KBC Group
Company presentation
3Q 2019

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3Q 2019 key takeaways

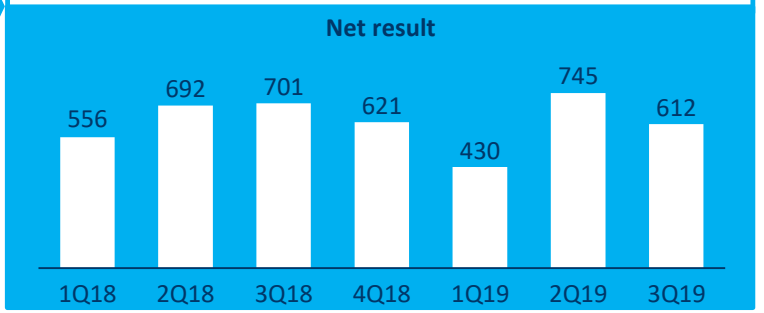
3Q19 financial performance

- **Commercial bank-insurance franchises** in core markets performed well
- **Customer loans** and **customer deposits** increased in most of our core countries
- Higher **net interest income** and stable net interest margin
- Higher **net fee and commission income**
- Lower **net gains from financial instruments at fair value** (mainly due to poor dealing room income) and lower **net other income**
- Excellent sales of **non-life** and **life** insurance y-o-y
- Strict **cost** management
- Lower net **impairments on loans**
- Solid **solvency** and **liquidity**
- An **interim dividend of 1 EUR per share** (as advance payment on the total 2019 dividend) will be paid on 15 November 2019

Good net result of 612m EUR in 3Q19

9M19

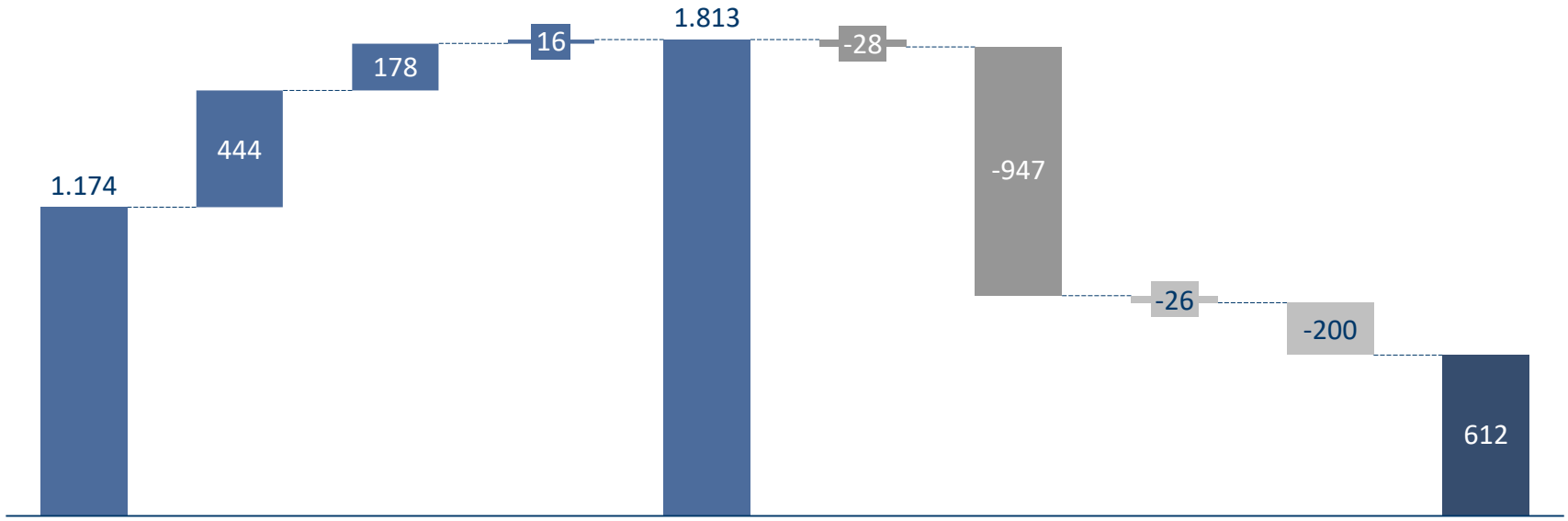
- **ROE 15%***
- **Cost-income ratio 59%** (adjusted for specific items)
- **Combined ratio 92%**
- **Credit cost ratio 0.10%**
- **Common equity ratio 15.4%**** (B3, DC, fully loaded)
- **Leverage ratio 6.0%** (fully loaded)
- **NSFR 135% & LCR 140%**



* when evenly spreading the bank tax throughout the year

** 15.9% when including 9M19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

Overview of building blocks of the 3Q19 net result



* Earned premiums – technical charges + ceded reinsurance

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

Main exceptional items

		3Q19	2Q19	3Q18
BE BU	Non-Life – Reassessment of claims provisions		-16m EUR	
	Opex – Expenses for early retirement			-4m EUR
	Opex – Staff expenses (management reorganisation costs)		-6m EUR	
	Total Exceptional Items BE BU		***-22m EUR***	***-4m EUR***
CZ BU	NOI – Revaluation of 55% stake in ČMSS		+82m EUR	
	Opex – Restructuring costs	-5m EUR		-5m EUR
	Opex – Release provision of legacy legal files	+4m EUR		
	Total Exceptional Items CZ BU	***-1m EUR***	***+82m EUR***	***-5m EUR***
IM BU	IRL - NOI – Additional impact for the tracker mortgage review	-18m EUR	-4m EUR	
	IRL - Opex – Costs, mainly related to sale of part of legacy loan portf.		-2m EUR	-3m EUR
	IRL - Impairments – On sale of legacy loan portfolio		-12m EUR	
	Total Exceptional Items IM BU	***-18m EUR***	***-18m EUR***	***-3m EUR***
GC	NOI – Settlement of old legal file	+3m EUR		+5m EUR
	Opex - Staff expenses (management reorganisation costs)		-4m EUR	
	Opex – Expenses for early retirement			-2m EUR
	Tax - DTA impact		+34m EUR	
	Total Exceptional Items GC	***+3m EUR***	***+30m EUR***	***+3m EUR***
Total Exceptional Items (pre-tax)		-16m EUR	+72m EUR	-9m EUR
Total Exceptional Items (post-tax)		-16m EUR	+82m EUR	-7m EUR

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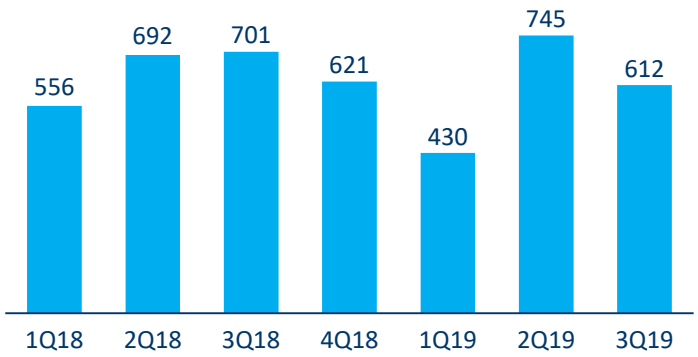
Section 1

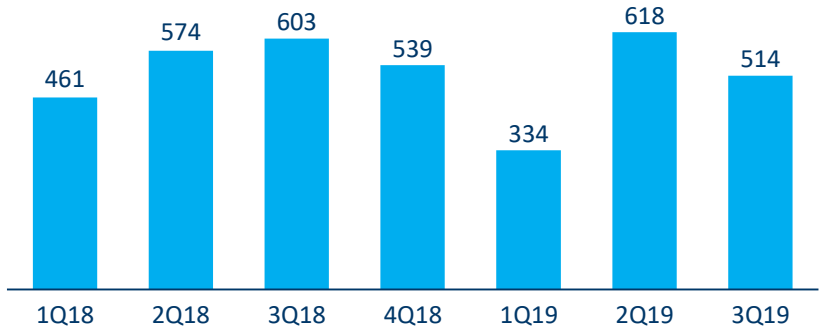
3Q 2019 performance of KBC Group

Net result at KBC Group

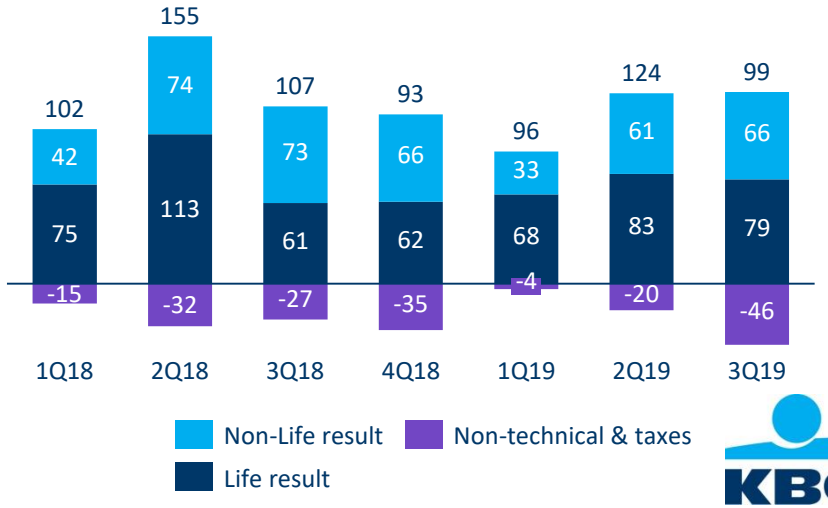
NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*



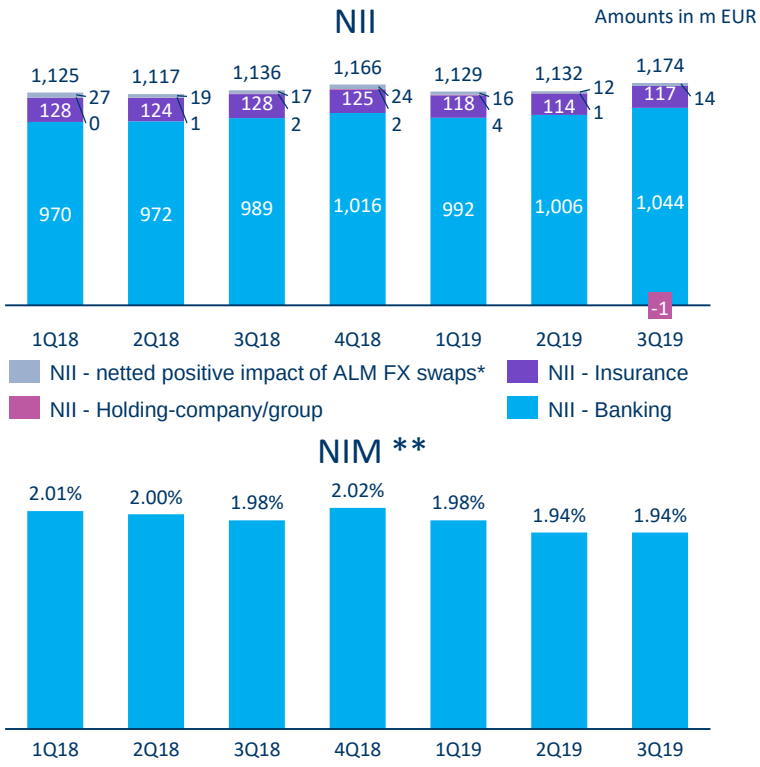
CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*



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

Amounts in m EUR

Higher net interest income and stable 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 (1,174m EUR)**
  - Increased by 4% q-o-q and by 3% y-o-y. Note that NII banking increased even by 4% q-o-q and by 6% y-o-y
  - The q-o-q increase was driven primarily by:
    - continued good loan volume growth
    - higher margins on new loan production in most core countries
    - 3-month full consolidation of ČMSS (+14m EUR q-o-q)
    - small additional positive impact of short-term interest rate increase in the Czech Republic
    - higher number of days
    - higher NII Insurance (coupon on inflation linked bonds fully booked in 3Q)
    - slightly higher netted positive impact of ALM FX swaps

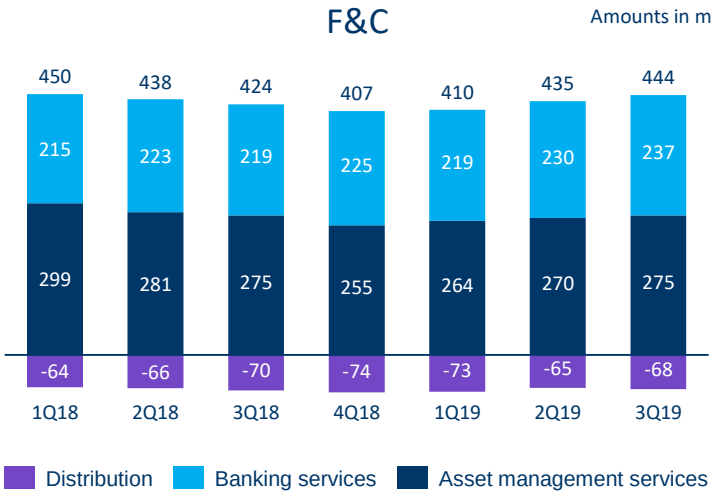
    partly offset by:
    - lower reinvestment yields in our euro area core countries
    - pressure on loan margins on total outstanding portfolio in most core countries
- **Net interest margin (1.94%)**
  - Stabilised q-o-q and decreased by 4 bps y-o-y, the latter due mainly to the negative impact of lower reinvestment yields, pressure on loan margins on total outstanding portfolio and an increase of the interest-bearing assets

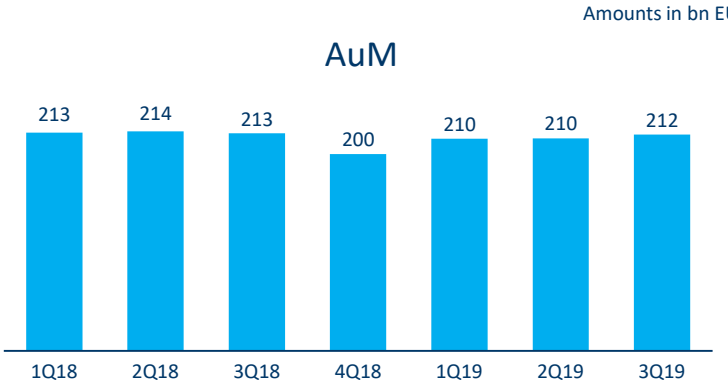
ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	155bn	66bn	205bn	212bn	28bn
Growth q-o-q*	+1%	+1%	+3%	+1%	0%
Growth y-o-y	+4%	+4%	+4%	0%	-1%

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

*** Customer deposits, including debt certificates but excluding repos. **Customer deposit volumes excluding debt certificates & repos +2% q-o-q and +4% y-o-y**

Higher net fee and commission income



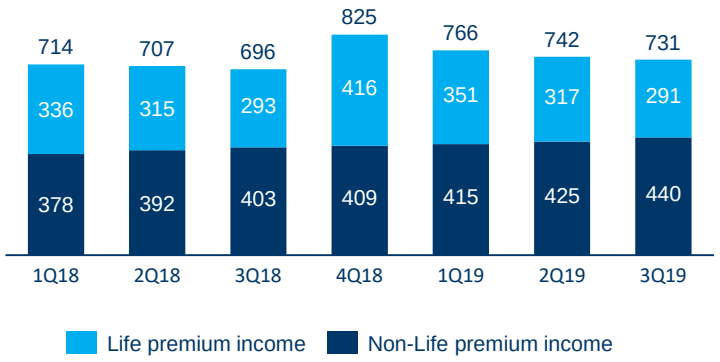


- **Net fee and commission income (444m EUR)**
  - Up by 2% q-o-q and by 5% y-o-y
  - Q-o-q increase was the result of:
    - Net F&C income from Asset Management Services increased by 2% q-o-q as a result of both higher management and entry fees from mutual funds and unit-linked life insurance products
    - Net F&C income from banking services increased by 3% q-o-q due mainly to seasonally higher fees from payment services and full consolidation of ČMSS (+4m EUR q-o-q), partly offset by lower securities-related fees
    - Distribution costs rose by 4% q-o-q due chiefly to higher commissions paid linked to increased non-life insurance sales
  - Y-o-y increase was mainly the result of the following:
    - Net F&C income from Asset Management Services stabilised y-o-y as lower management fees from mutual funds & unit-linked life insurance products were offset by higher entry fees
    - Net F&C income from banking services increased by 8% y-o-y (all type of fees rose y-o-y)
    - Distribution costs fell by 2% y-o-y

- **Assets under management (212bn EUR)**
  - Increased by 1% q-o-q and roughly stabilised y-o-y
  - The mutual fund business has seen net outflows in 3Q19, mainly in investment advice

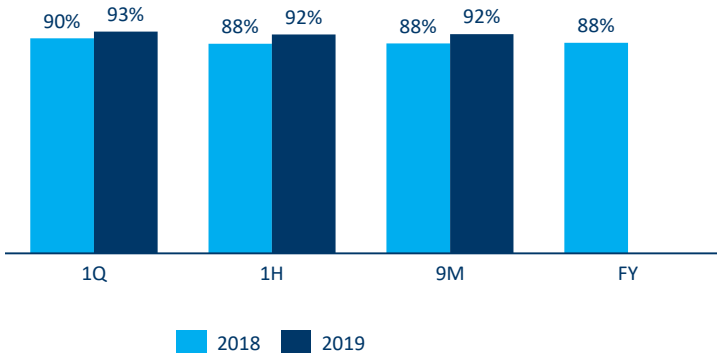
Insurance premium income up y-o-y and good combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUMS)



- **Insurance premium income** (gross earned premiums) **at 731m EUR**
  - Non-life premium income (440m) increased by 9% y-o-y
  - Life premium income (291m) down by 8% q-o-q and roughly stable y-o-y

COMBINED RATIO (NON-LIFE)

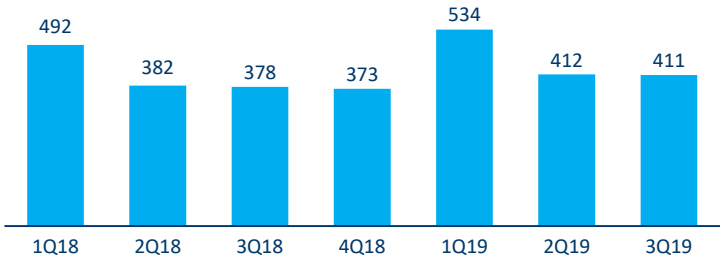


- The non-life **combined ratio** for 9M19 amounted to **92%**, a good number despite higher technical charges due mainly to large claims (storm and fire, especially in 1Q19) and a reassessment on claims provisions in 2Q19 (-16m EUR), partly offset by ceded reinsurance result

Amounts in m EUR

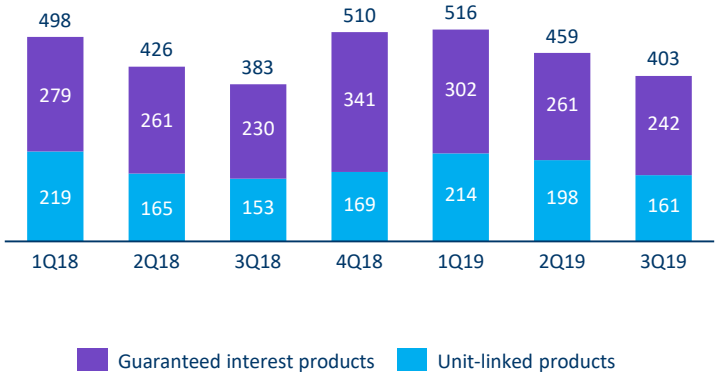
Non-life and life sales up y-o-y

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



- **Sales of non-life insurance products**
  - Up by 9% y-o-y thanks to a good commercial performance in all major product lines in our core markets and tariff increases

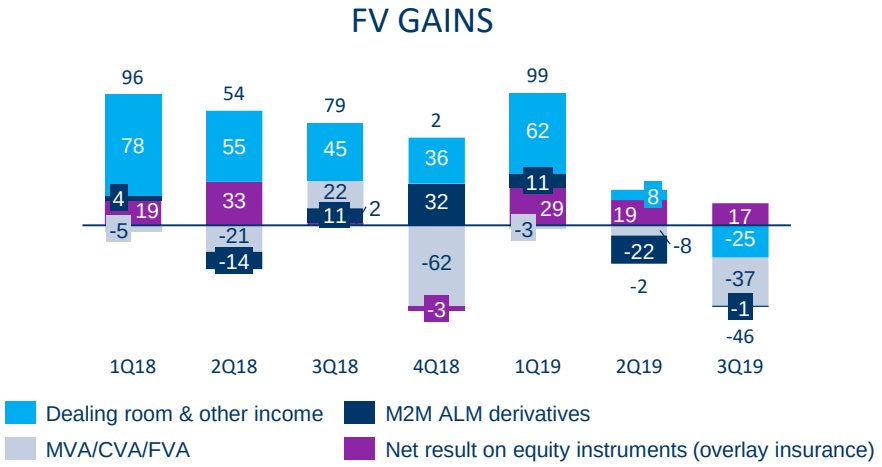
LIFE SALES



- **Sales of life insurance products**
  - Decreased by 12% q-o-q and rose by 5% y-o-y
  - The q-o-q decrease was driven by both lower sales of guaranteed interest products and unit-linked products in all countries
  - The y-o-y increase was driven entirely by both higher sales of guaranteed interest products and unit-linked products in Belgium
  - Sales of unit-linked products accounted for 40% of total life insurance sales in 3Q19

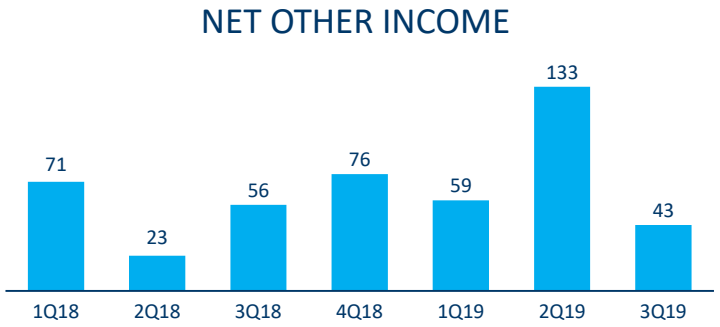
Amounts in m EUR

Lower FV gains and lower net other income



- The lower q-o-q figures for **net gains from financial instruments at fair value** were attributable mainly to:
  - a negative change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates and slightly increasing counterparty credit spreads and KBC funding spread)
  - poor dealing room & other income
  - slightly lower net result on equity instruments (insurance)

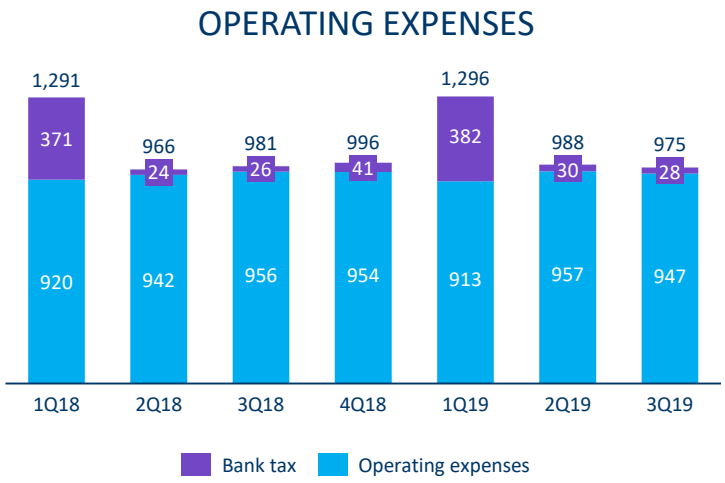
  partly offset by:
  - a positive change in ALM derivatives



- **Net other income** amounted to 43m EUR. This is slightly lower than the normal run rate of around 50m EUR due mainly to an additional impact of the tracker mortgage review of -18m EUR (of which a -14m EUR provision for a potential sanction). Note that 2Q19 was positively impacted by a one-off gain of 82m EUR related to the revaluation of the existing 55% stake in ČMSS

Amounts in m EUR

Strict cost management



EXPECTED BANK TAX SPREAD IN 2019

	TOTAL	Upfront			Spread out over the year			
	3Q19	1Q19	2Q19	3Q19	1Q19	2Q19	3Q19	4Q19e
BE BU	**0**	273	4	0	0	0	0	0
CZ BU	**0**	35	1	0	0	0	0	0
Hungary	**23**	26	0	0	20	22	23	24
Slovakia	**4**	4	-1	0	4	4	4	5
Bulgaria	**0**	16	-1	0	0	0	0	0
Ireland	**1**	3	0	0	1	1	1	26
GC	**0**	0	0	0	0	0	0	0
TOTAL	**28**	**356**	**3**	**0**	**25**	**27**	**28**	**55**

Amounts in m EUR

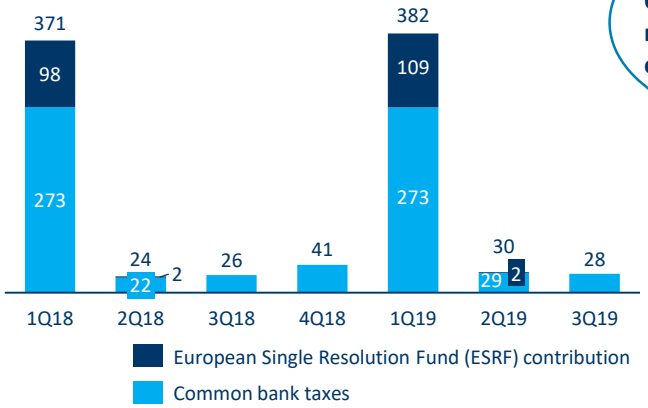
- Operating expenses excluding bank tax decreased by 1% q-o-q primarily as a result of:
  - lower staff expenses, despite wage inflation in most countries
  - 12m EUR negative one-offs in 2Q19 (of which 10m management reorganisation costs in Belgium) versus a 1m EUR negative one-off in 3Q19
  - seasonally lower ICT costs

  partly offset by:
  - full consolidation of ČMSS (11m EUR in 3Q19 versus 5m in 2Q19)
- Operating expenses without bank tax decreased by 1% y-o-y
- Cost/income ratio (banking) adjusted for specific items* at 60% in 3Q19 and 59% YTD (57% in FY18)
  Cost/income ratio (banking): 55% in 3Q19 and 60% YTD, distorted by the bank taxes
- Excluding the full consolidation of ČMSS, bank tax, FX effect and one-off costs, operating expenses in 9M19 rose by roughly 0.3% y-o-y
- Total bank taxes (including ESRF contribution) are expected to increase from 462m EUR in FY18 to 494m EUR in FY19

* See glossary (slide 77) for the exact definition

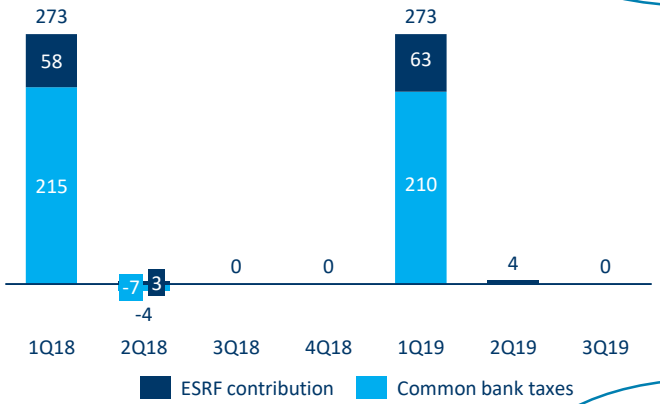
Overview of bank taxes*

KBC GROUP



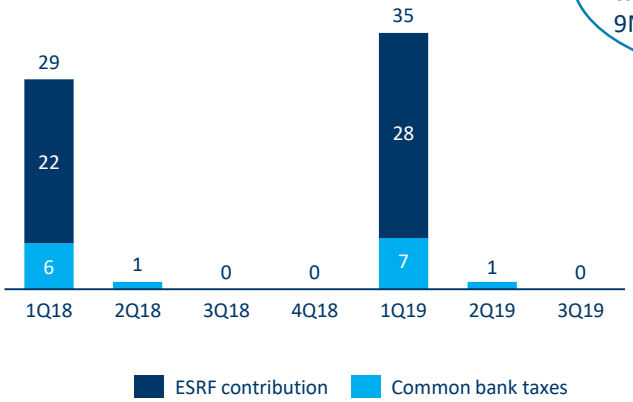
Bank taxes of 440m EUR YTD. On a pro rata basis, bank taxes represented 11.6% of 9M19 opex at KBC Group**

BELGIUM BU



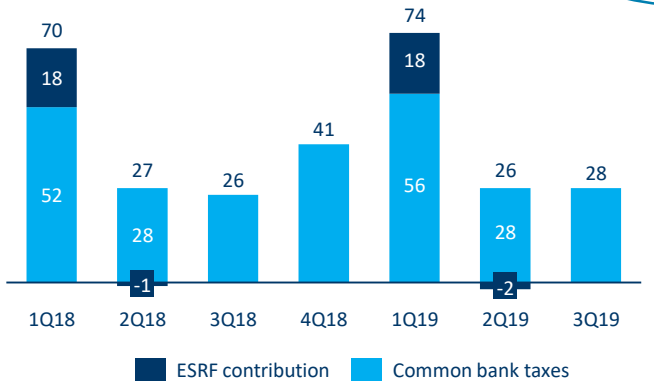
Bank taxes of 277m EUR YTD. On a pro rata basis, bank taxes represented 11.1% of 9M19 opex at the Belgium BU

CZECH REPUBLIC BU



Bank taxes of 36m EUR YTD. On a pro rata basis, bank taxes represented 4.9% of 9M19 opex at the CZ BU

INTERNATIONAL MARKETS BU

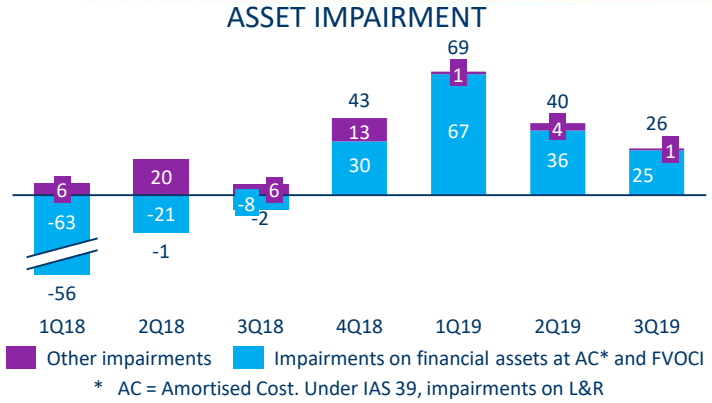


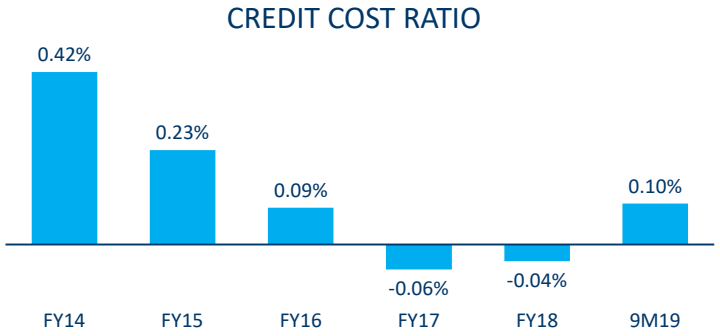
Bank taxes of 127m EUR YTD. On a pro rata basis, bank taxes represented 19.6% of 9M19 opex at the IM BU

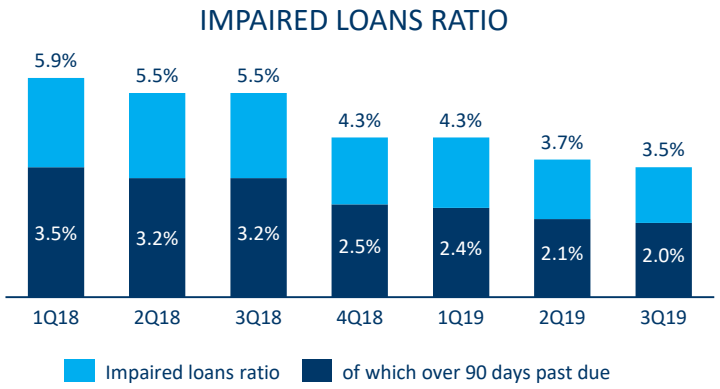
* This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.

** The C/I ratio adjusted for specific items of 59% in 9M19 amounts to roughly 52% excluding these bank taxes

Lower asset impairments, benign credit cost ratio and improved impaired loans ratio







- **Lower asset impairments q-o-q**
  - This was attributable mainly to:
    - lower loan loss impairments in Belgium and Slovakia
    - net loan loss impairment reversals in Ireland (7m EUR) and Group Centre (10m EUR)

    partly offset by:
    - slightly higher loan loss impairments in the Czech Republic, Bulgaria and Hungary

- The **credit cost ratio** amounted to 0.10% in 9M19

- The **impaired loans ratio** improved to 3.5%, 2.0% of which over 90 days past due

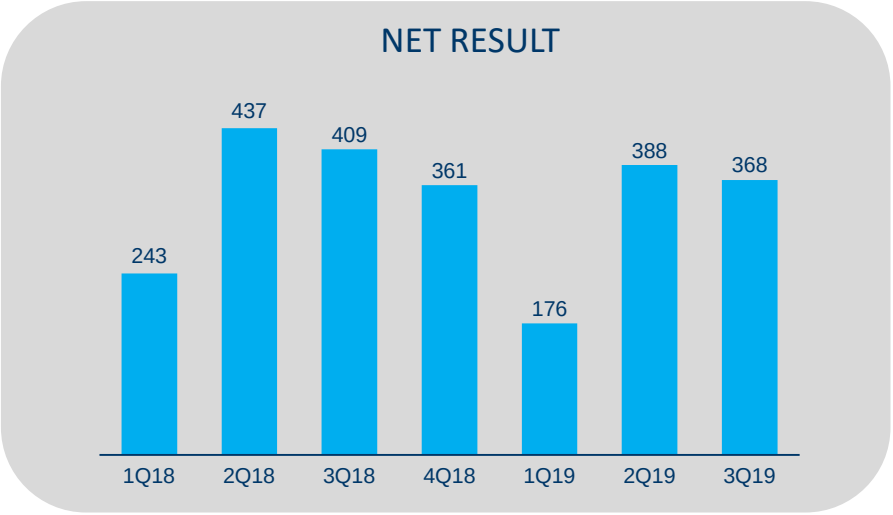
Section 2

3Q 2019 performance of business units

Business profile

3Q19 NET RESULT (in million euros)	368m	159m	12m	45m	23m	4m	0m
ALLOCATED CAPITAL (in billion euros)	6.9bn	1.7bn	0.6bn	0.7bn	0.4bn	0.7bn	0.2bn
LOANS (in billion euros)	101bn	29bn	7bn	5bn	3bn	10bn	
DEPOSITS (in billion euros)	134bn	38bn	6bn	7bn	4bn	5bn	
BRANCHES (end 3Q19)	571	227	118	208	185	16	
Clients (end 3Q19)	3.5m	4.2m	0.6m	1.5m	1.3m	0.3m	

Belgium BU (1): net result of 368m EUR



Amounts in m EUR

Net result at the Belgium Business Unit amounted to 368m EUR

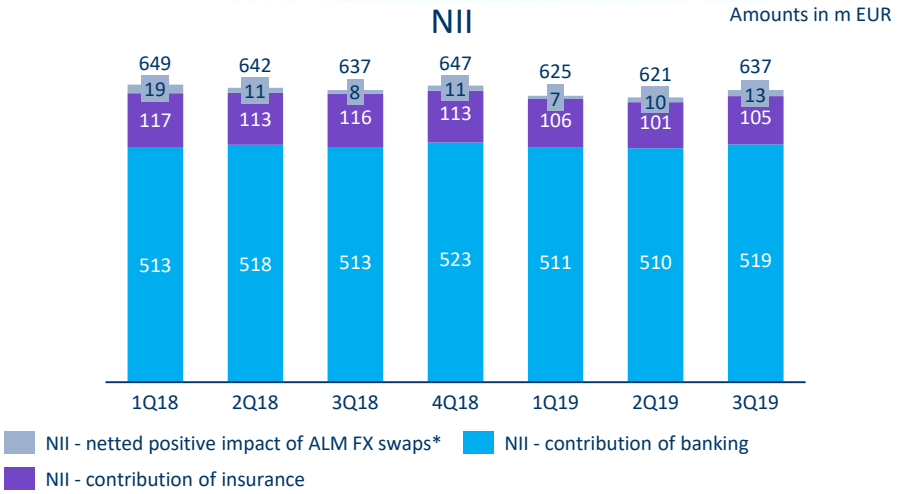
- The quarter under review was characterised by higher net interest income, higher net fee and commission income, seasonally lower dividend income, lower trading and fair value income, slightly higher net other income, a good combined ratio, lower sales of life insurance products, lower operating expenses and lower impairment charges q-o-q
- Customer deposits excluding debt certificates and repos rose by 6% y-o-y, while customer loans increased by 3% y-o-y

ORGANIC VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	101bn	36bn	134bn	197bn	26bn
Growth q-o-q*	0%	0%	+5%	+1%	0%
Growth y-o-y	+3%	+3%	+3%	-1%	-1%

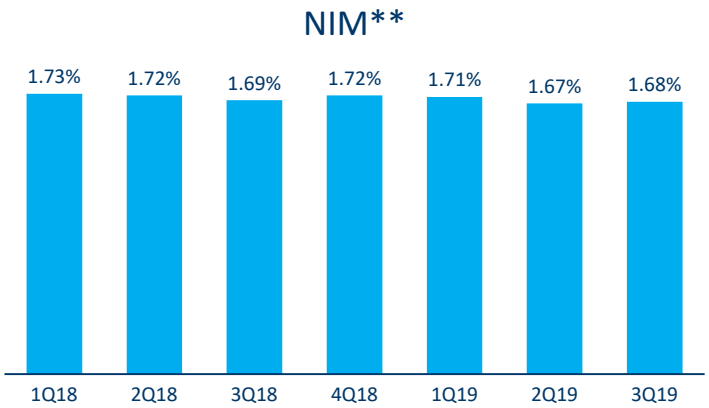
* Non-annualised ** Loans to customers, excluding reverse repos (and bonds)

*** Customer deposits, including debt certificates but excluding repos. **Customer deposit volumes excluding debt certificates & repos +2% q-o-q and +6% y-o-y**

Belgium BU (2): higher NII and NIM



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

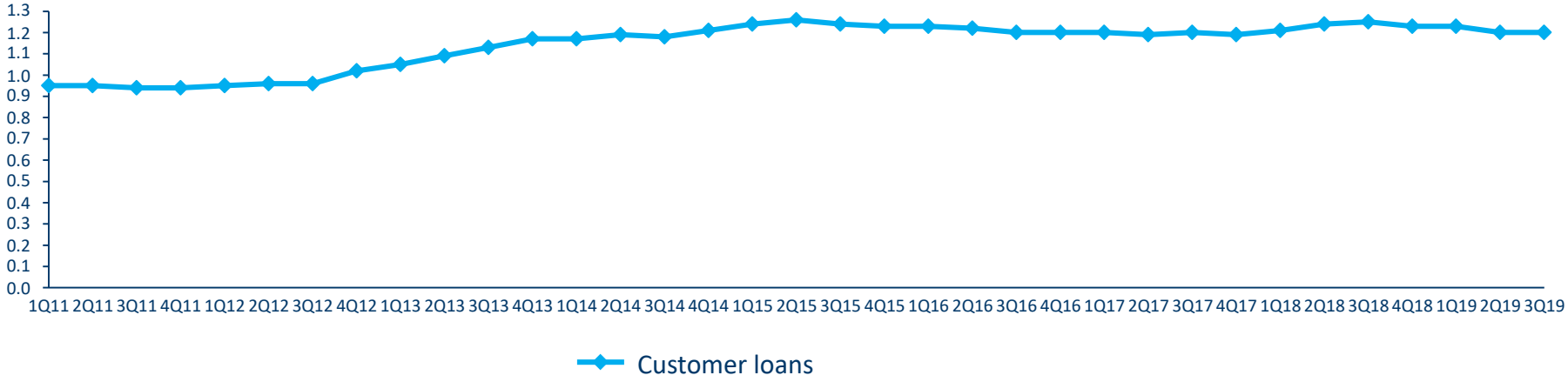


- **Net interest income (637m EUR)**
  - Up by 3% q-o-q due mainly to:
    - higher margins on new loan production in all segments
    - higher NII insurance (seasonal effect)
    - higher netted positive impact of FX swaps
    - higher number of days
    - slightly lower funding cost

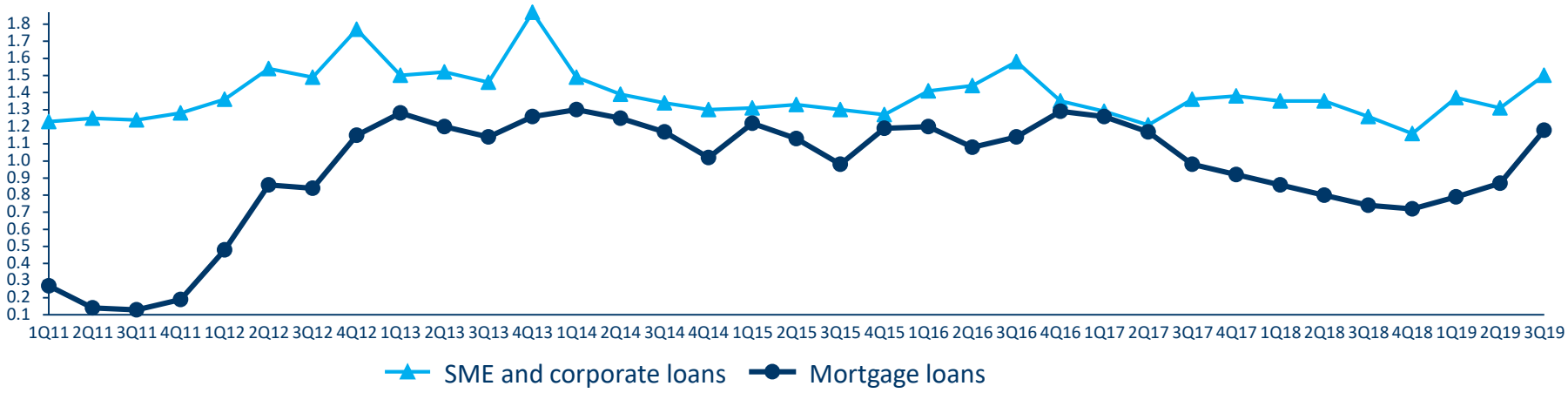
    partly offset by:
    - lower reinvestment yields
    - pressure on loan margins on total outstanding portfolio mortgages and SMEs
  - Stabilised y-o-y
  - Note that NII banking rose by 2% q-o-q and by 1% y-o-y
- **Net interest margin (1.68%)**
  - Rose by 1 bp q-o-q as margins on new loan production were above the loan margins on total outstanding portfolio in all segments, helped by the effect of higher number of days
  - Fell by 1 bp y-o-y due chiefly to the negative impact of lower reinvestment yields, pressure on loan margins on total outstanding portfolio and an increase of the interest-bearing assets (denominator)

Credit margins in Belgium

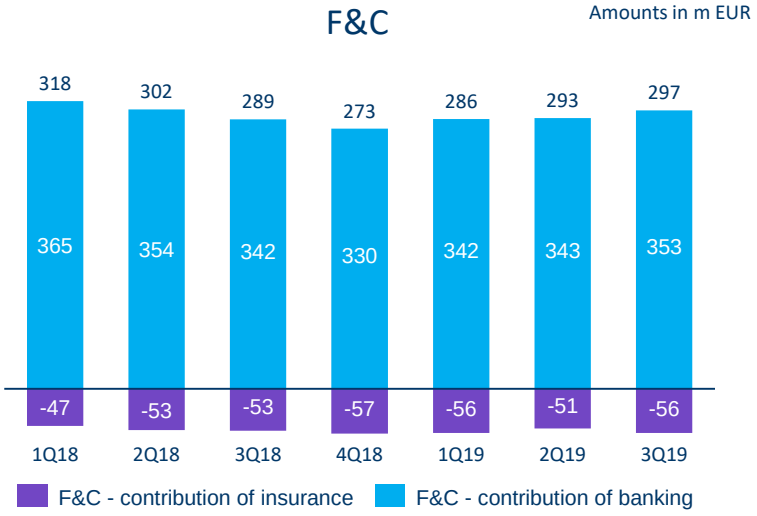
PRODUCT SPREAD ON CUSTOMER LOAN BOOK, OUTSTANDING



PRODUCT SPREAD ON NEW PRODUCTION

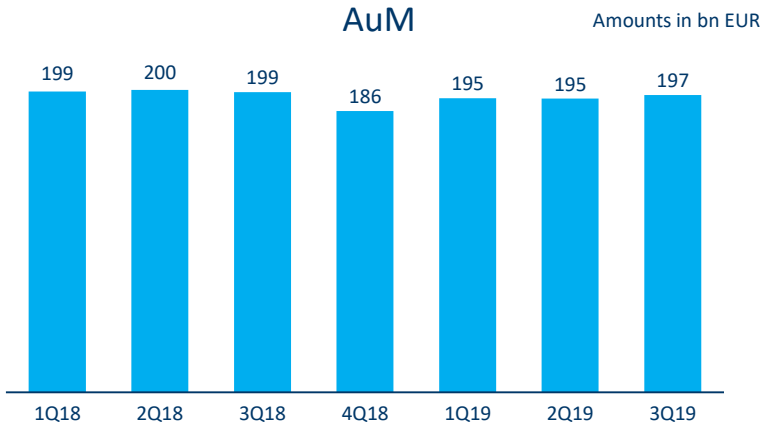


Belgium BU (3): higher net F&C income



- **Net fee and commission income (297m EUR)**
  - Net F&C income increased by 1% q-o-q due mainly to:
    - higher management and entry fees from mutual funds and unit-linked life insurance products
    - seasonally higher fees from payment services

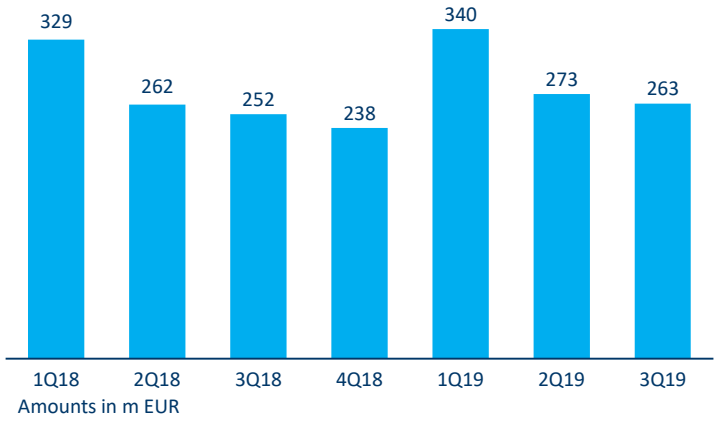
    partly offset by:
    - higher distribution costs
    - lower securities-related fees
  - Rose by 3% y-o-y driven chiefly by higher entry fees from mutual funds & unit-linked life insurance products, higher fees from payment services, higher securities-related fees and higher network income partly offset by lower fees from credit files & bank guarantees



- **Assets under management (197bn EUR)**
  - Increased by 1% q-o-q as a positive price effect (+2%) was partly offset by net outflows (-1%)
  - Decreased by 1% y-o-y as a positive price effect (+3%) was more than offset by net outflows (-4%)

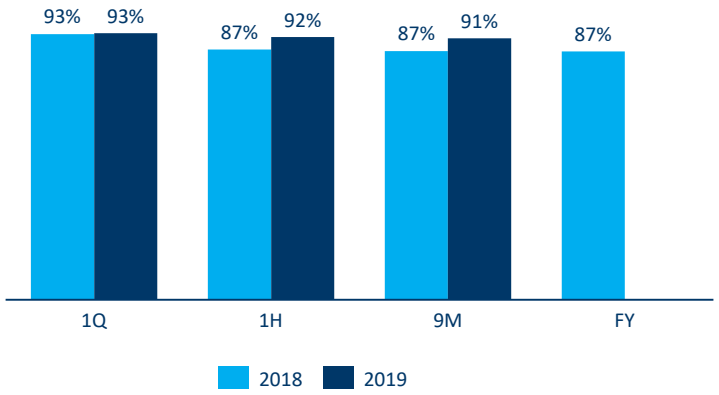
Belgium BU (4): higher y-o-y non-life sales, good combined ratio

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



- **Sales of non-life insurance products**
  - Increased by 4% y-o-y
  - Premium growth in all classes and tariff increases

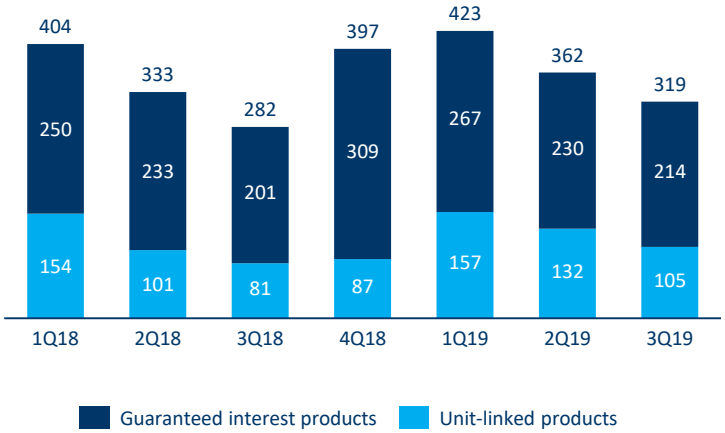
COMBINED RATIO (NON-LIFE)



- **Combined ratio** amounted to **91%** in 9M19 (87% in FY18), a good number despite higher technical charges due mainly to large claims (storm and fire, especially in 1Q19) and a reassessment on claims provisions in 2Q19 (-16m EUR), partly offset by ceded reinsurance result

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

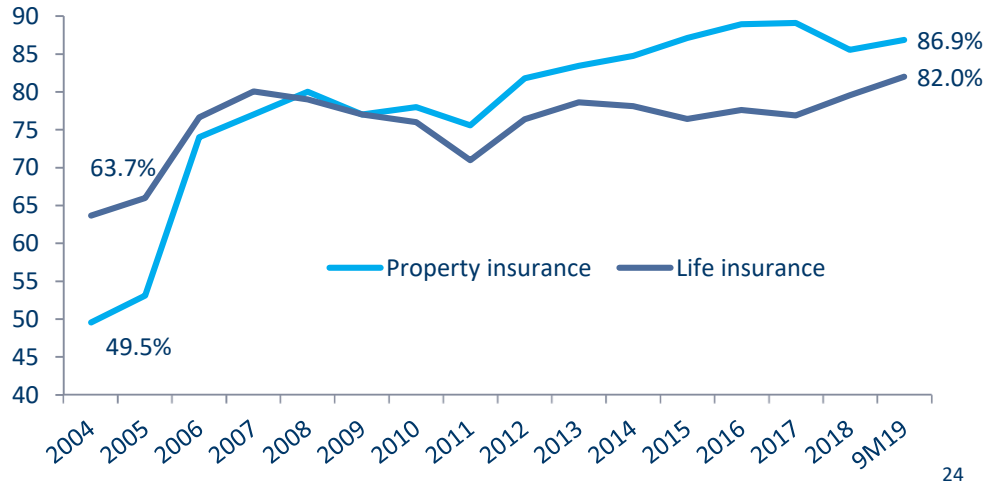
LIFE SALES



Amounts in m EUR

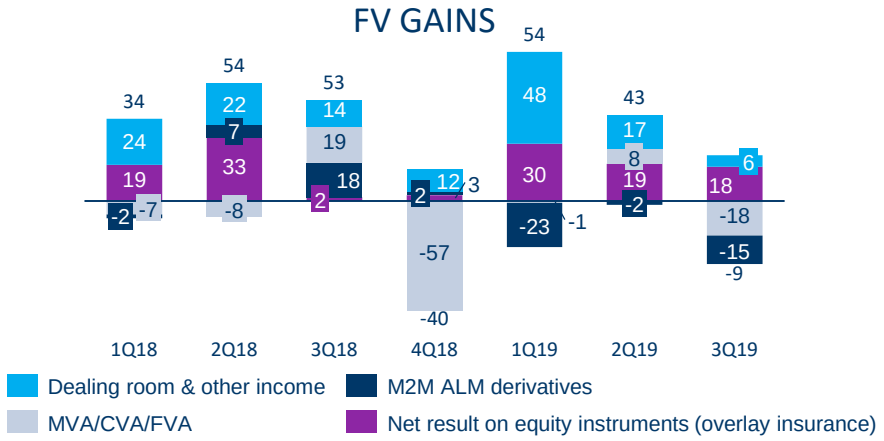
- **Sales of life insurance products**
  - Fell by 12% q-o-q driven by lower sales of both guaranteed interest products and unit-linked products
  - Increased by 13% y-o-y driven mainly by higher sales of unit-linked products due to commercial efforts
  - Guaranteed interest products and unit-linked products accounted for 67% and 33%, respectively, of life insurance sales in 3Q19

MORTGAGE-RELATED CROSS-SELLING RATIOS

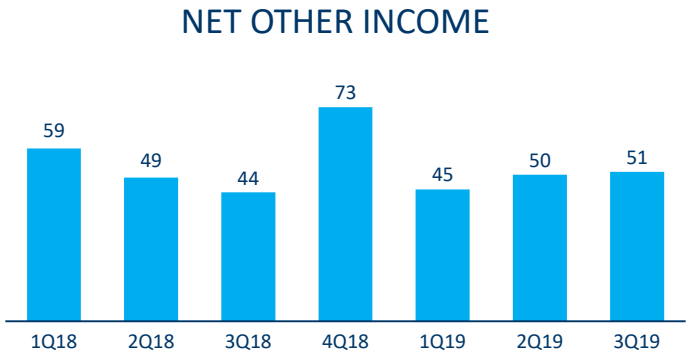


- **Mortgage-related cross-selling ratios**
  - 86.9% for property insurance
  - 82.0% for life insurance

Belgium BU (6): lower FV gains and slightly higher net other income



- The lower q-o-q figures for **net gains from financial instruments at fair value** were primarily due to a negative change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivative portfolio due to lower long-term interest rates and slightly increasing counterparty credit spreads and KBC funding spread), a negative change in ALM derivatives and lower dealing room & other income. Note that the net result on equity instruments (insurance) roughly stabilised

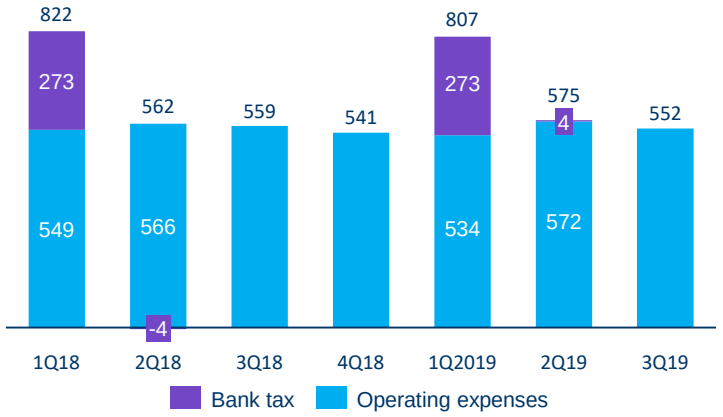


- **Net other income** amounted to 51m EUR in 3Q19, roughly in line with the normal run rate

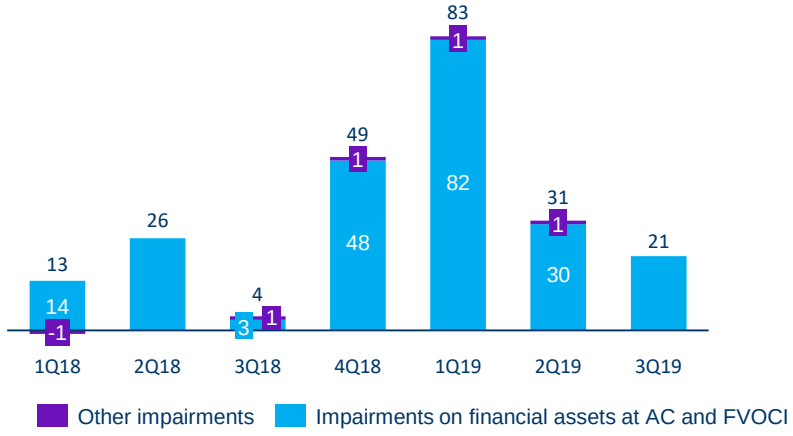
Amounts in m EUR

Belgium BU (7): lower opex and lower impairments

OPERATING EXPENSES



ASSET IMPAIRMENT



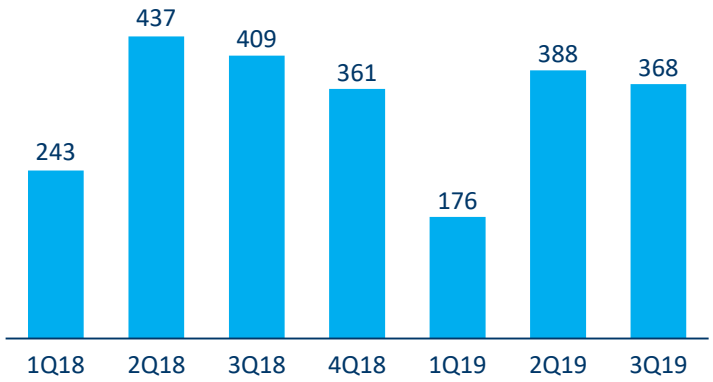
- **Operating expenses**: -4% q-o-q and -1% y-o-y
  - Operating expenses without bank tax fell by 3% q-o-q due chiefly to
    - lower staff expenses
    - seasonally lower ICT and depreciation & amortisation costs

    partly offset by:
    - higher facilities expenses
    - seasonally higher marketing expenses
  - Operating expenses without bank tax decreased by 1% y-o-y due mainly to lower staff, marketing and ICT costs, partly offset by facilities expenses and timing differences
  - Adjusted for specific items, the C/I ratio amounted to 59% in 3Q19 and 58% YTD (58% in FY18)
  - Cost/income ratio: 53% in 3Q19 and 61% YTD, distorted by the bank taxes
- **Loan loss impairments** decreased to 21m EUR in 3Q19 (compared with 30m EUR in 2Q19). **Credit cost ratio** amounted to 16 bps in 9M19 (9 bps in FY18)
- **Impaired loans ratio** amounted to 2.3%, 1.1% of which over 90 days past due

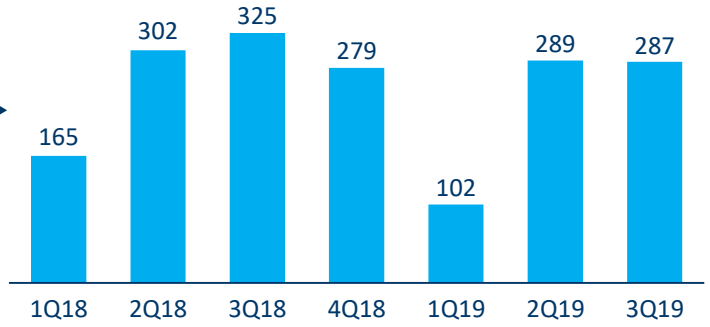
Amounts in m EUR

Net result at the Belgium BU

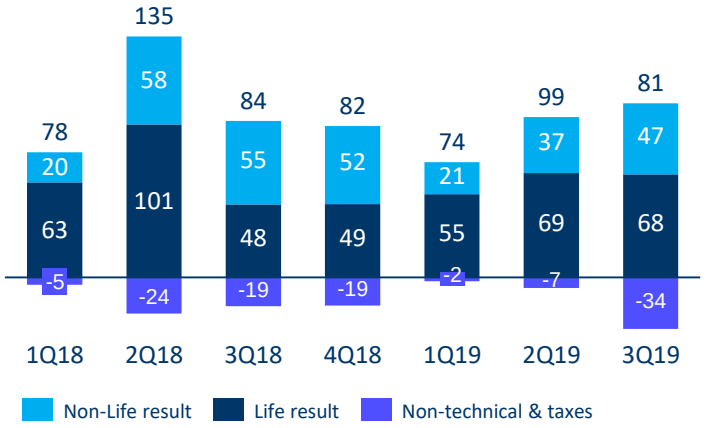
NET RESULT AT THE BELGIUM BU*



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



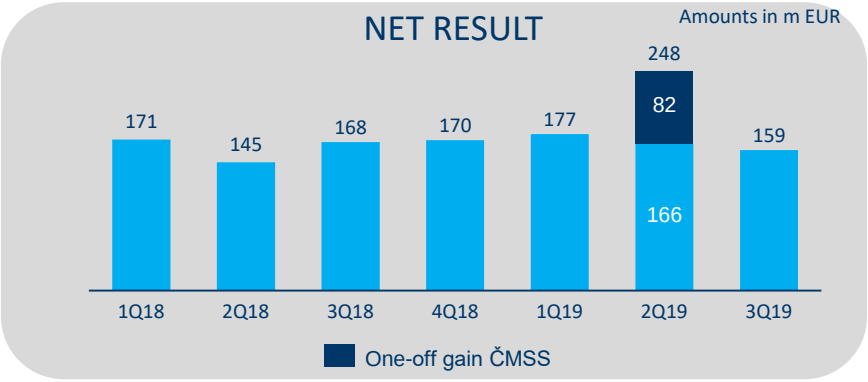
CONTRIBUTION OF INSURANCE ACTIVITIES TO NET RESULT OF THE BELGIUM BU*

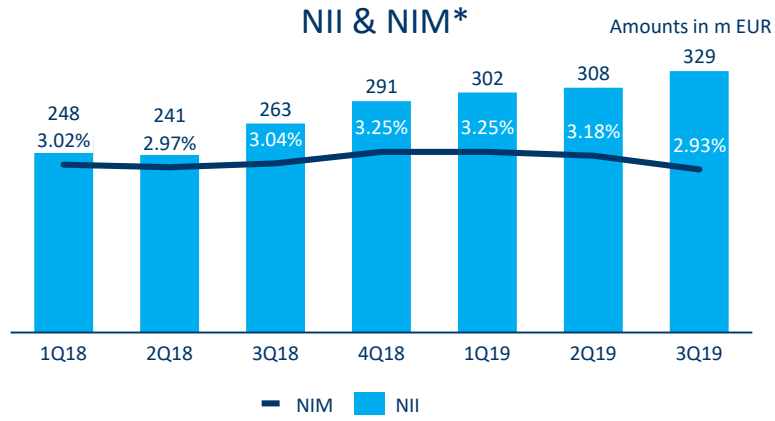


* Difference between net profit at the Belgium Business Unit and the sum of the banking and insurance contribution is accounted for by the rounding up or down of figures

Amounts in m EUR

Czech Republic BU





* NIM including ČMSS as of 3Q19. Excluding ČMSS, NIM amounted to 3.13% in 3Q19

Net result of 159m EUR in 3Q19

- -4% q-o-q excluding FX effect and the one-off gain of 82m EUR related to ČMSS in 2Q19. This decrease was due mainly to lower net results from financial instruments at fair value, partly offset by higher net interest income
- Customer deposits (including debt certificates, but excluding repos) rose by 2% y-o-y, while customer loans increased by 5% y-o-y

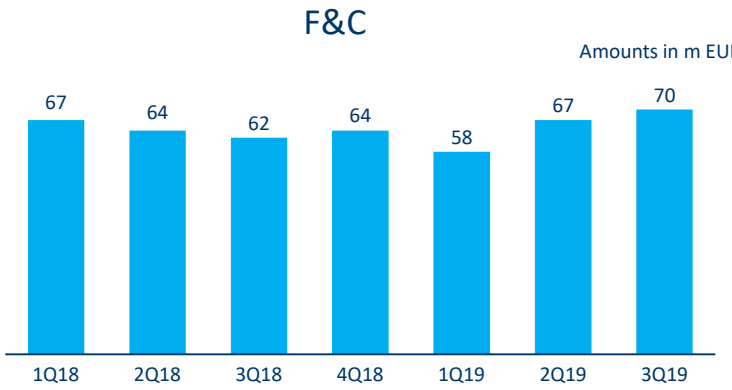
Highlights

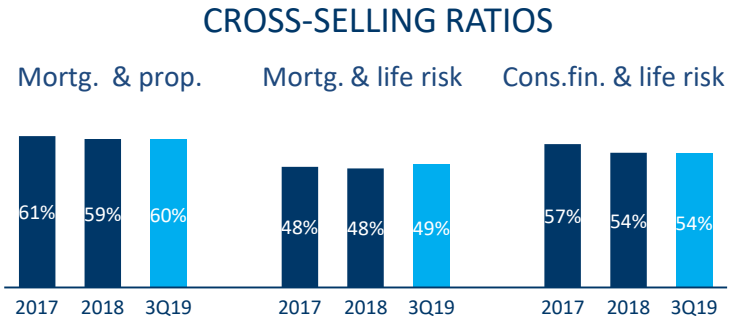
- **Net interest income**
  - +7% q-o-q and +25% y-o-y (both excl. FX effects)
  - +2% q-o-q and +17% y-o-y excluding ČMSS
  - Q-o-q increase: primarily due to the full consolidation of ČMSS (21m in 3Q19 compared to 7m in 2Q19), growth in loan volume and higher margins on new loan production in all segments, partly offset by pressure on loan margins on total outstanding portfolio mortgages and consumer finance loans
- **Net interest margin**
  - Fell by 25 bps q-o-q due mainly to ČMSS and pressure on loan margins on total outstanding portfolio mortgages and consumer finance loans

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	29bn	15bn	38bn	10.4bn	1.3bn
Growth q-o-q*	+3%	+1%	0%	-1%	0%
Growth y-o-y	+5%	+5%	+2%	+7%	+5%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds) *** Customer deposits, including debt certificates but excluding repos

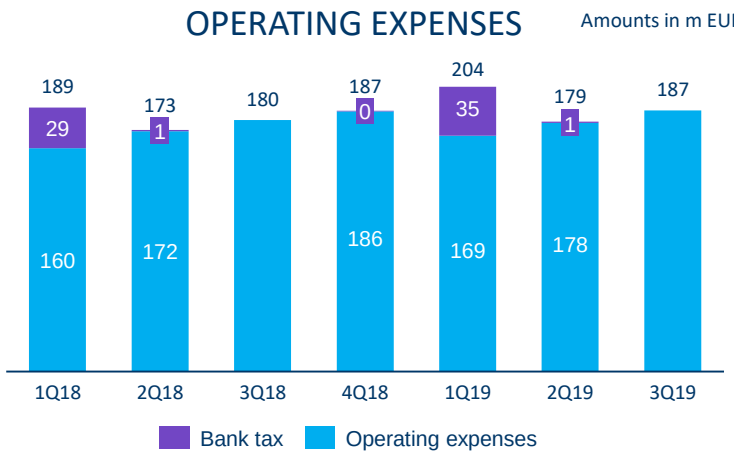
Czech Republic BU

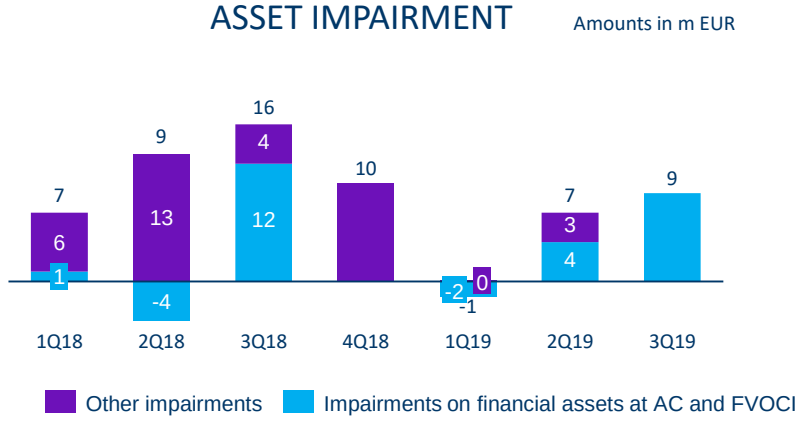




- **Net F&C income**
  - +6% q-o-q and +14% y-o-y (both excl. FX effects)
  - -1% q-o-q and +3% y-o-y excluding ČMSS
  - Q-o-q increase driven mainly by the full consolidation of ČMSS (6m in 3Q19 compared to 2m in 2Q19) and seasonally higher fees from payment services, partly offset by lower fees from credit files & bank guarantees
- **Assets under management**
  - 10.4bn EUR
  - -1% q-o-q due entirely to a negative price effect
  - +7% y-o-y due to net inflows (+3%) and a positive price effect (+4%)
- **Trading and fair value income**
  - 22m EUR lower q-o-q net results from financial instruments at fair value due mainly to lower dealing room results and a negative q-o-q change in market, credit and funding value adjustments
- **Insurance**
  - Insurance premium income (gross earned premium): 125m EUR
    - Non-life premium income (72m EUR) +12% y-o-y excluding FX effect, due to growth in all products
    - Life premium income (53m EUR) -12% q-o-q and -16% y-o-y, excluding FX effect. Q-o-q decrease mainly in unit-linked single premiums
  - Combined ratio of 94% in 9M19 (97% in FY18)

Czech Republic BU





Operating expenses

- 187m EUR;
  - +5% q-o-q and +4% y-o-y, both excluding FX effect and bank tax
  - +1% q-o-q and -2% y-o-y excluding ČMSS
- Q-o-q increase excluding FX effect and bank tax was due mainly to:
  - full consolidation of ČMSS (11m in 3Q19 compared to 5m in 2Q19)
  - a one-off restructuring charge of 5m EUR, largely offset by a one-off release for a legal dispute of 4m EUR
  - wage inflation (partly offset by FTE reductions)
- Adjusted for specific items, C/I ratio amounted to roughly 50% in 3Q19 and 47% YTD (46% in FY18)
- Cost/income ratio at 48% in 3Q19 and 45% YTD, distorted by the bank taxes and one-offs

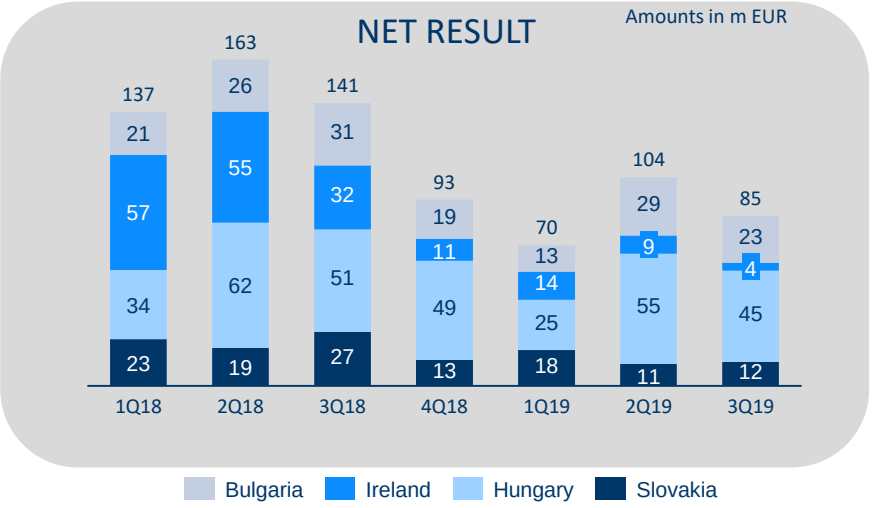
Loan loss and other impairment

- Loan loss impairments increased in 3Q19 due to some corporate files (mainly technical items). Credit cost ratio amounted to 0.05% in 9M19

	2015	2016	2017	2018	9M19
CCR	0.18%	0.11%	0.02%	0.03%	0.05%

- Impaired loans ratio improved to 2.3%, 1.4% of which >90 days past due

International Markets BU



Net result of 85m EUR

- Slovakia 12m EUR, Hungary 45m EUR, Ireland 4m EUR and Bulgaria 23m EUR

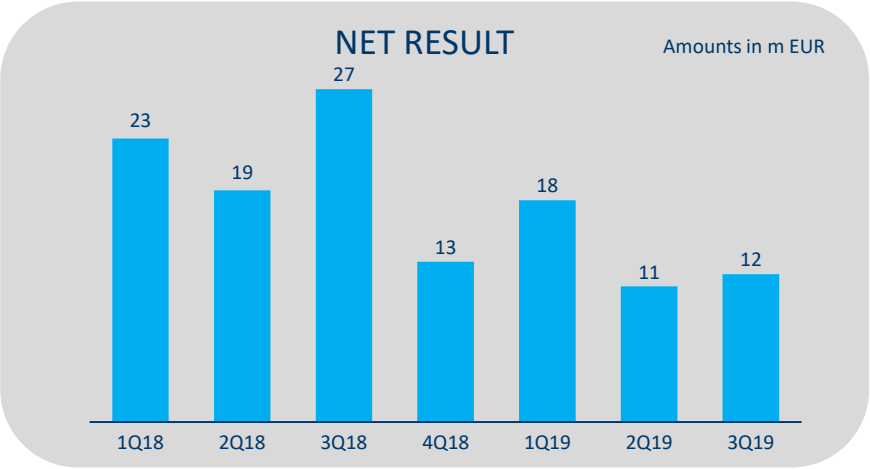
Highlights (q-o-q results)

- Higher net interest income. NIM 2.61% in 3Q19 (-4 bps q-o-q and -18 bps y-o-y)
- Stable net fee and commission income
- Lower result from financial instruments at fair value
- Lower net other income
- An excellent combined ratio of 88% in 9M19
- Higher non-life insurance sales and lower life insurance sales
- Stable costs (-1% q-o-q excluding bank tax)
- Lower loan loss impairments

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	25bn	15bn	23bn	4.8bn	0.7bn
Growth q-o-q*	+2%	+2%	+1%	+2%	-1%
Growth y-o-y	+6%	+5%	+3%	+12%	+2%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds) *** Customer deposits, including debt certificates but excluding repos

International Markets BU - Slovakia



Net result of 12m EUR

Highlights (q-o-q results)

- Higher net interest income as volume growth and higher margins on new production mortgages more than offset the negative impact of lower reinvestment yields
- Stable net fee & commission income
- Lower result from financial instruments at fair value
- Excellent combined ratio (82% in 9M19)
- Higher non-life insurance sales and stable life insurance sales
- Slightly higher operating expenses due entirely to higher bank taxes
- Lower loan loss impairments; credit cost ratio of 0.27% in 9M19

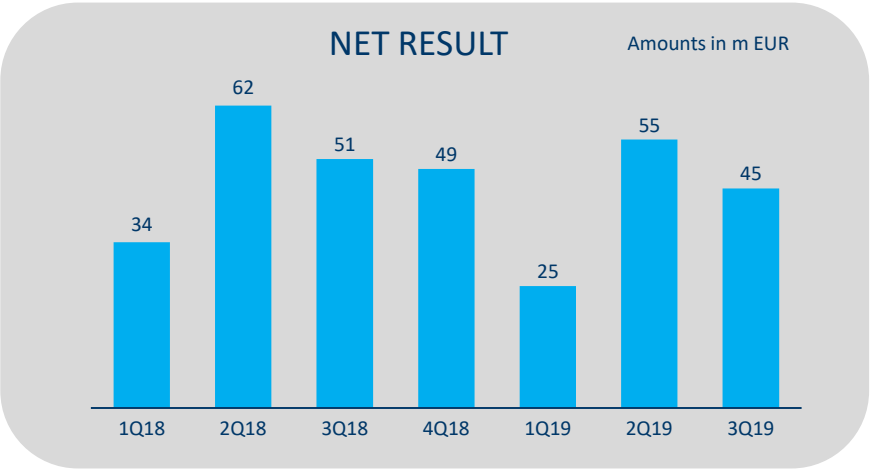
ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	7bn	4bn	6bn
Growth q-o-q*	+2%	+3%	+3%
Growth y-o-y	+7%	+10%	+2%

Volume trend

- Total customer loans rose by 2% q-o-q and by 7% y-o-y, the latter due mainly to the increasing mortgage portfolio and corporate portfolio
- Total customer deposits increased by 3% q-o-q (due to corporate deposits) and by 2% y-o-y

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

International Markets BU - Hungary



Net result of 45m EUR

Highlights (q-o-q results)

- Slightly higher net interest income excluding FX effect driven mainly by volume growth
- Stable net fee and commission income excluding FX effect
- Lower net results from financial instruments at fair value
- Good non-life commercial performance y-o-y in all major product lines and growing average tariff in motor retail; excellent combined ratio (91% in 9M19); lower sales of life insurance products q-o-q
- Higher operating expenses excluding FX effect due mainly to higher ICT and staff expenses
- Small loan loss provisions in corporate/SME segment in 3Q19 (compared with net impairment releases in 2Q19). Credit cost ratio of -0.07% in 9M19

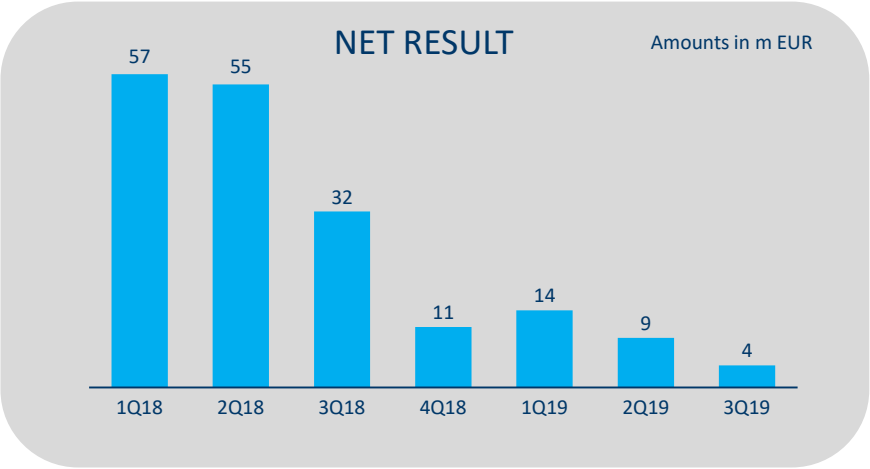
ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	5bn	2bn	7bn
Growth q-o-q*	+3%	+1%	0%
Growth y-o-y	+9%	+5%	+5%

Volume trend

- Total customer loans rose by 3% q-o-q and by 9% y-o-y, the latter due mainly to mortgages, consumer loans and corporates
- Total customer deposits stabilised q-o-q and +5% y-o-y (due mainly to retail and SMEs)

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

International Markets BU - Ireland



Net result of 4m EUR

Highlights (q-o-q results)

- Slightly higher net interest income
- Net other income was impacted by an additional -18m EUR for the industry wide review of the tracker rate mortgage products originated in Ireland before 2009 (of which a -14m EUR provision for a potential sanction)
- Lower expenses due mainly to lower ICT costs in 3Q19 and a 2m EUR negative one-off cost related mainly to the sale of part of the legacy loan portfolio in 2Q19
- 7m EUR net impairment releases in 3Q19 (no impairments in 2Q19). Releases in 3Q19 were driven by an improved portfolio performance, lower provisions on existing non-performing loans and a small increase in the 9-month average House Price Index. Credit cost ratio of -0.24% in 9M19

ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	10bn	10bn	5bn
Growth q-o-q*	+1%	+1%	+2%
Growth y-o-y	+3%	+3%	+1%

Volume trend

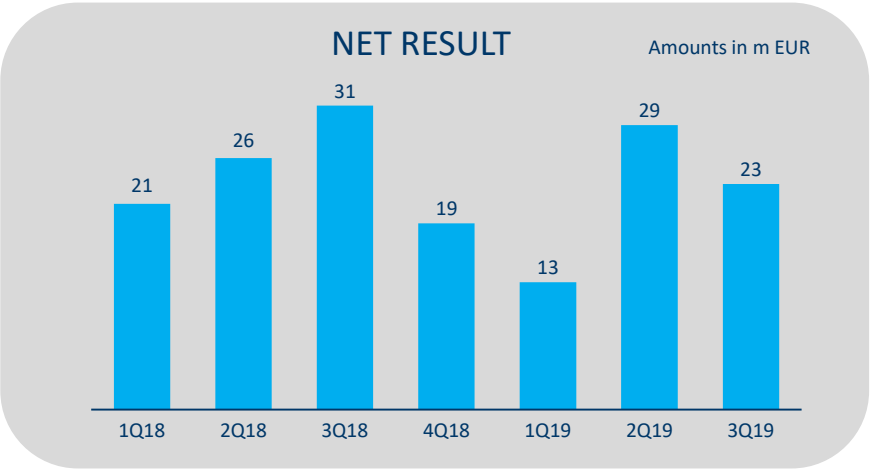
- Total customer loans rose by 1% q-o-q and by 3% y-o-y driven by new production of fixed rate mortgages
- Total customer deposits +2% q-o-q and +1% y-o-y

* Non-annualised

** Loans to customers, excluding reverse repos (and bonds) and disregarding the sale of part of the legacy loan portfolio

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

International Markets BU - Bulgaria



Net result of 23m EUR

Highlights (q-o-q results)

- Slightly higher total income thanks to higher net interest income and net other income
- Stable operating expenses excluding bank taxes
- Higher loan loss impairments. Credit cost ratio of 0.32% in 9M19
- Very strong non-life commercial performance y-o-y in motor retail (both strong volume growth and growing average tariff) and property; excellent combined ratio at 87% in 9M19
- Lower life insurance sales q-o-q

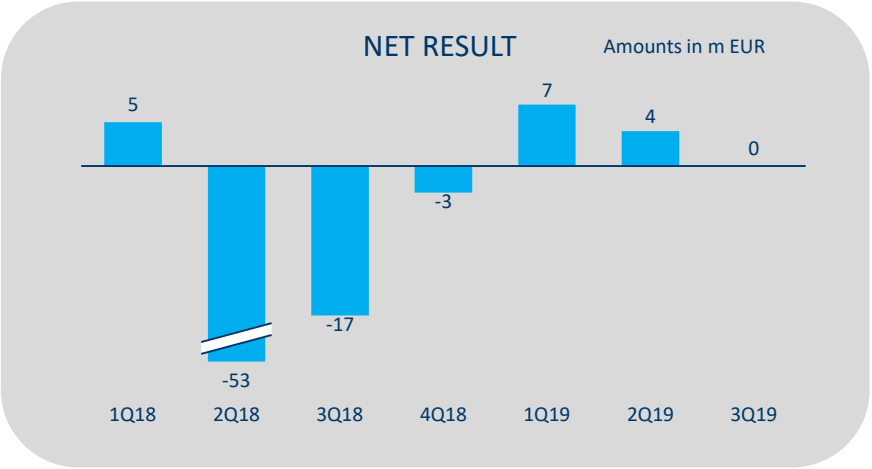
ORGANIC VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	3bn	1bn	4bn
Growth q-o-q*	+5%	+2%	-2%
Growth y-o-y	+9%	+6%	+6%

Volume trend:

- Total customer loans +5% q-o-q and +9% y-o-y, the latter mainly due to corporates and SMEs
- Total customer loans: new bank portfolio +5% q-o-q and +11% y-o-y, while legacy -6% q-o-q and -26% y-o-y
- Total customer deposits decreased by 2% q-o-q and rose by 6% y-o-y (the latter due mainly to retail)

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

Group Centre



Net result of 0m EUR

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

Highlights (q-o-q results)

Q-o-q deterioration was attributable mainly to:

- higher income taxes (mainly due to a 34m EUR positive one-off related to a change in the FX hedging policy in 2Q19)
- lower ceded reinsurance result
- higher operating expenses

partly offset by

- higher net results from financial instruments at fair value due largely to a positive change in M2M ALM derivatives
- higher releases of loan loss provisions
- higher net other income
- higher net interest income

BREAKDOWN OF NET RESULT AT GROUP CENTRE	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19
Group item (ongoing business)	**-17**	**-63**	**-27**	**-18**	**2**	**-1**	**-12**
Operating expenses of group activities	-17	-15	-18	-28	-18	-14	-14
Capital and treasury management	-4	8	4	11	-3	-7	-9
Holding of participations	1	3	-4	-9	-11	21	1
Group Re	7	6	3	3	0	8	-3
Other	-3	-64	-13	5	34	-9	12
Ongoing results of divestments and companies in run-down	**23**	**10**	**10**	**15**	**4**	**5**	**12**
Total	**5**	**-53**	**-17**	**-3**	**7**	**4**	**0**

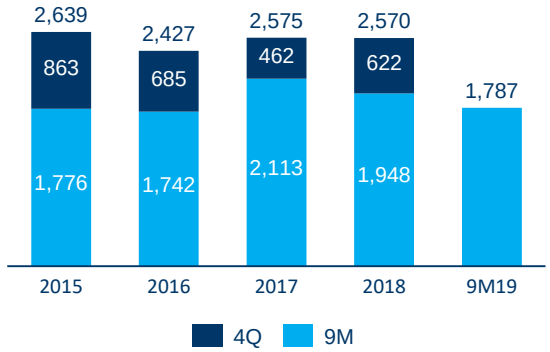
Amounts in m EUR

Overview of contribution of business units to 9M19 result

Amounts in m EUR

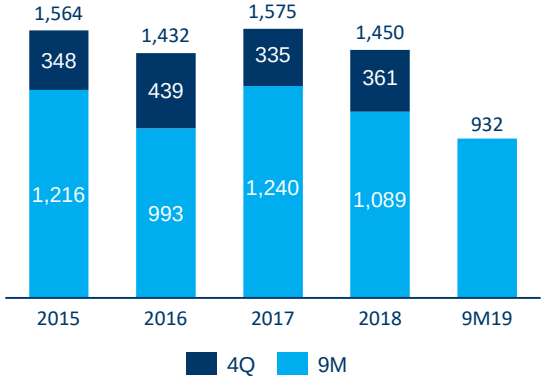
NET PROFIT – **KBC GROUP**

9M19 ROAC: 22%*



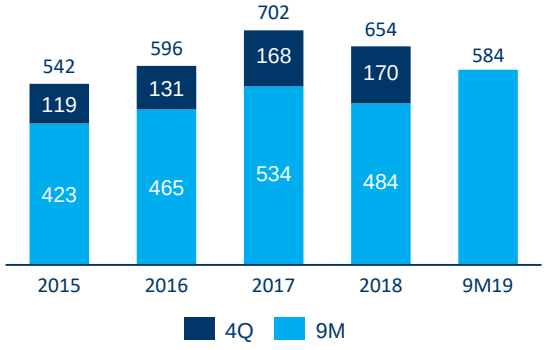
NET PROFIT – **BELGIUM**

9M19 ROAC: 18%*



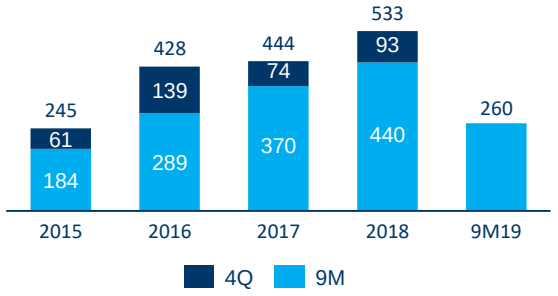
NET PROFIT – **CZECH REPUBLIC**

9M19 ROAC: 46%*



NET PROFIT – **INTERNATIONAL MARKETS**

9M19 ROAC: 15%*

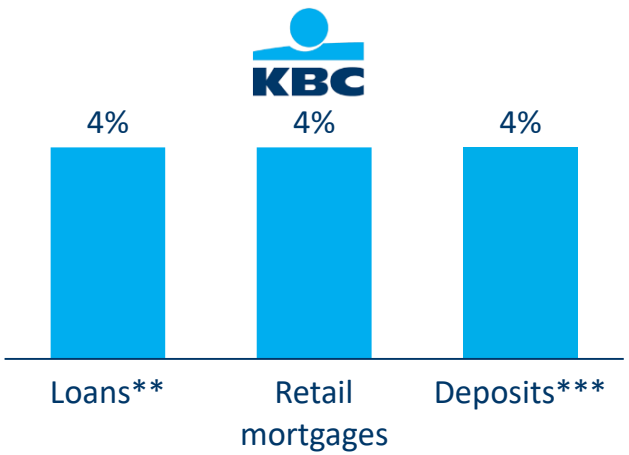


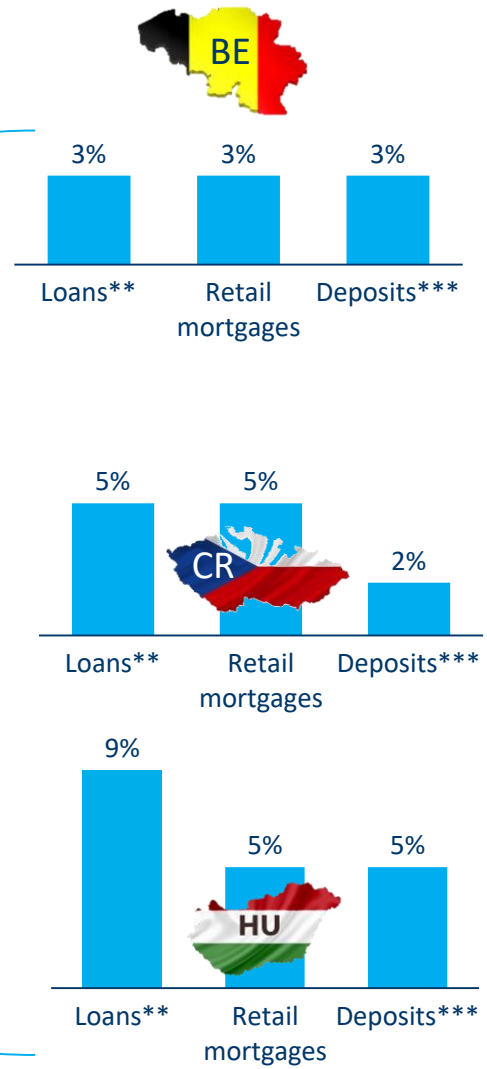
* Distorted by bank taxes

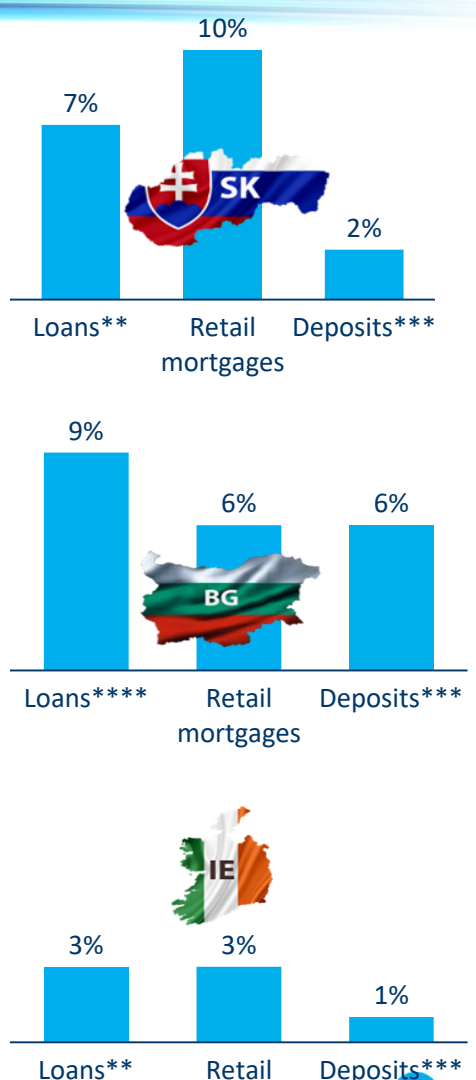
Balance sheet:

Loans and deposits continue to grow in most core countries

Y-O-Y ORGANIC* VOLUME GROWTH







* Volume growth excluding FX effects and divestments/acquisitions
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos
**** Total customer loans in Bulgaria: new bank portfolio +11% y-o-y, while legacy -26% y-o-y

KBC

Section 3

Strong solvency and solid liquidity

More stringent ECB approach re. dividend policy

Our unchanged dividend policy / capital distribution to shareholders

- Payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit
- Interim dividend of 1 EUR per share in November of each accounting year as an advance on the total dividend
- On top of the payout ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the 'Reference Capital Position'

More stringent ECB approach since 1Q19, based on the ECB Umbrella Decision

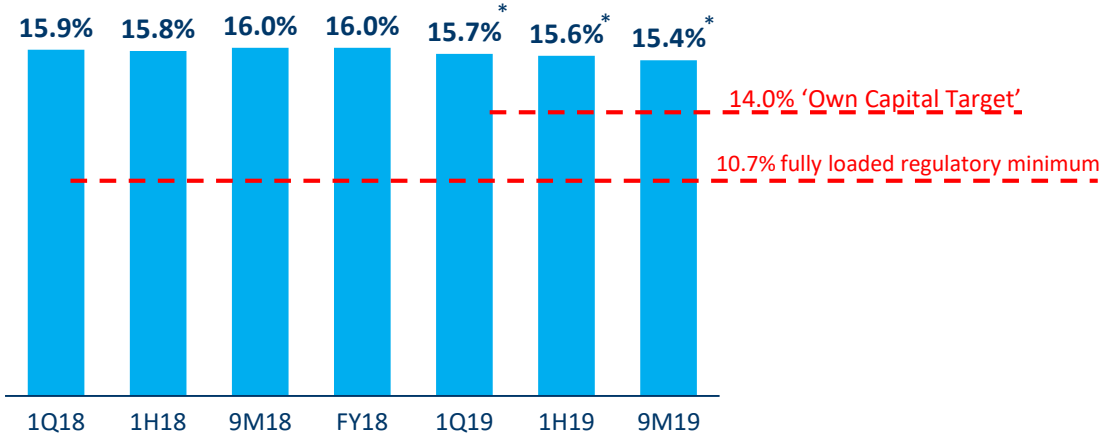
- We can apply for interim profit recognition based on the ECB Umbrella Decision (Decision EU 2015/656 of 4 February 2015), which states that the dividend to be deducted is the highest of (i) maximum pay-out according to dividend policy, (ii) average pay-out ratio over the last 3 years or (iii) last year's pay-out ratio
- The ECB interprets 'at least 50%' as a range with an upper end of 100% pay-out

What does this mean in practice in the meantime?

- In anticipation of further clarification and reaching agreement upon our approach re. the interim profit recognition process going forward, no IFRS interim profit has been recognised for 9M19. This resulted in a CET1 ratio of 15.4% at the end of 9M19
- When including 9M19 net result taking into account 59% pay-out (dividend + AT1 coupon), in line with the payout ratio in FY2018, the CET1 ratio at KBC Group (Danish Compromise) amounted to 15.9% at the end of 9M19

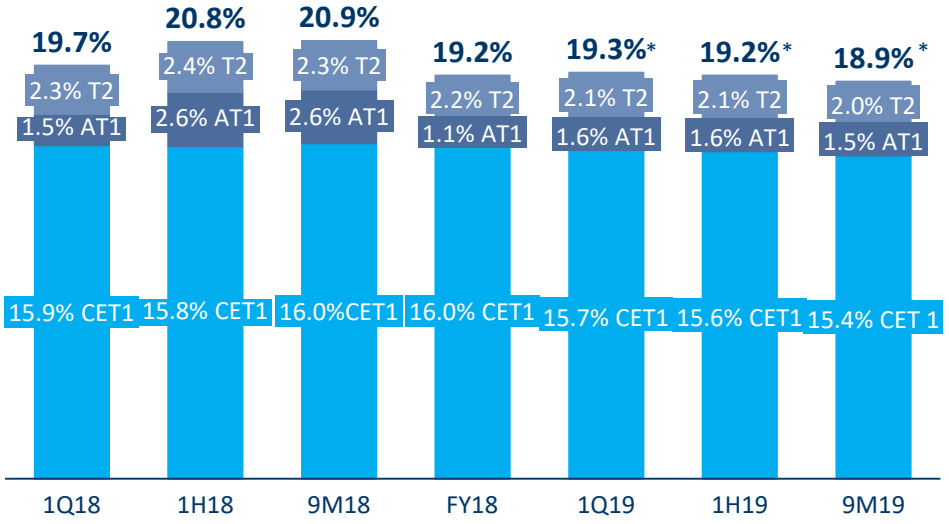
Strong capital position

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



* No IFRS interim profit recognition given more stringent ECB approach

Fully loaded Basel 3 total capital ratio (Danish Compromise)



* No IFRS interim profit recognition given more stringent ECB approach

- **The common equity ratio decreased from 15.6% at the end of 2Q19 to 15.4%* at the end of 3Q19** based on the Danish Compromise. This **clearly exceeds** the minimum capital requirements** set by the competent supervisors of 10.7% fully loaded. Our 'Own Capital Target' remained at 14.0% for 2019 after the update of the median CET1 ratio of our peer group (based on FY18 numbers)

* See previous slide…Is 15.9% when including 9M19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

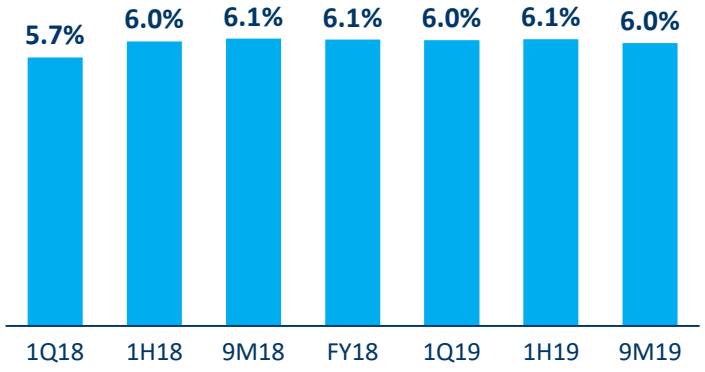
** Excludes a pillar 2 guidance (P2G) of 1.0% CET1

- **The fully loaded total capital ratio fell from 19.2% at the end of 2Q19 to 18.9%* at the end of 3Q19**

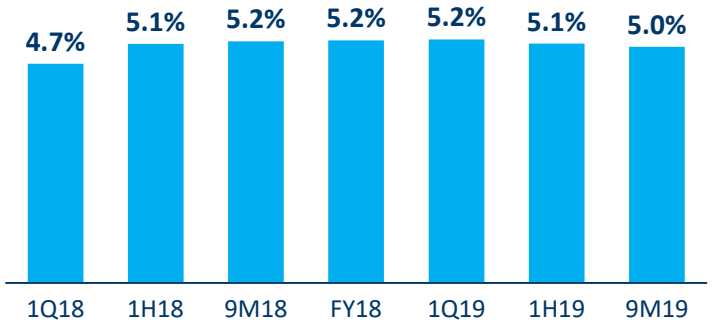
* Is 19.4% when including 9M19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

Fully loaded Basel 3 leverage ratio and Solvency II ratio

Fully loaded Basel 3 leverage ratio at KBC Group



Fully loaded Basel 3 leverage ratio at KBC Bank



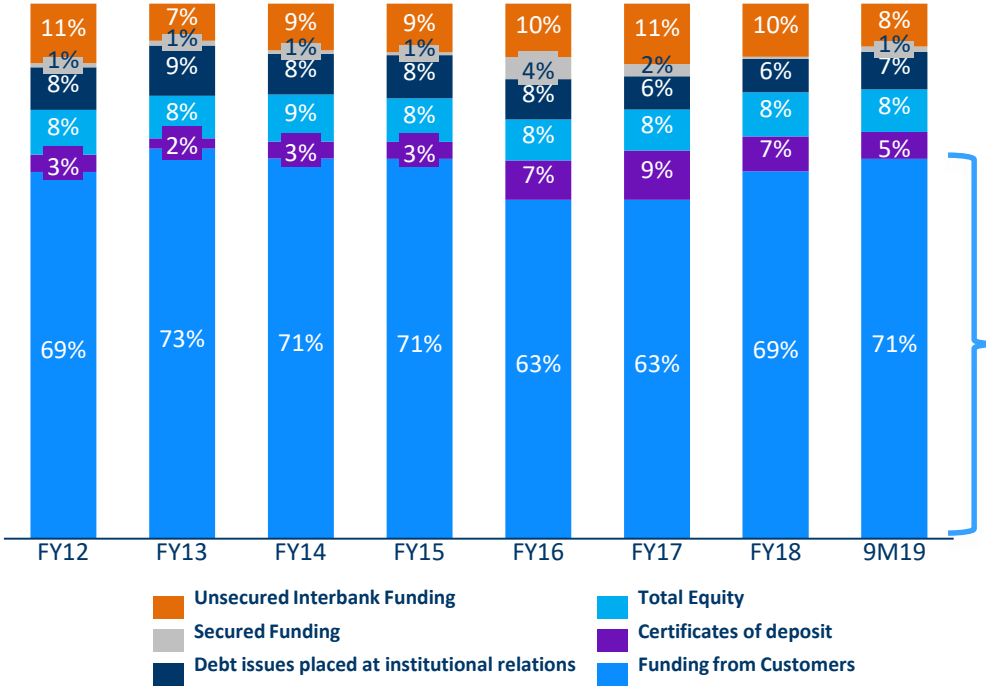
Solvency II ratio

	1H19	9M19
Solvency II ratio	201%	187%

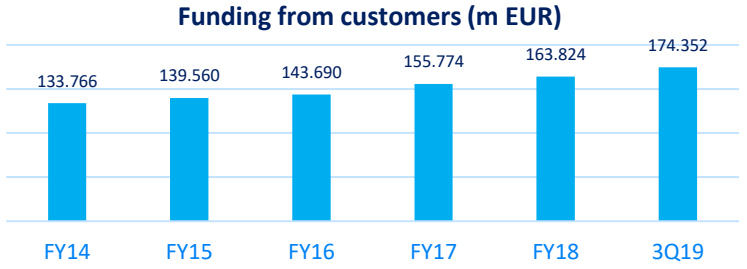
- The decrease (-14% points) in the Solvency II ratio was mainly the result of lower interest rates, impact of higher credit spreads movements and new equity purchases

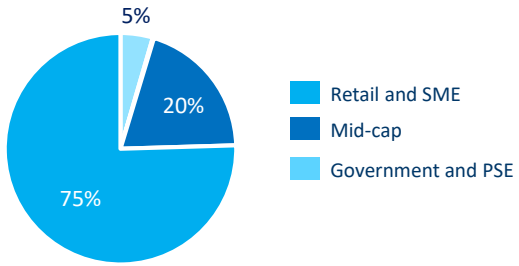
Strong and growing customer funding base with liquidity ratios remaining very strong

- 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
- Customer funding increased slightly at the expense of the certificates of deposits which decreased versus FY18. The elevated amount of ST wholesale funding remains as a result of continued ST arbitrage opportunities



71% customer driven





Ratios	FY18	9M19	Regulatory requirement
NSFR*	136%	135%	≥100%
LCR**	139%	140%	≥100%

- **NSFR is at 135% and LCR is at 140% by the end of 9M19**
  - Both ratios were well above the regulatory requirement of 100%

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

Section 4

Looking forward

Looking forward

Economic outlook

- In line with global economic developments, the European economy is currently slowing down. Decreasing unemployment rates and growing labour shortages in some European economies, combined with solid wage inflation, are likely to continue underpinning private consumption. Investment is also likely to remain supportive for growth. The main factors that could substantially impede European economic sentiment and growth remain the risk of further economic de-globalisation, including an escalation of trade conflicts, Brexit and political turmoil in some euro area countries

Group guidance

- Solid returns for all Business Units
- B4 impact (as of 1 January 2022) for KBC Group estimated at roughly 8bn EUR higher RWA on fully loaded basis at end 2018, corresponding with 9% RWA inflation and -1.3% points impact on CET1 ratio

Business units

- Next to the Belgium and Czech Republic Business Units, the International Markets Business Unit has become a strong net result contributor (although 2018 figures were flattered by net impairment releases)

Annex 1

Company profile

KBC Group in a nutshell (1)

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

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

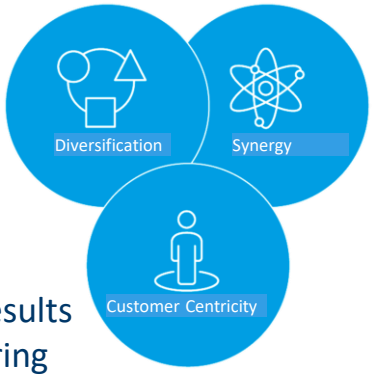
✓ Diversified and strong business performance

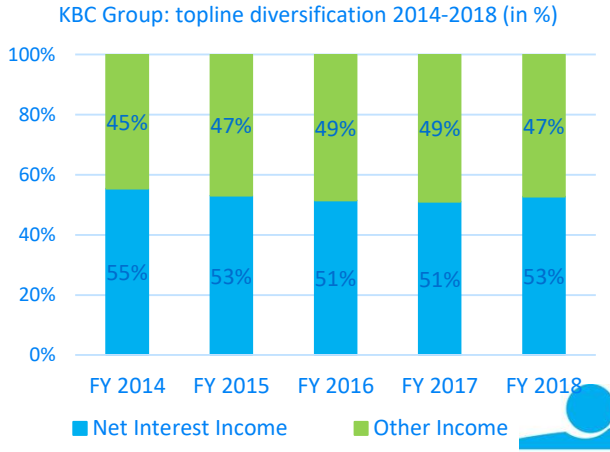
… geographically

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

… and from a business point of view

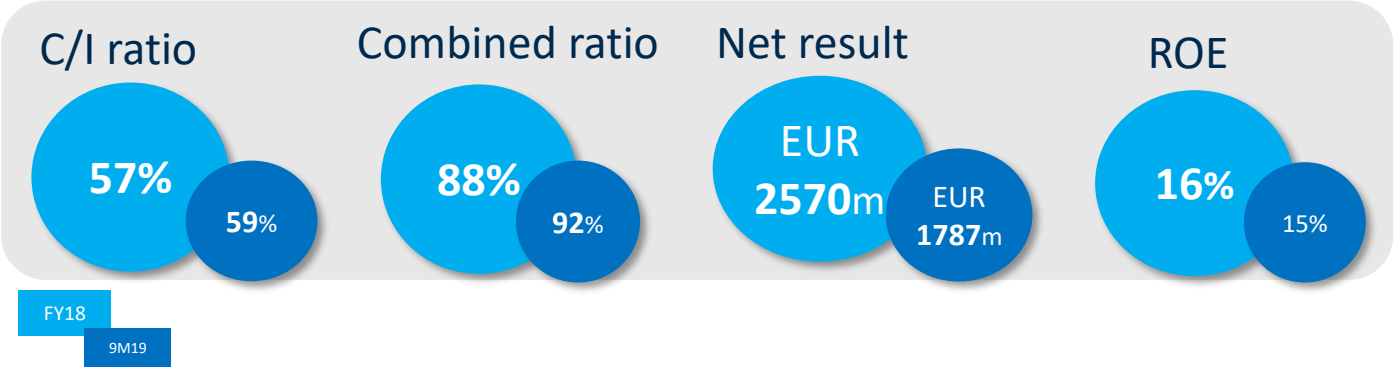
- An integrated bank-insurer
- Strongly developed & tailored AM business
- Strong value creator with good operational results through the cycle
- Unique selling proposition: in-depth knowledge of local markets and profound relationships with clients
- Integrated model creates cost synergies and results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

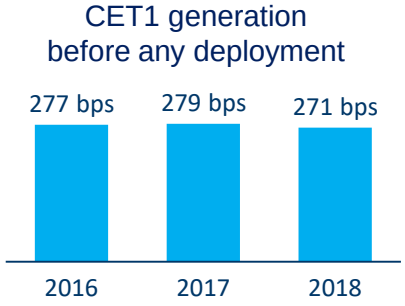




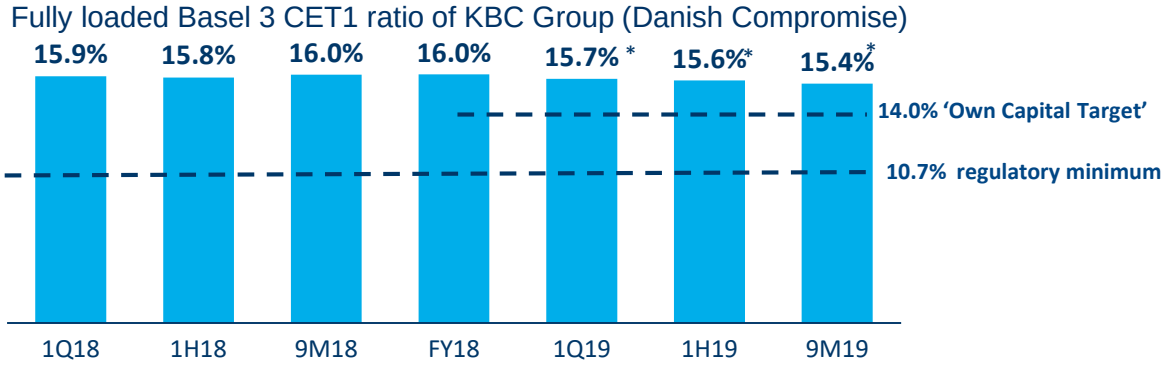
KBC Group in a nutshell (2)

✓ High profitability



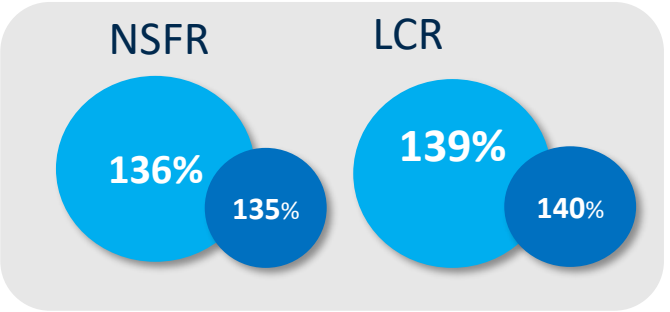


✓ Solid capital position…



* No interim profit recognition given more stringent ECB approach

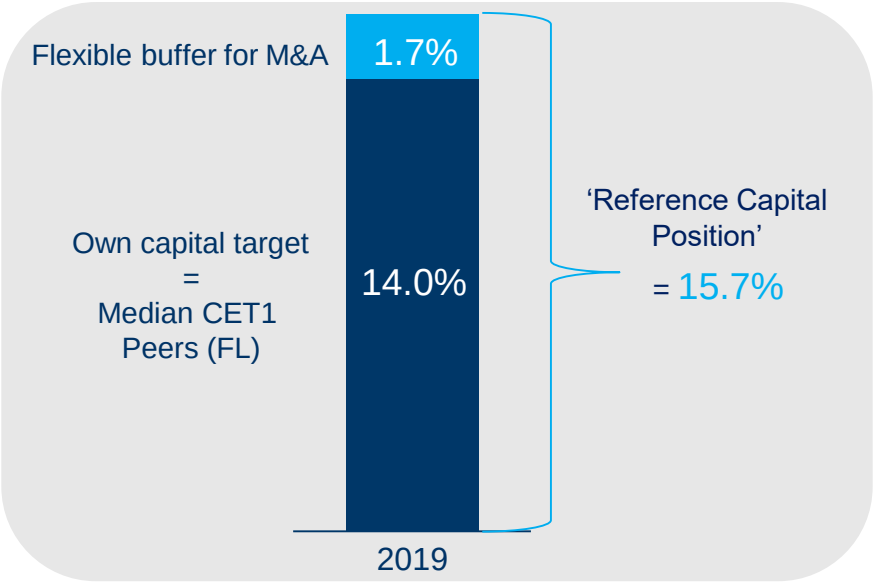
✓ … and robust liquidity positions



KBC Group in a nutshell (3)

✓ We aim to be one of the better capitalised financial institutions in Europe

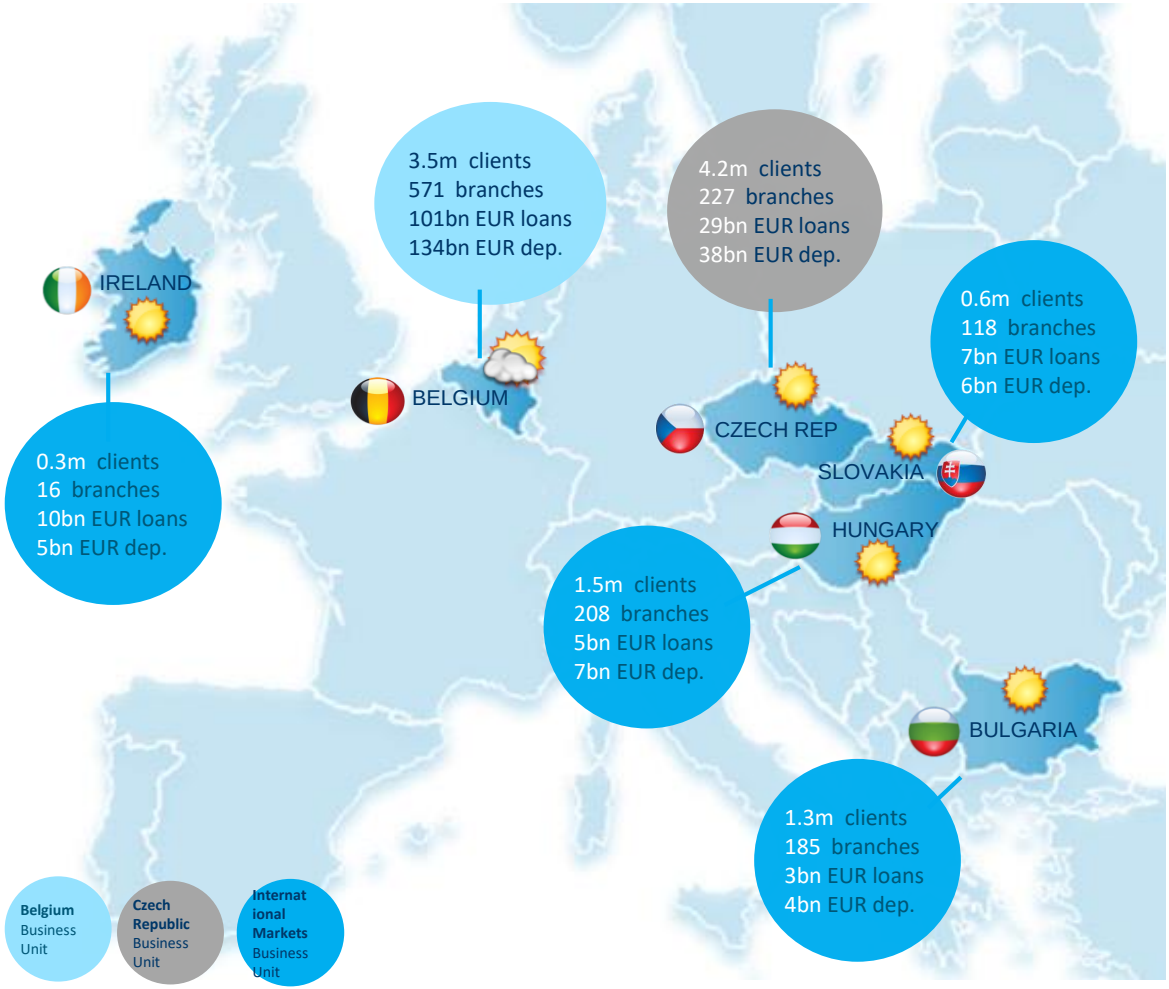
- Every year, we assess the CET1 ratios of a peer group of European banks active in the retail, SME and corporate client segments. We position ourselves on the fully loaded median CET1 ratio of the peer group (remained 14% at end of 2018)
- KBC Group's 2% flexible buffer for potential add-on M&A in our core markets decreased to 1.7% as the acquisition of the 45% stake in ČMSS was closed at the end of May 2019
- This buffer comes on top of our 'Own Capital Target' and together they form the 'Reference Capital Position'
- Any M&A opportunity will be assessed subject to very strict financial and strategic criteria



✓ Capital distribution to shareholders

- Payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit
- Interim dividend of 1 EUR per share in November of each accounting year as an advance on the total dividend
- On top of the payout ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the 'Reference Capital Position'

Well-defined core markets: access to ‘new growth’ in Europe



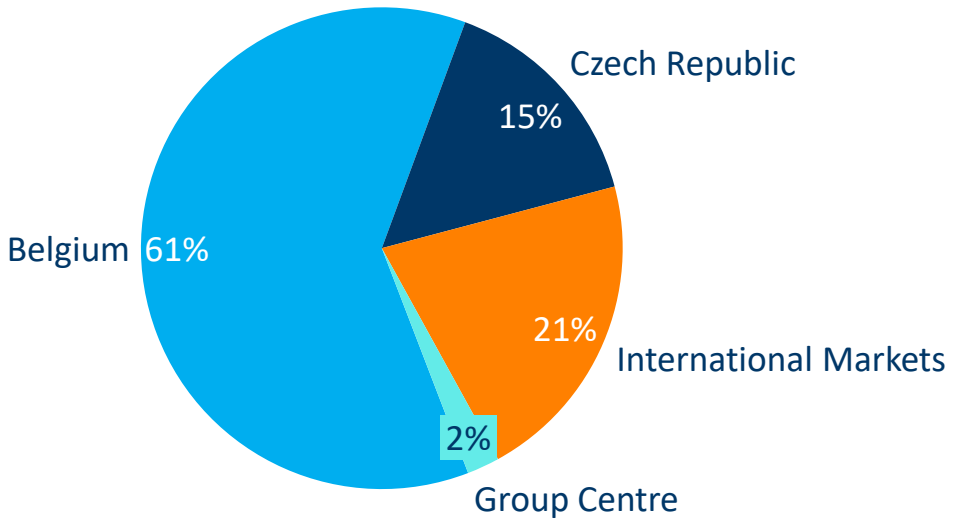
Market share (end 2018)	BE	CZ	SK	HU	BG	IRL
Loans and deposits	20%	19%	10%	11%	10%	9%*
Investment funds	32%	23%	7%	13%	14%	
Life insurance	13%	8%	4%	3%	24%	
Non-life insurance	9%	8%	3%	7%	11%	

Real GDP growth	BE	CZ	SK	HU	BG	IRL
% of Assets	61%	22%	3%	3%	2%	4%
2019e	1.3%	2.4%	2.6%	4.3%	3.2%	5.0%
2020e	0.9%	2.2%	2.2%	3.5%	3.1%	3.0%
2021e	1.2%	2.0%	2.2%	2.7%	3.0%	2.2%

GDP growth: KBC data, November ‘19
* Retail segment

Business profile

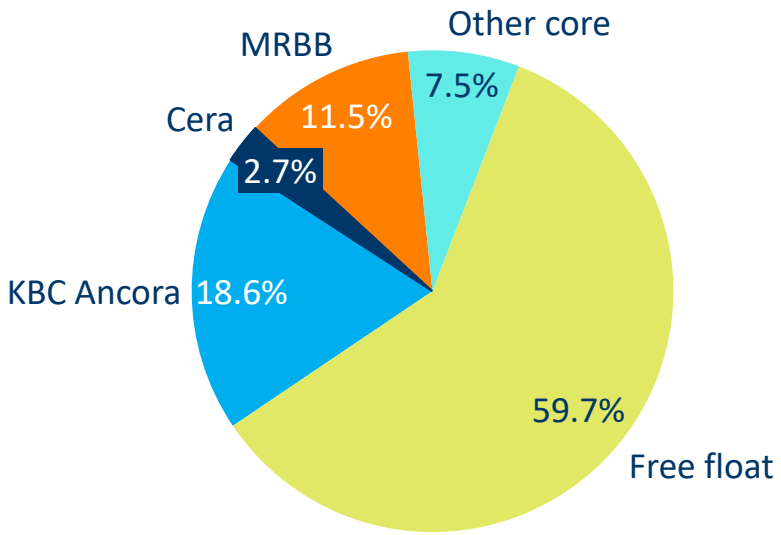
BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 30 SEPTEMBER 2019



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

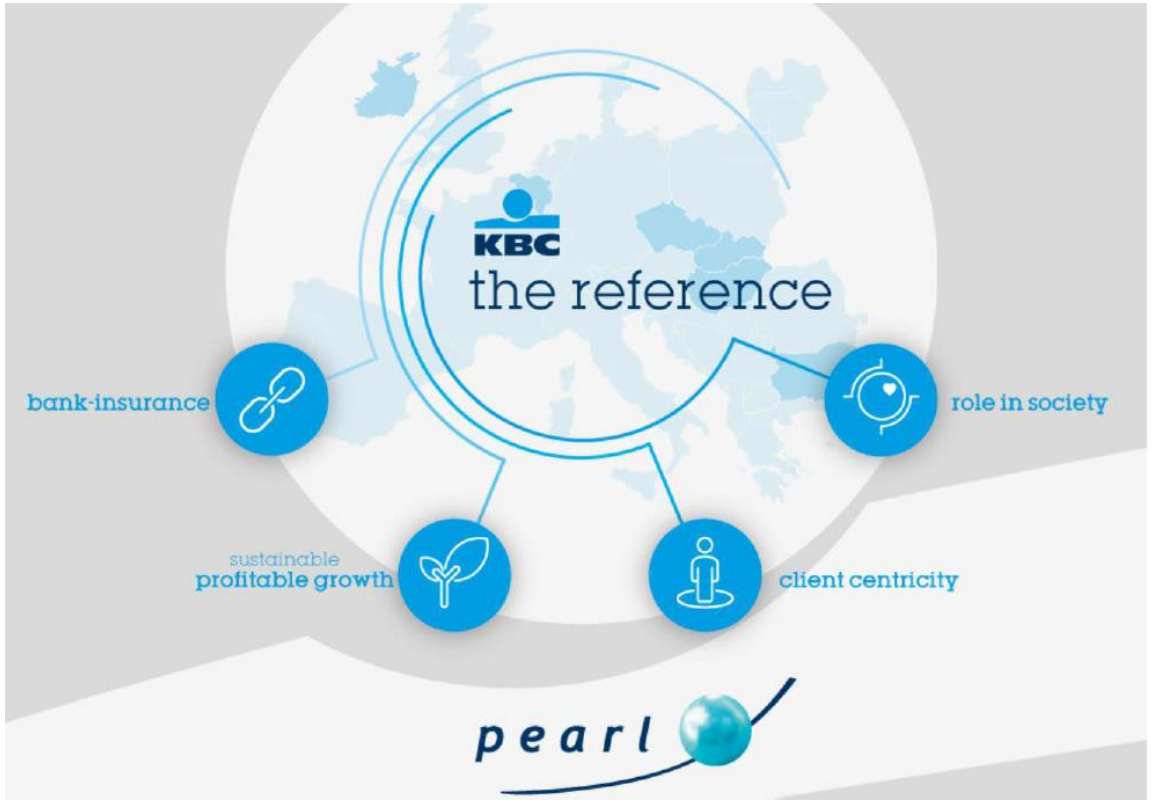
Shareholder structure

SHAREHOLDER STRUCTURE AT END 9M19



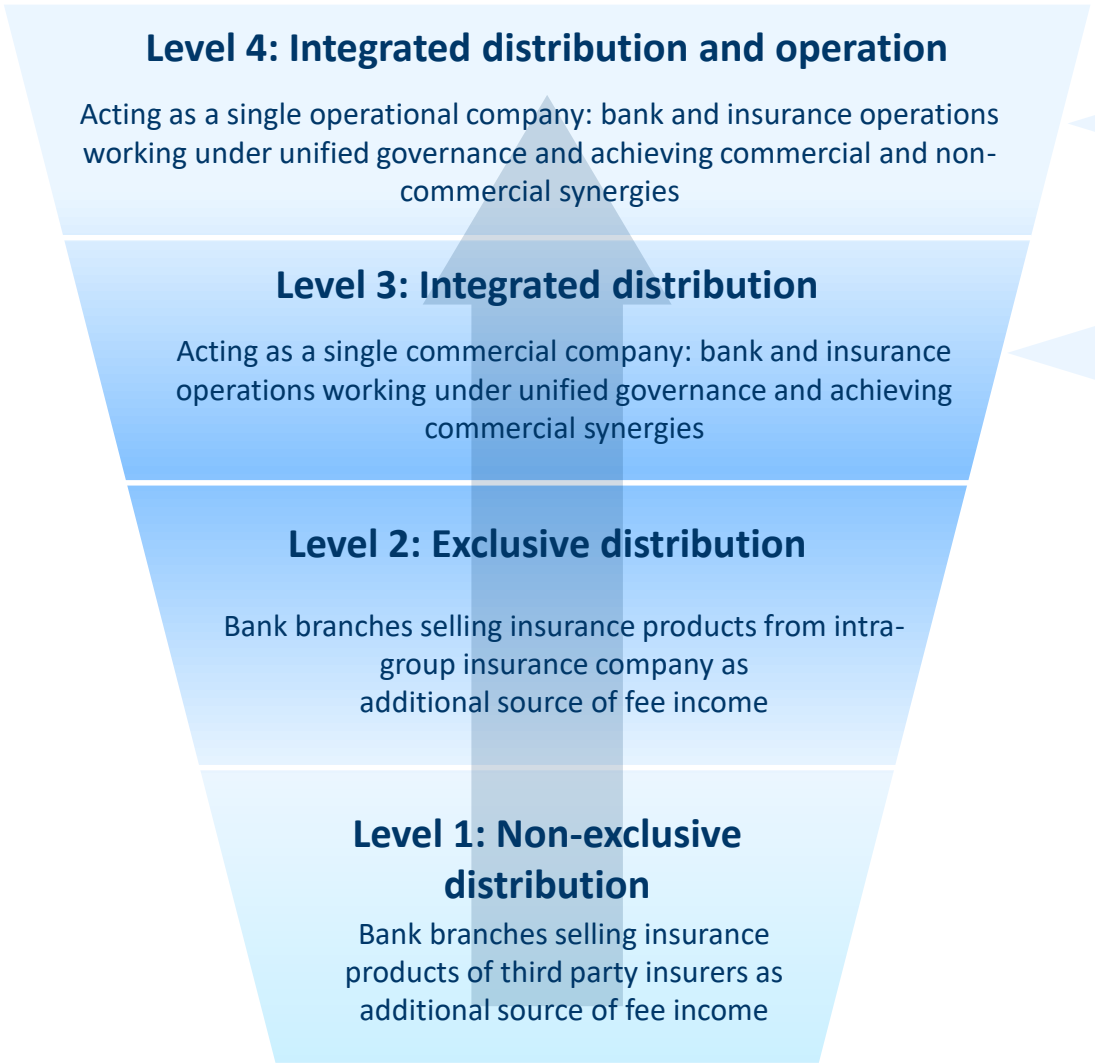
- Roughly 40% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals. Committed shareholders include the Cera/KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of Belgian industrialist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

KBC Group going forward:
Aiming to be among the best performing financial institutions in Europe



- KBC wants to be among Europe's best performing financial institutions. This will be achieved by:
  - Strengthening our bank-insurance business model for retail, SME and mid-cap clients in our core markets, in a highly cost-efficient way
  - Focusing on sustainable and profitable growth within the framework of solid risk, capital and liquidity management
  - Creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach
- By achieving this, KBC wants to become the reference in bank-insurance in its core markets

KBC Group going forward:
The bank-insurance business model, different countries, different stages of implementation



Belgium

Target for Central Europe

KBC targets to reach at least level 3 in every country, adapted to the local market structure and KBC's market position in banking and insurance

More of the same… but differently…

- Integrated distribution model according to a real-time omni-channel approach remains key but client interaction will change over time. Technological development will be the driving force
- Human interface will still play a crucial role
- Simplification is a prerequisite:
  - In the way we operate
  - Is a continuous effort
  - Is part of our DNA

+

- Client-centricity will be further fine-tuned into ‘think client, but design for a digital world’
- Digitalisation end-to-end, front- and back-end, is the main lever:
  - All processes digital
  - Execution is the differentiator
- Further increase efficiency and effectiveness of data management
- Set up an open architecture IT package as core banking system for our International Markets Unit
- Improve the applications we offer our clients (one-stop-shop offering) via co-creation/partnerships with Fintechs and other value chain players

=

- Investment in our digital presence (e.g., social media) to enhance client relationships and anticipate their needs
- Easy-to-access and convenient-to-use set-up for our clients
- Clients will drive the pace of action and change
- Further development of a fast, simple and agile organisation structure
- Different speed and maturity in different entities/core markets
- Adaptation to a more open architecture (with easy plug in and out) to be future-proof and to create synergy for all

KBC

KBC the reference…

Group financial guidance (Investor visit 2017)

Guidance			End 2018
CAGR total income ('16-'20)*	≥ 2.25%	by 2020	*2.5% (CAGR FY18 – FY16)*
C/I ratio banking excluding bank tax	≤ 47%	by 2020	*51% (FY2018)*
C/I ratio banking including bank tax	≤ 54%	by 2020	*57.5% (FY2018)*
Combined ratio	≤ 94%	by 2020	*88% (FY2018)*
Dividend payout ratio	≥ 50%	as of now	*59% (end 2018, incl. total dividend and AT1 coupon)*

* Excluding marked-to-market valuations of ALM derivatives

Regulatory requirements			End 9M19
Common equity ratio*excluding P2G	≥ 10.7%	by 2019	*15.4%***
Common equity ratio*including P2G	≥ 11.7%	by 2019	*15.4%***
MREL ratio	≥ 9.76%	by May '19	*10.2%****
NSFR	≥ 100%	as of now	*135%*
LCR	≥ 100%	as of now	*140%*

- Fully loaded, Danish Compromise. P2G = Pillar 2 guidance

** See slide 40… Is 15.9% when including 1H19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

*** MREL target as % of TLOF (Total Liabilities and Own Funds)

KBC the reference…

Group non-financial guidance (Investor visit 2017)

Non-financial guidance: CAGR Bank-Insurance clients (1 Bank product + 1 Insurance product)			End 2018 (growth FY18-FY16)
BU BE	≥ 2%	by 2020	+1%
BU CR	≥ 15%	by 2020	+12%
BU IM	≥ 10%	by 2020	+31%

Non-financial guidance: CAGR Bank-Insurance stable clients (3 Bk + 3 Ins products in Belgium; 2 Bk + 2 Ins products in CE)			End 2018 (growth FY18-FY16)
BU BE	≥ 2%	by 2020	+1%
BU CR	≥ 15%	by 2020	+19%
BU IM	≥ 15%	by 2020	+33%

Non-financial guidance: % Inbound contacts via omni-channel and digital channel*			End 3Q19
KBC Group**	≥ 80%	by 2020	80%

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

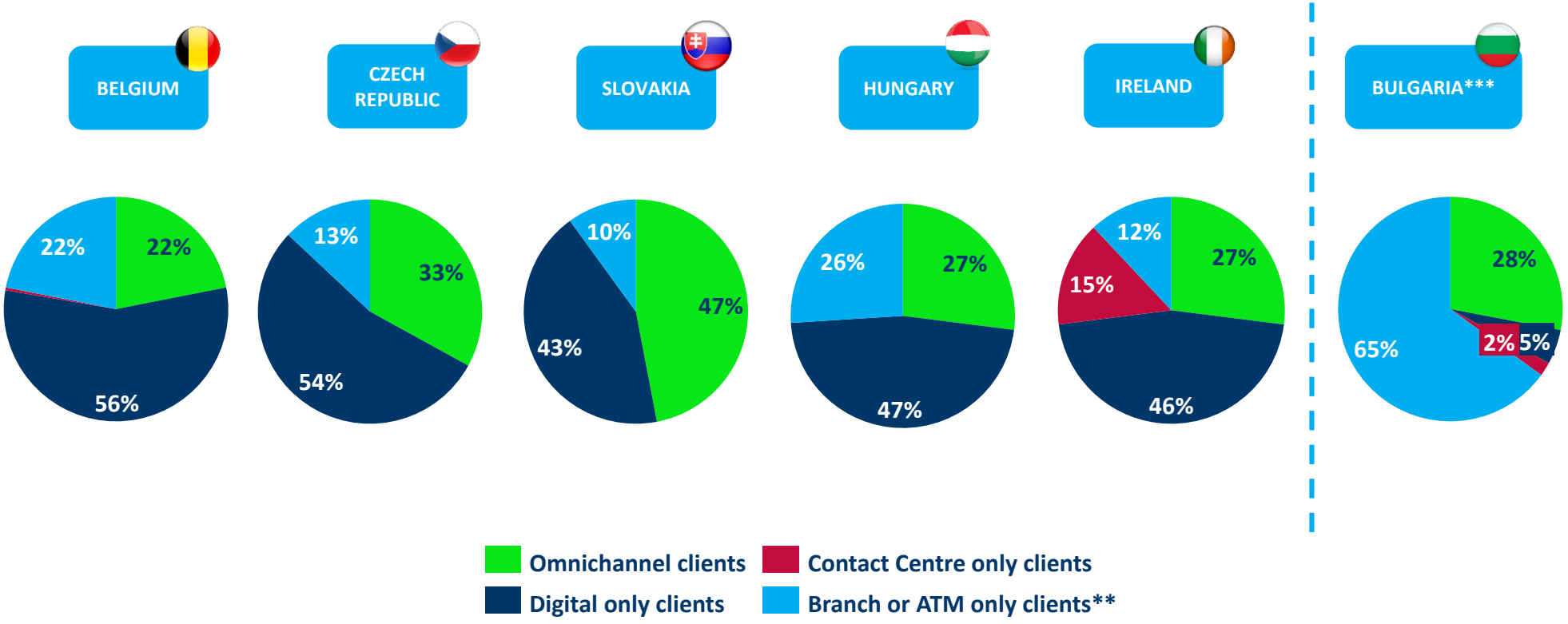
** Bulgaria & PSB out of scope for Group target

Inbound contacts via omni-channel and digital channel* at KBC Group** amounted to 80% in 3Q19… already reaching the Investor Visit target (≥ 80% by 2020)

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

** Bulgaria & PSB out of scope for Group target

Realisation of omnichannel strategy* – client mix in 3Q19



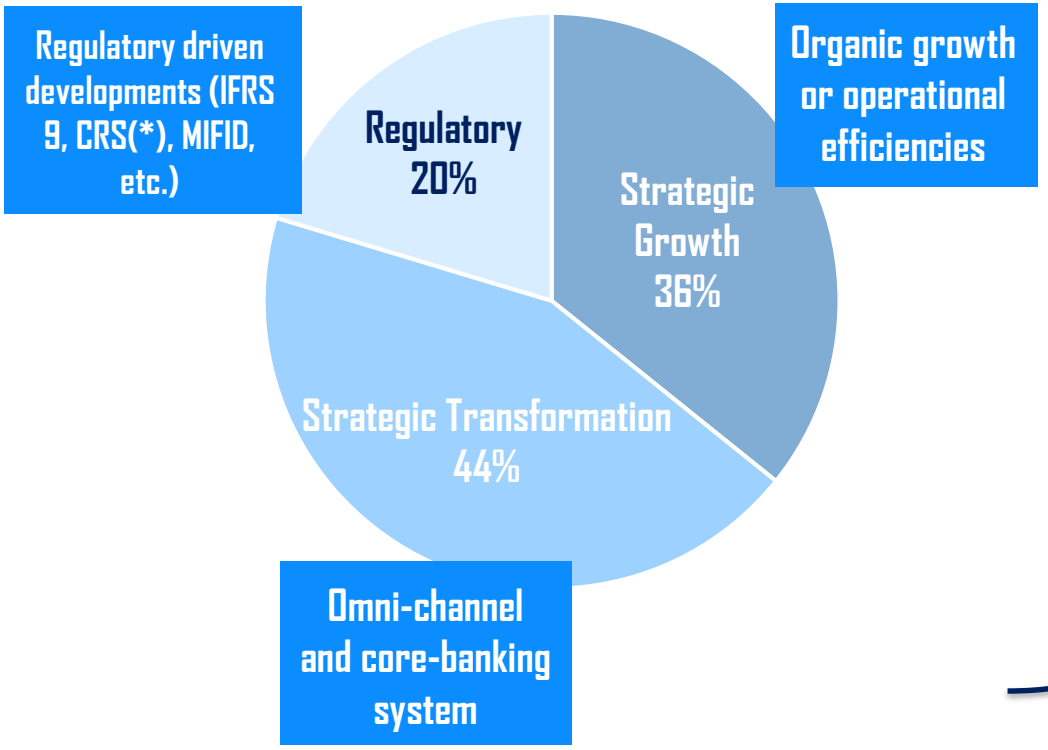
* Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advisory centre), possibly in addition to contact through physical branches. This means that clients solely interacting with KBC through physical branches (or ATMs) are excluded

** Might be slightly underestimated

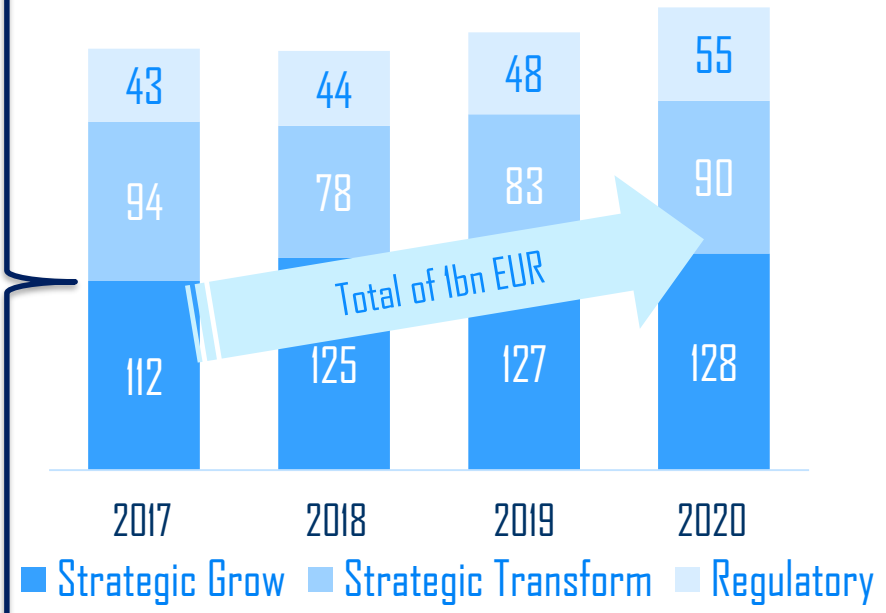
*** Bulgaria out of scope for Group target

Digital Investments 2017-2020

Cashflow 2017-2020 = 1.5bn EUR



Operating Expenses 2017-2020 = 1bn EUR



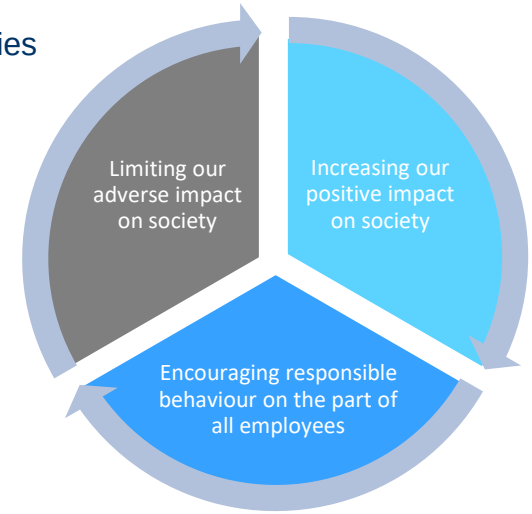
(*) The Common Reporting Standard (CRS) refers to a systematic and periodic exchange of information at international level aimed at preventing tax evasion. Information on the taxpayer in the country where the revenue was taken is exchanged with the country where the taxpayer has to pay tax. It concerns an exchange of information between as many as 53 OECD countries in the first year (2017). By 2018, another 34 countries have joined.

Sustainablity
The core of our sustainability strategy

Strict policies for our day-to-day activities

Focus on **sustainable investments**

Reducing our own **environmental footprint**



Four focus domains
that are close to our core activities

- Financial literacy
- Stimulating entrepreneurship
- Environmental responsibility
- Longevity or health

The mindset of all KBC staff should go beyond regulation and compliance. Responsible behaviour is a requirement to implement an effective and credible sustainability strategy. Specific focus on responsible selling and responsible advice

2018 & 9M19 achievements:

- Launch of the first Belgian **Sustainable Pension Savings Fund** for private individuals
- Successful launch of the Green Bond Framework and **issue of the Inaugural Green Bond of 500m EUR**
- **SRI funds amounted to 10.6bn EUR** by the end of 9M19 (11.5bn EUR including KBC's Pension Fund for its employees)
- Updated **KBC Sustainability Policies**
- KBC/CSOB announced to **stop financing of Coal Fired Power Generation and Coal mining** (current exposure phases out in 2023)
- Launch of a **Sustainable Finance Program** (implementation of TCFD recommendations and the EU Action Plan on Sustainable Finance)
- In September 2019, we signed the **Collective Commitment to Climate Action**, an initiative of the United Nations Environmental Program Finance Initiative

Please find more info in our 2018 Sustainability Report

Sustainablity
Our non-financial environmental targets

Indicator	Goal	2018	2017
Share of renewables in total energy credit portfolio	Minimum 50% by 2030	43.8%	41.1%
Financing of coal-related activities	Immediate stop of coal-related activities and gradual exit in the Czech Republic by 2023[1]	34m EUR exposure	86m EUR exposure
Total GHG emissions (excluding commuter travel)	25% reduction by 2020 relative to 2015, both absolute and per FTE Long term target for a 50%-decrease by 2030	-37.58% (absolute) -36.64% (per FTE)	-28.9% (absolute) -28.1% (per FTE)
ISO 14001-certified environmental management system	ISO 14001 certification in all core countries at the end of 2017	All 6 core countries certified	Belgium, Slovakia, Hungary and Bulgaria
Business solutions in each of the focus domains	Develop sustainable banking and insurance products and services to meet a range of social and environmental challenges	See Sustainability & Annual Report 2018	For examples: see Sustainability & Annual Report 2018
Volume of SRI funds	10 billion EUR by end 2020[2]	9 billion EUR[3]	7.1 billion EUR
Awareness of SRI among both our staff and clients	Increase awareness and knowledge of SRI	100% awareness among Belgian sales teams through e-learning courses	Progress in line with target

ROBECOSAM We are Sustainability Investing. 72/100

SUSTAINALYTICS 86/100 (Sector Leader)[4]

oekom research C (Prime)

CDP DISCLOSURE INSIGHT ACTION A- (Leadership)

(1) *Except for financing of existing coal-fired district heating plants until 2035 under strict conditions, i.e. only to assist further ecological upgrades*
(2) *Our initial target of 5 billion EUR by the end of 2018 had already been met by mid-2017*
(3) *This excludes 777m EUR from KBC's Pension funds and includes 40m EUR Pricos SRI*
(4) *Annual score (June 2019)*

KBC

Annex 2

Other items

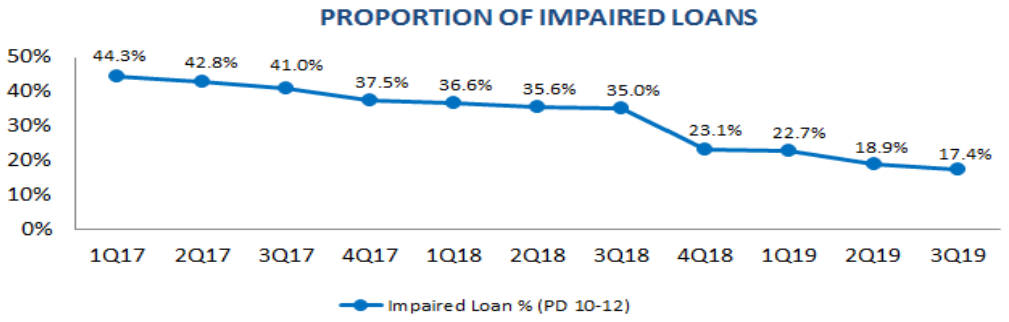
Loan loss experience at KBC

	9M19 CREDIT COST RATIO	FY18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	FY16 CREDIT COST RATIO	FY15 CREDIT COST RATIO	AVERAGE '99 –'18
Belgium	**0.16%**	0.09%	0.09%	0.12%	0.19%	n/a
Czech Republic	**0.05%**	0.03%	0.02%	0.11%	0.18%	n/a
International Markets	**0.02%**	-0.46%	-0.74%	-0.16%	0.32%	n/a
Group Centre	**-0.76%**	-0.83%	0.40%	0.67%	0.54%	n/a
Total	**0.10%**	**-0.04%**	**-0.06%**	**0.09%**	**0.23%**	**0.44%**

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

Ireland: impaired loans ratio 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	9,194	1,560	17%	344	22%
Buy to let mortgages	686	150	22%	57	38%
Non Mortgage Retail	82	5	6%	3	75%
Corporate	53	26	49%	13	51%
Total	**10,015**	**1,741**	**17%**	**418**	**24%**



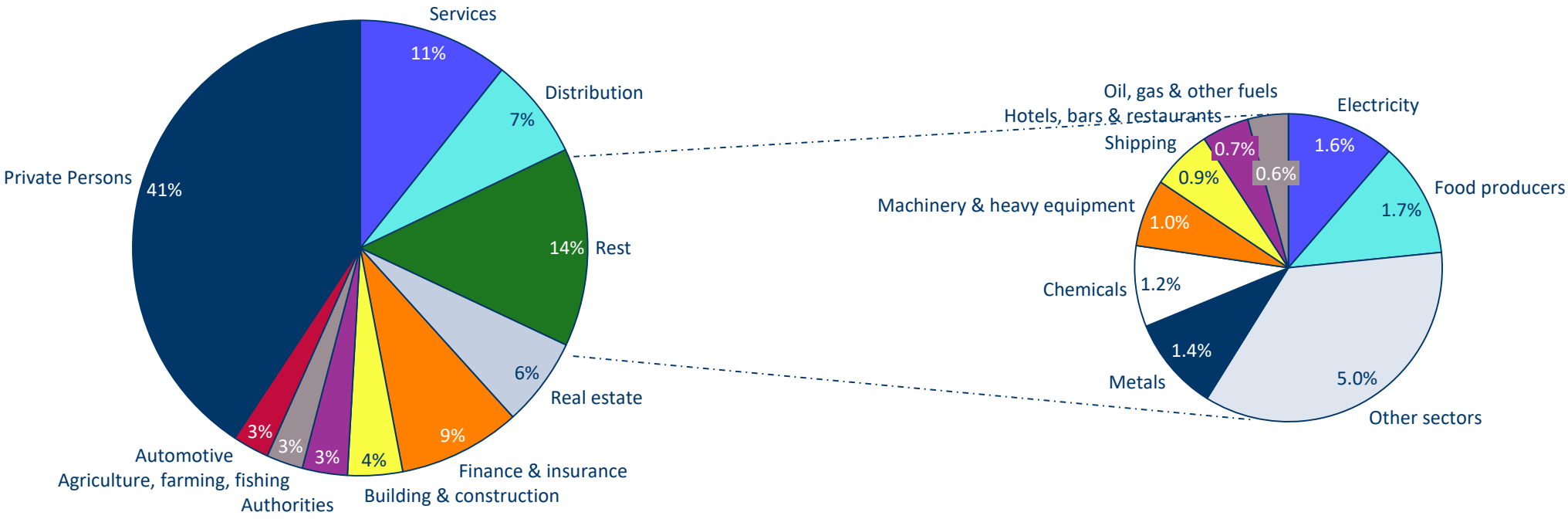
3Q19 Total Portfolio

	PD	Exposure	Impairment Provisions	Cover %
Performing	PD 1-8	7,729	7	0.1%
	Of which non Forborne	7,729		
	Of which Forborne	0		
	PD 9	546	19	3.5%
	Of which non Forborne	135		
	Of which Forborne	411		
Impaired	PD 10	865	76	8.8%
	PD 11	704	231	32.8%
	PD 12	172	111	64.8%
	TOTAL PD1-12	**10,015**	**444**	
	PD 10-12 Impairment Provisions /(PD 10-12)			*24.0%*

- 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 posted strong gains in activity in 9M19 and, while some moderation in growth may be underway, GDP is still expected to increase by around 5% for the year as a whole
- Employment continues to increase at a healthy pace and, with unemployment approaching 5%, wage growth appears to be picking up. Furthermore, net inward migration remains on an upward trend. As a result, domestic demand remains underpinned
- Irish house price inflation has eased further as affordability and uncertainty, primarily related to Brexit, are restraining demand at a time when supply is improving modestly
- Impaired portfolio decreased by roughly 145m EUR q-o-q resulting in impaired loan ratio reducing to 17.4%. The 7m EUR net impairment releases in 3Q19 were driven predominantly by improved non-performing portfolio performance
- Weighted average indexed LTV on the Retail impaired portfolio improved y-o-y to 100% at 3Q19 (from 102% at 3Q18)

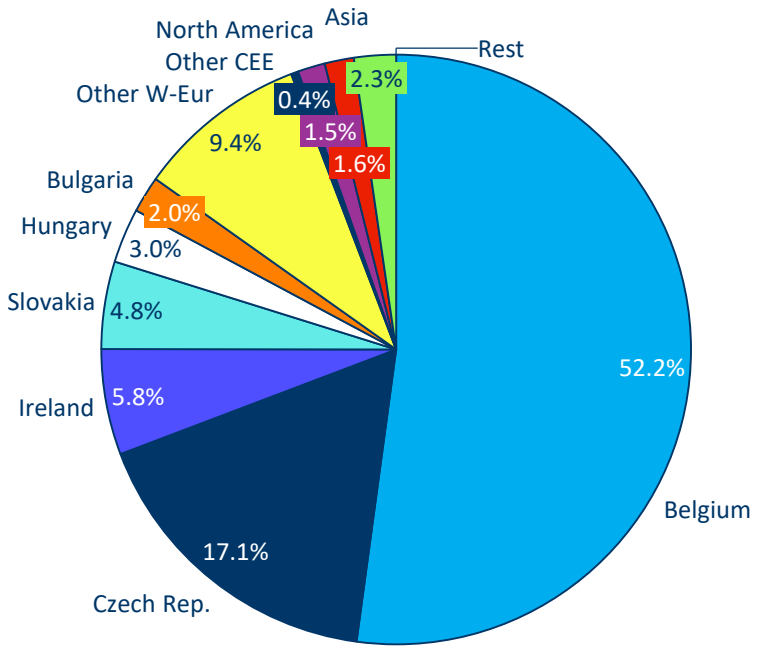
Sectorial breakdown of outstanding loan portfolio (1) (177bn EUR*) of KBC Bank Consolidated



* 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) (177bn EUR*) of KBC Bank Consolidated

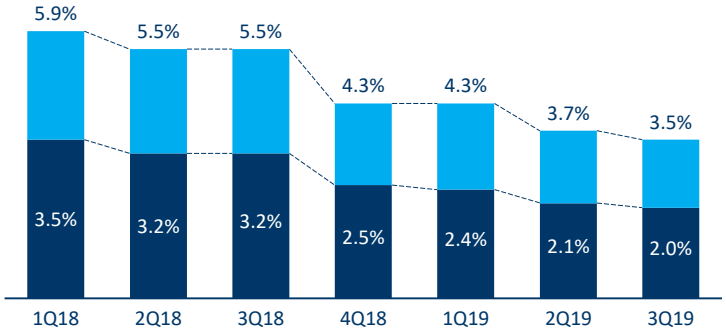


* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are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

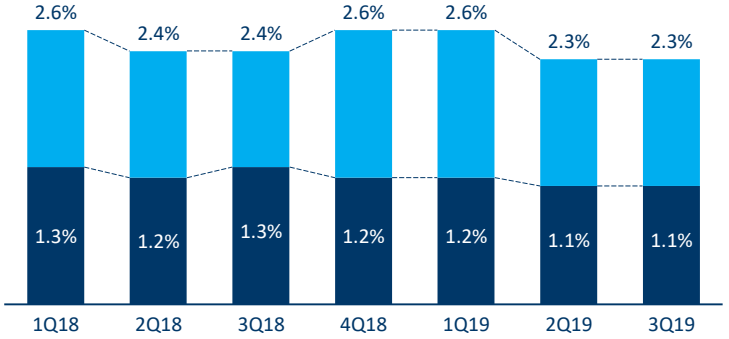
* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

Impaired loans ratios, of which over 90 days past due

KBC GROUP

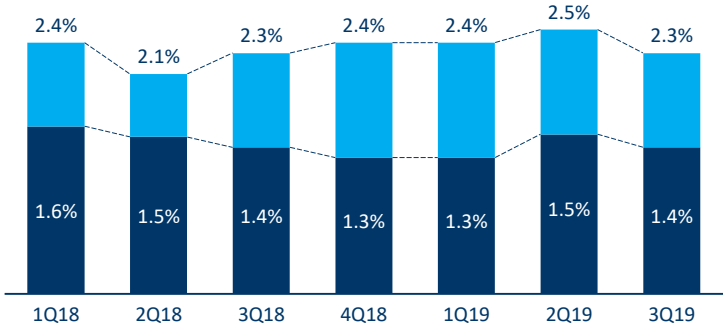


BELGIUM BU

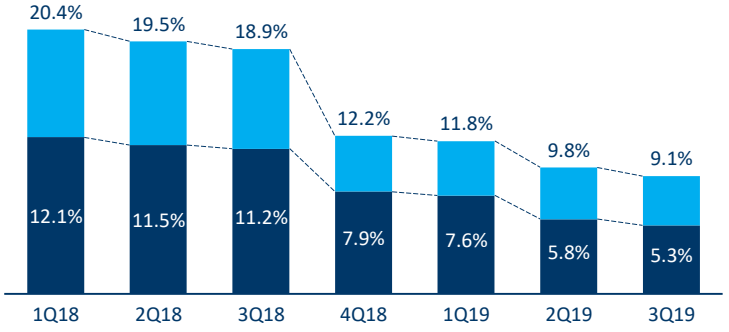


Impaired loans ratio
Of which over 90 days past due

CZECH REPUBLIC BU

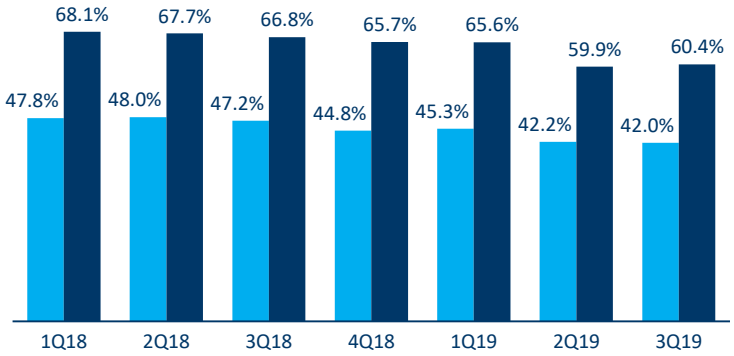


INTERNATIONAL MARKETS BU



Cover ratios

KBC GROUP



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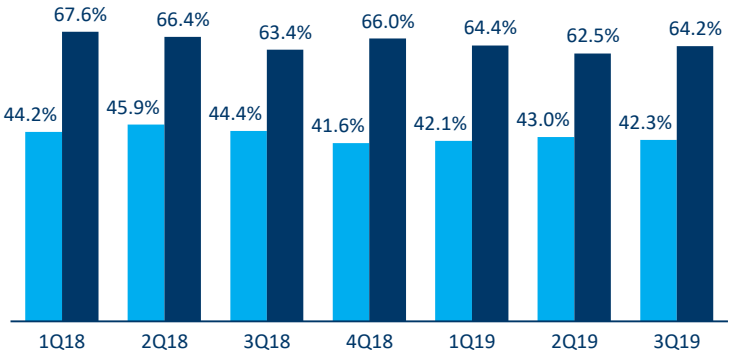
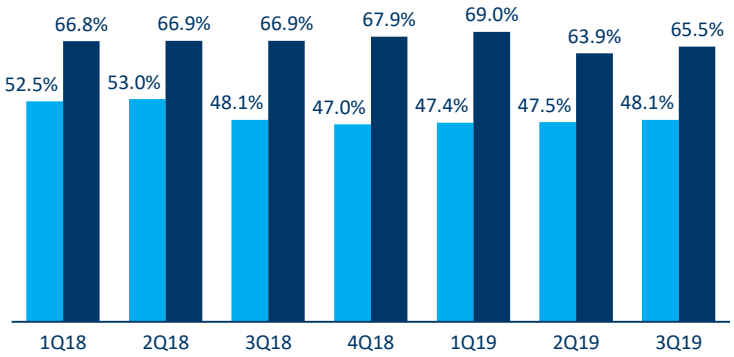


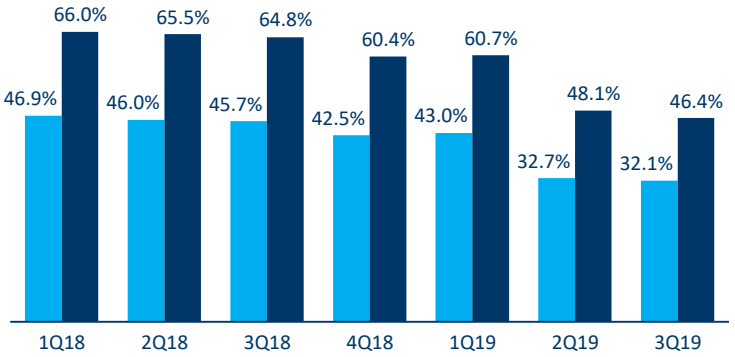
Impaired loans cover ratio

Cover ratio for loans with over 90 days past due

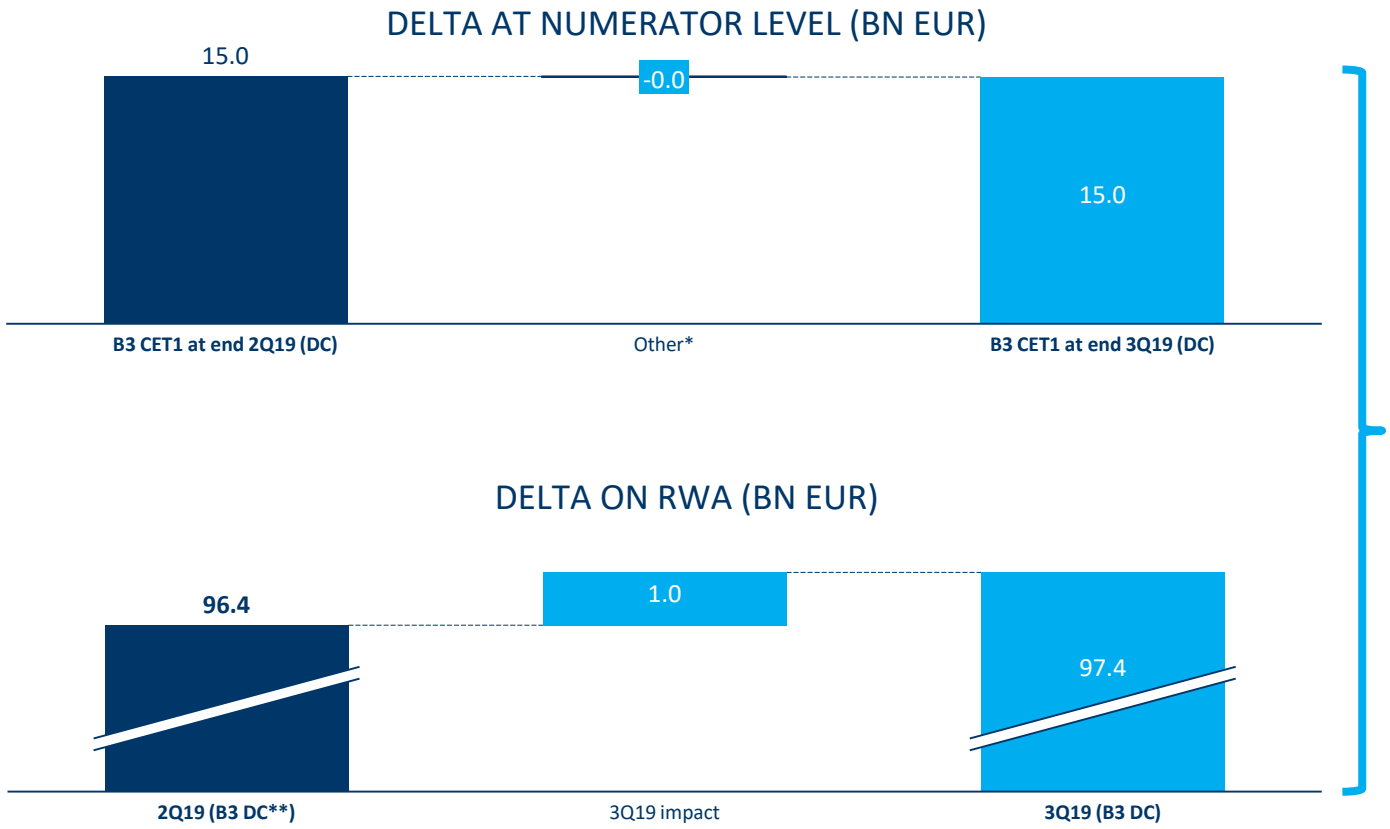
CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU



Fully loaded B3 CET1 based on the Danish Compromise (DC) from 2Q19 to 3Q19



- Fully loaded B3 common equity ratio amounted to 15.4% at end 9M19 based on the Danish Compromise***
- This clearly exceeds the minimum capital requirements set by the competent supervisors of 10.7% fully loaded

* Includes the q-o-q delta in deferred tax assets on losses carried forward, remeasurement of defined benefit obligations, IRB provision shortfall, deduction re. financing provided to shareholders, deduction re. irrevocable payment commitments, intangible fixed assets, AT1 coupon, translation differences, etc.

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

*** See slide 40… Is 15.9% when including 9M19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

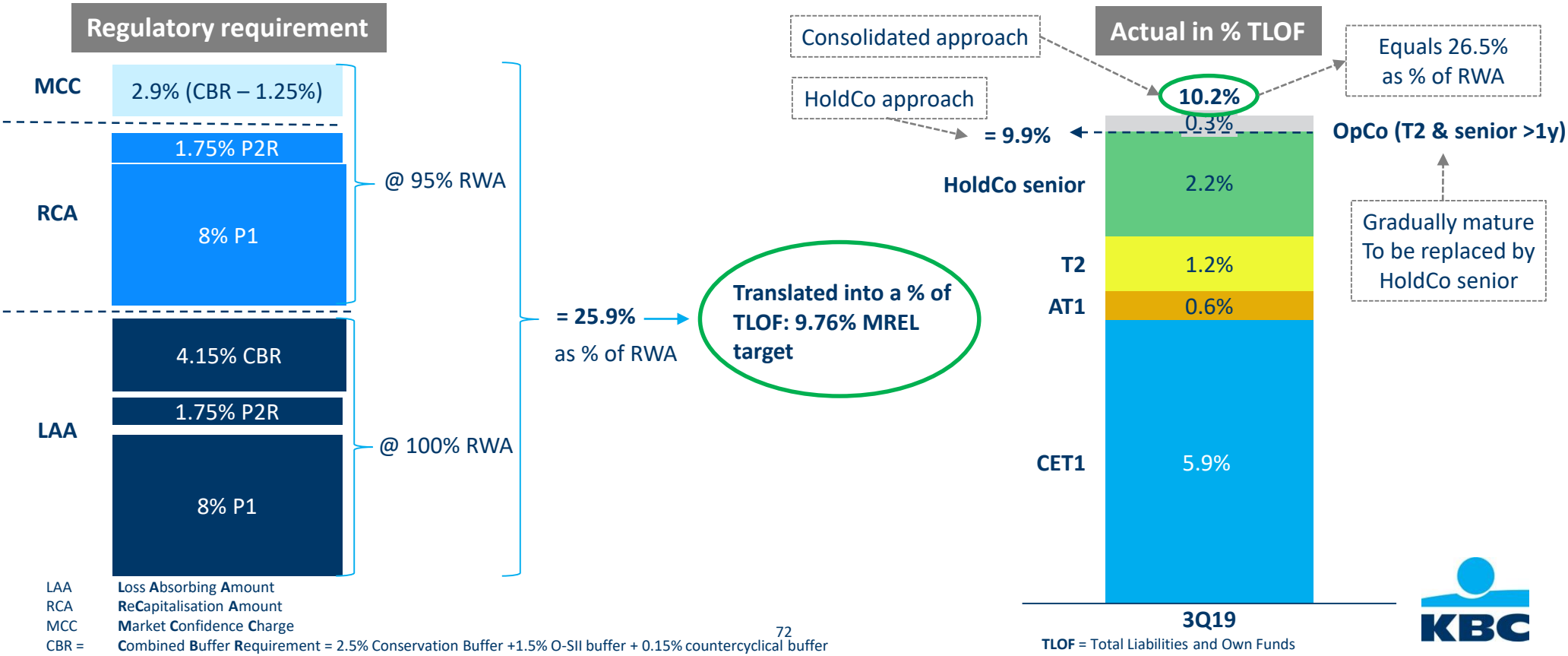
Overview of B3 CET1 ratios at KBC Group

Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	15,736	110,960	14.2%
DC**, fully loaded	14,992	97,368	15.4%
DM***, fully loaded	14,027	91,994	15.2%

* FICOD: Financial Conglomerate Directive
** DC: Danish Compromise
*** DM: Deduction Method

KBC complies with resolution requirements

- ✓ The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level
- ✓ **Bail-in** is identified as the preferred resolution tool
- ✓ SRB's current approach to **MREL** is defined in the '2017 MREL Policy' published on 20 December 2017, which is based on the current legal framework and hence might be revised in the context of the ongoing legislative process to review BRRD
- ✓ **The MREL target for KBC is 9.76% as % of TLOF,** which is based on fully loaded capital **requirements as at 31 December 2016**
- ✓ SRB requires KBC to achieve this target by 1 May 2019, using both HoldCo and eligible OpCo instruments – **KBC complies with the requirement**: **the MREL ratio of KBC Group consolidated as of 30-09-2019 is 10.2% as % of TLOF**

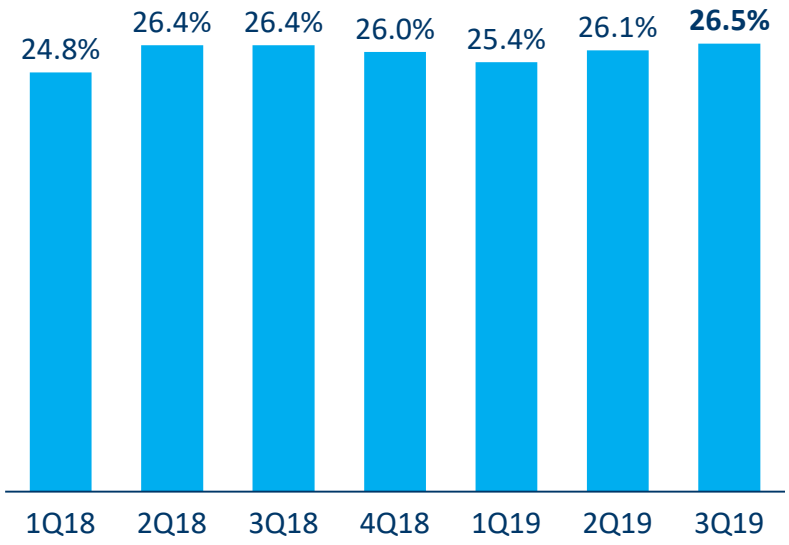


LAA **L**oss **A**bsorbing **A**mount
RCA **Re**Capitalisation **A**mount
MCC **M**arket **C**onfidence **C**harge
CBR = **C**ombined **B**uffer **R**equirement = 2.5% Conservation Buffer +1.5% O-SII buffer + 0.15% countercyclical buffer

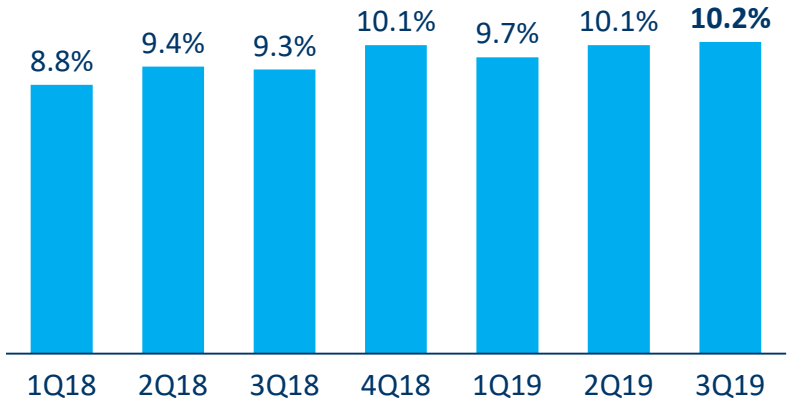
TLOF = Total Liabilities and Own Funds

Available MREL (fully loaded)

Available MREL as a % of RWA (fully loaded)



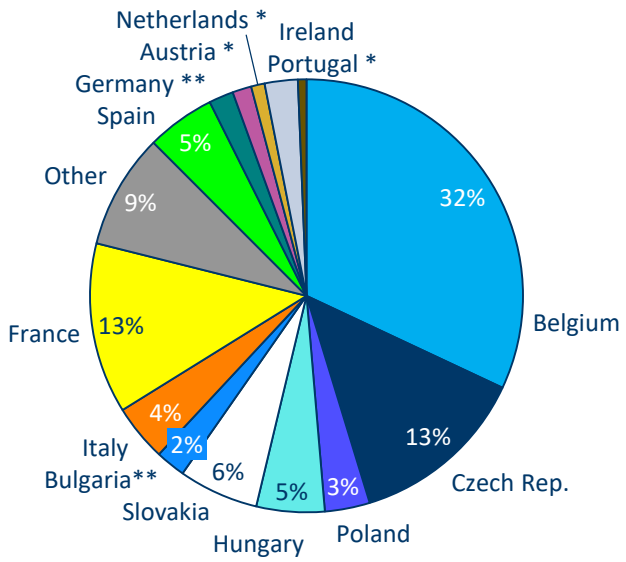
Available MREL as a % of TLOF (fully loaded)



Government bond portfolio – Notional value

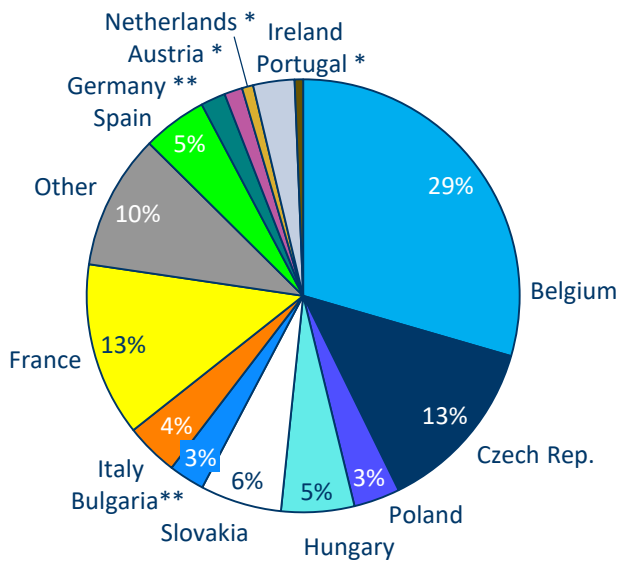
- Notional investment of 45.2bn EUR in government bonds (excl. trading book) at end of 9M19, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.6bn EUR at the end of 9M19

END OF FY18
(Notional value of 45.0bn EUR)



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

END OF 9M19
(Notional value of 45.2bn EUR)

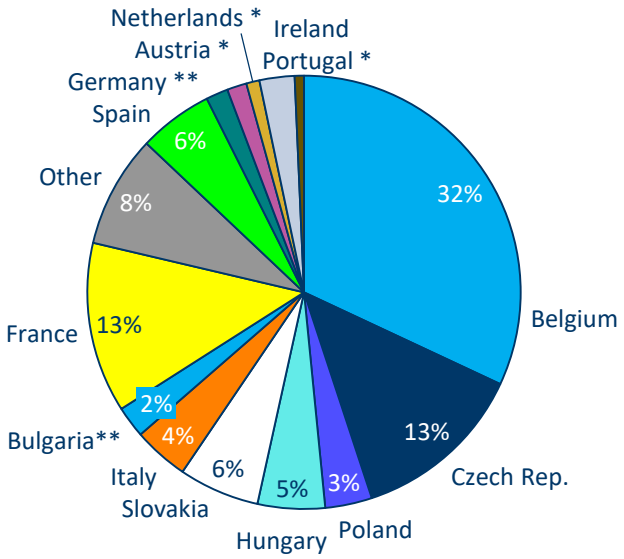


(*) 1%, (**) 2%

Government bond portfolio – Carrying value

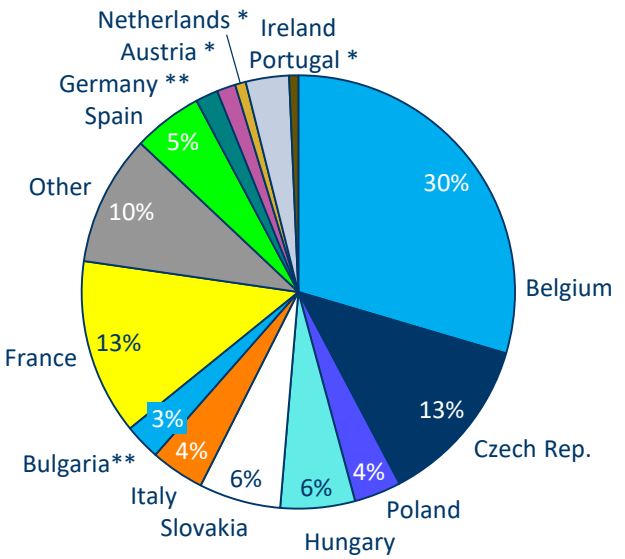
- Carrying value of 48.8bn EUR in government bonds (excl. trading book) at end of 9M19, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 6.4bn EUR at the end of 9M19

END OF FY18
(Carrying value of 47.7bn EUR)



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

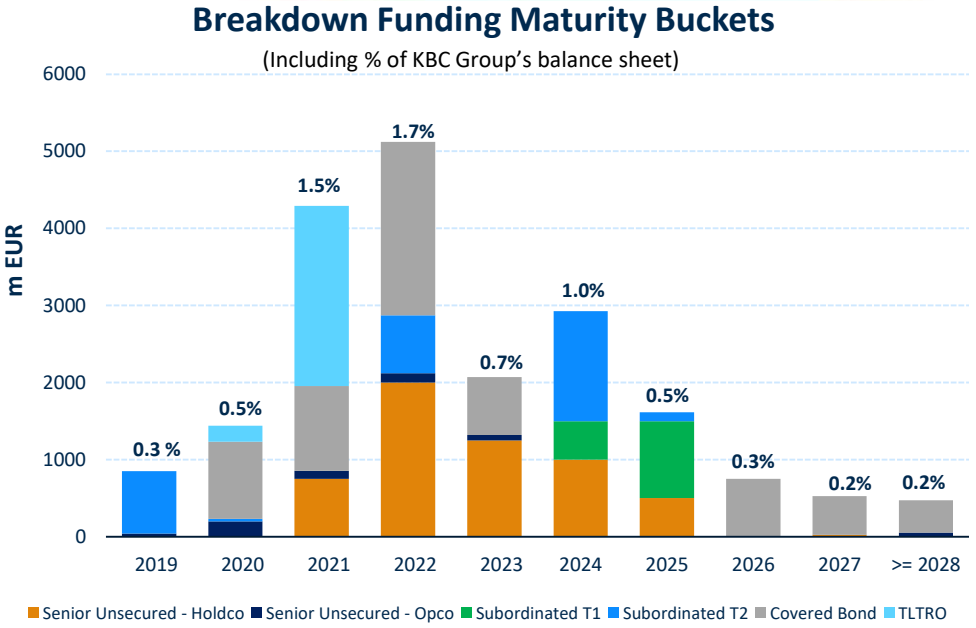
END OF 9M19
(Carrying value of 48.8bn EUR)

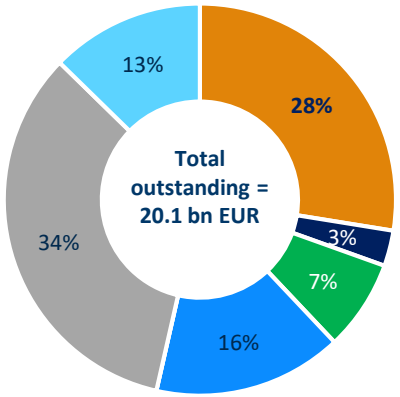


(*) 1%, (**) 2%

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

Upcoming mid-term funding maturities





- In September 2019, KBC Group NV successfully issued a new Tier 2 benchmark of 750m EUR with 10.25-year maturity and a call date after 5.25 years
- In September 2019, KBC Group NV also did an early (partial) repayment of the TLTROII funding for the amount of 4bn EUR. Current outstanding TLTRO funding amounts to 2.545bn EUR
- Note that KBC Group NV also sent out two call notices. One to call the remaining outstanding amount of KBC Bank NV AT1 (45m GBP) at its first call date on 19 December 2019, and one to call the 750m EUR Tier 2 bond issued in November 2014 at its first call date on 25 November 2019

- KBC Bank has 6 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Covered bonds
  - Structured notes and covered bonds using the private placement format
  - Senior unsecured, T1 and T2 capital instruments issued at KBC Group level and down-streamed to KBC Bank

Glossary (1)

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)

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

Contacts / Questions

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