KBC Group
Press Conference
2Q 2014 Results

7 August 2014 – 11.00 AM CEST

More infomation: www.kbc.com or on your mobile: m.kbc.com

KBC Group - Investor Relations Office - Email: investor.relations@kbc.com

Important information for investors

- This presentation is provided for informational purposes only. It does not constitute an offer to sell or the solicitation to buy any security issued by the KBC Group.
- KBC believes that this presentation is reliable, although some information is condensed and therefore incomplete. KBC cannot be held liable for any loss or damage resulting from the use of the information.
- This presentation contains non-IFRS information and forward-looking statements with respect to the strategy, earnings and capital trends of KBC, involving numerous assumptions and uncertainties. There is a risk that these statements may not be fulfilled and that future developments differ materially. Moreover, KBC does not undertake any obligation to update the presentation in line with new developments.
- By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.

- **As of 1Q2014, a number of other changes have been affecting KBC's group and segment reporting figures:**
  - The application of the new IFRS-11 standard. This standard stipulates that joint ventures must be accounted for using the equity method instead of the proportionate consolidation method that has been used so far. For KBC, this mainly applies to CMSS, a joint venture of ČSOB in the Czech Republic. This change does not affect the net result, but does have an impact on various items in the consolidated income statement.
  - The shift from Basel II to Basel III and the abolition of the carve-out of government bonds of KBC's core markets. Among other things, this changes the risk-weighted asset figures and related ratios.
  - An enhanced definition for net interest margin across all business units. This is aimed at providing a clearer picture of the margin generated by KBC's core business. Hence, volatile assets related to general liquidity management or derivatives (such as reverse repos, cash balances with central banks, etc.) were eliminated, and companies that are still to be divested as well as those in run-down were excluded from the scope (in the past: only those companies under IFRS 5).

2Q 2014 key takeaways for KBC Group

- **STRONG BUSINESS PERFORMANCE IN 2Q14**

  Net result of 317m EUR and adjusted[1] net result of 287m EUR. The latter is the result of:
  - Strong commercial bank-insurance franchises in our core markets and core activities
  - Increasing loan volumes q-o-q in all our core countries, while customer deposit volumes excluding debt certificates & repos continued to increase q-o-q in most of our core countries
  - Higher net interest income and margin q-o-q
  - Q-o-q increase of net fee and commission income and a further rise in AuM
  - Substantial negative M2M ALM derivatives (-57m EUR)
  - Negative net other income, due fully to one-off provisions of 231m EUR for KBC's Hungarian retail loan book (both the correction to the bid-offer spreads and the unilateral changes to interest rates). Legal basis will be challenged
  - Combined ratio (97% in 2Q14 and 93% YTD) impacted by hailstorms in Belgium, while life insurance sales were slightly higher
  - Good cost/income ratio (55% in 2Q14 and YTD) adjusted for specific items (mainly M2M impact of ALM derivatives and one-off provisions in Hungary)
  - Still low impairment charges, although higher q-o-q. We are maintaining our FY 2014 guidance for Ireland, namely the high end of the range 150m-200m EUR

- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - **Common equity ratio** (B3 fully loaded[2] based on Danish Compromise) **of 12.9%** at end 1H14
  - **Continued strong liquidity position** (NSFR at 109% and LCR at 123%)

1. Adjusted net result is the net result excluding a limited number of non-operating items, i.e. legacy CDO and divestment activities and the M2M effect of own debt instruments due to own credit risk
2. Including remaining State aid of 2bn EUR

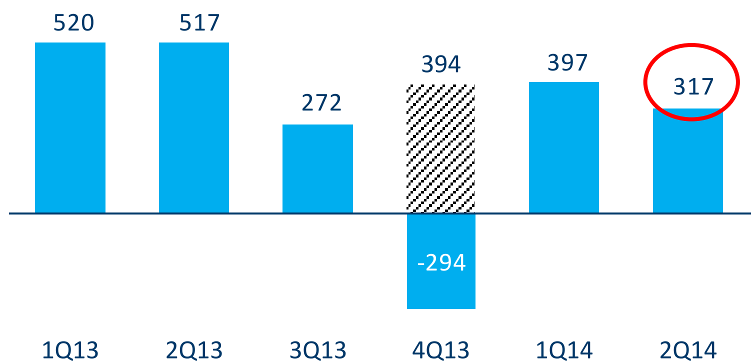
Contents

Section 1

2Q 2014 performance of KBC Group

Earnings capacity

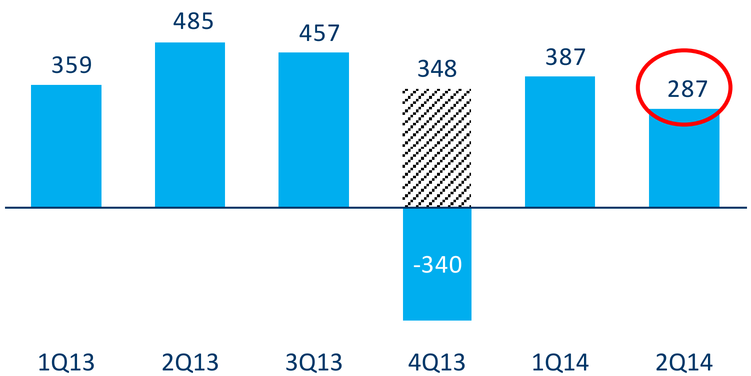
NET RESULT*



Net result excluding one-off additional impairments

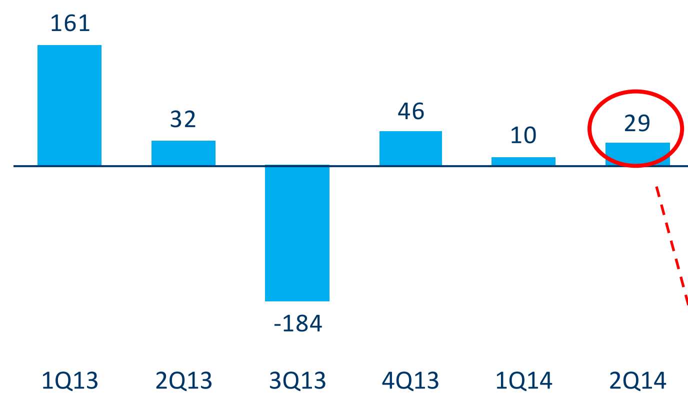
Excluding adjustments

ADJUSTED NET RESULT



Adjusted net result excl. one-off additional impairments

ADJUSTMENTS



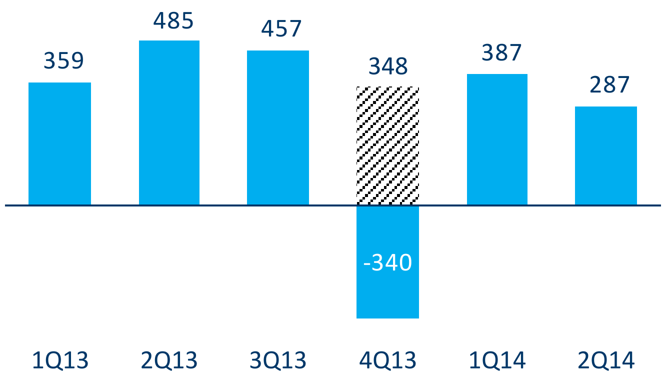
- Legacy + own credit risk items (post-tax)
  - Revaluation of structured credit portfolio + 30m EUR
  - Divestments + 8m EUR
  - M2M own credit risk - 8m EUR

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

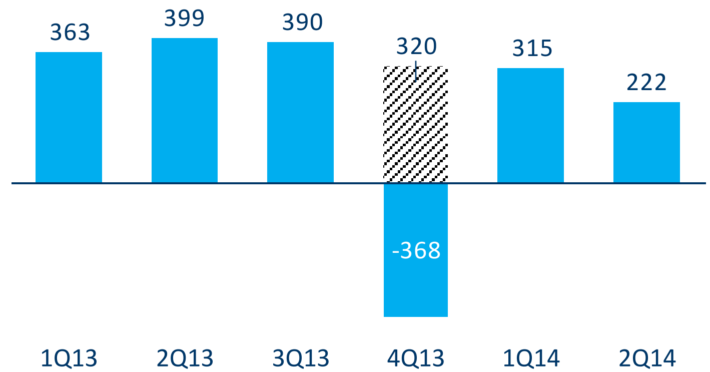
Amounts in m EUR

Adjusted net result at KBC Group

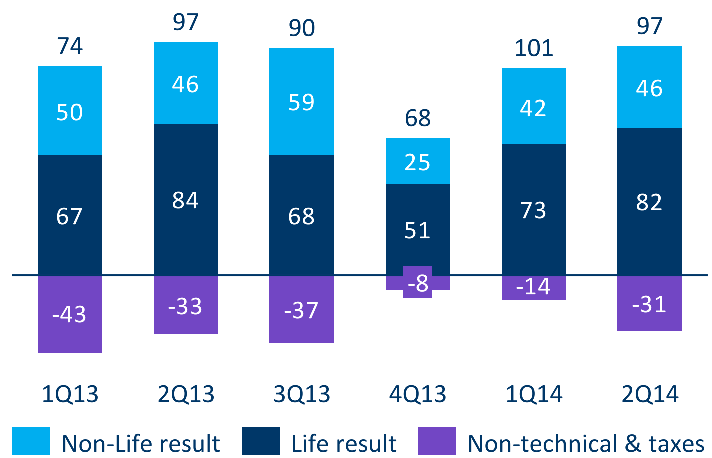
ADJUSTED NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT*



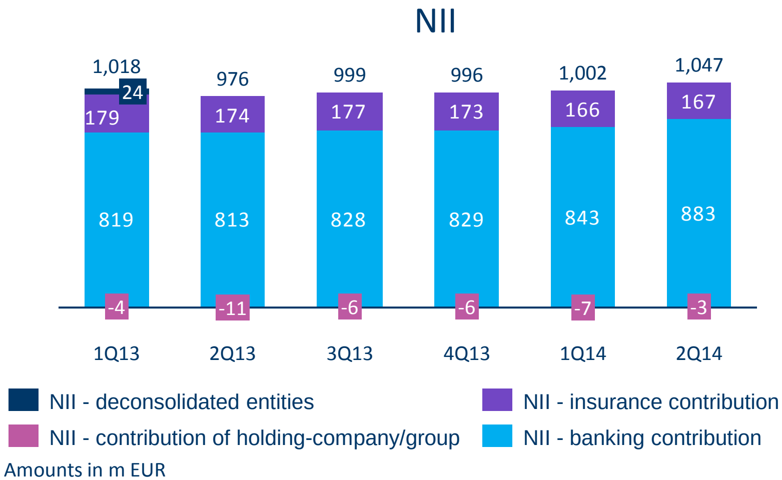
CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT*

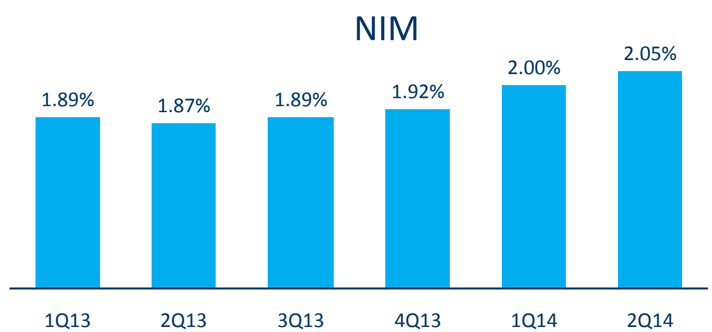


* Difference between adjusted net result at KBC Group and the sum of the banking and insurance contribution are the holding-company/group items

Amounts in m EUR

Net interest income and margin





- **Net interest income**
  - Increased by 5% q-o-q and 7% y-o-y
  - Sound commercial margins and lower funding costs (due partly to some hybrid tier-1 calls and maturities of expensive senior debt funding during 2Q14) more than offset the negative impact from lower reinvestment yields and the deliberately decreasing loan portfolio at the foreign branches
  - Net interest income at the insurance side continues to suffer mainly from lower reinvestment yields
  - Increasing loan volumes q-o-q in all our core countries. Deposit volumes were more or less flat q-o-q, as growth in demand and saving deposits was offset by calling most of the hybrid tier-1 instruments and maturing wholesale debt
- **Improved net interest margin (2.05%)**
  - Up by 5bps q-o-q and 18bps y-o-y
  - Q-o-q, sound commercial margins and lower funding costs more than offset the negative impact from lower reinvestment yields

Customer deposit volumes excluding debt certificates & repos +2% q-o-q and +4% y-o-y

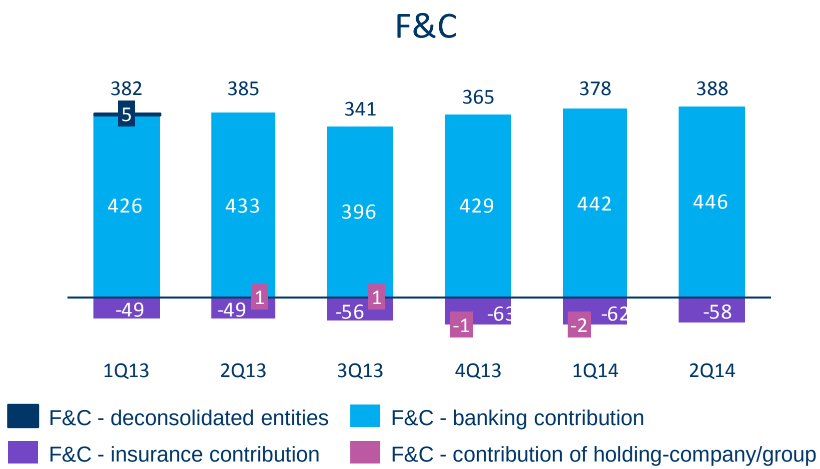
VOLUME TREND

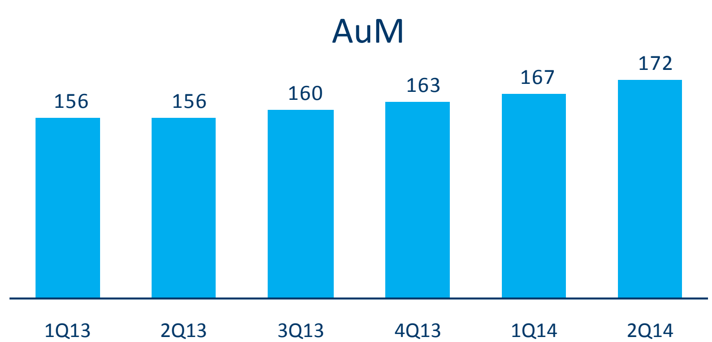
Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	121bn	52bn	151bn	172bn	28bn
Growth q/q*	+1%	+1%	0%	+4%	+1%
Growth y/y	-1%	-1%	-2%	+11%	+2%

flat y-o-y excluding the deliberate reduction of our foreign branch loan portfolio and the sale of shareholder loans

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
*** Customer deposits, including debt certificates but excluding repos. Please be aware of the significant impact of calling most of the hybrid tier-1 instruments and maturing wholesale debt

Net fee and commission income and AuM





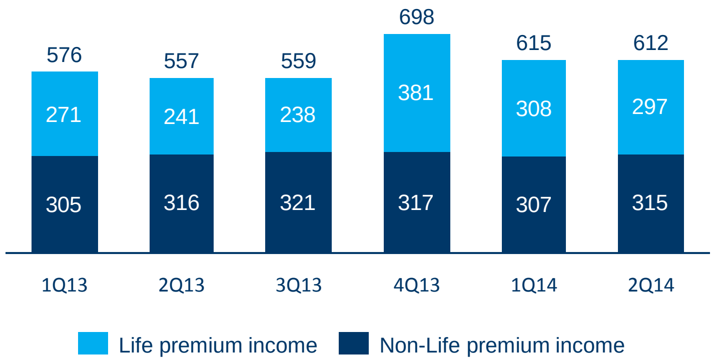
- **Strong net fee and commission income**
  - Increased by 3% q-o-q and 1% y-o-y
  - Q-o-q increase was mainly the result of:
    - significantly higher management fees from mutual funds, slightly higher entry fees on unit-linked life insurance products and lower commissions paid on insurance sales in the Belgium BU
    - an increase in entry & transaction fees and higher fee income from financial markets in the Czech Republic BU
  - Y-o-y increase as lower entry fees on unit-linked products, higher commissions paid on insurance sales and lower fees on securities transactions in Belgium were offset by:
    - higher management fees in Belgium,
    - lower fees paid to distribution and higher fee income from financial markets in the Czech Republic
    - higher investment and booking fees in Hungary

- **Assets under management (172bn EUR)**
  - Rose by 11% y-o-y owing to net inflows (+3%) and a positive price effect (+8%)
  - Up 4% q-o-q as a result of net inflows (+1%) and a positive price effect (+3%)

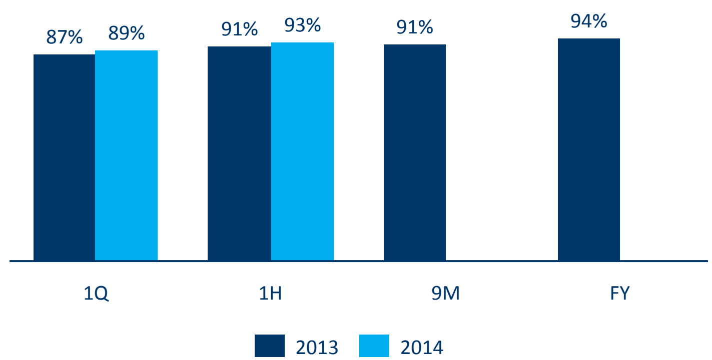
Amounts in m EUR

Insurance premium income and combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)



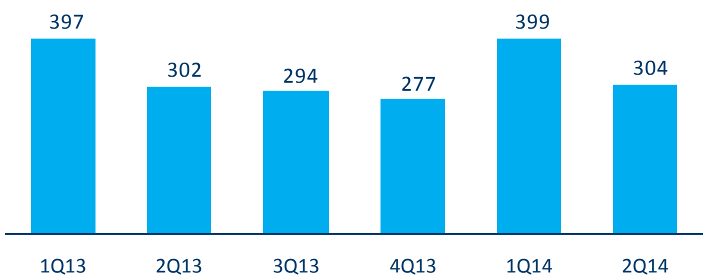
- **Insurance premium income** (gross earned premium) at 612m EUR
  - Non-life premium income (315m) stabilised y-o-y
  - Life premium income (297m) down 4% q-o-q and up 24% y-o-y (both driven chiefly by the Belgium Business Unit)

- The non-life combined ratio in 1H14 stood at a good 93%, despite relatively high technical charges in 2Q14 as a result of hailstorms in Belgium (net effect amounted to -41m EUR)

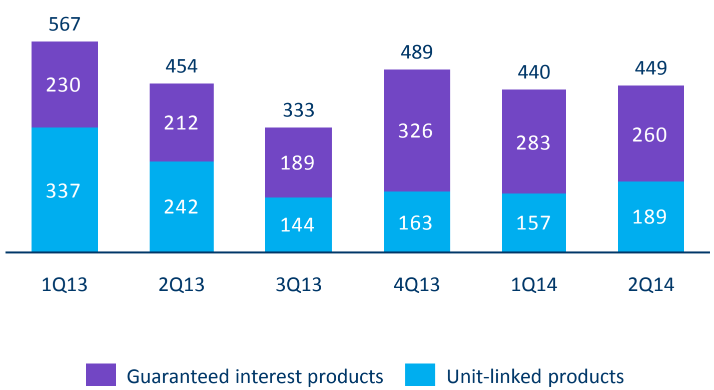
Amounts in m EUR

Sales of insurance products

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



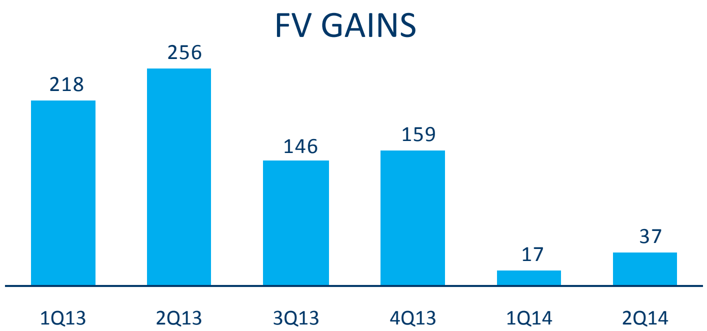
LIFE SALES

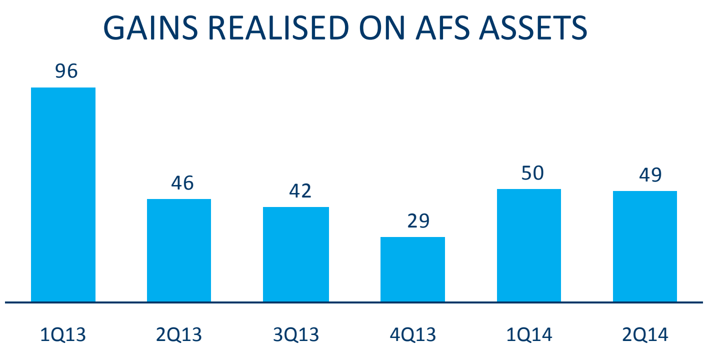


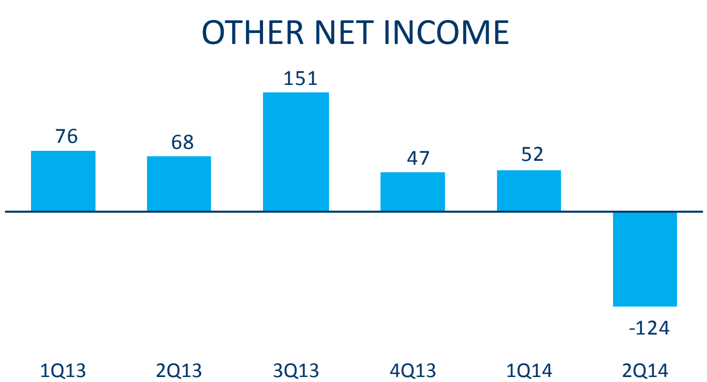
- **Sales of non-life insurance products**
  - Up 1% y-o-y as an increase in direct business sales is partly offset by a negative FX effect

- **Sales of life insurance products**
  - Up 2% q-o-q and down 1% y-o-y
  - The q-o-q increase in sales of unit-linked products (in each BU) was attributable chiefly to commercial actions and new products
  - The y-o-y decline was driven entirely by the lower sales of unit-linked products as a result of the increased taxation, the low interest rate environment and the shift towards AM products (both factors occurring in the Belgium BU)
  - Sales of unit-linked products accounted for just 42% of total life insurance sales

FV gains, gains realised on AFS assets and other net income







Amounts in m EUR

- The sharply lower y-o-y figures for **net gains from financial instruments at fair value** were attributable to the result of a negative y-o-y change in ALM derivatives (-57m in 2Q14 compared with -83m EUR in 1Q14 and +126m in 2Q13) following decreasing IRS rates

- **Gains realised on AFS assets** (both bonds and shares) came to 49m EUR

- **Other net income** amounted to -124m EUR in 2Q14, due entirely to one-off provisions of 231m EUR for KBC's Hungarian retail loan book (both the correction to the bid-offer spreads and the unilateral changes to interest rates). This negative impact was only partly offset by real estate gains and the recovery of sums to be paid out following the outcome of a legal case (in relation to an old credit file in the London branch)

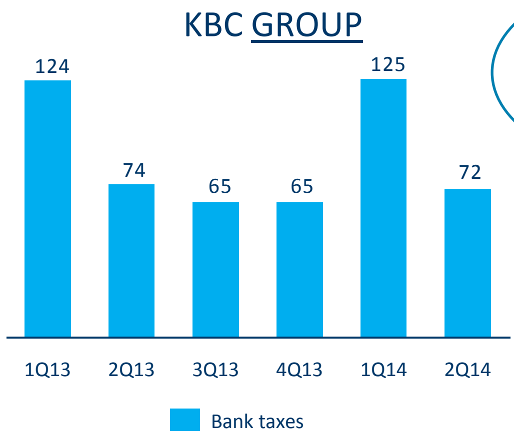
Operating expenses and cost/income ratio

OPERATING EXPENSES

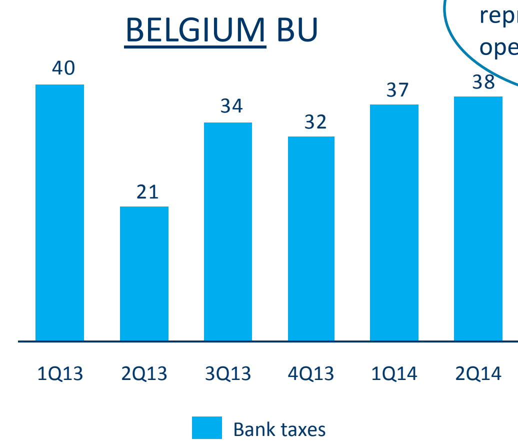
- **Costs under control**
  - The C/I ratio (64% in 2Q14 and 63% in 1H14) was affected by the negative M2M impact of ALM derivatives and the one-off provisions for Hungary, partly offset by the recovery of sums to be paid out following the outcome of a legal case
  - Adjusted for specific items, the C/I ratio amounted to roughly 55% in both 2Q14 and 1H14
  - Operating expenses went down by 4% q-o-q, due mainly to the Hungarian bank tax (51m pre-tax) recorded in 1Q14, partly offset by higher staff expenses and higher marketing & communication costs in Belgium and Ireland, and invoices of 5m EUR related to the AQR exercise
  - Operating expenses increased by 1% y-o-y due mainly to higher staff expenses in Ireland, higher marketing expenses (both in Belgium, the Czech Republic and Ireland), higher bank taxes and invoices related to the AQR exercise (in Belgium), despite an one-off FTL-related charge of 27m EUR pre-tax (22m post-tax) recorded in Hungary in 2Q13
  - Excluding all one-off items, operating expenses went up by 1% y-o-y in 1H14

Amounts in m EUR

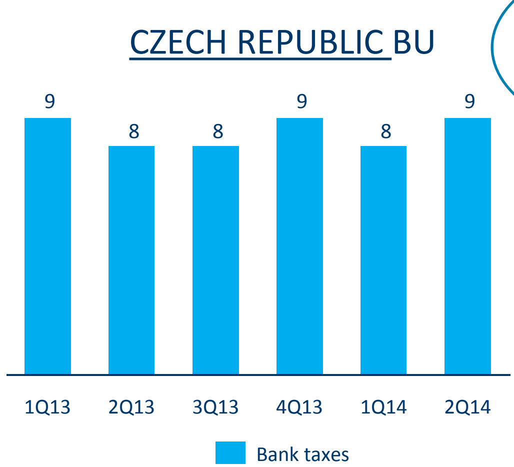
Overview of bank taxes*



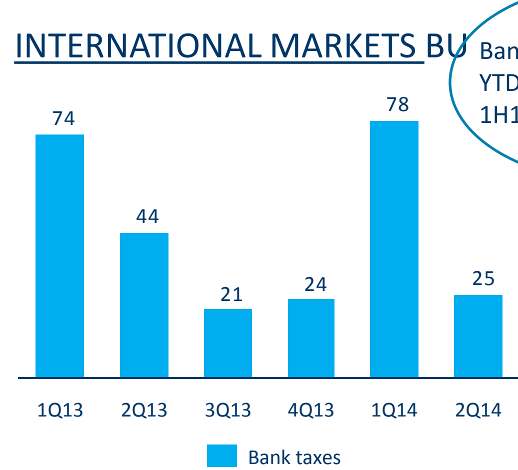
Bank taxes of 196m EUR YTD, representing 10% of 1H14 opex at KBC Group**



Bank taxes of 75m EUR YTD, representing 6.7% of 1H14 opex at the Belgium BU



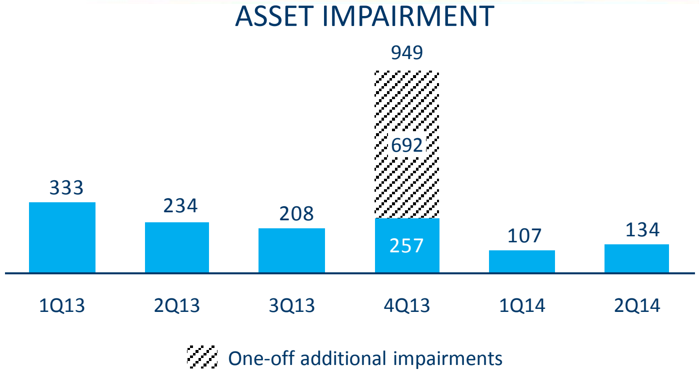
Bank taxes of 17m EUR YTD, representing 5.8% of 1H14 opex at the CR BU

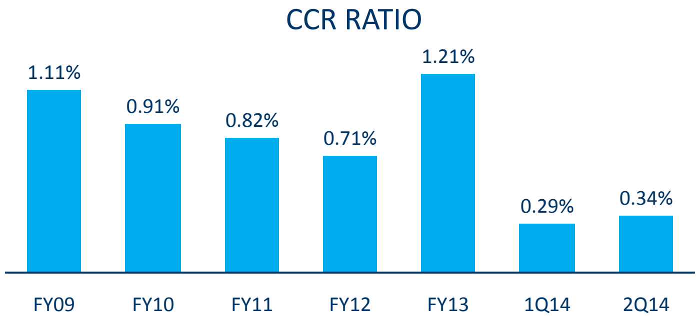


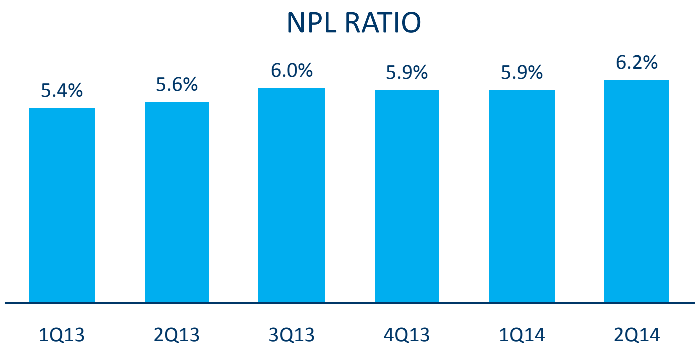
Bank taxes of 102m EUR YTD, representing 26.6% of 1H14 opex at the IM BU

* 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.
** The C/I ratio adjusted for specific items of 55% in 1H14 would amount to roughly 50% excluding these bank taxes

Asset impairment, credit cost and NPL ratio







- **Still low level of impairment charges**
  - Q-o-q increase of loan loss provisions, mainly as a result of higher impairment charges in Ireland (62m EUR compared to 48m EUR in 1Q14) and higher impairment charges in Group Centre in 2Q14
  - Compared with the 234m EUR level of 2Q13, substantially lower impairments were recorded mainly due to overall lower gross impairments (especially in Belgium) and some releases of impairment in the Czech Republic. Lower impairment charges were recognised in Ireland in 2Q14 (62m EUR compared with 88m EUR in 2Q13)
  - Impairment of 3m EUR on AFS shares

- The **credit cost ratio** only amounted to 0.34% in 1H14 thanks to lower gross impairments and some releases of impairment (mainly in the Czech BU)

- The **NPL ratio** amounted to 6.2%, primarily due to an increase of the ratio in Ireland

Section 2

2Q 2014 performance of business units

BELGIUM BUSINESS UNIT

CFO SERVICES

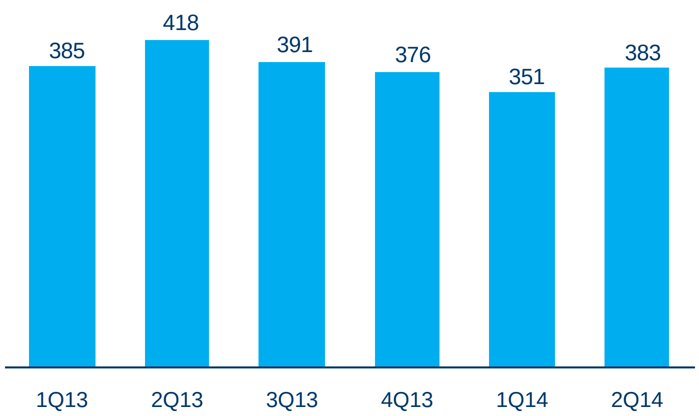
CRO SERVICES

BELGIUM	CZECH REPUBLIC	INTERNATIONAL MARKETS

CORPORATE STAFF

Belgium Business Unit (1)

NET RESULT



Amounts in m EUR

- **Net result** at the Belgium Business Unit amounted to 383m EUR
  - The quarter under review was characterised by flat net interest income, strong net fee and commission income, higher sales of unit-linked life insurance products, seasonally higher dividends, negative MTM valuations of ALM derivatives, lower realised gains on AFS assets, a deteriorated combined ratio due to the hailstorms, higher other net income, higher opex and continued low impairment charges q-o-q
  - Loan volumes rose by 2% q-o-q, while customer deposits stabilised q-o-q. However, customer deposits excluding debt certificates and repos rose by 2% q-o-q

VOLUME TREND

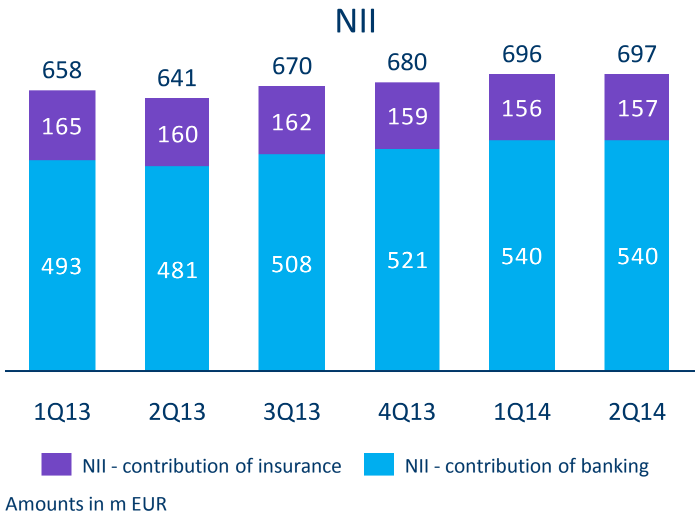
Customer deposit volumes excluding debt certificates & repos +2% q-o-q and +5% y-o-y

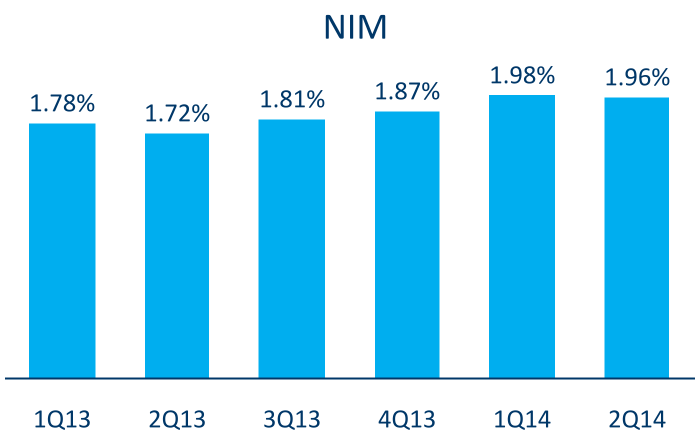
	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	84bn	31bn	101bn	160bn	26bn
Growth q/q*	+2%	+1%	0%	+3%	+2%
Growth y/y	0%	+2%	+1%	+10%	+3%

+2% y-o-y excluding the deliberate reduction of our foreign branch loan portfolio and the sale of shareholder loans

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
*** Customer deposits, including debt certificates but excluding repos

Belgium Business Unit (2)

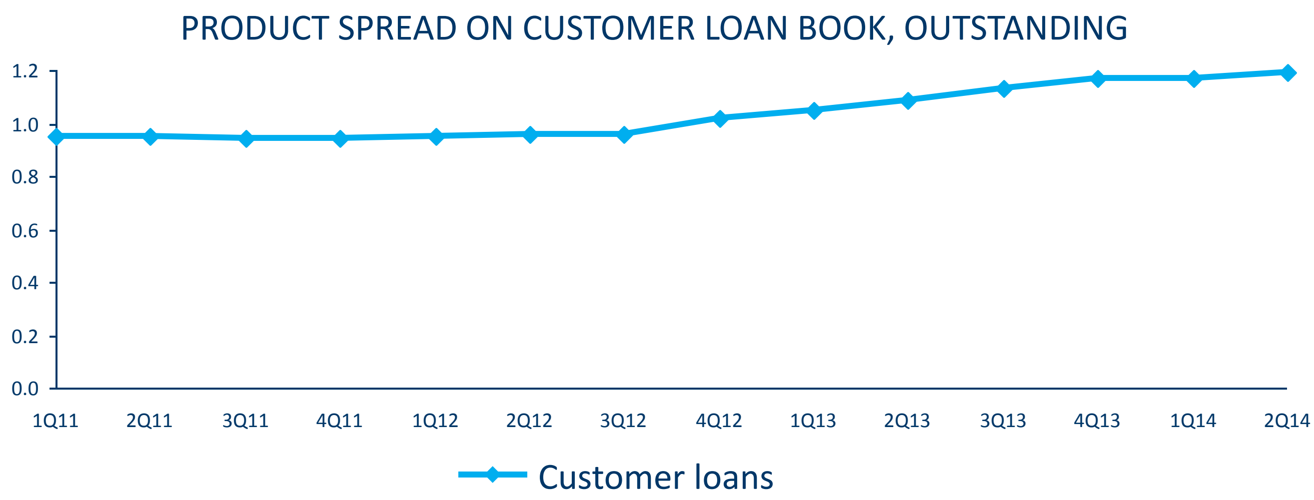


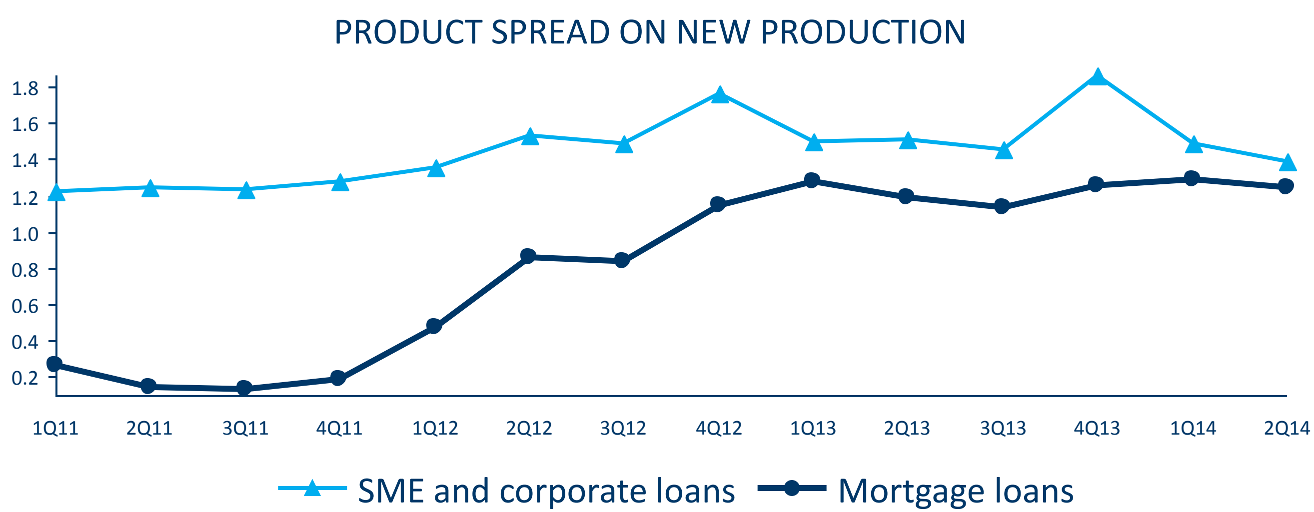


- **Net interest income (697m EUR)**
  - Flat q-o-q and up by 9% y-o-y
  - Q-o-q, the positive impact of 1 day more in 2Q14, higher net interest income on lending activities, higher margin on savings accounts and higher volume of current accounts was offset entirely by a lower reinvestment yield, less prepayment fees (7m EUR in 2Q14 compared with 11m EUR in 1Q14) and the negative impact from the deliberately decreasing loan portfolio at the foreign branches
  - The y-o-y increase was attributable primarily to lower paid interests on deposits, a higher banking bond portfolio, higher net interest income on lending activities and lower funding costs, despite a lower reinvestment yield
  - Note that customer deposits excluding debt certificates and repos increased by 5% y-o-y, while mortgage loans rose by 2% y-o-y

- **Net interest margin (1.96%)**
  - Decreased by 2bps q-o-q, as sound commercial margins were more than offset by the negative impact of lower reinvestment yields and a lower amount of prepayment fees (due to positive one-off in 1Q14)
  - A higher product margin on savings accounts was achieved due to the decrease of 10bps in the base rate of interest from 1 April onwards
  - Increased by 24bps y-o-y, thanks mainly to better margins on deposits and on the loan book, better ALM yield management and lower funding costs

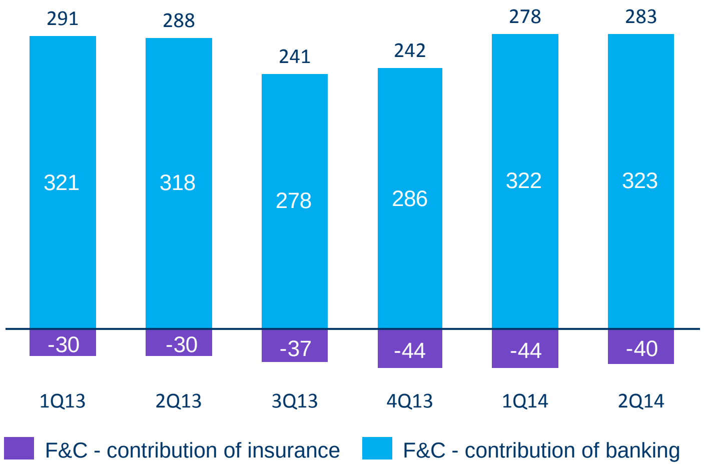
Credit margins in Belgium





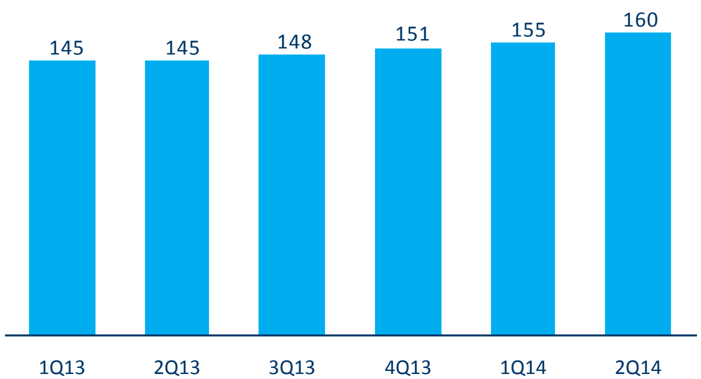
Belgium Business Unit (3)

F&C



Amounts in m EUR

AuM*



* The split among the BUs is based on the Assets under Distribution in each BU

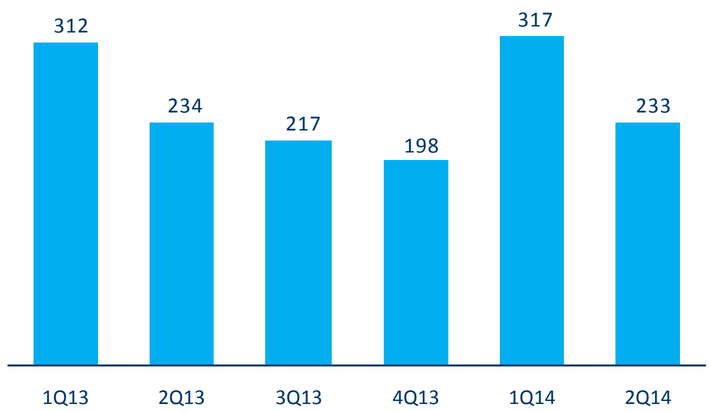
Amounts in bn EUR

- **Net fee and commission income (283m EUR)**
  - Increased by 2% q-o-q, thanks mainly to significantly higher management fees on mutual funds, slightly higher entry fees on unit-linked life insurance products and lower commissions paid on insurance sales, while entry fees on mutual funds declined (sales drop after traditionally strong first quarter)
  - Decreased by 2% y-o-y due to lower entry fees on unit-linked products (as a result of sharply lower volumes), lower fees on securities transactions and higher commissions paid on insurance sales, despite higher management fees and slightly higher entry fees on mutual funds

- **Assets under management (160bn EUR)**
  - Rose by roughly 10% y-o-y, as a result of a positive price effect (+8%) and some net entries (+3%)
  - Up 3% q-o-q, as a result of a positive price effect (+3%) and some net entries (+1%)

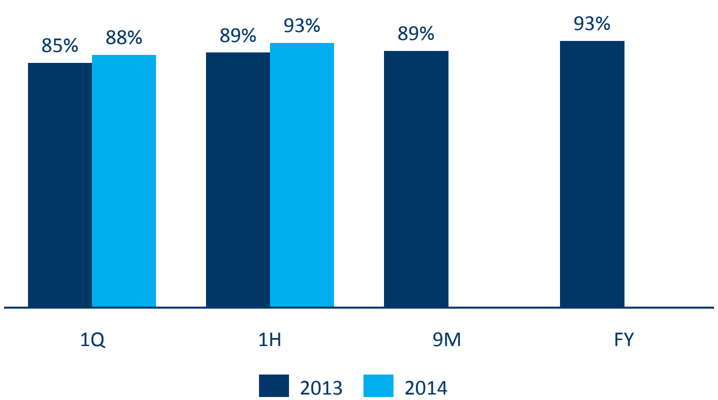
Belgium Business Unit (4)

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



- **Sales of non-life insurance products**
  - Stabilised y-o-y whereby an increase of direct business sales (+2%) was offset by a decrease in gross written premiums at Group Re
  - The growth in direct business sales is attributable mainly to 'fire' and 'motor' classes

COMBINED RATIO (NON-LIFE)

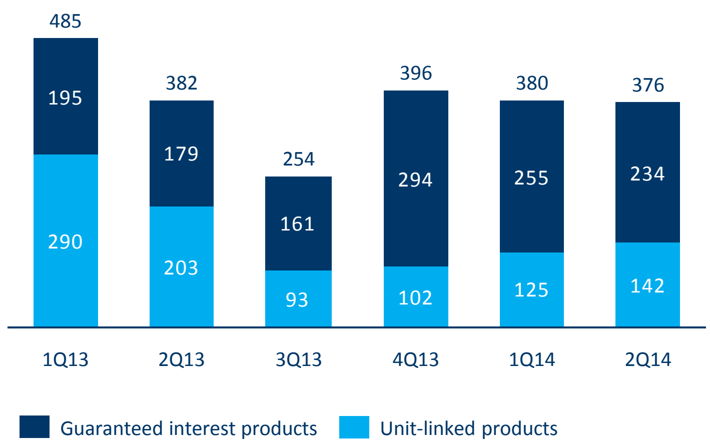


- **Combined ratio** amounted to 93% in 1H14 (in line with FY 2013). Note that technical charges in 2Q14 were high mainly due to the negative impact of hailstorm damage (net effect amounted to -41m EUR)

Amounts in m EUR

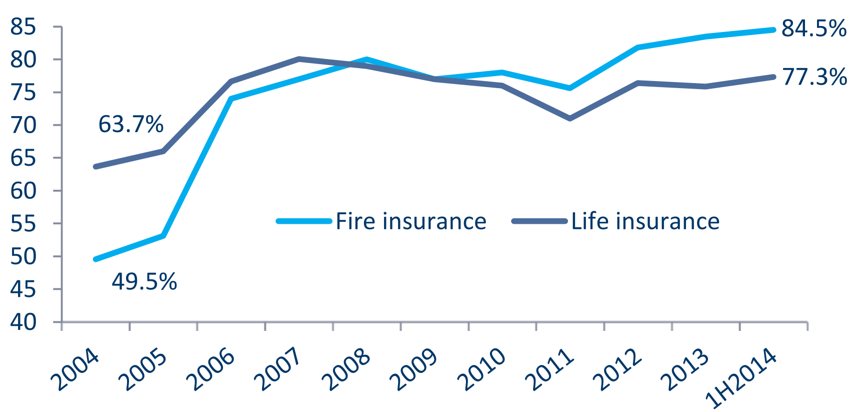
Belgium Business Unit (5)

LIFE SALES



Amounts in m EUR

MORTGAGE-RELATED CROSS-SELLING RATIOS

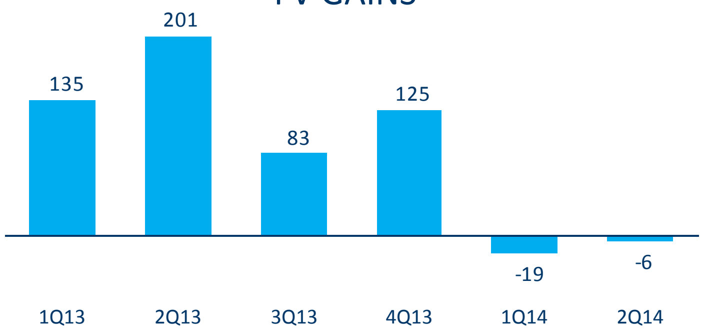


- **Sales of life insurance products**
  - Fell by 1% q-o-q, driven entirely by significantly lower sales of guaranteed interest products due to the low interest rate environment. On the other hand, sales of unit-linked life insurance products rose 14% q-o-q, mainly attributable to commercial actions and new products
  - Fell by 2% y-o-y as the sales of unit-linked life insurance products decreased due to the low interest environment, the increase in insurance tax and the shift towards AM products
  - As a result, guaranteed interest products and unit-linked products accounted for 62% and 38%, respectively, of life insurance sales in 2Q14 (55% and 45%, respectively, for FY 2013)

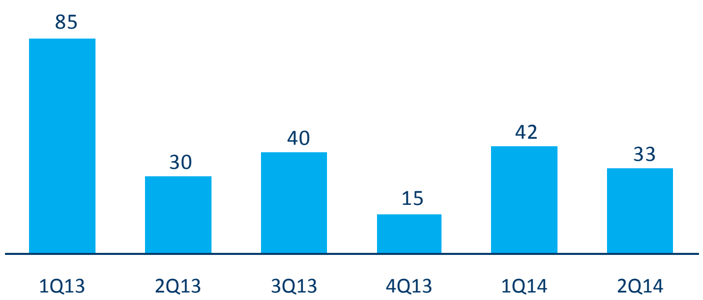
- **Mortgage-related cross-selling ratios**
  - Further increased to respectively:
    - 84.5% for fire insurance
    - 77.3% for life insurance

Belgium Business Unit (6)

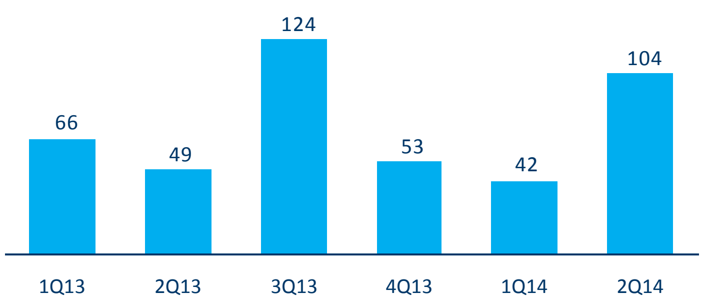
FV GAINS



GAINS REALISED ON AFS ASSETS



OTHER NET INCOME



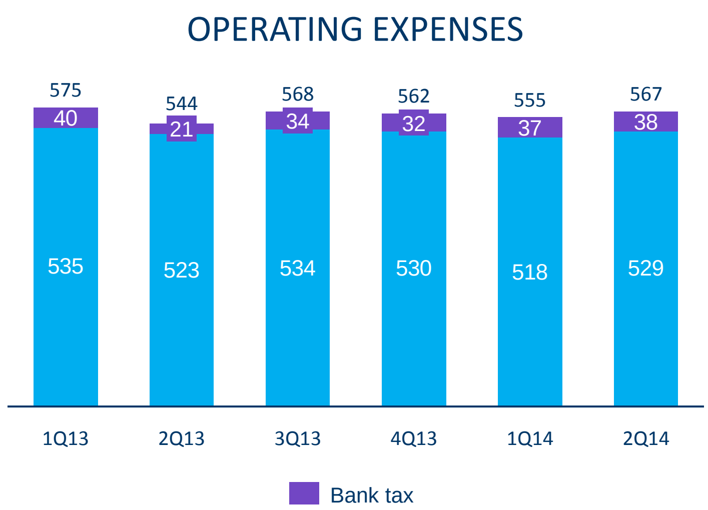
- The lower y-o-y figure for **net gains from financial instruments at fair value** was mainly the result of a negative q-o-q change in ALM derivatives (-63m EUR in 2Q14 compared with -86m EUR in 1Q14 and 126m EUR in 2Q13), due to decreasing long-term IRS rates

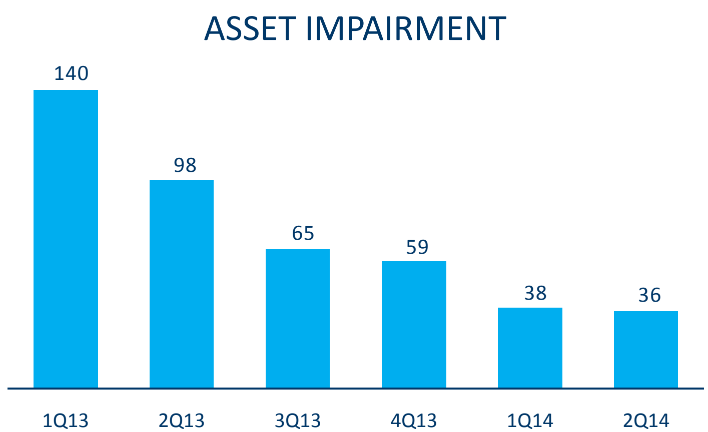
- **Gains realised on AFS assets** came to 33m EUR (primarily fewer gains realised on shares in 2Q14 compared with 1Q14)

- **Other net income** amounted to a high 104m EUR in 2Q14, due mainly to real estate gains and the recovery of sums to be paid out following the outcome of a legal case (in relation to an old credit file in the London branch)

Amounts in m EUR

Belgium Business Unit (7)



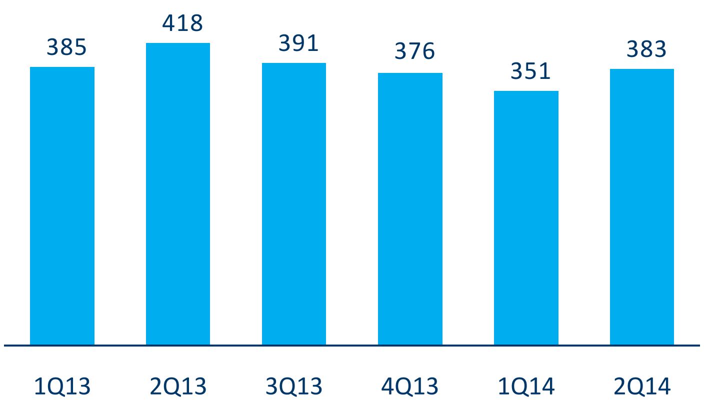


- **Operating expenses**: +2% q-o-q and +4% y-o-y
  - The q-o-q increase was attributable chiefly to higher staff expenses (variable staff remuneration), higher marketing & communication costs and other general administrative expenses (of which 5m EUR for NBB invoices regarding the AQR Project). These items more than offset lower ICT expenses, facilities expenses and other long-term employee benefits
  - The y-o-y increase was driven mainly by general administrative expenses (of which mainly higher bank taxes and the AQR-related cost), slightly higher staff expenses (variable staff remuneration) and higher marketing & communication costs
  - Cost/income ratio: 51% in 2Q14 and 52% YTD, distorted due mainly to the negative M2M ALM derivatives (a deterioration compared with 47% in FY 2013). Adjusted for specific items, the C/I ratio amounted to roughly 50% both in 2Q14 and 1H14 (an improvement compared with 51% in FY 2013)

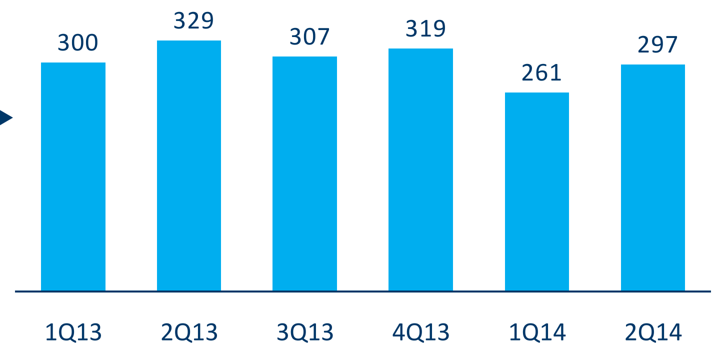
- **Loan loss provisions** amounted to 34m EUR in 2Q14, which is sharply lower y-o-y thanks to lower gross impairments and stable q-o-q
- **Credit cost ratio** improved from 37bps in FY13 to 15bps in 1H14
- **NPL ratio** amounted to 2.6%
- Limited **impairment on AFS shares** (3m EUR)

Net result at the Belgium BU

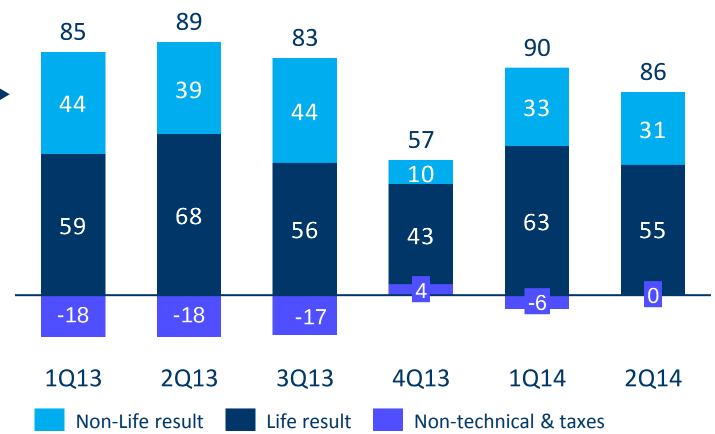
NET RESULT AT THE BELGIUM BU *



CONTRIBUTION OF BANKING ACTIVITIES TO NET RESULT OF THE BELGIUM BU *



CONTRIBUTION OF INSURANCE ACTIVITIES TO NET RESULT OF THE BELGIUM BU *



* Difference between net profit at the Belgium BU and the sum of the banking and insurance contribution is accounted for by the rounding up or down of figures

Amounts in m EUR

CZECH REPUBLIC BUSINESS UNIT

CFO SERVICES

CRO SERVICES

BELGIUM

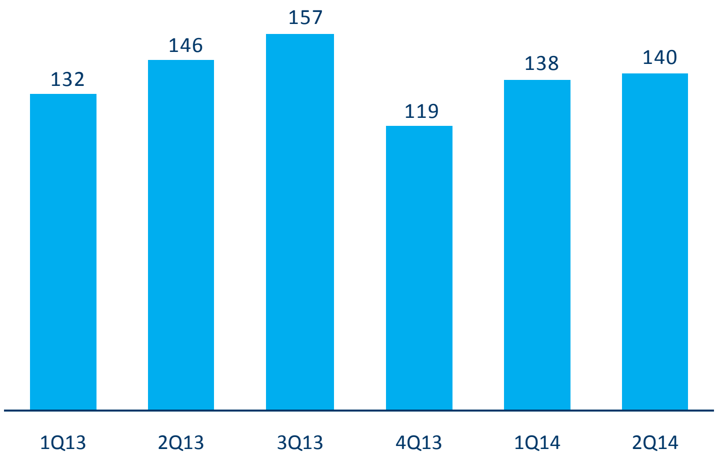
CZECH REPUBLIC

INTERNATIONAL MARKETS

CORPORATE STAFF

Czech Republic Business Unit (1)

NET RESULT



Amounts in m EUR

- **Net result** at the Czech Republic Business Unit of 140m EUR
  - Results were characterised by slightly higher net interest income, higher net fee and commission income and net results from financial instruments, no net realised result from AFS assets, a good combined ratio in non-life insurance and higher sales of unit-linked life insurance products, higher costs and extremely low loan loss impairment charges again
  - Profit contribution from the insurance business remained limited in comparison to the banking business

VOLUME TREND

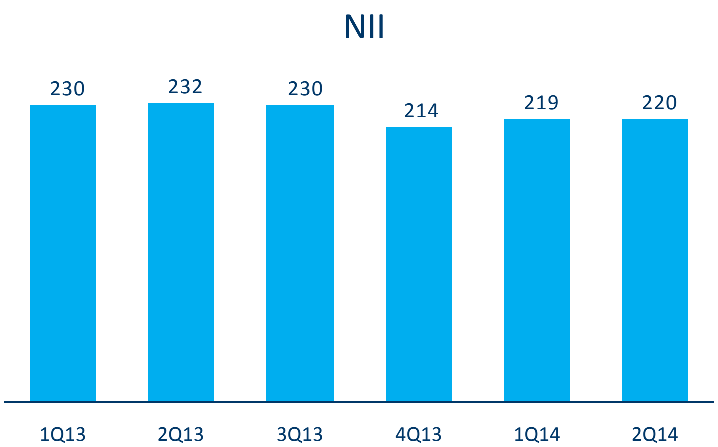
Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	16bn	7bn	22bn	6.7bn	1.0bn
Growth q/q*	+1%	+2%	+2%	+5%	-2%
Growth y/y	+3%	+8%	+8%	+9%	-10%

* Non-annualised

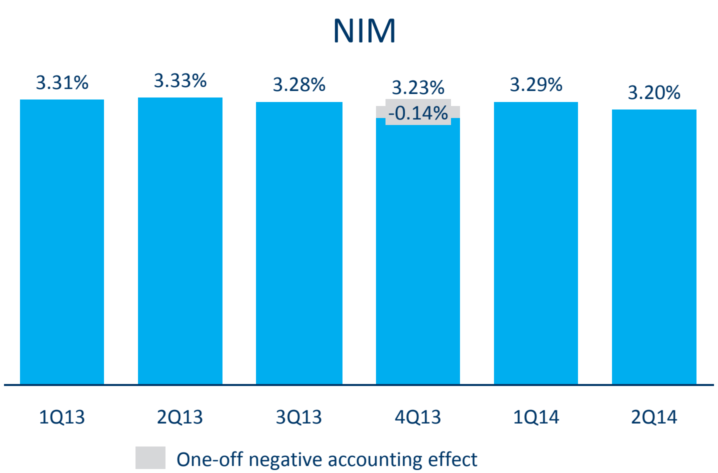
** Loans to customers, excluding reverse repos (and not including bonds)

*** Customer deposits, including debt certificates but excluding repos

Czech Republic Business Unit (2)



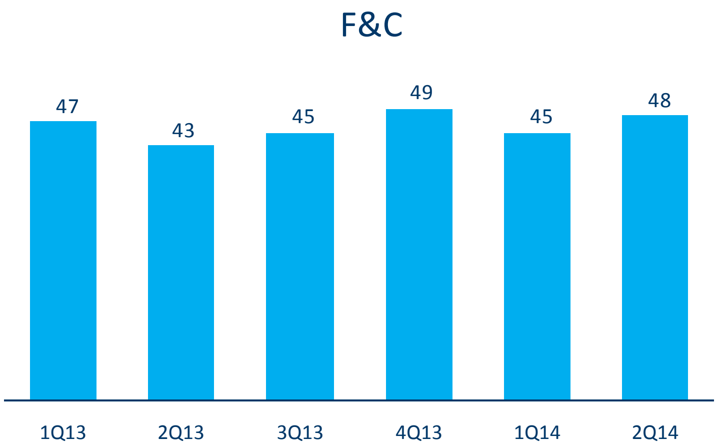
Amounts in m EUR



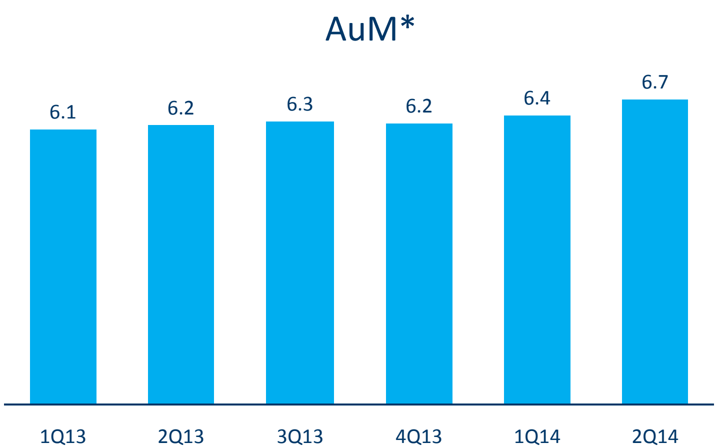
- **Net interest income (220m EUR)**
  - Slightly higher q-o-q, but a decline by 5% y-o-y to 220m EUR (rose by 1% y-o-y, excluding FX effect)
  - The increase, excluding FX effect, resulted entirely from growth in volumes and several cuts in interest rates on saving deposits, which more than offset a lower reinvestment yield
  - Loan volumes up 3% y-o-y, mainly driven by growth in mortgages and to a lesser extent in corporate/SME loans
  - Customer deposit volumes up 8% y-o-y

- **Net interest margin (3.20%)**
  - Fell by 9bps q-o-q and 13bps y-o-y to 3.29%
  - This q-o-q and y-o-y decrease was caused primarily by a lower reinvestment yield, the shortening of the ALM reinvestments and further pressure on deposit margins, despite several cuts in interest rates on savings deposits

Czech Republic Business Unit (3)



Amounts in m EUR



* The split among the BUs is based on the Assets under Distribution in each BU

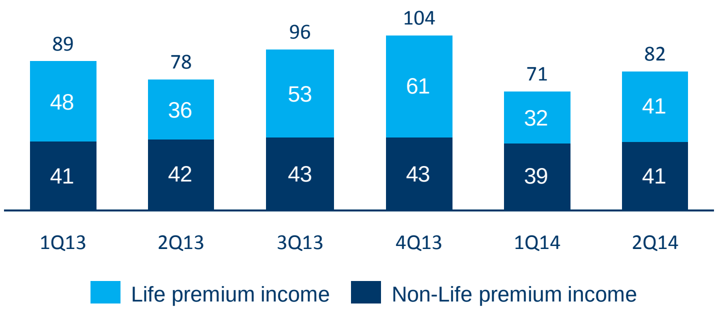
Amounts in bn EUR

- **Net fee and commission income (48m EUR)**
  - Rose by 7% q-o-q and 12% y-o-y (or +7% q-o-q and +19% y-o-y, respectively, excluding the FX effect)
  - The q-o-q increase was attributable mainly to an increase in entry fees on mutual funds, transaction fees (the latter thanks to the success of contactless cards) and higher fee income from financial markets
  - The y-o-y increase excluding FX effect was mainly thanks to lower fees paid to distribution (Czech Post) and higher fee income from financial markets, more than offsetting lower account fees

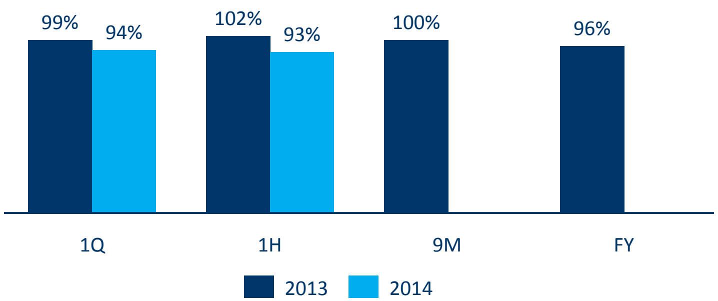
- **Assets under management (6.7bn EUR)**
  - Went up by 5% q-o-q to roughly 6.7bn EUR, as a result of net entries (+3%) and a positive price effect (+2%)
  - Y-o-y, assets under management rose by 9%, driven by net entries (+6%) and a positive price effect (+3%, despite the negative FX impact)

Czech Republic Business Unit (4)

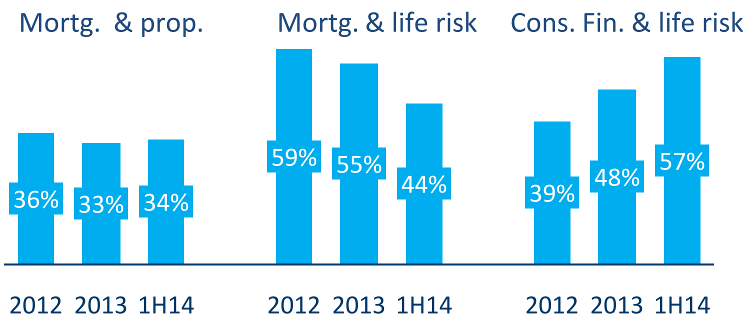
PREMIUM INCOME (GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)



CROSS-SELLING RATIOS



- **Insurance premium income** (gross earned premium) stood at 82m EUR
  - Non-life premium income (41m) rose by 5% q-o-q due mainly to motor retail, but fell by 4% y-o-y (+5% q-o-q and +2% y-o-y, excluding FX effect)
  - Life premium income (41m) went up 28% q-o-q and 15% y-o-y (+28% q-o-q and +22% y-o-y, excluding FX effect). Note that 2Q14 included higher unit-linked single premiums despite only one tranche of Maximal Invest products was issued, as was also the case in 2Q13 and 1Q14

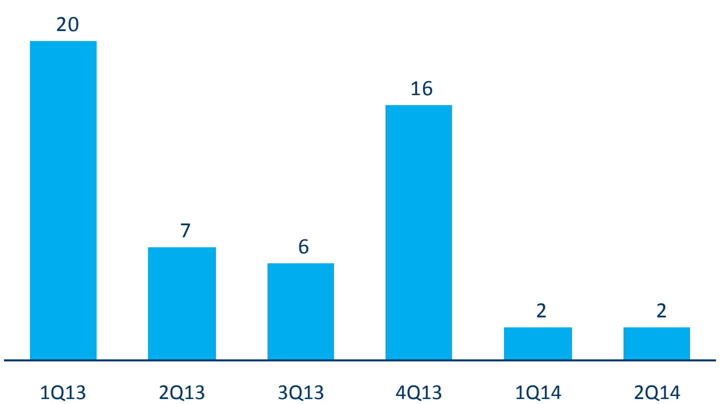
- **Good combined ratio**: 93% in 1H14 (compared with 102% in 1H13 due to floods and 96% in FY13)

- **Cross-selling ratios:** increased commercial focus and sales activities helped to improve consumer loan and life risk insurance cross ratio, while demand for life risk insurance combined with mortgage has been declining

Czech Republic Business Unit (5)

OPERATING EXPENSES

ASSET IMPAIRMENT



- **Opex (148m EUR)**
  - Rose by 2% q-o-q, but fell by 5% y-o-y (+2% q-o-q and +1% y-o-y, excluding FX effect)
  - The q-o-q increase was due mainly to higher marketing and facilities expenses
  - The y-o-y increase excluding FX effect was attributable primarily to higher staff expenses, marketing and ICT expenses
  - Cost/income ratio at 47% in 2Q14 (and YTD)

- **Impairments on L&R** stabilised q-o-q at an unsustainable low level as 2Q14 benefitted again from some releases of impairment (besides lower q-o-q gross impairments)
- **Credit cost ratio** amounted to 0.04% in 1H14

	2010	2011	2012	2013	1H14
CCR	0.75%	0.37%	0.31%	0.26%	0.04%

- **NPL** ratio continued to hover around 3% (3.1% in 2Q14)
- No other impairments

Amounts in bn EUR

INTERNATIONAL MARKETS BUSINESS UNIT

CFO SERVICES

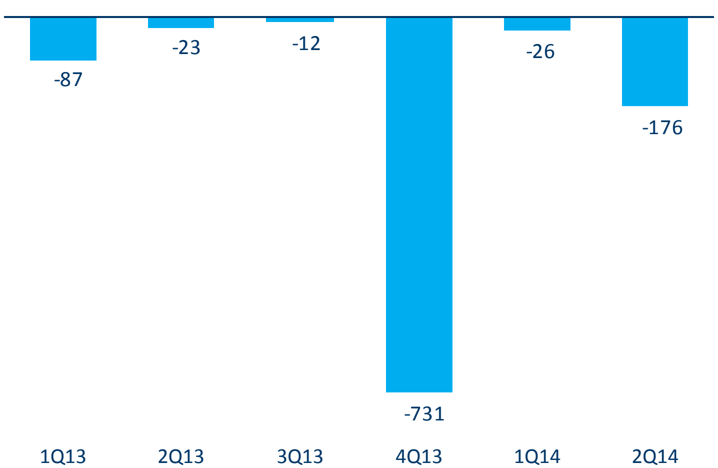
CRO SERVICES

BELGIUM	CZECH REPUBLIC	INTERNATIONAL MARKETS

CORPORATE STAFF

International Markets Business Unit (1)

NET RESULT



Amounts in m EUR

- **Net result: -176m EUR due to additional one-off provisions for KBC's Hungarian retail loan book**
  - Profit **breakdown** for International Markets: 17m for Slovakia, -139m for Hungary, 3m for Bulgaria and -57m for Ireland
  - Q-o-q **results** were characterised by higher net interest income, higher net fee and commission income, lower result from financial instruments at fair value, higher realised gains on bonds, negative net other income due entirely to one-off provisions of 231m EUR for KBC's Hungarian retail loan book (both the correction to the bid-offer spreads and the unilateral changes to interest rates), lower costs (as the entire FY14 Hungarian bank tax was recorded in 1Q14) and higher impairments
  - **Turnaround potential**: breakeven returns at latest by 2015 for International Markets BU, mid-term returns above cost of capital

VOLUME TREND

	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	21bn	14bn	14bn	5.5bn	0.5bn
Growth q/q*	0%	0%	-1%	+1%	+4%
Growth y/y	-6%	-6%	+2%	+3%	+4%

* Non-annualised

** Loans to customers, excluding reverse repos (and not including bonds)

*** Customer deposits, including debt certificates but excluding repos

International Markets Business Unit (2)

ORGANIC GROWTH*

	TOTAL LOANS		MORTGAGES		DEPOSITS	
	q/q	y/y	q/q	y/y	q/q	y/y
IRE	-2%	-13%	-1%	-9%	+3%	+21%
SL	+2%	+6%	+5%	+14%	0%	+1%
HU	+1%	0%	-1%	-7%	-4%	-9%
BG	+3%	+14%	0%	-5%	+1%	+1%
TOTAL	**0%**	**-6%**	**0%**	**-6%**	**-1%**	**+2%**

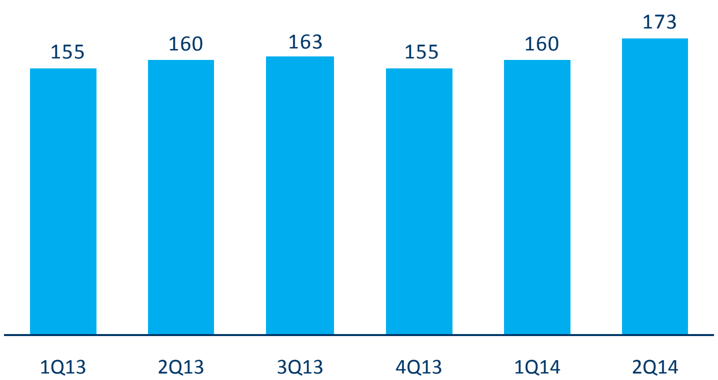
- The **total loan book** stabilised q-o-q and fell by 6% y-o-y. On a y-o-y basis, the decrease was accounted for by Ireland (matured and impaired mortgage loans surpassed new production + deleveraging of the corporate loan portfolio)
- **Total deposits** were down 1% q-o-q, but up 2% y-o-y. The y-o-y increase is thanks mainly to the successful retail deposit campaign in Ireland

* Organic growth excluding FX impact, q-o-q figures are non-annualised. Loan and mortgage figures after impairment charges

Amounts in m EUR

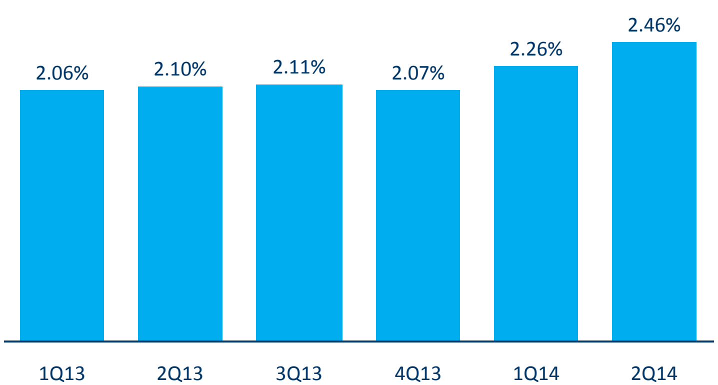
International Markets Business Unit (3)

NII



Amounts in m EUR

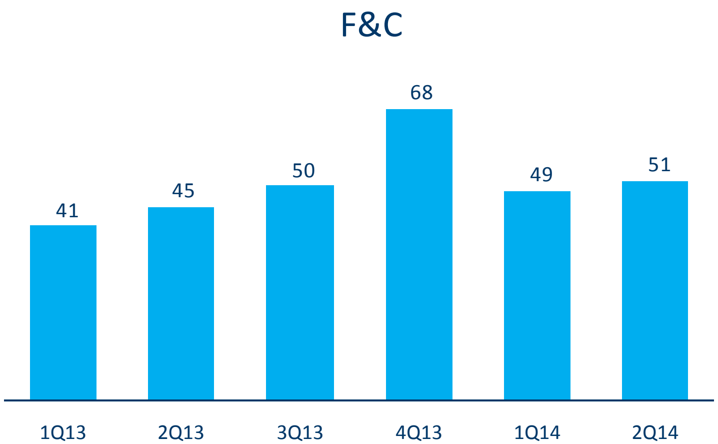
NIM



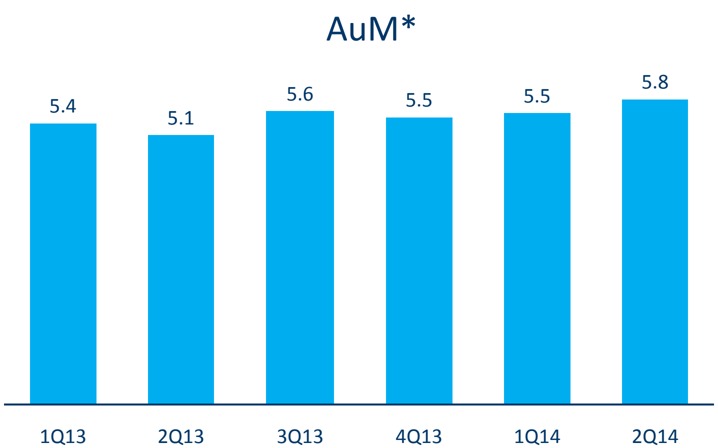
- **Net interest income (173m EUR)**
  - Rose by 8% q-o-q and y-o-y
  - The q-o-q increase was driven chiefly by Ireland (main reason was lower reserved interest charges) and Hungary (lower funding costs)
  - The y-o-y increase was attributable to Ireland (lower allocated liquidity costs), Slovakia (owing to continued growth of the mortgage portfolio) and Hungary (improved funding structure)

- **Net interest margin (2.46%)**
  - Up by 36bps y-o-y and 20bps q-o-q
  - The y-o-y increase was attributable primarily to a considerable rise in NIM in Slovakia thanks to the product mix (increasing mortgage portfolio with relatively high margins combined with an outflow of corporate loans with significantly lower margins), Hungary (improved funding structure) and Ireland (mainly as a result of lower allocated liquidity costs)
  - The q-o-q increase was accounted for chiefly by Ireland (mainly as a result of lower reserved interest rate charges) and Hungary (improved funding structure)

International Markets Business Unit (4)



Amounts in m EUR



* The split among the BUs is based on the Assets under Distribution in each BU

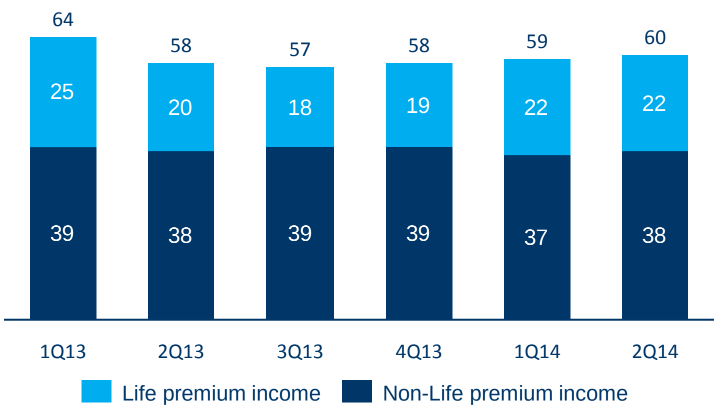
Amounts in bn EUR

- **Net fee and commission income (51m EUR)**
  - Rose by 5% q-o-q and 14% y-o-y
  - The q-o-q increase was attributable entirely to Hungary, as higher investment and booking fees were only partly offset by lower fees from payment transactions and account management
  - The y-o-y increase was the result of higher investment (mainly related to volume growth of open-end mutual funds) and booking fees (better pricing tariffs of certain products & services) in Hungary

- **Assets under management (5.8bn EUR)**
  - Increased by 5% q-o-q, as a result of net inflows (+3%) and the positive price effect (+2%)
  - Y-o-y, assets under management rose by 13% (9% net entries and 5% positive price effects)

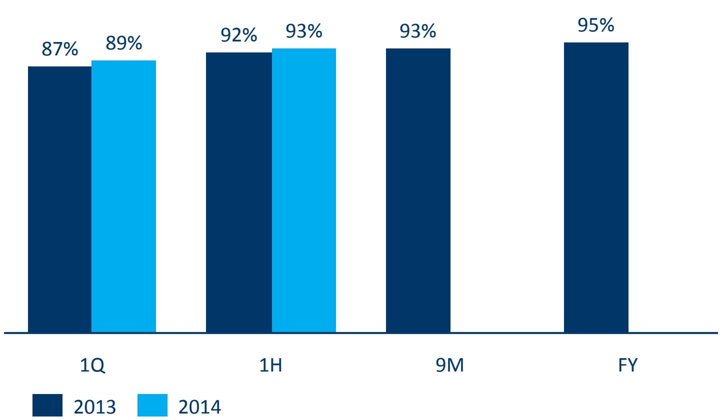
International Markets Business Unit (5)

PREMIUM INCOME
(GROSS EARNED PREMIUM)



- **Insurance premium income** (gross earned premium) stood at 60m EUR
  - Non-life premium income (38m) more of less stabilised
  - Life premium income (22m) more or less stabilised q-o-q and increased by 10% y-o-y

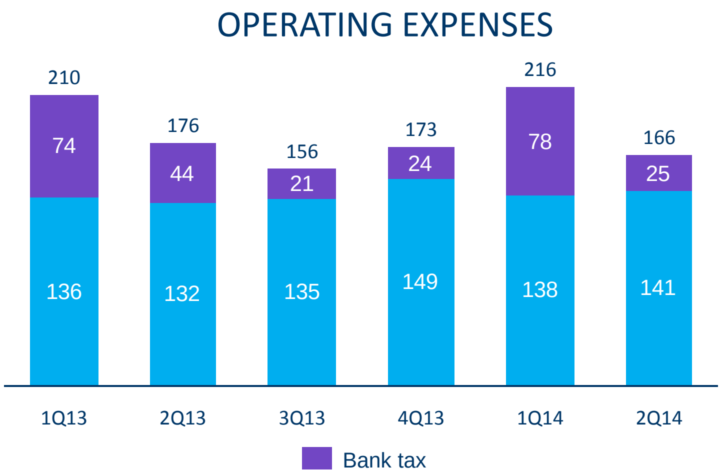
COMBINED RATIO (NON-LIFE)



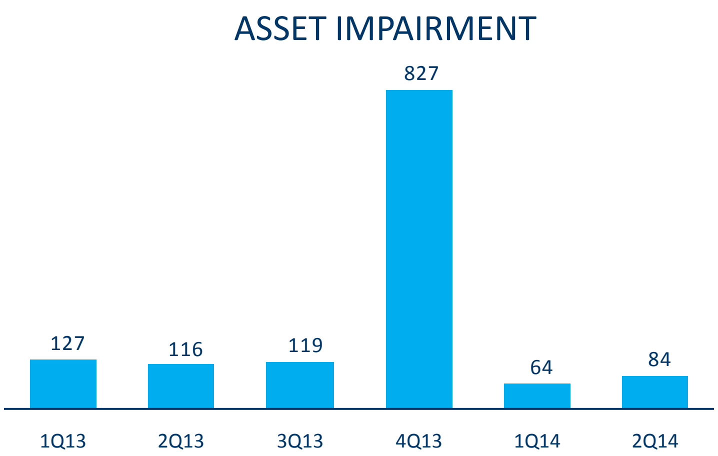
- **Combined ratio** at a good 93% in 1H14. The combined ratio for 1H14 breaks down into 90% for Hungary, 85% for Slovakia (release of claims reserves) and 99% for Bulgaria

Amounts in m EUR

International Markets Business Unit (6)



Amounts in m EUR



- **Opex (166m EUR)**
  - Fell by 23% q-o-q and 6% y-o-y
  - The q-o-q decrease was entirely due to the FY14 Hungarian bank tax, recorded in full in 1Q14 (51m pre-tax and 42m post-tax)
  - The y-o-y decrease was caused by the additional one-off FTL related charge of 27m EUR pre-tax (22m post-tax) recorded in Hungary in 2Q13, only partly offset by higher opex in Ireland due to the higher number of FTEs (particularly in the MARS support unit) and the roll-out of KBCIs retail strategy
  - Adjusted for specific items (especially the one-off provisions in Hungary during 2Q14), the cost/income ratio stood at 64% in 2Q14 and 67% in 1H14 (68% in FY 2013)
- **Impairments on L&R (84m EUR)** dropped y-o-y mainly thanks to Ireland. Loan loss provisions amounted to 62m in 2Q14 in Ireland compared with 88m in 2Q13. Despite the q-o-q increase of loan loss provisions in Ireland (48m in 1Q14), we are maintaining our FY 2014 guidance for Ireland, namely the high end of the range 150m-200m EUR
- **Credit cost ratio** of 1.14% in 1H14

	Loan book	2010 CCR	2011 CCR	2012 CCR	2013 CCR	1H14 CCR
IM BU	**26bn**			**2.26%**	**4.48%**	**1.14%**
- Ireland	15bn	2.98%	3.01%	3.34%	6.72%	1.44%
- Hungary	5bn	1.98%	4.38%	0.78%	1.50%	0.96%
- Slovakia	5bn	0.96%	0.25%	0.25%	0.60%	0.40%
- Bulgaria	1bn	2.00%	14.73%	0.94%	1.19%	1.17%

- **NPL ratio** at 20.8%

MARS: Mortgage Arrears Resolution Strategy ;

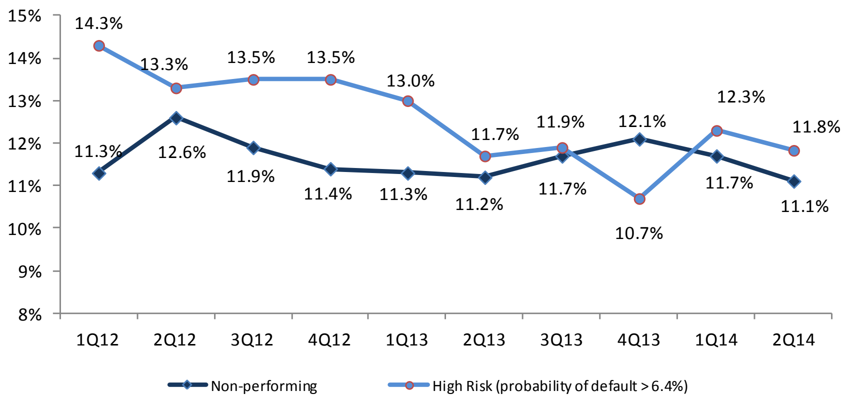
Hungary (1)

HUNGARIAN LOAN BOOK
KEY FIGURES AS AT 30 JUNE 2014

Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.7bn	4.6%	81%
Retail	2.4bn	18.5%	72%
o/w private	1.9bn	21.1%	72%
o/w companies	0.5bn	7.7%	79%
TOTAL	**5.1bn**	**11.1%**	**73%***

* NPL coverage ratio calculated under the current definition (NPL = PD 11 & 12). If we apply the new definition (NPL = PD 10, 11 & 12), the NPL coverage ratio would amount to 56%

PROPORTION OF HIGH RISK AND NPLS



- 2Q14 **net result** at the K&H Group amounted to -139m EUR including 231m EUR pre-tax (183m EUR post-tax) provision for the law on retail loans. (Excluding this item, quarterly result would amount to +44m EUR, significantly exceeding the +26m EUR net result in the corresponding period of 2Q13)
- The **CAD-ratio** of K&H Bank consolidated remains above the regulatory minimum of 11%
- **YTD net result** amounted to -148m EUR (including -42m EUR post-tax impact of FY bank tax charge and the -183m EUR post-tax impact of the above mentioned provision)
- **Loan loss provisions** amounted to 13m EUR in 2Q14 (11m EUR in 1Q14). The **credit cost ratio** came to 0.96% in 1H14 (versus 1.50% in FY 2013)
- **NPL** ratio continued to improve in 2Q14 (11.1% in 2Q14, 11.7% in 1Q14, 12.1% in 4Q13) due primarily to the SME/corporate portfolio, while retail NPL continued to deteriorate

Hungary (2)

- **IMPACT OF HUNGARIAN SUPREME COURT'S (CURIA) DECISION**
  - The act on the 'Resolution of certain issues related to the Supreme Court's (Curia) uniformity decision on consumer loan agreements concluded by financial institutions' was approved on 4 July by the Hungarian Parliament
  - The scope of the act includes retail loans in both foreign currency and Hungarian forints. According to the act, the use of foreign-exchange-rate margins in consumer loans denominated in foreign currency is unfair and void and, therefore, bid-offer spreads applied to those foreign currency loans need to be retroactively corrected. Furthermore, as regards all consumer loans, the act provides a refutable assumption of unfairness and repeals unilateral changes to interest rates and fees applied by the banks. The concrete way of financial settlement with clients is going to be handled in a separate act ('act on settlement issues') later this year
  - K&H will start legal action to rebut the assumption of unfairness
  - K&H set aside one-off net provisions of 231m EUR (pre-tax) in 2Q14 for both the correction to the bid-offer spreads and the unilateral changes to interest rates, using the methodology guideline issued by the Hungarian National Bank
    - On 29 July, the supervisory authority, the Hungarian National Bank, has issued a methodology guideline for the recalculation necessitated by the annulment of the bid-offer spread. Compliance with such methodology guideline is not a legal obligation, but merely a guideline that will serve as the basis for verification of the methodology by the Hungarian National Bank
    - Applying the Hungarian National Bank methodology guideline to the bid-offer spread and also to the unilateral changes to interest rates, leads to a provision which is 70m EUR higher than the calculation method proposed by the Hungarian Banking Association, and followed by K&H Bank. Applying this last method, the provision would amount to 161m EUR
    - K&H Bank is convinced that the calculation method proposed by the Hungarian Banking Association is fully in line with the Hungarian civil code and will therefore defend its position
  - Any potential additional costs related to the complete phase-out of retail foreign currency loans announced by government officials for 2H14 are not included in the above estimate

Hungary (3)

Multiple changes - full impact remains uncertain until regulation is finalised

Changes approved on July 4th

FX bid-offer spread is void

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

Unilateral contract modifications by creditors are void

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

Possible additional changes

Conversion of FX loans to HUF

- Remaining FX loans to be converted to HUF
- Conversion rate (below market rate?) still to be decided
- Total FX loan book at end 1H14: 1.5bn EUR
  - Retail FX housing loans: 0.6bn EUR
  - Retail FX home equity loans: 0.8bn EUR
  - FX car loans: 0.1bn EUR

Impact on KBC

- New law is applicable to contracts concluded from 1 May 2004, including contracts repaid over the last 5 years.
- Estimated impact on K&H: 231m EUR (pre-tax), provisioned in 2Q14 , using the methodology guideline issued by the Hungarian National Bank. Applying the Hungarian National Bank methodology guideline to the bid-offer spread and to the unilateral interest rate changes, leads to a provision amount which is 70m EUR higher than the calculation method proposed by the Hungarian Banking Association, and followed by K&H Bank. Applying this last method, the provision would amount to 161m EUR
- The CAD-ratio of K&H Bank consolidated remains above the regulatory minimum of 11%

Impact will depend on:

- conversion rate
- whether or not the banking sector has to bear the entire conversion cost
- the interest margin K&H would be allowed to take on new loans

KBC

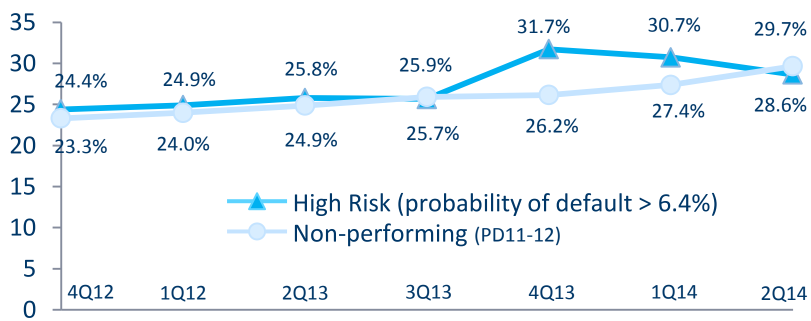
Ireland (1)

IRISH LOAN BOOK
KEY FIGURES AS AT 30 JUNE 2014

LOAN PORTFOLIO	OUTSTANDING	NPL	NPL COVERAGE
Owner occupied mortgages	9.0bn	22.2%	50%[1]
Buy to let mortgages	3.0bn	38.1%	64%[1]
SME /corporate	1.4bn	28.3%	103%
Real estate investment Real estate development	1.0bn 0.5bn	45.6% 89.4%	73% 80%
Total	15.0bn	29.7%	64%[1, 2]

1. The total NPL coverage ratio amounted to 69% at the end of 2Q14 (72% in 1Q14) taking into account the adjustments for the Mortgage Indemnity Guarantee and Reserved Interest (58% for owner occupied mortgages and 71% for buy to let mortgages, respectively)
2. NPL coverage ratio calculated under the current definition (NPL = PD 11 & 12). If we apply a NPL definition of PD 10, 11 & 12, the coverage ratio would amount to 36% (36% 1Q14)

PROPORTION OF HIGH RISK AND NPLS



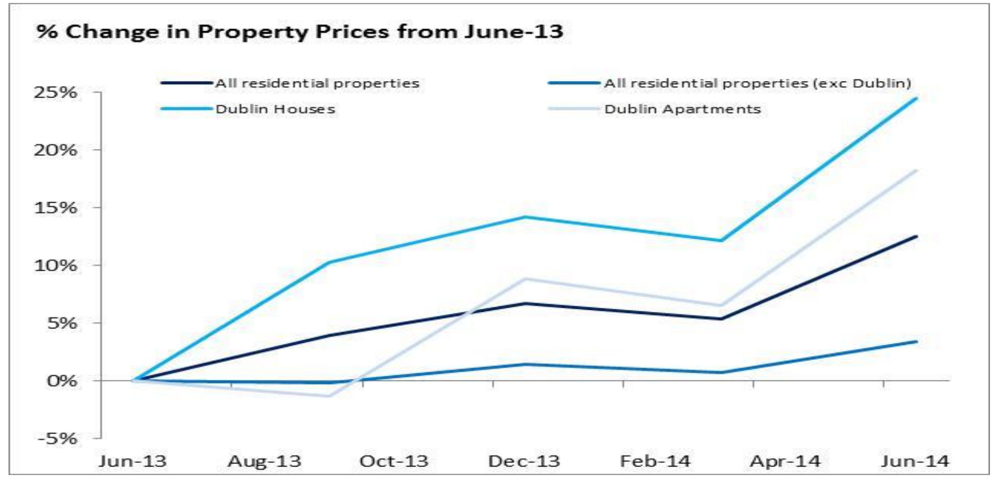
The High Risk portion of loans increased significantly in 4Q13 due to the reassessment of the loan book

- **Loan loss provisions** in 2Q14 of 62m EUR (48m EUR in 1Q14). An increase this quarter as a result of the continued implementation of the EBA guidelines issued in October 2013 and a methodology change. Net loss in 2Q14 was 57m EUR (-40m EUR in 1Q14)
- **Nevertheless, we are maintaining our FY 2014 guidance for Ireland, namely the high end of the range 150m-200m EUR**. For each of FY15 and FY16, loan loss provisions are still expected to be between 50m-100m EUR. **Profitability expected from 2016 onwards**
- **Arrears continue to decrease with four consecutive months of decline** at the end of 2Q14
- Most recent GDP data (1Q14) shows a stronger trend that is more consistent with the improvement in indicators relating to employment and property markets. Exports should be supported by healthier conditions in key trading partners (US and UK) and a strong pipeline of foreign direct investment into Ireland
- An emerging turn in domestic spending remains overall uneven and modest as income growth continues to be weak. However, rising employment and some easing in uncertainty are being reflected in stronger trends in areas such as car sales and home refurbishment
- A recovery in the housing market is still centered on Dublin but appears to be broadening in 1H14. Transaction levels are about a third higher in the first five months of the year than the comparable period of 2013. With effective supply still limited and property values still subdued relative to long term price to income ratios, prices are expected to trend higher in coming months
- KBCI is proactively engaging with those customers who are experiencing financial difficulty and is implementing its long term Mortgage Arrears Resolution Strategy. As part of this, **KBCI has met the 2Q14 public targets** set by the Central Bank of Ireland
- Continued focus on retail customer acquisition with 9,000 new customers acquired in 2Q14. Retail deposits net inflows continue to increase, leading to 3.2bn EUR at the end of 2Q14. Customer growth is being driven by an expanding digitally led distribution model supported by selective new Hub locations
- Increase in mortgage activity in 2Q14 with both application and completion volumes increasing significantly
- **Local tier-1** ratio of roughly 14% at the end of 2Q14
- The current definition of Non-Performing loans (NPL) being PD11-12 will be reviewed in 3Q14 in the context of the draft October 2013 EBA Technical Standards. Based on this reviewed definition, the NPL coverage ratio will drop substantially

Ireland (2) Key indicators show signs of stabilisation

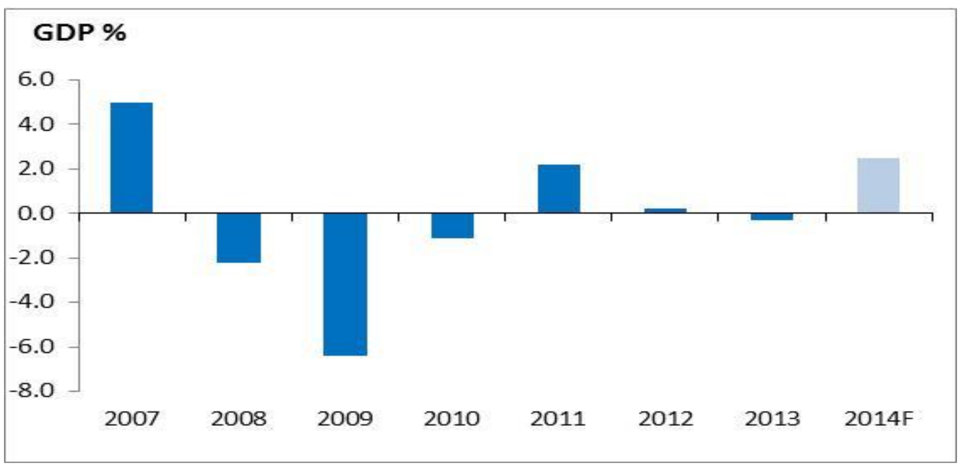
RESIDENTIAL PROPERTY PRICES SHOWING CONTINUED SIGNS OF STABILISATION

Source: Irish Residential Property Prices - CSO Index

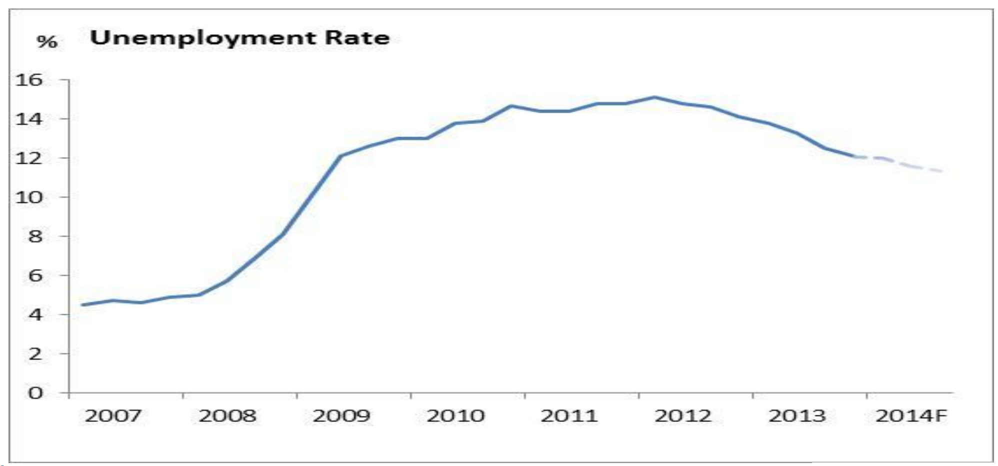


Source: Irish Residential Property Prices - CSO Index

LATEST FORECAST INDICATES CLEAR GDP GROWTH

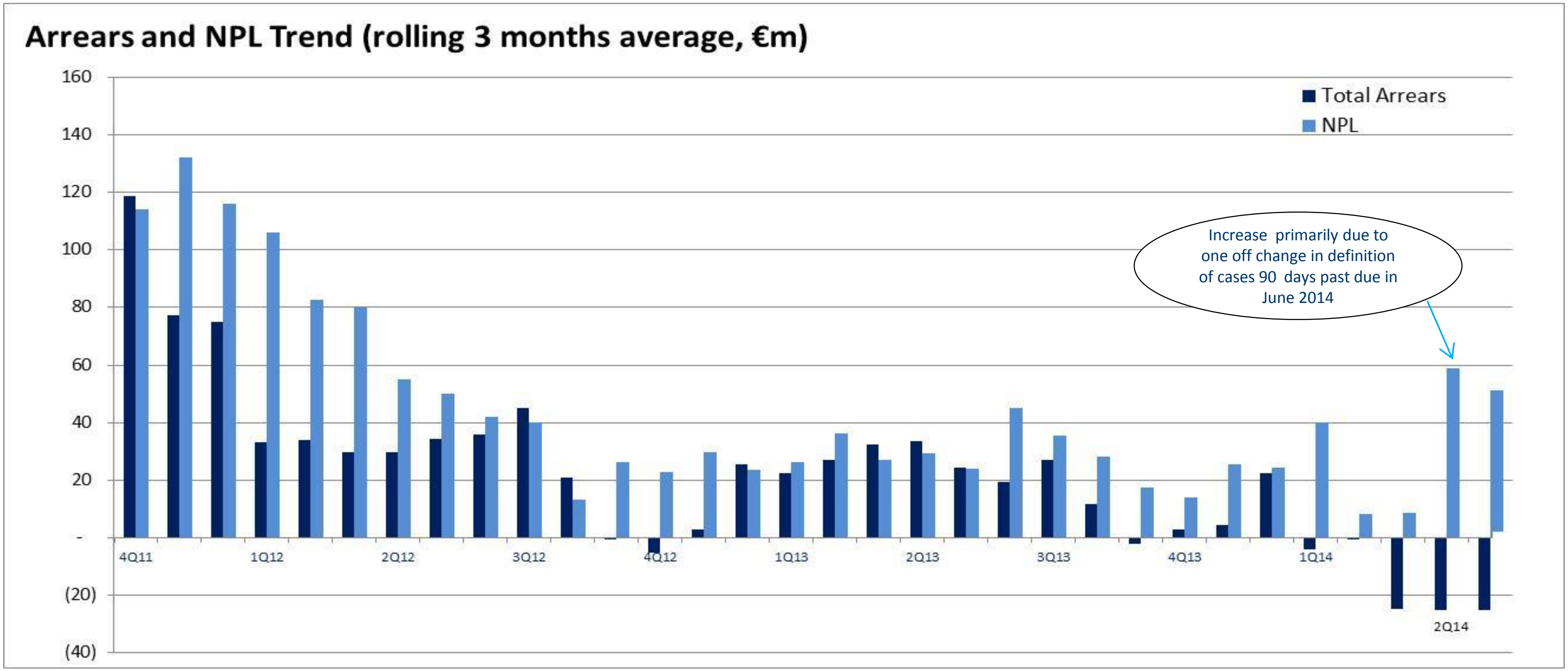


UNEMPLOYMENT RATE FORECAST TO DECREASE FURTHER IN 2H14



Ireland (3) Key indicators show signs of stabilisation

KBC IRELAND - **RESIDENTIAL MORTGAGE ARREARS & NPL**



Ireland (4) Home loans portfolio

1Q14

	PD	Exposure	Impairment	Cover %
PERFORMING	PD 1-8	5,580	17	0.3%
	Of which without restructure	5,535		
	Of which in Live restructure	45		
	PD 9	824	61	7.4%
	Of which without restructure	646		
	Of which in Live restructure	177		
	PD 10	2,684	591	22.0%
NPL	PD 11	2,566	815	31.8%
	PD 12	413	222	53.8%
	TOTAL PD1-12	**12,066**	**1,707**	
	Total Impairment/NPL Exposure			*57.3%*
	Total Impairment/NPL Exposure (taking MIG and RI into Account)			*64.9%*

2Q14

	PD	Exposure	Impairment	Cover %
PERFORMING	PD 1-8	5,642	17	0.3%
	Of which without restructure	5,596		
	Of which in Live restructure	46		
	PD 9	556	38	6.8%
	Of which without restructure	449		
	Of which in Live restructure	107		
	PD 10	2,696	593	22.0%
NPL	PD 11	2,673	838	31.4%
	PD 12	483	256	53.0%
	TOTAL PD1-12	**12,050**	**1,742**	
	Total Impairment/NPL Exposure			*55.2%*
	Total Impairment/NPL Exposure (taking MIG and RI into Account)			*62.9%*

Amounts in m EUR

- **PD 1-9 (Performing)** loans **decreased** in 2Q14, primarily due to loans migrating to PD 10-12 in line with the continued implementation of KBCI's Definition of Default. Loans in Live restructure in the PD1-9 book amount to **153m EUR (2%),** down from 222m (3%) EUR in 1Q14

- **PD 10** loans remained **broadly level on a net basis**:
  - 100m EUR of loans migrated from the Performing portfolio into PD10 upon receipt of a second restructure
  - Roughly 80m EUR of loans migrated from PD10 to PD 11 at 30 June 2014, due to a conservative update in KBCI's definition of 90 days past due

- **PD 11** loans **increased** by 107m EUR. This included loans migrating into PD11 due to the update of the definition of 90 days past due, offset by migration of irrecoverable cases to PD12

- **PD12** increased by 70m EUR due to an increase in irrecoverable cases during quarter.

- Net **Impairment charge of 35m EUR** in 2Q14 vs 37m EUR in 1Q14

Note: *Total Impairment/PD10-12 of about 30% remained stable q-o-q*

Ireland (5) Corporate loan portfolio

1Q14

	PD	Exposure	Impairments	Cover %
PERF.	PD 1-8	962	16	1.6%
	PD 9	43	6	14.5%
	PD 10	885	281	31.7%
NPL	PD 11	472	274	58.0%
	PD 12	690	481	69.8%
	TOTAL PD1-12	**3,052**	**1,058**	
	Total Impairment/NPL Exposure			*91.1%*

Amounts in m EUR

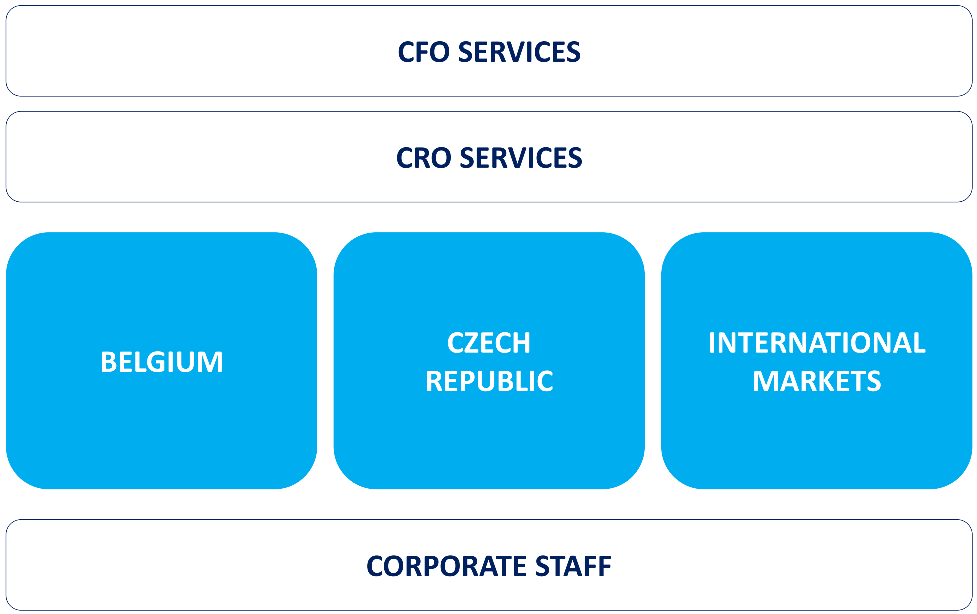
2Q14

	PD	Exposure	Impairments	Cover %
PERF.	PD 1-8	789	12	1.5%
	PD 9	38	6	15.7%
	PD 10	795	233	29.4%
NPL	PD 11	584	328	56.1%
	PD 12	695	503	72.3%
	TOTAL PD1-12	**2,901**	**1,081**	
	Total Impairment/NPL Exposure			*84.5%*

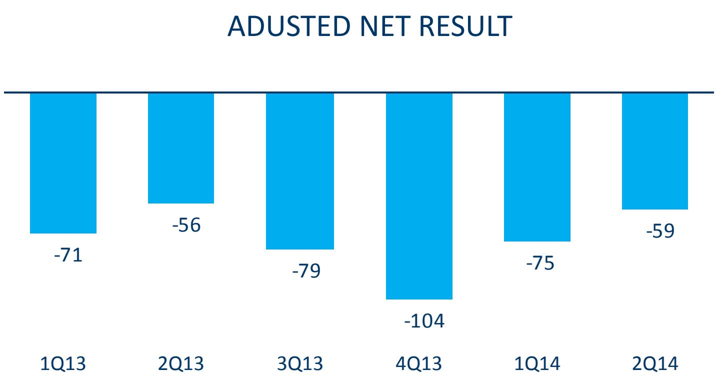
- The Corporate Loan book decreased by **151m EUR in 2Q14** driven mainly by the deleveraging of the portfolio, reflecting a mix of loan sales, asset sales and amortisations
- The Non-Performing PD11-12 portfolio increased by **117m** EUR in 2Q14, due to a migration of loans from PD10, including receiver appointments (PD12)
- Net impairment charge of 27m EUR was recognised on the Corporate portfolio in 2Q14 compared with 11m EUR in 1Q14

Note: *Total Impairment/PD10-12 of about 52% remained stable q-o-q*

GROUP CENTRE



Group Centre



- **Adjusted net result: -59m EUR**
- The Group Centre result is comprised of the results of the holding activities, certain funding costs, certain items that are not allocated to the business units, results of companies to be divested, and the impact of legacy business and own credit risk
- The -52m EUR adjusted net result from group item (ongoing business) in 2Q14 is attributable mainly to the net subordinated debt cost (-26m EUR) and net funding cost of participations (-11m EUR), next to general ICT expenses and HQ costs which cannot be allocated to the business units
- NII in 2Q14 started to benefit from some hybrid tier-1 calls during 2Q14 (19m EUR q-o-q positive effect on NII)

BREAKDOWN OF ADJUSTED NET RESULT AT GROUP CENTRE

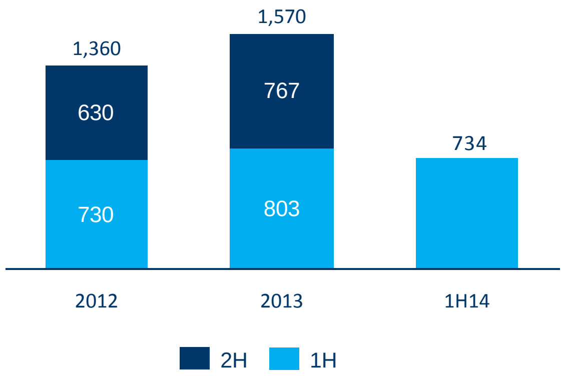
	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Group item (ongoing business)	-73	-60	-70	-81	-81	-52
Planned divestments	2	4	-9	-23	6	-8
TOTAL adjusted net result at GC	**-71**	**-56**	**-79**	**-104**	**-75**	**-59**

Amounts in m EUR

Overview of results based on business units

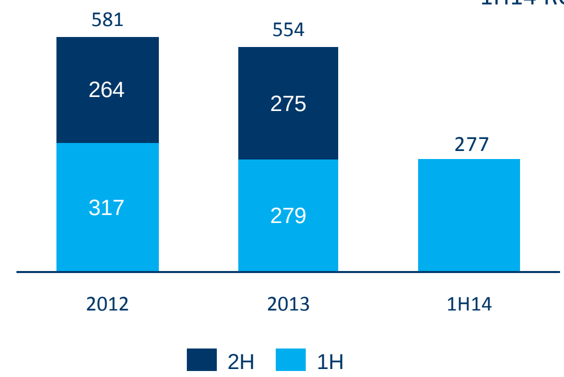
NET PROFIT – **BELGIUM**

1H14 ROAC: 26%



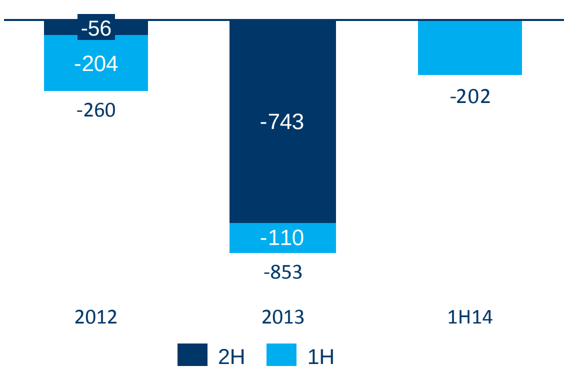
NET PROFIT – **CZECH REPUBLIC**

1H14 ROAC: 40%

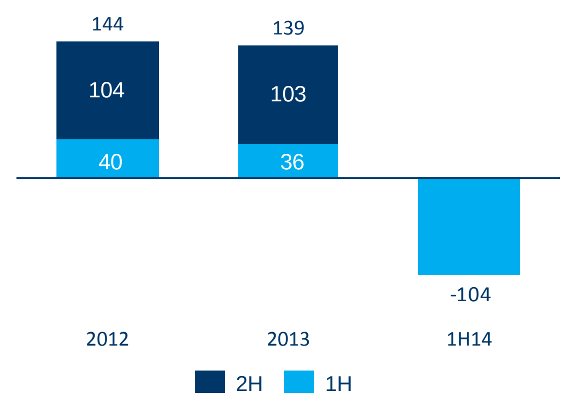


NET PROFIT – **INTERNATIONAL MARKETS**

1H14 ROAC: -22%



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

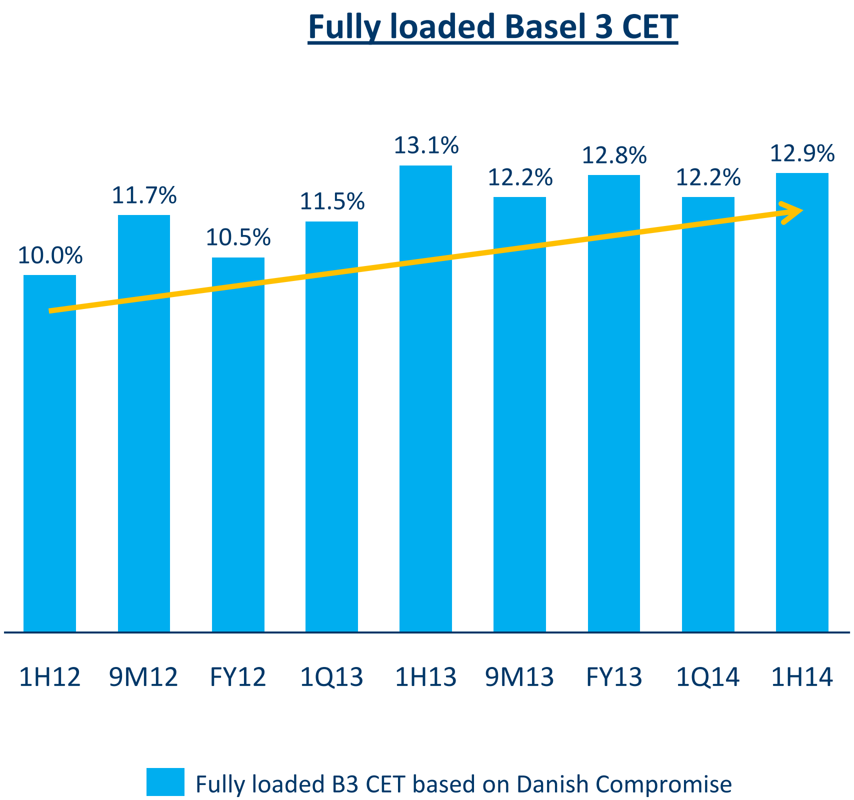


Amounts in m EUR

Section 3

Strong solvency and solid liquidity

Strong capital position

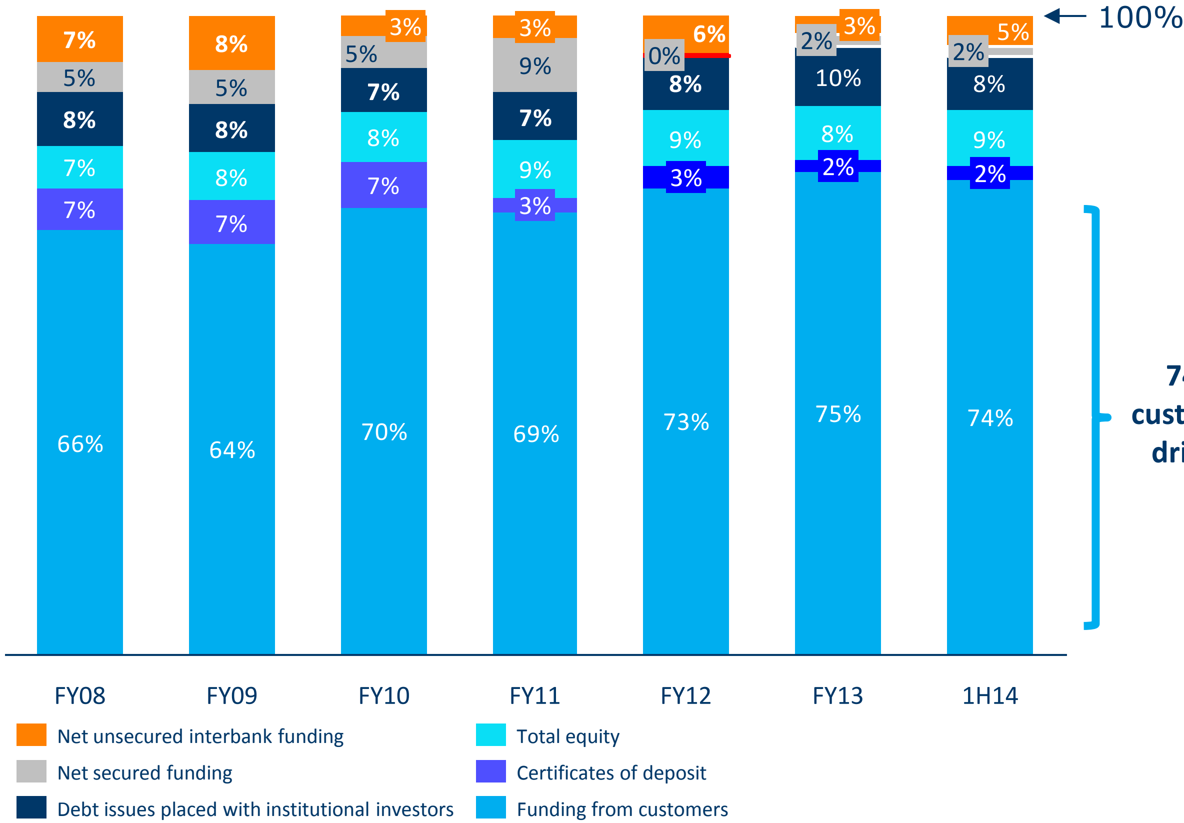


- **Common equity ratio (B3 fully loaded*) of 12.9%** based on the Danish Compromise
- **Fully loaded B3 leverage ratio**: **4.65%** at KBC Bank Consolidated, based on current CRR legislation

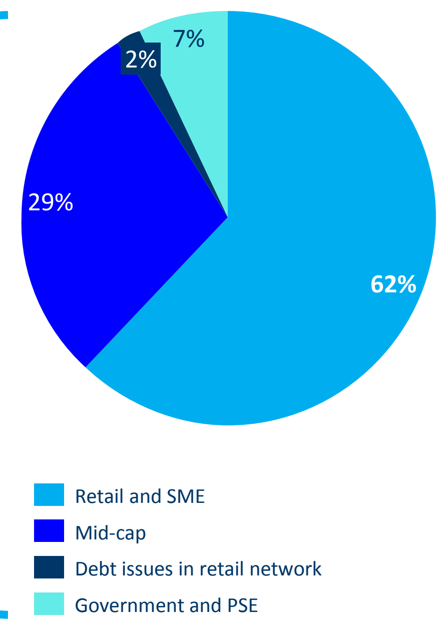
* Including remaining State aid of 2bn EUR as agreed with local regulator

Solid liquidity position (1)

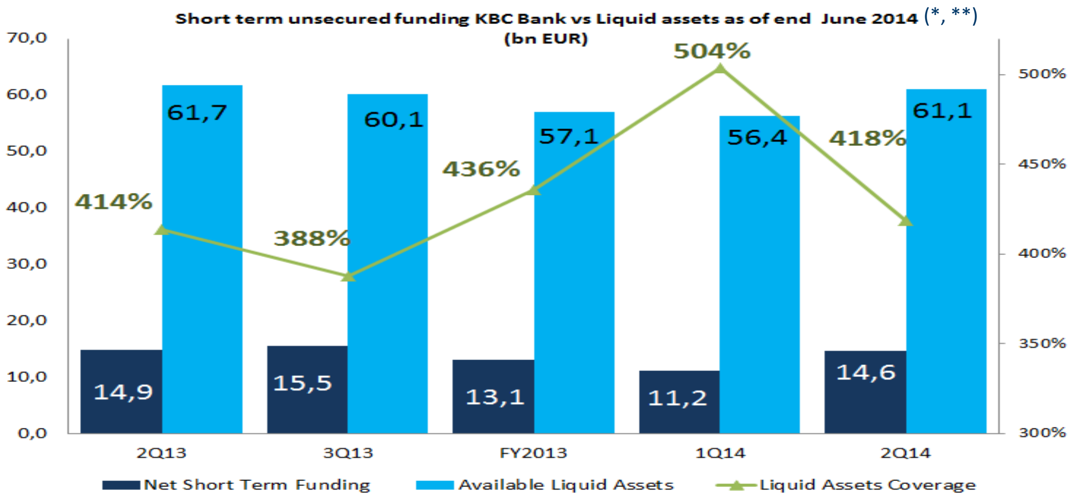
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments & markets



74% customer driven



Solid liquidity position (2)



* In line with IFRS5, the situation at the end of 2Q14 excludes the divestments that have not yet been completed (KBC Deutschland and ADB)

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

- KBC maintains a **solid liquidity position** in 2Q14 given that:
  - Available liquid assets are more than 4 times the amount of the net recourse on short-term wholesale funding
  - Funding from non-wholesale markets is stable funding from core-customer segments in core markets

Ratios	2Q14	Target
NSFR[1]	**109%**	105%
LCR[1]	**123%**	105%

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

- **NSFR at 109% and LCR at 123% by the end of 2Q14**
  - In compliance with the implementation of Basel 3 liquidity requirements, KBC is targeting LCR and NSFR of at least 105%

Section 4

2Q 2014 wrap up

2Q 2014 wrap up

- Strong commercial bank-insurance franchises in Belgium and the Czech Republic with stable and solid returns

- Successful underlying earnings track record

- Solid capital and robust liquidity position

Looking forward

- Looking forward, management envisages:
  - Continued stable and solid returns for the Belgium & Czech Republic BUs
  - Breakeven returns at latest by 2015 for the International Markets BU, mid-term returns above cost of capital As per guidance already issued, profitability in Ireland expected from 2016 onwards
  - A fully loaded B3 common equity ratio of minimum 10.5%
  - LCR and NSFR of at least 105%
  - Dividend payout ratio (including the coupon paid on state aid and AT1) ≥ 50% as of FY2016*

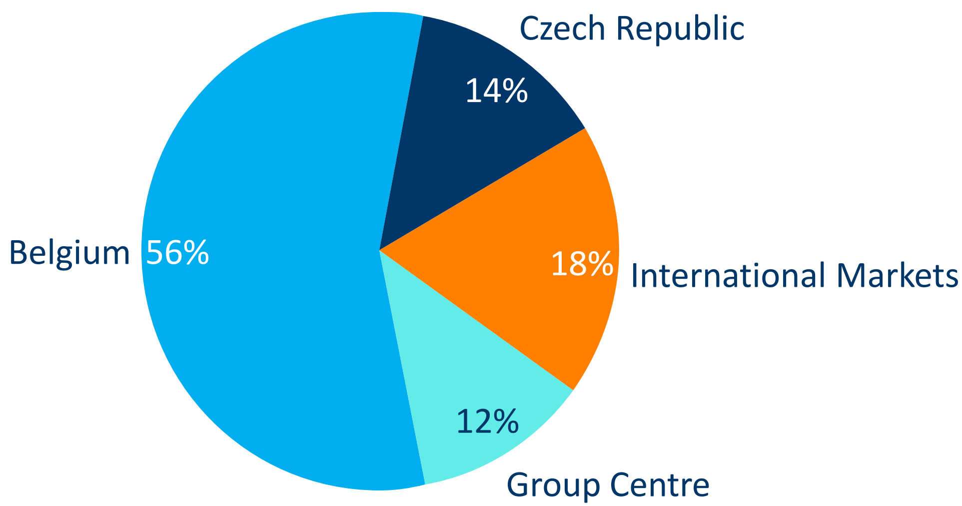
* Subject to the approval of the General Meeting of Shareholders

Annex 1

Company profile

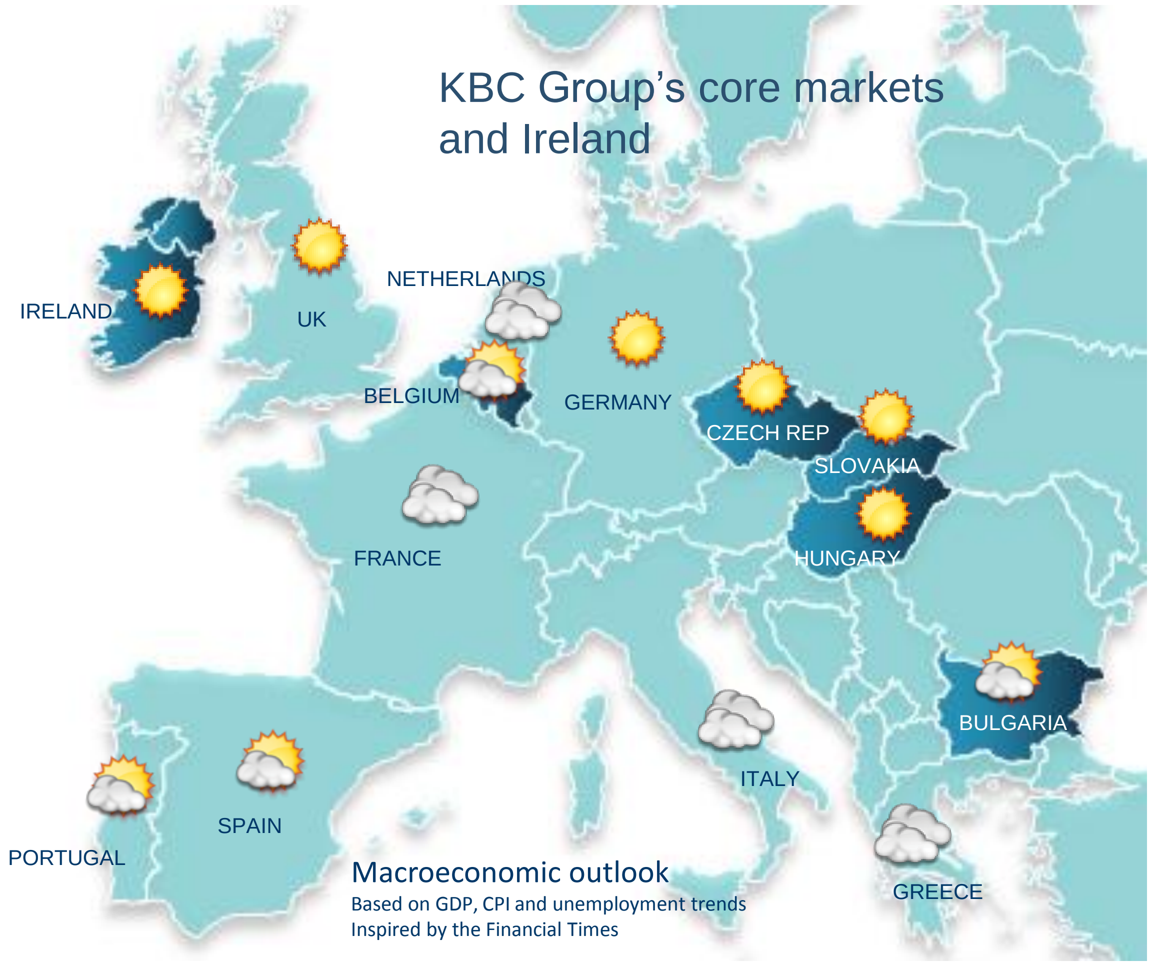
Business profile

BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AT 30 JUNE 2014



- KBC is a leading player (retail and SME bank-insurance, private banking, commercial and local investment banking) in Belgium and its 4 core countries in CEE

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



MARKET SHARE, AS OF END 2013

	BE	CZ	SK	HU	BG
Loans and deposits	20%	19%	10%	9%	2%
Investment funds	35%	29%	7%	17%	
Life insurance	17%	6%	5%	3%	10%
Non-life insurance	9%	6%	3%	5%	10%

REAL GDP GROWTH OUTLOOK FOR CORE MARKETS[1]

	BE	CZ	SK	HU	BG
% of Assets	66%	16%	3%	3%	1%
2013	0.2%	-0.9%	0.9%	1.1%	0.9%
2014e	1.2%	2.2%	2.0%	2.5%	1.7%
2015e	1.5%	2.5%	3.0%	2.3%	2.5%

1. Source: KBC data, August 2014

Loan loss experience at KBC

	1H14 CREDIT COST RATIO	FY13 CREDIT COST RATIO	FY 2012 CREDIT COST RATIO	AVERAGE '99 –'13
Belgium	**0.15%**	0.37%	0.28%	n.a.
Czech Republic	**0.04%**	0.26%	0.31%	n.a.
International Markets	**1.14%**	4.48%*	2.26%*	n.a.
Group Centre	**0.52%**	1.85%	0.99%	n.a.
Total	**0.34%**	**1.21%****	**0.71%**	**0.55%**

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

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

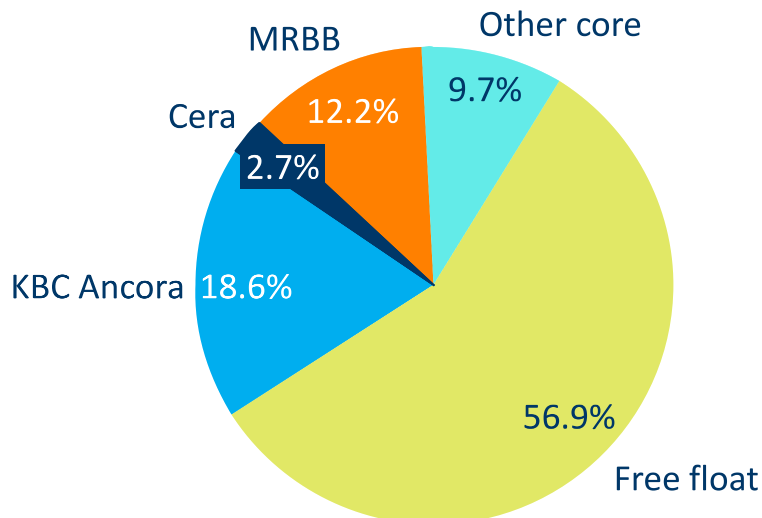
** Credit cost ratio amounted to 1.21% in FY13 due to the reassessment of the loan books in Ireland and Hungary

Key strengths

- Well-developed bank-insurance strategy and strong cross-selling capabilities
- Strong commercial bank-insurance franchises in Belgium and the Czech Republic with stable and solid returns
- Turnaround potential in the International Markets Business Unit
- Successful underlying earnings track record
- Solid capital and robust liquidity position

Shareholder structure

SHAREHOLDER STRUCTURE AT END 1H14

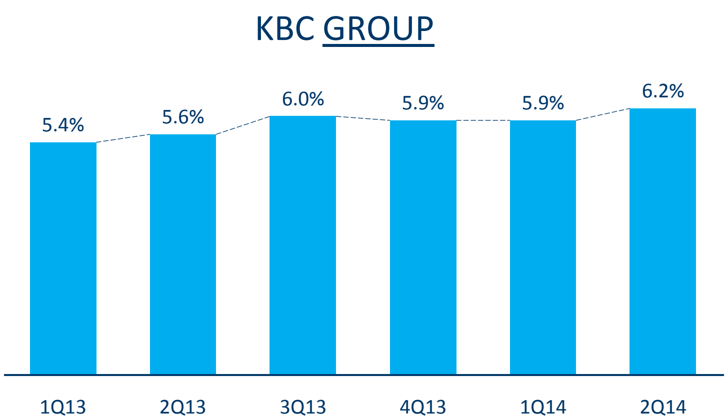


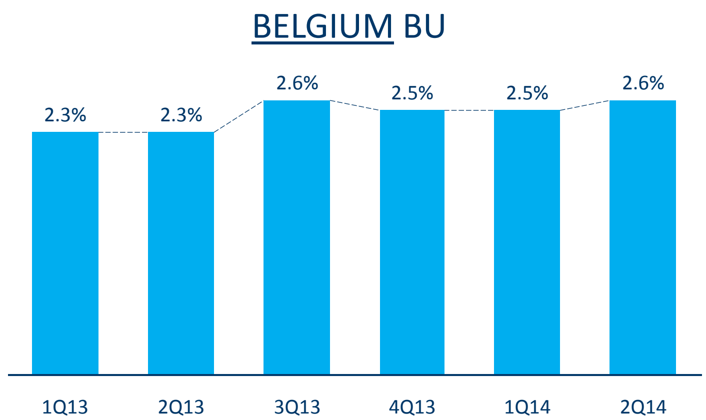
- Roughly 43% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals. Committed shareholders include the Cera / KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of industrialist families
- The free float is held mainly by a large variety of international institutional investors

Annex 2

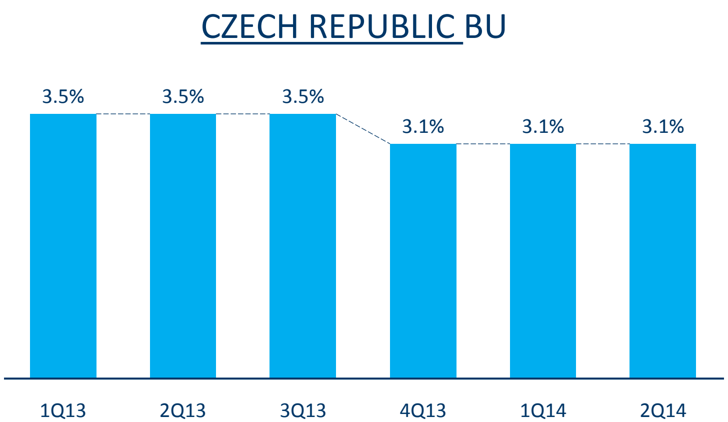
Other items

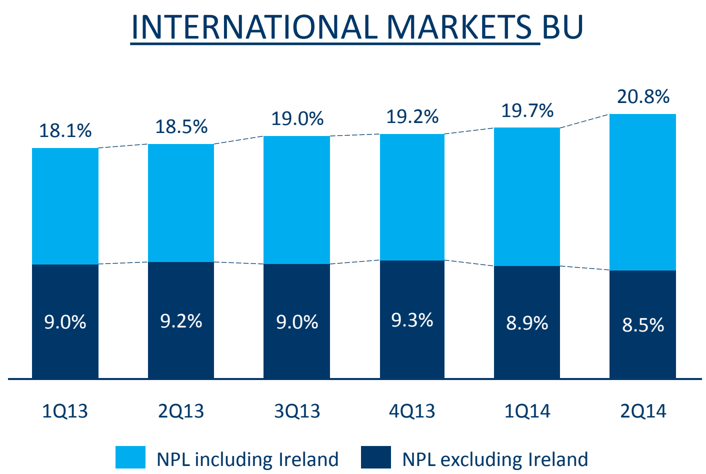
NPL ratios at KBC Group and per business unit





non-performing loan ratio

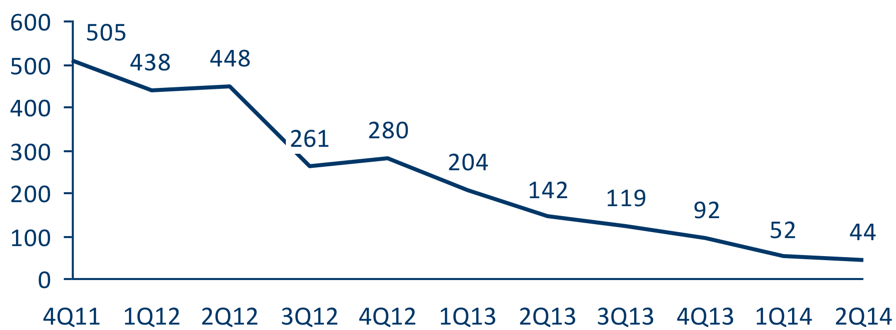




Further decrease in P&L sensitivity

IN BN EUR	NET CDO EXPOSURE	OUTSTANDING MARKDOWNS
▪ CDO exposure protected with MBIA ▪ Other CDO exposure	3.2 1.0	-0.0 -0.1
TOTAL	4.2	-0.1

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



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

An increase of 50m EUR in other CDO exposure in 2Q14 owing to out-of-court settlements with clients

Please note that the net CDO exposure excludes all expired, unwound, de-risked or terminated CDO positions and is after settled credit events

REMINDER: CDO exposure largely covered by a State guarantee

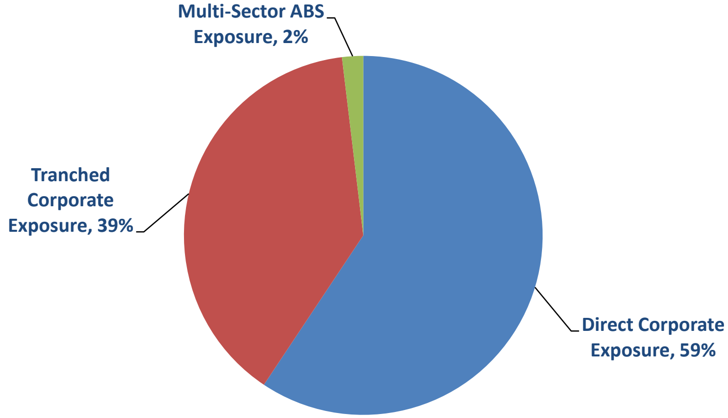
CDO exposure will continue to be viewed in an opportunistic way: we will make further reductions if the net negative impact is limited (taking into account the possible impact on P&L, the value of the State guarantee and the reduction in RWA)

P&L sensitivity decreased by 8m EUR in 2Q14 following the tightening credit spreads for the names underlying the deals

Note that for MBIA, a provision rate is in place. At end 2Q14, it was kept constant at 60%

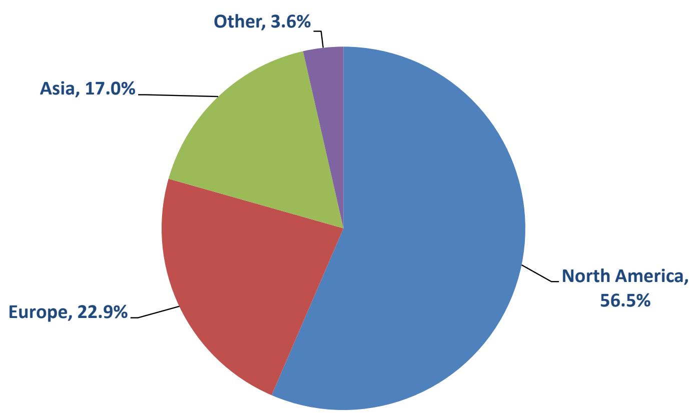
Breakdown of KBC's CDOs originated by KBC FP
(figures as of 7 July 2014)

BREAKDOWN OF ASSETS UNDERLYING KBC'S CDOS ORIGINATED BY KBC FP[1]



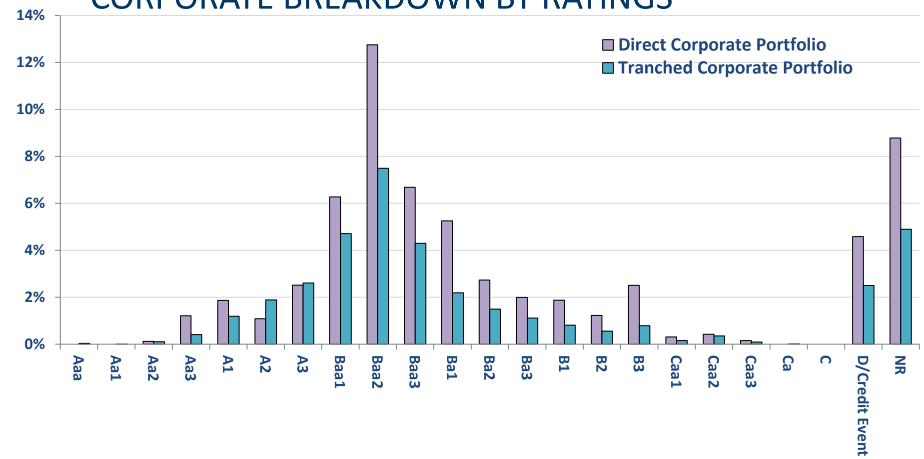
1. as % of total current deal notional, after settled credit events

CORPORATE BREAKDOWN BY REGION[2]



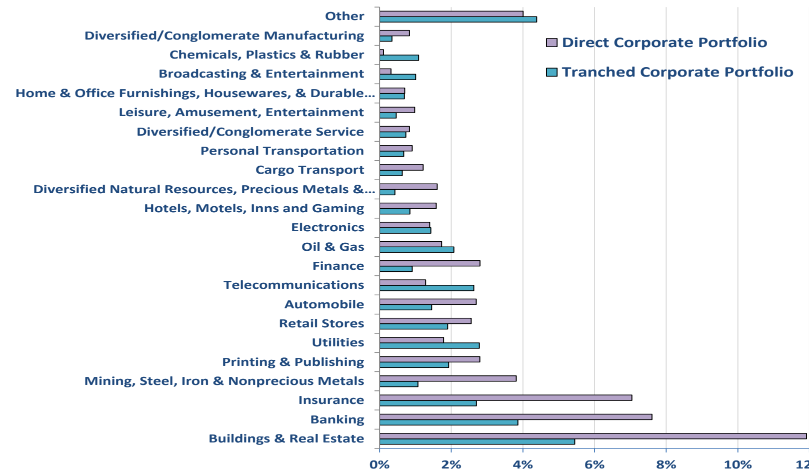
2. Direct and tranched corporate exposure as a % of the total corporate portfolio

CORPORATE BREAKDOWN BY RATINGS [3]



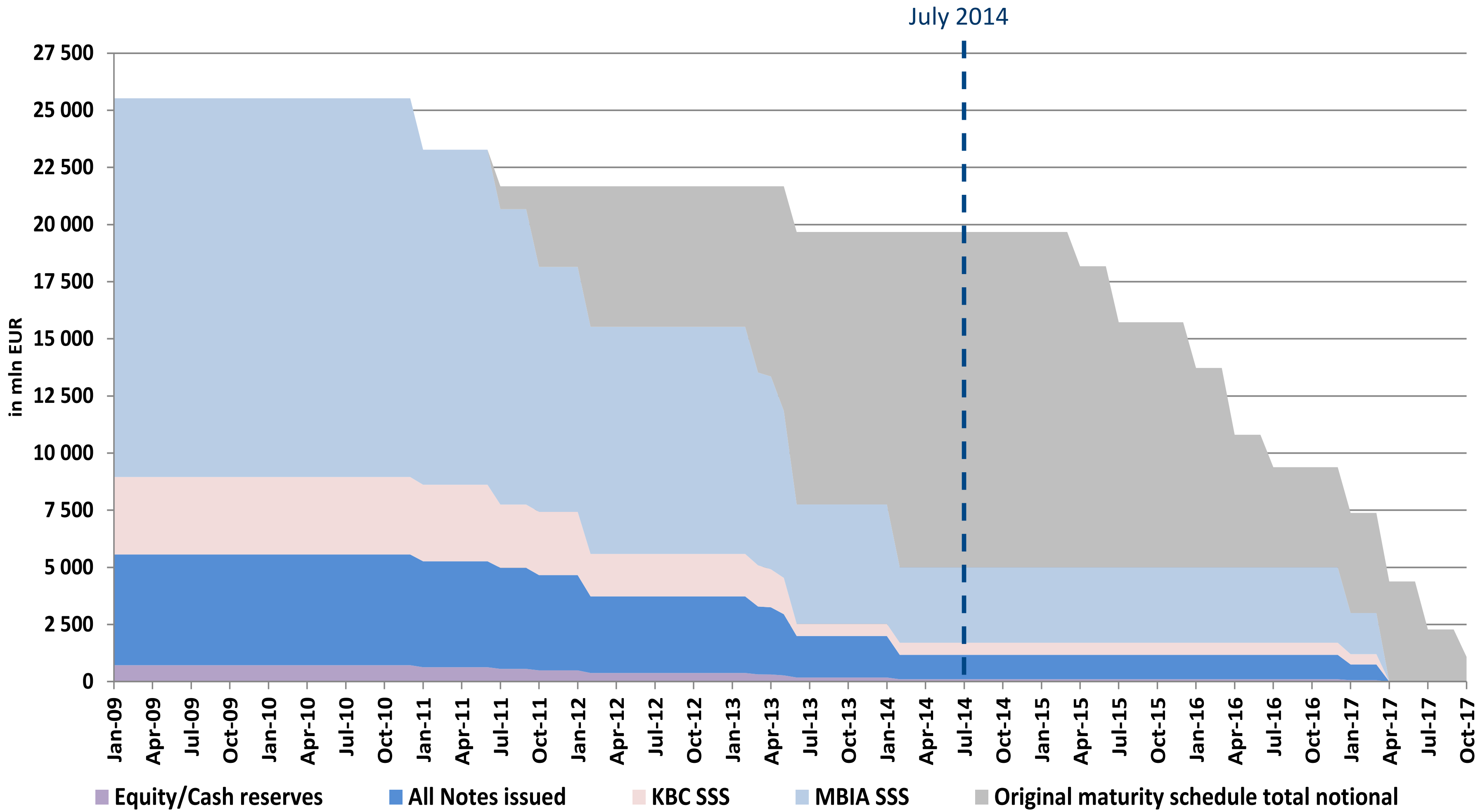
3. Direct corporate exposure as a % of total corporate portfolio; tranched corporate exposure as a % of total corporate portfolio. Figures based on Moody's ratings.

CORPORATE BREAKDOWN BY INDUSTRY [4]



4. Direct corporate exposure as a % of total corporate portfolio; tranched corporate exposure as a % of total corporate portfolio. Figures based on Moody's ratings.

Maturity schedule of the CDOs issued by KBC FP



Summary of government transactions

- STATE GUARANTEE COVERING 3.8BN* EUROS' WORTH OF CDO-LINKED INSTRUMENTS
  - Scope, instrument-by-instrument approach
    - CDO investments that were not yet written down to zero (0.6bn EUR) when the transaction was finalised
    - CDO-linked exposure to MBIA, the US monoline insurer (3.2bn EUR)
  - First and second tranche: 0.9bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 0.4bn EUR (90% of 0.4bn EUR) from the Belgian State
  - Third tranche: 2.9bn EUR, 10% of potential impact borne by KBC

		Potential P&L impact for KBC	Potential capital impact for KBC
3.8bn - 100%			
1st tranche	0.5bn	100%	100%
3.3bn - 87%			
2nd tranche	0.4bn	100%	10% (90% compensated by equity guarantee)
2.9bn - 75%			
3rd tranche	2.9bn	10% (90% compensated by cash guarantee)	10% (90% compensated by cash guarantee)

* Excluding all cover for expired, unwound, de-risked or terminated CDO positions and after settled credit events.

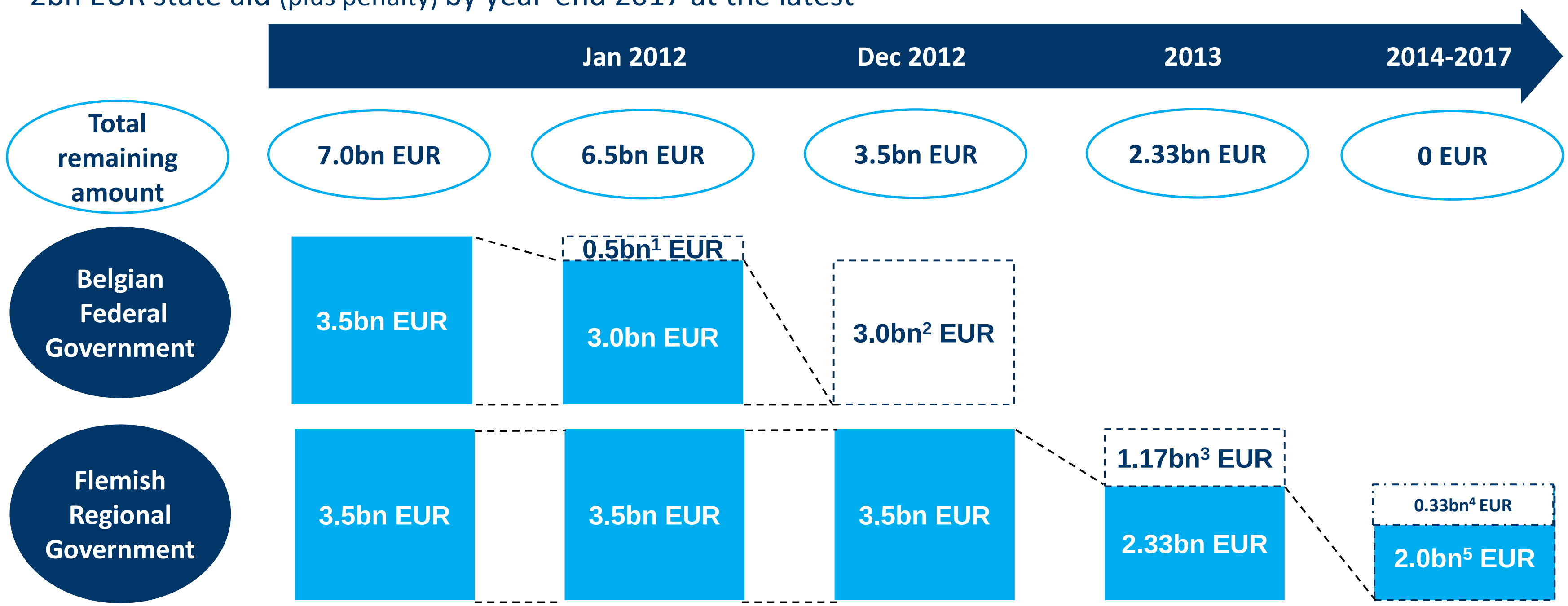
Summary of government transactions (2)

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

	BELGIAN STATE	FLEMISH REGION
Amount	3.5bn	3.5bn
Instrument	Perpetual fully paid up new class of non-transferable securities qualifying as core capital	
Ranking	Pari passu with ordinary stock upon liquidation	
Issuer	KBC Group Proceeds used to subscribe ordinary share capital at KBC Bank (5.5bn) and KBC Insurance (1.5bn)	
Issue price	29.5 EUR	
Interest coupon	Conditional on payment of dividend to shareholders The higher of (i) 8.5% or (ii) 120% of the dividend for 2009 and 125% for 2010 onwards Not tax deductible	
Buyback option for KBC	Option for KBC to buy back the securities at 150% of the issue price (44.25)	
Conversion option for KBC	From December 2011 onwards, option for KBC to convert securities into shares (1 for 1). In that case, the State can ask for cash at 115% (33.93) increasing every year by 5% to the maximum of 150%	No conversion option

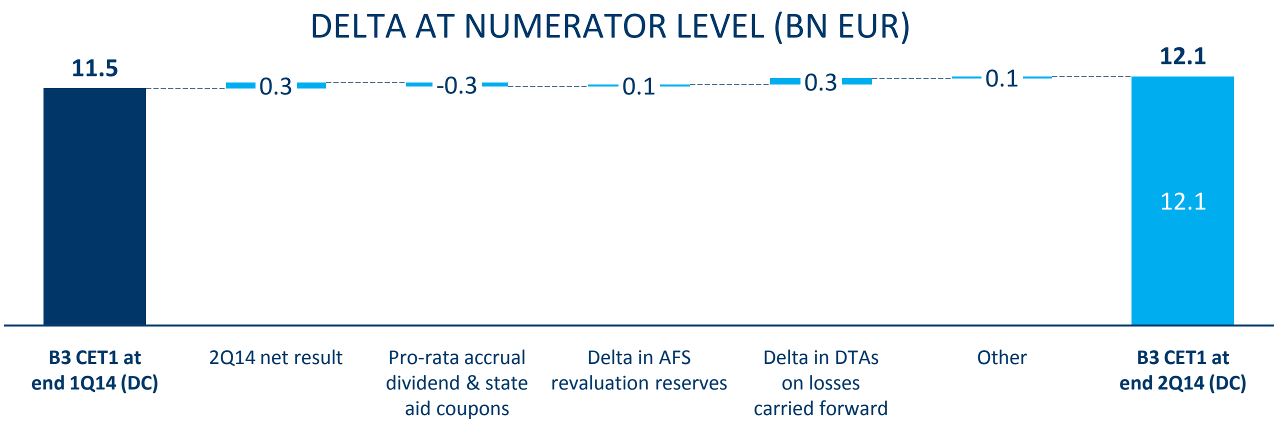
Assessment of the State aid position & repayment schedule

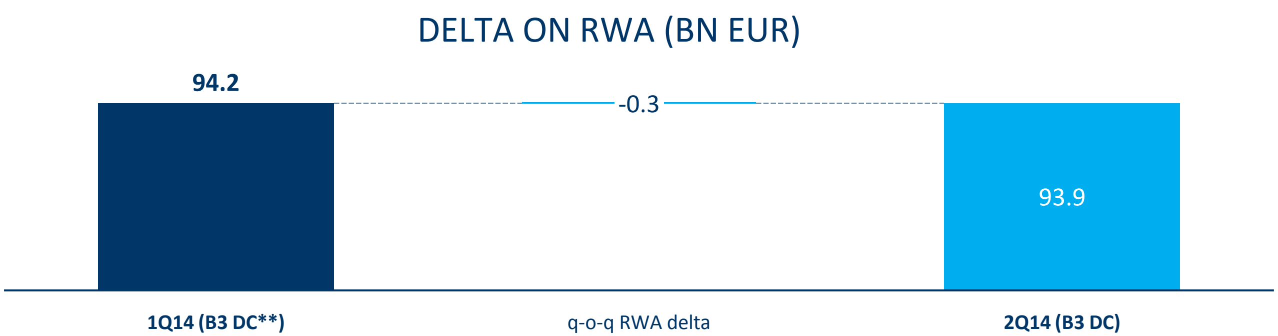
- KBC made accelerated full repayment of 3.0bn EUR of State aid to the Belgian Federal Government in December 2012 and the accelerated repayment of 1.17bn EUR of State aid to the Flemish Regional Government mid-2013, approved by the NBB
- At the beginning of 2014, KBC accelerated the repayment of 0.33bn EUR (plus penalty), and as such saved 28m EUR in coupon payments
- At the Investor Day on 17 June 2014, KBC announced it will accelerate the reimbursement of the remaining 2bn EUR state aid (plus penalty) by year-end 2017 at the latest



1. Plus 15% penalty amounting to 75m EUR
2. Plus 15% penalty amounting to 450m EUR
3. Plus 50% penalty amounting to 583m EUR
4. Plus 50% penalty amounting to 167m EUR
5. Plus 50% penalty amounting to 1,000m EUR

Fully loaded B3* CET1 based on Danish Compromise (DC) From 1Q14 to 2Q14





- Fully loaded B3 common equity ratio of approx. 12.9% at end 1Q14 based on Danish Compromise (DC)
- As announced, intention to maintain a fully loaded common equity ratio of minimum 10.5% as of the Investor Day (17 June 2014)

* Is including remaining State aid of 2bn EUR as agreed with local regulator

** Is including 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
BBM, phased-in	11,266	91,587	12.3%
BBM, fully loaded	12,366	94,902	13.0%
DC, phased-in	11,938	90,559	13.2%
DC, fully loaded	12,068	93,874	12.9%

P&L volatility from ALM derivatives

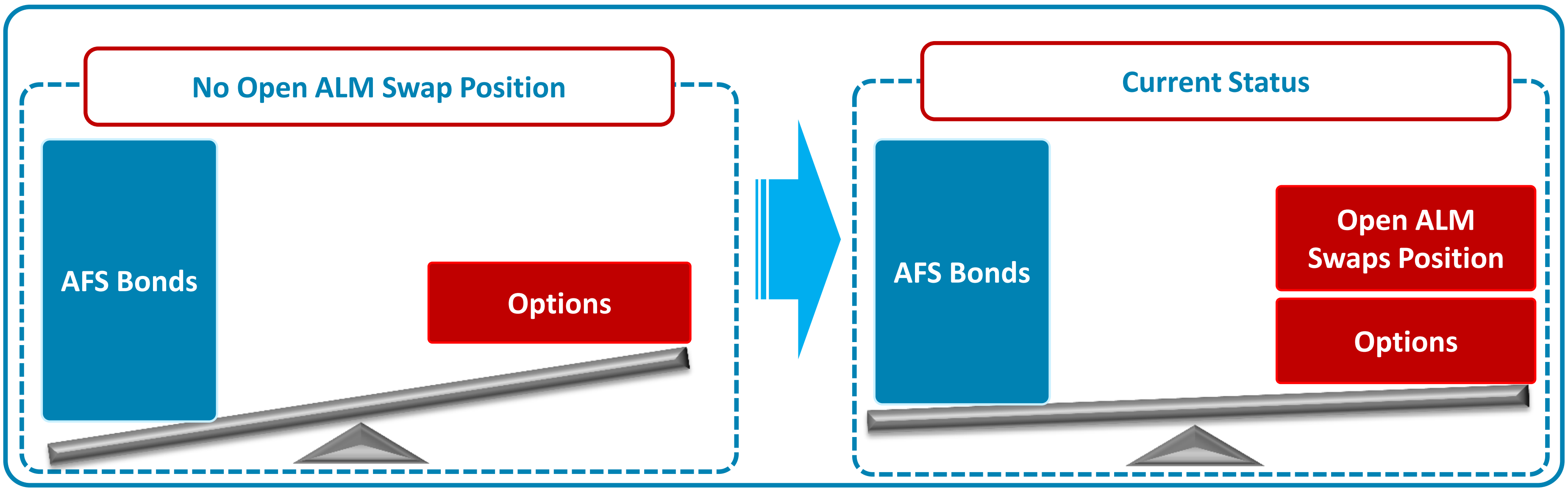
- ALM Derivatives (Swaps and Options) are used to hedge the interest rate risk of the loan & deposit portfolios. This creates an accounting mismatch between derivatives (at market value) and hedged products (at amortised cost)
  - Options are used to hedge the caps/floors that KBC is obliged by law to include in Belgian mortgages

- Most of this mismatch is removed with IFRS hedge accounting

- A part of the ALM derivatives has not been included in any hedge accounting structure for different reasons:
  - Option hedging for mortgage loans: no hedge accounting possible given the dynamic hedging strategy used
  - Part of the ALM interest rate derivatives has not been included in a hedge accounting structure, due to the offsetting effect with AFS Bonds impact on capital ratios (which is not the case with valuation changes of cash flow hedges due to the applied regulatory capital filter)

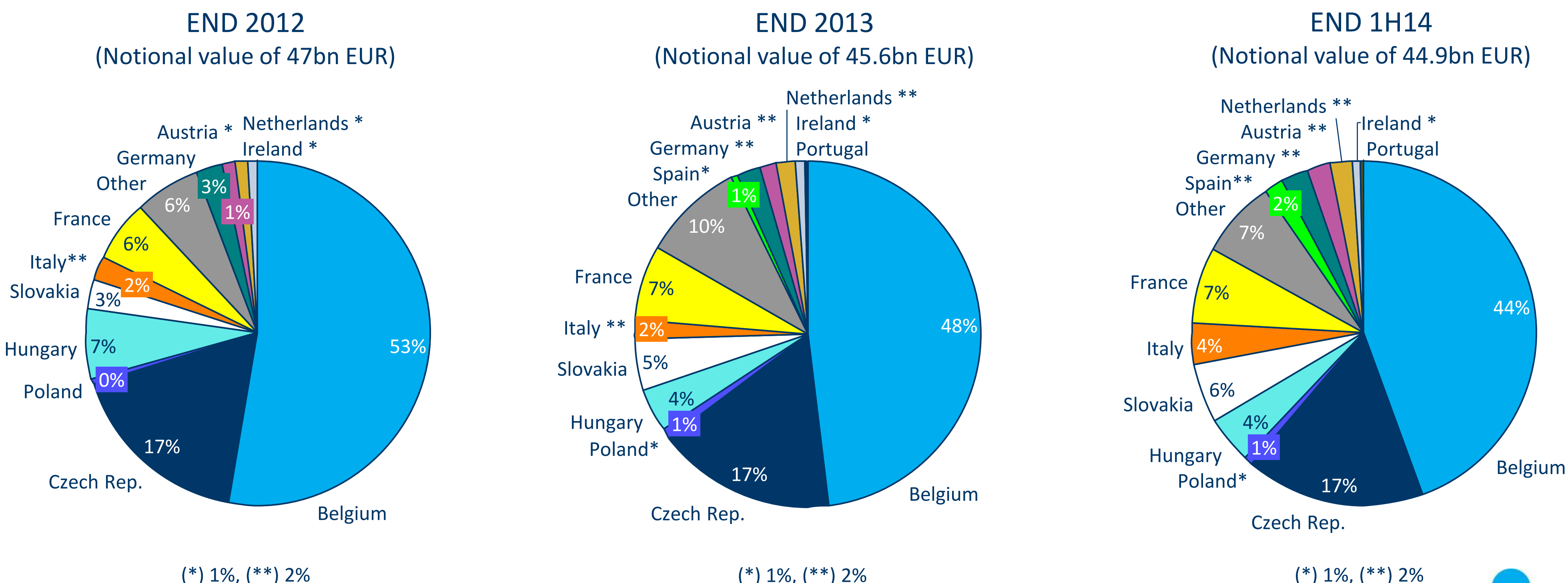
Open ALM swap position
Protecting stability of capital ratio

- Keeping part of the ALM swaps outside of hedge accounting reduces the volatility of the capital ratios as shown below (Basel III Fully Loaded + Danish Compromise Insurance Deconsolidation)
- Drawback is more volatility in P&L as revaluation of swaps goes through P&L, while the revaluation of the AFS bonds goes only through capital



Government bond portfolio – Notional value

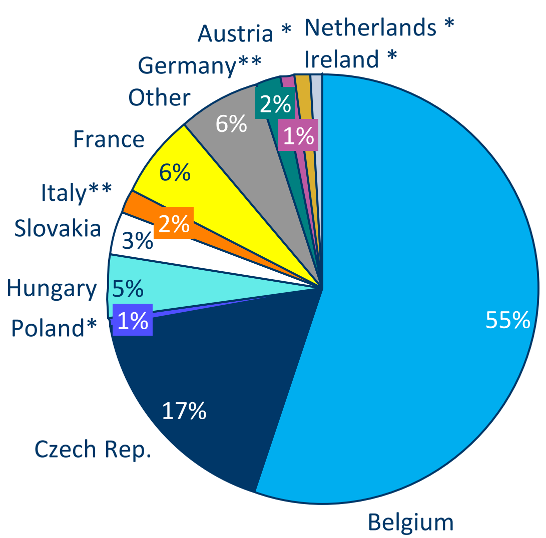
- Notional investment of 44.9bn EUR in government bonds (excl. trading book) at end of 1H14, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 3.2bn EUR at end of 1H14



Government bond portfolio – Carrying value

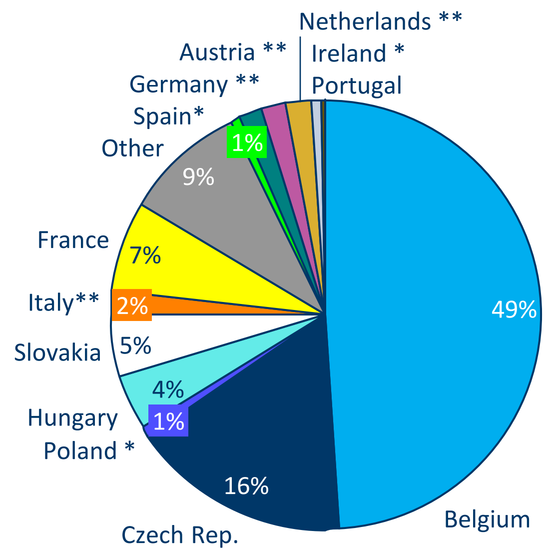
- Carrying value of 48.4bn EUR in government bonds (excl. trading book) at end of 1H14, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 3.5bn EUR at end of 1H14

END 2012
(Carrying value of 48.8bn EUR)



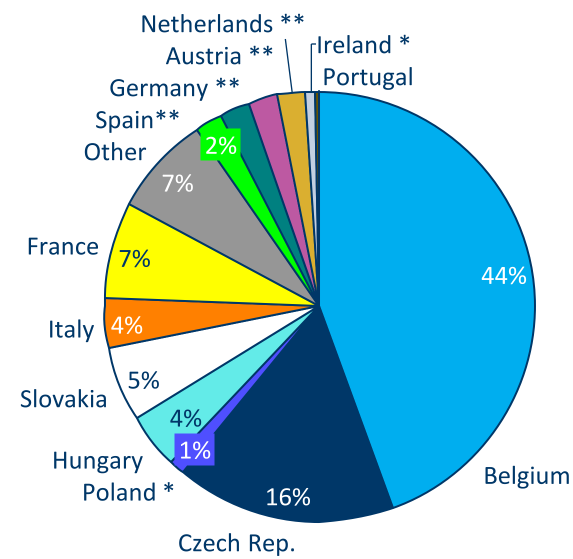
(*) 1%, (**) 2%

END 2013
(Carrying value of 48.5bn EUR)



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

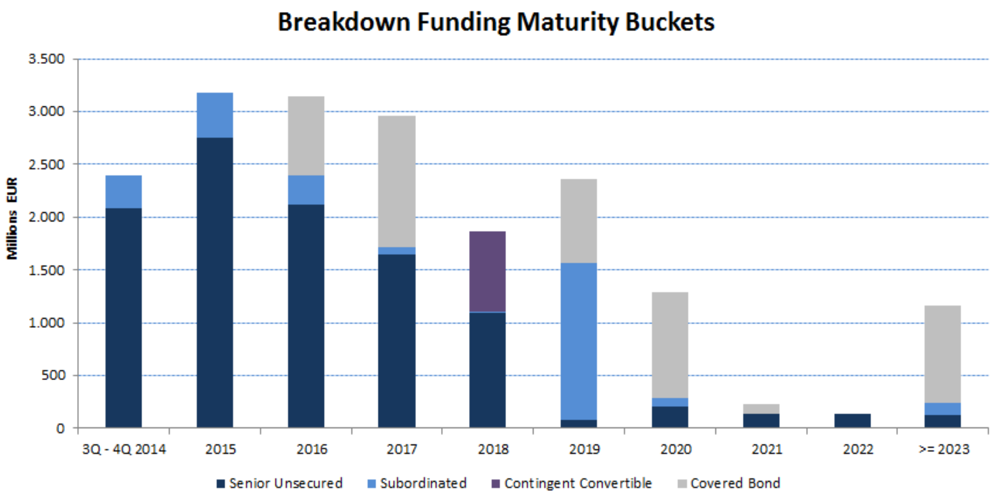
END 1H14
(Carrying value of 48.4bn EUR)

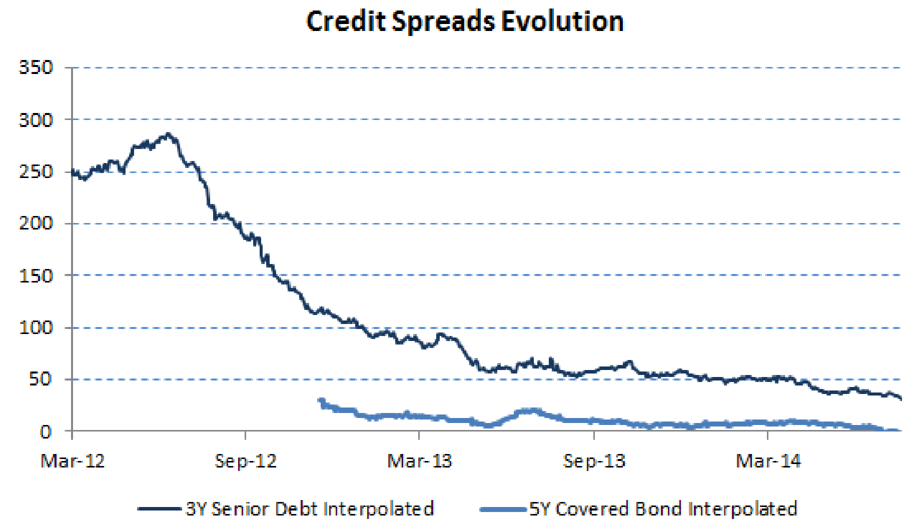


(*) 1%, (**) 2%

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

Upcoming mid-term funding maturities





- Following the successful issuance of CRD IV compliant Additional tier-1 Instrument of 1.4bn EUR in 1Q14, KBC has called 5 outstanding old-style tier-1 securities in 2Q14 (for a total amount of roughly 2.3bn EUR)
- KBC's credit spreads tightened further during 2Q14
- KBC Bank has 5 solid sources of long-term funding:
  - Retail term deposits
  - Retail EMTN
  - Public benchmark transactions
  - Covered bonds (supporting diversification of the funding mix)
  - Structured notes and covered bonds using the private placement format

Glossary

AQR	Asset Quality Review
B3	Basel III
CBI	Central Bank of Ireland
Combined ratio (non-life insurance)	[technical insurance charges, including the internal cost of settling claims / earned premiums] + [operating expenses / written premiums] (after reinsurance in each case)
(Core) Tier-1 capital ratio (Basel II)	[tier-1 capital] / [total weighted risks]. The calculation of the core tier-1 ratio does not include hybrid instruments (but does include the core-capital securities sold to the Belgian Federal and Flemish Regional governments)
Cost/income ratio (banking)	[operating expenses of the banking activities of the group] / [total income of the banking activities of the group]
Cover ratio	[impairment on loans] / [outstanding non-performing loans]. For a definition of 'non-performing', see 'Non-performing loan ratio'. Where appropriate, the numerator may be limited to individual impairment on non-performing loans
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
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]
Non-performing loan (NPL) ratio	[amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than 90 days in arrears or overdrawn)] / [total outstanding loan portfolio]
MARS	Mortgage Arrears Resolution Strategy
PD	Probability of Default
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata)

Contact information
Investor Relations Office
E-mail: investor.relations@kbc.com

visit www.kbc.com for the latest update