

# VFB-Happening

Rik Scheerlinck, KBC Group CFO

**24 March 2018**

**Antwerp**



# Important information for investors

- This presentation is provided for information purposes only. It does not constitute an offer to buy or sell any security issued by an entity of the KBC group, nor does it constitute investment advice.
- KBC believes that this presentation is reliable, although some information is condensed and therefore incomplete. KBC cannot be held liable for any direct or consequential loss or damage resulting from the use of the information.
- This presentation contains non-IFRS information and forward-looking statements with respect to the strategy, earnings and capital trends of KBC. The forward-looking statements are based on a best effort assessment of expected economic growth, were drafted in accordance with applicable legislation and involve numerous assumptions and uncertainties. A change in the expected economic growth or applicable legislation can cause changes in the forward-looking statements. More generally, there is a risk that these statements may not be fulfilled and that future developments could differ materially. KBC does not undertake any obligation to update the presentation in line with new developments.
- By reading this presentation, investors are deemed to represent that they possess sufficient expertise to understand the risks involved. Investors are expected to make their own investment decisions without undue reliance on this presentation.

# Agenda

- **KBC Business Profile**
- **KBC Group strategy**
- **Group-wide digital transformation**
- **Our financial plan**
- **The investor's view**
- **Wrap up**

# KBC's Business Profile



# Overview key financial data at FY17



**KBC Bank**

<b>Net result<sup>3</sup>:</b>	2 180m EUR
<b>Total assets:</b>	256bn EUR
<b>Total equity:</b>	16bn EUR
<b>CET1 ratio<sup>4</sup>:</b>	14.5%
<b>C/I ratio<sup>5</sup>:</b>	55%
<b>Credit Cost Ratio:</b>	-0.06% <sup>6</sup>

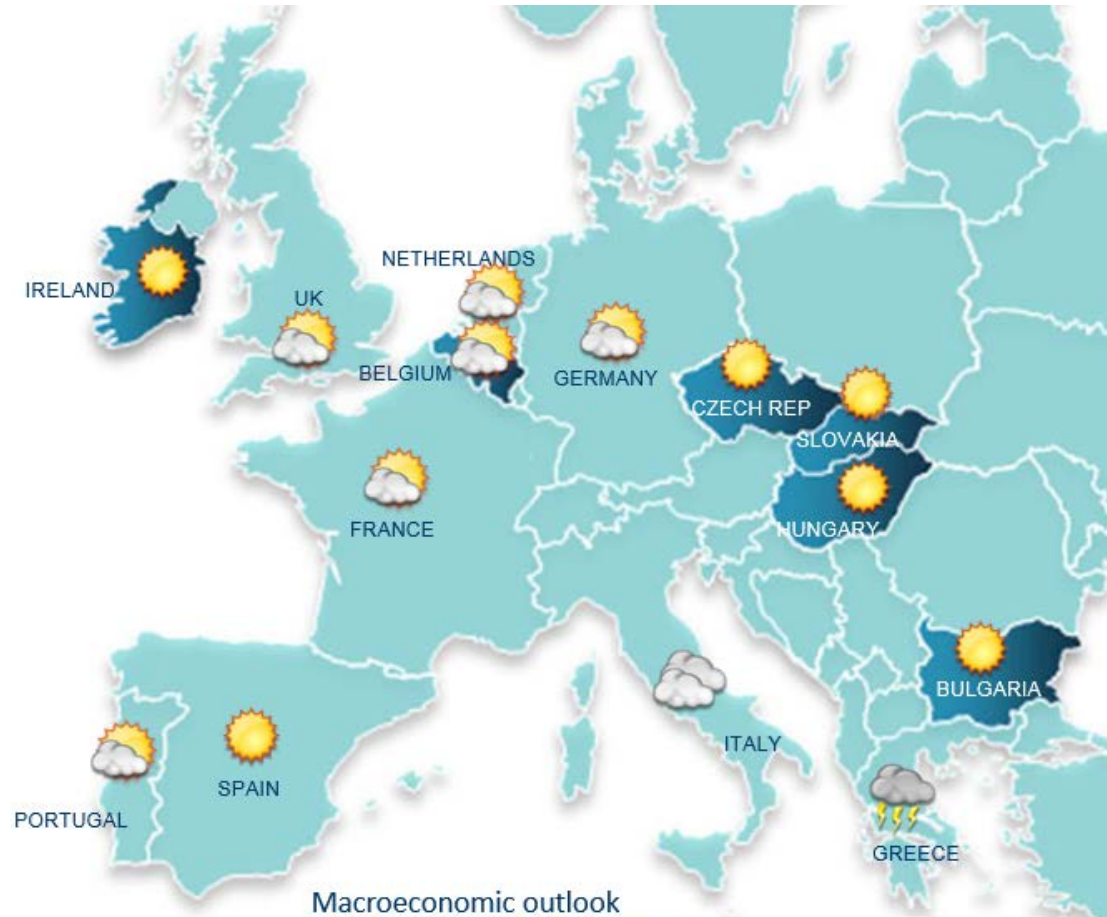
**KBC Insurance**

<b>Net result<sup>3</sup>:</b>	438m EUR
<b>Total assets:</b>	38bn EUR
<b>Total equity:</b>	3bn EUR
<b>Solvency II ratio:</b>	212%
<b>Combined ratio:</b>	88%

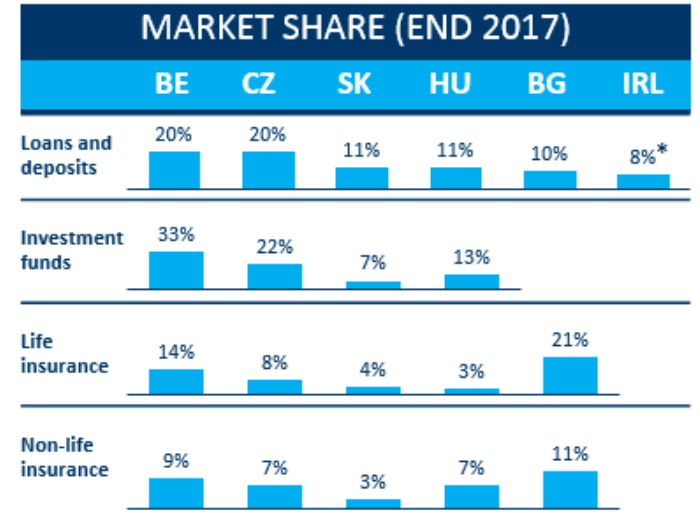
1. As at February 2018
2. Presented ratio is fully loaded; on a phased-in basis the ratio stands at 16.5% for KBC Group
3. Difference between net result at KBC Group and the sum of the banking and insurance contribution is accounted by the holding-company/group item
4. Includes KBC Asset Management ; excludes holding company eliminations
5. Adjusted for specific items (see glossary for definition)
6. Negative sign means release

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

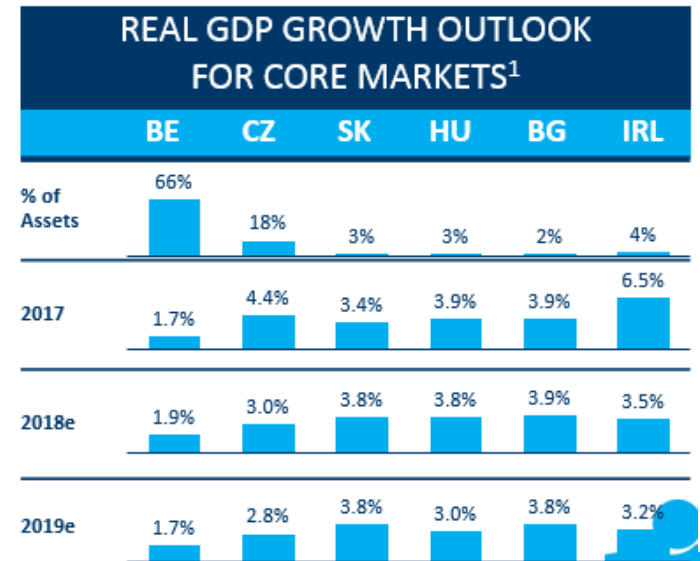
KBC Group's core markets



Macroeconomic outlook  
Based on GDP, CPI and unemployment trends  
Inspired by the Financial Times



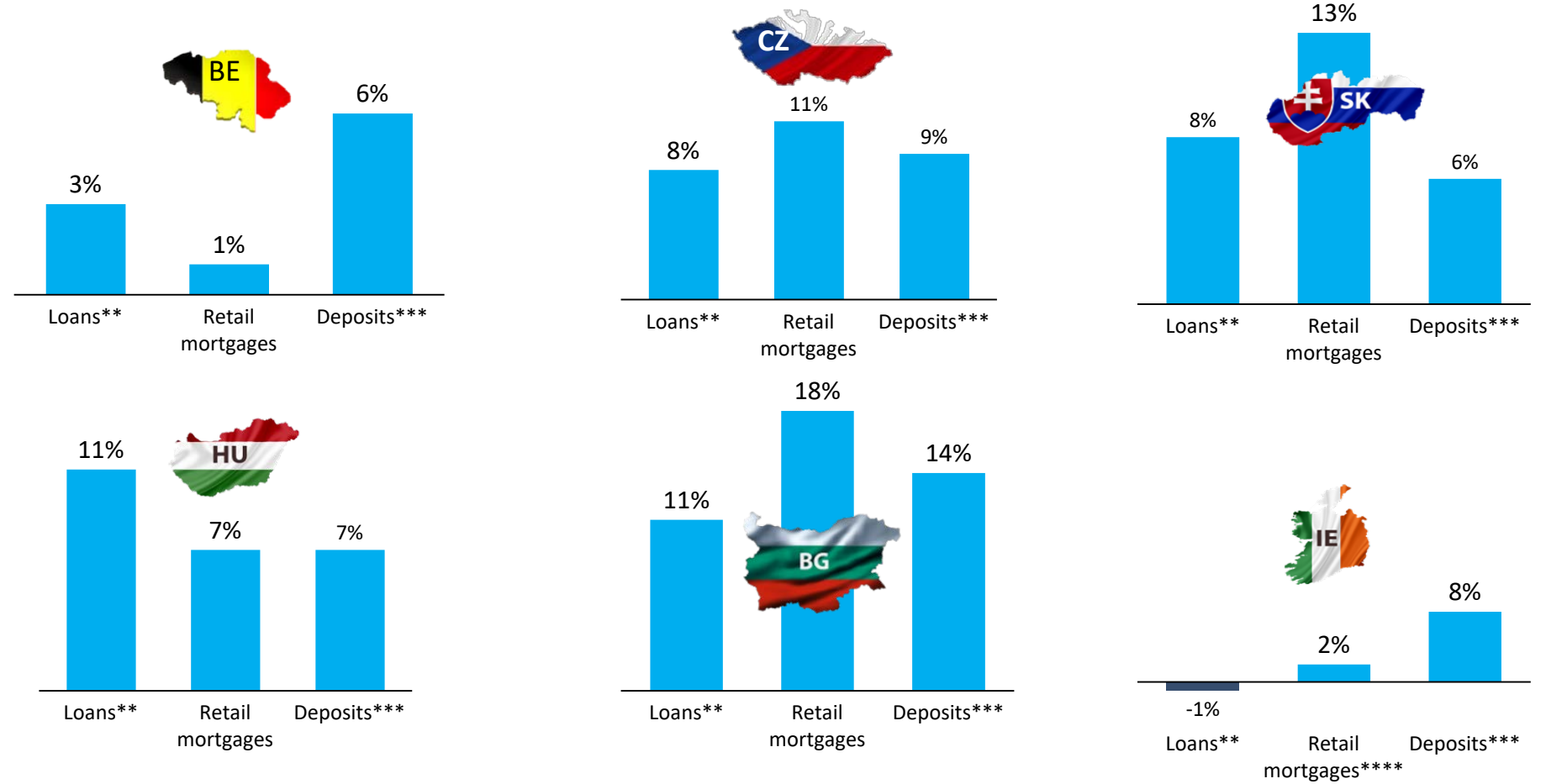
\* Only for retail segment



# Balance sheet :

## Loans and deposits continue to grow in most core countries

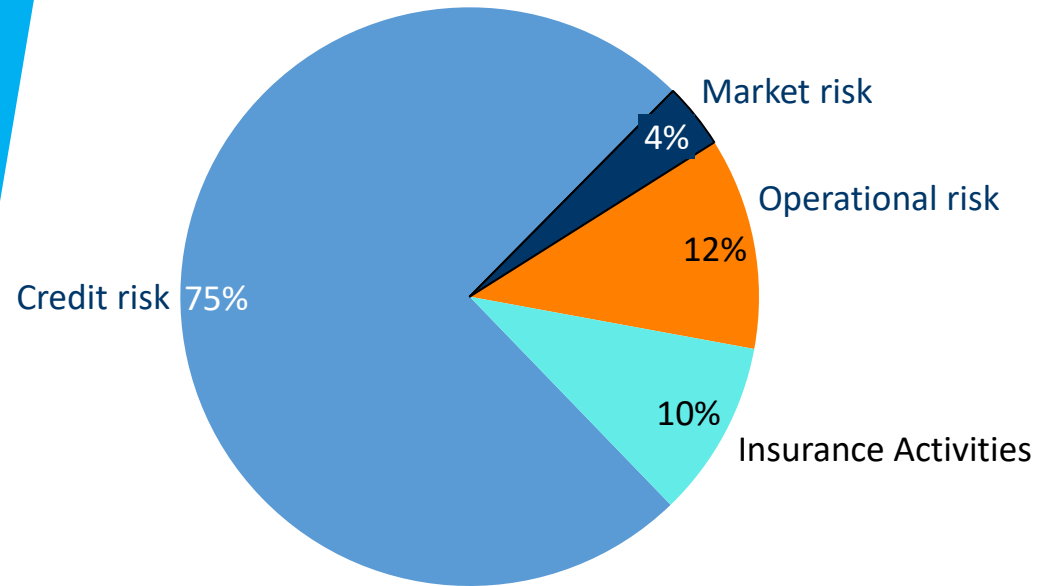
Y-O-Y ORGANIC\* VOLUME GROWTH FOR MAIN ENTITIES



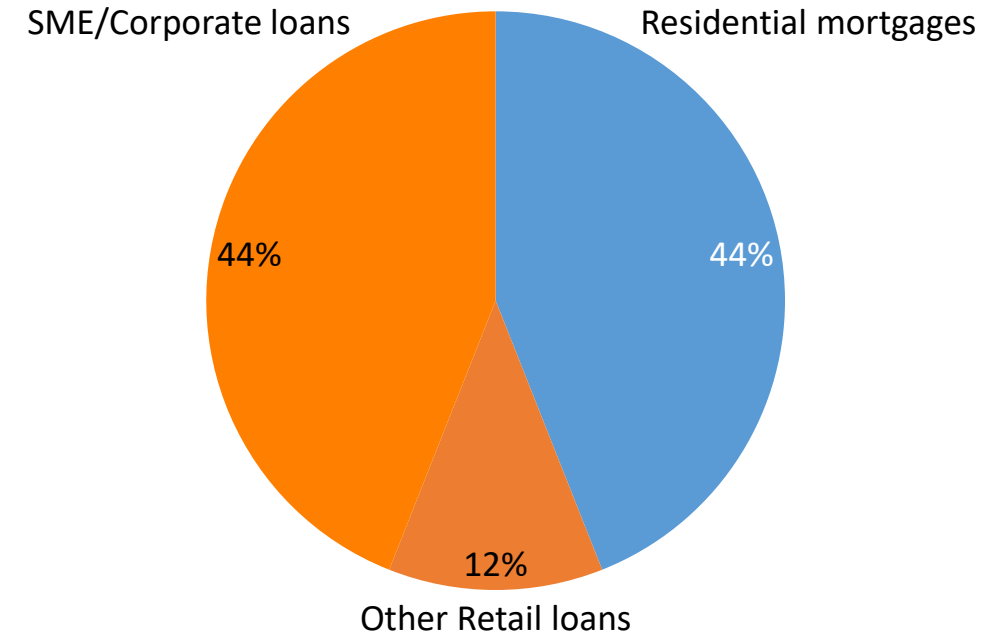
\* Volume growth excluding FX effects and divestments/acquisitions  
 \*\* Loans to customers, excluding reverse repos (and bonds)  
 \*\*\* Customer deposits, including debt certificates but excluding repos  
 \*\*\*\* Retail mortgages in Ireland: new business (written from 1 Jan 2014) +47% y-o-y, while legacy -7% y-o-y

# A low risk bank-insurance group

BREAKDOWN ACCORDING TO RWA  
(end 4Q17)



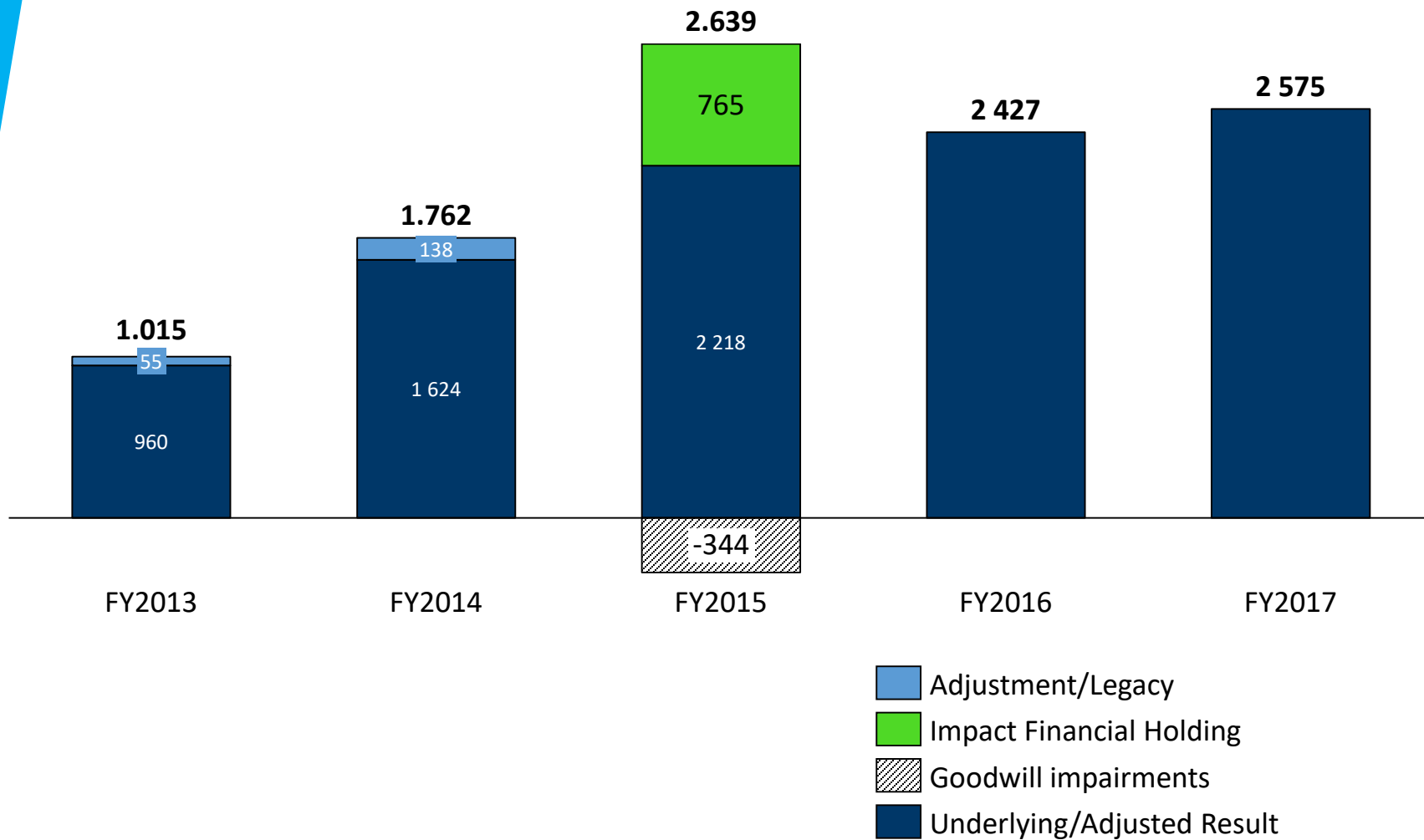
LOAN DISTRIBUTION:  
TOTAL RETAIL = 56%  
(end 4Q17)







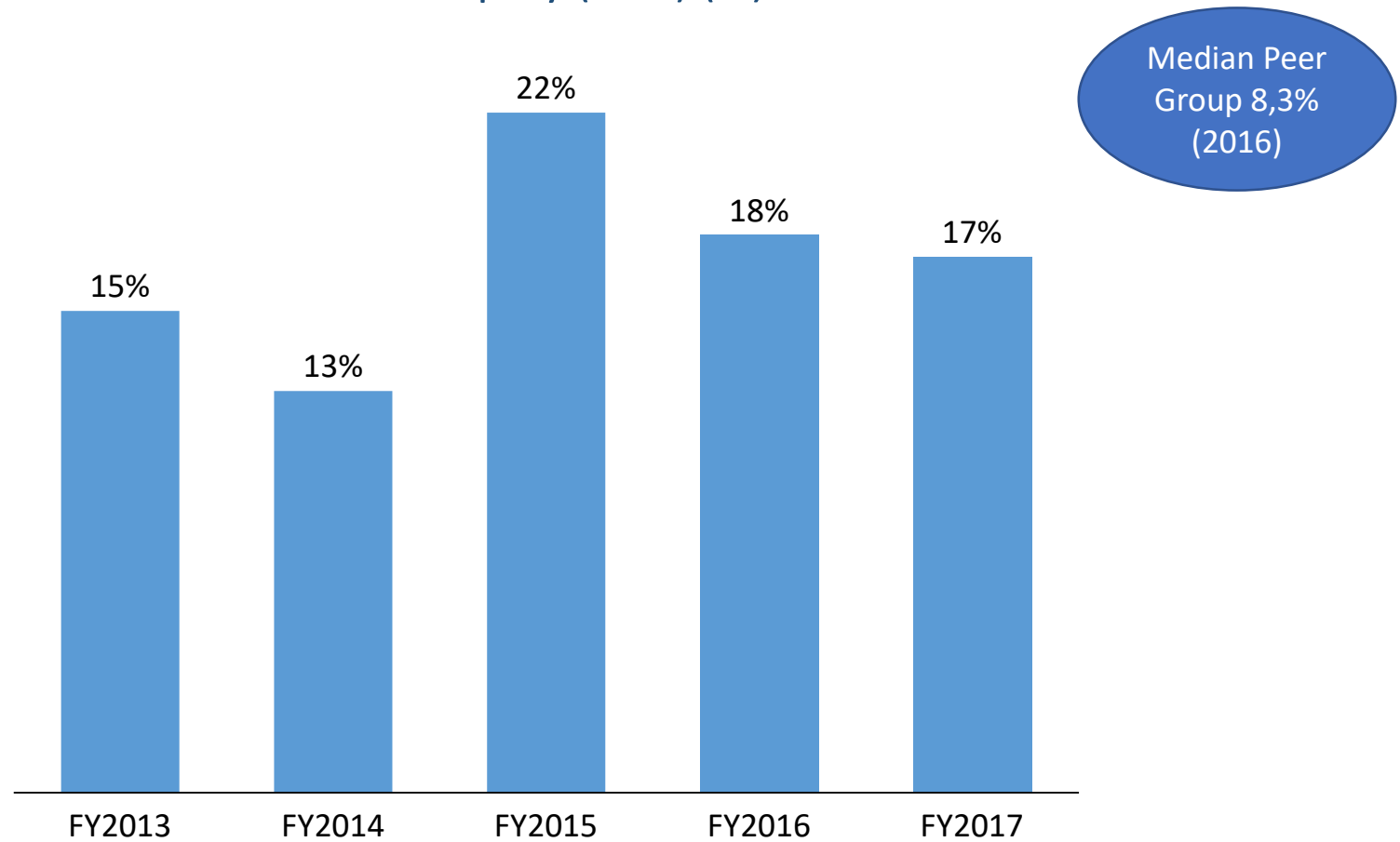
# Evolution of net result



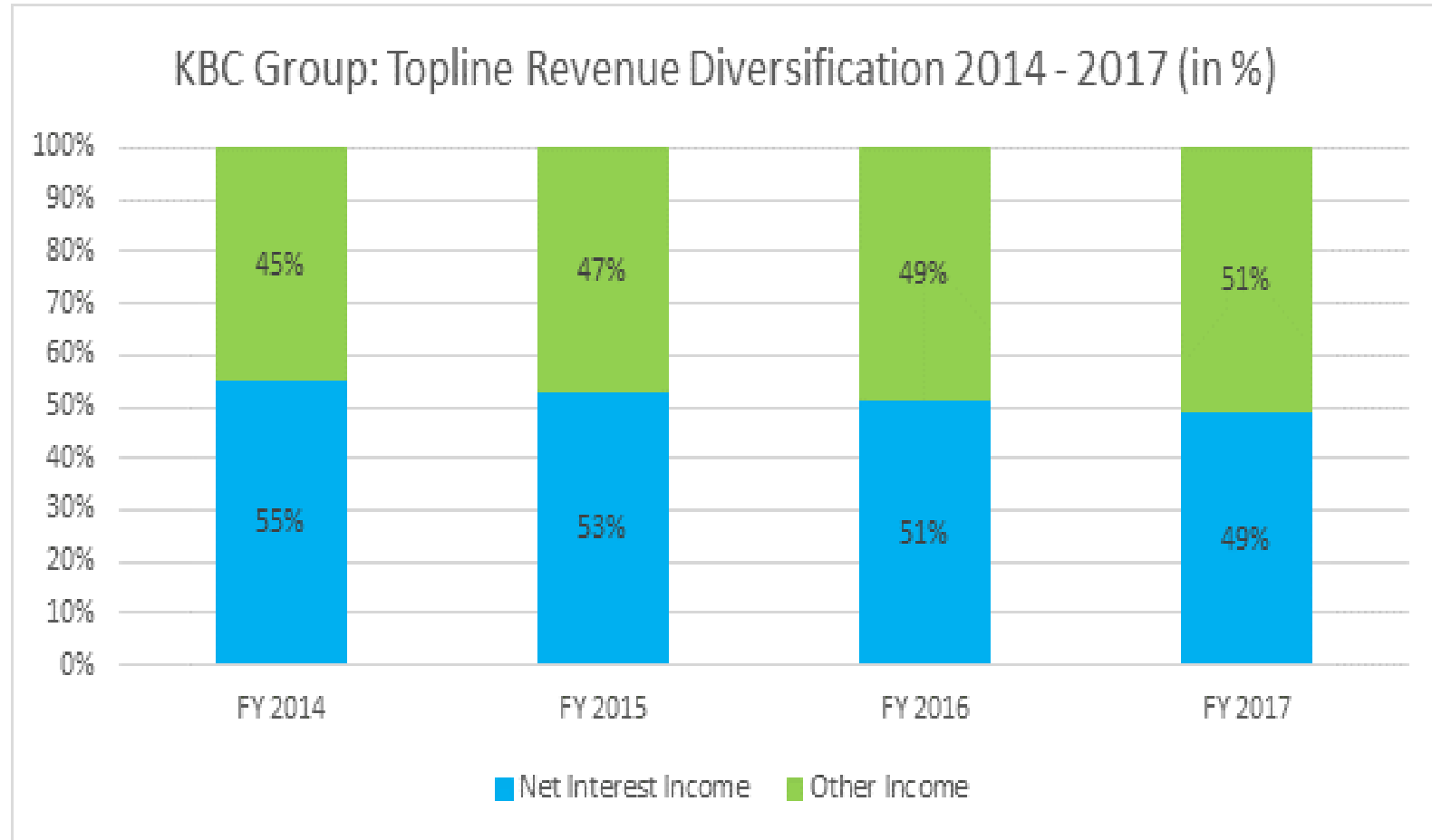


# Sustainable returns, clearly above the sector average

Return-on-Equity (ROE) (%)



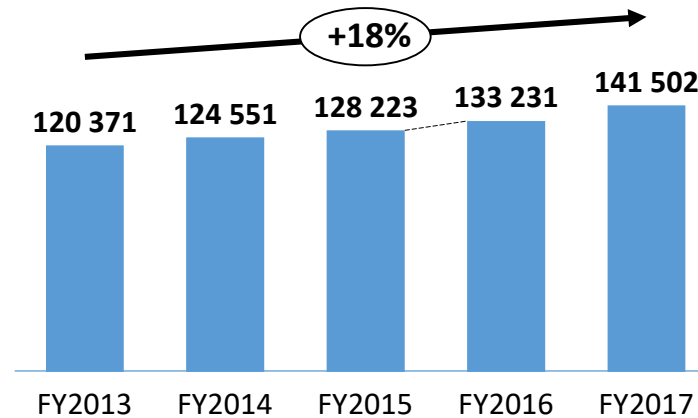
# More revenue diversification ...



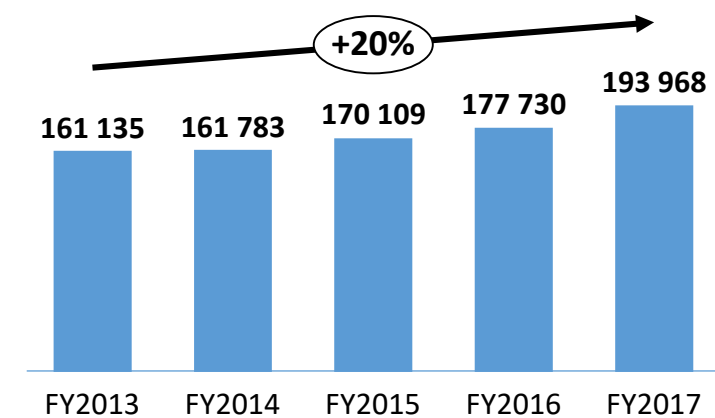
\* The above management view focusses on our ability to do client business and adjusts for distribution commissions and non-life technical charges (which is a product of the acceptance process) .

# Bank-insurance model paying off : Well diversified income

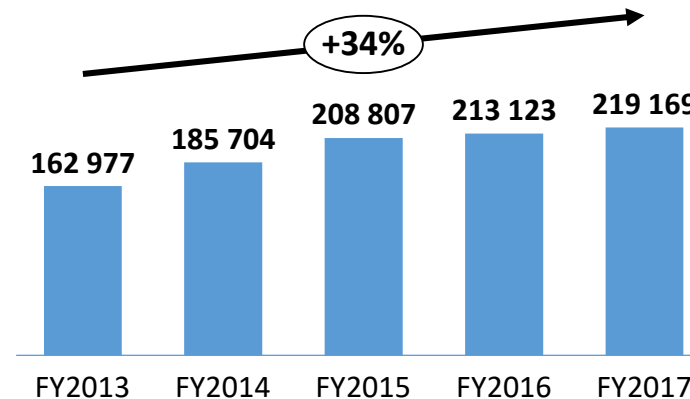
**Loans and advances to customers**  
(EUR m)



**Deposits from customers**  
(EUR m)

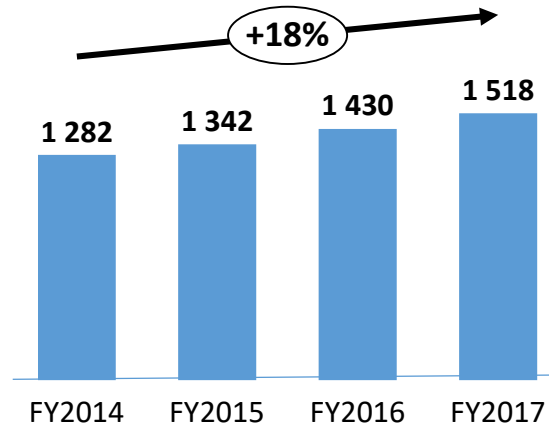


**Asset under management (AUM)**  
(EUR m)

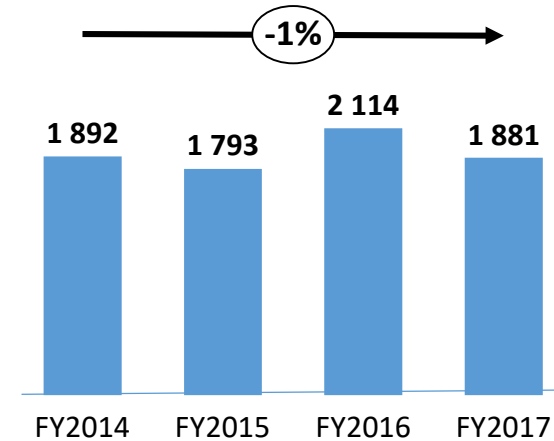


# Bank-insurance model paying off : Well diversified income

**NON LIFE SALES**  
(Gross written premium)  
(EUR m)



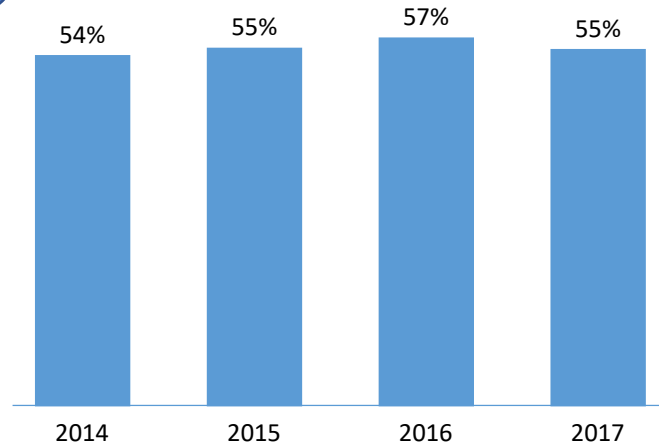
**LIFE SALES**  
(EUR m)



# Strong Ratio's

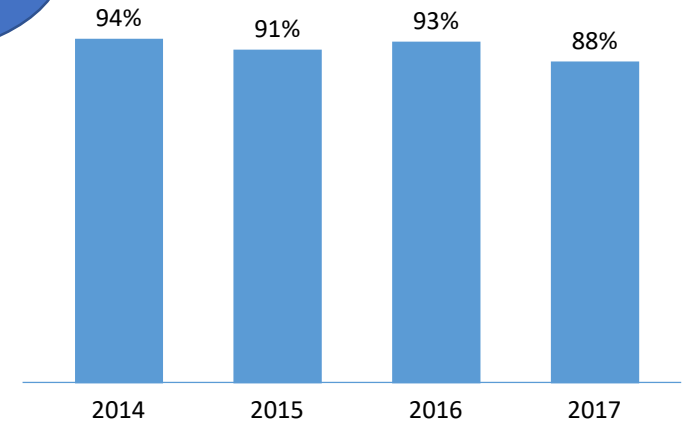
Median Peer Group 63% (2016)

### Cost/Income ratio (banking)

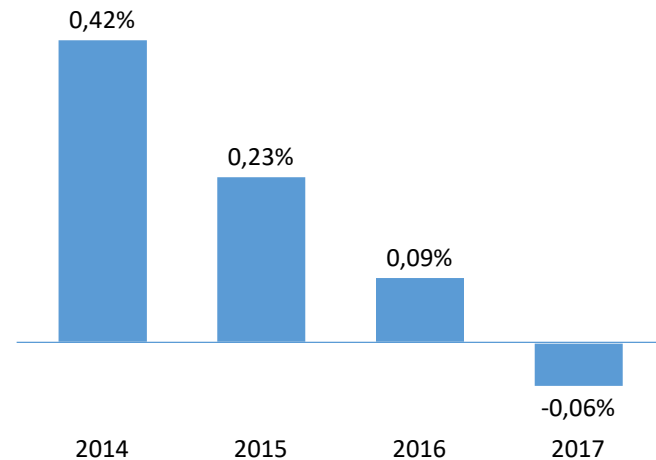


Median Peer Group 97% (2016)

### Non-Life combined ratio

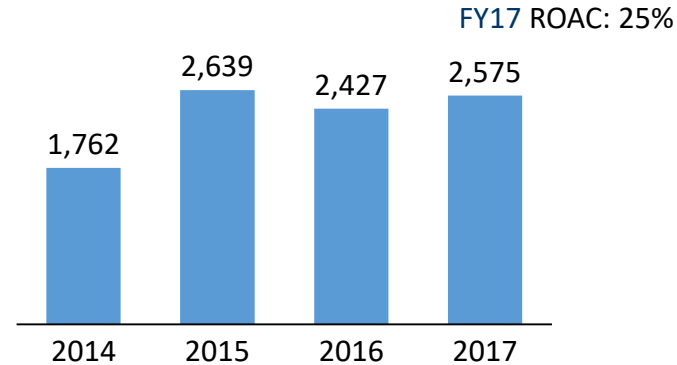


### Credit cost ratio

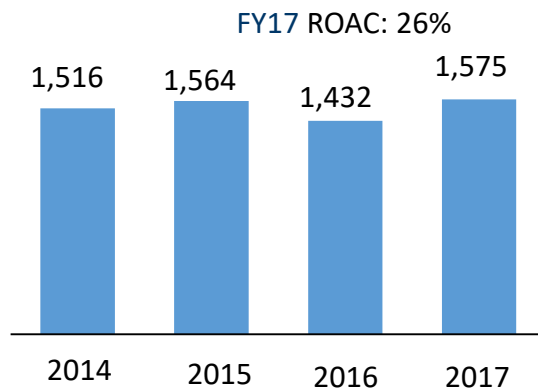


# High Returns across our core markets

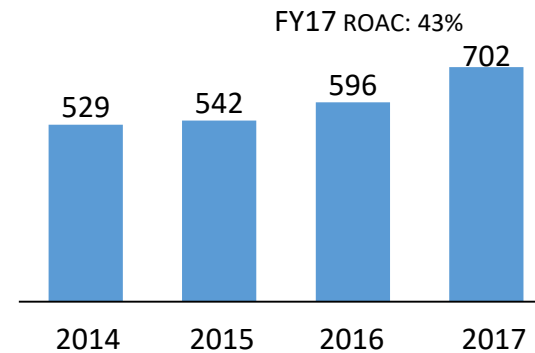
## NET PROFIT – KBC GROUP



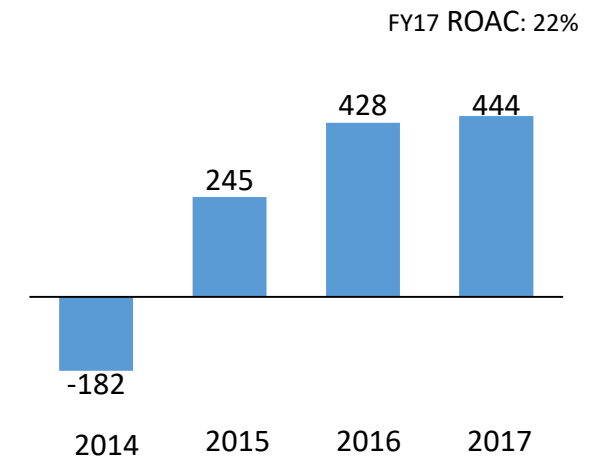
## NET PROFIT – BELGIUM



## NET PROFIT – CZECH REPUBLIC



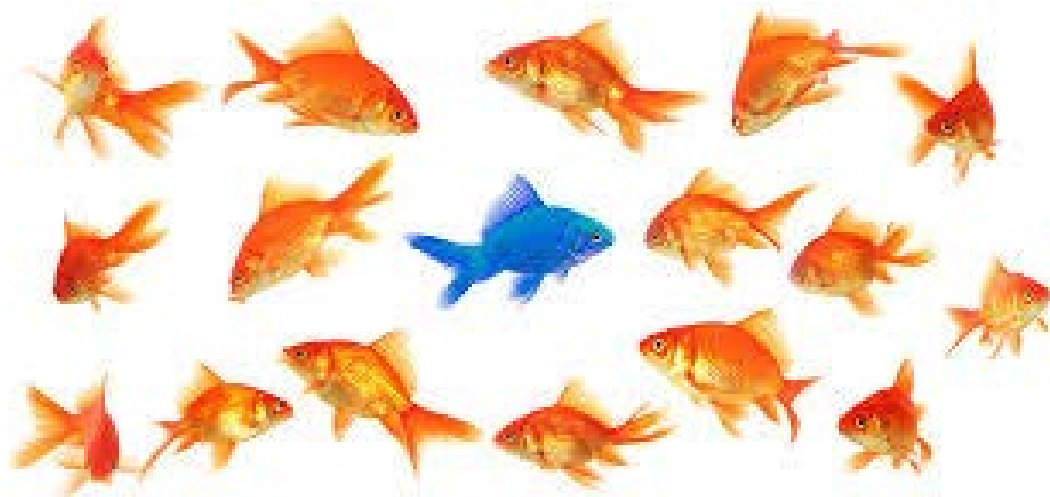
## NET PROFIT – INTERNATIONAL MARKETS



# KBC Group Strategy

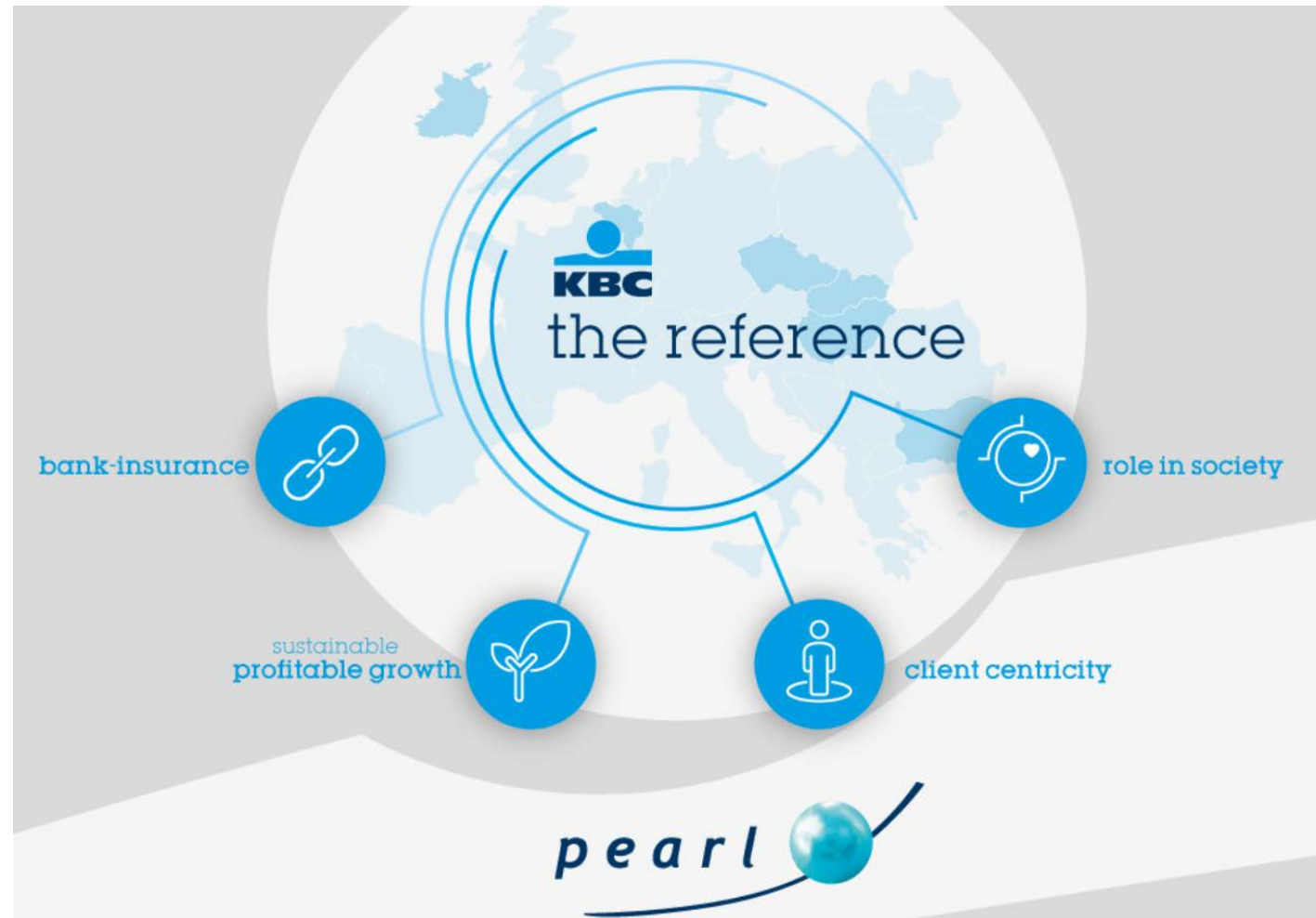


**Our business model has proven to be very successful ....**



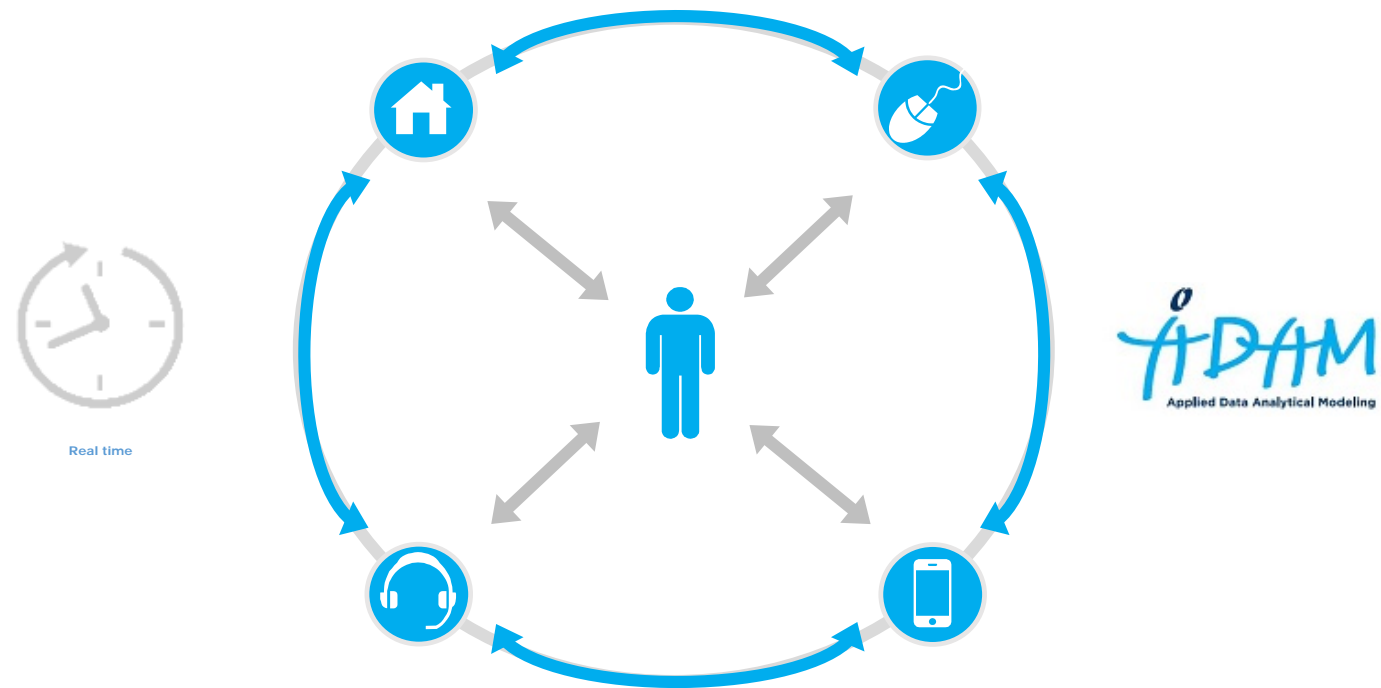
**MORE OF THE SAME,  
BUT DIFFERENTLY**

# So we are keeping our core strategy unchanged ...



# KBC Group and digitalisation: Enhanced channels for empowered clients

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



Enhanced channels for empowered clients

# What will we deliver?

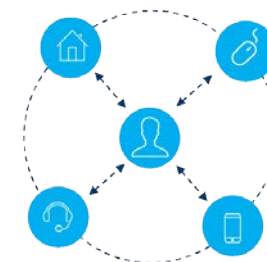
Further optimise our **integrated distribution model** according to a **real-time omni-channel approach**

Prepare our applications to **engage with Fintechs** and other value chain players

Invest in our **digital presence** (e.g., social media) to **enhance** client **relationships** and anticipate their needs

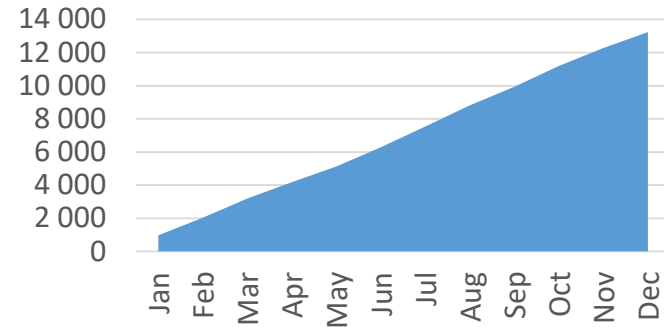
Further **increase efficiency** and **effectiveness of data management**

Set up an open architecture IT package as **core banking system** for our **International Markets Business Unit**

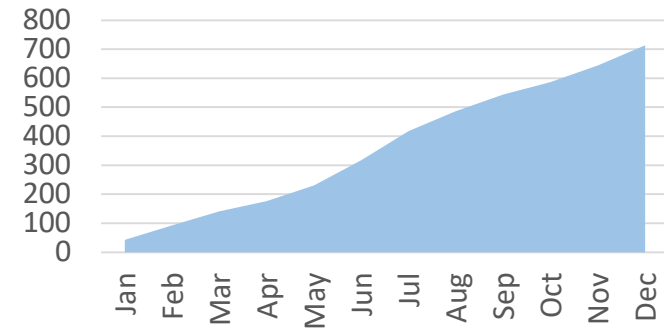


# KBC Group and digitalisation today (FY 2017): Digital sales are increasing : example BU Belgium\*

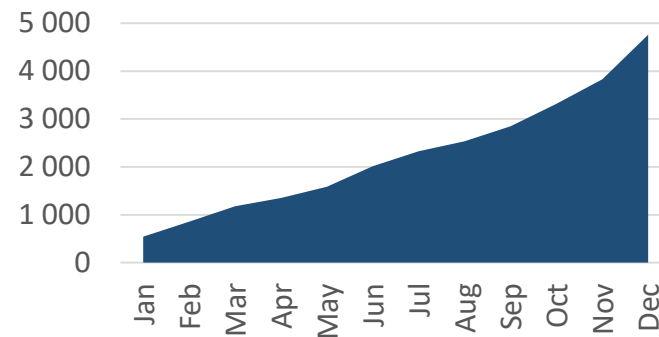
### Consumer loans



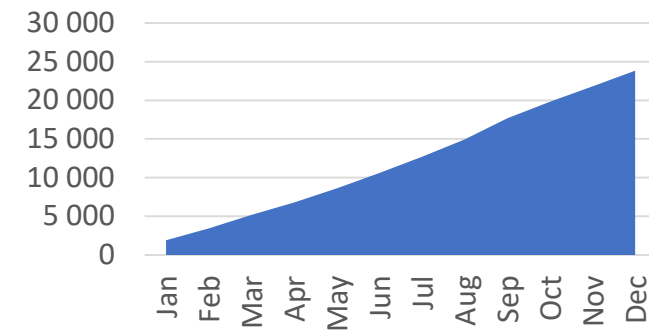
### Travel insurance



### Pension savings

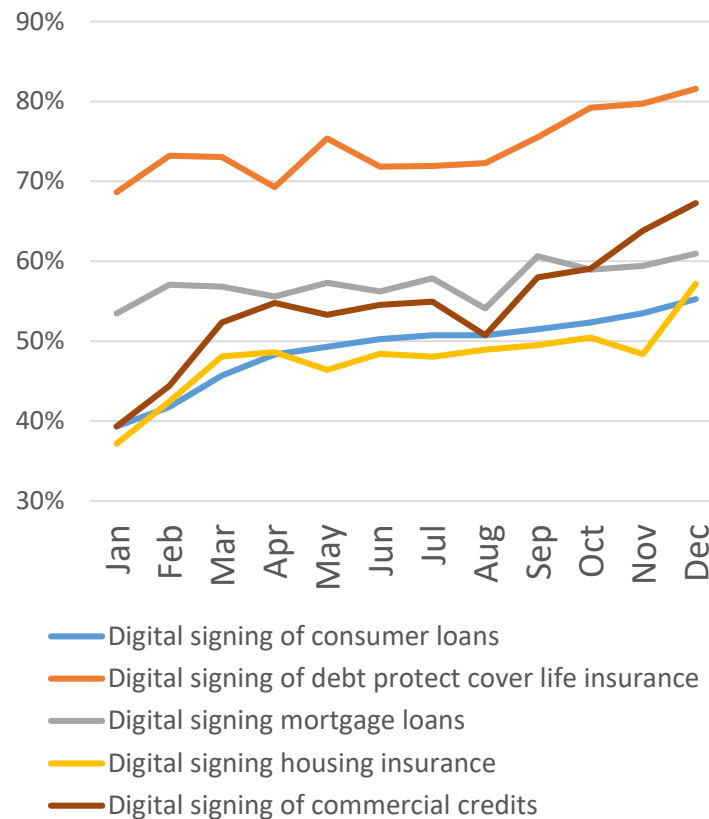


### Current accounts

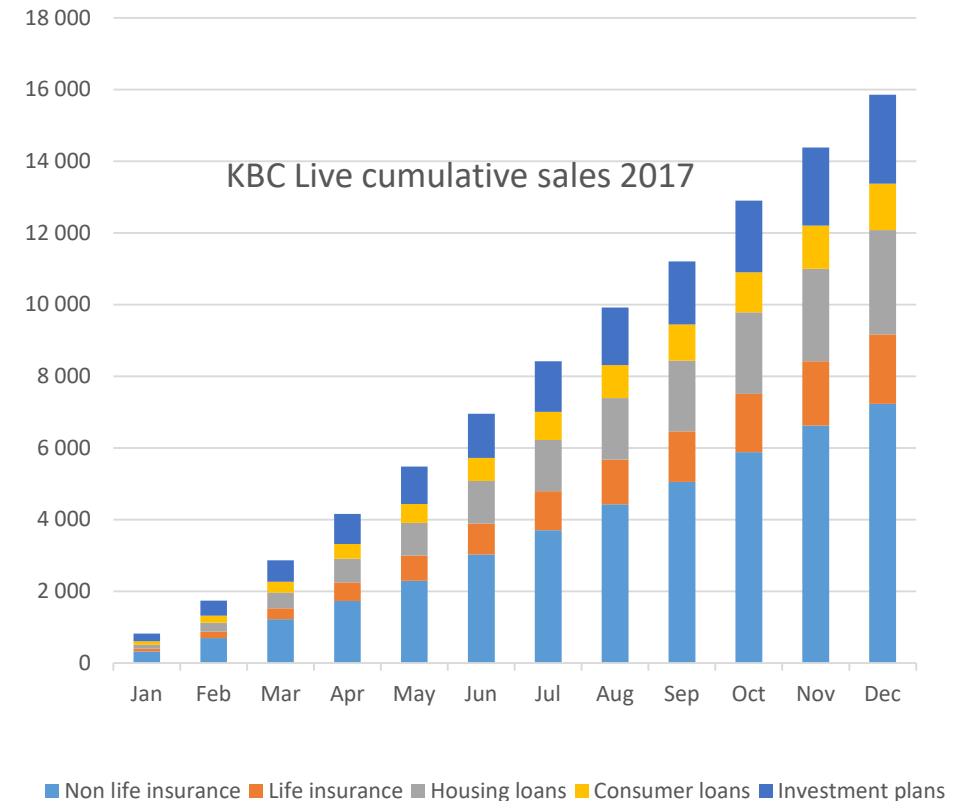


# KBC Group and digitalisation: Omnichannel is embraced by our customers\*

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



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

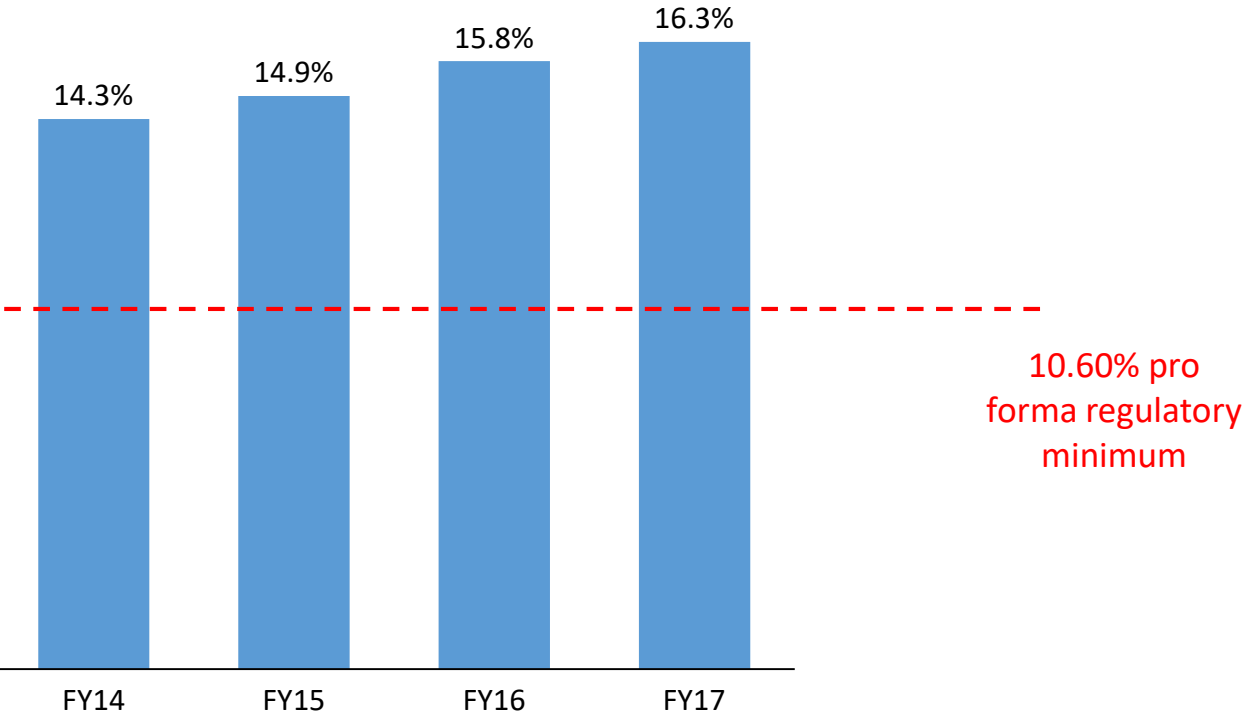


\* BU Belgium numbers

**We aim to be one of the better  
capitalised financial institutions**

# We start from a strong capital position...

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



A fully loaded common equity ratio of 16.3% based on the Danish Compromise at end 1Q17, which clearly exceeds the minimum capital requirements of 10.60%\* set by the ECB / NBB

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

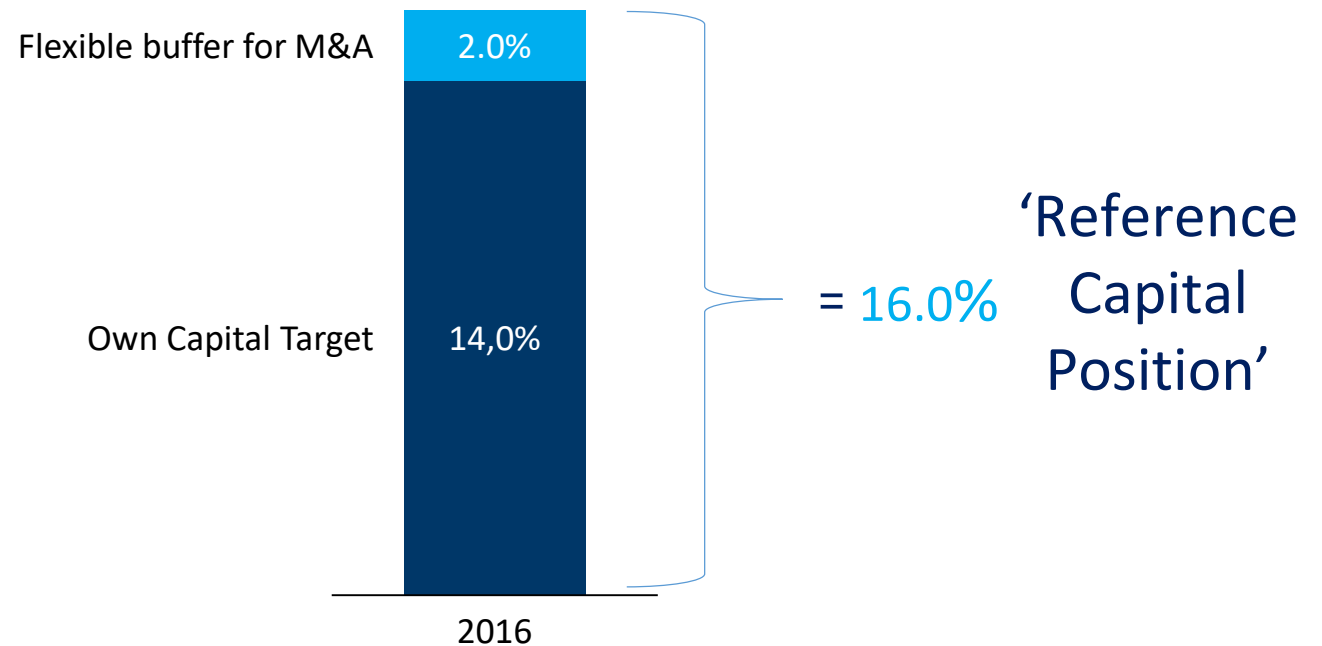




# What does it mean for our capital deployment?

## Impact of Basel 4 agreement: update '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'**

# More of the same ... And have updated our guidance

Guidance...		by...
<b>CAGR total income ('16-'20)*</b>	$\geq 2.25\%$	2020
<b>C/I ratio banking</b> <small>excluding bank tax</small>	$\leq 47\%$	2020
<b>C/I ratio banking</b> <small>including bank tax</small>	$\leq 54\%$	2020
<b>Combined ratio</b>	$\leq 94\%$	2020
<b>Dividend payout ratio</b>	$\geq 50\%$	As of now

\* Excluding marked-to-market valuations of ALM derivatives



# And have updated our guidance

... but differently ...

## → Make further progress in our bank-insurance model

Guidance		by...	Guidance		by...
<b>CAGR Bank-Insurance clients</b> (1 Bank product + 1 Insurance product)			<b>CAGR Bank-Insurance stable clients</b> (3 Bk + 3 Ins products in Belgium; 2 Bk + 2 Ins products in CE)		
BU BE	≥ 2 %	2020	BU BE	≥ 2 %	2020
BU CR	≥ 15 %	2020	BU CR	≥ 15 %	2020
BU IM	≥ 10 %	2020	BU IM	≥ 15 %	2020

## → Guidance on inbound omni-channel/digital behaviour\*

Guidance	by ...	
<b>% Inbound contacts via omni-channel and digital channel</b>		
<b>KBC Group**</b>	≥ 80 %	2020

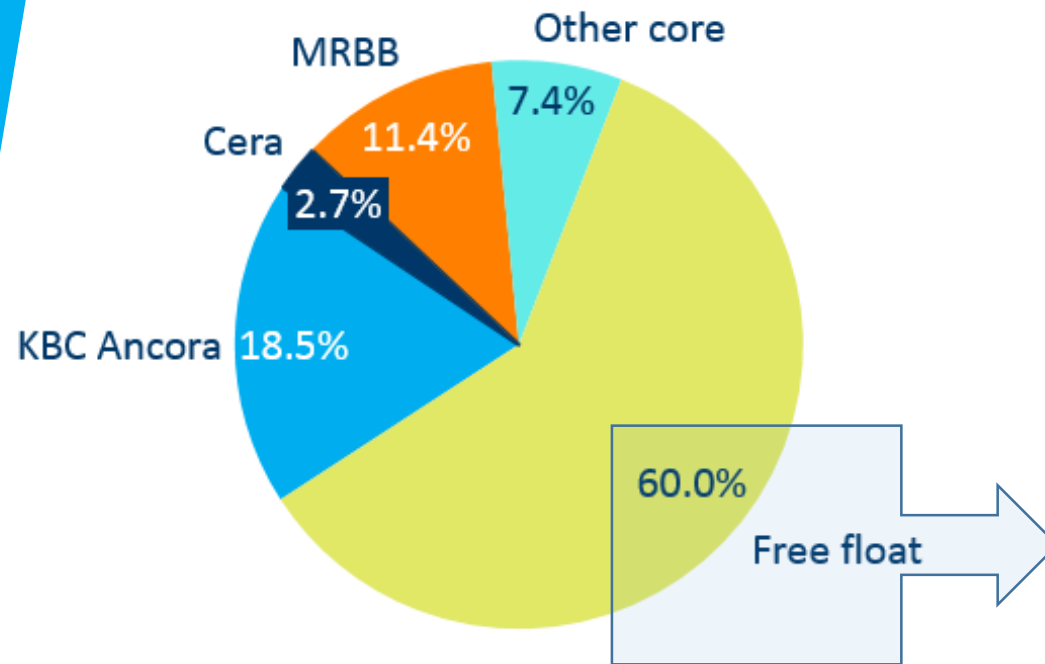
- Clients interacting with KBC through at least one of the non-physical channels (digital or through a remote advice centre), possibly in addition to contact through the physical branch. This means that clients solely interacting with KBC through the physical branch (or ATM) are excluded

\*\* Bulgaria & PSB out of scope for Group target



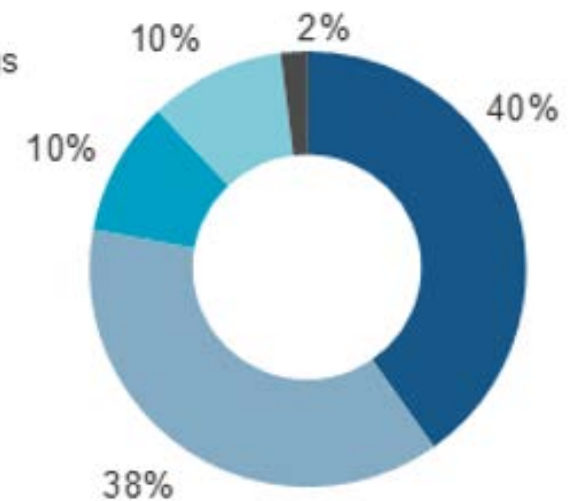
# Shareholder structure and basis (free float)

SHAREHOLDER STRUCTURE AT END 2017

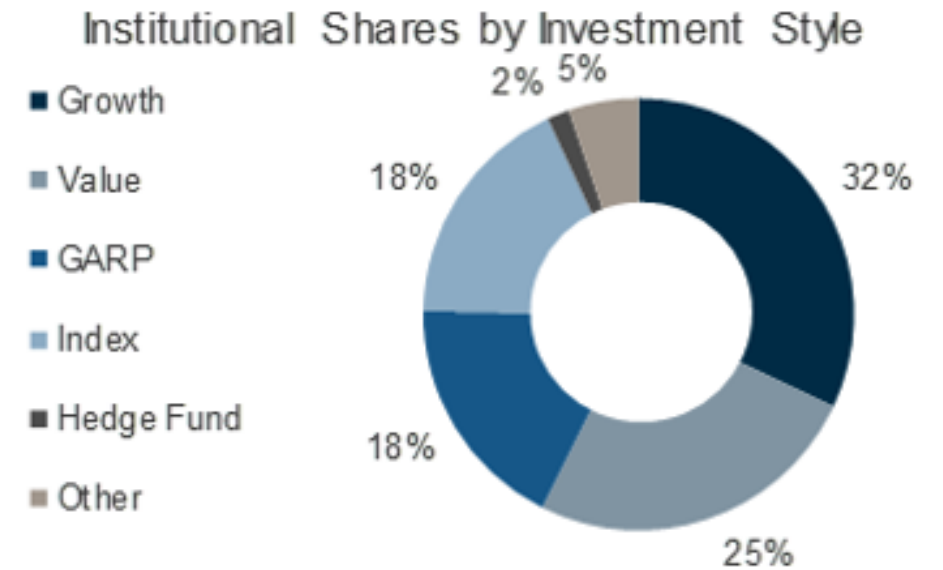
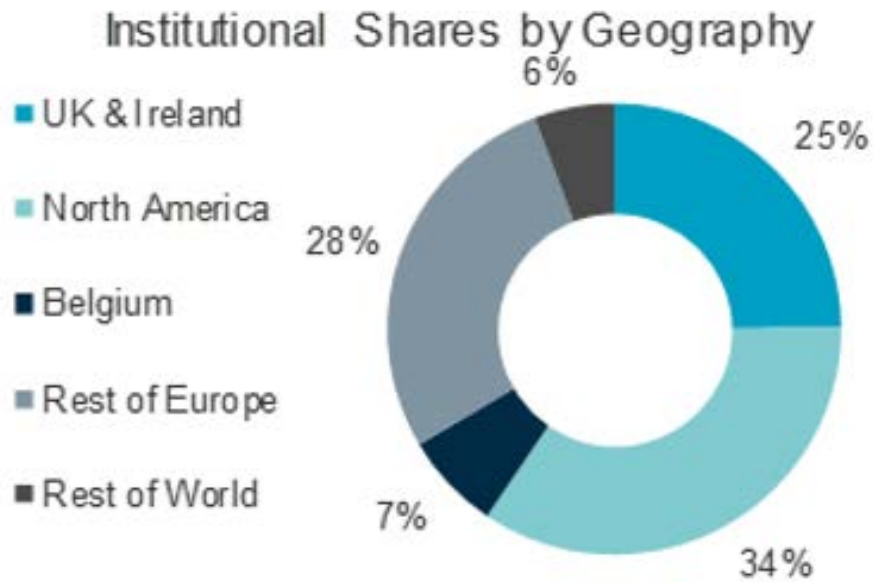


- Strategic Holdings
- Institutional
- Retail
- Brokerage
- Unidentified

Free Float



## Shareholder basis (free float) and Analysts' coverage



# Share price performance and dividend pay-out



Dividend per share (in EUR)

2012	2013	2014	2015	2016	2017
1,00	0,00	2,00	0,00	2,80	3,00

## KBC Group 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, omni-channel, client-centric distribution approach
- By achieving this, KBC wants to become the **reference in bank-insurance** in its core markets