

KBC Group / Bank

COVERED BOND INVESTOR PRESENTATION

14 March 2013



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Executive summary

- **KBC Bank has strong and diversified financial performance**
 - Strong core banking operations in Belgium and CEE
 - Highly liquid – a loyal deposit base and low refinancing needs
 - Conservative risk profile – loan losses in Belgium of only 11 bps
 - Well capitalised – pro forma CT1 Ratio of 12.5% at the end of 2012 at KBC Group after proposed dividend
- **Sound economic picture provides strong support for Belgian housing market**
 - High private savings ratio of 16.9%
 - 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 losses of 1bp
 - CRD and UCITS compliant / 10% risk-weighted
 - KBC already issued two successful benchmark covered bonds (5 and 10 year)

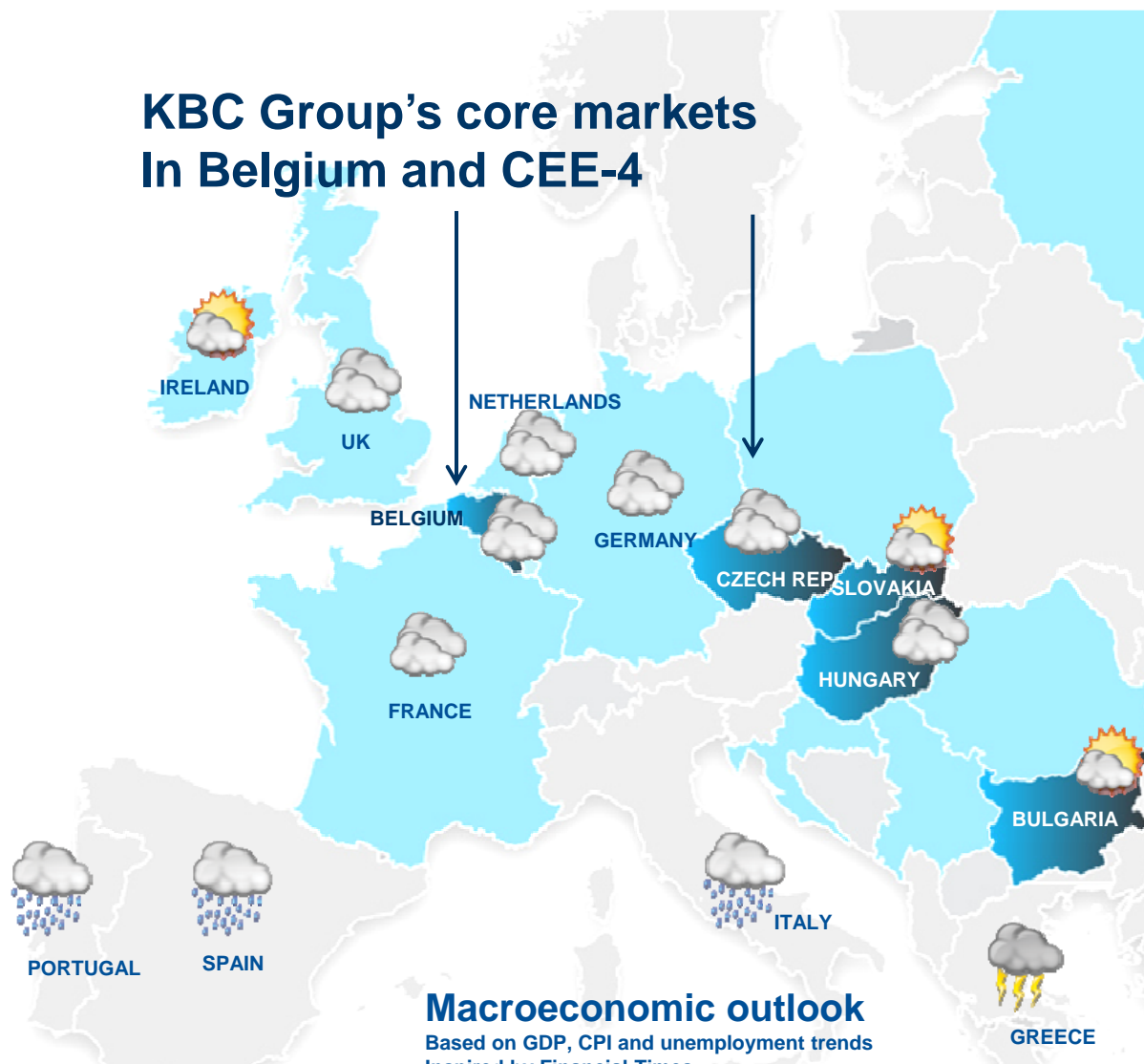
1	Key highlights of KBC Group/Bank	4
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- **Strong bank-insurance group present with leading market positions in core geographies (Belgium and CEE)**
 - A leading financial institution in both Belgium and the Czech Republic¹
 - Business focus on Retail, 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 underlying 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
- **Refocus of KBC Group well-advanced (during 4Q12)**
 - Capital operations: capital increase of 1.25bn EUR and the sale of treasury shares (350m EUR)
 - Repayment of 3.5bn EUR Belgian YES (+15% penalty) in 2012
 - Sales of Absolut Bank and NLB have been announced, BZWBK merged with Kredyt Bank
 - Updated strategy 'KBC 2013 and beyond' being implemented as of 1st January 2013

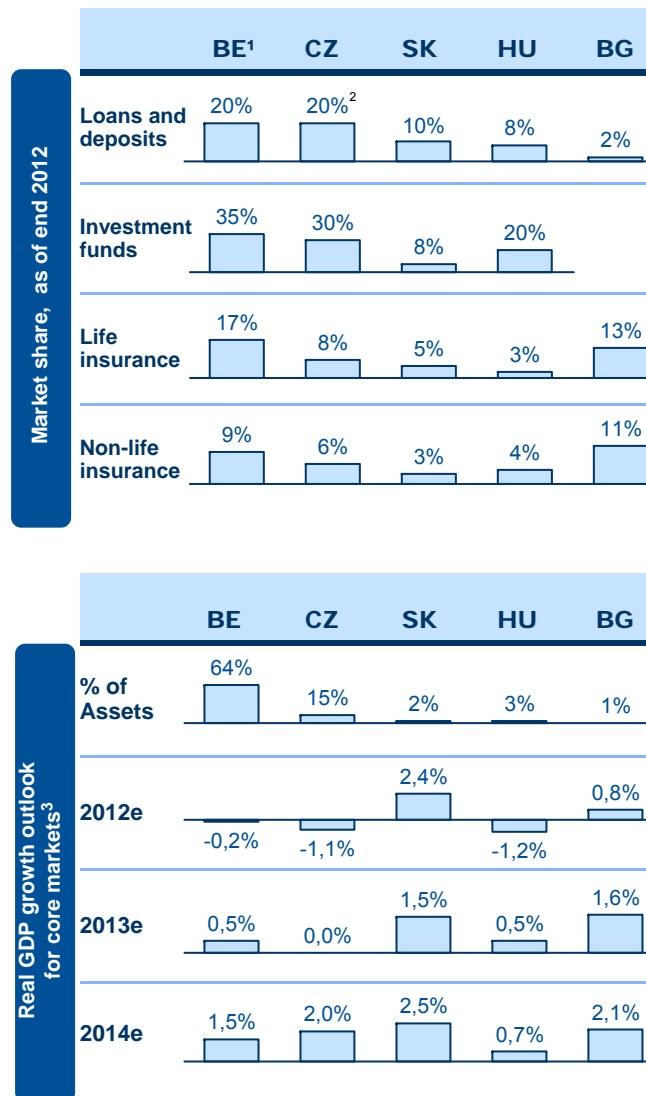
¹ Please see page 6 for further details

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

KBC Group's core markets In Belgium and CEE-4



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



Overview of key financial data at end 2012

KBC Group	KBC Bank	KBC Insurance
<ul style="list-style-type: none"> Market cap (05/03/13): 12bn Underlying profit: EUR 1.5bn Total assets: EUR 257bn Total equity: EUR 16bn T1 ratio: 13.8% CT1 ratio: 11.7% 	<ul style="list-style-type: none"> Underlying profit (Bank and AM): EUR 1.1bn¹ Total assets: EUR 225bn Total equity: EUR 12bn T1 ratio: 13.8% CT1 ratio: 11.4% 	<ul style="list-style-type: none"> Underlying profit: EUR 0.4bn Gross earned premium: EUR 3.0bn Non-life GWP: EUR 1.5bn Life GWP: EUR 4.8bn Combined operating ratio: 95% Solvency ratio: 322%

Credit ratings of KBC Bank

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

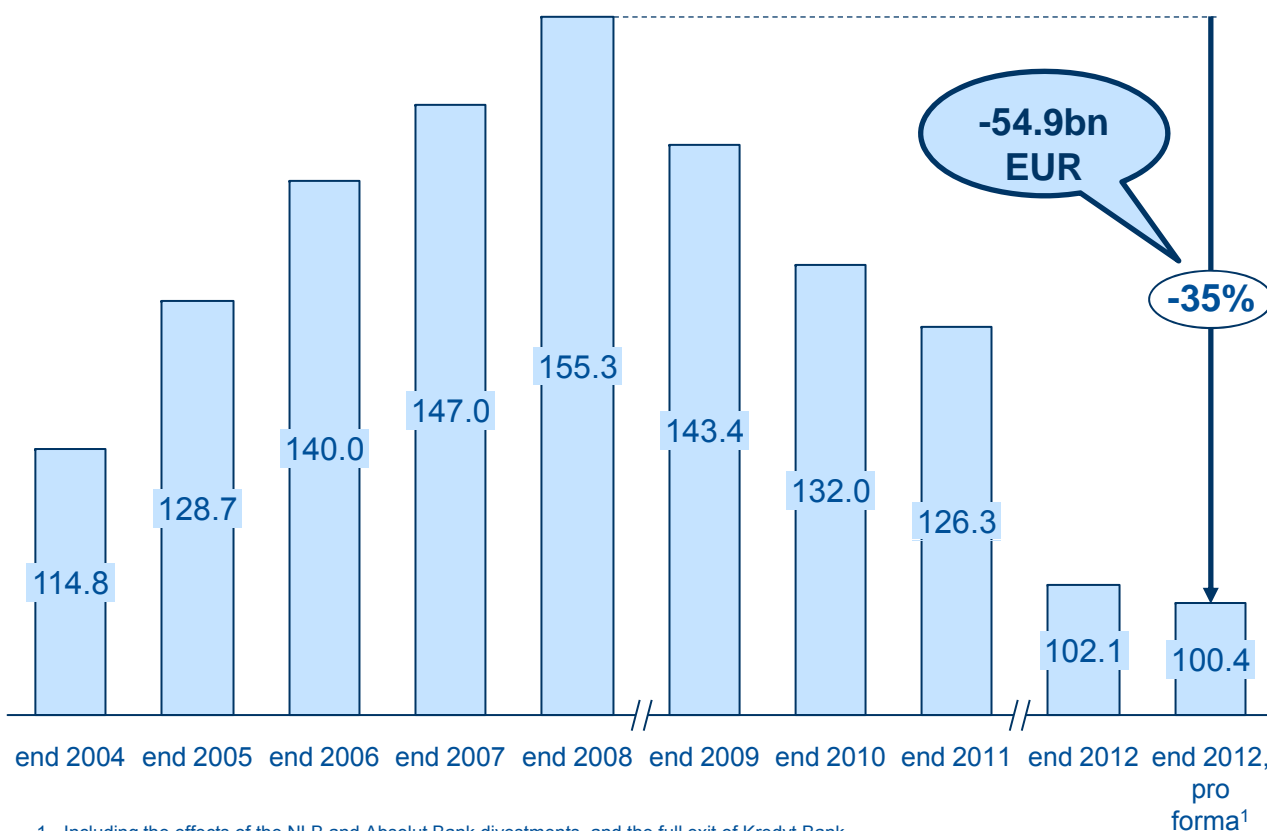
1. Excl. KBL epb and holding company eliminations



RWA reduced by more than initially planned

- 35% reduction in risk weighted assets between the end of 2008 and 2012 due mainly to divestment activities
 - Divestments of KBC companies have taken place on a large scale since 2009: >20 entities

KBC Group risk weighted assets (in bn EUR)

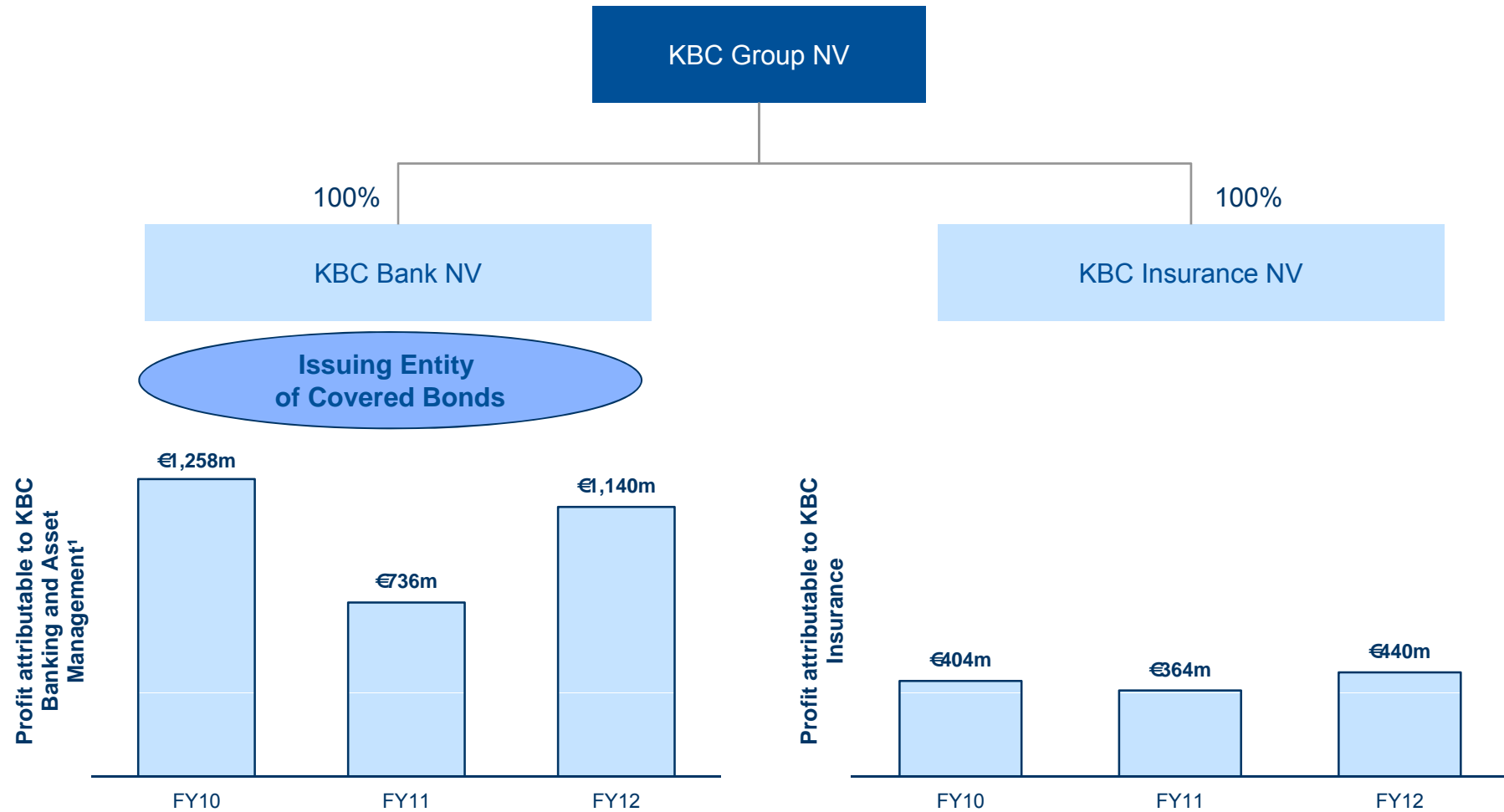


Selected Divestments

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 <i>European Private Bankers</i>	✓
Zagiel	✓
Kredyt Bank	✓
NLB	Signed
Absolut Bank	Signed
KBC Bank Deutschland	Work-in-progress
Antwerp Diamond Bank	Work-in-progress
KBC Banka	Work-in-progress

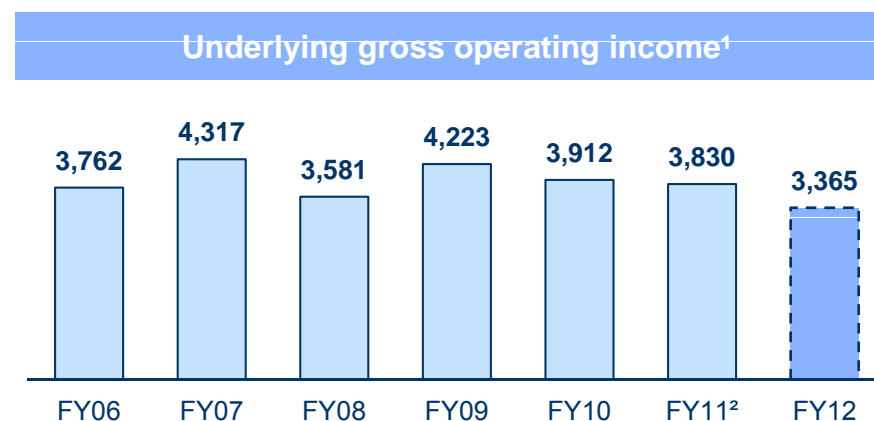
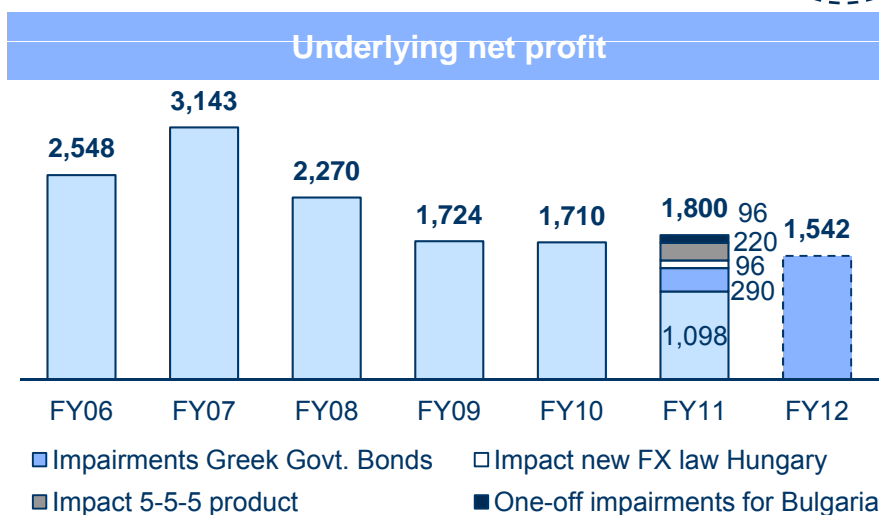
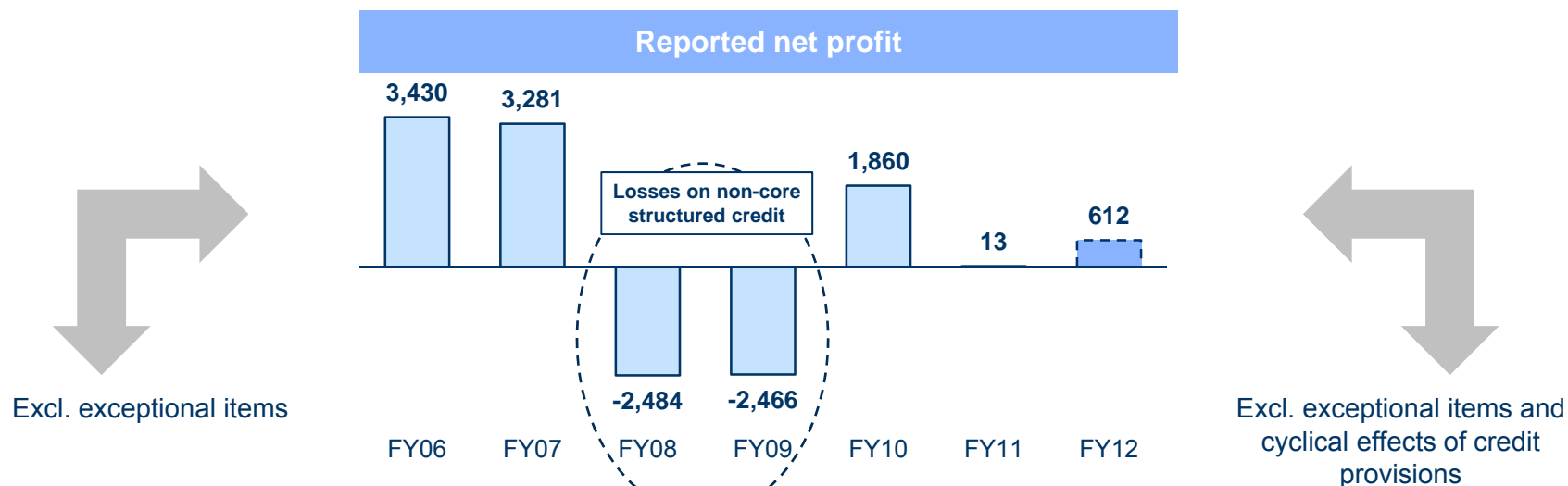
Group's legal structure

Group's legal structure



1. Excl. KBL epb and holding company eliminations

Underlying earnings capacity remains strong through crisis



Note: Amounts in EUR millions for KBC Group

1. Pre-impairments

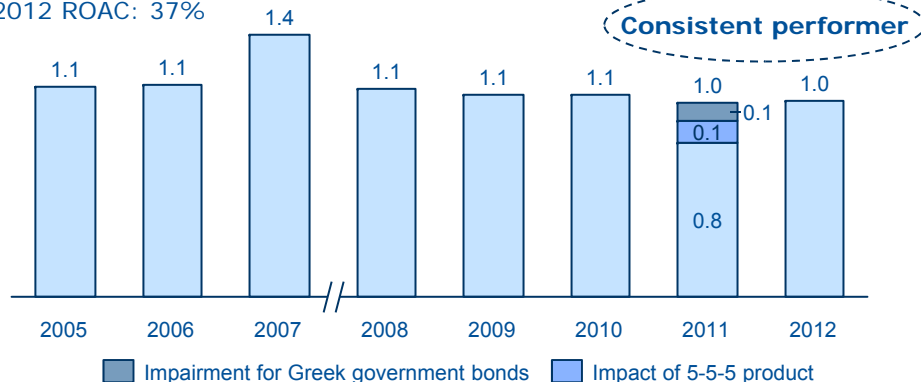
2. FY11 with neutralisation of impact of 5-5-5 bonds

Satisfying FY results in home markets

Underlying performance

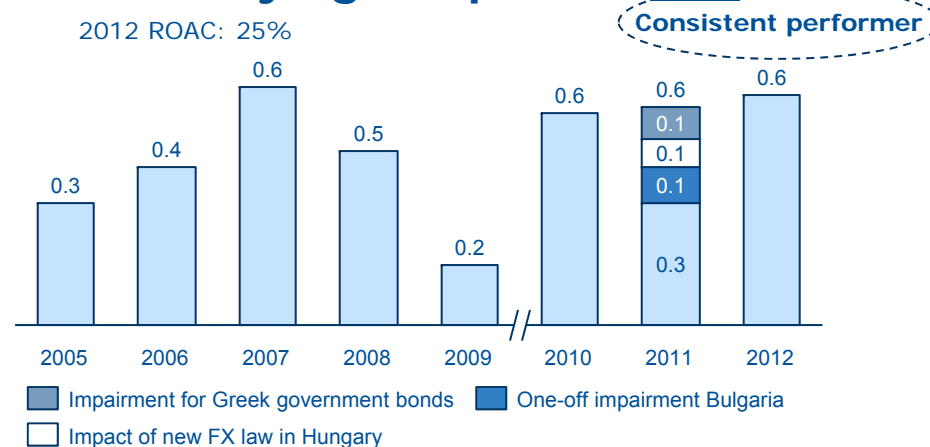
Underlying net profit - Belgium (retail)

2012 ROAC: 37%

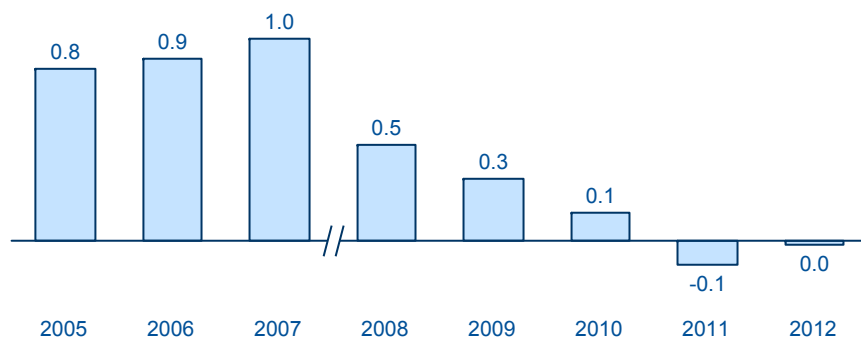


Underlying net profit - CEE

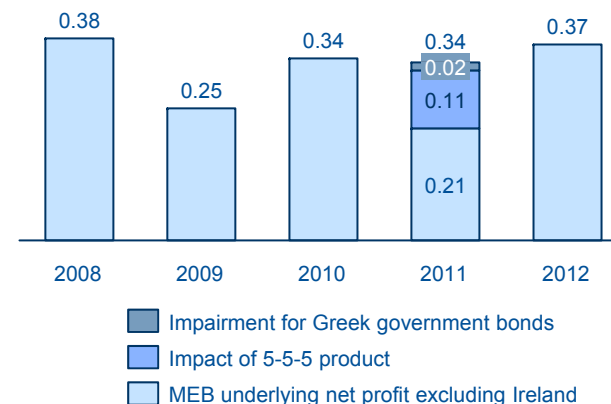
2012 ROAC: 25%



Underlying net profit - Merchant B. (BE + Intl) (affected by Ireland)



Underlying net profit - MEB excluding Ireland



Amounts in bn EUR

Very low loan losses in Belgian operations

	FY12 credit cost ratio	FY 2011 credit cost ratio	FY 2010 credit cost ratio	FY 2009 credit cost ratio	Average 1999-2012	Peak 1999-2012
Belgium	0.11%	0.10%	0.15%	0.15%	0.15%	0.31%
CEE	0.40%	1.59%¹	1.16%	2.11%	1.04%	2.75%
Merchant	1.42%²	1.36%²	1.38% ²	1.19%	0.67%	1.42% ²
Group Centre	1.44%	0.32%	1.17%	1.58%		
Total	0.71%³	0.82%	0.91%	1.11%	0.50%	1.11%

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

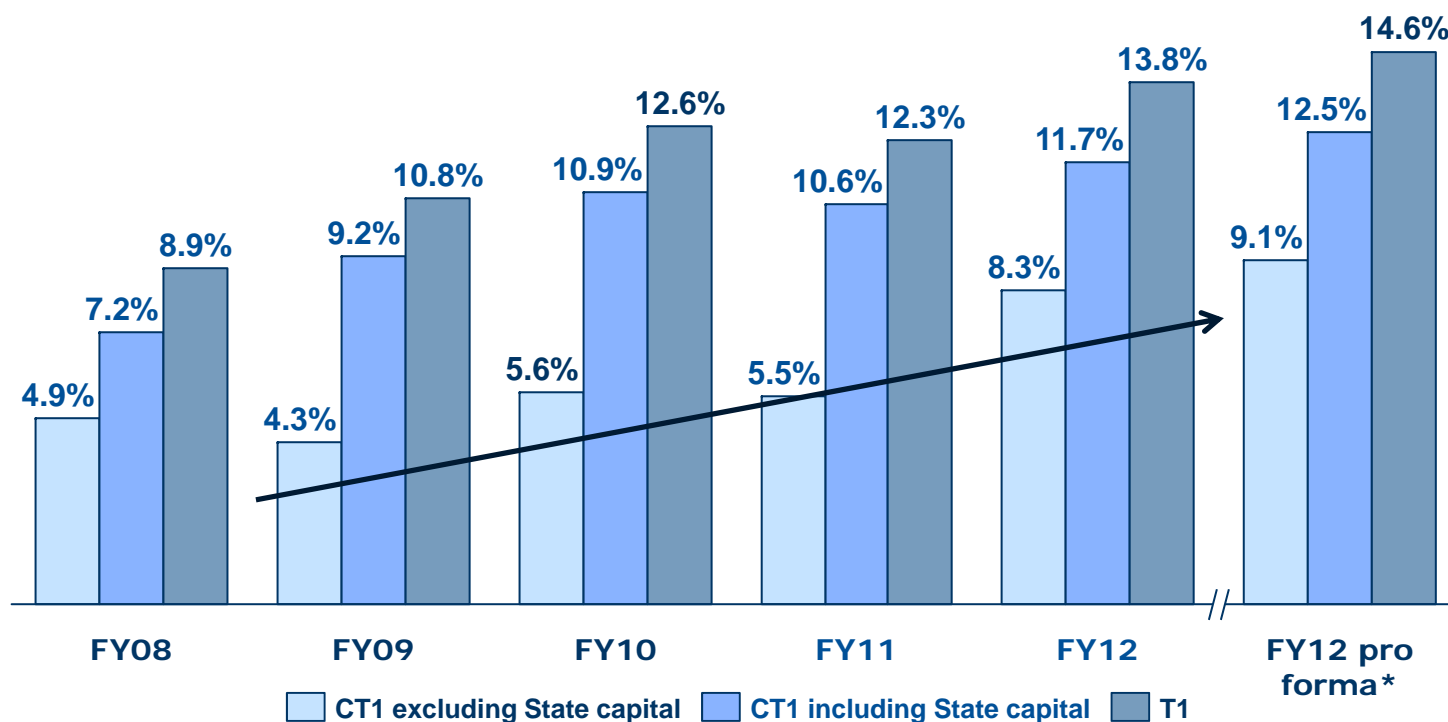
1. The high credit cost ratio at CEE is attributable entirely to Bulgaria (very illiquid domestic real estate market) and K&H Bank (impact of new law on FX mortgages) in 2H11

2. The high credit cost ratio at Merchant Banking is due in full to KBC Bank Ireland

3. Credit cost ratio fell to 0.71% in FY 2012 (from 0.82% in FY 2011). Excluding KBC Bank Ireland, the credit cost ratio stood at a low 0.39% in FY 2012

Strong capital position

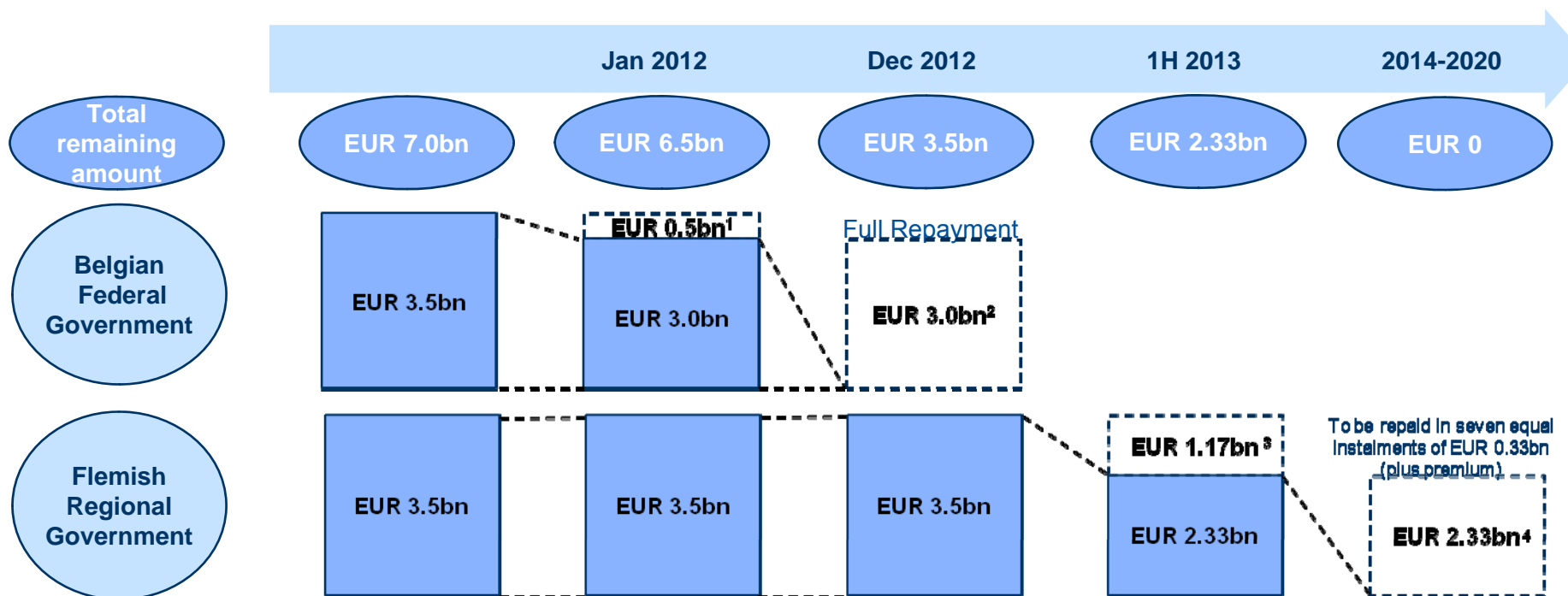
- Strong tier-1 ratio of 13.8% (14.6% pro forma) at KBC Group as at end 2012, after proposed gross dividend of 1.00 EUR per share
- Pro forma core tier-1 ratio of 12.5% at KBC Group (including the impact of the signed divestments of Absolut Bank, NLB and a full exit of Kredyt Bank/BZWBK)



* FY12 pro forma CT1 includes the effects of 1) the signed divestments of Absolut Bank and NLB, and 2) a full exit of Kredyt Bank/BZWBK

Assessment of the State aid position repayment schedule

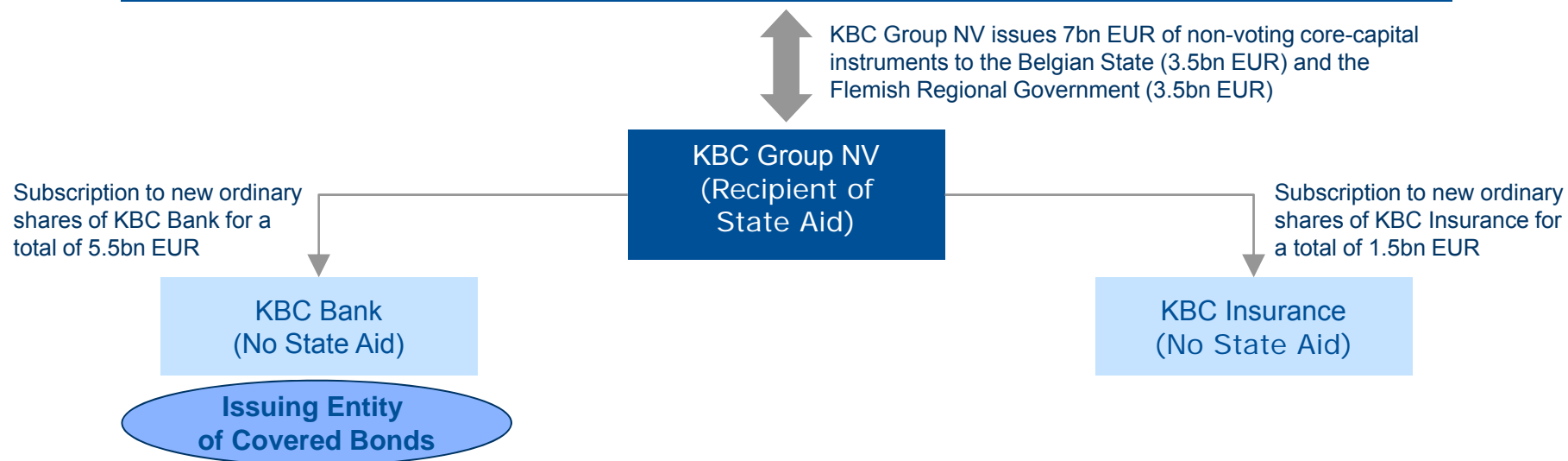
- KBC announced the accelerated full repayment of 3.0bn EUR of State aid to the Belgian Federal Government in December 2012, approved by the NBB, and its intention to accelerate repayment of 1.17bn EUR of State aid to the Flemish Regional Government in 1H13
- KBC is committed to repaying the remaining outstanding balance of 2.33bn EUR issued to the Flemish Regional Government in seven equal instalments 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

Overview of capital transactions with the Belgian State and the Flemish Regional Government

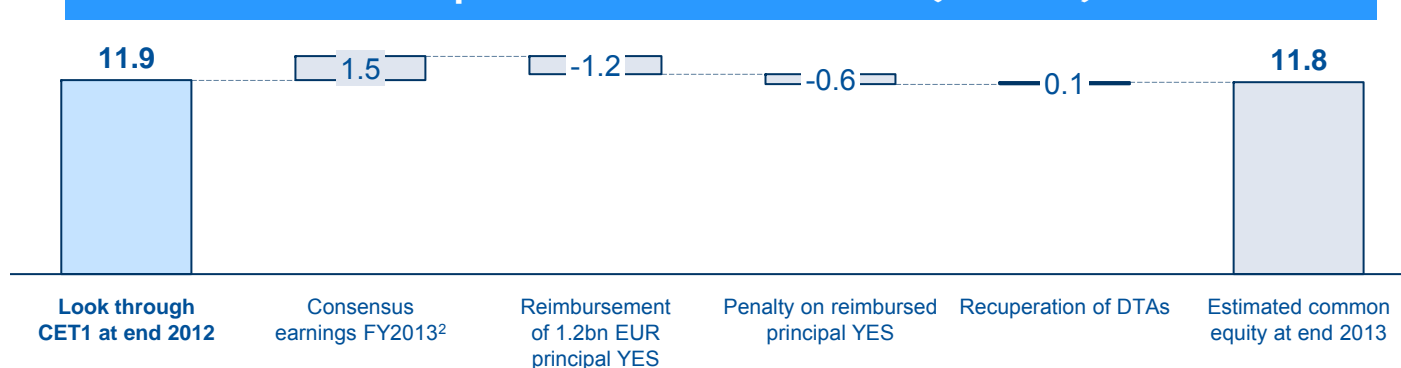
Belgian State (*Federal Holding and Investment Company*) and Flemish Regional Government



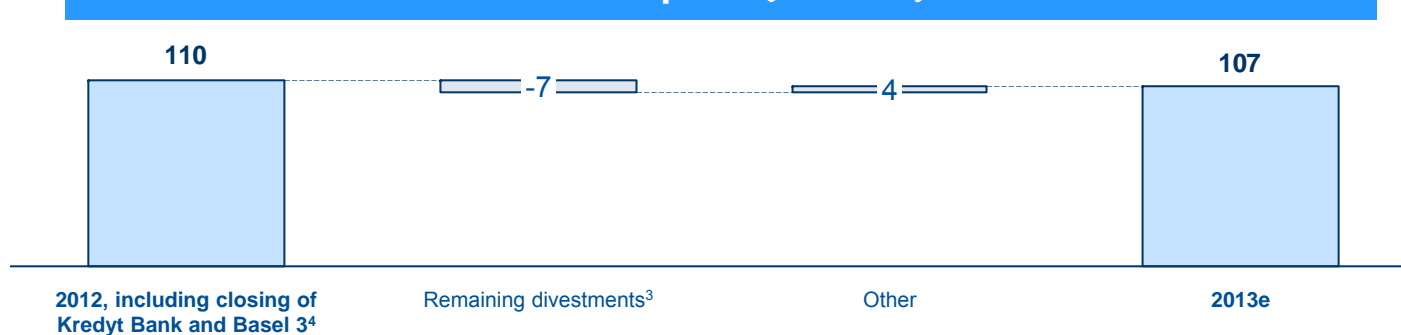
Estimated common equity at end 2013

Fully loaded B3¹

B3 impact at numerator level (bn EUR)



RWA impact (bn EUR)



- Fully loaded B3 common equity ratio of approx. 10.8% at end 2012
- Fully loaded B3 common equity ratio of approx. 11.0% at end 2013
- Announced intention to maintain a fully loaded common equity ratio of 10% as of 01-Jan-2013

1. Given remaining State aid being part of CET1 as agreed with local regulator

2. Based on average earnings consensus estimates of 12 sell-side equity analysts collected by KBC during the period from 28 January 2013 to 1 February 2013 of 1,474m EUR for 2013

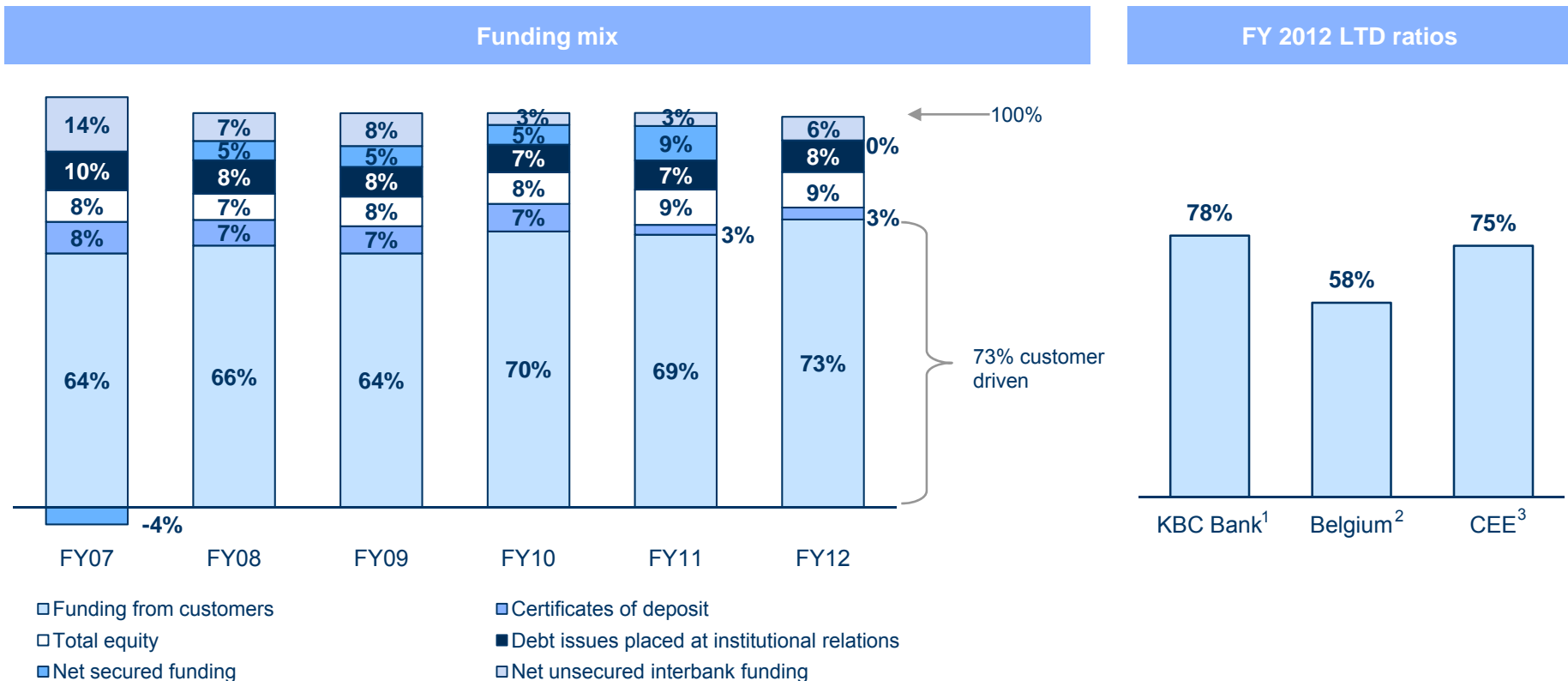
3. Remaining divestments include Absolut Bank, NLB, KBC Bank Deutschland, Antwerp Diamond Bank, KBC Banka and the stake in BZWBK

4. After a model refinement, the Basel 3 impact on RWA is 4.6bn EUR in a phased in scenario and 6.1bn EUR in a fully loaded scenario



A solid liquidity position driven by a loyal deposit base throughout the crisis

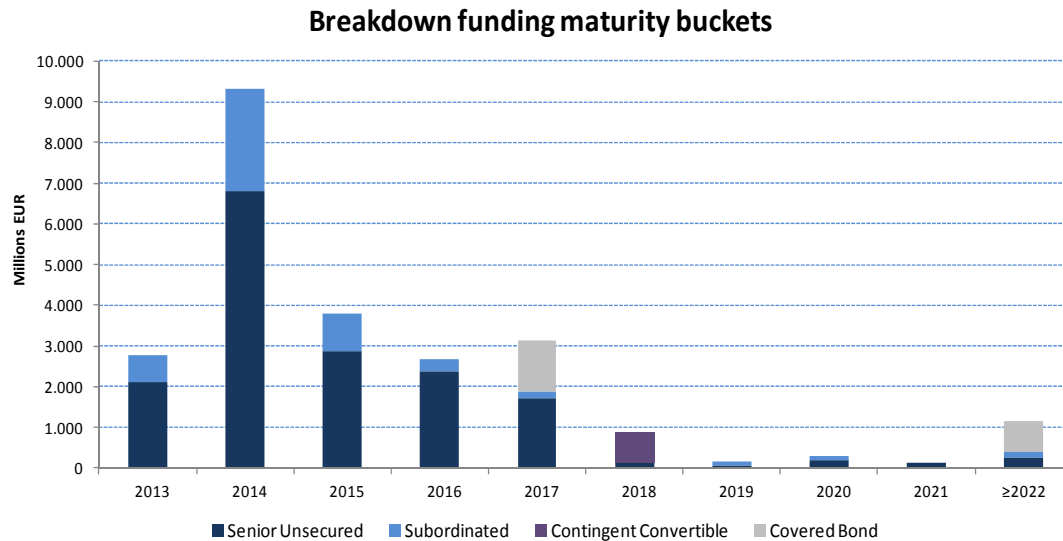
- KBC Bank continues to have a strong retail/mid-cap deposit base in its core markets – resulting in a stable funding mix with a significant portion of the funding attracted from core customer segments & markets
- KBC boasts excellent liquidity ratios as the liquid assets buffer covers over double the short term wholesale funding needs
- KBC's funding needs decreased further due to the recent divestments and the continued efforts to strengthen its client funding basis
- Following the successful issuance of an inaugural covered bond in the amount of 1.25bn EUR in December 2012, KBC also successfully issued a second covered bond of 750m EUR and a 1bn USD contingent capital note in January 2013. As a result, KBC is well ahead of its 2013 funding plan
- LTD ratio of 78% at KBC Bank by the end of 2012. The LTD decrease in 2012 is the result of 1) stronger deposit growth compared to loan growth, 2) the fierce contraction of ST deposits in 4Q11 and 3) a higher pool of pledgeable loans (e.g. securitised loans, covered bonds and ECB eligible loans)



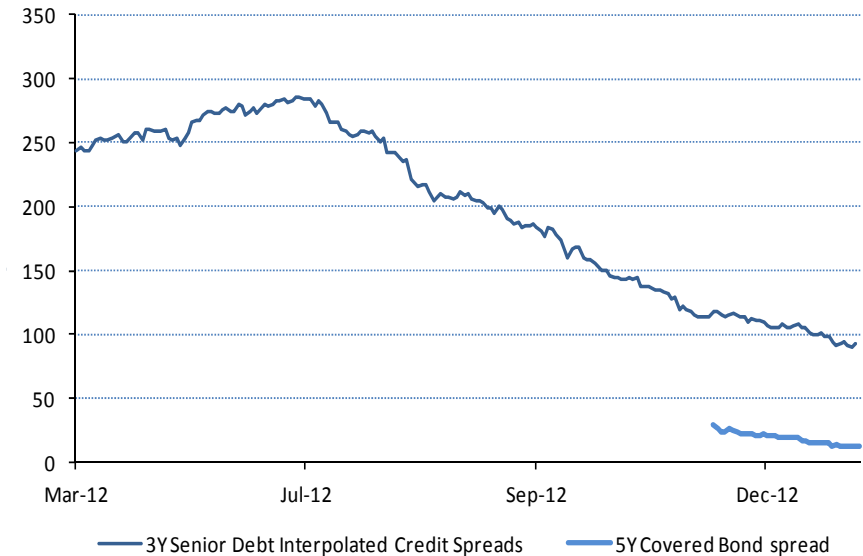
1. Excluding all the entities earmarked for divestment in Group Centre: ADB, KBC Deutschland, KBC Banka and Absolut Bank.
2. Excluding Centea (retroactively adjusted)
3. Excluding Kredyt Bank and Absolut Bank

Low refinancing need compared to peers

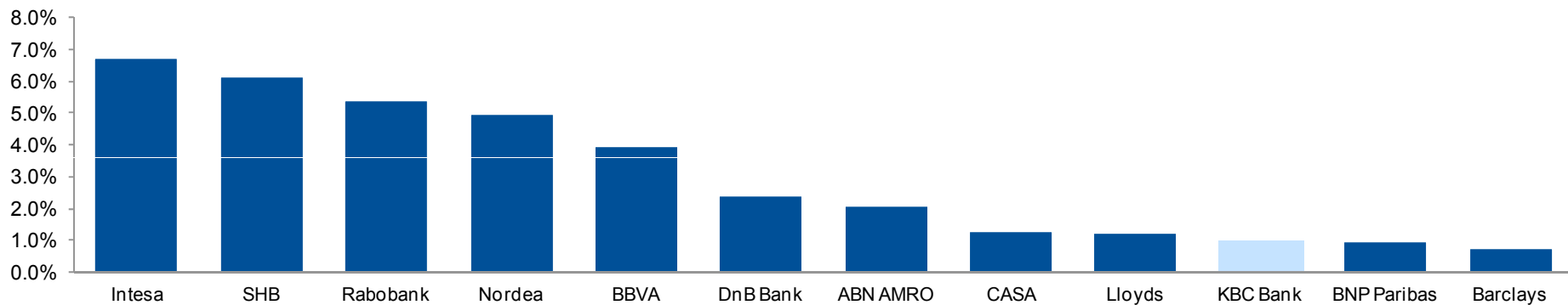
Breakdown funding maturity buckets



3Y senior debt interpolated credit spreads & 5Y covered bond spread



Debt Maturing 2013 / Total Assets as of H1 2012¹



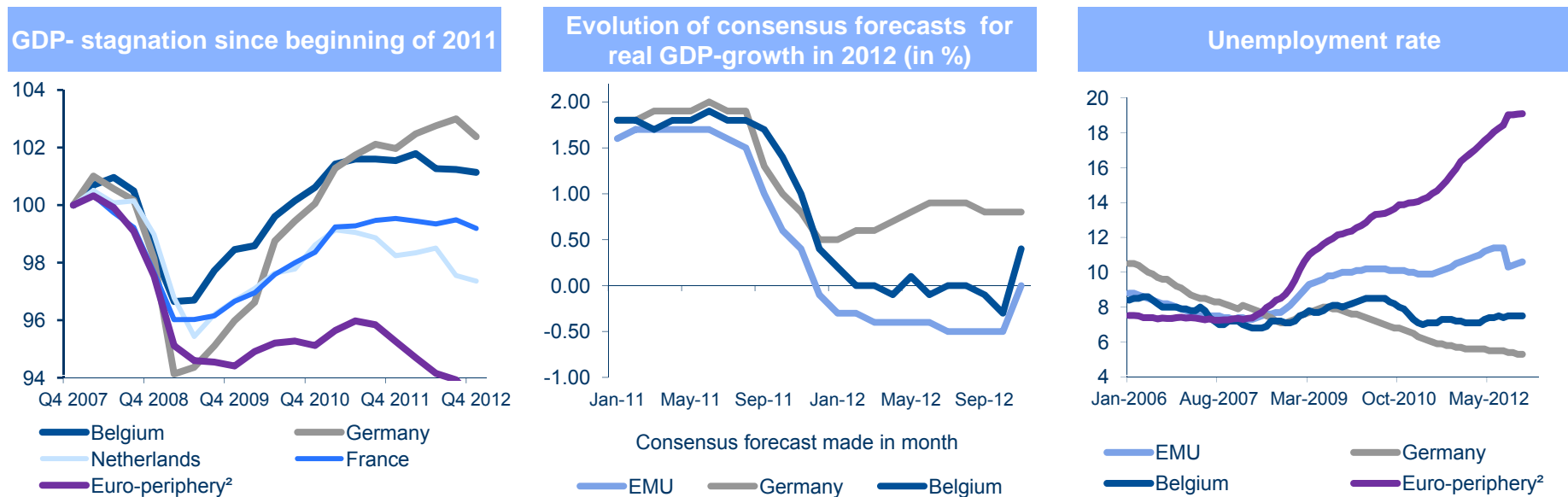
Note: the graph on top left -hand side does not include the ECB LTRO for a total amount of 8.7bn EUR (3y maturity)

1. Source: Bloomberg, company reports

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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 resilience¹
 - 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 0.5% 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 2013, 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 7.5%, well below the euro area average of 11.7%. In 2013, a pick up to 7.9% is forecasted



1. All data on 'Economic Environment' comes from Nationale Bank van België, press release 30/3/2012 and website, economic indicators or Belgium

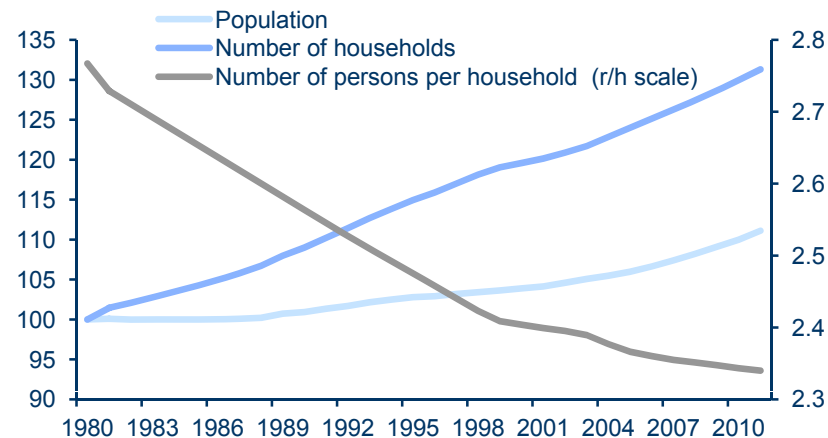
2. Euro-periphery = Portugal, Ireland, Italy, Greece & Spain

Demand for houses continues to be well supported

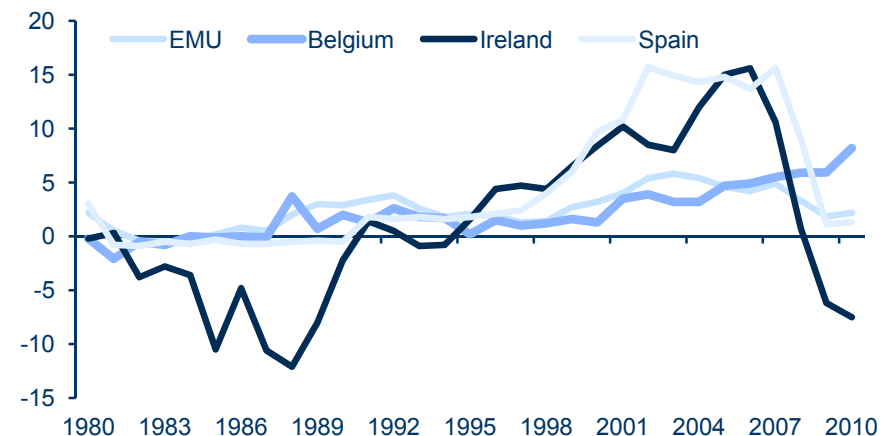
Increasing demand for houses

- Very high home ownership in Belgium is around 78%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 years³

The number of households is growing faster than the population (1980 = 100)



External migration (per 1000 inhabitants)



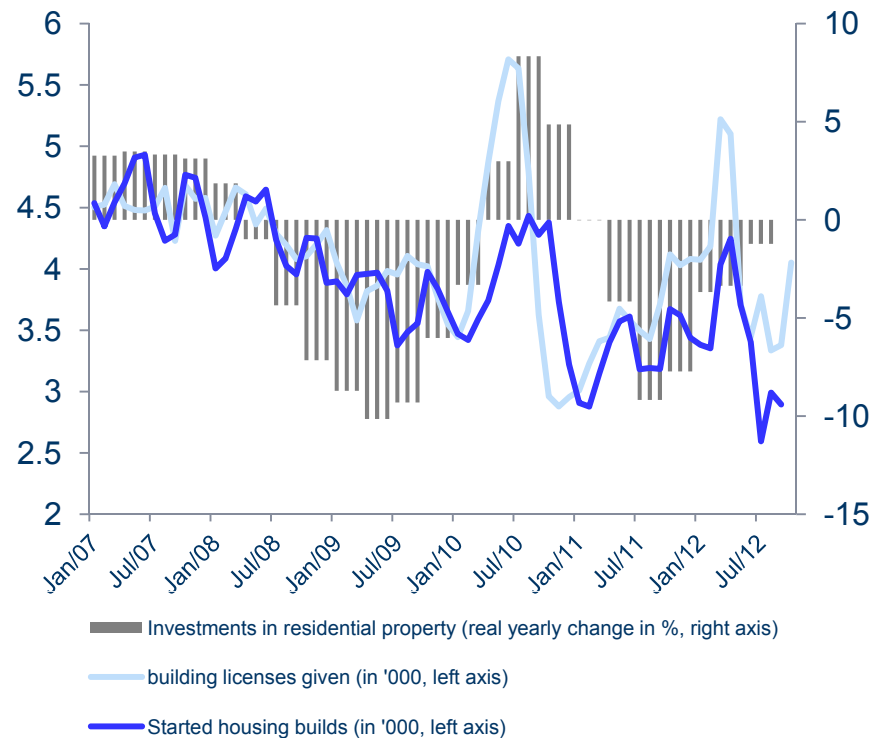
1. KBC Bank, Economische Vooruitzichten
 2. Statistieken BVK, European Mortgage Federation
 3. Statbel

Supply is subdued

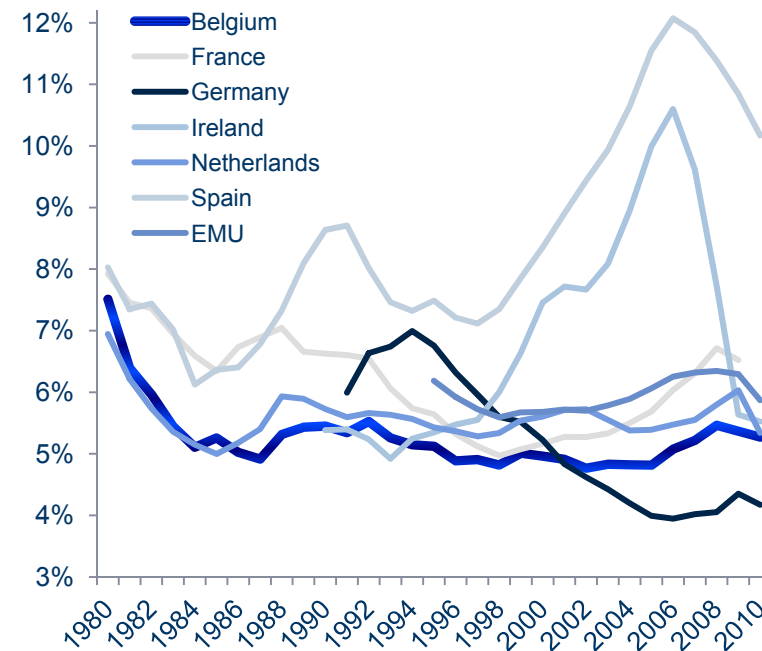
Stable supply

- 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

Building activity



% of construction economy as part of total GDP



Belgian house prices are affordable

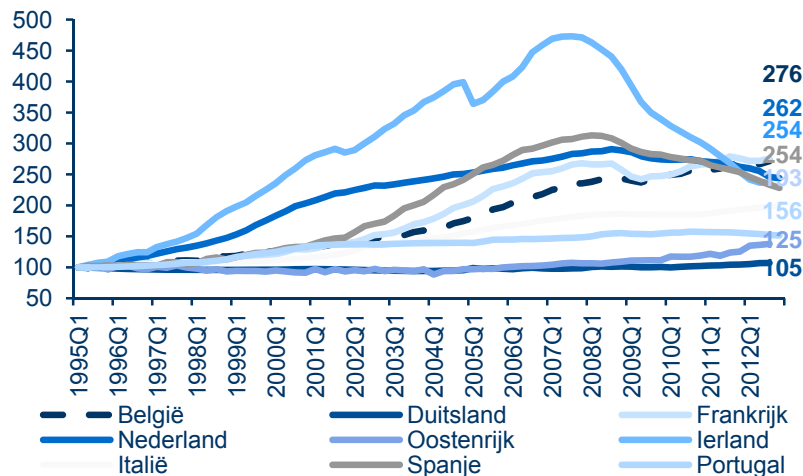
Belgian housing market

- 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 EU average
- Belgium is not an overly expensive country for housing, with an average sale price in 2012 of €226,814¹
- Low Housing Cost Overburden rate = proportion of the population, whose housing costs exceed 40 % of their equivalised disposable income:
 - Belgium 10.6% versus EU27 area average 11.5%²

Mortgage market technicals²

- Belgian borrowers predominantly prefer to take out a longer fixed rate period. A very high **61.5% is fixed** permanently and remainder is variable. Yearly re-fixing is 5% in 2012
- 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

Housing price (in thousand euro)



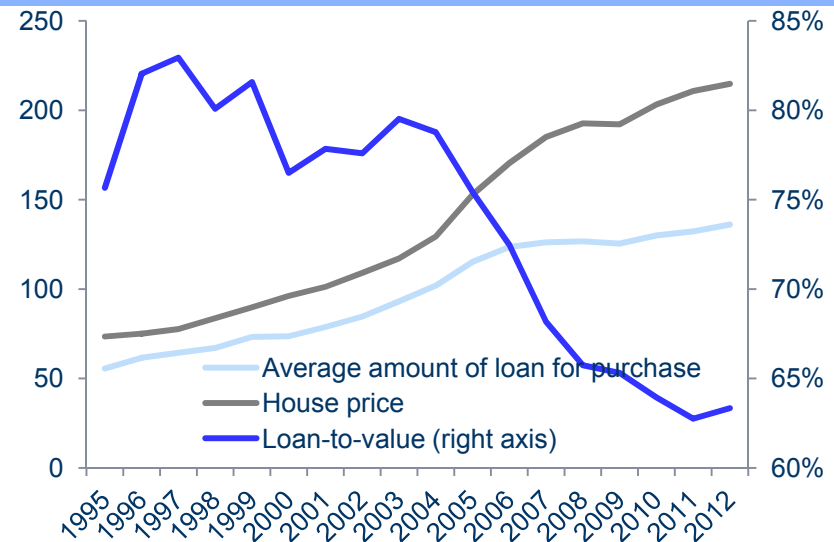
Source: ECB

1. Notaris barometer van de Koninklijke Federatie van Belgische Notariaat

2. Eurostat

3. All data/graphs : Union de Crédit Professionnels / BeroepsVereniging Kredieten

Average Housing Price and Mortgage Credit³ (in thousand euro)





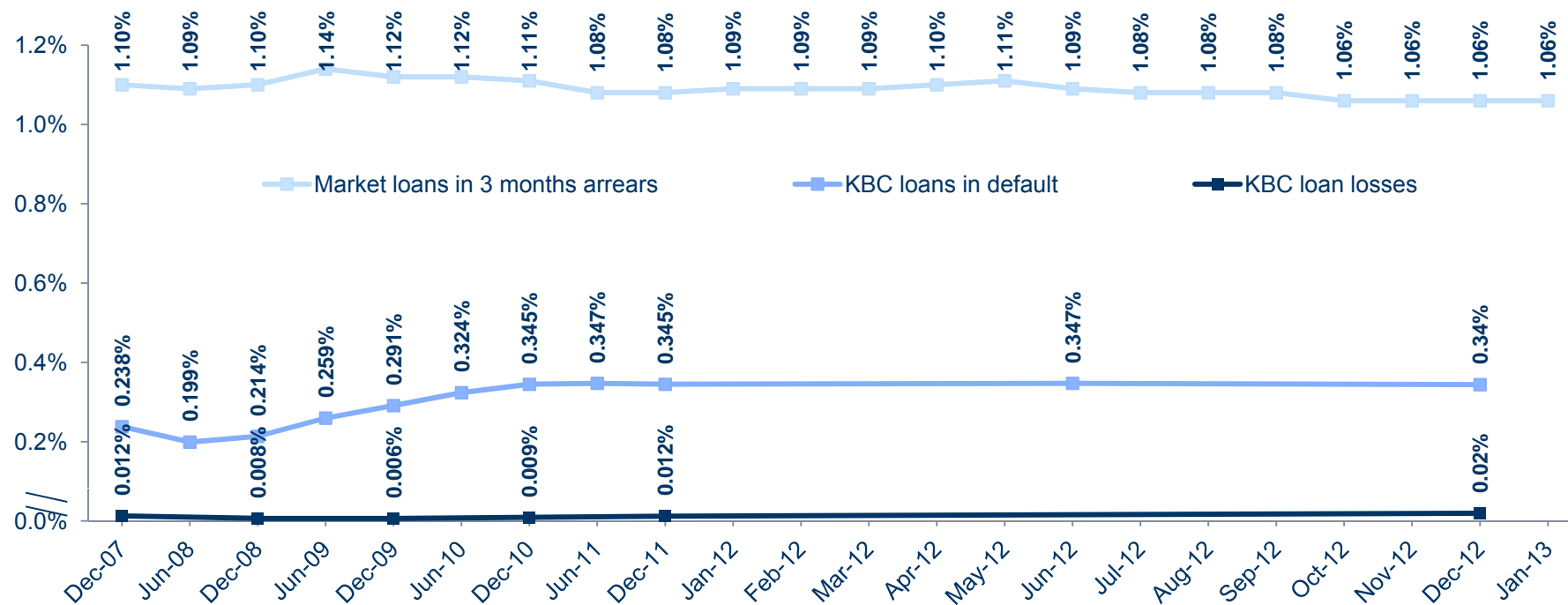
KBC's disciplined origination leads to low arrears and extremely low loan losses

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 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 within Belgium, KBC is a better originator



Source: NBB, CKP and KBC



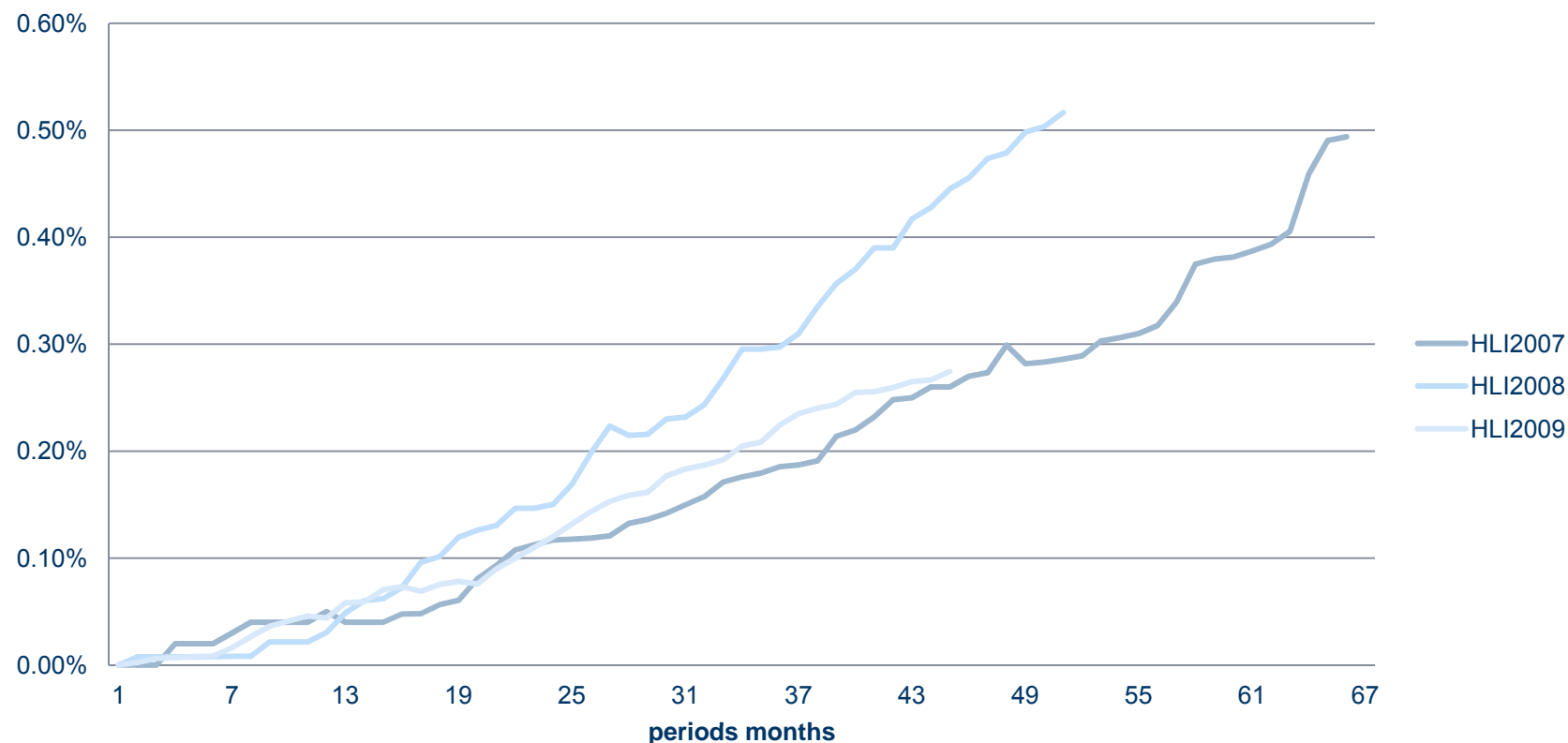
Low defaults, illustrated by KBC's securitisation transactions performance

Prudent origination and stable housing result in low defaults and high recovery

Low cumulative default figures on KBC Home loan Invest transactions.

- Assets used in securitisation are similar to the cover assets
- Default is defined as acceleration of the loan (acceleration happens on average after 180 days overdue).
- All defaults are covered by excess spread or recoveries in the transactions

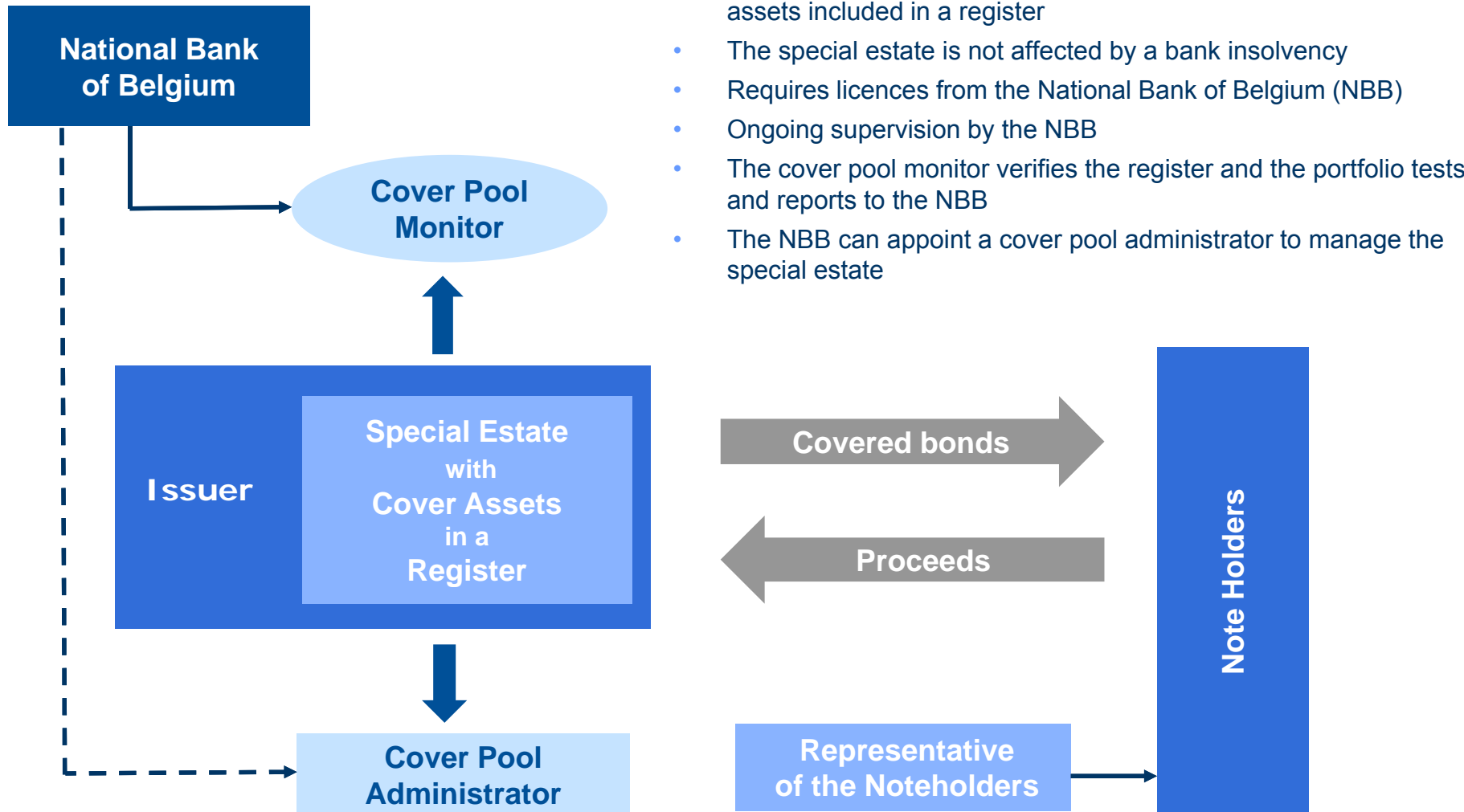
Cumulative default KBC Securitisations



Source: Investor reports HLI2007, 2008, 2009

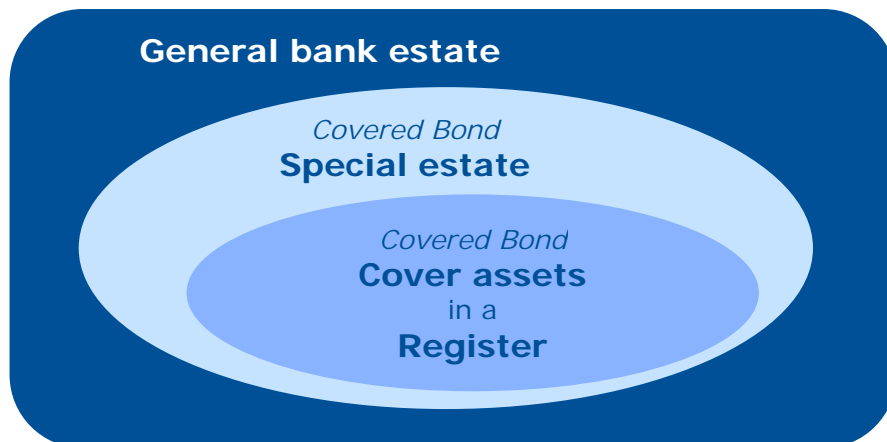
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Belgian legal framework



- 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

By the NBB

- Provides a general and special authorization
- The statutory auditor provides a report on the organisational 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	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Issuer holds assets on balance sheet 	<ul style="list-style-type: none"> • 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:	<ul style="list-style-type: none">• KBC Bank NV
Main asset category:	<ul style="list-style-type: none">• min 105% of covered bond outstanding is covered by Residential Mortgage Loans
Status:	<p>Dual recourse</p> <ul style="list-style-type: none">• Parri passu with the other unsecured obligations of the Issuer (general bank estate)• Exclusive recourse to the special estate

Initial Programme Characteristics

Program Size:	<ul style="list-style-type: none">• Up to €10bn
Interest rate:	<ul style="list-style-type: none">• Fixed Rate, Floating Rate or Zero Coupon
Currencies:	<ul style="list-style-type: none">• Euro
Maturity:	<ul style="list-style-type: none">• Soft Bullet: payment of the principal amount may be deferred past the Final Maturity Date until the <u>Extended Final Maturity Date</u>• Expected extension period is 12 months



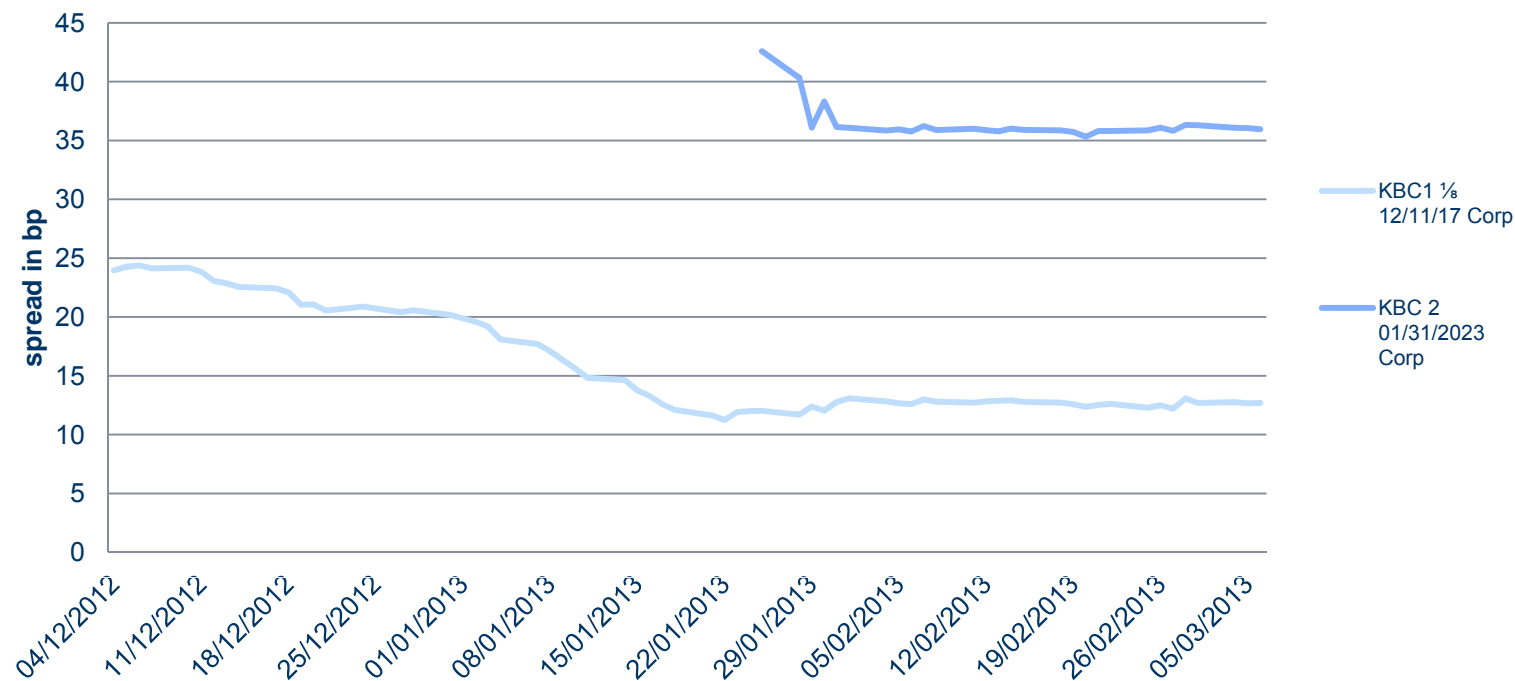
KBC Bank NV residential mortgage covered bond programme (2/2)

Events of default:	<ul style="list-style-type: none">• 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:	<ul style="list-style-type: none">• Moody's Aaa• Fitch AAA
Additional liquidity	<ul style="list-style-type: none">• 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:	<ul style="list-style-type: none">• KPMG

	Moody's	Fitch
Over-collateralisation	28%	39%, expected to decrease upon further bond issuance to 30%
	TPI probable	D-cap 4 (moderate risk)

- Since establishment of the covered bond programme KBC has issued two 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 € 750,000,000 with a 10 year maturity at Mid swaps+36bp

Spread evolution KBC CB's

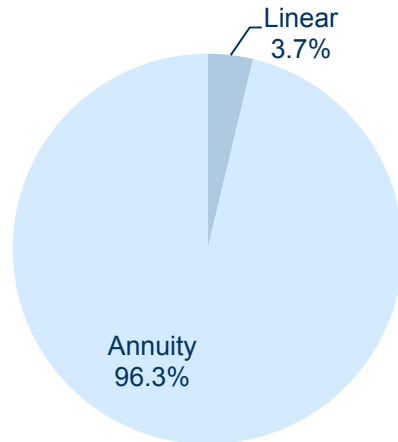


Key characteristics of current cover pool (1/3)

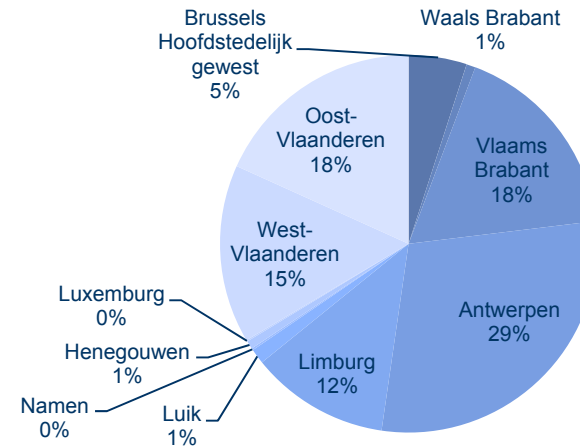
Portfolio as of:	31 January 2013
Total Outstanding Principal Balance	6,346,409,846
Total value of the assets for the over-collateralisation test	5,609,473,381
No. of Loans	58,675
Average Current Loan Balance per Borrower	138,974
Maximum Loan Balance	1,000,000
Minimum Loan Balance	1,000
Number of Borrowers	48,666
Longest Maturity	359 month
Shortest Maturity	1 month
Weighted Average Seasoning	22 months
Weighted Average Remaining Maturity	237 months
Weighted Average Current Interest Rate	3.48%
Weighted Average Current LTV	70,75%
No. of Loans in Arrears(+30days)	16
Direct Debit Paying	97%

KBC Key characteristics of current cover pool (2/3)

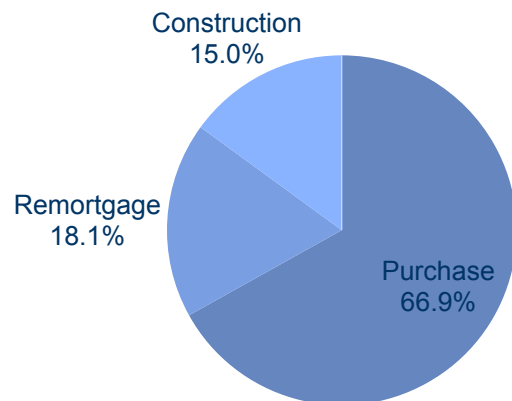
Repayment type (linear vs. annuity)



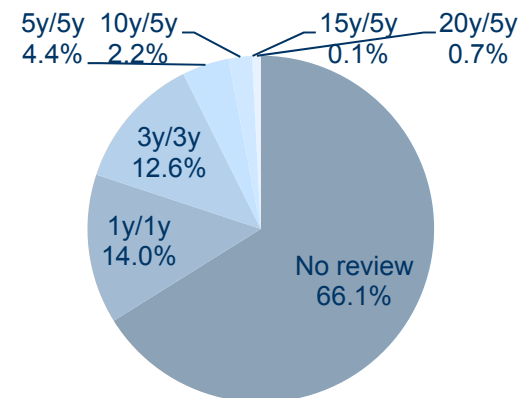
Geographical allocation



Loan purpose

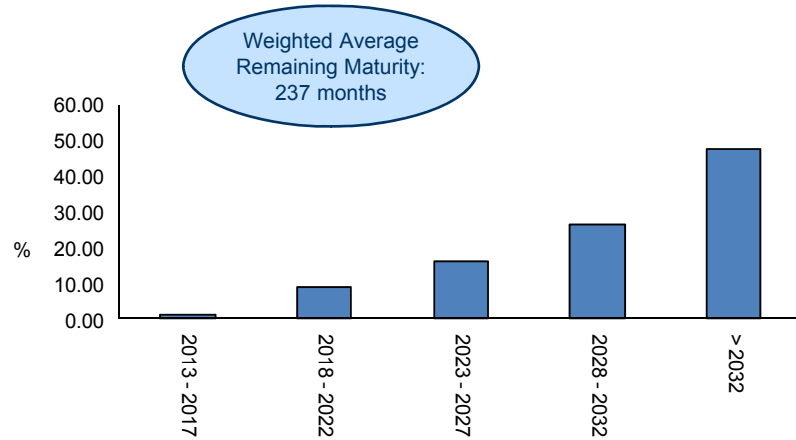


Interest rate type (Fixed periods)

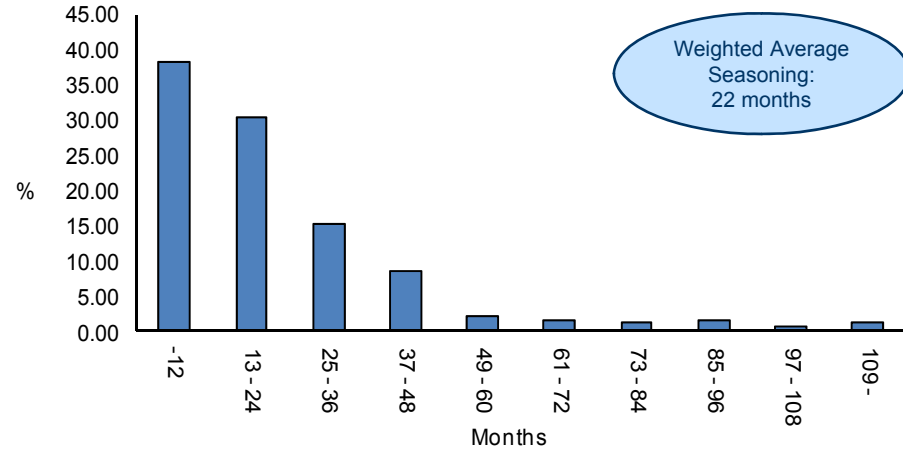


Key characteristics of current cover pool (3/3)

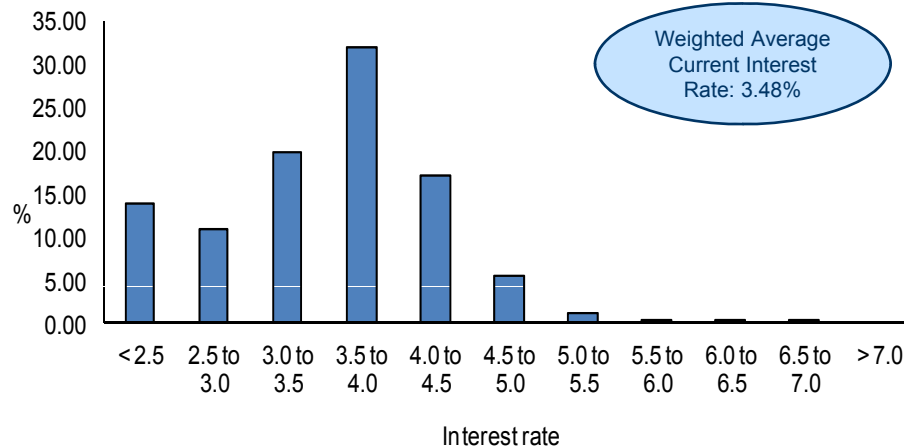
Final Maturity date



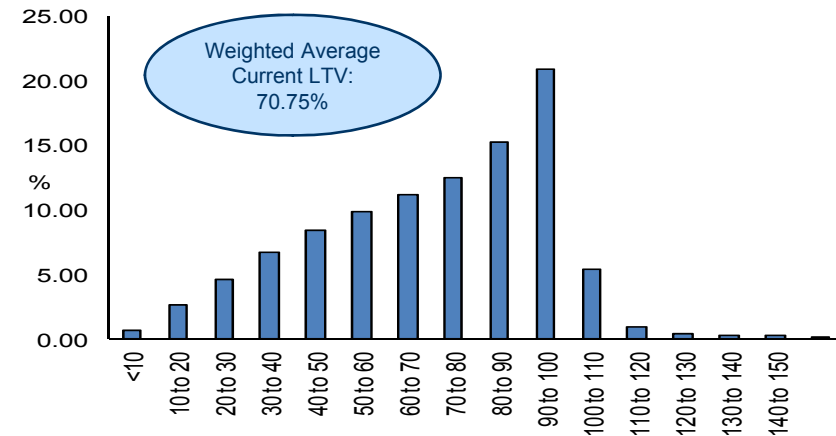
Seasoning



Interest rate



Current LTV



Key messages

- **KBC Bank has strong and diversified financial performance**
 - Strong core banking operations in Belgium and CEE
 - Highly liquid – a loyal deposit base and low refinancing needs
 - Conservative risk profile – loan losses in Belgium of only 11 bps
 - Well capitalised – pro forma CT1 Ratio of 12.5% at the end of 2012 at KBC Group after proposed dividend
- **Sound economic picture provides strong support for Belgian housing market**
 - High private savings ratio of 16.9%
 - Belgian unemployment is significantly below the EU average
 - Demand outstrips supply
- **KBC's covered bonds are backed by strong legislation and superior collateral**
 - KBC's Covered Bonds are expected to be 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 losses of 1bp
 - CRD and UCITS compliant / 10% risk-weighted
 - KBC already issued two successful benchmark covered bonds (5 and 10 year)

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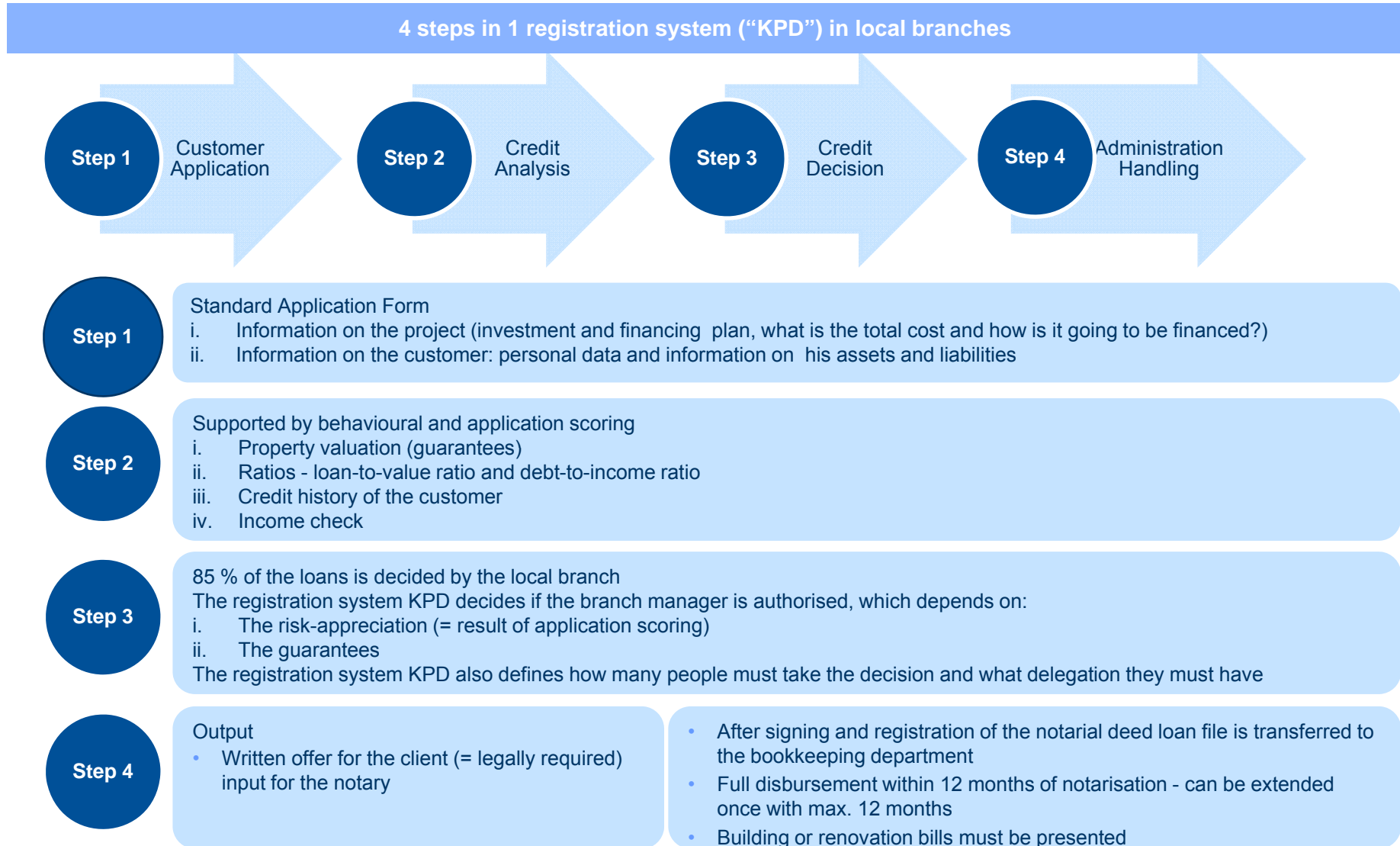
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Mortgage selection criteria

- 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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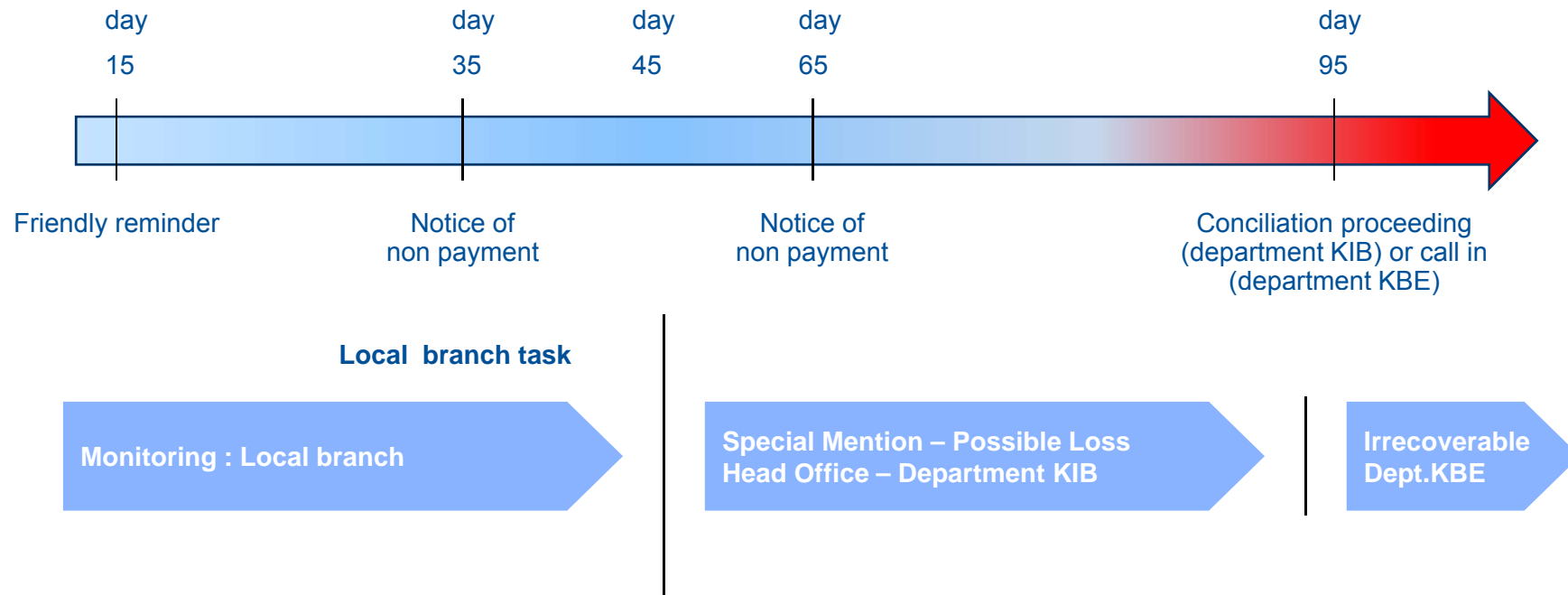
Underwriting and approval process



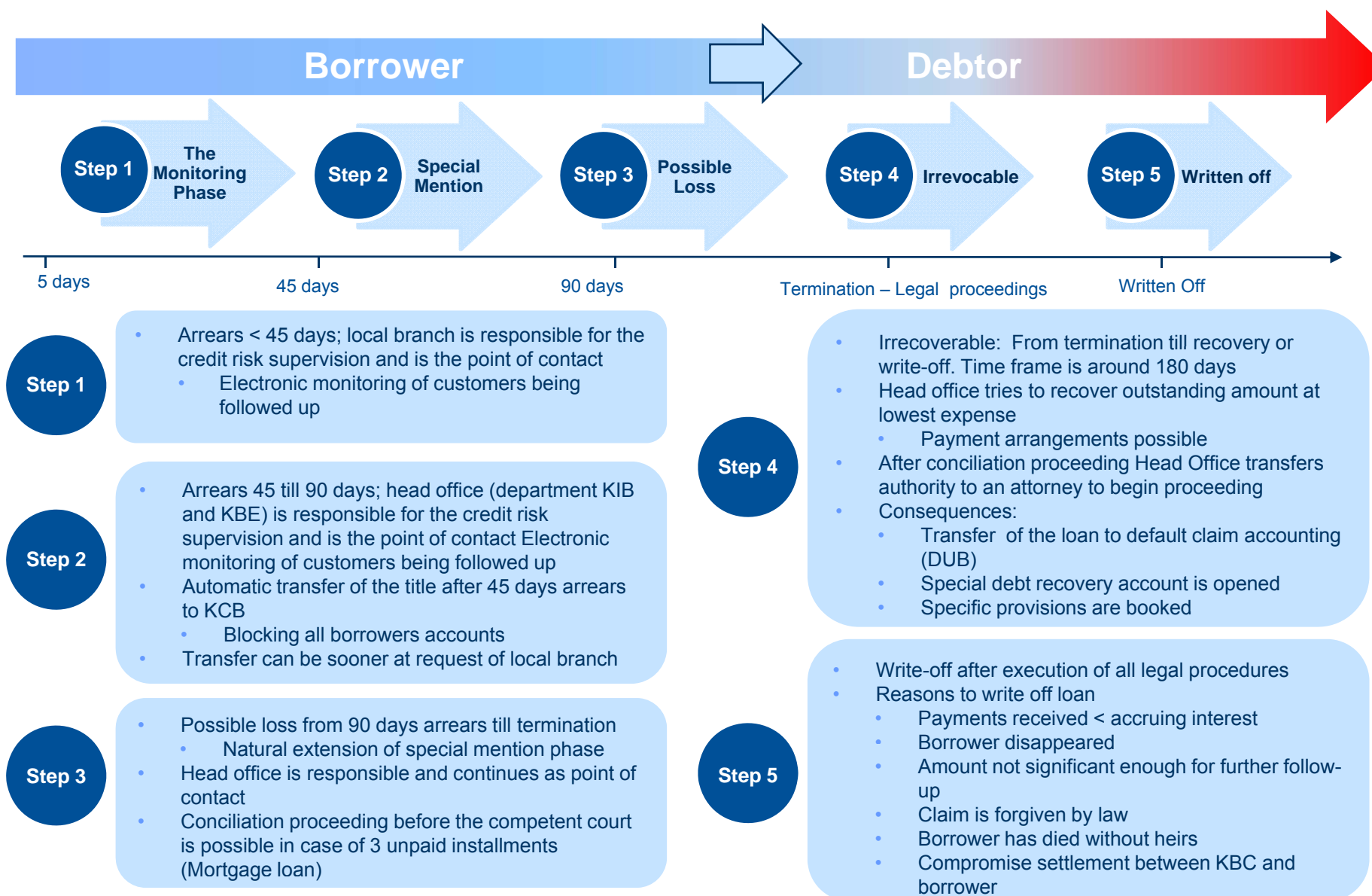
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Start of credit risk monitoring: automatic processes

- 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



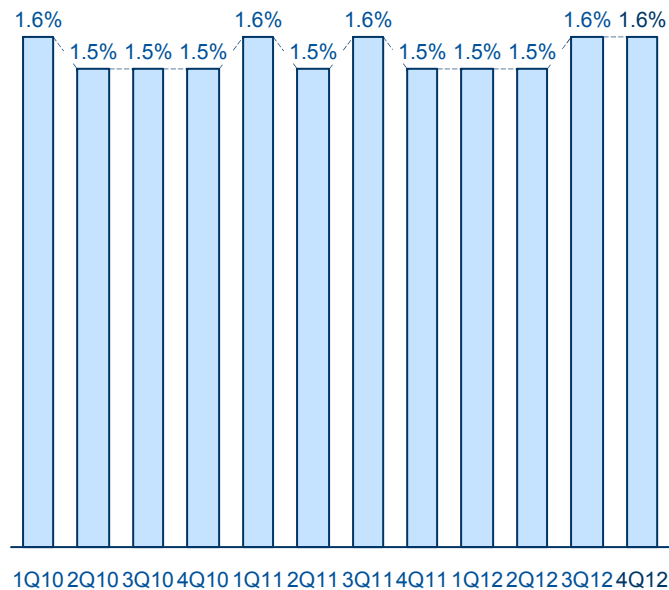
Credit risk management: various phases



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Belgian NPL Progression (2010-2012)

NPL ratio BELGIUM BU



Loan Book Overview

- Customer loan book: 128bn EUR at end 2012
 - 42% residential mortgages
 - 3% consumer finance
 - 7% other retail loans
 - 48% SME/corporate loans
- Largely sold through own branches
- Total Group NPL at 5.3% at end 2012
 - 5.2% in CEE and 1.6% in Belgium
- NPL coverage ratio for KBC Group at 66% at end 2012 (69% in CEE)

KBC Legacy Assets within investment portfolio

Outstanding CDO Exposure¹

Outstanding CDO Exposure ¹		
€bn as of end 2012	Notional	Outstanding markdowns
Hedged Portfolio	10.1	-0.5
Unhedged Portfolio	5.4	-3.4
Total	15.5	-3.9



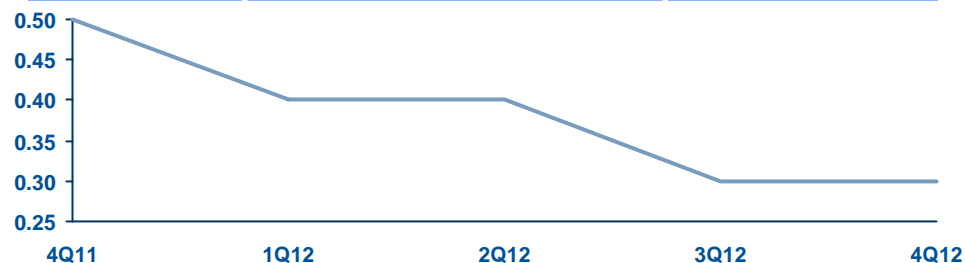
- CDO exposure largely written down or covered by a State guarantee
- The total notional amount remained stable throughout the last quarter. The outstanding markdowns decreased as a result of the credit spread tightening

€bn as of end 2012	Total
Outstanding value adjustments	-3.9
Claimed and settled losses	-2.2
<i>Of which impact of settled credit events</i>	-2.1



- Within the scope of the sensitivity tests, the value adjustments reflect a 8.9% cumulative loss in the underlying corporate risk (approx. 85% of the underlying collateral consists of corporate reference names)
- Claimed and settled losses amounted to 2.2bn EUR

Negative P&L impact² of a 50% widening in corporate and ABS credit spreads



- P&L sensitivity significantly reduced thanks to de-risking activities

1. Figures exclude all expired, unwound or terminated CDOs
 2. Taking into account the guarantee agreed with the Belgian State and a provision rate for MBIA at 80%

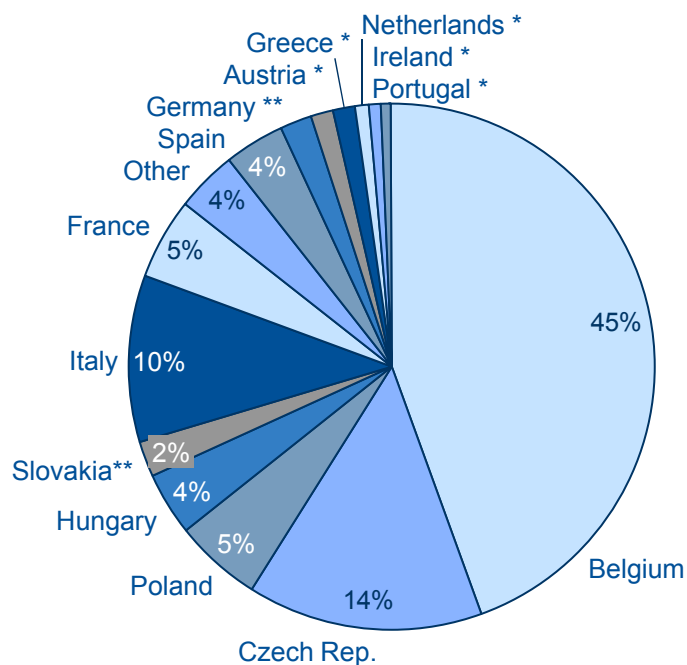


Government bond portfolio (KBC Group)

- Notional investment of 47bn EUR in government bonds (excl. trading book) at end of 2012, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves into fixed-income instruments
- GIIPS exposure down by 65% since the end of 2011, to 1.7bn EUR carrying value at the end of 2012

End 2010

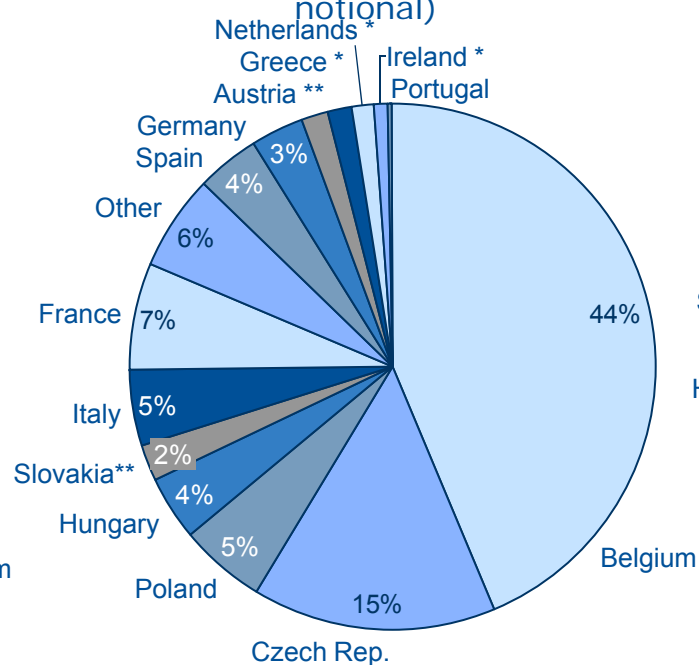
(60bn EUR notional)



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

End 2011

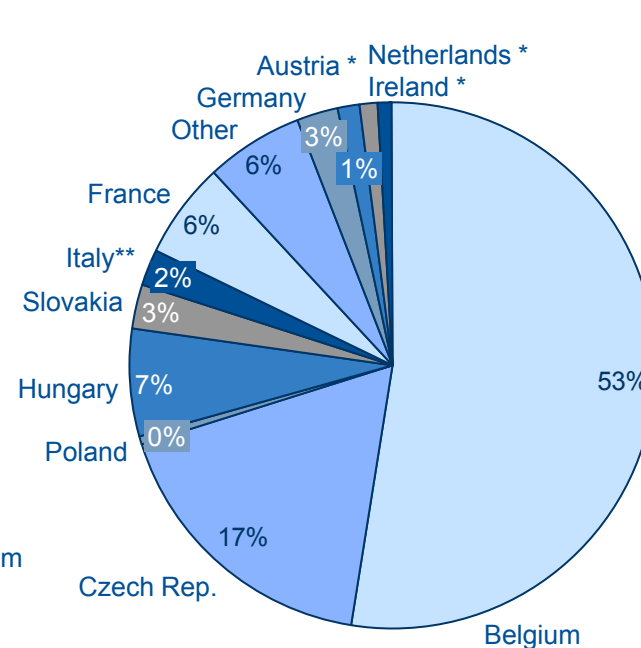
(51bn EUR notional)



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

End 2012

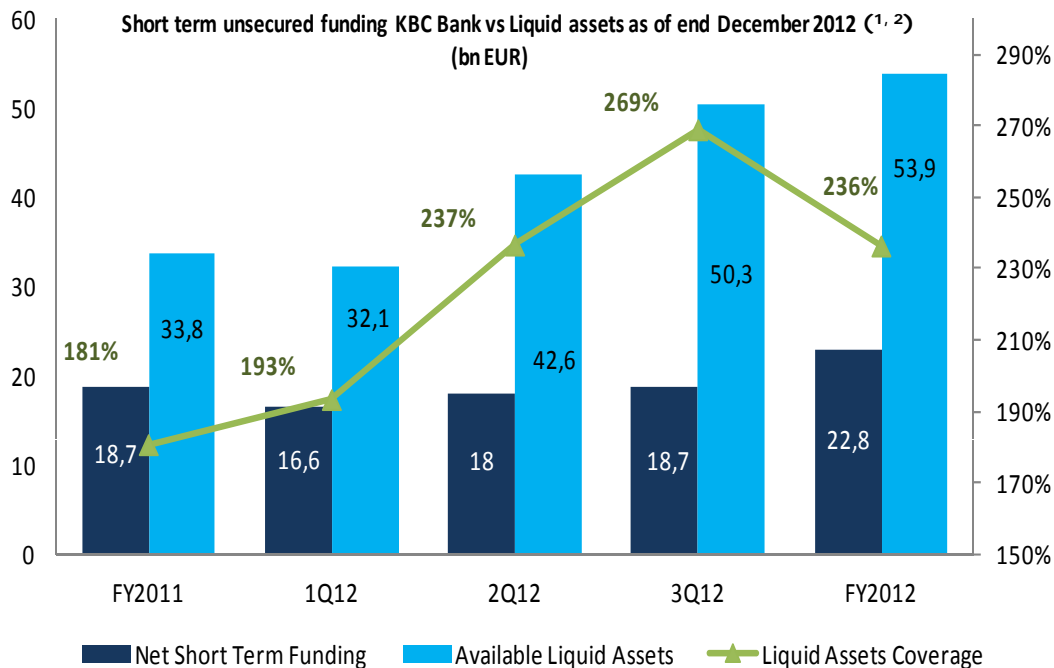
(47bn EUR notional)



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

Liquid asset buffer more than double short term funding needs

Short term unsecured funding KBC Bank vs. Liquid assets as of end 2012^{1,2}



The available liquid assets further increased in comparison with the end of September 2012, due to the following factors:

- Increasing investments in highly liquid assets and positive MtM
- The automation of the credit claims pledging process allows KBC to pledge - if needed - an additional 3.7bn EUR's worth (after haircuts) of loans at NBB

Therefore, the already very strong liquidity position remained at a comfortable level:

- Unencumbered assets are more than double 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 home markets

1. According to IFRS5, the situation at the end of 2012 (right-hand side) excludes the divestment entities that have not yet been finalised (Absolut Bank, KBC Deutschland, KBC Banka and ADB, KBL)

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

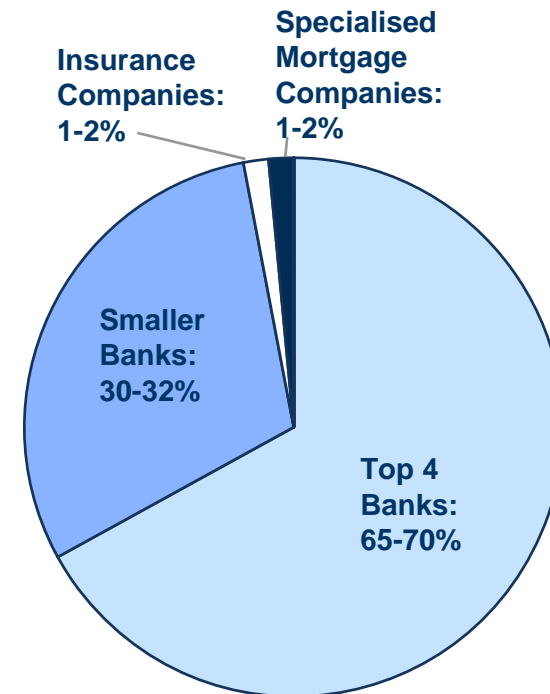
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Lending market dominated by banks

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

Market Shares of Belgian Mortgage Market



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