


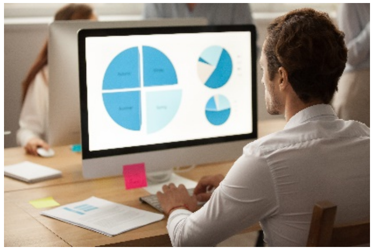

KBC Group
3Q and 9M 2018 results
Press presentation

Johan Thijs, KBC Group CEO
Rik Scheerlinck, KBC Group CFO

More detailed analyst presentation available at www.kbc.com

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3Q 2018 key takeaways for KBC Group

3Q18 financial performance

- **Commercial bank-insurance franchises** in core markets performed well
- **Customer loans** and **customer deposits** increased in most of our core countries
- Good **net interest income** and net interest margin
- Lower **net fee and commission income**
- Higher **net gains from financial instruments at fair value** and **net other income**
- Excellent sales of **non-life** insurance and lower sales of **life** insurance y-o-y
- **Costs** up, partly due to one-offs
- Net **impairment releases on loans**
- Solid **solvency** and **liquidity**
- An **interim dividend of 1 EUR per share** (as advance payment on the total 2018 dividend) will be paid on 16 November 2018

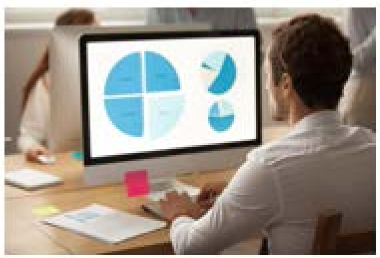
Excellent net result of 701m EUR in 3Q18

9M18

- **ROE 17%***
- **Cost-income ratio 57%** (excl. specfic items)
- **Combined ratio 88%**
- **Credit cost ratio -0.07%**
- **Common equity ratio 16.0%** (B3, DC, fully loaded)
- **Leverage ratio 6.1%** (fully loaded)
- **NSFR 134% & LCR 138%**

** when evenly spreading the bank tax throughout the year*

Comparisons against the previous quarter unless otherwise stated



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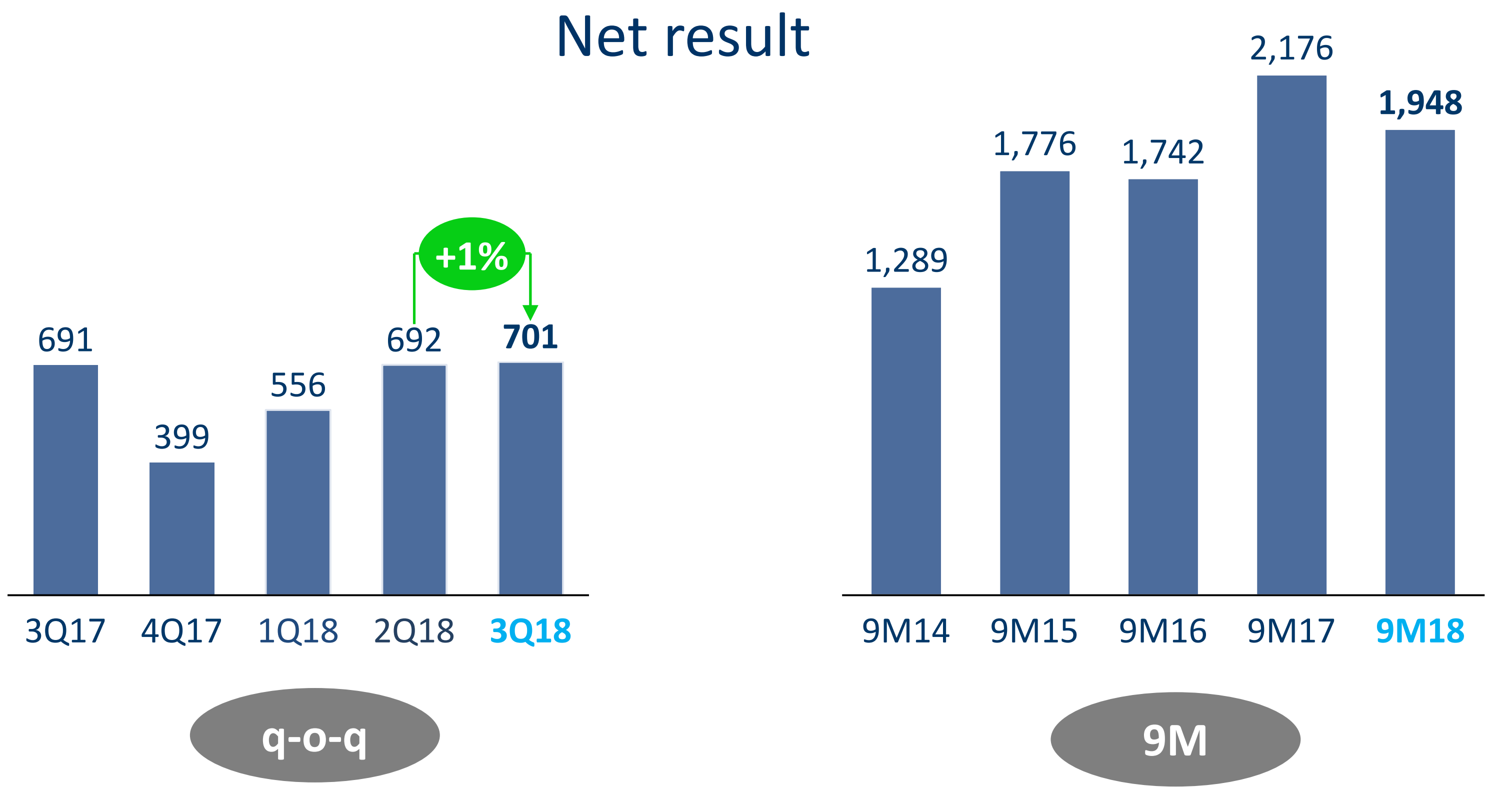
Consolidated results

3Q and 9M 2018 performance

KBC Group

Good net result of 701m in 3Q 2018

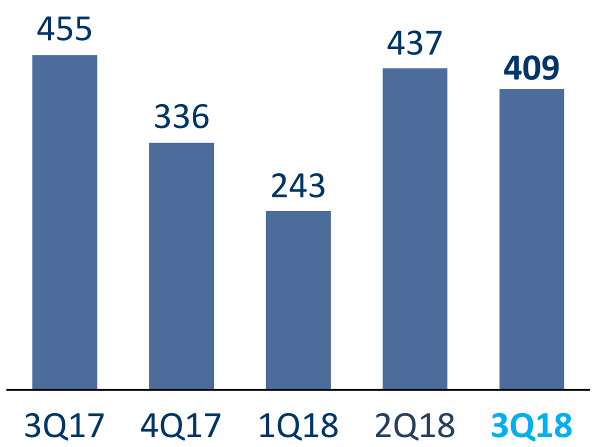


Amounts in millions of EUR

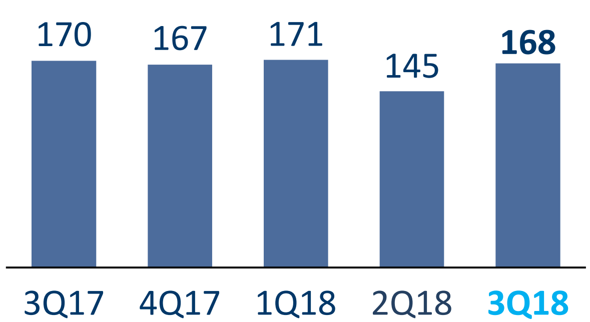
Net result per business unit

Positive contribution of business units in 9M 2018 result

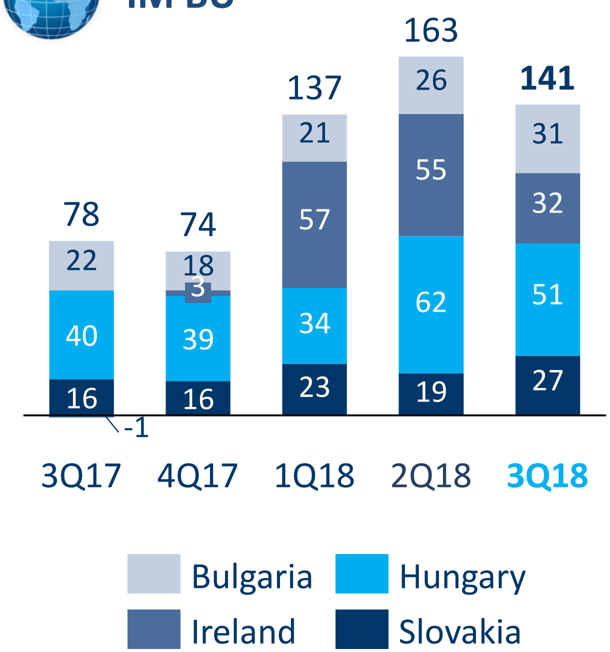
BE BU



CZ BU



IM BU

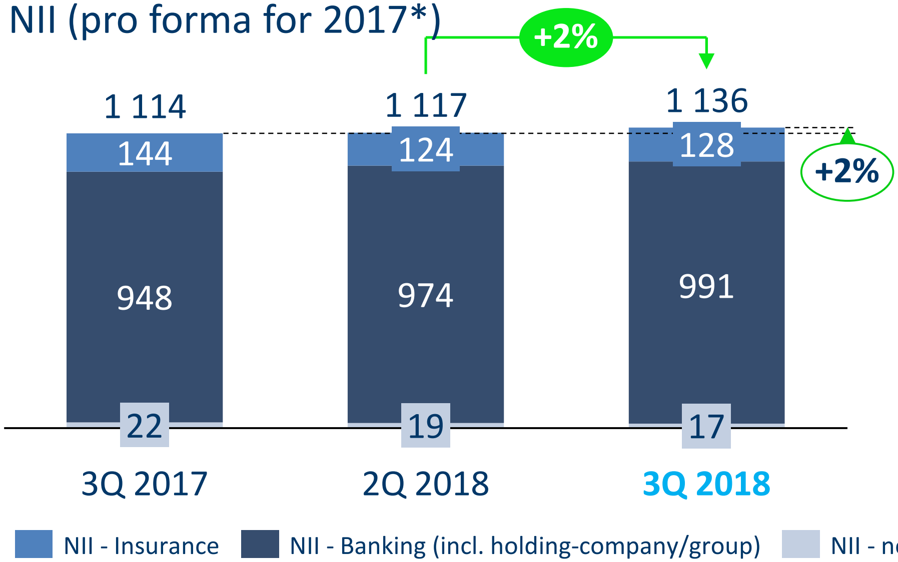


Amounts in millions of EUR

Net interest income

Good net interest income (NII) and net interest margin (NIM)

NII (pro forma for 2017*)



NII up 2% both q-o-q and y-o-y. Note that NII banking increased by 2% q-o-q and by 5% 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 and lower funding costs

Partly offset by:

(-) lower netted positive impact of ALM FX swaps, lower reinvestment yields in our eurozone core countries and pressure on commercial loan margins in most core countries

NIM (pro forma for 2017***)

Quarter	3Q17	2Q18	**3Q18**
NIM	1.96%	2.00%	**1.98%**

- NIM down by 2 bps q-o-q
- Up by 2 bps y-o-y, thanks to lower funding costs (due mainly to the call of the CoCo) and the positive impact of repo rate hikes in the Czech Republic

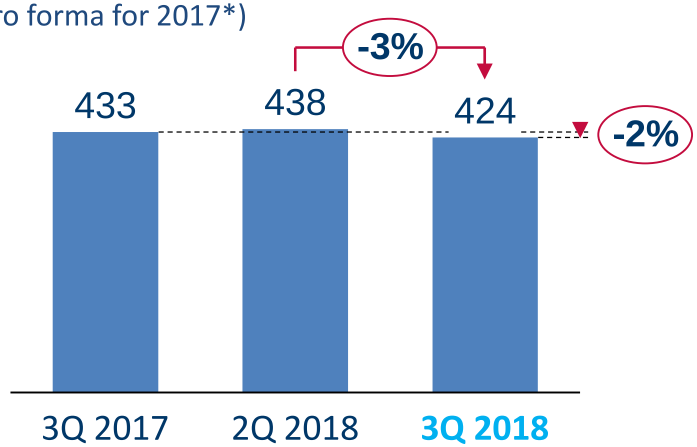
* 2017 pro forma figures for NII as the impact of ALM FX derivatives was 'netted' in NII as of 2018
** From all ALM FX swap desks
*** NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos

Amounts in millions of EUR

Net fee and commission income

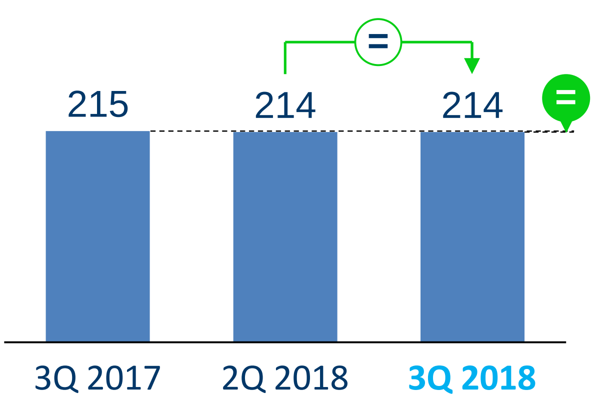
Lower net fee and commission income

Net fee and commission income
(pro forma for 2017*)



Amounts in millions of EUR

Assets under management (AuM)



Amounts in billions of EUR

Net fee and commission income (424m EUR)

- **Q-o-q decrease by 3% was the result chiefly of:**
  - lower securities-related fees (holiday season)
  - lower entry fees from mutual funds (holiday season led to less gross inflows)
  - lower management fees from mutual funds and unit-linked life insurance products
  - higher commissions paid on insurance sales, mainly non-life
  - lower fees from credit files & bank guarantees

  partly offset by:
  - higher fees from payment services (holiday season)
  - higher network income
- **Y-o-y decrease by 2% was mainly the result of:**
  - lower entry and management fees from mutual funds & unit-linked life insurance products
  - lower fees from credit files & bank guarantees

  partly offset by:
  - higher fees from payment services
  - higher securities related fees
  - higher network income

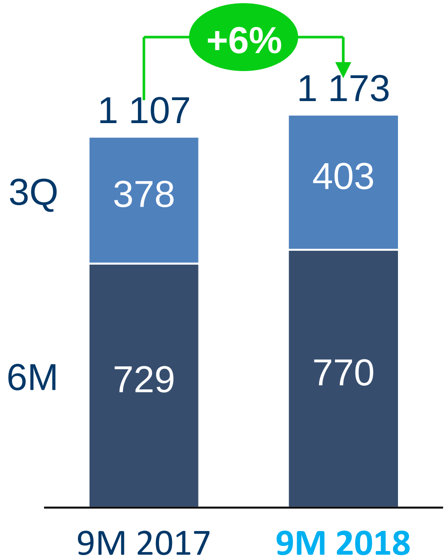
Assets under management (214bn EUR)

- Stabilised q-o-q and y-o-y as small net outflows were offset by a positive price effect
- The mutual fund business has seen net outflows, mainly in investment advice

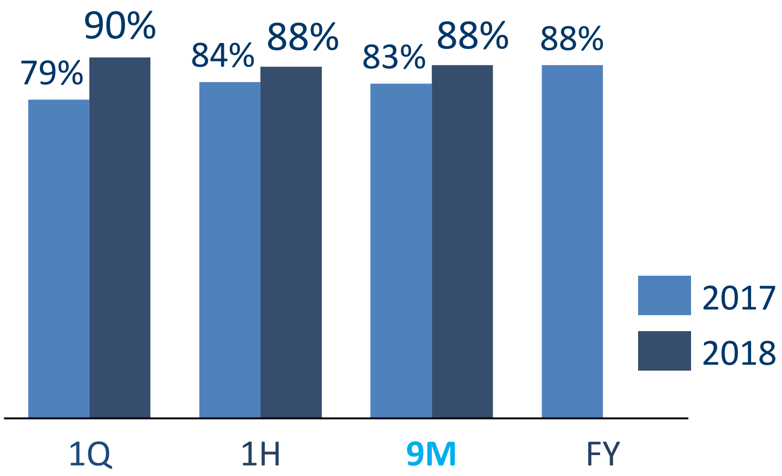
Non-life insurance

Insurance premium income up y-o-y and excellent combined ratio

Gross earned premiums non-life insurance



Combined ratio non-life



Up y-o-y due to a good commercial performance in all major product lines in our core markets

The **non-life combined ratio** at 9M18 amounted to 88%. 3Q18 was impacted by 2 large fire claims in Belgium, while technical charges were low in 2Q18. Remember that 3Q17 benefited from a one-off release of provisions in Belgium (positive effect of 26m EUR). Excluding this one-off release in 3Q17, the combined ratio amounted to 86% at 9M17

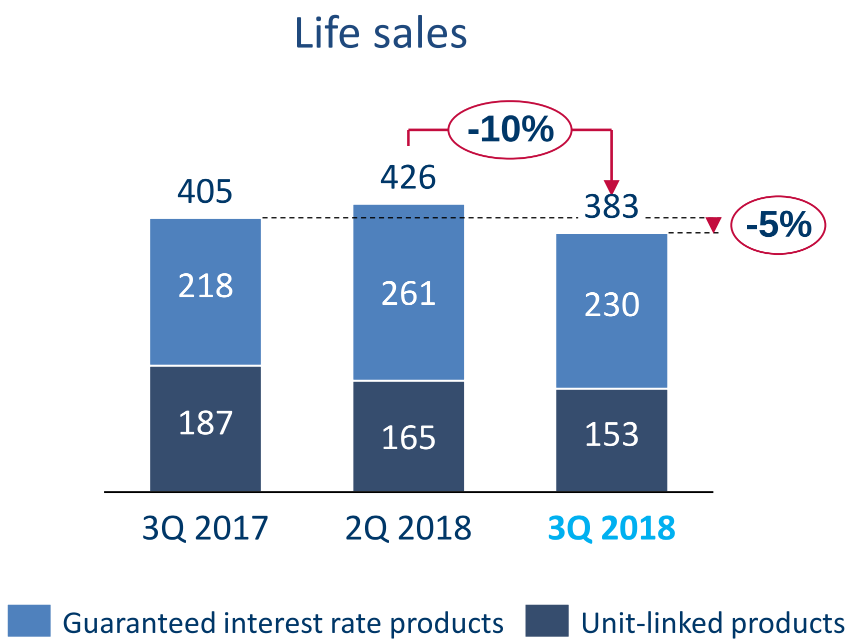
Amounts in millions of EUR

Life insurance

Life sales down y-o-y

Sales of Life insurance products decreased by 10% q-o-q and by 5% y-o-y

- The q-o-q decrease was primarily due to lower sales of guaranteed interest products in Belgium
- The y-o-y decrease was driven entirely by lower sales of unit-linked products in Belgium
- Sales of unit-linked products accounted for 40% of total life insurance sales



Amounts in millions of EUR

Net gains from financial instruments at fair value

Higher fair value gains q-o-q

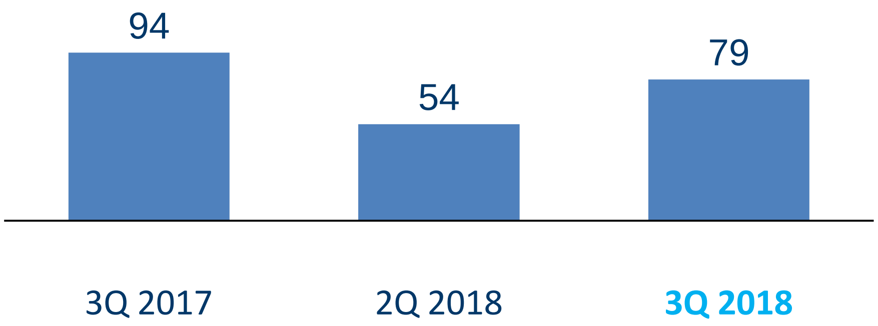
The higher q-o-q figures for **net gains from financial instruments at fair value** were attributable mainly to:

- a positive change in ALM derivatives
- a positive change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio and decreased credit spreads)

partly offset by

- lower net result on equity instruments (insurance)
- lower dealing room income, mainly in Belgium and the Czech Republic

Fair value gains
(pro forma for 2017*)



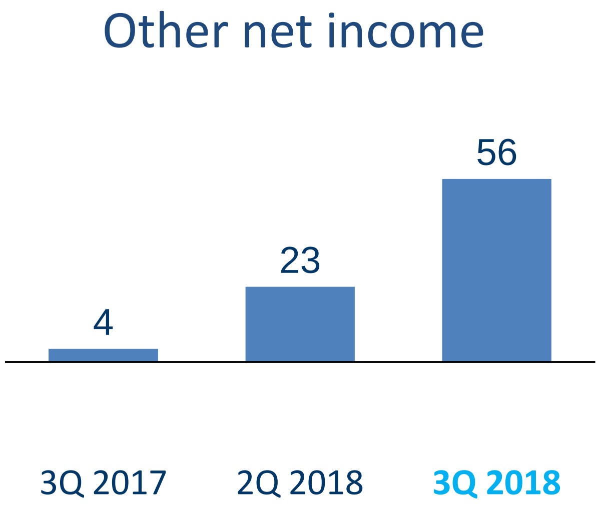
* *2017 pro forma figures as:*
1) the impact of the FX derivatives was 'netted' in NII as of 2018
2) the shift from realised gains on AFS shares and impairments on AFS shares to FIFV due to IFRS 9 (overlay approach for insurance)

Amounts in millions of EUR

Other net income

Higher other net income q-o-q

Other net income amounted to 56m EUR, more or less in line with the normal run rate of around 50m EUR.
Note that 2Q18 was negatively impacted by the settlement of a legacy legal file in the Group Centre (-38m EUR), while 3Q17 was negatively impacted by an additional provision of 54m EUR related to an industry wide review of the tracker rate mortgage products originated in Ireland before 2009



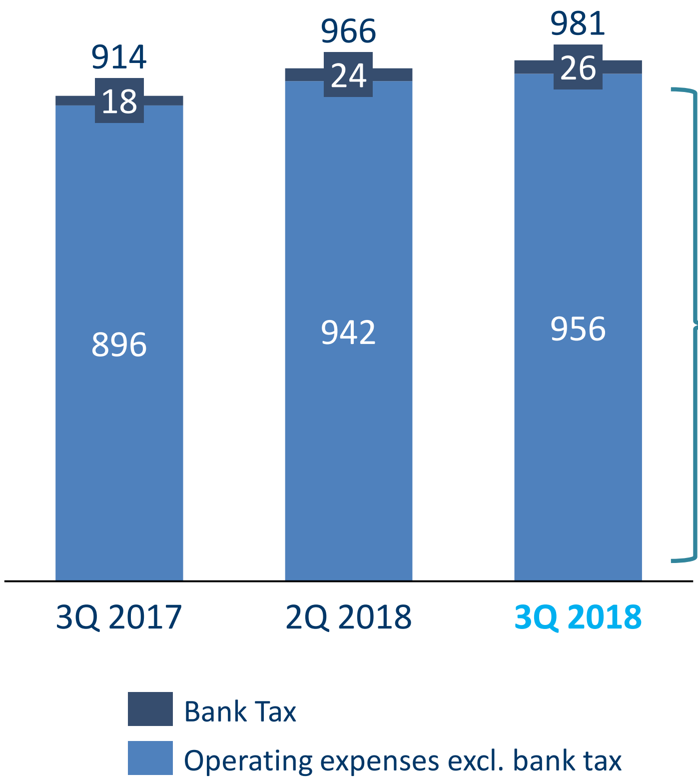
Amounts in millions of EUR

Operating expenses

Operating expenses up, partly due to one-offs

	FY17	1H18	9M18
C/I ratio*	55%	56%	57%

Operating expenses



Operating expenses excluding bank tax went up by 1% q-o-q primarily as a result of:

- higher staff expenses (mainly due to wage inflation), except for Belgium
- higher ICT and marketing expenses
- 14m EUR one-off costs (of which 6m EUR for early retirement in Belgium)

partly offset by

- lower facilities expenses

Excluding the consolidation impact of UBB/Interlease, bank tax, FX effect and one-off costs, **operating expenses in 9M18 rose by roughly 3% y-o-y**

Bank taxes of 421m EUR, represented 10.9% of 9M18 OPEX at KBC Group**

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

*** 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.*

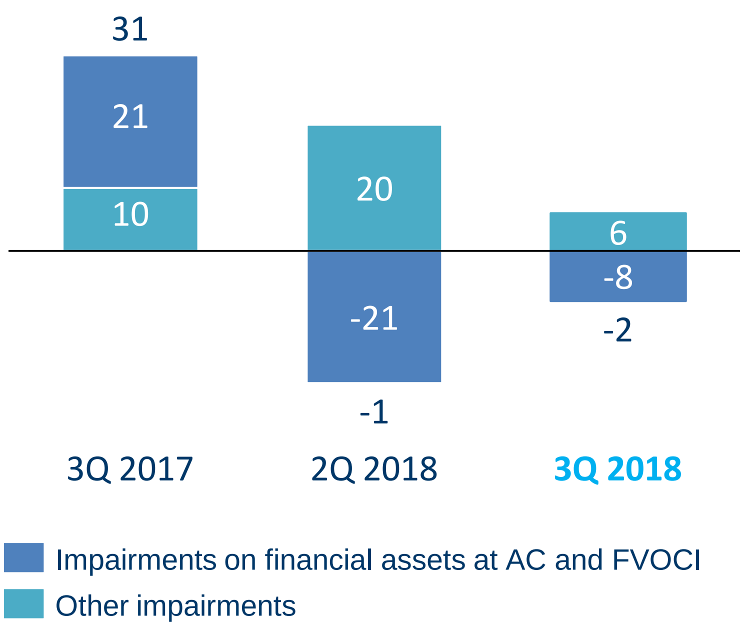
Amounts in millions of EUR

Asset impairments

Net impairment releases and excellent credit cost ratio

Asset impairment

(negative sign is write-back)



Very low asset impairments, mainly to:

- net loan loss impairment releases in Ireland of 15m EUR (compared with 39m EUR in 2Q18)
- also small net loan loss impairment reversals in Slovakia, Hungary, Bulgaria and Group Centre

partly offset by:

- loan loss impairments of only 3m EUR in Belgium
- loan loss impairments of 12m EUR in the Czech Republic due to 1 large corporate file

Impairment of 6m EUR on 'other', of which 4m EUR in the Czech Republic mostly resulting from a review of residual values of financial car leases under short-term contracts

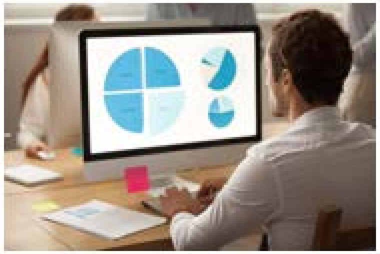
The credit cost ratio amounted to -0,07% in 9M18 due to low gross impairments and several releases

Credit cost ratio (YTD)

FY16	FY17	9M18
0.09%	-0.06%	-0.07%

Amounts in millions of EUR



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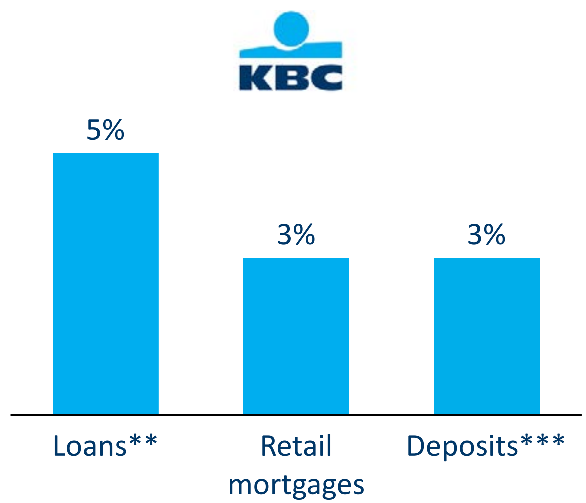
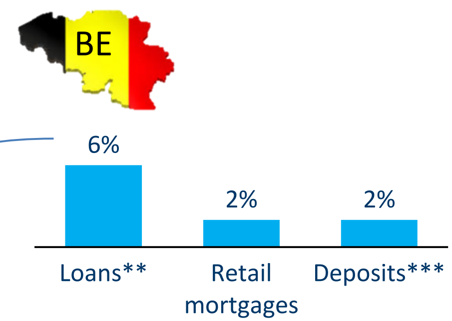
Balance sheet, capital and liquidity

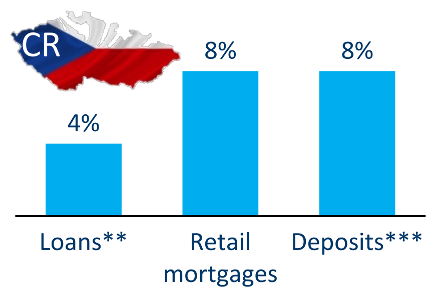
Balance sheet

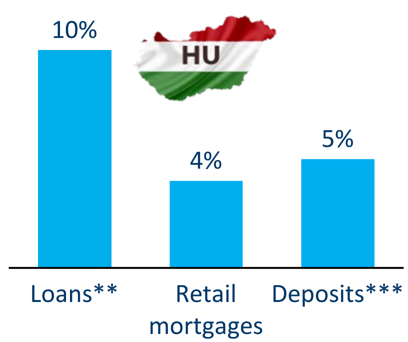
Loans and deposits continue to grow in most core countries

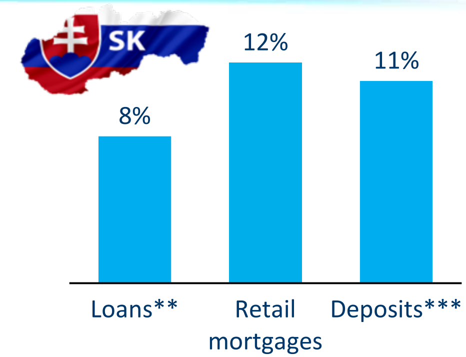
Y-O-Y ORGANIC* VOLUME GROWTH

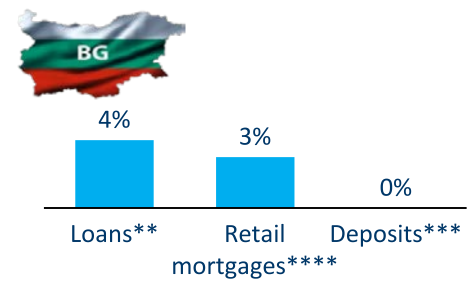


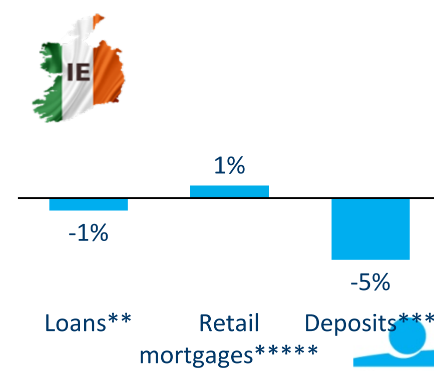










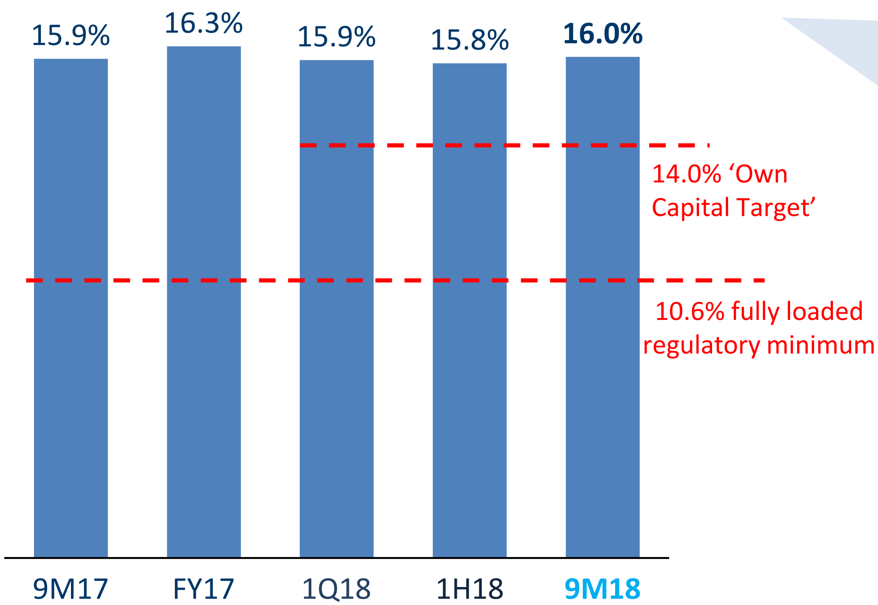


* Volume growth excluding FX effects and divestments/acquisitions
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos
**** Retail mortgages in Bulgaria: new business (written from 1 Jan 2014) +8% y-o-y, while legacy -24% y-o-y
***** Retail mortgages in Ireland: new business (written from 1 Jan 2014) +35% y-o-y, while legacy -7% y-o-y

Common equity ratio

Strong capital position

Fully loaded Basel 3 CET1 ratio at KBC Group (Danish Compromise)



- **The common equity ratio* increased from 15.8% at the end of 6M18 to 16.0% at the end of 9M18** based on the Danish Compromise. This **clearly exceeds** the minimum capital requirements** set by the competent supervisors of 9.875% phased-in for 2018 and 10.6% fully loaded and our 'Own Capital Target' of 14.0%

* Note that as from 01/01/2018 onwards, there is no difference anymore between fully loaded and phased-in

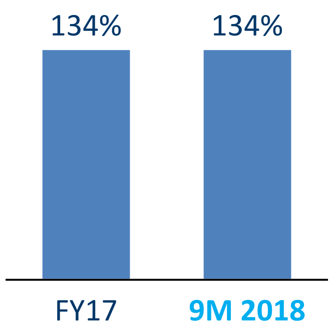
** Excludes a pillar 2 guidance (P2G) of 1.0% CET1

Liquidity ratios

Liquidity continues to be solid

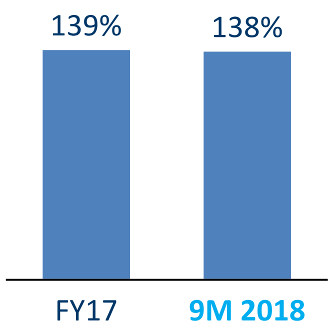
KBC Group's liquidity ratios

*NSFR**



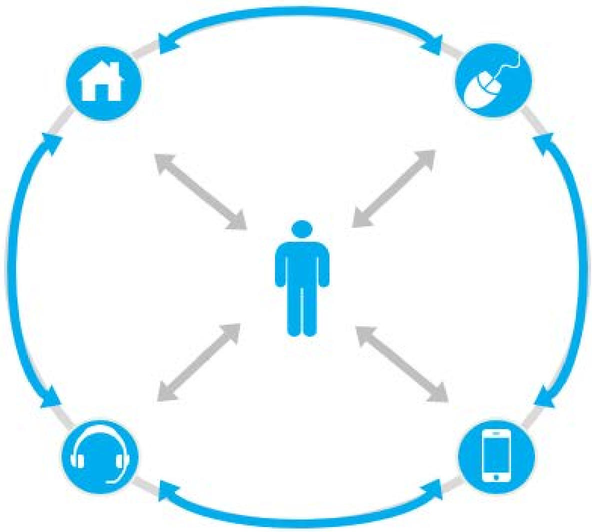
Regulatory Requirement ≥ 100%

*LCR***



** Net Stable Funding Ratio (NSFR) is based on KBC's interpretation of the proposal of CRR amendment*

*** Liquidity Coverage ratio (LCR) is based on the Delegated Act requirements. From EOY2017 onwards, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure*

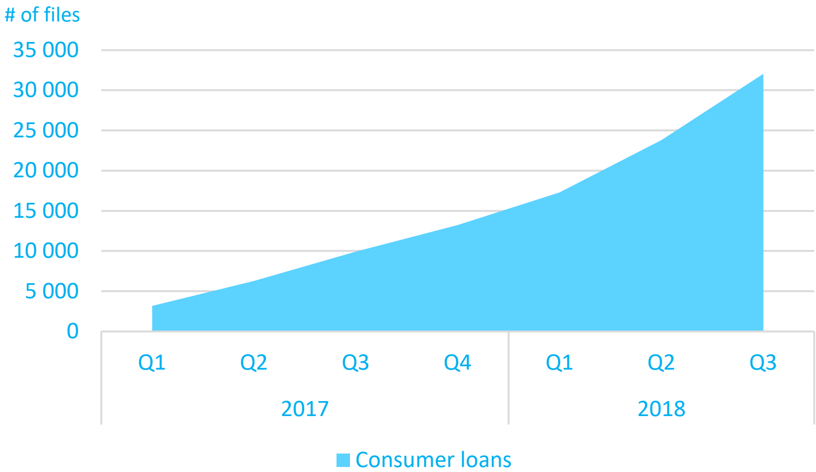


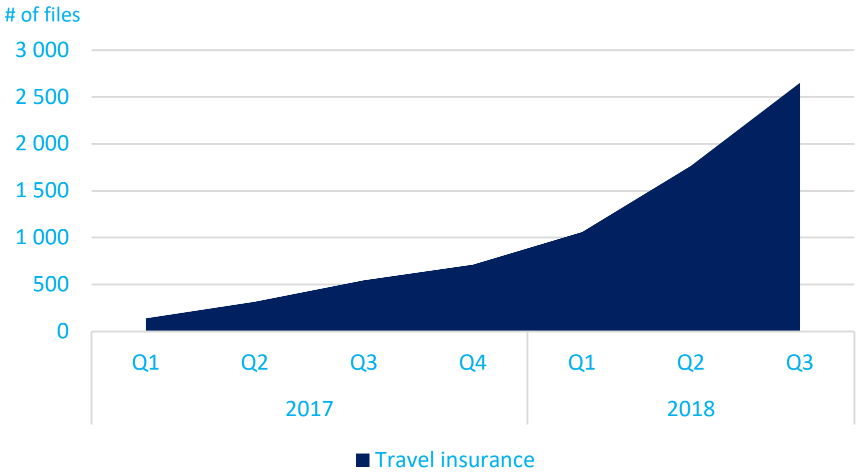
KBC Group

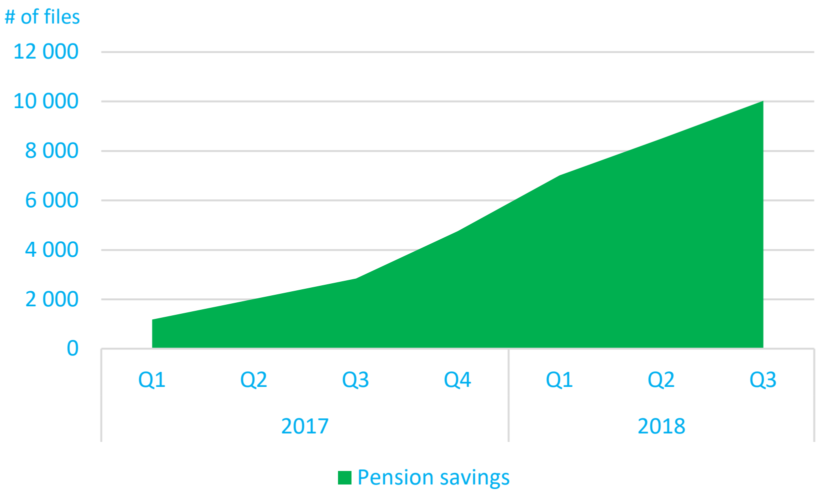
More of the same...
but differently ...

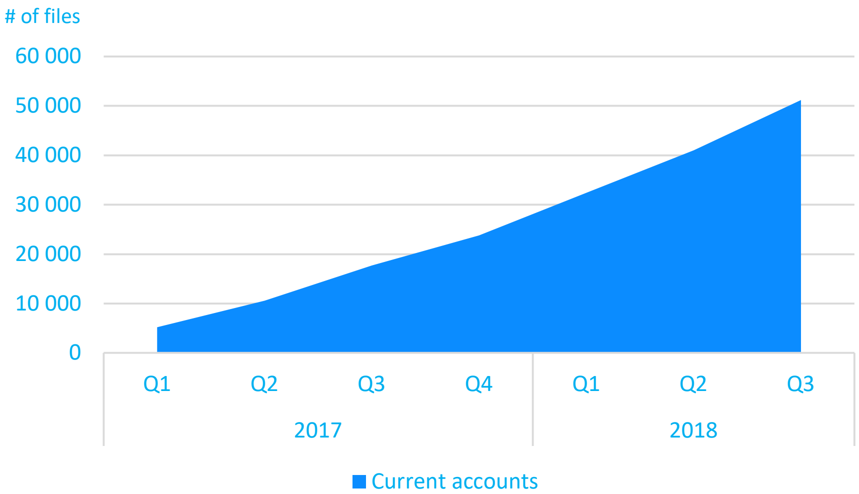
KBC Group and digitalisation

Digital sales are increasing (example BU Belgium)





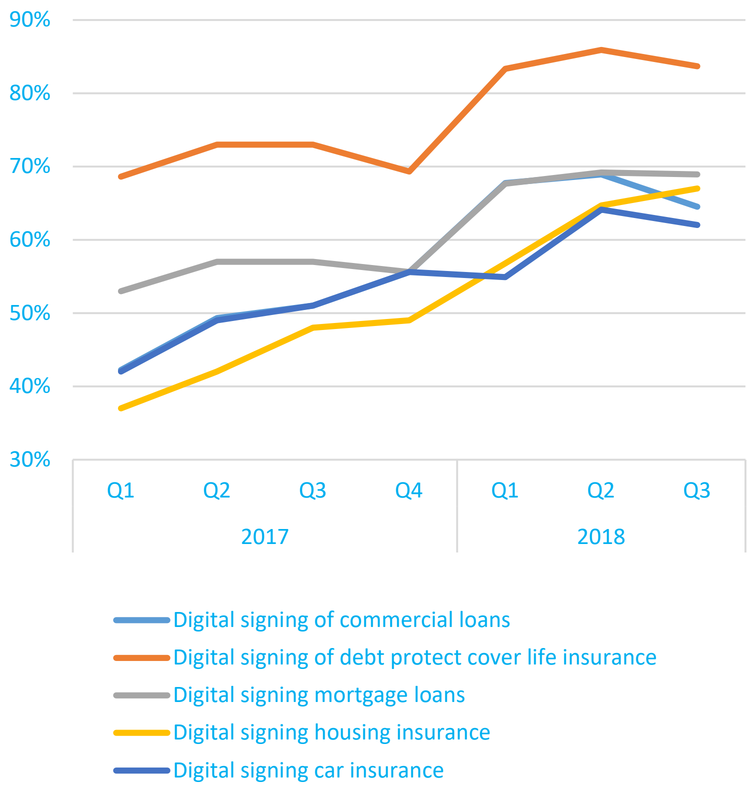




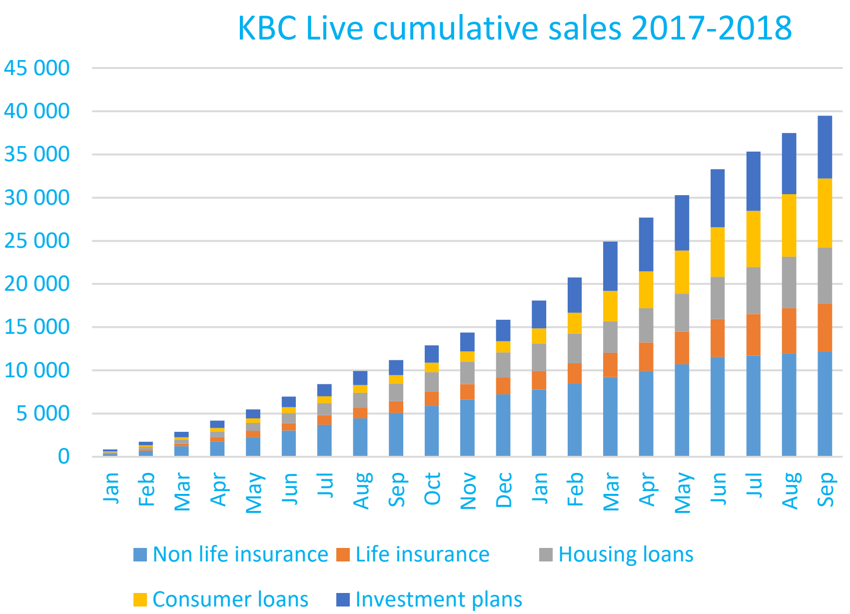
KBC Group and digitalisation

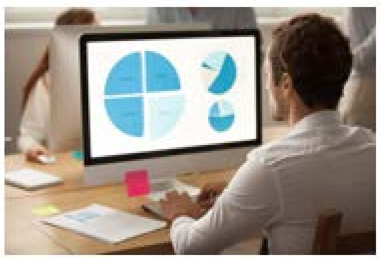
Omnichannel is embraced by our customers *(example BU Belgium)*

Digital signing after contact with the branches or KBC Live



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





KBC Group
3Q and 9M 2018

Looking forward

Looking forward

Economic outlook

- European economic conditions remain attractive, although we believe that the growth peak is behind us. Persistently decreasing unemployment rates, with even 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 impede European economic sentiment and growth remain the risk of further economic de-globalisation, including an escalation of trade conflicts, the Brexit and political turmoil in Italy

Group guidance

- Solid returns for all Business Units
- Loan impairments for Ireland towards a release in 100m-150m EUR range for FY18
- 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 for KBC Group estimated at roughly 8bn EUR higher RWA on fully loaded basis at year-end 2017, 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, thanks to:
    - Ireland: re-positioning as a core country with a sustainable profit contribution
    - Bulgaria: merger of CIBank into UBB. The new group UBB has become the largest bank-insurance group in Bulgaria with a substantial increase in profit contribution
    - Sustainable profit contribution of Hungary and Slovakia

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, KBC Group CEO