KBC Group
4Q and FY 2019 results
Press presentation

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

More detailed analyst presentation available at www.kbc.com
Important information for investors

- This presentation is provided for information purposes only. It does not constitute an offer to sell or the solicitation to buy any security issued by the KBC Group.

- KBC believes that this presentation is reliable, although some information is condensed and therefore incomplete. KBC cannot be held liable for any loss or damage resulting from the use of the information.

- This presentation contains non-IFRS information and forward-looking statements with respect to the strategy, earnings and capital trends of KBC, involving numerous assumptions and uncertainties. There is a risk that these statements may not be fulfilled and that future developments differ materially. Moreover, KBC does not undertake any obligation to update the presentation in line with new developments.

- By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.
Key takeaways for KBC Group
4Q 2019 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
- Higher net result from financial instruments at fair value and higher net other income
- Excellent sales of non-life insurance products y-o-y and higher sales of life insurance products q-o-q
- Strict cost management
- Higher net impairments on loans
- Solid solvency and liquidity

** Key performance indicators for FY19

- ROE 14.3%
- Cost-income ratio 58%
- Cost-income ratio excluding bank taxes 51%
- Combined ratio 90%
- Credit cost ratio 0.12%
- Common equity ratio 16.1%** (B3, DC, fully loaded)
- Leverage ratio 6.4%*** (fully loaded)
- NSFR 136% & LCR 138%

* Comparisons against the previous quarter unless otherwise stated

* Cost/income ratio (banking) adjusted for specific items: MtM ALM derivatives and one-off items are fully excluded

** 15.7%, when including the proposed share buy-back (see next page)

*** 6.3% when including the proposed share buy-back (see next page)
Key takeaways for KBC Group
4Q 2019 financial performance

Capital deployment / Dividend proposal

- A total gross dividend of 3.5 EUR per share will be proposed to the AGM for the 2019 accounting year (of which an interim dividend of 1 EUR per share paid in November 2019 and a final dividend of 2.5 EUR per share)

- Also a buy-back of maximum 5.5 million shares will be proposed to the AGM/EGM. This will lead to a CET1 ratio (after capital distribution) of approximately 15.7%. The formal decision to execute a share buy-back is subject to a prior approval of the ECB

- Including the proposed total dividend, AT1 coupon and share buy-back, the pay-out ratio will amount to approximately 76%
KBC Group
Consolidated results
4Q 2019 performance
KBC Group
Excellent net result of 702m in 4Q 2019

Net result at KBC Group

Amounts in millions of EUR
Net result per business unit

**Overall positive contribution of the business units**

<table>
<thead>
<tr>
<th>BE BU</th>
<th>4Q18</th>
<th>1Q19</th>
<th>2Q19</th>
<th>3Q19</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019</td>
<td>361</td>
<td>176</td>
<td>388</td>
<td>368</td>
<td>412</td>
</tr>
<tr>
<td>FY 2018</td>
<td>1,450</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CZ BU</th>
<th>4Q18</th>
<th>1Q19</th>
<th>2Q19</th>
<th>3Q19</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019</td>
<td>170</td>
<td>177</td>
<td>248</td>
<td>159</td>
<td>205</td>
</tr>
<tr>
<td>FY 2018</td>
<td>654</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IM BU</th>
<th>4Q18</th>
<th>1Q19</th>
<th>2Q19</th>
<th>3Q19</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2019</td>
<td>93</td>
<td>70</td>
<td>104</td>
<td>85</td>
<td>119</td>
</tr>
<tr>
<td>FY 2018</td>
<td>533</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Amounts in millions of EUR
Higher net interest income (NII) and stable net interest margin (NIM)

**Net Interest Income**

NII increased by 1% q-o-q and y-o-y. Note that NII banking increased by 1% q-o-q and by 4% y-o-y

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

(+): continued good loan volume growth, higher margins on new mortgage loan production in Belgium and positive impact of ECB deposit tiering (+7m EUR q-o-q)

partly offset by:

(-): lower reinvestment yields in our euro area core countries, pressure on loan margins on total outstanding portfolio in most core countries, lower NII Insurance (coupon on inflation-linked bonds fully booked in 3Q) and slightly lower netted positive impact of ALM FX swaps

**Net interest margin**

NIM 1.94%

Stabilised q-o-q and decreased by 8 bps y-o-y, the latter due mainly to the negative impact of lower reinvestment yields and pressure on loan margins on total outstanding portfolio in most core countries

* From all ALM FX swap desks

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>4Q18</th>
<th>3Q19</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIM</td>
<td>2.02%</td>
<td>1.94%</td>
<td><strong>1.94%</strong></td>
</tr>
</tbody>
</table>
Net fee and commission income

Higher net fee and commission income

Net fee and commission income

<table>
<thead>
<tr>
<th>4Q18</th>
<th>3Q19</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>407</td>
<td>444</td>
<td>445</td>
</tr>
</tbody>
</table>

Amounts in millions of EUR

Net fee and commission income (445m EUR)
Slightly higher q-o-q and up by 9% 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 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 higher fees from credit files & bank guarantees and higher network income, partly offset by seasonally lower fees from payment services
• Distribution costs rose by 13% q-o-q due chiefly to higher commissions paid linked to banking products and increased sales of insurance products

Assets under management (AuM)

<table>
<thead>
<tr>
<th>4Q18</th>
<th>3Q19</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>212</td>
<td>216</td>
</tr>
</tbody>
</table>

Amounts in billions of EUR

Assets under management (216bn EUR)

• Increased by 2% q-o-q and by 8% y-o-y
• The mutual fund business has seen small net inflows, offset by net outflows in investment advice and group assets
Non-life insurance

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

Up by 8% y-o-y mainly thanks to a good commercial performance in all major product lines in our core markets and tariff increases.

The non-life combined ratio for FY19 amounted to 90%, an excellent number despite higher technical charges due to major claims.
Life insurance

Life sales up q-o-q

Sales of life insurance products increased by 17% q-o-q and fell by 8% y-o-y

- The q-o-q increase was driven entirely by higher sales of guaranteed interest products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension savings products in 4Q19)
- The y-o-y decrease was driven mainly by lower sales of guaranteed interest products (fully due to the suspension of universal single life insurance products in Belgium).
- Sales of unit-linked products accounted for 34% of total life insurance sales in 4Q19
Net result from financial instruments at fair value

Higher fair value result

The higher q-o-q figures for net result from financial instruments at fair value were attributable mainly to:

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

Amounts in millions of EUR

Fair value result

<table>
<thead>
<tr>
<th></th>
<th>4Q18</th>
<th>3Q19</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result</td>
<td>2</td>
<td>-46</td>
<td>130</td>
</tr>
</tbody>
</table>
Net other income

**Net other income** amounted to 47m EUR. Note that 3Q19 was negatively impacted by an additional impact of the tracker mortgage review of -18m EUR.
Operating expenses

Strict cost management

<table>
<thead>
<tr>
<th>4Q18</th>
<th>3Q19</th>
<th>4Q19</th>
</tr>
</thead>
<tbody>
<tr>
<td>996</td>
<td>975</td>
<td>1045</td>
</tr>
<tr>
<td>41</td>
<td>28</td>
<td>51</td>
</tr>
</tbody>
</table>

Amounts in millions of EUR

Cost/Income ratio (banking)*

<table>
<thead>
<tr>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>57%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Operating expenses including bank tax in full year 2019 rose by 1.6% y-o-y, in line with our FY19 guidance, even including higher bank taxes (+29m EUR y-o-y) and the impact of the full consolidation of ČMSS (+30m EUR y-o-y)

Excluding the impact of the full consolidation of ČMSS, operating expenses excluding bank tax roughly stabilised y-o-y in FY19.

Operating expenses excluding bank tax increased by 5% q-o-q (and 4% y-o-y) primarily as a result of:

- higher staff expenses (due partly to wage inflation in most countries and a provision for bonuses)
- timing differences, such as seasonally higher professional fee expenses
- higher marketing and facilities costs

Total bank taxes (including ESRF contribution) increased by 6% y-o-y to 491m EUR in FY19

Cost/Income ratio (banking) adjusted for specific items: MtM ALM derivatives and one-off items are fully excluded
Asset impairments

Higher asset impairments, benign credit cost ratio

Asset impairment

(negative sign is write-back)

![Bar chart showing asset impairments](chart)

Higher asset impairments q-o-q, mainly to:
- sharply higher loan loss impairments in Belgium due to 5 corporate files (107m EUR in 4Q19 versus 21m EUR in 3Q19)
- low loss impairments in the Czech Republic (1m EUR) and Hungary (EUR 2m)
partly offset by:
- higher net loan loss impairment reversals in Ireland (14m EUR in 4Q19 versus 7m in 3Q19) and Group Centre (11m EUR in 4Q19 versus 10m in 3Q19)
- net loan loss impairment reversals in Slovakia (5m EUR) and Bulgaria (4m EUR) in 4Q19 compared with loan loss impairments in 3Q19

Credit cost ratio (YTD)

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts</td>
<td>-0.04%</td>
<td>0.12%</td>
</tr>
<tr>
<td>in millions of EUR</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The credit cost ratio amounted to 0.12% in FY19
KBC Group
Consolidated results
FY 2019 performance
Key takeaways for KBC Group

FY 2019 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 lower net interest margin
- Higher net fee and commission income
- Lower net result from financial instruments at fair value and higher net other income
- Excellent sales of non-life insurance products and higher sales of life insurance products y-o-y
- Strict cost management
- Higher net impairments on loans
- Solid solvency and liquidity
- A total gross dividend of 3.5 EUR per share and buy-back of maximum 5.5 million shares will be proposed to the AGM/EGM for the 2019 accounting year (of which an interim dividend of 1 EUR per share paid in November 2019 and a final dividend of 2.5 EUR per share). The formal decision to execute as share-buy-back is subject to a prior approval of the ECB

Excellent net result of 2,489m EUR in FY19

- ROE 14.3%
- Cost-income ratio 58%*
- Cost-income ratio excluding bank taxes 51%*
- Combined ratio 90%
- Credit cost ratio 0.12%
- Common equity ratio 16.1%** (B3, DC, fully loaded)
- Leverage ratio 6.4%*** (fully loaded)
- NSFR 136% & LCR 138%
- Pay-out ratio of approximately 76% (including the proposed dividend, share-buy-back and AT1 coupon)

* Cost/income ratio (banking) adjusted for specific items: MtM ALM derivatives and one-off items are fully excluded

** 15.7%, when including the proposed share buy-back

*** 6.3% when including the proposed share buy-back
KBC Group

FY 2019 net result amounted to 2,489m EUR

Net result fell by 3% y-o-y to 2,489m EUR in 2019, mainly as a result of the following:

- **Revenues rose by 2% y-o-y** mainly due to higher net interest income, net fee & commission income, net other income and result from life and non-life insurance after reinsurance, partly offset by lower net result from FIFV. Excluding the impact of the full consolidation of ČMSS, revenues roughly stabilised y-o-y.

- **Operating expenses excluding bank tax** increased by 1% y-o-y or 40m EUR y-o-y in FY19. Excluding the impact of the full consolidation of ČMSS, operating costs excluding bank tax roughly stabilised y-o-y. Total bank taxes increased from 462m EUR in FY18 to 491m EUR in FY19.

- **Impairments amounted to 217m EUR in FY19** (compared with net impairment releases of 17m EUR in FY18). This was attributable chiefly to:
  - sharply higher loan loss impairments in Belgium as a result of several corporate files
  - less net loan loss impairment reversals in Ireland (33m EUR in FY19 compared with 112m EUR in FY18)
Net interest income

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

NII decreased by 5 bps y-o-y due mainly to the negative impact of lower reinvestment yields, pressure on loan margins on total outstanding portfolio in most core countries and the full consolidation of ČMSS.

NII rose by 2% y-o-y.

NII banking rose by 4% y-o-y due mainly to:

(+) lower funding costs, the additional positive impact of repo rate hikes in the Czech Republic, continued good loan volume growth, higher margins on new mortgage loan production in most core countries and the full consolidation of ČMSS.

partly offset by:

(-) lower reinvestment yields in our euro area core countries and pressure on loan margins on total outstanding portfolio in most core countries.

NII insurance fell by 9% y-o-y due to the negative impact of lower reinvestment yields.

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIM</td>
<td>2.00%</td>
<td>1.95%</td>
</tr>
</tbody>
</table>

NIM decreased by 5 bps y-o-y due mainly to the negative impact of lower reinvestment yields, pressure on loan margins on total outstanding portfolio in most core countries and the full consolidation of ČMSS.

* From all ALM FX swap desks

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

Amounts in millions of EUR

19
Net fee and commission income

Higher net fee and commission income and AUM

Net fee and commission income

- Increased by 1% y-o-y:
  - Net fee and commission income from Asset Management Services decreased by 2% y-o-y as a result of lower management fees from mutual funds & unit-linked life insurance products
  - Net fee and commission income from banking services increased by 5% y-o-y due mainly to higher fees from payment services, higher network income and higher securities-related fees
  - Distribution costs rose by 4% y-o-y

Assets under management (AuM)

- Increased by 8% y-o-y as a positive price effect (+11%) was partly offset by net outflow (-3%)
Non-life insurance

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

Up by 9% y-o-y mainly thanks to a good commercial performance in all major product lines in our core markets and tariff increases

The non-life combined ratio for FY19 amounted to 90%, an excellent number despite higher technical charges due to major claims
Higher life insurance sales and higher value of new business (VNB)

**LIFE SALES**

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed interest product</td>
<td>1 112</td>
<td>1 116</td>
</tr>
<tr>
<td>Unit-linked products</td>
<td>705</td>
<td>733</td>
</tr>
</tbody>
</table>

**VNB (Life)**

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>VNB (m EUR)</td>
<td>231.7</td>
<td>245.1</td>
</tr>
<tr>
<td>VNB/PVNBP (%)</td>
<td>9.0%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

Sales of Life insurance products up by 2% y-o-y:
- The 4% y-o-y increase in sales of unit-linked products was driven mainly by higher sales of unit-linked products in Belgium
- Sales of guaranteed interest products roughly stabilised y-o-y

Sales of unit-linked products accounted for 40% of total life insurance sales

VNB up by 6% y-o-y to 245.1 EUR due to higher sales of:
- unit-linked products in K&H Insurance and KBC Insurance NV
- risk products in KBC Insurance NV

The VNB/PVNBP decreased to 8.0% 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 2019
- 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 2019, this income amounted to 135m EUR (compared with 114m EUR in 2018)
- 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
The other total income drivers

*Lower fair value result and higher net other income*

The lower y-o-y figure for **net result from financial instruments at fair value** was attributable to:
- sharply lower dealing room & other income
- a negative change in ALM derivatives
  
  *partly offset by:*
- 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)
- higher net result on equity instruments (insurance)

**Net other income** sharply increased to 282m EUR in FY19 from 226m EUR in FY18. This is mainly the result of a one-off gain of 82m EUR related to the revaluation of the existing 55% stake in ČMSS.

Amounts in millions of EUR
Operating expenses

Strict cost control

Operating expenses

<table>
<thead>
<tr>
<th></th>
<th>FY 2018</th>
<th>FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank tax</td>
<td>4 234</td>
<td>4 303</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>3 772</td>
<td>3 812</td>
</tr>
</tbody>
</table>

- Operating expenses excluding bank tax increased by 1% y-o-y or 40m EUR y-o-y in FY19. Excluding the impact of the full consolidation of ČMSS, operating costs excluding bank tax roughly stabilized y-o-y.
- Total bank taxes increased by 6% y-o-y to 491m in FY19.
- Direct supervisory expenses even rose by 10% y-o-y to 36m EUR in FY19.
- Including higher bank taxes (+29m EUR y-o-y) and the impact of the full consolidation of ČMSS (+30m EUR y-o-y), operating expenses in FY19 rose by 1.6% y-o-y, in line with our FY19 guidance.

Cost/Income ratio (banking)*

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost/Income ratio adjusted for specific items* (banking):</td>
<td>58%</td>
<td>58%</td>
</tr>
</tbody>
</table>

Excluding bank tax, C/I ratio amounted to 51% in FY19.

* adjusted for specific items: excluding MtM ALM derivatives and one-off items
Asset impairments

*Higher asset impairments, benign credit cost ratio*

### Impairments amounted to 217m EUR in FY19

(compared with net impairment releases of 17m EUR in FY18), due chiefly to:
- sharply higher loan loss impairments in Belgium as a result of several corporate files
- slightly higher loan loss impairments in the Czech Republic, Slovakia and Bulgaria
- less net loan loss impairment reversals in Ireland, Group Centre and Hungary

*partly offset by:*
- lower impairment on ‘other’

### Credit cost ratio

The **credit cost ratio amounted to 0.12% in FY19** (-0.04% in FY18)
KBC Group

Balance sheet, capital and liquidity
Balance sheet

Loans and deposits continue to grow in most core countries

**Y-O-Y ORGANIC* VOLUME GROWTH**

- Loans**: 3%
- Retail mortgages: 4%
- Deposits***: 2%

---

**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 +14% y-o-y, while legacy -29% y-o-y**
At the end of 2019, the common equity ratio amounted to 16.1% based on the Danish Compromise. The Board of Directors decided to pay out a total gross dividend of 3.5 EUR per share. The capital above the ‘Reference Capital Position’ (15.7%) will be distributed (which will be proposed to the AGM/EGM, while the formal decision to execute a share buy-back is subject to a prior approval of the ECB). This will lead to a payout ratio of approximately 76%.

As such, taking into account the proposed share buy-back, the CET1 ratio will amount to roughly 15.7% at the end of FY19 based on the Danish Compromise. This clearly exceeds the minimum capital requirements* set by the competent supervisors of 10.7%** fully loaded and our ‘Own Capital Target’ of 14.0%.

* No IFRS interim profit recognition given more stringent ECB approach
** 15.7% when including the proposed share buy-back

* Excludes a pillar 2 guidance (P2G) of 1.0% CET1
** 11.1% as of 2020
Liquidity ratios

Liquidity continues to be solid

KBC Group’s liquidity ratios

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NSFR</strong>*</td>
<td>136%</td>
<td>136%</td>
</tr>
<tr>
<td><strong>LCR</strong></td>
<td>139%</td>
<td>138%</td>
</tr>
</tbody>
</table>

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

** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure
KBC Group
More of the same... but differently ...
Inbound contacts via omni-channel and digital channel* at KBC Group** amounted to 81% in 4Q19... already above the Investor Visit target (≥ 80% by 2020)

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

** Bulgaria & PSB out of scope for Group target
Realisation of omnichannel strategy* – client mix in 4Q19

* 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
Sustainability
The core of our sustainability strategy

- **Strict policies** for our day-to-day activities
- Focus on **sustainable investments**
- Reducing our own **environmental footprint**

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.

### Four focus domains
- Financial literacy
- Stimulating entrepreneurship
- Environmental responsibility
- Longevity or health

### 2018 & 2019 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**
- 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
- KBC endorsed **Febelfin quality standards for sustainable investment** and moreover, KBC applies more stringent sustainability criteria
- KBC continued to divest the exposure in tobacco industry and signed the **Tobacco-Free Finance Pledge**

Please find more info in our 2018 Sustainability Report (on our website) and our 2019 Sustainability Report (which will be published in April 2020)
## Sustainability
### Our non-financial environmental targets

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Goal</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of renewables in total energy credit portfolio</td>
<td>Minimum 50% by 2030</td>
<td>57%</td>
<td>43.8%</td>
</tr>
<tr>
<td>Financing of coal-related activities¹</td>
<td>Immediate stop of coal-related activities and gradual exit in the Czech Republic by 2023</td>
<td>36m EUR exposure</td>
<td>34m EUR exposure</td>
</tr>
<tr>
<td>Total GHG emissions (excluding commuter travel)</td>
<td>25% reduction by 2020 relative to 2015, both absolute and per FTE  Long term target for a 50%-decrease by 2030</td>
<td>-50% (absolute)</td>
<td>-37.5% (absolute)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-48% (per FTE)</td>
<td>-36.64% (per FTE)</td>
</tr>
<tr>
<td>ISO 14001-certified environmental management system</td>
<td>ISO 14001 certification in all core countries at the end of 2017</td>
<td>All 6 core countries certified</td>
<td>All 6 core countries certified</td>
</tr>
<tr>
<td>Business solutions in each of the focus domains</td>
<td>Develop sustainable banking and insurance products and services to meet a range of social and environmental challenges</td>
<td>See Annual Report 2019 (published April 3) &amp; Sustainability Report 2019</td>
<td>See Sustainability &amp; Annual Report 2018</td>
</tr>
<tr>
<td>Volume of SRI funds</td>
<td>10 billion EUR by end 2020</td>
<td>12 billion EUR³</td>
<td>9 billion EUR²</td>
</tr>
<tr>
<td>Awareness of SRI among both our staff and clients</td>
<td>Increase awareness and knowledge of SRI</td>
<td>100% awareness among Belgian sales teams through e-learning courses</td>
<td>100% awareness among Belgian sales teams through e-learning courses</td>
</tr>
</tbody>
</table>

(1) Without UBB in Bulgaria. Note that in 2020, KBC will review its coal policy in the context of its increased climate ambition and new commitments taken in 2019 in this respect. This might result in a broader scope of reporting in the future.

(2) This excludes 777m EUR from KBC’s Pension funds and includes 40m EUR Pricos SRI.

(3) This excludes 934m EUR from KBC’s Pension funds and includes 73m EUR Pricos SRI.

(4) Annual score (June 2019)
KBC Group
4Q and FY 2019

Looking forward
Looking forward

Economic outlook:
- After the global economic slowdown in 2019, 2020 started with a slightly more positive economic outlook. The euro area economy is expected to gradually recover throughout this year. Very low unemployment rates combined with solid wage inflation, are likely to continue underpinning private consumption as the main driver of economic growth. The main factors that could substantially impede European economic sentiment and growth remain the risk of further economic deglobalisation, including an escalation of trade conflicts, Brexit, political turmoil in some euro-area countries and geopolitical tensions. The spreading of the corona virus is expected to lower Chinese economic growth and to distort global supply channels, leading to temporarily lower growth in advanced economies too. However, the impact on the global economy is expected to be temporary and may be partly compensated later on in 2020.

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 2019, corresponding with 8% RWA inflation and -1.2% 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)
We put our clients centre stage and they keep counting on us to help them realise and protect their dreams. We do this proactively and work together to help build society and create sustainable growth. We are genuinely grateful for the confidence they put in us.

Johan Thijs, KBC Group CEO