KBC Group
1Q 2018 results
Press presentation

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More detailed analyst presentation available at www.kbc.com

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1Q 2018 key takeaways for KBC Group (1/2)

1Q 2018 financial performance:

Very good net result of 556m EUR, despite the large upfront bank taxes (371m EUR).

ROE of 14%* in 1Q18 :

- Good performance of the **commercial bank-insurance franchises** in our core markets and core activities
- Q-o-q **increase in customer loan volumes and customer deposits** (excluding debt certificates & repos) in most of our core countries
- Roughly stable **net interest income** and higher net interest margin q-o-q
- High **net fee and commission income**
- Lower net gains from financial instruments at fair value and higher other net income
- **Combined ratio** of 90% in 1Q18. Excellent sales of non-life and life insurance products
- Strict cost management resulted in a **cost/income ratio** of 55% YTD adjusted for specific items
- Net **impairment releases on financial assets at amortised cost** of 63m EUR, mainly driven by Ireland (net release of 43m EUR in 1Q18). We are maintaining our impairment guidance for Ireland, namely a net release in a range of 100m-150m EUR for FY18

** ROE taking into account pro rata bank taxes amounted to 19% in 1Q18*

1Q 2018 key takeaways for KBC Group (2/2)

Capital and liquidity positions:

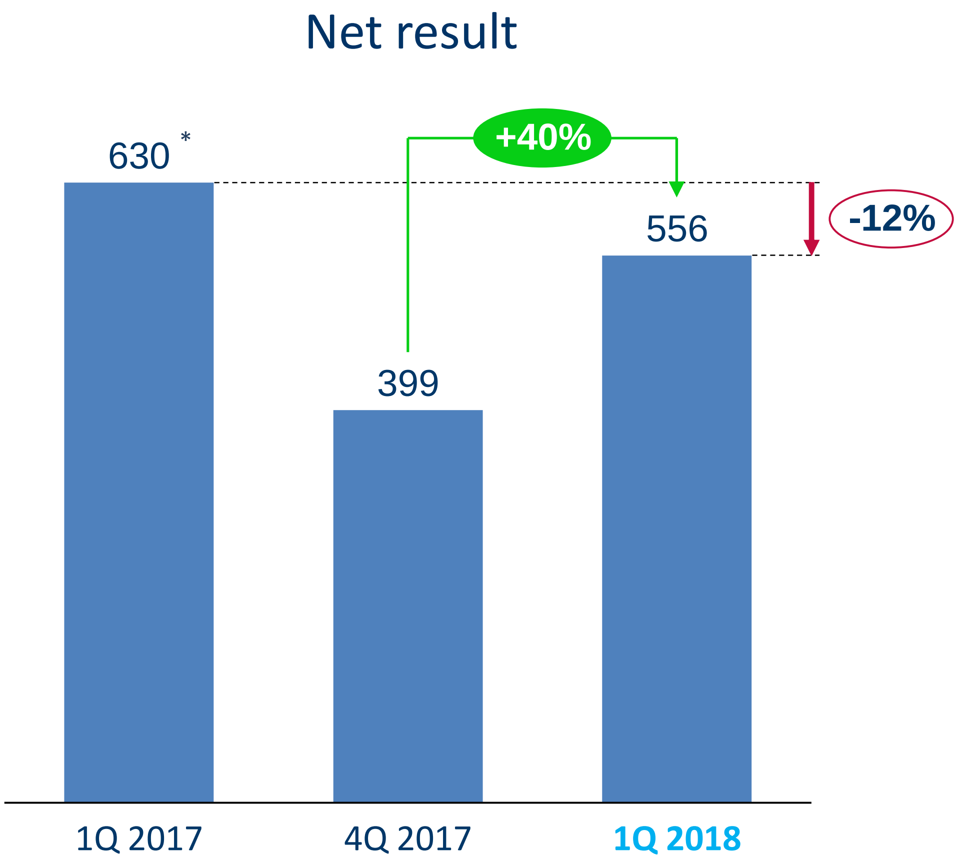
- **The fully loaded* B3 common equity ratio** based on the Danish Compromise at end 2017 decreased from 16.3% to 15.9% at the end of 1Q18 due to the impact of the first-time application of IFRS 9 (-41bps)
- Fully loaded B3 **leverage ratio,** based on current CRR legislation, amounted to 5.7% at KBC Group
- **Continued strong liquidity position** (NSFR at 137% and LCR at 139%) at end 1Q18

** This clearly exceeds the minimum capital requirements set by the competent supervisors of respectively 9.875% phased-in and 10.60% fully loaded for 2018. On top of the above-mentioned capital requirements, the ECB expects KBC to hold a pillar 2 guidance (P2G) of 1.0% CET1*

KBC Group
Consolidated results
1Q 2018 performance

KBC Group

Very good net result of 556m in 1Q 2018



- *1Q 2017 included two positive one-offs (+77m post-tax):*
  - *DTA impact of liquidation of legacy file named IIB Finance Ireland (+66m post-tax)*
  - *Settlement of old legal case in Czech Republic (+11m post-tax)*

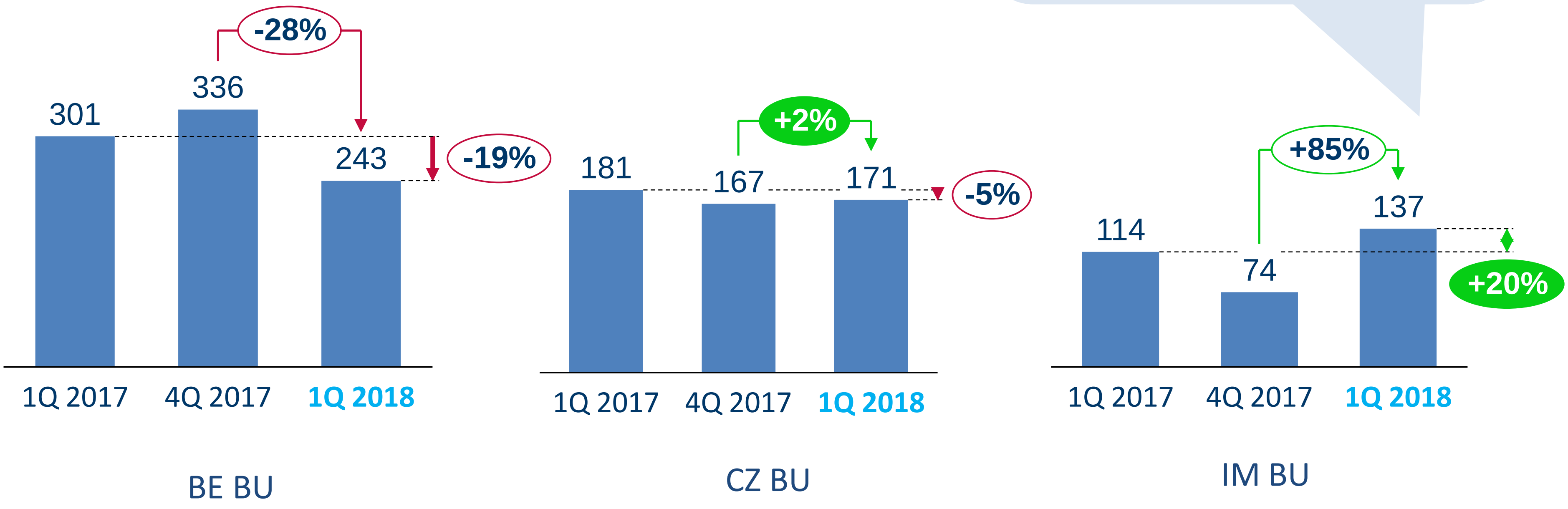
Amounts in millions of EUR

Net result per business unit

Q-o-q trend was negatively impacted by the upfront booking of the bank taxes

Breakdown of 1Q 2018 net result for International Markets:

- **57m** EUR for **Ireland**
- **34m** EUR for **Hungary**
- **23m** EUR for **Slovakia**
- **21m** EUR for **Bulgaria**



Amounts in millions of EUR

Summary 2017 pro forma figures

We have started applying IFRS 9 as of this quarter. In simplified terms, this means that the classification of financial assets and liabilities, as well as the impairment methodology, have changed significantly. As a result, some of the profit and loss and balance sheet figures are not fully comparable to the 2017 reference figures (which are still based on IAS 39). We have added certain comparisons with pro forma (recalculated) figures for 2017 (unaudited) in the analysis below.

Impact shift per P&L line	4Q17 as was	4Q17 pro forma	3Q17 as was	3Q17 pro forma	2Q17 as was	2Q17 pro forma	1Q17 as was	1Q17 pro forma
NII	1,029 +108	1,137	1,039 +75	1,114	1,028 +66	1,094	1,025 +56	1,081
FIFV	235 +26	118	182 +25	94	249 +24	180	191 +24	130
F&C	430 +17	456	408 +12	433	430 +21	454	439 +19	463
AFS gains*	51	6	51	2	52	8	45	14

* Due to IFRS 9, the P&L line 'net realised result from AFS assets is replaced by 'net realised result from debt instruments at FV through OCI'

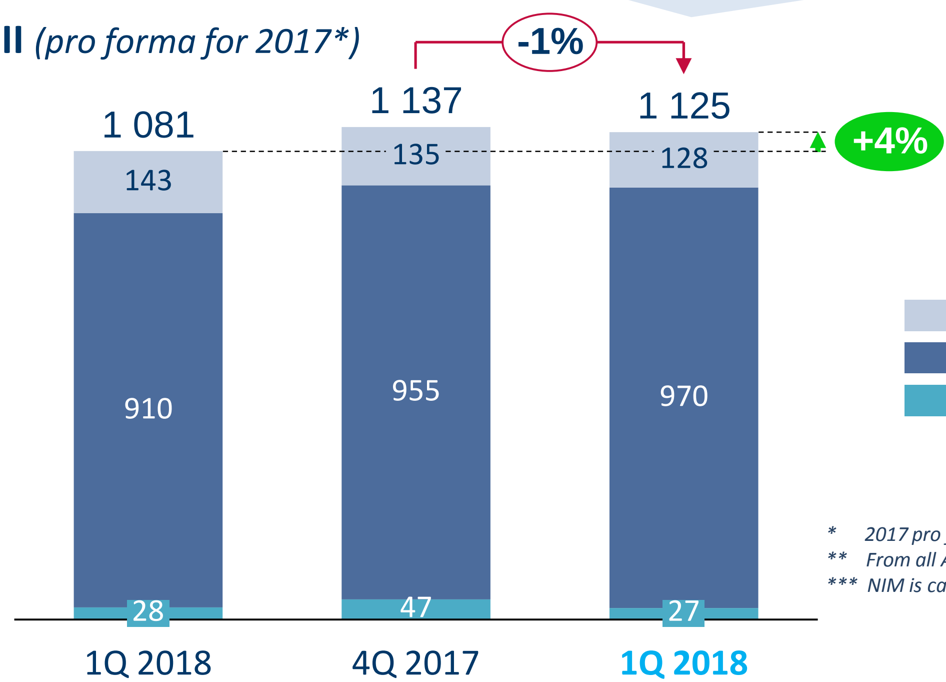
- Interest accrual FX derivatives: shifted from FIFV to NII (in line with the transition to IFRS 9)
- Network income (income received from margins earned on FX transactions carried out by the network for clients): shifted from FIFV to F&C
- IFRS 9: overlay approach for insurance: shift from realised gains AFS shares and impairments on AFS shares to FIFV
- Please note that due to IFRS 9, the realised gains on AFS shares in Banking (26m in 4Q17, 32m in 3Q17, 21m in 2Q17 and 10m in 1Q17) have been eliminated from net result as they are now booked in equity

Net interest income

Good net interest income (NII) and higher net interest margin (NIM)

NII down by 1% q-o-q (and up by 4% y-o-y), the small q-o-q decrease was driven primarily by:
(-) lower netted positive impact of ALM FX swaps, lower reinvestment yields, more negative pressure on commercial loan margins in most core countries and lower number of days
Partly offset by:
(+) lower funding costs, continued good loan volume growth and positive impact of both short & long term increasing interest rates in the Czech Republic.

NII *(pro forma for 2017*)*



NII - Insurance
NII - Banking (incl Holding-company/Group)
NII - netted positive impact of ALM FX Swaps **

Amounts in millions of EUR

Quarterly net interest margin
*(pro-forma for 2017 ***)*

1Q17	4Q17	1Q18
1.93%	1.97%	2.01%

NIM up by 4 bps q-o-q and by 8 bps y-o-y, thanks to lower funding costs and the positive impact of repo rate hikes in the Czech Republic

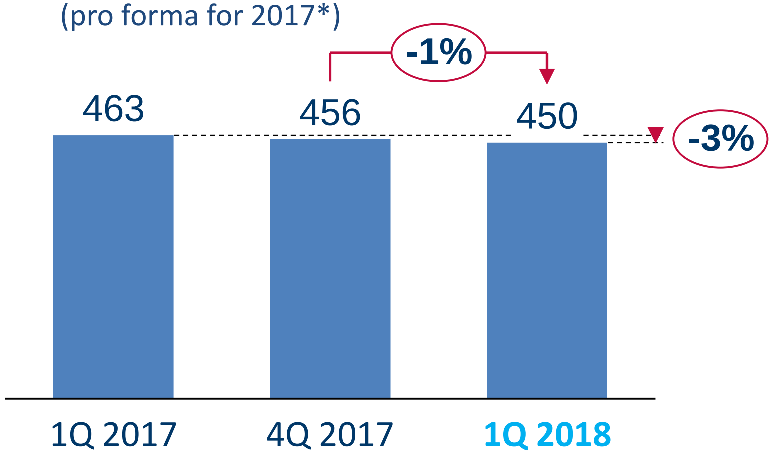
** 2017 pro forma figures for NII as the impact of ALM FX derivatives was 'netted' in NII as of 2018*
*** From all ALM FX swap desks*
**** NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos*

Net fee and commission income

High net fee and commission income

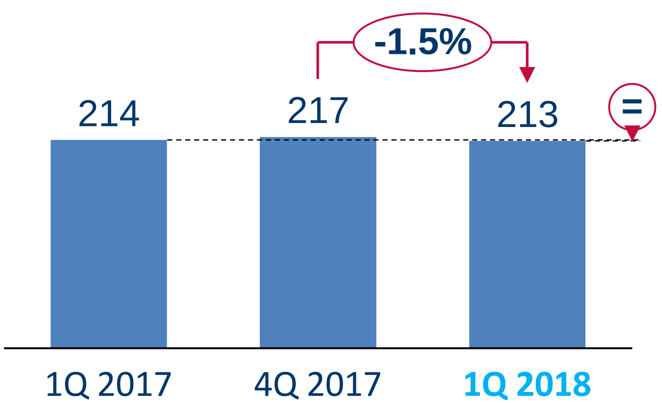
Net fee and commission income

(pro forma for 2017*)



Amounts in millions of EUR

Assets under management (AUM)



Amounts in billions of EUR

Positive net sales of mutual funds in 1Q18

Net fee and commission income down by 1% q-o-q driven by:

- lower management fees
- lower fees from payment services
- lower fees from credit files & bank guarantees
- lower securities-related fees

partly offset by:

- higher entry fees
- lower commissions paid on insurance sales

Y-o-y decrease by 3% was mainly the result of:

- lower entry fees
- lower securities-related fees
- lower fees from credit files & bank guarantees

partly offset by:

- higher fees from payment services
- the contribution of UBB/Interlease

* *2017 pro forma figures as the network income shifted from FIFV to net F&C as of 2018*

Assets under management (213bn EUR)

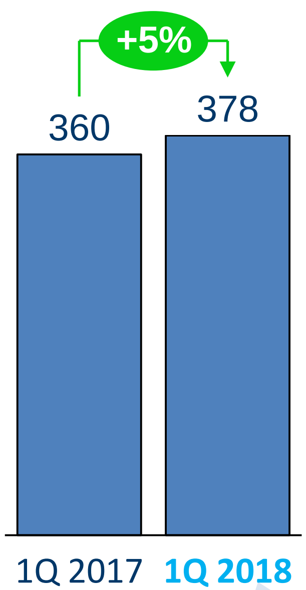
- fell by 1.5% q-o-q owing entirely to a negative price effect
- the mutual fund business has seen net inflows again, but this was offset by net outflows in group assets and investment advice

Note : 2017 AuM figures were reduced due to a roughly 2bn EUR adjustment in Institutional Mandates

Non-life insurance

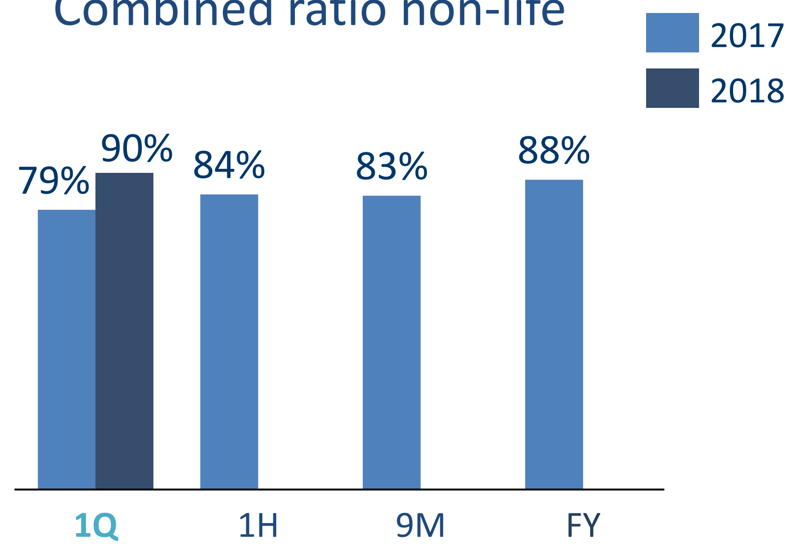
Insurance premium income up y-o-y and good combined ratio

Gross earned premiums non-life insurance



Up y-o-y due to a good commercial performance in all major product lines in our core markets

Combined ratio non-life



The **non-life combined ratio** at 1Q18 amounted to 90%, still a good number despite higher technical charges due mainly to higher storm claims in Belgium

Amounts in millions of EUR

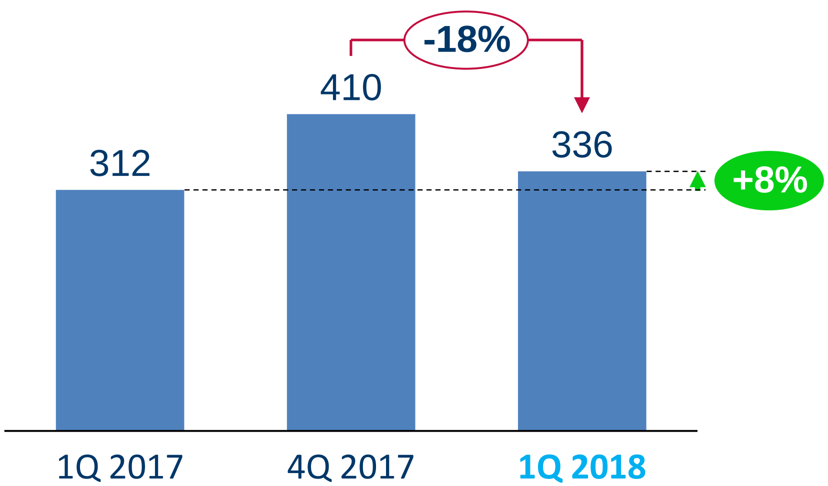
Life insurance

y-o-y increase of Life sales

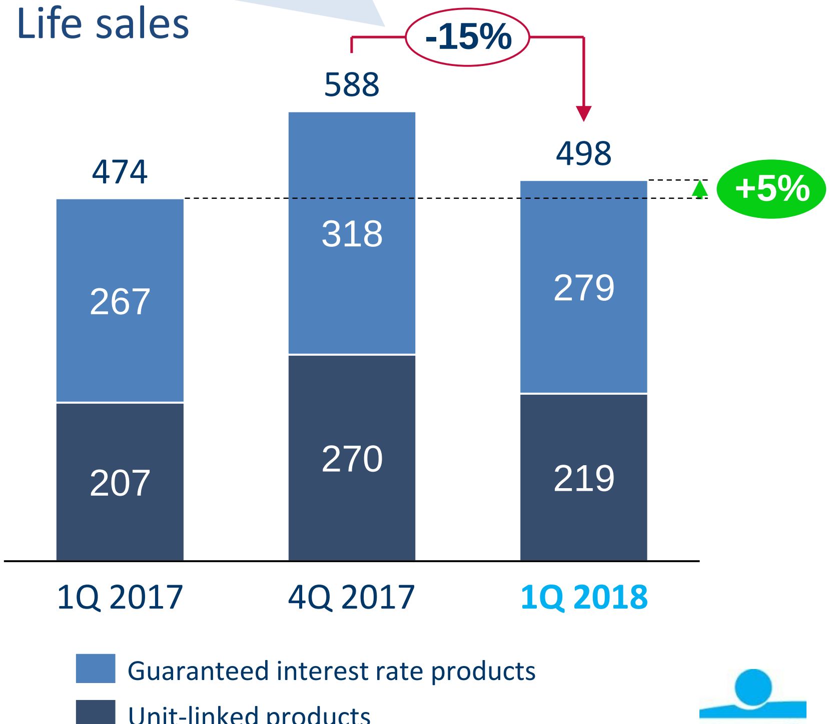
Sales of Life insurance products decreased by 15% q-o-q and up by 5% y-o-y.

- The q-o-q decrease was driven mainly by lower sales of guaranteed interest products in Belgium (driven by pension saving products in 4Q17) and lower sales of unit-linked products in Czech Republic.
- The y-o-y increase was driven mainly by higher sales of guaranteed interest products in Belgium and higher sales of unit-linked products in the Czech Republic
- Sales of unit-linked products accounted for 44% of total life insurance sales.

Gross earned premiums Life insurance



Life sales



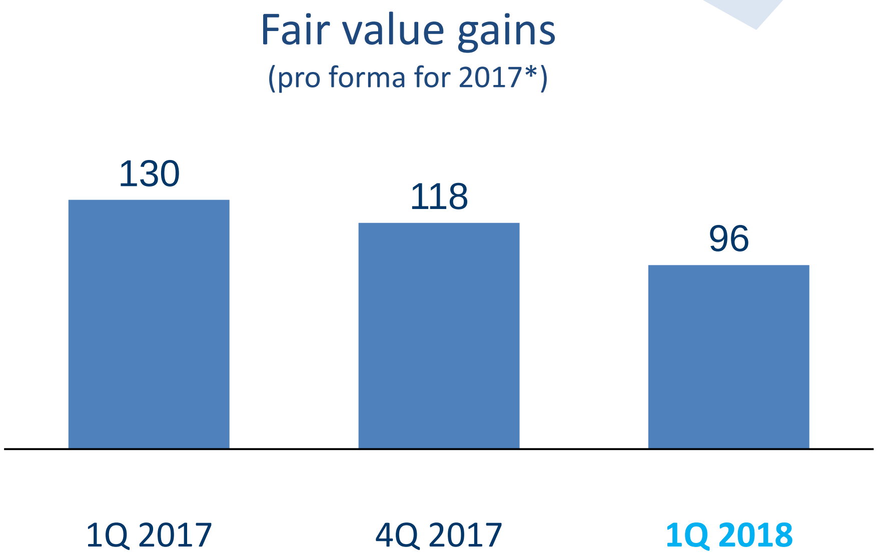
Amounts in millions of EUR

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 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)
- lower dealing room income



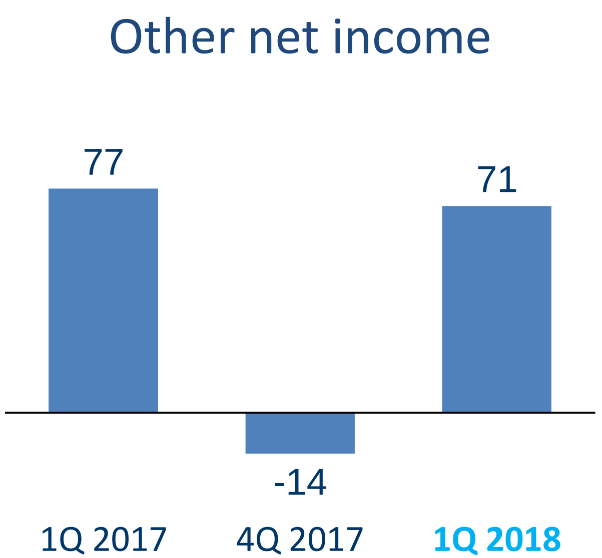
* *2017 pro forma figures as:*
1) the impact of the FX derivatives was ‘netted’ in NII as of 2018
2) the shift from realised gains AFS shares and impairments on AFS shares to FIFV due to IFRS 9 (overlay approach for insurance)

Amounts in millions of EUR

Other net income

Higher other net income q-o-q

Other net income amounted to 71m EUR, higher than the normal run rate of around 50m EUR due to the settlement of an old legal file in Belgium and the sale of a building in Hungary

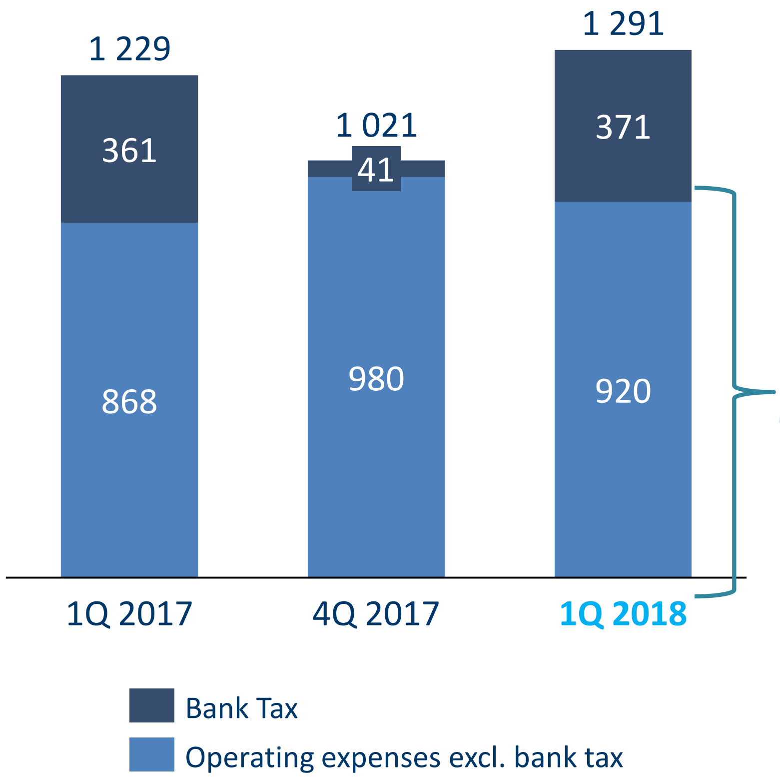


Amounts in millions of EUR

Operating expenses

Q-o-q higher OPEX entirely due to bank taxes, but good cost/income ratio

Operating expenses



	1Q17	1Q18
C/I ratio*	52%	55%

Q-o-q operating expenses excluding bank tax decreased by 6% due to:

- seasonal effects such as traditionally lower ICT, marketing and professional fee expenses
- despite a 12m EUR provision for facility expenses for one specific file in Belgium in 1Q18

Y-o-y operating expenses without bank tax increased by 6% due to:

- the consolidation of UBB/Interlease
- higher ICT costs
- higher staff expenses
- higher marketing expenses
- a 12m EUR provision for facility expenses for one specific file in Belgium
- higher depreciation and amortisation costs (capitalisation of some projects)

Bank taxes of 371m EUR in 1Q18 represented 11,1% of 1Q18 OPEX at KBC Group**

** adjusted for specific items: MtM ALM derivatives, equally spread special bank taxes, etc.*

*** 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.*

Amounts in millions of EUR

Asset impairments

Net impairment releases and excellent credit cost ratio

Very low asset impairments attributable mainly to:

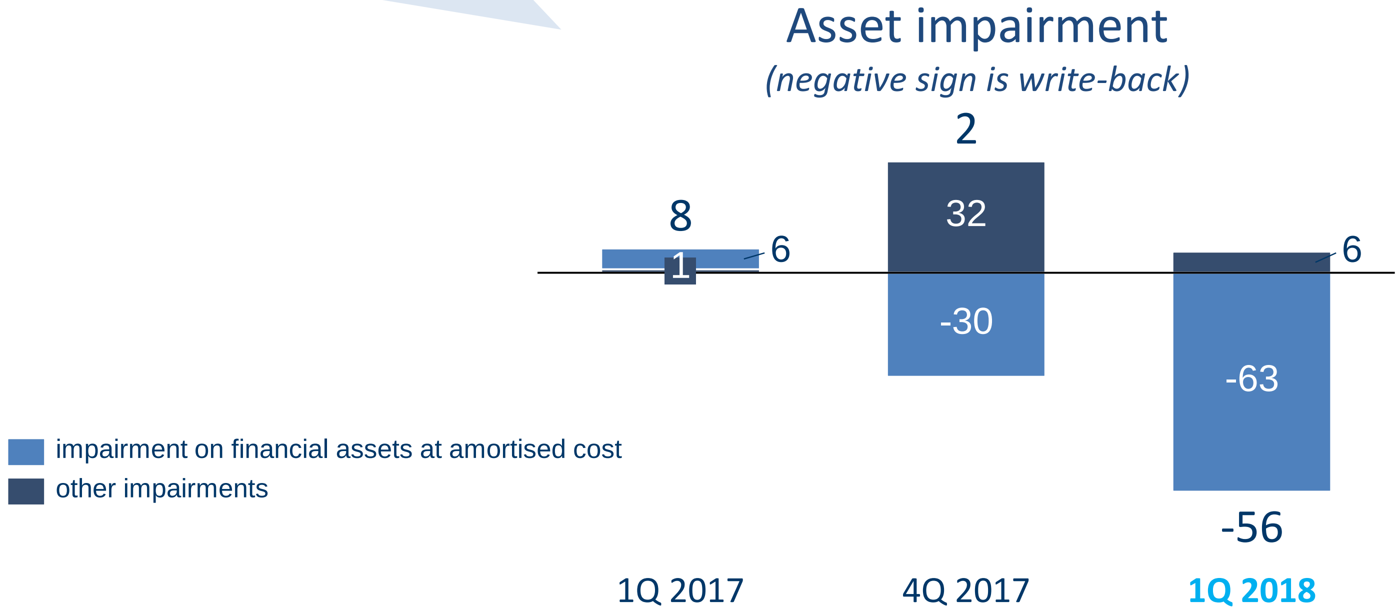
- net loan loss provision releases in Ireland of 43m EUR (compared with 52m in 4Q17)
- also small net loan provision reversals in Bulgaria, Hungary, Slovakia and Group Centre

Impairment of 6m on other in the Czech Republic as a result of the review of the residual value calculation on financial leases for cars in CSOB leasing

The credit cost ratio amounted to -0,15% in 1Q18 due to low gross impairments and several releases

Credit cost ratio (YTD)

FY16	FY17	1Q18
0.09%	-0.06%	-0.15%



Amounts in millions of EUR

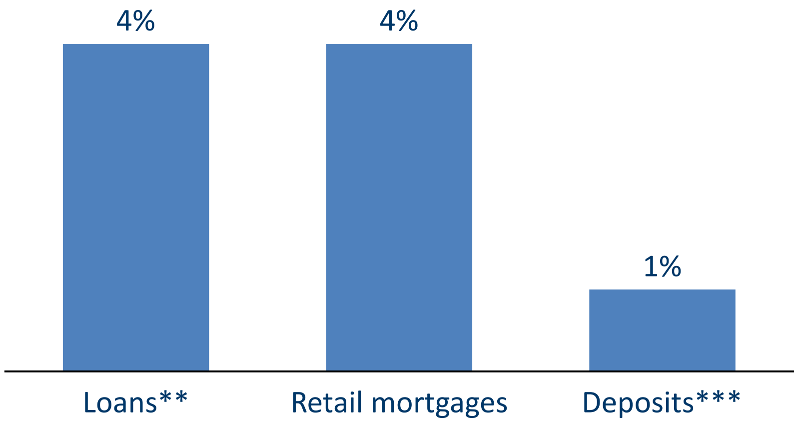



KBC Group
Balance sheet, capital and liquidity

Balance sheet (1/2)

Loans and deposits continue to grow in most core countries

Y-O-Y ORGANIC* VOLUME GROWTH FOR KBC GROUP



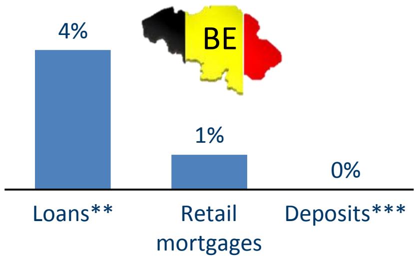
Y-o-y volume growth including UBB/Interlease:
loans +5%, retail mortgages +4% and customer deposits +3%

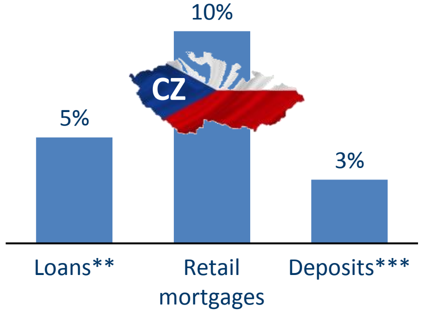
* Volume growth excluding FX effects and divestments/acquisitions
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

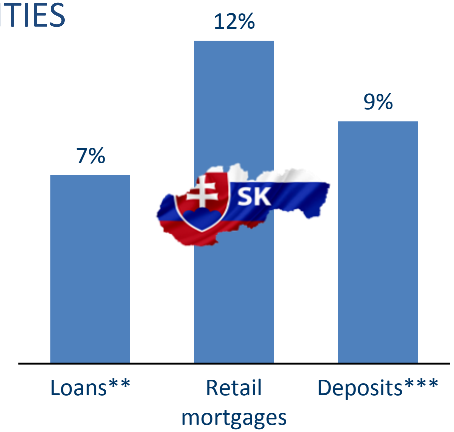
Balance sheet (2/2)

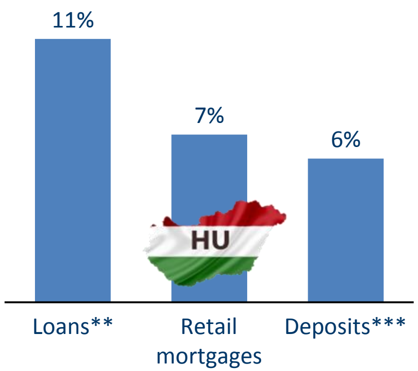
Loans and deposits continue to grow in most core countries

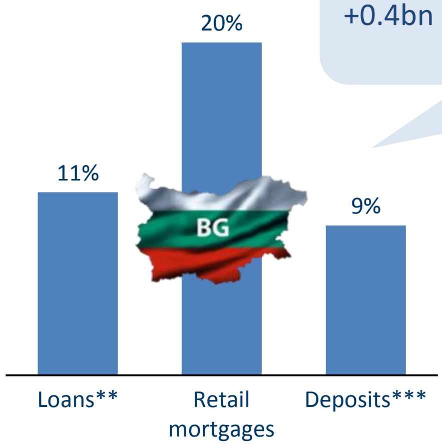
Y-O-Y ORGANIC* VOLUME GROWTH FOR MAIN ENTITIES



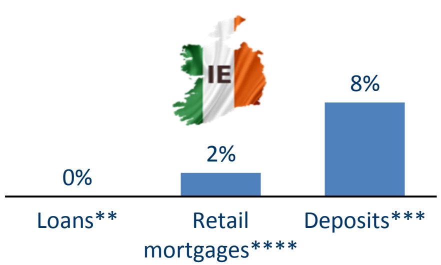






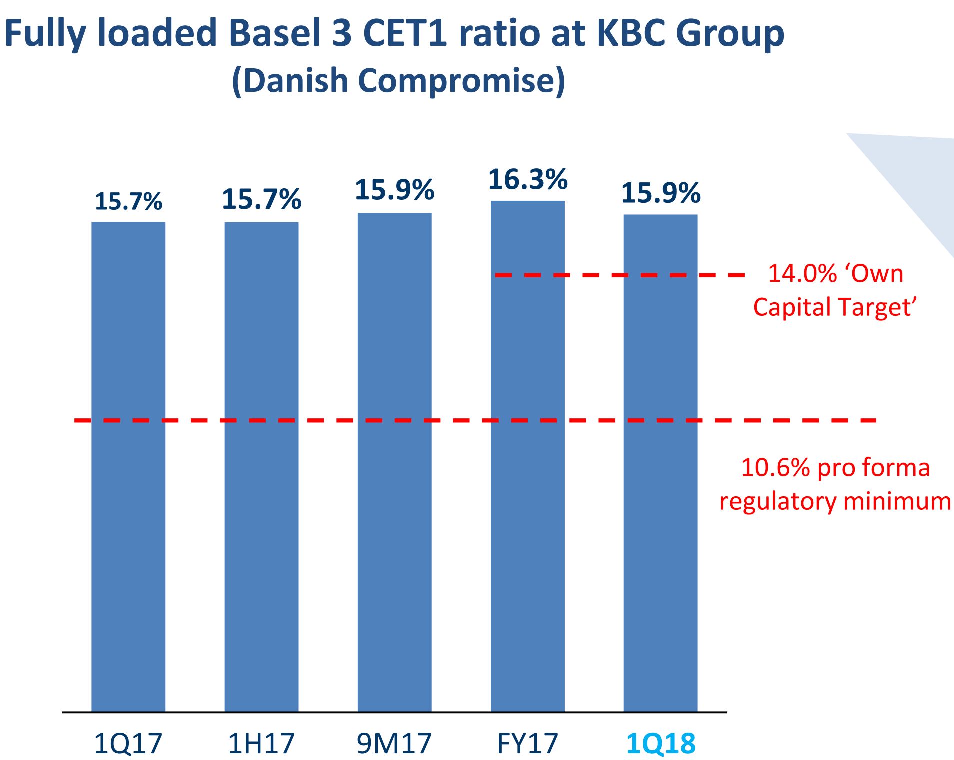


Y-o-y volume growth including UBB/Interlease:
loans +231% (or +2bn EUR), retail mortgages +239% (or +0.4bn EUR) and customer deposits +396% (or +3bn EUR)



* Volume growth excluding FX effects and divestments/acquisitions
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos
**** Retail mortgages in Ireland: new business (written from 1 Jan 2014) +49% y-o-y, while legacy -7% y-o-y

Strong capital position



- **The common equity ratio* decreased from 16.3% at the end of 2017 to 15.9% at the end of 1Q18** based on the Danish Compromise, due to the impact of the first-time application of IFRS 9 (-41bps). This **clearly exceeds** the minimum capital requirements** set by the competent supervisors of 9.875% phased-in for 2018 and 10.6% fully loaded and our 'Own Capital Target' of 14.0%
- The **pro forma*** fully loaded CET1 ratio amounted to roughly 15.7% at the end of 1Q18**

* Note that as from 01/01/2018 onwards, there is no difference anymore between fully loaded and phased-in

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

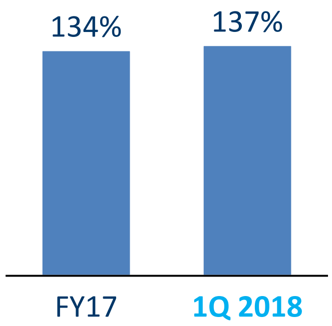
*** Also taking into account the impact of the share buy-back

Liquidity ratios:

Liquidity continues to be solid

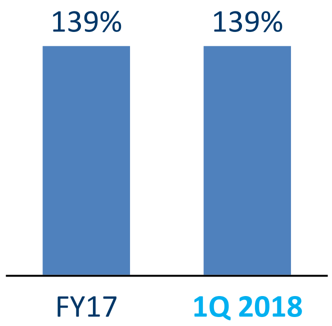
KBC Group's liquidity ratios*

NSFR



Regulatory Requirement ≥ 100%

LCR

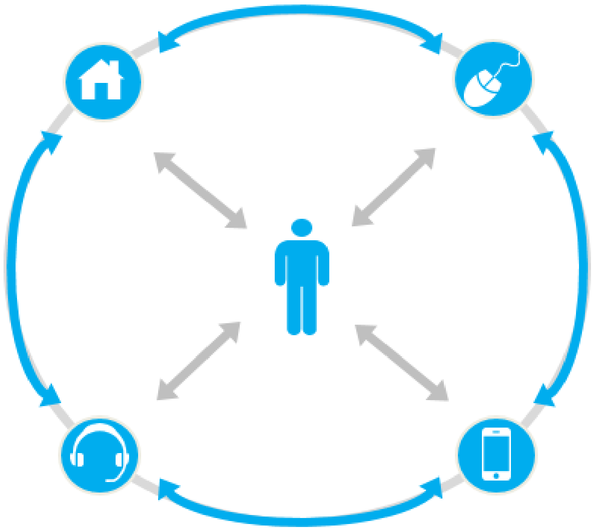


** Net Stable Funding Ratio (NSFR) is based on KBC's interpretation of the proposal of CRR amendment*

*** 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*

Creating superior client satisfaction via a
seamless, multi-channel client-centric distribution approach

Real time



ADAM
Applied Data Analytical Modeling

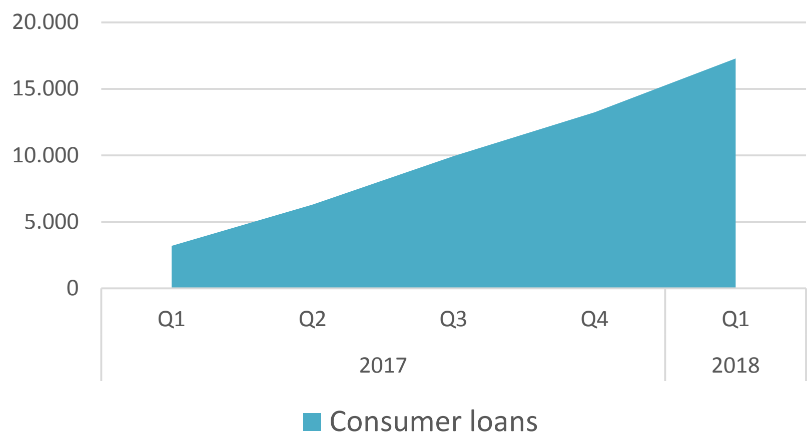
Enhanced channels for empowered clients

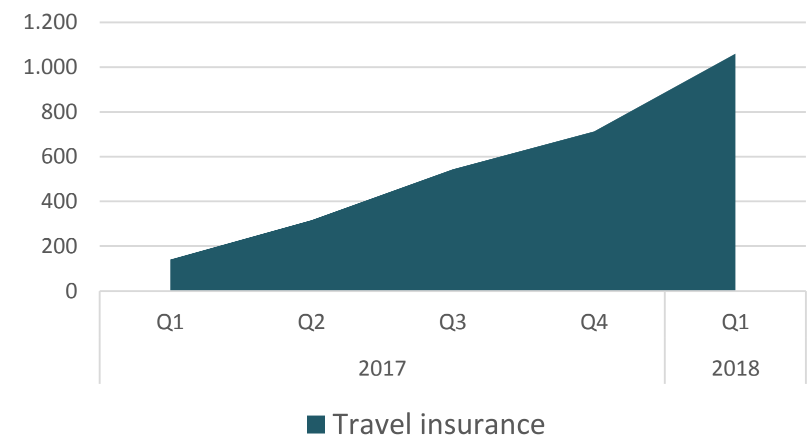
KBC Group

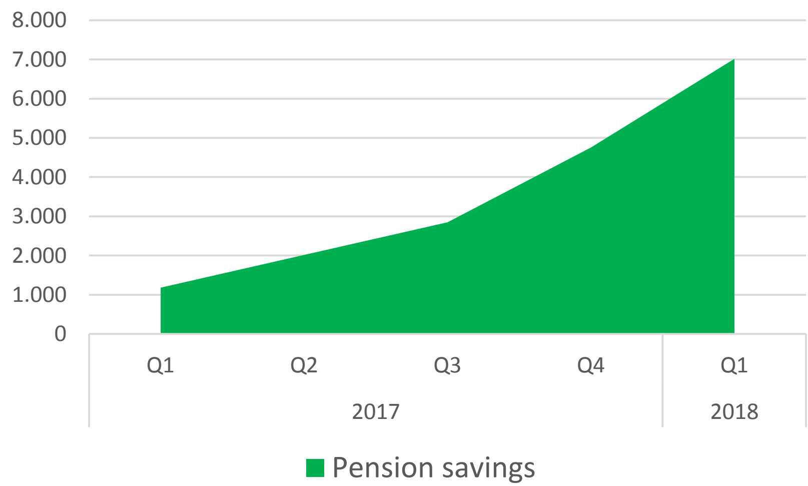
More of the same...
but differently ...

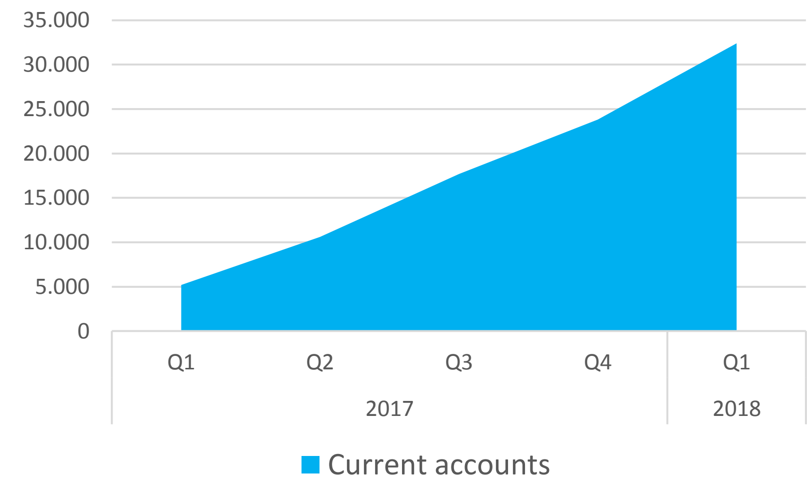
KBC Group and digitalisation

Digital sales are increasing *(example BU Belgium)*





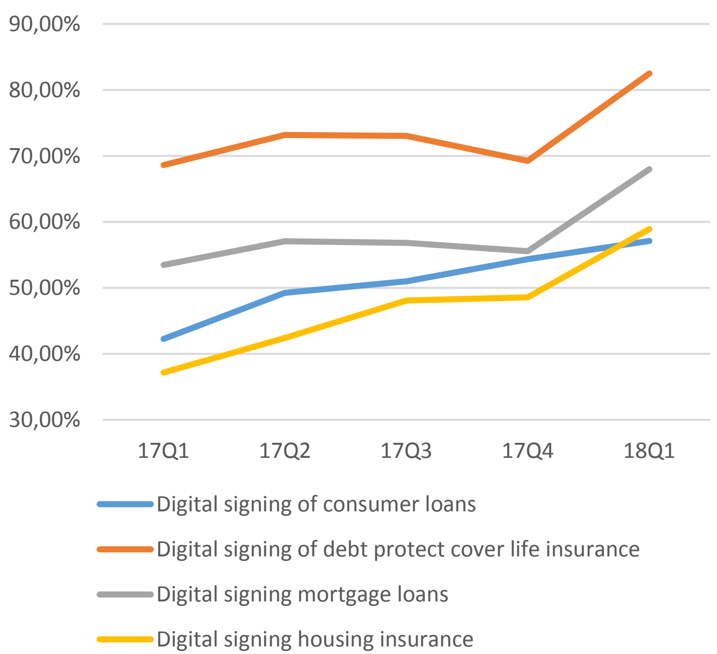




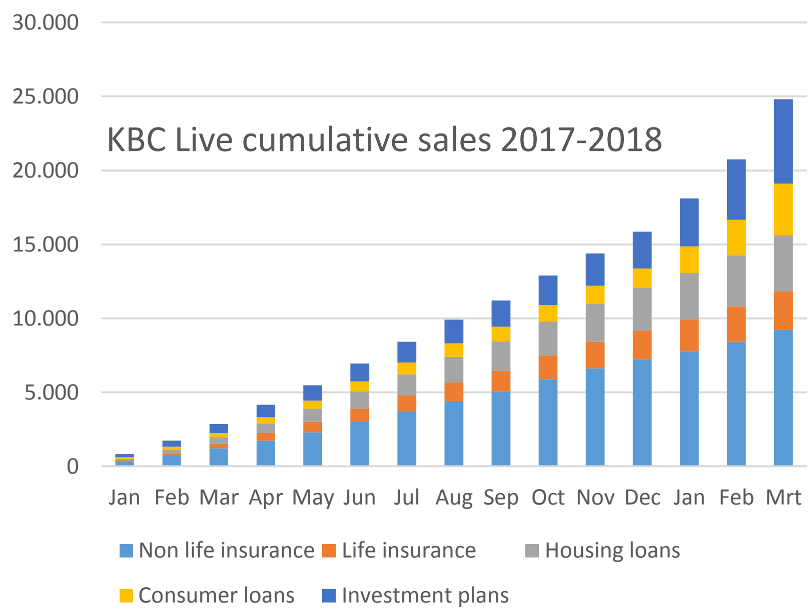
KBC Group and digitalisation

Omnichannel is embraced by our customers (example BU Belgium)

Digital signing after contact with the branches or KBC Live in 2017-2018



Digital sales @ KBC Live increases, strong performance in non-life






KBC Group
1Q 2018
wrap up

1Q 2018 Wrap up

- ✓ Strong commercial bank-insurance results in our core countries
- ✓ Successful sustainable earnings track record
- ✓ Solid capital and robust liquidity position

More detailed analyst presentation available at www.kbc.com.

Looking forward

- We expect 2018 to be a year of sustained economic growth in both the euro area, the US and in each of our core markets

- Management guides for:
  - solid returns for all Business Units
  - loan impairments for Ireland towards a release in a 100m-150m EUR range for FY18
  - the impact of the reform of the Belgian corporate income tax regime: a recurring positive P&L impact as of 2018 onwards and the one-off negative impact in 4Q17 will be fully recuperated in roughly 3 years' time
  - B4 impact for KBC Group is estimated at roughly 8bn EUR higher RWA on a fully loaded basis as at year-end 2017, which corresponds with a RWA inflation of 9% and an impact on the CET1 ratio of -1.3%

- Next to the Belgium and the Czech Republic Business Units, the International Markets Business Unit has become a strong contributor to the net result of KBC Group thanks to:
  - Ireland: re-positioning as a core country with a sustainable profit contribution
  - Bulgaria: the legal merger of CIBank into UBB was approved. The new group UBB has become the largest bank-insurance group in Bulgaria with a substantial increase in profit contribution
  - Sustainable profit contribution of Hungary and Slovakia

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