KBC Group / Bank
Debt presentation
August 2015

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- By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.
- Some specific remarks for 2Q15 can be found on slide 77.

2Q 2015 key takeaways for KBC Group

- **STRONG BUSINESS PERFORMANCE IN 2Q15**

  Exceptionally good net result of 666m EUR in 2Q15 (and 1.18bn EUR in 1H15), 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
  - Resilient net interest income, despite lower NIM q-o-q
  - Q-o-q slight increase of net fee and commission income
  - Significantly higher net gains from financial instruments at fair value and net other income, but lower realised AFS gains
  - Excellent combined ratio (91% in 2Q15 and 86% YTD). Good sales of non-life insurance products, while sales of life insurance products were lower
  - Good cost/income ratio (52% in 2Q15 and YTD) adjusted for specific items
  - Good level of impairment charges. Loan loss provisions in Ireland amounted to 16m EUR in 2Q15. We have fine-tuned our guidance for Ireland towards the lower end of the 50m-100m EUR range for both FY15 and FY16

- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - **Common equity ratio** (B3 fully loaded[1]) of **16.7% based on the Danish Compromise** and of **16.4% based on the FICOD[2]** at end 1H15, which clearly exceeds the fully loaded CET1 ratio target of 10.5% set by the ECB
  - Fully loaded B3 **leverage ratio**, based on the current CRR legislation, amounted to **6.7%** at KBC Group
  - **Continued strong liquidity position** (NSFR at 126% and LCR at 130%) at end 1H15

1. Including remaining state aid of 2bn EUR
2. FICOD: Financial Conglomerate Directive

Contents

Overview of key financial data at 2Q 2015

KBC Group

- Market cap (18/08/15): 26bn
- Net result 1H 2015: EUR 1.2bn
- Total assets: EUR 257bn
- Total equity: EUR 17bn
- CET1 ratio (Basel 3 transitional[1]): 16.9%
- CET1 ratio (Basel 3 fully loaded[1]): 16.7%

KBC Bank

- Net result 1H 2015: EUR 1.0bn[2]
- Total assets: EUR 222bn
- Total equity: EUR 13bn
- CET1 ratio (Basel 3 transitional): 13.0%
- CET1 ratio (Basel 3 fully loaded): 12.8%
- C/I ratio: 47%[3]

KBC Insurance

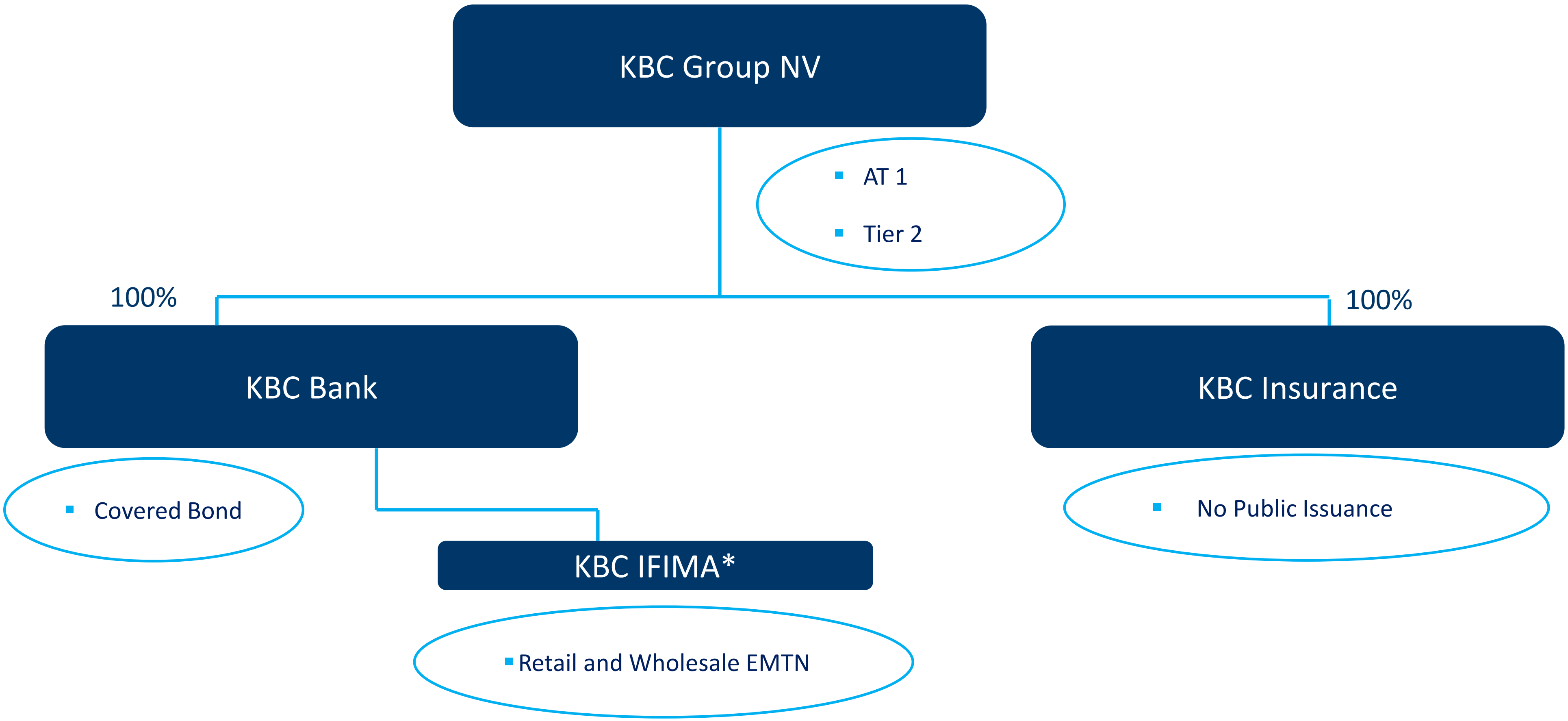
- Net result 1H 2015: EUR 0.2bn
- Total assets: EUR 39bn
- Total equity: EUR 3bn
- Solvency I ratio: 281%
- Combined operating ratio: 91%

Credit Ratings of KBC Bank

	S&P	Moody's	Fitch
Long-term	**A (Negative)**	**A2 (Positive)**	**A- (Stable)**
Short-term	**A-1**	**Prime-1**	**F1**

1. Including the remaining State Aid of 2bn EUR
2. Includes KBC Asset Management ; excludes holding company eliminations
3. Adjusted for specific items, the C/I ratio amounted to c.52% in 2Q 2015

Group’s legal structure and issuer of debt instruments



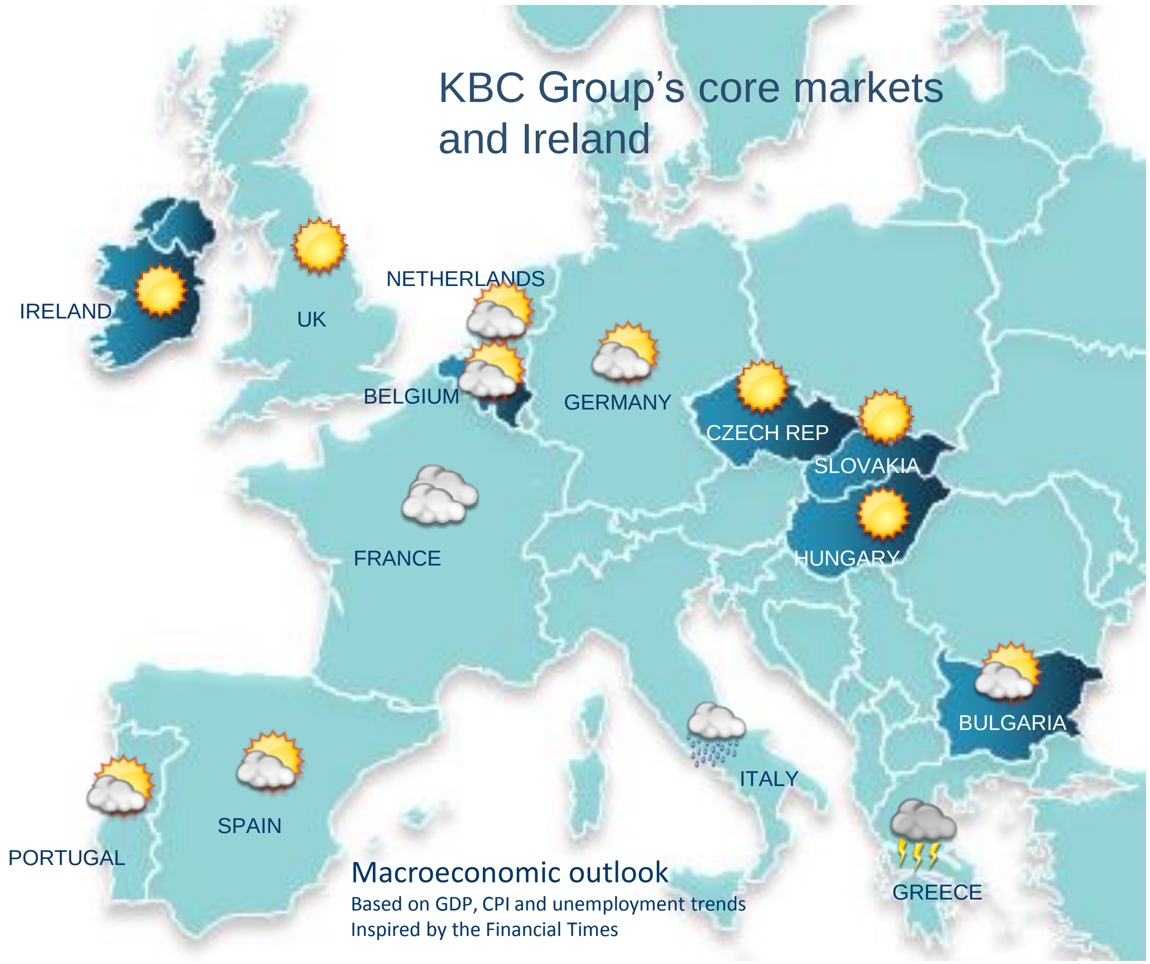
* All debt obligations of KBC IFIMA are unconditionally and irrevocably guaranteed by KBC Bank.

Overview of KBC Group

- STRONG **BANK-INSURANCE GROUP PRESENT WITH LEADING MARKET POSITIONS IN ITS CORE GEOGRAPHIES** (BELGIUM AND CEE)
  - A leading financial institution in both Belgium and the Czech Republic
  - Business focus on Retail, SME & Midcap clients
  - Unique selling proposition: in-depth knowledge of local markets and profound relationships with clients

- **INTEGRATED BANK-INSURANCE BUSINESS MODEL**, LEADING TO HIGH CROSS-SELLING RATES
  - Strong value creator with good operational results through the cycle
  - Integrated model creates cost synergies by avoiding overlap of supporting entities and generates added value for our clients through a complementary and optimised product and service offering

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



MARKET SHARE (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%	14%	3%	3%	1%
2014	1.1%	2.0%	2.4%	3.6%	1.7%
2015e	1.4%	2.8%	3.0%	3.1%	1.7%
2016e	1.7%	2.6%	3.2%	2.5%	2.0%

1. Source: KBC data, August 2015

Business profile

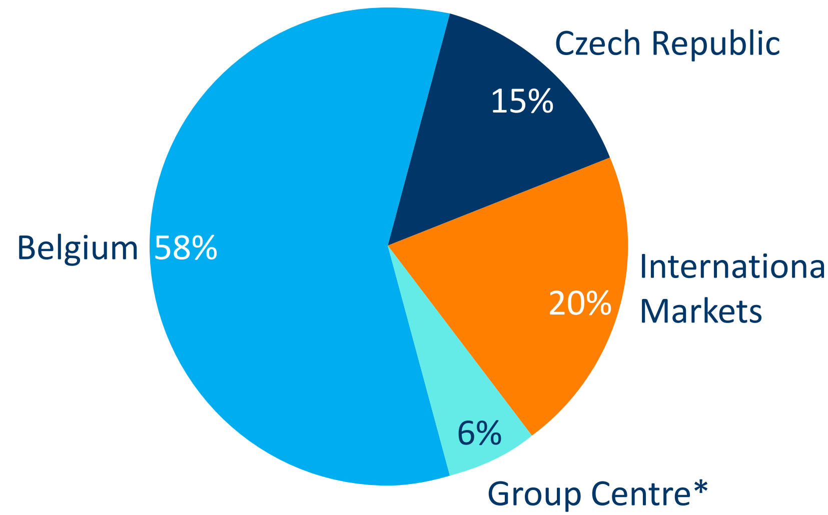
CFO SERVICES

CRO SERVICES

BELGIUM | **CZECH REPUBLIC** | **INTERNATIONAL MARKETS**

CORPORATE STAFF

BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AT 30 JUNE 2015



*Covers inter alia impact own credit risk and results of holding company

KBC Group going forward:
To be among the best performing retail-focused institutions in Europe

- KBC wants to 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

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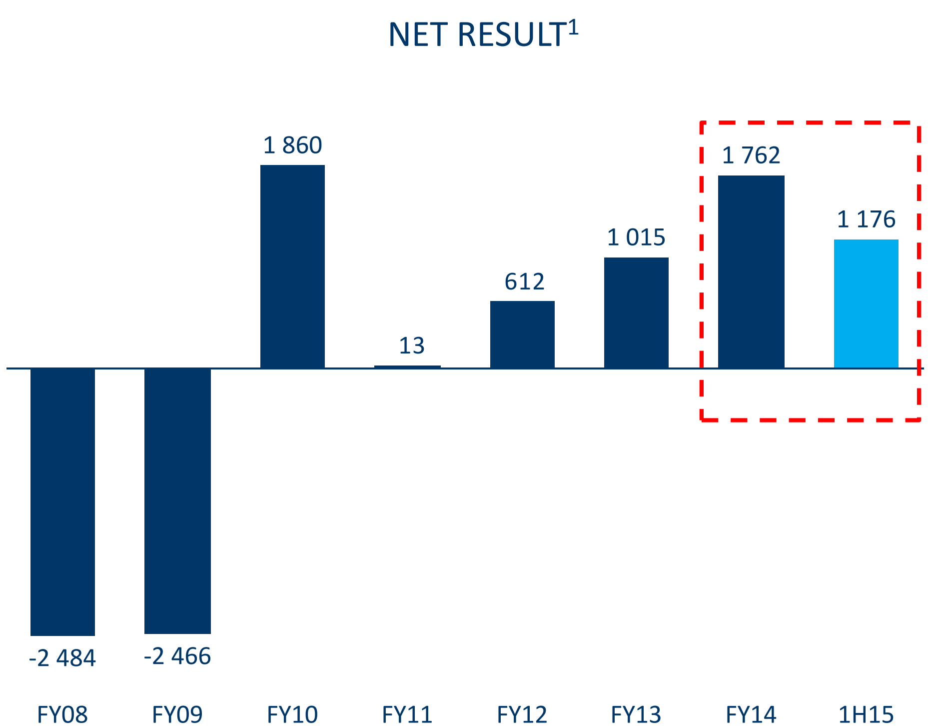
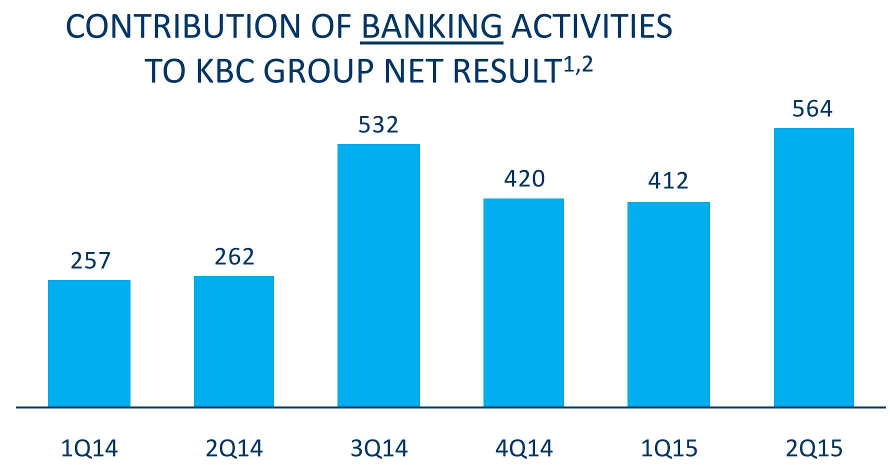
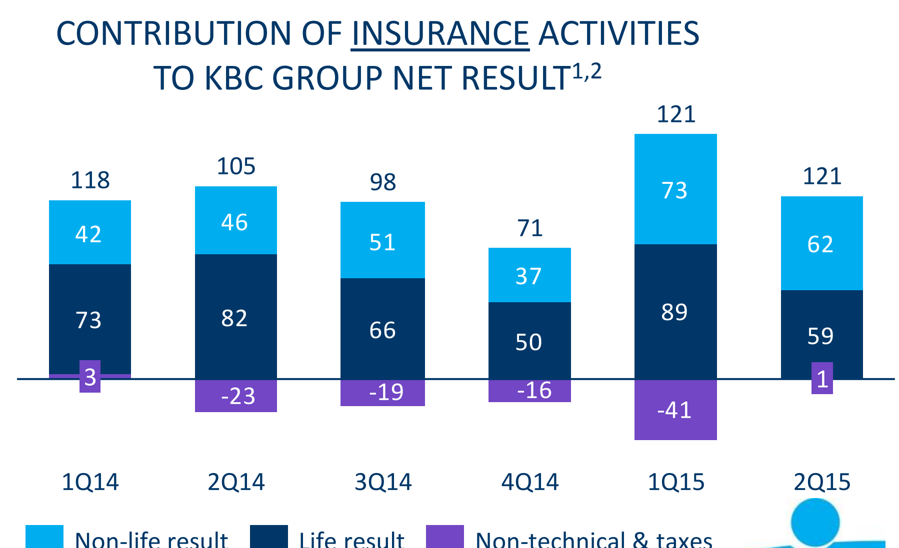
Earnings capacity







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

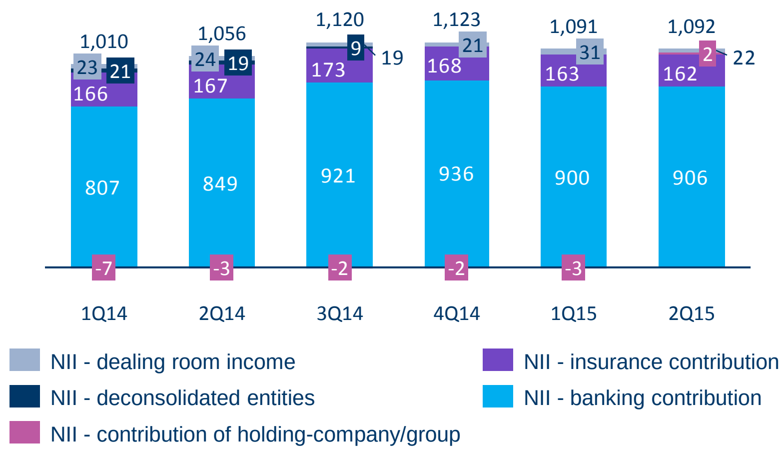
2 Difference between the net result at KBC Group and the sum of the banking and insurance contribution are the holding-company/group items

Amounts in m EUR

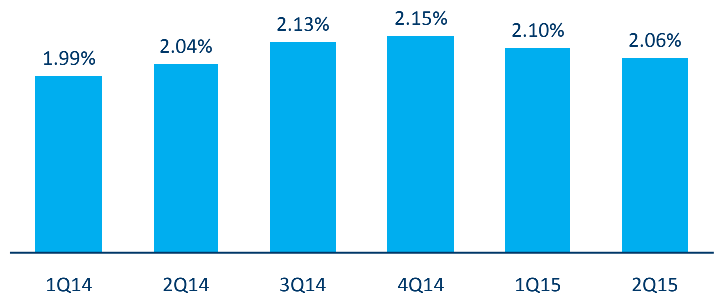
Flat net interest income and margin slightly under pressure

NII

Amounts in m EUR



NIM



- **Net interest income**
  - Stabilised q-o-q, but increased by 3% y-o-y (flat q-o-q and +5% y-o-y pro forma, disregarding the change in the consolidation scope)
  - The stabilisation q-o-q was driven primarily by:
    - lower funding costs
    - additional rate cuts on savings accounts
    - volume growth

    partly offset by:
    - mortgages in Belgium: lower upfront prepayment fees (4m EUR less fees in 2Q15) and hedging losses on previously refinanced mortgages
    - lower reinvestment yields
    - 9m EUR lower dealing room related NII
  - The 5% 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
  - Increasing customer loan and deposit volumes q-o-q
- **Improved net interest margin (2.06%)**
  - Down by 4 bps q-o-q and up by 2 bps y-o-y
  - Q-o-q decrease is almost entirely due to lower reinvestment yields (mainly visible in the Czech Republic) and increase in debt instruments (Group Centre), partly compensated by lower funding costs in Ireland

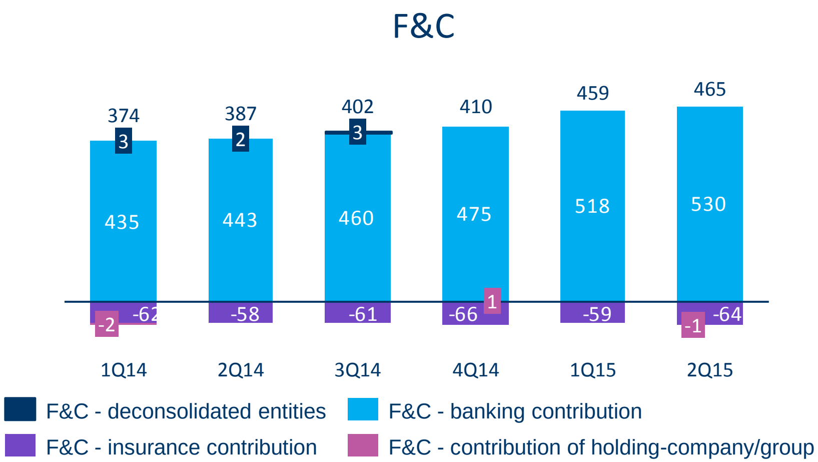
Customer deposit volumes excluding debt certificates & repos +3% q-o-q and +9% y-o-y

VOLUME TREND

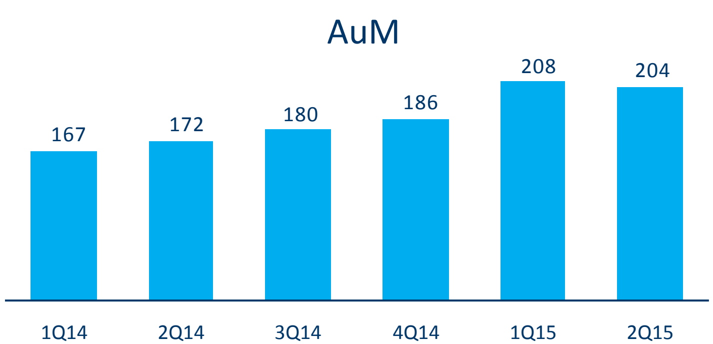
Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	125bn	54bn	162bn	204bn	28bn
Growth q/q*	+1%	+1%	+2%	-2%	-1%
Growth y/y	+3%	+4%	+8%	+18%	+3%

* 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

Strong net fee and commission income and AuM



Amounts in m EUR



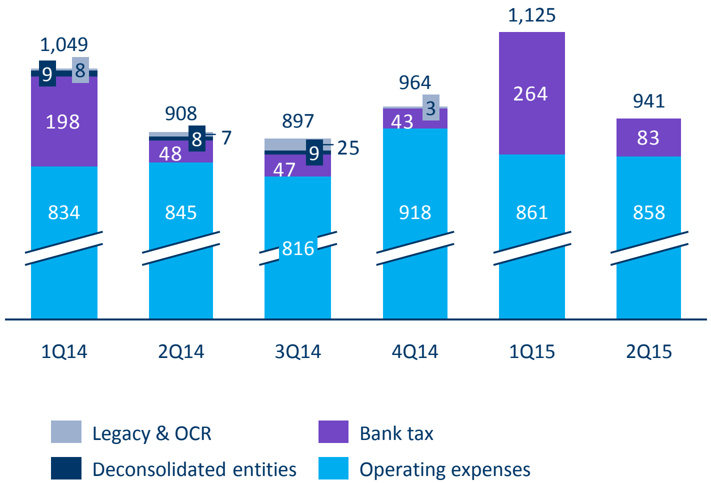
Amounts in bn EUR

- **Strong net fee and commission income**
  - Increased by 1% q-o-q and by 20% y-o-y (+1% q-o-q and +21% y-o-y pro forma, disregarding the change in the consolidation scope)
  - Q-o-q increase was mainly the result of:
    - higher management fees from mutual funds and higher fees from securities transactions in Belgium
    - higher fee income from transactional services (traditionally lower in 1Q) and investment services in Hungary
  - Y-o-y increase resulted chiefly 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 (benefiting from the refinancing of mortgage loans) and higher fees from securities transactions in Belgium

- **Assets under management (204bn EUR)**
  - Down by 2% q-o-q as a result of net inflows (+1%) and a negative price effect (-3%).
  - Rose by 18% y-o-y owing to net inflows (+9%) and a positive price effect (+9%)

Operating expenses down and good cost/income ratio (adjusted for specific items)

OPERATING EXPENSES



EXPECTED BANK TAX SPREAD (including ESRF contribution)

	TOTAL	Upfront		Spread out over the year			
	2Q15	1Q15	2Q15	1Q15	2Q15	3Q15e	4Q15e
BU BE	**49**	160	49	0	0	0	0
BU CZ	**10**	11	0	9	10	9	9
Hungary	**20**	56	1	16	19	18	18
Slovakia	**4**	3	1	3	3	3	3
Bulgaria	**1**	0	0	1	1	1	1
Ireland	**0**	2	0	0	0	0	1
GC	**0**	5	0	0	0	0	0
TOTAL	**83**	**237**	**51**	**28**	**32**	**30**	**32**

Amounts in m EUR

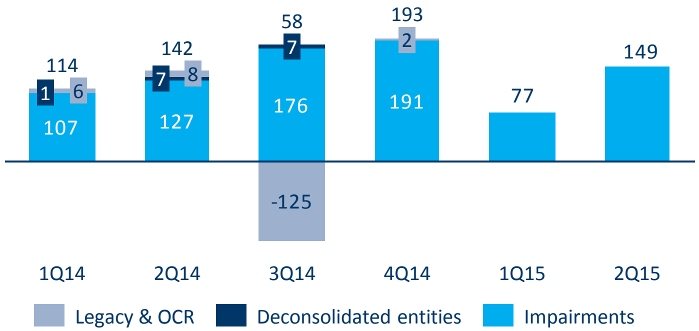
- **Cost/income ratio (banking) adjusted for specific items* at a good 52% in 2Q15 and YTD**
  - The C/I ratio of 47% in 2Q15 was driven by high M2M ALM derivatives and high other net income, and only somewhat affected by the upfront recognition of the annual deposit guarantee scheme levy in Belgium
  - Operating expenses without bank tax stabilised q-o-q as:
    - higher staff expenses in Belgium
    - higher marketing expenses in Belgium and the Czech Republic
    - higher facilities expenses and severance payments in the Czech Republic

    were fully offset by:
    - lower ICT expenses in Belgium and the Czech Republic
    - lower staff expenses in the Czech Republic
  - Operating expenses without bank tax stabilised y-o-y (and +1% pro forma, disregarding the change in the consolidation scope) as higher pension expenses in Belgium were offset by lower costs in the Group Centre
  - Due to IFRIC 21, certain levies (including the new European Single Resolution Fund) have to be recognised in advance, and this adversely impacted the results for 1Q15. In 2Q15, the ESRF for CSOB Slovakia was also booked at 100% due to a change in local legislation. Based on a recent recommendation by the ESMA/FSMA, KBC has furthermore aligned the accounting treatment of the annual deposit guarantee scheme levy in 2Q15. As a result, the second quarter figures include a 29m EUR charge related to the upfront recognition in Belgium

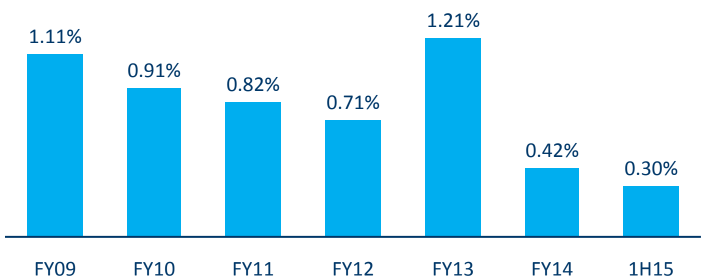
* See glossary (slide 78) for the exact definition

Higher asset impairment, continuing good credit cost and decreasing impaired loans ratio

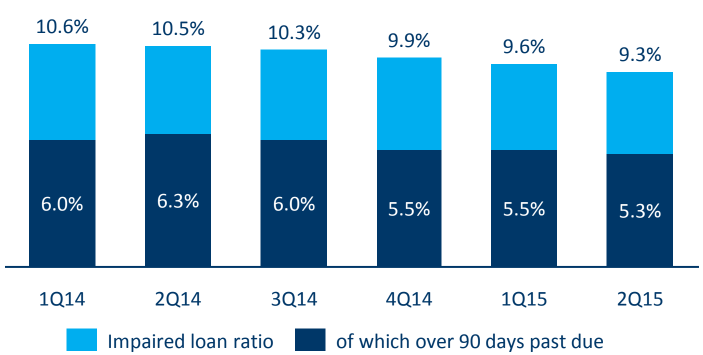
ASSET IMPAIRMENT



CCR RATIO



IMPAIRED LOANS RATIO



- **Higher but still moderate impairment charges q-o-q**
  - In 2Q15, a parameter adjustment was made to the IBNR-models. This resulted in an increase of impairments by roughly 34m EUR (of which 21m EUR in the Belgium BU and 11m EUR in the Czech BU)
  - The q-o-q increase of loan loss provisions was attributable mainly to:
    - a 34m EUR increase due to IBNR parameter changes
    - a 33m EUR increase in the Group Centre (mainly at ADB and KBC Finance Ireland)
    - Ireland (16m EUR compared with 7m in 1Q15 and 62m EUR in 2Q14)
  - Compared with the 2Q14 pro forma level, higher loan loss provisions were recorded mainly in Belgium and the Czech Republic (both as a result of an unsustainable low level recorded in 2Q14 and the increase of IBNR impairments in 2Q15), partly offset by lower loan loss provisions in Ireland
  - Impairment of 7m EUR on AFS shares (in Belgium and Group Centre) and 5m EUR in 'other' (in Belgium)

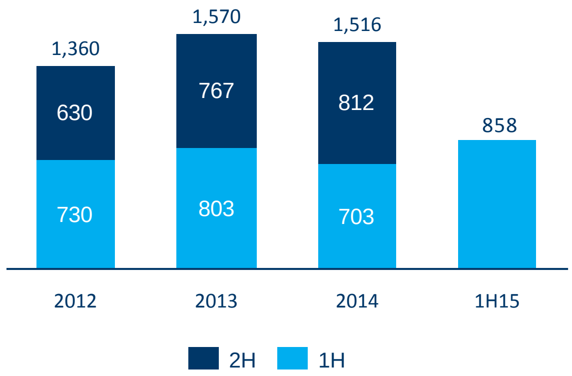
- The **credit cost ratio** only amounted to 0.30% in 1H15 due to low gross impairments and some releases in 1Q15, despite an increase of IBNR impairments (due to parameter changes) by approximately 34m EUR in 2Q15

- The **impaired loans ratio** dropped to 9.3%

Overview of results based on business units

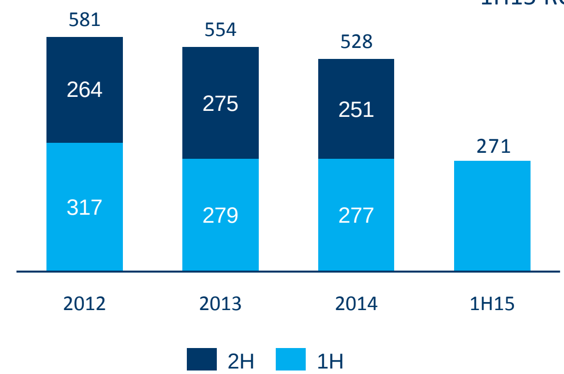
NET PROFIT – **BELGIUM**

1H15 ROAC: 28%



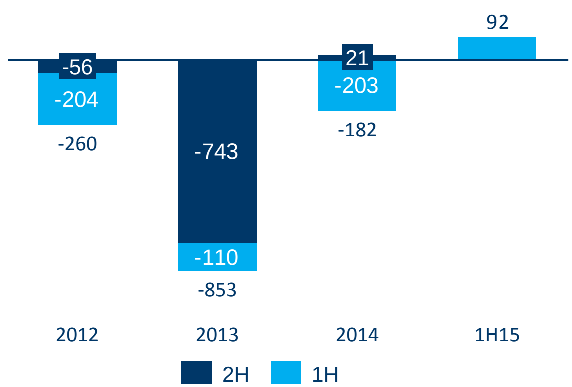
NET PROFIT – **CZECH REPUBLIC**

1H15 ROAC: 37%

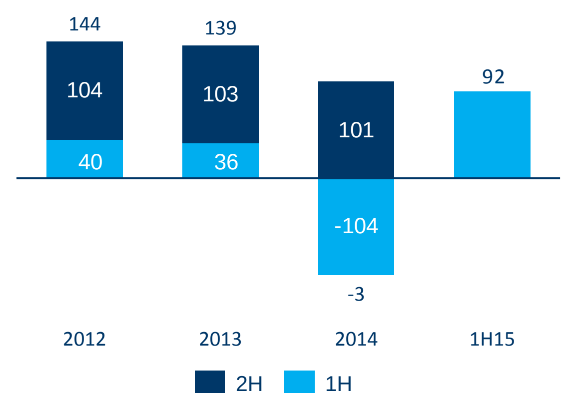


NET PROFIT – **INTERNATIONAL MARKETS**

1H15 ROAC: 9%



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



Amounts in m EUR

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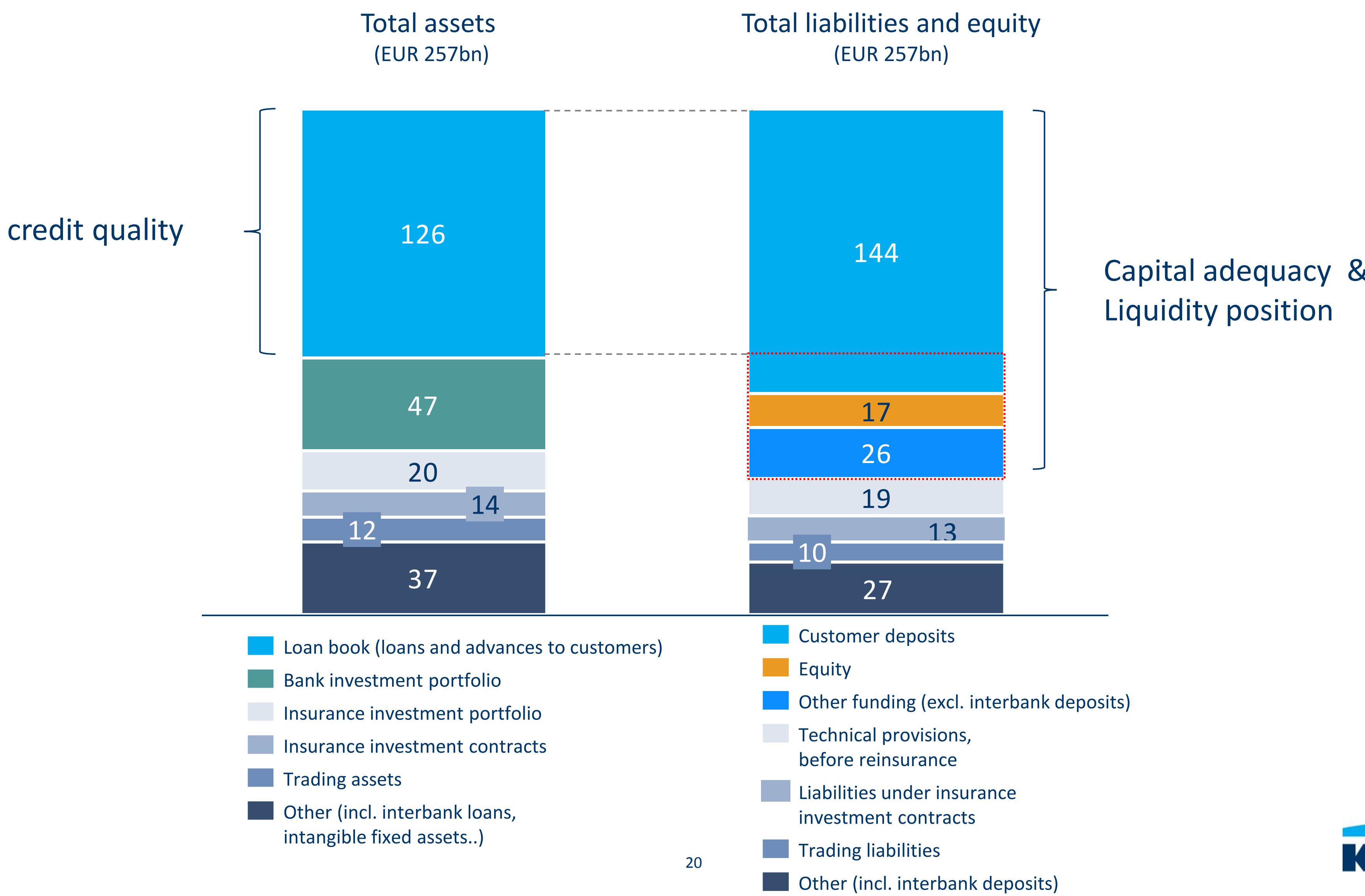
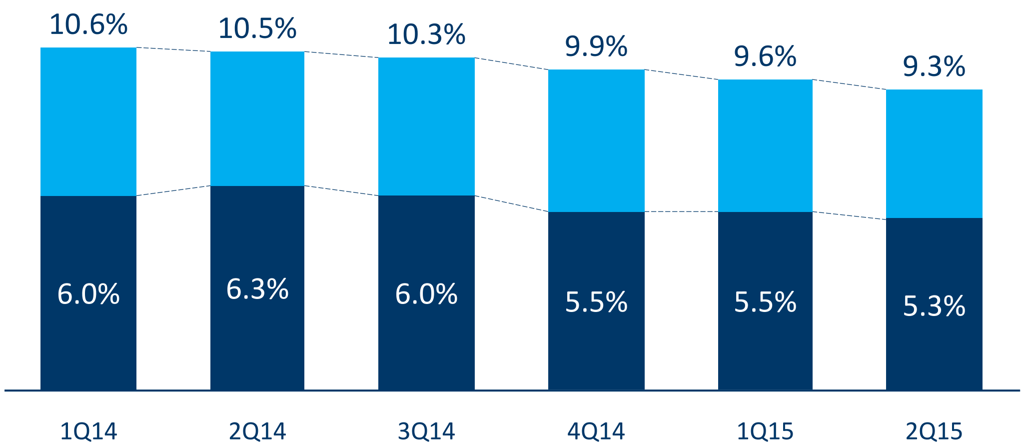
Balance sheet
(KBC Group consolidated at 30 June 2015)



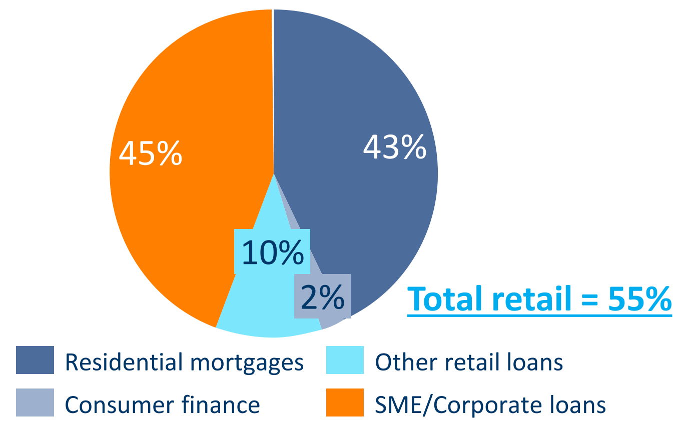
Impaired loans ratios of KBC Group and per Business Unit, *incl. of which over 90 days past due*

KBC GROUP

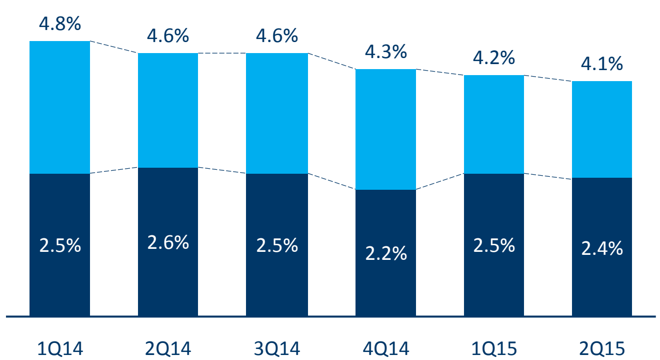


CUSTOMER LOAN BOOK: EUR 126bn at 30-06-2015

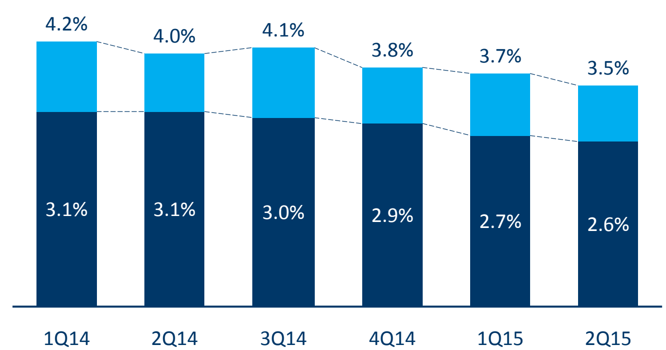
(LARGELY SOLD THROUGH OWN BRANCHES)



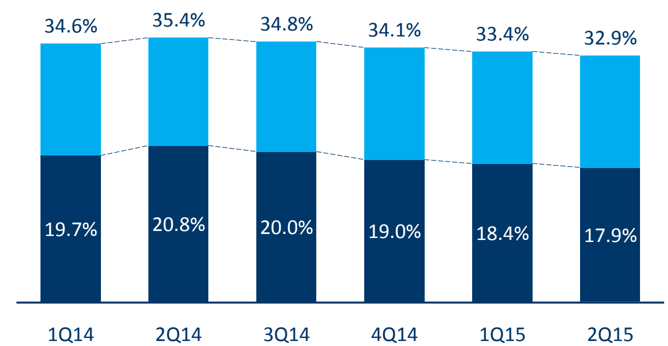
BELGIUM BU



CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU



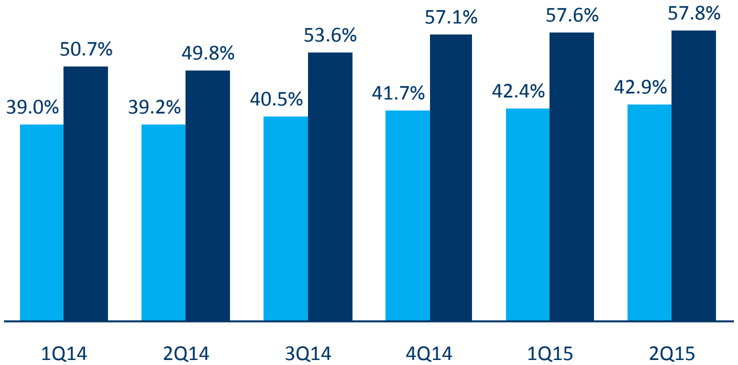
Impaired loans ratio * | of which over 90 days past due **

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

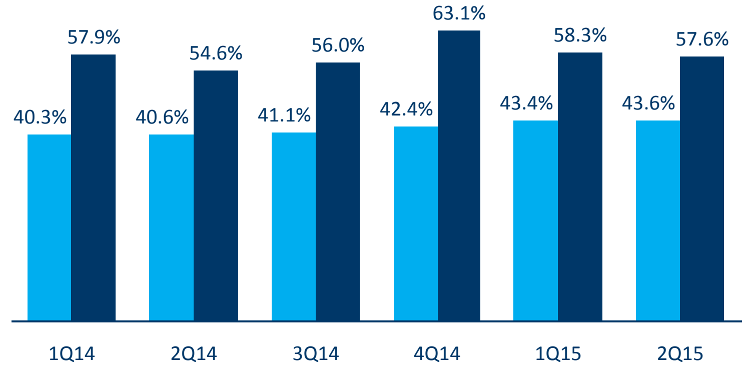
** of which total outstanding loans with over 90 days past due (PD 11-12)/total outstanding loans

Cover ratios

KBC GROUP



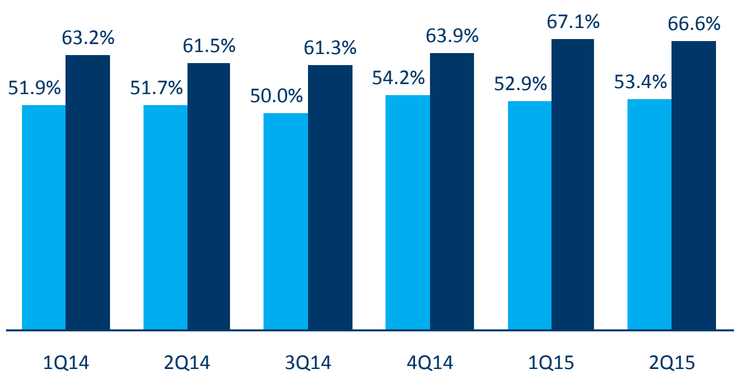
BELGIUM BU



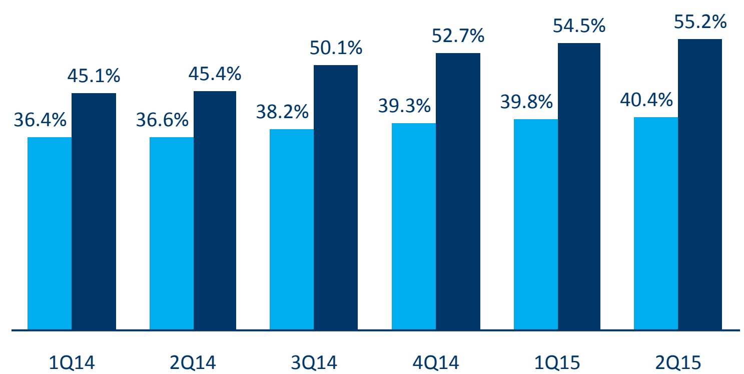
Impaired loans cover ratio

Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU



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

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

Loan loss experience at KBC

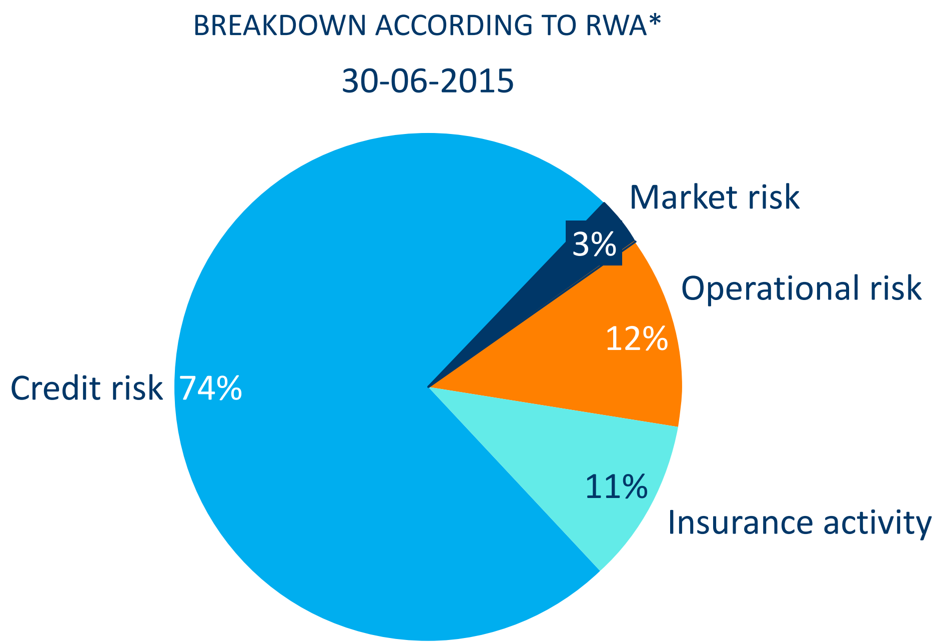
	1H15 CREDIT COST RATIO	FY14 CREDIT COST RATIO	FY13 CREDIT COST RATIO	FY 2012 CREDIT COST RATIO	AVERAGE ‘99 –’14
Belgium	**0.29%**	0.23%	0.37%	0.28%	n/a
Czech Republic	**0.18%**	0.18%	0.26%	0.31%	n/a
International Markets	**0.35%**	1.06%	4.48%[1]	2.26%*	n/a
Group Centre	**0.72%**	1.17%	1.85%	0.99%	n/a
Total	**0.30%**	**0.42%**	**1.21%[2]**	**0.71%**	**0.54%**

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

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

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

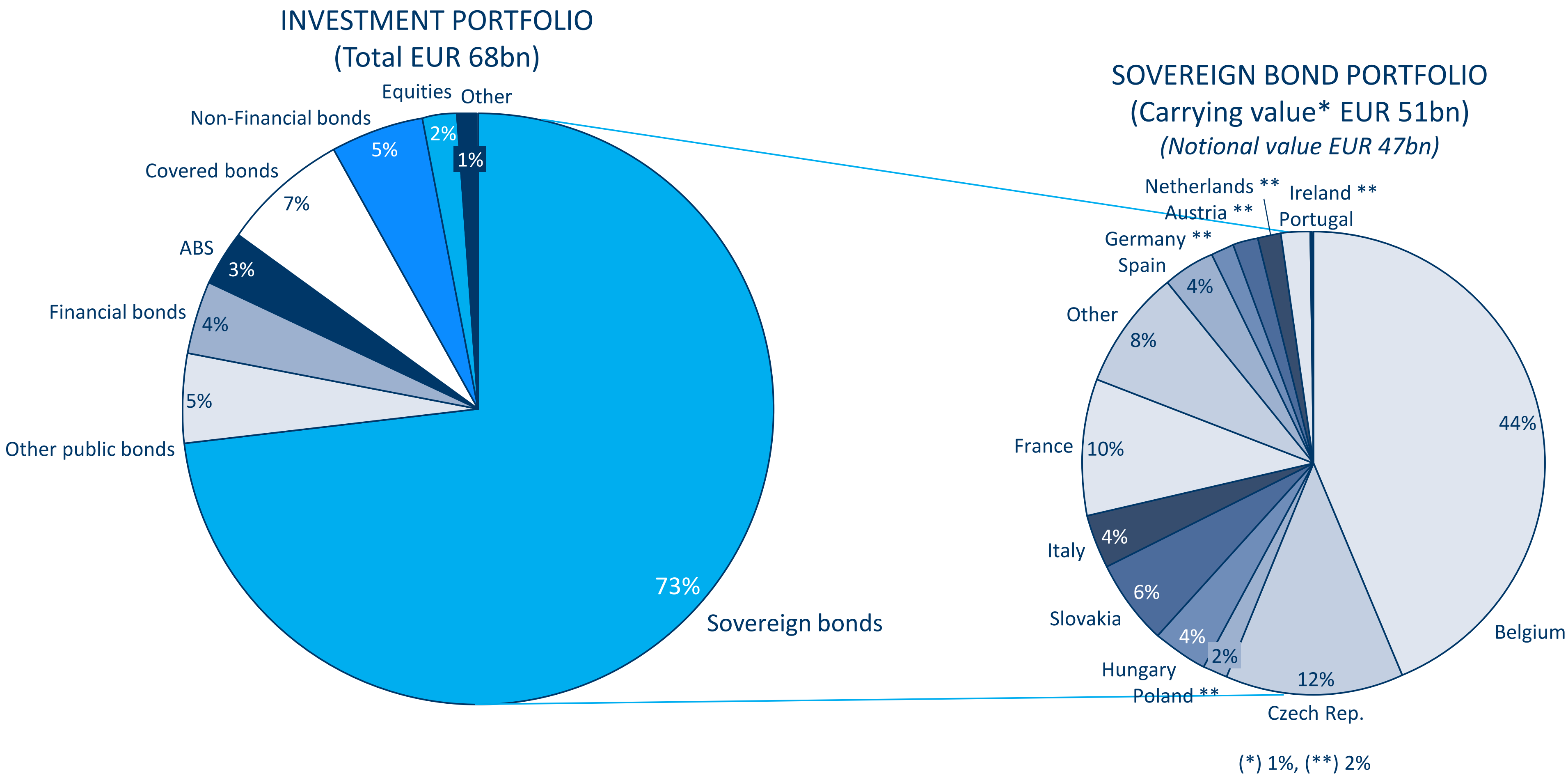
Limited trading activity at KBC Group



Traditional dealing rooms, Brussels by far the largest, focus mainly on trading in interest rate instruments and for client-related business. Abroad, dealing rooms focus primarily on providing customer service in money and capital market products, on funding local bank activities and engage in limited trading for own account in local niches.

* RWA on fully loaded basis and under Danish Compromise

Investment portfolio (as per 30/06/2015)

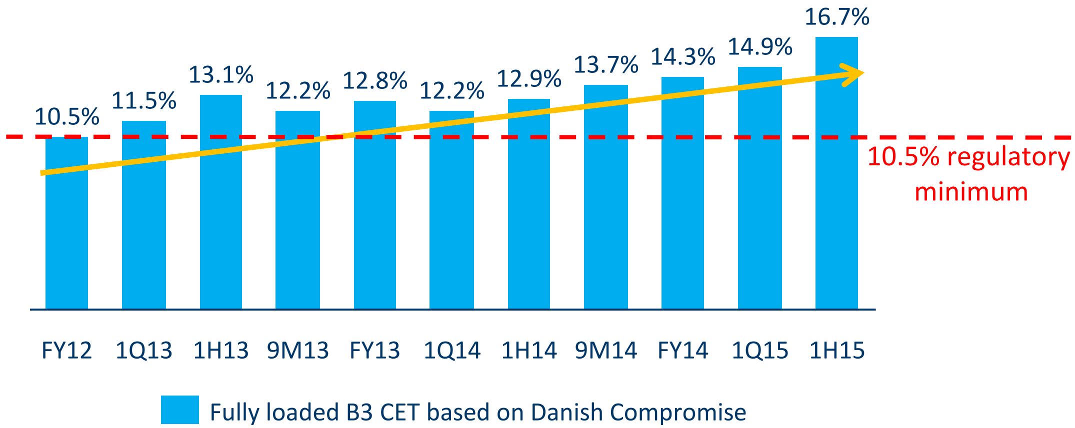


* Carrying value is the amount at which an asset [or liability] is recognised: for those not valued at fair value this is after deducting any accumulated depreciation (amortisation) and accumulated impairment losses thereon, while carrying amount is equal to fair value when recognised at fair value

Contents

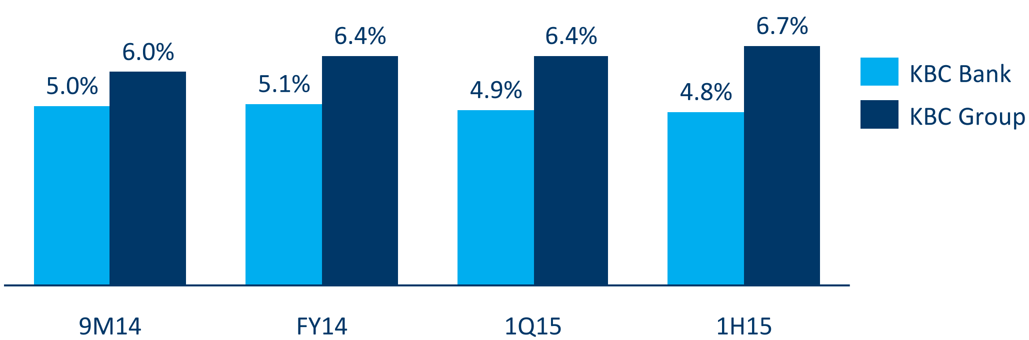
Strong capital position

KBC Group fully loaded Basel 3 CET1 ratio



- **Common equity ratio (B3 fully loaded[1]) of 16.7%** based on the Danish Compromise and of 16.4% based on the FICOD[2] at end 1Q15, which **clearly exceeded** the fully loaded CET1 ratio target of 10.5% set by the ECB

Fully loaded Basel 3 leverage ratio



- **Fully loaded B3 leverage ratio, based on the current CRR legislation** (which was adapted during 4Q14):
  - **4.8%** at KBC Bank Consolidated
  - **6.7%** at KBC Group[1]

1 Including remaining state aid of 2bn EUR as agreed with regulator and also the requirements for prudent valuation
2 FICOD: Financial Conglomerate Directive

Overview of B3 CET1 ratios at KBC Group

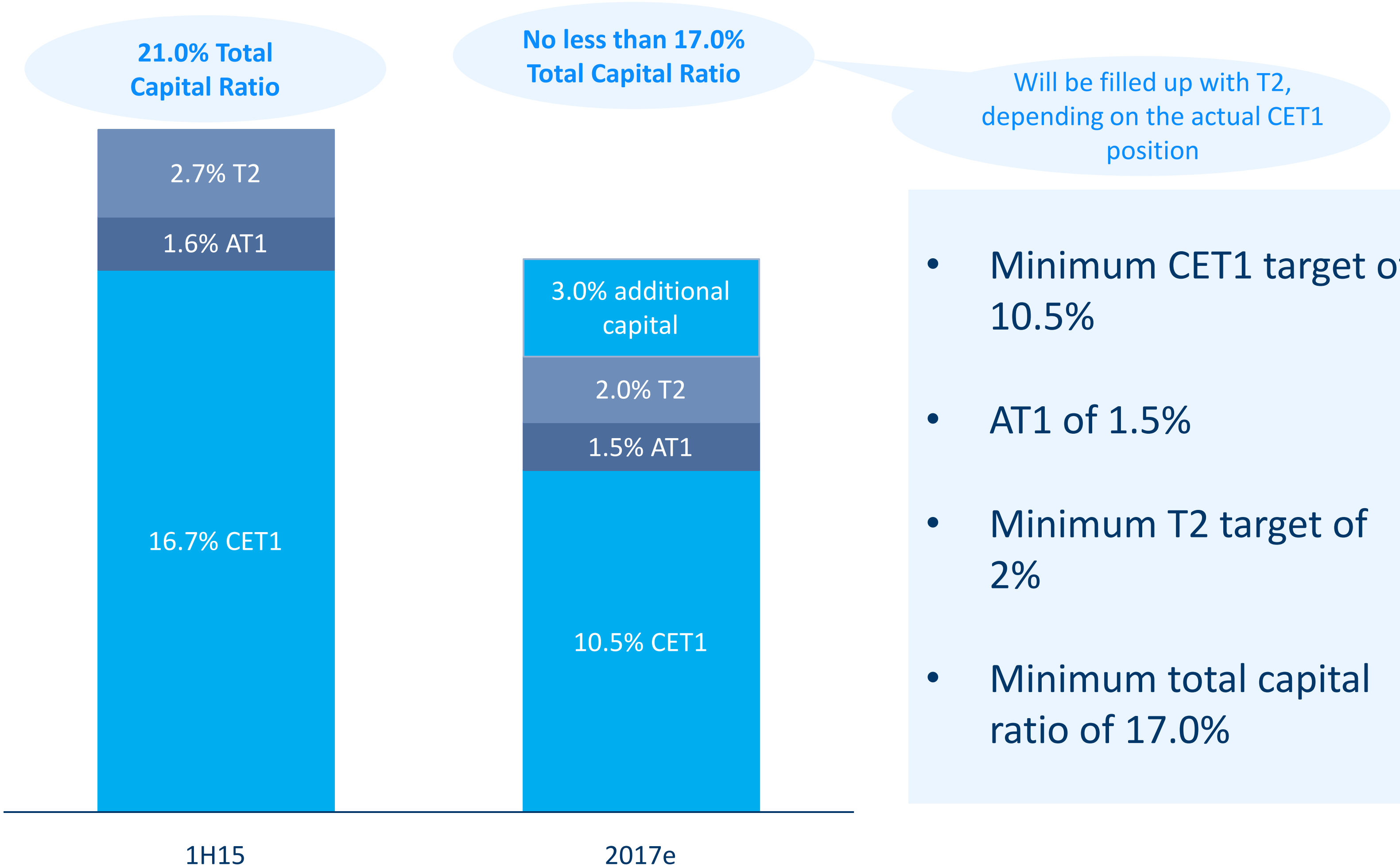
Method	Numerator	Denominator	B3 CET1 ratio
FICOD[1], phased-in	14 534	87 579	16.6%
FICOD, fully loaded	14 754	89 811	16.4%
DC[2], phased-in	14 248	84 375	16.9%
DC, fully loaded	14 468	86 607	16.7%
DM[3], fully loaded	13 446	81 090	16.6%

1 FICOD: Financial Conglomerate Directive
2 DC: Danish Compromise
3 DM: Deduction Method

Amounts in m EUR

- Total distributable items (under Belgian GAAP) KBC Group 6.2bn EUR, of which:
  - **available reserves 1.3bn EUR**
  - **accumulated profits (losses) 4.9bn EUR**

KBC maintains a minimum 17% total capital ratio*

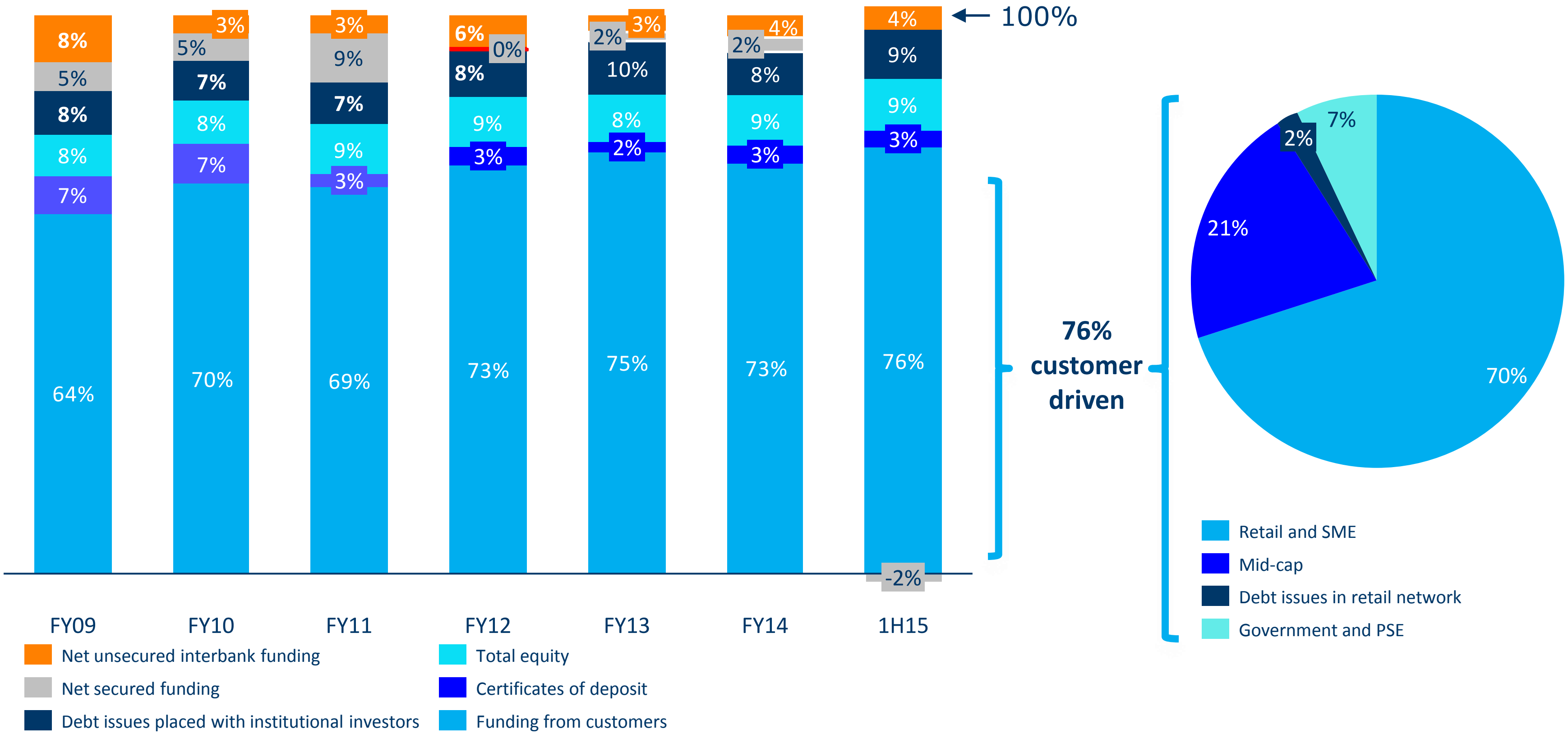


- Minimum CET1 target of 10.5%
- AT1 of 1.5%
- Minimum T2 target of 2%
- Minimum total capital ratio of 17.0%

*Basel 3, fully loaded, Danish compromise

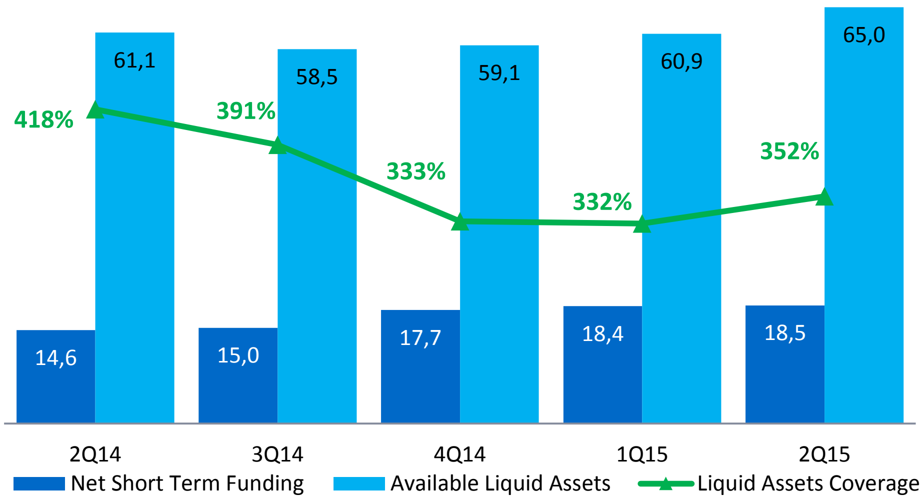
Solid liquidity position (1/2)

- 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 (2/2)

Short term unsecured funding KBC Bank vs Liquid assets as of end June 2015 (bn EUR) (*)



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

- 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

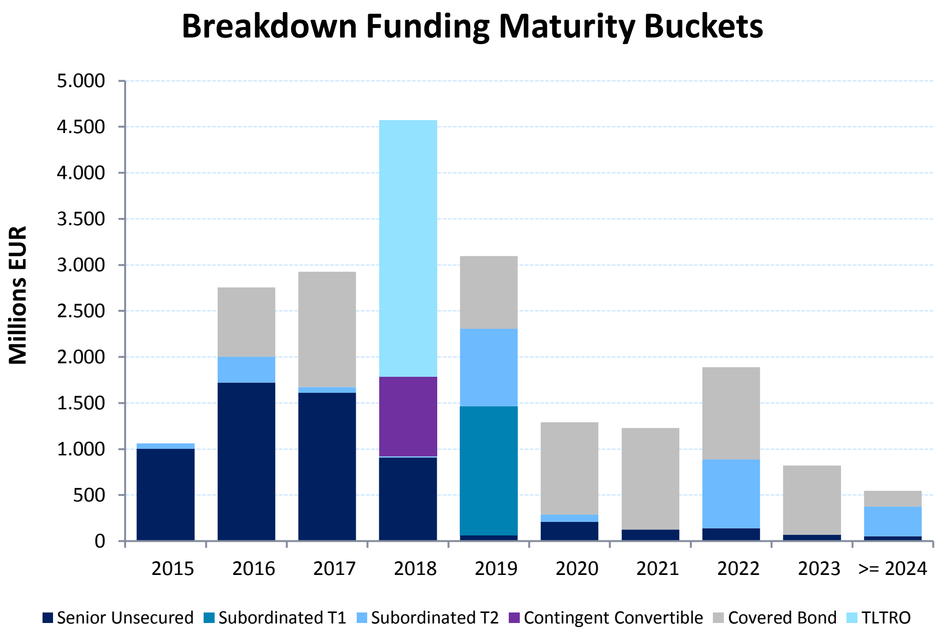
Ratios	FY14	1Q15	2Q15	Target
NSFR[1]	123%	126%	126%	>105%
LCR[2]	120%	132%	130%	>105%

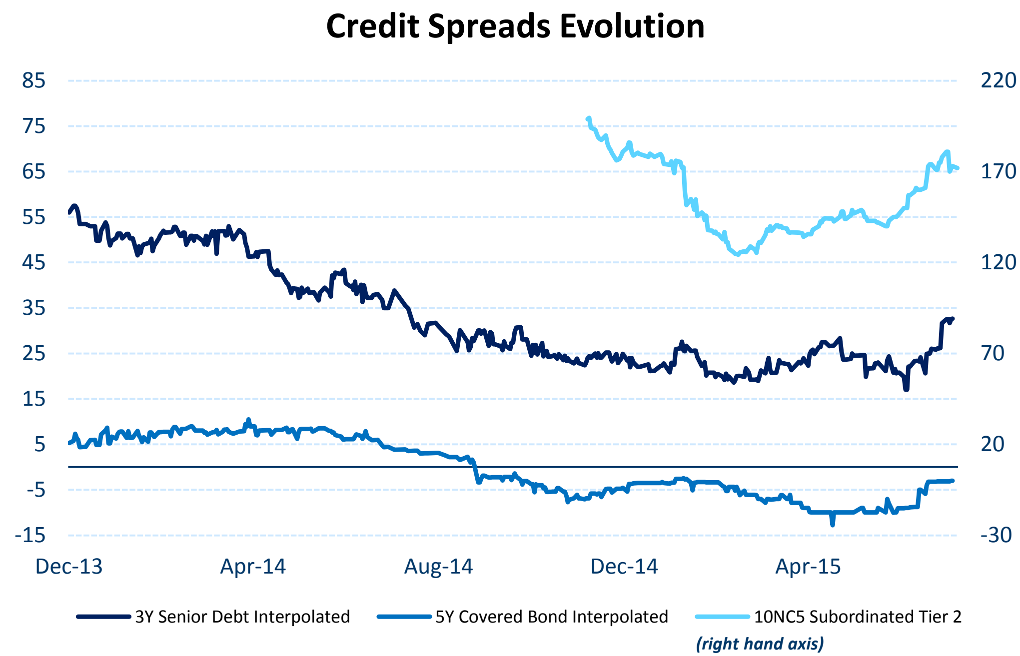
[1] *NSFR is calculated based on KBC's interpretation of the Basel Committee guidance published in October 2014*

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

- **NSFR at 126% and LCR at 130% by the end of 2Q15**
  - Both ratios were well above the minimum target of at least 105%, in compliance with the implementation of Basel 3 liquidity requirements

Upcoming mid-term funding maturities





- KBC successfully issued a 1bn EUR covered bond with 6 year maturity in April 2015
- KBC's credit spreads slightly widened towards the end of 2Q15
- 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

Summary covered bond programme (1/2) (details, see Annex 3)

- **KBC HAS ISSUED 7 SUCCESSFUL BENCHMARK COVERED BONDS AND PRIVATE PLACEMENTS FOR AN AMOUNT OF 6.81BN EUR**
  - KBC's 10bn EUR covered bond programme is rated Aaa/AAA (Moody's/Fitch)
  - CRD and UCITS compliant / 10% risk-weighted
  - All issues performed well in the secondary market

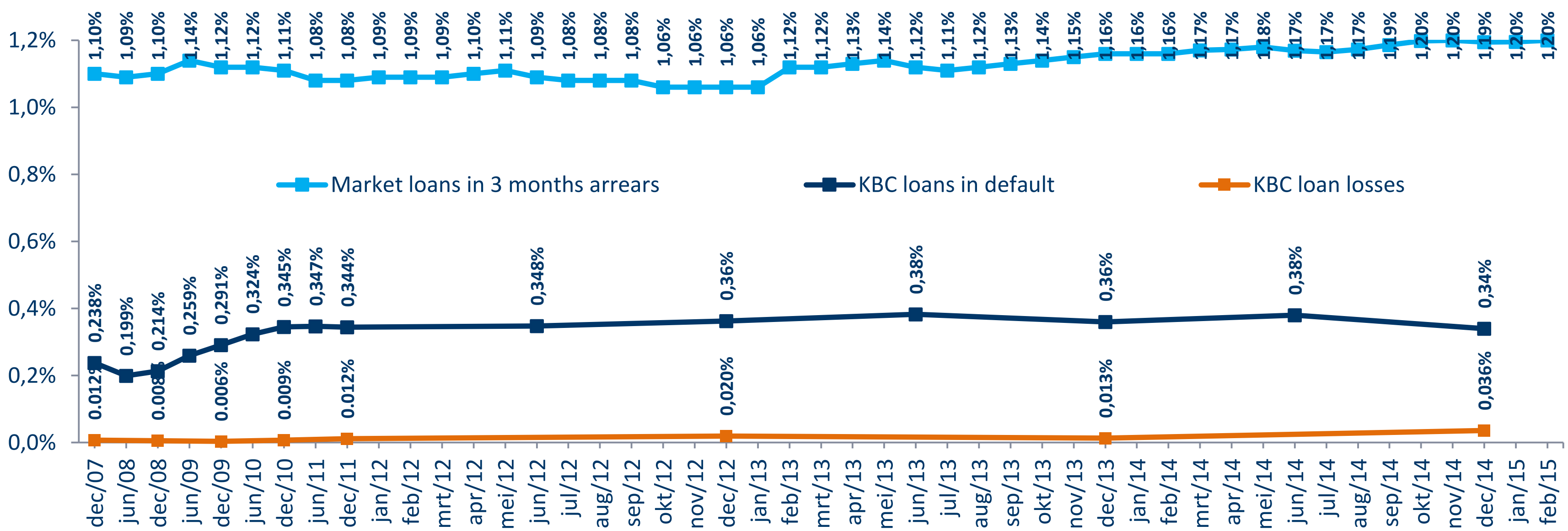
- **KBC'S COVERED BONDS ARE BACKED BY STRONG LEGISLATION AND SUPERIOR COLLATERAL**
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - Direct covered bond issuance from a bank's balance sheet
  - Dual recourse, including recourse to a special estate with cover assets included in a register
  - Requires license from the National Bank of Belgium (NBB)
  - The special estate is not affected by a bank insolvency. In that case, the NBB can appoint a cover pool administrator to manage the special estate in issuer ; both monitor the pool on a ongoing basis
  - The value of one asset category must be at least 85% of the nominal amount of covered bonds
  - The value of the cover assets must at least be 105% of the covered bonds (value of mortgage loans is limited to 80% LTV)
  - Maximum 8% of a bank's assets can be used for the issuance of covered bonds

- **THE COVERED BOND PROGRAMME IS CONSIDERED AS AN IMPORTANT FUNDING TOOL FOR THE TREASURY DEPARTMENT**
  - KBC's intentions are to be a frequent benchmark issuer if markets permit

Summary covered bond programme (2/2) (details, see Annex 3)

- **COVER POOL: BELGIAN RESIDENTIAL MORTGAGE LOANS**
  - Exclusively this as selected main asset category
  - Value (including collections) at least 105% of the outstanding covered bonds
  - Branch originated prime residential mortgages predominantly out of Flanders
  - Selected cover asset have low average LTV (64.4%) and high seasoning (43.6 months)

- **KBC HAS A DISCIPLINED ORIGINATION POLICY**
  - 2007 to 2014 average residential mortgage loan losses below 4 bp
  - Arrears in Belgium approx. stable over the past 10 years:
    - (i) Cultural aspects, stigma associated with arrears, importance attached to owning one's property
    - (ii) High home ownership also implies that the change in house prices itself has limited impact on loan performance
    - (iii) Well established credit bureau, surrounding legislation and positive property market



Contents

2Q 2015 wrap up

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

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

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KBC 2014 Benchmarks

- KBC 5Y Fixed – Covered – BE0002462373
  - Notional: 750m EUR
  - Issue Date: 25 February 2014 – Maturity: 25 February 2019
  - Coupon: 1%, A, Act/Act
  - Re-offer spread: Mid Swap +10bp (issue price 99.391%)
  - Joint lead managers: KBC, Deutsche Bank, DZ Bank, ING Bank, and Unicredit

- KBC 10NC5 Fixed – Tier 2 – BE0002479542
  - Notional: 750m EUR
  - Issue Date: 25 November 2014 – Maturity: 25 November 2024
  - Coupon: 2.375 %, A, Act/Act
  - Re-offer spread: Mid Swap +198bp (issue price 99.874%)
  - Joint lead managers: KBC, DZ Bank, Goldman Sachs, JP Morgan and Natixis

- KBC PerpNC5Y Fixed – Additional Tier 1 – BE0002463389
  - Notional: 1.4bn EUR
  - Issue Date: 19 March 2014 – Maturity: perpetual NC5
  - Coupon: 5.625%, A, Act/Act
  - Re-offer spread: Mid Swap + 475,9bp (issue price 100%)
  - Joint lead managers: KBC, Goldman Sachs, JP Morgan, Morgan Stanley and UBS

KBC 2015 benchmarks

- KBC 7Y Fixed – Covered – BE0002482579
  - Notional: 1bn EUR
  - Issue Date: 22 January 2015 – Maturity: 22 January 2022
  - Coupon: 0.45% A, Act/Act
  - Re-offer spread: Mid Swap +2bp (issue price 99.815%)
  - Joint lead managers: KBC, HSBC, ING Bank, LBBW and Unicredit

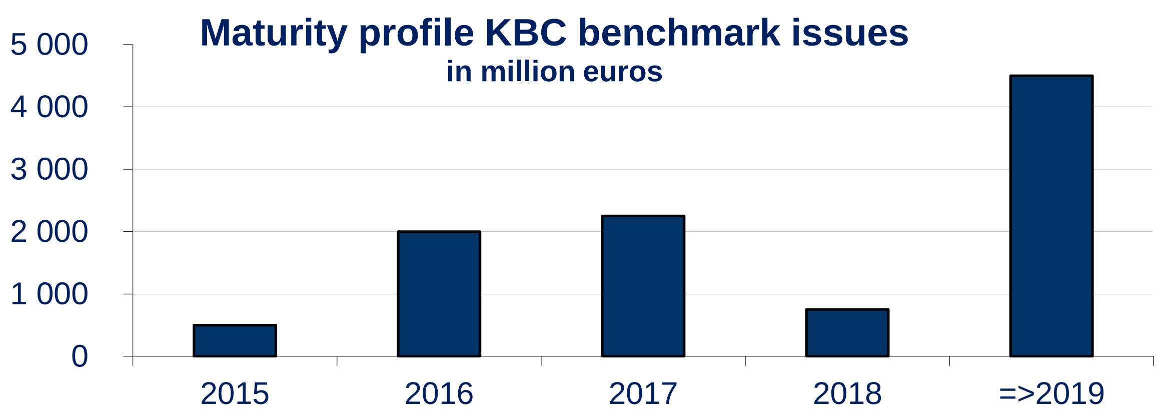
- KBC 6Y Fixed – Covered – BE0002489640
  - Notional: 1bn EUR
  - Issue Date: 28 April 2015 – Maturity: 28 April 2021
  - Coupon: 0.125% A, Act/Act
  - Re-offer spread: Mid Swap -8 bp (issue price 99.678%)
  - Joint lead managers: KBC, Commerzbank, Natixis, RBS and Unicredit

- KBC 10NC5 Fixed – Tier 2 – BE0002485606
  - Notional: 750m EUR
  - Issue Date: 11 March 2015 – Maturity: 11 March 2027
  - Coupon: 1.875 %, A, Act/Act
  - Re-offer spread: Mid Swap +150bp (issue price 99.49%)
  - Joint lead managers: KBC, Bank of America, BNP Parisbas , Deutsche Bank and Morgan Stanley

Outstanding benchmarks

Issuer	Curr	Amount issued	Coupon	Settlement Date	Maturity Date	ISIN	YEAR
			Tranche Report				
			UNSECURED				
KBC Ifima N.V.	EUR	750 000 000	5	16/03/2011	16/03/2016	XS0605440345	2016
KBC Ifima N.V.	EUR	500 000 000	4.375	25/05/2011	26/10/2015	XS0630375912	2015
KBC Ifima N.V.	EUR	1 000 000 000	4.5	27/03/2012	27/03/2017	XS0764303490	2017
KBC Ifima N.V.	EUR	500 000 000	3	29/08/2012	29/08/2016	XS0820869948	2016
KBC Ifima N.V.	EUR	750 000 000	2.125	10/09/2013	10/09/2018	XS0969365591	2018
			COVERED				
KBC Bank N.V.	EUR	1 250 000 000	1.125	11/12/2012	11/12/2017	BE6246364499	2017
KBC Bank N.V.	EUR	750 000 000	2	31/01/2013	31/01/2023	BE0002425974	2023
KBC Bank N.V.	EUR	1 000 000 000	1.25	28/05/2013	28/05/2020	BE0002434091	2020
KBC Bank N.V.	EUR	750 000 000	0.875	29/08/2013	29/08/2016	BE0002441161	2016
KBC Bank N.V.	EUR	750 000 000	1	25/02/2014	25/02/2019	BE0002462373	2019
KBC Bank N.V.	EUR	1 000 000 000	0.45	22/01/2015	22/01/2022	BE0002482579	2022
KBC Bank N.V.	EUR	1 000 000 000	0.125	28/04/2015	28/04/2021	BE0002489640	2021

Total = 10bn EUR



Main characteristics of subordinated debt issues

SUBORDINATED BOND ISSUES KBC					
	KBC Bank NV	**KBC Bank NV** **T2 Coco**	**KBC Groep NV** **AT1**	**KBC Groep NV** **Tier II**	**KBC Groep NV** **Tier II**
Amount issued Tendered	GBP 525 000 000 GBP 480 500 000	USD 1 000 000 000	EUR 1 400 000 000	EUR 750 000 000	EUR 750 000 000
Net Amount	GBP 44 500 000	USD 1 000 000 000	EUR 1 400 000 000	EUR 750 000 000	EUR 750 000 000
ISIN-code	BE0119284710	BE6248510610	BE0002463389	BE0002479542	BE0002485606
Call date	19/12/2019	25/01/2018	19/03/2019	25/11/2019	11/03/2022
Initial coupon	6.202%	8%	5.625%	2.375%	1.875%
Coupon step-up / reset	3m gbp libor + 193bps	$ MS 5Y + 7.097%	€ MS 5Y + 4.759%	€ MS 5Y + 1.980%	€ MS 5Y + 1.50%
First (next) call date	19/12/2019	25/01/2018	19/03/2019	25/11/2019	11/03/2022
ACPM Dividend Stopper	Yes Yes	- -	- -	- -	- -
Conversion into PSC	Yes	-	-	-	-
Trigger	Supervisory event or general "concursus creditorum"	CT1/CET1 < 7% at KBC Group level Full and permanent write-down	Trigger CET1 RATIO < 5.125% Temporary write-down	Regulatory+Tax call	Regulatory+Tax call

Main terms of CRD IV-compliant AT1 issue

Issuer	▪ **KBC Group NV ("Issuer")**
Instrument	▪ Undated Deeply Subordinated Additional Tier 1 Fixed Rate Resettable Callable Securities ("Securities")
Ranking	▪ Deeply subordinated and senior only to ordinary shares of the Issuer and any other instrument ranking *pari passu* with such ordinary shares, or otherwise junior to the issuer's obligations under the securities
Issuer ratings	▪ A3/A-/A- (Moody's, S&P, Fitch)
Instrument rating	▪ **Rated BB by S&P and BB by Fitch**
Currency / size	▪ **EUR 1.4bn**
Issue format	▪ **PerpNC5**
Optional redemption	▪ Callable on the First Call Date and every interest payment date thereafter ▪ Callable on Tax or Regulatory event ▪ Securities callable at the Prevailing Principal Amount plus accrued interest, but only if the Prevailing Principal Amount is equal to the Original Principal Amount ▪ Subject to regulatory approval (if required)[1]
Coupon	▪ **Fixed rate of 5.625% per annum until (but excluding) the First Call Date, reset every 5 years thereafter (non-step)** ▪ Payable quarterly
Coupon cancellation	▪ Non-cumulative ▪ Fully discretionary ▪ Mandatory cancellation upon insufficient Distributable Items or if payment exceeds MDA

Principal write-down	▪ Temporary write-down upon the occurrence of a Trigger Event
	▪ The write-down amount will be the lower of
	    ▪ The amount of write-down required to cure the Trigger Event *pro rata* with similar loss absorbing instruments (post cancellation of accrued interest on the Securities and the prior or concurrent write-down or conversion into equity if any prior loss-absorbency instruments) and
	    ▪ The amount necessary to reduce the Prevailing Principal Amount of the securities to 1 cent

Trigger event	▪ **Issuer's consolidated CET1 Ratio < 5.125% (on a transitional basis)**
Return to financial health	▪ Gradual write-up[2] to the Original Principal Amount if a positive consolidated net income of Issuer is recorded ▪ Fully discretionary write-up and pro rata with other similar instruments ▪ Subject to the Maximum Write-up Amount and to the MDA
PONV	▪ Statutory

1. The applicable banking regulations do not permit purchases in the first 5 years
2. Write-up will be based on the applicable transitional CET1 definition using the Danish Compromise

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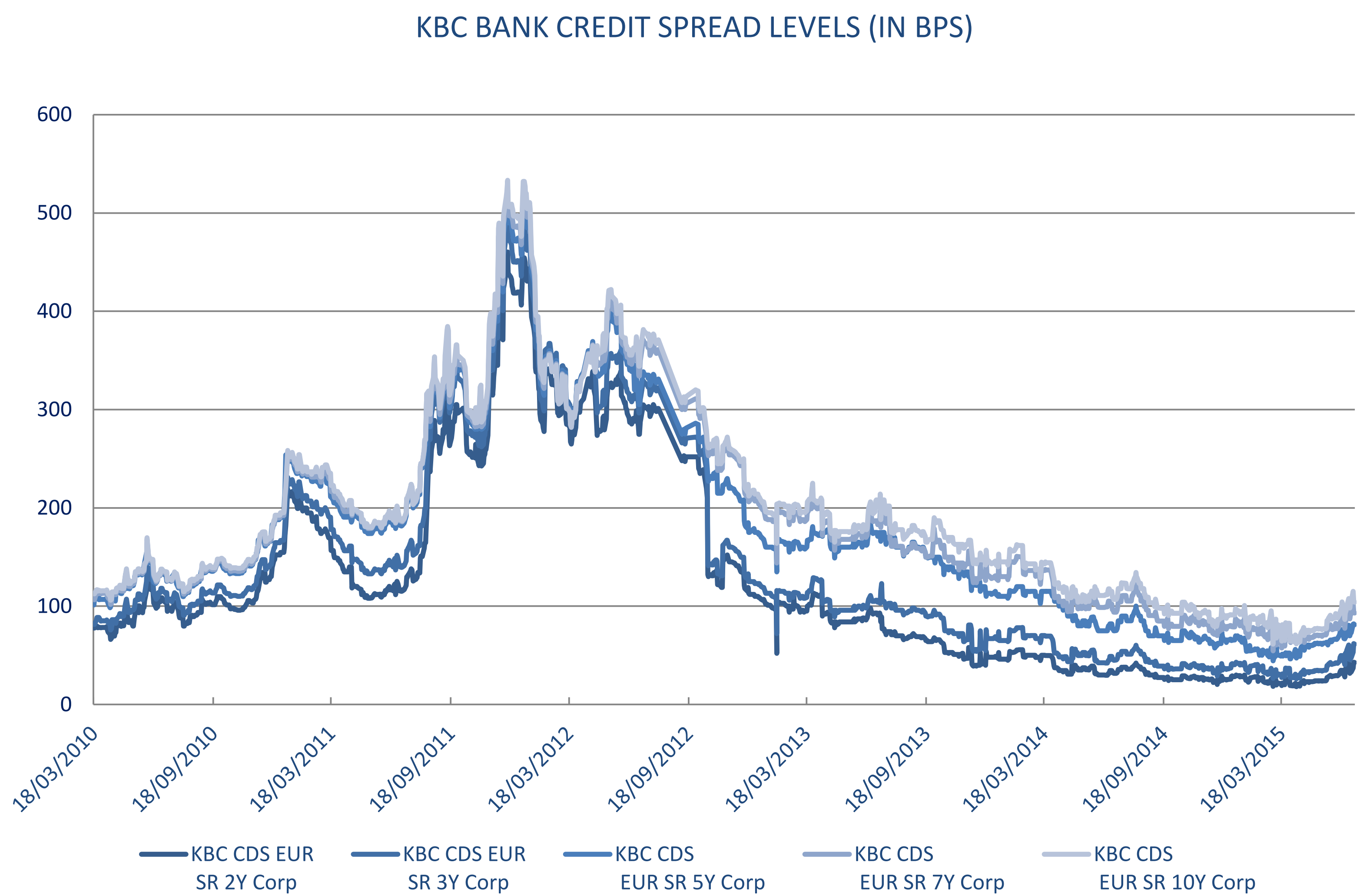
KBC Bank CDS levels



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Key messages on KBC's covered bond programme

- **KBC's covered bonds are backed by strong legislation and superior collateral**
  - KBC's covered bonds are rated Aaa/AAA (Moody's/Fitch)
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - KBC has a disciplined origination policy – 2007 to 2014 average residential mortgage loan losses below 4 bp
  - CRD and UCITS compliant / 10% risk-weighted

- **KBC already issued seven successful benchmark covered bonds in different maturity buckets**

- **The covered bond programme is considered as an important funding tool**

- **Sound economic picture provides strong support for Belgian housing market**
  - High private savings ratio of 13.4 %
  - Belgian unemployment is significantly below the EU average
  - Demand still outstrips supply

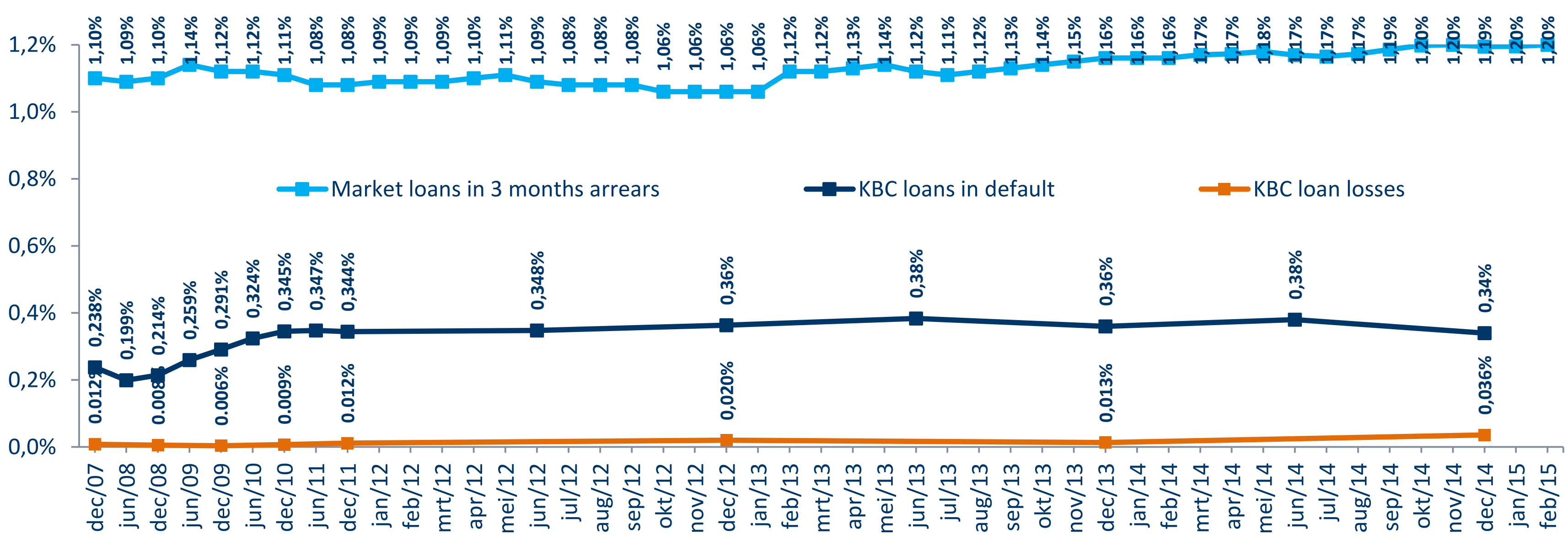
KBC's disciplined origination leads to low arrears and extremely low loan losses

BELGIUM SHOWS A SOLID PERFORMANCE OF MORTGAGES…

Arrears have been very stable over the past 10 years. Arrears in Belgium are low due to:

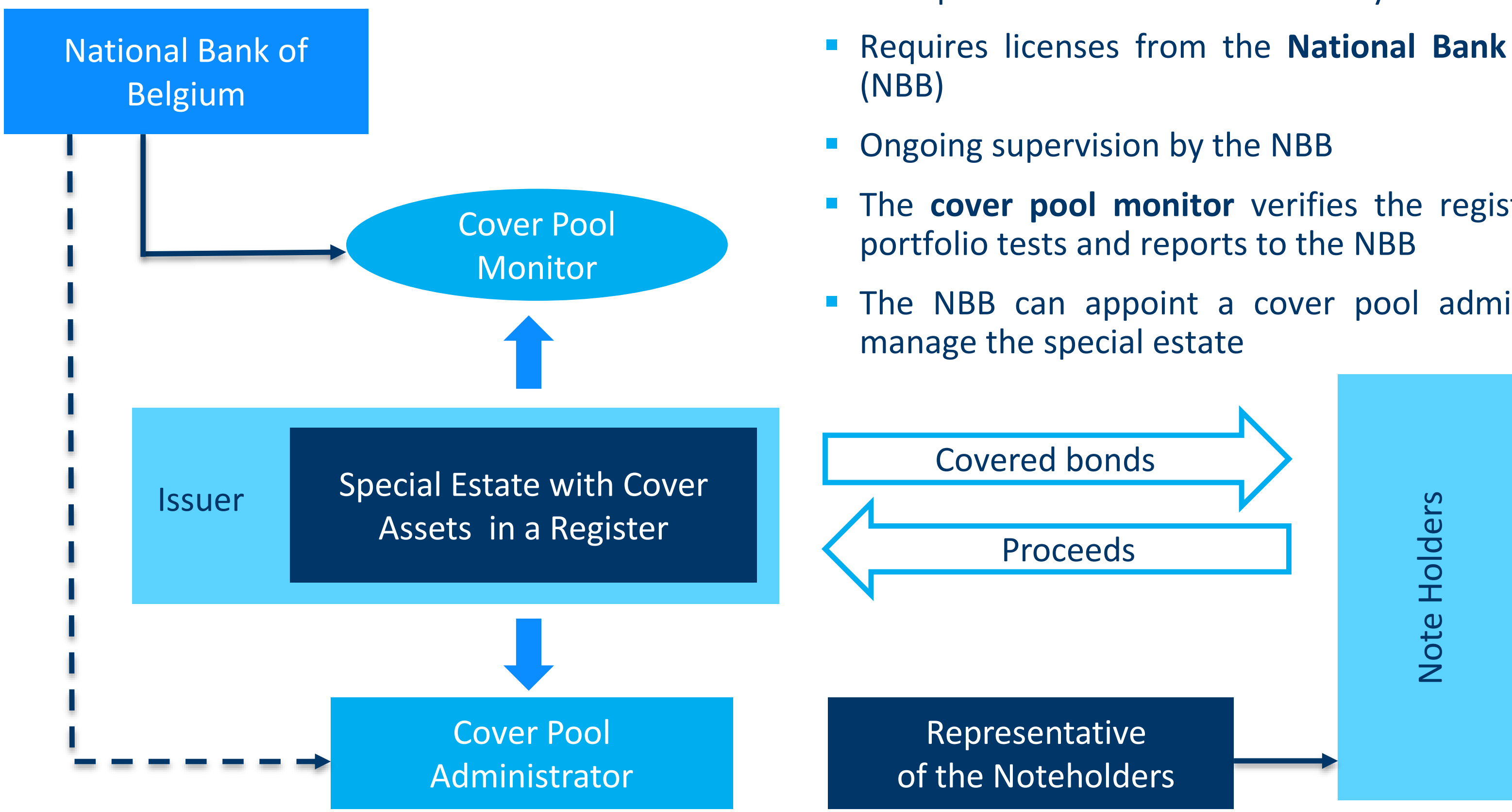
- Cultural aspects, stigma associated with arrears, importance attached to owning one's property
- High home ownership also implies that the change in house prices itself has limited impact on loan performance
- Well established credit bureau and surrounding legislation
- Housing market environment (no large house price declines)

… AND KBC HAS EXTRAORDINARY LOW LOAN LOSSES



Belgian legal framework

- Direct covered bond issuance from a bank's balance sheet
- Dual recourse, including recourse to a special estate with cover assets included in a register
- The special estate is not affected by a bank's insolvency
- Requires licenses from the **National Bank of Belgium** (NBB)
- Ongoing supervision by the NBB
- The **cover pool monitor** verifies the register and the portfolio tests and reports to the NBB
- The NBB can appoint a cover pool administrator to manage the special estate



Strong legal protection mechanisms

1 Collateral type

- The value of one asset category must be at least 85% of the nominal amount of covered bonds
  - KBC Bank selects residential mortgage loans and commits that their value (including collections) will be at least 105%

2 Over-collateralisation Test

- The value of the cover assets must at least be 105% of the covered bonds
  - The value of residential mortgage loans:
    1) is limited to 80% LTV
    2) must be fully covered by a mortgage inscription (min 60%) plus a mortgage mandate (max 40%)
    3) 30 day overdue loans get a 50% haircut and 90 days (or defaulted) get zero value

3 Cover Asset Coverage Test

- The sum of interest, principal and other revenues of the cover assets must at least be the interest, principal and costs relating to the covered bonds
  - Interest rates are stressed by plus and minus 2% for this test

4 Liquidity Test

- Cover assets must generate sufficient liquidity or include enough liquid assets to pay all unconditional payments on the covered bonds falling due the next 6 months
  - Interest rates are stressed by plus and minus 2% for this test

5 Cap on Issuance

- Maximum 8% of a bank's assets can be used for the issuance of covered bonds

KBC Bank NV residential mortgage covered bond programme

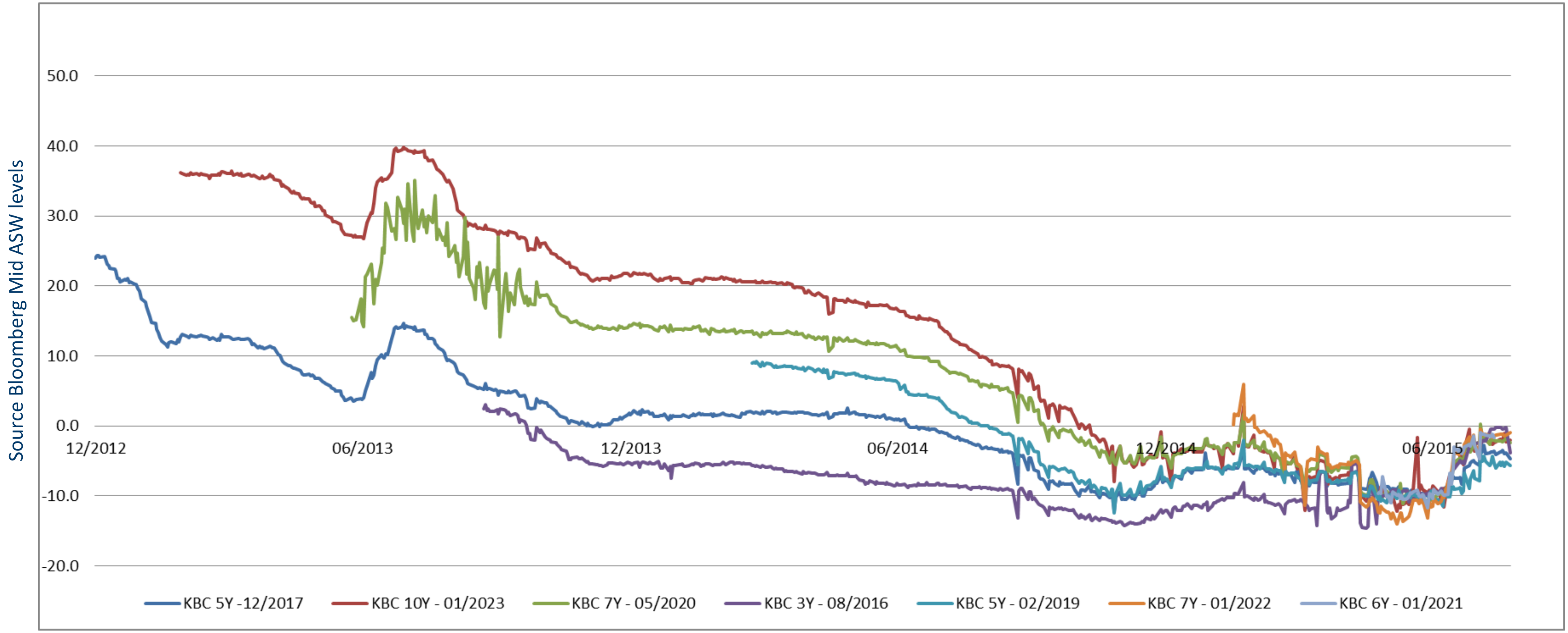
Issuer:	• KBC Bank NV
Main asset category:	• min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon
Programme size:	• Up to 10bn EUR (only)
Interest rate:	• Fixed rate, floating rate or zero coupon
Maturity:	• Soft bullet: payment of the principal amount may be deferred past the final maturity date until the **extended final maturity date** if the issuer fails to pay • Extension period is 12 months for all series
Events of default:	• Failure to pay any amount of principal on the extended final maturity date • A default in the payment of an amount of interest on any interest payment date
Rating agencies:	• Moody's Aaa / Fitch AAA

	Moody's	Fitch
Over-collateralisation	**15%**	**20%**
	TPI Cap Probable	**D-cap 4 (moderate risk)**

Benchmark issuance KBC covered bonds

- **Since establishment of the covered bond programme KBC has issued seven benchmark issuances**:

SPREAD EVOLUTION KBC COVERED BONDS (SPREAD IN BP VERSUS 6 MONTH MID SWAP)



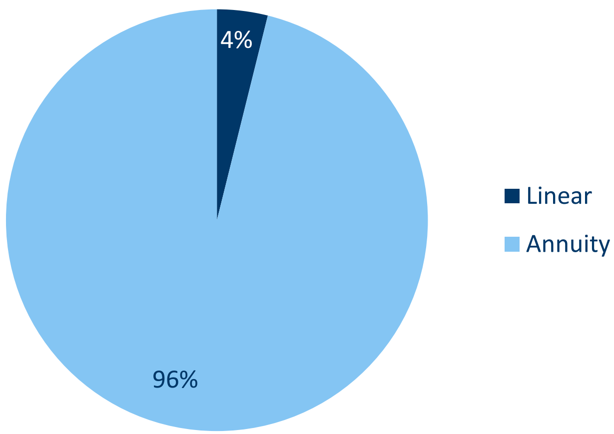
Key cover pool characteristics (1/3)

Investor reports, final terms and prospectus are available on www.kbc.com/covered_bonds

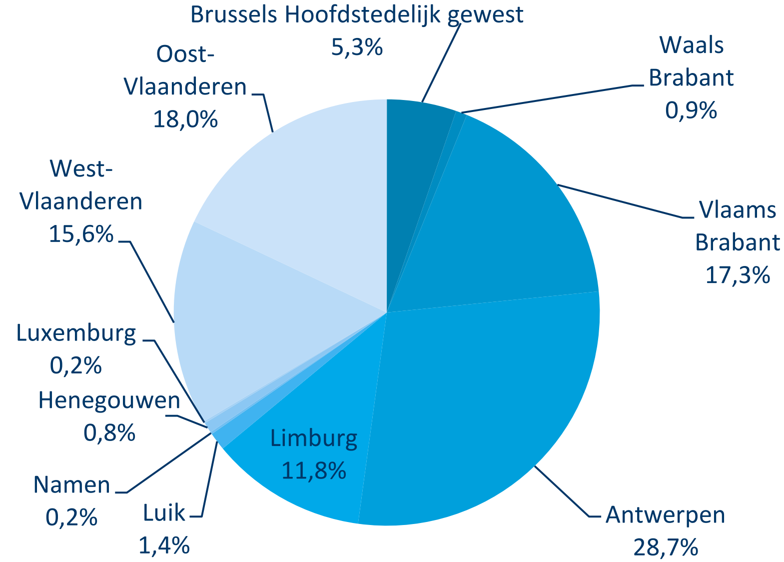
Portfolio data as of :	30 June 2015
Total outstanding principal balance	9 228 032 533
Total value of the assets for the over-collateralisation test	8 465 371 316
No. of loans	108 675
Average current loan balance per borrower	117 345
Maximum loan balance	1 000 000
Minimum loan balance	1 000
Number of borrowers	78 640
Longest maturity	359 month
Shortest maturity	1 month
Weighted average seasoning	44 months
Weighted average remaining maturity	198 months
Weighted average current interest rate	2.78%
Weighted average current LTV	64.43%
No. of loans in arrears (+30days)	204
Direct debit paying	97.6%

Key cover pool characteristics (2/3)

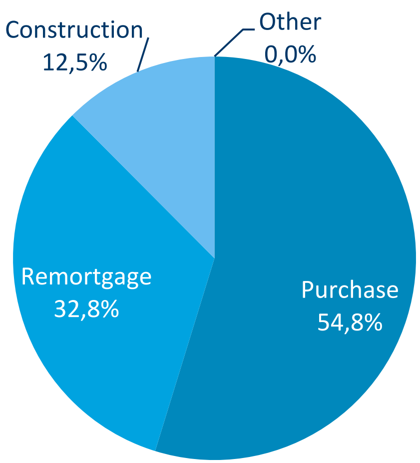
REPAYMENT TYPE (LINEAR VS. ANNUITY)



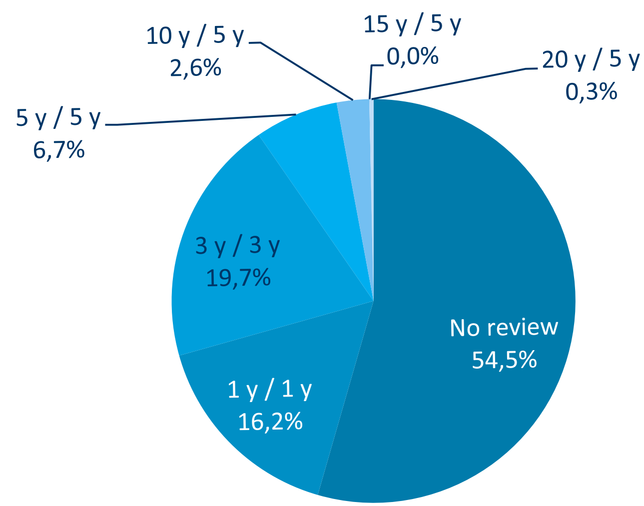
GEOGRAPHICAL ALLOCATION



LOAN PURPOSE

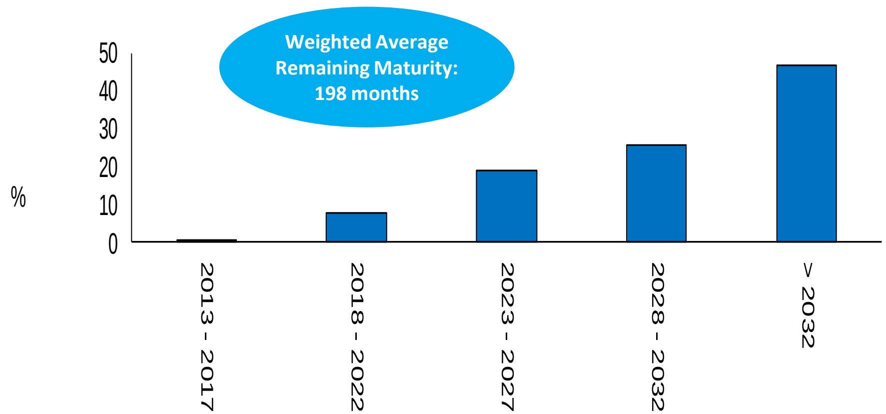


INTEREST RATE TYPE (FIXED PERIODS)

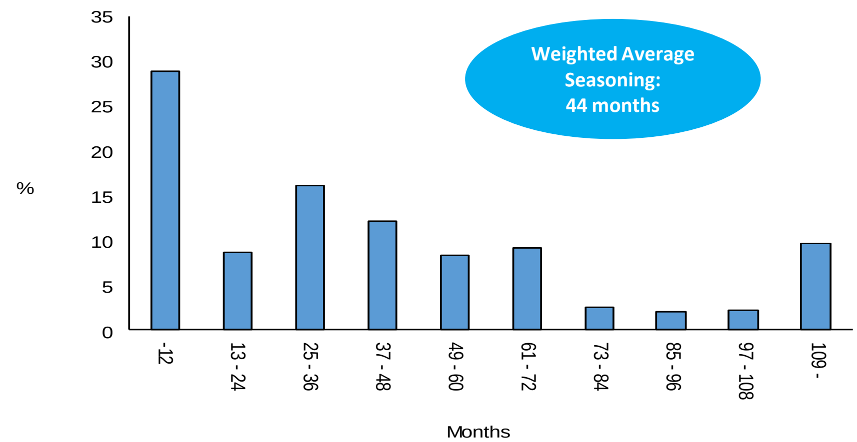


Key cover pool characteristics (3/3)

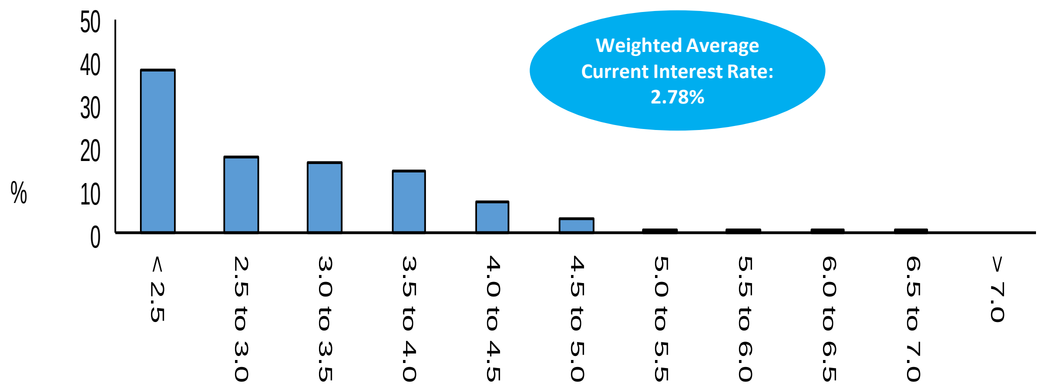
FINAL MATURITY DATE



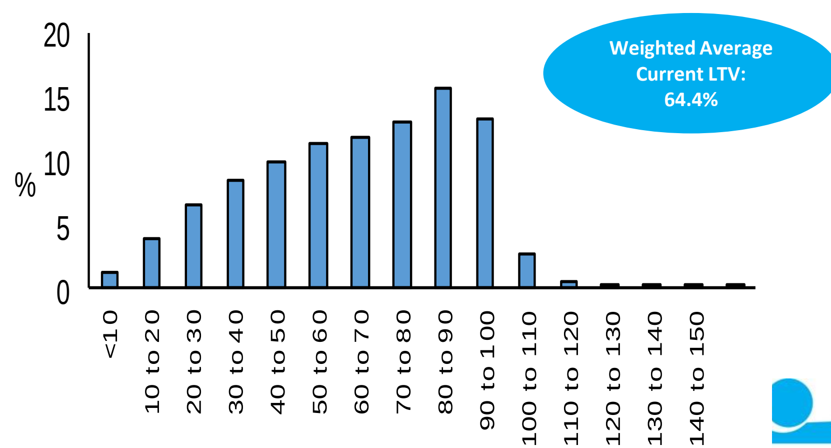
SEASONING



INTEREST RATE



CURRENT LTV



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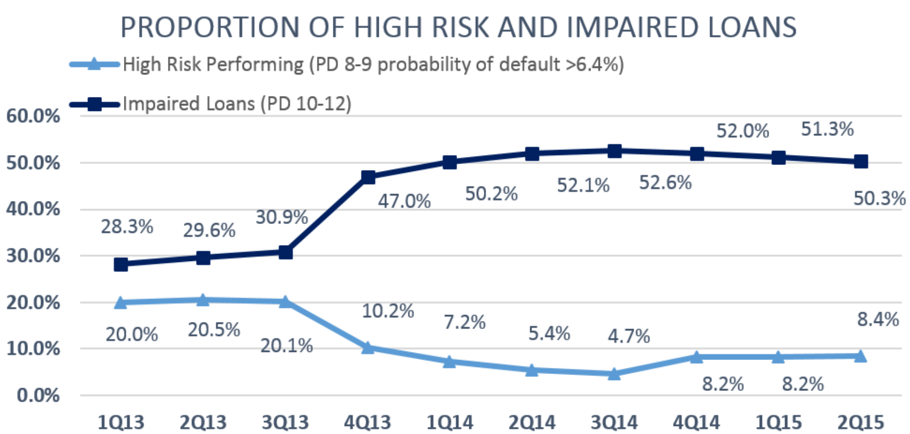
Ireland (1/2): loan loss provisions towards the lower end of the guided range for both FY15 and FY16

LOAN PORTFOLIO €	OUT-STANDING €	IMPAIRED LOANS €	IMPAIRED LOANS PD 10-12	SPECIFIC PROVISIONS €	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9.0bn	3.5bn	38.4%	1.0bn	30%
Buy to let mortgages	2.8bn	1.9bn	69.2%	0.6bn	33%
SME /corporate	1.2bn	0.8bn	64.2%	0.4bn	58%
Real estate - Investment - Development	 0.9bn 0.3bn	 0.7bn 0.3bn	 77.9% 100%	 0.4bn 0.2bn	 50% 88%
Total	**14.2bn**	**7.1bn**	**50.3%**	**2.7bn**	**38%**



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

- Healthier Irish economic growth as continuing export growth is accompanied by a pick-up in domestic spending. Estimated GDP growth of 4.5% in 2015
- The unemployment rate looks set to fall towards 9% over the remainder of the year
- The underlying trend in the Irish housing market remains positive
- Retail deposit net inflows increased in 2Q15, resulting in a retail deposit portfolio of 3.8bn EUR (compared with 3.6bn EUR in 1Q15). The corporate deposit portfolio rose 0.1bn EUR q-o-q to 1.0bn EUR in 2Q15
- Loan loss provisions amounted to 16m EUR in 2Q15. The underlying provision level was broadly in line with 1Q15 (note that 1Q15 benefited from a 14m EUR write-back on one significant impaired corporate loan)
- Looking forward, we have fine-tuned our loan loss provisioning guidance towards the lower end of the 50m-100m EUR range for both FY15 and FY16

Ireland (2/2): portfolio analysis

2Q15 Retail Portfolio

	PD	Exposure	Impairment	Cover %
Performing	PD 1-8	5,715	37	0.6%
	Of which non Forborne	5,685		
	Of which Forborne	31		
	PD 9	703	46	6.5%
	Of which non Forborne	319		
	Of which Forborne	385		
Impaired	PD 10	2,933	540	18.4%
	PD 11	1,779	695	39.1%
	PD 12	665	457	68.7%
	TOTAL PD1-12	**11,795**	**1,774**	
	Specific Impairment/(PD 10-12)			*31.5%*

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

2Q15 Corporate Loan Portfolio

	PD	Exposure	Impairment	Cover %
Perf.	PD 1-8	606	5	0.8%
	PD 9	24	3	14.5%
Impaired	PD 10	619	238	38.4%
	PD 11	407	237	58.2%
	PD 12	730	574	78.6%
	TOTAL PD1-12	**2,387**	**1,057**	
	Specific Impairment/(PD 10-12)			*59.7%*

Corporate loan Portfolio

- Impaired portfolio has reduced by roughly 70m EUR q-o-q. Reduction driven mainly by continued deleveraging of the portfolio, including underlying asset sales and loan amortisation
- Coverage ratio impaired loans remained at 59.7% in 2Q15

Homeloans Portfolio

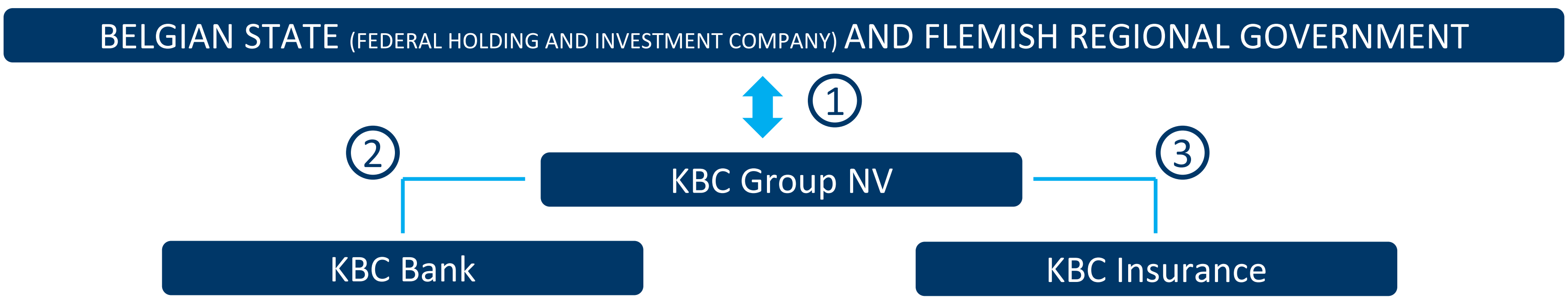
- Impaired portfolio reduced by roughly 170m EUR q-o-q. Reduction is due to a combination of property sales and improvement in the portfolio performance resulting in loans positively migrating to a performing status (PD 1-9)
- Coverage ratio for impaired loans has increased to 31.5% in 2Q15 (from 30.7% in 1Q15)

Appendices

Group’s legal structure

- GROUP’S LEGAL STRUCTURE

- OVERVIEW OF CAPITAL TRANSACTIONS WITH THE BELGIAN STATE AND THE FLEMISH REGIONAL GOVERNMENT



1. KBC Group NV Issues 7bn EUR of non-voting core-capital instruments to the Belgian State (3.5bn EUR) and the Flemish Regional Government (3.5bn EUR) - ***(Instruments to the Belgian State fully repaid in 2012. At 3 July 2013 1.17bn EUR and at 8 January 2014 0.33bn EUR of principal amount (+50% penalty) of instruments repaid to the Flemish Regional Government*)**
2. Subscription to new ordinary shares of KBC Bank for a total of 5.5bn EUR
3. Subscription to new ordinary shares of KBC Insurance for a total of 1.5bn EUR

Structure of received State aid

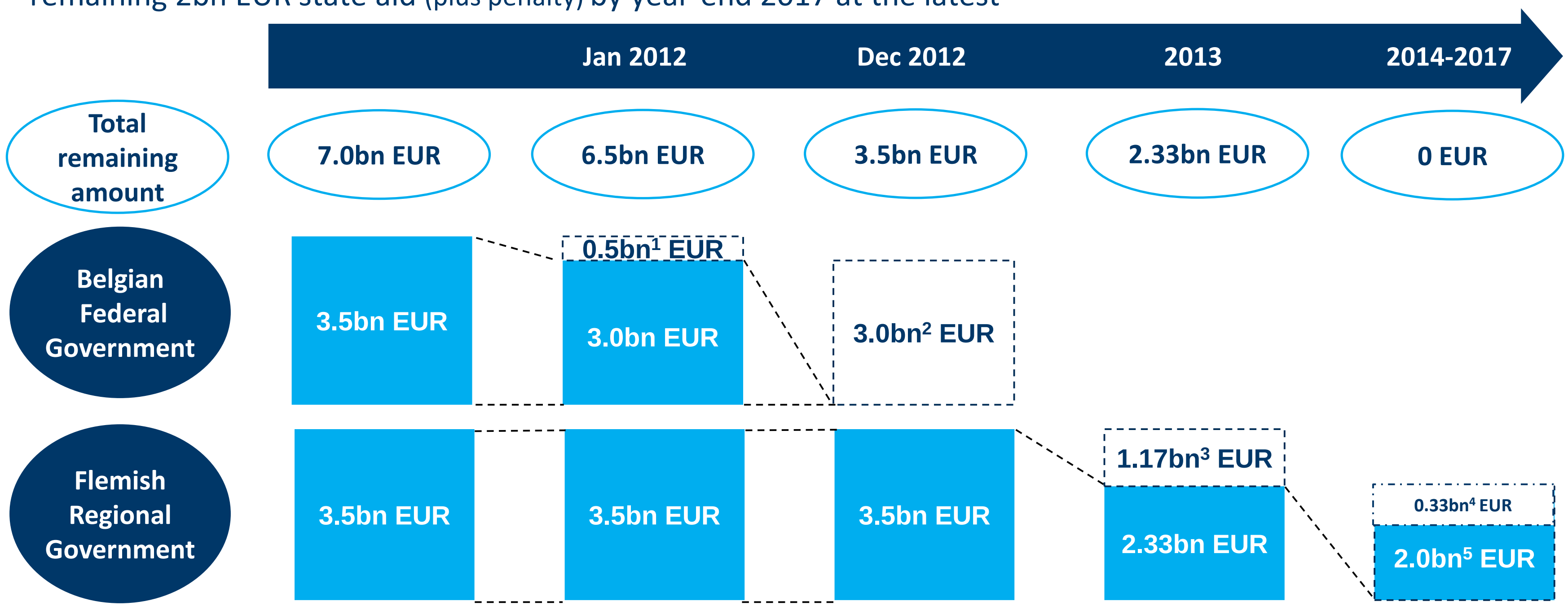
- ORIGINALLY, 7BN EUR WORTH OF CORE CAPITAL SECURITIES SUBSCRIBED BY THE BELGIAN FEDERAL AND FLEMISH REGIONAL GOVERNMENTS

	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 KBC	Option for KBC to buy back the securities at 150% of the issue price (44.25)	
Conversion option 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

Instruments to the Belgian State fully repaid in 2012. At 3 July 2013 1.17bn EUR and at 8 January 2014 0.33bn EUR of principal amount (+50% penalty) of instruments repaid to the Flemish Regional Government

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

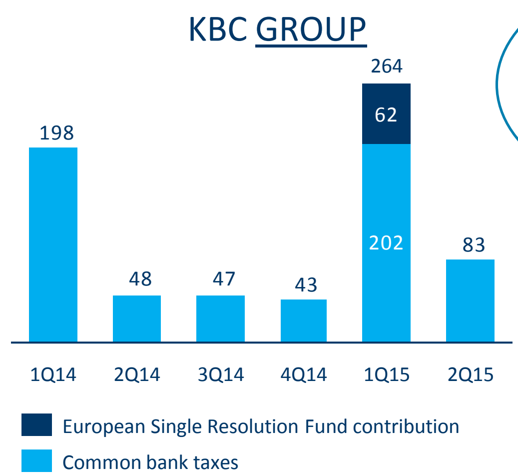


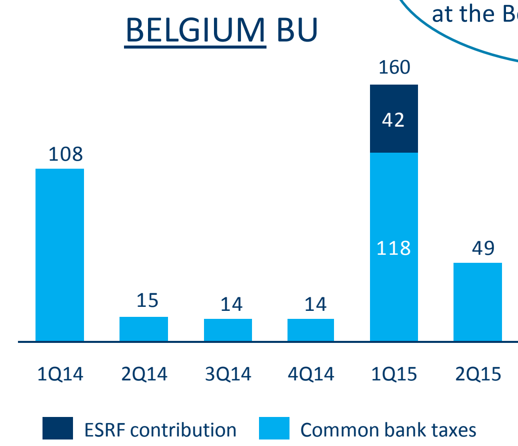
1. Plus 15% penalty amounting to 75m EUR
2. Plus 15% penalty amounting to 450m EUR
3. Plus 50% penalty amounting to 583m EUR
4. Plus 50% penalty amounting to 167m EUR
5. Plus 50% penalty amounting to 1 000m EUR

Overview of bank taxes[1]

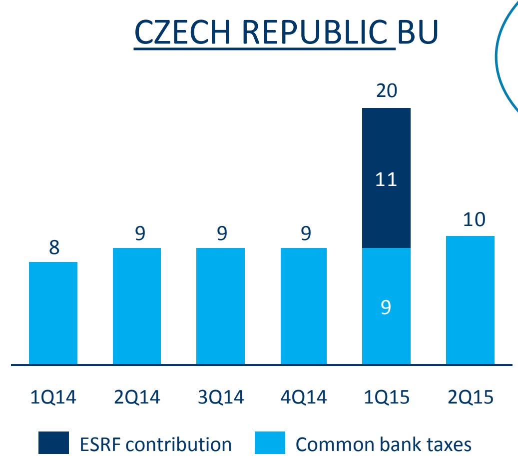
Bank taxes of 209m EUR YTD. On a pro rata basis, bank taxes represented 8.2% of 1H15 opex at the Belgium BU

Bank taxes of 347m EUR YTD. On a pro rata basis, bank taxes represented 9.9% of 1H15 opex at KBC Group[2]

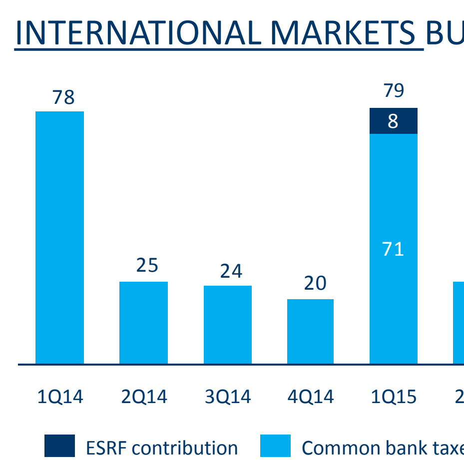




Bank taxes of 30m EUR YTD. On a pro rata basis, bank taxes represented 7.7% of 1H15 opex at the CR BU



Bank taxes of 103m EUR YTD. On a pro rata basis, bank taxes represented 18.8% of 1H15 opex at the IM BU



1 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.
2 The C/I ratio adjusted for specific items of 52% in 1H15 would amount to roughly 46% excluding these bank taxes

Appendices

1. KBC 2014/15 benchmarks + overview of outstanding benchmarks
2. KBC Bank CDS levels
3. Summary of KBC's covered bond programme
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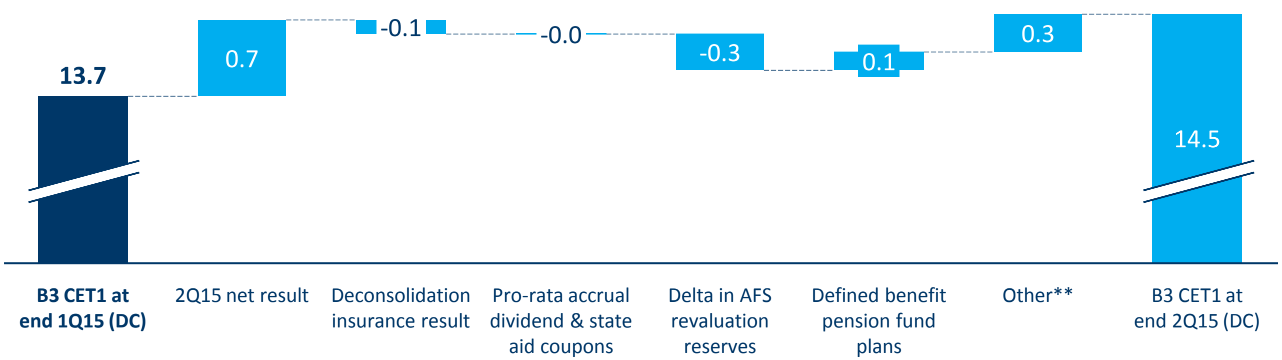
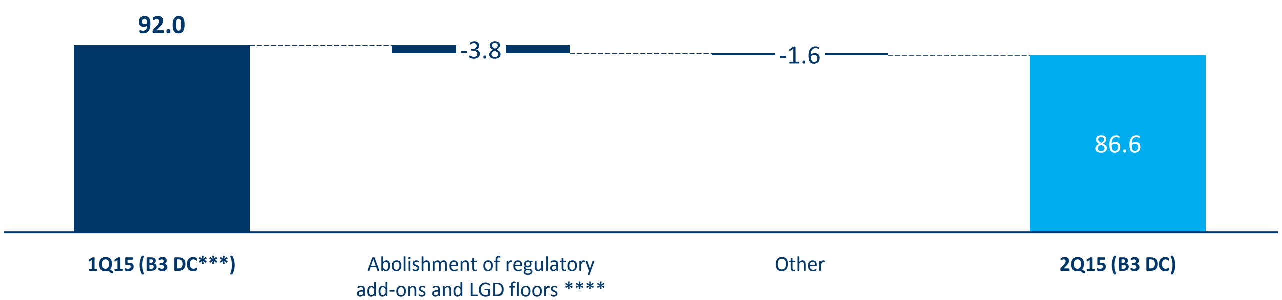
7. Macroeconomic views

Fully loaded B3* CET1 based on Danish Compromise (DC) From 1Q15 to 2Q15

DELTA AT NUMERATOR LEVEL (BN EUR)



DELTA ON RWA (BN EUR)



- Fully loaded B3 common equity ratio of approx. 16.7% at end 2Q15 based on Danish Compromise (DC)
- The fully loaded common equity ratio target of 10.5% set by the ECB was clearly exceeded

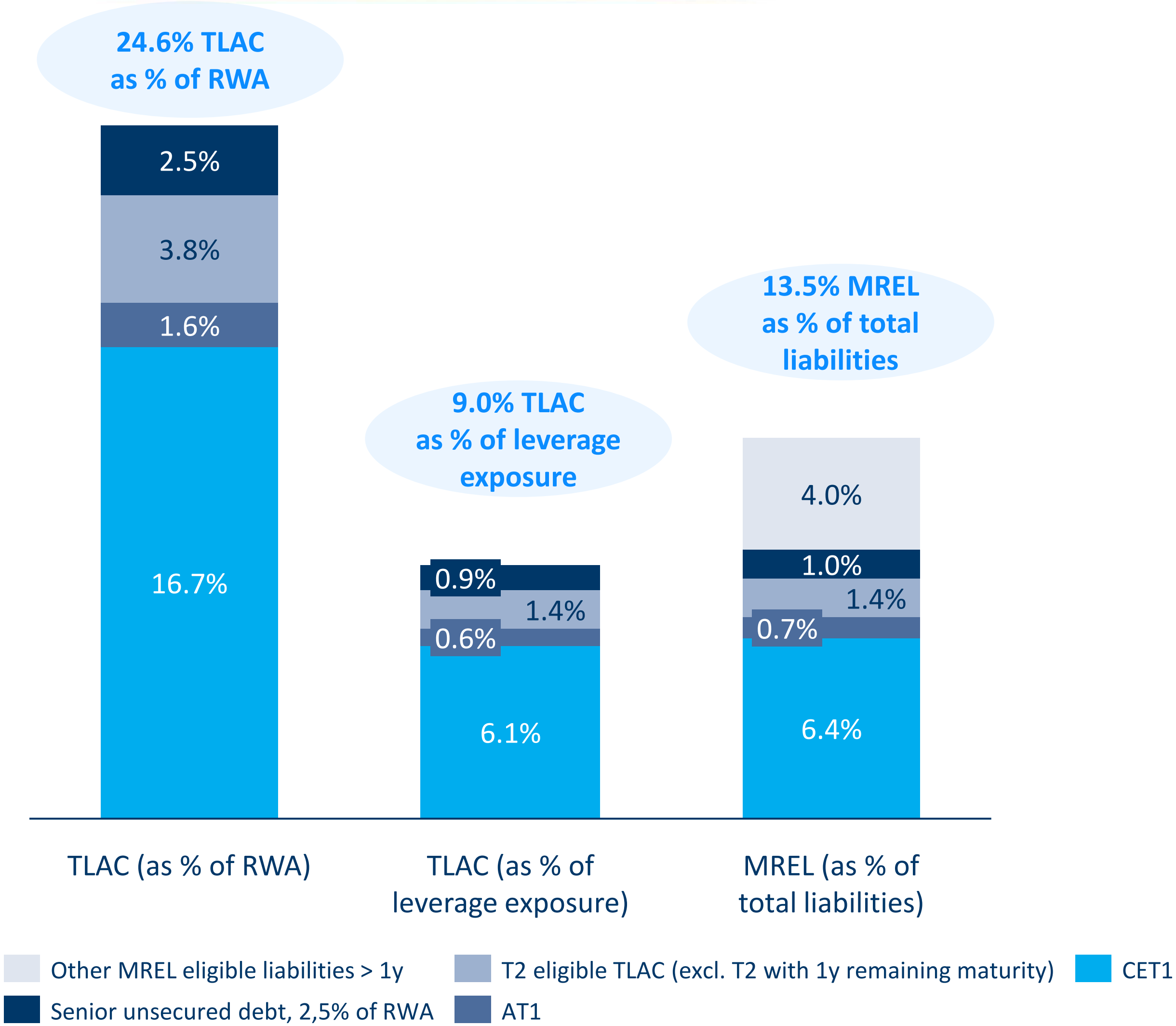
* Is including remaining State aid of 2bn EUR as agreed with local regulator and also the requirements for prudent valuation

** Is including the q-o-q delta in deferred tax assets on losses carried forward, IRB provision shortfall, deduction re. financing provided to shareholders…

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

**** The decision of the NBB to lift regulatory add-ons and LGD floors related to KBCs IRB-Advanced models led to a 3.8bn RWA reduction in 2Q15

Comfortable bail-in buffer



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

- 24.6% risk-weighted TLAC*
- 9.0% leveraged TLAC
- 13.5% MREL*

* TLAC: Total Loss-Absorbing Capacity
MREL: Minimum Required Eligible Liabilities

Active capital management by KBC

>5bn EUR in loss absorbing capital generated

2012
- 16 October: sale of treasury shares – capital release 0.35bn EUR
- 10 December: capital increase – common increase 1.25bn EUR

2013
- 18 January: issuance of CoCo - loss absorbing capital increase 1.0bn USD
- 3 July: shareholder loans I – capital release 0.33bn EUR
- 19 November: shareholder loans II – capital release 0.67bn EUR

2014
- 12 March: issuance of AT1 – loss absorbing capital increase 1.4bn EUR
- 18 December: capital structure KBC Insurance – loss absorbing capital increase approx. 0.4bn EUR (+0.49% CET1)

In 2Q14, KBC called almost all its old-style hybrid T1 instruments for a total amount of approx. 2.3bn EUR

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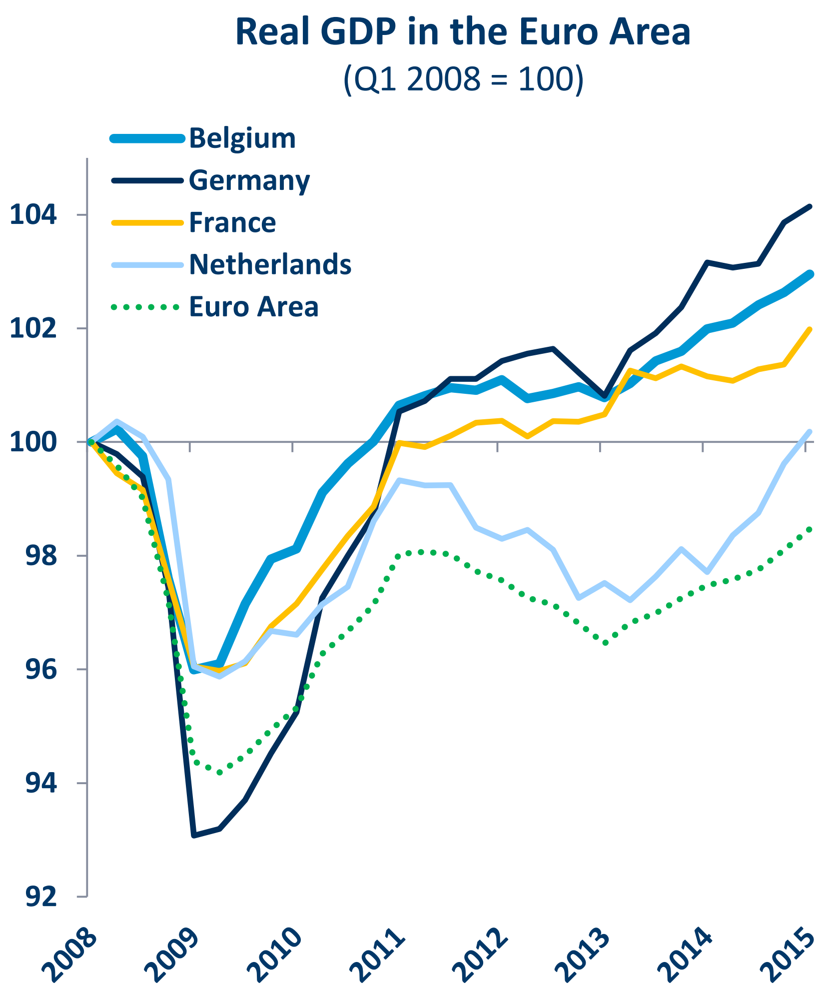
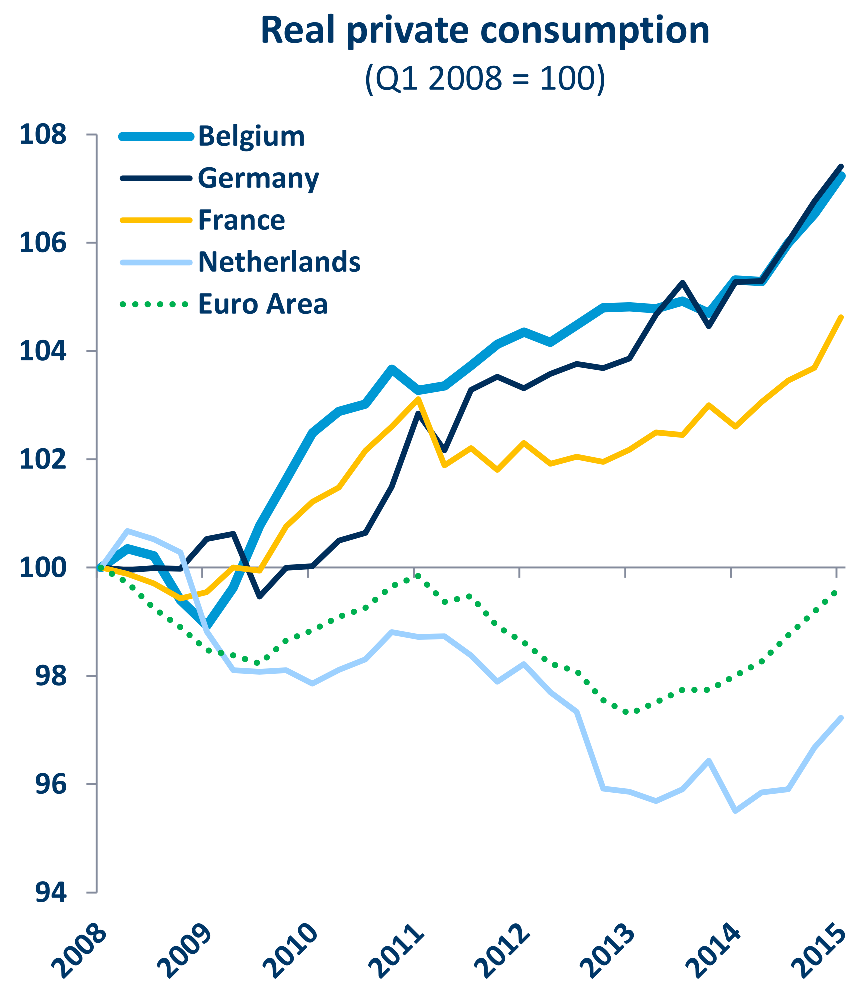
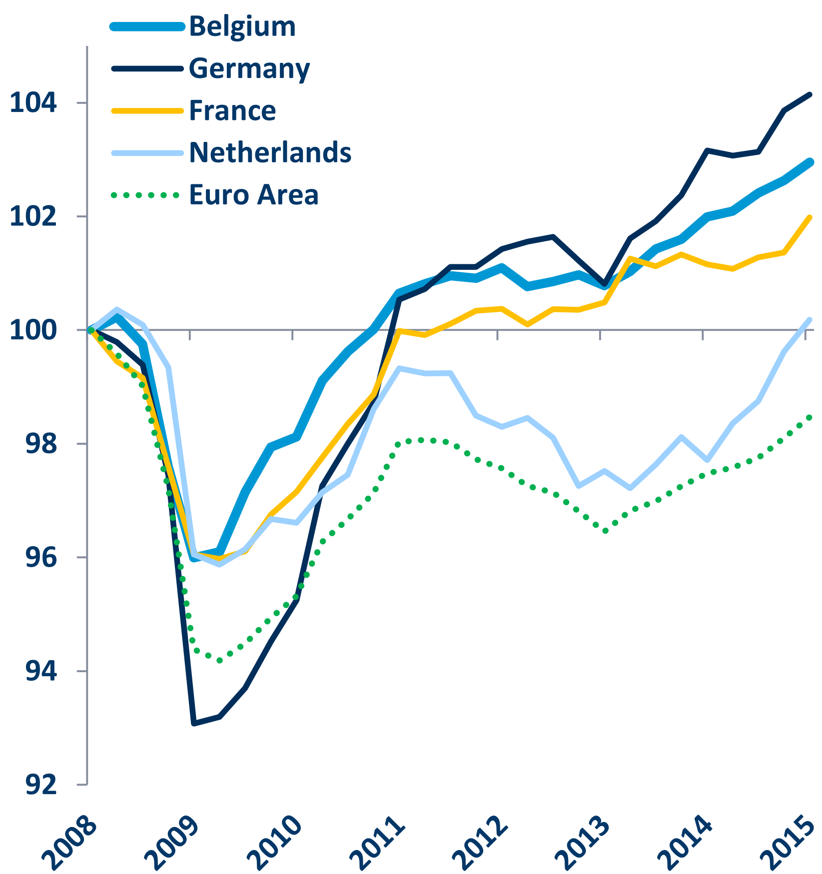
Belgian economic growth
Moderate but steady GDP growth – with strong consumption



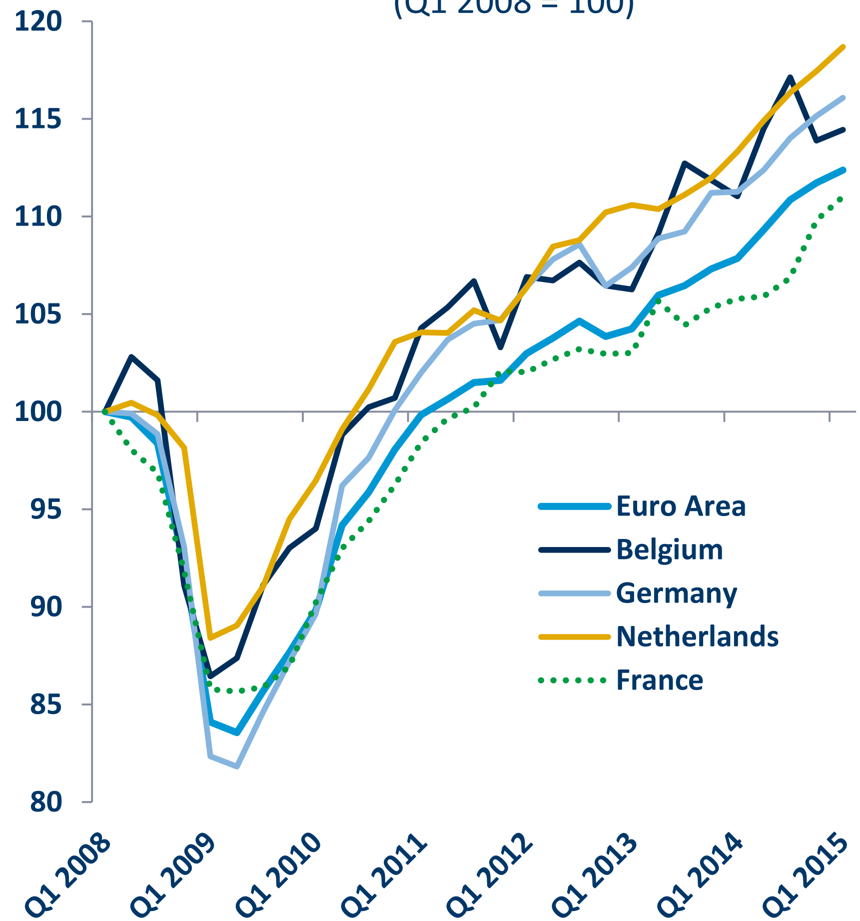


Belgian economic growth
Moderate but steady GDP growth – with rising exports

Real GDP in the Euro Area
(Q1 2008 = 100)



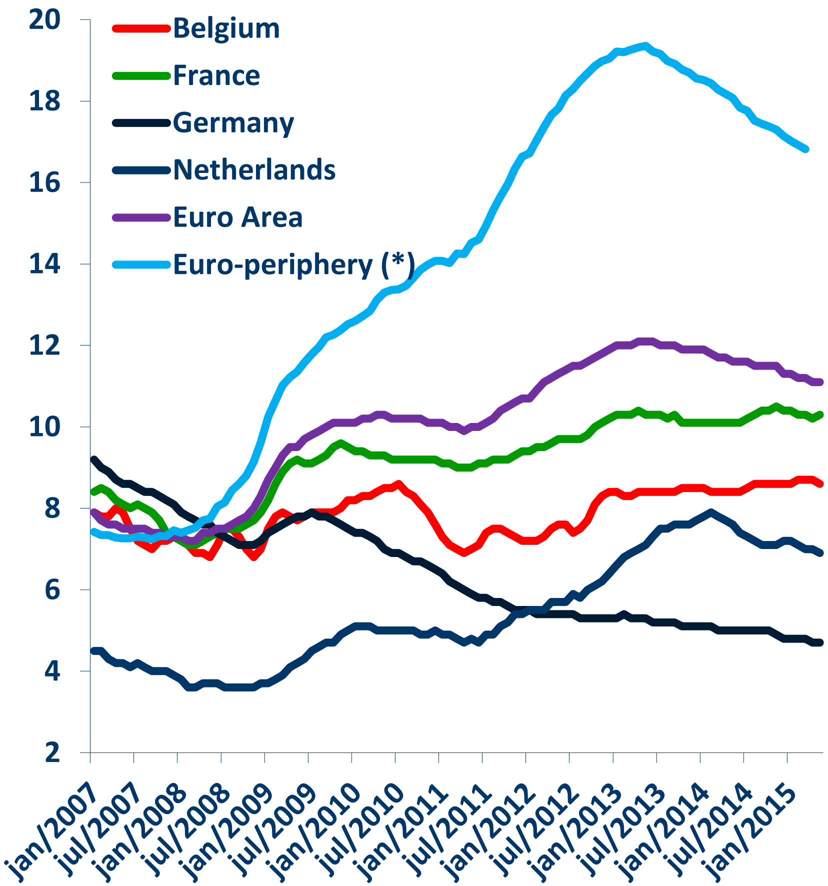
Exports
(Q1 2008 = 100)



Labour market

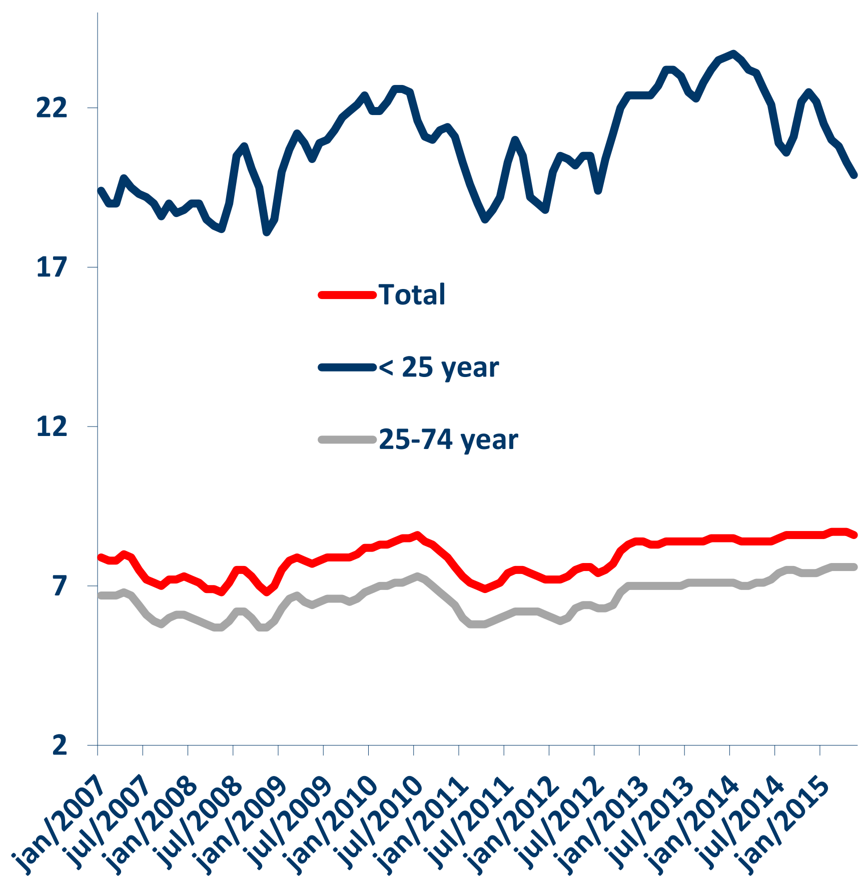
Belgian unemployment rate stable at 8.5%, youth unemployment down

Unemployment rate in the Euro Area
(harmonised and seasonally adjusted, Eurostat)

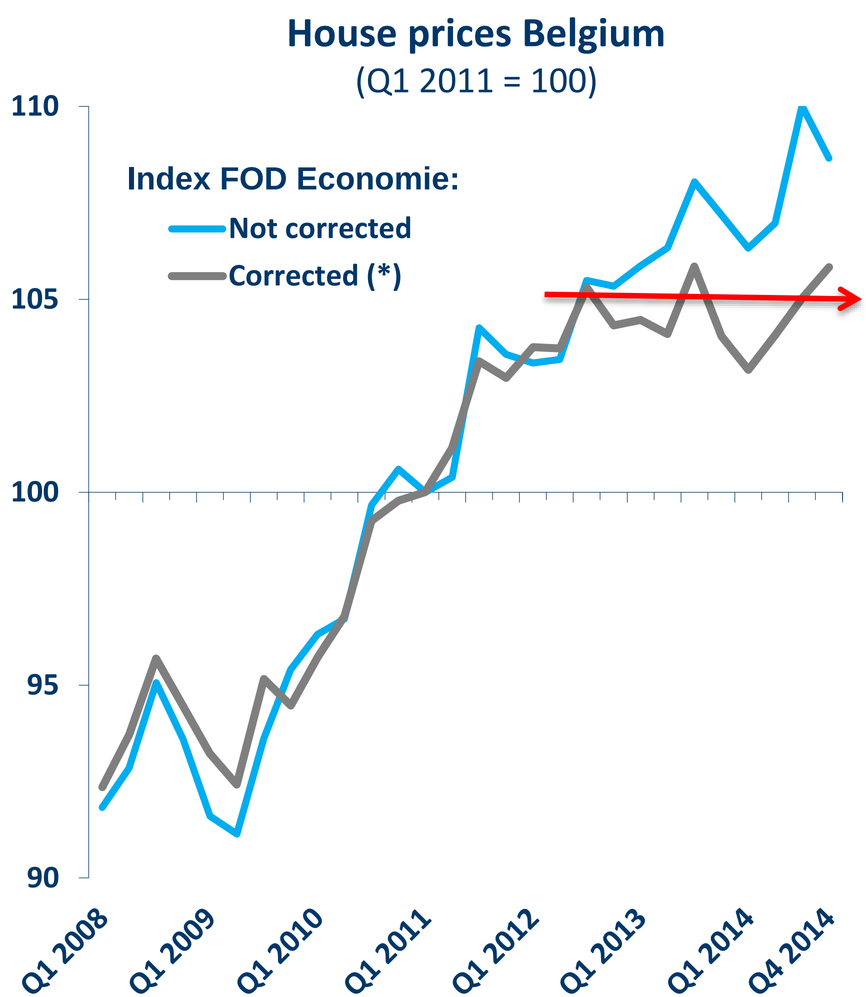


(*) Euro-periphery = Portugal, Ireland, Italy, Greece & Spain

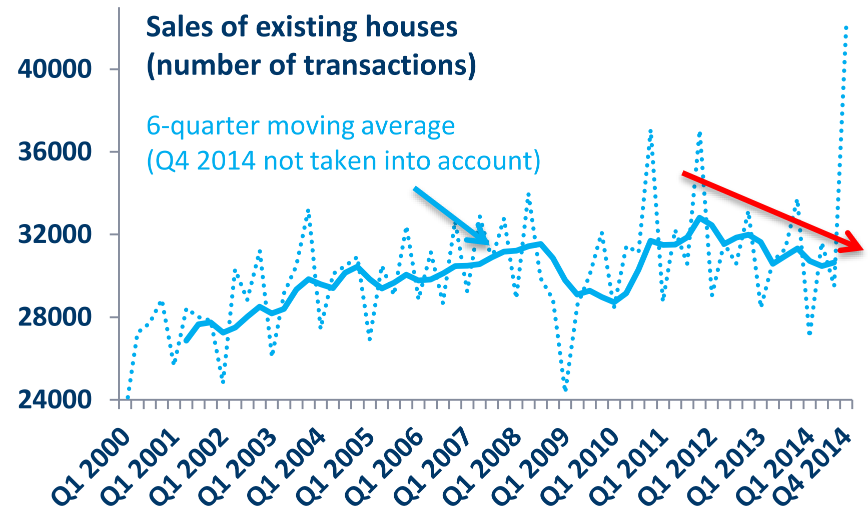
Unemployment rate in Belgium
(harmonised and seasonally adjusted, Eurostat)

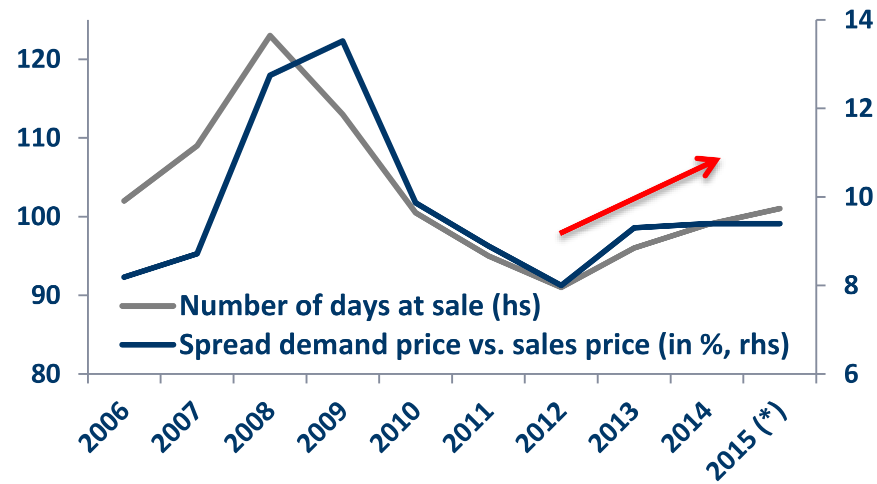


Belgian housing market
A soft landing



(*) Corrected for price changes resulting from changes in the quality and location of the real estate sold





(*) March 2015

Growth outlook 2015 & 2016

	REAL GDP GROWTH (IN %, KBC forecast)		
	2014	2015	2016
US	2.4	2.3	2.8
EMU	0.8	1.5	2.0
GERMANY	1.6	1.8	2.1
BELGIUM	1.1	1.4	1.7
CZECH REP.	2.0	2.8	2.6
SLOVAKIA	2.4	3.0	3.2
HUNGARY	3.6	3.1	2.5
BULGARIA	1.7	1.7	2.0
IRELAND	4.8	4.5	3.8

Comparison with other forecasters

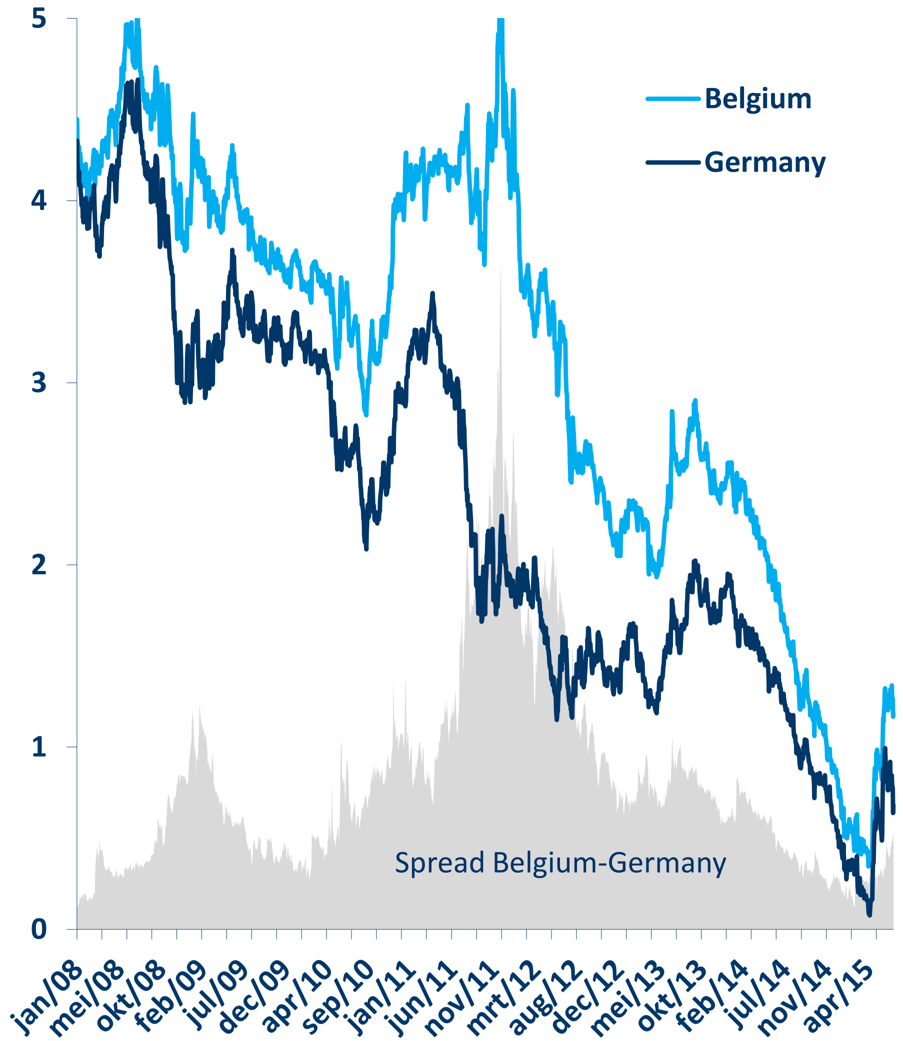
2015	Belgium	EMU	Germany
OECD (March)	1.3	1.4	1.6
IMF (April)	1.3	1.5	1.6
Consensus (June)	1.2	1.5	1.9
European Commission (May)	1.1	1.5	1.9
KBC (July)	**1.4**	**1.5**	**1.8**

2016	Belgium	EMU	Germany
OECD (March)	1.8	2.1	2.3
IMF (April)	1.5	1.7	1.7
Consensus (June)	1.5	1.8	2.0
European Commission (May)	1.5	1.9	2.0
KBC (July)	**1.7**	**2.0**	**2.1**

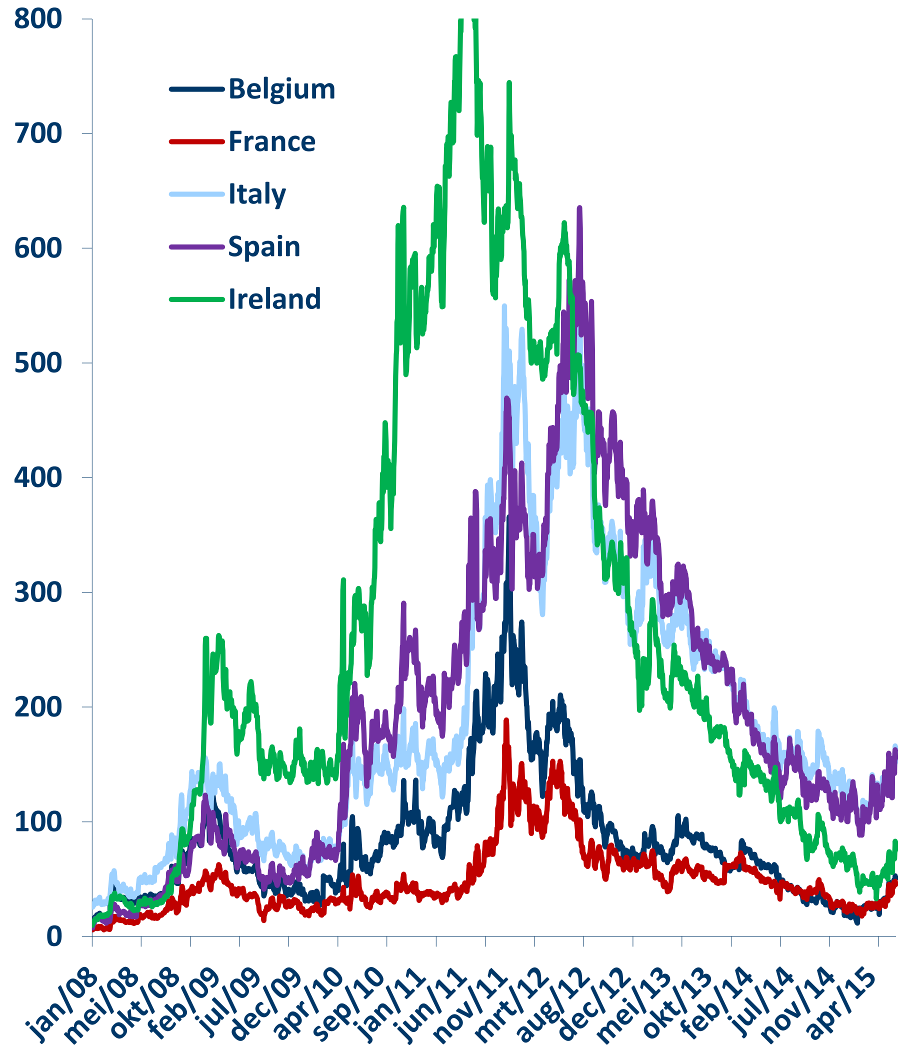
Source: KBC (July 2015)

Interest rate up a bit, but still at a (historically) very low level

10-year government bond yields
(in %)



Interest rate spreads Euro Area
(10-year rate versus Germany, in basis points)



Glossary (1/2)

AQR	Asset Quality Review
B3	Basel III
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (banking)	[operating expenses of the banking activities of the group] / [total income of the banking activities of the group]
Cost/income ratio adjusted for specific items	The numerator and denominator are corrected for (exceptional) items which distort the P&L during a particular period in order to provide a better insight in the underlying business trends. Corrections include among other things: • the MtM ALM Derivatives (fully excluded) • the bank taxes (including European Resolution Fund) are included pro rata and hence spread over all quarters of the year instead of for a large part booked upfront (as required by IFRIC21) • Up to the end of 2014, also Legacy & OCR was an important correction
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
ESFR	European Single Resolution Fund
Impaired loans cover ratio	[total impairments (specific) for impaired loans] / [total outstanding impaired loans]. For a definition of ‘impaired’, see ‘Impaired loans ratio’
Impaired loans ratio	[total outstanding impaired loans (PD 10-11-12)] / [total outstanding loans]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity Coverage Ratio (LCR)	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days].
Net interest margin (NIM) of the group	[net interest income of the banking activities] / [average interest-bearing assets of the banking activities]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]

Glossary (2/2)

MARS	Mortgage Arrears Resolution Strategy
MREL	Minimum Required Eligible Liabilities
PD	Probability of Default
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata)
TLAC	Total Loss-Absorbing Capacity

Specific remarks for 2Q15

- As of 2Q15, KBC will only be publishing the IFRS consolidated income statement (and no longer the IFRS P&L and adjusted P&L) as a result of (i) complexity reduction and (ii) the immaterial difference between the IFRS results and adjusted results as of 2015 (because the impact of legacy activities and of the valuation of own credit risk has been limited since the start of 2015)

  In addition to legacy & OCR at the Group Centre, capital-market income was treated differently for accounting purposes at KBC Bank Belgium (within the Belgium BU), given its importance:
    - in the adjusted accounts: all trading results were recorded under 'Net result from financial instruments at fair value'.
    - in the IFRS accounts: income related to trading activities was split across different components. The main shift however is from 'Net result from financial instruments at fair value' to 'net interest income'. We provided a sub-line for NII, namely 'of which dealing room income'. As a result, NIM marginally changed for the KBC Group and the Belgium BU

  Please note that in the past, this shift didn't apply to the other (than Belgium BU) business units for reasons of materiality

  As mentioned before, the impact of Legacy & OCR has been immaterial since the beginning of 2015 (and as a result, not shown separately anymore), which was not yet the case for reference year 2014 (especially 3Q14)

- IBNR parameter changes resulted in an increase in impairments by roughly 34m EUR in 2Q15

- Based on a recent recommendation by the ESMA/FSMA, KBC has furthermore aligned the accounting treatment of the annual deposit guarantee scheme levy in 2Q15. As a result, the second quarter figures include a 29m EUR charge related to the upfront recognition in Belgium

- The decision of the NBB to lift regulatory add-ons and LGD floors related to KBCs IRB-Advanced models led to a 3.8bn RWA reduction in 2Q15

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