KBC Group

3Q15 and 9M15 results press presentation

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

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- Volksbank Leasing Slovakia was consolidated for the first time. The deal had no material impact on KBC group's earnings and capital:
  - total income: +3m EUR in 3Q15, +2m EUR of which in NII
  - opex, including one-off merger costs: -2m EUR in 3Q15
  - net result: +1m EUR in 3Q15
  - balance sheet total of Volksbank Leasing Slovakia: approximately 170m EUR
- The contribution to the European Single Resolution Fund (ESRF) at CSOB Czech Republic already recognized in 1Q15 was reversed in 3Q15 as such contributions will only be applicable in the Czech Republic as of 2016 (12m EUR reversal)

3Q 2015 key takeaways for KBC Group

- **STRONG BUSINESS PERFORMANCE IN 3Q15**

  Good net result of 600m EUR in 3Q15 (and 1.8bn EUR in 9M15)
  - Good commercial bank-insurance franchises in our core markets and core activities
  - Q-o-q increase in customer loan and deposit volumes in most of our core countries
  - Lower net interest income and net interest margin q-o-q
  - Net inflows, but lower net fee and commission income q-o-q due to adverse market circumstances
  - Significantly lower net gains from financial instruments at fair value
  - Excellent combined ratio (89% YTD). Good sales of non-life insurance products, but decline in sales of life insurance products
  - Good cost/income ratio (54% YTD) adjusted for specific items
  - Excellent level of impairment charges. Loan loss provisions in Ireland amounted to only 9m EUR in 3Q15. We are maintaining our guidance for Ireland, namely the lower end of the 50m-100m EUR range for both FY15 and FY16

- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - **Common equity ratio** (B3 fully loaded[1]) of 17.4**% based on Danish Compromise** and of 17.2**% based on FICOD** at end 9M15, which clearly exceeds the fully loaded CET1 ratio target of 10.5% set by the ECB for 2015
  - In the coming weeks, we should get the final minimum CET1 ratio for 2016 set by the ECB. As recently announced by the NBB, a systemic buffer (CET1 phased-in of 0.5% in 2016 under the Danish compromise, gradually increasing over a 3-year period and reaching 1.5% in 2018) will need to be added to this minimum CET1 ratio for 2016
  - Fully loaded B3 **leverage ratio**, based on current CRR legislation, amounted to 6.9**%** at KBC Group
  - **Continued strong liquidity position** (NSFR at 123% and LCR at 118%) at end 9M15

- **POST BALANCE-SHEET EVENT:**

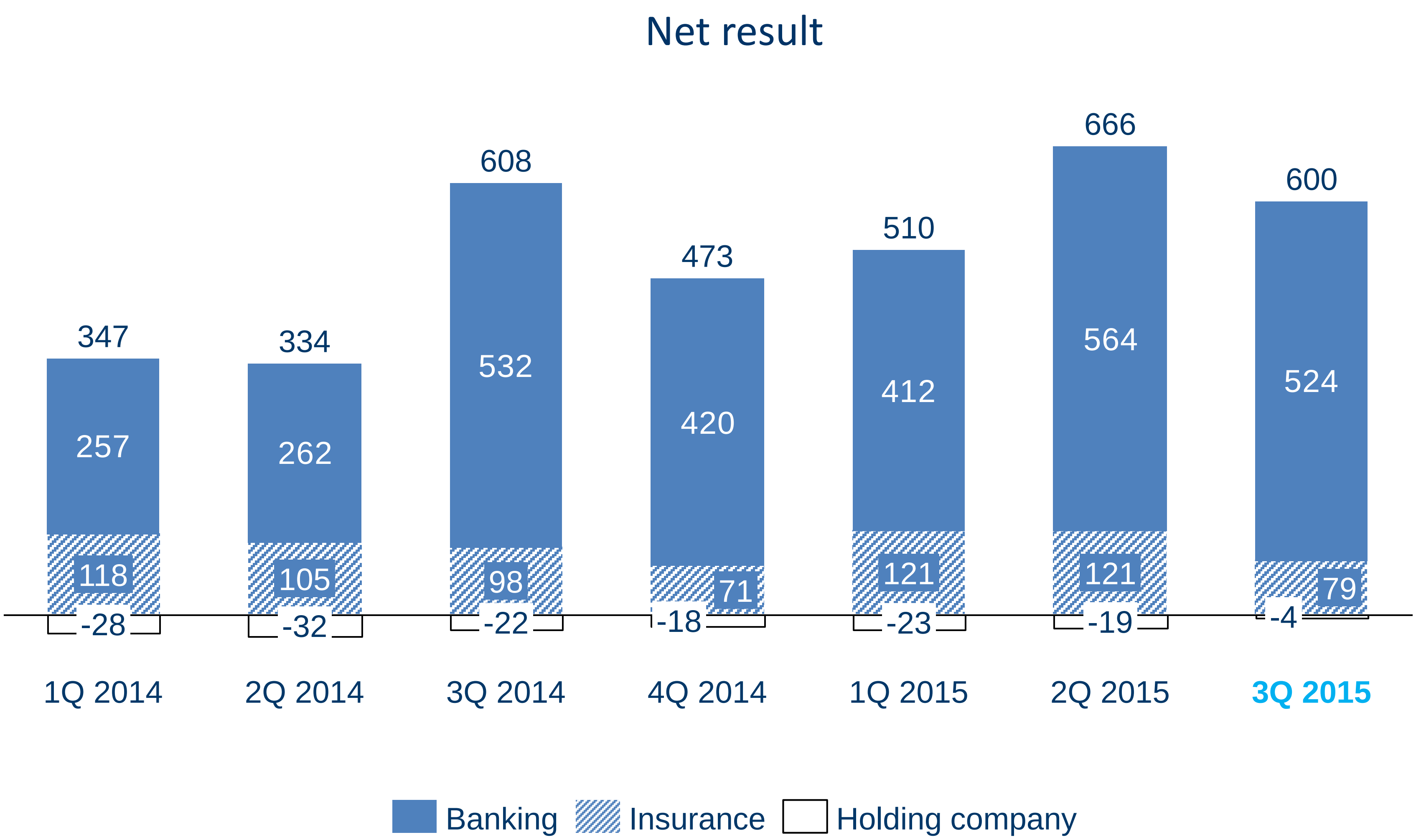
  KBC will **liquidate KBC Financial Holding Inc. (US)**. This will result in the tax deductibility of losses already booked in previous years, for which a DTA will be booked, leading to[2]:
  - a gain in the IFRS P&L of 763m EUR, likely to be booked in 4Q15
  - initially only a limited positive impact of 0.16% on KBCs fully loaded CET1 ratio under the Danish Compromise

1. Including remaining state aid of 2bn EUR
2. Subject to USD/EUR rate at time of realisation

KBC Group

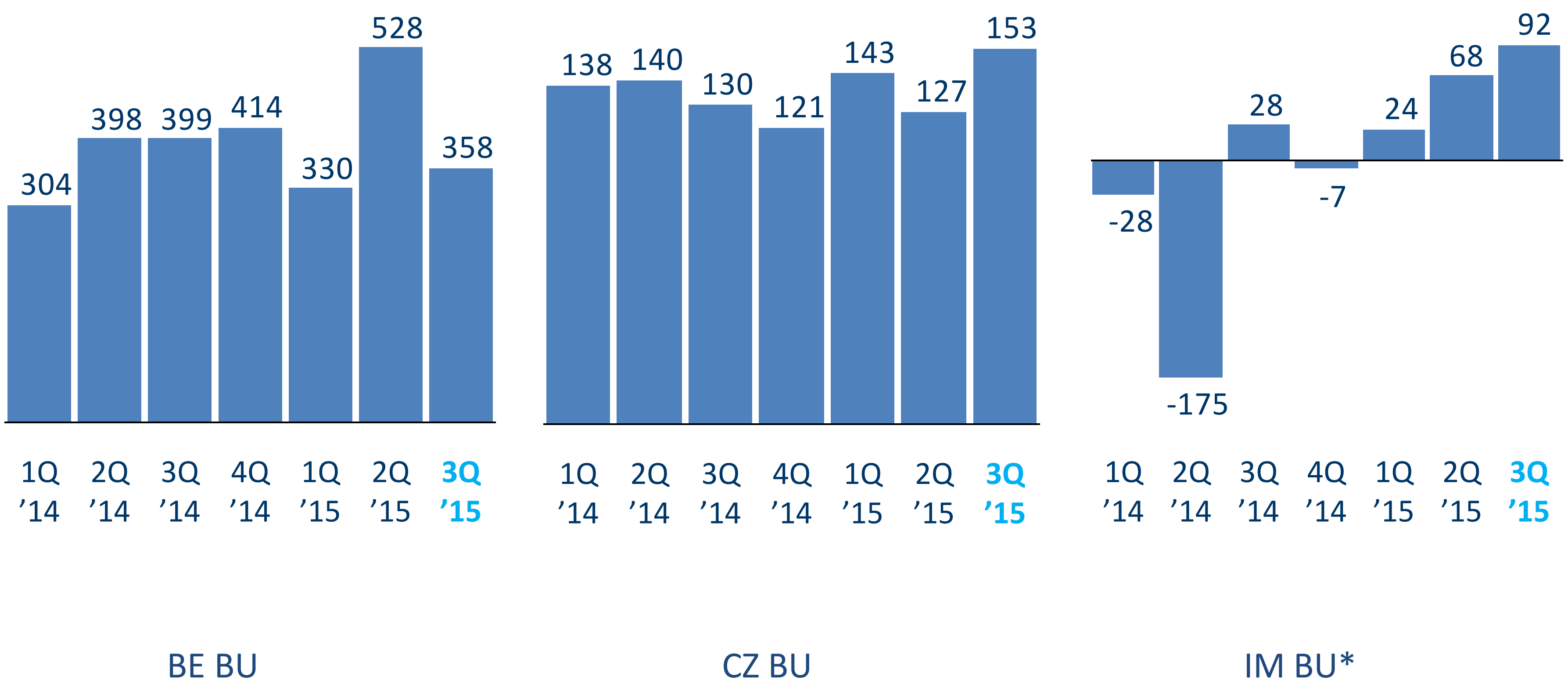
Consolidated results

KBC Group:
Good net result in 3Q 2015



Amounts in millions of EUR

Net result per business unit (1/2):
Business units turn in a solid result

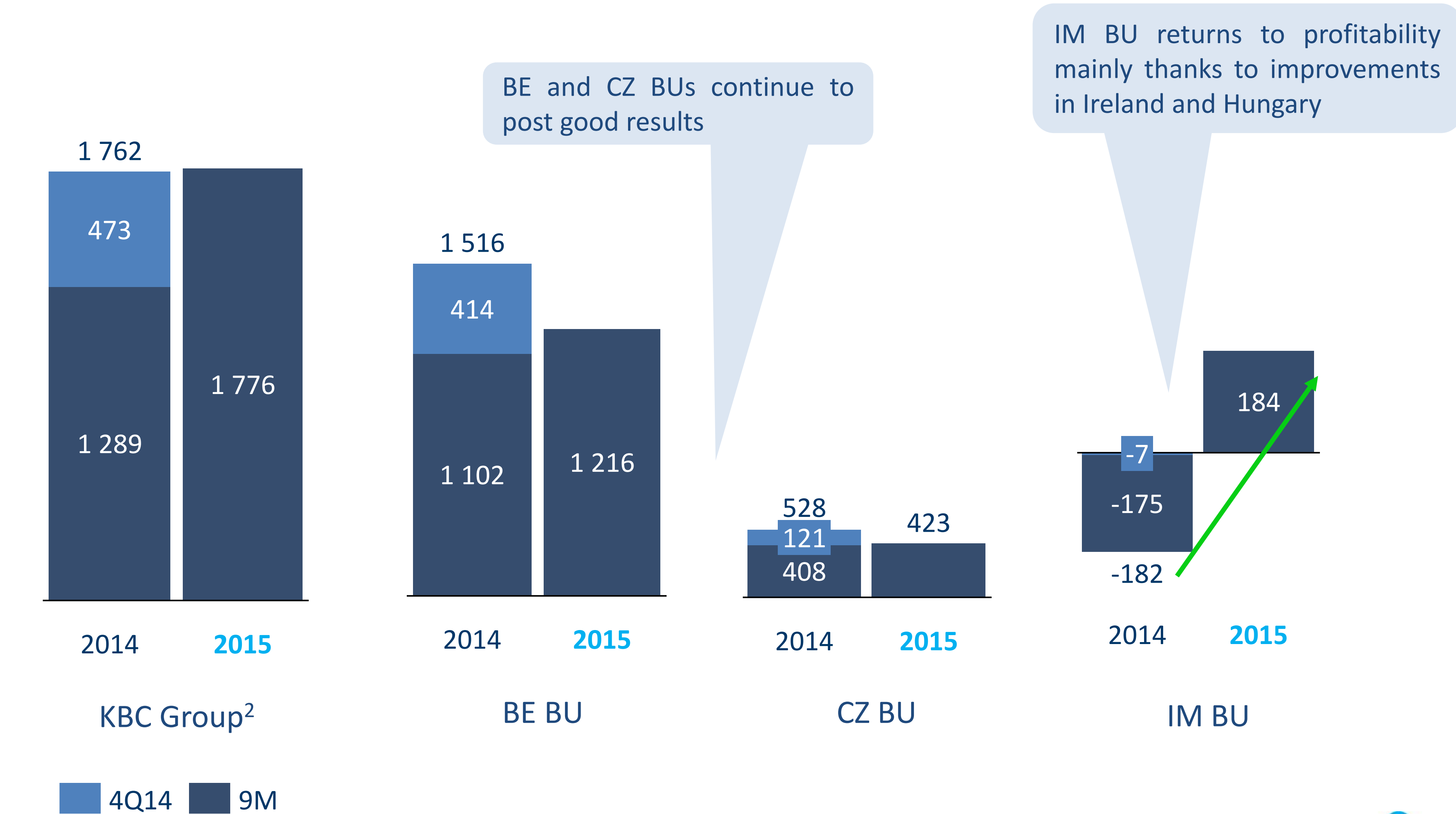


* International Markets (IM) BU includes Hungary, Slovakia, Bulgaria and Ireland

Amounts in millions of EUR

Net result per business unit (2/2):

IM BU[1] returns to profitability



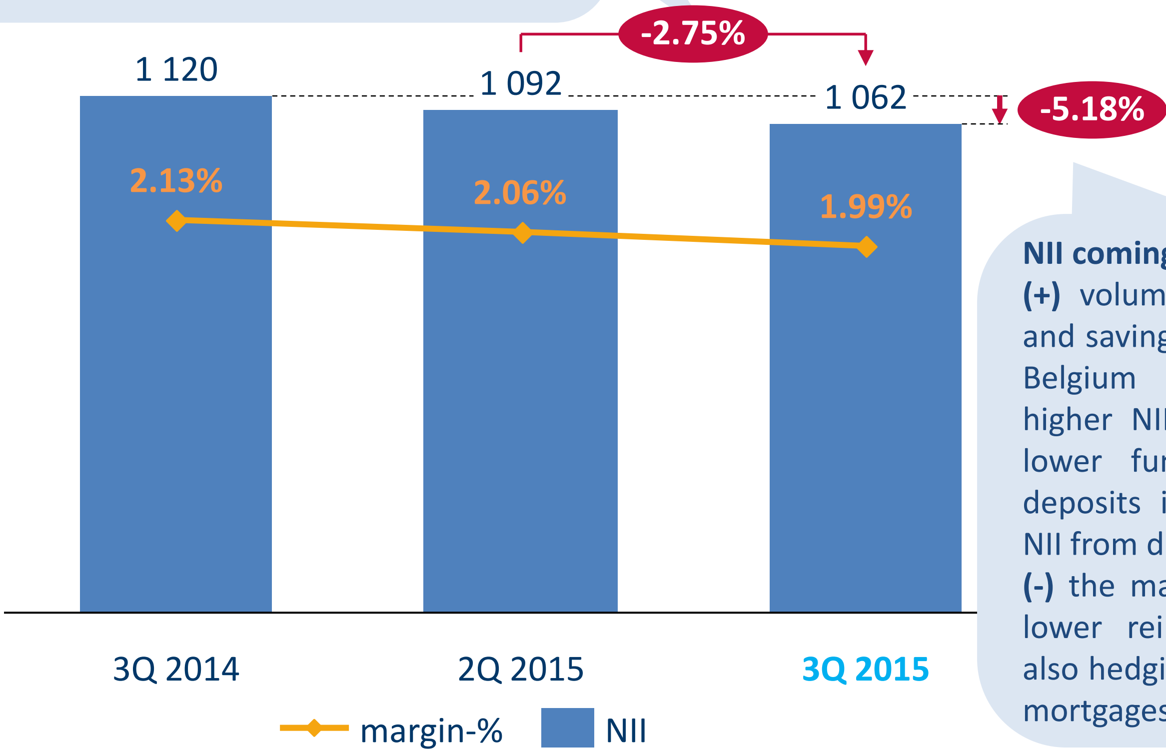
Amounts in millions of EUR

1 International Markets (IM) BU includes Hungary, Slovakia, Bulgaria and Ireland
2 KBC Group also includes Group Centre

Net interest income:

Net interest income (NII) and margin (NIM) slightly under pressure

NII slightly down q-o-q:
(+) volume growth, lower funding costs and additional rate cuts on savings accounts in the Czech Republic
(-) in BE BU 12m EUR less upfront prepayment fees on mortgages, hedging losses on previously refinanced mortgages, lower reinvestment yields, commercial pressure on loan margins in most core countries and 5m EUR lower dealing room NII



NII coming down y-o-y:
(+) volume increases in current and savings accounts, rate cuts in Belgium and Czech Republic, higher NII on lending activities, lower funding costs on term deposits in Belgium and higher NII from dealing room
(-) the main negative driver was lower reinvestment yields, but also hedging losses on refinanced mortgages

Amounts in millions of EUR

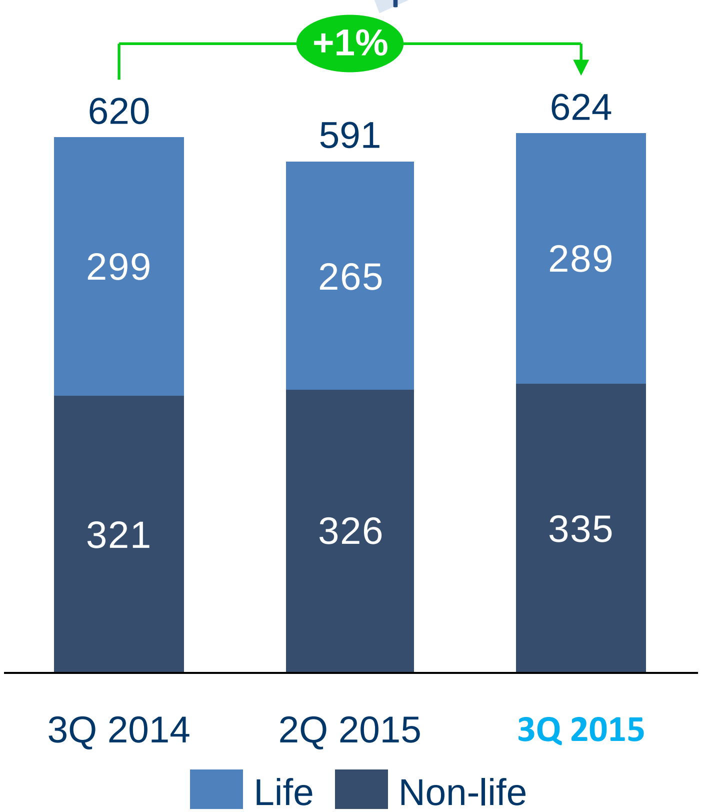
Insurance (1/2):

Premium income slightly up, but differences for Life and Non-life insurance

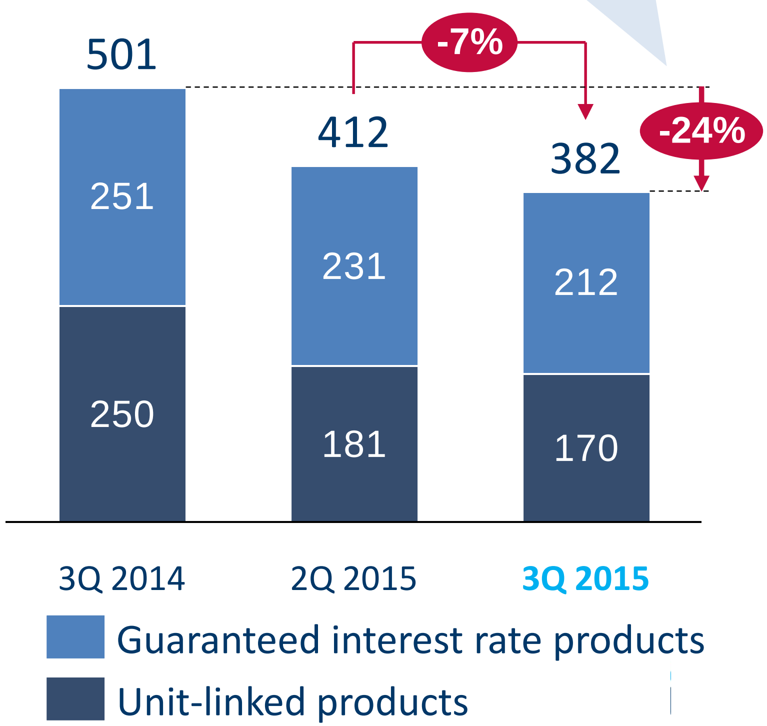
Non-life premium +4% y-o-y
Life premiums up by 9% q-o-q thanks mainly to the Czech Republic BU and down 3% y-o-y due entirely to the Belgium BU

Guaranteed interest rate products down y-o-y mainly as a result of a lower guaranteed interest rate in Belgium
Decrease of sales of unit-linked products (in Belgium) attributable to further shifts to asset management products, whereas commercial campaigns and new products led to high sales in 3Q14

Gross earned premiums



Life sales
(gross written premium)



Amounts in millions of EUR

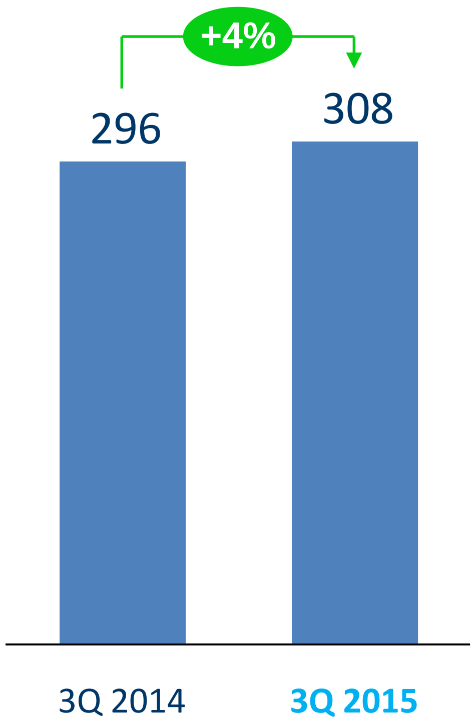
Insurance (2/2):

Strong non-life sales with good technical quality

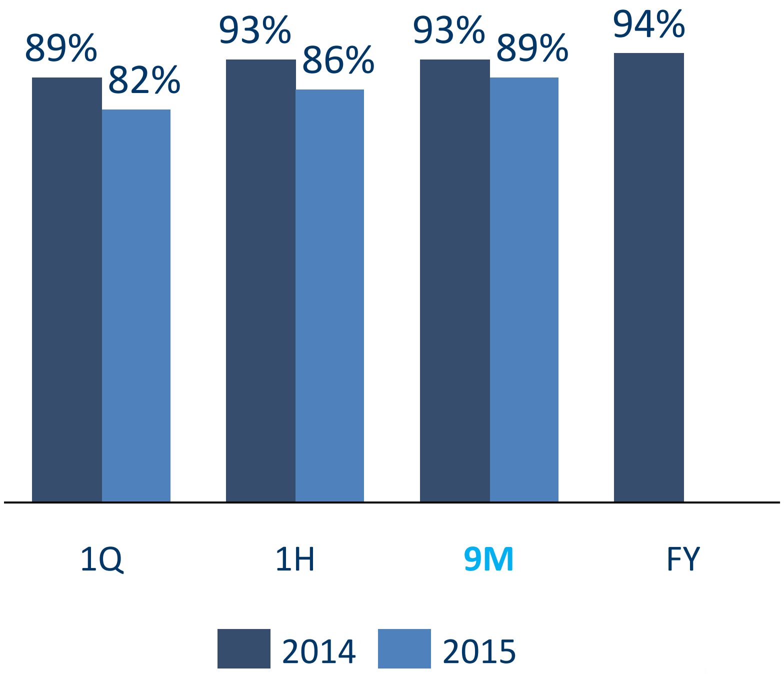
Good commercial performance in all major product lines and in our core markets

Non-life sales

(gross written premium)



Strong improvement in 9M15 compared to 9M14 (as 9M14 was negatively impacted by hailstorms in Belgium)

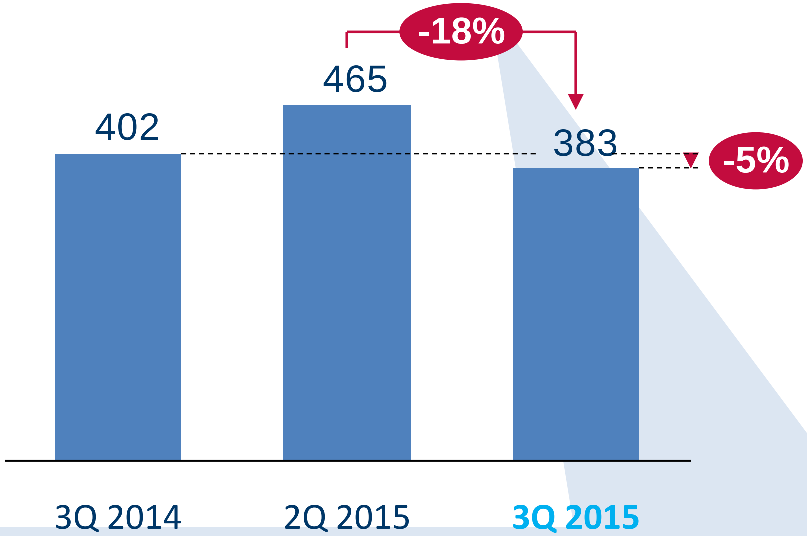


Amounts in millions of EUR

Net fee and commission income:

Net inflows, but lower income due to adverse market circumstances

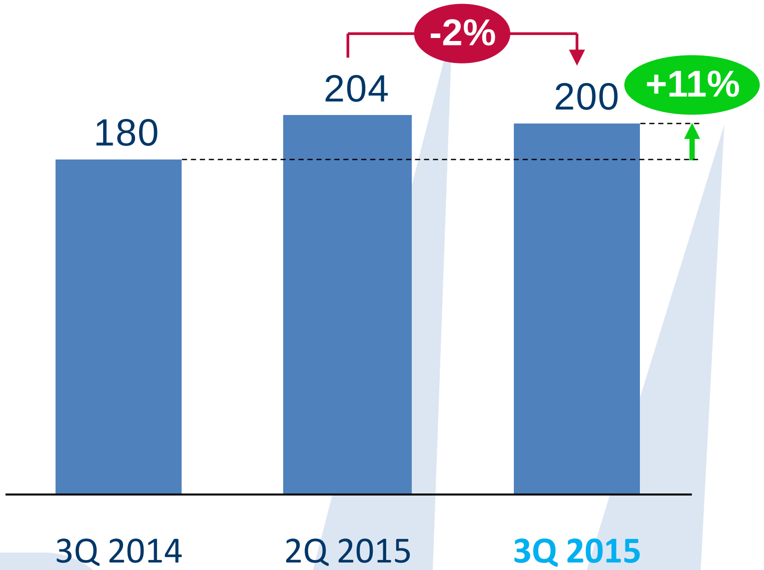
Net fee and commission income



- Q-o-q decrease driven by:
  - lower entry fees from mutual funds and unit-linked life insurance products, due to fewer switches and seasonal effects (holiday season)
  - lower management fees from mutual funds, owing mainly to sizeable switch to cash by CPPI products at the end of August
  - lower fees from bank guarantees and credit files (due to a reduction in refinancing of mortgages)
  - lower fees from securities transactions in Belgium
  - higher commissions paid on insurance sales
- Depending on the market environment of the coming months, we estimate net F&C income in 4Q15 in the range of 360m - 370m EUR

Amounts in millions of EUR

Assets under management (AUM)



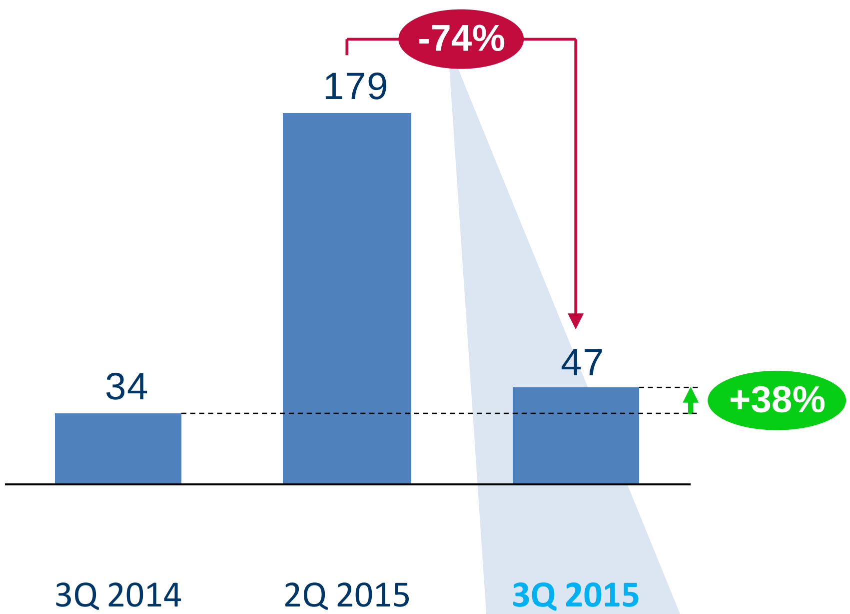
Q-o-q: net inflows (+1%) offset by negative price effect (-3%)

Y-o-y: net inflows (+7%) and positive price effect (+4%)

Amounts in billions of EUR

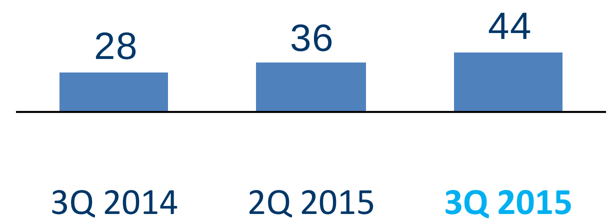
The other net income drivers:
Lower fair value gains mute the performance

Net gains on financial instruments at fair value



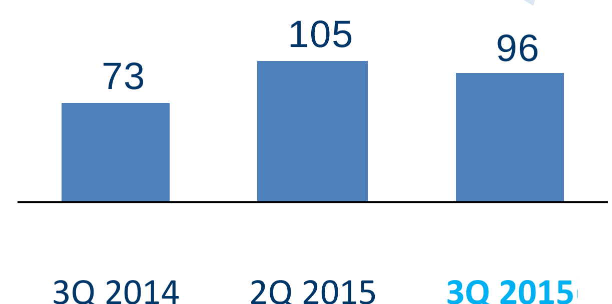
Decrease attributable chiefly to:
- negative change in ALM derivatives (2m EUR in 3Q15 compared with 90m EUR in 2Q15)
- weak dealing room income

Gains realised on AFS assets



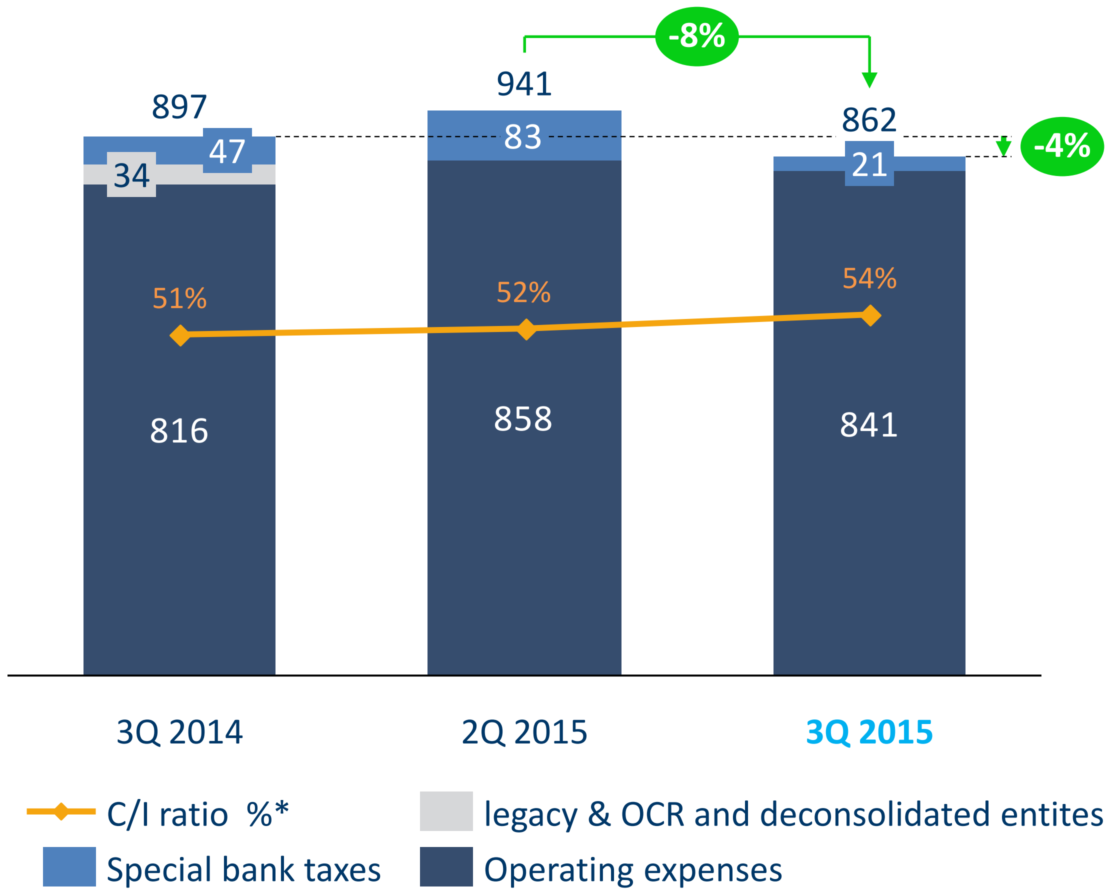
Roughly double the normal run rate thanks to:
- settlement of old legal files to the tune of 30m EUR (mainly in Belgium BU)
- releases, 7m EUR Curia provision (Hungary) and 9m EUR for (previously announced) divestments

Other net income



Amounts in millions of EUR

Operating expenses:
Expenses down and good cost-income ratio



Amounts in millions of EUR

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

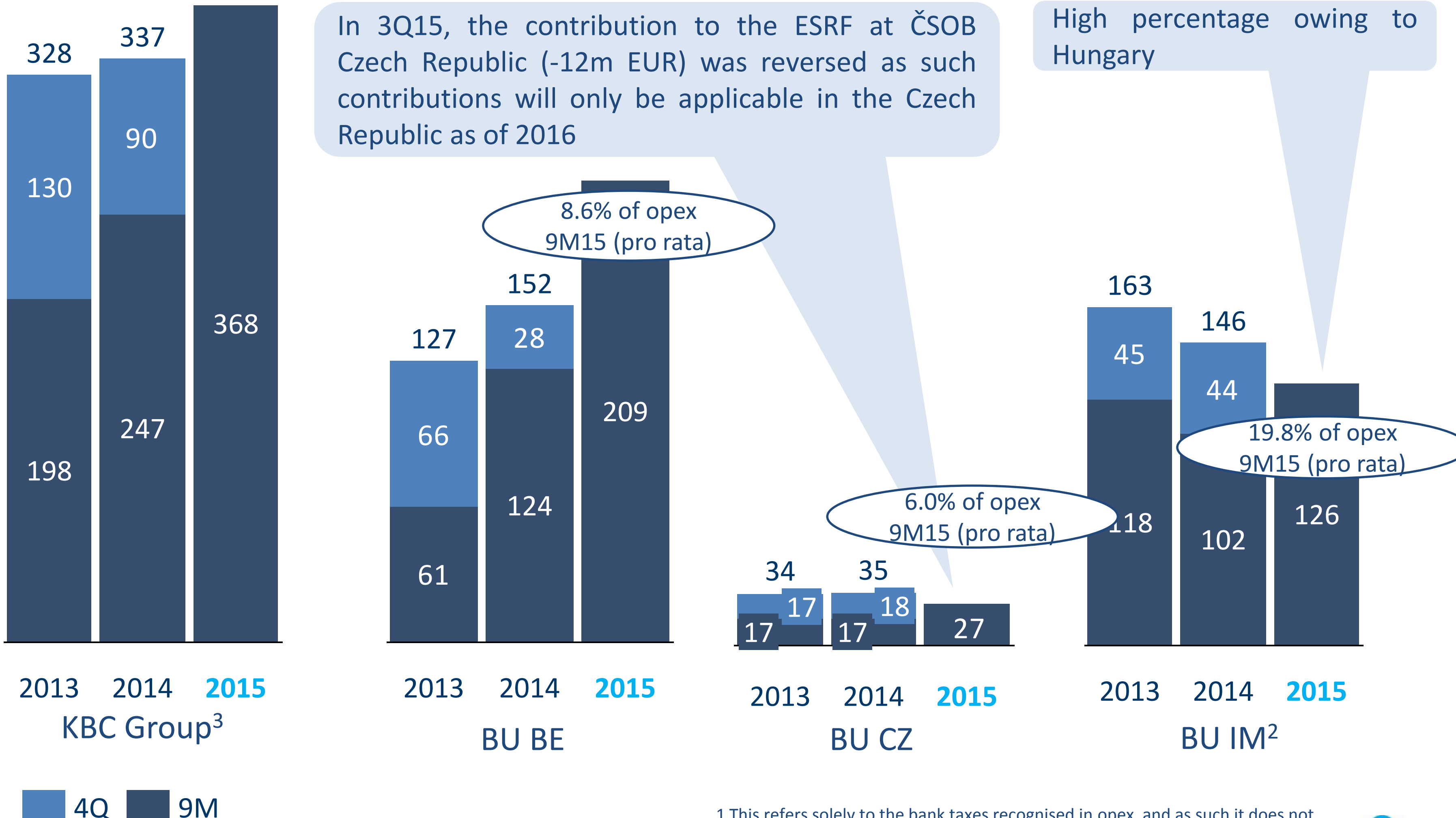
Special bank taxes[1]:

Represent 10.2% of expenses YTD15 (pro rata)

Amounts in millions of EUR

In 3Q15, the contribution to the ESRF at ČSOB Czech Republic (-12m EUR) was reversed as such contributions will only be applicable in the Czech Republic as of 2016

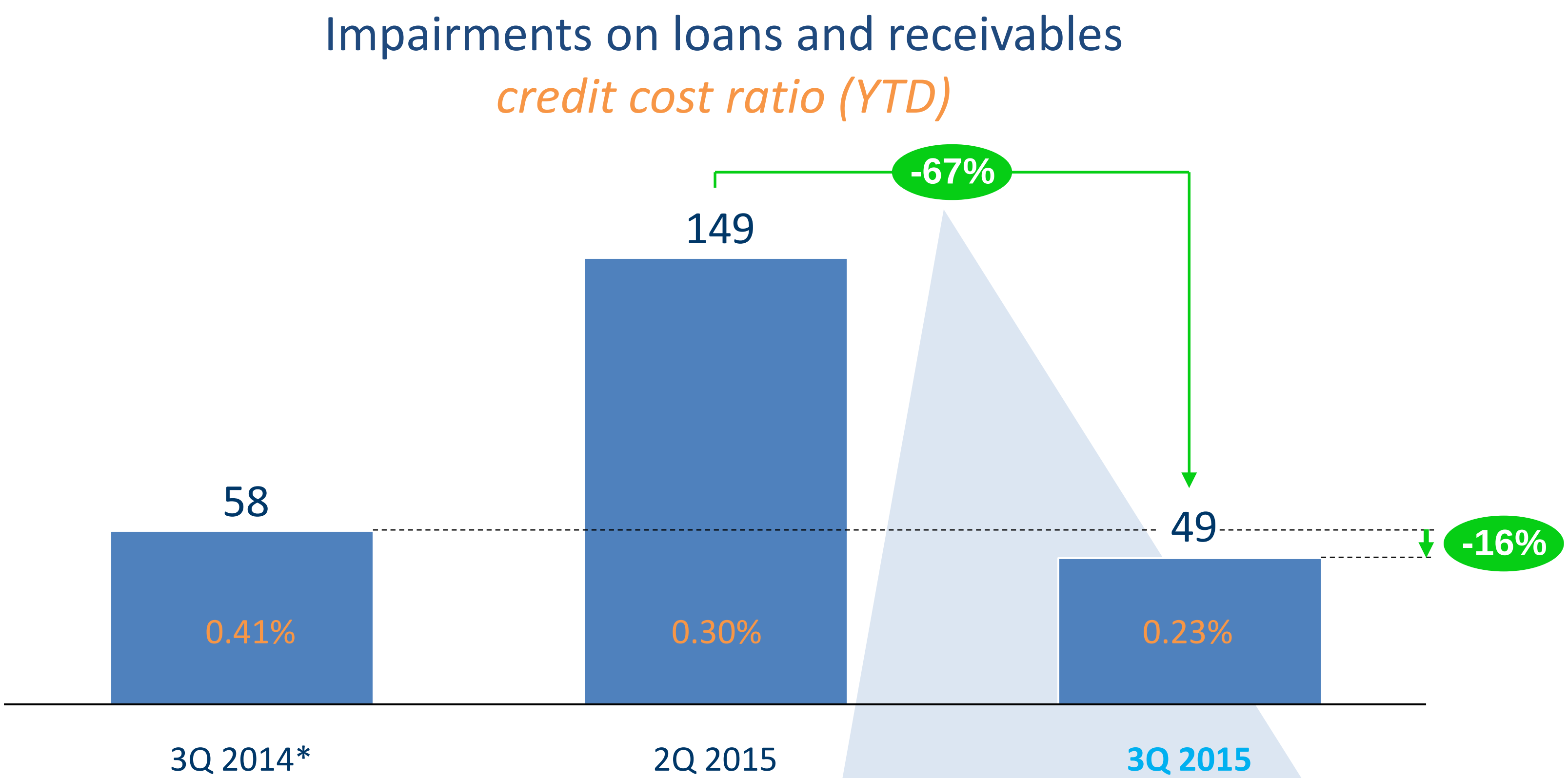
High percentage owing to Hungary



1 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.
2 Internation Markets (IM) BU includes Hungary, Slovakia, Bulgaria and Ireland
3 KBC Group also includes Group Center

Asset impairments:

Impairments down sharply and good credit cost ratio of 0.23% (historic average '99-'14 of 0.54%)



Q-o-q strong decrease, attributable mainly as follows:

- low gross impairments and several releases
- 2Q15 included -34m EUR impairments due to model changes
- Ireland -9m EUR compared with -16m EUR in 2Q15 and -47m EUR in 3Q14. We maintain our guidance, namely the lower end of the 50m – 100m EUR range for both FY15 and FY16

* Note that the level of 3Q14 was restated as at that time there was an impairment reversal of +0.1bn EUR for ADB since it was decided that it will be run down in an orderly manner instead of divested

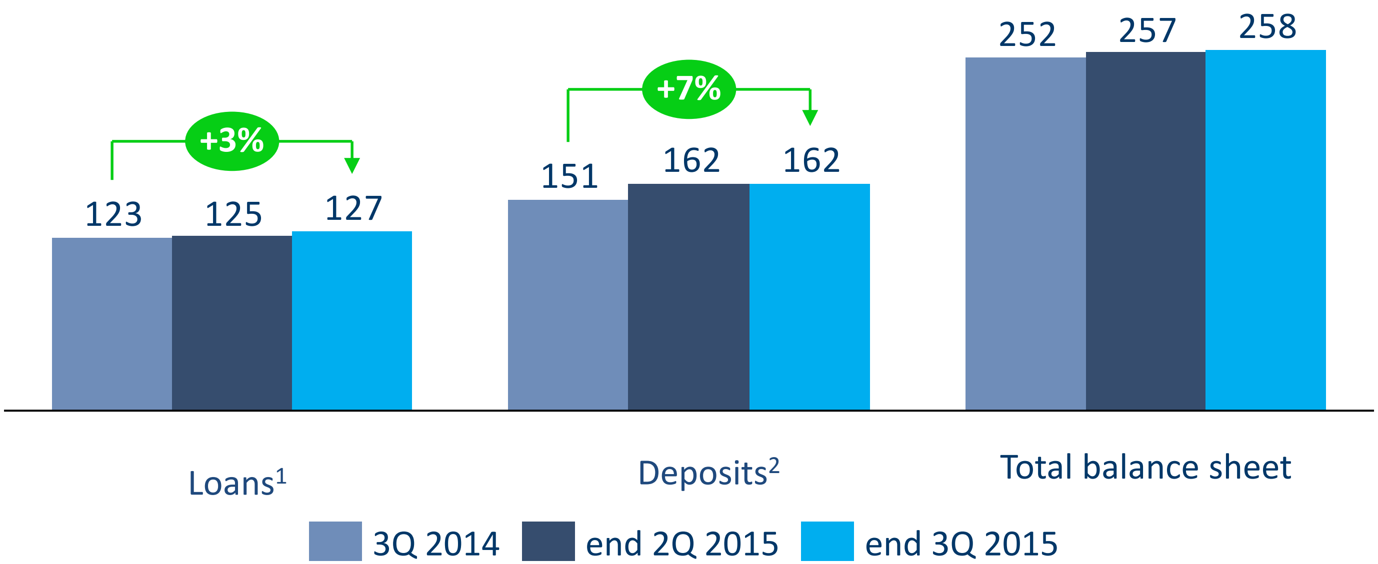
Amounts in millions of EUR






KBC Group
Balance sheet, capital and liquidity

Balance sheet:
Loans and deposits continue to grow in most core countries



	TOTAL LOANS		MORTGAGES		DEPOSITS	
	q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y
BE	2%	5%	1%	5%	-1%	8%
CZ	2%	10%	2%	9%	2%	8%
IRE	-1%	-4%	0%	-2%	4%	32%
SL	5%	14%	4%	14%	3%	8%
HU	-2%	-7%	2%	4%	1%	4%
BG	3%	6%	-2%	0%	4%	18%
TOTAL	1%	3%	1%	4%	0%	7%

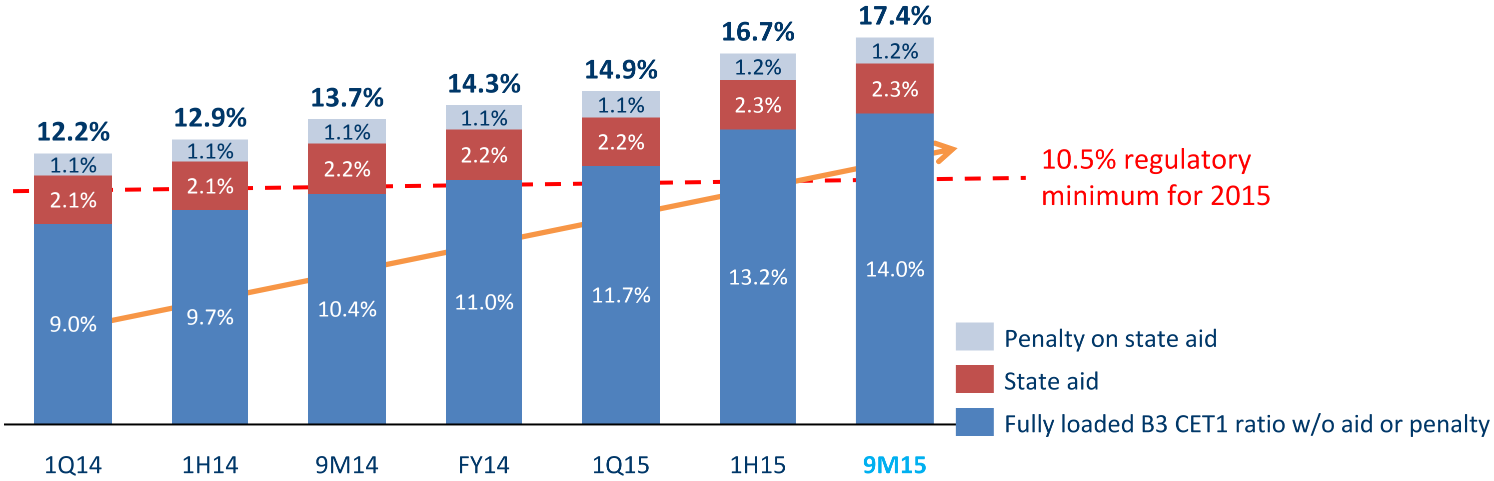
In Belgium total deposits decreased by 1% as further growth in current and saving accounts was more than offset by maturing expensive term deposits

1 Loans to customers, excluding reverse repos (and not including bonds)
2 Customer deposits, including debt certificates but excluding repos.

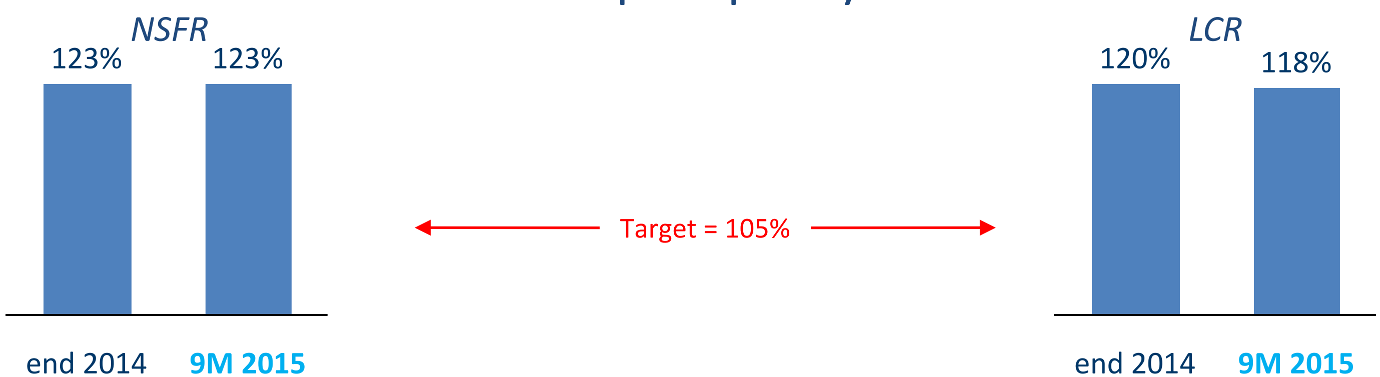
Amounts in billions of EUR

Capital and liquidity ratios:
All ratios reside comfortably above regulatory minimums

KBC Group fully loaded Basel 3 CET1 ratio *(Danish compromise)*



KBC Group's liquidity ratios[1]



1 Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are calculated based on KBC's interpretation of the current Basel Committee guidance, which may change in the future. The LCR can be relatively volatile in future due to its calculation method, as month-to-month changes in the difference between inflows and outflows can cause important swings in the ratio even if liquid assets remain stable

KBC Group 3Q15 and 9M15 wrap up

3Q 2015 wrap up

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

Post balance-sheet event:
KBC will liquidate KBC Financial Holding Inc. (US)

- KBC will liquidate KBC Financial Holding Inc. (US). This will result in the tax deductibility of losses already booked in previous years, for which a DTA[1] will be booked, leading to[2]:
  - a gain in the IFRS P&L of 763m EUR (912m EUR of which recognition of a tax loss carry forward DTAs, partly offset by -148m EUR translation differences which are already accounted for in IFRS equity and flow through P&L upon realisation), likely to be booked in 4Q15
  - an increase in IFRS equity of 912m EUR
  - an initial increase in CET1 ratio of 0.16% fully loaded under the Danish Compromise
    - in principle, a tax loss carry forward DTA is deducted from common equity, while a DTA for timing differences is weighted at 250%
    - the above principles are applied after netting of tax loss carry forward DTAs and DTAs for timing differences with DTLs[1] on a pro rata basis
    - due to this netting with DTL, only 658m EUR will be deducted from common equity
    - the remainder (253m EUR) will be weighted at 250%, leading to 633m EUR RWAs

Danish Compromise, fully loaded	End 3Q15	End 3Q15 pro forma
CET1 capital	15 073	15 326
RWAs	86 524	87 157
CET1 ratio	17.42%	17.58%

1 DTA: Deferred Tax Asset ; DTL: Deferred Tax Liability
2 Subject to USD/EUR rate at time of realisation

Looking forward

- Looking forward, management envisages:
  - Continued stable and solid returns for the Belgium & Czech Republic Business Units
  - The International Markets Business Unit more than achieved its profitability target (184m EUR profit in 9M15)
  - As per guidance already issued, profitability in Ireland expected from 2016 onwards
  - A fully loaded B3 common equity ratio of minimum 10.5% for 2015
  - In the coming weeks, we should get the final minimum CET1 ratio for 2016 set by the ECB. As recently announced by the NBB, a systemic buffer (CET1 phased-in of 0.5% in 2016 under the Danish compromise, gradually increasing over a 3-year period and reaching 1.5% in 2018) will need to be added to this minimum CET1 ratio for 2016
  - LCR and NSFR of at least 105%
  - Dividend payout ratio (including the coupon paid on state aid and AT1) ≥ 50% as of FY2016*

* Subject to the approval of the General Meeting of Shareholders