



KBC Group

4Q and FY 2016 results

Press presentation

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4Q 2016 key takeaways for KBC Group

■ STRONG BUSINESS PERFORMANCE IN 4Q16

Good net result of 685m EUR in 4Q16 and 2,427m EUR in FY16, leading to ROE of 18% in 2016

- Good performance of the commercial bank-insurance franchises in our core markets and core activities
- Q-o-q increase in customer loan volumes and customer deposits in most of our core countries
- Slightly lower net interest income due entirely to dealing room and insurance, while NII banking increased (net interest margin stabilised q-o-q)
- Higher net fee and commission income q-o-q
- Higher net gains from financial instruments at fair value, lower realised AFS gains and higher net other income
- Combined ratio of 93% in FY16. Excellent sales of non-life and life insurance products
- Strict cost management resulted in a cost/income ratio of 57% in FY16 adjusted for specific items
- Seasonally higher level of impairment charges. Net loan provision release in Ireland of 12m EUR in 4Q16 and 45m EUR in FY16, fully in line with our guidance. We are guiding a net loan loss provision release for Ireland within the range of 25m-75m EUR for FY17

■ SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS

- **The B3 common equity ratio based on the Danish Compromise** at end 2016 amounted to **16.2% phased-in and 15.8% fully loaded**, which clearly exceeds the minimum capital requirements set by the ECB / NBB of respectively 8.65% and 10.40% for 2017
- On top of the above mentioned capital requirements, the ECB expects KBC to hold a pillar 2 guidance (P2G) of 1.0% CET1
- Fully loaded B3 **leverage ratio**, based on current CRR legislation, amounted to **6.1%** at KBC Group
- **Continued strong liquidity position** (NSFR at 125% and LCR at 139%) at end 2016

■ DIVIDEND PROPOSAL*

- On top of the interim dividend of 1 EUR per share paid in November 2016, a final dividend of 1.80 EUR per share will be proposed to the AGM for the 2016 accounting year (i.e. a pay-out ratio of 50% including the AT1 coupon)
- The pay-out ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit is reconfirmed for the future

■ IRELAND: RE-POSITION AS A CORE COUNTRY...

- By building a fully-fledged client-centric retail bank in line with our omni-channel distribution model, underpinned by a 'digital first' strategy and by further developing the bank-insurance model

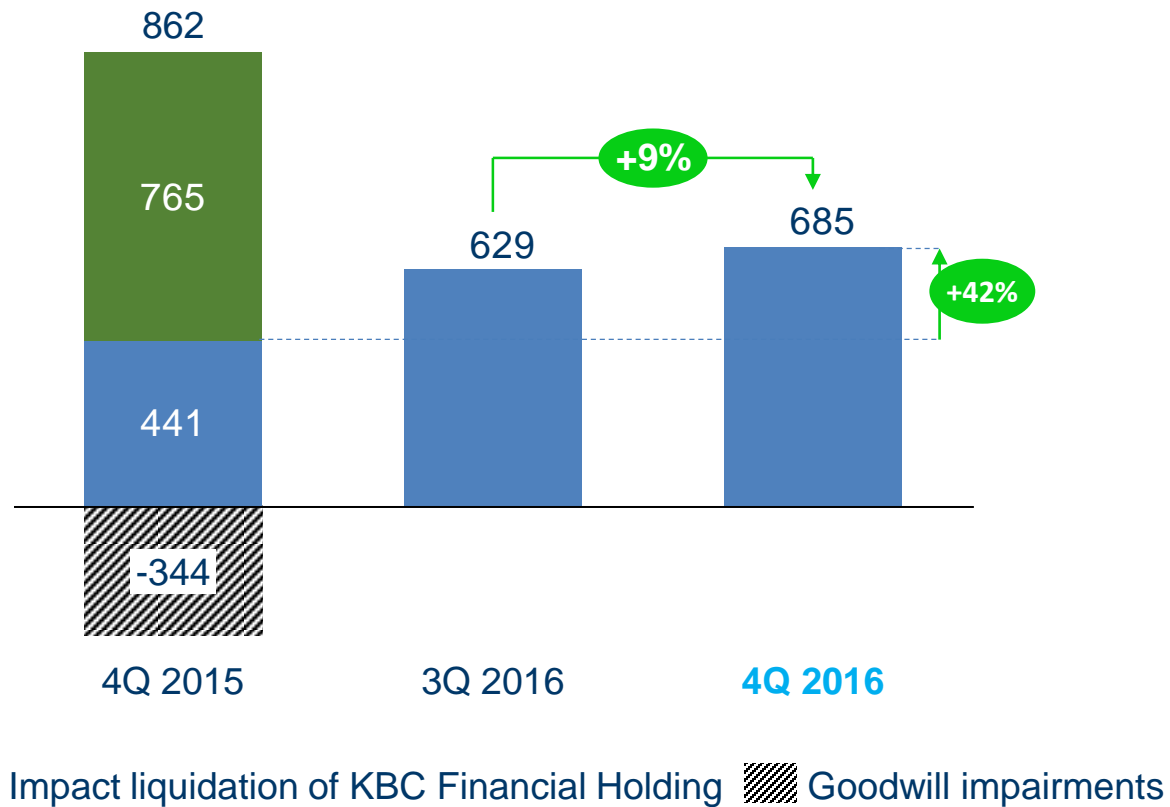


KBC Group Consolidated results 4Q 2016 performance

KBC Group:

Strong business performance in 4Q 2016

Net result

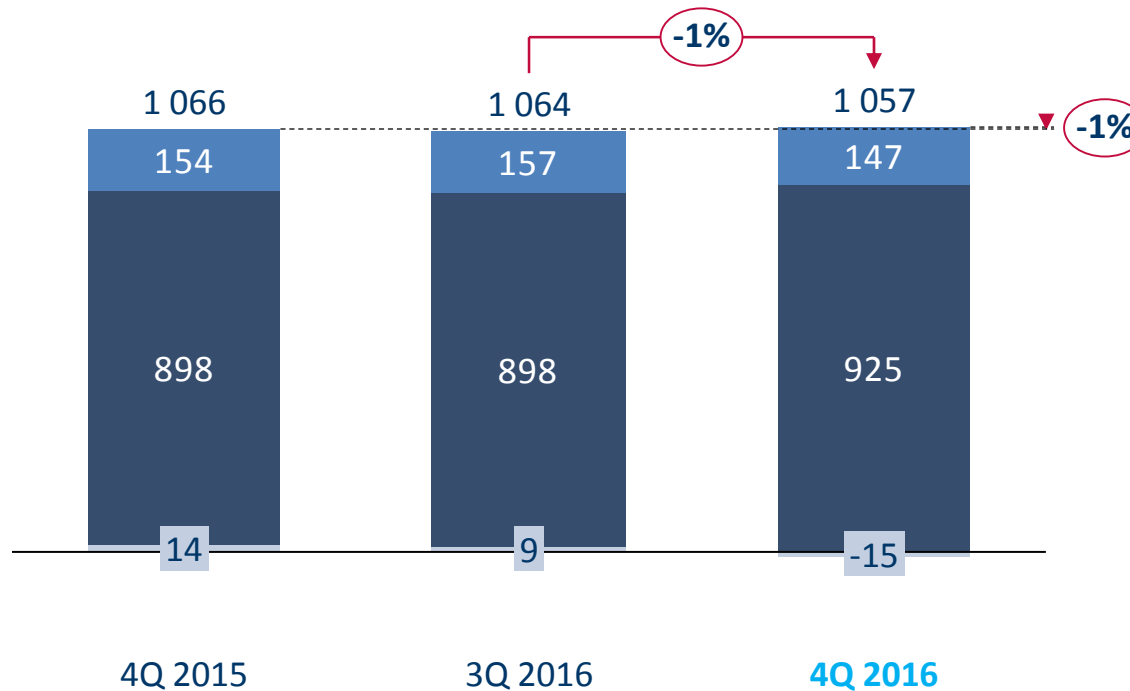


Net interest income:

Higher banking-related Net Interest Income (NII) and stable Net Interest Margin (NIM)

Net Interest Margin

4Q15	3Q16	4Q16
1.95%	1.90%	1.90%



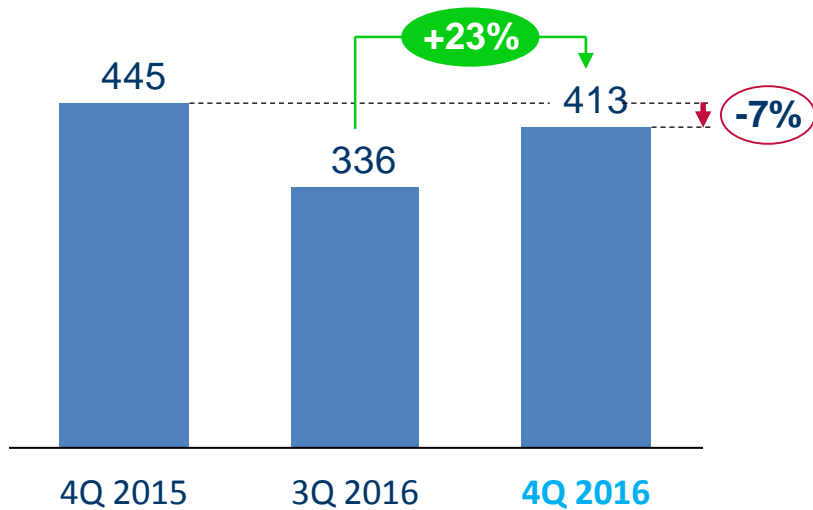
■ NII - Insurance
 ■ NII - dealing room and holding company
■ NII - Banking

Amounts in millions of EUR

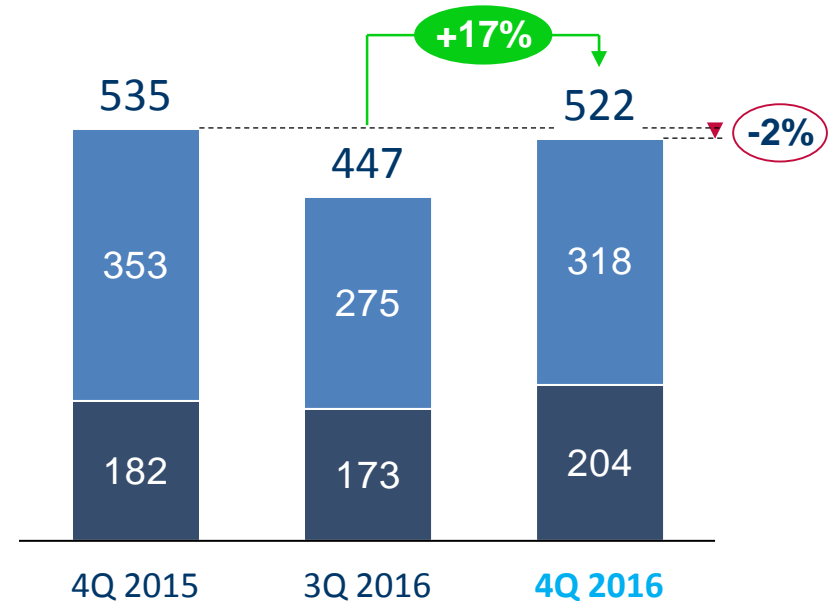
Life insurance:

Premium income seasonally up q-o-q and slightly down y-o-y

Gross earned premiums life insurance



Life sales

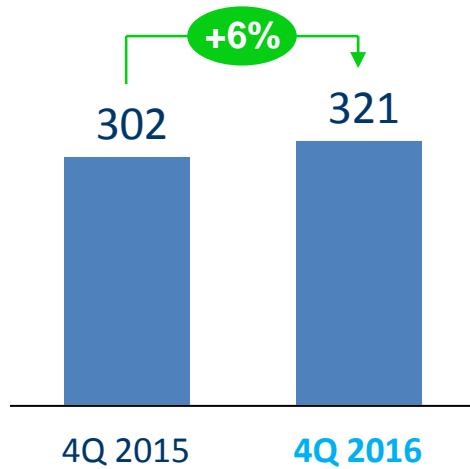


■ Guaranteed interest rate products
■ Unit-linked products

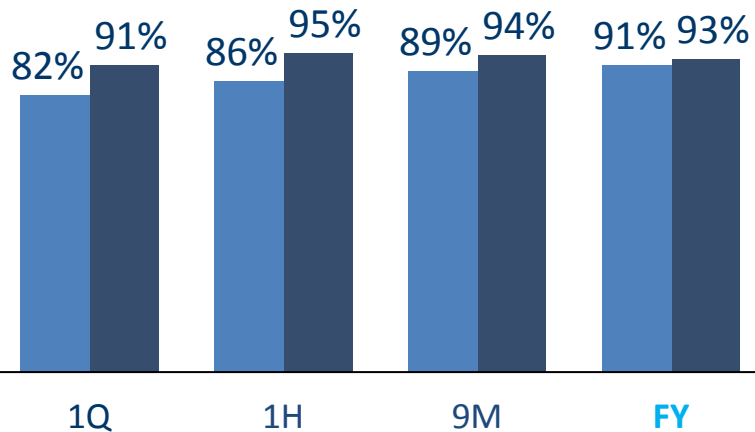
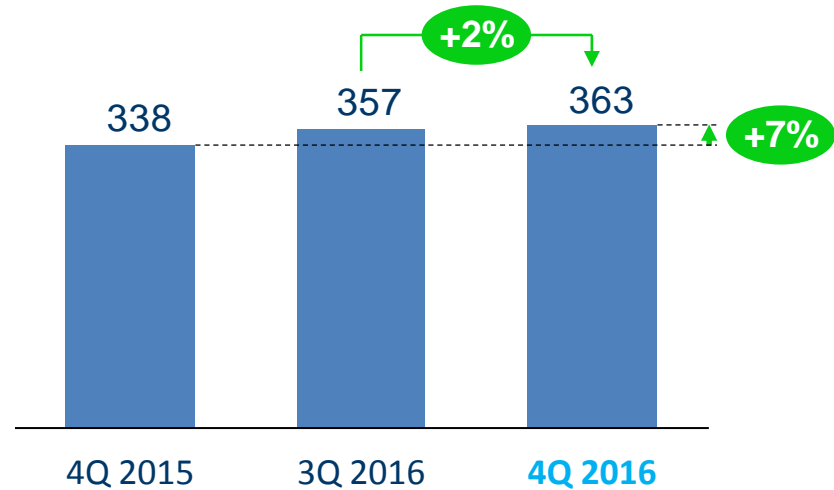
Non-life insurance:

Strong performance non-life sales, excellent combined ratio

Non-life sales (Gross written premium)



Gross earned premiums non-life insurance

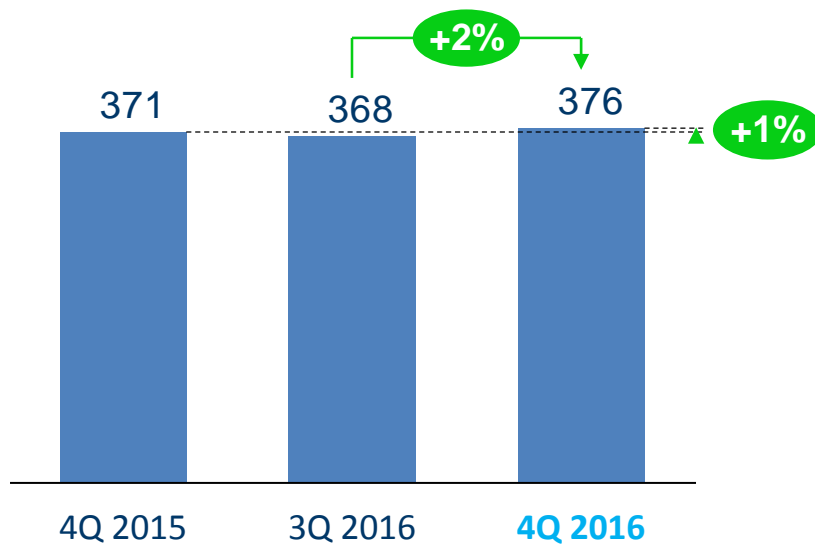


Amounts in millions of EUR

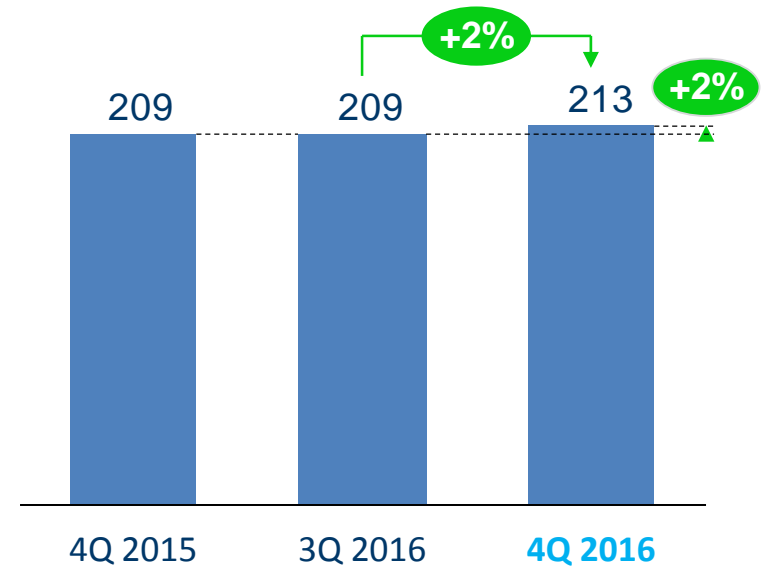
Net fee and commission income:

Increase in fee and commission income for the third quarter in a row

Net fee and commission income

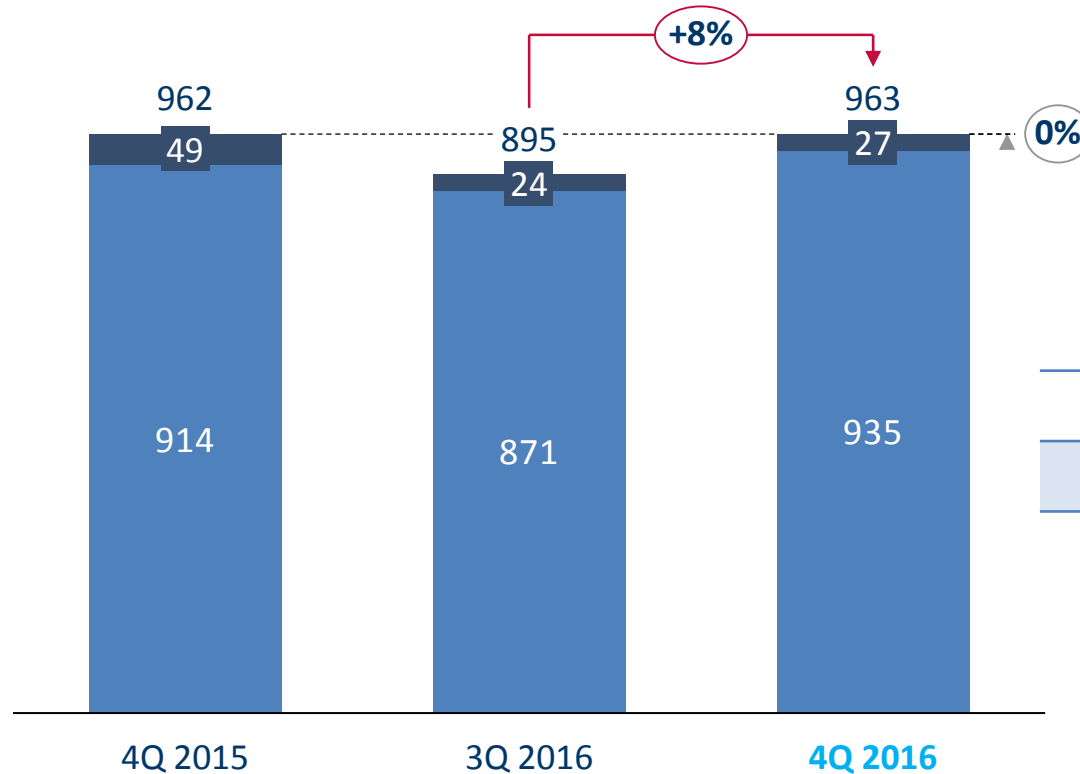


Assets under management (AUM)



Operating expenses:

Operating expenses up, but good cost/income ratio



Quarterly C/I ratio*

4Q15	3Q16	4Q16
59%	57%	57%

- Special bank taxes
- Operating expenses

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

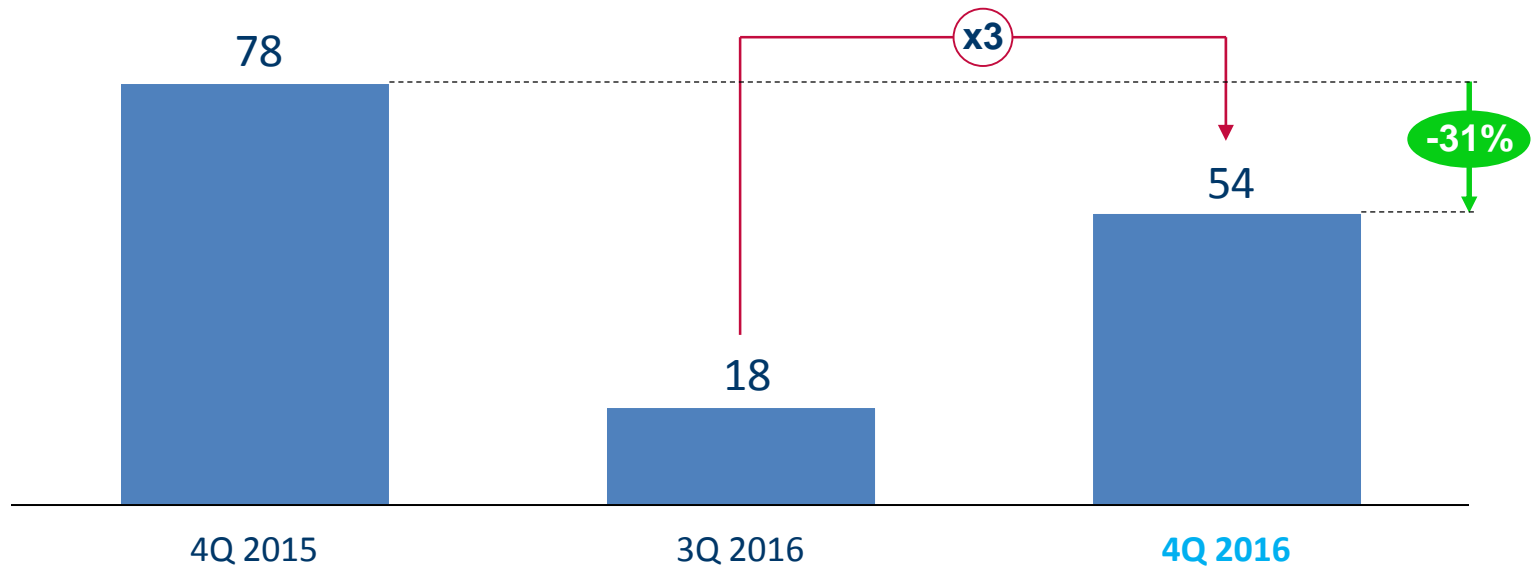
Asset impairment:

Seasonally higher asset impairment, excellent credit cost ratio of 0.09%
(historical average '99-'15 of 0.52%)

Impairment on loans and receivables

Credit cost ratio (YTD)

4Q15	3Q16	4Q16
0.23%	0.07%	0.09%

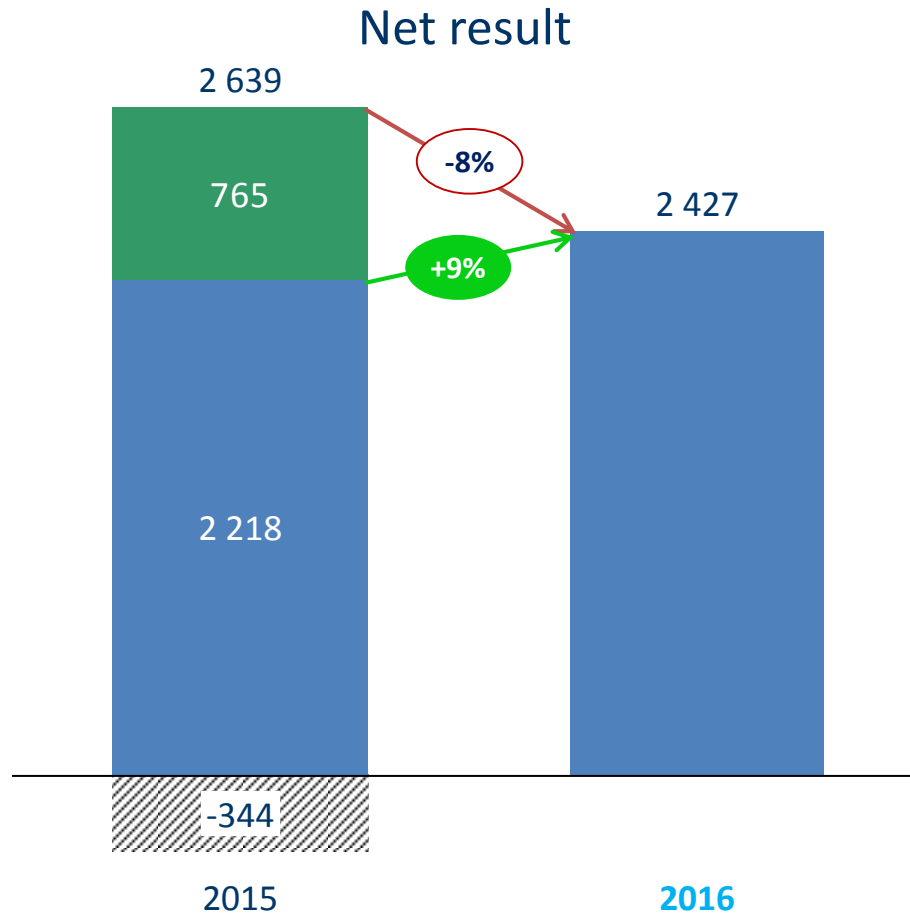




KBC Group Consolidated results FY 2016 performance

KBC Group:

Strong business performance over FY 2016

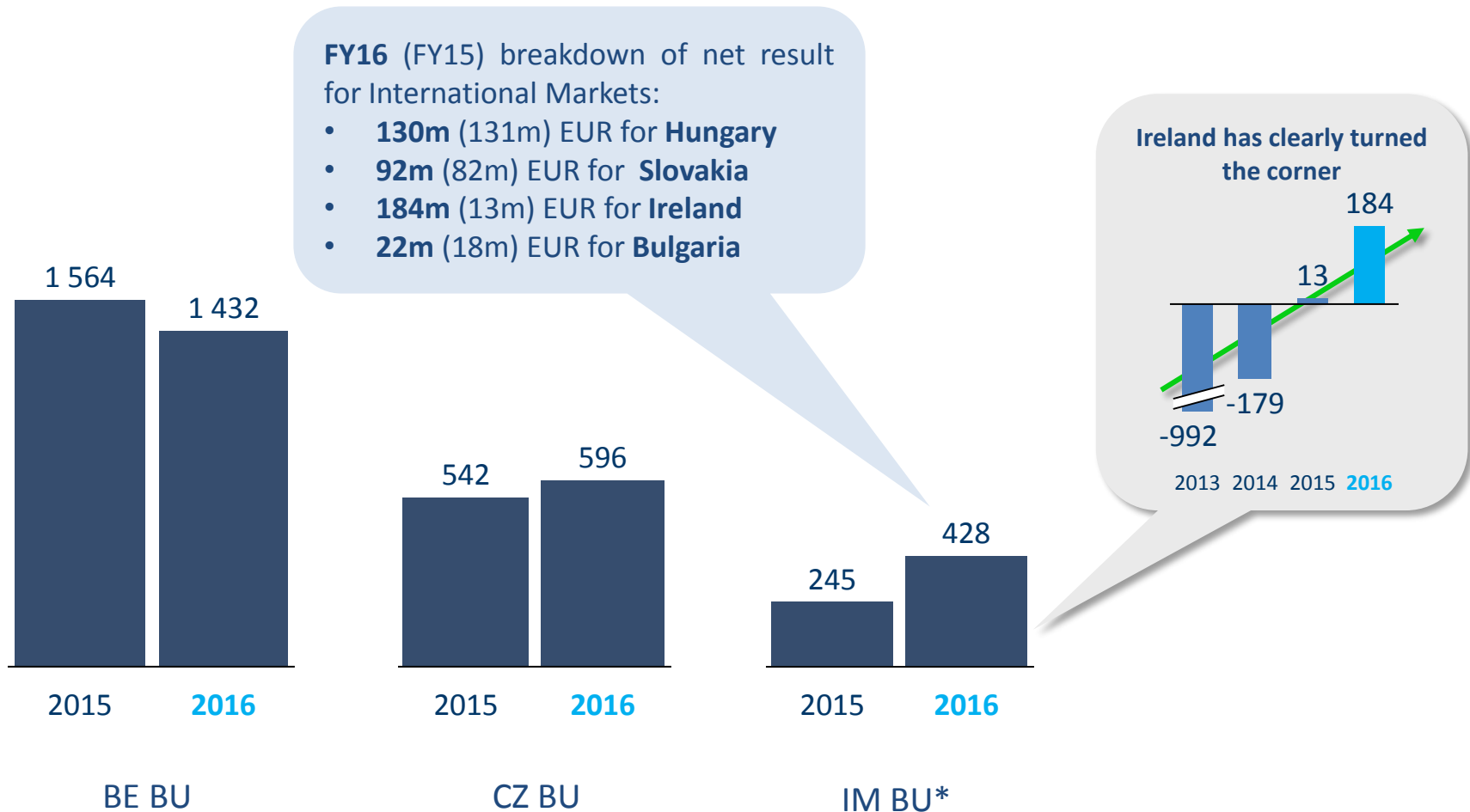


 Goodwill impairments  Impact liquidation of KBC Financial Holding

Amounts in millions of EUR

Net result by business unit:

All business units contributed to the positive result

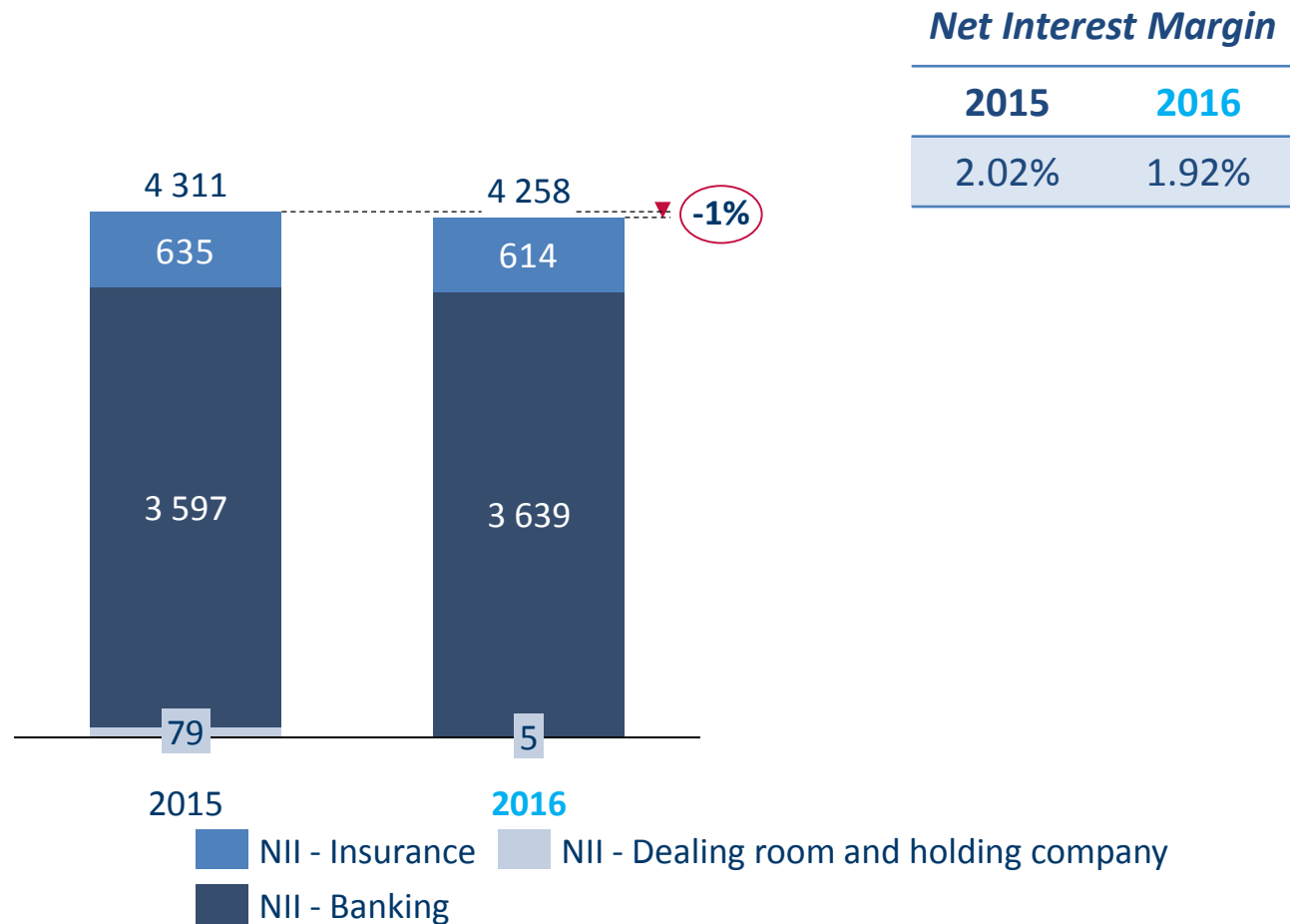


Ireland becomes a core market of KBC group with a clear strategy and ambition

- ✓ Ireland evidences strong demographics, solid macroeconomic fundamentals and growth prospects
- ✓ With Ireland as a core market of KBC Group we confirm our long standing commitment of 40 years to the Irish market
- ✓ The recent performance of KBC Bank Ireland has been strong and it is completing a transformation from a mortgage and corporate lender to a fully-fledged client-centric retail bank
- ✓ The strategy and ambition going forward is very clear: client-centric challenger bank with a 'Digital First' approach supported by a focused physical distribution presence through hubs and straightforward product / solutions offering

Net interest income:

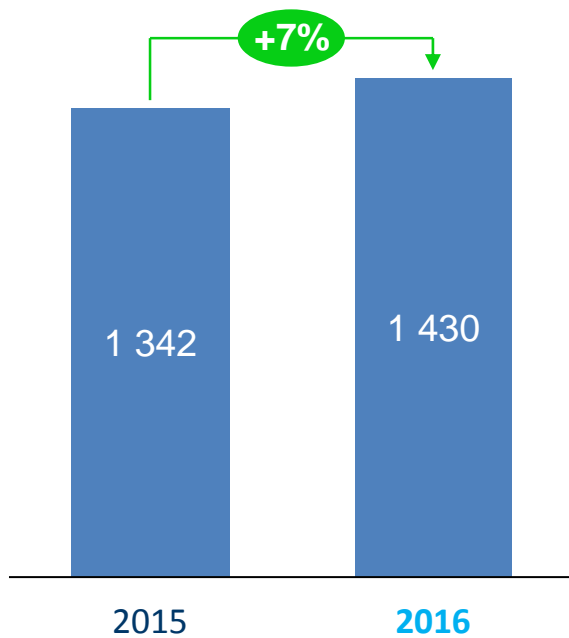
Net Interest Income (NII) slightly down, Net Interest Margin (NIM) under pressure



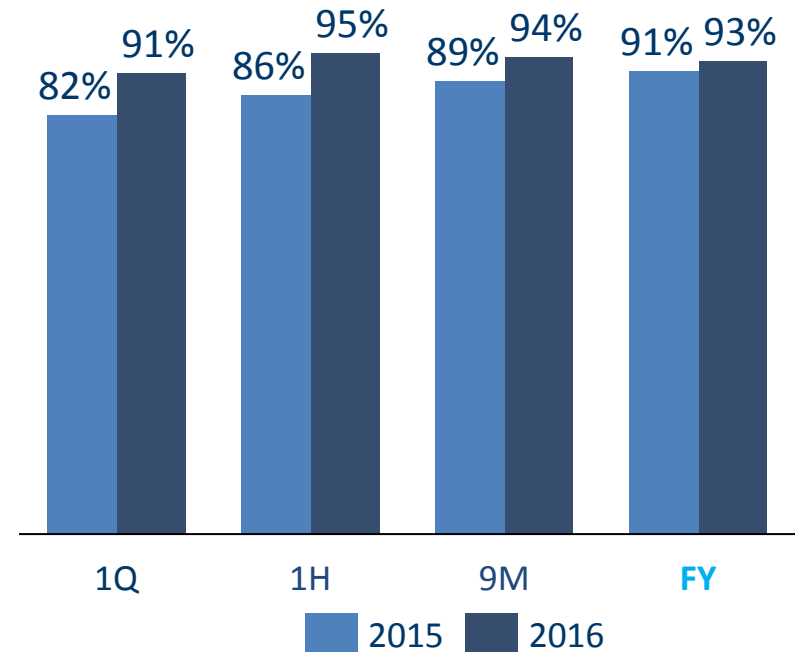
Insurance (Non-life):

Higher non-life insurance sales and excellent combined ratio

Non-life sales
Gross written premium

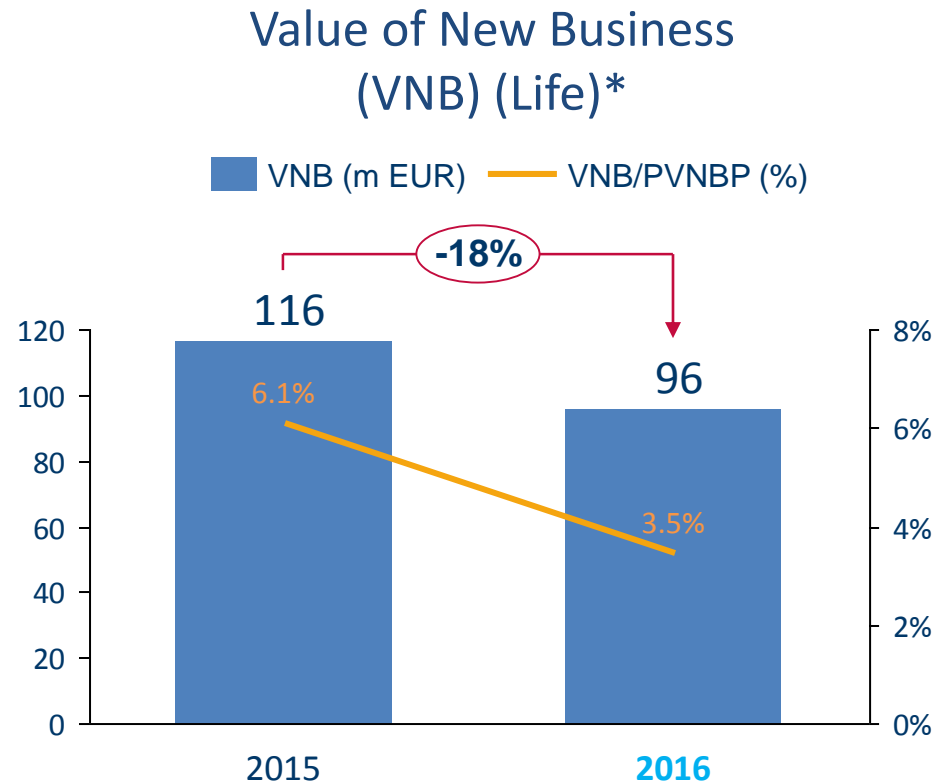
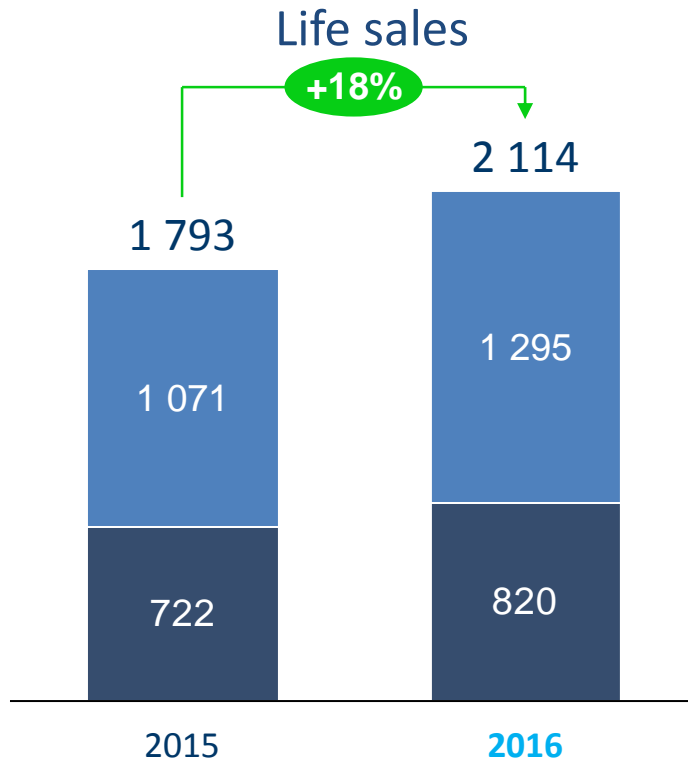


Combined ratio



Insurance (Life):

Higher life insurance sales, but lower VNB



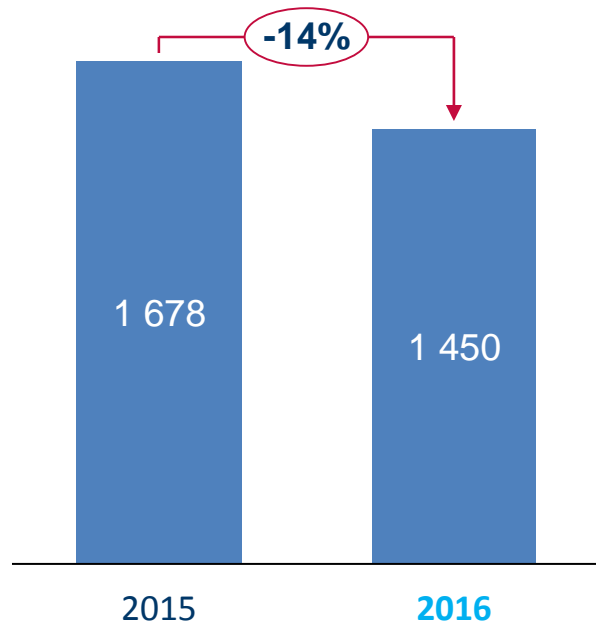
- Guaranteed interest rate products
- Unit-linked products

Amounts in millions of EUR

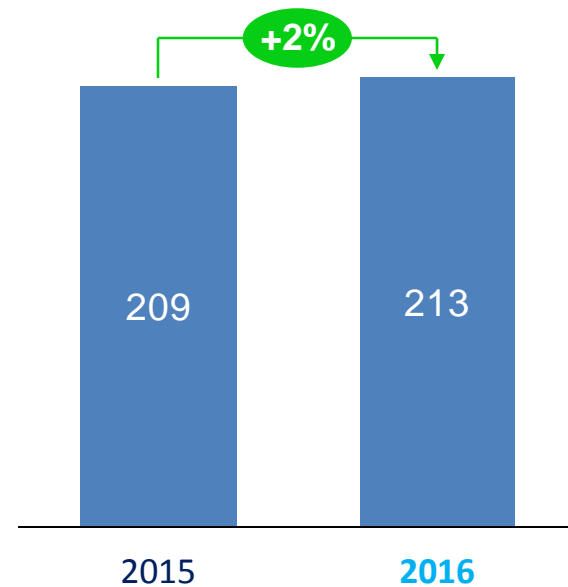
Net fee and commission income:

Lower net fee and commission income, but higher AUM

Net fee and commission income



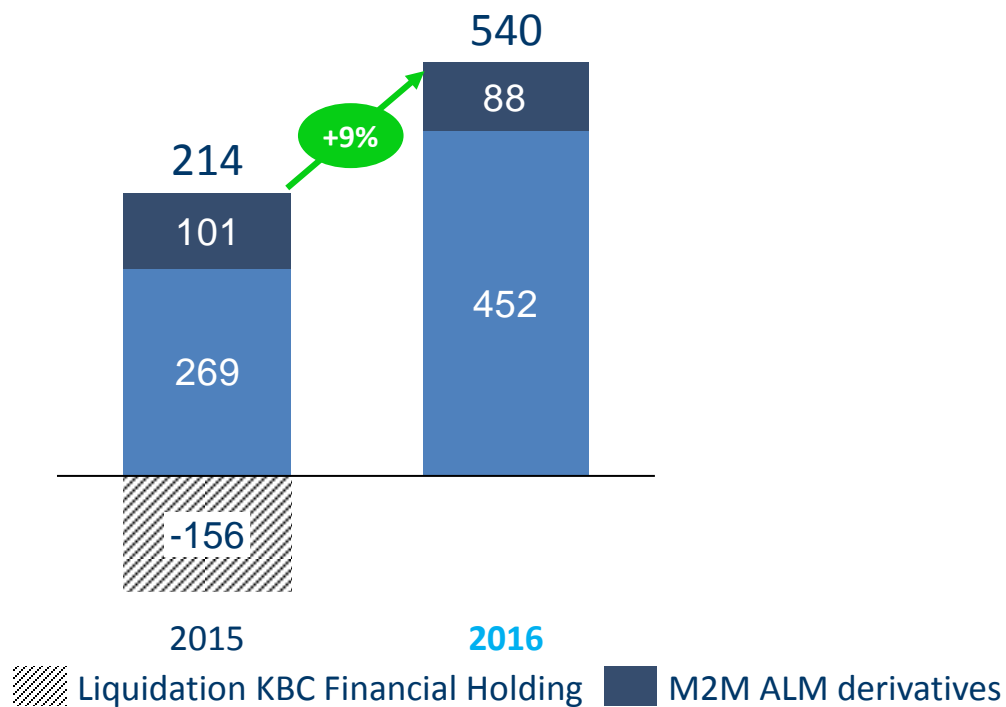
Assets under management (AUM)



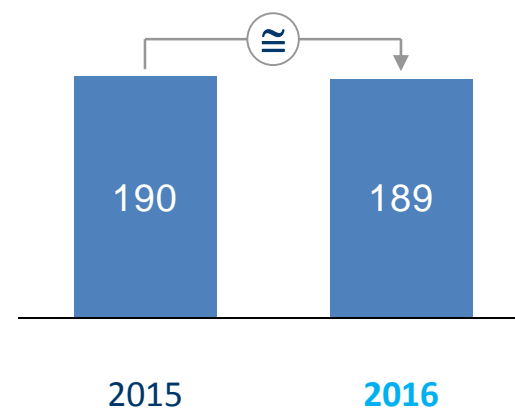
The other net income drivers:

Higher value gains

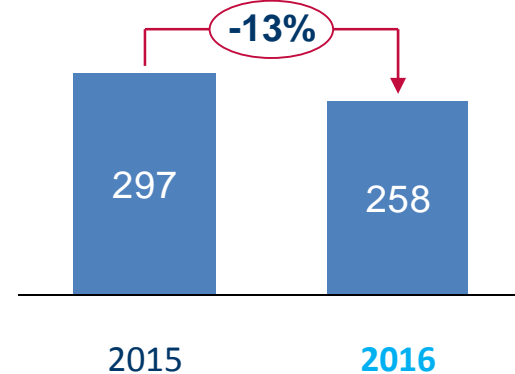
Net gains on financial instruments at fair value



Gains realised on AFS assets

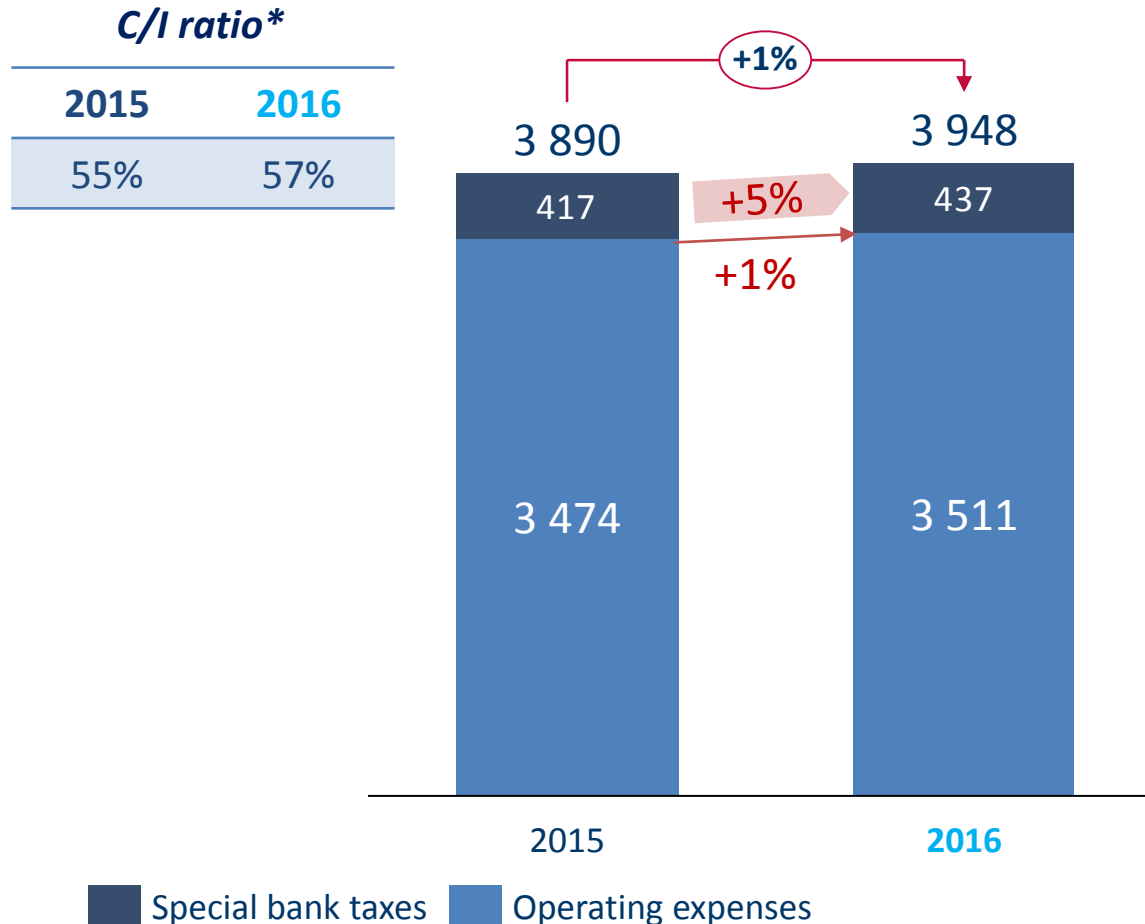


Other net income



Operating expenses:

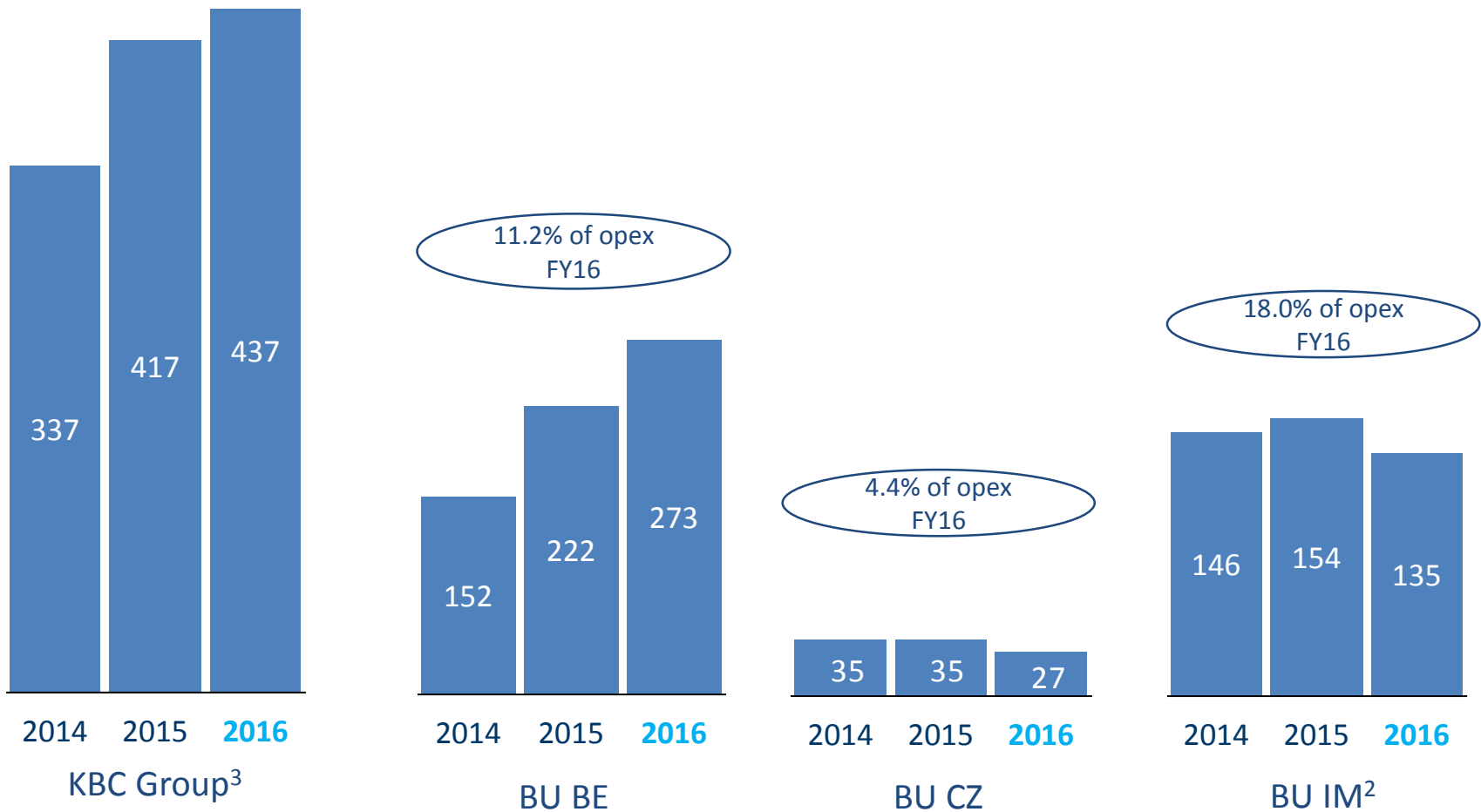
Operating expenses up, but good cost/income ratio



Special bank taxes¹:

Represent 11.1% of operational expenses FY16

Amounts in millions of EUR



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

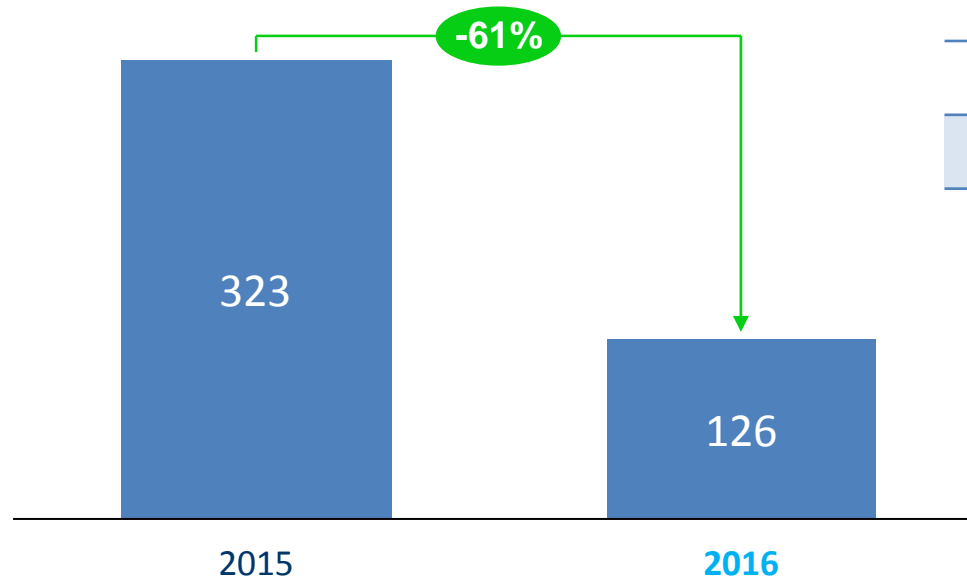
2 International Markets (IM) BU includes Hungary, Slovakia, Bulgaria and Ireland

3 KBC Group also includes Group Center

Asset impairment:

Excellent, but unsustainably low impairment charges, and excellent credit cost ratio of 0.09% (historical average '99-'15 of 0.52%)

Impairments on loans and receivables



Credit Cost Ratio

2015	2016
0.23%	0.09%

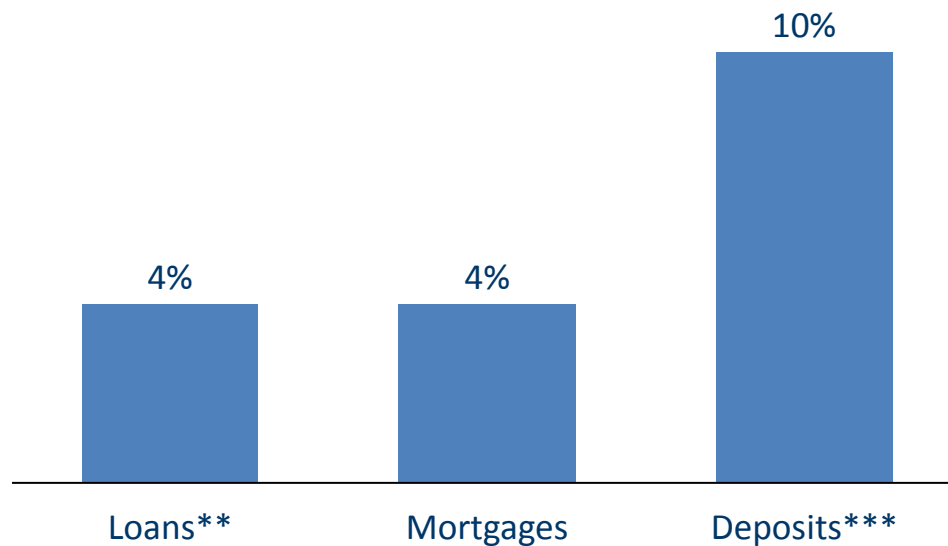


KBC Group Balance sheet, capital and liquidity

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

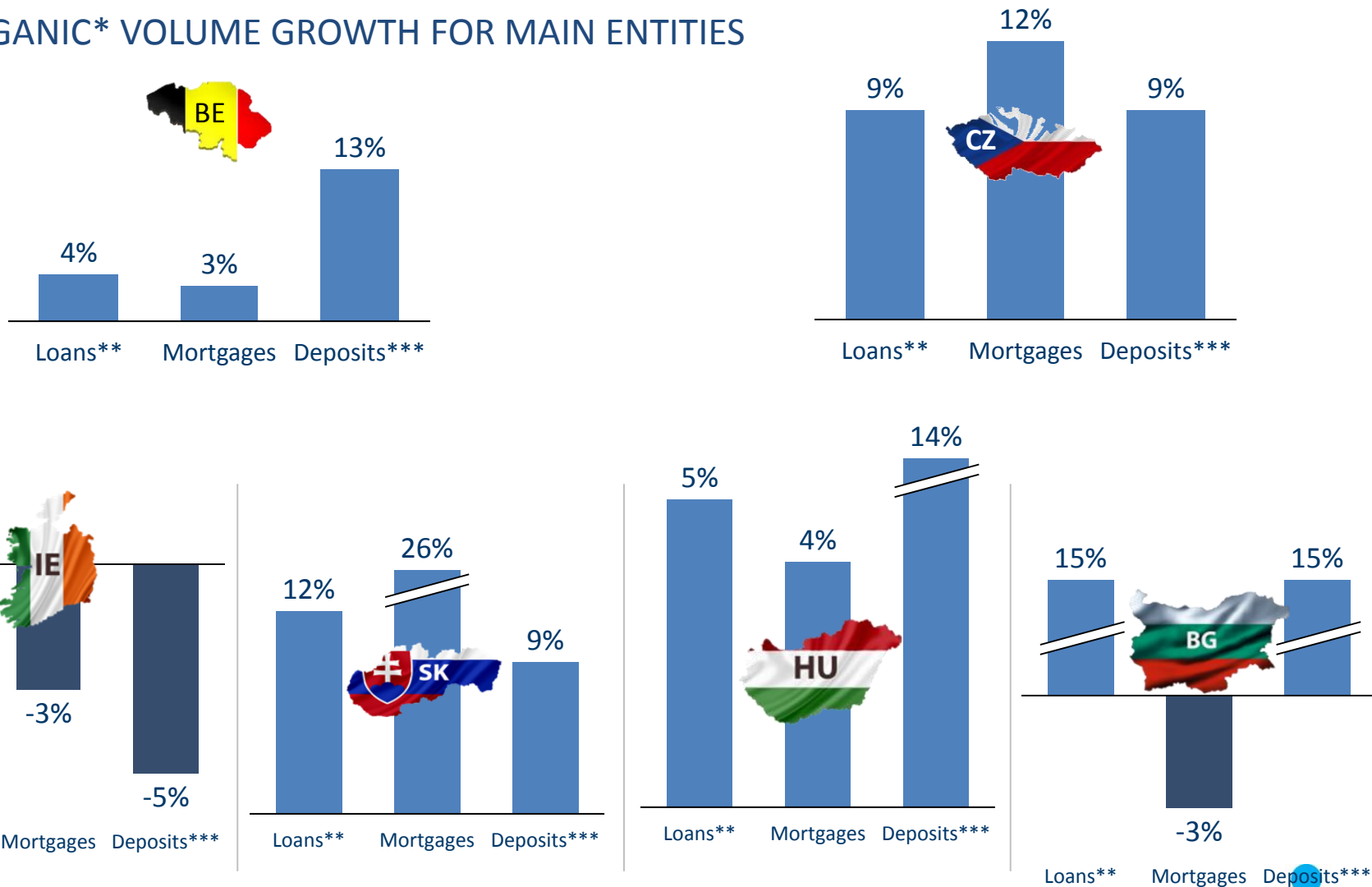
** Loans to customers, excluding reverse repos (and bonds)

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

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

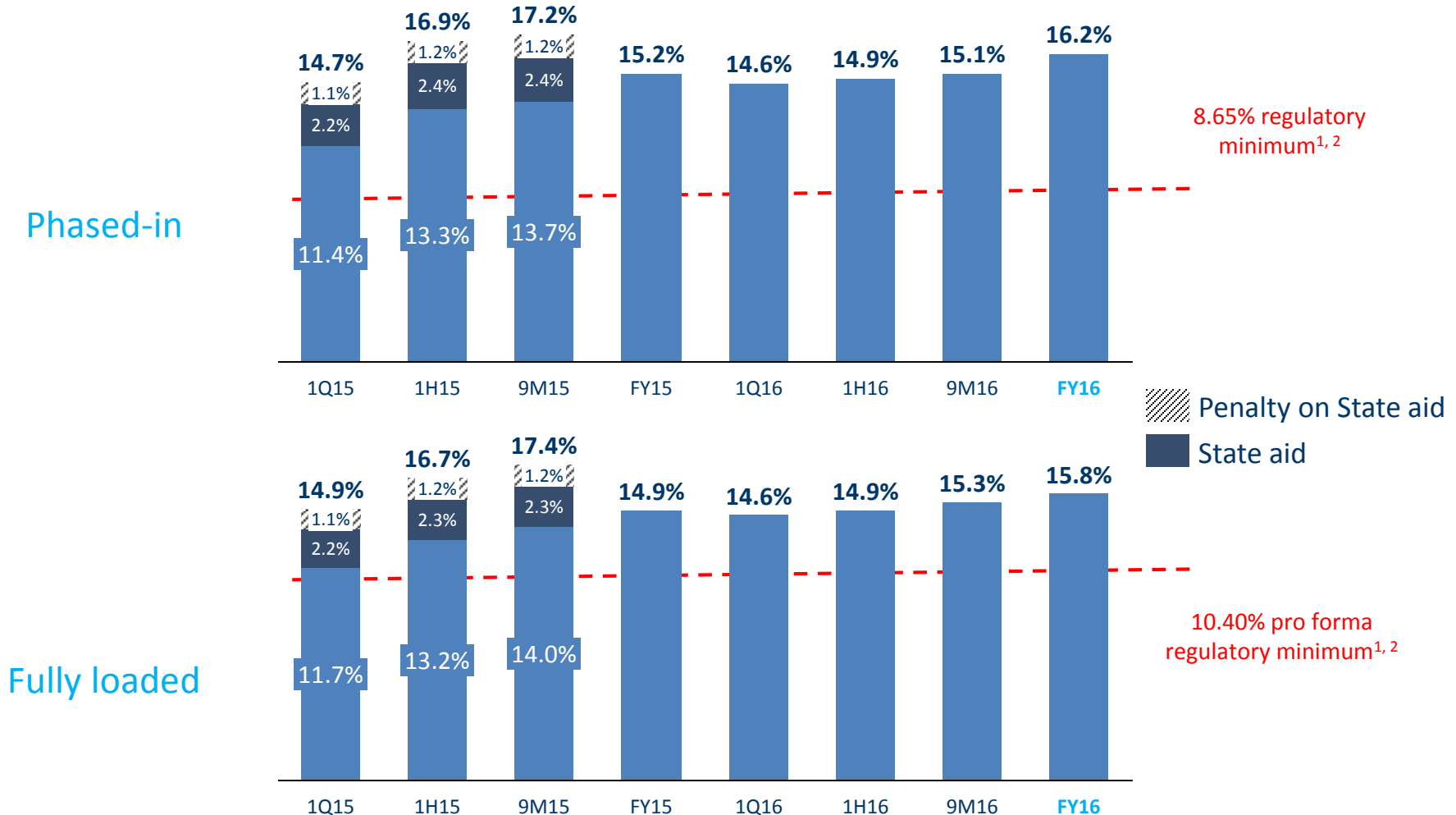
** Loans to customers including reverse repos (and not including bonds)

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

Capital and liquidity ratios (1/2):

Capital ratio remains comfortably above regulatory minimum

KBC Group CET1 ratio (*Danish Compromise*)

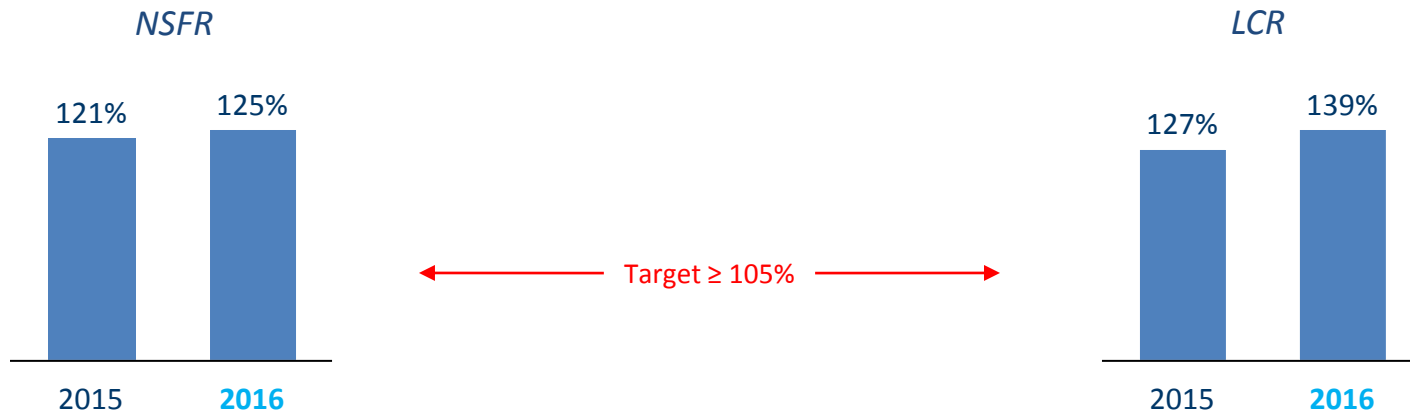


1. Excludes a pillar 2 guidance (P2G) of 1.0% CET1

2. The acquisition of UBB & Interlease in Bulgaria will have a very limited impact of -54bps on fully loaded CET1 ratio

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 4Q & FY 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

- ✓ We expect 2017 to be a year of sustained economic growth in both the euro area and the US. The most significant risks for the euro area stem from political events with several elections on the horizon and the start of Brexit negotiations

- ✓ Management guides for:
 - we anticipate solid returns for all our business units

 - loan impairments for Ireland towards a release in the 25m-75m EUR range for FY17

- ✓ Besides the Belgium and the Czech Republic Business Units, the International Markets Business Unit will also become a strong contributor to the net result of KBC Group thanks to:
 - Ireland: re-positioning as a core country with a meaningful and sustainable profit contribution

 - Bulgaria: after the acquisition of UBB and Interlease, UBB-CIBANK and DZI will become the largest bank-insurance group in Bulgaria, which will lead to a substantial increase in profit contribution. The deal is expected to be closed in 2Q17

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

Johan Thijs, KBC Group CEO