KBC Group / Bank

INAUGURAL COVERED BOND ROADSHOW

19 November 2012

KBC

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Executive summary

- **KBC Bank has strong and diversified financial performance**
  - Strong core banking operations in Belgium and CEE
  - Highly liquid – a loyal deposit base and low refinancing needs
  - Conservative risk profile – loan losses in Belgium of only 6 bps
  - Well capitalised – pro forma CT1 Ratio of 14.7%
- **Sound economic picture provides strong support for Belgian housing market**
  - High private savings ratio of 16.9%
  - Belgian unemployment is significantly below the EU average
  - Demand outstrips supply
- **KBC Bank's covered bonds are backed by strong legislation and superior collateral**
  - KBC's Covered Bonds are expected to be Aaa/AAA (Moody's/Fitch) rated
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - KBC has a disciplined origination policy – 2007 to 2012 average losses of 1bp
  - CRD and UCITS compliant / 10% risk-weighted

Contents

KBC at a glance

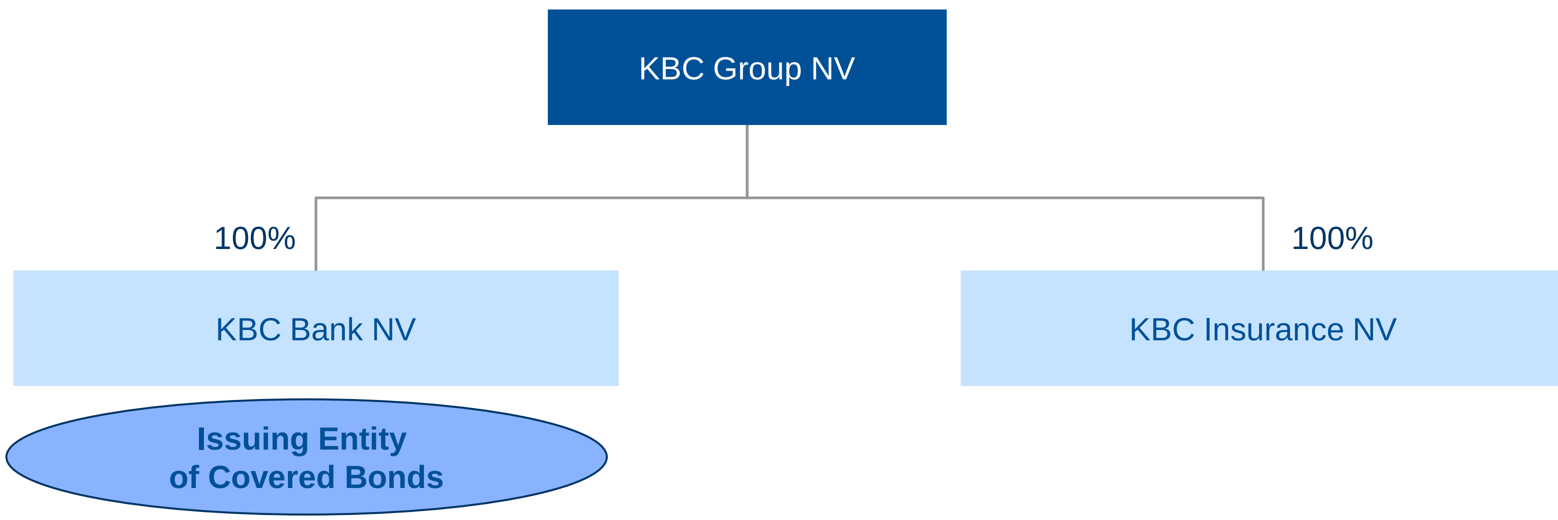
- KBC Group has a successful track record in bancassurance in its domestic market of Belgium and has been expanding to Central & Eastern Europe over the last 10 years
  - KBC Group has proven to be good at traditional bank-insurance business through the cycle
  - Integrated bank-insurance model creates cost synergies by avoiding overlap of supporting entities and generates added value for our clients through complementary product and service offering
- Key data on KBC Group at end 9M 2012
  - Total market cap (mid-November 2012): 6.8bn EUR
  - Total assets: 270bn EUR
  - Total equity: 18bn EUR
  - Tier-1 ratio: 15.3% (13.4% core)
- Key data on KBC Bank at end 9M 2012
  - Total assets: 240bn EUR
  - Total equity: 12bn EUR
  - Tier-1 ratio: 12.8% (10.6% core)
- Credit ratings of KBC Bank:

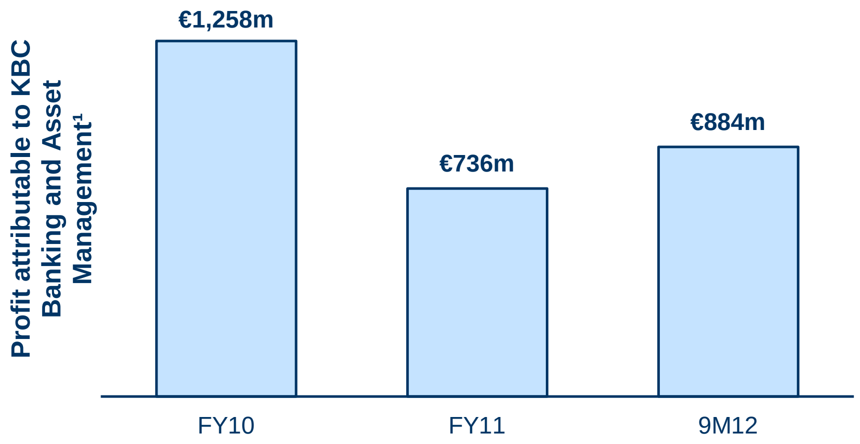
	S&P (Dec 2011)	**Moody's** (Jun 2012)	**Fitch** (Jul 2012)
Long-term	**A-**	**A3**	**A-**
Short-term	A-2	Prime-2	F1
Covered Bond	NA	Aaa (Exp.)	AAA (Exp.)

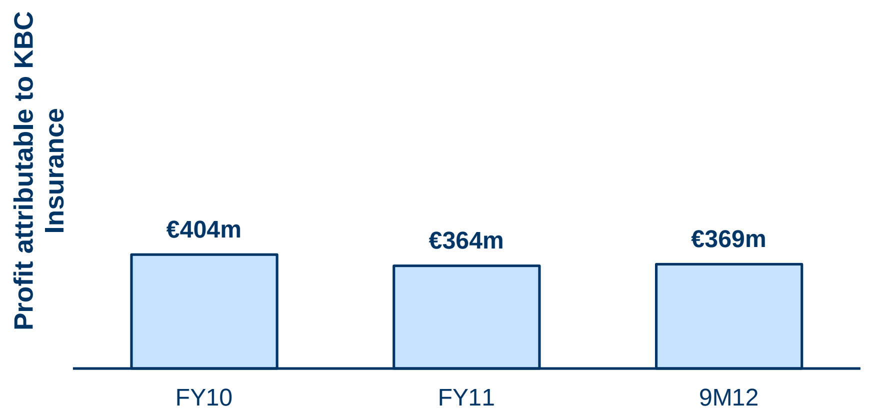
- Underlying net group profit of KBC Group in 9M12: 1,233m EUR, demonstrating resilience of commercial franchise

Group’s legal structure

Group’s legal structure

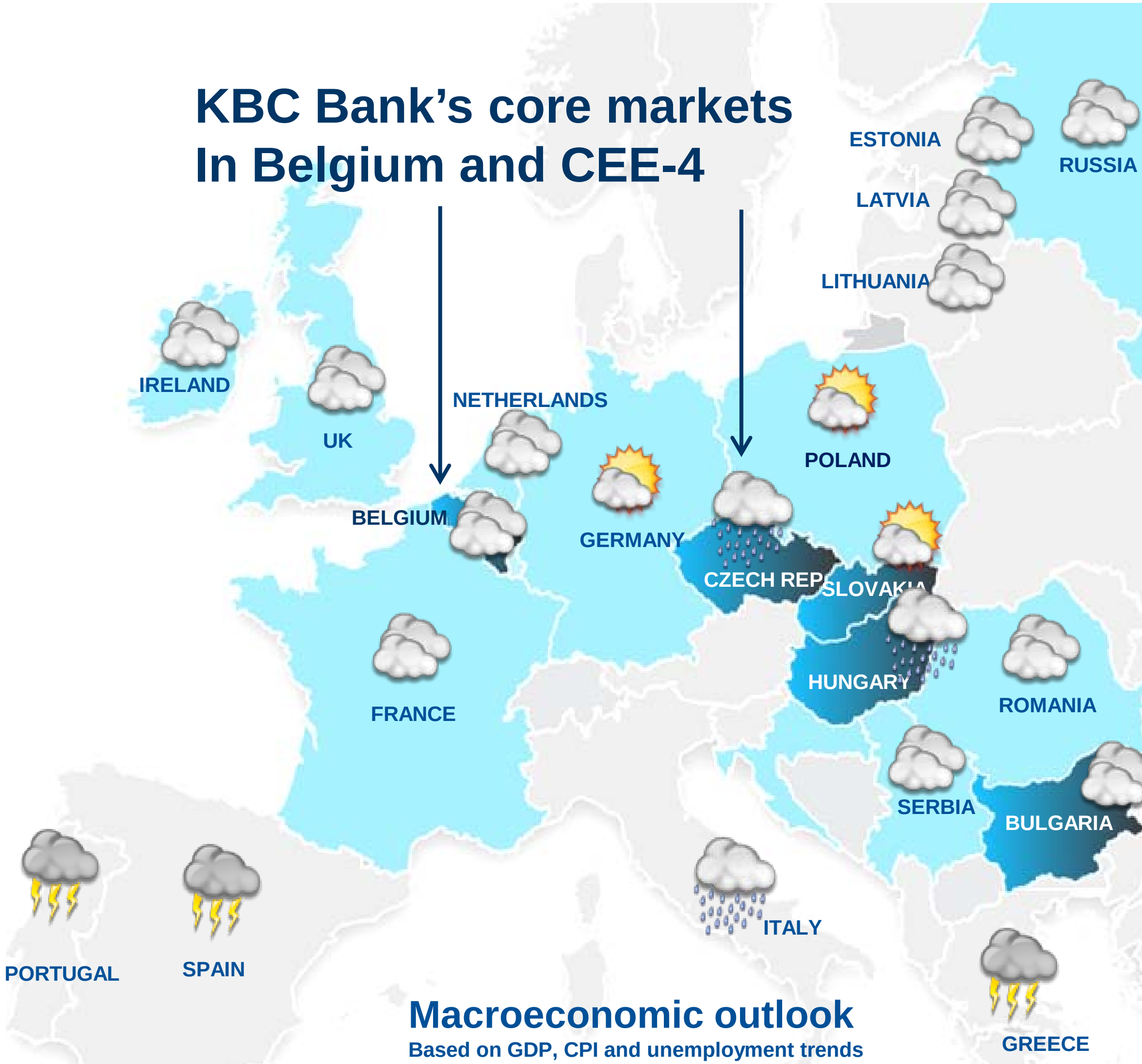


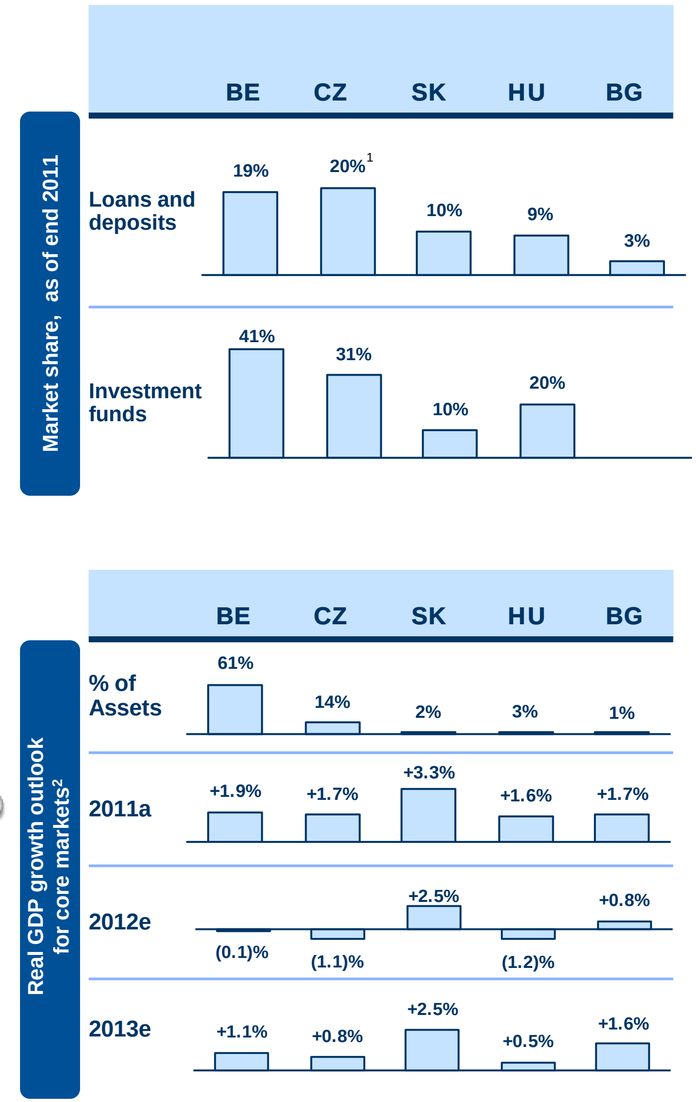




1. Excl. KBL epb and holding company eliminations

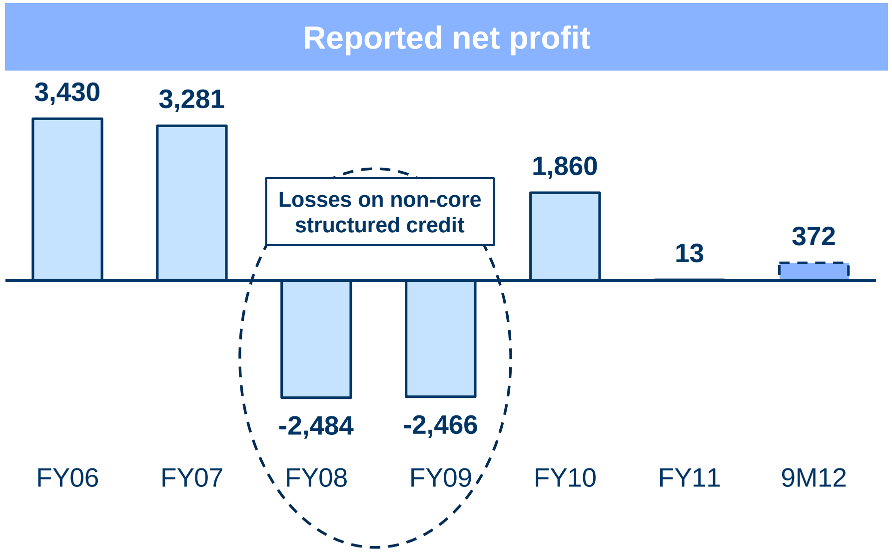
KBC Bank's geographical presence





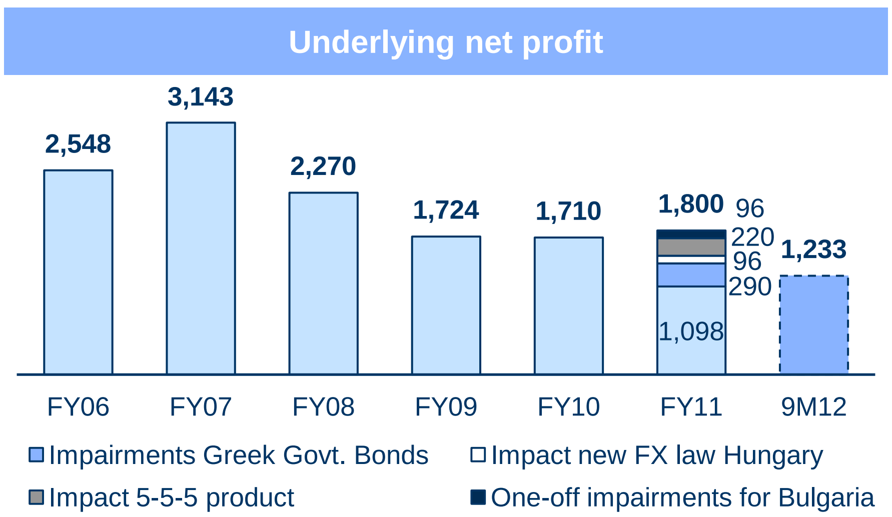
1. Including 55% of the joint venture with CMSS
2. Source: KBC data, November 2012

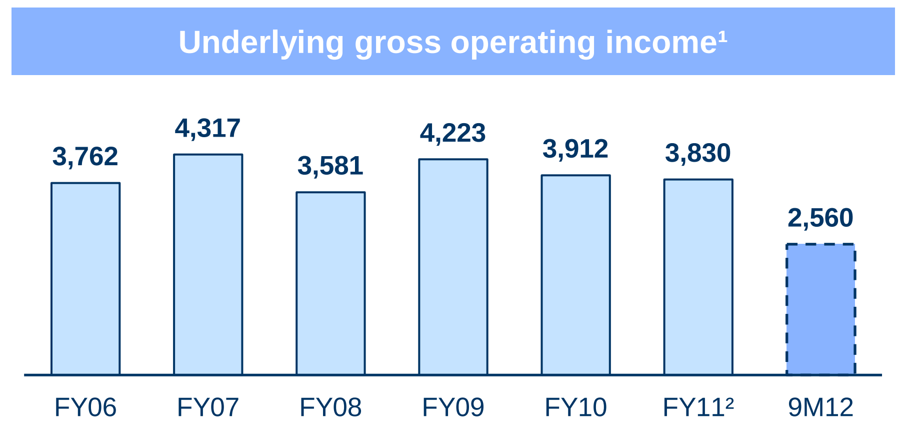
Underlying earnings capacity remains strong through crisis



Excl. exceptional items

Excl. exceptional items and cyclical effects of credit provisions





Note: Amounts in EUR millions for KBC Group

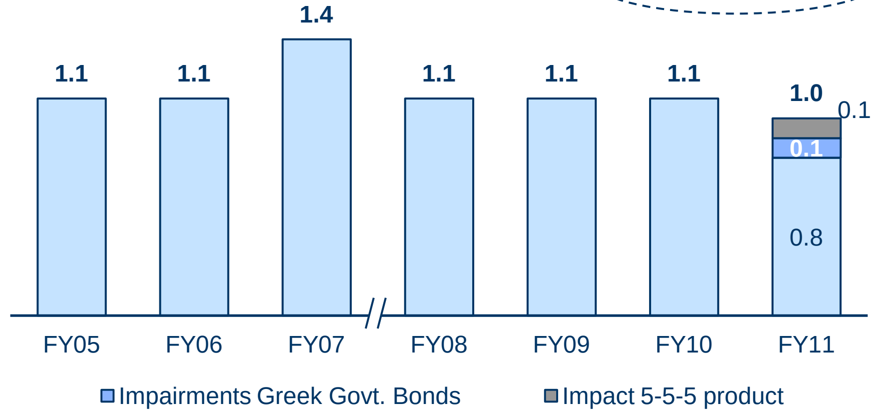
1. Pre-impairments
2. FY11 with neutralisation of impact of 5-5-5 bonds

Satisfying FY results in home markets

Underlying net profit Belgium (retail)

2011 ROAC: 27%

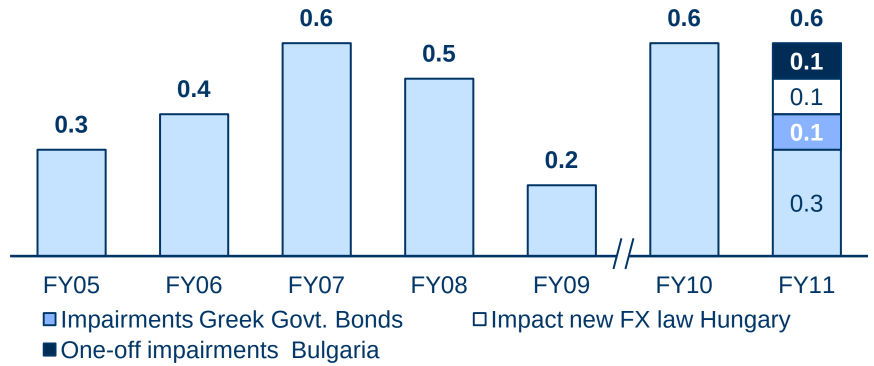
Consistent performer



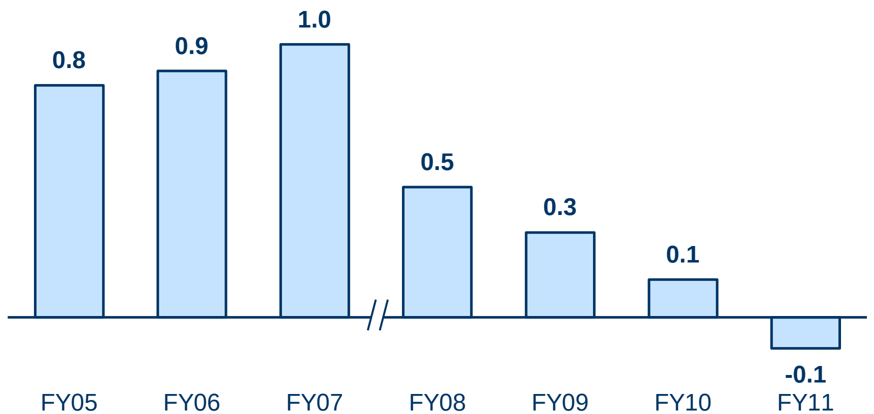
Underlying net profit CEE

2011 ROAC: 11%

Consistent performer

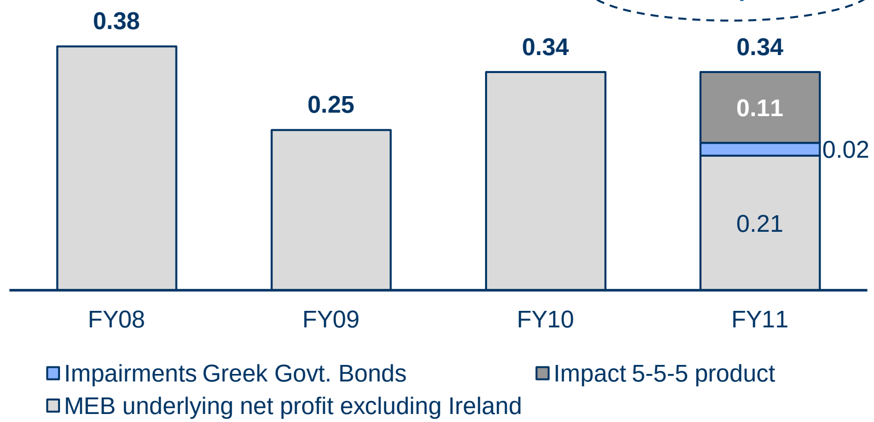


Underlying net profit Merchant Banking (BE +Intl) (affected by Ireland)



Underlying net profit MEB excluding Ireland

Consistent performer



Note: Amounts in bn EUR

Very low loan losses in Belgian operations

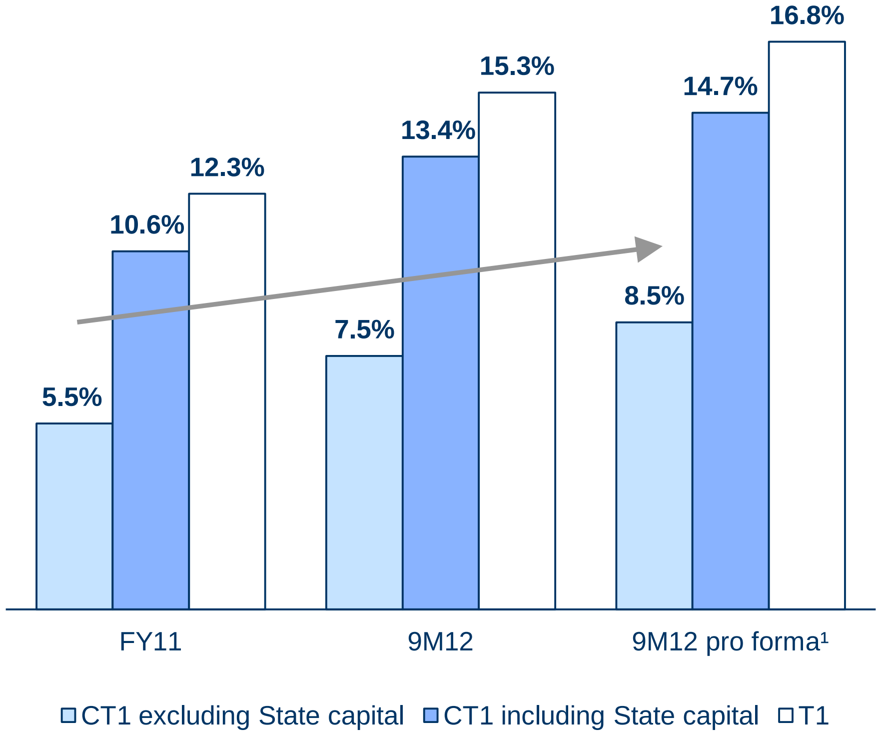
	9M12 credit cost ratio	FY 2011 credit cost ratio	FY 2010 credit cost ratio	FY 2009 credit cost ratio	Average 1999-2010	Peak 1999-2010
Belgium	**0.06%**	**0.10%**	0.15%	0.15%	0.16%	0.31%
CEE	**0.40%**	**1.59%**[1]	1.16%	2.11%	1.05%	2.75%
Merchant	**1.38%**[2]	**1.36%**[2]	1.38%[2]	1.19%	0.55%	1.38%[2]
Group Centre	**0.85%**	**0.32%**	1.17%	1.58%		
Total	**0.63%**[3]	**0.82%**	0.91%	1.11%	0.45%	1.11%

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

1. The high credit cost ratio at CEE is attributable entirely to Bulgaria (very illiquid domestic real estate market) and K&H Bank (impact of new law on FX mortgages) in 2H11
2. The high credit cost ratio at Merchant Banking is due in full to KBC Bank Ireland
3. Credit cost ratio fell to 0.63% in 9M12 (from 0.82% in FY11). Excluding KBC Bank Ireland, the credit cost ratio stood at a very low 0.27% in 9M12

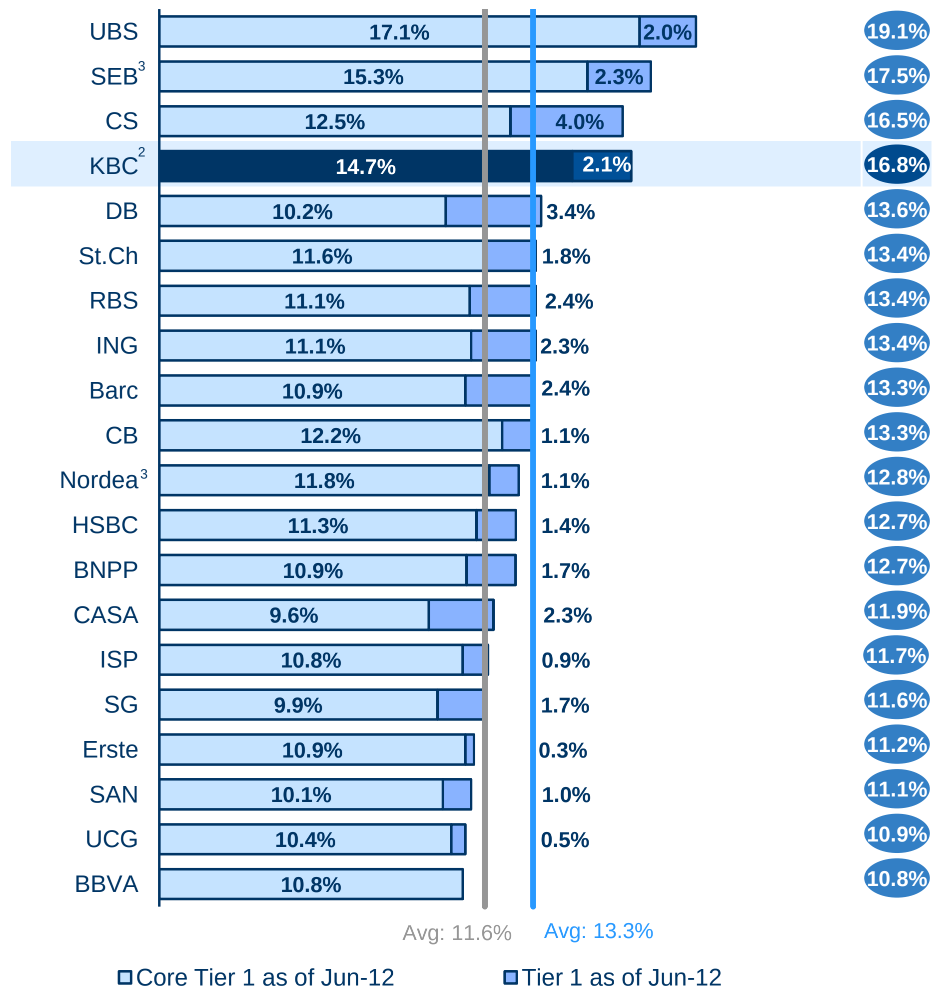
Strong capital position at KBC Group

Capital position at 9M 2012



- Strong tier-1 ratio of 15.3% (16.8% pro forma) at KBC Group as at end 9M12
- Pro forma core tier-1 ratio – including the effect of the sale of Kredyt Bank and the impact of the sale of treasury shares – of 14.7% at KBC Group

Favourable peer group comparison[1]

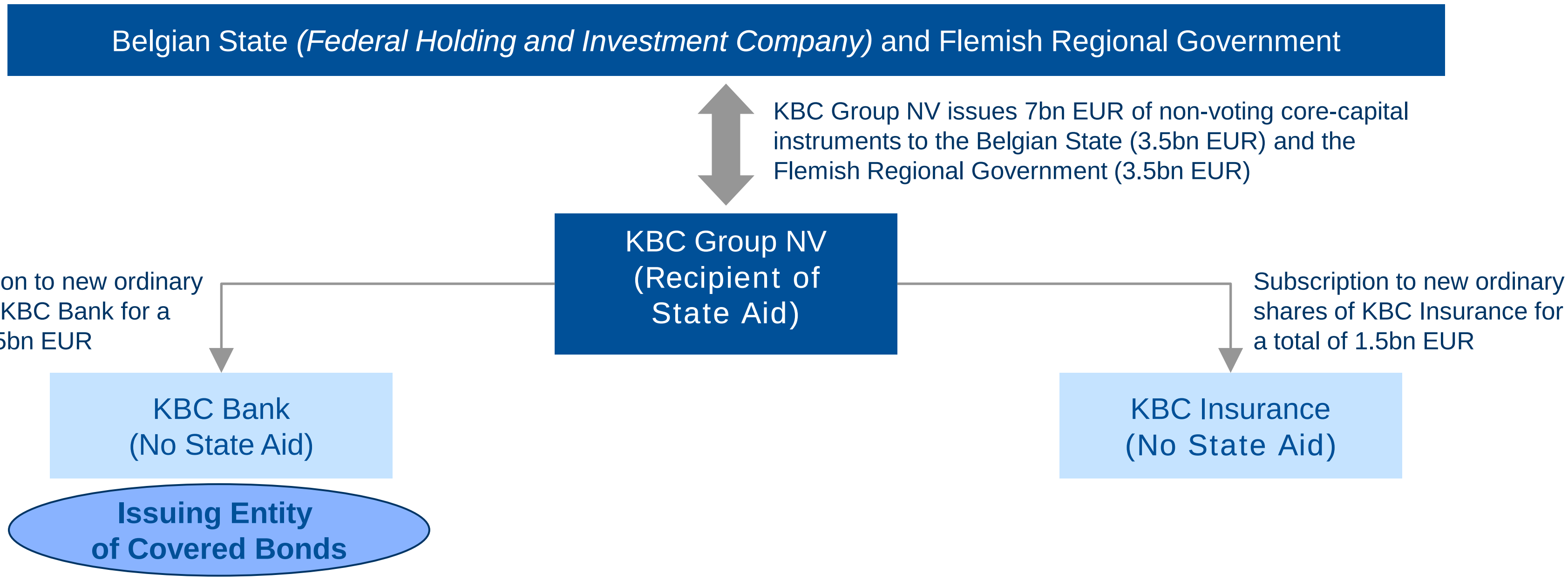


1. Source: Company filings as of June 2012. Capital ratios under Basel 2.5
2. 9M12 pro forma CT1 includes 1) the impact of divestments already signed, but not yet concluded (Kredyt Bank) and 2) the impact of the sale of treasury shares
3. Excluding transition rules

Assessment of state aid position

- First repayment of 500m EUR to the Federal Government in January 2012 at 15% premium
- Next reimbursement will be made once common equity target has been decided by the National Bank of Belgium
- We are continuing our efforts to ensure that 4.67bn EUR in state aid (before any penalty) is reimbursed by the end of 2013, as set out in the European plan, of which a substantial part before end of 2012

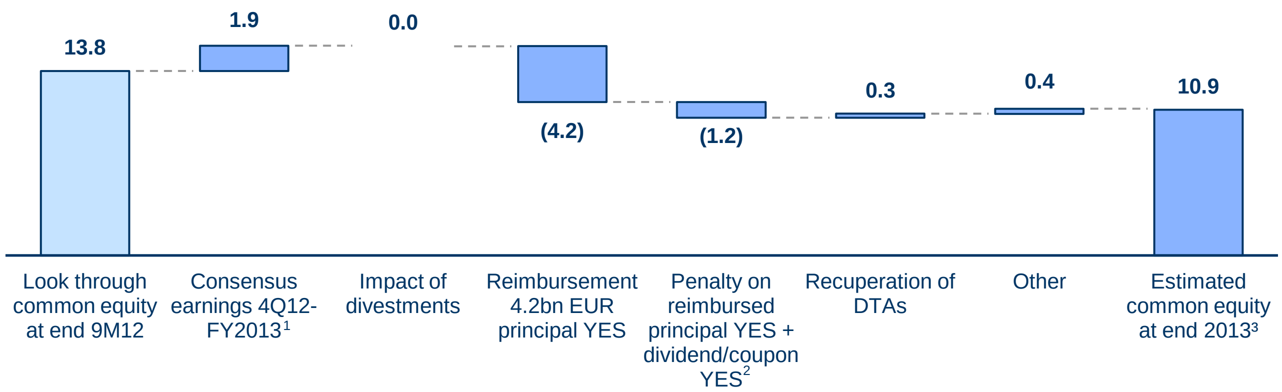
Overview of capital transactions with the Belgian State and the Flemish Regional Government



Estimated 10.2% fully loaded B3 common equity ratio at end 2013

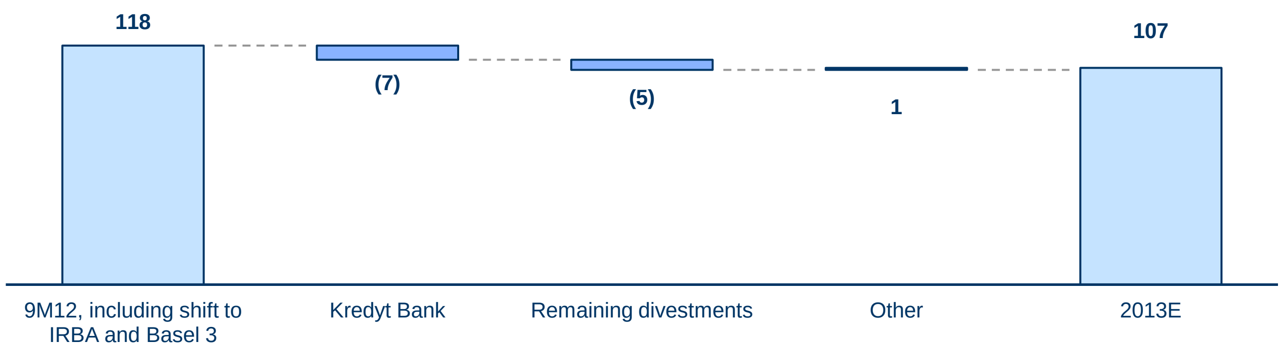
B3 impact at numerator level

Amounts in EUR billion



RWA impact

Amounts in EUR billion



- Fully loaded B3 common equity ratio of approx. 11.7% at end 9M12
- Fully loaded B3 common equity ratio of approx. 10.2% at end 2013

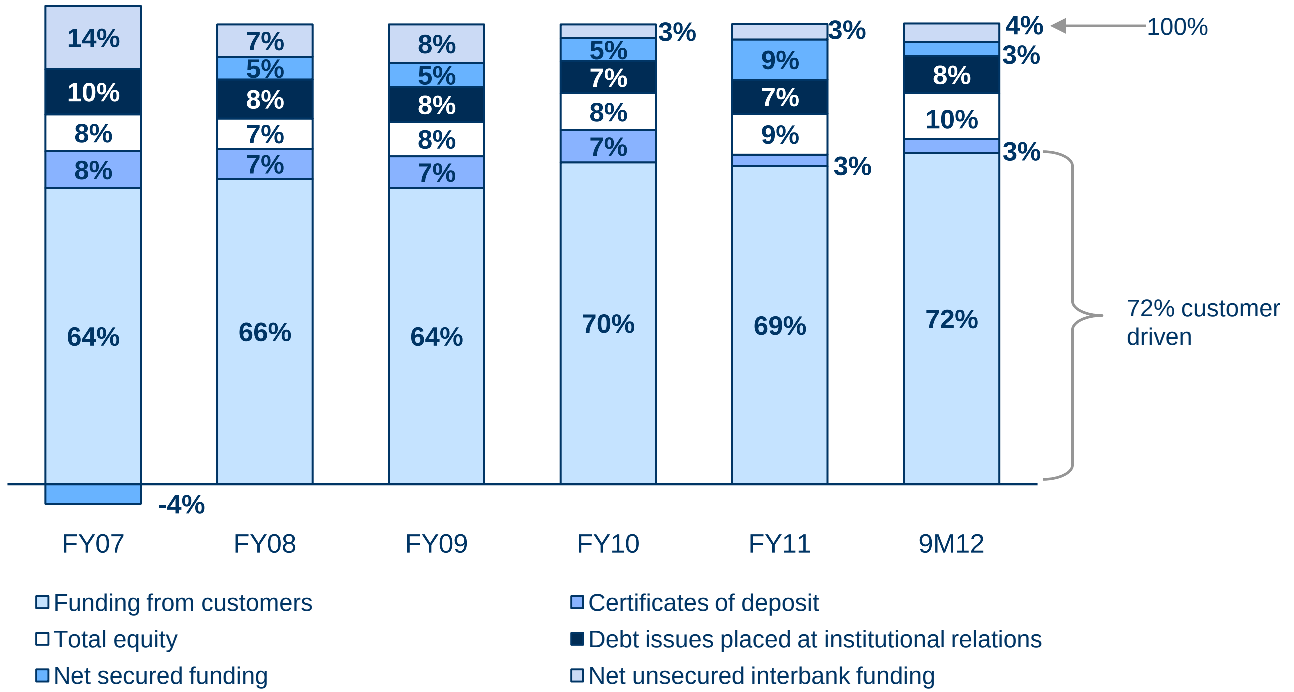
Note: For indicative purposes only

1. Based on earnings consensus of sell-side equity analysts
2. For indicative purpose only
3. Inclusive of €2.3bn of state aid, grandfathered as common equity

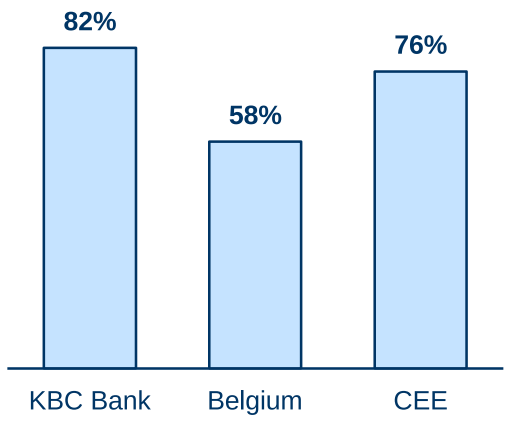
A solid liquidity position driven by a loyal deposit base throughout the crisis

- KBC Bank continues to have a strong retail/corporate 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
- LTD ratio of 82% at KBC Bank at the end of 9M 2012
- Decrease in LTD from 94% at FY 2011 is the result of strong deposit growth in retail/corporate and a recovery in the more volatile institutional deposits after the decrease in 4Q2011 – (at that time due to a downgrade of our short-term rating by S&P and the risk aversion to the European market in general)
- The downgrade of our Moody's ST and LT rating in June 2012 has had no substantial impact on the funding profile

Funding mix



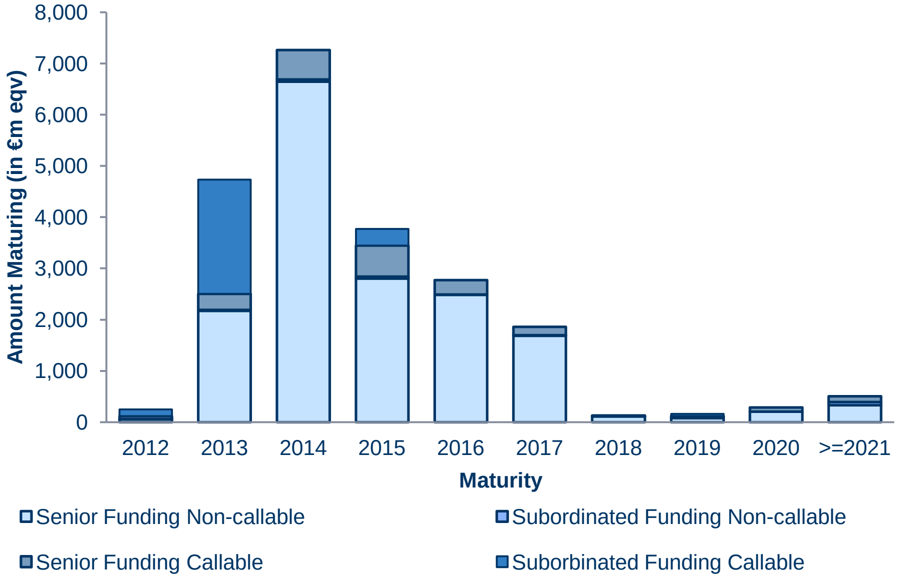
9M 2012 LTD ratios



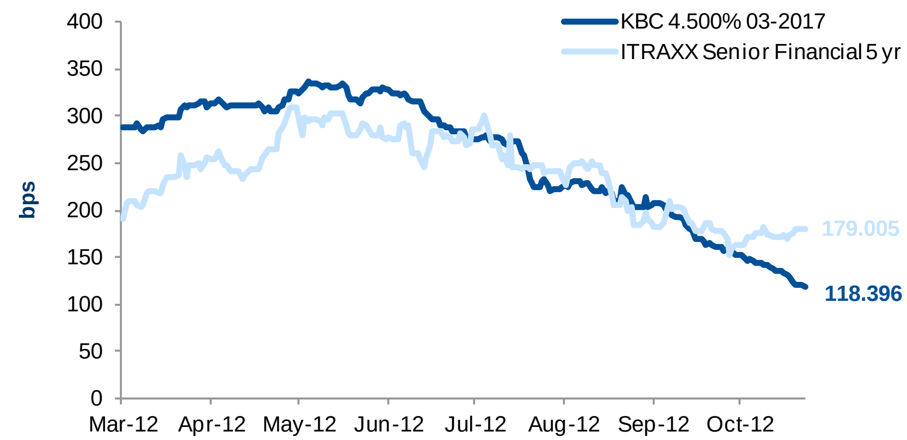
1. Excluding all the entities earmarked for divestment in Group Centre: KBL epb, ADB, KBC Deutschland, KBC Banka, Absolut Bank and Kredyt Bank
2. Excluding Centea (retroactively adjusted)
3. Excluding Kredyt Bank and Absolut Bank (items earmarked for divestment in Group Centre)

Low refinancing need compared to peers

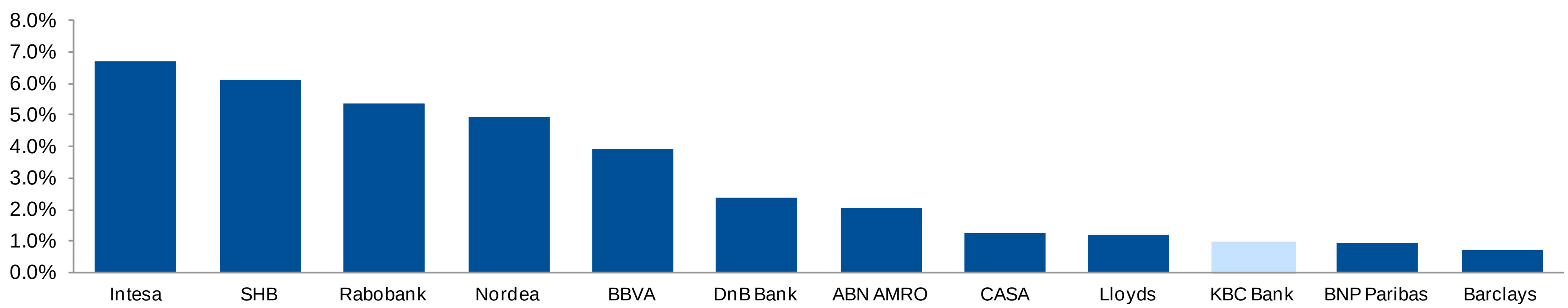
Breakdown funding maturity buckets senior vs. subordinated & callable vs. non-callable



5Y Credit Spreads vs. iTraxx Senior Financial Index



Debt Maturing 2013 / Total Assets as of H1 2012[1]



Note: the graph on top left -hand side does not include the ECB LTRO for a total amount of 8.7bn EUR (3y maturity)

1. Source: Bloomberg, company reports

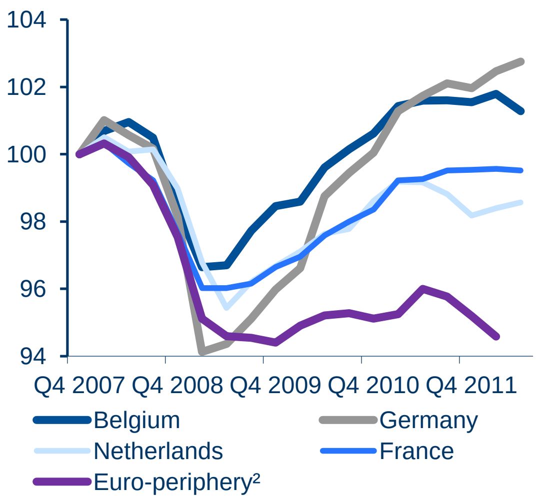
Contents

Belgium outperforms EMU

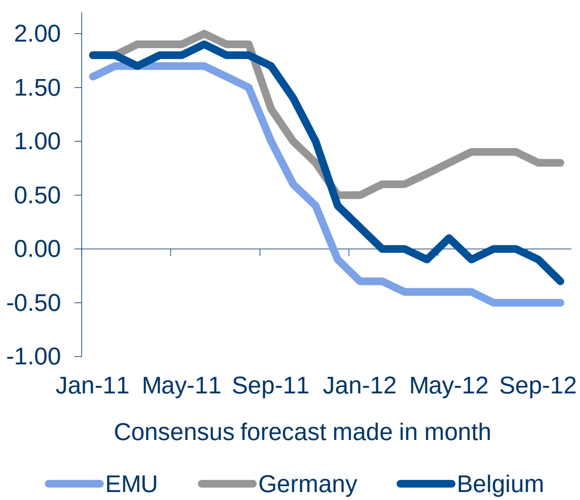
Challenging economic environment: Belgium outperforms

- With Europe still addressing the fall-out of the financial crisis, this also affects Belgium, but the country's economy is demonstrating its habitual resilience[1]
  - 2011 GDP growth was +1.5% and for 2012, Belgian **GDP** growth is expected to be flat at 0.0%, again doing slightly better than Eurozone GDP which is forecast to contract by -0.3%
  - Belgium's **inflation** rate was above European average at 3.5% in 2011 however a decline to 1.8% by 2013 is expected, bringing it back in line with the EU average forecast
  - Belgian **unemployment** rate compares well to the Euro Area. The unemployment rate mid 2012 stands at 7.6%, which is below the expected EMU unemployment average of 11.0%
- Belgium has a high private savings ratio of 16.9%

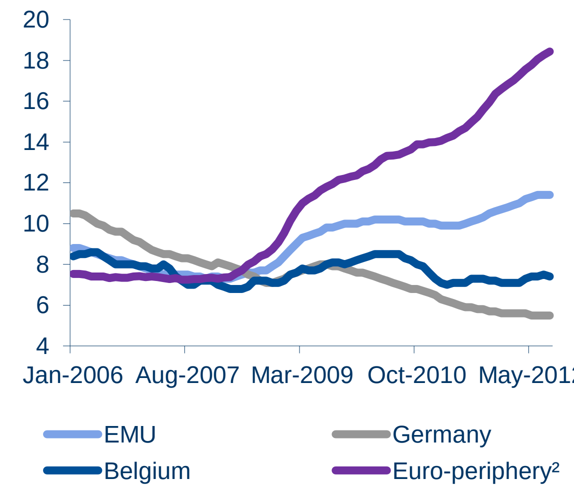
GDP-Sharp downturn in Q2 on top of stagnation since beginning of 2011



Evolution of consensus forecasts for real GDP-growth in 2012 (in %)



Unemployment rate



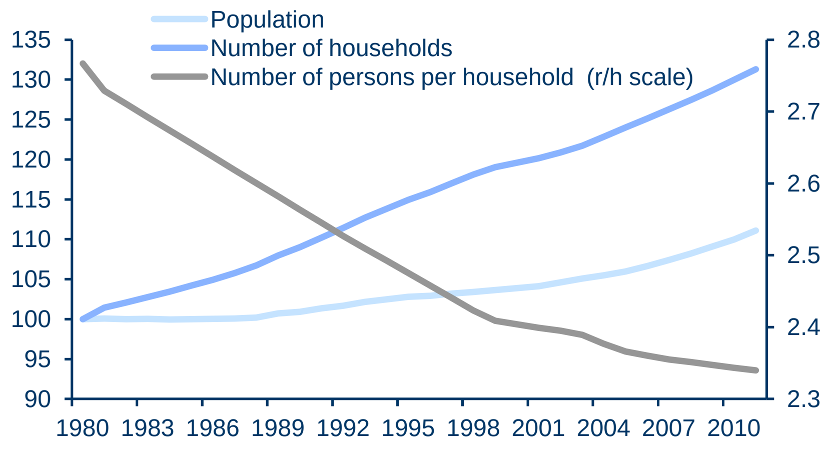
1. All data on 'Economic Environment' comes from Nationale Bank van Belgie, press release 30/3/2012 and website, economic indicators or Belgium
2. Euro-periphery = Portugal, Ireland, Italy, Greece & Spain

Demand for houses continues to be well supported

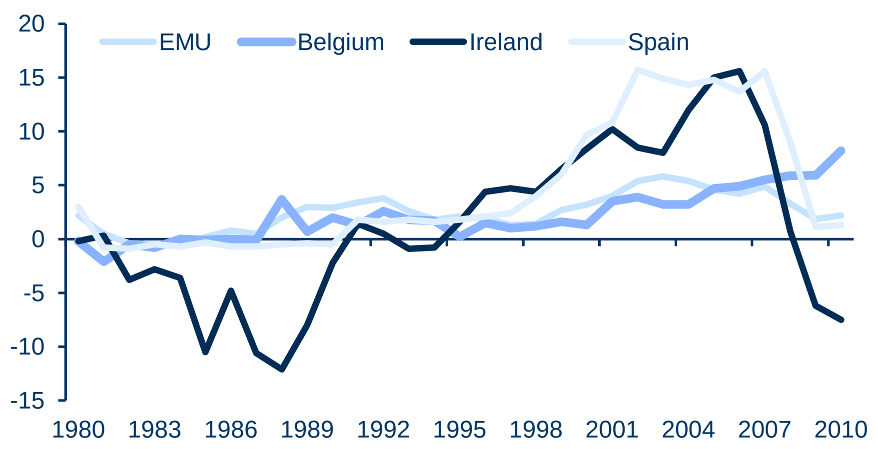
Increasing demand for houses

- “A Belgian is born with a brick in his stomach”: Home ownership in Belgium is around 78%[1]
- Total outstanding mortgage debt is now at EUR 163bn. Total mortgage debt compared to GDP in Belgium is 46% and compares well to other European countries and EU average of 52.5%[2]
- Belgium ranks third in the EU after Malta and The Netherlands, in terms of population density. The population is now at 11m and grows by 80.000 per annum over the coming 5 years[3]

The number of households is growing faster than the population (1980 = 100)



External migration (per 1000 inhabitants)



1. KBC Bank, Economische Vooruitzichten
2. Statistieken BVK, European Mortgage Federation
3. Statbel

Belgian house prices are affordable

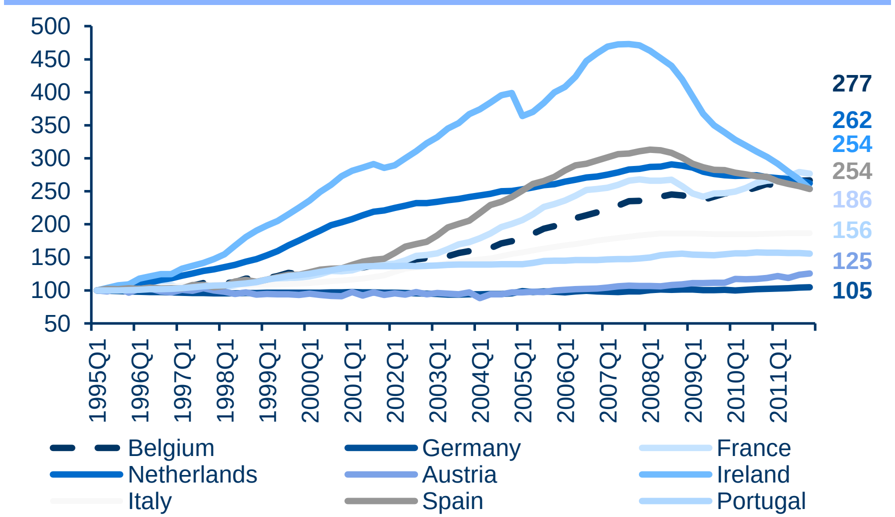
Belgian housing market

- The average Belgian house is still affordable for the Belgian borrower and, although price have risen in Belgium (graph below), the house prices are in line with EU average
- Belgium is not an expensive country for housing, with an average sale price in 1H2012 of €228.500[2]
- Low Mortgage Overburden rate = proportion of the population, whose housing costs exceed 40 % of their equivalised disposable income:
  - Belgium 2.5% versus EU27 area average 12.1%[1]

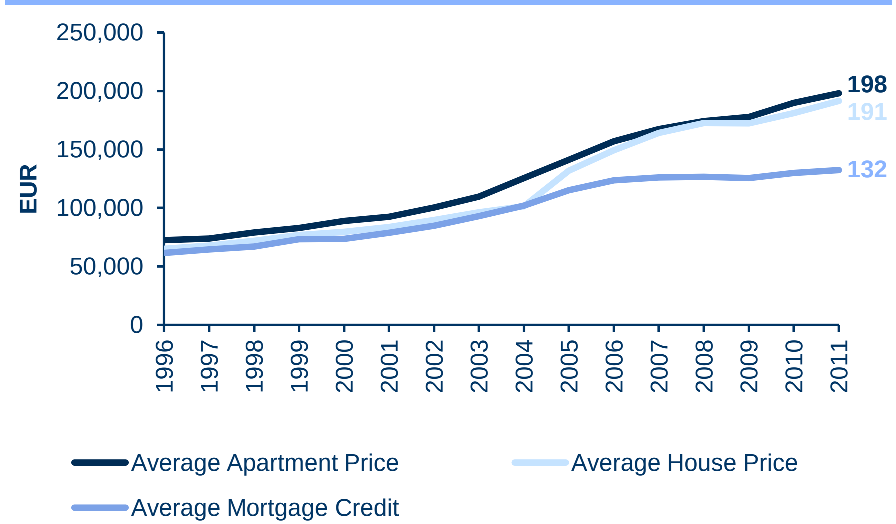
Mortgage market technicals[2]

- Belgian borrowers predominantly prefer to take out a longer fixed rate period. A very high **71% is fixed** permanently and an additional 4% is fixed for (at least) the first 10 years of the loan
- There is a legal cap on variable mortgage rates in Belgium
- The majority of mortgage loans are taken out for the **purchase** of a property, as opposed to for new construction, which is only 12.6% of new loans in 2011
- House prices have risen, however **borrowers have increased their own equity stake**. In the following graph you see average house and apartment prices (in blue and black) versus average mortgage loan that is taken out (in purple)
- Belgian residential mortgage loans are amortizing

Housing price



Average Housing Price and Mortgage Credit[2]



Source: ECB

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

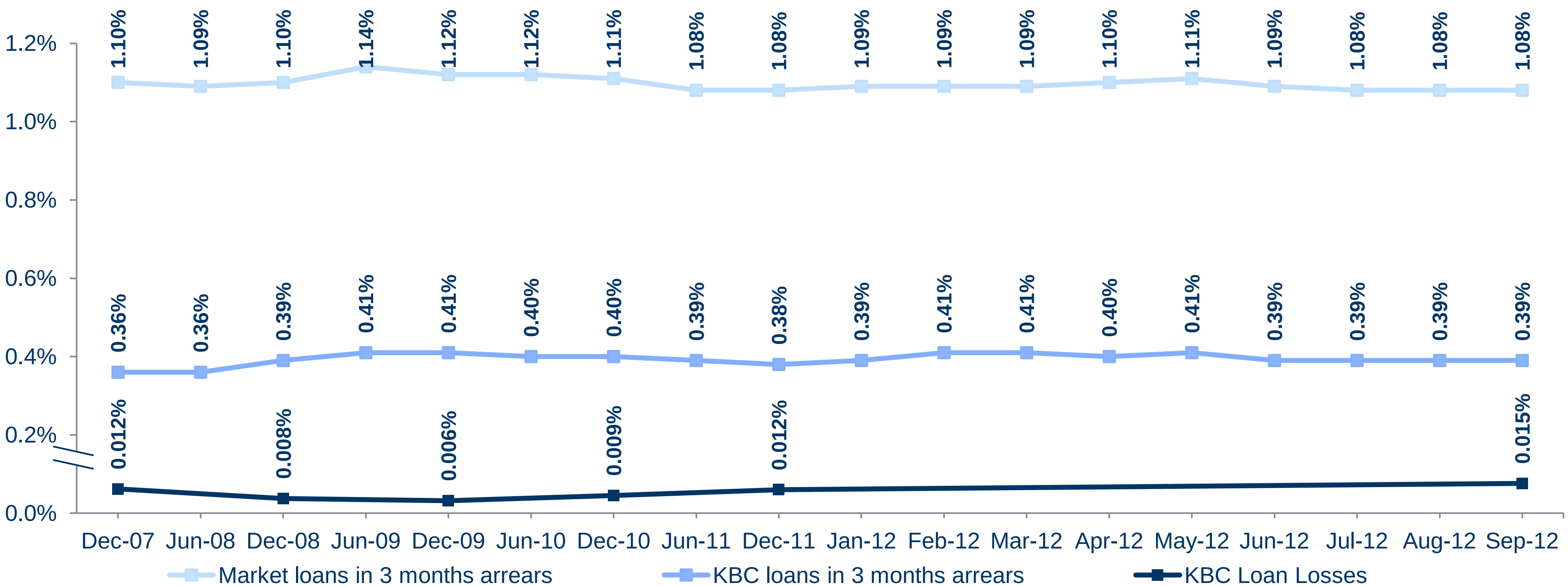
KBC's disciplined origination leads to lower arrears and extremely low loan losses

Belgium shows a solid performance of mortgages

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

- Cultural aspects, stigma associated with arrears, importance attached to owning one's property
- Well established credit bureau and surrounding legislation
- Housing market environment (no great house price declines)

… and within Belgium, KBC is a better originator



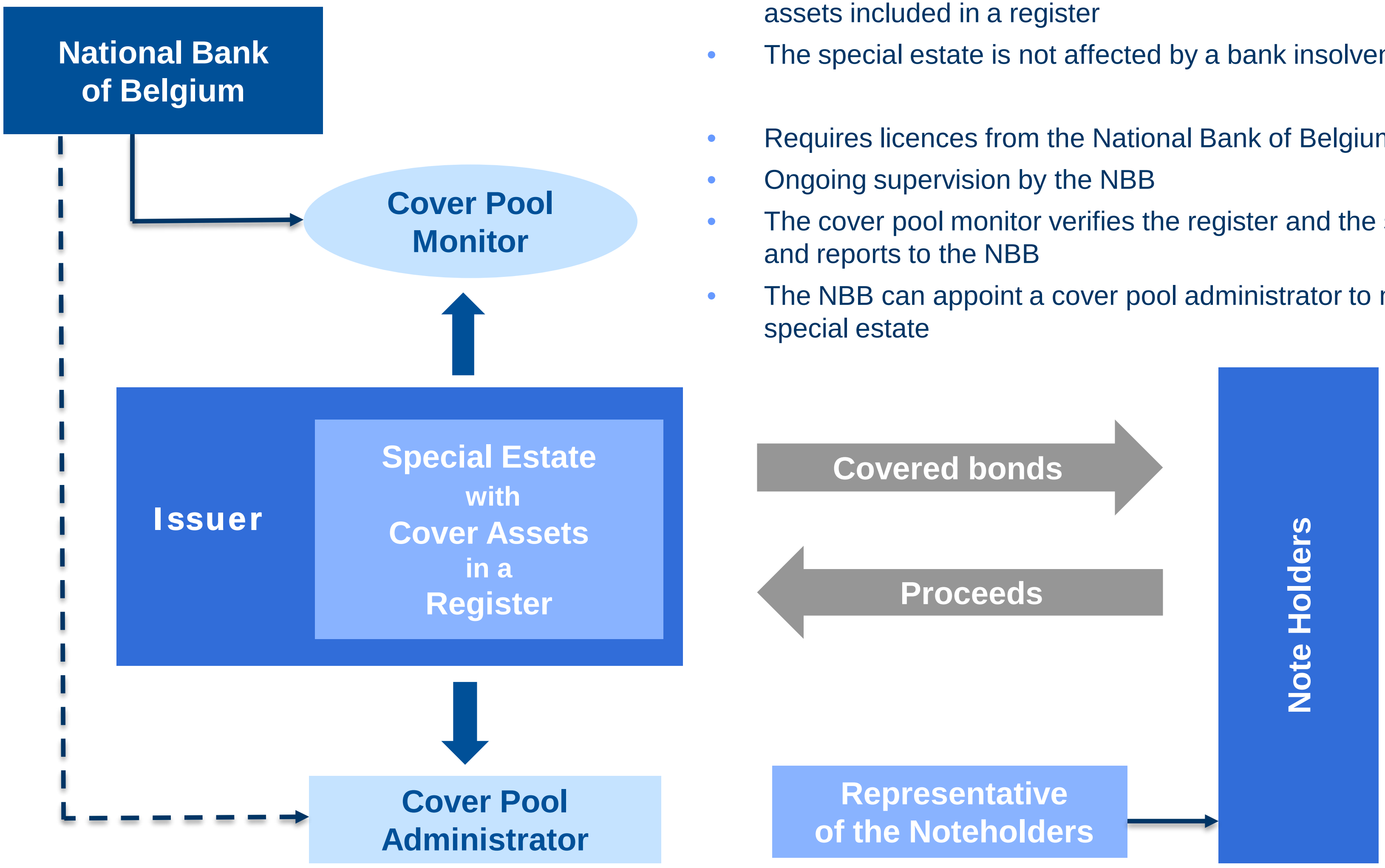
Source: NBB and CKP

Contents

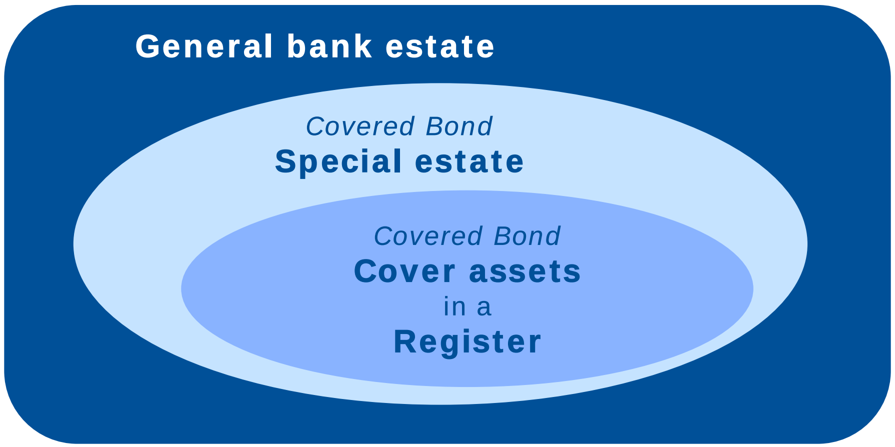
Belgian legal framework

- Direct covered bond issuance from a bank's balance sheet
- Dual recourse, including recourse to a special estate with cover assets included in a register
- The special estate is not affected by a bank insolvency

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



Special estate - dual recourse



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

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

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

A Special Estate consists by law of:

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

Covered bond insolvency regime

- Material exception to ordinary rules:
  - Proceedings only affect the general estate
  - The special estate is <u>not affected by the bank's bankruptcy</u>
- The NBB may appoint a **Cover Pool Administrator** with the purpose, in principle, to continue the management of the assets until the maturity date of the covered bonds
- **After redemption of all covered bonds,** remaining asset in the special estate become part of the general estate.
- Recourse to the general estate

Strong legal protection mechanisms

1 Collateral

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

2 Over-collateralisation Test

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

3 Cover Asset Coverage Test

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

4 Liquidity Test

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

5 Cap on Issuance

- Maximum 8% of a bank’s assets can be used for covered bonds

External supervision / management

By the NBB

- Provides a general and special authorization
- The statutory auditor provides a report on the organisational capacity of the issuer
- Approves the appointment of the cover pool monitor
- Appoints, if circumstances require so, the cover pool administrator
- Ongoing supervision of compliance with the Covered Bonds Legislation by issuing credit institutions

By the Cover Pool Monitor

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

By the Cover Pool Administrator

- The NBB may appoint a cover pool administrator to manage the special estate, instead of the credit institution:
  - Upon the adoption of a restructuring measure or bankruptcy of the credit institution; or
  - Upon removal of the Issuer from the list of Belgium covered bond issues
  - When the NBB is in the opinion that the situation is such that it may seriously affect the interests of bondholders
- Has the legal power to manage the special estate, independently from the issuer or the liquidator, for the benefit of the covered bondholders

Belgian covered bond legislation in comparison

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

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

Contents

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

Issuer:	• KBC Bank NV
Main asset category:	• Residential Mortgage Loans, but excluding RMBS
Status:	• *Pari passu* with other unsecured obligations of the Issuer (general bank estate) • Exclusive recourse to the special estate (with some programme related creditors)

Initial Programme Characteristics

Program Size:	• Up to €10bn
Interest rate:	• Fixed Rate, Floating Rate or Zero Coupon
Currencies:	• Euro
Maturity:	• Soft Bullet: payment of the principal amount may be deferred past the Final Maturity Date until the Extended Final Maturity Date • Expected extension period is 12 months

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

Events of default:	• Failure to pay any amount of principal on the Extended Final Maturity date subject to grace period • A default in the payment of an amount of interest on any interest payment date subject to grace period
Rating agencies:	• Moody’s and Fitch • Rating expected to be Aaa/AAA
Additional liquidity	• 3 months interest payments are covered by liquid bonds of credit quality Step 1 (“AA-” or better) • To ensure timely payment of interests
Cover Pool Monitor:	• KPMG

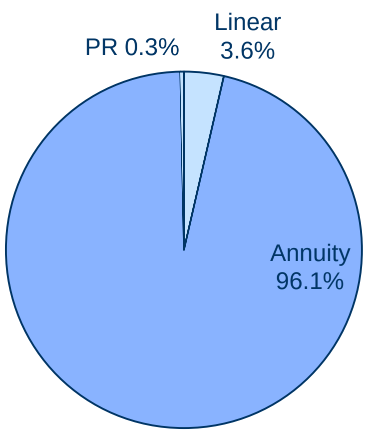
	Moody’s	Fitch
Over-collateralisation	**28%**	**Initially 48%, expected to decrease upon further bond issuance to appr. 30% over time**

Key characteristics of initial cover pool (1 / 3)

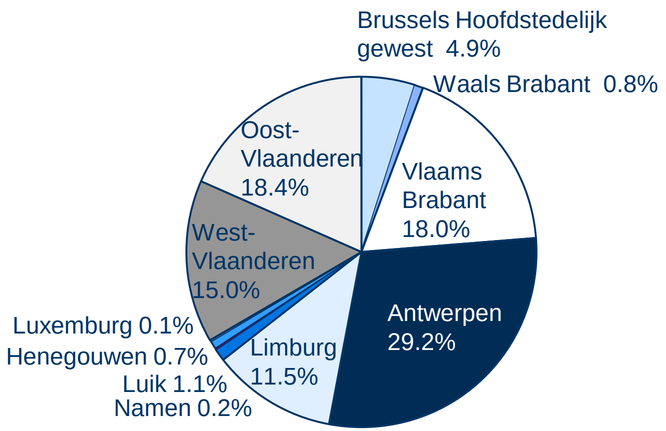
Portfolio as of:	30 September 2012
Total Outstanding Principal Balance	3,620,657,594
Total value of the assets for the over-collateralisation test	3,180,939,394
No. of Loans	32,313
Average Current Loan Balance per Borrower	140,243
Maximum Loan Balance	1,000,000
Minimum Loan Balance	1,000
Number of Borrowers	25,817
Longest Maturity	359 month
Shortest Maturity	1 month
Weighted Average Seasoning	24.8 months
Weighted Average Remaining Maturity	244 months
Weighted Average Current Interest Rate	3.61%
Weighted Average Current LTV	72.44%
No. of Loans in Arrears	None
Direct Debit Paying	97%

Key characteristics of initial cover pool (2 / 3)

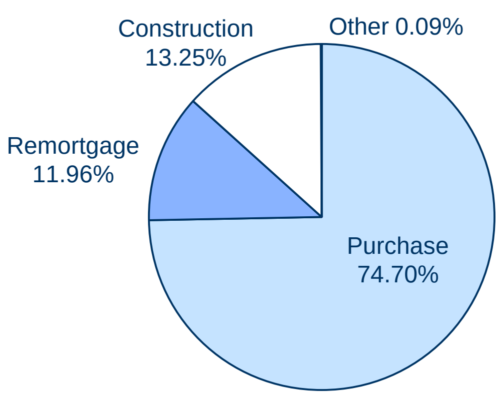
Repayment type (linear vs. annuity)



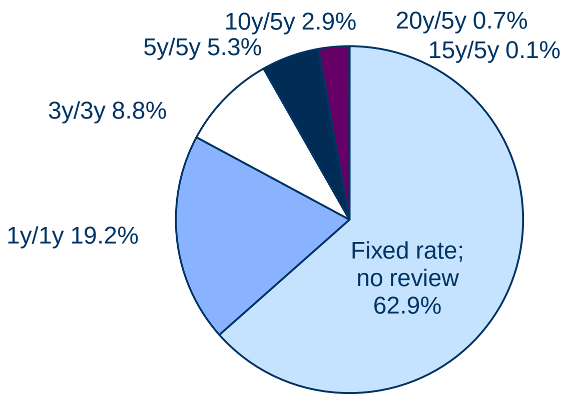
Geographical allocation



Loan purpose

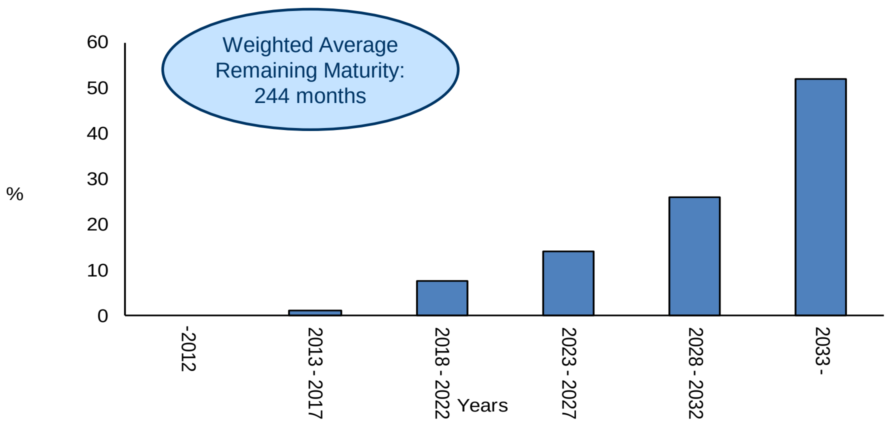


Interest rate type (Fixed periods)

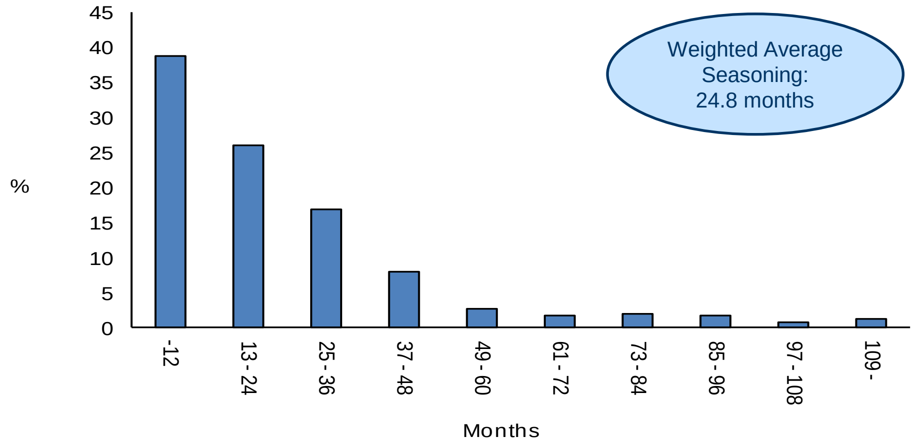


Key characteristics of initial cover pool (3 / 3)

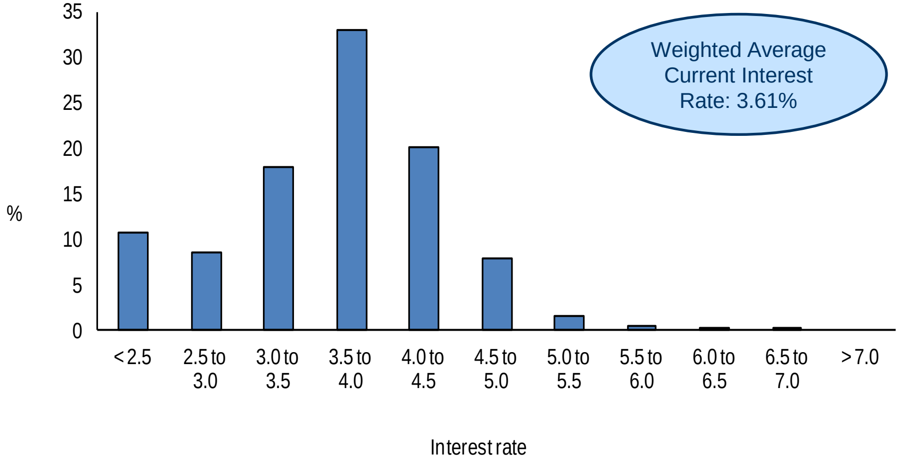
Final Maturity date



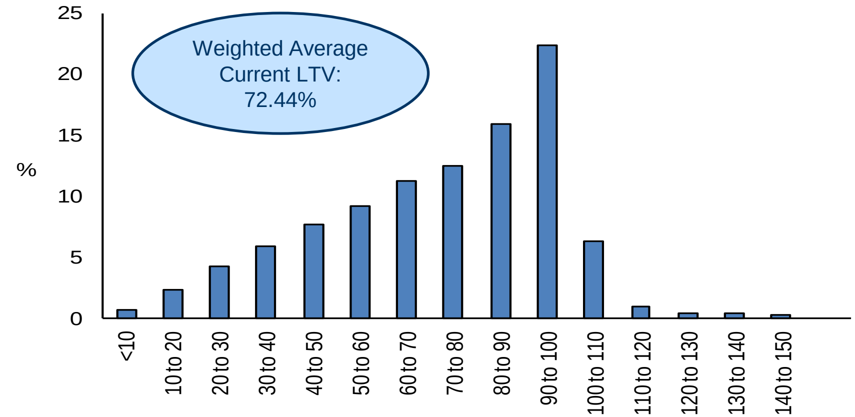
Seasoning



Interest rate



Current LTV



Key messages

- **KBC Bank has strong and diversified financial performance**
  - Strong core banking operations in Belgium and CEE
  - Highly liquid – a loyal deposit base and low refinancing needs
  - Conservative risk profile – loan losses in Belgium of only 6 bps
  - Well capitalised – pro forma CT1 Ratio of 14.7%
- **Sound economic picture provides strong support for Belgian housing market**
  - High private savings ratio of 16.9%
  - Belgian unemployment is significantly below the EU average
  - Demand outstrips supply
- **KBC Bank's covered bonds are backed by strong legislation and superior collateral**
  - KBC Bank's Covered Bonds are expected to be Aaa/AAA (Moody's/Fitch) rated
  - Cover pool: Belgian residential mortgage loans
  - Strong Belgian legislation – inspired by German Pfandbriefen law
  - KBC has a disciplined origination policy – 2007 to 2012 average losses of 1bp
  - CRD and UCITS compliant / 10% risk-weighted

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Initial mortgage selection criteria

- The Mortgage Loans have all been originated under the Mortgage Credit Act;
- The Mortgage Loans and Related Security is governed by Belgian law;
- The Mortgage Loans are granted with respect to Real Estate in Belgium;
- The Mortgage Loans have all been originated on or after 1st January 1995;
- The Mortgage Loans have all been originated by the Originator in its ordinary course of business;
- The Mortgage Loans comply in all respects with all applicable laws including mortgage credit and consumer protection legislation;
- The Mortgage Loans are all secured by a first ranking Mortgage, together, as the case may be, with a second ranking Mortgage and/or a mandate to create Mortgages over the Mortgaged Asset in favour of the Originator;
- The Mortgage Loans are all fixed rate or variable rate Mortgage Loans;
- The maximum lifetime for the Mortgage Loans does not exceed 30 years as from the date of full disbursement;
- The Mortgage Loans are either Annuity Mortgage Loans, Linear Mortgage Loans or Interest-only Mortgage Loans;
- The Mortgage Loans are not in Arrears;
- The Mortgage Loans are all fully disbursed;
- In respect of each Mortgage Loan, at least one Instalment has been received
- Each Mortgage Receivable, except Mortgage Receivables under Interest-only Mortgage Loans is repayable by way of monthly Instalments;
- The Current Balance on the Cut-off Date of each Mortgage Loan is not less than EUR 1,000 and does not exceed EUR 1,000,000;
- The Borrowers of the Mortgage Loans can be employees of KBC Bank
- Maximum Loan To Mortgage of 500%
- Maximum Current Loan to Value of 150%

Appendices

Underwriting and approval process

4 steps in 1 registration system ("KPD") in local branches

Step 1 Customer Application

Step 2 Credit Analysis

Step 3 Credit Decision

Step 4 Administration Handling

Step 1

Standard Application Form

i. Information on the project (investment and financing plan, what is the total cost and how is it going to be financed?)

ii. Information on the customer: personal data and information on his assets and liabilities

Step 2

Supported by behavioural and application scoring

i. Property valuation (guarantees)

ii. Ratios - loan-to-value ratio and debt-to-income ratio

iii. Credit history of the customer

iv. Income check

Step 3

85 % of the loans is decided by the local branch

The registration system KPD decides if the branch manager is authorised, which depends on:

i. The risk-appreciation (= result of application scoring)

ii. The guarantees

The registration system KPD also defines how many people must take the decision and what delegation they must have

Step 4

Output

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

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

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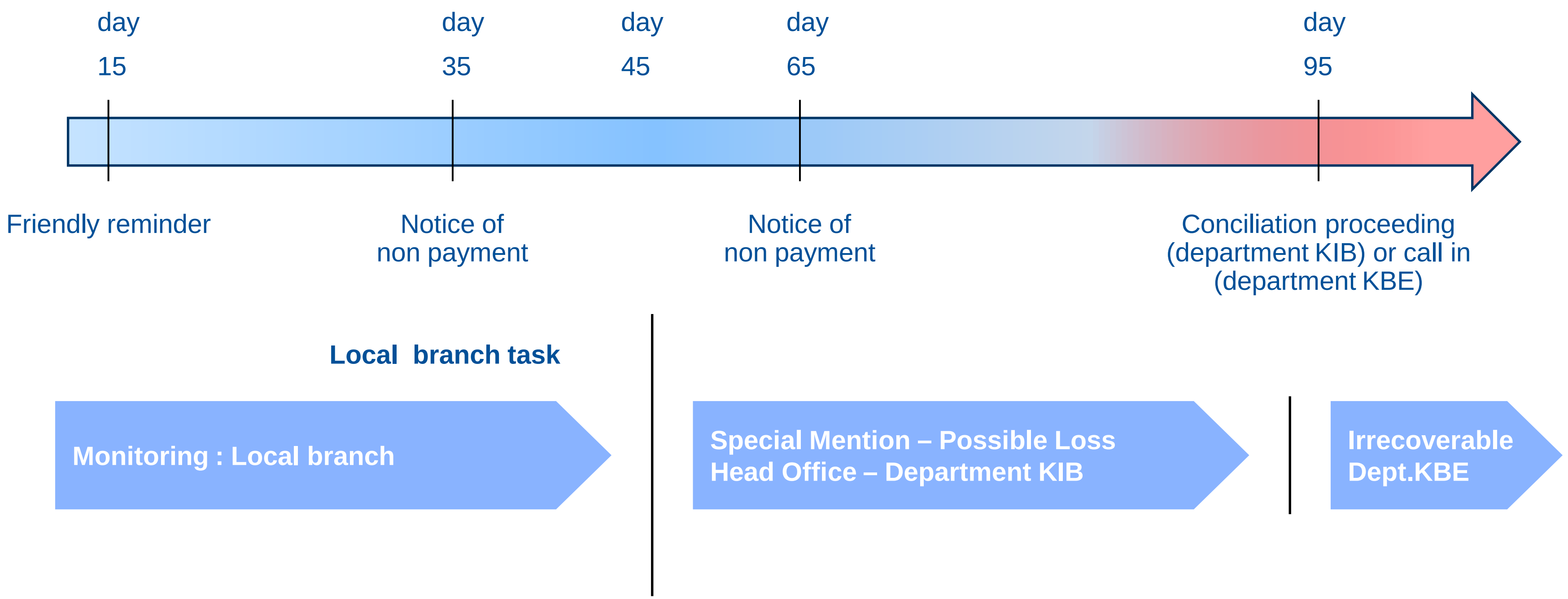
Start of credit risk monitoring: automatic processes

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



Credit risk management: various phases

Borrower → Debtor

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

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

Step 1

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

Step 2

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

Step 3

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

Step 4

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

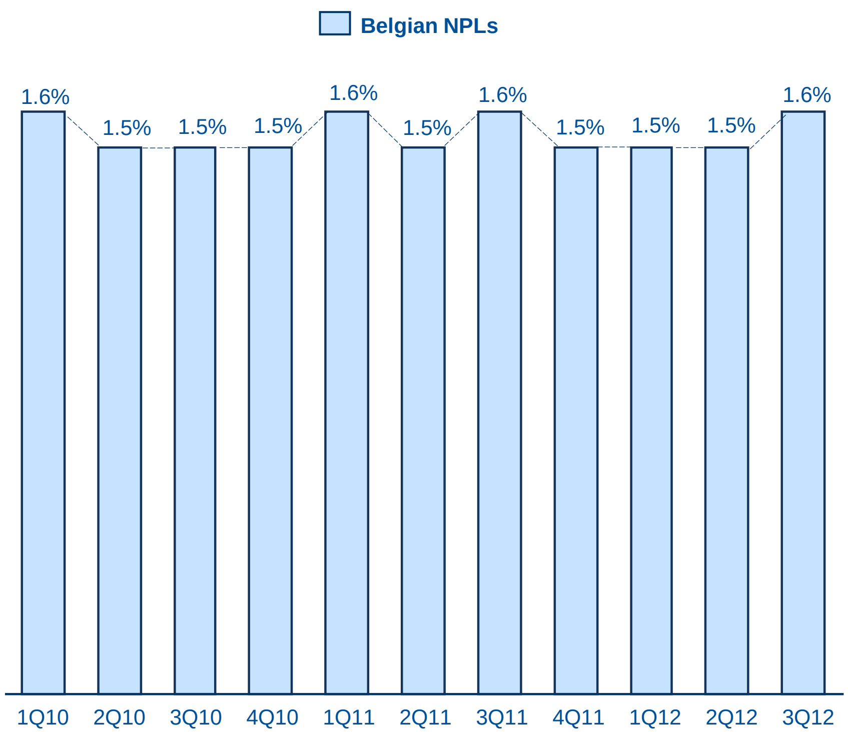
Step 5

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

Appendices

Loan book credit quality

Belgian NPL Progression (2010-Q3 2012)



Loan Book Overview

- Customer loan book: 131bn EUR at end 9M12
  - 41% residential mortgages
  - 3% consumer finance
  - 11% other retail loans
  - 46% SME/corporate loans
- Largely sold through own branches
- Total Group NPL at 5.5% at end 9M12
  - 5.5% in CEE and 1.6% in Belgium
- NPL coverage ratio for KBC Group at 61% at end 9M12 (68% in CEE)

Legacy Assets within investment portfolio

Outstanding CDO Exposure[1]

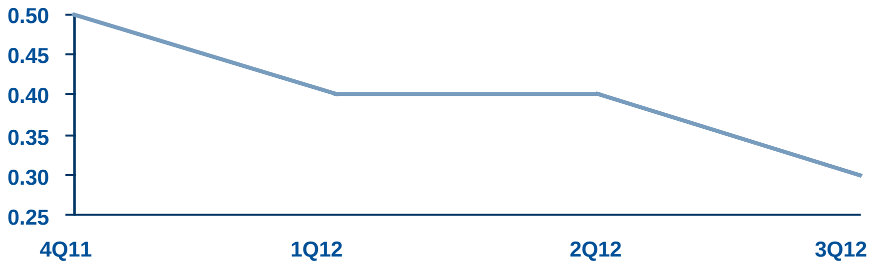
Outstanding CDO Exposure[1]		
€bn as of 3Q 2012	**Notional**	**Outstanding markdowns**
Hedged Portfolio	10.1	-0.6
Unhedged Portfolio	5.5	-3.5
Total	15.6	-4.1

- CDO exposure largely written down or covered by a State guarantee
- The total notional amount remained stable over the last quarter. The outstanding markdowns decreased as a result of the credit spread tightening

€bn as of 3Q 2012	Total
Outstanding value adjustments	-4.1
Claimed and settled losses	-2.2
Of which impact of settled credit events	*-2.1*

- Within the scope of the sensitivity tests, the value adjustments reflect a 10.7% cumulative loss in the underlying corporate risk (approx. 85% of the underlying collateral consists of corporate reference names)
- Claimed and settled losses amounted to 2.2bn EUR

Negative P&L impact[2] of a 50% widening in corporate and ABS credit spreads



- P&L sensitivity significantly reduced thanks to de-risking activities

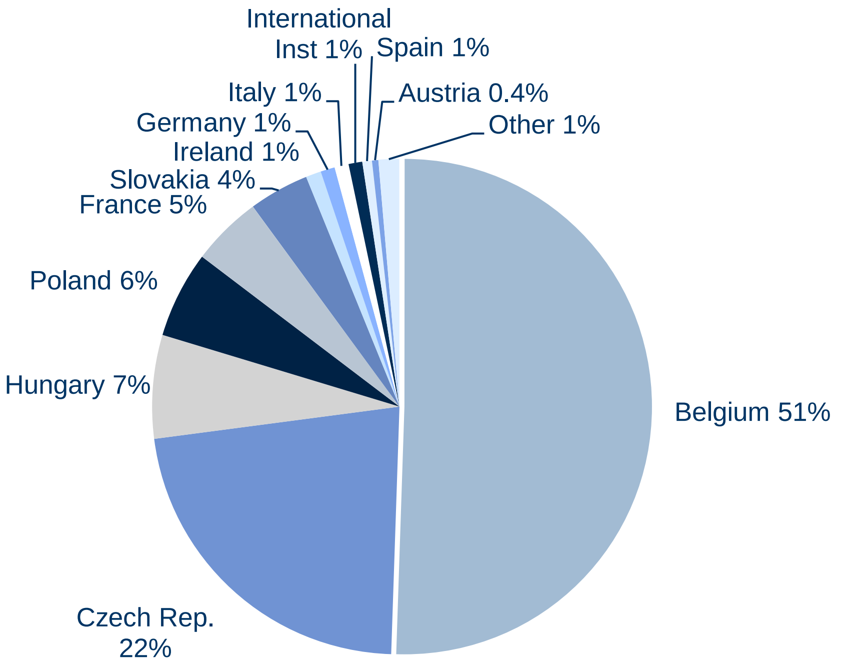
1. Figures exclude all expired, unwound or terminated CDOs
2. Taking into account the guarantee agreed with the Belgian State and a provision rate for MBIA at 70%

Sovereign Bonds within investment portfolio at KBC Bank

Sovereign Bonds Overview

- Notional investment of 34bn EUR in government bonds (excl trading book) at end 9M12
- Broad geographical composition
  - Majority of exposure related to Belgium
  - Low exposure to GIIPS countries
  - Other exposure almost entirely European

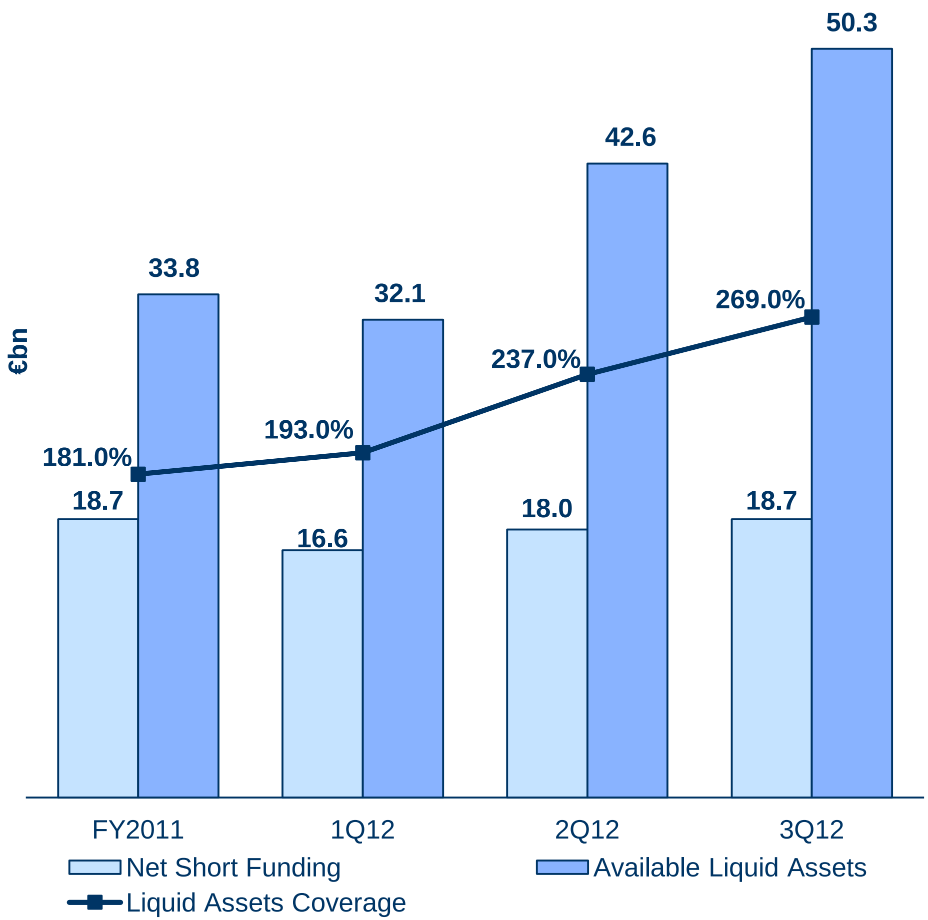
Geographical Composition



Total: 34bn EUR

Liquid asset buffer more than double short term funding needs

Short term unsecured funding KBC Bank vs. Liquid assets as of end September 2012[1,2]



The liquid asset buffer increased substantially in comparison with the end of June 2012, due to the following factors:

- Increasing investments in highly liquid assets and positive MtM
- The automation of the credit claims pledging process allows KBC to pledge more than 4bn EUR's worth (after haircuts) of loans at NBB
- The total amount of unencumbered assets increased substantially as less secured funding was attracted

Therefore, the already strong liquidity position has improved further as:

- Unencumbered assets are more than double the amount of the net recourse on short-term wholesale funding
- Funding from non-wholesale markets is stable funding from core customer segments in our home markets

1. According to IFRS5, the situation at 28/09/2012 (right-hand side) excludes the in-divestment entities (Absolut Bank, Kredyt Bank, KBC Deutschland, KBC Banka, ADB, KBL) Excluding Centea (retroactively adjusted)
2. Graphs are based on Note 18 of KBC's quarterly report, except for the 'available liquid assets' and 'liquid assets coverage', which is based on the Treasury Management Report of KBC Group

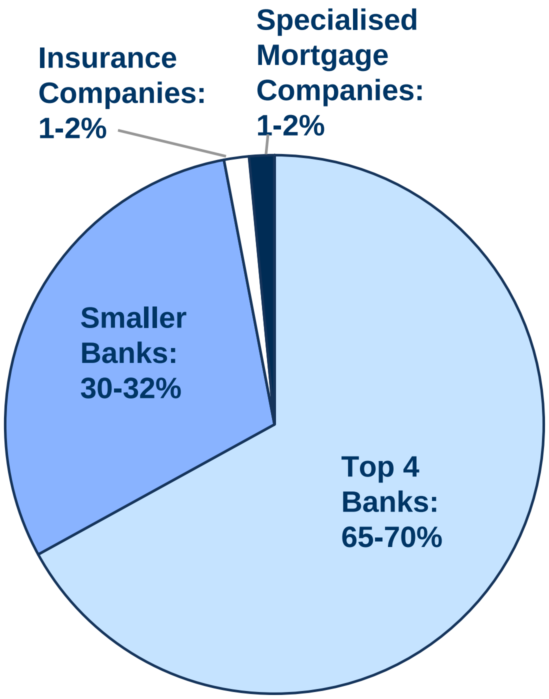
Appendices

Lending market dominated by banks

Lending market dominated by banks

- The four biggest market participants, KBC Bank NV, Belfius, BNP Paribas Fortis and ING control nearly 70 per cent of the mortgage lending market
- Other credit and financial institutions (smaller banks, insurance companies, savings banks) and mortgage shops cover the remaining 30 per cent
- Mid 2012, KBC Bank NV held a **solid market share** of 19% of total outstanding mortgage loans
- The role of brokers is de minimis
  - The mortgage market is 95% dominated by banks, hence deeper insight into the financial situation of the mortgage taker
  - Banks also have far better control over credit quality and affordability of mortgage takers

Market Shares of Belgian Mortgage Market



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