KBC Group
Analysts’ presentation
4Q 2018 Results
14 February 2019 – 9.30 AM CET

Dial-in numbers

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www.kbc.com until 28 February 2019

ACCESS CODE
939578
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4Q 2018 key takeaways

4Q18 financial performance

- Commercial bank-insurance franchises in core markets performed well
- Customer loans and customer deposits increased in most of our core countries
- Higher net interest income and net interest margin
- Lower net fee and commission income
- Lower net gains from financial instruments at fair value and higher net other income
- Excellent sales of non-life insurance and lower sales of life insurance y-o-y
- Strict cost management
- Low net impairments on loans
- Solid solvency and liquidity
- A total gross dividend of 3.5 EUR per share will be proposed to the AGM for the 2018 accounting year (of which an interim dividend of 1 EUR per share paid in November 2018 and a final dividend of 2.5 EUR per share)

Comparisons against the previous quarter unless otherwise stated

<table>
<thead>
<tr>
<th>Net result</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
<th>1Q18</th>
<th>2Q18</th>
<th>3Q18</th>
<th>4Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>630</td>
<td>855</td>
<td>691</td>
<td>399</td>
<td>556</td>
<td>692</td>
<td>701</td>
<td>621</td>
<td></td>
</tr>
</tbody>
</table>

FY18

- ROE 16%
- Cost-income ratio 57% (excl. specific items)
- Combined ratio 88%
- Credit cost ratio -0.04%
- Common equity ratio 16.0% (B3, DC, fully loaded)
- Leverage ratio 6.1% (fully loaded)
- NSFR 136% & LCR 139%
- Pay-out ratio 59% (including the total dividend and AT1 coupon)
Overview of building blocks of the 4Q18 net result

- NII: 1.166
- NFCI: 407
- Technical Insurance Result*: 183
- Other Income**: 93
- Total Income: 1.848
- Bank tax: -41
- Opex excl. bank tax: -954
- Impairments: -43
- Other: 4
- Taxes: -192
- 4Q18 net result: 621

Q-o-Q:
- +3%
- -4%
- 1%
- -37%
- -2%
- 0%
- -11%

Y-o-Y:
- +2%
- -11%
- 32%
- -21%
- 0%
- -3%
- +66%

* Earned premiums – technical charges + ceded reinsurance
** Dividend income + net result from FIFV + net realised result from debt instruments FV through OCI + net other income
*** Y-o-Y comparison based on pro forma 4Q17 numbers
# Main Exceptional Items

<table>
<thead>
<tr>
<th>BE BU</th>
<th>4Q18</th>
<th>3Q18</th>
<th>4Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOI – Settlement of legacy legal files</td>
<td>+33m EUR</td>
<td></td>
<td>-85m EUR</td>
</tr>
<tr>
<td>Opex – Expenses for early retirement</td>
<td></td>
<td>-4m EUR</td>
<td></td>
</tr>
<tr>
<td>Tax – DTA impact</td>
<td>+20m EUR</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax – Belgian corporate tax reform</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Exceptional Items BE BU</strong></td>
<td><strong>+53m EUR</strong></td>
<td><strong>-4m EUR</strong></td>
<td><strong>-85m EUR</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CZ BU</th>
<th>4Q18</th>
<th>3Q18</th>
<th>4Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opex – Restructuring costs</td>
<td>-1m EUR</td>
<td></td>
<td>-5m EUR</td>
</tr>
<tr>
<td><strong>Total Exceptional Items CZ BU</strong></td>
<td><strong>-1m EUR</strong></td>
<td><strong>-5m EUR</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IM BU</th>
<th>4Q18</th>
<th>3Q18</th>
<th>4Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRL - NOI - Provisions related to the tracker mortgage review</td>
<td></td>
<td></td>
<td>-61.5m EUR</td>
</tr>
<tr>
<td>IRL - Opex - Costs related to sale of part of legacy loan portf.</td>
<td>-1m EUR</td>
<td>-3m EUR</td>
<td></td>
</tr>
<tr>
<td><strong>Total Exceptional Items IM BU</strong></td>
<td><strong>-1m EUR</strong></td>
<td><strong>-3m EUR</strong></td>
<td><strong>-61.5m EUR</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GC</th>
<th>4Q18</th>
<th>3Q18</th>
<th>4Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOI – Settlement of legacy legal file</td>
<td></td>
<td></td>
<td>+5m EUR</td>
</tr>
<tr>
<td>Opex – Expenses for early retirement</td>
<td></td>
<td>+3m EUR</td>
<td>+5m EUR</td>
</tr>
<tr>
<td>Tax – Belgian corporate tax reform</td>
<td>-16m EUR</td>
<td>-2m EUR</td>
<td>-126m EUR</td>
</tr>
<tr>
<td><strong>Total Exceptional Items GC</strong></td>
<td><strong>-16m EUR</strong></td>
<td><strong>+3m EUR</strong></td>
<td><strong>-126m EUR</strong></td>
</tr>
</tbody>
</table>

**Total Exceptional Items (pre-tax)**
- 4Q18: +35m EUR
- 3Q18: -9m EUR
- 4Q17: -272.5m EUR

**Total Exceptional Items (post-tax)**
- 4Q18: +26m EUR
- 3Q18: -7m EUR
- 4Q17: -265m EUR
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1. 4Q 2018 performance of KBC Group
2. 4Q 2018 performance of business units
3. Strong solvency and solid liquidity
4. FY 2018 key takeaways
5. Looking forward

Annex 1: FY 2018 performance of KBC Group
Annex 2: Company profile
Annex 3: Other items
Section 1

4Q 2018 performance of KBC Group
Net result at KBC Group

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
<th>1Q18</th>
<th>2Q18</th>
<th>3Q18</th>
<th>4Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Life result</td>
<td>630</td>
<td>855</td>
<td>691</td>
<td>399</td>
<td>556</td>
<td>692</td>
<td>701</td>
<td>621</td>
</tr>
<tr>
<td>Life result</td>
<td>82</td>
<td>64</td>
<td>82</td>
<td>93</td>
<td>78</td>
<td>84</td>
<td>75</td>
<td>66</td>
</tr>
<tr>
<td>Non-technical &amp; taxes</td>
<td>61</td>
<td>78</td>
<td>93</td>
<td>78</td>
<td>27</td>
<td>42</td>
<td>113</td>
<td>61</td>
</tr>
</tbody>
</table>

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

Amounts in m EUR
Higher net interest income and net interest margin

- **Net interest income (1,166m EUR)**
  - Up by 3% q-o-q and by 2% y-o-y. Note that NII banking increased by 3% q-o-q and by 7% y-o-y.
  - The q-o-q increase was driven primarily by:
    - additional positive impact of both short- & long-term interest rate increases in the Czech Republic
    - continued good loan volume growth
    - lower funding costs
    - higher netted positive impact of ALM FX swaps partly offset by:
      - lower reinvestment yields in our euro area core countries
      - pressure on commercial loan margins in most core countries

- **Net interest margin (2.02%)**
  - Up by 4 bps q-o-q and by 5 bps y-o-y due mainly to the positive impact of repo rate hikes in the Czech Republic and lower funding costs

### ORGANIC VOLUME TREND

<table>
<thead>
<tr>
<th></th>
<th>Total loans**</th>
<th>o/w retail mortgages</th>
<th>Customer deposits***</th>
<th>AuM</th>
<th>Life reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong></td>
<td>147bn</td>
<td>61bn</td>
<td>194bn</td>
<td>200bn</td>
<td>28bn</td>
</tr>
<tr>
<td>Growth q-o-q*</td>
<td>+1%</td>
<td>+1%</td>
<td>0%</td>
<td>-6%</td>
<td>-2%</td>
</tr>
<tr>
<td>Growth y-o-y</td>
<td>+5%</td>
<td>+3%</td>
<td>+1%</td>
<td>-8%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

* Non-annualised  ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos. Customer deposit volumes excluding debt certificates & repos stable q-o-q and +5% y-o-y
Lower net fee and commission income

**F&C (pro forma for 2017*)**

- **Amounts in m EUR**

<table>
<thead>
<tr>
<th></th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
<th>1Q18</th>
<th>2Q18</th>
<th>3Q18</th>
<th>4Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution</td>
<td>463</td>
<td>454</td>
<td>433</td>
<td>456</td>
<td>450</td>
<td>438</td>
<td>424</td>
<td>407</td>
</tr>
<tr>
<td>Banking services</td>
<td>208</td>
<td>213</td>
<td>213</td>
<td>229</td>
<td>215</td>
<td>223</td>
<td>219</td>
<td>225</td>
</tr>
<tr>
<td>Asset management services</td>
<td>323</td>
<td>314</td>
<td>295</td>
<td>301</td>
<td>299</td>
<td>281</td>
<td>275</td>
<td>255</td>
</tr>
<tr>
<td></td>
<td>-69</td>
<td>-73</td>
<td>-74</td>
<td>-75</td>
<td>-64</td>
<td>-66</td>
<td>-70</td>
<td>-74</td>
</tr>
</tbody>
</table>

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

**AuM* (amounts in bn EUR)**

- **1Q17** | **214**
- **2Q17** | **213**
- **3Q17** | **215**
- **4Q17** | **217**
- **1Q18** | **213**
- **2Q18** | **214**
- **3Q18** | **213**
- **4Q18** | **200**

* Note that 3Q18 AuM figures were restated due to a reclassification of roughly -1bn EUR of assets under investment advice

### Net fee and commission income (407m EUR)

- Down by 4% q-o-q and by 11% y-o-y
- Q-o-q decrease was the result chiefly of:
  - Net F&C income from Asset Management Services decreased by 7% q-o-q as a result of lower management fees from mutual funds and unit-linked life insurance products, despite seasonally higher entry fees from mutual funds and unit-linked life insurance products
  - Net F&C income from banking services increased by 3% q-o-q due mainly to higher network income and higher fees from credit files & bank guarantees, partly offset by seasonally lower fees from payment services
  - Distribution costs rose by 6% q-o-q due chiefly to higher commissions paid on life insurance sales
- Y-o-y decrease was mainly the result of:
  - Net F&C from Asset Management Services decreased by 15% y-o-y as a result of lower entry and management fees from mutual funds & unit-linked life insurance products
  - Net F&C income from banking services decreased by 2% y-o-y as higher fees from payment services and higher network income was more than offset by lower securities-related fees and lower fees from credit files & bank guarantees

### Assets under management (200bn EUR)

- Decreased by 6% q-o-q (and by 8% y-o-y) due largely to a negative price effect
- The mutual fund business has seen small net outflows, mainly to savings accounts
Insurance premium income up y-o-y and excellent combined ratio

- **Insurance premium income** (gross earned premiums) at 825m EUR
  - Non-life premium income (409m) increased by 7% y-o-y
  - Life premium income (416m) up by 42% q-o-q and by 1% y-o-y

- The non-life **combined ratio** for FY18 amounted to **88%**, an excellent level in line with FY17. Note however that FY17 benefited from an one-off release of provisions in Belgium (positive effect of 26m EUR). Excluding this one-off release, the combined ratio amounted to 90% at FY17
Non-life sales up y-o-y, life sales down y-o-y

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

**Sales of life insurance products**
- Increased by 33% q-o-q and decreased by 13% y-o-y
- The q-o-q increase was driven mainly by higher sales of guaranteed interest products in Belgium (attributable chiefly to traditionally higher volumes in tax-incentivised pension saving products in 4Q18) and higher sales of unit-linked products in Belgium and the Czech Republic
- The y-o-y decrease was driven primarily by lower sales of unit-linked products in Belgium
- Sales of unit-linked products accounted for 33% of total life insurance sales in 4Q18
Lower FV gains and higher other net income

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

- a negative change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio and increased credit & funding spreads)
- lower net result on equity instruments (insurance) partly offset by:
  - a positive change in ALM derivatives

Note that dealing room income stabilised q-o-q

Other net income amounted to 76m EUR, higher than the normal run rate of around 50m EUR. 4Q18 was positively impacted by the settlement of legacy legal files in the Belgium Business Unit (+33m EUR). Note that 4Q17 was negatively impacted by an additional provision of 61.5m EUR related to an industry wide review of the tracker rate mortgage products originated in Ireland before 2009.
Strict cost management

- Cost/income ratio (banking): 54% in 4Q18 and 57.5% in FY18. C/I ratio adjusted for specific items* at 61% in 4Q18 and 57% in FY18 (55% in FY17). Excluding the consolidation impact of UBB/Interlease, bank tax, FX effect and one-off costs, operating expenses in FY18 rose by 1.7% y-o-y

- Operating expenses excluding bank tax roughly stabilised q-o-q primarily as a result of:
  - lower staff expenses, despite wage inflation in most countries
  - less one-off costs (2m EUR in 4Q18 vs 14m in 3Q18) offset by:
    - seasonal effects such as traditionally higher ICT and professional fee expenses
    - higher depreciation & amortisation costs
  Note that contrary to previous years, marketing expenses were better spread throughout the year

- Operating expenses without bank tax decreased by 3% y-o-y in 4Q18 due mainly to lower marketing and staff expenses, partly offset by higher ICT costs

- Total bank taxes (including ESRF contribution) increased from 439m EUR in FY17 to 462m EUR in FY18

* See glossary (slide 89) for the exact definition
Overview of bank taxes*

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

** The C/I ratio adjusted for specific items of 57% in FY18 amounts to roughly 50% excluding these bank taxes

Bank taxes of 462m EUR in FY18, representing 10.9% of FY18 opex at KBC Group**

Bank taxes of 269m EUR in FY18, representing 10.8% of FY18 opex at the Belgium BU

Bank taxes of 163m EUR in FY18, representing 17.9% of FY18 opex at the IM BU

Bank taxes of 30m EUR in FY18, representing 4.1% of FY18 opex at the CZ BU
Low asset impairments, excellent credit cost ratio and improved impaired loans ratio

- **Low asset impairments**
  - This was attributable mainly to:
    - loan loss impairments of 48m EUR in Belgium due to a number of corporate files
    - small loan loss impairments in Slovakia and Bulgaria partly offset by:
    - net loan loss impairment releases in Ireland of 15m EUR (in line with 3Q18)
    - small net loan loss impairment reversals in Hungary and Group Centre
  - Note that there were no loan loss impairments nor releases in the Czech Republic

- **Impairment of 13m EUR on ‘other’, mainly as the result of a review of residual values of financial car leases under short-term contracts in the Czech Republic**

- **The credit cost ratio** amounted to -0.04% in FY18 due to low gross impairments and several releases

- **The impaired loans ratio** improved to 4.3%, 2.5% of which over 90 days past due. This sharp improvement was mainly the result of the sale of part of the Irish legacy portfolio (closed during 4Q18)
Section 2

4Q 2018 performance of business units
## Business profile

<table>
<thead>
<tr>
<th>Country</th>
<th>4Q18 NET RESULT (in million euros)</th>
<th>ALLOCATED CAPITAL (in billion euros)</th>
<th>LOANS (in billion euros)</th>
<th>DEPOSITS (in billion euros)</th>
<th>BRANCHES (end 2018)</th>
<th>Clients (end 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>361m</td>
<td>6.5bn</td>
<td>100bn</td>
<td>131bn</td>
<td>585</td>
<td>3.5m</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>170m</td>
<td>1.6bn</td>
<td>23bn</td>
<td>32bn</td>
<td>235</td>
<td>3.6m</td>
</tr>
<tr>
<td>Slovakia</td>
<td>13m</td>
<td>0.6bn</td>
<td>7bn</td>
<td>6bn</td>
<td>122</td>
<td>0.6m</td>
</tr>
<tr>
<td>Hungary</td>
<td>49m</td>
<td>0.8bn</td>
<td>4bn</td>
<td>8bn</td>
<td>206</td>
<td>1.6m</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>19m</td>
<td>0.4bn</td>
<td>3bn</td>
<td>4bn</td>
<td>214</td>
<td>1.3m</td>
</tr>
<tr>
<td>Ireland</td>
<td>11m</td>
<td>0.6bn</td>
<td>10bn</td>
<td>5bn</td>
<td>16</td>
<td>0.3m</td>
</tr>
<tr>
<td>Group Centre</td>
<td>-3m</td>
<td>0.3bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- 4Q18 NET RESULT: 361m, 170m, 13m, 49m, 19m, 11m, and -3m.
- Allocated Capital: 6.5bn, 1.6bn, 0.6bn, 0.8bn, 0.4bn, 0.6bn, and 0.3bn.
- Loans: 100bn, 23bn, 7bn, 4bn, 3bn, and 10bn.
- Deposits: 131bn, 32bn, 6bn, 8bn, 4bn, and 5bn.
- Branches: 585, 235, 122, 206, 214, and 16.
- Clients: 3.5m, 3.6m, 0.6m, 1.6m, 1.3m, and 0.3m.
Belgium BU (1): net result of 361m EUR

**Net result** at the Belgium Business Unit amounted to 361m EUR

- The quarter under review was characterised by higher net interest income, lower net fee and commission income, sharply lower trading and fair value income, higher other net income, an excellent combined ratio, higher sales of life insurance products, lower operating expenses and higher impairment charges q-o-q.
- Customer deposits excluding debt certificates and repos rose by 5% y-o-y, while customer loans also increased by 5% y-o-y.

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<table>
<thead>
<tr>
<th>ORGANIC VOLUME TREND</th>
<th>Total loans**</th>
<th>o/w retail mortgages</th>
<th>Customer deposits***</th>
<th>AuM</th>
<th>Life reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>100bn</td>
<td>35bn</td>
<td>131bn</td>
<td>186bn</td>
<td>26bn</td>
</tr>
<tr>
<td>Growth q-o-q*</td>
<td>+1%</td>
<td>+1%</td>
<td>0%</td>
<td>-6%</td>
<td>-2%</td>
</tr>
<tr>
<td>Growth y-o-y</td>
<td>+5%</td>
<td>+2%</td>
<td>-1%</td>
<td>-8%</td>
<td>-4%</td>
</tr>
</tbody>
</table>

* Non-annualised  ** Loans to customers, excluding reverse repos (and bonds)  *** Customer deposits, including debt certificates but excluding repos. Customer deposit volumes excluding debt certificates & repos stable q-o-q and +5% y-o-y.
Belgium BU (2): higher NII and NIM

Net interest income (647m EUR)
- Up by 2% q-o-q due mainly to:
  - good loan volume growth
  - higher netted positive impact of FX swaps
  - lower funding costs on term deposits
    partly offset by:
    - lower reinvestment yields
    - pressure on commercial margins
- Down by 4% y-o-y, driven primarily by:
  - lower netted positive impact of FX swaps
  - lower reinvestment yields
  - pressure on commercial loan margins
    partly offset by:
    - lower funding costs on term deposits
    - good loan volume growth
- Note that NII banking rose by 2% both q-o-q and y-o-y

Net interest margin (1.72%)
- Rose by 3 bps q-o-q due chiefly to a higher transformation result
  (as a result of higher volumes)
- Fell by 1 bp y-o-y due mainly to the negative impact of lower reinvestment yields and pressure on commercial loan margins
Credit margins in Belgium

PRODUCT SPREAD ON CUSTOMER LOAN BOOK, OUTSTANDING

PRODUCT SPREAD ON NEW PRODUCTION

Customer loans

SME and corporate loans
Mortgage loans
Belgium BU (3): lower net F&C income

### Net fee and commission income (273m EUR)
- Net F&C income decreased by 5% q-o-q due mainly to:
  - lower management fees from mutual funds and unit-linked life insurance products
  - lower securities-related fees
  - seasonally lower fees from payment services
  - higher commissions paid on life insurance sales partly offset by:
    - seasonally higher entry fees from mutual funds and unit-linked life insurance products
    - higher network income
- Fell by 15% y-o-y driven chiefly by lower entry and management fees from mutual funds & unit-linked life insurance products and lower securities-related fees partly offset by higher fees from payment services and higher network income

### Assets under management (186bn EUR)
- Decreased by 6% q-o-q (and by 8% y-o-y) due largely to a negative price effect

*Note that 3Q18 AuM figures were restated due to a reclassification of roughly -1bn EUR of assets under investment advice*
Belgium BU (4): higher y-o-y non-life sales, excellent combined ratio

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

- **Combined ratio** amounted to 87% in FY18 (86% in FY17), an exceptional level as a result of low technical charges. Note that FY17 was positively impacted by an one-off release of provisions (positive effect of 26m EUR). Excluding this one-off release, the combined ratio amounted to 88% in FY17
Belgium BU (5): higher q-o-q life sales, good cross-selling ratios

- **Sales of life insurance products**
  - Rose by 41% q-o-q driven mainly by higher sales of guaranteed interest products (attributable chiefly to traditionally higher volumes in tax-incentivised pension saving products in 4Q18) and higher sales of unit-linked products due to commercial efforts
  - Decreased by 14% y-o-y driven entirely by lower sales of unit-linked products
  - As a result, guaranteed interest products and unit-linked products accounted for 78% and 22%, respectively, of life insurance sales in 4Q18

- **Mortgage-related cross-selling ratios**
  - 85.6% for property insurance
  - 79.5% for life insurance
Belgium BU (6): sharply lower FV gains and higher other net income

- The sharply lower q-o-q figures for net gains from financial instruments at fair value were primarily due to a negative change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivative portfolio and increased credit & funding spreads) and, to a lesser extent, a negative change in ALM derivatives.

- Other net income amounted to 73m EUR in 4Q18, higher than the normal run rate driven by the settlement of legacy legal files.

**FV GAINS (pro forma for 2017*)**

**Other net income**

- Amounts in m EUR

---

* 2017 pro forma figures as:
  1) the impact of the FX derivatives was ‘netted’ in NII as of 2018
  2) the shift from realised gains on AFS shares and impairments on AFS shares to FIFV due to IFRS 9 (overlay approach for insurance)
Belgium BU (7): lower opex and higher impairments, good credit cost ratio

- **Operating expenses**: -3% q-o-q and -4% y-o-y
  - Operating expenses without bank tax fell by 3% q-o-q and by 4% y-o-y due mainly to lower ICT, staff and marketing expenses, partly offset by higher professional fee expenses
  - Cost/income ratio: 53% in 4Q18 and 58% in FY18. Adjusted for specific items, the C/I ratio amounted to 62% in 4Q18 and 58% in FY18 (53% in FY17)

- **Loan loss impairments** increased to 48m EUR in 4Q18 (compared with 3m EUR in 3Q18) as 4Q18 was impacted by a number of corporate files. **Credit cost ratio** amounted to 9 bps in FY18 (9 bps in FY17)

- **Impaired loans ratio** slightly increased to 2.6%, 1.2% of which over 90 days past due
Net result at the Belgium BU

* Difference between net profit at the Belgium Business Unit and the sum of the banking and insurance contribution is accounted for by the rounding up or down of figures.
Net result of 170m EUR in 4Q18

- +2% q-o-q excluding FX effect due mainly to higher net interest income and lower impairments, partly offset by lower net results from financial instruments at fair value and higher costs
- Customer deposits (including debt certificates, but excluding repos) rose by 8% y-o-y, while customer loans increased by 6% y-o-y

**Highlights**

- **Net interest income**
  - +11% q-o-q and +25% y-o-y excl. FX effects
  - Q-o-q increase: primarily due to short- & long-term increasing interest rates and growth in loan and deposit volume, despite pressure on commercial margins
  - Net interest margin at 3.25%: +21 bps q-o-q and +30 bps y-o-y
**Czech Republic BU**

### Net F&C income
- +4% q-o-q and +1% y-o-y on a pro forma basis excl. FX effects
- Q-o-q increase driven mainly by higher fees from payment services and higher fees from credit files & bank guarantees

### Assets under management
- 9.5bn EUR
- -3% q-o-q and -1% y-o-y due largely to a negative price effect

### Trading and fair value income
- 16m EUR lower q-o-q net results from financial instruments at fair value (to 4m EUR) due mainly to a lower q-o-q change in market, credit & funding value adjustments and lower dealing room results

### Insurance
- Insurance premium income (gross earned premium): 143m EUR
  - Non-life premium income (64m EUR) +10% y-o-y excluding FX effect, due to growth in all products
  - Life premium income (79m EUR) +25% q-o-q and -18% y-o-y, excluding FX effect. Q-o-q increase mainly in unit-linked single premiums
- Combined ratio of 97% in FY18 (97% in FY17)

---

**F&C (pro forma for 2017*)**

<table>
<thead>
<tr>
<th></th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
<th>1Q18</th>
<th>2Q18</th>
<th>3Q18</th>
<th>4Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>F&amp;C - network income</td>
<td>9</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>8</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>F&amp;C - banking &amp; insurance</td>
<td>47</td>
<td>47</td>
<td>53</td>
<td>57</td>
<td>56</td>
<td>52</td>
<td>54</td>
<td></td>
</tr>
</tbody>
</table>

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

---

**CROSS-SELLING RATIOS**

<table>
<thead>
<tr>
<th></th>
<th>Mortg. &amp; prop.</th>
<th>Mortg. &amp; life risk</th>
<th>Cons.fin. &amp; life risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>65%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>61%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>59%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>47%</td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>48%</td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>48%</td>
<td>48%</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>63%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>57%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>54%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Operating expenses**

- 187m EUR; +4% q-o-q and +6% y-o-y, excluding FX effect and bank tax
- Q-o-q increase excluding FX effect and bank tax was due mainly to seasonally higher facilities & other expenses and higher professional fees. Note that staff expenses stabilised q-o-q as wage inflation was offset by fewer FTEs and less severance costs
- Y-o-y increase excluding FX effect and bank tax was due primarily to higher staff expenses (wage inflation) and higher support to the Czech Post (which is compensated by lower paid fee)
- Cost/income ratio at 45% in 4Q18 and 47% in FY18. Adjusted for specific items, C/I ratio amounted to roughly 47% in 4Q18 and 46% in FY18 (43% in FY17)

**Loan loss and other impairment**

- No loan loss impairments in 4Q18 compared with 12m EUR loans loss impairments in 3Q18 due to 1 large corporate file. Credit cost ratio amounted to 0.03% in FY18
- Impaired loans ratio amounted to 2.4%, 1.3% of which >90 days past due
- Impairment of 10m EUR on ‘other’ mainly as the result of a review of residual values of financial car leases under short-term contracts
Net result of 93m EUR
- Slovakia 13m EUR, Hungary 49m EUR, Ireland 11m EUR and Bulgaria 19m EUR

**Highlights (q-o-q results)**
- Lower net interest income. NIM 2.74% in 4Q18 (-5 bps q-o-q and -10 bps y-o-y)
- Lower net fee and commission income
- Lower result from financial instruments at fair value
- An excellent combined ratio of 90% in FY18
- Lower life insurance sales (in HU)
- Higher costs (mainly higher bank taxes in IRL)
- Lower net impairment releases

**ORGANIC VOLUME TREND**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total loans **</th>
<th>o/w retail mortgages</th>
<th>Customer deposits***</th>
<th>AuM</th>
<th>Life reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>24bn</td>
<td>14bn</td>
<td>23bn</td>
<td>5.0bn</td>
<td>0.7bn</td>
</tr>
<tr>
<td>Growth q-o-q*</td>
<td>+1%</td>
<td>+2%</td>
<td>+2%</td>
<td>+4%</td>
<td>0%</td>
</tr>
<tr>
<td>Growth y-o-y</td>
<td>+4%</td>
<td>+4%</td>
<td>+2%</td>
<td>-11%</td>
<td>+3%</td>
</tr>
</tbody>
</table>

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

Net result of 13m EUR

Highlights (q-o-q results)

- Lower net interest income as margin pressure more than offset the volume growth
- Lower net fee & commission income due mainly to seasonally lower fees from payment services
- Lower net results from financial instruments at fair value due entirely to lower M2M ALM derivatives
- Lower net other income
- Excellent combined ratio (87% in FY18); slightly higher technical insurance result in life
- Higher operating expenses due mainly to higher marketing and regulatory costs
- Impairments (mainly in corporates and leasing) in 4Q18 compared with net impairment releases in 3Q18; credit cost ratio of 0.06% in FY18

Volume trend

- Total customer loans rose by 2% q-o-q and by 8% y-o-y, among other things due to the continuously increasing mortgage portfolio and corporate portfolio
- Total customer deposits stabilised q-o-q and increased by 5% y-o-y (due mainly to retail)

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

Net result of 49m EUR

Highlights (q-o-q results)
- Higher net interest income excluding FX effect (despite margin pressure)
- Stable net fee and commission income excluding FX effect
- Lower net results from financial instruments at fair value due mainly to lower M2M ALM derivatives and dealing room result
- Stable net other income
- Good non-life commercial performance y-o-y in all major product lines and growing average tariff in motor retail; excellent combined ratio (90% in FY18); lower sales of life insurance products q-o-q
- Higher operating expenses excluding FX effect due mainly to higher ICT and professional fee expenses
- Net impairment releases on loans (in retail). Credit cost ratio of -0.18% in FY18

Volume trend
- Total customer loans rose by 1% q-o-q and by 7% y-o-y, the latter due mainly to mortgages, corporates and SMEs
- Total customer deposits +6% q-o-q and y-o-y (due mainly to retail and SMEs)

<table>
<thead>
<tr>
<th>ORGANIC VOLUME TREND</th>
<th>Total loans **</th>
<th>o/w retail mortgages</th>
<th>Customer deposits***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>4bn</td>
<td>1bn</td>
<td>8bn</td>
</tr>
<tr>
<td>Growth q-o-q*</td>
<td>+1%</td>
<td>+6%</td>
<td>+6%</td>
</tr>
<tr>
<td>Growth y-o-y</td>
<td>+7%</td>
<td>+10%</td>
<td>+6%</td>
</tr>
</tbody>
</table>

* Non-annualised  ** Loans to customers, excluding reverse repos (and bonds)  *** Customer deposits, including debt certificates but excluding repos
Net result of 11m EUR

**Highlights** (q-o-q results)
- Lower net interest income due mainly to the closing of the sale of part of the legacy loan portfolio during 4Q18
- Lower net results from financial instruments due entirely to lower M2M ALM derivatives
- Higher expenses due entirely to higher bank tax. Costs excluding bank tax fell q-o-q due mainly to lower ICT expenses and lower one-off costs (1m in 4Q18 compared with 3m EUR in 3Q18)
- Stable net impairment releases (-15m EUR both in 4Q18 and 3Q18). Releases in 4Q18 were driven by an increase in the 9-month average House Price Index. Credit cost ratio of -0.96% in FY18

**Volume trend**
- Total customer loans rose by 1% q-o-q and stabilised y-o-y
- Total customer deposits -3% q-o-q and -9% y-o-y as expensive corporate deposits were deliberately replaced by intragroup funding

<table>
<thead>
<tr>
<th>ORGANIC VOLUME TREND</th>
<th>Total loans **</th>
<th>o/w retail mortgages</th>
<th>Customer deposits***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>10bn</td>
<td>9bn</td>
<td>5bn</td>
</tr>
<tr>
<td>Growth q-o-q*</td>
<td>+1%</td>
<td>+1%</td>
<td>-3%</td>
</tr>
<tr>
<td>Growth y-o-y</td>
<td>0%</td>
<td>+1%</td>
<td>-9%</td>
</tr>
</tbody>
</table>

* Non-annualised
** Loans to customers, excluding reverse repos (and bonds) and disregarding the sale of part of the legacy loan portfolio (which closed during 4Q18, and thus has been deducted from the loan volumes)
*** Customer deposits, including debt certificates but excluding repos
Highlights (q-o-q results)

- Banking (CIBank & UBB/Interlease): lower net result
  - Lower net interest income due to margin pressure
  - Lower net fee and commission income due mainly to higher insurance distribution expenses (due to higher sales)
  - Stable net results from financial instruments
  - Higher operating expenses due mainly to higher ICT and staff expenses
  - Small loan loss impairments in 4Q18 compared with net impairment releases on loans in 3Q18. Credit cost ratio of -0.31% in FY18. Impairment of 2m EUR on ‘other’, mainly on a legacy property file

- Insurance (DZI): stable net result
  - Strong non-life commercial performance y-o-y in motor retail (both strong volume growth and growing average tariff), but also higher technical charges; excellent combined ratio at 91% in FY18
  - Higher life insurance sales with stable technical charges

Volume trend:

- Total customer loans stabilised q-o-q and +3% y-o-y, the latter mainly due to the increasing mortgage and corporate portfolio
- Total customer loans: new business stable q-o-q and +6% y-o-y, while legacy -6% q-o-q and -26% y-o-y
- Total customer deposits rose by 3% q-o-q and by 5% y-o-y

NET RESULT

<table>
<thead>
<tr>
<th></th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
<th>1Q18</th>
<th>2Q18</th>
<th>3Q18</th>
<th>4Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts in m EUR</td>
<td>4</td>
<td>5</td>
<td>22</td>
<td>18</td>
<td>21</td>
<td>26</td>
<td>31</td>
<td>19</td>
</tr>
</tbody>
</table>

ORGANIC VOLUME TREND

<table>
<thead>
<tr>
<th></th>
<th>Total loans **</th>
<th>o/w retail mortgages</th>
<th>Customer deposits***</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>3bn</td>
<td>1bn</td>
<td>4bn</td>
</tr>
<tr>
<td>Growth q-o-q*</td>
<td>0%</td>
<td>0%</td>
<td>+3%</td>
</tr>
<tr>
<td>Growth y-o-y</td>
<td>+3%</td>
<td>+2%</td>
<td>+5%</td>
</tr>
</tbody>
</table>
Group Centre

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

**Highlights (q-o-q results)**

Q-o-q improvement was attributable mainly to:
- a positive change in ALM derivatives
  partly offset by
- higher income taxes

<table>
<thead>
<tr>
<th>NET RESULT</th>
<th>Amounts in m EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q17</td>
<td>33</td>
</tr>
<tr>
<td>2Q17</td>
<td>12</td>
</tr>
<tr>
<td>3Q17</td>
<td>-12</td>
</tr>
<tr>
<td>4Q17</td>
<td>-179</td>
</tr>
<tr>
<td>1Q18</td>
<td>5</td>
</tr>
<tr>
<td>2Q18</td>
<td>-53</td>
</tr>
<tr>
<td>3Q18</td>
<td>-17</td>
</tr>
<tr>
<td>4Q18</td>
<td>-3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BREAKDOWN OF NET RESULT AT GROUP CENTRE</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
<th>1Q18</th>
<th>2Q18</th>
<th>3Q18</th>
<th>4Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group item (ongoing business)</td>
<td>-50</td>
<td>0</td>
<td>-31</td>
<td>-157</td>
<td>-17</td>
<td>-63</td>
<td>-27</td>
<td>-18</td>
</tr>
<tr>
<td>Operating expenses of group activities</td>
<td>-14</td>
<td>-14</td>
<td>-20</td>
<td>-25</td>
<td>-17</td>
<td>-15</td>
<td>-18</td>
<td>-28</td>
</tr>
<tr>
<td>Capital and treasury management</td>
<td>-18</td>
<td>17</td>
<td>5</td>
<td>-5</td>
<td>-4</td>
<td>8</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>o/w net subordinated debt cost</td>
<td>-9</td>
<td>-9</td>
<td>-9</td>
<td>-13</td>
<td>-6</td>
<td>-3</td>
<td>-3</td>
<td>-2</td>
</tr>
<tr>
<td>Holding of participations</td>
<td>-9</td>
<td>-13</td>
<td>-13</td>
<td>18</td>
<td>1</td>
<td>3</td>
<td>-4</td>
<td>-9</td>
</tr>
<tr>
<td>o/w net funding cost of participations</td>
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<td>0</td>
<td>0</td>
<td>-1</td>
<td>-1</td>
<td>-2</td>
<td>-2</td>
<td>-8</td>
</tr>
<tr>
<td>Group Re</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>10</td>
<td>7</td>
<td>6</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>-14</td>
<td>5</td>
<td>-9</td>
<td>-154</td>
<td>-3</td>
<td>-64</td>
<td>-13</td>
<td>5</td>
</tr>
<tr>
<td>Ongoing results of divestments and companies in run-down</td>
<td>83</td>
<td>11</td>
<td>19</td>
<td>-22</td>
<td>23</td>
<td>10</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>12</td>
<td>-12</td>
<td>-179</td>
<td>5</td>
<td>-53</td>
<td>-17</td>
<td>-3</td>
</tr>
</tbody>
</table>

Amounts in m EUR
Overview of contribution of business units to FY18 result

**NET PROFIT – KBC GROUP**

<table>
<thead>
<tr>
<th>Year</th>
<th>4Q</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,762</td>
<td>1,776</td>
</tr>
<tr>
<td>2015</td>
<td>863</td>
<td>1,742</td>
</tr>
<tr>
<td>2016</td>
<td>2,427</td>
<td>2,113</td>
</tr>
<tr>
<td>2017</td>
<td>2,575</td>
<td>1,948</td>
</tr>
<tr>
<td>2018</td>
<td>2,570</td>
<td>621</td>
</tr>
</tbody>
</table>

FY18 ROAC: 24%

**Amounts in m EUR**

**NET PROFIT – BELGIUM**

<table>
<thead>
<tr>
<th>Year</th>
<th>4Q</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,516</td>
<td>414</td>
</tr>
<tr>
<td>2015</td>
<td>1,564</td>
<td>348</td>
</tr>
<tr>
<td>2016</td>
<td>1,432</td>
<td>439</td>
</tr>
<tr>
<td>2017</td>
<td>1,575</td>
<td>335</td>
</tr>
<tr>
<td>2018</td>
<td>1,450</td>
<td>361</td>
</tr>
</tbody>
</table>

FY18 ROAC: 22%

**NET PROFIT – CZECH REPUBLIC**

<table>
<thead>
<tr>
<th>Year</th>
<th>4Q</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>528</td>
<td>121</td>
</tr>
<tr>
<td>2015</td>
<td>542</td>
<td>119</td>
</tr>
<tr>
<td>2016</td>
<td>596</td>
<td>131</td>
</tr>
<tr>
<td>2017</td>
<td>702</td>
<td>168</td>
</tr>
<tr>
<td>2018</td>
<td>654</td>
<td>170</td>
</tr>
</tbody>
</table>

FY18 ROAC: 39%

**NET PROFIT – INTERNATIONAL MARKETS**

<table>
<thead>
<tr>
<th>Year</th>
<th>4Q</th>
<th>9M</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>-175</td>
<td>-182</td>
</tr>
<tr>
<td>2015</td>
<td>245</td>
<td>61</td>
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<tr>
<td>2016</td>
<td>428</td>
<td>289</td>
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<tr>
<td>2017</td>
<td>444</td>
<td>370</td>
</tr>
<tr>
<td>2018</td>
<td>533</td>
<td>440</td>
</tr>
</tbody>
</table>

FY18 ROAC: 24%
Balance sheet:
*Loans and deposits continue to grow in most core countries*

**Y-O-Y ORGANIC** Volume Growth**

- **Loans**: 5%
- **Retail mortgages**: 6%
- **Deposits**: 7%

---

**Loans**

- BE: 8%
- SK: 10%
- BG: 5%

**Retail mortgages**

- BE: 2%
- SK: 2%
- BG: 5%

**Deposits***

- BE: -1%
- SK: 5%
- BG: 1%

---

*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 Bulgaria: new business (written from 1 Jan 2014) +6% y-o-y, while legacy -26% y-o-y*
Section 3

Strong solvency and solid liquidity
At the end of 4Q18, the CET1 ratio has increased by 24 bps q-o-q to 16.22%. In line with our capital distribution policy, the Board of Directors decided that for the year 2018 the capital above the ‘Reference Capital Position’ (16.0%) will be paid out (which will be proposed to the AGM and lead to a payout ratio of 59%). As such, the common equity ratio* remained stable at 16.0% at the end of FY18 based on the Danish Compromise. This clearly exceeds the minimum capital requirements** set by the competent supervisors of 10.6% fully loaded and our ‘Own Capital Target’ of 14.0%

- Note that 1 January 2018, there is no longer a difference between fully loaded and phased-in
- Excludes a pillar 2 guidance (P2G) of 1.0% CET1

The fully loaded total capital ratio fell from 20.9% at the end of 9M18 to 19.2% at the end of 2018 as we announced we will call the 1.4bn EUR AT1 in March 2019. Hence, the capital value of the AT1 has already been excluded from AT1
Fully loaded Basel 3 leverage ratio and Solvency II ratio

- The increase (+1% point) in the Solvency II ratio was mainly the result of a decrease in equity markets and a higher volatility adjustment.
Strong and growing customer funding base with liquidity ratios remaining very strong

- KBC Bank continues to have a strong retail/mid-cap deposit base in its core markets – resulting in a stable funding mix with a significant portion of the funding attracted from core customer segments and markets
- Customer funding increased further versus FY17. The net unsecured interbank funding was related to ST arbitrage opportunities

<table>
<thead>
<tr>
<th>Ratios</th>
<th>FY17</th>
<th>FY18</th>
<th>Regulatory requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSFR*</td>
<td>134%</td>
<td>136%</td>
<td>≥100%</td>
</tr>
<tr>
<td>LCR**</td>
<td>139%</td>
<td>139%</td>
<td>≥100%</td>
</tr>
</tbody>
</table>

- NSFR is at 136% and LCR is at 139% by the end of FY18
  - Both ratios were well above the regulatory requirement of 100%
Section 4

FY 2018 key takeaways
FY 2018 key takeaways

FY18 financial performance

- Commercial bank-insurance franchises in core markets performed well
- Customer loans and customer deposits increased in most of our core countries
- Higher net interest income and net interest margin
- Lower net fee and commission income
- Lower net gains from financial instruments at fair value and higher net other income
- Excellent sales of non-life insurance and lower sales of life insurance y-o-y
- Costs up
- Net impairments releases on loans
- Solid solvency and liquidity
- A total gross dividend of 3.5 EUR per share will be proposed to the AGM for the 2018 accounting year (of which an interim dividend of 1 EUR per share paid in November 2018 and a final dividend of 2.5 EUR per share)

Excellent net result of 2,570m EUR in FY18

<table>
<thead>
<tr>
<th>FY18 financial performance</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result</td>
<td>2.570</td>
</tr>
<tr>
<td>FY16</td>
<td>2.427</td>
</tr>
<tr>
<td>FY17</td>
<td>2.575</td>
</tr>
<tr>
<td>ROE 16%</td>
<td></td>
</tr>
<tr>
<td>Cost-income ratio 57% (excl. specific items)</td>
<td></td>
</tr>
<tr>
<td>Combined ratio 88%</td>
<td></td>
</tr>
<tr>
<td>Credit cost ratio -0.04%</td>
<td></td>
</tr>
<tr>
<td>Common equity ratio 16.0% (B3, DC, fully loaded)</td>
<td></td>
</tr>
<tr>
<td>Leverage ratio 6.1% (fully loaded)</td>
<td></td>
</tr>
<tr>
<td>NSFR 136% &amp; LCR 139%</td>
<td></td>
</tr>
<tr>
<td>Pay-out ratio 59% (including the total dividend and AT1 coupon)</td>
<td></td>
</tr>
</tbody>
</table>

FY 2018 key takeaways

FY18 financial performance

- Commercial bank-insurance franchises in core markets performed well
- Customer loans and customer deposits increased in most of our core countries
- Higher net interest income and net interest margin
- Lower net fee and commission income
- Lower net gains from financial instruments at fair value and higher net other income
- Excellent sales of non-life insurance and lower sales of life insurance y-o-y
- Costs up
- Net impairments releases on loans
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- A total gross dividend of 3.5 EUR per share will be proposed to the AGM for the 2018 accounting year (of which an interim dividend of 1 EUR per share paid in November 2018 and a final dividend of 2.5 EUR per share)
Section 5

Looking forward
Looking forward

**Economic outlook**
- European economic conditions generally solid, although the growth peak is behind us. Decreasing unemployment rates, with growing labour shortages in some European economies, combined with gradually rising wage inflation will continue to support private consumption. Moreover, also investments will remain an important growth driver. The main elements that could substantially impede European economic sentiment and growth remain the risk of further economic de-globalisation, including an escalation of trade conflicts, Brexit and political turmoil in some euro area countries.

**Group guidance**
- Solid returns for all Business Units
- A negative impact of the first-time application of IFRS 16 (as of January 1\(^{st}\) 2019) on our CET1 ratio of approximately 6 bps
- Impact of the reform of the Belgian corporate income tax regime: recurring positive P&L impact as of 2018 onwards and one-off negative impact in 4Q17 will be fully recuperated in roughly 3 years’ time
- B4 impact (as of January 1\(^{st}\) 2022) for KBC Group estimated at roughly 8bn EUR higher RWA on fully loaded basis at year-end 2018, corresponding with 9% RWA inflation and -1.3% points impact on CET1 ratio

**Business units**
- Next to the Belgium and Czech Republic Business Units, the International Markets Business Unit has become a strong net result contributor (although 2018 figures were flattered by net impairment releases)
Annex 1

FY 2018 performance of KBC Group
FY 2018 net result amounted to 2,570m EUR

- **Net result stabilised y-o-y at 2,570m EUR in 2018**, mainly as a result of the following:

  - Revenues fell by 1% y-o-y pro forma mainly due to sharply lower net result from FIFV and lower net fee & commission income, largely offset by higher net interest income, net other income and result from life and non-life insurance after reinsurance.

  - Operating expenses excluding bank tax increased by 4% y-o-y or 137m EUR y-o-y in FY18. Total bank taxes (including ESRF contribution) increased from 439m EUR in FY17 to 462m EUR in FY18. Excluding the consolidation impact of UBB/Interlease, bank tax, FX effect and one-off costs, operating expenses in FY18 rose by 1.7% y-o-y.

  - Net impairment releases of 17m EUR, due chiefly to:
    - A net loan loss provision release in Ireland (112m EUR) and small reversals in Hungary, Bulgaria and the Group Centre.
    - Low gross impairments in all segments and all countries.
    - Impairment of 45m EUR on ‘other’, mainly as the result of a review of residual values of financial car leases under short-term contracts in the Czech Republic.
Higher net interest income and net interest margin

### Net interest income
- Net interest income rose by 3% y-o-y
- Net interest income banking rose by 6% y-o-y due mainly to lower funding costs, the additional positive impact of both short- & long-term interest rate increases in the Czech Republic, continued good loan volume growth and the consolidation of UBB, which were partly offset by lower reinvestment yields in our euro area core countries, pressure on commercial loan margins in most core countries and lower netted positive impact of ALM FX swaps
- Net interest income insurance fell by 10% y-o-y due to the negative impact of lower reinvestment yields
- Loan volumes increased by 5% y-o-y (+5% in the Belgium BU, +6% in the Czech Republic BU and +4% in the International Markets BU)
- Customer deposits excluding debt certificates and repos also rose by 5% y-o-y (+5% in the Belgium BU, +7% in the Czech Republic BU and +2% in the International Markets BU)

### Net interest margin (2.00%)
- Increased by 5 bps y-o-y due mainly to the positive impact of repo rate hikes in the Czech Republic and lower funding costs

#### NII (pro forma for 2017*)

<table>
<thead>
<tr>
<th>Year</th>
<th>Amounts in m EUR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>123</td>
</tr>
<tr>
<td>2018</td>
<td>12</td>
</tr>
</tbody>
</table>

#### NIM (pro forma for 2017***)

<table>
<thead>
<tr>
<th>Year</th>
<th>NIM (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1.95</td>
</tr>
<tr>
<td>2018</td>
<td>2.00</td>
</tr>
</tbody>
</table>

#### VOLUME TREND
- Total loans* 147bn
- o/w retail mortgages 61bn
- Customer deposits** 194bn
- AuM 200bn
- Life reserves 29bn

* Loans to customers, excluding reverse repos (and bonds)
** Customer deposits, including debt certificates but excluding repos. Customer deposit volumes excluding debt certificates & repos stable q-o-q and +5% y-o-y

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

### Net fee and commission income
- Decreased by 5% y-o-y:
  - Net F&C from Asset Management Services decreased by 10% y-o-y as a result of lower entry and management fees from mutual funds & unit-linked life insurance products
  - Net F&C income from banking services increased by 2% y-o-y due mainly to higher fees from payment services
  - Distribution costs fell by 5% y-o-y

### Assets under management (200bn EUR)
- Decreased by 8% y-o-y due largely to a negative price effect
Higher non-life insurance sales and exceptional combined ratio

- **Sales of non-life insurance products**
  - Up by 7% y-o-y mainly thanks to a good commercial performance in all major product lines in our core markets and tariff increases

- **The non-life combined ratio** at FY18 stood at an exceptional **88%**. This is in line with FY17, which benefited from an one-off release of provisions in Belgium (positive effect of 26m EUR). Excluding this one-off release, the combined ratio amounted to 90% at FY17
Lower life insurance sales and lower VNB

- **Sales of life insurance products**
  - Down by 3% y-o-y
    - The 18% y-o-y decrease in sales of unit-linked products was the result of a less favourable investment climate
    - Sales of guaranteed interest products rose by 8% y-o-y
  - Sales of unit-linked products accounted for 39% of total life insurance sales

- **VNB**
  - Fell by 21% y-o-y to 231.7m EUR due to the exceptionally good 2017 result:
    - Overall decrease in new business volumes of unit-linked products in most entities. Due to exceptionally good unit-linked sales in 2017, the decrease is most pronounced for KBC Insurance NV and K&H Insurance
    - At KBC Insurance NV, the decrease in unit-linked volumes was partly offset by an increase in new business volumes of guaranteed interest products
  - Overall profitability still supported by stable volume and high profitability of risk products

---

**VNB** = Value of New Business = present value of all future profit attributable to the shareholders from the new life insurance policies written during the year 2018

The VNB of KBC Group includes the expected future income generated by other parties within KBC Group arising from the sales of life insurance business. In 2018, this income amounted to 114m EUR (compared with 175m EUR in 2017)

VNB/PVNPB = VNB at point of sale compared with the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums
Lower FV gains and higher other net income

The sharply lower y-o-y figure for net gains from financial instruments at fair value was attributable to:
- Lower dealing room results
- A negative change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio and increased credit spreads)
- A negative change in ALM derivatives (33m EUR in FY18 compared with 92m EUR in FY17)
- Lower net result on equity instruments (insurance)

Other net income sharply increased to 226m EUR in FY18 from 114m EUR in FY17. This is mainly the result of the settlement of some legacy legal files in 2018, while 2017 was impacted by an additional provision of 116m EUR related to the industry wide review of the tracker rate mortgage products originated in Ireland before 2009.

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

- **Cost/income ratio (banking):** 57.5% in FY18
- **Adjusted for specific items**, the C/I ratio amounted to 57% in FY18 (compared with 55% in FY17). Excluding bank tax, C/I ratio amounted to 50% in FY18
  
  - Operating expenses excluding bank tax increased by 4% y-o-y or 137m EUR y-o-y in FY18
  
  - Total bank taxes (including ESRF contribution) increased from 439m EUR in FY17 to 462m EUR in FY18
  
  - Excluding the consolidation impact of UBB/Interlease, bank tax, FX effect and one-off costs, operating expenses in FY18 rose by 1.7% y-o-y

*See glossary (slide 89) for the exact definition*
Net impairment releases, excellent credit cost and improved impaired loans ratio

- **Net impairment releases of 17m EUR in FY18**, due chiefly to:
  - A net loan loss provision release in Ireland (112m EUR) and small reversals in Hungary, Bulgaria and the Group Centre
  - Low gross impairments in all segments and all countries
  - Impairment of 45m EUR on ‘other’, mainly as the result of a review of residual values of financial car leases under short-term contracts in the Czech Republic

- The **credit cost ratio** amounted to -0.04% in FY18 due to low gross impairments and several releases (-0.06% in FY17)

- The **impaired loans ratio** improved to 4.3%, of which 2.5% over 90 days past due. This sharp improvement was partly the result of the sale of part of the Irish portfolio
Annex 2

Company profile
KBC Group in a nutshell (1)

✓ We want to be among Europe’s best performing financial institutions! By achieving this, KBC wants to become the reference in bank-insurance in its core markets
  • We are a leading European financial group with a focus on providing bank-insurance products and services to retail, SME and mid-cap clients, in our core countries: Belgium, Czech Republic, Slovakia, Hungary, Bulgaria and Ireland.

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

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

KBC Group: topline diversification 2014-2018 (in %)

FY 2014  FY 2015  FY 2016  FY 2017  FY 2018
Net Interest Income 45% 47% 49% 49% 47%
Other Income 55% 53% 51% 51% 53%

Customer Centricity
Synergy
Diversification

FY 2014  FY 2015  FY 2016  FY 2017  FY 2018
High profitability

- C/I ratio: FY18 57%, FY17 55%
- Combined ratio: FY18 88%, FY17 88%
- Net result: EUR 2570m (FY18), EUR 2575m (FY17)
- ROE: FY18 16%, FY17 17%

Solid capital position...

- Fully loaded Basel 3 CET1 ratio of KBC Group (Danish Compromise):
  - 2017: 15.7%
  - 2016: 15.9%
  - 2016: 16.3%
  - 2016: 15.9%
  - 2016: 15.8%
  - 2016: 16.0%
  - 2016: 16.0%
  - 2016: 14.0% ‘Own Capital Target’
  - 2016: 10.6% regulatory minimum

... and robust liquidity positions

- NSF: FY18 136%, FY17 134%
- LCR: FY18 139%, FY17 139%
We aim to be one of the better capitalised financial institutions in Europe

- Every year, we assess the CET1 ratios of a peer group of European banks active in the retail, SME and corporate client segments. We position ourselves on the fully loaded median CET1 ratio of the peer group (14% at end of 2017)
- We want 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 our ‘Own Capital Target’ and together they form the ‘Reference Capital Position’
- Any M&A opportunity will be assessed subject to very strict financial and strategic criteria

Capital distribution to shareholders

- Payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit
- Interim dividend of 1 EUR per share in November of each accounting year as an advance on the total dividend
- On top of the payout ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the ‘Reference Capital Position’
## Well-defined core markets: access to ‘new growth’ in Europe

### Market Share (end 2018)

<table>
<thead>
<tr>
<th></th>
<th>BE</th>
<th>CZ</th>
<th>SK</th>
<th>HU</th>
<th>BG</th>
<th>IRL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and deposits</td>
<td>20%</td>
<td>19%</td>
<td>10%</td>
<td>11%</td>
<td>10%</td>
<td>9%*</td>
</tr>
<tr>
<td>Investment funds</td>
<td>32%</td>
<td>23%</td>
<td>7%</td>
<td>13%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>Life insurance</td>
<td>13%</td>
<td>8%</td>
<td>4%</td>
<td>3%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Non-life insurance</td>
<td>9%</td>
<td>8%</td>
<td>3%</td>
<td>7%</td>
<td>11%</td>
<td></td>
</tr>
</tbody>
</table>

### Real GDP Growth

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019e</th>
<th>2020e</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Assets</td>
<td>64%</td>
<td>19%</td>
<td>4%</td>
</tr>
<tr>
<td>2018</td>
<td>1.4%</td>
<td>2.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>2019e</td>
<td>1.2%</td>
<td>2.6%</td>
<td>3.7%</td>
</tr>
<tr>
<td>2020e</td>
<td>1.1%</td>
<td>2.3%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

* Retail segment

---

**GDP growth:** KBC data, February ’19
KBC is a leading player (providing bank-insurance products and services to retail, SME and mid-cap clients) in Belgium, the Czech Republic and its 4 core countries in the International Markets Business Unit.

BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 31 DECEMBER 2018

- Belgium: 61%
- International Markets: 21%
- Czech Republic: 15%
- Group Centre: 3%
- Roughly 40% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals. Committed shareholders include the Cera/KBC Ancora Group (co-operative investment company), the Belgian farmers’ association (MRBB) and a group of Belgian industrialist families.
- The free float is held mainly by a large variety of international institutional investors.
KBC 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

Level 4: Integrated distribution and operation
Acting as a single operational company: bank and insurance operations working under unified governance and achieving commercial and non-commercial synergies

Level 3: Integrated distribution
Acting as a single commercial company: bank and insurance operations working under unified governance and achieving commercial synergies

Level 2: Exclusive distribution
Bank branches selling insurance products from intra-group insurance company as additional source of fee income

Level 1: Non-exclusive distribution
Bank branches selling insurance products of third party insurers as additional source of fee income

KBC targets to reach at least level 3 in every country, adapted to the local market structure and KBC’s market position in banking and insurance
More of the same... but differently...

• Integrated distribution model according to a real-time omni-channel approach remains key but client interaction will change over time. Technological development will be the driving force.

• Human interface will still play a crucial role.

• Simplification is a prerequisite:
  • In the way we operate
  • Is a continuous effort
  • Is part of our DNA

• Client-centricity will be further fine-tuned into ‘think client, but design for a digital world’.

• Digitalisation end-to-end, front- and back-end, is the main lever:
  • All processes digital
  • Execution is the differentiator

• Further increase efficiency and effectiveness of data management.

• Set up an open architecture IT package as core banking system for our International Markets Unit.

• Improve the applications we offer our clients (one-stop-shop offering) via co-creation/partnerships with Fintechs and other value chain players.

• Investment in our digital presence (e.g., social media) to enhance client relationships and anticipate their needs.

• Easy-to-access and convenient-to-use set-up for our clients.

• Clients will drive the pace of action and change.

• Further development of a fast, simple and agile organisation structure.

• Different speed and maturity in different entities/core markets.

• Adaptation to a more open architecture (with easy plug in and out) to be future-proof and to create synergy for all.
# KBC the reference...

*Group financial guidance (Investor visit 2017)*

<table>
<thead>
<tr>
<th>Guidance</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR total income (‘16-‘20)*</td>
<td>≥ 2.25% by 2020</td>
</tr>
<tr>
<td>C/I ratio banking excluding bank tax</td>
<td>≤ 47% by 2020</td>
</tr>
<tr>
<td>C/I ratio banking including bank tax</td>
<td>≤ 54% by 2020</td>
</tr>
<tr>
<td>Combined ratio</td>
<td>≤ 94% by 2020</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>≥ 50% as of now</td>
</tr>
</tbody>
</table>

* Excluding marked-to-market valuations of ALM derivatives

<table>
<thead>
<tr>
<th>Regulatory requirements</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common equity ratio*excluding P2G</td>
<td>≥ 10.6% by 2019</td>
</tr>
<tr>
<td>Common equity ratio*including P2G</td>
<td>≥ 11.6% by 2019</td>
</tr>
<tr>
<td>MREL ratio</td>
<td>≥ 25.9% by May ‘19</td>
</tr>
<tr>
<td>NSFR</td>
<td>≥ 100% as of now</td>
</tr>
<tr>
<td>LCR</td>
<td>≥ 100% as of now</td>
</tr>
</tbody>
</table>

* Fully loaded, Danish Compromise. P2G = Pillar 2 guidance.
### Non-financial guidance:
**CAGR Bank-Insurance clients**
(1 Bank product + 1 Insurance product)

<table>
<thead>
<tr>
<th>BU</th>
<th>Goal</th>
<th>End</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>BU BE</td>
<td>≥ 2%</td>
<td>2020</td>
<td>+1%</td>
</tr>
<tr>
<td>BU CR</td>
<td>≥ 15%</td>
<td>2020</td>
<td>+12%</td>
</tr>
<tr>
<td>BU IM</td>
<td>≥ 10%</td>
<td>2020</td>
<td>+31%</td>
</tr>
</tbody>
</table>

**Actual** (growth FY18-FY16)

### Non-financial guidance:
**CAGR Bank-Insurance stable clients**
(3 Bk + 3 Ins products in Belgium; 2 Bk + 2 Ins products in CE)

<table>
<thead>
<tr>
<th>BU</th>
<th>Goal</th>
<th>End</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>BU BE</td>
<td>≥ 2%</td>
<td>2020</td>
<td>+1%</td>
</tr>
<tr>
<td>BU CR</td>
<td>≥ 15%</td>
<td>2020</td>
<td>+19%</td>
</tr>
<tr>
<td>BU IM</td>
<td>≥ 15%</td>
<td>2020</td>
<td>+33%</td>
</tr>
</tbody>
</table>

**Actual** (growth FY18-FY16)

### Non-financial guidance:
**% Inbound contacts via omni-channel and digital channel***

<table>
<thead>
<tr>
<th>KBC Group**</th>
<th>Goal</th>
<th>End</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>≥ 80%</td>
<td>2020</td>
<td>78%</td>
</tr>
</tbody>
</table>

**Actual** (end 2018)

---

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

** Bulgaria & PSB out of scope for Group target
Inbound contacts via omni-channel and digital channel* at KBC Group** amounted to 78% at end 2018... on track to reach Investor Visit target (≥ 80% by 2020)

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

** Bulgaria & PSB out of scope for Group target
Digital Investments 2017-2020

Cashflow 2017-2020 = 1.5bn EUR

Operating Expenses 2017-2020 = 1bn EUR

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

Organic growth or operational efficiencies

Strategic Growth 36%

Strategic Transformation 44%

Omni-channel and core-banking system

(2017)

2018

2019

2020

43

94

112

Strategic Grow

44

78

125

Strategic Transform

48

83

127

Regulatory

55

90

128

Total of 1bn EUR

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

- **Consumer loans**
  - 2017: 10,000
  - 2018: 30,000

- **Pension savings**
  - 2017: 50,000
  - 2018: 150,000

- **Travel insurance**
  - 2017: 10,000
  - 2018: 30,000

- **Current accounts**
  - 2017: 2,000
  - 2018: 7,000
Omnichannel is embraced by our clients (examples: Belgium BU)

Digital signing after contact with the branches or KBC Live

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

KBC Live cumulative sales
Sustainability
The core of our sustainability strategy

Strict policies for our day-to-day activities

Focus on sustainable investments

Reducing our own environmental footprint

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

2018 achievements:
• Launch of the first Belgian Sustainable Pension Savings Fund for private individuals
• Successful launch of the Green Bond Framework and issue of the Inaugural Green Bond of 500m EUR
• SRI funds increased to 9 bn EUR by the end of 2018 (9.75 bn EUR including KBC’s Pension Fund for its employees)
• Updated KBC Sustainability Policies
• KBC/CSOB announced to stop financing of Coal Fired Power Generation and Coal mining (current exposure phases out in 2023)
• Launch of a Sustainable Finance Program (implementation of TCFD-recommendations and the EU Action Plan on Sustainable Finance)

Please find more info in our 2017 Sustainability Report
## Sustainability
Our non-financial environmental targets

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Goal</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of renewables in total energy credit portfolio</td>
<td>Minimum 50% by 2030</td>
<td>43.8%</td>
<td>41.1%</td>
</tr>
<tr>
<td>Financing of coal-related activities</td>
<td>Immediate stop of coal-related activities and gradual exit in the Czech Republic by 2023¹</td>
<td>34m EUR exposure</td>
<td>86m EUR exposure</td>
</tr>
<tr>
<td>Total GHG emissions (excluding commuter travel)</td>
<td>25% reduction by 2020 relative to 2015, both absolute and per FTE Long term target for a 50%-decrease by 2030</td>
<td>On track for obtaining 2020 and 2030 targets</td>
<td>-28.9% (absolute) -28.1% (per FTE)</td>
</tr>
<tr>
<td>ISO 14001-certified environmental management system</td>
<td>ISO 14001 certification in all core countries at the end of 2017</td>
<td>All 6 core countries certified</td>
<td>Belgium, Slovakia, Hungary and Bulgaria</td>
</tr>
<tr>
<td>Business solutions in each of the focus domains</td>
<td>Develop sustainable banking and insurance products and services to meet a range of social and environmental challenges</td>
<td>See Sustainability &amp; Annual Report 2017. Updated examples in upcoming 2018 publications</td>
<td>For examples: see Sustainability &amp; Annual Report 2017</td>
</tr>
<tr>
<td>Volume of SRI funds</td>
<td>10 billion EUR by end 2020²</td>
<td>9 billion EUR³</td>
<td>7.1 billion EUR</td>
</tr>
<tr>
<td>Awareness of SRI among both our staff and clients</td>
<td>Increase awareness and knowledge of SRI</td>
<td>100% awareness among Belgian sales teams through e-learning courses</td>
<td>Progress in line with target</td>
</tr>
</tbody>
</table>

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

Annex 3

Other items
# Loan loss experience at KBC

<table>
<thead>
<tr>
<th></th>
<th>FY18 CREDIT COST RATIO</th>
<th>FY17 CREDIT COST RATIO</th>
<th>FY16 CREDIT COST RATIO</th>
<th>FY15 CREDIT COST RATIO</th>
<th>FY14 CREDIT COST RATIO</th>
<th>AVERAGE ‘99 –’18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>0.09%</td>
<td>0.09%</td>
<td>0.12%</td>
<td>0.19%</td>
<td>0.23%</td>
<td>n/a</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.03%</td>
<td>0.02%</td>
<td>0.11%</td>
<td>0.18%</td>
<td>0.18%</td>
<td>n/a</td>
</tr>
<tr>
<td>International Markets</td>
<td>-0.46%</td>
<td>-0.74%</td>
<td>-0.16%</td>
<td>0.32%</td>
<td>1.06%</td>
<td>n/a</td>
</tr>
<tr>
<td>Group Centre</td>
<td>-0.83%</td>
<td>0.40%</td>
<td>0.67%</td>
<td>0.54%</td>
<td>1.17%</td>
<td>n/a</td>
</tr>
<tr>
<td>Total</td>
<td>-0.04%</td>
<td>-0.06%</td>
<td>0.09%</td>
<td>0.23%</td>
<td>0.42%</td>
<td>0.44%</td>
</tr>
</tbody>
</table>

Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio
Ireland: impaired loans ratio continues to improve

- Available indicators point towards headline GDP growth, boosted by multinational activities, of roughly 7% for 2018. The underlying growth rate of around 4.5% in 2018 is expected to moderate to about 3.5% in 2019.

- Strong jobs growth and a persistent fall in unemployment to an estimated 5.3% of the labour force at end 2018 remain key barometers of the health of Irish economic activity.

- Robust economic conditions continue to underpin increases in Irish residential property prices. With new construction increasing and demand growth moderating somewhat, there was a modest easing in the pace of property price inflation through the second half of 2018.

- Impaired loans have reduced by 1.9bn EUR (-43% q-o-q) due to the closing of the sale of part of the legacy loan portfolio during 4Q18, with impaired loan ratio at 23.1% and coverage ratio at 38.5% at 4Q18.

- Weighted average indexed LTV on the Retail impaired portfolio has improved significantly y-o-y and in 4Q18 decreased to 99% (from 104% at 4Q17).

- Net loan loss provision release of 15m EUR in 4Q18 (in line with 3Q18) driven mainly by strong CSO House Price Index growth.

---

### Ireland: impaired loans ratio continues to improve

<table>
<thead>
<tr>
<th>Loan Portfolio €m</th>
<th>Outstanding</th>
<th>Impaired Loans</th>
<th>Impaired Loans PD 1-12</th>
<th>Provisions PD 1-12</th>
<th>Impaired Loans PD 10-12 Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupied mortgages</td>
<td>5,150</td>
<td>1,944</td>
<td>21%</td>
<td>557</td>
<td>25%</td>
</tr>
<tr>
<td>Buy to let mortgages</td>
<td>1,049</td>
<td>462</td>
<td>44%</td>
<td>360</td>
<td>78%</td>
</tr>
<tr>
<td>Non Mortgage Retail</td>
<td>71</td>
<td>4</td>
<td>6%</td>
<td>3</td>
<td>76%</td>
</tr>
<tr>
<td>Corporate</td>
<td>333</td>
<td>34</td>
<td>10%</td>
<td>21</td>
<td>60%</td>
</tr>
<tr>
<td>Total</td>
<td>10,603</td>
<td>2,444</td>
<td>23%</td>
<td>941</td>
<td>39%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proportion of High Risk and Impaired Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q17</td>
</tr>
<tr>
<td>High Risk Performing (PD 8-9 probability of Default &gt;6.4%)</td>
</tr>
<tr>
<td>Impaired Loan (PD 10-12)</td>
</tr>
</tbody>
</table>

### 4Q18 Total Portfolio

<table>
<thead>
<tr>
<th>PD</th>
<th>Exposure</th>
<th>Impairment Provisions</th>
<th>Cover %</th>
</tr>
</thead>
<tbody>
<tr>
<td>PD 1-8</td>
<td>7,393</td>
<td>9</td>
<td>0.1%</td>
</tr>
<tr>
<td>Of which non Forborne</td>
<td>7,371</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which Forborne</td>
<td></td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>PD 9</td>
<td>766</td>
<td>32</td>
<td>4.2%</td>
</tr>
<tr>
<td>Of which non Forborne</td>
<td>157</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which Forborne</td>
<td>608</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PD 10</td>
<td>1,032</td>
<td>95</td>
<td>9.2%</td>
</tr>
<tr>
<td>PD 11</td>
<td>744</td>
<td>252</td>
<td>33.8%</td>
</tr>
<tr>
<td>PD 12</td>
<td>667</td>
<td>595</td>
<td>89.2%</td>
</tr>
<tr>
<td>TOTAL PD 1-12</td>
<td>10,603</td>
<td>983</td>
<td></td>
</tr>
</tbody>
</table>

PD 10-12 Impairment Provisions / (PD 10-12) = 38.5%

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.
Sectorial breakdown of outstanding loan portfolio (1) (165bn EUR*) of KBC Bank Consolidated

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

* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.
Geographical breakdown of the outstanding loan portfolio (2) (165bn EUR*) of KBC Bank Consolidated

- Belgium: 55.0%
- Bulgaria: 5.0%
- Czech Rep.: 15.0%
- Ireland: 6.5%
- Slovakia: 5.0%
- Hungary: 3.2%
- North America: 2.0%
- Other W-Eur: 1.9%
- Asia: 1.6%
- Other CEE: 1.4%
- Rest: 0.5%
- Rest of the World: 7.9%

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

* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.
Impaired loans ratios*, of which over 90 days past due

**KBC GROUP**

**BELGIUM BU**

**CZECH REPUBLIC BU**

**INTERNATIONAL MARKETS BU (including UBB)**

* Impaired loans ratio: As of 1Q18, a switch has been made in the risk reporting figures from outstanding (PD10-12) to the new definition of gross carrying amount, i.e. including reserved and accrued interests. In addition, the transaction scope of the credit portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) KBC Commercial Finance debtor risk, (3) unauthorised overdrafts, and (4) reverse repo (excl. central bank exposure)

** This sharp improvement was mainly the result of the sale of part of the Irish portfolio (closed during 4Q18)
Impaired loans cover ratio: As of 1Q18 a switch has been made in the risk reporting figures from outstanding to the new definition of gross carrying amount, i.e. including reserved and accrued interests.
Fully loaded B3 CET1 based on the Danish Compromise (DC) from 3Q18 to 4Q18

**DELTA AT NUMERATOR LEVEL (BN EUR)**

- B3 CET1 at end 3Q18 (DC)
- 4Q18 net result (excl. KBC Ins. due to Danish Compr.)
- Dividend payout
- Dividend payment KBC Ins to KBC Group
- Other*
- B3 CET1 at end 4Q18 (DC)

**DELTA ON RWA (BN EUR)**

- 3Q18 (B3 DC**)
- 4Q18 impact
- 4Q18 (B3 DC)

- Fully loaded B3 common equity ratio amounted to 16.0% at end-2018 based on the Danish Compromise

- This clearly exceeds the minimum capital requirements set by the competent supervisors of 10.6% fully loaded

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

** Includes the RWA equivalent for KBC Insurance based on DC, calculated as the historical book value of KBC Insurance multiplied by 370%
# Overview of B3 CET1 ratios at KBC Group

<table>
<thead>
<tr>
<th>Method</th>
<th>Numerator</th>
<th>Denominator</th>
<th>B3 CET1 ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>FICOD*, fully loaded</td>
<td>15,885</td>
<td>106,380</td>
<td>14.9%</td>
</tr>
<tr>
<td>DC**, fully loaded</td>
<td>15,150</td>
<td>94,875</td>
<td>16.0%</td>
</tr>
<tr>
<td>DM***, fully loaded</td>
<td>14,199</td>
<td>89,537</td>
<td>15.9%</td>
</tr>
</tbody>
</table>

* FICOD: Financial Conglomerate Directive
** DC: Danish Compromise
*** DM: Deduction Method
KBC well on track to comply with resolution requirements

- The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level.
- **Bail-in** is identified as the preferred resolution tool.
- SRB’s current approach to **MREL** is defined in the ‘2017 MREL Policy’ published on 20 December 2017, which is based on the current legal framework and hence might be revised in the context of the ongoing legislative process to review BRRD.
- The **MREL target for KBC** is **25.9%** as % of RWA (**9.76%** as % of TLOF), which is based on fully loaded capital **requirements as at 31 December 2016**.
- SRB requires KBC to achieve this target by 1 May 2019, using both HoldCo and eligible OpCo instruments.

### Regulatory Requirement

<table>
<thead>
<tr>
<th>MCC</th>
<th>2.9% (CBR – 1.25%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCA</td>
<td>1.75% P2R (at 95% RWA)</td>
</tr>
<tr>
<td></td>
<td>8% P1</td>
</tr>
<tr>
<td>LAA</td>
<td>4.15% CBR (at 100% RWA)</td>
</tr>
<tr>
<td></td>
<td>1.75% P2R</td>
</tr>
<tr>
<td></td>
<td>8% P1</td>
</tr>
</tbody>
</table>

**Consolidated approach**

- HoldCo approach: 26.0%
- OpCo (T2 & senior >1y): 25.0%

**Actual**

- HoldCo senior: 4.2%
- T2: 2.3%
- AT1: 2.5%
- CET1: 16.0%

**Translated into a % of TLOF: 9.76% MREL target**

**Equal to 10.1% as % of TLOF**

**Gradually mature. To be replaced by HoldCo senior**
Available MREL as a % of RWA (fully loaded)

- **1Q17**: 22.3% OpCo MREL, 26.0% HoldCo MREL
- **2Q17**: 22.8% OpCo MREL, 26.3% HoldCo MREL
- **3Q17**: 23.7% OpCo MREL, 26.2% HoldCo MREL
- **4Q17**: 24.0% OpCo MREL, 26.3% HoldCo MREL
- **1Q18**: 23.5% OpCo MREL, 24.8% HoldCo MREL
- **2Q18**: 25.1% OpCo MREL, 26.4% HoldCo MREL
- **3Q18**: 25.1% OpCo MREL, 26.4% HoldCo MREL
- **4Q18**: 25.0% OpCo MREL, 26.0% HoldCo MREL
Government bond portfolio – Notional value

- Notional investment of 45.0bn EUR in government bonds (excl. trading book) at end of FY18, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.6bn EUR at the end of FY18

![Pie chart showing distribution of government bond portfolio at end of FY17 and FY18](chart.png)

(*) 1%, (**) 2%
Government bond portfolio – Carrying value

- Carrying value of 47.7bn EUR in government bonds (excl. trading book) at end of FY18, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 6.2bn EUR at the end of FY18

---

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

- In January 2019, KBC Group NV has successfully issued a new senior holdco benchmark of 750mn EUR with 5 year maturity.

- KBC Group’s credit spreads have increased at the end of Q4 2018 in line with the overall market.

- 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

Credit Spreads Evolution

1 7NC2 Subordinated Tier 2 spread is depicted based on the right hand axis.
<table>
<thead>
<tr>
<th>Glossary (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AQR</strong></td>
</tr>
<tr>
<td><strong>B3</strong></td>
</tr>
<tr>
<td><strong>CBI</strong></td>
</tr>
<tr>
<td><strong>Combined ratio (non-life insurance)</strong></td>
</tr>
<tr>
<td><strong>Common equity ratio</strong></td>
</tr>
<tr>
<td><strong>Cost/income ratio (banking)</strong></td>
</tr>
<tr>
<td><strong>Cost/income ratio adjusted for specific items</strong></td>
</tr>
<tr>
<td><strong>Credit cost ratio (CCR)</strong></td>
</tr>
<tr>
<td><strong>EBA</strong></td>
</tr>
<tr>
<td><strong>ESMA</strong></td>
</tr>
<tr>
<td><strong>ESFR</strong></td>
</tr>
<tr>
<td><strong>FICOD</strong></td>
</tr>
<tr>
<td><strong>Impaired loans cover ratio</strong></td>
</tr>
<tr>
<td><strong>Impaired loans ratio</strong></td>
</tr>
<tr>
<td><strong>Leverage ratio</strong></td>
</tr>
<tr>
<td><strong>Liquidity coverage ratio (LCR)</strong></td>
</tr>
<tr>
<td><strong>Net interest margin (NIM) of the group</strong></td>
</tr>
<tr>
<td><strong>Net stable funding ratio (NSFR)</strong></td>
</tr>
<tr>
<td><strong>MARS</strong></td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td><strong>MREL</strong></td>
</tr>
<tr>
<td><strong>PD</strong></td>
</tr>
<tr>
<td><strong>Return on allocated capital (ROAC) for a particular business unit</strong></td>
</tr>
<tr>
<td><strong>Return on equity</strong></td>
</tr>
<tr>
<td><strong>TLAC</strong></td>
</tr>
</tbody>
</table>
Contacts / Questions

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