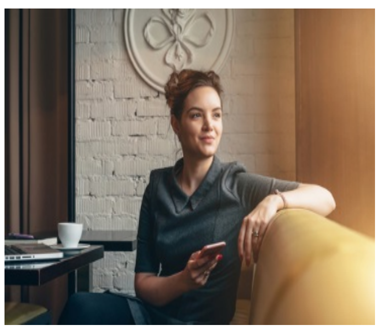

KBC Group
4Q and FY2017 results
Press presentation

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

More detailed analyst presentation available at www.kbc.com

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4Q 2017 key takeaways for KBC Group (1/3)

GOOD BUSINESS PERFORMANCE IN 4Q17

Net result of 399m EUR in 4Q17 (and 2,575m EUR in FY17), impacted by the one-off upfront negative P&L effect of 211m EUR due to the Belgian corporate income tax reform. ROE of 17% in FY17 (*)

Excluding this one-off, net result amounted to 610m EUR in 4Q17:

- 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
- Excluding dealing room effect, roughly stable net interest income and higher net interest margin q-o-q
- High net fee and commission income
- High net gains from financial instruments at fair value and stable realised AFS gains
- Other net income was negatively impacted by an additional provision of 61.5m EUR related to the industry wide review of the tracker rate mortgage products originated in Ireland before 2009
- Combined ratio of 88% in FY17. Excellent sales of non-life and life insurance products
- Strict cost management resulted in a cost/income ratio of 55% YTD adjusted for specific items
- Net loan impairment releases of 30m EUR, mainly driven by Ireland (net release of 52m EUR in 4Q17 and 215m EUR in FY17).
  We are guiding for a net loan loss provision release for Ireland in the range of 100m-150m EUR for FY18

(*) 18% excluding the one-off, upfront negative effect of 211m EUR due to the Belgian corporate income tax reform

4Q 2017 key takeaways for KBC Group (2/3)

SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS

- **The B3 common equity ratio based on the Danish Compromise** at end 2017 amounted to **16.5% phased-in and 16.3% fully loaded***
- **B4 impact** for KBC Group is estimated at **roughly 8bn EUR higher RWA** on a fully loaded basis as at year-end 2017, which corresponds with a **RWA inflation of 9%** and an impact on the **CET1 ratio of -1.3%**
- For our **capital deployment plan**, the 1% Basel IV buffer relative to our peer group is no longer required. Taking into account the updated median common equity ratio of our 12 peers, our '**own capital target' and 'reference capital position' have been lowered to 14% and 16%, respectively.**
- **A negative impact of the first-time application of IFRS 9** (as of 1 January 2018) **on our fully loaded CET1 ratio** is estimated at **approximately 41 bps** mainly on account of reclassifications in the banking book
- Fully loaded B3 **leverage ratio**, based on current CRR legislation, amounted to **6.1%** at KBC Group
- **Continued strong liquidity position** (NSFR at 134% and LCR at 139%) at end 2017

* This clearly exceeds the minimum capital requirements set by the competent supervisors of respectively 9.875% and 10.60% for 2018. On top of the above-mentioned capital requirements, the ECB expects KBC to hold a pillar 2 guidance (P2G) of 1.0% CET1

4Q 2017 key takeaways for KBC Group (3/3)

CAPITAL DEPLOYMENT / DIVIDEND PROPOSAL

- **A total gross dividend of 3 EUR per share will be proposed to the AGM for the 2017 accounting year**, of which:
  - the interim dividend of 1 EUR per share paid in November 2017
  - a final dividend of 2 EUR per share

- **Also a buy-back of 2.7 million shares** (roughly 0.2bn EUR) will be proposed to the AGM (i.e. a **pay-out ratio of 59%** including the total dividend, AT1 coupon and share buy-back)

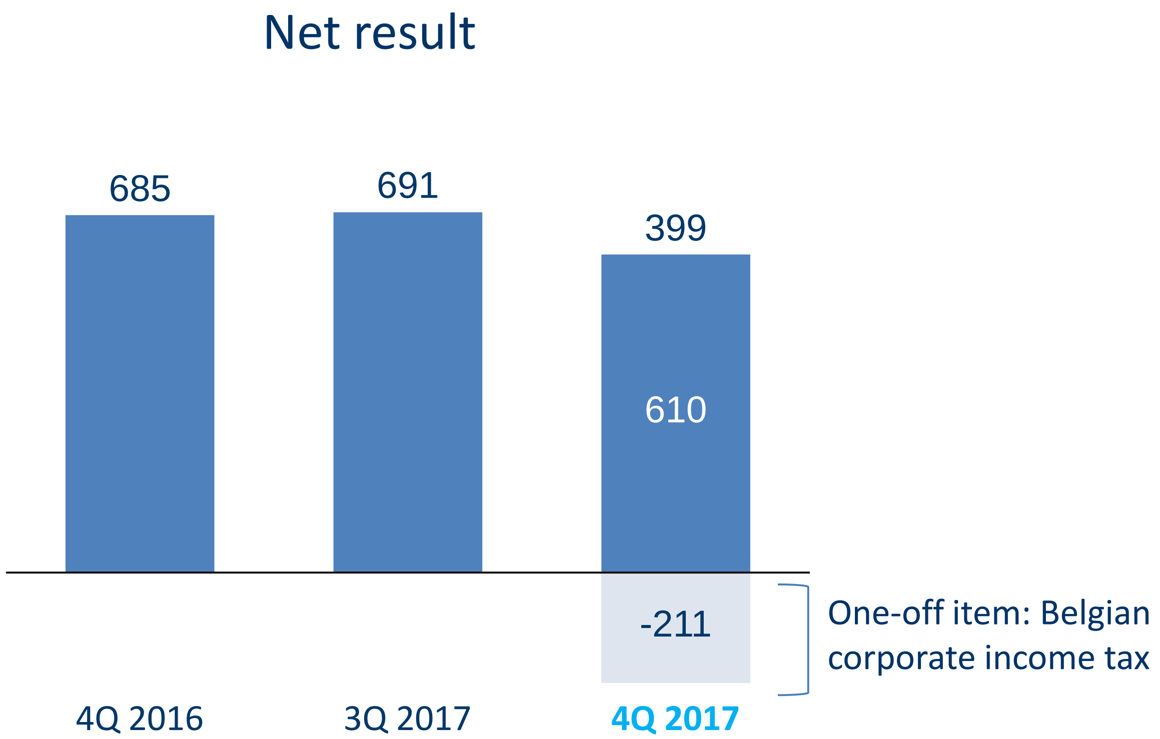
- The pay-out ratio policy (i.e. dividend + AT1 coupon) of **at least 50%** of consolidated profit is reconfirmed for the future




KBC Group
Consolidated results
4Q 2017performance

KBC Group

Net result of 610m in 4Q 2017, excluding negative one-off item



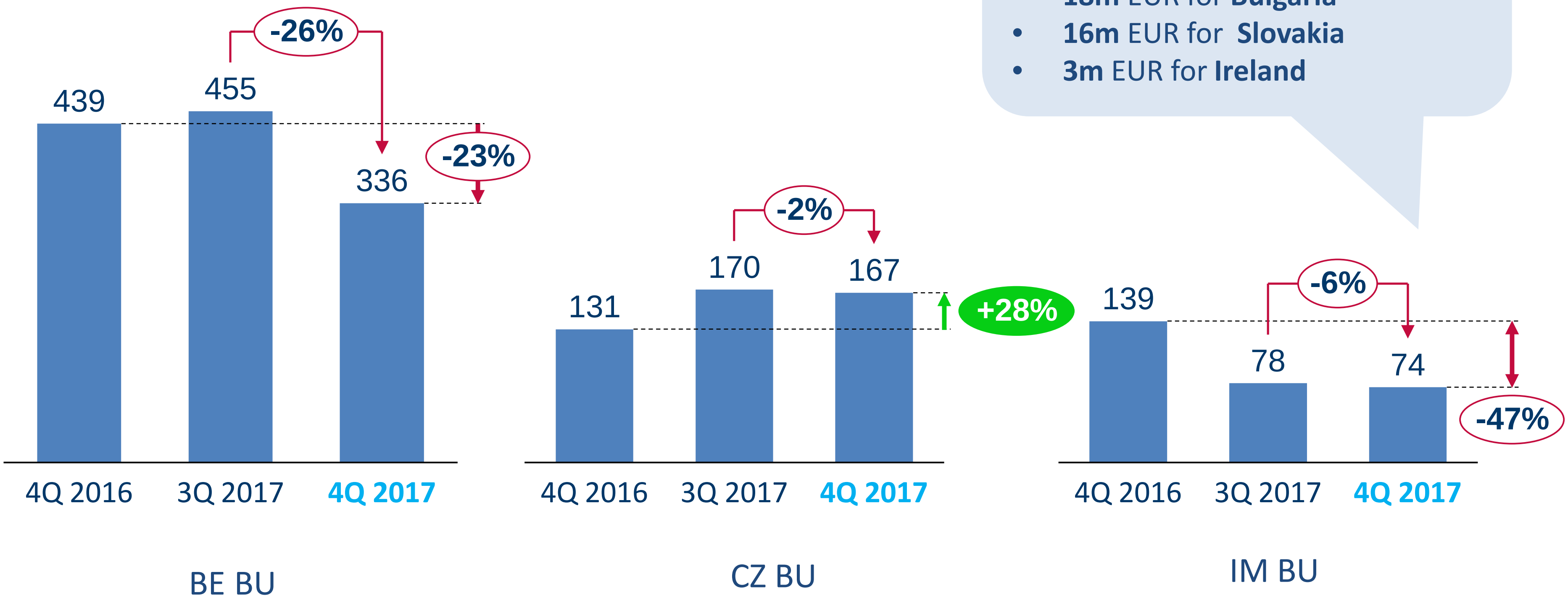
Amounts in millions of EUR

Net result per business unit

Q-o-q trend was negatively impacted by seasonal effects and Ireland

Breakdown of 4Q 2017 net result for International Markets:

- **39m** EUR for **Hungary**
- **18m** EUR for **Bulgaria**
- **16m** EUR for **Slovakia**
- **3m** EUR for **Ireland**

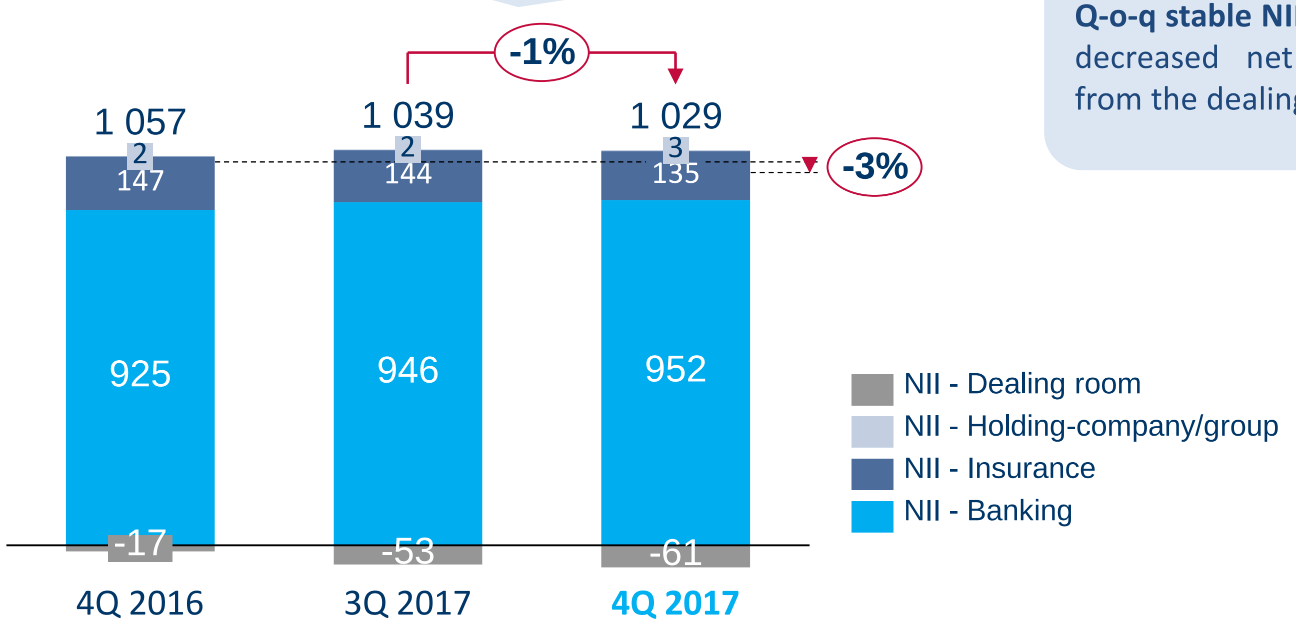


Amounts in millions of EUR

Net interest income

Lower net interest income (NII), despite flat net interest margin (NIM)

NII down by 1% q-o-q (and down by 3% y-o-y), including 27m EUR contribution of UBB/Interlease:
(-) more negative NII of dealing room activities, lower reinvestment yields and more negative pressure on commercial loan margins in most core countries.
Partly offset by:
(+) lower funding costs, continued good loan volume growth and positive impact of both short & long term increasing interest rates in the Czech Republic.



Quarterly net interest margin

4Q16	3Q17	4Q17
1.90%	1.83%	1.83%

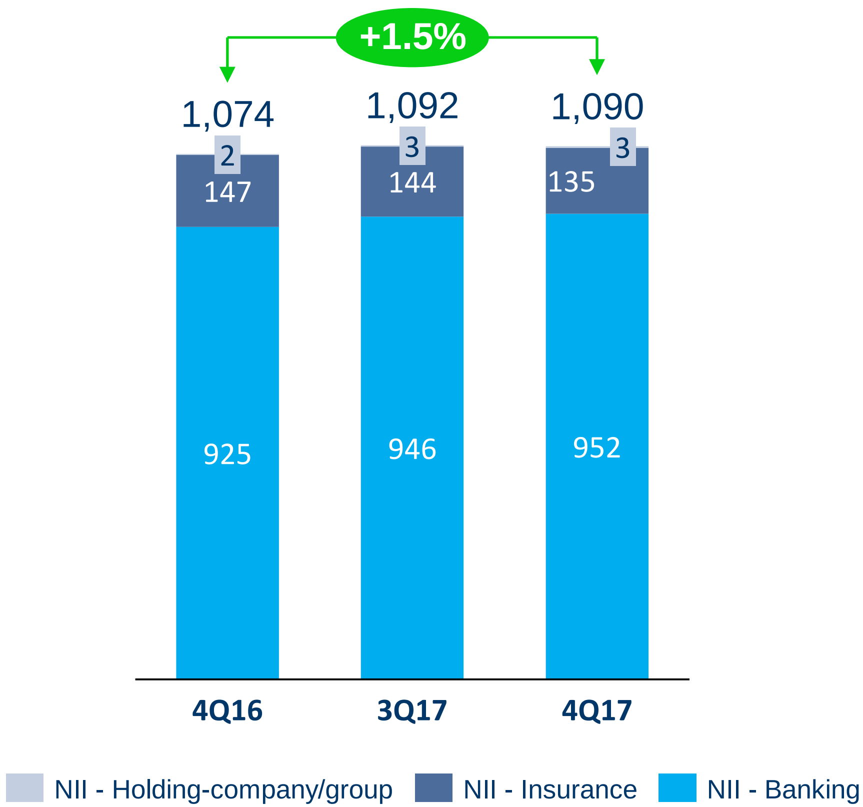
Q-o-q stable NIM is mainly due to decreased net interest income from the dealing room

Amounts in millions of EUR

Net Interest Income

NII/NIM excluding dealing room effect

NII EXCLUDING DEALING ROOM EFFECT



NIM EXCLUDING DEALING ROOM EFFECT

4Q16	3Q17	4Q17
1.95%	1.96%	1.99%

NII excluding dealing room effect increased by 1.5% y-o-y, which is an excellent performance in the current low interest rate environment

- **NII banking** rose by 3% y-o-y. Excluding the 27m EUR contribution of UBB/Interlease, NII banking stabilized y-o-y
- **NII insurance** decreased by 8% y-o-y due mainly to lower reinvestment yieds.

NIM corrected for dealing room effect increased both q-o-q and y-o-y

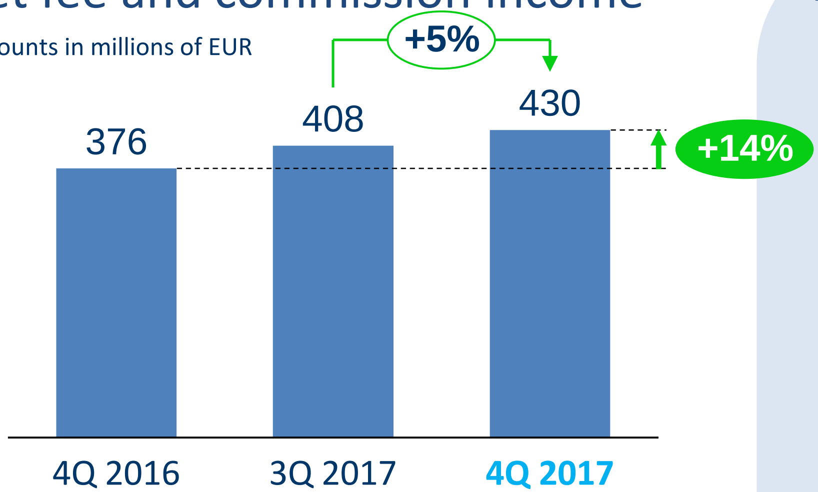
Amounts in m EUR

Net fee and commission income

High net fee and commission income

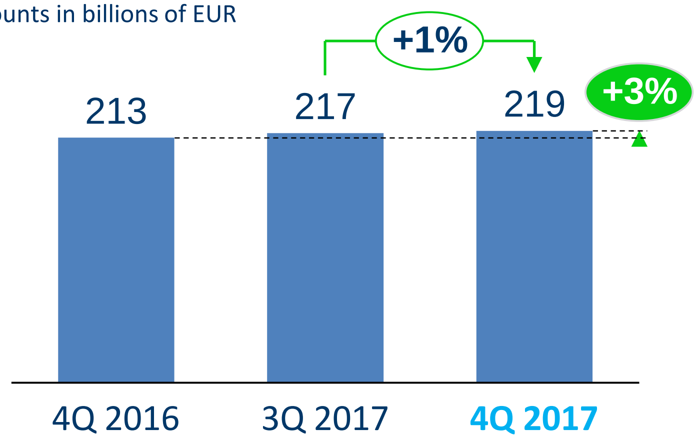
Net fee and commission income

Amounts in millions of EUR



Assets under management (AUM)

Amounts in billions of EUR



Net fee and commission up by 5% q-o-q driven by:

- higher securities-related fees
- higher entry fees from mutual funds & unit-linked life insurance products
- slightly higher management fees and fees from credit files & bank guarantees

partly offset by:

- slightly lower fees from payment services
- higher commissions paid on insurance sales

Y-o-y increase was mainly the result of:

- higher management and entry fees from mutual funds & unit-linked life insurance products (mainly thanks to a good equity market performance and a higher assets base)
- higher fees from payment services
- higher securities-related fees

partly offset by:

- lower fees from credit files & bank guarantees
- higher commissions paid on insurance sales

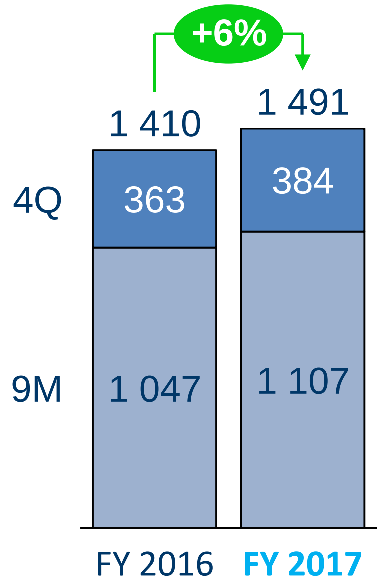
Assets under management (219bn EUR)

- rose by 1% q-o-q and by 3% y-o-y owing entirely to a positive price effect
- the mutual fund business has seen net inflows again, but this was offset entirely by net outflows in group assets

Non-life insurance

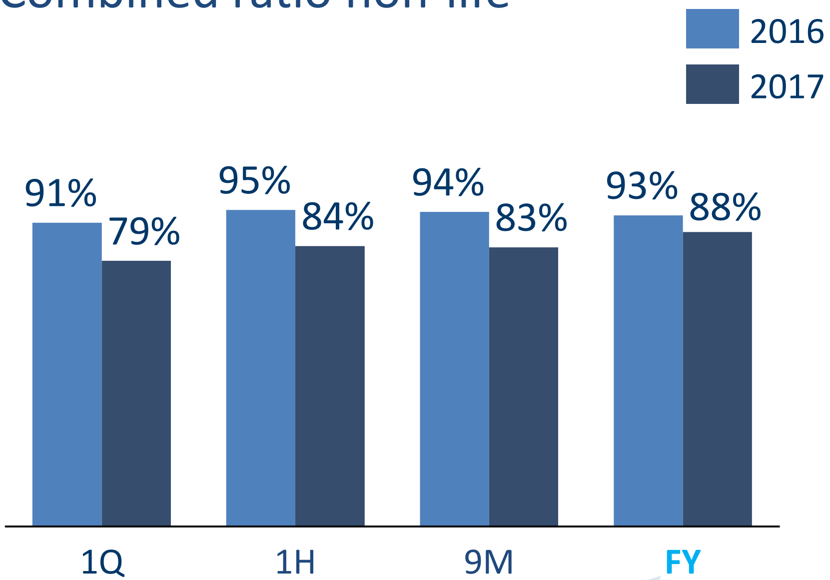
Insurance premium income sharply up and exceptional combined ratio

Gross earned premiums non-life insurance



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

Combined ratio non-life



The **non-life combined ratio** at FY17 amounted to 88%, an improvement compared with 93% in FY16 due to:

- low technical charges (especially in 1Q17)
- a one-off release of provisions in Belgium in 3Q17 (positive effect of 26m EUR). Excluding this one-off release in 3Q17, the combined ratio amounted to 90% at FY17

Amounts in millions of EUR

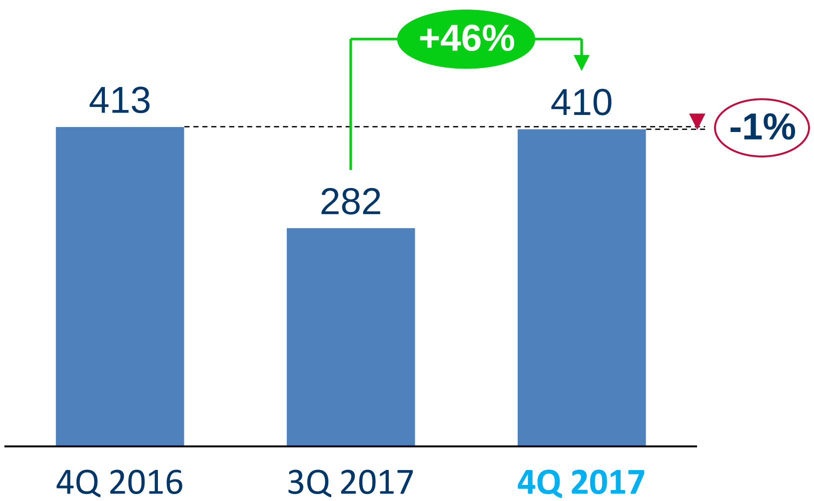
Life insurance

Life sales sharply up q-o-q and y-o-y

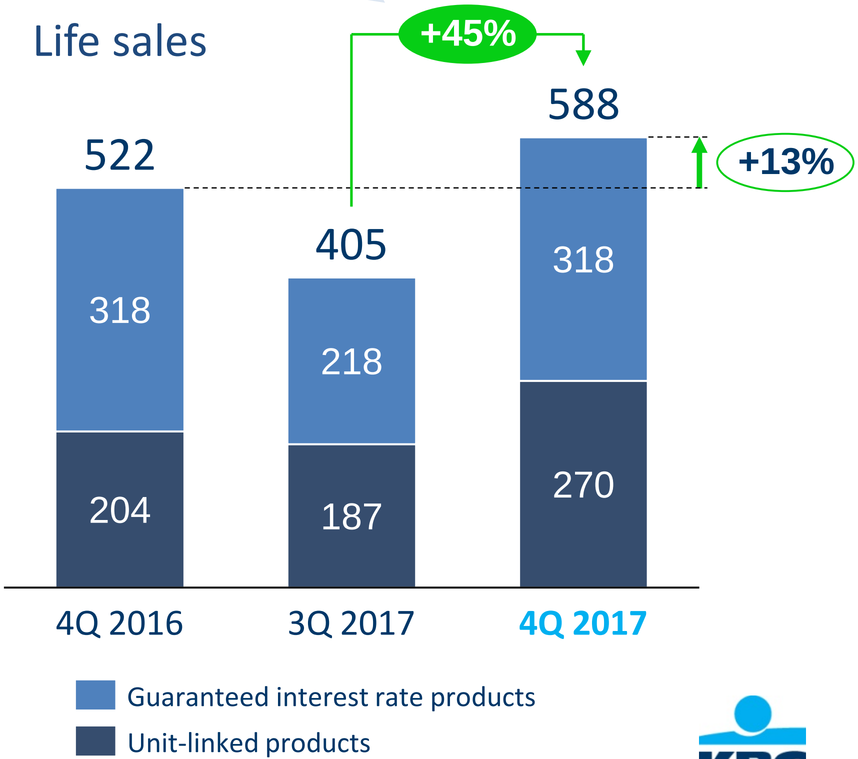
Sales of Life insurance products increased by 45% q-o-q and by 13% yoy.

- The q-o-q increase was driven mainly by higher sales of guaranteed interest products in Belgium (driven by pension saving products in 4Q17) and higher sales of unit-linked products in Belgium and Czech Republic.
- The y-o-y increase was driven entirely by higher sales of unit-linked products in Belgium.
- Sales of unit-linked products accounted for 46% of total life insurance sales.

Gross earned premiums
Life insurance



Life sales



Amounts in millions of EUR

Net gains from financial instruments at fair value

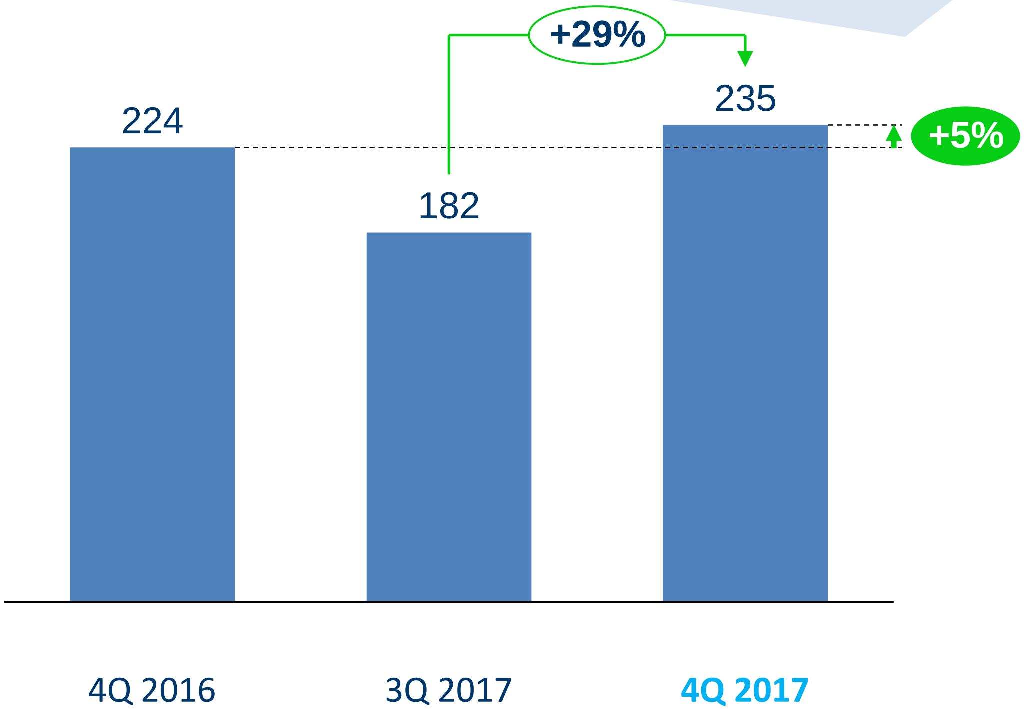
Higher fair value gains mainly attributable to dealing room income

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

- higher dealing room income
- a slightly positive change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivative portfolio and decrease of the credit spreads)

partly offset by:

- an 7m EUR contribution of ALM derivatives in 4Q17, slightly down compared with 11m EUR in 3Q17



Amounts in millions of EUR

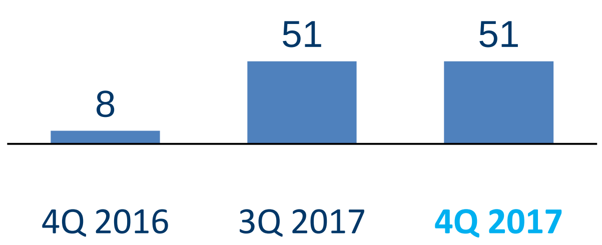
The other net income drivers

Stable gains realised on AFS assets and lower other net income

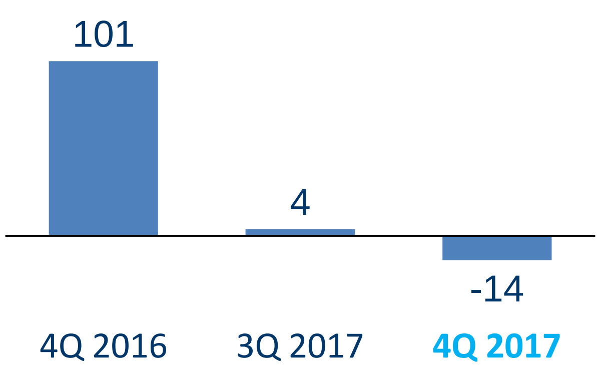
Stable gains realised on AFS assets, for the largest part on shares

Other net income amounted to -14m EUR, sharply lower than the normal run rate of around 50m EUR. This is mainly the result of an additional provision of 61.5m EUR (compared with an additional provision of 54m EUR in 3Q17), related to the 2017 industry wide review of the tracker rate mortgage products originated in Ireland before 2009

Gains realised on AFS assets



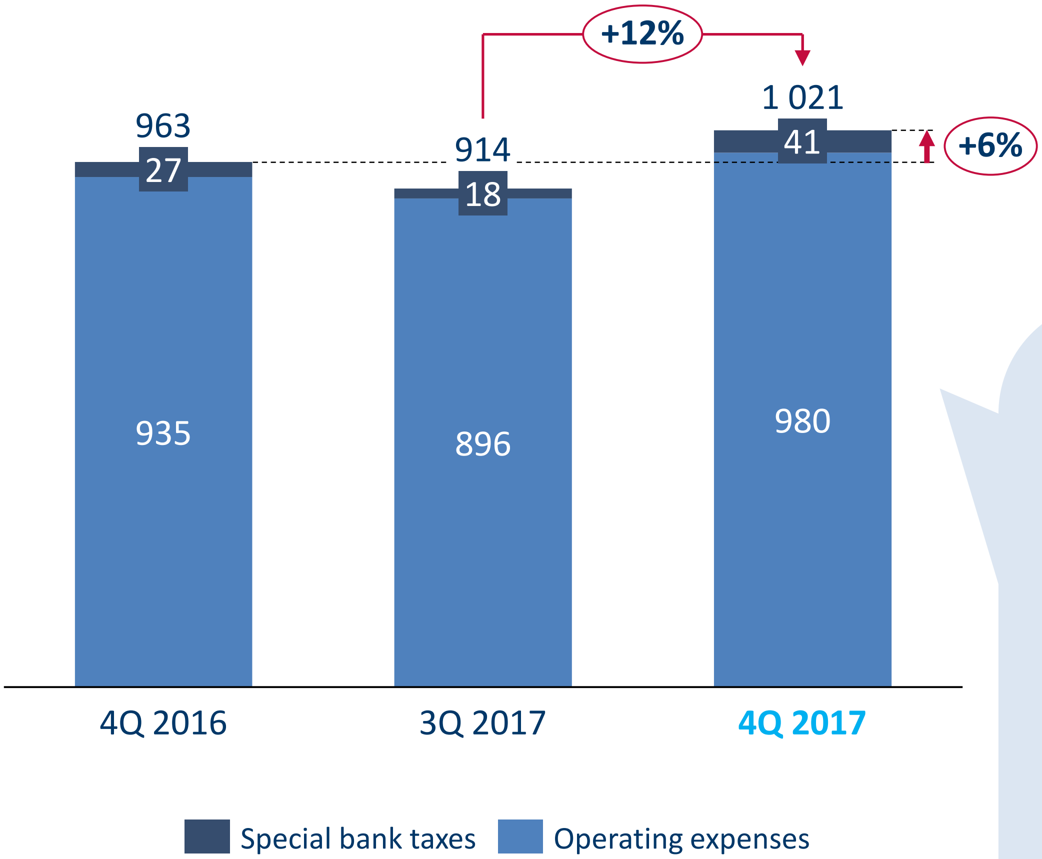
Other net income



Amounts in millions of EUR

Operating expenses

Seasonally higher operating expenses, but good cost/income ratio



C/I ratio*

4Q16	3Q17	4Q17	FY17
57%	55%	59%	55%

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

Q-o-q operating expenses excluding bank tax increased by 9% due to:

- seasonal effects such as traditionally higher ICT, marketing and professional fee expenses
- higher staff expenses (wage drift in most countries and slightly higher pension costs)

Y-o-y operating expenses without bank tax increased by 5% due to:

- the consolidation of UBB/Interlease (20m EUR)
- higher ICT costs
- higher marketing expenses
- higher depreciation and amortisation costs (capitalisation of some projects)

Amounts in millions of EUR

Asset impairments

Very low asset impairments and excellent credit cost ratio

Very low asset impairments attributable mainly to:

- net loan loss provision releases in Ireland of 52m EUR (compared with 26m in 3Q17)
- also small net loan provision reversals in the Czech Republic and Hungary
- continued low level of loan impairment throughout the Group
- a 6m EUR contribution of UBB/Interlease

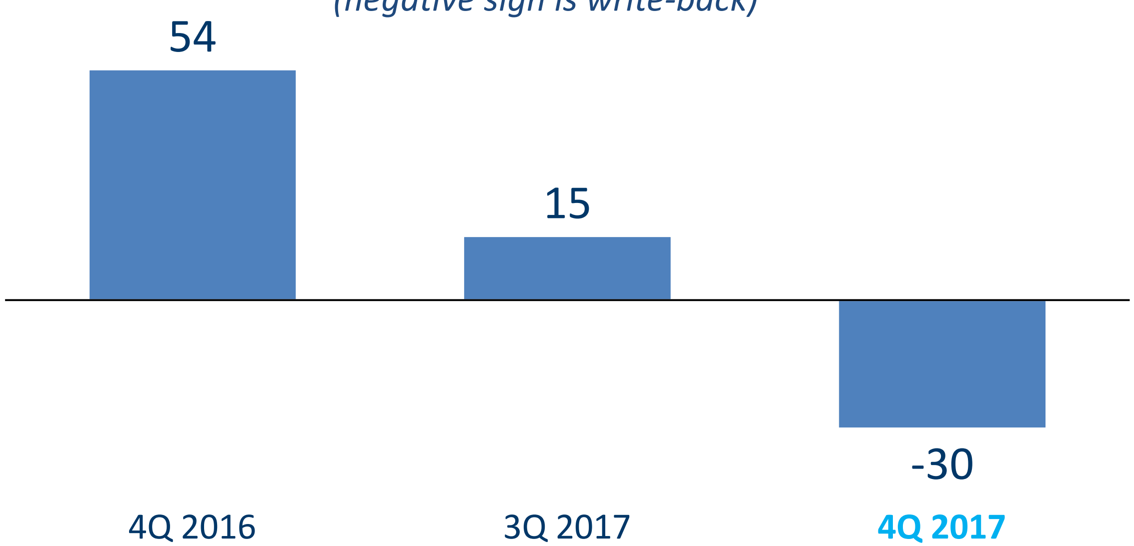
The credit cost ratio amounted to -0,06% in FY17 due to low gross impairments and several releases

Credit cost ratio (YTD)

FY15	FY16	FY17
0.23%	0.09%	-0.06%

Impairments on loans and receivables

(negative sign is write-back)

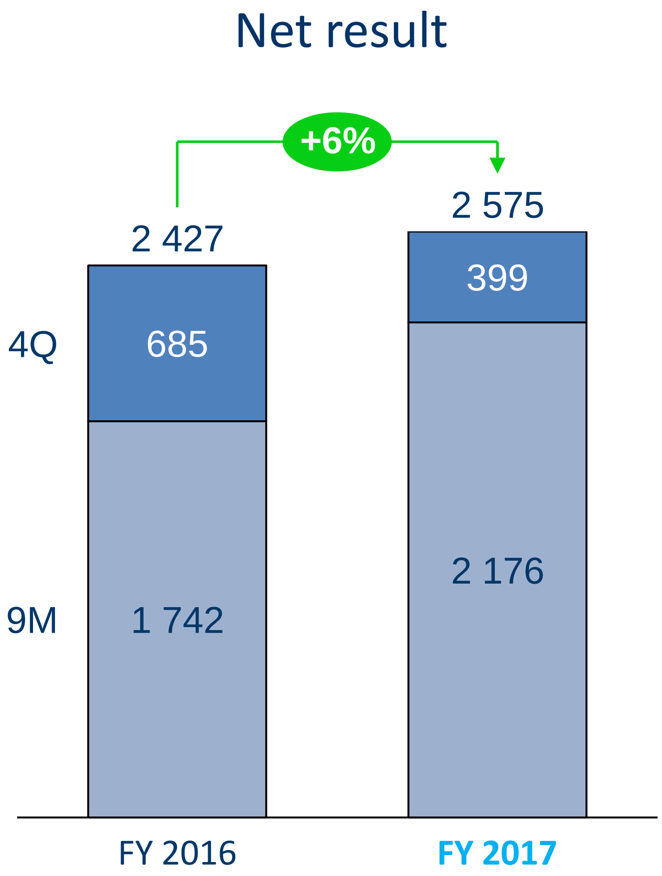


Amounts in millions of EUR

KBC Group
Consolidated results
FY 2017 performance

KBC Group

Excellent business performance in 2017



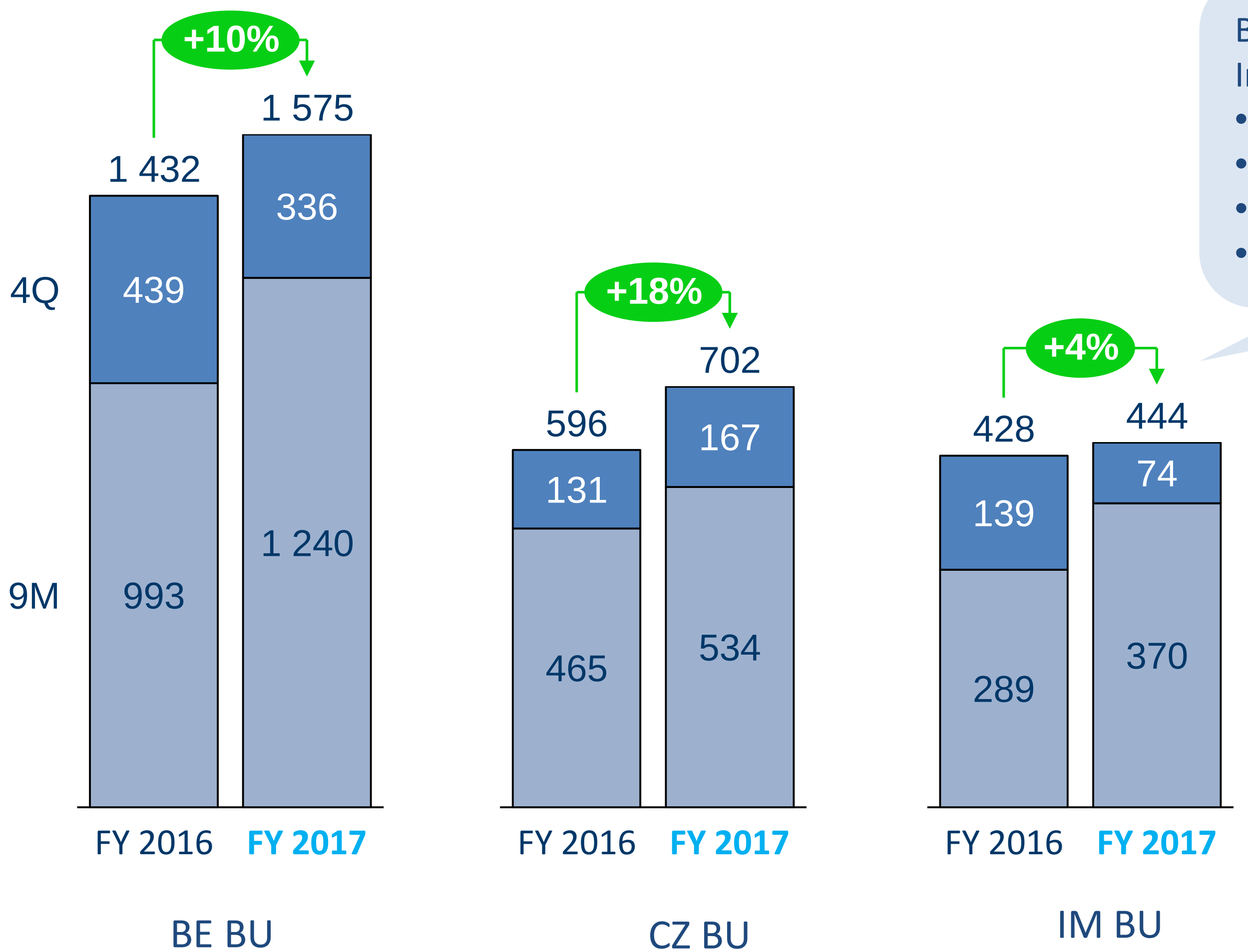
Net result increased by 6% y-o-y to 2 575m EUR in 2017, mainly as a result of:

- **Revenues** rose by 7% y-o-y mainly due to sharply higher net fee & commission income, net result from FIFV and result from life and non-life insurance after reinsurance, partly offset by lower net interest income and net other income
- **Operating expenses excluding bank tax** increased by 3.5% y-o-y or 125m EUR y-o-y in FY17. Taking into account a doubling of the digitalisation investments through operating expenses (from roughly 125m EUR in FY16 to roughly 250m EUR in FY17) and the 40m EUR impact of UBB/Interlease, this implies strict cost control thanks to many (small) cost-efficiency measures. Total bank taxes (including ESRF contribution) slightly increased from 437m EUR in FY16 to 439m EUR in FY17
- **Net impairment releases** of 30m EUR, thanks chiefly to:
  - a net loan loss provision release in Ireland (215m EUR) and Hungary (11m EUR)
  - low gross impairments in all segments and all countries

Amounts in millions of EUR

Net result per business unit

Each business unit sharply improved its net result



Breakdown of FY 2017 net result for International Markets:

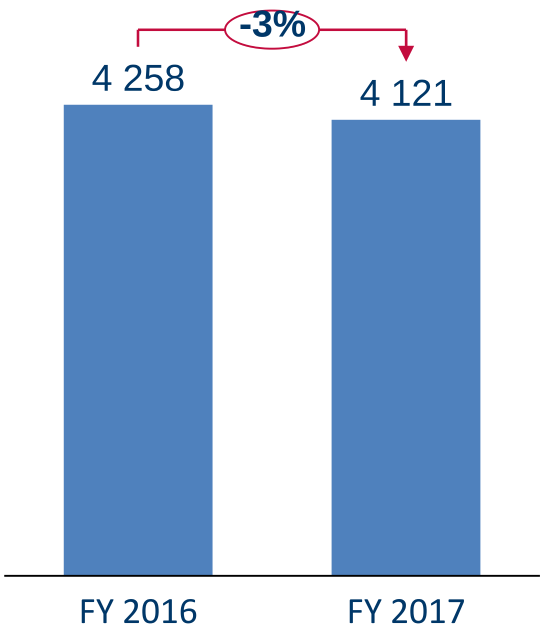
- **167m** EUR for **Ireland**
- **146m** EUR for **Hungary**
- **79m** EUR for **Slovakia**
- **50m** EUR for **Bulgaria**

Amounts in millions of EUR

Net interest income

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

NII interest income fell by 3% y-o-y due entirely to the lower contribution of dealing room and insurance. Net Interest income excluding dealing room effect and the 55m EUR contribution of UBB/Interlease stabilised y-o-y



YTD net interest margin

FY16	FY17
1.92%	1.85%

NIM decreased by 7 bps y-o-y due mainly to lower reinvestment yields, decreased net interest income from the dealing room and pressure on commercial margins in most countries

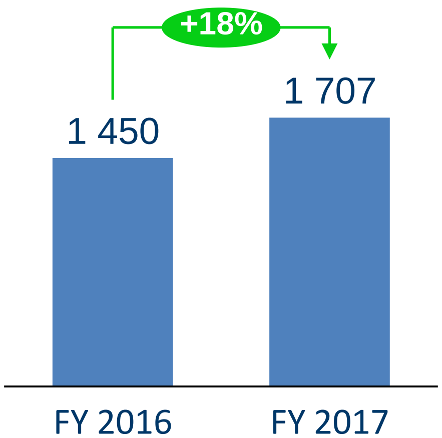
Amounts in millions of EUR

Net fee and commission income

Higher net fee and commission income and AUM

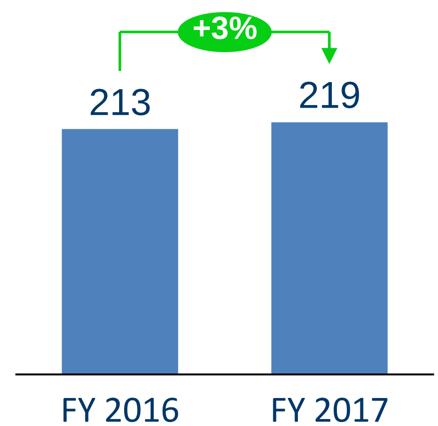
Net fee and commission income

Amounts in millions of EUR



Assets under management (AUM)

Amounts in billions of EUR



Net fee and commission income increased by 18% y-o-y, mainly by:

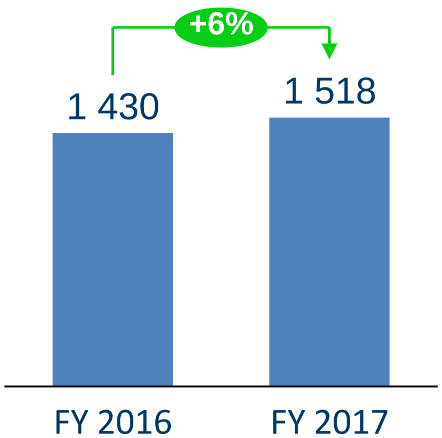
- the Belgium Business Unit (+21% y-o-y) owing mainly to higher management & entry fees on mutual funds & unit-linked life insurance products, increased securities related fees and higher fees from payment service
- the consolidation of UBB/Interlease (23m EUR in 2H17)

Assets under management (219bn EUR)
rose by 3% y-o-y owing entirely to a positive price effect

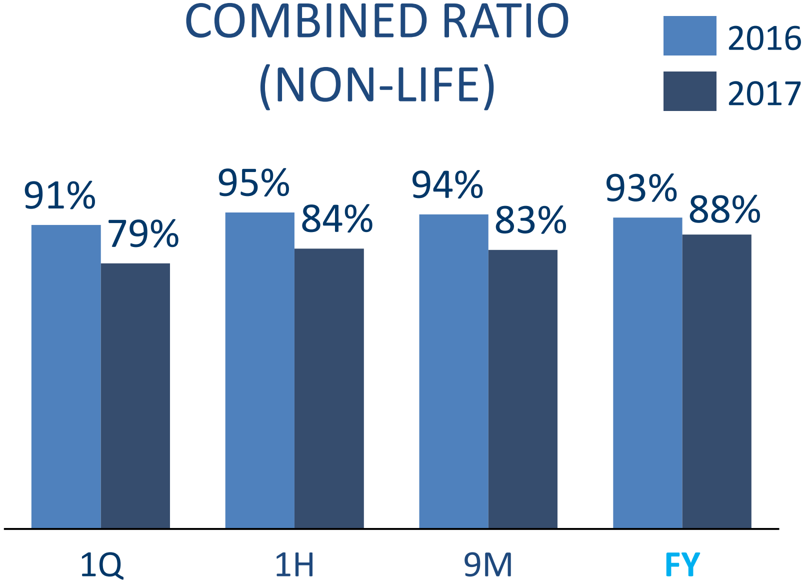
Non Life

Higher non-life insurance sales and exceptional combined ratio

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



COMBINED RATIO (NON-LIFE)



Sales of non-life insurance products
Up by 6% y-o-y mainly thanks to a good commercial performance in all major product lines in our core markets and tariff increases

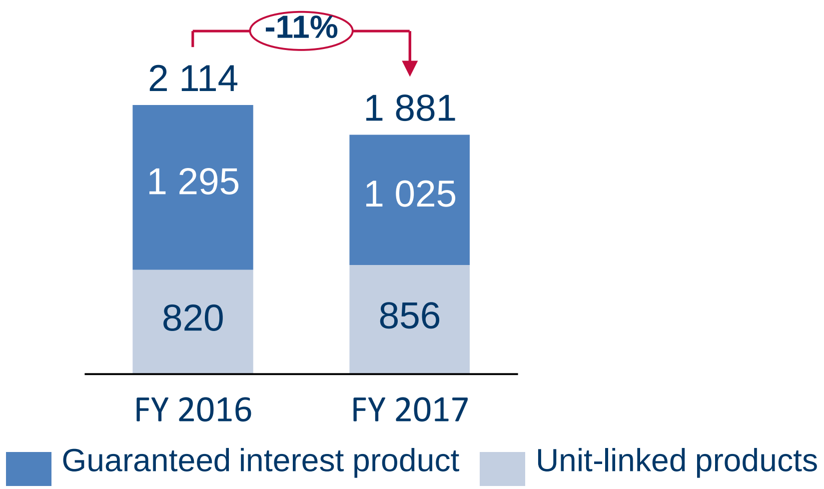
The **non-life combined ratio** at FY17 stood at an **exceptional 88%** (an improvement compared with 93% in FY16) due to low technical charges (especially in 1Q17) and a one-off release of provisions in Belgium in 3Q17 (positive effect of 26m EUR). Excluding this one-off release in 3Q17, the combined ratio amounted to 90% at FY17.
Note that 2016 was negatively impacted by one-off charges due to terrorist attacks in Belgium

Amounts in millions of EUR

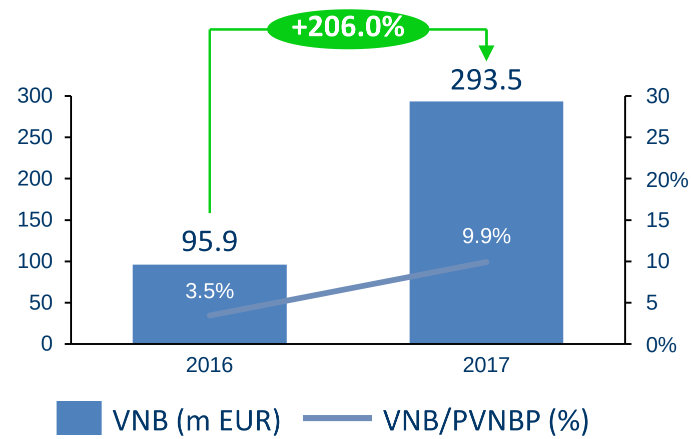
Life

Lower life insurance sales, but higher Value of New Business (VNB)

LIFE SALES



VNB (Life)*



Sales of Lfe insurance products down by 11% y-o-y mainly due to:

- the decrease in sales of guaranteed interest products (attributable fully to Belgium) was driven by the low guaranteed interest offered. The increase in sales of unit-linked products was also attributable fully to Belgium, due mainly to the successful shift to the new discretionary-based service proposition
- sales of unit-linked products accounted for 46% of total life insurance sales

VNB rose by 206% y-o-y as a result of

- an overall enhancement of profitability due to :
  - improvement of the market environment
  - increased sales in KBC Insurance of unit-linked products with higher profit margin
  - the Belgian tax shift
  - clear focus on improving the product mix and the profitability of particular products
- methodological changes

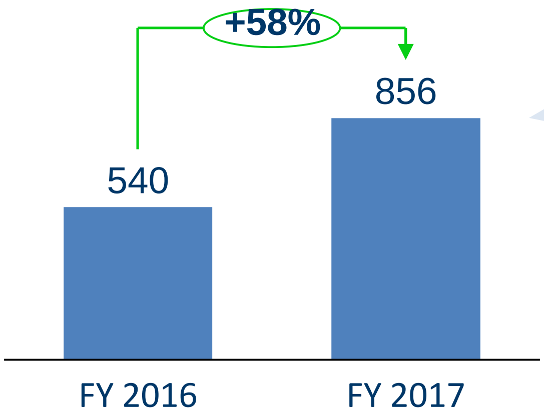
Disregarding the methodological changes in 2017, VNB rose by 128% y-o-y

- VNB = Value of New Business = present value of all future profits attributable to the shareholders from the new life insurance policies written during the year
- The VNB of KBC Group includes the expected future income generated by other parties within KBC Group arising from the sales of life insurance business. In 2017, this income amounted to 175m EUR
- VNB/PVNBP = VNB at point of sale compared with the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums

The other total income drivers

Higher fair value gains and gains realized on AFS assets, but lower other net income

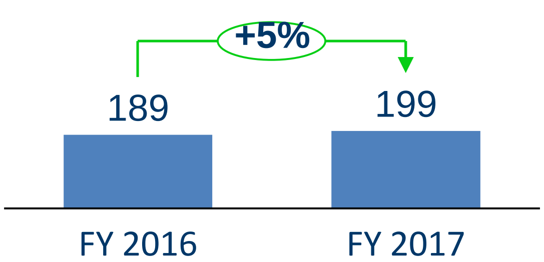
Fair Value Gains



The sharply higher y-o-y figure for **net gains from financial instruments at fair value** was attributable to:

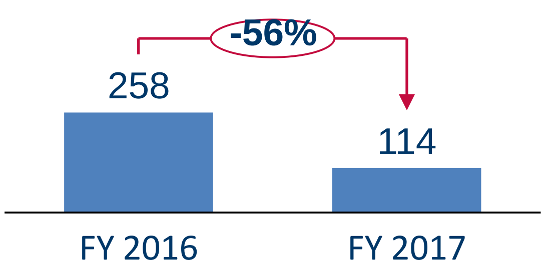
- strong dealing room results (especially in Belgium and the Czech Republic, partly thanks to the positive impact of the FX swaps)
- a positive y-o-y change in market, credit and fair value adjustments (especially in Belgium)
- a slightly positive change in ALM derivatives (92m EUR in FY17 compared with 88m EUR in FY16)

Gains realised on AFS assets



Gains realised on AFS assets increased to 199m EUR (both on AFS shares and bonds)

Other net income



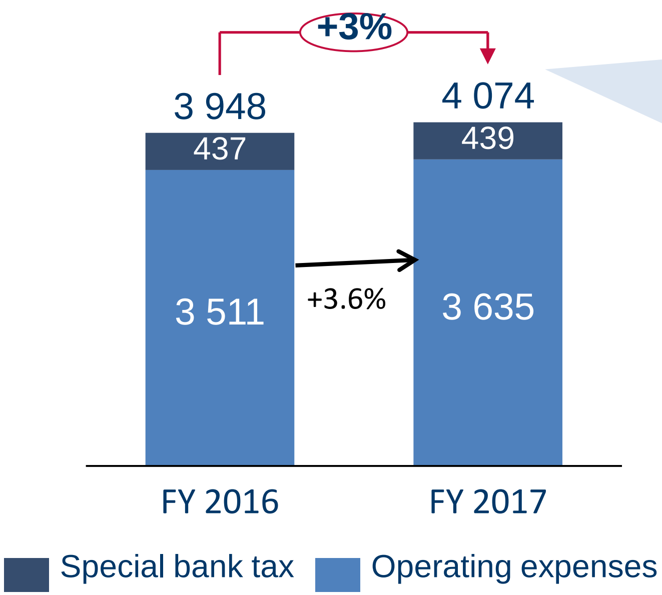
Other net income sharply decreased to 114m EUR in FY17 from a high 258m EUR in FY16. This is mainly the result of an additional provision of 116m EUR related to the 2017 industry wide review of the tracker rate mortgage products originated in Ireland before 2009

Amounts in millions of EUR

Operating expenses

Strict cost control, good cost/income ratio

Operating expenses



- Operating expenses excluding bank tax increased by 3.6% y-o-y or 125m EUR in FY17. Taking into account a doubling of the digitalisation investments through operating expenses (from roughly 125m EUR in FY16 to roughly 250m EUR in FY17) and the 40m EUR impact of UBB/Interlease, this implies **strict cost control thanks to many (small) cost-efficiency measures**
- Total bank taxes (including European Single Resolution fund contribution) increased slightly from 437m EUR in FY16 to 439m EUR in FY17

YTD C/I ratio (*)

FY16	FY17
57%	55%

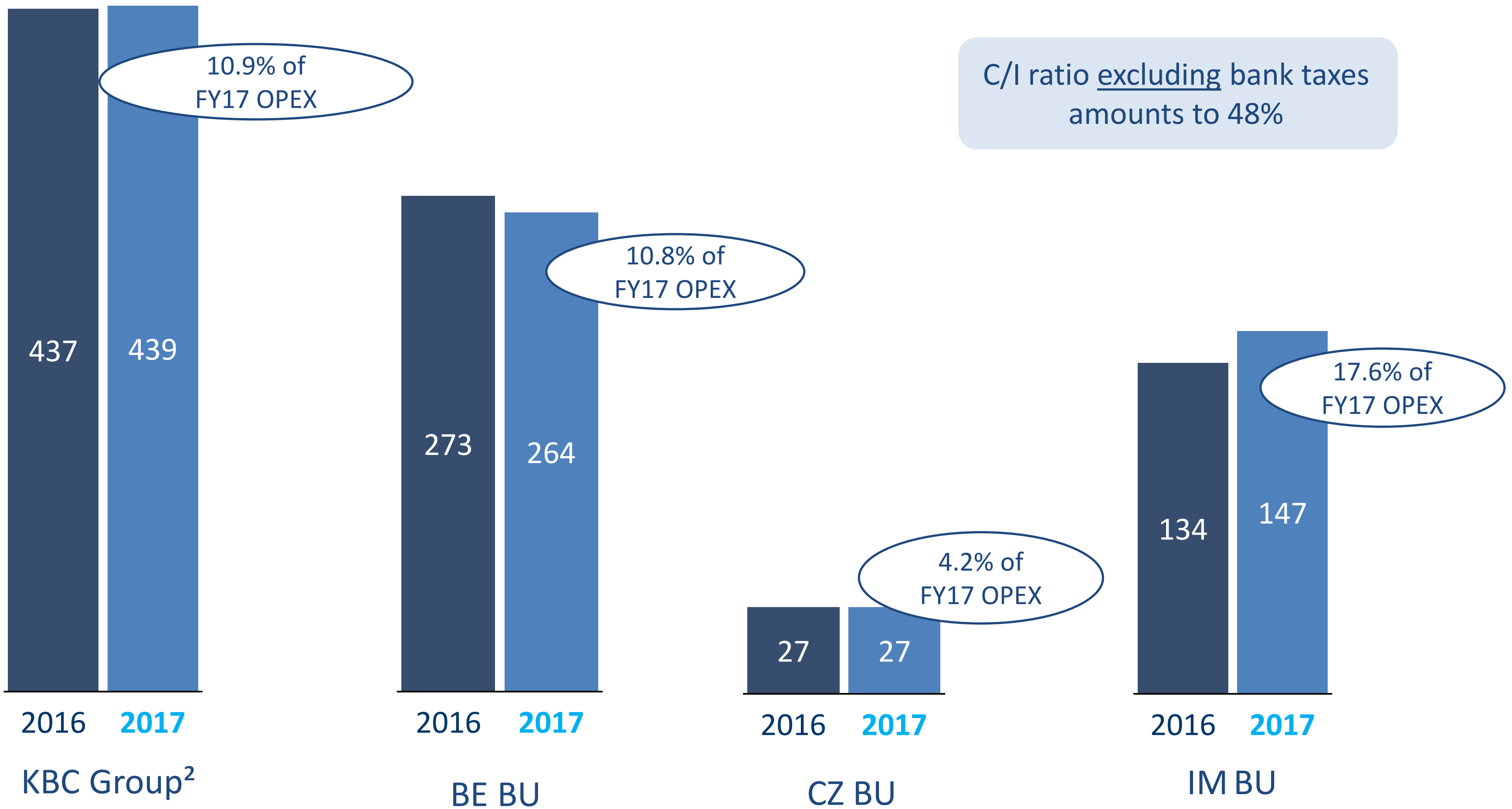
Cost/income ratio (banking) at 55% in FY17 (compared with 57% in FY16) adjusted for specific items.

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

Amounts in millions of EUR

Special bank taxes[1]

Represent 10.9% of total operational expenses



C/I ratio <u>excluding</u> bank taxes amounts to 48%

1 This refers solely to the bank taxes recognised in OPEX, and as such it does not take into account income tax expenses, non-recoverable VAT, etc.
2 KBC Group also includes Group Centre

Amounts in millions of EUR

Asset impairments

Net impairment releases and excellent credit cost ratio (CCR)

Net impairment releases of 30m EUR in FY17, thanks chiefly to:

- a net loan loss provision release in Ireland (215m EUR) and Hungary (11m EUR)
- low gross impairments in all segments and all countries

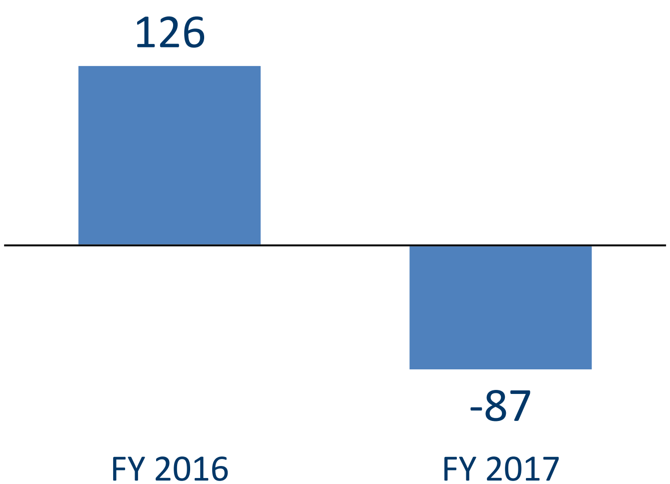
The **credit cost ratio** sharply improved further from 0.09% in FY16 to -0.06% in FY17. The credit cost ratio improved in each business unit

Credit cost ratio (YTD)

FY16	FY17
0.09%	-0.06%

Impairments on loans and receivables

(negative sign is write-back)



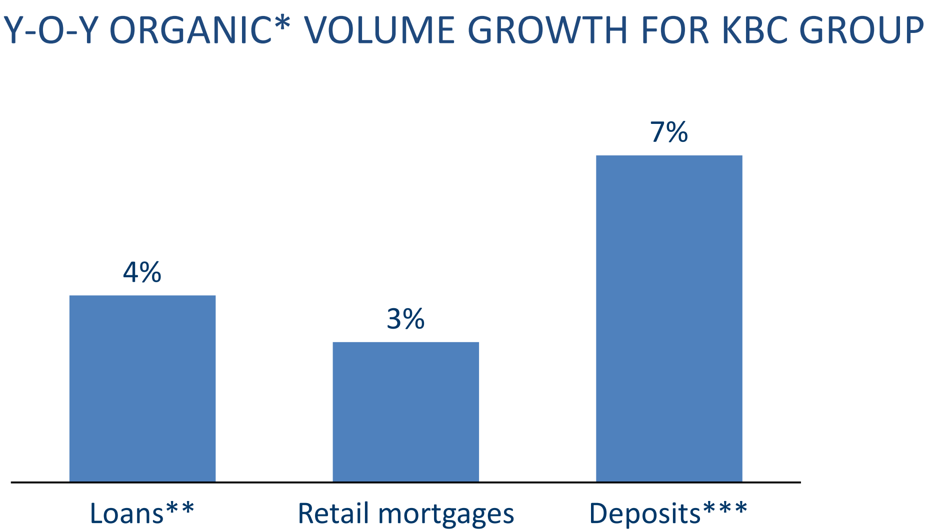
Amounts in millions of EUR




KBC Group
Balance sheet, capital and liquidity

Balance sheet (1/2)

Loans and deposits continue to grow in most core countries



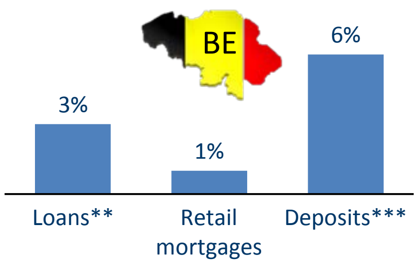
Y-o-y volume growth including UBB/Interlease:
loans +5%, retail mortgages +4% and customer deposits +8%

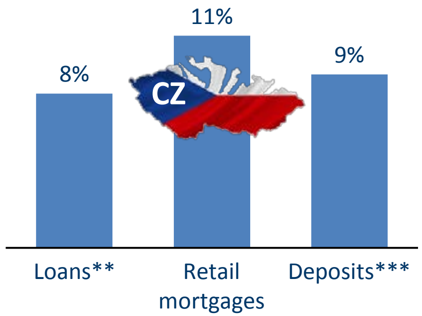
* Volume growth excluding FX effects and divestments/acquisitions
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

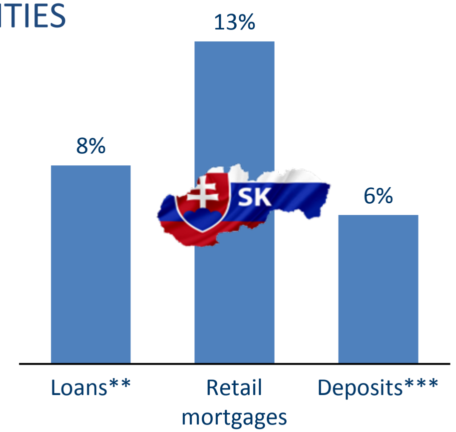
Balance sheet (2/2)

Loans and deposits continue to grow in most core countries

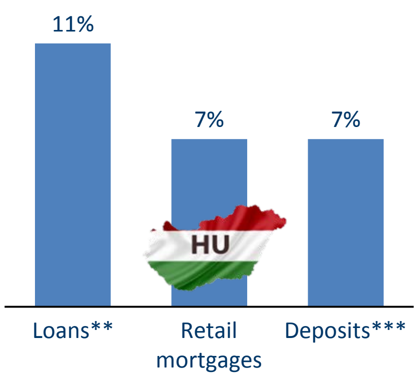
Y-O-Y ORGANIC* VOLUME GROWTH FOR MAIN ENTITIES

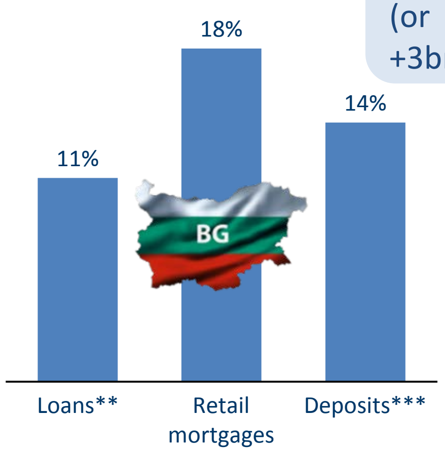


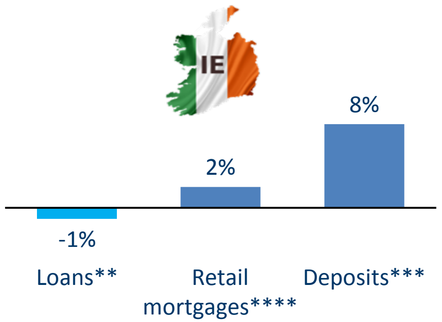




Y-o-y volume growth including UBB/Interlease: loans +225% (or +2bn EUR), retail mortgages +244% (or +0.8bn EUR) and customer deposits +393% (or +3bn EUR)







* Volume growth excluding FX effects and divestments/acquisitions

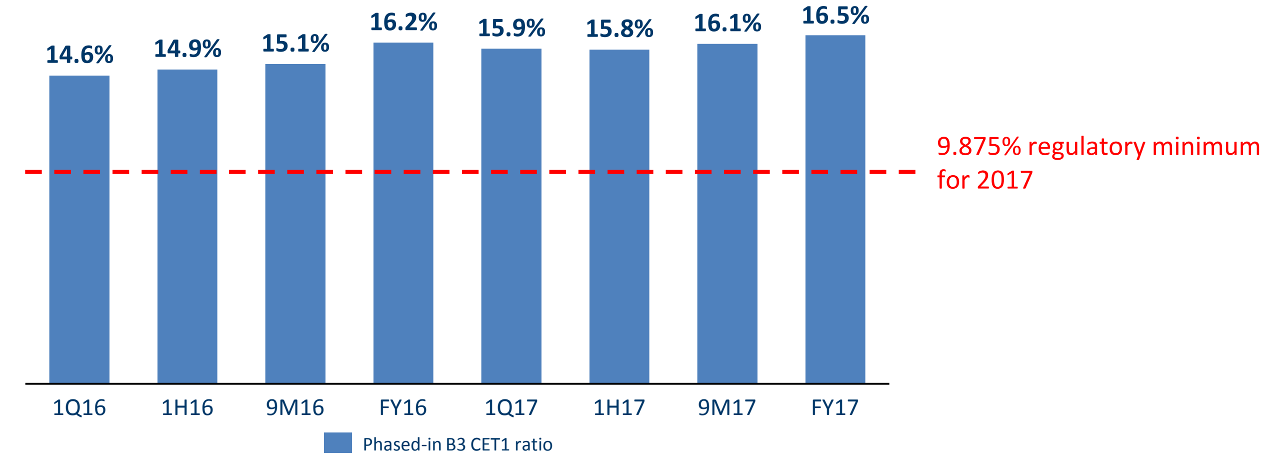
** Loans to customers, excluding reverse repos (and bonds)

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

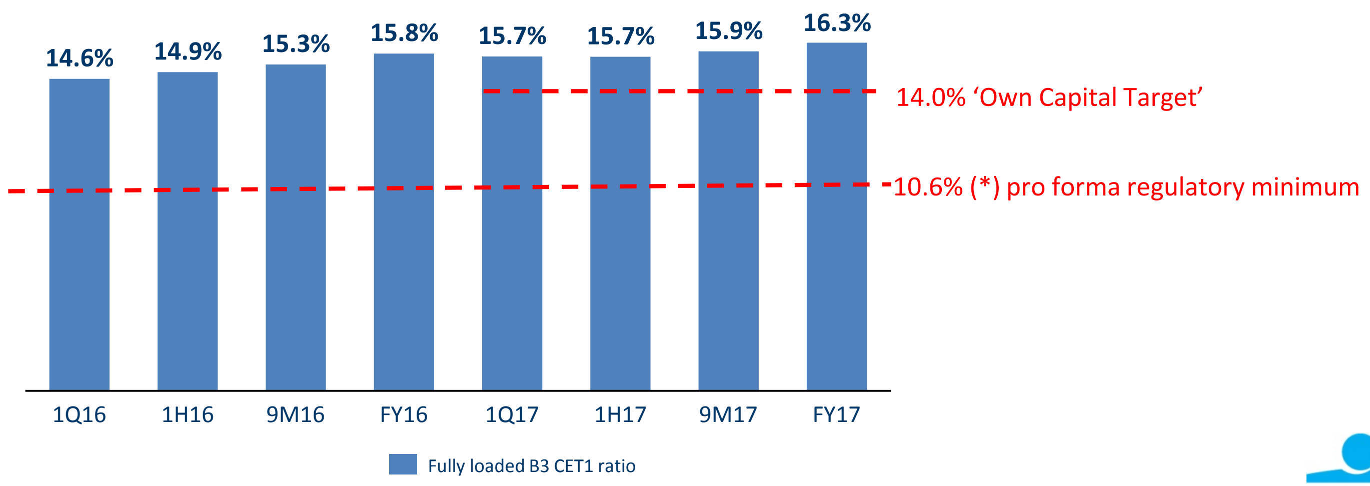
**** Retail mortgages in Ireland: new business (written from 1 Jan 2014) +47% y-o-y, while legacy -7% y-o-y

Strong capital position

Phased-in Basel 3 CET1 ratio at KBC Group (Danish Compromise)



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

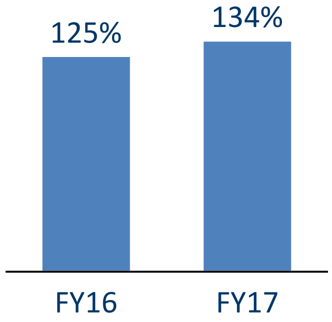


(*) Excludes a pillar 2 guidance (P2G) of 1.0% CET1

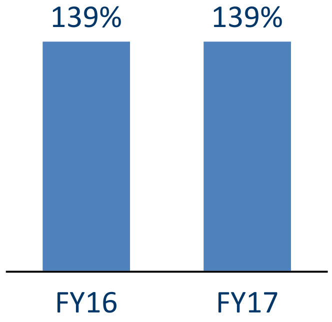
Liquidity ratios:
Liquidity continues to be solid

KBC Group's liquidity ratios*

NSFR

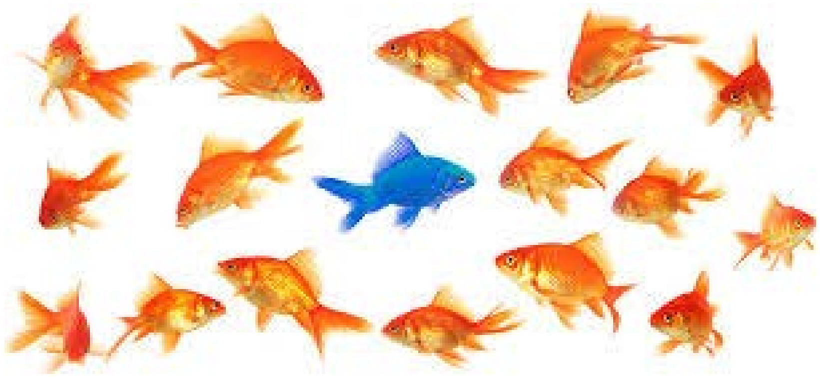


LCR



Regulatory Requirement ≥ 100%

** 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 year-end 2017 onwards, KBC discloses 12 months average LCR in accordance to EBA guidelines on LCR disclosure. As such, the LCR level at FY17 is calculated based on 12 months average, whereas the LCR level at FY16 is based on point-in-time calculation. For the purpose of q-o-q comparison, the 12 months average LCR level at 9M17 was at 138%*

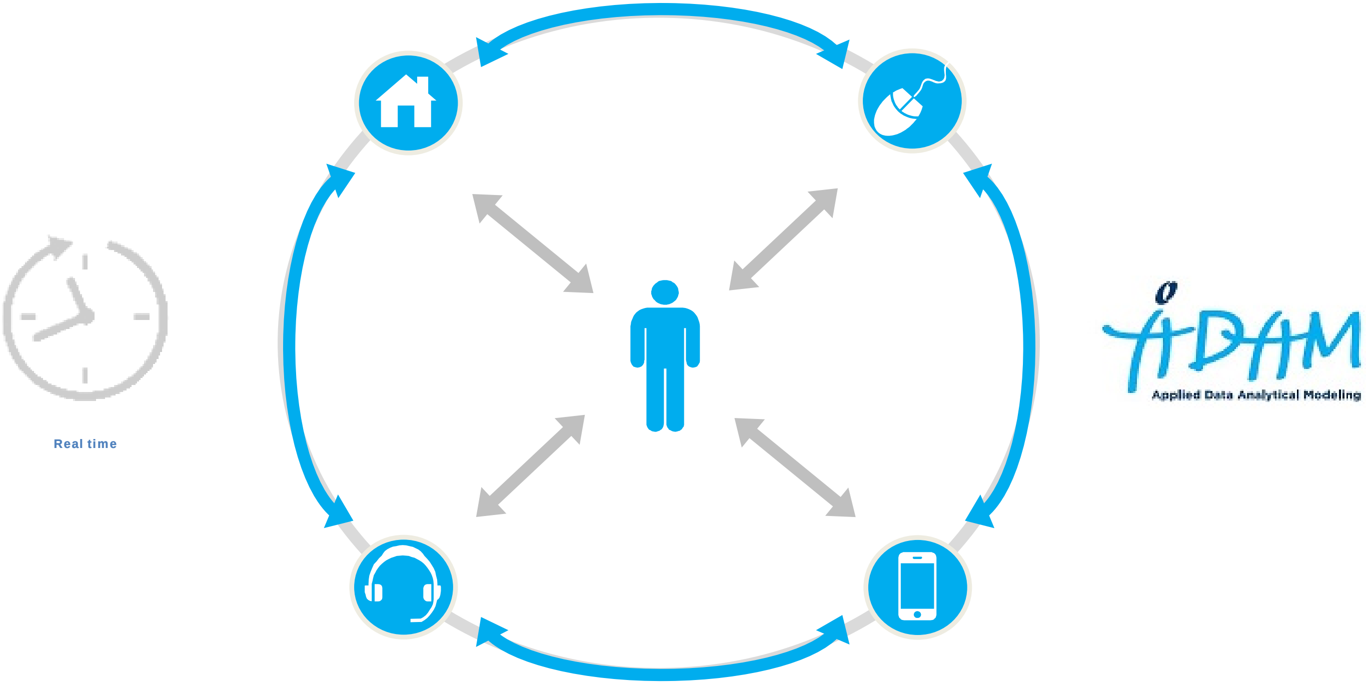


KBC Group
More of the same...
but differently ...

KBC Group and digitalisation

Enhanced channels for empowered clients

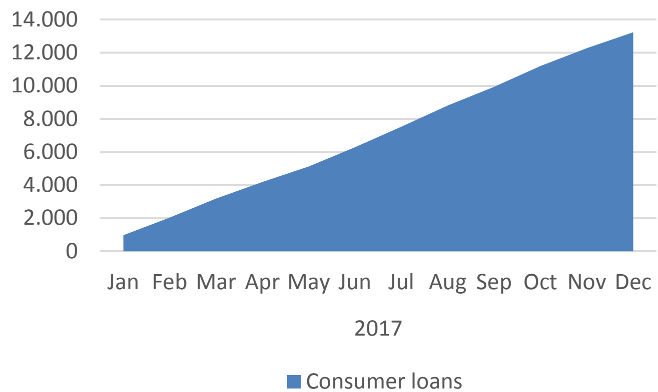
Creating superior client satisfaction via a
seamless, multi-channel client-centric distribution approach

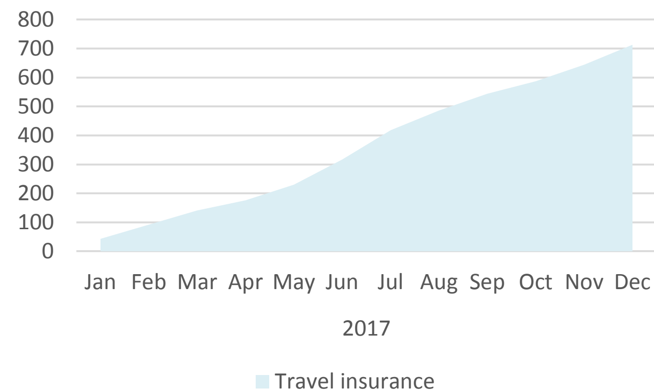


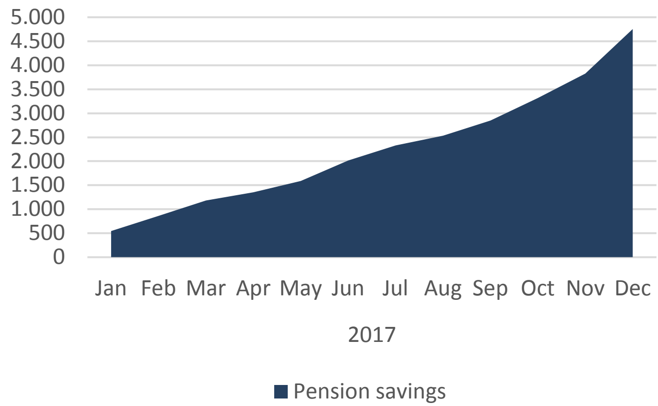
Enhanced channels for empowered clients

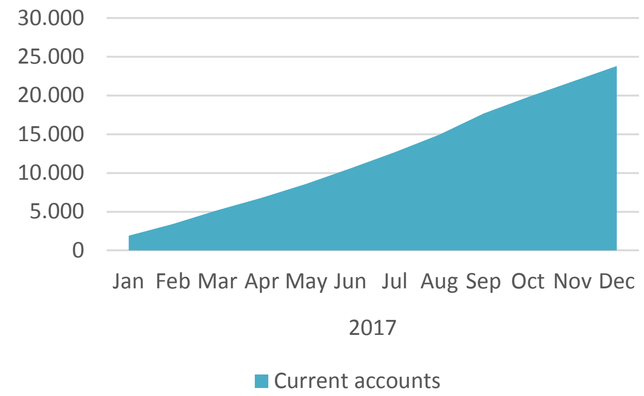
KBC Group and digitalisation

Digital sales are increasing





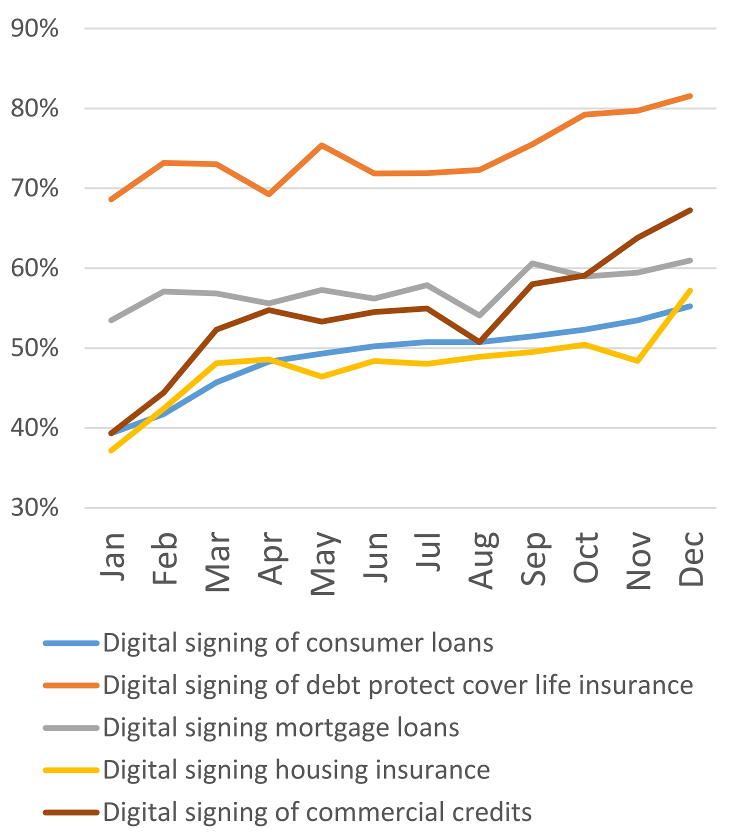




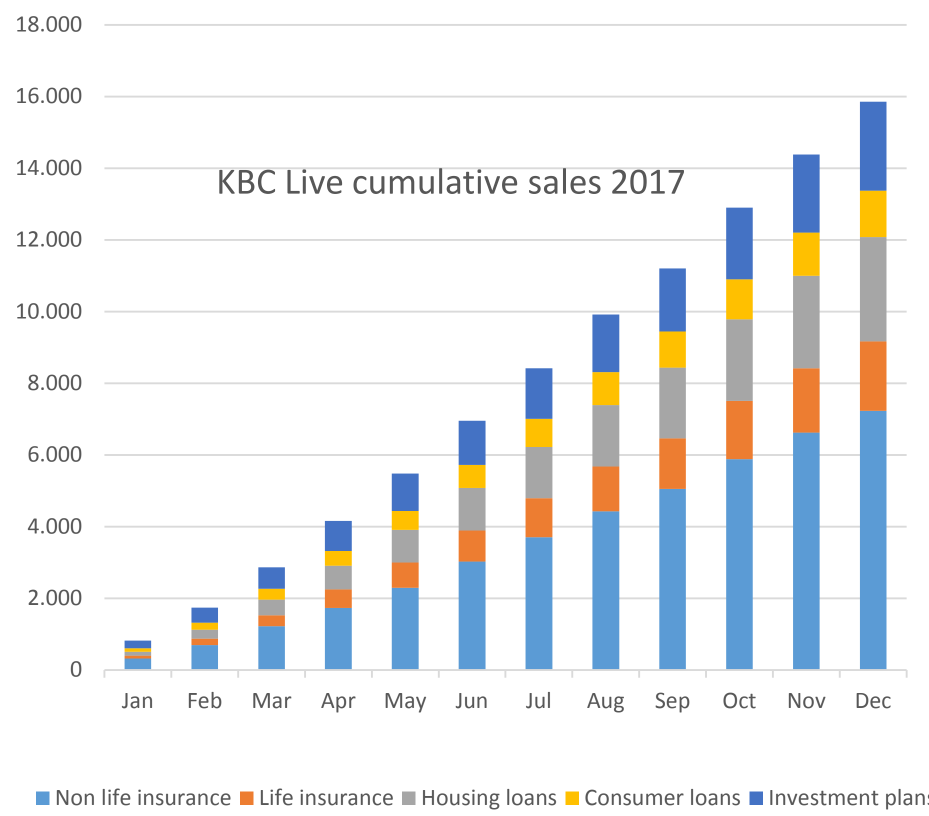
KBC Group and digitalisation

Omnichannel is embraced by our customers

Digital signing after contact with the branches or KBC Live in 2017



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

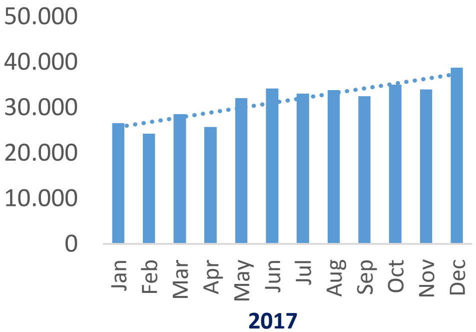


KBC Group and digitalisation

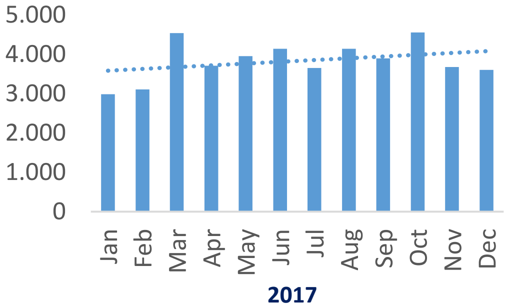
KBC Live is impacting our customer contacts

The number of branch appointments decreases as well

The number of answered phone calls in KBC Live is increasing …

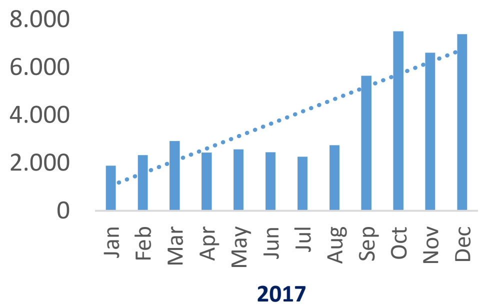


… and so is the number of appointments for advice in KBC Live

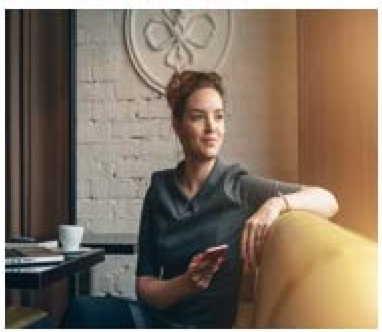


Contacts via video chat are on the rise …

… and our customers start to find their way to KBC via chat.





KBC Group
4Q & FY 2017
wrap up

Wrap up

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

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

Looking forward to 2018

- We expect 2018 to be a year of sustained economic growth in both the euro area, the US and in each of our core markets

- Management guides for:
  - solid returns for all Business Units
  - loan **impairments for Ireland** towards a **release in a 100m-150m EUR** range for FY18
  - a negative impact of the **first-time application of IFRS 9** (as of 1 January 2018) on our fully loaded CET1 ratio of **approximately 41 bps** mainly on account of reclassifications in the banking book
  - the **impact of the reform of the Belgian corporate income** tax regime: a recurring positive P&L impact as of 2018 onwards and the one-off negative impact in 4Q17 will be fully recuperated in roughly 3 years' time
  - lower funding costs as the CoCo has been called in January 2018
  - **B4 impact for KBC Group** is estimated at **roughly 8bn EUR higher RWA** on a fully loaded basis as at year-end 2017, which corresponds with a RWA inflation of 9% and an impact on the CET1 ratio of -1.3%
  - For our **capital deployment plan**, the 1% Basel IV buffer relative to our peer group is no longer required. Taking into account the updated median common equity ratio of our 12 peers, our '**own capital target' and 'reference capital position' have been lowered to 14% and 16%, respectively.**

- Next to the Belgium and the Czech Republic Business Units, the International Markets Business Unit becomes a strong contributor to the net result of KBC Group thanks to:
  - Ireland: re-positioning as a core country with a sustainable profit contribution
  - Bulgaria: the legal merger of CIBank into UBB was approved. 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