KBC Group
Analysts' presentation
2Q 2017 Results

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2Q 2017 key takeaways for KBC Group

- **EXCELLENT BUSINESS PERFORMANCE IN 2Q17**

  Exceptionally strong net result of 855m EUR in 2Q17 (and 1,485m EUR in 1H17). ROE of 20% in 1H17
  - Excellent performance of the commercial bank-insurance franchises in our core markets and core activities
  - Q-o-q increase in customer loan volumes and customer deposits in most of our core countries
  - Slightly higher net interest income despite slightly lower net interest margin q-o-q
  - High net fee and commission income
  - Higher net gains from financial instruments at fair value and higher realised AFS gains, lower net other income
  - Exceptional combined ratio of 84% in 1H17. Excellent sales of non-life products, while sales of life insurance products were lower
  - Strict cost management resulted in a cost/income ratio of 53% YTD adjusted for specific items
  - Net impairment releases of 71m, mainly driven by Ireland (net release of 87m EUR). The impairment guidance for Ireland has been updated towards a net release of a range of 160m-200m EUR for FY17, driven by a 40m EUR adjustment as a result of the model recalibration in 2Q17

- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - **The B3 common equity ratio based on the Danish Compromise** at end 2Q17 amounted to **15.83% phased-in and 15.65% fully loaded***. **The earnings generation in 2Q17 fully absorbed the impact of the acquisition of UBB & Interlease in Bulgaria of 50bps on fully loaded CET1**
  - Fully loaded B3 **leverage ratio**, based on current CRR legislation, amounted to **5.7%** at KBC Group
  - **Continued strong liquidity position** (NSFR at 130% and LCR at 141%) at end 2Q17
  - Referring to our dividend policy, KBC will pay an **interim dividend of 1 EUR per share in November 2017**, 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

* This clearly exceeds the minimum capital requirements set by the ECB / NBB of respectively 8.65% and 10.40% for 2017. On top of the above-mentioned capital requirements, the ECB expects KBC to hold a pillar 2 guidance (P2G) of 1.0% CET1

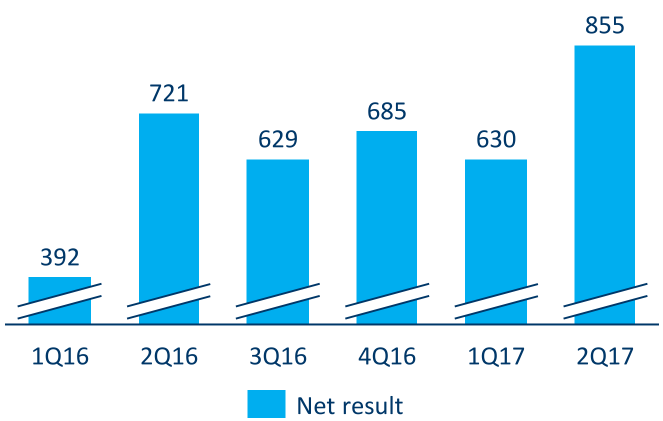
Contents

Section 1

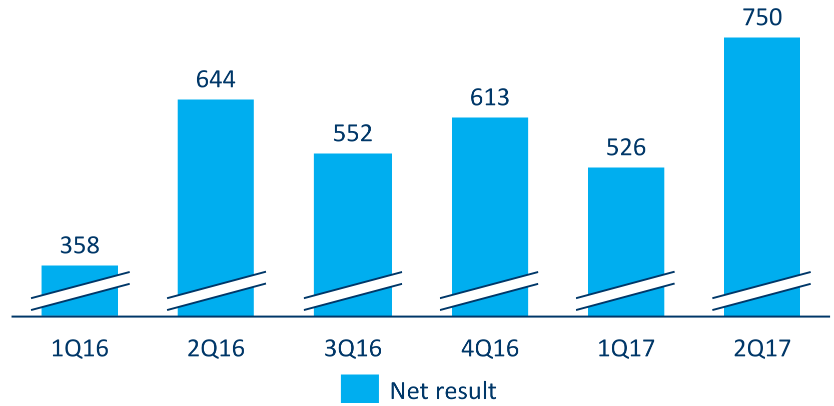
2Q 2017 performance of KBC Group

Net result at KBC Group

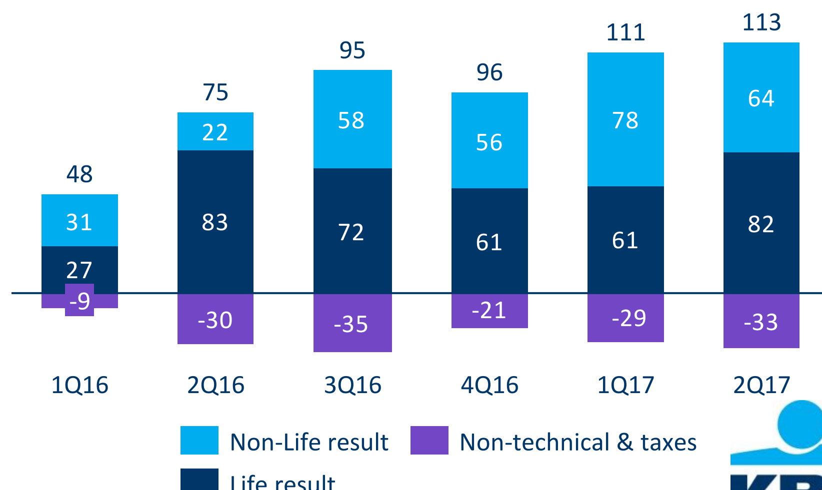
NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*



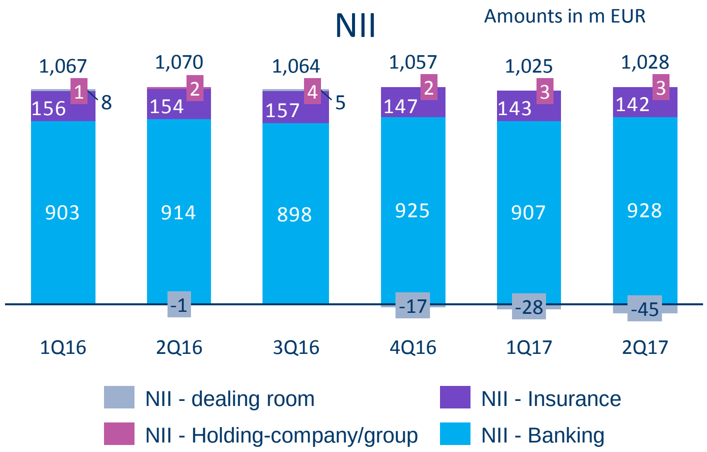
CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*

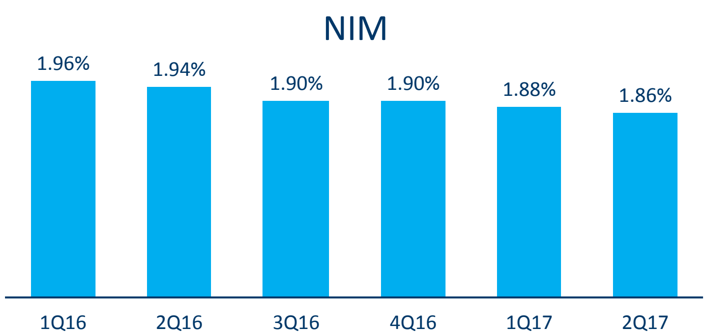


* Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted for by the holding-company/group items

Amounts in m EUR

Slightly higher net interest income and slightly lower net interest margin





- **Net interest income (1,028m EUR)**
  - Slightly up q-o-q and down by 4% y-o-y
  - NII banking increased by 2% q-o-q, which was largely offset by more negative NII of dealing room activities
  - The small q-o-q increase was driven primarily by:
    - lower funding costs
    - continued good volume growth in current accounts and loans
    - further positive effect of enhanced ALM management

    partly offset by:
    - lower reinvestment yields
    - more negative NII of dealing room activities
    - pressure on commercial loan margins in most core countries
    - slightly lower upfront prepayment fees

- **Net interest margin (1.86%)**
  - Down by 2 bps q-o-q and by 8 bps y-o-y
  - Q-o-q decrease is entirely due to decreased net interest income from the dealing room, as lower reinvestment yields and pressure on commercial loan margins in most core countries were fully offset by lower funding costs and the further positive effect of enhanced ALM management

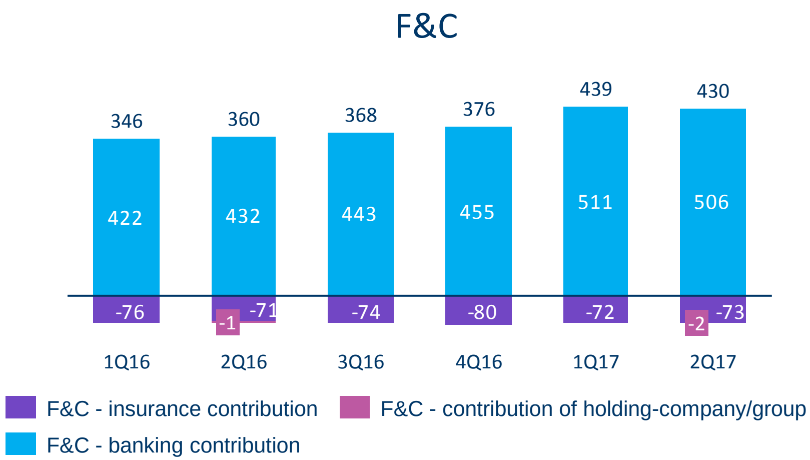
Customer deposit volumes excluding debt certificates & repos +2% q-o-q and +4% y-o-y

VOLUME TREND

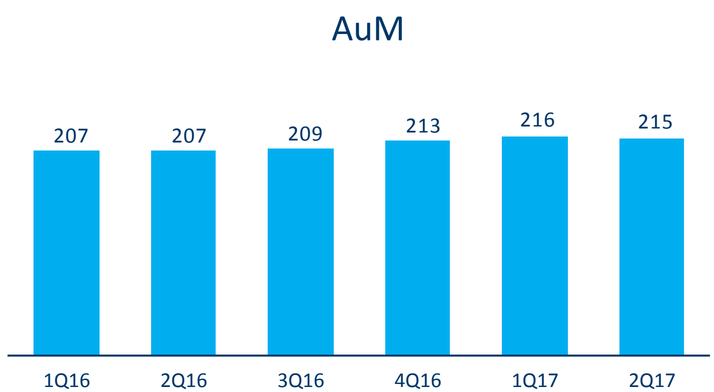
Excluding FX effect & UBB/Interlease	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	137bn	58bn	186bn	215bn	28bn
Growth q-o-q*	+2%	+1%	+2%	0%	0%
Growth y-o-y	+4%	+3%	+8%	+4%	0%

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

High net fee and commission income



Amounts in m EUR



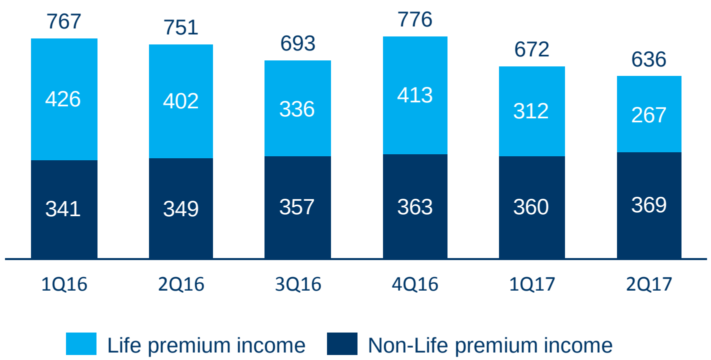
- **Net fee and commission income (430m EUR)**
  - Down by 2% q-o-q and up by 19% y-o-y
  - Despite an increase of the net sales, net F&C income decreased q-o-q driven chiefly by:
    - high entry fees from mutual funds (due to a further successful shift to the new discretionary-based service proposition in Belgium), but lower q-o-q due to the exceptionally strong 1Q17
    - lower securities-related fees
  - Y-o-y increase was mainly the result of:
    - higher management fees from mutual funds & unit-linked life insurance products (mainly thanks to a good equity market performance and a higher assets base)
    - higher entry fees from mutual funds and unit-linked life insurance products due to the successful shift to the new discretionary-based service proposition in Belgium
    - higher fees from payment services (mainly in Hungary)
    - higher securities-related fees (in Belgium)

- **Assets under management (215bn EUR)**
  - Slightly decreased q-o-q owing to a negative price effect
  - Rose by 4% y-o-y owing to net outflows (-1%) and a positive price effect (+5%)
  - The mutual fund business has seen net inflows again (substantially higher q-o-q), but this was offset mainly by net outflows in group assets and investment advice

Amounts in bn EUR

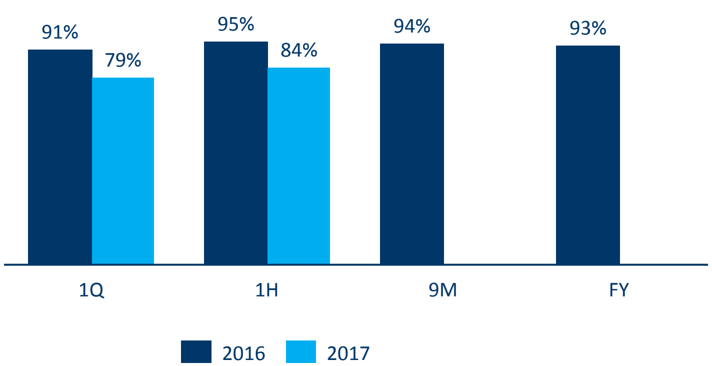
Insurance premium income down, but exceptional combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUM)



- **Insurance premium income** (gross earned premium) at 636m EUR
  - Non-life premium income (369m) increased by 6% y-o-y
  - Life premium income (267m) down by 15% q-o-q and by 34% y-o-y

COMBINED RATIO (NON-LIFE)

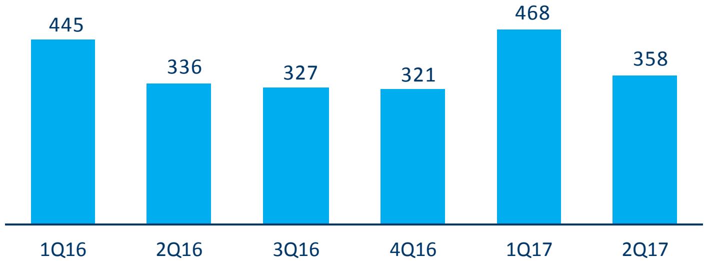


- The non-life **combined ratio** at 1H17 amounted to **84%**, an improvement compared with 93% in FY16 due to low technical charges (especially in 1Q17). Remember that 1H16 was negatively impacted by one-off charges due to terrorist attacks in Belgium (in 1Q16) and the impact of floods/storms (in 2Q16)

Amounts in m EUR

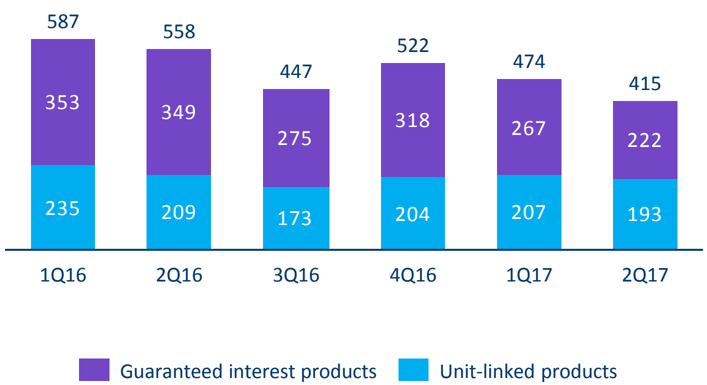
Non-life sales up y-o-y, life sales down q-o-q and y-o-y

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



- **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

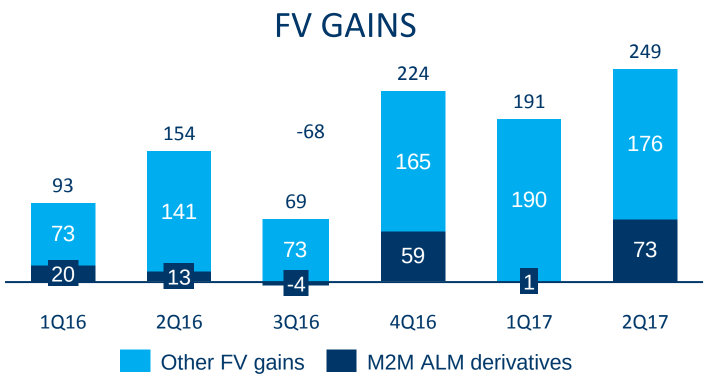
LIFE SALES

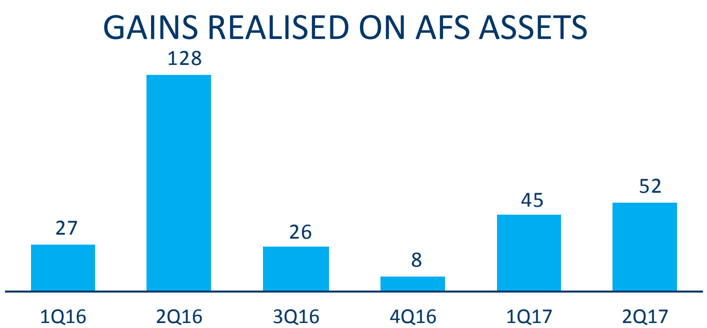


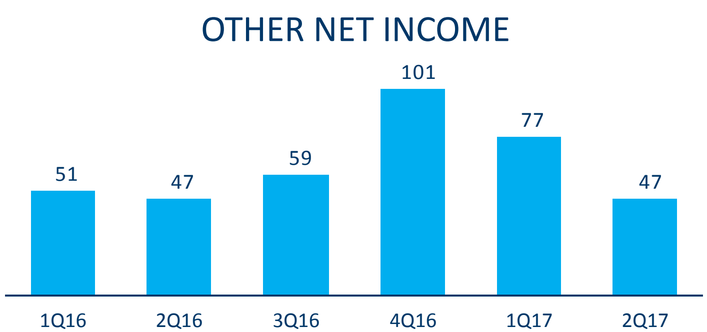
- **Sales of life insurance products**
  - Decreased by 12% q-o-q and by 26% y-o-y
  - The q-o-q and y-o-y decrease was driven mainly by lower sales of guaranteed interest products in Belgium (driven by the low guaranteed interest offered)
  - Sales of unit-linked products accounted for 46% of total life insurance sales

Amounts in m EUR

Higher FV gains and gains realised on AFS assets, lower other net income







- The higher q-o-q figures for **net gains from financial instruments at fair value** were attributable to:
  - a positive change in ALM derivatives (73m EUR in 2Q17 compared with 1m EUR in 1Q17) due to the positive M2M value of EUR/CZK FX swaps in 2Q17 (compared to negative M2M value of EUR/CZK FX swaps in 1Q17)
  - strong dealing room income

  partly offset by:
  - a negative change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivative portfolio)

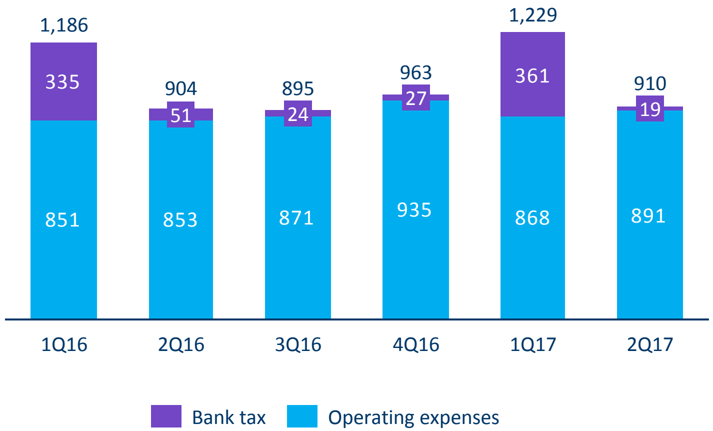
- **Higher gains realised on AFS assets** (q-o-q increase entirely on shares)

- **Other net income** amounted to 47m EUR, in line with the normal run rate of around 50m EUR. Note that 1Q17 benefited from the settlement of an old legal file

Amounts in m EUR

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

OPERATING EXPENSES



EXPECTED BANK TAX SPREAD (PRELIMINARY)**

	TOTAL	Upfront		Spread out over the year			
	2Q17	1Q17	2Q17	1Q17	2Q17	3Q17e	4Q17e
BU BE	**-6**	278	-6	0	0	0	0
BU CZ	**0**	26	1	0	0	0	0
Hungary	**20**	26	0	18	20	20	21
Slovakia	**4**	3	0	4	4	3	4
Bulgaria	**1**	3	1	0	0	0	0
Ireland	**0**	3	0	1	0	1	14
GC	**0**	0	0	0	0	0	0
TOTAL	**19**	**338**	**-4**	**22**	**23**	**24**	**39**

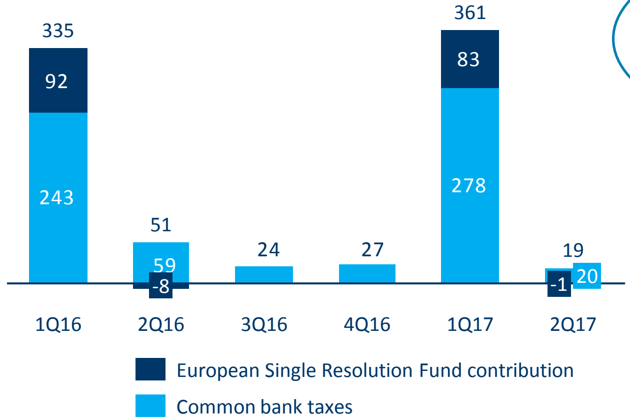
Amounts in m EUR

- **Cost/income ratio (banking) adjusted for specific items* at 54% in 2Q17 and 53% YTD**
  - Operating expenses excluding bank tax went up by 3% q-o-q due mainly to:
    - higher staff expenses mainly in the Czech Republic (wage drift) and Group Centre (due partly to early retirement costs and timing differences)
    - traditionally lower ICT, marketing and professional fee expenses in 1Q17
  - Operating expenses without bank tax increased by 5% y-o-y due chiefly to:
    - higher staff expenses (higher pension costs in Belgium and wage drift in most countries)
    - higher ICT costs
    - higher professional fee expenses
    - higher depreciation and 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 1Q17
  - Total bank taxes (including ESRF contribution) are expected to increase from 437m EUR in FY16 to 443m EUR in FY17, although still subject to changes

* See glossary (slide 94) for the exact definition
** Still subject to changes

Overview of bank taxes*

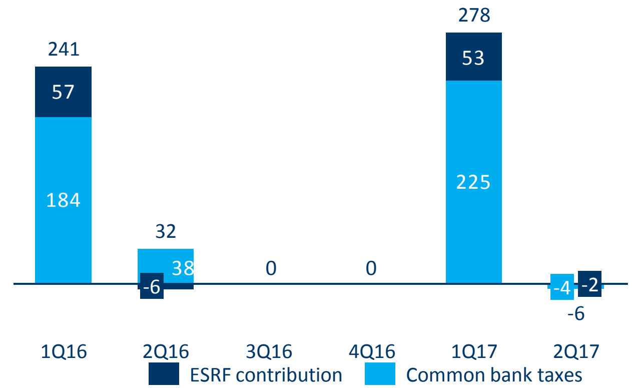
KBC GROUP



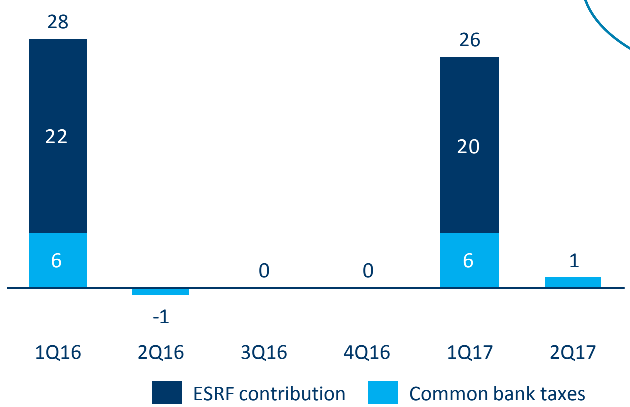
Bank taxes of 380m EUR YTD. On a pro rata basis, bank taxes represented 11.2% of 1H17 opex at KBC Group**

BELGIUM BU

Bank taxes of 272m EUR YTD. On a pro rata basis, bank taxes represented 11.0% of 1H17 opex at the Belgium BU



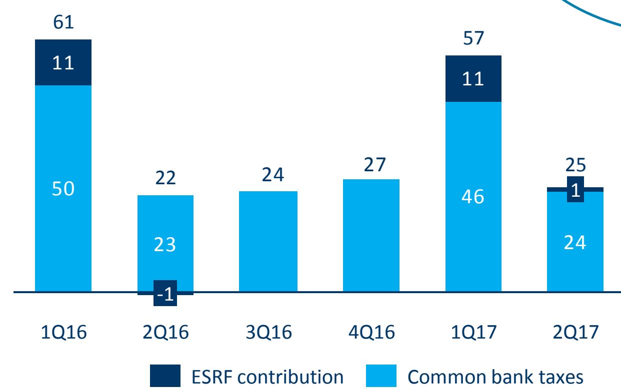
CZECH REPUBLIC BU



Bank taxes of 27m EUR YTD. On a pro rata basis, bank taxes represented 4.4% of 1H17 opex at the CZ BU

INTERNATIONAL MARKETS BU

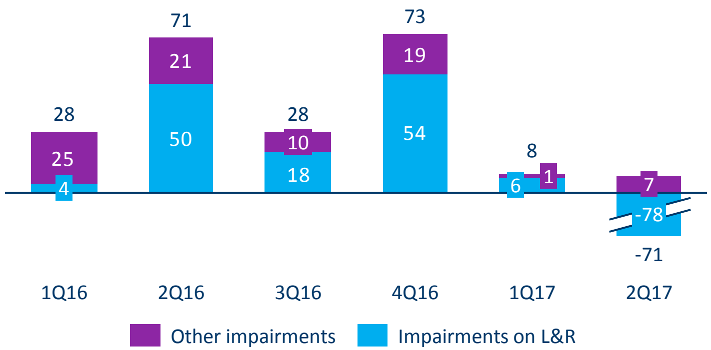
Bank taxes of 82m EUR YTD. On a pro rata basis, bank taxes represented 18.9% of 1H17 opex at the IM BU



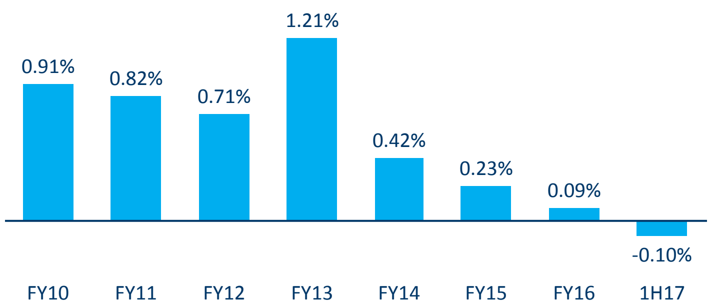
* This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.
** The C/I ratio adjusted for specific items of 53% in 1H17 amounts to roughly 47% excluding these bank taxes

Net impairment releases, excellent credit cost ratio and slightly increased impaired loans ratio

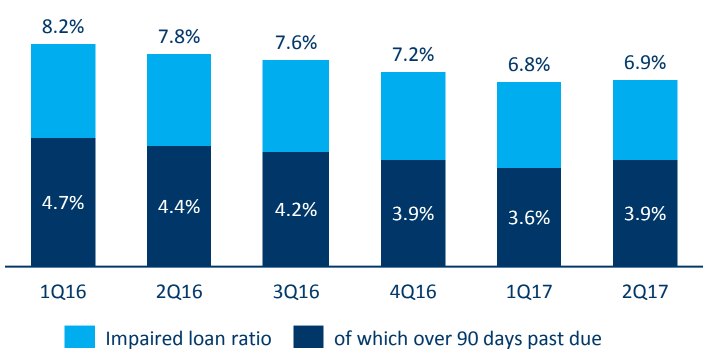
ASSET IMPAIRMENT



CREDIT COST RATIO



IMPAIRED LOANS RATIO



- **Net impairment releases**
  - This was attributable mainly to:
    - net loan loss provision releases in Ireland of 87m EUR (compared with 50m in 1Q17)
    - also small reversals in Belgium and Hungary
  - Impairment of 2m EUR on AFS shares (in Belgium)
  - Impairment of 5m on other (of which 3m due to a revaluation of leased cars in CSOB Leasing in the Czech Republic)
- The **credit cost ratio** amounted to -0.10% in 1H17 due to low gross impairments and several releases
- The **impaired loans ratio** slightly increased to 6.9% due mainly to the consolidation of UBB in Bulgaria

Section 2

2Q 2017 performance of business units

BELGIUM BUSINESS UNIT

CFO SERVICES

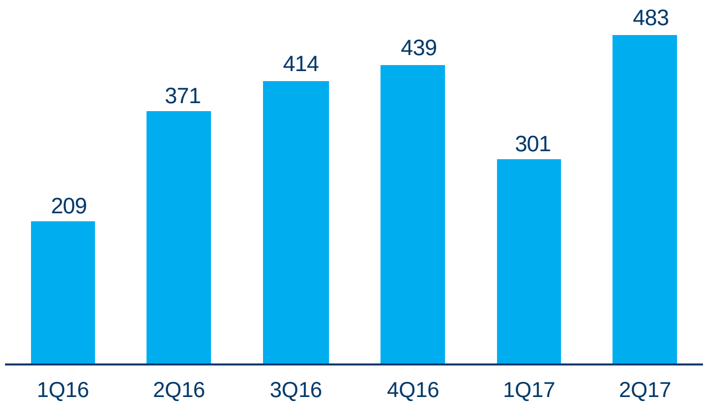
CRO SERVICES

BELGIUM	CZECH REPUBLIC	INTERNATIONAL MARKETS

CORPORATE STAFF

Belgium BU (1): net result of 483m EUR

NET RESULT



Amounts in m EUR

- **Net result** at the Belgium Business Unit amounted to 483m EUR
  - The quarter under review was characterised by lower net interest income and net fee and commission income, higher dividend income, decreased trading and fair value income, an increase in realised gains on AFS assets, lower other net income, an excellent combined ratio, lower sales of life insurance products, lower operating expenses due entirely to lower bank taxes and sharply lower impairment charges (even a small net release in 2Q17) q-o-q
  - Loan volumes rose by 1% q-o-q. Customer deposits excluding debt certificates & repos increased by 2% q-o-q

VOLUME TREND

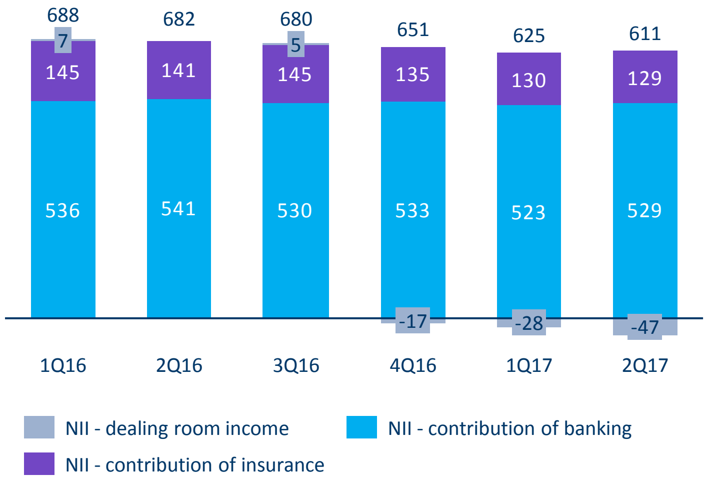
Customer deposit volumes excluding debt certificates & repos +2% q-o-q and +2% y-o-y

	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	93bn	34bn	130bn	200bn	27bn
Growth q-o-q*	+1%	0%	+2%	-1%	0%
Growth y-o-y	+3%	+1%	+8%	+4%	0%

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

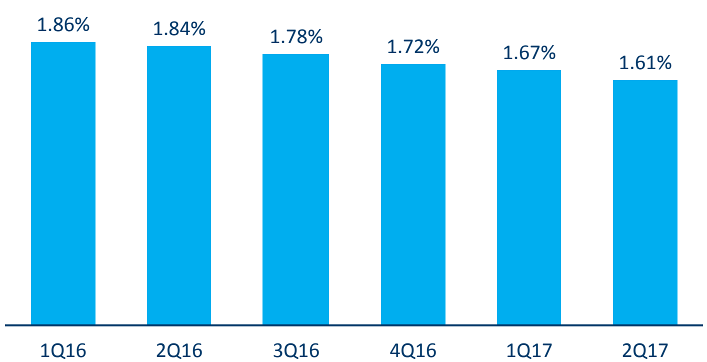
Belgium BU (2): lower NII and NIM

NII



Amounts in m EUR

NIM

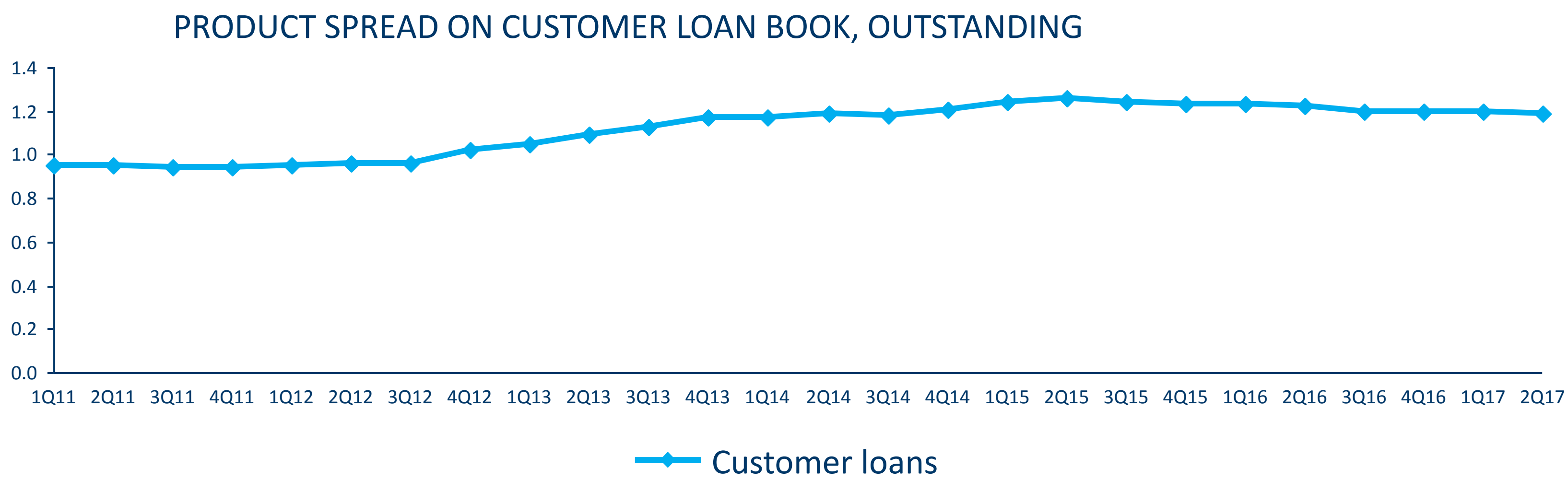


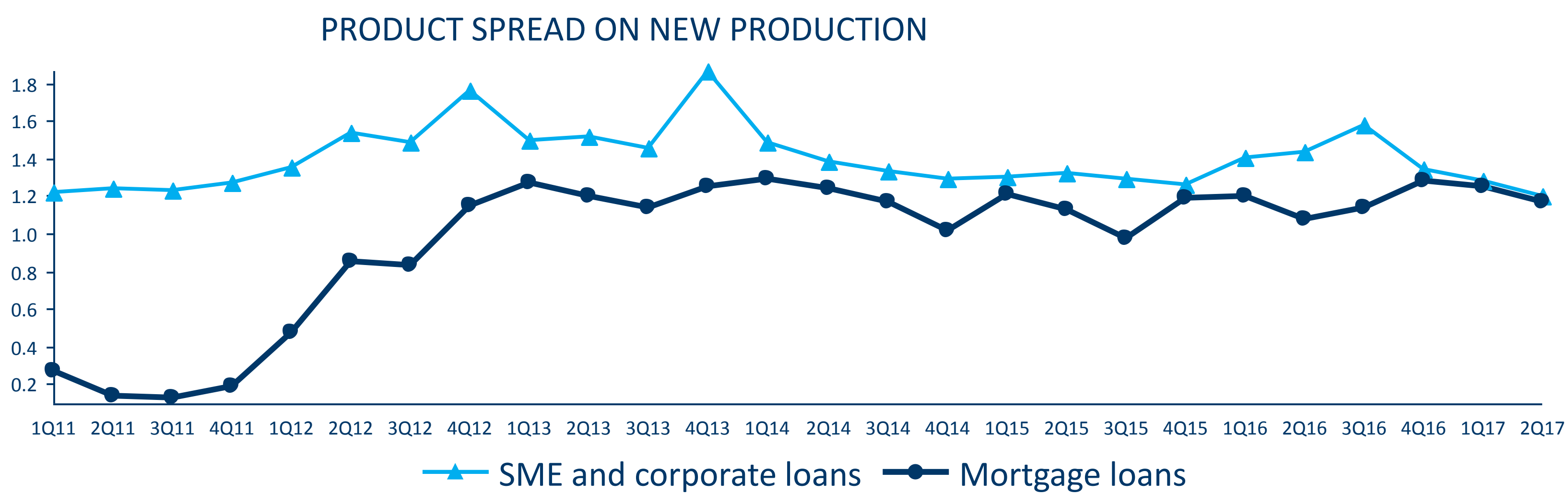
- **Net interest income (611m EUR)**
  - Down by 2% q-o-q due entirely to a lower contribution of the dealing room. NII banking rose by 1% q-o-q
  - Down by 10% y-o-y, driven primarily by:
    - lower contribution of dealing room
    - lower reinvestment yields
    - pressure on commercial loan margins
    - lower upfront prepayment fees (8m EUR in 2Q17 compared with 17m EUR in 2Q16)

    partly offset by:
    - lower funding costs on term deposits
    - continued good loan volume growth
    - further positive effect of enhanced ALM management
  - Customer deposits excluding debt certificates and repos rose by 2% y-o-y, while customer loans increased by 3% y-o-y

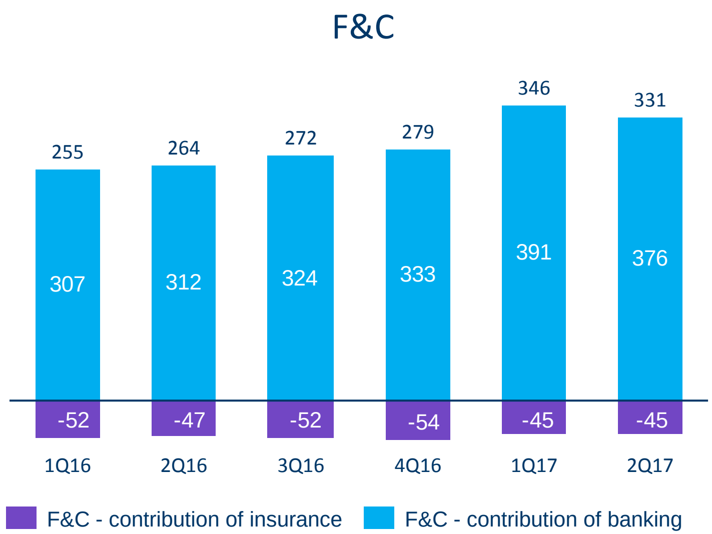
- **Net interest margin (1.61%)**
  - Fell by 6 bps q-o-q attributable fully to the decreased net interest income from the dealing room. Excluding this impact, the net interest margin would have increased by 1 bp q-o-q
  - Down by 23 bps y-o-y due to the negative impact of lower reinvestment yields, decreased net interest income from the dealing room and some pressure on commercial loan margins

Credit margins in Belgium

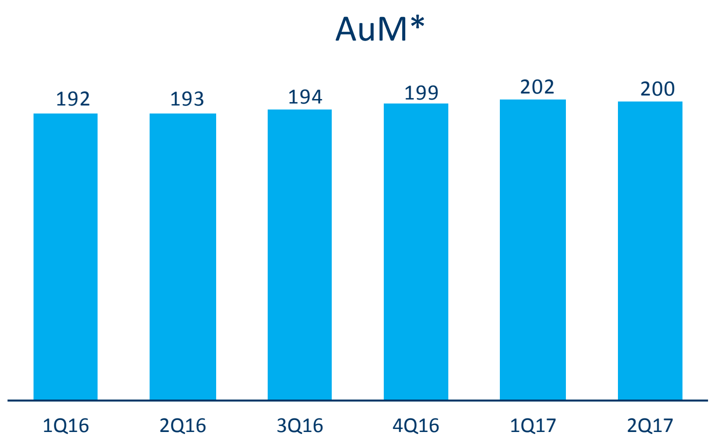




Belgium BU (3): high net F&C income



Amounts in m EUR



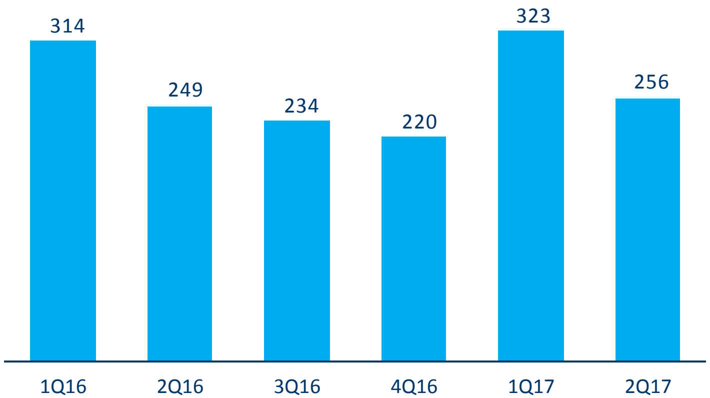
* The breakdown across the BUs is based on the 'Assets under Distribution' in each BU

Amounts in bn EUR

- **Net fee and commission income (331m EUR)**
  - Despite an increase of the net sales, net F&C income decreased by 4% q-o-q due mainly to:
    - high entry fees from mutual funds (due to a further successful shift to the new discretionary-based service proposition), but lower q-o-q due to the exceptionally strong 1Q17
    - lower securities-related fees
    - lower fees from payment services
  - Rose by 25% y-o-y driven chiefly by higher management fees from mutual funds and unit-linked life insurance products (mainly thanks to a good equity market performance and a higher assets base), higher entry fees from mutual funds & unit-linked life insurance products and higher fees from securities & payment transactions, which were only partly offset by lower fees from credit files & bank guarantees (due mainly to less mortgage refinancings)
- **Assets under management (200bn EUR)**
  - Fell by 1% q-o-q owing mainly to a negative price effect
  - Went up by 4% y-o-y as a result of net outflows (-1%) and a positive price effect (+5%)

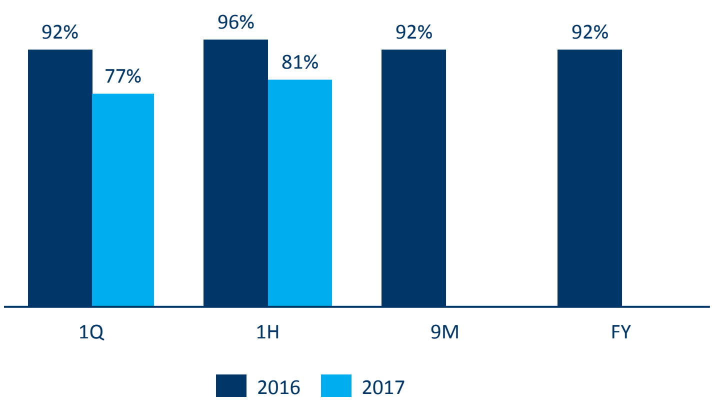
Belgium BU (4): higher y-o-y non-life sales and exceptional combined ratio

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



- **Sales of non-life insurance products**
  - Increased by 3% y-o-y driven mainly by a good commercial performance and some tariff increases. Premium growth was mainly situated in 'motor casco' and 'property'

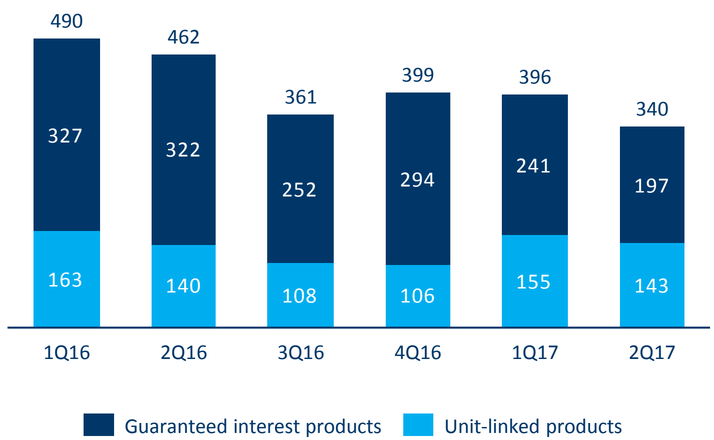
COMBINED RATIO (NON-LIFE)



- **Combined ratio** amounted to **81%** in 1H17 (92% in FY16), an exceptional level as a result of low technical charges (especially in 1Q17). Remember that 1H16 was negatively impacted by one-off charges due to terrorist attacks in Belgium (in 1Q16) and the impact of floods (in 2Q16)

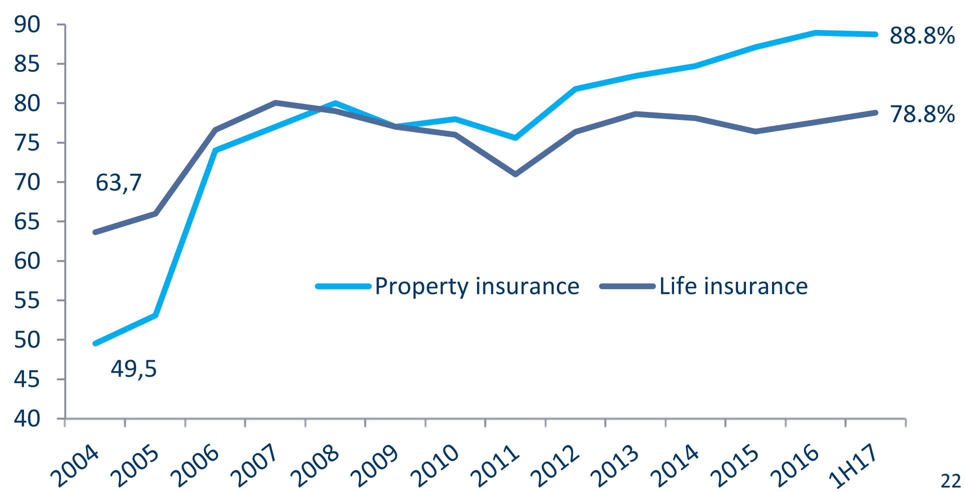
Belgium BU (5): lower life sales, but good cross-selling ratios

LIFE SALES



Amounts in m EUR

MORTGAGE-RELATED CROSS-SELLING RATIOS

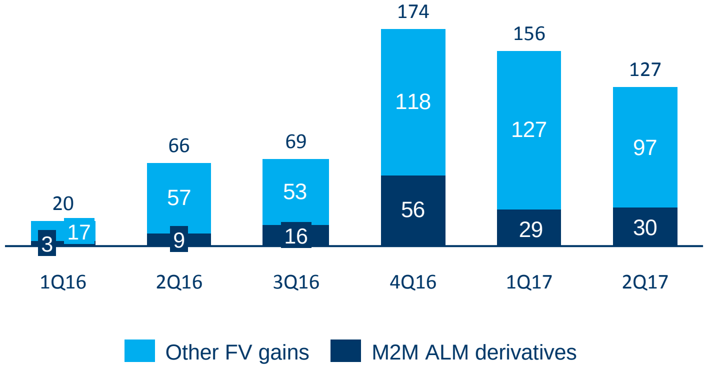


- **Sales of life insurance products**
  - Fell by 14% q-o-q due mainly to lower sales of guaranteed interest products. Despite decrease q-o-q, still good sales of unit-linked life insurance products due to the successful shift to the new discretionary-based service proposition
  - Decreased by 26% y-o-y driven entirely by significantly lower sales of guaranteed interest products (driven by reduced guaranteed interest offered)
  - As a result, guaranteed interest products and unit-linked products accounted for 58% and 42%, respectively, of life insurance sales in 2Q17

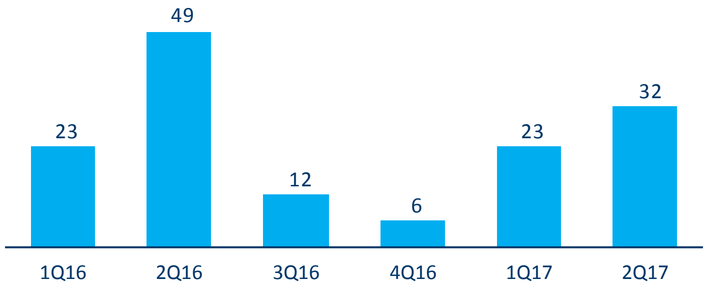
- **Mortgage-related cross-selling ratios**
  - 88.8% for property insurance
  - 78.8% for life insurance

Belgium BU (6): lower FV gains and lower other net income, but higher gains realised on AFS assets

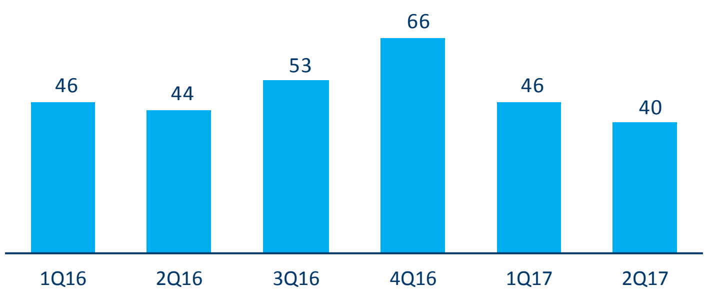
FV GAINS



GAINS REALISED ON AFS ASSETS



OTHER NET INCOME



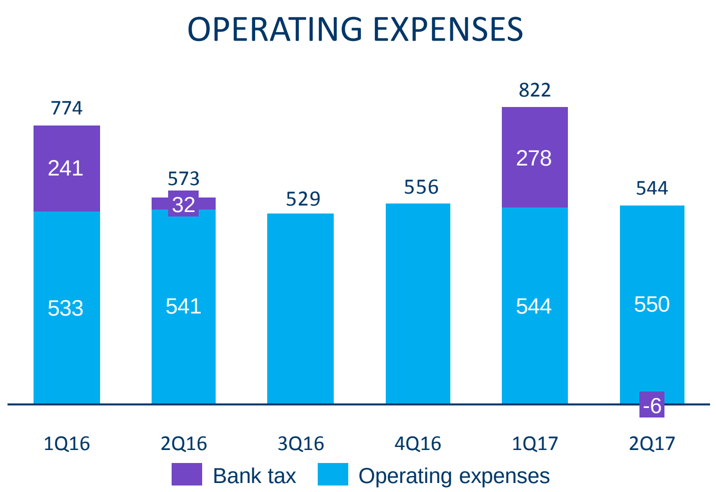
- The lower q-o-q figures for **net gains from financial instruments at fair value** were the result mainly of a negative q-o-q change in market, credit and funding value adjustments (mainly as a result of changes in the underlying market value of the derivative portfolio). Both dealing room income and M2M ALM derivatives roughly stabilised q-o-q (the former at a high level)

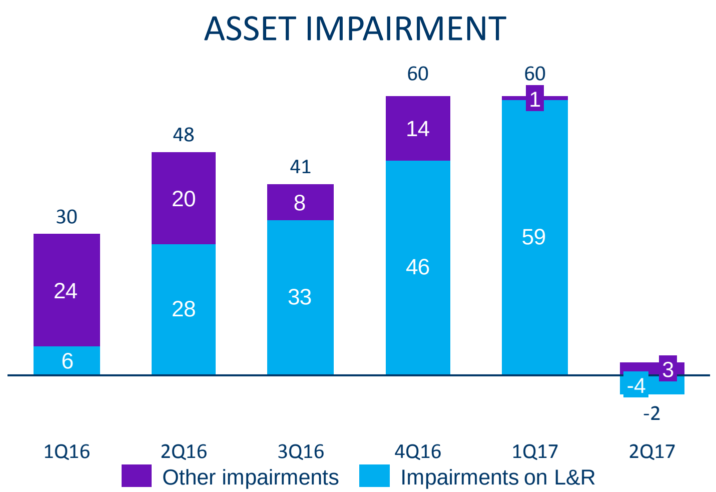
- **Gains realised on AFS assets** came to 32m EUR (q-o-q increase entirely on shares)

- **Other net income** amounted to 40m EUR in 2Q17, slightly below the normal run rate

Amounts in m EUR

Belgium BU (7): lower operating expenses, net impairments releases, good credit cost ratio





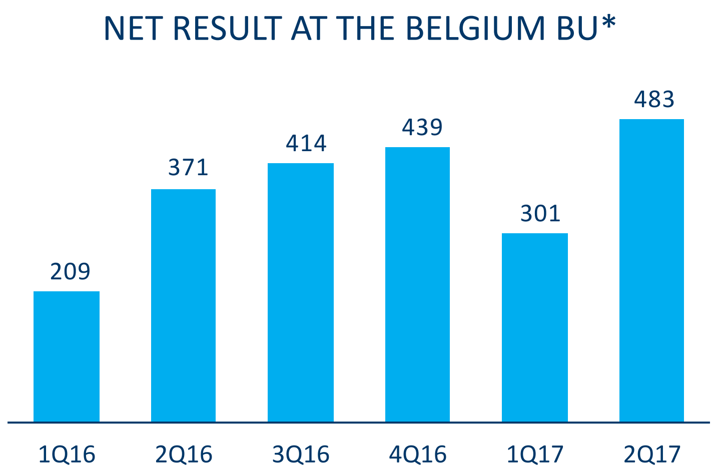
- **Operating expenses**: -34% q-o-q and -5% y-o-y
  - The q-o-q decrease was attributable entirely to lower bank taxes
  - Operating expenses without bank tax rose by 1% q-o-q due mainly to higher professional fees. Note that staff expenses roughly stabilised q-o-q, as wage inflation was offset by lower number of FTEs
  - Operating expenses without bank tax increased by 2% y-o-y driven chiefly by higher staff expenses (partly due to higher pension costs and wage inflation) and higher ICT & professional fee expenses, despite lower marketing & facilities expenses
  - Cost/income ratio: 45% in 2Q17 and 56% YTD, distorted mainly by the bank taxes. Adjusted for specific items, the C/I ratio amounted to 54% in 2Q17 and 52% YTD (55% in FY16)

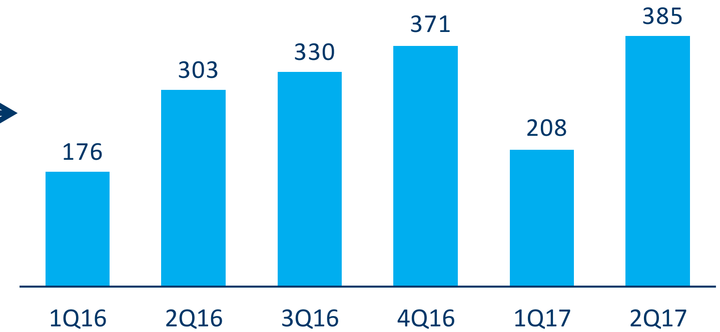
- **Net release of loan loss provisions** amounted to 4m EUR in 2Q17 (compared with loan loss provisions of 59m EUR in 1Q17). The q-o-q improvement was due to small reversals (both in retail, corporates & real estate and lease) in 2Q17, while 1Q17 was negatively impacted by two large corporate files. **Credit cost ratio** amounted to 11 bps in 1H17 (12 bps in FY16). Impairments on AFS shares (at KBC Insurance) and other amounted to 2m EUR and 1m EUR respectively

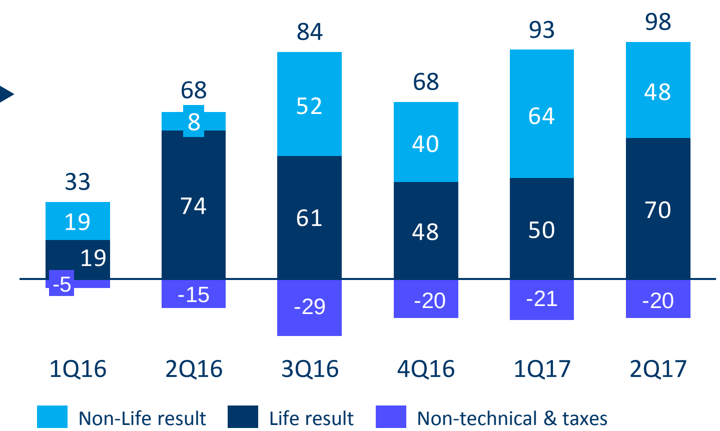
- **Impaired loans ratio** stabilised at 3.0%, 1.5% of which over 90 days past due

Amounts in m EUR

Net result at 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 BUSINESS UNIT

CFO SERVICES

CRO SERVICES

BELGIUM

CZECH REPUBLIC

INTERNATIONAL MARKETS

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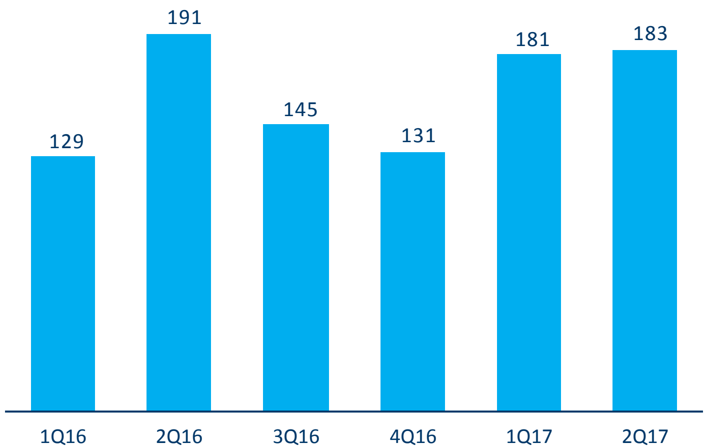
Czech Republic BU (1): net result of 183m EUR

NET RESULT



Amounts in m EUR

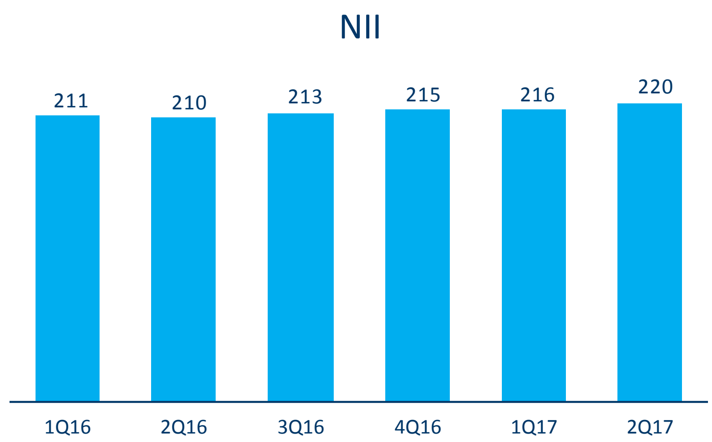
- **Net result** at the Czech Republic Business Unit of 183m EUR
  - Q-o-q results were characterised by higher net interest income, stable net fee and commission income, higher net results from financial instruments at fair value, a decrease in realised gains on AFS assets and net other income, an improved combined ratio, roughly stable sales of life insurance products, lower operating expenses (due entirely to lower bank taxes) and higher impairment charges
  - Profit contribution from the insurance business remained limited in comparison to the banking business

VOLUME TREND

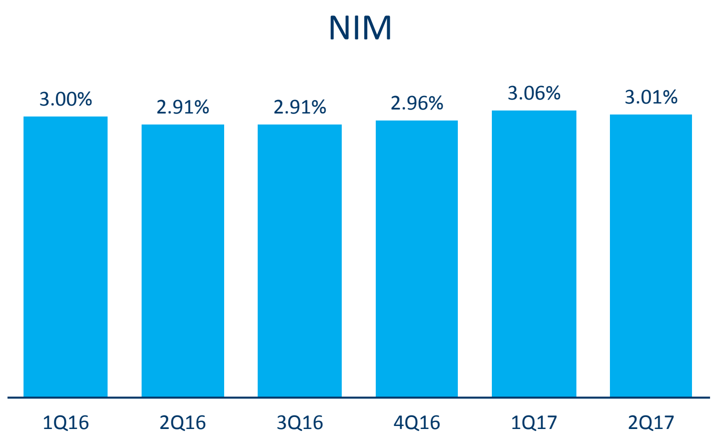
Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	22bn	10bn	29bn	9.2bn	1.0bn
Growth q-o-q*	+3%	+3%	+1%	+4%	+4%
Growth y-o-y	+9%	+12%	+12%	+6%	+9%

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

Czech Republic BU (2): higher NII, but lower NIM



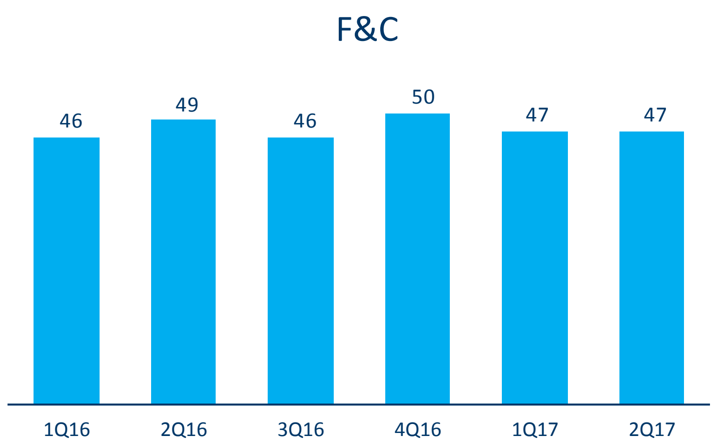
Amounts in m EUR



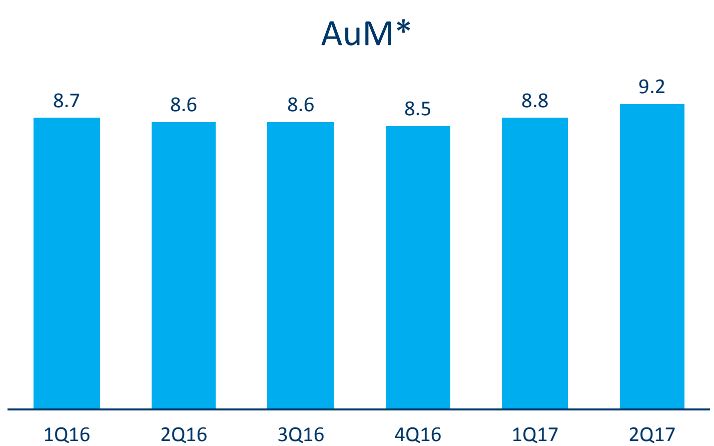
- **Net interest income (220m EUR)**
  - Up by 2% q-o-q and by 5% y-o-y to 220m EUR. Corrected for FX effects, NII stabilised q-o-q and rose by 3% y-o-y pro forma
  - The pro forma q-o-q stabilisation was the result primarily of growth in loan volumes (in all segments), which were fully offset by lower reinvestment yields and pressure on lending margins in mortgages and consumer finance
  - Loan volumes up by 9% y-o-y, driven mainly by growth in mortgages and consumer finance and, to a lesser extent, in corporate and SME loans
  - Customer deposit volumes up by 12% y-o-y

- **Net interest margin (3.01%)**
  - Down by 5 bps q-o-q and up by 10 bps y-o-y to 3.01%
  - The q-o-q decrease was attributable mainly to a lower reinvestment yield and pressure on lending margins in mortgages and consumer finance
  - The y-o-y increase was the result of positive effect of enhanced ALM management and a reduction of the average offered rate on savings accounts
  - Excluding the positive effects of CNB interventions, the NIM would hover around 2.90% in 1H17

Czech Republic BU (3): stable net F&C income



Amounts in m EUR



* The breakdown across the BUs is based on the 'Assets under Distribution' in each BU

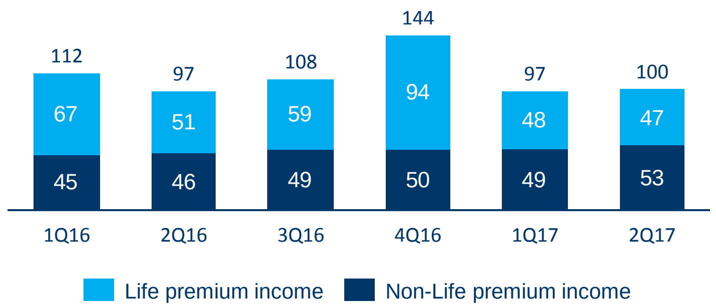
Amounts in bn EUR

- **Net fee and commission income (47m EUR)**
  - Stabilised q-o-q and down by 3% y-o-y (or -1% q-o-q and -5% y-o-y pro forma, adjusted to take account of FX effect)
  - The q-o-q stabilisation was mainly the result of higher entry fees and higher fees from payment services, offset by lower securities-related fees
  - The y-o-y decrease was attributable chiefly to lower fees from payment services and lower securities-related fees, partly offset by higher management & entry fees and higher fees from credit files & bank guarantees

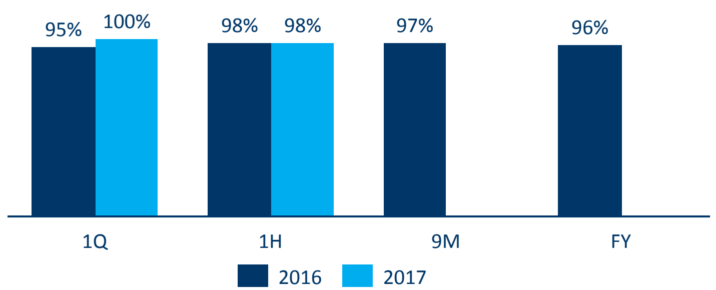
- **Assets under management (9.2bn EUR)**
  - Increased by 4.5% q-o-q owing to net inflows (+1.6%) and a positive price effect (+2.9%)
  - Y-o-y, assets under management rose by 6.5%, driven by net inflows (+3.5%) and a positive price effect (+2.9%)

Czech Republic BU (4): higher premium income, combined ratio impacted by several large claims

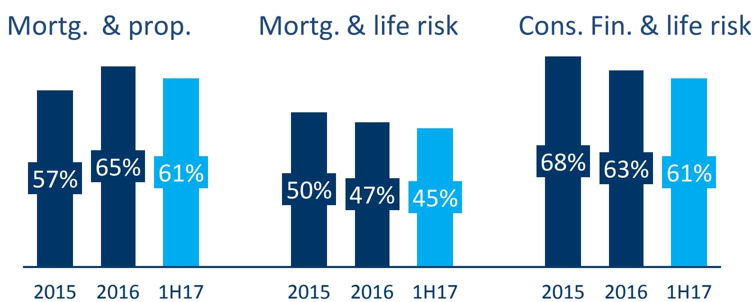
PREMIUM INCOME (GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)



CROSS-SELLING RATIOS

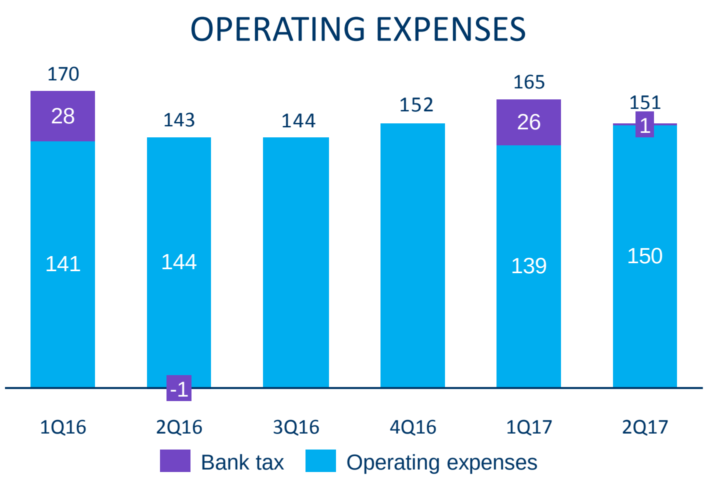


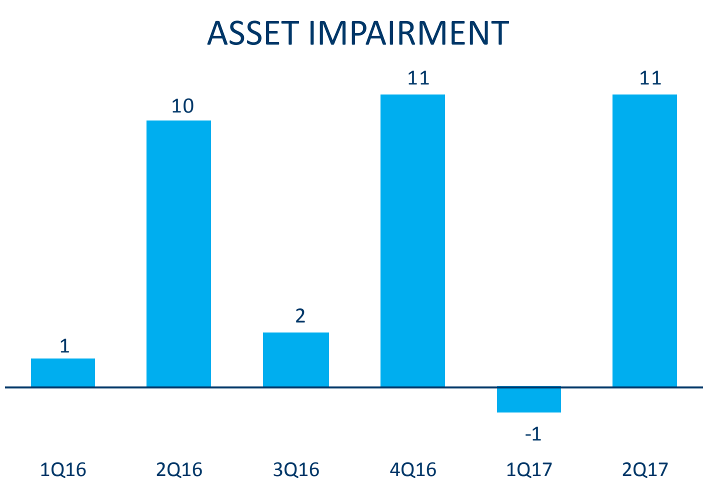
- **Insurance premium income** (gross earned premium) stood at 100m EUR
  - Non-life premium income (53m) rose by 13% y-o-y excluding FX effect, due mainly to growth in all products
  - Life premium income (47m) went down by 4% q-o-q and by 9% y-o-y, excluding FX effect. Q-o-q decline entirely in unit-linked single premiums

- **Combined ratio**: 98% in 1H17 (compared with 96% in FY16) due mainly to higher claims in MTPL

- **Cross-selling ratios** remained at a good level

Czech Republic BU (5): lower operating expenses, still low impairments, excellent credit cost ratio





- **Operating expenses (151m EUR)**
  - Fell by 10% q-o-q and rose by 4% y-o-y, excluding FX effect
  - Excluding FX effect and bank tax, operating expenses increased by 6% q-o-q and by 3% y-o-y
  - The q-o-q increase excluding FX effect and bank tax was due mainly to higher staff expenses in 2Q17 and traditionally lower marketing, ICT and professional fee expenses in 1Q17
  - The y-o-y increase excluding FX effect and bank tax was attributable primarily to higher staff expenses
  - Cost/income ratio at 39% in 2Q17 and 41% YTD (the latter mainly distorted by IFRIC 21). Adjusted for specific items, the C/I ratio amounted to roughly 41% in 2Q17 and 40% YTD (and 46% in FY16)

- **Impairments on L&R** were extremely low in 1Q17 (even net release thanks to several reversals in SME and corporates), while the increase in 2Q17 was mainly the result of one large corporate file
- **Impairment of 3m EUR on other** due to a revaluation of leased cars in CSOB Leasing

	2013	2014	2015	2016	1H17
CCR	0.26%	0.18%	0.18%	0.11%	0.06%

- **Credit cost ratio** amounted to 0.06% in 1H17
- **Impaired loans ratio** improved to 2.6%, 1.7% of which over 90 days past due

INTERNATIONAL MARKETS BUSINESS UNIT

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INTERNATIONAL MARKETS

CORPORATE STAFF

Acquisition of UBB/Interlease was closed mid-June 2017

On 13 June 2017, **KBC completed the acquisition of UBB & Interlease** after approval by the relevant regulatory authorities and received anti-trust approval (final total consideration is 609m EUR fully paid in cash)

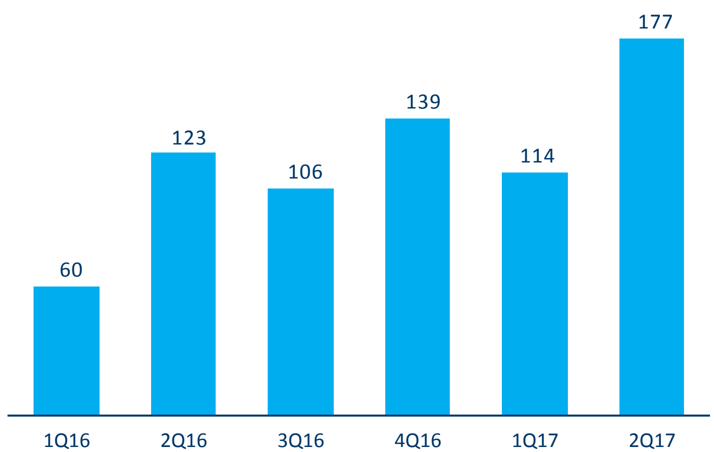
- **This transaction substantially strengthens KBC's position in Bulgaria.** Together, UBB-CIBANK and DZI will become the reference in bank-insurance in Bulgaria, one of KBC's core markets. Following this acquisition, KBC will also become active in leasing, asset management and factoring in Bulgaria, offering its clients now a full range of financial services

- The operational integration of the business entities will be gradually introduced in the coming 18 months. KBC envisages **substantial value creation for shareholders through income and cost synergies**

- The consolidated figures in these condensed interim financial statements include the impact of this announced acquisition as of 30 June 2017:
  - KBC recorded a **provisional goodwill in its consolidated financial statements of 107m EUR at 30 June 2017, taking into account specific negative fair value adjustments amounting to 81m EUR after tax** which KBC identified during the due diligence process
  - The impact of this acquisition on the financial assets and liabilities by product is shown in note 4.1 of the 2Q17 quarterly report
  - There is **no impact yet on the P&L (only from 3Q17 onwards)**
  - The transaction had a **very limited impact of -0.50% on KBC's fully loaded CET1 ratio** based on the Danish Compromise

International Markets BU (1): net result of 177m EUR

NET RESULT



Amounts in m EUR

- **Net result: 177m EUR,** despite 25m EUR bank taxes
  - Profit **breakdown** for International Markets: 25m EUR for Slovakia, 47m EUR for Hungary, 5m EUR for Bulgaria and 99m EUR for Ireland
  - Q-o-q **results** were characterised by higher net interest income, higher net fee and commission income, lower result from financial instruments at fair value, lower realised gains on AFS assets, lower net other income, an excellent combined ratio, lower life insurance sales, lower costs (due entirely to lower bank taxes) and higher net impairment releases

VOLUME TREND

Excluding FX effect & UBB/Interlease	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	22bn	15bn	22bn	5.7bn	0.6bn
Growth q-o-q*	+1%	+1%	+1%	+1%	+1%
Growth y-o-y	+3%	+4%	+3%	+2%	+5%

* Non-annualised

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

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

International Markets BU (2): organic growth

ORGANIC GROWTH*

	TOTAL LOANS		RETAIL MORTGAGES		DEPOSITS	
	q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y
IRL	0%	-3%	+1%**	0%**	+3%	-4%
SK	+1%	+9%	+3%	+20%	+3%	+2%
HU	+2%	+7%	+2%	+6%	-1%	+7%
BG	+4%	+13%	+4%	+21%	+3%	+20%
TOTAL	**+1%**	**+3%**	**+1%**	**+4%**	**+1%**	**+3%**

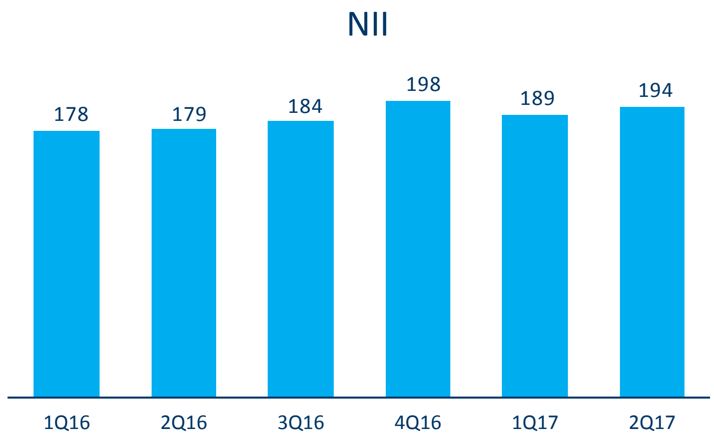
- The **total loan book** increased by 1% q-o-q and by 3% y-o-y
  - On a y-o-y basis, the 3% decrease in Ireland (mainly deleveraging of the corporate loan portfolio) was more than offset by the increases of 9% in Slovakia & 13% in Bulgaria (in both countries amongst other things due to the continuously increasing mortgage portfolio) and 7% in Hungary (mainly in mortgages and consumer finance)

- **Total deposits** were up by 1% q-o-q and by 3% y-o-y
  - The 1% q-o-q increase was accounted for chiefly by an increase of 3% in Ireland (entirely in corporates), 3% in Slovakia (both in retail and corporates) and 3% in Bulgaria, despite a decrease of 1% in Hungary
  - The y-o-y rise of 3% was due mainly to Hungary (both in retail and corporates), Slovakia (strong growth in current and saving accounts in retail) and Bulgaria

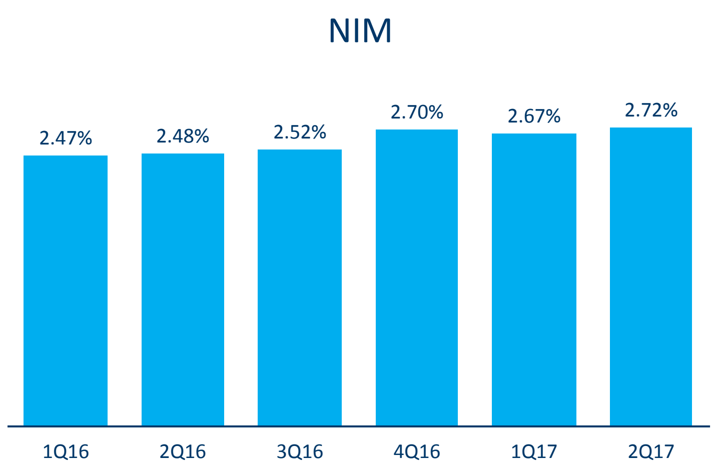
* Organic growth excluding FX impact and UBB & Interlease; q-o-q figures are non-annualised. Loan and mortgage figures after impairment charges

** Retail mortgages in Ireland: new business (written from 1 Jan 2014) +11% q-o-q and +41% y-o-y, while legacy -1% q-o-q and -7% y-o-y

International Markets BU (3): higher NII and NIM



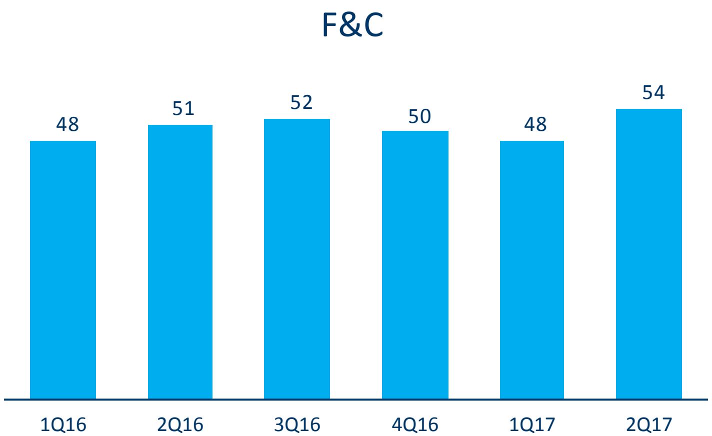
Amounts in m EUR



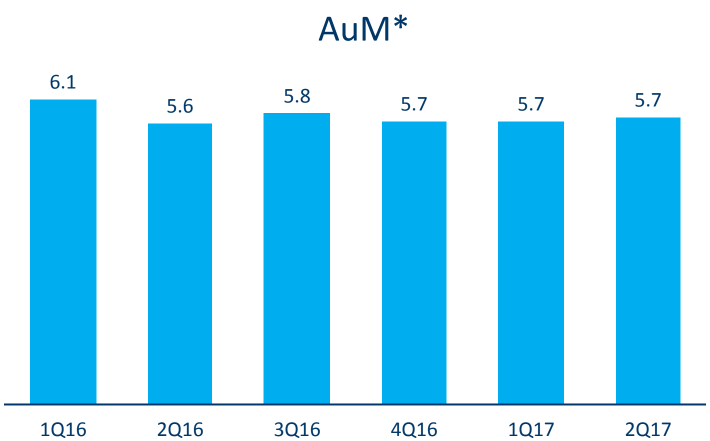
- **Net interest income (194m EUR)**
  - Rose by 3% q-o-q and by 8% y-o-y
  - The q-o-q increase was driven entirely by:
    - Ireland due to lower funding costs and lower hedging costs
    - Hungary due to higher margins on lending and current accounts
  - The y-o-y rise was attributable entirely to:
    - Ireland due to lower allocated liquidity and funding costs
    - Hungary due mainly to higher lending volumes

- **Net interest margin (2.72%)**
  - Up by 5 bps q-o-q and by 24 bps y-o-y
  - The q-o-q increase was driven mainly by Hungary (higher lending margins both in retail, SME & corporates) and Ireland (lower funding costs and lower hedging costs)
  - The y-o-y increase was accounted for mainly by Ireland (lower allocated liquidity and funding costs)

International Markets BU (4): higher net F&C income



Amounts in m EUR



* The breakdown across the BUs is based on the 'Assets under Distribution' in each BU

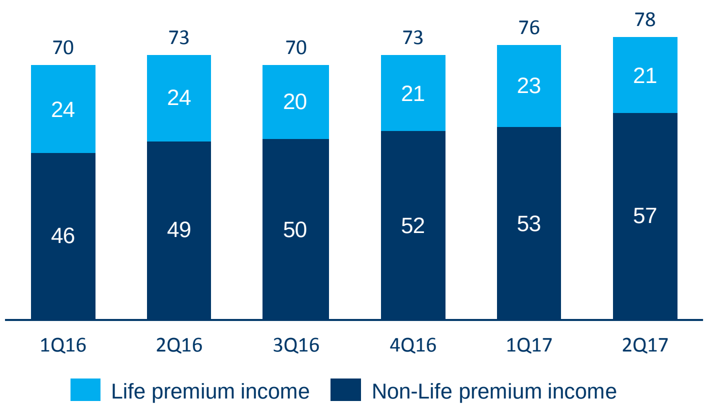
Amounts in bn EUR

- **Net fee and commission income (54m EUR)**
  - Up by 12% q-o-q and by 6% y-o-y
  - The q-o-q increase was driven entirely by:
    - Hungary as a result of higher open-end funds related management fees and seasonal higher volumes related to payment fees
    - Slovakia: higher entry fees, higher fees from payment services (increased fees on current accounts) and higher loan fees in the corporate segment

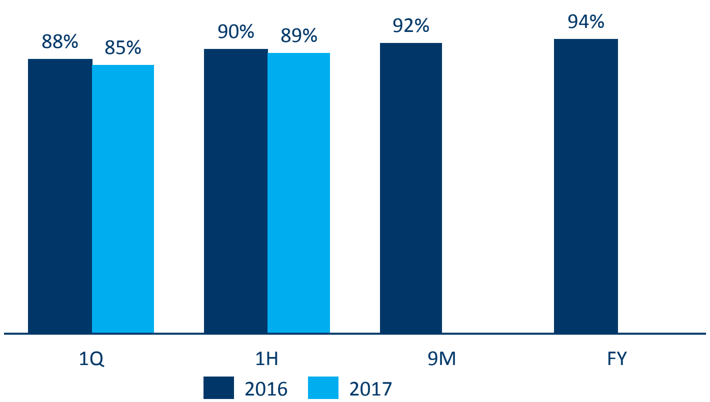
- **Assets under management (5.7bn EUR)**
  - Rose by 1% q-o-q owing entirely to net inflows
  - Y-o-y, assets under management increased by 2.2%, due to net outflows (-4.4%) and a positive price effect (+6.6%)

International Markets BU (5): higher premium income and excellent combined ratio

PREMIUM INCOME
(GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)

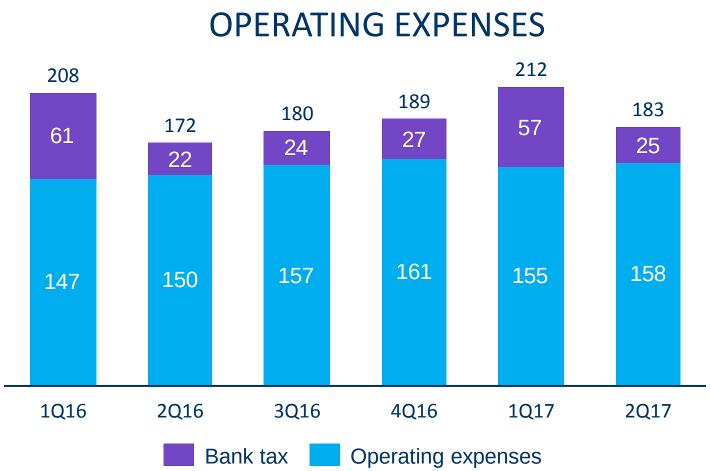


- **Insurance premium income** (gross earned premium) stood at 78m EUR
  - Non-life premium income (57m) rose by 17% y-o-y mainly as a result of:
    - good performance in MTPL, casco and property insurance + growing average tariff in motor retail in Hungary
    - good performance in MTPL and casco in Bulgaria
  - Life premium income (21m)
    - down by 10% q-o-q entirely due to lower sales of tax-incentivised corporate life insurance products in Bulgaria

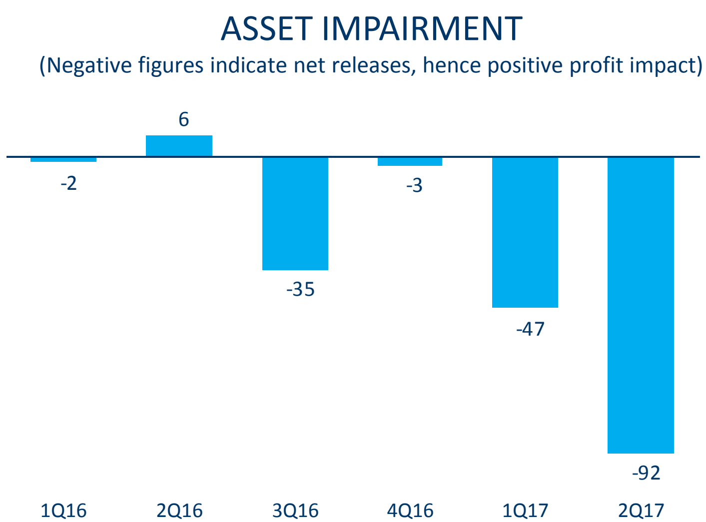
- **Combined ratio** at an excellent 89% in 1H17 (94% in FY16). The combined ratio for 1H17 breaks down into 88% for Hungary, 77% for Slovakia and 97% for Bulgaria

Amounts in m EUR

International Markets BU (6): lower operating expenses, impairment releases, excellent credit cost ratio



Amounts in m EUR



- **Operating expenses (183m EUR)**
  - Fell by 14% q-o-q, but rose by 6% y-o-y
  - Opex without bank tax rose by 2% q-o-q driven by:
    - higher facilities expenses in Slovakia
    - higher facilities, staff and ICT expenses in Ireland
  - C/I ratio stood at 61% in 2Q17 and 66% in 1H17. Adjusted for specific items, the C/I ratio amounted to 64% in 2Q17 and YTD (66% in FY16)

- **Impairments on L&R (-92m EUR)**
  - Net loan loss provision releases due mainly to Ireland (-87m EUR in 2Q17 compared with -50m EUR in 1Q17 and -1m EUR in 2Q16), driven by:
    - an increase in the 9-month average House Price Index, an improved non-performing portfolio performance and a 40m EUR adjustment as a result of the model recalibration for retail
    - lower provisions on existing non-performing loans, a release of specific provisions as a result of deleveraging and improved macroeconomic conditions for corporates

- **Credit cost ratio** of -1.10% in 1H17

	Loan book	2013 CCR	2014 CCR	2015 CCR	2016 CCR	1H17 CCR
IM BU	**28bn**	**4.48%**	**1.06%**	**0.32%**	**-0.16%**	**-1.10%**
- Ireland	13bn	6.72%	1.33%	0.34%	-0.33%	-2.11%
- Hungary	5bn	1.50%	0.94%	0.12%	-0.33%	-0.42%
- Slovakia	7bn	0.60%	0.36%	0.32%	0.24%	0.07%
- Bulgaria*	3bn	1.19%	1.30%	1.21%	0.32%	0.85%

- **Impaired loans ratio** improved to 23.6%, of which 13.4% over 90 days past due

* Including UBB & Interlease

GROUP CENTRE

CFO SERVICES

CRO SERVICES

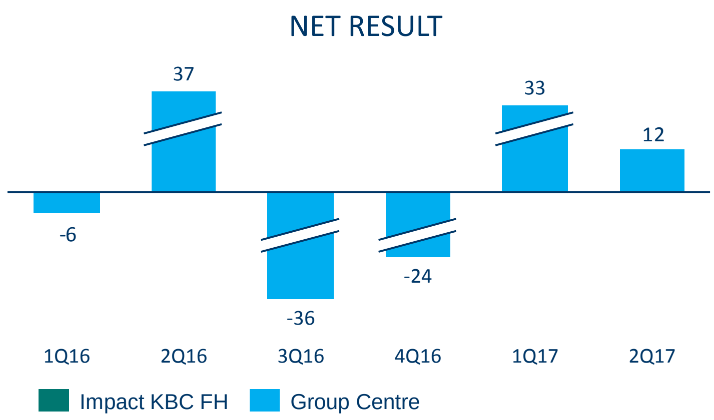
BELGIUM

CZECH REPUBLIC

INTERNATIONAL MARKETS

CORPORATE STAFF

Group Centre: net result of 12m EUR



- **Net result: 12m 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)
- The q-o-q deterioration was attributable mainly to:
  - higher income taxes, mainly as 1Q17 benefited from a +66m EUR positive DTA impact related to the liquidation of IIB Finance Ireland (project finance)
  - higher impairments

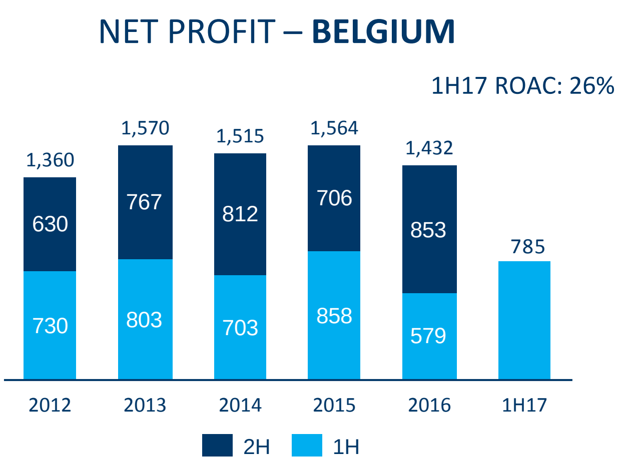
  partly offset by:
  - higher FIFV due to the positive M2M value of EUR/CZK FX swaps

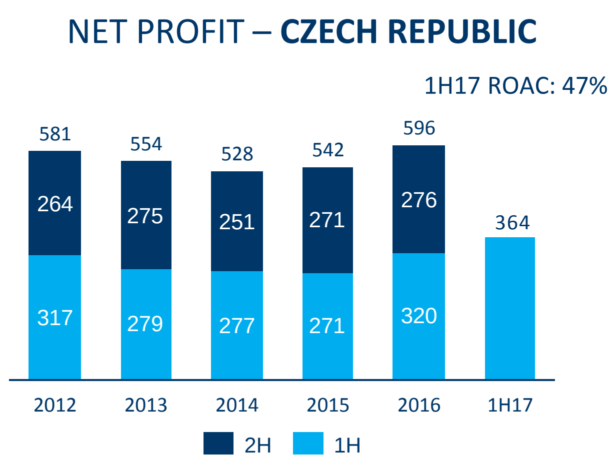
BREAKDOWN OF NET RESULT AT GROUP CENTRE

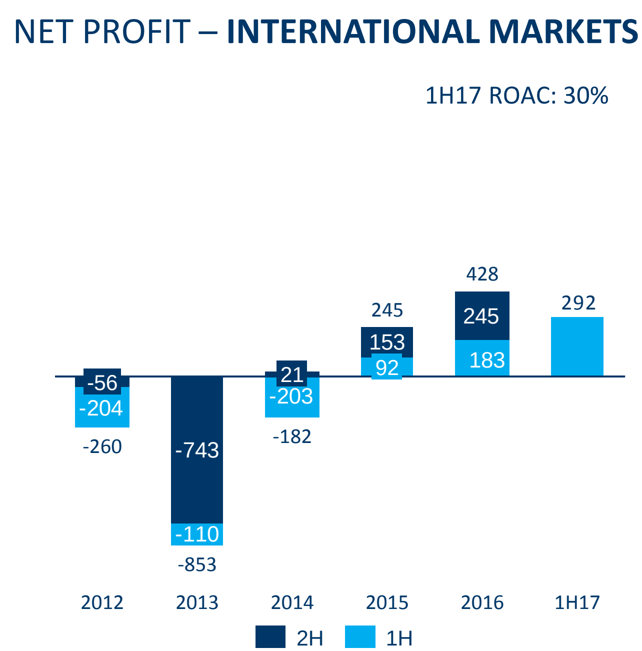
	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17
Group item (ongoing business)	**2**	**27**	**-53**	**-38**	**-50**	**0**
- Operating expenses of group activities	-18	-7	-21	-39	-14	-14
- Capital and treasury management	1	1	-4	4	-18	17
o/w net subordinated debt cost	-9	-9	-10	-10	-9	-9
- Holding of participations	-17	-9	-13	-14	-9	-13
o/w net funding cost of participations	-5	-5	-6	-4	-2	0
- Group Re	3	2	-3	13	5	6
- Other	33	39	-11	-2	-14	5
Ongoing results of divestments and companies in run-down	**-8**	**10**	**17**	**14**	**83**	**11**
Total net result at GC	**-6**	**37**	**-36**	**-24**	**33**	**12**

Amounts in m EUR

Overview of results based on business units

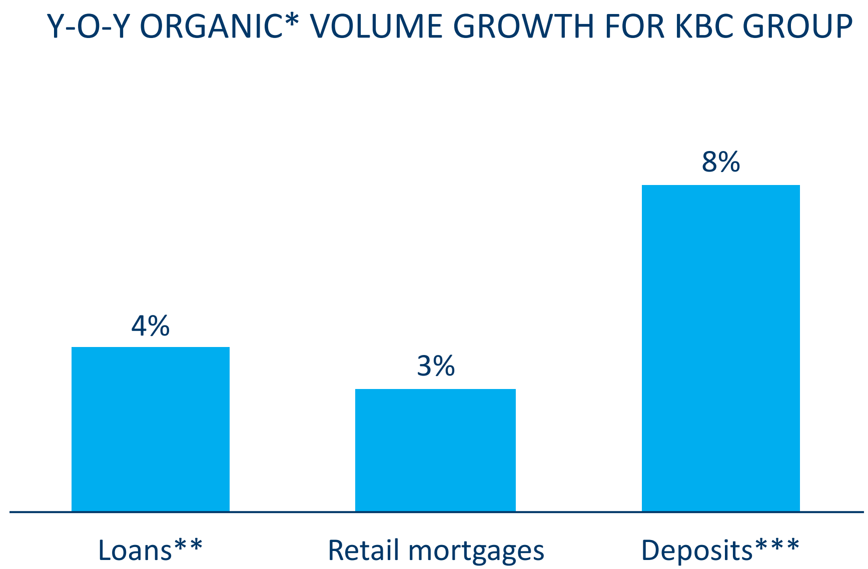






Amounts in m EUR

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

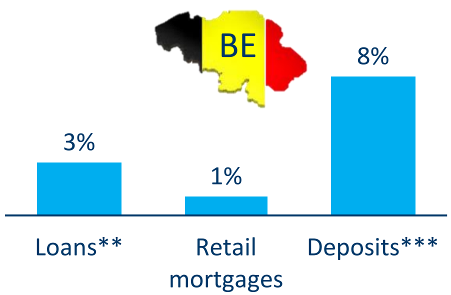


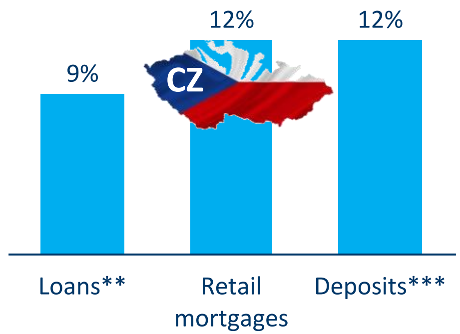
*   Volume growth excluding FX effects and divestments/acquisitions
**   Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

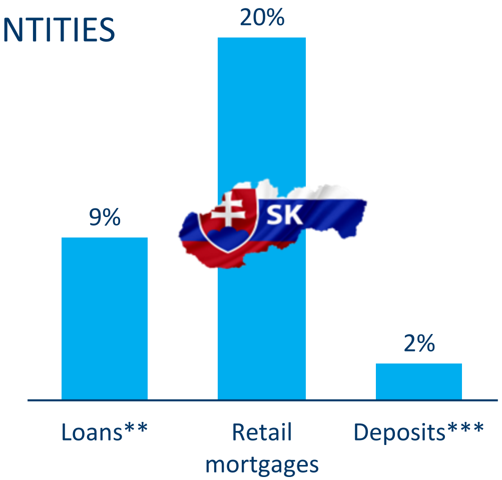
Balance sheet (2/2):

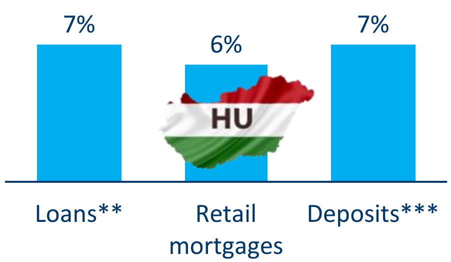
Loans and deposits continue to grow in most core countries

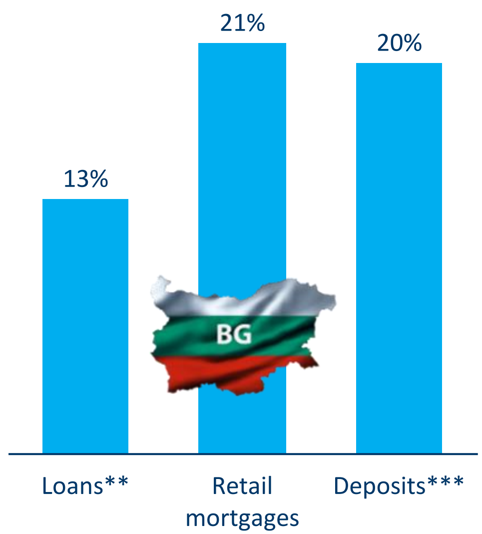
Y-O-Y ORGANIC* VOLUME GROWTH FOR MAIN ENTITIES

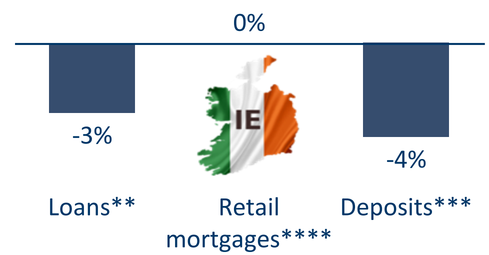












* Volume growth excluding FX effects and divestments/acquisitions

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

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

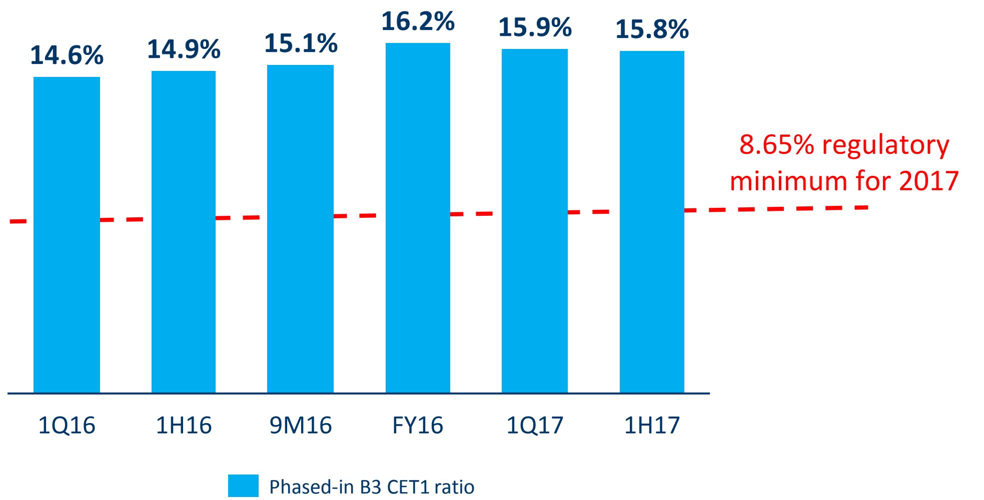
**** Retail mortgages in Ireland: new business (written from 1 Jan 2014) +41% y-o-y, while legacy -7% y-o-y

Section 3

Strong solvency and solid liquidity

Strong capital position

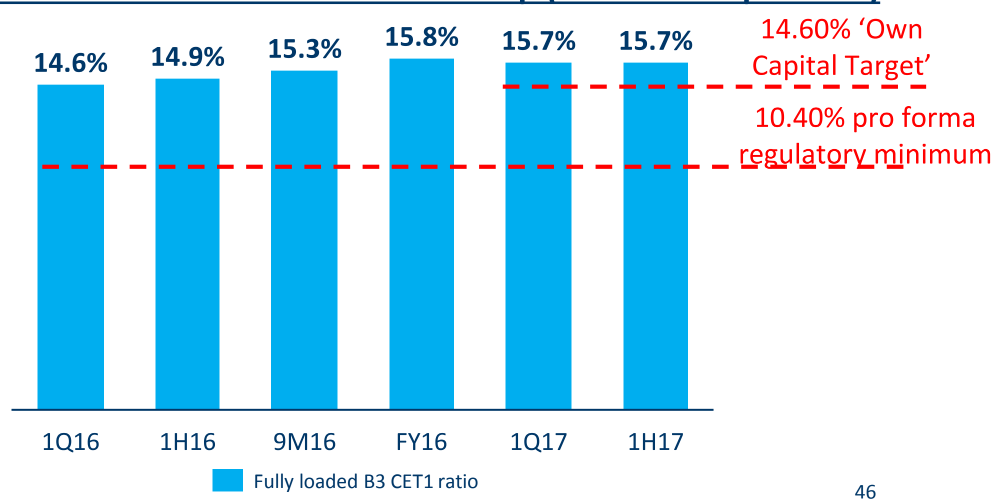
Phased-in Basel 3 CET1 ratio at KBC Group (Danish Compromise)



- **Common equity ratio (B3 phased-in) of 15.8%** based on the Danish Compromise at end 2Q17, which **clearly exceeds** the minimum capital requirements set by the ECB / NBB* of 8.65% for 2017

* Systemic buffer announced by the NBB: CET1 phased-in of 1.0% in 2017 under the Danish Compromise

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

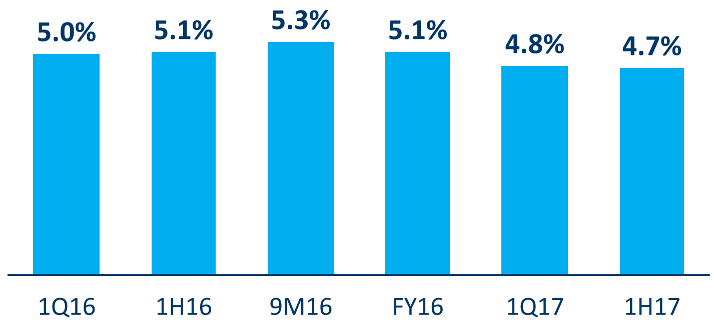


- **As the earnings generation in 2Q17 fully absorbed the impact of the acquisition of UBB & Interlease in Bulgaria of 50bps, the pro forma fully loaded common equity ratio stabilised q-o-q at 15.7%** based on the Danish Compromise. This **clearly exceeds** the minimum capital requirements set by the ECB / NBB of 10.40%* and our 'Own Capital Target' of 14.60%

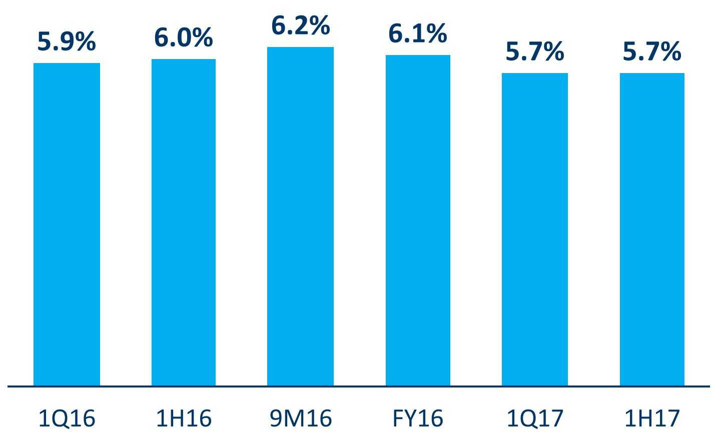
* Excludes a pillar 2 guidance (P2G) of 1.0% CET1

Fully loaded Basel 3 leverage ratio

Fully loaded Basel 3 leverage ratio at KBC Bank

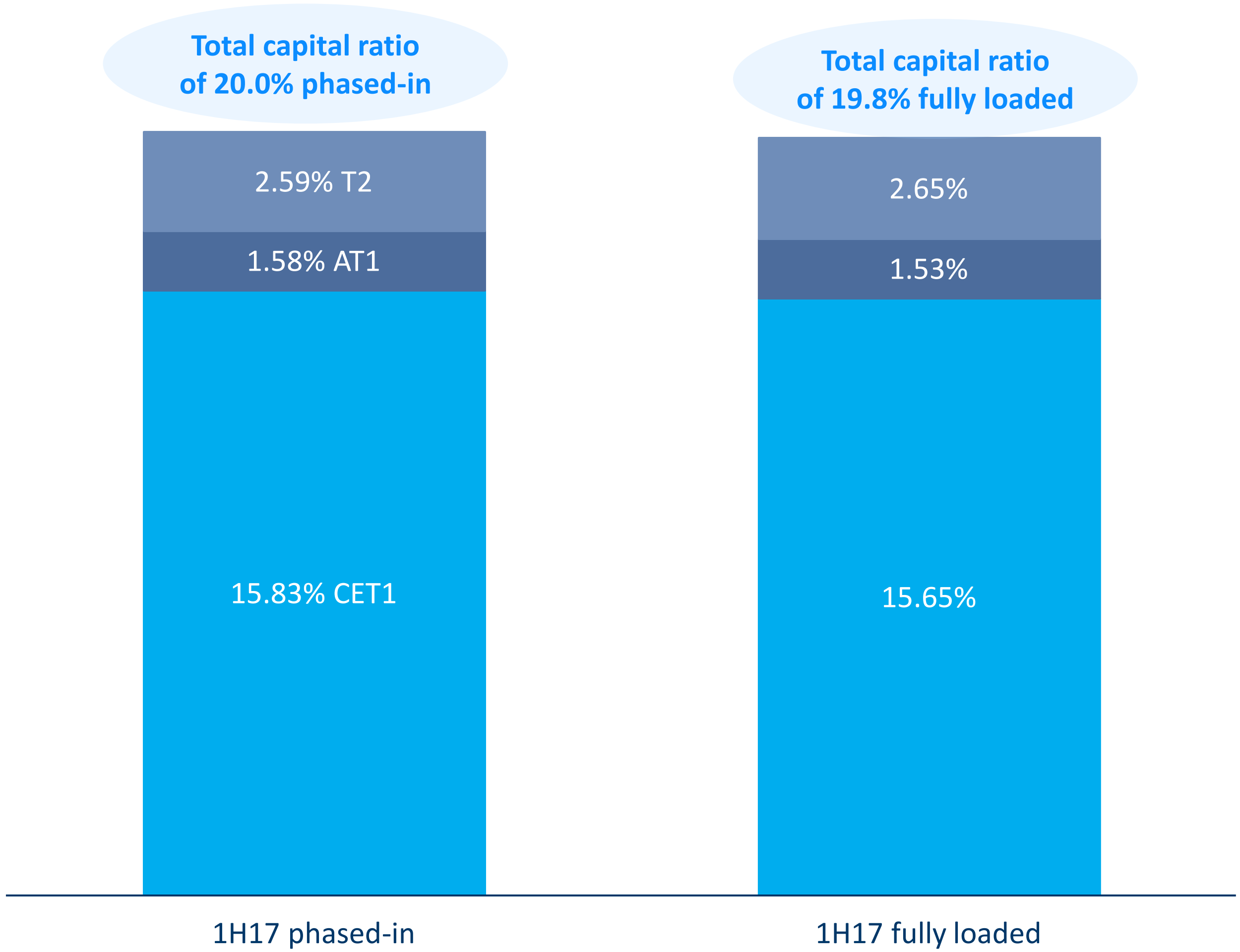


Fully loaded Basel 3 leverage ratio at KBC Group



- **Fully loaded B3 leverage ratio, based on the current CRR legislation** (which was adapted during 4Q14):
  - **4.7%** at KBC Bank consolidated level
  - **5.7%** at KBC Group level

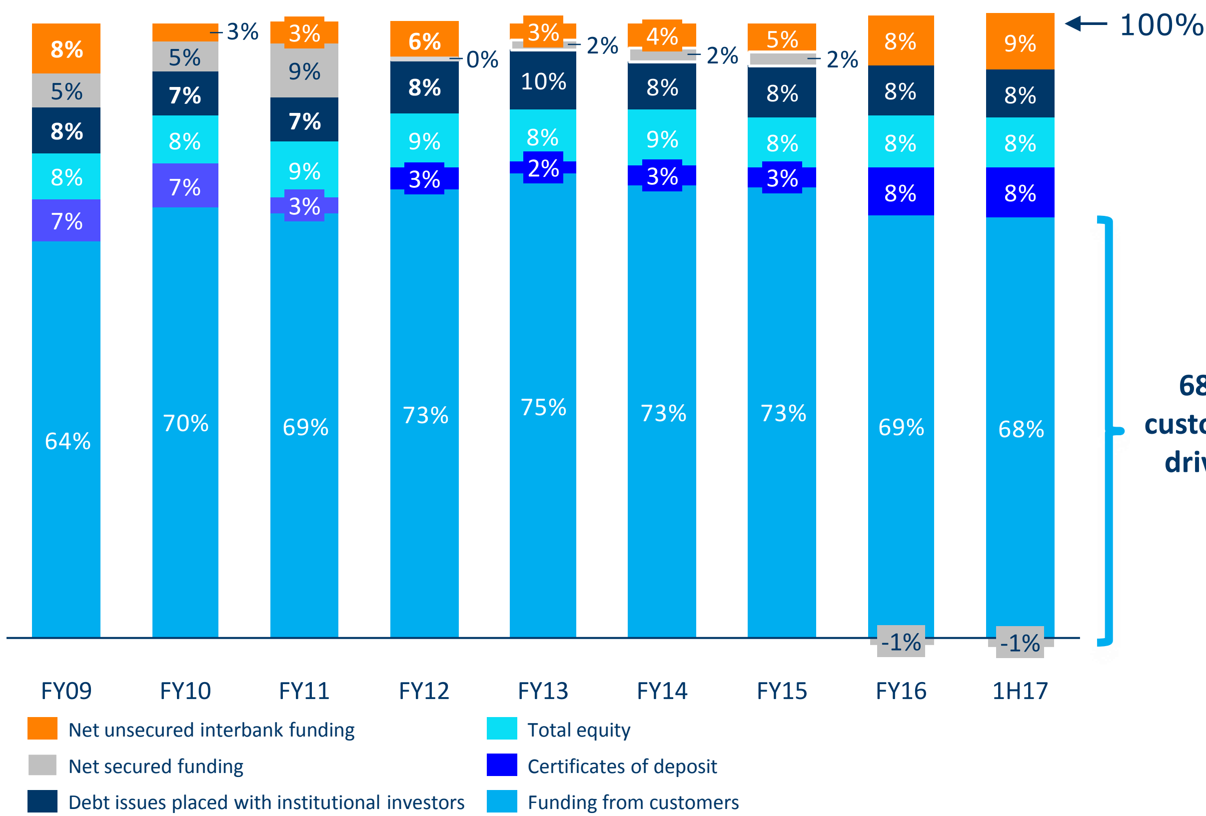
Total capital ratio*



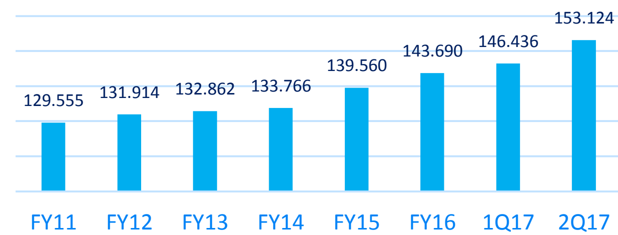
* Basel 3, Danish Compromise

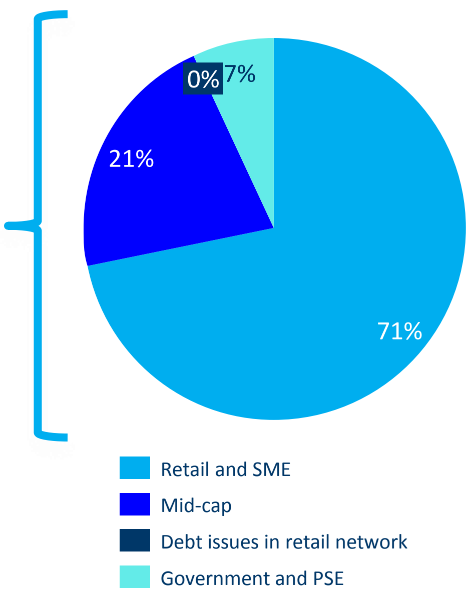
Solid liquidity position (1)

- 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 has further increased q-o-q in 2Q17. The elevated amount in certificates of deposit and short-term wholesale funding is related to short-term trading opportunities



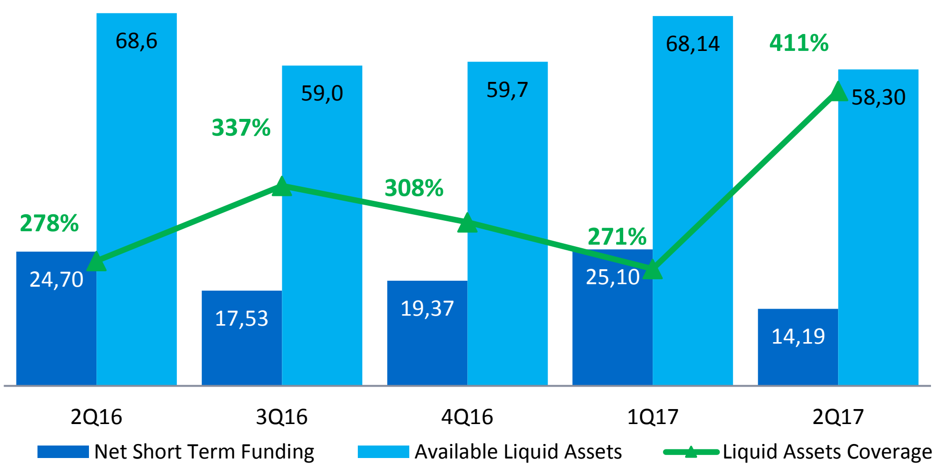
Funding from customers (m EUR)





Solid liquidity position (2)

Short term unsecured funding KBC Bank vs Liquid assets as of end June 2017 (bn EUR) (*)



* Graphs are 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 are 4 times the amount of the net recourse on short-term wholesale funding
  - Funding from non-wholesale markets is stable funding from core-customer segments in core markets

Ratios	FY16	1H17	Regulatory requirement
NSFR[1]	125%	130%	≥ 100%
LCR[1]	139%	141%	≥ 100%

[1] *Liquidity coverage ratio (LCR) is based on the Delegated Act requirements, while the Net Stable Funding Ratio (NSFR) is based on KBC's interpretation of current Basel Committee guidance*

- **NSFR is at 130% and LCR is at 141% by the end of 1H17**
  - Both ratios were well above the regulatory requirement of at least 100%, in compliance with the implementation of Basel 3 liquidity requirements

Section 4

2Q 2017 wrap up

2Q 2017 wrap up

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

Post balance-sheet event: planned reform of the Belgian corporate income tax regime

The planned reform of the Belgian corporate income tax regime as announced on 26 July 2017 would impact KBC due mainly to the gradual decrease of the tax rate from 33.99% to 29.58% as of accounting year 2018 and 25.00% as of accounting year 2020. This would lead to:

- **a slightly positive one-off impact on the CET1 ratio** (fully loaded under the Danish Compromise) **in 2H17 of roughly +0.2%** thanks to amongst others:
  - higher AFS revaluation reserves after tax
  - lower risk weighted assets due to lower outstanding deferred tax assets

  despite
  - **an estimated one-off upfront negative P&L impact of 230m EUR expected in 2H17**, which will only have a small effect on CET1 as most of the impact was already deducted from common equity through the deduction of tax-loss-carry-forward DTAs

- **a recurring positive P&L impact as of 2018 onwards as:**
  - the lower tax rate from 2018 onwards will have a positive impact on income taxes of the Belgian KBC entities: amount depending on the pre-tax profit numbers in the coming years.

Looking forward

- We expect 2017 to be a year of sustained economic growth in both the euro area and the US

- Management guides for:
  - solid returns for all Business Units
  - loan impairments for Ireland towards a release of a 160m-200m EUR range for FY17

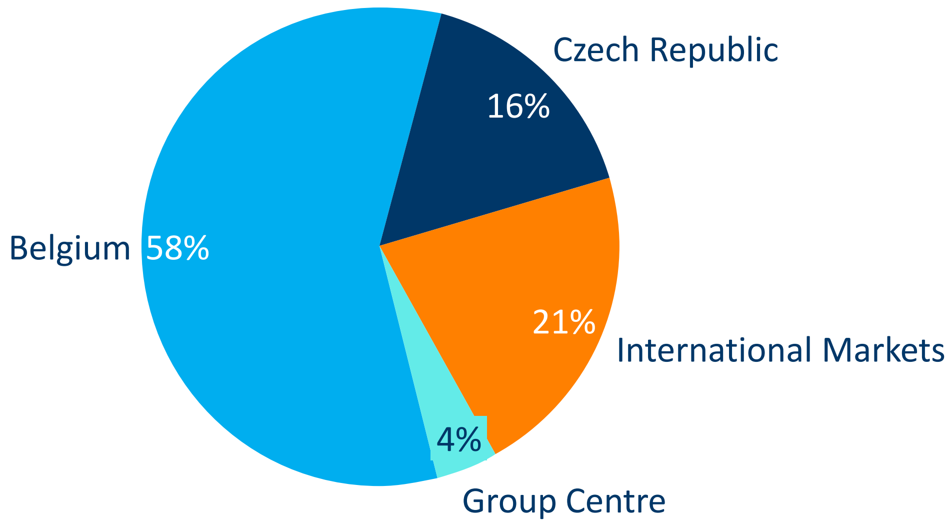
- Next to the Belgium and the Czech Republic Business Units, the International Markets Business Unit becomes a strong contributor to the net result of KBC Group thanks to:
  - Ireland: re-positioning as a core country with a sustainable profit contribution
  - Bulgaria: after the acquisition of UBB and Interlease, UBB-CIBank and DZI will 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

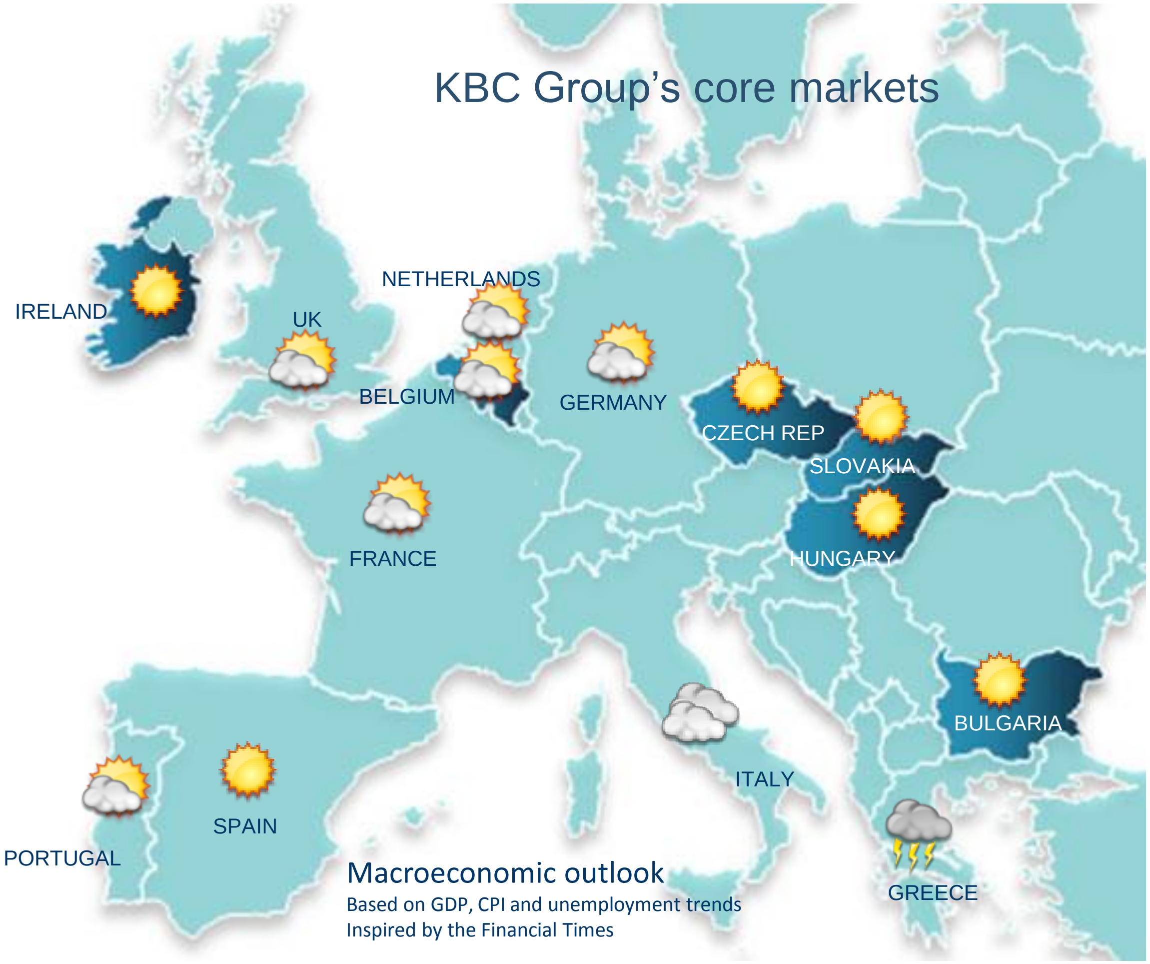
Business profile

BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AS AT 30 JUNE 2017



- KBC is a leading player (retail and SME bank-insurance, private banking, commercial and local investment banking) in Belgium and its 4 core countries in CEE

Well-defined core markets provide access to ‘new growth’ in Europe



MARKET SHARE (END 2016)

	BE	CZ	SK	HU	BG	IRL
Loans and deposits	21%	20%	11%	10%	3%	7%*
Investment funds	33%	23%	7%	15%		
Life insurance	13%	7%	4%	4%	11%	
Non-life insurance	9%	7%	3%	6%	10%	

* Only for retail segment

REAL GDP GROWTH OUTLOOK FOR CORE MARKETS[1]

	BE	CZ	SK	HU	BG	IRL
% of Assets	67%	18%	3%	3%	2%	4%
2016	1.2%	2.4%	3.3%	2.0%	3.4%	5.2%
2017e	1.5%	2.6%	3.2%	3.7%	3.4%	4.0%
2018e	1.7%	2.7%	3.5%	3.5%	3.6%	3.5%

1. Source: KBC data, August 2017

Loan loss experience at KBC

	1H17 CREDIT COST RATIO	FY16 CREDIT COST RATIO	FY15 CREDIT COST RATIO	FY14 CREDIT COST RATIO	FY13 CREDIT COST RATIO	AVERAGE '99 –'16
Belgium	**0.11%**	0.12%	0.19%	0.23%	0.37%	n/a
Czech Republic	**0.06%**	0.11%	0.18%	0.18%	0.26%	n/a
International Markets	**-1.10%**	-0.16%	0.32%	1.06%	4.48%*	n/a
Group Centre	**0.32%**	0.67%	0.54%	1.17%	1.85%	n/a
Total	**-0.10%**	**0.09%**	**0.23%**	**0.42%**	**1.21%****	**0.50%**

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

* The high credit cost ratio at the International Markets Business Unit is due in full to KBC Bank Ireland. Excluding Ireland, the CCR at this business unit amounted to 108 bps in FY13

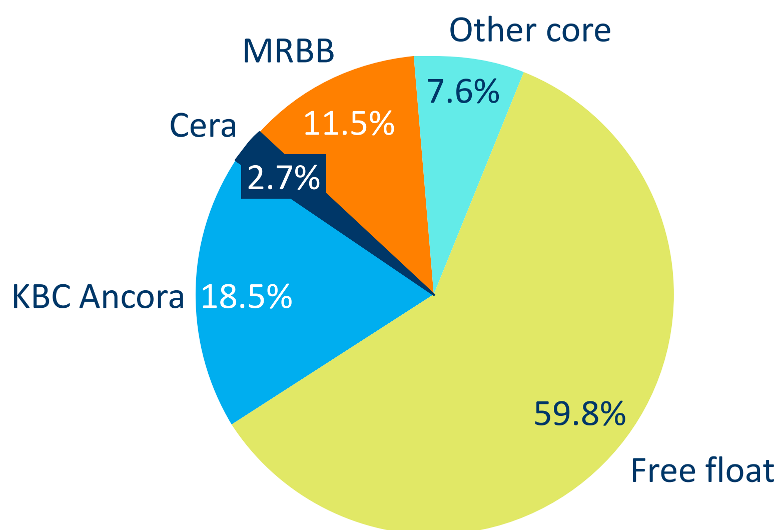
** Credit cost ratio amounted to 1.21% in FY13 due to the reassessment of the loan books in Ireland and Hungary

Key strengths

- Well-developed bank-insurance strategy and strong cross-selling capabilities
- Strong commercial bank-insurance franchises in Belgium and the Czech Republic with stable and solid returns. The International Markets Business Unit becomes a strong contributor to the net result of KBC Group
- Successful underlying earnings track record
- Solid capital and robust liquidity position

Shareholder structure

SHAREHOLDER STRUCTURE AT END 1H17



- 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:
Wants 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
- Improvement in 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

Summary of the guidance at KBC Group level as announced at our Investor Day in June 2017

More of the same ...

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

* Excluding marked-to-market valuations of ALM derivatives

Regulatory requirements...		by...
Common equity ratio*excluding P2G	≥ 10.40%	2019
Common equity ratio*including P2G	≥ 11.40%	2019
MREL ratio**	≥ 26.25%	2020
NSFR	≥ 100%	As of now
LCR	≥ 100%	As of now

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

** SRB has not formally communicated any MREL target at this point in time (expected by the end of 2017). However, an indicative figure is put forward based on the mechanical approach as published by SRB on 28 November 2016. Note that KBC intends to fill in the AT1 and T2 buckets of respectively 1.5% and 2.0% at any time

Summary of the guidance at KBC Group level as announced at our Investor Day in June 2017

… but differently…

➔ Make further progress in our bank-insurance model

Guidance		by…
CAGR Bank-Insurance clients (1 Bank product + 1 Insurance product)		
BU BE	≥ 2 %	2020
BU CR	≥ 15 %	2020
BU IM	≥ 10 %	2020

Guidance		by…
CAGR Bank-Insurance stable clients (3 Bk + 3 Ins products in Belgium; 2 Bk + 2 Ins products in CE)		
BU BE	≥ 2 %	2020
BU CR	≥ 15 %	2020
BU IM	≥ 15 %	2020

➔ Guidance on inbound omni-channel/digital behaviour*

Guidance		by …
% Inbound contacts via omni-channel and digital channel		
KBC Group**	≥ 80 %	2020

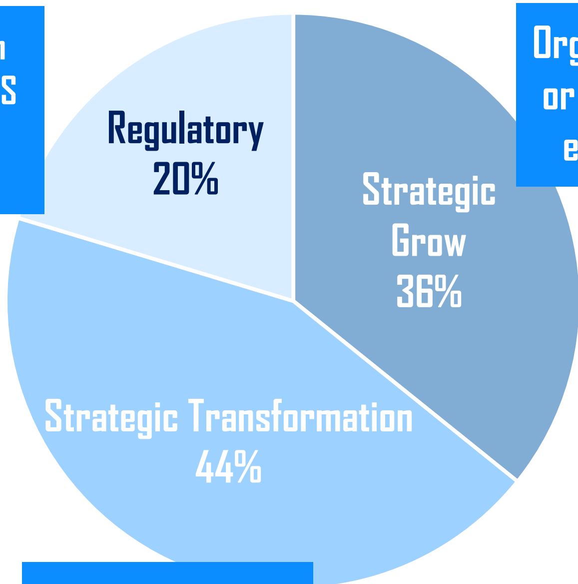
- Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advice centre), possibly in addition to contact through the physical branch. This means that clients solely interacting with KBC through the physical branch (or ATM) are excluded

** Bulgaria & PSB out of scope for Group target

More of the same… but differently…

Cashflow 2017-2020 = 1.5bn EUR

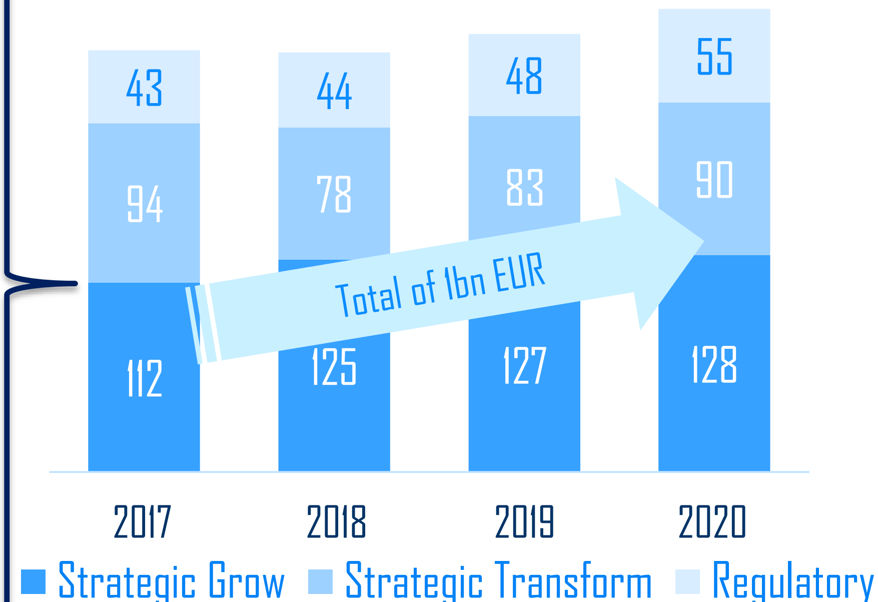
Regulatory driven developments (IFRS 9, CRS(*), MIFID, etc…)



Organic growth or operational efficiencies

Omni-channel and core-banking system

Operating Expenses 2017-2020 = 1bn EUR

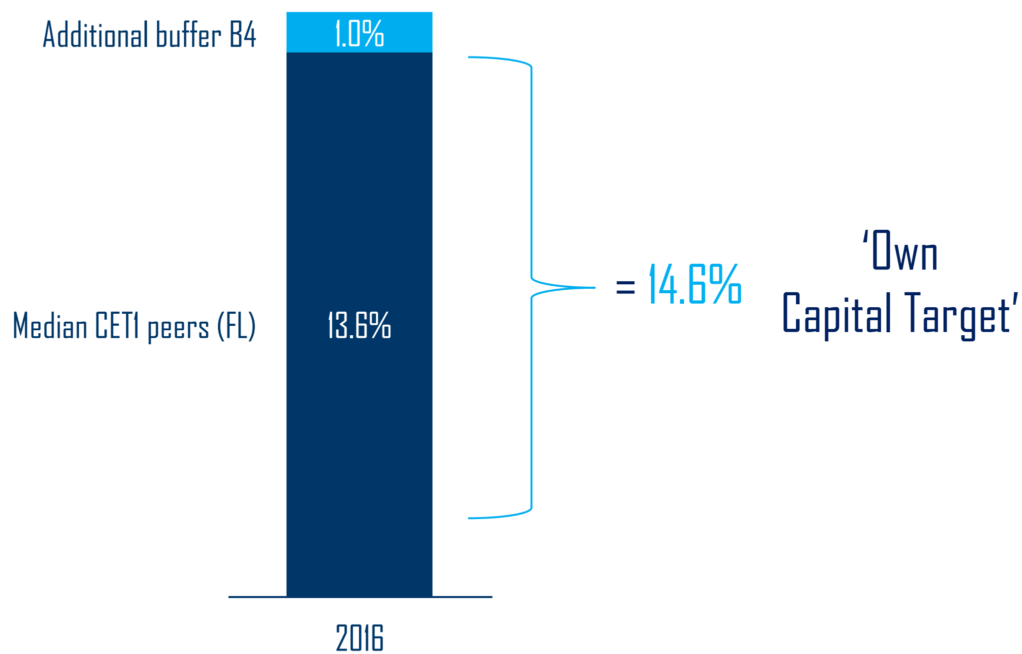


(*) The Common Reporting Standard (CRS) refers to a systematic and periodic exchange of information at international level aimed at preventing tax evasion. Information on the taxpayer in the country where the revenue was taken is exchanged with the country where the taxpayer has to pay tax. It concerns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

What does it mean to be one of the better capitalised financials for KBC? 'Own Capital Target'

- We aim to be one of the better capitalised financial institutions in Europe. Therefore as a starting position, we assess each year 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*

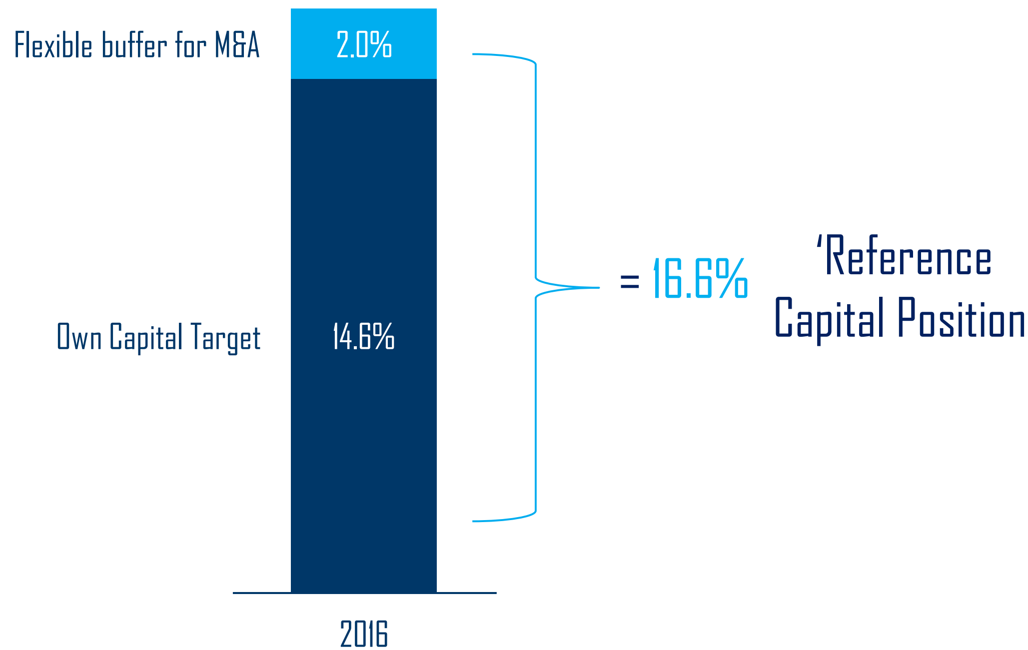
- Based on internal benchmarking, KBC will be impacted relatively more than the sector average by Basel IV. Therefore, we are factoring in an additional 1% CET1 impact



* The impact of B4 will be fully included at the start of 2021

What does it mean for our capital deployment? 'Reference Capital Position'

- KBC Group wants 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 the 'Own Capital Target' of KBC Group, 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

- The payout ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit is reconfirmed, with an annual interim dividend of 1 EUR per share being paid 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‘

KBC Group going forward:
An optimised geographic footprint

Strengthen current geographic footprint

Optimise business portfolio by strengthening current bank-insurance presence through organic growth or through acquisitions if possible

No further plans to expand beyond current geographic footprint

KBC Group will consider acquisition options, if any, to strengthen current geographic bank-insurance footprint

Clear financial criteria for investment decision-making, based on:

- Solid capital position of KBC Group
- Investment returns in the short and mid terms
- New investment contributing positively to group ROE

KBC Group going forward:
An optimised geographic footprint

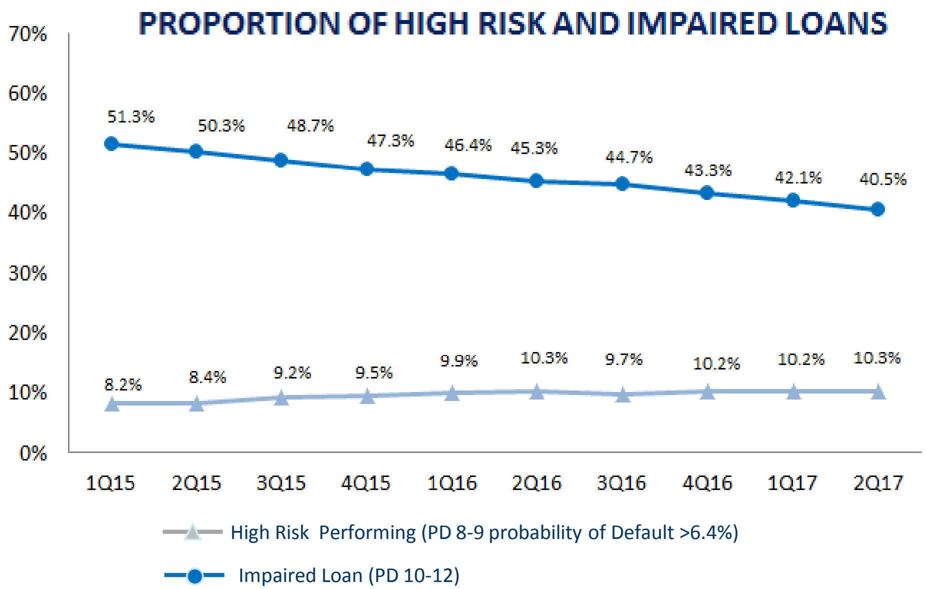
Become a reference in bank-insurance in each core country

Through a locally embedded bank-insurance business model and a strong corporate culture, creating superior client satisfaction

With a clear focus on sustainable and profitable growth

Ireland (1): net result of 99m EUR in 2Q17

LOAN PORTFOLIO €	OUT-STANDING €	IMPAIRED LOANS €	IMPAIRED LOANS PD 10-12	SPECIFIC PROVISIONS €	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9.0bn	2.6bn	29%	0.8bn	32%
Buy to let mortgages	2.2bn	1.5bn	66%	0.6bn	40%
SME /corporate	0.8bn	0.5bn	65%	0.3bn	61%
Real estate					
- Investment	0.6bn	0.4bn	73%	0.3bn	58%
- Development	0.2bn	0.2bn	100%	0.2bn	90%
Total	**12.7bn**	**5.1bn**	**40%**	**2.1bn**	**41%**



- Most recent indicators suggest the Irish economy posted robust growth through the first half of 2017, implying that FY17 GDP growth in the region of 4% is achievable

- The Irish jobs market continued to strengthen with numbers at work growing at the fastest pace in nearly ten years. As a result, unemployment has fallen further and net inward migration has resumed. In turn, these developments are underpinning household spending

- As the economic upswing has strengthened and spread, it has bolstered the demand for housing. As new house building is still significantly less than normal demographic demand, this has resulted in a pick-up in property price inflation

- Customer deposits (retail & corporate) of 5.4bn EUR (compared with 5.2bn EUR in 1Q17)

- 0.5bn EUR (9.4%) reduction in impaired loans YTD. Net loan loss provision release of 87m EUR in 2Q17 (compared with 50m EUR release in 1Q17) was driven by a 40m EUR adjustment as a result of the model recalibration for retail, growth in the CSO House Price Index and improved non-performing portfolio performance. Overall coverage ratio has remained stable at 41% q-o-q

- Looking forward, FY17 loss provisioning guidance for Ireland is a provision release in the range of 160m-200m EUR

Ireland (2): portfolio analysis

2Q17 Retail Portfolio

	PD	Exposure	Impairment Provisions	Cover %
Performing	PD 1-8	6,239	24	0.4%
	Of which non Forborne	6,216		
	Of which Forborne	24		
	PD 9	906	43	4.8%
	Of which non Forborne	147		
	Of which Forborne	759		
Impaired	PD 10	2,356	570	24.2%
	PD 11	985	305	31.0%
	PD 12	688	527	76.6%
	TOTAL PD1-12	**11,174**	**1,469**	
	Specific Impairment/(PD 10-12)			*34.8%*

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.

2Q17 Corporate Portfolio

	PD	Exposure	Impairment Provisions	Cover %
Perf.	PD 1-8	368	1	0.3%
	PD 9	60	2	4.1%
Impaired	PD 10	298	121	40.5%
	PD 11	291	168	57.8%
	PD 12	529	429	81.0%
	TOTAL PD1-12	**1,546**	**721**	
	Specific Impairment/(PD 10-12)			*64.2%*

Retail portfolio

- Impaired portfolio fell by roughly 161m EUR q-o-q due to an improvement in the portfolio performance (reduction of 0.6bn EUR y-o-y)
- Coverage ratio for impaired loans has decreased to 34.8% in 2Q17 (from 35.2% in 1Q17)
- Overall exposure has remained stable q-o-q at 11.2bn EUR with new mortgage production offsetting the reduction of the impaired book and loan amortisations

Corporate loan portfolio

- Impaired portfolio has reduced by roughly 80m EUR q-o-q. Reduction driven mainly by continued deleverage of the portfolio (reduction of roughly 0.4bn EUR y-o-y)
- Coverage ratio for impaired loans has increased to 64.2% in 2Q17 (from 63.3% in 1Q17)
- Overall exposure has dropped by 0.5bn EUR y-o-y

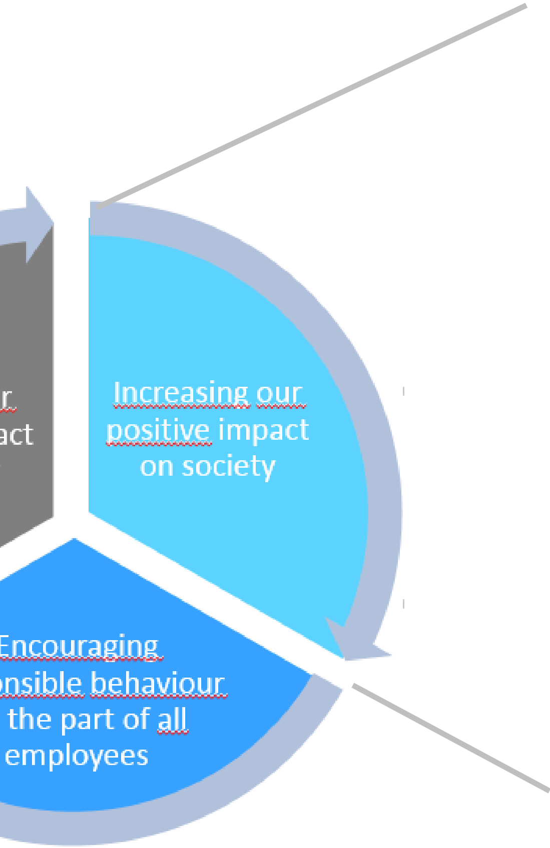
The core of KBC's sustainability strategy (1)

- We apply strict sustainability rules to our business activities, in respect of human rights, environment, business ethics and social themes
- KBC is a market leader in socially responsible investments, offering a full range of SRI funds
- We contribute to the transition to a low-carbon economy by reducing our own environmental footprint, tightening our lending policy to the energy sector and taking initiatives to promote energy efficiency, renewable energy, etc

- Sustainability goes beyond philanthropy and sponsorship
- We focus on a number of societal needs and actively respond to these needs by developing business solutions in which a bank-insurer can provide the elements that make a difference
- We defined the following focus domains: 'financial literacy', 'environmental responsibility', 'entrepreneurship', and 'demographic ageing and health'
- Examples are given on the next slides

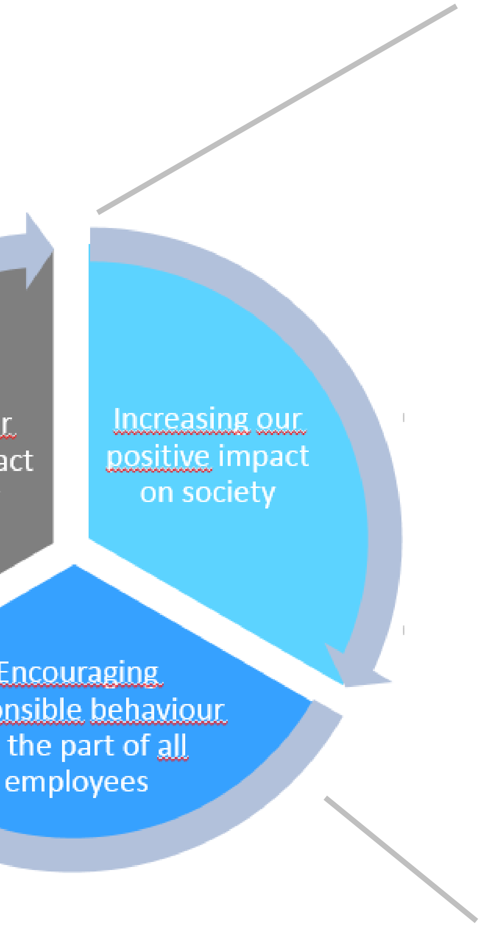
- The mindset of all KBC staff should go beyond regulation and compliance
- Responsible behaviour is a requirement to implement an effective and credible sustainability strategy
- Specific focus on responsible selling and responsible advice.

The core of KBC's sustainability strategy (2)



Our focus areas	What?	A few examples
Financial literacy	• Transparent advice and clear communication • Improving general public knowledge of financial concepts and products • Using analysis to understand and respond to clients' behaviour more effectively	• ČSOB Education Programme, Education Fund and Blue Life Academy in the Czech Republic • Promotion of financial education through the national 'K&H Ready, Steady, Money' contest in Hungary • Get-A-Teacher service at KBC Bank (teaching and lectures at schools and colleges by a dedicated team of KBC-trainers)
Environmental responsibility	• Developing products and services that can make a positive contribution to the society and environment • Reducing our environmental footprint through a diverse range of initiatives and objectives	• KBC Renovation Loan for Owners' Associations to provide flexible financing solutions for energy saving investments in apartment blocks • KBC Mobility for sustainable and qualitative mobility solutions in Belgium • Group wide target to reducing our own greenhouse gas emissions by at least 20% (from 2015 levels) by 2020

The core of KBC’s sustainability strategy (3)



Our focus areas	What?	A few examples
Entrepre-neurship	Contributing to economic growth by supporting innovative ideas and projects.	• ‘Gap in the Market’ campaign in Hungary. • Start it @KBC, a major incubator for start-ups in Belgium • KBC Match’it, a digital platform for transferring businesses. • Providing capital for start-ups via the KBC Start it Fund. • Supporting local initiatives via the Bolero Crowdfunding platform. • Encouraging clients to take the step to e-commerce via Storesquare and Farmcafé. • Strengthening our partnership with the Belgian Raiffeisen Foundation
Demographic ageing and health	• We chose ‘demographic ageing’ as the fourth pillar in Belgium and the Czech Republic. • We chose ‘Health’ as the fourth pillar in Bulgaria, Slovakia, Hungary and Ireland.	• ČSOB is collaborating with the Centre of Health Economics and Management at the Faculty of Social Sciences at the Charles University in Prague. • Happy@Home, an ecosystem between KBC, the service provider ONS and the software firm CUBIGO to make domestic assistance readily available. • Financial and material assistance to sick children through the ‘K&H MediMagic Programme’ in Hungary. • Launching awareness campaigns in various countries in areas such as sports, health and well-being, road safety and child protection, and developing insurance products related to health and personal risks.

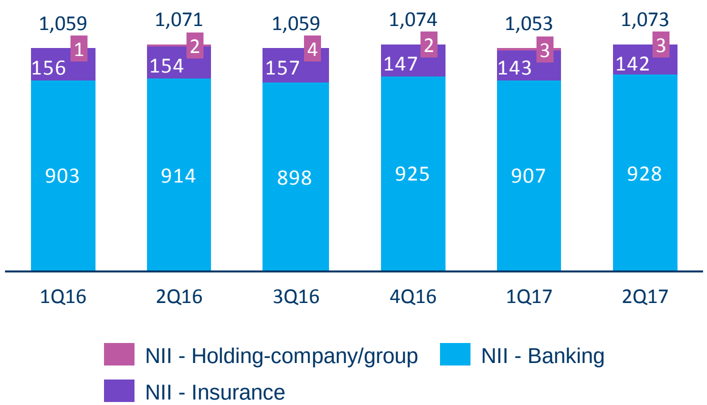
More information is available at www.kbc.com, under ‘Corporate Sustainability’.

Annex 2

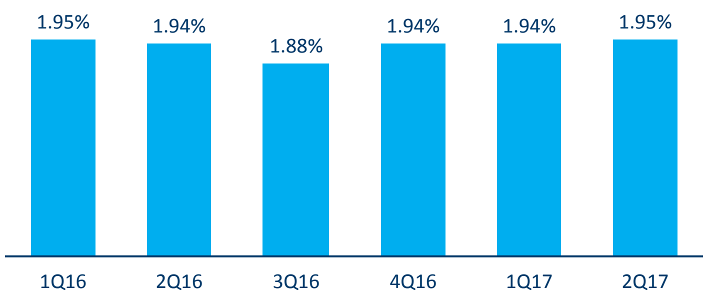
Other items

NII/NIM excluding dealing room effect

NII EXCLUDING DEALING ROOM EFFECT



NIM EXCLUDING DEALING ROOM EFFECT

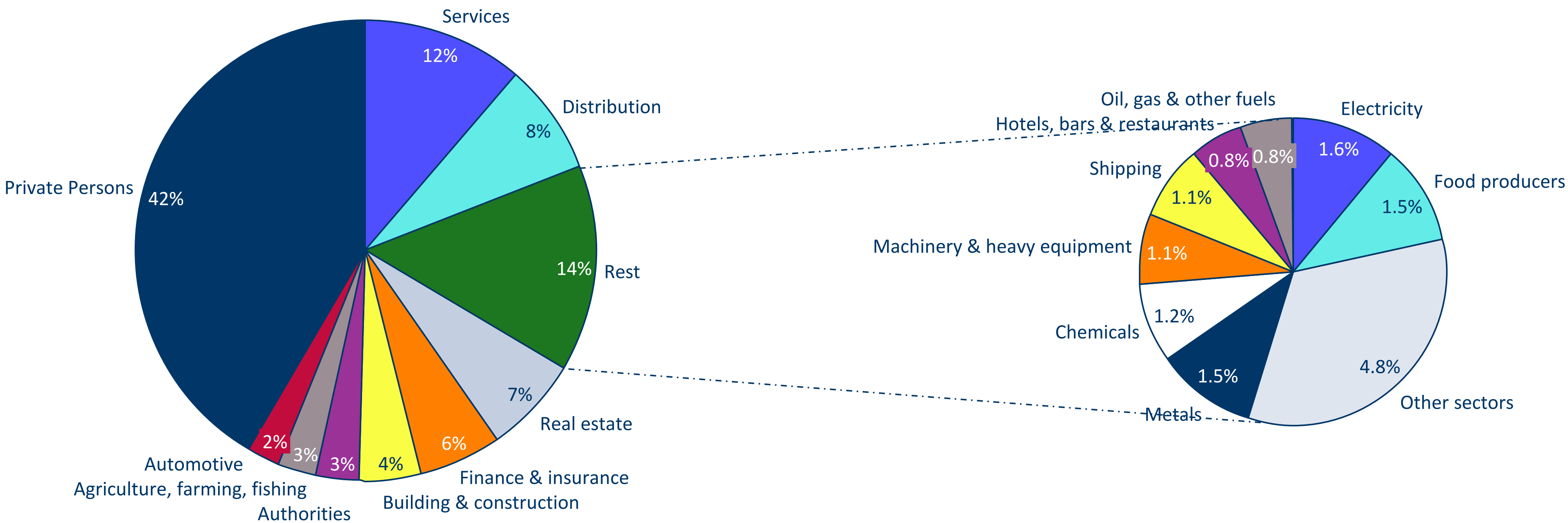


- **NII excluding dealing room effect roughly stabilised y-o-y, which is an excellent performance in the current low interest rate environment**
  - Roughly flat y-o-y, despite decrease NII insurance due mainly to lower reinvestment yields
    - In 1Q17: NII -2.0% qoq and -0.6% y-o-y
    - In 2Q17: NII +1.9% qoq and +0.2% y-o-y
    - In 1H17: NII -0.2% y-o-y
  - NII banking increased by 2% q-o-q and 2% y-o-y due to:
    - lower funding costs
    - continued good volume growth in current accounts and loans
    - further positive effect of enhanced ALM management

    partly offset by:
    - lower reinvestment yields
    - pressure on commercial loan margins in most core countries
    - lower upfront prepayment fees
- **NIM corrected for dealing room effect roughly stabilised both q-o-q and y-o-y**

Amounts in m EUR

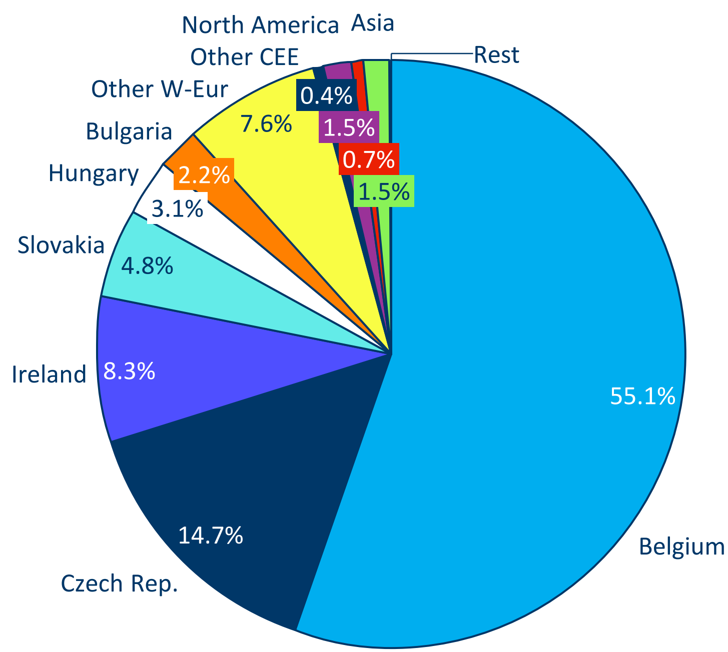
Sectorial breakdown of outstanding loan portfolio (1) (153bn EUR* including UBB) of KBC Bank Consolidated



* 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

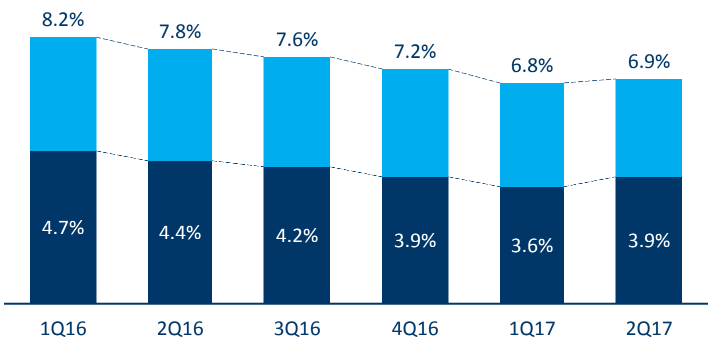
Geographical breakdown of the outstanding loan portfolio (2) (153bn EUR* including UBB) of KBC Bank Consolidated



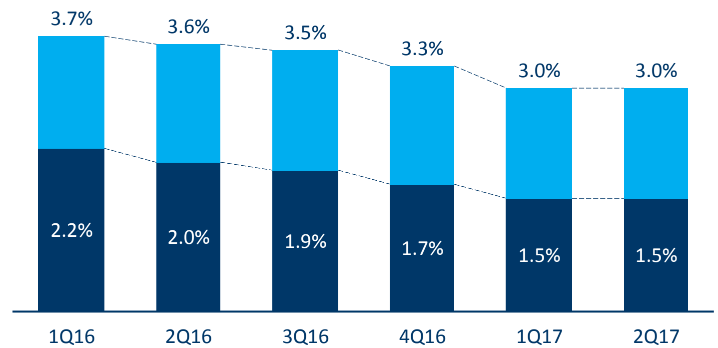
* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are 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



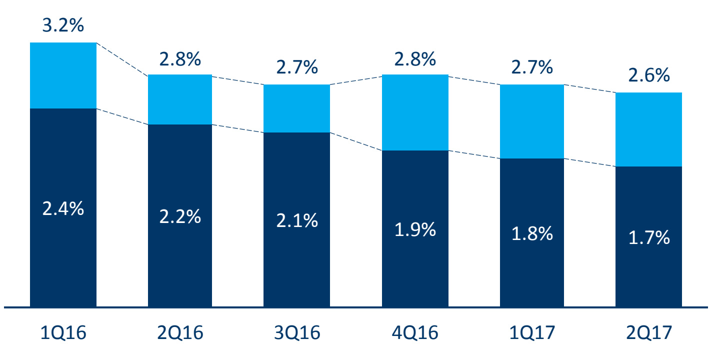
BELGIUM BU



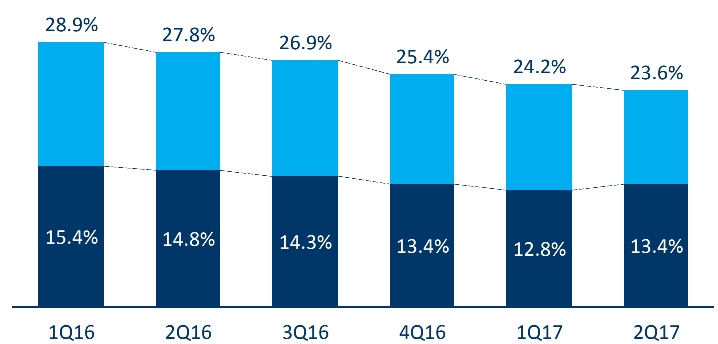
Impaired loans ratio *

Of which over 90 days past due **

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU (including UBB)

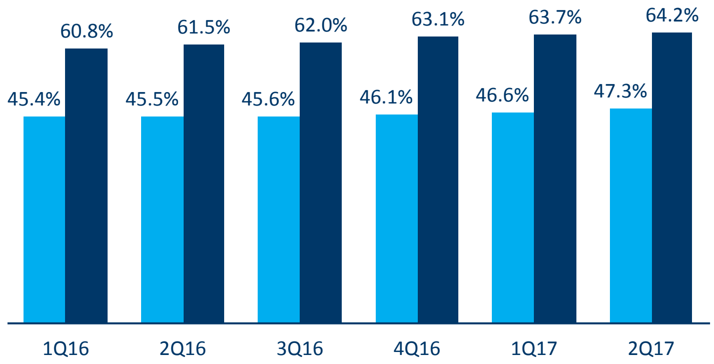


* Impaired loans ratio: total outstanding impaired loans (PD 10-12)/total outstanding loans

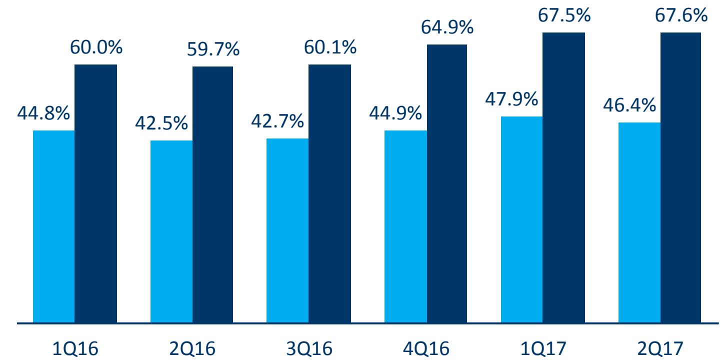
** Of which total outstanding loans with over 90 days past due (PD 11-12)/total outstanding loans

Cover ratios

KBC GROUP



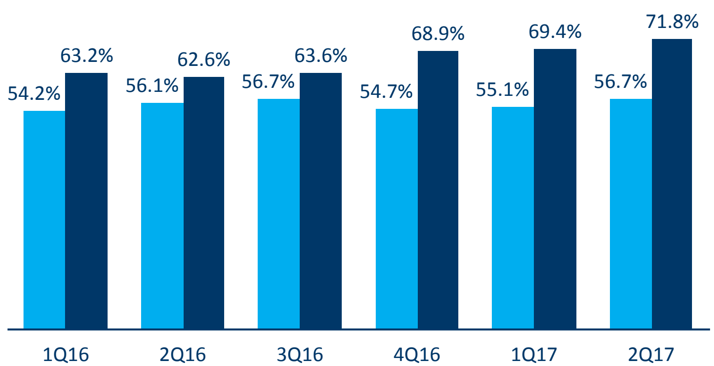
BELGIUM BU



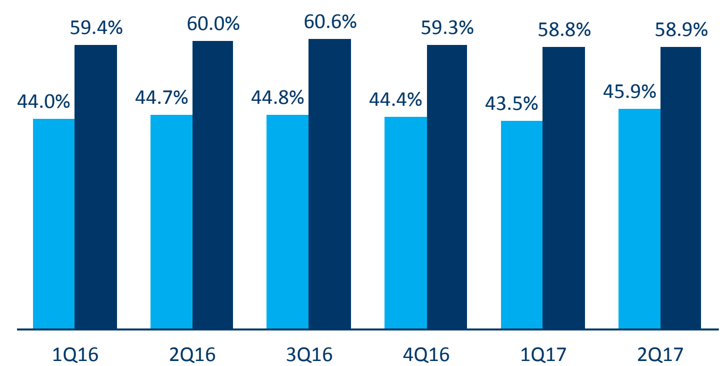
Impaired loans cover ratio *

Cover ratio for loans with over 90 days past due **

CZECH REPUBLIC BU



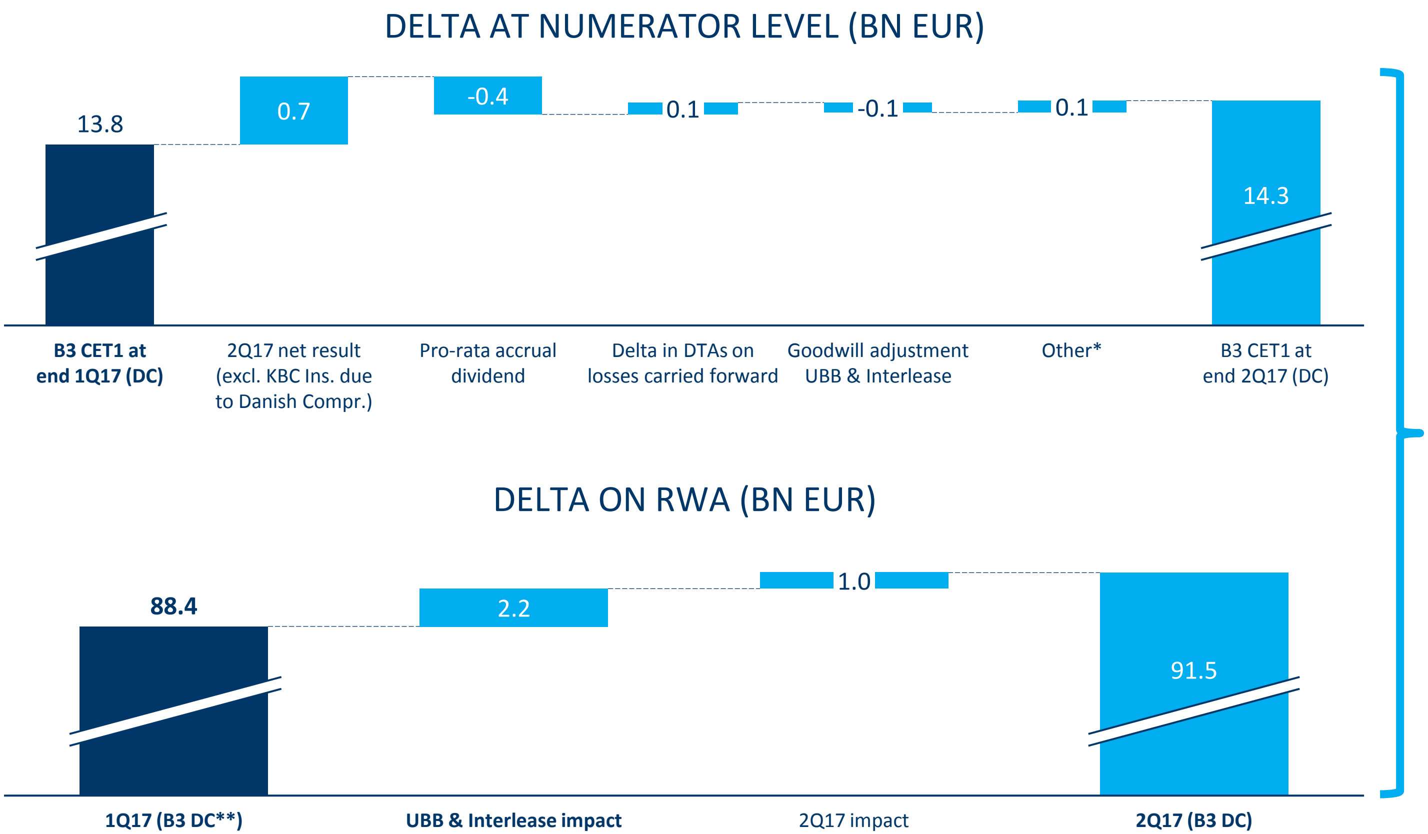
INTERNATIONAL MARKETS BU (including UBB)



* Impaired loans cover ratio: total impairments (specific) for impaired loans / total outstanding impaired loans (PD10-12)

** Cover ratio for loans with over 90 days past due: total impairments (specific) for loans with over 90 days past due / total outstanding PD11-12 loans

Fully loaded B3 CET1 based on the Danish Compromise (DC) from 1Q17 to 2Q17



- The impact of the acquisition of UBB & Interlease in Bulgaria (closed mid-June 2017) amounted to 50 bps on the fully loaded CET1 ratio based on the Danish Compromise (DC)
- Despite this impact, the fully loaded B3 common equity ratio stabilised on 15.7% at end 2Q17 based on the DC
- A pro forma fully loaded common equity ratio translation to 10.40% was clearly exceeded

* Includes the q-o-q delta in AFS revaluation reserves, remeasurement of defined benefit obligations, IRB provision shortfall, deduction re. financing provided to shareholders, translation differences, etc.

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

Overview of B3 CET1 ratios at KBC Group

Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, phased-in	15,318	102,776	14.9%
FICOD, fully loaded	15,231	103,216	14.8%
DC**, phased-in	14,418	91,109	15.8%
DC, fully loaded	14,331	91,549	15.7%
DM***, fully loaded	13,295	85,998	15.5%

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

Solvency II ratio

Solvency II ratio

	1Q17	2Q17
Solvency II ratio without strict cap of the NBB	214%*	217%

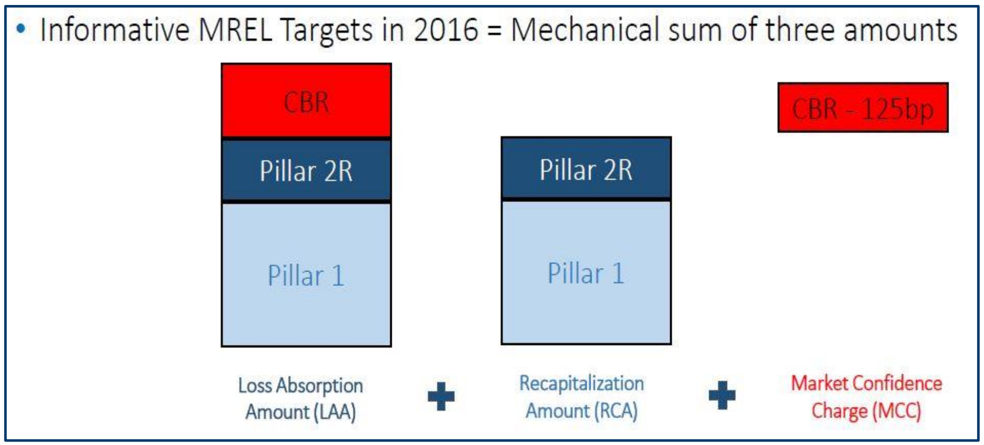
- On 19 April 2017, the NBB retroactively relaxed the strict cap on the loss absorbing capacity of deferred taxes in the calculation of the required capital. Belgian insurance companies are now allowed to apply a higher adjustment for deferred taxes, in line with general European standards, if they pass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

- The increase (+3%-points) in the Solvency II ratio without this cap was mainly the result of a stronger euro and slightly lower equity markets performance

* Note that the solvency II ratio of 1Q17 has been restated from 220% to 214% as an error occurred in the available capital (the final dividend paid in May 2017 was not reported as foreseeable dividends in 1Q17)

Resolution strategy for KBC

- SRB supports KBC's preference for a **Single Point of Entry** approach at the level of KBC Group with **bail-in as primary resolution tool**
- SRB has not formally communicated any MREL target at this point in time (expected by the end of 2017). However, an indicative figure is put forward based on the mechanical approach as published by SRB on 28 November 2016



Source: SRB, 4th Industry Dialogue 28/11/2016

Applied to KBC (on a fully loaded basis):

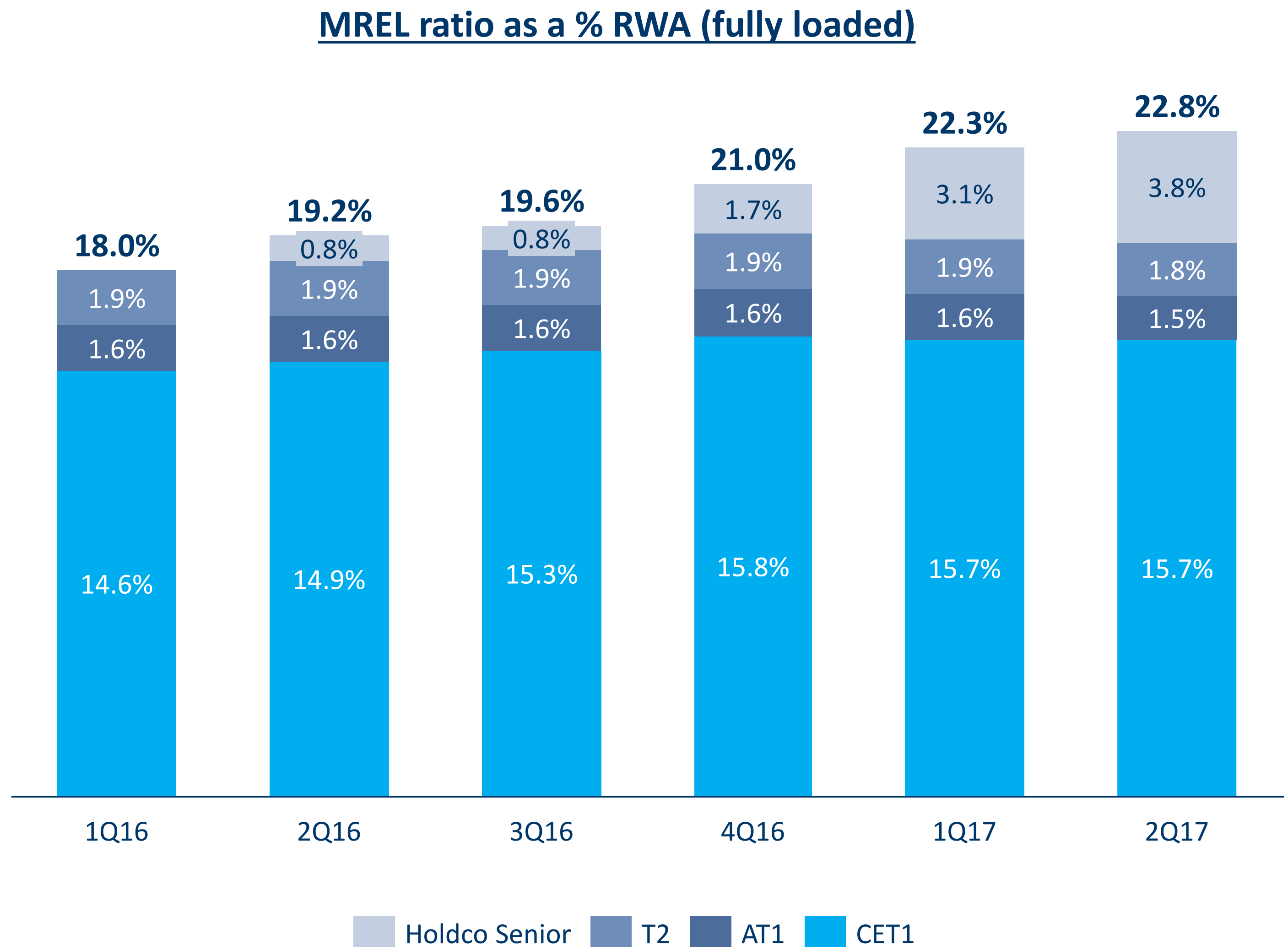
	2 x P1	2 x 8%
+	2 x P2R	2 x 1.75%
+	2 x CBR	2 x (2.5%+1.5%) (*)
-	1.25%	-1.25%

Indicative target = 26.25% as % of RWA

(*) excluding countercyclical buffers that will be introduced in 2017

- Given the SPE approach at KBC Group level, the target needs to be satisfied with instruments issued by KBC Group NV

Available MREL based on KBC resolution strategy (instruments issued by KBC group only)



P&L volatility from ALM derivatives

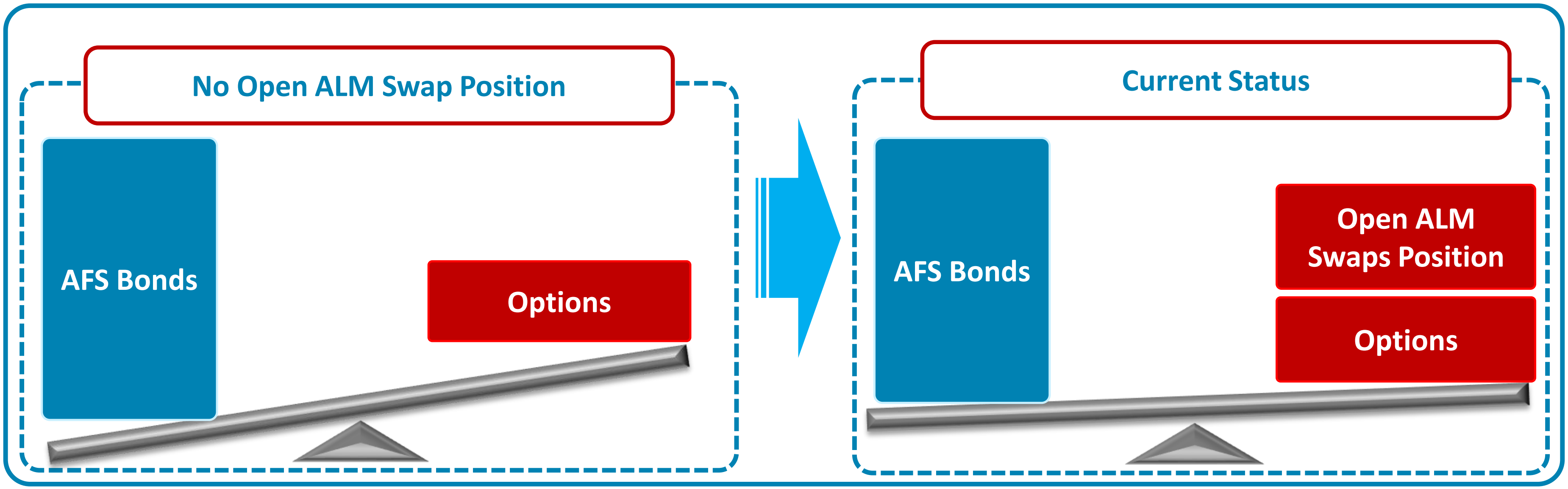
- ALM derivatives (swaps and options) are used to hedge the interest rate risk of the loan & deposit portfolios. This creates an accounting mismatch between derivatives (at market value) and hedged products (at amortised cost)
  - Options are used to hedge the caps/floors that KBC is obliged by law to include in Belgian mortgages

- Most of this mismatch is removed with IFRS hedge accounting

- A part of the ALM derivatives has not been included in any hedge accounting structure for different reasons:
  - Option hedging for mortgage loans: no hedge accounting possible given the dynamic hedging strategy used
  - Part of the ALM interest rate derivatives has not been included in a hedge accounting structure, due to the offsetting effect with AFS bonds impact on capital ratios (which is not the case with valuation changes of cash flow hedges due to the applied regulatory capital filter)

Open ALM swap position
Protecting stability of capital ratio

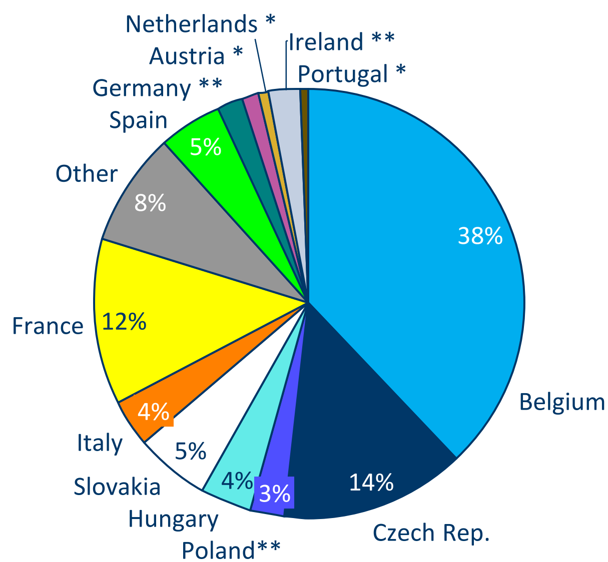
- Keeping part of the ALM swaps outside of hedge accounting reduces the volatility of the capital ratios as shown below (Basel III fully loaded + Danish Compromise insurance deconsolidation)
- Drawback is more volatility in P&L as revaluation of swaps recorded in P&L, whereas the revaluation of the AFS bonds is recognised in capital



Government bond portfolio – Notional value

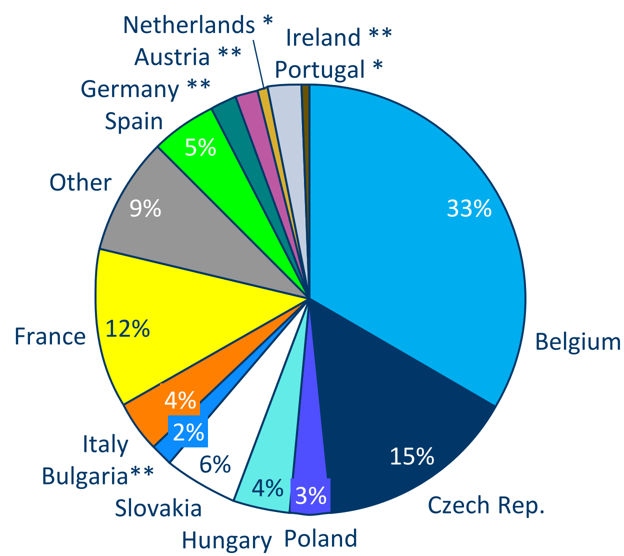
- Notional investment of 48.7bn EUR in government bonds (excl. trading book) at end of 1H17, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 5.8bn EUR at end of 1H17

END 2016
(Notional value of 50.5bn EUR)



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

END 1H17
(Notional value of 48.7bn EUR)

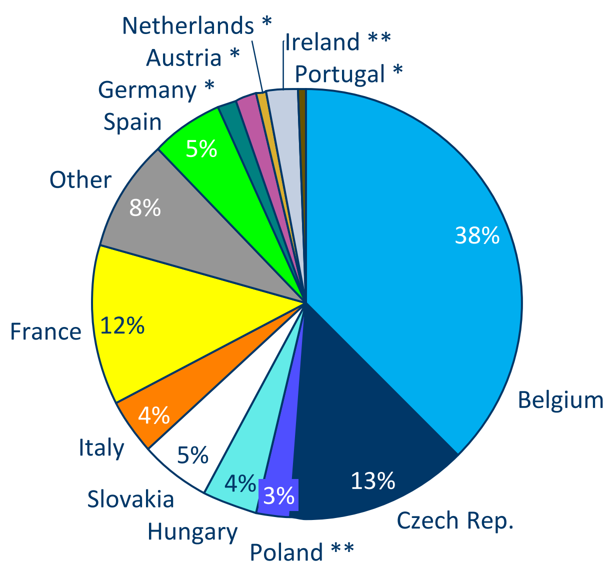


(*) 1%, (**) 2%

Government bond portfolio – Carrying value

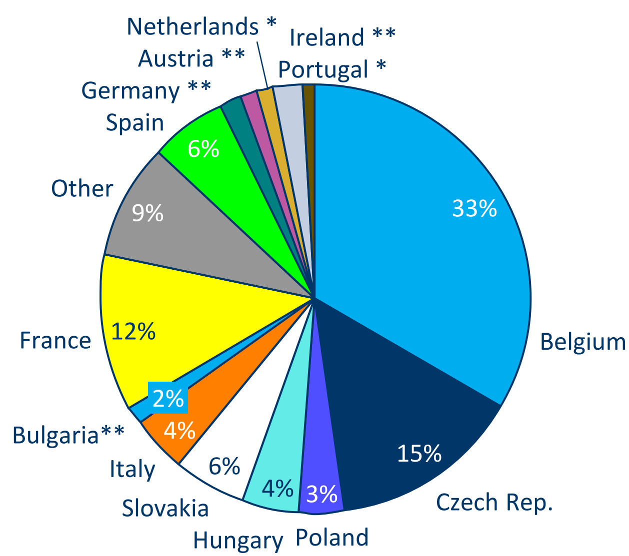
- Carrying value of 52.8bn EUR in government bonds (excl. trading book) at end of 1H17, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 6.8bn EUR at end of 1H17

END 2016
(Carrying value of 55.2bn EUR)



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

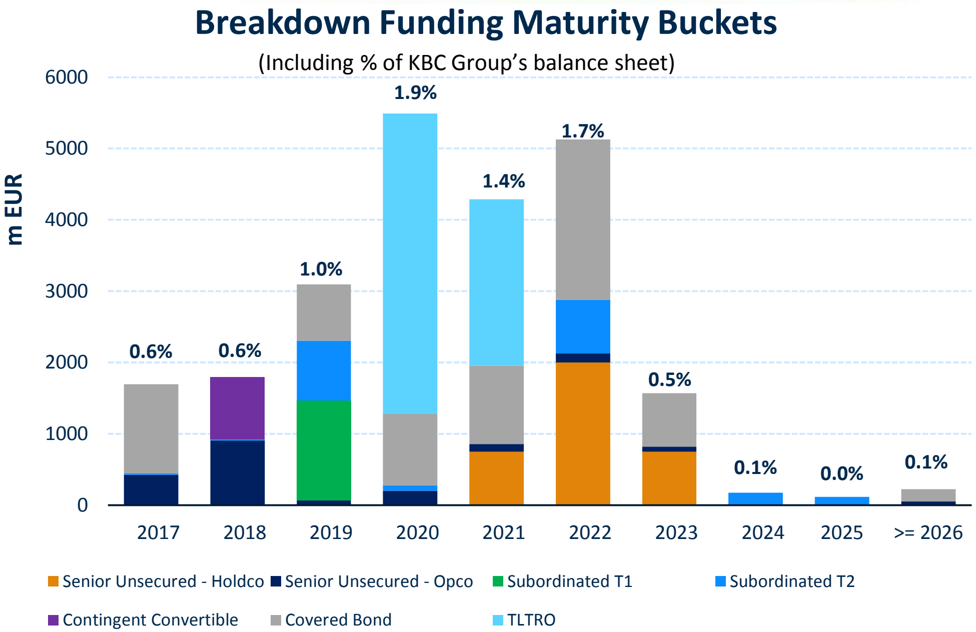
END 1H17
(Carrying value of 52.8bn EUR)

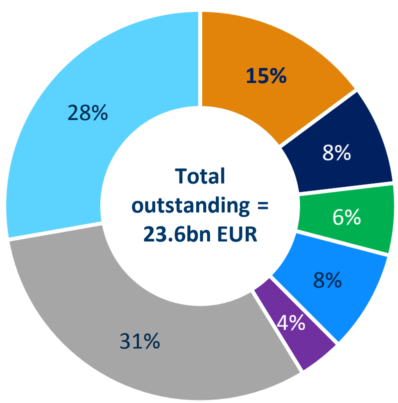


(*) 1%, (**) 2%

* 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

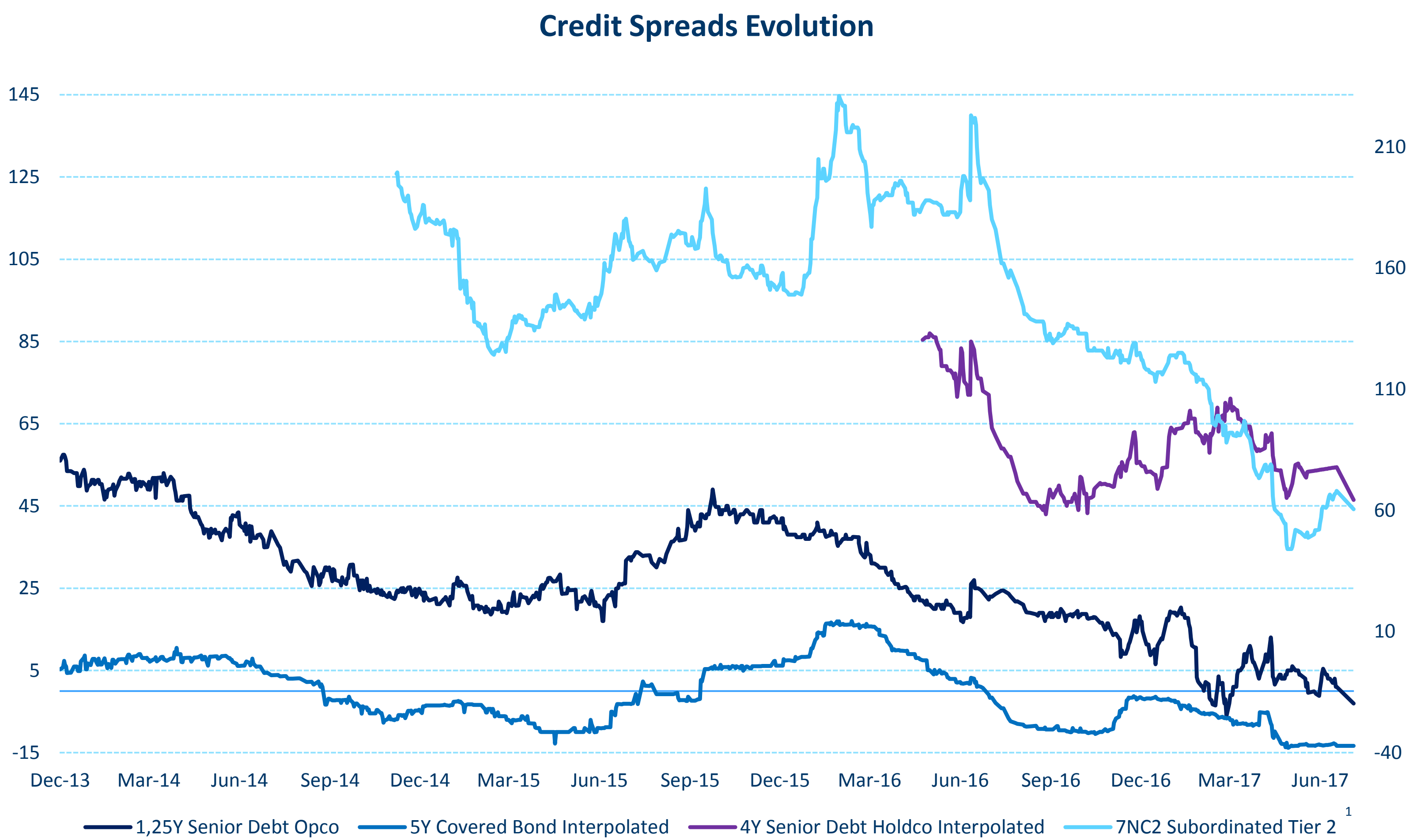
Upcoming mid-term funding maturities





- KBC Group successfully issued a 750m EUR senior unsecured bond with 5.5-year maturity in May 2017
- KBC's credit spreads have tightened towards the end of 2Q17
- 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 evolution



[1] *7NC2 Subordinated Tier 2 spread is depicted based 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) • up to the end of 2014, also Legacy & OCR was an important correction • one-off items (such as the impact of the liquidation of KBC FH)
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 impairments (specific) for impaired loans] / [total outstanding impaired loans]. For a definition of 'impaired', see 'Impaired loans ratio'
Impaired loans ratio	[total outstanding impaired loans (PD 10-11-12)] / [total outstanding loans]
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	[net interest income of the banking activities] / [average interest-bearing assets of the banking activities]
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 available-for-sale assets]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata)
TLAC	Total loss-absorbing capacity

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