KBC Group / Bank
Debt presentation
August 2016

More infomation: www.kbc.com
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2Q 2016 key takeaways for KBC Group

- **STRONG BUSINESS PERFORMANCE IN 2Q16**

  Exceptionally good net result of 721m EUR in 2Q16 (and 1.11bn EUR in 1H16), as a result of:
  - Strong commercial bank-insurance franchises in our core markets and core activities
  - Q-o-q increase in customer loan and deposit volumes in most of our core countries
  - Slightly higher net interest income despite somewhat lower net interest margin q-o-q
  - Higher net fee and commission income q-o-q (in line with guidance), despite net asset management outflows
  - Higher net gains from financial instruments at fair value, higher realised AFS gains (mainly on Visa) and lower net other income
  - Combined ratio of 95% YTD. Excellent sales of both non-life and life insurance products
  - Good cost management resulted in a cost/income ratio of 56% YTD adjusted for specific items
  - Low impairment charges. Net loan provision release of 1m EUR in 2Q16 in Ireland. We are lowering our impairment guidance for Ireland towards a 0m-40m EUR range for FY16

- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - **Common equity ratio (B3 phased-in) of 14.9% based on the Danish Compromise** at end 1H16, 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. **The B3 fully loaded common equity ratio stood at 14.9% based on the Danish Compromise at end 1H16**
  - **KBC remains adequately capitalised under 2016 EU-wide EBA stress test**
  - Fully loaded B3 **leverage ratio**, based on current CRR legislation, amounted to **6.0%** at KBC Group
  - **Continued strong liquidity position** (NSFR at 123% and LCR at 132%) at end 1H16
  - **Interim dividend:**
    - KBC will pay an interim dividend of 1 EUR per share in November 2016, as an advance payment on the total dividend.
    - This is the start of an interim dividend policy whereby KBC aims to pay each year an interim dividend of 1 EUR per share*
  - **The current pay-out ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit is confirmed**

* More details on slide 44

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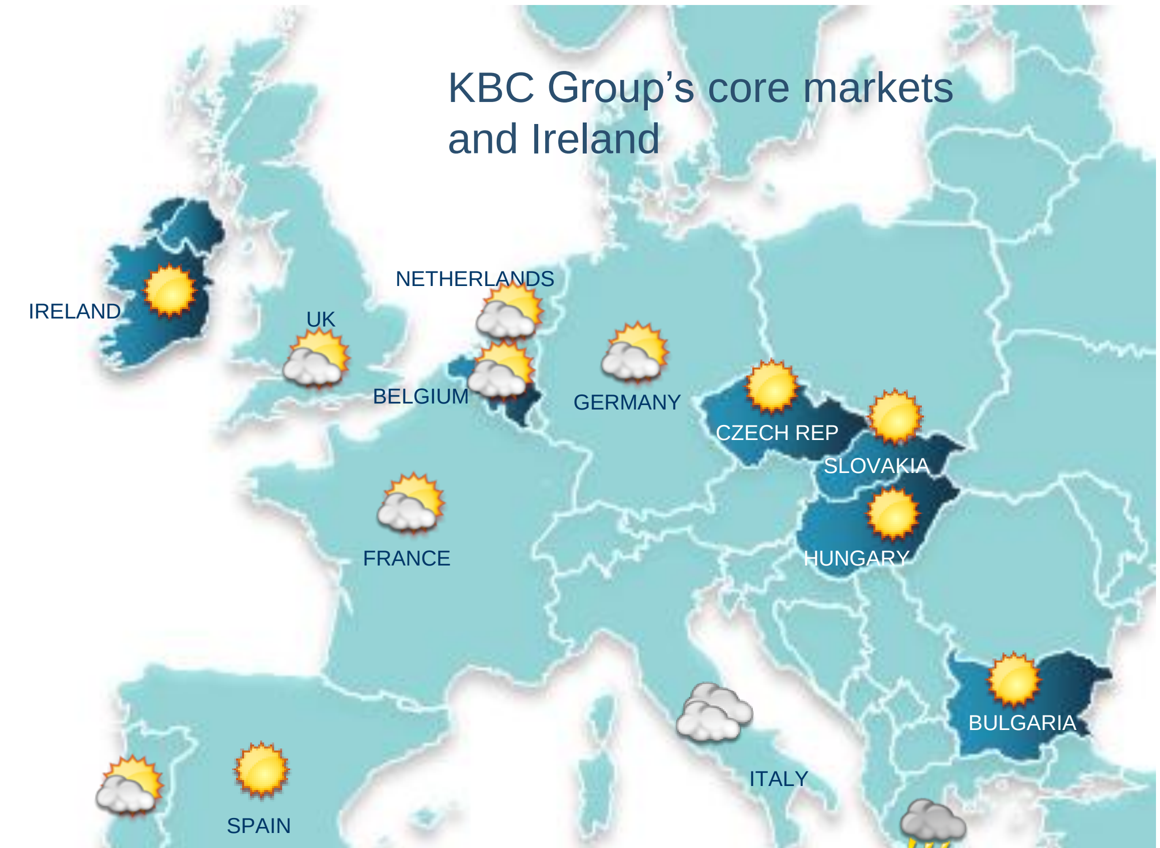
Well-defined core markets provide access to 'new growth' in Europe



Macroeconomic outlook
Based on GDP, CPI and unemployment trends
Inspired by the Financial Times

MARKET SHARE (END 2015)

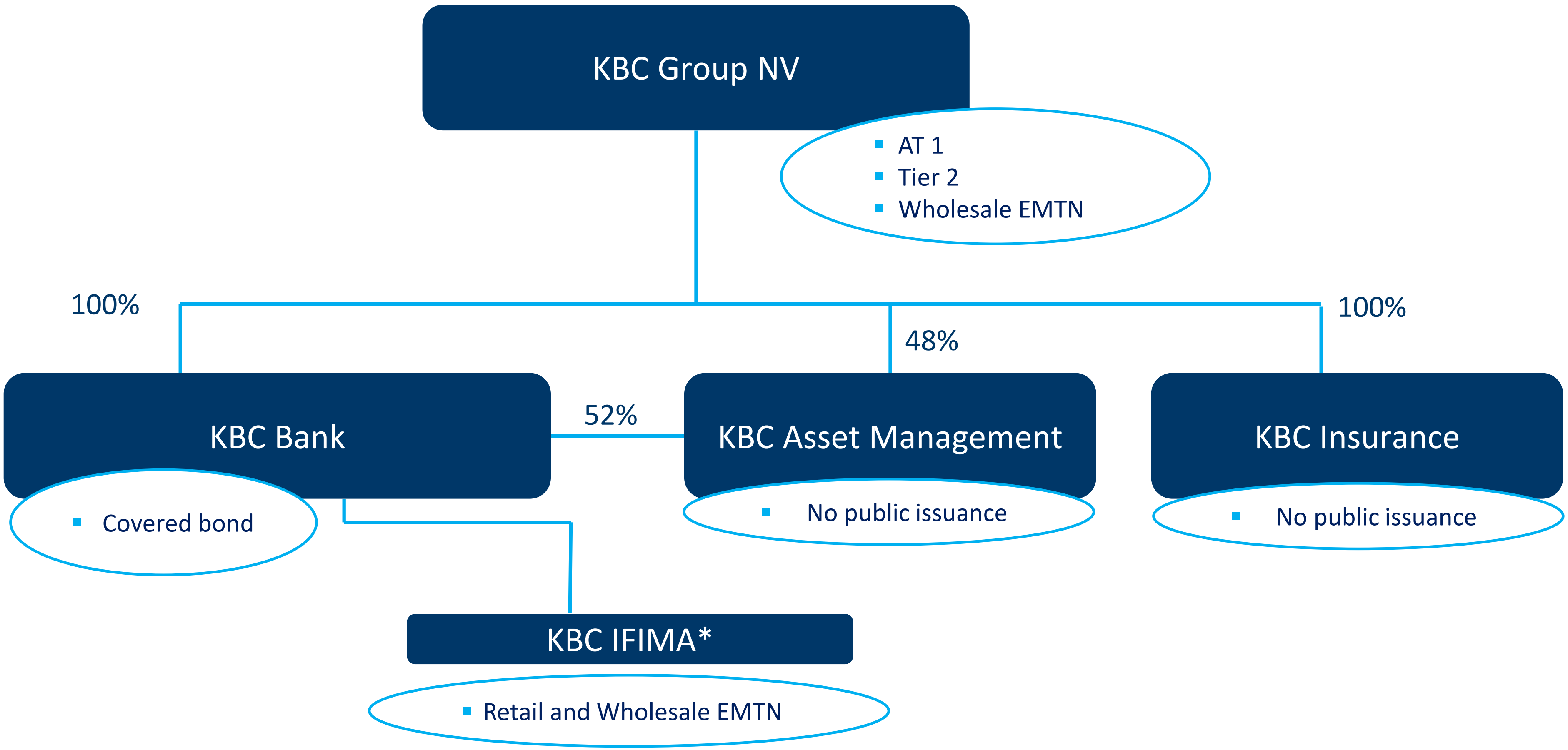
	BE	CZ	SK	HU	BG
Loans and deposits	21%	19%	11%	10%	3%
Investment funds	40%	26%	7%	18%	
Life insurance	17%[1]	7%	4%	4%	12%
Non-life insurance	9%	7%	3%	5%	10%

REAL GDP GROWTH OUTLOOK FOR CORE MARKETS[2]

	BE	CZ	SK	HU	BG
% of Assets	70%	15%	3%	3%	1%
2015	1.4%	4.3%	3.6%	2.9%	3.0%
2016e	1.2%	2.5%	3.3%	2.0%	2.4%
2017e	1.2%	2.3%	3.6%	2.9%	2.6%

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

Group's legal structure and issuer of debt instruments



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

Overview of key financial data at 2Q 2016

KBC Group

- Market cap (10/08/16): EUR 20bn
- Net result 1H 2016: EUR 1.1bn
- Total assets: EUR 266bn
- Total equity: EUR 16bn
- CET1 ratio (Basel 3 transitional): 14.9%
- CET1 ratio (Basel 3 fully loaded): 14.9%

KBC Bank

- Net result 1H 2016: EUR 1.0bn[1]
- Total assets: EUR 230bn
- Total equity: EUR 14bn
- CET1 ratio (Basel 3 transitional): 13.5%
- CET1 ratio (Basel 3 fully loaded): 13.6%
- C/I ratio 1H 2016: 60%[2]

KBC Insurance

- Net result 1H 2016: EUR 123m
- Total assets: EUR 38bn
- Total equity: EUR 3bn
- Solvency II ratio: 187%
- Combined operating ratio 1H16: 95%

Credit Ratings of KBC Bank *(KBC Group)* as at 1 August 2016

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

1. Includes KBC Asset Management ; excludes holding company eliminations
2. Adjusted for specific items, the C/I ratio amounted to c.56% in 2Q 2016

Overview of KBC Group

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

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

Business profile: KBC is a leading player in Belgium and its 4 core countries in CEE

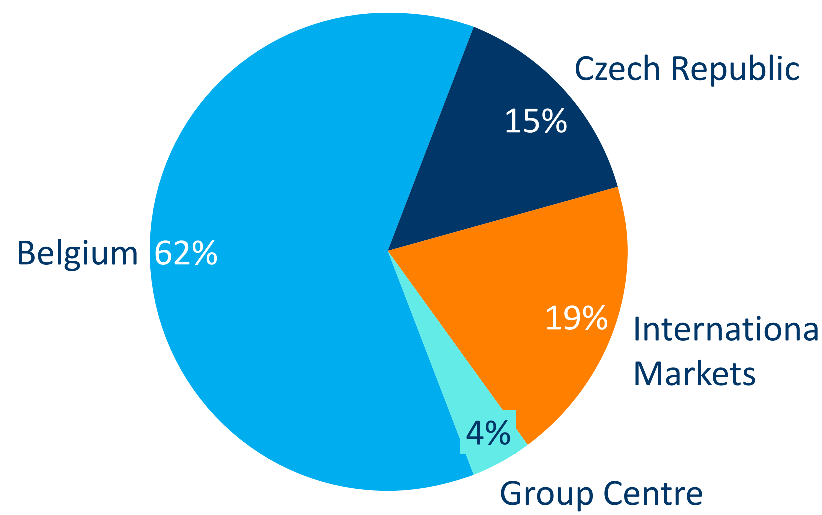
CFO SERVICES

CRO SERVICES

BELGIUM	CZECH REPUBLIC	INTERNATIONAL MARKETS

CORPORATE STAFF

BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AT 30 June 2016



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

KBC Group going forward:

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

- KBC wants to be among Europe's best performing retail-focused financial institutions. This will be achieved by:
  - Strengthening our bank-insurance business model for retail, SME and mid-cap clients in our core markets, in a highly cost-efficient way
  - Focusing on sustainable and profitable growth within the framework of solid risk, capital and liquidity management
  - Creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach
- By achieving this, KBC wants to become the reference in bank-insurance in its core markets

Summary of the financial targets at KBC Group level as announced at our investor day in June 2014

Targets…		by…
CAGR total income ('13-'17)[1]	≥ 2.25%	2017
CAGR bank-insurance gross income ('13-'17)	≥ 5%	2017
C/I ratio	≤ 53%	2017
Combined ratio	≤ 94%	2017
Common equity ratio (phased-in, Danish compromise)	≥ 10.25%[2]	2016
Total capital ratio (fully loaded, Danish compromise)	≥ 17%	2017
NSFR	≥ 105%	2014
LCR	≥ 105%	2014
Dividend payout ratio	≥ 50%	2016

Based on adjusted figures

1. Excluding marked-to-market valuations of ALM derivatives
2. 2016 minimum phased-in CET1 ratio of 10.25% set by the ECB (9.75% minimum CET1) in combination with NBB's systemic buffer (0.5% minimum in 2016, gradually increasing over a 3-year period and reaching 1.5% in 2018) under the Danish compromise

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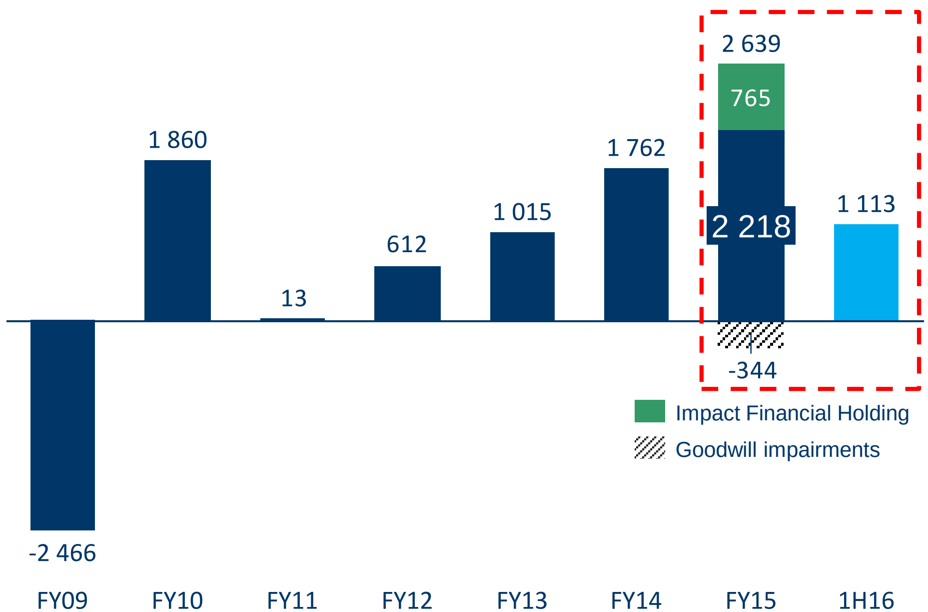
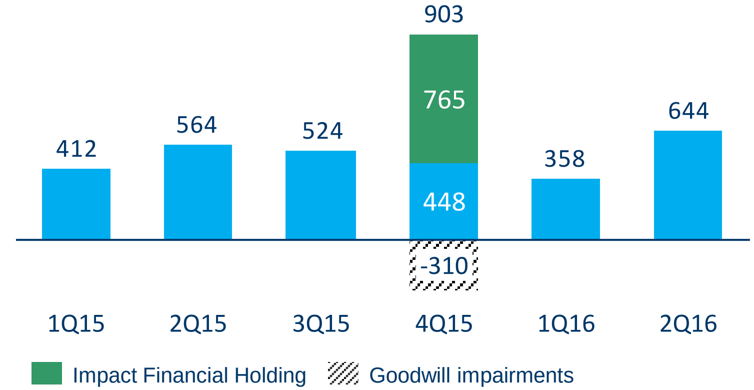
Earnings capacity

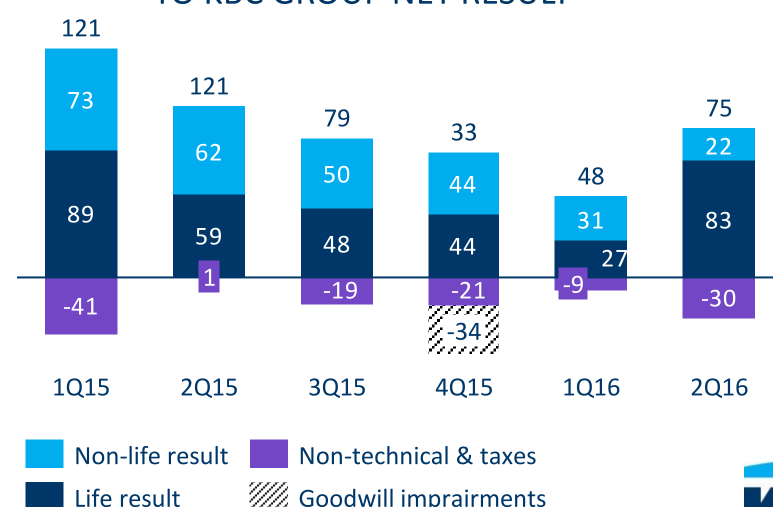
NET RESULT[1]



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



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

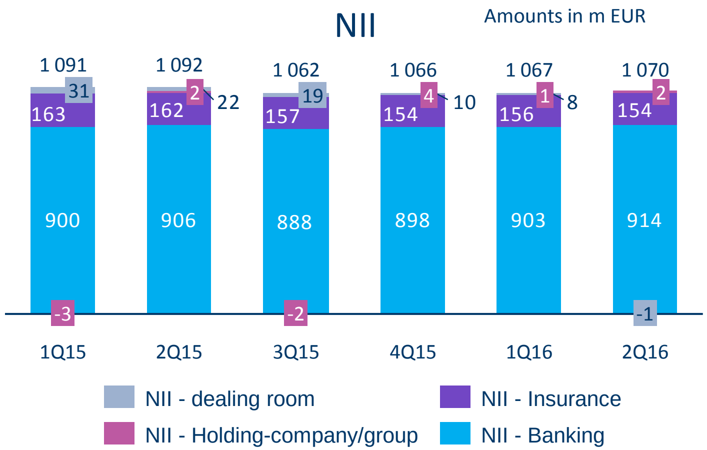


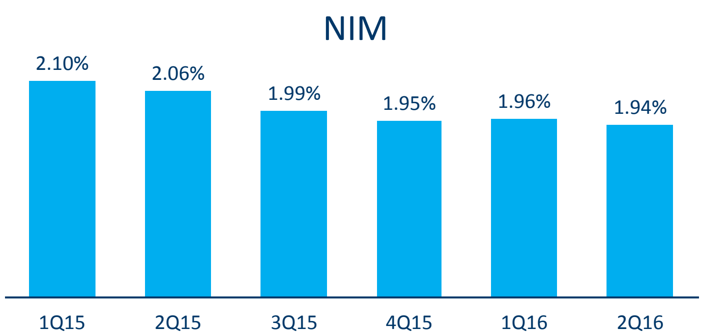
1 Note that the scope of consolidation has changed over time, due partly to divestments

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

Slightly higher net interest income and slightly lower net interest margin





- **Net interest income**
  - Slightly up q-o-q and down by 2% y-o-y
  - The slight q-o-q increase was driven primarily by:
    - lower funding costs
    - additional rate cuts on savings accounts
    - higher upfront prepayment fees
    - continued good volume growth in current accounts and loans
    - further positive effect of enhanced ALM management

    almost fully offset by:
    - lower reinvestment yields
    - hedging losses on previously refinanced mortgages
    - pressure on commercial loan margins in most core countries
    - a decrease of 9m EUR in NII from the dealing room

- **Net interest margin (1.94%)**
  - Down by 2 bps q-o-q and by 12 bps y-o-y
  - Q-o-q decrease is due to lower reinvestment yields, pressure on commercial loan margins in most core countries and hedging losses on previously refinanced mortgages partly offset by rate cuts on savings accounts and lower funding costs

Customer deposit volumes excluding debt certificates & repos +3% q-o-q and +4% y-o-y

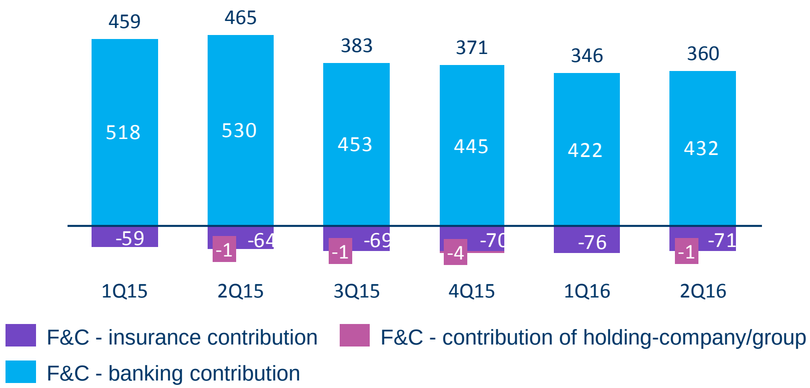
VOLUME TREND

Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	131bn	56bn	171bn	207bn	28bn
Growth q-o-q*	+1%	+1%	+4%	0%	0%
Growth y-o-y	+4%	+4%	+6%	+2%	0%

* Non-annualised
** Loans to customers, excluding reverse repos (and bonds)
*** Customer deposits, including debt certificates but excluding repos

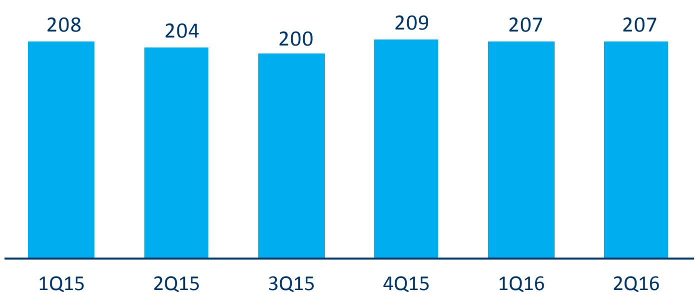
Higher net fee and commission income (in line with guidance)

F&C



Amounts in m EUR

AuM



Amounts in bn EUR

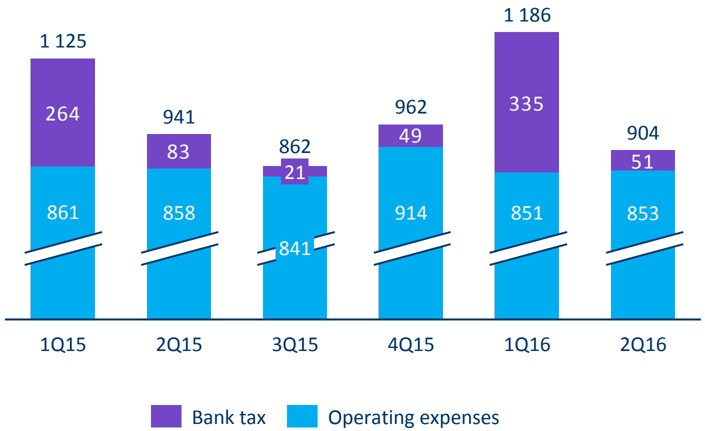
- **Net fee and commission income**
  - Up by 4% q-o-q and down by 23% y-o-y
  - Q-o-q increase was the result chiefly of:
    - higher management fees from mutual funds & unit-linked life insurance products (thanks to reset date CPPI)
    - higher fees from credit files and bank guarantees (due to more mortgage refinancings in BE, CZ and Slovakia)
    - higher fees from payment services in the Czech Republic and Hungary
    - lower commissions paid on insurance sales

    partly offset by:
    - lower entry fees from mutual funds & unit-linked life insurance products
    - lower securities related fees in Belgium
  - Y-o-y decline resulted chiefly in the Belgium Business Unit from lower management and entry fees from mutual funds and unit-linked life insurance products, lower fees from securities transactions, lower fees from credit files and bank guarantees and higher commissions paid on insurance sales
  - Net F&C income will remain an important top-line contributor going forward

- **Assets under management (207bn EUR)**
  - Flat q-o-q as a result of net outflows (-1%) and a positive price effect (+1%)
  - Rose by 2% y-o-y owing to net inflows (+2%) and a negative price effect (-1%)

Operating expenses down, due entirely to lower bank taxes

OPERATING EXPENSES



EXPECTED BANK TAX SPREAD

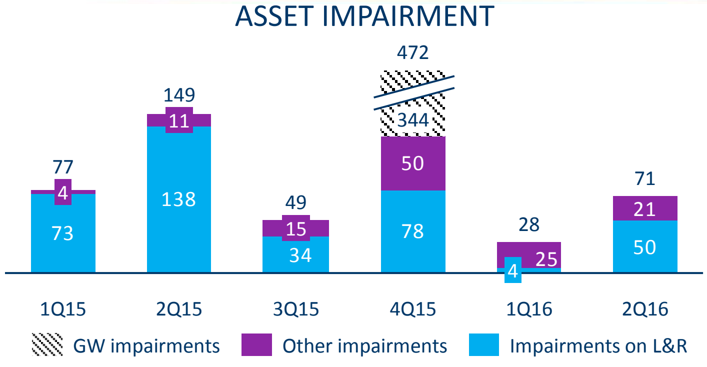
	TOTAL	Upfront		Spread out over the year			
	2Q16	1Q16	2Q16	1Q16	2Q16	3Q16e	4Q16e
BU BE	**32**	241	32	0	0	0	0
BU CZ	**-1**	28	-1	0	0	0	0
Hungary	**19**	31	0	17	19	20	25
Slovakia	**1**	6	-2	3	3	3	3
Bulgaria	**2**	1	1	0	1	0	0
Ireland	**1**	2	0	1	1	1	2
GC	**-3**	5	-3	0	0	0	0
TOTAL	**51**	**314**	**27**	**22**	**24**	**23**	**30**

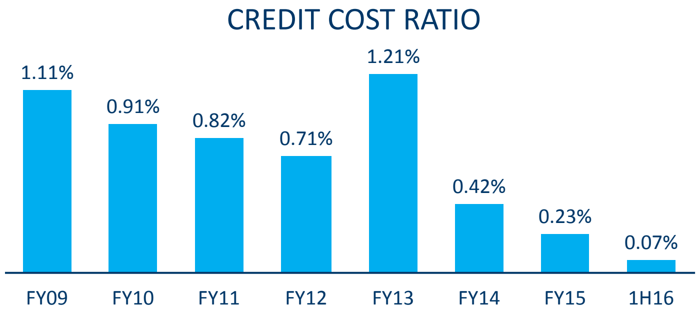
Amounts in m EUR

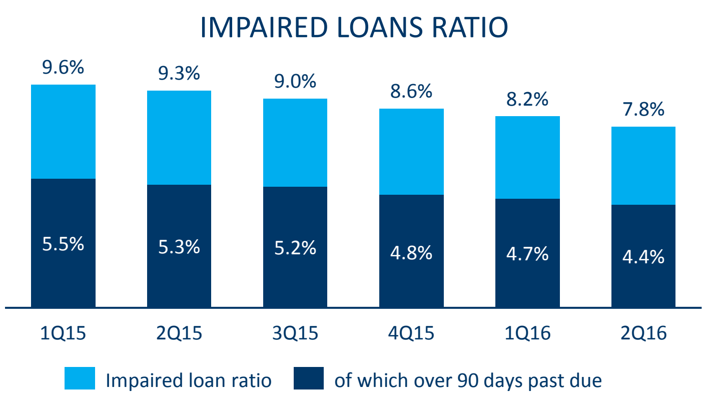
- **Cost/income ratio (banking) adjusted for specific items* at 56% in 2Q16 and YTD**
  - Operating expenses excluding bank tax stabilised q-o-q as higher marketing expenses were offset by lower staff expenses
  - Operating expenses without bank tax decreased by 1% y-o-y due mainly to lower staff expenses, lower headquarter costs and lower costs at companies in run-down, despite higher ICT expenses
  - Pursuant to IFRIC 21, certain levies (such as contributions to the European Single Resolution Fund) have to be recognised in advance, and this adversely impacted the results for 1Q16. In 2Q16, the Belgian government replaced the 4 existing taxes by 1, which led to 38m EUR additional bank taxes in Belgium, partly offset by the ability to book 6m EUR of the ESRF contribution as a non-P&L item
  - Total bank taxes (including ESRF contribution) are expected to increase from 417m EUR in FY15 to 440m EUR in FY16

* See glossary (slide 80) for the exact definition

Low asset impairments, excellent credit cost ratio and decreased impaired loans ratio







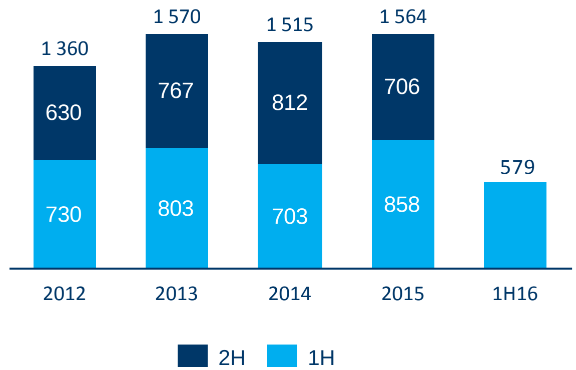
- **Higher impairment charges q-o-q from the unsustainable low level in 1Q16**
  - In 2Q16, a parameter adjustment was made to the IBNR-models. This resulted in a increase of impairments by roughly 25m EUR (of which 18m EUR in the Belgium BU, 6m in the Czech BU and 1m in Bulgaria)
  - The q-o-q increase in loan loss provisions was attributable mainly to:
    - a 25m EUR increase due to IBNR parameter changes
    - lower reversals

    despite:
    - low gross impairments in all segments in Belgium and the Czech Republic
  - Impairment of
    - 20m EUR on AFS shares (entirely in Belgium)
- The **credit cost ratio** only amounted to 0.07% in 1H16 due to low gross impairments and some releases
- The **impaired loans ratio** dropped further to 7.8%

Overview of results based on business units

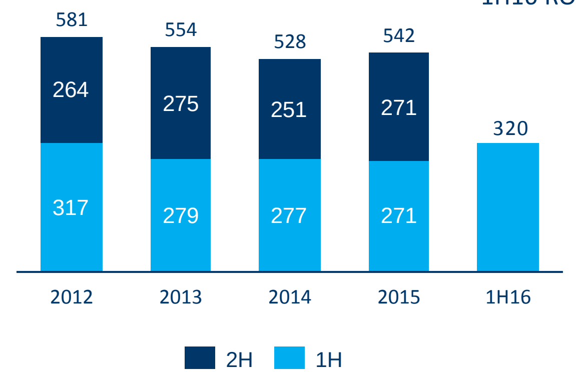
NET PROFIT – **BELGIUM**

1H16 ROAC: 20%



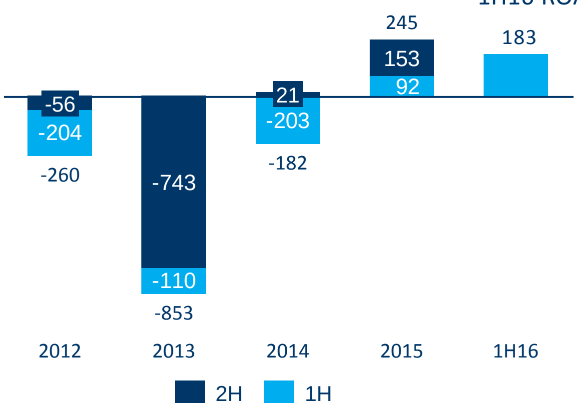
NET PROFIT – **CZECH REPUBLIC**

1H16 ROAC: 45%



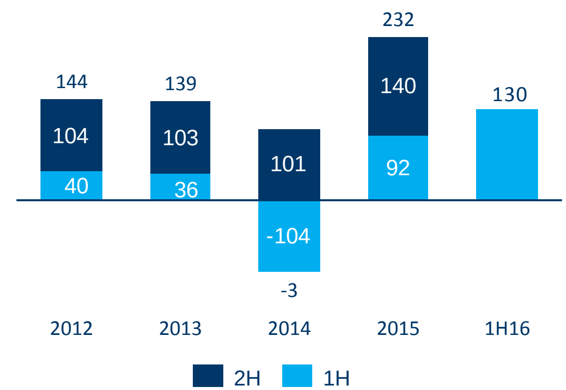
NET PROFIT –
INTERNATIONAL MARKETS

1H16 ROAC: 19%



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

1H16 ROAC: 22%



Amounts in m EUR

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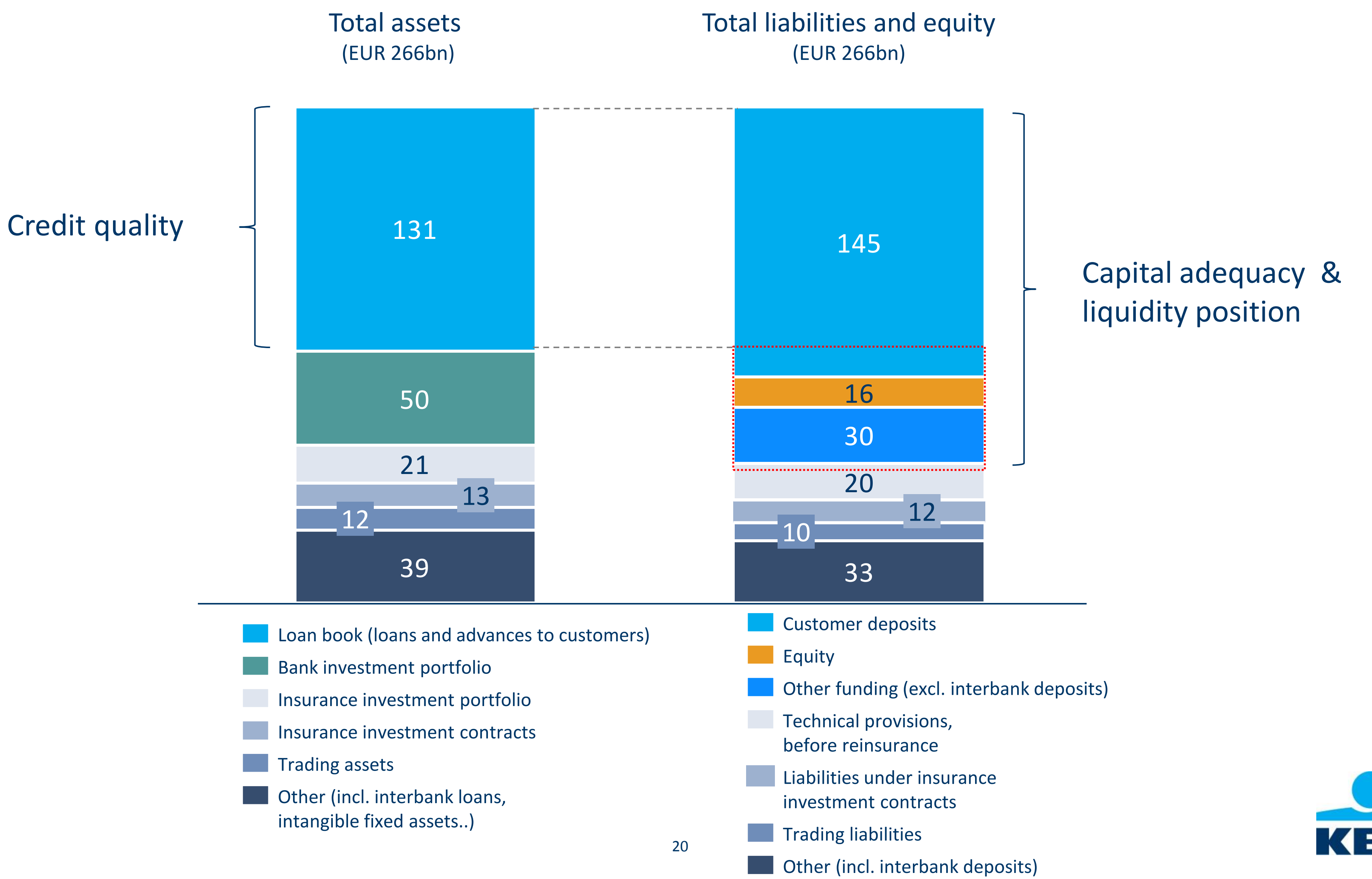
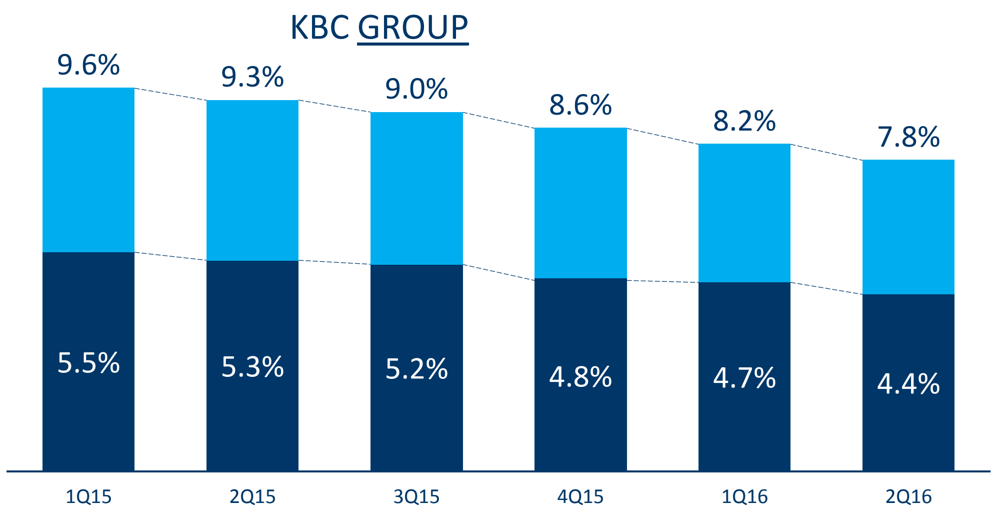
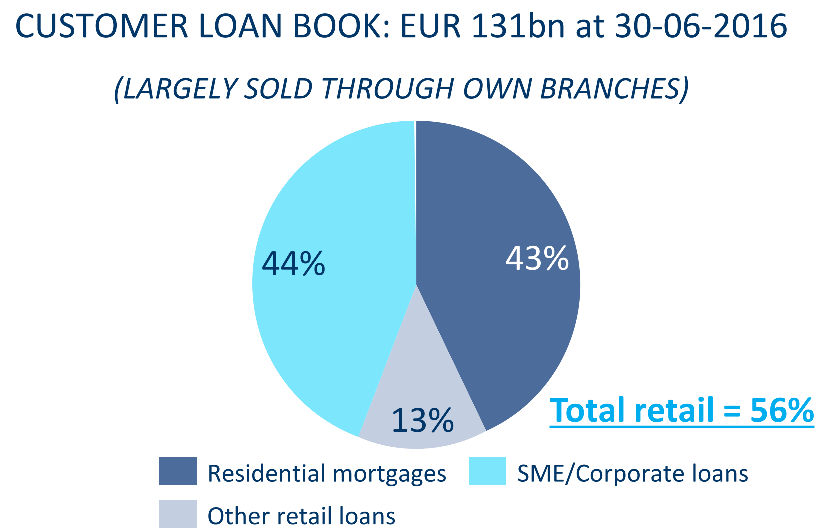
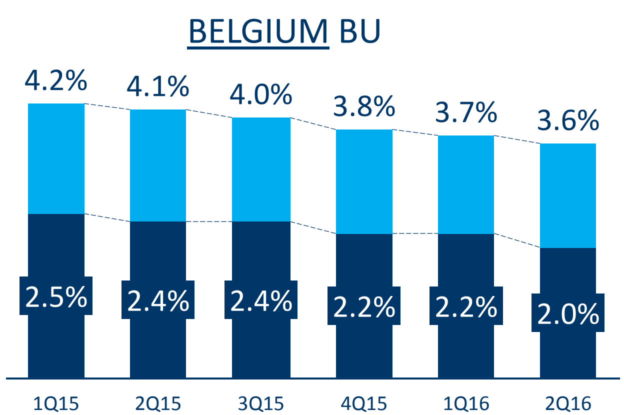
Balance sheet
(KBC Group consolidated at 30 June 2016)

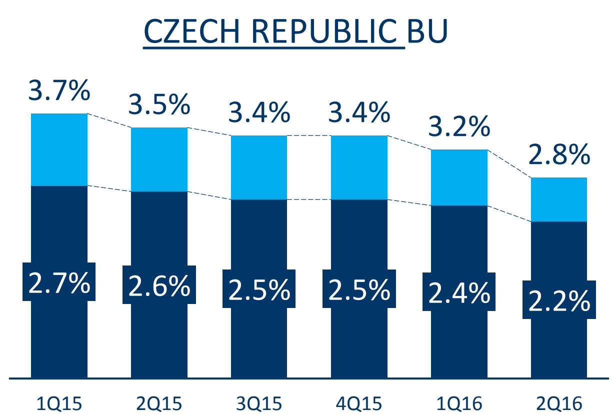


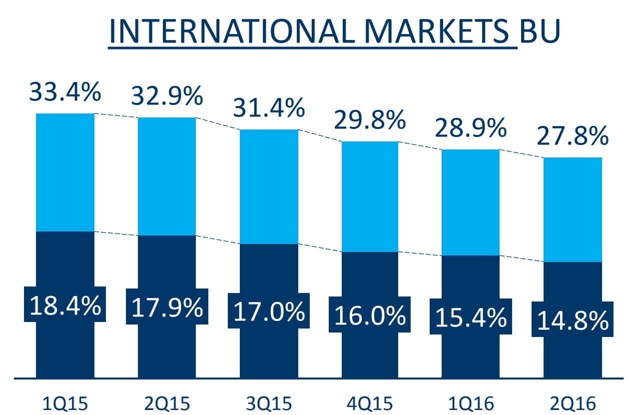
Impaired loans ratios of KBC Group and per Business Unit, *incl. of which over 90 days past due*









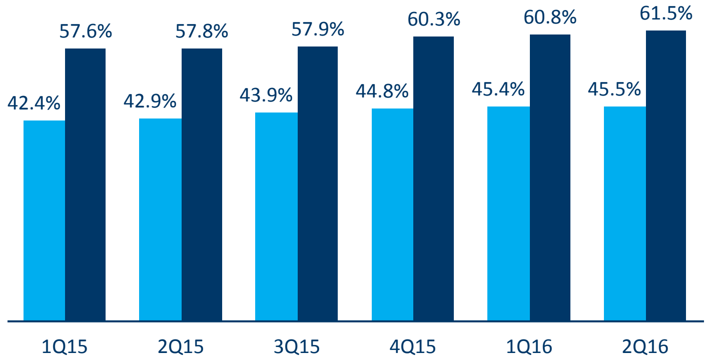


Impaired loans ratio * of which over 90 days past due **

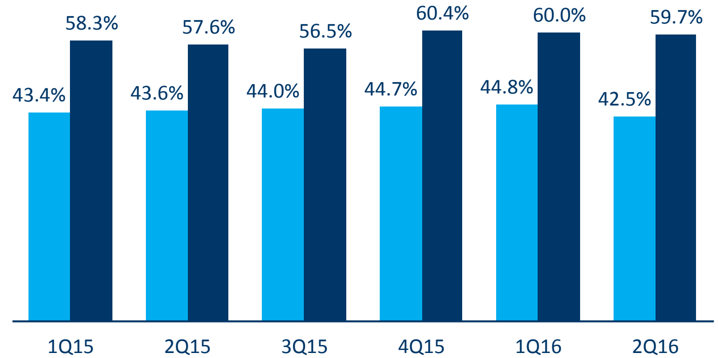
* Impaired loans ratio : total outstanding impaired loans (PD 10-12)/total outstanding loans
** of which total outstanding loans with over 90 days past due (PD 11-12)/total outstanding loans

Cover ratios

KBC GROUP



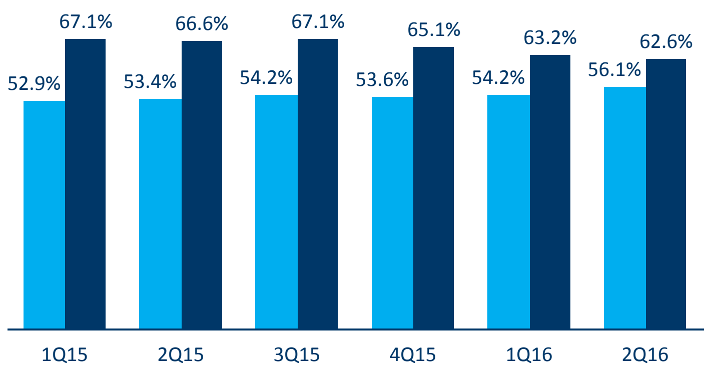
BELGIUM BU



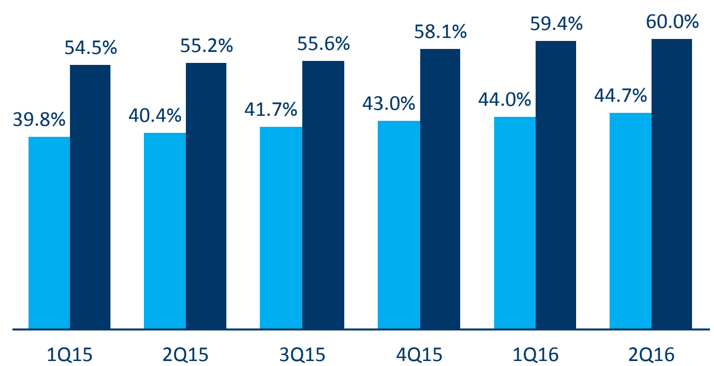
Impaired loans cover ratio *

Cover ratio for loans with over 90 days past due **

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU



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

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

Loan loss experience at KBC

	1H16 CREDIT COST RATIO	FY15 CREDIT COST RATIO	FY14 CREDIT COST RATIO	FY13 CREDIT COST RATIO	FY 2012 CREDIT COST RATIO	AVERAGE '99 –'15
Belgium	**0.07%**	**0.19%**	0.23%	0.37%	0.28%	n/a
Czech Republic	**0.09%**	**0.18%**	0.18%	0.26%	0.31%	n/a
International Markets	**0.03%**	**0.32%**	1.06%	4.48%[1]	2.26%	n/a
Group Centre	**0.29%**	**0.54%**	1.17%	1.85%	0.99%	n/a
Total	**0.07%**	**0.23%**	**0.42%**	**1.21%**[2]	**0.71%**	**0.52%**

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

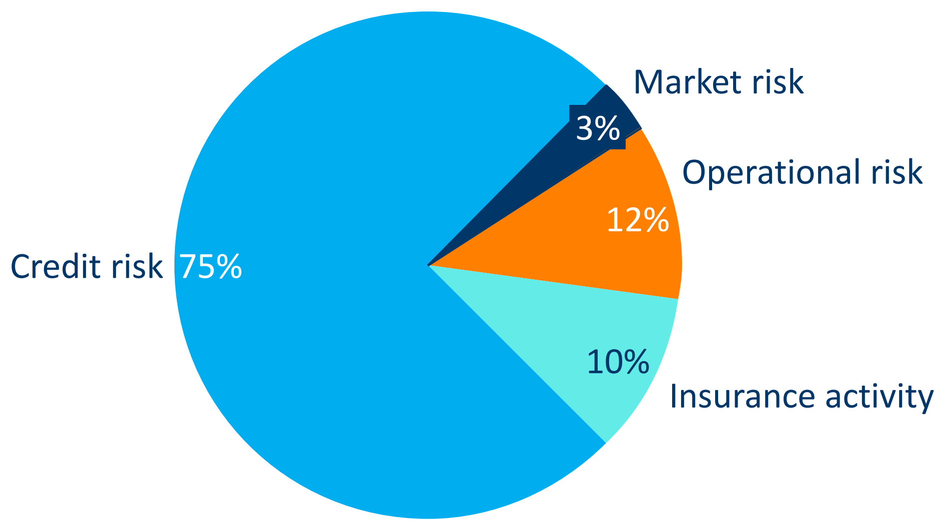
1 The high credit cost ratio at the International Markets Business Unit is due in full to KBC Bank Ireland. Excluding Ireland, the CCR at this business unit amounted to 108 bps in FY13

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

Limited trading activity at KBC Group

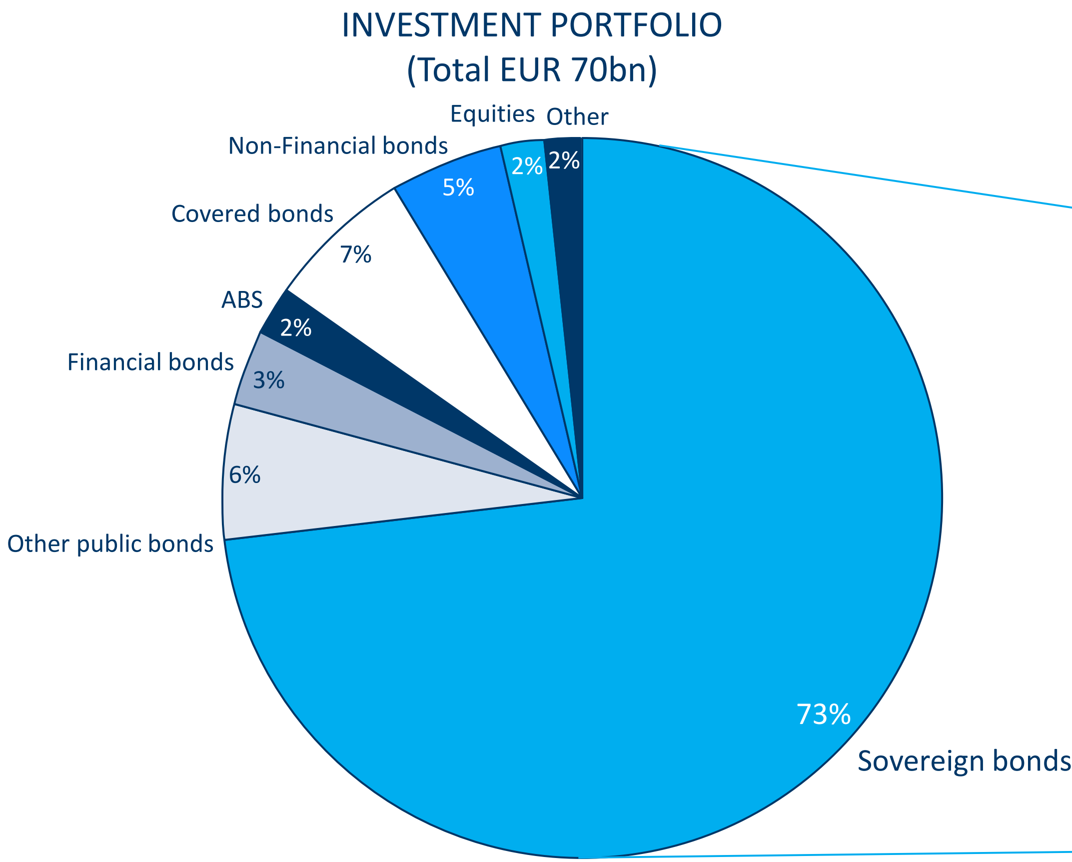
BREAKDOWN ACCORDING TO RWA*

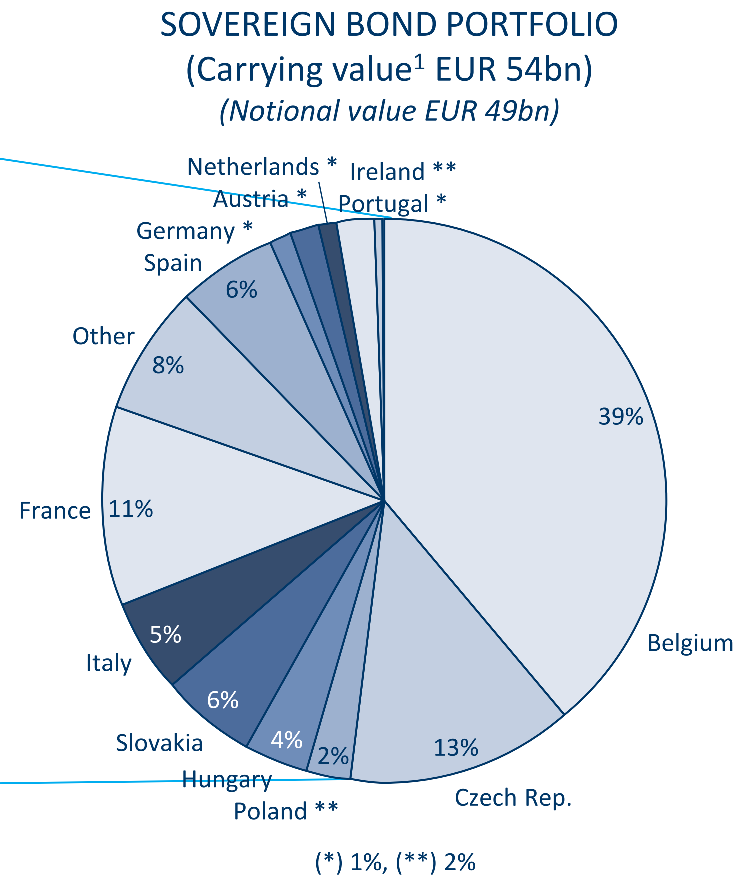
30-06-2016



* RWA on fully loaded basis and under Danish Compromise

Investment portfolio (as per 30/06/2016)





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

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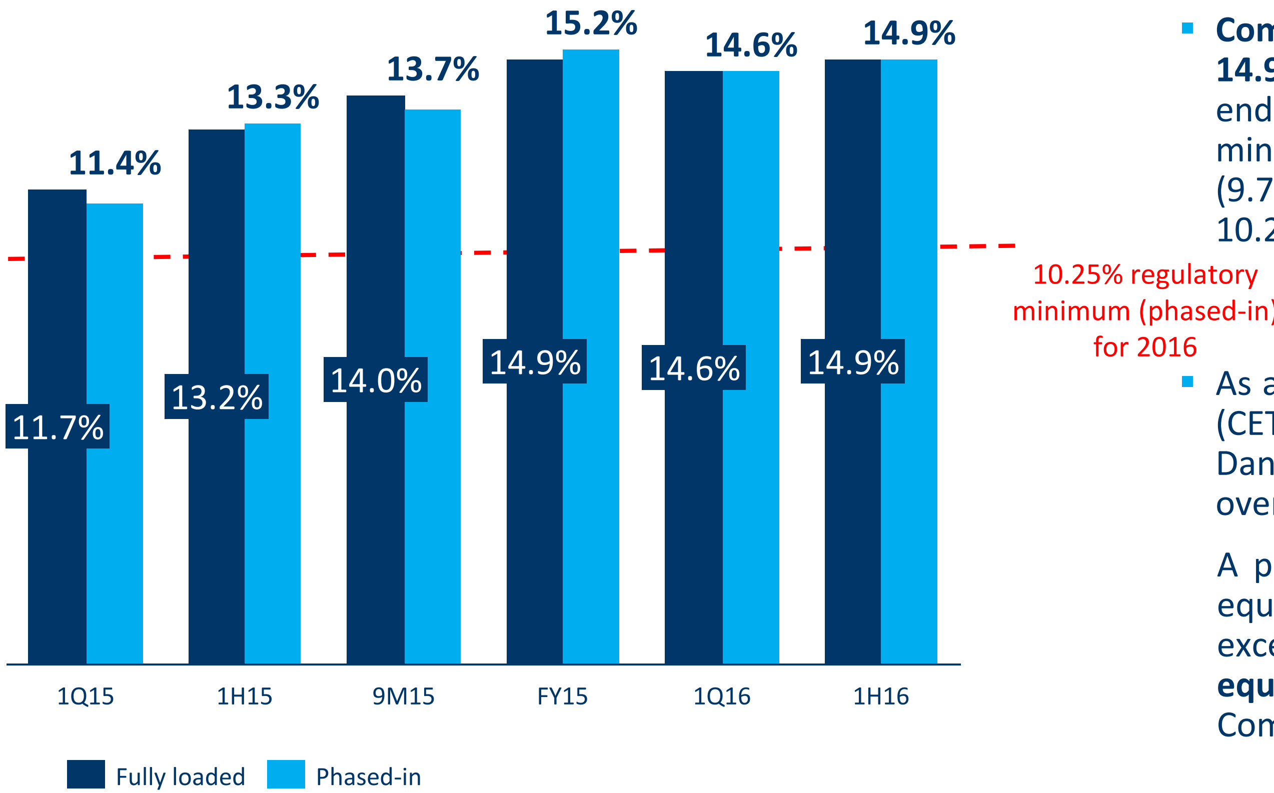
Strong capital position

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



- **Common equity ratio (B3 phased-in) of 14.9%** based on the Danish Compromise at end 1H16, which **clearly exceeds** the 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.

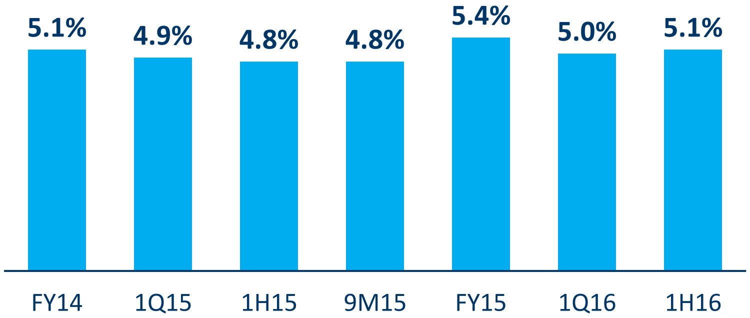
  A pro forma fully loaded minimum common equity ratio translation to 11.25% was clearly exceeded with a **fully loaded B3 common equity ratio of 14.9%** based on the Danish Compromise at end 1H16

Total distributable items (under Belgian GAAP) KBC Group 6.9bn EUR, of which:

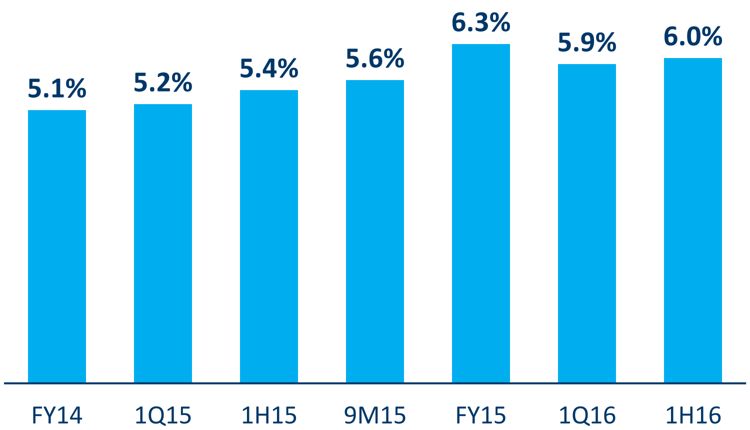
- available reserves 1.3bn EUR
- accumulated profits (losses) 5.6bn EUR

Fully loaded Basel 3 leverage ratio

Fully loaded Basel 3 leverage ratio at KBC Bank



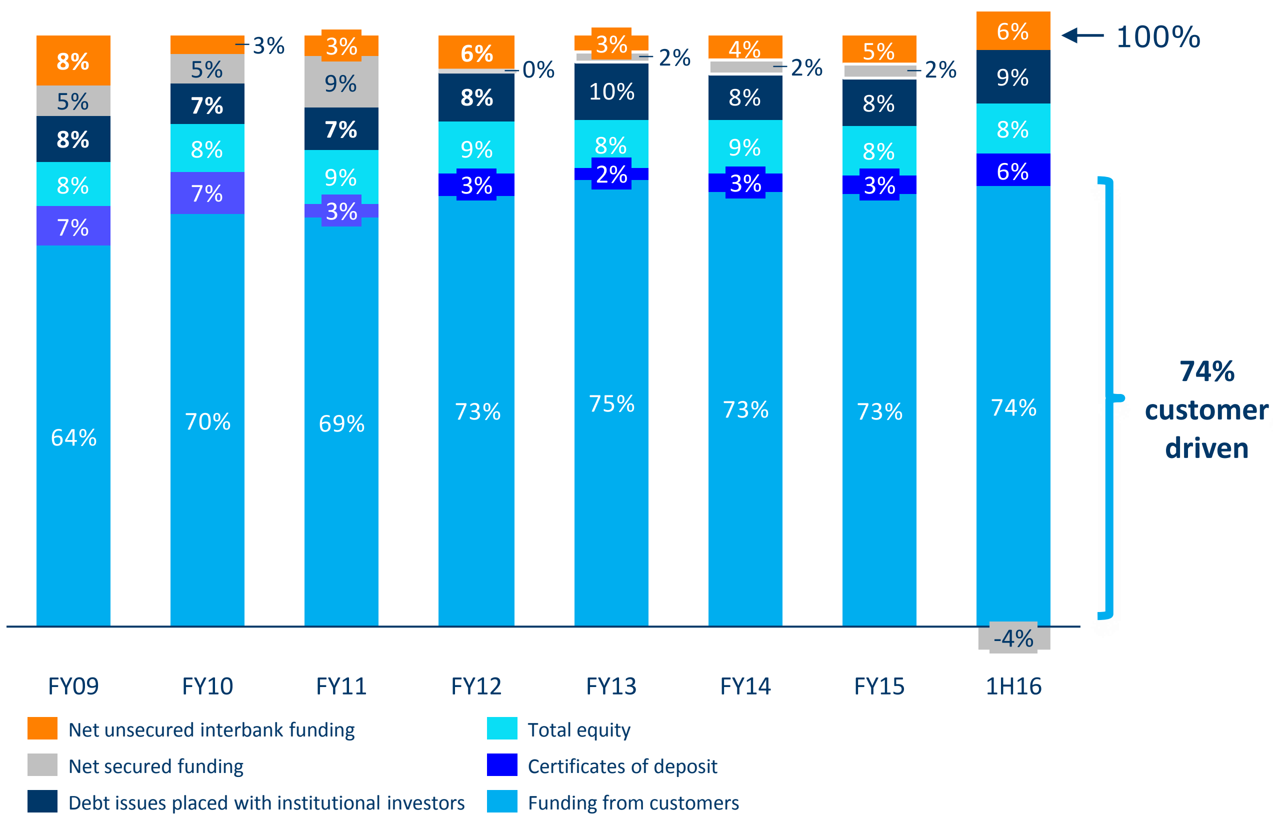
Fully loaded Basel 3 leverage ratio at KBC Group

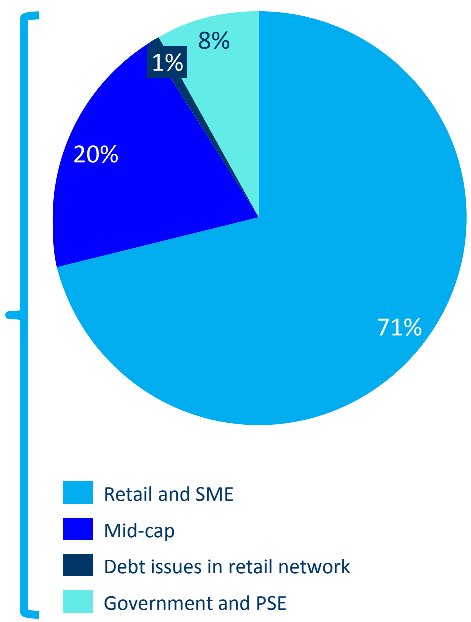


- **Fully loaded B3 leverage ratio, based on the current CRR legislation** (which was adapted during 4Q14):
  - **5.1%** at KBC Bank consolidated level
  - **6.0%** at KBC Group level

Solid liquidity position (1)

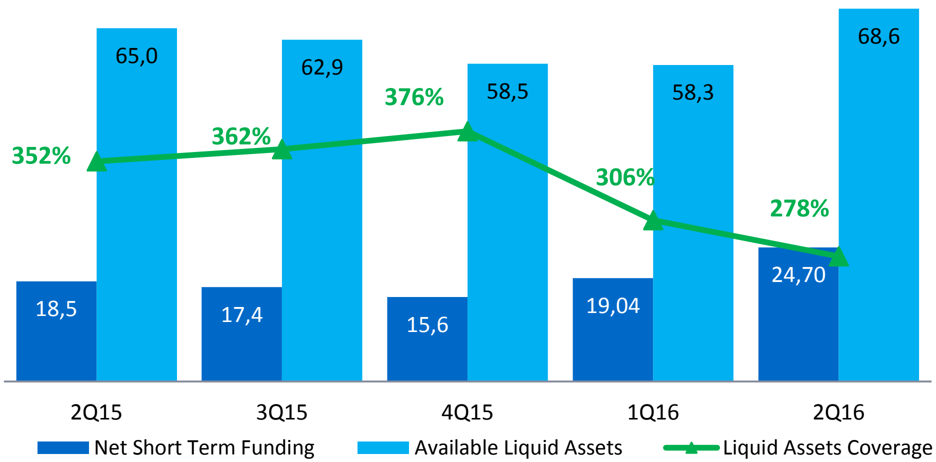
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments & markets





Solid liquidity position (2)

Short term unsecured funding KBC Bank vs Liquid assets as of end June 2016 (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 almost 3 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	FY15	1H16	Target
NSFR*	121%	123%	>105%
LCR*	127%	132%	>105%

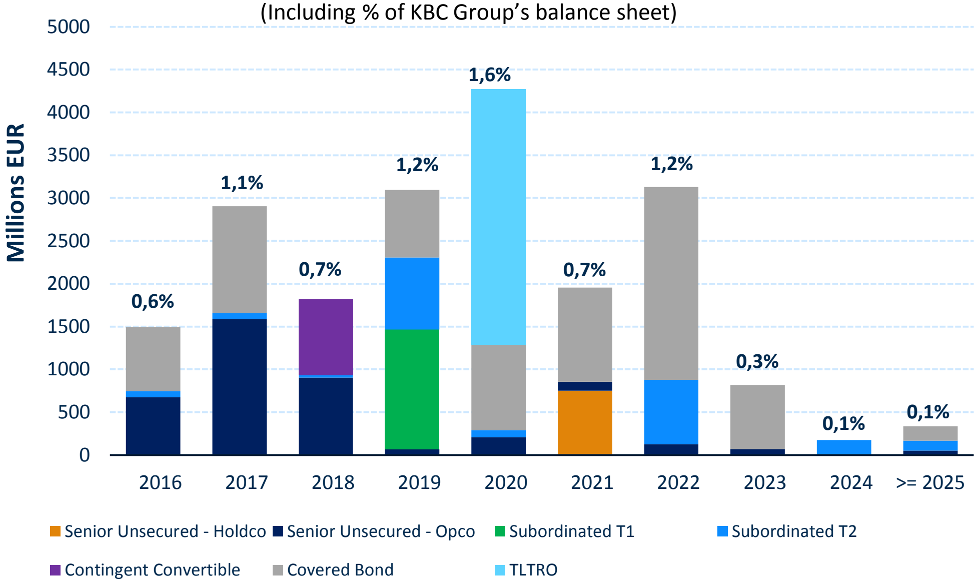
** Liquidity coverage ratio (LCR) is based on the Delegated Act requirements, while the Net Stable Funding Ratio (NSFR) is based on KBC's interpretation of current Basel Committee guidance*

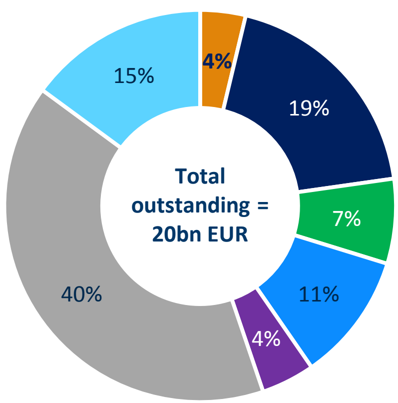
- **NSFR is at 123% and LCR is at 132% by the end of 1H16**
  - Both ratios were well above the minimum target of at least 105%, in compliance with the implementation of Basel 3 liquidity requirements

Upcoming mid-term funding maturities

Breakdown Funding Maturity Buckets

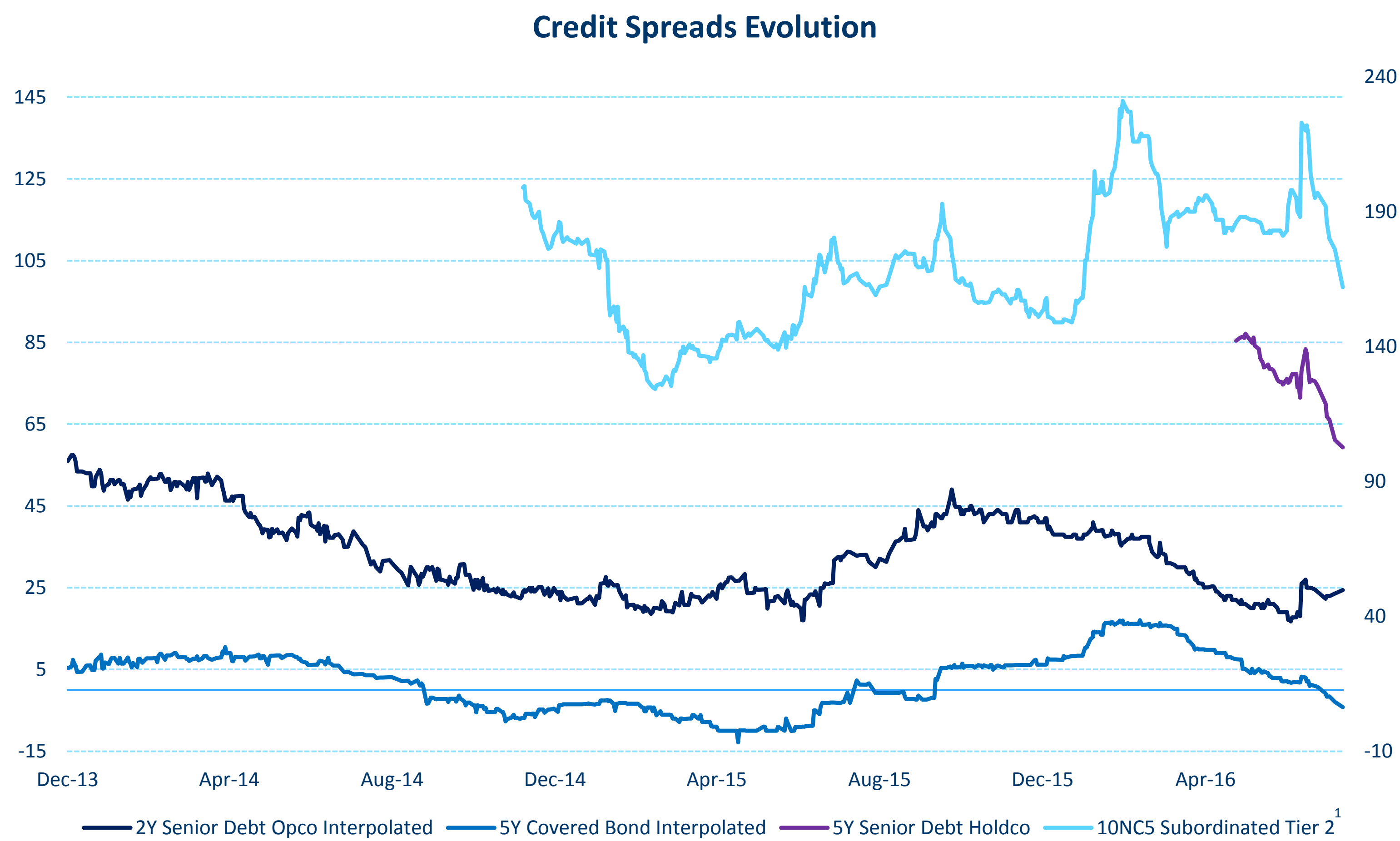
(Including % of KBC Group's balance sheet)





- KBC Group has also successfully issued an inaugural 750m EUR senior unsecured bond with 5-year maturity in April 2016
- KBC's credit spreads have narrowed during 2Q16
- 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
  - Senior unsecured, 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.*

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

- **KBC HAS ISSUED 8 SUCCESSFUL BENCHMARK COVERED BONDS AND PRIVATE PLACEMENTS FOR AN AMOUNT OF 8.06BN EUR**
  - KBC's 10bn EUR covered bond programme is rated Aaa/AAA (Moody's/Fitch)
  - CRD and UCITS compliant / 10% risk-weighted
  - All issues performed well in the secondary market

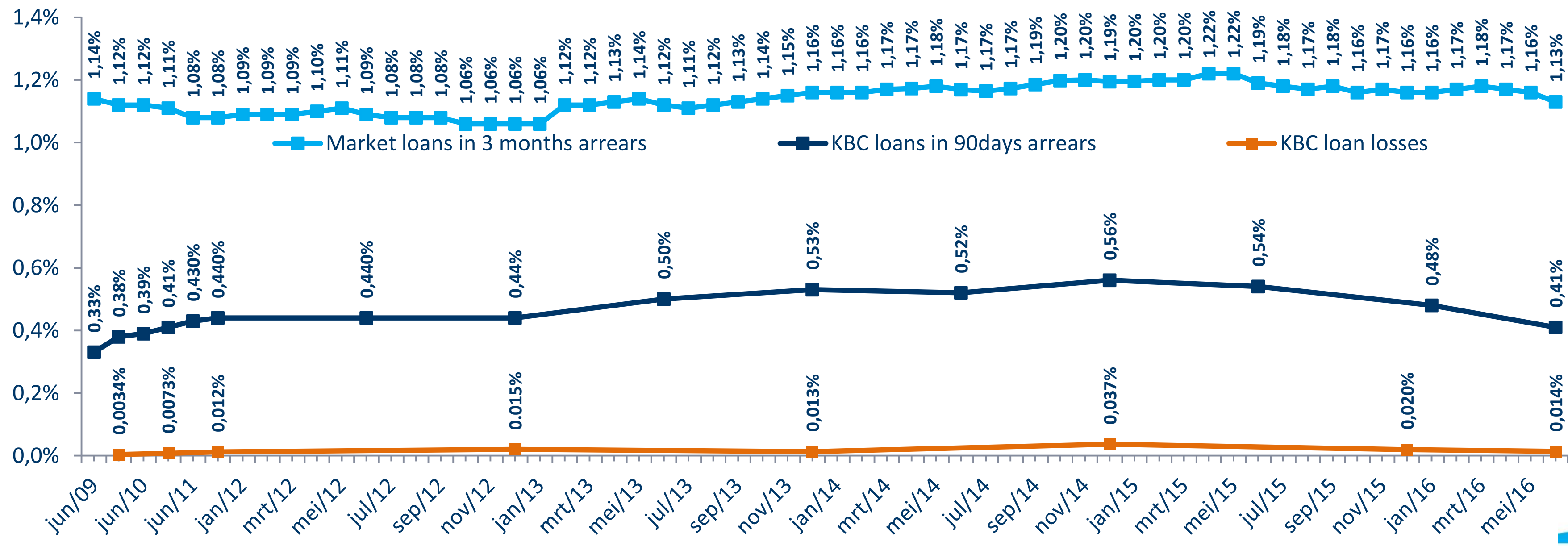
- **KBC'S COVERED BONDS ARE BACKED BY STRONG LEGISLATION AND SUPERIOR COLLATERAL**
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - Direct covered bond issuance from a bank's balance sheet
  - Dual recourse, including recourse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

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

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

- **COVER POOL: BELGIAN RESIDENTIAL MORTGAGE LOANS**
  - Exclusively, this is selected as 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 (63%) and high seasoning (45 months)

- **KBC HAS A DISCIPLINED ORIGINATION POLICY**
  - 2009 to 2016 residential mortgage loan losses below 4 bp
  - Arrears in Belgium approx. stable over the past 10 years:
    - (i) Cultural aspects, stigma associated with arrears, importance attached to owning one's property
    - (ii) High home ownership also implies that the change in house prices itself has limited impact on loan performance
    - (iii) Well established credit bureau, surrounding legislation and positive property market



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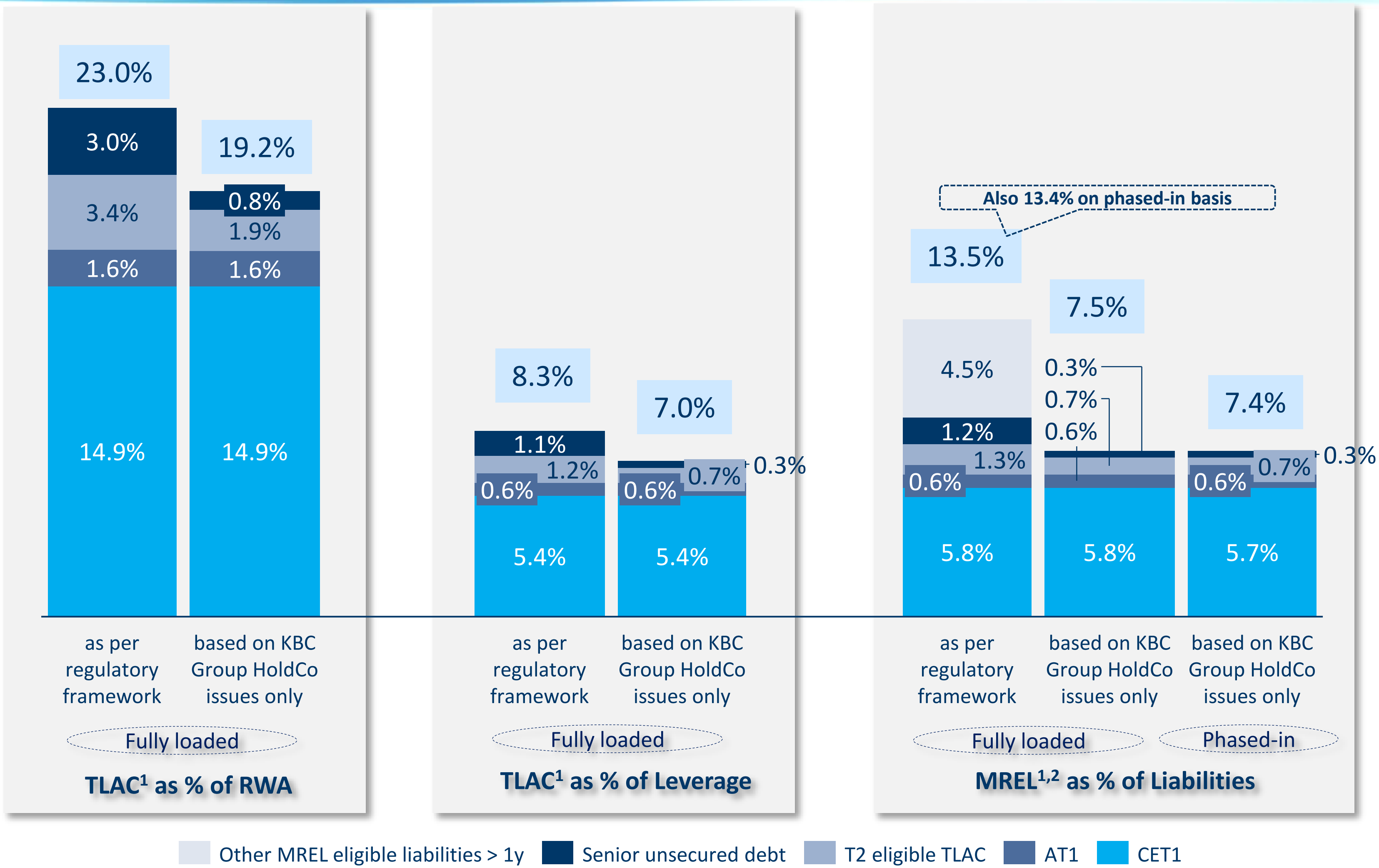
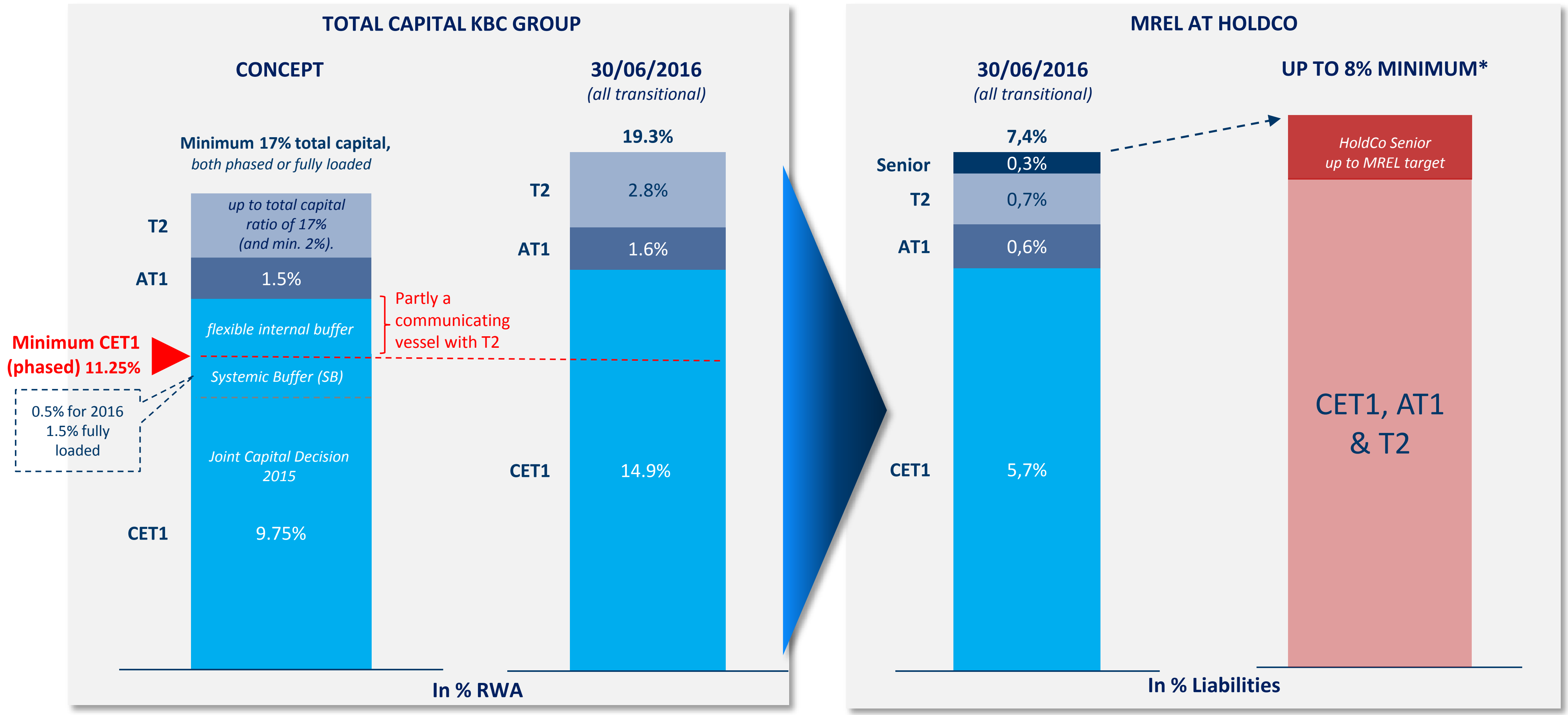
KBC Group: Already comfortable bail-in buffer (30/06/2016)



1 TLAC: Total loss-absorbing capacity / MREL: Minimum Requirement for own funds and Eligible Liabilities

2 Resolution strategy and the individual institution MREL requirements are subject to the decision of the Single Resolution Board

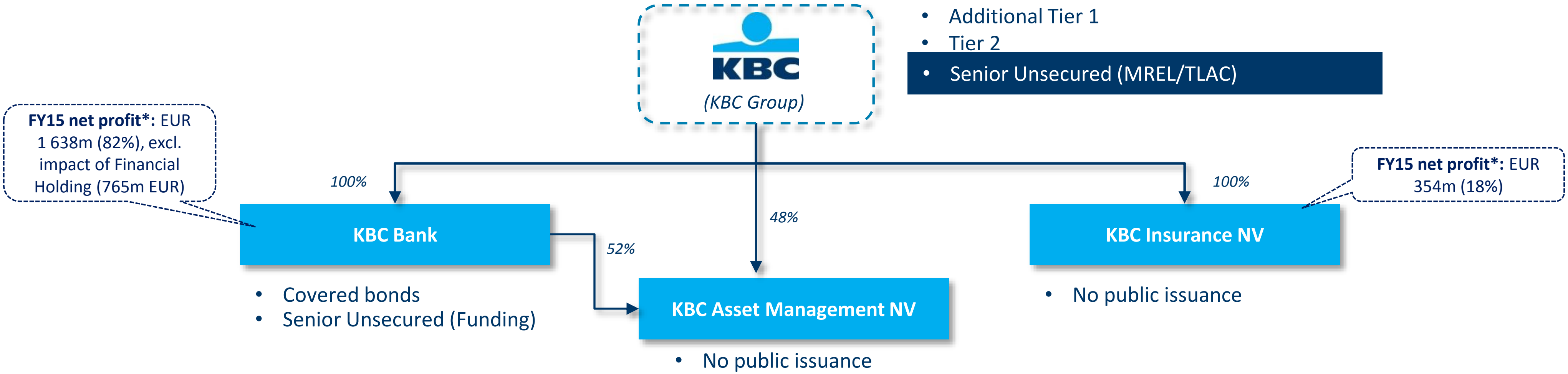
KBC Group: Moving towards MREL via HoldCo issues*



KBC Bank has a limited reliance on wholesale funding and has a number of transactions through KBC IFIMA (fully guaranteed subsidiary of KBC Bank) outstanding. Going forward, KBC will issue public senior unsecured from KBC Group to fulfil MREL needs and use KBC IFIMA issues to supplement remaining wholesale funding needs

* Resolution strategy and the individual institution MREL requirements are subject to the decision of the Single Resolution Board.

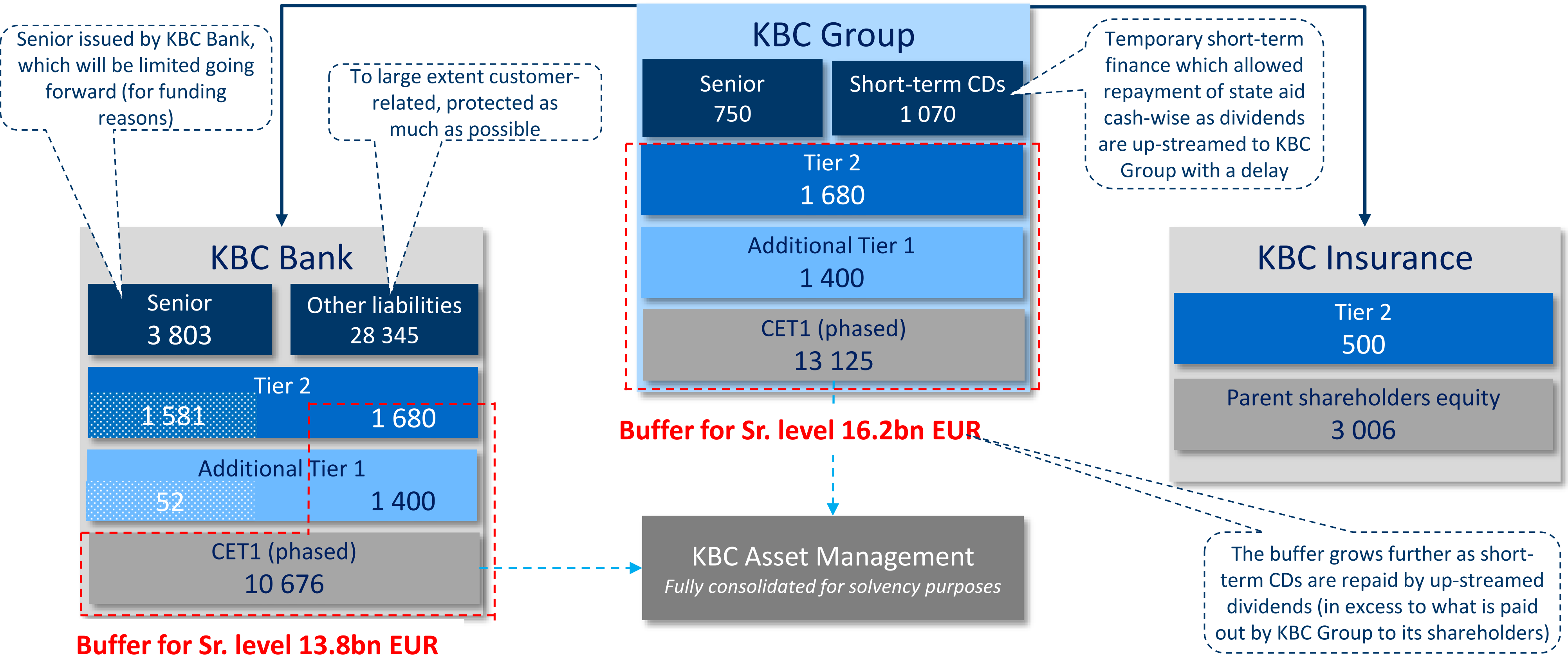
KBC has a diversified holding structure which helps mitigate risks



- KBC'S DIVERSIFIED GROUP STRUCTURE ALLOWS HOLDCO DEBT INVESTORS TO HAVE A CLAIM ON SUBSIDIARIES THAT ARE LESS IMPACTED BY LOSSES (LOWER CORRELATION BETWEEN ENTITIES) OR THAT ARE EVEN OUTSIDE THE RESOLUTION PERIMETER:
  - in a case where KBC Bank is fully wiped out by losses, investors in KBC Group will always have a claim on KBC Insurance and on part of KBC Asset Management
  - In a case where KBC Insurance is fully wiped out by losses, investors in KBC Group will always have a claim on KBC Bank and on part of KBC Asset Management *(note that, KBC Insurance is outside the scope of BRRD)*
- ISSUING SENIOR UNSECURED FROM KBC GROUP WILL PROVIDE FOR EXTRA CUSHION TO THE SENIOR DEBT INVESTORS AT KBC BANK LEVEL GIVEN THE SUBORDINATED ON-LOAN
- FROM KBC PERSPECTIVE, THE BANK-INSURANCE MODEL (I.E. OUR LONG-TERM STRATEGIC VIEW) IS MAINTAINED IN ALL BUT THE MOST EXTREME RESOLUTION SCENARIOS
- WILL KBC ISSUE FROM OTHER ENTITIES WITHIN THE GROUP?
  - Recent capital issuances (AT1 & T2) have come from KBC Group – this approach will continue in the future *(providing support to potential KBC Group senior creditors)*
  - Covered bonds will continue to be issued by KBC Bank
  - Senior unsecured from KBC Bank for funding reasons

* Before intragroup / consolidation effects

KBC has strong buffers cushioning Sr. debt at all levels



Legacy AT1 & T2 issued by KBC Bank and will disappear over time

- **MREL GROUP INSTRUMENTS** = 7.4% (13.1+1.4+1.7+0.8)/228 510)
- **MREL KBC GROUP INSTRUMENTS + BANK INSTRUMENTS** = 13.4% BASED ON PHASED CET1 (13.5% ON FULLY LOADED BASIS)

31/12/2015 – nominal amounts in million EUR

Key investment highlights

- ✓ **KBC is one of the strongest capitalised and most capital generative financials in Europe**
  - Compared with other European financials to have issued from their Holding Companies, KBC has one of the strongest leverage ratios and one of the highest CET1 and total capital positions
  - According to market estimates, KBC generates at least an approximated additional 2% of CET1 on a yearly basis before dividends
  - Proven track record of prudent capital management (e.g. shareholder loans (2013), capital increase (2012), final repayment of YES (2015))

- ✓ **Given its already strong capitalisation and liquidity, KBC currently foresees relatively limited amounts of senior debt in the future to reach MREL targets (at group level) and/or to complete its funding needs**

- ✓ **A really diversified holding company and the absence of ring-fencing helps to mitigate the risks of structural subordination of Senior debt of KBC Group compared to other issuers**

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Wrap up

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

Looking forward

- ✓ KBC Group is the bank-insurer that puts its clients centre stage, even in demanding economic circumstances

- ✓ We expect the remainder of 2016 to be a year of sustained economic growth in both the euro area and the US, despite the continuing low level of interest rates, the volatility on the financial markets and higher than average economic & political uncertainty

- ✓ Management guides for:
  - continued stable and solid returns for the Belgium& Czech Republic Business Units
  - loan impairments for Ireland towards a 0m-40mEUR range for FY16
  - a phased-in B3 common equity ratio of minimum 10.25% for 2016
  - LCR and NSFR of at least 105%

KBC Group introduces an interim dividend policy

✓ KBC refines its dividend policy:

- Starting as of this year, KBC aims to pay each year an interim dividend of 1 EUR per share in November of the accounting year, as an advance on the total dividend. This will ensure a more evenly distributed cash flow to shareholders throughout the year
- The current pay-out ratio policy (i.e. dividend + AT1 coupon) of at least 50% of consolidated profit is confirmed

✓ At its meeting held on 10 August 2016, the KBC Board of Directors approved an interim dividend* of 1 EUR per share, an advance payment on the total 2016 dividend. This dividend will be paid on 18 November 2016

* Ex-coupon date: 16 November 2016; Payment date: 18 November 2016

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KBC 2015 benchmarks

KBC 7Y Fixed – Covered – BE0002482579

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

KBC 12NC7 Fixed – Tier 2 – BE0002485606

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

KBC 6Y Fixed – Covered – BE0002489640

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

KBC 2016 Benchmarks

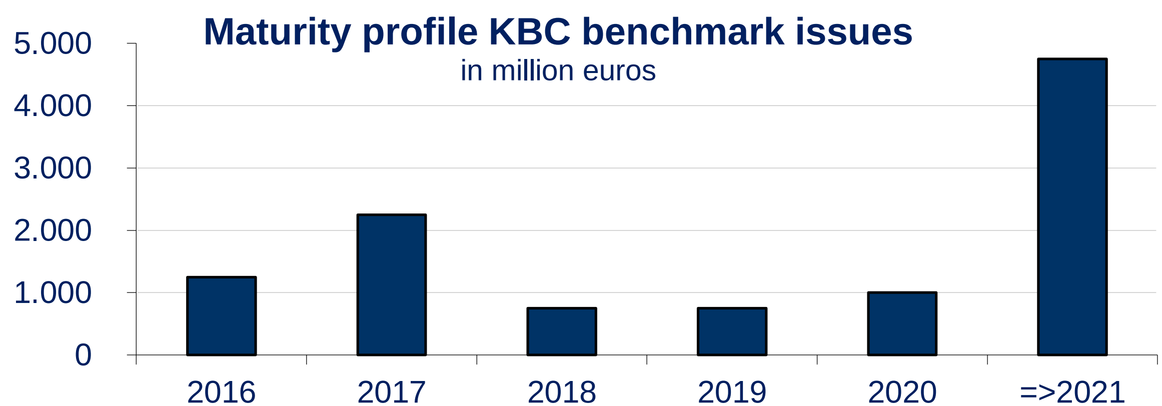
- KBC 6.5Y Fixed – Covered – BE0002498732
  - Notional: 1.25bn EUR
  - Issue Date: 01 March 2016 – Maturity: 01 September 2022
  - Coupon: 0.375% A, Act/Act
  - Re-offer spread: Mid Swap +19 bp (issue price 99.770%)
  - Joint lead managers: KBC, Commerzbank, Credit Agricole, LBBW and Credit Suisse

- KBC Groep 5Y Fixed – Senior – BE6286238561
  - Notional: 750m EUR
  - Issue Date: 26 April 2016 – Maturity: 26 April 2021
  - Coupon: 1%, A, Act/Act
  - Re-offer spread: Mid Swap +112bp (issue price 99.396%)
  - Joint lead managers: KBC, Deutsche Bank, Goldman Sachs, JP Morgan and Société Générale

Outstanding benchmarks

Issuer	Curr	Amount issued	Coupon	Settlement Date	Maturity Date	ISIN	YEAR
			Tranche Report				
			UNSECURED				
KBC Ifima N.V.	EUR	1 000 000 000	4.5	27/03/2012	27/03/2017	XS0764303490	2017
KBC Ifima N.V.	EUR	500 000 000	3	29/08/2012	29/08/2016	XS0820869948	2016
KBC Ifima N.V.	EUR	750 000 000	2.125	10/09/2013	10/09/2018	XS0969365591	2018
KBC Group	EUR	750 000 000	1.000	26/04/2016	26/04/2021	BE6286238561	2021
			COVERED				
KBC Bank N.V.	EUR	1 250 000 000	1.125	11/12/2012	11/12/2017	BE6246364499	2017
KBC Bank N.V.	EUR	750 000 000	2	31/01/2013	31/01/2023	BE0002425974	2023
KBC Bank N.V.	EUR	1 000 000 000	1.25	28/05/2013	28/05/2020	BE0002434091	2020
KBC Bank N.V.	EUR	750 000 000	0.875	29/08/2013	29/08/2016	BE0002441161	2016
KBC Bank N.V.	EUR	750 000 000	1	25/02/2014	25/02/2019	BE0002462373	2019
KBC Bank N.V.	EUR	1 000 000 000	0.45	22/01/2015	22/01/2022	BE0002482579	2022
KBC Bank N.V.	EUR	1 000 000 000	0.125	28/04/2015	28/04/2021	BE0002489640	2021
KBC Bank N.V.	EUR	1 250 000 000	0.375	1/03/2016	01/09/2022	BE0002498732	2022

Total: EUR 10.75bn



Main characteristics of subordinated debt issues

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

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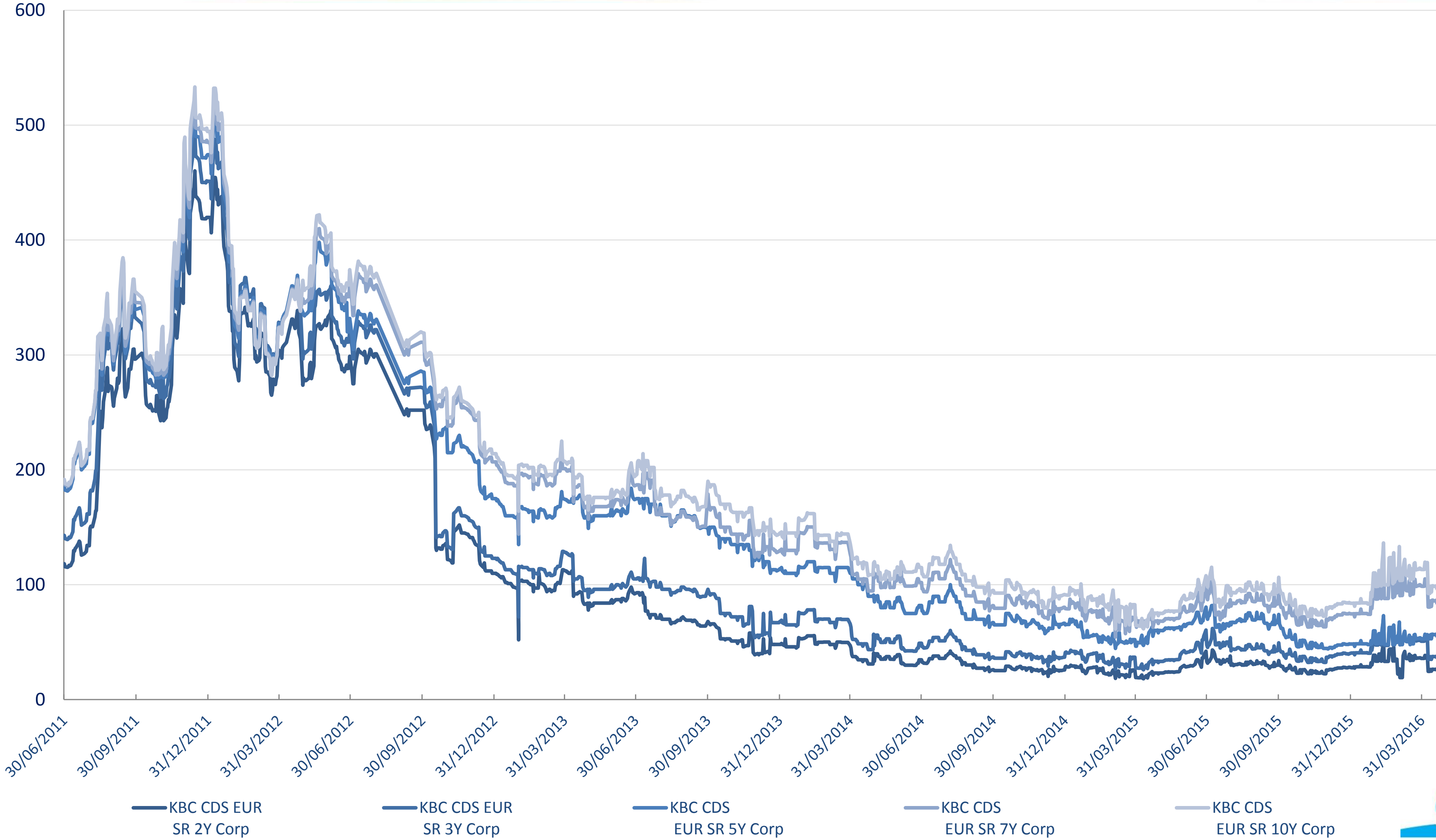
KBC Bank CDS levels (in bp)



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Key messages on KBC's covered bond programme

- **KBC's covered bonds are backed by strong legislation and superior collateral**
  - KBC's covered bonds are rated Aaa/AAA (Moody's/Fitch)
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - KBC has a disciplined origination policy – 2009 to 2016 residential mortgage loan losses below 4 bp
  - CRD and UCITS compliant / 10% risk-weighted

- **KBC already issued 8 successful benchmark covered bonds in different maturity buckets**

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

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

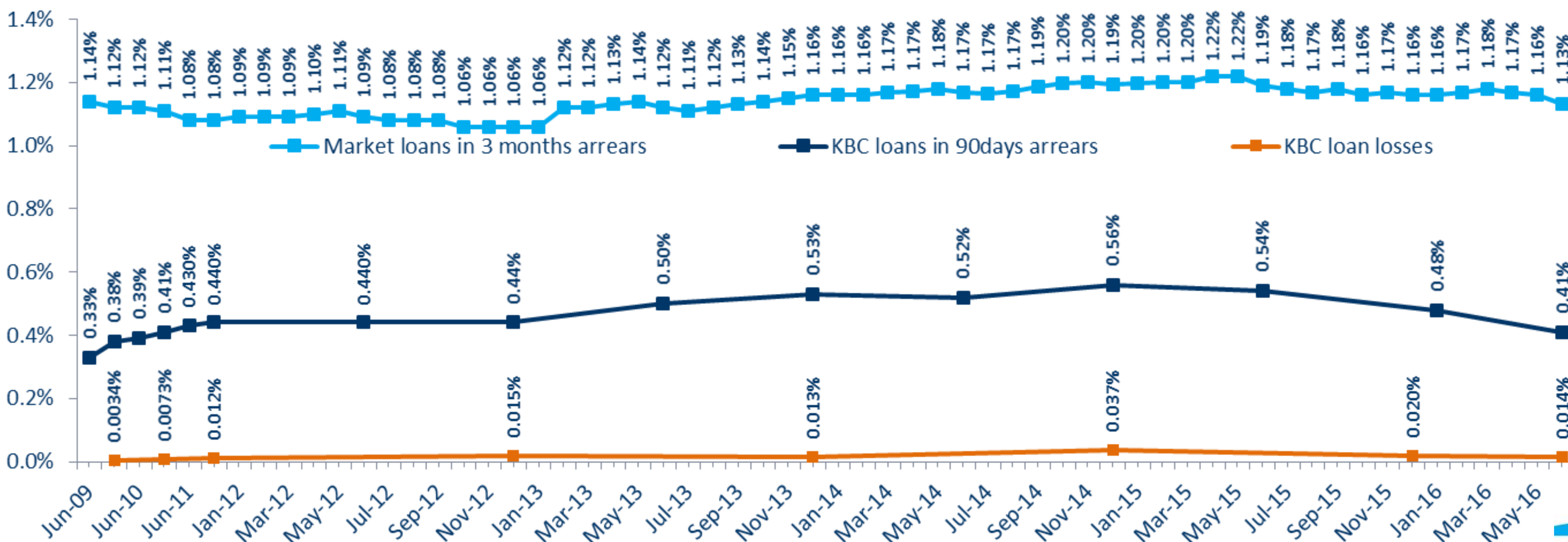
KBC's disciplined origination leads to low arrears and extremely low loan losses

BELGIUM SHOWS A SOLID PERFORMANCE OF MORTGAGES…

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

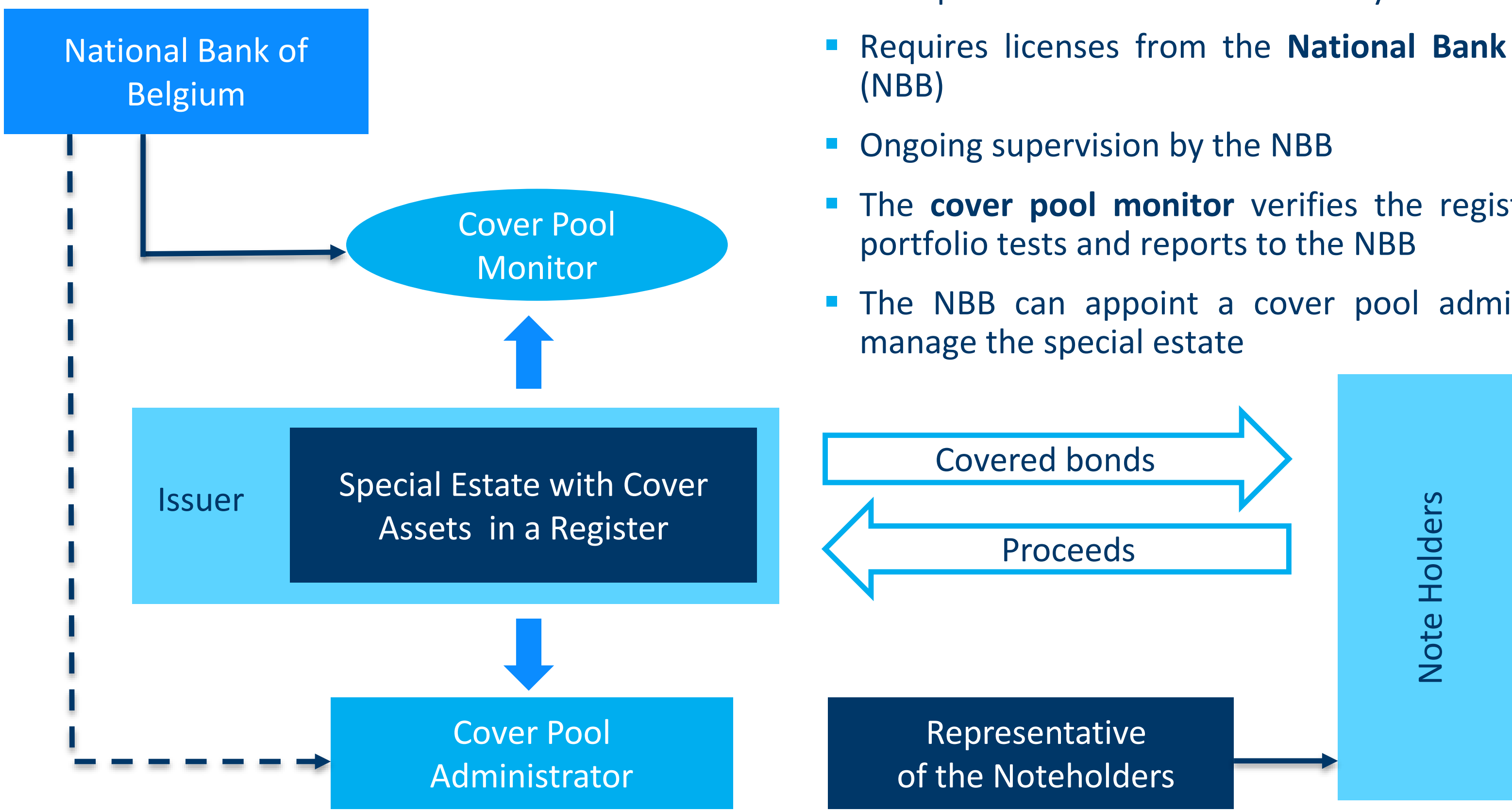
- Cultural aspects, stigma associated with arrears, importance attached to owning one's property
- High home ownership also implies that the change in house prices itself has limited impact on loan performance
- Well established credit bureau and surrounding legislation
- Housing market environment (no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

… AND KBC HAS EXTRAORDINARY LOW LOAN LOSSES



Belgian legal framework

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



Strong legal protection mechanisms

1 Collateral type

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

2 Over-collateralisation Test

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

3 Cover Asset Coverage Test

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

4 Liquidity Test

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

5 Cap on Issuance

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

KBC Bank NV residential mortgage covered bond programme

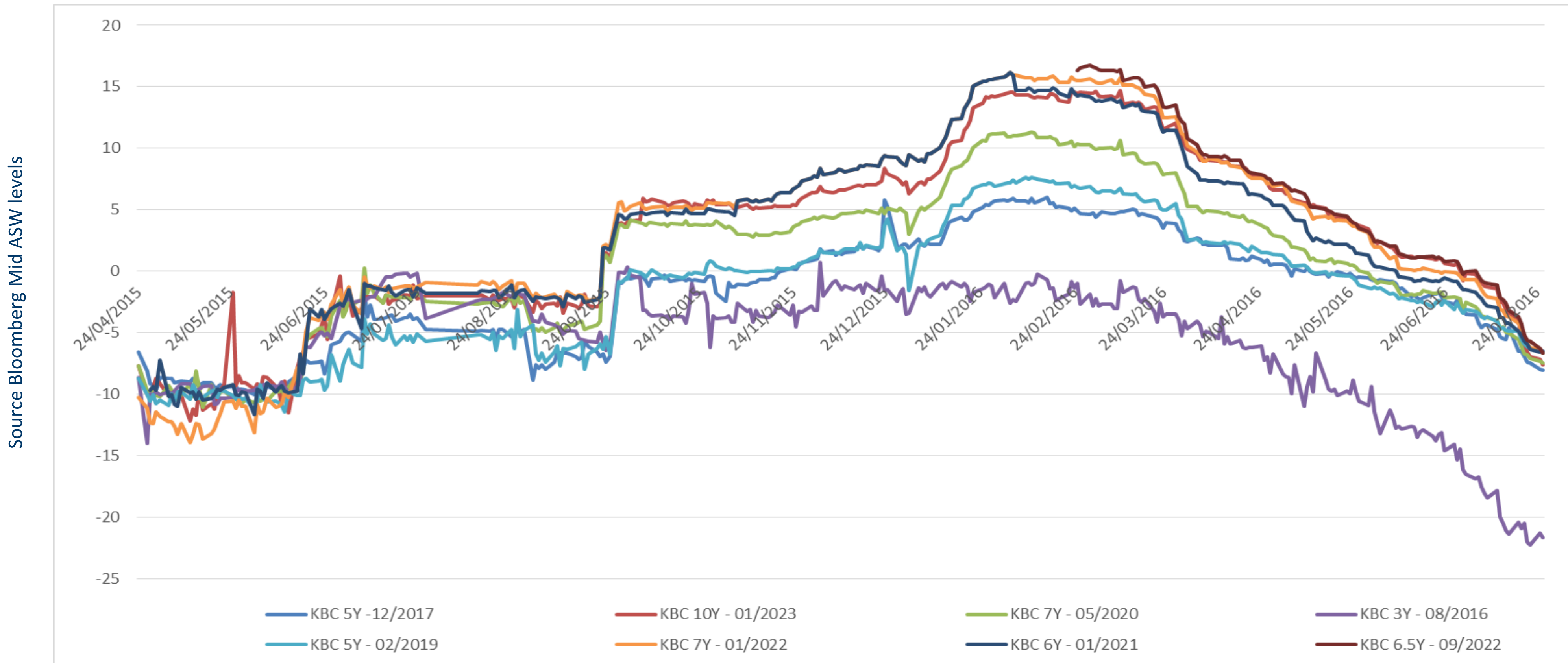
Issuer:	• KBC Bank NV
Main asset category:	• min 105% of covered bond outstanding is covered by residential mortgage loans and collections thereon
Programme size:	• Up to 10bn EUR (only)
Interest rate:	• Fixed rate, floating rate or zero coupon
Maturity:	• Soft bullet: payment of the principal amount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

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

Benchmark issuance KBC covered bonds

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

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



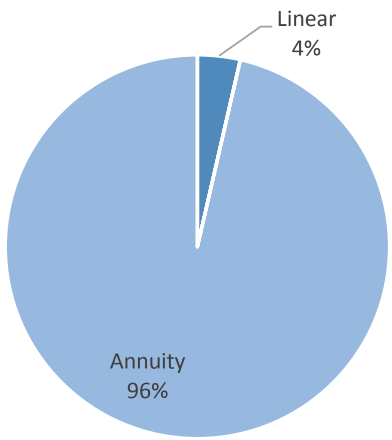
Key cover pool characteristics (1/3)

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

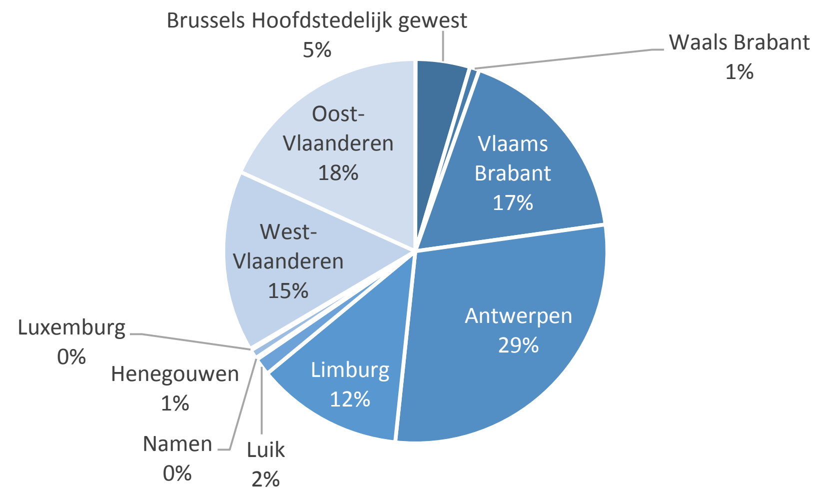
Portfolio data as of :	30 June 2016
Total Outstanding Principal Balance	11 596 646 222
Total value of the assets for the over-collateralisation test	10 724 067 927
No. of Loans	142 251
Average Current Loan Balance per Borrower	101 145
Maximum Loan Balance	1 000 000
Minimum Loan Balance	1 000
Number of Borrowers	101 707
Longest Maturity	359 month
Shortest Maturity	1 month
Weighted Average Seasoning	45 months
Weighted Average Remaining Maturity	191 months
Weighted Average Current Interest Rate	2.46%
Weighted Average Current LTV	63.4%
No. of Loans in Arrears (+30days)	214
Direct Debit Paying	97.8%

Key cover pool characteristics (2/3)

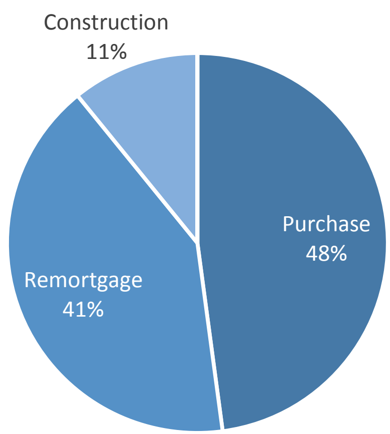
REPAYMENT TYPE (LINEAR VS. ANNUITY)



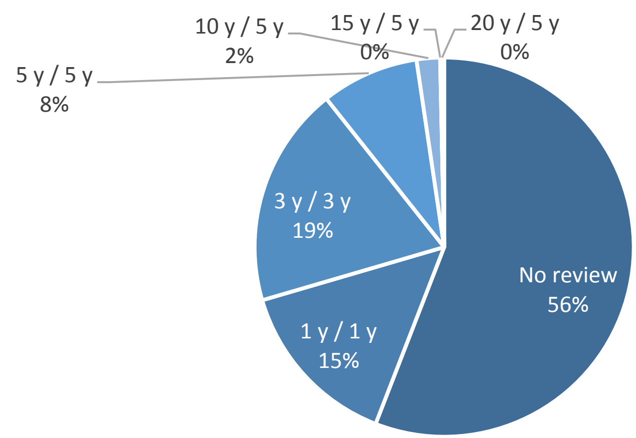
GEOGRAPHICAL ALLOCATION



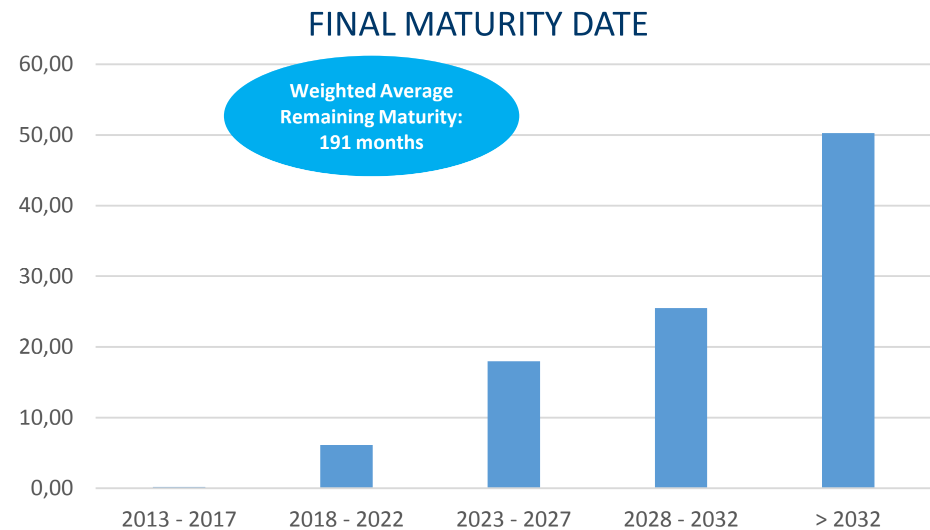
LOAN PURPOSE

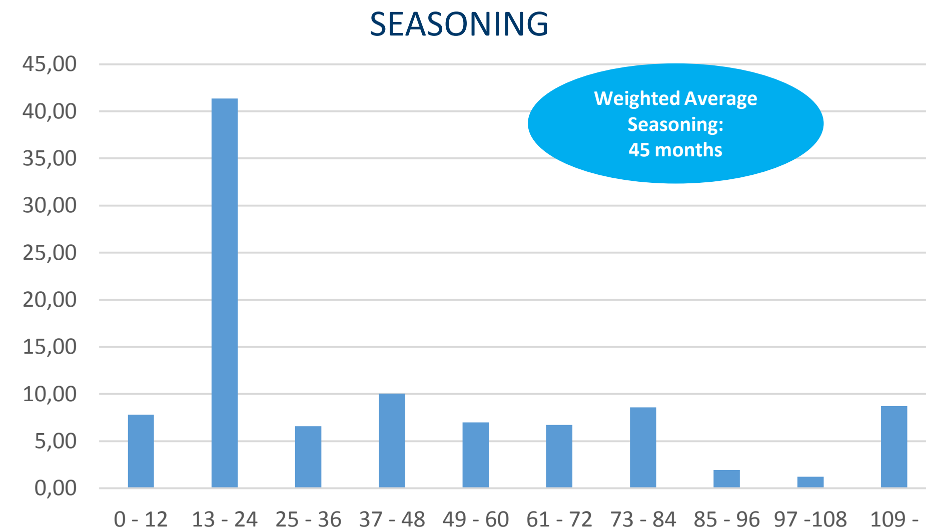


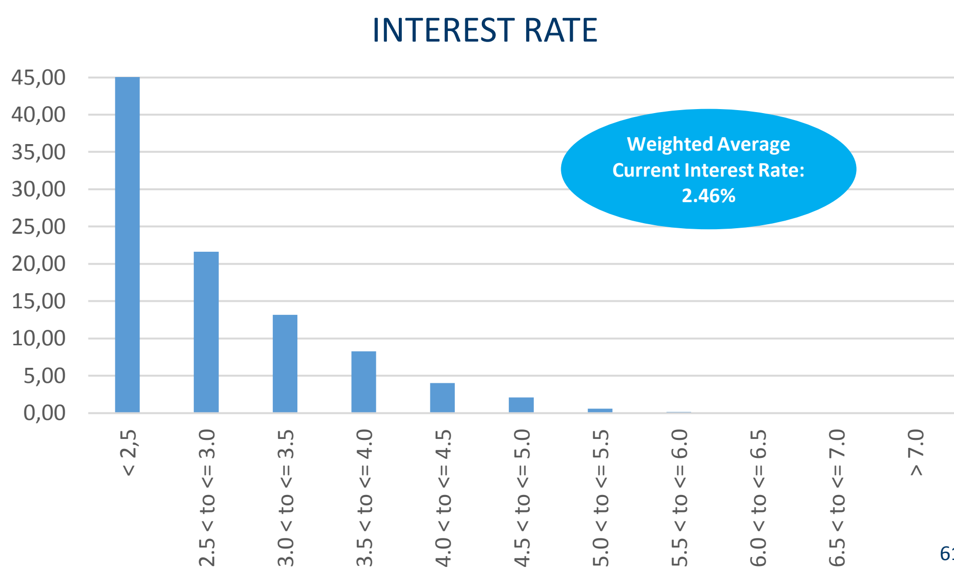
INTEREST RATE TYPE (FIXED PERIODS)

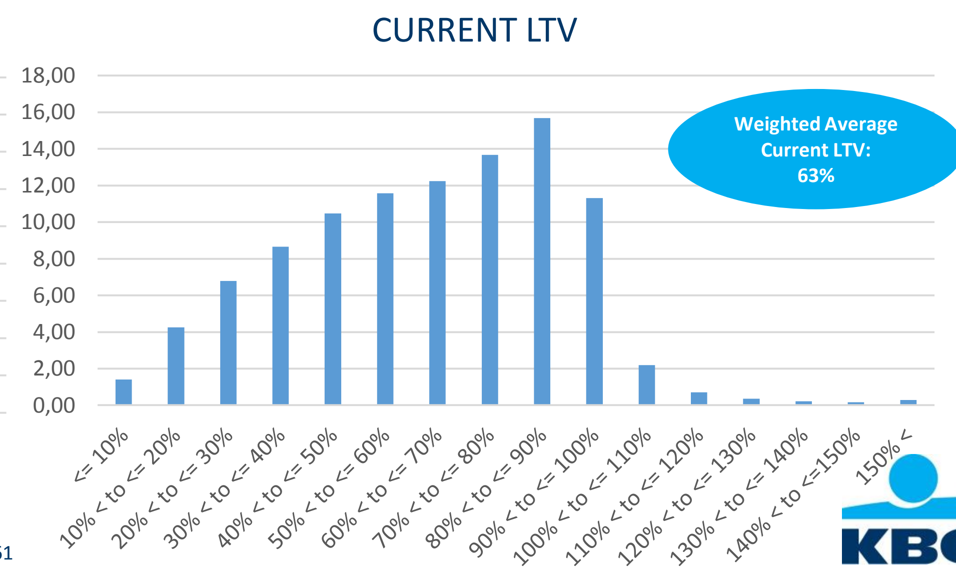


Key cover pool characteristics (3/3)









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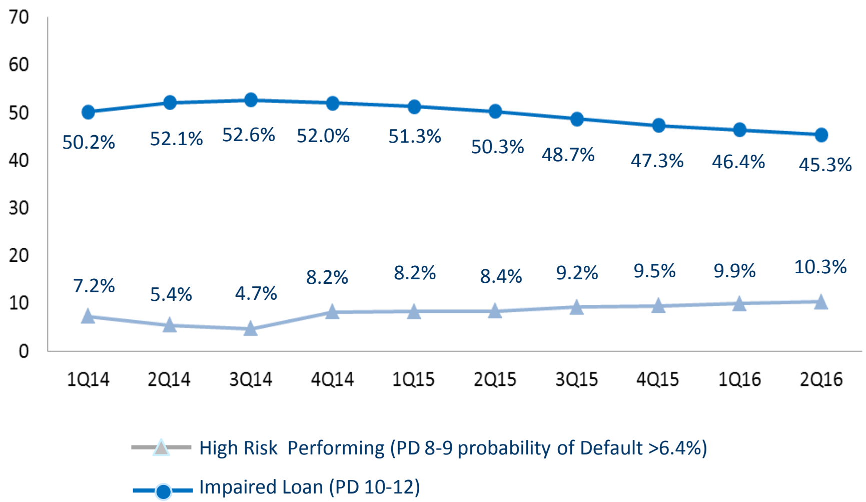
Ireland (1): profitable in 1H16 (53m EUR)

LOAN PORTFOLIO €	OUT-STANDING €	IMPAIRED LOANS €	IMPAIRED LOANS PD 10-12	SPECIFIC PROVISIONS €	IMPAIRED LOANS PD 10-12 COVERAGE
Owner occupied mortgages	9.0bn	2.9bn	32.6%	1.0bn	33%
Buy to let mortgages	2.4bn	1.7bn	68.2%	0.7bn	43%
SME /corporate	1.0bn	0.7bn	67.1%	0.4bn	61%
Real estate - Investment - Development	 0.8bn 0.3bn	 0.6bn 0.3bn	 76.2% 100.0%	 0.3bn 0.2bn	 56% 90%
Total	**13.5bn**	**6.1bn**	**45.3%**	**2.6bn**	**43%**

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



- Strong domestic activity suggests Irish GDP growth is likely to be about 4% in 2016, with the UK referendum vote likely to restrain growth in 2H16
- Domestic spending is expected to improve further, supporting solid jobs growth and driving a reduction in unemployment rate towards 7.8% at end 2Q16
- The housing market continues to recover with house price inflation easing gradually to a more sustainable level
- Customer Deposits (Retail & Corporate) net inflows of 0.1bn EUR in 2Q16, resulting in a deposit portfolio of 5.5bn EUR (compared with 5.4bn EUR in 1Q16). Growth of Customer Deposits amounted to 15% y-o-y
- Loan loss provision release of 1m EUR in 2Q16 compared with 3m EUR release in 1Q16. Coverage ratio increased from 42% in 1Q16 to 43% in 2Q16
- We are lowering our impairment guidance for Ireland, namely from the lower end of the 50m-100m EUR range for impairments towards a 0m-40m EUR range for FY16

Ireland (2): portfolio analysis

2Q16 Retail Portfolio

	PD	Exposure	Impairment	Cover %
Performing	PD 1-8	5,901	24	0.4%
	Of which non Forborne	5,839		
	Of which Forborne	61		
	PD 9	975	52	5.3%
	Of which non Forborne	243		
	Of which Forborne	732		
Impaired	PD 10	2,617	667	25.5%
	PD 11	1,227	428	34.9%
	PD 12	760	578	76.1%
	TOTAL PD1-12	**11,480**	**1,750**	
	Specific Impairment/(PD 10-12)			*36.4%*

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

Retail portfolio

- Impaired portfolio fell by roughly 140m EUR q-o-q due to a combination of property sales and improvement in the portfolio performance. This was in line with the previous quarter (reduction of 0.2bn EUR q-o-q and 0.8bn EUR y-o-y)
- Coverage ratio for impaired loans increased to 36.4% in 2Q16 (from 35.4% in 1Q16)
- Overall exposure has decreased due to a reduction of the impaired book and loan amortisations, partly offset by new mortgage production

2Q16 Corporate Loan Portfolio

	PD	Exposure	Impairment	Cover %
Perf.	PD 1-8	472	1	0.2%
	PD 9	45	1	2.6%
Impaired	PD 10	517	189	36.5%
	PD 11	279	179	64.3%
	PD 12	723	603	83.5%
	TOTAL PD1-12	**2,035**	**973**	
	Specific Impairment/(PD 10-12)			*64.0%*

Corporate loan portfolio

- Impaired portfolio has reduced by roughly 90m EUR q-o-q. Reduction driven mainly by continued deleverage of the portfolio (reduction of 0.2bn EUR y-o-y)
- Coverage ratio for impaired loans has increased to 64.0% in 2Q16 (from 62.9% in 1Q16)
- Overall exposure has dropped by 0.4bn EUR y-o-y

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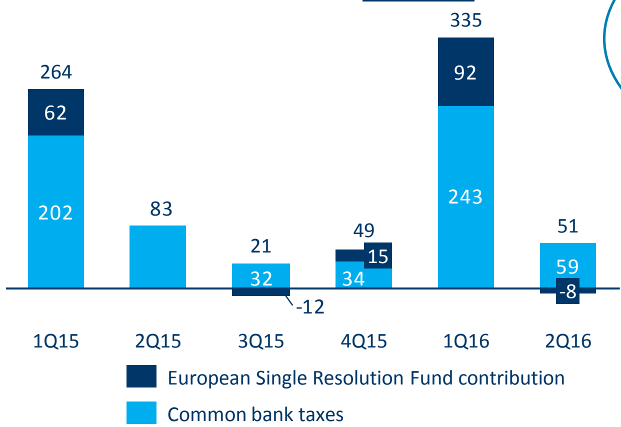
Overview of bank taxes[1]

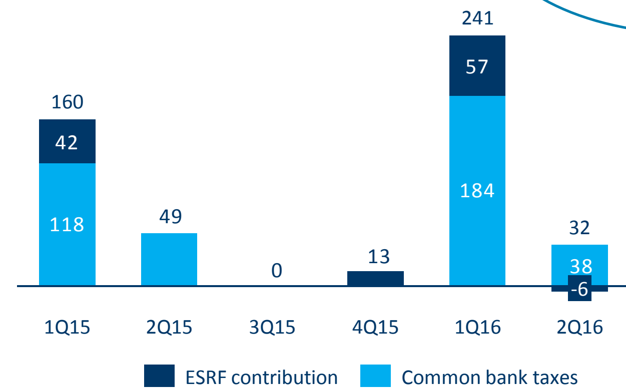
KBC GROUP



Bank taxes of 386m EUR YTD. On a pro rata basis, bank taxes represented 10.5% of 1H16 opex at KBC Group[2]

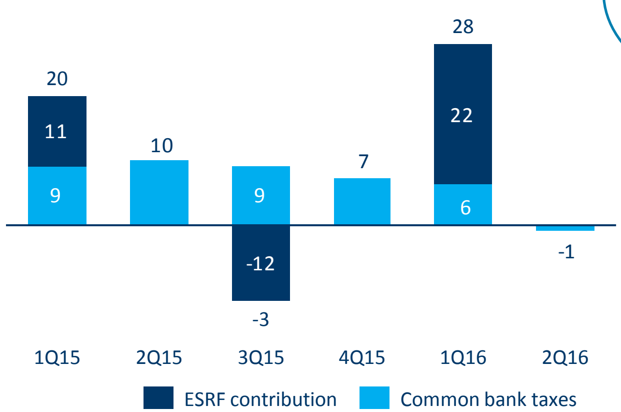
BELGIUM BU

Bank taxes of 273m EUR YTD. On a pro rata basis, bank taxes represented 10.1% of 1H16 opex at the Belgium BU



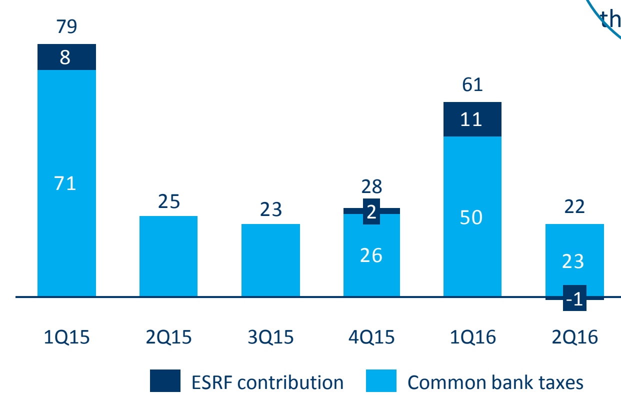
CZECH REPUBLIC BU

Bank taxes of 27m EUR YTD. On a pro rata basis, bank taxes represented 4.3% of 1H16 opex at the CR BU



INTERNATIONAL MARKETS BU

Bank taxes of 83m EUR YTD. On a pro rata basis, bank taxes represented 18.1% of 1H16 opex at the IM BU



1 This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.
2 The C/I ratio adjusted for specific items of 56% in 1H16 amounts to roughly 50% excluding these bank taxes

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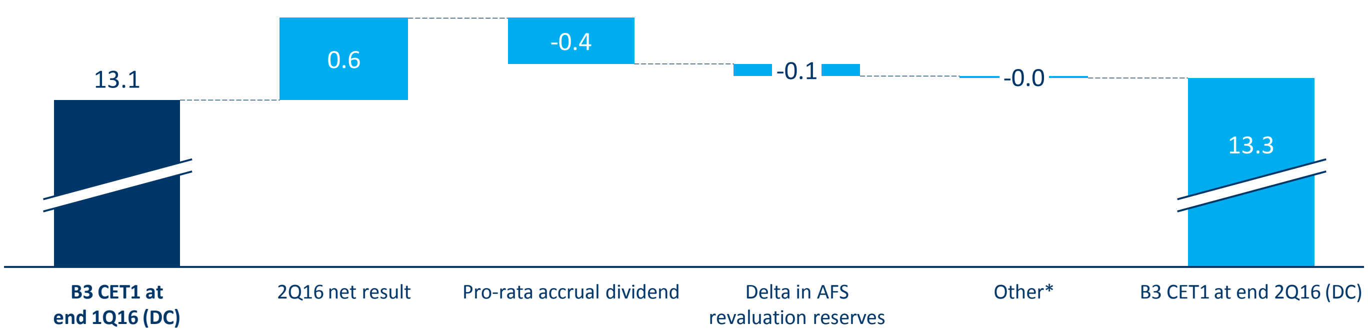
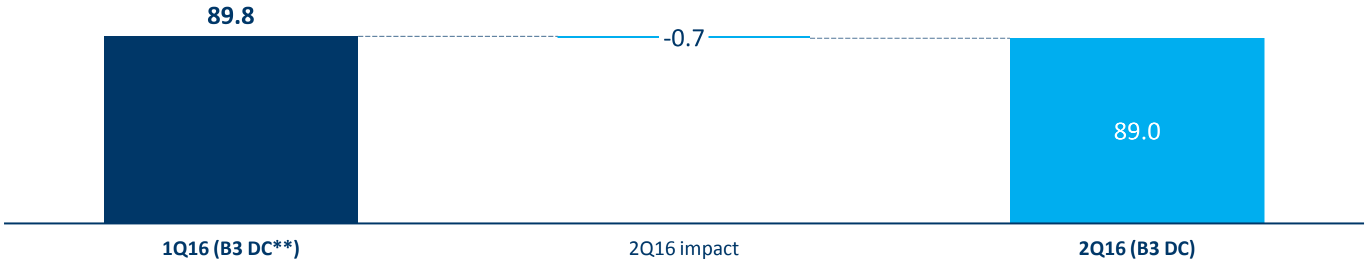
Fully loaded B3 CET1 based on the Danish Compromise (DC) from 1Q16 to 2Q16

DELTA AT NUMERATOR LEVEL (BN EUR)



DELTA ON RWA (BN EUR)



- Fully loaded B3 common equity ratio of approx. 14.9% at end 2Q16 based on the Danish Compromise (DC)
- A pro forma fully loaded common equity ratio translation to 11.25% was clearly exceeded

* Includes the q-o-q delta in remeasurement of defined benefit obligations, DTAs on losses carried forward, IRB provision shortfall, deduction re. financing provided to shareholders, translation differences, etc.

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

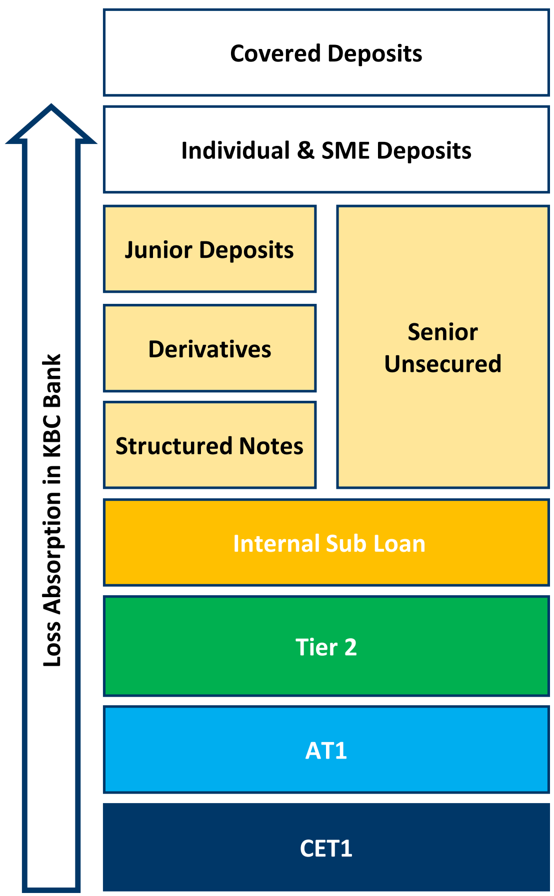
Overview of B3 CET1 ratios at KBC Group

Method	Numerator	Denominator	B3 CET1 ratio
FICOD[1], phased-in	13 638	101 353	13.5%
FICOD, fully loaded	13 804	102 237	13.5%
DC[2], phased-in	13 125	88 149	14.9%
DC, fully loaded	13 290	89 033	14.9%
DM[3], fully loaded	12 151	83 222	14.6%

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

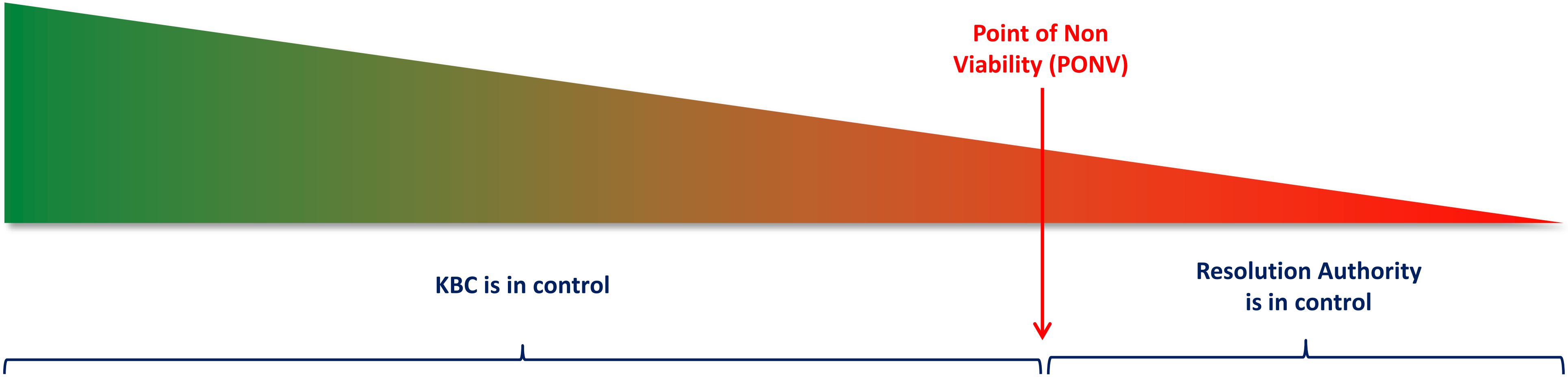
Implementation of the BRRD in Belgium

Hierarchy of Claims in Belgium



1. The BRRD has been transposed to a large extent by the Act of 25 April 2014 on the legal status and supervision of credit institutions ("The Banking Act") which applies since May-2015, with the exception of some major provisions, such as the bail-in tool. Some provisions will be further implemented by a Royal Decree (“RD”):
   - Bail-in mechanism and MREL requirement of the BRRD: RD was published in the Belgian Official Journal 29 December 2015 and entries into force as from 1 January 2016. However, the resolution strategy and MREL target for KBC are assumptions and have not been determined by the Resolution Authority
   - Group dimension of the BRRD: transposition is currently under preparation
2. The competent authorities are
   - Supervision authority (KBC Bank NV, KBC Group NV): ECB/NBB.
   - Resolution authority (KBC Bank NV, KBC Group NV): Single Resolution Board as from 1 January 2016.
   - Competent authority for conduct supervision of financial institutions and intermediaries (KBC Bank NV): FSMA.
3. The hierarchy of claims in Belgium is in line with the BRRD as provided for in art. 48 BRRD and applies losses accordingly.
   - Creditors are protected by the No Creditor Worse Off (“NCWO”) principle which ensures that creditors in resolution can’t be worse-off than in normal insolvency proceedings (art 34(1) BRRD).
4. KBC plans on on-lending senior unsecured issued out of KBC Group NV as subordinated instruments at KBC Bank NV to ensure the on-loan would only take losses after Tier 2 securities.
   - Additionally KBC Bank NV’s funding needs in senior unsecured are expected to be moderate going forward

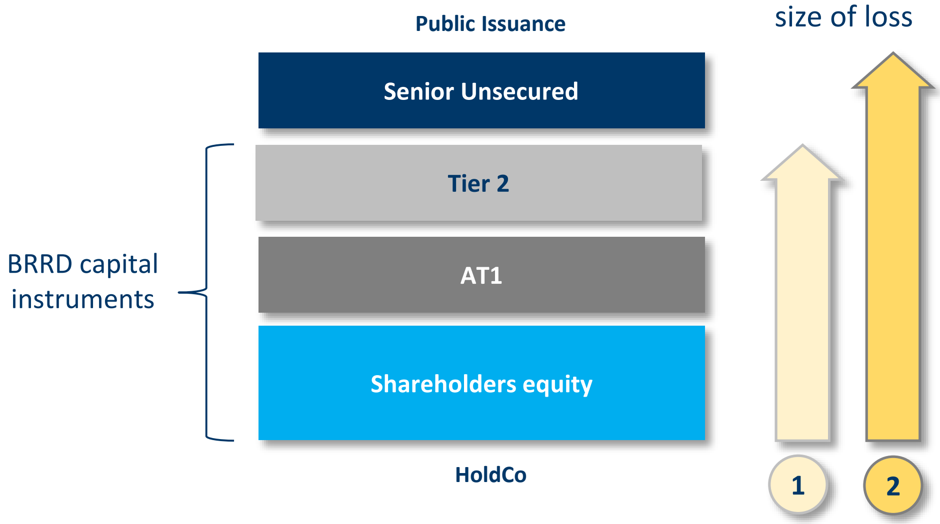
General principles (1/2):
What happens in different solvency situations?



Capital instruments

	Business as usual	Recovery plan	Resolution plan
CET1	sufficiently above Joint Capital Decision	in breach (or breach is imminent) of Joint Capital Decision	in breach of minimum requirements (4.5% CET1 / 6% T1 / 8% total capital) or considered as non viable by the competent authorities.
AT1	no impact	coupon uncertain absorbs losses when trigger (5.125% CET1 on transitional basis) is breached	absorb losses at PONV
T2	no impact	no impact (except CoCo: absorbs losses when trigger (7% CET1 on a transitional basis) is breached)	absorb losses at PONV
Senior debt	no impact	no impact	absorb losses beyond PONV (bail-in)

General principles (2/2):
What are the risks for HoldCo senior investors?



In all scenarios surpassing the Point of Non Viability, the investors are protected by the No Creditor Worse Off principle ("NCWO"), which stipulates that no instrument will be worse off in resolution than in normal insolvency proceedings

1 **Recapitalisation scenario,** losses (originating in any or in all of the underlying entities*) are lower than the size of the capital instruments at the HoldCo level

⇨ part or all of Senior debt issued by the HoldCo can be converted into shares to recapitalise the HoldCo up to a minimum level as decided by the competent authorities. The investor then has a combination of shares and bonds of the HoldCo instead of only bonds and thus (co-)owns the underlying entities. The conversion factor would be determined by the competent authorities applying the NCWO principle.

2 **Loss absorption scenario,** losses (originating in any or in all of the underlying entities*) exceed the size of the capital instruments at the HoldCo level

⇨ part or all of Senior issued by the HoldCo can be bailed-in to absorb losses. The NCWO principle implies that losses are only up-streamed to the HoldCo upto the amount of the investment of the HoldCo in the entity(ies) generating the losses. Hence, the investor in the HoldCo Senior will lose (up to) its investment to the extent that the amount of outstanding HoldCo senior debt exceeds the value of the remaining underlying entities of the HoldCo

* In KBC Group's case this would be KBC Bank and/or KBC Insurance and/or KBC Asset Management

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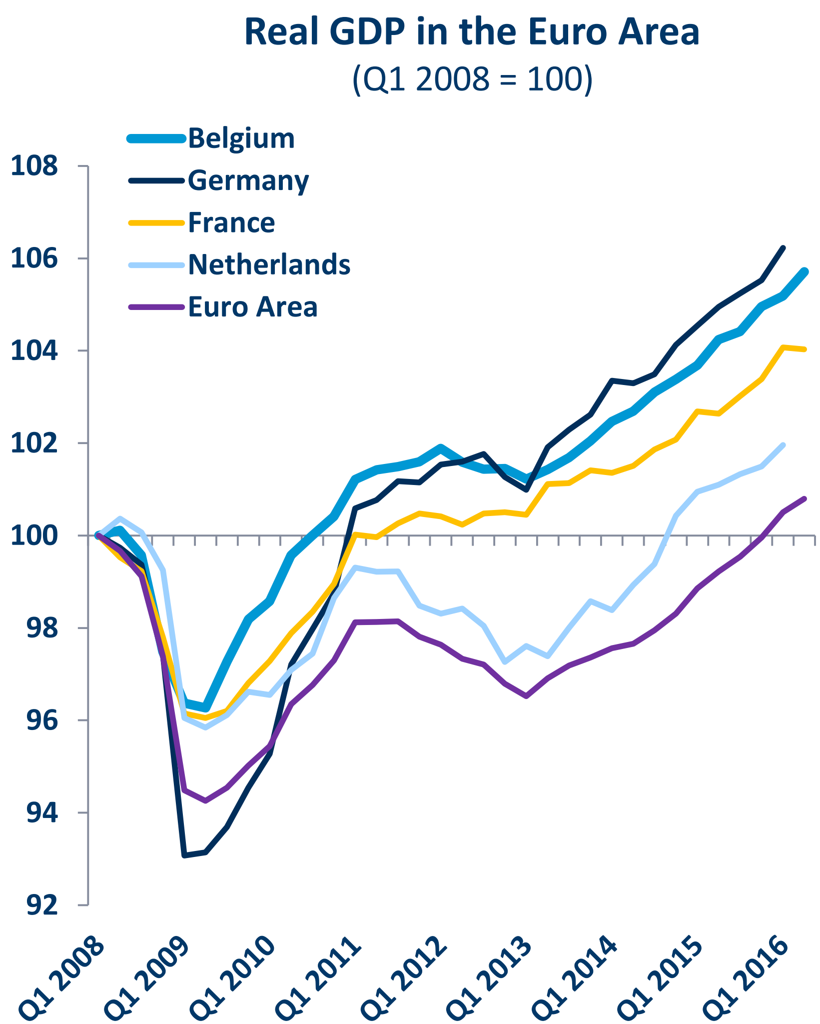
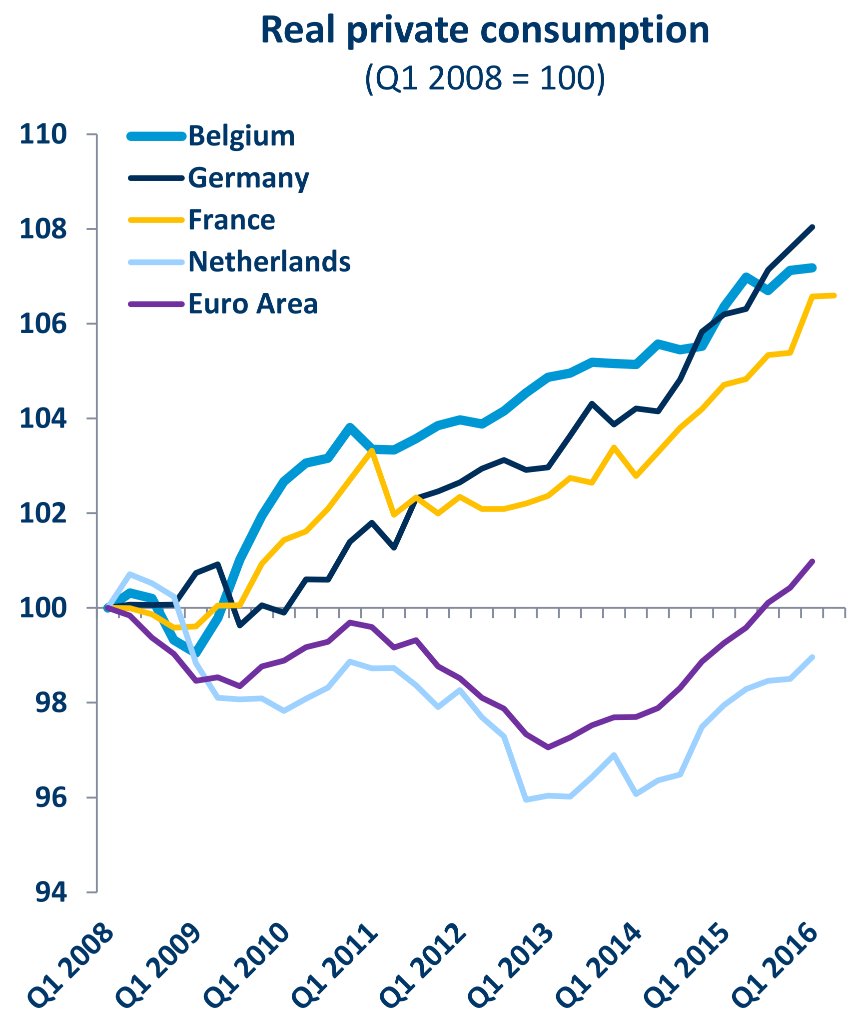
Belgian economic growth
Moderate but steady GDP growth – with strong consumption

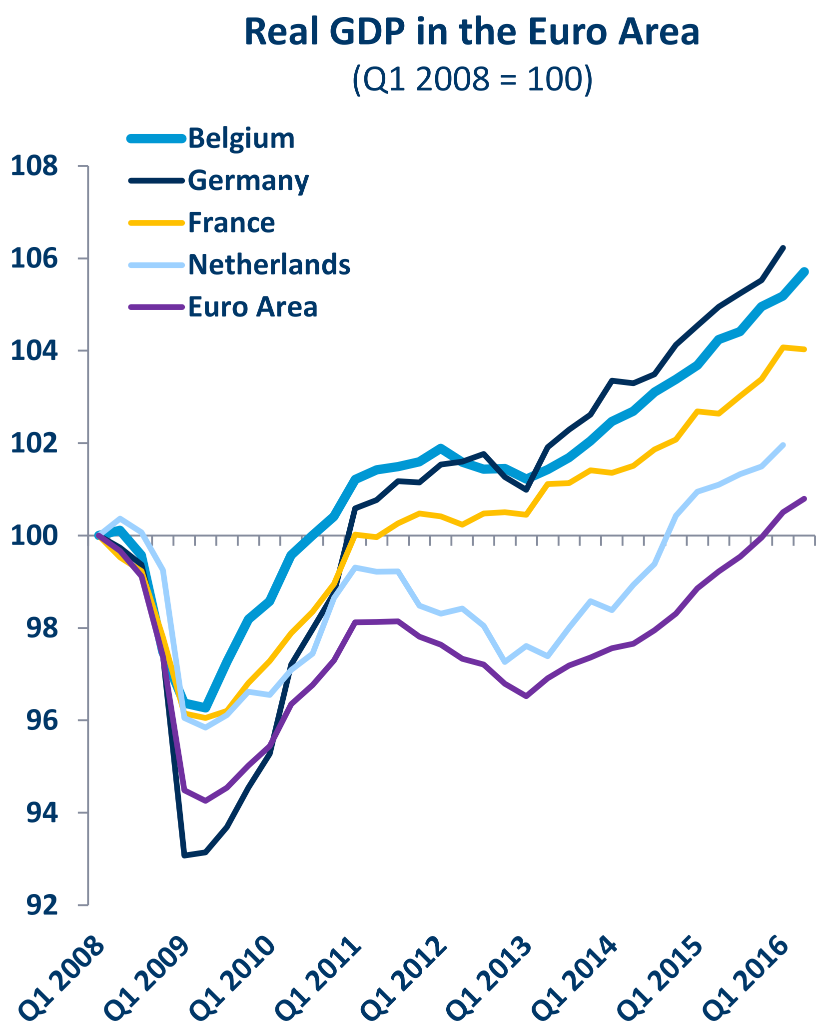


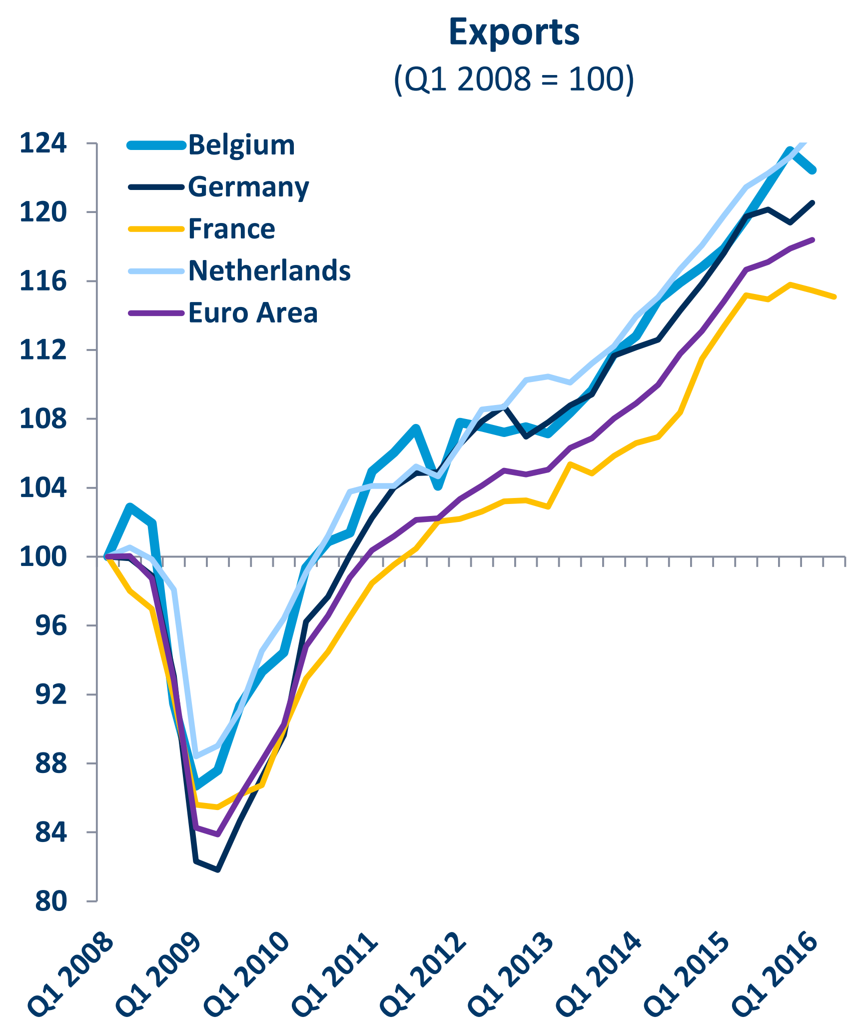


Source: Eurostat; NBB

Belgian economic growth

Moderate but steady GDP growth – with rising exports





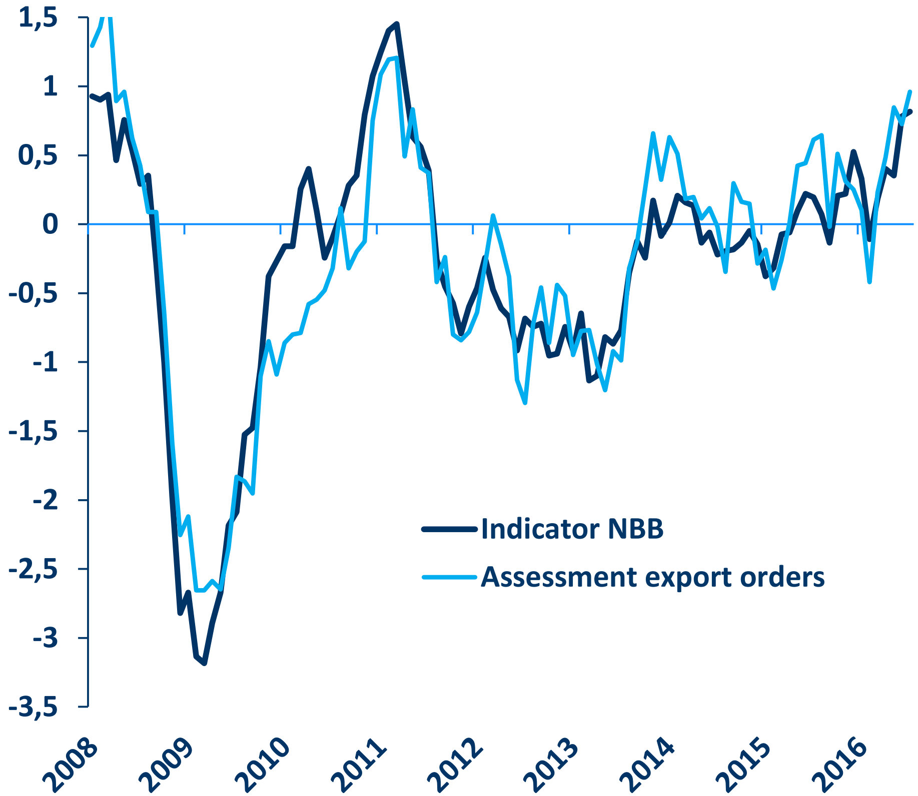
Source: Eurostat; NBB

KBC

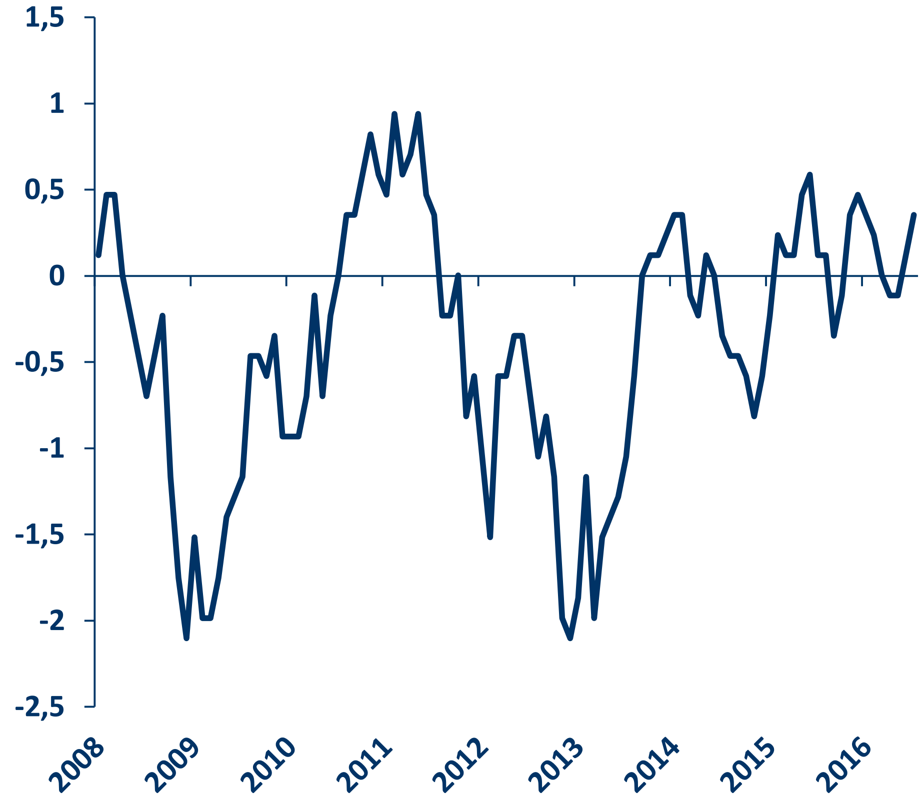
Confidence indicators

Recent sentiment indicators indicate the recovery is still on track

Belgium - Producer confidence
(standard deviation from long term average)



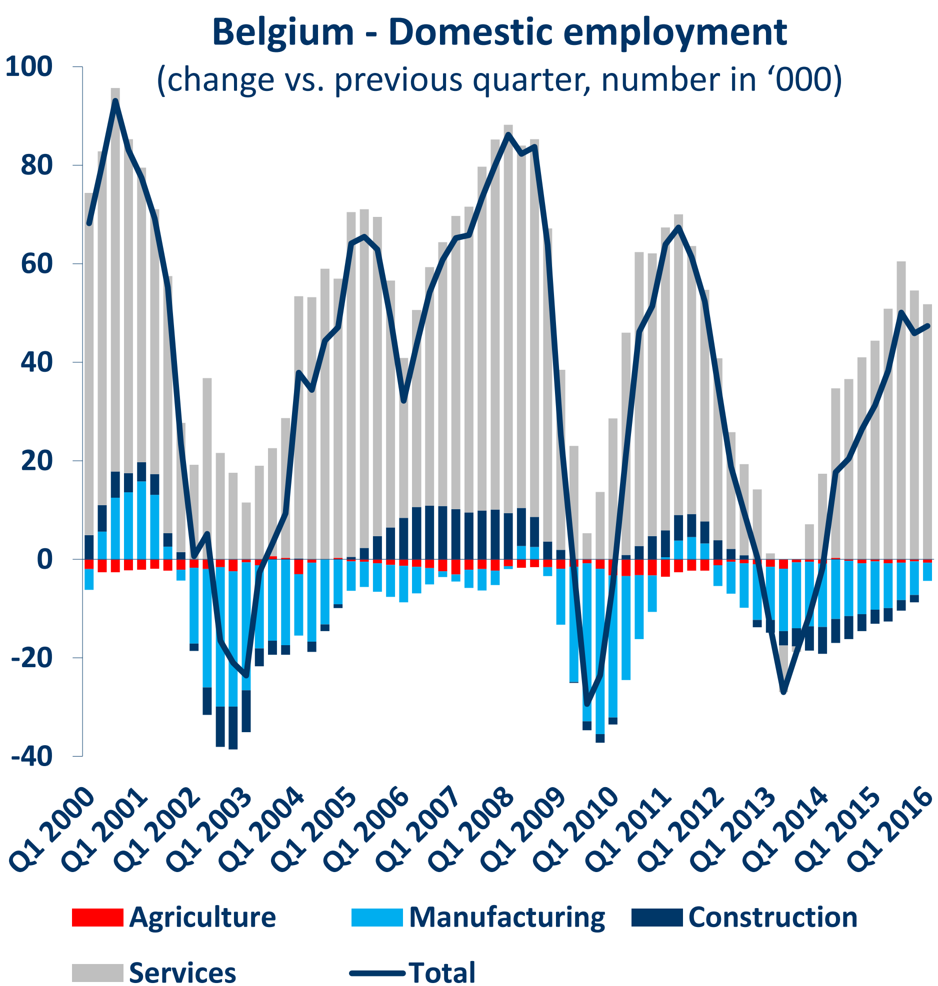
Belgium - Consumer confidence
(standard deviation from long term average)

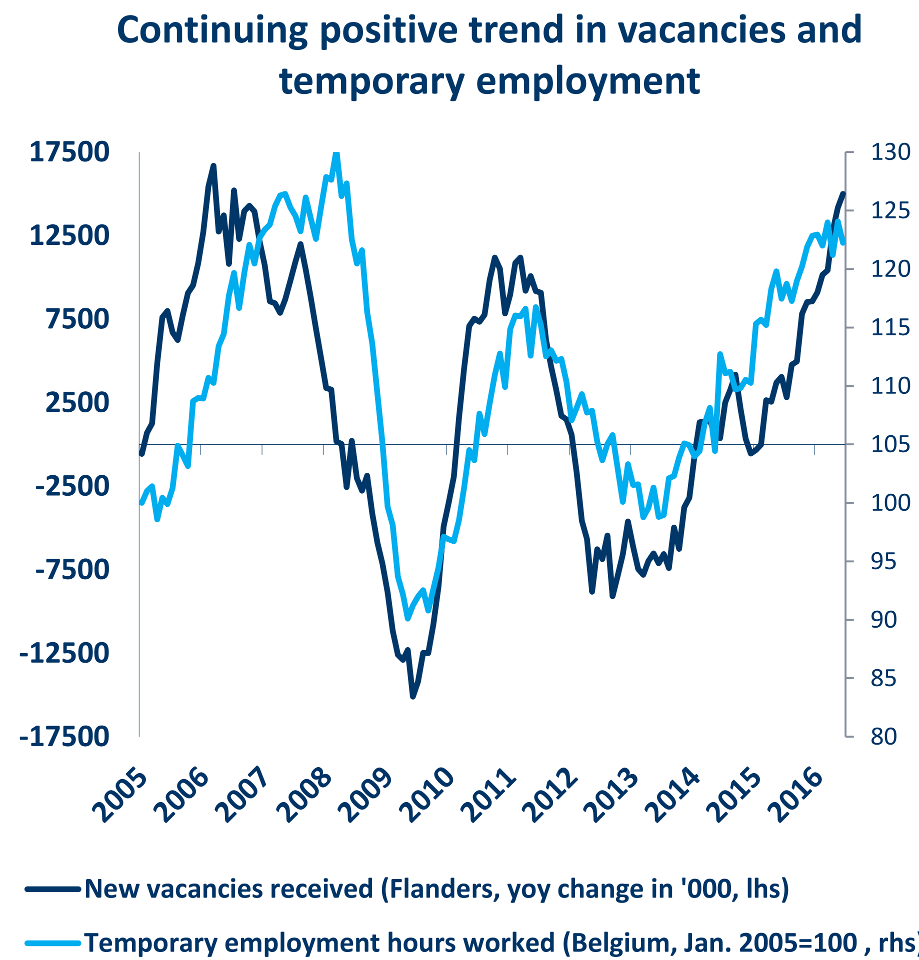


Source: NBB

Belgian labour market
Wage moderation and tax shift fuelling further job creation

Most recent unemployment figure (June 2016) on Belgium stands at 8.5% (vs. Eurozone at 10.1%) (Eurostat, harmonised)





Source: NBB; RVA; Federgon

Growth outlook 2016 & 2017

	REAL GDP GROWTH (IN %, KBC forecast)		
	2015	2016	2017
US	2.4	1.9	2.3
EMU	1.6	1.4	1.4
GERMANY	1.7	1.6	1.6
BELGIUM	1.4	1.2	1.2
CZECH REP.	4.3	2.5	2.3
SLOVAKIA	3.6	3.3	3.6
HUNGARY	2.9	2.0	2.9
BULGARIA	3.0	2.4	2.6
IRELAND	26.3	3.5	3.0

Comparison with other forecasters

2016	Belgium	Euro Area
European Commission (May)	1.2	1.6
Planning Bureau (June)	1.2	1.6
Consensus (July)	1.3	1.5
KBC (July)	**1.2**	**1.4**

2017	Belgium	Euro Area
European Commission (May)	1.6	1.8
Planning Bureau (June)	1.5	1.6
Consensus (July)	1.4	1.3
KBC (July)	**1.2**	**1.4**

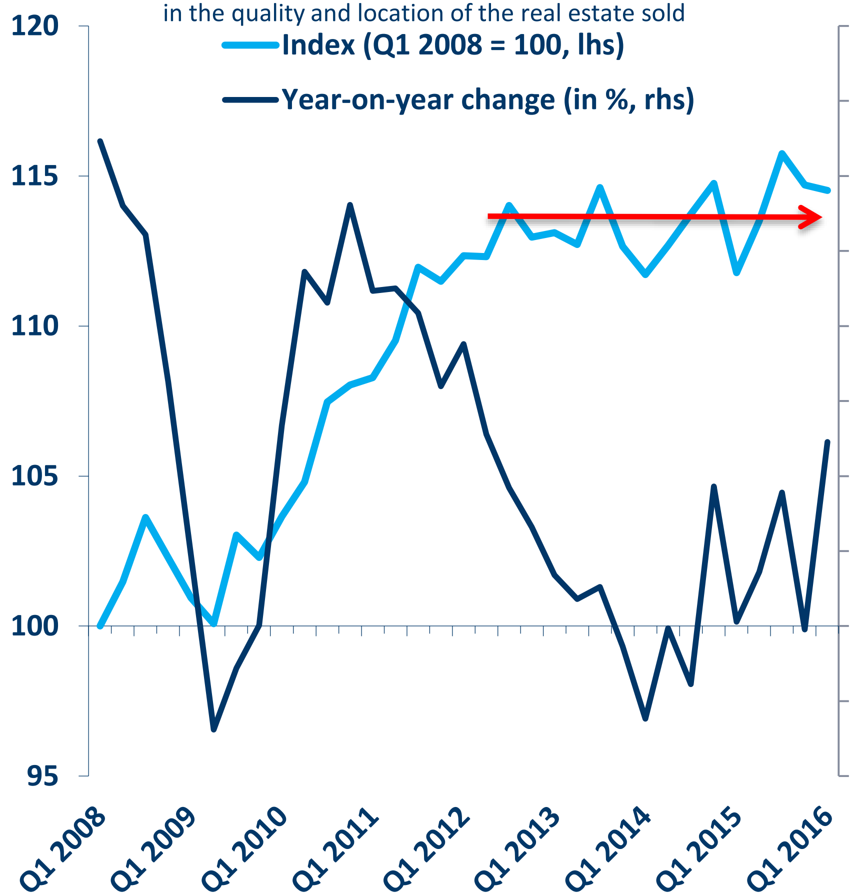
Source: KBC (July 2016)

Belgian housing market

A soft landing

House prices Belgium (*)

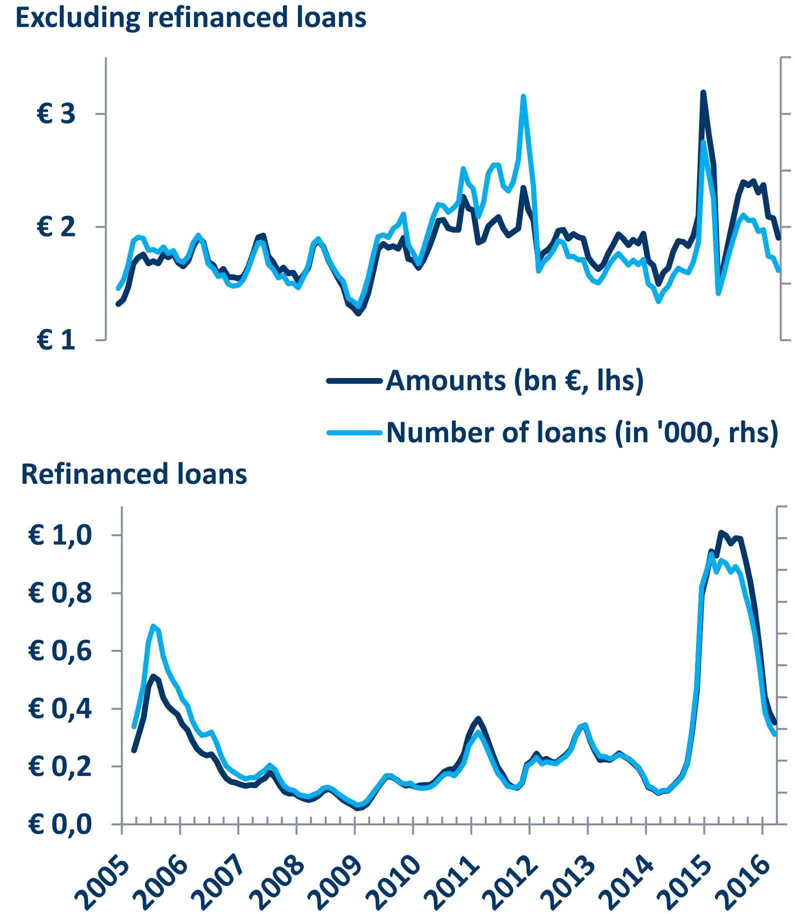
(*) Corrected for price changes resulting from changes in the quality and location of the real estate sold



Source: FOD Economie

New production of housing loans

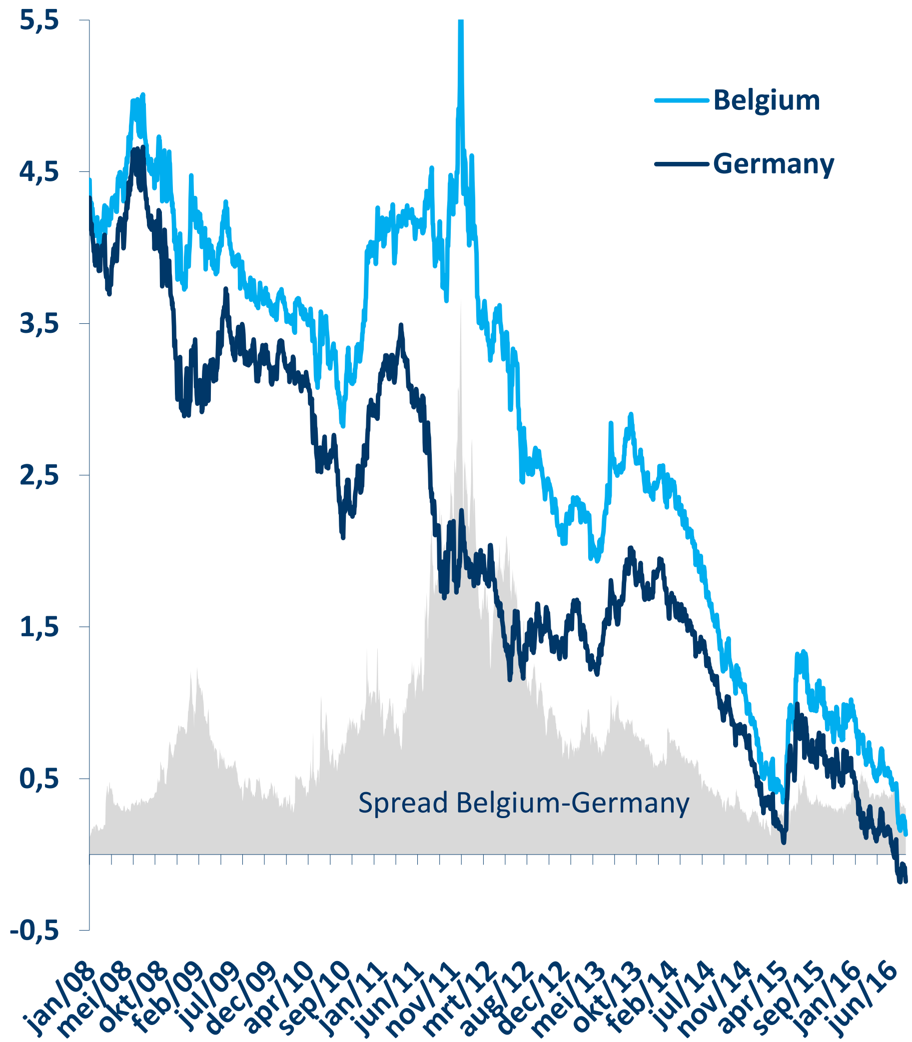
(monthly, 3-month moving average)



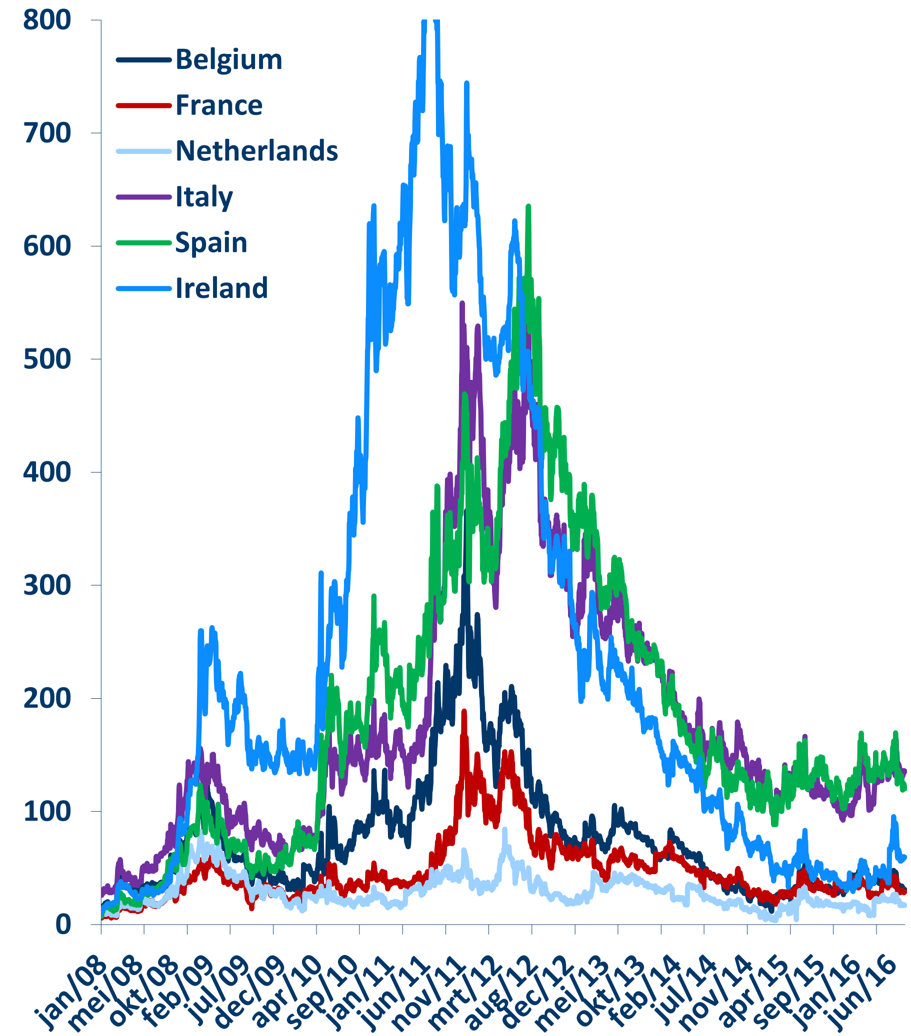
Source: NBB

Interest rates still at an historically low level

10-year government bond yields
(in %)



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



Glossary (1)

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

Glossary (2)

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

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