KBC Group
Analysts' presentation
2Q 2018 Results

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2Q 2018 key takeaways

2Q18 financial performance

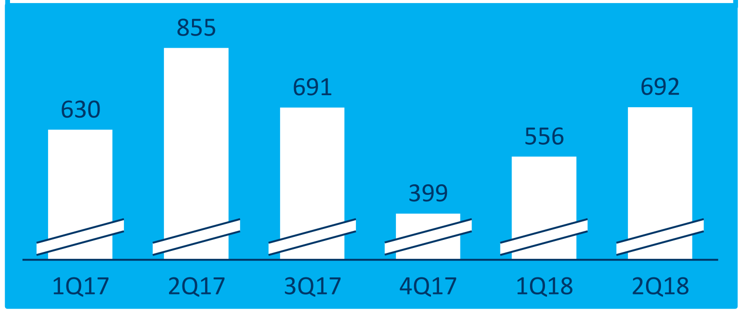
- **Commercial bank-insurance franchises** in core markets performed well
- **Customer loans** and **customer deposits** increased in all business units
- Good **net interest income** and net interest margin
- Lower **net fee and commission income**
- Less **net gains from financial instruments at fair value** and **net other income**
- Excellent sales of **non-life** insurance and higher sales of **life** insurance y-o-y
- **Costs** excluding bank tax seasonally up
- Net **impairment releases on loans**
- Solid **solvency** and **liquidity**
- **Share buy-back** concluded (-0.2% CET1 impact)
- **Interim dividend** of 1 EUR per share in Nov'18

Comparisons: versus the previous quarter, unless otherwise mentioned

Good net result of 692m EUR in 2Q18

1H18

- **ROE 16%***
- **Cost-income ratio 56%** (excl. specfic items)
- **Combined ratio 88%**
- **Credit cost ratio -0.10%**
- **Common equity ratio 15.8%** (B3, DC, fully loaded)
- **Leverage ratio 6.0%** (fully loaded)
- **NSFR 136% & LCR 139%**



* ROE including pro rata bank taxes amounted to 17% in 1H18

Main exceptional items

		2Q18	1Q18	2Q17
BU BE	Opex - Facility expenses	+1m EUR	- 12m EUR	
	Net other income (NOI) - Settlement of old legal file		+18m EUR	
	Total Exceptional Items BU BE	***1m EUR***	***6m EUR***	
BU IM	Hungary - NOI - Sale of building		+7m EUR	
	Ireland - Provision release on back of model recalibration			+40m EUR
	Total Exceptional Items BU IM		***7m EUR***	***40m EUR***
GC	DTA KBC Lease UK		+7m EUR	
	NOI – Settlement of old legal file	-38m EUR		
	Total Exceptional Items GC	***-38m EUR***	***7m EUR***	
	Total Exceptional Items (pre-tax)	-37m EUR	+20m EUR	+40m EUR
	Total Exceptional Items (post-tax)	-37m EUR	+19m EUR	+35m EUR

Post-balance sheet event*:
KBC Bank Ireland sells part of legacy loan portfolio

1 Background

KBC Bank Ireland has been organically building down its legacy portfolio of non-performing loans in Ireland over the past few years. Today, KBC announces the sale of an important part of its non-performing loans

2 Scope and NPL ratio impact

- **KBC Bank Ireland sells approximately 1.9bn EUR of its legacy outstanding loan portfolio:**
  - Non-performing corporate portfolio
  - Non-performing Irish Buy-to-Let mortgage portfolio
  - Performing & non-performing UK Buy-to-let mortgage portfolio
- **This will lead to a roughly 11%-points reduction of the NPL ratio to approximately 25% pro forma at end 2Q18** (versus reported 35.6% at end 2Q18)

3 P&L and Capital impact

- Based on 1Q18 figures, the transaction will result in a **net P&L impact of +14m EUR (after transaction costs)**, **a release of risk-weighted assets of approximately 0.4bn EUR**, leading to an **improvement of KBC Group's CET1 ratio of 7bps.** These figures might slightly change up until closing date, which is expected in 4Q18
- We **maintain our impairment guidance** for Ireland, namely a net release in a range of 100m-150m EUR for FY18

4 Benefits

By selling all of the sub-portfolio's currently in scope, KBC Bank Ireland would be able to:

(i) Achieve a NPL ratio reduction of c. 11%-points and reach a NPL ratio of approximately 25% pro forma at end 2Q18

(ii) De-risk Brexit implications from the sale of the UK BTL portfolio.

(iii) Enhance focus on its core strategy 'Digital First' in retail banking & micro SME, as presented at our Investor Day mid-2017

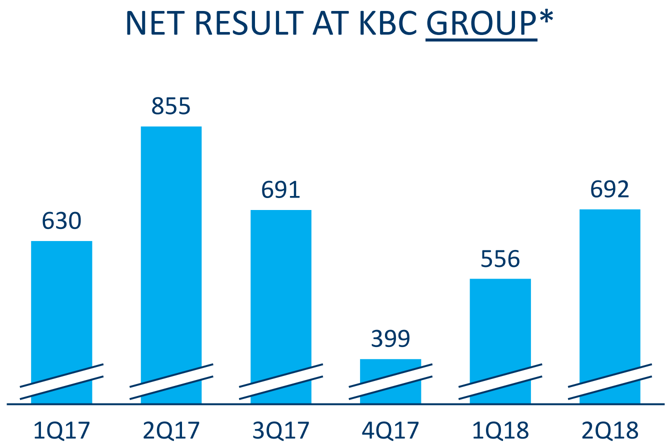
* Note that the 2Q18 figures mentioned in the rest of the presentation do not take into account this post-balance sheet event

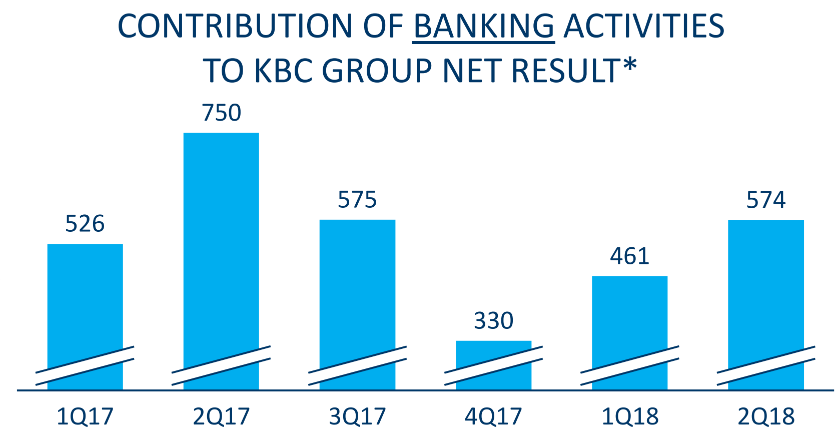
Contents

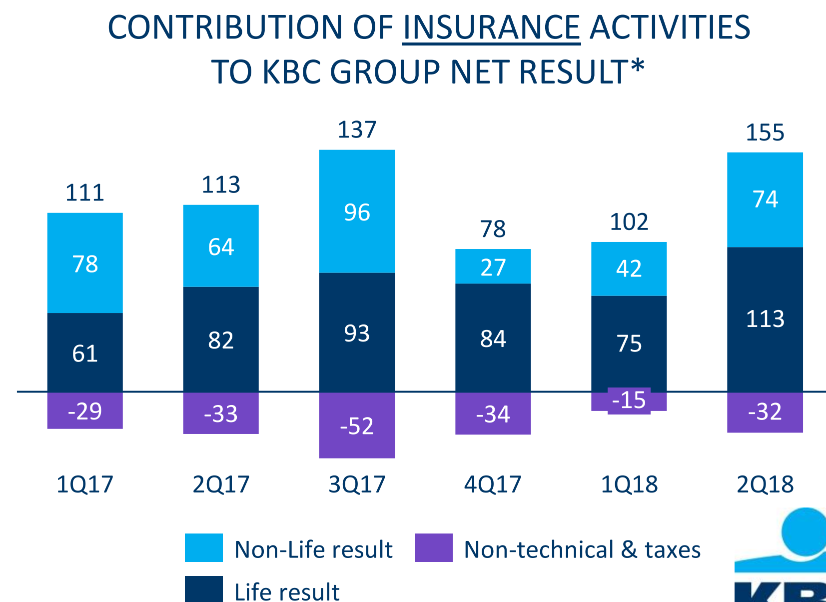
Section 1

2Q 2018 performance of KBC Group

Net result at KBC Group



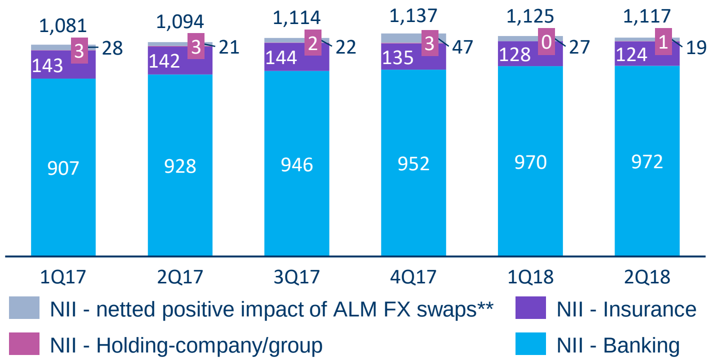


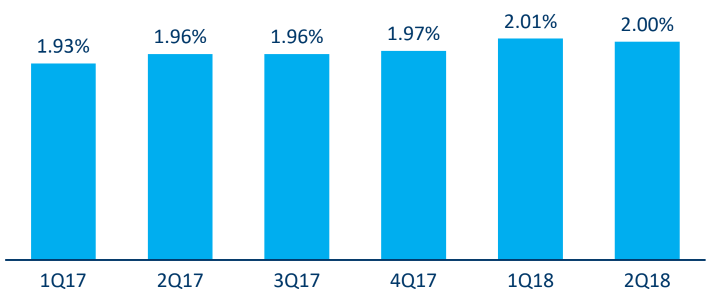


* Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted for by the holding-company/group items

Amounts in m EUR

Good net interest income and net interest margin





* 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

- **Net interest income (1,117m EUR)**
  - Down by 1% q-o-q and up by 2% y-o-y. Note that NII banking slightly increased q-o-q and rose by 5% y-o-y
  - The small q-o-q decrease was driven primarily by:
    - lower netted positive impact of ALM FX swaps
    - lower reinvestment yields
    - more pressure on commercial loan margins in most core countries

    partly offset by:
    - lower funding costs (due mainly to the call of the CoCo)
    - continued good loan volume growth
    - small additional positive impact of both short- & long-term interest rate increases in the Czech Republic
    - 1 day extra
- **Net interest margin (2.00%)**
  - Down by 1 bp q-o-q due mainly to a slight increase in interest-bearing assets
  - Up by 4 bps y-o-y thanks to lower funding costs and the positive impact of repo rate hikes in the Czech Republic

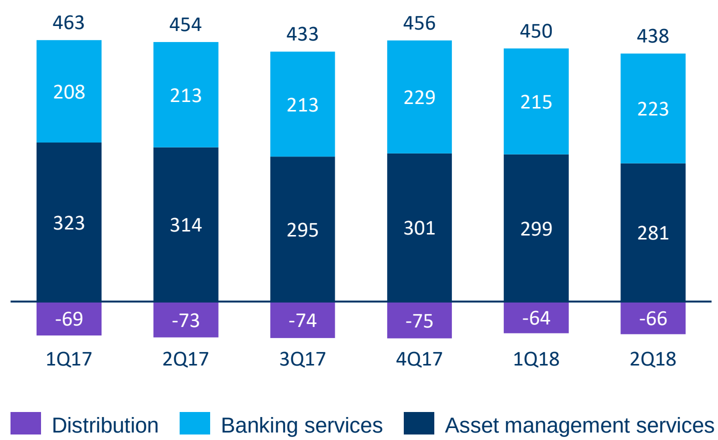
VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	145bn	60bn	193bn	214bn	29bn
Growth q-o-q*	+3%	+1%	+3%	0%	0%
Growth y-o-y	+5%	+3%	+2%	1%	-1%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos. Customer deposit volumes excluding debt certificates & repos +3% q-o-q and +6% y-o-y

Lower net fee and commission income

F&C (pro forma for 2017*)

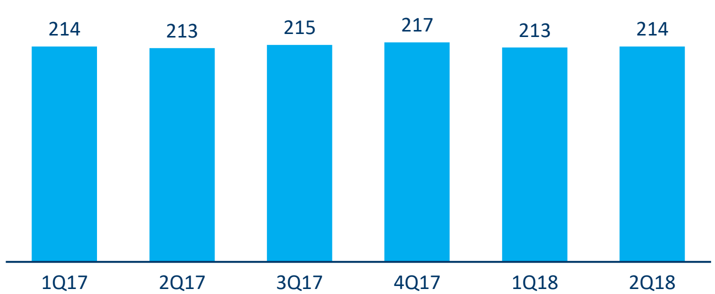
Amounts in m EUR



* 2017 pro forma figures as the network income shifted from FIFV to net F&C as of 2018

Amounts in bn EUR

AuM*



* Note that 2017 AuM figures were reduced due to a roughly 2bn EUR adjustment in Institutional Mandates

- **Net fee and commission income (438m EUR)**
  - Down by 3% q-o-q and by 4% y-o-y
  - Q-o-q decrease was the result chiefly of:
    - lower entry fees from mutual funds and unit-linked life insurance products
    - lower securities-related fees
    - slightly lower management fees and stable management fee margin
    - higher commissions paid on insurance sales

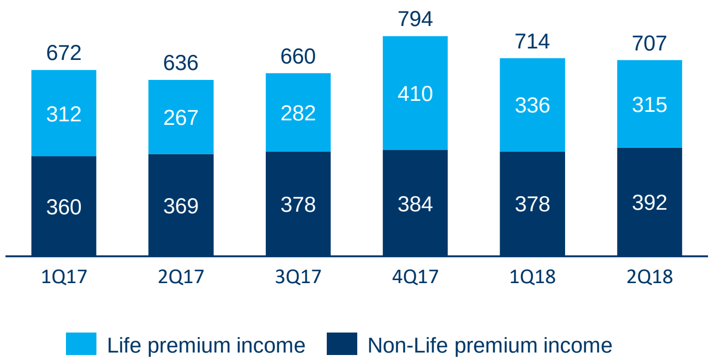
    partly offset by:
    - higher fees from payment services
    - higher fees from credit files & bank guarantees
  - Y-o-y decrease was mainly the result of:
    - lower entry fees (as 2Q17 benefited from the launch of Expertease in Belgium)
    - lower securities-related fees
    - slightly lower management fees
    - lower fees from credit files & bank guarantees

    partly offset by:
    - higher fees from payment services
    - the contribution of UBB/Interlease
    - lower commissions paid on insurance sales

- **Assets under management (214bn EUR)**
  - Stabilised q-o-q
  - Rose by 1% y-o-y owing entirely to a positive price effect
  - The mutual fund business has seen net outflows, mainly in group assets and investment advice

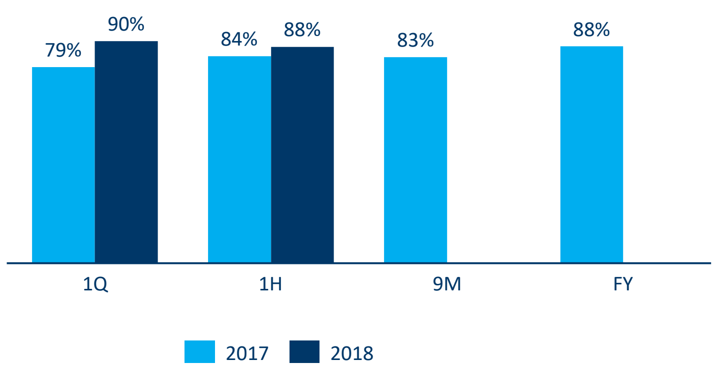
Insurance premium income up y-o-y and excellent combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUMS)



- **Insurance premium income** (gross earned premiums) **at 707m EUR**
  - Non-life premium income (392m) increased by 6% y-o-y
  - Life premium income (315m) down by 6% q-o-q and up by 18% y-o-y

COMBINED RATIO (NON-LIFE)

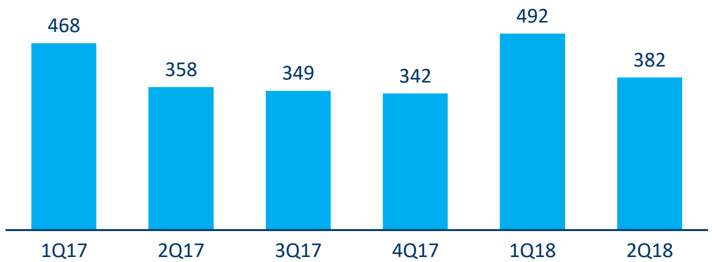


- The non-life **combined ratio** at 1H18 amounted to **88%**, an excellent number despite high technical charges in 1Q18 due mainly to high storm claims in Belgium and thanks to low technical charges in 2Q18

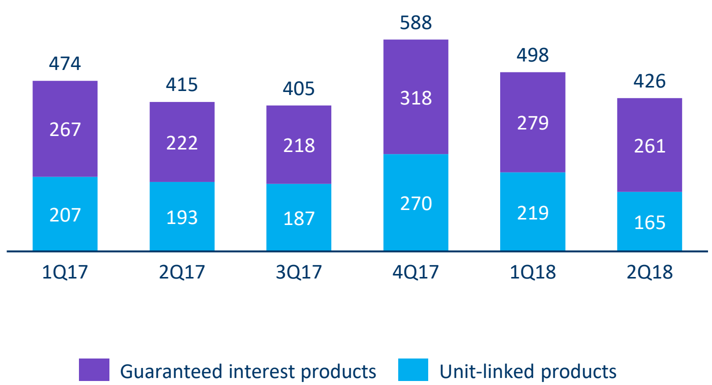
Amounts in m EUR

Non-life and life sales up y-o-y

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



LIFE SALES



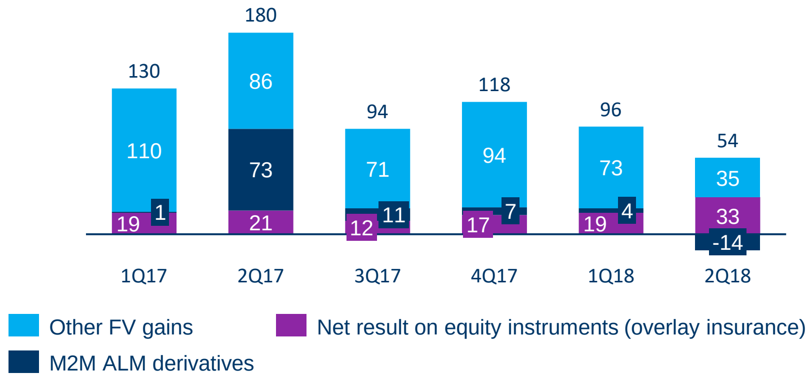
- **Sales of non-life insurance products**
  - Up by 7% y-o-y thanks to a good commercial performance in all major product lines in our core markets and tariff increases

- **Sales of life insurance products**
  - Decreased by 14% q-o-q and up by 3% y-o-y
  - The q-o-q decrease was primarily due to lower sales of unit-linked products in Belgium
  - The y-o-y increase was driven mainly by higher sales of guaranteed interest products in Belgium
  - Sales of unit-linked products accounted for 39% of total life insurance sales

Amounts in m EUR

Lower FV gains and other net income

FV GAINS (pro forma for 2017*)

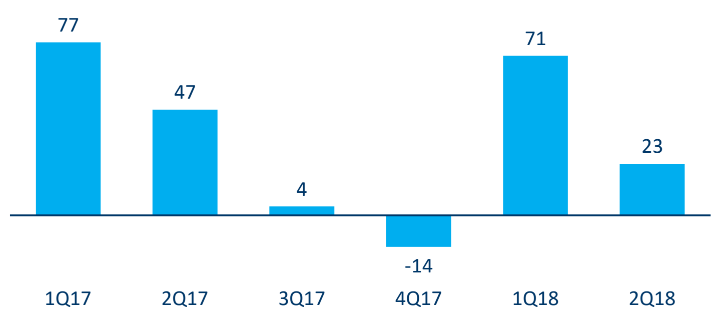


* 2017 pro forma figures as:
1) the impact of the FX derivatives was 'netted' in NII as of 2018
2) the shift from realised gains on AFS shares and impairments on AFS shares to FIFV due to IFRS 9 (overlay approach for insurance)

- The lower q-o-q figures for **net gains from financial instruments at fair value** were attributable mainly to:
  - a negative change in ALM derivatives
  - a negative change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivatives portfolio, increased credit spreads and model changes)
  - lower dealing room income in the Czech Republic

  partly offset by
  - higher net result on equity instruments (insurance)

OTHER NET INCOME

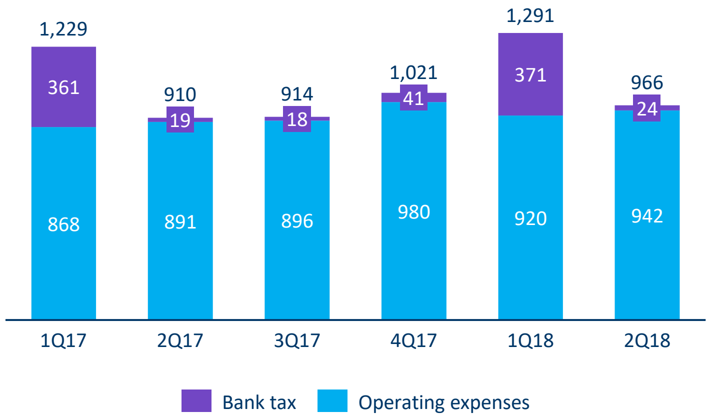


- **Other net income** amounted to 23m EUR, lower than the normal run rate of around 50m EUR due to the settlement of an old legal file in the Group Centre

Amounts in m EUR

Operating expenses down due entirely to lower bank taxes, good cost/income ratio

OPERATING EXPENSES



EXPECTED BANK TAX SPREAD IN 2018 (PRELIMINARY)**

	TOTAL	Upfront		Spread out over the year			
	2Q18	1Q18	2Q18	1Q18	2Q18	3Q18e	4Q18e
BU BE	**-4**	273	-4	0	0	0	0
BU CZ	**1**	29	1	0	0	0	0
Hungary	**22**	26	0	19	22	21	22
Slovakia	**4**	3	0	4	4	4	4
Bulgaria	**1**	14	1	0	0	0	0
Ireland	**0**	3	0	1	0	1	14
GC	**0**	0	0	0	0	0	0
TOTAL	**24**	**347**	**-2**	**24**	**26**	**25**	**40**

Amounts in m EUR

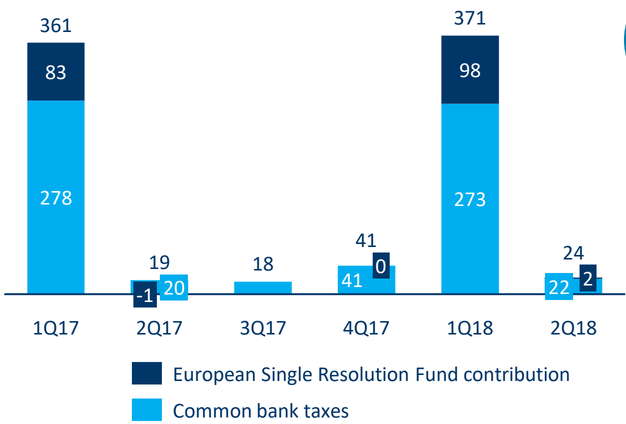
- **Cost/income ratio (banking) adjusted for specific items* at 58% in 2Q18 and 56% YTD**
  - Operating expenses excluding bank tax went up by 2% q-o-q due mainly to:
    - seasonal effects such as traditionally lower ICT, marketing and professional fee expenses in 1Q18
    - higher staff expenses in Belgium and the Czech Republic (mostly due to wage inflation)
  - Operating expenses without bank tax increased by 6% y-o-y due chiefly to the consolidation of UBB/Interlease, higher ICT costs, higher marketing expenses and higher depreciation & amortisation costs (due to the capitalisation of some projects)
  - Pursuant to IFRIC 21, certain levies (such as contributions to the European Single Resolution Fund) have to be recognised in advance, and this adversely impacted the results for 1Q18. The y-o-y increase can mainly be explained by the consolidation of UBB
  - Total bank taxes (including ESRF contribution) are expected to increase from 439m EUR in FY17 to 461m EUR in FY18, although still subject to changes

* See glossary (slide 80) for the exact definition

** Still subject to changes

Overview of bank taxes*

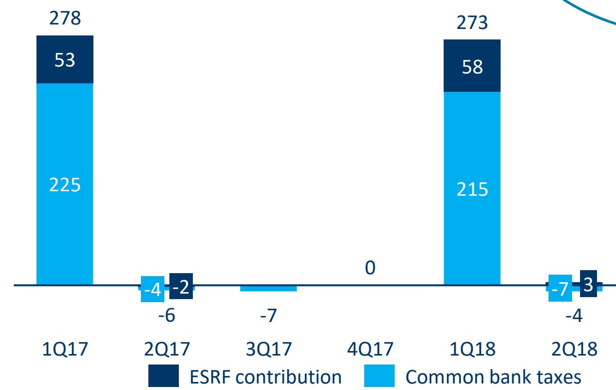
KBC GROUP



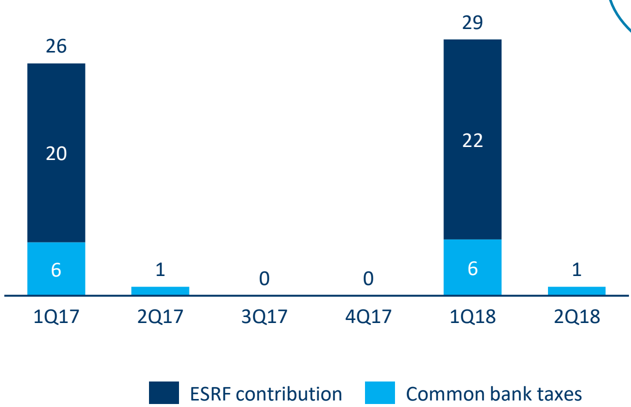
Bank taxes of 395m EUR YTD. On a pro rata basis, bank taxes represented 11.0% of 1H18 opex at KBC Group**

BELGIUM BU

Bank taxes of 269m EUR YTD. On a pro rata basis, bank taxes represented 10.8% of 1H18 opex at the Belgium BU



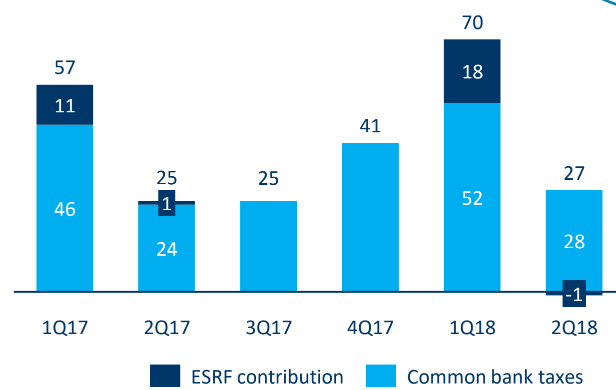
CZECH REPUBLIC BU



Bank taxes of 30m EUR YTD. On a pro rata basis, bank taxes represented 4.3% of 1H18 opex at the CZ BU

INTERNATIONAL MARKETS BU

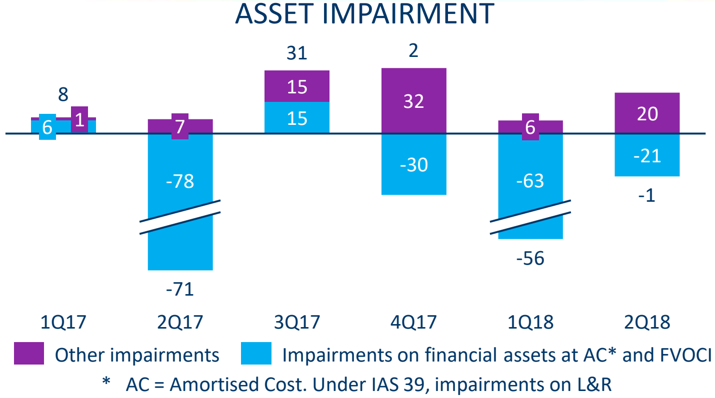
Bank taxes of 97m EUR YTD. On a pro rata basis, bank taxes represented 18.2% of 1H18 opex at the IM BU

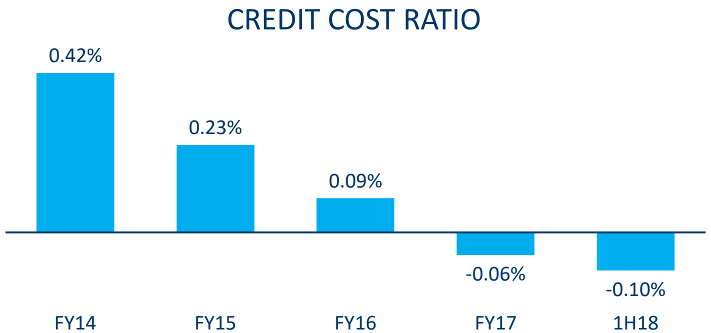


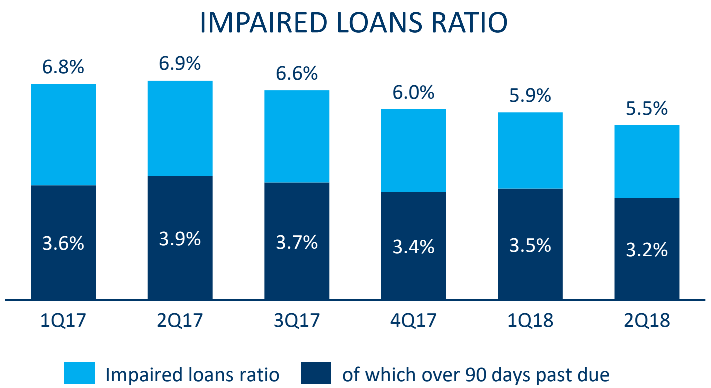
* This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.

** The C/I ratio adjusted for specific items of 56% in 1H18 amounts to roughly 50% excluding these bank taxes

Net impairment releases, excellent credit cost ratio and improved impaired loans ratio







- **Very low asset impairments**
  - This was attributable mainly to:
    - net loan loss impairment releases in Ireland of 39m EUR (compared with 43m in 1Q18)
    - also small net loan loss impairment reversals in the Czech Republic, Hungary, Bulgaria and Group Centre

    partly offset by
    - additional loan loss impairments of 26m EUR in Belgium on corporate files
  - Impairment of 20m on 'other', of which:
    - 13m EUR in the Czech Republic mostly resulting from a review of residual values of financial car leases under short-term contracts
    - 6m EUR in Bulgaria mainly on a legacy property file
- The **credit cost ratio** amounted to -0.10% in 1H18 due to low gross impairments and several releases
- The **impaired loans ratio** improved to 5.5%, 3.2% of which over 90 days past due

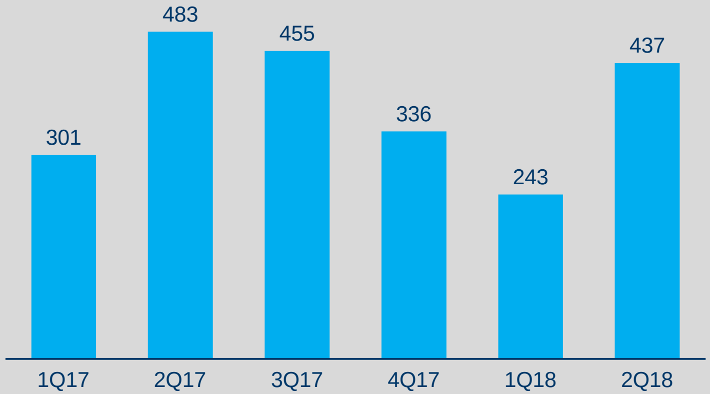
Section 2

2Q 2018 performance of business units

Business profile

	BELGIUM	CZECH REPUBLIC	SLOVAKIA	HUNGARY	BULGARIA	IRELAND	GROUP CENTRE
2Q18 NET RESULT (in million Euros)	437m	145m	19m	62m	26m	55m	-53m
ALLOCATED CAPITAL (in billion Euros)	6.5bn	1.7bn	0.5bn	0.7bn	0.4bn	0.6bn	0.3bn
LOANS (in billion Euros)	98bn	23bn	7bn	4bn	3bn	11bn	
DEPOSITS (in billion Euros)	131bn	31bn	6bn	7bn	4bn	6bn	
BRANCHES (end '17)	659	270	122	207	236	16	
Clients (end '17)	3.5m	3.7m	0.6m	1.8m	1.4m	0.3m	

Belgium BU (1): net result of 437m EUR



Amounts in m EUR

Net result at the Belgium Business Unit amounted to 437m EUR

- The quarter under review was characterised by good net interest income, lower net fee and commission income, higher dividend income, increased trading and fair value income, lower other net income, an excellent combined ratio, lower sales of life insurance products, lower operating expenses due entirely to lower bank taxes and higher impairment charges q-o-q
- Customer deposits excluding debt certificates and repos rose by 6% y-o-y, while customer loans also increased by 5% y-o-y

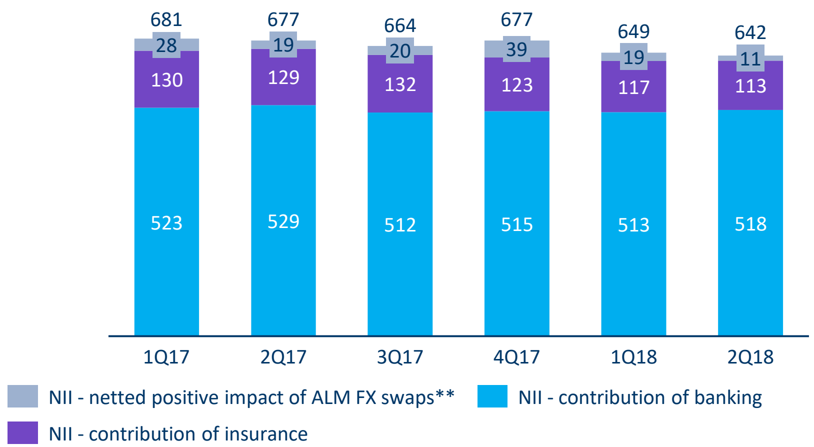
VOLUME TREND	Total loans**	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	98bn	35bn	131bn	200bn	27bn
Growth q-o-q*	+3%	0%	+3%	+1%	0%
Growth y-o-y	+5%	+2%	+1%	+1%	-2%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos. Customer deposit volumes excluding debt certificates & repos +4% q-o-q and +6% y-o-y

Belgium BU (2): good NII and NIM

NII (pro forma for 2017*)

Amounts in m EUR

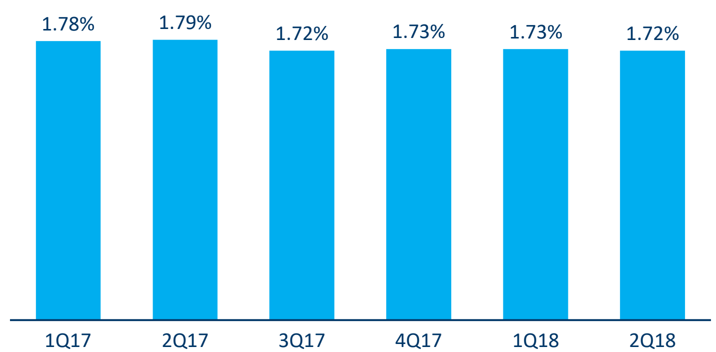


- 2017 pro forma figures for NII as the impact of ALM FX derivatives was 'netted' in NII as of 2018

** From all ALM FX swap desks

*** NIM is calculated excluding the dealing room and the net positive impact of ALM FX swaps & repos

NIM (pro forma for 2017***)

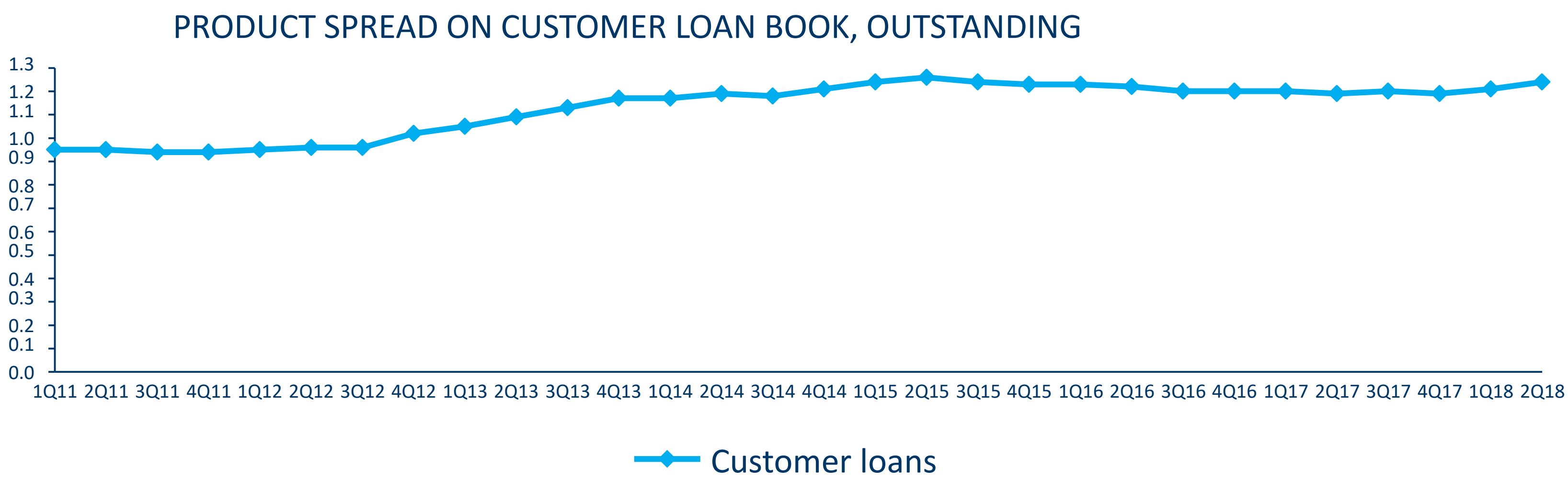


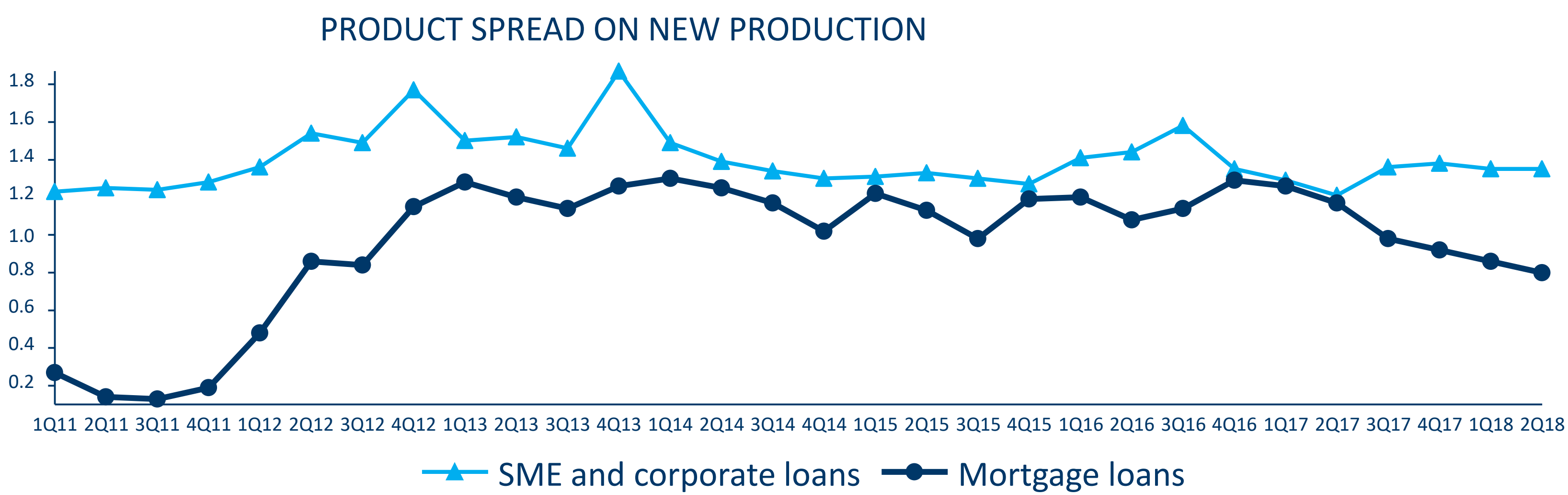
- **Net interest income (642m EUR)**
  - Fell by 1% q-o-q due mainly to the lower netted positive impact of FX swaps and lower reinvestment yields, partly offset by the positive impact of 1 day extra. Note that NII banking rose by 1% q-o-q
  - Down by 5% y-o-y, driven primarily by:
    - lower netted positive impact of FX swaps
    - lower reinvestment yields
    - pressure on commercial loan margins
    - lower upfront prepayment fees (6m EUR in 2Q18 compared with 8m EUR in 2Q17)

    partly offset by:
    - lower funding costs on term deposits
    - good loan volume growth

- **Net interest margin (1.72%)**
  - Fell by 1 bp q-o-q due mainly to a slight increase of interest-bearing assets
  - Down by 7 bps y-o-y due mainly to the negative impact of lower reinvestment yields and some pressure on commercial loan margins

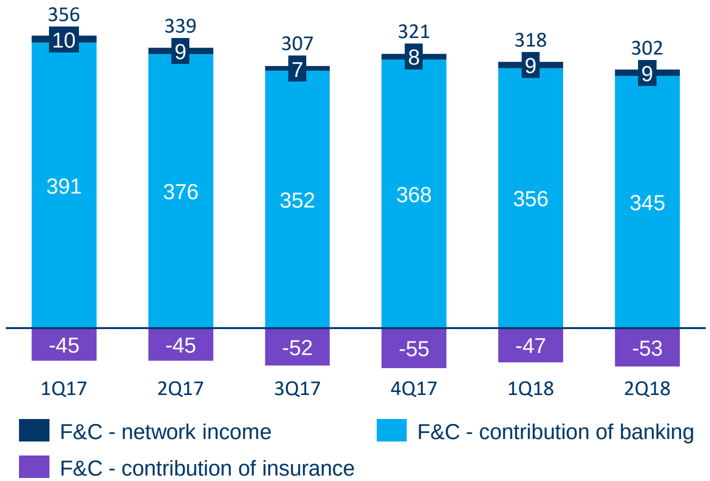
Credit margins in Belgium





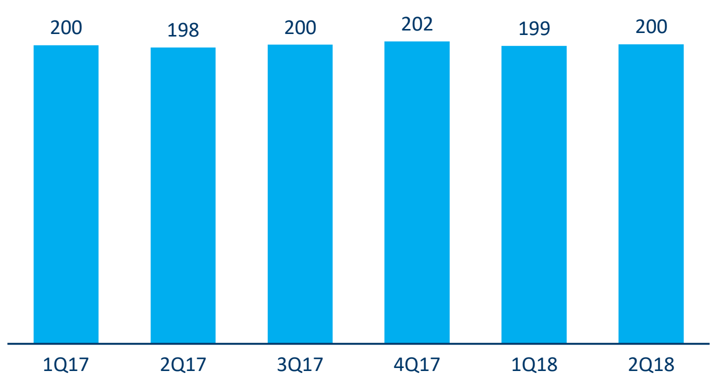
Belgium BU (3): lower net F&C income

F&C (pro forma for 2017*) Amounts in m EUR



* 2017 pro forma figures as the network income shifted from FIFV to net F&C as of 2018

AuM* Amounts in bn EUR



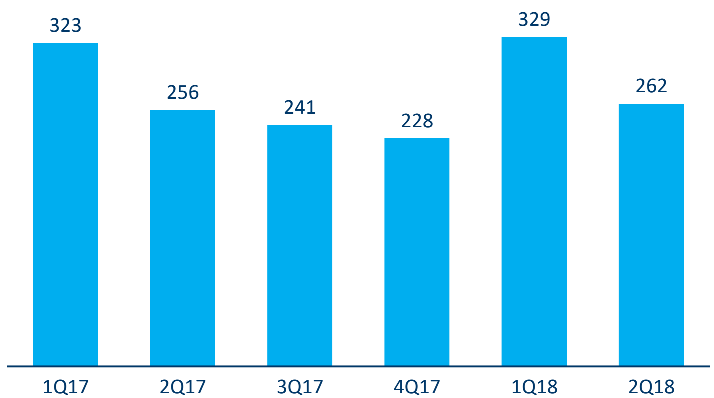
* Also note that 2017 AuM figures were reduced due to a roughly 2bn EUR adjustment in Institutional Mandates

- **Net fee and commission income (302m EUR)**
  - Net F&C income decreased by 5% q-o-q due mainly to:
    - lower entry fees from mutual funds and unit-linked life insurance products
    - lower securities-related fees
    - slightly lower management fees
    - higher commissions paid on insurance sales

    partly offset by
    - higher fees from credit files & bank guarantees
  - Fell by 11% y-o-y driven chiefly by lower entry fees from mutual funds & unit-linked life insurance products (as 2Q17 benefited from the launch of Expertease), lower securities-related fees, lower fees from credit files & bank guarantees, slightly lower management fees and higher commissions paid on insurance sales
- **Assets under management (200bn EUR)**
  - Rose by 1% q-o-q as net outflows (-1%) were offset by a positive price effect (+1%)
  - Went up by 1% y-o-y owing entirely to a positive price effect (+1%)

Belgium BU (4): higher y-o-y non-life sales, excellent combined ratio

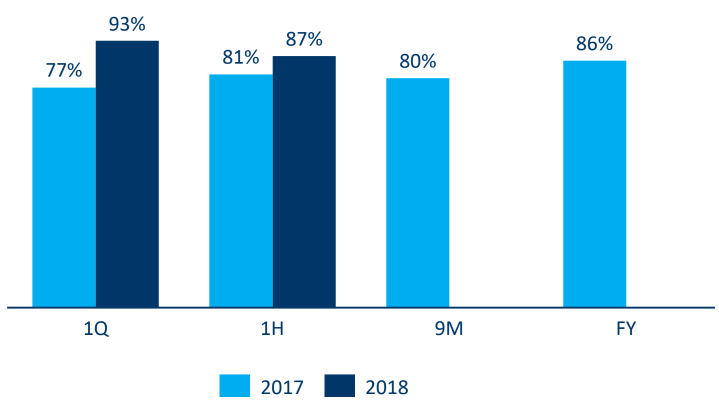
NON-LIFE SALES (GROSS WRITTEN PREMIUM)



Amounts in m EUR

- **Sales of non-life insurance products**
  - Increased by 2% y-o-y
  - Premium growth in all classes, except for 'Accident & Health'

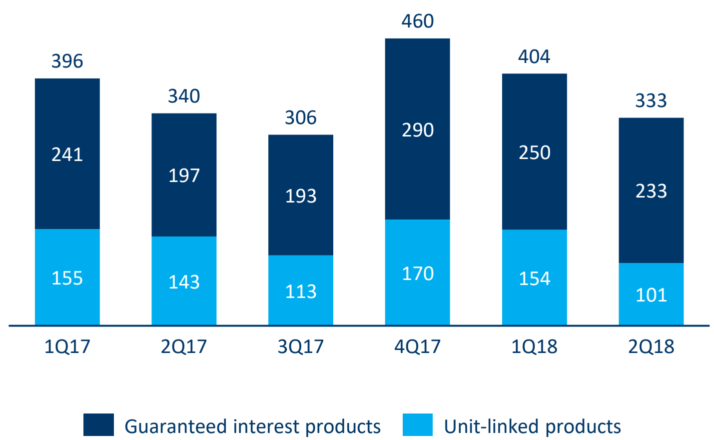
COMBINED RATIO (NON-LIFE)



- **Combined ratio** amounted to **87%** in 1H18 (86% in FY17). Note that 1Q18 was adversely affected by high technical charges y-o-y due mainly to high storm claims, while there were low technical charges in 2Q18

Belgium BU (5): lower life sales, good cross-selling ratios

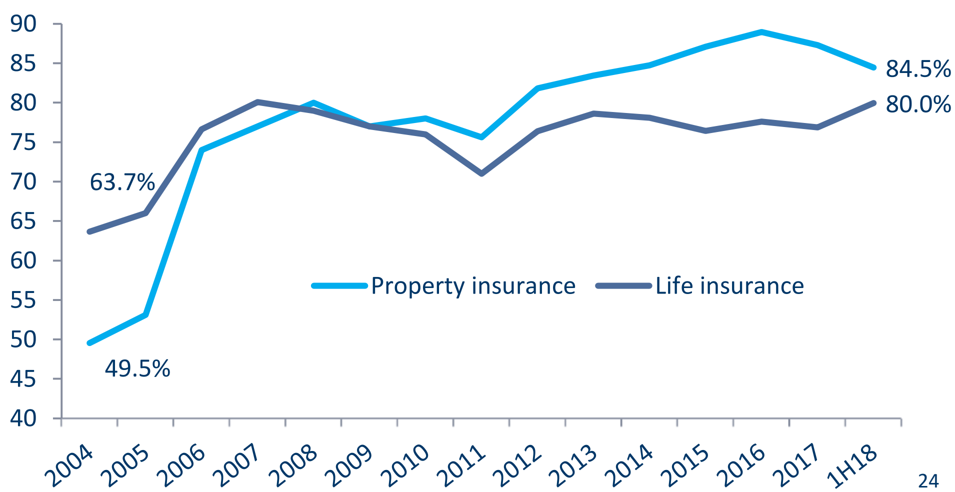
LIFE SALES



Amounts in m EUR

- **Sales of life insurance products**
  - Fell by 17% q-o-q (and by 2% y-o-y) driven mainly by lower sales of unit-linked products
  - As a result, guaranteed interest products and unit-linked products accounted for 70% and 30%, respectively, of life insurance sales in 2Q18

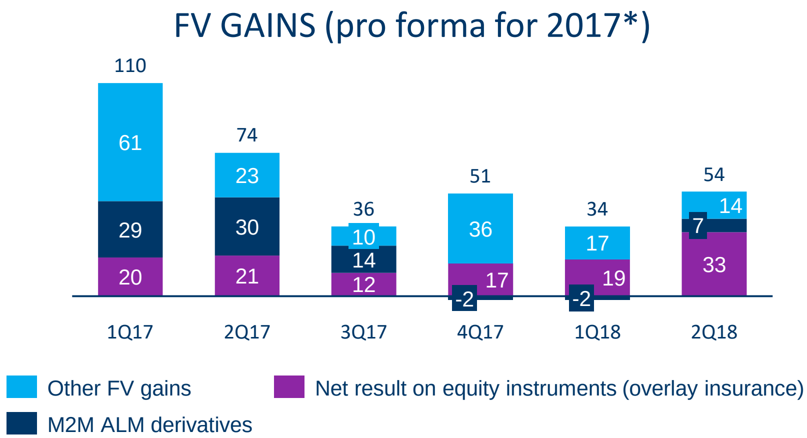
MORTGAGE-RELATED CROSS-SELLING RATIOS



- **Mortgage-related cross-selling ratios**
  - 84.5% for property insurance
  - 80.0% for life insurance

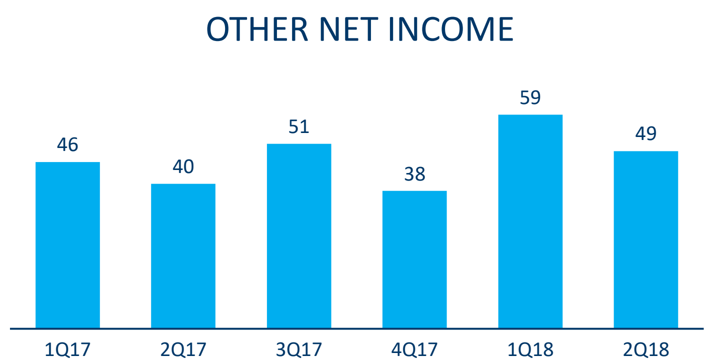
KBC

Belgium BU (6): higher FV gains and lower other net income



* 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)

- The higher q-o-q figures for **net gains from financial instruments at fair value** were the result mainly of higher net result on equity instruments, a positive change in ALM derivatives and slightly higher dealing room result

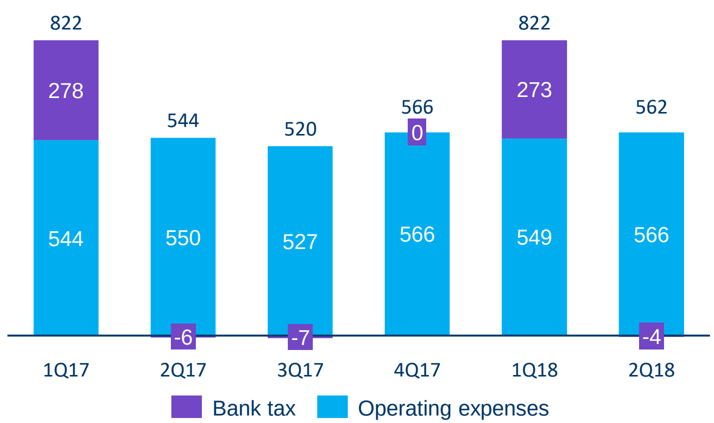


- **Other net income** amounted to 49m EUR in 2Q18, in line with the normal run rate of around 50m EUR

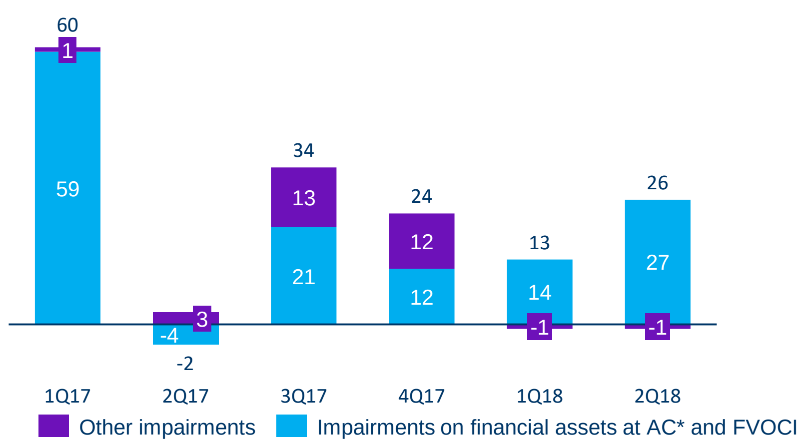
Amounts in m EUR

Belgium BU (7): lower opex due entirely to lower bank taxes, higher impairments, good credit cost ratio

OPERATING EXPENSES



ASSET IMPAIRMENT



* AC = Amortised Cost. Under IAS 39, impairments on L&R

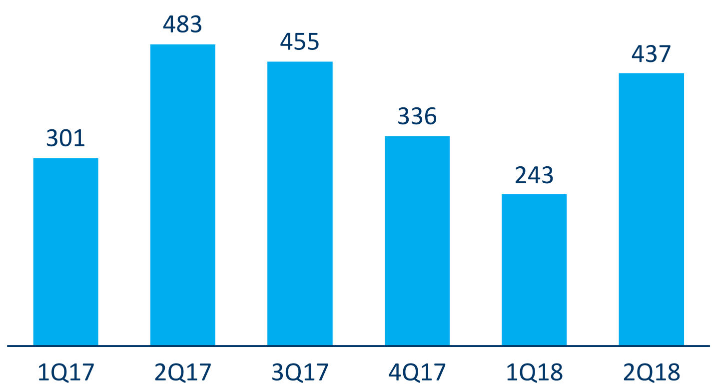
- **Operating expenses**: -32% q-o-q and +3% y-o-y
  - Operating expenses without bank tax rose by 3% q-o-q due mainly to traditionally lower marketing, professional fee and ICT expenses in the first quarter and wage inflation in the second quarter
  - Operating expenses without bank tax increased by 3% y-o-y as lower staff and facilities expenses were more than offset by higher ICT, marketing & professional fee expenses
  - Cost/income ratio: 51% in 2Q18 and 64% YTD, distorted mainly by the bank taxes. Adjusted for specific items, the C/I ratio amounted to 59% in 2Q18 and 57% YTD (53% in FY17)

- **Loan loss impairments** increased to 26m EUR in 2Q18 (compared with 14m EUR in 1Q18) due to corporate files. **Credit cost ratio** amounted to 8 bps in 1H18 (9 bps in FY17)
- **Impaired loans ratio** improved to 2.4%, 1.2% of which over 90 days past due

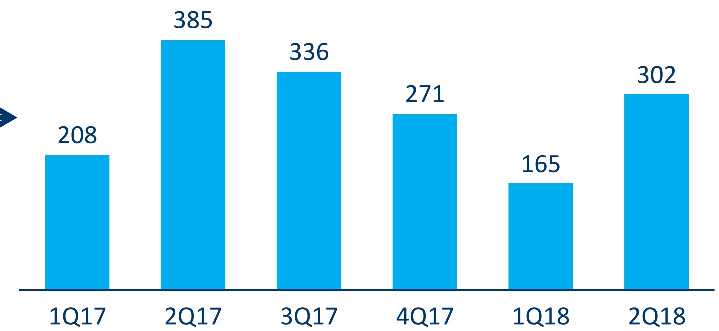
Amounts in m EUR

Net result at the Belgium BU

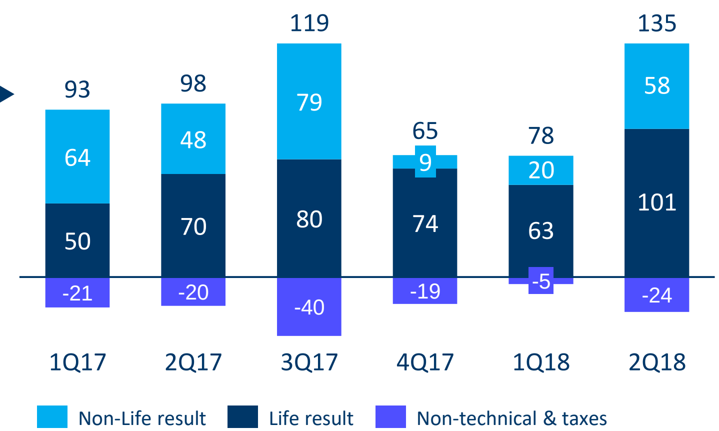
NET RESULT AT THE BELGIUM BU*



CONTRIBUTION OF BANKING ACTIVITIES TO NET RESULT OF THE BELGIUM BU*



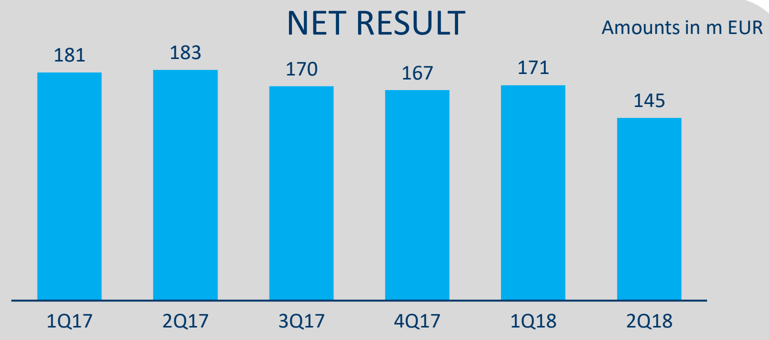
CONTRIBUTION OF INSURANCE ACTIVITIES TO NET RESULT OF THE BELGIUM BU*

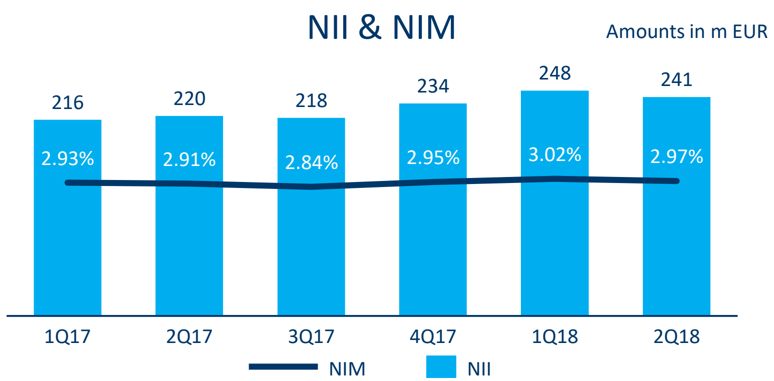


* Difference between net profit at the Belgium Business Unit and the sum of the banking and insurance contribution is accounted for by the rounding up or down of figures

Amounts in m EUR

Czech Republic BU





Net result of 145m EUR in 2Q18

- -14% q-o-q excluding FX effect due mainly to much lower net results from financial instruments at fair value and higher operating expenses excluding bank tax
- Customer deposits (including debt certificates, but excluding repos) rose by 6% y-o-y, while customer loans also increased by 5% y-o-y

Highlights

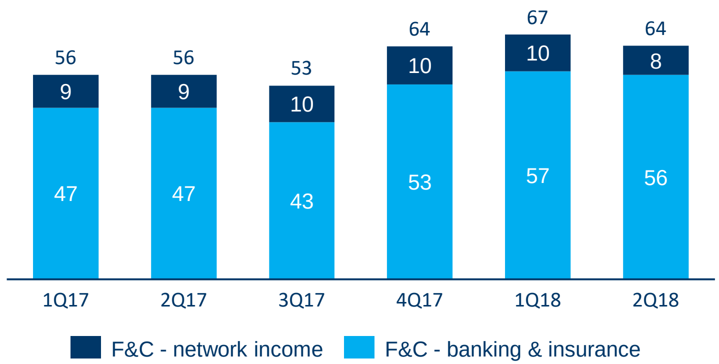
- **Net interest income**
  - -3% q-o-q and +10% y-o-y (pro forma -1% q-o-q and +6% y-o-y excl. FX effects)
  - pro forma q-o-q decrease: primarily due to pressure on mortgage loans & consumer finance margins and lower netted impact of FX swaps, partly offset by short & long term increasing interest rates and growth in loan volume
  - net interest margin at 2.97%: -5 bps q-o-q and +6 bps y-o-y

VOLUME TREND excluding FX effect	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	23bn	11bn	31bn	9.6bn	1.2bn
Growth q-o-q*	+3%	+2%	+3%	-1%	-1%
Growth y-o-y	+5%	+9%	+6%	+5%	+11%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds) *** Customer deposits, including debt certificates but excluding repos

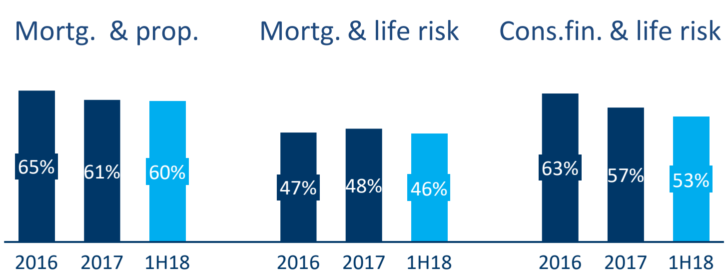
Czech Republic BU

F&C (pro forma for 2017*) Amounts in m EUR



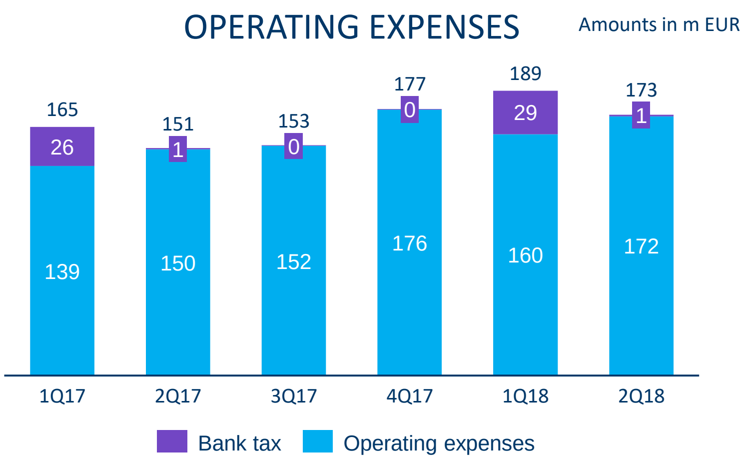
* 2017 pro forma figures as the network income shifted from FIFV to net F&C as of 2018

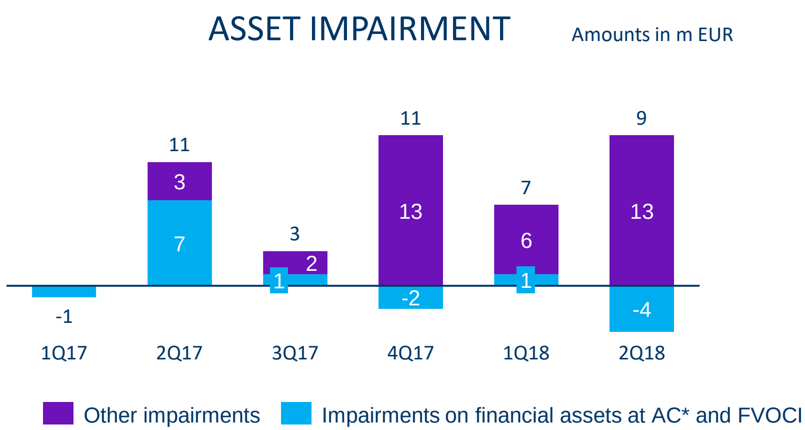
CROSS-SELLING RATIOS



- **Net F&C income**
  - -3% q-o-q and +9% y-o-y on a pro forma basis
  - q-o-q decrease driven by lower entry fees and lower network income partly offset by higher fees from payment services and higher securities-related fees
  - y-o-y increase due chiefly to higher payment services related fees and less fees paid to the Czech Post
- **Assets under management**
  - 9.6bn EUR
  - -1% q-o-q due to net inflows (+1%) & negative price effect (-2%)
  - +5% y-o-y, due to net inflows (+6%) & negative price effect (-1%)
- **Trading and fair value income**
  - 32m EUR lower q-o-q net results from financial instruments at fair value (to 8m EUR) due mainly to lower dealing room result (due mainly to revaluation of bonds) and negative q-o-q change in market, credit and funding value adjustments
- **Insurance**
  - Insurance premium income (gross earned premium): 120m EUR
    - Non-life premium income (62m EUR) +13% y-o-y excluding FX effect, due to growth in all products
    - Life premium income (58m EUR) -4% q-o-q and +18% y-o-y, excluding FX effect. Y-o-y increase entirely in unit-linked single premiums
  - Good combined ratio of 96% in 1H18 (97% in FY17) despite higher technical charges in 2Q18 (as a result of a summer storm, agricultural claims and a few MTPL claims)

Czech Republic BU





* AC = Amortised Cost. Under IAS 39, impairments on L&R

Operating expenses

- 173m EUR; +8% q-o-q and +10% y-o-y, excluding FX effect and bank tax
- q-o-q increase excluding FX effect and bank tax was due mainly to higher staff expenses in 2Q18 (wage inflation) and traditionally lower marketing expenses and professional fees, lower ICT costs and facilities expenses in the first quarter
- y-o-y increase excluding FX effect and bank tax was due primarily to higher staff expenses, higher support to the Czech Post (which is compensated by lower paid fee) and higher marketing expenses
- Cost/income ratio at 48% in 2Q18 and YTD. Adjusted for specific items, C/I ratio amounted to roughly 49% in 2Q18 and 45% YTD (43% in FY17)

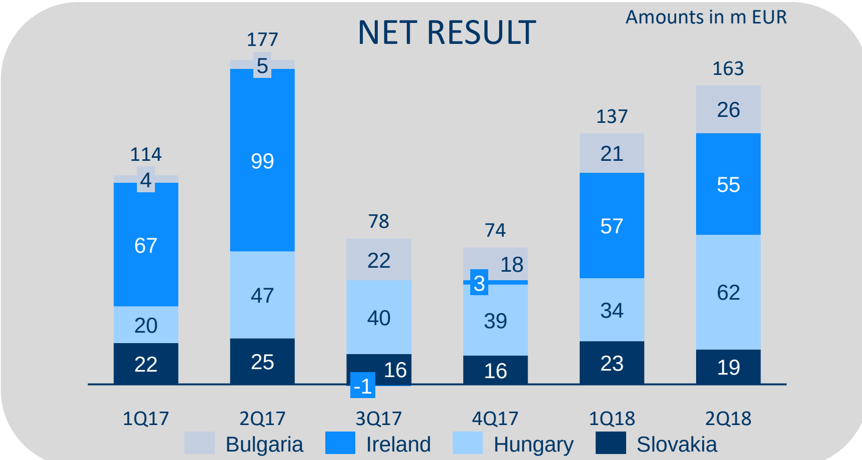
Loan loss and other impairment

- Net impairment releases on loans of 4m EUR due to several releases in all segments. Credit cost ratio amounted to -0.03% in 1H18

	2014	2015	2016	2017	1H18
CCR	0.18%	0.18%	0.11%	0.02%	-0.03%

- Impaired loans ratio improved to 2.1%, 1.5% of which >90 days past due
- Impairment of 13m EUR on ‘other’ mainly as the result of a review of residual values of financial car leases under short-term contracts

International Markets BU



Net result of 163m EUR

- 19m EUR for Slovakia, 62m EUR for Hungary, 55m EUR for Ireland and 26m EUR for Bulgaria

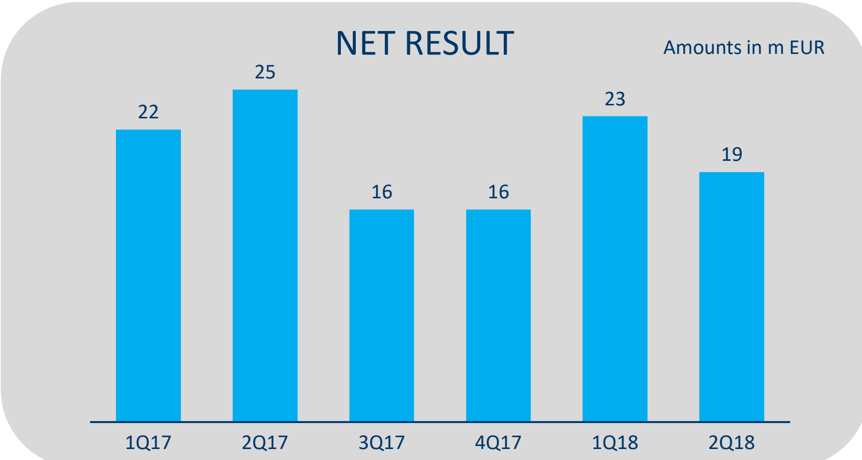
Highlights (pro forma q-o-q results)

- lower net interest income. NIM 2.81% in 2Q18 (-7 bps q-o-q and +9 bps y-o-y)
- higher net fee and commission income (in HU & SK)
- higher result from financial instruments at fair value (in HU)
- an excellent combined ratio of 88% YTD (especially in SK & HU)
- higher life insurance sales (in BG)
- lower costs due entirely to lower bank taxes
- lower net impairment releases

VOLUME TREND Excluding FX effect	Total loans **	o/w retail mortgages	Customer deposits***	AuM	Life reserves
Volume	24bn	15bn	23bn	4.3bn	0.6bn
Growth q-o-q*	+2%	+1%	+1%	-4%	-3%
Growth y-o-y	+5%	+4%	+7%	-26%****	+3%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds) *** Customer deposits, including debt certificates but excluding repos
**** The decrease can partly be explained by the divestment of KBC TFI in Poland in December 2017 (-0.93bn AuM in 4Q17)

International Markets BU - Slovakia



VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	7bn	3bn	6bn
Growth q-o-q*	+3%	+3%	-1%
Growth y-o-y	+9%	+13%	+7%

* Non-annualised   ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

Net result of 19m EUR

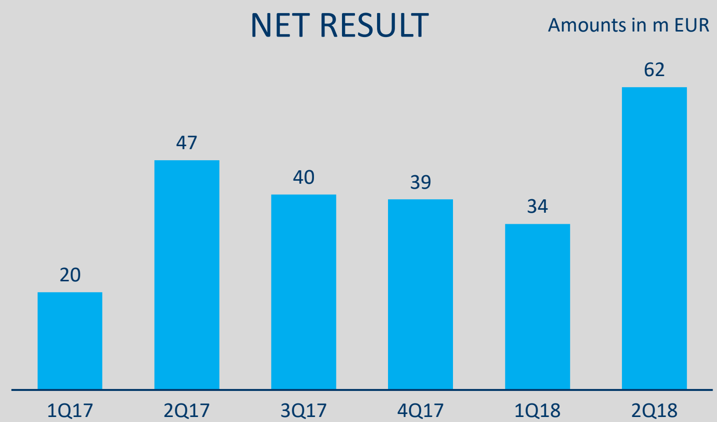
Highlights (pro forma q-o-q results)

- slightly higher net interest income as volume growth more than offset the margin pressure
- higher net fee & commission income due mainly to higher fees from payment services and from credit files & bank guarantees Still good performance in sales of mutual funds
- lower result from financial instruments at fair value
- higher net other income due to sales of government bonds
- excellent combined ratio (84% in 1H18); roughly stable technical insurance result in life
- lower operating expenses due entirely to lower bank taxes
- limited loan loss provisions; credit cost ratio of 0.01% in 1H18

Volume trend

- Total customer loans rose by 3% q-o-q and by 9% y-o-y, amongst other things due to the continuously increasing mortgage portfolio and corporate portfolio
- Total customer deposits fell by 1% q-o-q (due mainly to corporates), but rose by 7% y-o-y (thanks mainly to retail)

International Markets BU - Hungary



VOLUME TREND Excl. FX effect	Total loans **	o/w retail mortgages	Customer deposits***
Volume	4bn	1bn	7bn
Growth q-o-q*	+4%	+1%	+4%
Growth y-o-y	+13%	+6%	+12%

* Non-annualised   ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

Net result of 62m EUR

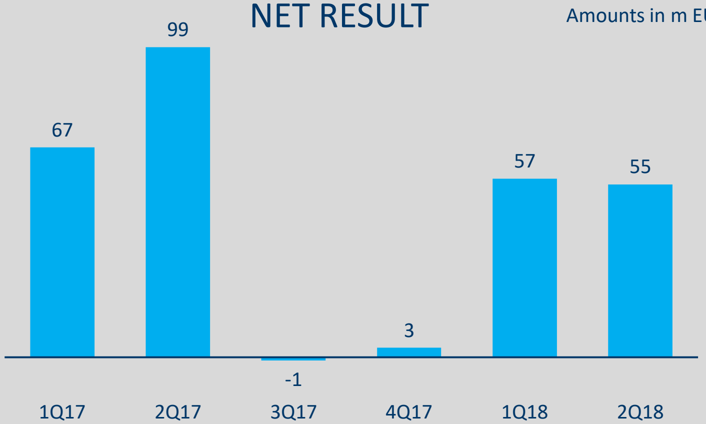
Highlights (pro forma q-o-q results)

- flat net interest income excluding FX effect
- higher net fee and commission income due mainly to higher fees from payment transactions and higher network income
- higher net results from financial instruments thanks to higher dealing room result (as a result of interest rate and FX volatility) and M2M ALM derivatives
- still high net other income due to a 5m gain on the sale of retail government bonds
- good non-life commercial performance y-o-y in all major product lines (except casco) and growing average tariff in motor retail; excellent combined ratio (88% in 1H18); stable sales of life insurance products q-o-q
- stable operating expenses excluding bank tax
- net impairment releases (mainly in retail)
- credit cost ratio of -0.28% in 1H18

Volume trend

- Total customer loans rose by 4% q-o-q and by 13% y-o-y in all segments
- Total customer deposits +4% q-o-q and +12% y-o-y due to strong growth in corporates and SMEs

International Markets BU - Ireland



VOLUME TREND	Total loans **	o/w retail mortgages	Customer deposits***
Volume	11bn	10bn	6bn
Growth q-o-q*	0%	0%	-2%
Growth y-o-y	-1%	+2%	+3%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

Net result of 55m EUR

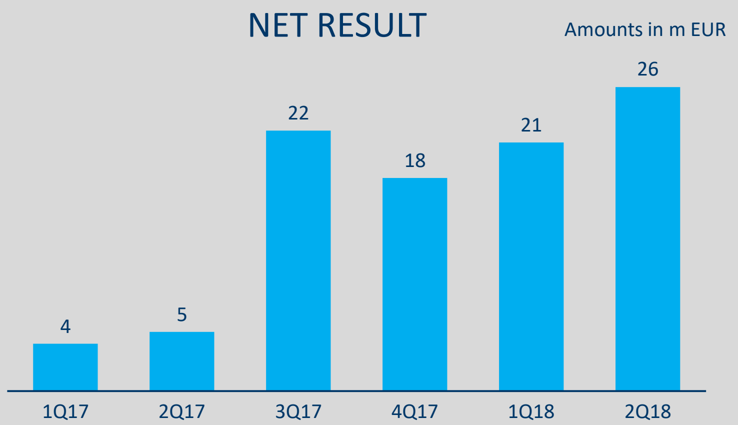
Highlights (pro forma q-o-q results)

- lower net interest income due mainly to margin pressure and higher funding costs
- higher net results from financial instruments thanks to FV hedges
- higher expenses excl. bank tax, due mainly to higher staff and professional fee expenses
- lower net impairment releases (-38m EUR in 2Q18, -43m EUR in 1Q18). Releases in 2Q18 were driven by an increase in the 9-month average House Price Index, an improved portfolio performance and lower provisions on existing non-performing loans (improved macro-economic conditions and provision releases following deleveraging for corporates). Credit cost ratio of -1.30% in 1H18
- looking forward, we are maintaining our impairment guidance for Ireland, namely a net release in a range of 100m-150m EUR for FY18

Volume trend

- Total customer loans stabilised q-o-q and fell by 1% y-o-y. The y-o-y decrease resulted from further deleveraging of the corporate loan portfolio
- Retail mortgages: new business (written from 1 Jan 2014) +7% q-o-q and +43% y-o-y, while legacy -2% q-o-q and -8% y-o-y
- Total customer deposits -2% q-o-q and +3% y-o-y

International Markets BU - Bulgaria



VOLUME TREND Excl. FX effect	Total loans **	o/w retail mortgages	Customer deposits***
Volume	3bn	1bn	4bn
Growth q-o-q*	+1%	+1%	-1%
Growth y-o-y	+3%	+4%	+3%

* Non-annualised ** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

Net result of 26m EUR

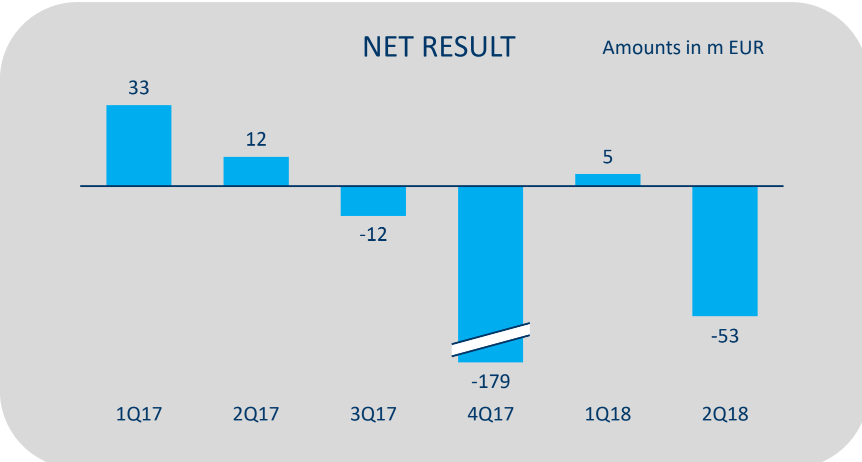
Highlights (pro forma q-o-q results)

- Banking (CIBank & UBB/Interlease): higher net result
  - lower net interest income, as volume growth was more than offset by margin pressure
  - lower net fee and commission income due to higher insurance distribution expenses, partly offset by higher fees from payment transactions
  - higher net results from financial instruments thanks to a higher revaluation gain on the government bond portfolio
  - lower operating expenses excluding bank tax due mainly to lower staff & facilities expenses
  - net impairments releases on loans. Credit ratio of -0.71% in 1H18. Impairment of 6m EUR on 'other', mainly on a legacy property file
- Insurance (DZI): stable net result
  - good combined ratio at 91% in 1H18

Volume trend:

- Total customer loans +1% q-o-q and +3% y-o-y partially due to the continuously increasing mortgage portfolio
- Total loans: new business +2% q-o-q and +7% y-o-y, while legacy -5% q-o-q and -29% y-o-y
- Total customer deposits -1% q-o-q and +3% y-o-y

Group Centre



Net result of -53m EUR

The net result for the Group Centre comprises the results coming from activities and/or decisions specifically made for group purposes (see table below for components)

Highlights (q-o-q results)

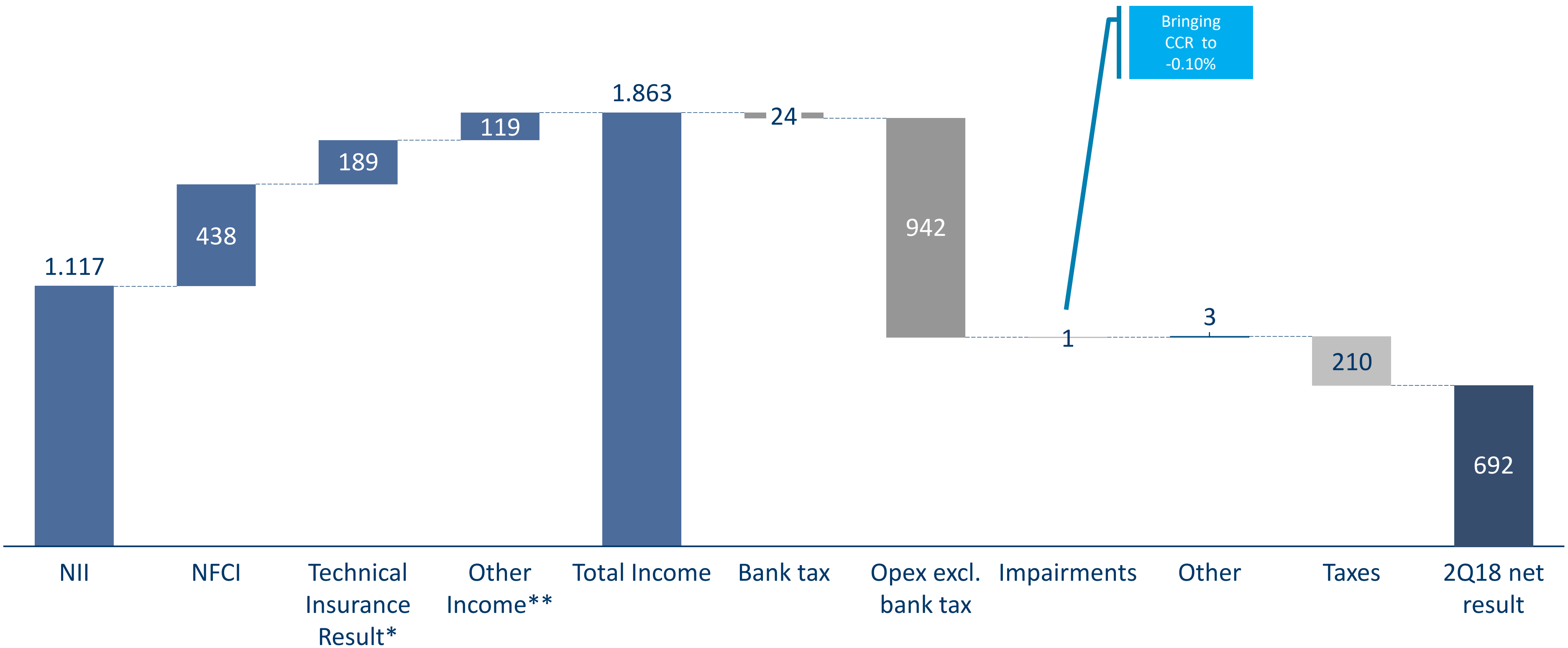
q-o-q deterioration was attributable mainly to:

- the negative impact from the settlement of old legal file (-38m in other net income)
- a negative change in ALM derivatives (-27m q-o-q)
- lower net impairment releases (-11m q-o-q)

BREAKDOWN OF NET RESULT AT GROUP CENTRE	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**
Group item (ongoing business)	**-50**	**0**	**-31**	**-157**	**-17**	**-63**
Operating expenses of group activities	-14	-14	-20	-25	-17	-15
Capital and treasury management	-18	17	5	-5	-4	8
o/w net subordinated debt cost	*-9*	*-9*	*-9*	*-13*	*-6*	*-3*
Holding of participations	-9	-13	-13	18	1	3
o/w net funding cost of participations	*-2*	*0*	*0*	*-1*	*-1*	*-2*
Group Re	5	6	5	10	7	6
Other	-14	5	-9	-154	-3	-64
Ongoing results of divestments and companies in run-down	**83**	**11**	**19**	**-22**	**23**	**10**
Total	**33**	**12**	**-12**	**-179**	**5**	**-53**

Amounts in m EUR

Overview of building blocks of the 2Q18 net result



	NII	NFCI	Technical Insurance Result*	Other Income**	Total Income	Bank tax	Opex excl. bank tax	Impairments	Other	Taxes	2Q18 net result
Q-o-Q	-1%	-3%	+29%	-37%	-3%		+2%				+24%
Y-o-Y ***	+2%	-4%	+30%	-55%	-5%		+6%				-17%

* Earned premiums – technical charges + ceded reinsurance

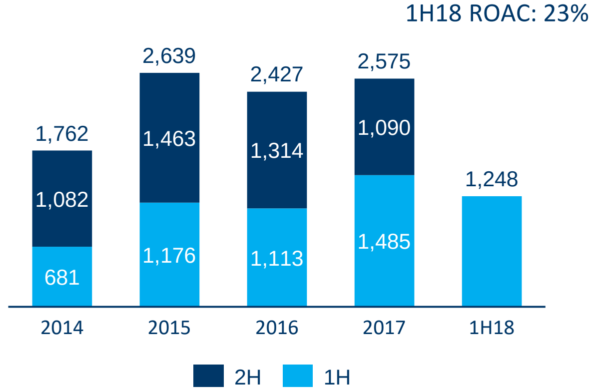
** Dividend income + net result from FIFV + net realised result from debt instruments FV through OCI + net other income

*** Y-o-Y comparison based on pro forma 2Q17 numbers

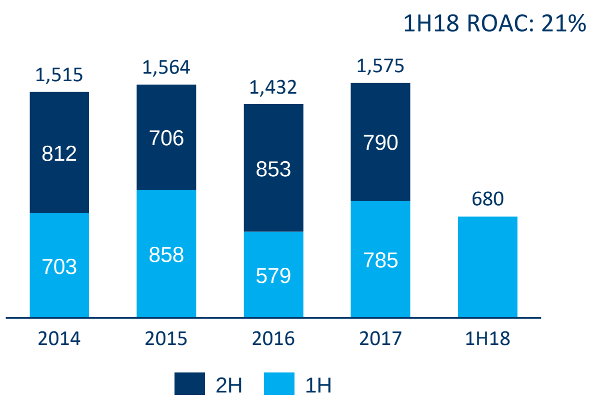
Overview of contribution of business units to 1H18 result

Amounts in m EUR

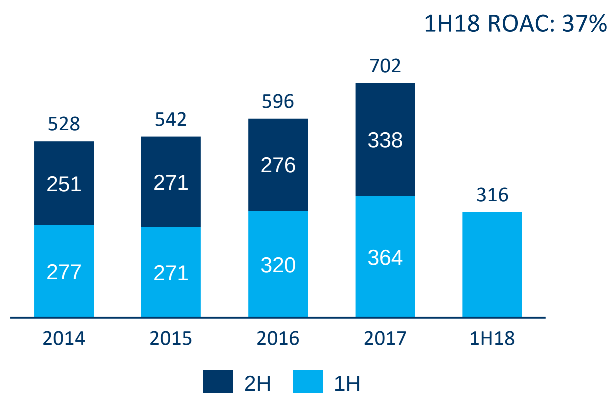
NET PROFIT – **KBC GROUP**



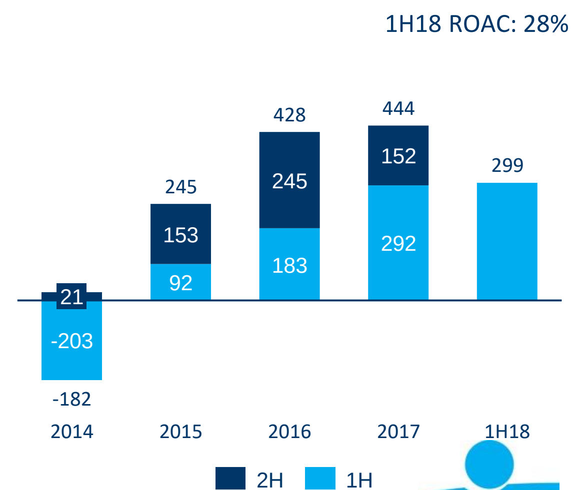
NET PROFIT – **BELGIUM**



NET PROFIT – **CZECH REPUBLIC**



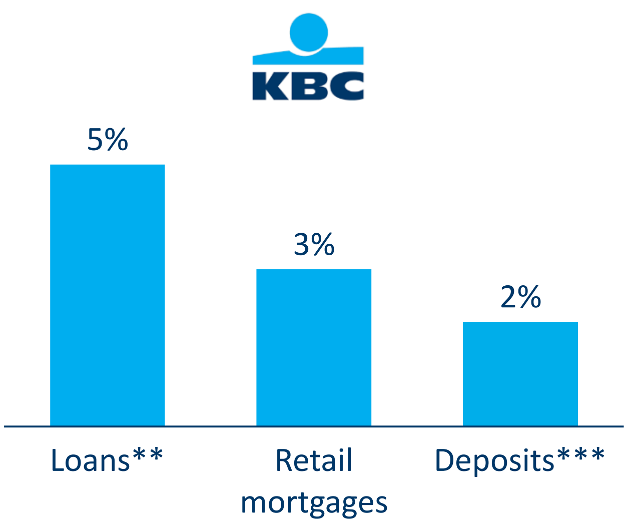
NET PROFIT – **INTERNATIONAL MARKETS**

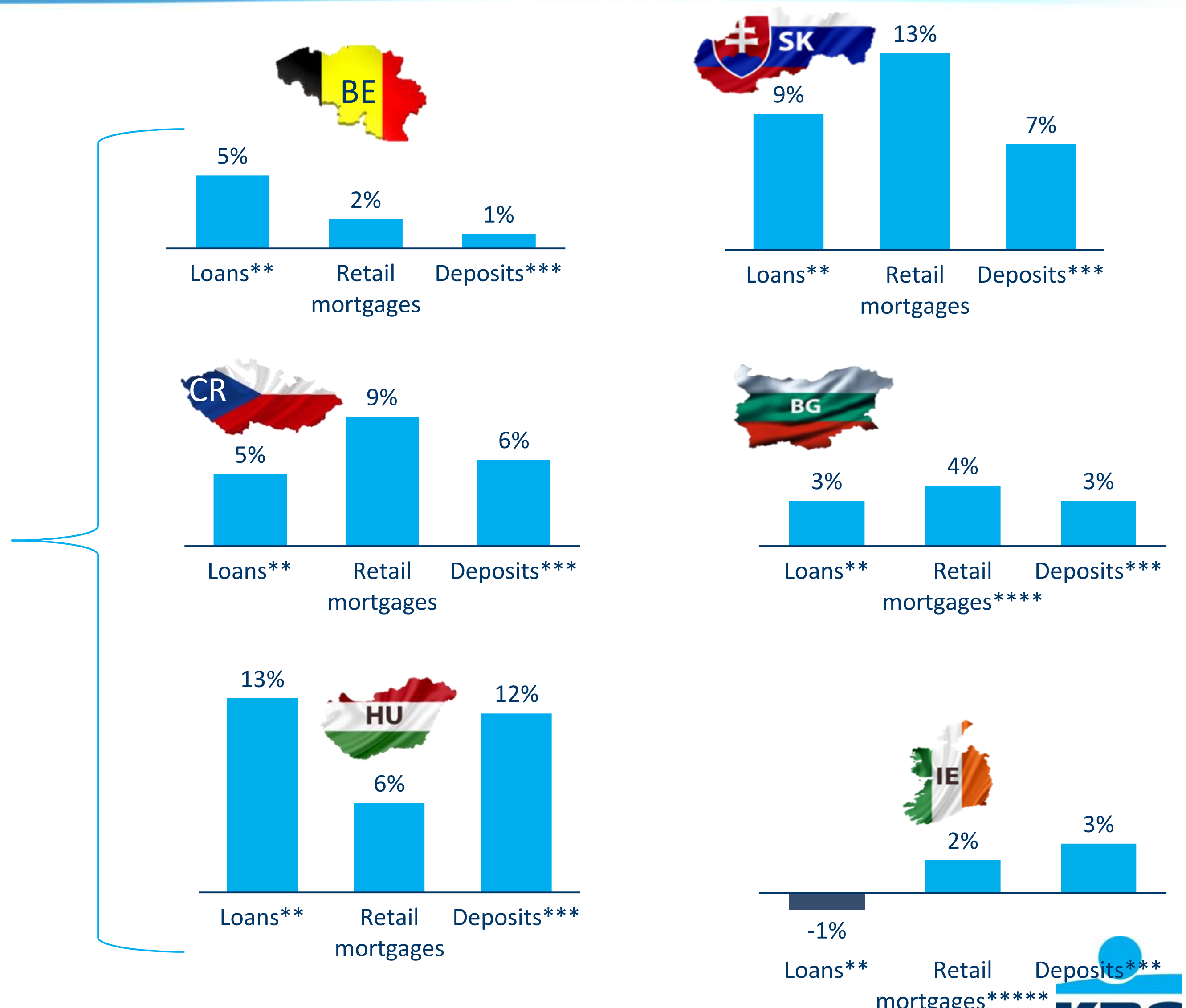


Balance sheet:

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) +7% y-o-y, while legacy -29% y-o-y

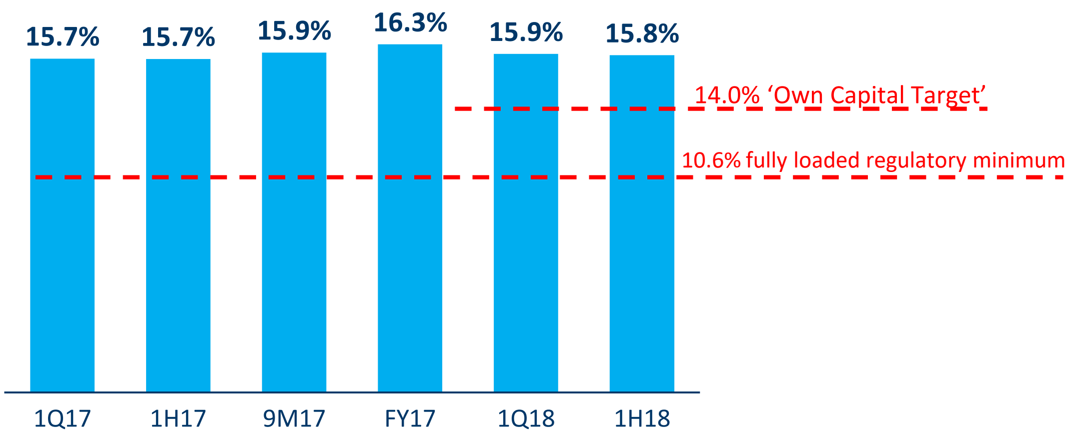
***** Retail mortgages in Ireland: new business (written from 1 Jan 2014) +43% y-o-y, while legacy -8% y-o-y

Section 3

Strong solvency and solid liquidity

Strong capital position

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

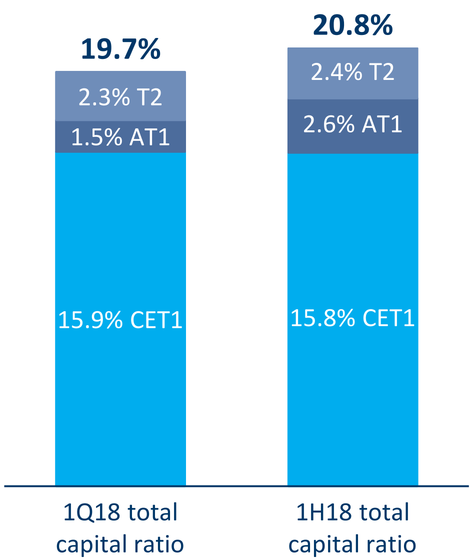


- **The common equity ratio* slightly decreased from 15.9% at the end of 1Q18 to 15.8% at the end of 1H18** based on the Danish Compromise, mainly due to the impact of the share buy-back (-0.2%). This **clearly exceeds** the minimum capital requirements** set by the competent supervisors of 9.875% phased-in for 2018 and 10.6% fully loaded and our 'Own Capital Target' of 14.0%

* Note that 1 January 2018, there is no longer a difference between fully loaded and phased-in

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

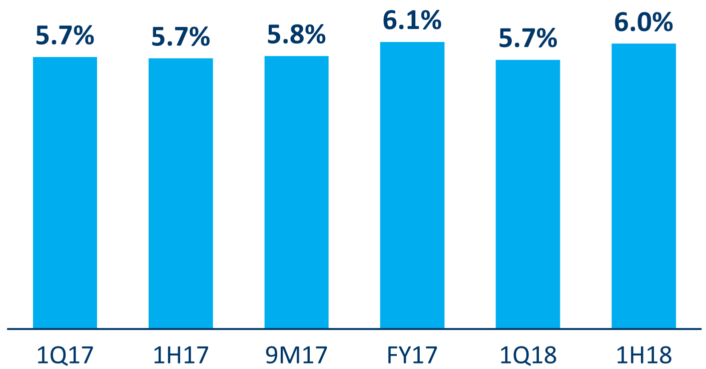
Fully loaded Basel 3 total capital ratio (Danish Compromise)



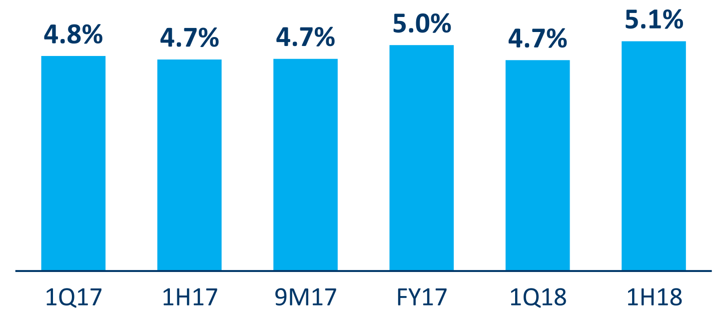
- **The fully loaded total capital ratio amounted to 20.8% at the end of 1H18.** The q-o-q increase can mainly be explained by the successful issue of a 1bn EUR additional Tier-1 instrument in April 2018

Fully loaded Basel 3 leverage ratio and Solvency II ratio

Fully loaded Basel 3 leverage ratio at KBC Group



Fully loaded Basel 3 leverage ratio at KBC Bank



Solvency II ratio

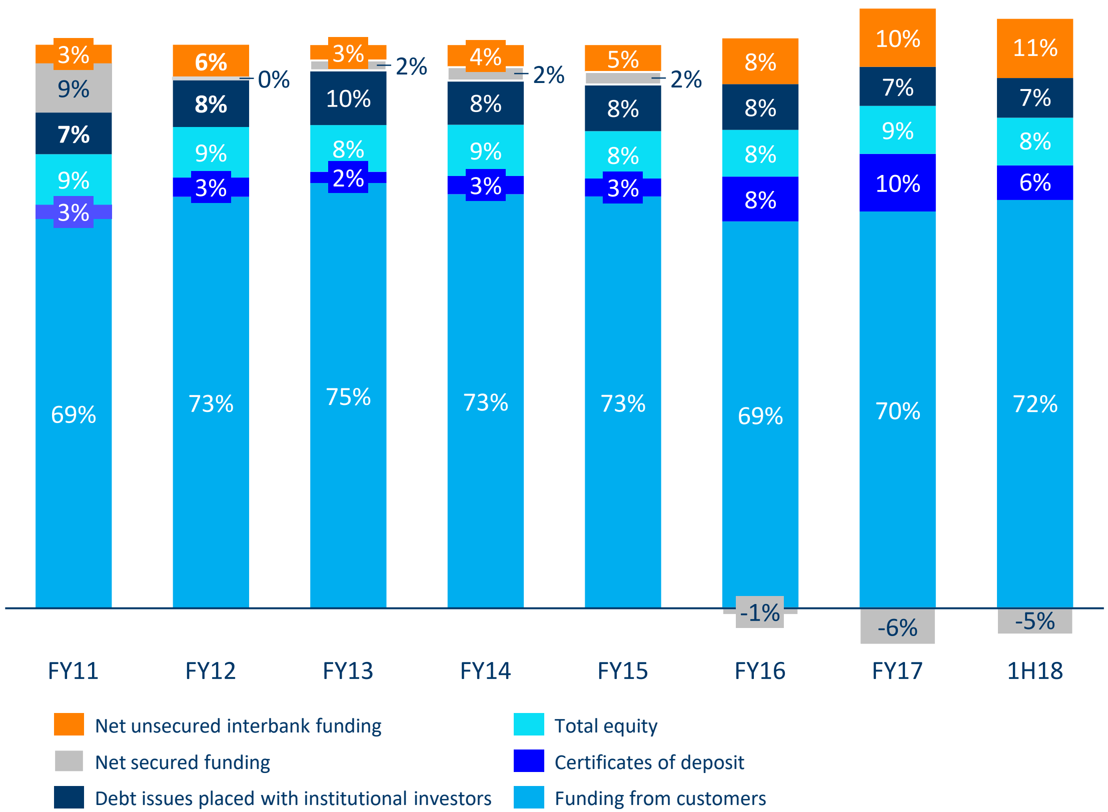
	1Q18	1H18
Solvency II ratio*	218%	219%

- The increase (+1%-point) in the Solvency II ratio was mainly the result of lower risk on the investment portfolio, partly offset by an increase in technical provisions (due to a slight decrease in interest rates)

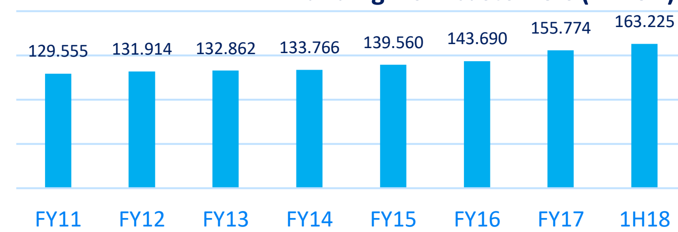
* On 19 April 2017, the NBB retroactively relaxed the strict cap on the loss-absorbing capacity of deferred taxes in the calculation of the required capital. Belgian insurance companies are now allowed to apply a higher adjustment for deferred taxes, in line with general European standards, if they pass the recoverability test. This is the case for KBC

Solid liquidity position (1)

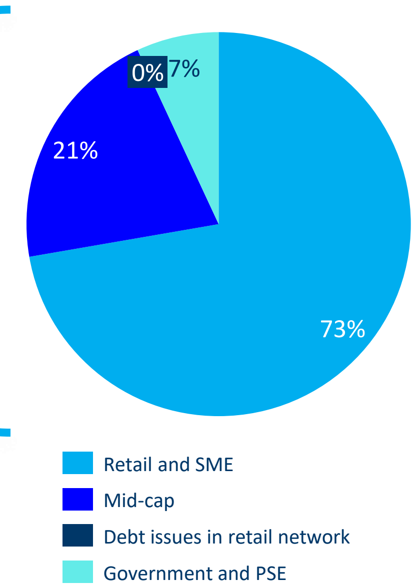
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments & markets
- Customer funding further increased in 1H18 (versus FY17). The elevated amount in short-term wholesale funding is mainly on the back of short-term arbitrage opportunities



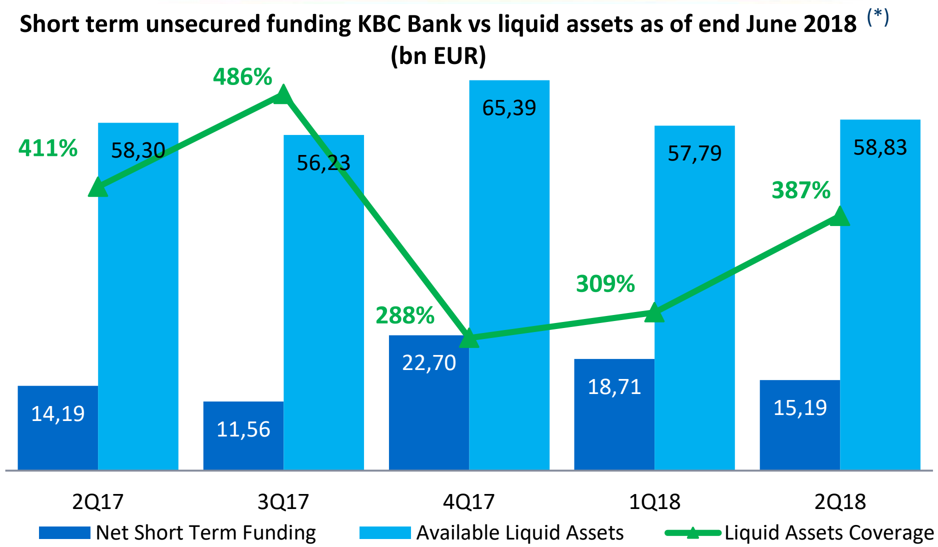
Funding from customers (m EUR)



72% customer driven



Solid liquidity position (2)



* Graph is based on Note 18 of KBC's quarterly report, except for the 'available liquid assets' and 'liquid assets coverage', which are based on the KBC Group Treasury Management Report

- KBC maintains a solid **liquidity position,** given that:
  - Available liquid assets remained very high at almost 4 times the amount of the net short-term wholesale funding
  - Funding from non-wholesale markets is stable funding from core-customer segments in core markets

Ratios	FY17	1H18	Regulatory requirement
NSFR*	134%	136%	≥100%
LCR**	139%	139%	≥100%

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

- **NSFR at 136% and LCR at 139% by the end of 1H18**
  - Both ratios were well above the regulatory requirement of at least 100%

Section 4

Looking forward

Looking forward 2018

Economic outlook	➢ We expect 2018 to be a year of economic growth in the euro area, the US and in all our core markets
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% impact on CET1 ratio ➢ Referring to our dividend policy, KBC will pay an interim dividend of 1 EUR per share in November 2018, as an advance payment on the total dividend. The pay-out ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit is reconfirmed

Business units	➢ Next to Belgium and Czech Republic, 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

Annex 1

Company profile

KBC Group in a nutshell (1)

✓ We want to be among Europe's best performing financial institutions! By achieving this, KBC wants to become the reference in bank-insurance in its core markets

- We are a leading European financial group with a focus on providing bank-insurance products and services to retail, SME and mid-cap clients, in our core countries: Belgium, Czech Republic, Slovakia, Hungary, Bulgaria and Ireland.

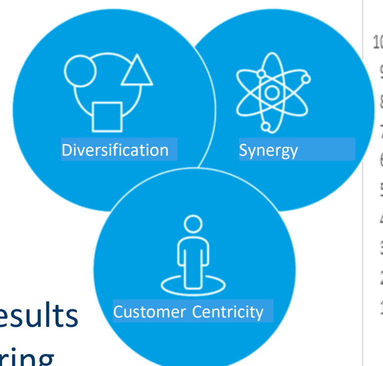
✓ Diversified and strong business performance

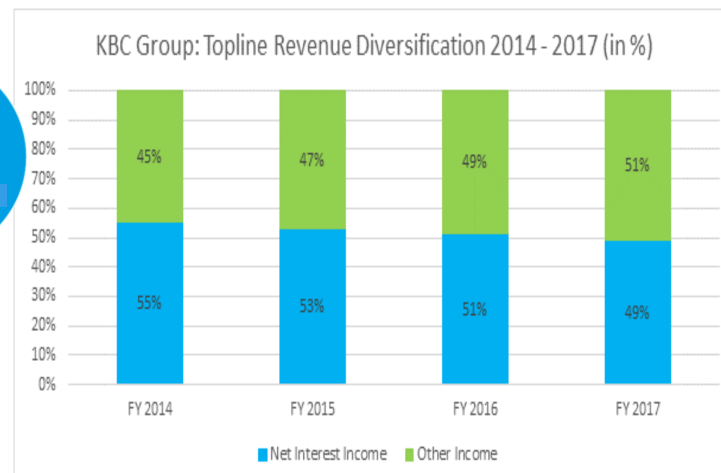
… geographically

- Mature markets (BE, CZ, IRL) versus developing markets (SK, HU, BG)
- Economies of BE & 4 CEE-countries highly oriented towards Germany, while IRL is more oriented to the UK & US
- Robust market position in all key markets & strong trends in loan and deposit growth

… and from a business point of view

- An integrated bank-insurer
- Strongly developed & tailored AM business
- Strong value creator with good operational results through the cycle
- Unique selling proposition: in-depth knowledge of local markets and profound relationships with clients
- Integrated model creates cost synergies and results in a complementary & optimised product offering
- Broadening 'one-stop shop' offering to our clients



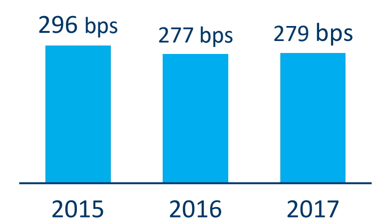


KBC Group in a nutshell (2)

✓ High profitability

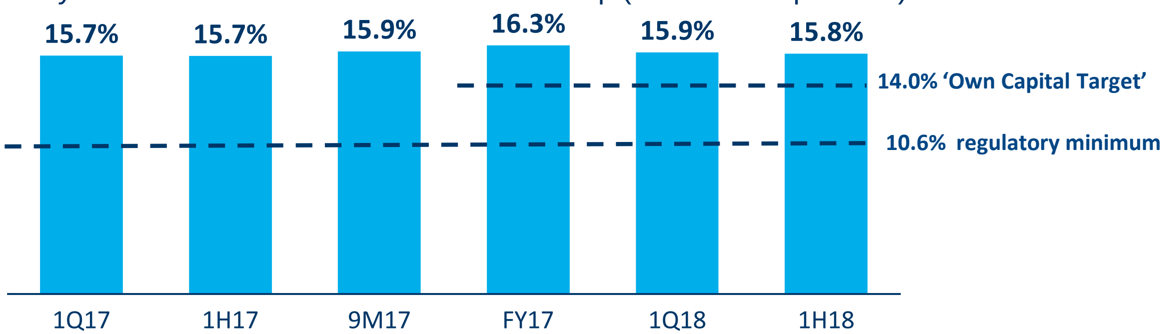
	C/I ratio	Combined ratio	Net result	ROE
FY17	55%	88%	EUR 2575m	17%
1H18	56%	88%	EUR 1248m	16%

CET1 generation before any distribution



✓ Solid capital position...

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



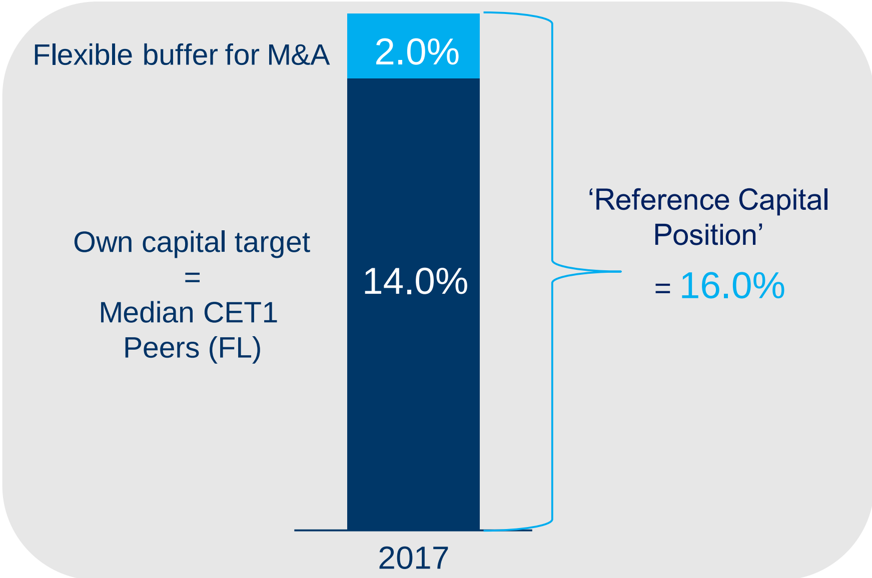
✓ ... and robust liquidity positions

	NSFR	LCR
FY17	134%	139%
1H18	136%	139%

KBC Group in a nutshell (3)

✓ We aim to be one of the better capitalised financial institutions in Europe

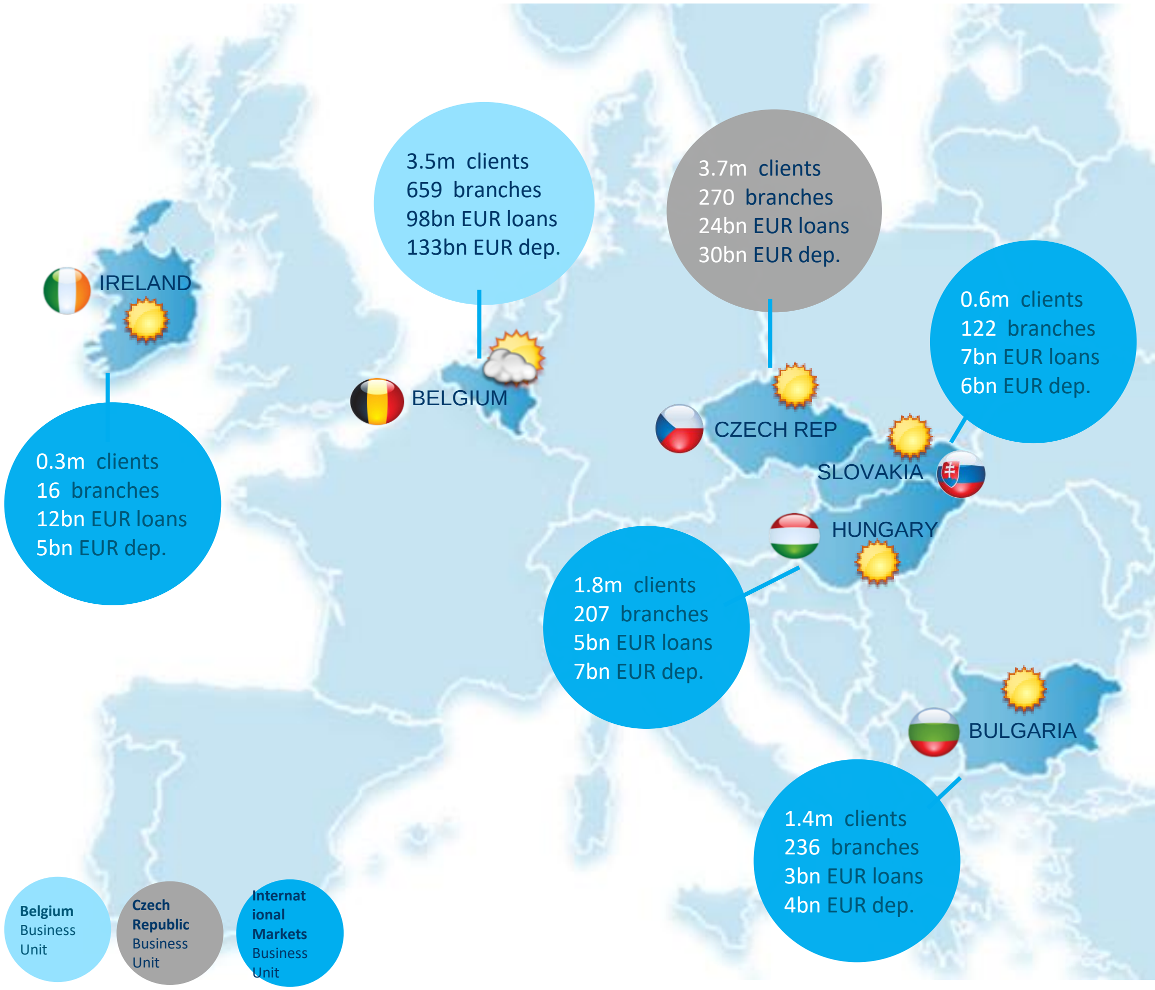
- Every year, we assess the CET1 ratios of a peer group of European banks active in the retail, SME and corporate client segments. We position ourselves on the fully loaded median CET1 ratio of the peer group (14% at end of 2017)
- We want to keep a flexible buffer of up to 2% CET1 for potential add-on M&A in our core markets
- This buffer comes on top of our 'Own Capital Target' and all together forms the 'Reference Capital Position'
- Any M&A opportunity will be assessed subject to very strict financial and strategic criteria



✓ Capital distribution to shareholders

- Payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit
- Interim dividend of 1 EUR per share in November of each accounting year as an advance on the total dividend
- On top of the payout ratio of 50% of consolidated profit, each year, the Board of Directors will take a decision, at its discretion, on the distribution of the capital above the 'Reference Capital Position'

Well-defined core markets: access to 'new growth' in Europe



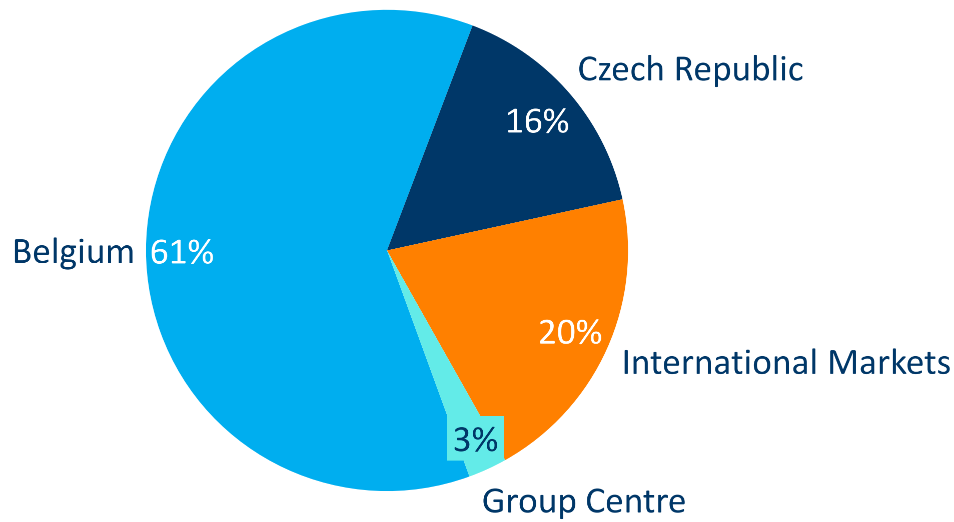
Market share (end '17)	BE	CZ	SK	HU	BG	IRL
Loans and deposits	20%	20%	11%	11%	10%	8%*
Investment funds	33%	22%	7%	13%	13%	
Life insurance	14%	8%	4%	3%	21%	
Non-life insurance	9%	7%	3%	7%	11%	

Real GDP growth	BE	CZ	SK	HU	BG	IRL
% of Assets	66%	19%	3%	3%	2%	4%
2017	1.7%	4.6%	3.4%	4.0%	3.6%	7.8%
2018e	1.6%	3.2%	3.6%	3.9%	3.5%	6.0%
2019e	1.5%	2.7%	3.7%	3.4%	3.4%	4.0%

GDP growth: KBC data, August '18
* Retail segment

Business profile

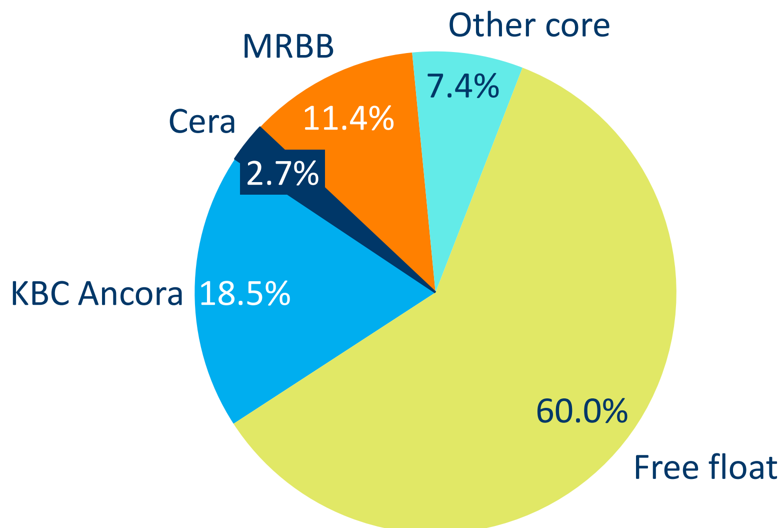
BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 30 JUNE 2018



- KBC is a leading player (retail and SME bank-insurance, private banking, commercial and local investment banking) in Belgium, the Czech Republic and its 4 core countries in the International Markets Business Unit

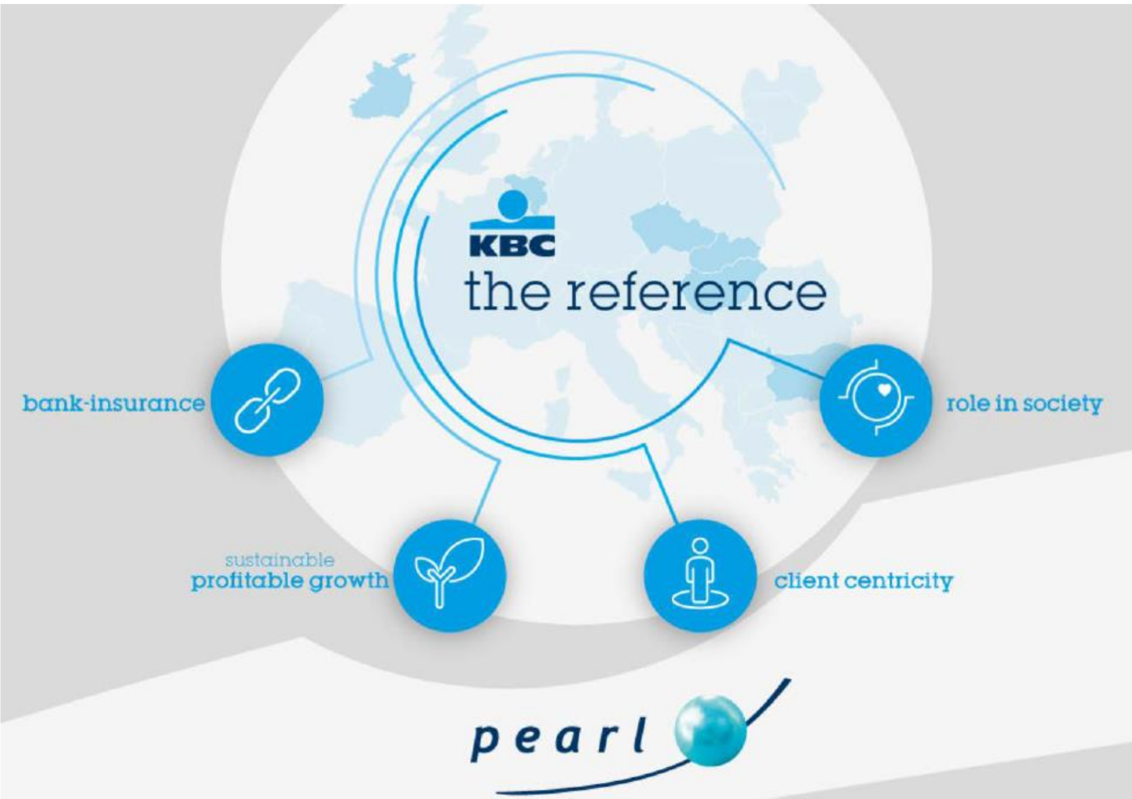
Shareholder structure

SHAREHOLDER STRUCTURE AT END 1H18



- Roughly 40% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals. Committed shareholders include the Cera/KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of industrialist families
- The free float is held mainly by a large variety of international institutional investors

KBC Group going forward:
Aiming to be among the best performing financial institutions in Europe



- KBC wants to be among Europe's best performing financial institutions. This will be achieved by:
  - Strengthening our bank-insurance business model for retail, SME and mid-cap clients in our core markets, in a highly cost-efficient way
  - Focusing on sustainable and profitable growth within the framework of solid risk, capital and liquidity management
  - Creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach
- By achieving this, KBC wants to become the reference in bank-insurance in its core markets

KBC Group going forward:
The bank-insurance business model, different countries, different stages of implementation

Level 4: Integrated distribution and operation

Acting as a single operational company: bank and insurance operations working under unified governance and achieving commercial and non-commercial synergies

Level 3: Integrated distribution

Acting as a single commercial company: bank and insurance operations working under unified governance and achieving commercial synergies

Level 2: Exclusive distribution

Bank branches selling insurance products from intra-group insurance company as additional source of fee income

Level 1: Non-exclusive distribution

Bank branches selling insurance products of third party insurers as additional source of fee income

Belgium

Target for Central Europe

KBC targets to reach at least level 3 in every country, adapted to the local market structure and KBC's market position in banking and insurance

More of the same… but differently…

- Integrated distribution model according to a real-time omni-channel approach remains key but client interaction will change over time. Technological development will be the driving force
- Human interface will still play a crucial role
- Simplification is a prerequisite:
    - In the way we operate
    - Is a continuous effort
    - Is part of our DNA

+

- Client-centricity will be further fine-tuned into 'think client, but design for a digital world'
- Digitalisation end-to-end, front- and back-end, is the main lever:
    - All processes digital
    - Execution is the differentiator
- Further increase efficiency and effectiveness of data management
- Set up an open architecture IT package as core banking system for our International Markets Unit
- Improve the applications we offer our clients (one-stop-shop offering) via co-creation/partnerships with Fintechs and other value chain players

=

- Investment in our digital presence (e.g., social media) to enhance client relationships and anticipate their needs
- Easy-to-access and convenient-to-use set-up for our clients
- Clients will drive the pace of action and change
- Further development of a fast, simple and agile organisation structure
- Different speed and maturity in different entities/core markets
- Adaptation to a more open architecture (with easy plug in and out) to be future-proof and to create synergy for all

KBC the reference…

Group financial guidance (Investor visit 2017)

Guidance		
CAGR total income ('16-'20)*	≥ 2.25%	by 2020
C/I ratio banking excluding bank tax	≤ 47%	by 2020
C/I ratio banking including bank tax	≤ 54%	by 2020
Combined ratio	≤ 94%	by 2020
Dividend payout ratio	≥ 50%	as of now

* Excluding marked-to-market valuations of ALM derivatives

Regulatory requirements		
Common equity ratio* excluding P2G	≥ 10.6%	by 2019
Common equity ratio* including P2G	≥ 11.6%	by 2019
MREL ratio	≥ 25.9%	by May '19
NSFR	≥ 100%	as of now
LCR	≥ 100%	as of now

* Fully loaded, Danish Compromise. P2G = Pillar 2 guidance.

KBC the reference…

Group non-financial guidance (Investor visit 2017)

Non-financial guidance:
CAGR Bank-Insurance clients
(1 bank product + 1 insurance product)

BU BE	≥ 2%	by 2020
BU CR	≥ 15%	by 2020
BU IM	≥ 10%	by 2020

Non-financial guidance:
CAGR Bank-Insurance stable clients
(3 bk + 3 ins products in Belgium;
2 bk + 2 ins products in CEE)

BU BE	≥ 2%	by 2020
BU CR	≥ 15%	by 2020
BU IM	≥ 15%	by 2020

Non-financial guidance:
% Inbound contacts via omni-channel and digital channel*

KBC Group**	≥ 80%	by 2020

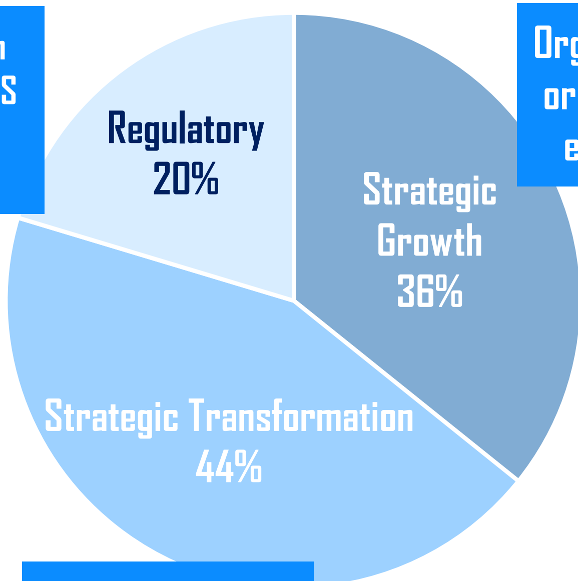
- Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advisory centre), possibly in addition to contact through physical branches. This means that clients solely interacting with KBC through physical branches (or ATMs) are excluded

** Bulgaria & PSB out of scope for Group target

Digital Investments 2017-2020

Cashflow 2017-2020 = 1.5bn EUR

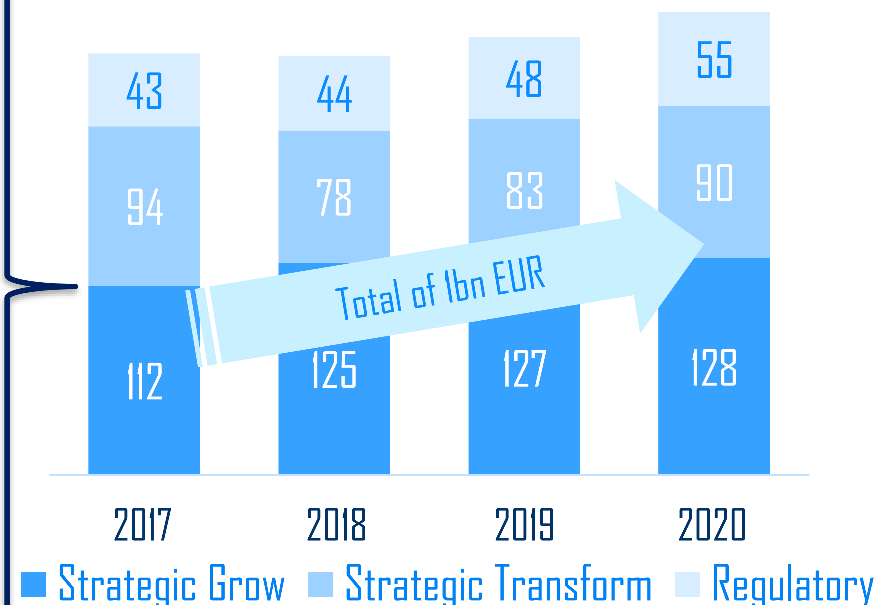
Regulatory driven developments (IFRS 9, CRS(*), MIFID, etc.)



Organic growth or operational efficiencies

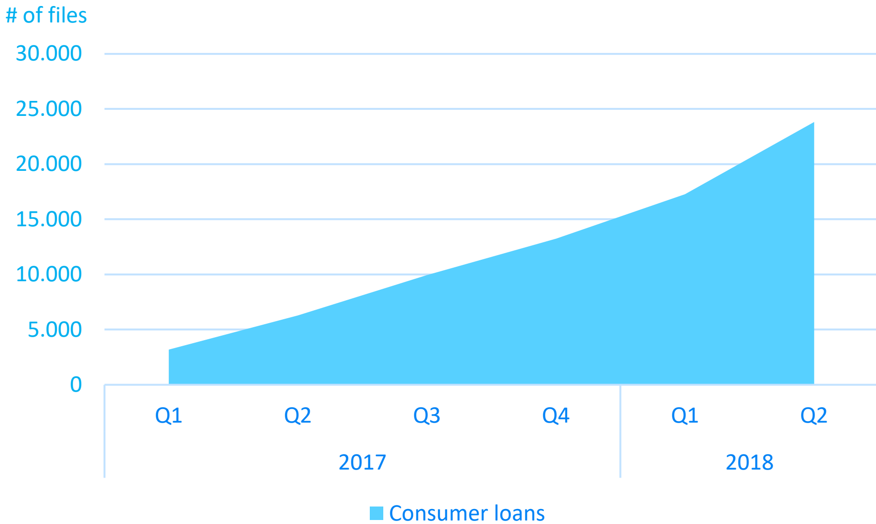
Omni-channel and core-banking system

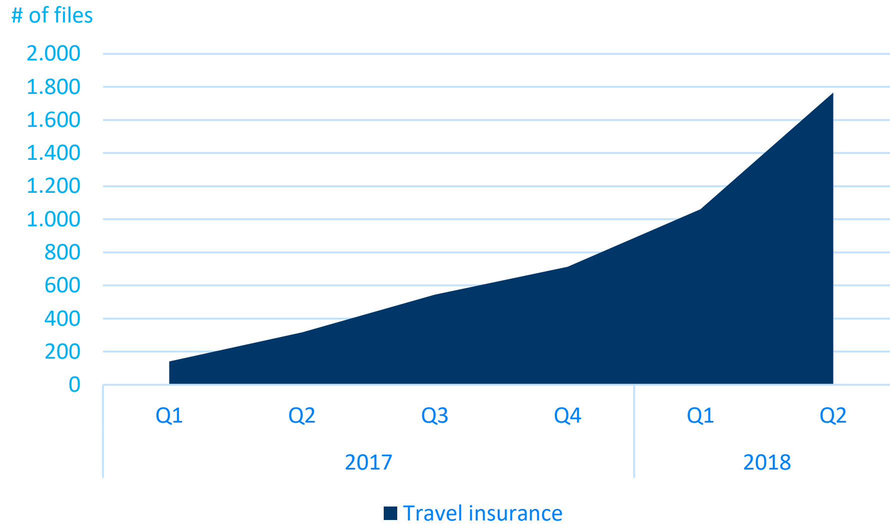
Operating Expenses 2017-2020 = 1bn EUR

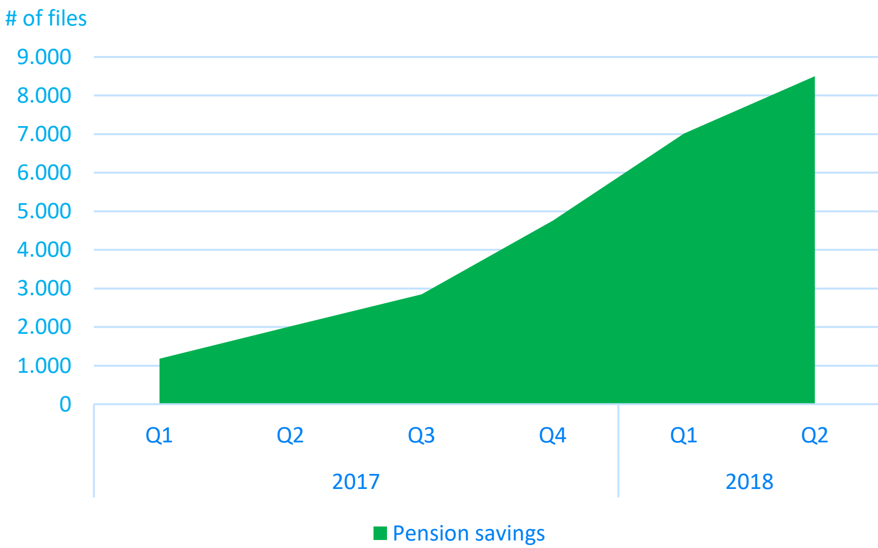


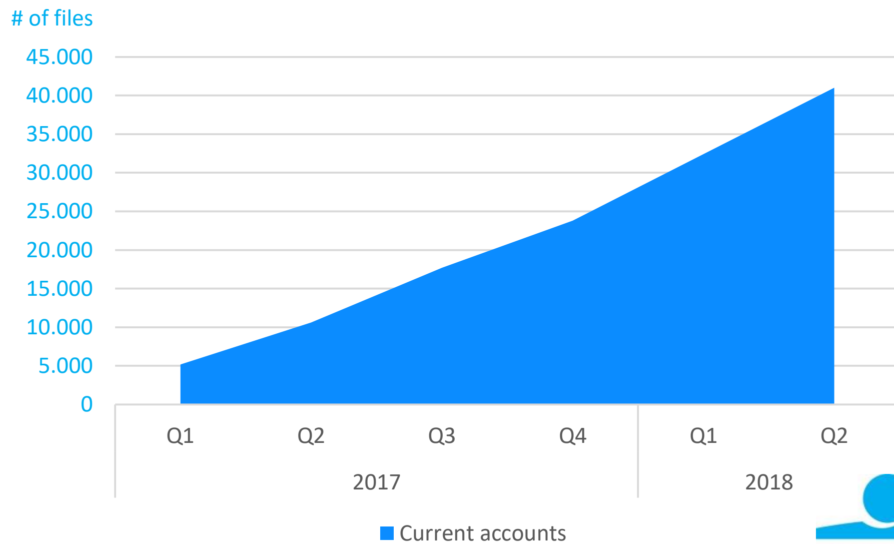
(*) The Common Reporting Standard (CRS) refers to a systematic and periodic exchange of information at international level aimed at preventing tax evasion. Information on the taxpayer in the country where the revenue was taken is exchanged with the country where the taxpayer has to pay tax. It concerns an exchange of information between as many as 53 OECD countries in the first year (2017). By 2018, another 34 countries will join.

Digital sales are increasing (examples: BU Belgium)



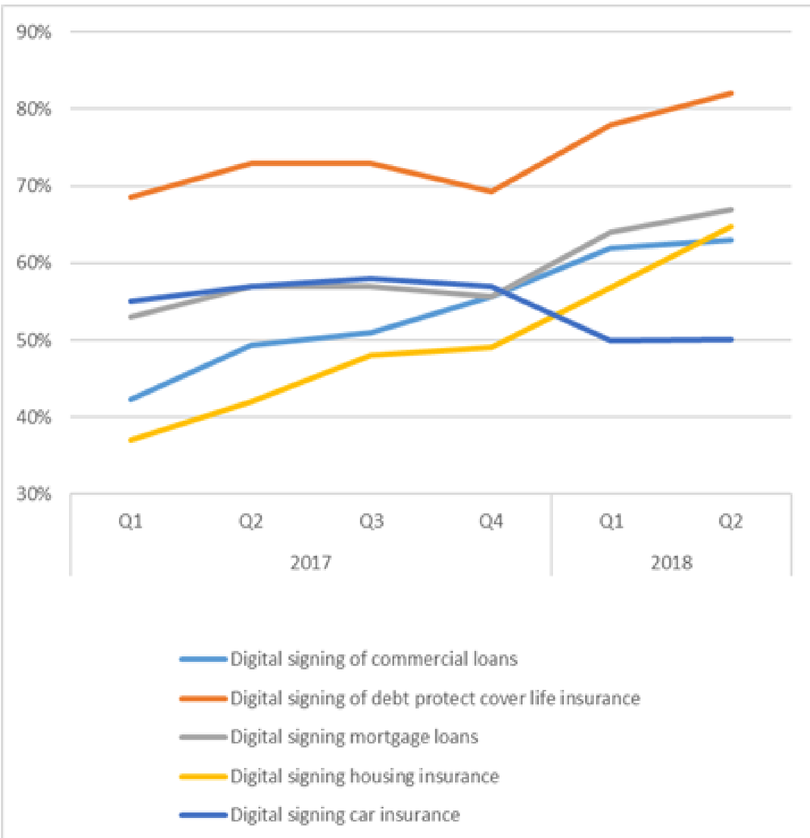




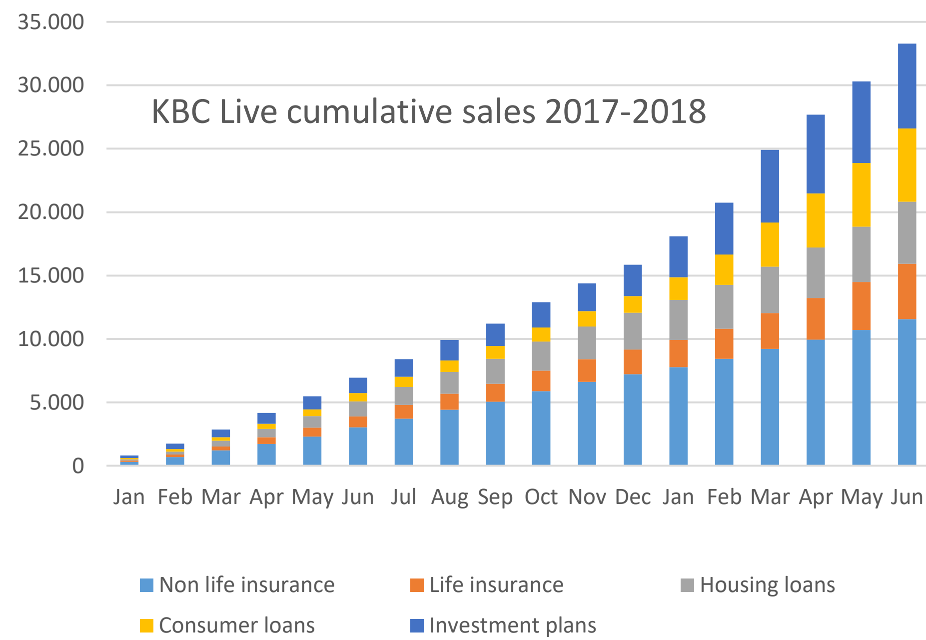


Omnichannel is embraced by our clients (examples: BU Belgium)

Digital signing after contact with branches or KBC Live in 2017-2018



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

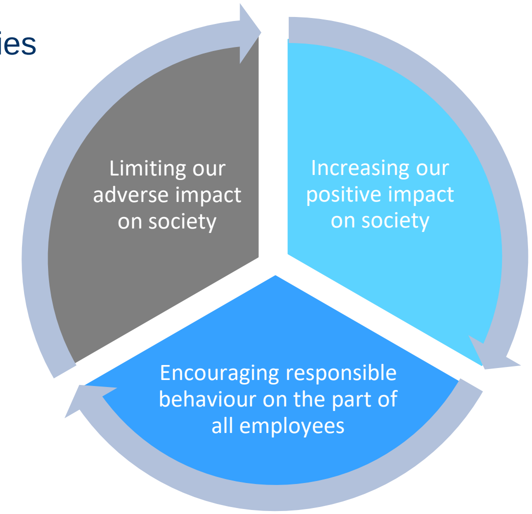


Sustainablity
The core of our sustainability strategy

Strict policies for our day-to-day activities

Focus on **sustainable investments**

Reducing our own **environmental footprint**



Four focus domains
that are close to our core activities

- Financial literacy
- Stimulating entrepreneurship
- Environmental responsibility
- Longevity or health

The mindset of all KBC staff should go beyond regulation and compliance. Responsible behaviour is a requirement to implement an effective and credible sustainability strategy. Specific focus on responsible selling and responsible advice

2018 achievements:

- Launch of the first Belgian **Sustainable Pension Savings Fund** for private individuals
- Successful launch of the Green Bond Framework and **issue of the Inaugural Green Bond of 500m EUR**
- **SRI funds increased to 8.3 bn EUR** by the end of 1H18
- Updated **KBC Sustainability Policies**
- KBC/CSOB announced to **stop financing of Coal Fired Power Generation and Coal mining** (current exposure phases out in 2023)

Please find more info in our 2017 Sustainability Report

Sustainablity
Our non-financial environmental targets

Indicator	Goal	2017	2016
Share of renewables in total energy credit portfolio	Minimum 50% by 2030	41.2%	42.1%
Financing of coal-related activities	Immediate stop of coal-related activities and gradual exit in the Czech Republic by 2023[1]	Progress in line with target ***See 2018 achievements***	Progress in line with target
Total GHG emissions (excluding commuter travel)	25% reduction by 2020 relative to 2015, both absolute and per FTE Long term target for a 50%-decrease by 2030	-28.9% (absolute) -28.2% (per FTE)	-14.03% (absolute) -14.1% (per FTE)
ISO 14001-certified environmental management system	ISO 14001 certification in all core countries at the end of 2017	All 6 core countries certified	Belgium, Slovakia, Hungary and Bulgaria
Business solutions in each of the focus domains	Develop sustainable banking and insurance products and services to meet a range of social and environmental challenges	See 2017 Sustainability & Annual Report for examples	For examples: see Sustainability & Annual Report 2016
Volume of SRI funds	10 billion EUR by end 2020[2]	7.1 billion EUR	2.8 billion EUR
Awareness of SRI among both our staff and clients	Increase awareness and knowledge of SRI	100% awareness among Belgian sales teams through e-learning courses	Progress in line with target

ROBECOSAM We are Sustainability Investing. 74

SUSTAINALYTICS 85/100 (Sector Leader)

oekom research C (Prime, best in class)

CDP DISCLOSURE INSIGHT ACTION A- (Leadership)

(1) *Except for financing of existing coal-fired district heating plants until 2035 under strict conditions, i.e. only to assist further ecological upgrades*
(2) *Our initial target of 5 billion EUR by the end of 2018 had already been met by mid-2017*

Annex 2

Other items

Loan loss experience at KBC

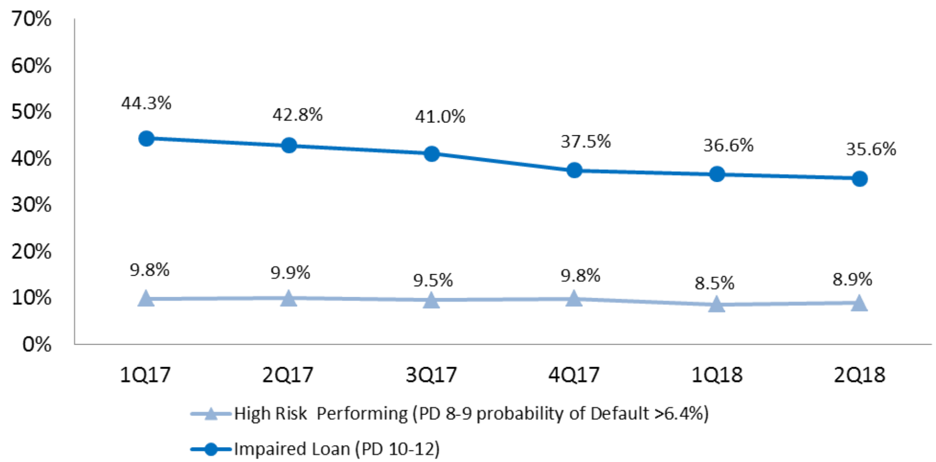
	1H18 CREDIT COST RATIO	FY17 CREDIT COST RATIO	FY16 CREDIT COST RATIO	FY15 CREDIT COST RATIO	FY14 CREDIT COST RATIO	AVERAGE ‘99 –’17
Belgium	**0.08%**	0.09%	0.12%	0.19%	0.23%	n/a
Czech Republic	**-0.03%**	0.02%	0.11%	0.18%	0.18%	n/a
International Markets	**-0.71%**	-0.74%	-0.16%	0.32%	1.06%	n/a
Group Centre	**-0.93%**	0.40%	0.67%	0.54%	1.17%	n/a
Total	**-0.10%**	**-0.06%**	**0.09%**	**0.23%**	**0.42%**	**0.47%**

Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

Ireland (1): impaired loans ratio continues to improve

LOAN PORTFOLIO	OUT-STANDING €	IMPAIRED LOANS €	IMPAIRED LOANS PD 10-12	PROVISIONS PD 10-12 €	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9.1bn	2.2bn	24%	0.6bn	28%
Buy to let mortgages	2.1bn	1.4bn	67%	0.7bn	47%
SME /corporate	0.5bn	0.3bn	62%	0.2bn	63%
Real estate					
- Investment	0.5bn	0.4bn	75%	0.2bn	63%
- Development	0.1bn	0.1bn	100%	0.1bn	96%
Total	**12.3bn**	**4.4bn**	**36%**	**1.8bn**	**41%**

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



- The Irish economy in 1H18 was characterised by significant positive momentum in activity and employment growth, FY18 GDP growth of 6% is envisaged
- The upswing in the Irish economy has progressively strengthened and this has been reflected in robust and broadly based jobs growth. As a result, the unemployment rate has reduced to 5.1% mid-2018, the lowest rate since 2007
- The positive performance of the Irish economy has translated into increased demand for housing and in spite of some increase in supply, residential property prices continue to rise significantly
- Impaired loans have reduced in 2Q18 by 0.2bn EUR (-4% q-o-q) with impaired loan ratio at 35.6% at 2Q18
- Net loan loss provision release of 39m EUR in 2Q18 driven by the continued growth in the CSO House Price Index and improved non-performing portfolio performance. This compares with a 43m EUR release in 1Q18
- Looking forward, we are maintaining our impairment guidance for Ireland, namely a net release in a range of 100m-150m EUR for FY18

Ireland (2): portfolio analysis

2Q18 Retail Portfolio

	PD	Legacy	New Retail	Impairment Provisions	Cover %
Performing	PD 1-8	4,247	2,662	7	0.1%
	Of which non Forborne	4,230	2,662		
	Of which Forborne	16	0		
	PD 9	703	9	30	4.2%
	Of which non Forborne	159	1		
	Of which Forborne	544	8		
Impaired	PD 10	1,860	3	245	13.2%
	PD 11	910	4	350	38.2%
	PD 12	834	0	705	84.5%
	TOTAL PD1-12	**8,554**	**2,679**	**1,336**	
	PD 10-12 Impairment Provisions /(PD 10-12)				*36.0%*

- Forborne loans (in line with EBA Technical Standards) comprise loans on a live restructure or continuing to serve a probation period post-restructure/cure to Performing

2Q18 Corporate Portfolio

	PD	Exposure	Impairment Provisions	Cover %
Perf.	PD 1-8	267	4	1.4%
	PD 9	56	4	7.0%
Impaired	PD 10	257	110	43.0%
	PD 11	174	124	71.2%
	PD 12	351	286	81.4%
	TOTAL PD1-12	**1,105**	**528**	
	PD 10-12 Impairment Provisions /(PD 10-12)			*66.5%*

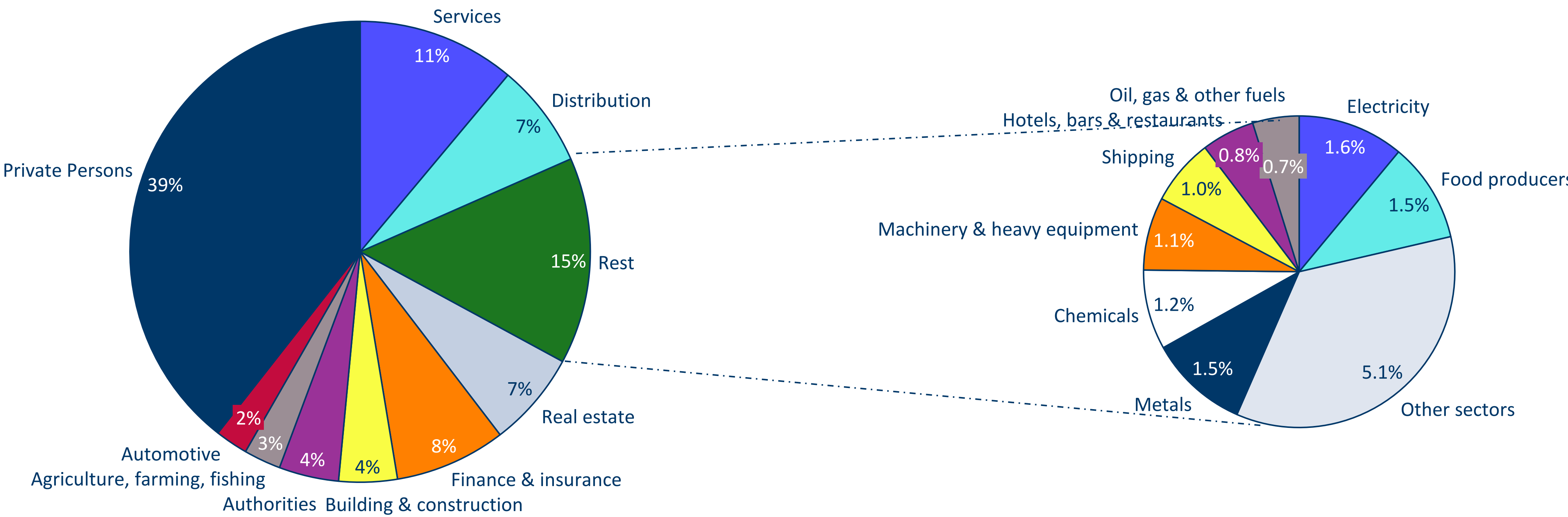
Retail portfolio

- The New Retail portfolio (all originations post 1 Jan 2014) comprises 2.7bn EUR of the overall Retail portfolio and increased q-o-q by 0.2bn EUR. New Retail at 2Q18 represents 24% of total Retail portfolio (from 17% at 2Q17)
- Impaired portfolio decreased by roughly 89m EUR q-o-q mainly due to improved portfolio performance (reduction of 0.7bn EUR y-o-y)
- Coverage ratio for impaired loans has slightly improved to 36% for 2Q18
- Weighted average indexed LTV on the impaired portfolio has improved significantly y-o-y and in 2Q18 decreased to 100% (from 119% at 2Q17)

Corporate loan portfolio

- Impaired portfolio has reduced by roughly 75m EUR q-o-q. Reduction driven mainly by continued deleverage of portfolio (reduction of 0.5bn EUR y-o-y)
- Coverage ratio for impaired loans has remained stable at 67% for 2Q18
- Overall exposure has dropped by approximately 0.64bn EUR y-o-y (-37% y-o-y)

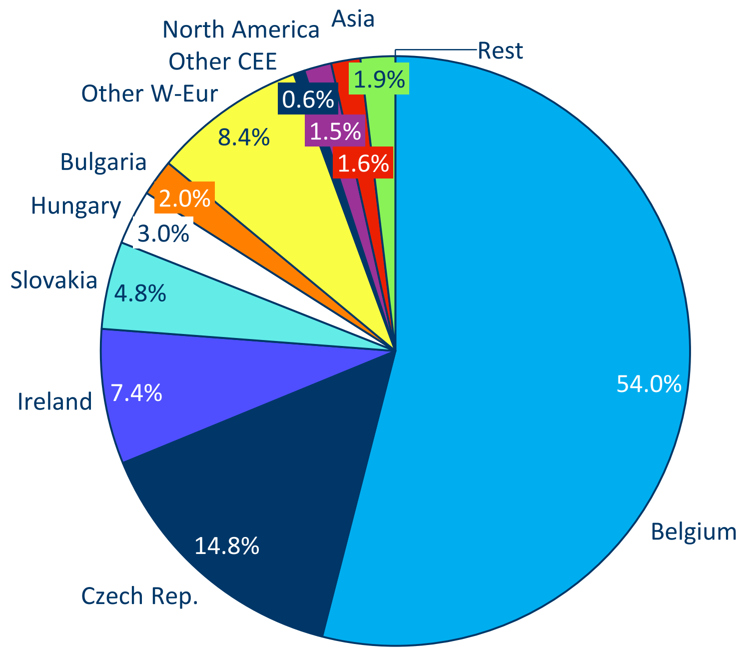
Sectorial breakdown of outstanding loan portfolio (1) (167bn EUR*) of KBC Bank Consolidated



* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate or bank issued, hence government bonds and trading book exposure are not included

* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

Geographical breakdown of the outstanding loan portfolio (2) (167bn EUR*) of KBC Bank Consolidated

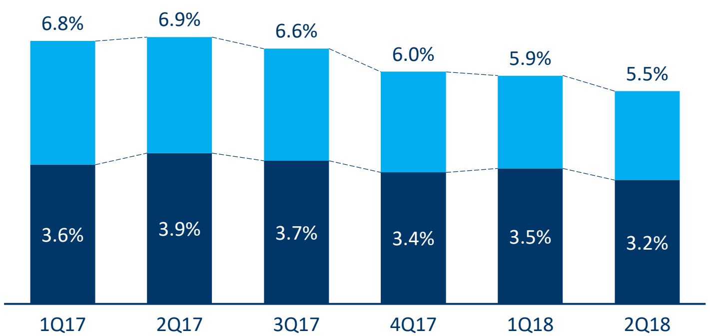


* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate or bank issued, hence government bonds and trading book exposure are not included

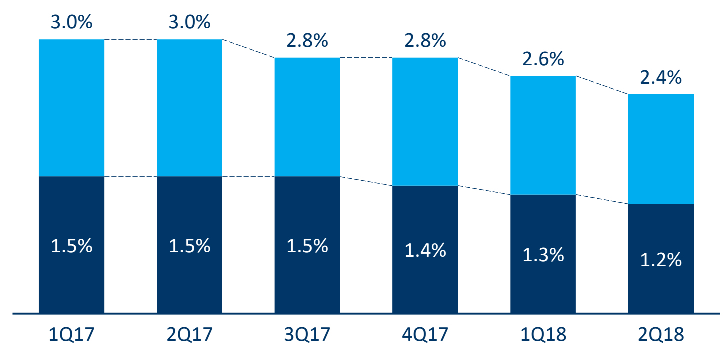
* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

Impaired loans ratios*, of which over 90 days past due

KBC GROUP



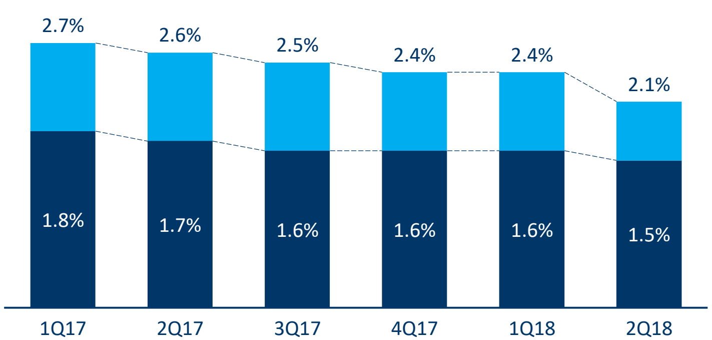
BELGIUM BU



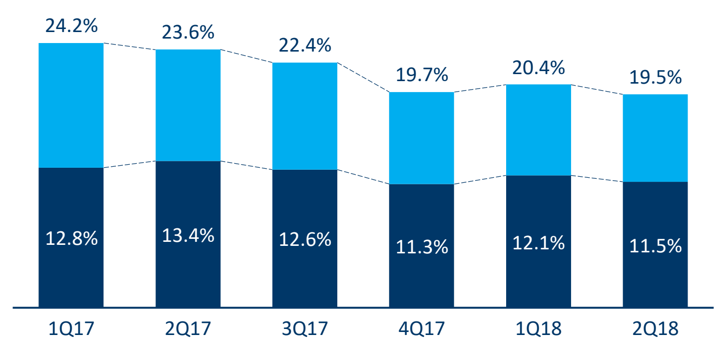
Impaired loans ratio *

Of which over 90 days past due

CZECH REPUBLIC BU



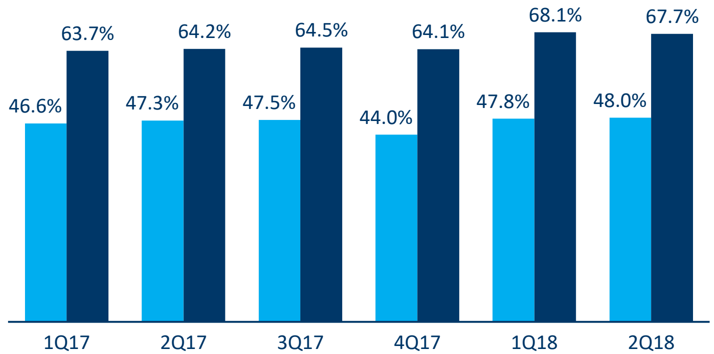
INTERNATIONAL MARKETS BU (including UBB)



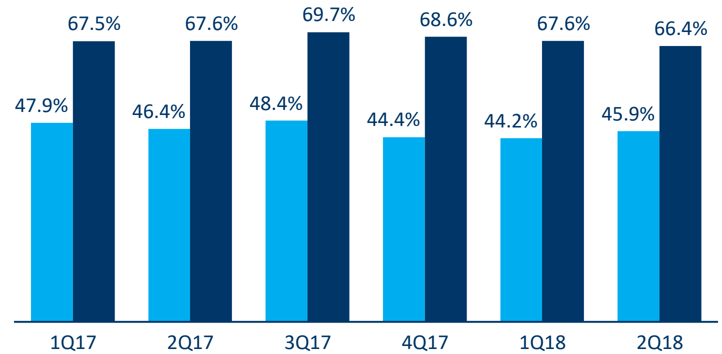
- Impaired loans ratio: As of 1Q18, a switch has been made in the risk reporting figures from outstanding (PD10-12) to the new definition of gross carrying amount, i.e. including reserved and accrued interests. In addition, the transaction scope of the credit portfolio was extended and now additionally includes the following 4 elements: (1) bank exposure (money market placements, documentary credit, accounts), (2) KBC Commercial Finance debtor risk, (3) unauthorised overdrafts, and (4) reverse repo (excl. central bank exposure)

Cover ratios

KBC GROUP



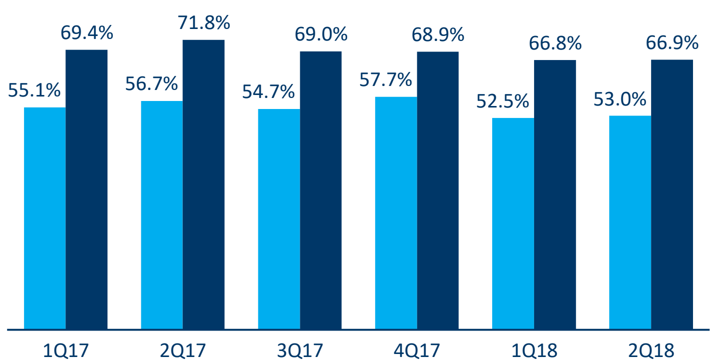
BELGIUM BU



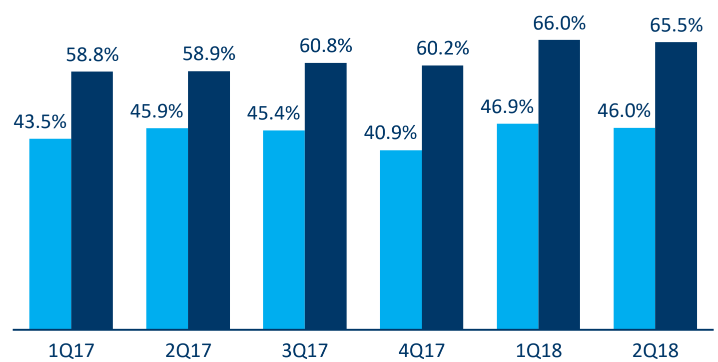
Impaired loans cover ratio *

Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



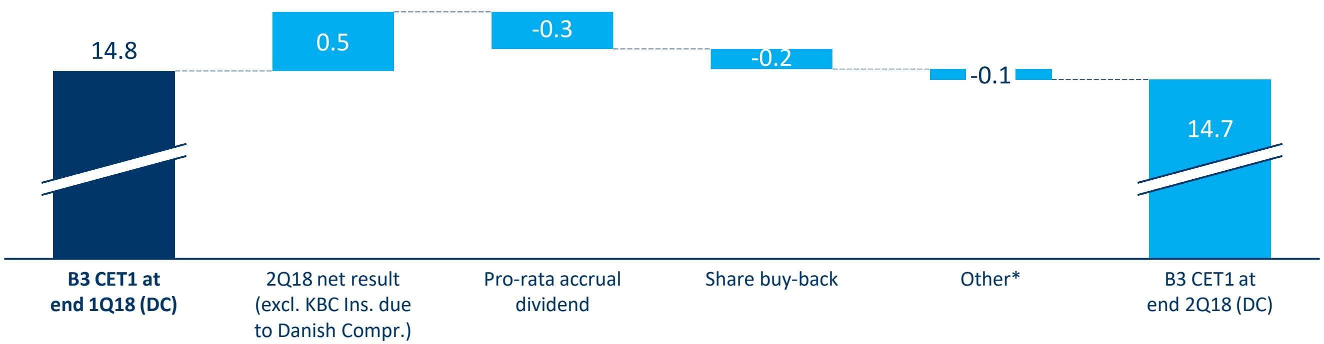
INTERNATIONAL MARKETS BU (including UBB)



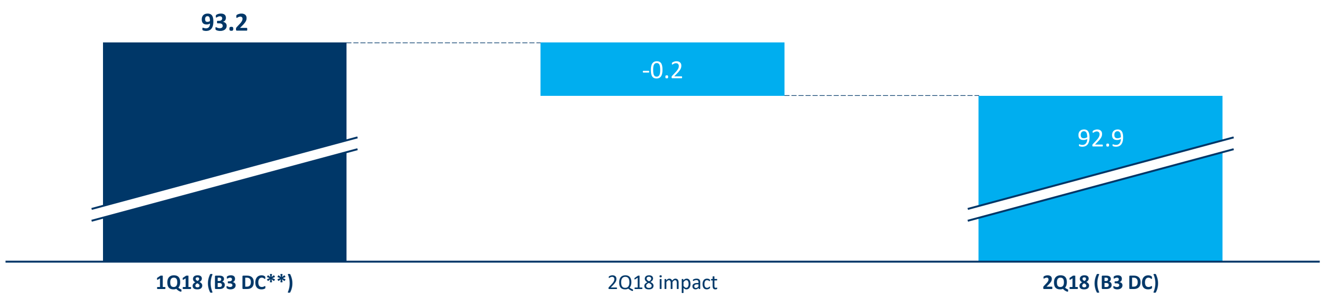
- Impaired loans cover ratio: As of 1Q18 a switch has been made in the risk reporting figures from outstanding to the new definition of gross carrying amount, i.e. including reserved and accrued interests

Fully loaded B3 CET1 based on the Danish Compromise (DC) from 1Q18 to 2Q18

DELTA AT NUMERATOR LEVEL (BN EUR)



DELTA ON RWA (BN EUR)



- Fully loaded B3 common equity ratio decreased to 15.8% at end 2Q18 based on the Danish Compromise, due mainly to the impact of the share buy-back (-0.2%)
- This clearly exceeds the minimum capital requirements set by the competent supervisors of 10.6% fully loaded

* Includes the q-o-q delta in deferred tax assets on losses carried forward, remeasurement of defined benefit obligations, IRB provision shortfall, deduction re. financing provided to shareholders, deduction re. irrevocable payment commitments, intangible fixed assets, AT1 coupon, translation differences, etc.

** Includes the RWA equivalent for KBC Insurance based on DC, calculated as the historical book value of KBC Insurance multiplied by 370%

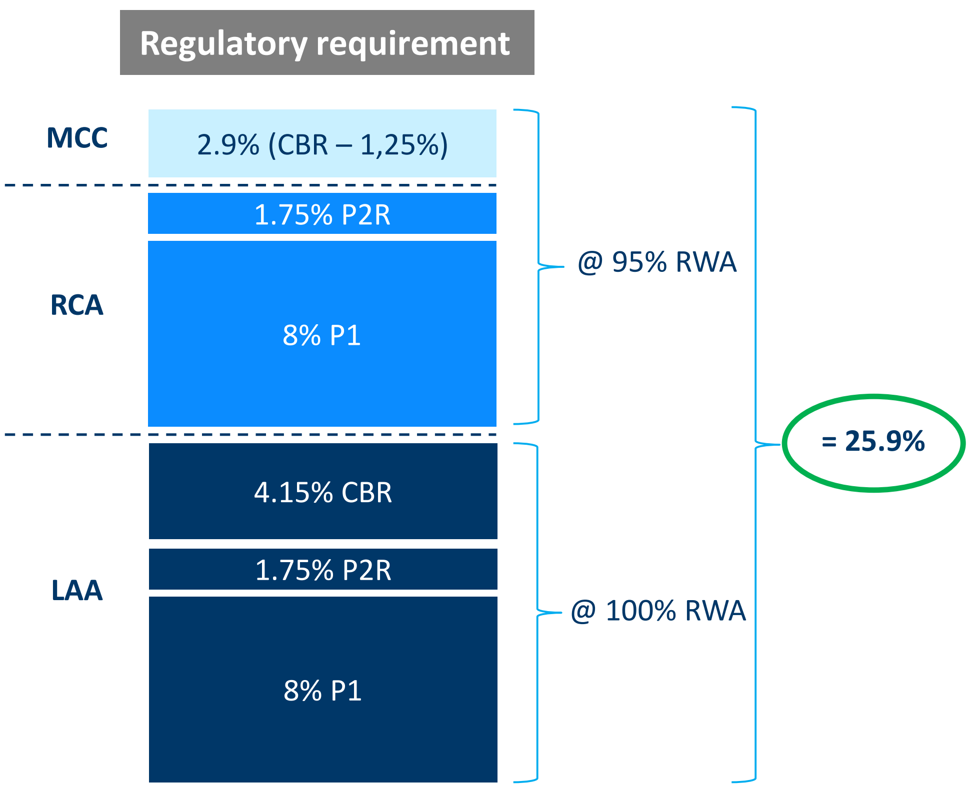
Overview of B3 CET1 ratios at KBC Group

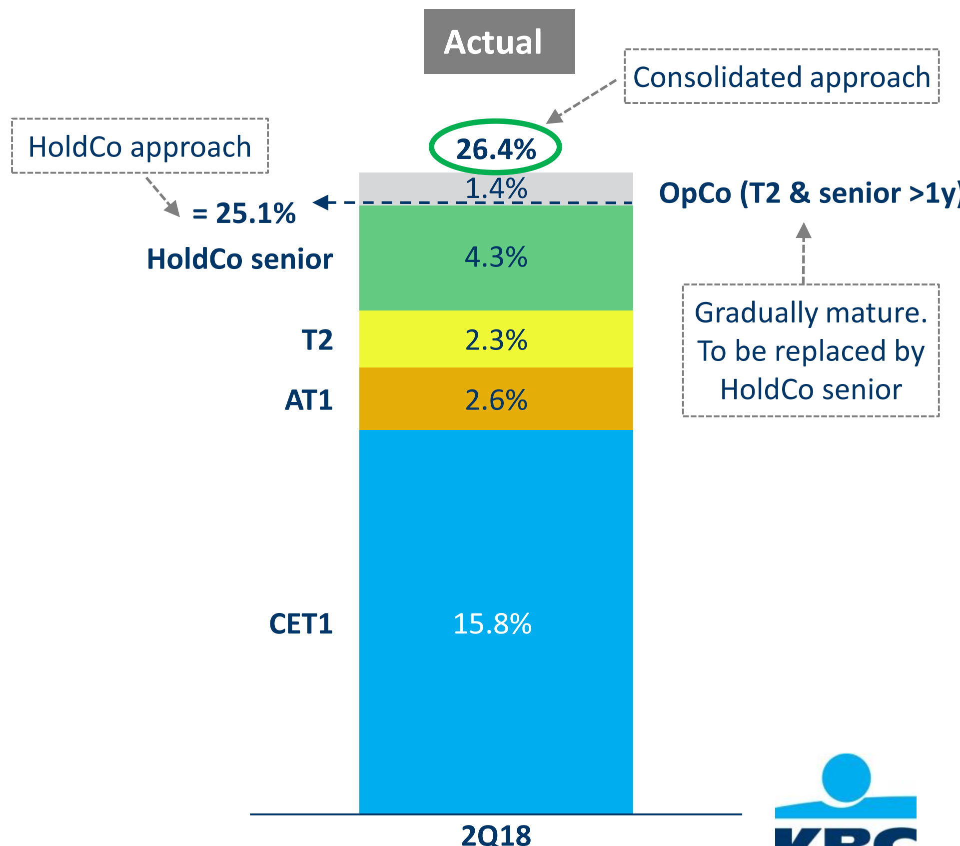
Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, fully loaded	15,826	105,764	15.0%
DC**, fully loaded	14,715	92,931	15.8%
DM***, fully loaded	13,721	87,484	15.7%

* FICOD: Financial Conglomerate Directive
** DC: Danish Compromise
*** DM: Deduction Method

KBC well on track to comply with resolution requirements

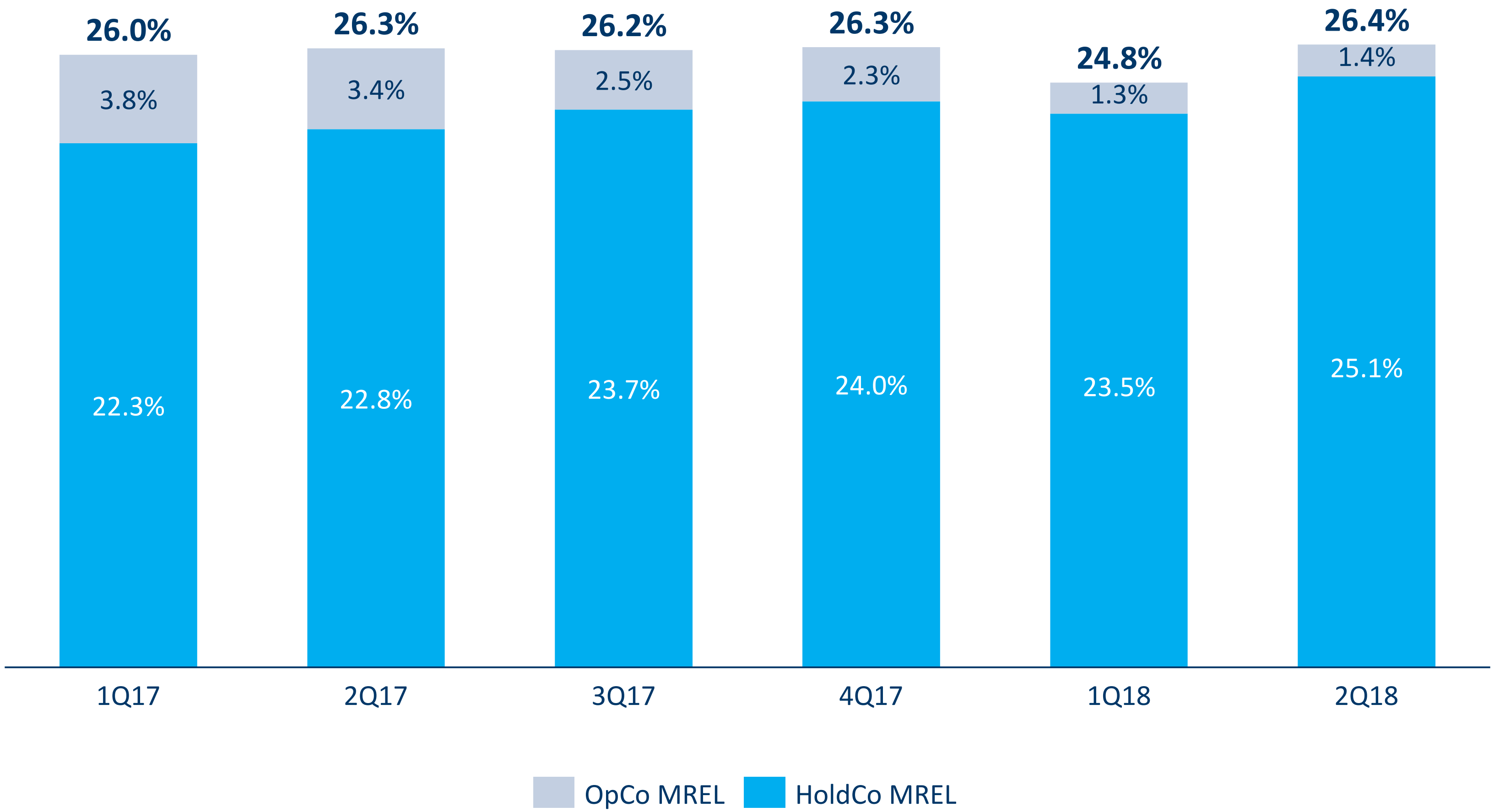
- ✓ The resolution plan for KBC is based on a **Single Point of Entry (SPE)** approach at KBC Group level
- ✓ **Bail-in** is identified as the preferred resolution tool
- ✓ SRB's current approach to **MREL** is defined in the '2017 MREL Policy' published on 20 December 2017, which is based on the current legal framework and hence might be revised in the context of the ongoing legislative process to review BRRD
- ✓ **The MREL target for KBC is 25.9%,** which is based on fully loaded capital **requirements as at 31-12-2016**
- ✓ SRB requires KBC to achieve this target by 1 May 2019, using both HoldCo and eligible OpCo instruments





LAA	**L**oss **A**bsorbing **A**mount
RCA	**R**e**C**apitalisation **A**mount
MCC	**M**arket **C**onfidence **C**harge
CBR =	**C**ombined **B**uffer **R**equirement = 2.5% Conservation Buffer +1.5% O-SII buffer + 0.15% countercyclical buffer

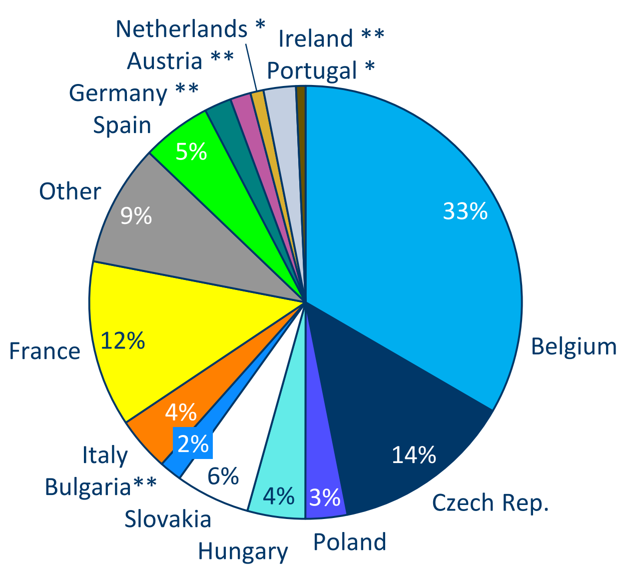
Available MREL as a % of RWA (fully loaded)



Government bond portfolio – Notional value

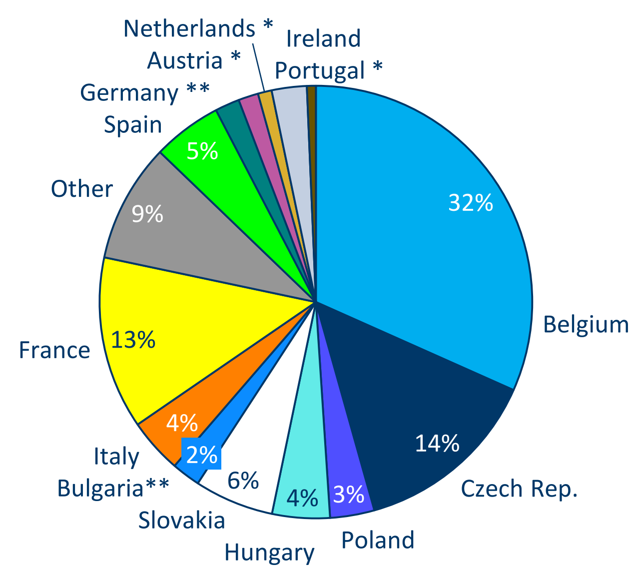
- Notional investment of 45.1bn EUR in government bonds (excl. trading book) at end of 1H18, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.7bn EUR at the end of 1H18

END OF 2017
(Notional value of 47.3bn EUR)



(*) 1%, (**) 2%

END OF 1H18
(Notional value of 45.1bn EUR)

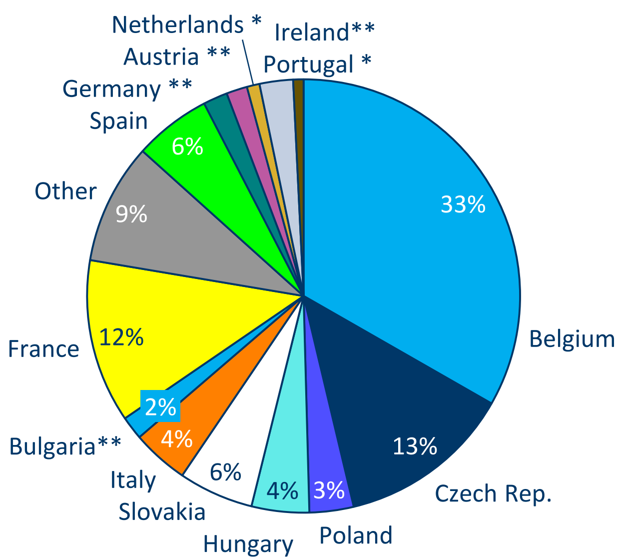


(*) 1%, (**) 2%

Government bond portfolio – Carrying value

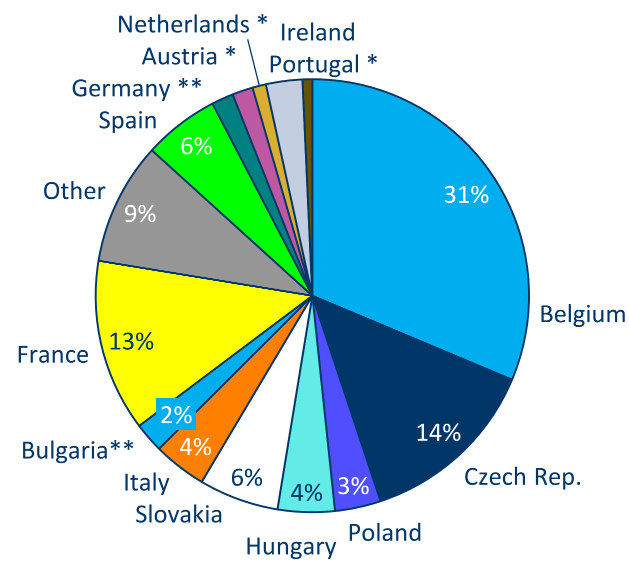
- Carrying value of 48.0bn EUR in government bonds (excl. trading book) at end of 1H18, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 6.3bn EUR at the end of 1H18

END OF 2017
(Carrying value of 51.5bn EUR)



(*) 1%, (**) 2%

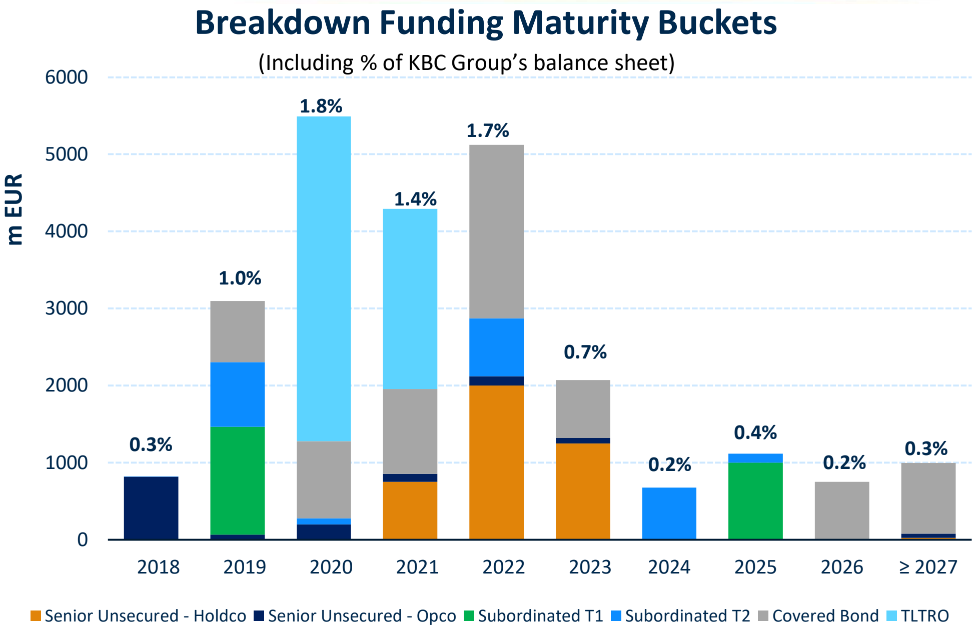
END OF 1H18
(Carrying value of 48.0bn EUR)

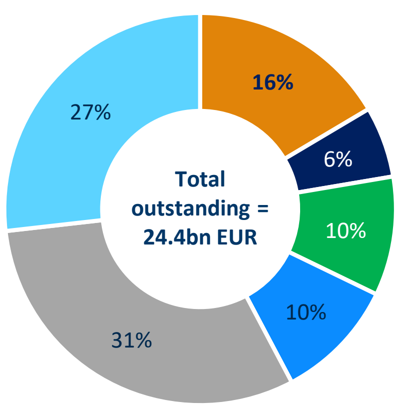


(*) 1%, (**) 2%

* Carrying value is the amount at which an asset (or liability) is recognised: for those not valued at fair value this is after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon, while carrying amount is equal to fair value when recognised at fair value

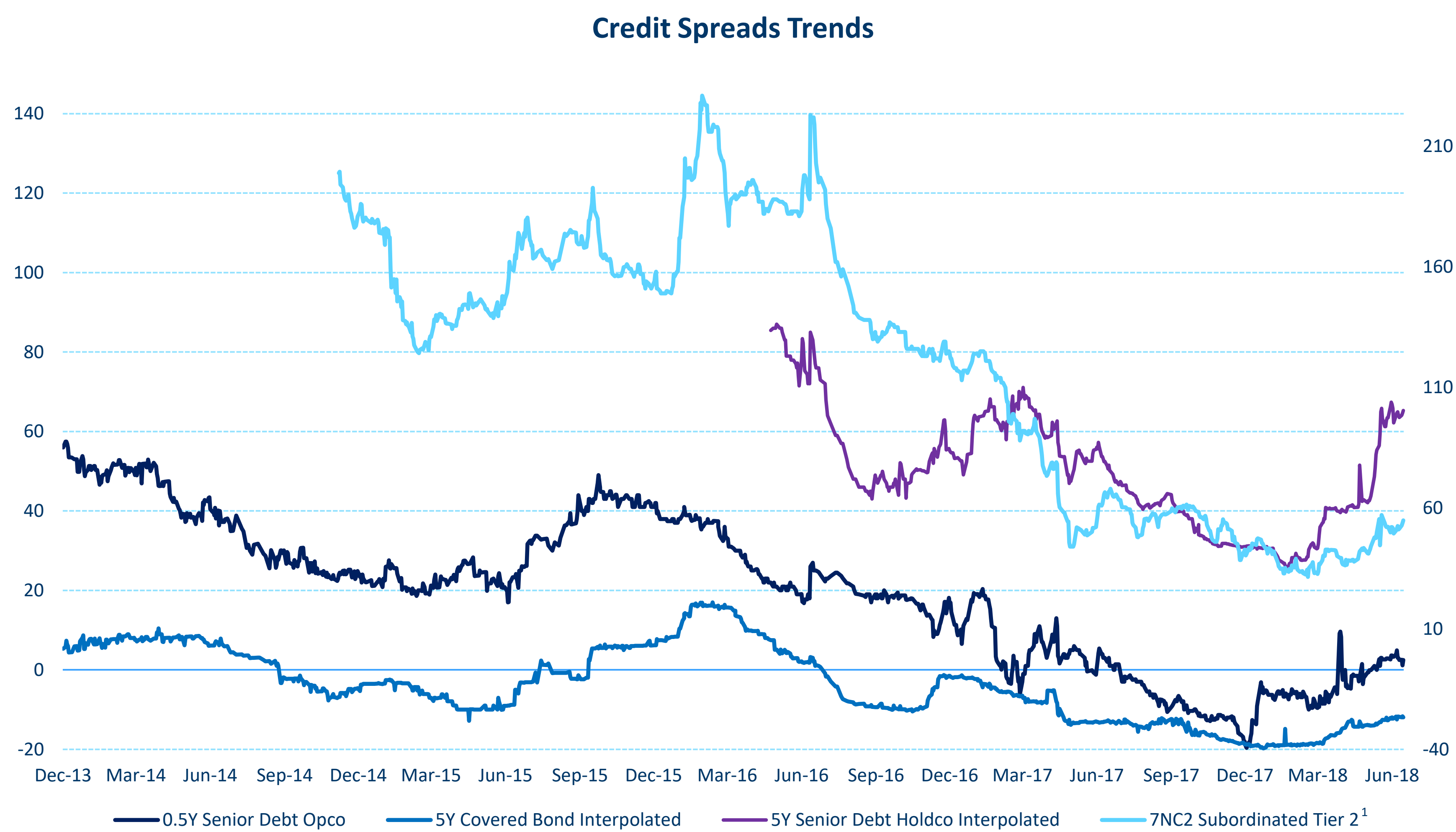
Upcoming mid-term funding maturities





- KBC Group issued a perpetual non-call 7.5-year additional Tier-1 instrument of 1bn EUR in April 2018
- KBC Group successfully issued its inaugural green senior benchmark issue of 500m EUR with a 5-year maturity in June 2018
- KBC Group's credit spreads widened at the end of 2Q18
- KBC Bank has 6 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Covered bonds
  - Structured notes and covered bonds using the private placement format
  - Senior unsecured, T1 and T2 capital instruments issued at KBC Group level and down-streamed to KBC Bank

Credit spreads trends



[1] *7NC2 Subordinated Tier 2 spread is shown on the right-hand axis*

Glossary (1)

AQR	Asset Quality Review
B3	Basel III
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (banking)	[operating expenses of the banking activities of the group] / [total income of the banking activities of the group]
Cost/income ratio adjusted for specific items	The numerator and denominator are adjusted for (exceptional) items which distort the P&L during a particular period in order to provide a better insight into the underlying business trends. Adjustments include: • MtM ALM derivatives (fully excluded) • bank taxes (including contributions to European Single Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of being recognised for the most part upfront (as required by IFRIC21) • one-off items
Credit cost ratio (CCR)	[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
ESFR	European Single Resolution Fund
FICOD	Financial Conglomerates Directive
Impaired loans cover ratio	[total specific impairments on the impaired loan portfolio (stage 3)] / [part of the loan portfolio that is impaired (PD 10-11-12)]
Impaired loans ratio	[part of the loan portfolio that is impaired (PD 10-11-12)] / [total outstanding loan portfolio]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity coverage ratio (LCR)	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days]
Net interest margin (NIM) of the group	[banking group net interest income excluding dealing room] / [banking group average interest-bearing assets excluding dealing room]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]

Glossary (2)

MARS	Mortgage Arrears Resolution Strategy
MREL	Minimum requirement for own funds and eligible liabilities
PD	Probability of default
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for fair value through Other Comprehensive Income (OCI) assets]
TLAC	Total loss-absorbing capacity

Contacts / Questions

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