KBC Group
Company presentation
FY 2014 / 4Q 2014

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- Note that KBC Bank Deutschland was deconsolidated in the P&L as of 4Q 2014.

4Q 2014 key takeaways for KBC Group

- **STRONG BUSINESS PERFORMANCE IN 4Q14**

  Net result of 457m EUR and adjusted[1] net result of 477m EUR as a result of:
  - Strong commercial bank-insurance franchises in our core markets and core activities
  - Increasing customer loan and deposit volumes q-o-q in most of our core countries
  - Higher net interest income q-o-q (pro forma) and further improvement of the NIM
  - Q-o-q increase of net fee and commission income and a further rise in AuM
  - Negative M2M ALM derivatives (-7m EUR) and lower AFS gains, but higher net other income
  - Good combined ratio (94% in FY14). Sales of guaranteed interest life insurance products were higher
  - Good cost/income ratio (54% in FY14) adjusted for specific items (mainly M2M impact of ALM derivatives in FY14 and one-off provisions in Hungary in 2Q14)
  - Higher but still moderate impairment charges q-o-q
    - Loan loss provisions in Ireland were in line with our guidance. We are maintaining our guidance for Ireland, namely 50m-100m EUR for both FY15 and FY16
    - The AQR exercise has been fully assessed and accounting conclusions have been included in the 2014 accounts, of which a non-material amount of provisions in 4Q14

- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - **Common equity ratio** (B3 fully loaded[2] based on Danish Compromise) **of 14.3%** at end 2014
  - **Continued strong liquidity position** (NSFR at 110% and LCR at 120%) at end 2014

- **Dividend proposal[3]**
  - A **gross dividend of 2.00 EUR per share** will be proposed to the AGM for the **2014 accounting year**
  - Intention confirmed to **not pay a dividend** for the **2015 accounting year**. **As of the 2016 accounting year**, the target for the dividend payout ratio (including the coupon paid on state aid and AT1) is **at least 50%**

1. Adjusted net result is the net result excluding a limited number of non-operating items, i.e. legacy CDO and divestment activities and the M2M effect of own debt instruments due to own credit risk
2. Including remaining state aid of 2bn EUR
3. Any dividend payment will be subject to the usual approval of the regulator

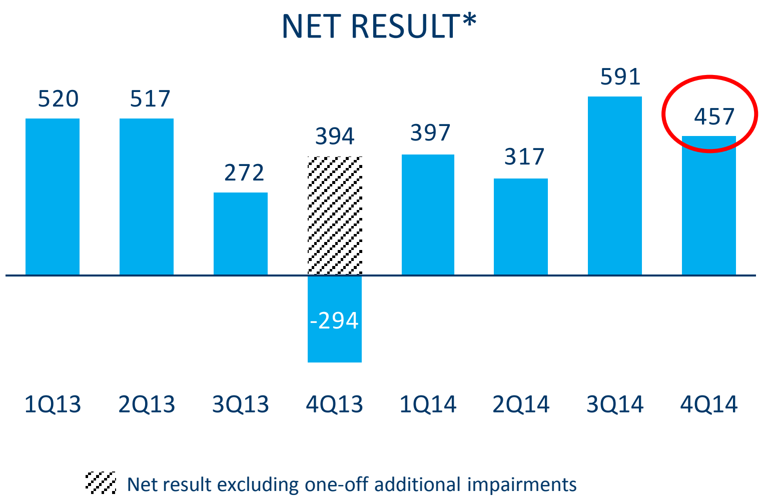
KBC

Contents

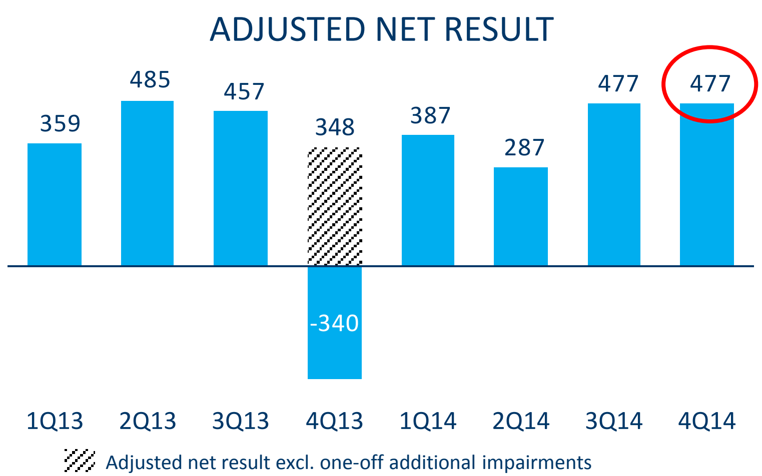
Section 1

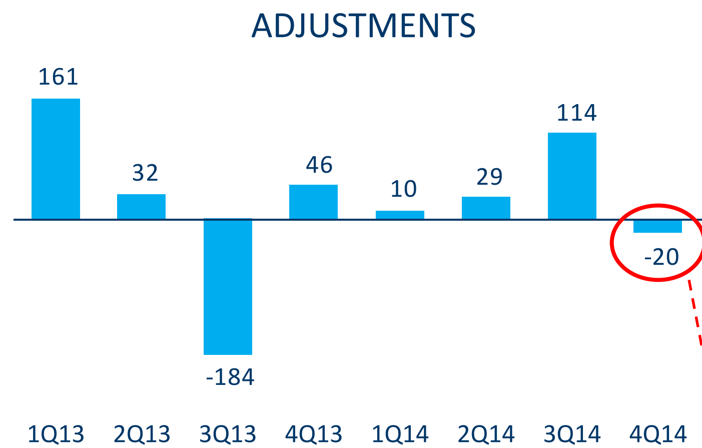
4Q 2014 performance of KBC Group

Earnings capacity



Excluding adjustments





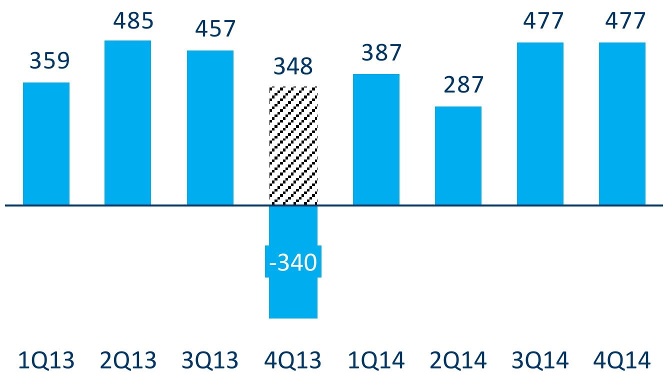
- Legacy + own credit risk items (post-tax)
  - Revaluation of structured credit portfolio - 7m EUR
  - Divestments (mainly ADB) - 15m EUR
  - M2M own credit risk + 1m EUR

* Note that the scope of consolidation has changed over time, due partly to divestments

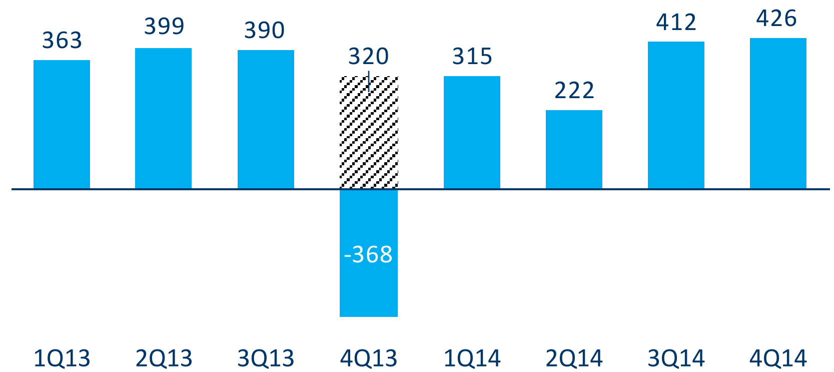
Amounts in m EUR

Adjusted net result at KBC Group

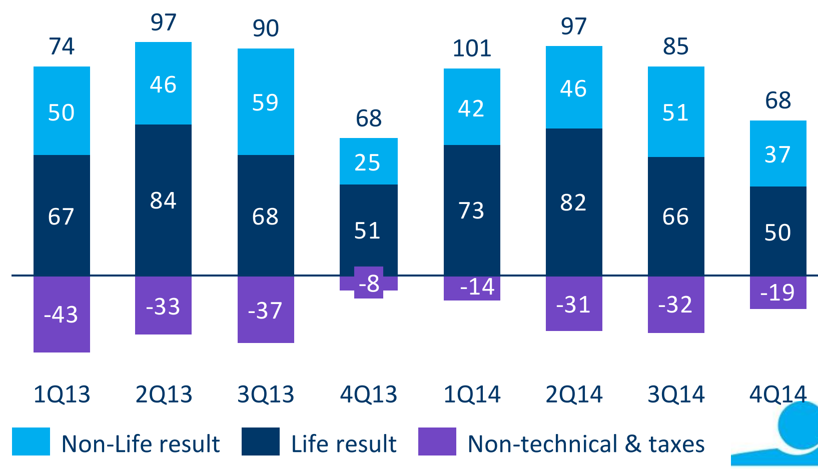
ADJUSTED NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT*



CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT*

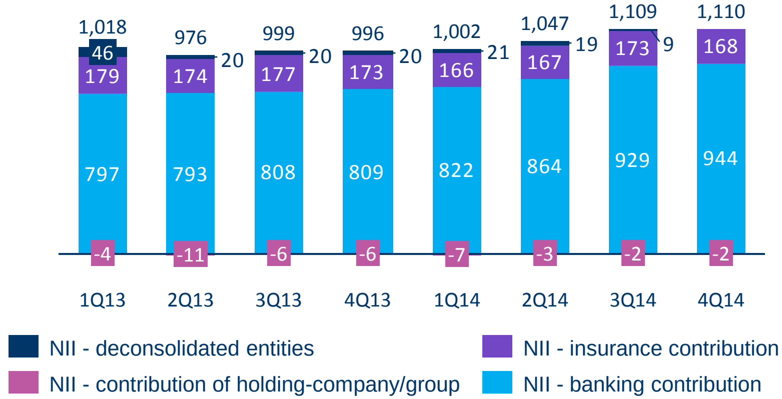


* Difference between adjusted net result at KBC Group and the sum of the banking and insurance contribution are the holding-company/group items

Amounts in m EUR

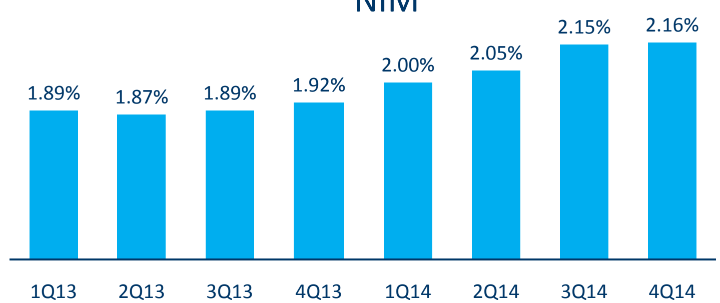
Net interest income and margin

NII



Amounts in m EUR

NIM



- **Net interest income**
  - Stabilised q-o-q, but increased by 11% y-o-y (+1% q-o-q and +14% y-o-y pro forma, disregarding the change in the consolidation scope)
  - The 1% q-o-q increase was driven primarily by higher upfront prepayment fees (about 33m EUR additional fees in 4Q14), mitigated by hedging losses on previously refinanced mortgages in Belgium and lower lending NII in Hungary (following the Curia decisions)
  - The 14% y-o-y increase was the result of sound commercial margins (on both loans and deposits), volume increases in current accounts and mortgage loans, lower funding costs and higher prepayment fees (peak in loan refinancing in 4Q14)
  - Increasing customer loan and deposit volumes q-o-q
- **Improved net interest margin (2.16%)**
  - Up by 1 bps q-o-q and 24 bps y-o-y
  - Q-o-q, sound commercial margins (another cut in interest rates on saving deposits) and a non-sustainable amount of prepayment fees in the Belgium Business Unit more than offset the negative impact from lower reinvestment yields

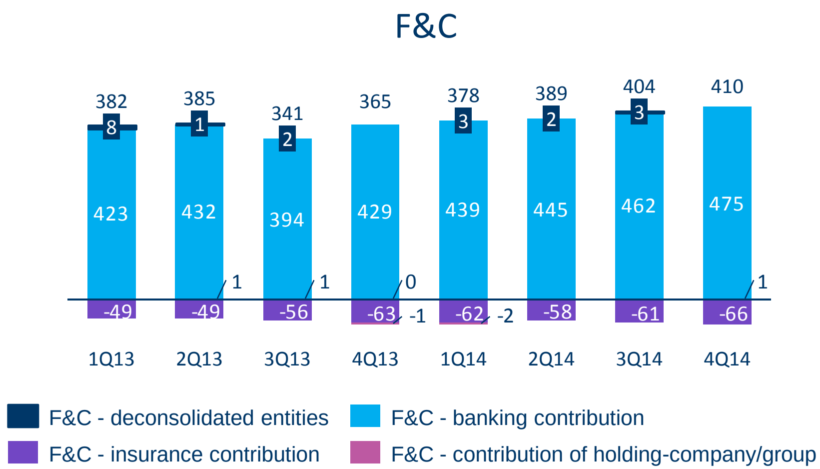
Customer deposit volumes excluding debt certificates & repos +2% q-o-q and +7% y-o-y

VOLUME TREND

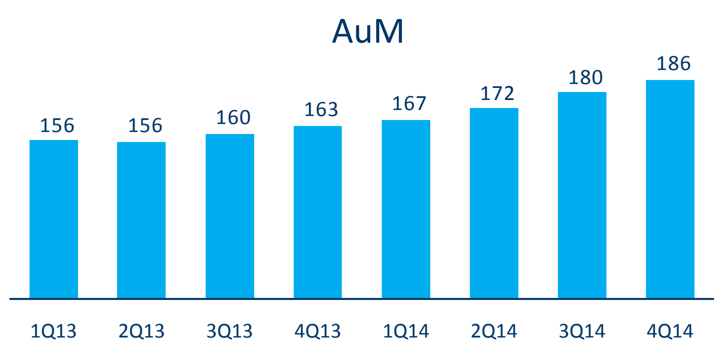
Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	123bn	53bn	154bn	186bn	28bn
Growth q/q*	+1%	+1%	+2%	+3%	0%
Growth y/y	+3%	+3%	+3%	+14%	+3%

* Non-annualised
** Loans to customers, excluding reverse repos (and not including 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 fee and commission income and AuM



Amounts in m EUR



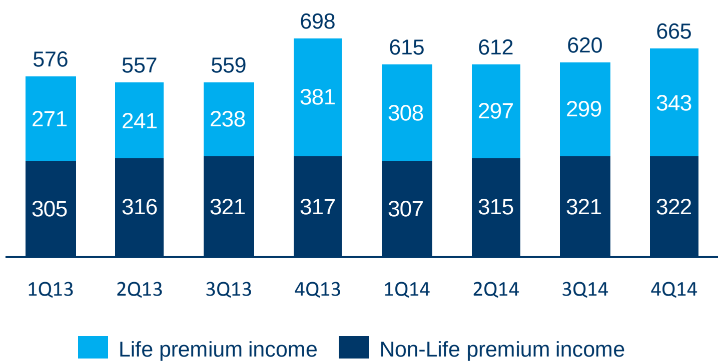
Amounts in bn EUR

- **Strong net fee and commission income**
  - Increased by 1% q-o-q and 12% y-o-y (+2% q-o-q and +12% y-o-y pro forma, disregarding the change in the consolidation scope)
  - Q-o-q increase was mainly the result of significantly higher management fees from mutual funds and higher fees from credit files and bank guarantees in Belgium, despite higher commissions paid on insurance sales in Belgium and lower entry fees from unit-linked life insurance products
  - Y-o-y increase resulted from higher management fees from mutual funds, higher entry fees from mutual funds and unit-linked life insurance products, higher fees from credit files and bank guarantees, partly offset by higher commissions paid on insurance sales in Belgium and lower transaction fees and mutual fund fees in Hungary

- **Assets under management (186bn EUR)**
  - Up by 3% q-o-q as a result of net inflows (+2%) and a positive price effect (+1%)
  - Rose by 14% y-o-y owing to net inflows (+6%) and a positive price effect (+8%)

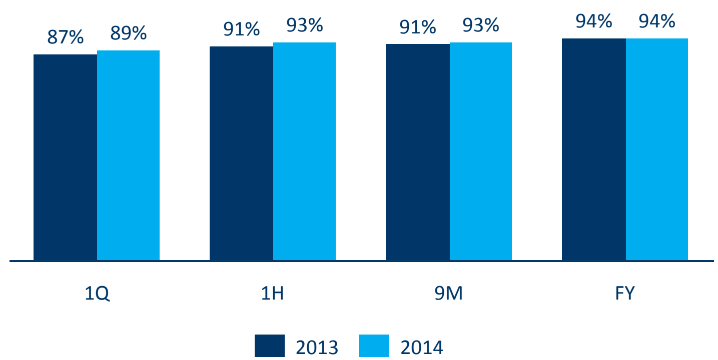
Insurance premium income and combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUM)



- **Insurance premium income** (gross earned premium) at 665m EUR
  - Non-life premium income (322m) increased by 2% y-o-y
  - Life premium income (343m) up by 15% q-o-q (entirely due to the seasonal sale of guaranteed interest products in Belgium) and down by 10% y-o-y (the latter driven chiefly by the lower sales of unit-linked products in the Czech Republic)

COMBINED RATIO (NON-LIFE)

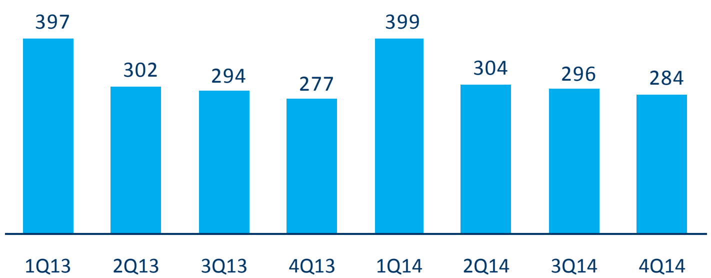


- The non-life **combined ratio** in 2014 stood at a **good 94% (in line with 2013)**, despite relatively high technical charges in 2Q14 as a result of hailstorms in Belgium (net effect amounted to -41m EUR in 2Q14) and increased technical charges in 4Q14 driven by higher claims (mainly in 'fire' and 'industrial accident' classes)

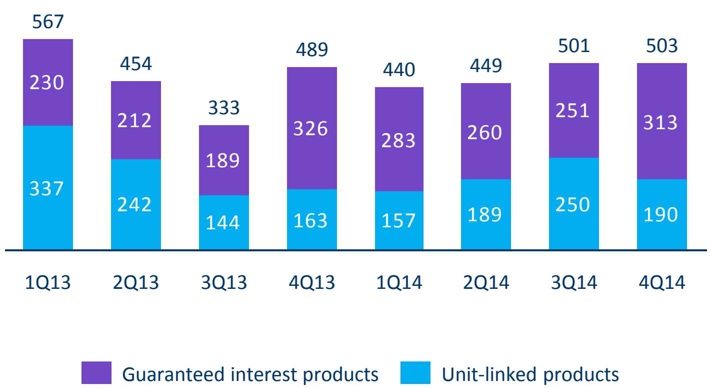
Amounts in m EUR

Sales of insurance products

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



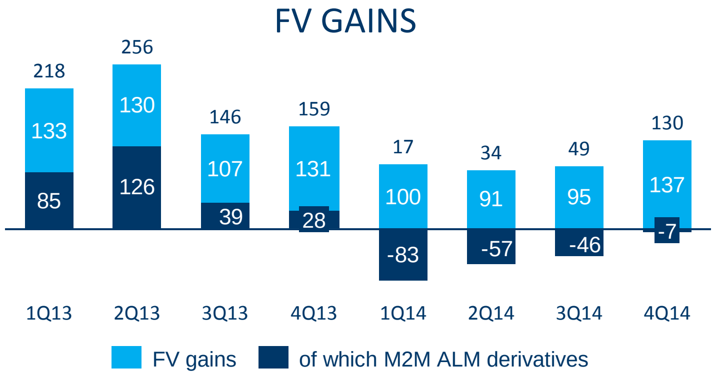
LIFE SALES

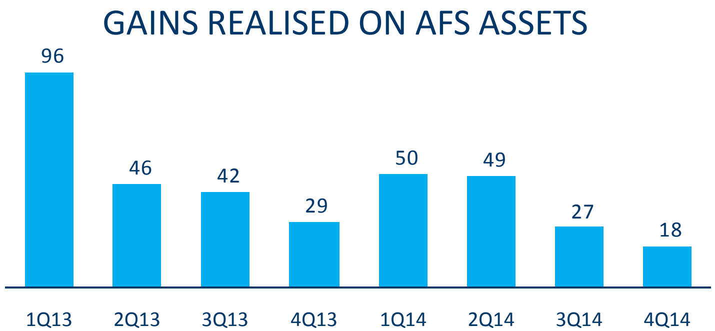


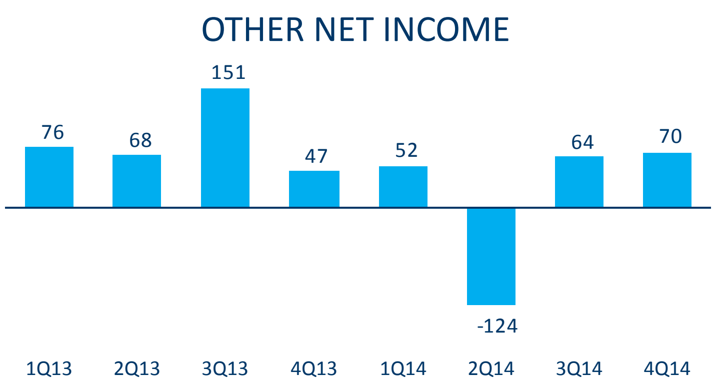
- **Sales of non-life insurance products**
  - Up 3% y-o-y, despite stricter underwriting in the Belgian corporate segment and the negative FX impact
- **Sales of life insurance products**
  - Stabilised q-o-q and increased by 3% y-o-y
  - Q-o-q, lower sales of unit-linked products (due to the low interest rate environment and the shift towards AM products) were offset by higher sales of guaranteed interest products (attributable chiefly to traditionally higher volumes in tax-incentivised pension saving products in the fourth quarter in the Belgium Business Unit)
  - The y-o-y rise was driven by the higher sales of unit-linked products, which more than offset lower sales of guaranteed interest products
  - Sales of unit-linked products accounted for 38% of total life insurance sales

Amounts in m EUR

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



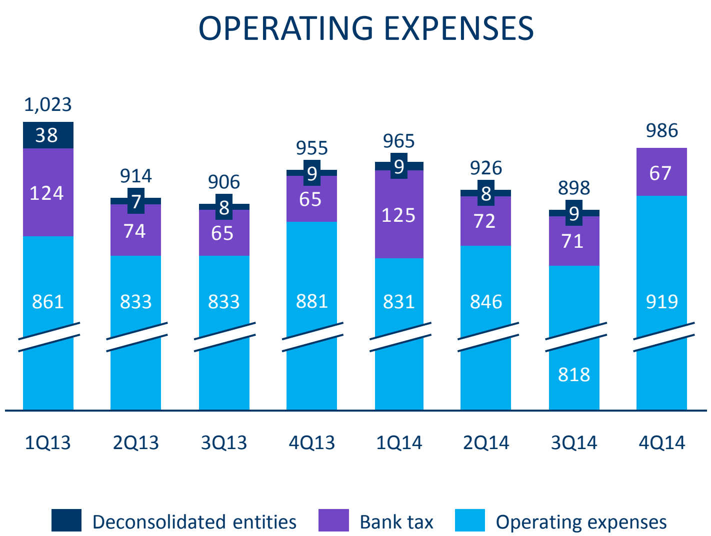




Amounts in m EUR

- The sharply higher q-o-q figures for **net gains from financial instruments at fair value** were attributable mainly to:
  - less negative M2M impact of ALM derivatives (-7m in 4Q14 compared with -46m EUR in 3Q14 and +28m in 3Q13) following decreasing IRS rates
  - the positive impact of the CVA model review (47m EUR)
- **Lower gains realised on AFS assets** (on bonds)
- **Other net income** amounted to 70m EUR, somewhat higher than the normal run rate of around 50m EUR, due to legal interests received on a positive tax litigation file

Operating expenses and cost/income ratio



- **Cost/income ratio (banking) adjusted for specific items at a good 54% in FY14**
  - The C/I ratio of 53% in 4Q14 was only slightly affected by the negative M2M impact of ALM derivatives
  - The C/I ratio of 57% in FY14 was affected by the negative M2M impact of ALM derivatives in FY14 and the one-off provisions for Hungary in 2Q14, partly offset by the recovery of sums to be paid out following the outcome of a legal cases
  - Adjusted for specific items, the C/I ratio amounted to roughly 54% in both 4Q14 and FY14
  - Operating expenses went up by 10% q-o-q (and +11% pro forma, disregarding the change in the consolidation scope) due mainly to seasonal effects such as traditionally higher marketing and ICT expenses, also higher pension costs and higher retirement benefit obligations and other one-off expenses in Hungary and Ireland
  - Operating expenses increased by 3% y-o-y (and +4% pro forma, disregarding the change in the consolidation scope) due chiefly to:
    - Belgium, as a result of higher staff expenses, higher pension costs and retirement benefit obligations (owing to a lower discount rate and the introduction of a later retirement age) and higher bank taxes
    - Some one-off expenses in Hungary and Ireland

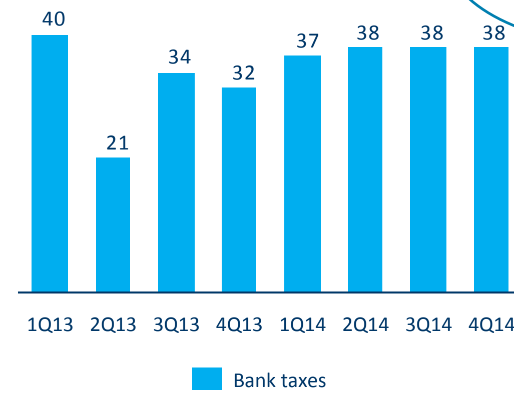
Amounts in m EUR

Overview of bank taxes*

KBC GROUP

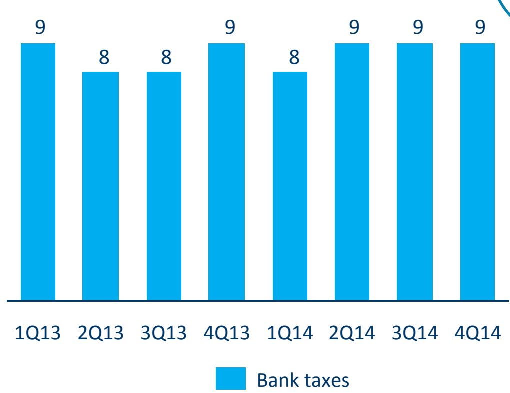
Bank taxes of 335m EUR YTD, representing 8.9% of FY14 opex at KBC Group**

BELGIUM BU



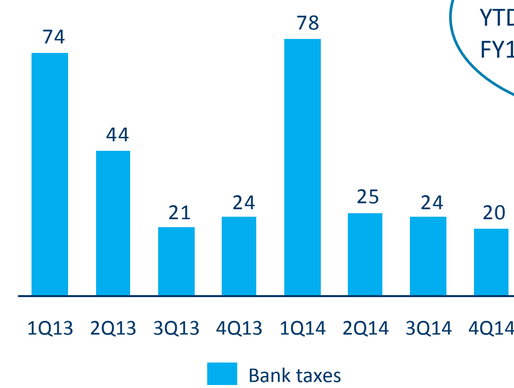
Bank taxes of 150m EUR YTD, representing 6.6% of FY14 opex at the Belgium BU

CZECH REPUBLIC BU



Bank taxes of 34m EUR YTD, representing 5.7% of FY14 opex at the CR BU

INTERNATIONAL MARKETS BU

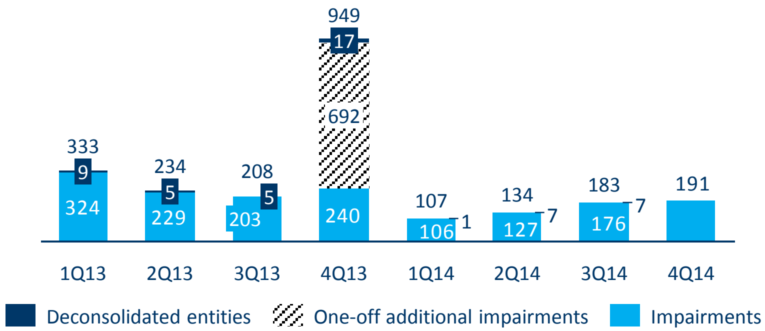


Bank taxes of 146m EUR YTD, representing 19.7% of FY14 opex at the IM BU

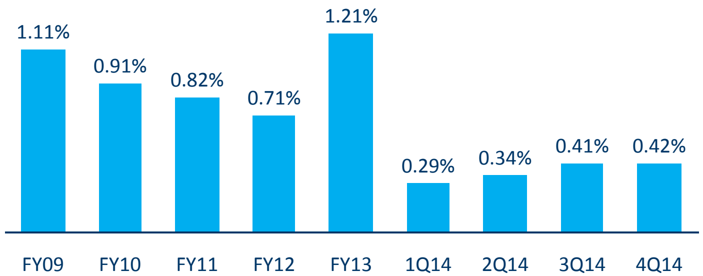
* This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.
** The C/I ratio adjusted for specific items of 54% in FY14 would amount to roughly 49% excluding these bank taxes

Asset impairment, credit cost and NPL ratio

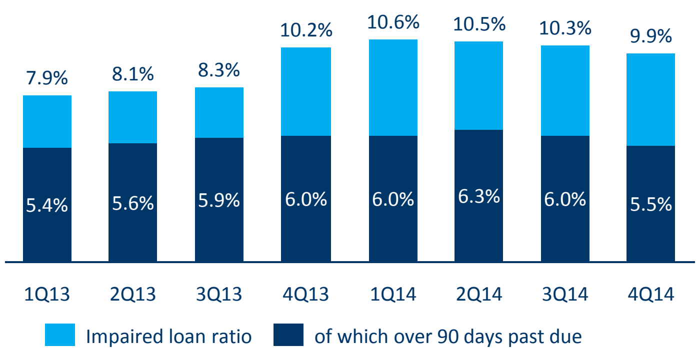
ASSET IMPAIRMENT



CCR RATIO



IMPAIRED LOANS RATIO



- **Somewhat higher impairment charges, but still at a moderate level**
  - Pro forma q-o-q decrease of loan loss provisions as higher impairments for a few large SME files in Belgium and the Czech Republic were more than offset by lower impairment charges in Group Centre (mainly on the legacy project finance portfolio in KBC Finance Ireland)
  - Compared with the 4Q13 pro forma level, lower loan loss provisions were recorded mainly in Ireland in 4Q14 (41m EUR compared with 102m EUR in 4Q13 excluding the one-off additional impairments of 671m), Hungary and Group Centre (mainly KBC Finance Ireland)
  - The AQR exercise has been fully assessed and accounting conclusions have been included in the 2014 accounts, of which a non-material amount of provisions in 4Q14
  - Impairment of 14m EUR on AFS shares (in Belgium) and 21m EUR on software (mainly in Belgium and Ireland)

- The **credit cost ratio** only amounted to 0.42% in FY14 due to low gross impairments and some releases (mainly in the Czech Business Unit)

- The **impaired loans ratio** dropped to 9.9% due primarily to a decrease of the ratio in Ireland

Section 2

4Q 2014 performance of business units

BELGIUM BUSINESS UNIT

CFO SERVICES

CRO SERVICES

BELGIUM

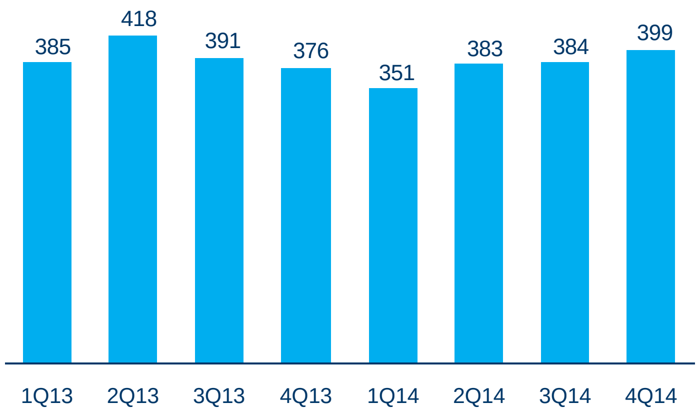
CZECH REPUBLIC

INTERNATIONAL MARKETS

CORPORATE STAFF

Belgium Business Unit (1)

NET RESULT



Amounts in m EUR

- **Net result** at the Belgium Business Unit amounted to 399m EUR
  - The quarter under review was characterised by strong net interest income and net fee and commission income, negative MTM valuations of ALM derivatives, lower realised gains on AFS assets, higher other net income, seasonally higher gross non-life technical charges, higher sales of guaranteed interest life insurance products, higher opex and impairment charges q-o-q
  - Loan volumes rose by 1% q-o-q, while customer deposits increased by 2% q-o-q. Note that mortgage loan volumes rose by 3% q-o-q, in anticipation of the changes to the tax regime as of 2015

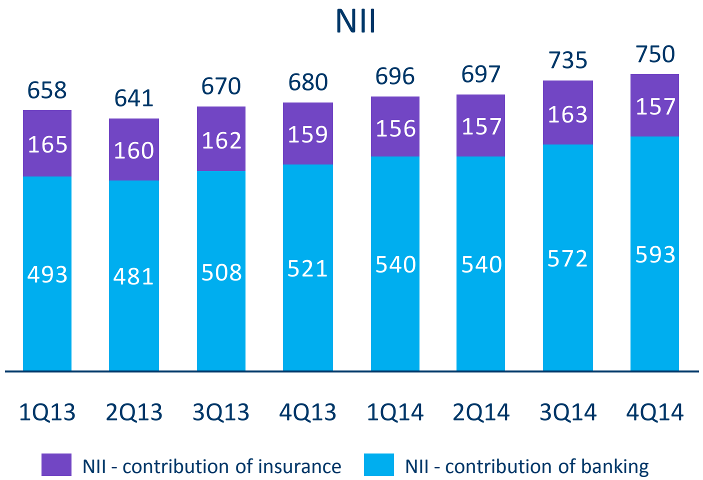
VOLUME TREND

Customer deposit volumes excluding debt certificates & repos +1% q-o-q and +8% y-o-y

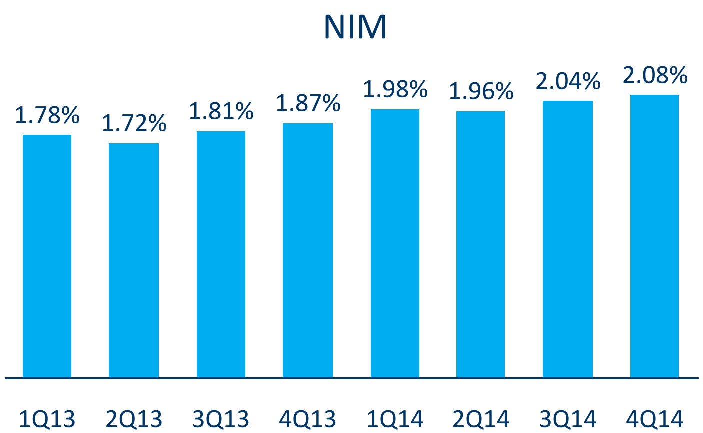
	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	84bn	32bn	106bn	172bn	26bn
Growth q/q*	+1%	+3%	+2%	+3%	0%
Growth y/y	+4%	+4%	+9%	+14%	+4%

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
*** Customer deposits, including debt certificates but excluding repos

Belgium Business Unit (2)

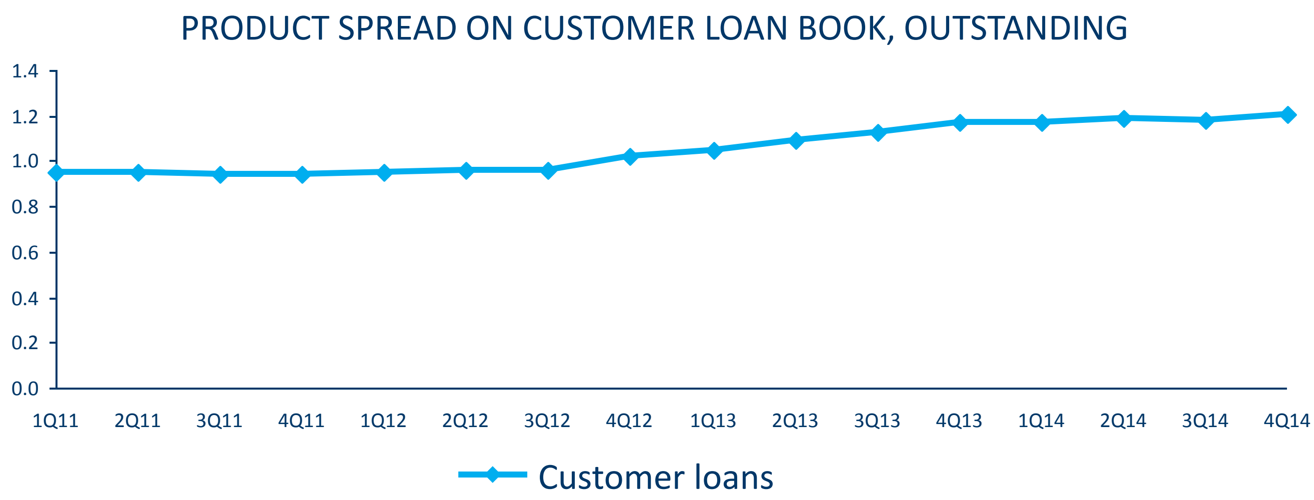


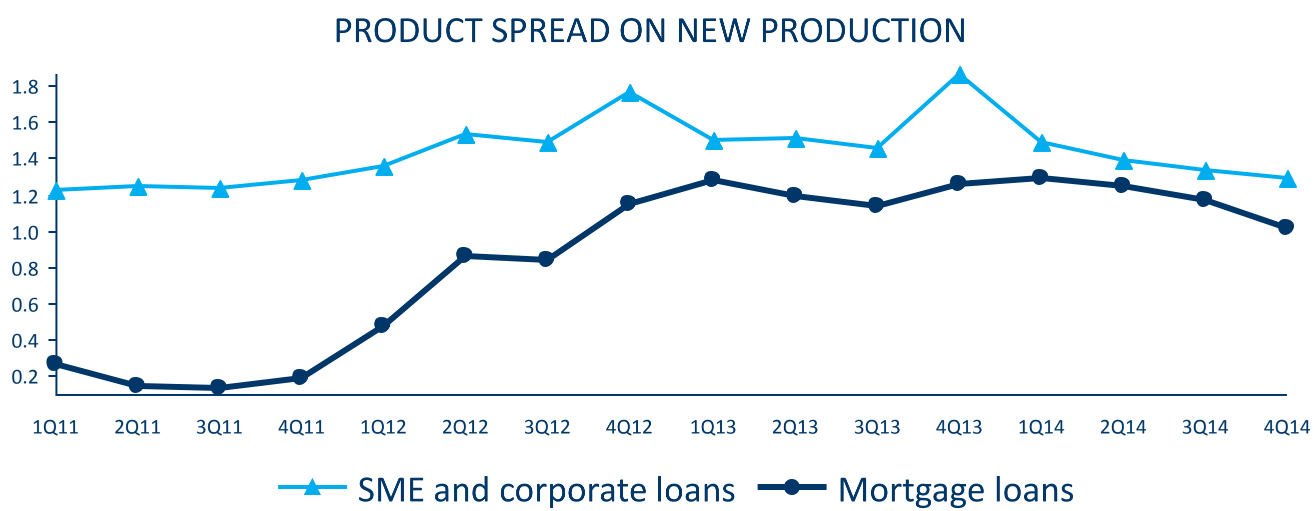
Amounts in m EUR



- **Net interest income (750m EUR)**
  - Up by 2% q-o-q and 10% y-o-y
  - Q-o-q, higher volumes on current accounts and mortgage loans, higher margin on savings accounts, higher net interest income on lending activities, higher prepayment fees (51m EUR in 4Q14 compared with 18m EUR in 3Q14) and lower cost of term deposits were partly offset by a lower reinvestment yield
  - The y-o-y increase was attributable primarily to lower paid interests on saving accounts, volume increases in current and saving accounts, a higher banking bond portfolio, higher net interest income on lending activities, lower funding costs on term deposits and higher prepayment fees (51m EUR in 4Q14 compared with 6m EUR in 4Q13), despite a lower reinvestment yield and the negative impact from the deliberately decreasing loan portfolio at the foreign branches
  - Note that customer deposits excluding debt certificates and repos increased by 8% y-o-y (mainly driven by corporate and institutional customer deposits), while customer loans rose by 4% y-o-y
- **Net interest margin (2.08%)**
  - Increased by 4 bps q-o-q, due to better commercial margins on refinanced mortgages and a higher amount of prepayment fees were only partly offset by the negative impact of lower reinvestment yields and hedging losses on refinanced mortgages
  - The decrease of 10 bps on the savings account base rate from 1 August onwards and another decrease of 10 bps on the savings account base rate from 16 December onwards largely mitigated lower reinvestment yields
  - Increased by 21 bps y-o-y, due mainly to better margins on deposits and on the loan book, better ALM yield management, lower funding costs and higher amount of prepayment fees

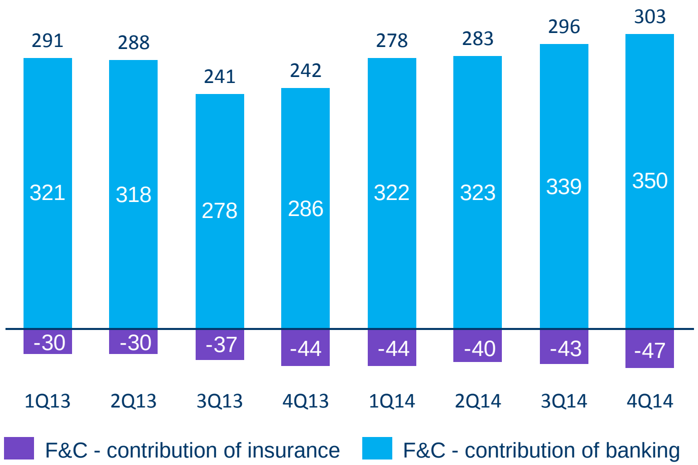
Credit margins in Belgium





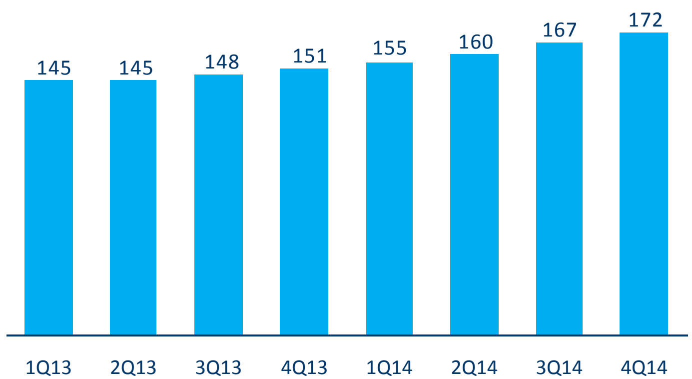
Belgium Business Unit (3)

F&C



Amounts in m EUR

AuM*



* The split among the BUs is based on the Assets under Distribution in each BU

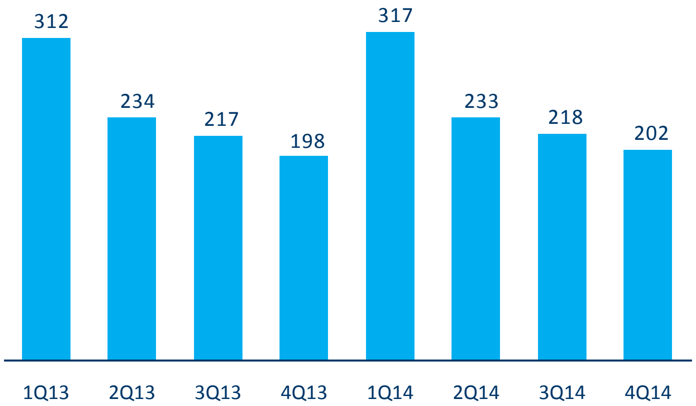
Amounts in bn EUR

- **Net fee and commission income (303m EUR)**
  - Increased by 2% q-o-q, due mainly to significantly higher management fee income on mutual funds and higher fees from credit files and bank guarantees (benefitting from the refinancing of mortgage loans and higher volume of new mortgages loans in anticipation of the changes to fiscal regulations), partly offset by higher commissions paid on insurance sales, lower fee income related to payment services and lower entry fees on both unit-linked life insurance products and mutual funds
  - Rose by 26% y-o-y driven chiefly by significantly higher management fee income on mutual funds, higher fees from credit files and bank guarantees, and higher entry fees on both unit-linked life insurance products and mutual funds, slightly offset by higher commissions paid on insurance sales

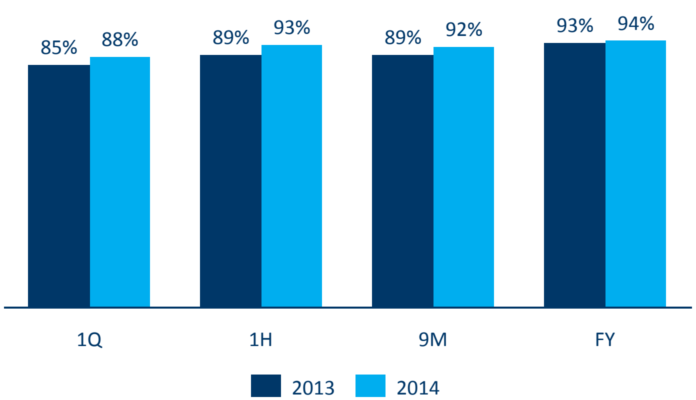
- **Assets under management (172bn EUR)**
  - Up by 3% q-o-q, as a result of net entries (+2%) and a positive price effect (+1%)
  - Rose by roughly 14% y-o-y, as a result of a positive price effect (+8%) and some net entries (+5%)

Belgium Business Unit (4)

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



COMBINED RATIO (NON-LIFE)



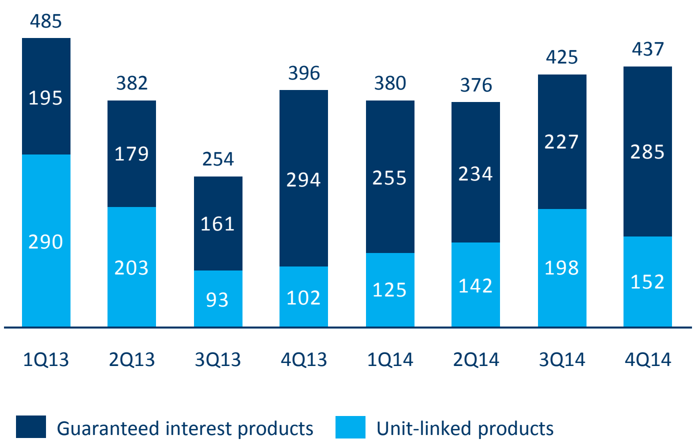
- **Sales of non-life insurance products**
  - Increased 2% y-o-y mainly driven by a positive gross written premium growth in Belgium and a negative one-off in Group Re in 4Q13
  - The growth in direct business sales is attributable mainly to 'fire' and 'other damage to property' classes

- **Combined ratio** amounted to a good 94% in FY14 (93% in FY 2013), despite relatively high technical charges in 2Q14 as a result of hailstorms in Belgium (net effect amounted to -41m EUR in 2Q14) and higher technical charges in 4Q14 driven by higher claims (mainly in 'fire' and 'industrial accident' classes)

Amounts in m EUR

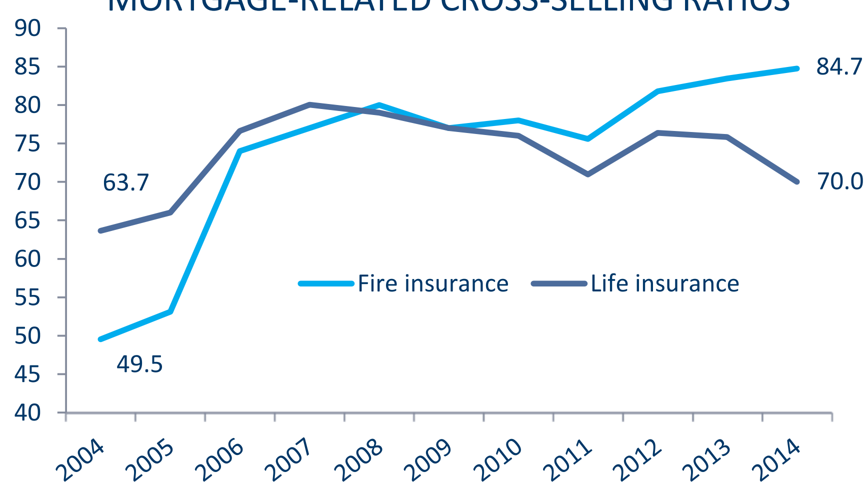
Belgium Business Unit (5)

LIFE SALES



Amounts in m EUR

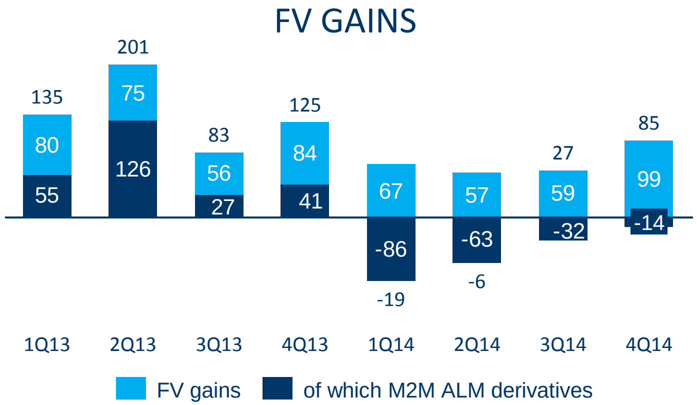
MORTGAGE-RELATED CROSS-SELLING RATIOS

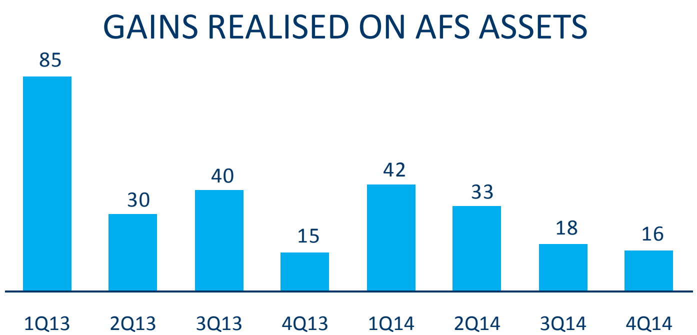


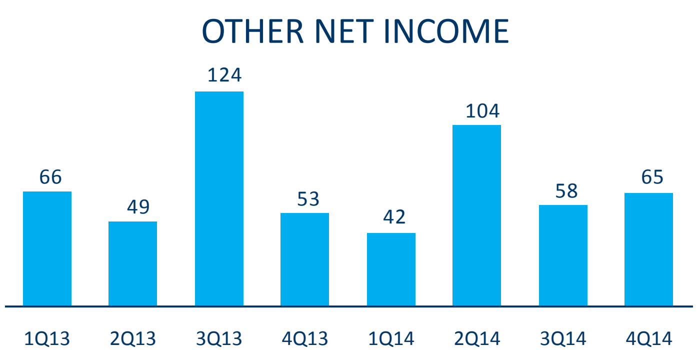
- **Sales of life insurance products**
  - Rose by 3% q-o-q, driven entirely by significantly higher sales of guaranteed interest products, attributable mainly to traditionally higher volumes in pension saving products in the fourth quarter. On the other hand, lower sales of unit-linked life insurance products owing to the shift towards AM products in 4Q14
  - Increased by 10% y-o-y driven by the higher sales of unit-linked products
  - As a result, guaranteed interest products and unit-linked products accounted for 65% and 35%, respectively, of life insurance sales in 4Q14 (62% and 38%, respectively, for FY 2014)

- **Mortgage-related cross-selling ratios**
  - 84.7% for fire insurance
  - 70.0% for life insurance

Belgium Business Unit (6)







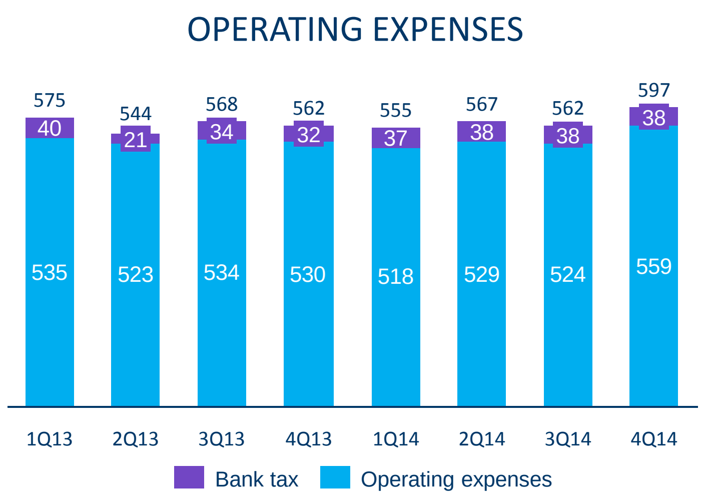
- The lower y-o-y figure for **net gains from financial instruments at fair value** was mainly the result of a negative y-o-y change in ALM derivatives (-14m EUR in 4Q14 compared with +41m EUR in 4Q13), on account of decreasing long-term IRS rates. The higher q-o-q figure was due chiefly to the positive impact of the CVA model review (+30m EUR) and a less negative M2M impact of ALM derivatives (-14m EUR in 4Q14 compared with -32m in 3Q14)

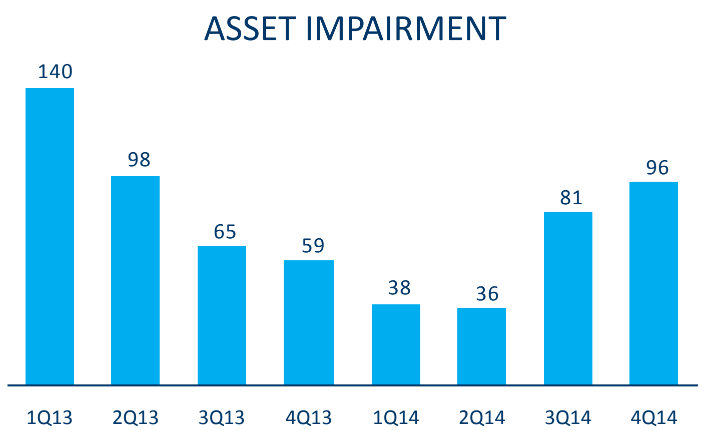
- **Gains realised on AFS assets** came to 16m EUR (due entirely to fewer gains realised on bonds in 4Q14 compared with 3Q14)

- **Other net income** amounted to 65m EUR in 4Q14, somewhat higher than a normal run rate

Amounts in m EUR

Belgium Business Unit (7)



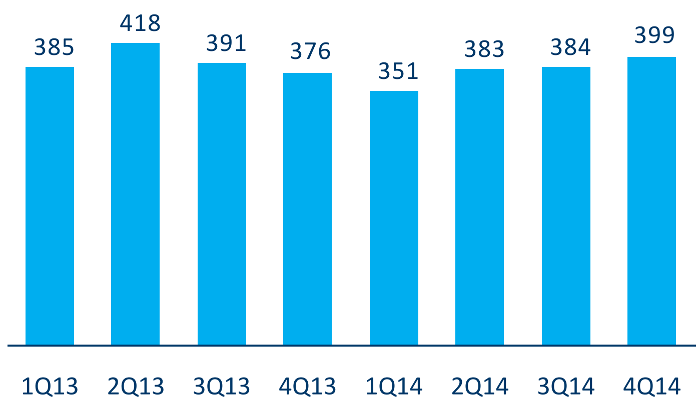


- **Operating expenses**: +6% q-o-q and y-o-y
  - The q-o-q increase was attributable chiefly to higher marketing & communication costs, higher pension costs and higher retirement benefit obligations (due to a lower discount rate and the introduction of a later retirement age). These items more than offset lower variable staff remuneration and lower facilities expenses
  - The y-o-y increase was driven mainly by higher staff expenses, higher bank taxes, higher pension costs and higher retirement benefit obligations
  - Cost/income ratio: 48% in 4Q14 and 50% in FY14, distorted mainly by the negative M2M ALM derivatives. Adjusted for specific items, the C/I ratio amounted to roughly 48% in 4Q14 and 49% in FY14 (an improvement compared with 51% in FY 2013)
- **Loan loss provisions** amounted to 73m EUR in 4Q14. The q-o-q increase was due chiefly to a few large SME files, while the y-o-y increase was driven mainly by higher gross impairments for a few large Belgian corporate files and larger reversals in 4Q13 in the corporate segment
- **Credit cost ratio** improved from 37 bps in FY13 to 23 bps in FY14
- **Impaired loans ratio** amounted to 4.3%, of which 2.2% over 90 days past due
- **Impairment on AFS shares** (14m EUR) and of 8m EUR **on software**

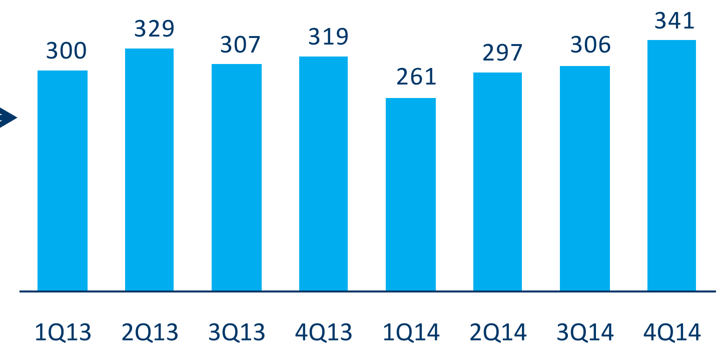
Amounts in m EUR

Net result at the Belgium BU

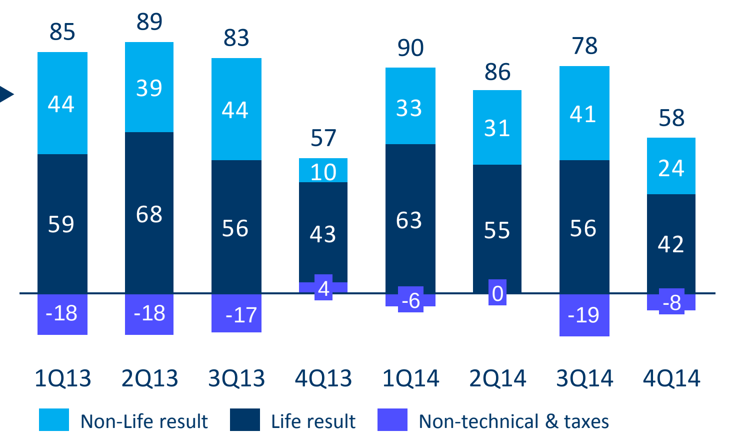
NET RESULT AT THE BELGIUM BU *



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



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



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

Amounts in m EUR

CZECH REPUBLIC BUSINESS UNIT

CFO SERVICES

CRO SERVICES

BELGIUM

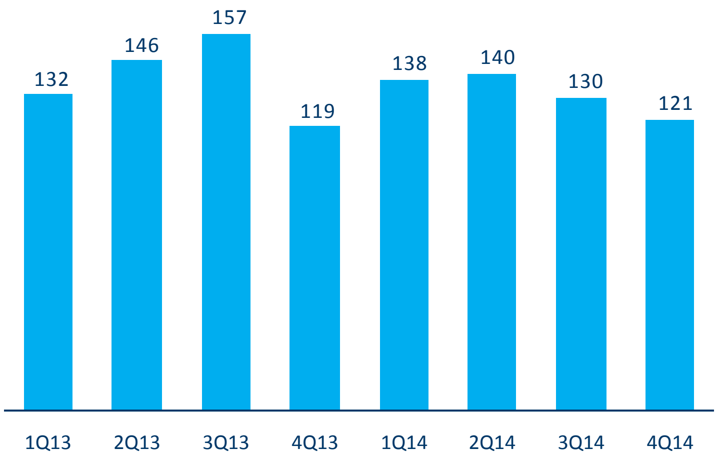
CZECH REPUBLIC

INTERNATIONAL MARKETS

CORPORATE STAFF

Czech Republic Business Unit (1)

NET RESULT



Amounts in m EUR

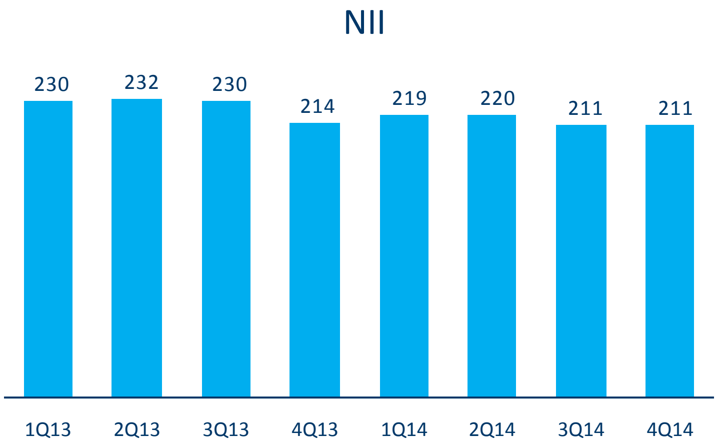
- **Net result** at the Czech Republic Business Unit of 121m EUR
  - Pro forma results (results disregarding FX effects and the change in the consolidation scope) were characterised by flat net interest income, slightly higher net fee and commission income, lower net results from financial instruments, a solid combined ratio in non-life insurance and lower sales of unit-linked life insurance products, higher net other income, higher costs and higher, but still moderate loan loss impairment charges
  - Profit contribution from the insurance business remained limited in comparison to the banking business

VOLUME TREND

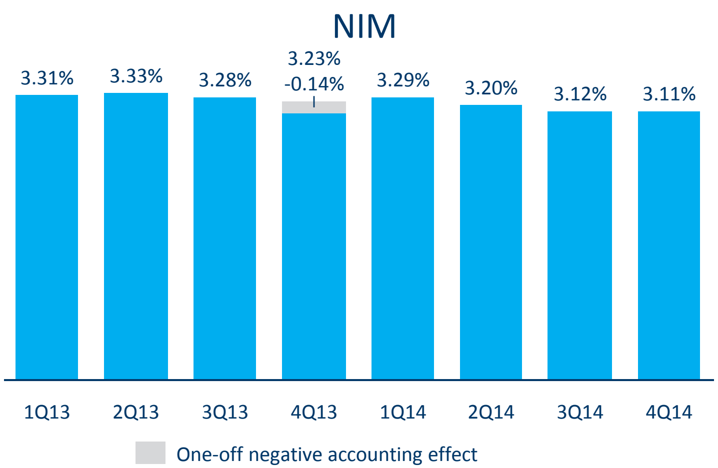
Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	16bn	7bn	22bn	7.4bn	1bn
Growth q/q*	+3%	+2%	+4%	+4%	-5%
Growth y/y	+5%	+9%	+8%	+19%	-10%

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
*** Customer deposits, including debt certificates but excluding repos

Czech Republic Business Unit (2)



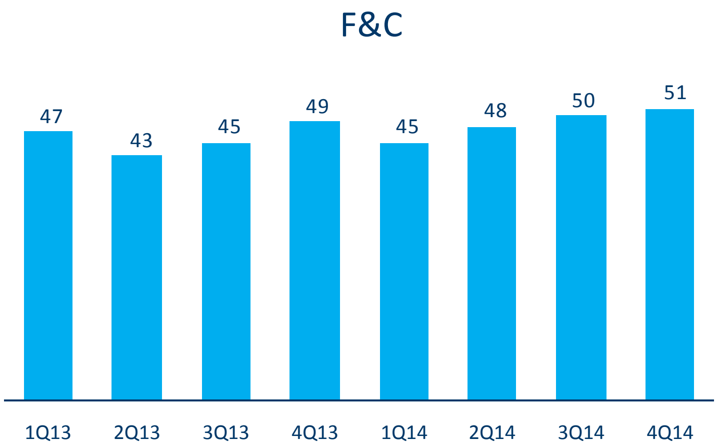
Amounts in m EUR



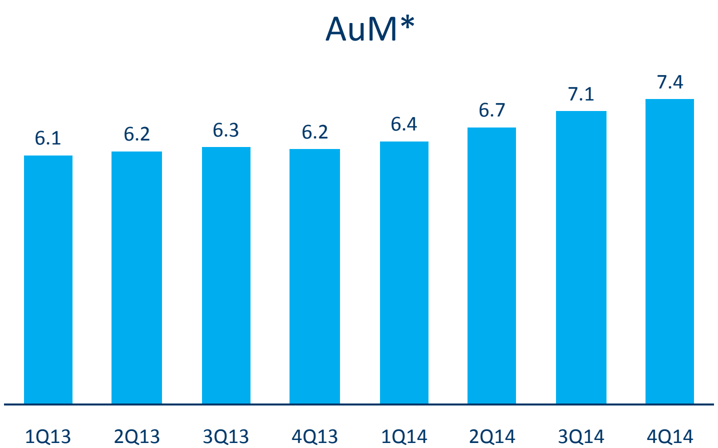
- **Net interest income (211m EUR)**
  - Stabilised q-o-q and down by 1% y-o-y to 211m EUR, but flat q-o-q and +2% y-o-y pro forma, corrected for FX effects, one-off negative accounting effect in 4Q13 and the change in the consolidation scope (mainly deconsolidation of a pension fund in 3Q14)
  - The pro forma q-o-q stabilisation is the result of a reduction of the average offered rate on saving accounts, higher volumes in current accounts and lending, fully offset by a lower reinvestment yield
  - The pro forma y-o-y increase resulted entirely from growth in loan and deposit volumes and several cuts in interest rates on saving deposits, which more than offset a lower reinvestment yield
  - Loan volumes up by 5% y-o-y, mainly driven 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 (3.11%)**
  - Fell by 1 bps q-o-q and 12 bps y-o-y to 3.11% (excluding the one-off negative accounting effect in 4Q13)
  - Excluding the above-mentioned correction, the y-o-y decrease was caused primarily by a lower reinvestment yield and further pressure on deposit margins, despite several cuts in interest rates on savings deposits

Czech Republic Business Unit (3)



Amounts in m EUR



* The split among the BUs is based on the Assets under Distribution in each BU

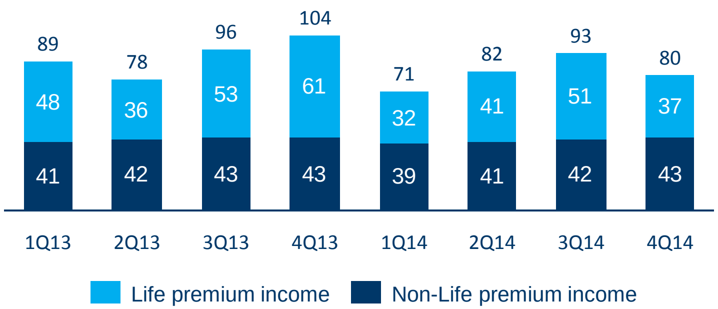
Amounts in bn EUR

- **Net fee and commission income (51m EUR)**
  - Rose by 2% q-o-q and 3% y-o-y (or +7% q-o-q and flat y-o-y pro forma, corrected for FX effects and the change in the consolidation scope)
  - The pro forma q-o-q increase was attributable mainly to higher transaction fees (higher card fees during the Christmas period) and lower fees paid to the Czech Post, partly offset by lower fee income from financial markets and lower loan fees
  - The pro forma y-o-y stabilisation was the result of an increase in management fees on mutual funds and lower fees paid to the Czech Post, fully offset by lower loan fees, lower transaction fees and lower fees from financial markets

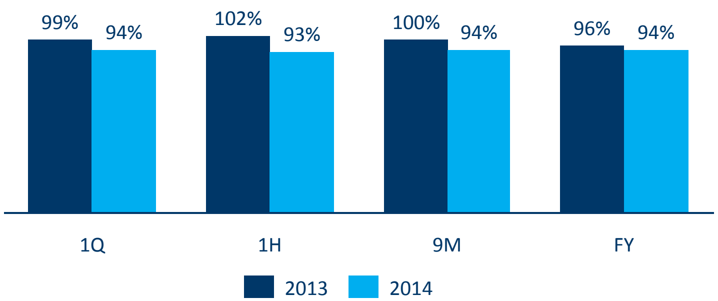
- **Assets under management (7.4bn EUR)**
  - Went up by 4% q-o-q to roughly 7.4bn EUR, as a result of net entries (+3%) and a positive price effect (+1%)
  - Y-o-y, assets under management rose by 19%, driven by net entries (+14%) and a positive price effect (+5%, despite the negative FX impact)

Czech Republic Business Unit (4)

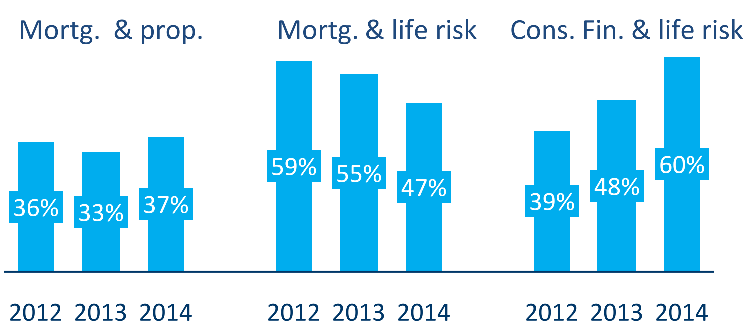
PREMIUM INCOME (GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)

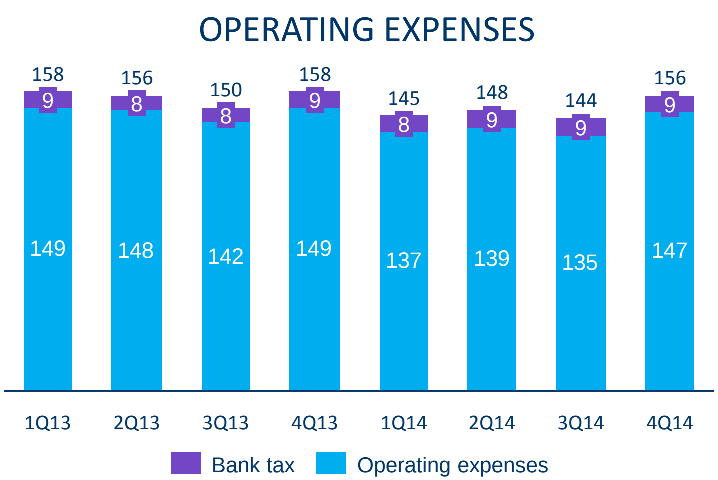


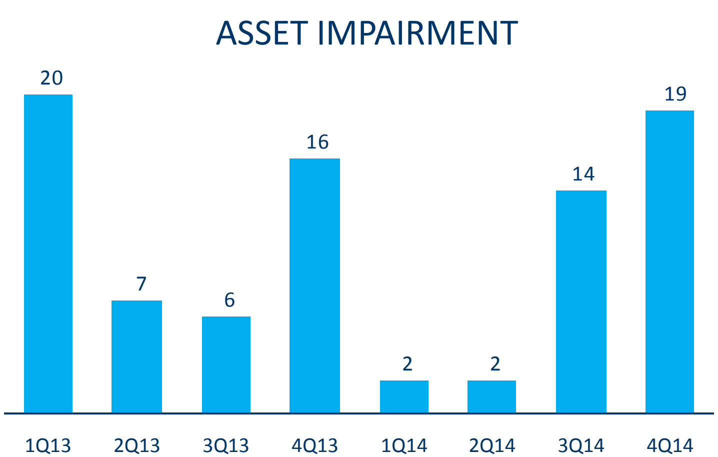
CROSS-SELLING RATIOS



- **Insurance premium income** (gross earned premium) stood at 80m EUR
  - Non-life premium income (43m) rose by 2% q-o-q and 4% y-o-y excluding FX effect, due mainly to improved sales in motor retail and households business
  - Life premium income (37m) went down by 27% q-o-q and 37% y-o-y, excluding FX effect. Note that 4Q14 included lower unit-linked single premiums as only 1 tranche of Maximal Invest products was issued compared with 3 tranches in 3Q14 and 4 tranches in 4Q13
- **Solid combined ratio**: 94% in FY14 (compared with 96% in FY13)
- **Cross-selling ratios:** increased commercial focus and sales activities helped to improve consumer loan and life risk insurance cross ratio, while demand for life risk insurance combined with mortgage has been declining

Czech Republic Business Unit (5)





- **Opex (156m EUR)**
  - Rose by 9% q-o-q and 3% y-o-y, excluding FX effect
  - The q-o-q increase excluding FX effect was due mainly to marketing, professional and facilities expenses and expenses related to the Czech Post
  - The y-o-y increase excluding FX effect was attributable primarily to higher ICT and staff expenses
  - Cost/income ratio at 49% in 4Q14 (and 48% in FY14)

- **Impairments on L&R** increased q-o-q and y-o-y driven mainly by a few SME files
- **Credit cost ratio** amounted to 0.18% in FY14

	2010	2011	2012	2013	2014
CCR	0.75%	0.37%	0.31%	0.26%	0.18%

- **Impaired loans ratio** continued to hover around 4% (3.8% in 4Q14), of which 2.9% over 90 days past due
- 2m EUR other impairments

Amounts in bn EUR

INTERNATIONAL MARKETS BUSINESS UNIT

CFO SERVICES

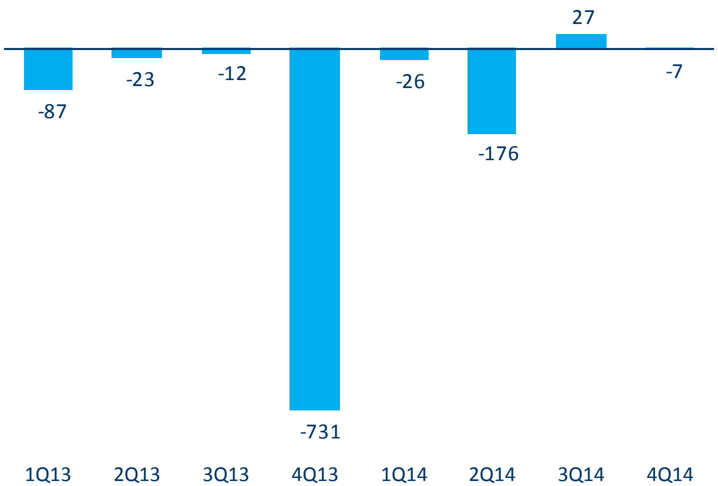
CRO SERVICES

BELGIUM	CZECH REPUBLIC	INTERNATIONAL MARKETS

CORPORATE STAFF

International Markets Business Unit (1)

NET RESULT



Amounts in m EUR

- **Net result: -7m EUR**
  - Profit **breakdown** for International Markets: 19m EUR for Slovakia, 15m EUR for Hungary, 4m EUR for Bulgaria and -45m EUR for Ireland
  - Q-o-q **results** were characterised by lower net interest income, stable net fee and commission income, lower result from financial instruments at fair value, lower realised gains on AFS assets, an improved combined ratio and higher life insurance sales, lower net other income, higher costs and slightly lower loan loss impairment charges
  - **Turnaround potential**: breakeven returns by 2015 for International Markets Business Unit, mid-term returns above cost of capital

VOLUME TREND

	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	21bn	14bn	15bn	6.1bn	0.5bn
Growth q/q*	0%	0%	+2%	+1%	0%
Growth y/y	-1%	0%	+5%	+11%	+4%

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
*** Customer deposits, including debt certificates but excluding repos

International Markets Business Unit (2)

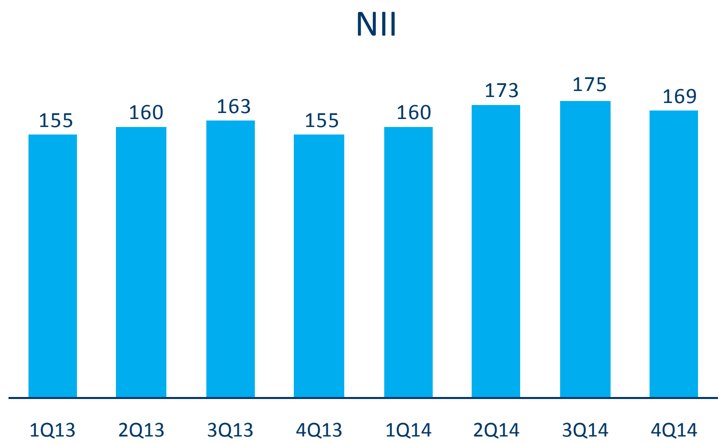
ORGANIC GROWTH*

	TOTAL LOANS		MORTGAGES		DEPOSITS	
	q/q	y/y	q/q	y/y	q/q	y/y
IRE	-1%	-6%	0%	-2%	+5%	+21%
SL	+3%	+8%	+4%	+16%	+2%	+6%
HU	-1%	+5%	0%	-3%	0%	-7%
BG	0%	+9%	-2%	+1%	+6%	+10%
TOTAL	**0%**	**-1%**	**0%**	**0%**	**+2%**	**+5%**

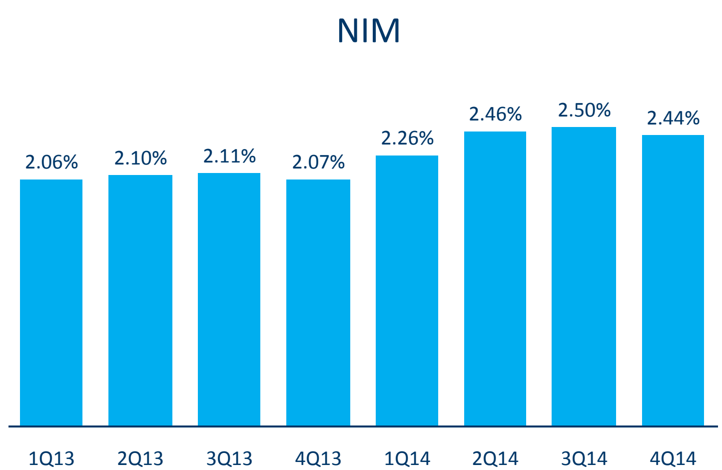
- The **total loan book** stabilised q-o-q and fell by 1% y-o-y.
  - On a y-o-y basis, the decrease was accounted for by Ireland (matured and impaired mortgage loans surpassed new production + deleveraging of the corporate loan portfolio), which more than offset the 8% increase in Slovakia (thanks mainly to the continuously increasing mortgage portfolio), the 5% increase in Hungary (thanks to Corporates and SMEs) and the 9% increase in Bulgaria (thanks to consumer, SME and Corporate loans)
- **Total deposits** were up by 2% q-o-q and 5% y-o-y
  - The 2% q-o-q increase was the result of a 5% increase in Ireland and 2% increase in Slovakia
  - The 5% y-o-y increase was due mainly to the successful retail deposit campaign in Ireland. We also noticed fine growth in Slovakia (supported by campaigns) and Bulgaria, which more than offset the 7% decline in Hungary (due to lower deposits from funds managed by K&H AM)

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

International Markets Business Unit (3)



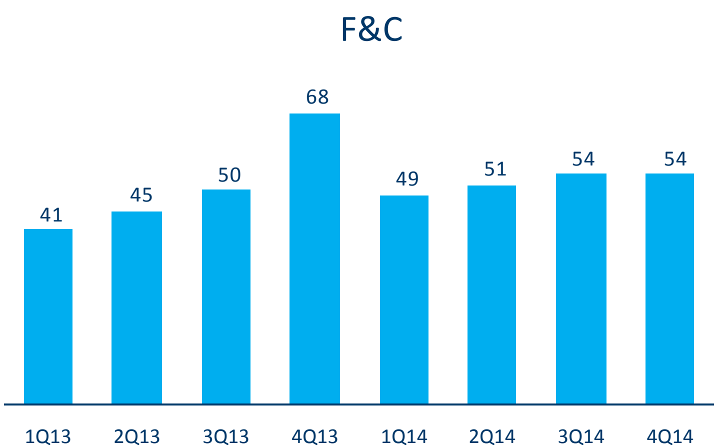
Amounts in m EUR



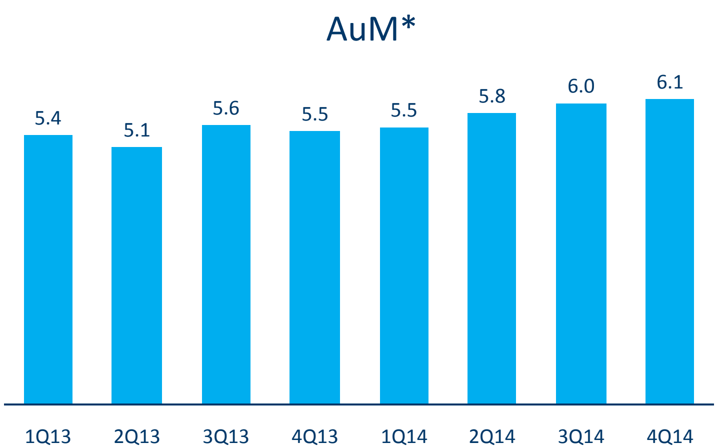
- **Net interest income (169m EUR)**
  - Fell by 3% q-o-q, but rose by 9% y-o-y
  - The q-o-q decrease was driven entirely by Hungary following the Curia decisions and the lower insurance NII (caused by significantly lower interest rate levels)
  - The y-o-y increase was attributable mainly to Ireland (lower allocated liquidity and funding costs)

- **Net interest margin (2.44%)**
  - Up by 37 bps y-o-y, but down by 6 bps q-o-q
  - The y-o-y increase was attributable primarily to a considerable rise in NIM in Hungary (improved funding structure and a technical item) and Ireland (mainly as a result of lower allocated liquidity and funding costs)
  - The q-o-q decrease was accounted for chiefly by Hungary

International Markets Business Unit (4)



Amounts in m EUR



* The split among the BUs is based on the Assets under Distribution in each BU

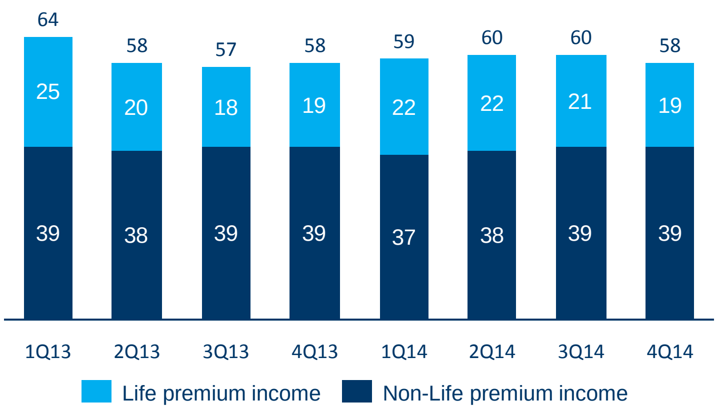
Amounts in bn EUR

- **Net fee and commission income (54m EUR)**
  - Stable q-o-q and down by 21% y-o-y
  - The y-o-y decrease was the result of lower investment fees (related mainly to lower volume growth of open-end mutual funds) and lower fees from payment transactions (due to the lower number of transactions and the introduction of new SME account packages) in Hungary

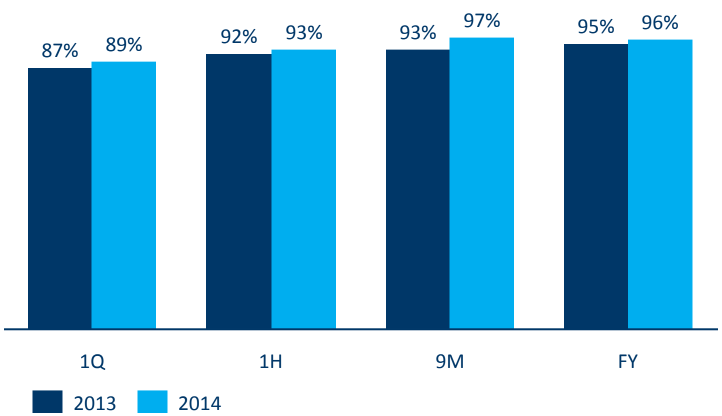
- **Assets under management (6.1bn EUR)**
  - Increased by 1% q-o-q, driven entirely by positive price effects
  - Y-o-y, assets under management rose by 11% (9% net entries and 2% positive price effects)

International Markets Business Unit (5)

PREMIUM INCOME
(GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)



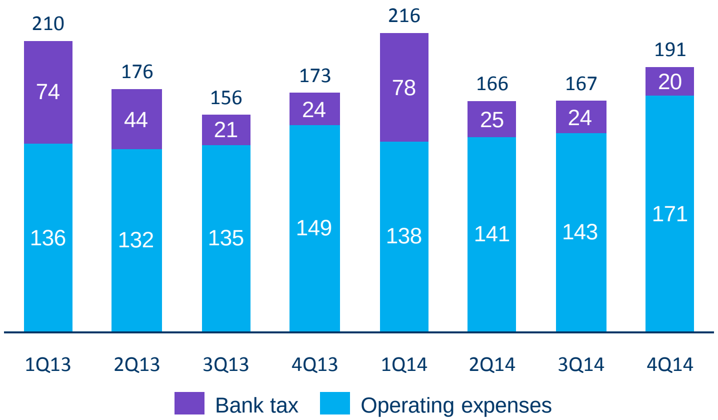
- **Insurance premium income** (gross earned premium) stood at 58m EUR
  - Non-life premium income (39m) roughly stabilised y-o-y
  - Life premium income (19m) fell by 7% q-o-q and by 2% y-o-y driven by lower sales in Slovakia

- **Combined ratio** at 96% in FY14, an increase compared with 95% in FY13 due mainly to higher number of claims in Bulgaria (bad weather conditions) in 3Q14, but which were largely reinsured. The combined ratio for FY14 breaks down into 96% for Hungary, 83% for Slovakia (release of claims reserves) and 101% for Bulgaria

Amounts in m EUR

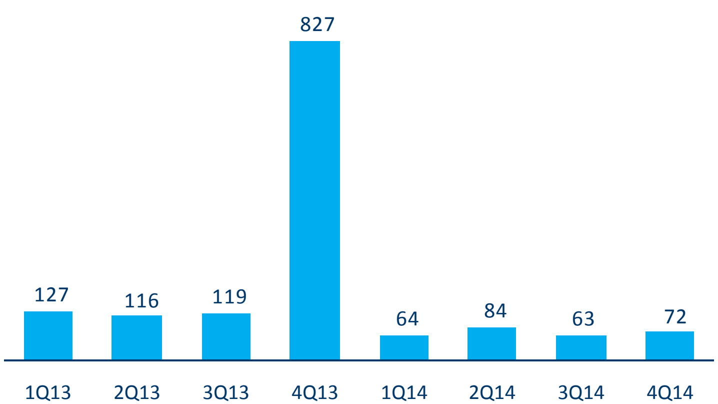
International Markets Business Unit (6)

OPERATING EXPENSES



Amounts in m EUR

ASSET IMPAIRMENT



- **Opex (191m EUR)**
  - Rose by 15% q-o-q and by 10% y-o-y
  - The q-o-q and y-o-y increase was mainly the result of
    - higher Financial Transaction Levy, increased marketing costs and accelerated depreciation of intangible assets (software) in Hungary
    - Increased staff expenses (due to more FTEs and an accrual for severance payments) and higher depreciation & amortisation costs in Ireland (due to a switch from an old to a new core banking platform
  - Adjusted for specific items (especially the one-off provisions in Hungary during 2Q14), the cost/income ratio stood at 79% in 4Q14 and 69% in FY14 (68% in FY 2013)
- **Impairments on L&R (62m EUR)** dropped sharply y-o-y (and slightly q-o-q) owing mainly to Ireland. Loan loss provisions amounted to 41m EUR in 4Q14 in Ireland compared with 47m EUR in 3Q14 and 773m EUR in 4Q13. FY14 loan loss provisions in Ireland of 198m were fully in line with our guidance (the high end of the range 150m-200m EUR)
- **Credit cost ratio** of 1.06% in FY14

	Loan book	2010 CCR	2011 CCR	2012 CCR	2013 CCR	2014 CCR
IM BU	**25bn**			**2.26%**	**4.48%**	**1.06%**
- Ireland	14bn	2.98%	3.01%	3.34%	6.72%	1.33%
- Hungary	5bn	1.98%	4.38%	0.78%	1.50%	0.94%
- Slovakia	5bn	0.96%	0.25%	0.25%	0.60%	0.36%
- Bulgaria	1bn	2.00%	14.73%	0.94%	1.19%	1.30%

- **Impaired loans ratio** amounted to 34.1%, of which 19% over 90 days past due

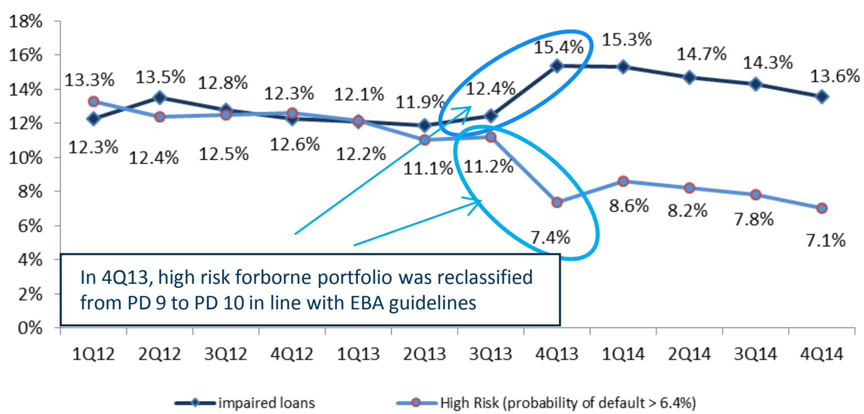
Hungary (1)

HUNGARIAN LOAN BOOK
KEY FIGURES AS AT 31 DECEMBER 2014

Loan portfolio	Outstanding	Impaired loans ratio	Impaired loans coverage
SME/Corporate	2.7bn	5.8%	65%
Retail	2.4bn	22.2%	54%
o/w private	1.9bn	26.5%	53%
o/w companies	0.5bn	6.5%	77%
TOTAL	**5.1bn**	**13.6%***	**56%****

* Impaired loans ratio : total outstanding impaired loans (PD 10-11-12) / total outstanding loans
** Impaired loans cover ratio : total impairments (specific) for impaired loans / total outstanding impaired loans

PROPORTION OF HIGH RISK
AND IMPAIRED LOANS



- **4Q14 net result** at K&H Group amounted to 15m EUR
- **FY 2014 net result** amounted to -94m EUR including
  - ’regular’ bank tax (-42m EUR post-tax) in 1Q14
  - provisions for legislation on retail loans (-186m EUR post-tax)

  Excluding the impact of the latter item, the net result would have been +92m EUR in FY2014
- **Loan loss provisions** amounted to 13m EUR in 4Q14 (FY2014: 47m EUR)
- The **credit cost ratio** amounted to 0.94% in FY2014 (versus 1.50% in FY 2013)
- In 4Q14, further improvement was observed in the **impaired loans** ratio in all main segments (retail, SME and corporate)

Hungary (2)

- **HUNGARIAN SUPREME COURT'S (CURIA) DECISION**

  - The act on the 'Resolution of certain issues related to the Supreme Court's (Curia) uniformity decision on consumer loan agreements concluded by financial institutions' was approved on **4 July** by the Parliament. The scope of the act includes retail loans in both foreign currency and Hungarian forints. According to the act, the use of foreign-exchange-rate margins in consumer loans denominated in foreign currency is unfair and void and, therefore, bid-offer spreads applied to those foreign currency loans need to be retroactively corrected. Furthermore, as regards all consumer loans, the act installs a refutable assumption of unfairness and repeals unilateral changes to interest rates and fees applied by banks

  - On 29 July the Supervisory Authority, the Hungarian National Bank (HNB) issued methodology guidelines for the recalculation necessitated by the annulment of the bid-offer spread. Based on this, **K&H set aside one-off provisions of 231m EUR (pre-tax) in 2Q14** for both the correction to the bid-offer spreads and the unilateral changes to interest rates, using the methodology guidelines issued by the HNB

  - The settlement arrangements of the abovementioned act were further clarified in the Settlement Act of 24 September. This act contains more details on the loan portfolio in scope. The act reveals no major differences compared to the assumptions used to calculate the provision in 2Q14. In December, the HNB issued separate decrees on the formulas to be applied to the settlement and on the information letter to be sent to the clients during the settlement in December. The bank has to settle with FX loan debtors in March/April 2015 and the HUF loan debtors in August/September 2015

  - K&H started legal action to rebut the assumption of unfairness. The court of First Instance partially rejected our case. K&H submitted an appeal. On 27 October, the Court of the Second Instance suspended the court case and referred it to the Constitutional Court. On 29 January 2015, the Constitutional Court ruled that the Curia Act and the settlement process are in line with the Hungarian Constitution. The Court of Second Instance will shortly continue its proceedings and expectations are that K&H will receive the final decision by the end of February

Hungary (3)

CONVERSION OF FX MORTGAGES

- On **27 November** 2014, the Hungarian Parliament adopted the legislative amendment related to the Settlement Act, which **automatically converts** foreign currency or foreign currency-based consumer **mortgage loan contracts into forints** with effect of 1 February 2015. The conversion will be carried out with an exchange rate of 256.47 HUF for the Swiss franc, 308.97 HUF for the euro, and 2.163 HUF for the Japanese yen (practically **at market rates** at that time). Clients meeting specific criteria will have the right to opt-out of the conversion

- On 10 November, K&H Bank participated in the HNB's euro sale tender to hedge the FX position of the mortgage conversion (at 308.97 HUF). Regarding the CHF/EUR FX position, 56m CHF was originally left open to manage potential opt-outs from the conversion

- As a main rule, the **applicable interest margin on the converted loans** is equal to the one at origination, with the following limitations:
  - new margins are capped at 4.5% for housing loans and 6.5% for home equity loans
  - the interest rate for the client may not exceed the original interest rate at disbursement

CHF EXPOSURE REMAINING AFTER THE CONVERSION

- The 56m CHF position with respect to FX mortgages was closed at the end of January with a post-tax loss of 7m EUR
- Credit exposure towards retail clients (FX car loans): approximately 86m EUR gross (54m EUR net)
- Credit exposure towards SME and corporate clients is not material (roughly 30m EUR gross)

Hungary (4)

Summary of retail loan related changes and their impact on KBC

Supreme Court's (Curia) uniformity decision & related acts

FX bid-offer spread is void

- All payments related to FX-loans (disbursement of the loan, capital and interest payment) should be converted at mid rate instead of bid-offer rate
- Customers to be compensated for FX spread charges

Unilateral contract modifications by creditors are void

- Unilateral changes in interest rates, fees and cost amounts are unfair and should be restituted
- Financial institutions can launch lawsuits to prove that their changes complied with all requirements set by the Curia

FX mortgage conversion

Conversion of FX loans to HUF

- Remaining FX mortgage loans to be converted to HUF (FX car loans excluded from conversion)
- Conversion rate: market rate (on 10 November)
- HNB held euro tender for banks to hedge their position on 10 November
- Limitations on interest margin applicable after conversion

Impact on KBC

Supreme Court's (Curia) uniformity decision & related acts

ONE-OFF impact:

- Applicable to contracts concluded from May 2004, including contracts repaid over the last 5 years
- Estimated impact on K&H: 231m EUR (pre-tax), provisioned in 2Q14, using the methodology guidelines issued by the HNB

RECURRING future impact:

- The combined impact of the correction of unilateral interest rate increase + lower volume due to the settlement on the NII is roughly 20m EUR per annum (pre-tax)

FX mortgage conversion

ONE-OFF impact:

- None, given the market rate of conversion

RECURRING future impact:

- lower interest margin on the converted FX loans will be around 10m EUR per annum (pre-tax)

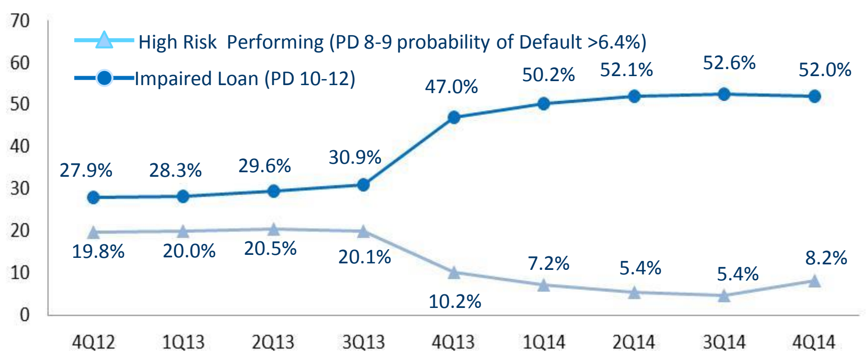
Ireland (1)

IRISH LOAN BOOK
KEY FIGURES AS AT 31 DECEMBER 2014

LOAN PORTFOLIO	OUT-STANDING	IMPAIRED LOANS	IMPAIRED LOANS PD 10-12	SPECIFIC PROVISIONS	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9.0bn	3.6bn	40.4%	1.1bn	30%
Buy to let mortgages	2.9bn	2.0bn	69.9%	0.6bn	31%
SME /corporate	1.3bn	0.8bn	63.3%	0.4bn	53%
Real estate - Investment - Development	 0.9bn 0.4bn	 0.7bn 0.4bn	 74.2% 100%	 0.4bn 0.3bn	 51% 86%
Total	**14.5bn**	**7.5bn**	**52.0%**	**2.8bn**	**37%[1]**

1. The total Impaired coverage ratio amounted to 37% at the end of 4Q14 (36% in 3Q14)

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



The Impaired portion of loans increased significantly in 4Q13 due to the reassessment of the loan book

- Net loss in 4Q14 amounted to 45m EUR (36m EUR in 3Q14). Loan loss provisions in 4Q14 decreased to 41m EUR (47m EUR in 3Q14) as a result of continued progress on the non- performing portfolio
- Economic indicators suggest the upturn broadened and strengthened through the past year. However, the recovery remains uneven and an expected outturn for 2014 GDP growth of close to 5% likely overstates the scale of improvement felt by most domestic businesses and households
- Signs of stronger economic performance and improving sentiment have prompted a marked rise in property transactions and prices reflecting recovering demand and very limited new supply. Initially, the improvement was focussed on Dublin, but it has begun to be more broadly based
- Strong customer acquisition continued into 4Q14 driven primarily by an increase in new current accounts
- Retail deposits increased in 4Q14 by 4% q-o-q and 19% y-o-y to 3.4bn EUR
- Continued increase in mortgage activity in 2014 with mortgage applications and completion stepping up in each quarter of 2014
- KBCI is proactively engaging with those customers who are experiencing financial difficulty and is nearing completion of the roll out of its Mortgage Arrears Resolution Strategy. As part of this, KBCI has continued to meet the quarterly public targets set by the Central Bank of Ireland
- Continuing downward trend in the total arrears and 90 days past due
- Local tier-1 ratio of 12.7% at the end of 2014 after a 130m capital increase in 4Q14 (to cover the year-end loss and a model review induced RWA increase)
- Looking forward, we are maintaining our guidance for Ireland, namely 50m-100m EUR for both FY15 and FY16. Profitability expected from 2016 onwards
- High risk Performing Portfolio increased in 4Q14 due to Retail PD model recalibration
- KBC's definition of impaired loans includes PD 10-12. PD 10 is considered as unlikely to pay exposure. Furthermore, as of 3Q14, exposures are net of Reserved Interest Provision

Ireland (2) Homeloans portfolio

3Q14

	PD	Exposure	Impairment	Cover %
PERFORMING	PD 1-8	5,687	19	0.3%
	Of which without restructure	5,655		
	Of which in Live restructure	32		
	PD 9	465	36	7.7%
	Of which without restructure	408		
	Of which in Live restructure	57		
IMPAIRED	PD 10	2,819	527	18.7%
	PD 11	2,401	885	36.9%
	PD 12	517	293	56.6%
	TOTAL PD1-12	**11,889**	**1,760**	
	Specific Impairment/Impaired Loans (PD 10-12) Exposure			*29.7%*

4Q14

	PD	Exposure	Impairment	Cover %
PERFORMING	PD 1-8	5,554	32	0.6%
	Of which without restructure	5,552		
	Of which in Live restructure	2		
	PD 9	680	39	5.8%
	Of which without restructure	627		
	Of which in Live restructure	53		
IMPAIRED	PD 10	2,920	554	19.0%
	PD 11	2,112	787	37.3%
	PD 12	605	353	58.4%
	TOTAL PD1-12	**11,870**	**1,766**	
	Specific Impairment/Impaired Loans (PD 10-12) Exposure			*30.1%*

Exposure = Gross Balances, excluding statutory or regulatory adjustments, net of Reserved Interest Provision

- **PD 1-9 (Performing)** loans **increased** in 4Q14, due to new lending offsetting migration of PD 1-9 (migration continued to diminish) and pay down of existing loans. Loans in a Live restructure within this category amount to roughly **55m EUR (0.5%),** down from roughly 90m EUR (0.75%) in 3Q14
- **PD 10** loans increased by roughly 100m EUR. Inflow of cases moving from PD 1-9 due to need for (primarily second) restructure and from PD 11 (due to arrears management)
- **PD 11** loans **decreased** by roughly 290m EUR favourable migrations to PD 1-10 (roughly 200m EUR) and outflow of cases moving to PD 12
- **PD12** increased by roughly 90m EUR due to an increase in irrecoverable cases in the quarter
- Coverage ratio for PD 10-12 portfolio increased from 29.7% to 30.1%
- Net Impairment charge of 3m EUR in 4Q14 compared with 16m EUR in 3Q14

Ireland (3) Corporate loan portfolio

3Q14

	PD	Exposure	Impairments	Cover %
PREF.	PD 1-8	723	11	1.5%
PREF.	PD 9	35	7	18.5%
IMPAIRED	PD 10	727	239	32.9%
IMPAIRED	PD 11	428	267	62.4%
IMPAIRED	PD 12	788	586	74.3%
	TOTAL PD1-12	**2,702**	**1,110**	
	Specific Impairment/Impaired Loans (PD 10-12) Exposure			*56.2%*

4Q14

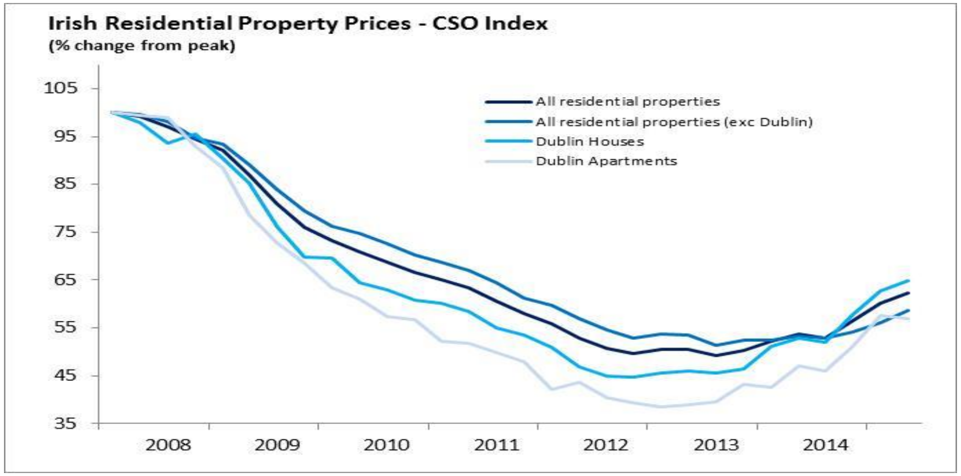
	PD	Exposure	Impairments	Cover %
PREF.	PD 1-8	697	9	1.3%
PREF.	PD 9	23	6	25.8%
IMPAIRED	PD 10	707	245	34.6%
IMPAIRED	PD 11	427	283	66.2%
IMPAIRED	PD 12	773	600	77.6%
	TOTAL PD1-12	**2,628**	**1,142**	
	Specific Impairment/Impaired Loans (PD 10-12) Exposure			*59.1%*

Exposure = Gross Balances, excluding statutory or regulatory adjustments, net of Reserved Interest Provision

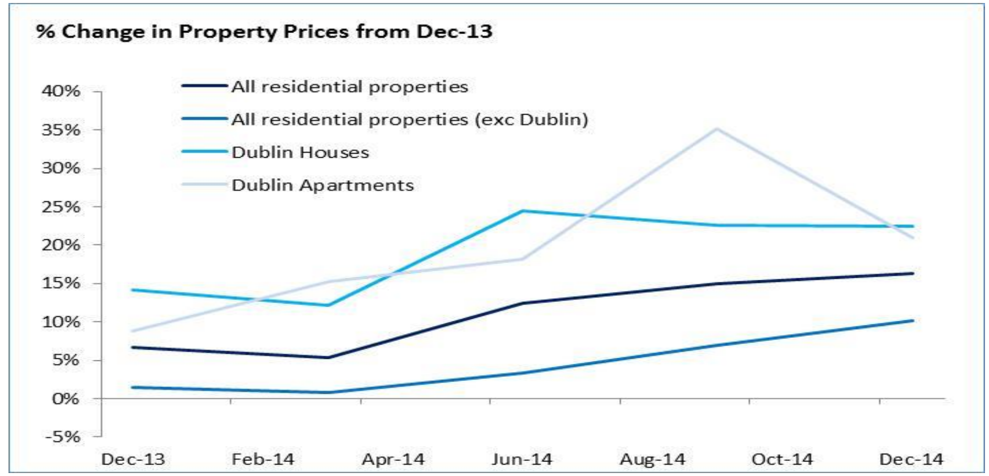
- The Corporate Loan book decreased by roughly 70m EUR in 4Q14 driven mainly by deleveraging of the portfolio, including underlying asset sales and amortisation
- The impaired PD10-12 Portfolio decreased roughly by a net 35m EUR in 4Q14 comprising deleveraging of the portfolio, partly offset by loans migrating into PD 10-12
- Coverage ratio for PD 10-12 Portfolio increased from 56.2% to 59.1%
- Net impairment charge of 38m EUR was recognised on the Corporate portfolio in 4Q14 compared with 31m EUR in 3Q14

Ireland (4) Key indicators show signs of recovery

RESIDENTIAL PROPERTY PRICES SHOWING CONTINUED SIGNS OF RECOVERY

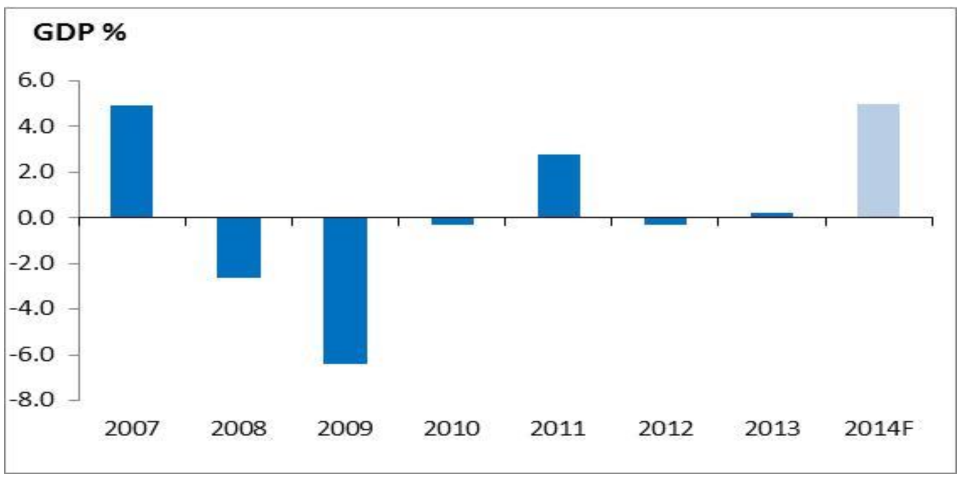


Source: Irish Residential Property Prices - CSO Index

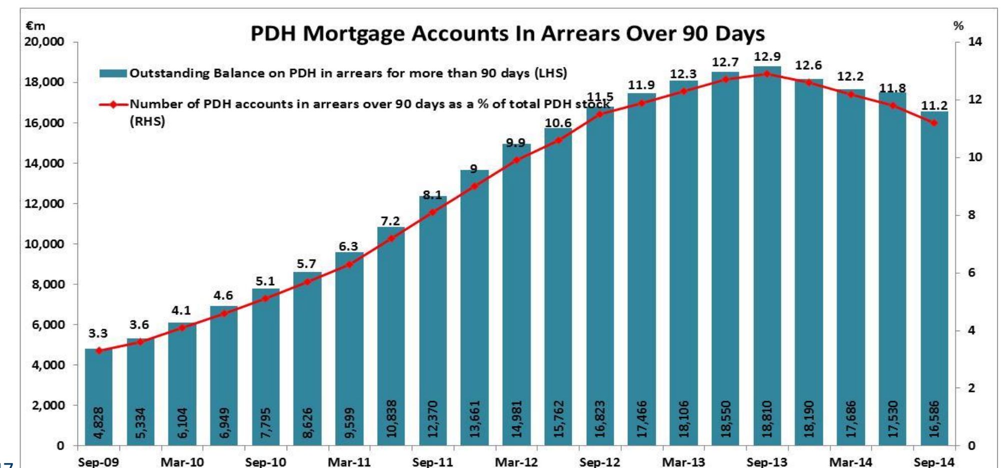


Source: Irish Residential Property Prices - CSO Index

LATEST FORECAST INDICATES CLEAR GDP GROWTH

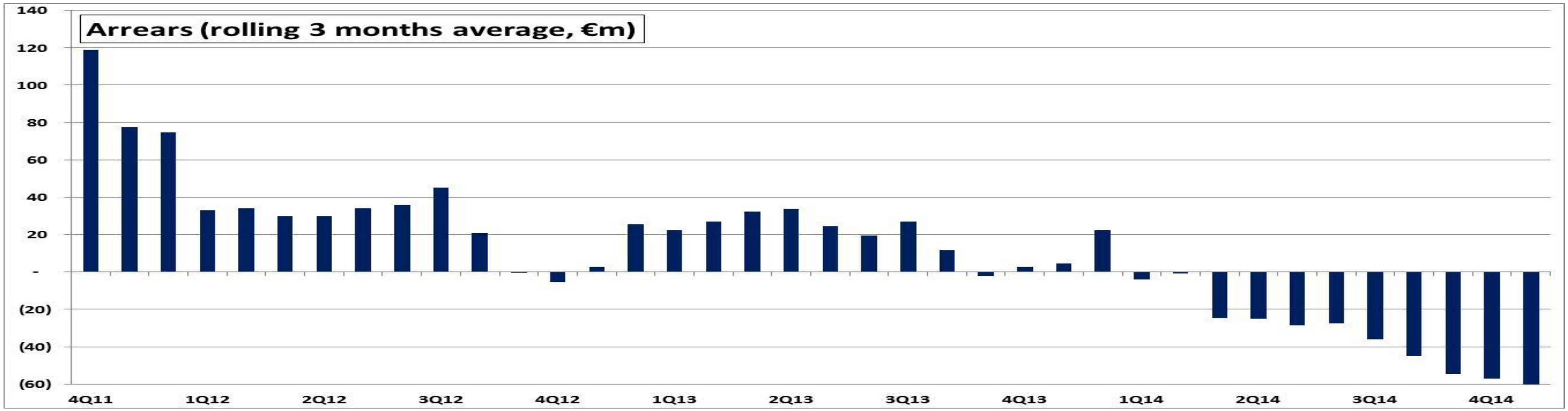


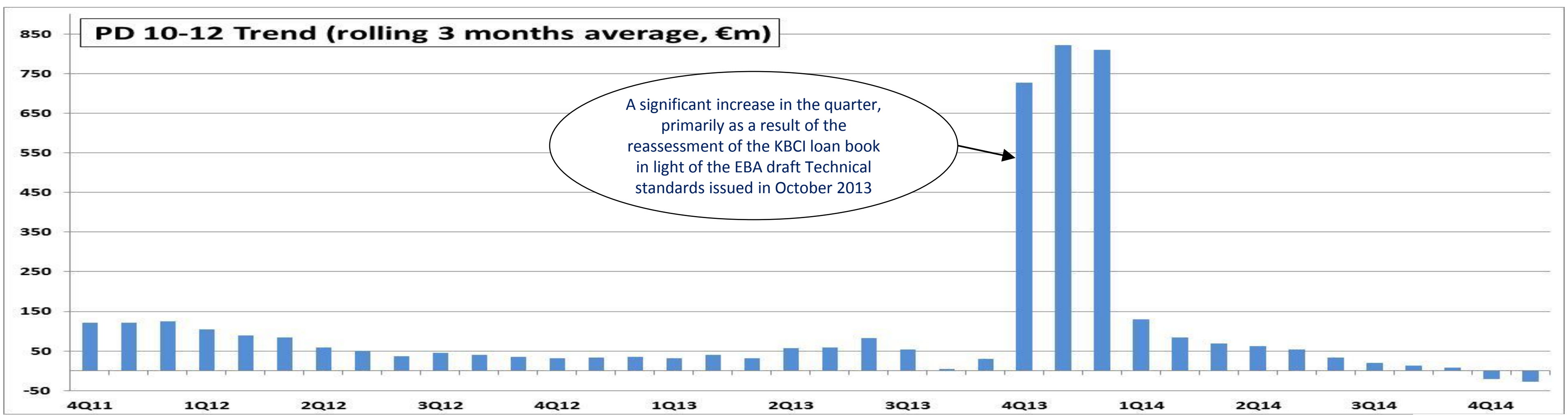
RESIDENTIAL MORTGAGE ARREARS DECREASING IN MARKET



Ireland (5) Key indicators show signs of an Improving Trend

KBC IRELAND - **RESIDENTIAL MORTGAGE ARREARS & IMPAIRED LOANS (PD 10-12)**





GROUP CENTRE

CFO SERVICES

CRO SERVICES

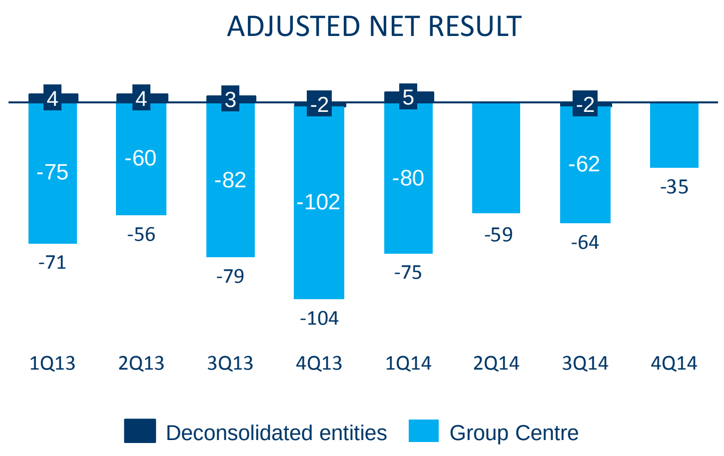
BELGIUM

CZECH REPUBLIC

INTERNATIONAL MARKETS

CORPORATE STAFF

Group Centre



- **Adjusted net result: -35m EUR**
- The adjusted result for Group Centre contains the results coming from activities and/or decisions specifically made for group purposes:
  - Operational costs of the group activities
  - Results related to maintaining solvency and liquidity buffers at group level
  - Specific results as Group Centre acts as the parent company for participations in the various Business Units
  - Ongoing results of the divestments and companies in run-down
- Note that KBC Bank Deutschland was deconsolidated in the adjusted net result as of 4Q14

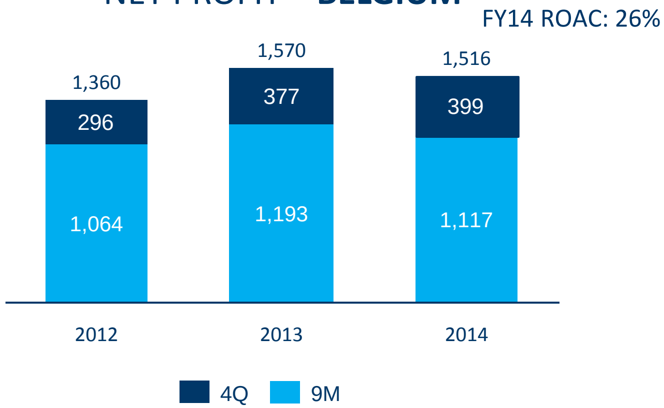
BREAKDOWN OF ADJUSTED NET RESULT AT GROUP CENTRE

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Group item (ongoing business)	**-73**	**-60**	**-70**	**-81**	**-81**	**-52**	**-48**	**-31**
- Opex of Group activities	-31	-14	-9	-34	-22	-19	-7	-26
- Capital and treasury management	-24	-17	-52	-31	-38	-11	-1	4
o/w net subordinated debt cost	-25	-32	-41	-41	-39	-26	-9	-9
- Holding of participations	-35	-25	-27	-19	-21	-26	-35	-18
o/w net funding cost of participations	-25	-18	-15	-12	-10	-11	-11	-8
- Other	17	-4	19	3	-1	4	-4	8
Ongoing results of divestments and companies in run-down	**2**	**4**	**-9**	**-23**	**6**	**-8**	**-17**	**-4**
TOTAL adjusted net result at GC	**-71**	**-56**	**-79**	**-104**	**-75**	**-59**	**-64**	**-35**

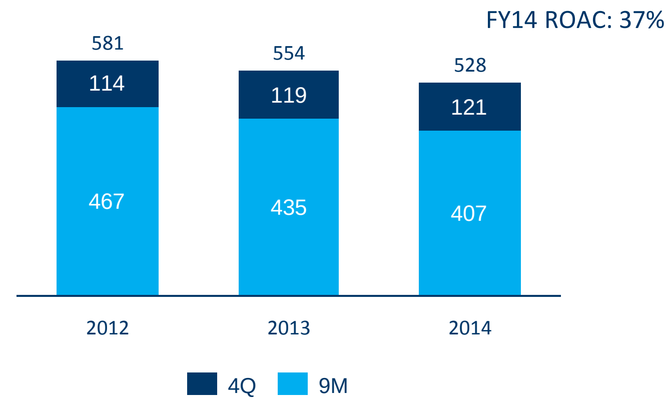
Amounts in m EUR

Overview of results based on business units

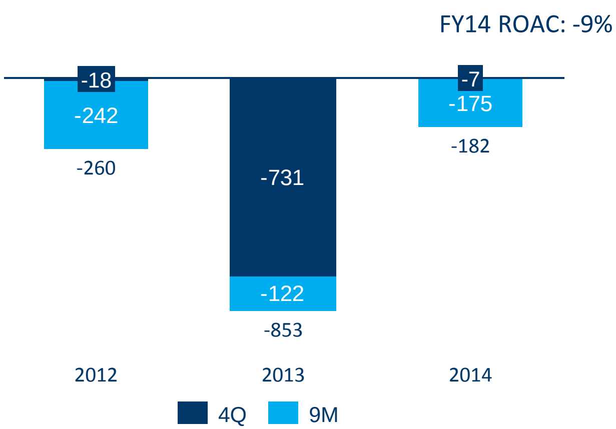
NET PROFIT – **BELGIUM**



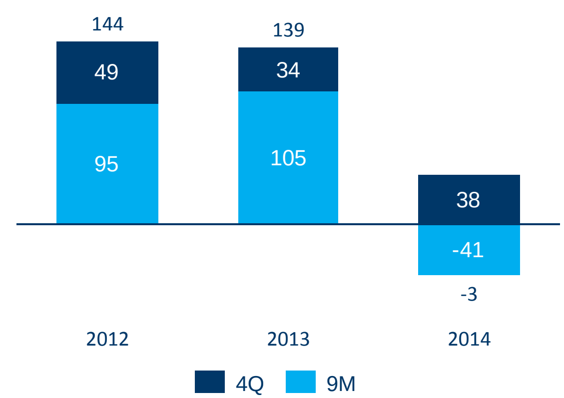
NET PROFIT – **CZECH REPUBLIC**



NET PROFIT – **INTERNATIONAL MARKETS**



NET PROFIT – **INTERNATIONAL MARKETS EXCL. IRELAND**



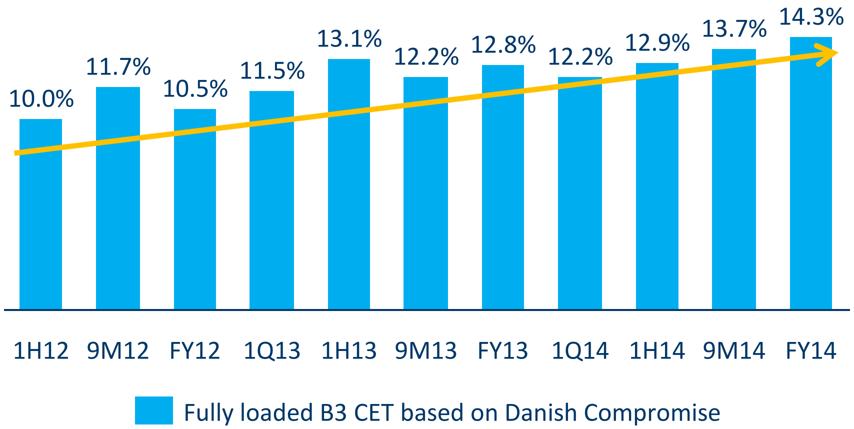
Amounts in m EUR

Section 3

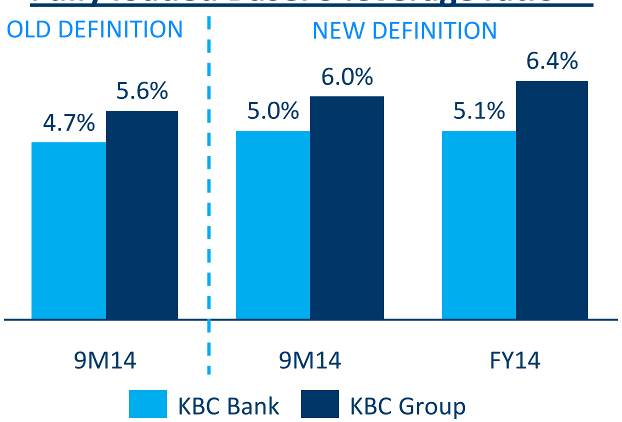
Strong solvency and solid liquidity

Strong capital position

Fully loaded Basel 3 CET1 ratio



Fully loaded Basel 3 leverage ratio**



- **Common equity ratio (B3 fully loaded*) of 14.3%** based on the Danish Compromise

- **Fully loaded B3 leverage ratio, based on current CRR legislation** (which was adapted during 4Q14):
  - **5.05%** at KBC Bank Consolidated
  - **6.39%** at KBC Group*

* Including remaining state aid of 2bn EUR as agreed with regulator and also the requirements for prudent valuation

** Main differences with the previous calculation methodology are the now clearly defined treatment of the exposure measure of repo style transactions, the use of the standardised credit conversion factors for off-balance sheet items and the possibility to deduct cash collateral from the exposure of netted derivatives

Dividend proposal

- For to the **2014 accounting year**, the intention is to propose to the AGM a payment of **a gross dividend of 2.00 EUR per share** (out of the available profits generated in that accounting year)

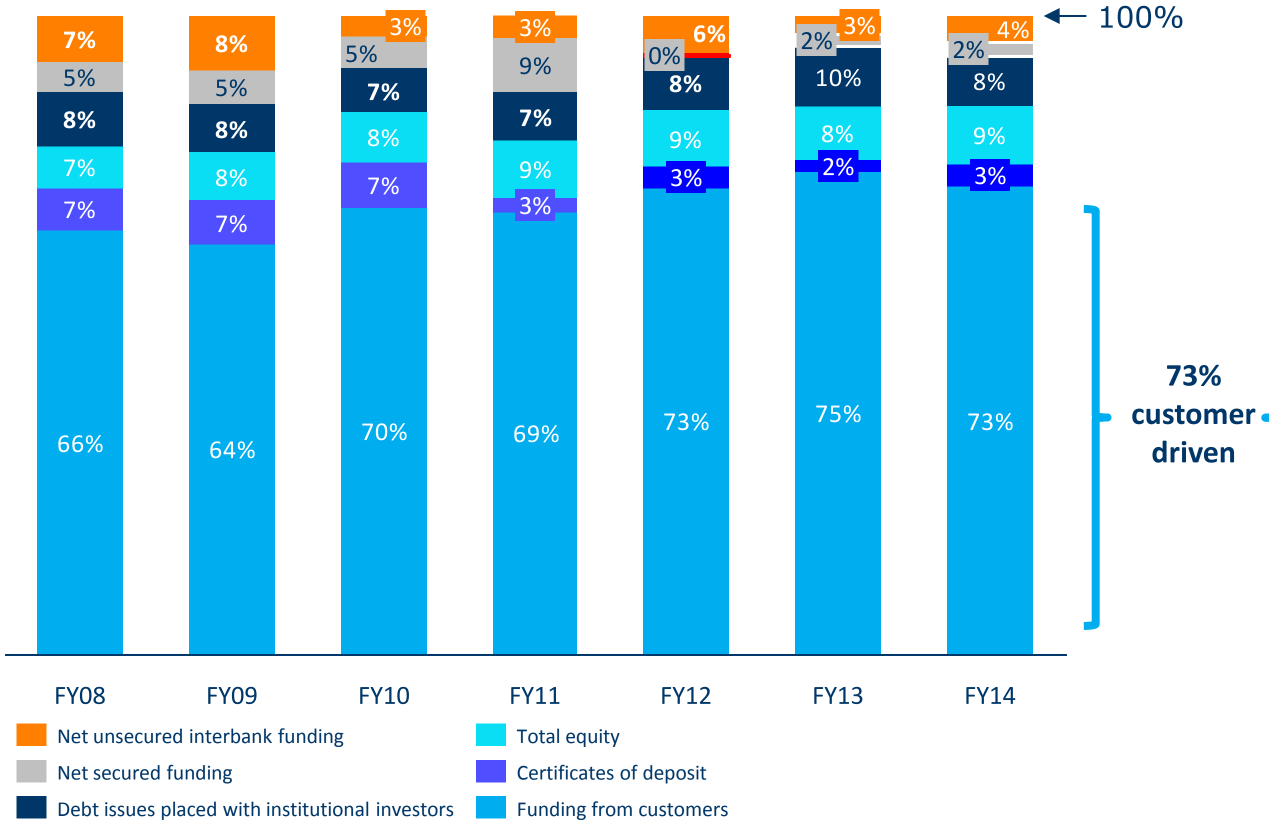
- Intention confirmed **to not pay a dividend for the 2015 accounting year**. As such, this implies that no coupon (8.5%) will be paid on the remaining outstanding Yield Enhanced Securities (YES) subscribed to by the Flemish Regional Government during that accounting year, which is fully in line with the terms & conditions of the Flemish State aid. Nevertheless, the return that the Flemish Region will receive on these instruments will remain well in excess of the minimum guaranteed internal rate of return of 10% per year for the full holding period

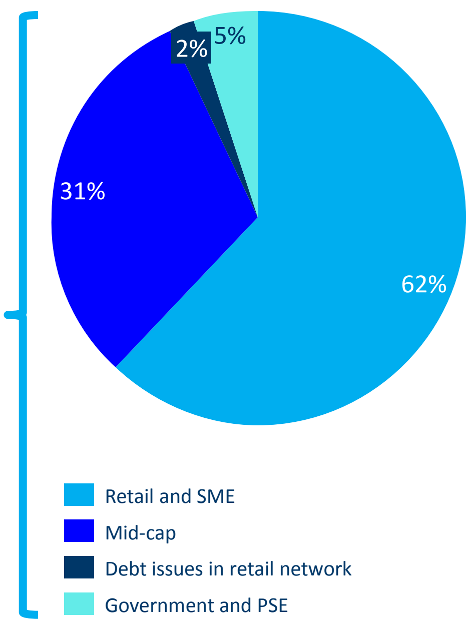
- **As of the 2016 accounting year**, the target for the dividend payout ratio (including the coupon paid on state aid and AT1) is **at least 50%**. If there is a lack of value-accretive employment of capital, the payout ratio might surpass 50%

- Any dividend payment will be subject to the usual approval of the regulator

Solid liquidity position (1)

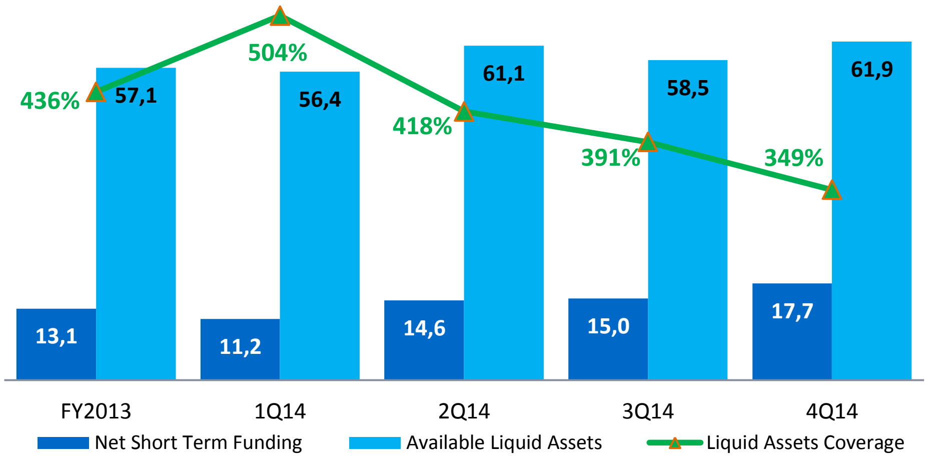
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments & markets





Solid liquidity position (2)

Short term unsecured funding KBC Bank vs Liquid assets as of end Dec 2014 (bn EUR) (*, **)



* In line with IFRS5, the situation at the end of 4Q14

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

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

Ratios	4Q14	Target
NSFR[1]	110%	>105%
LCR[1]	120%	>105%

[1] *LCR (Liquidity Coverage ratio) and NSFR (Net Stable Funding Ratio) are calculated based on KBC's interpretation of 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*

- **NSFR at 110% and LCR at 120% by the end of 4Q14**
  - Both ratios are **similar** to the level of previous quarter
  - In compliance with the implementation of Basel 3 liquidity requirements, KBC is targeting LCR and NSFR of at least 105%.

Section 4

4Q 2014 wrap up

4Q 2014 wrap up

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

Section 5

FY 2014 key takeaways

FY 2014 key takeaways

- **Successful underlying earnings track record**
  - **Net result of 1,762m EUR and adjusted[1] net result of 1,629m EUR in FY14.** The latter is the result of:
    - Strong commercial bank-insurance franchises in our core markets and core activities
    - Substantially higher net interest income and good improvement of NIM
    - Net fee and commission income increased by 8% y-o-y pro forma; AuM increased by 14% y-o-y
    - Sharply lower net gains from financial instruments at fair value, other net income and net realised gains from AFS assets
    - Slightly higher non-life insurance sales and life insurance sales
    - Good combined ratio (94% in FY14)
    - Opex stabilised y-o-y pro forma, leading to a good cost/income ratio (54% in FY14 adjusted for specific items)
    - Sharply lower impairment charges as FY13 was heavily distorted by the one-off additional impairments in Ireland and Hungary due to the reassessment of the loan books. During 2014, the AQR exercise has been fully assessed and accounting conclusions have been included in the 2014 accounts

- **Solid capital and robust liquidity position**
    - **Common equity ratio** (B3 fully loaded[2] based on Danish Compromise) **of 14.3%** at end 2014
    - **Continued strong liquidity position** (NSFR at 110% and LCR at 120%)

- **Dividend proposal[3]**
    - A gross dividend of 2.00 EUR per share will be proposed to the AGM for the 2014 accounting year
    - Intention confirmed to not pay a dividend for the 2015 accounting year. As of the 2016 accounting year, the target for the dividend payout ratio (including the coupon paid on state aid and AT1) is at least 50%

1. Adjusted net result is the net result excluding a limited number of non-operating items, i.e. legacy CDO and divestment activities and the M2M effect of own debt instruments due to own credit risk
2. Including remaining state aid of 2bn EUR
3. Any dividend payment will be subject to the usual approval of the regulator

Looking forward

- Looking forward, management envisages:
  - Continued stable and solid returns for the Belgium & Czech Republic Business Units
  - Breakeven returns by 2015 for the International Markets Business Unit, mid-term returns above cost of capital. As per guidance already issued, profitability in Ireland expected from 2016 onwards
  - A fully loaded B3 common equity ratio of minimum 10.5%
  - LCR and NSFR of at least 105%
  - Dividend payout ratio (including the coupon paid on state aid and AT1) ≥ 50% as of FY2016*

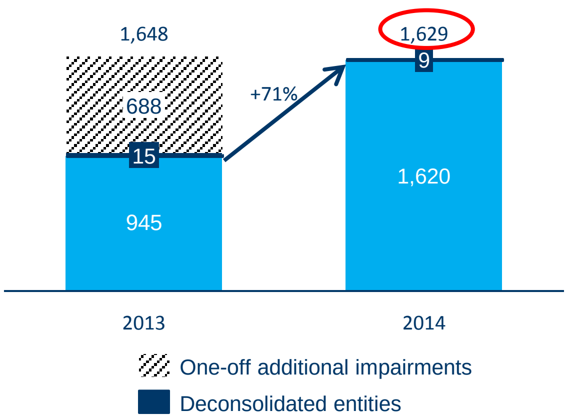
* Subject to the approval of the General Meeting of Shareholders

Annex 1

FY 2014 performance of KBC Group

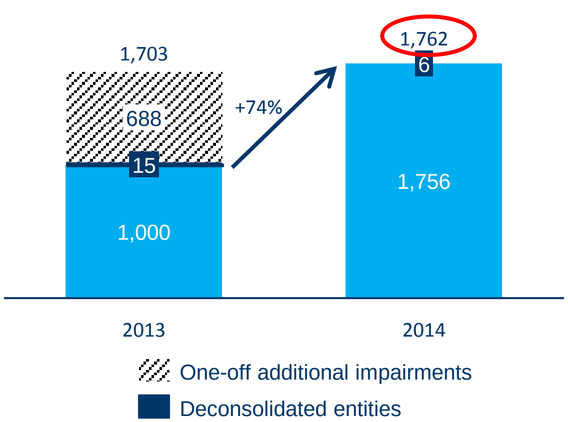
FY 2014 Group profit

ADJUSTED NET RESULT



Including adjustments

NET RESULT



- **Adjusted net result of 1,629m EUR in 2014**

  Excluding deconsolidated entities:

  - Adjusted net result rose by 71% y-o-y to 1,620m EUR due mainly to sharply lower loan loss provisions (as a result of the reassessment of the loan books in Ireland and Hungary in 2013)
  - High quality revenue generation (increase of net interest income and net fee & commission income), more than offset by lower net gains from FIFV (high impact of negative M2M ALM derivatives), gains realised on AFS assets and other net income (as it included the one-off provisions of 231m EUR for KBC's Hungarian retail loan book)
  - Strict cost management (stabilised y-o-y)

- **Net result of 1,762m EUR in 2014 increased 74% y-o-y**

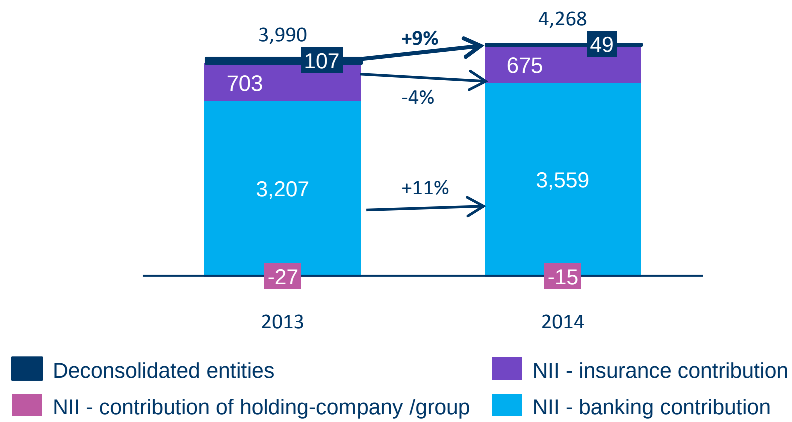
  - Net result in 2014 was positively impacted by 134m EUR legacy + own credit risk items (post-tax):
    - Revaluation of structured credit portfolio: +16m EUR (compared with 446m EUR in 2013)
    - Divestments: +116m EUR (compared with -348m EUR in 2013), primarily due to the release of an impairment on the participation in ADB and its reconsolidation
    - M2M of own credit risk: +2m EUR (compared with -43m EUR in 2013)

Amounts in m EUR

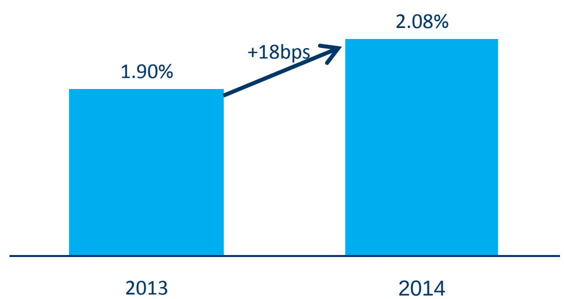
Net interest income and margin

Amounts in m EUR

NII



NIM



- **Net interest income**
  - On a comparable basis (excluding deconsolidated entities), net interest income rose by 9% y-o-y, despite lower reinvestment yields and a shift of savings to mutual funds
  - NII contribution of banking activities rose by 11% y-o-y, while NII contribution of insurance activities only fell by 4% y-o-y
  - On a comparable basis, loan volumes increased by 3% y-o-y, as an increase of 5% y-o-y in the Czech Republic BU and 4% y-o-y in Belgium was only partly offset by a decrease of 1% y-o-y in the International Markets BU (due entirely to Ireland) and 7% y-o-y in the Group Center
  - Deposit volumes also rose by 3% y-o-y on a comparable basis: the y-o-y increases in the Belgium BU (+9%), in the Czech Republic BU (+8%) and in the International Markets BU (+5%) were partly offset by a 35% decrease in the Group Centre (fully due to KBC Ifima)

- **Net interest margin (2.08%)**
  - Increased by 18 bps y-o-y
  - Sound commercial margins, lower funding costs and a non-sustainable amount of prepayment fees more than offset the negative impact from lower reinvestment yields

VOLUME TREND

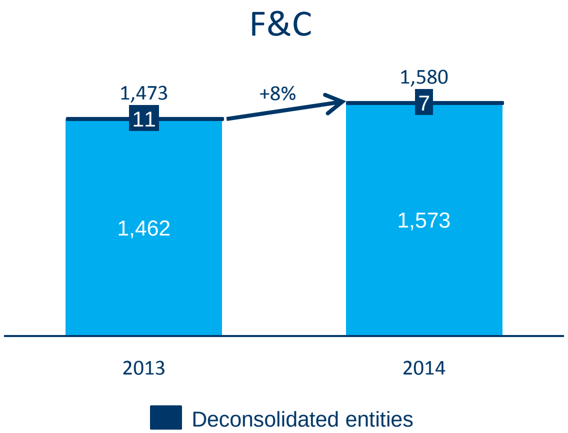
Customer deposit volumes excluding debt certificates & repos +7% y-o-y

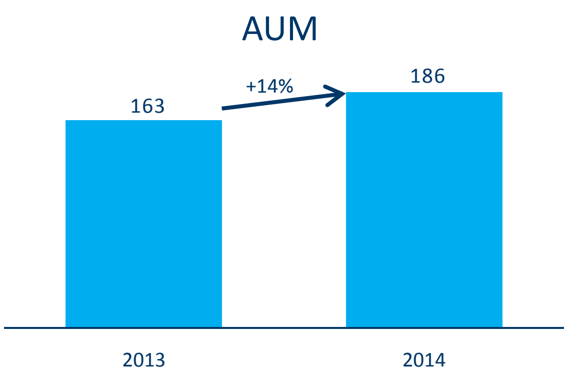
Excluding FX effect	Total loans *	Of which mortgages	Customer deposits**	AuM	Life reserves
Volume	123bn	53bn	154bn	186bn	28bn
Growth y/y	+3%	+3%	+3%	+14%	+3%

* Loans to customers, excluding reverse repos (and not including 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 fee and commission income and AUM





- **Strong net fee and commission income**
  - Increased by 8% y-o-y excluding deconsolidated entities
  - This increase was driven mainly by the Belgium Business Unit owing to higher entry and management fees on mutual funds and increased fees from credit files and bank guarantees (benefitting from the refinancing of mortgage loans and higher volume of new mortgages loans in anticipation of the changes to fiscal regulations). Excluding the FX effect, net F&C income increased in the Czech Republic (attributable mainly to mutual funds and lower fees paid to insurance) and Hungary (due mainly to higher investment and booking fees (better pricing tariffs of certain products & services))

- **Assets under management (186bn EUR)**
  - Rose by 14% y-o-y as a result of both net new entries (+6%) and positive price effects (+8%)

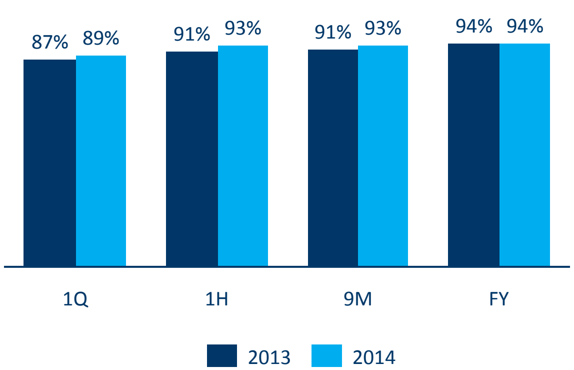
Amounts in m EUR

Non-life insurance sales and combined ratio

NON-LIFE SALES
(GROSS WRITTEN PREMIUM)

- **Sales of non-life insurance products**
  - Up by 1% y-o-y on a comparable basis mainly thanks to KBC Insurance Belgium, partly offset by negative FX effect, a decrease in accepted reinsurance (Group Re) owing to loss of some contracts and lower participation on some reinsurance contracts (due to unattractive conditions)

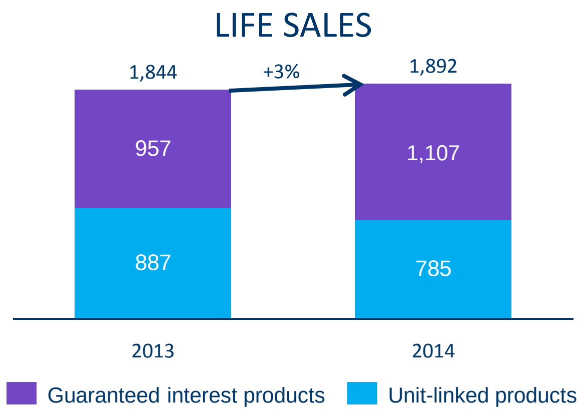
COMBINED RATIO (NON-LIFE)



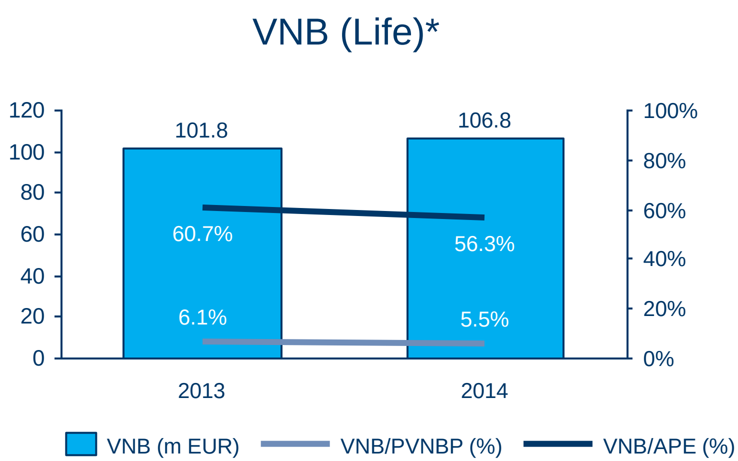
- The non-life **combined ratio** for full-year 2014 stood at a good 94% (in line with 2013), despite relatively high technical charges as a result of hailstorms in Belgium (net effect amounted to -41m EUR in 2Q14) and Bulgaria and higher claims in 4Q14 (mainly in 'fire' and 'industrial accident' classes)

Amounts in m EUR

Life insurance sales and VNB



Amounts in m EUR



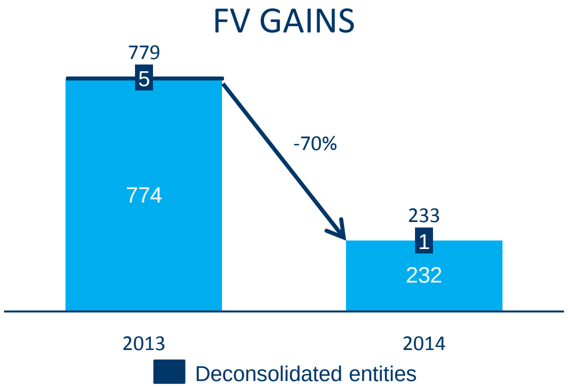
- **Sales of life insurance products**
  - Up by 3% y-o-y on a comparable basis
  - The decline in sales of unit-linked products was attributable to the small number of newly launched tranches/campaigns, the insurance tax and a shift towards AM products (all factors occurring in the Belgium Business Unit). Furthermore, sales of guaranteed interest products increased y-o-y despite the low rate of guaranteed interest
  - Sales of unit-linked products accounted for just 41% of total life insurance sales

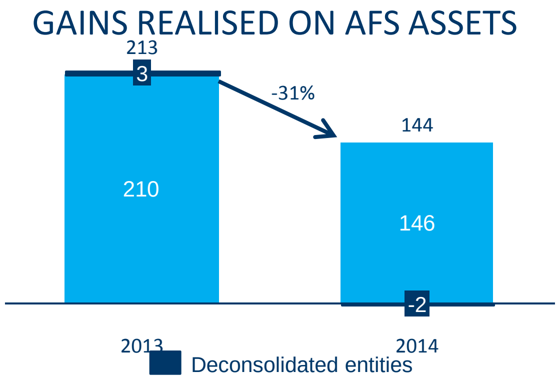
- **VNB**
  - Rose by 5% y-o-y to 107m EUR thanks to more profitable business (such as open-ended unit-linked and term insurance contracts), partly offset by the negative impact of a low interest rate environment

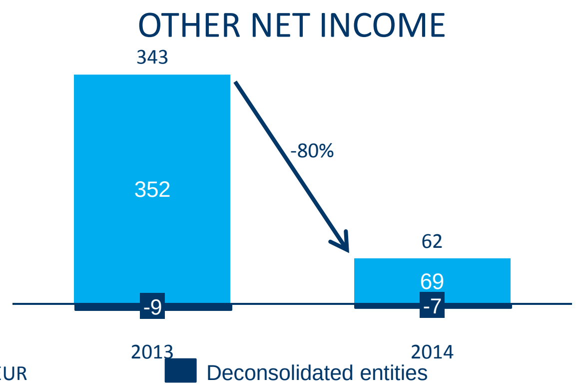
* Around 32% of the total VNB is generated through the inclusion of the expected future profits arising from the management of unit-linked funds by KBC Asset Management and KBC Bank

- VNB = Value of New Business = present value of all future profits attributable to the shareholders from the new life insurance policies written during the year
- VNB/PVNBP = VNB at point of sale compared with the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums
- VNB/APE = VNB at point of sale compared with the Annualised Premium Equivalent. This ratio reflects the margin earned on recurrent premiums and 1/10th of single premiums

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



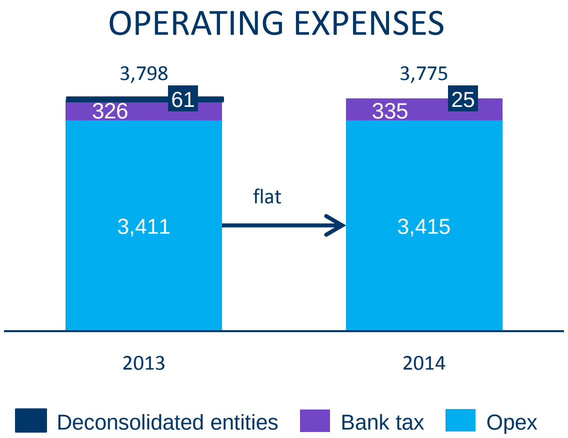




- The lower y-o-y figure for **net gains from financial instruments at fair value** was attributable entirely to a negative change in ALM derivatives (-201m EUR in FY14 compared with +279m EUR in FY13)
- **Gains realised on AFS assets** came to 144m EUR (mainly on Belgian AFS assets)
- **Other net income** amounted to a low 62m EUR in FY14, as it included one-off provisions of 231m EUR for KBC's Hungarian retail loan book (both the correction to the bid-offer spreads and the unilateral changes to interest rates)

Amounts in m EUR

Operating expenses and cost/income ratio

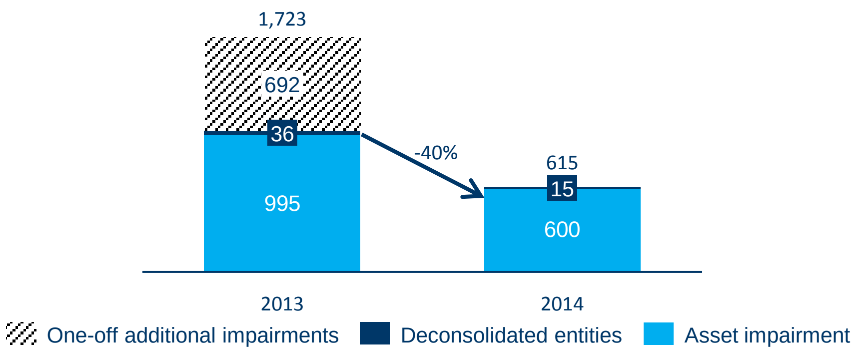


- **Cost/income ratio (banking) at 54% in FY14 adjusted for specific items**
  - The C/I ratio of 57% was affected mainly by the 201m EUR negative M2M impact of ALM derivatives in FY14 and the 231m EUR one-off provisions for Hungary in 2Q14
  - Adjusted for specific items, the C/I ratio amounted to roughly 54% in FY14, an excellent level and in line with FY13
  - Operating expenses stabilised y-o-y excluding deconsolidated entities. The higher banking tax and marketing & communication expenses in Belgium and higher expenses in KBC Ireland (due to the roll-out of KBCI's retail strategy and more FTEs, particularly in the MARS support unit) were offset by the FX effect and Group Centre

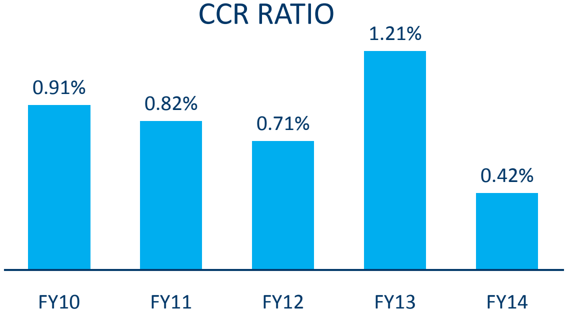
Amounts in m EUR

Asset impairment, credit cost and NPL ratio

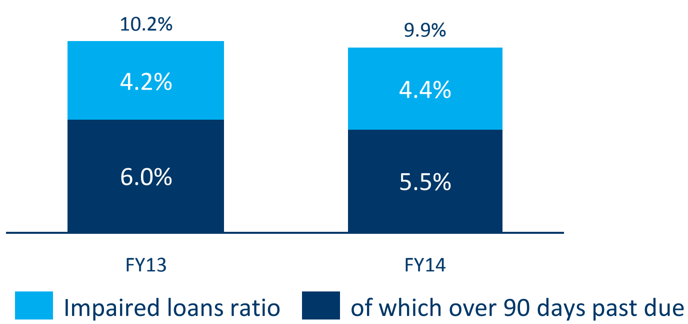
ASSET IMPAIRMENT



CCR RATIO



IMPAIRED LOANS RATIO



- **Significantly lower impairment charges**
  Excluding deconsolidated entities,
  - Total impairments fell by 64% y-o-y
  - Excluding the one-off additional loan loss provisions in FY13 as a result of the reassessment of the loan books in Ireland (671m pre-tax) and Hungary (21m EUR pre-tax), total impairments fell by 40% y-o-y
  - During 2014, the AQR exercise has been fully assessed and accounting conclusions have been included in the 2014 accounts

- The **credit cost ratio** sharply improved from 1.21% in FY13 to 0.42% in FY14, as FY13 was distorted by the one-off additional impairments in Ireland and Hungary due to the reassessment of the loan books. The credit cost ratio improved in each business unit

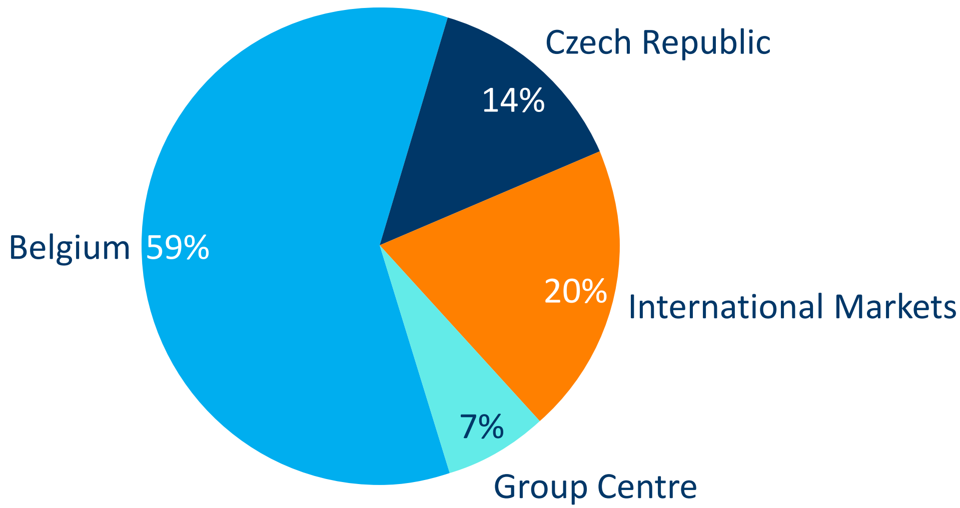
- The **impaired loans ratio** dropped to 9.9%, of which 5.5% over 90 days past due

Annex 2

Company profile

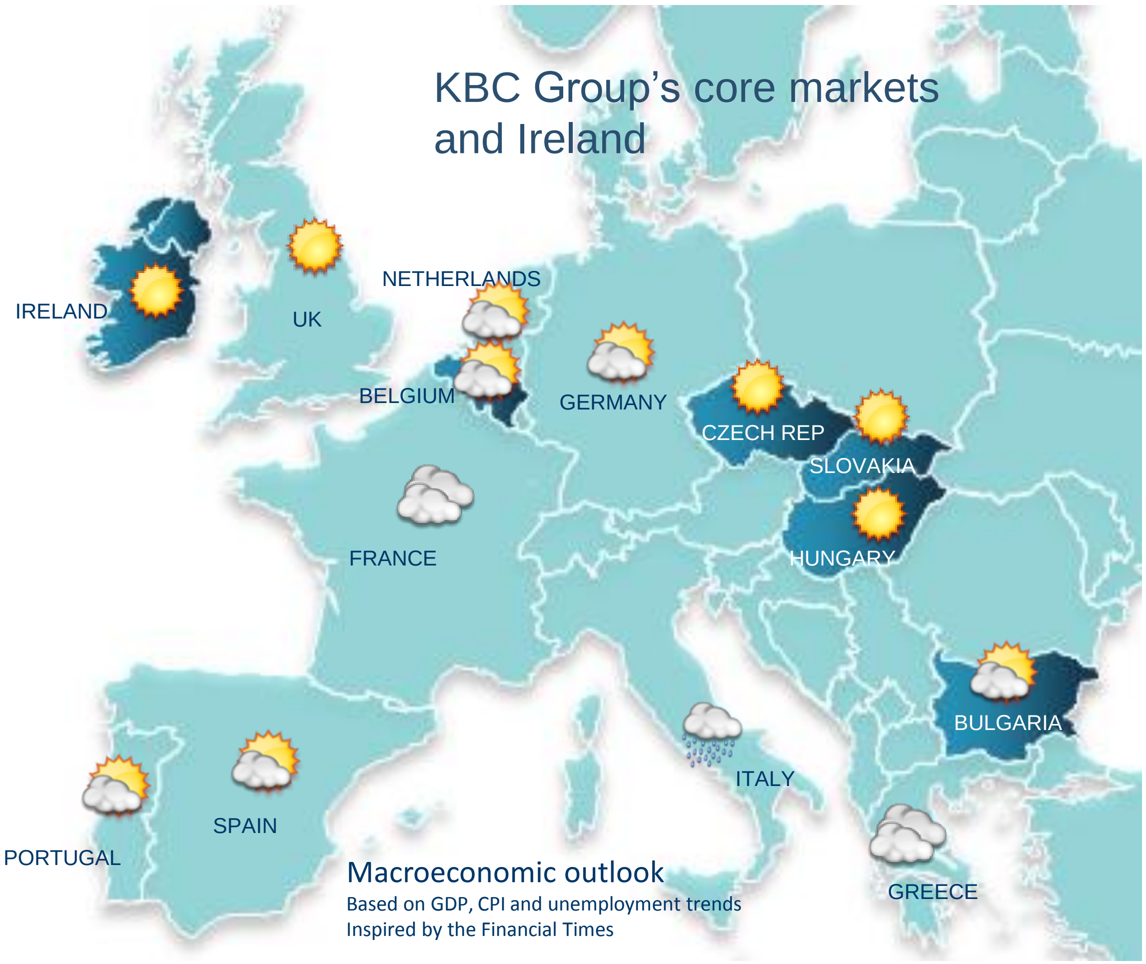
Business profile

BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AT 31 DECEMBER 2014



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

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



MARKET SHARE, AS OF END 2014

	BE	CZ	SK	HU	BG
Loans and deposits	20%	19%	10%	9%	3%
Investment funds	37%	27%	6%	16%	
Life insurance	17%	6%	5%	3%	10%
Non-life insurance	9%	7%	3%	5%	10%

REAL GDP GROWTH OUTLOOK FOR CORE MARKETS[1]

	BE	CZ	SK	HU	BG
% of Assets	70%	13%	3%	3%	1%
2014	1.0%	2.3%	2.4%	3.3%	1.5%
2015e	1.3%	2.0%	2.4%	2.2%	1.5%
2016e	1.6%	2.5%	2.8%	2.5%	2.0%

1. Source: KBC data, February 2015

Loan loss experience at KBC

	FY14 CREDIT COST RATIO	FY13 CREDIT COST RATIO	FY 2012 CREDIT COST RATIO	AVERAGE '99 –'14
Belgium	**0.23%**	0.37%	0.28%	n/a
Czech Republic	**0.18%**	0.26%	0.31%	n/a
International Markets	**1.06%**	4.48%*	2.26%*	n/a
Group Centre	**1.17%**	1.85%	0.99%	n/a
Total	**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 BU is due in full to KBC Bank Ireland. Excluding Ireland, the CCR at this business unit amounted to 108 bps in FY13

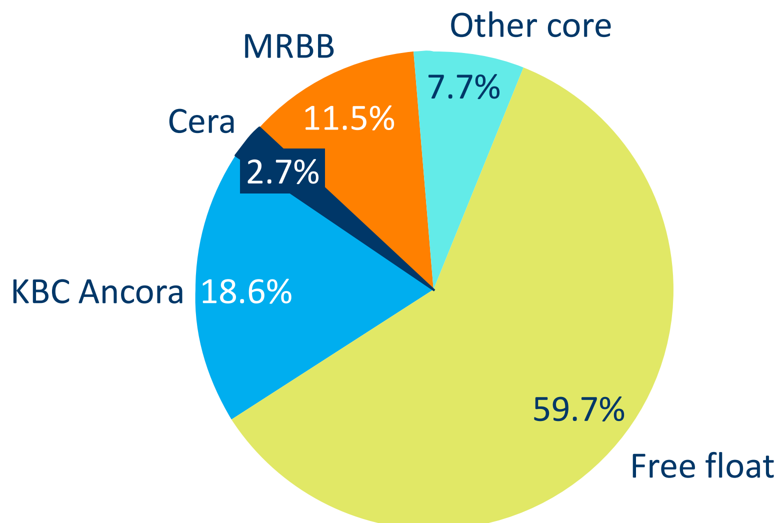
** Credit cost ratio amounted to 1.21% in FY13 due to the reassessment of the loan books in Ireland and Hungary

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 2014



- 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

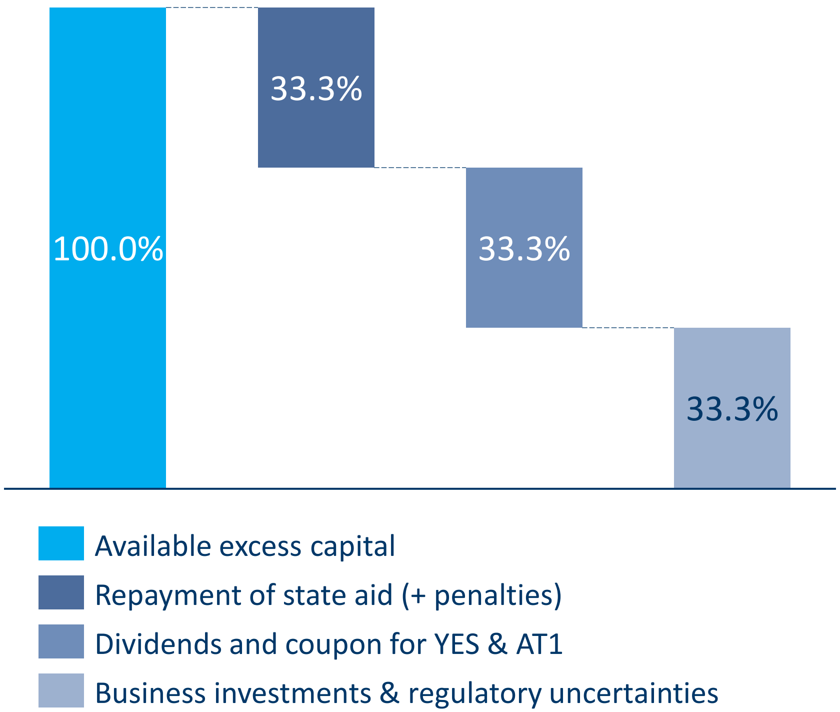
Become a reference in bank-insurance in each core country

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

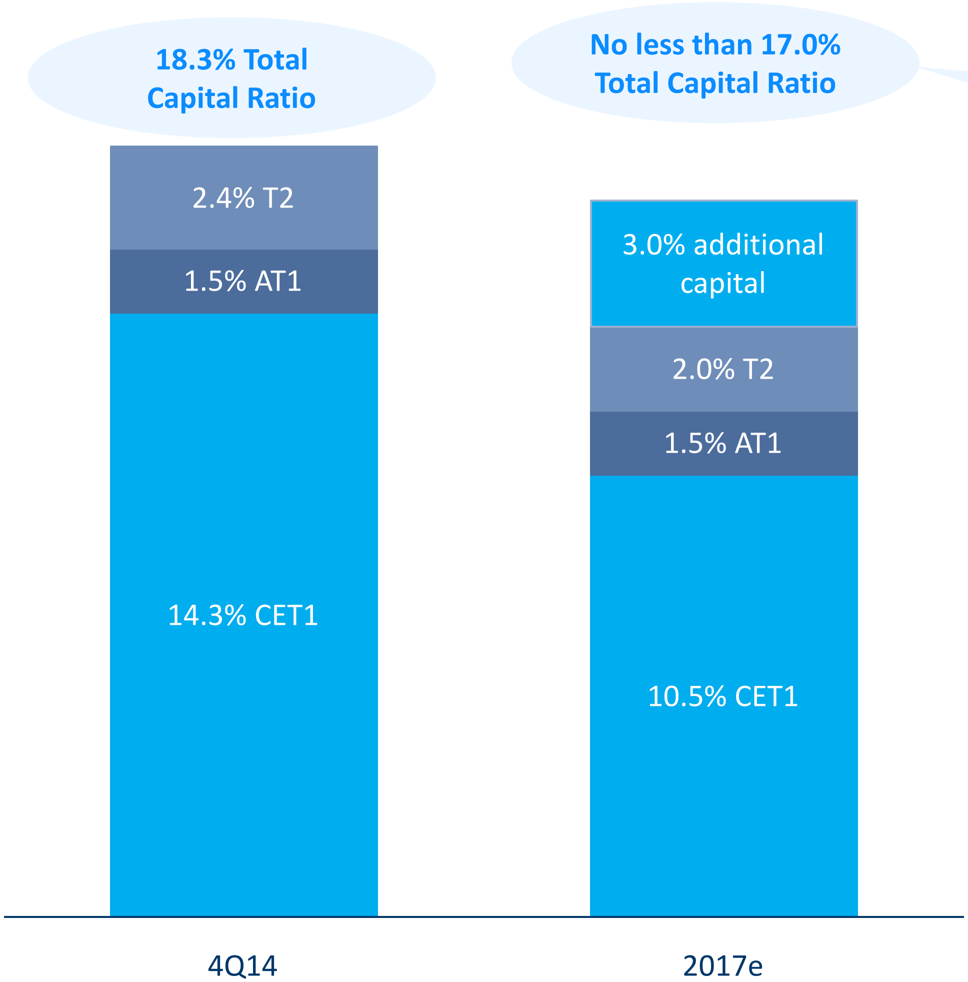
Accelerate the repayment of state aid (+ penalties) by year-end 2017 at the latest: roughly 1/3 of capital available in 2Q14-2017

Increase dividend payout ratio (including coupon for YES and AT1) to ≥ 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 maintains minimum 17% total capital ratio*



Will be filled up with T2, depending on the actual CET1 position

- Minimum CET1 target of 10.5%
- AT1 of 1.5%
- Minimum T2 target of 2%
- Minimum total capital ratio of 17.0%

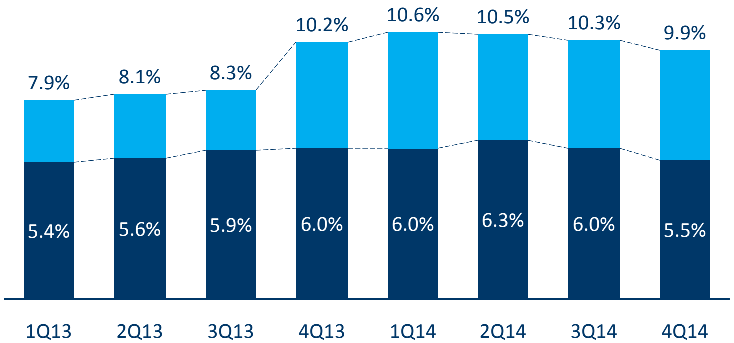
*Basel 3, fully loaded, Danish compromise

Annex 3

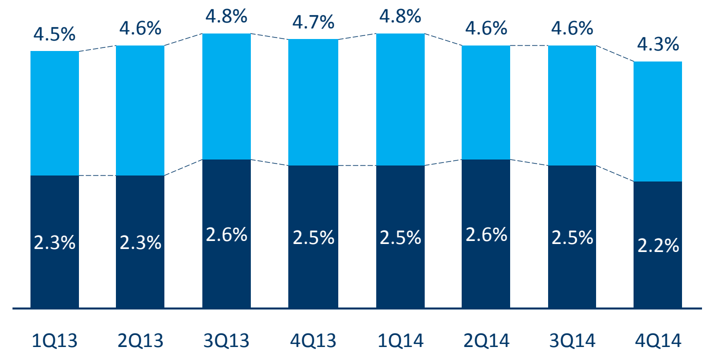
Other items

Impaired loans ratios, of which over 90 days past due

KBC GROUP

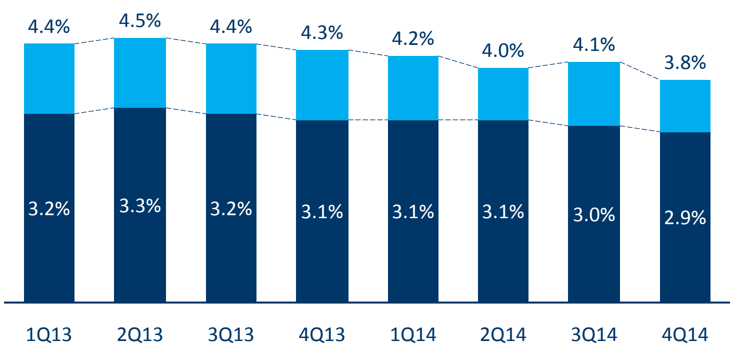


BELGIUM BU

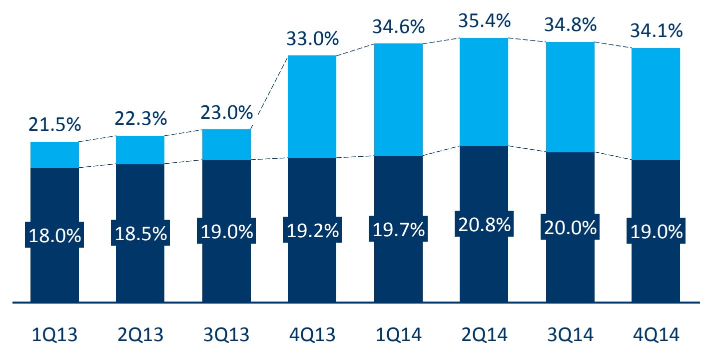


Impaired loans ratio *
of which over 90 days past due **

CZECH REPUBLIC BU

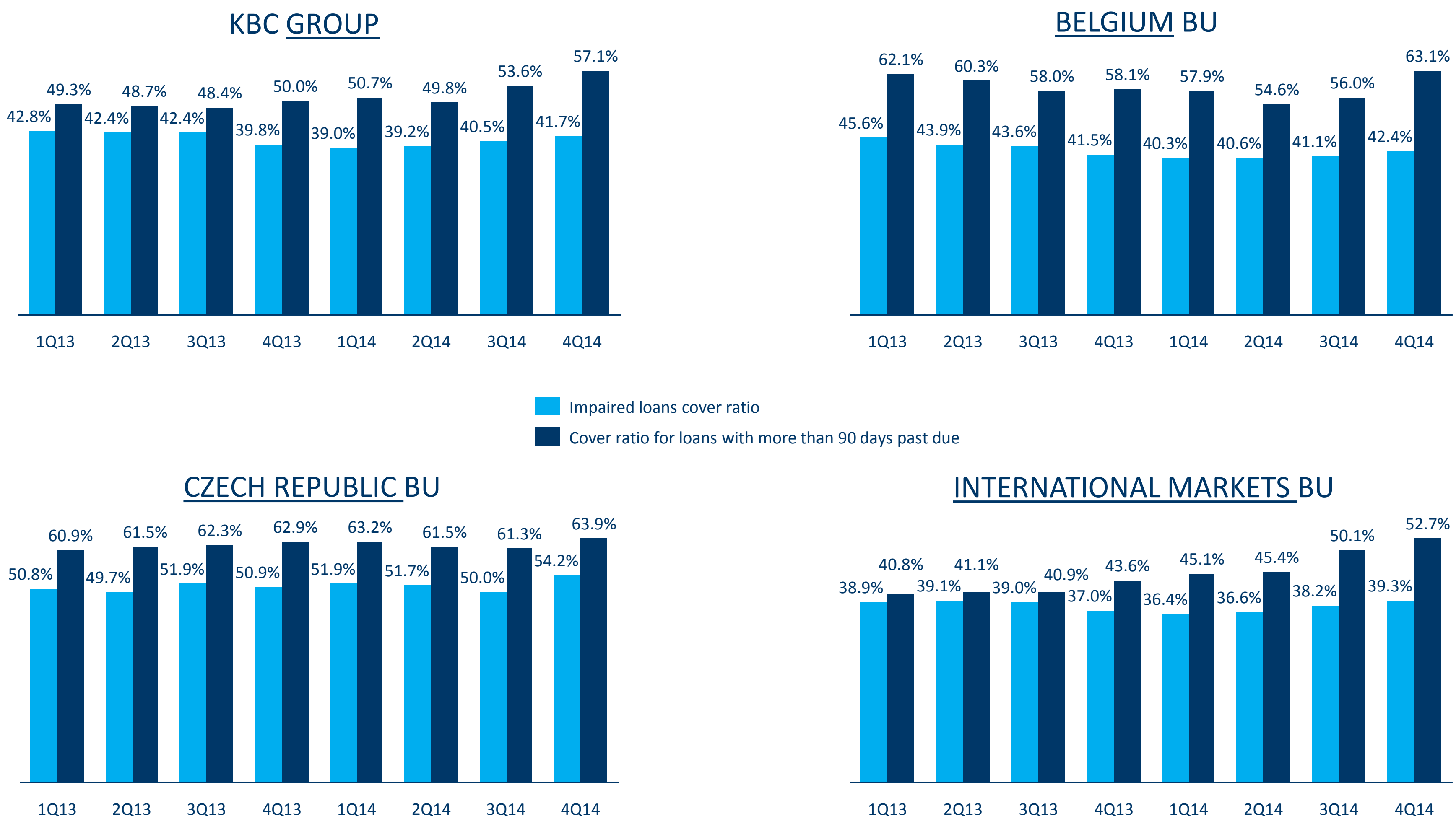


INTERNATIONAL MARKETS BU



* 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



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

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

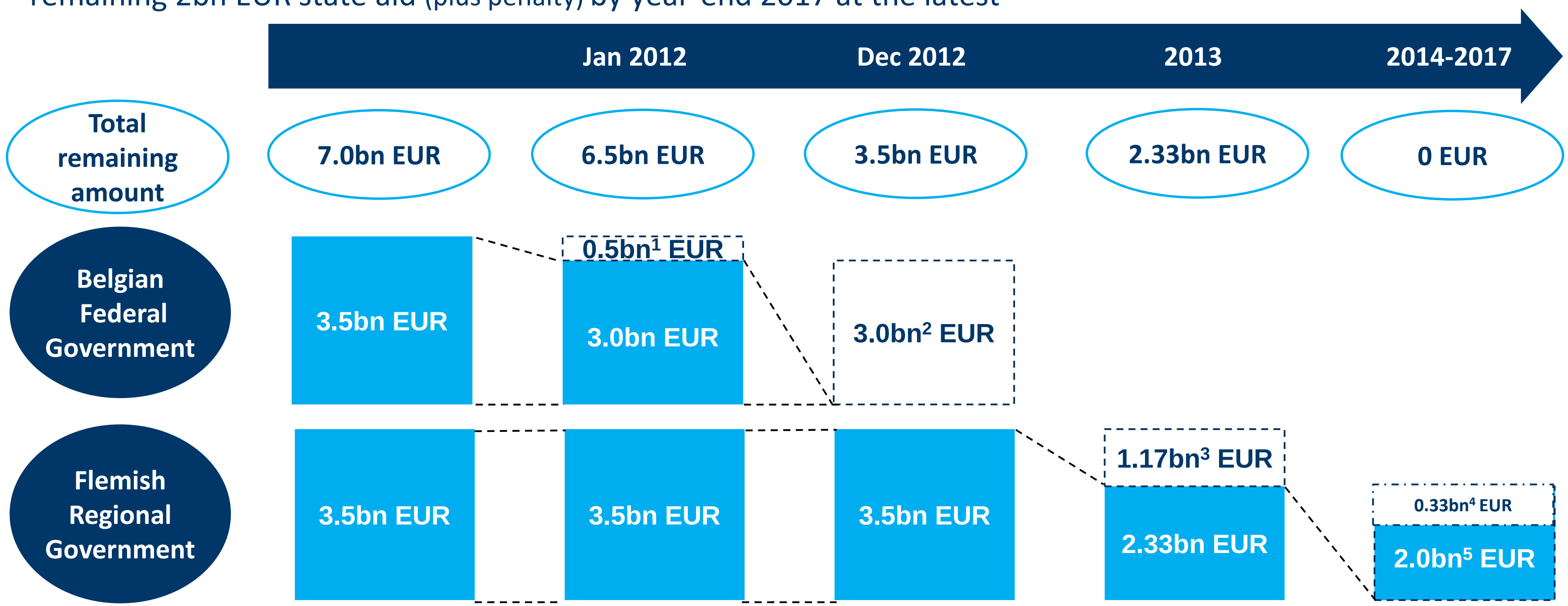
Summary of government transactions

- 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

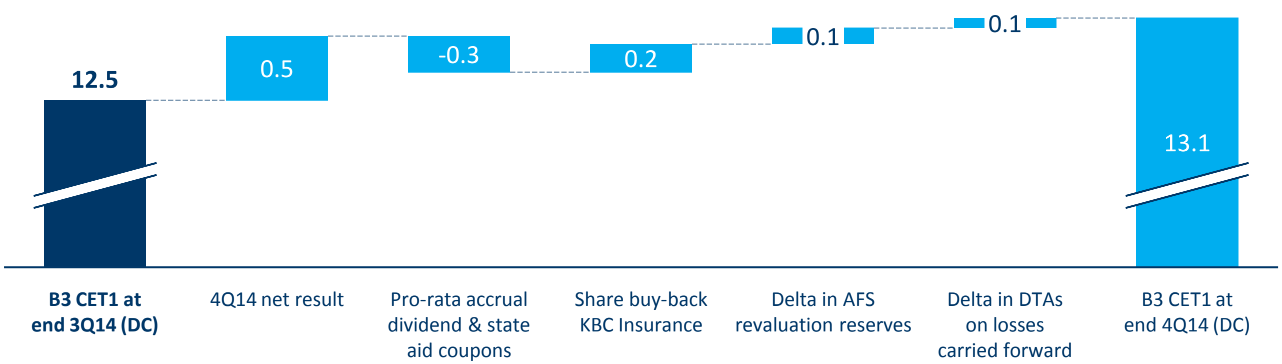
- KBC made accelerated full repayment of 3.0bn EUR of state aid to the Belgian Federal Government in December 2012 and the accelerated repayment of 1.17bn EUR of state aid to the Flemish Regional Government mid-2013, approved by the NBB
- At the beginning of 2014, KBC accelerated the repayment of 0.33bn 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



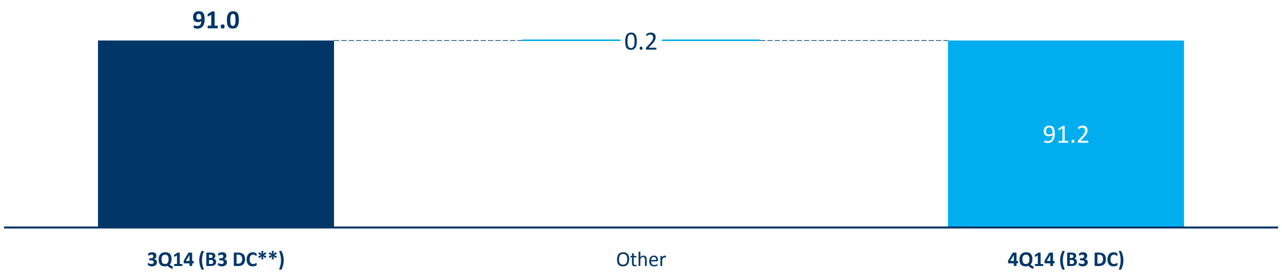
1. Plus 15% penalty amounting to 75m EUR
2. Plus 15% penalty amounting to 450m EUR
3. Plus 50% penalty amounting to 583m EUR
4. Plus 50% penalty amounting to 167m EUR
5. Plus 50% penalty amounting to 1,000m EUR

Fully loaded B3* CET1 based on Danish Compromise (DC) From 3Q14 to 4Q14

DELTA AT NUMERATOR LEVEL (BN EUR)



DELTA ON RWA (BN EUR)



- Fully loaded B3 common equity ratio of approx. 14.3% at end 3Q14 based on Danish Compromise (DC)
- As announced during the Investor Day (17 June 2014), intention to maintain a fully loaded common equity ratio of minimum 10.5%

* Is including remaining State aid of 2bn EUR as agreed with local regulator and also the requirements for prudent valuation

** Is including 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
BBM*, phased-in	11,748	89,742	13.1%
BBM, fully loaded	13,270	92,596	14.3%
DC**, phased-in	12,684	88,382	14.4%
DC, fully loaded	13,076	91,236	14.3%
DM***, fully loaded	11,439	83,607	13.7%

* BBM: Building Block Method
** DC: Danish Compromise
*** DM: Deduction Method

P&L volatility from ALM derivatives

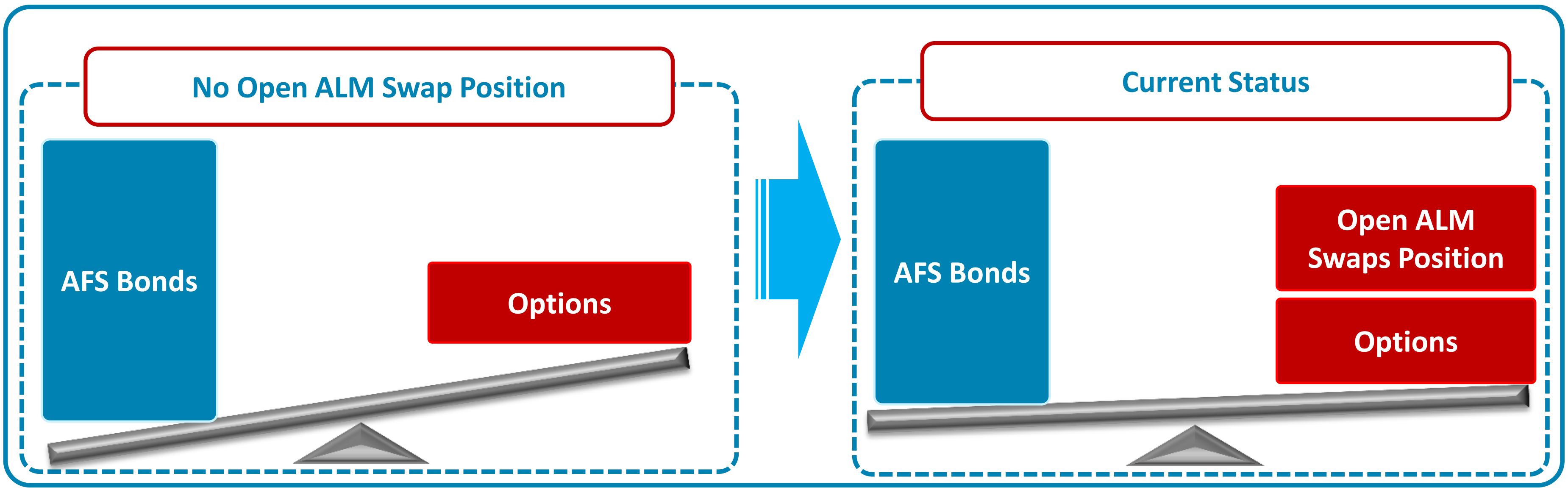
- ALM Derivatives (Swaps and Options) are used to hedge the interest rate risk of the loan & deposit portfolios. This creates an accounting mismatch between derivatives (at market value) and hedged products (at amortised cost)
  - Options are used to hedge the caps/floors that KBC is obliged by law to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

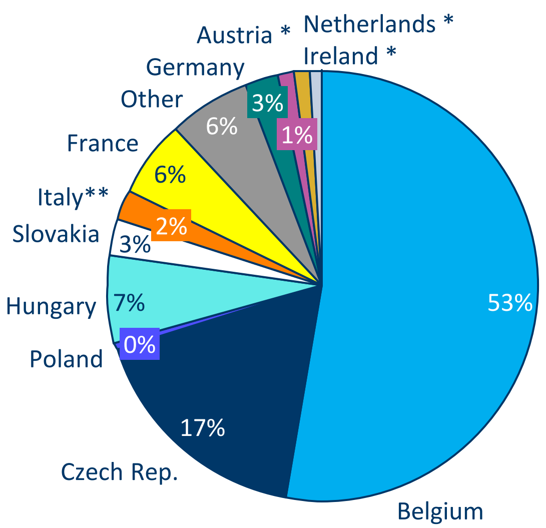
- Keeping part of the ALM swaps outside of hedge accounting reduces the volatility of the capital ratios as shown below (Basel III Fully Loaded + Danish Compromise Insurance Deconsolidation)
- Drawback is more volatility in P&L as revaluation of swaps goes through P&L, while the revaluation of the AFS bonds goes only through capital



Government bond portfolio – Notional value

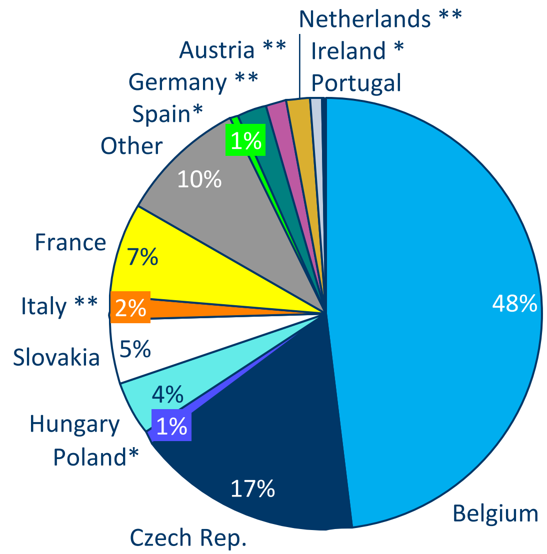
- Notional investment of 46.3bn EUR in government bonds (excl. trading book) at end of 2014, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 3.9bn EUR at end of 2014

END 2012
(Notional value of 47bn EUR)



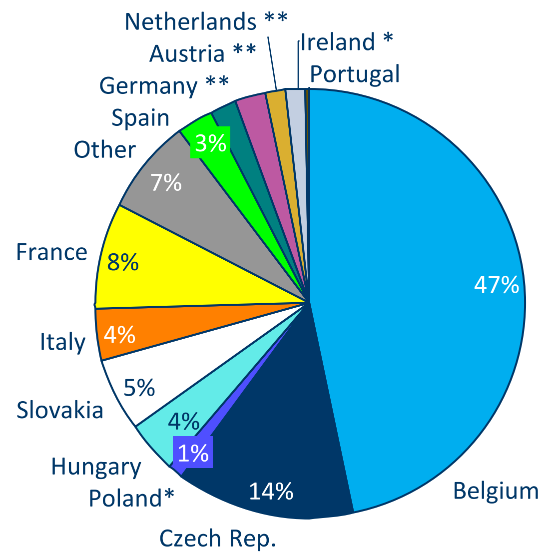
(*) 1%, (**) 2%

END 2013
(Notional value of 45.6bn EUR)



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

END 2014
(Notional value of 46.3bn EUR)

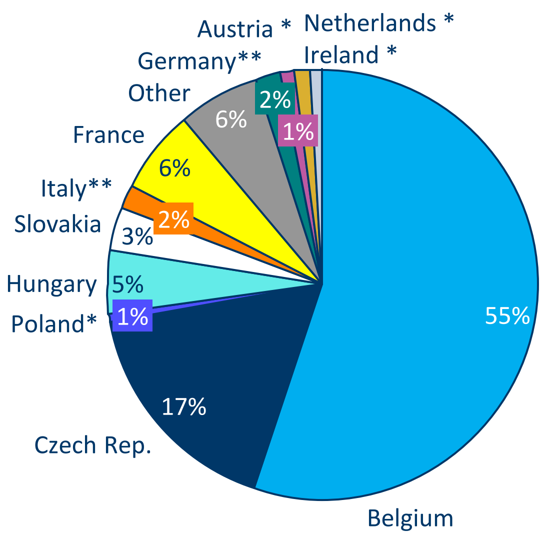


(*) 1%, (**) 2%

Government bond portfolio – Carrying value

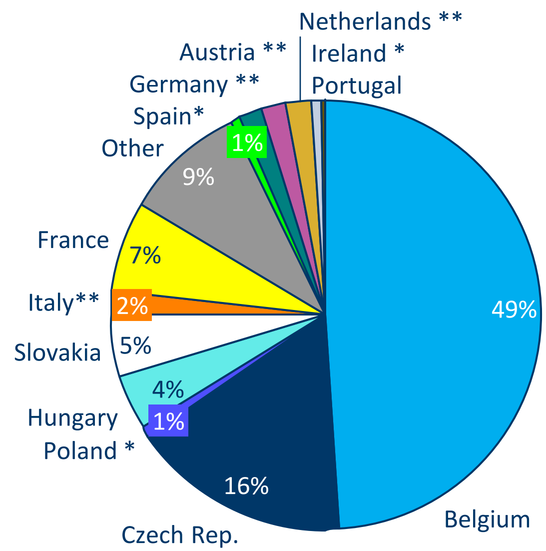
- Carrying value of 50.9bn EUR in government bonds (excl. trading book) at end of 2014, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 4.6bn EUR at end of 2014

END 2012
(Carrying value of 48.8bn EUR)



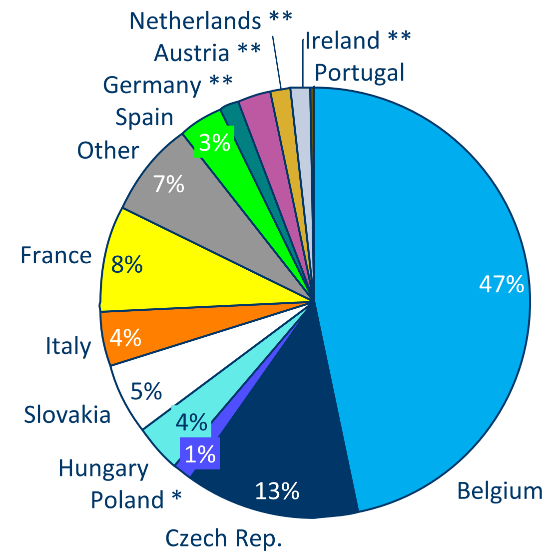
(*) 1%, (**) 2%

END 2013
(Carrying value of 48.5bn EUR)



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

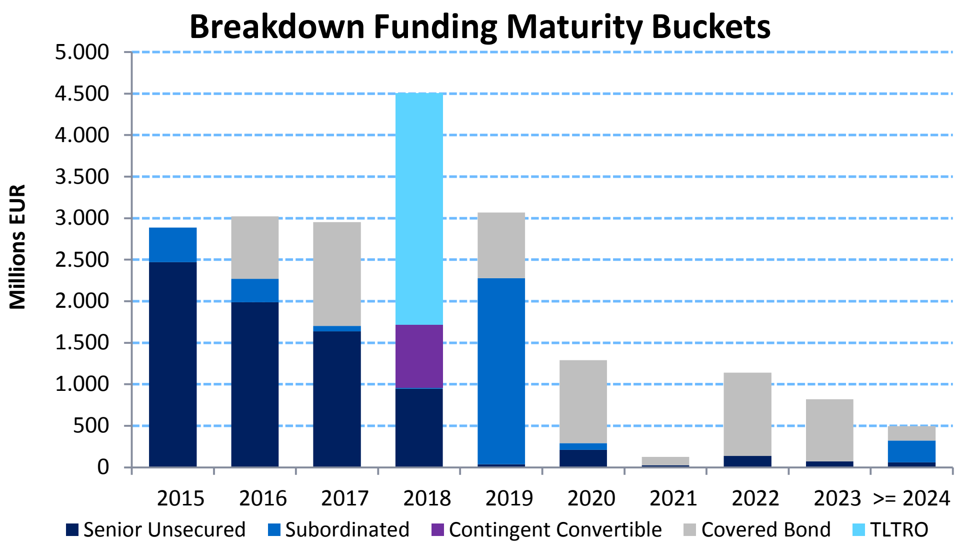
END 2014
(Carrying value of 50.9bn EUR)

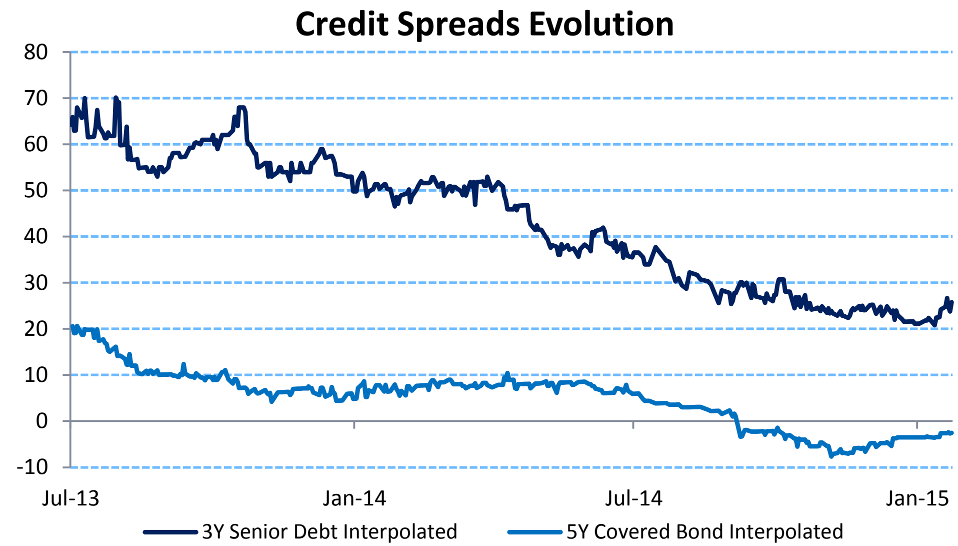


(*) 1%, (**) 2%

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

Upcoming mid-term funding maturities





- KBC successfully issued 1bn EUR covered bonds with 7-year maturity in January 2015
- In 2014, KBC participated in ECB's TLTRO programme with a total take-up of 2.8bn EUR
- KBC's credit and covered bond spreads moved within a tight range during 4Q14
- KBC Bank has 5 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Covered bonds (supporting diversification of the funding mix)
  - Structured notes and covered bonds using the private placement format

Analysts' coverage

Bank/broker	Analyst	Contact details	Rating	Target Price	Upside
ABN Amro	Jan Willem Knoll	janwillem.knoll@nl.abnamro.com	+	50,00	3%
Alpha Value	Christophe Nijdam	c.nijdam@alphavalue.eu	-	43,00	-11%
Autonomous	Farquhar Murray	FMurray@autonomous.com	+	52,00	8%
Bank Degroof	Dirk Peeters	dirk.peeters@degroof.be	-	36,00	-26%
Bank of America Merrill Lynch	Tarik El Mejjad	tarik.el_mejjad@baml.com	+	54,80	13%
Barclays Capital	Kiri Vijayarajah	kiri.vijayarajah@barcap.com	=	47,00	-3%
Berenberg	Eleni Papoula	Eleni.Papoula@berenberg.com	+	50,00	3%
Citi Investment Research	Andrew Coombs	andrew.coombs@citi.com	+	53,00	10%
Deutsche Bank	Flora Benhakoun	flora-a.benhakoun@db.com	+	54,00	12%
Exane BNP Paribas	Guillaume Tiberghien	guillaume.tiberghien@exanebnpparibas.cc	+	50,00	3%
HSBC	Johannes Thormann	Johannes.Thormann@hsbc.de	=	50,00	3%
ING	Albert Ploegh	albert.ploegh@ing.com	+	52,50	9%
JP Morgan Securities	Paul Formanko	paul.formanko@jpmorgan.com	+	58,00	20%
Keefe, Bruyette & Woods	Jean-Pierre Lambert	jplambert@kbw.com	=	49,50	2%
KeplerCheuvreux	Benoit Petrarque	benoit.petrarque@keplercm.com	+	60,00	24%
Macquarie	Patrick Lee	patrick.lee@macquarie.com	-	32,00	-34%
Mediobanca	Riccardo Rovere	riccardo.rovere@mediobanca.it	+	58,00	20%
Morgan Stanley	Sara Minelli	Sara.Minelli@morganstanley.com	=	47,90	-1%
Natixis Securities	Alex Koagne	alex.koagne@sec.natixis.com	+	54,50	13%
Nomura	Matthew Clark	matthew.clark@nomura.com	=	45,00	-7%
Oddo	Julie Legrand	jlegrand@oddo.fr	+	50,00	3%
Petercam	-	-	+	47,80	-1%
Rabo Securities	Cor Kluis	cor.kluis@rabobank.com	+	58,00	20%
Societe Generale	Philip Richards	philip.richards@sgcib.com	=	46,00	-5%
UBS	Anton Kryachok	anton-a.kryachok@ubs.com	=	47,00	-3%

Situation as of 5 February 2015, based on a share price of 48.33 EUR

Glossary

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]
Impaired loans cover ratio	[total impairments (specific) for impaired loans] / [total outstanding impaired loans]. For a definition of 'impaired', see 'Impaired loans ratio'
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
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]
MARS	Mortgage Arrears Resolution Strategy
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)

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