KBC Group / Bank
Covered Bond Investor Presentation
February 2016

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Executive summary

- **KBC Bank has strong and diversified financial performance**
  - Strong core banking operations in Belgium and CEE region
  - Highly liquid – a loyal deposit base and low refinancing needs
    - **Continued strong liquidity position** (NSFR at 121% and LCR at 127%)
  - Conservative risk profile
    - Well capitalised – **Common equity ratio** (B3 fully loaded based on Danish Compromise) **of 14.9% at 4Q 2015***

- **Sound economic picture provides strong support for Belgian housing market**
  - Private savings ratio of approx. 12%
  - Belgian unemployment is significantly below the EU average
  - Demand still outstrips supply

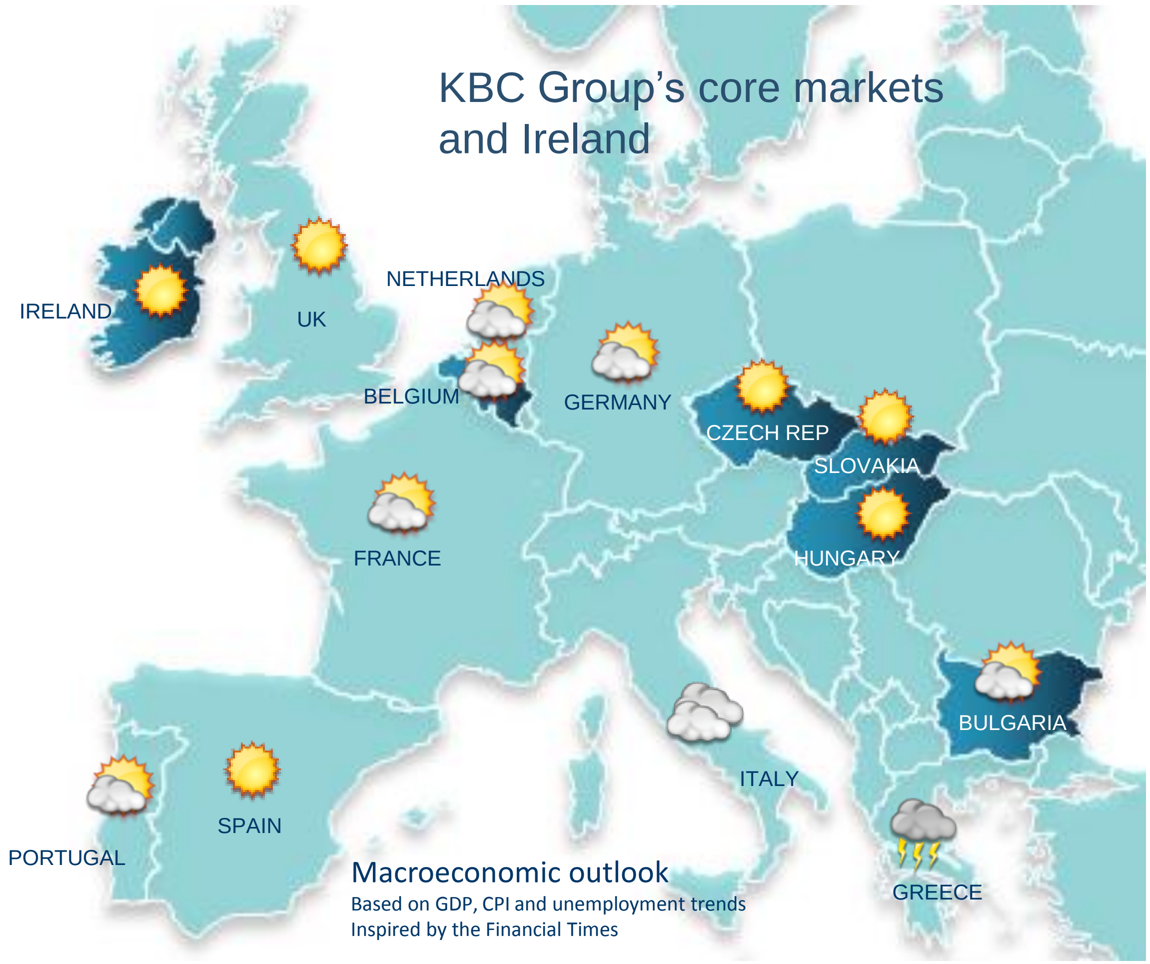
- **KBC's covered bonds are backed by strong legislation and superior collateral**
  - KBC's Covered Bonds are rated Aaa/AAA (Moody's/Fitch)
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbrief law
  - KBC has a disciplined origination policy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

- **KBC has issued 7 successful benchmark covered bonds in different maturity buckets.**

* After reimbursement of the remaining state aid (2bn EUR) and penalty of 50% (1bn EUR) at the end of 2015

Contents

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



MARKET SHARE (END 2015)

	BE	CZ	SK	HU	BG
Loans and deposits	21%	19%	11%	10%	3%
Investment funds	40%	26%	7%	18%	
Life insurance	17%[1]	7%	4%	4%	12%
Non-life insurance	9%	7%	3%	5%	10%

REAL GDP GROWTH OUTLOOK FOR CORE MARKETS[2]

	BE	CZ	SK	HU	BG
% of Assets	69%	14%	3%	3%	1%
2015	1.4%	4.5%	3.2%	2.8%	2.7%
2016e	1.5%	2.5%	3.2%	2.4%	2.5%
2017e	1.5%	2.3%	3.2%	2.7%	2.4%

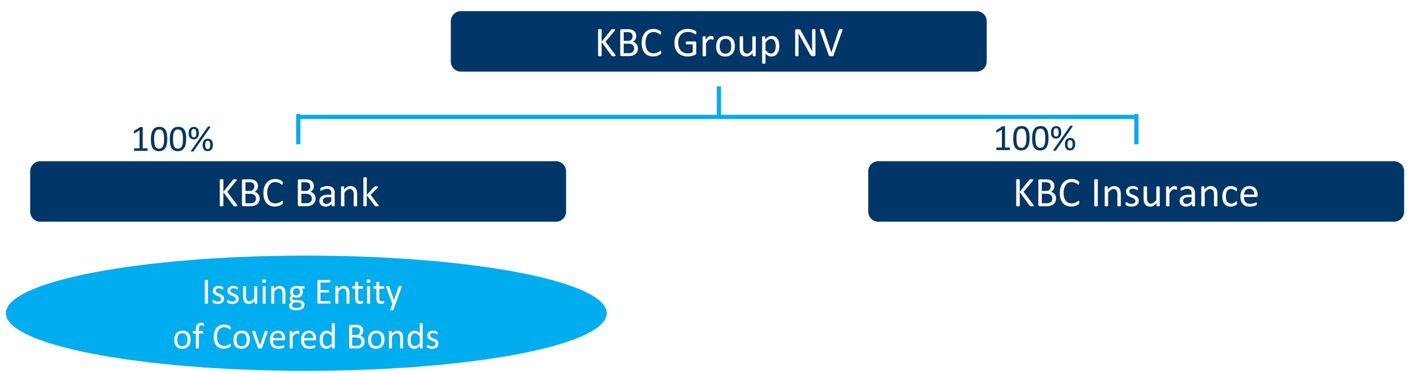
1. Excluding group insurance. Including group insurance, market share of life insurance amounted to 13% at the end of 2015
2. Source: KBC data, February 2016

Overview of KBC Group

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

- **INTEGRATED 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

- **LEGAL STRUCTURE OF KBC GROUP**



Overview of key financial data at 4Q 2015

KBC Group

- Market cap (17/02/16): EUR 21bn
- Net result FY 2015: EUR 2.6bn
- Total assets: EUR 252bn
- Total equity: EUR 16bn
- CET1 ratio (Basel 3 transitional[1]): 15.2%
- CET1 ratio (Basel 3 fully loaded[1]): 14.9%

KBC Bank

- Net result FY 2015: EUR 2.4bn[2]
- Total assets: EUR 218bn
- Total equity: EUR 13bn
- CET1 ratio (Basel 3 transitional): 14.1%
- CET1 ratio (Basel 3 fully loaded): 13.7%
- C/I ratio FY 2015: 55%[3]

KBC Insurance

- Net result FY 2015: EUR 354m
- Total assets: EUR 38bn
- Total equity: EUR 3bn
- Solvency I ratio: 289%
- Solvency II ratio: 231%
- Combined operating ratio FY15: 91%

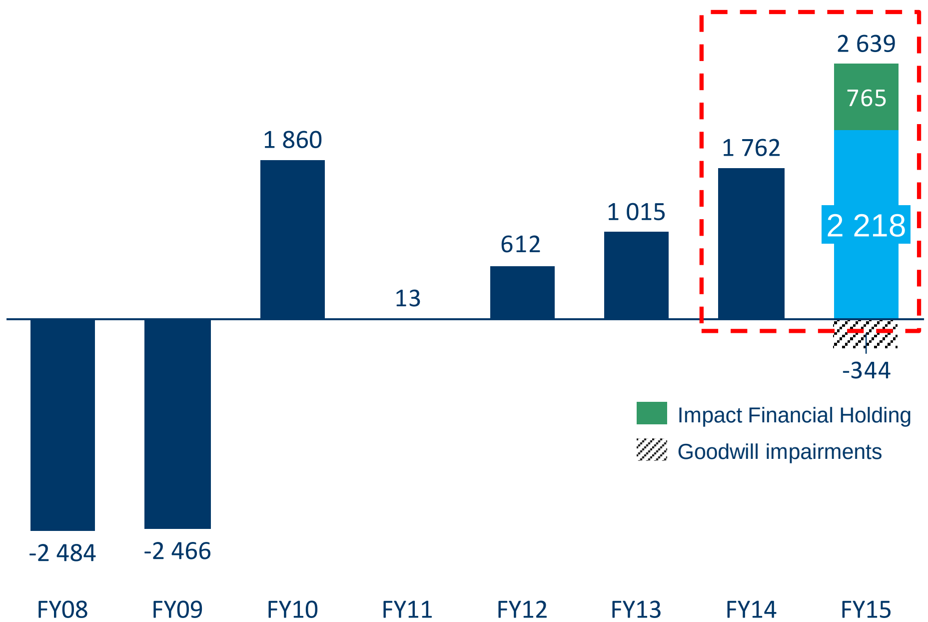
Credit Ratings of KBC Bank *(KBC Group)* as at 15 February 2016

	S&P	Moody's	Fitch
Long-term *(KBC Group)*	**A (Negative)** *BBB+ (Stable)*	**A1 (Stable)** *Baa1 (Stable)*	**A- (Stable)** A- (Stable)
Short-term	**A-1**	**Prime-1**	**F1**

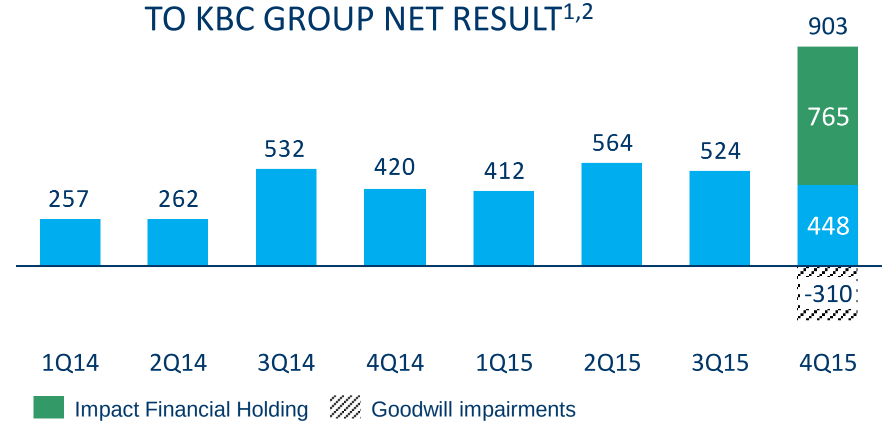
1. After taking into account the full reimbursement of remaining state aid of 2bn EUR (and penalty)
2. Includes KBC Asset Management ; excludes holding company eliminations
3. Adjusted for specific items, the C/I ratio amounted to c.59% in 4Q 2015

Earnings capacity

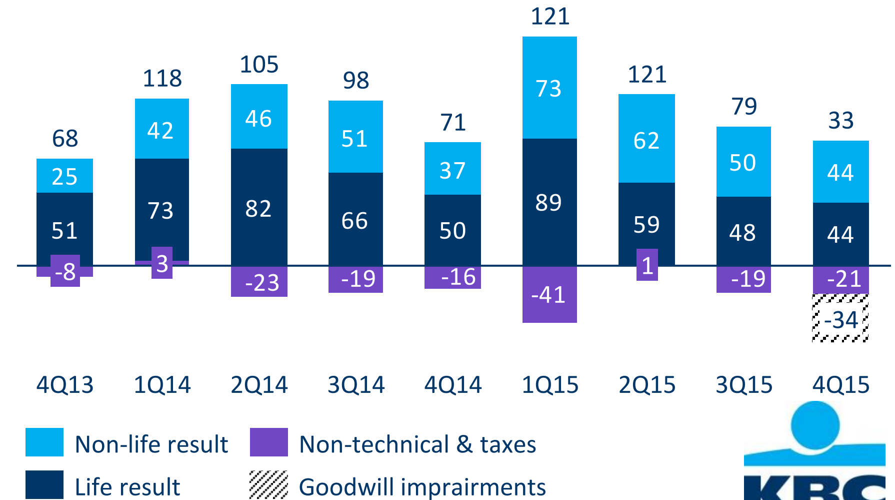
NET RESULT[1]



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



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



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

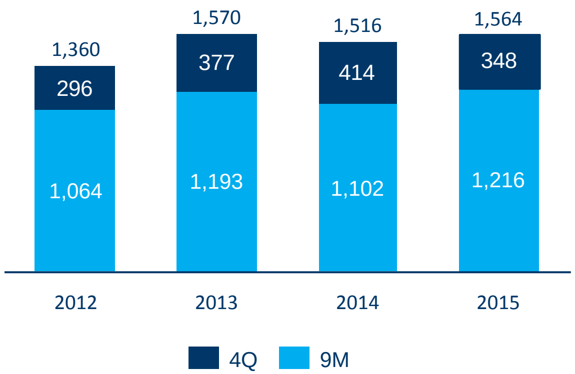
2 Difference between the net result at KBC Group and the sum of the banking and insurance contribution are the holding-company/group items

Amounts in m EUR

Overview of results based on business units

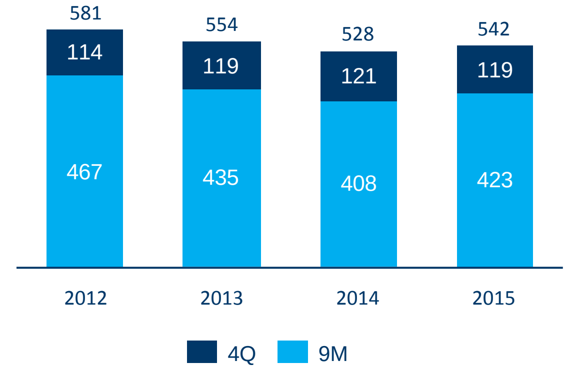
NET PROFIT – **BELGIUM**

FY15 ROAC: 26%



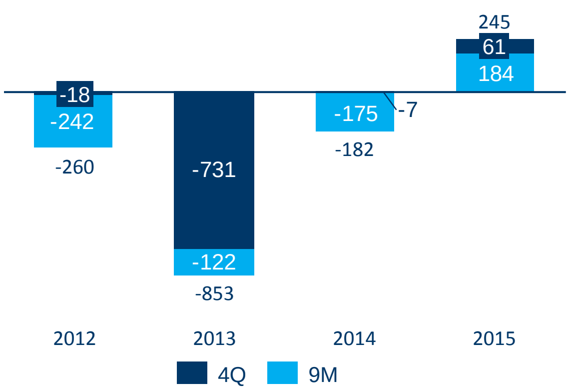
NET PROFIT – **CZECH REPUBLIC**

FY15 ROAC: 37%



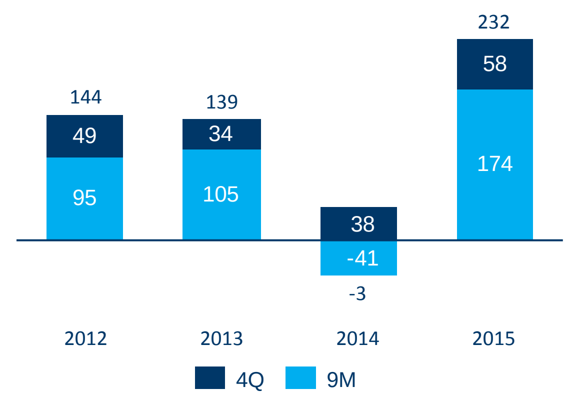
NET PROFIT –
INTERNATIONAL MARKETS

FY15 ROAC: 12%



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

FY15 ROAC: 18%



Amounts in m EUR

Loan loss experience at KBC

	FY15 CREDIT COST RATIO	FY14 CREDIT COST RATIO	FY13 CREDIT COST RATIO	FY 2012 CREDIT COST RATIO	AVERAGE '99 –'15
Belgium	**0.19%**	0.23%	0.37%	0.28%	n/a
Czech Republic	**0.18%**	0.18%	0.26%	0.31%	n/a
International Markets	**0.32%**	1.06%	4.48%*	2.26%*	n/a
Group Centre	**0.54%**	1.17%	1.85%	0.99%	n/a
Total	**0.23%**	**0.42%**	**1.21%****	**0.71%**	**0.52%**

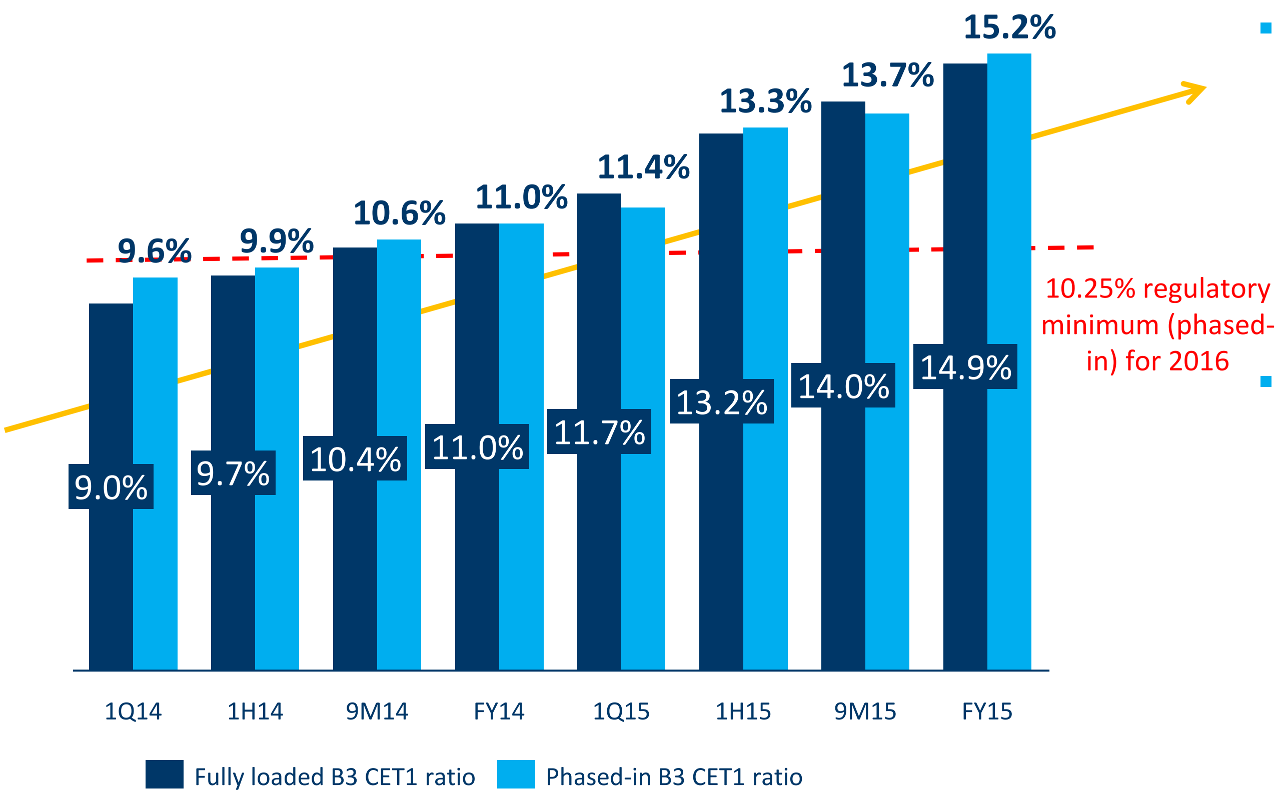
Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

* The high credit cost ratio at the International Markets Business Unit 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

Strong capital position, also after the full repayment of state aid

BASEL 3 CET1 RATIO AT KBC GROUP BASED ON THE DANISH COMPROMISE*



- **Common equity ratio (B3 phased-in) of 15.2%** based on the Danish Compromise at end 2015, which **clearly exceeds** the new **minimum capital requirements** set by the ECB (9.75%) and the NBB (0.5%), i.e. an aggregate 10.25% for 2016

- As announced by the NBB the systemic buffer (CET1 phased-in of 0.5% in 2016 under the Danish Compromise) will gradually increase over a 3-year period, reaching 1.5% in 2018.

  A pro forma fully loaded minimum common equity ratio translation to 11.25% was clearly exceeded with a **fully loaded B3 common equity ratio of 14.9%** based on the Danish Compromise at end 2015

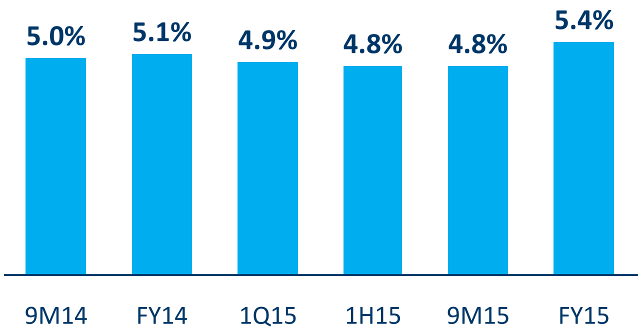
Total distributable items (under Belgian GAAP) KBC Group 6.6bn EUR, of which:

- available reserves 1.3bn EUR
- accumulated profits (losses) 5.3bn EUR

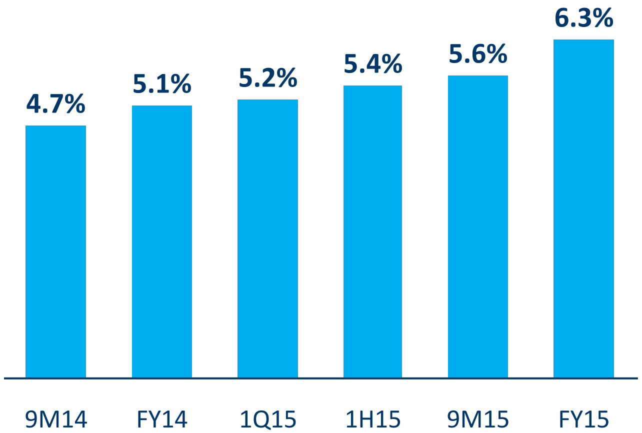
* Pro forma assuming full state aid repayment (principal + penalty)

Fully loaded Basel 3 leverage ratio

Fully loaded Basel 3 leverage ratio at KBC Bank



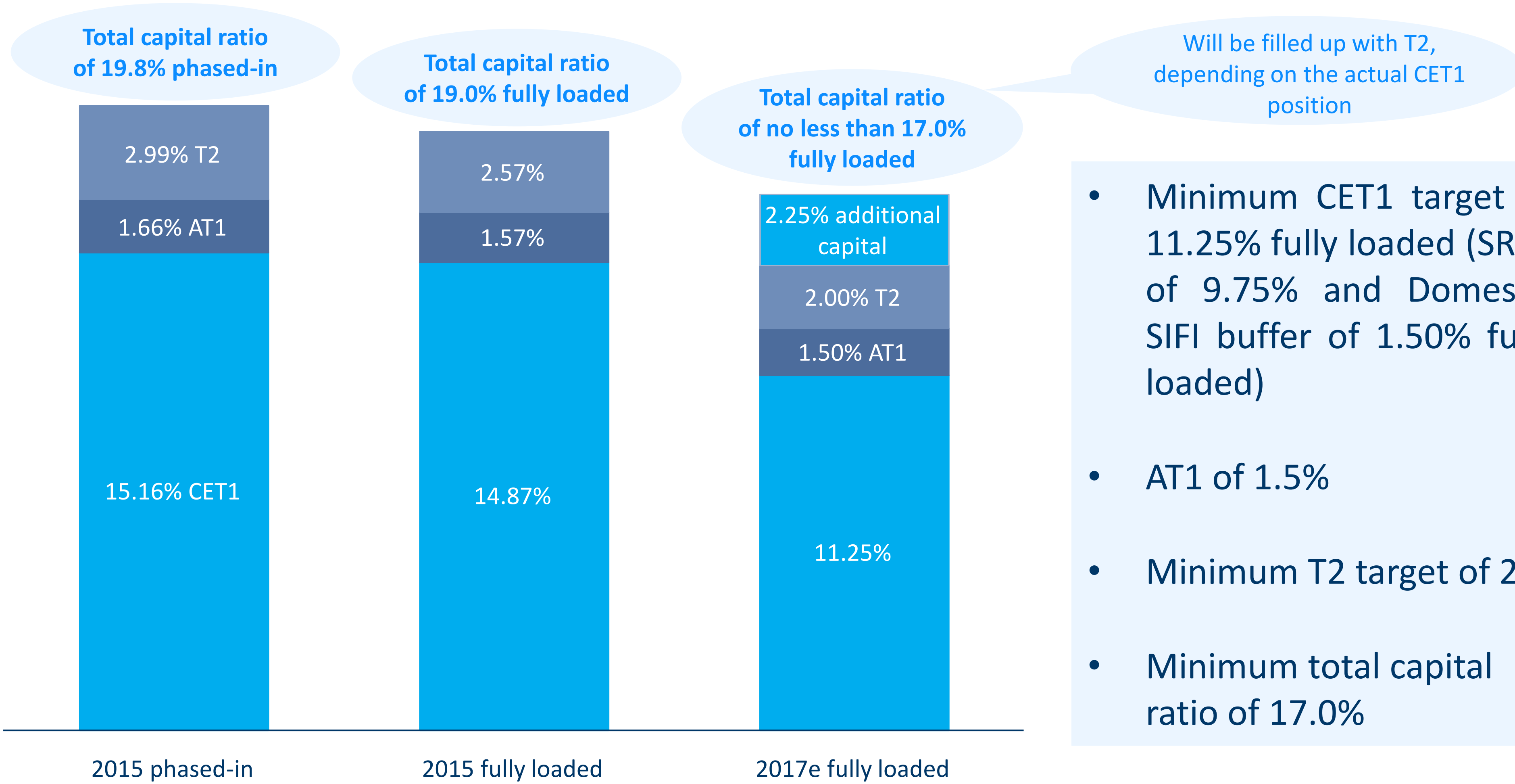
Fully loaded Basel 3 leverage ratio at KBC Group*



- **Fully loaded B3 leverage ratio, based on the current CRR legislation** (which was adapted during 4Q14):
  - **5.4%** at KBC Bank consolidated level
  - **6.3%** at KBC Group level

* Pro forma assuming full state aid repayment (principal + penalty)

KBC maintains a minimum total capital ratio of 17%*

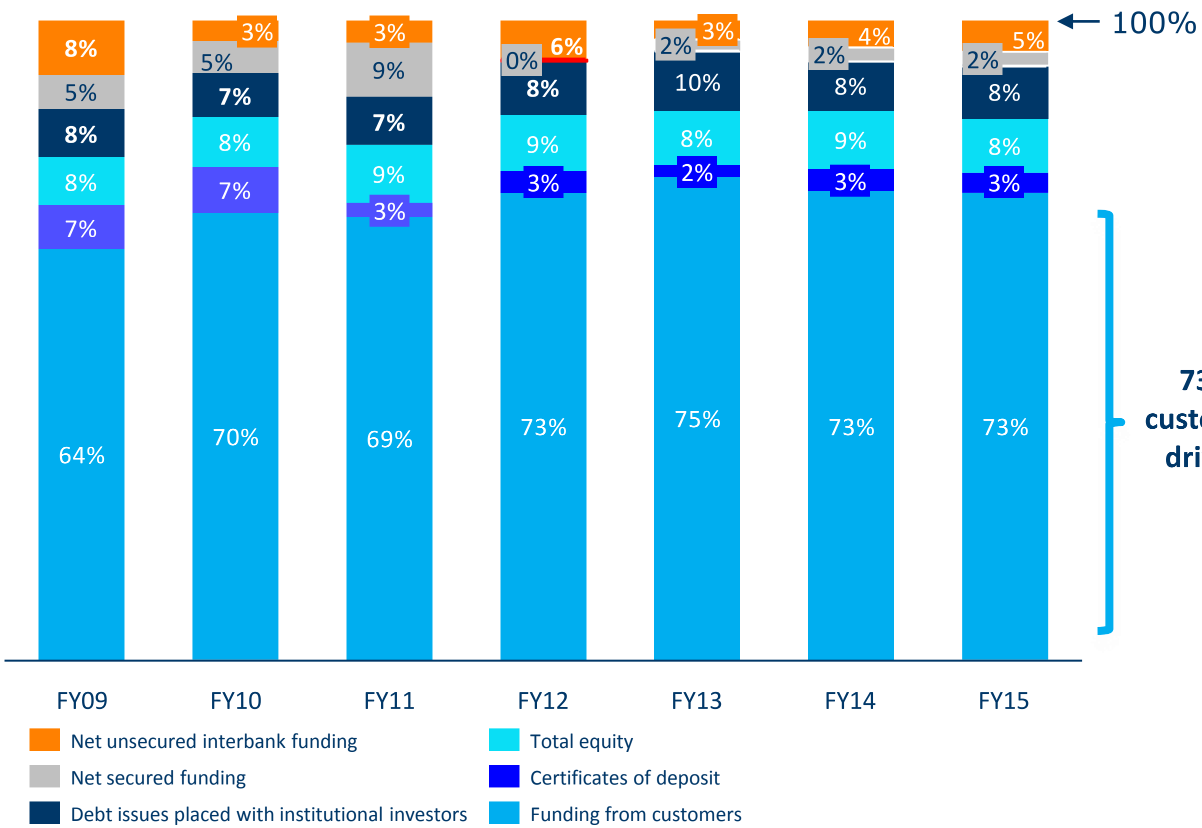


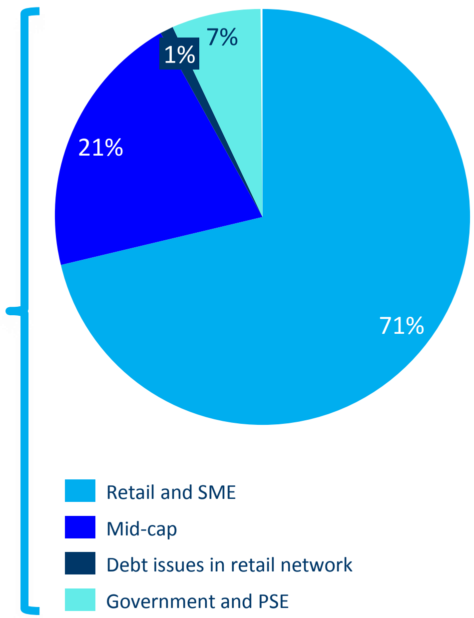
- Minimum CET1 target of 11.25% fully loaded (SREP of 9.75% and Domestic SIFI buffer of 1.50% fully loaded)
- AT1 of 1.5%
- Minimum T2 target of 2%
- Minimum total capital ratio of 17.0%

* Basel 3, Danish compromise

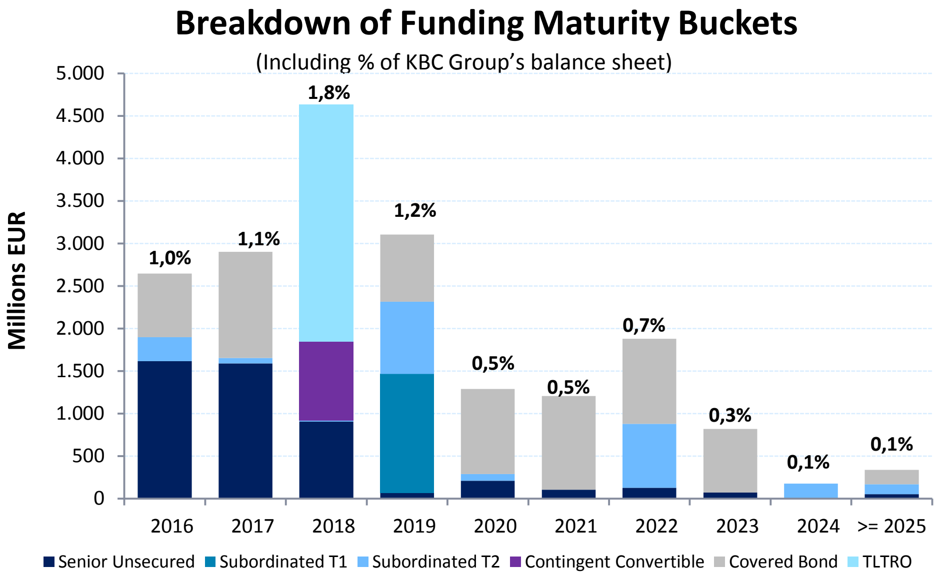
Solid liquidity position (1)

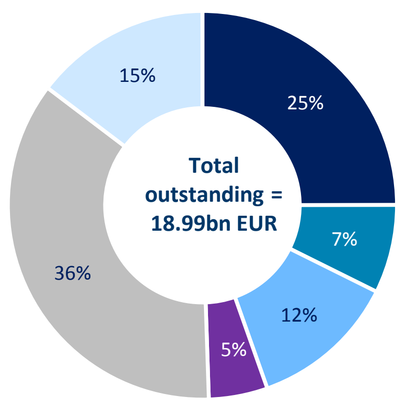
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments & markets





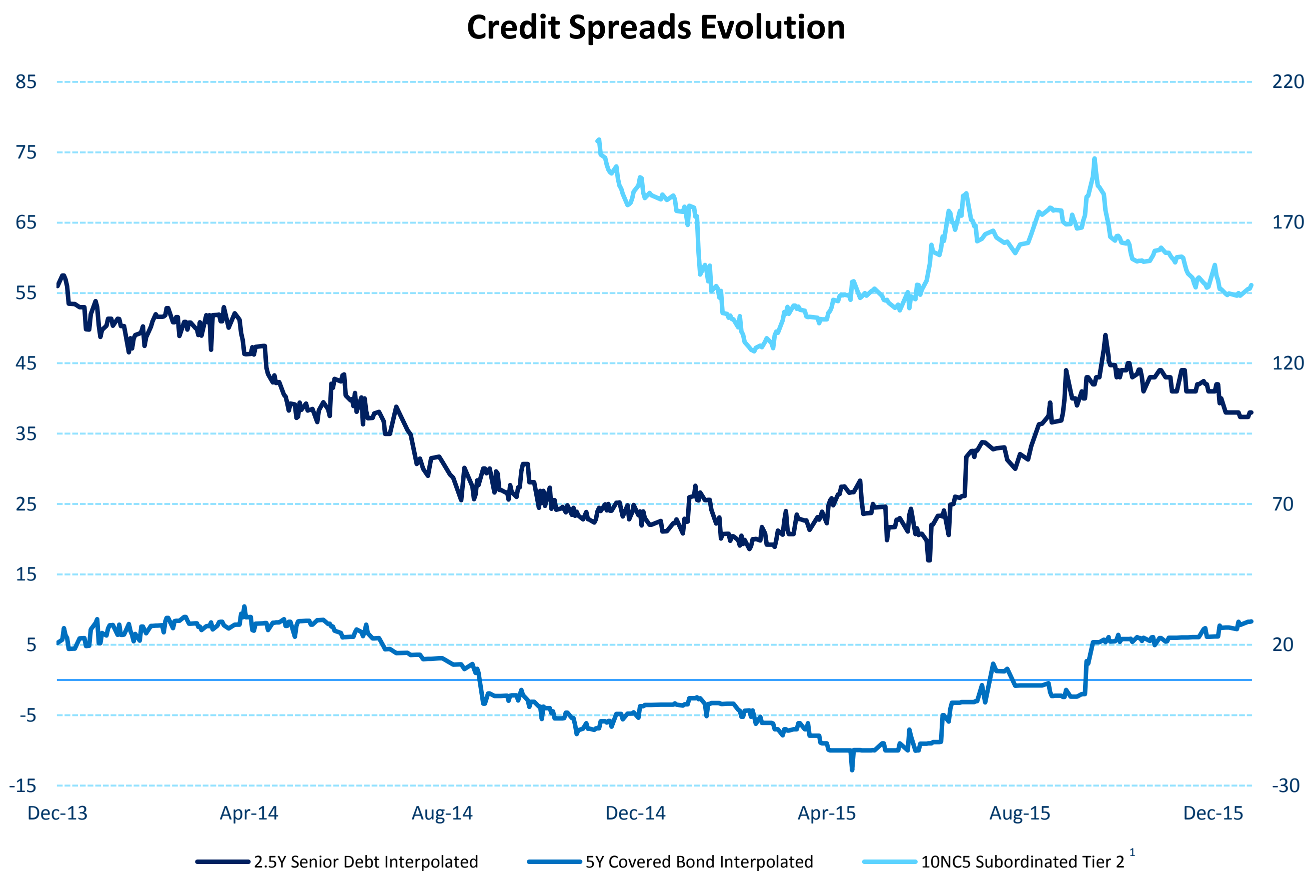
Upcoming mid-term funding maturities





- KBC Bank has overall a limited reliance on wholesale funding
- Senior debt and subordinated Tier 2 spreads have moderately narrowed towards the end of 4Q15
- KBC Bank has 6 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Covered bonds
  - Structured notes and covered bonds using the private placement format
  - T1 and T2 capital instruments issued at KBC Group level and down-streamed to KBC Bank

Credit spreads evolution



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

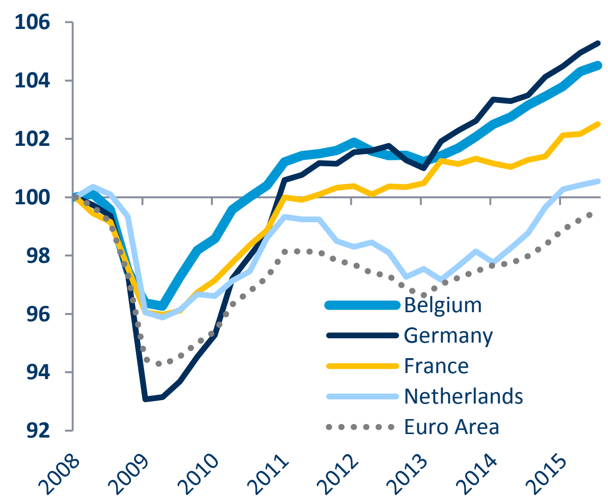
Contents

Economic recovery in Belgium takes further shape

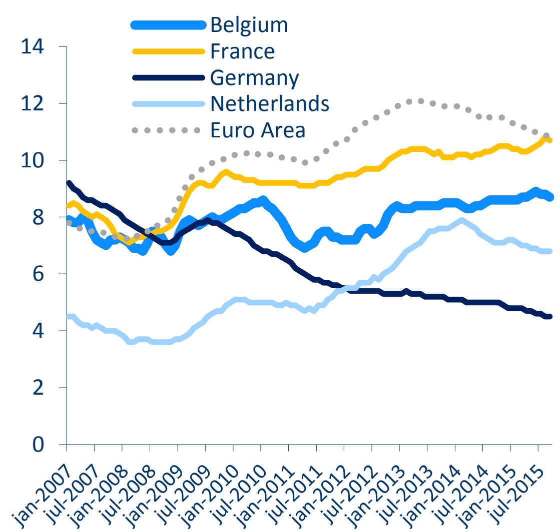
Relative optimism concerning growth in 2016

- The recovery that started in spring 2013 is still on track, despite faltering growth in emerging markets. We are forecasting Belgian GDP growth at 1.3% and 1.6%, respectively, in 2015 and 2016. That is below the euro area figures (1.6% and 1.9% respectively), partly due to a larger impact of fiscal austerity. Our 2016 forecast however is above the one of the EC (1.3%) and the consensus (1.4%).
- Household consumption continues to be supported by the improved situation on the labour market. There has been a net increase of more than 50,000 jobs since spring 2013. The unemployment rate fell to 8.7% in September from its peak of 8.9% in June. Wage moderation, the tax shift away from labour and the unemployment measures taken by the regional governments, all help fuel further job creation.
- Belgian inflation already moved some way from the negative figures recorded at the start of this year. The rise in inflation is due on the one hand to the ending of the effect of the reduction in VAT on electricity for domestic use in April last year. In addition, prices of fresh foods has jumped sharply in recent months. We think inflation will rise further to an average of 1.5% in 2016.

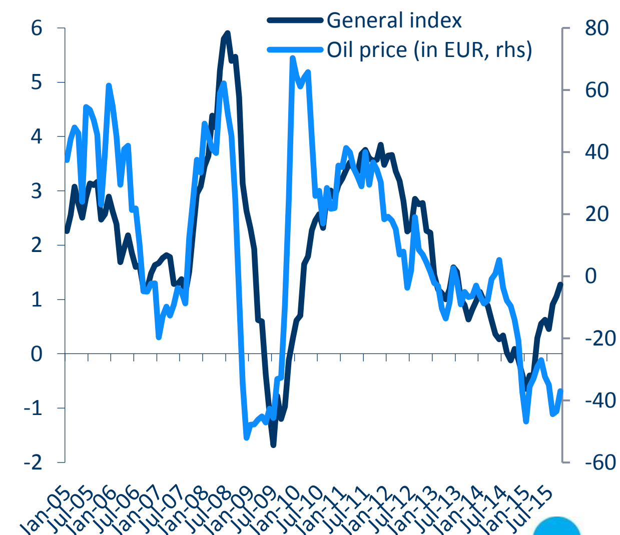
GDP - ECONOMIC UPTURN SINCE EARLY 2013 (Q1 2008 = 100)



UNEMPLOYMENT RATE (% OF LABOUR FORCE)



CONSUMER PRICE INFLATION IN BELGIUM (IN %)

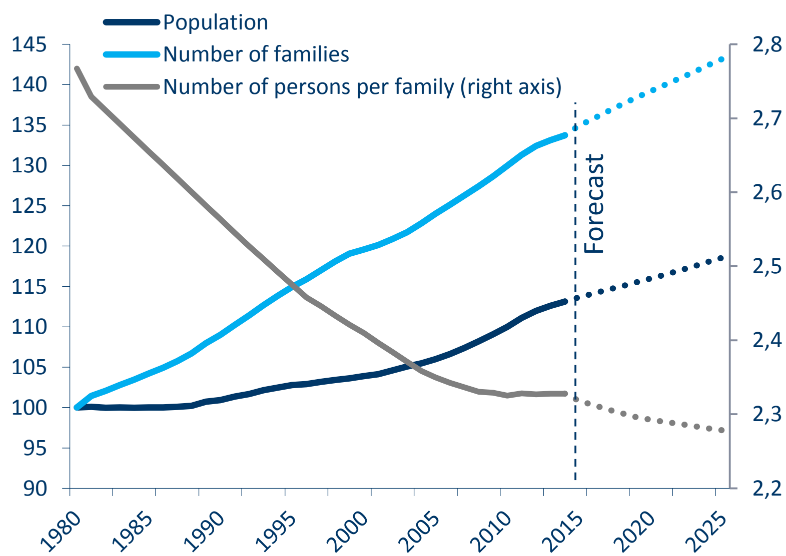


Demand for houses continues to be supported

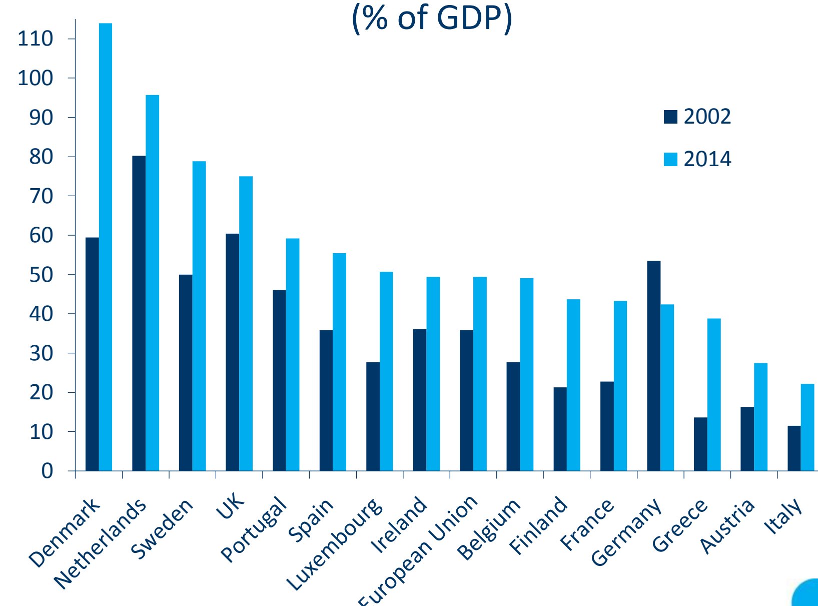
Increasing demand for houses

- High homeownership in Belgium: around 72%, approx. 5% higher than the EMU.[1]
- Total outstanding mortgage debt was at EUR 189.5 bn. end 2014. Total mortgage debt compared to GDP in Belgium is 49,1% and compares well to other European countries and EU average of 49,4% (2014 figures).[2]
- The number of Belgian families has grown by around 570.000 since 2000 and is expected to grow by 33.000 per annum on average over the coming 5 years.[3]

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



HOUSEHOLD MORTGAGE DEBT (% of GDP)

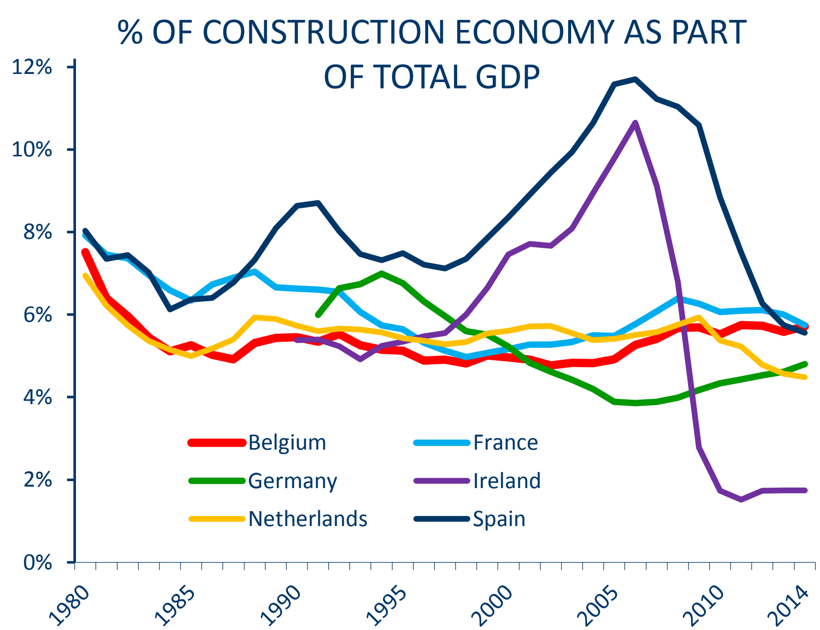


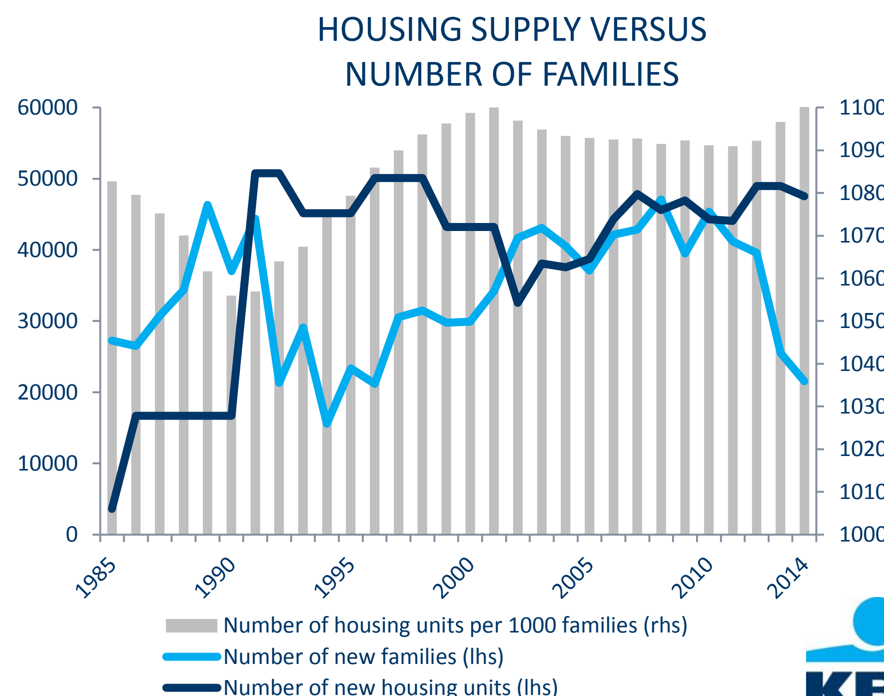
1. KBC research department
2. European Mortgage Federation
3. Federal Planning Bureau

Supply remains subdued

Stable

- There has not been a building boom in Belgium: construction activity has remained relatively stable over the past three decades at around 5% of GDP. The construction sector has been in a difficult period in 2012-2014; in line with the general economic recovery the sector is now actively making up lost ground against the other sectors, however.
- Demand for mortgage lending has remained notably strong in 2015, despite the reduction of the “woonbonus” in Flanders at the start of this year.
- The ratio of the number of accommodation units to the number of families began to fall again in the early 2000s, indicating that there has been a movement towards some shortage on the housing market. In recent years, this trend reversed, but from 2015 onwards the increase in families is expected to be higher again (partly due to a strong increase in immigrants).





Source: Fod Economie, FOD Financiën, Eurostat

Belgian housing market not overvalued

Belgian housing market

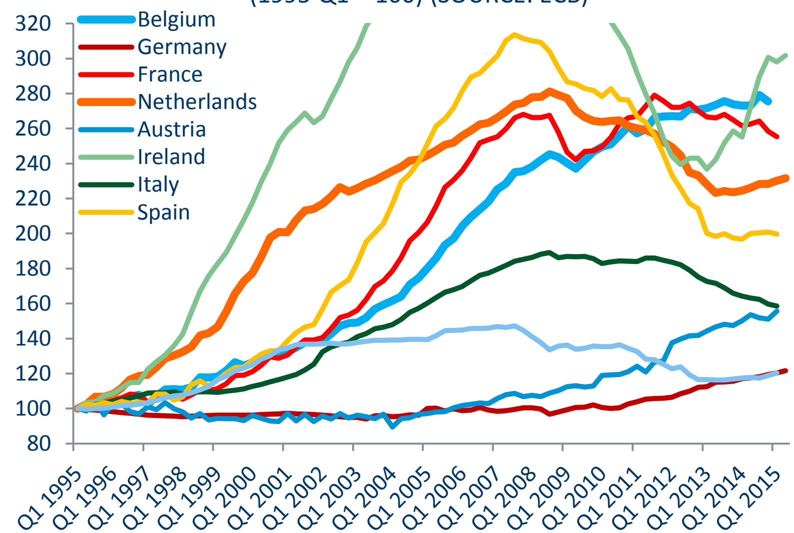
- Belgian house prices have risen relatively strongly; regression-based valuation techniques however indicate that the Belgian market is not overvalued (surely not excessively, as indicated by price-to-income or price-to-rent ratios)
- In absolute terms, Belgium is not an overly expensive country for housing, with an average sales price in Q4 2014 of 224.339EUR[1]
- No excessive Housing Cost Overburden Rate (proportion of the population, whose housing costs exceed 40% of their equalized disposable income): Belgium 11% versus euro-zone average 12%[2]

Mortgage market technicality

- Belgian borrowers predominantly prefer to take fixed rate interest rates. A 78% is fixed permanently and the remainder is variable
- There is a legal cap on variable mortgage rates in Belgium
- House prices have risen, however borrowers have increased their own equity stake
- Belgian residential mortgage loans are amortizing

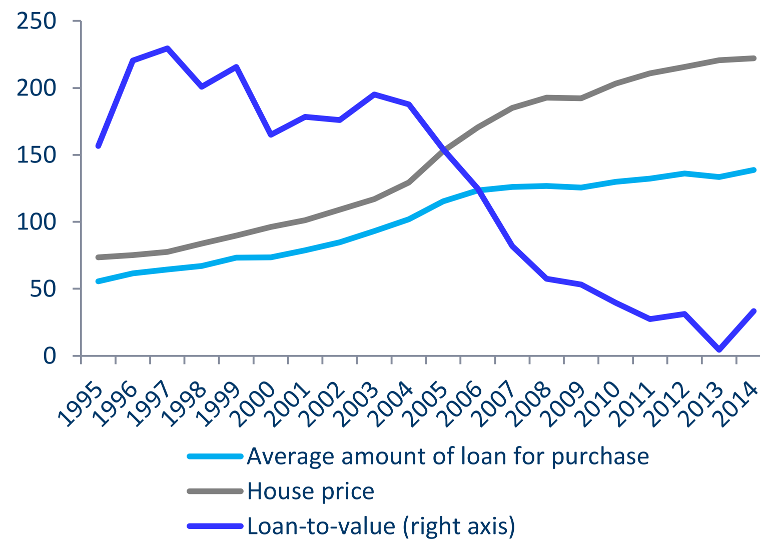
HOUSING PRICE

(1995 Q1 = 100) (SOURCE: ECB)



AVERAGE HOUSING PRICE AND MORTGAGE CREDIT[3]

(LEFT HAND SCALE IN THOUSAND EURO)



1. FOD Economie
2. Eurostat
3. All data/graphs : Union de Crédit Professionels / BeroepsVerening Kredieten

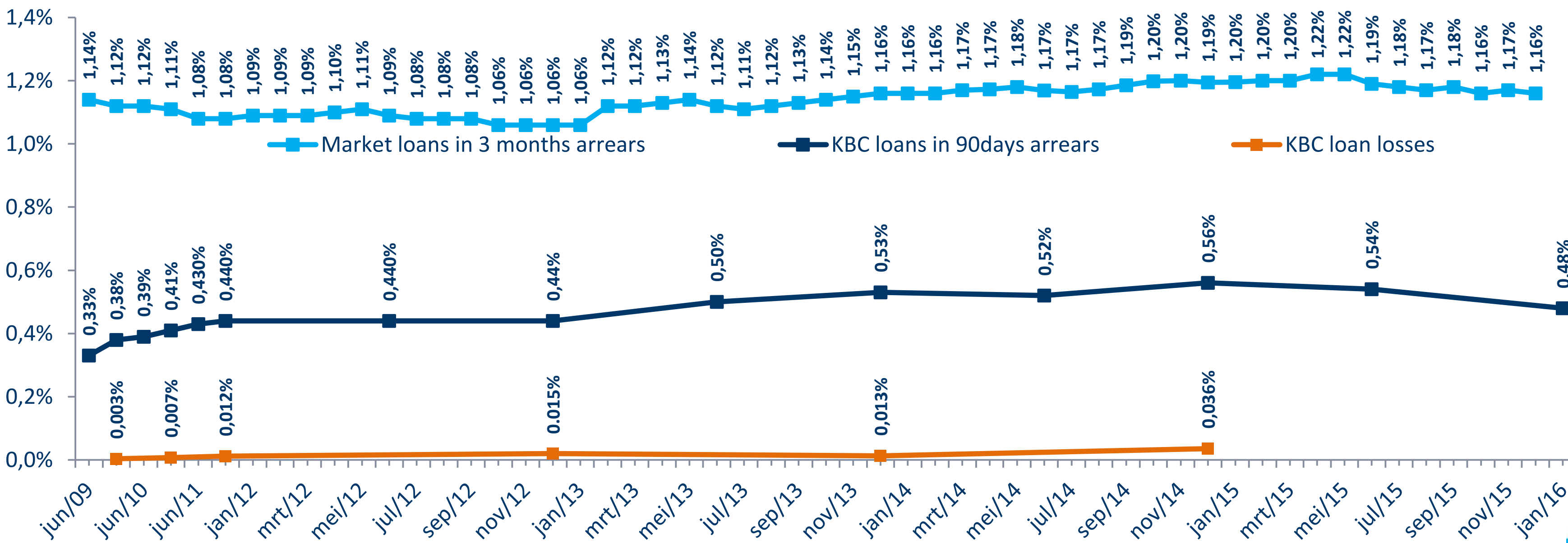
KBC’s disciplined origination leads to low arrears and extremely low loan losses

BELGIUM SHOWS A SOLID PERFORMANCE OF MORTGAGES…

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

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

… AND KBC HAS EXTRAORDINARY LOW LOAN LOSSES

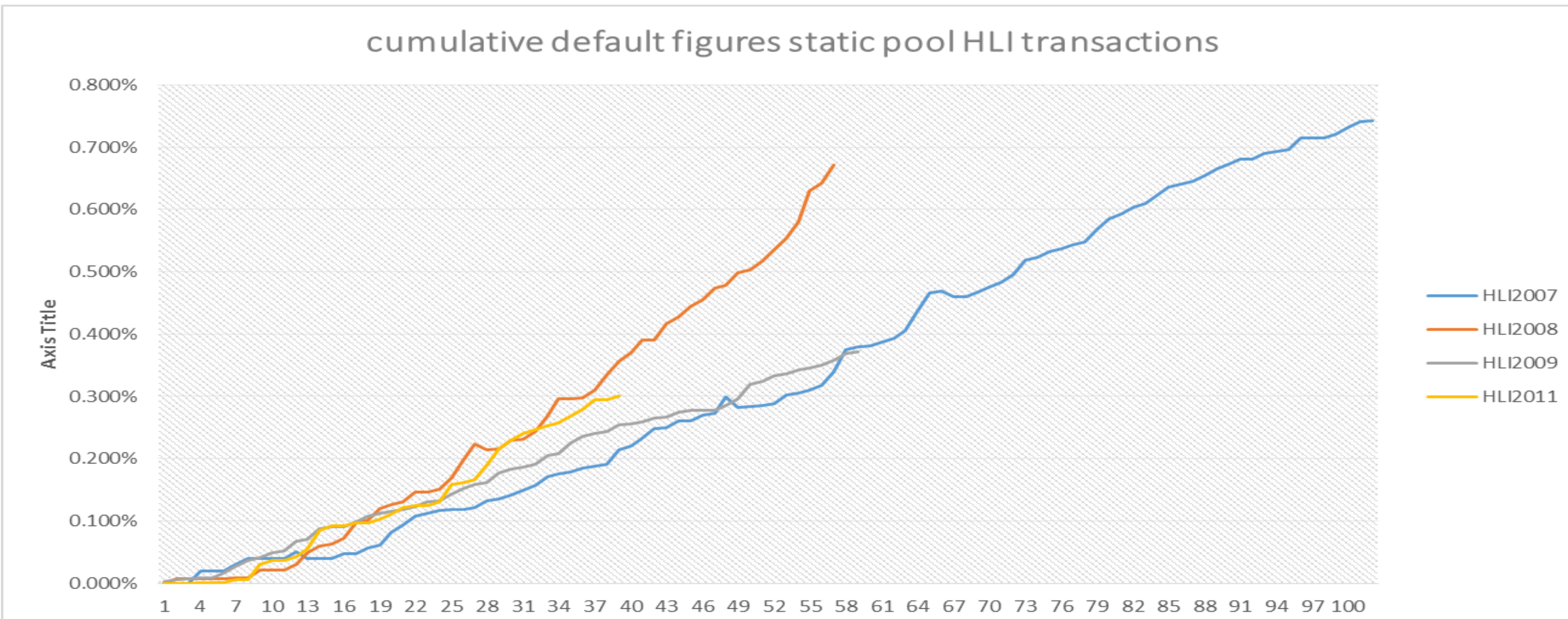


Low defaults, illustrated by KBC's securitisation transactions performance

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

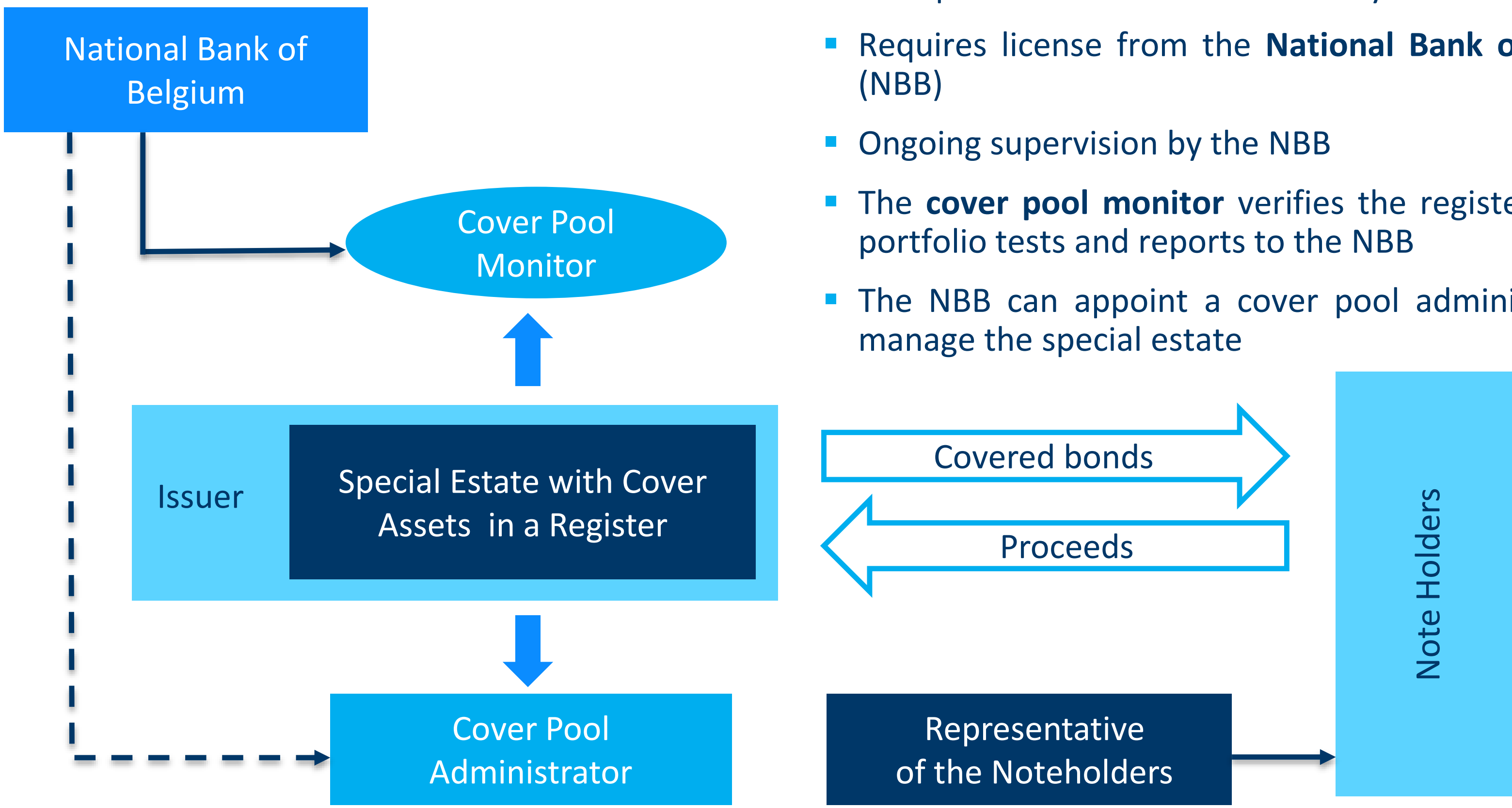
Low cumulative default figures on KBC Home loan Invest transactions

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



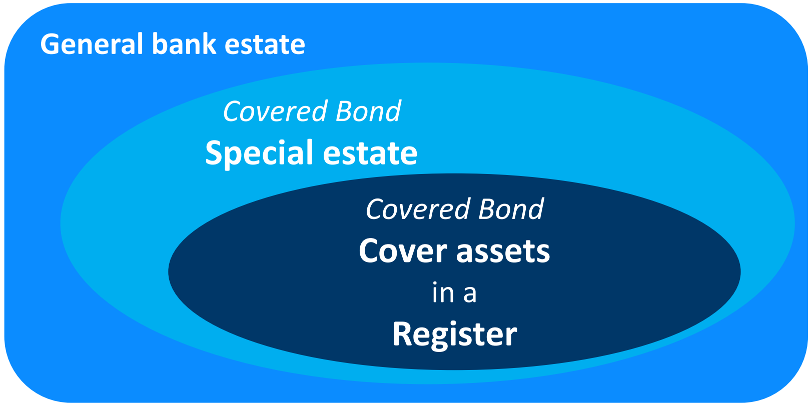
Contents

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 license from the **National Bank of Belgium** (NBB)
- Ongoing supervision by the NBB
- The **cover pool monitor** verifies the register and the portfolio tests and reports to the NBB
- The NBB can appoint a cover pool administrator to manage the special estate

Special estate - dual recourse



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

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

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

A Special Estate consists by law of:

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

COVERED BOND INSOLVENCY REGIME

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

Strong legal protection mechanisms

1 Collateral type

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

2 Over-collateralisation Test

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

3 Cover Asset Coverage Test

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

4 Liquidity Test

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

5 Cap on Issuance

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

External supervision / management

By the NBB

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

By the Cover Pool Monitor

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

By the Cover Pool Administrator

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

Belgian covered bond legislation in comparison

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

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

Contents

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

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

Current Programme Characteristics

Program size:	• Up to 10bn EUR
Interest rate:	• Fixed Rate, Floating Rate or Zero Coupon
Currencies:	• Euro
Maturity:	• Soft Bullet: payment of the principal amount may be deferred past the Final Maturity Date until the **Extended Final Maturity Date** if the Issuer fails to pay • Extension period is 12 months

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

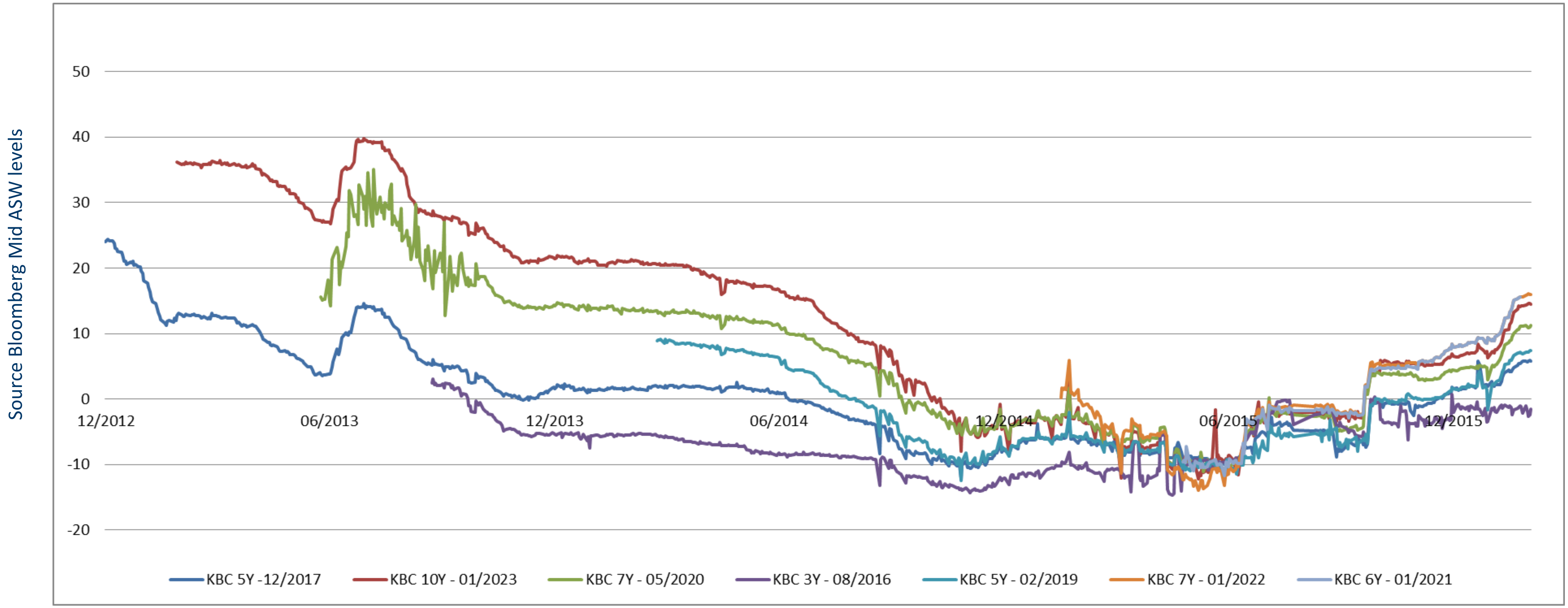
Events of default:	• Failure to pay any amount of principal on the Extended Final Maturity Date • A default in the payment of an amount of interest on any interest payment date
Rating agencies:	• Moody's Aaa • Fitch AAA
Additional liquidity	• 3 months interest payments are covered by liquid bonds of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

	Moody's	Fitch
Over-collateralisation	**15%**	**25%**
	TPI Cap Probable	**D-cap 4 (moderate risk)**

Benchmark issuance KBC covered bonds

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

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



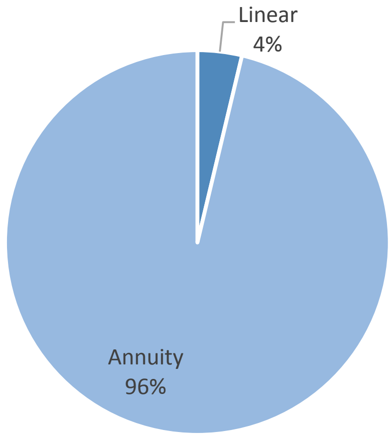
Key cover pool characteristics (1/3)

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

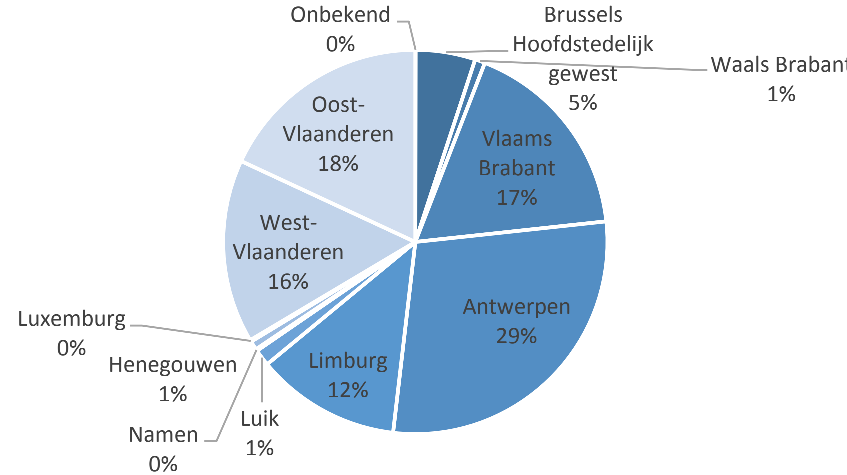
Portfolio data as of :	31 December 2015
Total Outstanding Principal Balance	11 646 819 260
Total value of the assets for the over-collateralisation test	10 722 161 327
No. of Loans	138 739
Average Current Loan Balance per Borrower	117 397
Maximum Loan Balance	1 000 000
Minimum Loan Balance	1 000
Number of Borrowers	99 208
Longest Maturity	359 month
Shortest Maturity	1 month
Weighted Average Seasoning	42 months
Weighted Average Remaining Maturity	195 months
Weighted Average Current Interest Rate	2.61%
Weighted Average Current LTV	64.1%
No. of Loans in Arrears (+30days)	279
Direct Debit Paying	97.8%

Key cover pool characteristics (2/3)

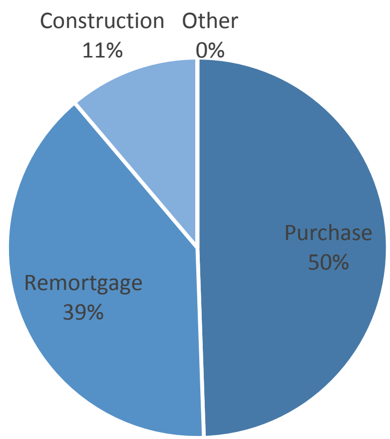
REPAYMENT TYPE (LINEAR VS. ANNUITY)



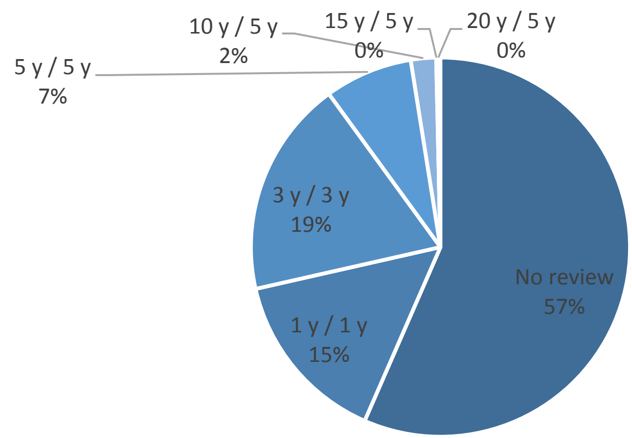
GEOGRAPHICAL ALLOCATION



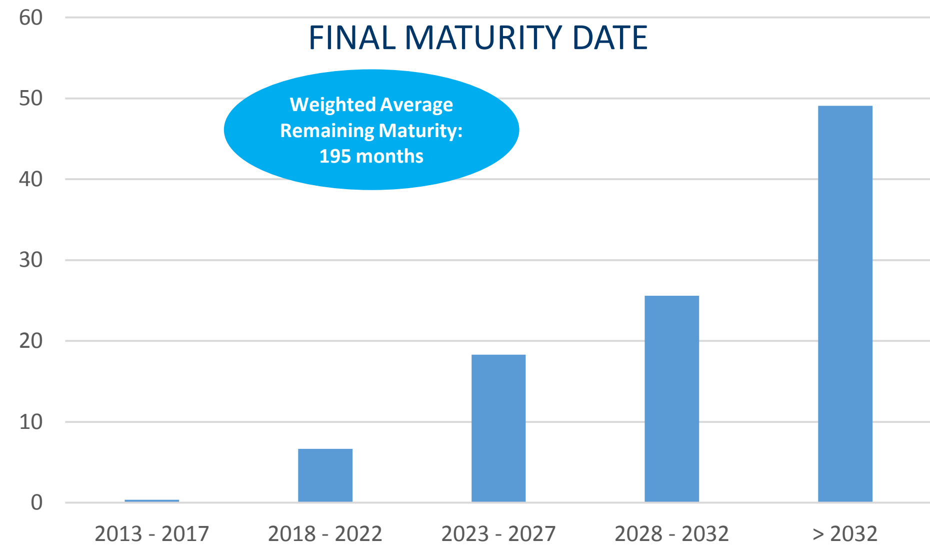
LOAN PURPOSE

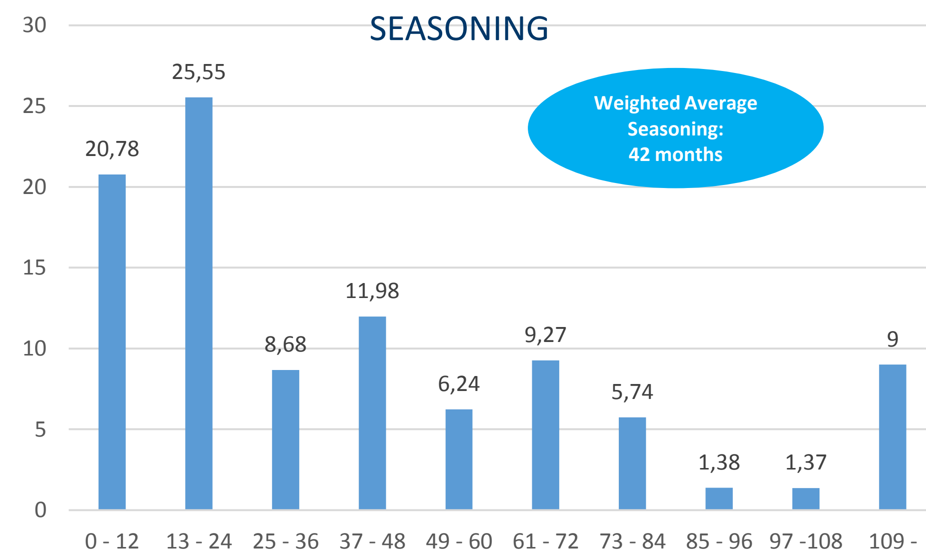


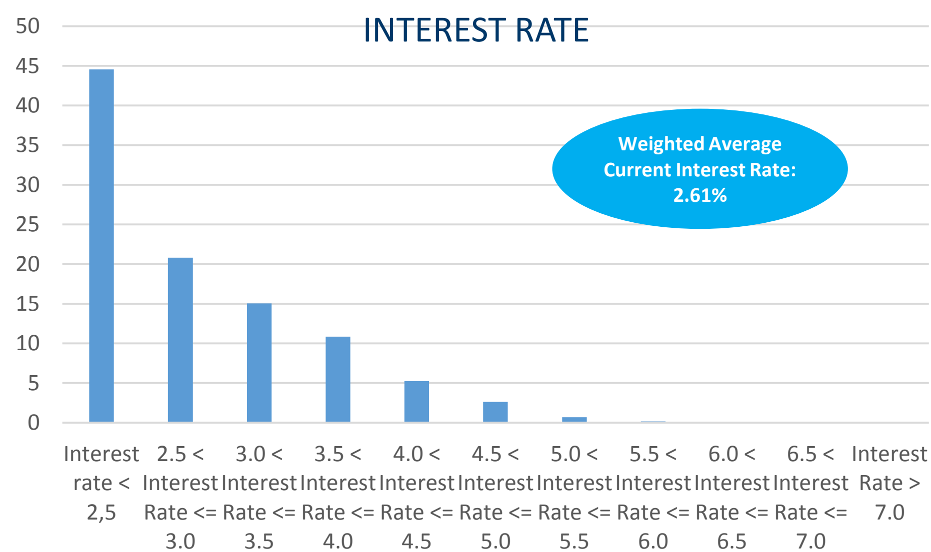
INTEREST RATE TYPE (FIXED PERIODS)

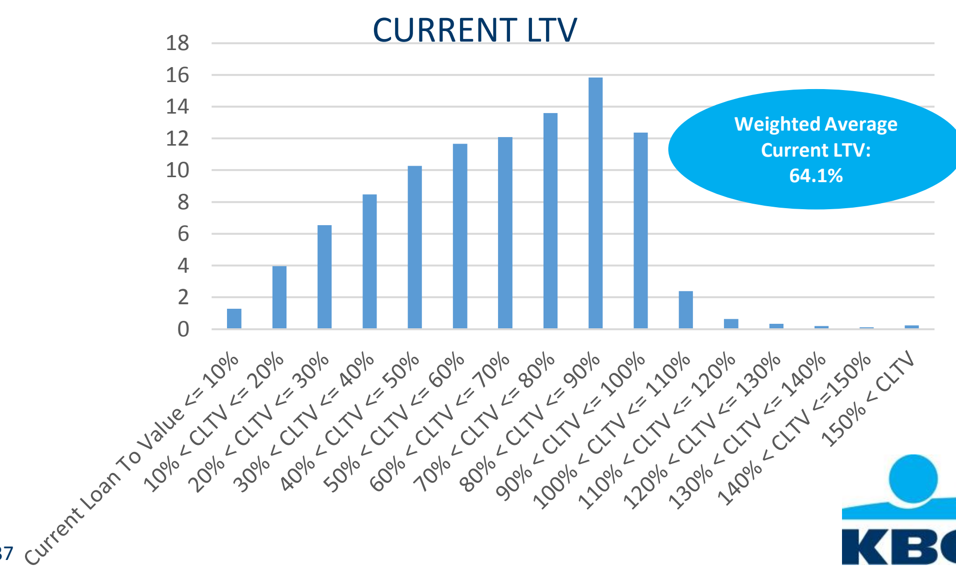


Key cover pool characteristics (3/3)









Contents

Appendices

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%

Appendices

Underwriting and approval process

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

Step 1

Standard Application Form
i. Information on the project (investment and financing plan, what is the total cost and how is it going to be financed?)
ii. Information on the customer: personal data and information on his assets and liabilities

Step 2

Supported by behavioural and application scoring
i. Property valuation (guarantees)
ii. Ratios - loan-to-value ratio and debt-to-income ratio
iii. Credit history of the customer
iv. Income check

Step 3

85 % of the loans is decided by the local branch
The registration system KPD decides if the branch manager is authorised, which depends on:
i. The risk-appreciation (= result of application scoring)
ii. The guarantees
The registration system KPD also defines how many people must take the decision and what delegation they must have

Step 4

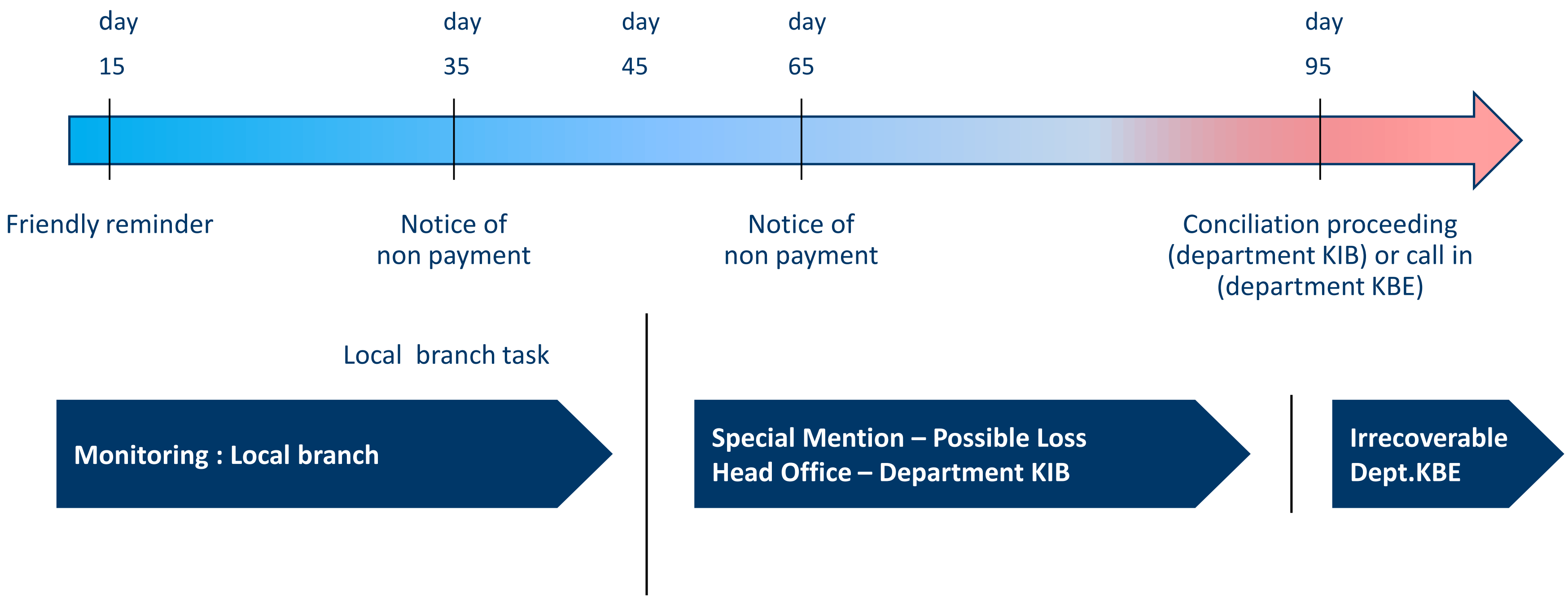
Output
- Written offer for the client (= legally required) input for the notary

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

Appendices

Start of credit risk monitoring: automatic processes

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



Credit risk management: various phases

Borrower → **Debtor**

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

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

Step 1

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

Step 2

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

Step 3

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

Step 4

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

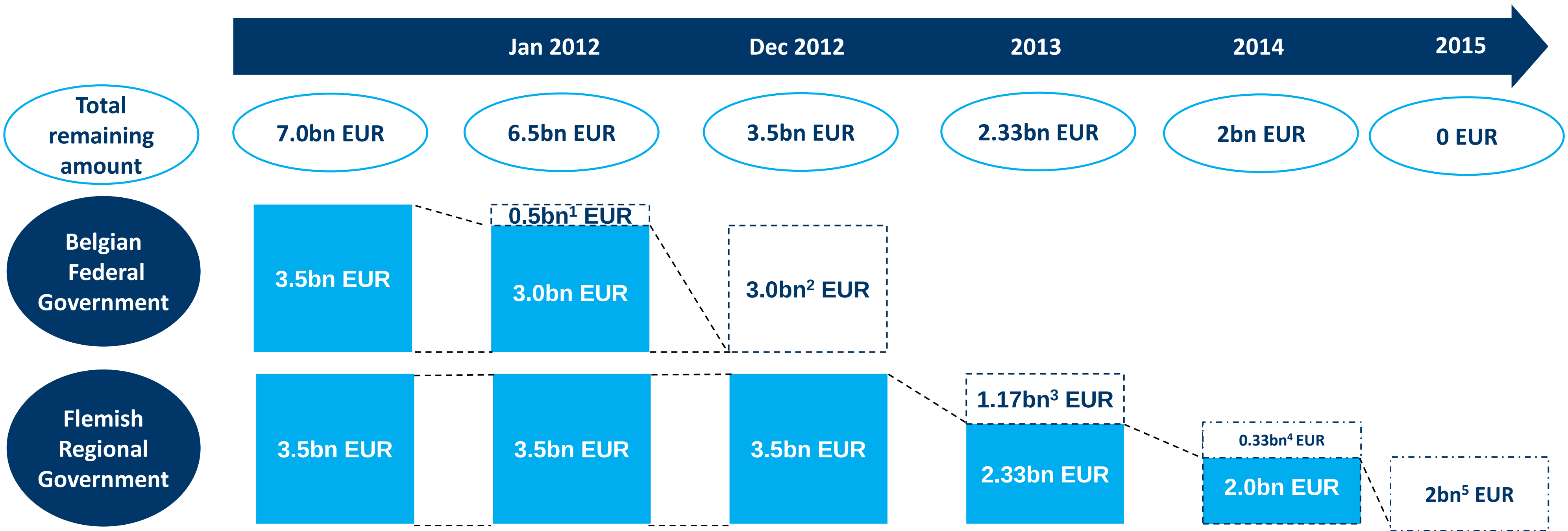
Step 5

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

Appendices

State aid position fully paid back by the end of 2015

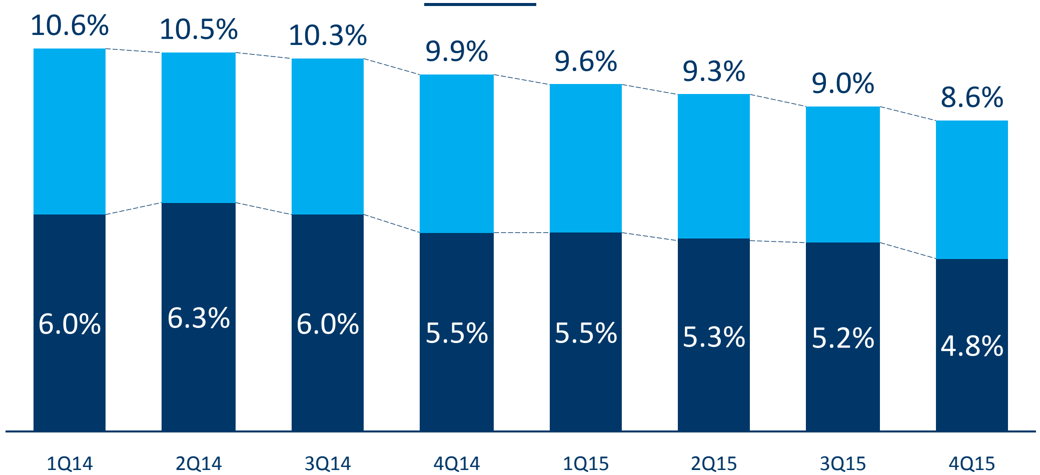
- KBC made accelerated full repayment of 3.0bn EUR of state aid to the Belgian Federal Government in December 2012 and accelerated repayment of 1.17bn EUR of state aid to the Flemish Regional Government mid-2013, approved by the NBB
- At the beginning of 2014, KBC accelerated the repayment of 0.33bn EUR (plus penalty), and as such saved 28m EUR in coupon payments
- At the end of 2015, KBC repaid the full outstanding tranche of 2bn EUR of remaining state aid plus a penalty of 1bn EUR to the Flemish Regional Government, well ahead of the official deadline of 2020



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

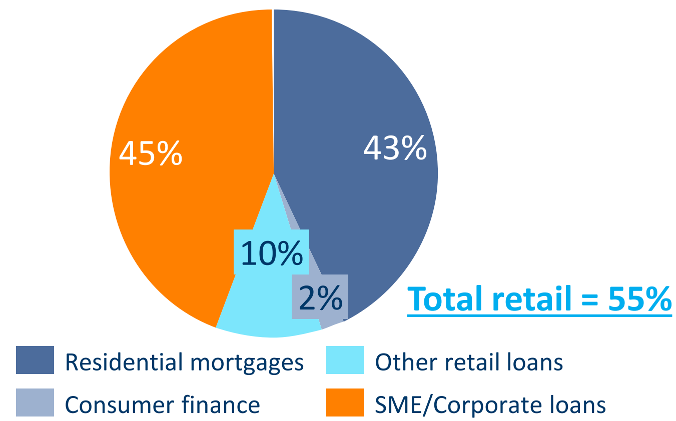
Impaired loans ratios of KBC Group and per Business Unit, *incl. of which over 90 days past due*

KBC GROUP

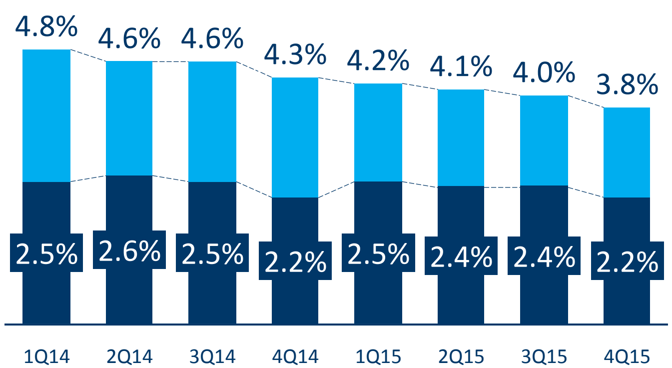


CUSTOMER LOAN BOOK: EUR 128bn at 31-12-2015

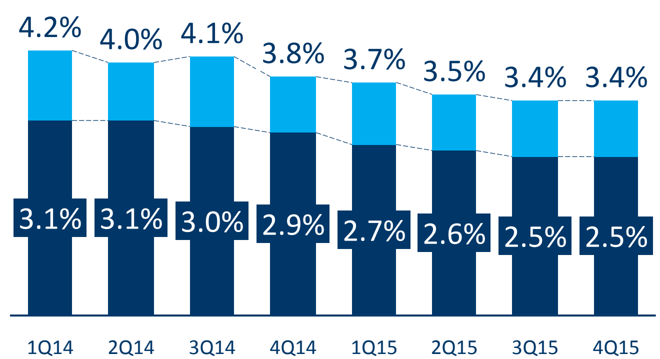
(LARGELY SOLD THROUGH OWN BRANCHES)



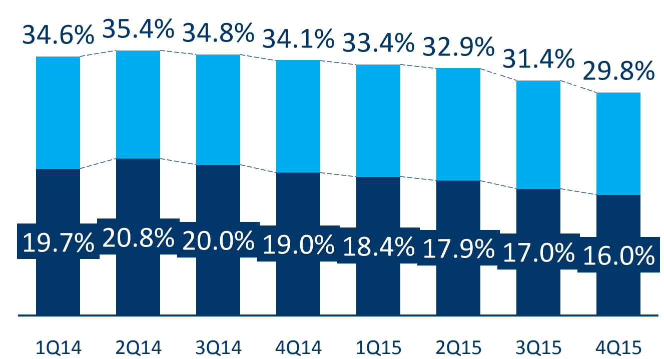
BELGIUM BU



CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU



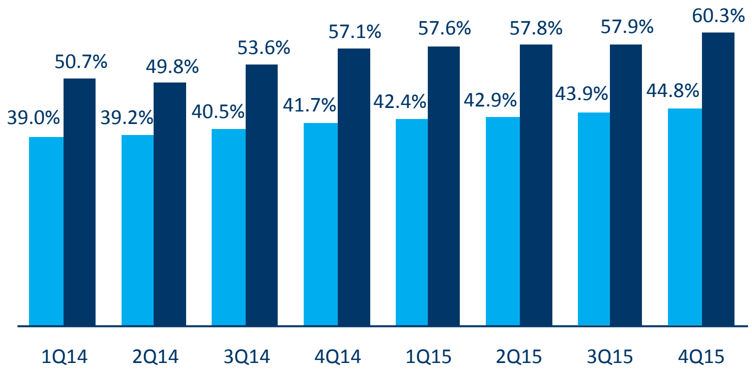
Impaired loans ratio * | of which over 90 days past due **

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

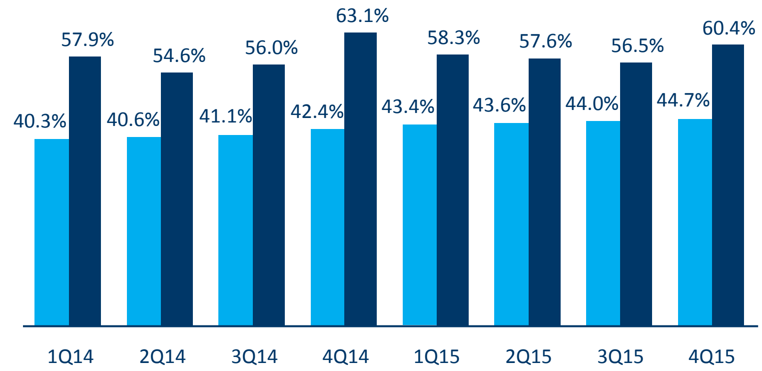
** of which total outstanding loans with over 90 days past due (PD 11-12)/total outstanding loans

Cover ratios

KBC GROUP



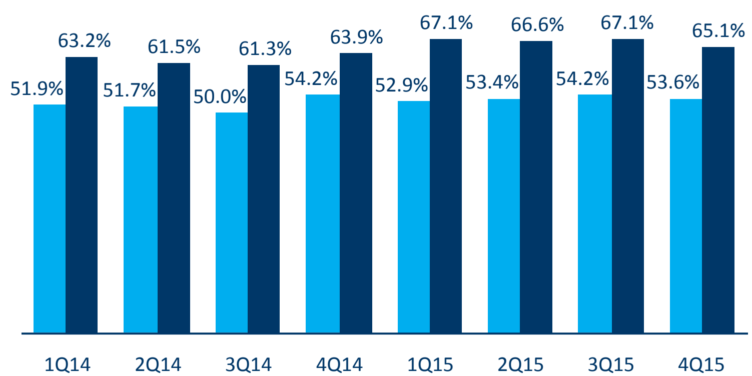
BELGIUM BU



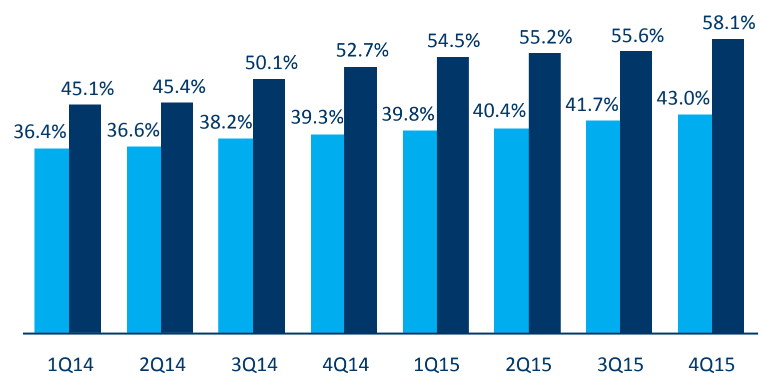
Impaired loans cover ratio

Cover ratio for loans with over 90 days past due

CZECH REPUBLIC BU



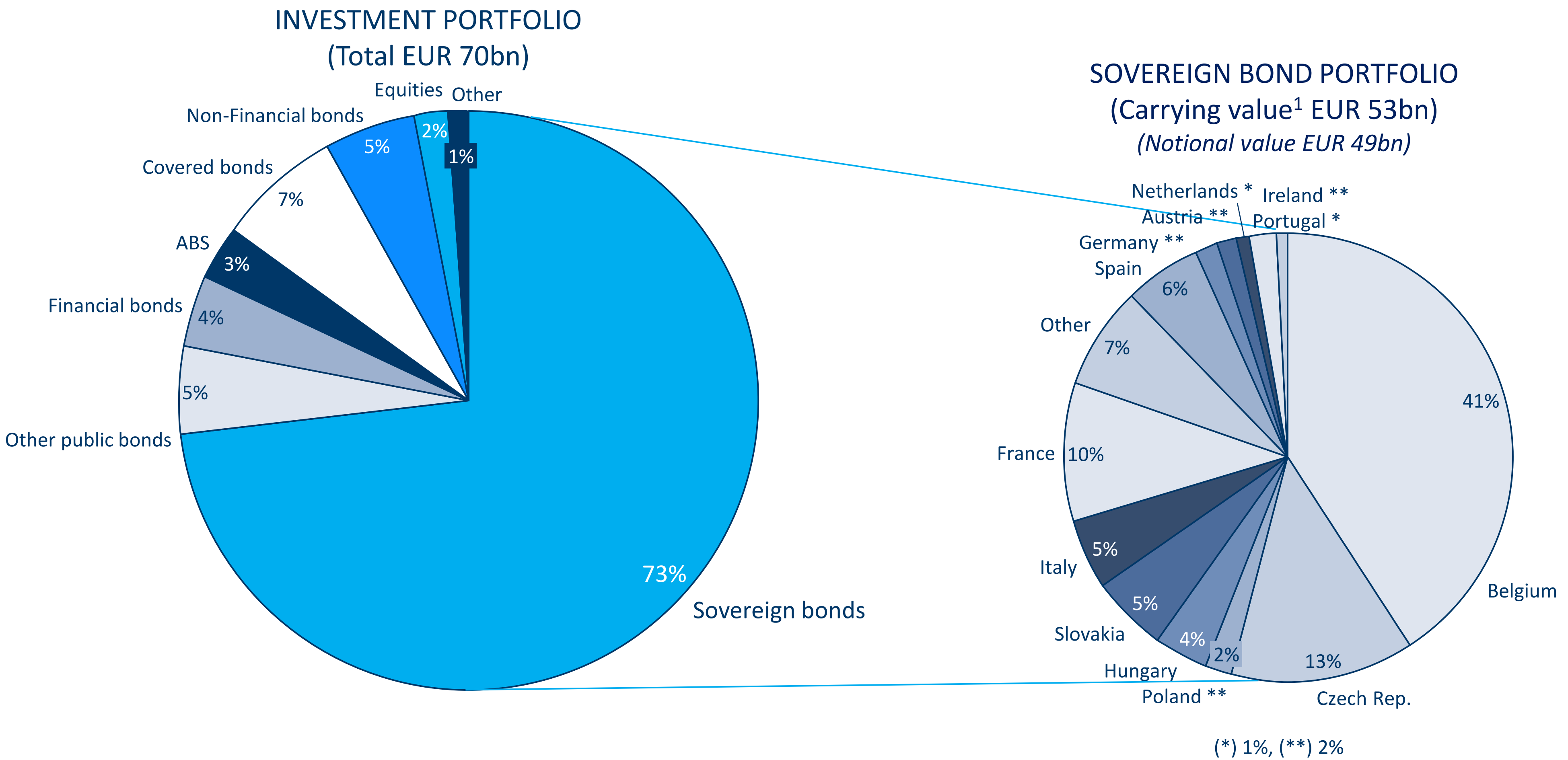
INTERNATIONAL MARKETS BU



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

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

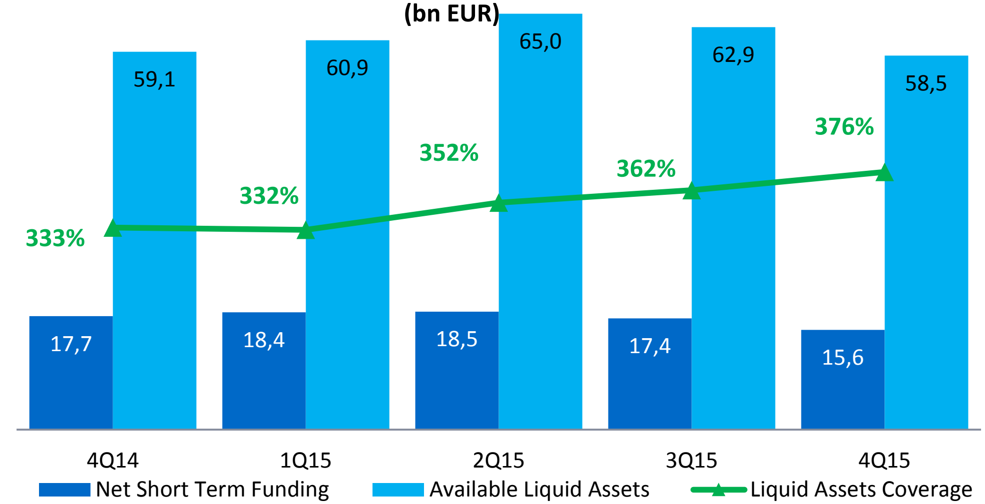
Investment portfolio (as per 31/12/2015)



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

Solid liquidity position (2)

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



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

- KBC maintains a solid **liquidity position,** given that:
  - Available liquid assets are more than 3.5 times the amount of the net recourse on short-term wholesale funding
  - Funding from non-wholesale markets is stable funding from core-customer segments in core markets

Ratios	FY14	FY15	Target
NSFR[1]	123%	121%	>105%
LCR[1]	120%	127%	>105%

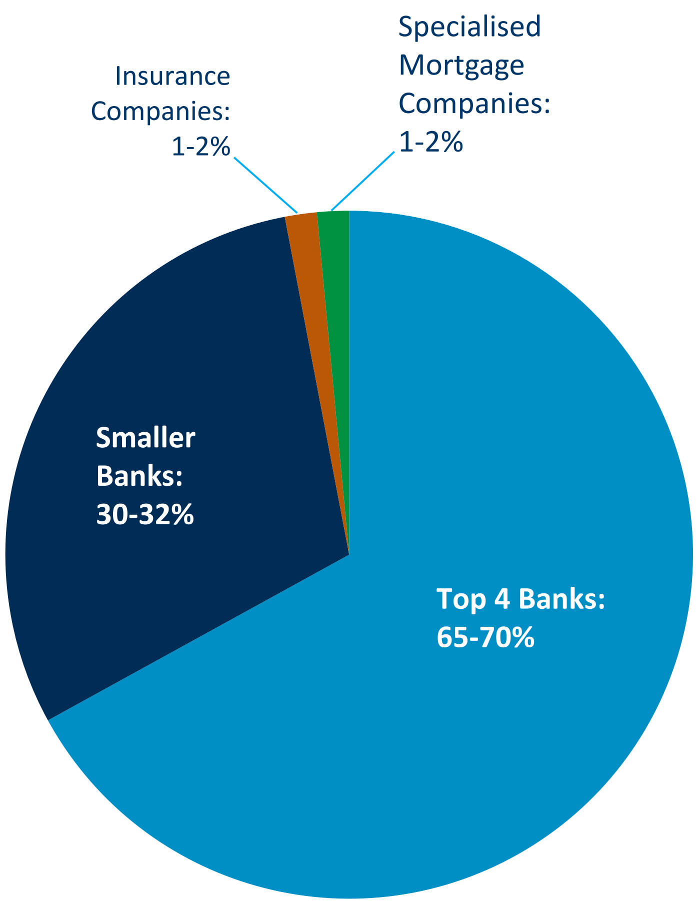
[1] *Liquidity coverage ratio (LCR) is based on the Delegated Act requirements, while the Net Stable Funding Ratio (NSFR) is based on KBC's interpretation of current Basel Committee guidance*

- **NSFR at 121% and LCR at 127% by the end of FY15**
  - Both ratios were well above the minimum target of at least 105%, in compliance with the implementation of Basel 3 liquidity requirements

Appendices

Lending market dominated by banks

MARKET SHARES OF BELGIAN MORTGAGE MARKET



LENDING MARKET DOMINATED BY BANKS

- The four biggest market participants, KBC Bank NV, Belfius, BNP Paribas Fortis and ING control nearly 70 per cent of the mortgage lending market
- Other credit and financial institutions (smaller banks, insurance companies, savings banks) and mortgage shops cover the remaining 30 per cent
- In 2013, KBC Bank NV held a solid market share of 19% of total outstanding mortgage loans
- The role of brokers is minimal
- The mortgage market is 95% dominated by banks, hence deeper insight into the financial situation of the mortgage taker
  - Banks also have far better control over credit quality and affordability of mortgage takers

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