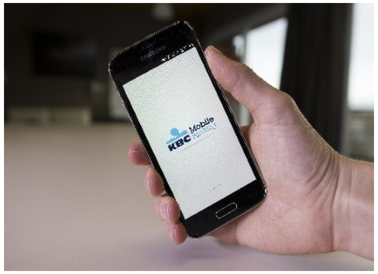

KBC Group

2Q and 1H 2019 results

Press presentation

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

More detailed analyst presentation available at www.kbc.com

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Key takeaways for KBC Group

*2Q 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 gains from financial instruments at fair value** and higher **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**
- **Interim dividend** of 1 EUR per share in Nov'19

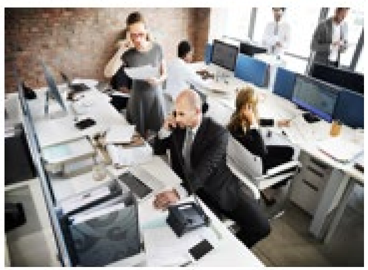
Good net result of 745m EUR in 2Q19

1H19

- **ROE 15.4%***
- **Cost-income ratio 59%** (adjusted for specific items)
- **Combined ratio 92%**
- **Credit cost ratio 0.12%**
- **Common equity ratio 15.6%**** (B3, DC, fully loaded)
- **Leverage ratio 6.1%** (fully loaded)
- **NSFR 133% & LCR 140%**

* when evenly spreading the bank tax throughout the year
** 15.9%, when including 1H19 net result taking into account the payout ratio in FY2018 of 59% (dividend + AT1 coupon)

* Comparisons against the previous quarter unless otherwise stated
** Customer deposit volumes excluding debt certificates & repo



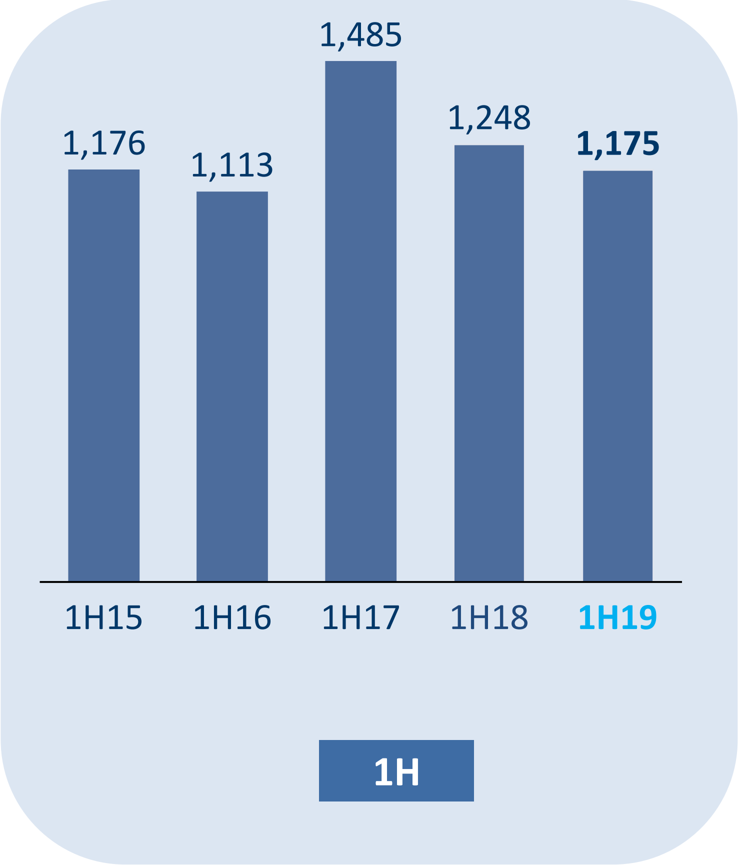
KBC Group
Consolidated results

2Q and 1H 2019 performance

KBC Group

Good net result of 745m in 2Q 2019

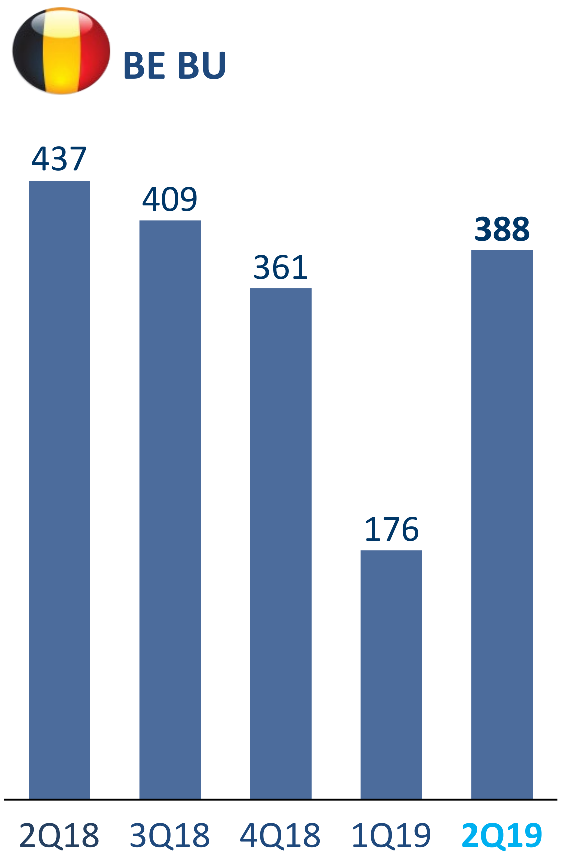
Net result

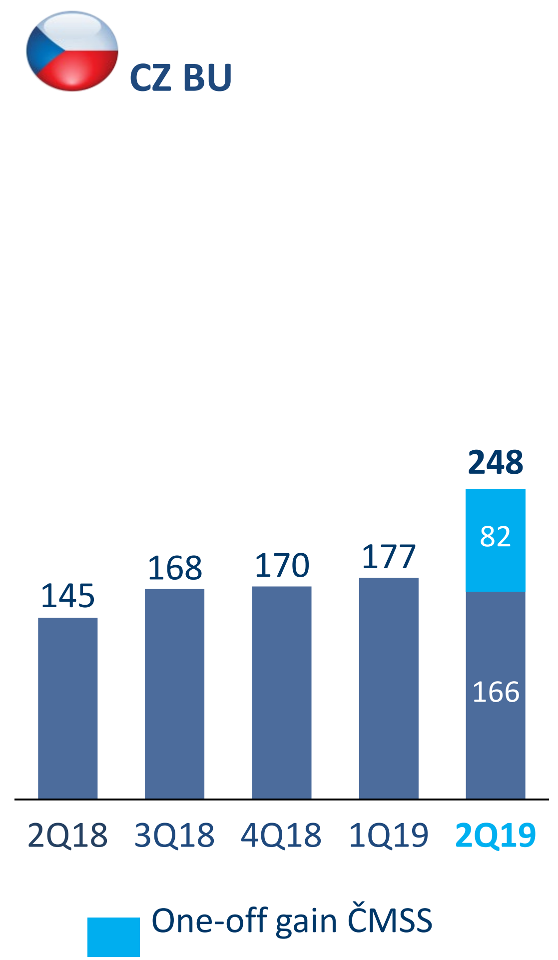


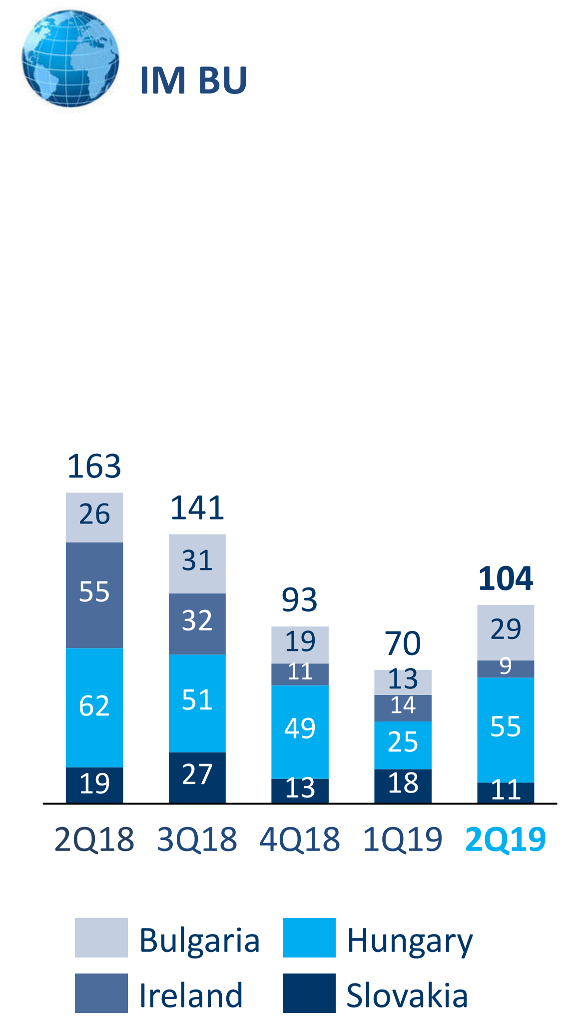
Amounts in millions of EUR

Net result per business unit

Overall positive contribution of the business units





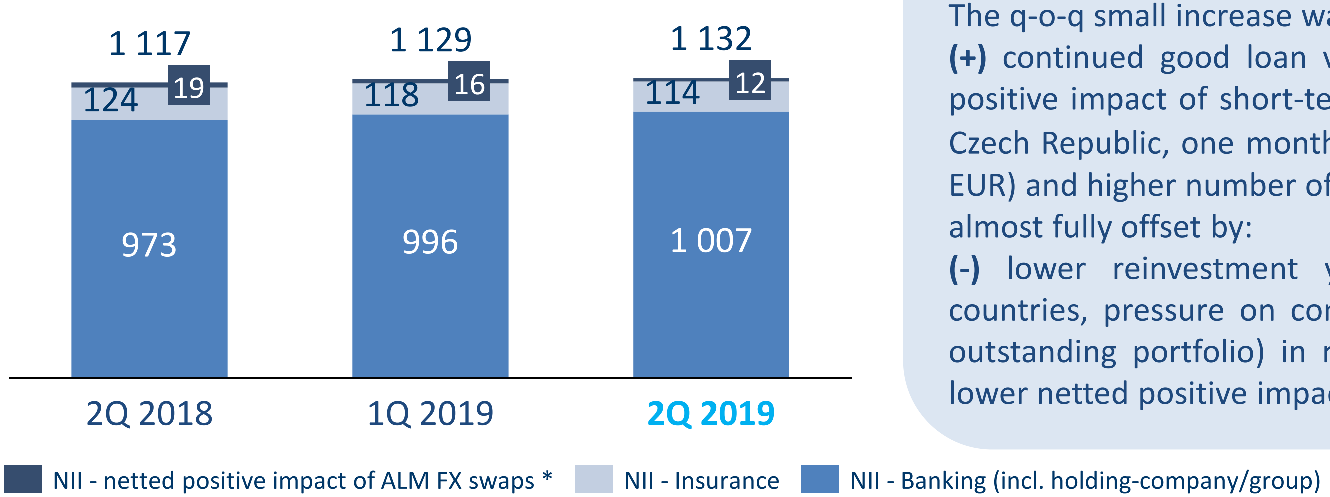


Amounts in millions of EUR

Net interest income

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

Net Interest Income



NII slightly increased q-o-q and up by 1% y-o-y. Note that NII banking increased by 1% q-o-q and by 3% y-o-y.
The q-o-q small increase was driven primarily by:
(+) continued good loan volume growth, small additional positive impact of short-term interest rate increases in the Czech Republic, one month full consolidation of ČMSS (7m EUR) and higher number of days
almost fully offset by:
(-) lower reinvestment yields in our euro area core countries, pressure on commercial loan margins (on total outstanding portfolio) in most core countries and slightly lower netted positive impact of ALM FX swaps

Net interest margin**

Quarter	2Q18	1Q19	**2Q19**
NIM	2.00%	1.98%	**1.94%**

- NIM down by 4 bps q-o-q
- Down by 6 bps y-o-y due mainly to negative impact of lower reinvestment yields, pressure on commercial loan margins (on total outstanding portfolio) and an increase of the interest bearing assets (denominator)

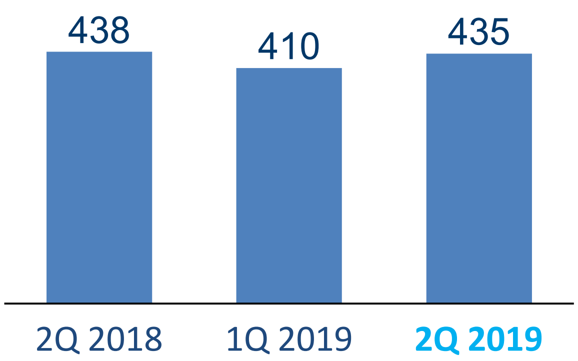
* *From all ALM FX swap desks*
** *NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Amounts in millions of EUR

Net fee and commission income

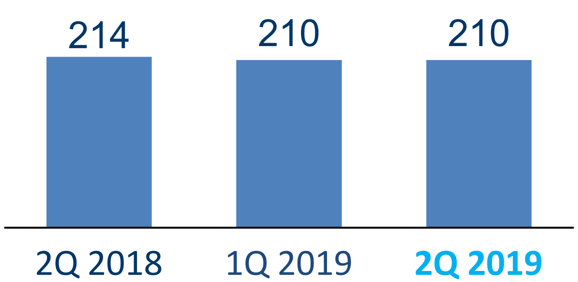
Higher net fee and commission income

Net fee and commission income



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income (435m EUR)

Up by 6% q-o-q and slightly down y-o-y

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

- **Net F&C income from Asset Management Services** increased by 2% q-o-q as a result of higher management fees from mutual funds and unit-linked life insurance products, partly offset by lower entry fees
- **Net F&C income from banking services** increased by 5% q-o-q due mainly to seasonally higher fees from payment services, higher securities-related fees, 1 month full consolidation of CMSS (2m EUR), higher fees from credit files & bank guarantees and higher network income
- **Distribution costs** fell by 10% q-o-q due to seasonally higher premium income in 1Q19

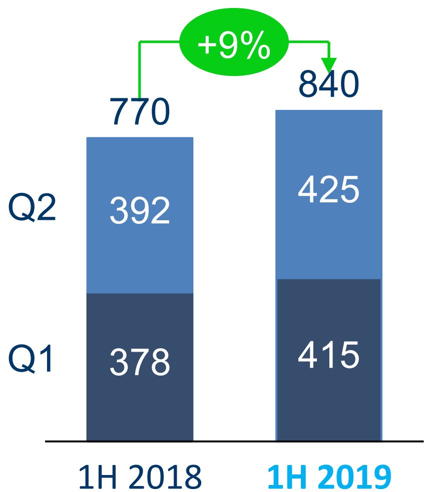
Assets under management (210bn EUR)

- Stabilised q-o-q, but decreased by 2% y-o-y
- The mutual fund business has seen net outflows in 2Q19, mainly in investment advice

Non-life insurance

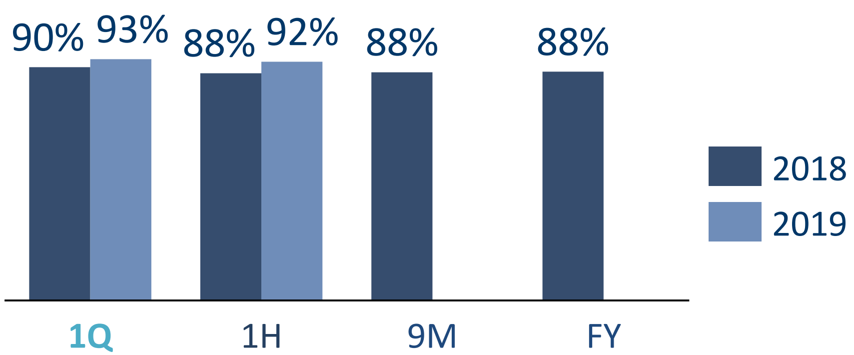
Non-life premium income up y-o-y and good combined ratio

Non-Life
(Gross earned premium)



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

Combined ratio non-life



The **non-life combined ratio** for 1H19 amounted to **92%,** a good number despite high 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 millions of EUR

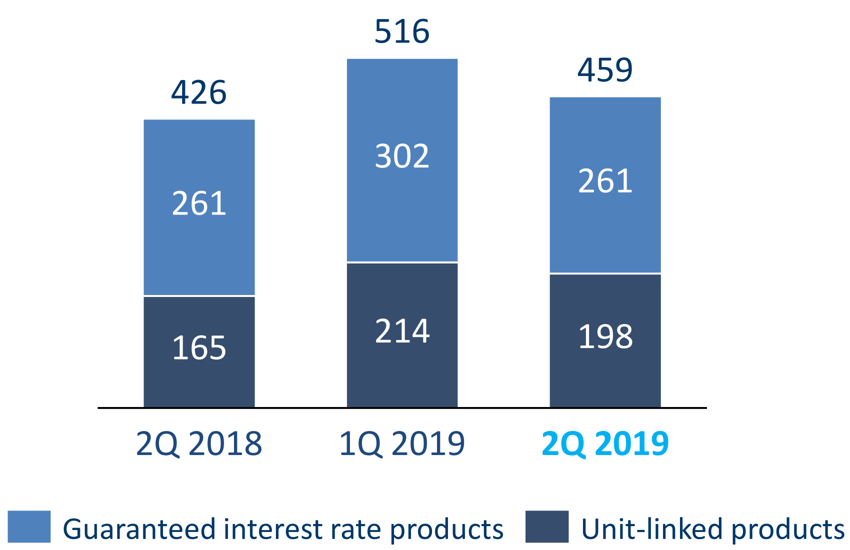
Life insurance

Life sales up y-o-y

Sales of Life insurance products decreased by 11% q-o-q and rose by 8% y-o-y

- The q-o-q decrease was driven entirely by lower sales of guaranteed interest products and unit-linked products in Belgium, partly offset by slightly higher sales of unit-linked products in the Czech Republic
- The y-o-y increase was driven entirely by higher sales of unit-linked products in Belgium (and to a lesser extent in the Czech Republic)
- Sales of unit-linked products accounted for 43% of total life insurance sales in 2Q19

Life sales



Amounts in millions of EUR

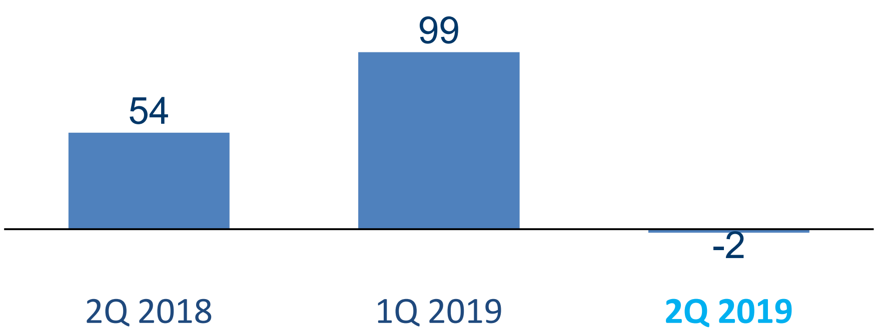
Net gains from financial instruments at fair value

Lower fair value gains

The lower q-o-q figures for **net gains from financial instruments at fair value** were attributable mainly to:

- weak dealing room income
- a negative change in ALM derivatives
- lower net result on equity instruments (insurance) due to less favourable stock markets in 2Q19 compared to 1Q19
- a negative change in market, credit and funding value adjustments in the Czech Republic (mainly as a result of changes in the underlying market value of the derivatives portfolio due to lower long-term interest rates)

Fair value gains

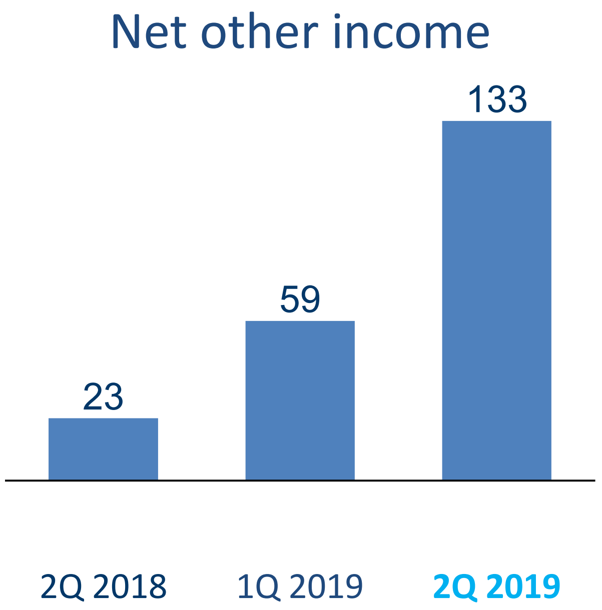


Amounts in millions of EUR

Net other income

Higher net other income

Net other income amounted to 133m EUR, in addition to the normal run rate of around 50m EUR per quarter, 2Q19 was positively impacted by a one-off gain of 82m EUR related to the revaluation of the existing 55% stake in ČMSS

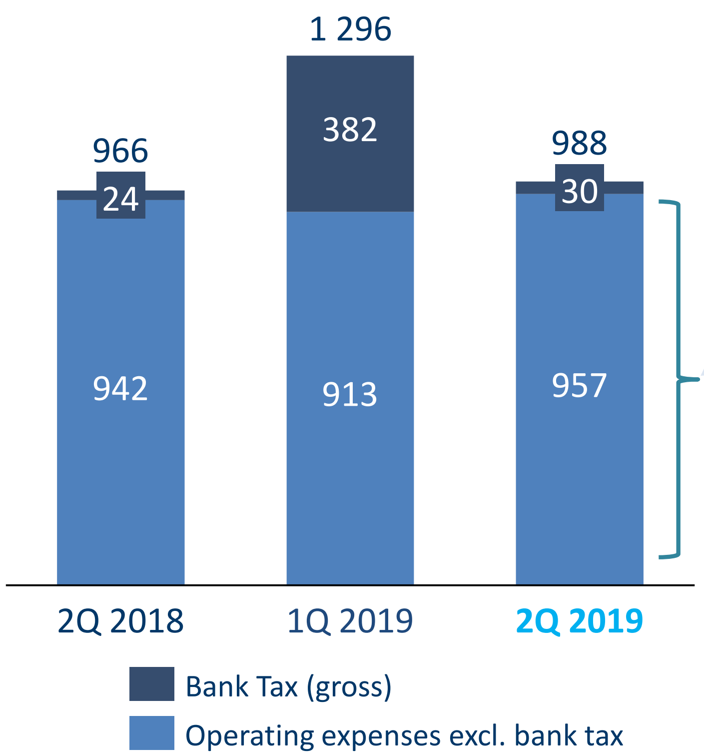


Amounts in millions of EUR

Operating expenses

Strict cost management

Operating expenses



	FY18	1H19
Cost/Income ratio*	57%	59%

Excluding the 1-month full consolidation of ČMSS, bank tax, FX effect and one-off costs, operating expenses in 1H19 rose by roughly 1% y-o-y

Operating expenses excluding bank tax increased by 5% q-o-q primarily as a result of:

- 12m EUR negative one-offs in 2Q19 (of which 10m management reorganisation costs in Belgium and 2m EUR costs related to the sale of part of the legacy loan portfolio in Ireland) versus a 8m EUR positive one-off in 1Q19
- seasonally lower professional fee, facilities & marketing expenses in 1Q19
- wage inflation in most countries
- higher depreciation & amortisation costs
- 1-month full consolidation of ČMSS (5m EUR)

Total bank taxes (including ESRF contribution) are expected to increase from 462m EUR in FY18 to 491m EUR in FY19.

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

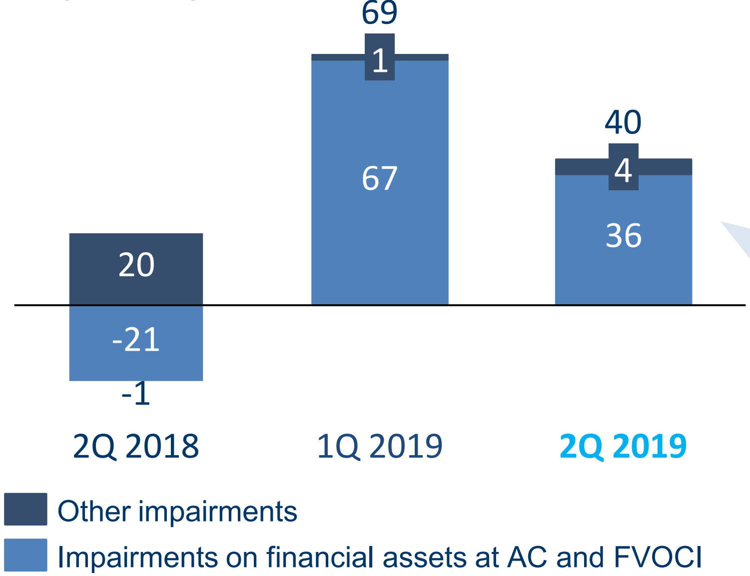
Amounts in millions of EUR

Asset impairments

Lower asset impairments, benign credit cost ratio

Asset impairment

(negative sign is write-back)



Lower asset impairments q-o-q, mainly to:

- lower loan loss impairments in Belgium, as 1Q19 was impacted by a few corporate files
- small net loan loss impairment reversals in Hungary and Group Centre

partly offset by:

- slightly higher loan loss impairments in the Czech Republic and Slovakia

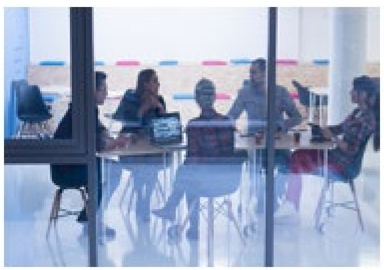
Note that in Ireland, 12m EUR net impairment releases were offset by charges related to the sale of part of the legacy loan portfolio

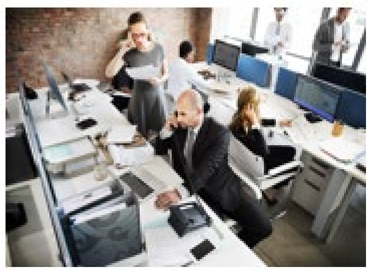
Credit cost ratio (YTD)

FY18	1H19
-0.04%	0.12%

The credit cost ratio amounted to 0.12% in 1H19 due to higher gross impairments in Belgium

Amounts in millions of EUR





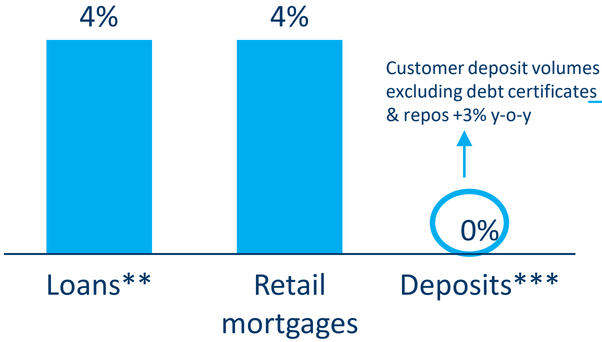
KBC Group

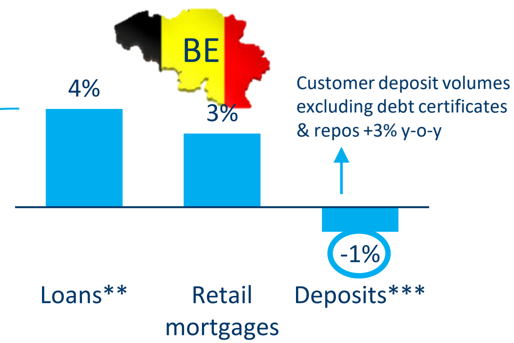
Balance sheet, capital and liquidity

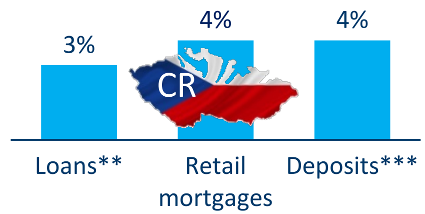
Balance sheet

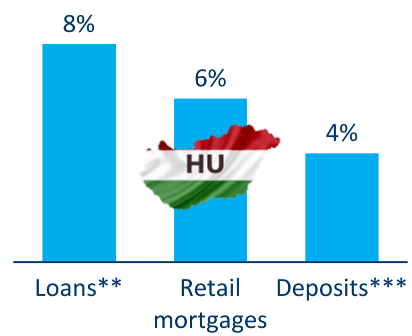
Loans and deposits continue to grow in most core countries

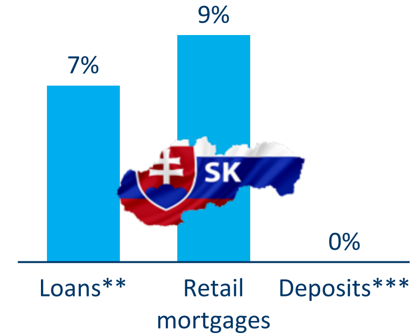
Y-O-Y ORGANIC* VOLUME GROWTH

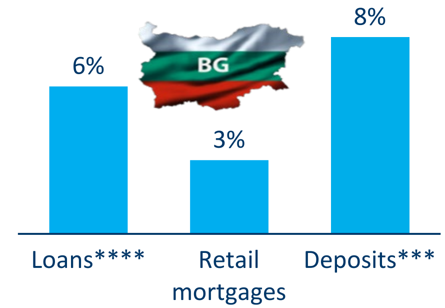


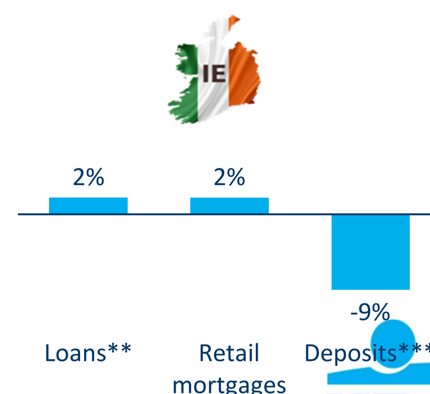












* Volume growth excluding FX effects and divestments/acquisitions

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

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

**** Total customer loans in Bulgaria: new bank portfolio +7% y-o-y, while legacy -24% y-o-y

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
- BUT since recently:
  - the ECB interprets 'at least 50%' as a range with an upper end of 100% pay-out
  - the ECB indicated that KBC should first accrue for the interim dividend of 1 EUR per share before any profit can be recognised (under the ECB Umbrella decision)

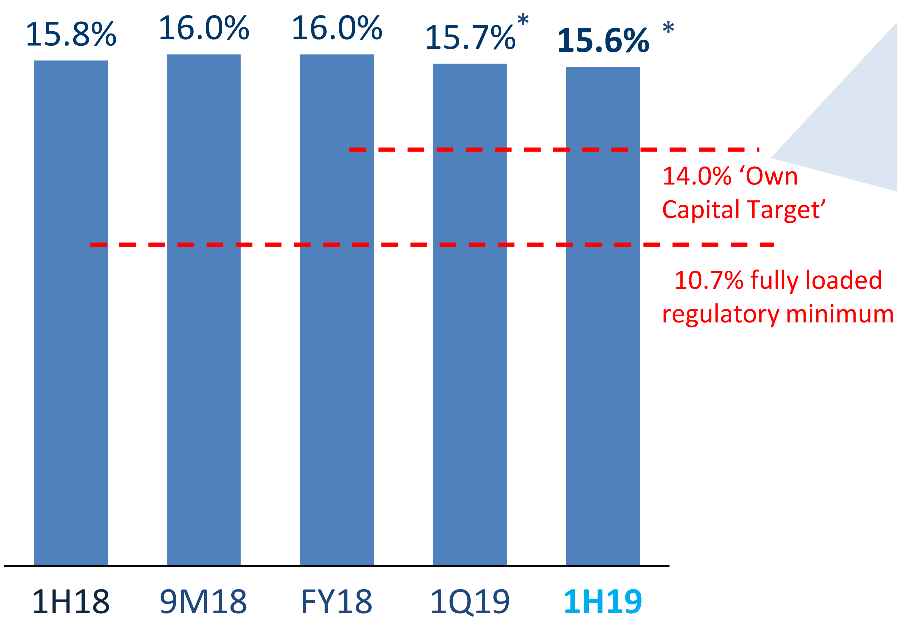
What does this mean in practice in the meantime?

- In anticipation of further clarification and reaching agreement upon our approach re. the interim profit recognition process going forward, no interim profit has been recognised for 1H19. This resulted in a CET1 ratio of 15.6% at the end of 1H19
- When including 1H19 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 1H19

Common equity ratio

Strong capital position

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



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

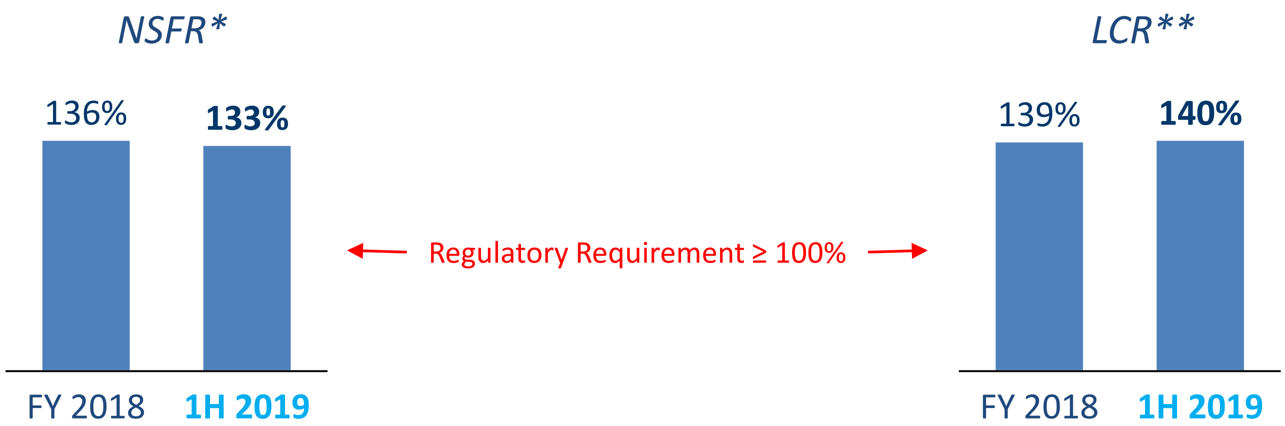
** Excludes a pillar 2 guidance (P2G) of 1.0% CET1

The common equity ratio slightly decreased from 15.7% at the end of 1Q19 to 15.6%* at the end of 2Q19 based on the Danish Compromise due mainly to the closing of the ČMSS transaction, partly offset by final dividend payment of KBC Insurance to KBC Group. 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)

Liquidity ratios

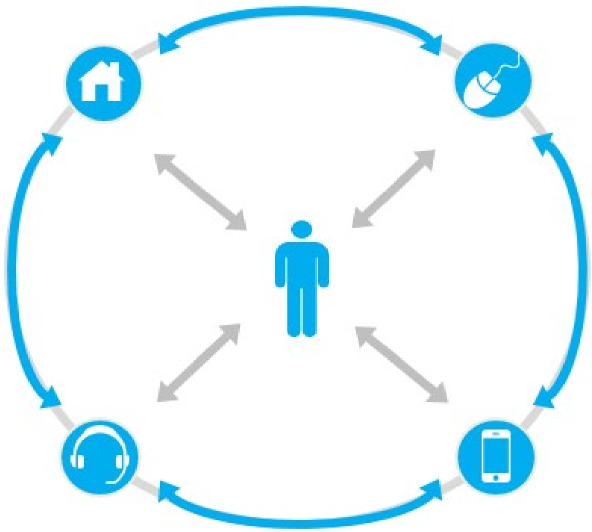
Liquidity continues to be solid

KBC Group's liquidity ratios



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

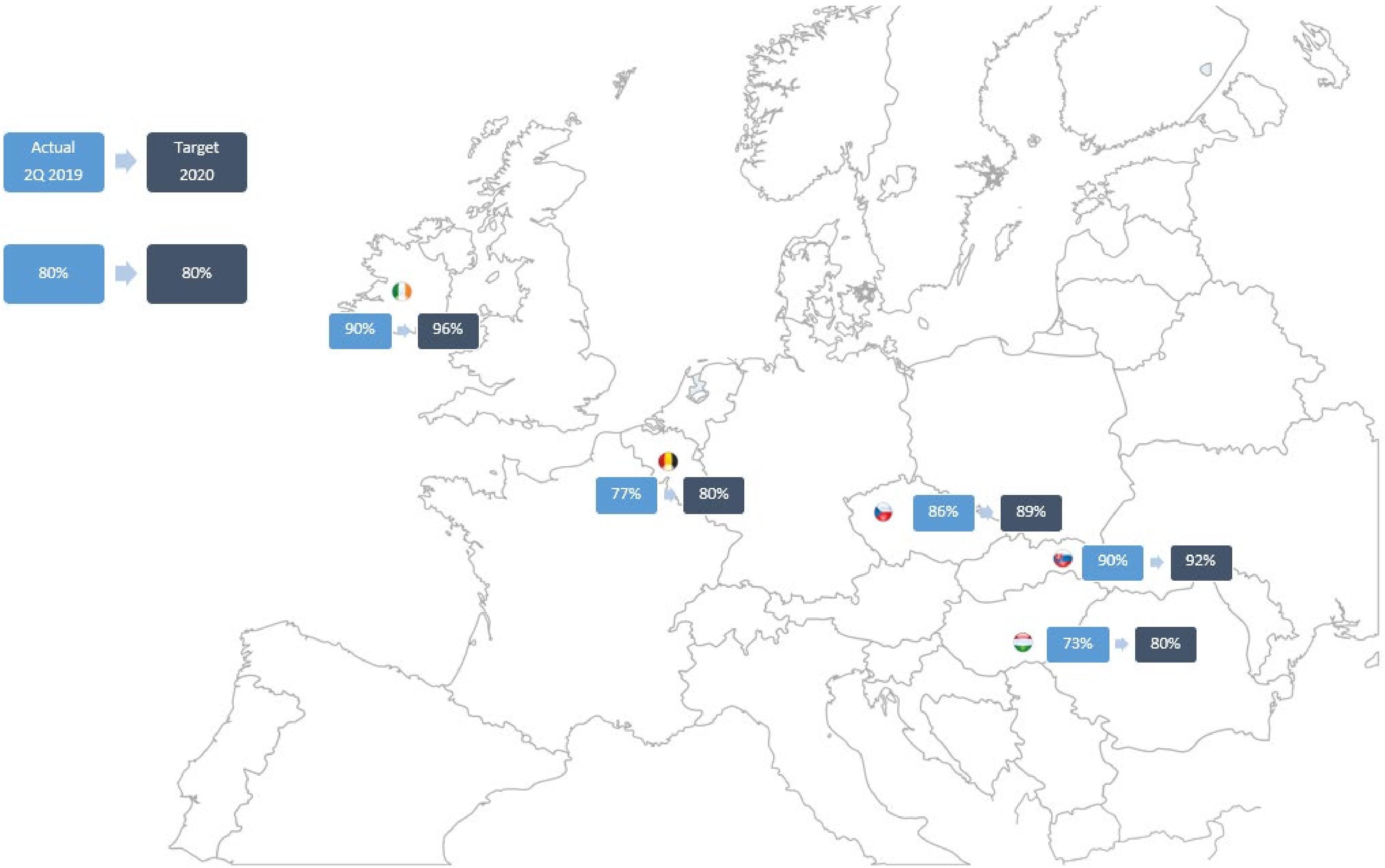
*** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure*



KBC Group

More of the same... but differently ...

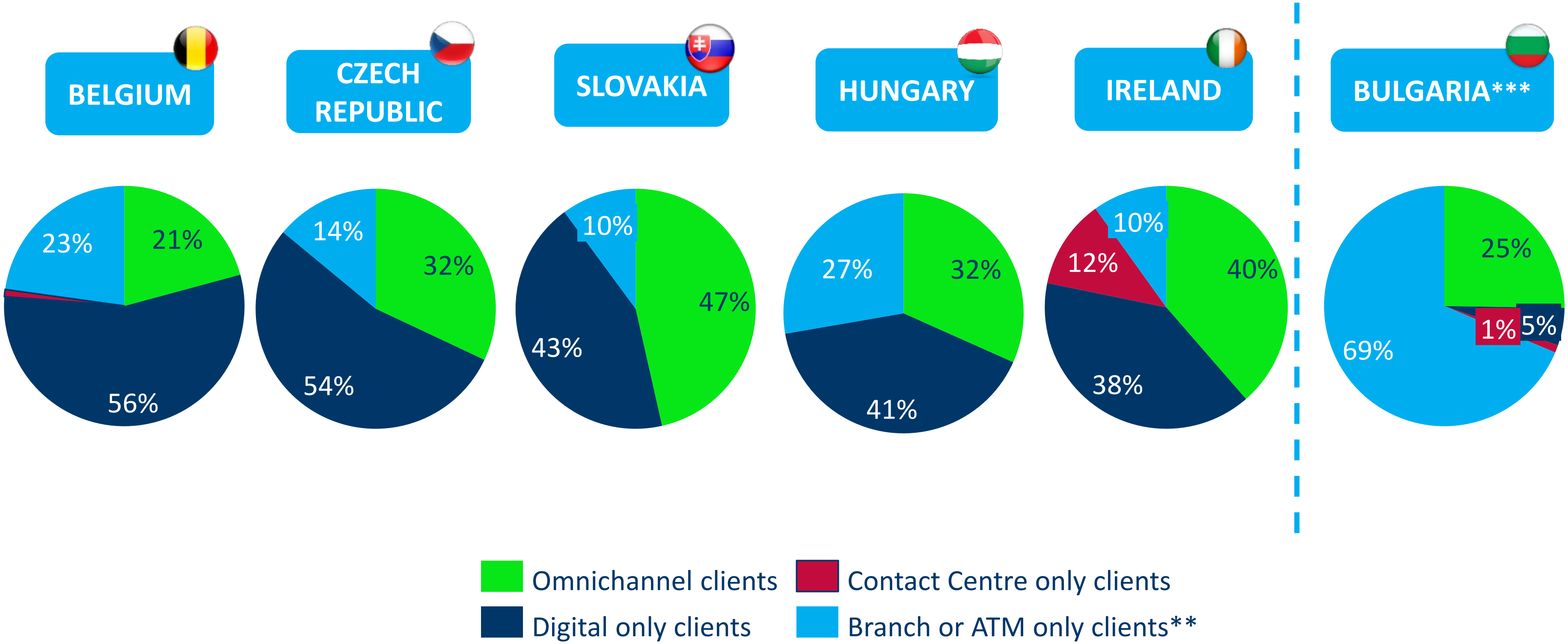
Inbound contacts via omni-channel and digital channel* at KBC Group** amounted to 80% at end 2Q19… on track to reach Investor Visit target (≥ 80% by 2020)



- 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 2Q19

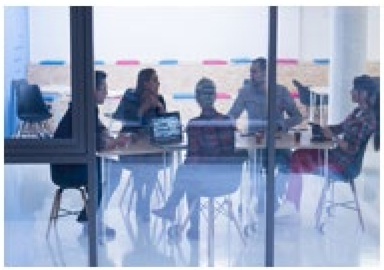


* Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advisory centre), possibly in addition to contact through physical branches. This means that clients solely interacting with KBC through physical branches (or ATMs) are excluded

** Might be slightly underestimated

*** Bulgaria out of scope for Group target






KBC Group
2Q and 1H 2019

Looking forward

Looking forward

Economic outlook

- In line with global economic developments, the European economy is currently going through a slowdown. Decreasing unemployment rates and growing labour shortages in some European economies, combined with gradually rising wage inflation, may continue to support private consumption. Investment may also 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
- Referring to our dividend policy, KBC will pay an interim dividend of 1 EUR per share in November 2019, as an advance payment on the total dividend. The pay-out ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit is reconfirmed

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