

KBC Group Press Conference 4Q 2013 Results

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Key takeaways 4Q 2013 for KBC Group

■ RESILIENT BUSINESS PERFORMANCE IN 4Q13, DESPITE HIGH IMPAIRMENTS DUE TO THE LOAN BOOK REASSESSMENT

Net result of -294m EUR and adjusted¹ net result of -340m EUR. This was heavily distorted by the one-off additional impairments in Ireland and Hungary due to the reassessment of loan books (as already announced together with 3Q13 results)

Excluding these one-off additional impairments (688m post-tax), net result amounted to 394m EUR, while the adjusted net result amounted to 348m EUR. The latter is the result of:

- Strong commercial bank-insurance franchises in our core markets and core activities
- Higher net interest margin
- Q-o-q increase of net fee and commission income and a further rise in AuM
- Seasonally higher non-life technical charges, but considerably higher life insurance sales
- Excellent cost/income ratio (52% in FY13 and 54% adjusted for specific items)
- Higher impairment charges

■ SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS

- **Pro forma² common equity ratio** (B3 fully loaded³ based on Danish Compromise) **of 12.5%** at end 2013
- **Accelerated repayment of 0.5bn of State aid** (principal + penalty) to the Flemish Government in January 2014
- **Continued strong liquidity position** (NSFR at 111% and LCR at 131%). Unencumbered assets are more than 4 times the amount of short-term wholesale funding

■ DIVIDEND PROPOSAL⁴

- **No dividend** will be proposed over the **accounting years 2013 and 2015**, fully in line with the terms & conditions of the Flemish State aid
- In relation to **accounting year 2014**, the intention is to propose to pay a **gross dividend of up to 2.00 EUR per share** (out of the available profits generated in that accounting year)
- From **accounting year 2016 onwards**, it is the intention to resume **regular dividend payments**

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. Pro forma figures include the effects of the accelerated repayment of 0.33bn EUR of State aid to the Flemish Regional Government (+50% penalty) and the impact of the signed divestments of KBC Bank Deutschland and Antwerp Diamond Bank (ADB)
3. Including remaining State aid of 2bn EUR
4. Any dividend payment will be subject to the usual approval of the regulator

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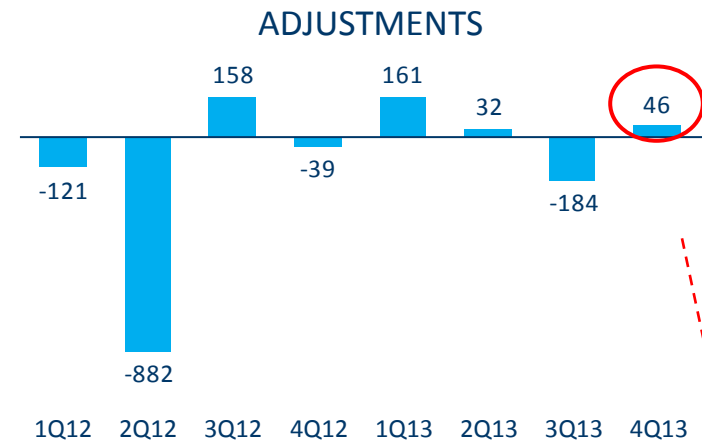
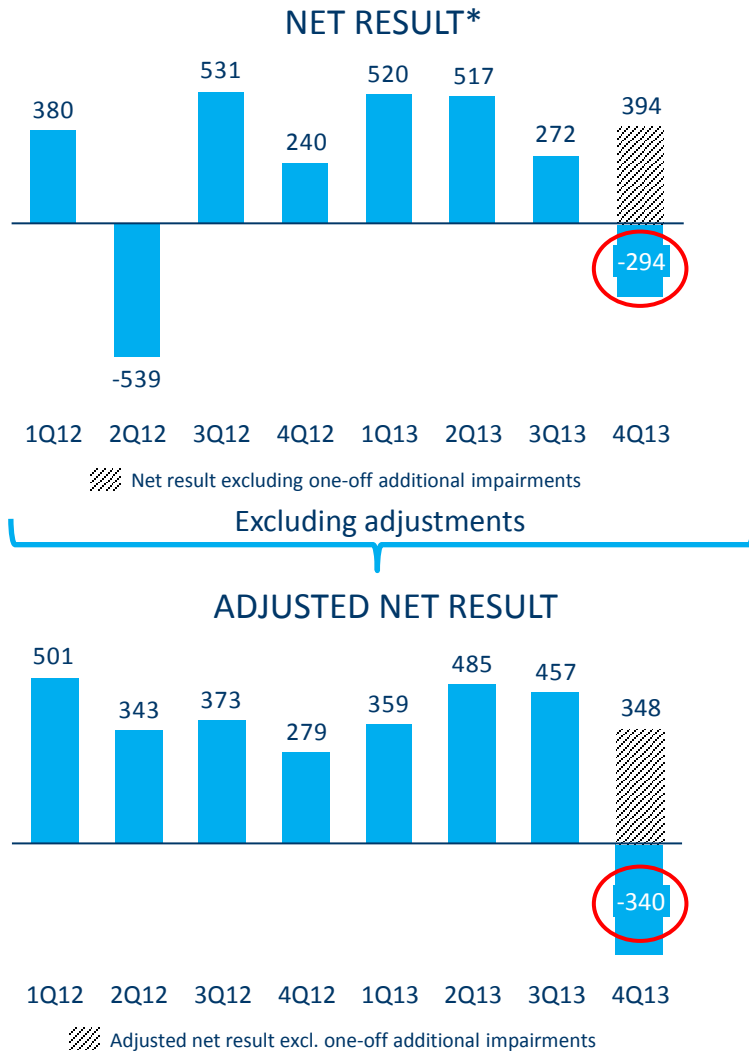
Annex 1: FY 2013 performance of KBC Group

Annex 2: Other items

Section 1

4Q 2013 performance of KBC Group

Earnings capacity

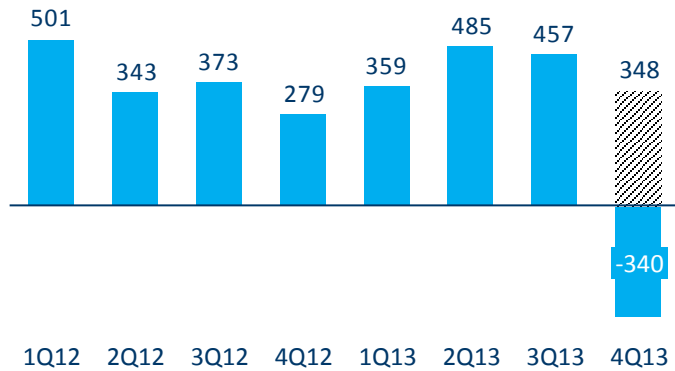


- Legacy + own credit risk items (post-tax)
 - Revaluation of structured credit portfolio + 65m EUR
 - Divestments - 10m EUR
 - M2M own credit risk - 9m EUR

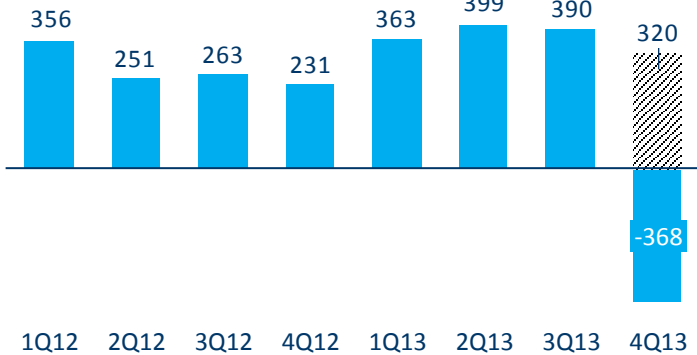
* Note that the scope of consolidation has changed over time, due partly to divestments

Adjusted net result at KBC Group

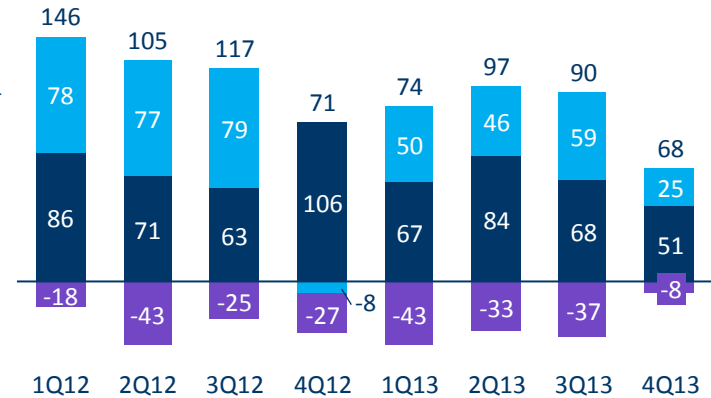
ADJUSTED NET RESULT AT KBC GROUP*



CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT*

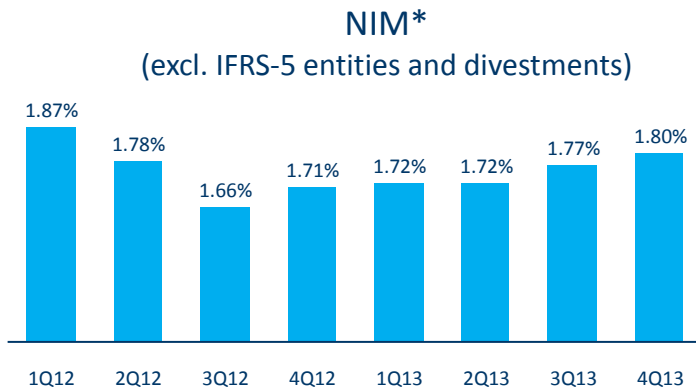
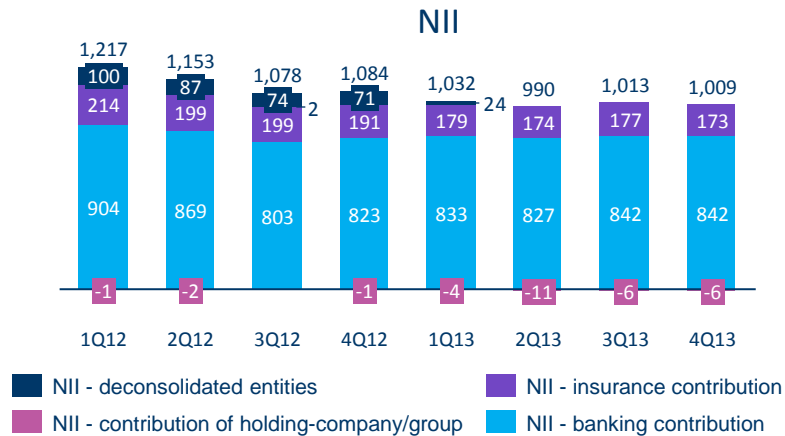


CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT*



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

Net interest income and margin



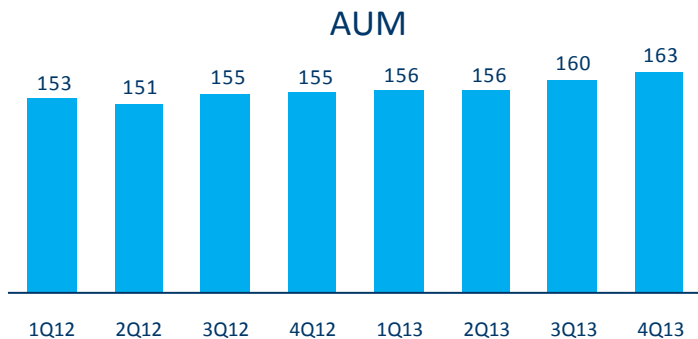
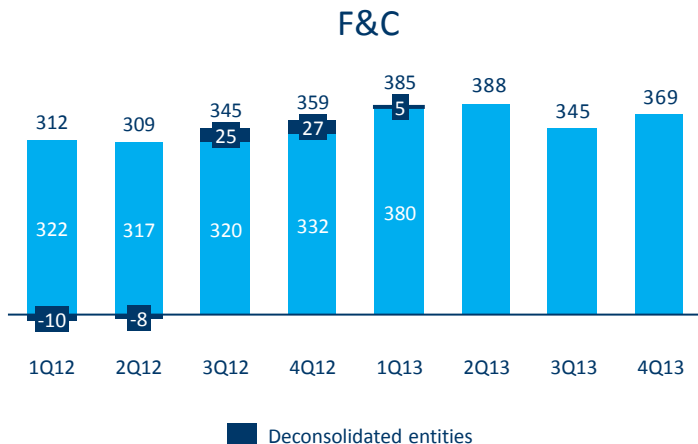
■ Net interest income

- Stabilised q-o-q and y-o-y, excluding deconsolidated entities
- Sound commercial margins and lower funding costs more or less offset the negative impact from lower reinvestment yields and the deliberately decreasing loan portfolio at the foreign branches and the legacy Project Finance portfolio at the banking side
- Net interest income at the insurance side continues to suffer from lower reinvestment yields and the shift to unit-linked life insurance products

■ Net interest margin (1.80%)

- Up by 3bps q-o-q and 9bps y-o-y
- Q-o-q, sound commercial margins, lower funding costs at KBC Group level (not allocated to specific BUs) and better ALM yield management more than offset the negative impact from lower reinvestment yields

Net fee and commission income and AUM



■ Strong net fee and commission income

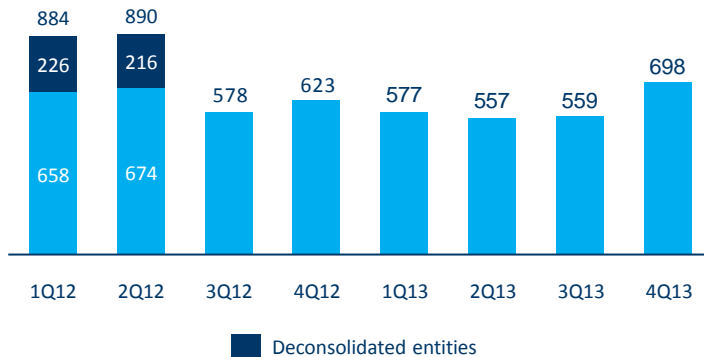
- Increased by 7% q-o-q and 11% y-o-y excluding deconsolidated entities
- Y-o-y increase driven by higher entry and management fees on mutual funds
- Q-o-q increase was mainly the result of higher fees from payment transactions and other fees (mainly fees on investment services and booking fees) recorded in Hungary. In Belgium, significantly higher entry fees on mutual funds thanks to the savings campaign and increased management fees on equity & balanced funds were offset by higher cost charges regarding payment cards, lower commission income from financial services and higher commissions paid to insurance agents (as a result of higher sales of guaranteed interest products)

■ Assets under management (163bn EUR)

- Rose by 5% y-o-y owing to net inflows (+1%) and a positive price effect (+4%)
- Up 2% q-o-q as a result of positive price effects

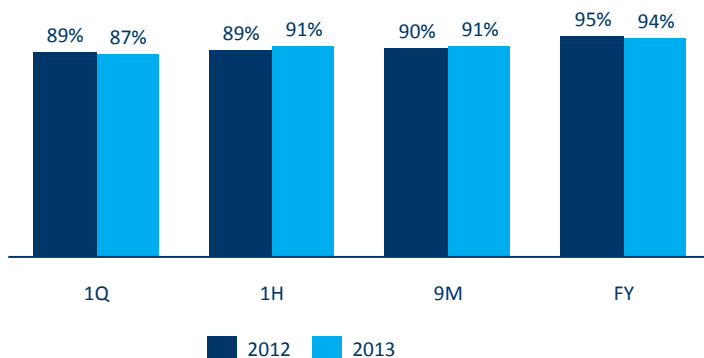
Premium income and combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUM)



- **Insurance premium income** (gross earned premium) at 698m EUR
- Excluding deconsolidated entities
 - Non-life premium income (317m) down 1% q-o-q and up 1% y-o-y (the latter driven mainly by the Belgium Business Unit)
 - Life premium income (381m) up 60% q-o-q and 23% y-o-y (both driven chiefly by the Belgium Business Unit)

COMBINED RATIO (NON-LIFE)



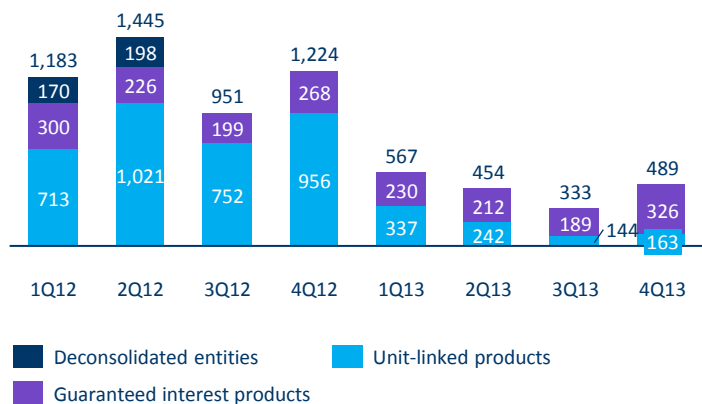
- The non-life **combined ratio** in 2013 stood at a good 94%, a slight improvement compared to the level of 95% recorded in 2012

Sales of insurance products

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



LIFE SALES



Amounts in m EUR

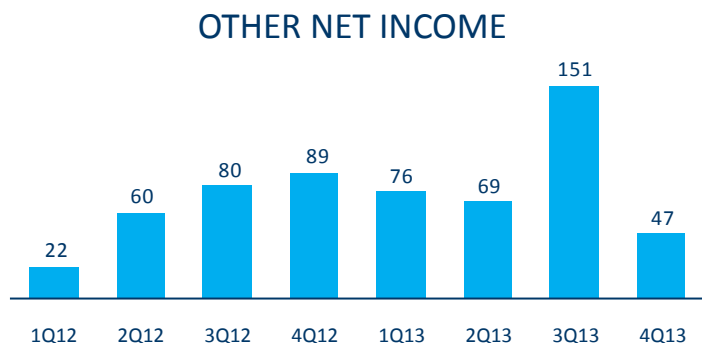
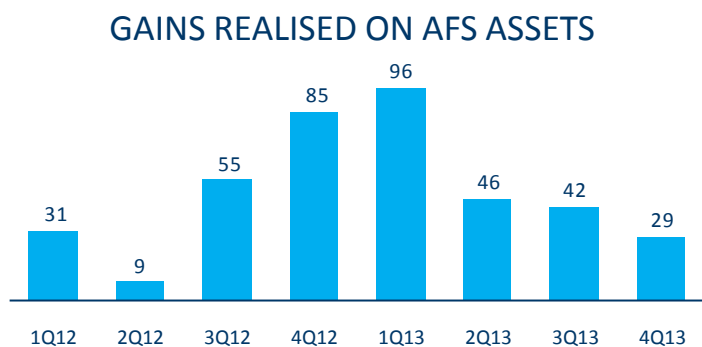
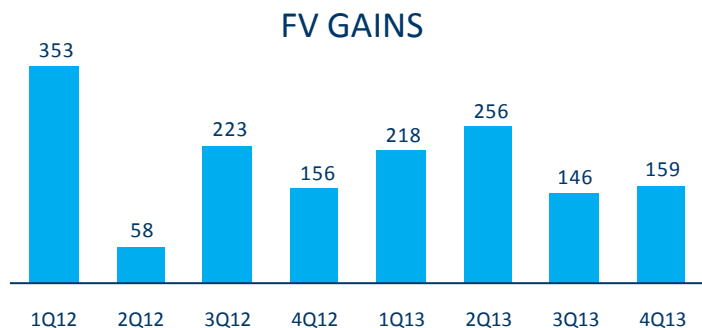
■ Sales of non-life insurance products

- Up 2% y-o-y in all classes (particularly in Fire) in the Belgium BU
- Down 6% q-o-q due to seasonal effects

■ Sales of life insurance products

- Up 47% q-o-q and down 60% y-o-y
- The q-o-q increase in sales of guaranteed interest products was attributable to the savings campaign in October/November (driven by a temporary increase of the most recent guaranteed interest product) and traditionally higher volumes in tax-incentivised pension saving products in the fourth quarter (both factors occurring in the Belgium BU)
- The y-o-y decline was the result of the limited number of newly launched tranches/campaigns, the increase in insurance tax as from January 2013 and the shift towards AM products (both factors occurring in the Belgium BU)
- Sales of unit-linked products accounted for just 33% of total life insurance sales

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



- The higher q-o-q figure for **net gains from financial instruments at fair value** was attributable mainly to the result of a positive revaluation of a real estate project at our London foreign branch, which more than offset the slight negative q-o-q change in ALM derivatives (30m EUR in 4Q13 compared with 39m EUR in 3Q13)
- Y-o-y flat whereby loss of FIFV income (-26m EUR) and lower dealing room income (-35m EUR) was offset by higher income on M2M ALM derivatives (+68m EUR)
- **Gains realised on AFS assets** (both bonds and shares) came to 29m EUR, the lowest quarterly level of the year
- **Other net income** amounted to 47m EUR in 4Q13, substantially lower than the level in 3Q13 which included a number of large positive one-off items (mainly in the Belgium Business Unit)

Operating expenses and cost/income ratio

OPERATING EXPENSES

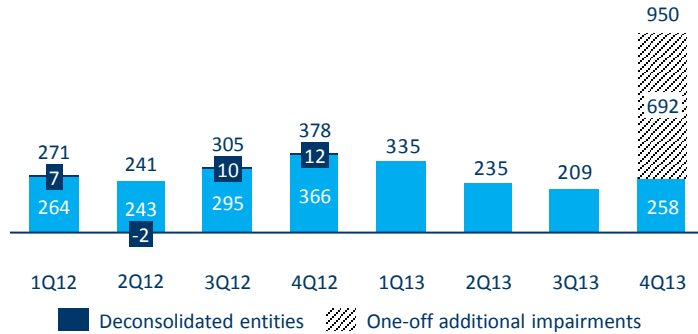


Cost/income ratio (banking) at excellent 52% in FY13

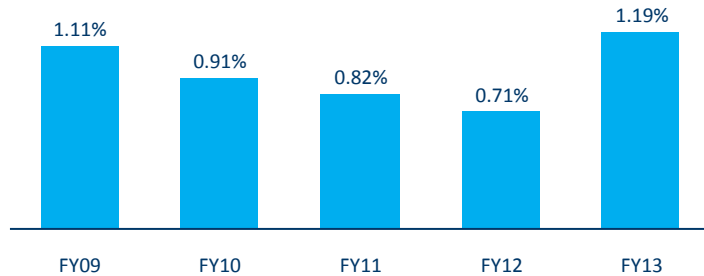
- Driven by the high M2M impact of ALM derivatives, the sale of AFS assets and high other net income
- Adjusted for specific items, the C/I ratio amounted to roughly 54% in FY13
- Operating expenses went down by 1% y-o-y excluding deconsolidated entities, due to the FX effect, some restructuring charges recorded in 4Q12 in the Czech Republic and lower staff expenses in the Belgium BU. This was only partly offset by the financial transaction levy in Hungary and higher staff expenses in Ireland (increased number of FTEs, particularly in the MARS support unit). Excluding all one-off items, operating costs rose by 1% y-o-y
- Operating expenses increased by 5% q-o-q excluding deconsolidated entities due partly to seasonal effects such as traditionally higher marketing and ICT expenses. Excluding all one-off items, operating costs rose by 7% q-o-q

Asset impairment, credit cost and NPL ratio

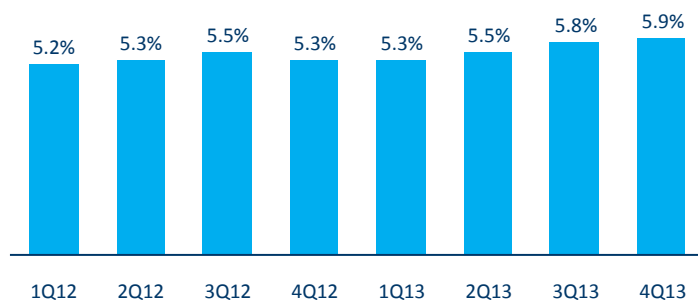
ASSET IMPAIRMENT



CCR RATIO



NPL RATIO



Substantially higher impairment charges

- Sharp q-o-q and y-o-y increase of loan loss provisions as a result of the one-off additional impairments in Ireland (671m EUR) and Hungary (21m EUR) following reassessment of loan books (announced when publishing 3Q13 results)
- Excluding these one-off additional loan loss provisions, impairments amounted to 258m EUR. Compared with the 209m EUR level of 3Q13, higher impairments were recorded for the foreign branches (due to a few large files) and for retail (due to LGD model reviews) in the Belgium BU, there were less releases in the Czech BU and higher impairment charges were recognised in Hungary as a result of some large individual corporate files
- Impairment of 3m EUR on AFS shares and other impairments of 7m EUR

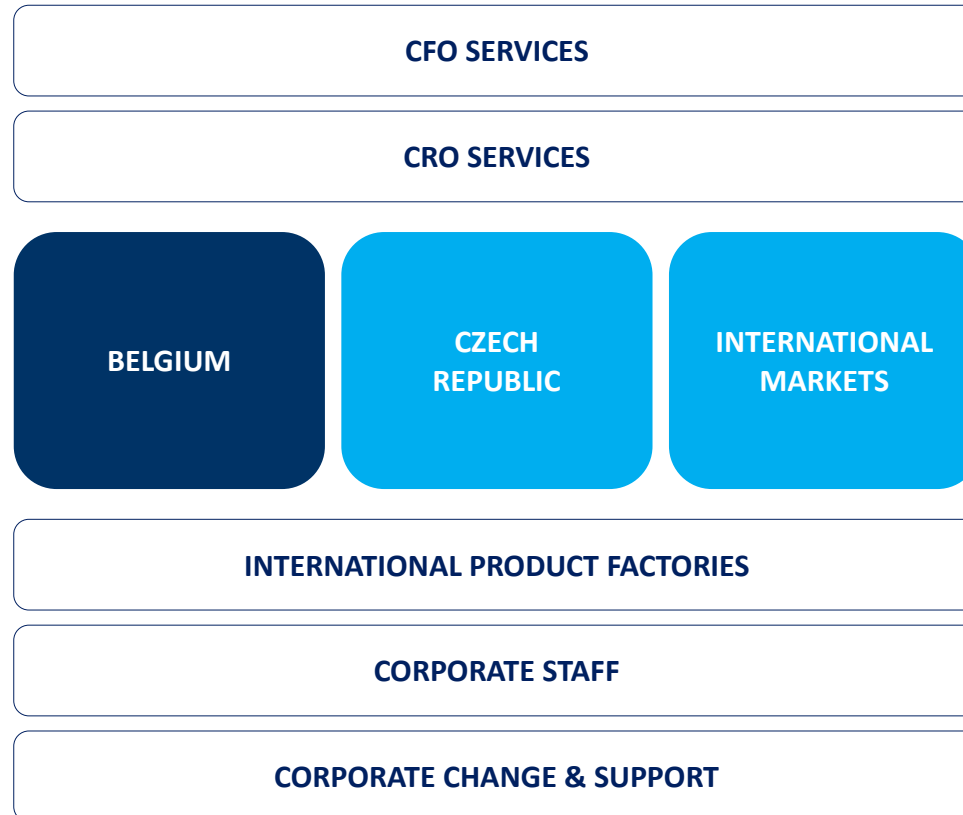
- The **credit cost ratio** amounted to 1.19% in FY13, mainly due to the one-off additional impairments in Ireland and Hungary as a result of the reassessment of the loan books. Excluding KBC Bank Ireland and the one large corporate file in 1Q13, the CCR stood at 0.45% in FY13

- The **NPL ratio** rose slightly to 5.9%

Section 2

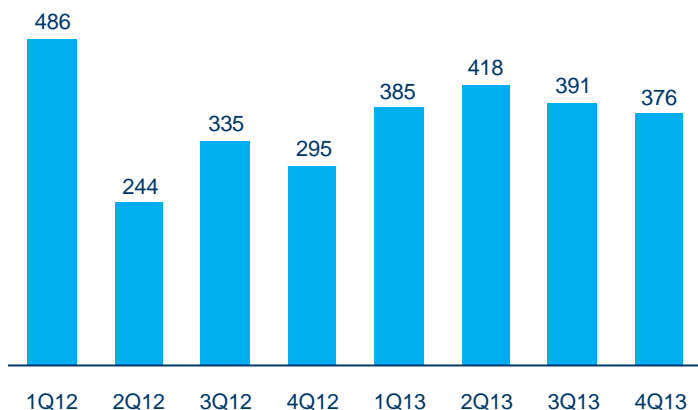
4Q 2013 performance of business units

BELGIUM BUSINESS UNIT



Belgium Business Unit (1)

NET RESULT



Amounts in m EUR

Net result at the Belgium Business Unit amounted to 376m EUR

- The quarter under review was characterised by higher net interest income, stable net fee and commission income, significantly higher sales of guaranteed interest life insurance products, seasonally higher gross non-life technical charges, higher MTM valuations of ALM derivatives, lower realised gains on AFS bonds and lower other net income, good C/I ratio, slightly lower opex and impairment charges q-o-q
- Loan growth fell by 2% y-o-y, mainly due to the deliberate reduction of our foreign branch loan portfolio and the sale of shareholder loans. Excluding these two items, loan growth increased slightly y-o-y

VOLUME TREND

	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	82bn	31bn	97bn	151bn	25bn
Growth q/q*	-1%	0%	-3%	+2%	0%
Growth y/y	-2%	+1%	+2%	+5%	+1%

* Non-annualised

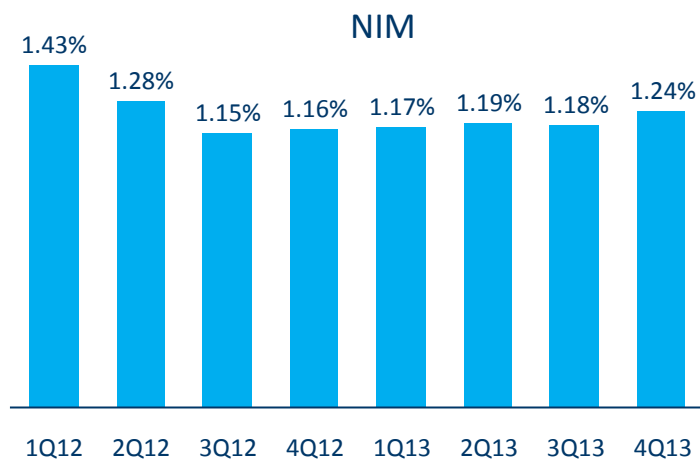
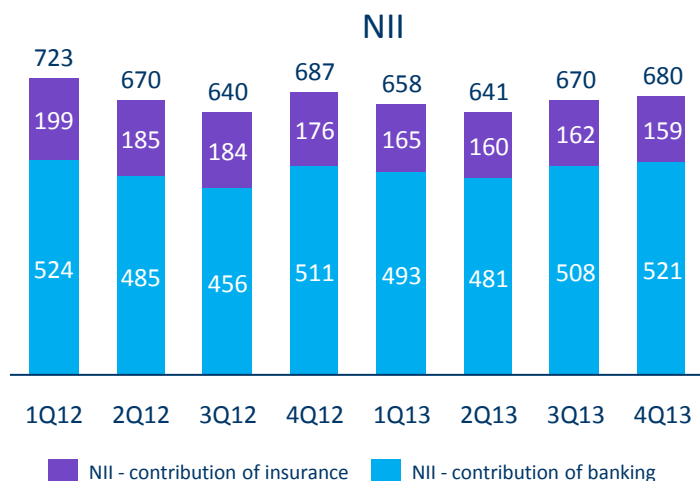
** Loans to customers, excluding reverse repos (and not including bonds)

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

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



Belgium Business Unit (2)



Amounts in m EUR

■ Net interest income (680m EUR)

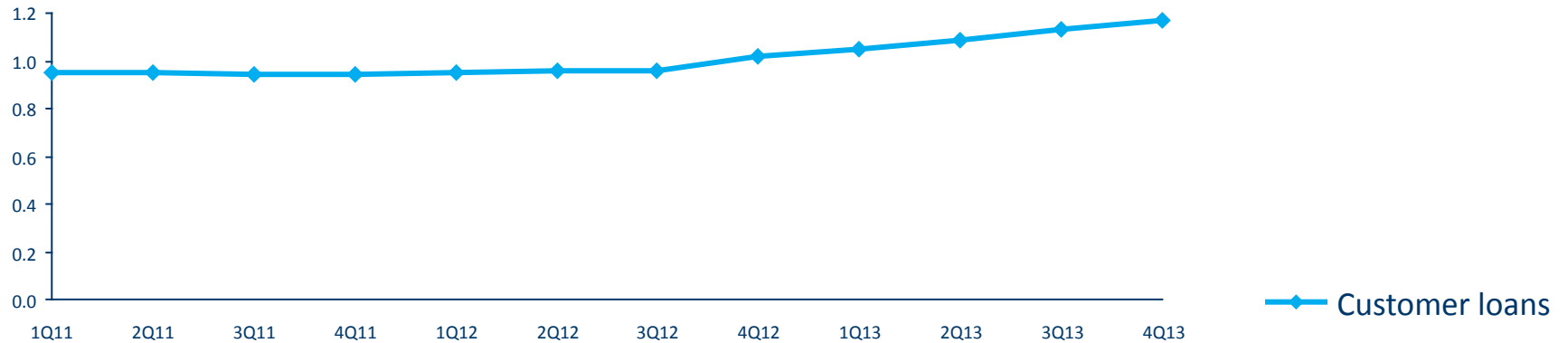
- Up 2% q-o-q and down 1% y-o-y
- This q-o-q increase was attributable primarily to an increase in commercial NII on loans and deposits, despite a lower reinvestment yield
- The y-o-y decrease was attributable entirely to a lower reinvestment yield (mainly on the bond portfolio of KBC insurance) and a decreasing loan portfolio at the foreign branches
- Note that customer deposits increased by 2% y-o-y, while mortgage loans rose by 1% y-o-y

■ Net interest margin (1.24%)

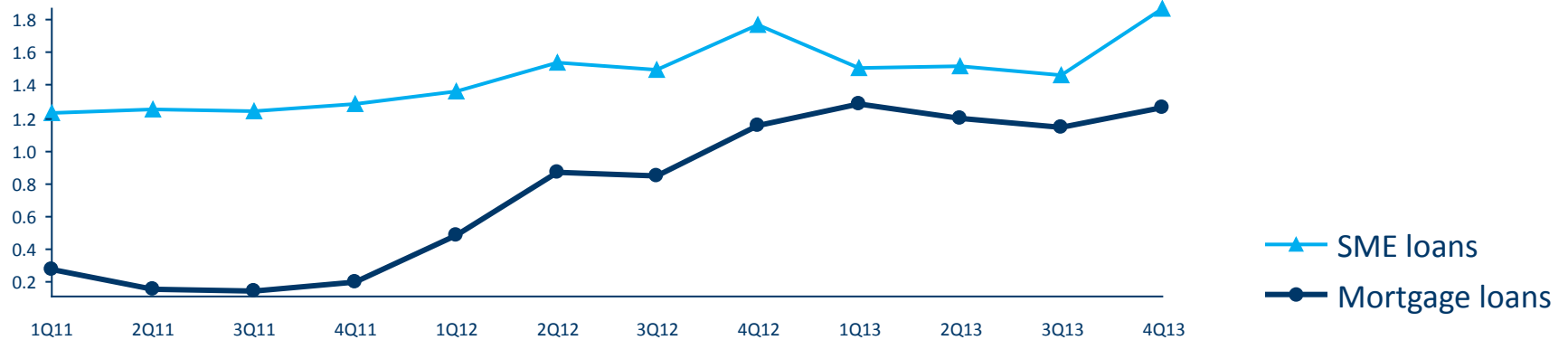
- Increased by 6bp q-o-q, as sound commercial margins more than offset the negative impact of lower reinvestment yields (due in part to the reduced exposure to GIIPS during the last 2-3 years and declining interest rates)
- The higher product margin on savings accounts was accounted for by the decrease of 10bps in the basic interest rate from 20 November onwards
- Increased by 8bps y-o-y, thanks mainly to better margins on the loan book and (to a lesser extent) to better margins on deposits

Credit margins in Belgium

PRODUCT SPREAD ON CUSTOMER LOAN BOOK, OUTSTANDING

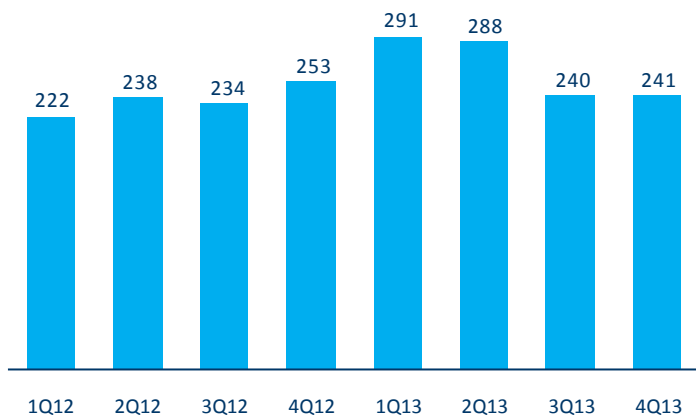


PRODUCT SPREAD ON NEW PRODUCTION



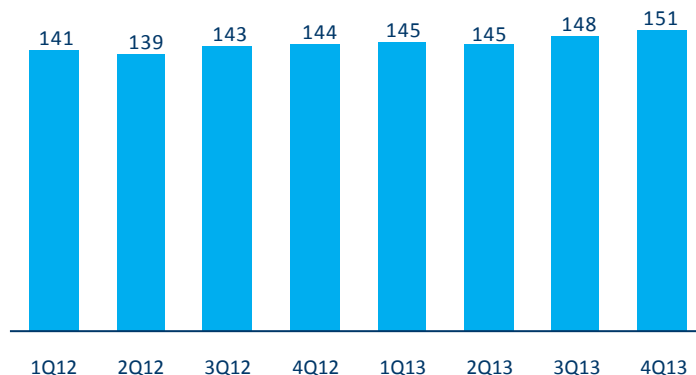
Belgium Business Unit (3)

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 (241m EUR)

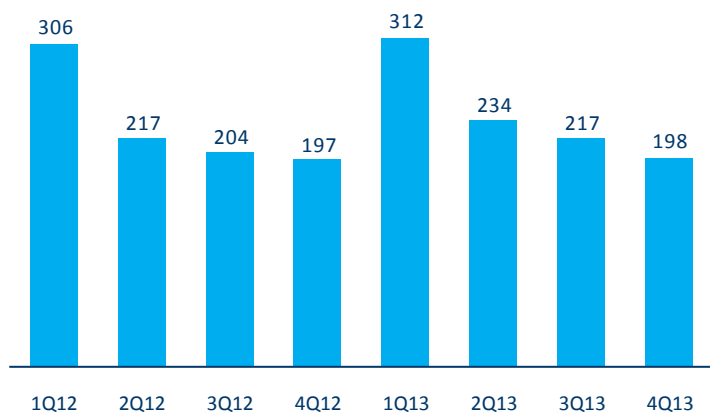
- Decreased by 5% y-o-y despite much higher management fees as higher sales of guaranteed interest products led to higher commissions paid to insurance agents (-47m EUR in 4Q13 compared to -42m EUR in 4Q12) and as a result of lower fees on unit-linked products (due to sharply lower volumes)
- Stabilised q-o-q. Significantly higher entry fees on mutual funds (thanks to the savings campaign) and increased management fees on equity & balanced funds were offset by higher cost charges regarding payment cards, lower commission income from financial services, higher commissions paid to insurance agents (-47m EUR in 4Q13 compared to -43m EUR in 3Q13) and lower fees in foreign branches

Assets under management (151bn EUR)

- Rose by roughly 5% y-o-y, as a result of a positive price effect (+4%) and some net entries (+1%)
- Up 2% q-o-q as a result of positive price effects (+2%)

Belgium Business Unit (4)

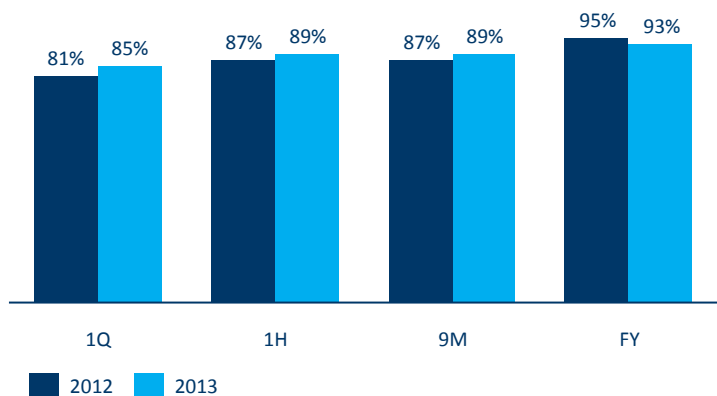
NON-LIFE SALES (GROSS WRITTEN PREMIUM)



■ Sales of non-life insurance products

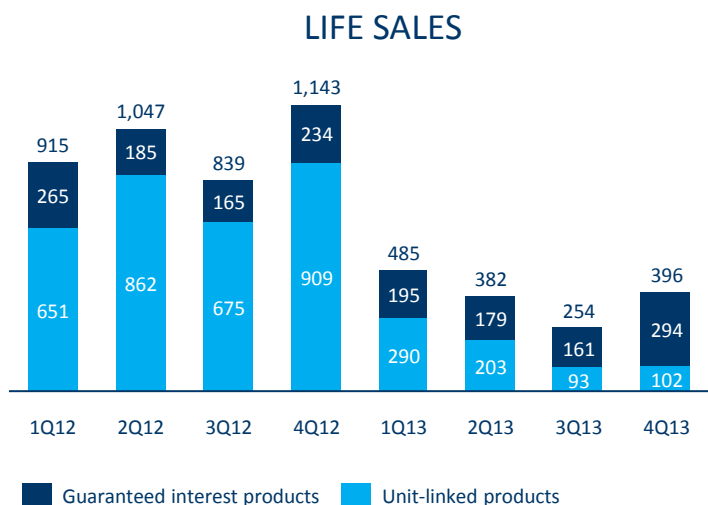
- Fell by 9% q-o-q due to seasonal effects
- Rose by 1% y-o-y in all classes (particularly in Fire)

COMBINED RATIO (NON-LIFE)



- **Combined ratio** amounted to 93% in FY 2013 (95% in FY 2012), an excellent level. Note that technical charges in 4Q13 increased q-o-q driven by higher claims (mainly in Motor, Fire and workmen's compensation classes) and the negative impact of storm damage

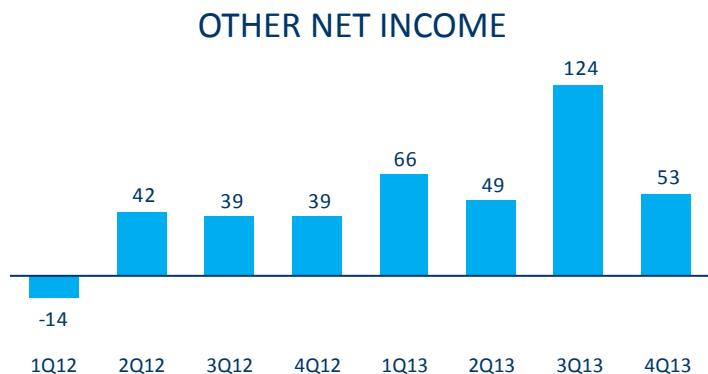
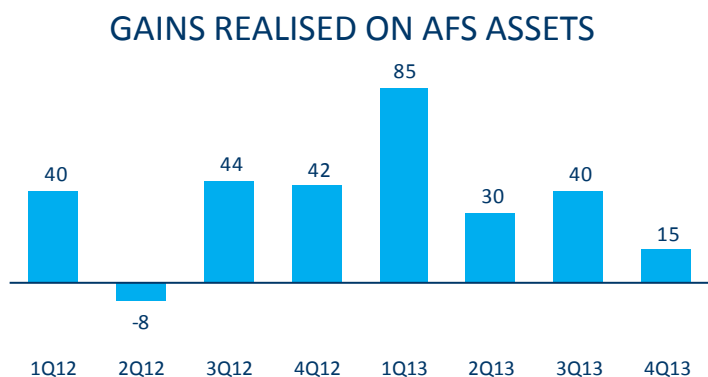
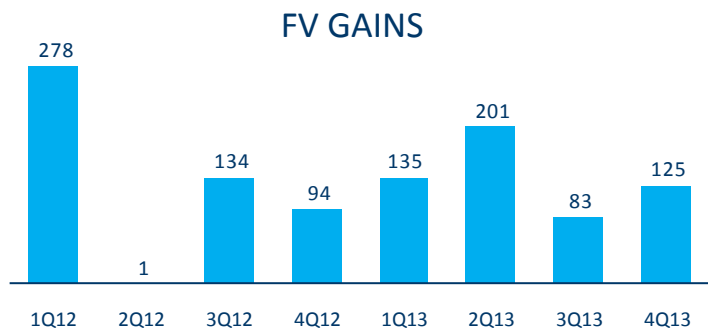
Belgium Business Unit (5)



■ Sales of life insurance products

- Fell by 65% y-o-y, driven almost entirely by sharply lower sales of unit-linked products, as 4Q12 benefitted from extra commercial efforts and due to the increase in insurance tax from January 2013
- Rose by 56% q-o-q owing to the successful savings campaign in October/November (driven by a temporary increase in interest rate of the most recent guaranteed interest product) and traditionally higher volumes in pension saving products in the fourth quarter. On the other hand, sales of unit-linked life insurance products continued to suffer from the absence of the more favorable KBC unit-linked structured investment funds, the increase in insurance tax, converging total client charges on mutual funds and unit-linked products (whereas in the past, unit-linked products had a favorable overall cost structure for the client). Lastly, there was a shift towards AM products
- As a result, guaranteed interest products and unit-linked products accounted for 74% and 26%, respectively, of life insurance sales in 4Q13 (55% and 45%, respectively, for FY 2013)

Belgium Business Unit (6)



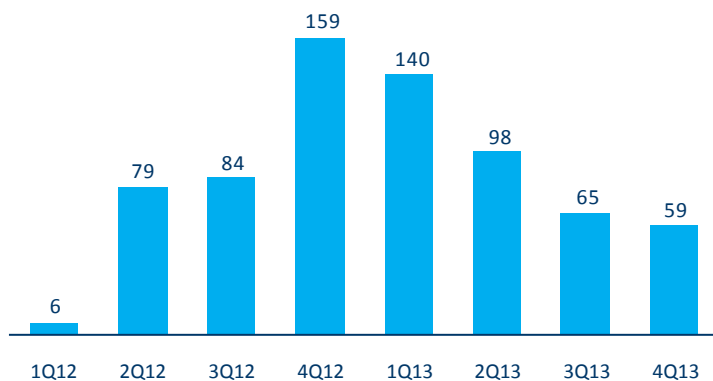
- The higher q-o-q figure for **net gains from financial instruments at fair value** was mainly the result of a positive q-o-q change in ALM derivatives (41m EUR in 4Q13 compared with 27m EUR in 3Q13) and the recovery of amounts relating to a real estate project at the London foreign branch
- The higher y-o-y figure was mainly the result of the same reasons as mentioned above, partly offset by lower dealing room income
- **Gains realised on AFS assets** came to 15m EUR (no gains realised on bonds in 4Q13)
- **Other net income** amounted to 53m EUR in 4Q13. Note that 3Q13 was distorted by a number of positive one-off items (e.g. the recovery of 46m EUR in legal damages on an old tax-related file and gains of 26m EUR on real estate)

Belgium Business Unit (7)

OPERATING EXPENSES



ASSET IMPAIRMENT



Amounts in m EUR

- **Operating expenses:** -1% q-o-q and +1% y-o-y

- The q-o-q decrease was attributable chiefly to lower variable remuneration, somewhat lower bank taxes and contribution to the FSMA. These items more than offset the higher marketing and ICT costs. Lastly, there were some one-off costs related to staff transition arrangements in 3Q13
- The y-o-y increase was driven mainly by higher retirement benefit obligations due to a lower discount rate
- Cost/income ratio: 49% in 4Q13 and 47% in FY 2013 (an improvement compared to 51% in FY 2012)

- **Loan loss provisions** amounted to 65m EUR in 4Q13. Higher impairments in foreign branches (due to a few large files) and in retail (due to LGD model reviews) were offset slightly by limited impairments in corporates

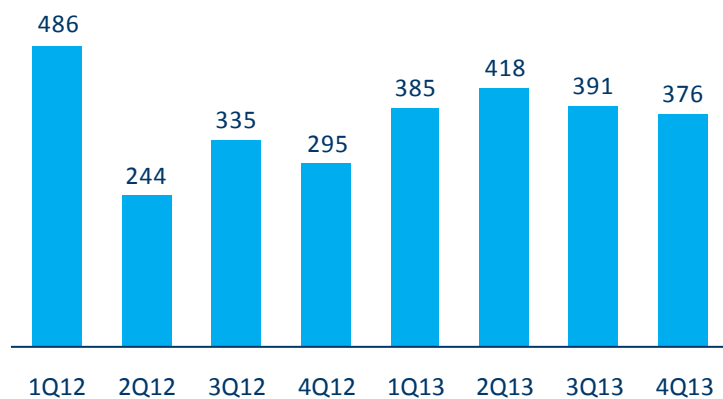
- **Credit cost ratio** increased from 28bps in FY12 to 37bps in FY13 due to a deterioration in the SME & Corporate portfolio. Excluding the one large corporate file in 1Q13, the CCR amounted to 30bps in FY13

- **NPL ratio** improved q-o-q to 2.5% (2.6% in 3Q13)

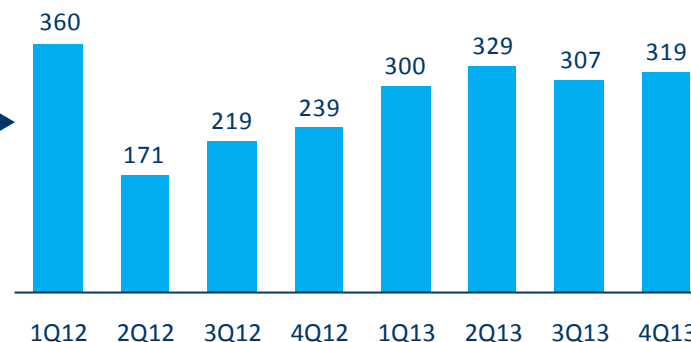
- Limited **impairment on AFS shares** (2m EUR) and **impairment release** of 7m EUR related to real estate

Net result at the Belgium BU

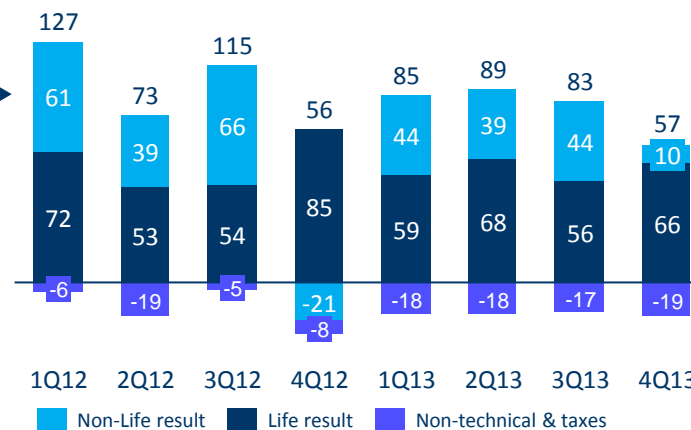
NET RESULT AT THE BELGIUM BU *



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

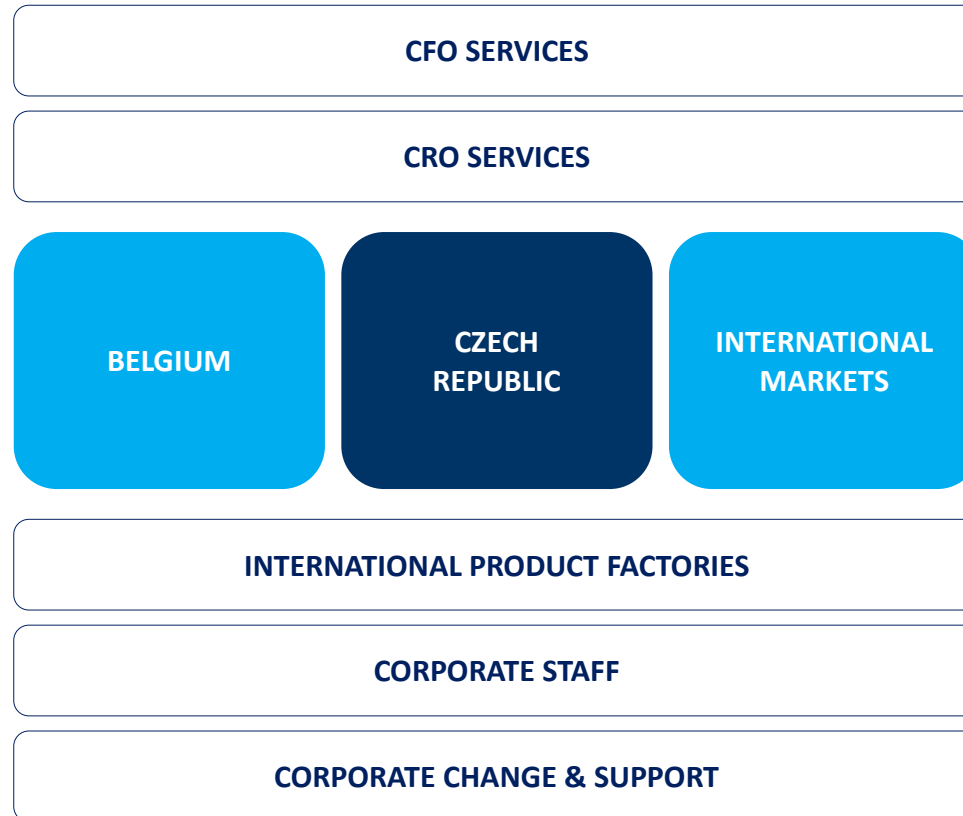


CONTRIBUTION OF INSURANCE ACTIVITIES TO NET RESULT OF THE BELGIUM BU *



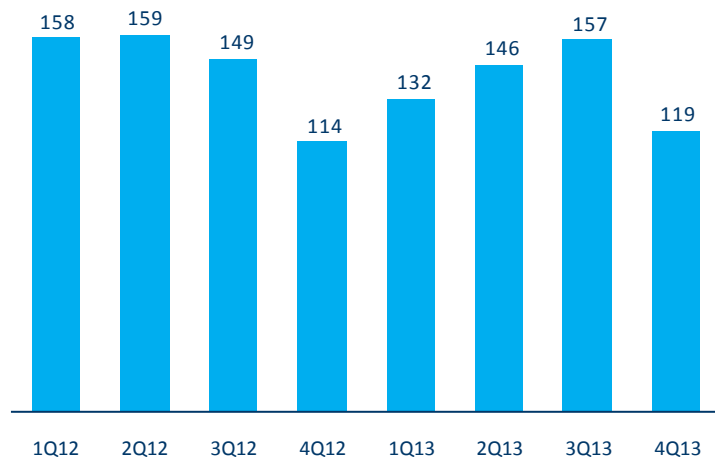
* Difference between net profit at the Belgium BU and the sum of the banking and insurance contribution is accounted for by the rounding up or down of figures

CZECH REPUBLIC BUSINESS UNIT



Czech Republic Business Unit (1)

NET RESULT



Amounts in m EUR

- **Net result** at the Czech Republic Business Unit of 119m EUR
 - Results were characterised by further weakening of Czech koruna, lower net interest income, higher net fee and commission income, lower other net income, lower (non-life) claims and higher life insurance sales, lower M2M impact of ALM derivatives, higher costs and higher loan loss provisions q-o-q
 - Profit contribution from the insurance business remained limited in comparison to the banking business

VOLUME TREND

	Total loans **	Of which mortgages	Customer deposits***	AuM	Life reserves
Volume	18bn	8bn	25bn	6.2bn	1.1bn
Growth q/q*	+4%	+2%	+4%	-1%	-6%
Growth y/y	+6%	+15%	+4%	+6%	-13%

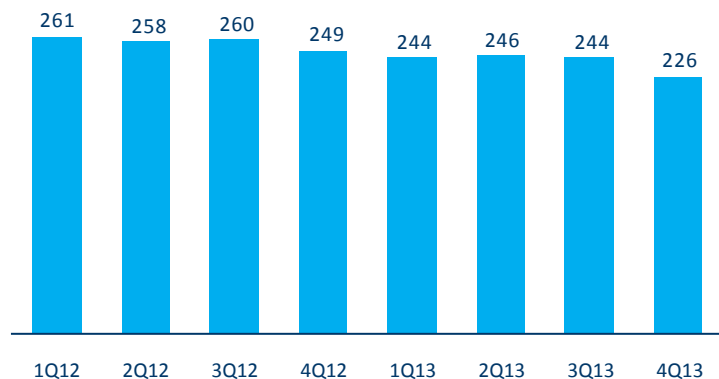
* Non-annualised

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

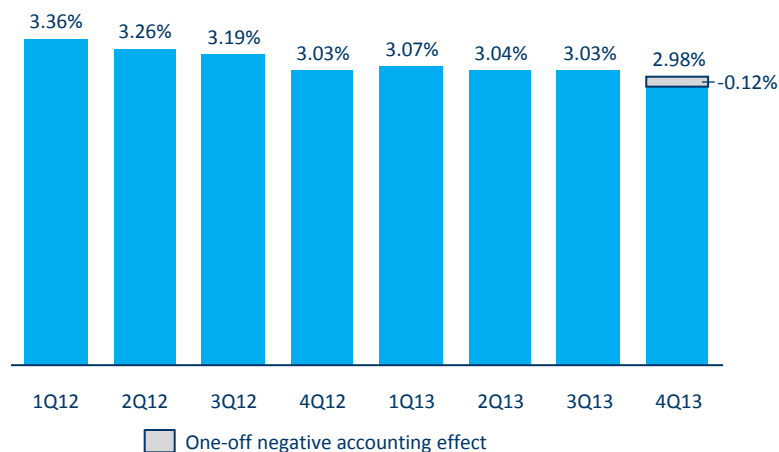
*** Customer deposits, including debt certificates but excluding repos

Czech Republic Business Unit (2)

NII



NIM



Amounts in m EUR

Net interest income (226m EUR)

- Fell by 7% q-o-q and 9% y-o-y to 226m EUR (both -4% excluding FX effect)
- 4Q13 was negatively impacted by a 9m EUR adjustment of mortgage commission accruals* (one-off effect)
- The decrease resulted mainly from a lower reinvestment yield and continued pressure on NII from retail deposits, which more than offset higher NII on retail, SME and corporate loans and higher NII on corporate and SME deposits
- Loan volumes up 6% y-o-y, driven by growth in corporate/SME and mortgage loans
- Customer deposit volumes up 4% y-o-y

Net interest margin (2.86%)

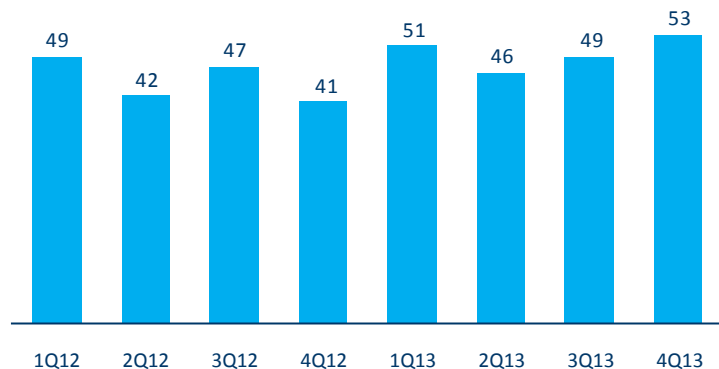
- Fell by 5bps q-o-q and y-o-y to 2.98%, excluding the one-off adjustment of mortgage commission accruals*
- This decline was caused primarily by a lower reinvestment yield and further pressure on deposit margins, despite a further cut in interest rates on savings deposits in September
- The one-off adjustment of mortgage commission accruals* had a negative impact of 12bps on NIM, resulting in a NIM of 2.86% in 4Q13

* Amortisation of upfront fees now amortised on an actuarial basis rather than linear basis



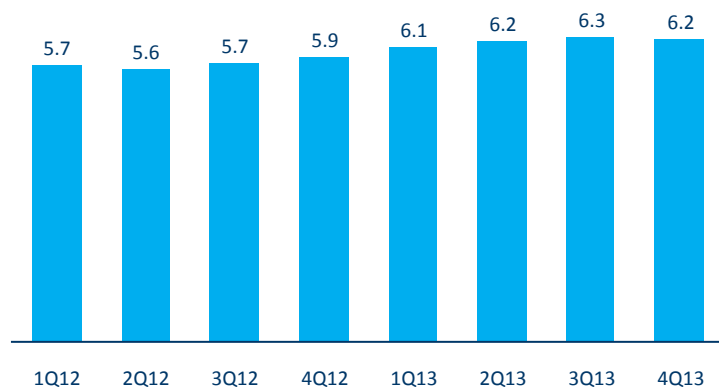
Czech Republic Business Unit (3)

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 (53m EUR)

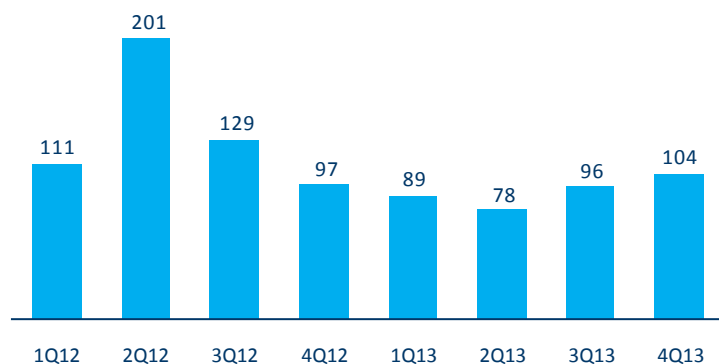
- Rose by 7% q-o-q and 29% y-o-y (or +10% q-o-q and +36% y-o-y, respectively, excluding the FX effect)
- The q-o-q increase was attributable mainly to higher fees on payment cards, higher fee income from financial markets and higher entry fees on mutual funds
- The y-o-y increase was much higher as 4Q12 was distorted by the accelerated write-off of deferred acquisition costs

Assets under management (6.2bn EUR)

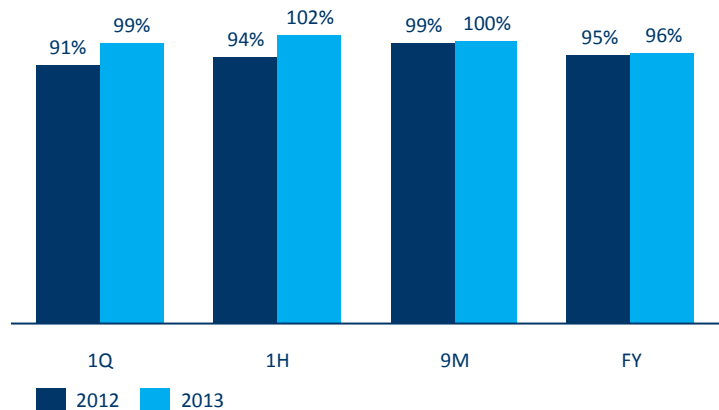
- Went down by 1% q-o-q to roughly 6.2bn EUR, as a positive price effect was more than offset by a negative FX effect
- Y-o-y, assets under management rose by 6%, driven entirely by a positive price effect (despite negative FX effect)

Czech Republic Business Unit (4)

PREMIUM INCOME
(GROSS EARNED PREMIUM)



COMBINED RATIO (NON-LIFE)



Amounts in m EUR

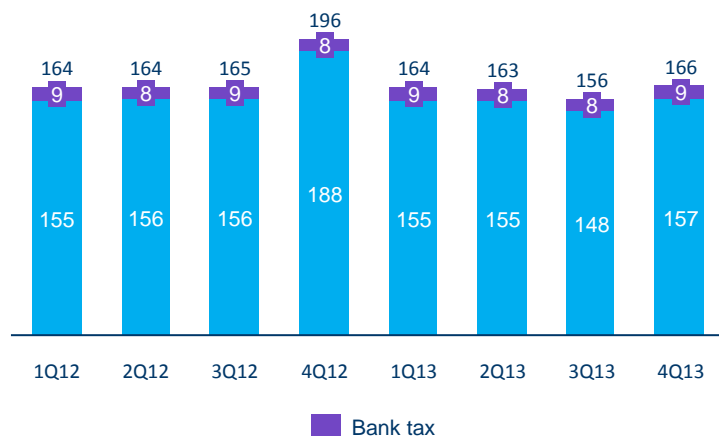
- **Insurance premium income** (gross earned premium) stood at 104m EUR
 - Non-life premium income (43m) fell by 1% q-o-q and 4% y-o-y (+2% q-o-q and +1% y-o-y excluding FX effect)
 - Life premium income (61m) went up 15% q-o-q and 17% y-o-y (+18% q-o-q and +23% y-o-y excluding FX effect). Note that 4Q13 included high unit-linked single premium due to the more successful sale of Maximal Invest products (4 tranches issued in 4Q13 versus only 2 tranches issued in 3Q13)

- Overall, the **life insurance result** in 4Q13 was slightly below 4Q12 and 3Q13

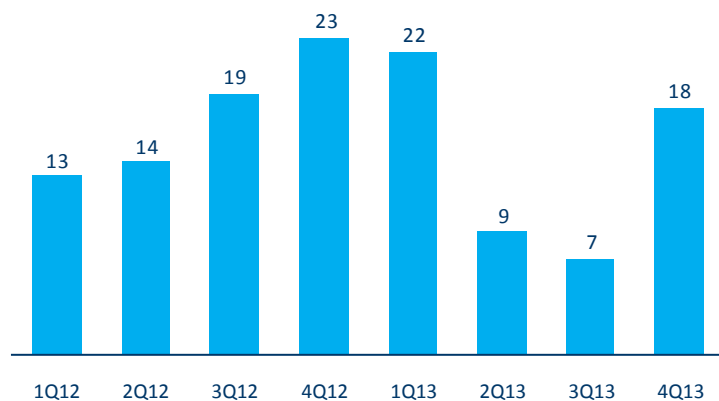
- **Combined ratio** at 96% in FY13 (only 84% in 4Q13)

Czech Republic Business Unit (5)

OPERATING EXPENSES



ASSET IMPAIRMENT



Amounts in bn EUR

Opex (166m EUR)

- Rose by 6% q-o-q and fell by 16% y-o-y (+9% q-o-q and -11% y-o-y excluding FX effect)
- The q-o-q increase is due mainly to traditional year-end cost increases (e.g. marketing expenses and variable remuneration)
- The y-o-y decline was attributable primarily to lower ICT expenses, lower variable remuneration, lower marketing expenses in 4Q13 and restructuring charges recorded in 4Q12
- Cost/income ratio at 47% in 2013 (in line with 2012)

- **Impairments on L&R** rose q-o-q as 3Q13 benefitted from the release of impairment on one corporate file (one-off positive effect of 8m EUR)

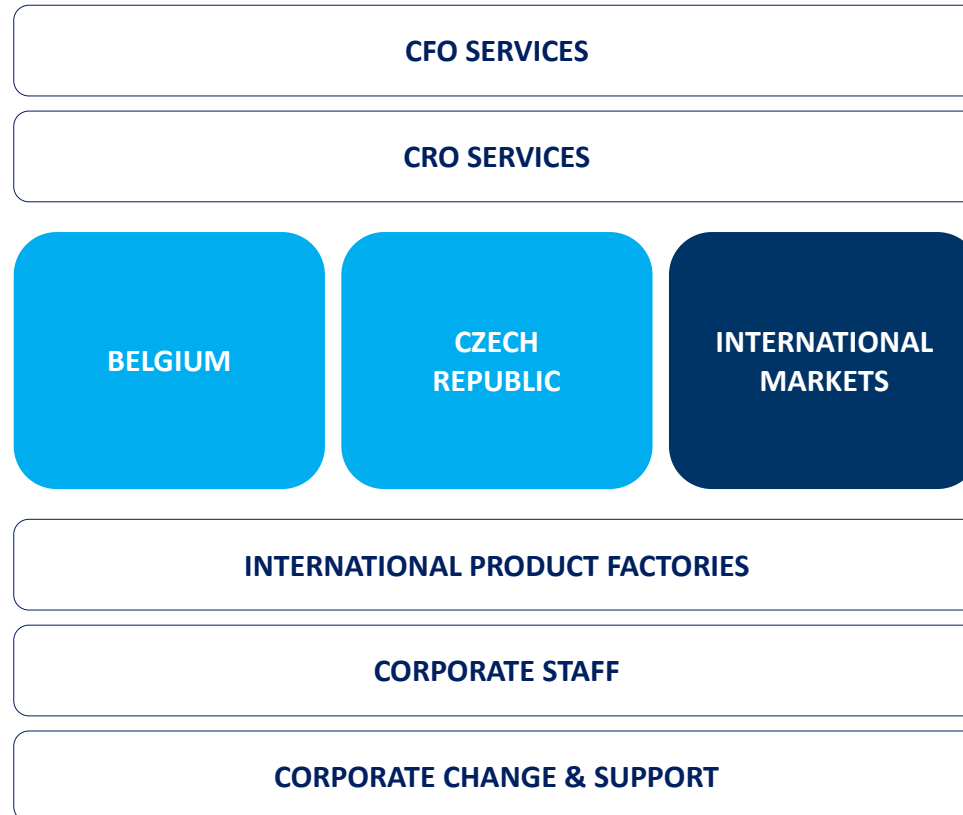
- **Credit cost ratio** amounted to 0.25% in FY13

	2010	2011	2012	2013
CCR	0.75%	0.37%	0.31%	0.25%

- **NPL ratio** improved to 3.0% (3.2% in 3Q13)

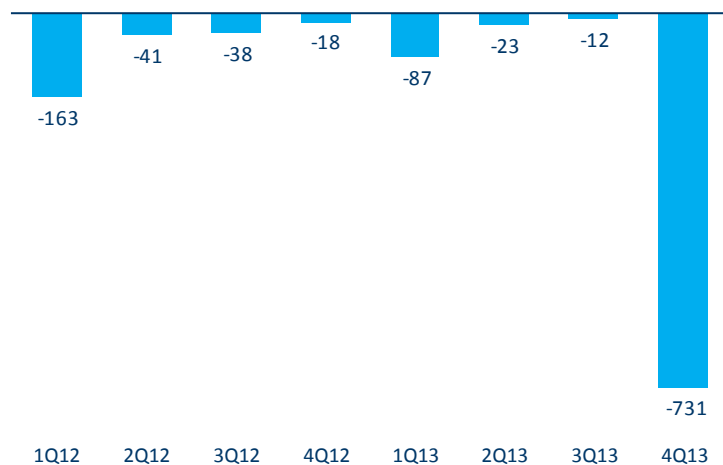
- Other impairments of 3m EUR

INTERNATIONAL MARKETS BUSINESS UNIT



International Markets Business Unit (1)

NET RESULT



Amounts in m EUR

Net result: -731m EUR

- International Markets profit **breakdown**: 17m for Slovakia, 16m for Hungary, 1m for Bulgaria and -766m for Ireland
- Q-o-q **results** were characterised by lower net interest income, higher net fee and commission income, lower result from financial instruments at fair value and other net income, higher costs and sharply 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*	-5%	-5%	-2%	-2%	+1%
Growth y/y	-7%	-8%	+9%	-1%	+7%

* 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*

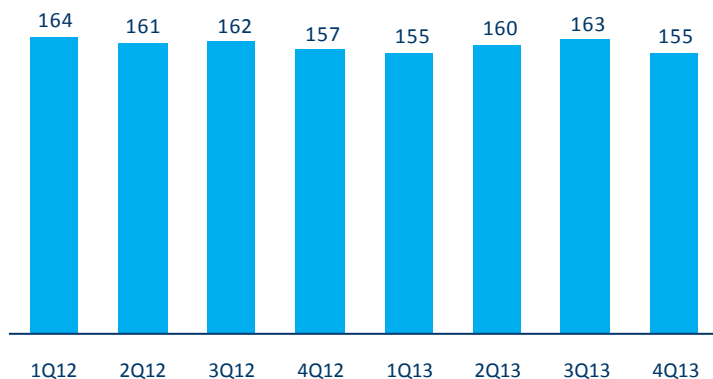
	TOTAL LOANS		MORTGAGES		DEPOSITS	
	q/q	y/y	q/q	y/y	q/q	y/y
IRE	-8%	-13%	-6%	-10%	0%	+29%
SK	0%	+3%	+3%	+13%	+2%	+4%
HU	-4%	-2%	-3%	-8%	-6%	+4%
BG	+8%	+10%	-1%	-7%	+2%	-9%
TOTAL	-5%	-7%	-5%	-8%	-2%	+9%

- The **total loan book** fell by 5% q-o-q and 7% y-o-y. On a y-o-y basis, the decrease was accounted for by Ireland (matured and impaired loans surpassed new production) and Hungary (where the trend was impacted by, for example, the FX mortgage relief programme)
- **Total deposits** were down 2% q-o-q, but up 9% y-o-y, thanks mainly to the successful retail deposit campaign in Ireland

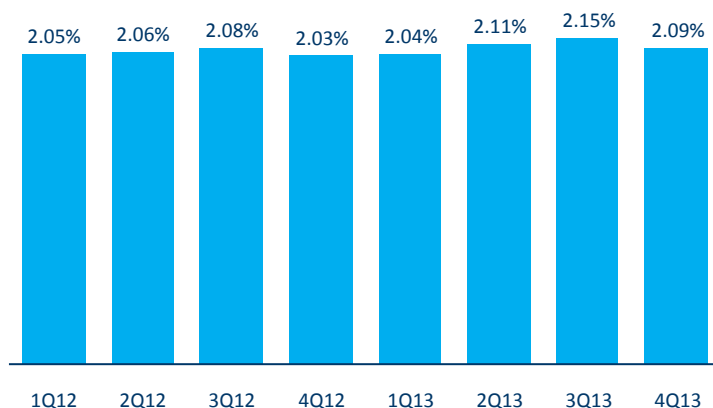
* Organic growth excluding FX impact, q-o-q figures are non-annualised. Loan and mortgage figures after impairment charges

International Markets Business Unit (3)

NII



NIM



Amounts in m EUR

▪ Net interest income (155m EUR)

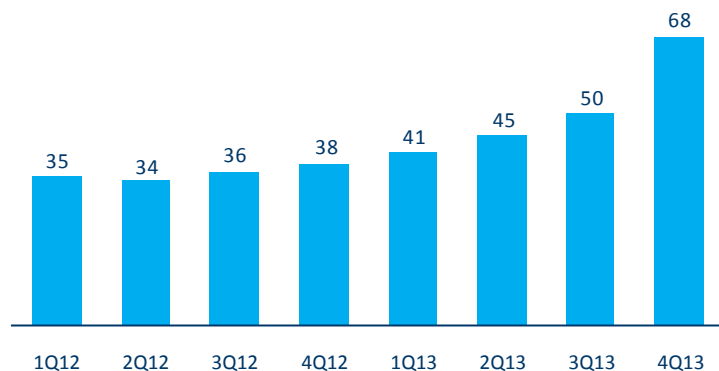
- Fell by 5% q-o-q and 1% y-o-y
- The q-o-q decrease was driven entirely by Ireland, given the one-off increase of 12m EUR in allocated liquidity cost in 4Q13
- The y-o-y decline was attributable mainly to a significant decrease in Ireland (driven by a much higher allocated liquidity cost), largely offset by a significant increase in Slovakia (owing to continued growth of the mortgage portfolio and consumer finance and the successful SME loans campaign, as well as the expiration of term deposits with high external rates)

▪ Net interest margin (2.09%)

- Up by 6bps y-o-y, but down by 6bps q-o-q
- The y-o-y increase was attributable primarily to a considerable rise in NIM in Slovakia thanks to the product mix (in particular the growth in SME loans)
- The q-o-q decline was driven mainly by Ireland as a result of higher allocated liquidity costs and lower margins on the Tracker retail portfolio (due to the ECB rate decrease)

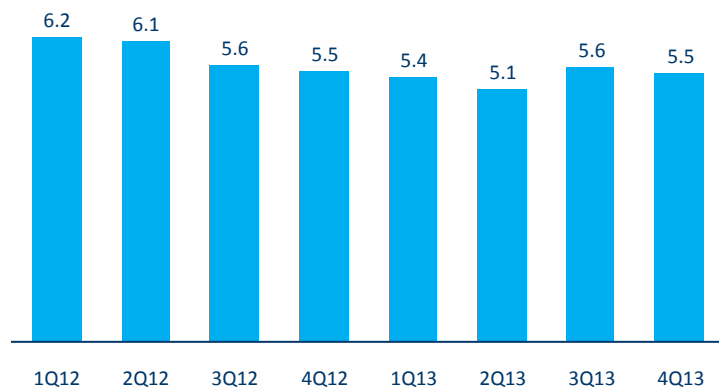
International Markets Business Unit (4)

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 (68m EUR)

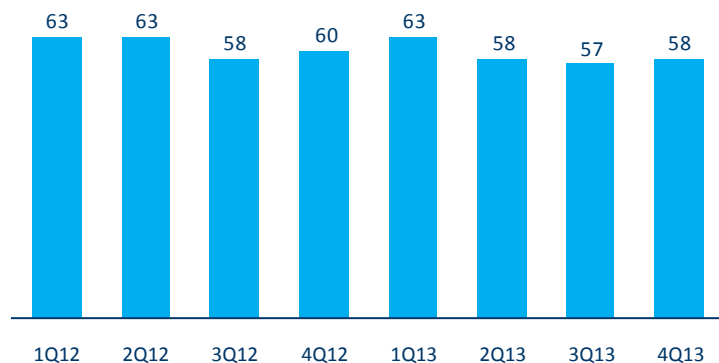
- Rose by 36% q-o-q and 79% y-o-y
- The q-o-q increase was attributable entirely to Hungary, where fees from payment transactions, investment services and booking fees were higher
- In addition, part of the y-o-y increase was the result of better pricing tariffs of certain products & services in Hungary from 2013 onwards

▪ Assets under management (5.5bn EUR)

- Decreased by 2% q-o-q, entirely as a result of net outflows
- Y-o-y, assets under management fell by 1%

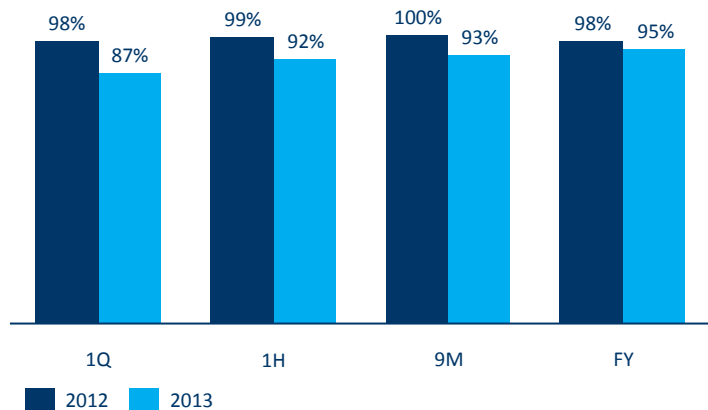
International Markets Business Unit (5)

PREMIUM INCOME
(GROSS EARNED PREMIUM)



- **Insurance premium income** (gross earned premium) stood at 58m EUR
 - Non-life premium income (39m) fell by 2% both q-o-q and y-o-y
 - Life premium income (19m) up 7% q-o-q and down 4% y-o-y

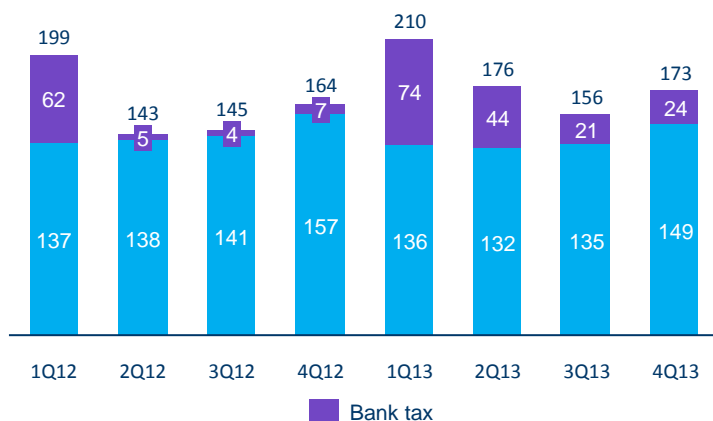
COMBINED RATIO (NON-LIFE)



- **Combined ratio** at 95% in 2013

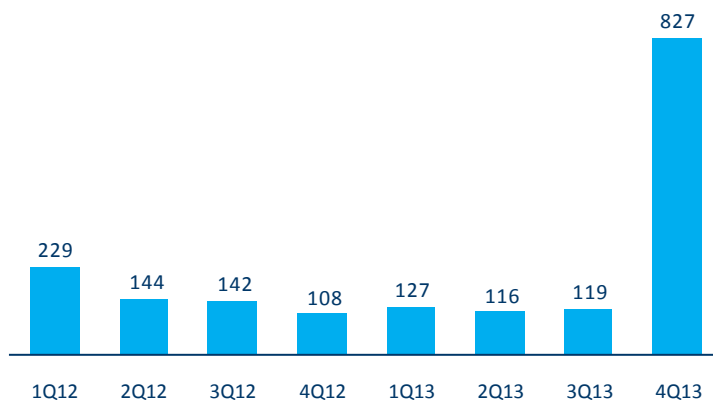
International Markets Business Unit (6)

OPERATING EXPENSES



Amounts in m EUR

ASSET IMPAIRMENT



Opex (173m EUR)

- Rose by 11% q-o-q and 6% y-o-y
- The q-o-q increase was consequent chiefly on higher opex in Ireland due to the higher number of FTEs (particularly in the MARS support unit) and higher marketing expenses related to the KBCI retail strategy (e.g. launch of KBCI current account in September 2013). Furthermore, the increase in the Financial Transactions Levy in Hungary since August led to higher administrative expenses
- The y-o-y increase was caused by the introduction of a Financial Transactions Levy in Hungary as well as higher staff expenses in Ireland, partly offset by a decrease in Slovakia (driven by lower staff, bank levy and marketing expenses)
- Cost/income ratio at 59% in 4Q13 (70% in FY 2013)

- **L&R impairments (827m EUR):** the increase was due mainly to one-off additional impairments as a result of the reassessment of the loan books in Ireland and Hungary

- **Credit cost ratio** of 4.48% in 2013

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

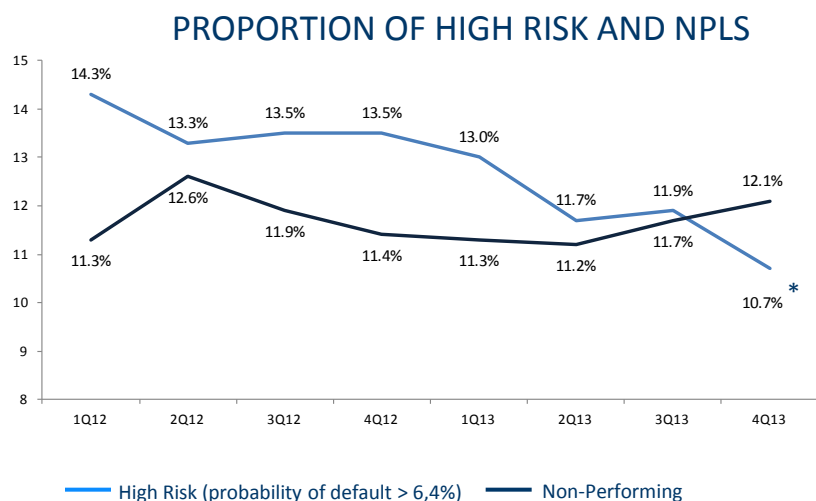
* Excluding Ireland, the CCR in IM BU amounted to 108bps in 2013

- **NPL ratio** at 19.2%

Hungary (1)

HUNGARIAN LOAN BOOK KEY FIGURES AS AT 31 DECEMBER 2013

Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.7bn	6.5%	66%
Retail	2.4bn	18.5%	68%
o/w private	2.0bn	20.9%	68%
o/w companies	0.4bn	7.0%	63%
TOTAL	5.1bn	12.1%	67%



* Decline in high-risk portfolio (PD8-10) is due to the increasing share of both low-risk (PD1-7) and non-performing (PD11-12) portfolios

- 4Q13 **net result** at the K&H Group amounted to 16m EUR including impact of reassessment of loan portfolio (-21m EUR pre-tax and -17m EUR post-tax)
- YTD net result** amounted to 66m EUR including
 - 'regular' bank tax (-43m EUR post-tax) in 1Q13
 - the additional one-off FTL-related charge (-22m EUR post-tax) in 2Q13
 - impact of reassessment of loan portfolio (-17m EUR post-tax) in 4Q13
- Loan loss provisions** amounted to 43m EUR in 4Q13 including pre-tax impact of 21m EUR following reassessment of loan portfolio (3Q13: 12m EUR, FY13: 76m EUR)
- The **credit cost ratio** amounted to 1.50% in FY2013 (versus 0.78% in FY2012), excluding the impact of reassessing the portfolio it would have been 1.08%
- NPL (PD11-12)** increased to 12.1% in 4Q13 from 11.7% in 3Q13, due mainly to a continuous rise in NPL in retail
 - share of PD 10-12 exposure was 15.4% in 4Q13 (after reassessment)

Hungary (2) Loan book reassessment

Mortgage loan portfolio at end 3Q13

PD	Exposure	Impairment	Cover %
PD 1-8	1,078	4	0.4%
PD 9	368	28	7.6%
PD 10	0	0	-
PD 11 -12	350	179	51.1%
TOTAL PD1-12	1,796	211	



131m EUR to PD10



Mortgage loan portfolio at end 4Q13 (after reassessing loan book)

PD	Exposure	Impairment	Cover %
PD 1-8	1,071	4	0.4%
PD 9	205	9	4.4%
PD 10	131	35	26.7%
PD 11 -12	363	186	51.2%
TOTAL PD1-12	1,769	233	

22m EUR, 18m EUR of which impairment charges following reassessment of loan book

Amounts in m EUR

- **K&H Bank reassessed its loan book in 4Q13**
- As a result, 131m EUR **performing restructured mortgage loans were moved from PD 9 to PD 10**
- This resulted in an additional impairment of 18m EUR on **mortgage portfolio**
- **For lease and unsecured consumer credit:** extra impairment of 3m EUR
- **In total**, this led to an additional impairment of **21m EUR** in 4Q13
- **Cover ratios:**
 - total impairments (incl. IBNR) / **PD11-12** exposure: 64% for mortgage portfolio (and 67% for total portfolio)
 - total impairments (incl. IBNR) / **PD10-12** exposure:
 - 59% for mortgage portfolio (and 60% for total portfolio) before reassessment and
 - 47% for mortgage portfolio (and 53% for total portfolio) after reassessment (due to the combined effect of (i) a higher cover ratio for previously impaired exposure and (ii) a relatively lower cover ratio for newly impaired exposure in view of their inherently better risk characteristics)

Hungary (3)

■ FX MORTGAGES

- In December 2013 the **Hungarian Supreme Court (Curia)** delivered its 'law unifying resolution' in order to ensure uniformity in the settlement of FX loan disputes in the courts. This resolution is binding on all courts. The Curia dealt with broad questions regarding FX loans. **The major conclusions:**
 - The consequences of FX rate fluctuations must be borne by the borrower if the bank properly informed its customer of the risk of such fluctuation and its effects on repayments. As a result of FX risks, these contracts do not violate good faith, nor are usurious, impossible to perform or sham. As no grounds for invalidity existed as at the date of the conclusion of the contract, these **contracts are valid**.
 - Changes following the conclusion of the contract cannot invalidate it. The courts may not in general amend contracts as a general means for solving economic and social issues.
 - If a part in a consumer contract proved to be invalid, the courts should endeavour to uphold the arrangement by an appropriate amendment. In this case, the parties remain bound by the valid clauses of the contract.
- The Curia has not yet resolved on whether banks gave sufficiently transparent information about unilateral changes to the terms of loan contracts (interest rates, FX spreads and fees). Also it remains to be decided whether the use of different FX rates at disbursement and repayment may be treated as an unfair term in consumer contracts. These issues will be addressed following the ruling of **the European Court of Justice (ECJ)** in a related case (expected in March-April 2014).
- The **government** said it would wait for the ECJ ruling to address the issue of FX loans, so it is too early to tell what proposal will be passed into law and what it will cost banks.
- The **size of K&H Bank's FX mortgage portfolio** (gross value):
 - Total Retail FX mortgage: 1.4bn EUR
 - Retail FX housing loans: 0.6bn EUR
 - Retail FX home equity loans: 0.8bn EUR

Hungary (4)

■ FINANCIAL TRANSACTIONAL LEVY

- The Hungarian Parliament adopted fiscal adjustment measures on 27 June 2013, including
 - a significant increase in the rates for the Financial Transactions Levy (FTL) introduced on 1 January 2013
 - a one-off charge (to compensate shortfall in the FTL in the state budget) which was set to 208% of the FTL payment obligation for the January-April period
- Details of the increased FTL rates came into effect on 1 August 2013:
 - The levy on electronic and paper-based transfers and other non-cash financial transactions was increased to 0.3% from the previous 0.2% (the cap remained unchanged at 6,000 HUF)
 - The levy on cash transactions was raised from 0.3% to 0.6% and the 6,000 HUF cap was abolished
 - Since this had an impact on the cost to banks, it has prompted K&H to readjust its fee structure again. The gross amount of the levy was 51m EUR pre-tax (41m EUR post-tax) for K&H in FY13
- The one-off charge based on 208% of the FTL obligation for the January-April period had to be paid in four equal instalments in the September-December period. K&H included the full amount of this one-off charge in its books for 2Q13 (27m EUR pre-tax and 22m EUR post-tax)

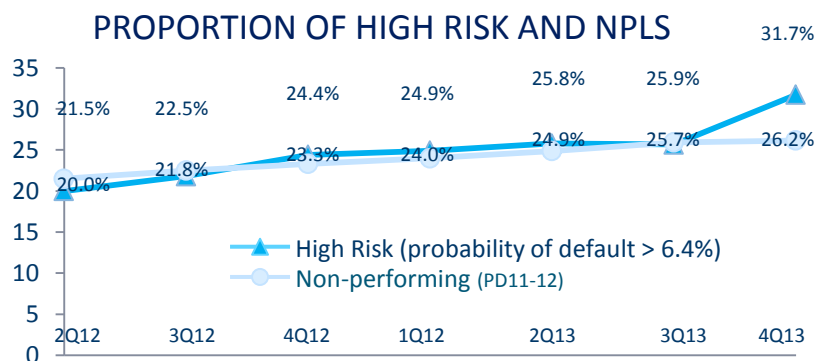
Ireland (1)

IRISH LOAN BOOK KEY FIGURES AS AT 31 DECEMBER 2013

LOAN PORTFOLIO	OUTSTANDING	NPL	NPL COVERAGE
Owner occupied mortgages	9.1bn	19.9%	55% ¹
Buy to let mortgages	3.0bn	34.7%	65% ¹
SME /corporate	1.5bn	23.7%	123%
Real estate investment Real estate development	1.2bn 0.5bn	31.2% 88.7%	79% 78%
Total	15.3bn	26.2%	68% ^{1 2}

1. The total NPL coverage ratio amounted to 73% at the end of 4Q13 (54% in 3Q13) taking into account the adjustments for the Mortgage Indemnity Guarantee and Reserved Interest (62% 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 the new definition (NPL = PD 10, 11 & 12), the NPL coverage ratio would amount to 37%

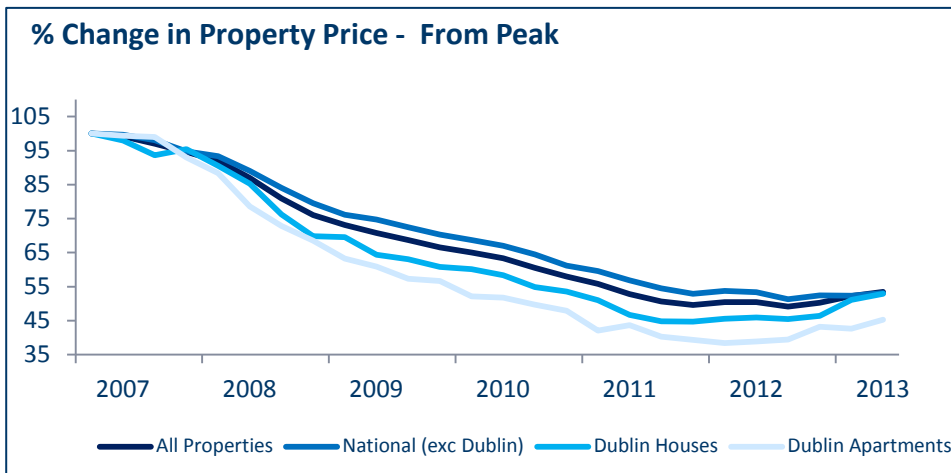


The High Risk portion of loans increased significantly in 4Q13 due to the reassessment of the loan book

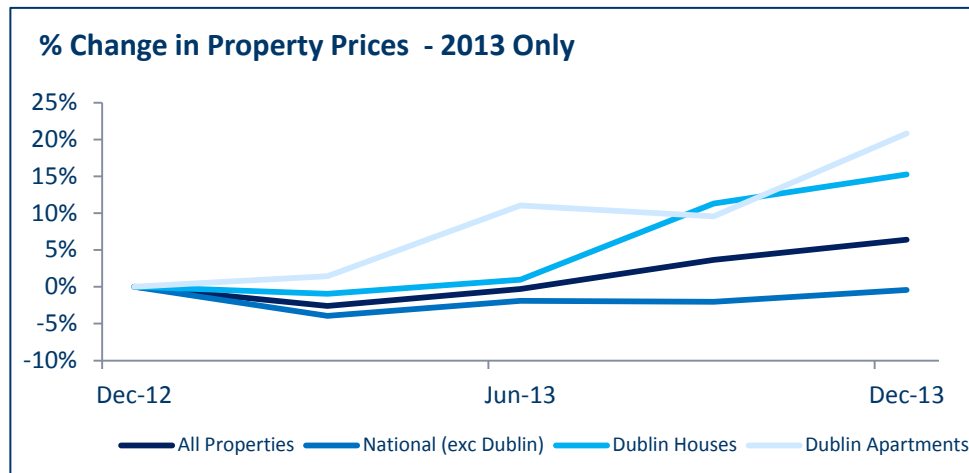
- **Loan loss provisions** in 4Q13 of 773m EUR (87m EUR in 4Q12). A significant increase in the quarter, primarily as a result of the reassessment of the KBCI loan book in light of the EBA guidelines issued in October 2013 and the Central Bank of Ireland Impairment Provisioning Guidelines issued May 2013. Net loss in 4Q13 was **766m EUR** (-67m EUR in 4Q12)
- **Signs of an improvement in Irish economic conditions emerged** in the latter part of 2013, with rising employment and better consumer sentiment. Some further improvement is expected to build gradually through 2014
- A more positive trend in transactions and prices in the **residential property market** became established as 2013 progressed. National prices ended the year 6.4% higher, primarily led by strong gains in Dublin of 15.3% over the year, contrasting with a 0.4% decrease in the non-Dublin area. Recent evidence of a turnaround in the **commercial** property market is expected to continue in 2014
- 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 Q4 public target** set by the Central Bank of Ireland
- Continued **successful retail deposit campaign** with gross retail deposit levels increased by c.€0.8bn EUR since end 2012 to 2.9bn EUR at end 4Q13 and approx. 6,000 new customer accounts opened in the quarter. **Demand for mortgage products continues to increase** with rising consumer confidence and increased brand awareness
- Following the launch of **personal current accounts** in September 2013, KBCI will shortly introduce complementary consumer finance products, in the form of Credit Cards and Personal Loans. Customer growth is being driven by an expanding digitally led distribution model supported by selective new office locations
- **Local tier-1 ratio** of 12.2% at the end of 4Q13
- Going forward, loan loss provisions are expected to be in the range of 150m-200m EUR for FY14 and 50m-100m EUR for each of FY15 and FY16. Profitability expected from 2016 onwards
- The current definition of Non Performing loans (NPL) being PD11-12 will be reviewed in 2014 in the context of the draft October 2013 EBA paper and May 2013 Central Bank of Ireland Impairment Provisioning and Disclosure Guidelines. 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

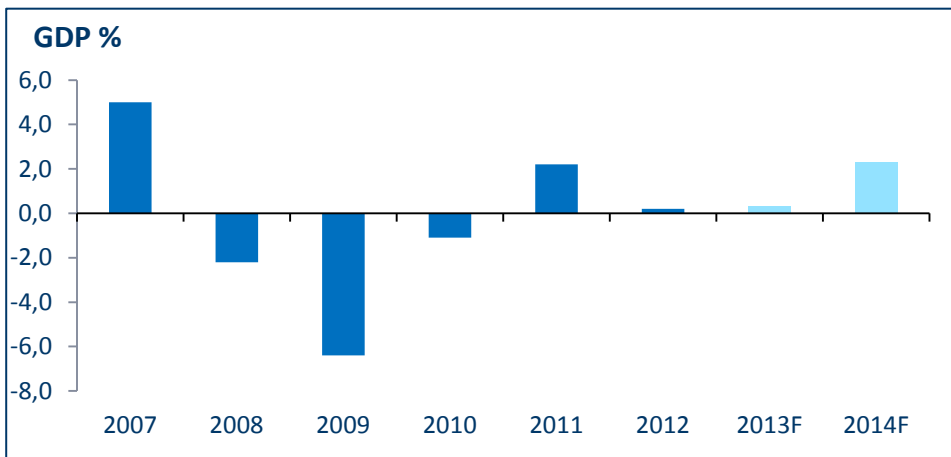


Source: Irish Residential Property Prices - CSO Index

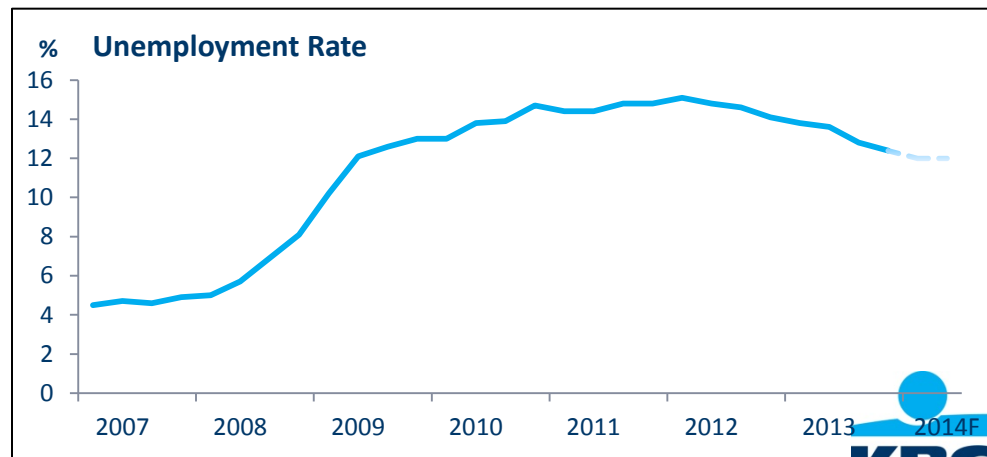


Source: Irish Residential Property Prices - CSO Index

CONTINUING TENTATIVE SIGNS OF GDP GROWTH

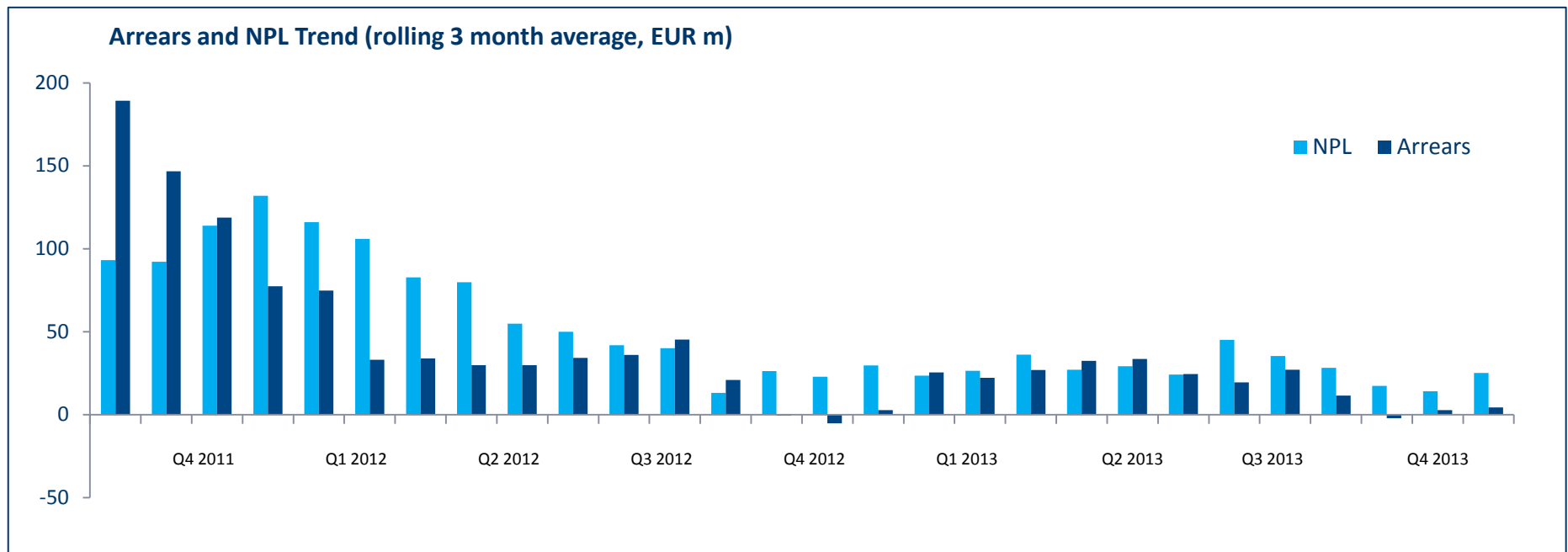


UNEMPLOYMENT RATE DECREASED SLIGHTLY IN 2013



Ireland (3) Key indicators show tentative signs of stabilisation

KBC IRELAND - DECREASING RESIDENTIAL MORTGAGE ARREARS & NPL



Ireland (4) Homeloans portfolio

3Q13

	PD	Exposure	Impairment	Cover %
PERFORMING	PD 1-8	6,711	16	0.2%
	Of which without restructure	5,894		
	Of which in Live restructure	817		
	PD 9	2,391	125	5.2%
	Of which without restructure	663		
	Of which in Live restructure	1,727		
NPL	PD 10	273	78	28.6%
	PD 11	2,507	710	28.3%
	PD 12	310	155	49.9%
TOTAL PD1-12		12,192	1,084	
Total Impairment/NPL Exposure				38.5%
Total Impairment/NPL Exposure (taking MIG and RI into Account)				44.8%



4Q13

	PD	Exposure	Impairment	Cover %
PERFORMING	PD 1-8	5,594	18	0.3%
	Of which without restructure	5,566		
	Of which in Live restructure	28		
	PD 9	1,259	91	7.2%
	Of which without restructure	1,016		
	Of which in Live restructure	243		
NPL	PD 10	2,413	563	23.3%
	PD 11	2,491	806	32.4%
	PD 12	368	192	52.2%
TOTAL PD1-12		12,125	1,670	
Total Impairment/NPL Exposure				58.4%
Total Impairment/NPL Exposure (taking MIG and RI into Account)				65.4%

+2.1bn EUR
to PD 10

Amounts in m EUR

+586m EUR increase in accumulated impairment, of which +563m EUR additional charge through P/L

- **2.1bn EUR** of restructured mortgage loans moved **from PD 1-9 (Performing) to PD 10 (Performing, but impaired)**
- The subsequent recalibration of the Probability of Default Model resulted in a significant shift in exposures from the PD1-8 to the PD9 portfolio
- **Only 0.3bn EUR** of loans in Live restructure are left in PD 1-9

Ireland (5) Corporate loan portfolio

3Q13

	PD	Exposure	Impairments	Cover %
PERF.	PD 1-8	1,111	4	0.4%
	PD 9	358	13	3.5%
	PD 10	637	193	30.3%
NPL	PD 11	491	238	48.4%
	PD 12	708	443	62.6%
	TOTAL PD1-12	3,305	891	
<i>Total Impairment/NPL Exposure</i>				74.3%



+0.26bn EUR
in PD 10

4Q13

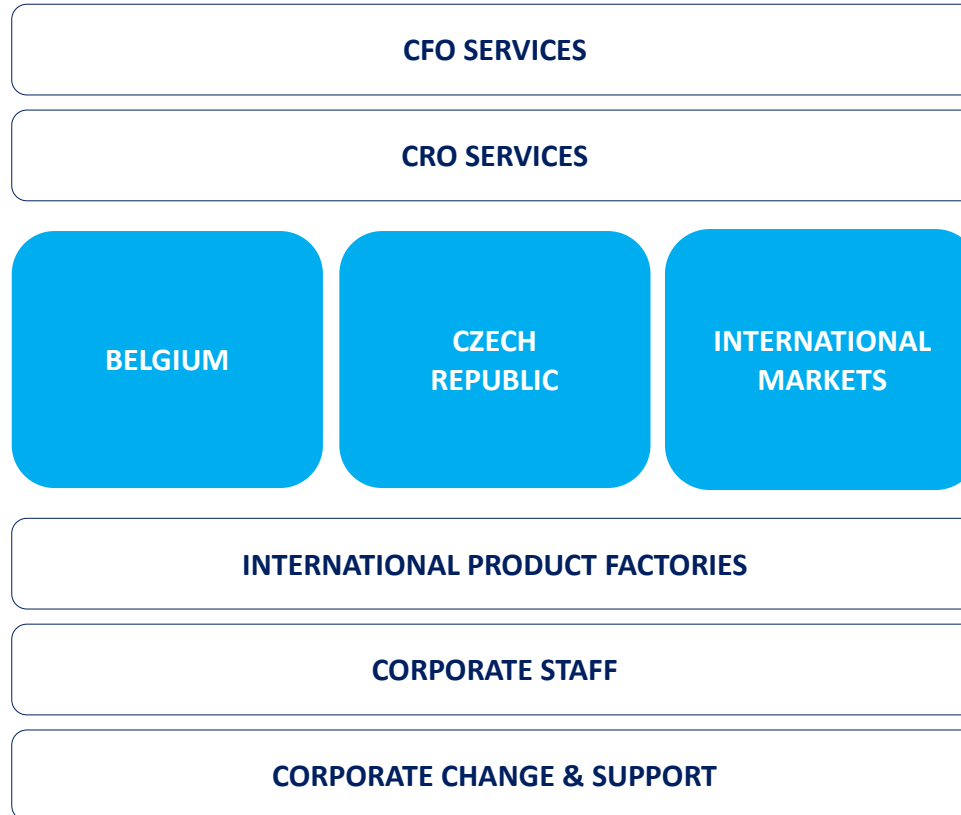
	PD	Exposure	Impairments	Cover %
PERF.	PD 1-8	1050	24	2.3%
	PD 9	72	11	14.9%
	PD 10	895	346	38.7%
NPL	PD 11	482	231	48.0%
	PD 12	656	439	66.9%
	TOTAL PD1-12	3,155	1,052	
<i>Total Impairment/NPL Exposure</i>				92.4%

Amounts in m EUR

+161m EUR increase in accumulated impairment, of which +210m EUR additional charge through P/L

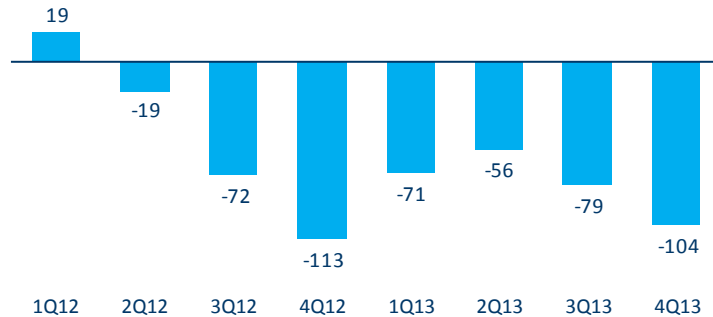
- Due to a more prudent outlook on future cashflows and collateral values (given the slower than expected recovery in Ireland), **0.3bn EUR** corporate loans were reclassified **from PD 9 to PD 10** and the impairments on impaired loans were increased
- An impairment charge of 210m EUR was recognised on the Corporate portfolio in 4Q13. Offsetting reductions of 49m EUR in the accumulated impairment included 44m EUR of write-offs relating to exited loans

GROUP CENTRE



Group Centre

ADJUSTED NET RESULT



- **Adjusted net result: -104m EUR**

- KBL *epb* and Fidea were deconsolidated in the adjusted net result as of 1Q12, Warta and Zagiel as of 3Q12, NLB as of 4Q12, Kredyt Bank as of 1Q13 and Absolut Bank as of 2Q13
- The Group Centre result is comprised of the results of the holding activities, 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 -81m EUR adjusted net result from group item (ongoing business) in 4Q13 is mainly driven by the net subordinated debt cost (-41m EUR) and net funding cost of participations (-12m EUR), besides general ICT expenses and HQ costs (which cannot be allocated to the business units)

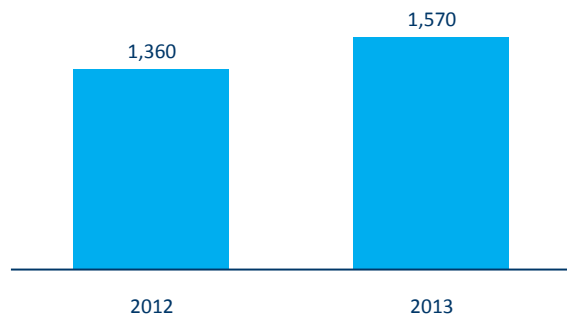
BREAKDOWN OF ADJUSTED NET RESULT AT GROUP CENTRE

	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13
Group item (ongoing business)	-53	-76	-71	-108	-73	-60	-70	-81
Planned divestments	72	57	-1	-4	2	4	-9	-23
TOTAL adjusted net result at GC	19	-19	-72	-113	-71	-56	-79	-104

Overview of results based on business units

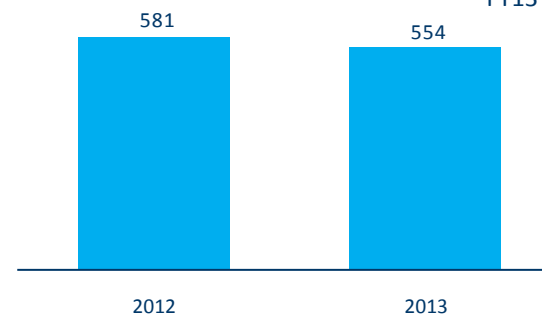
NET PROFIT - BELGIUM

FY13 ROAC: 28%



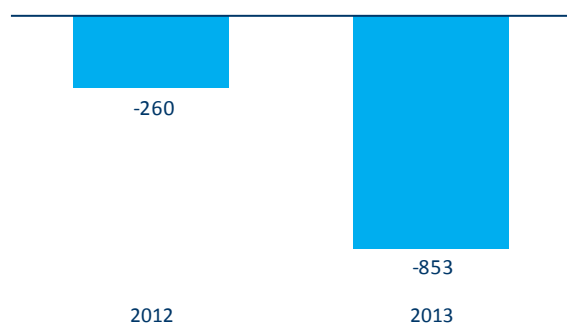
NET PROFIT - CZECH REPUBLIC

FY13 ROAC: 35%

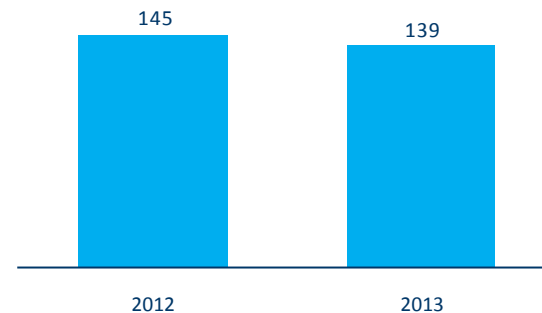


NET PROFIT - INTERNATIONAL MARKETS

FY13 ROAC: -50%



NET PROFIT - INTERNATIONAL MARKETS EXCL. IRELAND



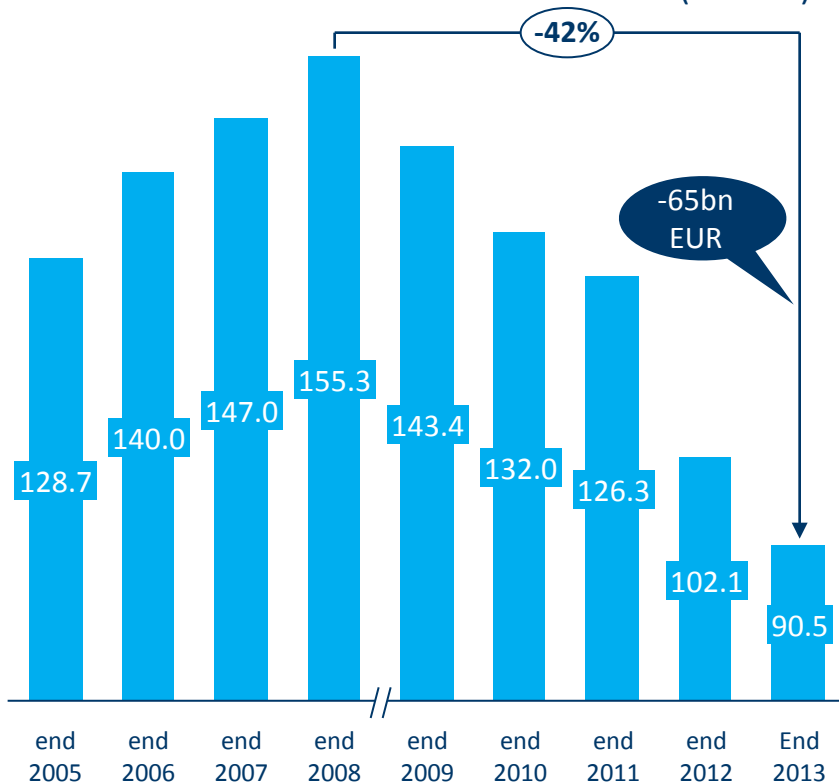
Section 3

Divestments and derisking

RWA reduced by more than initially planned

- **42% reduction in risk weighted assets between the end of 2008 and 2013** due mainly to divestment activities
 - Further progress on divestments: we have signed an agreement to sell Antwerp Diamond Bank
 - The increase of 0.3bn EUR in RWA during 4Q13 was attributable entirely to the Belgium Business Unit (+2.0bn EUR, e.g. due to the 5% extra risk weighting for Belgian mortgages and SME & corporate model reviews), partly offset by the Group Centre (-0.9bn EUR, mainly at legacy portfolios) and the Czech Republic Business Unit (-0.6bn EUR thanks to depreciation of CZK)

KBC GROUP RISK WEIGHTED ASSETS (bn EUR)



SELECTED DIVESTMENTS

KBC FP Convertible Bonds	✓
KBC FP Asian Equity Derivatives	✓
KBC FP Insurance Derivatives	✓
KBC FP Reverse Mortgages	✓
KBC Peel Hunt	✓
KBC AM in the UK	✓
KBC AM in Ireland	✓
KBC Securities BIC	✓
KBC Business Capital	✓
Secura	✓
KBC Concord Taiwan	✓
KBC Securities Romania	✓
KBC Securities Serbia	✓
Organic wind-down of international MEB loan book outside home markets	✓
Centea	✓
Fidea	✓
Warta	✓
KBL European Private Bankers	✓
Zagiel	✓
Kredyt Bank	✓
NLB	✓
Absolut Bank	✓
KBC Banka	✓
KBC Bank Deutschland	Signed
Antwerp Diamond Bank	Signed

Net CDO exposure significantly reduced over 2013

IN BN EUR	NET CDO EXPOSURE	OUTSTANDING MARKDOWNS
<ul style="list-style-type: none"> ■ CDO exposure protected with MBIA ■ Other CDO exposure 	5.3 1.1	-0.1 -0.2
TOTAL	6.3	-0.2

Reduction of 9.2bn EUR in net exposure in 2013 owing mainly to the collapsing of several CDOs

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 reduce further 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)

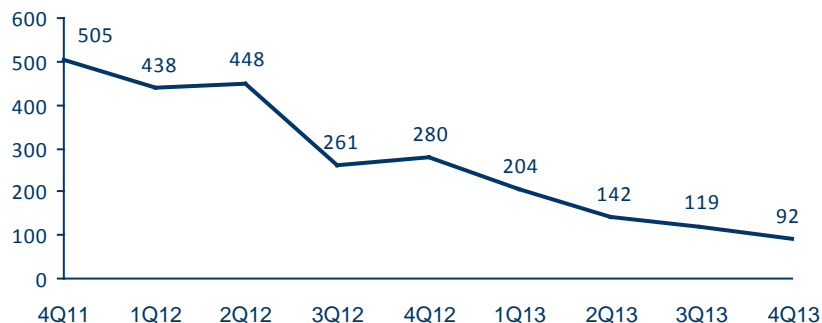
In this context, we already collapsed one CDO in 1Q14 (which will lead to a decrease in exposure of roughly 2bn EUR and a decrease in RWA of roughly 0.7bn EUR)

P&L sensitivity decreased by 188m EUR over 2013 following collapses and de-risking activities in 1Q13 and 2Q13, and the tightening of the credit spreads for the names underlying the deals

Note that in 2Q13, the provision rate for MBIA was lowered from 80% to 60% after improvements in its creditworthiness

For more info, see slides 78-80 in annex

NEGATIVE P&L IMPACT¹ (m EUR) OF A 50% WIDENING IN CORPORATE AND ABS CREDIT SPREADS



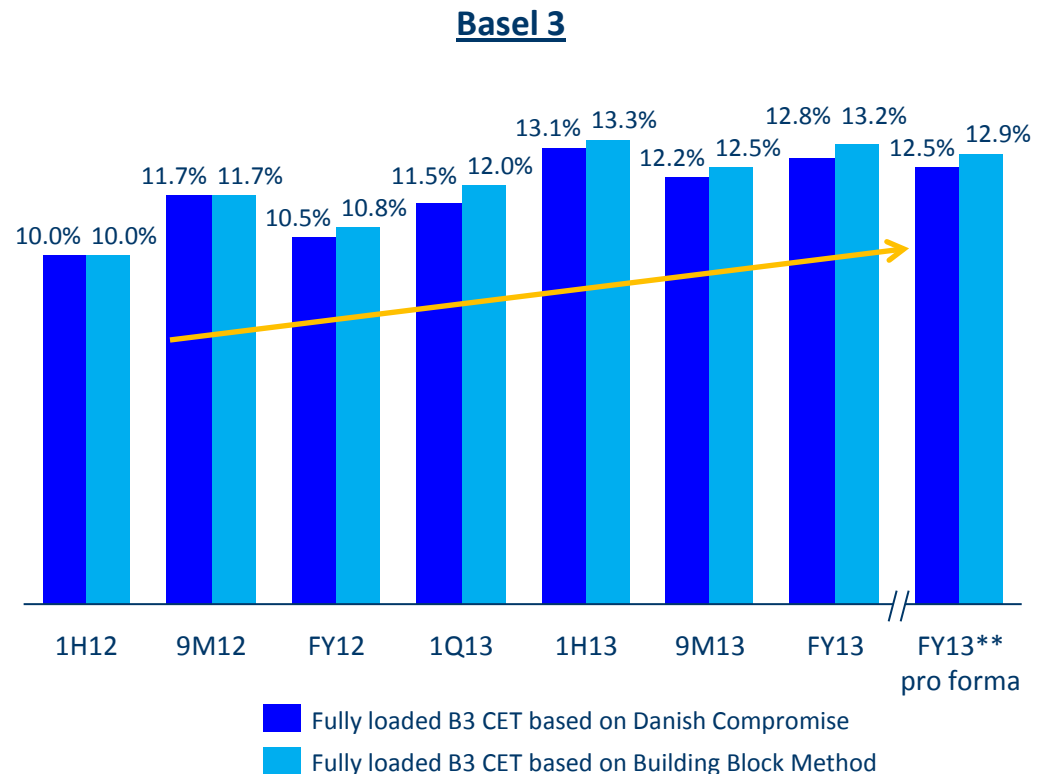
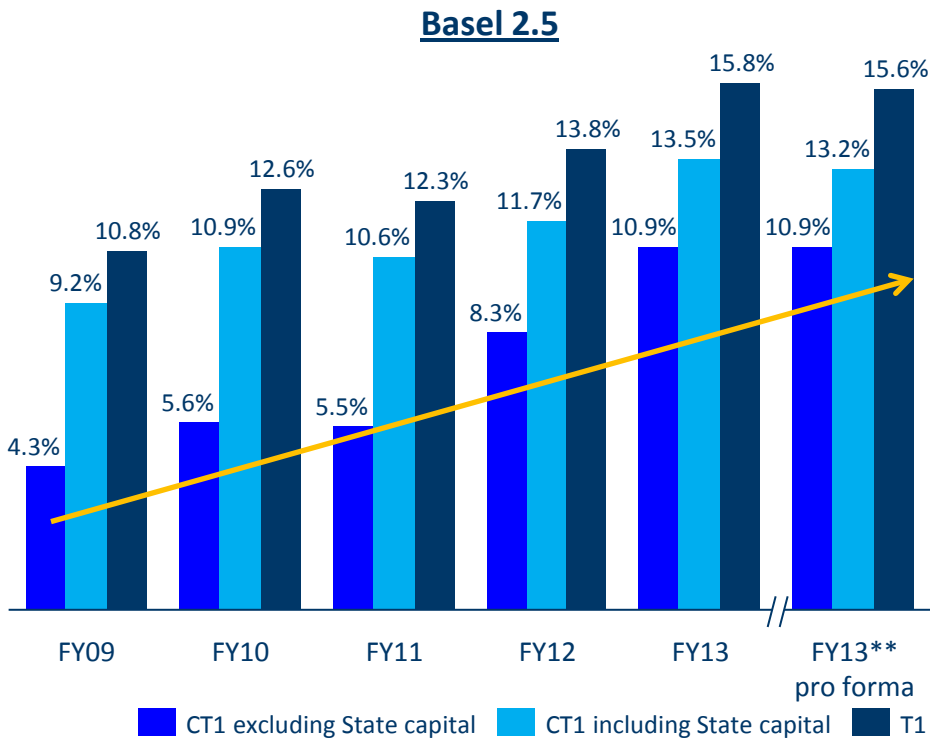
1. Taking into account the guarantee agreement with the Belgian State

Section 4

Strong solvency and solid liquidity

Strong capital position

- **Strong tier-1 ratio*** of 15.8% and **core tier-1 ratio*** of 13.5% under B2.5
- **Pro forma common equity ratio (B3 fully loaded*)** of **12.5%** based on the Danish Compromise
- **Leverage ratio Basel 3 fully loaded: 4.4%** at KBC Bank Consolidated, based on current CRR legislation



* With remaining State aid included in CET1 as agreed with local regulator

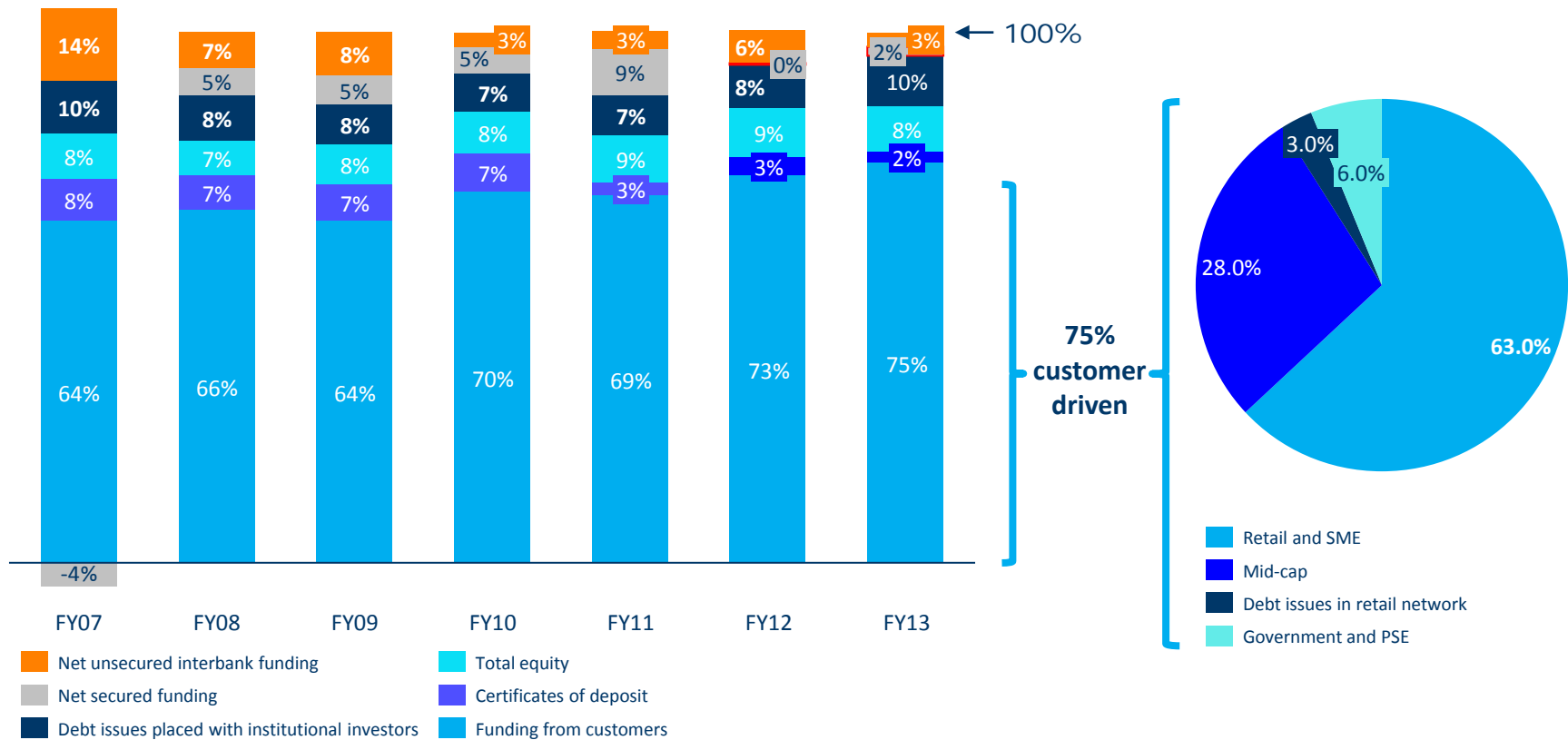
** FY13 pro forma CT1 includes the effects of the accelerated repayment of 0.33bn EUR of State aid to the Flemish Regional Government (+50% penalty) and the impact of the signed divestments of KBC Bank Deutschland and Antwerp Diamond Bank (ADB)

Dividend proposal

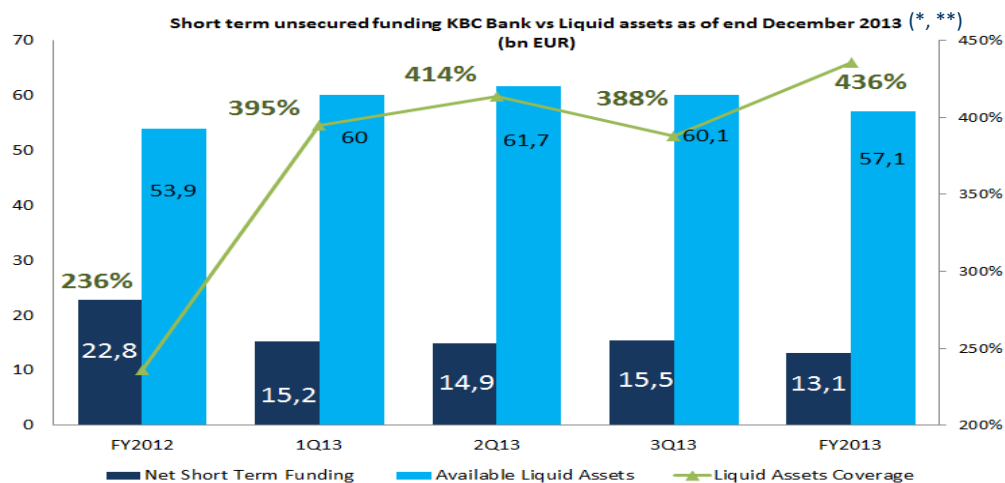
- **No dividend** will be proposed over the **accounting years 2013 and 2015**. As such, this would imply that no coupon (8.5%) will be paid on the remaining outstanding Yield Enhanced Securities (YES) subscribed to by the Flemish Regional Government over that accounting year, fully in line with the terms & conditions of the Flemish State aid. Nevertheless, the return which the Flemish Region will receive on these instruments will remain well in excess of the minimum guaranteed internal rate of return of 10% per year for the full holding period
- In relation to the **accounting year 2014**, the intention is to propose to pay a **gross dividend of up to 2.00 EUR per share** (out of the available profits generated in that accounting year)
- **From accounting year 2016 onwards**, it is the intention to resume **regular dividend payments**. The precise dividend policy from then onwards will be disclosed at the KBC Investor Day later this year (when available)
- Any dividend payment will be subject to the usual approval of the 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)



* In line with IFRS5, the situation at the end of 4Q13 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

Ratios	4Q13	Target 2015
NSFR ¹	111%	105%
LCR ¹	131%	100%

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 maintained an excellent liquidity position in 4Q13 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

■ NSFR at 111% and LCR at 131% by the end of 4Q13

- In compliance with the implementation of Basel 3 liquidity requirements, KBC is targeting LCR and NSFR of at least 100% and 105%, respectively by 2015

KBC Group

Section 5

Wrap up 4Q 2013

Wrap up 4Q 2013

- 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, also after taking into account the additional impairments in Ireland and Hungary in 4Q13 (as a result of the reassessment of the loan books)

KBC Group

Section 6

Key takeaways FY 2013

Key takeaways FY 2013

■ Successful underlying earnings track record

- **Net result of 1,015m EUR and adjusted¹ net result of 960m EUR in FY13.** This was heavily distorted by the one-off additional impairments in Ireland and Hungary due to the reassessment of the loan books
- **Excluding these one-off additional impairments (688m post-tax), net result amounted to 1,703m EUR, while the adjusted net result amounted to 1,648m EUR in FY13.** The latter is the result of:
 - Strong commercial bank-insurance franchises in our core markets and core activities
 - Stable net interest margin
 - Net fee and commission income increased 15% y-o-y; AuM increased 5% y-o-y
 - Sharply higher other net income, higher net realised gains from AFS assets and net gains from financial instruments at fair value
 - Higher non-life insurance sales and sharply lower life insurance sales (mainly due to the increase in insurance tax from 2013 onwards)
 - Good combined ratio (94% in FY13)
 - Opex stabilised y-o-y (excl. one-off items), leading to an excellent cost/income ratio (52% in FY13 and 54% adjusted for specific items)
 - Lower impairment charges

■ Solid capital and robust liquidity position

- **Pro forma² common equity ratio** (B3 fully loaded³ based on Danish Compromise) **of 12.5%** at end 2013
- **Continued strong liquidity position** (NSFR at 111% and LCR at 131%)

■ Dividend proposal⁴

- **No dividend** will be proposed over the **accounting years 2013 and 2015**, fully in line with the terms & conditions of the Flemish State aid
- In relation to **accounting year 2014**, the intention is to propose to pay a **gross dividend of up to 2.00 EUR per share** (out of the available profits generated in that accounting year)
- From **accounting year 2016 onwards**, it is the intention to resume **regular dividend payments**

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. Pro forma figures include the effects of the accelerated repayment of 0.33bn EUR of State aid to the Flemish Regional Government (+50% penalty) and the impact of the signed divestments of KBC Bank Deutschland and Antwerp Diamond Bank (ADB)

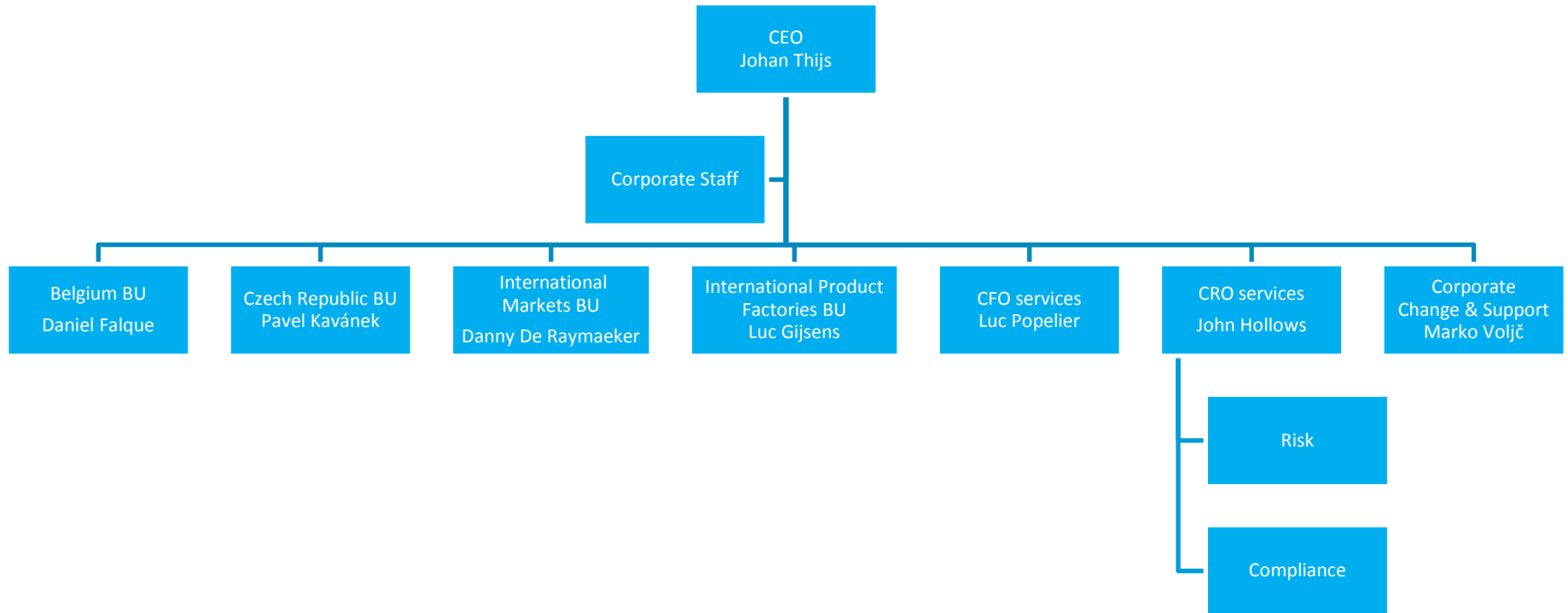
3. Including remaining State aid of 2bn EUR

4. Any dividend payment will be subject to the usual approval of the regulator

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 already guided, profitability in Ireland is expected from 2016 onwards
 - A fully loaded B3 common equity ratio of minimum 10%
 - LCR and NSFR of at least 100% and 105%, respectively, by 2015

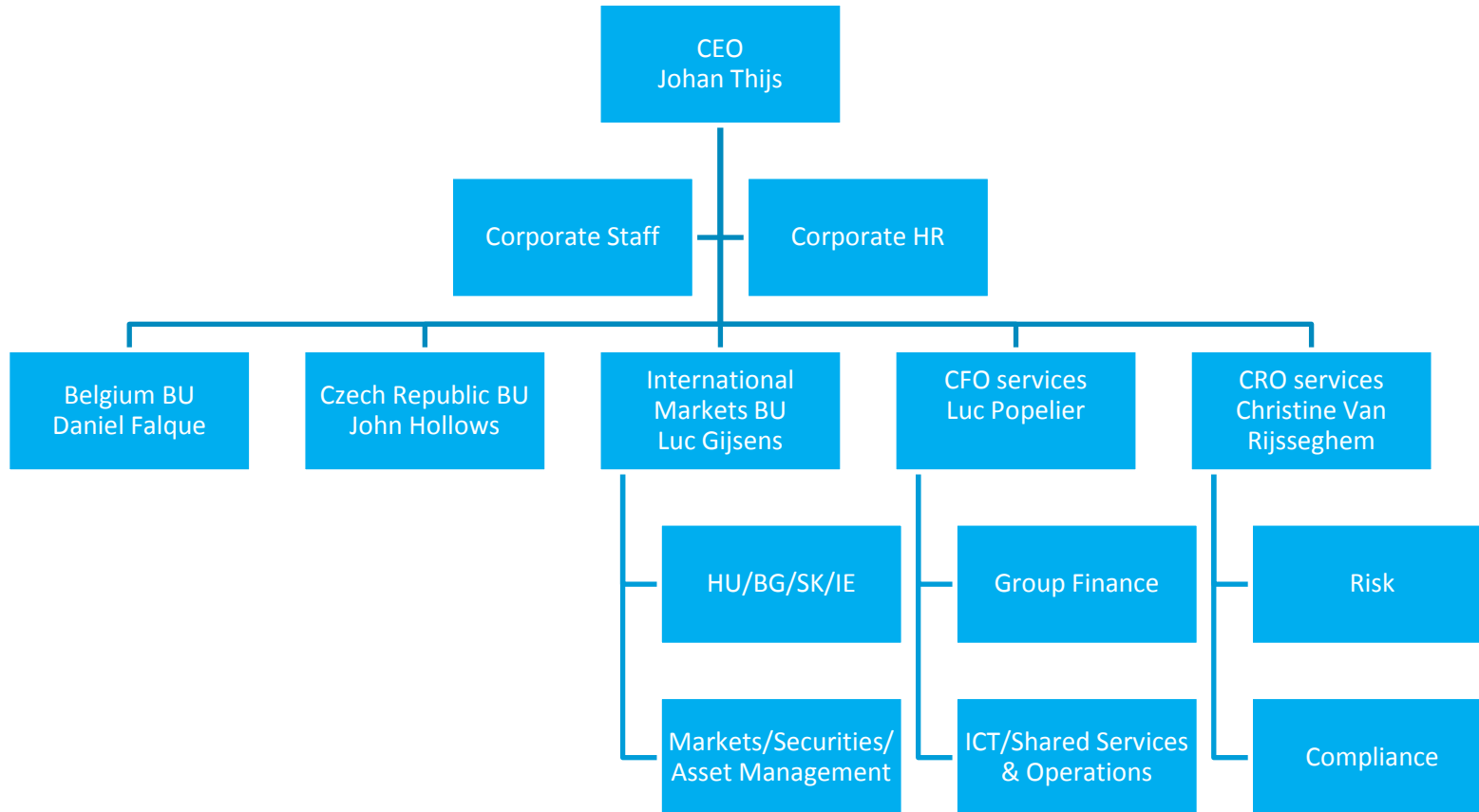
Existing organisational structure of KBC Group



*

Adapted organisational structure of KBC Group fully reflecting the reduced size and complexity of KBC Group

- As of 1 May 2014



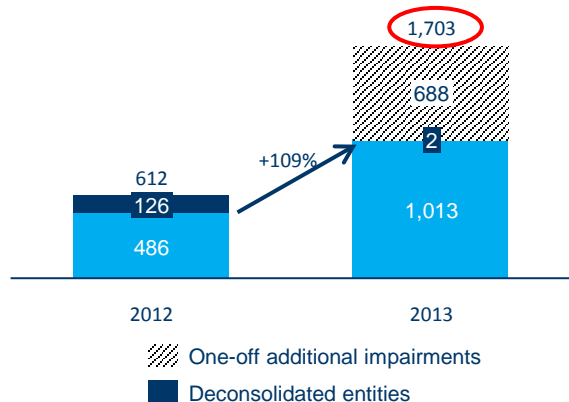
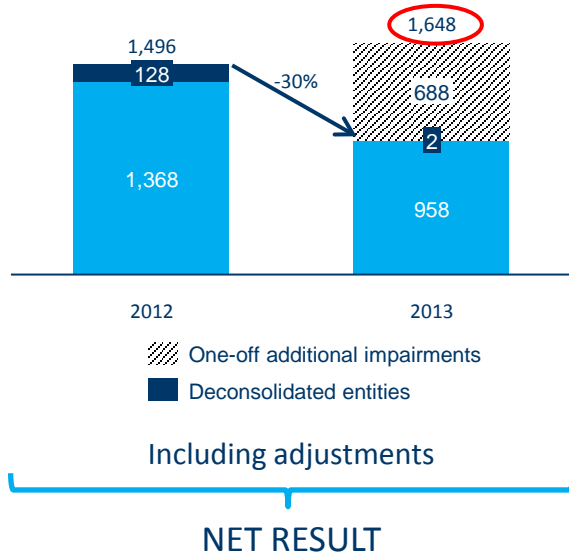
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Annex 1

FY 2013 performance of KBC Group

FY 2013 Group profit

ADJUSTED NET RESULT*



Adjusted net result of 960m EUR in 2013

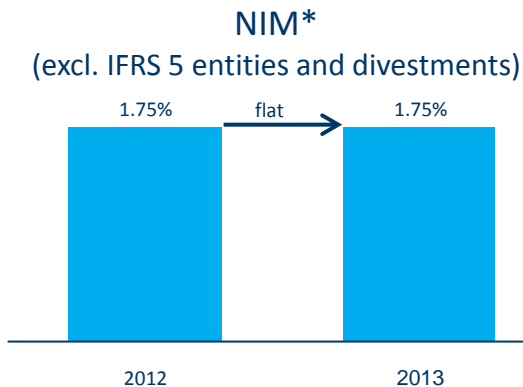
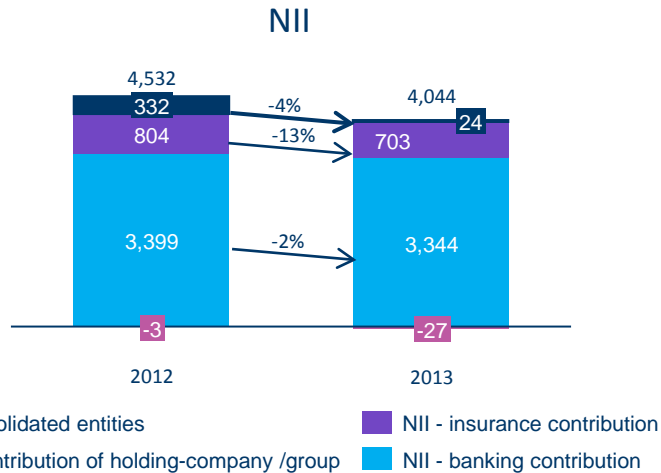
Excluding deconsolidated entities:

- Adjusted net result fell by 30% y-o-y to 958m EUR due entirely to sharply higher loan loss provisions (as a result of the reassessment of the loan books in Ireland and Hungary in 4Q13) and a higher tax rate
- Good revenue generation (increase of net fee & commission income, net gains from FIFV, gains realised on AFS assets and other income more than offset the decline in NII)
- Strict cost management (stabilised y-o-y excluding one-off items)

Net result of 1,015m EUR in 2013 sharply increased y-o-y

- Net result in 2013 was positively impacted by 55m legacy + own credit risk items (post-tax):
 - Revaluation of structured credit portfolio: +446m EUR (compared to 425m EUR in 2012)
 - Divestments: -348m EUR (compared to -778m EUR in 2012)
 - M2M of own credit risk: -43m EUR (compared to -531m EUR in 2012)

Net interest income and margin



Amounts in m EUR

■ Net interest income

- On a comparable basis (excluding deconsolidated entities), net interest income fell by 4% y-o-y due to lower reinvestment yields and shift to unit-linked life insurance products
- NII contribution of banking activities only fell 2% y-o-y, while NII contribution of insurance activities fell 13% y-o-y
- On a comparable basis, loan volumes decreased by 2% y-o-y, as an increase of 6% y-o-y in the Czech Republic BU was more than offset by the decrease of 2% y-o-y in the Belgium BU and 7% y-o-y in the International Markets BU (due to Ireland and Hungary)
- Deposit volumes stabilised y-o-y on a comparable basis: the y-o-y increases in the Belgium BU (+2%), in the Czech Republic BU (+4%) and in the International Markets BU (+9%) were fully offset by a 9% decrease in the Group Centre

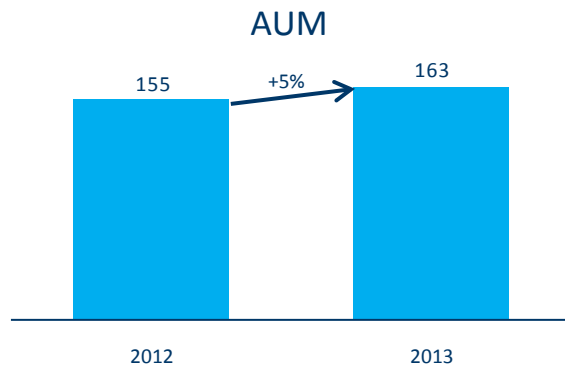
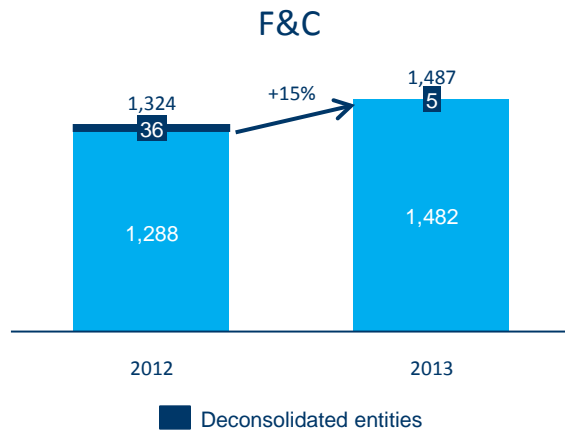
■ Net interest margin (1.75%)

- Stabilised y-o-y
- Sound commercial margins and lower funding costs at KBC Group level (not allocated to specific BUs) offset the negative impact from lower reinvestment yields and higher subordination costs

* Net interest margin: net interest income divided by total interest bearing assets excl. reverse repos of KBC Bank



Net fee and commission income and AUM



■ Strong net fee and commission income

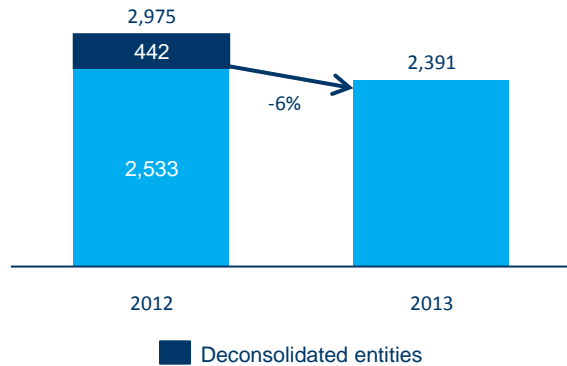
- Increased by 15% y-o-y excluding deconsolidated entities
- This increase was driven mainly by higher entry and management fees on mutual funds in the Belgium BU. Furthermore, part of the y-o-y increase was the result of better pricing of certain products & services in Hungary from 2013 onwards

■ Assets under management (163bn EUR)

- Rose by 5% y-o-y as a result of both net new entries (+1%) and positive price effects (+4%)

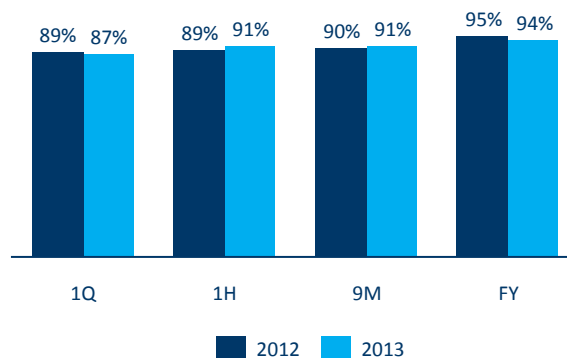
Premium income and combined ratio

PREMIUM INCOME (GROSS EARNED PREMIUM)



- **Insurance premium income** (gross earned premium) fell by 6% y-o-y on a comparable basis
- Excluding deconsolidated entities
 - Non-life premium income (1,259m) up 3% y-o-y (the latter accounted for chiefly by the Belgium Business Unit)
 - Life premium income (1,132m) down 14% y-o-y

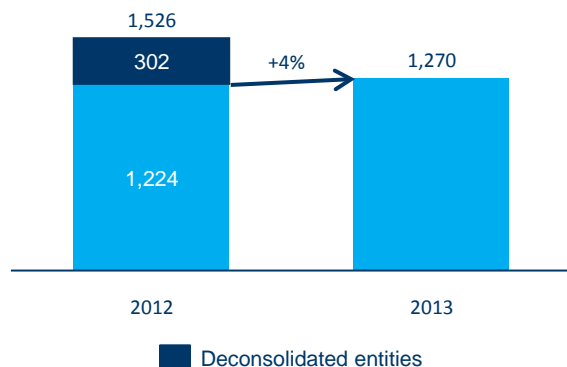
COMBINED RATIO (NON-LIFE)



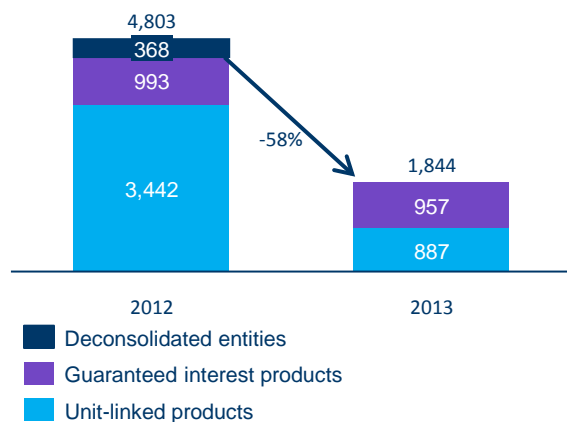
- The non-life **combined ratio** for the full year 2013 stood at a good 94% (despite 2Q13 being negatively impacted by the floods in the Czech Republic)

Sales of insurance products

NON-LIFE SALES (GROSS WRITTEN PREMIUM)



LIFE SALES



Amounts in m EUR

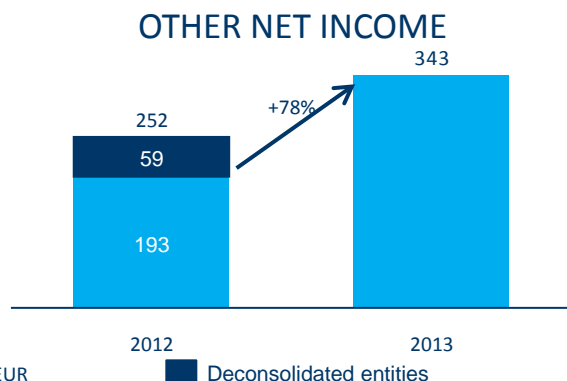
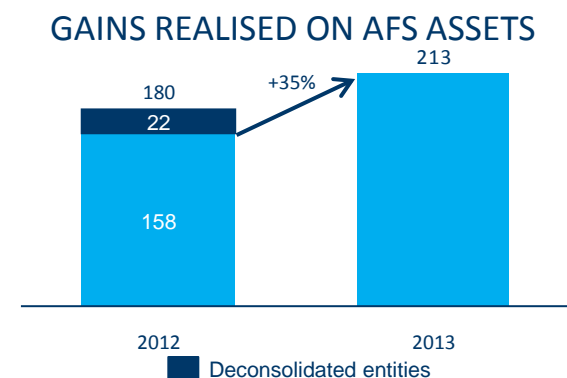
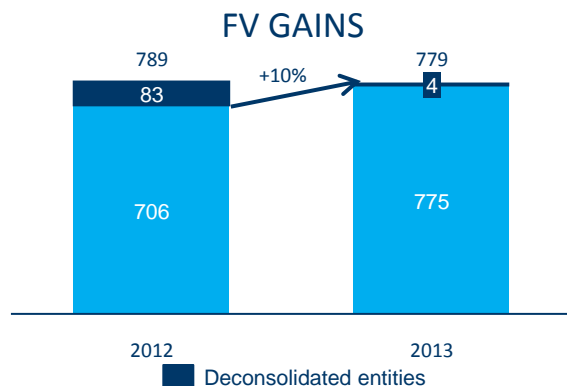
■ Sales of non-life insurance products

- Up 4% y-o-y on a comparable basis

■ Sales of life insurance products

- Down 58% y-o-y on a comparable basis
- The decline in sales of unit-linked products was attributable to the small number of newly launched tranches/campaigns, the increase in insurance tax as from January 2013 and a shift towards AM products (both factors occurring in the Belgium BU). Furthermore, sales of guaranteed interest products declined y-o-y due to the low rate of guaranteed interest
- Sales of unit-linked products accounted for just 48% of total life insurance sales

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

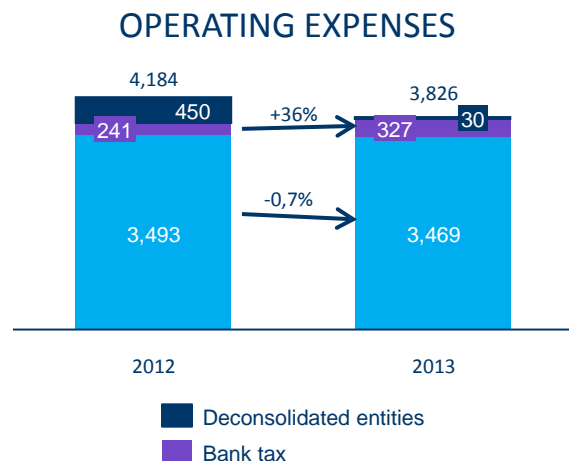


- The higher y-o-y figure for **net gains from financial instruments at fair value** was attributable entirely to the result of a positive change in ALM derivatives (280m EUR in FY13 compared with -60m EUR in FY12)

- **Gains realised on AFS assets** came to 213m EUR (mainly on Belgian AFS assets)

- **Other net income** amounted to a relatively high 343m EUR in FY13, as it included a number of positive one-off items (mainly in the Belgium Business Unit)

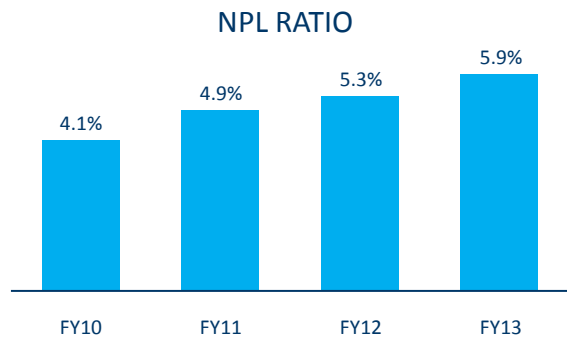
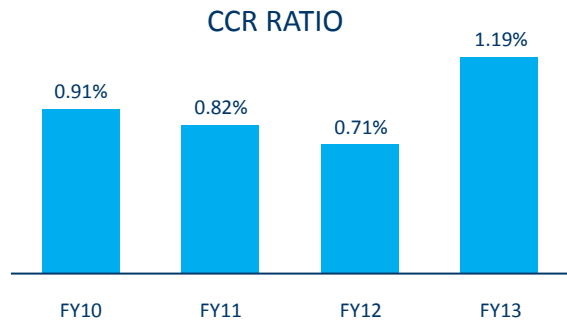
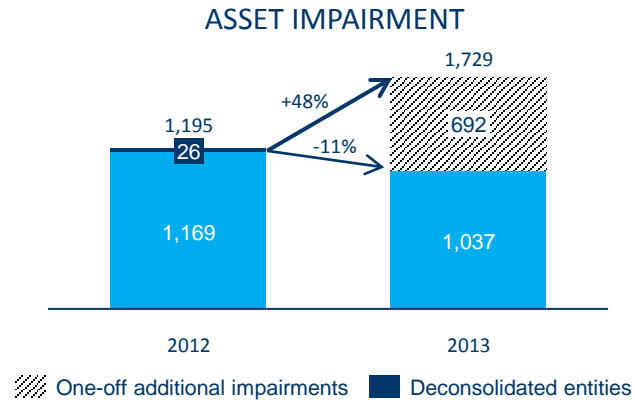
Operating expenses and cost/income ratio



- **Cost/income ratio (banking) at excellent 52% in FY13 (compared with 57% in FY12)**

- Driven by the high M2M impact of ALM derivatives, the sale of AFS assets and high other net income
- Adjusted for specific items, the C/I ratio amounted to roughly 54% in FY13, still an excellent level
- Operating expenses went up by 2% y-o-y excluding deconsolidated entities, accounted for entirely by higher bank tax in Hungary (related to the new financial transaction levy in 2013). Furthermore, higher pension expenses and one-off costs related to staff transition arrangements in the Belgium Business Unit and higher staff expenses in Ireland (increased number of FTEs, particularly in the MARS support unit) were offset by FX effect and lower variable staff remuneration
- Excluding all one-off items, operating expenses stabilised y-o-y

Asset impairment, credit cost and NPL ratio



- **Significantly higher impairment charges**

Excluding deconsolidated entities,

- Total impairments rose by 48% y-o-y
- Excluding the one-off additional loan loss provisions as a result of the reassessment of the loan books in Ireland (671m pre-tax) and Hungary (21m EUR pre-tax), total impairments fell by 11% y-o-y

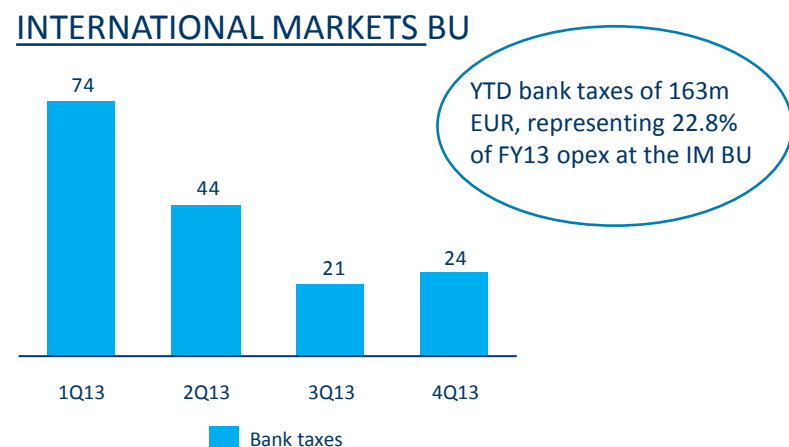
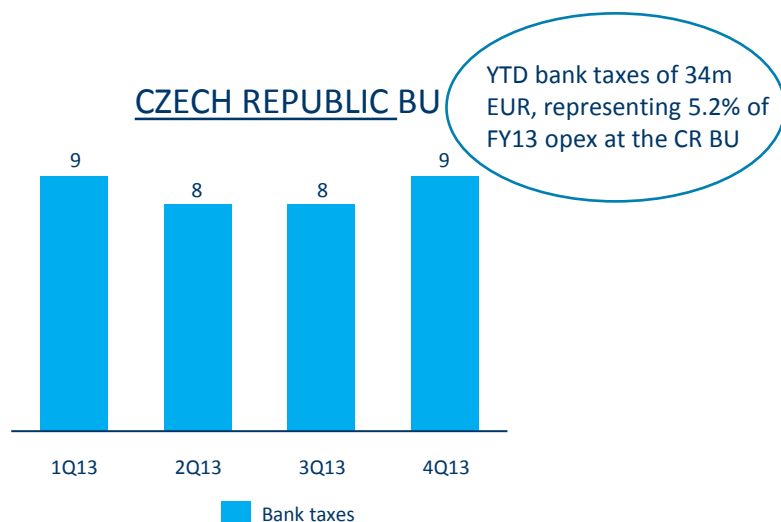
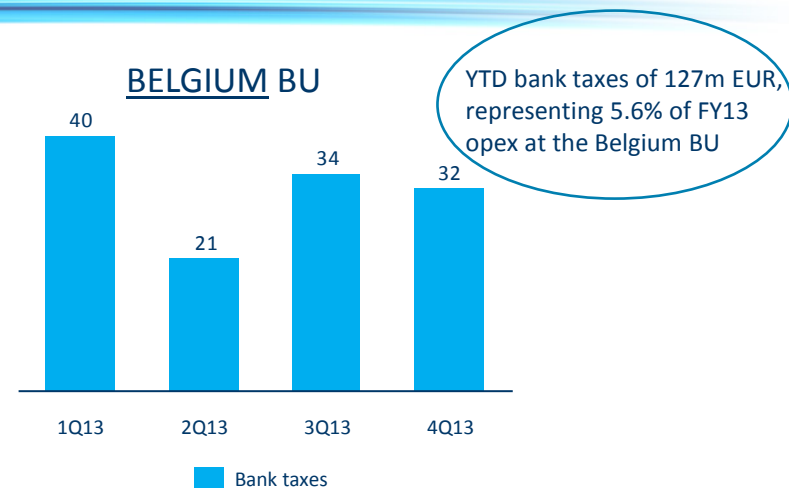
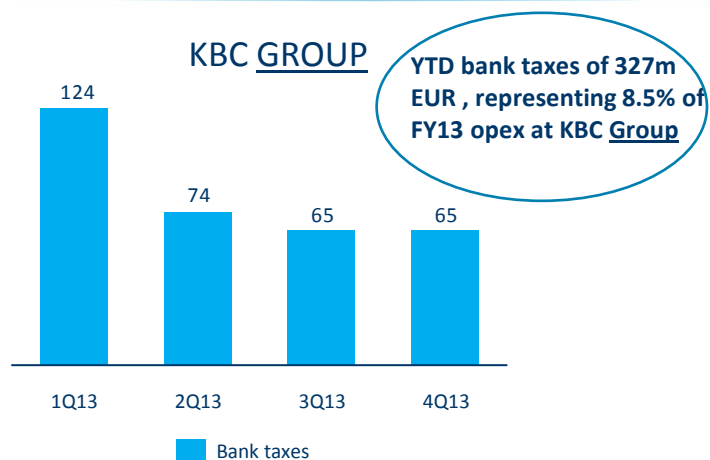
- The **credit cost ratio** amounted to 1.19% in FY13, due chiefly to the one-off additional impairments in Ireland and Hungary as a result of the reassessment of the loan books. Excluding KBC Bank Ireland and the one large corporate file in 1Q13, the CCR stood at 0.45% in FY13

- The **NPL ratio** rose to 5.9%

Annex 2

Other items

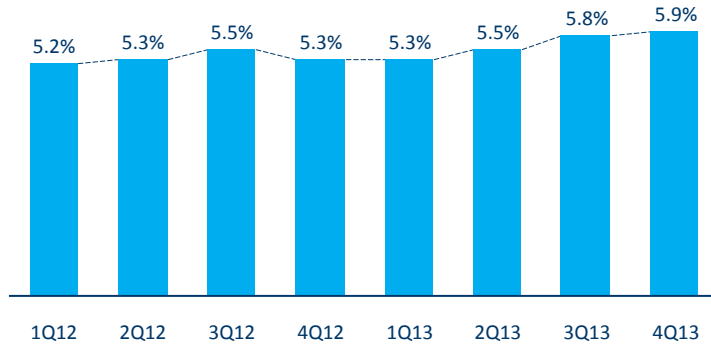
Overview of bank taxes* per business unit



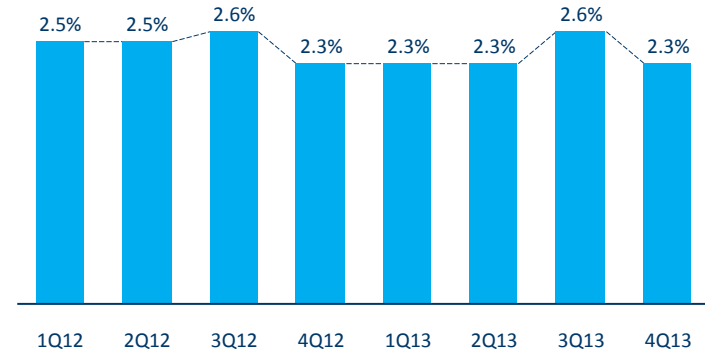
* This refers solely to the bank taxes recognised in opex, and as such it does not take account of income tax expenses, non-recoverable VAT, etc.

NPL ratios at KBC Group and per business unit

KBC GROUP

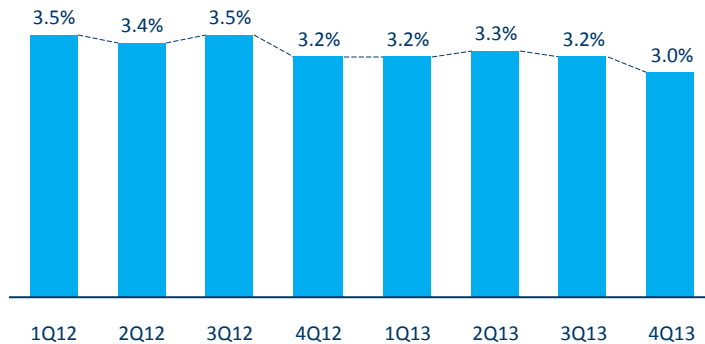


BELGIUM BU

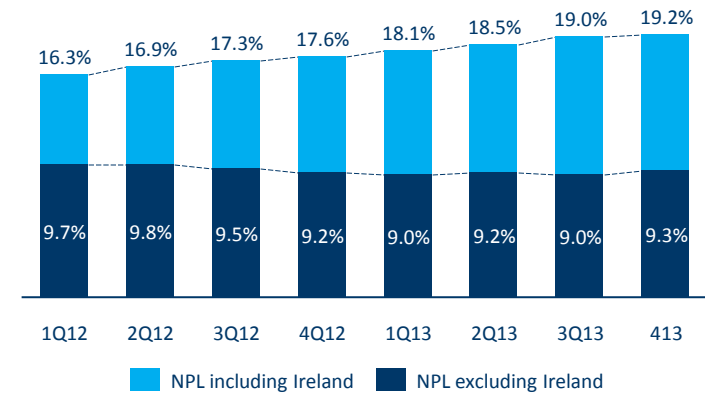


■ non-performing loan ratio

CZECH REPUBLIC BU



INTERNATIONAL MARKETS BU



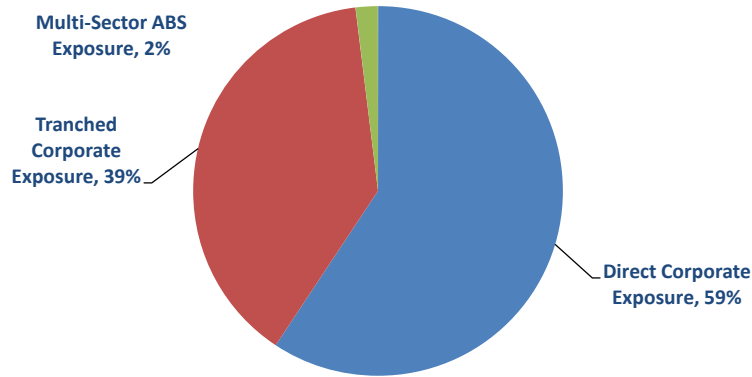
■ NPL including Ireland ■ NPL excluding Ireland



Breakdown of KBC's CDOs originated by KBC FP

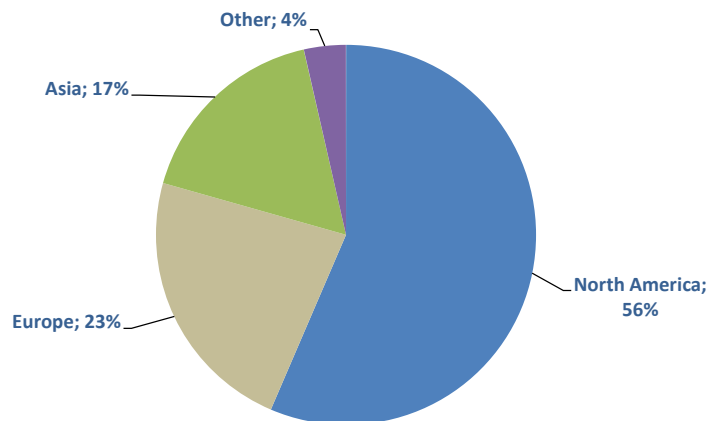
(figures as of 7 January 2014)

BREAKDOWN OF ASSETS UNDERLYING KBC'S CDOs ORIGINATED BY KBC FP¹



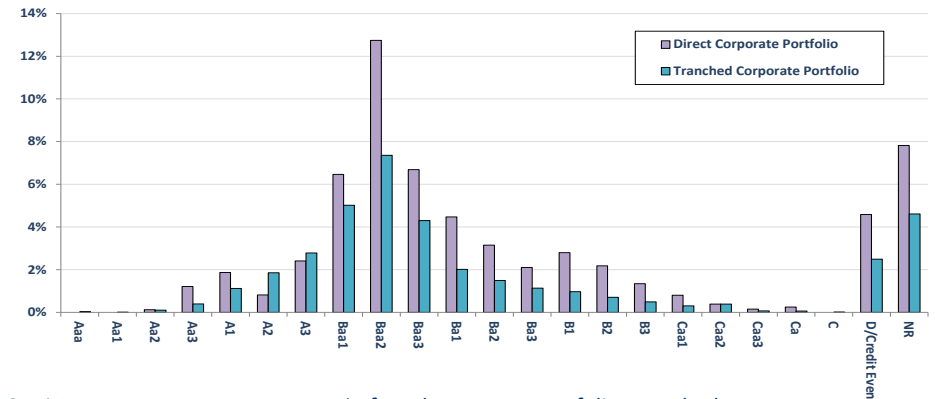
1. as % of total current deal notional, after settled credit events

CORPORATE BREAKDOWN BY REGION²



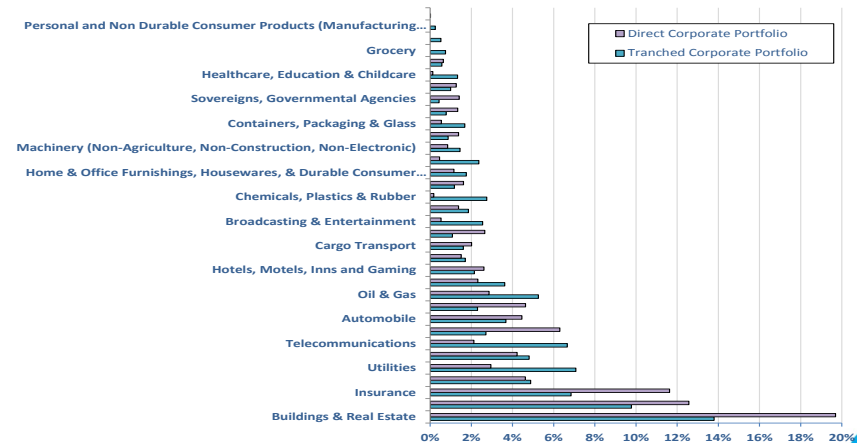
2. Direct and tranching corporate exposure as a % of the total corporate portfolio

CORPORATE BREAKDOWN BY RATINGS³



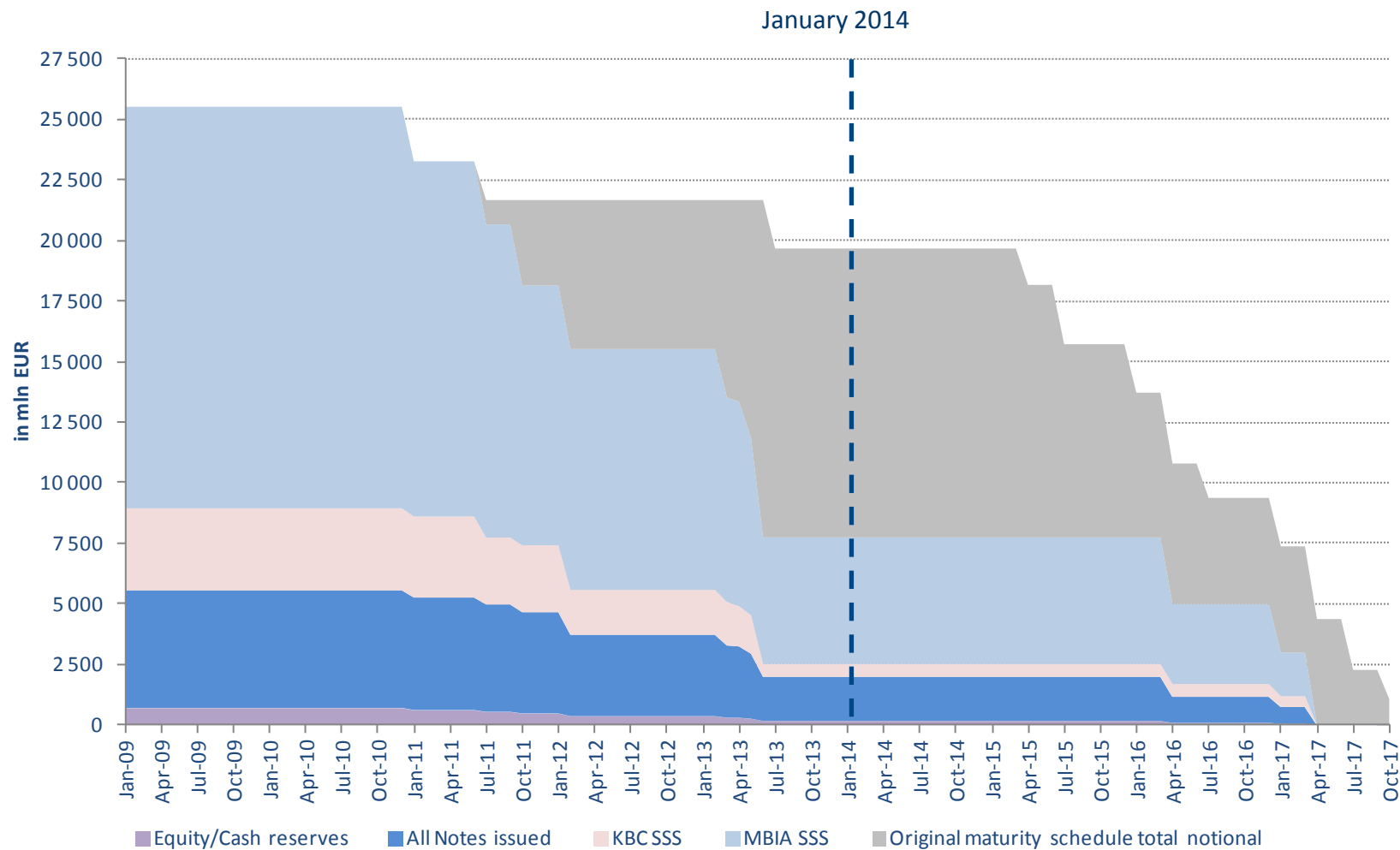
3. Direct corporate exposure as a % of total corporate portfolio; tranching corporate exposure as a % of total corporate portfolio. Figures based on Moody's ratings.

CORPORATE BREAKDOWN BY INDUSTRY⁴



4. Direct corporate exposure as a % of total corporate portfolio; tranching 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 5.9BN* EUROS' WORTH OF CDO-LINKED INSTRUMENTS
 - Scope, instrument-by-instrument approach
 - CDO investments that were not yet written down to zero (0.7bn EUR) when the transaction was finalised
 - CDO-linked exposure to MBIA, the US monoline insurer (5.3bn EUR)
 - First and second tranche: 1.5bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 0.6bn EUR (90% of 0.70bn EUR) from the Belgian State
 - Third tranche: 4.4bn EUR, 10% of potential impact borne by KBC

	Potential P&L impact for KBC	Potential capital impact for KBC
5.9bn - 100%		
1 st tranche	100%	100%
	0.8bn	
5.1bn - 86%		
2 nd tranche	100%	10%
	0.7bn (90% compensated by equity guarantee)	
4.4bn - 74%		
3 rd tranche	10%	10%
	4.4bn (90% compensated by cash guarantee)	

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

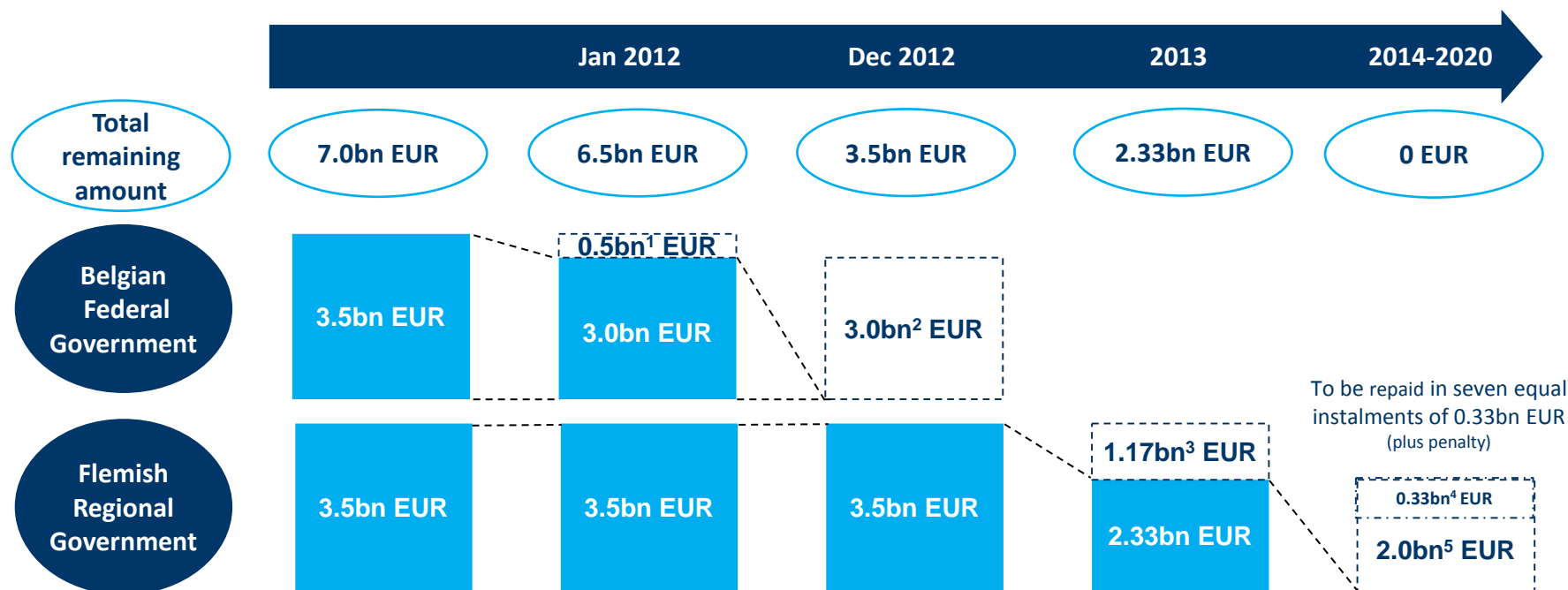
Summary of government transactions (2)

- 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

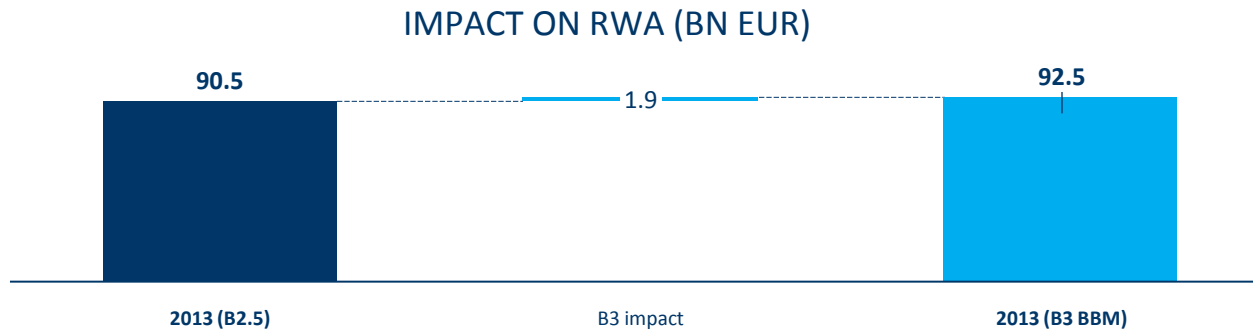
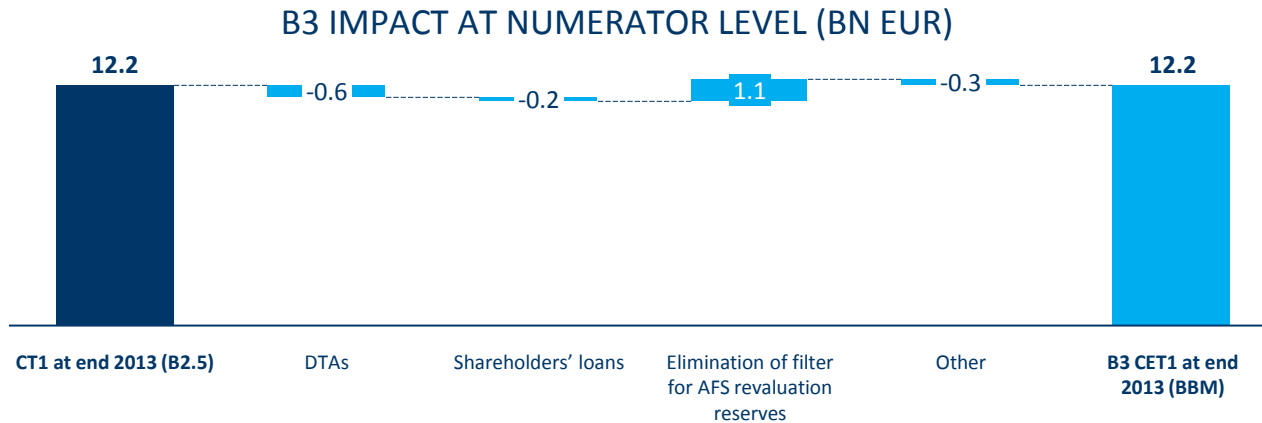
Assessment of the State aid position & repayment schedule

- 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
- KBC is committed to repaying the remaining outstanding balance of 2.33bn EUR owed to the Flemish Regional Government in seven equal instalments of 0.33bn EUR (plus premium) over the 2014-2020 period (KBC however has the option to further accelerate these repayments). At the the beginning of 2014, KBC accelerated the repayment of 0.33bn EUR (plus penalty), and as such saved 28m EUR in interest coupon payments



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

Common equity at end 2013 - Fully loaded B3* based on Building Block Method (BBM)

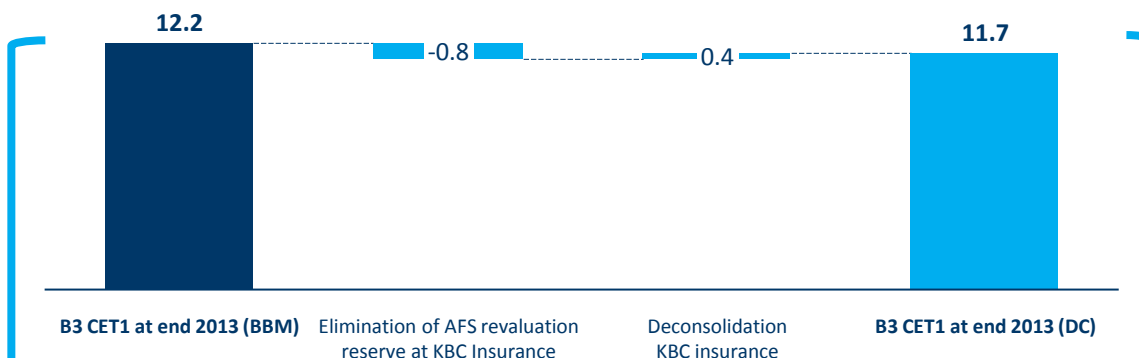


- Fully loaded B3 common equity ratio of approx. 13.2% at end 2013 based on Building Block Method (BBM)
- Announced intention to maintain a fully loaded common equity ratio of minimum 10% as of 1 January 2013

* With remaining State aid included in CET1 as agreed with local regulator

Common equity at end 2013 - Fully loaded B3* From Building Block Method (BBM) to Danish Compromise (DC)

B3 IMPACT AT NUMERATOR LEVEL (BN EUR)



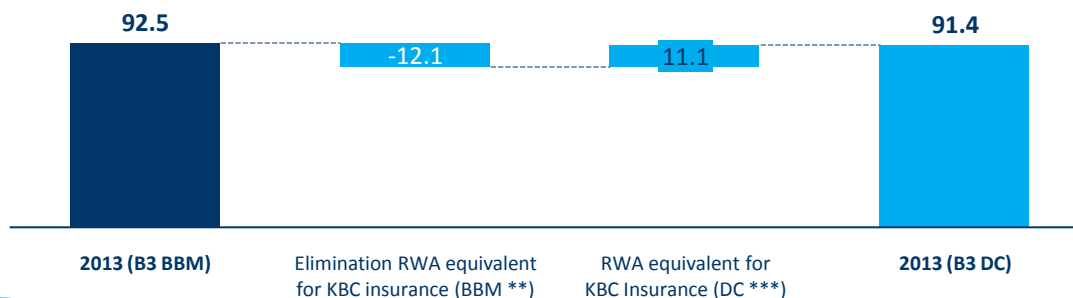
B3 CET1 at end 2013 (BBM)

Elimination of AFS revaluation reserve at KBC Insurance

Deconsolidation KBC insurance

B3 CET1 at end 2013 (DC)

IMPACT ON RWA (BN EUR)



2013 (B3 BBM)

Elimination RWA equivalent for KBC Insurance (BBM **)

RWA equivalent for KBC Insurance (DC ***)

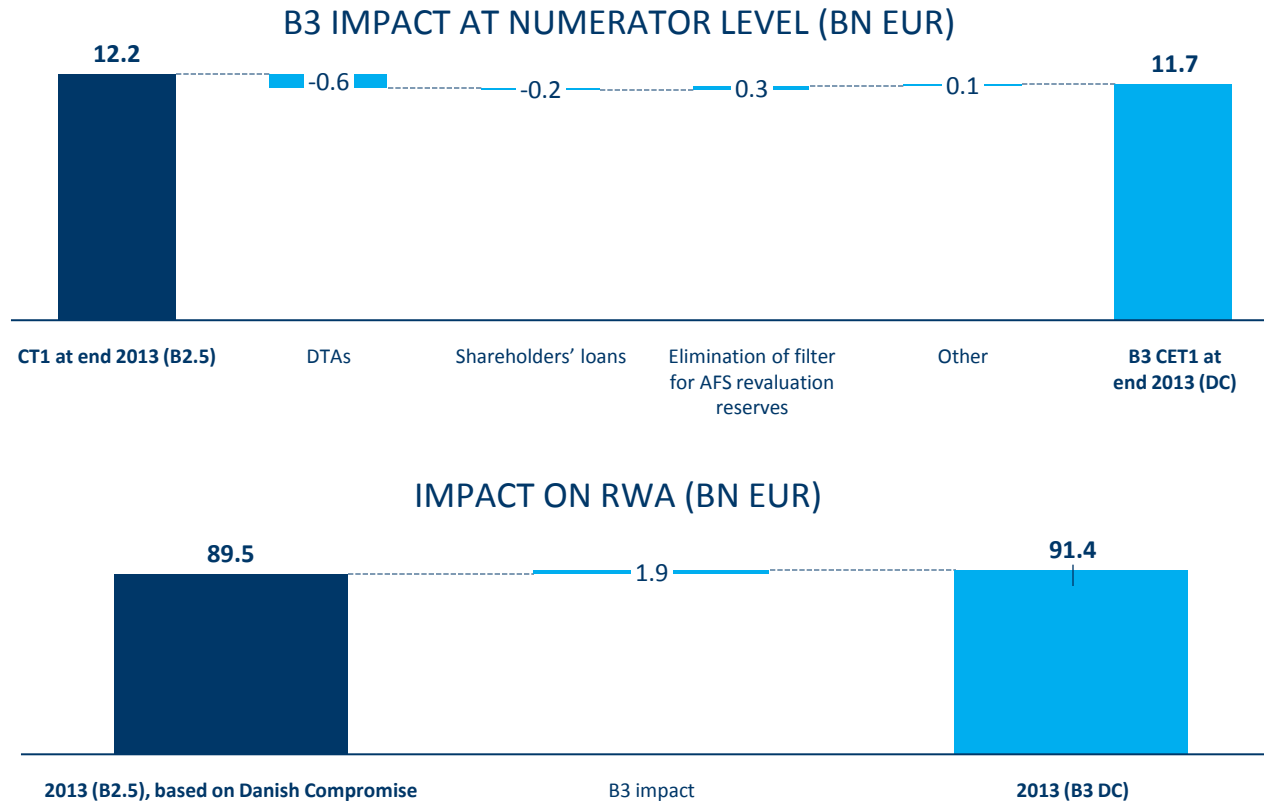
2013 (B3 DC)

Fully loaded B3 common equity ratio of approx. 13.2% at end 2013 based on the Building Block Method (BBM)

Fully loaded B3 common equity ratio of approx. 12.8% at end 2013 based on the Danish Compromise (DC)

- * With remaining State aid included in CET1 as agreed with local regulator
- ** RWA equivalent for KBC Insurance based on BBM: required solvency capital divided by 8%
- *** RWA equivalent for KBC Insurance based on DC: book value of KBCI multiplied by 370%

Common equity at end 2013 - Fully loaded B3* based on Danish Compromise (DC)

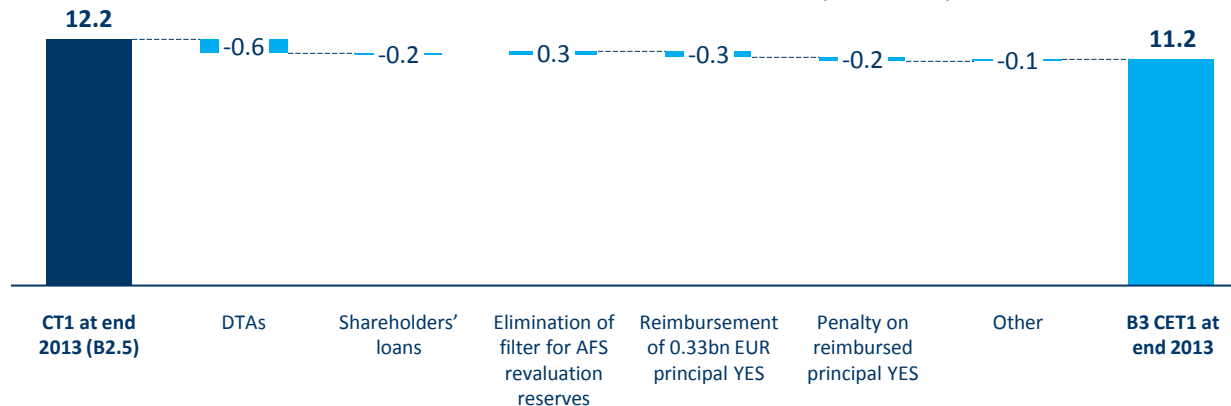


- Fully loaded B3 common equity ratio of approx. 12.8% at end 2013 based on Danish Compromise (DC)
- Announced intention to maintain a fully loaded common equity ratio of minimum 10% as of 1 January 2013

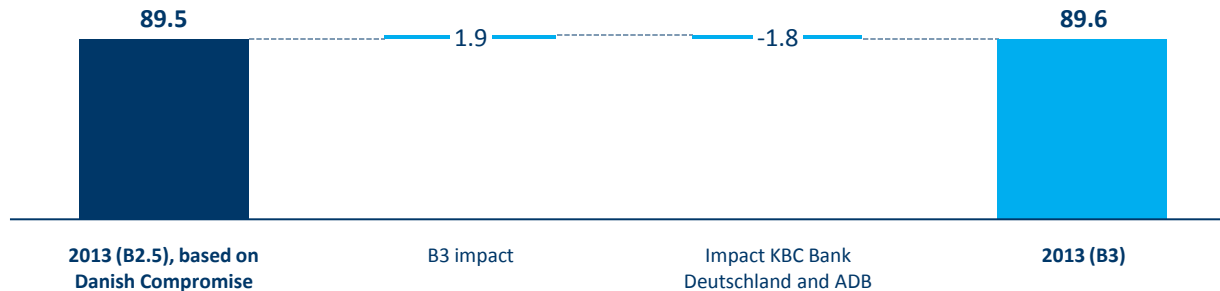
* With remaining State aid included in CET1 as agreed with local regulator

Common equity at end 2013 pro forma - Fully loaded B3* based on Danish Compromise

B3 IMPACT AT NUMERATOR LEVEL (BN EUR)



IMPACT ON RWA (BN EUR)

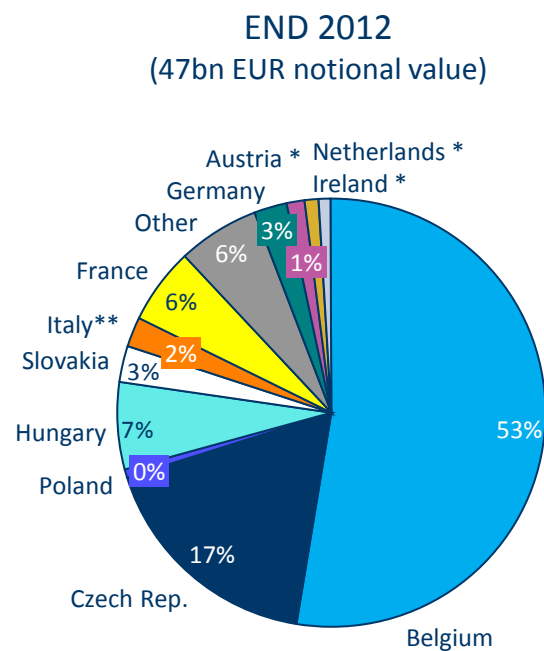


- Pro forma fully loaded B3 common equity ratio of approx. 12.5% at end 2013 based on Danish Compromise (DC)
- Announced intention to maintain a fully loaded common equity ratio of minimum 10% as of 1 January 2013

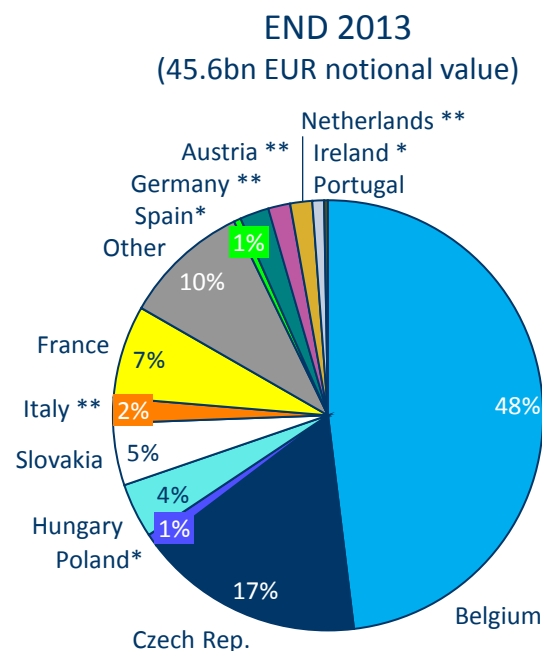
* With remaining State aid included in CET1 as agreed with local regulator

Government bond portfolio – Notional value

- Notional investment of 45.6bn EUR in government bonds (excl. trading book) at end of 2013, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves into fixed-income instruments
- Notional value of GIIPS exposure amounted to 1.7bn EUR at end of 2013



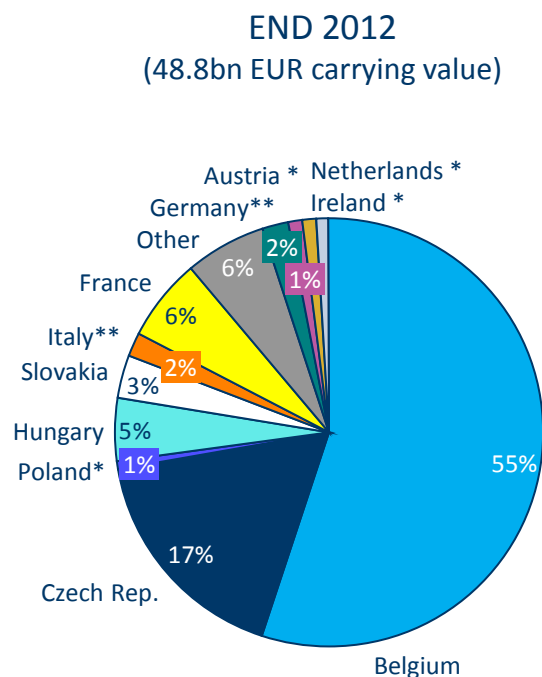
(*) 1%, (**) 2%



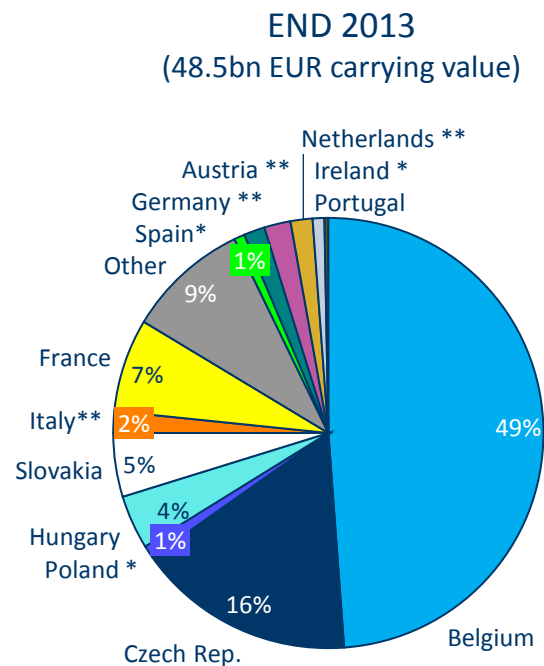
(*) 1%, (**) 2%

Government bond portfolio – Carrying value

- Carrying value of 48.5bn EUR in government bonds (excl. trading book) at end of 2013, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves into fixed-income instruments
- Carrying value of GIIPS exposure amounted to 1.7bn EUR at end of 2013



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

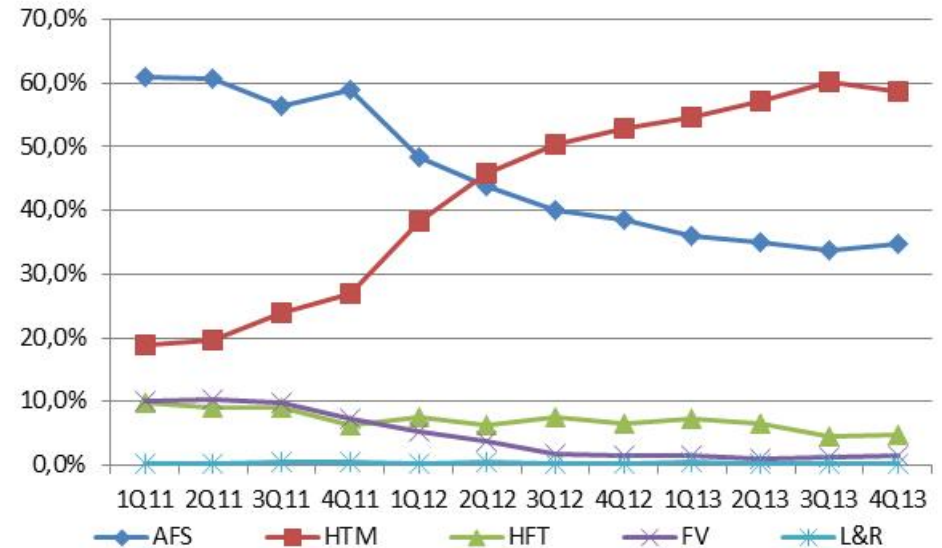
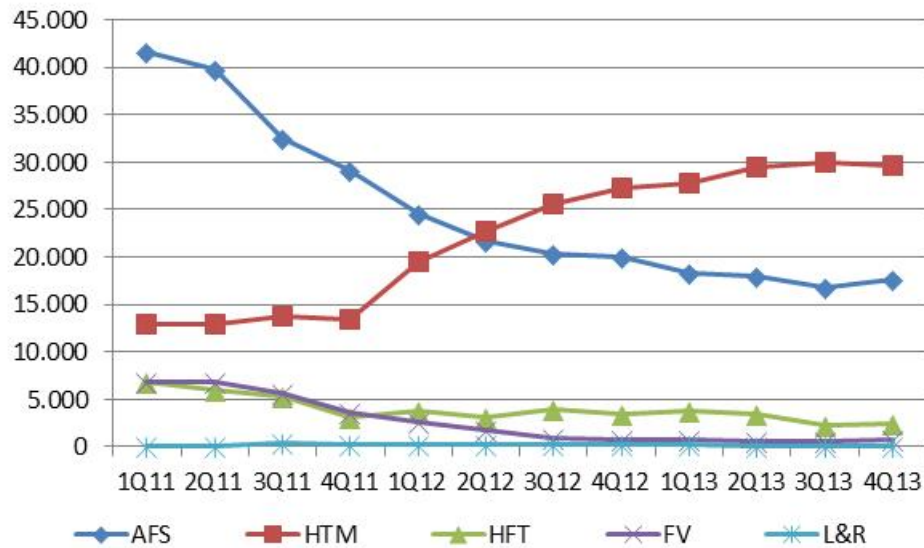


(*) 1%, (**) 2%

* 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

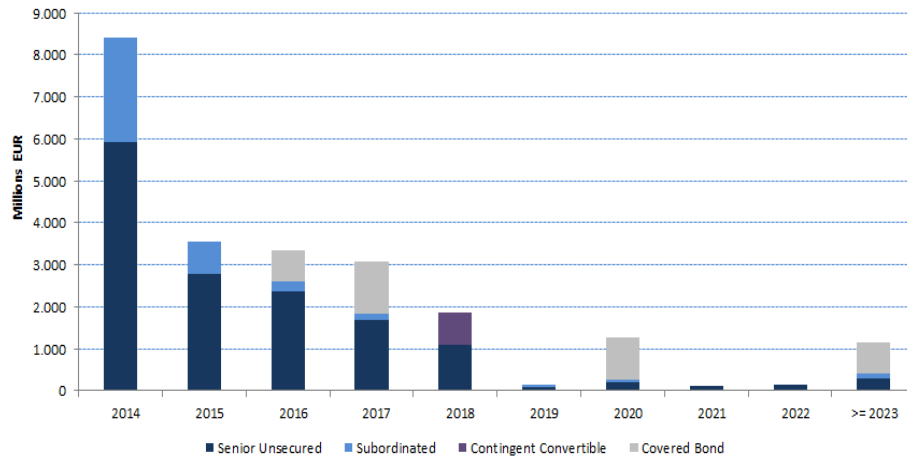
Government bond portfolio – Carrying value

- Reclassification of the government bond portfolio from available-for-sale to held-to-maturity

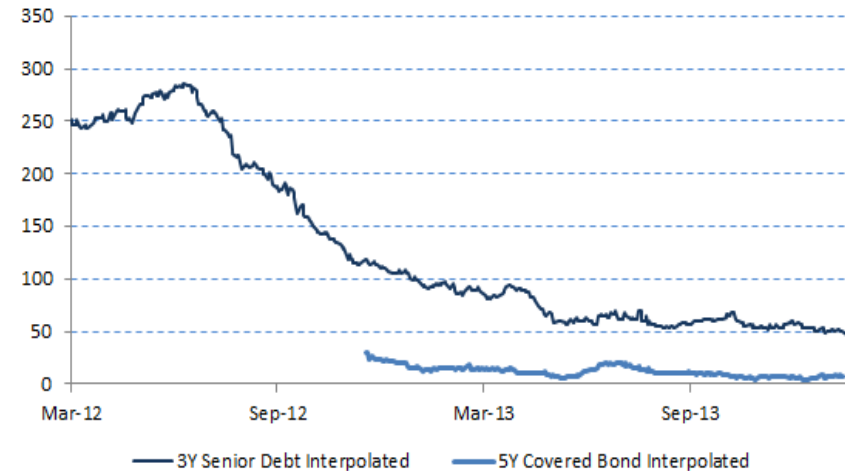


Upcoming mid-term funding maturities

Breakdown funding maturity buckets



Credit Spreads Evolution



- In 2013, KBC successfully issued a total of 2.5bn EUR covered bonds, a 1bn USD Contingent Capital Note, and a 750m EUR senior unsecured 5Y benchmark transaction in 2013
- KBC's credit spreads moved within a tight range during 4Q13
- 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 Tier1 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)

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