KBC Group
3Q and 9M 2016 results
Press presentation

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More detailed analyst presentation available at www.kbc.com

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3Q 2016 key takeaways for KBC Group

- **STRONG BUSINESS PERFORMANCE IN 3Q16**

  Good net result of 629m EUR in 3Q16 (and 1.74bn EUR in 9M16)
  - Good commercial bank-insurance franchises in our core markets and core activities
  - Slight q-o-q increase in customer loan volumes in most of our core countries
  - Slightly lower net interest income and net interest margin q-o-q
  - Higher net fee and commission income q-o-q, despite net asset management outflows
  - Lower net gains from financial instruments at fair value, lower realised AFS gains and higher net other income
  - Combined ratio of 94% YTD. Excellent sales of non-life products, but decline in sales of life insurance products
  - Good cost management resulted in a cost/income ratio of 57% YTD adjusted for specific items
  - Excellent, but unsustainably low level of impairment charges. Net loan provision release of 28m EUR in 3Q16 in Ireland. The impairment guidance for Ireland is updated towards a release of a 10m-50m EUR range for FY16

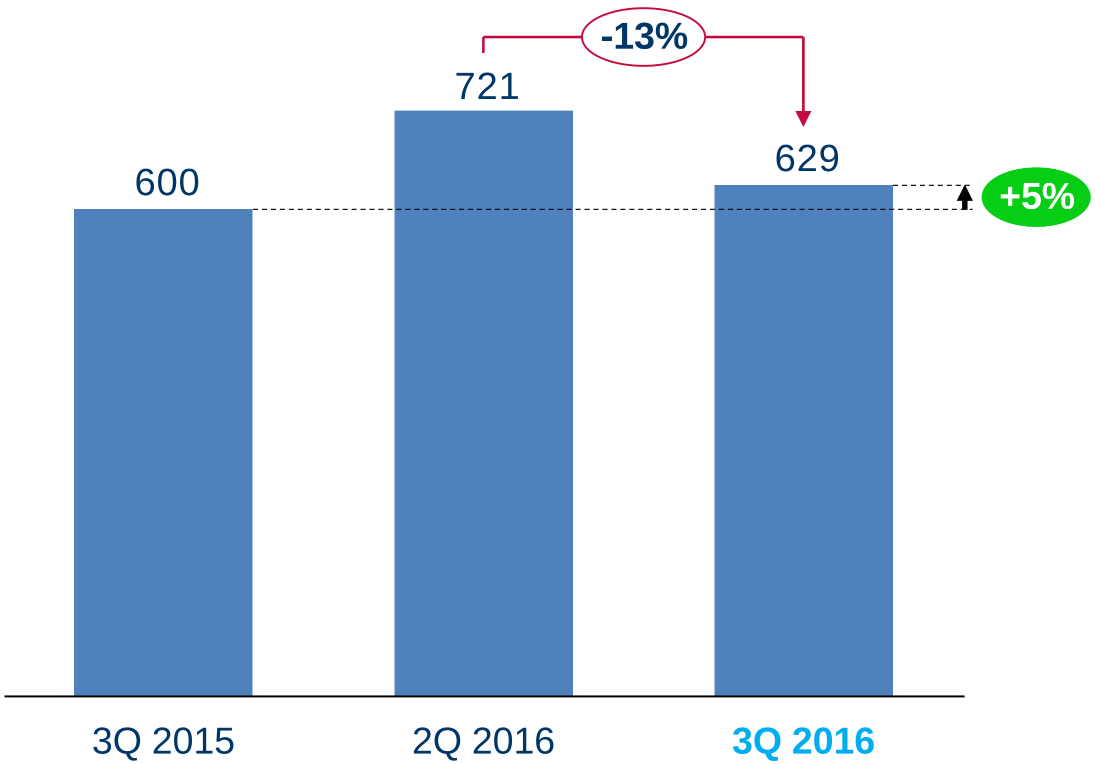
- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - **Common equity ratio (B3 phased-in) of 15.1% based on the Danish Compromise** at end 9M16, which clearly exceeds the new minimum capital requirements set by the ECB (9.75%) and the NBB (0.5%), i.e. an aggregate 10.25% for 2016. **The B3 fully loaded common equity ratio stood at 15.3% based on the Danish Compromise at end 9M16**
  - Fully loaded B3 **leverage ratio**, based on current CRR legislation, amounted to **6.2%** at KBC Group
  - **Continued strong liquidity position** (NSFR at 123% and LCR at 137%) at end 9M16
  - An **interim dividend of 1 EUR per share** (an advance payment on the total 2016 dividend) will be paid on 18 November 2016




KBC Group
Consolidated results
3Q 2016 performance

KBC Group:
Strong business performance in 3Q 2016

Net result



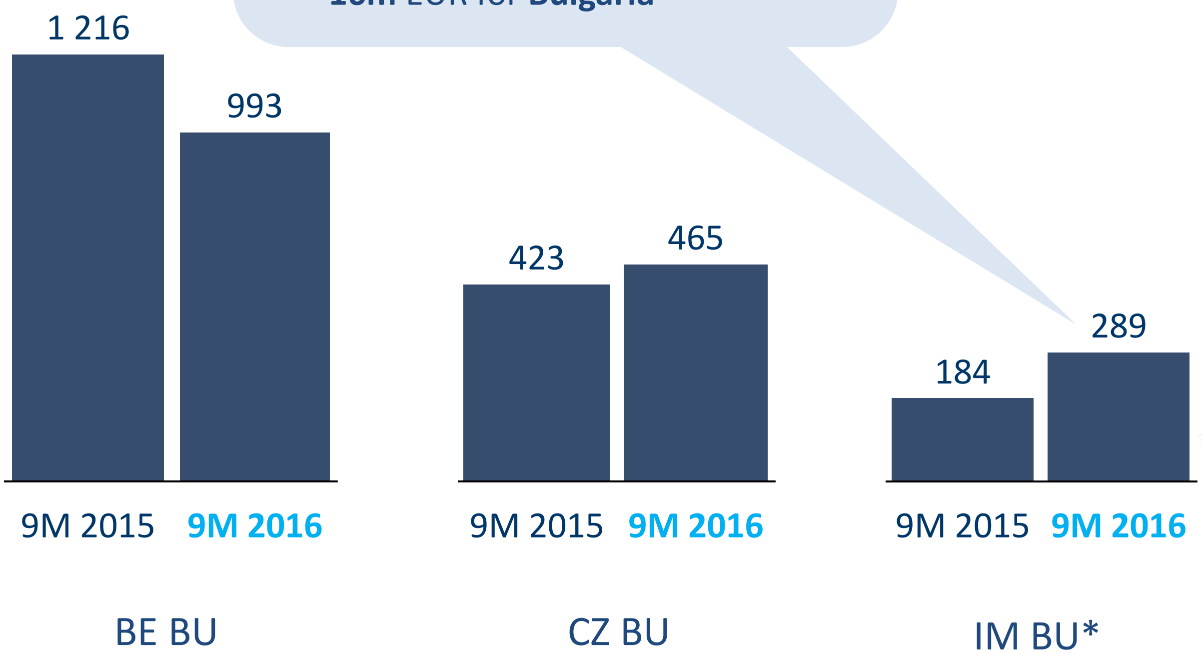
Amounts in millions of EUR

Net result per business unit:

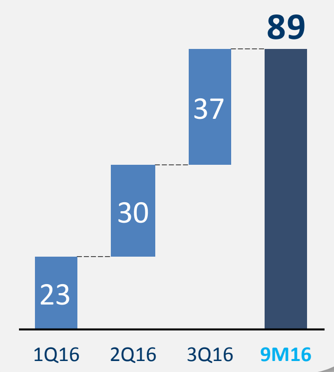
All business units contributed to the positive result

9M16 net result breakdown for International Markets:

- **106m** EUR for **Hungary**
- **76m** EUR for **Slovakia**
- **89m** EUR for **Ireland**
- **16m** EUR for **Bulgaria**



Ireland clearly achieved profitablity



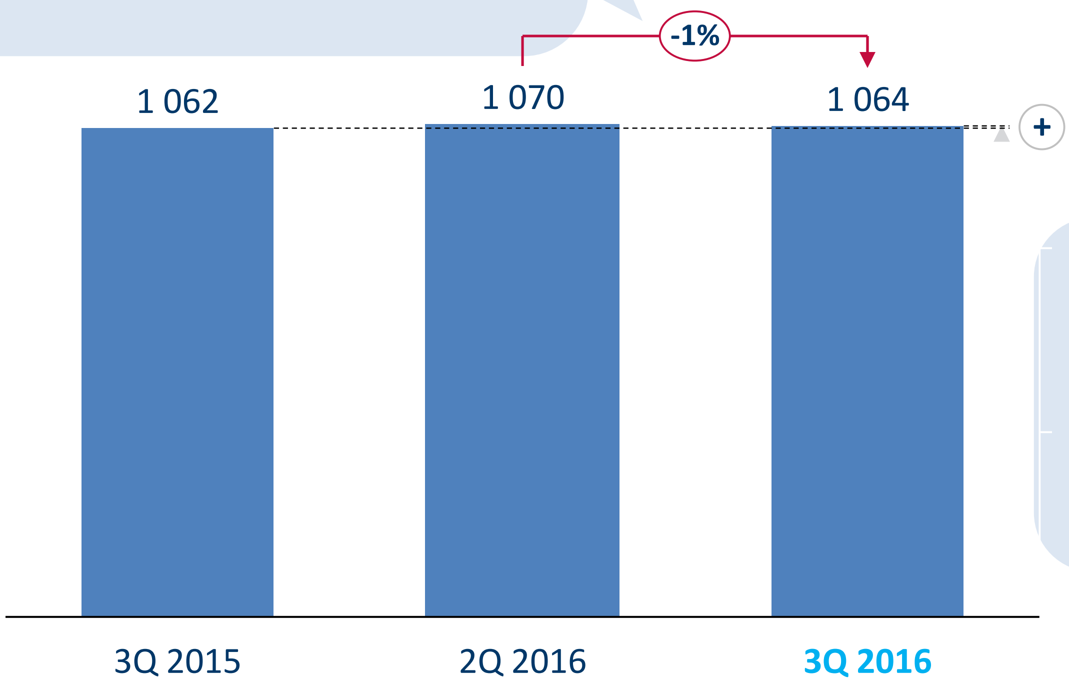
Amounts in millions of EUR

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

Net interest income:

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

NII down 1% q-o-q (and slightly up y-o-y):
(+) lower funding costs, continued volume growth in current accounts and loans, further positive effect of enhanced ALM management and 7m EUR increase of NII in the dealing room
(-) lower reinvestment yields, hedging losses on previously refinanced mortgages, pressure on commercial loan margins in most core countries and slightly lower upfront prepayment fees



Net Interest Margin

3Q15	2Q16	3Q16
1.99%	1.94%	1.90%

Q-o-q decrease of NIM is due to lower reinvestment yields, pressure on commercial loan margins in most core countries and hedging losses on previously refinanced mortgages partly offset by lower funding costs

Amounts in millions of EUR

Insurance (1/2):

Premium income down q-o-q, but claims significantly lower

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

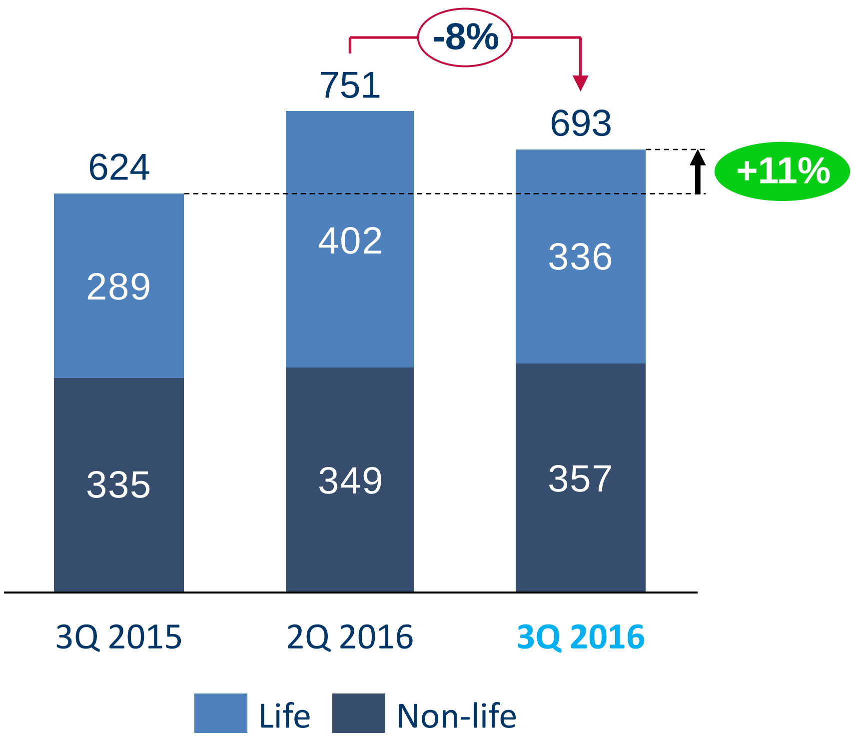
Life premium income **down by 16% q-o-q and up by 16% y-o-y**

Decreased by 20% q-o-q mainly driven by lower sales of guaranteed interest products in Belgium, as the guaranteed interest was further lowered during the course of 3Q16

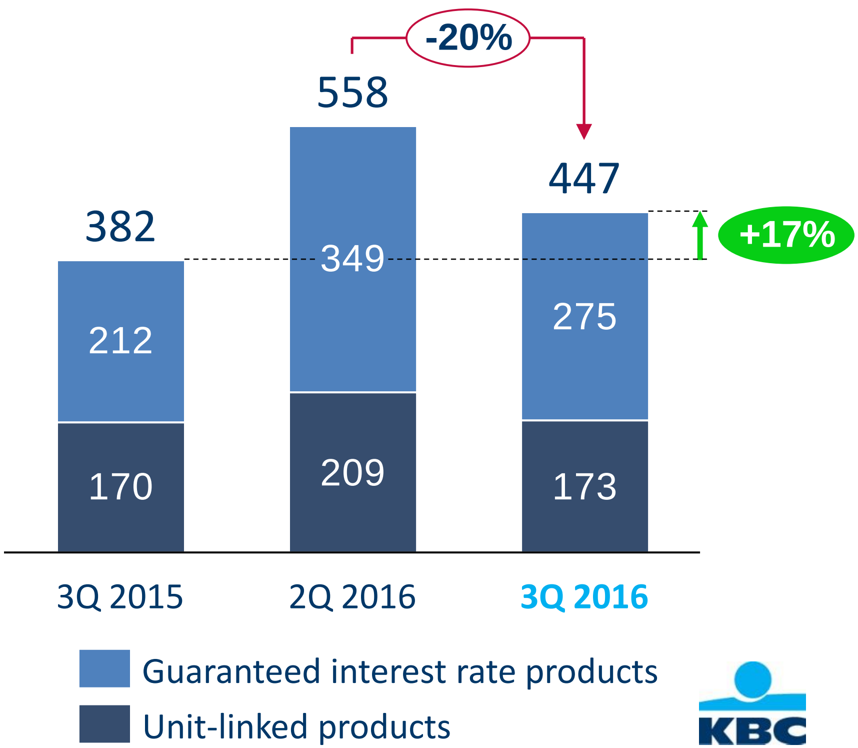
Increased by 17% y-o-y explained chiefly by significantly higher sales of guaranteed interest products and (to a lesser extent) higher sales of unit-linked products, both in Belgium

Sales of unit-linked products accounted for 39% of total life insurance sales

Gross earned premiums



Life sales



Amounts in millions of EUR

Insurance (2/2):

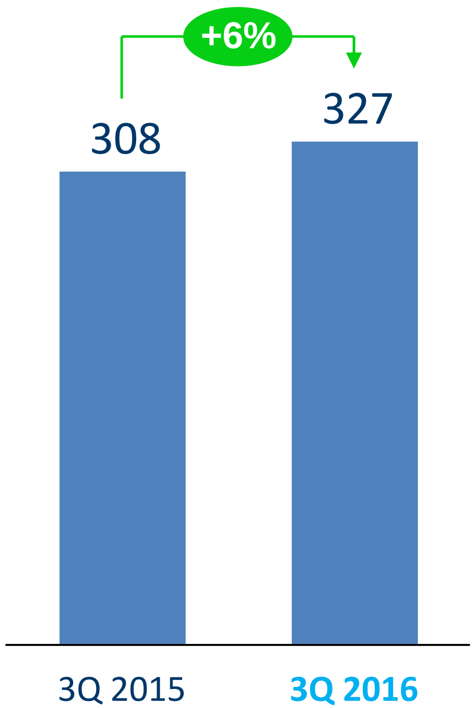
Strong non-life sales, claims significantly impacted by natural perils

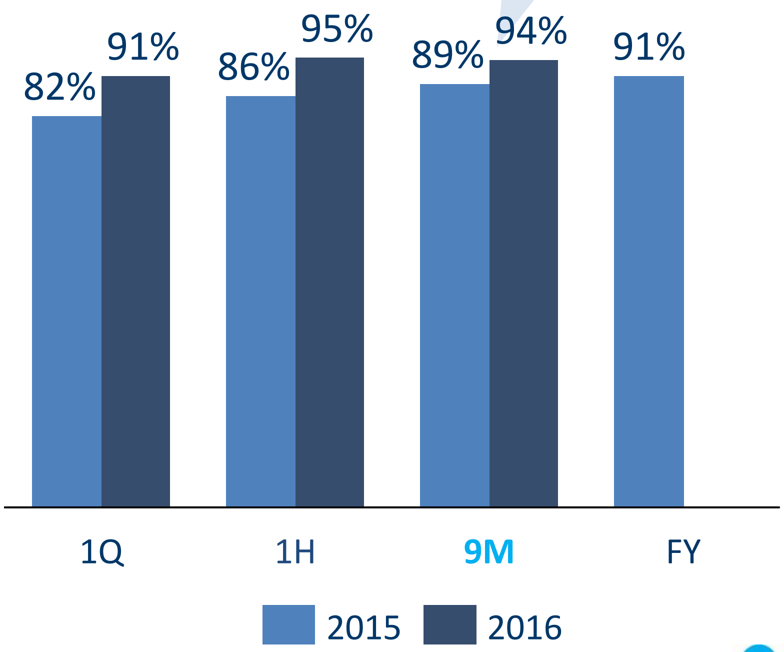
Up y-o-y thanks to a good commercial performance in all major product lines in our core markets and tariff increases

The non-life combined ratio at 9M16 amounted to 94%, an improvement compared with 95% in 1H16 due to the (very) low claims ratio in 3Q16

Non-life sales

(Gross written premium)



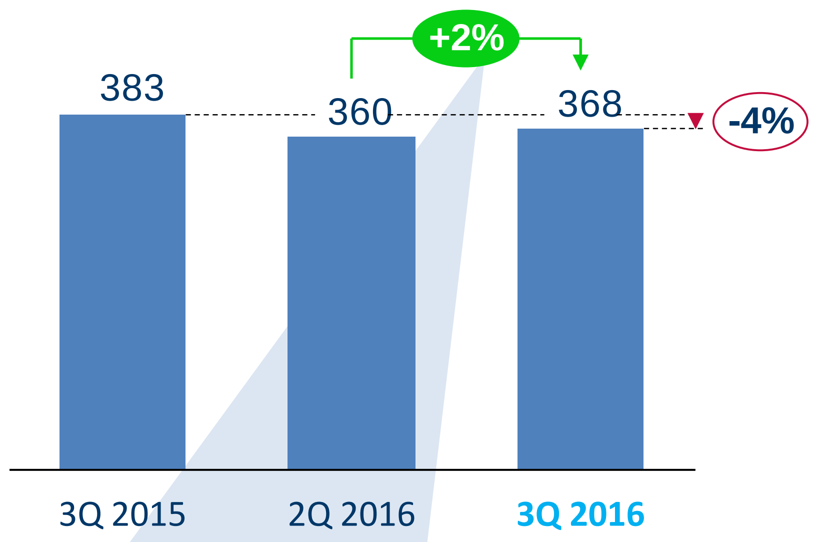


Amounts in millions of EUR

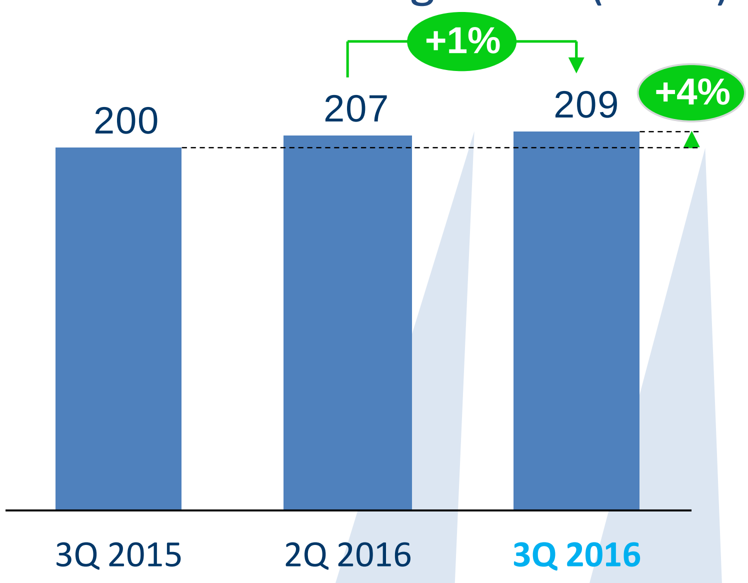
Net fee and commission income:

Higher fee and commission income

Net fee and commission income



Assets under management (AUM)



- **Q-o-q increase was the result chiefly of**:
  - higher management fees from mutual funds & unit-linked life insurance products (thanks to reset date CPPI)
  - higher fees from payment services in Belgium, Slovakia and Hungary
  - slightly higher entry fees from mutual funds

  partly offset by:
  - lower fees from credit files and bank guarantees (due mainly to less mortgage refinancings in BE)
  - lower securities-related fees in Belgium
  - higher commissions paid on insurance sales

Up q-o-q as a result of net outflows (-1%) and a positive price effect (+2%)
Increased y-o-y owing to net inflows (+1%) and a positive price effect (+3%)

Amounts in millions of EUR *(left chart)*

Amounts in billions of EUR *(right chart)*

Net gains on financial instruments at fair value:

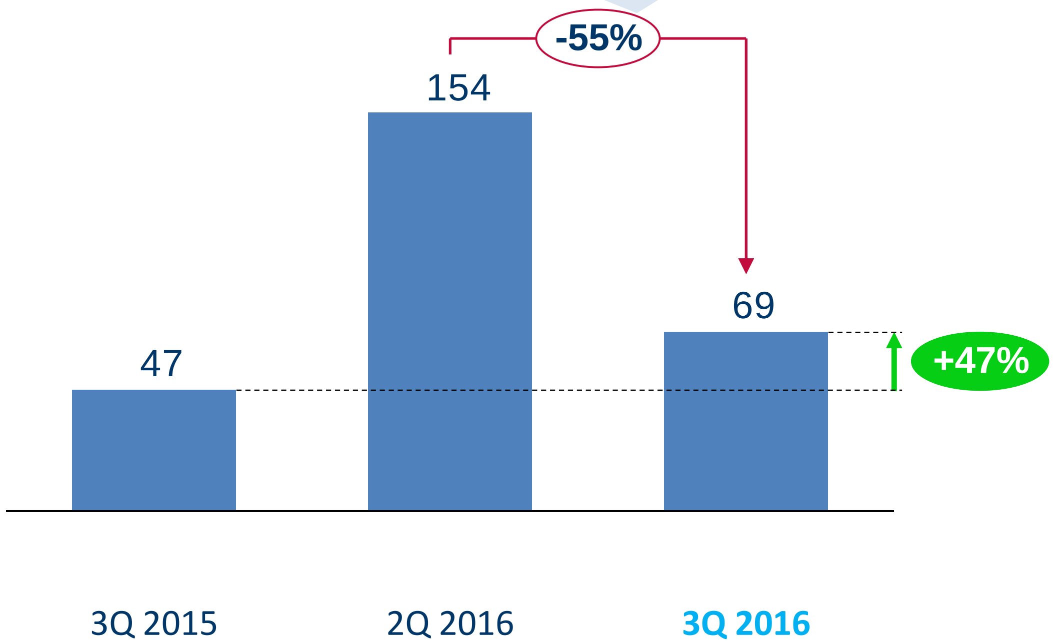
Lower fair value gains q-o-q

Q-o-q decrease attributable to:

- a negative change in market, credit and fair value adjustments (mainly as a result of model changes, despite tightening spreads)
- a negative change in ALM derivatives (-4m EUR in 3Q16 compared with 13m EUR in 2Q16) due to a further decrease q-o-q in IRS rates

partly offset by:

- slightly better dealing room income



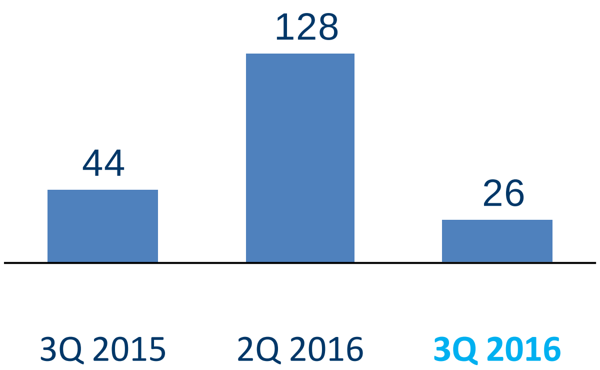
Amounts in millions of EUR

The other net income drivers:

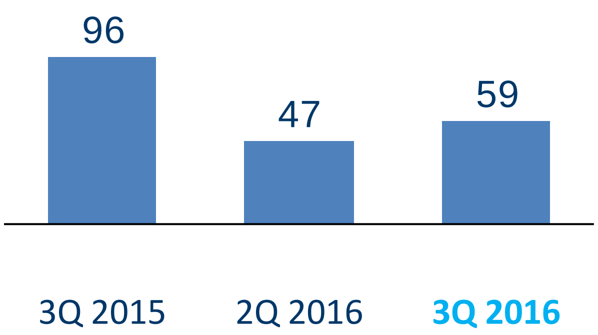
Lower gains realised on AFS assets and higher other net income

Q-o-q, lower gains realised on AFS assets (shares only), due mainly to realised gains on Visa Europe Limited in 2Q16 (99m EUR pre-tax and 84m EUR post-tax)

Gains realised on AFS assets



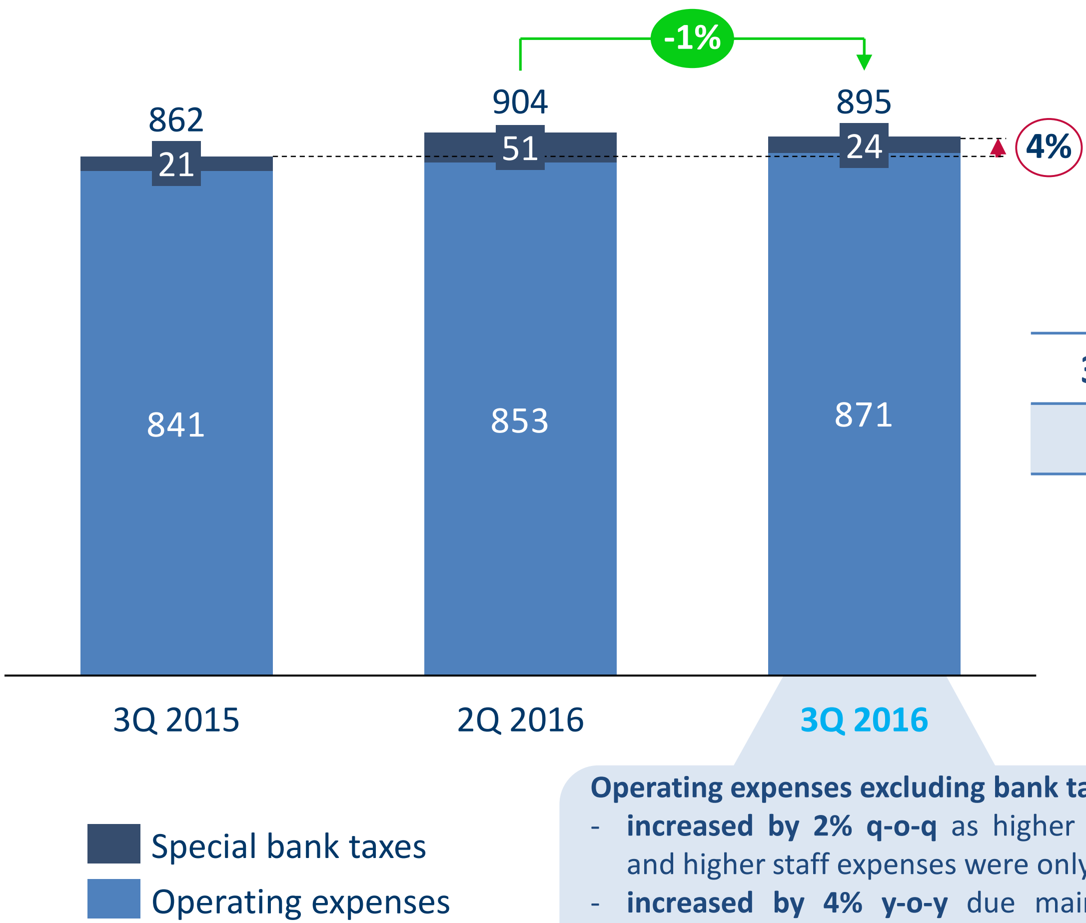
Other net income



Amounts in millions of EUR

Operating expenses:

Expenses down q-o-q, due entirely to lower bank taxes



Quarterly C/I ratio*

3Q15	2Q16	3Q16
58%	56%	57%

Operating expenses excluding bank tax:
- **increased by 2% q-o-q** as higher professional fees, timing differences and higher staff expenses were only partly offset by lower ICT expenses
- **increased by 4% y-o-y** due mainly to higher ICT expenses, higher professional fees and general administrative expenses (partly timing differences), despite lower staff expenses

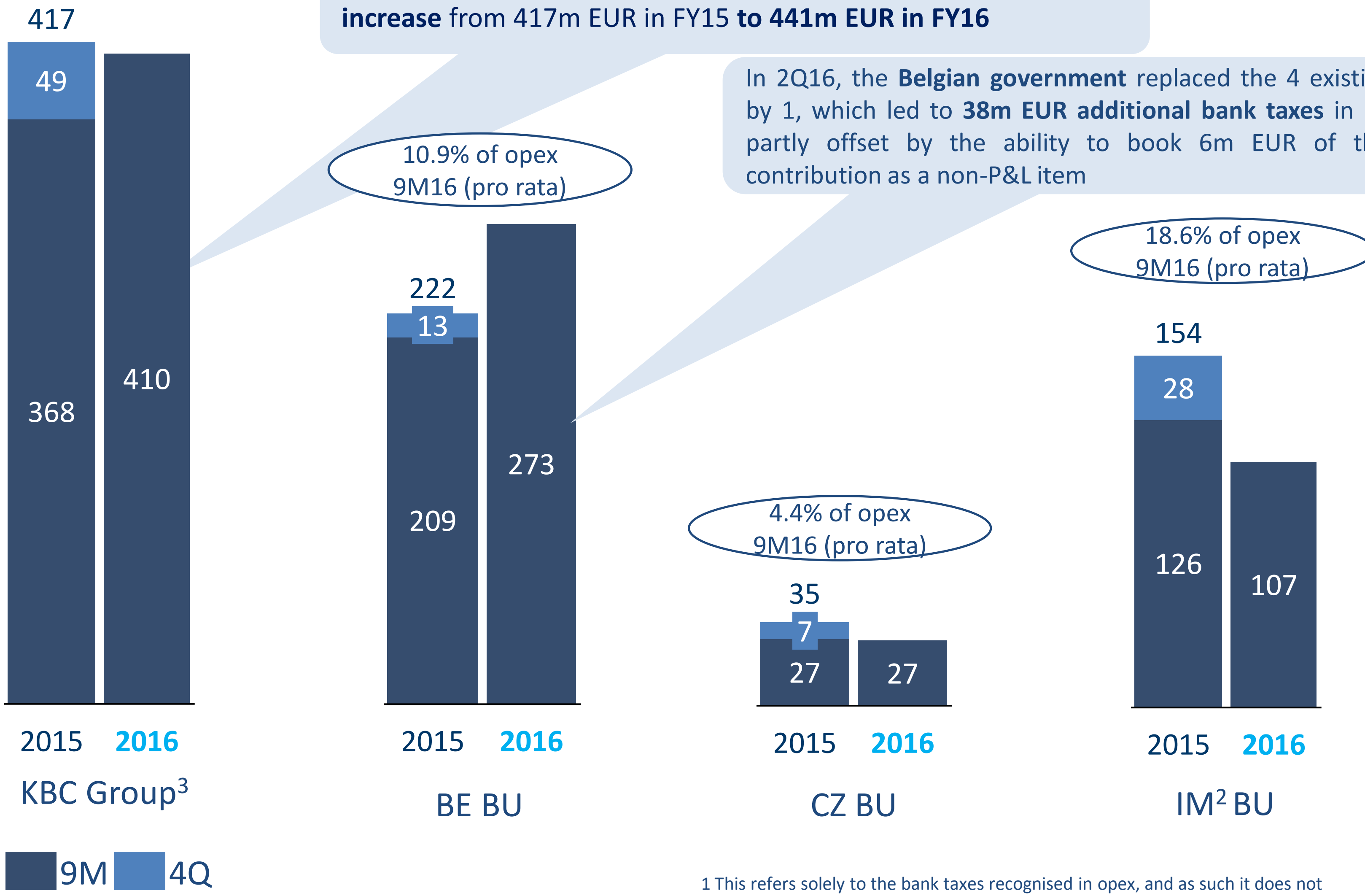
* adjusted for specific items: MtM ALM derivatives, equally spread special bank taxes, etc.

Amounts in millions of EUR

Special bank taxes[1]:
Represent 11.1% of operational expenses of 9M 2016 (pro rata)

Total bank taxes (including ESRF contribution) are **expected to increase** from 417m EUR in FY15 **to 441m EUR in FY16**

In 2Q16, the **Belgian government** replaced the 4 existing taxes by 1, which led to **38m EUR additional bank taxes** in Belgium, partly offset by the ability to book 6m EUR of the ESRF contribution as a non-P&L item



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 Centre

Asset impairments:

Unsustainably low asset impairments and excellent credit cost ratio
(historic average ’99-’15 of 0.52%)

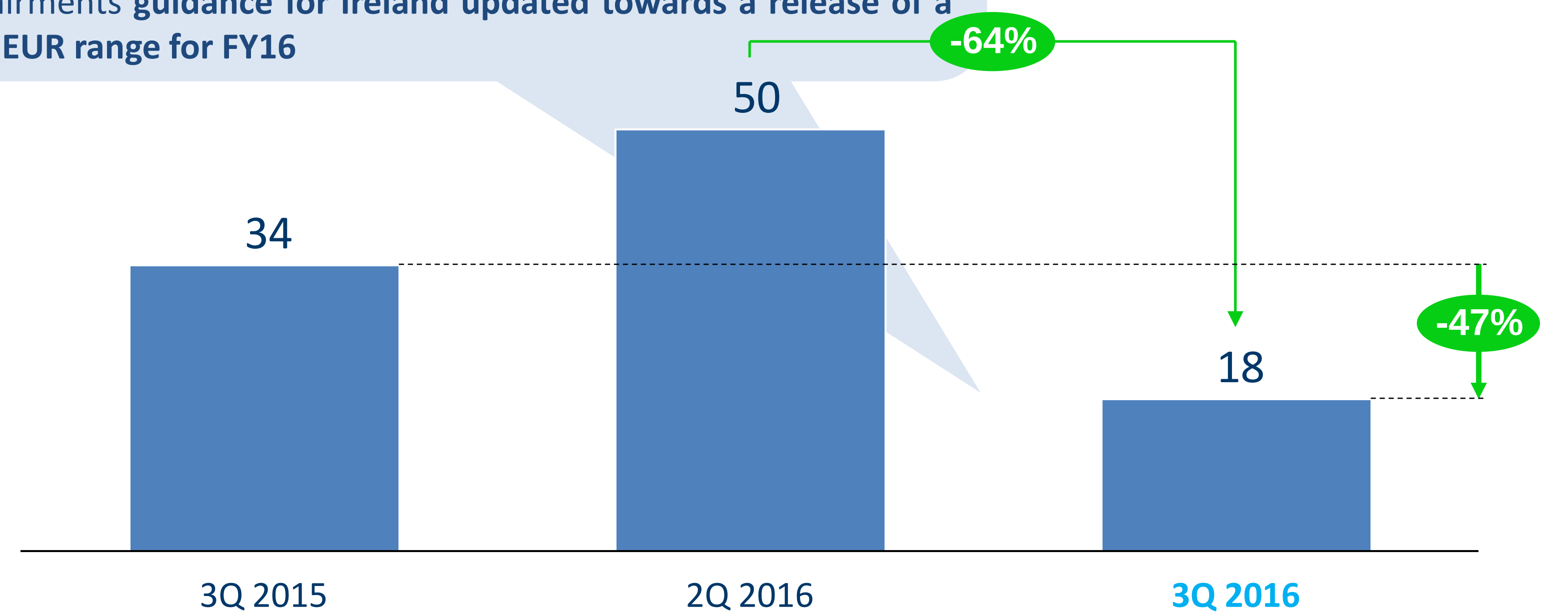
Impairments on loans and receivables

The **q-o-q decrease** in loan loss provisions was **attributable mainly to:**
- net loan loss provision releases of 28m EUR in Ireland and 11m EUR in Hungary
- a 25m EUR increase due to IBNR parameter changes in 2Q16

Loan impairments **guidance for Ireland updated towards a release of a 10m-50m EUR range for FY16**

Credit cost ratio (YTD)

3Q15	2Q16	3Q16
0.23%	0.07%	0.07%

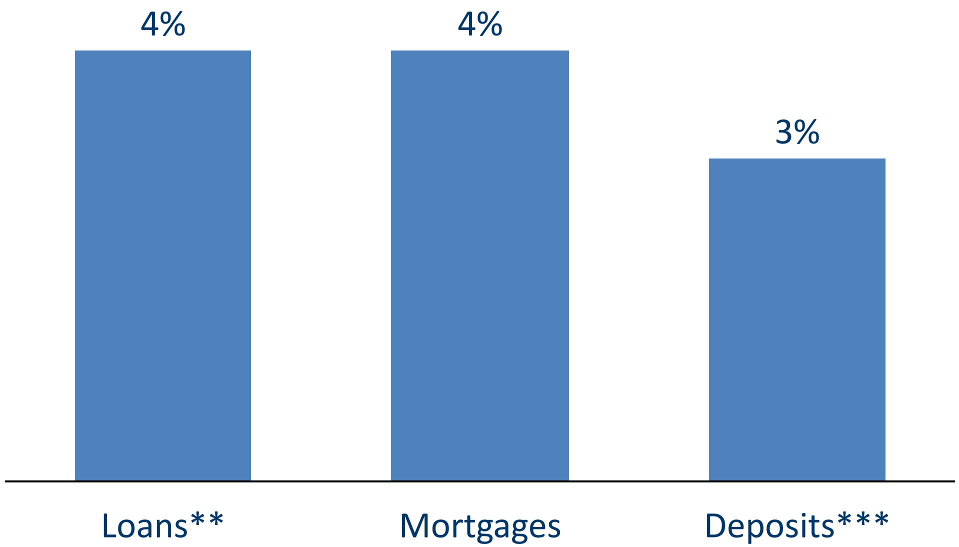


Amounts in millions of EUR

KBC Group
Balance sheet, capital and liquidity

Balance sheet (1/2):
Loans and deposits continue to grow in most core countries

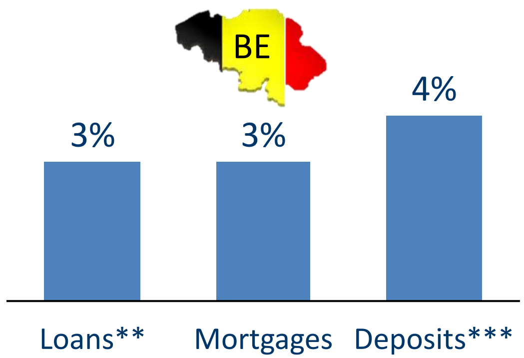
Y-O-Y ORGANIC* VOLUME GROWTH FOR KBC GROUP

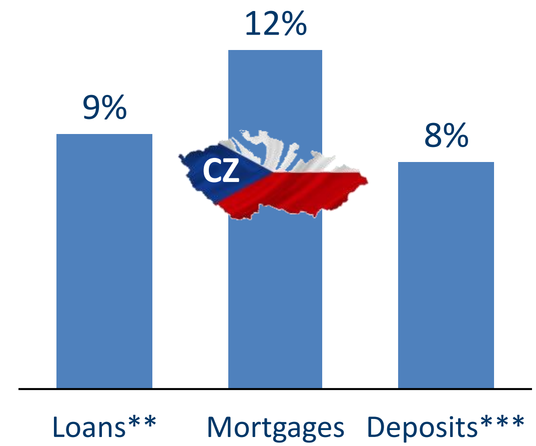


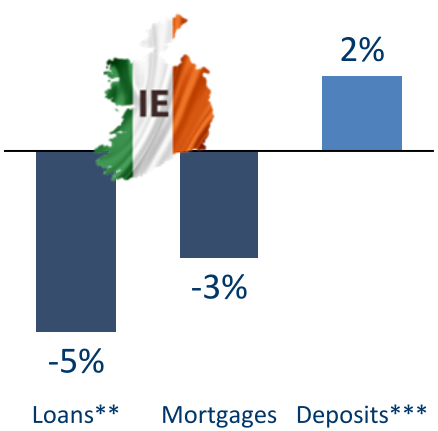
*   Volume growth making abstraction of Fx effects and divestments/acquisitions
**   Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos. Please be aware of the significant impact of calling most of the hybrid tier-1 instruments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

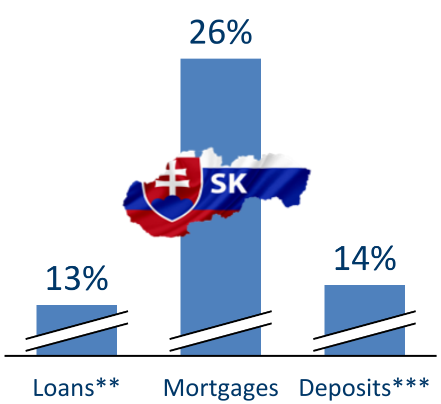
Balance sheet (2/2):
Loans and deposits continue to grow in most core countries

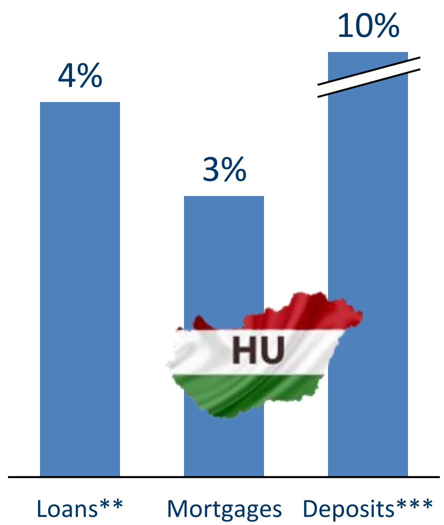
Y-O-Y ORGANIC* VOLUME GROWTH FOR MAIN ENTITIES

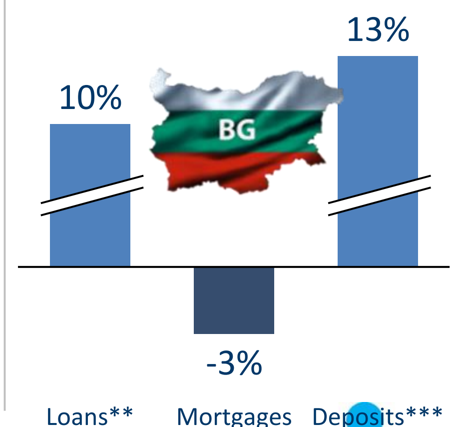






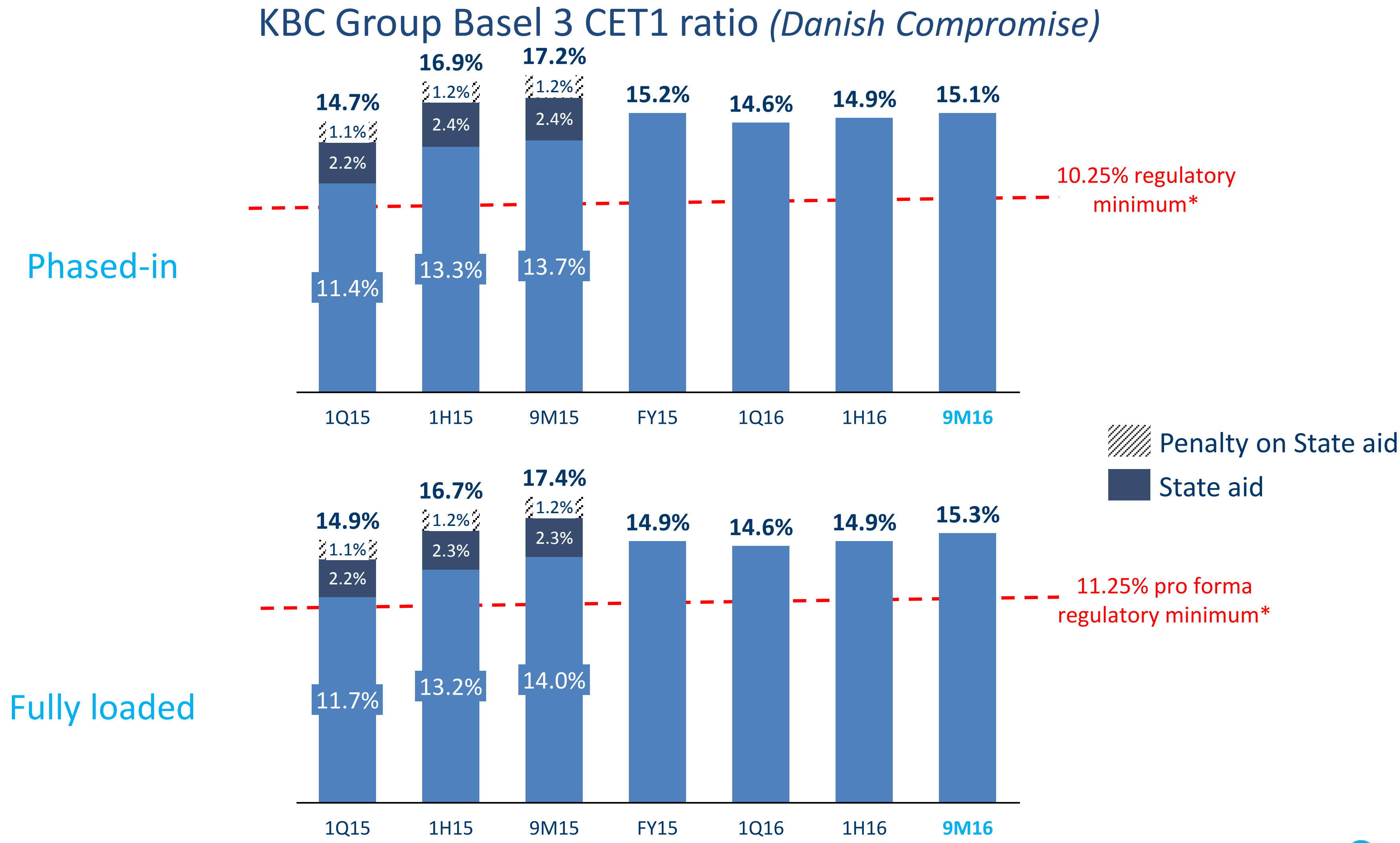






* Volume growth making abstraction of Fx effects and divestments/acquisitions
** Loans to customers including reverse repos (and not including bonds)
*** Customer deposits, including debt certificates and including repos

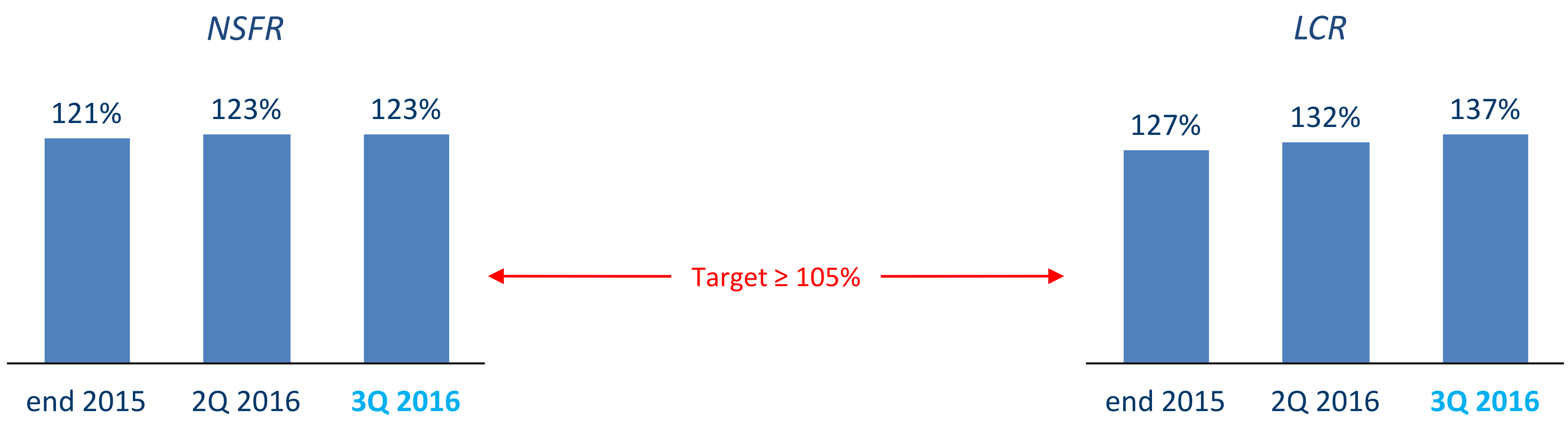
Capital and liquidity ratios (1/2):
Capital ratio resides comfortably above regulatory minimum



* 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
3Q & 9M 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

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

Looking forward

- ✓ KBC Group is the bank-insurer that puts its clients centre stage, even in demanding economic circumstances
- ✓ We expect the remainder of 2016 to be a year of sustained economic growth in both the euro area and the US
- ✓ Management guides for:
  - continued stable and solid returns for all Business Units
  - loan impairments for Ireland towards a release of a 10m-50m EUR range for FY16

We put our clients centre stage and they keep counting on us to help them realise and protect their dreams. We do this proactively and work together to help build society and create sustainable growth. We are genuinely grateful for the confidence they put in us.

Johan Thijs, CEO KBC Group