

KBC Group Company presentation 3Q 2015

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- Volksbank Leasing Slovakia was consolidated for the first time. The deal had no material impact on KBC group's earnings and capital:
 - total income: +3m EUR in 3Q15, +2m EUR of which in NII
 - opex, including one-off merger costs: -2m EUR in 3Q15
 - net result: +1m EUR in 3Q15
 - balance sheet total of Volksbank Leasing Slovakia: approximately 170m EUR
 - The contribution to the European Single Resolution Fund (ESRF) at CSOB Czech Republic already recognized in 1Q15 was reversed in 3Q15 as such contributions will only be applicable in the Czech Republic as of 2016 (12m EUR reversal)

3Q 2015 key takeaways for KBC Group

■ STRONG BUSINESS PERFORMANCE IN 3Q15

Good net result of 600m EUR in 3Q15 (and 1.8bn EUR in 9M15)

- Good commercial bank-insurance franchises in our core markets and core activities
- Q-o-q increase in customer loan and deposit volumes in most of our core countries
- Lower net interest income and net interest margin q-o-q
- Net inflows, but lower net fee and commission income q-o-q due to adverse market circumstances
- Significantly lower net gains from financial instruments at fair value
- Excellent combined ratio (89% YTD). Good sales of non-life insurance products, but decline in sales of life insurance products
- Good cost/income ratio (54% YTD) adjusted for specific items
- Excellent level of impairment charges. Loan loss provisions in Ireland amounted to only 9m EUR in 3Q15. We are maintaining our guidance for Ireland, namely the lower end of the 50m-100m EUR range for both FY15 and FY16

■ SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS

- **Common equity ratio** (B3 fully loaded¹) of 17.4% **based on Danish Compromise** and of 17.2% **based on FICOD** at end 9M15, which clearly exceeds the fully loaded CET1 ratio target of 10.5% set by the ECB for 2015
- In the coming weeks, we should get the final minimum CET1 ratio for 2016 set by the ECB. As recently announced by the NBB, a systemic buffer (CET1 phased-in of 0.5% in 2016 under the Danish compromise, gradually increasing over a 3-year period and reaching 1.5% in 2018) will need to be added to this minimum CET1 ratio for 2016
- Fully loaded B3 **leverage ratio**, based on current CRR legislation, amounted to 6.9% at KBC Group
- **Continued strong liquidity position** (NSFR at 123% and LCR at 118%) at end 9M15

■ POST BALANCE-SHEET EVENT:

KBC will **liquidate KBC Financial Holding Inc. (US)**. This will result in the tax deductibility of losses already booked in previous years (specifically 2008 and 2009), for which a DTA will be booked, leading to²:

- a gain in the IFRS P&L of 763m EUR, likely to be booked in 4Q15
- initially only a limited positive impact of 0.16% on KBCs fully loaded CET1 ratio under the Danish Compromise

1. Including remaining state aid of 2bn EUR
2. Subject to USD/EUR rate at time of realisation

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- 1** 3Q 2015 performance of KBC Group
- 2** 3Q 2015 performance of business units
- 3** Strong solvency and solid liquidity
- 4** 3Q 2015 wrap up

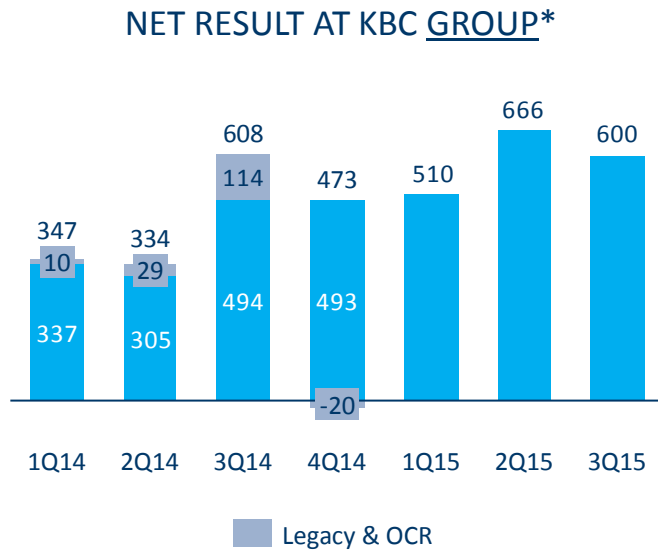
Annex 1: Company profile

Annex 2: Other items

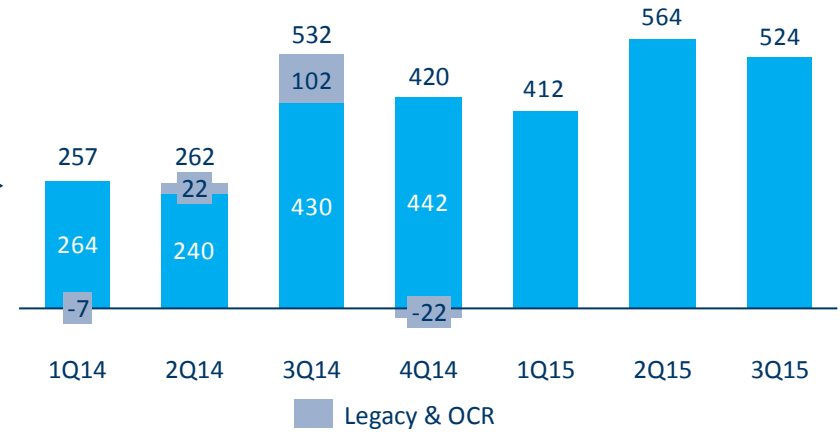
Section 1

3Q 2015 performance of KBC Group

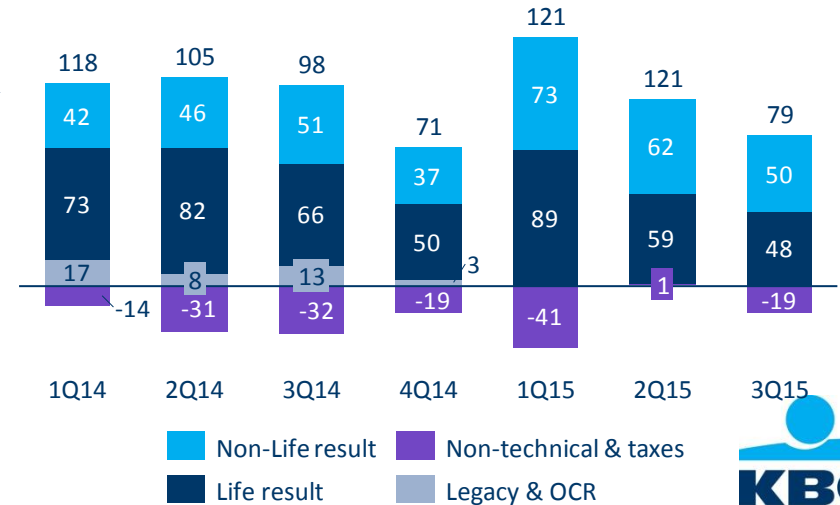
Net result at KBC Group



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP NET RESULT*

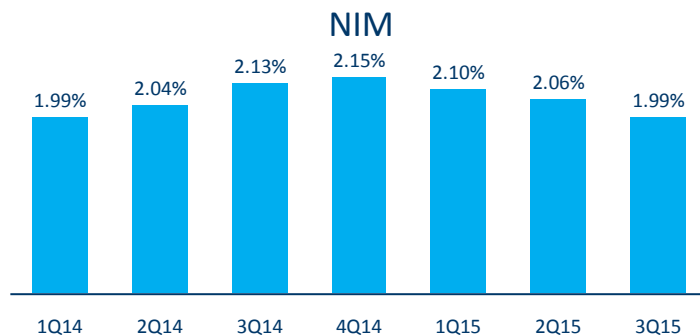
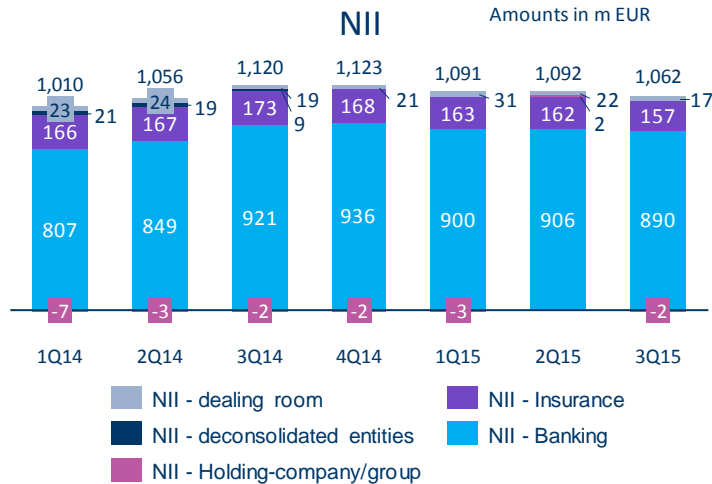


CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP NET RESULT*



* 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

Net interest income and margin slightly under pressure



Net interest income

- Down by 3% q-o-q and by 5% y-o-y (-3% q-o-q and -4% y-o-y pro forma, disregarding the change in the consolidation scope)
- The q-o-q decline was driven primarily by:
 - mortgages in Belgium: lower upfront prepayment fees (12m EUR less fees in 3Q15) and hedging losses on previously refinanced mortgages
 - lower reinvestment yields
 - pressure on commercial loan margins in most core countries
 - a decrease of 5m EUR in NII from the dealing room
- partly offset by:
 - lower funding costs
 - additional rate cuts on savings accounts in the Czech Republic
 - volume growth

Net interest margin (1.99%)

- Down by 7 bps q-o-q and by 14 bps y-o-y
- Q-o-q decrease is due almost entirely to lower reinvestment yields (mainly in the Czech Republic), the hedging losses on previously refinanced mortgages and pressure on commercial loan margins in most core countries, partly offset by rate cuts on savings accounts in the Czech Republic and lower funding costs in Ireland

VOLUME TREND

Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	127bn	55bn	162bn	200bn	28bn
Growth q-o-q*	+1%	+1%	0%	-2%	-1%
Growth y-o-y	+3%	+4%	+7%	+11%	+1%

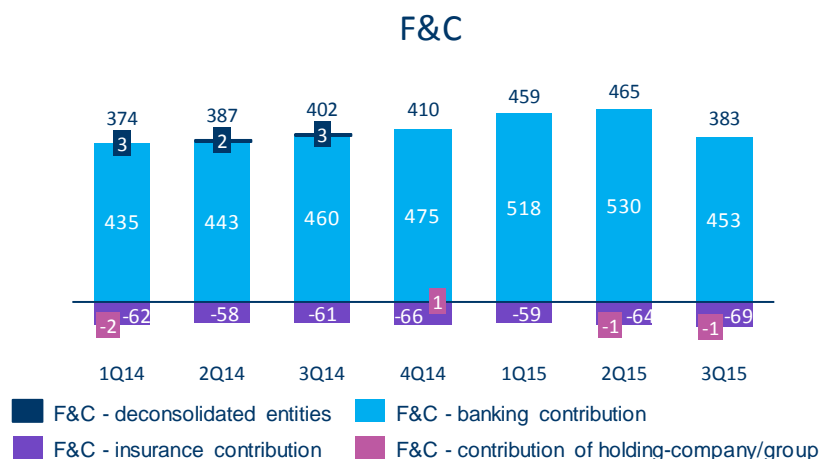
Customer deposit volumes excluding debt certificates & repos flat q-o-q and +8% y-o-y

* Non-annualised

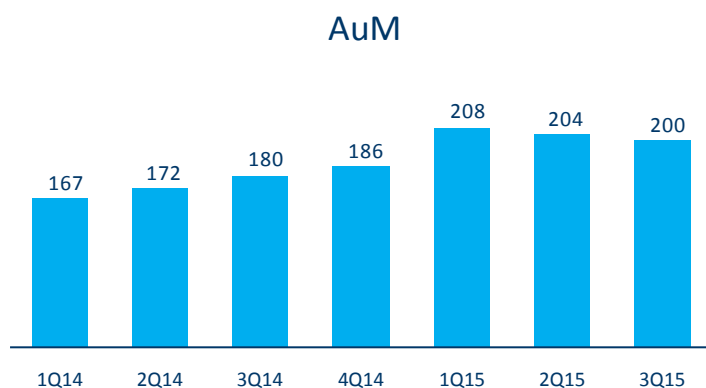
** Loans to customers, excluding reverse repos (and bonds)

*** Customer deposits, including debt certificates but excluding repos. Please be aware of the significant impact of calling most of the hybrid tier-1 instruments and maturing wholesale debt

Net inflows, but lower net fee and commission income due to adverse market circumstances



Amounts in m EUR



Amounts in bn EUR

■ Net fee and commission income

- Down by 18% q-o-q and by 5% y-o-y
- Q-o-q decrease was the result mainly of:
 - lower entry fees from mutual funds and unit-linked life insurance products, mainly due to less switches and seasonal effect (holidays season)
 - lower management fees from mutual funds, mainly due to the very large switch of CPPI products towards cash at the end of August
 - lower fees from credit files and bank guarantees (due to less refinancing of mortgage loans)
 - lower fees from securities transactions (seasonal effect)
 - higher commissions paid on insurance sales
- Y-o-y decline resulted chiefly from lower entry fees from mutual funds and unit-linked life insurance products (due to successful summer campaign in 3Q14), lower fees from securities transactions and higher commissions paid on insurance sales, partly offset by higher management fees from mutual funds
- Albeit still depending on the market environment of the coming months, we estimate net F&C income in 4Q15 in the range of 360m-370m EUR as the effect of the very large switch of CPPI products towards cash will fully kick in
- Based on this 4Q15 guidance, net F&C income in FY15 will increase roughly 6% y-o-y and will remain the main topline growth driver going forward under normal circumstances

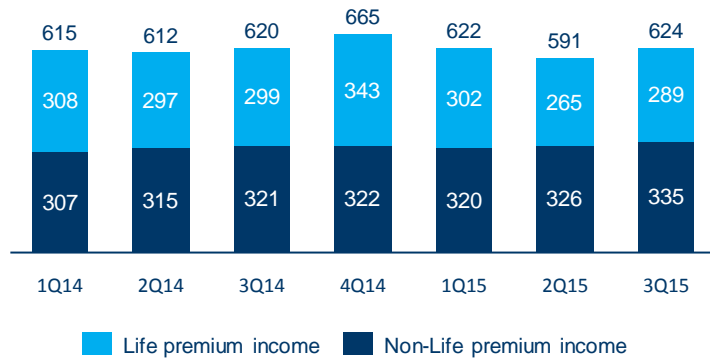
■ Assets under management (200bn EUR)

- Down by 2% q-o-q as a result of a negative price effect (-3%), partly offset by net inflows (+1%)
- Up by 11% y-o-y owing to net inflows (+7%) and a positive price effect (+4%)



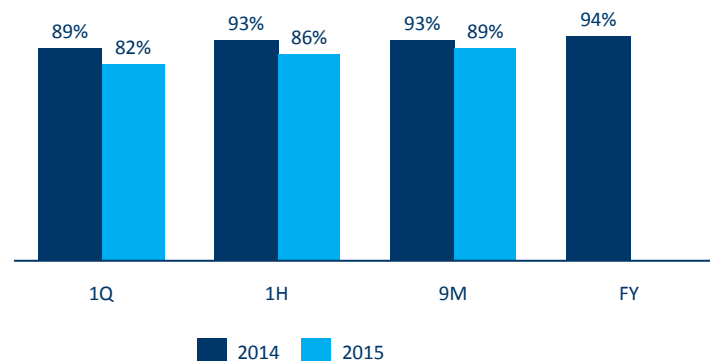
Insurance premium income up, combined ratio remains excellent

PREMIUM INCOME (GROSS EARNED PREMIUM)



- **Insurance premium income** (gross earned premium) at 624m EUR
 - Non-life premium income (335m) increased by 4% y-o-y
 - Life premium income (289m) up by 9% q-o-q and down by 3% y-o-y. The q-o-q increase was driven chiefly by the Czech Republic Business Unit (and to a lesser extent by Slovakia and Bulgaria). The y-o-y decrease was attributable entirely to the Belgium Business Unit

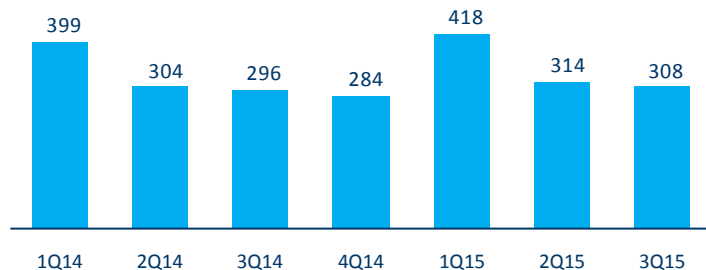
COMBINED RATIO (NON-LIFE)



- The non-life **combined ratio** at 9M15 stood at an **excellent 89%**, a strong improvement compared to 9M14 (as 9M14 was negatively impacted by hailstorms in Belgium)

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

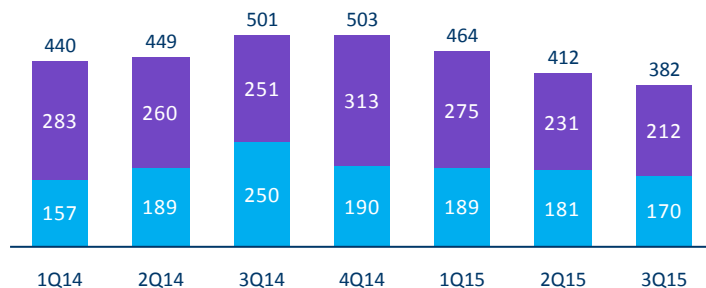
NON-LIFE SALES (GROSS WRITTEN PREMIUM)



■ Sales of non-life insurance products

- Up by 4% y-o-y thanks to a good commercial performance in all major product lines in our core markets

LIFE SALES

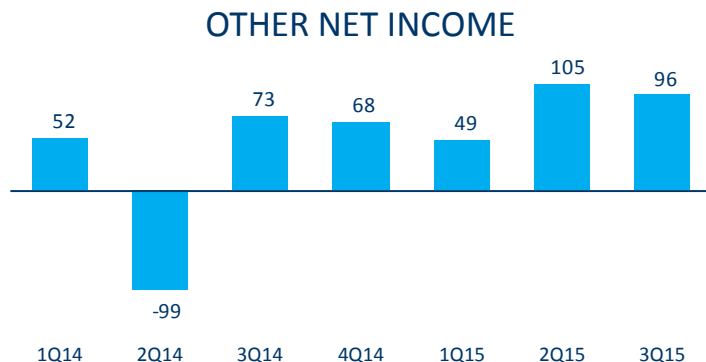
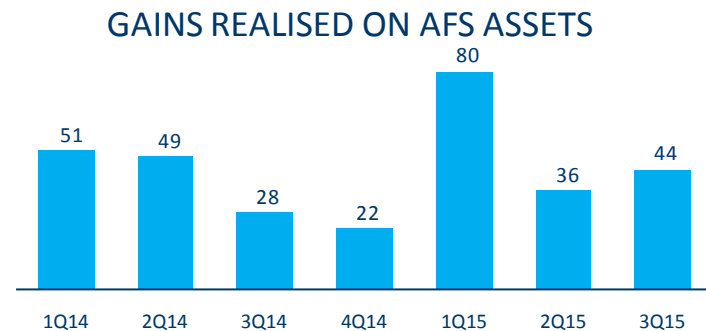
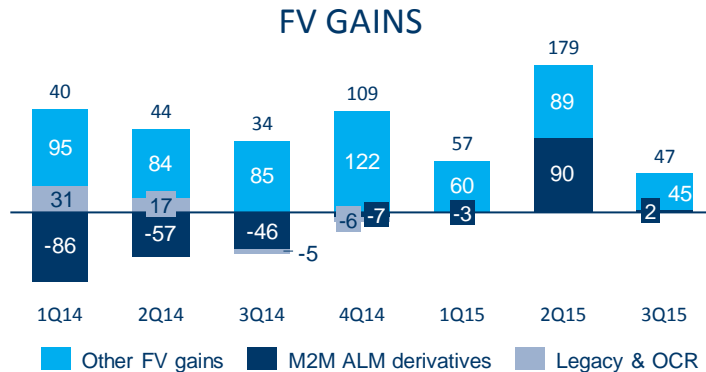


■ Guaranteed interest products ■ Unit-linked products

■ Sales of life insurance products

- Decreased by 7% q-o-q and by 24% y-o-y
- The y-o-y decline in
 - sales of unit-linked products in Belgium was attributable to the further shift towards AM products in 3Q15, whereas commercial campaigns and new products led to high sales in 3Q14
 - sales of guaranteed interest products was attributable chiefly to several decreases in the guaranteed interest rate in the Belgium Business Unit
- Sales of unit-linked products accounted for 45% of total life insurance sales

Lower FV gains, higher gains realised on AFS assets and reduced other net income



- 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 (2m EUR in 3Q15 compared with 90m EUR in 2Q15)
- a negative change in market, credit and fair value adjustments (as a result of widening spreads and increased volumes)
- weak dealing room income

- **Slightly higher gains realised on AFS assets** (both shares and bonds)

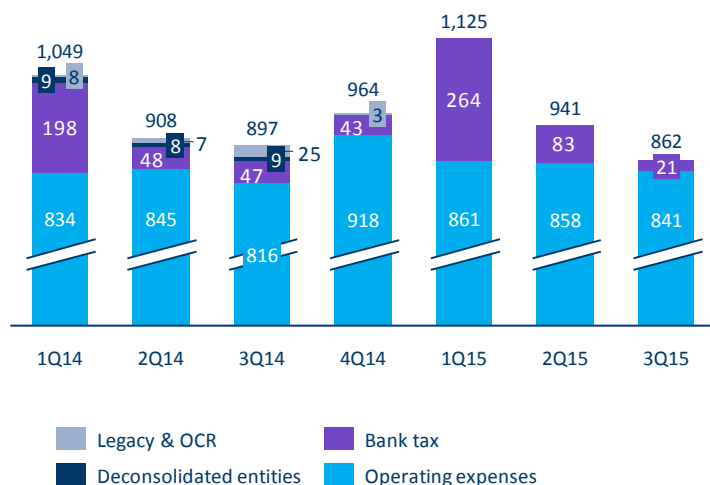
- **Other net income** amounted to 96m EUR, roughly double the normal run rate due, among other things, to:

- the settlement of old legal files in the amount of 30m EUR (17m EUR of which in the Belgium Business Unit, 9m EUR in Hungary and 4m in Slovakia)
- a release of 7m EUR from the Curia provision recorded earlier
- 9m EUR from divestments (announced in the past) in the Group Centre



Operating expenses down and good cost/income ratio

OPERATING EXPENSES



EXPECTED BANK TAX SPREAD (including ESRF contribution)

	TOTAL	Upfront			Spread out over the year			
	3Q15	1Q15	2Q15	3Q15	1Q15	2Q15	3Q15	4Q15e
BU BE	0	160	49	0	0	0	0	0
BU CZ	-3	11	0	-12	9	10	9	9
Hungary	19	56	1	0	16	19	19	18
Slovakia	3	3	1	0	3	3	3	3
Bulgaria	1	0	0	0	1	1	1	1
Ireland	0	2	0	0	0	0	0	1
GC	0	5	0	0	0	0	0	0
TOTAL	21	237	51	-12	28	32	32	32

Amounts in m EUR

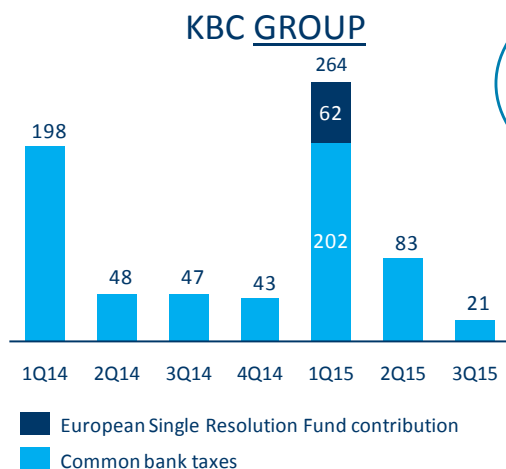
Cost/income ratio at 51% in 3Q15 and 54% YTD

- The C/I ratio of 51% in 3Q15 was affected mainly by the much lower FIFV and lower net F&C income, offset by high other net income and low bank taxes
- Cost/income ratio (banking) adjusted for specific items* stood at 58% in 3Q15 and 54% YTD
- Operating expenses excluding bank tax decreased by 2% q-o-q consequent on:
 - lower opex in Group Centre
 - lower staff and facilities expenses in Belgium
 - reduced severance payments and marketing expenses in the Czech Republic
 - lower ICT expenses in Hungary
 but the decrease was offset slightly by:
 - higher ICT investments into the strategic programme of KBC Group (digitalisation, mainly in Belgium and the Czech Republic)
 - increased staff expenses in Slovakia (due to consolidation of VB Leasing for the first time), Hungary and Ireland
- Operating expenses without bank tax increased by 3% y-o-y due to higher pension costs in Belgium, higher ICT investments into the strategic programme of KBC Group (digitalisation, mainly in Belgium and the Czech Republic) and higher staff expenses (mainly in Belgium, Ireland and Slovakia)
- Pursuant to IFRIC 21, certain levies (such as contributions to the new European Single Resolution Fund) have to be recognised in advance, and this adversely impacted the results for 1Q15. In 3Q15, the contribution to the ESRF at CSOB Czech Republic was reversed as such contributions will only be applicable in the Czech Republic as of 2016

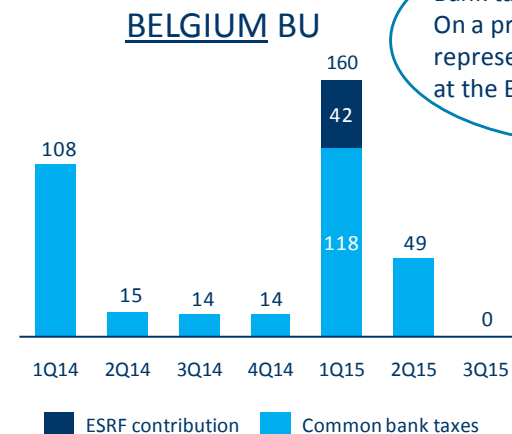
* See glossary (slide 82) for the exact definition



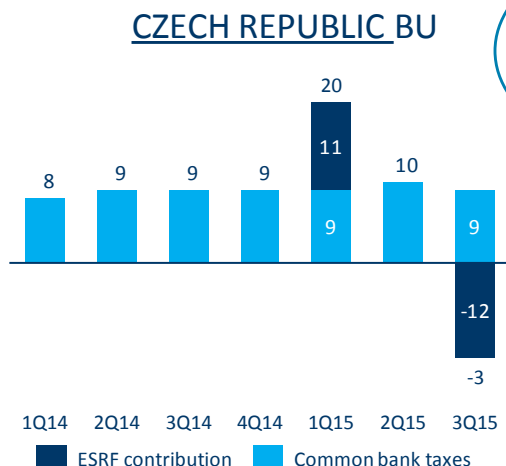
Overview of bank taxes*



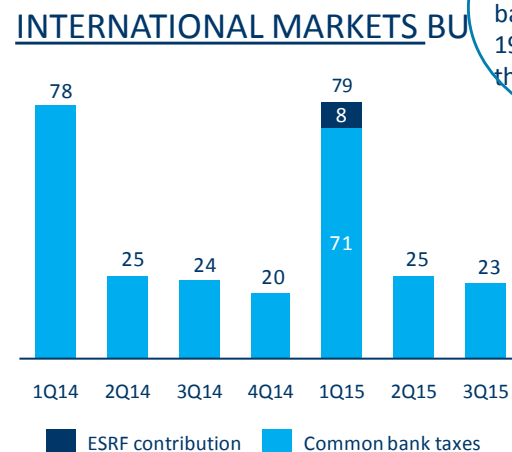
Bank taxes of 368m EUR YTD. On a pro rata basis, bank taxes represented 10.2% of 9M15 opex at KBC Group**



Bank taxes of 209m EUR YTD. On a pro rata basis, bank taxes represented 8.6% of 9M15 opex at the Belgium BU



Bank taxes of 27m EUR YTD. On a pro rata basis, bank taxes represented 6.0% of 9M15 opex at the CR BU



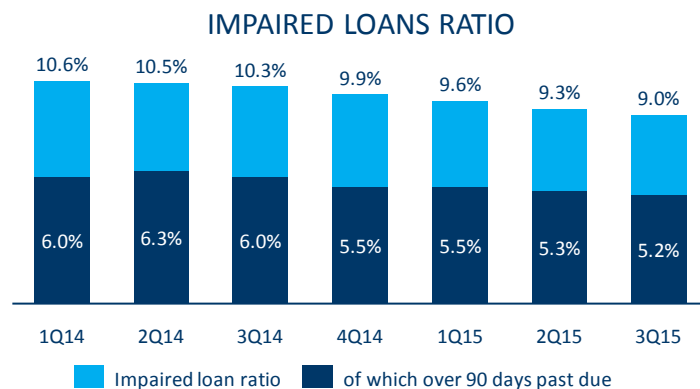
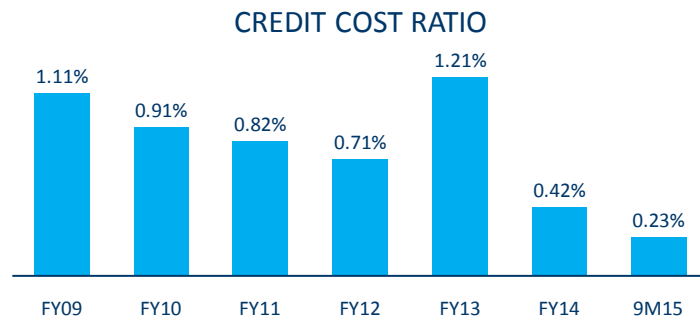
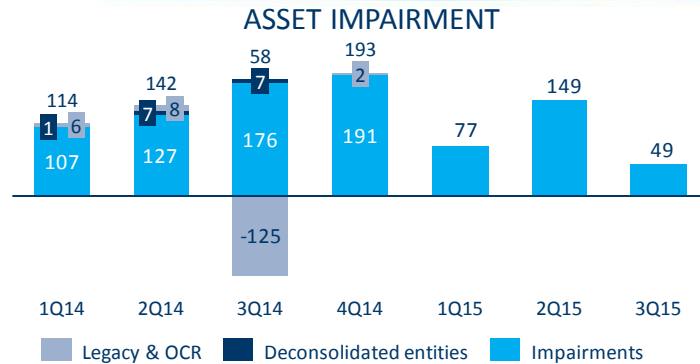
Bank taxes of 126m EUR YTD. On a pro rata basis, bank taxes represented 19.8% of 9M15 opex at the IM BU

* 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 54% in 9M15 amounts to roughly 48% excluding these bank taxes



Asset impairment down sharply, credit cost ratio remains good and impaired loans ratio decreases



Sharply lower impairment charges q-o-q

- The q-o-q decline in loan loss provisions was attributable mainly to:
 - low gross impairments and several releases
 - 34m EUR impairments due to IBNR parameter changes in 2Q15 (21m EUR of which in the Belgium BU and 11m EUR in the Czech Republic BU)
 - a decrease of 22m EUR in the Group Centre (mainly at ADB)
 - Ireland (9m EUR compared with 16m in 2Q15 and 47m EUR in 3Q14)
- Note that the 3Q14 pro forma level was restated. Since ADB is being run down in a gradual and orderly manner, there was an impairment reversal of +0.1bn EUR
- Impairment of 15m EUR on AFS shares (in Belgium)

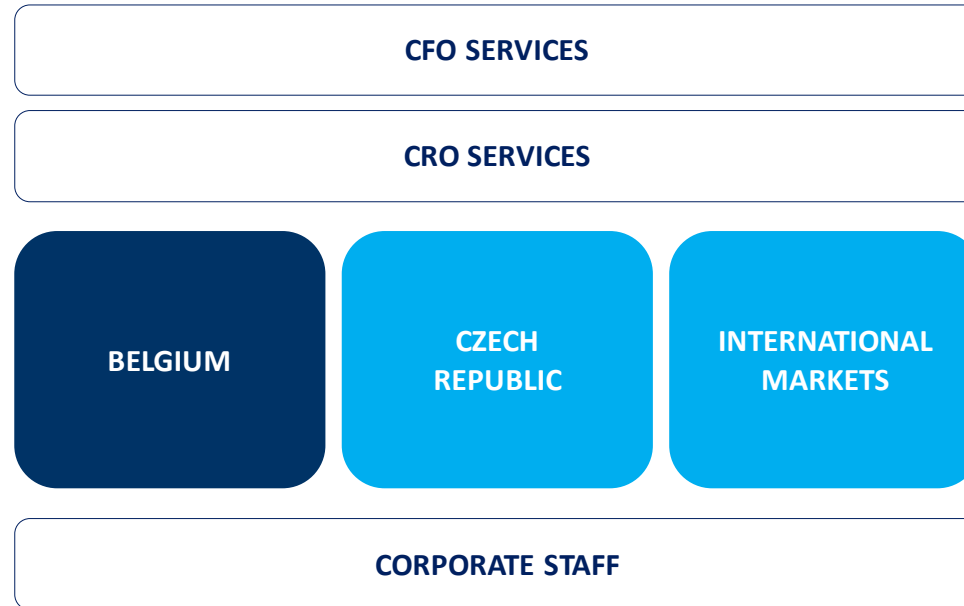
- The **credit cost ratio** only amounted to 0.23% in 9M15 due to low gross impairments (especially in 3Q15) and some releases (especially in 1Q15), despite an increase of IBNR impairments (due to parameter changes) by approximately 34m EUR in 2Q15

- The **impaired loans ratio** dropped to 9.0%

Section 2

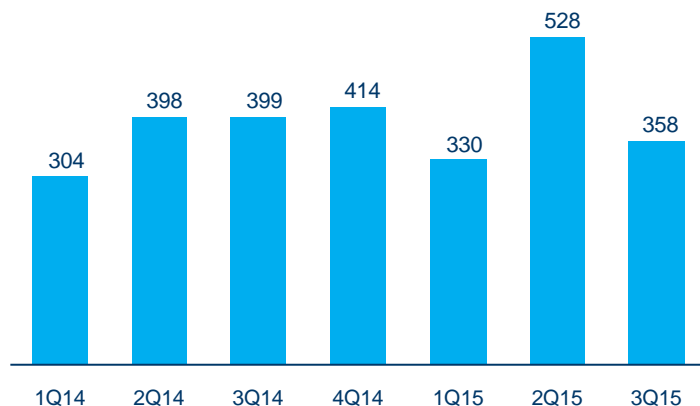
3Q 2015 performance of business units

BELGIUM BUSINESS UNIT



Belgium BU (1): net result of 358m EUR

NET RESULT



Amounts in m EUR

Net result at the Belgium Business Unit amounted to 358m EUR

- The quarter under review was characterised by lower net interest income, a decline in net fee and commission income, reduced trading and fair value income, seasonally lower dividend income, a decrease in realised gains on AFS assets, lower other net income, an excellent combined ratio in non-life insurance, lower sales of life insurance products, a decrease in operating expenses due entirely to lower bank taxes and a sharp reduction in impairment charges q-o-q
- Loan volumes rose by 2% q-o-q. Customer deposits decreased by 1% q-o-q, whereby further growth in current and saving accounts was more than offset by maturing expensive term deposits

VOLUME TREND

	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	87bn	33bn	113bn	185bn	27bn
Growth q-o-q*	+2%	+1%	-1%	-2%	-1%
Growth y-o-y	+5%	+5%	+8%	+11%	+1%

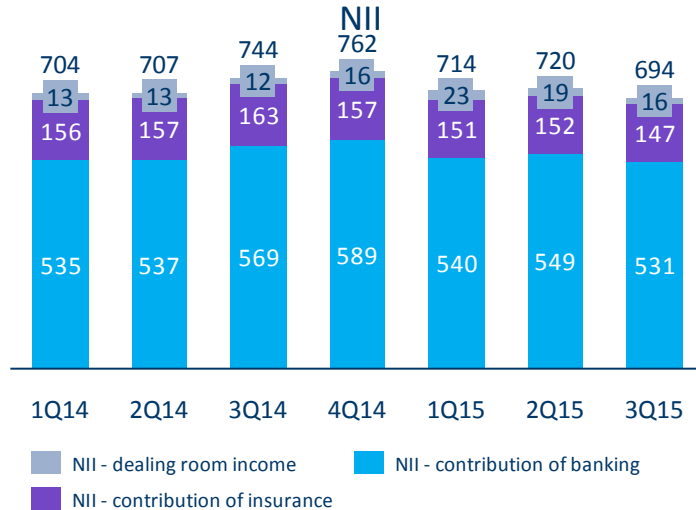
Customer deposit volumes excluding debt certificates & repos -1% q-o-q and +7% y-o-y

* Non-annualised

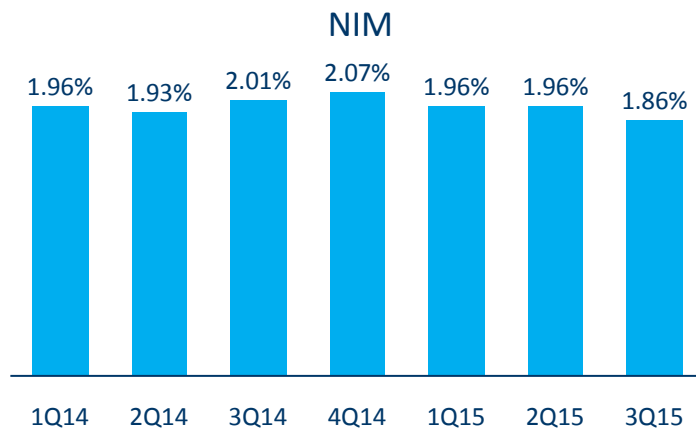
** Loans to customers, excluding reverse repos (and bonds)

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

Belgium BU (2): lower NII and NIM



Amounts in m EUR



Net interest income (694m EUR)

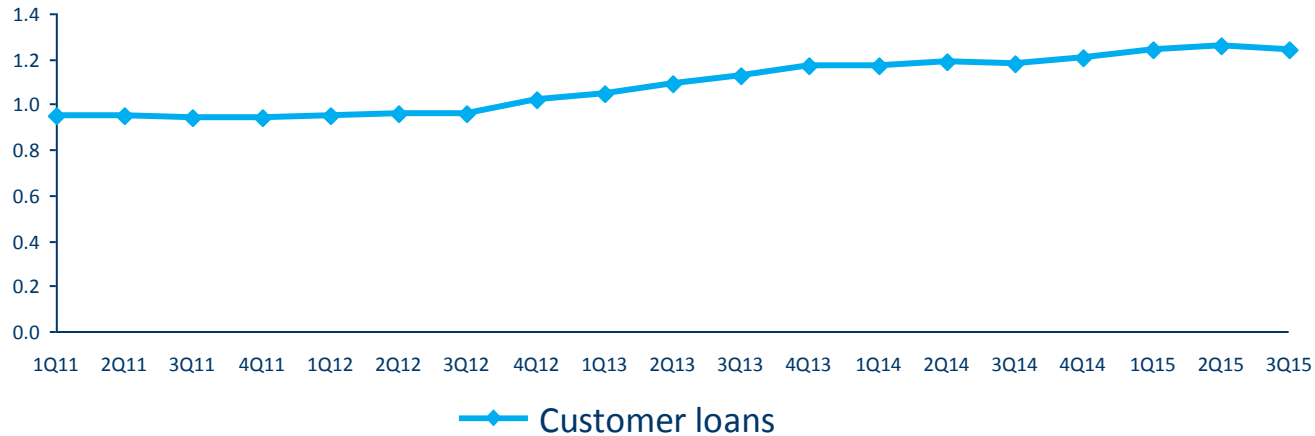
- Down by 4% q-o-q and by 7% y-o-y
- Q-o-q decrease was driven primarily by lower upfront prepayment fees (13m EUR in 3Q15 compared with 25m EUR in 2Q15), hedging losses on previously refinanced mortgages, lower reinvestment yields and reduced net interest income from the dealing room, offset in part by lower funding costs and higher volumes on mortgage & corporate loans
- Decreased y-o-y as the lower rate of interest paid on savings accounts, increase in volumes on current and savings accounts, higher net interest income on lending activities, lower funding costs on term deposits and higher net interest income from the dealing room were offset by lower reinvestment yields, lower prepayment fees (13m EUR in 3Q15 compared with 18m EUR in 3Q14) and hedging losses on previously refinanced mortgages
- Note that customer deposits excluding debt certificates and repos increased by 7% y-o-y, while customer loans rose by 5% y-o-y

Net interest margin (1.86%)

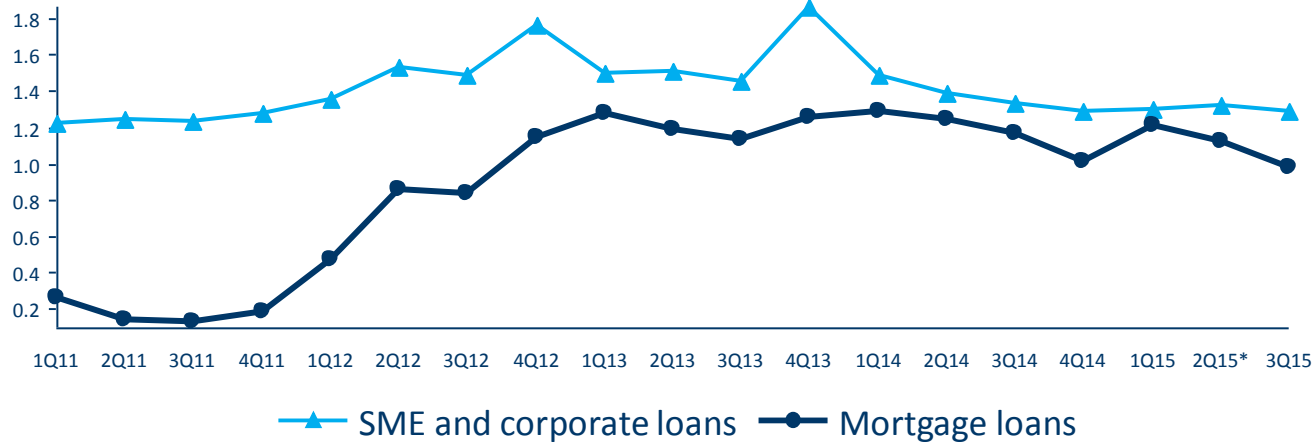
- Decreased by 10 bps q-o-q and by 15 bps y-o-y due to the negative impact of lower reinvestment yields, hedging losses on refinanced mortgages and some pressure on commercial loan margins

Credit margins in Belgium

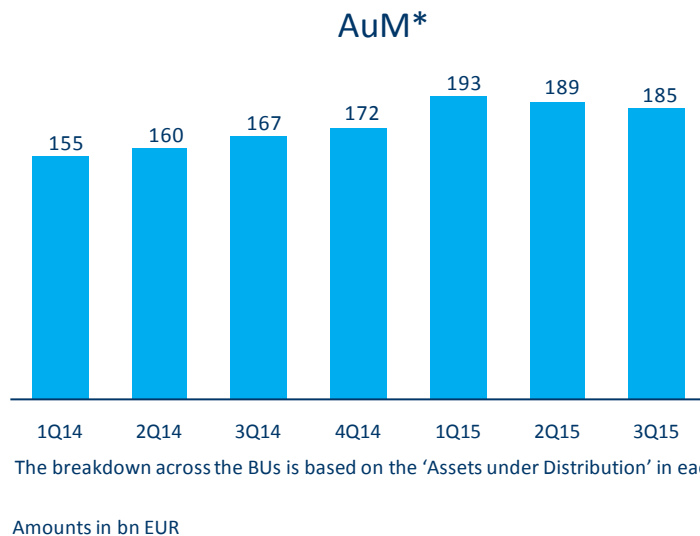
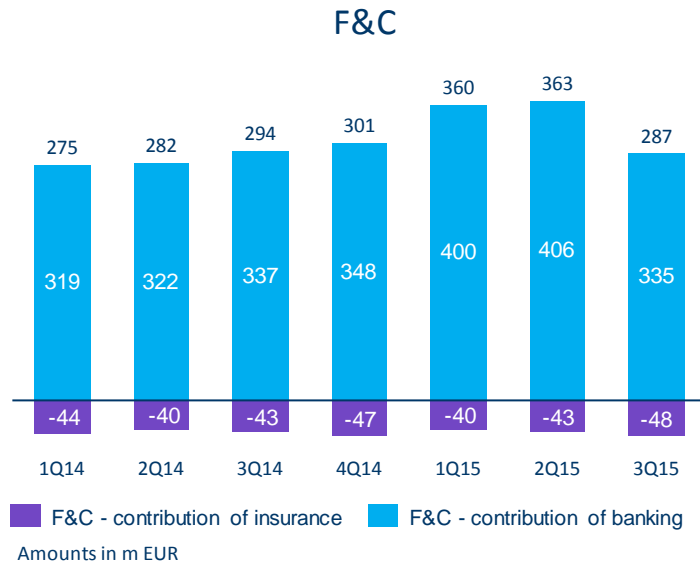
PRODUCT SPREAD ON CUSTOMER LOAN BOOK, OUTSTANDING



PRODUCT SPREAD ON NEW PRODUCTION



Belgium BU (3): lower net F&C income, but positive net inflows



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

Net fee and commission income (287m EUR)

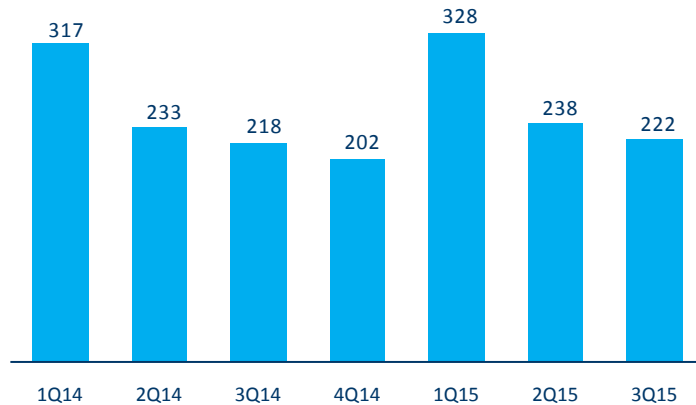
- Decreased by 21% q-o-q, due mainly to the combination of lower entry fees from mutual funds and unit-linked life insurance products, lower management fees from mutual funds, lower fees from securities transactions (relative to the very strong 2Q15), higher commissions paid on insurance sales, lower fees from credit files and bank guarantees, which was only partly offset by higher fees from payment transactions
- Fell by 2% y-o-y driven chiefly by lower entry fees from mutual funds and unit-linked life insurance products, lower fees from securities transactions and higher commissions paid on insurance sales, which was almost entirely offset by higher management fees from mutual funds and higher fees from payment transactions

Assets under management (185bn EUR)

- Went down by 2% q-o-q: while net inflows went up by 1%, there was a negative price effect (-3%)
- Rose by 11% y-o-y, as a result of net inflows (+7%) and a positive price effect (+4%)

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

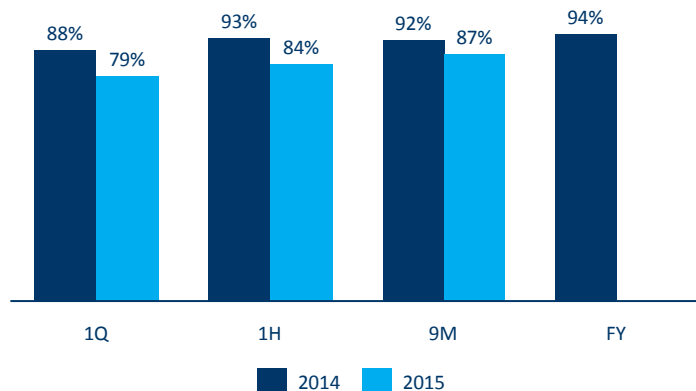
NON-LIFE SALES (GROSS WRITTEN PREMIUM)



■ Sales of non-life insurance products

- Increased by 2% y-o-y driven by premium growth in the 'fire', 'other damage to property' and 'motor' classes

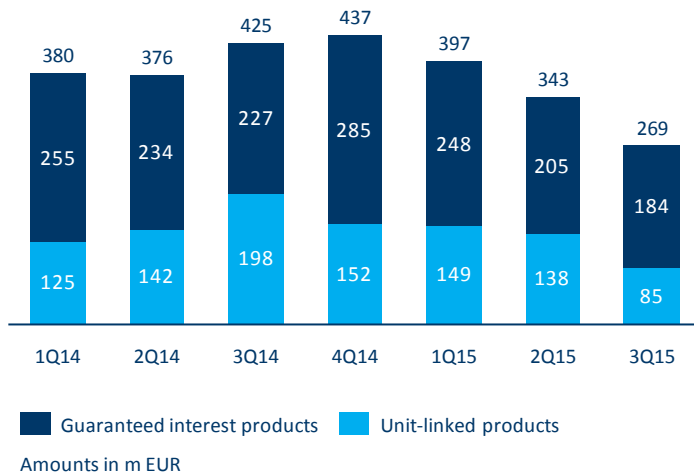
COMBINED RATIO (NON-LIFE)



- **Combined ratio** amounted to 87% in 9M15, a strong improvement compared with 9M14 (9M14 was negatively impacted by hailstorms in Belgium)

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

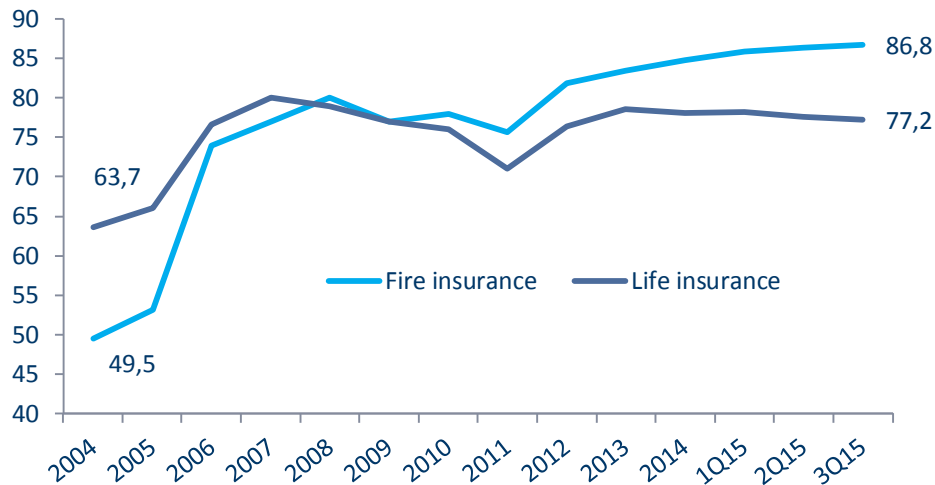
LIFE SALES



■ Sales of life insurance products

- Fell by 22% q-o-q and by 37% y-o-y with sales of guaranteed interest products being impacted by a further decrease y-o-y in the guaranteed interest rate and sales of unit-linked products in Belgium declining due to the further shift towards AM products in 3Q15 (commercial campaigns and new products led to high sales in 3Q14)
- As a result, guaranteed interest products and unit-linked products accounted for 68% and 32%, respectively, of life insurance sales in 3Q15

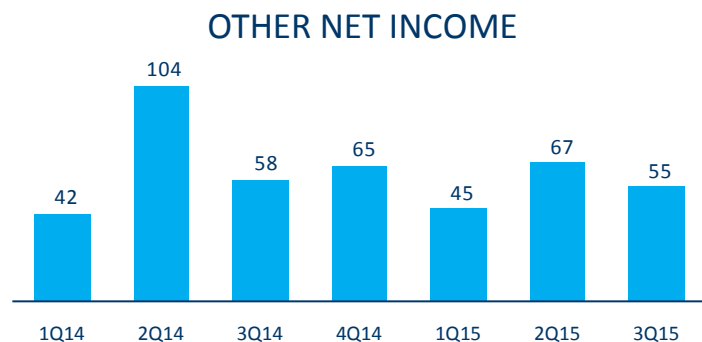
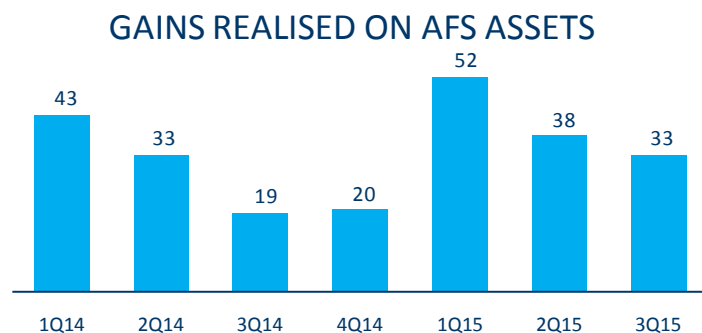
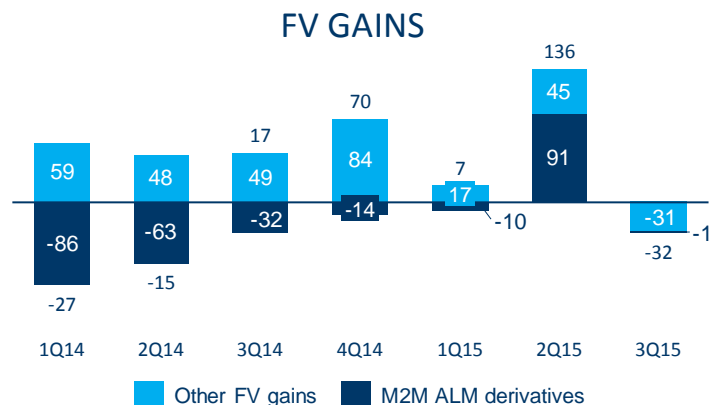
MORTGAGE-RELATED CROSS-SELLING RATIOS



■ Mortgage-related cross-selling ratios

- 86.8% for fire insurance
- 77.2% for life insurance

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



- The lower q-o-q figures for **net gains from financial instruments at fair value** were the result mainly of:

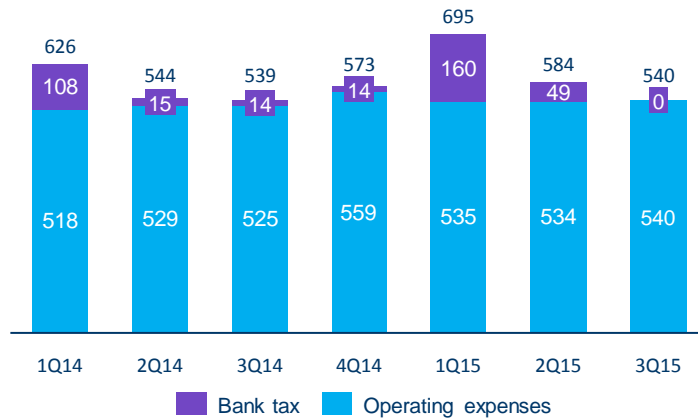
- a negative q-o-q change in ALM derivatives (-1m EUR in 3Q15 compared with 91m EUR in 2Q15), on account of decreasing long-term IRS rates.
- the lower q-o-q figure was due partly to a negative change in market, credit and fair value adjustments
- very weak dealing room income (especially IRS and FX)

- **Gains realised on AFS assets** came to 33m EUR (slightly less gains realised on both shares and bonds in 3Q15 compared with 2Q15)

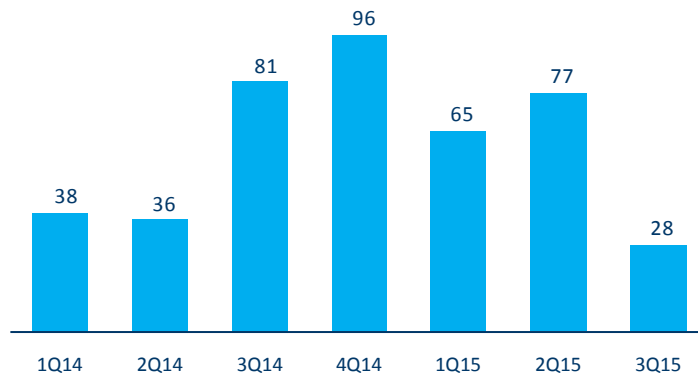
- **Other net income** amounted to 55m EUR in 3Q15, somewhat above the normal run rate due to the settlement of an old legal file

Belgium BU (7): lower operating expenses and impairments, excellent credit cost ratio

OPERATING EXPENSES



ASSET IMPAIRMENT



Amounts in m EUR

- **Operating expenses:** -7% q-o-q and flat y-o-y
 - The q-o-q decrease was attributable entirely to lower bank taxes. Operating expenses without bank tax increased by 1% q-o-q mainly as lower staff expenses were offset by higher ICT costs and higher general administrative expenses, charged by the Group Centre (mostly timing differences)
 - The fact that the y-o-y figures were virtually the same was chiefly the result of lower bank taxes, lower facilities expenses and lower marketing costs, fully offset by higher staff expenses and higher ICT investments into the strategic programme of KBC Group (digitalisation)
 - Cost/income ratio: 51% both in 3Q15 and in 9M15. Adjusted for specific items, the C/I ratio amounted to roughly 58% in 3Q15 and 52% in 9M15

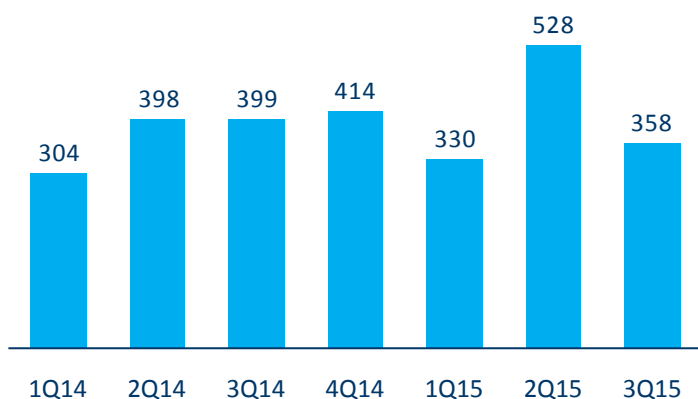
- **Loan loss provisions** amounted to 13m EUR in 3Q15. The q-o-q decrease was due chiefly to 21m EUR extra portfolio-based impairments as a result of IBNR parameter changes booked in 2Q15 and several releases. Gross impairments remained low in all segments. **Credit cost ratio** amounted to 21 bps in 9M15 (23 bps in FY14)

- **Impaired loans ratio** dropped to 4.0%, 2.4% of which over 90 days past due

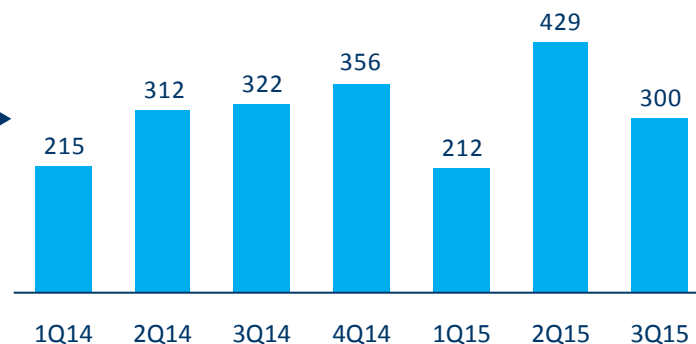
- **Impairment on AFS shares** (15m EUR)

Net result at the Belgium BU

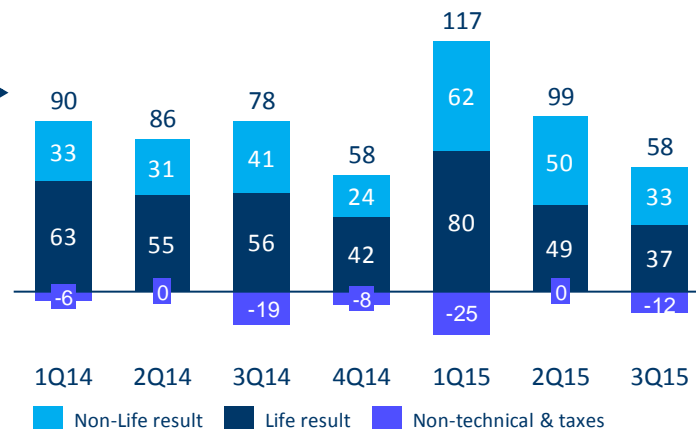
NET RESULT AT THE BELGIUM BU *



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

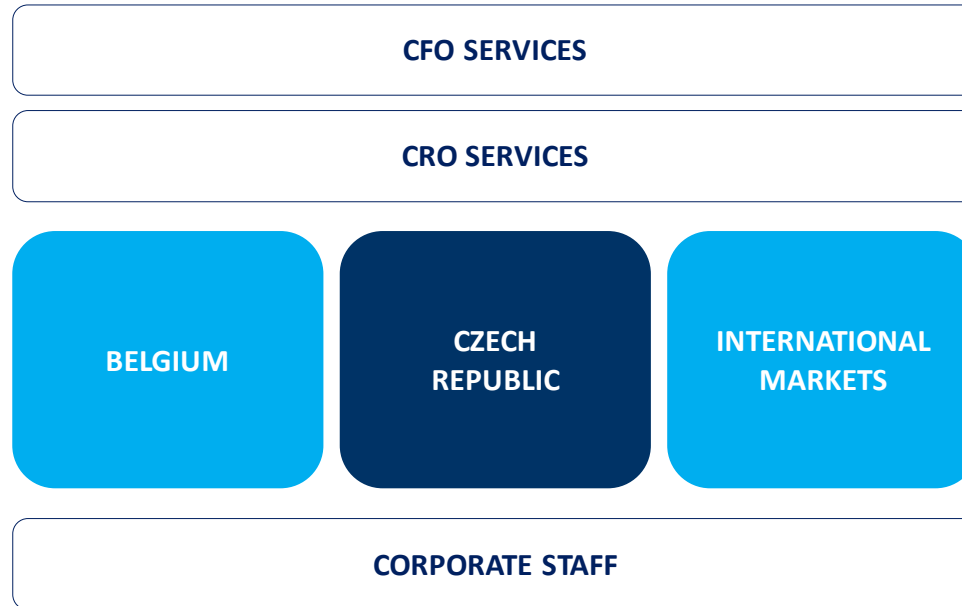


CONTRIBUTION OF INSURANCE ACTIVITIES TO NET RESULT OF THE BELGIUM BU *



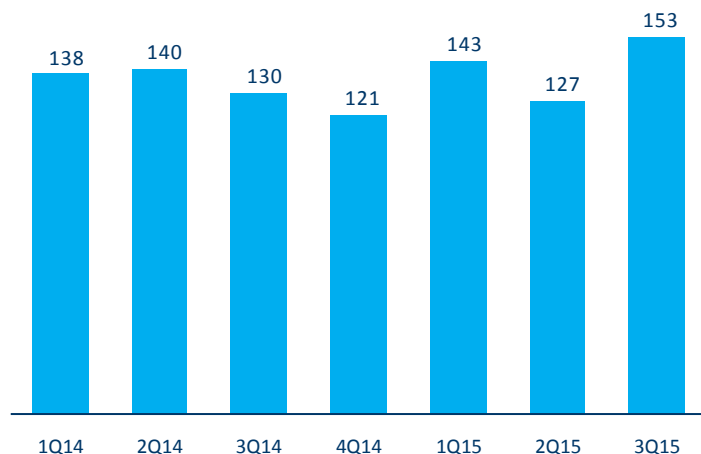
* Difference between net profit at the Belgium Business Unit and the sum of the banking and insurance contribution is accounted for by the rounding up or down of figures

CZECH REPUBLIC BUSINESS UNIT



Czech Republic BU (1): excellent net result of 153m EUR

NET RESULT



Amounts in m EUR

- **Net result** at the Czech Republic Business Unit of 153m EUR
 - Q-o-q results were characterised by higher net interest income, lower net fee and commission income, higher net results from financial instruments, no realised gains on AFS assets, an improved combined ratio in non-life insurance, higher sales of life insurance products, lower costs due entirely to lower bank taxes and reduced loan loss impairment charges
 - Profit contribution from the insurance business remained limited in comparison to the banking business

VOLUME TREND

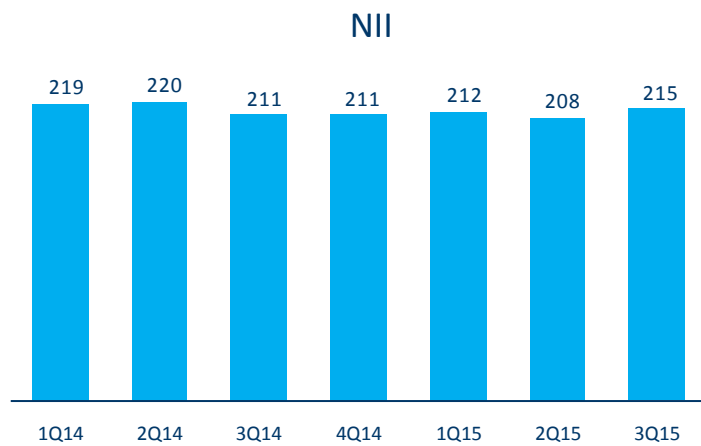
Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	18bn	8bn	23bn	8.5bn	0.9bn
Growth q-o-q*	+2%	+2%	+2%	+1%	-3%
Growth y-o-y	+10%	+9%	+8%	+19%	-10%

* Non-annualised

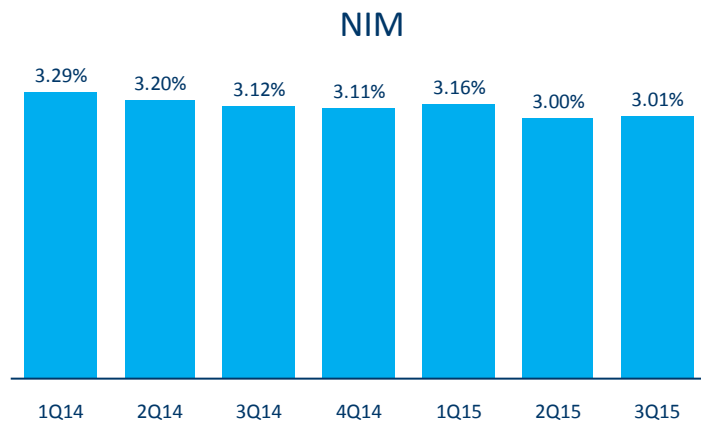
** Loans to customers, excluding reverse repos (and bonds)

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

Czech Republic BU (2): higher NII and NIM



Amounts in m EUR



■ Net interest income (215m EUR)

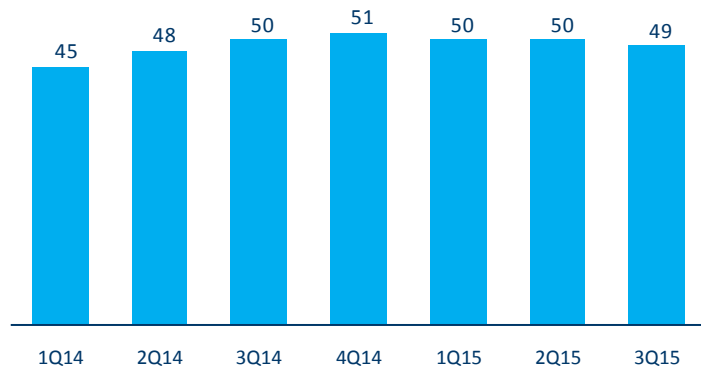
- Up by 4% q-o-q and 2% y-o-y to 215m EUR. Corrected for FX effects, NII increased by 3% q-o-q and remained unchanged y-o-y pro forma
- The pro forma q-o-q increase was the result primarily of a reduction in the average rate offered on savings accounts, fees on early repaid corporate loans and growth in loan volumes, which was offset slightly by lower reinvestment yields and pressure on lending margins (mainly on mortgages)
- Loan volumes up by 10% y-o-y, driven mainly by growth in mortgages and corporate loans and, to a lesser extent, in SME loans
- Customer deposit volumes up by 8% y-o-y

■ Net interest margin (3.01%)

- Rose by 1 bp q-o-q and fell by 11 bps y-o-y to 3.01%
- The q-o-q increase was attributable to a reduction in the average rate offered on savings accounts and fees on early repaid corporate loans, which more than offset the lower reinvestment yields and pressure on lending margins (mainly on mortgages)
- The y-o-y decrease was the result of a lower reinvestment yield and pressure on margins for new loans sold (mainly on mortgages due to competition), despite higher margins on savings accounts (as a result of several cuts in interest rates during the last year)

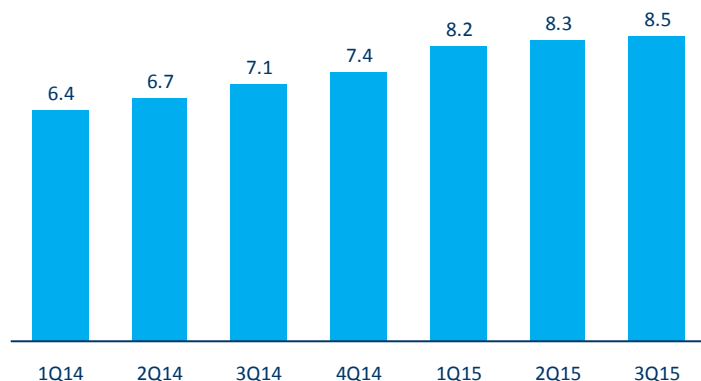
Czech Republic BU (3): lower net F&C income, but positive net inflows

F&C



Amounts in m EUR

AuM*



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

Amounts in bn EUR

Net fee and commission income (49m EUR)

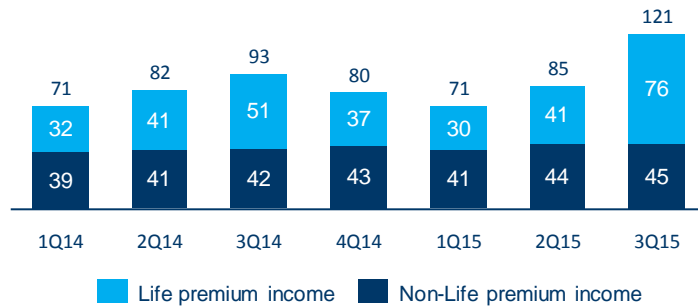
- Decreased by 3% q-o-q and by 2% y-o-y (or -4% for both q-o-q and y-o-y pro forma, adjusted to take account of FX effect)
- The pro forma q-o-q decline was the result of lower entry fees from mutual funds (due mainly to the impact of volatile markets), slightly lower management fees (negative price effect) and higher fees paid to the Czech Post and to insurance agents
- The pro forma y-o-y decrease was attributable chiefly to lower securities transaction fees and lower entry fees from mutual funds, despite an increase in management fees on mutual funds

Assets under management (8.5bn EUR)

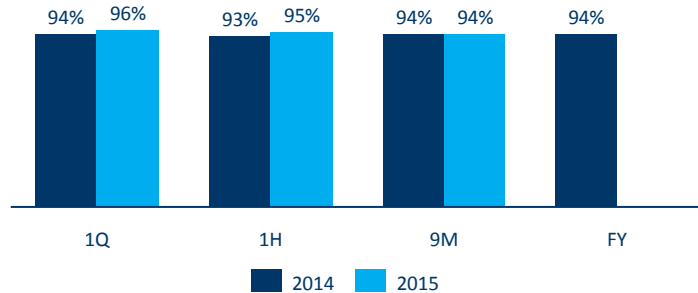
- Went up by 1% q-o-q to roughly 8.3bn EUR, as a result of a 2% increase in net inflows. Net sales of balanced funds and CPPI products in particular were good
- Y-o-y, assets under management rose by 19%, driven by net inflows (+13%) and a positive price effect (+6%)

Czech Republic BU (4): higher premium income and good combined ratio

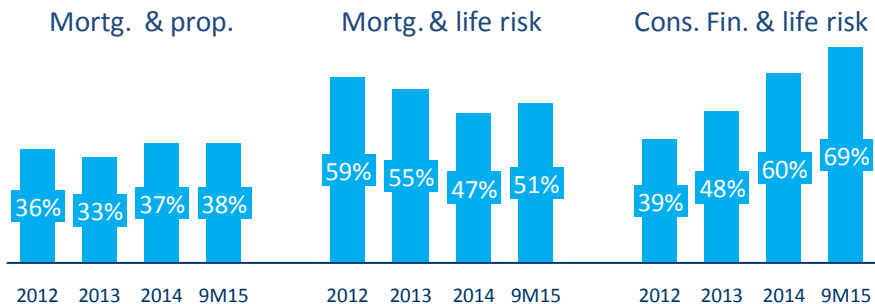
PREMIUM INCOME (GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)



CROSS-SELLING RATIOS



- **Insurance premium income** (gross earned premium) stood at 121m EUR

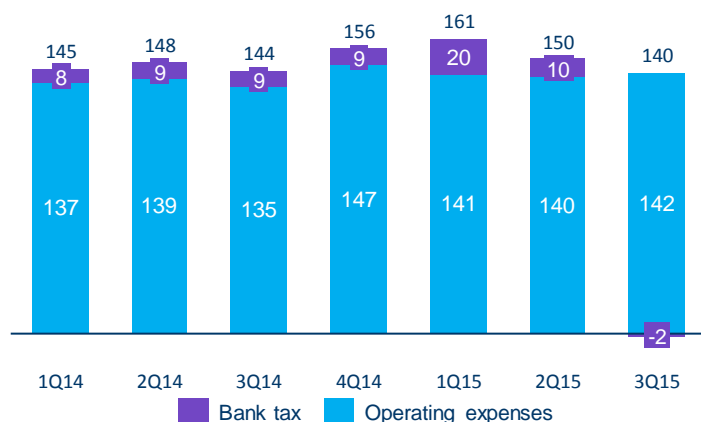
- Non-life premium income (45m) rose by 6% y-o-y excluding FX effect, due mainly to improved retail (in motor and households businesses) and corporate sales
- Life premium income (76m) went up by 86% q-o-q and by 49% y-o-y, excluding FX effect. Growth was mainly in unit-linked single premiums due to intensified product campaigns

- **Combined ratio:** 94% in 9M15, unchanged from a year earlier

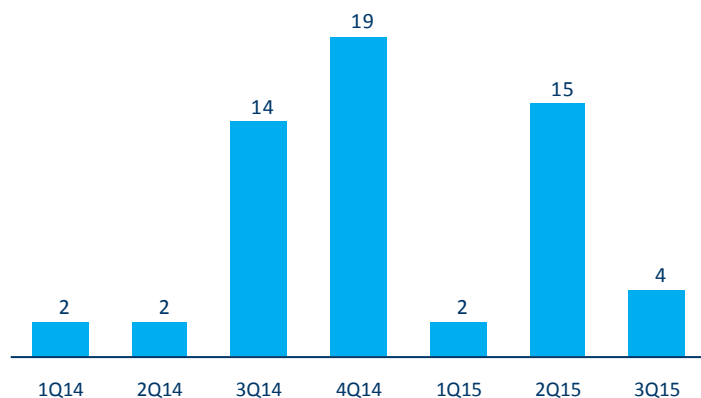
- **Cross-selling ratios:** increased commercial focus and sales activities helped to improve demand for property insurance combined with a mortgage

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

OPERATING EXPENSES



ASSET IMPAIRMENT



Operating expenses (140m EUR)

- Fell by 8% q-o-q and 5% y-o-y, excluding FX effect
- In 3Q15, the contribution to the ESRF at CSOB Czech Republic was reversed as such contributions will only be applicable in the Czech Republic as of 2016
- Excluding FX effect and bank tax, operating expenses remained unchanged q-o-q, but increased by 3% y-o-y
- The q-o-q stabilisation excluding FX effect and bank tax was due mainly to lower severance payments and lower marketing expenses were offset entirely by higher expenses related to the Czech Post, higher staff expenses and IT costs
- The y-o-y increase excluding FX effect and bank tax was attributable primarily to higher expenses related to the Czech Post, increased IT and facilities expenses, higher severance payments and a rise in professional fees, partly offset by lower staff expenses and lower marketing expenses
- Cost/income ratio at 43% in 3Q15 and 47% in 9M15. Adjusted for specific items, the C/I ratio amounted to roughly 47% both in 3Q15 and in 9M15

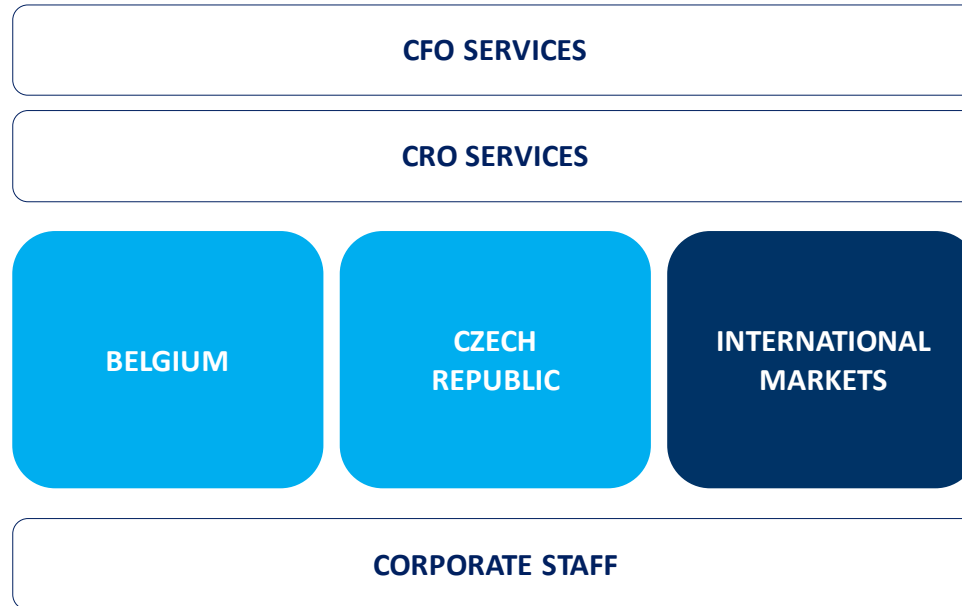
- **Impairments on L&R** were extremely low in 3Q15, while the increase in 2Q15 was mainly the result of IBNR parameter changes (11m EUR impact)

- **Credit cost ratio** amounted to 0.15% in 9M15

	2011	2012	2013	2014	9M15
CCR	0.37%	0.31%	0.26%	0.18%	0.15%

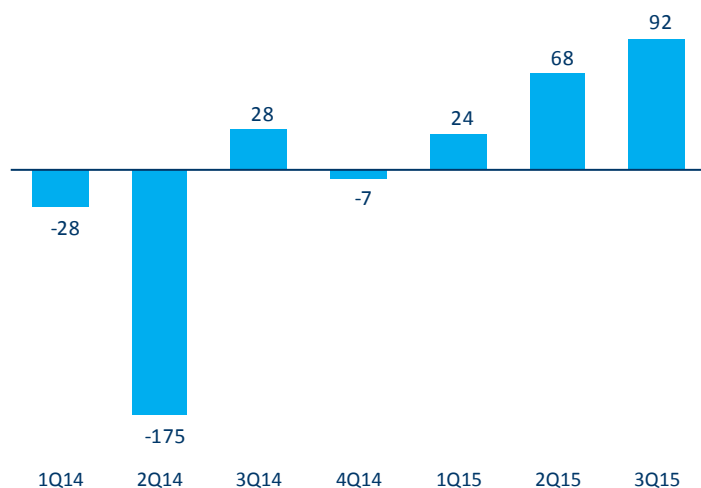
- **Impaired loans ratio** dropped to 3.4%, 2.5% of which over 90 days past due

INTERNATIONAL MARKETS BUSINESS UNIT



International Markets BU (1): net result of 92m EUR

NET RESULT



Amounts in m EUR

Net result: 92m EUR, despite 23m EUR bank taxes

- Profit **breakdown** for International Markets: 24m EUR for Slovakia, 54m EUR for Hungary, 4m EUR for Bulgaria and 10m EUR for Ireland.
- Q-o-q **results** were characterised by higher net interest income, lower net fee and commission income, higher result from financial instruments at fair value, lower realised gains on AFS assets, an improved combined ratio and higher life insurance sales, an increase in net other income (helped by the settlement of old legal files totaling 13m EUR and a release of 7m EUR from the Curia provision booked previously), slightly higher costs and lower loan loss impairment charges

VOLUME TREND

	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	21bn	14bn	17bn	6.4bn	0.6bn
Growth q-o-q*	0%	0%	+3%	-4%	+3%
Growth y-o-y	0%	+1%	+14%	+6%	+7%

* 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*

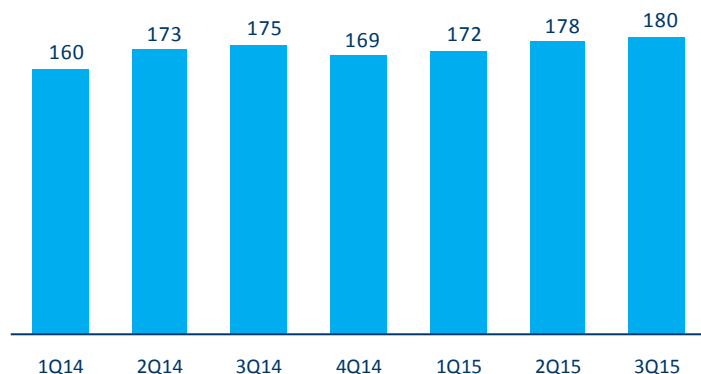
	TOTAL LOANS		MORTGAGES		DEPOSITS	
	q-o-q	y-o-y	q-o-q	y-o-y	q-o-q	y-o-y
IRE	-1%	-4%	0%	-2%	+4%	+32%
SL	+5%	+14%	+4%	+14%	+3%	+8%
HU	-2%	-7%	+2%	+4%	+1%	+4%
BG	+3%	+6%	-2%	0%	+4%	+18%
TOTAL	0%	0%	0%	+1%	+3%	+14%

- The **total loan book** remained unchanged both q-o-q and y-o-y
 - On a y-o-y basis, the 4% decrease in Ireland (matured and impaired mortgage loans surpassed new production + deleveraging of the corporate loan portfolio) and 7% decrease in Hungary (due to large repayments within the Corporate portfolio) were offset entirely by the increases of 14% in Slovakia (due mainly to the continuously increasing mortgage portfolio) and 6% in Bulgaria
- **Total deposits** were up by 3% q-o-q and by 14% y-o-y
 - The 3% q-o-q increase was accounted for chiefly by an increase of 4% in Ireland (mainly retail deposit growth), of 3% in Slovakia (primarily in current accounts and corporates) and of 4% in Bulgaria
 - The y-o-y rise of 14% was due mainly to the successful retail deposit campaign in Ireland. Deposits also grew solidly in Slovakia (supported by campaigns) and Bulgaria

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

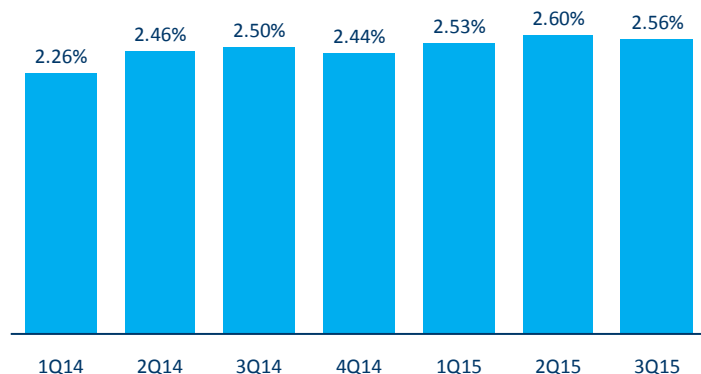
International Markets BU (3): higher NII, despite lower NIM

NII



Amounts in m EUR

NIM



▪ Net interest income (180m EUR)

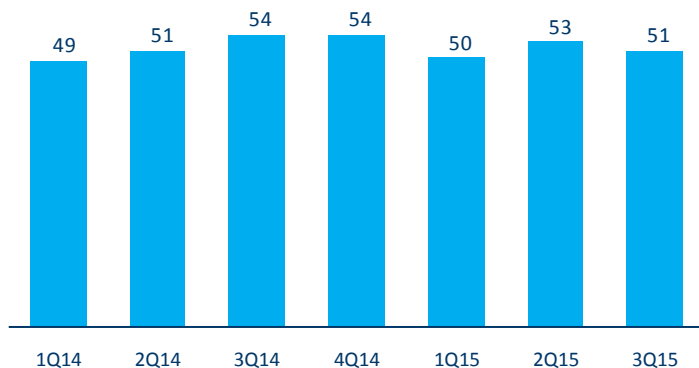
- Rose by 1% q-o-q and by 3% y-o-y
- The q-o-q increase was driven chiefly by Slovakia (consolidation of VB Leasing for the first time and growth of lending volumes)
- The y-o-y rise was attributable mainly to Ireland (favourable mortgage margin income, lower allocated liquidity and funding costs) and Slovakia, which more than offset a decrease in Hungary (lower reinvestment yield and some Curia decisions, like for instance the conversion of FX mortgages)

▪ Net interest margin (2.56%)

- Down by 4 bps q-o-q and up by 6 bps y-o-y
- The q-o-q decrease was accounted for entirely by Hungary (mainly as a result of lower commercial margins on deposits) and Ireland (as a result of somewhat reduced lending margins)
- The y-o-y increase was attributable fully to a considerable rise in NIM in Ireland (mainly as a result of favourable mortgage margin income, lower allocated liquidity and funding costs)

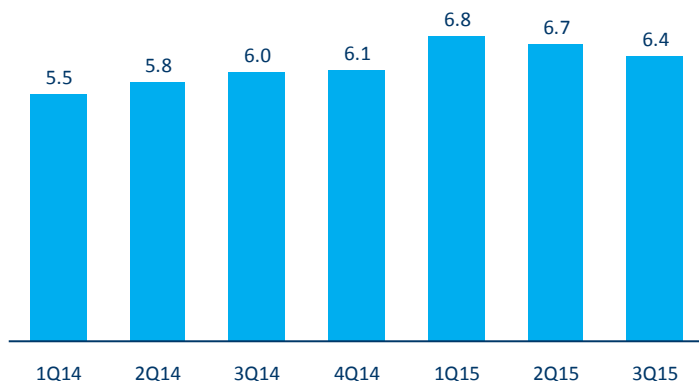
International Markets BU (4): lower net F&C income

F&C



Amounts in m EUR

AuM*



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

Amounts in bn EUR

Net fee and commission income (51m EUR)

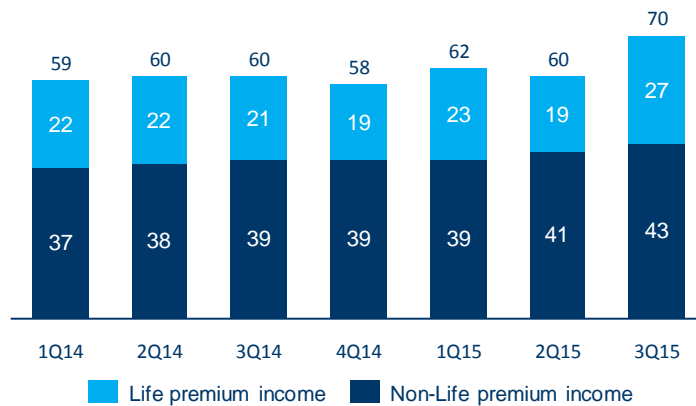
- Down by 3% q-o-q and by 5% y-o-y
- The q-o-q and y-o-y decreases were driven mainly by:
 - lower fees from credit files and bank guarantees, lower fee income from securities transactions and higher commissions paid on insurance sales in Slovakia (despite higher fee income from payment services)
 - slightly negative FX effect q-o-q and less entry fees on unit-linked life insurance products in Hungary (despite higher fee income from transactional services)

Assets under management (6.4bn EUR)

- Decreased by 4% q-o-q, as a result of net entries (-2%) and negative price effects (-2%)
- Y-o-y, assets under management rose by 6% (4% net entries and 2% positive price effects)

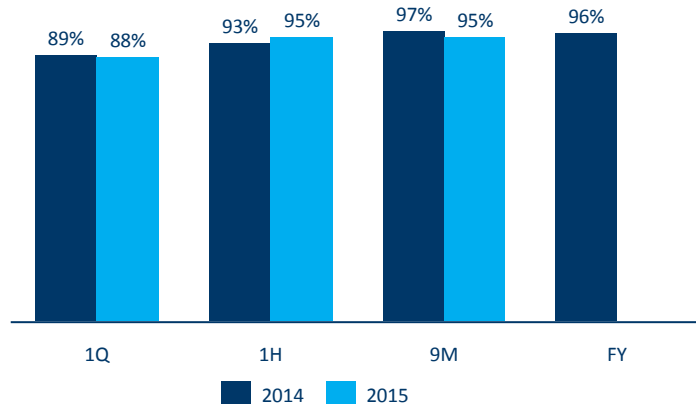
International Markets BU (5): higher premium income and good combined ratio

PREMIUM INCOME
(GROSS EARNED PREMIUM)



- **Insurance premium income** (gross earned premium) stood at 70m EUR
 - Non-life premium income (43m) rose by 11% y-o-y as a result of:
 - improved sales in motor retail in Hungary
 - good performance in casco, retail fire and big contracts in property and general third party liability insurance in Bulgaria
 - Life premium income (27m) rose by 41% q-o-q and by 29% y-o-y driven mainly by higher unit-linked single premiums due to commercial campaign in Slovakia and Bulgaria

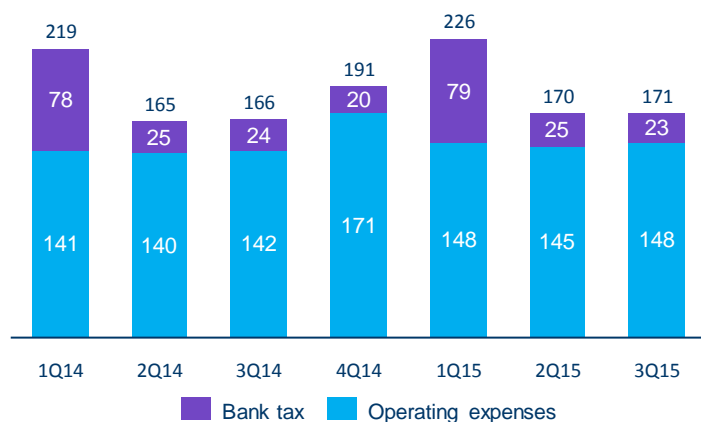
COMBINED RATIO (NON-LIFE)



- **Combined ratio** at a good 95% in 9M15. The combined ratio for 9M15 breaks down into 94% for Hungary, 89% for Slovakia and 98% for Bulgaria

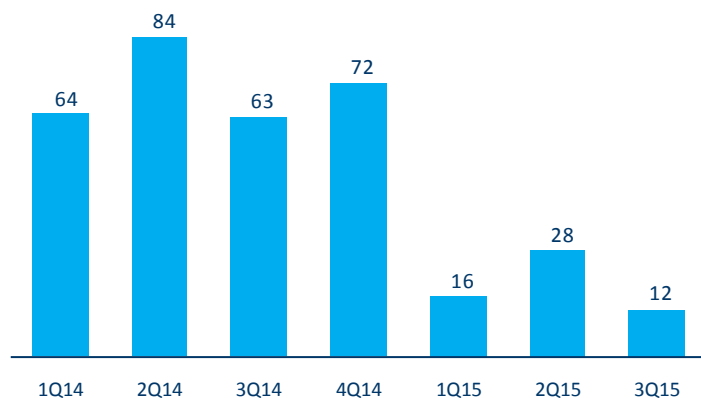
International Markets BU (6): higher operating expenses, but sharply lower impairments

OPERATING EXPENSES



Amounts in m EUR

ASSET IMPAIRMENT



Operating expenses (171m EUR)

- Rose by 1% q-o-q and 3% y-o-y
- Opex without bank tax rose by 2% q-o-q driven chiefly by Slovakia (consolidation of VB Leasing for the first time and slightly higher staff expenses)
- The 4% y-o-y increase of opex without bank tax was driven by:
 - higher staff, ICT & facilities expenses and higher depreciation & amortisation costs in Ireland
 - higher staff expenses and the consolidation of VB Leasing in Slovakia
- C/I ratio stood at 58% in 3Q15 and 66% in 9M15 (figures distorted on account of IFRIC 21). Adjusted for specific items, the C/I ratio amounted to 64% both in 3Q15 and in 9M15

Impairments on L&R (12m EUR) dropped sharply q-o-q and y-o-y owing mainly to:

- Hungary, as a result of effects of the re-assessment of the FX conversion and Curia rules on provision levels
- Ireland: loan loss provisions amounted to only 9m EUR in 3Q15 compared with 16m EUR in 2Q15 and 47m EUR in 3Q14

Credit cost ratio of 0.30% in 9M15

	Loan book	2011 CCR	2012 CCR	2013 CCR	2014 CCR	9M15 CCR
IM BU	25bn		2.26%	4.48%	1.06%	0.30%
- Ireland	14bn	3.01%	3.34%	6.72%	1.33%	0.30%
- Hungary	5bn	4.38%	0.78%	1.50%	0.94%	0.19%
- Slovakia	6bn	0.25%	0.25%	0.60%	0.36%	0.22%
- Bulgaria	1bn	14.73%	0.94%	1.19%	1.30%	1.29%

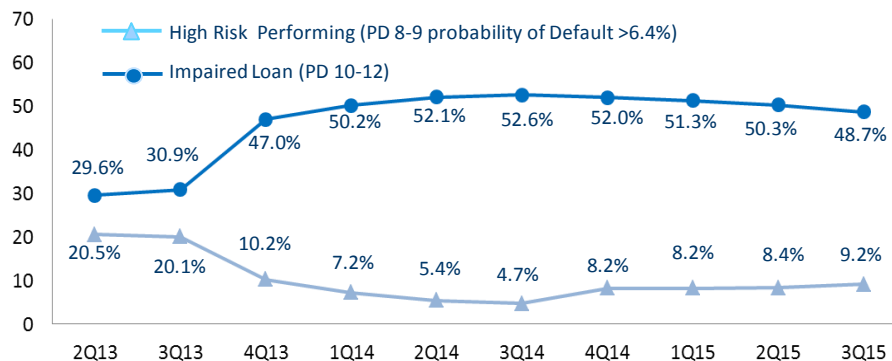
- Impaired loans ratio dropped to 31.4%, of which 17.0% over 90 days past due

Ireland (1): loan loss provisions amounted to only 9m EUR in 3Q15

LOAN PORTFOLIO €	OUT-STANDING €	IMPAIRED LOANS €	IMPAIRED LOANS PD 10-12	SPECIFIC PROVISIONS €	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9.1bn	3.3bn	36.3%	1.0bn	30%
Buy to let mortgages	2.7bn	1.8bn	68.9%	0.7bn	38%
SME /corporate	1.2bn	0.7bn	64.3%	0.5bn	61%
Real estate - Investment - Development	0.9bn 0.3bn	0.7bn 0.3bn	78.2% 100%	0.4bn 0.2bn	52% 84%
Total	14.1bn	6.9bn	48.7%	2.7bn	40%

- Irish economic growth has moved onto a stronger trajectory, with GDP likely to increase by about 6.5% in 2015
- Improvement in domestic spending supporting jobs growth and set to reduce unemployment to 9% by year end
- Economic conditions supportive of solid Irish housing market with recovery now becoming established outside Dublin
- Customer Deposits (Retail & Corporate) net inflows of 0.2bn EUR in 3Q15, resulting in a deposit portfolio of 5.0bn EUR (compared with 4.8bn EUR in 2Q15)
- Loan loss provisions amounted to only 9m EUR in 3Q15 compared to 16m EUR in 2Q15. Coverage ratio increased from 38% in 2Q15 to 40% in 3Q15
- Looking forward, we are maintaining our guidance for Ireland, namely the lower end of the 50m-100m EUR range for both FY15 and FY16

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



The Impaired portion of loans increased significantly in 4Q13 due to the reassessment of the loan book. KBC's definition of impaired loans includes PD 10-12. PD 10 is considered as unlikely to pay exposure.

Ireland (2): Portfolio analysis

3Q15 Retail Portfolio

	PD	Exposure	Impairment	Cover %
Performing	PD 1-8	5,790	26	0.4%
	Of which non Forborne	5,762		
	Of which Forborne	28		
	PD 9	824	39	4.8%
	Of which non Forborne	295		
	Of which Forborne	529		
Impaired	PD 10	2,817	619	22.0%
	PD 11	1,616	588	36.4%
	PD 12	702	490	69.7%
	TOTAL PD1-12	11,749	1,761	
	<i>Specific Impairment/(PD 10-12)</i>			33.0%

'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.

Retail portfolio

- Impaired portfolio fell by roughly 240m EUR q-o-q due to a combination of property sales and improvement in the portfolio performance resulting in loans positively migrating to a performing status (PD 1-9)
- Coverage ratio for impaired loans increased to 33.0% in 3Q15 (from 31.5% in 2Q15)

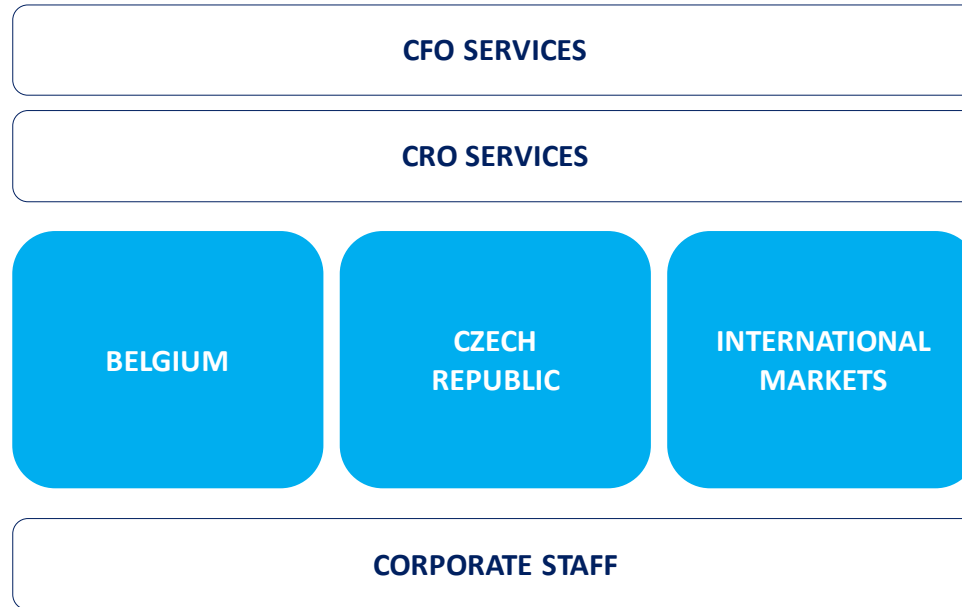
3Q15 Corporate Loan Portfolio

	PD	Exposure	Impairment	Cover %
Perf.	PD 1-8	578	4	0.8%
	PD 9	32	4	12.6%
Impaired	PD 10	576	217	37.7%
	PD 11	422	247	58.6%
	PD 12	720	581	80.8%
	TOTAL PD1-12	2,328	1,054	
	<i>Specific Impairment/(PD 10-12)</i>			60.9%

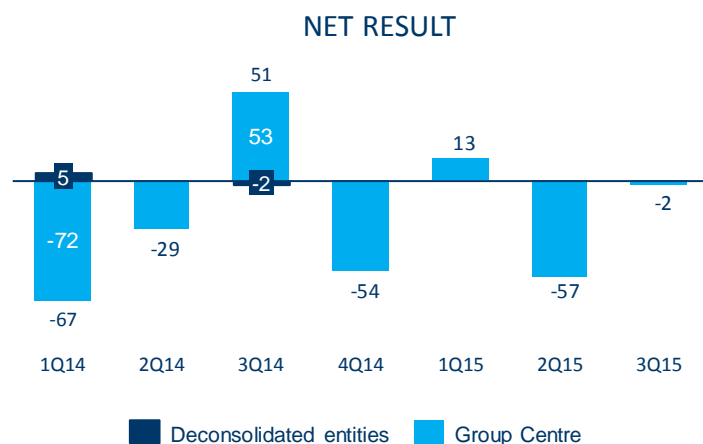
Corporate loan portfolio

- Impaired portfolio has reduced by roughly 40m EUR q-o-q. Reduction driven mainly by continued deleveraging of the portfolio, including underlying asset sales and loan amortisation
- Coverage ratio for impaired loans has increased to 60.9% in 3Q15 (from 59.7% in 2Q15)

GROUP CENTRE



Group Centre: net result of -2m EUR



Net result: -2m 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 improvement was attributable mainly to:
 - a decline of 27m EUR in operating expenses in 3Q15 (the benefit which will partly be shifted to the Business Units in the next quarters) due partly to:
 - lower operating expenses of group activities
 - lower expenses in companies in run-down
 - a decrease of 25m EUR in impairments in 3Q15, mainly at ADB (called BC Diamond after merger with KBC Bank NV)
- The y-o-y deterioration was the result primarily of an impairment reversal of +0.1bn EUR at ADB in 3Q14

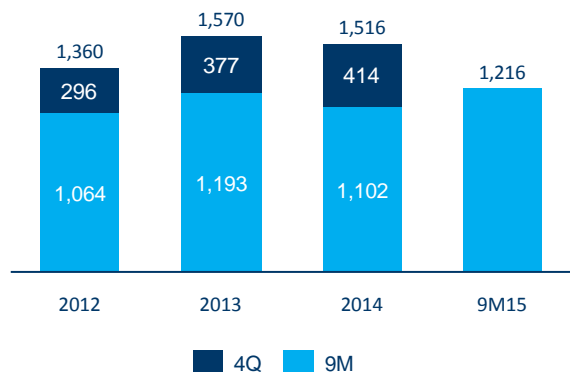
BREAKDOWN OF NET RESULT AT GROUP CENTRE

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15
Group item (ongoing business)	-81	-52	-48	-31	11	-36	-18
- Operating expenses of group activities	-22	-19	-7	-26	-19	-15	0
- Capital and treasury management	-38	-11	-1	4	5	7	0
o/w net subordinated debt cost	-39	-26	-9	-9	-9	-10	-9
- Holding of participations	-22	-25	-34	-17	-17	-26	-18
o/w net funding cost of participations	-10	-11	-11	-8	-7	-7	-7
- Other	-1	4	-4	8	41	-2	0
Ongoing results of divestments and companies in run-down	6	-8	-17	-4	2	-22	16
Legacy & OCR	10	29	114	-20	-	-	0
Total net result at GC	-67	-29	51	-54	13	-57	-2

Overview of results based on business units

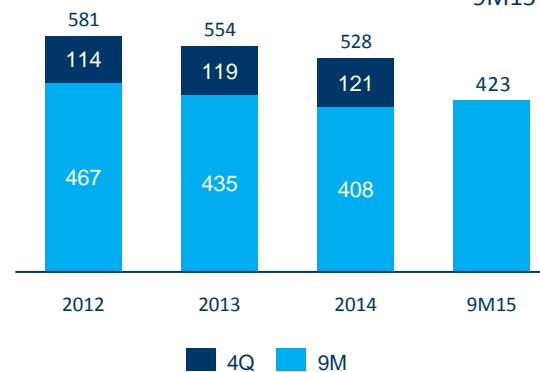
NET PROFIT – BELGIUM

9M15 ROAC: 27%



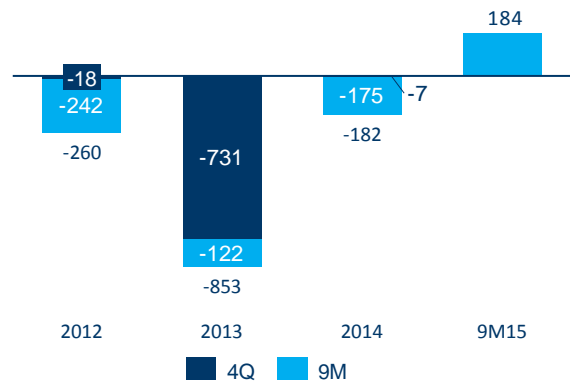
NET PROFIT – CZECH REPUBLIC

9M15 ROAC: 38%



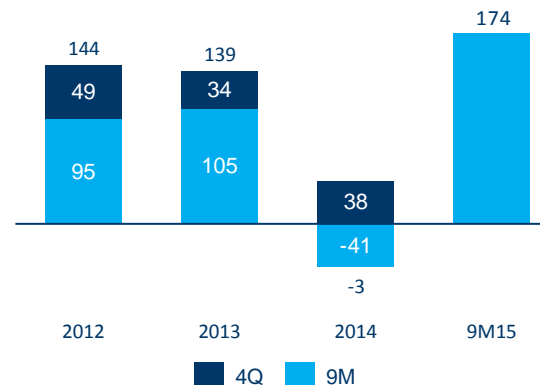
NET PROFIT – INTERNATIONAL MARKETS

9M15 ROAC: 12%



NET PROFIT – INTERNATIONAL MARKETS EXCL. IRELAND

9M15 ROAC: 18%



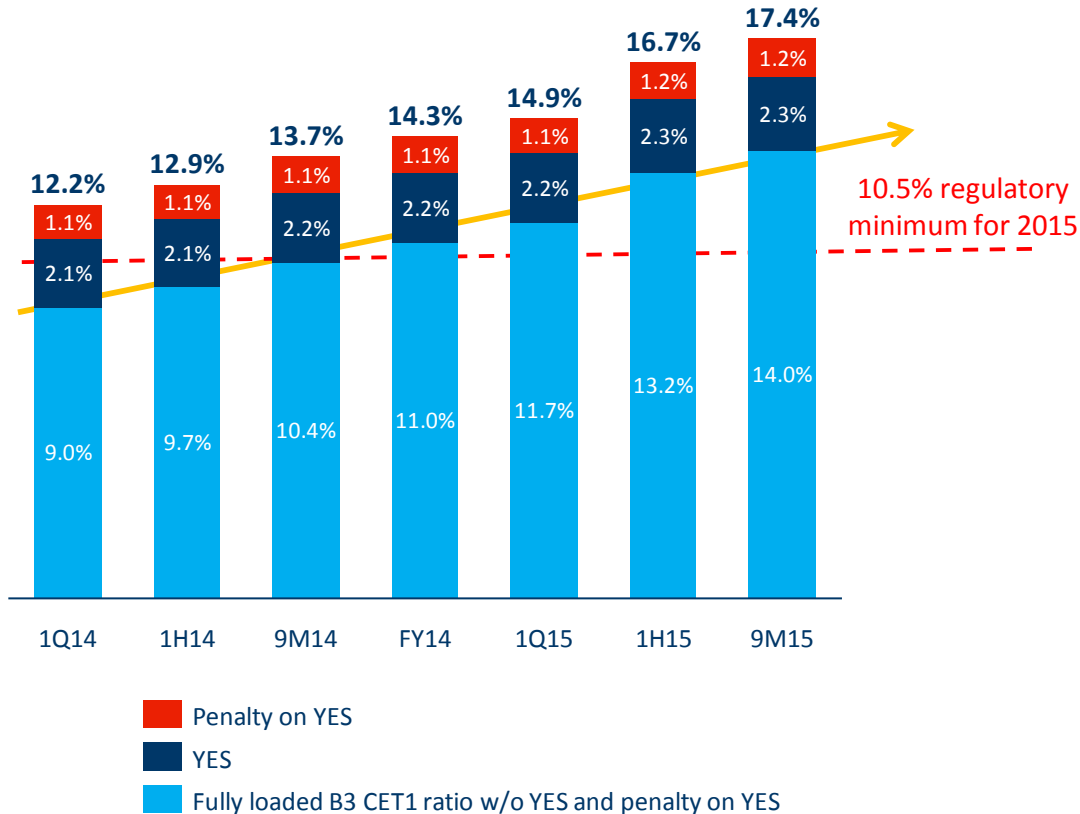
Amounts in m EUR

Section 3

Strong solvency and solid liquidity

Strong capital position

Fully loaded Basel 3 CET1 ratio at KBC Group based on the Danish Compromise



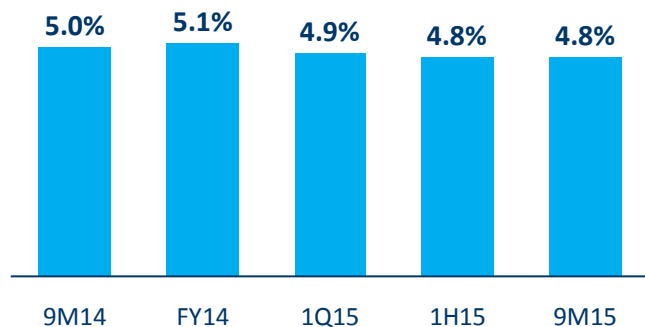
- Common equity ratio (B3 fully loaded*) of **17.4%** based on the Danish Compromise and of 17.2% based on the FICOD** at end 3Q15, which **clearly exceeded** the 2015 fully loaded CET1 ratio target of 10.5% set by the ECB
- In the coming weeks, we should get the final minimum CET1 ratio for 2016 set by the ECB. As recently announced by the NBB, a systemic buffer (CET1 phased-in of 0.5% in 2016 under the Danish compromise, gradually increasing over a 3-year period and reaching 1.5% in 2018) will need to be added to this minimum CET1 ratio for 2016

* Including remaining state aid of 2bn EUR as agreed with regulator

** FICOD: Financial Conglomerate Directive

Fully loaded Basel 3 leverage ratio

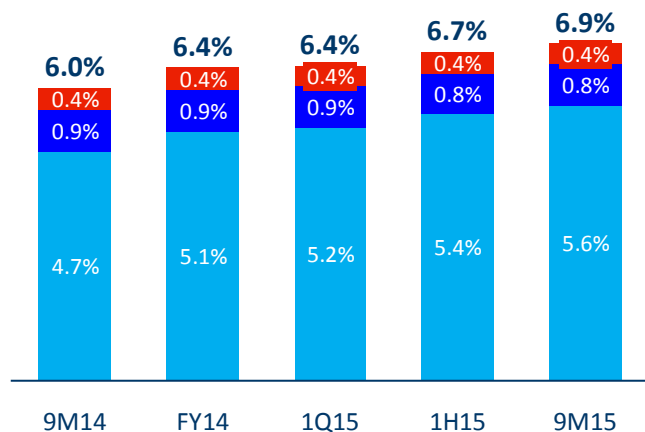
Fully loaded Basel 3 leverage ratio at KBC Bank



- Fully loaded B3 leverage ratio, based on the current CRR legislation (which was adapted during 4Q14):

- 4.8% at KBC Bank consolidated level
- 6.9% at KBC Group level*

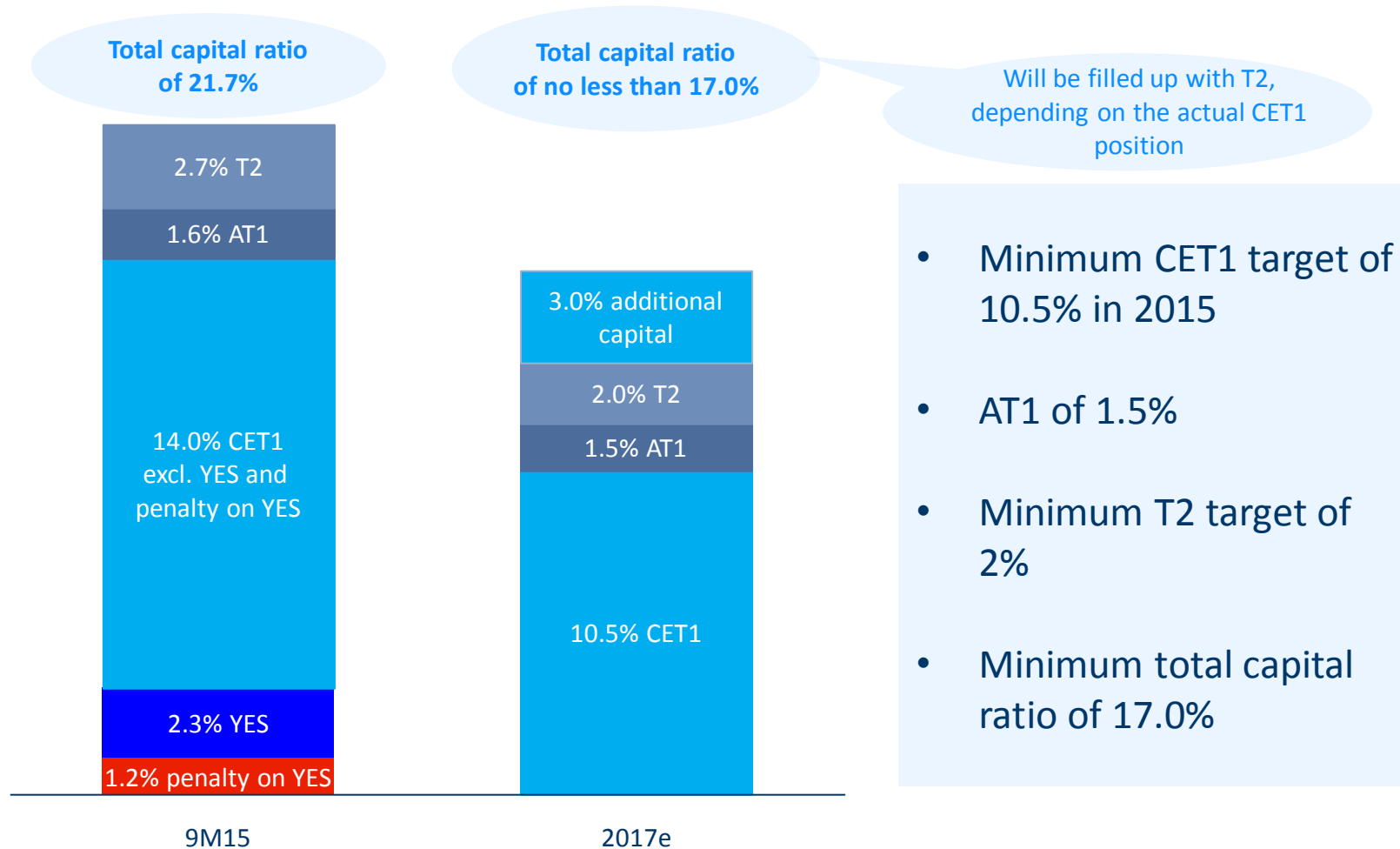
Fully loaded Basel 3 leverage ratio at KBC Group



■ Penalty on YES
 ■ YES
 ■ FL B3 leverage ratio excl. YES and penalty on YES

* Including remaining state aid of 2bn EUR as agreed with regulator

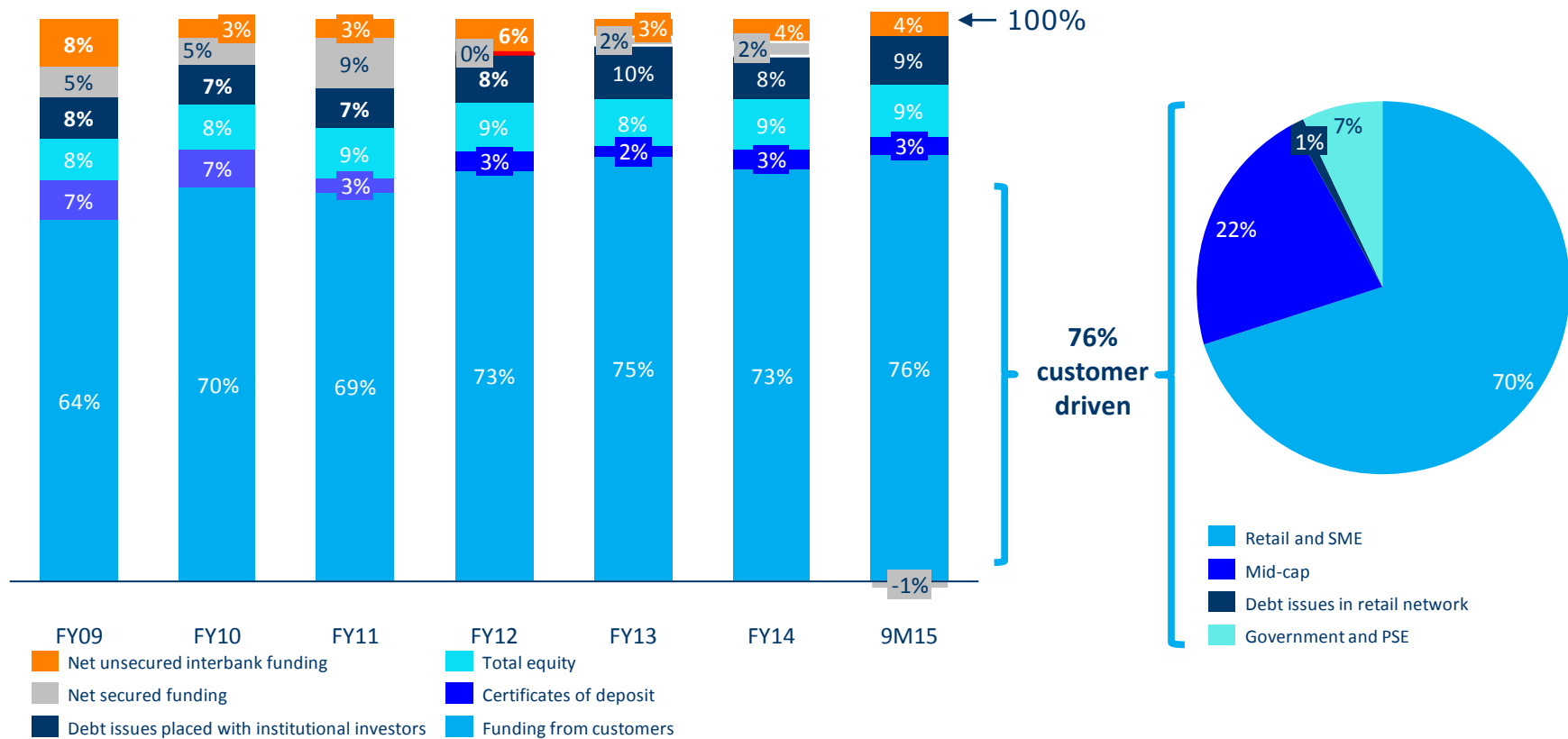
KBC maintains a minimum total capital ratio of 17%*



* Basel 3, fully loaded, Danish compromise

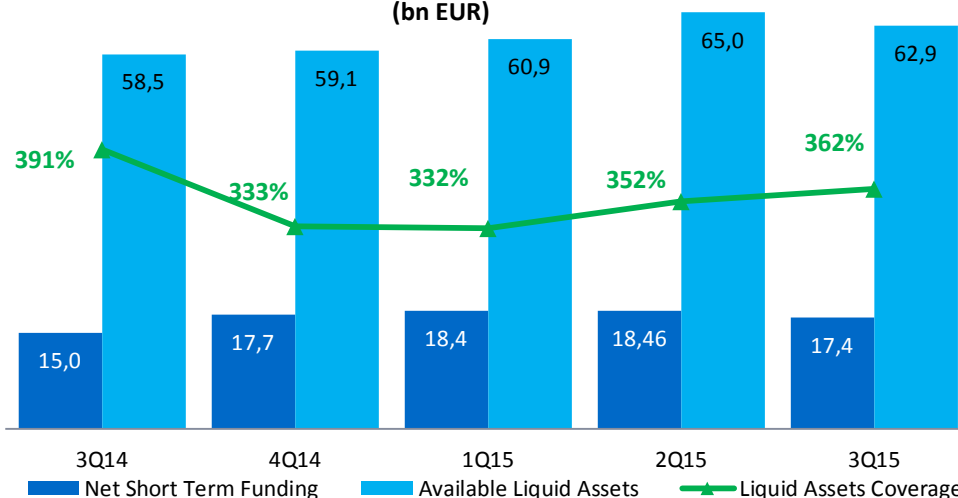
Solid liquidity position (1)

- 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



Solid liquidity position (2)

Short term unsecured funding KBC Bank vs Liquid assets as of end September 2015^(*)
(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

Ratios	FY14	9M15	Target
NSFR ¹	123%	123%	>105%
LCR ¹	120%	118%	>105%

¹ Liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) are calculated based on KBC's interpretation of the current Basel Committee guidance, which may change in the future. The LCR can be relatively volatile in future due to its calculation method, as month-to-month changes in the difference between inflows and outflows can cause important swings in the ratio even if liquid assets remain stable

- KBC maintains a solid **liquidity position**, given that:
 - Available liquid assets are more than 3.5 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

- **NSFR at 123% and LCR at 118% by the end of 9M15**
 - Both ratios were well above the minimum target of at least 105%, in compliance with the implementation of Basel 3 liquidity requirements

KBC Group

Section 4

3Q 2015 wrap up

3Q 2015 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: KBC will liquidate KBC Financial Holding Inc. (US)

- KBC will liquidate KBC Financial Holding Inc. (US). This will result in the tax deductibility of losses already booked in previous years (specifically 2008 and 2009), for which a DTA will be booked, leading to*:
 - a gain in the IFRS P&L of 763m EUR (912m EUR of which recognition of a tax loss carry forward DTAs, partly offset by -148m EUR translation differences which are already accounted for in IFRS equity and flow through P&L upon realisation), likely to be booked in 4Q15
 - An increase in IFRS equity of 912m EUR
 - An initial increase in CET1 ratio of 0.16% fully loaded under the Danish Compromise
 - In principle, a tax loss carry forward DTA is deducted from common equity, while a DTA for timing differences is weighted at 250%
 - The above principles are applied after netting of tax loss carry forward DTAs and DTAs for timing differences with DTLs on a pro rata basis
 - Due to this netting with DTL, only 658m EUR will be deducted from common equity
 - The remainder (253m EUR) will be weighted at 250%, leading to 633m EUR RWAs

Danish Compromise, fully loaded	End 3Q15	End 3Q15 pro forma
CET1 capital	15,073	15,326
RWAs	86,524	87,157
CET1 ratio	17.42%	17.58%

* Subject to USD/EUR rate at time of realisation

Looking forward

- Looking forward, management envisages:
 - Continued stable and solid returns for the Belgium & Czech Republic Business Units
 - The International Markets Business Unit more than achieved its profitability target (184m EUR profit in 9M15)
 - As per guidance already issued, profitability in Ireland expected from 2016 onwards
 - A fully loaded B3 common equity ratio of minimum 10.5% for 2015
 - In the coming weeks, we should get the final minimum CET1 ratio for 2016 set by the ECB. As recently announced by the NBB, a systemic buffer (CET1 phased-in of 0.5% in 2016 under the Danish compromise, gradually increasing over a 3-year period and reaching 1.5% in 2018) will need to be added to this minimum CET1 ratio for 2016
 - LCR and NSFR of at least 105%
 - Dividend payout ratio (including the coupon paid on state aid and AT1) \geq 50% as of FY2016*

* Subject to the approval of the General Meeting of Shareholders

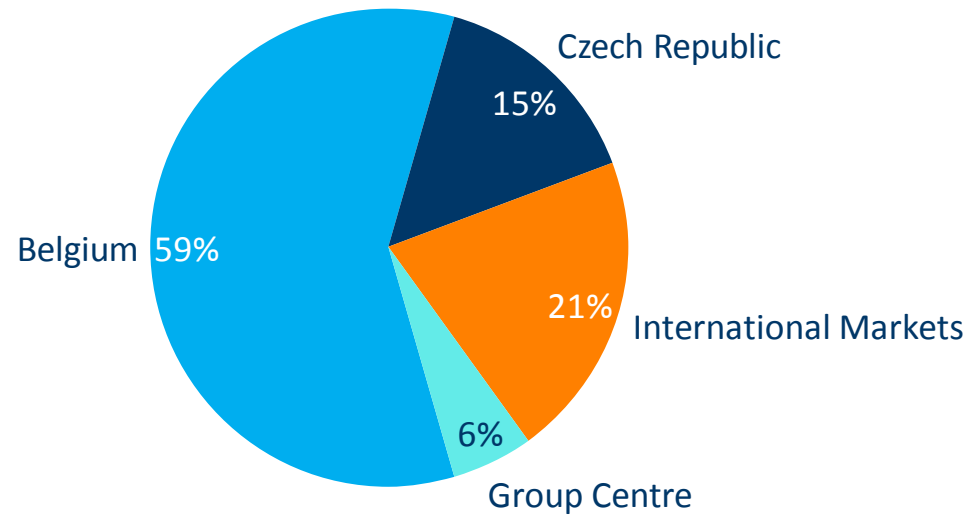
KBC Group

Annex 1

Company profile

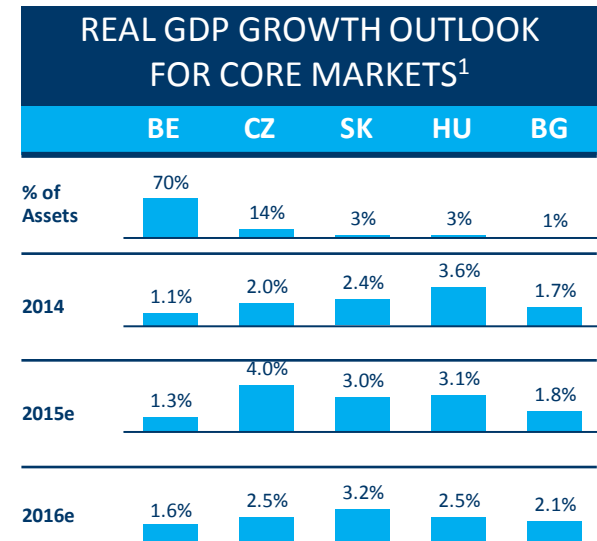
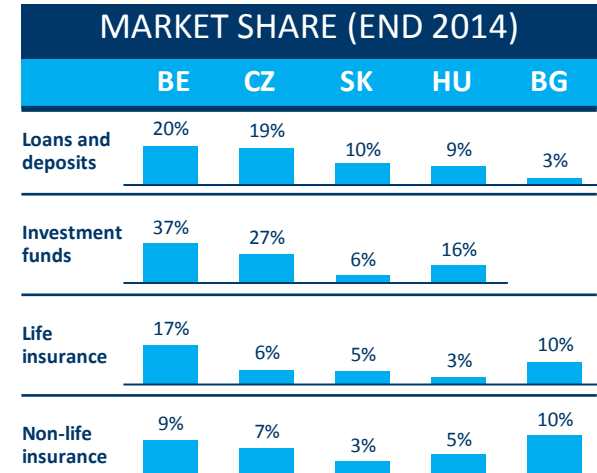
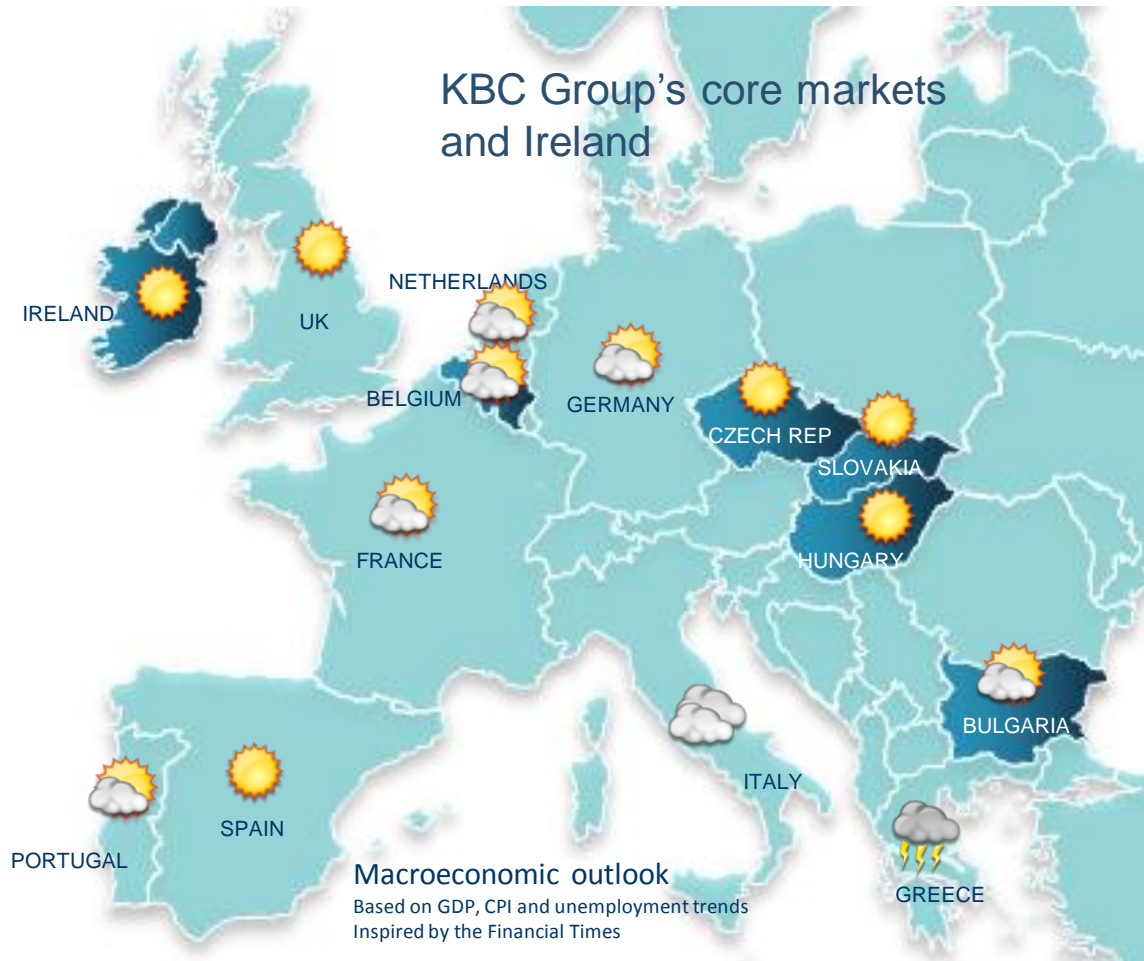
Business profile

BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AT 30 SEPTEMBER 2015



- 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



1. Source: KBC data, November 2015

Loan loss experience at KBC

	9M15 CREDIT COST RATIO	FY14 CREDIT COST RATIO	FY13 CREDIT COST RATIO	FY 2012 CREDIT COST RATIO	AVERAGE '99 –'14
Belgium	0.21%	0.23%	0.37%	0.28%	n/a
Czech Republic	0.15%	0.18%	0.26%	0.31%	n/a
International Markets	0.30%	1.06%	4.48%*	2.26%*	n/a
Group Centre	0.59%	1.17%	1.85%	0.99%	n/a
Total	0.23%	0.42%	1.21%**	0.71%	0.54%

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

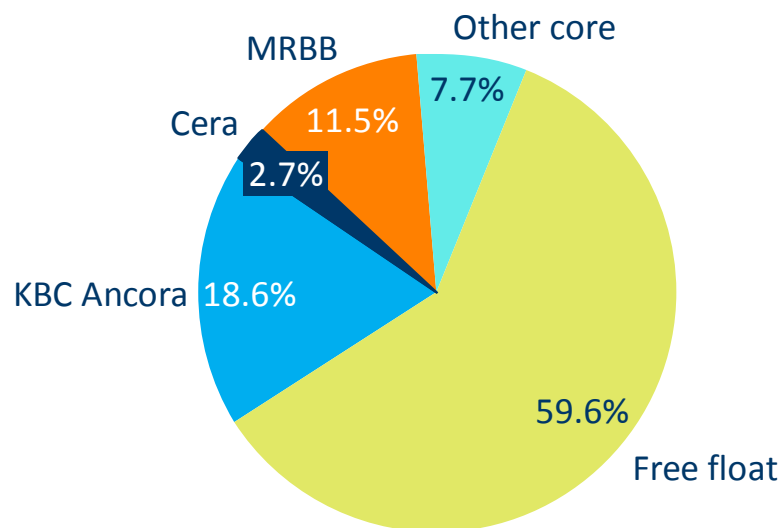
** Credit cost ratio amounted to 1.21% in FY13 due to the reassessment of the loan books in Ireland and Hungary

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
- Turnaround potential in the International Markets Business Unit
- Successful underlying earnings track record
- Solid capital and robust liquidity position

Shareholder structure

SHAREHOLDER STRUCTURE AT END 9M15



- 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:

To be among the best performing retail-focused institutions in Europe

- KBC wants to build on its strengths and be among Europe's **best performing retail-focused** 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

Summary of the financial targets at KBC Group level

Targets...		by...
CAGR total income ('13-'17)*	≥ 2.25%	2017
CAGR bank-insurance gross income ('13-'17)	≥ 5%	2017
C/I ratio	≤ 53%	2017
Combined ratio	≤ 94%	2017
Common equity ratio (fully loaded, Danish compromise)	≥ 10.5%	2014
Total capital ratio (fully loaded, Danish compromise)	≥ 17%	2017
NSFR	≥ 105%	2014
LCR	≥ 105%	2014
Dividend payout ratio	≥ 50%	2016

Based on adjusted figures

* Excluding marked-to-market valuations of ALM derivatives

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.
- Strive for market leadership (top 3 bank/top 4 insurance) in core countries by 2020
- First priority for Ireland is to become profitable from 2016 onwards. As of then, all available options (organically grow a profitable retail bank, build a captive bank-insurance group or sell a profitable bank) will be considered

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



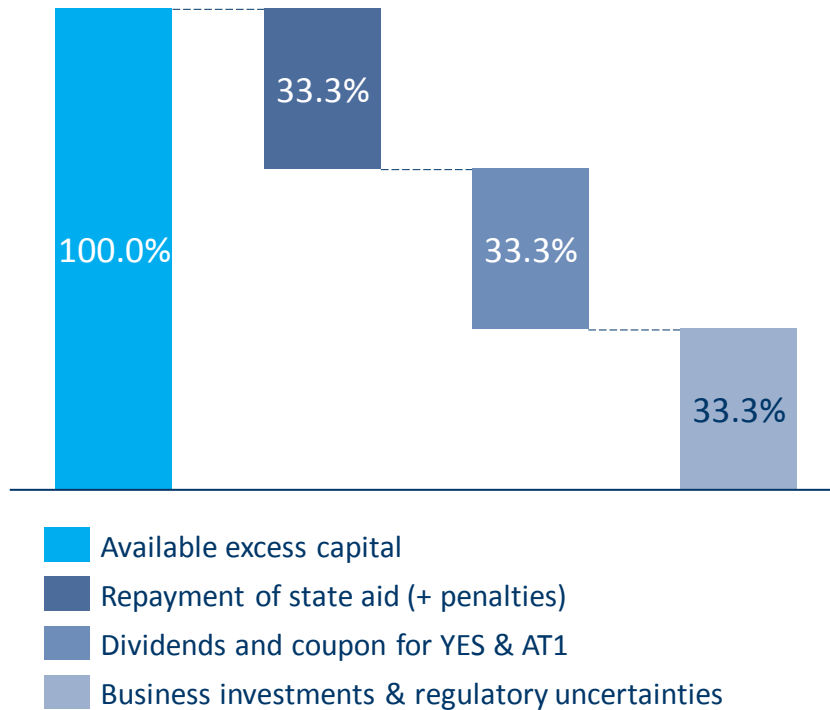
Become a **reference in bank-insurance** in each core country

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**

KBC wants to keep its options open

Multi-year distribution:
Planned employment of capital 2Q14-2017
(current capital buffer + capital generation 2Q14-2017)



Solid capital generation 2Q14-2017

Accelerate the repayment of state aid (+ penalties) by year-end 2017 at the latest: roughly 1/3 of capital available in 2Q14-2017

Increase dividend payout ratio (including coupon for YES and AT1) to $\geq 50\%$ from financial year 2016 onwards. Given the current solvency buffer (above 10.5% B3 CET1) and given no dividend for financial year 2015: roughly 1/3 of capital to 2Q14-2017

Invest in the business (organic growth and potential small add-on M&A under very strict financial criteria) and deal with regulatory uncertainties: roughly 1/3 of capital to 2Q14-2017

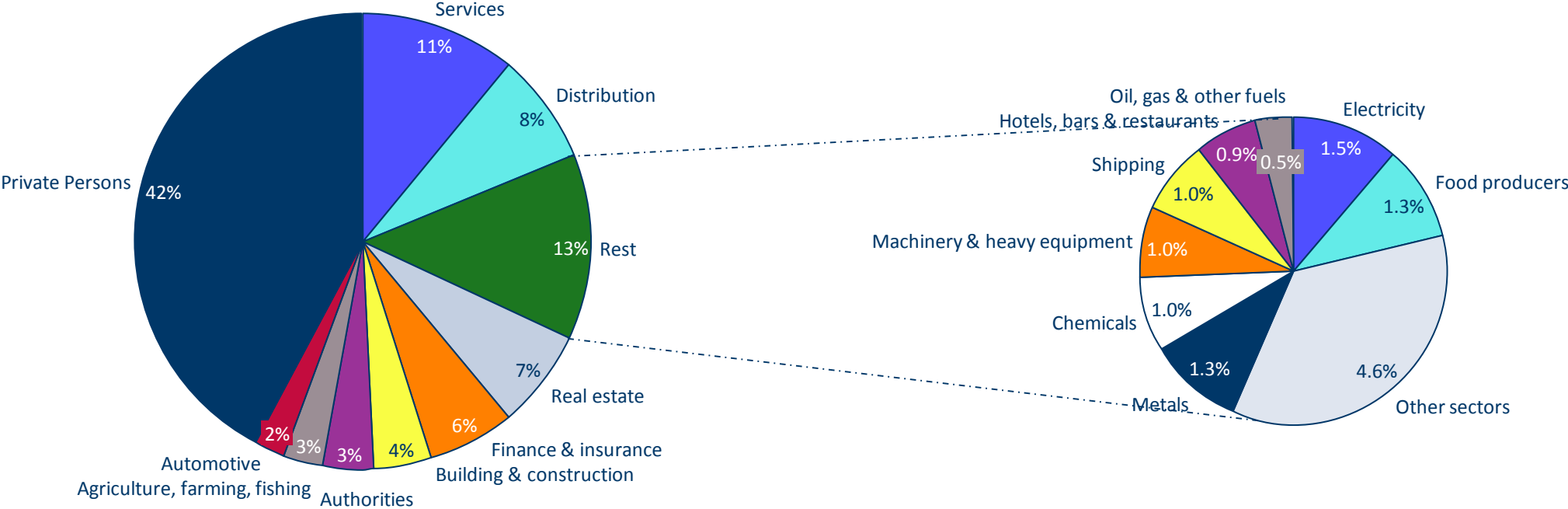
The excess capital can be returned to the shareholders if no value-added business investments are found

KBC Group

Annex 2

Other items

Sectorial breakdown of outstanding loan portfolio (1) (141bn EUR*) of KBC Bank Consolidated

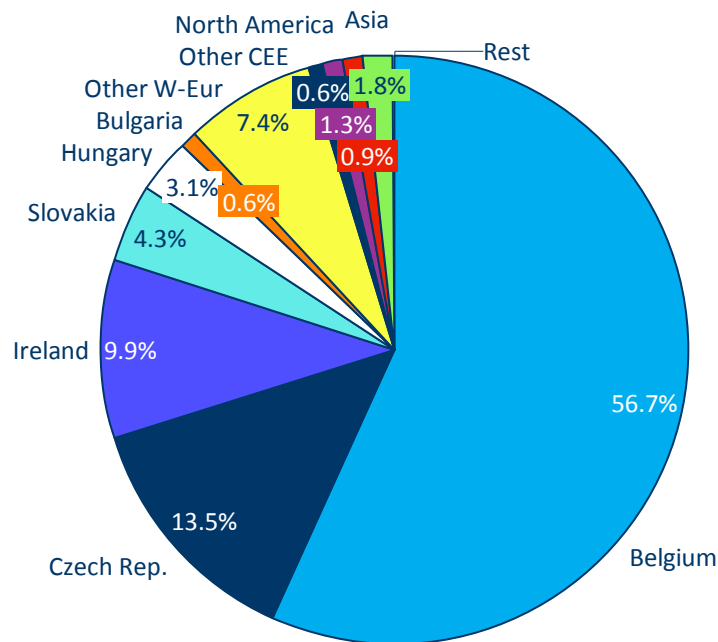


* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are 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) (141bn EUR*) of KBC Bank Consolidated

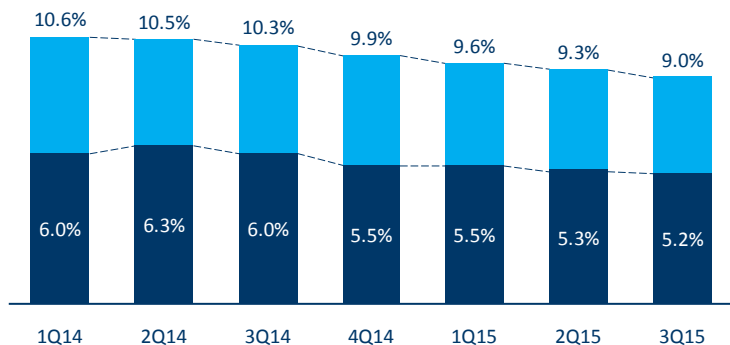


* It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC to private persons, companies, governments and banks. Bonds held in the investment portfolio are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

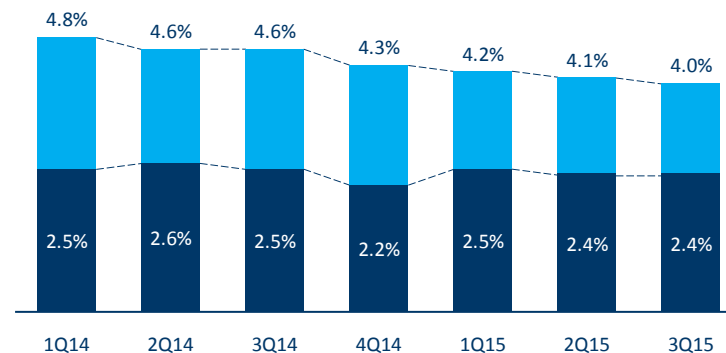
* Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees

Impaired loans ratios, of which over 90 days past due

KBC GROUP

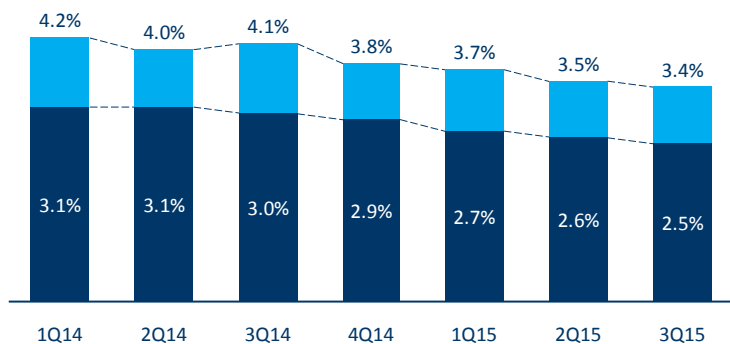


BELGIUM BU

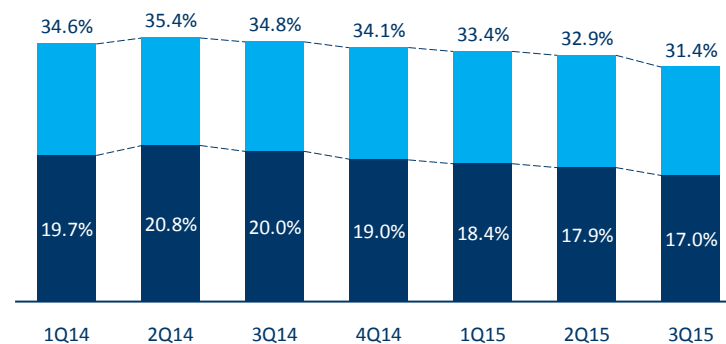


■ Impaired loans ratio *
■ of which over 90 days past due **

CZECH REPUBLIC BU



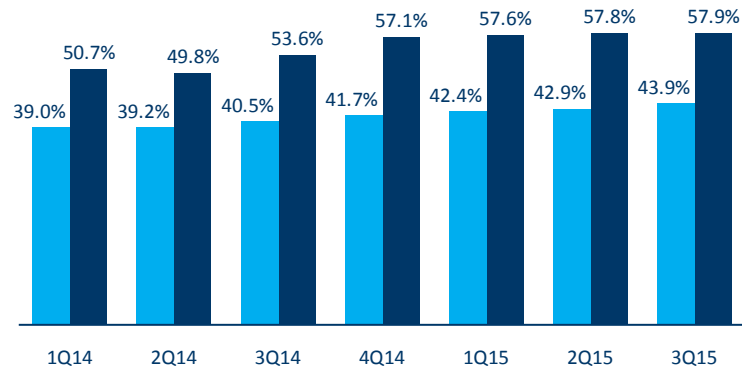
INTERNATIONAL MARKETS BU



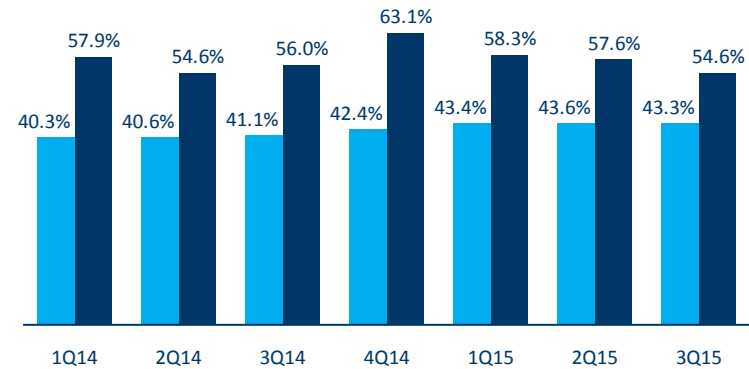
* Impaired loans ratio : total outstanding impaired loans (PD 10-12)/total outstanding loans
 ** of which total outstanding loans with over 90 days past due (PD 11-12)/total outstanding loans

Cover ratios

KBC GROUP

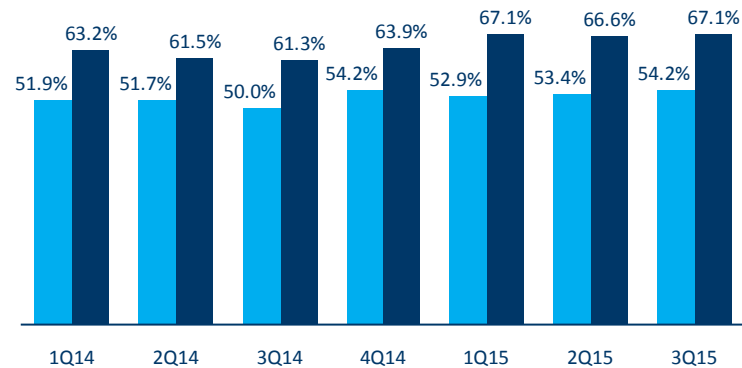


BELGIUM BU

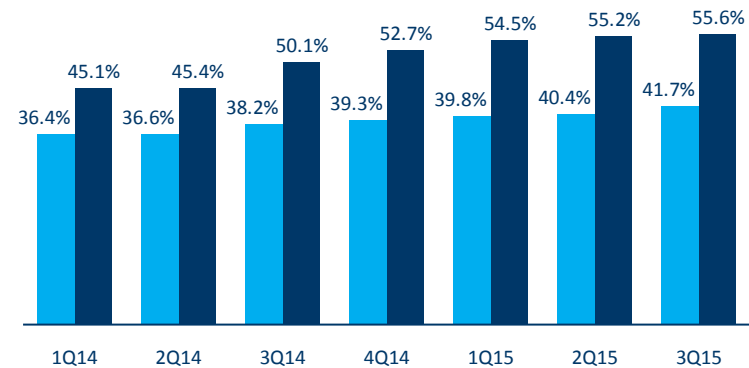


■ Impaired loans cover ratio
■ Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU



* 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

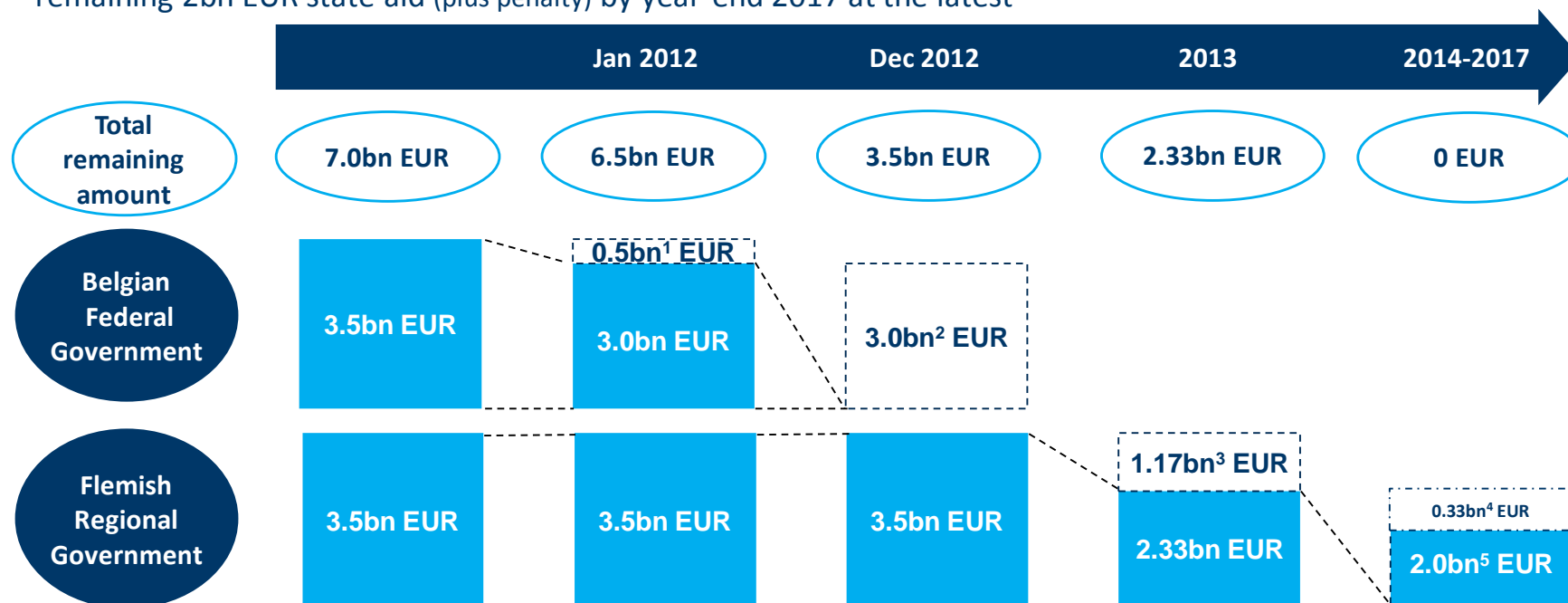
Summary of government transactions

- ORIGINALLY, 7BN EUR WORTH OF CORE CAPITAL SECURITIES SUBSCRIBED BY THE BELGIAN FEDERAL AND FLEMISH REGIONAL GOVERNMENTS

	BELGIAN STATE	FLEMISH REGION
Amount	3.5bn	3.5bn
Instrument	Perpetual fully paid up new class of non-transferable securities qualifying as core capital	
Ranking	Pari passu with ordinary stock upon liquidation	
Issuer	KBC Group Proceeds used to subscribe ordinary share capital at KBC Bank (5.5bn) and KBC Insurance (1.5bn)	
Issue price	29.5 EUR	
Interest coupon	Conditional on payment of dividend to shareholders The higher of (i) 8.5% or (ii) 120% of the dividend for 2009 and 125% for 2010 onwards Not tax deductible	
Buyback option for KBC	Option for KBC to buy back the securities at 150% of the issue price (44.25)	
Conversion option for KBC	From December 2011 onwards, option for KBC to convert securities into shares (1 for 1). In that case, the State can ask for cash at 115% (33.93) increasing every year by 5% to the maximum of 150%	No conversion option

Assessment of the state aid position & repayment schedule

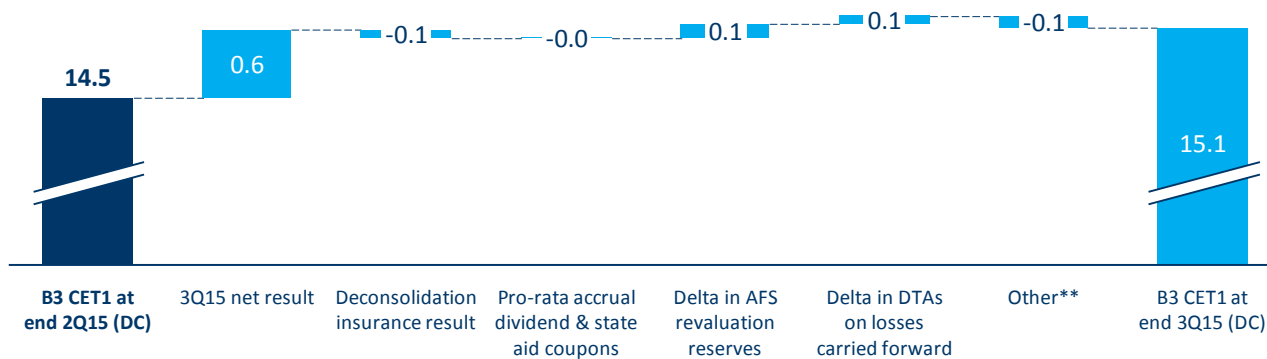
- KBC made accelerated full repayment of 3.0bn EUR of state aid to the Belgian Federal Government in December 2012 and accelerated repayment of 1.17bn EUR of state aid to the Flemish Regional Government mid-2013, approved by the NBB
- At the beginning of 2014, KBC accelerated the repayment of 0.33bn EUR (plus penalty), and as such saved 28m EUR in coupon payments
- At the Investor Day on 17 June 2014, KBC announced that it will accelerate the reimbursement of the remaining 2bn EUR state aid (plus penalty) by year-end 2017 at the latest



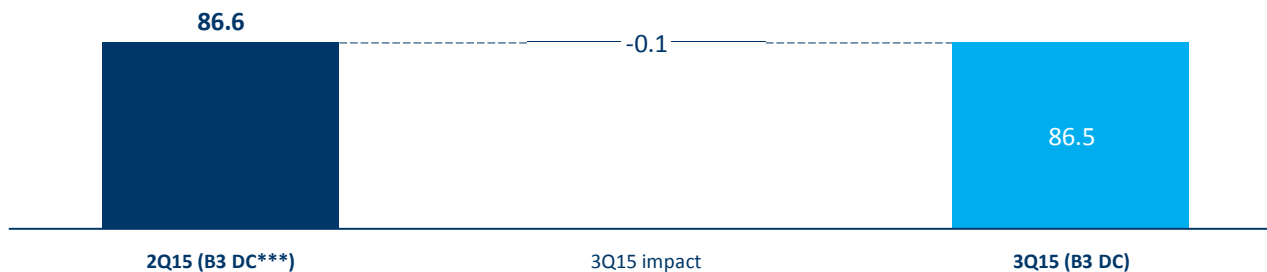
1. Plus 15% penalty amounting to 75m EUR
2. Plus 15% penalty amounting to 450m EUR
3. Plus 50% penalty amounting to 583m EUR
4. Plus 50% penalty amounting to 167m EUR
5. Plus 50% penalty amounting to 1,000m EUR

Fully loaded B3* CET1 based on Danish Compromise (DC) From 2Q15 to 3Q15

DELTA AT NUMERATOR LEVEL (BN EUR)



DELTA ON RWA (BN EUR)



- Fully loaded B3 common equity ratio of approx. 17.4% at end 3Q15 based on Danish Compromise (DC)
- The fully loaded common equity ratio target of 10.5% set by the ECB for 2015 was clearly exceeded

* Includes remaining State aid of 2bn EUR as agreed with local regulator

** Includes the q-o-q delta in defined benefit pension fund plans, IRB provision shortfall, deduction re. financing provided to shareholders, 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

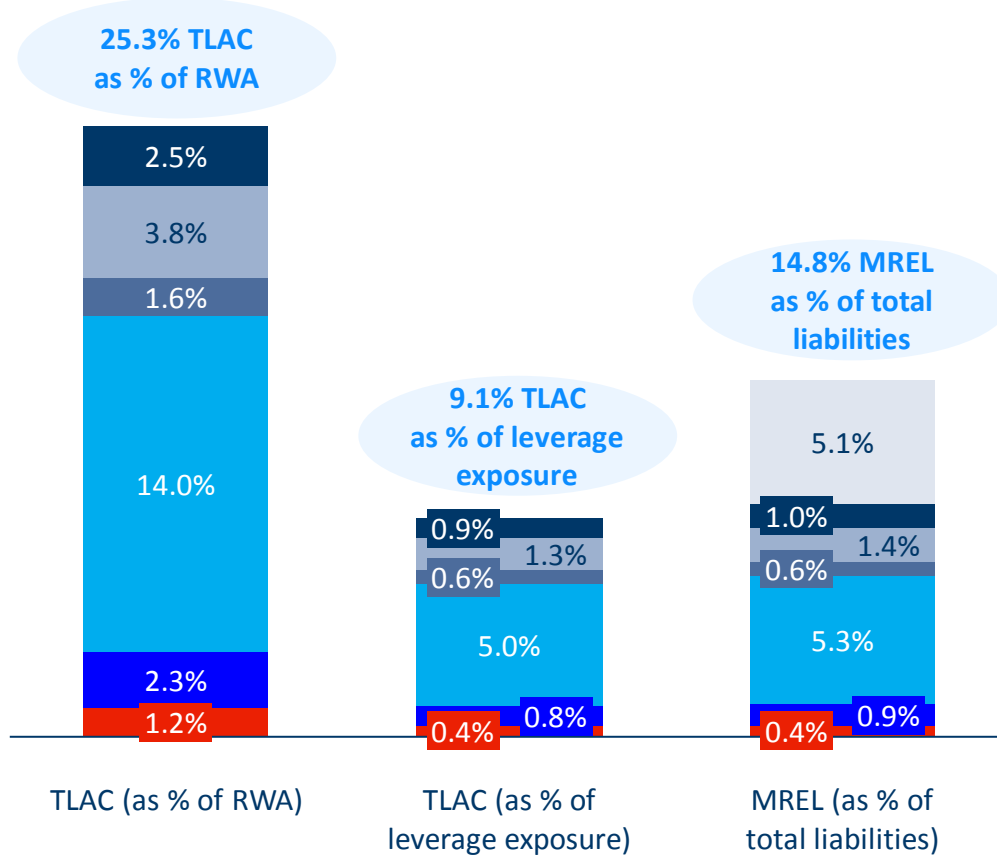
Method	Numerator	Denominator	B3 CET1 ratio
FICOD*, phased-in	15,004	88,411	17.0%
FICOD, fully loaded	15,442	89,900	17.2%
DC**, phased-in	14,635	85,035	17.2%
DC, fully loaded	15,073	86,524	17.4%
DM***, fully loaded	14,112	81,159	17.4%

* FICOD: Financial Conglomerate Directive

** DC: Danish Compromise

*** DM: Deduction Method

Comfortable bail-in buffer



Given the current regulatory framework, KBC Group is comfortable with:

- 25.3% risk-weighted TLAC*
- 9.1% leveraged TLAC
- 14.8% MREL*

Other MREL eligible liabilities > 1y
 AT1
 Penalty on YES

Senior unsecured debt, 2.5% of RWA
 CET1 excl. YES and penalty on YES

T2 eligible TLAC (excl. T2 with 1y remaining maturity)
 YES



* TLAC: Total loss-absorbing capacity / MREL: Minimum Required Eligible Liabilities

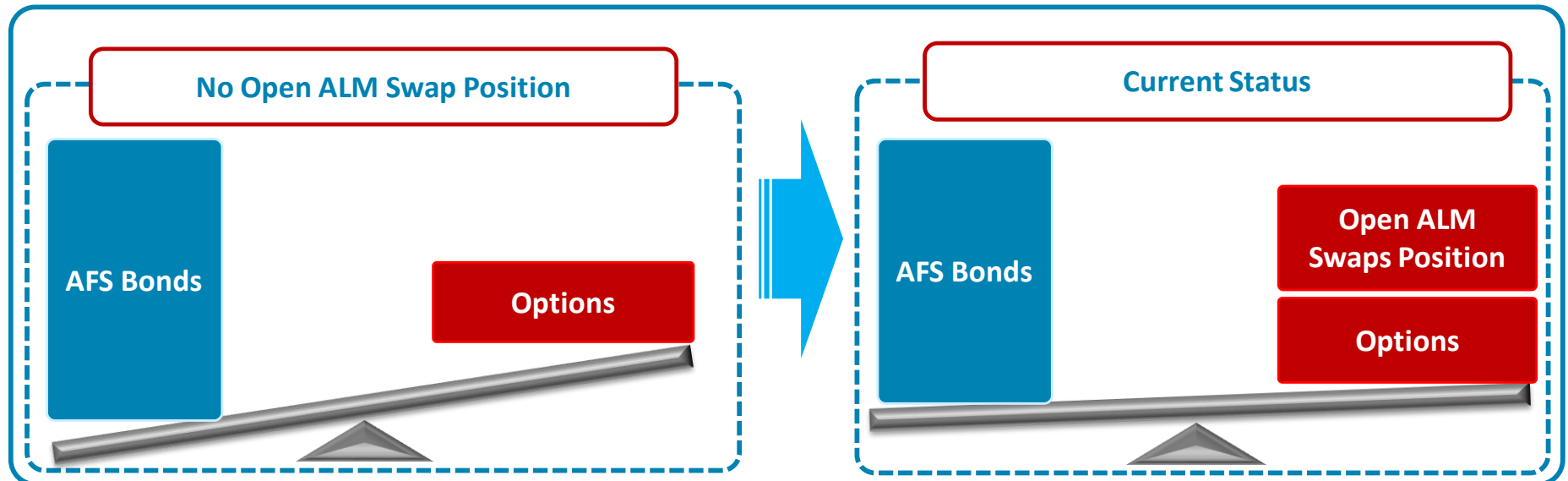
P&L volatility from ALM derivatives

- 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

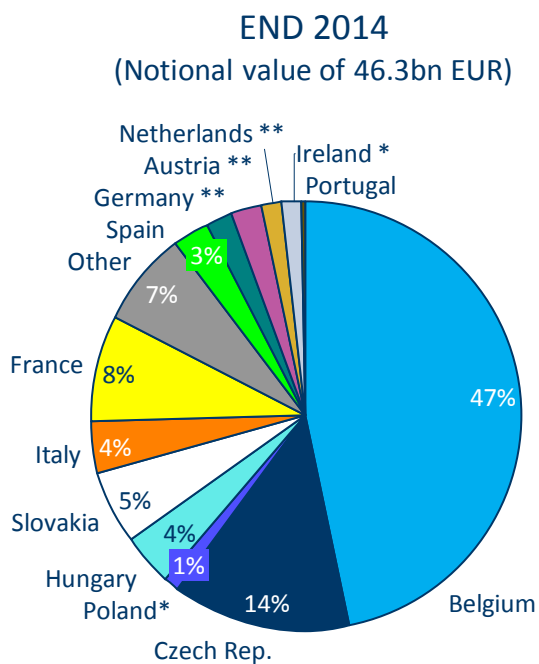
Protecting stability of capital ratio

- 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

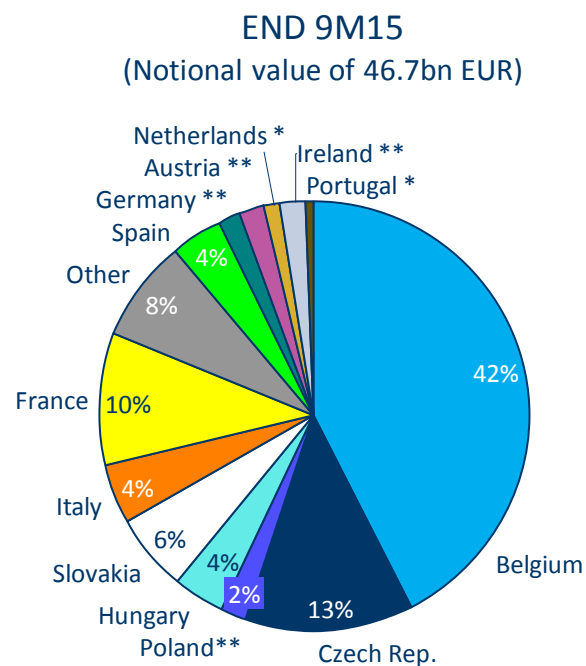


Government bond portfolio – Notional value

- Notional investment of 46.7bn EUR in government bonds (excl. trading book) at end of 9M15, 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 4.9bn EUR at end of 9M15



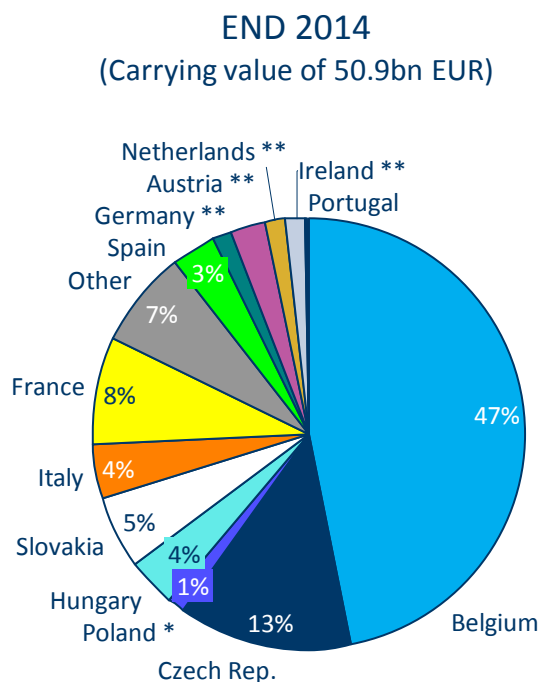
(*) 1%, (**) 2%



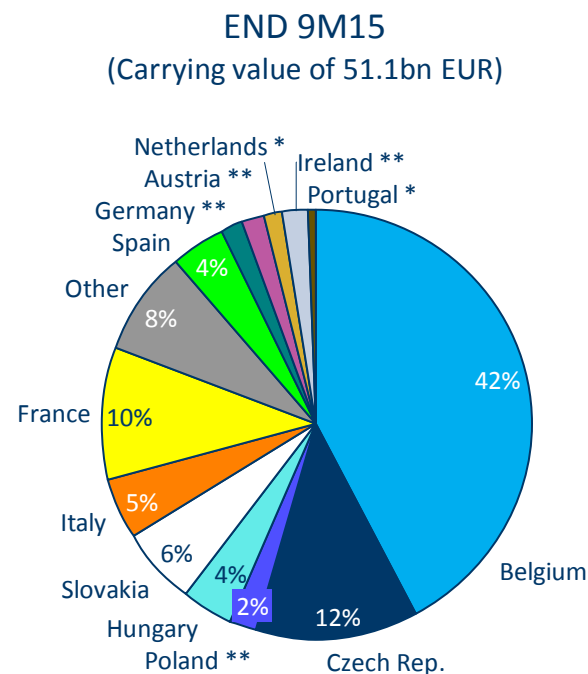
(*) 1%, (**) 2%

Government bond portfolio – Carrying value

- Carrying value of 51.1bn EUR in government bonds (excl. trading book) at end of 9M15, 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 5.9bn EUR at end of 9M15



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



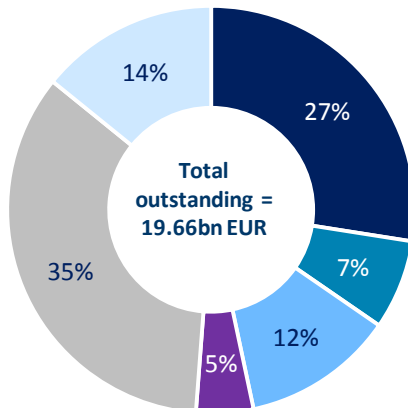
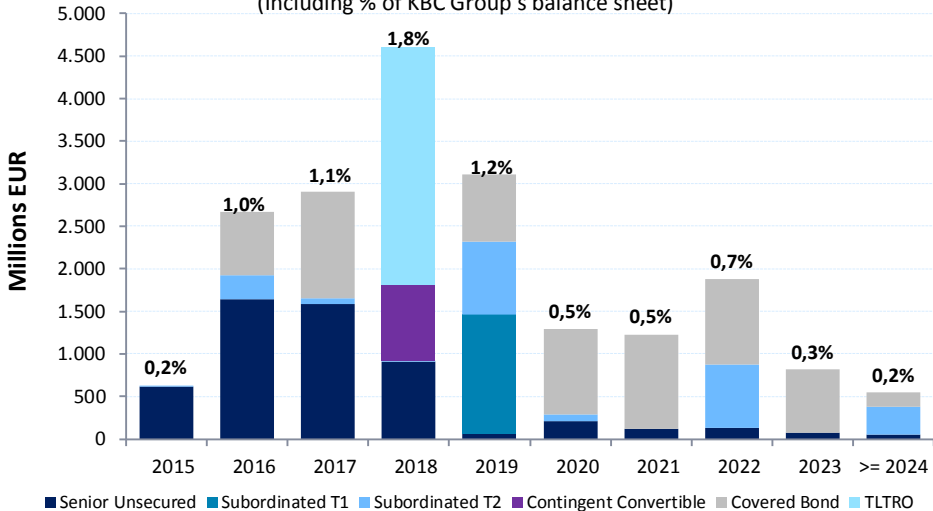
(*) 1%, (**) 2%

* 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

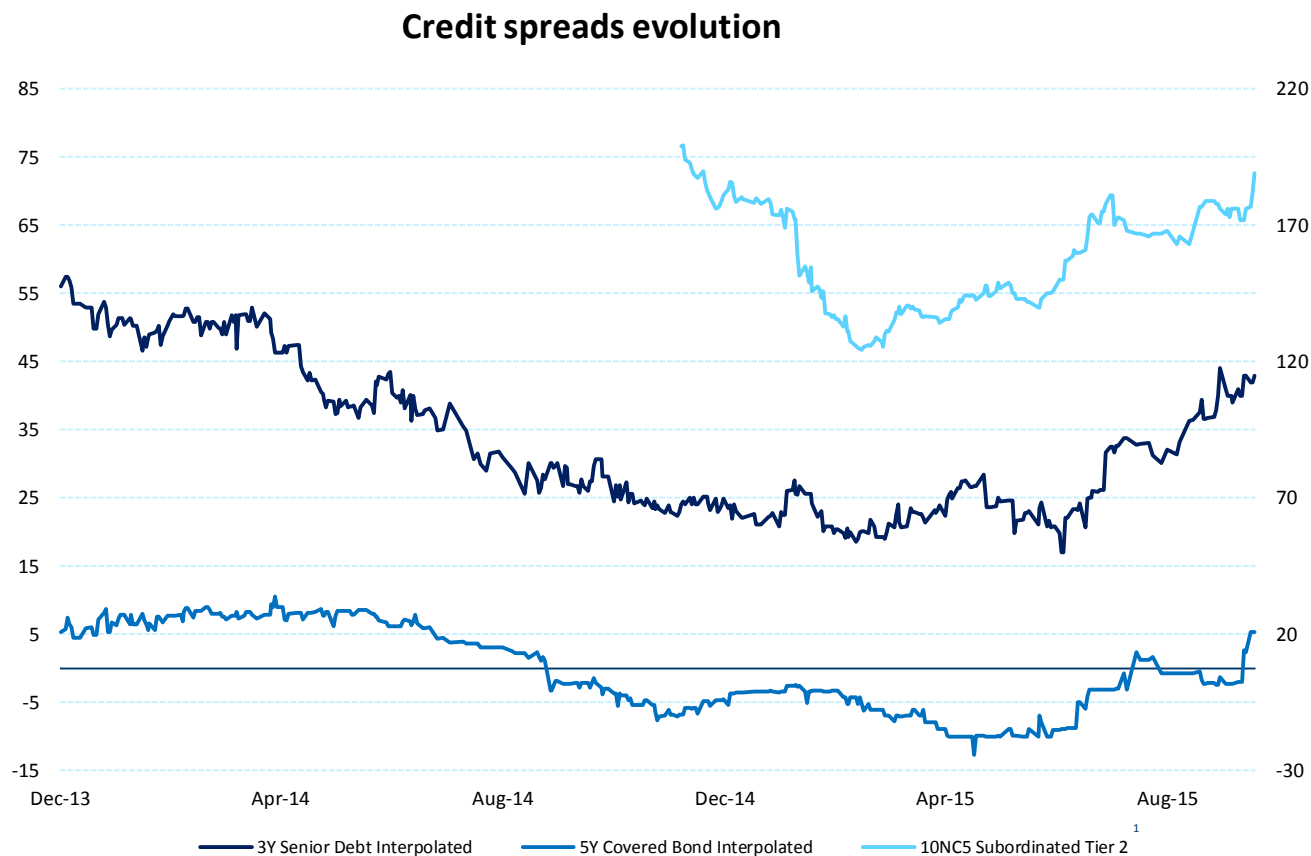
Breakdown of Funding Maturity Buckets

(Including % of KBC Group's balance sheet)



- KBC Bank has overall a limited reliance on wholesale funding
- Long term funding requirement for 2015 is fully covered
- Credit spreads widened towards the end of 3Q15. KBC's issuances benefited from low spreads during the first half year of 2015
- 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
 - T1 and T2 capital instruments issued at KBC Group level and down-streamed to KBC Bank

Credit spreads evolution



¹ 10NC5 Subordinated Tier 2 spread is depicted based on the right hand axis.

Analysts' coverage

Bank/broker	Analyst	Contact details	Rating	Target Price	Upside
ABN Amro	Jan Willem Knoll	janwillem.knoll@nl.abnamro.com	=	60.00	7%
Alpha Value	Farahad Moshiri	f.moshiri@alphavalue.eu	-	59.60	6%
Autonomous	Farquhar Murray	FMurray@autonomous.com	+	68.20	22%
Bank of America Merrill Lynch	Tarik El Mejjad	tarik.el_mejjad@baml.com	=	68.70	23%
Barclays Capital	Kiri Vijayarajah	kiri.vijayarajah@barcap.com	=	64.00	14%
Berenberg	Andrew Lowe	Andrew.Lowe@berenberg.com	+	71.00	27%
Citi Investment Research	Andrew Coombs	andrew.coombs@citi.com	+	76.00	36%
Credit Suisse	Maxence Le Gouvello	maxence.legouvello@credit-suisse.com	=	60.90	9%
Deutsche Bank	Benjamin Goy	benjamin.goy@db.com	=	60.00	7%
Exane BNP Paribas	Guillaume Tiberghien	guillaume.tiberghien@exanebnpparibas.com	=	63.00	12%
HSBC	Johannes Thormann	Johannes.Thormann@hsbc.de	=	61.00	9%
ING	Albert Ploegh	albert.ploegh@ing.com	+	72.00	28%
JP Morgan Securities	Paul Formanko	paul.formanko@jpmorgan.com	+	75.00	34%
Keefe, Bruyette & Woods	Jean-Pierre Lambert	jplambert@kbw.com	=	66.70	19%
KeplerCheuvreux	Benoit Petrarque	benoit.petrarque@keplercm.com	+	70.00	25%
Mediobanca	Robin van den Broek	Robin.VanDenBroek@mediobanca.com	+	68.00	21%
Morgan Stanley	Bruce Hamilton	Bruce.Hamilton@morganstanley.com	=	64.20	14%
Natixis Securities	Alex Koagne	alex.koagne@sec.natixis.com	=	68.40	22%
Nomura	Matthew Clark	matthew.clark@nomura.com	=	60.00	7%
Oddo	Julie Legrand	jlegrand@oddo.fr	+	61.00	9%
Rabo Securities	Cor Kluis	cor.kluis@rabobank.com	+	70.00	25%
Santander	Patrick Lee	patrick.lee@gruposantander.com	=	63.00	12%
Societe Generale	Philip Richards	philip.richards@sgcib.com	=	65.00	16%
UBS	Anton Kryachok	anton-a.kryachok@ubs.com	=	62.00	11%

Situation as of 9 November 2015, based on a share price of 56.07 EUR

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	<p>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:</p> <ul style="list-style-type: none"> • 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
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 required 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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