




KBC Group

1Q 2016 results

Press presentation

Johan Thijs, CEO KBC Group
Luc Popelier, CFO KBC Group

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

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1Q 2016 key takeaways for KBC Group

- **STRONG BUSINESS PERFORMANCE IN 1Q16**

  Strong net result of 392m EUR in 1Q16, despite unfavorable market circumstances and the large upfront bank taxes
  - 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
  - Slightly higher net interest income and net interest margin q-o-q
  - Limited net asset management inflows and lower net fee and commission income q-o-q (fully in line with guidance)
  - Higher net gains from financial instruments at fair value (due mainly to the impact of KBC FH in 4Q15), higher net other income and lower realised AFS gains
  - Combined ratio (91% in 1Q16) distorted by one-off charges due to the terrorist attacks in Belgium (-30m EUR). Underlying quality remained excellent (combined ratio of 82% excluding one-off charges). Excellent sales of both non-life and life insurance products
  - Cost/income ratio (57% in 1Q16) adjusted for specific items
  - Unsustainably low impairment charges (due partly to seasonal effect). Net loan provision release of 3m EUR in 1Q16 in Ireland. We are maintaining our profitability and impairment guidance for Ireland, namely the lower end of the 50m-100m EUR range for FY16 for impairments

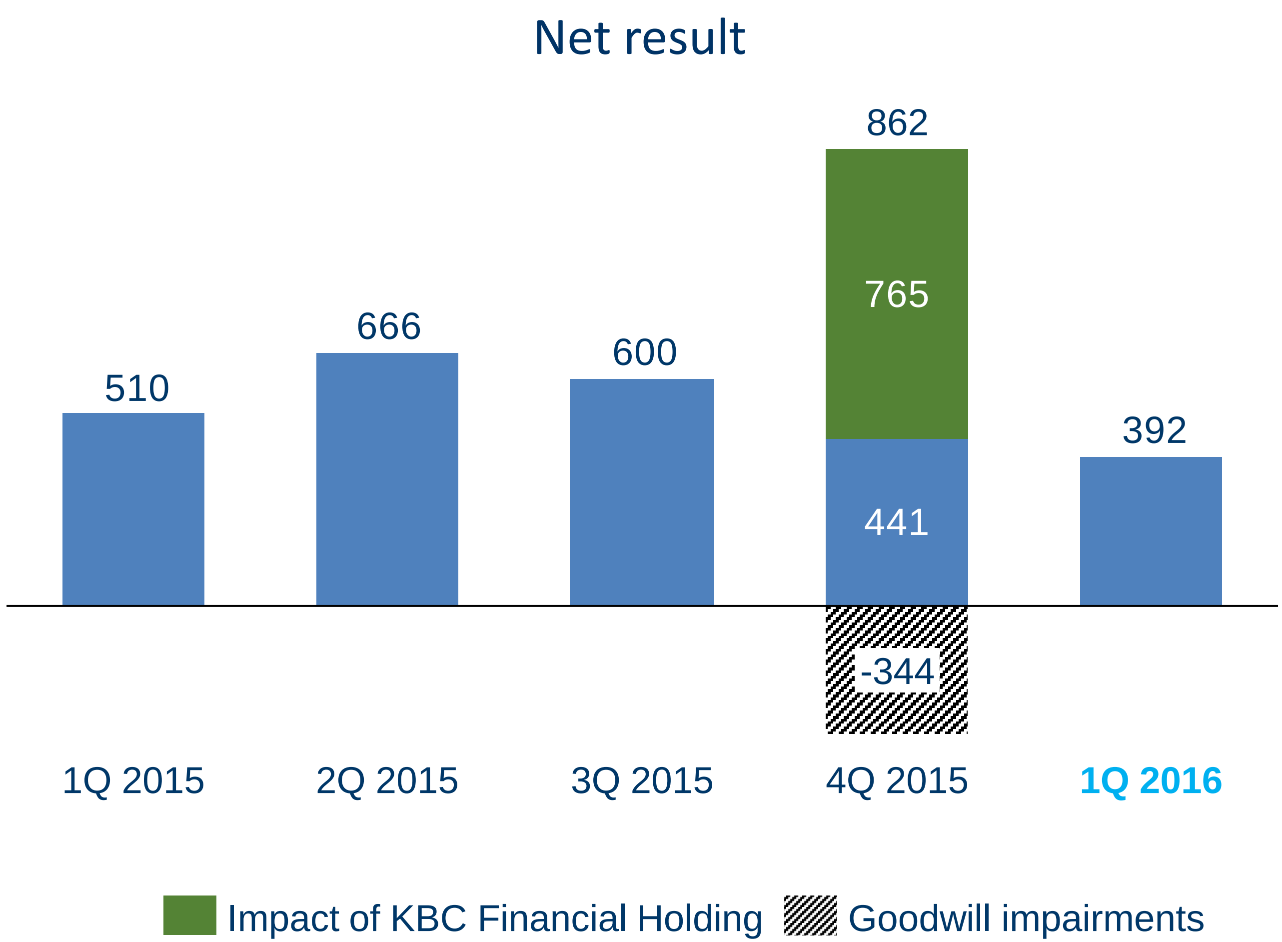
- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - **Common equity ratio (B3 phased-in) of 14.6% based on the Danish Compromise** at end 1Q16, which clearly exceeds the new minimum capital requirements set by the ECB (9.75%) and the NBB (0.5%), i.e. an aggregate 10.25% for 2016. **The B3 fully loaded common equity ratio stood at 14.6% based on the Danish Compromise at end 1Q16**
  - Fully loaded B3 **leverage ratio**, based on current CRR legislation, amounted to **5.9%** at KBC Group
  - **Continued strong liquidity position** (NSFR at 121% and LCR at 130%) at end 1Q16

KBC Group

Consolidated results

1Q 2016 performance

KBC Group:
Strong business performance in 1Q 2016

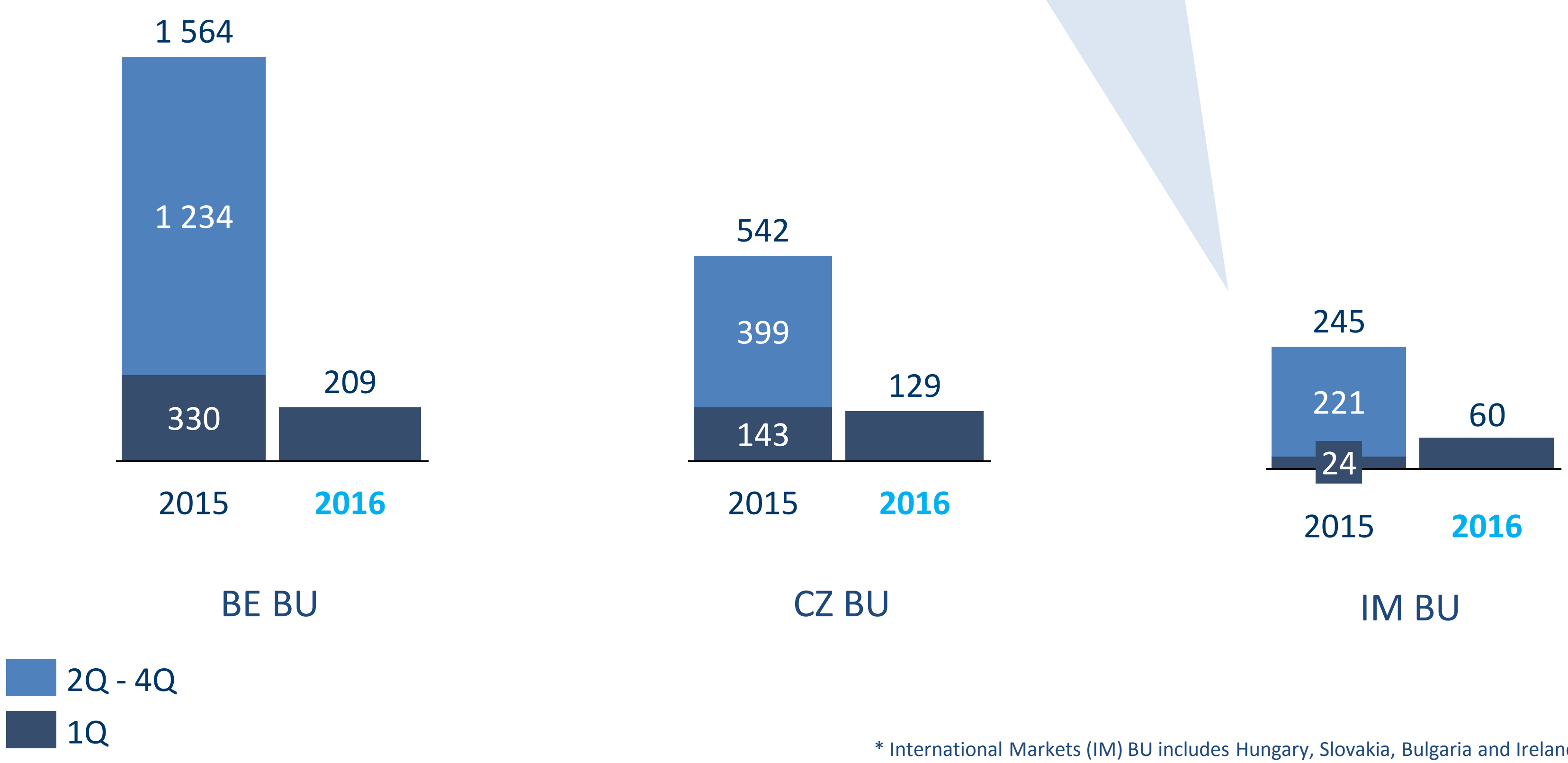


Amounts in millions of EUR

Net result per business unit:

IM BU: turnaround achieved*

Profit breakdown for International Markets: 20m EUR for Slovakia, 12m EUR for Hungary, 4m EUR for Bulgaria and 23m EUR for Ireland



Amounts in millions of EUR

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

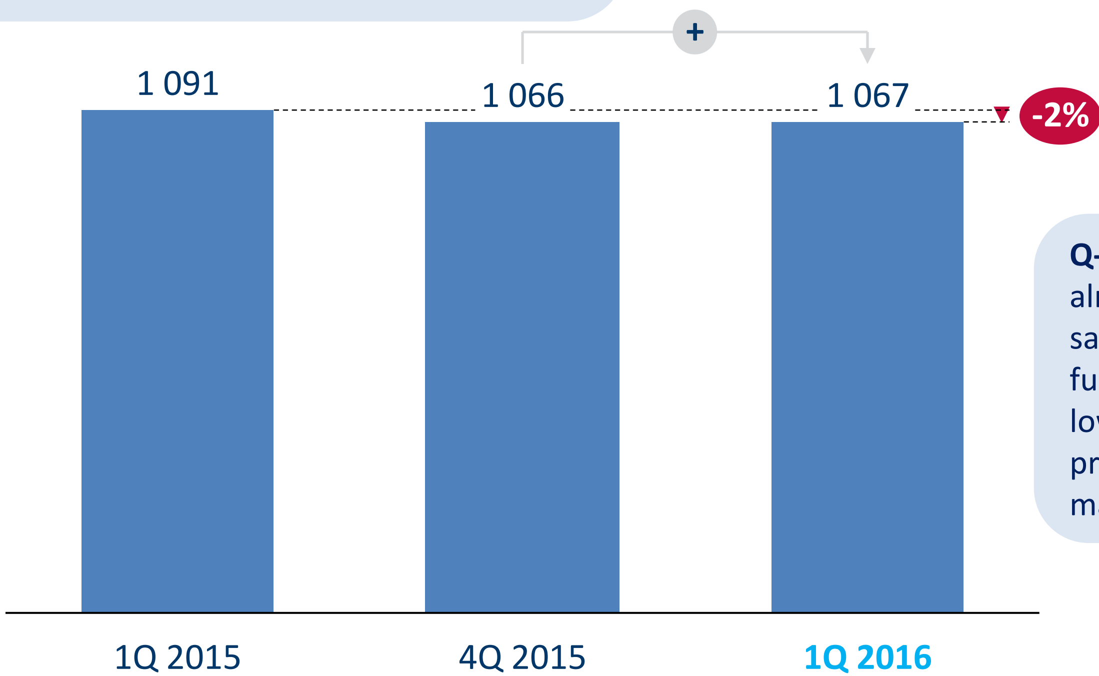
Net interest income:

Slightly higher Net Interest Income (NII) and Margin (NIM)

NII slightly up q-o-q:
(+) lower funding costs, additional rate cuts on savings accounts and continued good volume growth in current accounts and loans
(-) lower reinvestment yields, pressure on commercial loan margins in most core countries and a decrease of 2m EUR in NII from the dealing room

Net Interest Margin

1Q15	4Q15	1Q16
2.10%	1.95%	1.96%



Q-o-q increase of NIM is due almost entirely to rate cuts on savings accounts and lower funding costs partly offset by lower reinvestment yields and pressure on commercial loan margins in most core countries

Amounts in millions of EUR

Insurance (1/2):

Premium income slightly down, but good Life sales

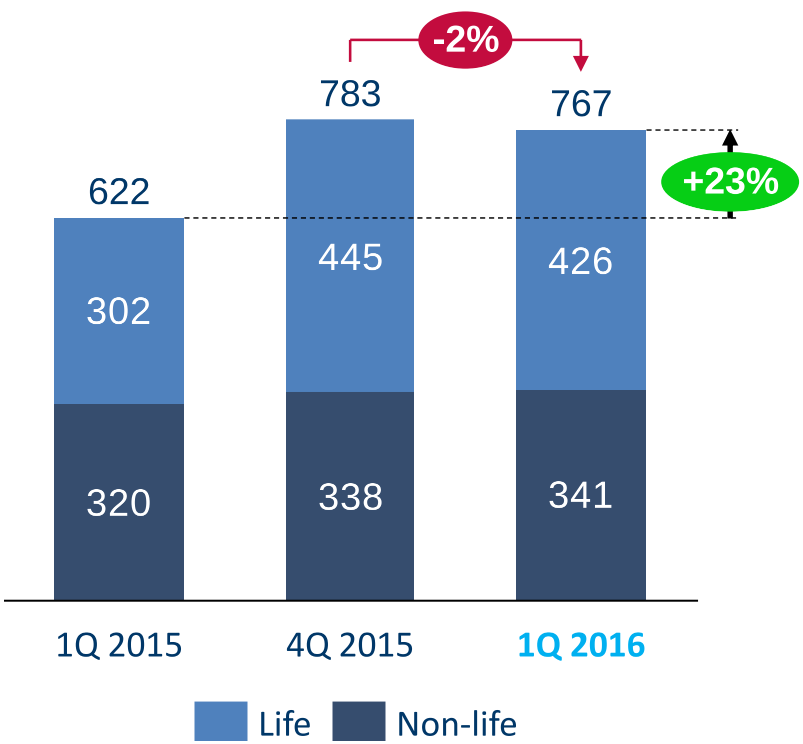
Non-life premium income **increased by 7% y-o-y**

Life premium income **down by 4% q-o-q** (due entirely to lower unit-linked single premiums in the Czech Republic as a result of intensified product campaigns in 4Q15) **and up by 41% y-o-y** (driven by significantly higher sales of guaranteed interest products in Belgium)

Q-o-q increase driven by higher sales of unit-linked products in Belgium (commercial effort + fallback of clients' risk appetite)

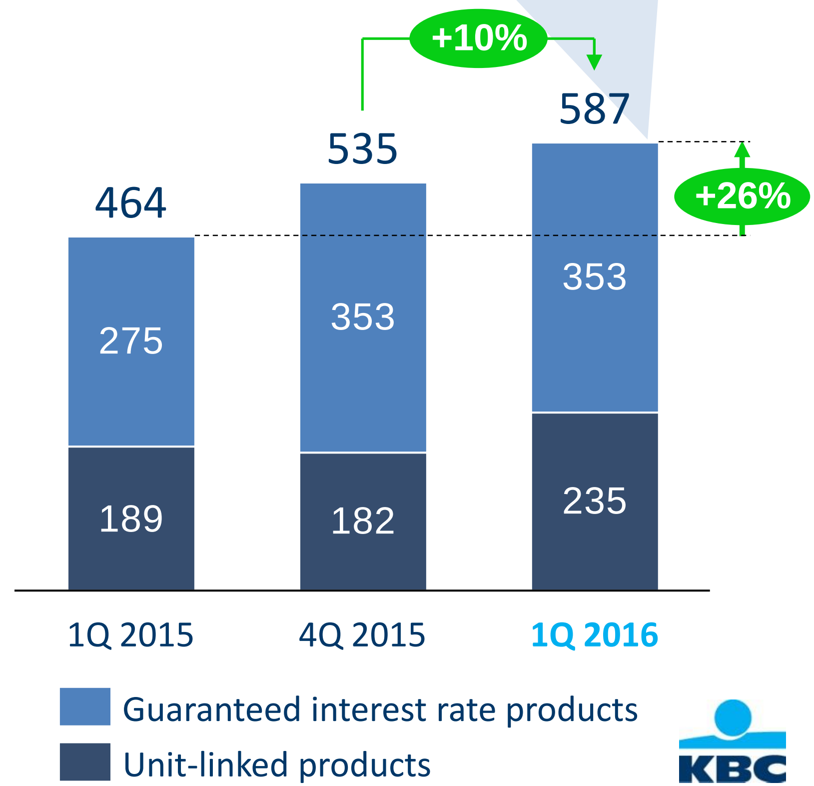
Y-o-y increase mainly explained by significant higher sales of guaranteed interest products in Belgium and higher sales of unit-linked products in the Czech Republic

Gross earned premiums



Life sales

(Gross written premium)

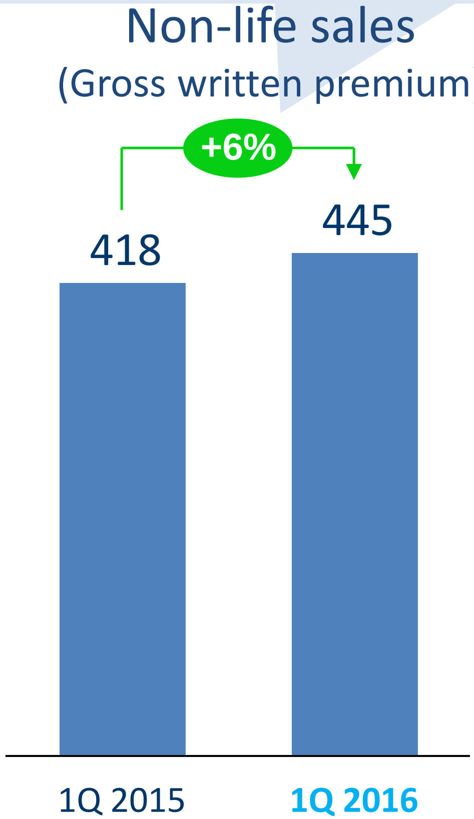


Amounts in millions of EUR

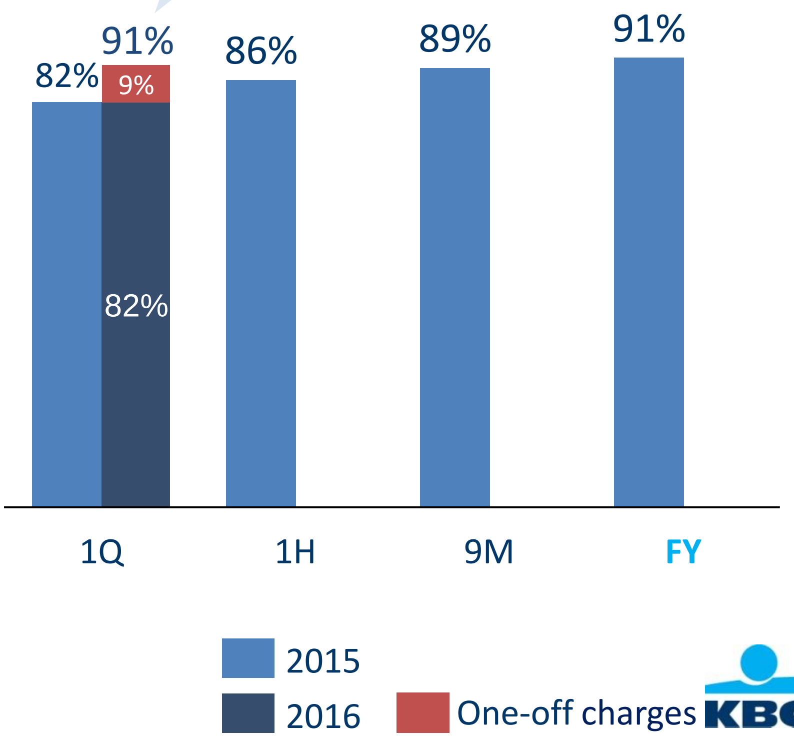
Insurance (2/2):

Strong non-life sales with excellent combined ratio (excl. one-off charges)

Up by 6% y-o-y thanks to a good commercial performance in all major product lines in our core markets and premium increases



Relatively low technical charges due to mild winter conditions across all countries which were offset by one-off charges due to terrorist attacks in Belgium (-30m EUR)

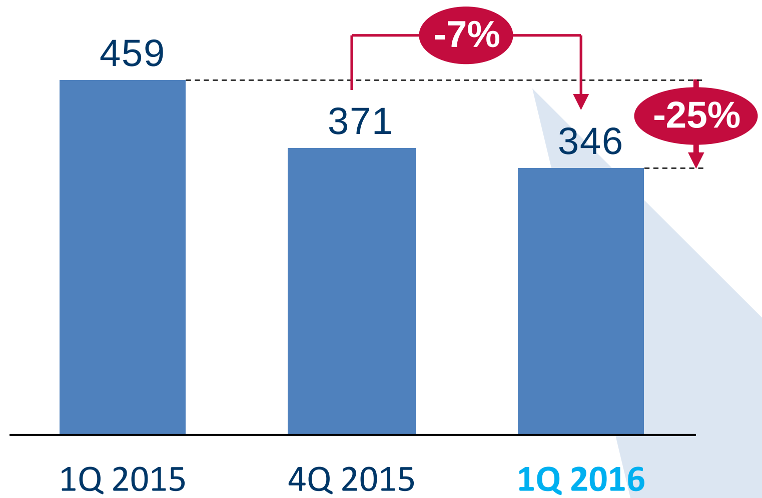


Amounts in millions of EUR

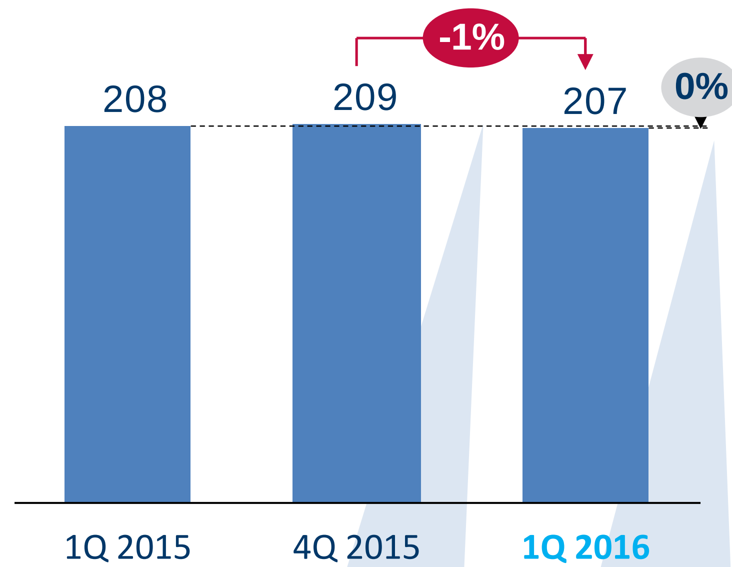
Net fee and commission income:

Small net asset management inflows and lower fee and commission income (in line with guidance)

Net fee and commission income



Assets under management (AUM)



- **Q-o-q decrease was the result chiefly of**:
  - lower management fees from mutual funds & unit-linked products (lower AuM and high cash level in CPPI) and lower entry fees from mutual funds in Belgium
  - lower fees from payment services in the Czech Republic (seasonal effect & impact of interchange fees regulation) and Hungary
  - lower fees from credit files and bank guarantees in BE, CZ and SK
  - higher commissions paid on insurance sales
  - partly offset by higher entry fees from unit-linked life insurance products
- Although the recovery of net F&C has been delayed due to the market circumstances in 1Q16, **we expect a positive reversal of the trend in net F&C in 2Q16**. Net F&C income will remain an important top-line contributor

Q-o-q: small net inflows and negative price effect (-1%)

Y-o-y: flat owing to net inflows (+4%) and negative price effect (-5%)

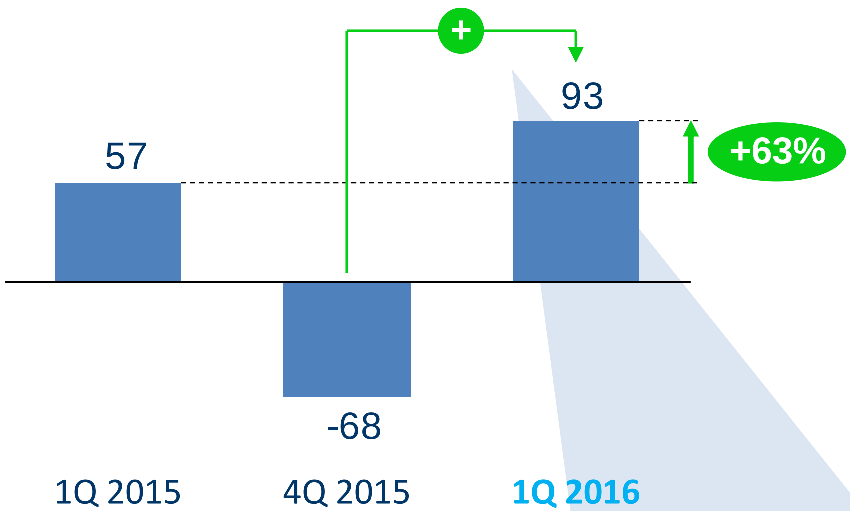
Amounts in millions of EUR

Amounts in billions of EUR

The other net income drivers:

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

Net gains on financial instruments at fair value

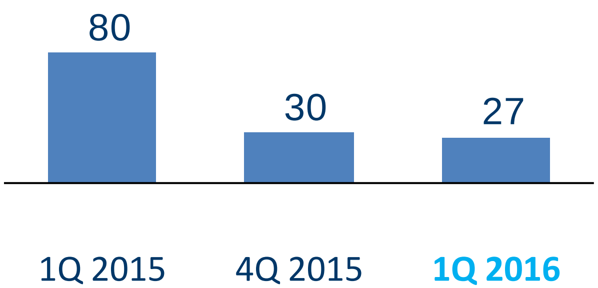


Q-o-q increase attributable chiefly to:

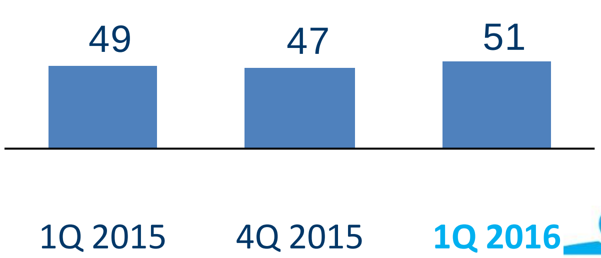
(+) -156m EUR translation differences by liquidating KBC FH (4Q15), +20m EUR in ALM derivatives (+12m EUR in 4Q15) due to positive time value and a one-off benefit from unwinding the hedge on the previous TLTRO (+21m EUR), despite a significant decrease q-o-q in IRS rates and better dealing room income & +12m EUR Own Credit Risk (mainly methodology change)

(-) negative change in market, credit and fair value adjustments (as a result of widening spreads and increased volumes)

Gains realised on AFS assets



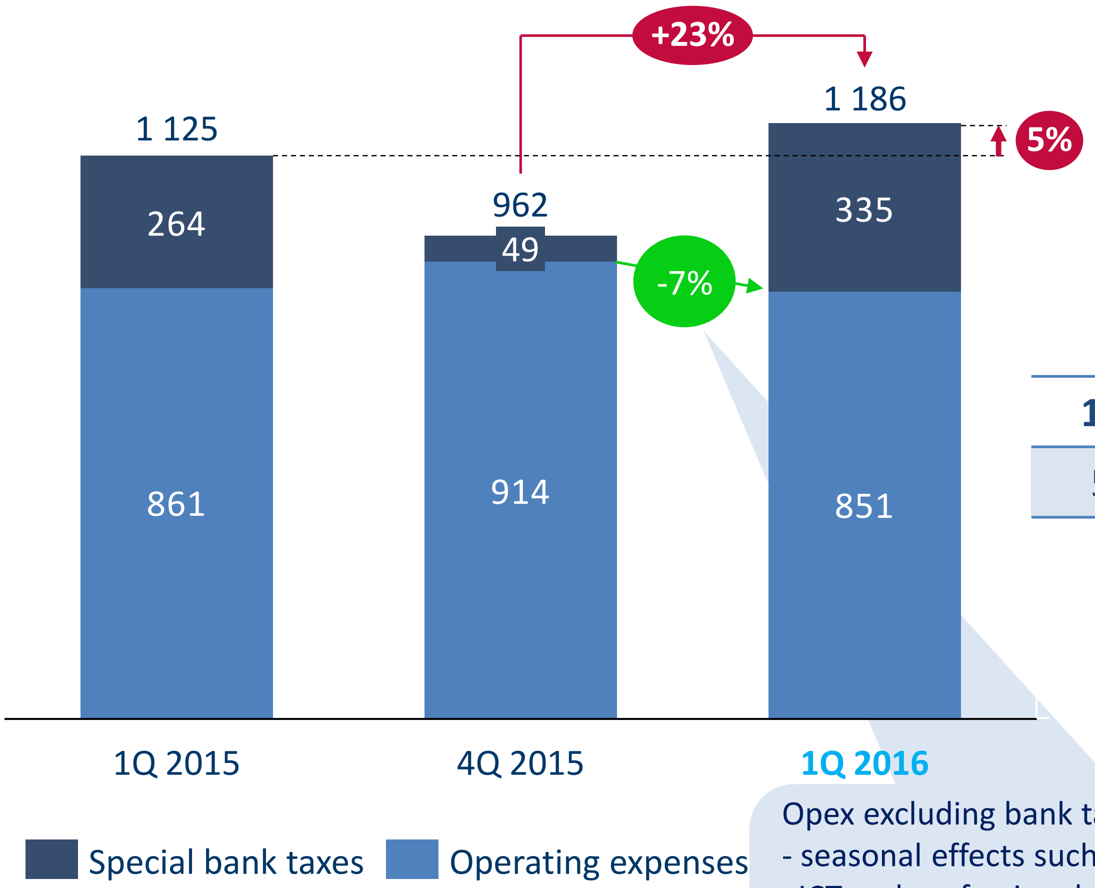
Other net income



Amounts in millions of EUR

Operating expenses:

Expenses up, due entirely to higher bank taxes



Quarterly C/I ratio*

1Q15	4Q15	1Q16
53%	59%	57%

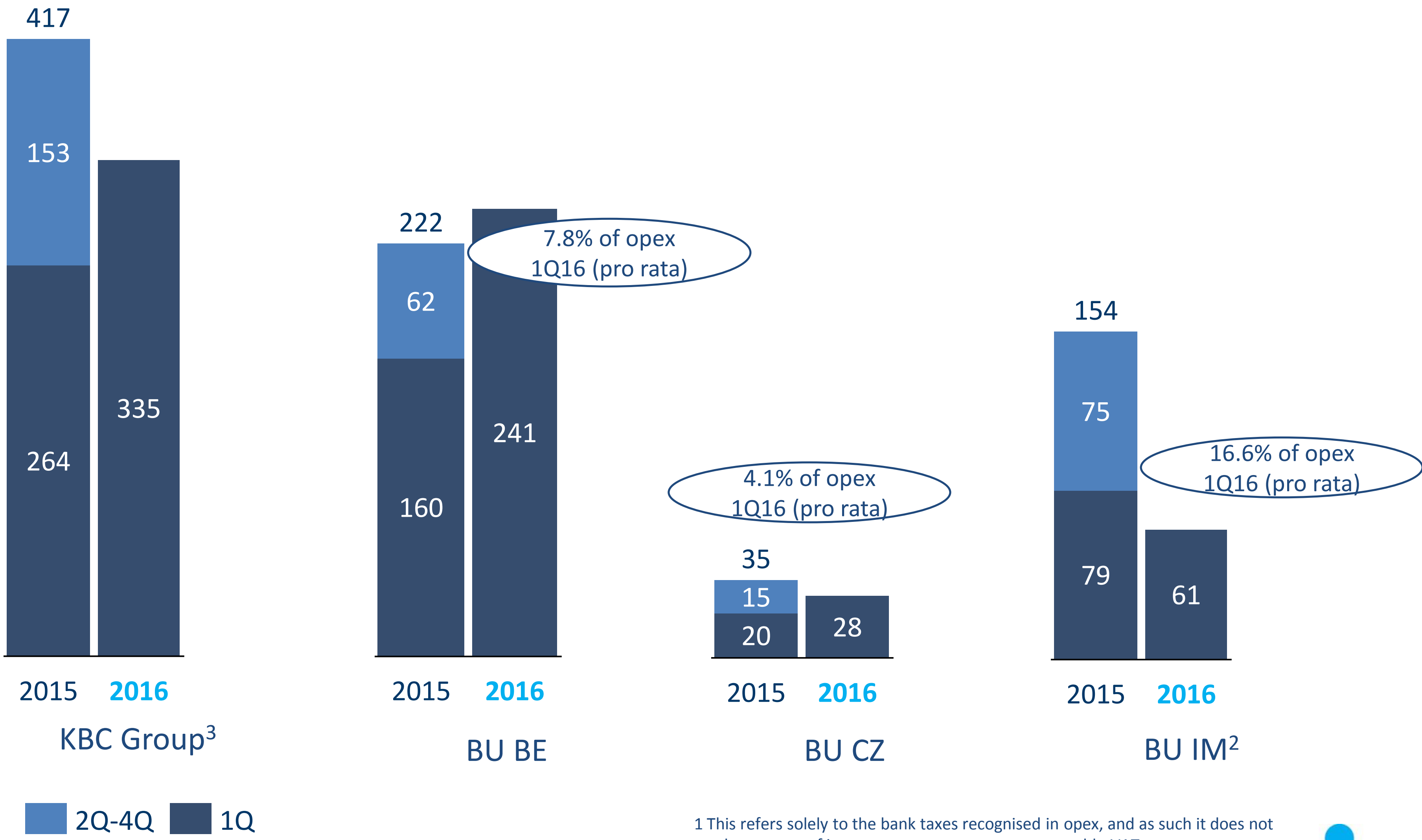
Opex excluding bank tax down 7% q-o-q due to:
- seasonal effects such as traditionally lower marketing, ICT and professional fee expenses
- lower depreciation and amortisation costs in Ireland, the Group Centre and Hungary
- No restructuring charges in CZ in 1Q16

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

Amounts in millions of EUR

Special bank taxes[1]:

Represent 8.7% of operational expenses of 1Q 2016 (pro rata)



Amounts in millions of EUR

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 International Markets (IM) BU includes Hungary, Slovakia, Bulgaria and Ireland
3 KBC Group also includes Group Center

Asset impairments:

Unsustainable low asset impairments and excellent credit cost ratio

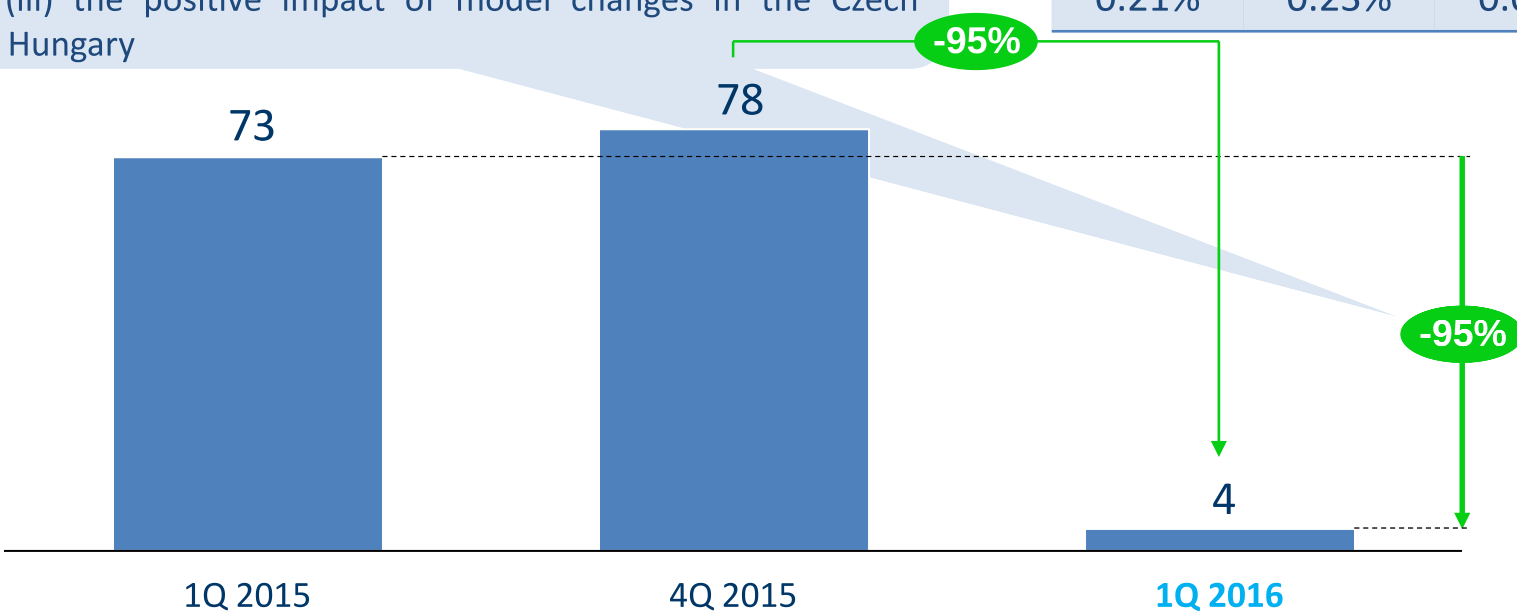
(historic average '99-'15 of 0.52%)

Impairments on loans and receivables

The seasonal q-o-q decrease in loan loss provisions was attributable mainly to (i) low gross impairments in all segments in Belgium and the Czech Republic, (ii) several reversals in Belgium, the Czech Republic and Ireland and (iii) the positive impact of model changes in the Czech Republic and Hungary

Credit cost ratio (YTD)

1Q15	4Q15	1Q16
0.21%	0.23%	0.01%



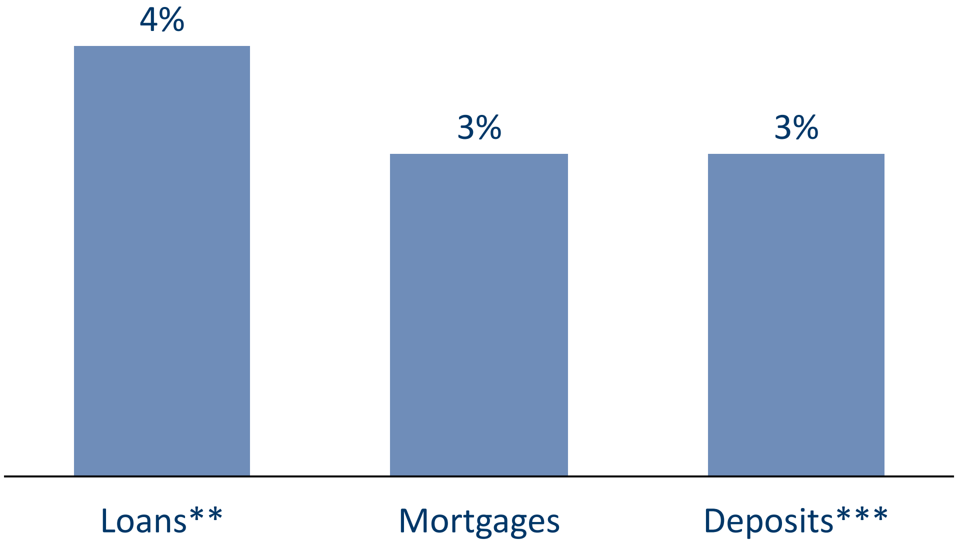
Amounts in millions of EUR

KBC Group
Balance sheet, capital and liquidity

Balance sheet (1/2):

Loans and deposits continue to grow in most core countries

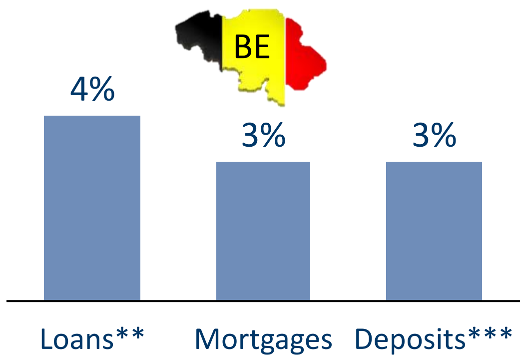
Y-O-Y ORGANIC* VOLUME GROWTH FOR KBC GROUP

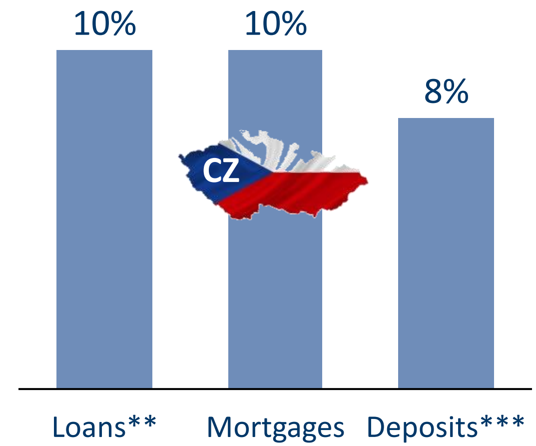


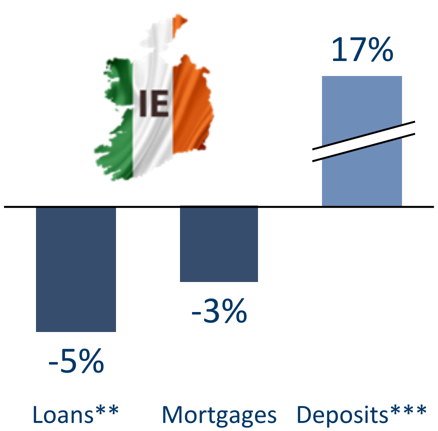
* Volume growth making abstraction of Fx effects and divestments/acquisitions
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos. Please be aware of the significant impact of calling most of the hybrid tier-1 instruments and maturing wholesale debt

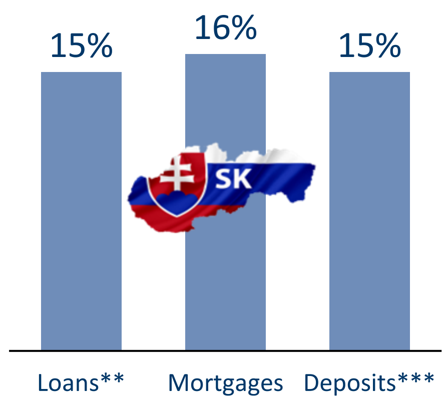
Balance sheet (2/2):
Loans and deposits continue to grow in most core countries

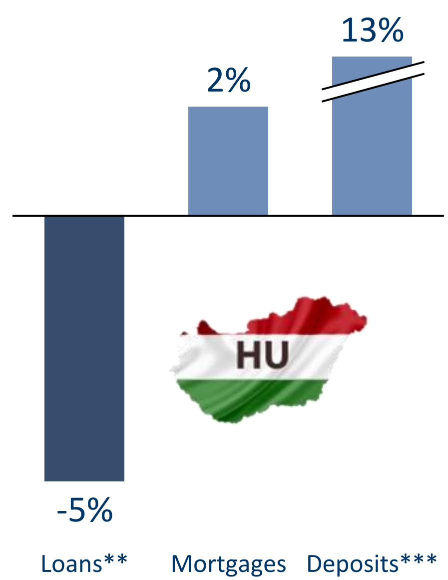
Y-O-Y ORGANIC* VOLUME GROWTH FOR MAIN ENTITIES

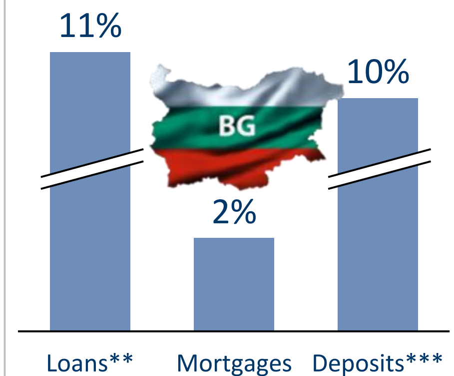












* Volume growth making abstraction of Fx effects and divestments/acquisitions
** Loans to customers including reverse repos (and not including bonds)
*** Customer deposits, including debt certificates and including repos

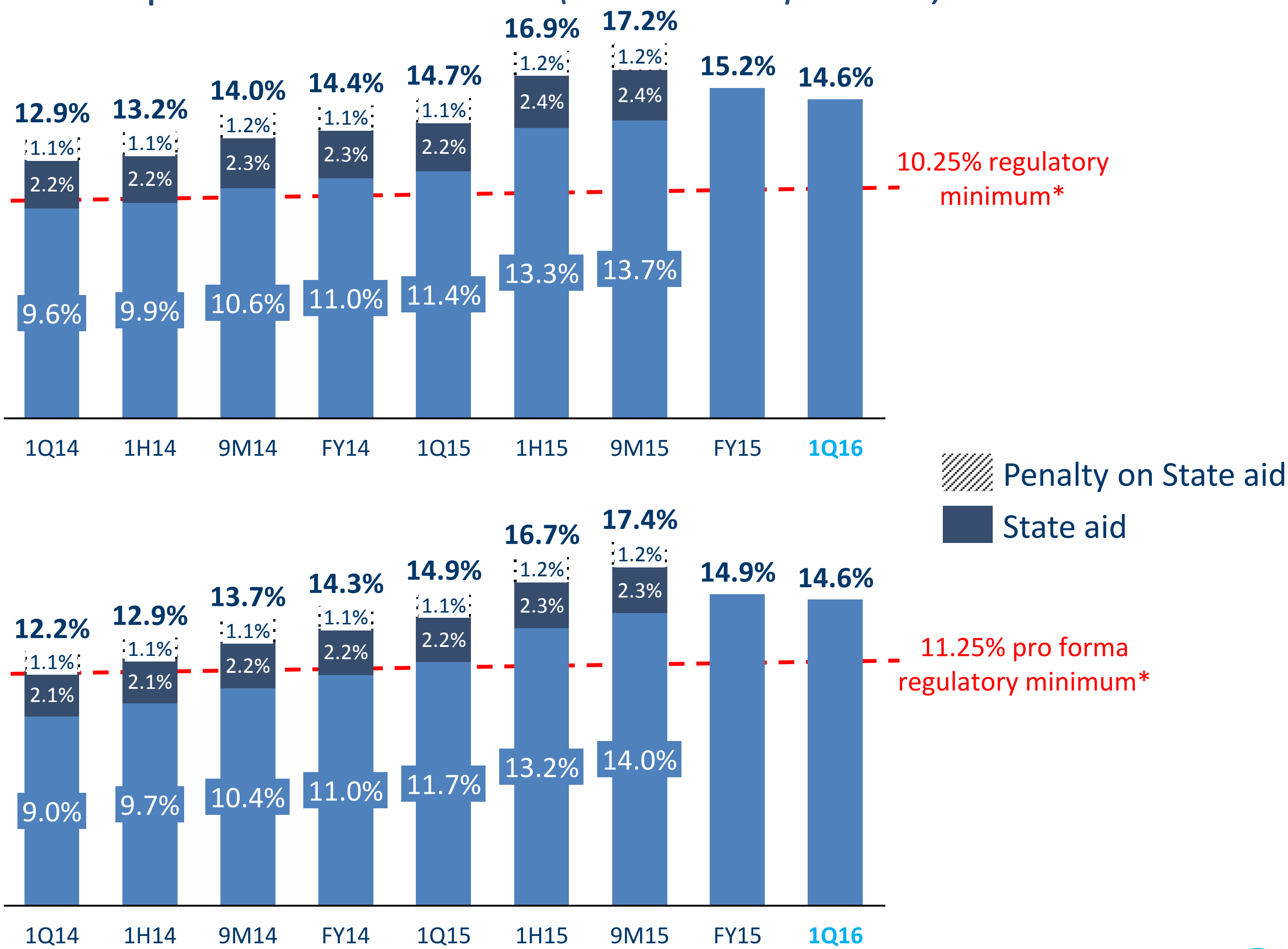
Capital and liquidity ratios (1/2):

Capital ratio resides comfortably above regulatory minimum

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

Phased-in

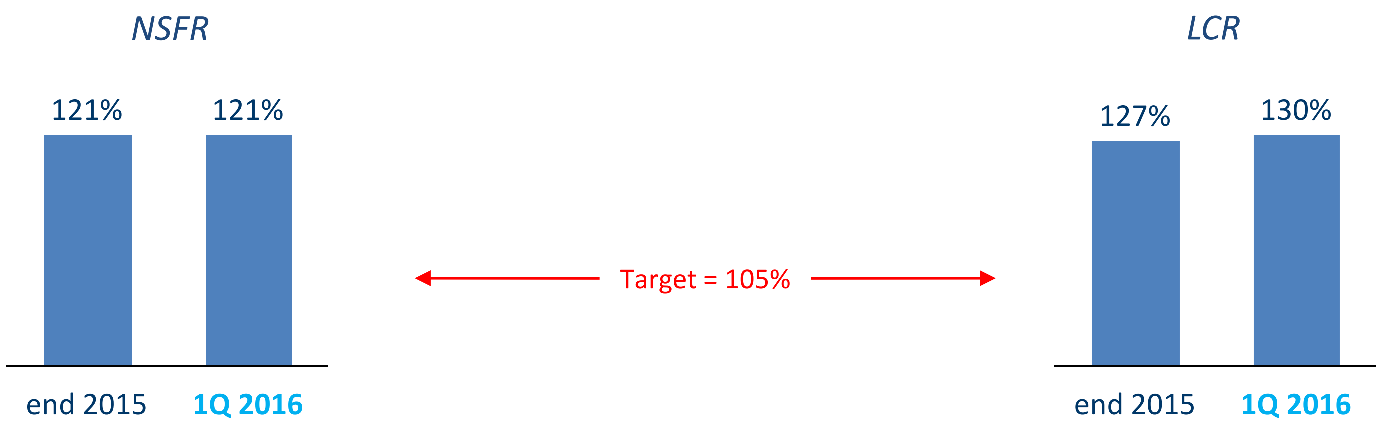
Fully loaded



* Minimum capital requirements set by the ECB (9.75%) and the NBB (0.5%), i.e. an aggregate 10.25% for 2016. As announced by the NBB the systemic buffer (CET1 phased-in of 0.5% in 2016 under the Danish Compromise) will gradually increase over a 3-year period, reaching 1.5% in 2018

Capital and liquidity ratios (2/2):
Liquidity continues to be strong

KBC Group's liquidity ratios*



* 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
1Q 2016
wrap up

Wrap up

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

Looking forward to 2016

- Looking forward, management envisages:
  - ✓ Continued stable and solid returns for the Belgium & Czech Republic Business Units
  - ✓ Turnaround achieved in the International Markets Business Unit
  - ✓ As per guidance already issued, profitability in Ireland expected to continue for the FY16…
  - ✓ …moreover, we are maintaining our guidance on impairments for Ireland, namely the lower end of the 50m-100m EUR range for FY16
  - ✓ A phased-in B3 common equity ratio of minimum 10.25% for 2016
  - ✓ LCR and NSFR of at least 105%
  - ✓ Dividend payout ratio (including the coupon paid on AT1) ≥ 50% as of FY2016*

* Subject to the approval of the General Meeting of Shareholders