KBC Group
Analyst tele-conference
1Q 2013 Results
16 May 2013 – 9.30 AM CEST

Dial-in numbers
+44 20 7162 0177
+32 2 290 14 11
+1 334 323 6203
+420 (2) 3900 0636

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(available within 4hrs of the call)

Replay numbers
+44 20 7031 4064
+32 2 290 17 05
+1 954 334 0342

More information: www.kbc.com or on your mobile: m.kbc.com
KBC Group - Investor Relations Office - Email: investor.relations@kbc.com
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Key takeaways for KBC Group

- **RESILIENT BUSINESS PERFORMANCE IN 1Q13**
  - Net reported profit of 520m EUR, owing primarily to an increase in CDO valuations
  - Continued good adjusted* net result of 359m EUR, an increase of 29% q-o-q as a result of:
    - Strong commercial bank-insurance franchises in our core markets and core activities, leading to a ROE of 13%
    - Growth in deposits and stable loan volumes in our core markets
    - Slightly increased net interest margin (for second quarter in a row)
    - Strong net fee and commission income
    - Solid gains from financial instruments at fair value and gains realised on AFS assets
    - Excellent combined ratio (87%)
    - Excellent C/I ratio (51%)
    - Loan loss provisions in Ireland in line with guidance. We are maintaining our FY 2013 guidance of 300m-400m EUR for Ireland

- **SOLID CAPITAL AND ROBUST LIQUIDITY POSITIONS**
  - Pro-forma tier-1 ratio of 15.7% under B2.5 at the end of 1Q13 at KBC Group, up from 14.6% at the end of 2012. Pro forma figures in 1Q13 include the impact of the signed divestments of Absolut Bank and KBC Banka. Common equity (B3 fully loaded**) of 12%. As mentioned before, KBC has the intention to accelerate repayment of 1.17bn EUR of State aid to the Flemish Regional Government in 1H13
  - Estimated B3 CET at the end of 2013: 11.1% fully loaded (11.8% phased in), factoring in 1.17bn EUR repayment of Flemish YES instruments, well above our 10% internal target for fully loaded B3 CET ratio
  - Continued strong liquidity position (NSFR at 106% and LCR at 133%)***. Unencumbered assets are almost 4 times the amount of short-term wholesale funding. KBC is ahead of its 2013 funding plan. Covered bonds will support diversification of funding mix, which will reduce funding costs over time

- **MOMENTUM MAINTAINED ON DIVESTMENTS AND DERISKING**
  - Further progress on divestments: the sale of our stakes in BZWBK and NLB are completed, and we have signed a sale agreement for KBC Banka
  - CDO/ABS exposure further reduced by a notional amount of roughly 1.7bn EUR

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* Adjusted net result is the net result excluding a limited number of non-operational items, being legacy CDO and divestment activities and the M2M effect of own debt instruments due to own credit risk
** Including remaining State aid
*** NSFR: Net Stable Funding Ratio; LCR: Liquidity Coverage Ratio
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2. 1Q 2013 financial highlights per business unit
3. Divestments and derisking
4. Strong solvency and solid liquidity
5. Wrap up

Annex 1: 1Q 2013 performance of business units
Annex 2: Other items
Section 1

1Q 2013 performance of KBC Group
Earnings capacity

**NET RESULT ***

<table>
<thead>
<tr>
<th></th>
<th>1Q12</th>
<th>2Q12</th>
<th>3Q12</th>
<th>4Q12</th>
<th>1Q13</th>
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<tbody>
<tr>
<td>Amounts</td>
<td>380</td>
<td>531</td>
<td>240</td>
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<tr>
<td>Adjustments</td>
<td>-539</td>
<td>-121</td>
<td>-882</td>
<td>-39</td>
<td>161</td>
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</tbody>
</table>

Excluding adjustments

**ADJUSTED NET RESULT**

<table>
<thead>
<tr>
<th></th>
<th>1Q12</th>
<th>2Q12</th>
<th>3Q12</th>
<th>4Q12</th>
<th>1Q13</th>
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<tbody>
<tr>
<td>Amounts</td>
<td>501</td>
<td>343</td>
<td>373</td>
<td>279</td>
<td>359</td>
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<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

- Main legacy + own credit risk items (post-tax)
  - Revaluation of structured credit portfolio  + 165m EUR

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

Amounts in m EUR
Adjusted net result at KBC Group

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

**CONTRIBUTION OF BANKING ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT***

**CONTRIBUTION OF INSURANCE ACTIVITIES TO KBC GROUP ADJUSTED NET RESULT***

Amounts in m EUR
Net interest income and margin

- **Net interest income**
  - Fell by 1% q-o-q and 10% y-o-y (across all Business Units), excluding deconsolidated entities.
  - On a comparable basis, loan volumes stabilised y-o-y, despite continued growth in our home markets Belgium (+1% y-o-y) and the Czech Republic (+9% y-o-y), offset by a 6% reduction in the loan book in the International Markets BU and 3% decline at Group Centre.
  - Deposit volumes went up by 6% y-o-y on a comparable basis: +10% in the BE BU, +2% in the Czech Republic BU and +18% in the International Markets BU.

- **Net interest margin (1.72%)**
  - +1bps q-o-q (increased second quarter in a row) and -15bps y-o-y.
  - The q-o-q increase was accounted for chiefly by lower funding costs for participations and sound commercial margins. Both items offset the negative impact from lower reinvestment yields.

*Net Interest Margin: Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos.*
Net fee and commission income and AUM

- **Strong net fee and commission income**
  - Increased by 14% q-o-q and 18% y-o-y excluding deconsolidated entities driven by higher entry and management fees on mutual funds and higher income as a result of switches between different unit-linked products

- **Assets under management (156bn EUR)**
  - AUM rose roughly by 2% y-o-y and 1% q-o-q fully thanks to a positive price effect
**Premium income and combined ratio**

- **Insurance premium income** (gross earned premium) at 577m EUR
  - Excluding deconsolidated entities
    - Non-life premium income (305m) down 3% q-o-q and up 2% y-o-y.
    - Life premium income (271m) down 12% q-o-q and 25% y-o-y

- The non-life **combined ratio** in 1Q13 stood at an excellent 87% as a result chiefly of a relatively low level of technical charges
Sales of insurance products

- **Sales of non-life insurance products**
  - Up almost 3% y-o-y (excluding Warta) and 47% q-o-q

- **Sales of life insurance products**
  - Down 54% q-o-q and 52% y-o-y (-54% and -44%, respectively, excluding deconsolidated entities)
  - The q-o-q decline in sales of unit-linked products can be explained mainly by the very strong 4Q12, which benefited from the successful savings campaign in October and November and the exceptionally high level of sales in December in anticipation of the expected increase in insurance tax as from January 2013 (both factors occurring in the Belgium BU). Furthermore, there was limited premium income from guaranteed interest products due to the low rate of guaranteed interest
  - Sales of unit-linked products only accounted for 59% of total life insurance sales
The higher q-o-q figure for net gains from financial instruments at fair value (218m EUR) was the result of a positive q-o-q change in ALM derivatives (85m EUR), despite lower dealing room income.

Gains realised on AFS assets came to 96m EUR (mainly on Belgian government bonds at KBC Bank Belgium).
Operating expenses and C/I ratio

- **Cost/income ratio (banking) at excellent 51%**
  - Driven by a high M2M impact of ALM derivatives and the realisation of AFS assets
  - Adjusted for specific items, the C/I ratio amounted to roughly 56% in 1Q13
  - Compared to 57% for FY 2012
  - Operating expenses went up by 2% y-o-y excluding deconsolidated entities, accounted for almost entirely by higher bank tax expenses (mainly the new transaction levy in Hungary) and higher pension expenses (due to a lower discount rate)
  - Operating expenses increased by 2% q-o-q excluding deconsolidated entities due mainly to the Hungarian bank tax, although this effect was partly offset by lower marketing and no restructuring charges

### Operating Expenses

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Opex at Kredyt Bank</th>
<th>Opex at Warta and Zagiel</th>
<th>Opex at Private Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2012</td>
<td>1,110 m EUR</td>
<td>34 m EUR</td>
<td>5 m EUR</td>
</tr>
<tr>
<td>2Q 2012</td>
<td>1,016 m EUR</td>
<td>61 m EUR</td>
<td>5 m EUR</td>
</tr>
<tr>
<td>3Q 2012</td>
<td>917 m EUR</td>
<td>57 m EUR</td>
<td>10 m EUR</td>
</tr>
<tr>
<td>4Q 2012</td>
<td>1,068 m EUR</td>
<td>60 m EUR</td>
<td>2 m EUR</td>
</tr>
<tr>
<td>1Q 2013</td>
<td>1,029 m EUR</td>
<td>58 m EUR</td>
<td>6 m EUR</td>
</tr>
</tbody>
</table>
Asset impairment, credit cost and NPL ratio

- **Lower impairment charges**
  - Q-o-q decrease of 23m EUR in loan loss provisions, mainly for KBC Finance Ireland and KBC Bank Deutschland (which is up for sale), partly offset by higher impairments for corporate and KBC Bank Ireland (99m in 1Q13 compared with 87m EUR in 4Q12, fully in line with our previous guidance)
  - Compared with the level recorded in 1Q12 (247m EUR), loan loss provisions were up by 49m EUR given the unsustainable low level recorded in 1Q12 (thanks to write-backs) and despite the fact that 1Q12 included 195m EUR loan loss provisions at KBC Bank Ireland
  - Impairment of 13m EUR on AFS shares (mainly on a bond at DZI), 7m EUR on goodwill and 20m EUR on ICT legacy files

- **Credit cost ratio** amounted to 0.80% in 1Q13, mainly due to Ireland and a few large corporate files. Excluding KBC Bank Ireland, the CCR stood at 0.60% in 1Q13

- **The NPL ratio** stabilised at 5.3%
Section 2

1Q 2013 financial highlights per business unit
Key takeaways for the Belgium Business Unit

- **Adjusted net result increased by 30% q-o-q to 385m EUR** thanks to:
  - Slightly increased net interest margin (for second quarter in a row)
  - 5% q-o-q deposit volume growth
  - Strong net fee and commission income (thanks to the integrated bank-insurance model)
  - High M2M impact of ALM derivatives and the realisation of AFS assets
  - Excellent combined ratio (85%)
  - Excellent C/I ratio (46%)
  - Lower impairment charges q-o-q

- **ROAC at 28% in 1Q13**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Adjusted Net Result (m EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2012</td>
<td>486</td>
</tr>
<tr>
<td>2Q 2012</td>
<td>244</td>
</tr>
<tr>
<td>3Q 2012</td>
<td>335</td>
</tr>
<tr>
<td>4Q 2012</td>
<td>295</td>
</tr>
<tr>
<td>1Q 2013</td>
<td>385</td>
</tr>
</tbody>
</table>

Amounts in m EUR
Details adjusted net result for Belgium Business Unit (1)

- **Adjusted net result**: +30% q-o-q to 385m EUR

  - **Net interest income** (658m EUR) down 4% q-o-q and 9% y-o-y. This decline can mainly be explained by slightly increased liquidity costs due to increasing branch 23 deposits (compensated in part by higher net F&C income) and a lower number of days in 1Q13. Note that customer deposits rose by 5% q-o-q (and 10% y-o-y), while the loan portfolio stabilised q-o-q (but up 1% y-o-y, driven by growth in mortgage loans).
  - **Strong net fee and commission income** (+15% q-o-q and +31% y-o-y) thanks to the integrated bank-insurance model. The growth is driven mainly by higher income from mutual funds (both entry and management fees) and higher income thanks to switches between different unit-linked products.
  - **Net result from FIFV** rose 44% q-o-q mainly thanks to high M2M impact of ALM derivatives.
  - **Costs** rose by 3% q-o-q (and 1% y-o-y) due mainly to higher staff expenses, offset in part by lower marketing expenses. Nevertheless, an excellent C/I ratio (46%).
  - Lower **impairment charges** q-o-q (but higher y-o-y), despite an increase for corporates (mainly due to a few large files).

![Graphs showing the adjusted net result for Belgium Business Unit](image)

<table>
<thead>
<tr>
<th>Volume Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong></td>
</tr>
<tr>
<td><strong>Growth q/q</strong></td>
</tr>
<tr>
<td><strong>Growth y/y</strong></td>
</tr>
</tbody>
</table>

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
The net interest margin widened by 1bp q-o-q to 1.17%, as sound commercial margins offset the negative impact of lower reinvestment yields (due in part to the reduced exposure to GIIPS during the last 2 years and declining interest rates). The higher product margin on saving accounts can be explained by the decrease of 15bps in the basic interest rate in February. Recently, KBC announced it will further reduce the basic interest rate by 5bps and the fidelity premium by 15bps on saving accounts from mid-May onwards.

- Credit cost ratio increased sharply from 28bps in FY12 to 62bps in 1Q13 due to a few corporate files. The CCR for retail/SME only amounted to 14bps
- The NPL ratio stabilised at 2.3%
- An excellent (non-life) combined ratio (85%) thanks to low technical charges
Key takeaways for the Czech Republic Business Unit

- Adjusted net result increased by 16% q-o-q to 132m EUR thanks to:
  - Slightly increased net interest margin
  - Higher net fee and commission income
  - Lower costs
  - Stable impairment charges

- ROAC at 33% in 1Q13
Details adjusted net result for Czech Republic BU (1)

- **Adjusted net result**: +16% q-o-q to 132m EUR
  - Excluding FX effect, *net interest income* stabilised q-o-q, but fell by 5% y-o-y due mainly to a lower reinvestment yield. Loan volumes flat q-o-q and up 9% y-o-y, driven by growth in corporate/SME and mortgage loans.
  - Excluding FX effect, *net fee and commission income* increased by 26% q-o-q, attributable mainly to a lower comparative base due to the write-off of deferred acquisition costs in pension funds in 4Q12.
  - Excluding FX effect, *opex* fell by 15% q-o-q, but rose by 2% y-o-y. The q-o-q decline was attributable chiefly to seasonal effects (lower marketing and ICT expenses) and no restructuring charges in 1Q13. C/I ratio at 47%.
  - *Impairments on L&R* stabilised q-o-q, but rose y-o-y from the exceptionally low level in 1Q12 which was supported by write-backs in the corporate/SME area.

![Graphs showing net interest income, net fee and commission income, and opex over time](image)

**VOLUME TREND**

<table>
<thead>
<tr>
<th>Volume</th>
<th>Total loans **</th>
<th>Of which mortgages</th>
<th>Customer deposits</th>
<th>AuM</th>
<th>Life reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>18bn</td>
<td>8bn</td>
<td>25bn</td>
<td>4.3bn</td>
<td>1.2bn</td>
<td></td>
</tr>
<tr>
<td>Growth q/q*</td>
<td>0%</td>
<td>+2%</td>
<td>-1%</td>
<td>+7%</td>
<td>-4%</td>
</tr>
<tr>
<td>Growth y/y</td>
<td>+9%</td>
<td>+10%</td>
<td>+2%</td>
<td>+14%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
The net interest margin increased by 4bps q-o-q, but fell by 29bps y-o-y to 3.07%.
- This y-o-y decline was caused primarily by a lower reinvestment yield and to a lesser extent by a change in business mix (relatively more corporate loans with lower margins)
- The q-o-q increase is partly the result of the cut in interest rates on savings deposits in January and a technical effect.
In April, CSOB further reduced the interest rate on savings deposits

- Credit cost ratio amounted to 0.42% (0.31% in 2012)
- The NPL ratio stabilised at 3.2%

- Combined ratio at 99% in 1Q13, mainly due to one big industrial risk claim and higher claims in motor insurance class
Key takeaways for the International Markets Business Unit

- **Adjusted net result amounted to -87m EUR**
  - Mainly due to Ireland (-77m EUR) and Hungary (-19m EUR as the FY13 Hungarian bank tax was recorded in full in 1Q13)
  - Loan loss provisions in Ireland (99m EUR in 1Q13) were in line with guidance. We are maintaining our FY 2013 guidance of 300m-400m EUR for Ireland
  - Turnaround potential: break-even returns at latest by 2015 for BU International Markets, mid-term returns above cost of capital

- **ROAC at -21% in 1Q13**
Details adjusted net result for International Markets BU

**Adjusted net result: -87m EUR**

- International Markets profit **breakdown**: 17m Slovakia, -19m Hungary, -9m Bulgaria and -77m Ireland

- **Results** were characterised q-o-q by almost flat net interest income, higher net fee and commission income, higher costs (mainly explained by the FY13 Hungarian bank tax, recorded in full in 1Q13) and higher loan loss provisions (y-o-y the same analysis, except lower impairments)

- **Credit cost ratio** of 1.78%. Excluding Ireland, the CCR in BU IM amounted to 70bps.

- **NPL ratio** at 18.1%

- Total **loan book** fell by 1% q-o-q and 6% y-o-y. On a y-o-y basis, the decrease was accounted for by Ireland (matured loans surpassed new production) and Hungary (where the trend was impacted not only by the FX mortgage relief programme, but also by a decreased corporate loan portfolio in line with the market decline)

- Total **deposits** were up 4% q-o-q and 18% y-o-y, thanks mainly to the successful retail deposit campaign in Ireland
Overview of results based on new business units

### ADJUSTED NET PROFIT - BELGIUM

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (m EUR)</th>
<th>ROAC (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>1,360</td>
<td></td>
</tr>
<tr>
<td>1Q13</td>
<td>385</td>
<td>28%</td>
</tr>
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</table>

### ADJUSTED NET PROFIT – CZECH REPUBLIC

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (m EUR)</th>
<th>ROAC (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>581</td>
<td></td>
</tr>
<tr>
<td>1Q13</td>
<td>132</td>
<td>33%</td>
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</table>

### ADJUSTED NET PROFIT - INTERNATIONAL MARKETS

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (m EUR)</th>
<th>ROAC (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>-260</td>
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<tr>
<td>1Q13</td>
<td>-87</td>
<td>-21%</td>
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</tbody>
</table>

### ADJUSTED NET PROFIT - INTERNATIONAL MARKETS EXCL. IRELAND

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (m EUR)</th>
<th>ROAC (%)</th>
</tr>
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<tbody>
<tr>
<td>2012</td>
<td>145</td>
<td></td>
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<tr>
<td>1Q13</td>
<td>-10</td>
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</table>

Amounts in m EUR
Section 3

Divestments and derisking
RWA reduced by more than initially planned

- **38% reduction in risk weighted assets between the end of 2008 and 1Q13** due mainly to divestment activities
  - Further progress on divestments: the sale of our stake in BZWBK and NLB is completed, while we signed the sale of KBC Banka
  - The 3.5bn EUR RWA reduction during 1Q13 can mainly be explained by a further reduction of loan exposure in foreign branches and LGD model changes (both in BU BE and CR)

**KBC GROUP RISK WEIGHTED ASSETS (bn EUR)**

- **-38%**
- **-38.6bn EUR**

**SELECTED DIVESTMENTS**

<table>
<thead>
<tr>
<th>Divestment</th>
<th>Signed</th>
<th>Work-in-progress</th>
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<tbody>
<tr>
<td>KBC FP Convertible Bonds</td>
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<tr>
<td>KBC FP Asian Equity Derivatives</td>
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<tr>
<td>KBC FP Insurance Derivatives</td>
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<tr>
<td>KBC FP Reverse Mortgages</td>
<td></td>
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<td>KBC Peel Hunt</td>
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<td>KBC AM in the UK</td>
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<td>KBC AM in Ireland</td>
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<td>KBC Securities BIC</td>
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<td>KBC Concord Taiwan</td>
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<td>KBC Securities Romania</td>
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<td>KBC Securities Serbia</td>
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<tr>
<td>Organic wind-down of international MEB loan book outside home markets</td>
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<td>Centea</td>
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<td>Fidea</td>
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<tr>
<td>Warta</td>
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<td>KBL European Private Bankers</td>
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<tr>
<td>KBC Banka</td>
<td>Signed</td>
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<tr>
<td>KBC Bank Deutschland</td>
<td>Work-in-progress</td>
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<tr>
<td>Antwerp Diamond Bank</td>
<td>Work-in-progress</td>
<td></td>
</tr>
</tbody>
</table>

* Including the effects of the Absolut Bank and KBC Banka divestments
Outstanding CDO exposure further reduced (1Q 2013)

Notional reduction to the tune of 1.6bn EUR thanks to the collapsing of two CDOs

REMINDER: CDO exposure largely written down or covered by a State guarantee

We continue to look at our CDO exposure in an opportunistic way: we further reduce if the net negative impact is limited (taking into account a possible P&L impact, the value of the State guarantee and the RWA reduction)

P&L sensitivity more than halved since the beginning of 2012 thanks to de-risking activities, approaching maturities and reductions in notional

### Outstanding CDO Exposure (BN EUR)

<table>
<thead>
<tr>
<th></th>
<th>Notional</th>
<th>Outstanding Markdowns</th>
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</thead>
<tbody>
<tr>
<td>CDO exposure protected with MBIA</td>
<td>8.6</td>
<td>-0.3</td>
</tr>
<tr>
<td>Other CDO exposure</td>
<td>5.3</td>
<td>-3.4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>13.9</td>
<td><strong>-3.7</strong></td>
</tr>
</tbody>
</table>

### Loss Impact (BN EUR)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Losses due to claimed &amp; settled credit events</td>
<td>-2.2</td>
</tr>
<tr>
<td>Market value adjustments (locked through hedging)</td>
<td>-0.9</td>
</tr>
<tr>
<td>Market value adjustments (not locked)</td>
<td>-0.6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>-3.7</strong></td>
</tr>
</tbody>
</table>

### Negative P&L Impact\(^2\) of a 50% Widening in Corporate and ABS Credit Spreads

---

1. Figures exclude all expired, unwound or terminated CDO positions. For more info, see slides 76-78 in annex
2. Taking into account the guarantee agreement with the Belgian State and a provision rate for MBIA of 80%
Section 4

Strong solvency and Solid liquidity
Strong capital position

- **Strong tier-1 ratio** of 15.4% (15.7% pro forma) at KBC Group as at end 1Q13
- Pro forma **core tier-1 ratio** of 13.5% at KBC Group (including the impact of the signed divestments of Absolut Bank and KBC Banka)
- As mentioned before, KBC has the intention to accelerate repayment of 1.17bn EUR of State aid to the Flemish Regional Government in 1H13

* 1Q13 pro forma CT1 includes the effects of the signed divestments of Absolut Bank and KBC Banka
Estimated common equity at end 2013 - Fully loaded B3

B3 IMPACT AT NUMERATOR LEVEL (BN EUR)

- Look through CET1 at end 1Q13
- Consensus earnings 2Q13-4Q13
- Reimbursement of 1.2bn EUR in YES principal
- Penalty on reimbursed YES principal
- Recuperation of DTAs
- Estimated common equity at end 2013

IMPACT ON RWA (BN EUR)

- 1Q13, including Basel 3
- Remaining divestments
- Other
- 2013e

1. With remaining State aid included in CET1 as agreed with local regulator
2. Based on average earnings consensus estimates of 13 sell-side equity analysts collected by KBC during the period from 29 April 2013 to 3 May 2013 of 1,437m EUR for 2013, of which 339m EUR for 1Q13
3. Remaining divestments include Absolut Bank, KBC Bank Deutschland, Antwerp Diamond Bank and KBC Banka
4. The Basel 3 impact on RWA is roughly 3bn EUR (both in a phased in scenario as well as in a fully loaded scenario)

- Fully loaded B3 common equity ratio of approx. 12.0% at end 1Q13
- Fully loaded B3 common equity ratio of approx. 11.1% at end 2013
- Announced intention to maintain a fully loaded common equity ratio of minimum 10% as of 01-Jan-2013
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.

Given the substantially improved condition of the wholesale funding market and KBC’s very solid liquidity position, KBC has repaid the LTRO for an amount of 8.3bn EUR.
The available liquid assets significantly increased in comparison with the end of 2012, due primarily to the reduction in encumbered assets in the wake of LTRO repayment.

Therefore, the already solid liquidity position further strengthened:
- Unencumbered assets are almost 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 our home markets.

In line with IFRS5, the situation at the end of 1Q13 excludes the divestments that have not yet been completed (Absolut Bank, KBC Deutschland, KBC Banka, ADB).

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.

<table>
<thead>
<tr>
<th>Ratios</th>
<th>1Q13</th>
<th>Target 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSFR(^1)</td>
<td>106%</td>
<td>105%</td>
</tr>
<tr>
<td>LCR(^1)</td>
<td>133%</td>
<td>100%</td>
</tr>
</tbody>
</table>

\(^1\) 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 important swings in the ratio even if liquid assets remain stable.

NSFR at 106% and LCR at 133% by the end of 1Q13:
- In compliance with the implementation of Basel 3 liquidity requirements, KBC targets LCR and NSFR of at least 100% and 105% by 2015, respectively. KBC’s target for LCR is well above regulatory requirement of only 60% in 2015 and for NSFR there is no regulatory requirement yet.
Section 5

Wrap up
Wrap up

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

- Turnaround potential in the International Markets Business Unit

- Successful underlying earnings track record

- Solid capital and robust liquidity position

- Momentum maintained on divestments and derisking
Looking forward

- Looking forward, management envisages:
  - Continued stable and solid returns for the Belgium & Czech Republic BUs
  - Break-even returns at latest by 2015 for the International Markets BU, mid-term returns above cost of capital
  - A fully loaded B3 common equity ratio of minimum 10%
  - To accelerate repayment of 1.17bn EUR of State aid to the Flemish Regional Government in 1H13
  - LCR and NSFR of at least 100% and 105% by 2015, respectively
Annex 1

1Q 2013 performance of business units
BELGIUM BUSINESS UNIT

- CFO SERVICES
- CRO SERVICES
- BELGIUM
- CZECH REPUBLIC
- INTERNATIONAL MARKETS
- INTERNATIONAL PRODUCT FACTORIES
- CORPORATE STAFF
- CORPORATE CHANGE & SUPPORT
Belgium Business Unit (1)

**Adjusted net result** at the Belgium Business Unit amounted to 385m EUR

- The quarter under review was characterised by lower net interest income, strong net fee and commission income, sharply lower unit-linked life insurance sales, an excellent non-life insurance combined ratio, excellent C/I ratio and lower impairment charges q-o-q

<table>
<thead>
<tr>
<th></th>
<th>Total loans **</th>
<th>Of which mortgages</th>
<th>Customer deposits</th>
<th>AuM</th>
<th>Life reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong></td>
<td>84bn</td>
<td>31bn</td>
<td>100bn</td>
<td>148bn</td>
<td>25bn</td>
</tr>
<tr>
<td><strong>Growth q/q</strong></td>
<td>0%</td>
<td>0%</td>
<td>+5%</td>
<td>+1%</td>
<td>+1%</td>
</tr>
<tr>
<td><strong>Growth y/y</strong></td>
<td>+1%</td>
<td>+4%</td>
<td>+10%</td>
<td>+3%</td>
<td>+10%</td>
</tr>
</tbody>
</table>

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
Belgium Business Unit (2)

- **Net interest income (658m EUR)**
  - Down 4% q-o-q and 9% y-o-y
  - This decline can mainly be explained by slightly increased liquidity costs due to increasing branch deposits (compensated in part by higher net F&C income) and a lower number of days in 1Q13
  - Note that customer deposits rose by 5% q-o-q (and 10% y-o-y), while the loan portfolio stabilised q-o-q and +1% y-o-y, driven by growth in mortgage loans

- **Net interest margin (1.17%)**
  - Widened by 1bp q-o-q, as sound commercial margins offset the negative impact of lower reinvestment yields (due in part to the reduced exposure to GIIPS during the last 2 years and declining interest rates).
  - The higher product margin on saving accounts can be explained by the decrease of 15bps in the basic interest rate in February. Recently, KBC announced it will further reduce the basic interest rate by 5bps and the fidelity premium by 15bps on saving accounts from mid-May onwards
Credit margins in Belgium

PRODUCT SPREAD ON CUSTOMER LOAN BOOK, OUTSTANDING

PRODUCT SPREAD ON NEW PRODUCTION

- **Customer loans**
- **SME loans**
- **Mortgage loans**
Belgium Business Unit (3)

- **Net fee and commission income (291m EUR)**
  - Increased by 31% y-o-y and 15% q-o-q, driven mainly by higher income from mutual funds (both entry and management fees) and higher income thanks to switches between different unit-linked products (the margin on those products is included in net fee and commission income).

- **Assets under management (148bn EUR)**
  - AUM rose by roughly 3% y-o-y and 1% q-o-q fully thanks to a positive price effect
Belgium Business Unit (4)

- **Insurance premium income** (gross earned premium) at 429m EUR
  - Non-life premium income (234m) down 1% q-o-q and up 4% y-o-y (mainly in Fire and Motor insurance)
  - Life premium income (195m) down 16% q-o-q and 26% y-o-y due to 1) a deliberate shift from the sale of guaranteed interest products to the sale of unit-linked products and 2) a gradual decrease in the guaranteed interest rate on Life savings products during 2012

- **Combined ratio** amounted to 85% in 1Q13 (95% in FY 2012), an excellent level thanks to low technical charges
Belgium Business Unit (5)

- **Sales of non-life insurance products**
  - Rose by 58% q-o-q and by 2% y-o-y

- **Sales of life insurance products**
  - Fell by 47% y-o-y, driven entirely by deliberately lower sales of guaranteed interest products and sharply lower sales of unit-linked products, as 1Q12 benefitted from extra commercial efforts
  - Fell by 58% q-o-q, as 4Q12 sales were extremely strong thanks to the successful savings campaign in October/November and the exceptionally high level of sales in December, benefitting from the expected increase in insurance tax as from January 2013
  - As a result, guaranteed interest products and unit-linked products accounted for 40% and 60%, respectively, of life insurance sales in 1Q13 (22% and 78%, respectively, for FY 2012)
Belgium Business Unit (6)

- **Operating expenses**: +3% q-o-q and +1% y-o-y
  - The q-o-q increase is due mainly to higher staff expenses (for instance, higher post-employment benefits as a result of the IFRS-required adjustment to the pension fund), offset in part by lower marketing expenses
  - Cost/income ratio: 46% in 1Q13 (an improvement compared to 51% in FY 2012)

- **Loan loss provisions** amounted to 138m EUR in 1Q13, of which 21m EUR on retail/SME loans
  - We noticed an increase of loan loss provisions for corporates (mainly due to a few large files)

- **Credit cost ratio** of 62bps due to a few corporate files. The CCR for retail/ SME only amounted to 14bps

- **NPL ratio** stabilised at 2.3%

- **Limited impairments on AFS shares** (2m EUR)
Adjusted net result at the Belgium BU

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

** Amounts in m EUR

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

<table>
<thead>
<tr>
<th></th>
<th>1Q12</th>
<th>2Q12</th>
<th>3Q12</th>
<th>4Q12</th>
<th>1Q13</th>
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<tr>
<td>Amounts</td>
<td>360</td>
<td>171</td>
<td>219</td>
<td>239</td>
<td>300</td>
</tr>
<tr>
<td>Non-Life result</td>
<td>61</td>
<td>73</td>
<td>115</td>
<td>56</td>
<td>85</td>
</tr>
<tr>
<td>Life result</td>
<td>72</td>
<td>53</td>
<td>54</td>
<td>85</td>
<td>59</td>
</tr>
<tr>
<td>Non-technical &amp; taxes</td>
<td>-6</td>
<td>-19</td>
<td>-5</td>
<td>-8</td>
<td>-18</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>1Q12</th>
<th>2Q12</th>
<th>3Q12</th>
<th>4Q12</th>
<th>1Q13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts</td>
<td>127</td>
<td>61</td>
<td>73</td>
<td>115</td>
<td>56</td>
</tr>
<tr>
<td>Non-Life result</td>
<td>61</td>
<td>73</td>
<td>115</td>
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</tr>
<tr>
<td>Life result</td>
<td>72</td>
<td>53</td>
<td>54</td>
<td>85</td>
<td>59</td>
</tr>
<tr>
<td>Non-technical &amp; taxes</td>
<td>-6</td>
<td>-19</td>
<td>-5</td>
<td>-8</td>
<td>-18</td>
</tr>
</tbody>
</table>
CZECH REPUBLIC BUSINESS UNIT

- CFO SERVICES
- CRO SERVICES
- BELGIUM
- CZECH REPUBLIC
- INTERNATIONAL MARKETS
- INTERNATIONAL PRODUCT FACTORIES
- CORPORATE STAFF
- CORPORATE CHANGE & SUPPORT
Czech Republic Business Unit (1)

**Adjusted net result** at the Czech Republic Business Unit of 132m EUR
- Results were characterised by flat net interest income (excluding FX effect), higher net fee and commission income, higher (non-life) claims and lower life insurance sales, lower costs and stable loan loss provisions q-o-q
- Profit contribution from the insurance business remained limited in comparison to the banking business

### ADJUSTED NET RESULT

<table>
<thead>
<tr>
<th></th>
<th>1Q 2012</th>
<th>2Q 2012</th>
<th>3Q 2012</th>
<th>4Q 2012</th>
<th>1Q 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>158</td>
<td>159</td>
<td>149</td>
<td>114</td>
<td>132</td>
</tr>
<tr>
<td>Amount (m EUR)</td>
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<td></td>
<td></td>
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</table>

### VOLUME TREND

<table>
<thead>
<tr>
<th></th>
<th>Total loans **</th>
<th>Of which mortgages</th>
<th>Customer deposits</th>
<th>AuM</th>
<th>Life reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volume</strong></td>
<td>18bn</td>
<td>8bn</td>
<td>25bn</td>
<td>4.3bn</td>
<td>1.2bn</td>
</tr>
<tr>
<td><strong>Growth q/q</strong></td>
<td>0%</td>
<td>+2%</td>
<td>-1%</td>
<td>+7%</td>
<td>-4%</td>
</tr>
<tr>
<td><strong>Growth y/y</strong></td>
<td>+9%</td>
<td>+10%</td>
<td>+2%</td>
<td>+14%</td>
<td>-1%</td>
</tr>
</tbody>
</table>

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
Czech Republic Business Unit (2)

- **Net interest income (244m EUR)**
  - fell by 2% q-o-q and 6% y-o-y to 244m EUR (flat and -5%, respectively, excluding FX effect)
  - Both the y-o-y and q-o-q decline were accounted for mainly by a lower reinvestment yield
  - Loan volumes flat q-o-q and up 9% y-o-y, driven by growth in corporate/SME and mortgage loans

- **The net interest margin (3.07%)**
  - Increased by 4bps q-o-q, but fell by 29bps y-o-y to 3.07%.
  - This y-o-y decline was caused primarily by a lower reinvestment yield and to a lesser extent by a change in business mix (relatively more corporate loans with lower margins)
  - The q-o-q increase is partly the result of the cut in interest rates on savings deposits in January and a technical effect
  - In April, CSOB further reduced the interest rate on savings deposits
Czech Republic Business Unit (3)

- **Net fee and commission income (51m EUR)**
  - Rose by 24% q-o-q and 3% y-o-y (or +8% q-o-q and +5% y-o-y, respectively, excluding the FX effect and a technical item)
  - The q-o-q increase is attributable mainly to a lower comparative base due to the write-off of deferred acquisition costs in pension funds, reported in 4Q12
  - The y-o-y increase was achieved by increased sales of mutual funds and higher client activity in FX hedging, which was partly offset by higher fees paid to distribution

- **Assets under management (4.3bn EUR)**
  - Went up by 7% q-o-q to roughly 4.3bn EUR, essentially as a result of net inflows (+9%). Net inflows can mainly be explained by the fact that the AuM of Slovakia are from now on managed by the Czech Republic
  - Y-o-y, assets under management rose by 14%, driven by net inflows (+9%) and a positive price effect (+6%)
Insurance premium income (gross earned premium) stood at 89m EUR

- Non-life premium income (41m) fell by 8% q-o-q due to lower sales of motor retail products, but rose by 5% y-o-y (-6% q-o-q and +7% y-o-y excluding FX effect)
- Life premium income (48m) went down 8% q-o-q and 33% y-o-y (-7% q-o-q and -31% y-o-y excluding FX effect). Note that 1Q12 and 4Q12 included high unit-linked single premium due to the more successful sale of Maximal Invest products (only one tranche issued in 1Q13)

Overall, the life result in 1Q13 was very good, thanks to an increased investment result

Combined ratio at 99% in 1Q13, due mainly to one big industrial risk claim and higher claims in motor insurance class

Czech Republic Business Unit (4)
**Czech Republic Business Unit (5)**

- **Opex (164m EUR)**
  - Fell by 16% q-o-q, but stabilised y-o-y (-15% q-o-q and +2% y-o-y excluding FX effect)
  - The q-o-q decline was attributable chiefly to seasonal effects (lower marketing and ICT expenses) and no restructuring charges in 1Q13
  - Cost/income ratio at 47% in 1Q13

- **Impairments on L&R** stabilised q-o-q, but rose y-o-y from the exceptionally low level in 1Q12 which was supported by write-backs in the corporate/SME area
- **Credit cost ratio** amounted to 0.42% in 1Q13
- **NPL ratio** stabilised at 3.2%
- No other impairments

### Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>1Q 2012</th>
<th>2Q 2012</th>
<th>3Q 2012</th>
<th>4Q 2012</th>
<th>1Q 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opex</td>
<td>164</td>
<td>164</td>
<td>165</td>
<td>196</td>
<td>164</td>
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</table>

### Asset Impairment

<table>
<thead>
<tr>
<th></th>
<th>1Q 2012</th>
<th>2Q 2012</th>
<th>3Q 2012</th>
<th>4Q 2012</th>
<th>1Q 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment</td>
<td>13</td>
<td>14</td>
<td>19</td>
<td>23</td>
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<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>1Q13</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCR</td>
<td>0.75%</td>
<td>0.37%</td>
<td>0.31%</td>
<td>0.42%</td>
</tr>
</tbody>
</table>
INTERNATIONAL MARKETS BUSINESS UNIT

- CFO SERVICES
- CRO SERVICES
- BELGIUM
- CZECH REPUBLIC
- INTERNATIONAL MARKETS
- INTERNATIONAL PRODUCT FACTORIES
- CORPORATE STAFF
- CORPORATE CHANGE & SUPPORT
International Markets Business Unit (1)

**Adjusted net result: -87m EUR**
- International Markets profit **breakdown**: 17m Slovakia, -19m Hungary, -9m Bulgaria and -77m Ireland
- **Results** were characterised q-o-q by almost flat net interest income, higher net fee and commission income, higher costs (accounted for primarily by the FY13 Hungarian bank tax, recorded in full in 1Q13) and higher loan loss provisions
- **Turnaround potential**: break-even returns at latest by 2015 for BU International Markets, mid-term returns above cost of capital

### ADJUSTED NET RESULT

<table>
<thead>
<tr>
<th></th>
<th>1Q 2012</th>
<th>2Q 2012</th>
<th>3Q 2012</th>
<th>4Q 2012</th>
<th>1Q 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts in m EUR</td>
<td>-163</td>
<td>-41</td>
<td>-38</td>
<td>-18</td>
<td>-87</td>
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</table>

### VOLUME TREND

<table>
<thead>
<tr>
<th></th>
<th>Total loans **</th>
<th>Of which mortgages</th>
<th>Customer deposits</th>
<th>AuM</th>
<th>Life reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>23bn</td>
<td>15bn</td>
<td>14bn</td>
<td>3.7bn</td>
<td>0.5bn</td>
</tr>
<tr>
<td>Growth q/q*</td>
<td>-1%</td>
<td>-1%</td>
<td>+4%</td>
<td>-5%</td>
<td>+1%</td>
</tr>
<tr>
<td>Growth y/y</td>
<td>-6%</td>
<td>-4%</td>
<td>+18%</td>
<td>-21%</td>
<td>+5%</td>
</tr>
</tbody>
</table>

* Non-annualised
** Loans to customers, excluding reverse repos (and not including bonds)
The total loan book fell by 1% q-o-q and 6% y-o-y. On a y-o-y basis, the decrease was accounted for by Ireland (matured loans surpassed new production) and Hungary (where the trend was impacted not only by the FX mortgage relief programme, but also by a decreased corporate loan portfolio in line with the market decline).

Total deposits were up 4% q-o-q and 18% 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.

<table>
<thead>
<tr>
<th></th>
<th>TOTAL LOANS</th>
<th></th>
<th>MORTGAGES</th>
<th></th>
<th>DEPOSITS</th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>q/q</td>
<td>y/y</td>
<td>q/q</td>
<td>y/y</td>
<td>q/q</td>
<td>y/y</td>
</tr>
<tr>
<td>IRE</td>
<td>-2%</td>
<td>-8%</td>
<td>-2%</td>
<td>-6%</td>
<td>+12%</td>
<td>+89%</td>
</tr>
<tr>
<td>SK</td>
<td>0%</td>
<td>+4%</td>
<td>+3%</td>
<td>+14%</td>
<td>+2%</td>
<td>+11%</td>
</tr>
<tr>
<td>HU</td>
<td>-1%</td>
<td>-8%</td>
<td>-2%</td>
<td>-5%</td>
<td>+3%</td>
<td>+5%</td>
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<tr>
<td>BU</td>
<td>-2%</td>
<td>+4%</td>
<td>-3%</td>
<td>-3%</td>
<td>-1%</td>
<td>-1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>-1%</td>
<td>-6%</td>
<td>-1%</td>
<td>-4%</td>
<td>+4%</td>
<td>+18%</td>
</tr>
</tbody>
</table>
International Markets Business Unit (3)

- **Net interest income (155m EUR)**
  - Fell by 1% q-o-q and 6% y-o-y
  - The y-o-y decline was attributable mainly to higher funding costs in Ireland due to a new methodology used

- **Net interest margin (2.04%)**
  - Decreased by 1bp y-o-y, but rose by 1bp q-o-q
  - The y-o-y decline was caused primarily by the lower amount of loans & receivables at K&H (especially the result of fewer FX mortgage loans with relatively high margins) and higher funding costs in Ireland (as mentioned above)
  - The q-o-q increase can mainly be explained by a considerable increase in NIM in Slovakia thanks to lower interest expenses related to deposits (expiration of relatively expensive 1Y term deposits)
Net fee and commission income (41m EUR)
- rose by 8% q-o-q and 18% y-o-y
- The q-o-q increase is attributable mainly to fee increases in Hungary from 2013 onwards

Assets under management* (3.7bn EUR)
- decreased by 5% q-o-q, as a result of net outflows (-3%) and a negative price effect
- Y-o-y, assets under management fell by 21%, driven by net outflows (-16%) and a negative price effect (-4%)

* Note that AuM of Slovakia are from now on managed by the Czech Republic. Assets under Distribution (AuD) in Slovakia amounted to 326m EUR at end 1Q13
International Markets Business Unit (5)

- **Insurance premium income** (gross earned premium) stood at 63m EUR
  - Non-life premium income (39m) fell by 2% q-o-q and 10% y-o-y
  - Life premium income (25m) up 23% q-o-q and 26% y-o-y, as a result mainly of higher volumes in Corporate Tax business in Bulgaria (seasonal effect)

- **Combined ratio** at 87% in 1Q13

Amounts in m EUR
International Markets Business Unit (6)

- **Opex (210m EUR)**
  - Rose by 28% q-o-q and 6% y-o-y
  - The q-o-q increase was consequent chiefly on the FY13 Hungarian bank tax, recorded in full in 1Q13 (54m pre-tax and 44m post-tax) and the pre-tax Financial Transaction Levy in Hungary of 9m EUR
  - The y-o-y increase was caused by a Financial Transaction Levy in Hungary and higher staff expenses in Ireland (higher number of FTEs)
  - Cost/income ratio at 88% in 1Q13

- **L&R impairments (117m EUR)**: the +19% q-o-q and -49% y-o-y trend were due entirely to Ireland

- **Credit cost ratio** of 1.78% in 1Q13

<table>
<thead>
<tr>
<th>IM BU</th>
<th>Loan book</th>
<th>2010 CCR</th>
<th>2011 CCR</th>
<th>2012 CCR</th>
<th>1Q13 CCR</th>
</tr>
</thead>
<tbody>
<tr>
<td>IM BU</td>
<td>26bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Ireland</td>
<td>16bn</td>
<td>2.98%</td>
<td>3.01%</td>
<td>3.34%</td>
<td>2.47%</td>
</tr>
<tr>
<td>- Hungary</td>
<td>5bn</td>
<td>1.98%</td>
<td>4.38%</td>
<td>0.78%</td>
<td>0.82%</td>
</tr>
<tr>
<td>- Slovakia</td>
<td>4bn</td>
<td>0.96%</td>
<td>0.25%</td>
<td>0.25%</td>
<td>0.33%</td>
</tr>
<tr>
<td>- Bulgaria</td>
<td>1bn</td>
<td>2.00%</td>
<td>14.73%</td>
<td>0.94%</td>
<td>2.17%</td>
</tr>
</tbody>
</table>

* Excluding Ireland, the CCR in BU IM amounted to 70 bps in 1Q13

- **NPL ratio** at 18.1%

- Increase in other impairments due to an impairment on an AFS bond in Bulgaria
Hungary (1)

**1Q13 net loss** at the K&H group of 19m EUR (including post-tax impact of bank tax of 44m EUR)

**Loan loss provisions** amounted to 10m EUR in 1Q13 (28m EUR in 1Q12, 3m EUR in 2Q12, 6m EUR in 3Q12 and 8m EUR in 4Q12)

The **credit cost ratio** came to a still favourable level of 0.82% in 1Q13 driven by:
- Continued stable trends in corporate and SME portfolios
- Positive impact of the government scheme (accumulation loan programme) and the bank’s own easement program

**NPL ratio** again declined slightly, to 11.3%
Hungary (2)

- **Municipal loans**
  - In December 2012, the State repaid almost the entire debt of the municipalities with less than 5000 inhabitants at par. The government has announced that it will launch a second phase in the consolidation of municipal debt, whereby a total amount of 500bn HUF (1.7bn EUR) in debt will be taken over by the State via a partial debt consolidation of larger municipalities. Based on various ratios, there will be four layers of consolidation ratios 40%, 50%, 60% and 70% (K&H exposure is roughly 290m EUR; based on initial calculations, 135m EUR might be affected). Consultations are going on among the relevant ministries and the Hungarian Banking Association. Files are expected to be handled on a case-by-case basis for each of such larger municipalities and in cooperation with the banks. A deadline of 28 June has been agreed for the consolidation of the municipalities with more than 5,000 inhabitants.

- **Bank tax**
  - As stated previously, contrary to the Hungarian government’s original intentions to halve the bank tax in 2013, it will be kept at the same level as in 2012 (approx. 54m EUR pre-tax for K&H Bank). Negotiations recently got underway between the banks and the relevant ministry concerning the possibility to recover part of the bank tax in return for increased lending activity.

- **Financial transaction levy**
  - A financial transaction levy was introduced on 1 January 2013. The general rate of the levy is 0.3% for cash transactions and 0.2% for other transactions (with certain exceptions), with a cap of 6,000 HUF per transaction. Since this has an impact on the cost of the banks, it has prompted K&H to readjust its fee structure. The gross amount of the levy is estimated to be approximately 43m EUR pre-tax for K&H a year (it was 9m EUR in 1Q13).
Hungary (3)

- **Funding for growth scheme (FGS) by the National Bank of Hungary (MNB)**

  The scheme announced in April consists of the following pillars:

  1. **1st Pillar:** Preferential central bank refinancing to banks for HUF-based lending to SMEs: total amount of the programme is 250bn HUF (roughly 0.8bn EUR, 4% of the domestic banks’ total corporate loans). The interest rate on the funding from the central bank will be 0% (with costs charged by the banks limited to a maximum of 2.5%)

  2. **2nd Pillar:** Preferential central bank refinancing to banks for converting SME FX loans into HUF loans at a market-based FX rate: total amount is 250bn HUF (15% of the domestic banks’ FX loans to SMEs). The conditions will be the same as mentioned under the 1st pillar. K&H’s outstanding SME credit portfolio denominated in FX according to the official SME segmentation criteria is roughly 0.4bn EUR

  3. **3rd Pillar:** Together with the Government and banks, the MNB is developing a scheme in which the reduction of the country’s short-term external debt by roughly 900bn HUF (roughly 3bn EUR) allows for bringing the foreign exchange reserves of the MNB to a lower level. In parallel with this, the total amount of two-week MNB bills will decline from the current 4,500bn HUF (15bn EUR) to 3,600bn HUF (12bn EUR). This means the use of foreign currency reserves of the MNB will reduce the external debt expiring within one year to the same extent. Using nearly one-tenth of foreign exchange reserves (roughly 3bn EUR) to reduce the source of vulnerability due to which the reserves were accumulated. At the same time, Hungary’s gross external debt would also decline during the programme. K&H has roughly 300bn HUF (1bn EUR) worth of two-week MNB bills in its portfolio as a placement of its excess HUF liquidity

  The details of the scheme will be finalised following the negotiations between the central bank, the government and banks
1. The total NPL coverage ratio amounted to 52% at the end of 1Q13 (50% in 4Q12) taking into account the adjustments for the Mortgage Indemnity Guarantee and Reserved Interest (39% for owner occupied mortgages and 49% for buy to let mortgages, respectively).

### Ireland (1)

**IRISH LOAN BOOK**

**KEY FIGURES AS AT MARCH 2013**

<table>
<thead>
<tr>
<th>LOAN PORTFOLIO</th>
<th>OUTSTANDING</th>
<th>NPL</th>
<th>NPL COVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner occupied mortgages</td>
<td>9.2bn</td>
<td>18.1%</td>
<td>32%&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>Buy to let mortgages</td>
<td>3.1bn</td>
<td>30.6%</td>
<td>43%&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>SME /corporate</td>
<td>1.7bn</td>
<td>19.5%</td>
<td>79%</td>
</tr>
<tr>
<td>Real estate investment</td>
<td>1.3bn</td>
<td>31.3%</td>
<td>65%</td>
</tr>
<tr>
<td>Real estate development</td>
<td>0.5bn</td>
<td>90.1%</td>
<td>77%</td>
</tr>
<tr>
<td></td>
<td>15.8bn</td>
<td>24.0%</td>
<td>48%&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>1</sup>The total NPL coverage ratio amounted to 52% at the end of 1Q13 (50% in 4Q12) taking into account the adjustments for the Mortgage Indemnity Guarantee and Reserved Interest (39% for owner occupied mortgages and 49% for buy to let mortgages, respectively).

- **Loan loss provisions** in 1Q13 of 99m EUR (195m EUR in 1Q12). The loss after tax in 1Q13 was 77m EUR (-148m EUR in 1Q12).

- A challenging global economy and continuing fiscal adjustment in Ireland will restrain the extent of improvement through 2013. An emerging stabilisation in domestic spending and ongoing export growth have contributed to a marginal increase in numbers at work and a small drop in unemployment. Most recent indicators point towards **modest positive growth** continuing in 2013.

- The **Irish housing market** is showing signs of stabilisation but this is likely to be an uneven and lengthy process. The ending of mortgage interest relief and the introduction of a residential property tax will weigh on housing transaction levels and prices through the coming year and counter the influence of improving conditions in the broader Irish economy.

- The **commercial property market** conditions continue to demonstrate signs of improvement with increased transaction levels and a price recovery in certain asset types and locations.

- The new Insolvency Service of Ireland (ISI) is expected to be operational in 2H13. The requirement for prior customer engagement with a bank is welcomed. KBCI is experiencing positive results from its Customer Engagement Program and Mortgage Arrears Resolution strategy, thereby restoring a significant number of customers back to financial stability. This should reduce the requirement for customers to seek a **Personal Insolvency Arrangement**.

- **Successful retail deposit campaign and the continuing launch of new deposit products.** Gross retail deposit levels have increased by 0.3bn EUR since end 2012 to 2.4bn EUR at end 1Q13 and approx. 5,000 new customer accounts were opened in the quarter.

- **Local tier-1 ratio** to 12.28% at the end of 1Q13 through a capital increase of 125m EUR (11.14% at the end of 4Q12).
Ireland (2) Key indicators show tentative signs of stabilisation

**CONTINUING TENTATIVE SIGNS OF GDP GROWTH**

**UNEMPLOYMENT RATE HAS REMAINED BROADLY STABLE IN 1Q13**
Ireland (3) Key indicators show tentative signs of stabilisation

**RESIDENTIAL PROPERTY PRICES SHOWING SIGNS OF STABILISATION**

**SLOWING PACE OF INCREASE IN RESIDENTIAL MORTGAGE ARREARS & NPL**

![Graphs showing Irish Residential Property Prices and Arrears and NPL Trend from 2007 to Q1 2013.](image)
Group Centre

- **Adjusted net result**: -69m EUR, distorted by a technical item
- KBL *epb* and Fidea were deconsolidated in the adjusted net result as of 1Q12, Warta and Zagiel as of 3Q12, NLB as of 4Q12 and Kredyt Bank as of 1Q13
- The Group Centre result is comprised of the results of the holding company, 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

### BREAKDOWN OF ADJUSTED NET RESULT AT GROUP CENTRE

<table>
<thead>
<tr>
<th></th>
<th>1Q12</th>
<th>2Q12</th>
<th>3Q12</th>
<th>4Q12</th>
<th>1Q13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group item (ongoing business)</td>
<td>-53</td>
<td>-76</td>
<td>-71</td>
<td>-108</td>
<td>-73</td>
</tr>
<tr>
<td>Planned divestments</td>
<td>72</td>
<td>57</td>
<td>-1</td>
<td>-4</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL adjusted net result at GC</strong></td>
<td><strong>19</strong></td>
<td><strong>-19</strong></td>
<td><strong>-72</strong></td>
<td><strong>-113</strong></td>
<td><strong>-69</strong></td>
</tr>
</tbody>
</table>

*Amounts in m EUR*
Annex 2

Other items
NPL ratios at KBC Group and per business unit

**KBC GROUP**

- 1Q12: 5.2%
- 2Q12: 5.3%
- 3Q12: 5.5%
- 4Q12: 5.3%
- 1Q13: 5.3%

**BELGIUM BU**

- 1Q12: 2.5%
- 2Q12: 2.5%
- 3Q12: 2.6%
- 4Q12: 2.3%
- 1Q13: 2.3%

**CZECH REPUBLIC BU**

- 1Q12: 3.5%
- 2Q12: 3.4%
- 3Q12: 3.5%
- 4Q12: 3.2%
- 1Q13: 3.2%

**INTERNATIONAL MARKETS BU**

- 1Q12: 16.3%
- 2Q12: 16.9%
- 3Q12: 17.3%
- 4Q12: 17.6%
- 1Q13: 18.1%

- 1Q12: 9.7%
- 2Q12: 9.8%
- 3Q12: 9.5%
- 4Q12: 9.2%
- 1Q13: 9.0%
## Non-performing and high risk loans

<table>
<thead>
<tr>
<th>1Q 2013</th>
<th>NON-PERFORMING LOANS (&gt;90 DAYS OVERDUE)</th>
<th>HIGH RISK, EXCL. RESTRUCTURED LOANS (PROBABILITY OF DEFAULT &gt;6.4%)</th>
<th>RESTRUCTURED LOANS (PROBABILITY OF DEFAULT &gt;6.4%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELGIUM BU</td>
<td>2.3%</td>
<td>5.1%</td>
<td>1.0%</td>
</tr>
<tr>
<td>CZECH REPUBLIC BU</td>
<td>3.2%</td>
<td>3.9%</td>
<td>0.9%</td>
</tr>
<tr>
<td>INTERNATIONAL MARKETS BU INCLUDING IRELAND</td>
<td>18.1%</td>
<td>9.2%</td>
<td>10.1%</td>
</tr>
<tr>
<td>INTERNATIONAL MARKETS BU EXCLUDING IRELAND</td>
<td>9.0%</td>
<td>7.2%</td>
<td>3.4%</td>
</tr>
<tr>
<td>IRELAND</td>
<td>24.0%</td>
<td>10.5%</td>
<td>14.4%</td>
</tr>
</tbody>
</table>
Breakdown of KBC’s CDOs originated by KBC FP
(figures as of 8 April 2013)

**Breakdown of Assets Underlying KBC’s CDOs Originated by KBC FP***

- Multi-Sector ABS Exposure, 15%
- Direct Corporate Exposure, 53%
- Tranched Corporate Exposure, 32%
- Other; 4%
- Asia; 17%
- Europe; 22%
- North America; 57%

* % of total initial deal notional

**Corporate Breakdown by Region***

- Direct corporate exposure as a % of total corporate portfolio
- Tranched corporate exposure as a % of total corporate portfolio

**Corporate Breakdown by Industry***

- Direct corporate portfolio
- Tranched corporate portfolio adjusted

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

* Direct and tranched corporate exposure as a % of the total corporate portfolio
Maturity schedule of the CDOs issued by KBC FP

Mar'13

Notional (in EUR)

Equity/Cash reserves
All Notes issued
KBC SSS
MBIA SSS
Original maturity schedule total notional
Summary of government transactions (1)

- **STATE GUARANTEE COVERING 10.5BN* EUROS’ WORTH OF CDO-LINKED INSTRUMENTS**
  - **Scope**
    - CDO investments that were not yet written down to zero (2.0bn EUR) when the transaction was finalised
    - CDO-linked exposure to MBIA, the US monoline insurer (8.6bn EUR)
  - First and second tranche: 2.8bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 1.1bn EUR (90% of 1.3bn EUR) from the Belgian State
  - Third tranche: 7.7bn EUR, 10% of potential impact borne by KBC
  - Instrument by instrument approach

* Excluding all cover for expired, unwound or terminated CDO positions

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Potential P&amp;L impact for KBC</th>
<th>Potential capital impact for KBC</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st tranche</td>
<td>1.6bn</td>
<td>100%</td>
</tr>
<tr>
<td>2nd tranche</td>
<td>1.3bn (90% compensated by equity guarantee)</td>
<td>10%</td>
</tr>
<tr>
<td>3rd tranche</td>
<td>7.7bn (90% compensated by cash guarantee)</td>
<td>10%</td>
</tr>
</tbody>
</table>
Summary of government transactions (2)

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

<table>
<thead>
<tr>
<th></th>
<th>BELGIAN STATE</th>
<th>FLEMISH REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>3.5bn</td>
<td>3.5bn</td>
</tr>
<tr>
<td>Instrument</td>
<td>Perpetual fully paid up new class of non-transferable securities qualifying as core capital</td>
<td></td>
</tr>
<tr>
<td>Ranking</td>
<td>Pari passu with ordinary stock upon liquidation</td>
<td></td>
</tr>
<tr>
<td>Issuer KBC Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds used to subscribe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue price</td>
<td>29.5 EUR</td>
<td></td>
</tr>
<tr>
<td>Interest coupon</td>
<td>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</td>
<td></td>
</tr>
<tr>
<td>Buyback option KBC</td>
<td>Option for KBC to buy back the securities at 150% of the issue price (44.25)</td>
<td></td>
</tr>
<tr>
<td>Conversion option KBC</td>
<td>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%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No conversion option</td>
<td></td>
</tr>
</tbody>
</table>
Assessment of the State aid position & repayment schedule


- 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).

<table>
<thead>
<tr>
<th>Year</th>
<th>Belgian Federal Government</th>
<th>Flemish Regional Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2012</td>
<td>3.5bn EUR</td>
<td>3.5bn EUR</td>
</tr>
<tr>
<td>Dec 2012</td>
<td>3.0bn EUR</td>
<td>3.5bn EUR</td>
</tr>
<tr>
<td>1H 2013</td>
<td>2.33bn EUR</td>
<td>3.5bn EUR</td>
</tr>
<tr>
<td>2014-2020</td>
<td>0 EUR</td>
<td>2.33bn EUR</td>
</tr>
</tbody>
</table>

1. Plus 15% premium amounting to 75m EUR
2. Plus 15% premium amounting to 450m EUR
3. Plus 50% premium amounting to 583m EUR
4. Plus 50% premium amounting to 1,165m EUR
Look-through common equity at end 1Q13
From phased in to fully loaded B3 at numerator level
(with remaining YES included in common equity as agreed with local regulator)

B3 IMPACT AT NUMERATOR LEVEL (BN EUR)

- CT1 end 1Q13: 13.1
- DTAs: -0.9
- Shareholders’ loans: -1.0
- Equity guarantee: -0.2
- Filter for AFS revaluation reserves: 1.2
- Look-through common equity at end 1Q13: 12.1

Core tier-1 capital = phased in B3 Common Equity at end 1Q13 (numerator level)

Phased in B3 common equity ratio of approx. 12.9% at end 1Q13

Fully loaded B3 common equity ratio of approx. 12.0% at end 1Q13
Estimated common equity at end 2013 - Phased in B3

### B3 IMPACT AT NUMERATOR LEVEL (BN EUR)

- **CT1 end 1Q13**: 13.1
- **Consensus earnings 2Q13-4Q13\(^2\)**: 1.1
- **Reimbursement of 1.2bn EUR in YES principal**: -1.2
- **Penalty on reimbursed YES principal**: -0.6
- **Estimated common equity at end 2013**: 12.4

### IMPACT ON RWA (BN EUR)

- **1Q13, including Basel 3\(^4\)**: 102
- **Remaining divestments\(^3\)**: -5
- **Other**: 8
- **2013e**: 105

- **Phased in B3 common equity ratio of approx. 12.9% at end 1Q13**
- **Phased in B3 common equity ratio of approx. 11.8% at end 2013**

---

1. With remaining State aid included in CET1 as agreed with local regulator
2. Based on average earnings consensus estimates of 13 sell-side equity analysts collected by KBC during the period from 29 April 2013 to 3 May 2013 of 1,437m EUR for 2013, of which 339m EUR for 1Q13
3. Remaining divestments include Absolut Bank, KBC Bank Deutschland, Antwerp Diamond Bank and KBC Banka
4. The impact of Basel 3 on RWA is roughly 3bn EUR (both in a phased in scenario as well as in a fully loaded scenario)
Government bond portfolio – Notional value

- Notional investment of 44.5bn EUR in government bonds (excl. trading book) at end of 1Q13, 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 1.6bn EUR at end of 1Q13.

END 1Q13
(44.5bn EUR notional value)

END 2012
(47bn EUR notional value)
Government bond portfolio – Carrying value

- Carrying value of 47.6bn EUR in government bonds (excl. trading book) at end of 1Q13, 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 1.6bn EUR at end of 1Q13

* Carrying amount 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
KBC successfully issued a second covered bond of 750m EUR and a 1bn USD contingent capital note in January 2013. As a result, KBC is ahead of its 2013 funding plan.

KBC’s credit spreads narrowed during 1Q13.

KBC Bank has 5 solid sources of long-term funding:

- Retail term deposits
- Retail EMTN
- Public benchmark transactions
- Structured Notes using the private placement format
- Covered bonds (supporting diversification of the funding mix)
Contact information
Investor Relations Office
E-mail: investor.relations@kbc.com

visit www.kbc.com for the lastest update