

# KBC Group / Bank Debt presentation August 2017

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# 2Q 2017 key takeaways for KBC Group

## ■ EXCELLENT BUSINESS PERFORMANCE IN 2Q17

**Exceptionally strong net result of 855m EUR in 2Q17 (and 1,485m EUR in 1H17). ROE of 20% in 1H17**

- Excellent 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 in most of our core countries
- Slightly higher net interest income despite slightly lower net interest margin q-o-q
- High net fee and commission income
- Higher net gains from financial instruments at fair value and higher realised AFS gains, lower net other income
- Exceptional combined ratio of 84% in 1H17. Excellent sales of non-life products, while sales of life insurance products were lower
- Strict cost management resulted in a cost/income ratio of 53% YTD adjusted for specific items
- Net impairment releases of 71m, mainly driven by Ireland (net release of 87m EUR). The impairment guidance for Ireland has been updated towards a net release of a range of 160m-200m EUR for FY17, driven by a 40m EUR adjustment as a result of the model recalibration in 2Q17

## ■ SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS

- **The B3 common equity ratio based on the Danish Compromise at end 2Q17 amounted to 15.83% phased-in and 15.65% fully loaded\*. The earnings generation in 2Q17 fully absorbed the impact of the acquisition of UBB & Interlease in Bulgaria of 50bps on fully loaded CET1**
- Fully loaded B3 **leverage ratio**, based on current CRR legislation, amounted to **5.7%** at KBC Group
- **Continued strong liquidity position** (NSFR at 130% and LCR at 141%) at end 2Q17
- Referring to our dividend policy, KBC will pay an **interim dividend of 1 EUR per share in November 2017**, 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

\* This clearly exceeds the minimum capital requirements set by the ECB / NBB of respectively 8.65% and 10.40% for 2017. On top of the above-mentioned capital requirements, the ECB expects KBC to hold a pillar 2 guidance (P2G) of 1.0% CET1

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**2** Financial performance

**3** Balance sheet

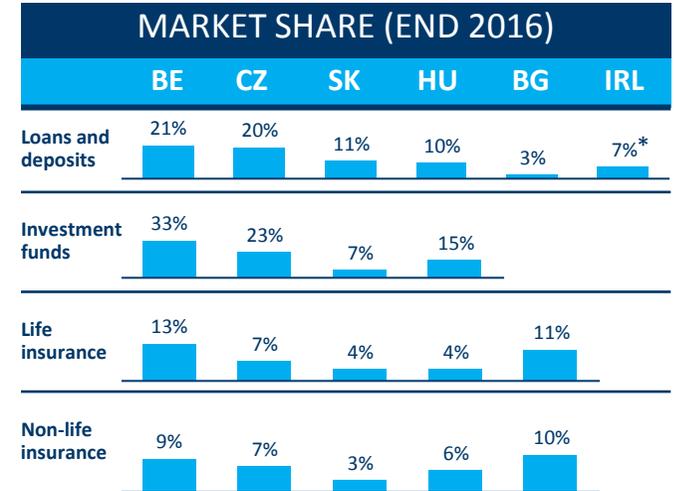
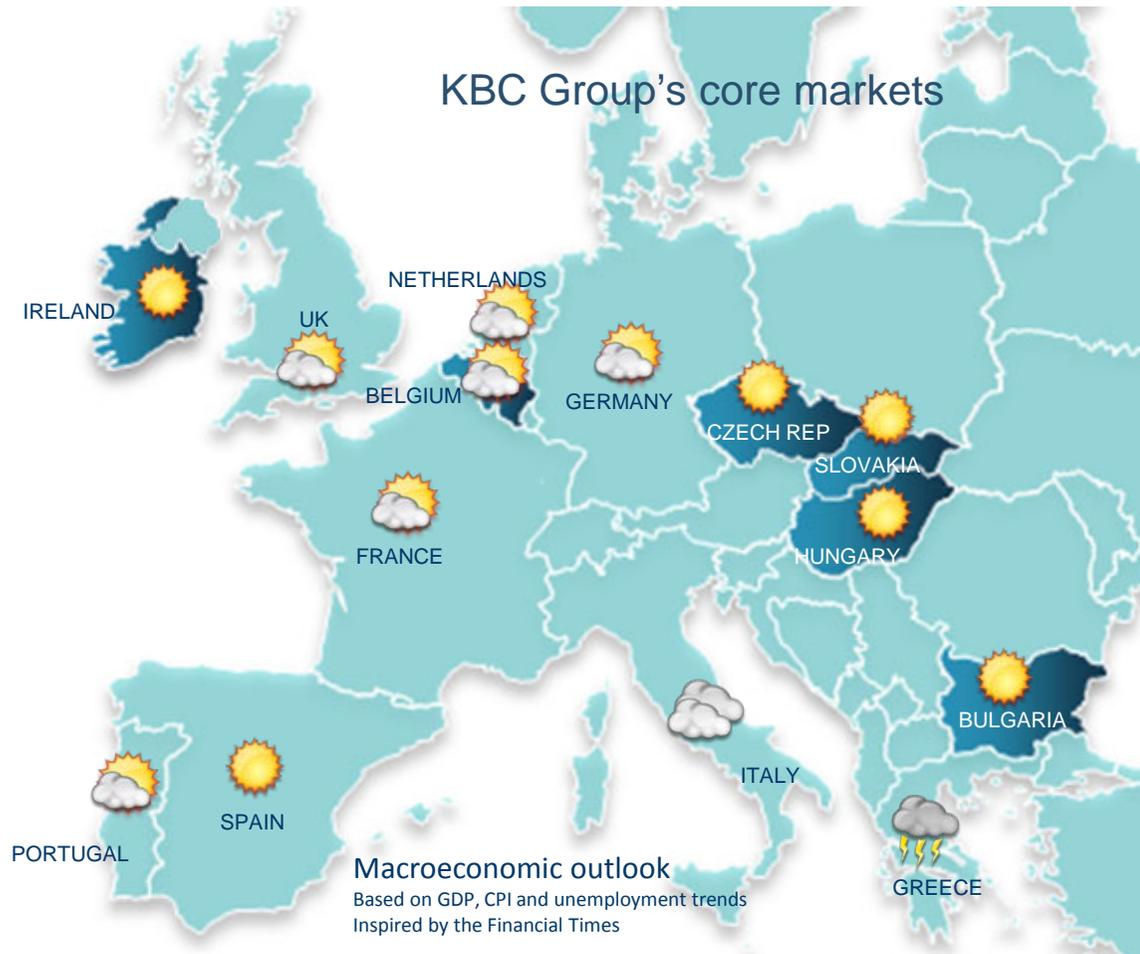
**4** Solvency and liquidity

**5** MREL strategy

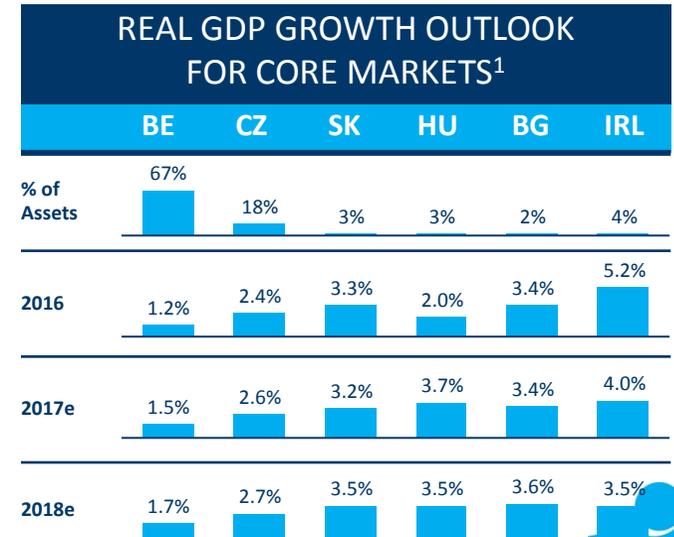
**6** 2Q17 Wrap up

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# Well-defined core markets provide access to 'new growth' in Europe

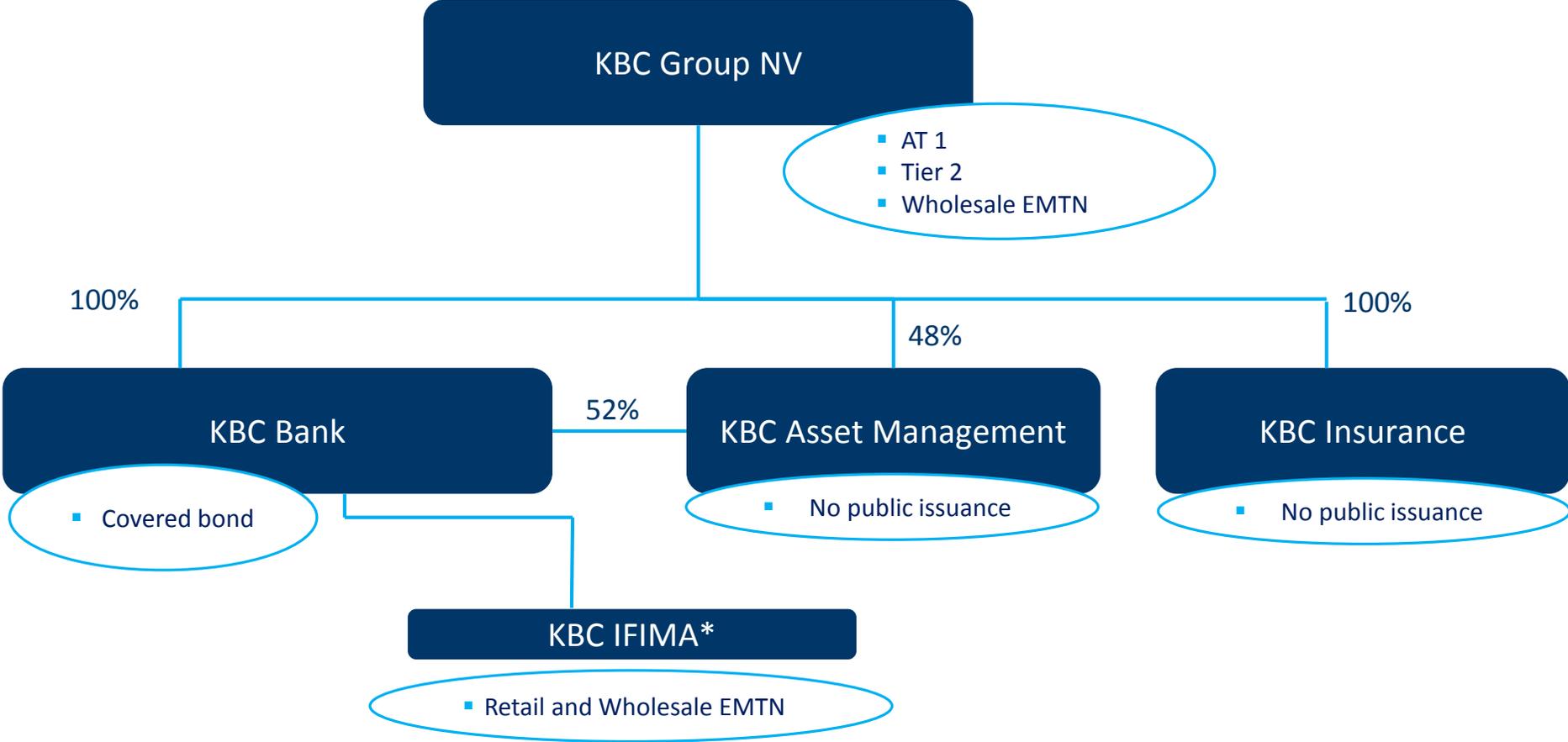


\* Only for retail segment



1. Source: KBC data, August 2017

# Group's legal structure and issuer of debt instruments



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



# Overview of key financial data at 1H 2017

## KBC Group

Market cap<sup>1</sup>

**29**

bn EUR

Net result

**1 485**

m EUR

Total assets

**296**

bn EUR

Total equity

**18**

bn EUR

CET1 ratio<sup>2</sup>

**15.7**

%

## KBC Bank

|                                |            |
|--------------------------------|------------|
| <b>Net result<sup>3</sup>:</b> | 1 276m EUR |
| <b>Total assets:</b>           | 260bn EUR  |
| <b>Total equity:</b>           | 15bn EUR   |
| <b>CET1 ratio<sup>4</sup>:</b> | 13.8%      |
| <b>C/I ratio<sup>5</sup>:</b>  | 53%        |
| <b>Credit Cost Ratio:</b>      | -0.10%     |

## KBC Insurance

|                                |                   |
|--------------------------------|-------------------|
| <b>Net result<sup>3</sup>:</b> | 223m EUR          |
| <b>Total assets:</b>           | 38bn EUR          |
| <b>Total equity:</b>           | 3bn EUR           |
| <b>Solvency II ratio:</b>      | 217% <sup>5</sup> |
| <b>Combined ratio:</b>         | 84%               |

1. As at Aug 2017

2. Presented ratio is fully loaded; on a phased-in basis the ratio stands at 15.8% for KBC Group

3. Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted by the holding-company/group item

4. Includes KBC Asset Management ; excludes holding company eliminations

5. Adjusted for specific items (see glossary for definition)

6. Belgian insurance companies are allowed from the NBB (19/4/2017 – but retroactively) to allow a higher adjustment of deferred taxes, in line with general European standards, if they pass recovery test. This is the case for KBC.

# Credit ratings end of June 2017

|                  | Moody's                     | S&P         | Fitch    |
|------------------|-----------------------------|-------------|----------|
| <b>Group</b>     | <b>Senior Unsecured</b>     | <b>Baa1</b> | <b>A</b> |
|                  | Tier II                     | -           | A-       |
|                  | Additional Tier I           | -           | BB+      |
|                  | Short-term                  | P-2         | F1       |
|                  | Outlook                     | Stable      | Stable   |
| <b>Bank</b>      | Covered Bonds               | AAA         | AAA      |
|                  | <b>Senior Unsecured</b>     | <b>A1</b>   | <b>A</b> |
|                  | Tier II (CoCo) <sup>1</sup> | -           | -        |
|                  | Additional Tier I           | _2          | _2       |
|                  | Short-term                  | P-1         | F1       |
|                  | Outlook                     | Stable      | Stable   |
| <b>Insurance</b> | Financial Strength Rating   | -           | -        |
|                  | Issuer Credit Rating        | -           | -        |
|                  | Outlook                     | -           | -        |

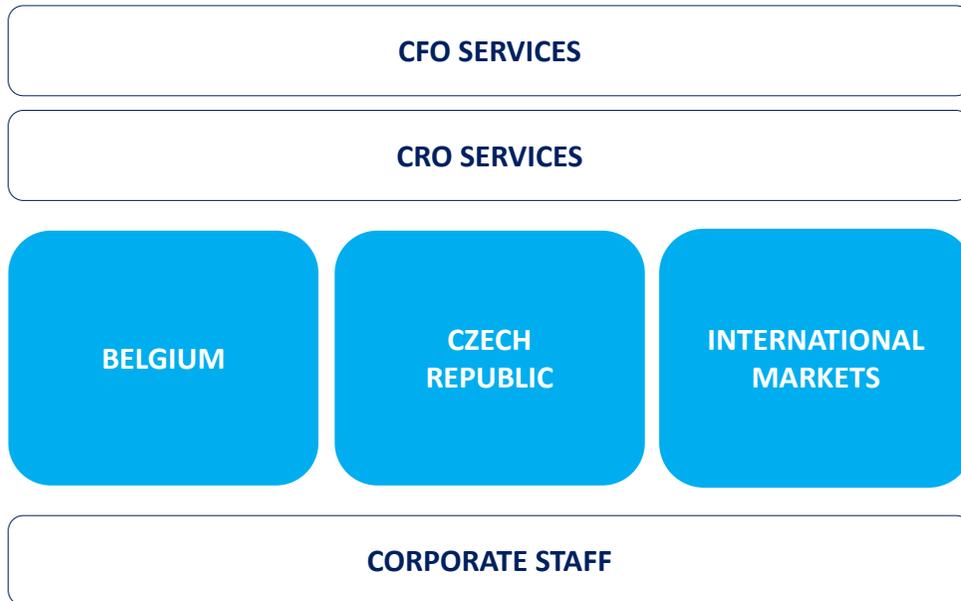
1. Next to a Contingent Convertible Tier II debt obligation, KBC Bank has approx. 0.6bn EUR of unrated non-convertible Tier II debt outstanding issued as private placement or to retail investors.

2. Outstanding Tier I, net amount 44.5m GBP and callable as of December 2019, rated Baa3 by Moody's, BB+ by S&P and BBB- by Fitch.

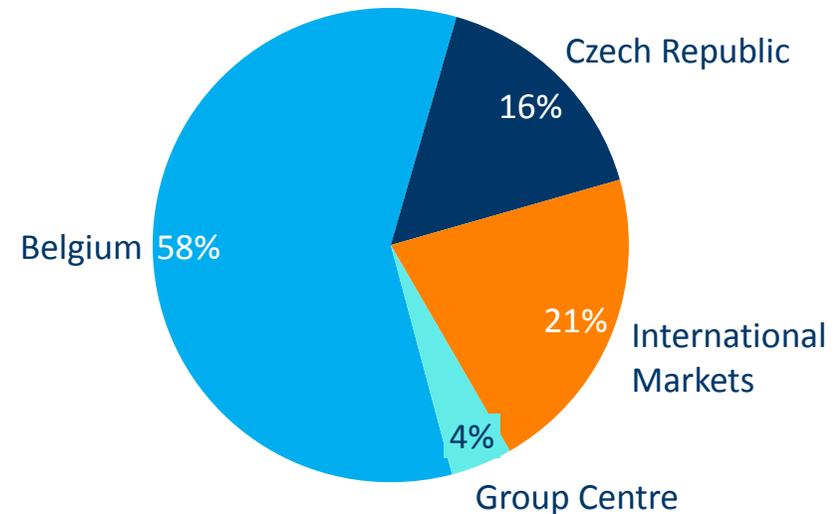
On 20 March 2017 Fitch has upgraded KBC Bank's and KBC Group NV's (KBC Group) LongTerm Issuer Default Ratings (IDRs) and senior debt ratings to 'A' from 'A-'. The Outlooks are Stable.

# Business profile

KBC is a leading player in Belgium, its 4 core countries in CEE and Ireland.



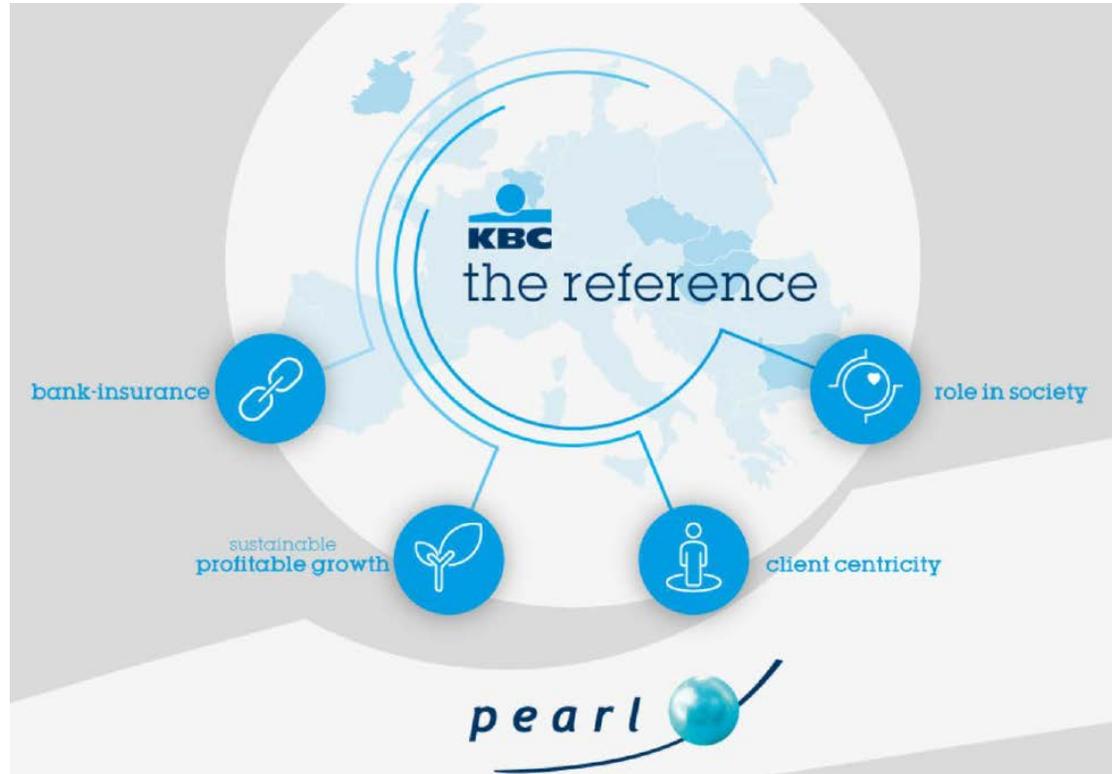
BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AT 30 JUNE 2017



- KBC is a leading player (retail and SME bank-insurance, private banking, commercial and local investment banking) in Belgium, its core countries in CEE (Czech Republic, Slovakia, Hungary and Bulgaria) and Ireland.

# KBC Group going forward:

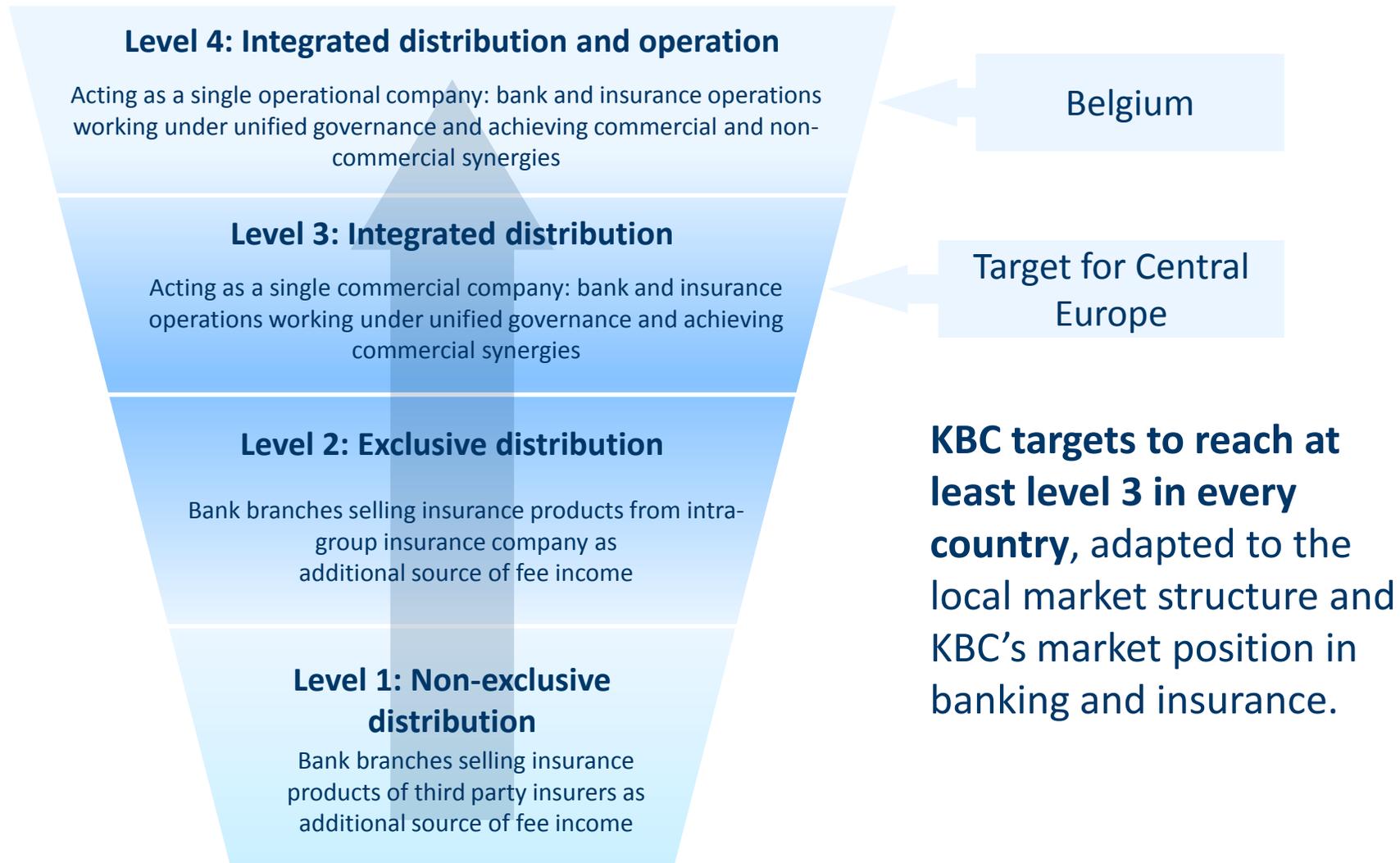
Wants to be among the best performing financial institutions in Europe



- 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



# 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
  - Improvement in 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

# Summary of the guidance at KBC Group level as announced at our Investor Day in June 2017

## More of the same ...

| Guidance...                                 |         | by...     |
|---|---------|-----------|
| <b>CAGR total income ('16-'20)*</b>         | ≥ 2.25% | 2020      |
| <b>C/I ratio banking excluding bank tax</b> | ≤ 47%   | 2020      |
| <b>C/I ratio banking including bank tax</b> | ≤ 54%   | 2020      |
| <b>Combined ratio</b>                       | ≤ 94%   | 2020      |
| <b>Dividend payout ratio</b>                | ≥ 50%   | As of now |

\* Excluding marked-to-market valuations of ALM derivatives

| Regulatory requirements...               |          | by...     |
|--|----------|-----------|
| <b>Common equity ratio*excluding P2G</b> | ≥ 10.40% | 2019      |
| <b>Common equity ratio*including P2G</b> | ≥ 11.40% | 2019      |
| <b>MREL ratio**</b>                      | ≥ 26.25% | 2020      |
| <b>NSFR</b>                              | ≥ 100%   | As of now |
| <b>LCR</b>                               | ≥ 100%   | As of now |

\* Fully loaded, Danish Compromise. P2G = Pillar 2 guidance.

\*\* SRB has not formally communicated any MREL target at this point in time (expected by the end of 2017). However, an indicative figure is put forward based on the mechanical approach as published by SRB on 28 November 2016. Note that KBC intends to fill in the AT1 and T2 buckets of respectively 1.5% and 2.0% at any time

# Summary of the guidance at KBC Group level as announced at our Investor Day in June 2017

... but differently...

## → Make further progress in our bank-insurance model

| Guidance   |        |      | by...  |        |      |
|--|--------|------|--|--------|------|
| <b>CAGR Bank-Insurance clients</b><br>(1 Bank product + 1 Insurance product) |        |      | <b>CAGR Bank-Insurance stable clients</b><br>(3 Bk + 3 Ins products in Belgium; 2 Bk + 2 Ins products in CE) |        |      |
| BU BE  | ≥ 2 %  | 2020 | BU BE  | ≥ 2 %  | 2020 |
| BU CR  | ≥ 15 % | 2020 | BU CR  | ≥ 15 % | 2020 |
| BU IM  | ≥ 10 % | 2020 | BU IM  | ≥ 15 % | 2020 |

## → Guidance on inbound omni-channel/digital behaviour\*

| Guidance   |        | by ... |      |
|--|--------|--------|------|
| <b>% Inbound contacts via omni-channel and digital channel</b> |        |        |      |
| <b>KBC Group**</b>   | ≥ 80 % |        | 2020 |

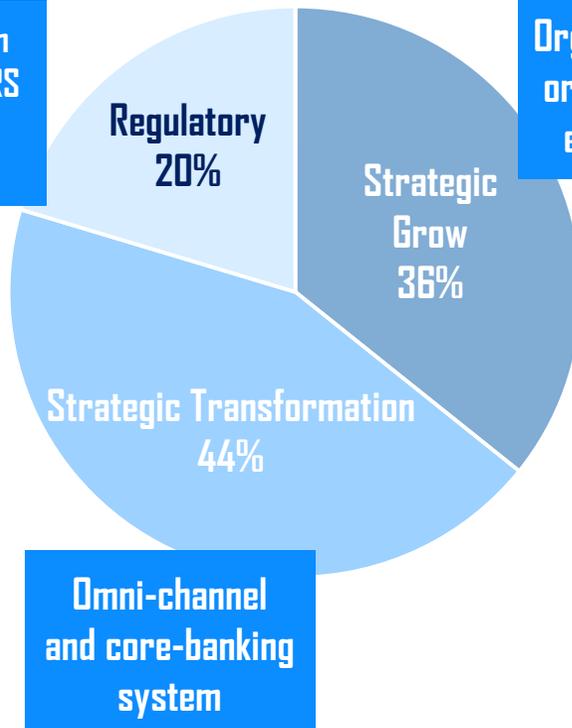
- Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advice centre), possibly in addition to contact through the physical branch. This means that clients solely interacting with KBC through the physical branch (or ATM) are excluded

\*\* Bulgaria & PSB out of scope for Group target

# More of the same...

# but differently...

Cashflow 2017-2020 = 1.5bn EUR



Regulatory driven developments (IFRS 9, CRS(\*), MIFID, etc...)

Organic growth or operational efficiencies

Omni-channel and core-banking system

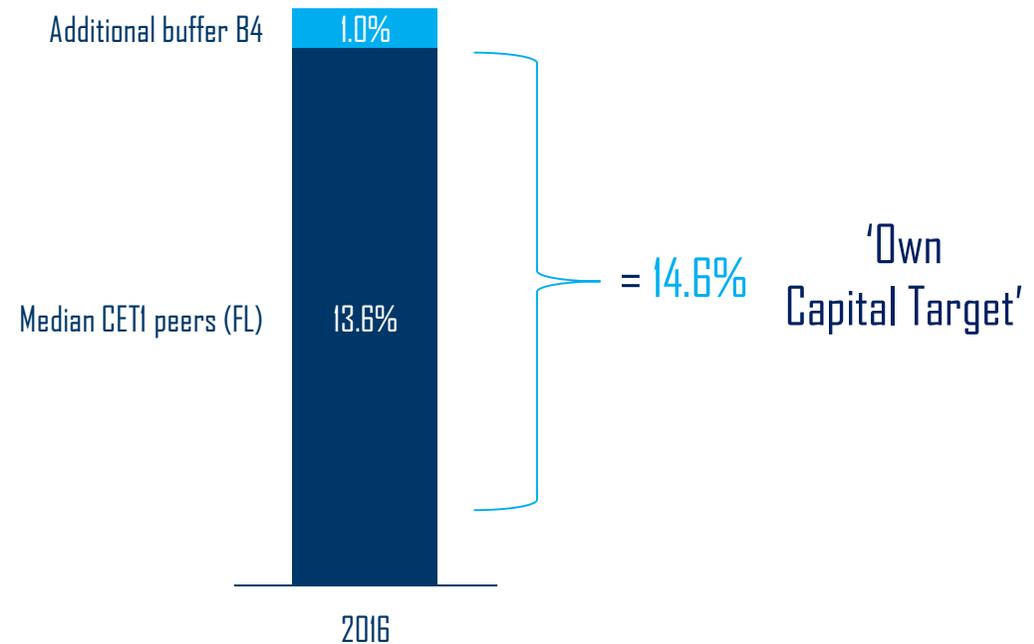
Operating Expenses 2017-2020 = 1bn EUR



(\* ) 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 will join.

# What does it mean to be one of the better capitalised financials for KBC? 'Own Capital Target'

- We aim to be one of the better capitalised financial institutions in Europe. Therefore as a starting position, we assess each year 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\*
- Based on internal benchmarking, KBC will be impacted relatively more than the sector average by Basel IV. Therefore, we are factoring in an additional 1% CET1 impact

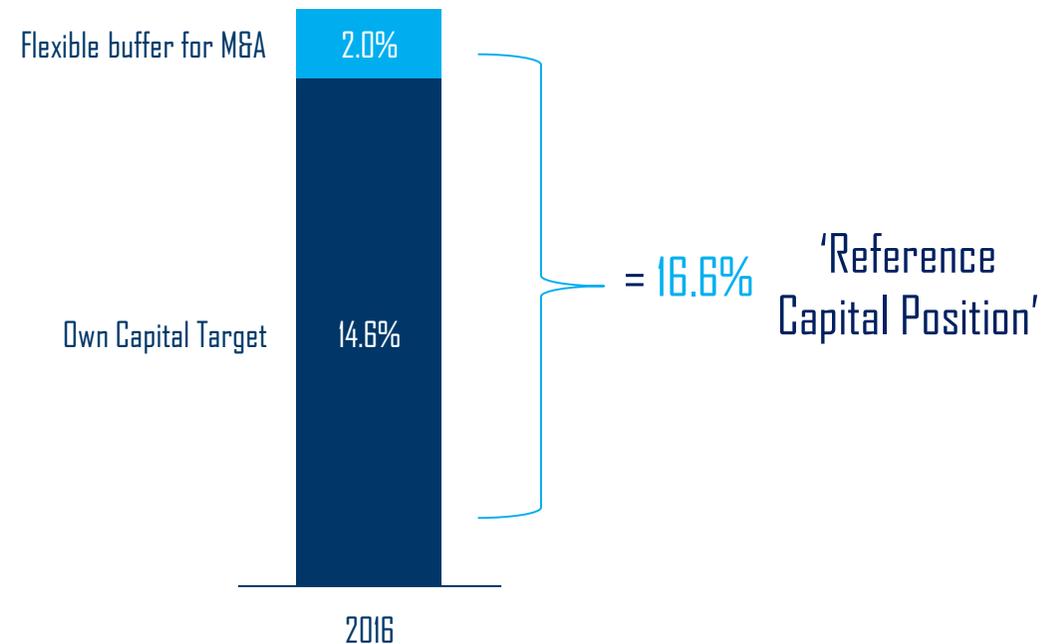


\* The impact of B4 will be fully included at the start of 2021

# What does it mean for our capital deployment?

## 'Reference Capital Position'

- KBC Group wants to keep a flexible buffer of up to 2% CET1 for potential add-on M&A in our core markets
- This buffer comes on top of the 'Own Capital Target' of KBC Group, and all together forms the 'Reference Capital Position'
- Any M&A opportunity will be assessed subject to very strict financial and strategic criteria



# Capital distribution to shareholders

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- The payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit is reconfirmed, with an annual interim dividend of 1 EUR per share being paid 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'

# KBC Group going forward: An optimised geographic footprint



- ❑ **Strengthen current geographic footprint**  
Optimise business portfolio by strengthening current bank-insurance presence through organic growth or through acquisitions if possible
- ❑ **No further plans to expand beyond** current geographic footprint
- ❑ KBC Group will **consider acquisition options**, if any, to strengthen current geographic bank-insurance footprint
- ❑ **Clear financial criteria** for investment decision-making, based on:
  - Solid capital position of KBC Group
  - Investment returns in the short and mid terms
  - New investment contributing positively to group ROE
- ❑ Become a **reference in bank-insurance** in each core country
- ❑ Through a locally embedded bank-insurance business model and a strong corporate culture, creating **superior client satisfaction**
- ❑ With a clear focus on **sustainable and profitable growth**

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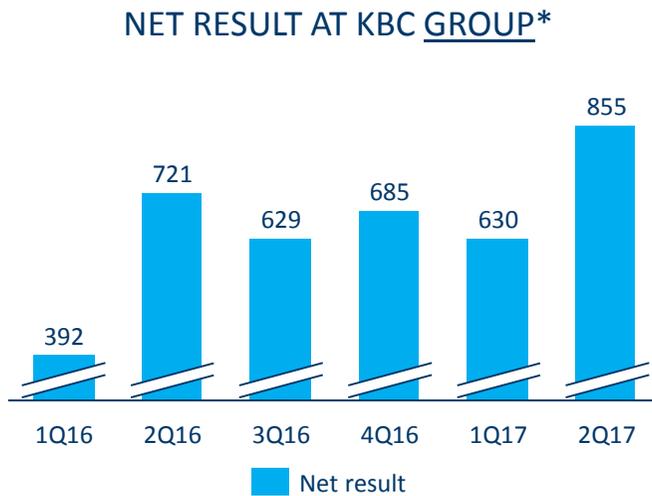
**4** Solvency and liquidity

**5** MREL strategy

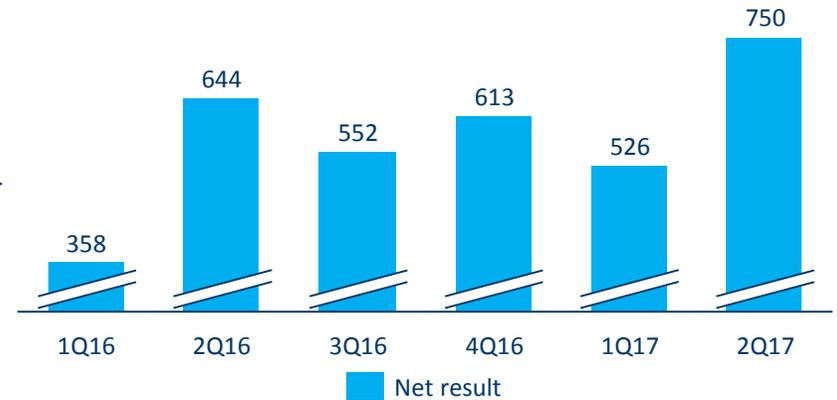
**6** 2Q17 Wrap up

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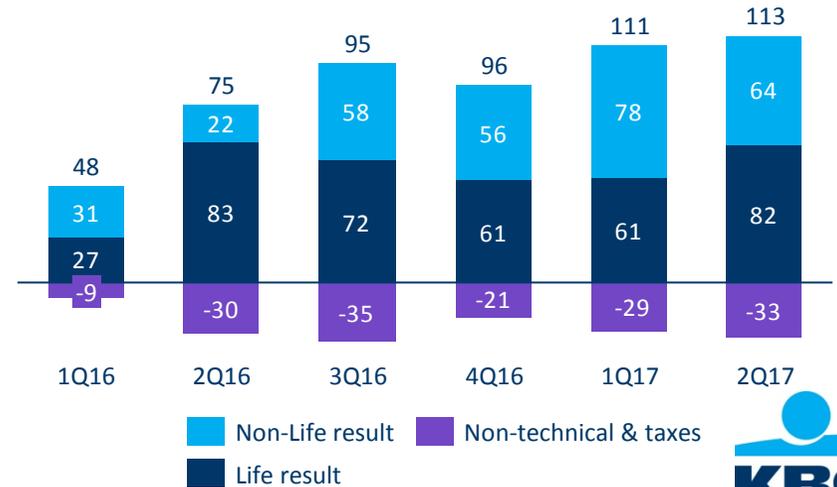
# Net result at KBC Group



## CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT\*



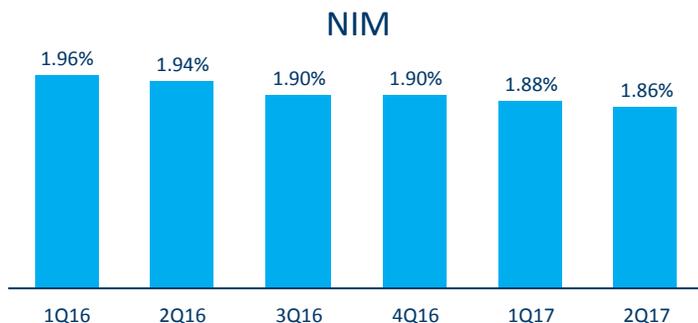
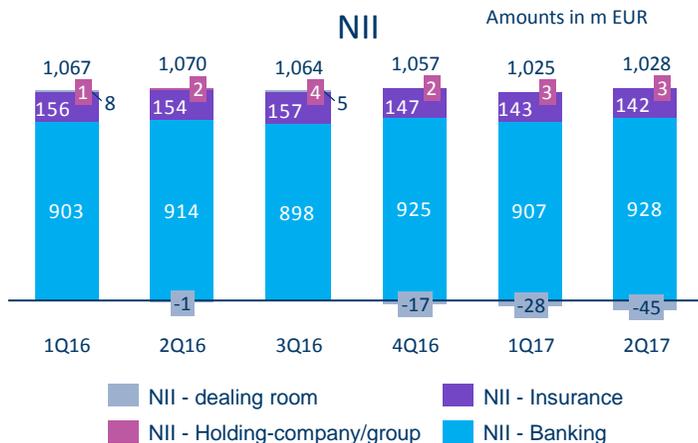
## CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT\*



\* 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



# Slightly higher net interest income and slightly lower net interest margin



## Net interest income (1,028m EUR)

- Slightly up q-o-q and down by 4% y-o-y
- NII banking increased by 2% q-o-q, which was largely offset by more negative NII of dealing room activities
- The small q-o-q increase was driven primarily by:
  - lower funding costs
  - continued good volume growth in current accounts and loans
  - further positive effect of enhanced ALM management
- partly offset by:
  - lower reinvestment yields
  - more negative NII of dealing room activities
  - pressure on commercial loan margins in most core countries
  - slightly lower upfront prepayment fees

## Net interest margin (1.86%)

- Down by 2 bps q-o-q and by 8 bps y-o-y
- Q-o-q decrease is entirely due to decreased net interest income from the dealing room, as lower reinvestment yields and pressure on commercial loan margins in most core countries were fully offset by lower funding costs and the further positive effect of enhanced ALM management

## VOLUME TREND

| Excluding FX effect & UBB/Interlease | Total loans ** | Of which mortgages | Customer deposits*** | AuM   | Life reserves |
|--------------------------------------|----------------|--------------------|----------------------|-------|---------------|
| Volume                               | 137bn          | 58bn               | 186bn                | 215bn | 28bn          |
| Growth q-o-q*                        | +2%            | +1%                | +2%                  | 0%    | 0%            |
| Growth y-o-y                         | +4%            | +3%                | +8%                  | +4%   | 0%            |

*Note: Customer deposit volumes excluding debt certificates & repos +2% q-o-q and +4% y-o-y*

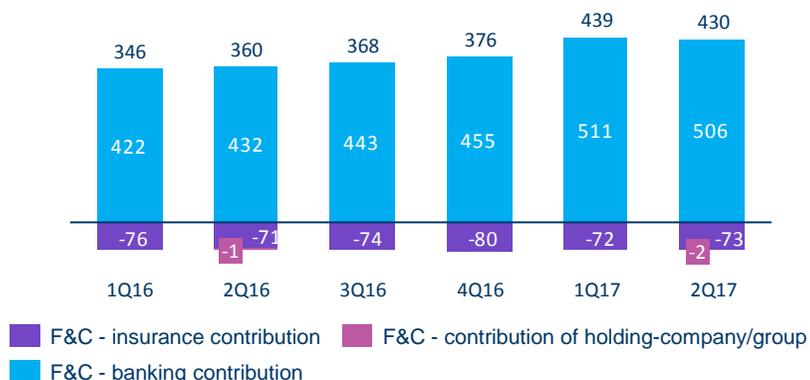
\* Non-annualised

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

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

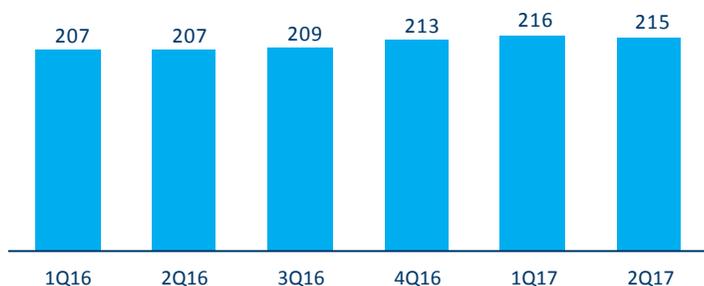
# High net fee and commission income

## F&C



Amounts in m EUR

## AuM



Amounts in bn EUR

### Net fee and commission income (430m EUR)

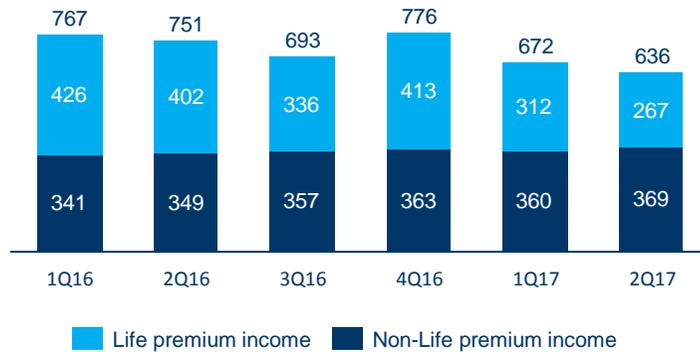
- Down by 2% q-o-q and up by 19% y-o-y
- Despite an increase of the net sales, net F&C income decreased q-o-q driven chiefly by:
  - high entry fees from mutual funds (due to a further successful shift to the new discretionary-based service proposition in Belgium), but lower q-o-q due to the exceptionally strong 1Q17
  - lower securities-related fees
- Y-o-y increase was mainly the result of:
  - higher management fees from mutual funds & unit-linked life insurance products (mainly thanks to a good equity market performance and a higher assets base)
  - higher entry fees from mutual funds and unit-linked life insurance products due to the successful shift to the new discretionary-based service proposition in Belgium
  - higher fees from payment services (mainly in Hungary)
  - higher securities-related fees (in Belgium)

### Assets under management (215bn EUR)

- Slightly decreased q-o-q owing to a negative price effect
- Rose by 4% y-o-y owing to net outflows (-1%) and a positive price effect (+5%)
- The mutual fund business has seen net inflows again (substantially higher q-o-q), but this was offset mainly by net outflows in group assets and investment advice

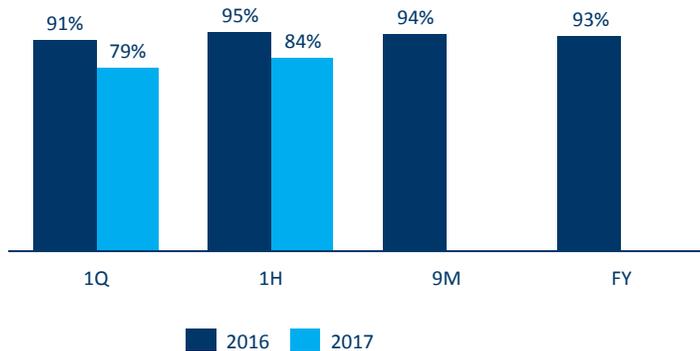
# Insurance premium income down, but exceptional combined ratio

## PREMIUM INCOME (GROSS EARNED PREMIUM)



- Insurance premium income (gross earned premium) at 636m EUR
  - Non-life premium income (369m) increased by 6% y-o-y
  - Life premium income (267m) down by 15% q-o-q and by 34% y-o-y

## COMBINED RATIO (NON-LIFE)



- The non-life **combined ratio** at 1H17 amounted to **84%**, an improvement compared with 93% in FY16 due to low technical charges (especially in 1Q17). Remember that 1H16 was negatively impacted by one-off charges due to terrorist attacks in Belgium (in 1Q16) and the impact of floods/storms (in 2Q16)

# Non-life sales up y-o-y, life sales down q-o-q and y-o-y

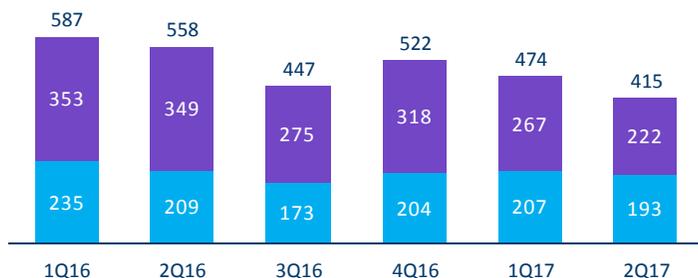
NON-LIFE SALES (GROSS WRITTEN PREMIUM)



## ■ Sales of non-life insurance products

- Up by 7% y-o-y thanks to a good commercial performance in all major product lines in our core markets and tariff increases

LIFE SALES

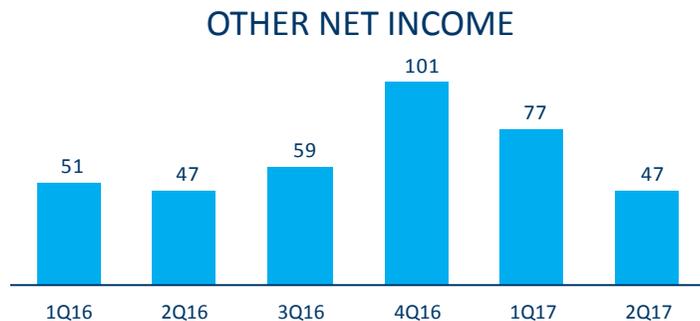
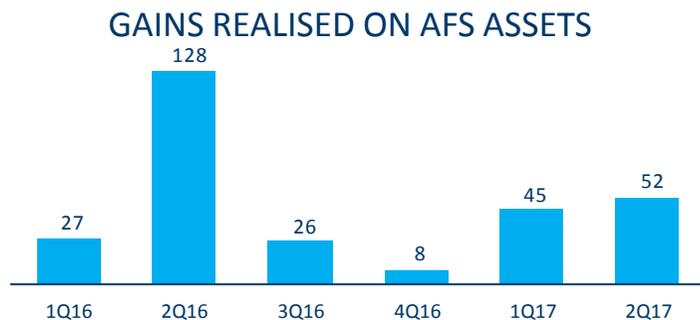
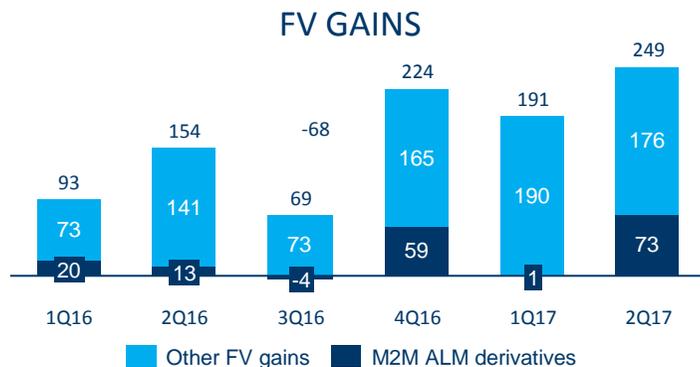


■ Guaranteed interest products ■ Unit-linked products

## ■ Sales of life insurance products

- Decreased by 12% q-o-q and by 26% y-o-y
- The q-o-q and y-o-y decrease was driven mainly by lower sales of guaranteed interest products in Belgium (driven by the low guaranteed interest offered)
- Sales of unit-linked products accounted for 46% of total life insurance sales

# Higher FV gains and gains realised on AFS assets, lower other net income



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

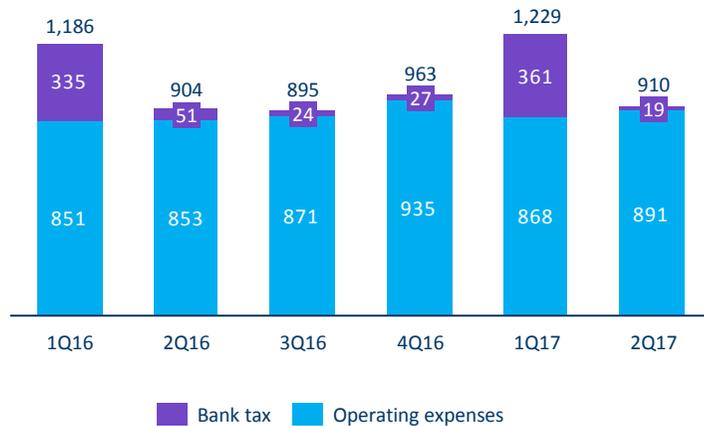
- a positive change in ALM derivatives (73m EUR in 2Q17 compared with 1m EUR in 1Q17) due to the positive M2M value of EUR/CZK FX swaps in 2Q17 (compared to negative M2M value of EUR/CZK FX swaps in 1Q17)
  - strong dealing room income
- partly offset by:
- a negative change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivative portfolio)

- **Higher gains realised on AFS assets** (q-o-q increase entirely on shares)

- **Other net income** amounted to 47m EUR, in line with the normal run rate of around 50m EUR. Note that 1Q17 benefited from the settlement of an old legal file

# Operating expenses down, due entirely to lower bank taxes, and good cost/income ratio

## OPERATING EXPENSES



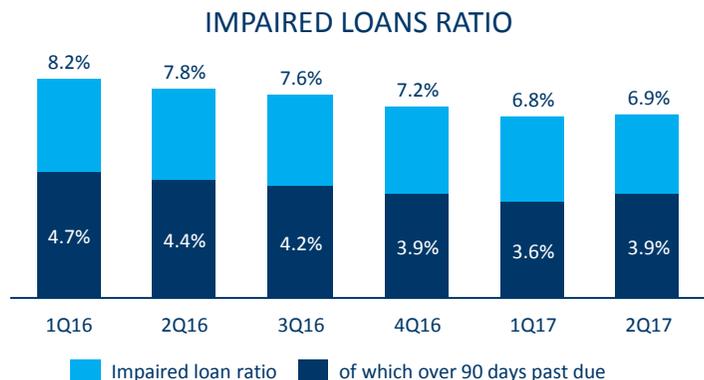
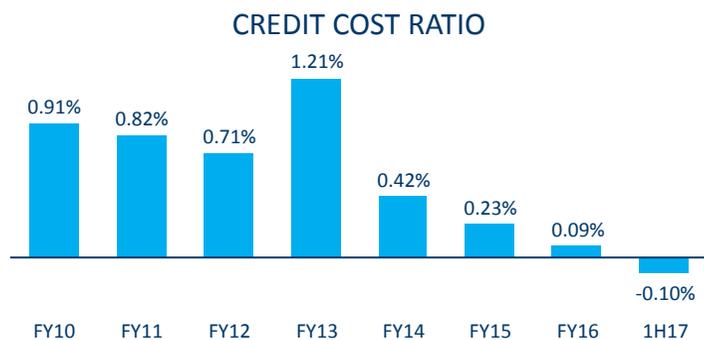
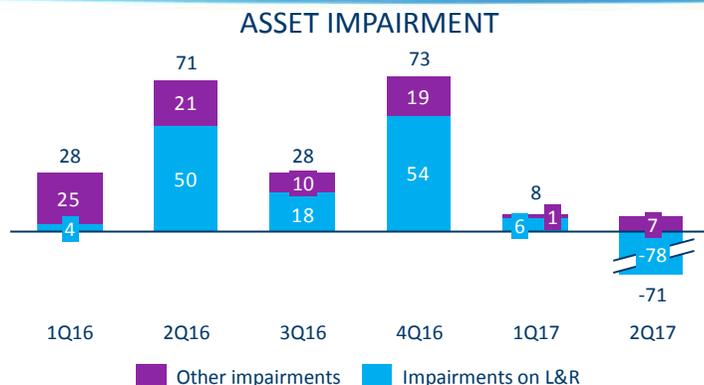
### Cost/income ratio (banking) adjusted for specific items\* at 54% in 2Q17 and 53% YTD

- Operating expenses excluding bank tax went up by 3% q-o-q due mainly to:
  - higher staff expenses mainly in the Czech Republic (wage drift) and Group Centre (due partly to early retirement costs and timing differences)
  - traditionally lower ICT, marketing and professional fee expenses in 1Q17
- Operating expenses without bank tax increased by 5% y-o-y due chiefly to:
  - higher staff expenses (higher pension costs in Belgium and wage drift in most countries)
  - higher ICT costs
  - higher professional fee expenses
  - higher depreciation and amortisation costs (due to the capitalisation of some projects)
- Pursuant to IFRIC 21, certain levies (such as contributions to the European Single Resolution Fund) have to be recognised in advance, and this adversely impacted the results for 1Q17
- Total bank taxes (including ESRF contribution) are expected to increase from 437m EUR in FY16 to 443m EUR in FY17, although still subject to changes

### EXPECTED BANK TAX SPREAD (PRELIMINARY)\*\*

|              | TOTAL     | Upfront    |           | Spread out over the year |           |           |           |
|--------------|-----------|------------|-----------|--------------------------|-----------|-----------|-----------|
|              | 2Q17      | 1Q17       | 2Q17      | 1Q17                     | 2Q17      | 3Q17e     | 4Q17e     |
| BU BE        | -6        | 278        | -6        | 0                        | 0         | 0         | 0         |
| BU CZ        | 0         | 26         | 1         | 0                        | 0         | 0         | 0         |
| Hungary      | 20        | 26         | 0         | 18                       | 20        | 20        | 21        |
| Slovakia     | 4         | 3          | 0         | 4                        | 4         | 3         | 4         |
| Bulgaria     | 1         | 3          | 1         | 0                        | 0         | 0         | 0         |
| Ireland      | 0         | 3          | 0         | 1                        | 0         | 1         | 14        |
| GC           | 0         | 0          | 0         | 0                        | 0         | 0         | 0         |
| <b>TOTAL</b> | <b>19</b> | <b>338</b> | <b>-4</b> | <b>22</b>                | <b>23</b> | <b>24</b> | <b>39</b> |

# Net impairment releases, excellent credit cost ratio and slightly increased impaired loans ratio



## Net impairment releases

- This was attributable mainly to:
  - net loan loss provision releases in Ireland of 87m EUR (compared with 50m in 1Q17)
  - also small reversals in Belgium and Hungary
- Impairment of 2m EUR on AFS shares (in Belgium)
- Impairment of 5m on other (of which 3m due to a revaluation of leased cars in CSOB Leasing in the Czech Republic)

- The **credit cost ratio** amounted to -0.10% in 1H17 due to low gross impairments and several releases

- The **impaired loans ratio** slightly increased to 6.9% due mainly to the consolidation of UBB in Bulgaria

# Overview of results based on business units

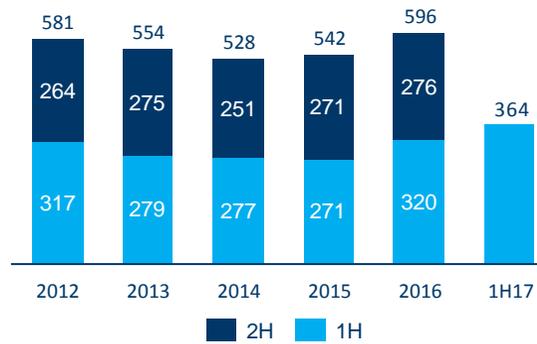
## NET PROFIT – BELGIUM

1H17 ROAC: 26%



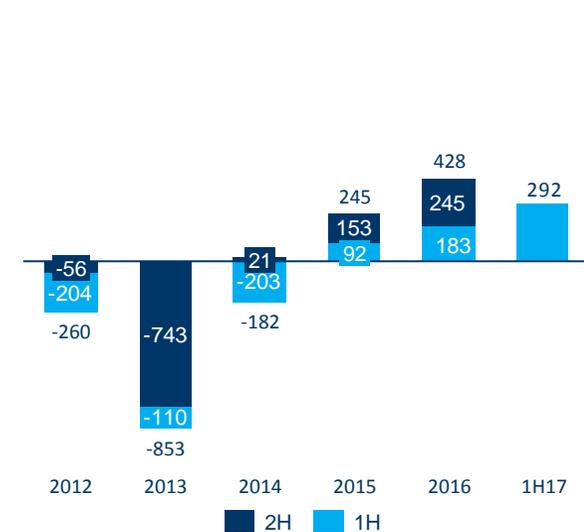
## NET PROFIT – CZECH REPUBLIC

1H17 ROAC: 47%



## NET PROFIT – INTERNATIONAL MARKETS

1H17 ROAC: 30%



# Acquisition of UBB/Interlease was closed mid-June 2017

On 13 June 2017, **KBC completed the acquisition of UBB & Interlease** after approval by the relevant regulatory authorities and received anti-trust approval (final total consideration is 609m EUR fully paid in cash)

- **This transaction substantially strengthens KBC's position in Bulgaria.** Together, UBB-CIBANK and DZI will become the reference in bank-insurance in Bulgaria, one of KBC's core markets. Following this acquisition, KBC will also become active in leasing, asset management and factoring in Bulgaria, offering its clients now a full range of financial services
- The operational integration of the business entities will be gradually introduced in the coming 18 months. KBC envisages **substantial value creation for shareholders through income and cost synergies**
- The consolidated figures in these condensed interim financial statements include the impact of this announced acquisition as of 30 June 2017:
  - KBC recorded a **provisional goodwill in its consolidated financial statements of 107m EUR at 30 June 2017, taking into account specific negative fair value adjustments amounting to 81m EUR after tax** which KBC identified during the due diligence process
  - The impact of this acquisition on the financial assets and liabilities by product is shown in note 4.1 of the 2Q17 quarterly report
  - There is **no impact yet on the P&L (only from 3Q17 onwards)**
  - The transaction had a **very limited impact of -0.50% on KBC's fully loaded CET1 ratio** based on the Danish Compromise

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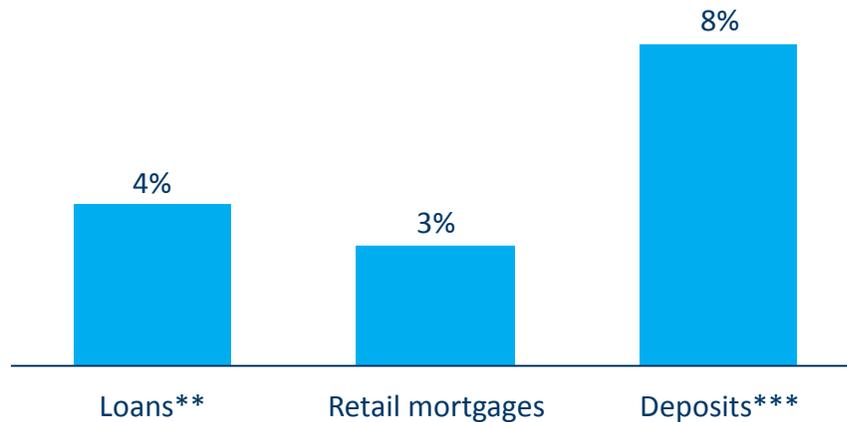
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# Balance sheet (1/2):

*Loans and deposits continue to grow in most core countries*

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



\* Volume growth excluding FX effects and divestments/acquisitions

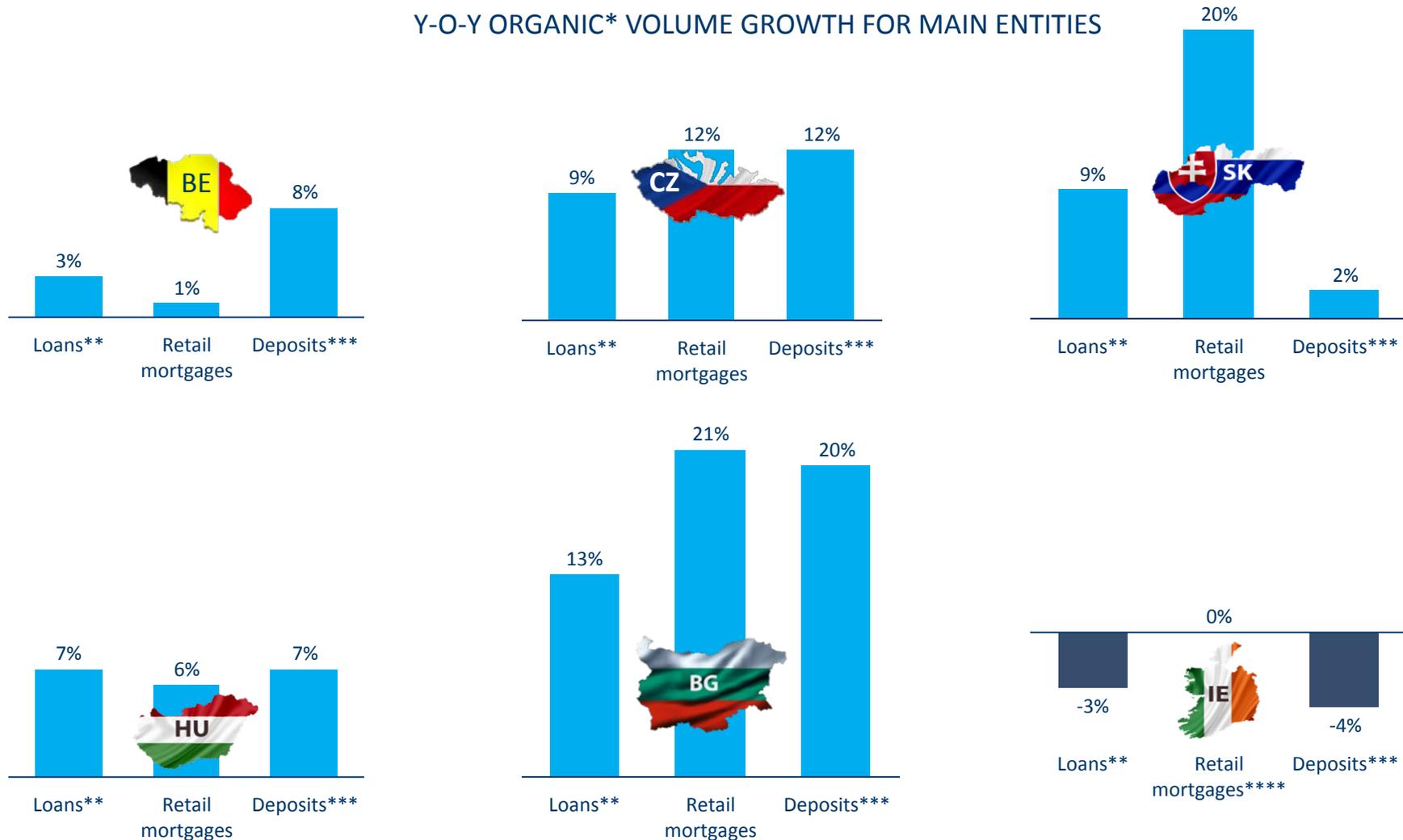
\*\* Loans to customers, excluding reverse repos (and bonds)

\*\*\* 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



\* Volume growth excluding FX effects and divestments/acquisitions

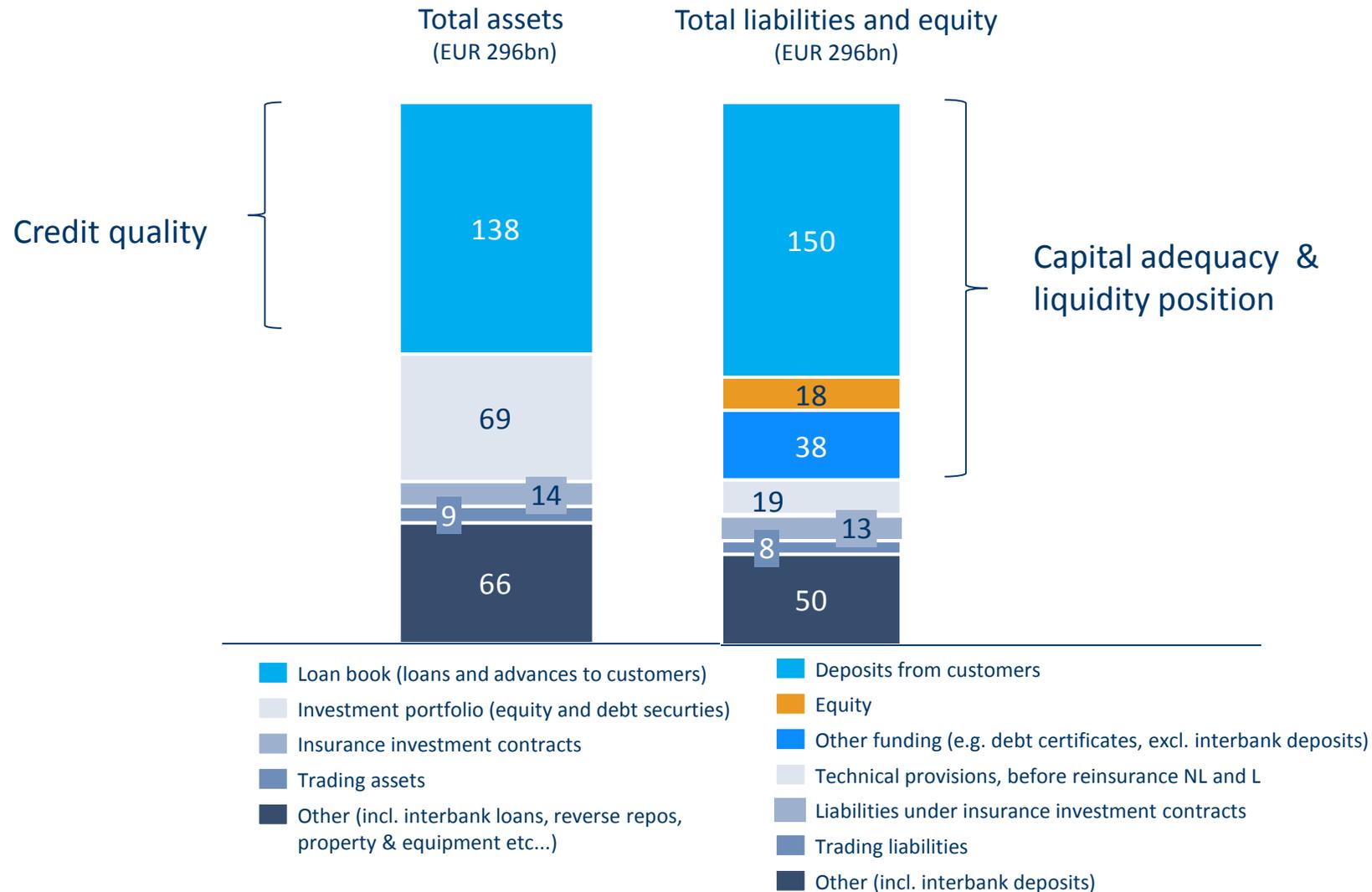
\*\* Loans to customers, excluding reverse repos (and bonds)

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

\*\*\*\* Retail mortgages in Ireland: new business (written from 1 Jan 2014) +41% y-o-y, while legacy -7% y-o-y

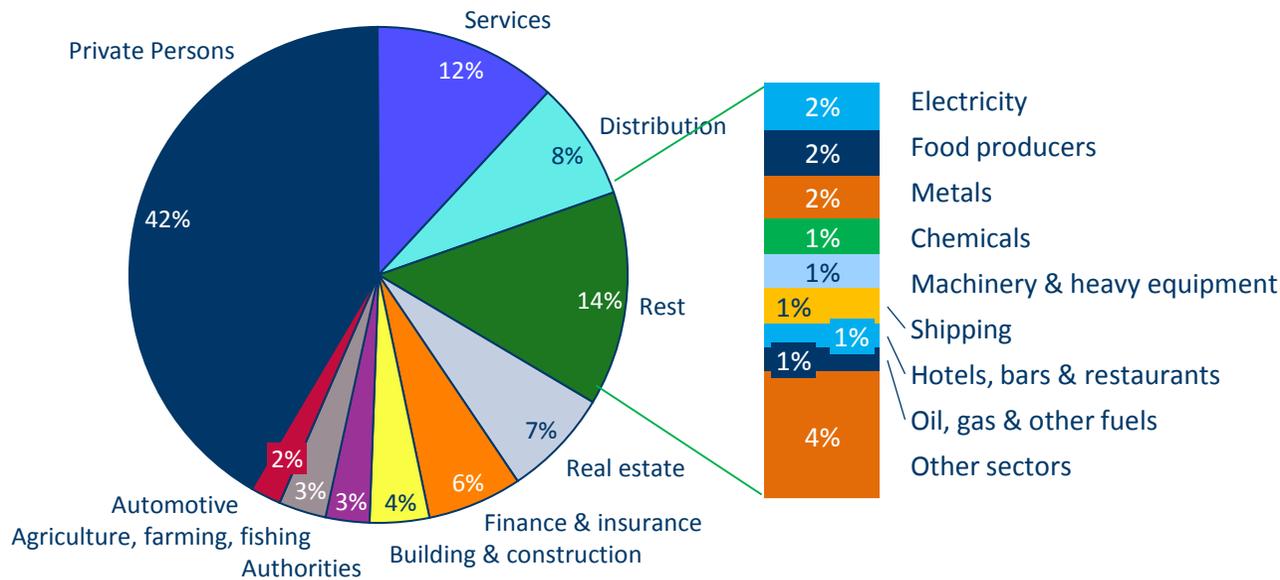
# Balance sheet (incl. UBB/Interlease)

KBC Group consolidated at 30 June 2017

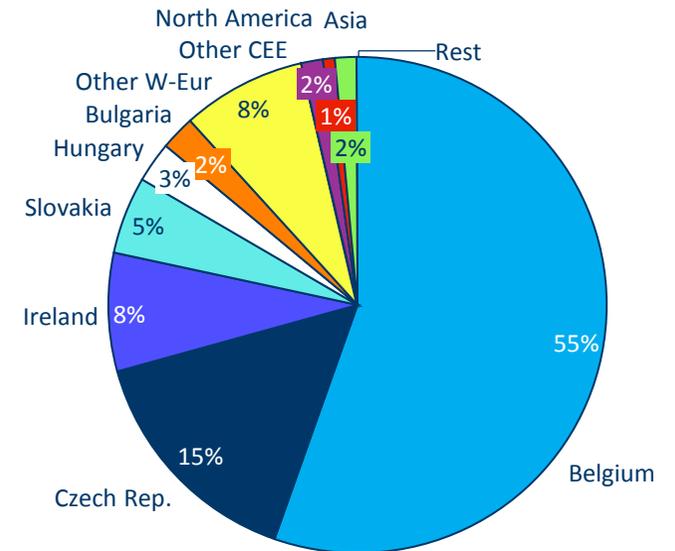


# Breakdown of KBC Bank's loan portfolio\*

## Sector breakdown



## Geographic breakdown



(\*) Note:

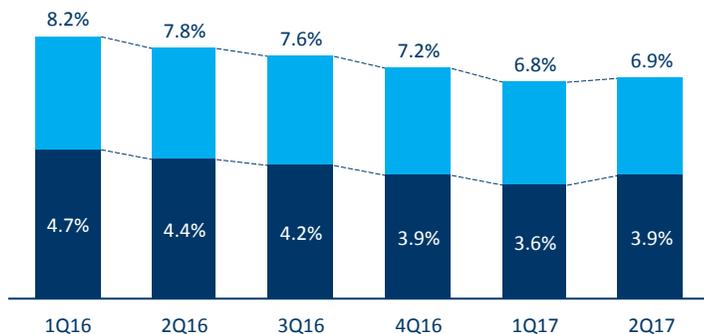
The definition of outstanding KBC Bank's loan portfolio, 153bn EUR as at 30/06/2017, differs from the IFRS balance sheet item 'loans and advances to customers, excl. repos' (138bn EUR as at 30/06/2017).

The breakdowns above are based on the outstanding amount and include all on-balance sheet commitments and off-balance sheet guarantees.

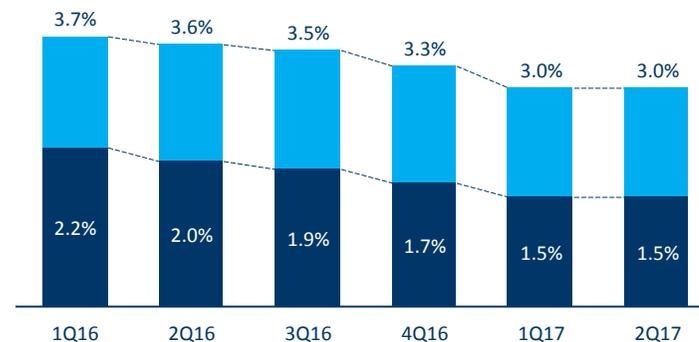
The 'loans and advances to customers' is after deduction of loan impairment (net) and excluding mainly issued guaranties, bank and corporate bonds in investment book

# Impaired loans ratios, of which over 90 days past due

## KBC GROUP

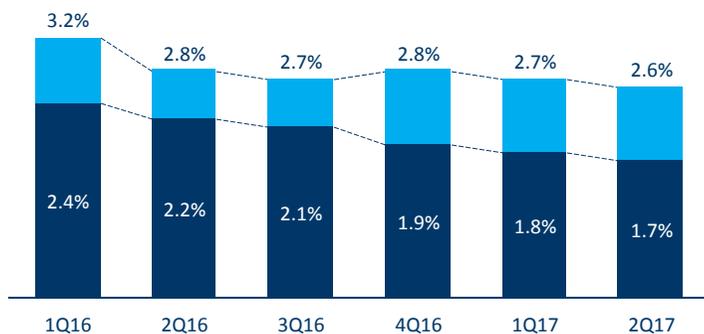


## BELGIUM BU

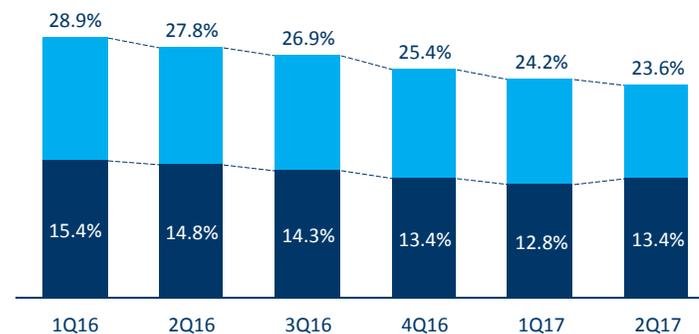


■ Impaired loans ratio \*  
■ Of which over 90 days past due \*\*

## CZECH REPUBLIC BU



## INTERNATIONAL MARKETS BU (including UBB)

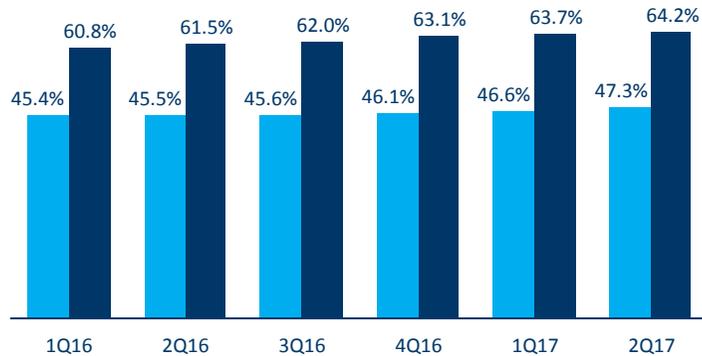


\* Impaired loans ratio: total outstanding impaired loans (PD 10-12)/total outstanding loans

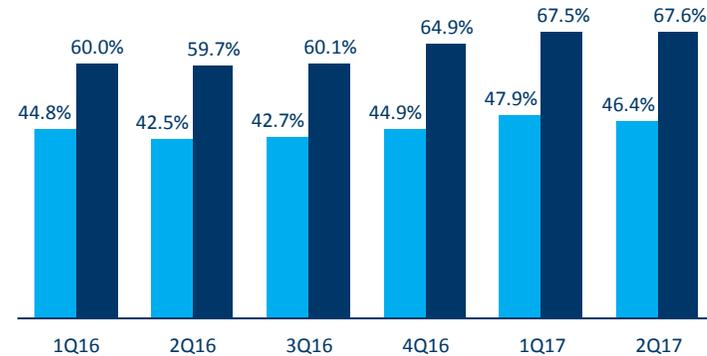
\*\* Of which total outstanding loans with over 90 days past due (PD 11-12)/total outstanding loans

# Cover ratios

## KBC GROUP

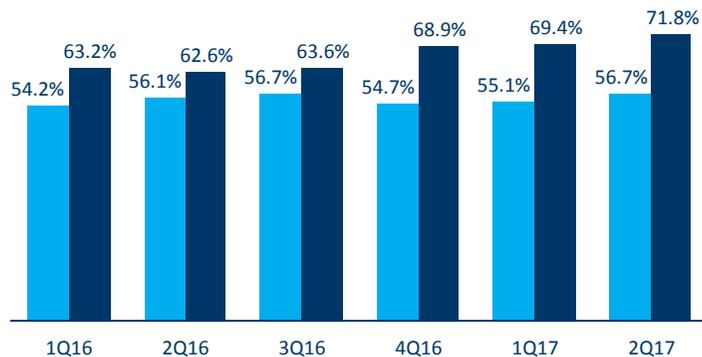


## BELGIUM BU

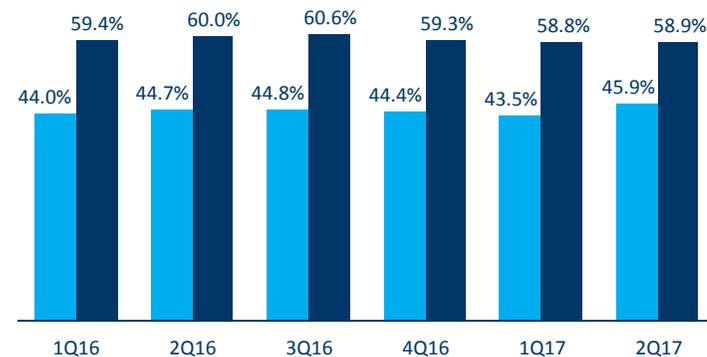


■ Impaired loans cover ratio \*  
■ Cover ratio for loans with over 90 days past due \*\*

## CZECH REPUBLIC BU



## INTERNATIONAL MARKETS BU (including UBB)



\* Impaired loans cover ratio: total impairments (specific) for impaired loans / total outstanding impaired loans (PD10-12)

\*\* Cover ratio for loans with over 90 days past due: total impairments (specific) for loans with over 90 days past due / total outstanding PD11-12 loans

# Loan loss experience at KBC

|                              | <b>1H17</b><br>CREDIT COST RATIO | <b>FY16</b><br>CREDIT COST RATIO | <b>FY15</b><br>CREDIT COST RATIO | <b>FY14</b><br>CREDIT COST RATIO | <b>FY13</b><br>CREDIT COST RATIO | <b>AVERAGE</b><br><b>'99 –'16</b> |
|------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|-----------------------------------|
| <b>Belgium</b>               | <b>0.11%</b>                     | 0.12%                            | 0.19%                            | 0.23%                            | 0.37%                            | n/a                               |
| <b>Czech Republic</b>        | <b>0.06%</b>                     | 0.11%                            | 0.18%                            | 0.18%                            | 0.26%                            | n/a                               |
| <b>International Markets</b> | <b>-1.10%</b>                    | -0.16%                           | 0.32%                            | 1.06%                            | 4.48%*                           | n/a                               |
| <b>Group Centre</b>          | <b>0.32%</b>                     | 0.67%                            | 0.54%                            | 1.17%                            | 1.85%                            | n/a                               |
| <b>Total</b>                 | <b>-0.10%</b>                    | <b>0.09%</b>                     | <b>0.23%</b>                     | <b>0.42%</b>                     | <b>1.21%**</b>                   | <b>0.50%</b>                      |

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

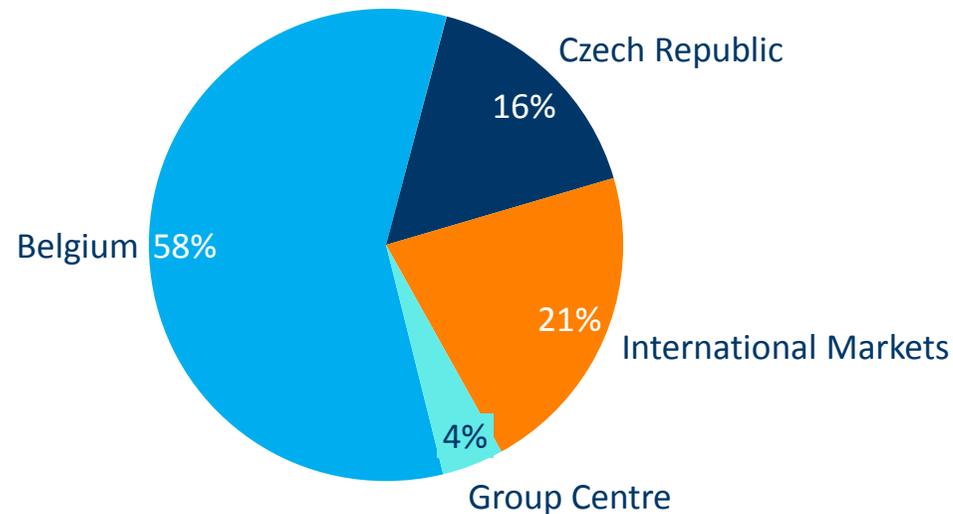
\* The high credit cost ratio at the International Markets Business Unit is due in full to KBC Bank Ireland. Excluding Ireland, the CCR at this business unit amounted to 108 bps in FY13

\*\* Credit cost ratio amounted to 1.21% in FY13 due to the reassessment of the loan books in Ireland and Hungary

# Business profile

## Limited trading activity in KBC Group

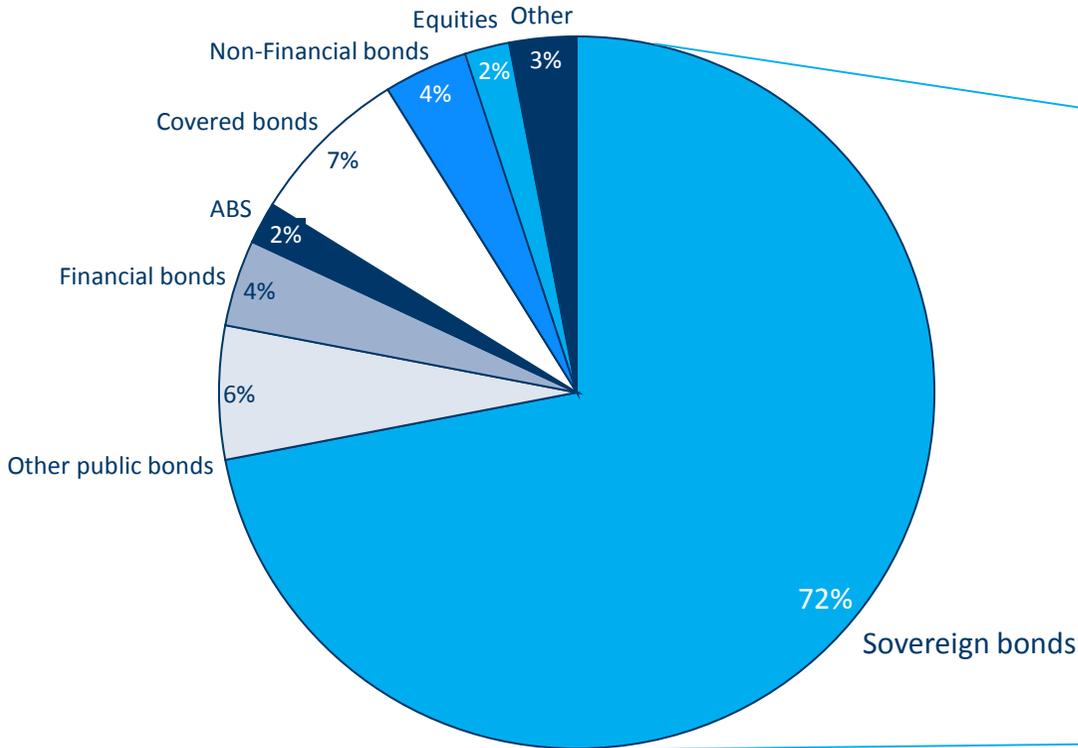
BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 30 JUNE 2017



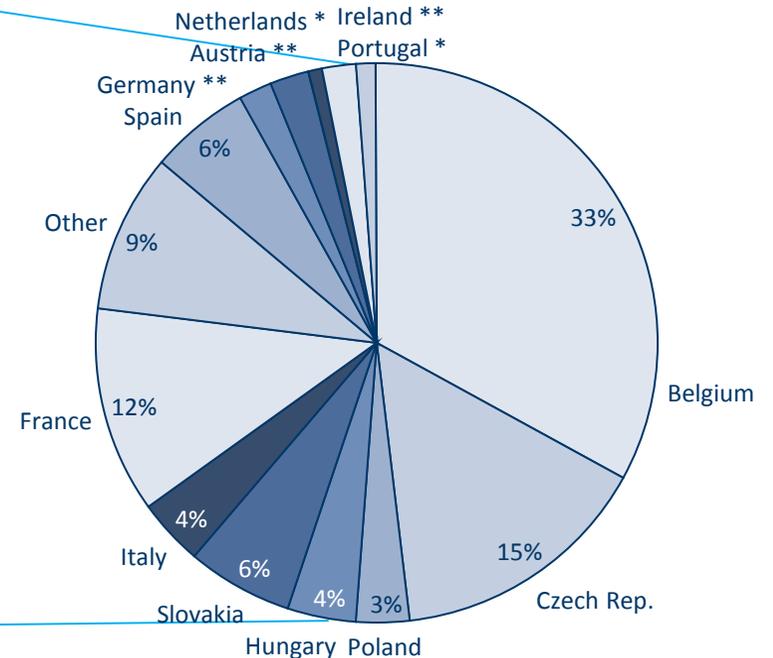
- KBC is a leading player (retail and SME bank-insurance, private banking, commercial and local investment banking) in Belgium and its 4 core countries in CEE

# Investment portfolio (as per 30/06/2017)

INVESTMENT PORTFOLIO  
(Total EUR 69bn)



SOVEREIGN BOND PORTFOLIO  
(Carrying value<sup>1</sup> EUR 52,8bn)  
(Notional value EUR 48,7bn)



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

1. 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

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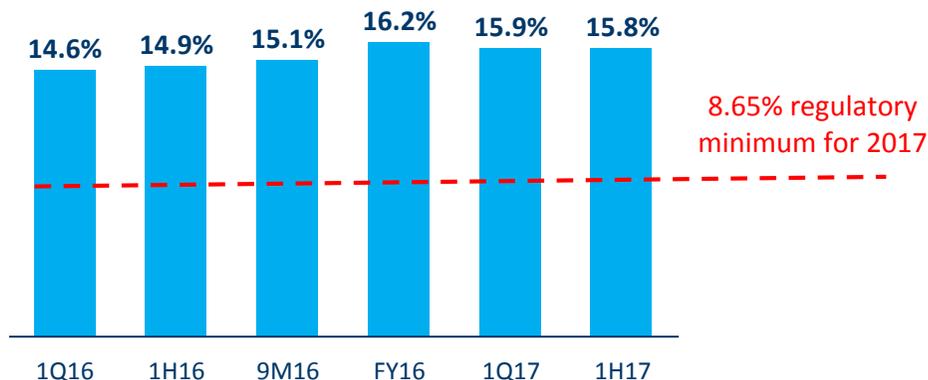
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# Strong capital position

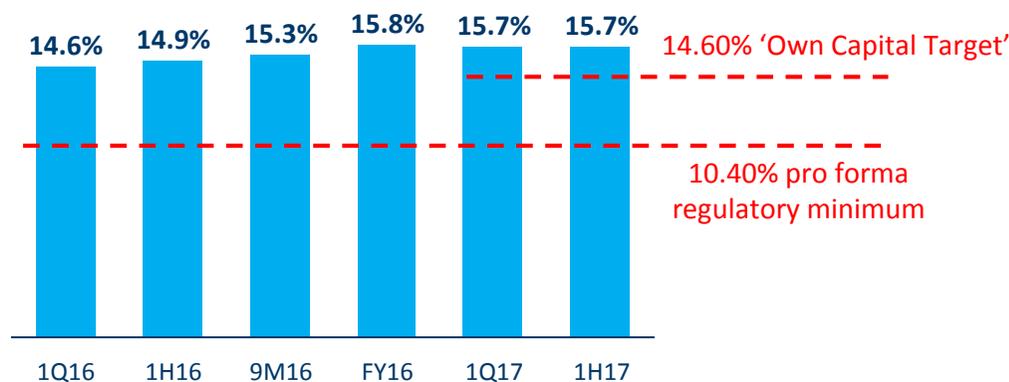
## Phased-in Basel 3 CET1 ratio at KBC Group (Danish Compromise)



- Common equity ratio (B3 phased-in) of 15.8% based on the Danish Compromise at end 2Q17, which **clearly exceeds** the minimum capital requirements set by the ECB / NBB\* of 8.65% for 2017

\* Systemic buffer announced by the NBB: CET1 phased-in of 1.0% in 2017 under the Danish Compromise

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



- As the earnings generation in 2Q17 fully absorbed the impact of the acquisition of UBB & Interlease in Bulgaria of 50bps, the pro forma fully loaded common equity ratio stabilised q-o-q at 15.7% based on the Danish Compromise. This **clearly exceeds** the minimum capital requirements set by the ECB / NBB of 10.40%\* and our 'Own Capital Target' of 14.60%

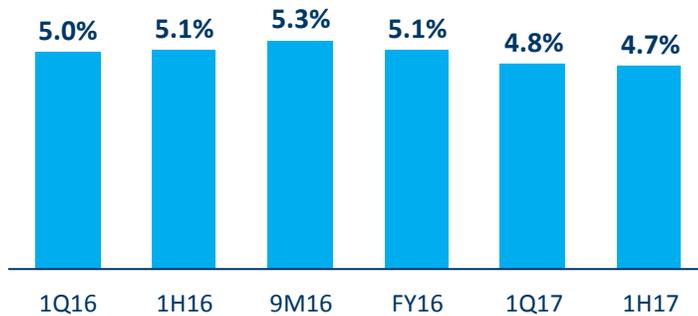
\* Excludes a pillar 2 guidance (P2G) of 1.0% CET1

Total distributable items (under Belgian GAAP) KBC Group 7.3bn EUR as at 1H17, of which:

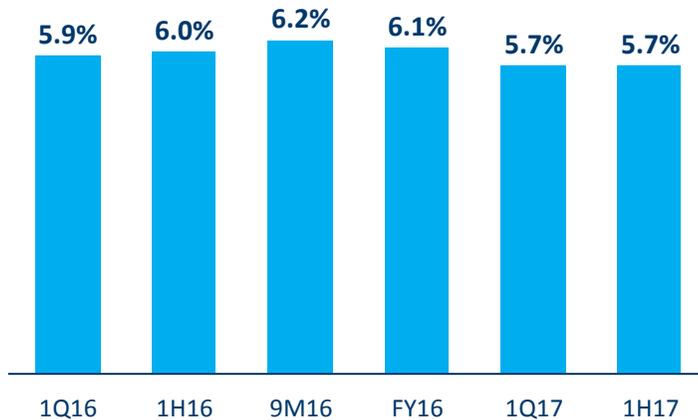
- available reserves 1.1bn EUR
- accumulated profits 5.3bn EUR

# Fully loaded Basel 3 leverage ratio

## Fully loaded Basel 3 leverage ratio at KBC Bank



## Fully loaded Basel 3 leverage ratio at KBC Group

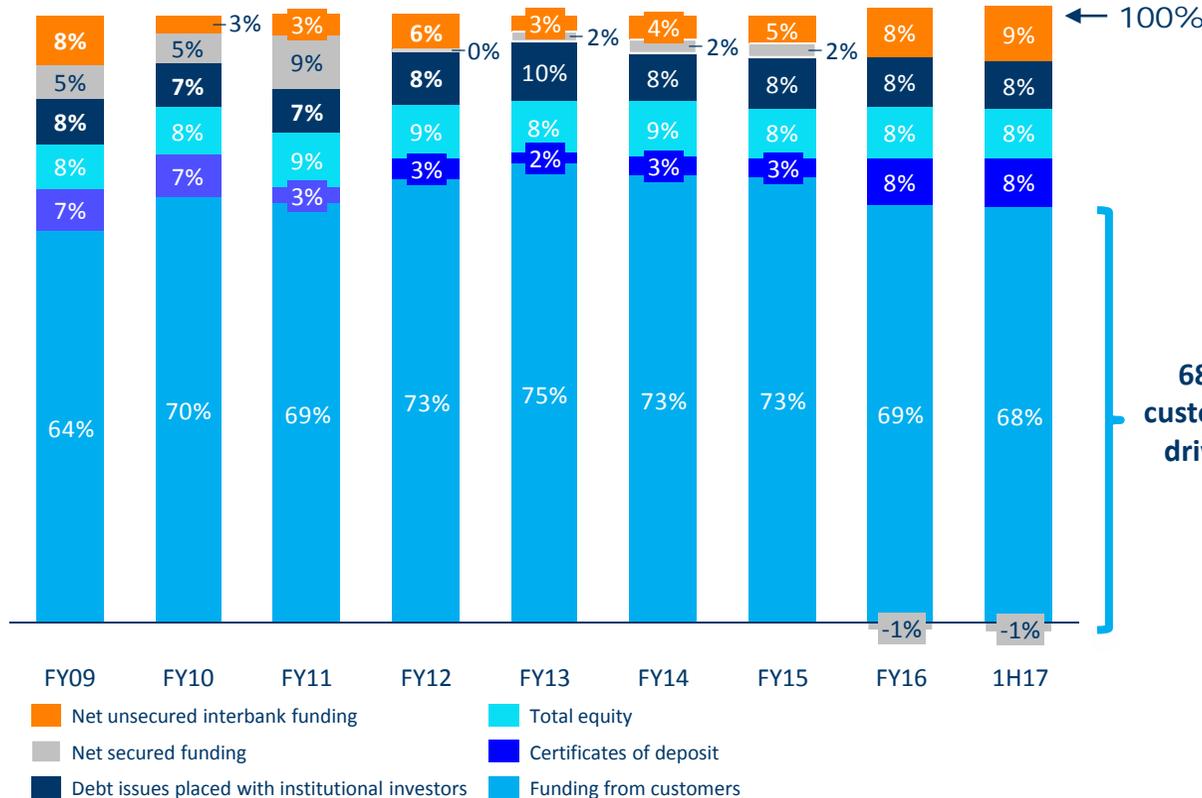
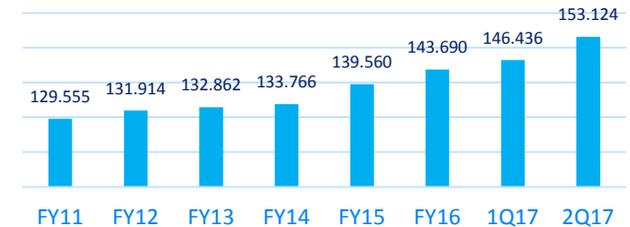


- **Fully loaded B3 leverage ratio, based on the current CRR legislation** (which was adapted during 4Q14):
  - **4.7%** at KBC Bank consolidated level
  - **5.7%** at KBC Group level

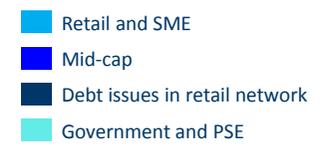
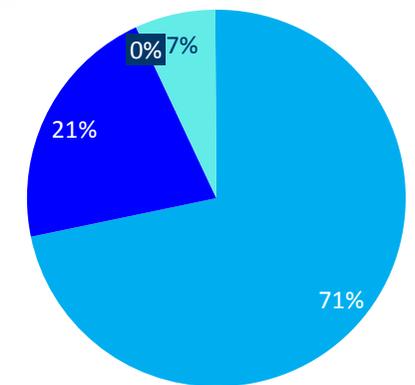
# Solid liquidity position (1)

- 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 & markets
- Customer funding has further increased q-o-q in 2Q17. The elevated amount in certificates of deposit and short-term wholesale funding is related to short-term trading opportunities

Funding from customers (m EUR)

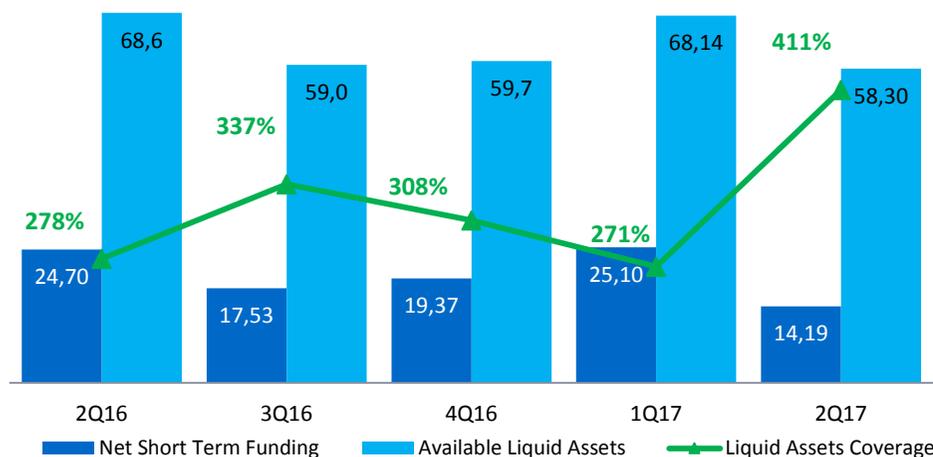


68% customer driven



# Solid liquidity position (2)

Short term unsecured funding KBC Bank vs Liquid assets as of end June 2017 (\*)  
(bn EUR)



\* Graphs are based on Note 18 of KBC's quarterly report, except for the 'available liquid assets' and 'liquid assets coverage', which are based on the KBC Group Treasury Management Report

| Ratios            | FY16 | 1H17 | Regulatory requirement |
|-------------------|------|------|------------------------|
| NSFR <sup>1</sup> | 125% | 130% | ≥ 100%                 |
| LCR <sup>1</sup>  | 139% | 141% | ≥ 100%                 |

<sup>1</sup> Liquidity coverage ratio (LCR) is based on the Delegated Act requirements, while the Net Stable Funding Ratio (NSFR) is based on KBC's interpretation of current Basel Committee guidance

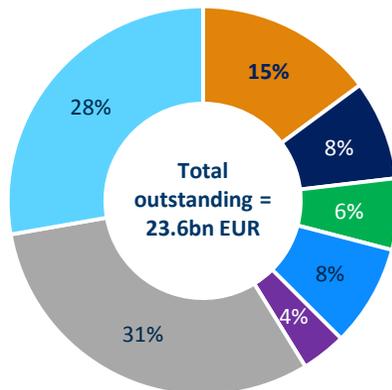
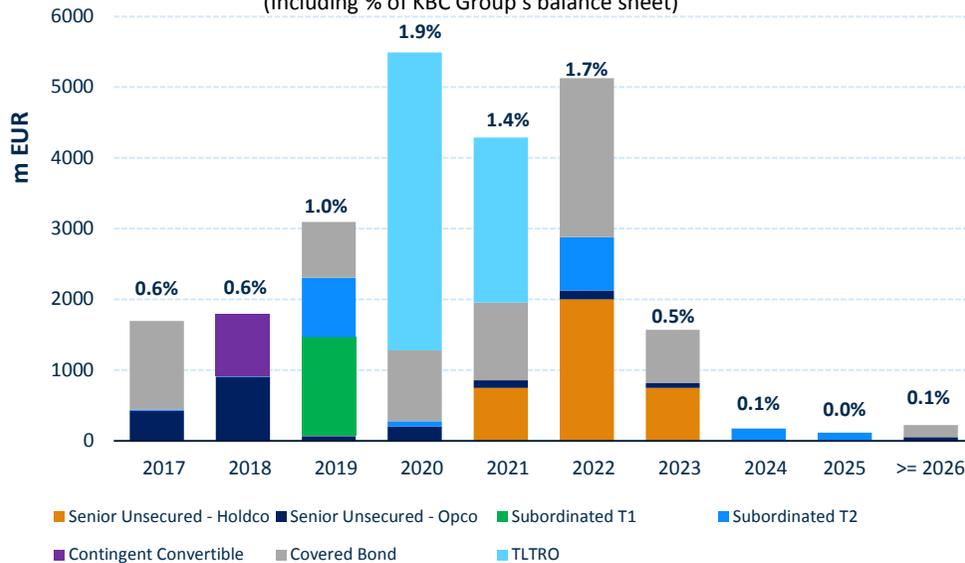
- KBC maintains a solid **liquidity position**, given that:
  - Available liquid assets are 4 times the amount of the net recourse on short-term wholesale funding
  - Funding from non-wholesale markets is stable funding from core-customer segments in core markets

- **NSFR is at 130% and LCR is at 141% by the end of 1H17**
  - Both ratios were well above the regulatory requirement of at least 100%, in compliance with the implementation of Basel 3 liquidity requirements

# Upcoming mid-term funding maturities

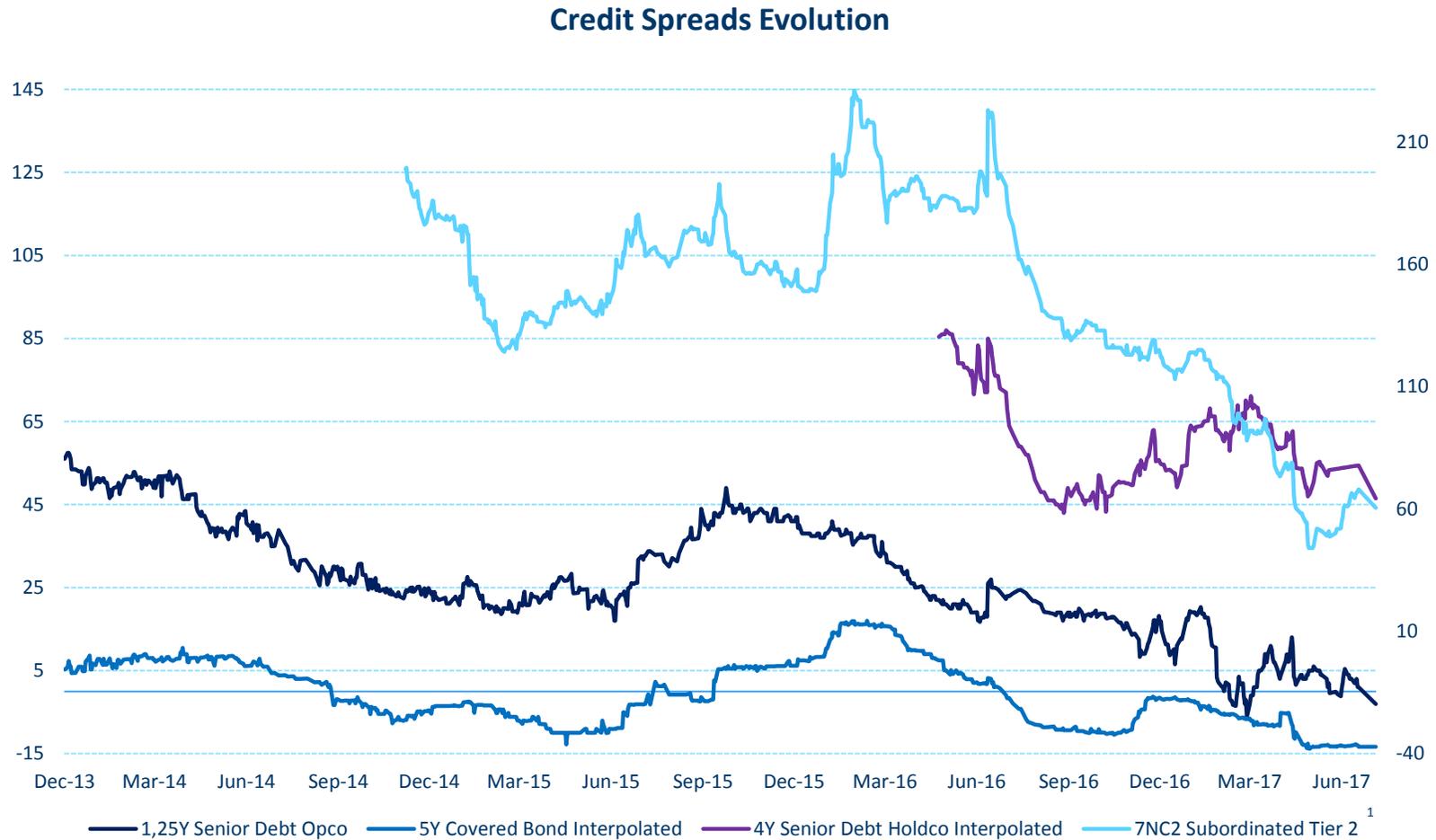
## Breakdown Funding Maturity Buckets

(Including % of KBC Group's balance sheet)



- KBC Group successfully issued a 750m EUR senior unsecured bond with 5.5-year maturity in May 2017
- KBC's credit spreads have tightened towards the end of 2Q17
- 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

# Credit spreads evolution



<sup>1</sup> 7NC2 Subordinated Tier 2 spread is depicted based on the right hand axis.

# Summary covered bond programme (1/2) (details, see Annex 3)

- **KBC IS A FREQUENT ISSUER WITH AN OUTSTANDING AMOUNT OF 7.31 BN EUR**
  - KBC's 10bn EUR covered bond programme is rated Aaa/AAA (Moody's/Fitch)
  - CRD and UCITS compliant / 10% risk-weighted
  - All issues performed well in the secondary market
  
- **KBC'S COVERED BONDS ARE BACKED BY STRONG LEGISLATION AND SUPERIOR COLLATERAL**
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - Direct covered bond issuance from a bank's balance sheet
  - Dual recourse, including recourse to a special estate with cover assets included in a register
  - Requires license from the National Bank of Belgium (NBB)
  - The special estate is not affected by a bank insolvency. In that case, the NBB can appoint a cover pool administrator to manage the special estate in issuer ; both monitor the pool on a ongoing basis
  - The value of one asset category must be at least 85% of the nominal amount of covered bonds
  - The value of the cover assets must at least be 105% of the covered bonds (value of mortgage loans is limited to 80% LTV)
  - Maximum 8% of a bank's assets can be used for the issuance of covered bonds
  
- **THE COVERED BOND PROGRAMME IS CONSIDERED AS AN IMPORTANT FUNDING TOOL FOR THE TREASURY DEPARTMENT**
  - KBC's intentions are to be a frequent benchmark issuer if markets and funding plan permit

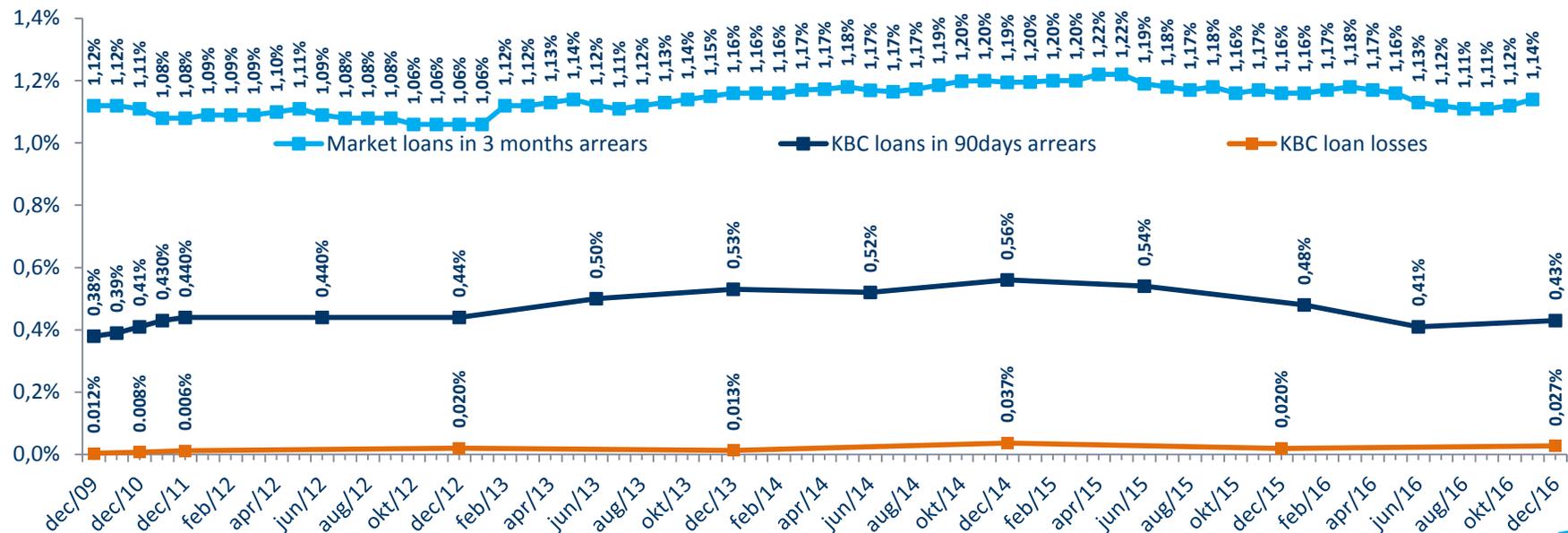
# Summary covered bond programme (2/2) (details, see Annex 3)

## COVER POOL: BELGIAN RESIDENTIAL MORTGAGE LOANS

- Exclusively, this is selected as main asset category
- Value (including collections) at least 105% of the outstanding covered bonds
- Branch originated prime residential mortgages predominantly out of Flanders
- Selected cover asset have low average LTV (62.5%) and high seasoning (50 months)

## KBC HAS A DISCIPLINED ORIGINATION POLICY

- 2009 to 2016 residential mortgage loan losses below 4 bp
- Arrears in Belgium approx. stable over the past 10 years:
  - Cultural aspects, stigma associated with arrears, importance attached to owning one's property
  - High home ownership also implies that the change in house prices itself has limited impact on loan performance
  - Well established credit bureau, surrounding legislation and positive property market



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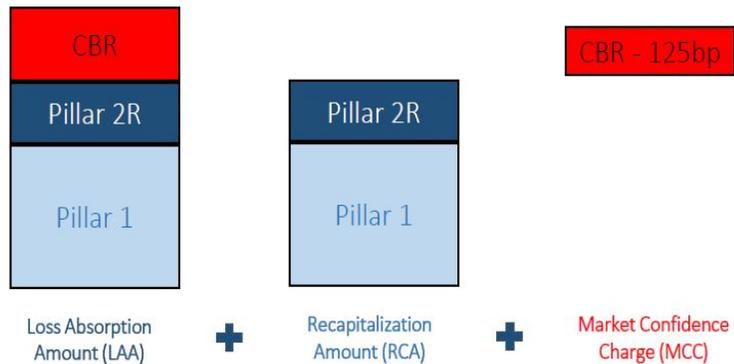
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# Resolution strategy for KBC

- SRB supports KBC's preference for a **Single Point of Entry** approach at the level of KBC Group with **bail-in as primary resolution tool**
- SRB has not formally communicated any MREL target at this point in time (expected by the end of 2017). However, an indicative figure is put forward based on the mechanical approach as published by SRB on 28 November 2016

- Informative MREL Targets in 2016 = Mechanical sum of three amounts



Source: SRB, 4th Industry Dialogue 28/11/2016



Applied to KBC (on a fully loaded basis):

|           |                     |
|-----------|---------------------|
| 2 x P1    | 2 x 8%              |
| + 2 x P2R | 2 x 1.75%           |
| + 2 x CBR | 2 x (2.5%+1.5%) (*) |
| - 1.25%   | -1.25%              |

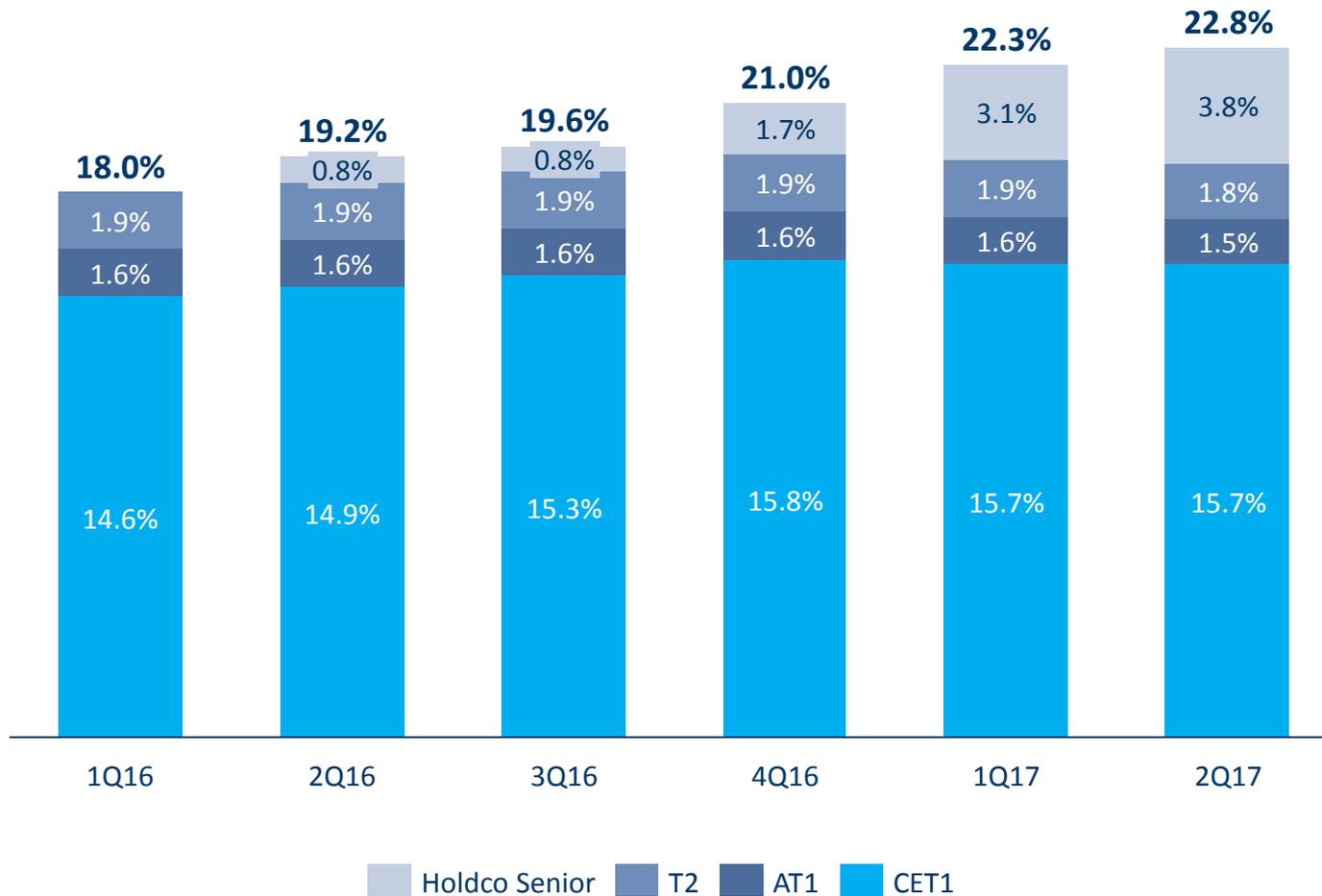
**Indicative target = 26.25% as % of RWA**

(\*) excluding countercyclical buffers that will be introduced in 2017

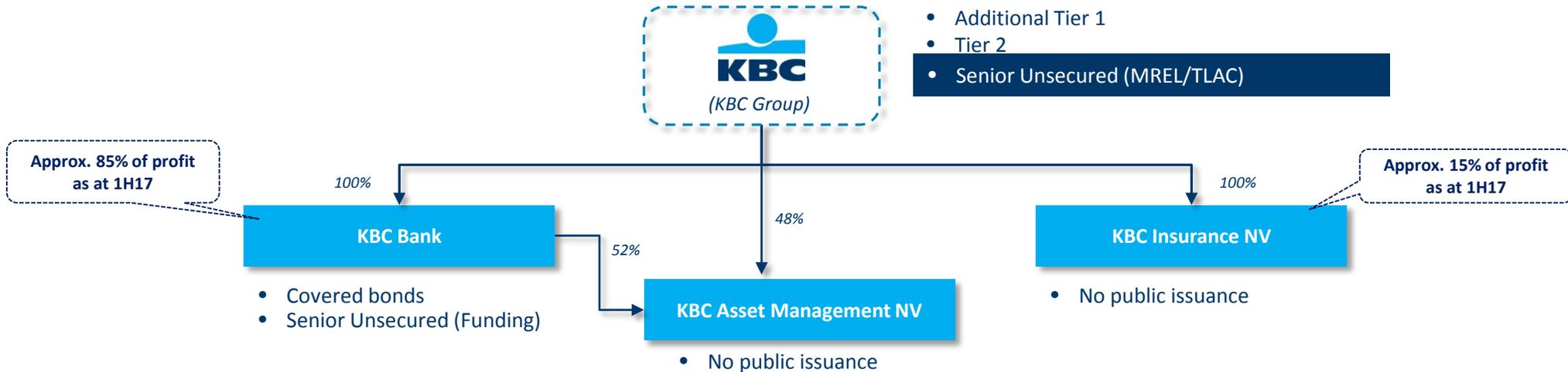
- Given the SPE approach at KBC Group level, the target needs to be satisfied with instruments issued by KBC Group NV

# Available MREL based on KBC resolution strategy (instruments issued by KBC group only)

MREL ratio as a % RWA (fully loaded)



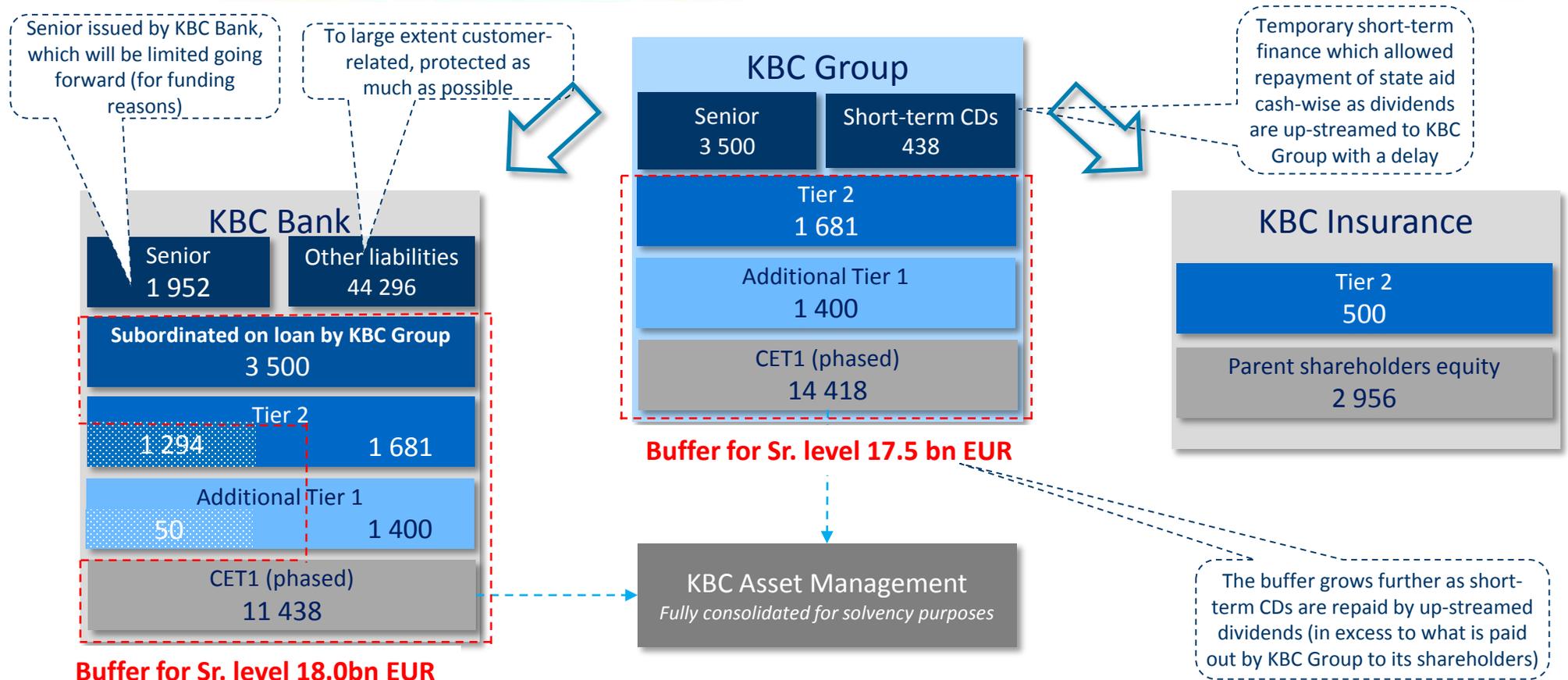
# KBC has a diversified holding structure which helps mitigate risks



- KBC'S DIVERSIFIED GROUP STRUCTURE ALLOWS HOLDCO DEBT INVESTORS TO HAVE A CLAIM ON SUBSIDIARIES THAT ARE LESS IMPACTED BY LOSSES (LOWER CORRELATION BETWEEN ENTITIES) OR THAT ARE EVEN OUTSIDE THE RESOLUTION PERIMETER:
  - in a case where KBC Bank is fully wiped out by losses, investors in KBC Group will always have a claim on KBC Insurance and on part of KBC Asset Management
  - In a case where KBC Insurance is fully wiped out by losses, investors in KBC Group will always have a claim on KBC Bank and on part of KBC Asset Management (*note that, KBC Insurance is outside the scope of BRRD*)
- ISSUING SENIOR UNSECURED FROM KBC GROUP WILL PROVIDE FOR EXTRA CUSHION TO THE SENIOR DEBT INVESTORS AT KBC BANK LEVEL GIVEN THE SUBORDINATED ON-LOAN
- FROM KBC PERSPECTIVE, THE BANK-INSURANCE MODEL (I.E. OUR LONG-TERM STRATEGIC VIEW) IS MAINTAINED IN ALL BUT THE MOST EXTREME RESOLUTION SCENARIOS
- WILL KBC ISSUE FROM OTHER ENTITIES WITHIN THE GROUP?
  - Recent capital issuances (AT1 & T2) have come from KBC Group – this approach will continue in the future (*providing support to potential KBC Group senior creditors*)
  - Covered bonds will continue to be issued by KBC Bank
  - Senior unsecured from KBC Bank for funding reasons

\* Before intragroup / consolidation effects

# KBC has strong buffers cushioning Sr. debt at all levels



Legacy AT1 & T2 issued by KBC Bank and will disappear over time

- MREL KBC GROUP INSTRUMENTS (AS % OF RWA) = 23,0% ((14.4+1.4+1.7+3.5)/91.1bn) based on phased CET1



# Key investment highlights

- ✓ **KBC is one of the strongest capitalised and most capital generative financials in Europe**
  - Compared with other European financials to have issued from their Holding Companies, KBC has one of the strongest leverage ratios and one of the highest CET1 and total capital positions
  - According to market estimates, KBC generates at least 2% additional CET1 on a yearly basis before any distribution
  - Proven track record of prudent capital management (e.g. shareholder loans (2013), capital increase (2012), final repayment of YES (2015))
- ✓ **Given its already strong capitalisation and liquidity, KBC currently foresees relatively limited amounts of senior debt in the future to reach MREL targets (at group level) and/or to complete its funding needs**
- ✓ **A really diversified holding company and the absence of ring-fencing helps to mitigate the risks of structural subordination of Senior debt of KBC Group compared to other issuers**

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**1** Strategy and business profile

**2** Financial performance

**3** Balance sheet

**4** Solvency and liquidity

**5** MREL strategy

**6** 2Q17 Wrap up

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# 2Q 2017 wrap up

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

# Post balance-sheet event: planned reform of the Belgian corporate income tax regime

The planned reform of the Belgian corporate income tax regime as announced on 26 July 2017 would impact KBC due mainly to the gradual decrease of the tax rate from 33.99% to 29.58% as of accounting year 2018 and 25.00% as of accounting year 2020. This would lead to:

- a slightly positive one-off impact on the CET1 ratio (fully loaded under the Danish Compromise) in 2H17 of roughly +0.2% thanks to amongst others:
  - higher AFS revaluation reserves after tax
  - lower risk weighted assets due to lower outstanding deferred tax assetsdespite
  - an estimated one-off upfront negative P&L impact of 230m EUR expected in 2H17, which will only have a small effect on CET1 as most of the impact was already deducted from common equity through the deduction of tax-loss-carry-forward DTAs
  
- a recurring positive P&L impact as of 2018 onwards as:
  - the lower tax rate from 2018 onwards will have a positive impact on income taxes of the Belgian KBC entities: amount depending on the pre-tax profit numbers in the coming years.

# Looking forward

---

- We expect 2017 to be a year of sustained economic growth in both the euro area and the US
  
- Management guides for:
  - solid returns for all Business Units
  
  - loan impairments for Ireland towards a release of a 160m-200m EUR range for FY17
  
- Next to the Belgium and the Czech Republic Business Units, the International Markets Business Unit becomes 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: after the acquisition of UBB and Interlease, UBB-CIBank and DZI will become the largest bank-insurance group in Bulgaria with a substantial increase in profit contribution
  - Sustainable profit contribution of Hungary and Slovakia

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# Outstanding benchmarks

| Issuer           | Curr       | Amount issued      | Coupon     | Settlement Date   | Maturity Date     | ISIN                |
|------------------|------------|--------------------|------------|-------------------|-------------------|---------------------|
| <b>UNSECURED</b> |            |                    |            |                   |                   |                     |
| KBC Ifima N.V.   | EUR        | 750.000.000        | 2,125      | 10/09/2013        | 10/09/2018        | XS0969365591        |
| KBC Group        | EUR        | 750.000.000        | 1,000      | 26/04/2016        | 26/04/2021        | BE6286238561        |
| KBC Group        | EUR        | 1.250.000.000      | 0,750      | 1/03/2017         | 01/03/2022        | BE0002272418        |
| <b>KBC Group</b> | <b>EUR</b> | <b>750.000.000</b> | <b>FRN</b> | <b>24/05/2017</b> | <b>24/11/2022</b> | <b>BE0002281500</b> |
| KBC Group        | EUR        | 750.000.000        | 0,750      | 18/10/2016        | 18/10/2023        | BE0002266352        |
| <b>COVERED</b>   |            |                    |            |                   |                   |                     |
| KBC Bank N.V.    | EUR        | 1.250.000.000      | 1,125      | 11/12/2012        | 11/12/2017        | BE6246364499        |
| KBC Bank N.V.    | EUR        | 750.000.000        | 1          | 25/02/2014        | 25/02/2019        | BE0002462373        |
| KBC Bank N.V.    | EUR        | 1.000.000.000      | 1,25       | 28/05/2013        | 28/05/2020        | BE0002434091        |
| KBC Bank N.V.    | EUR        | 1.000.000.000      | 0,125      | 28/04/2015        | 28/04/2021        | BE0002489640        |
| KBC Bank N.V.    | EUR        | 1.000.000.000      | 0,45       | 22/01/2015        | 22/01/2022        | BE0002482579        |
| KBC Bank N.V.    | EUR        | 1.250.000.000      | 0,375      | 1/03/2016         | 01/09/2022        | BE0002498732        |
| KBC Bank N.V.    | EUR        | 750.000.000        | 2          | 31/01/2013        | 31/01/2023        | BE0002425974        |

*Total: EUR 11.25bn*

## KBC 2017 Benchmarks:

### ■ KBC GROUP 6.5Y Fixed – Senior – BE0002272418

- Notional: 1.25bn EUR
- Issue Date: 01 March 2017 – Maturity: 01 March 2022
- Coupon: 0.75% A, Act/Act
- Re-offer spread: Mid Swap +63 bp (issue price 99.985%)
- Joint lead managers:

KBC, Barclays, Société Générale, UBS and UniCredit

### ■ KBC GROUP 5.5Y FRN Senior – BE0002281500

- Notional: 750m EUR
- Issue Date: 24 May 2017 – Maturity: 24 May 2022
- Coupon: 3m Euribor + 55bp
- Joint lead managers:

KBC, Deutsche Bank, GSI, HSBC and Santander

# Main characteristics of subordinated debt issues

| SUBORDINATED BOND ISSUES KBC |   |   |   |                         |                         |
|------------------------------|---|---|---|-------------------------|-------------------------|
|                              | KBC Bank NV   | KBC Bank NV<br>T2 Coco  | KBC Groep NV<br>AT1                                 | KBC Groep NV<br>Tier II | KBC Groep NV<br>Tier II |
| Amount issued                | GBP 525 000 000                                     | USD 1 000 000 000   | EUR 1 400 000 000                                   | EUR 750 000 000         | EUR 750 000 000         |
| Tendered                     | GBP 480 500 000                                     |   |   |                         |                         |
| Net Amount                   | GBP 44 500 000                                      | USD 1 000 000 000   | EUR 1 400 000 000                                   | EUR 750 000 000         | EUR 750 000 000         |
| ISIN-code                    | BE0119284710  | BE6248510610  | BE0002463389  | BE0002479542            | BE0002485606            |
| Call date                    | 19/12/2019  | 25/01/2018  | 19/03/2019  | 25/11/2019              | 11/03/2022              |
| Initial coupon               | 6.202%  | 8%  | 5.625%  | 2.375%                  | 1.875%                  |
| Coupon step-up / reset       | 3m gbp libor + 193bps                               | \$ MS 5Y + 7.097%   | € MS 5Y + 4.759%                                    | € MS 5Y + 1.980%        | € MS 5Y + 1.50%         |
| First (next) call date       | 19/12/2019  | 25/01/2018  | 19/03/2019  | 25/11/2019              | 11/03/2022              |
| ACPM                         | Yes   | -   | -   | -                       | -                       |
| Dividend Stopper             | Yes   | -   | -   | -                       | -                       |
| Conversion into PSC          | Yes   | -   | -   | -                       | -                       |
| Trigger                      | Supervisory Event or general "concursum creditorum" | CT1/CET1 < 7% at KBC Group level<br>Full and permanent write-down | Trigger CET1 RATIO < 5.125%<br>Temporary write-down | Regulatory+Tax Call     | Regulatory+Tax Call     |

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# KBC Bank CDS levels (in bp)



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# Key messages on KBC's covered bond programme

- **KBC's covered bonds are backed by strong legislation and superior collateral**
  - KBC's covered bonds are rated Aaa/AAA (Moody's/Fitch)
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - KBC has a disciplined origination policy – 2009 to 2016 residential mortgage loan losses below 4 bp
  - CRD and UCITS compliant / 10% risk-weighted
  
- **KBC already issued 8 successful benchmark covered bonds in different maturity buckets**
  - First covered bond matured in August 2016
  
- **The covered bond programme is considered as an important funding tool**
  - However, due other reglementary funding (MREL) needs, covered bonds issuance has been slowed down.
  
- **Sound economic picture provides strong support for Belgian housing market**
  - Private savings ratio of approx. 12 %
  - Belgian unemployment is significantly below the EU average
  - Demand still outstrips supply

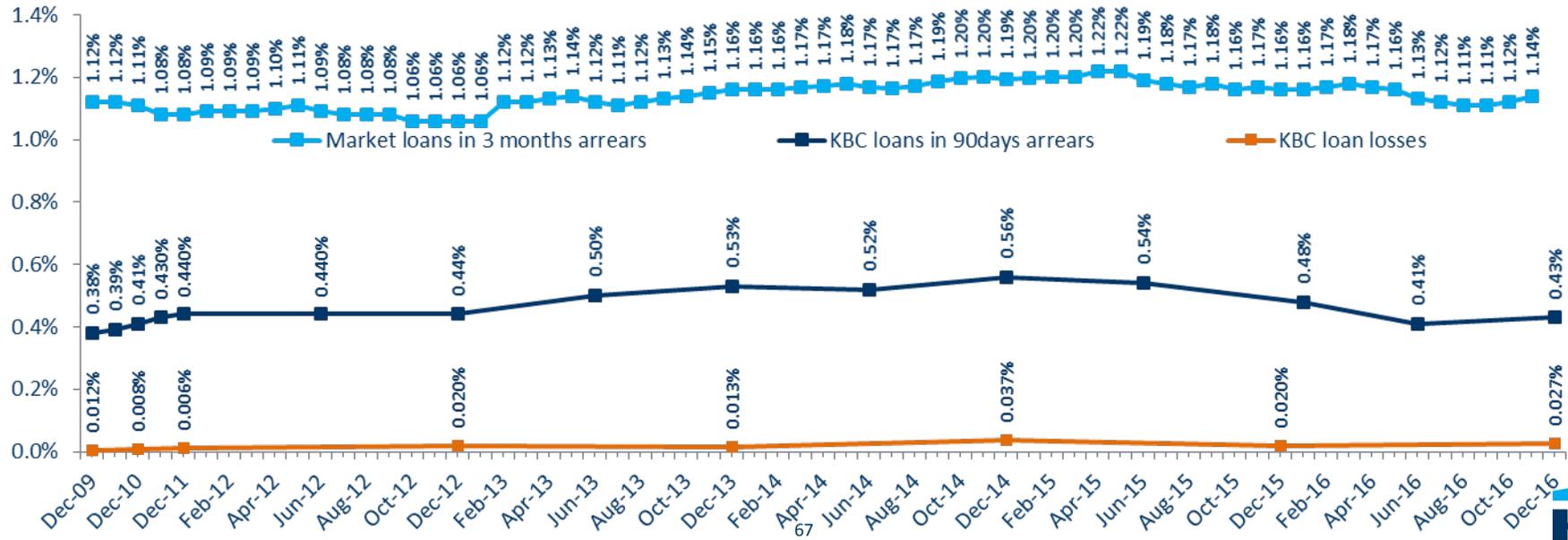
# KBC's disciplined origination leads to low arrears and extremely low loan losses

BELGIUM SHOWS A SOLID PERFORMANCE OF MORTGAGES...

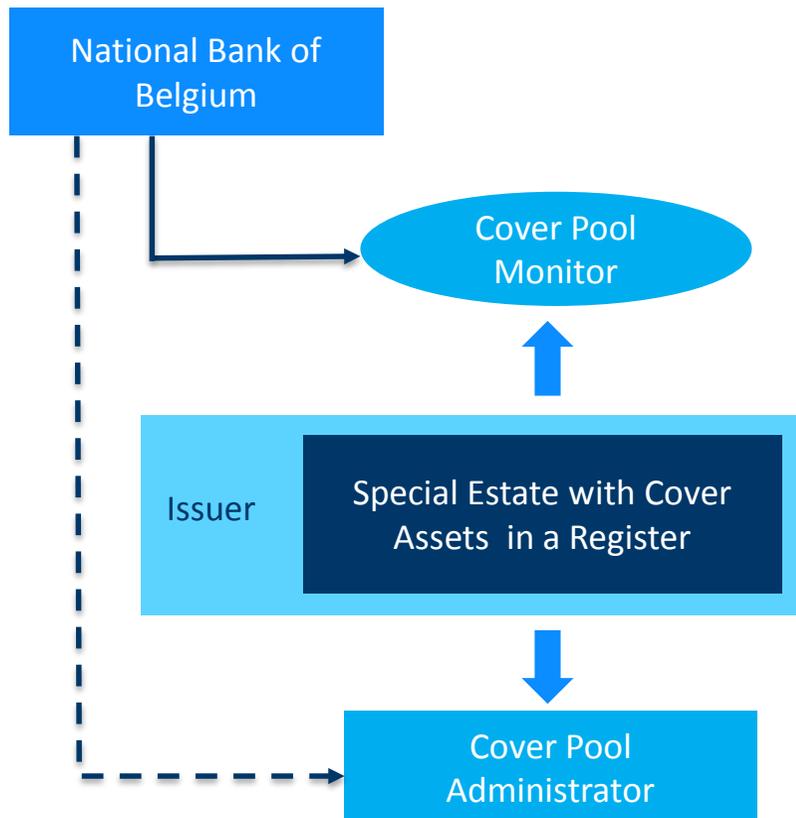
Arrears have been very stable over the past 10 years. Arrears in Belgium are low due to:

- Cultural aspects, stigma associated with arrears, importance attached to owning one's property
- High home ownership also implies that the change in house prices itself has limited impact on loan performance
- Well established credit bureau and surrounding legislation
- Housing market environment (no large house price declines)

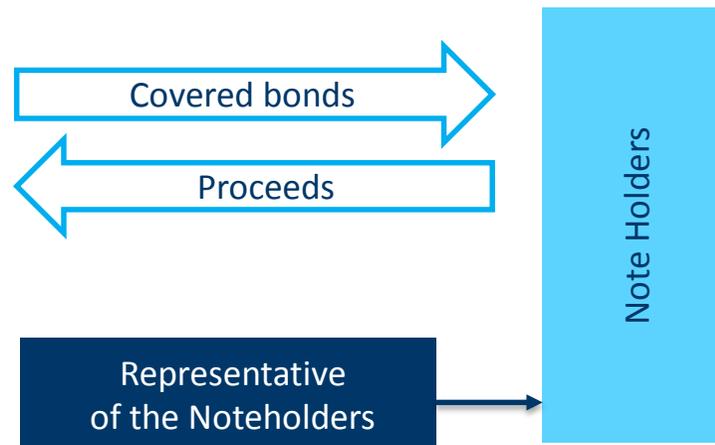
... AND KBC HAS EXTRAORDINARY LOW LOAN LOSSES



# Belgian legal framework



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



# Strong legal protection mechanisms

1

## Collateral type

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

2

## Over-collateralisation Test

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

3

## Cover Asset Coverage Test

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

4

## Liquidity Test

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

5

## Cap on Issuance

- Maximum 8% of a bank's assets can be used for the issuance of covered bonds

# KBC Bank NV residential mortgage covered bond programme

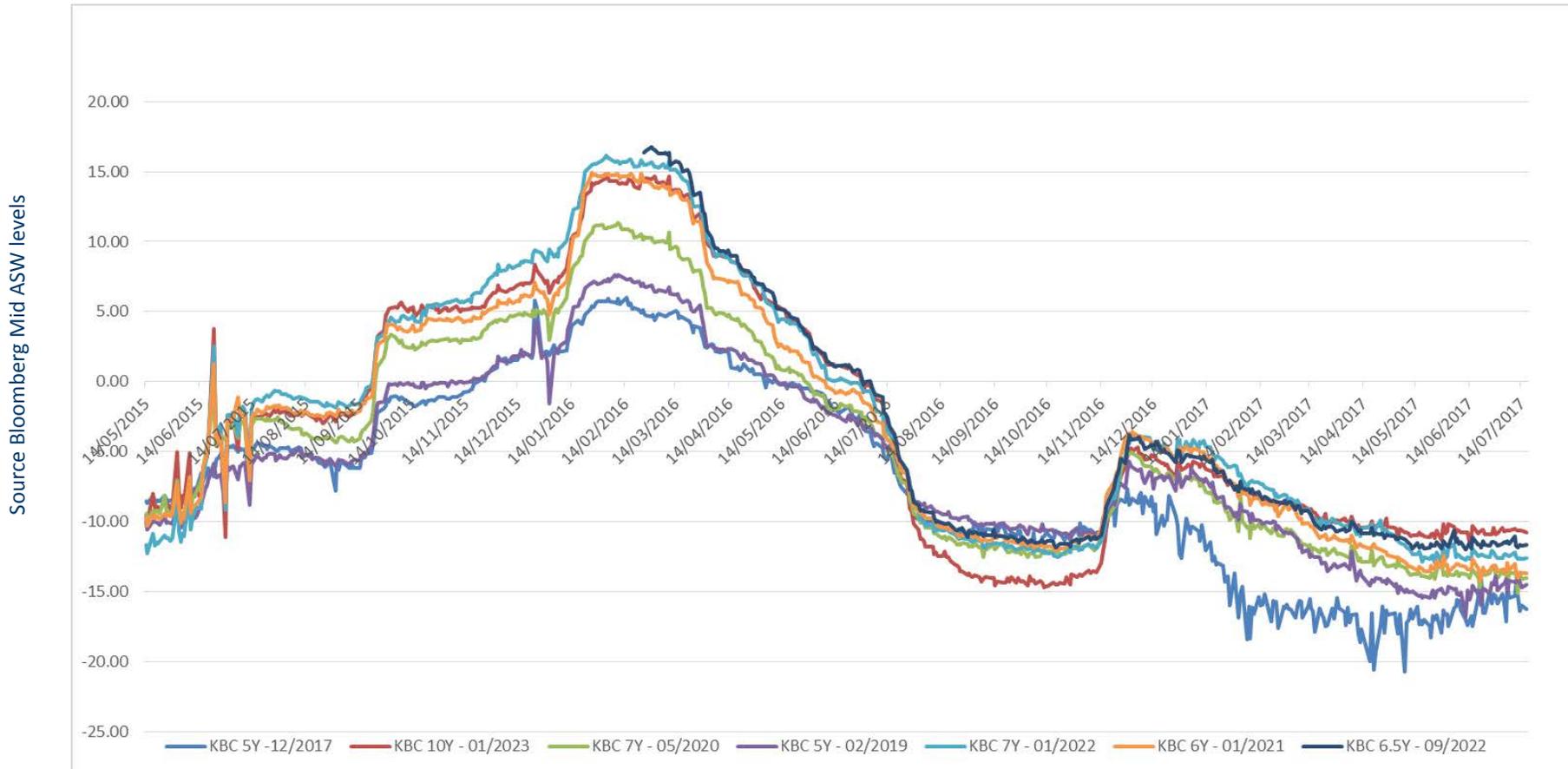
|                             |  |
|-----------------------------|--|
| <b>Issuer:</b>              | <ul style="list-style-type: none"> <li>KBC Bank NV</li> </ul>  |
| <b>Main asset category:</b> | <ul style="list-style-type: none"> <li>min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon</li> </ul>  |
| <b>Programme size:</b>      | <ul style="list-style-type: none"> <li>Up to 10bn EUR (only)</li> </ul>  |
| <b>Interest rate:</b>       | <ul style="list-style-type: none"> <li>Fixed rate, floating rate or zero coupon</li> </ul>   |
| <b>Maturity:</b>            | <ul style="list-style-type: none"> <li>Soft bullet: payment of the principal amount may be deferred past the final maturity date until the <b>extended final maturity date</b> if the issuer fails to pay</li> <li>Extension period is 12 months for all series</li> </ul> |
| <b>Events of default:</b>   | <ul style="list-style-type: none"> <li>Failure to pay any amount of principal on the extended final maturity date</li> <li>A default in the payment of an amount of interest on any interest payment date</li> </ul>   |
| <b>Rating agencies:</b>     | <ul style="list-style-type: none"> <li>Moody's Aaa / Fitch AAA</li> </ul>  |

|                               | Moody's | Fitch |
|-------------------------------|---------|-------|
| <b>Over-collateralisation</b> | 9%      | 17%   |

# Benchmark issuance KBC covered bonds

- Since establishment of the covered bond programme KBC has issued eight benchmark issuances:

SPREAD EVOLUTION KBC COVERED BONDS (SPREAD IN BP VERSUS 6 MONTH MID SWAP)



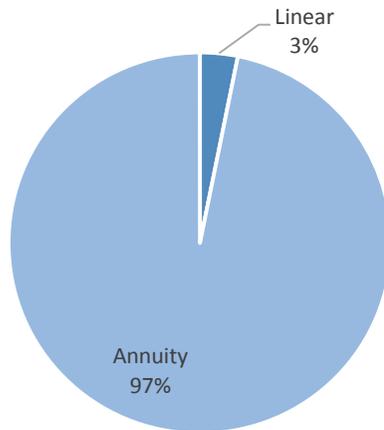
# Key cover pool characteristics (1/3)

Investor reports, final terms and prospectus are available on [www.kbc.com/covered\\_bonds](http://www.kbc.com/covered_bonds)

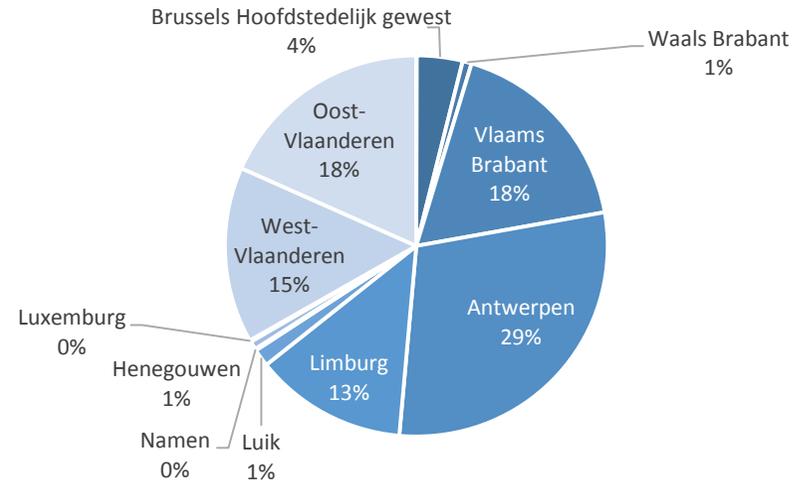
| Portfolio data as of :  | 30 June 2017   |
|---|----------------|
| Total Outstanding Principal Balance                           | 10 797 187 312 |
| Total value of the assets for the over-collateralisation test | 10 046 837 892 |
| No. of Loans  | 142 278        |
| Average Current Loan Balance per Borrower                     | 113 394        |
| Maximum Loan Balance  | 1 000 000      |
| Minimum Loan Balance  | 1 000          |
| Number of Borrowers   | 95 218         |
| Longest Maturity  | 359 month      |
| Shortest Maturity   | 1 month        |
| Weighted Average Seasoning                                    | 50 months      |
| Weighted Average Remaining Maturity                           | 185 months     |
| Weighted Average Current Interest Rate                        | 2.23%          |
| Weighted Average Current LTV                                  | 62.5%          |
| No. of Loans in Arrears (+30days)                             | 430            |
| Direct Debit Paying   | 97.9%          |

# Key cover pool characteristics (2/3)

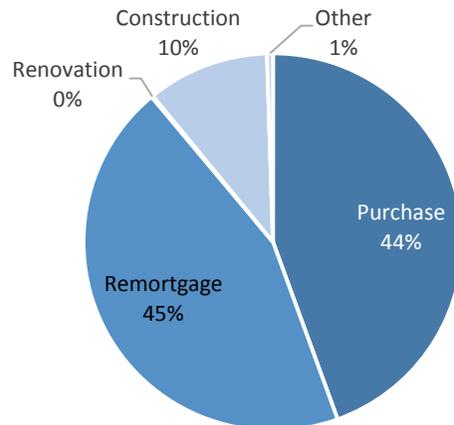
## REPAYMENT TYPE (LINEAR VS. ANNUITY)



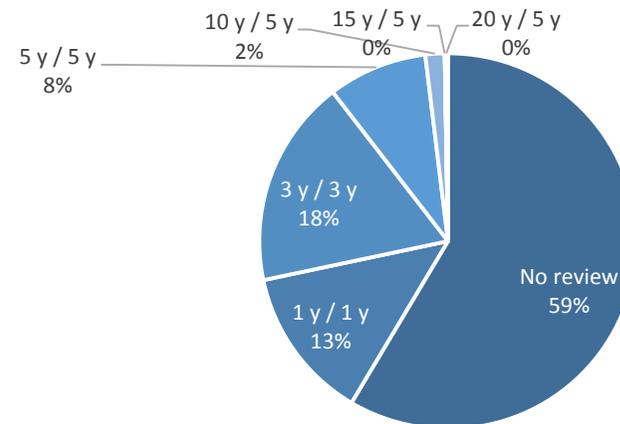
## GEOGRAPHICAL ALLOCATION



## LOAN PURPOSE



## INTEREST RATE TYPE (FIXED PERIODS)

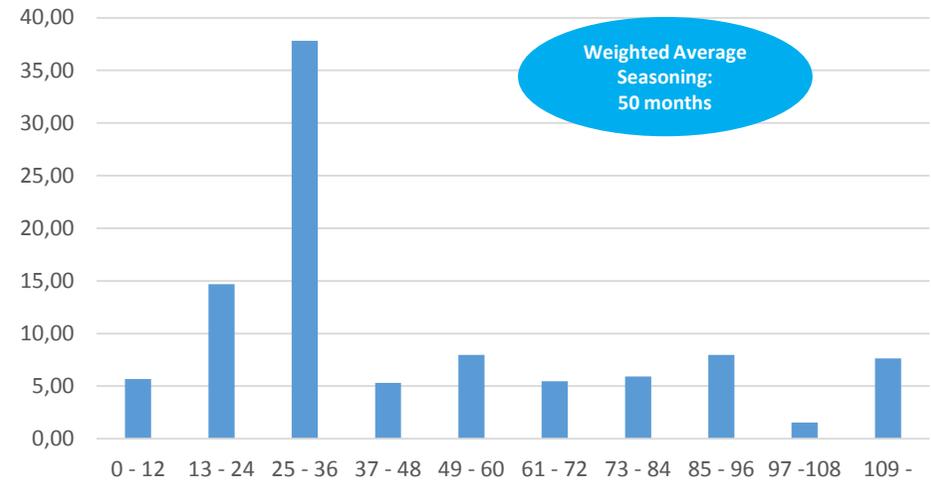


# Key cover pool characteristics (3/3)

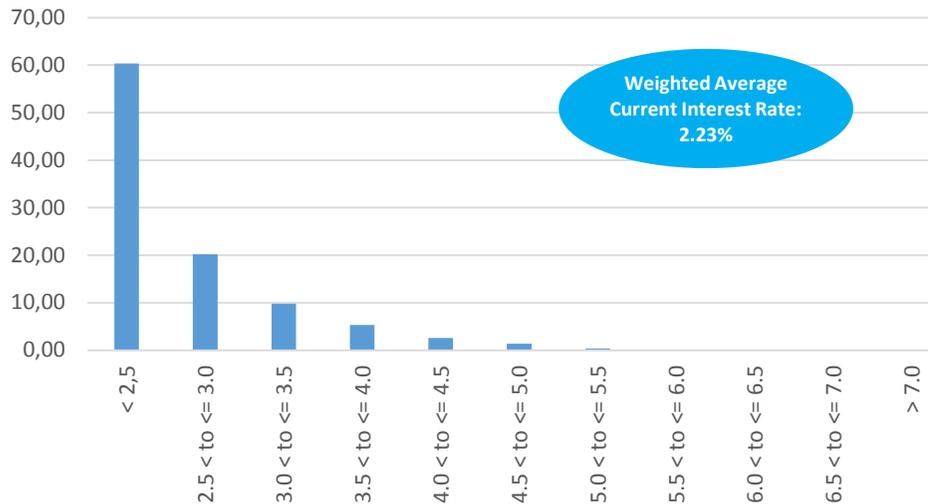
## FINAL MATURITY DATE



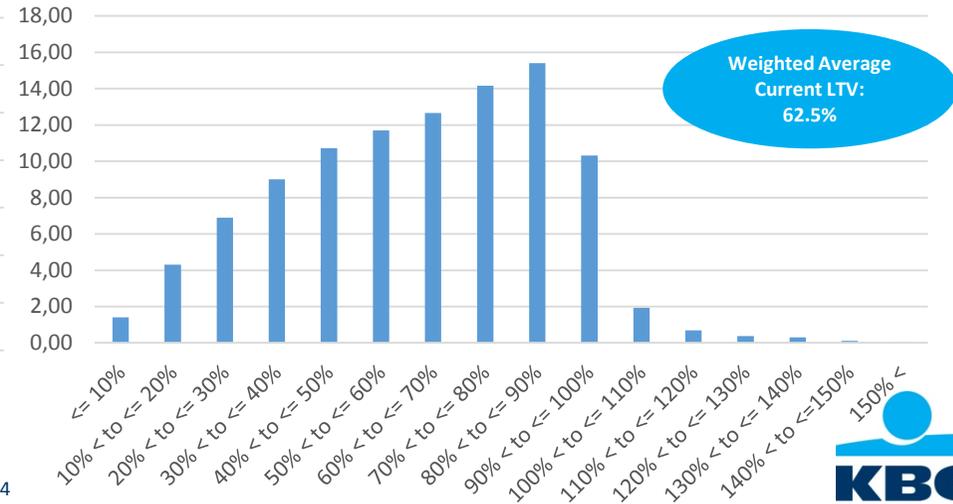
## SEASONING



## INTEREST RATE



## CURRENT LTV



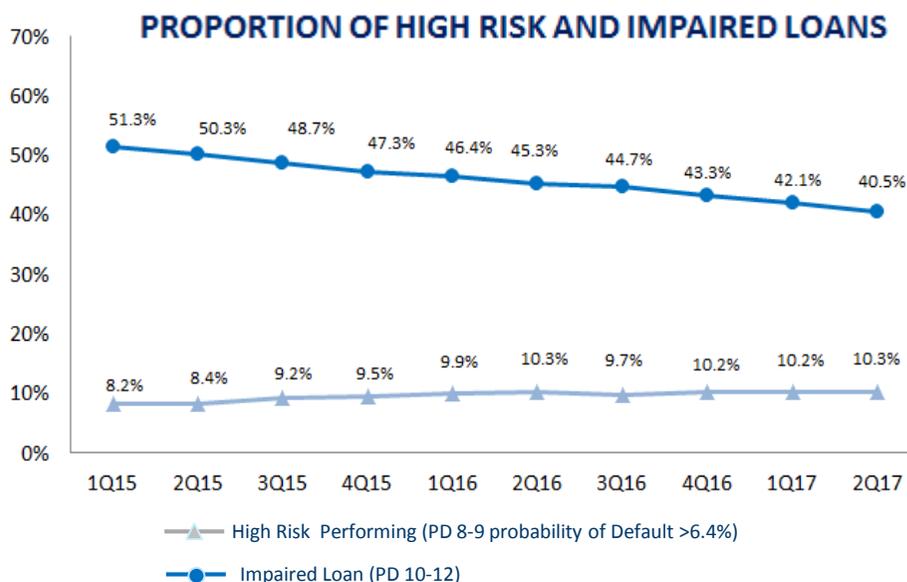
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# Ireland (1): net result of 99m EUR in 2Q17

| LOAN PORTFOLIO €         | OUT-STANDING<br>€ | IMPAIRED<br>LOANS<br>€ | IMPAIRED<br>LOANS PD 10-<br>12 | SPECIFIC<br>PROVISIONS<br>€ | IMPAIRED<br>LOANS<br>PD 10-12<br>COVERAGE |
|--------------------------|-------------------|------------------------|--------------------------------|-----------------------------|---|
| Owner occupied mortgages | 9.0bn             | 2.6bn                  | 29%                            | 0.8bn                       | 32%                                       |
| Buy to let mortgages     | 2.2bn             | 1.5bn                  | 66%                            | 0.6bn                       | 40%                                       |
| SME /corporate           | 0.8bn             | 0.5bn                  | 65%                            | 0.3bn                       | 61%                                       |
| Real estate              |                   |                        |                                |                             |   |
| - Investment             | 0.6bn             | 0.4bn                  | 73%                            | 0.3bn                       | 58%                                       |
| - Development            | 0.2bn             | 0.2bn                  | 100%                           | 0.2bn                       | 90%                                       |
| <b>Total</b>             | <b>12.7bn</b>     | <b>5.1bn</b>           | <b>40%</b>                     | <b>2.1bn</b>                | <b>41%</b>                                |



- Most recent indicators suggest the Irish economy posted robust growth through the first half of 2017, implying that FY17 GDP growth in the region of 4% is achievable
- The Irish jobs market continued to strengthen with numbers at work growing at the fastest pace in nearly ten years. As a result, unemployment has fallen further and net inward migration has resumed. In turn, these developments are underpinning household spending
- As the economic upswing has strengthened and spread, it has bolstered the demand for housing. As new house building is still significantly less than normal demographic demand, this has resulted in a pick-up in property price inflation
- Customer deposits (retail & corporate) of 5.4bn EUR (compared with 5.2bn EUR in 1Q17)
- 0.5bn EUR (9.4%) reduction in impaired loans YTD. Net loan loss provision release of 87m EUR in 2Q17 (compared with 50m EUR release in 1Q17) was driven by a 40m EUR adjustment as a result of the model recalibration for retail, growth in the CSO House Price Index and improved non-performing portfolio performance. Overall coverage ratio has remained stable at 41% q-o-q
- Looking forward, FY17 loss provisioning guidance for Ireland is a provision release in the range of 160m-200m EUR

# Ireland (2): portfolio analysis

## 2Q17 Retail Portfolio

|            | PD                                    | Exposure      | Impairment Provisions | Cover %      |
|------------|---------------------------------------|---------------|-----------------------|--------------|
| Performing | PD 1-8                                | 6,239         | 24                    | 0.4%         |
|            | Of which non Forborne                 | 6,216         |                       |              |
|            | Of which Forborne                     | 24            |                       |              |
| Performing | PD 9                                  | 906           | 43                    | 4.8%         |
|            | Of which non Forborne                 | 147           |                       |              |
|            | Of which Forborne                     | 759           |                       |              |
| Impaired   | PD 10                                 | 2,356         | 570                   | 24.2%        |
|            | PD 11                                 | 985           | 305                   | 31.0%        |
|            | PD 12                                 | 688           | 527                   | 76.6%        |
|            | <b>TOTAL PD1-12</b>                   | <b>11,174</b> | <b>1,469</b>          |              |
|            | <i>Specific Impairment/(PD 10-12)</i> |               |                       | <b>34.8%</b> |

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.

### Retail portfolio

- Impaired portfolio fell by roughly 161m EUR q-o-q due to an improvement in the portfolio performance (reduction of 0.6bn EUR y-o-y)
- Coverage ratio for impaired loans has decreased to 34.8% in 2Q17 (from 35.2% in 1Q17)
- Overall exposure has remained stable q-o-q at 11.2bn EUR with new mortgage production offsetting the reduction of the impaired book and loan amortisations

## 2Q17 Corporate Portfolio

|            | PD                                    | Exposure     | Impairment Provisions | Cover %      |
|------------|---------------------------------------|--------------|-----------------------|--------------|
| Performing | PD 1-8                                | 368          | 1                     | 0.3%         |
|            | PD 9                                  | 60           | 2                     | 4.1%         |
| Impaired   | PD 10                                 | 298          | 121                   | 40.5%        |
|            | PD 11                                 | 291          | 168                   | 57.8%        |
|            | PD 12                                 | 529          | 429                   | 81.0%        |
|            | <b>TOTAL PD1-12</b>                   | <b>1,546</b> | <b>721</b>            |              |
|            | <i>Specific Impairment/(PD 10-12)</i> |              |                       | <b>64.2%</b> |

### Corporate loan portfolio

- Impaired portfolio has reduced by roughly 80m EUR q-o-q. Reduction driven mainly by continued deleverage of the portfolio (reduction of roughly 0.4bn EUR y-o-y)
- Coverage ratio for impaired loans has increased to 64.2% in 2Q17 (from 63.3% in 1Q17)
- Overall exposure has dropped by 0.5bn EUR y-o-y

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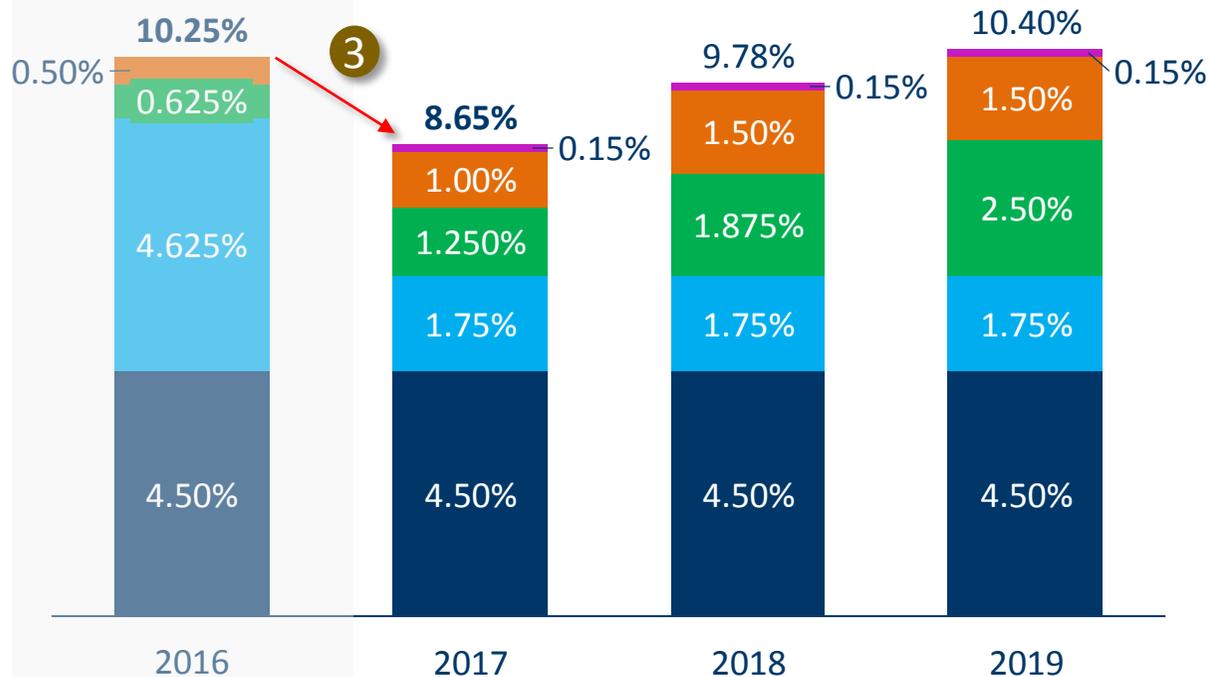
# Minimum CET1 requirements in detail

## AT1 coupon non-payment level at 8.65% in 2017

Following the Supervisory Review and Evaluation Process (SREP) performed for 2016, the ECB for 2017 sets:

- a pillar 2 requirement (P2R) of **1.75% CET1**
- a pillar 2 guidance (P2G) of **1.0% CET1**

Phasing in of minimum CET1 requirements based on 2016 Joint Capital Decision (JCD)



- CounterCyclical buffer **2**
- O-SIFI buffer **1**
- Capital Conservation buffer
- P2 Requirement
- P1 Requirement

### 1

The National Bank of Belgium decided upon a **systemic buffer** (CET1 phased-in of 0.5% in 2016 under the Danish Compromise) that **gradually increases over a 3-year period, reaching 1.5% in 2018**

### 2

The **Czech and Slovak competent authorities decided to introduce a countercyclical buffer requirement** of 0.5% in 1Q2017 and 3Q2017 respectively, corresponding to an additional 0.15% CET1 requirement at KBC Group level (0.10% + 0.05% respectively)

### 3

Under the new framework on Maximum Distributable Amounts (MDA), the **restriction to pay coupons on AT1 instruments falls from 10.25% in 2016 to 8.65% in 2017**. (assuming that the T1 and T2 minimum capital bucket continue to be adequately filled with externally placed instruments)

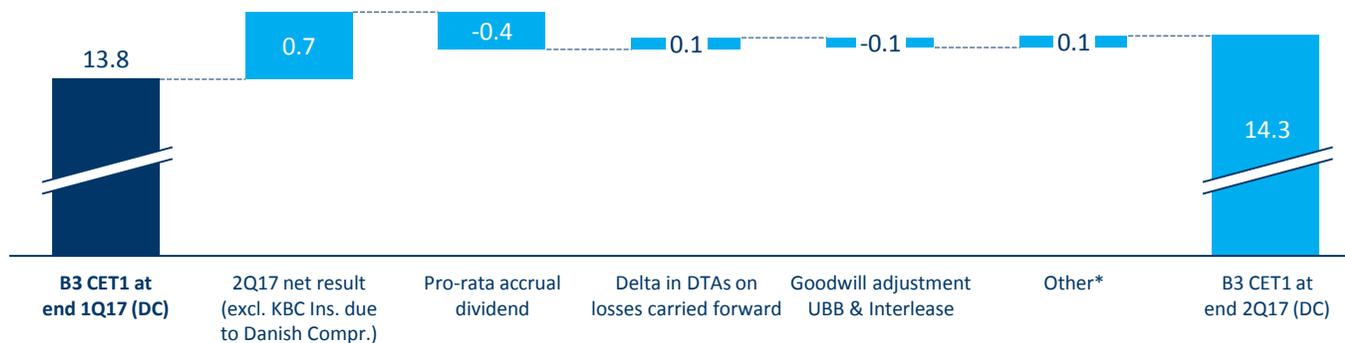
# Details on 2016 Joint Capital Decision

| Joint Capital decision (JCD)                                 |               | JCD 2015                      | JCD 2016     | projection     |                   |
|--|---------------|-------------------------------|--------------|----------------|-------------------|
| Target applicable in   |               | 2016 phased                   | 2017 phased  | 2018 phased    | 2019 fully loaded |
| Pillar 1 minimum requirement (P1 min)                        | CET1          | 4.5%                          | 4.5%         | 4.5%           | 4.5%              |
|  | AT1           | -                             | 1.5%         | 1.5%           | 1.5%              |
|  | T2            | -                             | 2.0%         | 2.0%           | 2.0%              |
| Pillar 2 requirement (P2R)                                   | CET1          | phased: 4,625%<br>full: 2,75% | 1.75%        | 1.75%          | 1.75%             |
| Conservation buffer  | CET1          | phased: 0,625%<br>full: 2,5%  | -            | -              | -                 |
| Total SREP Capital Requirement (TSCR)                        | CET1          | 9.75%                         | 6.25%        | 6.25%          | 6.25%             |
|  | T1            | -                             | 7.75%        | 7.75%          | 7.75%             |
|  | Total capital | -                             | 9.75%        | 9.75%          | 9.75%             |
| <b>Combined Buffer Requirement (CBR)</b>                     |               |                               |              |                |                   |
| Conservation buffer  | CET1          | -                             | 1.25%        | 1.875%         | 2.50%             |
| O-SII buffer   | CET1          | 0.50%                         | 1.00%        | 1.50%          | 1.50%             |
| Countercyclical buffer                                       | CET1          | 0.00%                         | 0.15%        | 0.15%          | 0.15%             |
| Overall capital requirement (OCR)<br><i>= MDA threshold*</i> | CET1          | 10.25%                        | 8.65%        | 9.775%         | 10.40%            |
|  | T1            | -                             | 10.15%       | 11.275%        | 11.90%            |
|  | Total capital | -                             | 12.15%       | 13.275%        | 13.90%            |
| Early warning threshold                                      | CET1          | 0.25%                         | -            | -              | -                 |
| Pillar 2 Guidance (P2G)                                      | CET1          | -                             | 1.00%        | 1.00%          | 1.00%             |
| <b>CET1 requirement + P2G</b>                                | <b>CET1</b>   | <b>10.50%</b>                 | <b>9.65%</b> | <b>10.775%</b> | <b>11.40%</b>     |

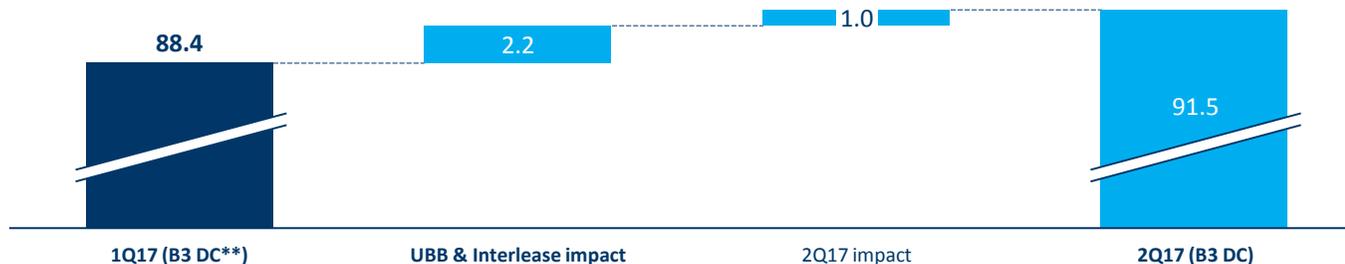
\* Under the Minimum Distributable Amounts framework other distribution restrictions triggers may also apply in the future after approval and implementation of the framework.

# Fully loaded B3 CET1 based on the Danish Compromise (DC) from 1Q17 to 2Q17

DELTA AT NUMERATOR LEVEL (BN EUR)



DELTA ON RWA (BN EUR)



- The impact of the acquisition of UBB & Interlease in Bulgaria (closed mid-June 2017) amounted to 50 bps on the fully loaded CET1 ratio based on the Danish Compromise (DC)
- Despite this impact, the fully loaded B3 common equity ratio stabilised on 15.7% at end 2Q17 based on the DC
- A pro forma fully loaded common equity ratio translation to 10.40% was clearly exceeded

\* Includes the q-o-q delta in AFS revaluation reserves, remeasurement of defined benefit obligations, IRB provision shortfall, deduction re. financing provided to shareholders, translation differences, etc.

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

# Overview of B3 CET1 ratios at KBC Group

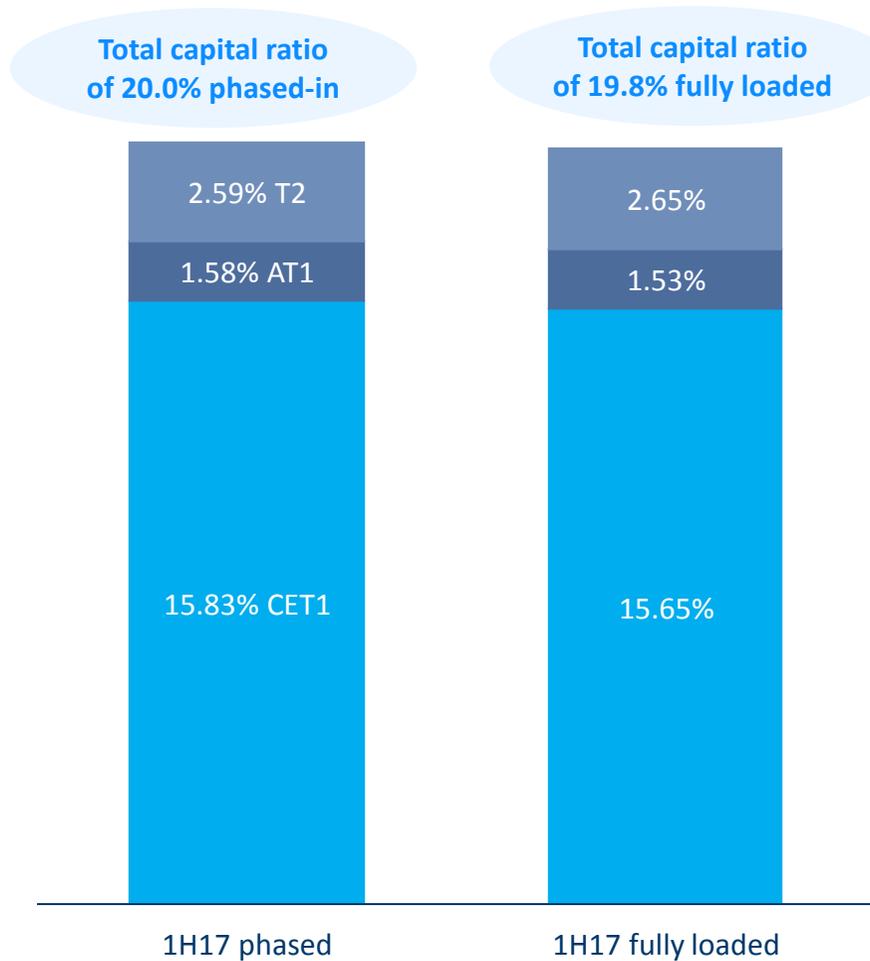
| Method              | Numerator | Denominator | B3 CET1 ratio |
|---------------------|-----------|-------------|---------------|
| FICOD*, phased-in   | 15,318    | 102,776     | 14.9%         |
| FICOD, fully loaded | 15,231    | 103,216     | 14.8%         |
| DC**, phased-in     | 14,418    | 91,109      | 15.8%         |
| DC, fully loaded    | 14,331    | 91,549      | 15.7%         |
| DM***, fully loaded | 13,295    | 85,998      | 15.5%         |

\* FICOD: Financial Conglomerate Directive

\*\* DC: Danish Compromise

\*\*\* DM: Deduction Method

# Total capital ratio\*



\* Basel 3, Danish Compromise

# Solvency II ratio

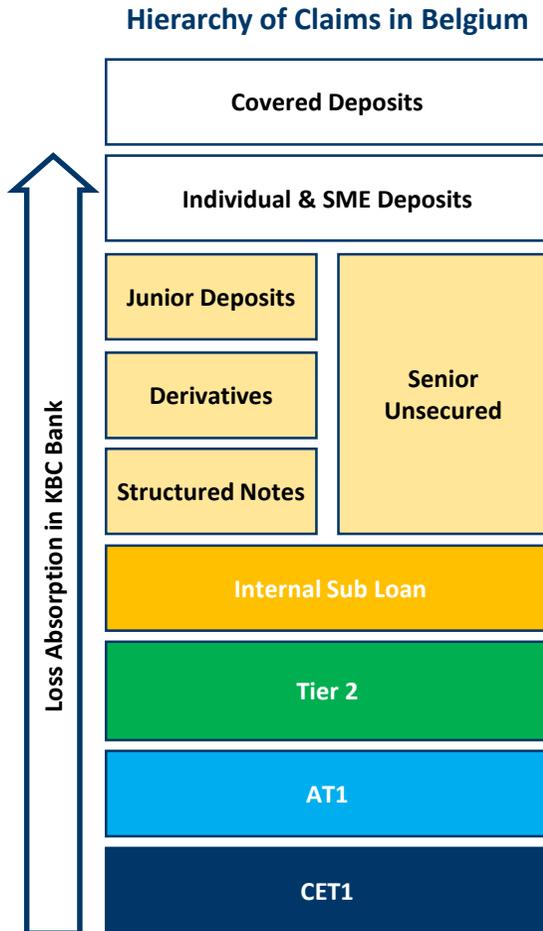
## Solvency II ratio

|   | 1Q17  | 2Q17 |
|---|-------|------|
| Solvency II ratio without strict cap of the NBB | 214%* | 217% |

- On 19 April 2017, the NBB retroactively relaxed the strict cap on the loss absorbing capacity of deferred taxes in the calculation of the required capital. Belgian insurance companies are now allowed to apply a higher adjustment for deferred taxes, in line with general European standards, if they pass the recoverability test. This is the case for KBC
- The increase (+3%-points) in the Solvency II ratio without this cap was mainly the result of a stronger euro and slightly lower equity markets performance

\* Note that the solvency II ratio of 1Q17 has been restated from 220% to 214% as an error occurred in the available capital (the final dividend paid in May 2017 was not reported as foreseeable dividends in 1Q17)

# Implementation of the BRRD in Belgium



1. The BRRD has been transposed to a large extent by the Act of 25 April 2014 on the legal status and supervision of credit institutions ("The Banking Act") which applies since May-2015, with the exception of some major provisions, such as the bail-in tool. Some provisions will be further implemented by a Royal Decree ("RD"):
  - Bail-in mechanism and MREL requirement of the BRRD: RD was published in the Belgian Official Journal 29 December 2015 and entries into force as from 1 January 2016. However, the resolution strategy and MREL target for KBC are assumptions and have not been determined by the Resolution Authority
  - Group dimension of the BRRD: transposition is currently under preparation
2. The competent authorities are
  - Supervision authority (KBC Bank NV, KBC Group NV): ECB/NBB.
  - Resolution authority (KBC Bank NV, KBC Group NV): Single Resolution Board as from 1 January 2016.
  - Competent authority for conduct supervision of financial institutions and intermediaries (KBC Bank NV): FSMA.
3. The hierarchy of claims in Belgium is in line with the BRRD as provided for in art. 48 BRRD and applies losses accordingly.
  - Creditors are protected by the No Creditor Worse Off ("NCWO") principle which ensures that creditors in resolution can't be worse-off than in normal insolvency proceedings (art 34(1) BRRD).
4. KBC plans on on-lending senior unsecured issued out of KBC Group NV as subordinated instruments at KBC Bank NV to ensure the on-loan would only take losses after Tier 2 securities.
  - Additionally KBC Bank NV's funding needs in senior unsecured are expected to be moderate going forward

# General principles (1/2):

## What happens in different solvency situations?

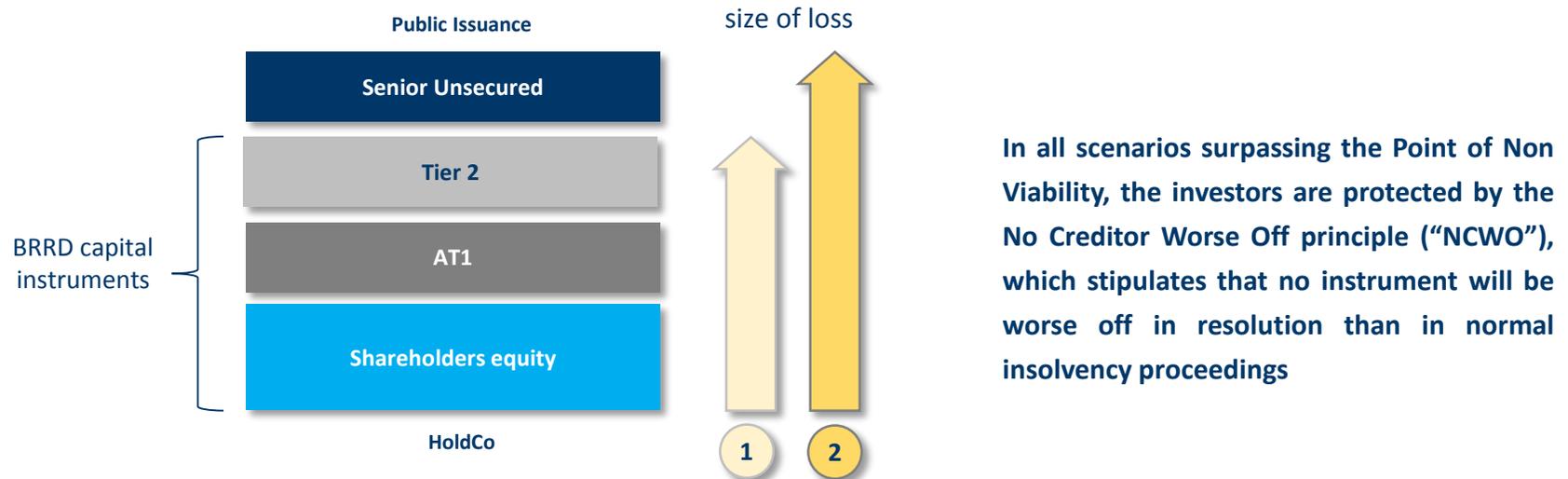


|                    | Business as usual                         | Recovery plan  | Resolution plan  |
|--------------------|---|--|--|
| <b>CET1</b>        | sufficiently above Joint Capital Decision | in breach (or breach is imminent) of Joint Capital Decision  | in breach of minimum requirements (4.5% CET1 / 6% T1 / 8% total capital) or considered as non viable by the competent authorities. |
| <b>AT1</b>         | no impact                                 | coupon uncertain<br>absorbs losses when trigger (5.125% CET1 on transitional basis) is breached    | absorb losses at PONV  |
| <b>T2</b>          | no impact                                 | no impact (except CoCo: absorbs losses when trigger (7% CET1 on a transitional basis) is breached) | absorb losses at PONV  |
| <b>Senior debt</b> | no impact                                 | no impact  | absorb losses beyond PONV (bail-in)  |

Capital instruments

# General principles (2/2):

## What are the risks for HoldCo senior investors?



- 1 Recapitalisation scenario**, losses (originating in any or in all of the underlying entities\*) are lower than the size of the capital instruments at the HoldCo level
  - ⇒ part or all of Senior debt issued by the HoldCo can be converted into shares to recapitalise the HoldCo up to a minimum level as decided by the competent authorities. The investor then has a combination of shares and bonds of the HoldCo instead of only bonds and thus (co-)owns the underlying entities. The conversion factor would be determined by the competent authorities applying the NCWO principle.
- 2 Loss absorption scenario**, losses (originating in any or in all of the underlying entities\*) exceed the size of the capital instruments at the HoldCo level
  - ⇒ part or all of Senior issued by the HoldCo can be bailed-in to absorb losses. The NCWO principle implies that losses are only up-streamed to the HoldCo upto the amount of the investment of the HoldCo in the entity(ies) generating the losses. Hence, the investor in the HoldCo Senior will lose (up to) its investment to the extent that the amount of outstanding HoldCo senior debt exceeds the value of the remaining underlying entities of the HoldCo

\* In KBC Group’s case this would be KBC Bank and/or KBC Insurance and/or KBC Asset Management

# Appendices

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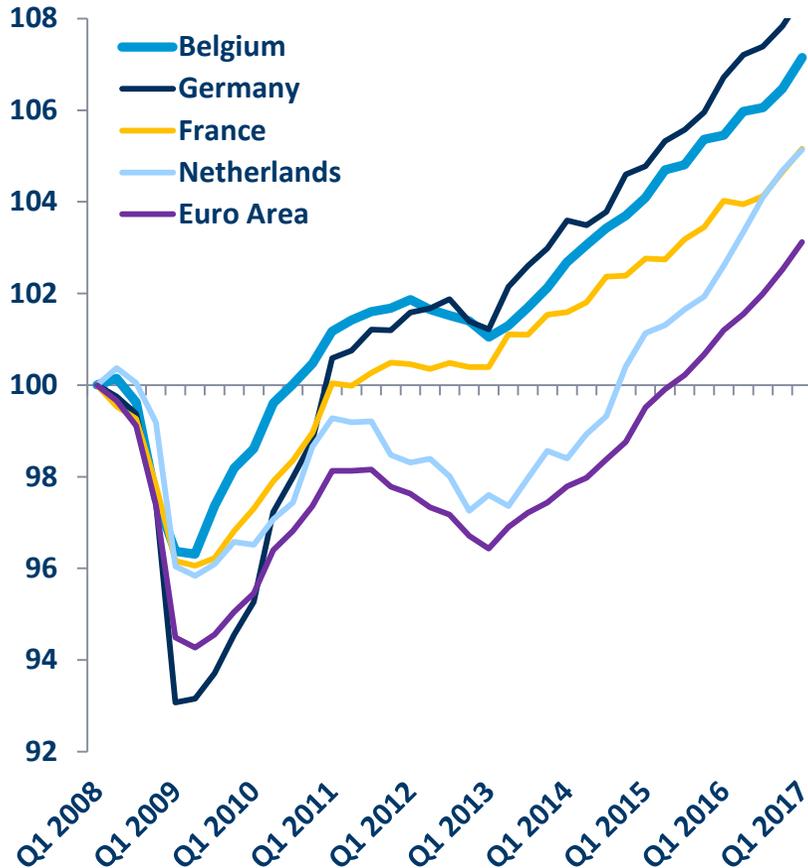
- 1 Overview of outstanding benchmarks
- 2 KBC Bank CDS levels
- 3 Summary of KBC's covered bond programme
- 4 Details on credit exposure of Ireland
- 5 Solvency: details on capital
- 6 Macroeconomic views

# Belgian GDP growth

## Continued economic recovery, led mainly by Flanders

### Real GDP in the Euro Area

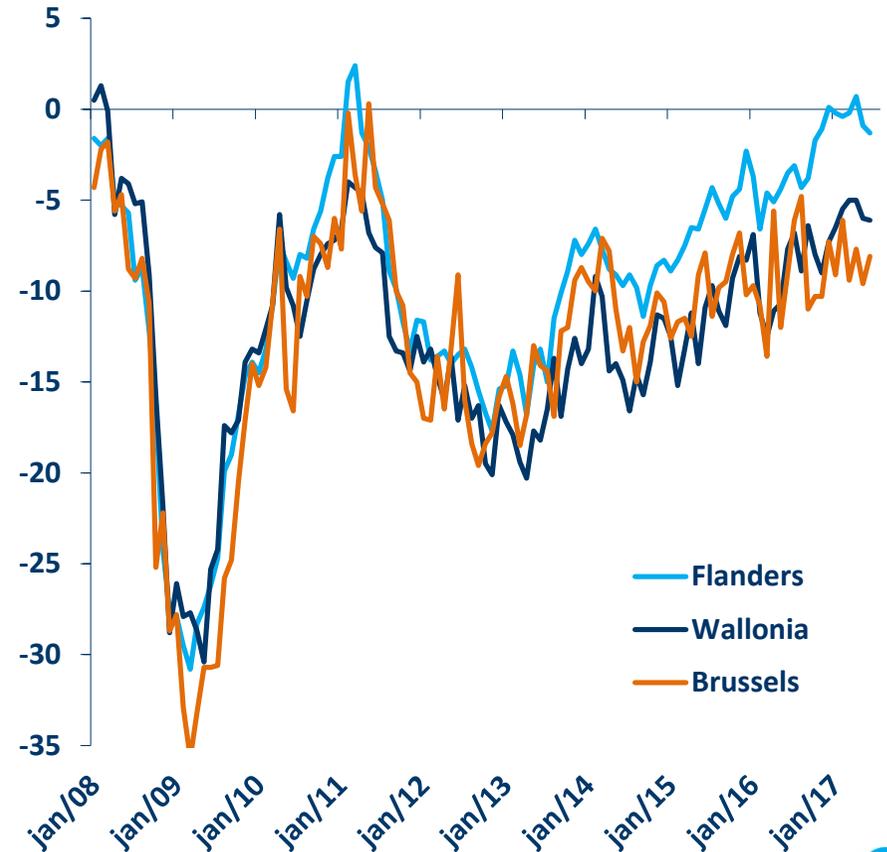
(Q1 2008 = 100)



Source: Eurostat; NBB

### Belgium - Producer confidence in the regions

(NBB indicator)



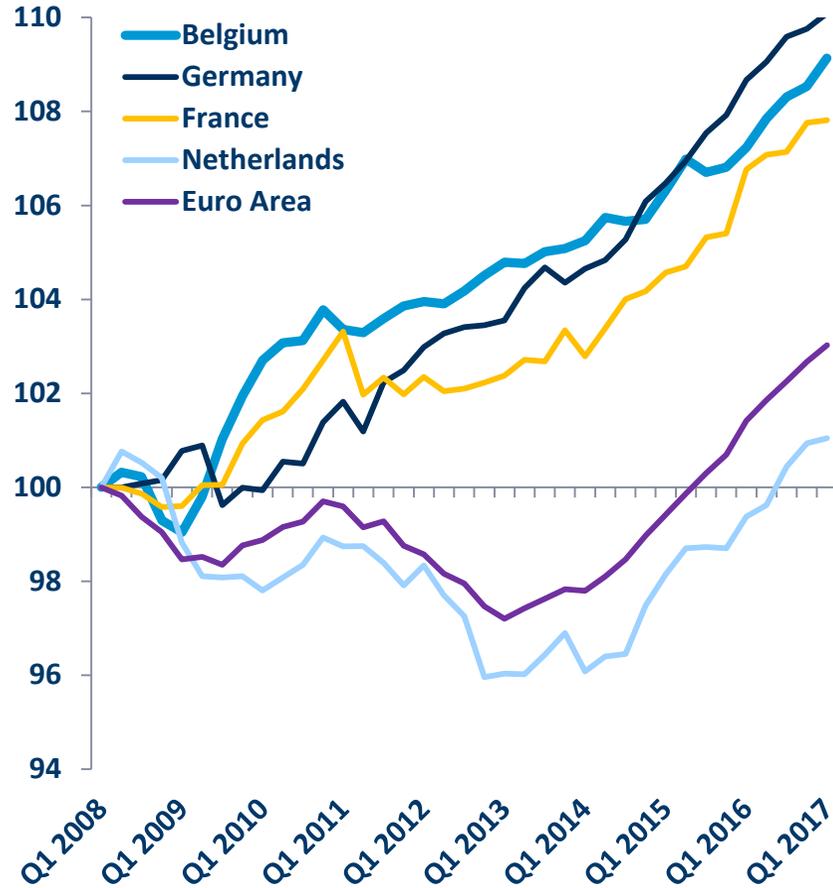
Source: NBB

# Belgian GDP growth

## Growth strongly driven by domestic demand

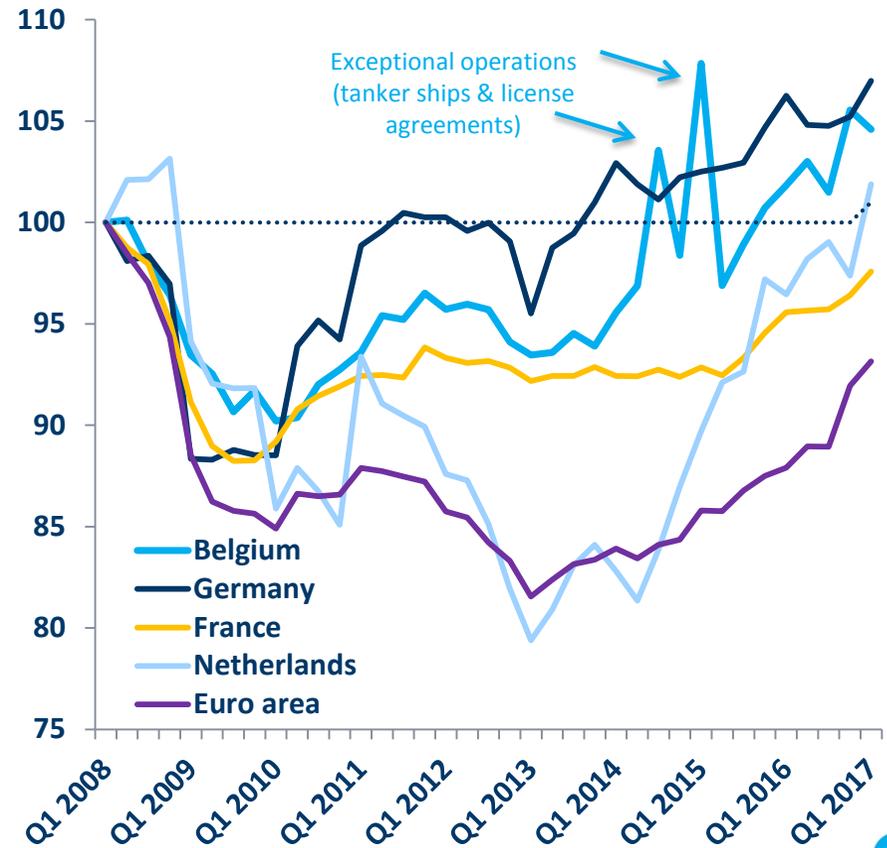
### Real private consumption

(Q1 2008 = 100)



### Real gross fixed capital formation

(Q1 2008 = 100)



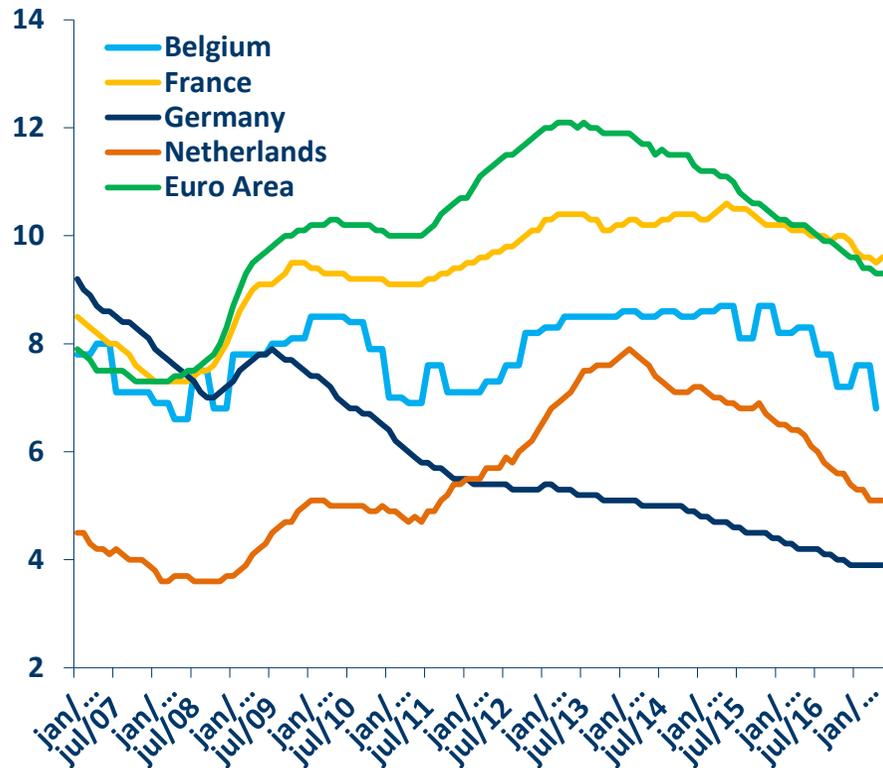
Source: Eurostat; NBB

# Belgian labour market

## Unemployment still declining

### Unemployment rate

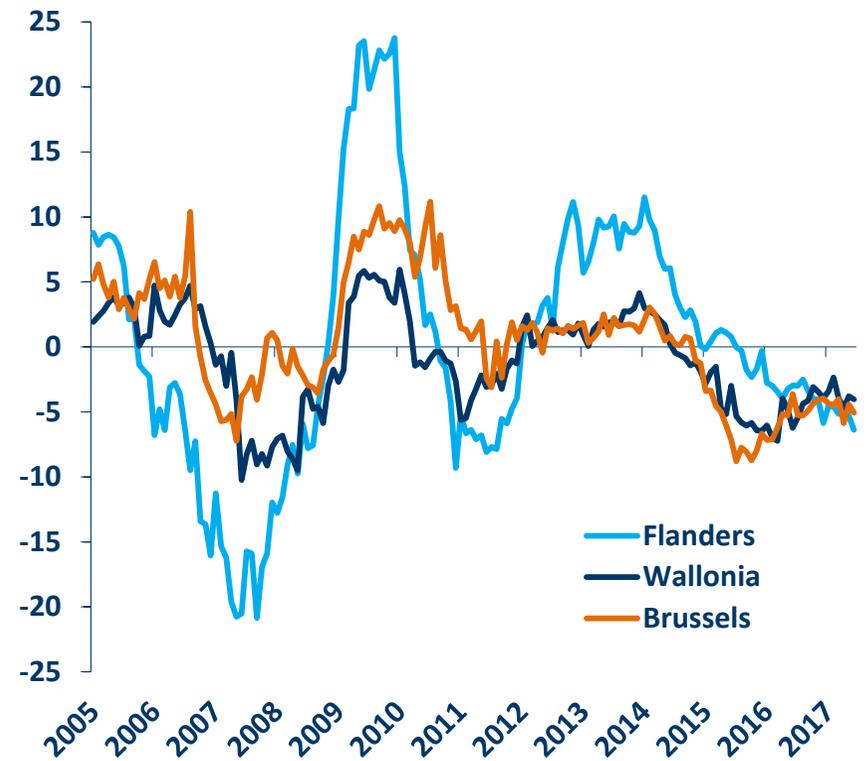
(harmonised and seasonally adjusted, in %)



Source: Eurostat; NBB

### Number of people unemployed

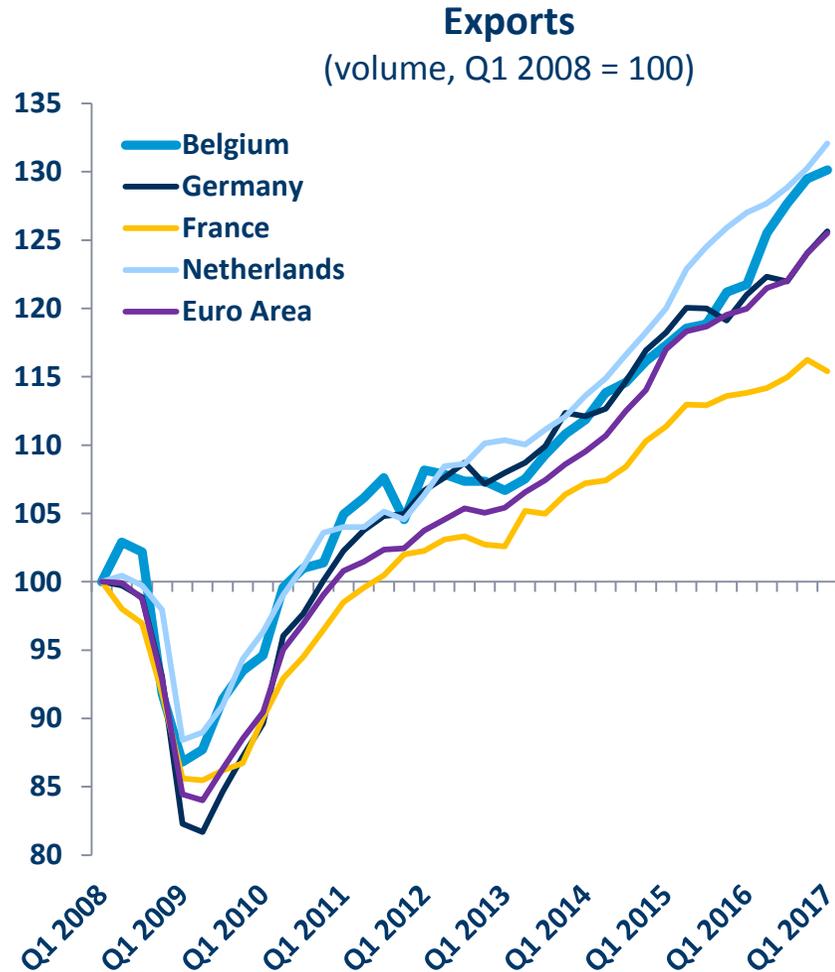
(non-working job seekers, year-on-year change in %)



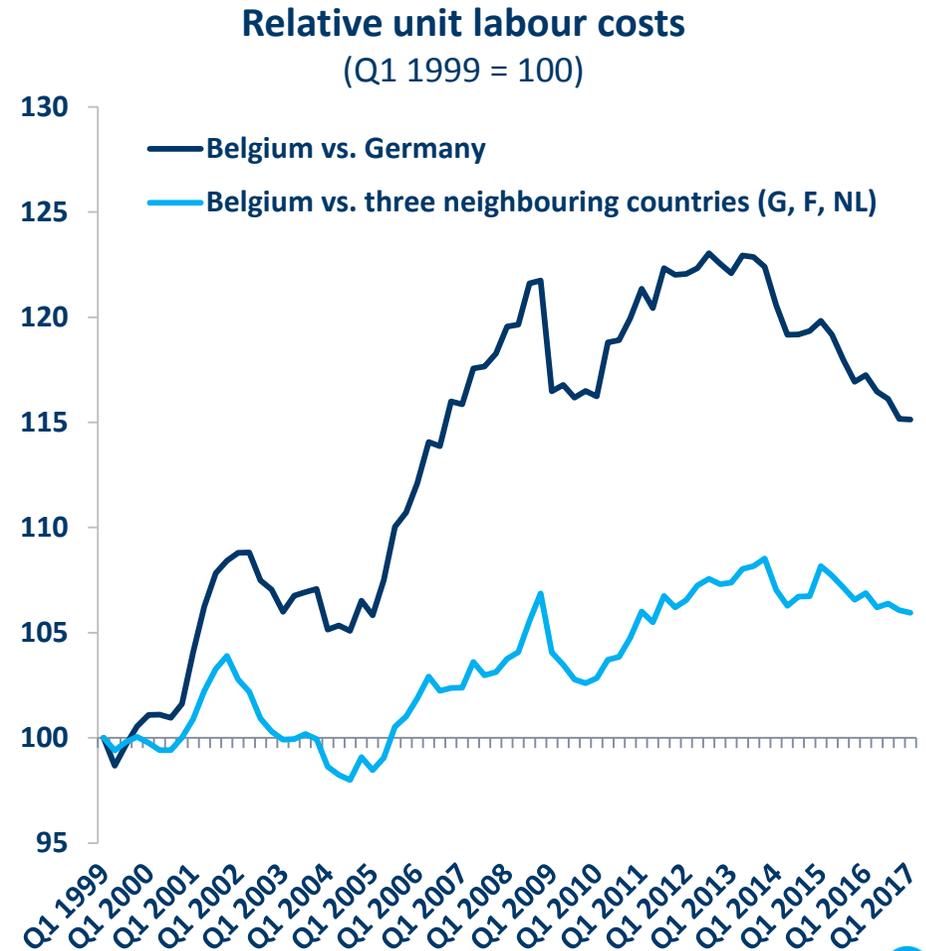
Source: VDAB; Forem; Actiris

# Belgian GDP growth

## Exports benefit from the wage moderation and European recovery



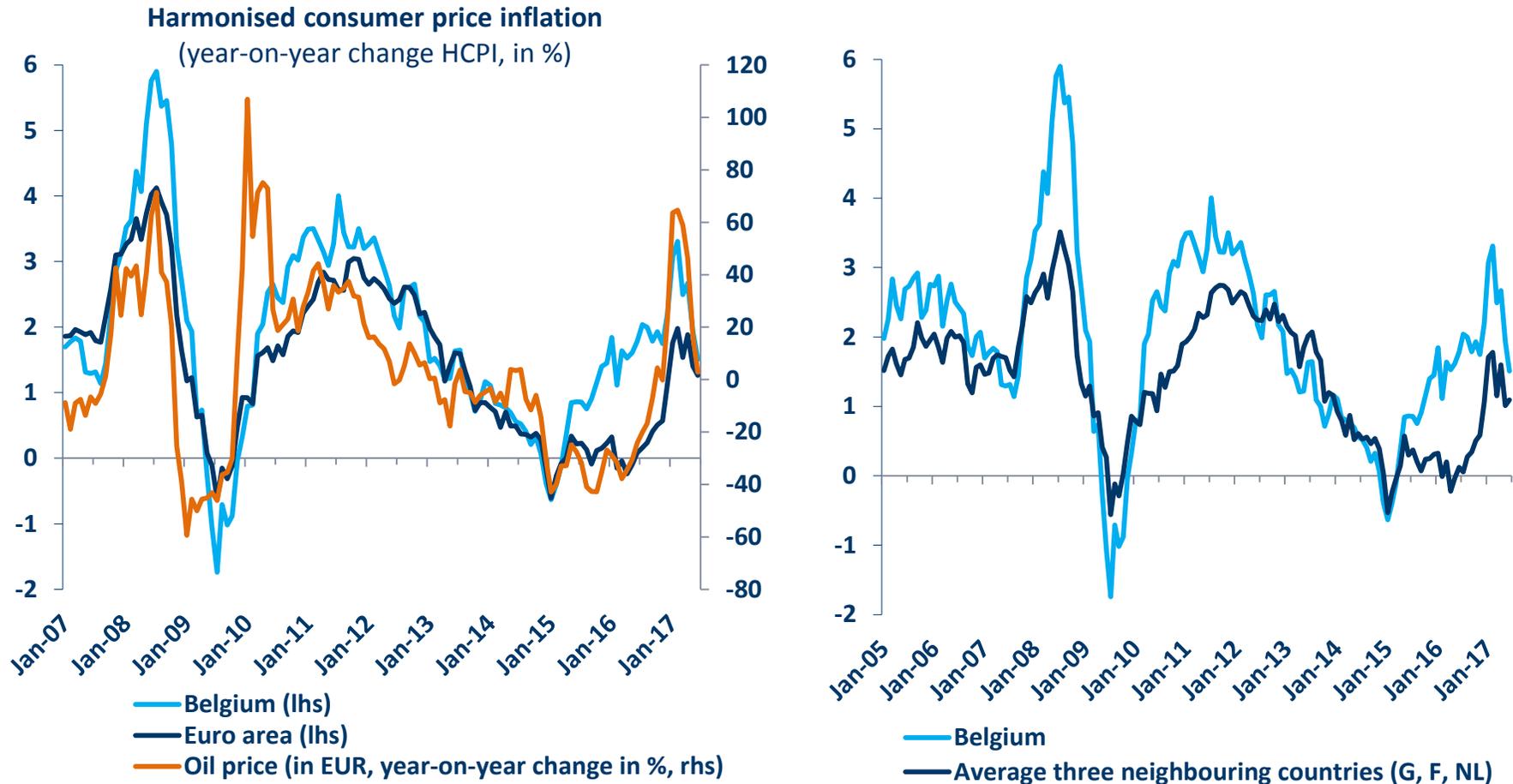
Source: Eurostat; NBB



Source: ECB

# Inflation peaked in February

## Smaller inflation gap with the neighbouring countries



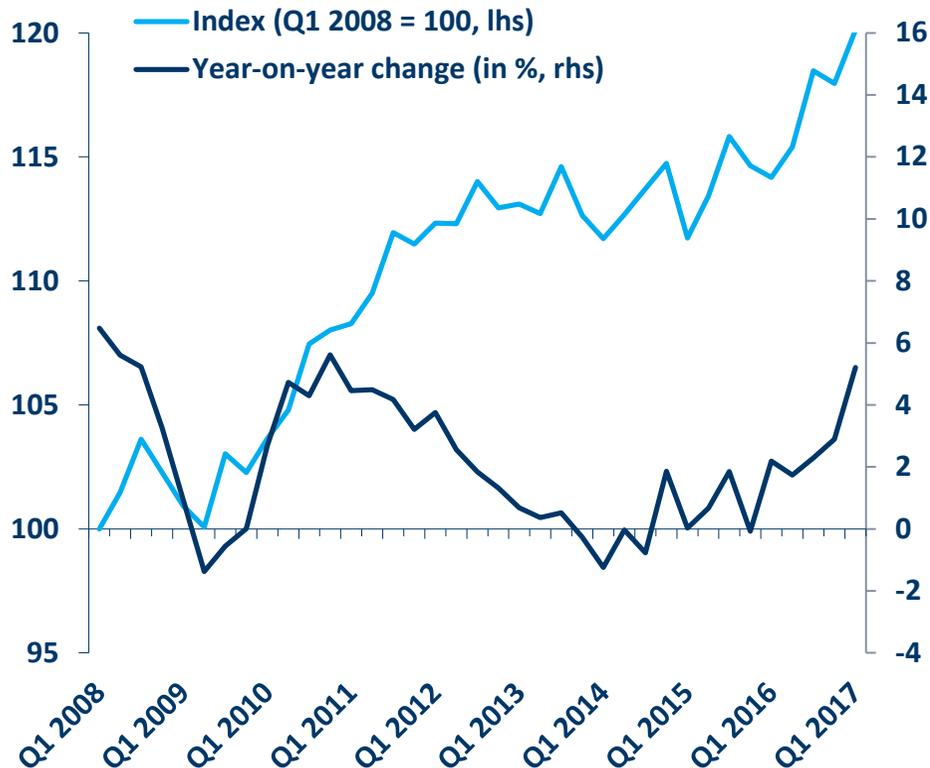
Source: Eurostat

# Belgian real estate market

Roughly stabilization in prices since 2012, with again an acceleration from the fall of 2016 onwards

## House prices Belgium (\*)

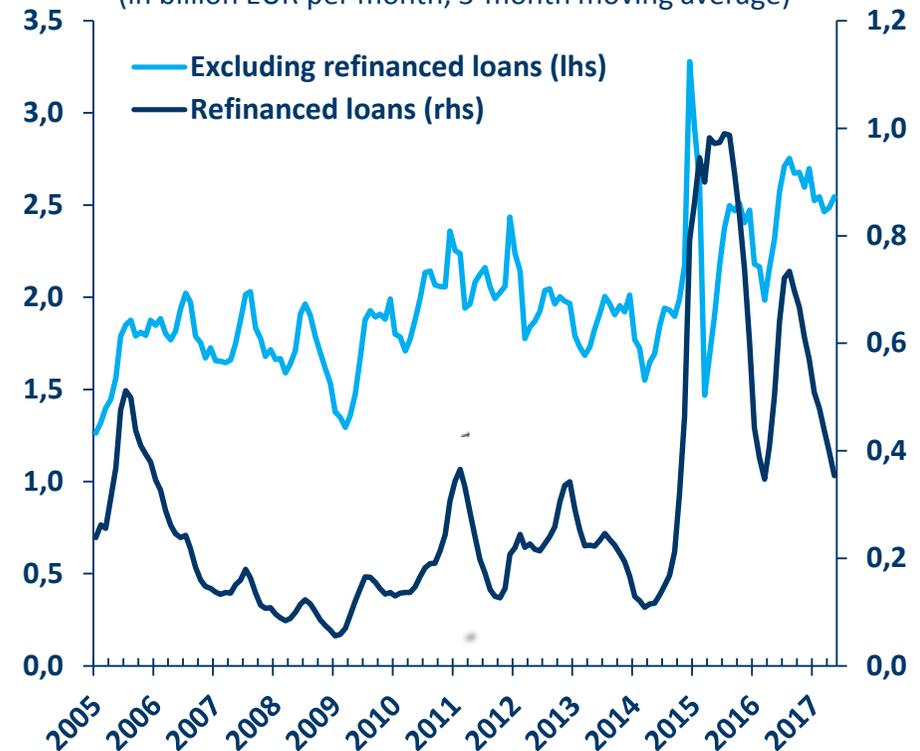
(\*) Corrected for price changes resulting from changes in the quality and location of the real estate sold



Source: FOD Economie

## Mortgage market supported by historical low interest rates

New production of mortgage loans  
(in billion EUR per month, 3-month moving average)

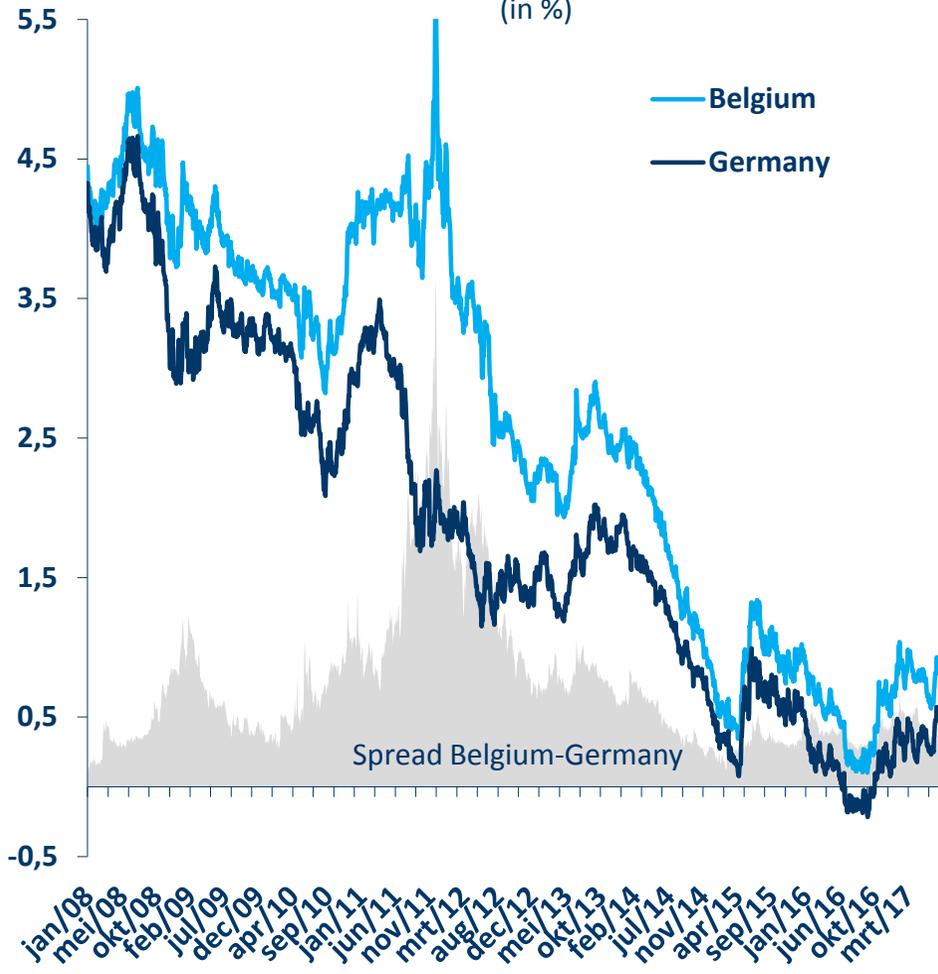


Source: NBB.Stat

# Interest rates rising, but level still historically low

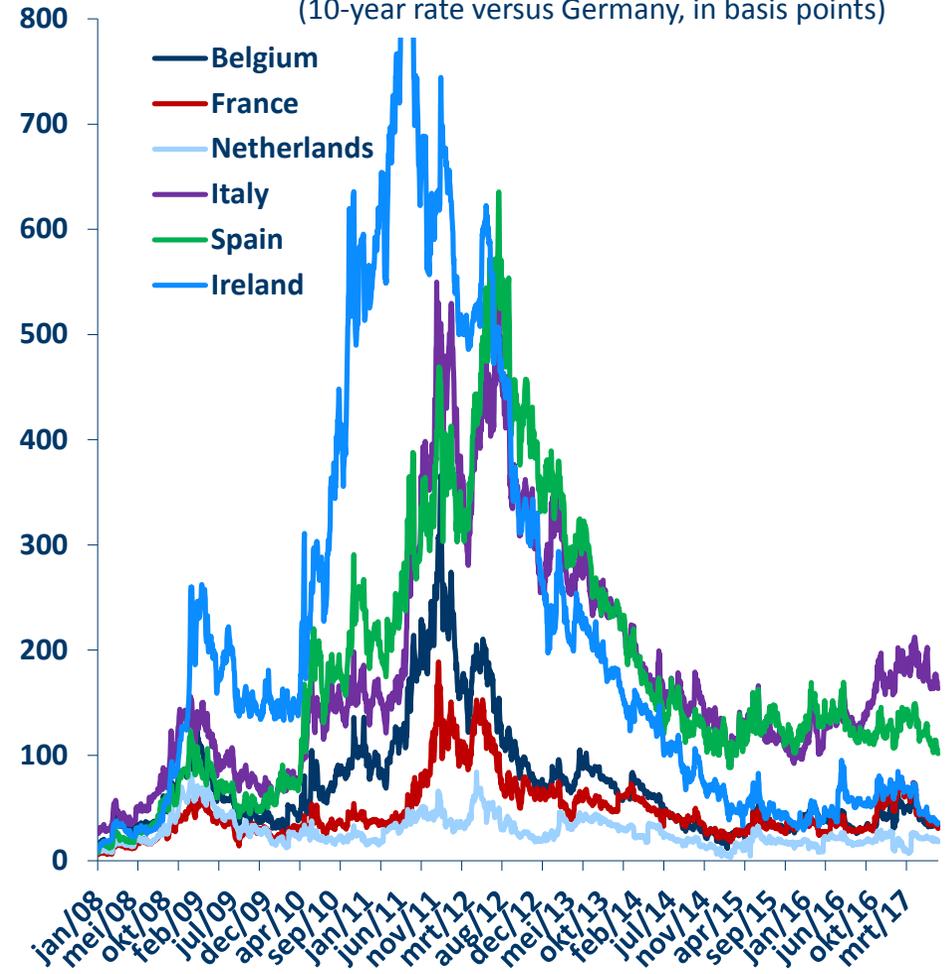
## 10-year government bond yields

(in %)



## Interest rate spreads Euro Area

(10-year rate versus Germany, in basis points)



# Glossary (1)

|  |  |
|--|--|
| <b>AQR</b>   | Asset Quality Review   |
| <b>B3</b>  | Basel III  |
| <b>CBI</b>   | Central Bank of Ireland  |
| <b>Combined ratio (non-life insurance)</b>           | [technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)   |
| <b>Common equity ratio</b>                           | [common equity tier-1 capital] / [total weighted risks]  |
| <b>Cost/income ratio (banking)</b>                   | [operating expenses of the banking activities of the group] / [total income of the banking activities of the group]  |
| <b>Cost/income ratio adjusted for specific items</b> | <p>The numerator and denominator are adjusted for (exceptional) items which distort the P&amp;L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include:</p> <ul style="list-style-type: none"> <li>• MtM ALM derivatives (fully excluded)</li> <li>• 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)</li> <li>• up to the end of 2014, also Legacy &amp; OCR was an important correction</li> <li>• one-off items (such as the impact of the liquidation of KBC FH)</li> </ul> |
| <b>Credit cost ratio (CCR)</b>                       | [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   |
| <b>EBA</b>   | European Banking Authority   |
| <b>ESMA</b>  | European Securities and Markets Authority  |
| <b>ESFR</b>  | European Single Resolution Fund  |
| <b>FICOD</b>   | Financial Conglomerates Directive  |
| <b>Impaired loans cover ratio</b>                    | [total impairments (specific) for impaired loans] / [total outstanding impaired loans]. For a definition of 'impaired', see 'Impaired loans ratio'   |
| <b>Impaired loans ratio</b>                          | [total outstanding impaired loans (PD 10-11-12)] / [total outstanding loans]   |
| <b>Leverage ratio</b>                                | [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   |
| <b>Liquidity coverage ratio (LCR)</b>                | [stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days].   |
| <b>Net interest margin (NIM) of the group</b>        | [net interest income of the banking activities] / [average interest-bearing assets of the banking activities]  |
| <b>Net stable funding ratio (NSFR)</b>               | [available amount of stable funding] / [required amount of stable funding]   |

## Glossary (2)

|  |  |
|--|--|
| <b>MARS</b>  | Mortgage Arrears Resolution Strategy   |
| <b>MREL</b>  | Minimum requirement for own funds and eligible liabilities   |
| <b>PD</b>  | Probability of default   |
| <b>Return on allocated capital (ROAC) for a particular business unit</b> | [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                           |
| <b>Return on equity</b>  | [result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata) |
| <b>TLAC</b>  | Total loss-absorbing capacity  |

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