	58%	90%	2489m EUR	14%

CET1 generation before any deployment



✓ Solid capital position...

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



* No IFRS interim profit recognition given more stringent ECB approach

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

✓ ... and robust liquidity positions

	NSFR	LCR
FY20	146%	147%
FY19	136%	138%

Differently: the next level

KBC is the reference: The winning factors

Trust

Capitalising on the trust customers place in us today

Customer experience

Providing zero-hassle, no-frills customer experience leveraging our unique strengths on data-security and data-privacy

Straight-through processes

This implies re-design of processes and avoiding to digitise the current ones. Aim is E2E digital processes

Personalised solutions

Using data and AI to offer proactively compelling, relevant and personalised financial solutions

Broad offer

Emphasising our broad financial offer and ensuring these solutions are Bigtech proof (pro-active, convenient & personalised)

Beyond bank-insurance

Staying focused on the financial wellness of our customers and offer services to become embedded in our customer's daily life

Kate, your digital assistant

Hyper personalised and trusted financial digital assistant

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

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

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

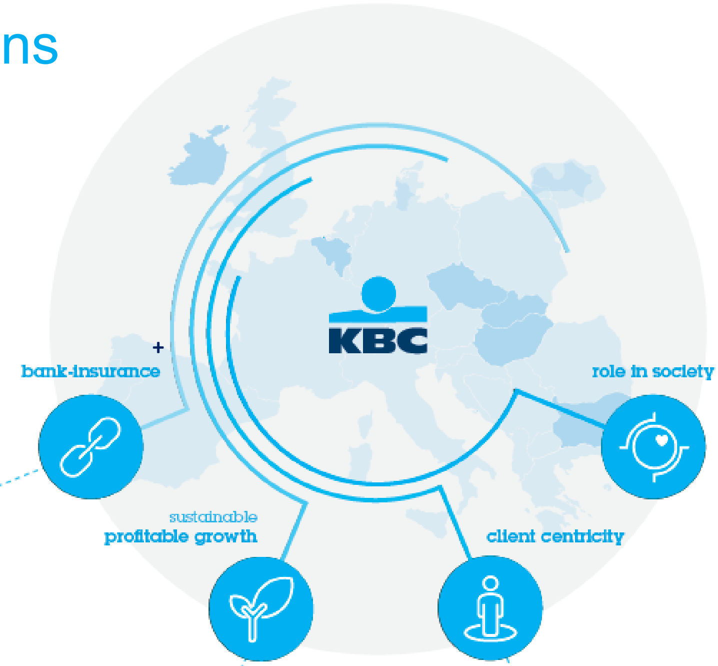
SERVING: SECURE & FRICTIONLESS

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

The strong basis remains



We diversify our income

Bank-insurance remains key
However, we reduce our dependency on interest income
by increasing our insurance income and our fee income

We build our future capabilities

The future is continuously changing
So we have to adapt quickly
This means we prepare ourselves
by acting on trends in our daily bank-insurance activities
and through small investments and experiments
We make smart decisions
so we don't waste money

pearl +

We think local. We create together

We always keep the needs of our local clients in mind
We avoid duplication by copying and sharing ideas
We develop shared solutions in communities
And we take advantage of our scale in non-client facing activities
Because collaboration allows us to deliver
a better, faster service to our clients

We embrace artificial intelligence

We change our interaction with our clients over time
Technical innovation will help us advise our clients even better
Because human interaction and artificial intelligence reinforce each other

We partner

We improve our solutions to meet our clients' needs
by collaborating with partners, like fintechs and even competitors
and creating an IT environment partners can easily plug in and out of

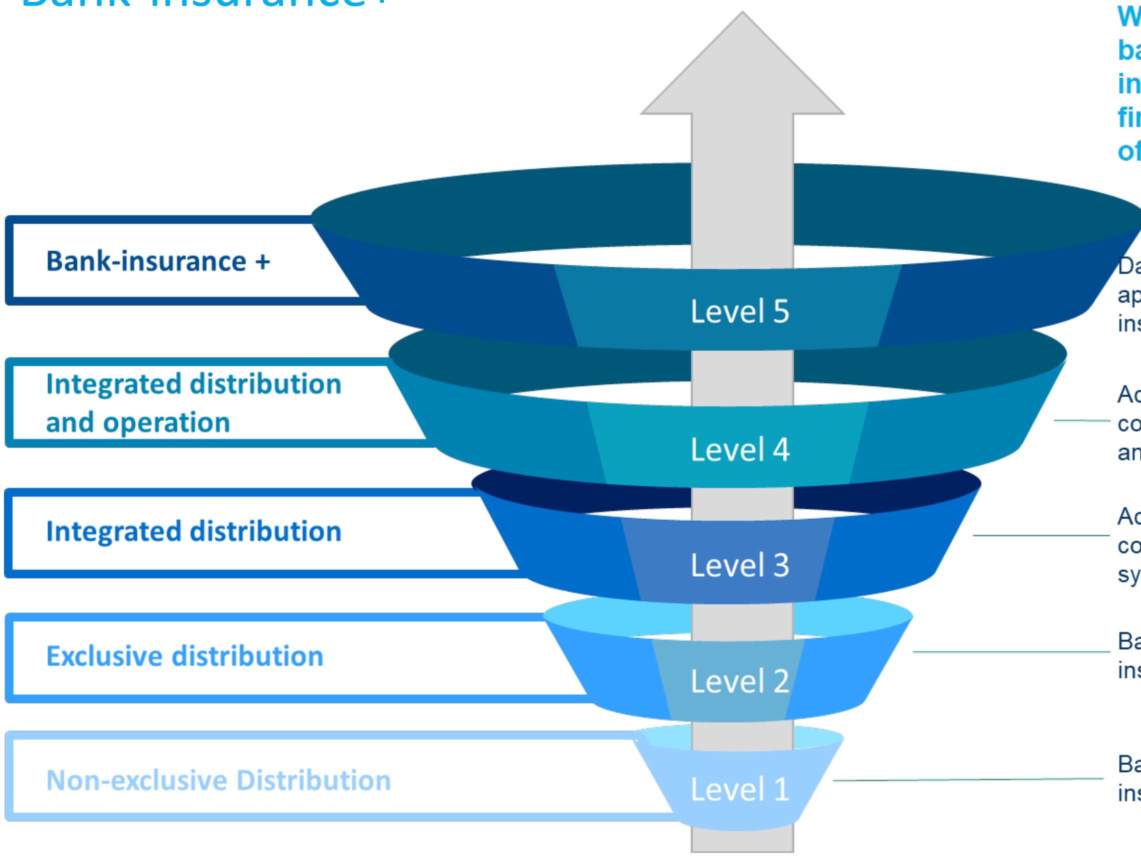
We think client. We act digital

We design for a digital world
even when we are selling face to face
This digital way of working makes us even more
responsive and sets us apart from the competition
Our clients want simple, hassle-free solutions
So we simplify our processes and
procedures to facilitate that

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.



Data driven organisation: Fully integrated digital first distribution approach based on a solution driven and AI enabled bank-insurance.

Acting as a single operational company: bank and insurance company working under unified governance, realizing commercial and non-commercial synergies.

Acting as a single operational company: bank and insurance company working under unified governance, realizing commercial synergies.

Bank branches sell insurance products from intra-group insurance companies as additional source of income.

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

Differently: the next level

Translating strategy into non-financial targets

From key priorities to operational targets

No hassle, no frills, zero-delay customer experience

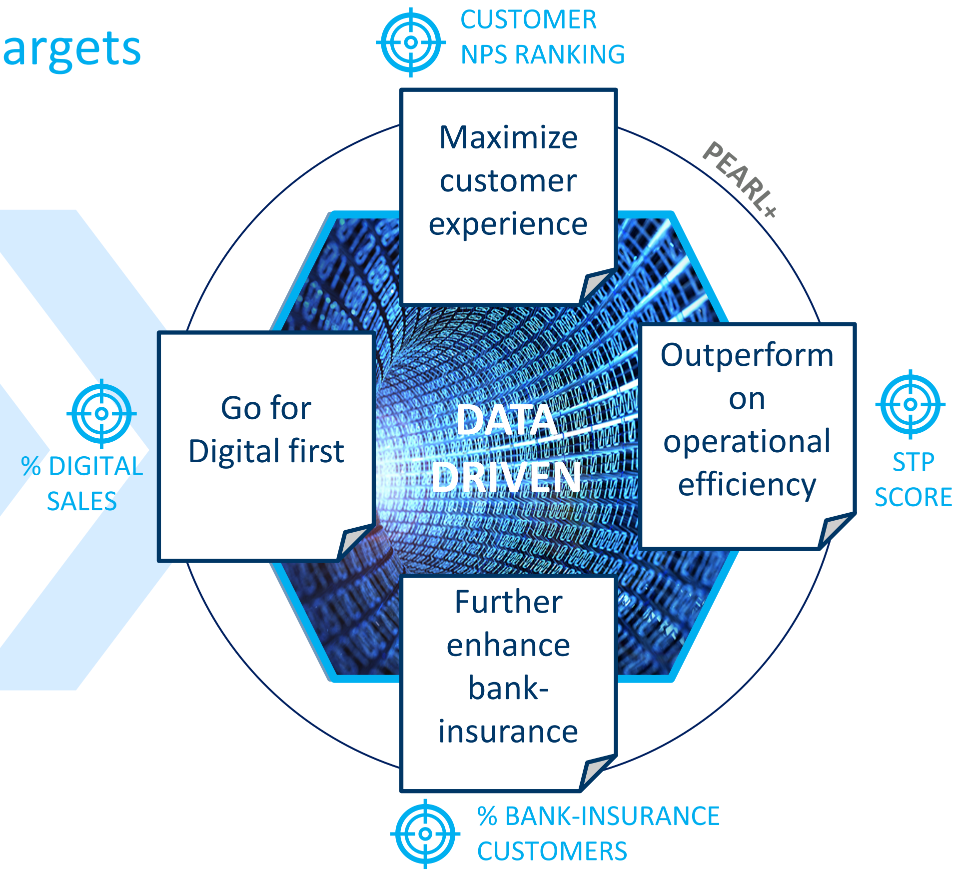
Proactive personalized financial solutions via DATA and AI

Re-design & automation of all processes

Bank-insurance+

Digital lead management: from data driven to solution driven

Group-wide collaboration



Introducing 4 new operational targets (1)

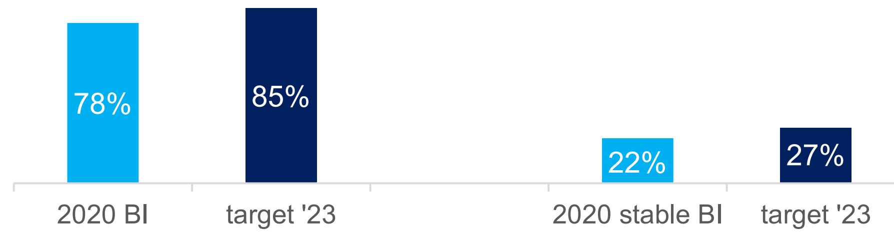
Customer NPS ranking

- 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

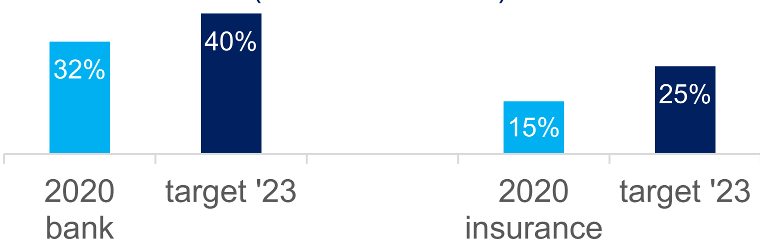
BI customers have at least 1 bank + 1 insurance product of our group.
Stable BI customers: at least 2 bank + 2 insurance products (Belgium: 3+3)

Differently: the next level

Translating strategy into non-financial targets

Introducing 4 new operational targets (2)

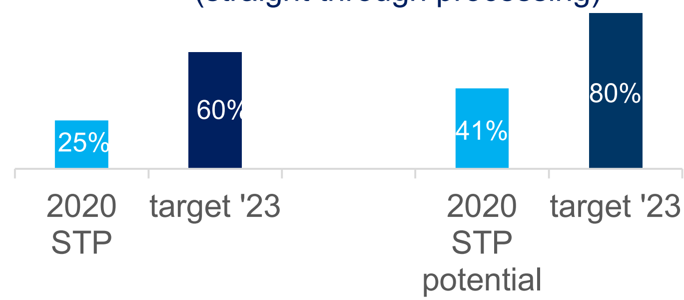
% digital sales
(bank / insurance)



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

Based on weighed avg of selected core products

STP score*
(straight through processing)



- ➢ 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.

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

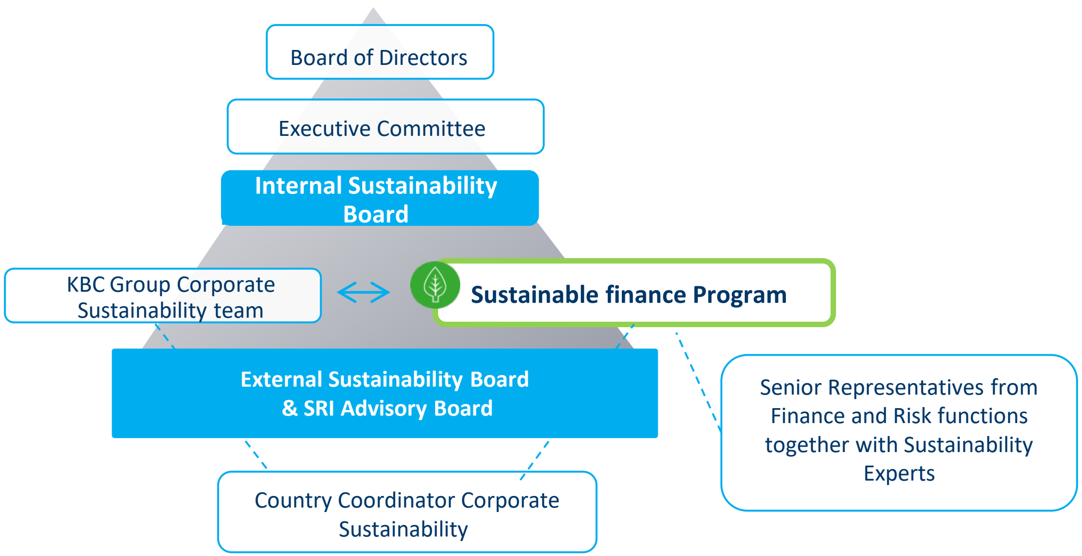
We are focusing on areas in which we, as a bank-insurer, can create added value: financial literacy, entrepreneurship, environmental awareness and demographic ageing and/or health. In doing so, we take into account the local context of our different home markets. Furthermore, we also support social projects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

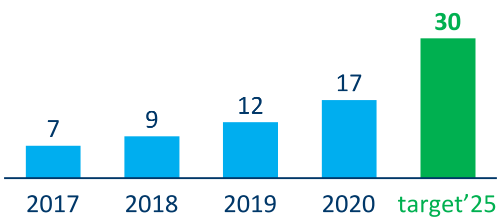
- The GROUP CORPORATE SUSTAINABILITY DIVISION is headed by the Group Corporate Sustainability General Manager and reports directly to the Group CEO. The team is responsible for developing the sustainability strategy and implementing it across the group. The team monitors and informs the Executive Committee 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

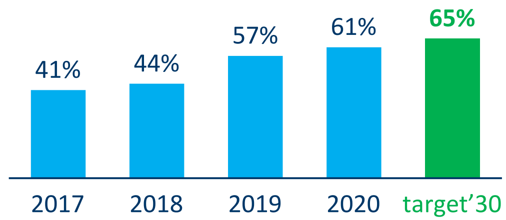
We substantially raise the bar for our climate-related ambitions

Volume of SRI Funds
(In billions of EUR)



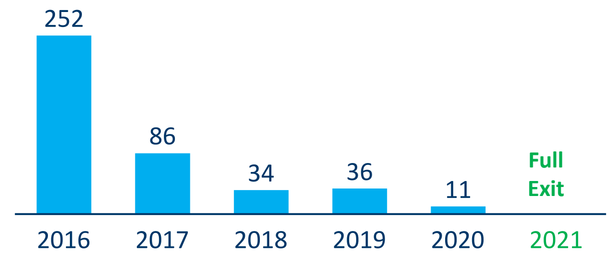
- Almost doubling of SRI funds by '25 (vs 2020)
- SRI funds ≥ 50% of new fund production by '21

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



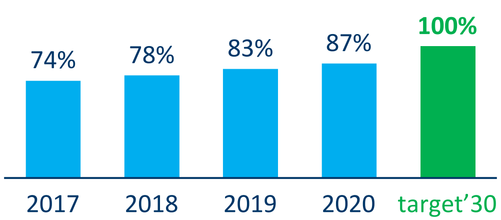
- Target raised from 50% to 65% by '30

Direct coal-related finance
(In millions of EUR)



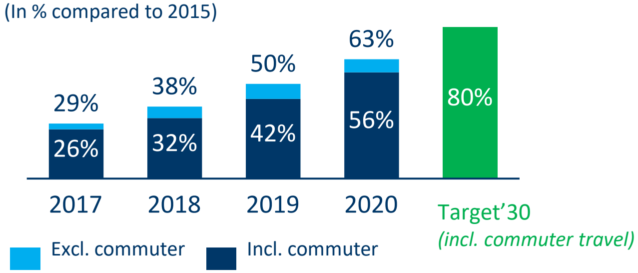
- Proven track record in building down direct coal exposure
- Firm commitment to exit coal, supporting existing clients in their transition. In order to remain eligible for any kind of financing, the related client must commit not to engage into any new coal project and must submit a coal-phase-out plan

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: 3rd percentile of 408 diversified banks *(risk view)*
S&P Global - RobecoSAM	85th 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
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 sustainability report of 2019, we refer to the KBC.COM website: *https://www.kbc.com/en/corporate-sustainability/reporting.html*

KBC

Our sustainability strategy

Preparing for a science-based approach

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

Pilots

PACTA Paris Agreement Capital Transition Assessment

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

UNEP FINANCE INITIATIVE

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

PCAF Partnership for Carbon Accounting Financials

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

TOBACCO FREE

PRI Principles for Responsible Investment

PSI Principles for Sustainable Insurance

WE SUPPORT UN GLOBAL COMPACT

TCFD

KBC

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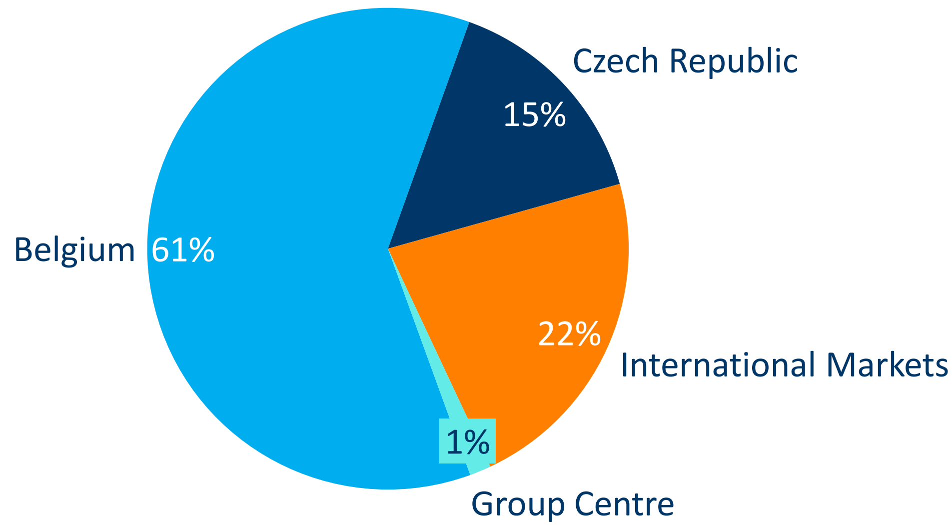
BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 31 DEC 2020



4Q 2020 key takeaways

4Q20 financial performance

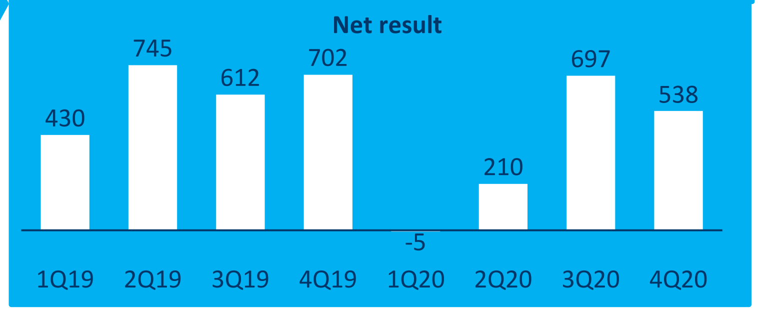
- **Commercial bank-insurance franchises** in core markets performed well
- **Customer loans** and **customer deposits** increased y-o-y in most of our core countries
- Lower **net interest income** and net interest margin
- Higher **net fee and commission income**
- Lower **net gains from financial 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

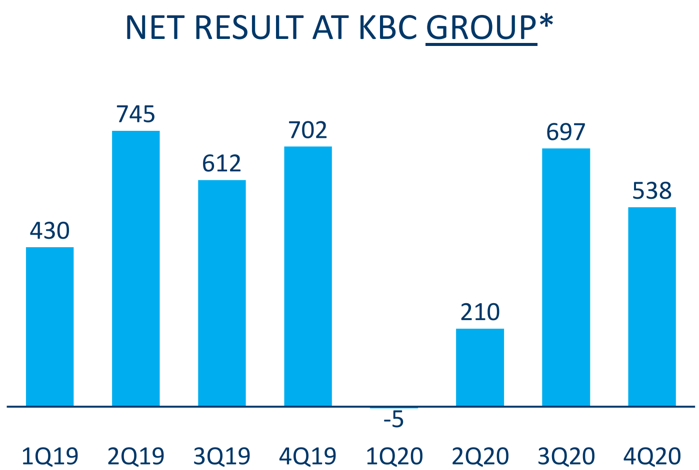
- **ROE 8% (10%* in 4Q20)**
- **Cost-income ratio 59%** (adjusted for specific items)
- **Combined ratio 85%**
- **Credit cost ratio 0.60% (0.16% without collective Covid-19 impairments**)**
- **Common equity ratio 17.6%** (B3, DC, fully loaded)
- **Leverage ratio 6.4%** (fully loaded)
- **NSFR 146%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

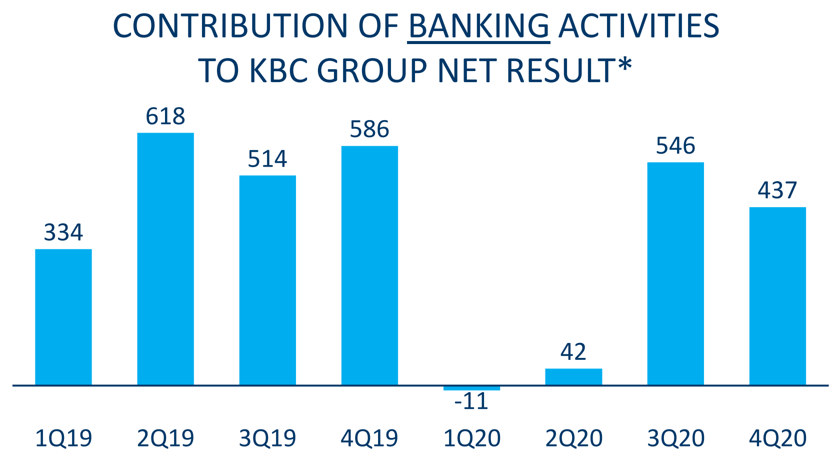


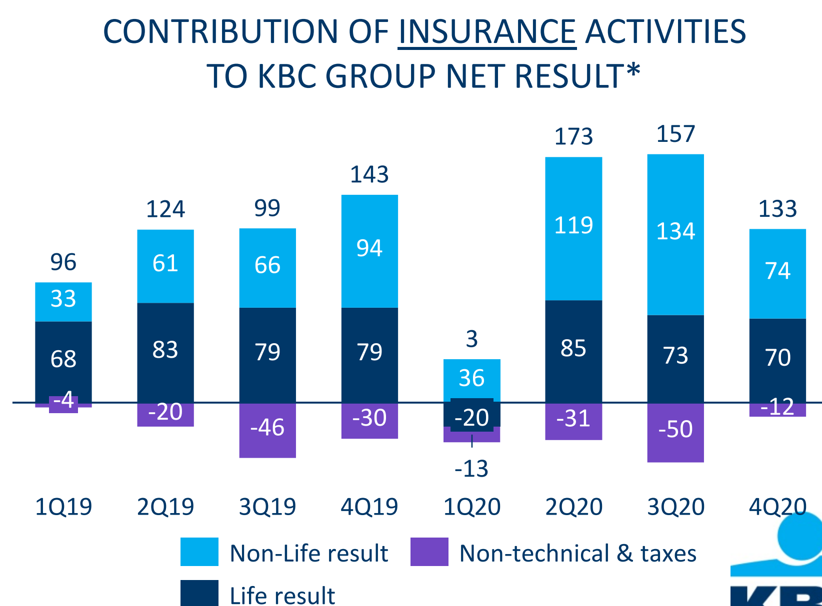
* when evenly spreading the bank tax throughout the year

** 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

Net result at KBC Group



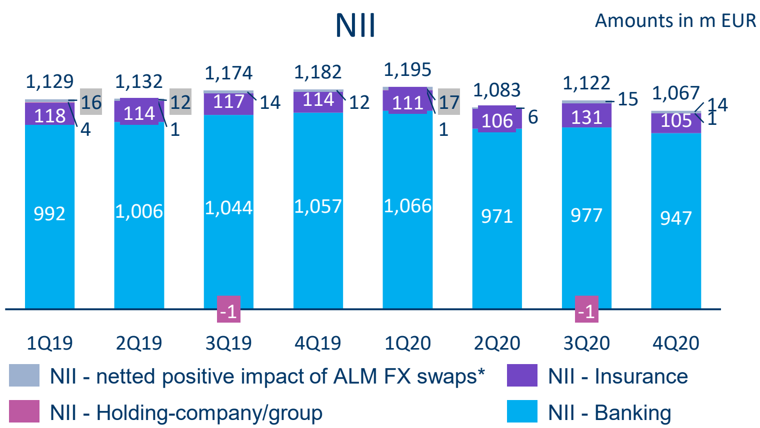


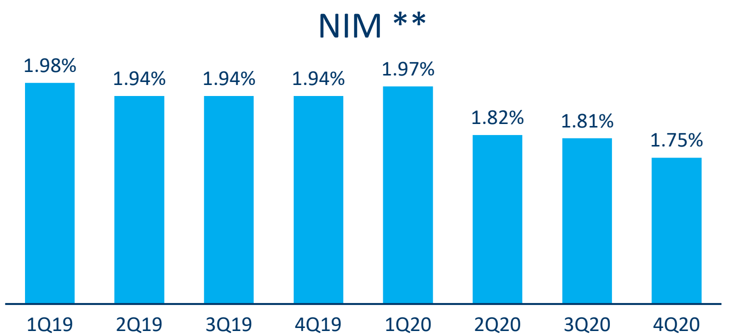


* Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted for by the holding-company/group items

Amounts in m EUR

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

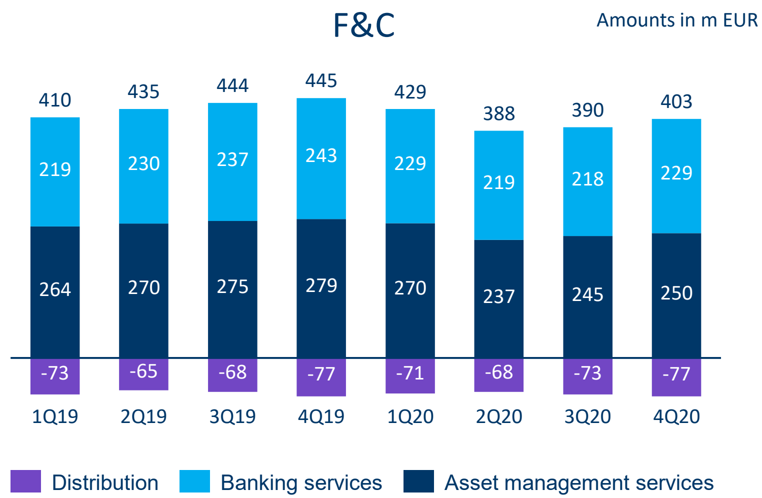
    partly offset by:
    - higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic and Slovakia
    - intensified charging of negative interest rates on certain current accounts to corporates and SMEs
  - The y-o-y decrease was mainly the result of the CNB rate cuts, the depreciation of the CZK & HUF versus the EUR and the negative impact of lower reinvestment yields

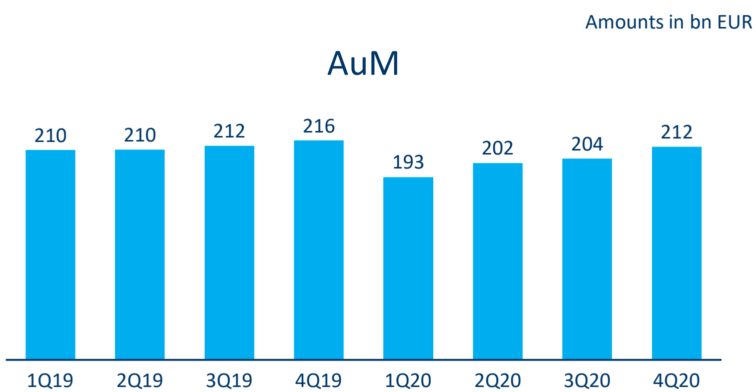
- **Net interest margin (1.75%)**
  - Decreased by 6 bps q-o-q and by 19 bps y-o-y due mainly to the CNB rate cuts, the negative impact of lower reinvestment yields and an increase of the interest-bearing assets (denominator)

ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	160bn	72bn	215bn	212bn	28bn
Growth q-o-q*	0%	+2%	+1%	+4%	+1%
Growth y-o-y	+3%	+7%	+6%	-2%	-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



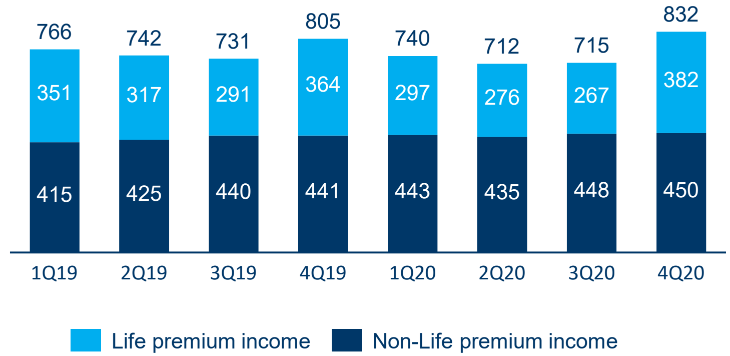


- **Net fee and commission income (403m EUR)**
  - Up by 3% q-o-q and down by 10% y-o-y
  - Q-o-q increase was the result of the following:
    - Net F&C income from Asset Management Services increased by 2% q-o-q as a result of higher management fees, partly offset by lower entry fees from mutual funds 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

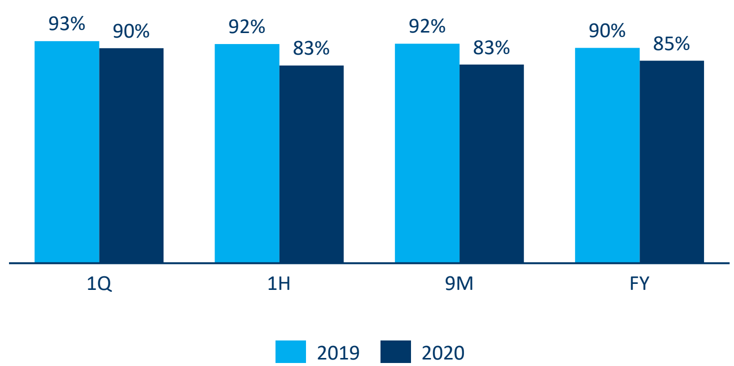
Non-life and life premium income up y-o-y and excellent combined ratio

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

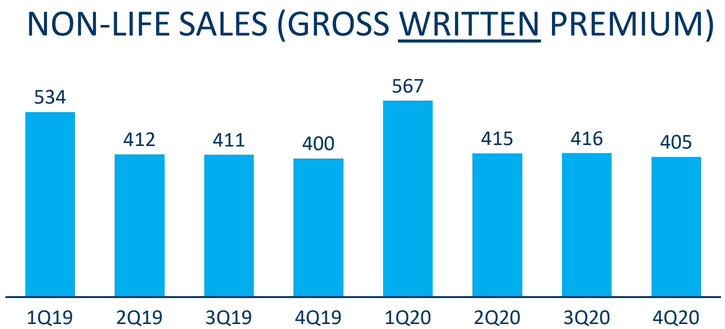
COMBINED RATIO (NON-LIFE)

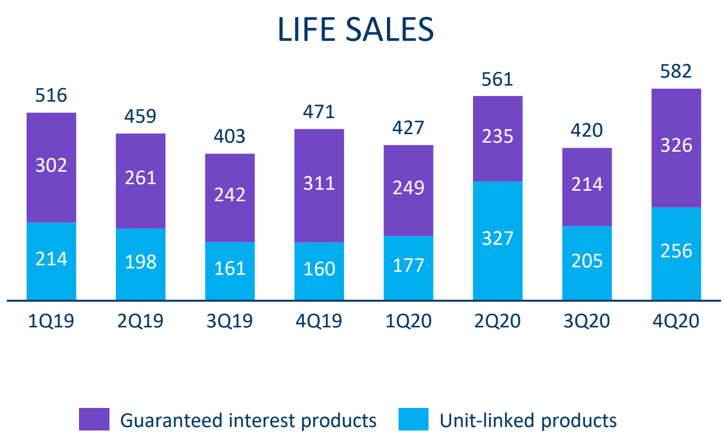


- The non-life **combined ratio** for FY20 amounted to an excellent **85%.** This is the result of 3% y-o-y premium growth combined with 6% y-o-y lower technical charges in FY20. The latter was due mainly to lower normal claims in FY20 (especially in 'Motor' and 'Workmen's compensation', partly due to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



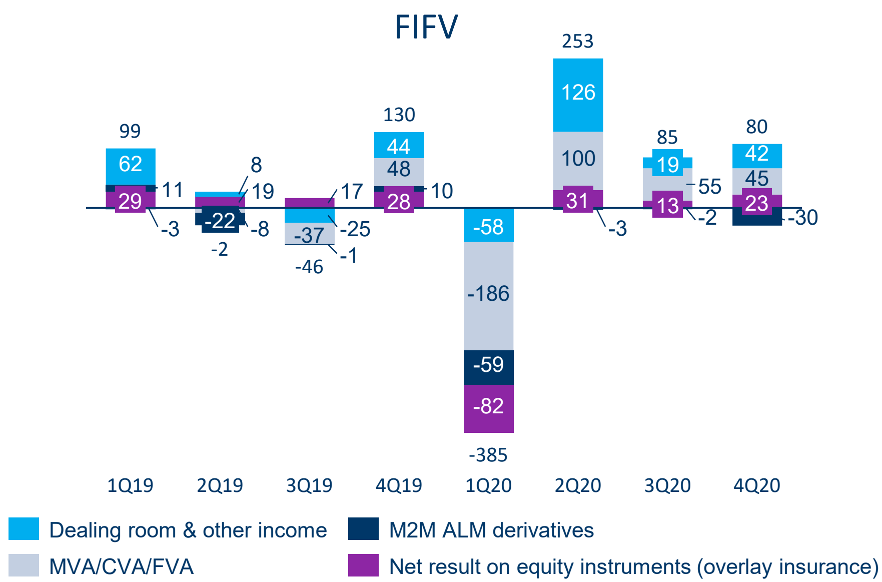


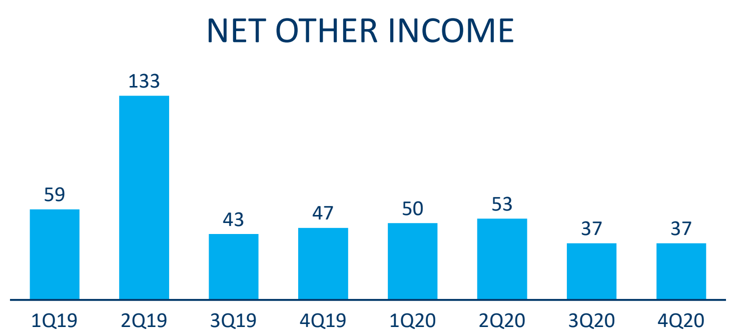
Amounts in m EUR

- **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





Amounts in m EUR

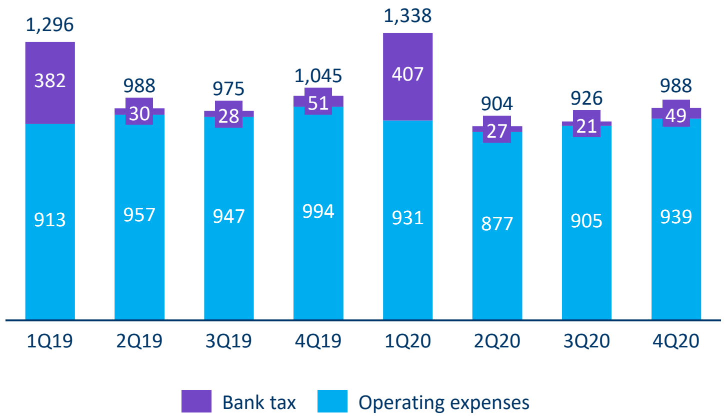
- The q-o-q small decline in **net gains from financial instruments at fair value** was attributable mainly to:
  - a negative change in ALM derivatives
  - lower market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio due 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** 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
CZ BU	**0**	40	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
TOTAL	**49**	**377**	**0**	**0**	**0**	**29**	**27**	**21**	**49**

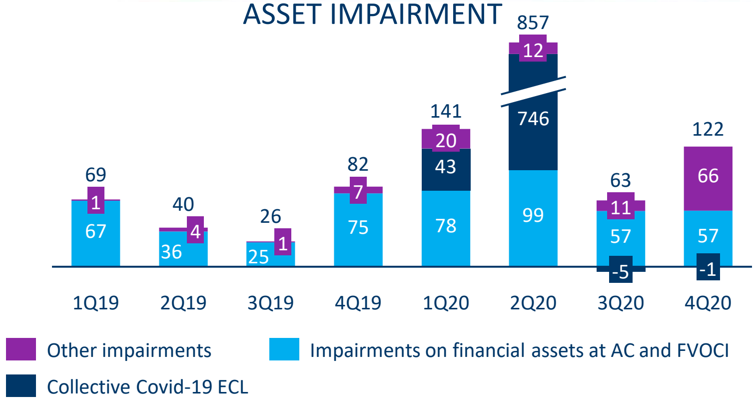
- Operating expenses excluding bank taxes decreased by 4.2% y-o-y in FY20 (compared to our FY20 guidance of -3.5% y-o-y) due chiefly to the announced cost savings triggered by Covid-19
- Operating expenses excluding bank taxes increased by 4% q-o-q primarily as a result of:
  - higher staff expenses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

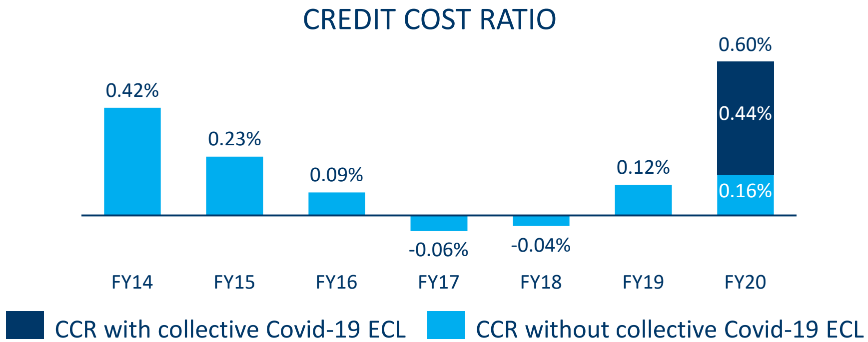
  partly offset by:
  - +10m EUR one-off as a result of the updated software capitalisation policy
  - lower facilities expenses
- Cost/income ratio (banking) adjusted for specific items* at 60% in 4Q20 and 59% in FY20 (58% in FY19). Cost/income ratio (banking): 56% in 4Q20 and 60% in FY20
- Total bank taxes (including ESRF contribution) increased by 2% y-o-y to 503m EUR in FY20

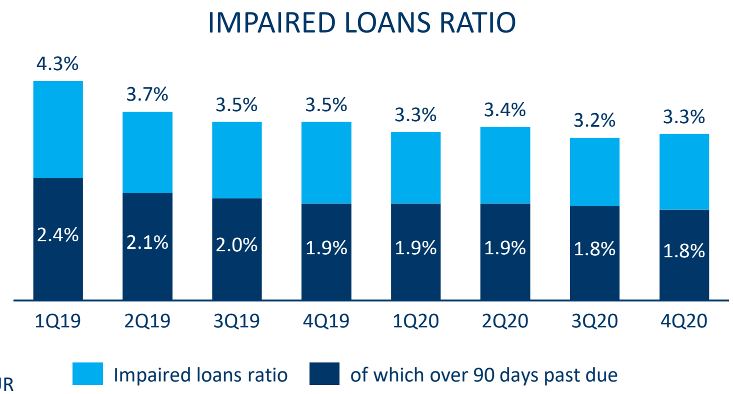
* See glossary (slide 106) for the exact definition

KBC

Higher asset impairments







- **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)

- 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** amounted to 3.3%, 1.8% of which over 90 days past due

Amounts in m EUR

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

2020

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

- 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**

* detailed information on the different balance sheet movements can be found in the quarterly report

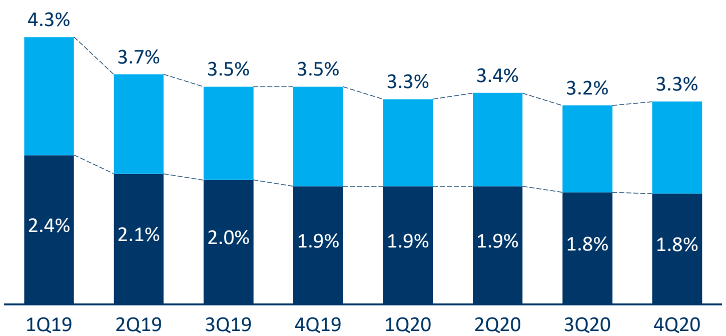
Loan loss experience at KBC

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

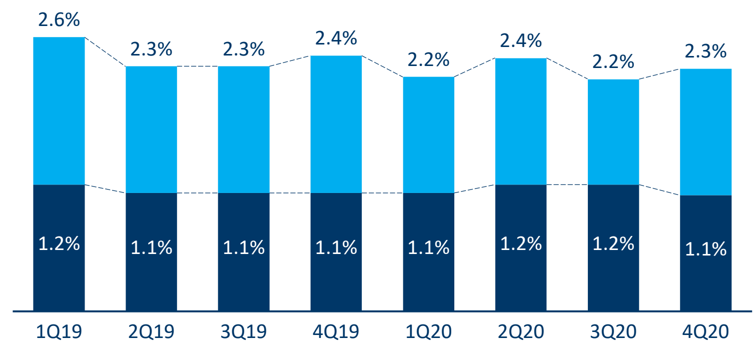
Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

Impaired loans ratios, of which over 90 days past due

KBC GROUP



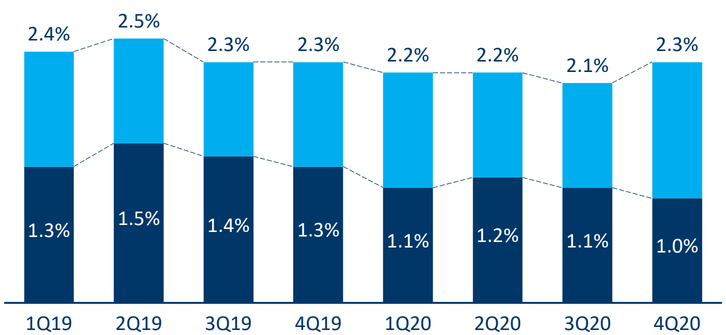
BELGIUM BU



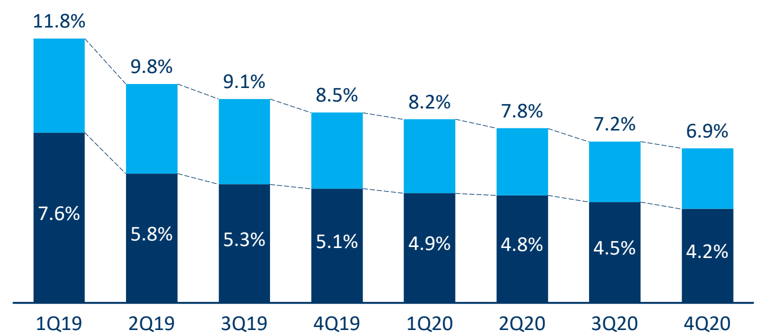
Impaired loans ratio

Of which over 90 days past due

CZECH REPUBLIC BU

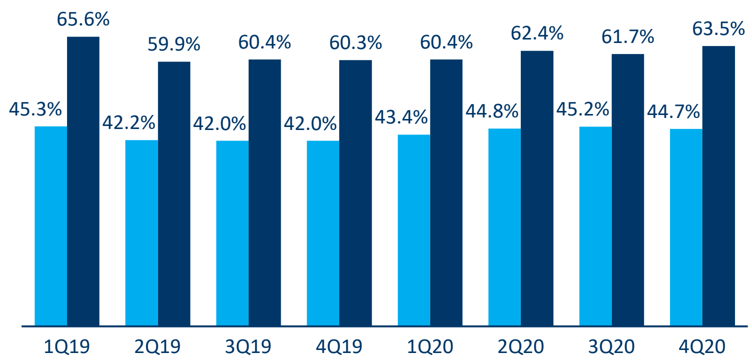


INTERNATIONAL MARKETS BU

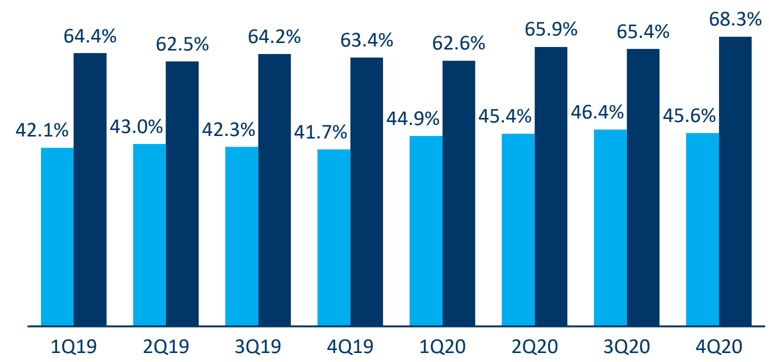


Cover ratios

KBC GROUP



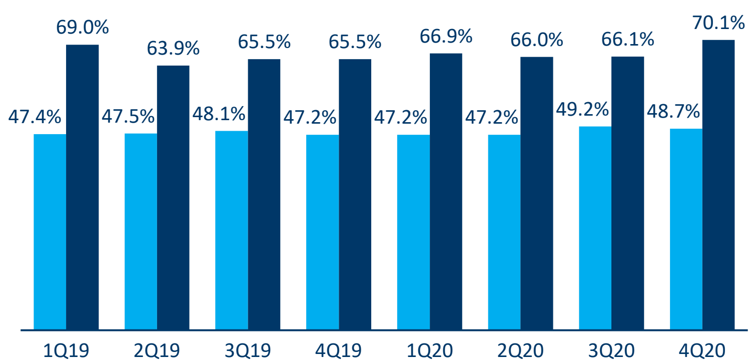
BELGIUM BU



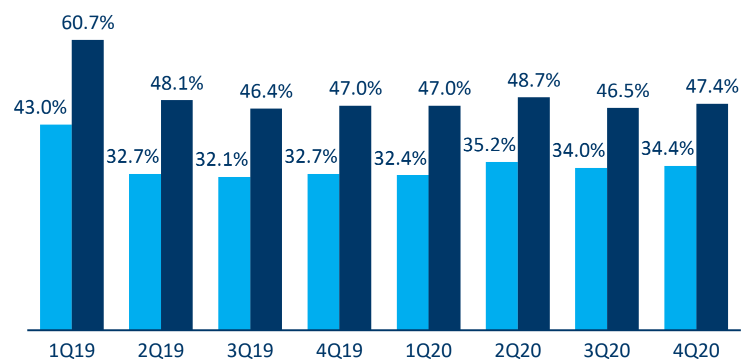
Impaired loans cover ratio

Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU

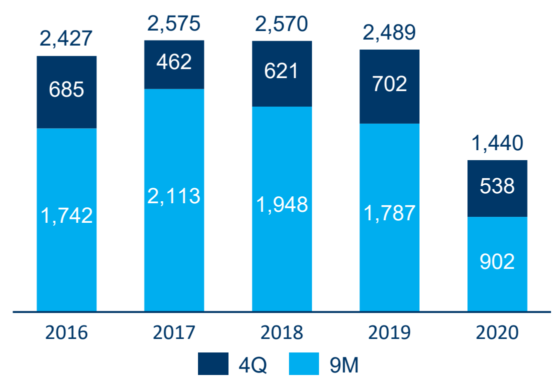


Overview of contribution of business units to FY20 result

Amounts in m EUR

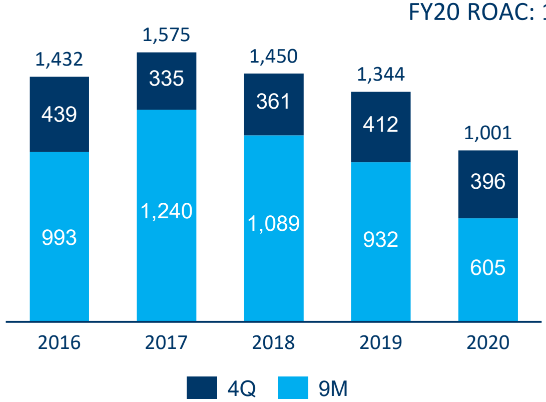
NET PROFIT – **KBC GROUP**

FY20 ROAC: 13%



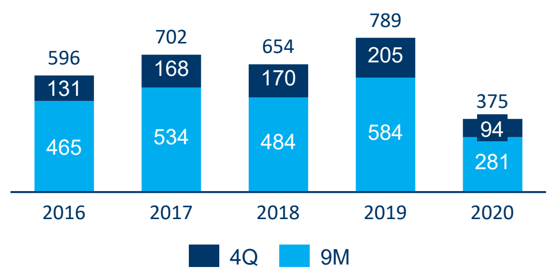
NET PROFIT – **BELGIUM**

FY20 ROAC: 14%



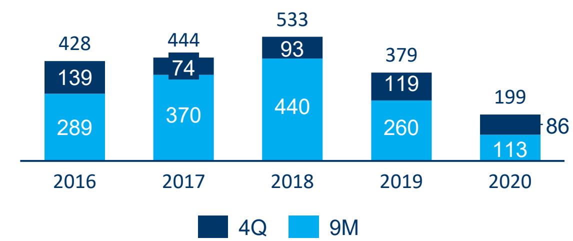
NET PROFIT – **CZECH REPUBLIC**

FY20 ROAC: 22%



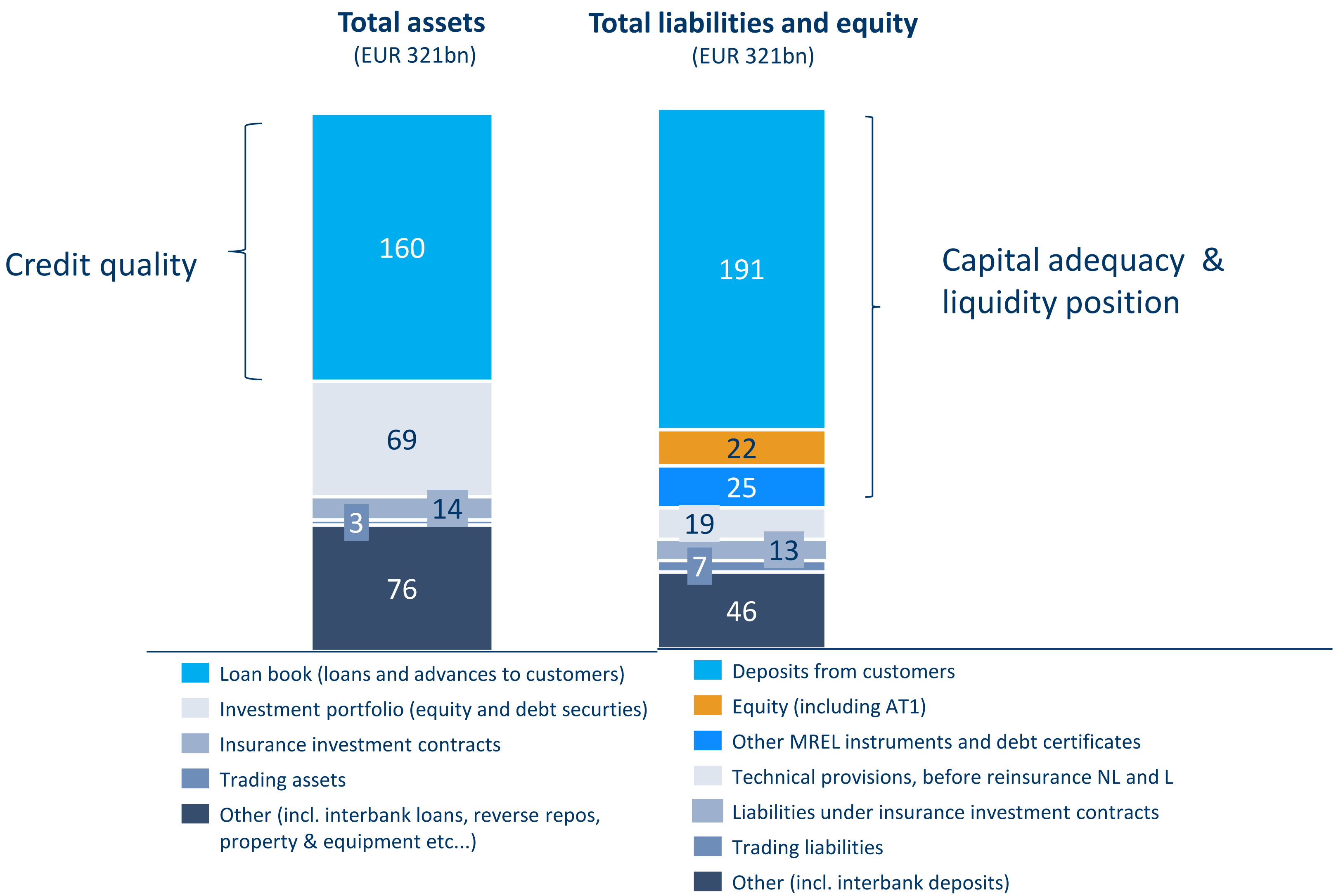
NET PROFIT – **INTERNATIONAL MARKETS**

FY20 ROAC: 8%



Balance sheet

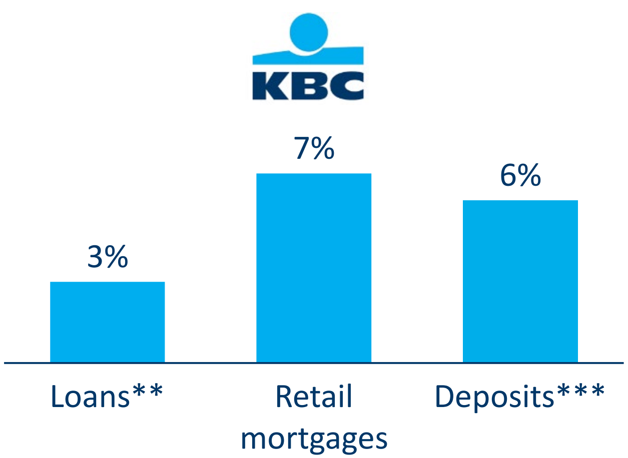
KBC Group consolidated at the end of December 2020

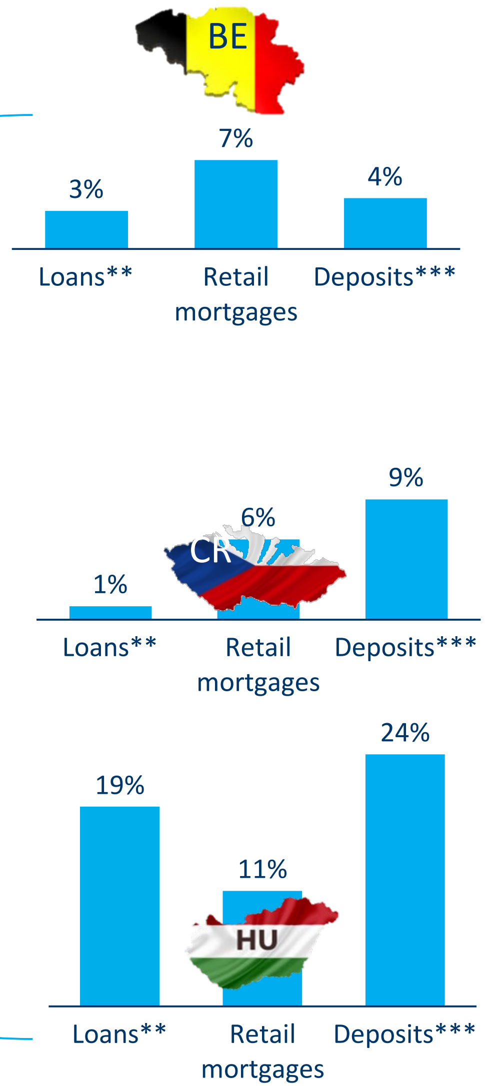


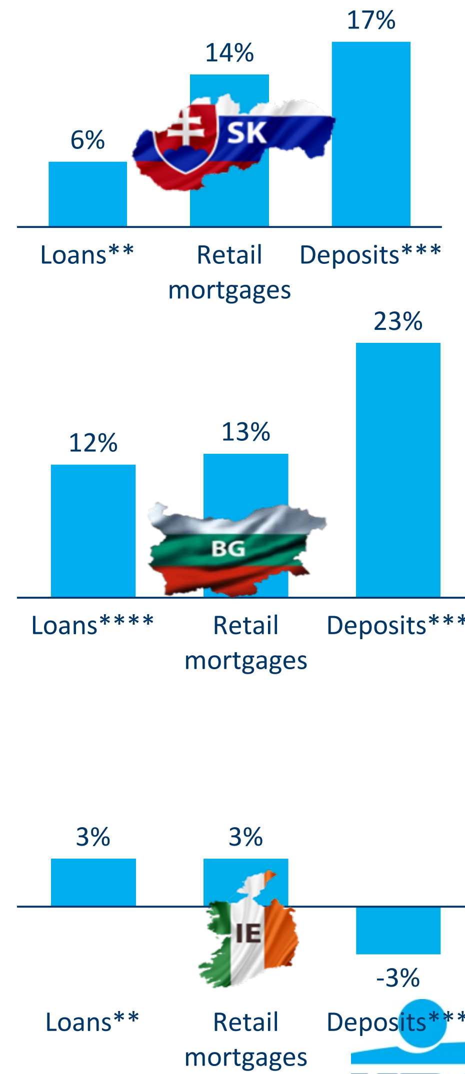
Balance sheet:

Loans and deposits continue to grow in all countries

Y-O-Y ORGANIC* VOLUME GROWTH







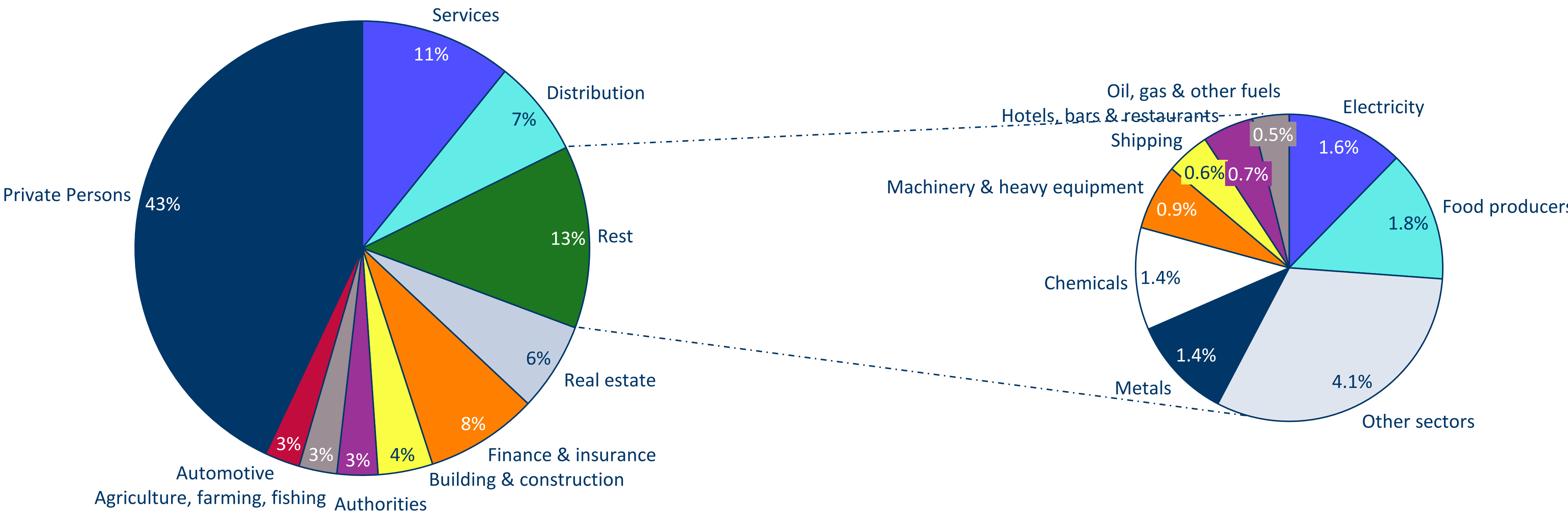
* Volume growth excluding FX effects, divestments/acquisitions and collective Covid-19 ECL

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

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

**** Total customer loans in Bulgaria: new bank portfolio +13% y-o-y, while legacy -18% y-o-y

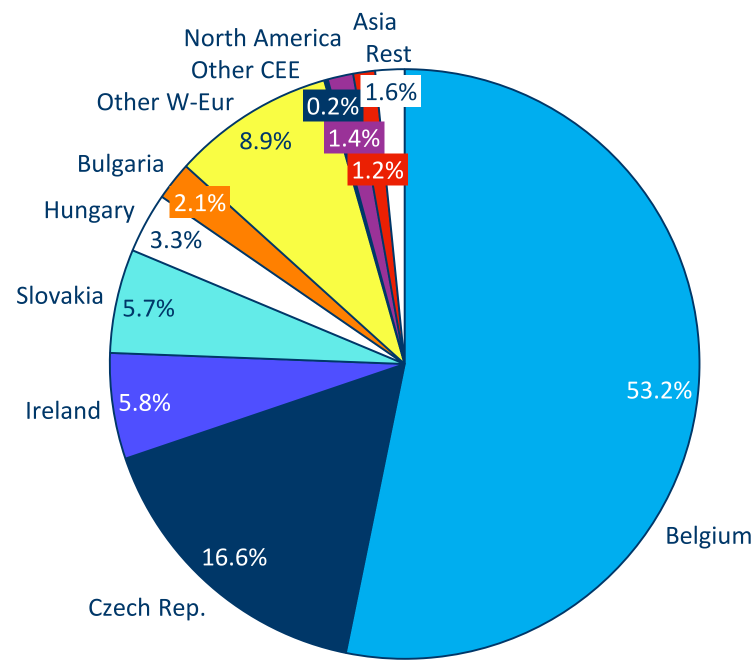
Sectorial breakdown of outstanding loan portfolio (1) (181bn EUR*) of KBC Bank Consolidated



* 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



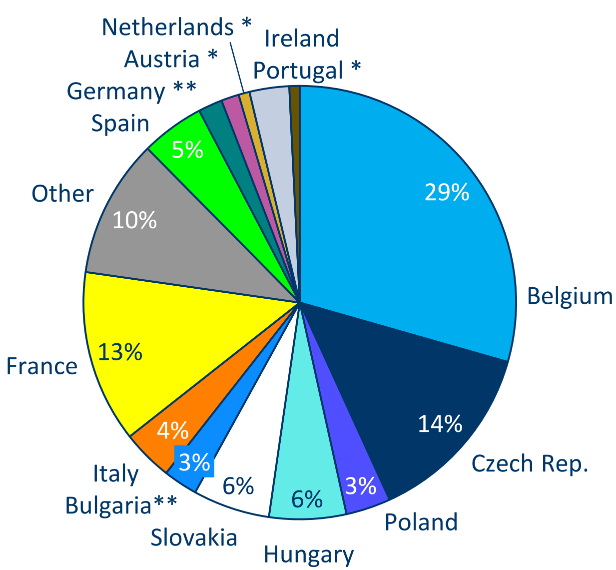
* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are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

Government bond portfolio – Notional value

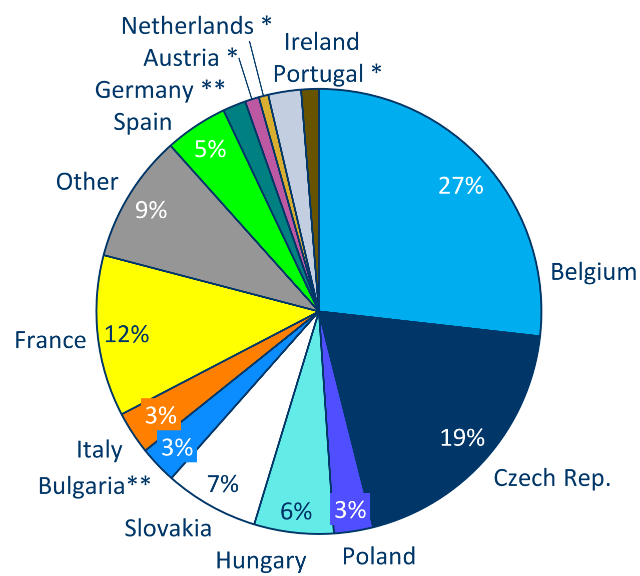
- Notional investment of 51.4bn EUR in government bonds (excl. trading book) at end of FY20, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.8bn EUR at the end of FY20

END OF FY19
(Notional value of 46.1bn EUR)



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

END OF FY20
(Notional value of 51.4bn EUR)

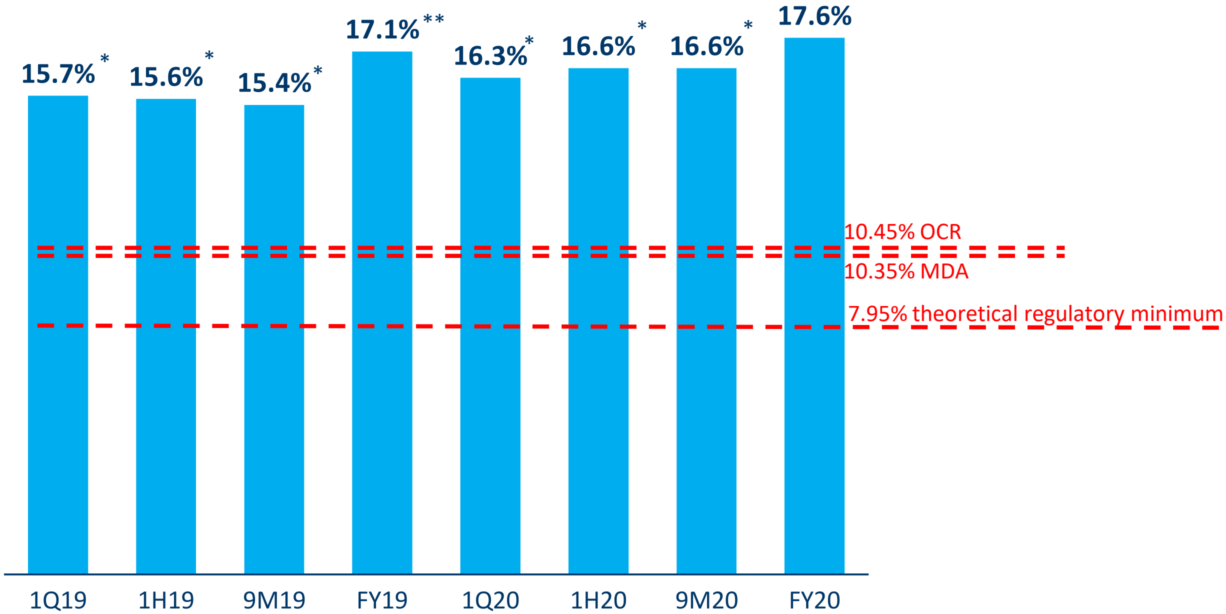


(*) 1%, (**) 2%

Contents

Strong capital position (1)

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



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

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

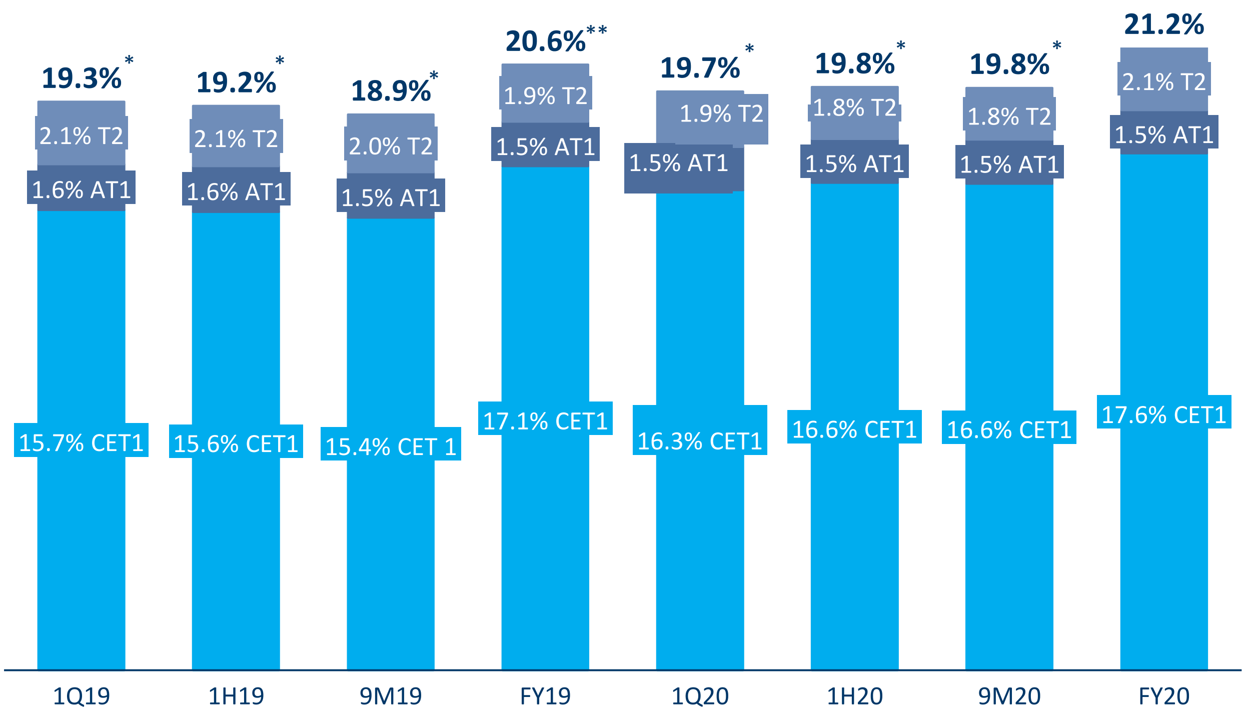
Total distributable items (under Belgian GAAP) KBC Group 10.6bn EUR at FY 2020, of which:

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

- **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)



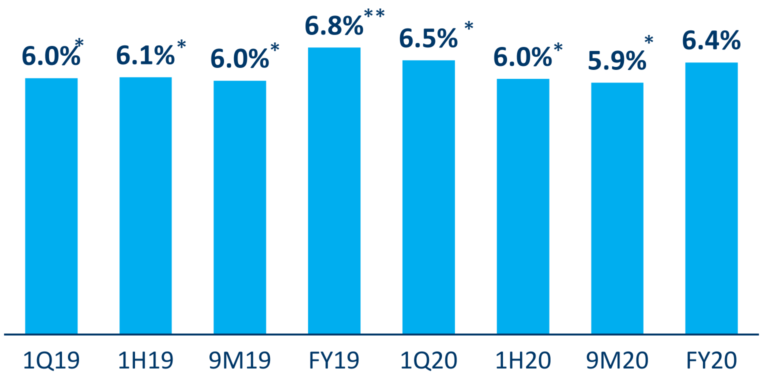
- **The fully loaded total capital ratio rose from 19.8% at the end of 9M20 to 21.2% at the end of FY20**

* 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

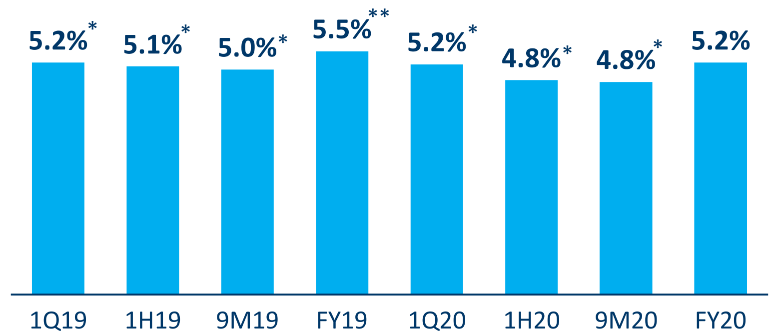
Fully loaded Basel 3 leverage ratio and Solvency II ratio

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

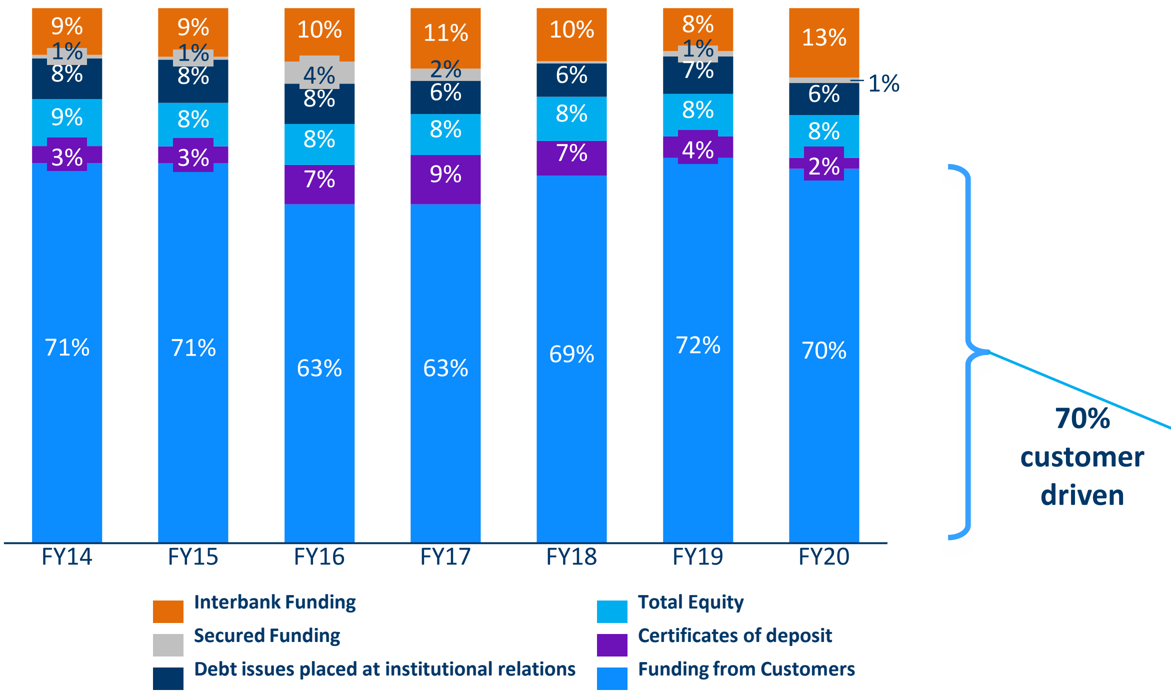
Solvency II ratio

	9M20	FY20
Solvency II ratio	196%	222%

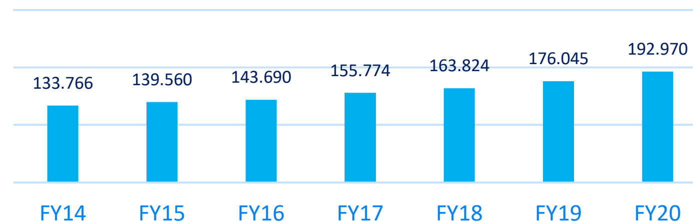
- The q-o-q delta in the Solvency II ratio was mainly driven by the decision to retain the 2020 profit in line with the NBB/EIOPA recommendation

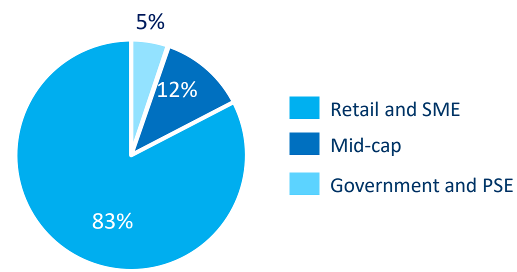
Strong customer funding base with liquidity ratios remaining very strong

- 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





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

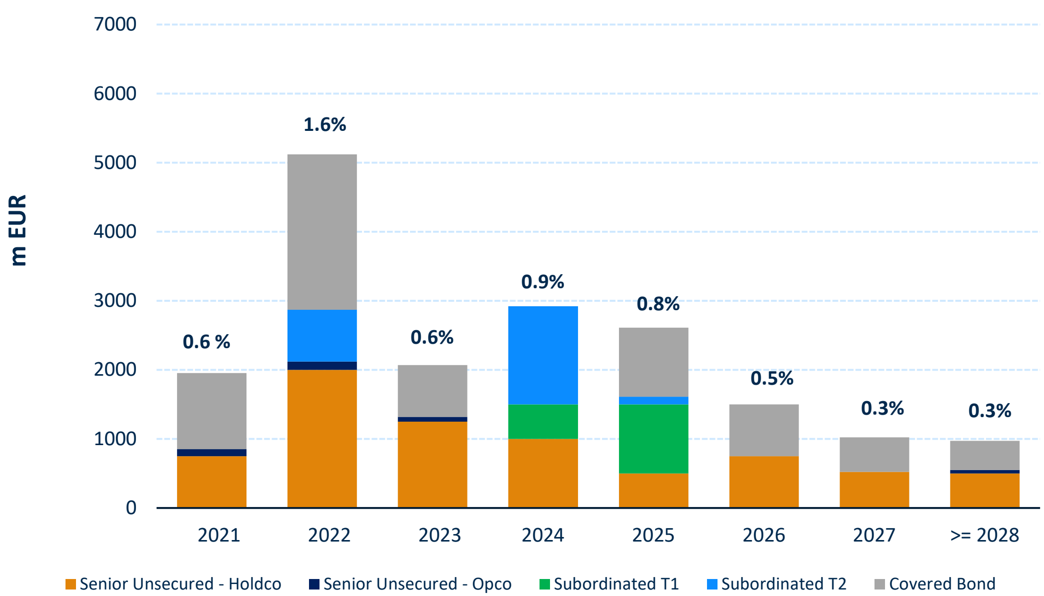
- **NSFR is at 146% and LCR is at 147% by the end of FY20**
  - Both ratios were well above the regulatory requirement of 100% due to a strong growth in customer funding and the participation to TLTRO III

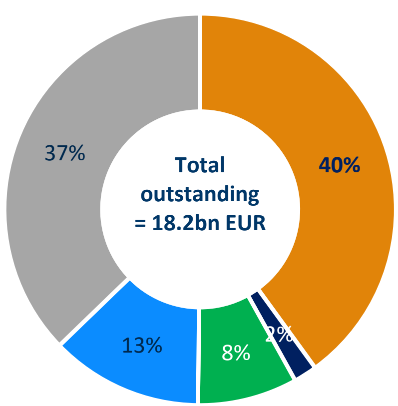
** Net Stable Funding Ratio (NSFR) is based on KBC Bank's interpretation of the proposal of CRR amendment.*
*** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC Bank discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure.*

Upcoming mid-term funding maturities

Breakdown Funding Maturity Buckets at end 2020

(Including % of KBC Group's balance sheet)





- In December 2019, KBC Bank NV decided to early repay the remaining part of the TLTRO II (i.e. 2.545bn EUR) and entered into the TLTRO III for 2.5bn EUR
- In May 2020, KBC Bank issued a covered bond for an amount of 1bn EUR with a 5.5-year maturity
- In June 2020, KBC Group issued its second Green senior benchmark for an amount of 500m EUR with a 7-year maturity with call date after 6 years
- In June 2020, KBC Bank participated in TLTRO III for an amount of 19.5bn EUR, which brings the total TLTRO exposure to 21.9bn EUR maturing in 2023
- In September 2020, KBC Group issued a senior benchmark for an amount of 750m EUR with a 6-year maturity with call date after 5 years
- 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

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

KBC Group

Senior
6 519

Tier 2
2 180

Additional Tier 1
1 500

CET1 (transitional)
18 441

Buffer for Sr. level 22.1 bn EUR

KBC Bank

Subordinated on loan by KBC Group
6 519

Tier 2
122
1 681

Additional Tier 1
1 500

CET1 (transitional)
14 578

Buffer for Sr. level 24.3bn EUR

KBC Insurance

Tier 2
500

Parent shareholders equity
3 815

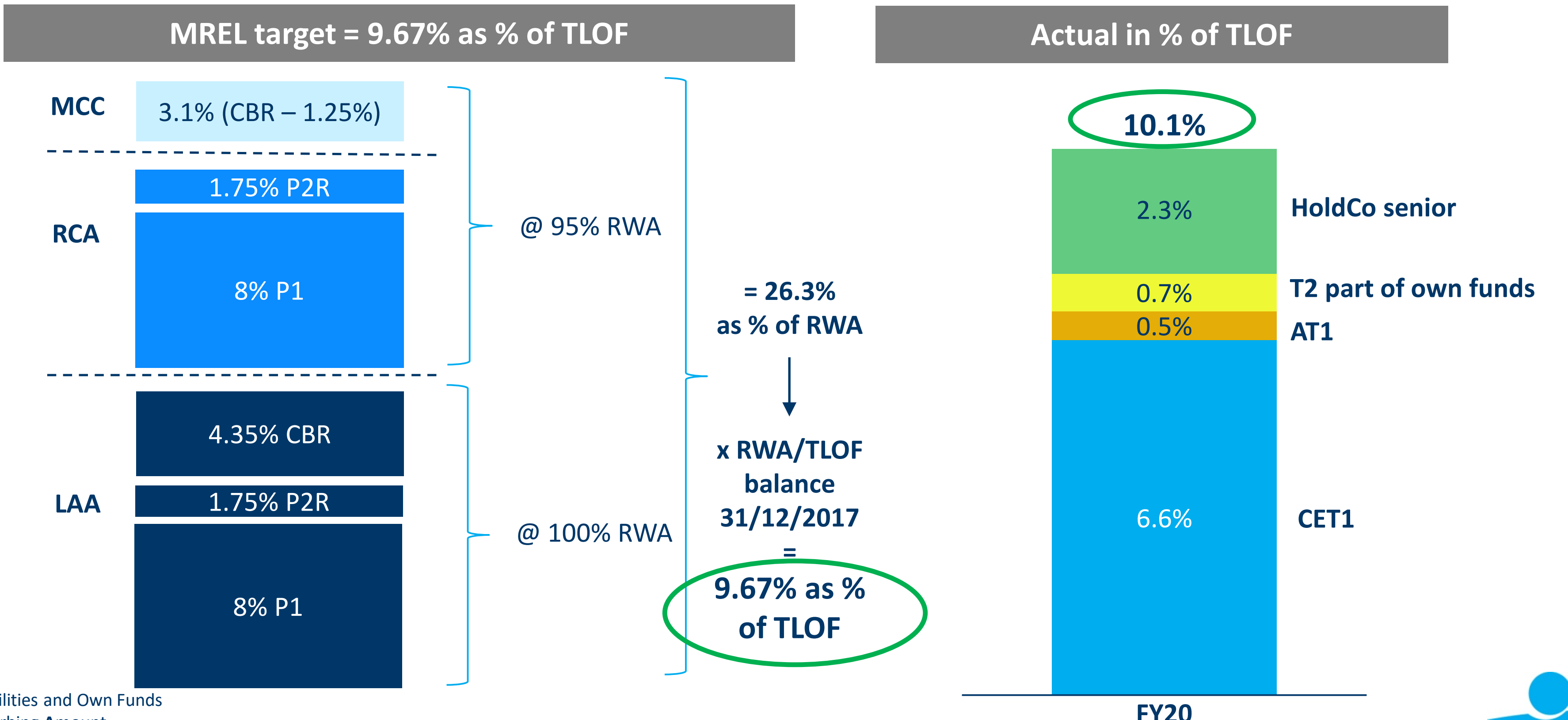
Legacy T2 issued by KBC Bank will disappear over time

nominal amounts in million EUR

KBC complies with resolution requirements

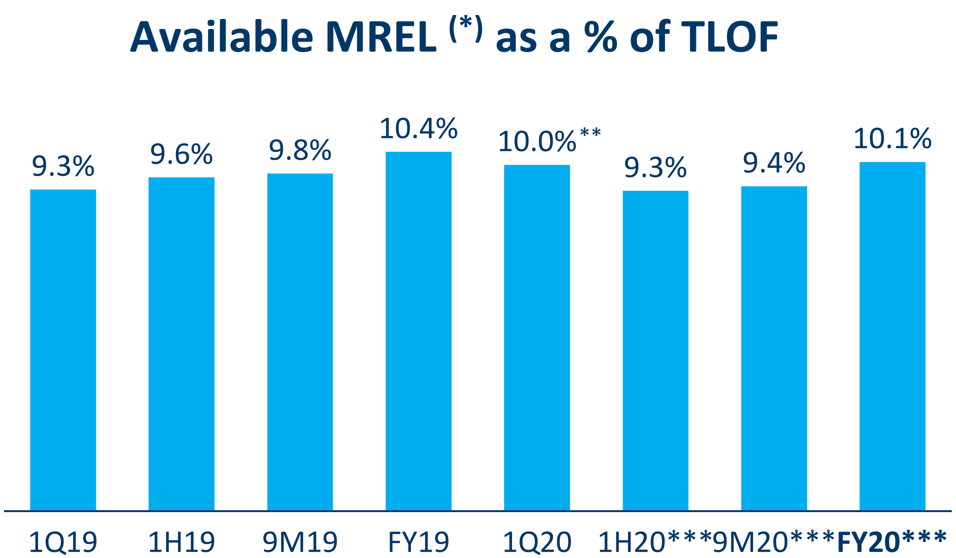
MREL target applicable as from 31-12-2021

- ✓ The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level, with **bail-in** as the preferred resolution tool
- ✓ SRB's currently applicable approach to **MREL** is defined in the '2018 SRB Policy for the 2nd wave of resolution plans' published on 16 January 2019, which is based on the current legal framework (BRRD 1)
- ✓ The **actual binding target is 9.67% as % of TLOF** as from 31-12-2021
- ✓ 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	Total Liabilities and Own Funds
LAA	**L**oss **A**bsorbing **A**mount
RCA	**R**e**C**apitalisation **A**mount
MCC	**M**arket **C**onfidence **C**harge
CBR	**C**ombined **B**uffer **R**equirement = Conservation Buffer (2.5%) + O-SII buffer (1.5%) + countercyclical buffer (0.15% in previous target; 0.35% in revised target)

Available MREL 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*

Latest credit ratings

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

Latest updates triggered by the COVID-19 pandemic:

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

Contents

COVID-19 (1/9)

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, 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)*

Czech Republic

Opt-in: 3 or 6 months

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

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

Hungary

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

Extension of the deferral 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)*

Guarantee Scheme & liquidity assistance

Belgium

- **A state guarantee scheme** of up to 40bn EUR to cover losses incurred on future non-retail loans granted before 31 Dec 2020 to viable companies, with a tenor of 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

- 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

- **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

Deferral of payments

Slovakia

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

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

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

Guarantee Scheme & liquidity assistance

Slovakia

- **Anti-Corona Guarantee program offered by the Slovak Investment Holding (SIH)** and aimed at SMEs, consists of two components: (i) an 80% state guarantee with a 50% portfolio cap and (ii) 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

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

Ireland

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

COVID-19 (3/9)

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

Payment holidays – by country :

Status: 31 Dec 2020 *Eur bn*	Loan deferrals granted		Expired loan deferrals
	Total	% of total loan portfolio	
KBC Group	**13.4**	**8%**	**8.7**
of which:			
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

Payment holidays – by segment :

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

Loans and advances under public Covid-19 guarantee schemes :

Status: 31 Dec 2020	Loans granted EUR m	# obligors k
KBC Group	**814**	**10**
of which:		
SME	411	
Corporate	389	

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 (5/9)

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%

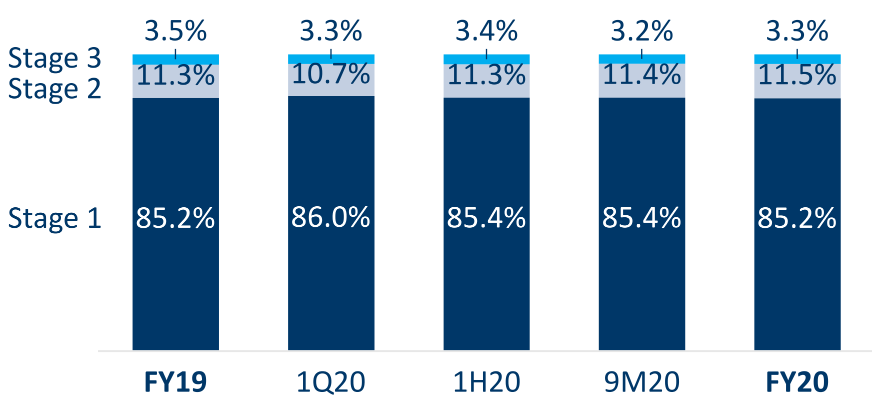
COVID-19 (6/9)

Steady staging of loan portfolio

Total loan portfolio outstanding by segment*

(in billions of EUR)	FY19	1Q20	1H20	9M20	FY20
Loan portfolio outstanding	**175**	**180**	**179**	**179**	**181**
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*

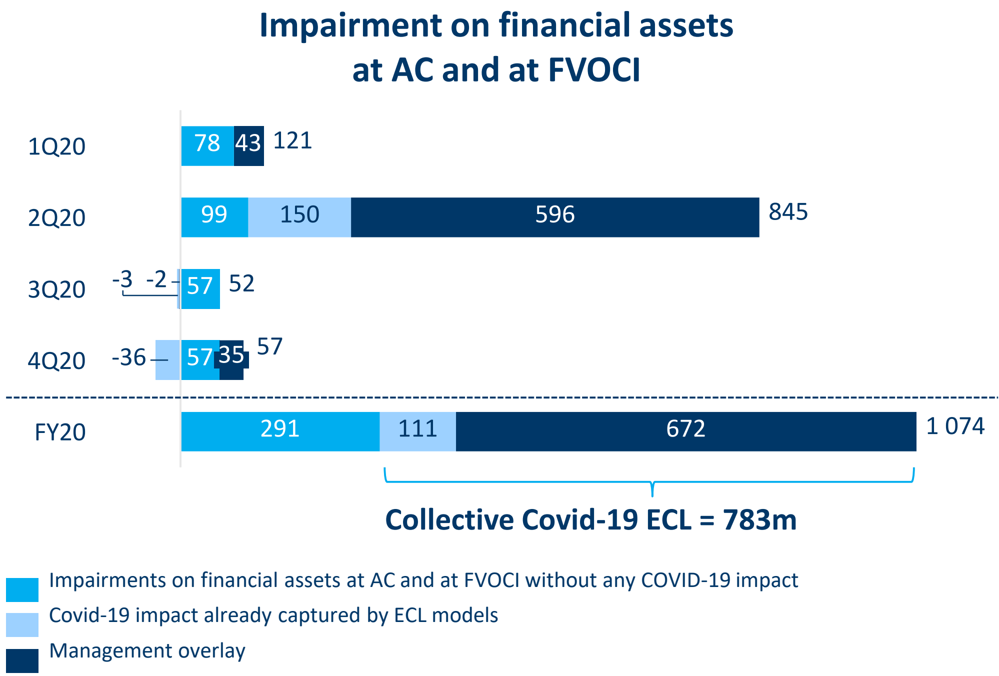


- As disclosed during previous quarters, our Expected Credit Loss (ECL) models were not able to adequately reflect all the specifics of the Covid-19 crisis or the various government measures implemented in the different countries to support households, SMEs and Corporates through this crisis. Therefore, 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)



- 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*

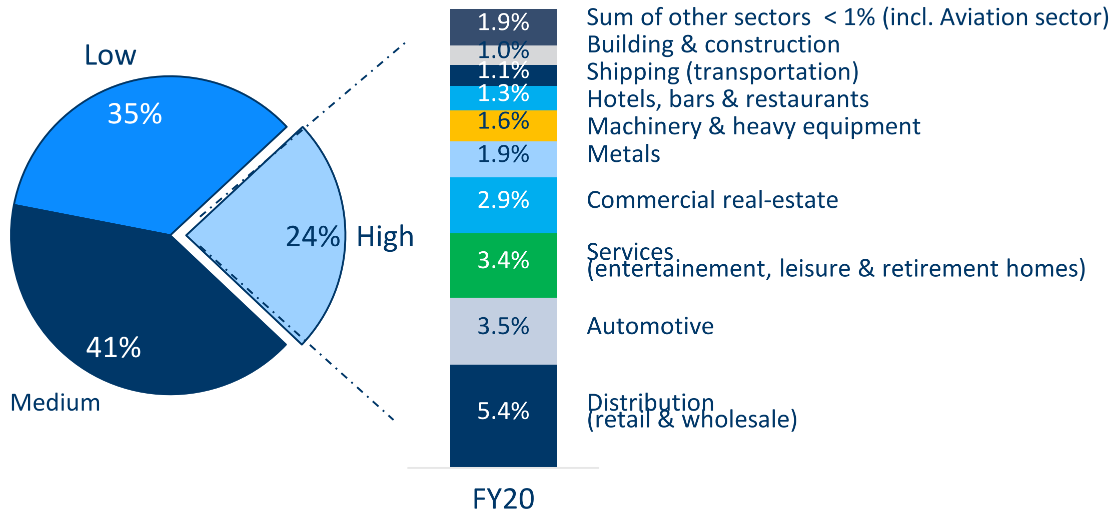
- Including the collective Covid-19 ECL, the Credit Cost Ratio for FY20 amounted to 0.60%

Amounts in m EUR

COVID-19 (8/9)

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

SME & Corporate loan portfolio* of 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:

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)

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	

- 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	Performing portfolio impact				Non-Performing portfolio	Total FY20	4Q20	3Q20	2Q20	1Q20
EUR m	*Optimistic* 10%	*Base* *55%*	*Pessimistic* *35%*	Probability weigthed						
KBC Group	**511**	**618**	**930**	**717**	**66**	**783**	**-1**	**-5**	**746**	**43**
By country:										
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

Contents

KBC's covered bond programme

Residential mortgage covered bond programme

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

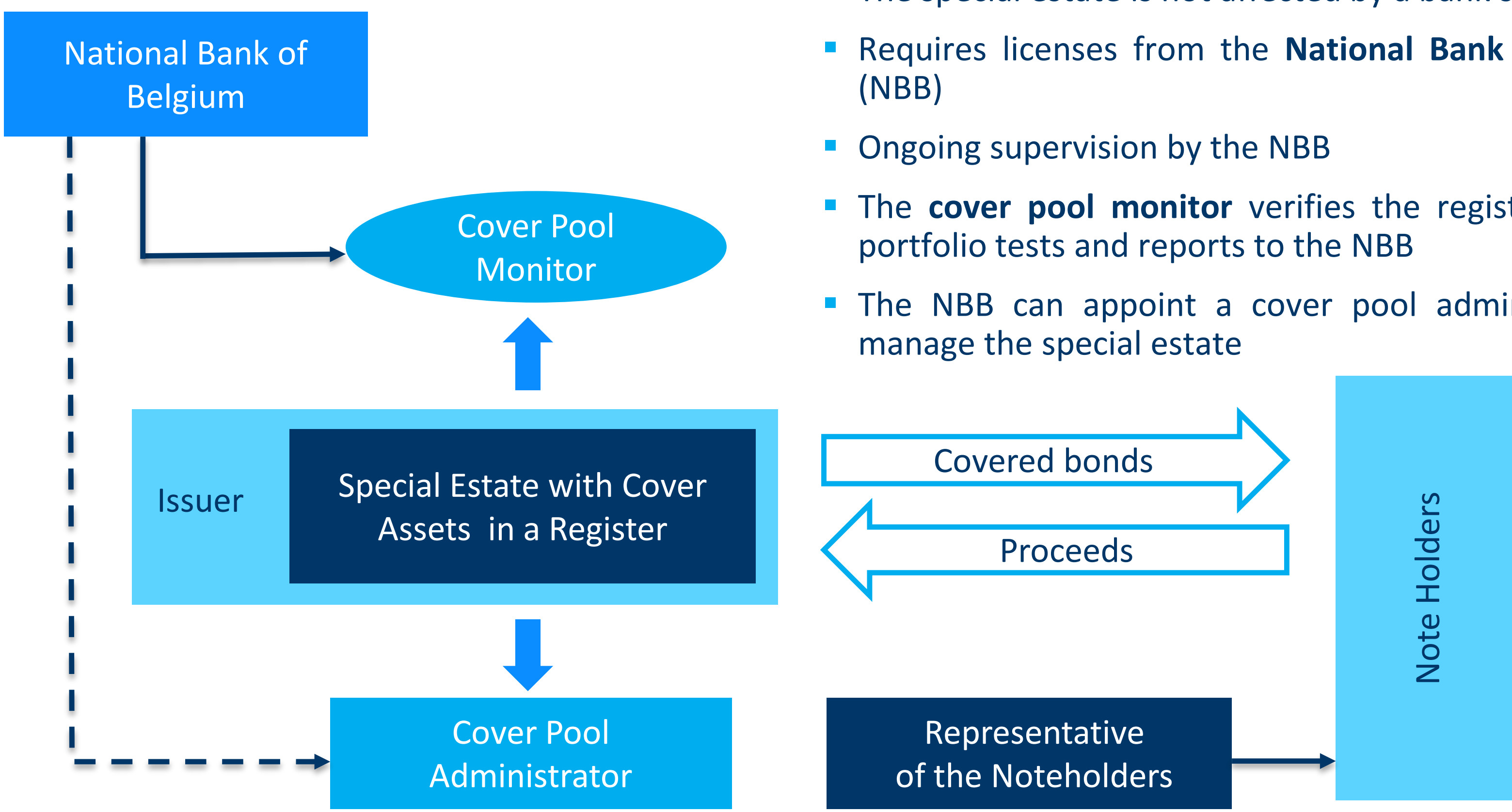
Issuer:	• KBC Bank NV
Main asset category:	• min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon
Programme size:	• **17,5bn EUR** • **Outstanding amount of 12,77bn EUR**
Interest rate:	• Fixed rate, floating rate or zero coupon
Maturity:	• Soft bullet: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

	Moody's	Fitch
Over-collateralisation	**11.5%**	**4,5%**
	TPI Cap Probable	**D-cap 4 (moderate risk)**

KBC's covered bond programme

Belgian legal framework

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



KBC's covered bond programme

Strong legal protection mechanisms

1 Collateral type

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

2 Over-collateralisation Test

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

3 Cover Asset Coverage Test

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

4 Liquidity Test

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

5 Cap on Issuance

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

KBC's covered bond programme

Cover pool

COVER POOL: BELGIAN RESIDENTIAL MORTGAGE LOANS

- Exclusively, this is selected as main asset category
- Value (including collections) at least 105% of the outstanding covered bonds
- Branch originated prime residential mortgages predominantly out of Flanders
- Selected cover assets have low average LTV (65.1%) and high seasoning (49.2 months)

KBC HAS A DISCIPLINED ORIGINATION POLICY

- 2009 to 2020 residential mortgage loan losses below 4 bp
- Arrears in Belgium approx. stable over the past 10 years:
  - (i) Cultural aspects, stigma associated with arrears, importance attached to owning one's property
  - (ii) High home ownership also implies that the change in house prices itself has limited impact on loan performance
  - (iii) Well established credit bureau, surrounding legislation and positive property market

Contents

Sustainability
KBC Green bond framework

Rationale: enhancing the KBC sustainability strategy

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

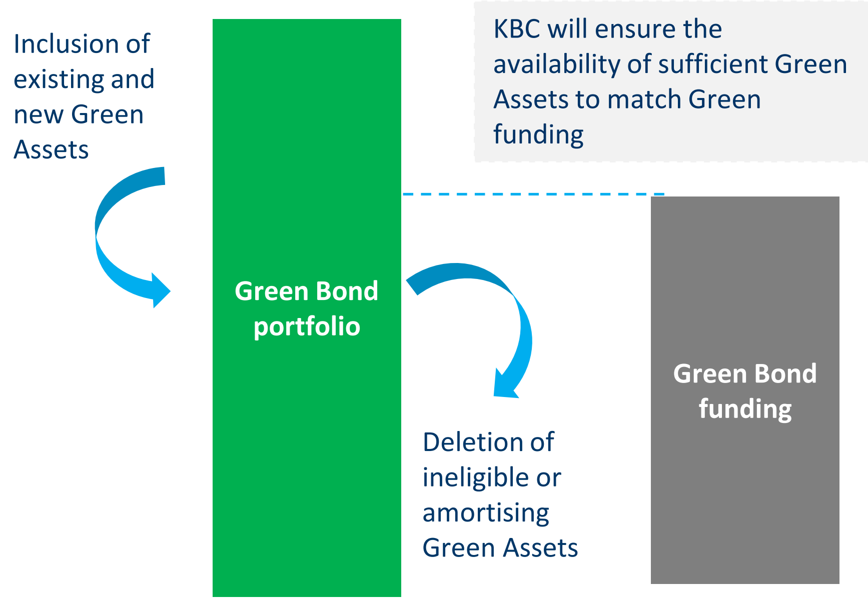
KBC Green Bond Framework

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

Aligned with best practices and market developments

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

KBC GREEN PORTFOLIO APPROACH



Certification

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

Verification

- One year after issuance and until maturity, a limited assurance report on the allocation of the Green Bond proceeds to Eligible Assets to be provided by an external auditor
- See latest impact report March 2020 available on KBC.COM website.

Annual impact - Renewable energy projects	KBC Green Bond 2018	KBC Green Bond 2020
Allocated amount renewable energy (m)	203 EUR	300 EUR
Electricity produced/energy saved (MWh)	312 434	443 351
Avoided CO2e emissions (tones)	59 050	117 217

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

Contents

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

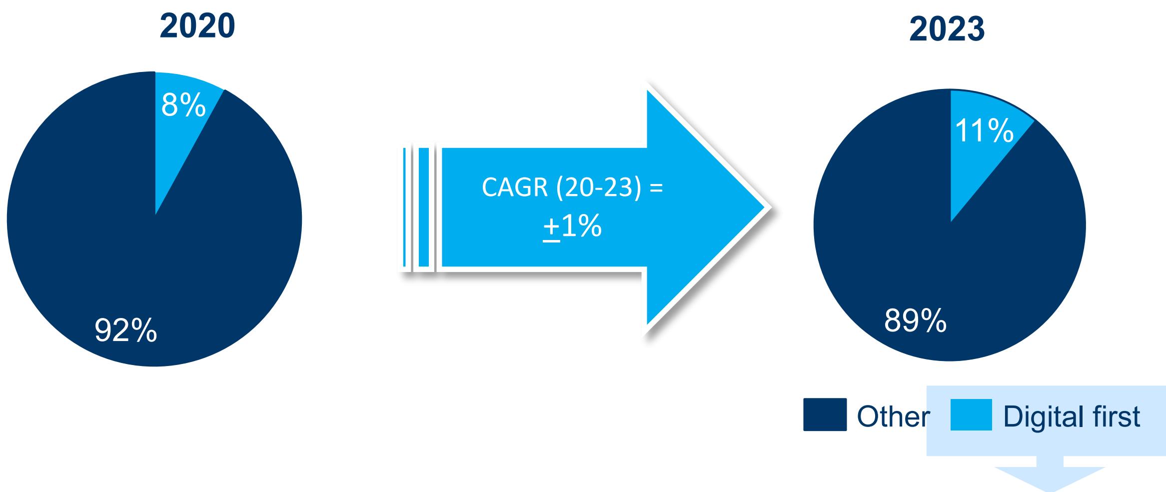
Regulatory requirements		
Overall capital requirement (OCR)**	≥ 10.45%	by 2021
MREL as a % of TLOF***	≥ 9.67%	by 2021
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

** 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

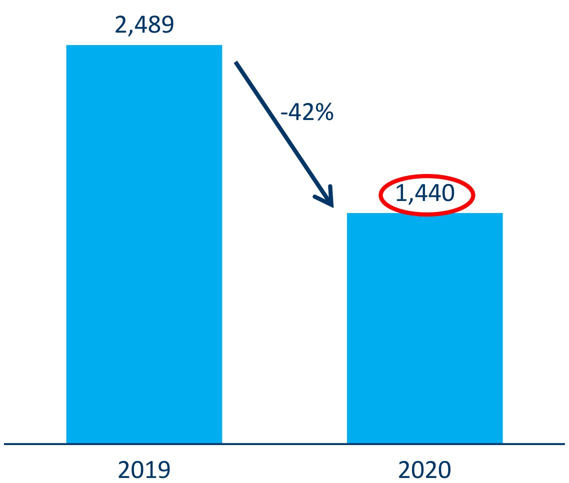
- From the moment Basel IV will apply, the capital deployment plan will be updated (as from 1 January 2023 at the earliest)

Appendices

1	Full year 2020 performance
2.	Overview of outstanding benchmarks
3.	Summary of KBC's covered bond programme
4.	Solvency: details on capital
5.	Details on business unit international markets
6.	Details on credit exposure of Ireland

Annex 1 - FY 2020
FY 2020 net result amounted to 1,440m EUR

NET RESULT



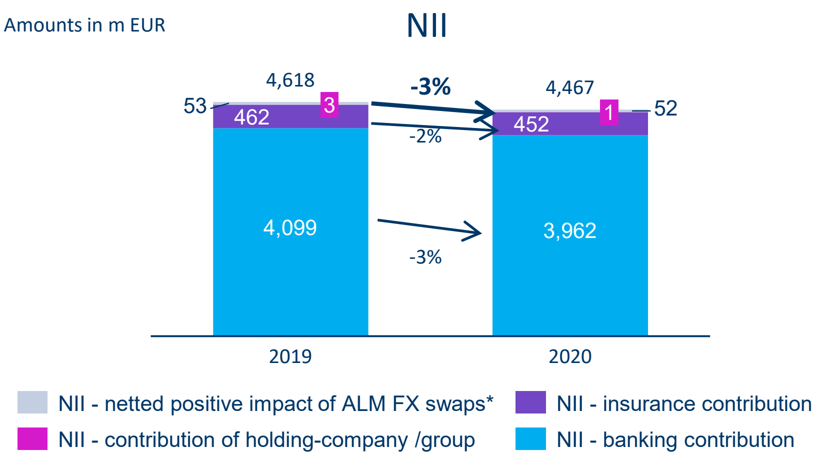
- **Net result fell by 42% y-o-y to 1,440m EUR in 2020,** mainly as a result of the following:
  - Revenues fell by 6% y-o-y mainly due to lower net interest income, net fee & commission income, dividend income, net result from FIFV and net other income, partly offset by higher result from life and non-life 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

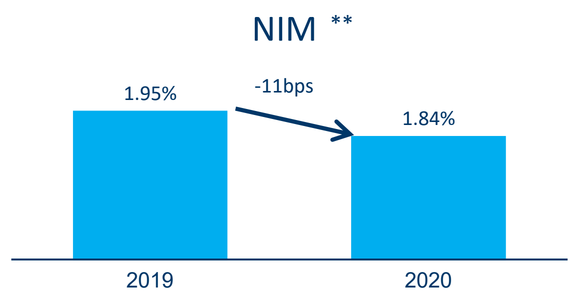
Amounts in m EUR

Annex 1 – FY 2020

Lower net interest income and net interest margin

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

- **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

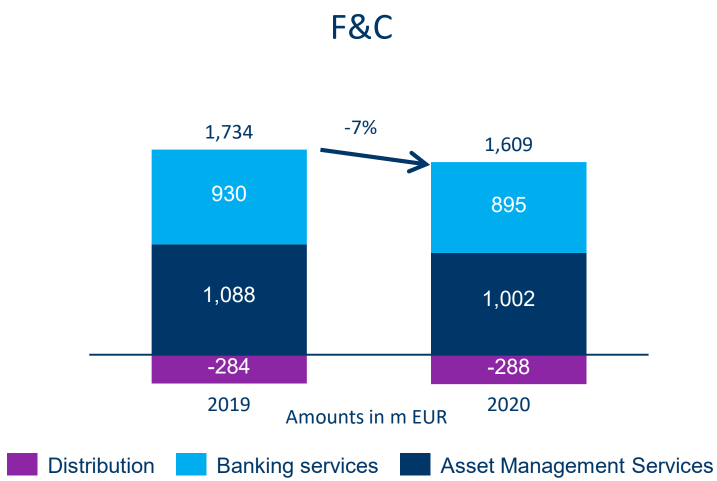
    which were partly offset by:
    - continued good loan volume and government bond portfolio growth
    - higher margin on new production mortgages than the margin on the outstanding portfolio in Belgium, the Czech Republic and Slovakia
    - lower funding costs, due largely to the positive impact of 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)

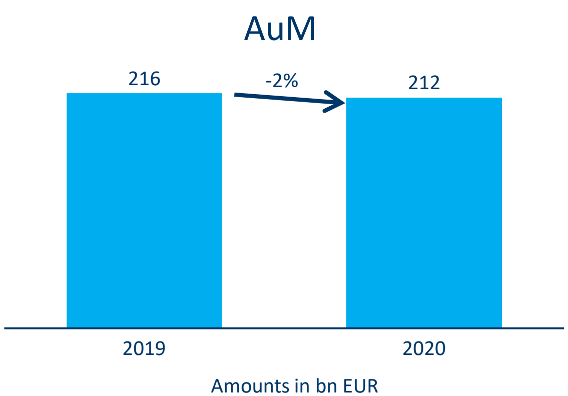
ORGANIC VOLUME TREND	Total loans*	o/w retail mortgages	Customer deposits**	AuM	Life reserves
Volume	160bn	72bn	215bn	212bn	28bn
Growth y-o-y	+3%	+7%	+6%	-2%	-3%

* 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**

Annex 1 – FY 2020
Lower net fee and commission income and AUM



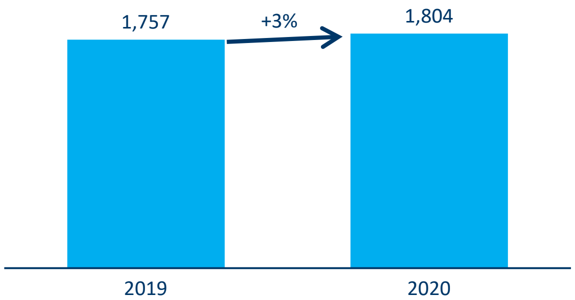


- **Net fee and commission income**
  - Decreased by 7% y-o-y:
    - Net F&C from Asset Management Services decreased by 8% y-o-y as a result of lower management and entry fees from mutual funds & unit-linked life insurance products
    - Net F&C income from banking services decreased by 4% y-o-y (-1% 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

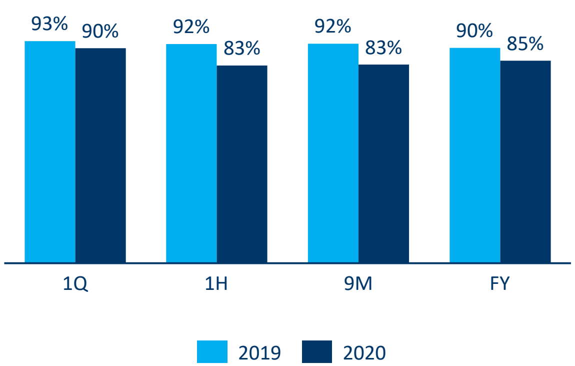
Annex 1 – FY 2020
Higher non-life insurance sales and excellent combined ratio

NON-LIFE SALES
(GROSS WRITTEN PREMIUM)



Amounts in m EUR

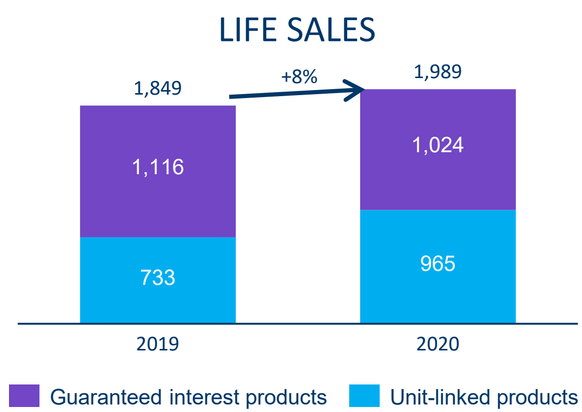
COMBINED RATIO (NON-LIFE)



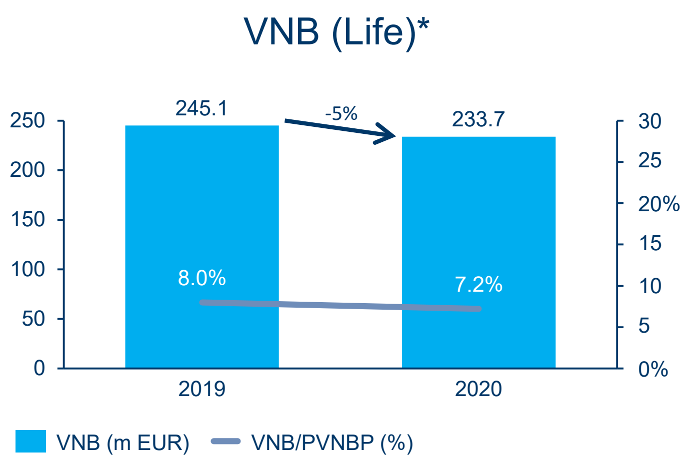
- **Sales of non-life insurance products**
  - Up by 3% y-o-y mainly thanks to a good commercial performance in all major product lines in our core markets and tariff increases in 1Q20, partly offset by the negative impact of Covid-19 on new business (in motor) and on existing business (mainly 'Workmen's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

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

Annex 1 – FY 2020
Despite Covid-19, life insurance sales increased y-o-y, while VNB only slightly decreased



Amounts in m EUR



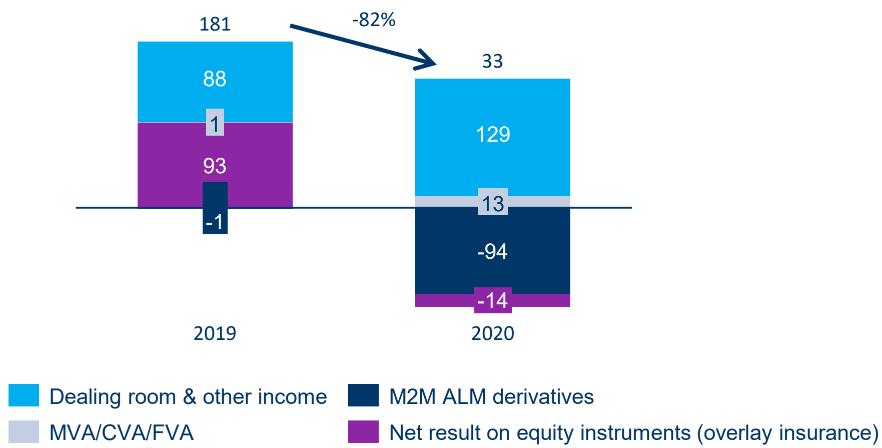
- **Sales of life insurance products**
  - Up by 8% y-o-y
    - The 32% y-o-y increase in sales of unit-linked products was driven mainly by the launch of new products, a shift from mutual funds to unit-linked products by Private Banking clients and commercial actions towards Retail/SME clients in Belgium
    - 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

Annex 1 – FY 2020
Lower FV gains and lower net other income

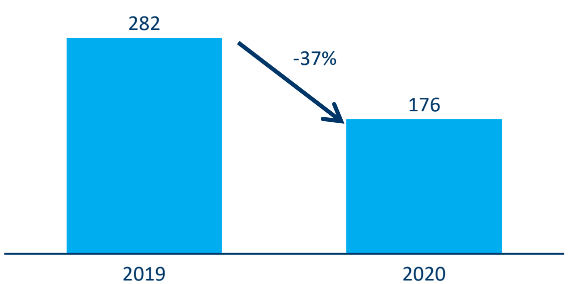
FV GAINS



- 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)

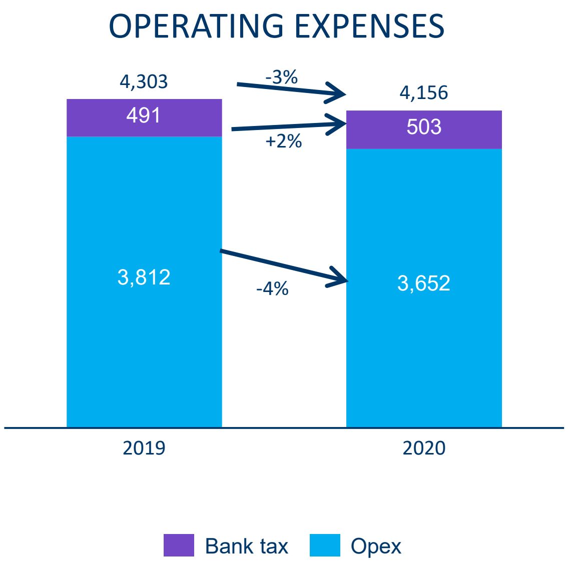
NET OTHER INCOME



- **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

Amounts in m EUR

Annex 1 – FY 2020
Tight cost control



- **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**

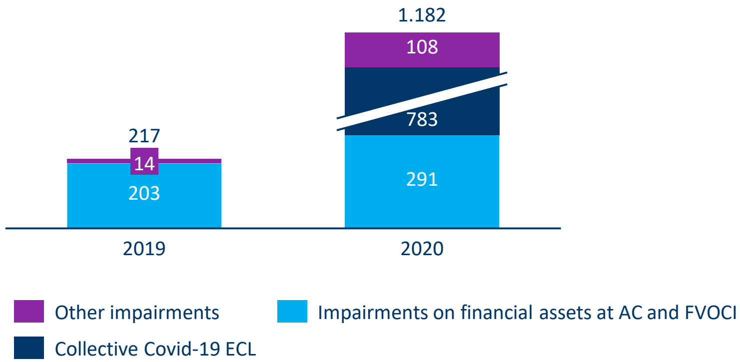
  - Operating expenses excluding bank tax decreased by 4.2% y-o-y or 160m EUR y-o-y in FY20, even more than the guidance of -3.5% y-o-y, due chiefly to the announced cost savings related to Covid-19
  - Total bank taxes (including ESRF contribution) increased by 2% y-o-y to 503m EUR in FY20
  - Including higher bank taxes (+12m EUR y-o-y), operating expenses in FY20 fell by 3% y-o-y

Amounts in m EUR

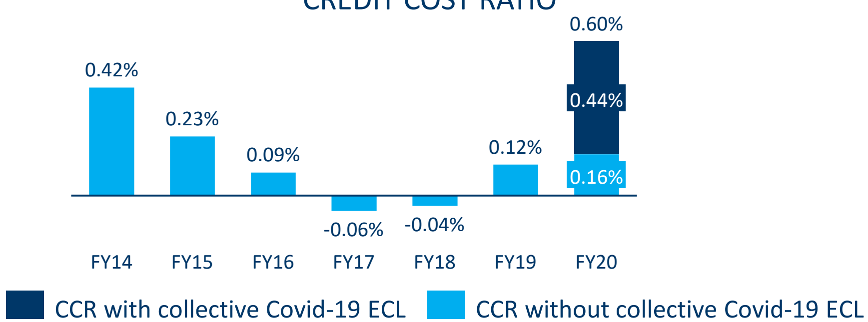
* See glossary (slide xx) for the exact definition

Annex 1 – FY 2020
Higher asset impairments, but improved impaired loans ratio

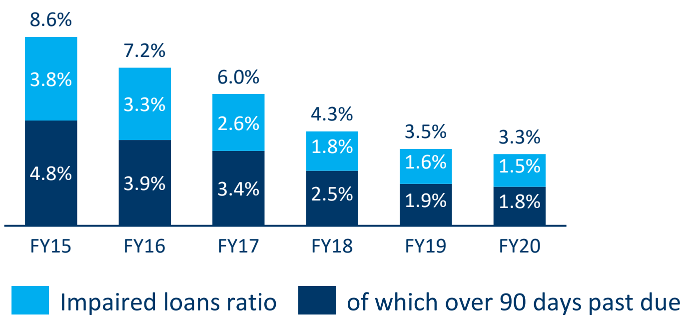
ASSET IMPAIRMENT



CREDIT COST RATIO



IMPAIRED LOANS RATIO



- **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 - Outstanding benchmarks

Overview till end of January 2021

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

Type	Issuer	Amount (in mio)	Maturity	coupon	ISIN	MREL
Senior						
Senior 26/06/2016	KBC Group	750 €	26/04/2021	1,000%	BE6286238561	☑
Senior 18/10/2016	KBC Group	750 €	18/10/2023	0,750%	BE0002266352	☑
Senior 01/03/2017	KBC Group	1 250 €	01/03/2022	0,750%	BE0002272418	☑
Senior 24/05/2017	KBC Group	750 €	24/11/2022	3M+0,55%	BE0002281500	☑
Senior 27/06/2018	KBC Group	500 €	27/06/2023	0,875%	BE0002602804	☑
Senior 07/02/2019	KBC Group	1 000 €	25/01/2024	1,125%	BE0002631126	☑
Senior 10/04/2019	KBC Group	500 €	10/04/2025	0,625%	BE0002645266	☑
Senior 24/01/2020	KBC Group	500 €	24/01/2030	0,750%	BE0002681626	☑
Senior 16/06/2020	KBC Group	500 €	16/06/2027 (7NC6)	0,375%	BE0974365976	☑
Senior 03/09/2020	KBC Group	750 €	03/09/2026 (6NC5)	0,125%	BE0002728096	☑
Senior 14/01/2021	KBC Group	750 €	14/01/2029 (8NC7)	0,125%	BE0002766476	☑
Covered bonds						
CB 31/1/2013	KBC Bank	750 €	31/01/2023	2,000%	BE0002425974	
CB 22/1/2015	KBC Bank	1 000 €	22/01/2022	0,450%	BE0002482579	
CB 28/4/2015	KBC Bank	1 000 €	28/04/2021	0,125%	BE0002489640	
CB 1/3/2016	KBC Bank	1 250 €	1/09/2022	0,375%	BE0002498732	
CB 24/10/2017	KBC Bank	500 €	24/10/2027	0,750%	BE0002500750	
CB 8/3/2018	KBC Bank	750 €	8/03/2026	0,750%	BE0002583616	
CB 03/06/2020	KBC Bank	1 000 €	3/12/2025	0,000%	BE0002707884	

Annex 3 – KBC's covered bond programme

Key cover pool characteristics

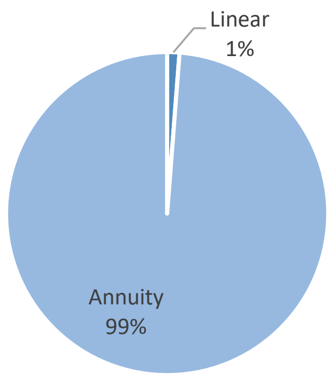
Investor reports, final terms and prospectus are available on www.kbc.com/covered_bonds

Portfolio data as of :	31 December 2020
Total Outstanding Principal Balance	17 417 172 788
Total value of the assets for the over-collateralisation test	15 683 561 762
No. of Loans	226 902
Average Current Loan Balance per Borrower	121 266
Maximum Loan Balance	1 000 000
Minimum Loan Balance	1 000
Number of Borrowers	143 627
Longest Maturity	359 months
Shortest Maturity	1 month
Weighted Average Seasoning	49.2 months
Weighted Average Remaining Maturity	188 months
Weighted Average Current Interest Rate	1.74%
Weighted Average Current LTV	65.1%
No. of Loans in Arrears (+30days)	231
Direct Debit Paying	98%

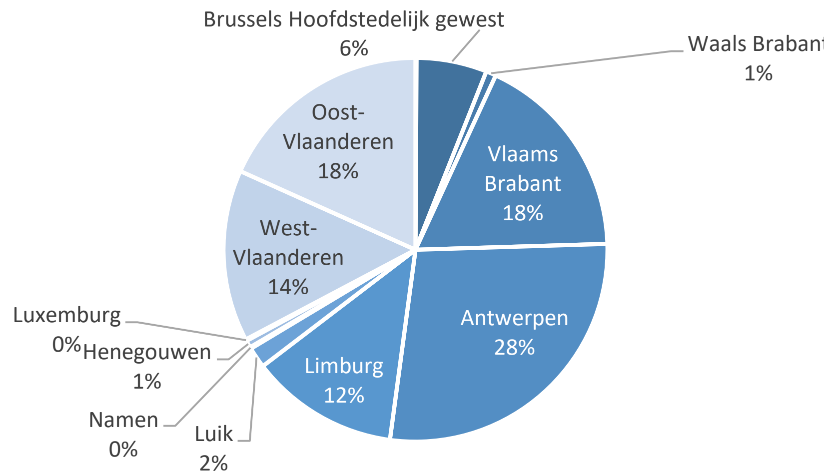
Annex 3 – KBC's covered bond programme

Key cover pool characteristics

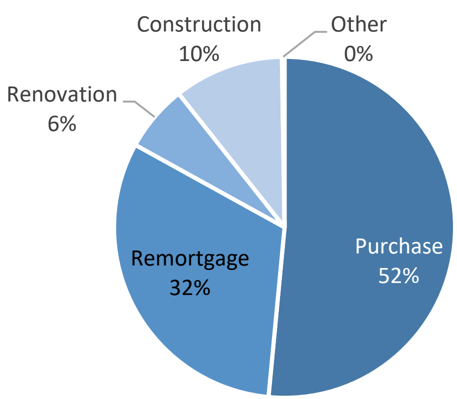
REPAYMENT TYPE (LINEAR VS. ANNUITY)



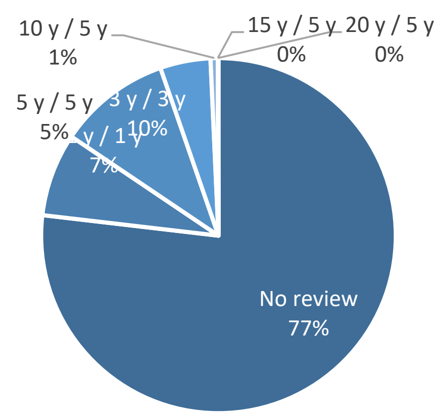
GEOGRAPHICAL ALLOCATION



LOAN PURPOSE

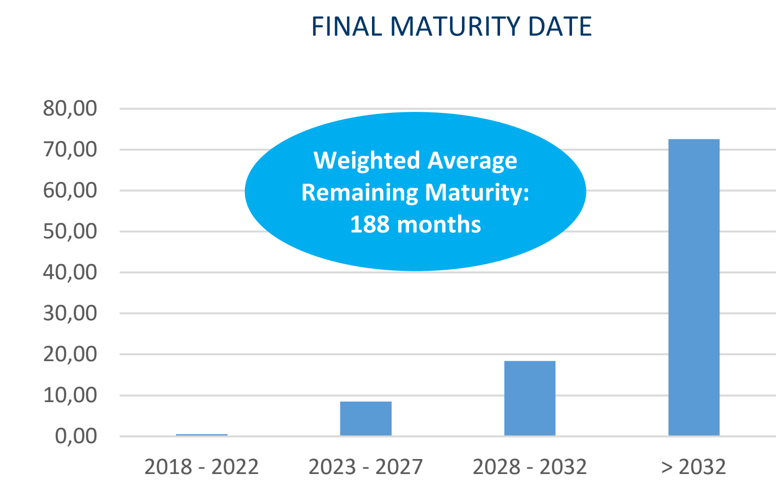


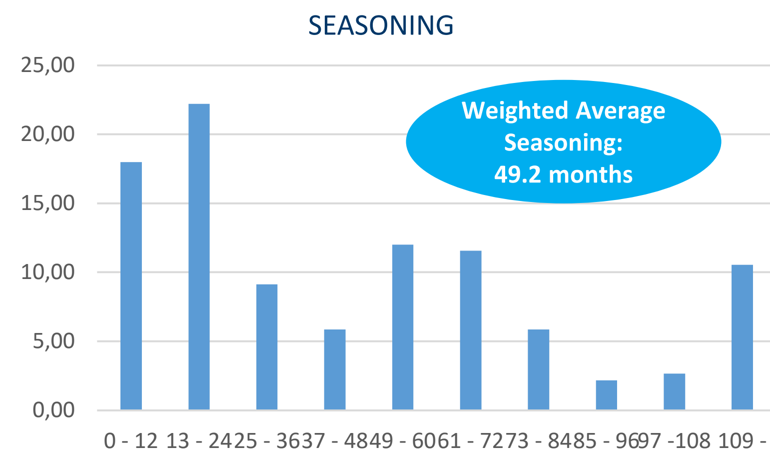
INTEREST RATE TYPE (FIXED PERIODS)

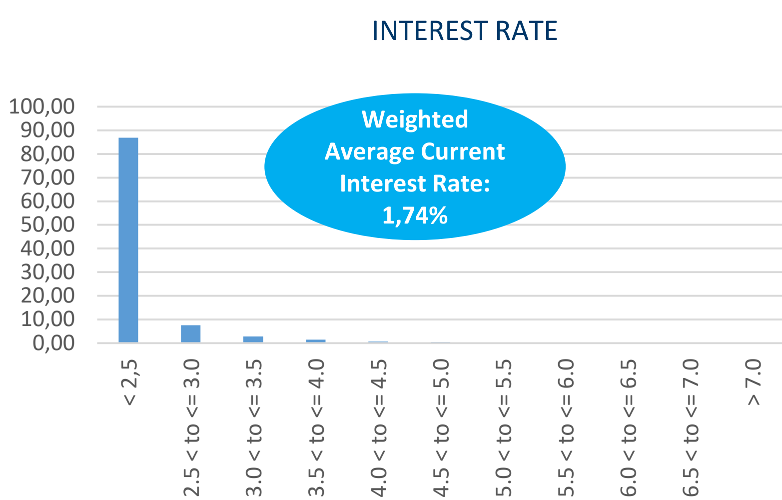


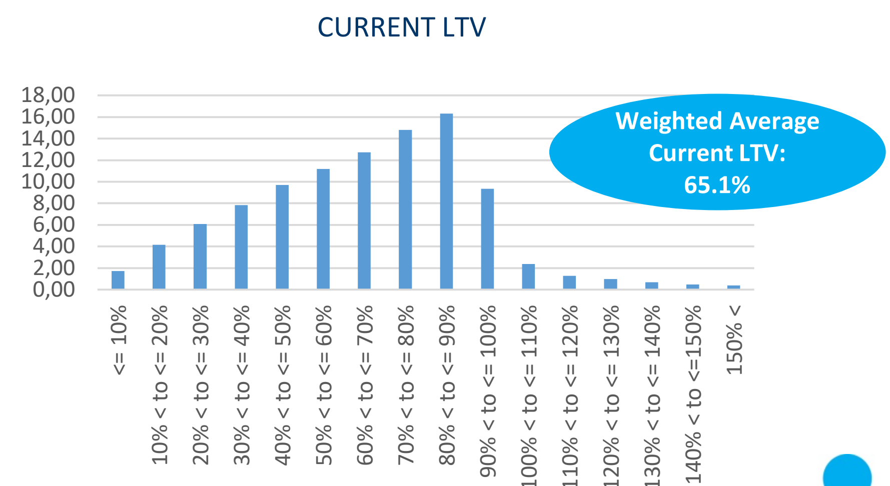
Annex 3 – KBC's covered bond programme

Key cover pool characteristics



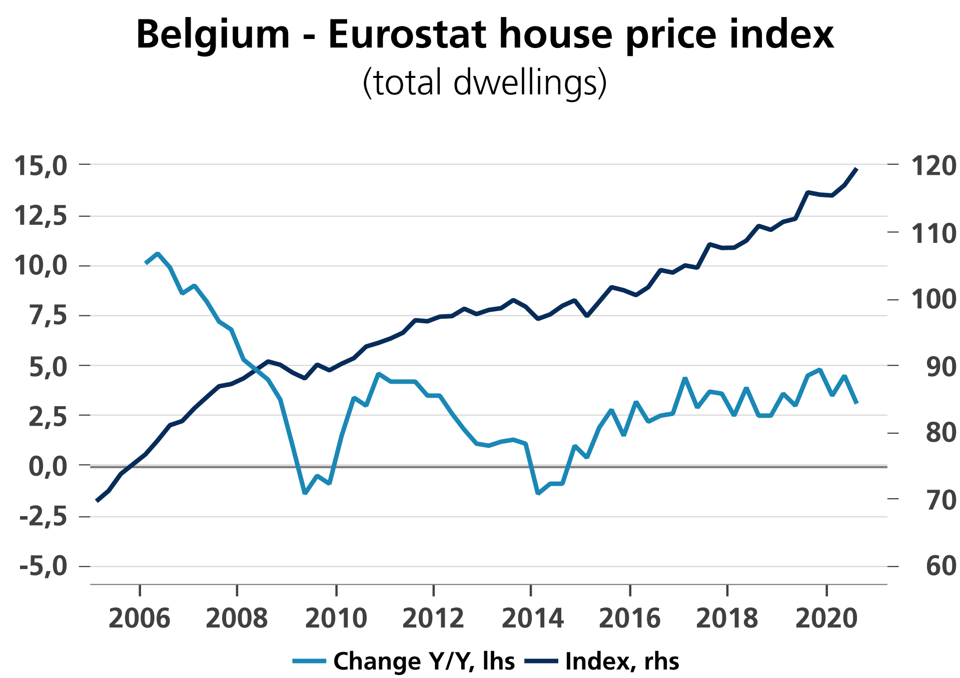






Annex 3 - Belgian real estate market

Housing market still strong in 2020 due to strong investor appetite for real estate.

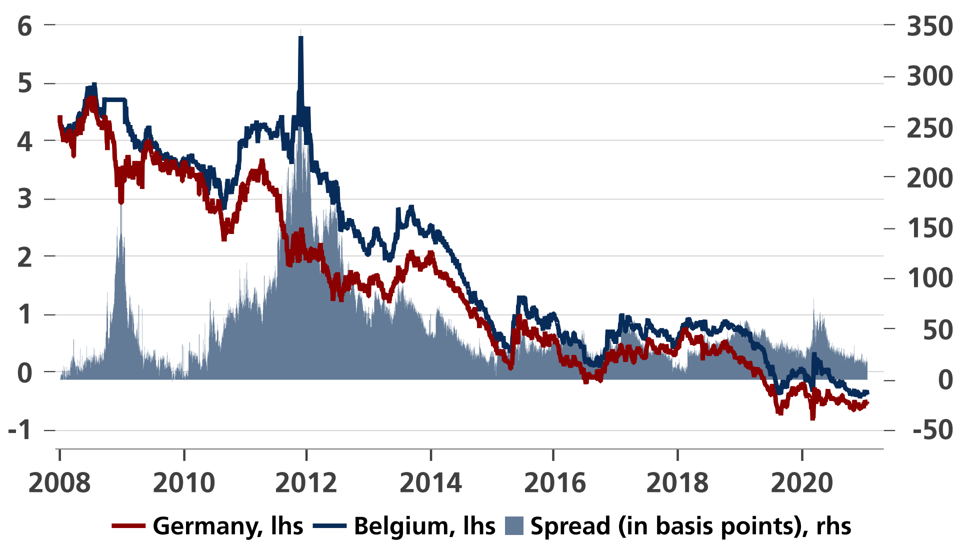


Source: KBC Economics based on Eurostat

Annex 3 - Interest rates

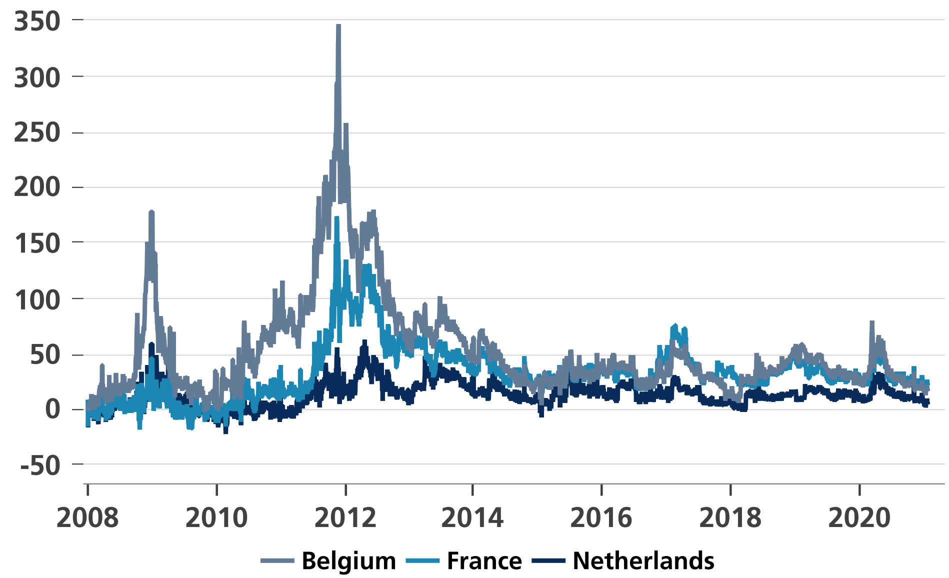
Belgian spread vs. 10y German Bund forecast to remain at around 25 bps

10 year government bond yield
(in %)



Source: KBC Economics based on Macrobond

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



Source: KBC Economics based on Macrobond

Annex 4 - Solvency details

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

Annex 4 – Solvency details

Application of regulatory quick fixes

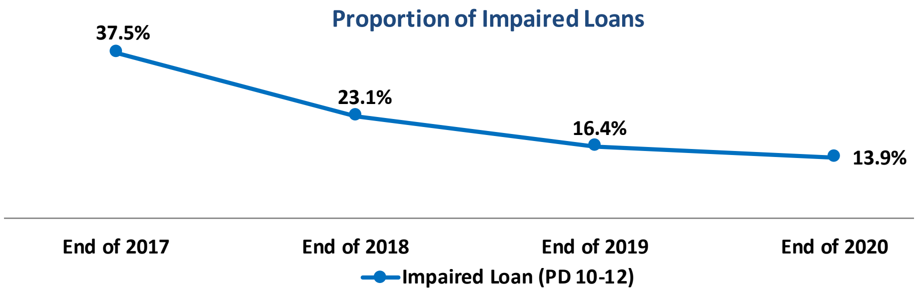
Quick fix topic	Applied by KBC	Timing of implementation	Impact on CET1 ratio	Comment
SME supporting factor	✓	2Q 2020	**+32bps at 2Q20**	Pulled forward from mid 2021 by regulator
Outliers in Market risk VaR models	✓	2Q 2020	**+8bps at 2Q20**	Permission granted to exclude COVID-19 outliers
Sovereigns under 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

Annex 5 – Business unit international markets
Business profile

	BELGIUM	CZECH REPUBLIC	SLOVAKIA	HUNGARY	BULGARIA	IRELAND	GROUP CENTRE
4Q20 NET RESULT (in million euros)	396m	94m	25m	38m	25m	-3m	-38m
ALLOCATED CAPITAL (in billion euros)	7.0bn	1.7bn	0.6bn	0.8bn	0.4bn	0.7bn	0.2bn
LOANS (in billion euros)	103bn	29bn	9bn	5bn	4bn	10bn	
DEPOSITS (in billion euros)	135bn	42bn	9bn	9bn	5bn	5bn	
BRANCHES (end 4Q20)	476	212	175	204	175	12	
Clients (end 4Q20)	3.7m	4.2m	0.8m	1.6m	1.4m	0.3m	

Annex 6 - Ireland
Impaired loans continues 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%
Total	**10,329**	**1,433**	**14%**	**376**	**26%**



4Q20 Total Portfolio

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

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

- The Irish economy 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

Glossary (1/2)

AQR	Asset Quality Review
B3	Basel III
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (banking)	[operating expenses of the banking activities of the group] / [total income of the banking activities of the group]
Cost/income ratio adjusted for specific items	The numerator and denominator are adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include: • MtM ALM derivatives (fully excluded) • bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC21) • one-off items
Credit cost ratio (CCR)	[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
ESFR	European Single Resolution Fund
FICOD	Financial Conglomerates Directive
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (PD 10-11-12)]
Impaired loans ratio	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity coverage ratio (LCR)	[stock of high-quality liquid assets] / [total net cash outflow over the next 30 calendar days]
Net interest margin (NIM) of the group	[banking group net interest income excluding dealing room] / [banking group average interest-bearing assets excluding dealing room]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]

Glossary (2/2)

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

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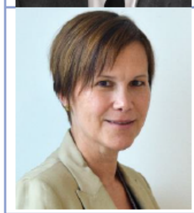	Dominique Agneesens Investor Relations Manager	Direct + 32 2 429 14 41 Mobile +32 473 657 294 Dominique.agneesens@kbc.be
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