

KBC Group / Bank Debt presentation February 2015

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

FY 2014 key takeaways

■ Successful underlying earnings track record

- **Net result of 1,762m EUR and adjusted¹ net result of 1,629m EUR in FY14.** The latter is the result of:
 - Strong commercial bank-insurance franchises in our core markets and core activities
 - Substantially higher net interest income and good improvement of NIM
 - Net fee and commission income increased by 8% y-o-y pro forma; AuM increased by 14% y-o-y
 - Sharply lower net gains from financial instruments at fair value, other net income and net realised gains from AFS assets
 - Slightly higher non-life insurance sales and life insurance sales
 - Good combined ratio (94% in FY14)
 - Opex stabilised y-o-y pro forma, leading to a good cost/income ratio (54% in FY14 adjusted for specific items)
 - Sharply lower impairment charges as FY13 was heavily distorted by the one-off additional impairments in Ireland and Hungary due to the reassessment of the loan books. During 2014, the AQR exercise has been fully assessed and accounting conclusions have been included in the 2014 accounts

■ Solid capital and robust liquidity position

- **Common equity ratio** (B3 fully loaded² based on Danish Compromise) **of 14.3%** at end 2014
- **Continued strong liquidity position** (NSFR at 110% and LCR at 120%)

■ Dividend proposal³

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

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

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Overview of key financial data at end 2014

KBC Group

- Market cap (17/02/15): 22bn
- Adjusted net result: EUR 1.6bn
- Total assets: EUR 245bn
- Total equity: EUR 17bn
- CET1 ratio (Basel 3 transitional¹): 14.4%
- CET1 ratio (Basel 3 fully loaded¹): 14.3%

KBC Bank

- Adjusted net result: EUR 1.4 bn²
- Total assets: EUR 211bn
- Total equity: EUR 13bn
- CET1 ratio (Basel 3 transitional): 12.2%
- CET1 ratio (Basel 3 fully loaded): 12.1%
- C/I ratio: 57%³

KBC Insurance

- Adjusted net result: EUR 0.4bn
- Total assets: EUR 38bn
- Total equity: EUR 3bn
- Solvency I ratio: 323%
- Combined ratio: 94%

Credit Ratings of KBC Group

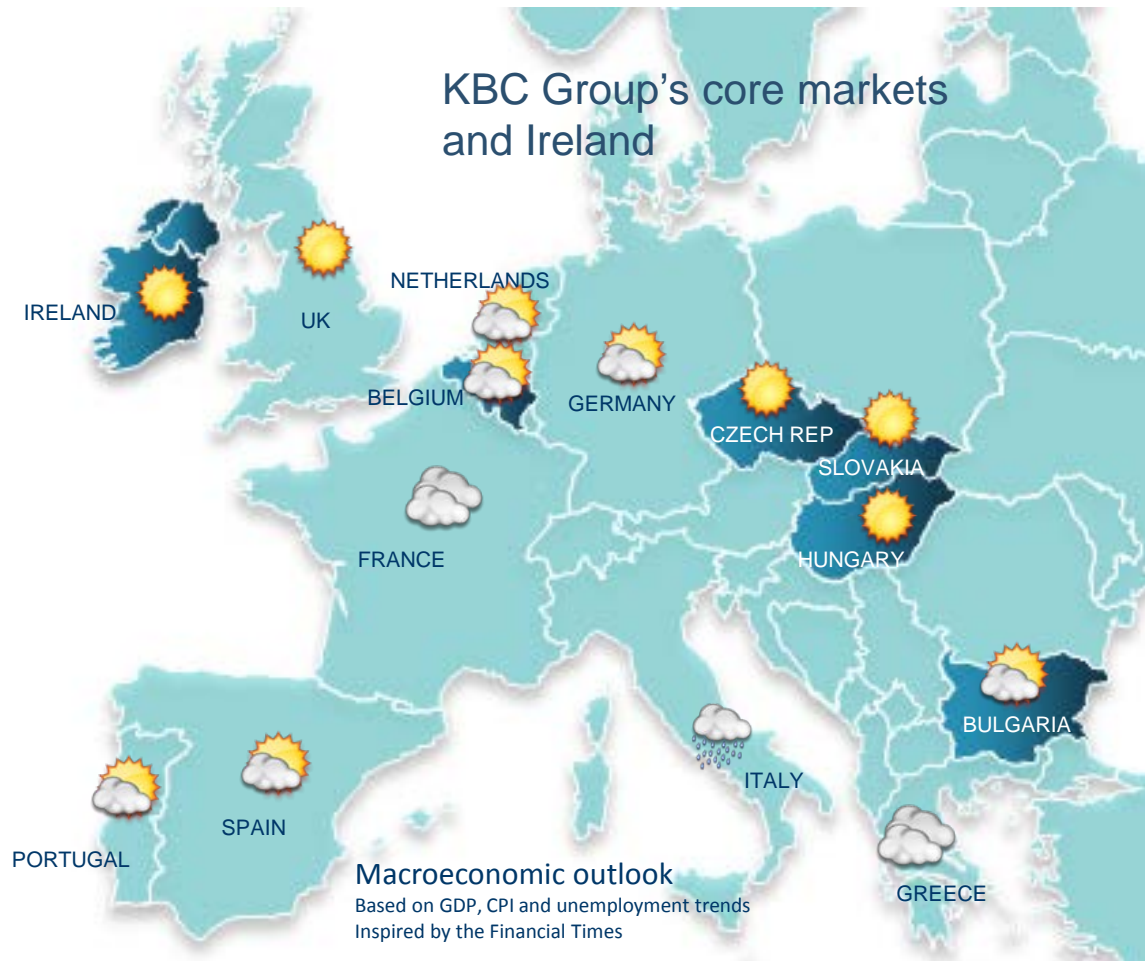
	S&P	Moody's	Fitch
Long-term	A- (Negative)	A3 (Negative)	A- (Stable)
Short-term	A-2	Prime-2	F1

Credit Ratings of KBC Bank

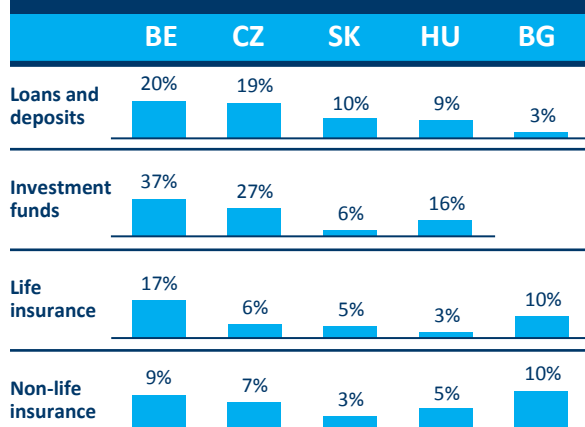
	S&P	Moody's	Fitch
Long-term	A (Negative)	A2 (Negative)	A- (Stable)
Short-term	A-1	Prime-1	F1

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.54% in 2014

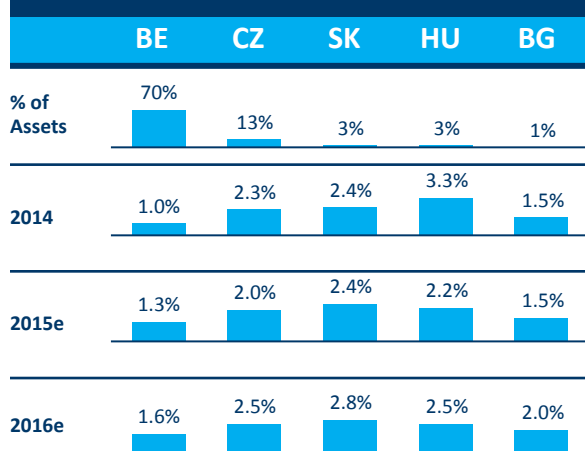
Well-defined core markets provide access to 'new growth' in Europe



MARKET SHARE, AS OF END 2014



REAL GDP GROWTH OUTLOOK FOR CORE MARKETS¹



1. Source: KBC data, February 2015

Business profile

CFO SERVICES

CRO SERVICES

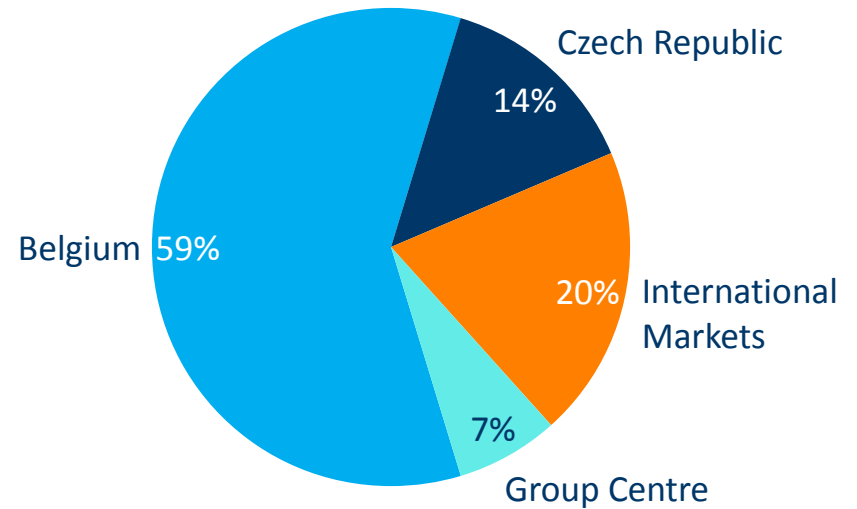
BELGIUM

CZECH
REPUBLIC

INTERNATIONAL
MARKETS

CORPORATE STAFF

BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AT 31 DECEMBER 2014



*Covers inter alia results of companies to be divested, impact legacy & own credit risk and results of holding company

Overview of KBC Group

- **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 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 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

KBC Group going forward:

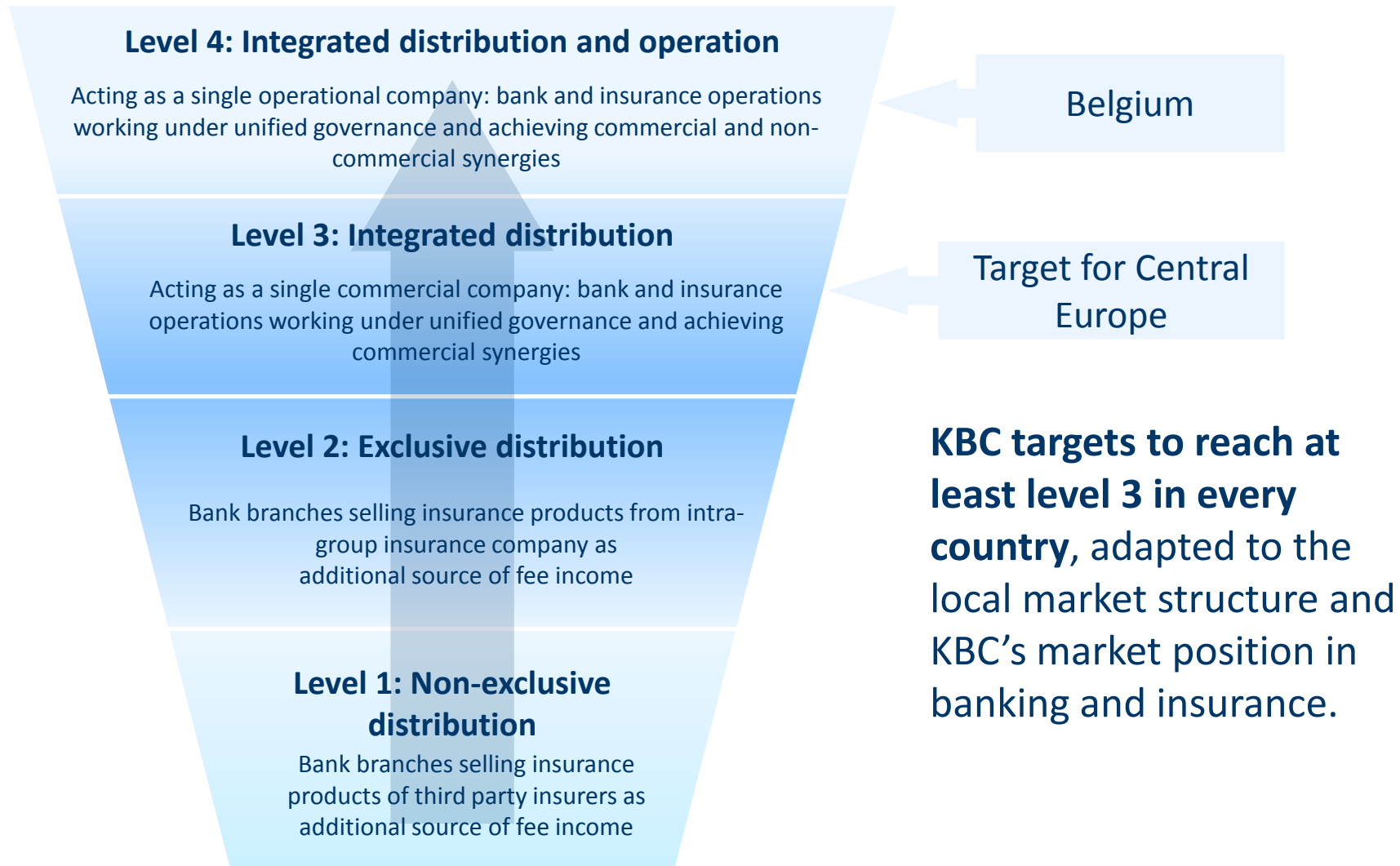
To be among the best performing retail-focused institutions in Europe

- 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

KBC Group going forward:

The bank-insurance business model, different countries, different stages of implementation



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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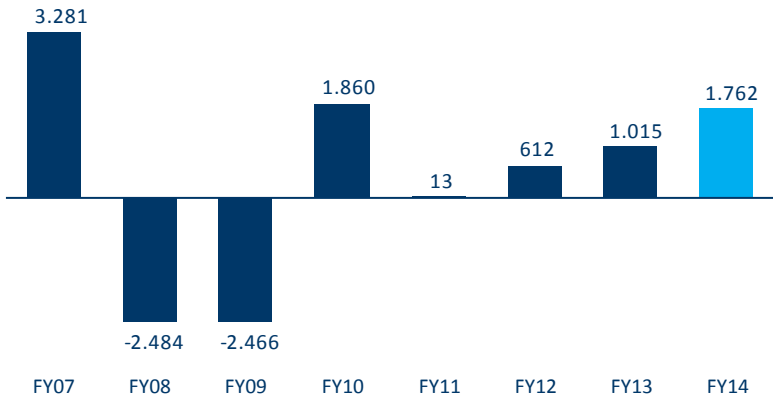
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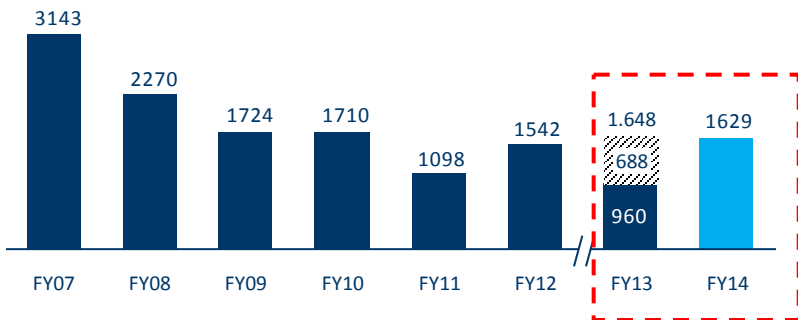
Earnings capacity

NET RESULT¹



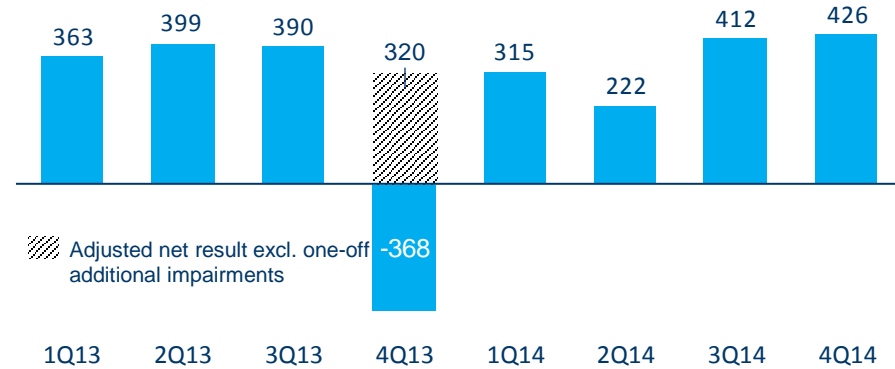
Excluding adjustments

ADJUSTED NET RESULT^{1,2}

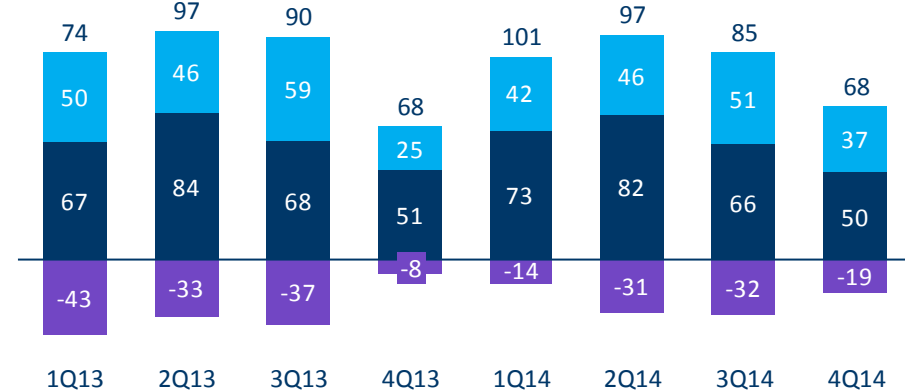


One-off additional impairment charge

CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT^{1,2}



CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT^{1,2}



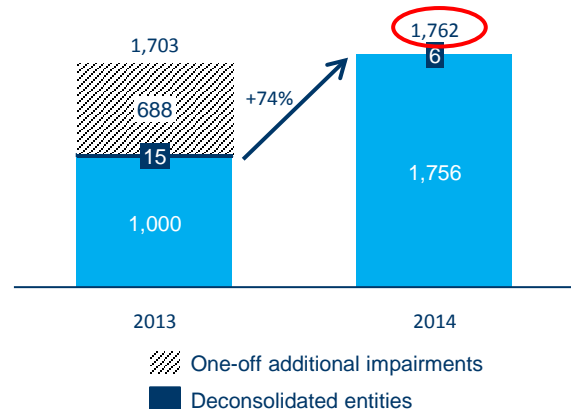
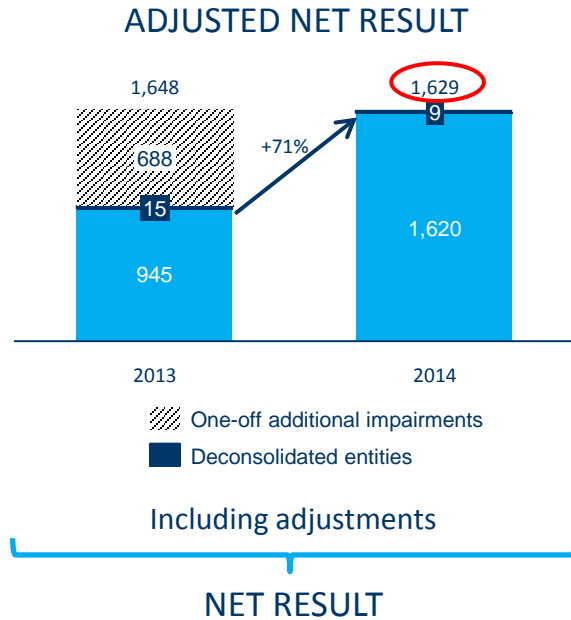
Non-life result Life result Non-technical & taxes



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

FY 2014 Group profit



Adjusted net result of 1,629m EUR in 2014

Excluding deconsolidated entities:

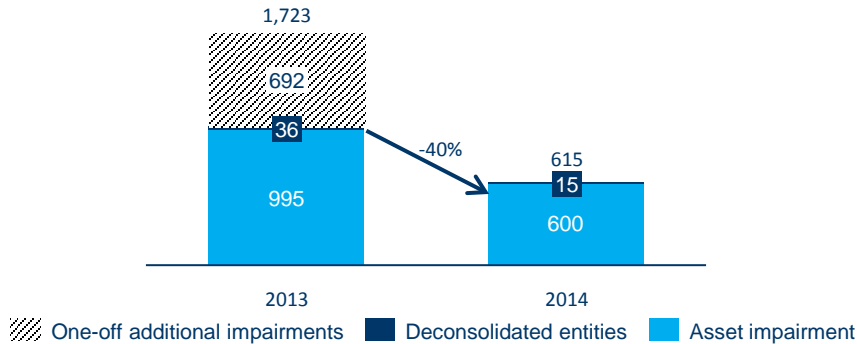
- Adjusted net result rose by 71% y-o-y to 1,620m EUR due mainly to sharply lower loan loss provisions (as a result of the reassessment of the loan books in Ireland and Hungary in 2013)
- High quality revenue generation (increase of net interest income and net fee & commission income), more than offset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

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

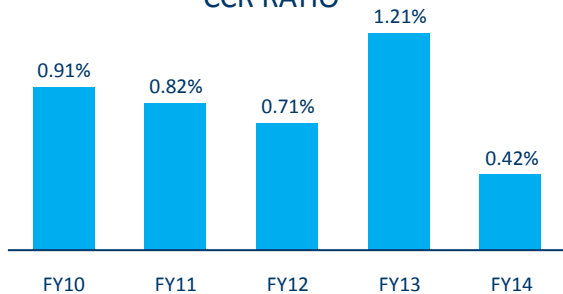
- Net result in 2014 was positively impacted by 134m EUR legacy + own credit risk items (post-tax):
 - Revaluation of structured credit portfolio: +16m EUR (compared with 446m EUR in 2013)
 - Divestments: +116m EUR (compared with -348m EUR in 2013), primarily due to the release of an impairment on the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

Asset impairment, credit cost and impaired loans ratio

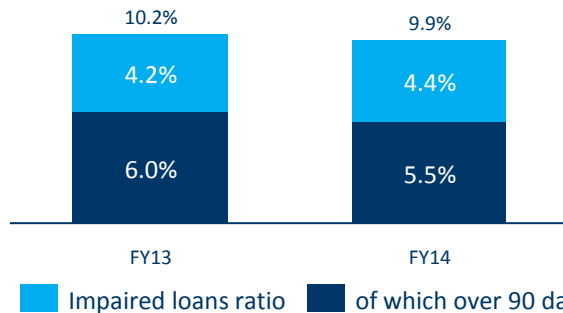
ASSET IMPAIRMENT



CCR RATIO



IMPAIRED LOANS RATIO



- **Significantly lower impairment charges**

Excluding deconsolidated entities,

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

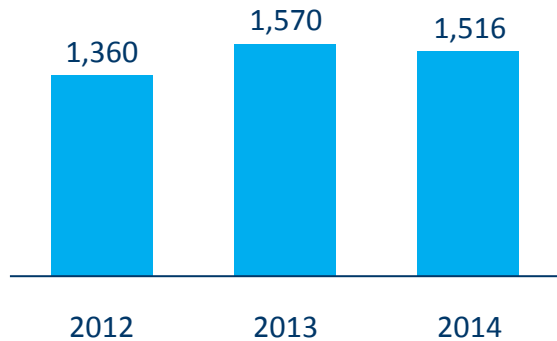
- The **credit cost ratio** sharply improved from 1.21% in FY13 to 0.42% in FY14, as FY13 was distorted by the one-off additional impairments in Ireland and Hungary due to the reassessment of the loan books. The credit cost ratio improved in each business unit

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

Overview of results based on business units

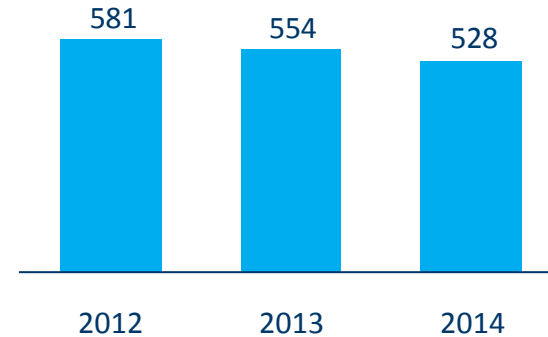
NET PROFIT – BELGIUM

FY14 ROAC: 26%



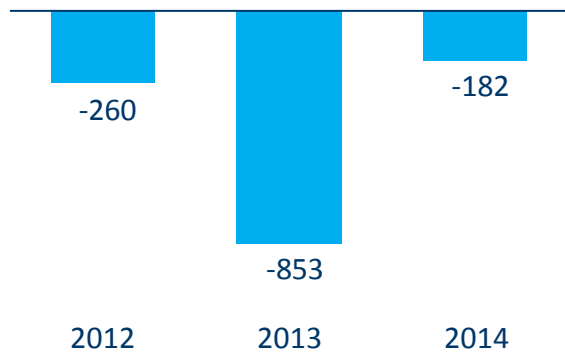
NET PROFIT – CZECH REPUBLIC

FY14 ROAC: 37%

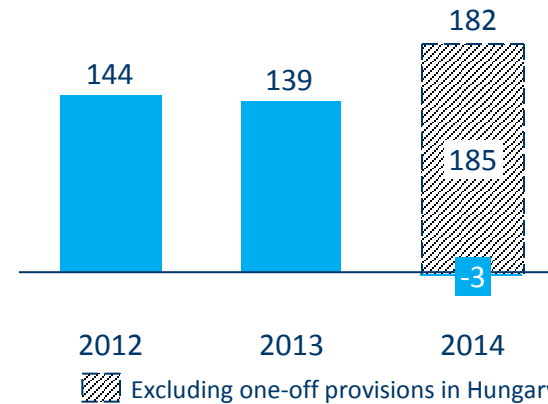


NET PROFIT – INTERNATIONAL MARKETS

FY14 ROAC: -9%



NET PROFIT – INTERNATIONAL MARKETS EXCL. IRELAND



Amounts in m EUR



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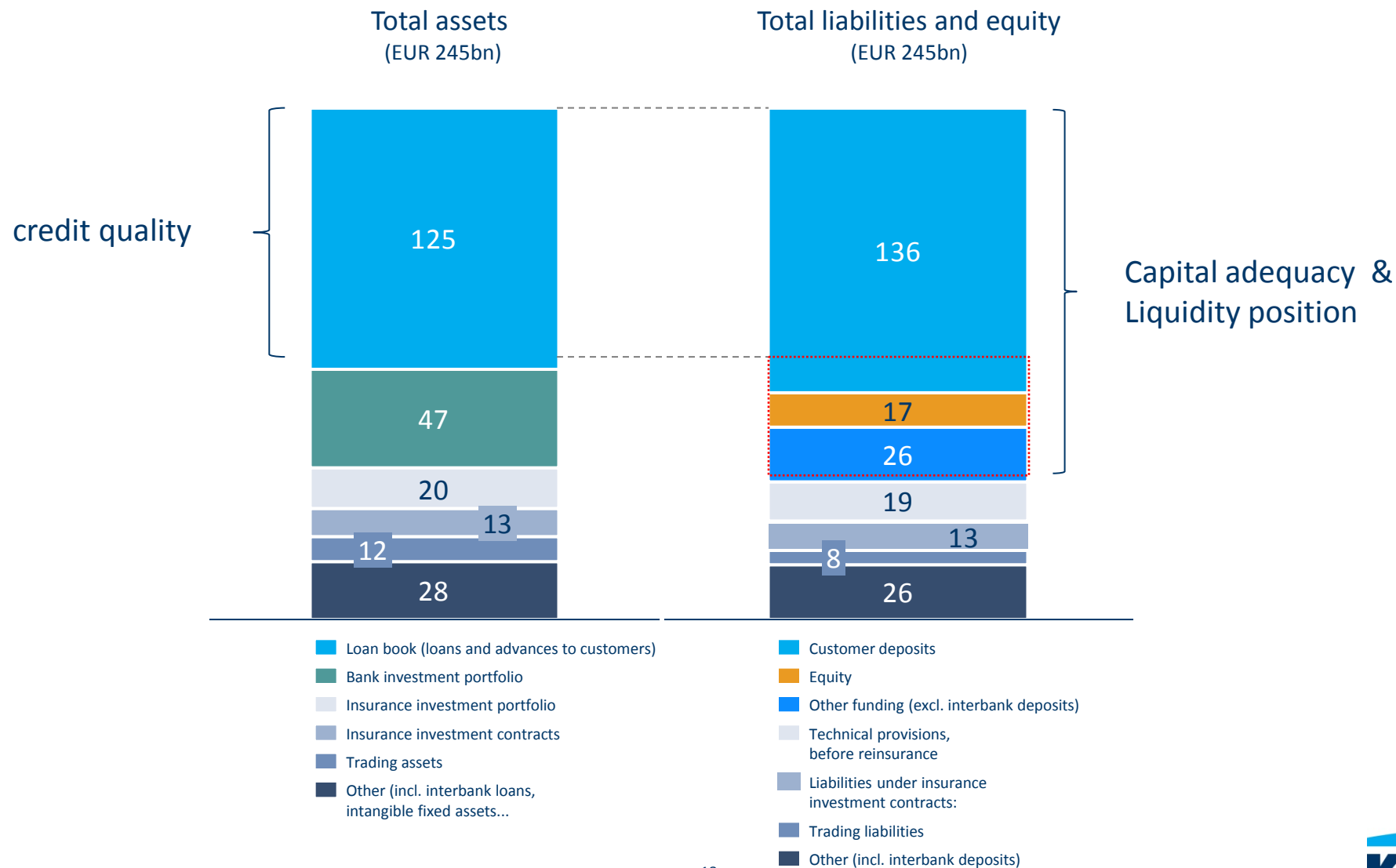
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Balance sheet

(KBC Group consolidated at 31 December 2014)

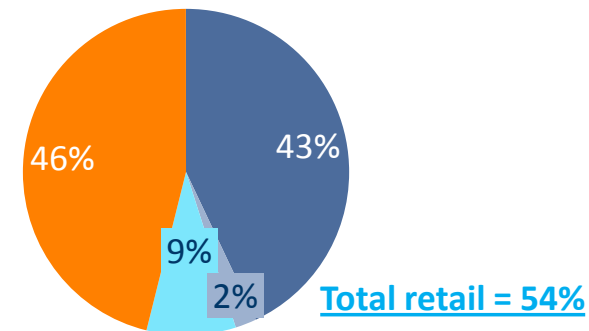
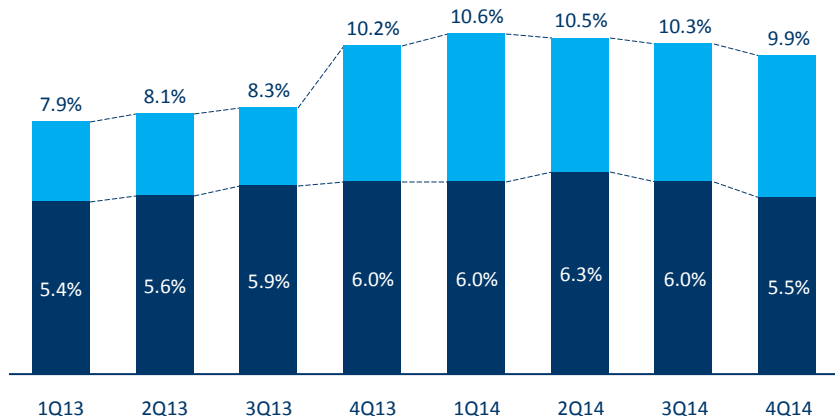


Impaired loans ratios of KBC Group and per Business Unit, incl. of which over 90 days past due

KBC GROUP

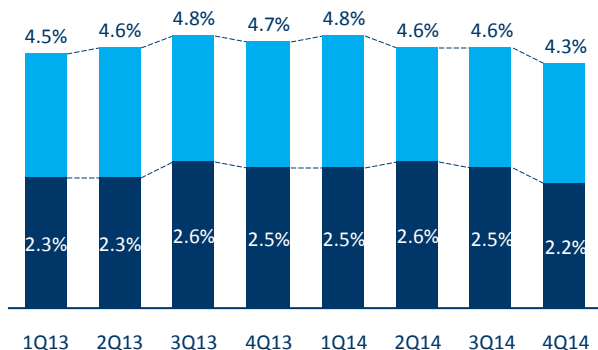
■ CUSTOMER LOAN BOOK: 125bn EUR at end 2014

(LARGELY SOLD THROUGH OWN BRANCHES)

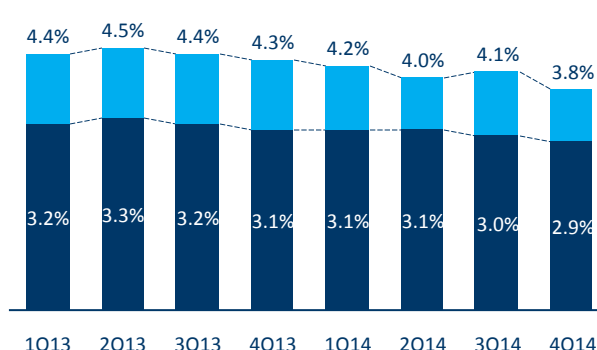


■ Residential mortgages ■ Other Retail loans
■ Consumer Finance ■ SME/Corporate loans

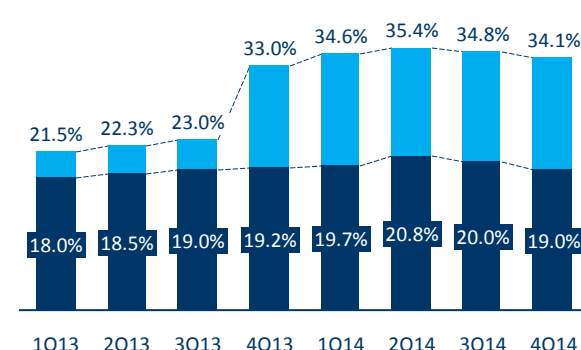
BELGIUM BU



CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU



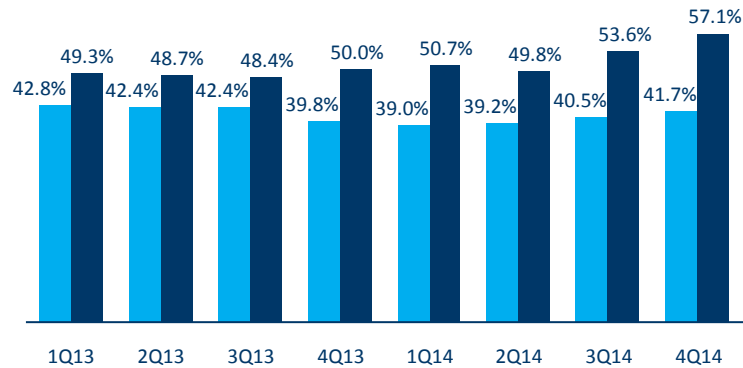
■ Impaired loans ratio *
■ of which over 90 days past due **

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

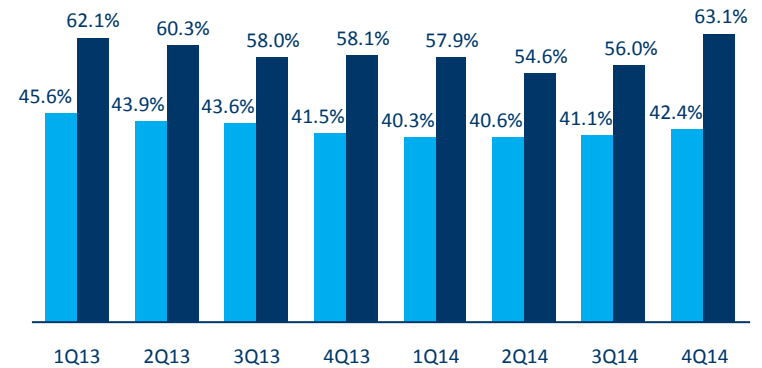
** of which total outstanding loans with over 90 days past due (PD 11-12)/total outstanding loans

Cover ratios

KBC GROUP

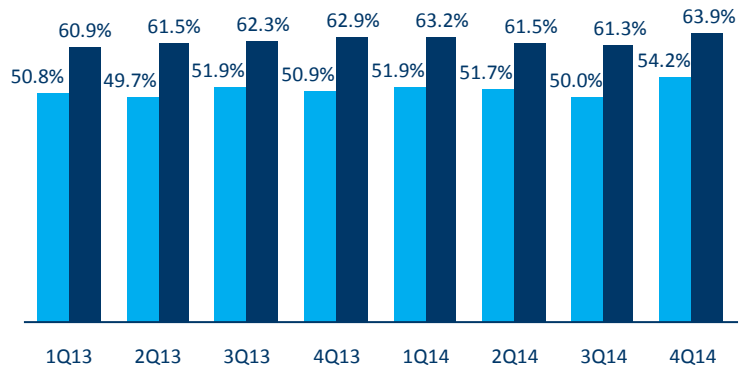


BELGIUM BU

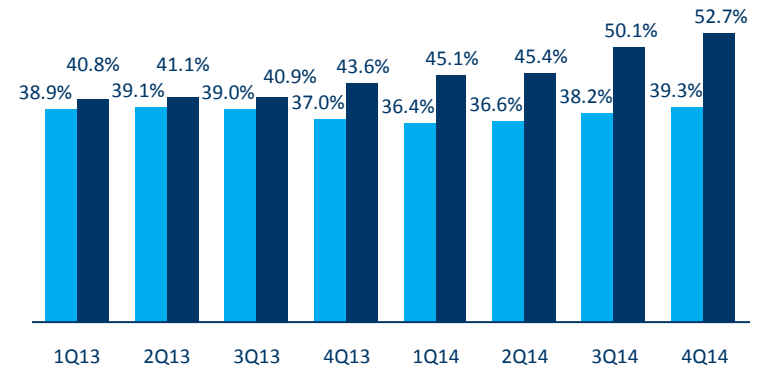


■ Impaired loans cover ratio
■ Cover ratio for loans with more than 90 days past due

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

Loan loss experience at KBC

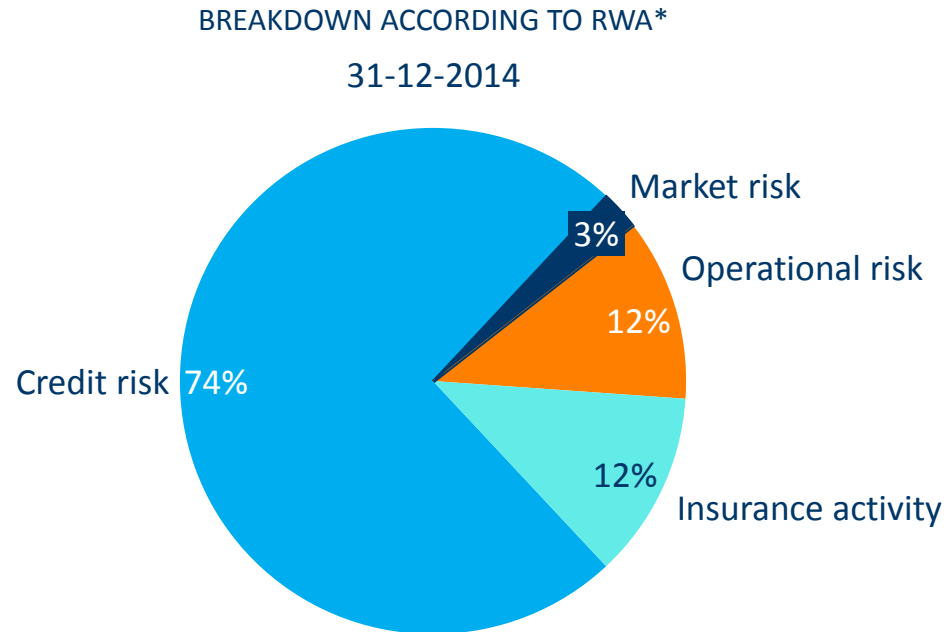
	FY14 CREDIT COST RATIO	FY13 CREDIT COST RATIO	FY 2012 CREDIT COST RATIO	AVERAGE '99 –'14
Belgium	0.23%	0.37%	0.28%	n/a
Czech Republic	0.18%	0.26%	0.31%	n/a
International Markets	1.06%	4.48%*	2.26%*	n/a
Group Centre	1.17%	1.85%	0.99%	n/a
Total	0.42%	1.21%**	0.71%	0.54%

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

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

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

Limited trading activity at KBC Group



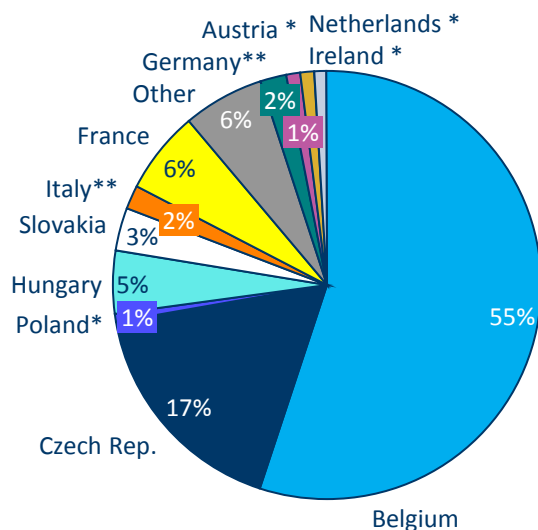
Traditional dealing rooms, Brussels by far the largest, focus mainly on trading in interest rate instruments and for client-related business. Abroad, dealing rooms focus primarily on providing customer service in money and capital market products, on funding local bank activities and engage in limited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

* RWA on fully loaded basis and under Danish Compromise

Government bond portfolio – Carrying value

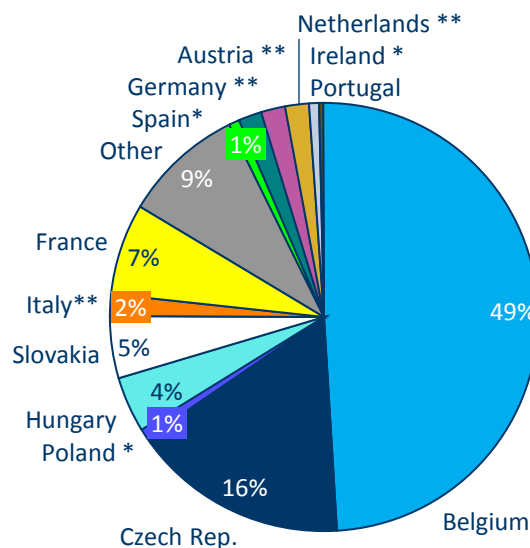
- Carrying value of 50.9bn EUR in government bonds (excl. trading book) at end of 2014, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 4.6bn EUR at end of 2014

END 2012
(Carrying value of 48.8bn EUR)



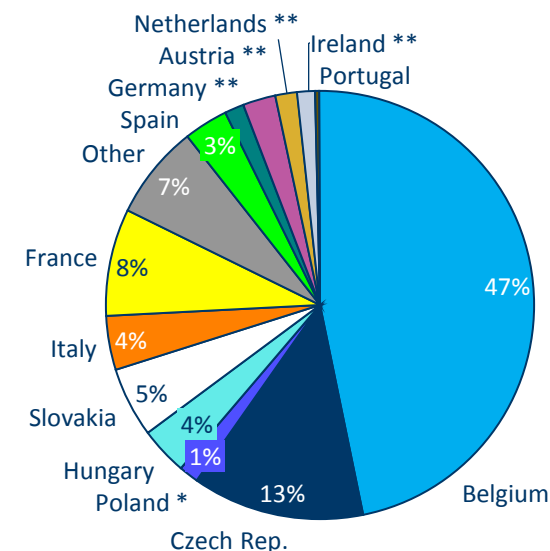
(*) 1%, (**) 2%

END 2013
(Carrying value of 48.5bn EUR)



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

END 2014
(Carrying value of 50.9bn EUR)



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

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

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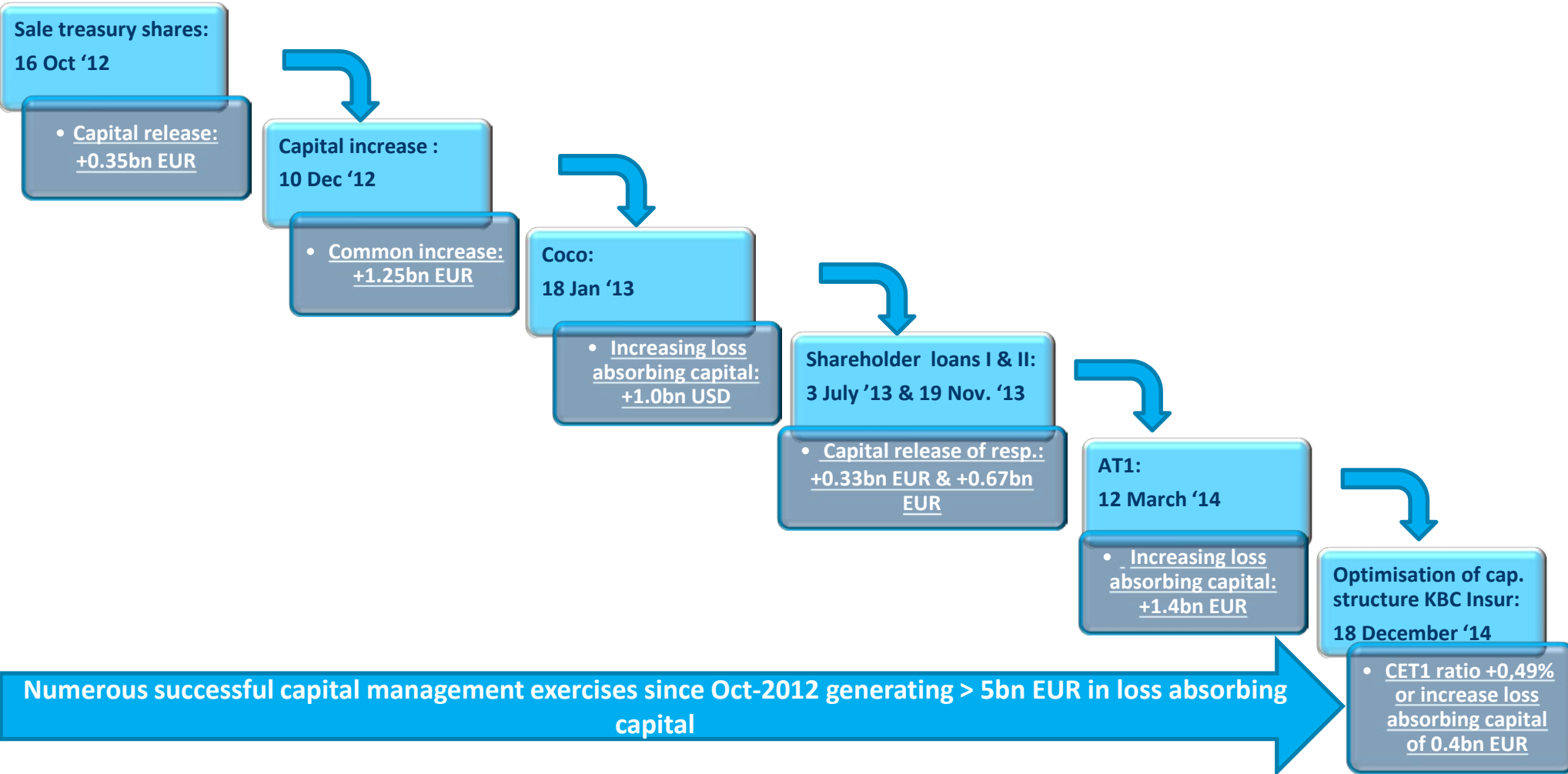
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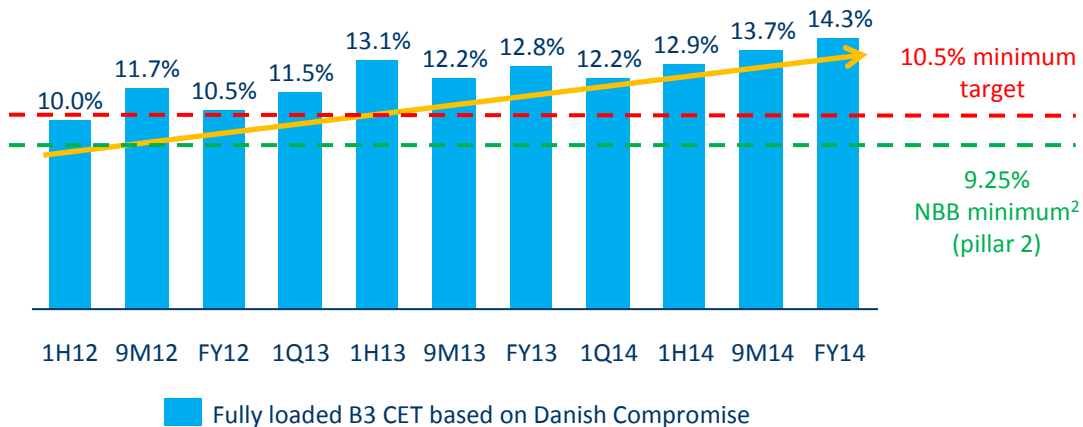
Active capital management by KBC



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

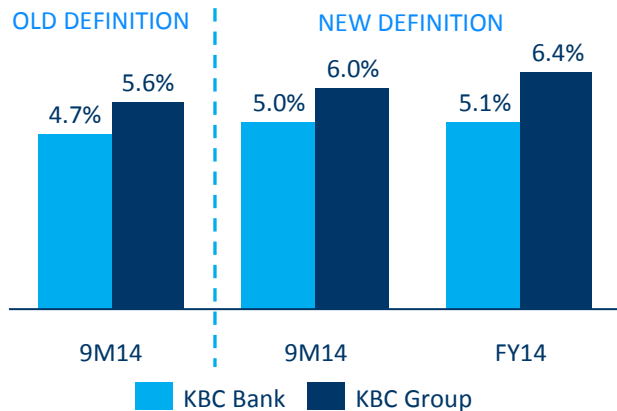
Strong capital position

Fully loaded Basel 3 CET1 ratio



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

Fully loaded Basel 3 leverage ratio**



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

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

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

Overview of B3 CET1 ratios at KBC Group

Method	Numerator	Denominator	B3 CET1 ratio
BBM*, phased-in	11,748	89,742	13.1%
BBM, fully loaded	13,270	92,596	14.3%
DC**, phased-in	12,684	88,382	14.4%
DC, fully loaded	13,076	91,236	14.3%
DM***, fully loaded	11,439	83,607	13.7%

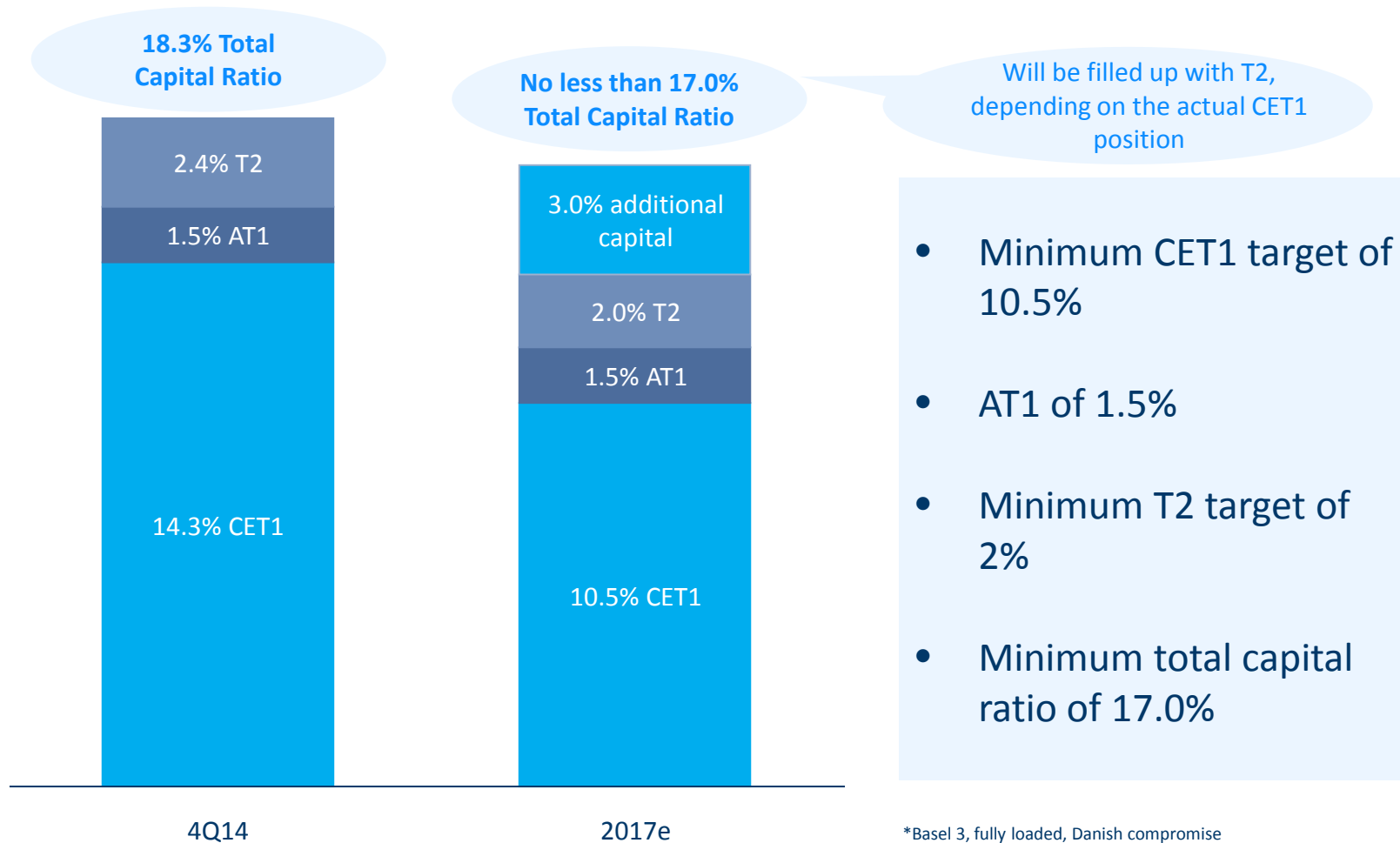
* BBM: Building Block Method

** DC: Danish Compromise

*** DM: Deduction Method

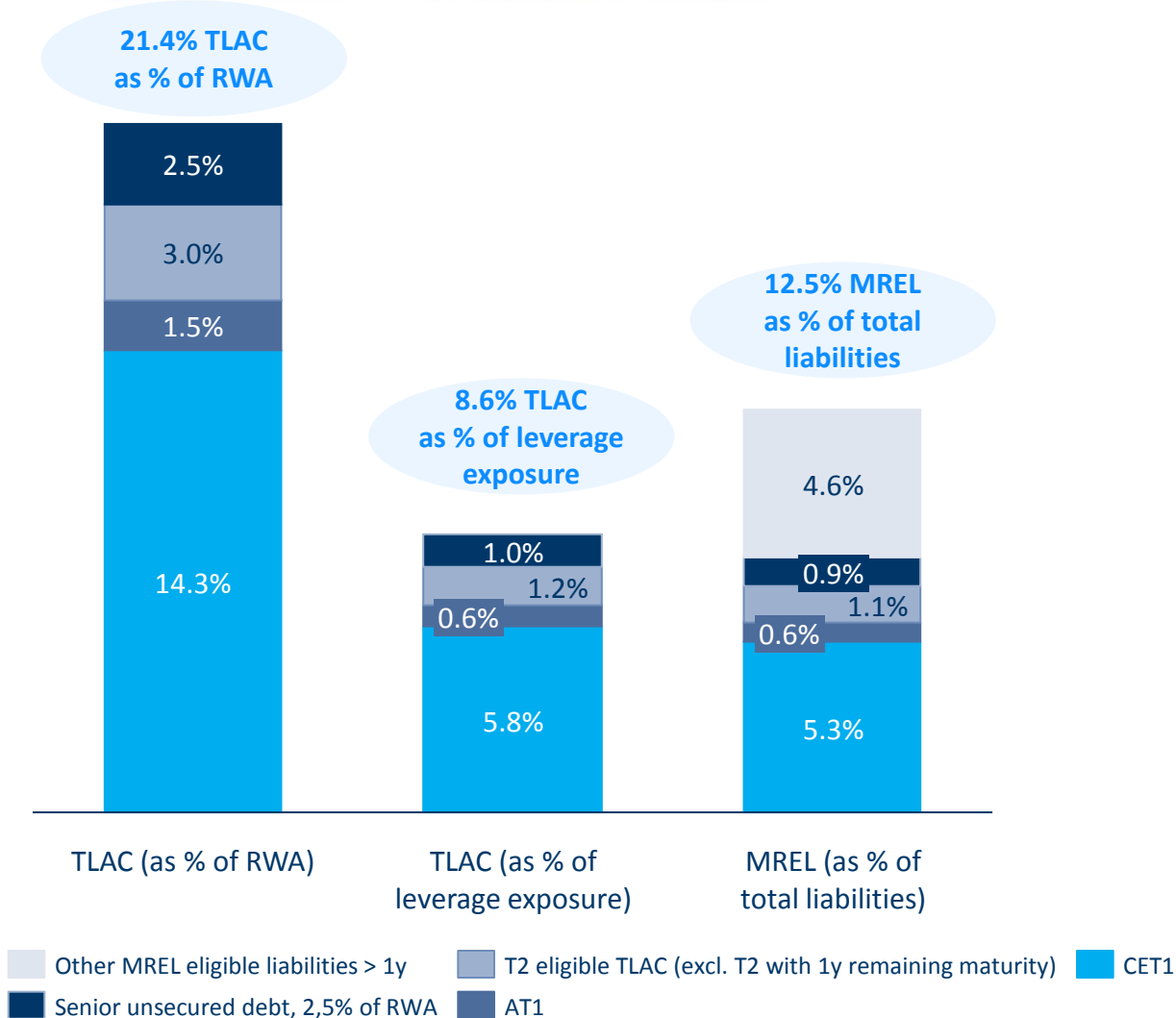
- Total distributable items (under Belgian GAAP) KBC Group 4.3bn EUR, of which:
 - available reserves 1.1bn EUR
 - accumulated profits (losses) 3.2bn EUR

KBC maintains minimum 17% total capital ratio*



*Basel 3, fully loaded, Danish compromise

Comfortable bail-in buffer



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

- 21.4% risk-weighted TLAC
- 8.6% leveraged TLAC
- 12.5% MREL

Tier 2 Capital

Tier 2 subordinated capital deals :

- a) Will be issued out of **KBC Group NV** because of the minority rule and not for TLAC reasons. If KBC Bank NV would act as issuer, due to consolidation rules around minority interest, the capital would not qualify fully at the KBC Group level. Haircuts are estimated at approximately 37% at the end of December 2014
- b) Will constitute for the investor an additional element of diversification, as KBC Group combines the banking and insurance activities
- c) Will be Structured under the € 2 billion Euro Medium Term Note Program of KBC Group NV. This Program was approved by FSMA in June 2014 under Belgian Law.
- d) Will be issued in function of the 17% Total Capital target by the end of 2017 (as communicated in June 2014 on the occasion of the Investor Day)

KBC Group has issued tier 2 Capital in the international wholesale markets in 2014 :

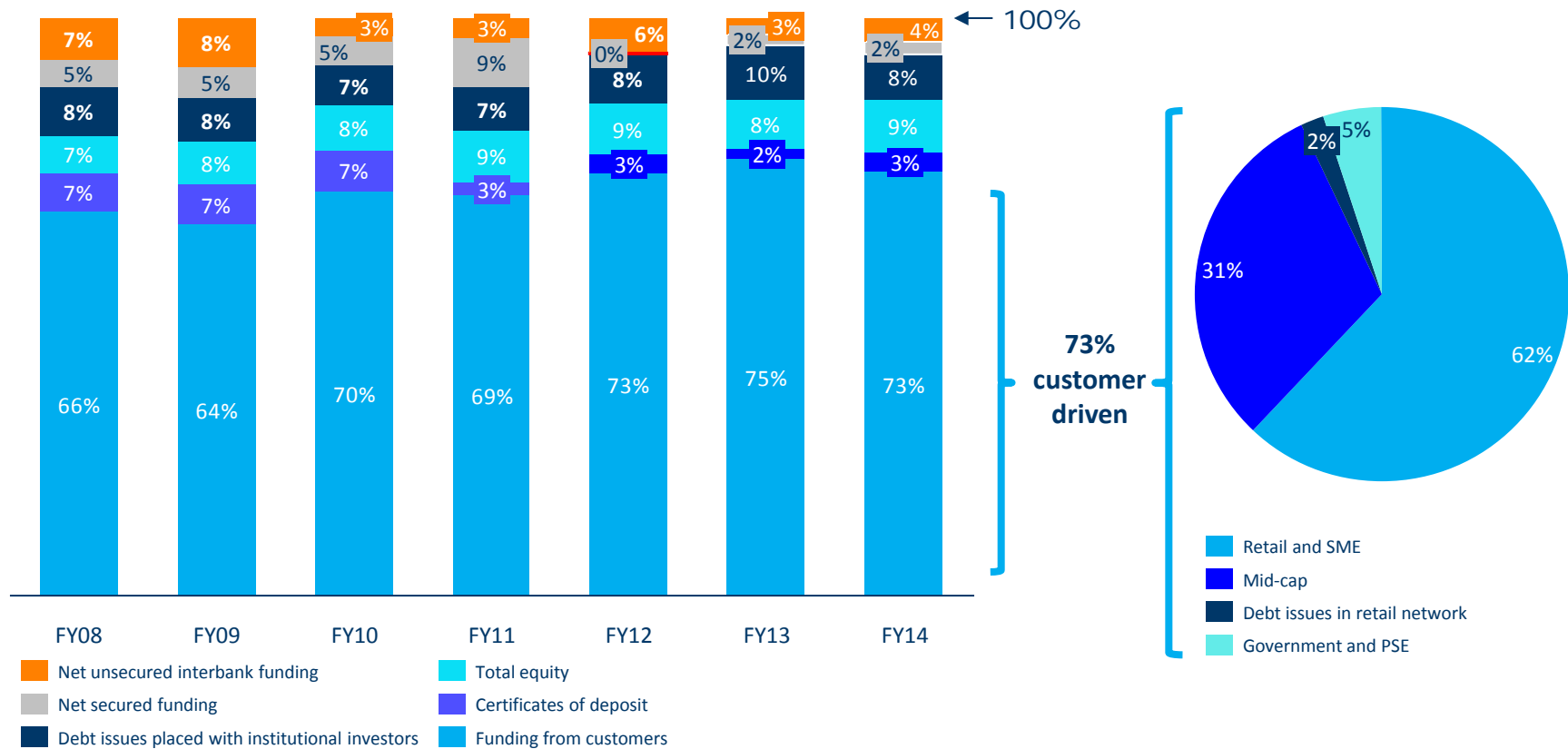
- € 150 million private placement 15 year non call 10 year (*) – 3,125% coupon (ISIN BE0002475508)
- € 750 million public benchmark issue 10 year non call 5 year – 2,375% coupon (ISIN BE0002479542)

(*) In January 2015, the private placement was increased by € 25 million up to € 175 million

KBC (Group) will refinance maturing (retail) subordinated tier 2 bond issues (issued in the past via KBC IFIMA/KBC Bank) and will increase further its subordinated tier 2 capital in function of the 17% Total Capital target by the end of 2017 and the anticipated reimbursement of the government support at the level of KBC Group. In 2015, KBC tier 2 funding needs will be around € 1 billion

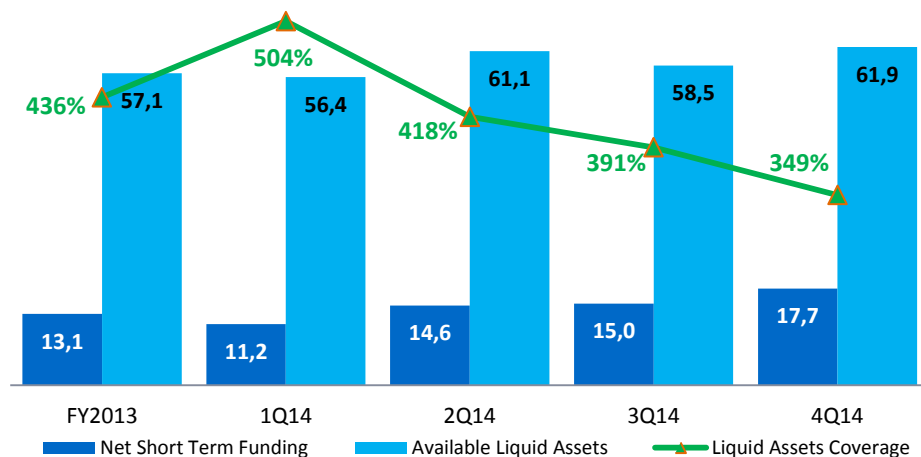
Solid liquidity position (1)

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



Solid liquidity position (2)

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



- 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

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

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

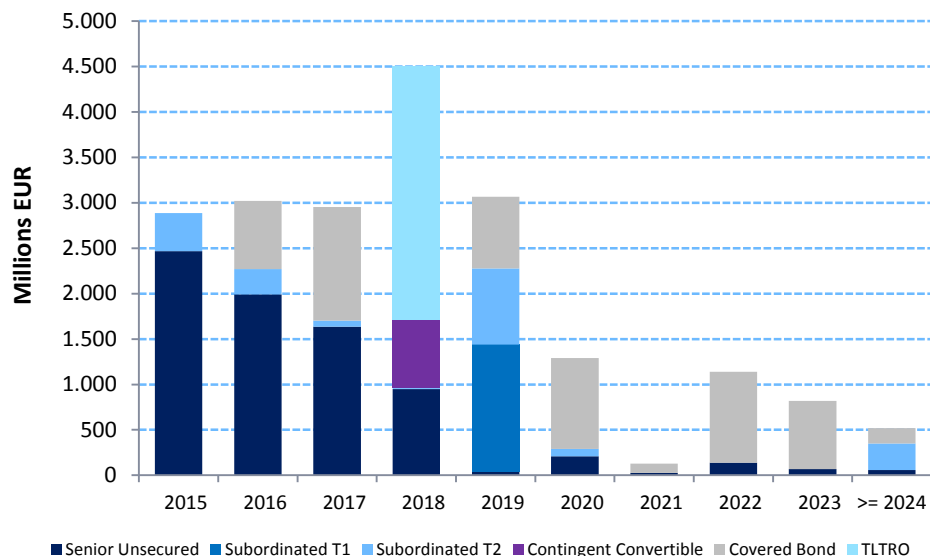
Ratios	FY13	FY14	Target
NSFR ¹	111%	110%	>105%
LCR ¹	131%	120%	>105%

- **NSFR at 110% and LCR at 120% by the end of 2014**
 - Both ratios were well above the minimum target of at least 105%, in compliance with the implementation of Basel 3 liquidity requirements

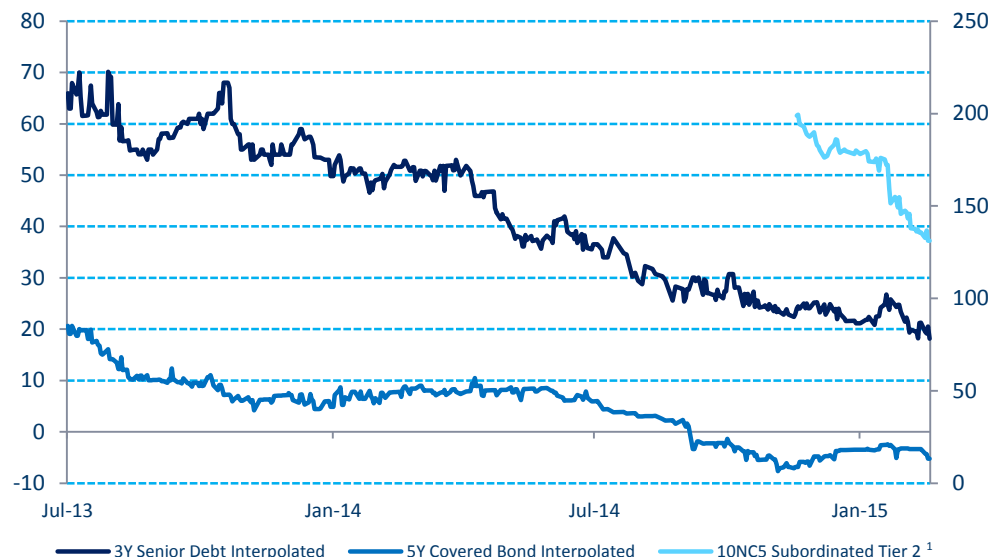
¹ LCR (Liquidity Coverage ratio) and NSFR (Net Stable Funding Ratio) are calculated based on KBC's interpretation of current Basel Committee guidance, which may change in the future. The LCR can be relatively volatile in future due to its calculation method, as month-to-month changes in the difference between inflows and outflows can cause important swings in the ratio even if liquid assets remain stable

Upcoming mid-term funding maturities

Breakdown Funding Maturity Buckets



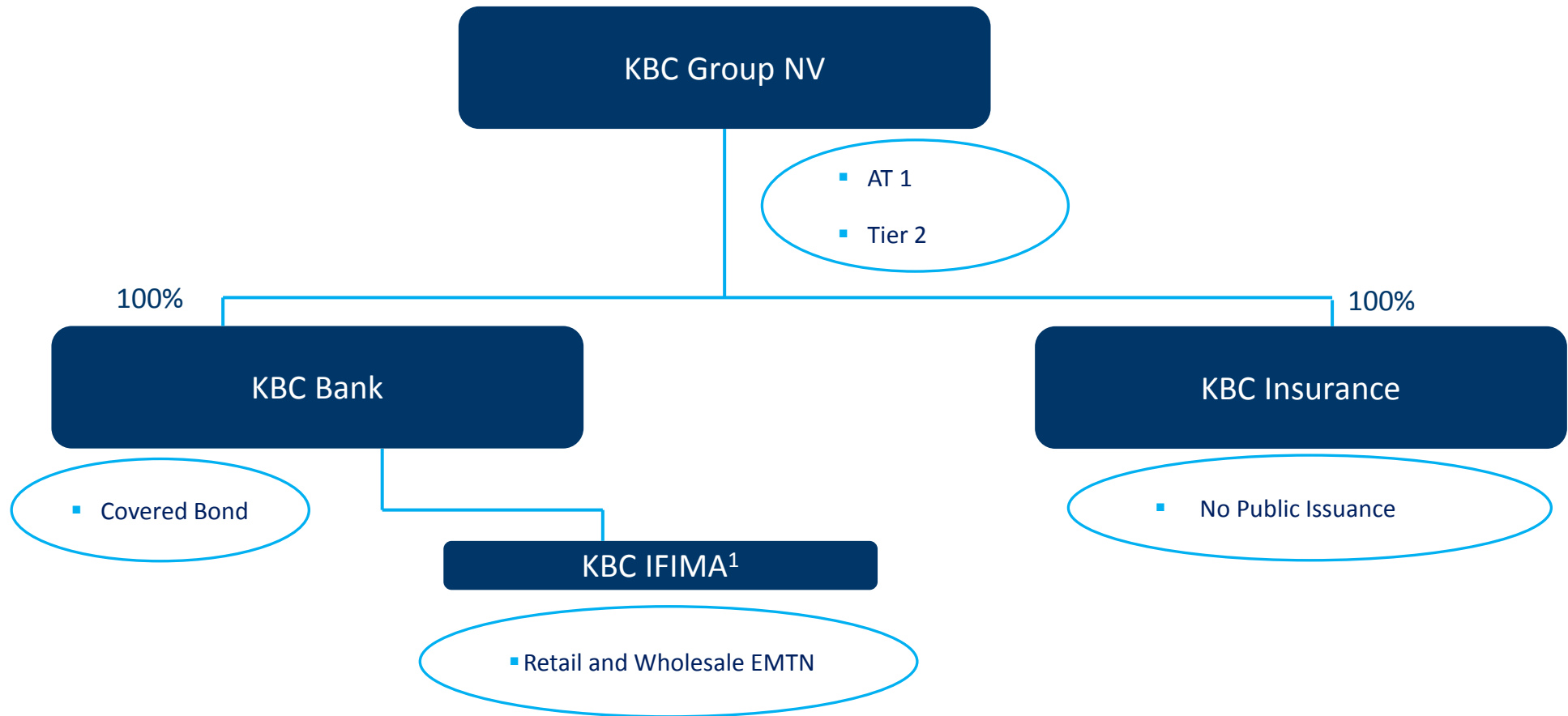
Credit Spreads Evolution



¹ 10NC5 Subordinated Tier 2 spread is depicted based on the right hand axis.

- KBC successfully issued 1bn EUR covered bond with 7 year maturity in January 2015
- In 2014, KBC participated in ECB's TLTRO program with a total take-up of 2.8bn EUR
- KBC's credit and covered bonds spreads moved within a tight range during 4Q14

Group's legal structure and Issuer of Debt Instruments



¹ All debt obligations of KBC IFIMA are unconditionally and irrevocably guaranteed by KBC Bank.

Summary Covered Bond Programme (1)

- **KBC HAS ISSUED SUCCESSFUL BENCHMARK COVERED BONDS AND PRIVATE PLACEMENTS FOR AN AMOUNT OF 5.81BN 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

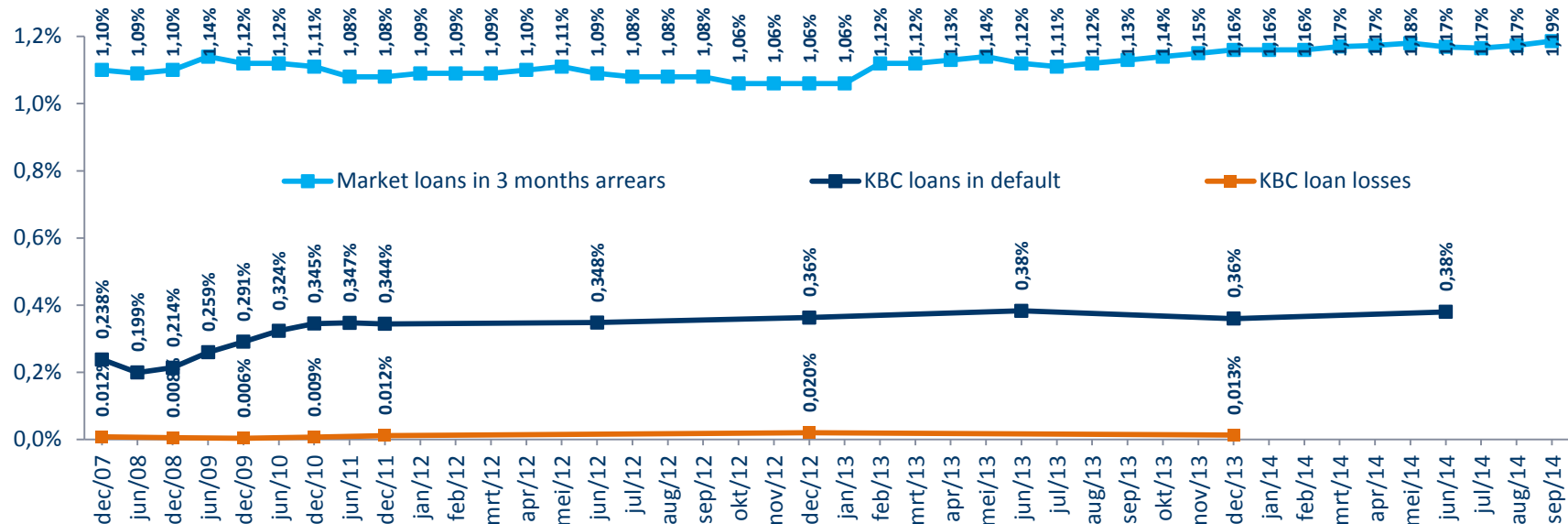
Summary Covered Bond Programme (2)

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 (65.9%) and high seasoning (47 months)

KBC HAS A DISCIPLINED ORIGINATION POLICY

- 2007 to 2013 average residential mortgage loan losses below 2 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

1 Strategy and business profile of KBC Group

2 Financial performance of KBC Group

3 Asset quality of KBC Bank/Group

4 Liquidity and solvency of KBC Bank/Group

5 *Wrap up*

Appendices

4Q 2014 wrap up

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

Appendices

- 1** KBC 2013/14 benchmarks + overview of outstanding benchmarks
- 2** Details – selective credit exposure
- 3** Summary of government transactions

KBC 2013 Benchmarks (1/2)

■ KBC 10NC5Y Fixed – Contingent Capital Note – BE6248510610

- Notional: 1bn USD
- Issue Date: 25 January 2013 – Maturity: 25 January 2023
- Coupon: 8%, A, Act/Act
- Re-offer spread: USD Mid Swap + 709.7bp (issue price 100%)
- Joint lead managers: KBC, BofA Merrill Lynch, Credit Suisse, Goldman Sachs, JPMorgan and Morgan Stanley

■ KBC 7Y Fixed - Covered Bond – BE0002434091

- Notional: 1 bn EUR
- Issue Date: 28 May 2013 – Maturity: 28 May 2020
- Coupon: 1.25%, A, Act/Act
- Re-offer spread: Mid Swap + 16bp (issue price 99.277%)
- Joint lead managers: KBC, DZ Bank, LBBW and RBS

■ KBC 10Y Fixed - Covered Bond – BE0002425974

- Notional: 750m EUR
- Issue Date: 31 January 2013 – Maturity: 31 January 2023
- Coupon: 2%, A, Act/Act
- Re-offer spread: Mid Swap + 36bp (issue price 99.24%)
- Joint lead managers: KBC, BNP Paribas, Commerzbank and Deutsche Bank

■ KBC 3Y Fixed - Covered Bond – BE0002441161

- Notional: 750m EUR
- Issue Date: 29/8/2013 – Maturity: 29 Augustus 2016
- Coupon: 0.875%, A, Act/Act
- Re-offer spread: Mid Swap + 5bp (issue price 99.888%)
- Joint lead managers: KBC, Commerzbank, Deutsche Bank, ING and Unicredit

KBC 2013 Benchmarks (2/2)

- KBC 5Y Fixed – Senior Unsecured – XS0969365591
 - Notional: 750m EUR
 - Issue Date: 10 September 2013 – Maturity: 10 September 2018
 - Coupon: 2.125%, A, Act/Act
 - Re-offer spread: Mid Swap +78 (issue price 99.728%)
 - Joint lead managers: KBC, GSI, Natixis and UBS

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, Natixis

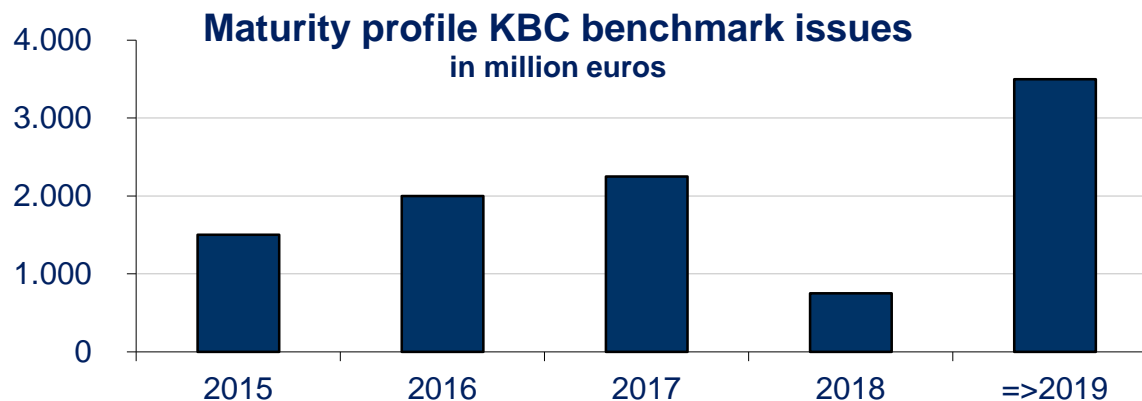
- KBC PerpNC5Y Fixed – Additional Tier 1 – BE0002463389
 - Notional: 1.4bn EUR
 - Issue Date: 19 March 2014 – Maturity: perpetual NC5
 - Coupon: 5.625%, A, Act/Act
 - Re-offer spread: Mid Swap + 475,9bp (issue price 100%)
 - Joint lead managers: KBC, Goldman Sachs, JP Morgan, Morgan Stanley and UBS

KBC 2015 benchmarks

- KBC 7Y Fixed – Covered – BE0002482579
 - Notional: 1,000 m EUR
 - Issue Date: 22 January 2015 – Maturity: 22 January 2015
 - Coupon: 0,45% A, Act/Act
 - Re-offer spread: Mid Swap +2 bp (issue price 99.815%)
 - Joint lead managers: KBC, HSBC, ING,LBBW,Unicredit

Outstanding benchmarks

Tranche Report							
Issuer	Curr	Amount issued	Coupon	Settlement Date	Maturity Date	ISIN	YEAR
UNSECURED							
KBC Ifima N.V.	EUR	750.000.000	3.875	31/03/2010	31/03/2015	XS0498962124	2015
KBC Ifima N.V.	EUR	750.000.000	5,0	16/03/2011	16/03/2016	XS0605440345	2016
KBC Ifima N.V.	EUR	250.000.000	3.875	14/04/2011	31/03/2015	XS0498962124	2015
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	3,0	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



Main characteristics of subordinated debt issues

	KBC Bank NV – Tier 1	KBC Bank – Coco – Tier 2	KBC Group NV – AT1	KBC Group – Tier 2
Amount Issued	GBP 525,000,000	USD 1,000,000,000	EUR 1,400,000,000	EUR 750,000,000
Amounted tendered by KBC	GBP 480,500,000	/	/	/
Net amount outstanding	GBP 44,500,000	USD 1,000,000,000	EUR 1,400,000,000	EUR 750,000,000
ISIN CODE	BE019284710	BE6248510610	BE0002463389	BE0002479542
CALL date	19/12/2019	25/01/2018	19/03/2019	25/11/2019
Initial coupon	6,202%	8%	5,625%	2,375%
Coupon step up / reset	3m GBP libor + 1,93%	USD MS 5 Y + 7,097%	EUR MS 5 Y + 4,759%	EUR MS 5 Y + 1,98%
First next call date	11/12/2019	25/01/2018	19/03/2019	25/11/2019
ACMP	Yes	/	/	/
Dividend stopper	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	/

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 <i>pari passu</i> 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ 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	<ul style="list-style-type: none"> ▪ Non-cumulative ▪ Fully discretionary ▪ Mandatory cancellation upon insufficient Distributable Items or if payment exceeds MDA
Principal write-down	<ul style="list-style-type: none"> ▪ Temporary write-down upon the occurrence of a Trigger Event ▪ The write-down amount will be the lower of <ul style="list-style-type: none"> ▪ The amount of write-down required to cure the Trigger Event <i>pro rata</i> 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	<ul style="list-style-type: none"> ▪ Gradual write-up² 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

Appendices

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Hungary (1)

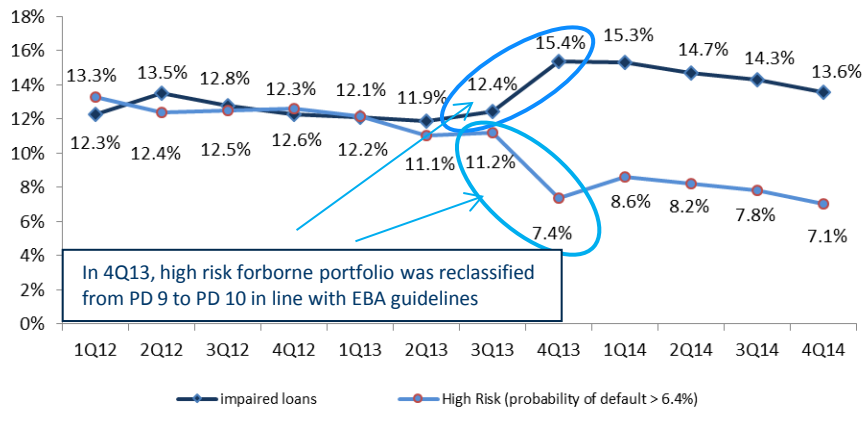
HUNGARIAN LOAN BOOK KEY FIGURES AS AT 31 DECEMBER 2014

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

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

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

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



- **4Q14 net result** at K&H Group amounted to 15m EUR
- **FY 2014 net result** amounted to -94m EUR including
 - 'regular' bank tax (-42m EUR post-tax) in 1Q14
 - provisions for legislation on retail loans (-186m EUR post-tax)
 Excluding the impact of the latter item, the net result would have been +92m EUR in FY2014
- **Loan loss provisions** amounted to 13m EUR in 4Q14 (FY2014: 47m EUR)
- The **credit cost ratio** amounted to 0.94% in FY2014 (versus 1.50% in FY 2013)
- In 4Q14, further improvement was observed in the **impaired loans ratio** in all main segments (retail, SME and corporate)

Hungary (2)

■ HUNGARIAN SUPREME COURT'S (CURIA) DECISION

- The act on the 'Resolution of certain issues related to the Supreme Court's (Curia) uniformity decision on consumer loan agreements concluded by financial institutions' was approved on **4 July** by the Parliament. The scope of the act includes retail loans in both foreign currency and Hungarian forints. According to the act, the use of foreign-exchange-rate margins in consumer loans denominated in foreign currency is unfair and void and, therefore, bid-offer spreads applied to those foreign currency loans need to be retroactively corrected. Furthermore, as regards all consumer loans, the act installs a refutable assumption of unfairness and repeals unilateral changes to interest rates and fees applied by banks
- On 29 July the Supervisory Authority, the Hungarian National Bank (HNB) issued methodology guidelines for the recalculation necessitated by the annulment of the bid-offer spread. Based on this, **K&H set aside one-off provisions of 231m EUR (pre-tax) in 2Q14** for both the correction to the bid-offer spreads and the unilateral changes to interest rates, using the methodology guidelines issued by the HNB
- The settlement arrangements of the abovementioned act were further clarified in the Settlement Act of 24 September. This act contains more details on the loan portfolio in scope. The act reveals no major differences compared to the assumptions used to calculate the provision in 2Q14. In December, the HNB issued separate decrees on the formulas to be applied to the settlement and on the information letter to be sent to the clients during the settlement in December. The bank has to settle with FX loan debtors in March/April 2015 and the HUF loan debtors in August/September 2015
- K&H started legal action to rebut the assumption of unfairness. The court of First Instance partially rejected our case. K&H submitted an appeal. On 27 October, the Court of the Second Instance suspended the court case and referred it to the Constitutional Court. On 29 January 2015, the Constitutional Court ruled that the Curia Act and the settlement process are in line with the Hungarian Constitution. The Court of Second Instance will shortly continue its proceedings and expectations are that K&H will receive the final decision by the end of February

Hungary (3)

■ CONVERSION OF FX MORTGAGES

- On **27 November** 2014, the Hungarian Parliament adopted the legislative amendment related to the Settlement Act, which **automatically converts** foreign currency or foreign currency-based consumer **mortgage loan contracts into forints** with effect of 1 February 2015. The conversion will be carried out with an exchange rate of 256.47 HUF for the Swiss franc, 308.97 HUF for the euro, and 2.163 HUF for the Japanese yen (practically **at market rates** at that time). Clients meeting specific criteria will have the right to opt-out of the conversion
- On 10 November, K&H Bank participated in the HNB's euro sale tender to hedge the FX position of the mortgage conversion (at 308.97 HUF). Regarding the CHF/EUR FX position, 56m CHF was originally left open to manage potential opt-outs from the conversion
- As a main rule, the **applicable interest margin on the converted loans** is equal to the one at origination, with the following limitations:
 - new margins are capped at 4.5% for housing loans and 6.5% for home equity loans
 - the interest rate for the client may not exceed the original interest rate at disbursement

■ CHF EXPOSURE REMAINING AFTER THE CONVERSION

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

Hungary (4)

Summary of retail loan related changes and their impact on KBC

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

FX bid-offer spread is void

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

Unilateral contract modifications by creditors are void

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

FX mortgage conversion

Conversion of FX loans to HUF

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

Impact on KBC

ONE-OFF impact:

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

RECURRING future impact:

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

ONE-OFF impact:

- None, given the market rate of conversion

RECURRING future impact:

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

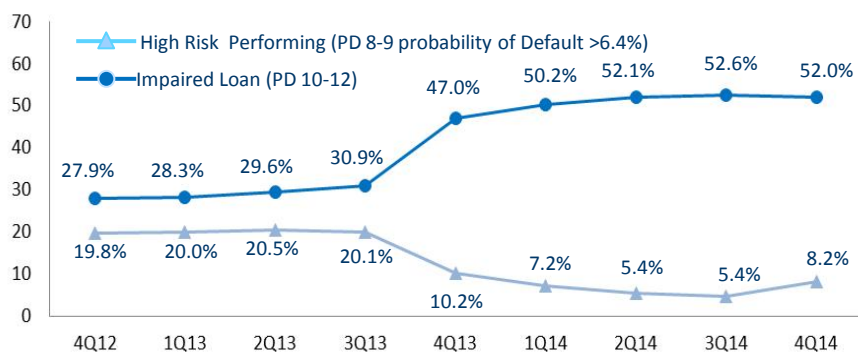
Ireland (1)

IRISH LOAN BOOK KEY FIGURES AS AT 31 DECEMBER 2014

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

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

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



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

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

Ireland (2) Homeloans portfolio

3Q14		4Q14		
	PD	Exposure	Impairment	Cover %
PERFORMING	PD 1-8	5,687	19	0.3%
	Of which without restructure	5,655		
	Of which in Live restructure	32		
	PD 9	465	36	7.7%
	Of which without restructure	408		
	Of which in Live restructure	57		
IMPAIRED	PD 10	2,819	527	18.7%
	PD 11	2,401	885	36.9%
	PD 12	517	293	56.6%
	TOTAL PD1-12	11,889	1,760	
<i>Specific Impairment/Impaired Loans (PD 10-12) Exposure</i>			29.7%	
		➔		
	PD	Exposure	Impairment	Cover %
PERFORMING	PD 1-8	5,554	32	0.6%
	Of which without restructure	5,552		
	Of which in Live restructure	2		
	PD 9	680	39	5.8%
	Of which without restructure	627		
	Of which in Live restructure	53		
IMPAIRED	PD 10	2,920	554	19.0%
	PD 11	2,112	787	37.3%
	PD 12	605	353	58.4%
	TOTAL PD1-12	11,870	1,766	
<i>Specific Impairment/Impaired Loans (PD 10-12) Exposure</i>			30.1%	

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

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

Ireland (3) Corporate loan portfolio

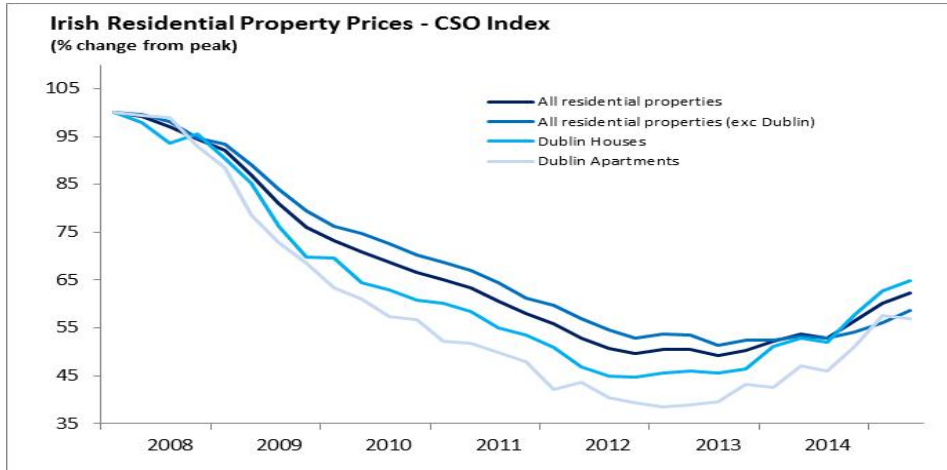
3Q14					4Q14				
	PD	Exposure	Impairments	Cover %		PD	Exposure	Impairments	Cover %
PREF.	PD 1-8	723	11	1.5%	PREF.	PD 1-8	697	9	1.3%
	PD 9	35	7	18.5%		PD 9	23	6	25.8%
IMPAIRED	PD 10	727	239	32.9%	IMPAIRED	PD 10	707	245	34.6%
	PD 11	428	267	62.4%		PD 11	427	283	66.2%
	PD 12	788	586	74.3%		PD 12	773	600	77.6%
TOTAL PD1-12		2,702	1,110		TOTAL PD1-12		2,628	1,142	
<i>Specific Impairment/Impaired Loans (PD 10-12) Exposure</i>				56.2%	<i>Specific Impairment/Impaired Loans (PD 10-12) Exposure</i>				59.1%

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

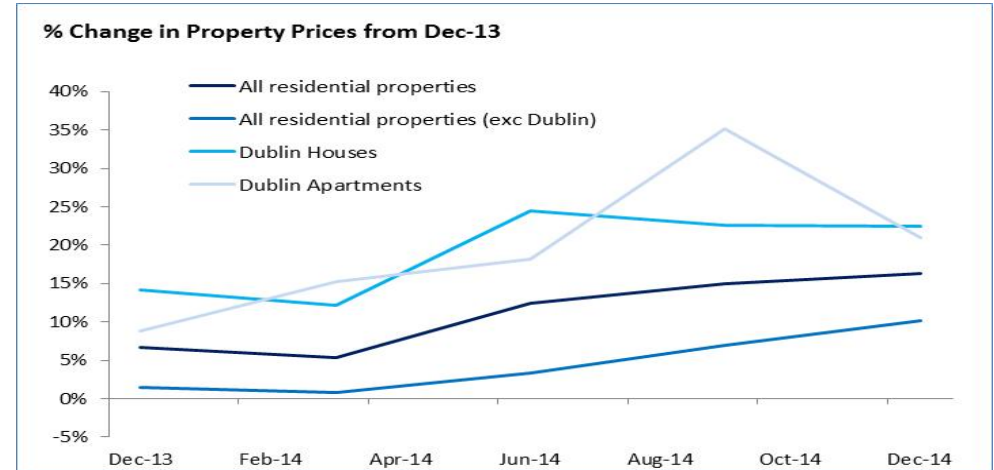
- The Corporate Loan book decreased by roughly 70m EUR in 4Q14 driven mainly by deleveraging of the portfolio, including underlying asset sales and amortisation
- The impaired PD10-12 Portfolio decreased roughly by a net 35m EUR in 4Q14 comprising deleveraging of the portfolio, partly offset by loans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

Ireland (4) Key indicators show signs of recovery

RESIDENTIAL PROPERTY PRICES SHOWING CONTINUED SIGNS OF RECOVERY

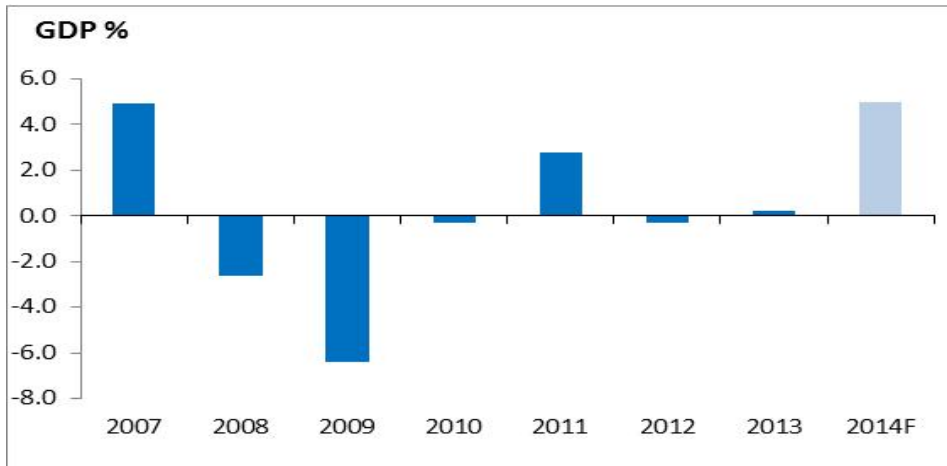


Source: Irish Residential Property Prices - CSO Index

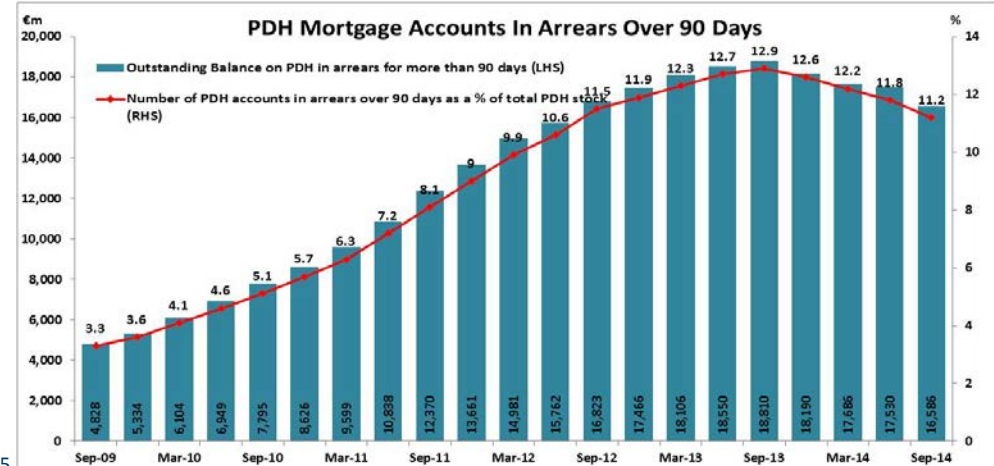


Source: Irish Residential Property Prices - CSO Index

LATEST FORECAST INDICATES CLEAR GDP GROWTH

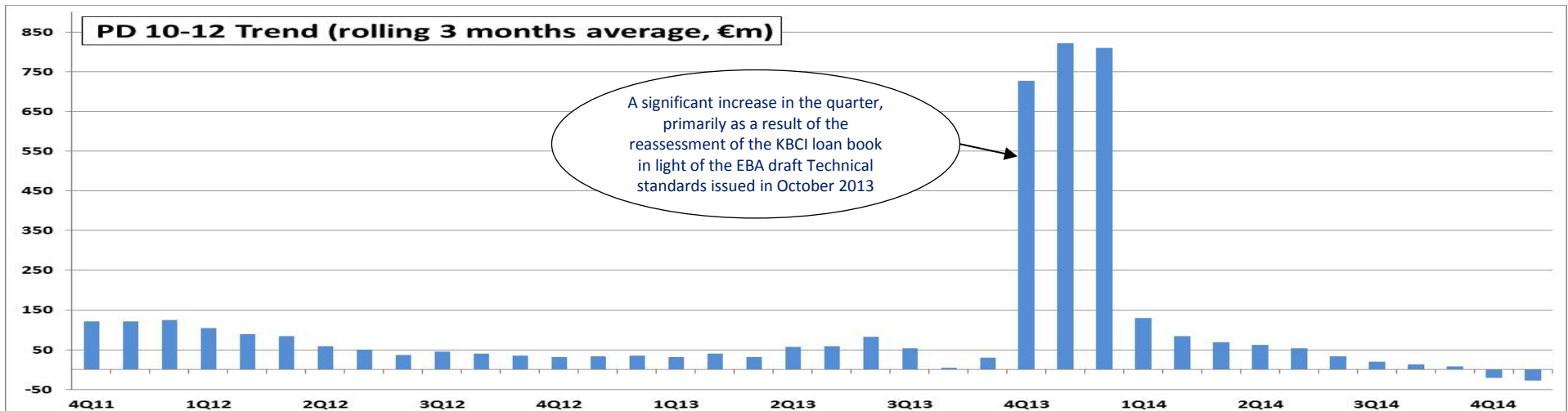
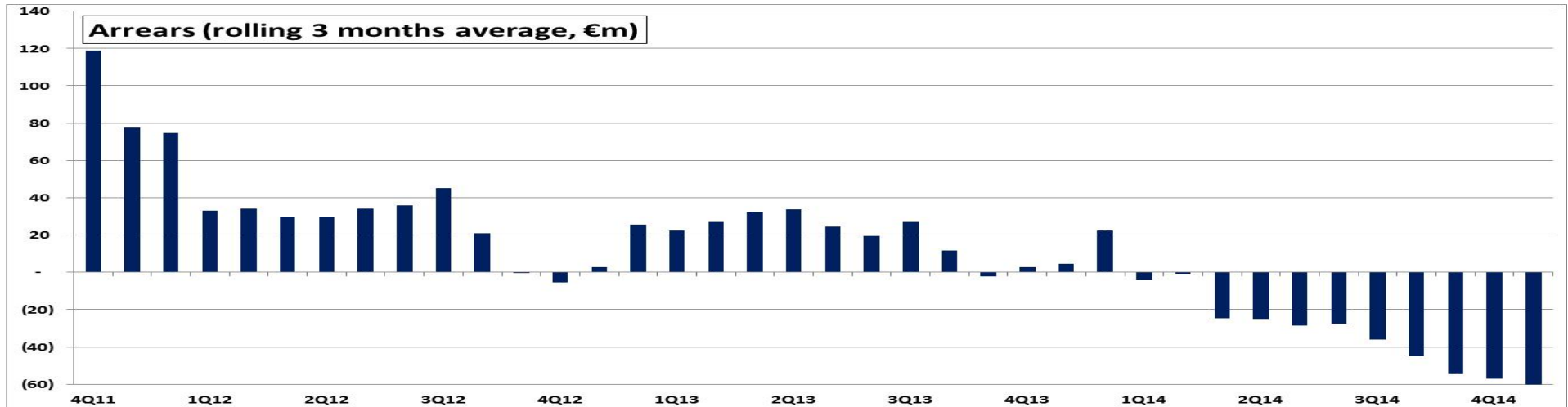


RESIDENTIAL MORTGAGE ARREARS DECREASING IN MARKET



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

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



Appendices

- 1 KBC 2013/14 benchmarks + overview of outstanding benchmarks
- 2 Details – selective credit exposure
- 3 Summary of government transactions

Structure of received State aid

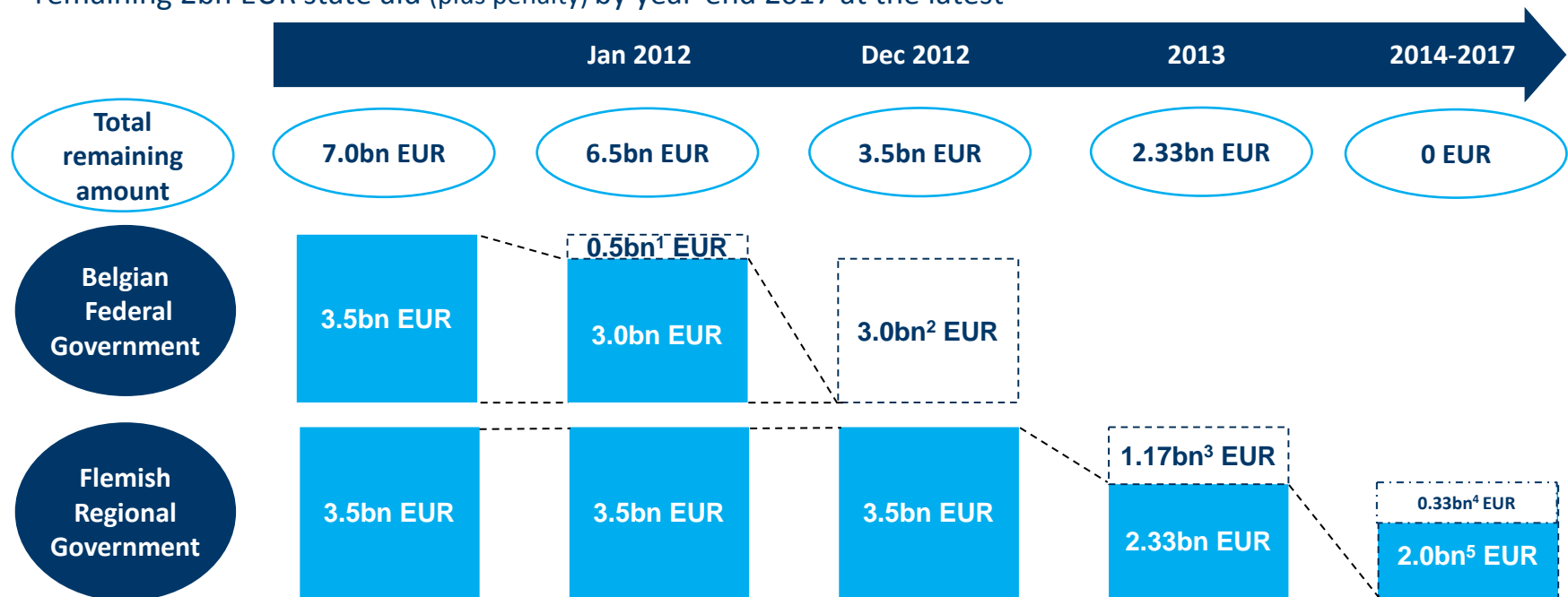
- ORIGINALLY, 7BN EUR WORTH OF CORE CAPITAL SECURITIES SUBSCRIBED BY THE BELGIAN FEDERAL AND FLEMISH REGIONAL GOVERNMENTS

	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

Glossary

AQR	Asset Quality Review
B3	Basel III
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
Common equity ratio	[common equity tier-1 capital] / [total weighted risks]
Cost/income ratio (banking)	[operating expenses of the banking activities of the group] / [total income of the banking activities of the group]
Credit cost ratio (CCR)	[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
Impaired loans cover ratio	[total impairments (specific) for impaired loans] / [total outstanding impaired loans]. For a definition of 'impaired', see 'Impaired loans ratio'
Impaired loans ratio	[total outstanding impaired loans (PD 10-11-12)] / [total outstanding loans]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity Coverage Ratio (LCR)	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days].
Net interest margin (NIM) of the group	[net interest income of the banking activities] / [average interest-bearing assets of the banking activities]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]
MARS	Mortgage Arrears Resolution Strategy
PD	Probability of Default
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata)

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