KBC Group
Press Presentation
3Q 2014 Results

13 November 2014 – 11.00 AM CET

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Conference ID
17558493

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- **As of 3Q2014, a number of changes have been affecting KBC's group and segment reporting figures and ratios**
  - As announced at the end of 2013, KBC has aligned the disclosure of its impaired loans and cover ratios with the EBA definitions (from 3Q14 onwards):
    - Impaired loans ratio: total outstanding impaired loans (PD 10-11-12)/total outstanding loans
    - Impaired loans cover ratio: total impairments (specific) for impaired loans/total outstanding impaired loans

    Obviously, this only concerns a different way of presenting the same information and hence a methodological change. As such, this will not trigger additional impairments.
  - Following the changes to the statutes of a pension fund in the Czech Republic, this pension fund will no longer be consolidated (from 3Q14 onwards). In addition, both Patria Corporate Finance and Patria Online have been included in the consolidation scope. All of this has had some impact on various income lines in the consolidated income statement of the Czech Republic Business Unit and KBC Group. As this change in the consolidation scope had a very limited P&L impact (q-o-q delta of roughly 1m EUR bottom line), we didn't restate previous quarters retroactively.

3Q 2014 key takeaways for KBC Group

- **STRONG BUSINESS PERFORMANCE IN 3Q14**

  Net result of 591m EUR and adjusted[1] net result of 477m EUR, notwithstanding seasonal effect**.** The latter is the result of:
  - Strong commercial bank-insurance franchises in our core markets and core activities
  - Increasing customer loan and deposit volumes q-o-q in all our core countries
  - Substantially higher net interest income q-o-q and further improvement of the NIM
  - Q-o-q increase of net fee and commission income and a further rise in AuM
  - Negative M2M ALM derivatives (-46m EUR), lower AFS gains and dividend income
  - Good combined ratio (94% in 3Q14 and 93% YTD), while life insurance sales were slightly higher
  - Good cost/income ratio (54% YTD) adjusted for specific items (mainly M2M impact of ALM derivatives in 9M14 and one-off provisions in Hungary in 2Q14)
  - Higher but still moderate impairment charges q-o-q. We are maintaining our FY 2014 guidance for Ireland, namely the high end of the range 150m-200m EUR

- **DIVESTMENT PLAN ENTIRELY COMPLETED AND ALL REMAINING CDOs COLLAPSED**
  - The **sale of KBC Bank Deutschland** was **completed** during 3Q14
  - The loan portfolio and activities of **Antwerp Diamond Bank (ADB)** will be run down in a gradual and orderly manner. Impairment reversal of +0.1bn EUR in KBC's net result
  - The **two remaining CDOs** in our portfolio were **collapsed** during 3Q14

- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - KBC **exceeded ECB's asset quality review and stress test thresholds** and maintained a **strong buffer**
  - **Common equity ratio** (B3 fully loaded[2] based on Danish Compromise) **of 13.7%** at end 9M14
  - **Continued strong liquidity position** (NSFR at 109% and LCR at 120%) at end 9M14

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

1 3Q 2014 performance of KBC Group

2 3Q 2014 performance of business units

3 Strong solvency and solid liquidity

4 3Q 2014 wrap up

Annex 1: ECB Comprehensive Assessment 2014

Annex 2: Company profile

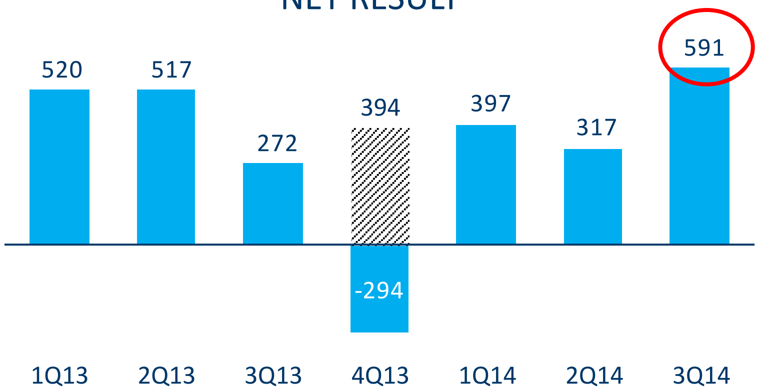
Annex 3: Other items

Section 1

3Q 2014 performance of KBC Group

Earnings capacity

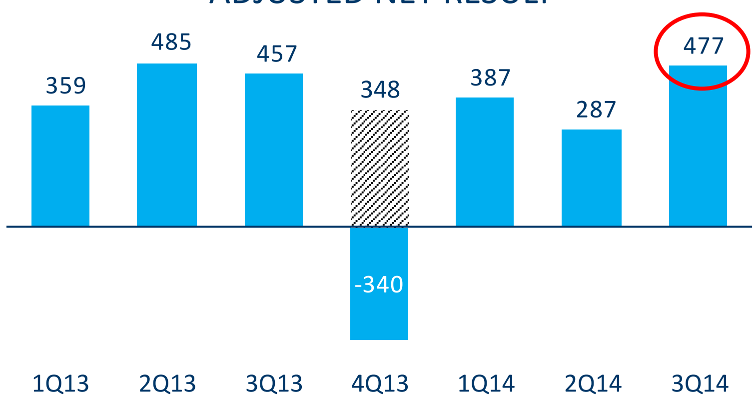
NET RESULT*



Net result excluding one-off additional impairments

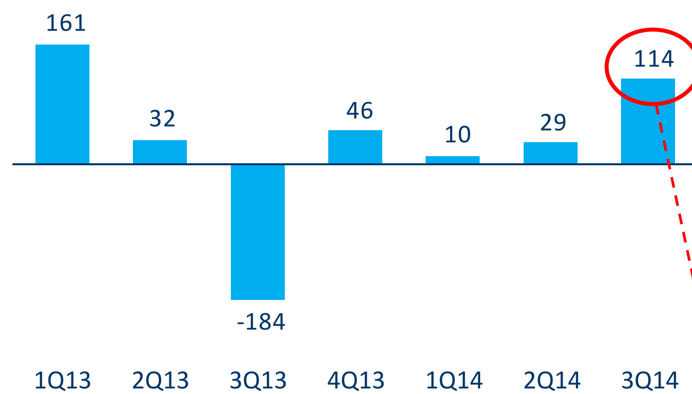
Excluding adjustments

ADJUSTED NET RESULT



Adjusted net result excl. one-off additional impairments

ADJUSTMENTS



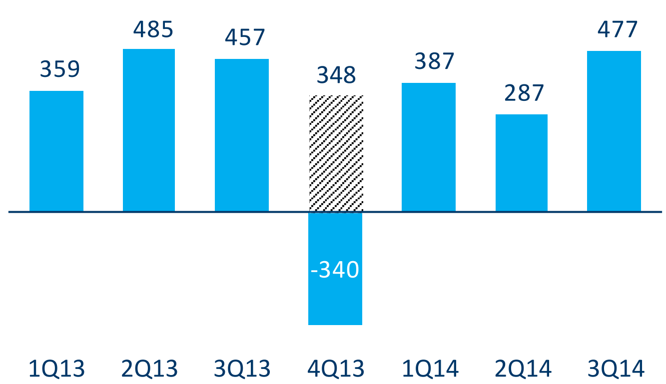
- Legacy + own credit risk items (post-tax)
  - Revaluation of structured credit portfolio - 24m EUR
  - Divestments (mainly ADB) + 132m EUR
  - M2M own credit risk + 6m EUR

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

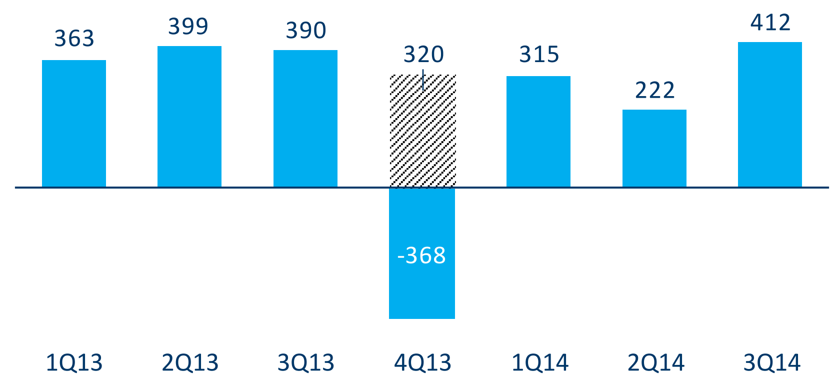
Amounts in m EUR

Adjusted net result at KBC Group

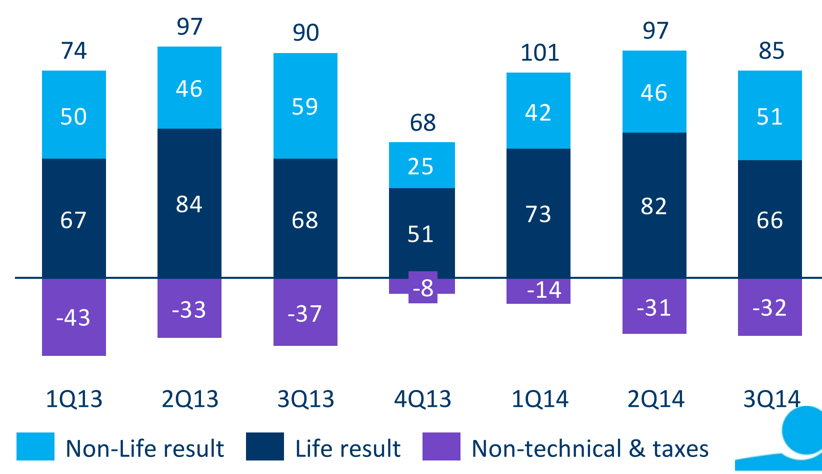
ADJUSTED NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT*



CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT*

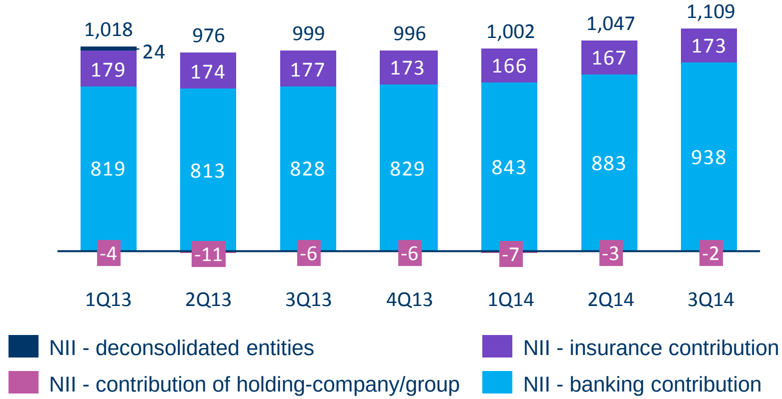


* Difference between adjusted net result at KBC Group and the sum of the banking and insurance contribution are the holding-company/group items

Amounts in m EUR

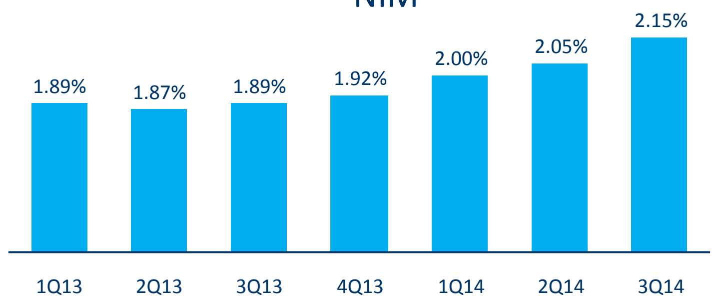
Net interest income and margin

NII



Amounts in m EUR

NIM



- **Net interest income**
  - Increased by 6% q-o-q and 11% y-o-y (+7% q-o-q and +12% y-o-y pro forma, disregarding the change in the consolidation scope)
  - Sound commercial margins (on both loans and deposits), volume increases in current accounts, lower funding costs (due partly to some hybrid tier-1 calls and maturities of expensive senior debt & term deposits during 3Q14) and higher hedging result (peak in loan refinancing in 3Q14) more than offset the negative impact from lower reinvestment yields
  - Increasing customer loan and deposit volumes q-o-q in all our core countries

- **Improved net interest margin (2.15%)**
  - Up by 10bps q-o-q and 26bps y-o-y
  - Q-o-q, sound commercial margins (another cut in interest rates on saving deposits), lower funding costs and a non-sustainable amount of prepayment fees (about 10m EUR additional fees in 3Q14) more than offset the negative impact from lower reinvestment yields

Customer deposit volumes excluding debt certificates & repos +1% q-o-q and +5% y-o-y

VOLUME TREND

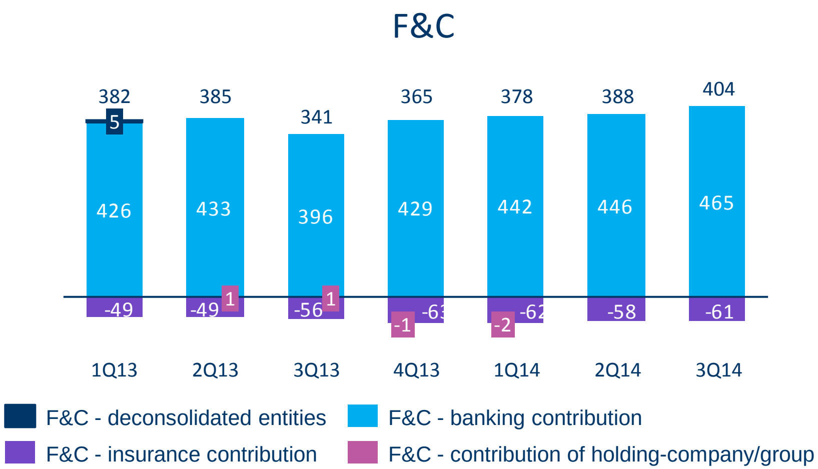
Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	123bn	52bn	151bn	180bn	28bn
Growth q/q*	+1%	+1%	+1%	+4%	+1%
Growth y/y	+1%	0%	-1%	+13%	+3%

* Non-annualised

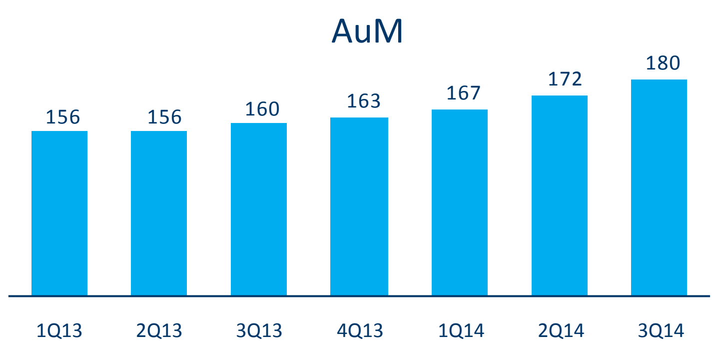
** Loans to customers, excluding reverse repos (and not including bonds)

*** 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



Amounts in m EUR

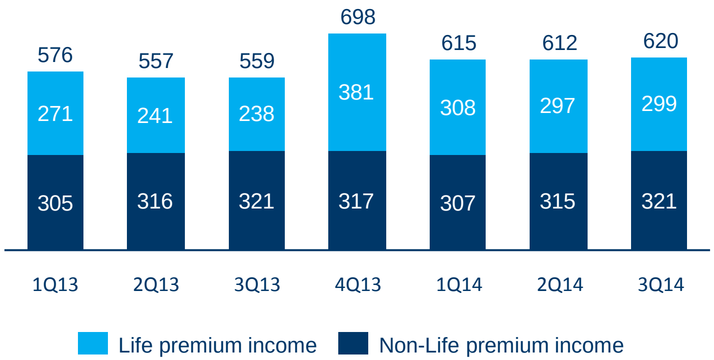


Amounts in bn EUR

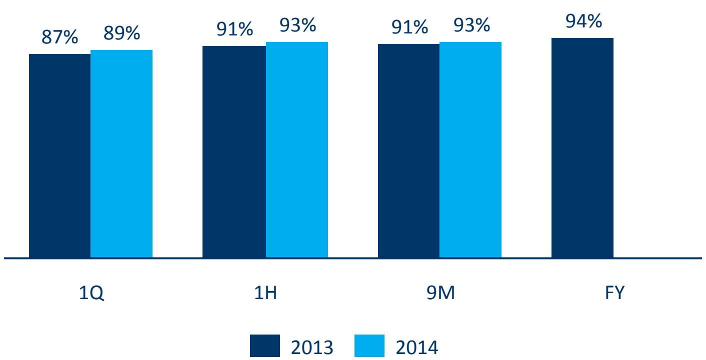
- **Strong net fee and commission income**
  - Increased by 4% q-o-q and 19% y-o-y (+3% q-o-q and +18% y-o-y pro forma, disregarding the change in the consolidation scope)
  - Q-o-q increase was mainly the result of significantly higher management fees from mutual funds and higher entry fees on unit-linked life insurance products, despite higher commissions paid on insurance sales in the Belgium Business Unit
  - Y-o-y increase as higher commissions paid on insurance sales in Belgium were more than offset by:
    - higher management fees from mutual funds in Belgium, but also higher entry fees from mutual funds and unit-linked life insurance products in Belgium
    - higher entry fees from mutual funds in the Czech Republic
    - higher investment and booking fees in Hungary
- **Assets under management (180bn EUR)**
  - Up 4% q-o-q as a result of net inflows (+2%) and a positive price effect (+2%)
  - Rose by 13% y-o-y owing to net inflows (+4%) and a positive price effect (+8%)

Insurance premium income and combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)

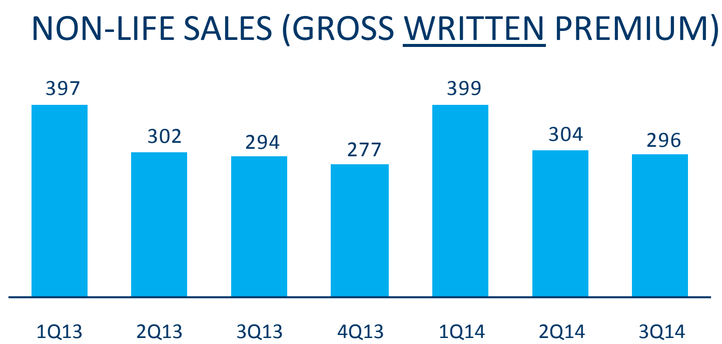


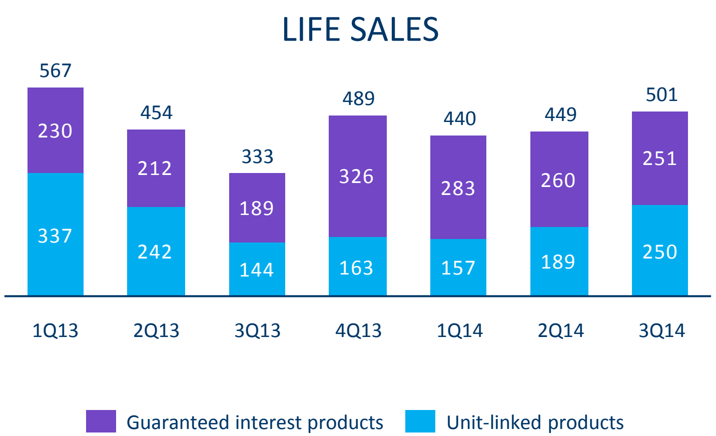
- **Insurance premium income** (gross earned premium) at 620m EUR
  - Non-life premium income (321m) stabilised y-o-y
  - Life premium income (299m) flat q-o-q and up 25% y-o-y (the latter driven chiefly by the Belgium Business Unit)

- The non-life **combined ratio** in 9M14 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 in 2Q14)

Amounts in m EUR

Sales of insurance products





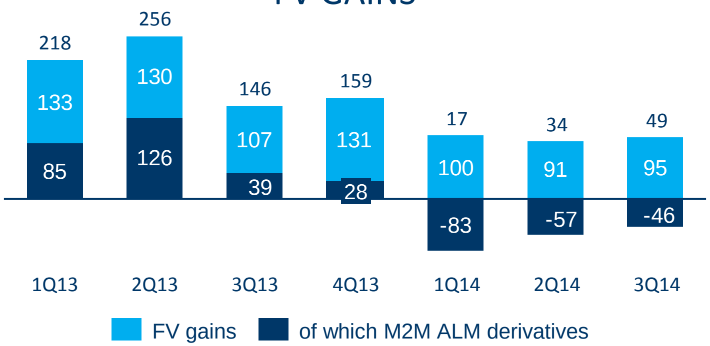
- **Sales of non-life insurance products**
  - Up 1% y-o-y influenced by stricter risk management in the Belgian corporate segment and the negative FX impact

- **Sales of life insurance products**
  - Up 12% q-o-q and 50% y-o-y
  - The q-o-q increase in sales of unit-linked products (in the Belgium and Czech Republic Business Units) was attributable chiefly to commercial campaigns and new products
  - The y-o-y rise was driven both by the higher sales of unit-linked products (despite the low interest rate environment and the shift towards AM products) and higher sales of guaranteed interest products.
  - Sales of unit-linked products accounted for just 50% of total life insurance sales

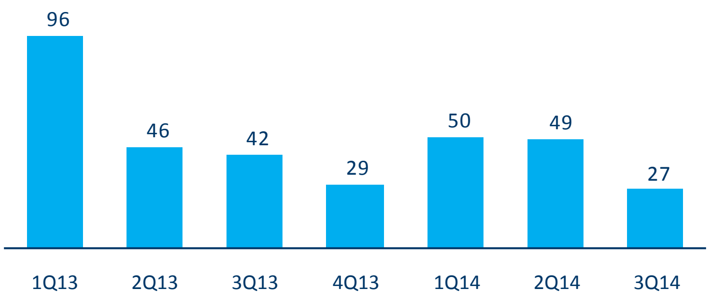
Amounts in m EUR

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

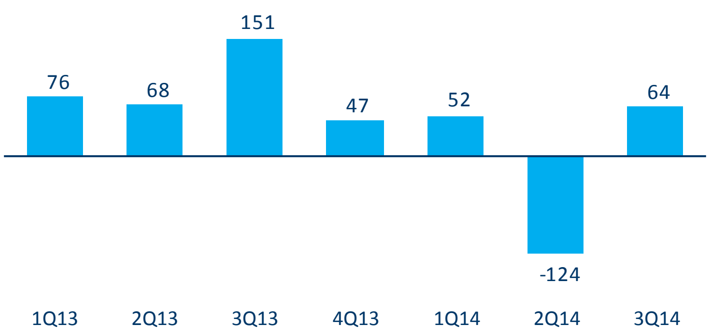
FV GAINS



GAINS REALISED ON AFS ASSETS



OTHER NET INCOME



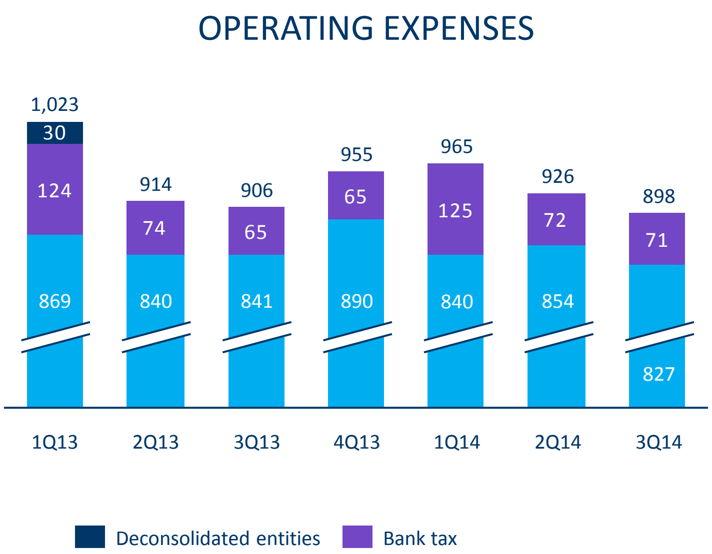
Amounts in m EUR

- 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 (-46m in 3Q14 compared with -57m EUR in 2Q14 and +39m in 3Q13) following decreasing IRS rates

- **Lower gains realised on AFS assets** (both bonds and shares)

- **Other net income** amounted to 64m EUR, somewhat higher than the normal run rate of around 50m EUR. The reference quarters were distorted: 2Q14 due entirely to one-off provisions of 231m EUR for KBC's Hungarian retail loan book (change in law) and 3Q13 due to a number of positive one-off items (mainly in the Belgium Business Unit)

Operating expenses and cost/income ratio

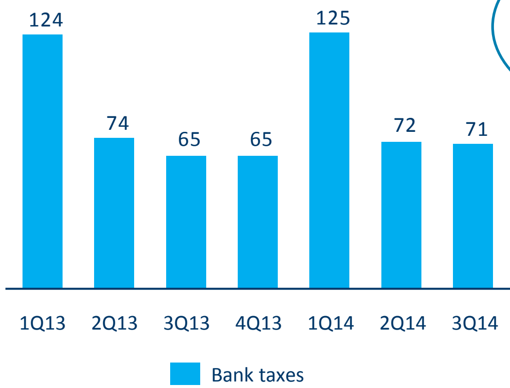


- **Costs under control**
  - The C/I ratio of 52% in 3Q14 was affected by the negative M2M impact of ALM derivatives
  - The C/I ratio of 59% in 9M14 was affected by the negative M2M impact of ALM derivatives in 9M14 and the one-off provisions for Hungary in 2Q14, partly offset by the recovery of sums to be paid out following the outcome of a legal case in 2Q14
  - Adjusted for specific items, the C/I ratio amounted to roughly 51% in 3Q14 and 54% in 9M14
  - Operating expenses went down by 3% q-o-q, due mainly to lower costs at Group Centre in 3Q14 (timing differences)
  - Operating expenses decreased by 1% y-o-y as a positive FX effect and lower costs at Group Centre more than offset higher staff expenses in Ireland and higher bank taxes in Belgium and Hungary

Amounts in m EUR

Overview of bank taxes*

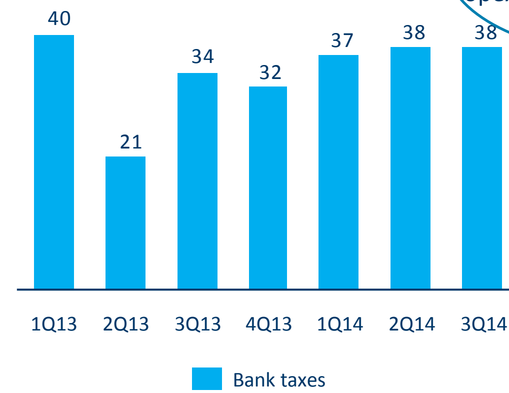
KBC GROUP



Bank taxes of 267m EUR YTD, representing 10% of 9M14 opex at KBC Group**

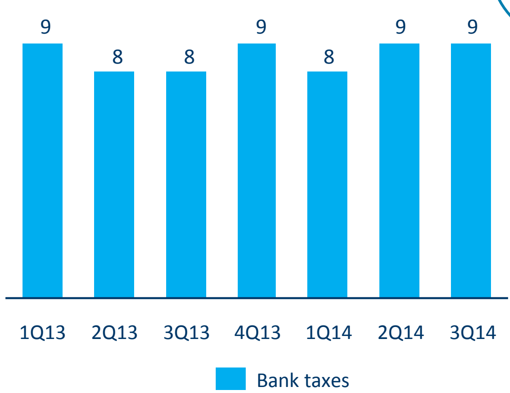
BELGIUM BU

Bank taxes of 113m EUR YTD, representing 6.7% of 9M14 opex at the Belgium BU



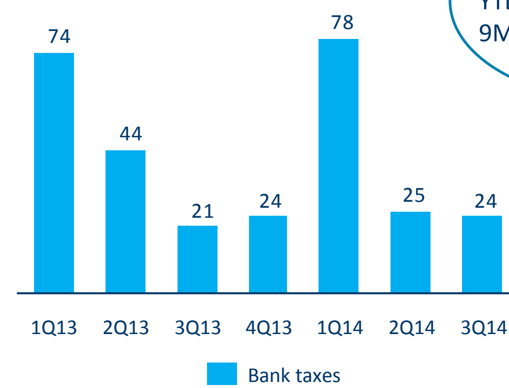
CZECH REPUBLIC BU

Bank taxes of 26m EUR YTD, representing 5.9% of 9M14 opex at the CR BU



INTERNATIONAL MARKETS BU

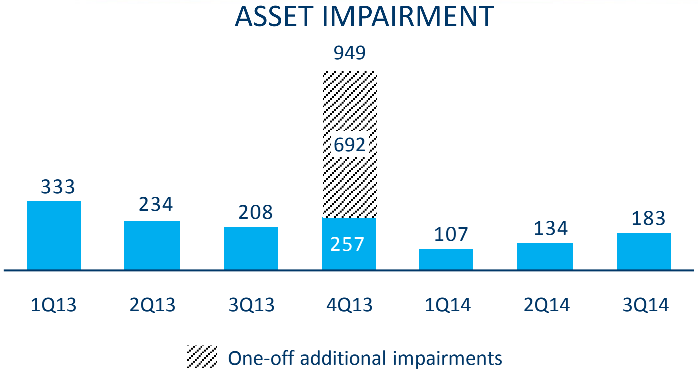
Bank taxes of 126m EUR YTD, representing 23% of 9M14 opex at the IM BU

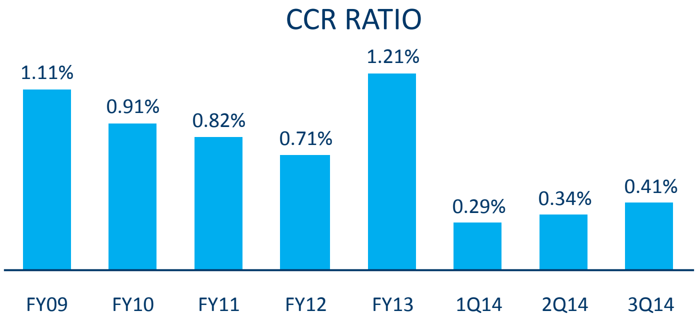


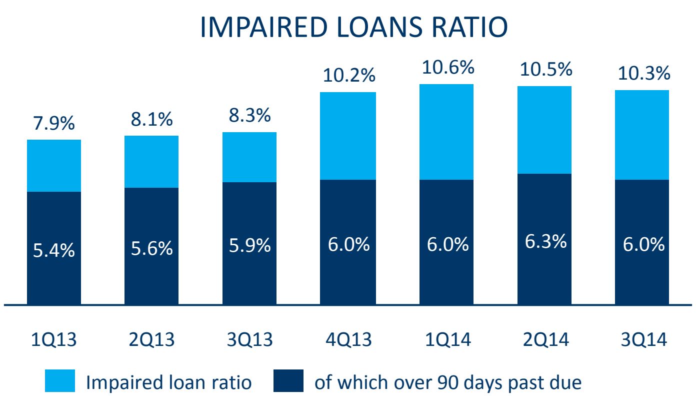
* This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.

** The C/I ratio adjusted for specific items of 54% in 9M14 would amount to roughly 49% excluding these bank taxes

Asset impairment, credit cost and NPL ratio







- **Higher impairment charges**
  - Q-o-q increase of loan loss provisions, as a result of a few large corporate files in the Belgium BU (both in foreign branches and in Belgium) in 3Q14, the unsustainable low level in the Czech Republic in 1H14 and higher impairment charges in Group Centre (mainly KBC Finance Ireland), despite lower impairment charges in Ireland (47m EUR compared to 62m EUR in 2Q14)
  - Compared with the 208m EUR level of 3Q13, lower impairments were recorded mainly in Ireland in 3Q14 (47m EUR compared with 98m EUR in 3Q13), partly offset by higher impairments in the Belgium BU and in the Group Centre (mainly KBC Finance Ireland)
  - Impairment of 6m EUR on AFS shares and 12m EUR on software

- The **credit cost ratio** only amounted to 0.41% in 9M14 due to low gross impairments and some releases (mainly in the Czech BU)

- The **impaired loans ratio** dropped to 10.3%, due primarily to a decrease of the ratio in Ireland

Section 2

3Q 2014 performance of business units

BELGIUM BUSINESS UNIT

CFO SERVICES

CRO SERVICES

BELGIUM

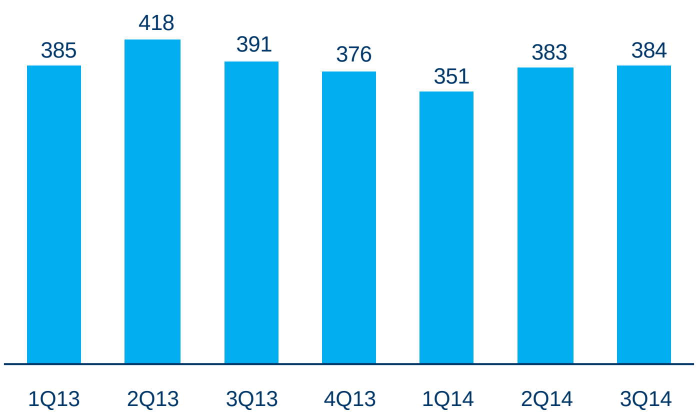
CZECH REPUBLIC

INTERNATIONAL MARKETS

CORPORATE STAFF

Belgium Business Unit (1)

NET RESULT



Amounts in m EUR

- **Net result** at the Belgium Business Unit amounted to 384m EUR
  - The quarter under review was characterised by strong net interest income and net fee and commission income, seasonally lower dividends, negative MTM valuations of ALM derivatives, lower realised gains on AFS assets, lower other net income, an improved combined ratio, higher sales of unit-linked life insurance products, lower opex and higher impairment charges q-o-q
  - Loan volumes rose by 1% q-o-q, while customer deposits increased by 3% q-o-q

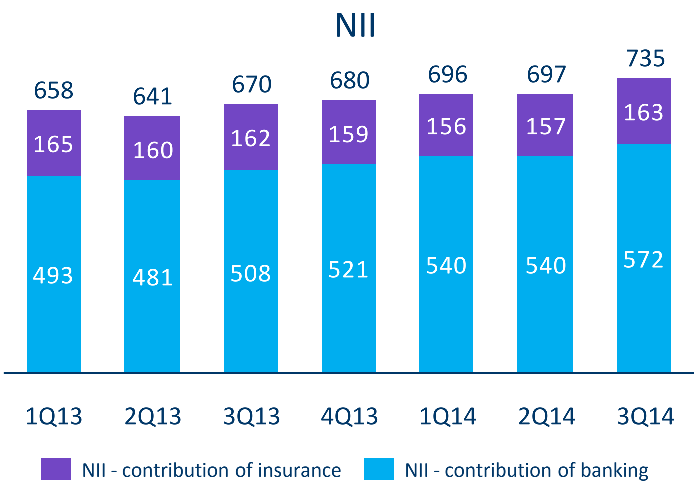
VOLUME TREND

Customer deposit volumes excluding debt certificates & repos +1% q-o-q and +6% y-o-y

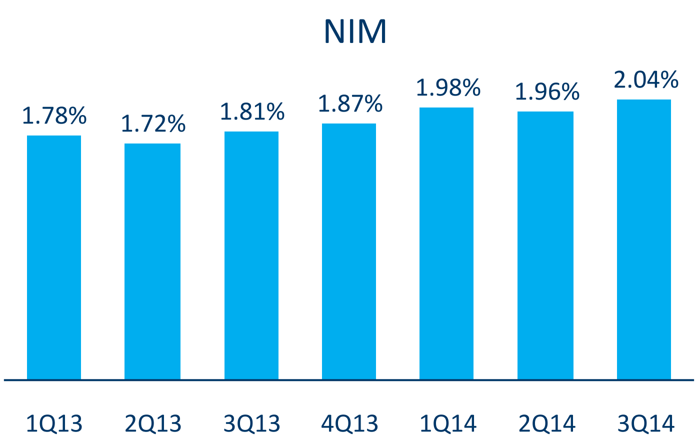
	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	84bn	32bn	104bn	167bn	26bn
Growth q/q*	+1%	+1%	+3%	+4%	+1%
Growth y/y	+2%	+2%	+4%	+13%	+4%

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

Belgium Business Unit (2)



Amounts in m EUR

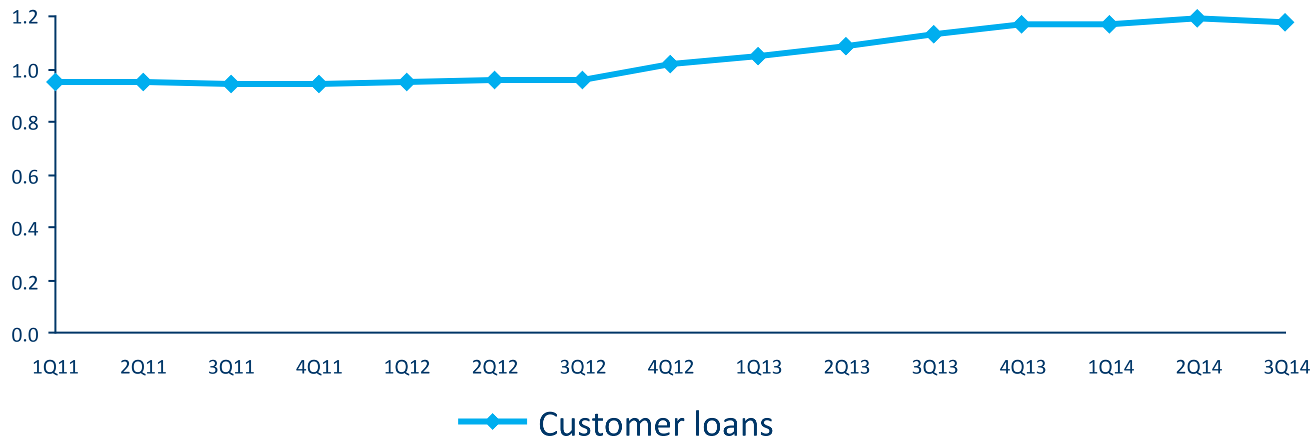


- **Net interest income (735m EUR)**
  - Up by 5% q-o-q and 10% y-o-y
  - Q-o-q, the positive impact of 1 calendar day more in 3Q14, higher net interest income on lending activities, higher margin on savings accounts, lower funding costs on term deposits (drop in volume and pricing) and higher prepayment fees (18m EUR in 3Q14 compared with 7m EUR in 2Q14) was partly offset by a lower reinvestment yield
  - 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, lower funding costs on term deposits and higher prepayment fees (18m EUR in 3Q14 compared with 8m EUR in 3Q13), despite a lower reinvestment yield and the negative impact from the deliberately decreasing loan portfolio at the foreign branches
  - Note that customer deposits excluding debt certificates and repos increased by 6% y-o-y (driven by corporate and institutional client deposits), while customer loans rose by 2% y-o-y

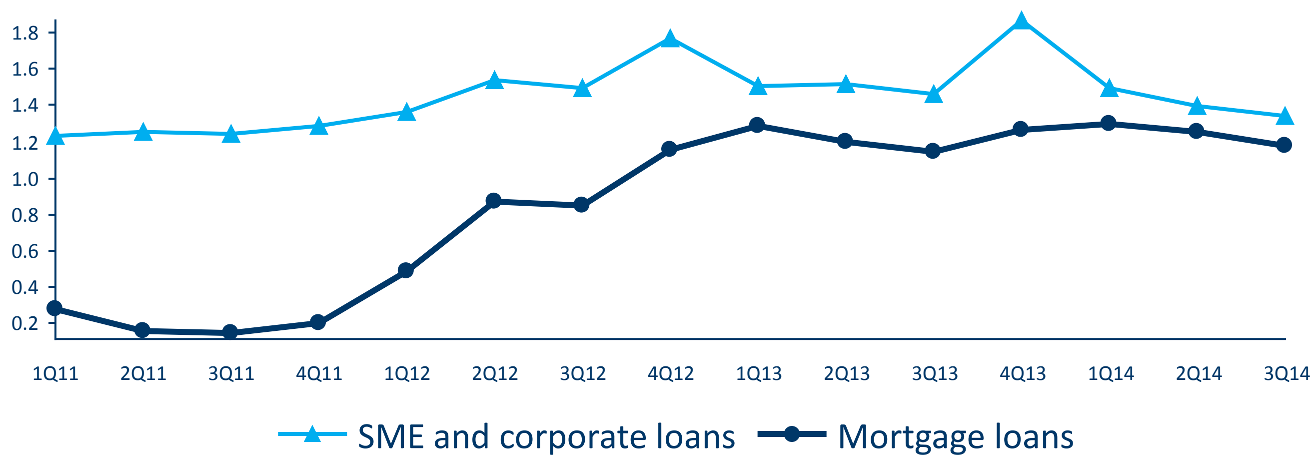
- **Net interest margin (2.04%)**
  - Increased by 8bps q-o-q, as better ALM yield management, lower funding costs on term deposits and a higher amount of prepayment fees were only partly offset by the negative impact of lower reinvestment yields
  - The decrease of 10bps on the savings account base rate from 1 August onwards largely mitigated lower reinvestment yields
  - Increased by 23bps y-o-y, due mainly to better margins on deposits and on the loan book, better ALM yield management and lower funding costs

Credit margins in Belgium

PRODUCT SPREAD ON CUSTOMER LOAN BOOK, OUTSTANDING

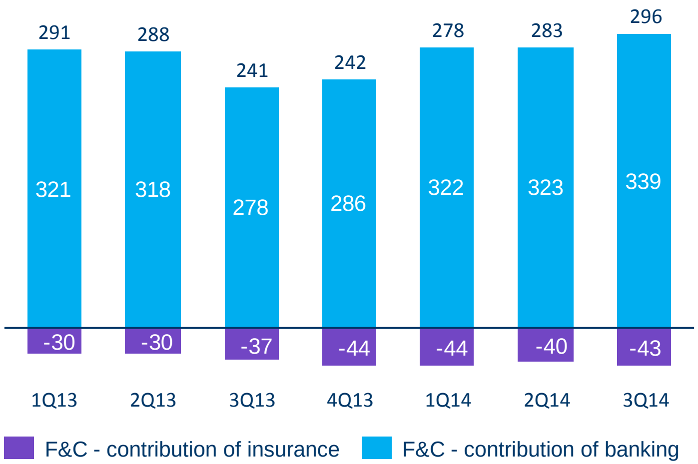


PRODUCT SPREAD ON NEW PRODUCTION



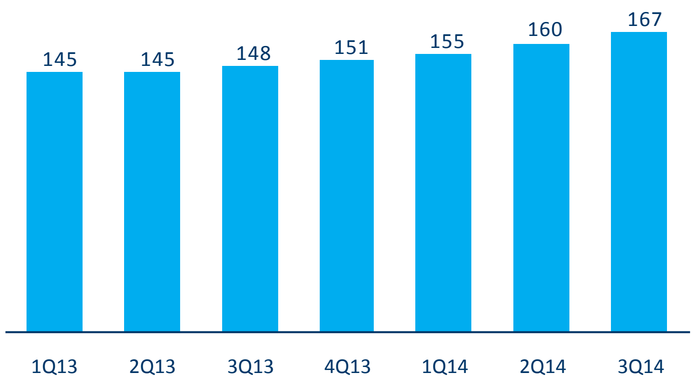
Belgium Business Unit (3)

F&C



Amounts in m EUR

AuM*



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

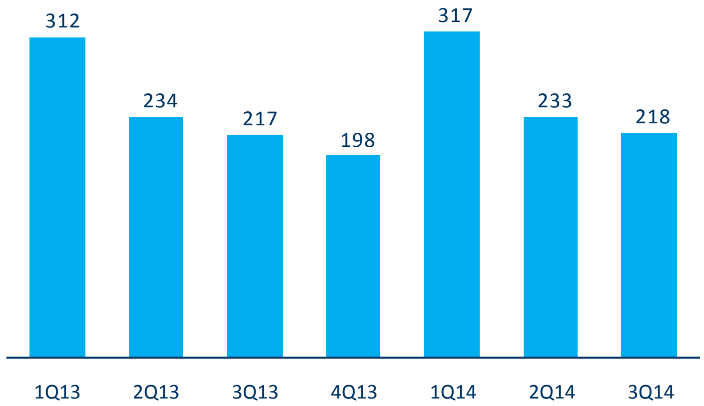
Amounts in bn EUR

- **Net fee and commission income (296m EUR)**
  - Increased by 5% q-o-q, due mainly to significantly higher management fee income on mutual funds, higher fee income related to payment services, higher entry fees on unit-linked life insurance products and mutual funds, partly offset by higher commissions paid on insurance sales and lower fees on securities transactions
  - Rose by 23% y-o-y for the same reasons as mentioned above and in addition, significantly higher entry fees on both unit-linked life insurance products and mutual funds

- **Assets under management (167bn EUR)**
  - Up 4% q-o-q, as a result of a positive price effect (+2%) and net entries (+2%)
  - Rose by roughly 13% y-o-y, as a result of a positive price effect (+9%) and some net entries (+4%)

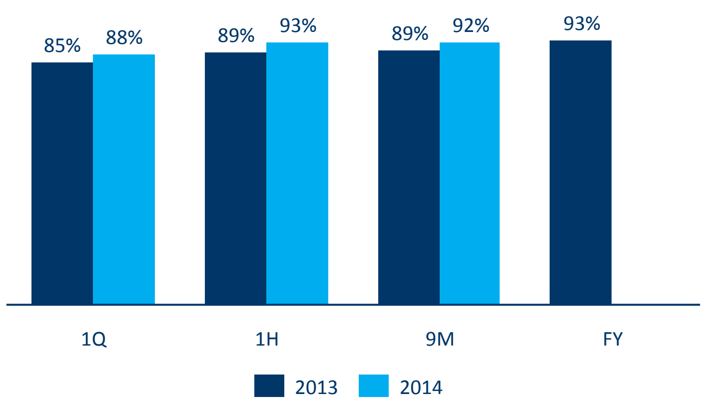
Belgium Business Unit (4)

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



- **Sales of non-life insurance products**
  - Stabilised y-o-y whereby an increase of direct business sales (+1%) was offset by a decrease in gross written premiums at Group Re
  - The growth in direct business sales is attributable mainly to 'fire' and 'other damage to property' classes

COMBINED RATIO (NON-LIFE)

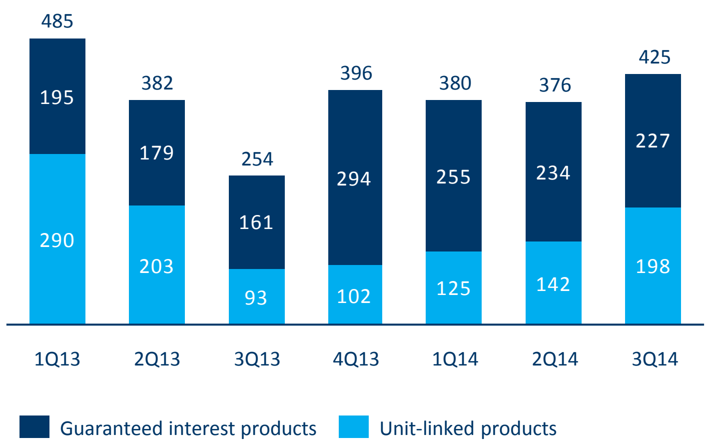


- **Combined ratio** amounted to 92% in 9M14 (93% in FY 2013). Note that technical charges in 2Q14 were high due mainly to the negative impact of hailstorm damage (net effect amounted to -41m EUR)

Amounts in m EUR

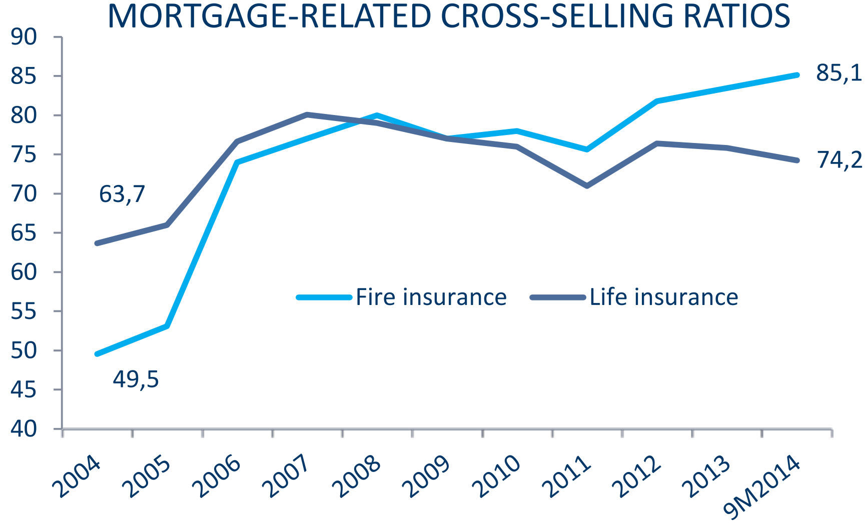
Belgium Business Unit (5)

LIFE SALES



Amounts in m EUR

MORTGAGE-RELATED CROSS-SELLING RATIOS

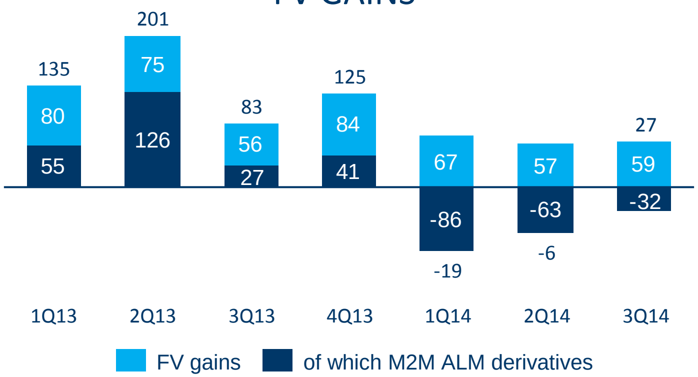


- **Sales of life insurance products**
  - Rose by 13% q-o-q, driven entirely by significantly higher sales of unit-linked life insurance products, attributable mainly to commercial campaigns and new products
  - Increased by 67% y-o-y given the low comparison base in 3Q13. Furthermore, especially the sales of unit-linked life insurance products benefited from commercial campaigns and new products in 3Q14
  - As a result, guaranteed interest products and unit-linked products accounted for 53% and 47%, respectively, of life insurance sales in 3Q14 (55% and 45%, respectively, for FY 2013)

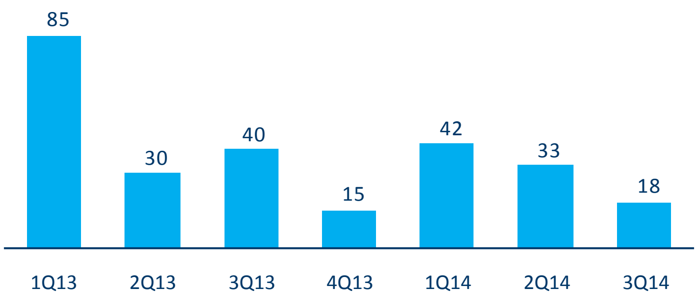
- **Mortgage-related cross-selling ratios**
  - 85.1% for fire insurance
  - 74.2% for life insurance

Belgium Business Unit (6)

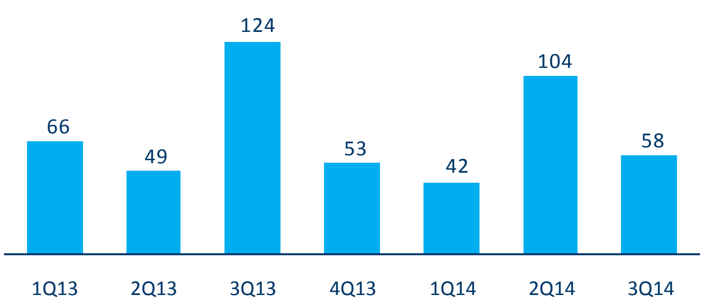
FV GAINS



GAINS REALISED ON AFS ASSETS



OTHER NET INCOME



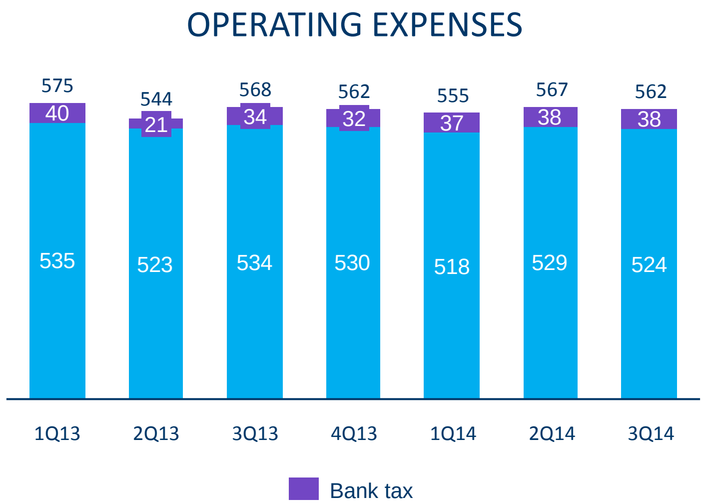
- The lower y-o-y figure for **net gains from financial instruments at fair value** was mainly the result of a negative y-o-y change in ALM derivatives (-32m EUR in 3Q14 compared with +27m EUR in 3Q13), on account of decreasing long-term IRS rates. The higher q-o-q figure was due chiefly to a less negative M2M impact of ALM derivatives (-32m EUR in 3Q14 compared with -63m in 2Q14)

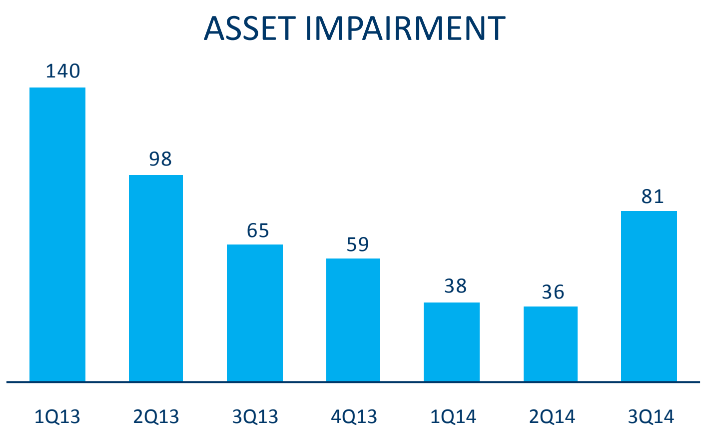
- **Gains realised on AFS assets** came to 18m EUR (due entirely to fewer gains realised on shares in 3Q14 compared with 2Q14)

- **Other net income** amounted to 58m EUR in 3Q14, slightly higher than a normal run rate. Note that both reference quarters (2Q14 and 3Q13) were positively distorted by a number of one-off items

Amounts in m EUR

Belgium Business Unit (7)



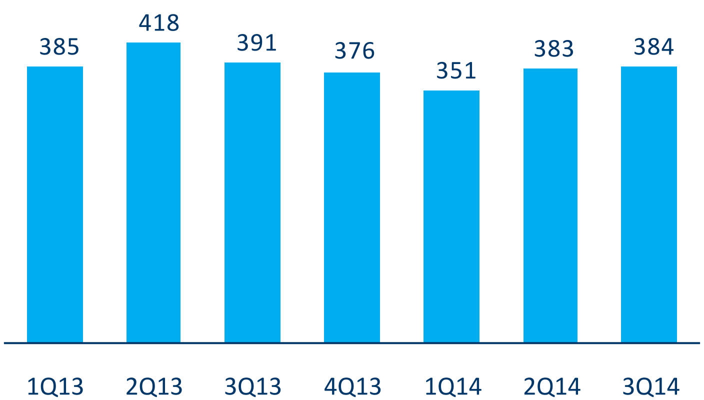


- **Operating expenses**: -1% q-o-q and -1% y-o-y
  - The q-o-q decrease was attributable chiefly to lower staff expenses, lower marketing & communication costs, lower ICT expenses and slightly lower other general administrative expenses (as 2Q14 included 5m EUR for NBB invoices regarding the AQR Project). These items more than offset higher facilities expenses and other long-term employee benefits
  - The y-o-y decrease was driven mainly by the one-off costs related to staff transition arrangements in 3Q13. In 3Q14, the absence of these costs and lower post-employment benefits more than offset higher staff expenses in the dealing room and higher bank taxes
  - Cost/income ratio: 49% in 3Q14 and 51% YTD, distorted mainly by the negative M2M ALM derivatives. Adjusted for specific items, the C/I ratio amounted to roughly 48% in 3Q14 and 49% in 9M14 (an improvement compared with 51% in FY 2013)
- **Loan loss provisions** amounted to 64m EUR in 3Q14, which is higher q-o-q and y-o-y due to higher gross impairments at foreign branches and for a few large Belgian corporate files
- **Credit cost ratio** improved from 37bps in FY13 to 20bps in 9M14
- **Impaired loans ratio** amounted to 4.6%, of which 2.5% over 90 days past due
- **Impairment on AFS shares** (5m EUR) and 12m EUR on software

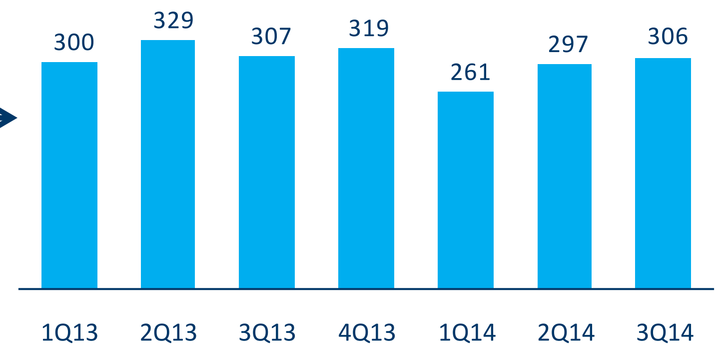
Amounts in m EUR

Net result at the Belgium BU

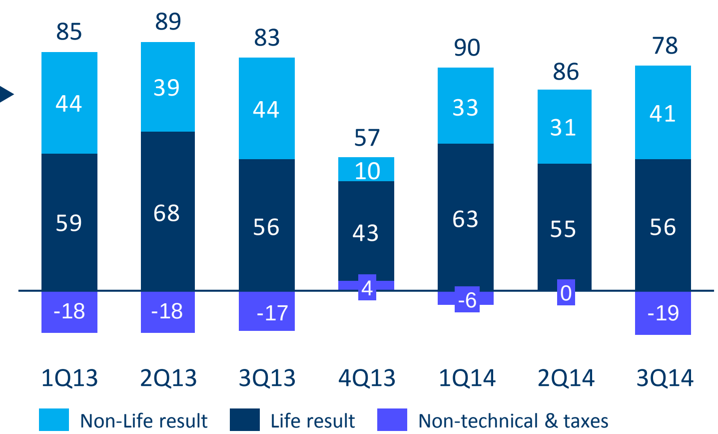
NET RESULT AT THE BELGIUM BU *



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

CZECH REPUBLIC BUSINESS UNIT

CFO SERVICES

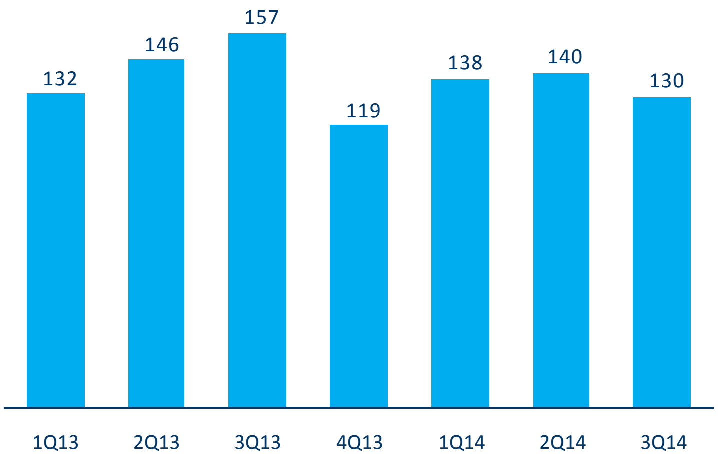
CRO SERVICES

BELGIUM	CZECH REPUBLIC	INTERNATIONAL MARKETS

CORPORATE STAFF

Czech Republic Business Unit (1)

NET RESULT



Amounts in m EUR

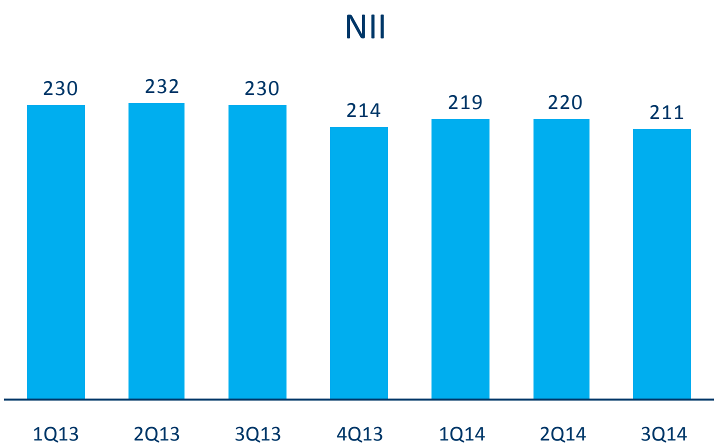
- **Net result** at the Czech Republic Business Unit of 130m EUR
  - Pro forma results (results disregarding FX effects and the change in the consolidation scope) were characterised by flat net interest income, lower net fee and commission income, higher net results from financial instruments, the absence of realised gains on AFS assets, a good combined ratio in non-life insurance and higher sales of unit-linked life insurance products, lower costs and higher loan loss impairment charges
  - Profit contribution from the insurance business remained limited in comparison to the banking business

VOLUME TREND

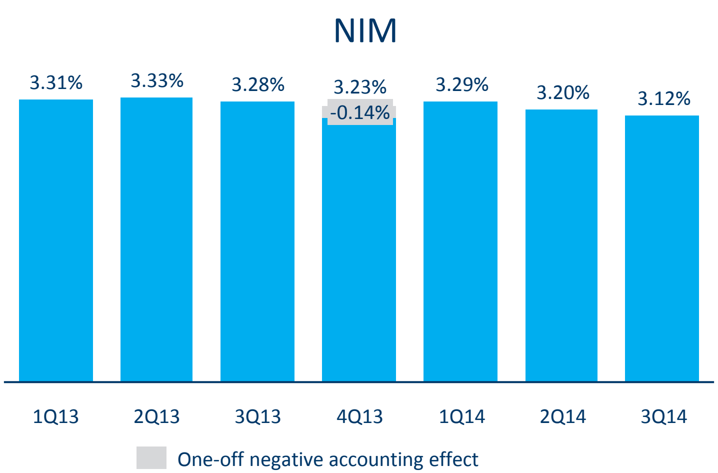
Excluding FX effect	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	16bn	7bn	21bn	7.1bn	1bn
Growth q/q*	+2%	+2%	+1%	+6%	-1%
Growth y/y	+6%	+8%	+8%	+14%	-11%

* 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)



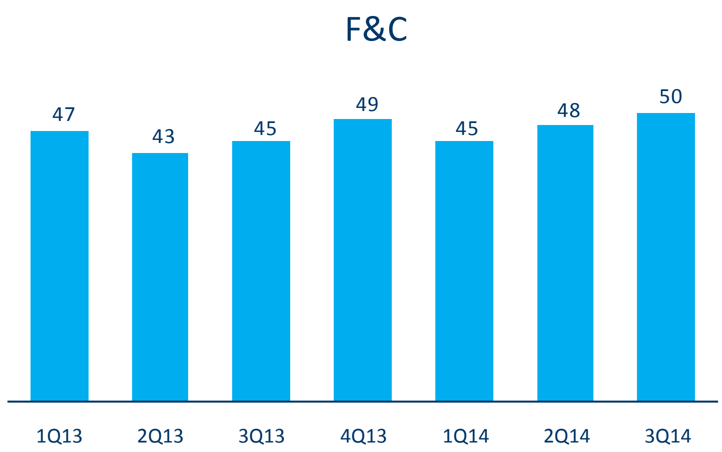
Amounts in m EUR



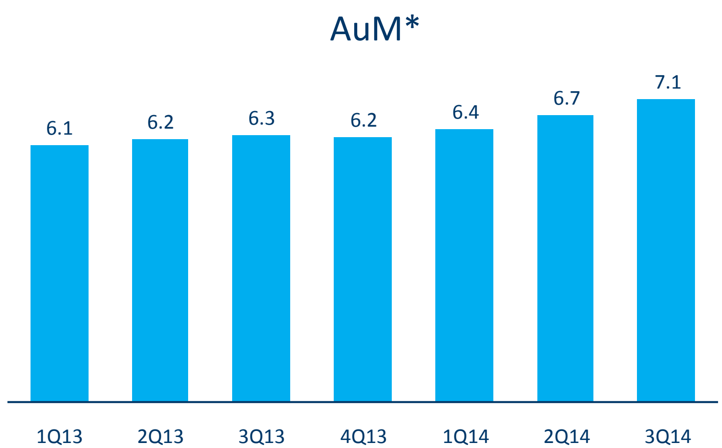
- **Net interest income (211m EUR)**
  - Down by 4% q-o-q and 8% y-o-y to 211m EUR, but flat q-o-q and +1% y-o-y pro forma, corrected for FX effects and the change in the consolidation scope (mainly deconsolidation of a pension fund, which contributed 8m EUR NII in 2Q14)
  - The pro forma q-o-q stabilisation is the result of higher volumes in current accounts and lending, lower average interest cost on saving accounts and 1 calendar day more in 3Q14, fully offset by a lower reinvestment yield
  - The pro forma y-o-y increase 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 6% 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 (3.12%)**
  - Fell by 8bps q-o-q and 16bps y-o-y to 3.12%
  - This 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

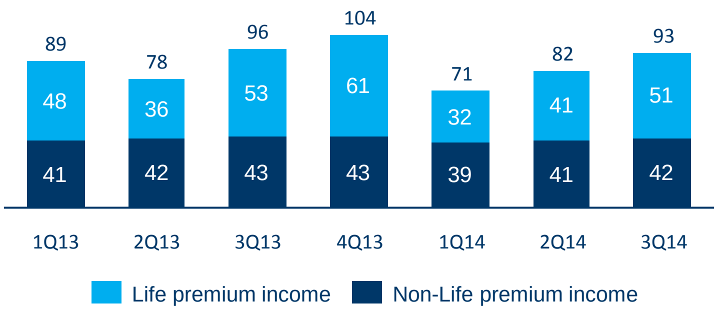
Amounts in bn EUR

- **Net fee and commission income (50m EUR)**
  - Rose by 4% q-o-q and 10% y-o-y (or -6% q-o-q and +6% y-o-y pro forma, corrected FX effects and the change in the consolidation scope)
  - The pro forma q-o-q decrease was attributable mainly to lower fee income from financial markets, somewhat lower account fees and lower loan fees related to mortgages, partly offset by higher entry fees on mutual funds
  - The pro forma y-o-y increase was owing mainly to an increase in entry fees on mutual funds and higher loan fees

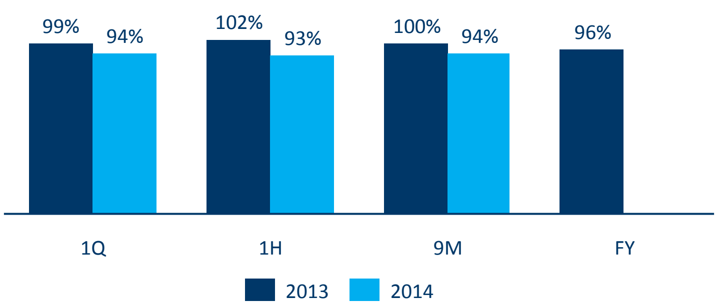
- **Assets under management (7.1bn EUR)**
  - Went up by 6% q-o-q to roughly 7.1bn EUR, as a result of net entries (+5%) and a positive price effect (+1%)
  - Y-o-y, assets under management rose by 14%, driven by net entries (+11%) and a positive price effect (+2%, despite the negative FX impact)

Czech Republic Business Unit (4)

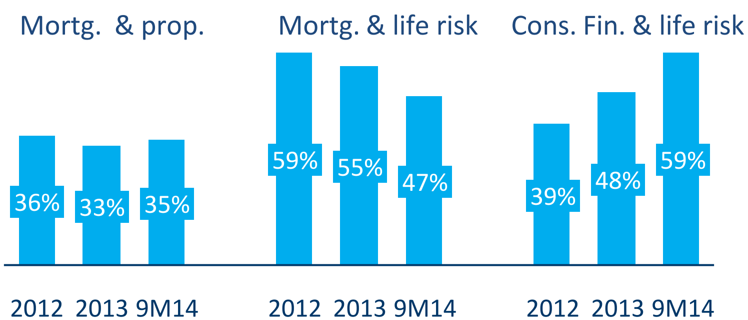
PREMIUM INCOME (GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)



CROSS-SELLING RATIOS



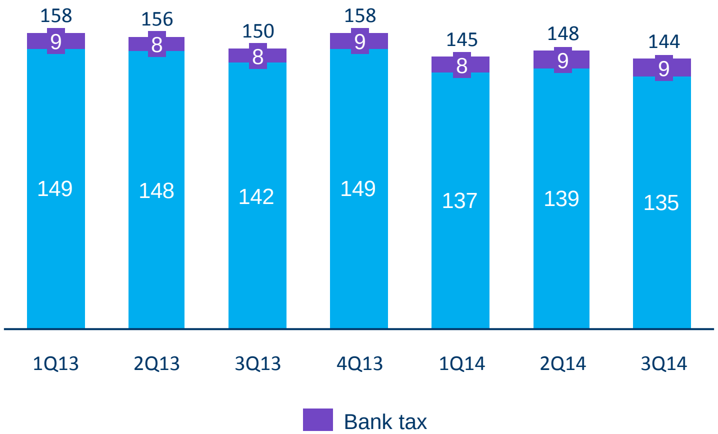
- **Insurance premium income** (gross earned premium) stood at 93m EUR
  - Non-life premium income (42m) rose by 5% q-o-q and 4% y-o-y excluding FX effect, due mainly to improved sales in motor retail and households business
  - Life premium income (51m) went up 24% q-o-q and 1% y-o-y, excluding FX effect. Note that 3Q14 included higher unit-linked single premiums as three tranches of Maximal Invest products were issued compared with only two tranches in 3Q13 and 2Q14

- **Good combined ratio**: 94% in 9M14 (compared with 100% in 9M13 due to floods and 96% in FY13)

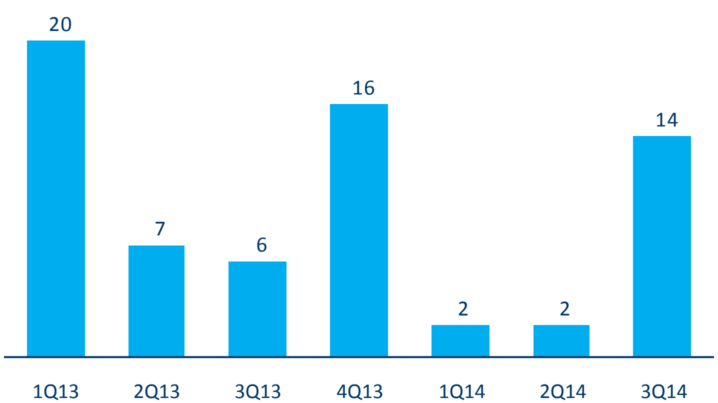
- **Cross-selling ratios:** increased commercial focus and sales activities helped to improve consumer loan and life risk insurance cross ratio, while demand for life risk insurance combined with mortgage has been declining

Czech Republic Business Unit (5)

OPERATING EXPENSES



ASSET IMPAIRMENT



- **Opex (144m EUR)**
  - Fell by 2% q-o-q, but rose by 3% y-o-y, excluding FX effect
  - The q-o-q decrease excluding FX effect was due mainly to lower ICT, pension and facilities expenses, partly offset by higher staff expenses
  - The y-o-y increase excluding FX effect was attributable primarily to higher staff and ICT expenses
  - Cost/income ratio at 46% in 3Q14 (and 47% YTD)

- **Impairments on L&R** increased q-o-q and y-o-y from an unsustainable low level as both reference quarters benefited from some releases of impairment
- **Credit cost ratio** amounted to 0.13% in 9M14

	2010	2011	2012	2013	9M14
CCR	0.75%	0.37%	0.31%	0.26%	0.13%

- **Impaired loans ratio** continued to hover around 4% (4.1% in 3Q14), of which 3% over 90 days past due
- No other impairments

Amounts in bn EUR

INTERNATIONAL MARKETS BUSINESS UNIT

CFO SERVICES

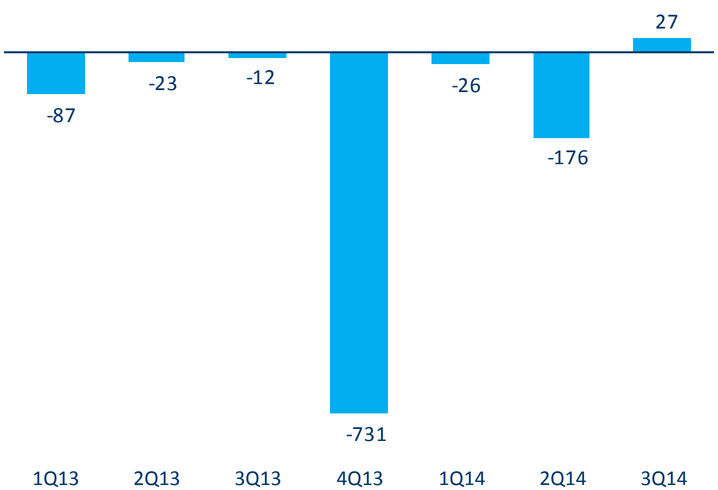
CRO SERVICES

BELGIUM	CZECH REPUBLIC	INTERNATIONAL MARKETS

CORPORATE STAFF

International Markets Business Unit (1)

NET RESULT



Amounts in m EUR

- **Net result: +27m EUR**
  - Profit **breakdown** for International Markets: 20m for Slovakia, 39m for Hungary, 3m for Bulgaria and -36m for Ireland
  - Q-o-q **results** were characterised by slightly higher net interest income, higher net fee and commission income, stable result from financial instruments at fair value, lower realised gains on AFS assets, a deteriorated combined ratio and lower life insurance sales, higher net other income due entirely to one-off provisions of 231m EUR for KBC's Hungarian retail loan book in 2Q14, flat costs and lower impairments
  - **Turnaround potential**: breakeven returns at latest by 2015 for International Markets Business Unit, mid-term returns above cost of capital

VOLUME TREND

	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	21bn	14bn	15bn	6bn	0.5bn
Growth q/q*	0%	0%	+2%	+4%	+1%
Growth y/y	-5%	-5%	+1%	+8%	+5%

* 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*

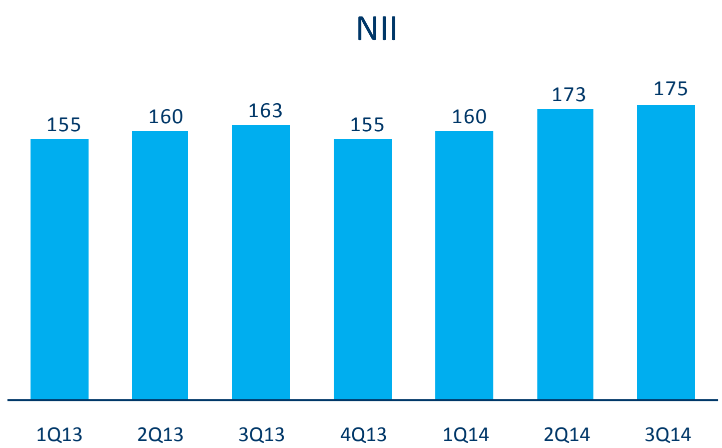
	TOTAL LOANS		MORTGAGES		DEPOSITS	
	q/q	y/y	q/q	y/y	q/q	y/y
IRE	-1%	-12%	0%	-8%	0%	+14%
SL	+1%	+5%	+3%	+16%	+4%	+5%
HU	+4%	+3%	0%	-5%	+3%	-11%
BG	+7%	+17%	+3%	+1%	+2%	+6%
TOTAL	**0%**	**-5%**	**0%**	**-5%**	**+2%**	**+1%**

- The **total loan book** stabilised q-o-q and fell by 5% 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 up 2% q-o-q and 1% y-o-y
  - The 2% q-o-q increase is the result of a 4% increase in Slovakia (increase of current accounts amongst others as a result of the campaign) and Hungary (higher current account volumes in the SME segment and higher deposits from mutual funds)
  - The 1% y-o-y increase was due mainly to the successful retail deposit campaign in Ireland

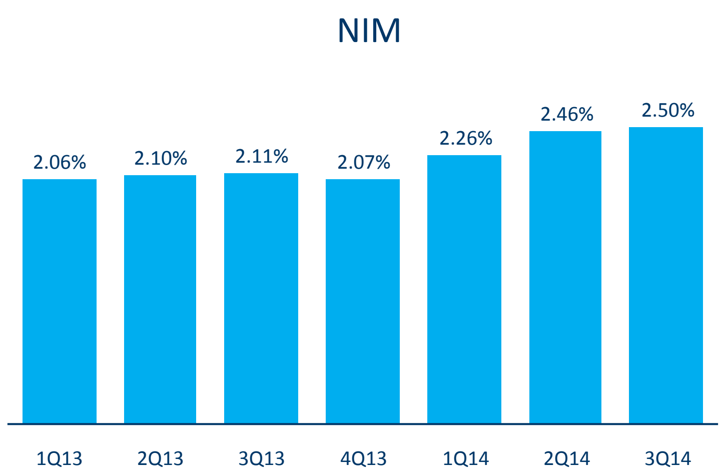
* Organic growth excluding FX impact, q-o-q figures are non-annualised. Loan and mortgage figures after impairment charges

Amounts in m EUR

International Markets Business Unit (3)



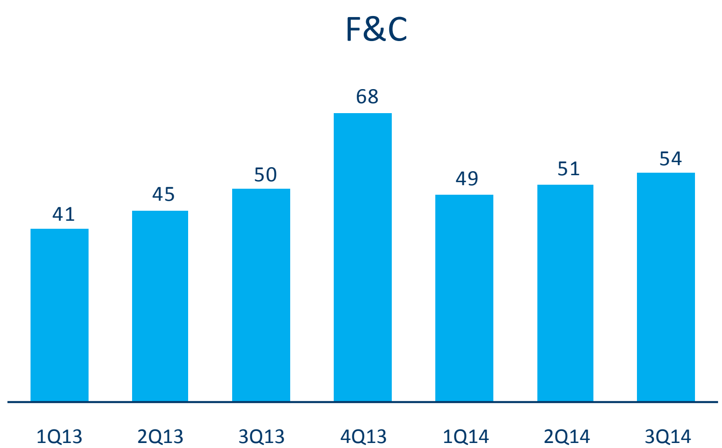
Amounts in m EUR



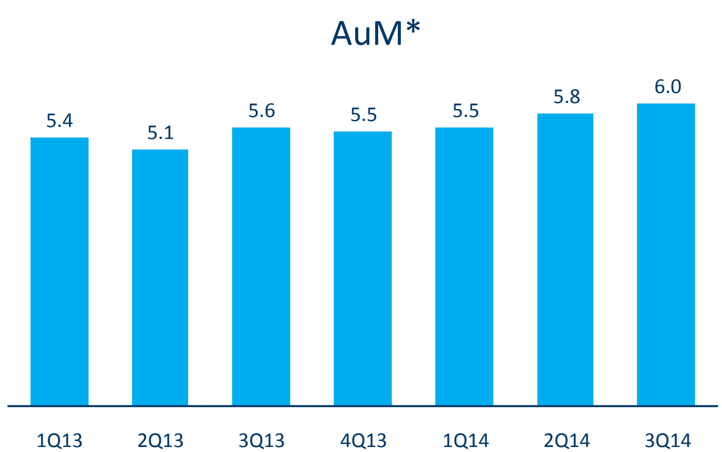
- **Net interest income (175m EUR)**
  - Rose by 1% q-o-q and 7% y-o-y
  - The q-o-q increase was driven chiefly by Ireland (main reason was lower allocated liquidity costs) and Bulgaria (lower funding and subordinated debt costs)
  - The y-o-y increase was attributable to Ireland (lower allocated liquidity and funding costs) and Hungary (improved funding structure)

- **Net interest margin (2.50%)**
  - Up by 39bps y-o-y and 4bps q-o-q
  - The y-o-y increase was attributable primarily to a considerable rise in NIM in Hungary (improved funding structure and a technical item) and Ireland (mainly as a result of lower allocated liquidity and funding costs)
  - The q-o-q increase was accounted for chiefly by Hungary

International Markets Business Unit (4)



Amounts in m EUR



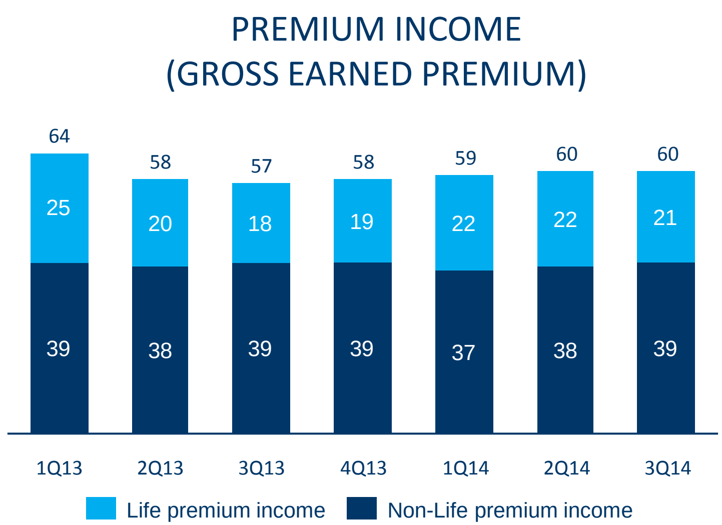
* The split among the BUs is based on the Assets under Distribution in each BU

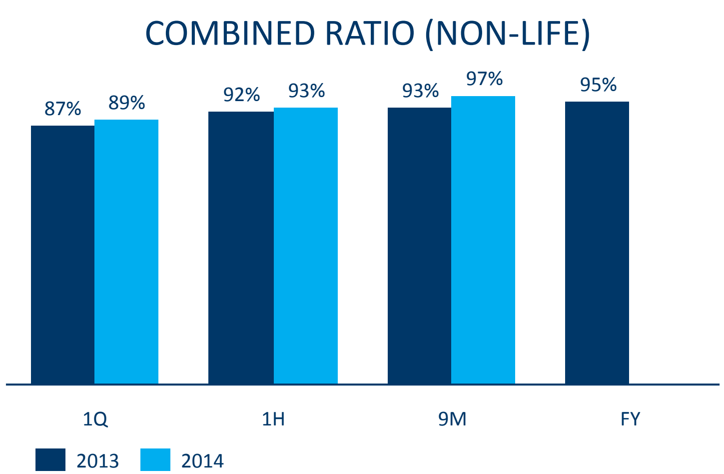
Amounts in bn EUR

- **Net fee and commission income (54m EUR)**
  - Rose by 6% q-o-q and 9% y-o-y
  - The q-o-q increase was attributable to Slovakia (higher fee income from securities and higher entry fees from mutual funds), Bulgaria (higher fee income related to cash operations) and Ireland (shift of some expenses from F&C income to NII)
  - The y-o-y increase was the result of:
    - higher investment (related mainly to the volume growth of open-end mutual funds) and booking fees (better pricing tariffs of certain products & services) in Hungary
    - higher fee income from securities, higher entry fees from mutual funds and higher credit-related fees due to the significant growth of the mortgage portfolio in Slovakia

- **Assets under management (6bn EUR)**
  - Increased by 4% q-o-q, driven entirely by net inflows (+4%)
  - Y-o-y, assets under management rose by 8% (6% net entries and 2% positive price effects)

International Markets Business Unit (5)



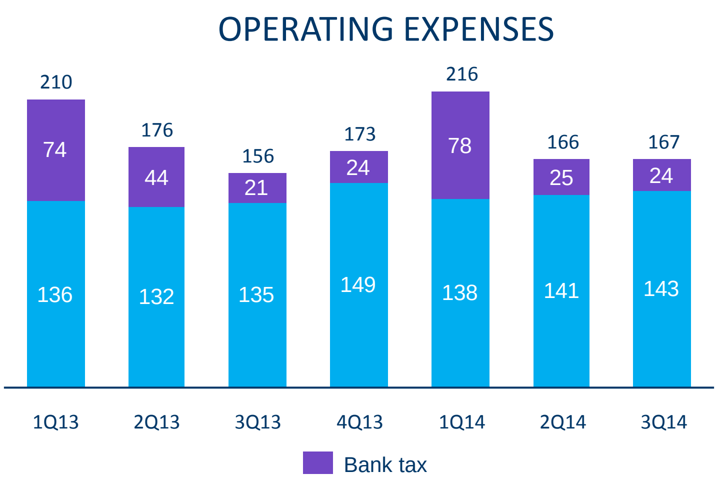


- **Insurance premium income** (gross earned premium) stood at 60m EUR
  - Non-life premium income (39m) roughly stabilised y-o-y
  - Life premium income (21m) fell by 9% q-o-q and increased by 14% y-o-y

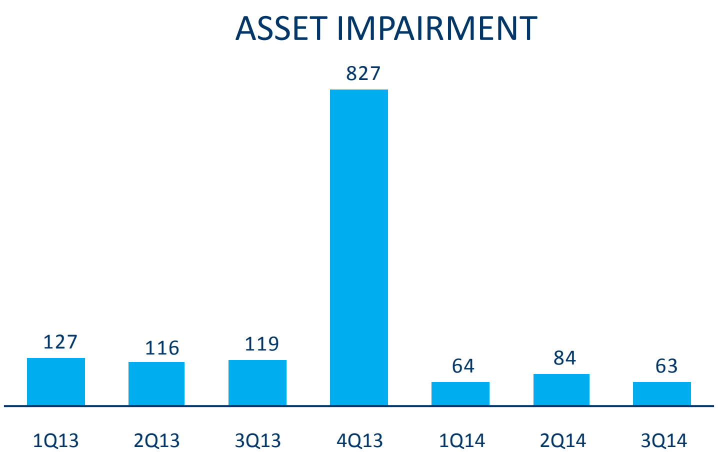
- **Combined ratio** at 97% in 9M14, an increase due mainly to higher number of claims in Bulgaria (bad weather conditions), but which were largely reinsured. The combined ratio for 9M14 breaks down into 93% for Hungary, 89% for Slovakia (release of claims reserves) and 103% for Bulgaria

Amounts in m EUR

International Markets Business Unit (6)



Amounts in m EUR



- **Opex (167m EUR)**
  - Stabilised q-o-q and rose by 7% y-o-y
  - The q-o-q stabilisation is the result of higher staff expenses and ICT costs in Slovakia offset by a decrease in Hungary (FX effect)
  - The y-o-y increase was caused 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. Higher opex in Slovakia was mainly the result of higher staff expenses (more FTEs), higher ICT and marketing costs
  - Adjusted for specific items (especially the one-off provisions in Hungary during 2Q14), the cost/income ratio stood at 64% in 3Q14 and 66% in 9M14 (68% in FY 2013)
- **Impairments on L&R (63m EUR)** dropped y-o-y and q-o-q mainly owing to Ireland. Loan loss provisions amounted to 47m in 3Q14 in Ireland compared with 62m EUR in 2Q14 and 98m EUR in 3Q13. We are maintaining our FY 2014 guidance for Ireland, namely the high end of the range 150m-200m EUR
- **Credit cost ratio** of 1.09% in 9M14

	Loan book	2010 CCR	2011 CCR	2012 CCR	2013 CCR	9M14 CCR
IM BU	**26bn**			**2.26%**	**4.48%**	**1.09%**
- Ireland	15bn	2.98%	3.01%	3.34%	6.72%	1.40%
- Hungary	5bn	1.98%	4.38%	0.78%	1.50%	0.92%
- Slovakia	5bn	0.96%	0.25%	0.25%	0.60%	0.34%
- Bulgaria	1bn	2.00%	14.73%	0.94%	1.19%	1.19%

- **Impaired loans ratio** amounted to 34.8%, of which 20% over 90 days past due

MARS: Mortgage Arrears Resolution Strategy ;

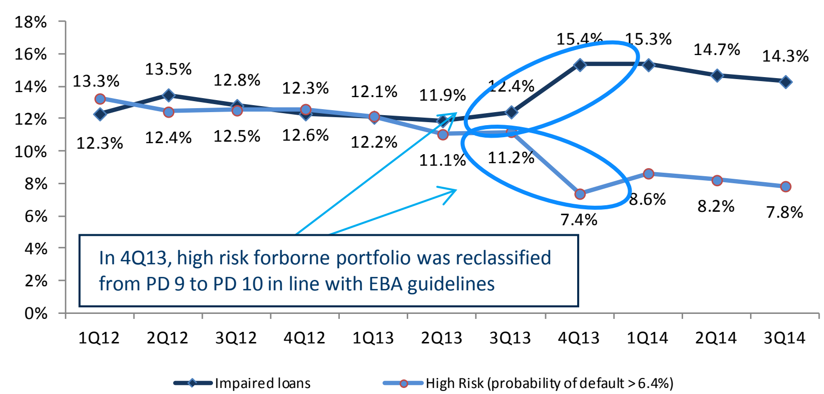
Hungary (1)

HUNGARIAN LOAN BOOK
KEY FIGURES AS AT 30 SEPTEMBER 2014

Loan portfolio	Outstanding	Impaired loans ratio	Impaired loans cover ratio
SME/Corporate	2.8bn	6.4%	56%
Retail	2.4bn	23.4%	53%
o/w private	1.9bn	27.5%	51%
o/w companies	0.5bn	7.4%	76%
TOTAL	**5.2bn**	**14.3%***	**53%****

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

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



- 3Q14 **net result** at the K&H Group amounted to 39m EUR
- **YTD net result** amounted to -109m EUR (including -42m EUR post-tax impact of FY bank tax charge and the -186m EUR post-tax impact of the provisions for retail loan related law)
- **Loan loss provisions** amounted to 11m EUR in 3Q14 (13m EUR in 2Q14 and 11m EUR in 1Q14). The **credit cost ratio** came to 0.92% in 9M14 (versus 1.50% in FY 2013)
- In 3Q14, **impaired loans ratio** continued to improve in all main segments (retail and SME/corporate segments)

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 installs a refutable assumption of unfairness and repeals unilateral changes to interest rates and fees applied by the banks
- On 29 July the Supervisory Authority, the Hungarian National Bank (HNB) issued methodology guidelines for the recalculation necessitated by the annulment of the bid-offer spread. Based on this, **K&H set aside one-off provisions of 231m EUR (pre-tax) in 2Q14** for both the correction to the bid-offer spreads and the unilateral changes to interest rates, using the methodology guidelines issued by the HNB
- The settlement arrangements of the abovementioned act were further clarified in the Settlement Act of 24 September. This act contains more details on the loan portfolio in scope. The act reveals no major differences compared to the assumptions used to calculate the provision in 2Q14. This act also empowers the HNB to issue a separate decree on the exact formula to be applied. This decree is expected in November 2014
- K&H started legal action to rebut the assumption of unfairness. The Court of First Instance partially rejected our case. K&H submitted an appeal. On 27 October, the Court of the Second Instance suspended the court case and referred it to the Constitutional Court

Hungary (3)

Multiple changes - full impact remains uncertain until regulation is finalized

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

- Based on the agreement between the government and the Banking Association, the conversion rate will be roughly the spot rate. Only Mortgage loans (housing and home equity loans) will be converted. The related act is still to be submitted to the parliament
- Total FX loan book at end 3Q14: 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

- 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 guidelines issued by the HNB

Recurring impact beyond 2014 will depend on:

- the interest margin banks would be allowed to take on new loans (subject to „Fair Banks Act” to be submitted to the parliament soon)

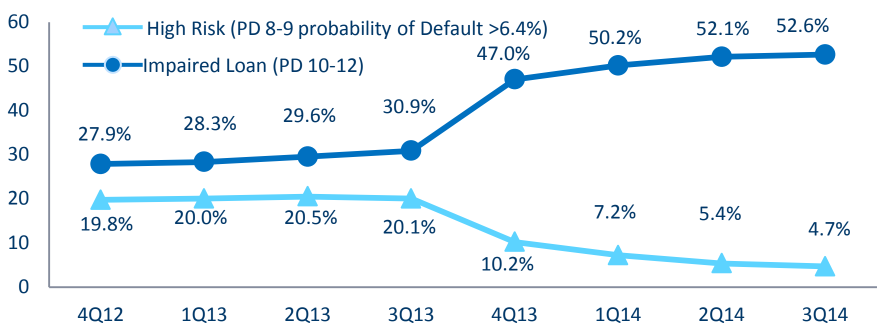
Ireland (1)

IRISH LOAN BOOK
KEY FIGURES AS AT 30 SEPTEMBER 2014

LOAN PORTFOLIO	OUTSTAN-DING	Impaired loans PD 10-12	Impaired loans ratio PD 10-12	SPECIFIC PROVISIONS	Impaired PD 10-12 COVER ratio
Owner occupied mortgages	9.0bn	3.7bn	41.3%	1.1bn	29%[2]
Buy to let mortgages	2.9bn	2.0bn	69.8%	0.6bn	31%[2]
SME /corporate	1.3bn	0.8bn	62.1%	0.4bn	49%
Real estate - Investment - Development	 1.0bn 0.4bn	 0.7bn 0.4bn	 74.1% 100%	 0.4bn 0.3bn	 49% 83%
Total	14.6bn	7.7bn	52.6%	2.8bn	36%[1]

1. The total impaired loan cover ratio amounted to 36% at the end of 3Q14 (36% in 2Q14)
2. Taking into account the adjustments for Mortgage Indemnity Guarantee for combined OO and BTL ratio amounted to 31.1% at 3Q14 (31.1% in 2Q14)

PROPORTION OF HIGH RISK AND IMPAIRED LOANS



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

- **Net loss** in 3Q14 amounted to 36m EUR (57m EUR in 2Q14). Loan loss provisions 3Q14 decreased to 47m EUR (62m EUR in 2Q14) as a result of continued progress made on the non-impaired loan portfolio
- Most recent **GDP data** (2Q14) show an exceptionally large increase of 7.7% y-o-y. This likely overstates the pace of improvement in the economy of late. The scale of increase relates in part to statistical changes to an improvement in construction from a very low base as well as a general upturn in economic activity. Strong conditions in key trading partners such as the US and the UK continue to support Irish exports
- Domestic spending continues to improve, but retail sales remain patchy with car sales and home improvement related categories showing significant gains, but food and drink sales continuing to decline
- Official house price data show a further acceleration in property values through the summer months, led by large gains in Dublin. While constraints on supply remain a key feature of the market, there has been some modest increase in transaction levels
- **Strong customer acquisition in 3Q14 driven primarily by an increase in new current accounts. Retail deposit net inflows continue to increase in 3Q14 resulting in a total retail book of 3.3bn EUR**
- Mortgage volumes continue to show strong increases in line with improvements in customer demand
- KBCI is proactively engaging with those customers who are experiencing financial difficulty and is nearing completion of the roll out of its Mortgage Arrears Resolution Strategy. As part of this, KBCI has met the 3Q14 public targets set by the Central Bank of Ireland
- Continuing downward trend in the total arrears and 90 days past due
- **Local** tier-1 ratio of roughly 14% at the end of 3Q14
- Looking forward, **we are maintaining our guidance for Irish loan loss provisions**. Loan loss provisions are expected to be in the high end of the range of 150m-200m EUR for FY14 and 50m-100m EUR for each of FY15 and FY16. **Profitability expected from 2016 onwards**
- KBC's definition of impaired loans includes PD 10-12. PD 10 is considered as unlikely to pay exposure. Furthermore, as of 3Q14, exposures are net of Reserved Interest Provision. Historic figures have been retrospectively updated here to facilitate a like-for-like comparison

Ireland (2) Home loans portfolio

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		
IMPAIRED	PD 10	2,693	593	22.0%
	PD 11	2,552	838	32.9%
	PD 12	444	256	57.7%
	TOTAL PD1-12	**11,888**	**1,742**	
	Specific Impairment/Impaired Loans (PD 10-12) Exposure			*29.7%*
	Specific Impairment/Impaired Loans (PD 10-12) Exposure including MIG			*31.1%*

3Q14

	PD	Exposure	Impairment	Cover %
PERFORMING	PD 1-8	5,687	19	0.3%
	Of which without restructure	5,655		
	Of which in Live restructure	32		
	PD 9	465	36	7.7%
	Of which without restructure	408		
	Of which in Live restructure	57		
IMPAIRED	PD 10	2,819	527	18.7%
	PD 11	2,401	885	36.9%
	PD 12	517	293	56.6%
	TOTAL PD1-12	**11,889**	**1,760**	
	Specific Impairment/Impaired Loans (PD 10-12) Exposure			*29.7%*
	Specific Impairment/Impaired Loans (PD 10-12) Exposure including MIG			*31.1%*

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

- **PD 1-9 (Performing)** loans **decreased** in 3Q14, due to loans migrating to Impaired in line with KBC's Definition of Default. The volume of cases migrating has continued to diminish. Loans in a Live restructure amount to roughly **90m EUR (1%),** down from 150m EUR (2%) in 2Q14
- New lending volumes have increased the performing book in 3Q14
- **PD 10** loans increased by roughly 130m EUR. Inflow of cases moving from PD 1-9 due to need for (primarily second) restructure and from PD 11 (due to arrears management)
- **PD 11** loans **decreased** by roughly 150m EUR. Outflow of cases moving to PD 12 and favourable migrations to PD 1-10
- **PD12** increased by roughly 70m EUR due to an increase in irrecoverable cases in the quarter
- KBCI has enhanced its provisioning methodology in 3Q14 to accurately reflect the specific risk and cash flow profile of its portfolio, a significant proportion of which is currently on a long term sustainable forbearance arrangement
- Net Impairment charge of 16m EUR in 3Q14 compared with 35m EUR in 2Q14

Ireland (3) Corporate loan portfolio

2Q14

	PD	Exposure	Impairments	Cover %
PREF.	PD 1-8	786	12	1.5%
PREF.	PD 9	38	6	15.7%
IMPAIRED	PD 10	770	233	30.3%
IMPAIRED	PD 11	543	328	60.4%
IMPAIRED	PD 12	647	503	77.7%
	TOTAL PD1-12	**2,784**	**1,081**	
	Specific Impairment/Impaired Loans (PD 10-12) Exposure			*54.3%*

3Q14

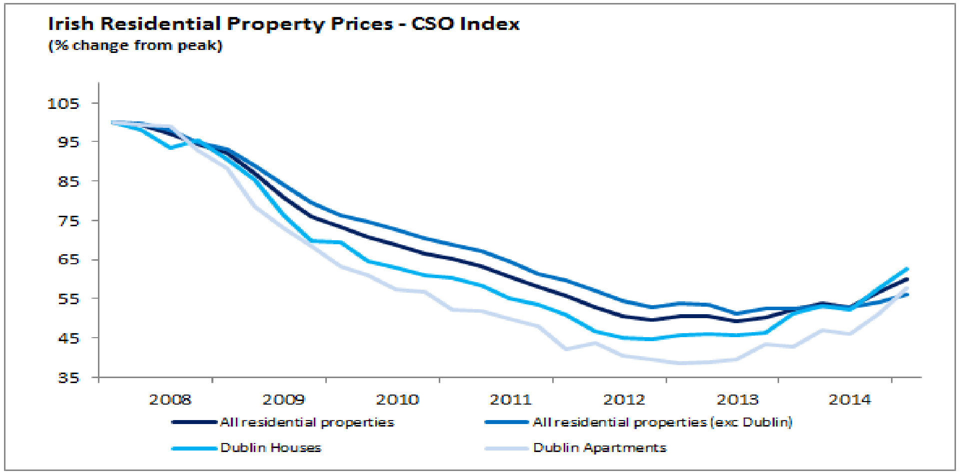
	PD	Exposure	Impairments	Cover %
PREF.	PD 1-8	723	11	1.5%
PREF.	PD 9	35	7	18.5%
IMPAIRED	PD 10	727	239	32.9%
IMPAIRED	PD 11	428	267	62.4%
IMPAIRED	PD 12	788	586	74.3%
	TOTAL PD1-12	**2,702**	**1,110**	
	Specific Impairment/Impaired Loans (PD 10-12) Exposure			*56.2%*

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

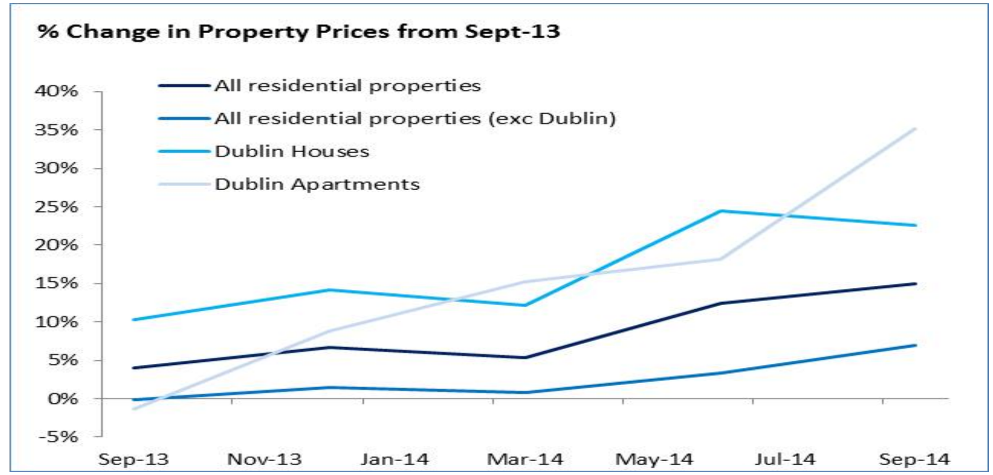
- The Corporate Loan book decreased by roughly 80m EUR in 3Q14 driven mainly by the deleveraging of the portfolio, reflecting a mix of loan sales, asset sales and amortisations
- The impaired PD 10-12 portfolio decreased roughly by a net 20m EUR in 3Q14 comprising the deleveraging of the portfolio, offset by loans migrating into PD 10-12
- Coverage ratio for PD 10-12 Portfolio increased to 56.2% from 54.3%
- Net impairment charge of 31m EUR was recognised on the Corporate portfolio in 3Q14 compared with 27m EUR in 2Q14

Ireland (4) Key indicators show signs of recovery

RESIDENTIAL PROPERTY PRICES SHOWING CONTINUED SIGNS OF RECOVERY

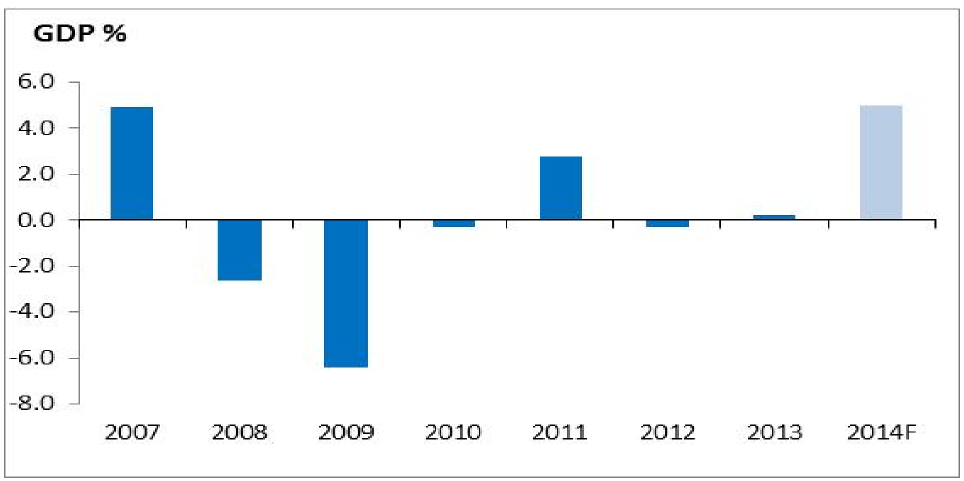


Source: Irish Residential Property Prices - CSO Index

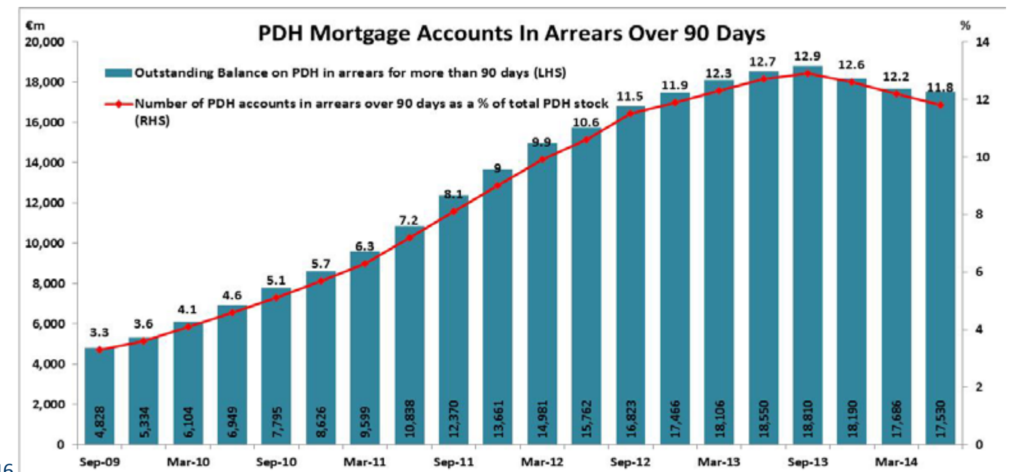


Source: Irish Residential Property Prices - CSO Index

LATEST FORECAST INDICATES CLEAR GDP GROWTH

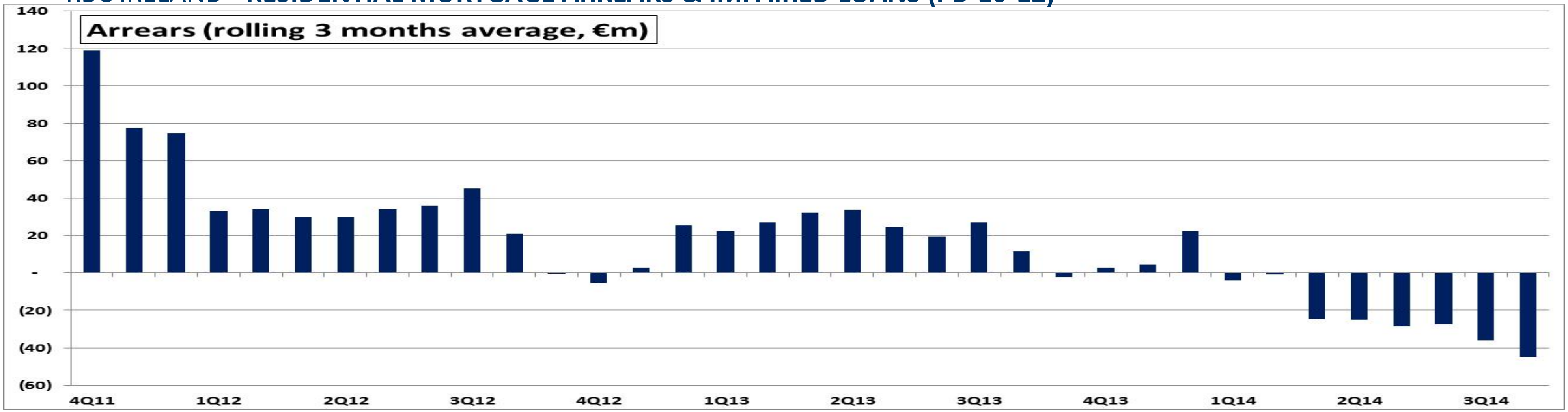


RESIDENTIAL MORTGAGE ARREARS DECREASING IN MARKET



Ireland (5) Key indicators show signs of stabilisation

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



GROUP CENTRE

CFO SERVICES

CRO SERVICES

BELGIUM

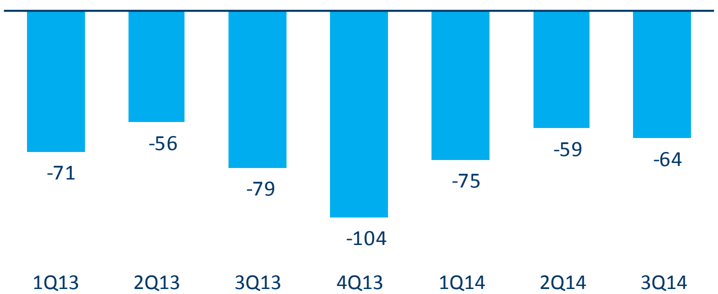
CZECH REPUBLIC

INTERNATIONAL MARKETS

CORPORATE STAFF

Group Centre

ADJUSTED NET RESULT



- **Adjusted net result: -64m EUR**
- The adjusted result for Group Centre contains the results coming from activities and/or decisions specifically made for group purposes:
  - Operational costs of the group activities
  - Results related to maintaining solvency and liquidity buffers at group level
  - Specific results as Group Centre acts as the parent company for participations in the various Business Units
  - Ongoing results of the divestments and companies in run-down
- NII in 3Q14 fully benefited from some hybrid tier-1 calls during 2Q14 (positive effect on NII of 26m EUR q-o-q in 3Q14 in addition to the 19m EUR q-o-q positive effect on NII in 2Q14)

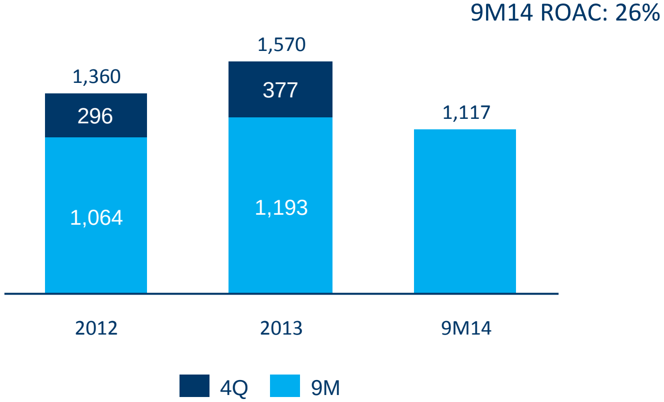
BREAKDOWN OF ADJUSTED NET RESULT AT GROUP CENTRE

	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14
Group item (ongoing business)	**-73**	**-60**	**-70**	**-81**	**-81**	**-52**	**-48**
- Opex of Group activities	-31	-14	-9	-32	-19	-18	-5
- Capital and treasury management	-24	-17	-52	-33	-40	-12	-3
o/w net subordinated debt cost	-25	-32	-41	-41	-39	-26	-9
- Holding of participations	-35	-25	-27	-19	-21	-26	-35
o/w net funding cost of participations	-25	-18	-15	-12	-10	-11	-11
- Other	17	-4	19	3	-1	4	-4
Ongoing results of divestments and companies in run-down	**2**	**4**	**-9**	**-23**	**6**	**-8**	**-17**
TOTAL adjusted net result at GC	**-71**	**-56**	**-79**	**-104**	**-75**	**-59**	**-64**

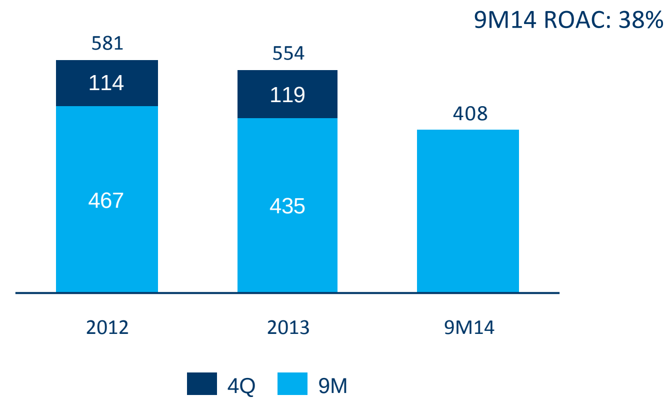
Amounts in m EUR

Overview of results based on business units

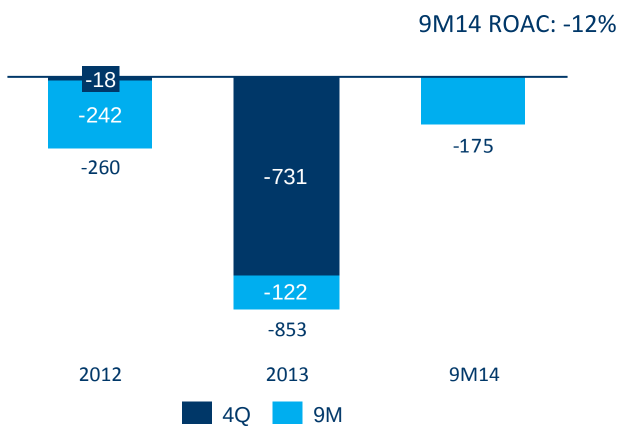
NET PROFIT – **BELGIUM**



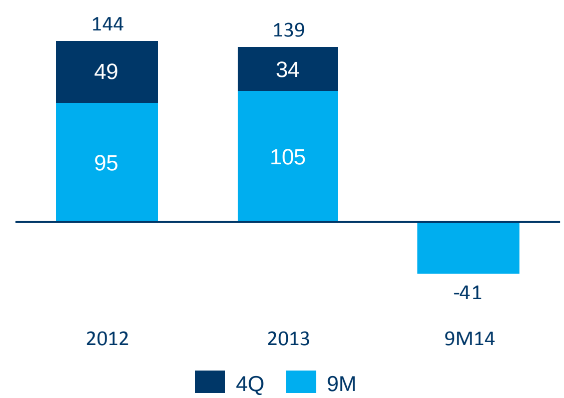
NET PROFIT – **CZECH REPUBLIC**



NET PROFIT – **INTERNATIONAL MARKETS**



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



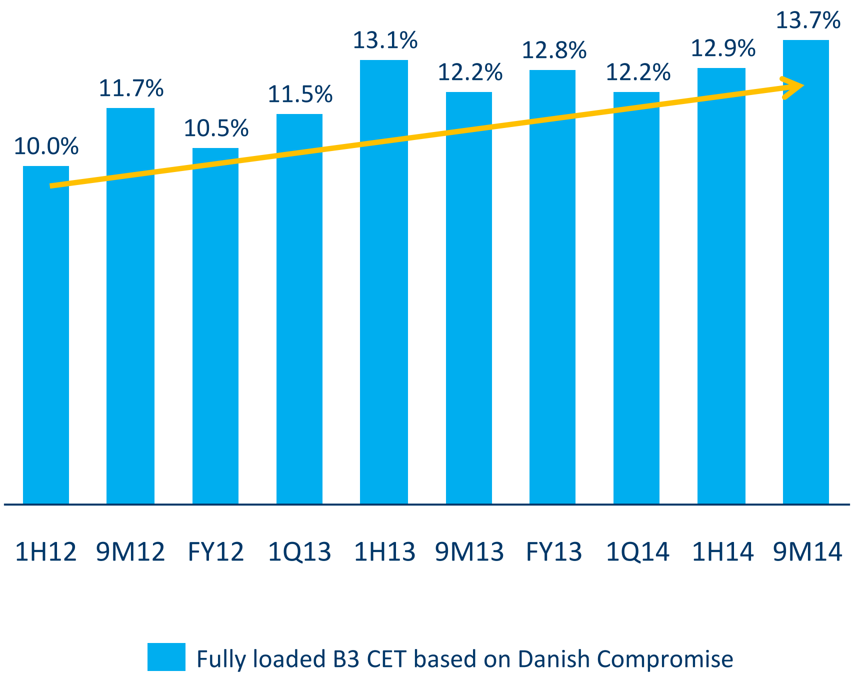
Amounts in m EUR

Section 3

Strong solvency and solid liquidity

Strong capital position

Fully loaded Basel 3 CET



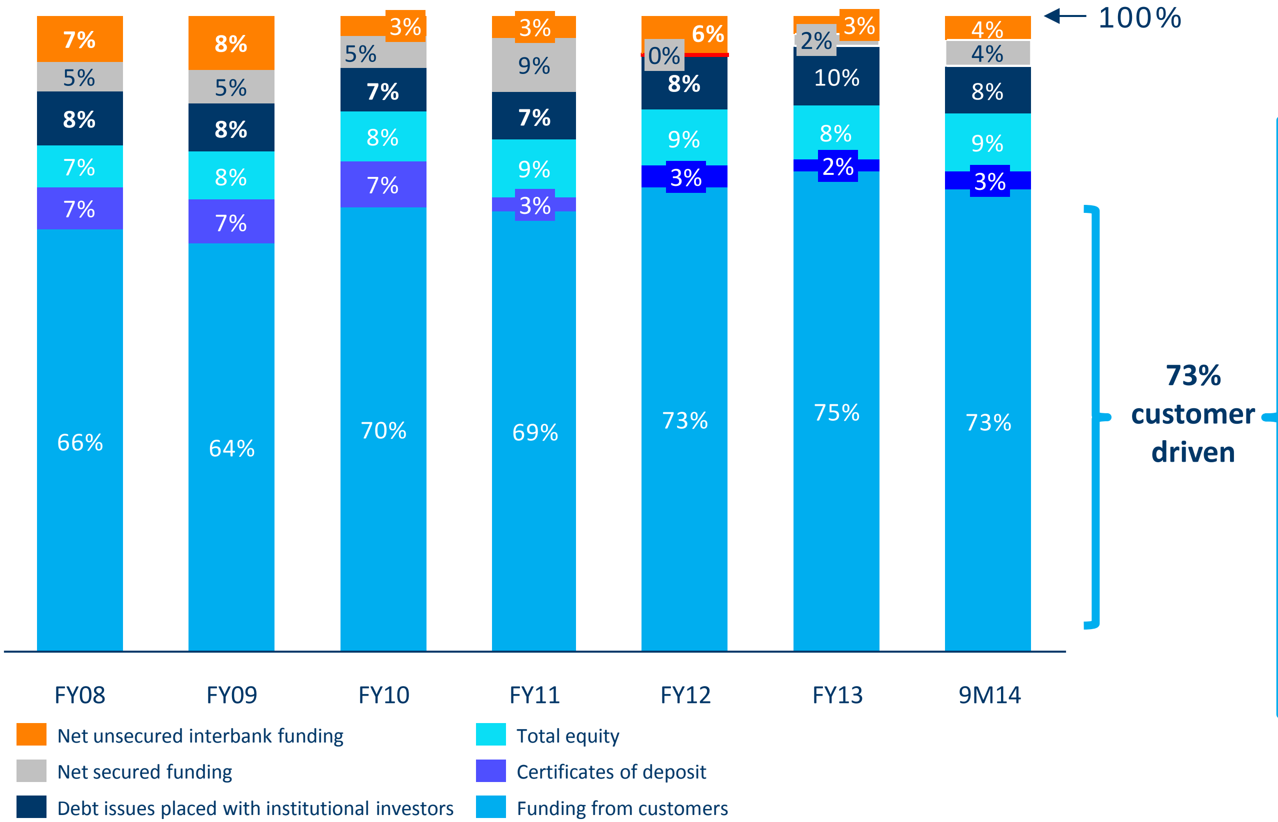
- **Common equity ratio (B3 fully loaded*) of 13.7%** based on the Danish Compromise

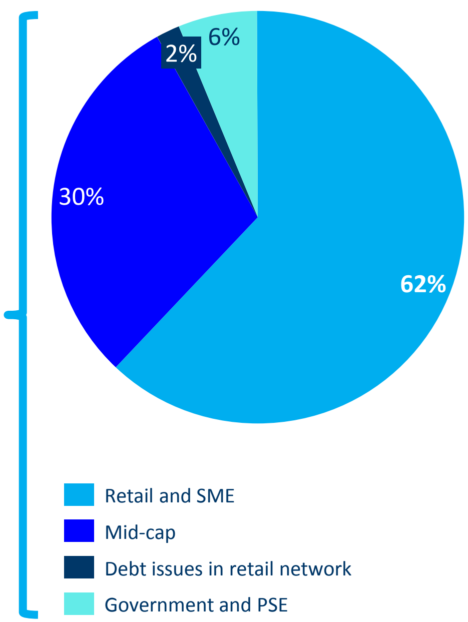
- **Fully loaded B3 leverage ratio**:
  - **4.74%** at KBC Bank Consolidated, based on current CRR legislation
  - **5.62%** at KBC Group*

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

Solid liquidity position (1)

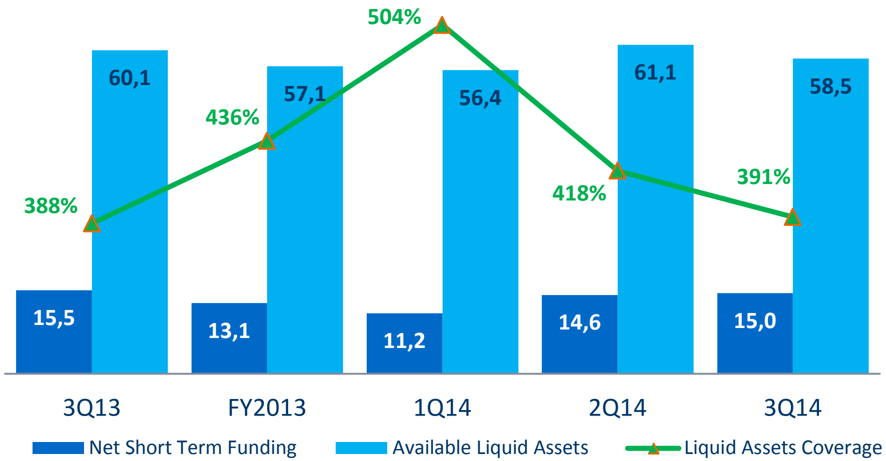
- KBC Bank continues to have a **strong retail/mid-cap deposit base** in its core markets – resulting in a **stable funding mix** with a significant portion of the funding attracted from core customer segments & markets





Solid liquidity position (2)

Short term unsecured funding KBC Bank vs Liquid assets as of end Sep 2014 (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

Ratios	3Q14	Target
NSFR[1]	**109%**	105%
LCR[1]	**120%**	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

- KBC maintains a **solid liquidity position** in 3Q14 given that:
  - Available liquid assets are close to 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

- **NSFR at 109% and LCR at 120% by the end of 3Q14**
  - In compliance with the implementation of Basel 3 liquidity requirements, KBC is targeting a LCR and NSFR of at least 105%

Section 4

3Q 2014 wrap up

3Q 2014 wrap up

- Strong commercial bank-insurance results in our core countries

- 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 Business Units
  - The asset quality review (AQR) will have a non-material impact (< 100m EUR) on provisions in 4Q14
  - Breakeven returns at latest by 2015 for the International Markets Business Unit, 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

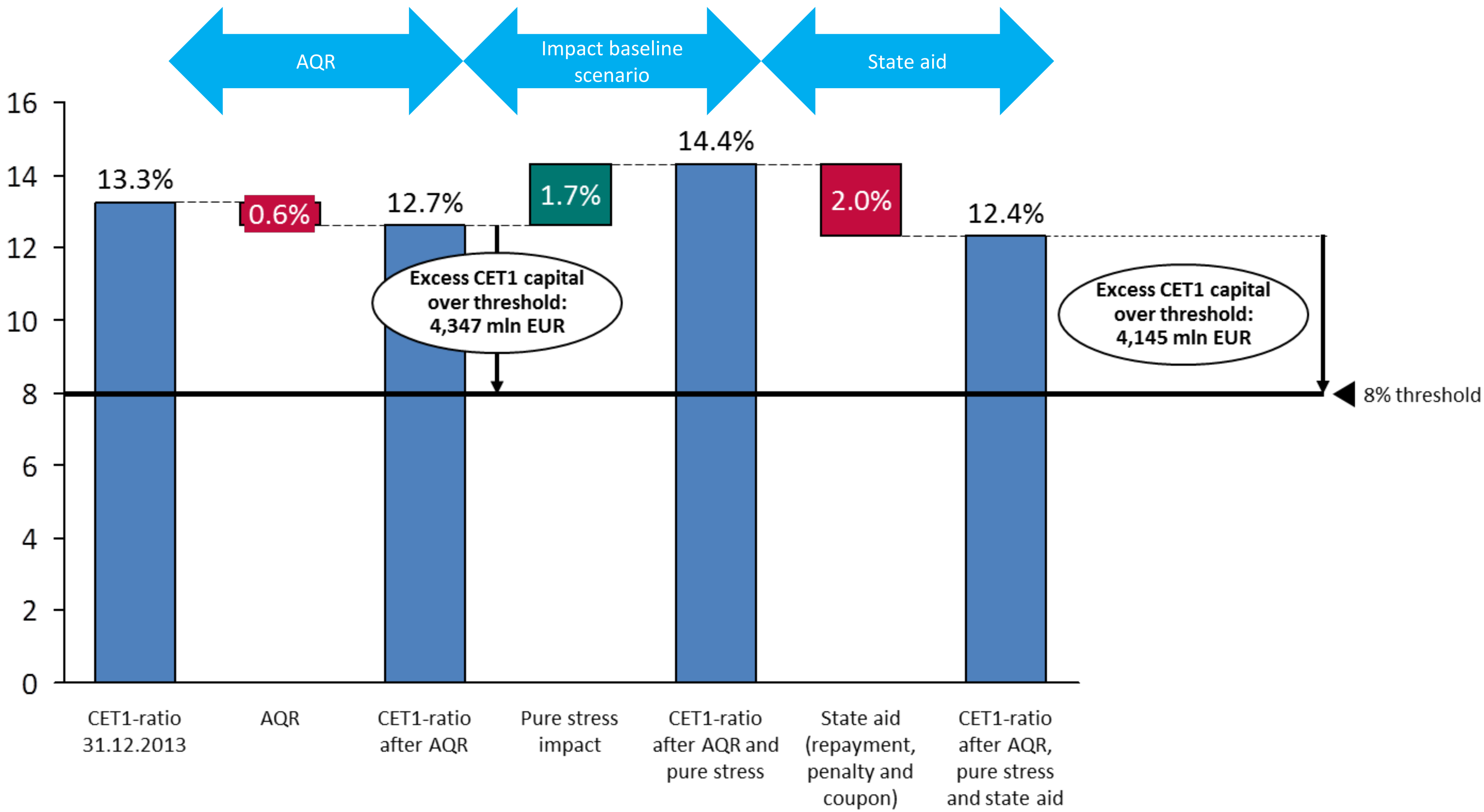
ECB Comprehensive Assessment 2014

KBC exceeded ECB’s AQR and stress test thresholds and maintained strong buffer

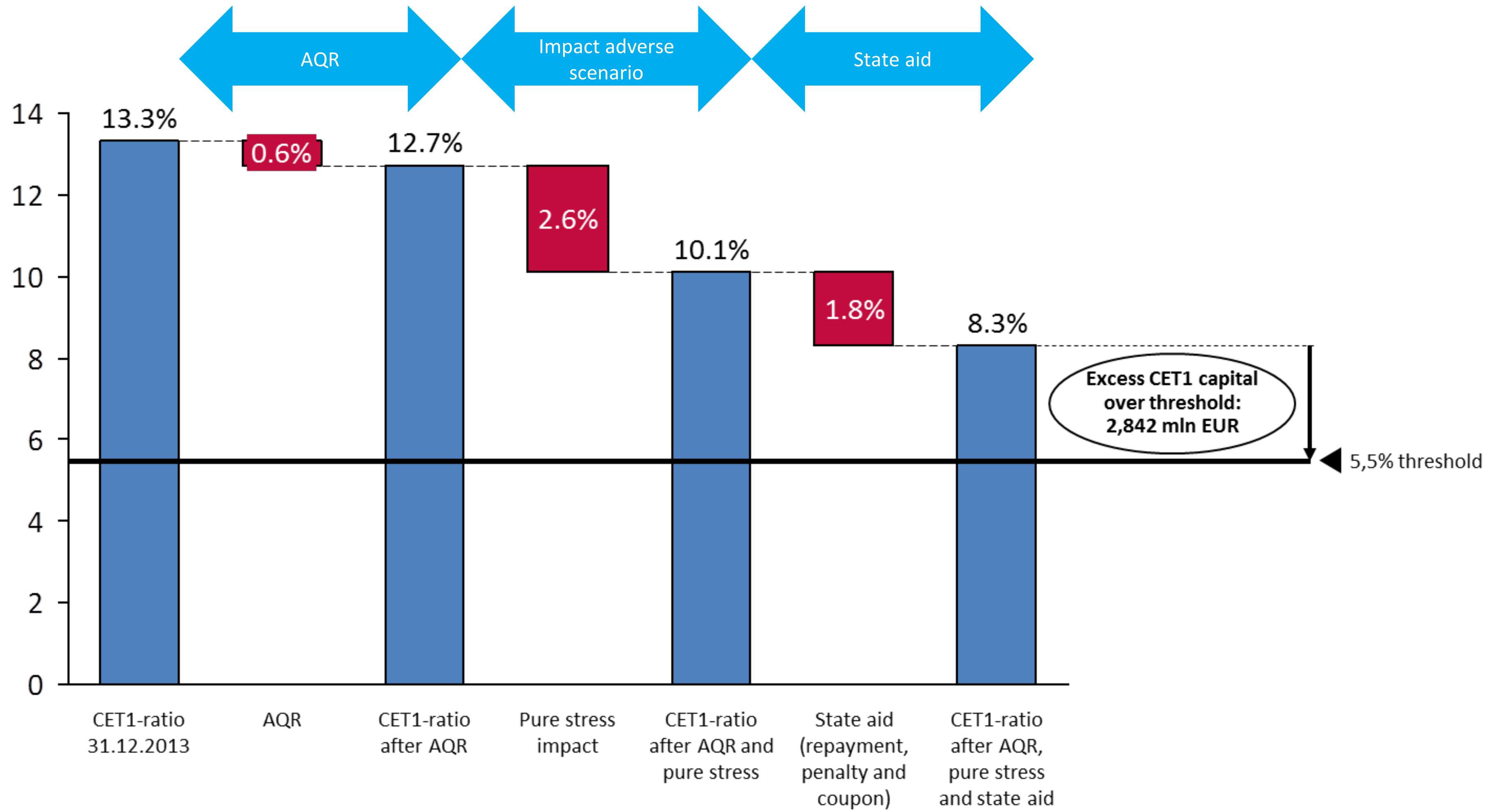
The impact of the stress test on the Common Equity Tier-1 ratio (CET1 ratio) under the adverse scenario in 2016 causes the CET1 ratio to fall by 2.6 percentage points. The impact of the Asset Quality Review (AQR) is limited, reducing the CET1 ratio by 0.6 percentage points

The combined impact of the repayment of state aid, as agreed with the European Commission, during the 3-year stress test horizon (1.8 billion EUR including penalties and coupon), the AQR and the pure stress test, results in a CET1 ratio of 8.3%, which represents a considerable buffer of 2.8 percentage points (2.8 billion EUR) above the ECB-imposed threshold of 5.5 %, showing KBC’s resilience

Stress test combined with AQR: baseline scenario – CET1 ratio for 2016

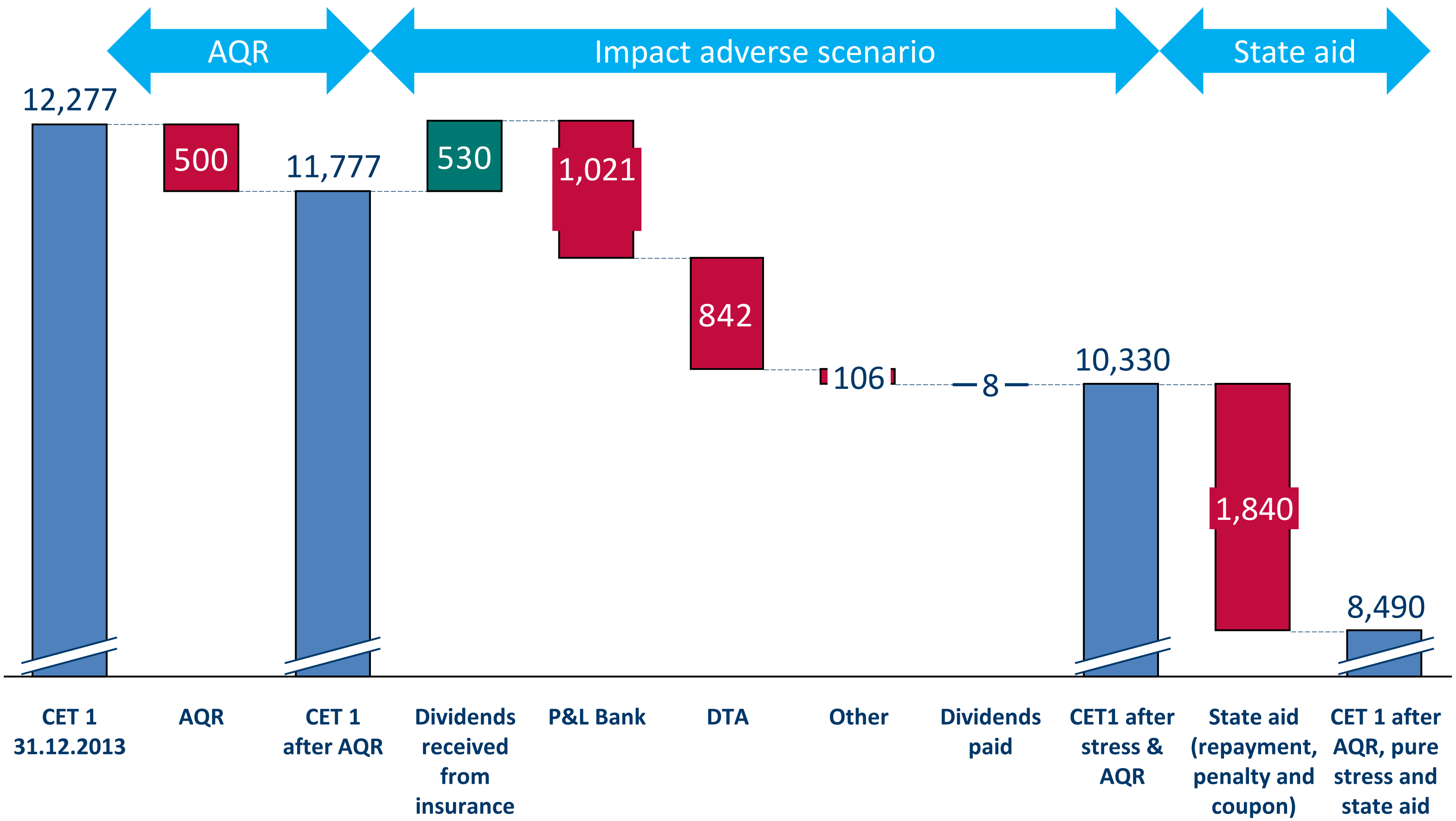


Stress test combined with AQR: adverse scenario – CET1 ratio for 2016



Stress impact - adverse scenario – CET1 capital 2016

CET1 2013 – 2016 (m EUR)



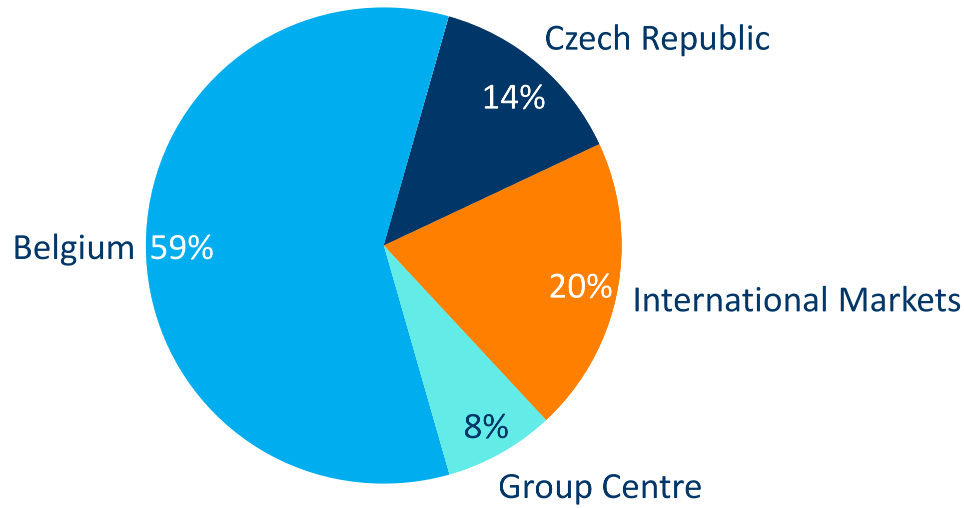
(AFS = Available For Sale / IRB = Internal Rating Based / DTA = Deferred Tax Assets)

Annex 2

Company profile

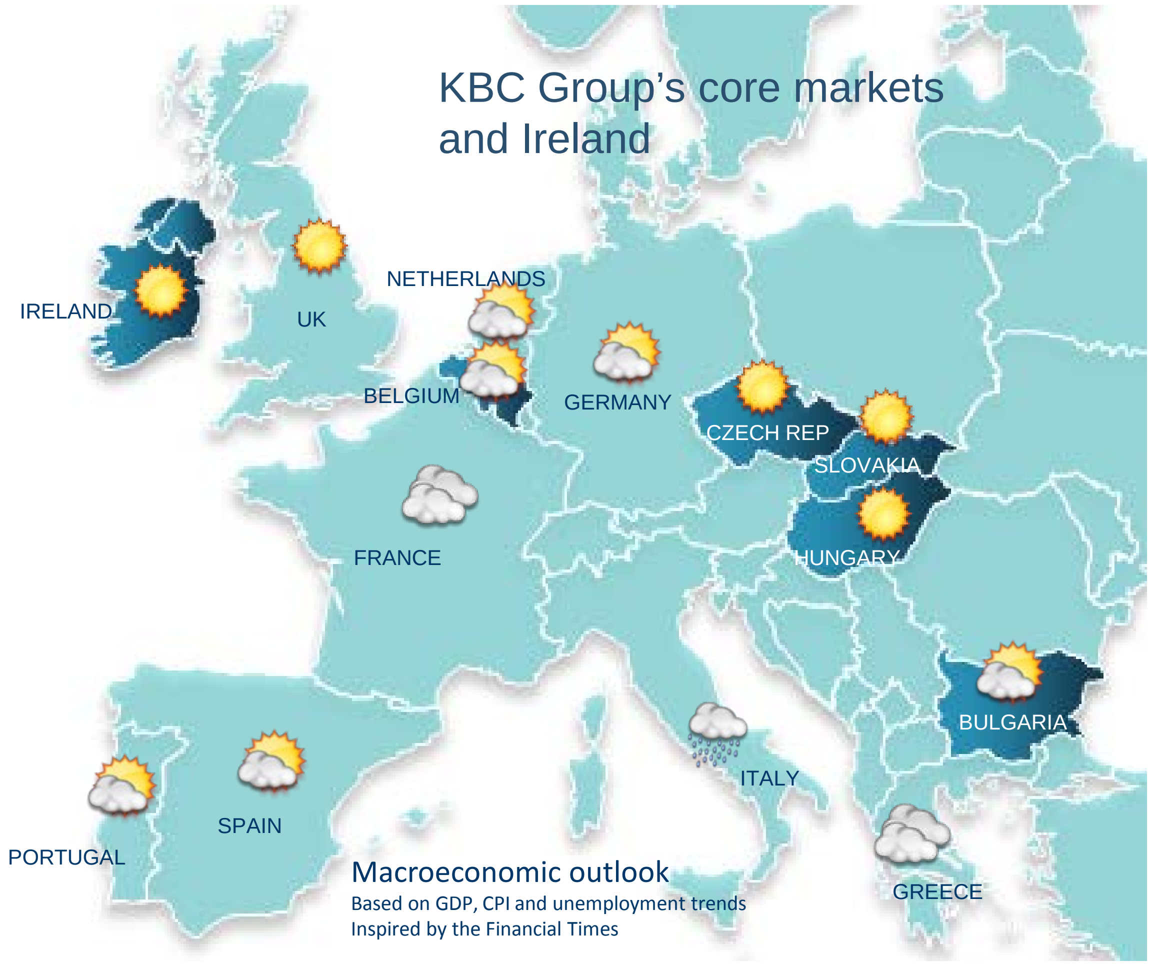
Business profile

BREAKDOWN OF ALLOCATED CAPITAL BY BUSINESS UNIT AT 30 SEPTEMBER 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	68%	16%	3%	4%	1%
2013	0.3%	-0.7%	0.9%	1.1%	0.9%
2014e	1.0%	2.5%	2.4%	3.2%	1.3%
2015e	1.4%	2.5%	2.4%	2.5%	2.0%

1. Source: KBC data, November 2014

Loan loss experience at KBC

	9M14 CREDIT COST RATIO	FY13 CREDIT COST RATIO	FY 2012 CREDIT COST RATIO	AVERAGE '99 –'13
Belgium	**0.20%**	0.37%	0.28%	n.a.
Czech Republic	**0.13%**	0.26%	0.31%	n.a.
International Markets	**1.09%**	4.48%*	2.26%*	n.a.
Group Centre	**1.38%**	1.85%	0.99%	n.a.
Total	**0.41%**	**1.21%****	**0.71%**	**0.55%**

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

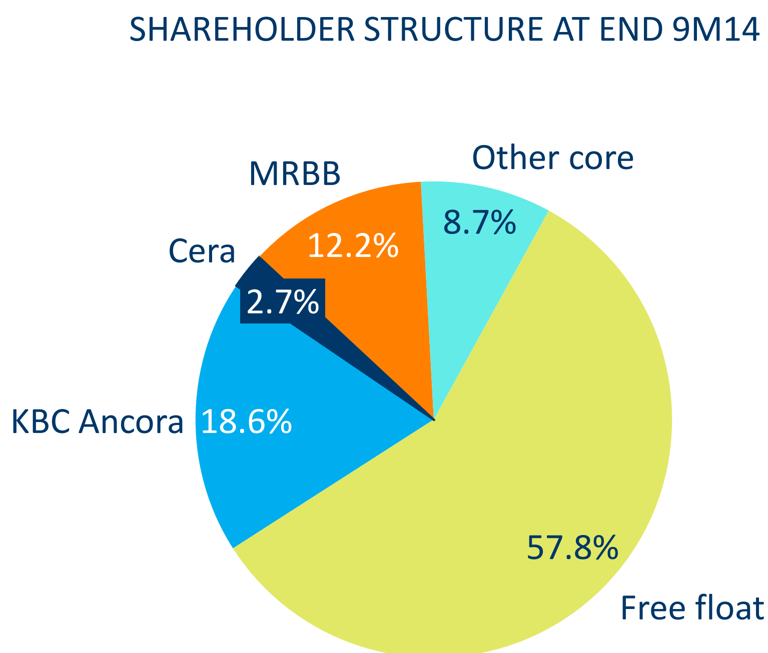
* The high credit cost ratio at the International Markets BU is due in full to KBC Bank Ireland. Excluding Ireland, the CCR at this business unit amounted to 108bps in FY13

** 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



- Roughly 42% 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

KBC Group going forward:
To be among the best performing retail-focused institutions in Europe

- KBC wants to build on its strengths and 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

Targets...		by...
CAGR total income ('13-'17)*	≥ 2.25%	2017
CAGR bank-insurance gross income ('13-'17)	≥ 5%	2017
C/I ratio	≤ 53%	2017
Combined ratio	≤ 94%	2017
Common equity ratio (fully loaded, Danish compromise)	≥ 10.5%	2014
Total capital ratio (fully loaded, Danish compromise)	≥ 17%	2017
NSFR	≥ 105%	2014
LCR	≥ 105%	2014
Dividend payout ratio	≥ 50%	2016

Based on adjusted figures

* Excluding marked-to-market valuations of ALM derivatives

KBC Group going forward:
An optimised geographic footprint

Strengthen current geographic footprint

- Optimise business portfolio by strengthening current bank-insurance presence through organic growth or through acquisitions if possible.
- Strive for market leadership (top 3 bank/top 4 insurance) in core countries by 2020
- First priority for Ireland is to become profitable from 2016 onwards. As of then, all available options (organically grow a profitable retail bank, build a captive bank-insurance group or sell a profitable bank) will be considered

No further plans to expand beyond current geographic footprint

KBC Group will consider acquisition options, if any, to strengthen current geographic bank-insurance footprint,

Clear financial criteria for investment decision-making, based on:

Solid capital position of KBC Group
Investment returns in the short and mid terms
New investment contributing positively to group ROE

KBC Group going forward:
An optimised geographic footprint

Become a reference in bank-insurance in each core country

Through a locally embedded bank-insurance business model and a strong corporate culture, creating superior client satisfaction

With a clear focus on sustainable and profitable growth

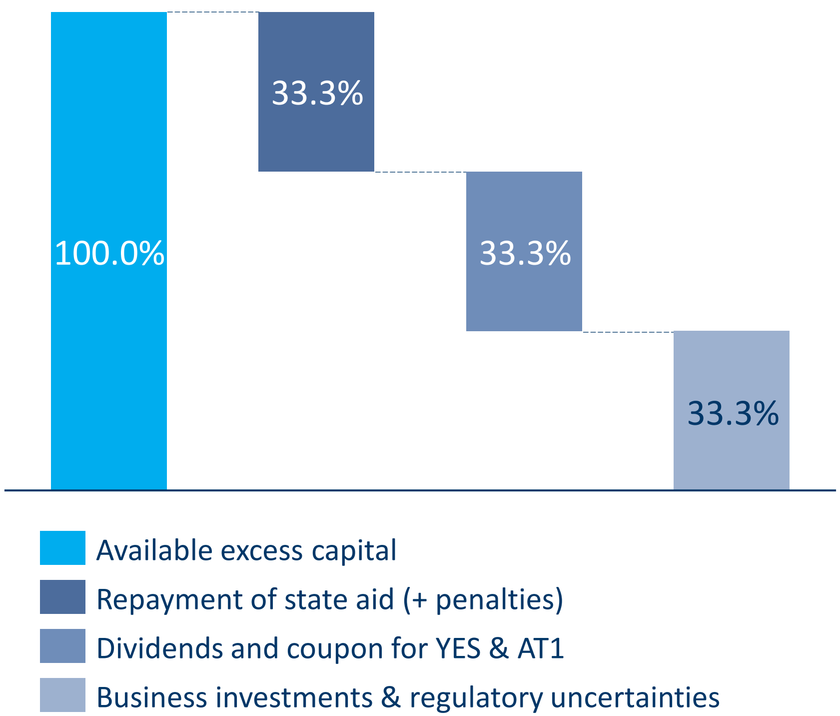
KBC Group going forward: Dividend policy

- Reminder (FY2013-FY2015)*
  - FY2013: no dividend
  - FY2014: gross dividend of max 2 EUR/share
  - FY2015: no dividend
- Dividend policy as of FY2016*: ≥ 50%
  - The target for the dividend payout ratio (including the coupon paid on state aid and AT1) is at least 50% from 2016 on
  - If there is a lack of value-accretive employment of capital, the payout ratio might surpass 50%

* Subject to approval of the General Meeting of Shareholders

KBC wants to keep its options open

Multi-year distribution:
Planned employment of capital 2Q14-2017
(current capital buffer + capital generation 2Q14-2017)



Solid capital generation 2Q14-2017

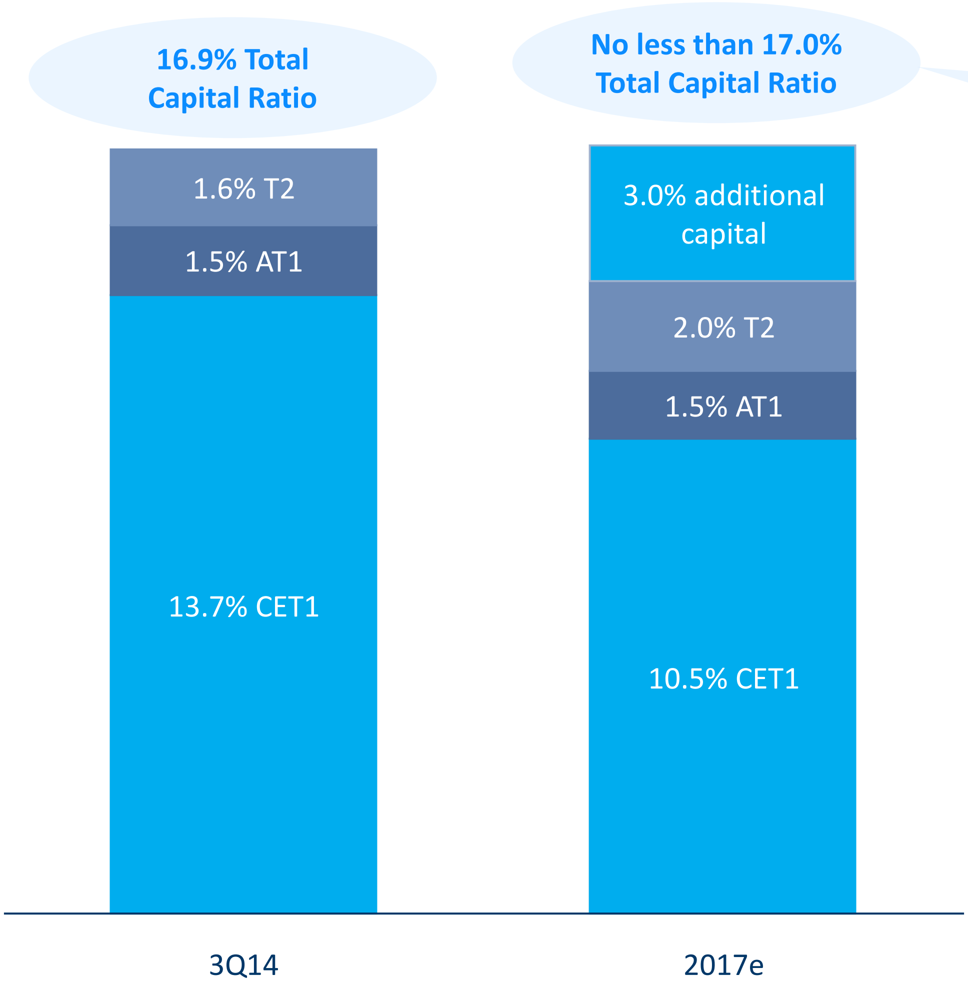
Accelerate the repayment of state aid (+ penalties) by year-end 2017 at the latest: roughly 1/3 of capital available in 2Q14-2017

Increase dividend payout ratio (including coupon for YES and AT1) to ≥ 50% from financial year 2016 onwards. Given the current solvency buffer (above 10.5% B3 CET1) and given no dividend for financial year 2015: roughly 1/3 of capital to 2Q14-2017

Invest in the business (organic growth and potential small add-on M&A under very strict financial criteria) and deal with regulatory uncertainties: roughly 1/3 of capital to 2Q14-2017

The excess capital can be returned to the shareholders if no value-added business investments are found

KBC maintains minimum 17% total capital ratio*



Will be filled up with T2, depending on the actual CET1 position

- Minimum CET1 target of 10.5%
- AT1 of 1.5%
- Minimum T2 target of 2%
- Minimum total capital ratio of 17.0%

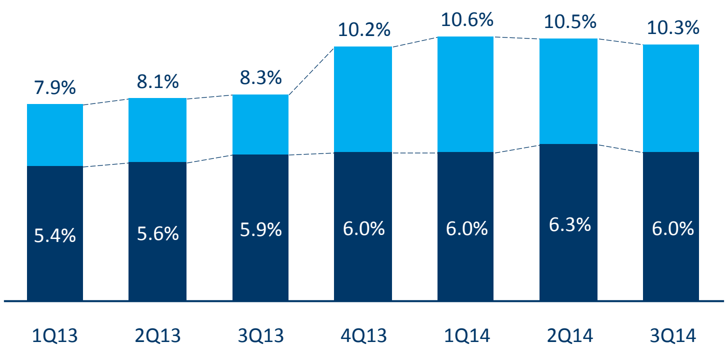
*Basel 3, fully loaded, Danish compromise

Annex 3

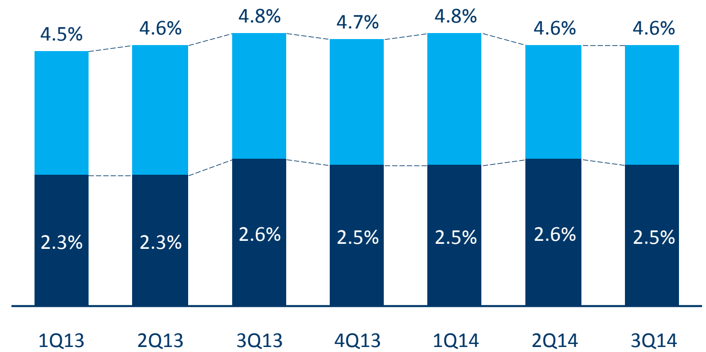
Other items

Impaired loans ratios, of which over 90 days past due

KBC GROUP



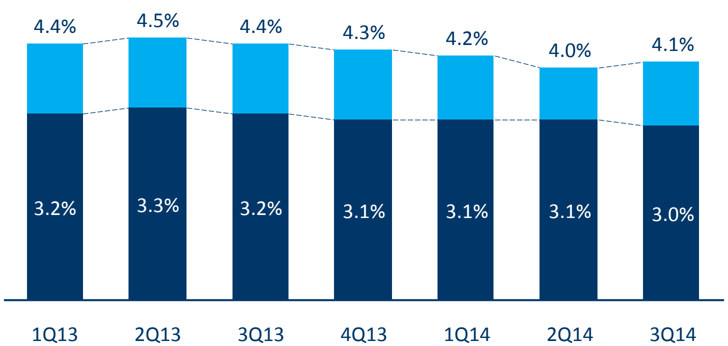
BELGIUM BU



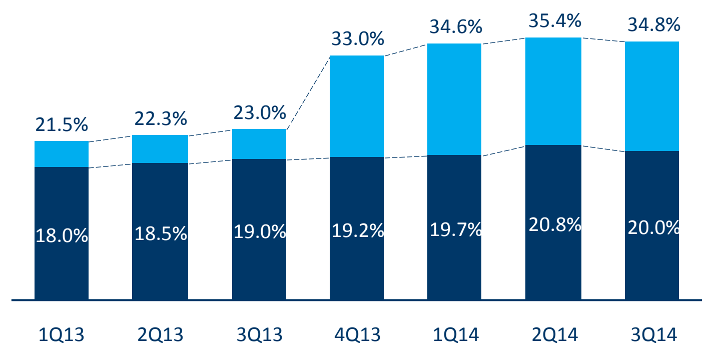
Impaired loans ratio *

of which over 90 days past due **

CZECH REPUBLIC BU



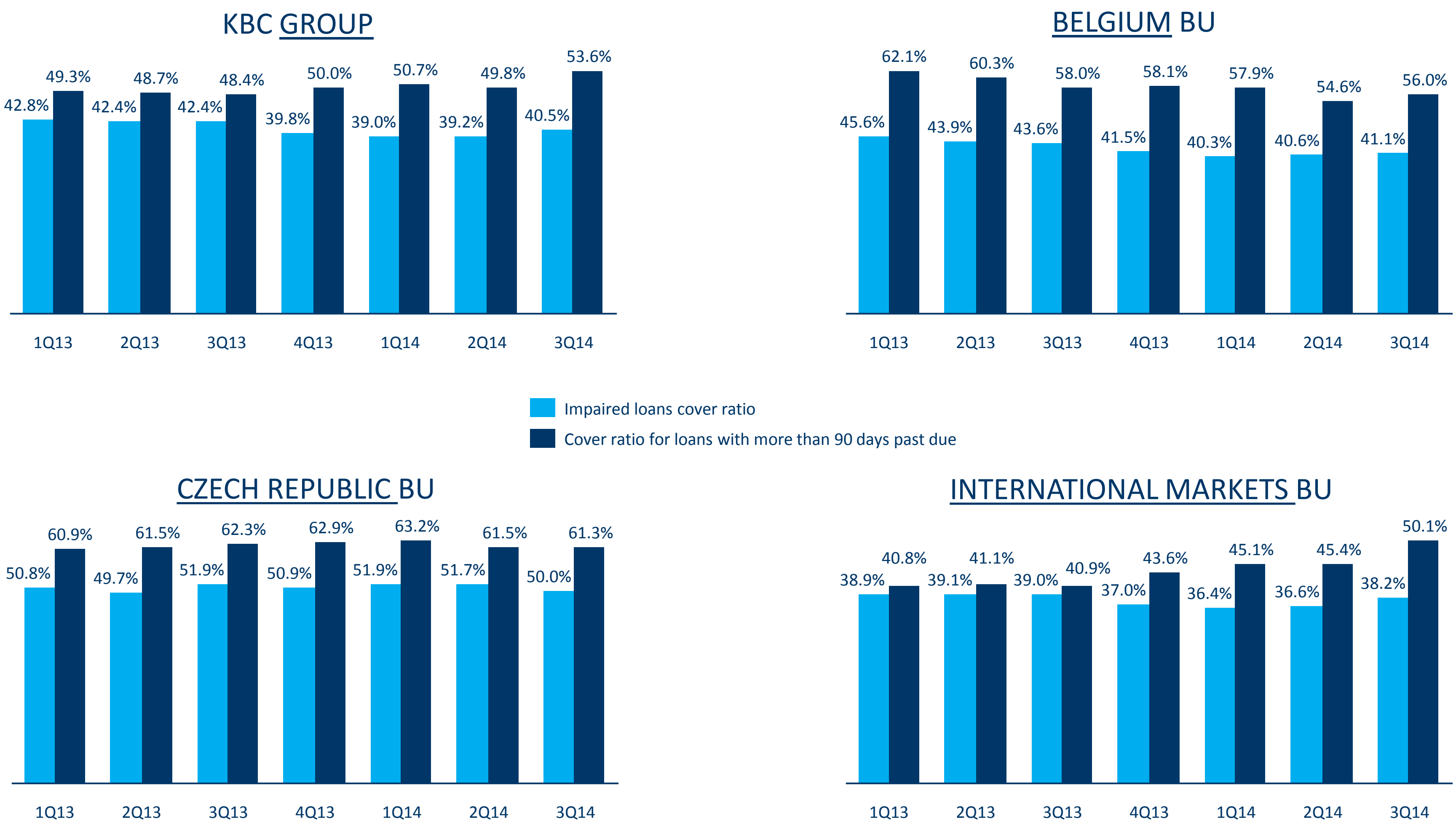
INTERNATIONAL MARKETS BU



* 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



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

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

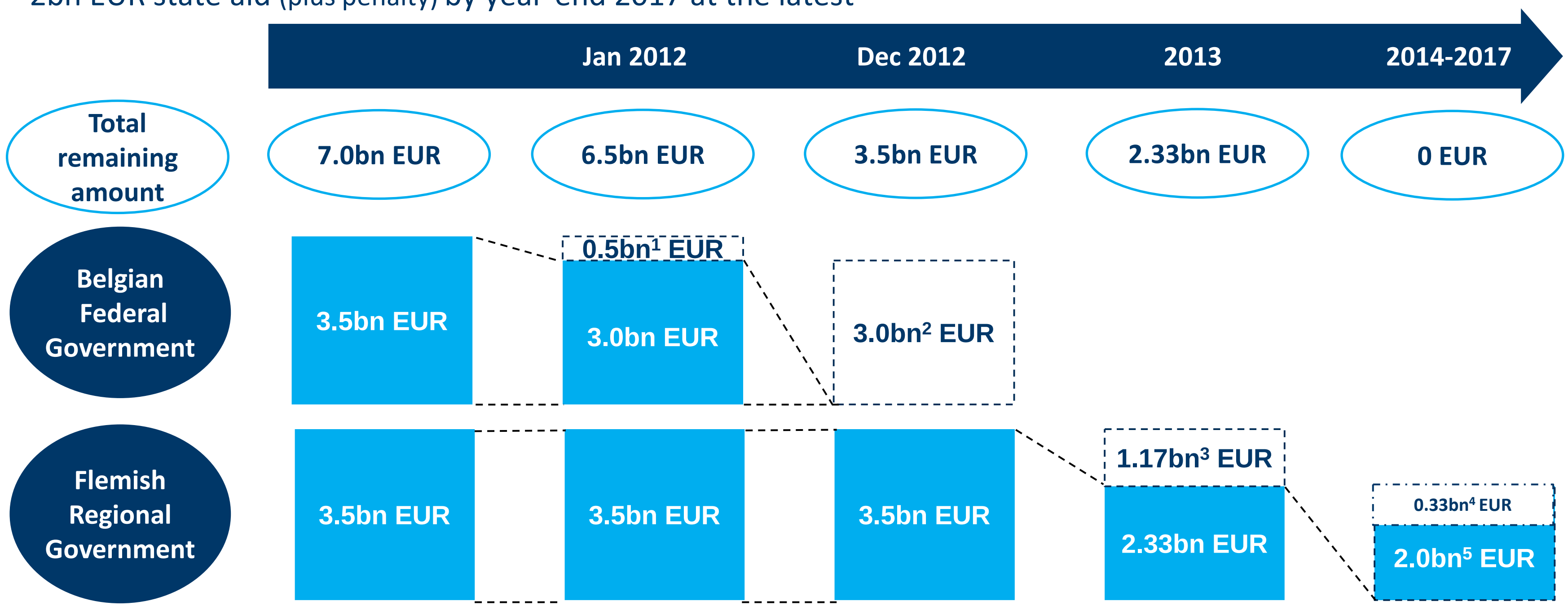
Summary of government transactions

- 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

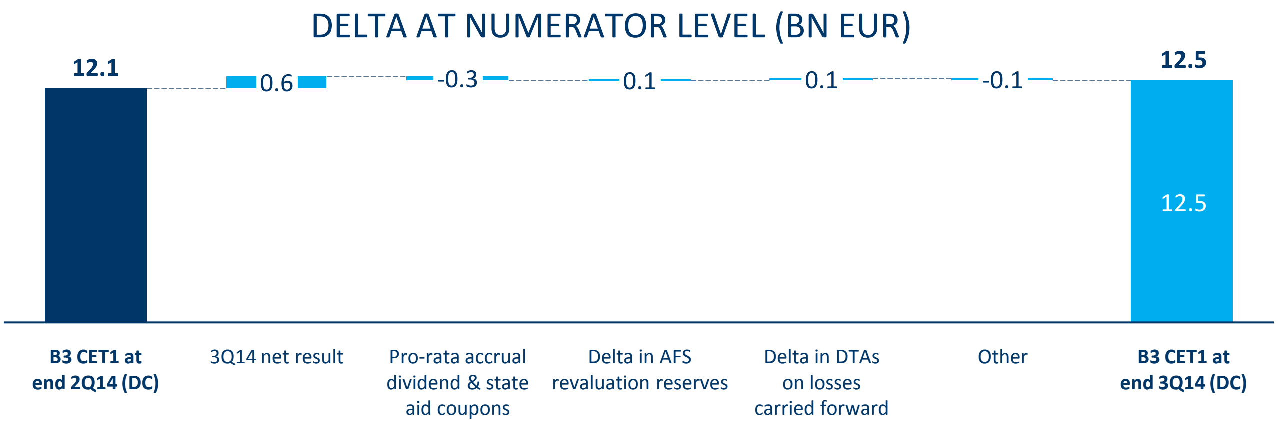
Assessment of the State aid position & repayment schedule

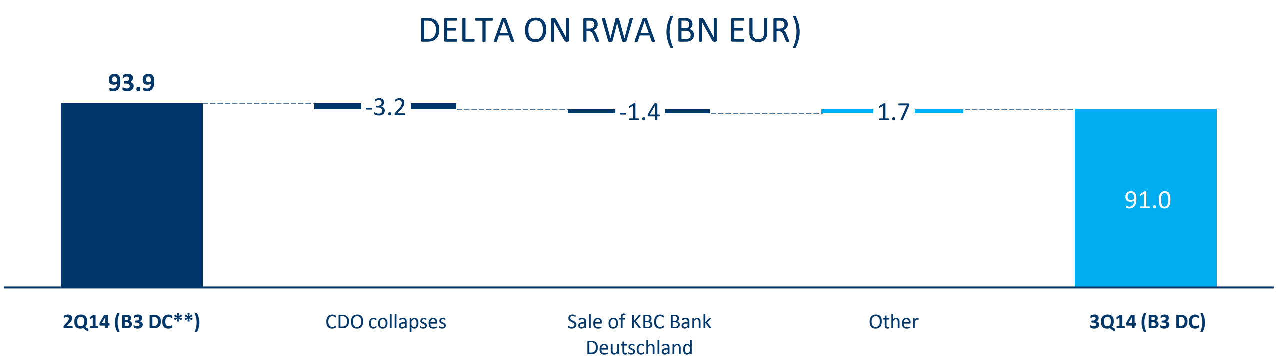
- KBC made accelerated full repayment of 3.0bn EUR of State aid to the Belgian Federal Government in December 2012 and the accelerated repayment of 1.17bn EUR of State aid to the Flemish Regional Government mid-2013, approved by the NBB
- At the beginning of 2014, KBC accelerated the repayment of 0.33bn 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 2Q14 to 3Q14





- Fully loaded B3 common equity ratio of approx. 13.7% at end 3Q14 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	11,609	88,359	13.1%
BBM, fully loaded	12,950	92,141	14.1%
DC, phased-in	12,213	87,267	14.0%
DC, fully loaded	12,485	91,048	13.7%

P&L volatility from ALM derivatives

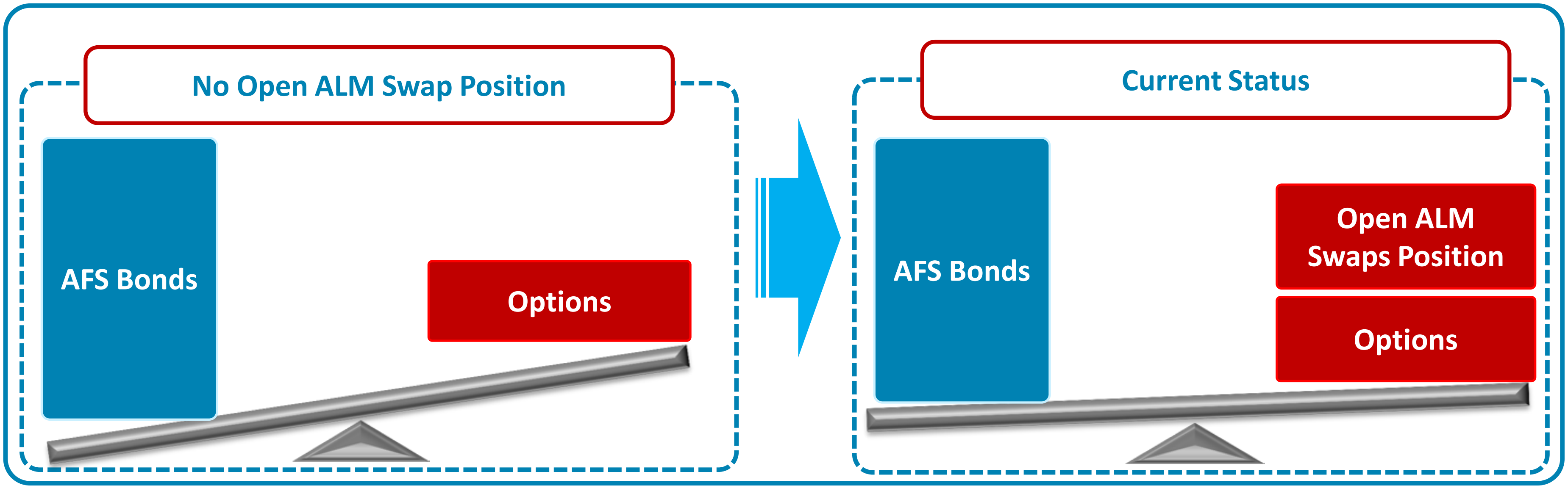
- ALM Derivatives (Swaps and Options) are used to hedge the interest rate risk of the loan & deposit portfolios. This creates an accounting mismatch between derivatives (at market value) and hedged products (at amortised cost)
  - Options are used to hedge the caps/floors that KBC is obliged by law to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

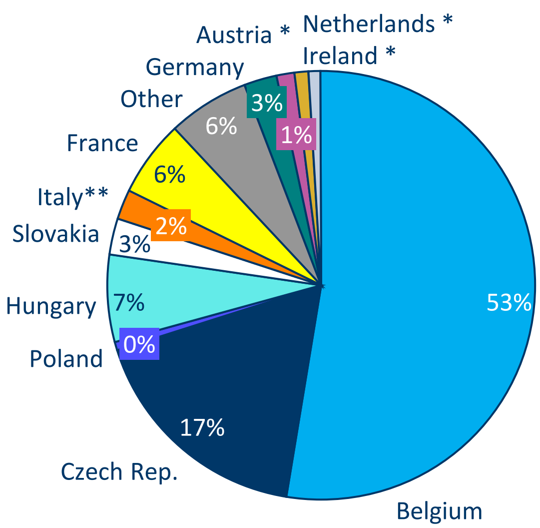
- Keeping part of the ALM swaps outside of hedge accounting reduces the volatility of the capital ratios as shown below (Basel III Fully Loaded + Danish Compromise Insurance Deconsolidation)
- Drawback is more volatility in P&L as revaluation of swaps goes through P&L, while the revaluation of the AFS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



Government bond portfolio – Notional value

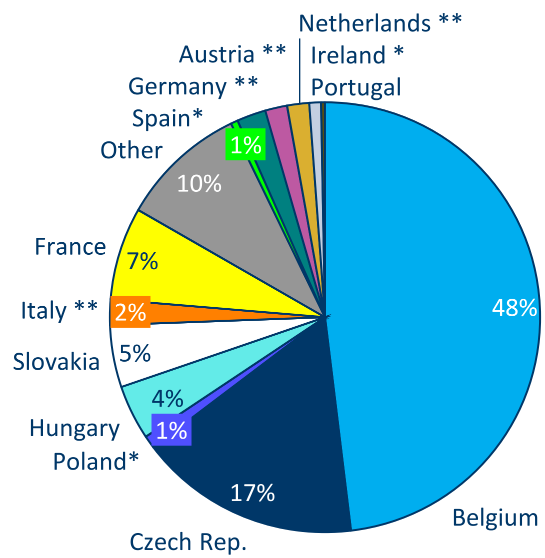
- Notional investment of 45.3bn EUR in government bonds (excl. trading book) at end of 9M14, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Notional value of GIIPS exposure amounted to 3.4bn EUR at end of 9M14

END 2012
(Notional value of 47bn EUR)



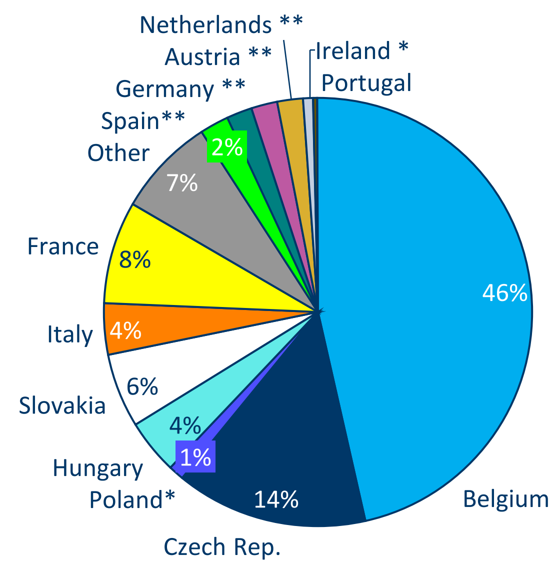
(*) 1%, (**) 2%

END 2013
(Notional value of 45.6bn EUR)



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

END 9M14
(Notional value of 45.3bn EUR)

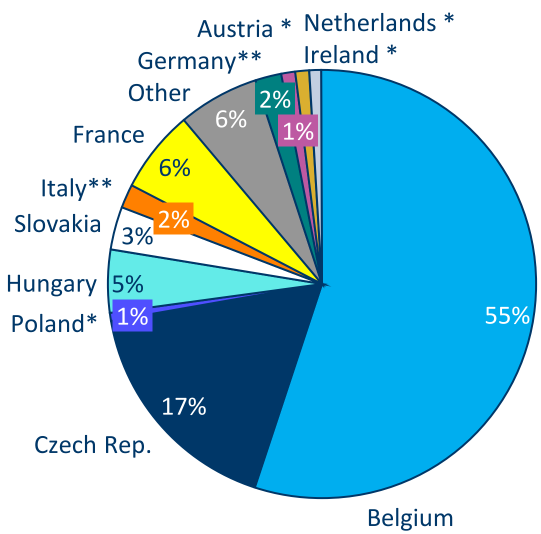


(*) 1%, (**) 2%

Government bond portfolio – Carrying value

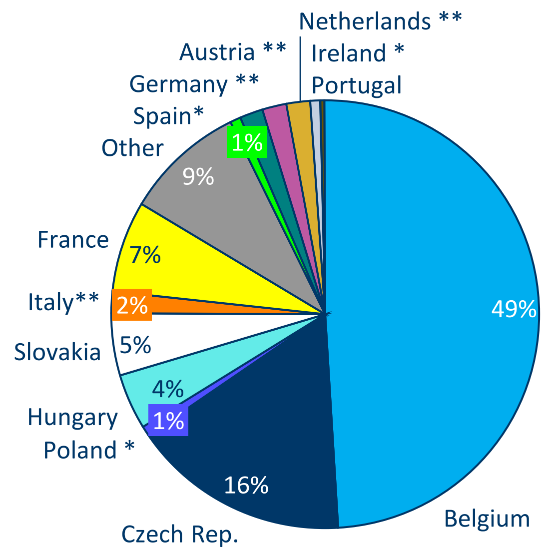
- Carrying value of 49.1bn EUR in government bonds (excl. trading book) at end of 9M14, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves in fixed-income instruments
- Carrying value of GIIPS exposure amounted to 3.9bn EUR at end of 9M14

END 2012
(Carrying value of 48.8bn EUR)



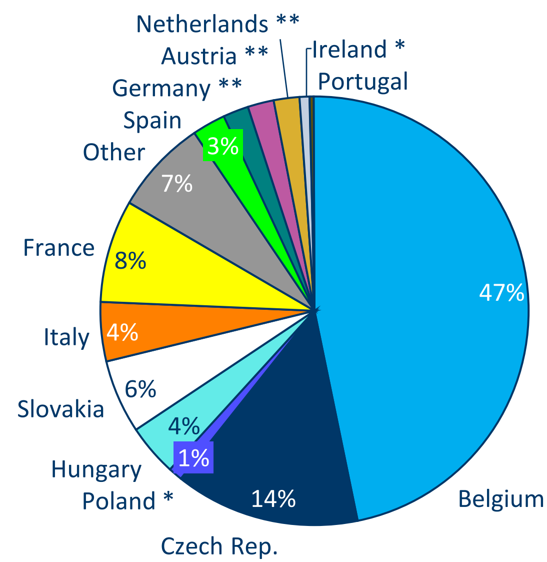
(*) 1%, (**) 2%

END 2013
(Carrying value of 48.5bn EUR)



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

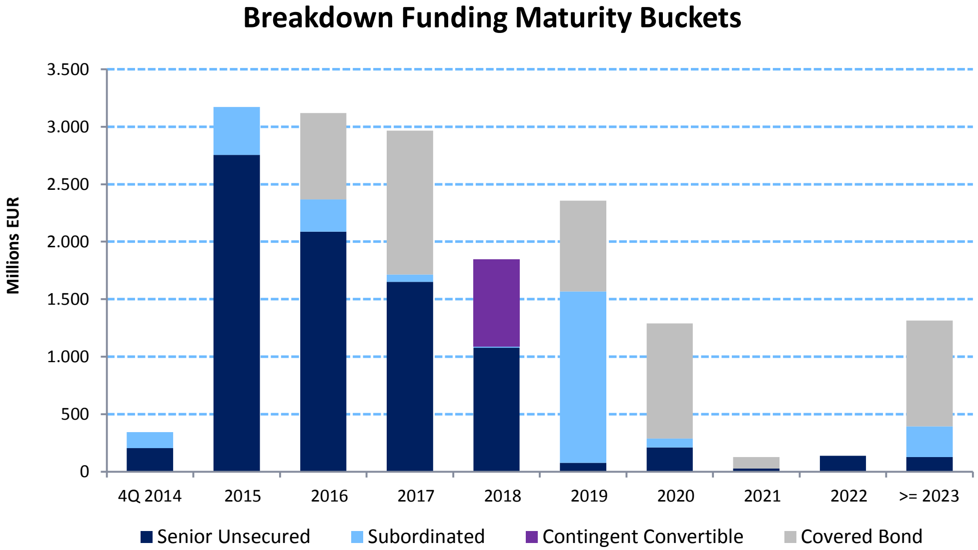
END 9M14
(Carrying value of 49.1bn EUR)

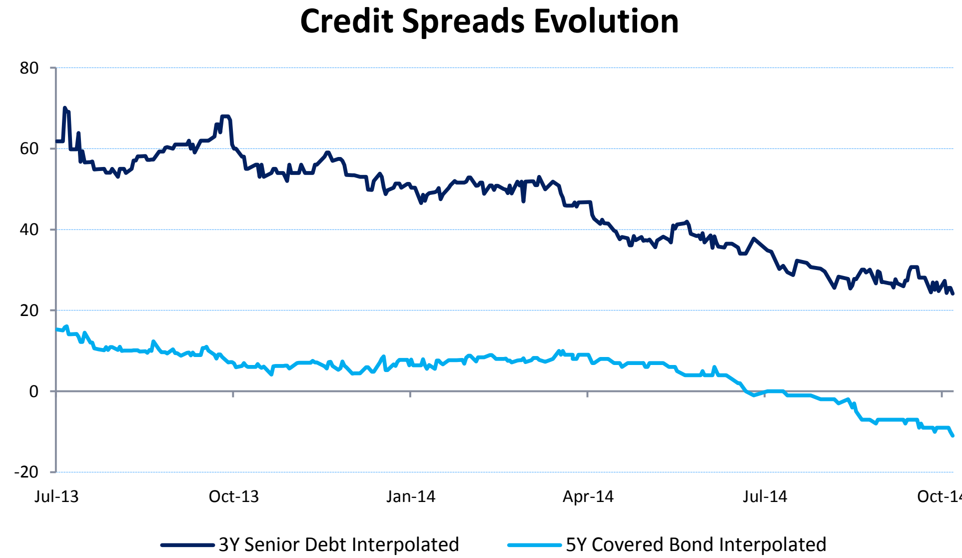


(*) 1%, (**) 2%

* 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 issued 150m EUR tier-2 instruments in the course of 3Q14
- KBC's credit and covered bond spreads tightened further during 3Q14
- 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)
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]
Impaired loans cover ratio	[total impairments (specific) for impaired loans] / [total outstanding impaired loans]. For a definition of 'impaired', see 'Impaired loans ratio'
Credit cost ratio (CCR)	[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio]. Note that, inter alia, government bonds are not included in this formula
EBA	European Banking Authority
ESMA	European Securities and Markets Authority
Impaired loans cover ratio	[total impairments (specific) for impaired loans] / [total outstanding impaired loans]. For a definition of 'impaired', see 'Impaired loans ratio'
Impaired loans ratio	[total outstanding impaired loans (PD 10-11-12)] / [total outstanding loans]
Leverage ratio	[regulatory available tier-1 capital] / [total exposure measures]. The exposure measure is the total of non-risk-weighted on and off-balance sheet items, based on accounting data. The risk reducing effect of collateral, guarantees or netting is not taken into account, except for repos and derivatives. This ratio supplements the risk-based requirements (CAD) with a simple, non-risk-based backstop measure
Liquidity Coverage Ratio (LCR)	[stock of high quality liquid assets] / [total net cash outflow over the next 30 calendar days].
Net interest margin (NIM) of the group	[net interest income of the banking activities] / [average interest-bearing assets of the banking activities]
Net stable funding ratio (NSFR)	[available amount of stable funding] / [required amount of stable funding]
MARS	Mortgage Arrears Resolution Strategy
PD	Probability of Default
Return on allocated capital (ROAC) for a particular business unit	[result after tax, including minority interests, of a business unit, adjusted for income on allocated capital instead of real capital] / [average capital allocated to the business unit]. The capital allocated to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance
Return on equity	[result after tax, attributable to equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale assets]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian Federal and Flemish Regional governments, it will be deducted from the numerator (pro rata)

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