KBC Group / Bank
Covered Bond Investor Presentation
August 2013

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Executive summary

- **KBC Bank has strong and diversified financial performance**
  - Strong core banking operations in Belgium and CEE region
  - Highly liquid – a loyal deposit base and low refinancing needs
  - Conservative risk profile – credit costs in the Belgian private persons segment around 5 bp at 2Q2013
  - Well capitalised – pro forma* CT1 Ratio of 12.6% at the end of June 2013 at KBC Group

- **Sound economic picture provides strong support for Belgian housing market**
  - High private savings ratio of 15.2%
  - Belgian unemployment is significantly below the EU average
  - Demand still outstrips supply

- **KBC's covered bonds are backed by strong legislation and superior collateral**
  - KBC's Covered Bonds are rated Aaa/AAA (Moody's/Fitch) rated
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - KBC has a disciplined origination policy – 2007 to 2012 average residential mortgage loan losses below 2 bp
  - CRD and UCITS compliant / 10% risk-weighted

- **As at 29 August 2013 KBC already issued four successful benchmark covered bonds (3, 5, 7 and 10 year)**

* 1H13 pro forma CT1 includes the effects of the accelerated repayment of 1.17bn EUR of State aid to the Flemish Regional Government (+50% penalty), the impact of the transfer of part of the shareholder loans and the impact of the signed divestment of KBC Banka

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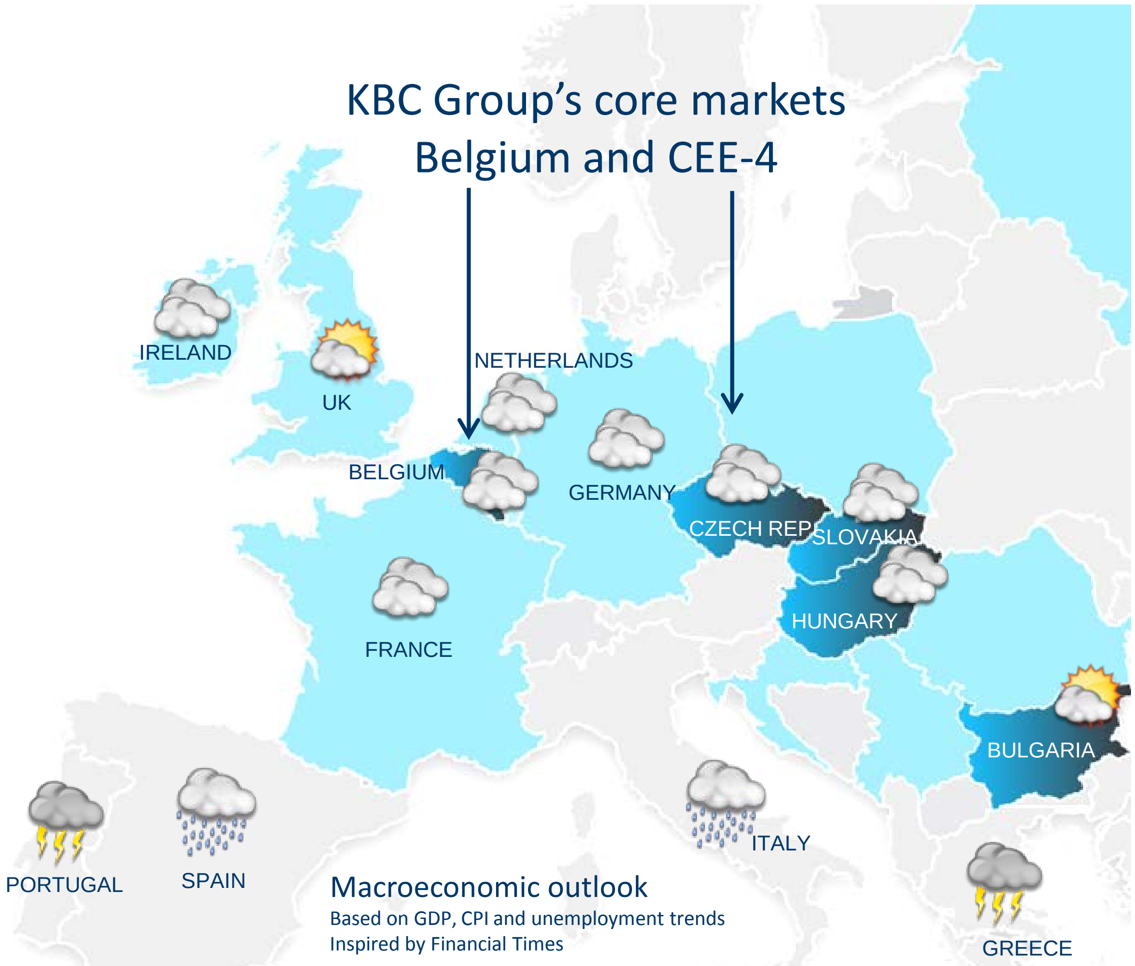
Well-defined core markets provide access to 'new growth' in Europe



MARKET SHARE, AS OF END 2012

	BE[1]	CZ	SK	HU	BG
Loans and deposits	20%	20%[2]	10%	8%	2%
Investment funds	35%	30%	8%	20%	
Life insurance	17%	8%	5%	3%	13%
Non-life insurance	9%	6%	3%	4%	11%

REAL GDP GROWTH OUTLOOK FOR CORE MARKETS[3]

	BE	CZ	SK	HU	BG
% of Assets	66%	15%	3%	4%	1%
2012a	-0,3%	-1,2%	2,0%	-1,7%	0,8%
2013e	0,1%	-1,0%	0,5%	0,3%	1,3%
2014e	1,3%	1,7%	1,5%	1,5%	1,8%

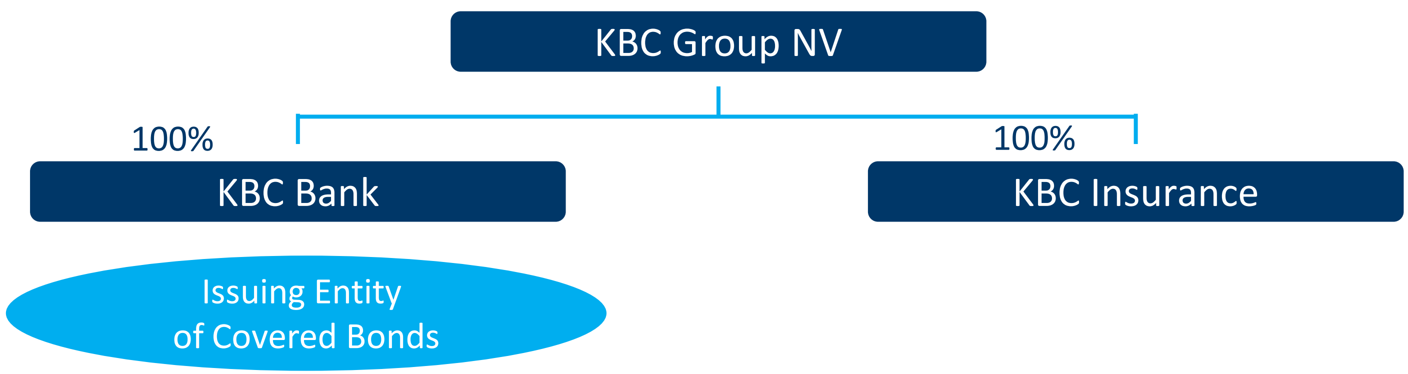
1. Excluding Centea and Fidea
2. Including 55% of the joint venture with CMSS
3. Source: KBC data, August 2013

Overview of KBC Group

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

- **INTEGRATED BANCASSURANCE 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 optimized product and service offering

- **LEGAL STRUCTURE OF KBC GROUP**



Overview of key financial data at 2Q 2013

KBC Group

- Market cap (08/08/13): 15bn
- Adjusted net result (1H 2013): EUR 0.8 bn
- Total assets: EUR 253bn
- Total equity: EUR 16bn
- T1 ratio: 16.8%
- CT1 ratio: 14.5%

KBC Bank

- Adjusted net result (1H 2013): EUR 0.8bn[1]
- Total assets: EUR 222bn
- Total equity: EUR 13bn
- T1 ratio: 15.9%
- CT1 ratio: 13.3%
- C/I ratio: 50%

KBC Insurance

- Adjusted net result (1H 2013): EUR 0.2bn
- Total assets: EUR 36bn
- Total equity: EUR 3.1bn
- Solvency I ratio: 304%
- Combined operating ratio: 95%

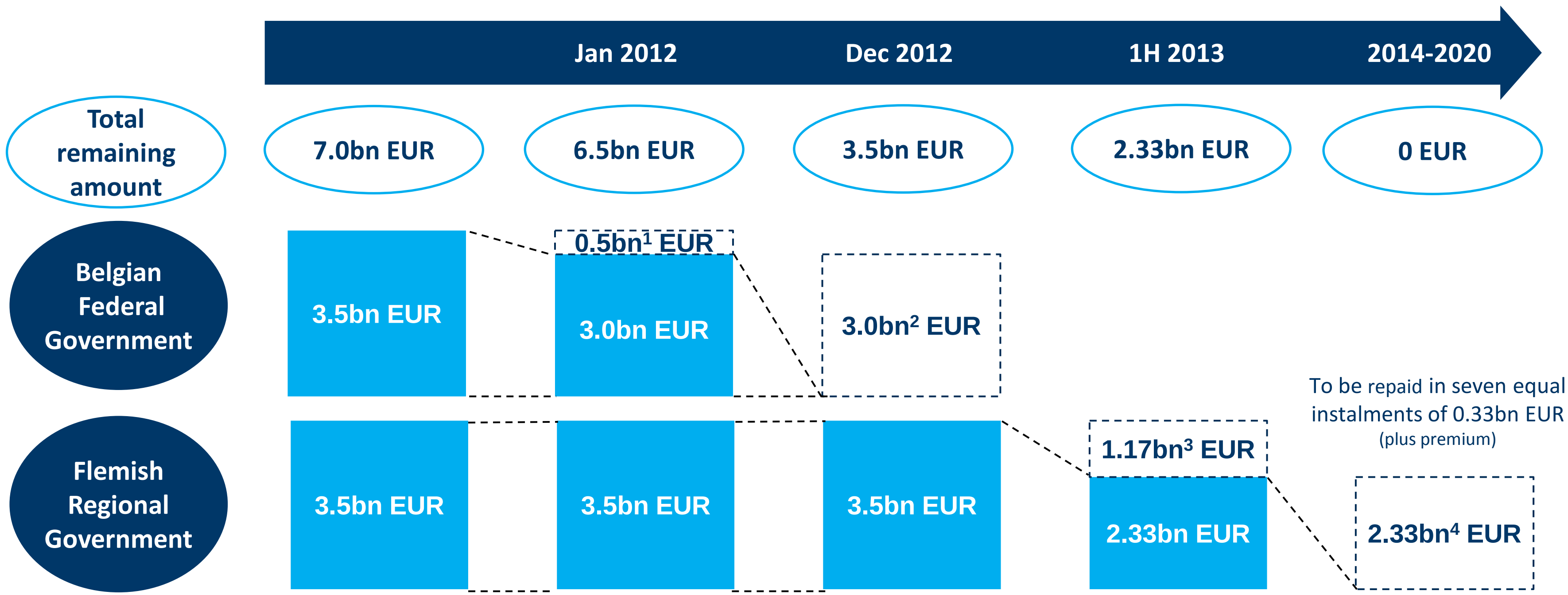
Credit ratings of KBC Bank

	S&P (Dec 2012)	**Moody's** (Jun 2012)	**Fitch** (Jun 2013)
Long-term	**A-** (Positive)	**A3** (Stable)	**A-** (Stable)
Short-term	A-2	Prime-2	F1

1 Includes KBC Asset Management ; excludes holding company eliminations

Assessment of the State aid position & repayment schedule

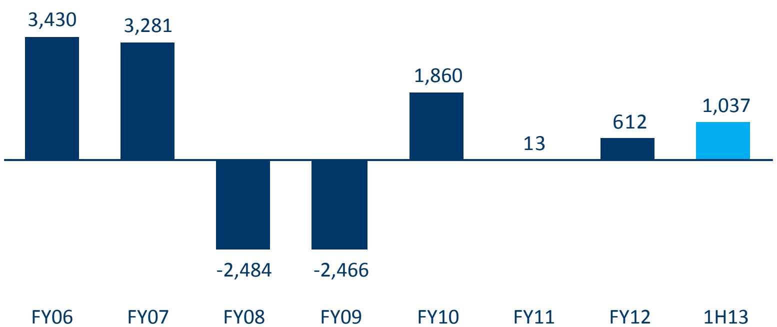
- KBC made accelerated full repayment of 3.0bn EUR of State aid to the Belgian Federal Government in December 2012 and the accelerated repayment of 1.17bn EUR of State aid to the Flemish Regional Government mid-2013, approved by the NBB
- KBC is committed to repaying the remaining outstanding balance of 2.33bn EUR owed to the Flemish Regional Government in seven equal installments of 0.33bn EUR (plus premium) over the 2014-2020 period (KBC however has the option to further accelerate these repayments)



1. Plus 15% premium amounting to 75m EUR
2. Plus 15% premium amounting to 450m EUR
3. Plus 50% premium amounting to 583m EUR
4. Plus 50% premium amounting to 1,165m EUR

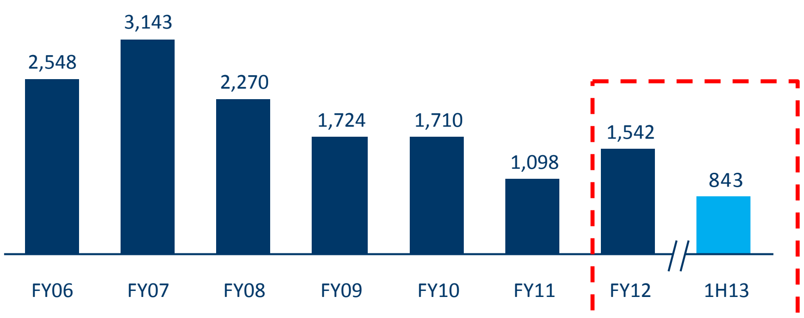
Earnings capacity

NET RESULT[1]

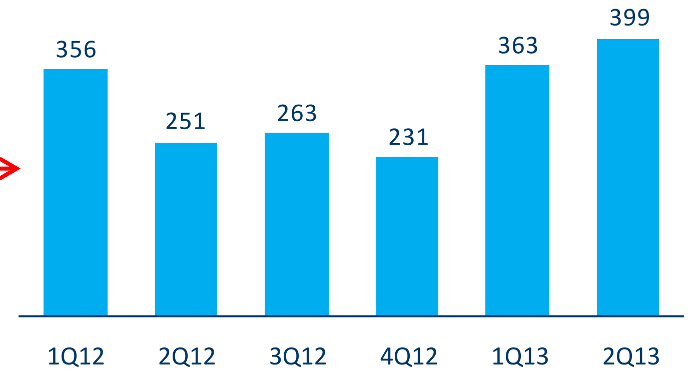


Excluding adjustments

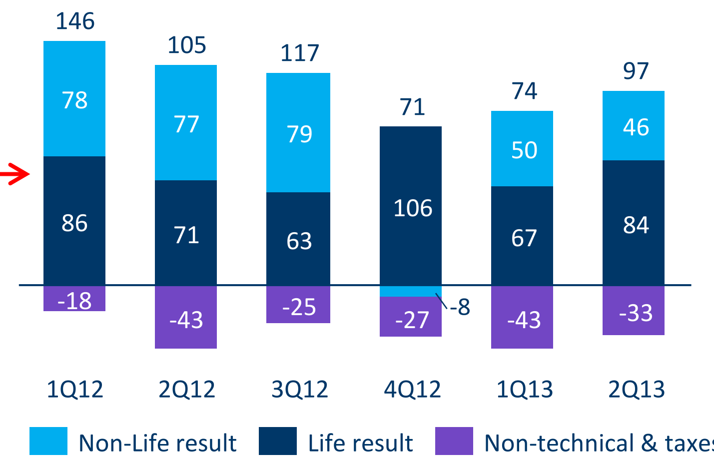
ADJUSTED NET RESULT[1,2]



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT[1,2]



CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT[1,2]



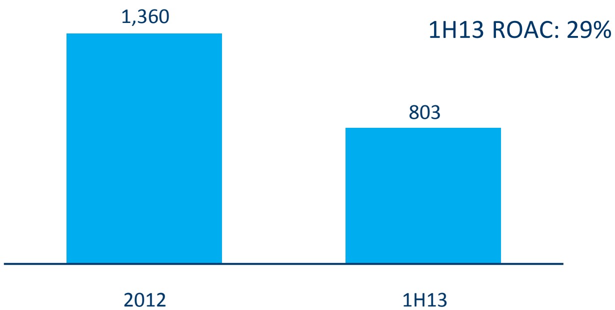
1 Note that the scope of consolidation has changed over time, due partly to divestments

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

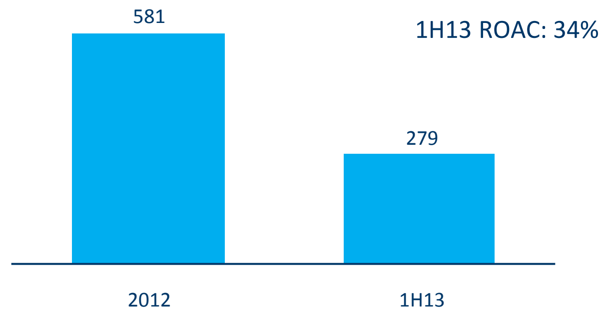
Amounts in m EUR

Overview of results based on new business units

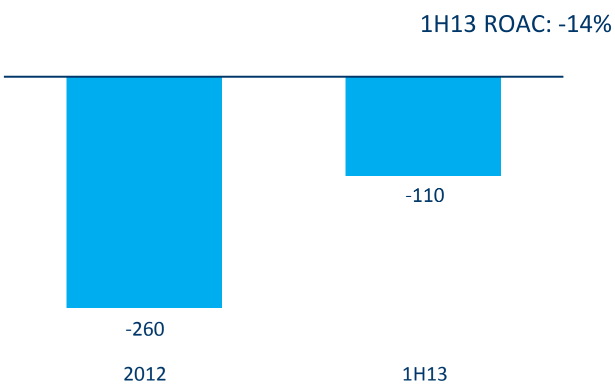
NET PROFIT - **BELGIUM**



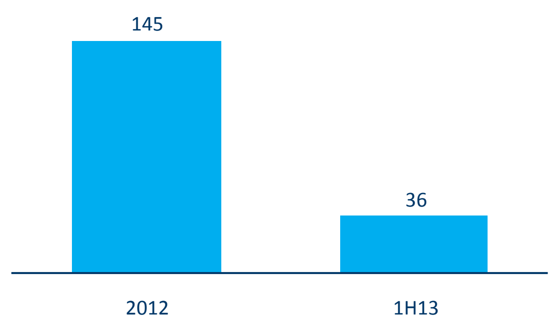
NET PROFIT – **CZECH REPUBLIC**



NET PROFIT -
INTERNATIONAL MARKETS



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



Amounts in m EUR

Very low loan losses in Belgian private persons operations

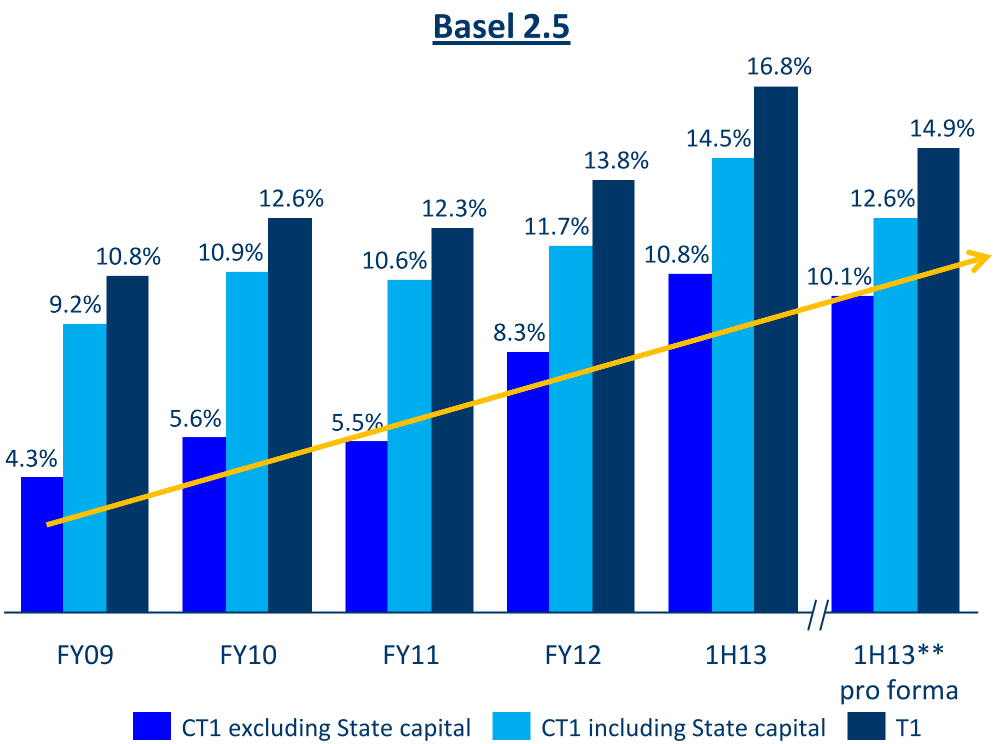
	1H13 CREDIT COST RATIO	FY 2012 CREDIT COST RATIO	AVERAGE ‘99 –’12	PEAK ‘99 –’12
Belgium	**0.49%**	**0.28%**	n.a.	n.a.
Of which private persons	*Approx. 0.05%*	*Approx. 0.10%*	n.a.	n.a.
Czech Republic	**0.30%**	**0.31%**	n.a.	n.a.
International Markets	**1.76%**[1]	**2.26%**[1]	n.a.	n.a.
Group Centre	**1.41%**	**0.99%**	n.a.	n.a.
Total	**0.75%**[2]	**0.71%**[2]	**0.50%**	**1.11%**

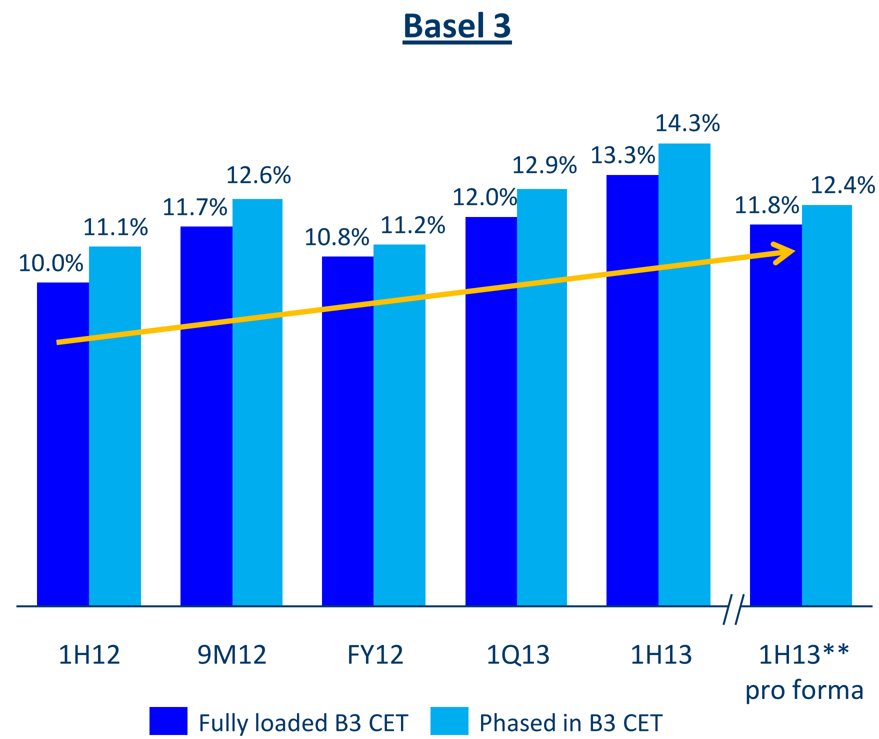
Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

1. The high credit cost ratio at the International Markets BU is due in full to KBC Bank Ireland. Excluding Ireland, the CCR at this business unit amounted to 85bps in 1H13
2. Credit cost ratio amounted to 0.75% in 1H13 (from 0.71% in FY 2012). Excluding KBC Bank Ireland and the one large corporate file in 1Q13, the credit cost ratio stood at 0.46% in 1H13

Strong capital position

- **Strong tier-1 ratio** of 16.8% under B2.5 and **common equity (B3 fully loaded*)** of 13.3% as at end 1H13
- **Pro forma** solvency ratios**: **core tier-1 ratio** of 12.6% under B2.5 and **common equity (B3 fully loaded*)** of 11.8% at KBC Group
- **Fully loaded B3 CET1 leverage ratio**: 3.7% at KBC Bank Consolidated, based on current CRR legislation



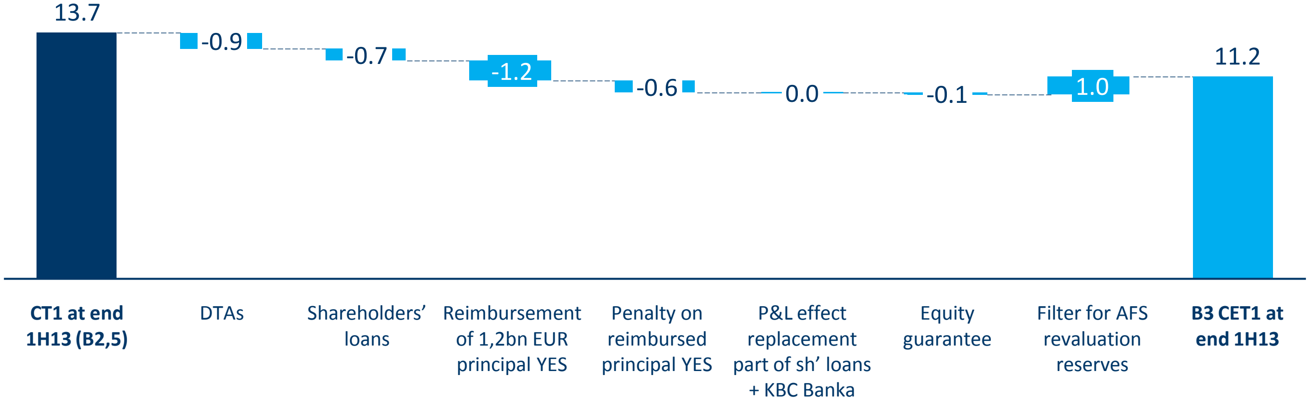


* With remaining State aid included in CET1 as agreed with local regulator

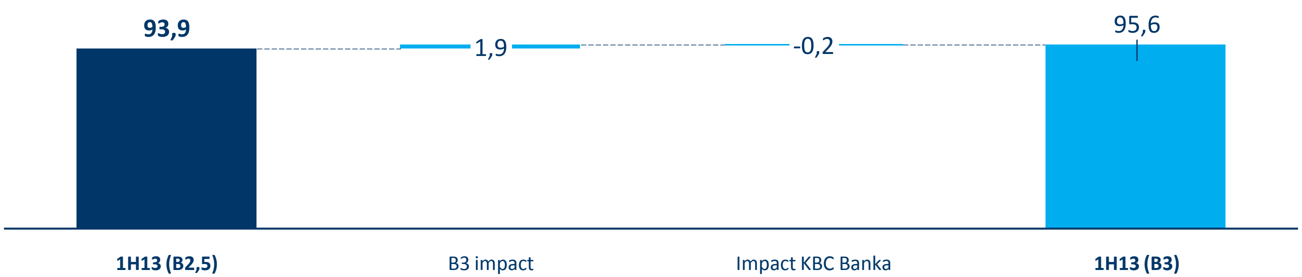
** 1H13 pro forma CT1 includes the effects of the accelerated repayment of 1.17bn EUR of State aid to the Flemish Regional Government (+50% penalty), the impact of the transfer of part of the shareholder loans and the impact of the signed divestment of KBC Banka

Common equity at end 1H13 pro forma - Fully loaded B3[1]

B3 IMPACT AT NUMERATOR LEVEL (BN EUR)



IMPACT ON RWA (BN EUR)

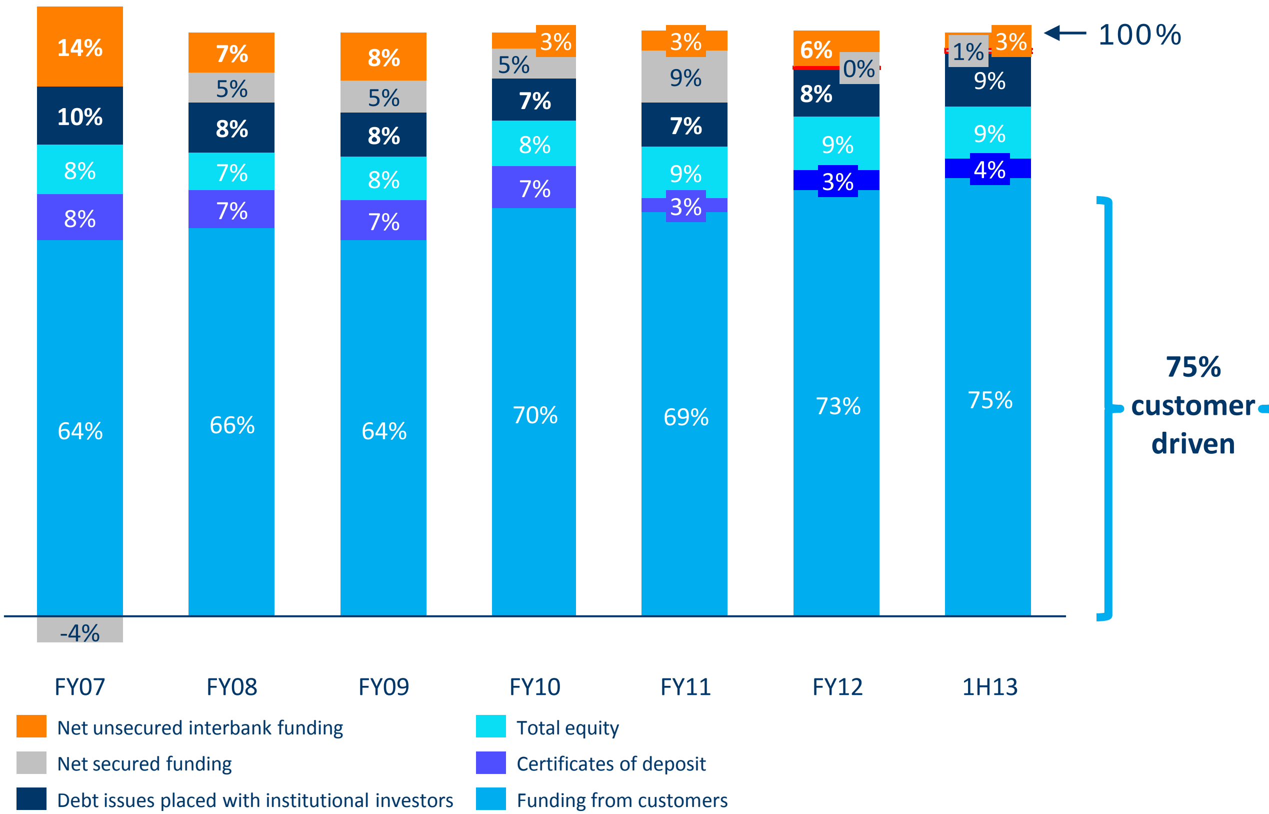


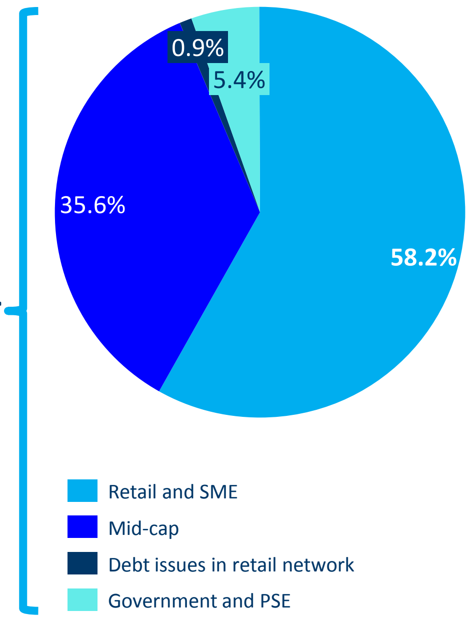
- Pro forma fully loaded B3 common equity ratio of approx. 11.8% at end 1H13
- Announced intention to maintain a fully loaded common equity ratio of minimum 10% as of 01-Jan-2013

1. With remaining State aid included in CET1 as agreed with local regulator

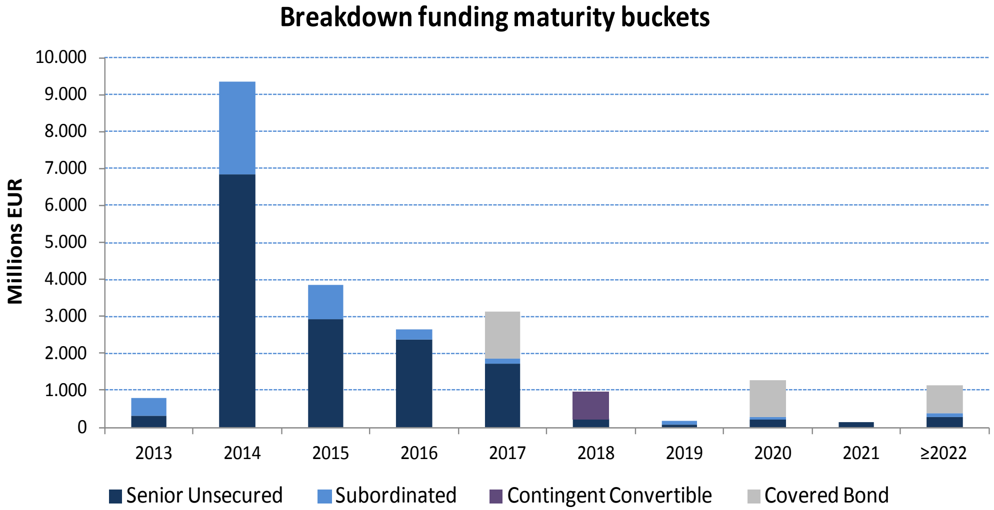
Solid liquidity position (1)

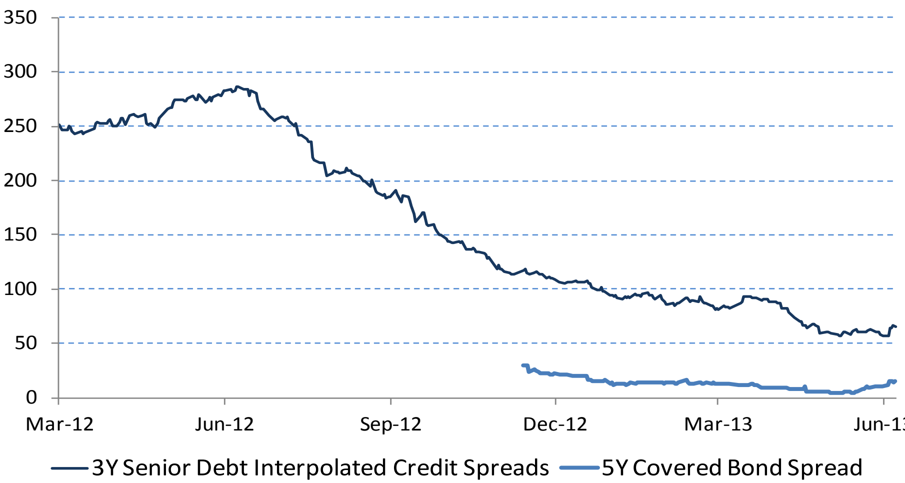
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments & markets





Upcoming mid-term funding maturities





- KBC successfully issued a third covered bond of 1bn EUR in May 2013
- KBC's credit spreads narrowed during 2Q13
- KBC Bank has 5 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Structured Notes using the private placement format
  - Covered bonds (supporting diversification of the funding mix)

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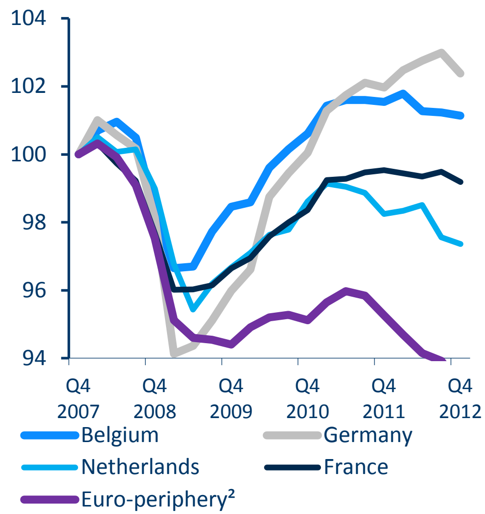
Belgium outperforms EMU

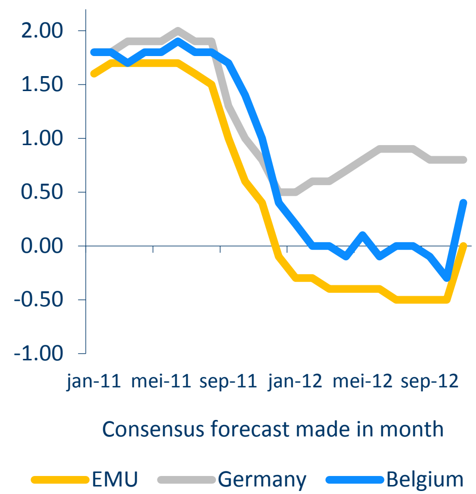
Challenging economic environment: Belgium outperforms

- With Europe still addressing the fall-out of the financial crisis, this also affects Belgium, but the country's economy is demonstrating its habitual resilience[1]
  - In 2012, Belgian GDP contracted by 0.2%, but for this year expectations are mixed. The NBB expects zero growth for 2013, while KBC is more optimistic, forecasting a 0.1% growth pace. The European Commission's estimate is in between, forecasting +0.2% GDP.
  - Belgian inflation remained above the euro area average at 2.6% in 2012, compared with 2.5% in the euro area. This year however, CPI inflation is forecasted to slow significantly, to only 1.0% (KBC forecast), well below the expected euro area average (1.8% EU Commission forecast).
  - The Belgian unemployment rate compares well with the euro area. End 2012, the unemployment rate stood at 8.1%, well below the euro area average of 11.7%.

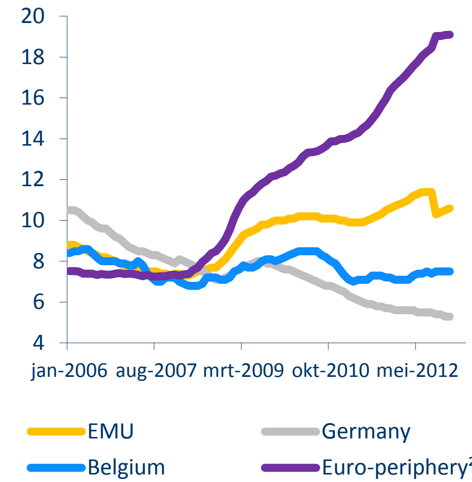
GDP- STAGNATION SINCE BEGINNING OF 2011



EVOLUTION OF CONSENSUS FORECASTS FOR REAL GDP-GROWTH IN 2012 (IN %)



UNEMPLOYMENT RATE



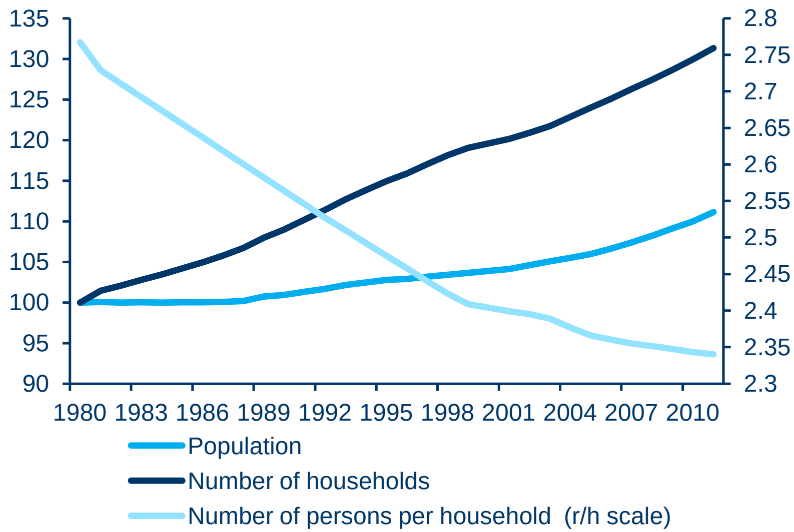
1. All data on 'Economic Environment' comes from Nationale Bank van Belgie, press release 30/3/2013 and website, economic indicators or Belgium
2. Euro-periphery = Portugal, Ireland, Italy, Greece & Spain

Demand for houses continues to be well supported

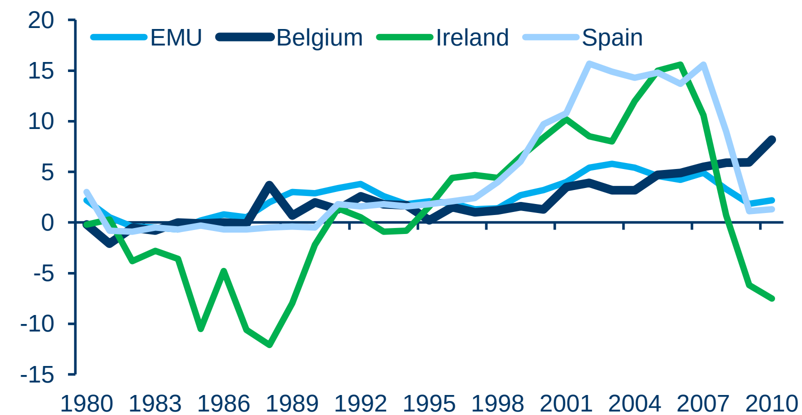
Increasing demand for houses

- High home ownership in Belgium: around 70%, appr. 10% higher than the euro-average[1]
- Total outstanding mortgage debt is now at EUR 163bn. Total mortgage debt compared to GDP in Belgium is 46% and compares well to other European countries and EU average of 52.5%[2]
- Belgium ranks third in the EU after Malta and The Netherlands, in terms of population density. The population is now at 11m and grows by 80.000 per annum over the coming 5 years[3]

THE NUMBER OF HOUSEHOLDS IS GROWING FASTER THAN THE POPULATION (1980 = 100)



EXTERNAL MIGRATION (PER 1000 INHABITANTS)

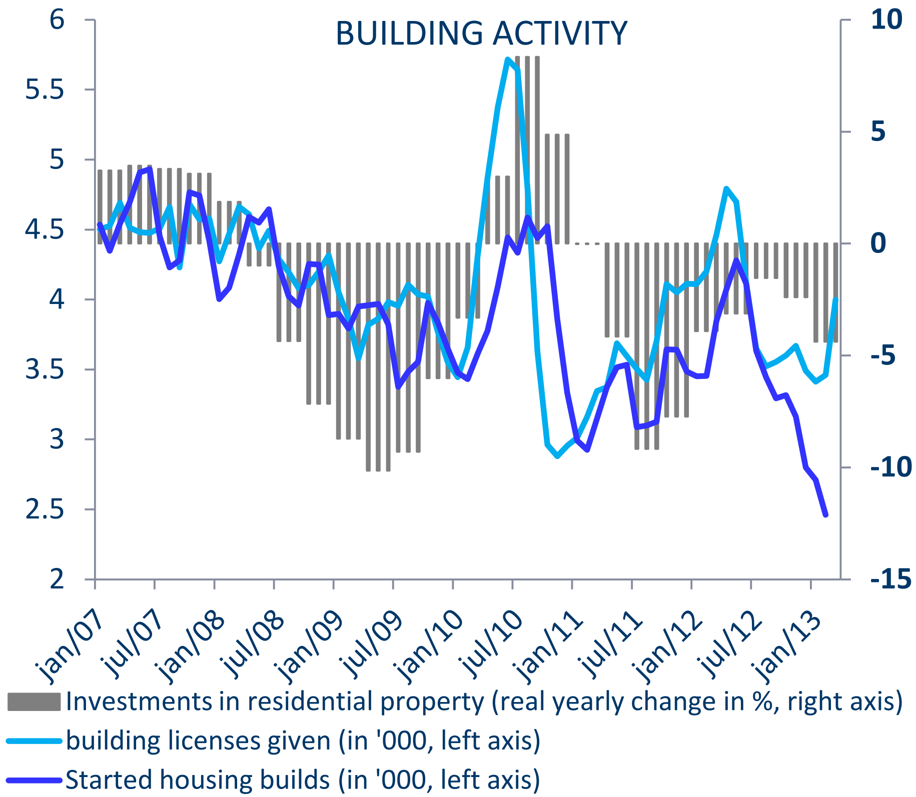


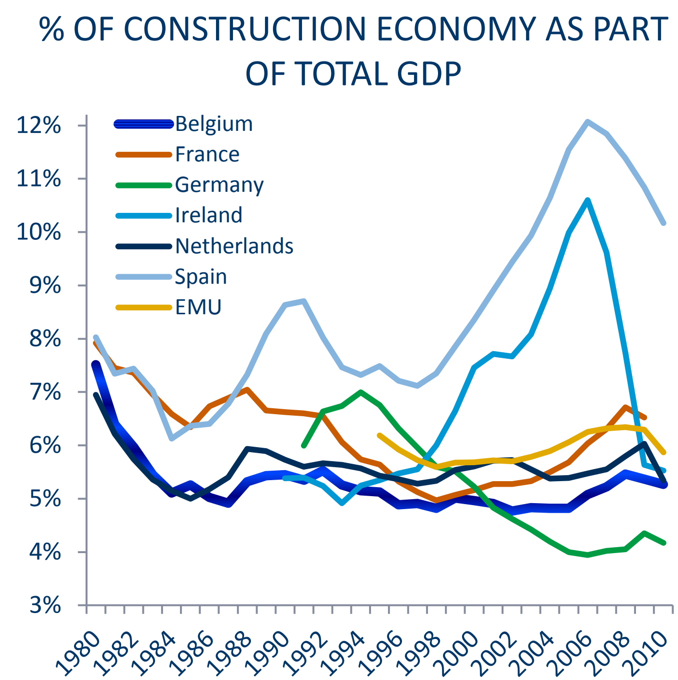
1. KBC Economic research note
2. Statistieken BVK, European Mortgage Federation
3. Statbel

Supply is subdued

Stable supply

- Construction activity has remained relatively stable in the past decade
- No building boom in Belgium, increase in price of land is indicator that supply is subdued.
- Construction economy is only a fraction of GDP





Source: Fod Economie, FOD Financiën, Eurostat

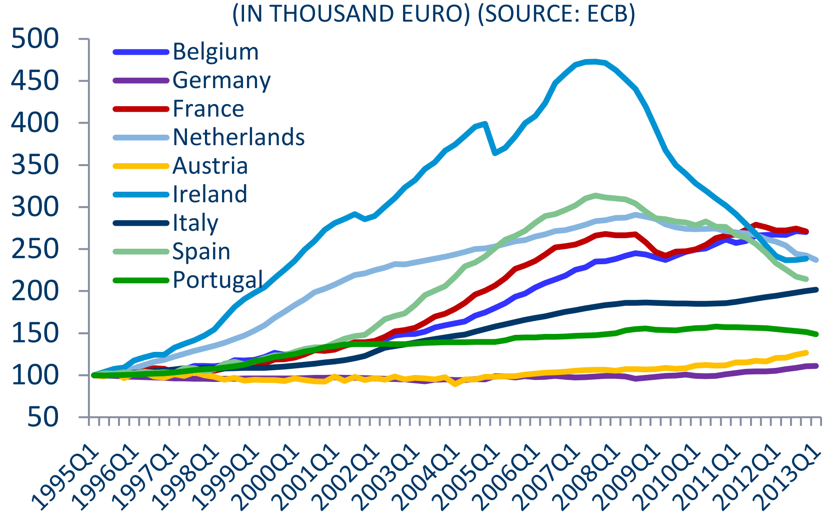
Belgian house prices are affordable

Belgian housing market

- The average Belgian house is still affordable for the Belgian borrower and, although price have risen in Belgium (graph below), the house prices are in line with the EU average
- Belgium is not an overly expensive country for housing, with an average sale price in 2012 of €226,814[1]
- No excessive Housing Cost Overburden Rate (proportion of the population, whose housing costs exceed 40 % of their equalized disposable income):
  - Belgium 10.6% versus EU27 area average 11.5%[2]

HOUSING PRICE

(IN THOUSAND EURO) (SOURCE: ECB)

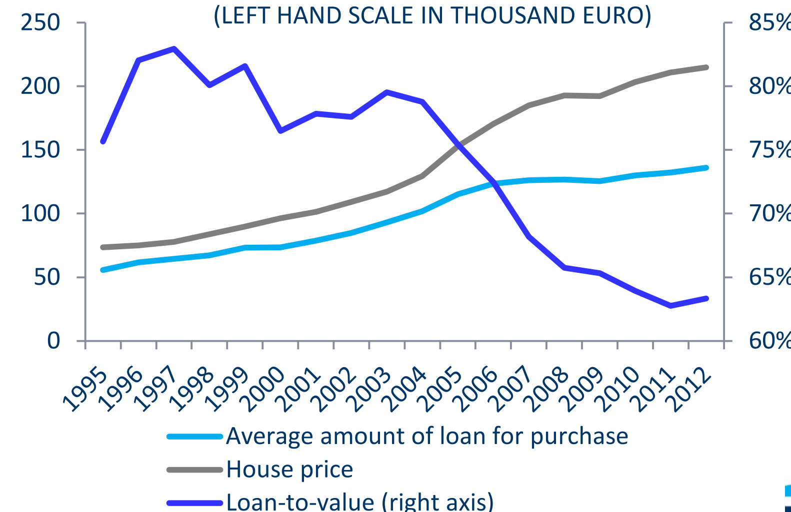


Mortgage market technicals

- Belgian borrowers predominantly prefer to take fixed rate interest rates. A 61.5% is fixed permanently and the remainder is variable.
- There is a legal cap on variable mortgage rates in Belgium
- The majority of mortgage loans are taken out for the purchase of a property, as opposed to for new construction, which is only 12% of new loans in 2012
- House prices have risen, however borrowers have increased their own equity stake.
- Belgian residential mortgage loans are amortizing

AVERAGE HOUSING PRICE AND MORTGAGE CREDIT[3]

(LEFT HAND SCALE IN THOUSAND EURO)



1. Notaris barometer van de Koninklijke Federatie van Belgische Notariaat
2. Eurostat
3. All data/graphs : Union de Crédit Professionels / BeroepsVerening Kredieten

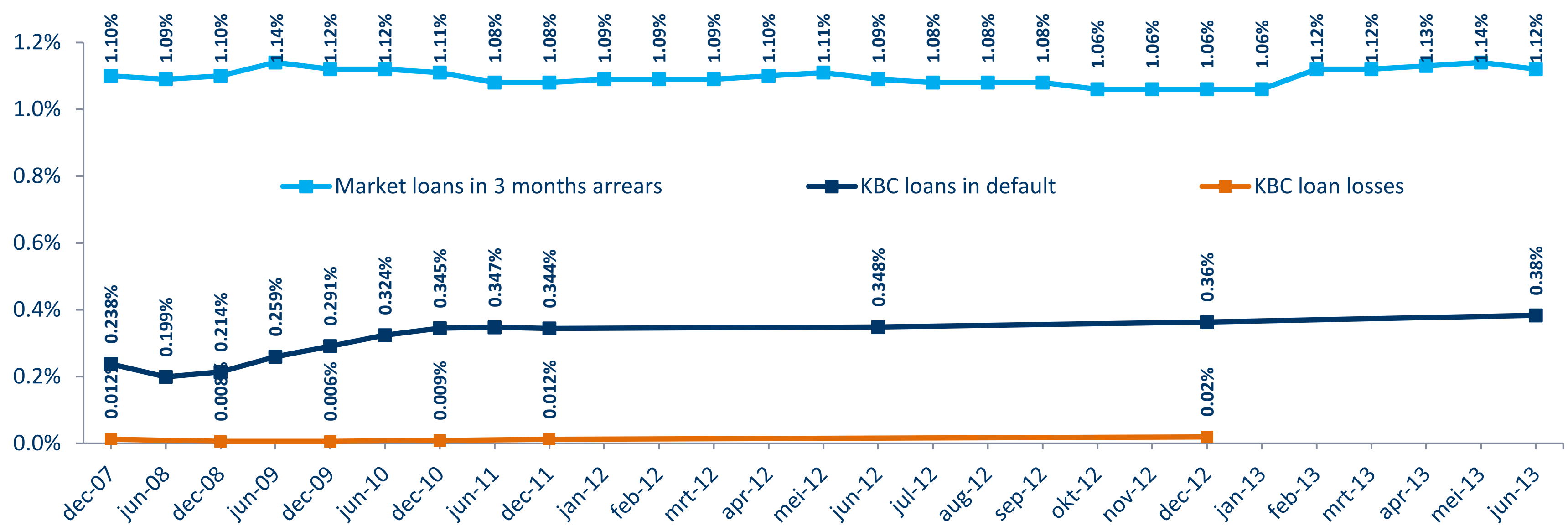
KBC's disciplined origination leads to low arrears and extremely low loan losses

BELGIUM SHOWS A SOLID PERFORMANCE OF MORTGAGES

Arrears have been pretty 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 great house price declines)

… AND KBC HAS EXTRAORDINARY LOW LOAN LOSSES

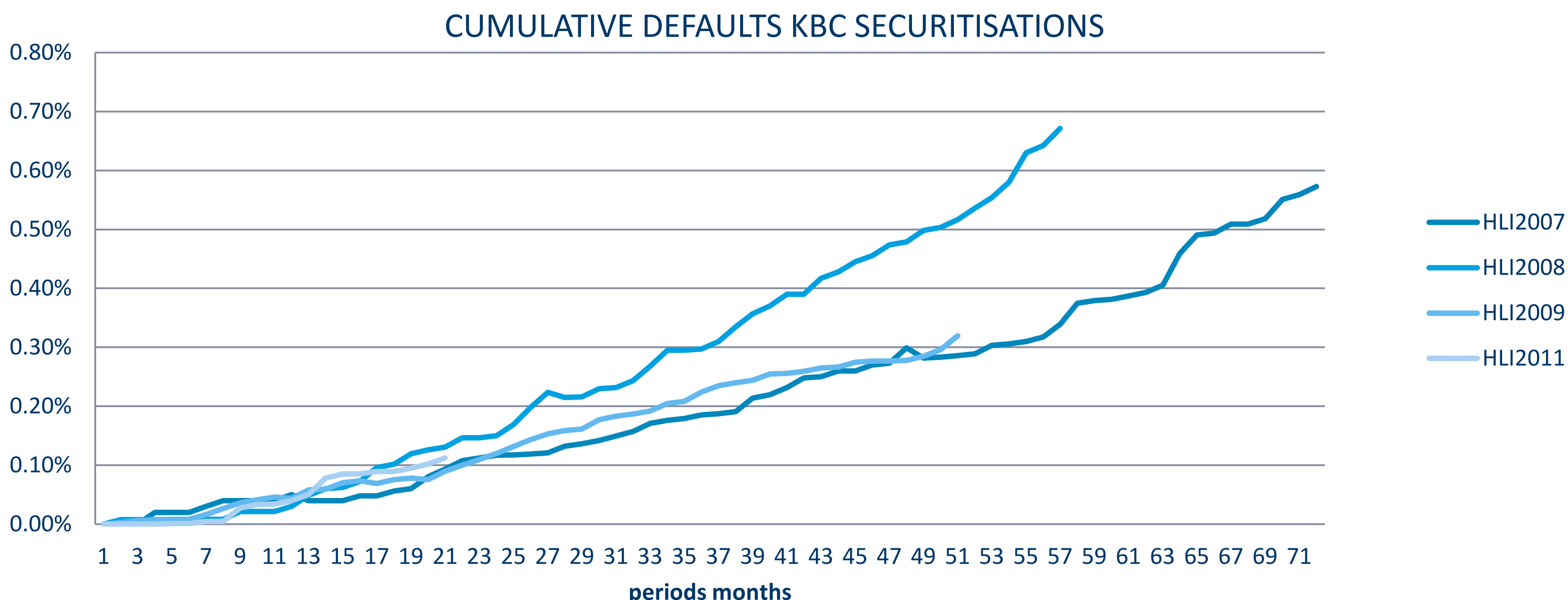


Low defaults, illustrated by KBC's securitisation transactions performance

PRUDENT ORIGINATION AND STABLE HOUSING RESULT IN LOW DEFAULTS AND HIGH RECOVERY

Low cumulative default figures on KBC Home loan Invest transactions

- The mortgage loans used in securitisation are similar to the mortgage loans of the covered bond programme
- Default is defined as acceleration of the loan (on average after 180 days overdue)
- Defaults are very low at appr. 10bp per year. Recoveries are very high (see previous chart with KBC residential mortgage loan losses). In the securitisation transactions, all defaults are covered by recoveries and excess spread.



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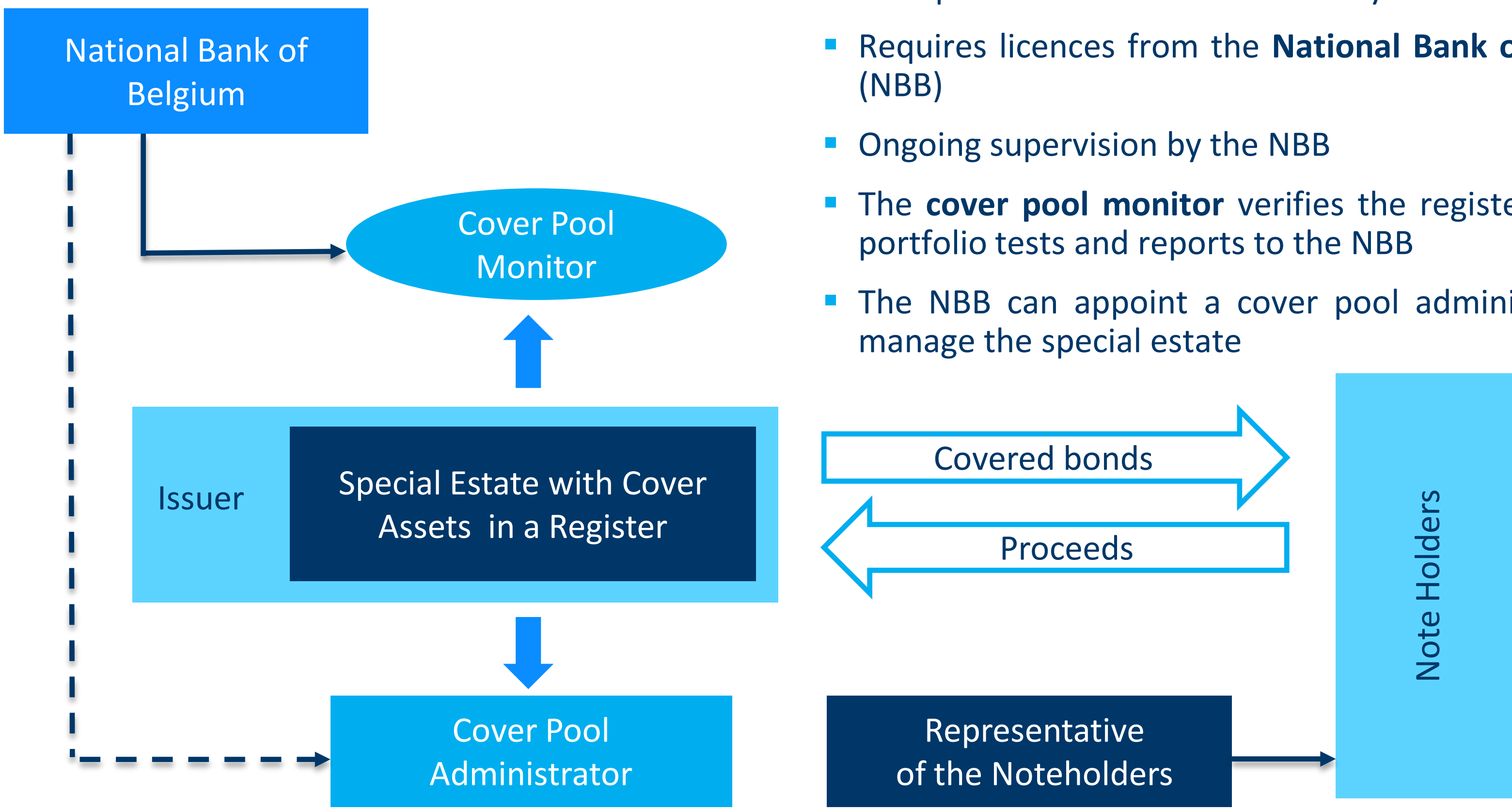
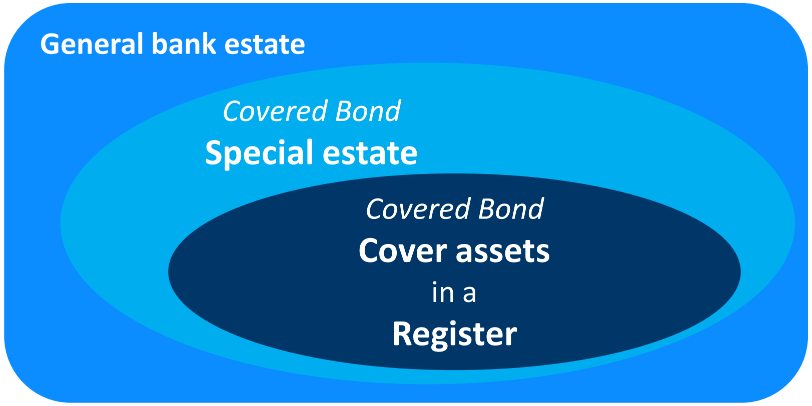
Belgian legal framework

- 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 insolvency
- Requires licences 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



Special estate - dual recourse



Cover Assets consists by law of one or more of the following types of assets:

1. Residential mortgage loans and senior RMBS;
2. Commercial mortgage loans and senior CMBS;
3. Claims towards public entities and related senior ABS;
4. Receivables on credit institutions;
5. Hedging instruments related to a cover asset

Assets of either type 1, 2 or 3 must at least be 85% of the nominal amount of covered bonds

A Special Estate consists by law of:

- Cover assets;
- Security Interests or guarantees related to the cover assets;
- Any monies deriving from the collection of cover assets/exercise of rights attached to cover assets

COVERED BOND INSOLVENCY REGIME

- Material exception to ordinary rules:
  - Liquidation proceedings only affect the general estate
  - The special estate is **not affected by the bank's insolvency/liquidation**
- The NBB appoints a **Cover Pool Administrator** with the purpose, in principle, to continue the management of the assets until the maturity date of the covered bonds
- **After redemption of all covered bonds**, remaining assets in the special estate become part of the general estate.
- Recourse to the general estate and the insolvency procedure cannot be closed as long as there are covered bonds outstanding.

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

External supervision / management

By the NBB

- Provides a general and special authorization
- The statutory auditor provides a report on the organizational capabilities of the issuer
- Approves the appointment of the cover pool monitor
- Appoints, if circumstances require so, the cover pool administrator
- Ongoing supervises compliance with the Covered Bonds Legislation by issuing credit institutions
- The Issuer reports quarterly to the NBB

By the Cover Pool Monitor

- Is an auditor who is not the statutory auditor of the issuing credit institution
- Provides an initial report to the NBB that the issuer complies with regulatory requirements and will verify this annually
- Verifies each month that the legal tests are met and reports exceptions to the NBB

By the Cover Pool Administrator

- The NBB appoints a cover pool administrator to manage the special estate, instead of the credit institution:
  - In case of adoption of a restructuring measure or liquidation of the credit institution; or
  - When the NBB is in the opinion that interests of bondholders is endangered
- Has the legal power to manage the special estate, independently from the issuer or the liquidator, for the benefit of the covered bondholders

Belgian covered bond legislation in comparison

	Belgium	Netherlands	France	Germany	UK
Segregation of Cover Pool	• Issuer holds assets on balance sheet and the assets covering the bonds are segregated on the originator's balance sheet in a Register • Alternatively, a credit institution could transfer eligible assets to another dedicated credit institution, which in turn issues the covered bonds	• Cover pool assets assigned to SPE (which guarantees the bonds) and subsequently pledged to a security trustee acting on behalf of the bondholders • As a result, the cover pool assets are segregated from other issuing bank / originator assets and SPE assets respectively	• No segregation of covered pool assets assigned to an SCF (Sociétés de crédit foncier) from the other SCF's assets • However, SCF is a single purpose entity, bankruptcy remote and completely independent from other group companies	• Issuer holds assets on balance sheet	• Cover pool assets sold to SPV (which guarantees the bonds) • Bonds are secured in favour of a security trustee acting on behalf of the bondholders and segregated from other SPV assets and the issuing bank / originator
Max LTV. (Residential)	80% LTV in the over-collateralisation test	80%[1]	60%/80%/100%[2]	60%	80%
Min Over-Collateralisation	5%	Contractually agreed	2% for both SCF and SFH	2%	c.10%[3]
Max. Substitute Collateral	One asset category must be at least 85% of the covered bonds	Contractually agreed	15%	10-20%	15%
Cover Register	Yes	No	No	Yes	Yes
Independent Monitor	Yes	Yes	Yes	Yes	Yes
CRD Compliant	Yes	Depending on programme	Yes	Yes	Depending on programme
Derivatives as Collateral	Yes	Yes	Yes	Yes	Yes
Matching Requirements	Nominal value	Nominal value	NPV and nominal value	NPV and nominal value	NA[4]

1. All covered bond programmes apply an 80% LTV cut-off percentage. Some covered bond programmes apply a 100% or different LTV cut-off percentage for residential mortgage loans that have the benefit of a Dutch National Mortgage Guarantee (Nationale Hypotheek Garantie) or of a credit risk insurance policy
2. 60% of the value of the financed asset is eligible for the loan. This amount may be increased to 80% if the entire loan portfolio consists of loans to individuals and is intended to finance home purchases. It may be raised to 100% for loans guaranteed by the FGAS
3. Actual amount varies from programme to programme
4. Primary method for the mitigation of market risk is the use of derivative hedge instruments

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KBC Bank NV residential mortgage covered bond programme (1/2)

Issuer:	• KBC Bank NV
Main asset category:	• min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon
Status:	**Dual recourse:** • Parri passu with the other unsecured obligations of the Issuer (general bank estate) • Exclusive recourse to the special estate

Current Programme Characteristics

Program size:	• Up to €10bn
Interest rate:	• Fixed Rate, Floating Rate or Zero Coupon
Currencies:	• Euro
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 the first three series

KBC Bank NV residential mortgage covered bond programme (2/2)

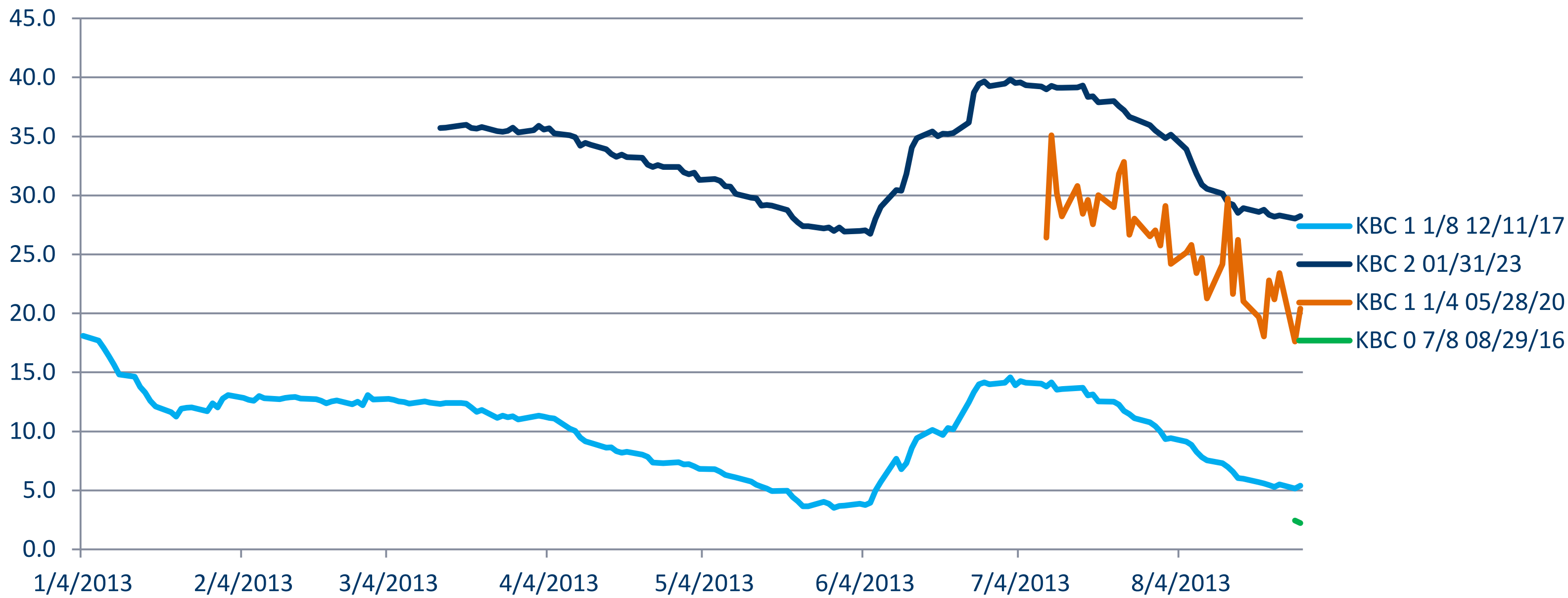
Events of default:	• Failure to pay any amount of principal on the Extended Final Maturity Date • A default in the payment of an amount of interest on any interest payment date
Rating agencies:	• Moody's Aaa • Fitch AAA
Additional liquidity	• 3 months interest payments are covered by liquid bonds of credit quality Step 1 ("AA-" or better). (Fitch requirement) • To ensure timely payment of interests
Cover Pool Monitor:	• KPMG

	Moody's	Fitch
Over-collateralisation	**28%**	**39%, expected to decrease upon further bond issuance**
	TPI Cap Probable	**D-cap 4 (moderate risk)**

Benchmark issuance KBC covered bonds

- **Since establishment of the covered bond programme KBC has issued four benchmark issuances**:
  - The inaugural EUR covered bond was issued in December 2012 for an amount of EUR 1.25 billion with a 5 years maturity at Mid swaps+30bp
  - On 24th January 2013, KBC Bank launched its second EUR covered benchmark issue for an amount of € 750 million with a 10 year maturity at Mid swaps+36bp
  - KBC Bank launched its third EUR covered benchmark issue for an amount of € 1 billion with a 7 year maturity at Mid swaps+16bp
  - On 29th august 2013, KBC Bank launched its fourth EUR covered benchmark issue for an amount of € 750 million with a 3 year maturity at Mid swaps+5bp

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



Source Bloomberg Mid ASW levels

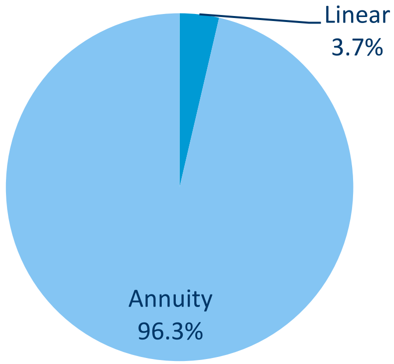
Key cover pool characteristics (1/3)

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

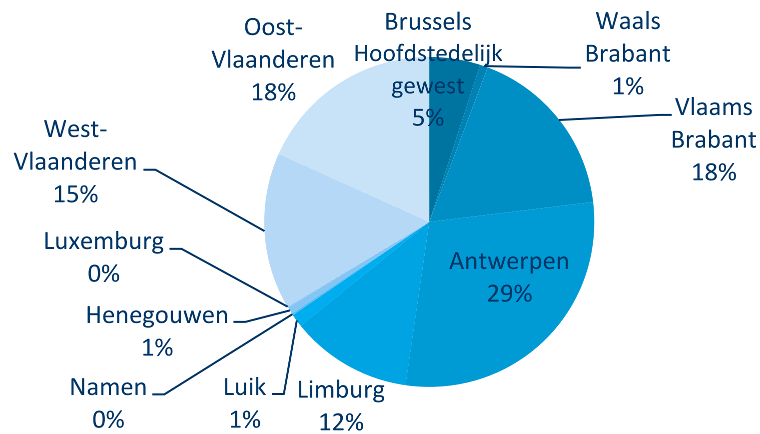
Data based on preliminary portfolio data as of :	30 June 2013
Total Outstanding Principal Balance	6,102,626,139
Total value of the assets for the over-collateralisation test	5,440,703,385
No. of Loans	57,296
Average Current Loan Balance per Borrower	136,506
Maximum Loan Balance	1,000,000
Minimum Loan Balance	1,000
Number of Borrowers	44,706
Longest Maturity	359 month
Shortest Maturity	1 month
Weighted Average Seasoning	26 months
Weighted Average Remaining Maturity	221 months
Weighted Average Current Interest Rate	3.42%
Weighted Average Current LTV	69.71%
No. of Loans in Arrears(+30days)	50
Direct Debit Paying	97%

Key cover pool characteristics (2/3)

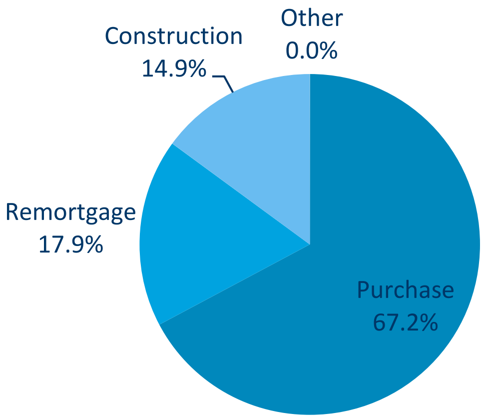
REPAYMENT TYPE (LINEAR VS. ANNUITY)



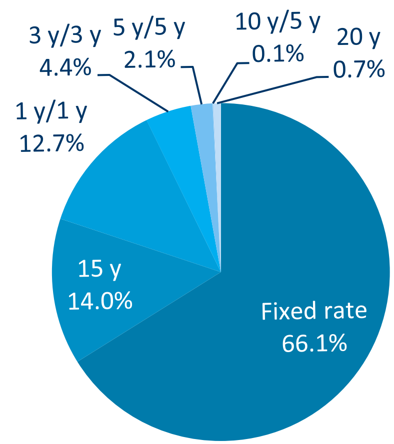
GEOGRAPHICAL ALLOCATION



LOAN PURPOSE

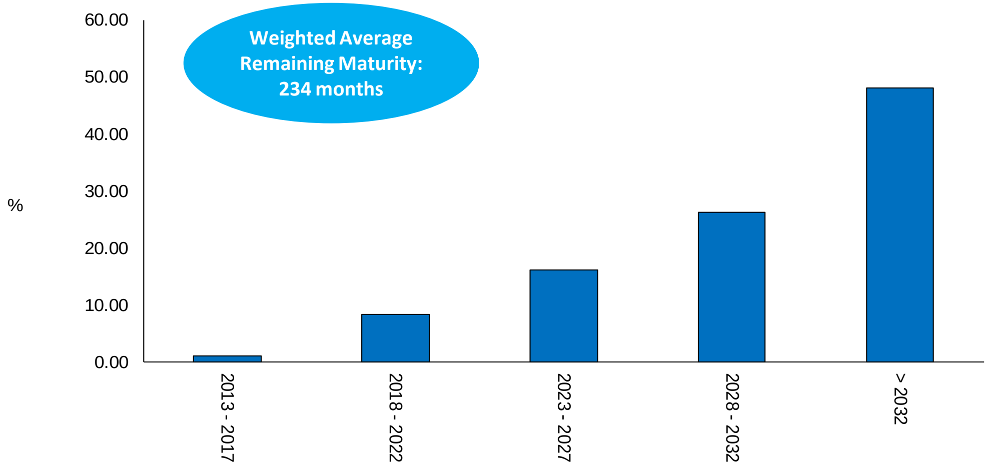


INTEREST RATE TYPE (FIXED PERIODS)

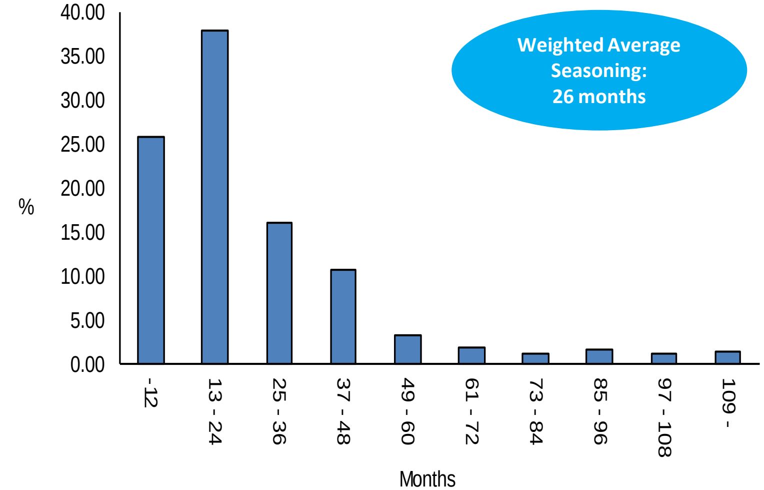


Key cover pool characteristics (3/3)

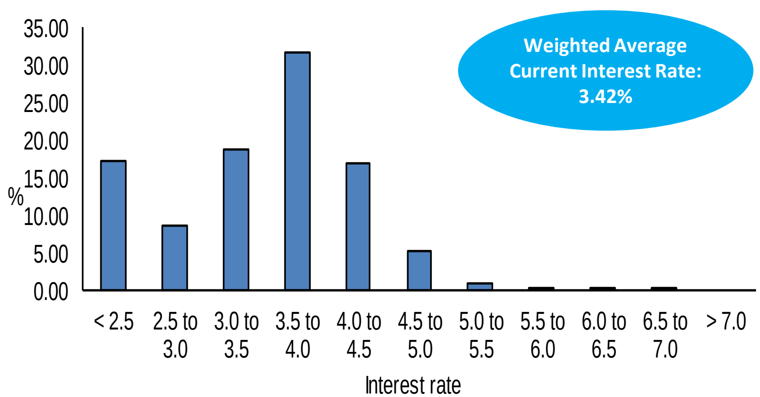
FINAL MATURITY DATE



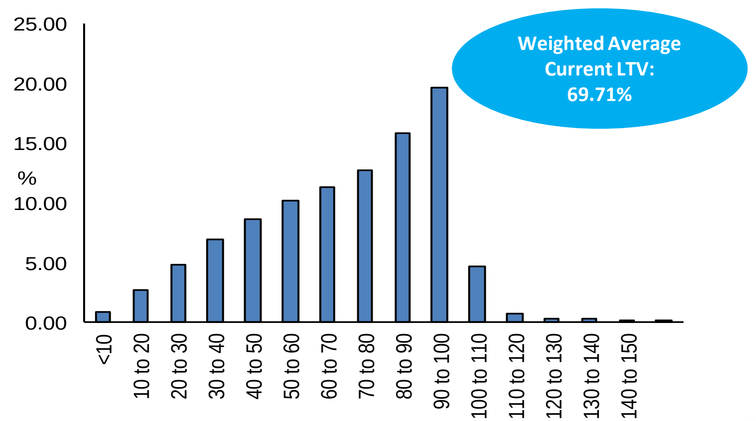
SEASONING



INTEREST RATE



CURRENT LTV



Key messages

- **KBC Bank has strong and diversified financial performance**
  - Strong core banking operations in Belgium and CEE region
  - Highly liquid – a loyal deposit base and low refinancing needs
  - Conservative risk profile – credit costs in the Belgian private persons segment around 5 bp at 2Q2013
  - Well capitalised – pro forma* CT1 Ratio of 12.6% at the end of June 2013 at KBC Group

- **Sound economic picture provides strong support for Belgian housing market**
  - High private savings ratio of 17%
  - Belgian unemployment is significantly below the EU average
  - Demand still outstrips supply

- **KBC's covered bonds are backed by strong legislation and superior collateral**
  - KBC's Covered Bonds are rated Aaa/AAA (Moody's/Fitch) rated
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - KBC has a disciplined origination policy – 2007 to 2012 average residential mortgage loan losses below 2 bp
  - CRD and UCITS compliant / 10% risk-weighted

- **As at 29 August 2013 KBC already issued four successful benchmark covered bonds (3, 5, 7 and 10 year)**

* 1H13 pro forma CT1 includes the effects of the accelerated repayment of 1.17bn EUR of State aid to the Flemish Regional Government (+50% penalty), the impact of the transfer of part of the shareholder loans and the impact of the signed divestment of KBC Banka

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Mortgage selection criteria

- The Mortgage Loans have all been originated under the Mortgage Credit Act;
- The Mortgage Loans and Related Security is governed by Belgian law;
- The Mortgage Loans are granted with respect to Real Estate in Belgium;
- The Mortgage Loans have all been originated on or after 1st January 1995;
- The Mortgage Loans have all been originated by the Originator in its ordinary course of business;
- The Mortgage Loans comply in all respects with all applicable laws including mortgage credit and consumer protection legislation;
- The Mortgage Loans are all secured by a first ranking Mortgage, together, as the case may be, with a second ranking Mortgage and/or a mandate to create Mortgages over the Mortgaged Asset in favour of the Originator;
- The Mortgage Loans are all fixed rate or variable rate Mortgage Loans;
- The maximum lifetime for the Mortgage Loans does not exceed 30 years as from the date of full disbursement;
- The Mortgage Loans are either Annuity Mortgage Loans, Linear Mortgage Loans or Interest-only Mortgage Loans;
- The Mortgage Loans are not in Arrears;
- The Mortgage Loans are all fully disbursed;
- In respect of each Mortgage Loan, at least one Instalment has been received
- Each Mortgage Receivable, except Mortgage Receivables under Interest-only Mortgage Loans is repayable by way of monthly Instalments;
- The Current Balance on the Cut-off Date of each Mortgage Loan is not less than EUR 1,000 and does not exceed EUR 1,000,000;
- The Borrowers of the Mortgage Loans can be employees of KBC Bank
- Maximum Loan To Mortgage of 500%
- Maximum Current Loan to Value of 150%

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Underwriting and approval process

Step 1	Customer Application
Step 2	Credit Analysis
Step 3	Credit Decision
Step 4	Administration Handling

Step 1

Standard Application Form

i. Information on the project (investment and financing plan, what is the total cost and how is it going to be financed?)

ii. Information on the customer: personal data and information on his assets and liabilities

Step 2

Supported by behavioural and application scoring

i. Property valuation (guarantees)

ii. Ratios - loan-to-value ratio and debt-to-income ratio

iii. Credit history of the customer

iv. Income check

Step 3

85 % of the loans is decided by the local branch

The registration system KPD decides if the branch manager is authorised, which depends on:

i. The risk-appreciation (= result of application scoring)

ii. The guarantees

The registration system KPD also defines how many people must take the decision and what delegation they must have

Step 4

Output

- Written offer for the client (= legally required) input for the notary

- After signing and registration of the notarial deed loan file is transferred to the bookkeeping department
- Full disbursement within 12 months of notarisation - can be extended once with max. 12 months
- Building or renovation bills must be presented

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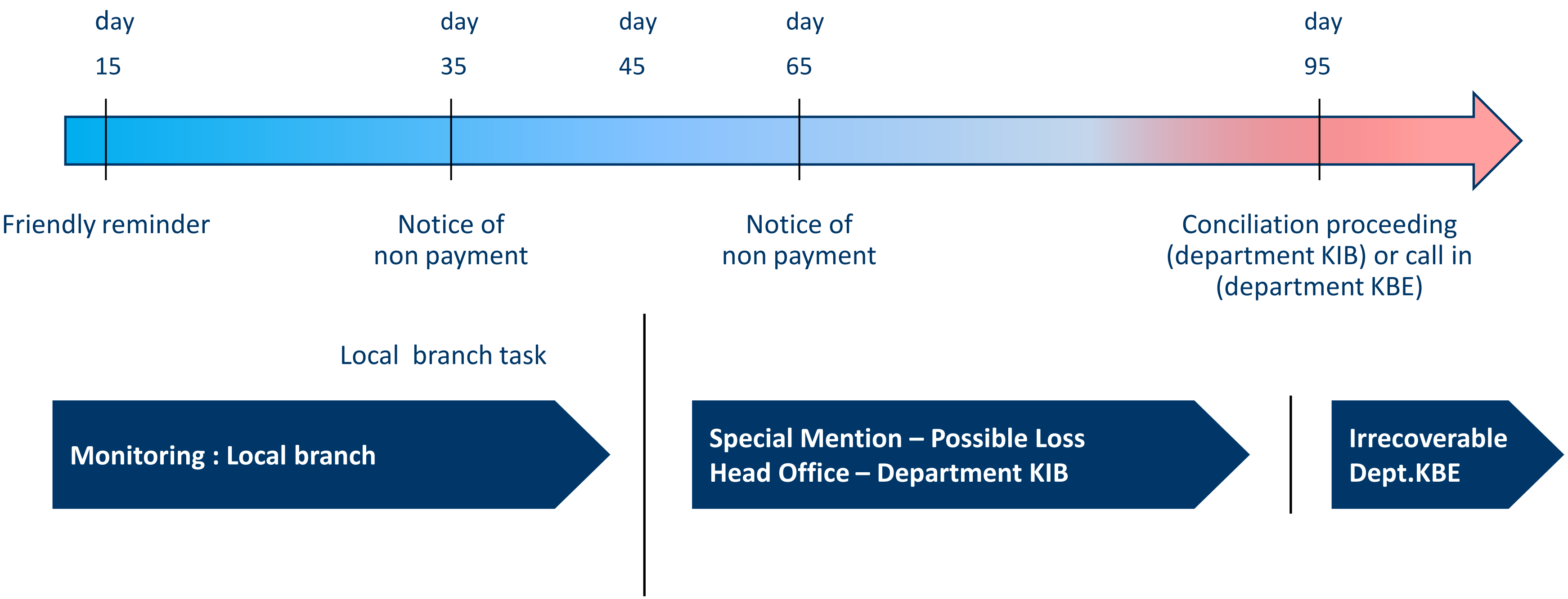
Start of credit risk monitoring: automatic processes

- Main risk warning signal : detection of arrears in payment
- Monthly review of the credit portfolio : start of Monitoring phase if arrears > 5 days
- Daily review of the credit portfolio : start of special follow-up phase if arrears = 45 days
- Dunning procedure
  - Automatic friendly reminder after 15 days arrears
  - Notice of default after 35 days arrears



Credit risk management: various phases

Borrower → **Debtor**

- **Step 1** The Monitoring Phase
- **Step 2** Special Mention
- **Step 3** Possible Loss
- **Step 4** Irrevocable
- **Step 5** Written off

5 days — 45 days — 90 days — Termination – Legal proceedings — Written Off

Step 1

- Arrears < 45 days; local branch is responsible for the credit risk supervision and is the point of contact
  - Electronic monitoring of customers being followed up

Step 2

- Arrears 45 till 90 days; head office (department KIB and KBE) is responsible for the credit risk supervision and is the point of contact Electronic monitoring of customers being followed up
- Automatic transfer of the title after 45 days arrears to KCB
  - Blocking all borrowers accounts
- Transfer can be sooner at request of local branch

Step 3

- Possible loss from 90 days arrears till termination
  - Natural extension of special mention phase
- Head office is responsible and continues as point of contact
- Conciliation proceeding before the competent court is possible in case of 3 unpaid installments (Mortgage loan)

Step 4

- Irrecoverable: From termination till recovery or write-off. Time frame is around 180 days
- Head office tries to recover outstanding amount at lowest expense
  - Payment arrangements possible
- After conciliation proceeding Head Office transfers authority to an attorney to begin proceeding
- Consequences:
  - Transfer of the loan to default claim accounting (DUB)
  - Special debt recovery account is opened
  - Specific provisions are booked

Step 5

- Write-off after execution of all legal procedures
- Reasons to write off loan
  - Payments received < accruing interest
  - Borrower disappeared
  - Amount not significant enough for further follow-up
  - Claim is forgiven by law
  - Borrower has died without heirs
  - Compromise settlement between KBC and borrower

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RWA reduced by more than initially planned

- **40% reduction in risk weighted assets between the end of 2008 and 1H13** due mainly to divestment activities
  - Further progress on divestments: the sale of Absolut Bank is completed, and we have signed agreement to sell KBC Banka
  - The 4.7bn EUR RWA reduction during 2Q13 was attributable chiefly to the further reduction of loan exposure in foreign branches and LGD model changes (both in the Belgian BU), next to the divestment of Absolut Bank and the further reduced CDO exposure (both in Group Centre)

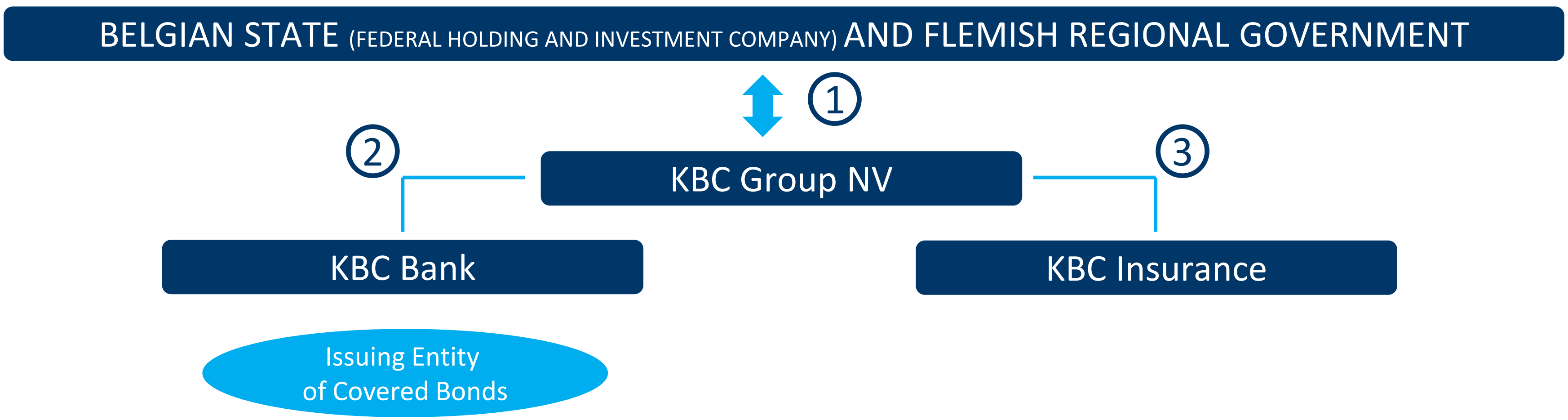
KBC GROUP RISK WEIGHTED ASSETS (bn EUR)

SELECTED DIVESTMENTS	
KBC FP Convertible Bonds	✓
KBC FP Asian Equity Derivatives	✓
KBC FP Insurance Derivatives	✓
KBC FP Reverse Mortgages	✓
KBC Peel Hunt	✓
KBC AM in the UK	✓
KBC AM in Ireland	✓
KBC Securities BIC	✓
KBC Business Capital	✓
Secura	✓
KBC Concord Taiwan	✓
KBC Securities Romania	✓
KBC Securities Serbia	✓
Organic wind-down of international MEB loan book outside home markets	✓
Centea	✓
Fidea	✓
Warta	✓
KBL European Private Bankers	✓
Zagiel	✓
Kredyt Bank	✓
NLB	✓
Absolut Bank	✓
KBC Banka	Signed
KBC Bank Deutschland	Work-in-progress
Antwerp Diamond Bank	Work-in-progress

* Including the effects of the KBC Banka divestment

Assessment of state aid position

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



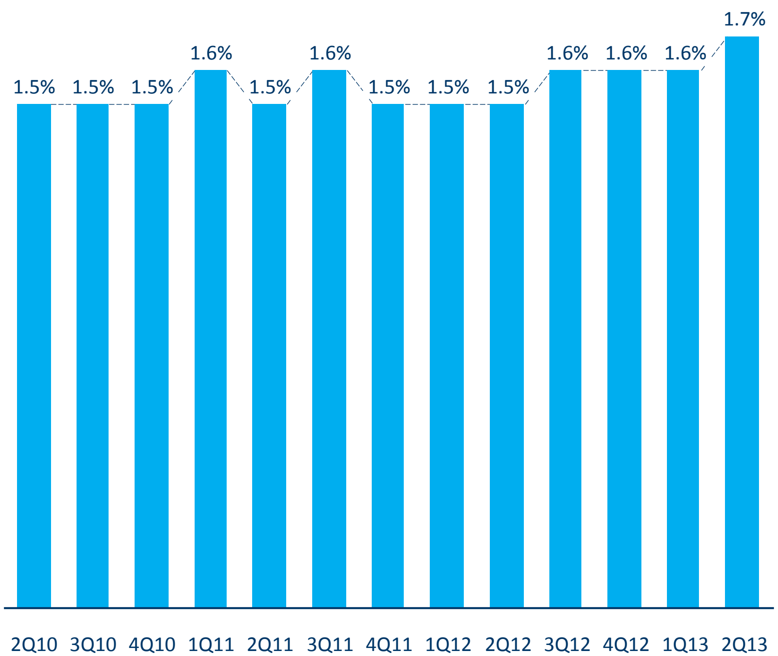
1. KBC Group NV Issues 7bn EUR of non-voting core-capital instruments to the Belgian State (3.5bn EUR) and the Flemish Regional Government (3.5bn EUR) - ***(Instruments to the Belgian State fully repaid in 2012 and at the beginning of July 2013 1.17bn of instruments repaid to the Flemish Regional Government*)**

2. Subscription to new ordinary shares of KBC Bank for a total of 5.5bn EUR

3. Subscription to new ordinary shares of KBC Bank for a total of 1.5bn EUR

Loan book credit quality

BELGIAN retail/SME NPL PROGRESSION (2010-2Q13)



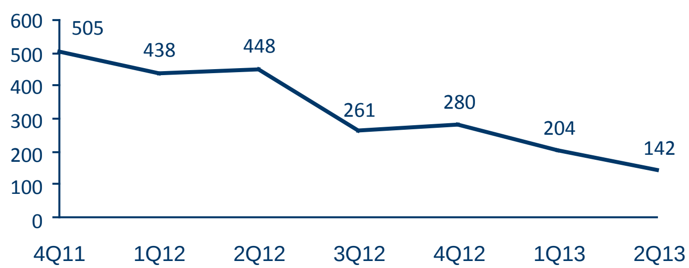
LOAN BOOK OVERVIEW

- Customer loan book: 132bn EUR at end June 2013
  - 41% residential mortgages
  - 3% consumer finance
  - 15% other retail loans
  - 42% SME/corporate loans
- Largely sold through own branches
- Total Group NPL at 5.5% at end 2Q13
  - 3.3% in BU Czech Republic and 2.3% in BU Belgium
- NPL coverage ratio for KBC Group at 65% at end 2Q13

Net CDO exposure further reduced (2Q 2013)

IN BN EUR	NET CDO EXPOSURE	OUTSTANDING MARKDOWNS
▪ CDO exposure protected with MBIA ▪ Other CDO exposure	5.3 1.1	-0.1 -0.3
TOTAL	6.3	-0.4

NEGATIVE P&L IMPACT[1] (m EUR) OF A 50% WIDENING IN CORPORATE AND ABS CREDIT SPREADS



Exposure reduction to the tune of 4.5bn EUR thanks to the collapsing of several CDOs. Please note that the net CDO exposure excludes all expired, unwound or terminated CDO positions and after settled credit events (3.1bn EUR)

REMINDER: CDO exposure largely covered by a State guarantee

We continue to look at our CDO exposure in an opportunistic way: we will reduce further if the net negative impact is limited (taking into account the possible P&L impact, the value of the State guarantee and the RWA reduction)

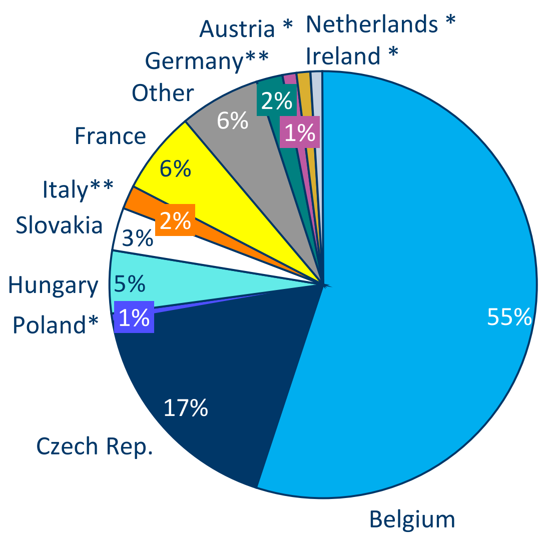
P&L sensitivity further decreased by 30% in the second quarter of 2013 mainly due to the de-risking activities and the lowering of the provisioning rate for MBIA from 80% to 60%

1. Taking into account the guarantee agreement with the Belgian State

Government bond portfolio – Carrying value

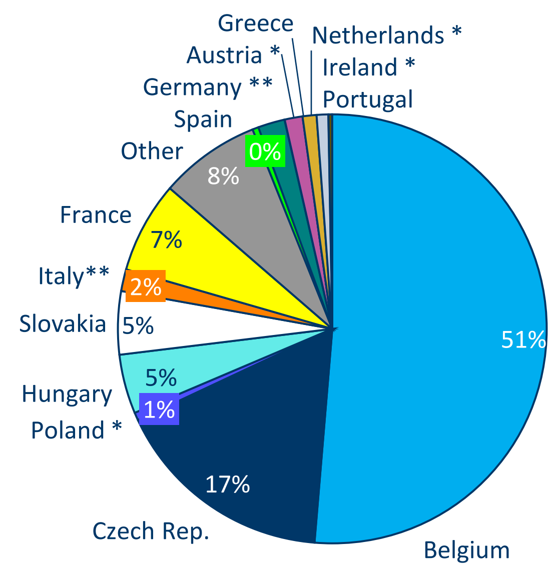
- Carrying value of 48.4bn EUR in government bonds (excl. trading book) at end of 1H13, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves into fixed-income instruments
- Carrying value of GIIPS exposure amounted to 1.6bn EUR at end of 1H13

END 2012
(48.8bn EUR carrying value)
(47bn EUR notional value)



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

END 1H13
(48.4bn EUR carrying value)
(45.6bn EUR notional value)

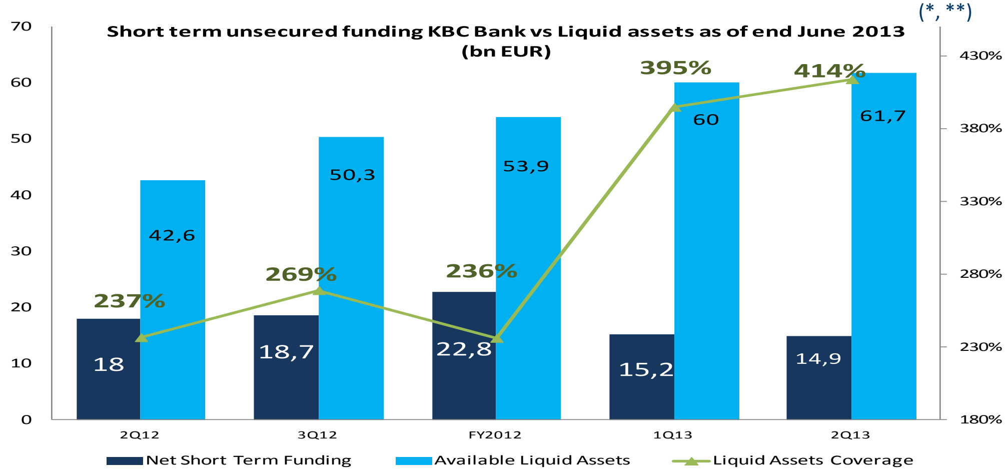


(*) 1%, (**) 2%

* 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

Solid liquidity position (2)

(*, **)



- The **available liquid assets** increased slightly in comparison with the end of 1Q13, due primarily to:
  - Increased investments in high liquidity assets
  - Reduction in secured funding in 2Q13
- Therefore, the already **solid liquidity position further strengthened**
  - Unencumbered assets are now more than 4 times the amount of the net recourse on short-term wholesale funding
  - Funding from non-wholesale markets is stable funding from core customer segments in our core markets

* In line with IFRS5, the situation at the end of 2Q13 excludes the divestments that have not yet been completed (KBC Deutschland, KBC Banka, & ADB)

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

Ratios	2Q13	Target 2015
NSFR[1]	**107%**	105%
LCR[1]	**125%**	100%

[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 107% and LCR at 125% by the end of 2Q13**
  - In compliance with the implementation of Basel 3 liquidity requirements, KBC is targeting LCR and NSFR of at least 100% and 105%, respectively by 2015. KBC's target for LCR is well above regulatory requirement of only 60% in 2015. There is no regulatory requirement yet for NSFR

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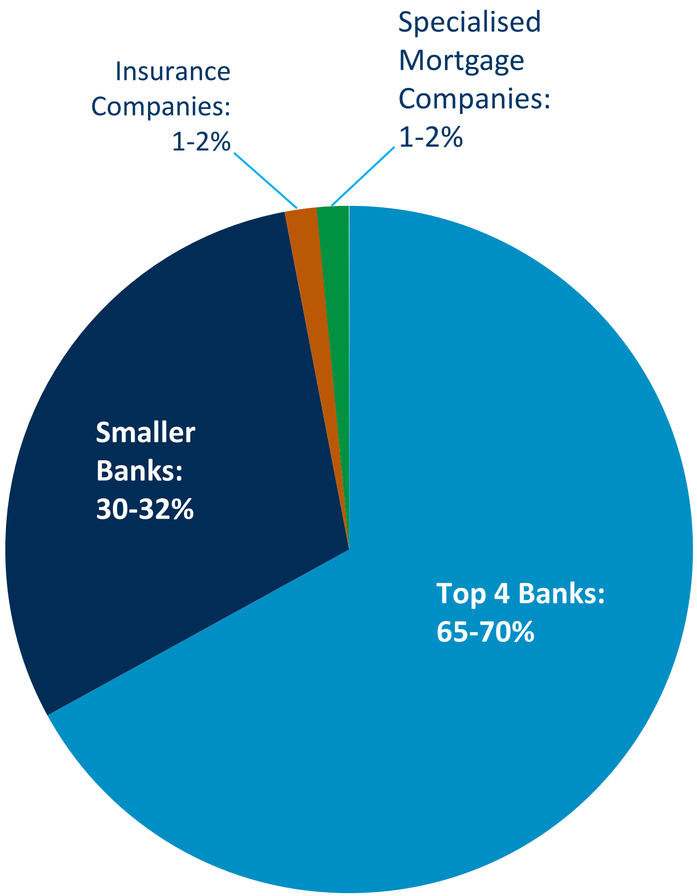
Lending market dominated by banks

MARKET SHARES OF BELGIAN MORTGAGE MARKET



LENDING MARKET DOMINATED BY BANKS

- The four biggest market participants, KBC Bank NV, Belfius, BNP Paribas Fortis and ING control nearly 70 per cent of the mortgage lending market
- Other credit and financial institutions (smaller banks, insurance companies, savings banks) and mortgage shops cover the remaining 30 per cent
- In 2012, KBC Bank NV held a solid market share of 19% of total outstanding mortgage loans
- The role of brokers is de minimis
  - The mortgage market is 95% dominated by banks, hence deeper insight into the financial situation of the mortgage taker
  - Banks also have far better control over credit quality and affordability of mortgage takers

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