KBC Auditorium
17 June 2014

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Content

- KBC Group Strategy
- Capital Management
- Belgium Business Unit
- Czech Republic Business Unit
- International Markets Business Unit
- Risk Management
- Group Centre
- Conclusion


KBC
Being the
reference in
bank-insurance
Johan Thijs

KBC at a glance

KBC Group passport

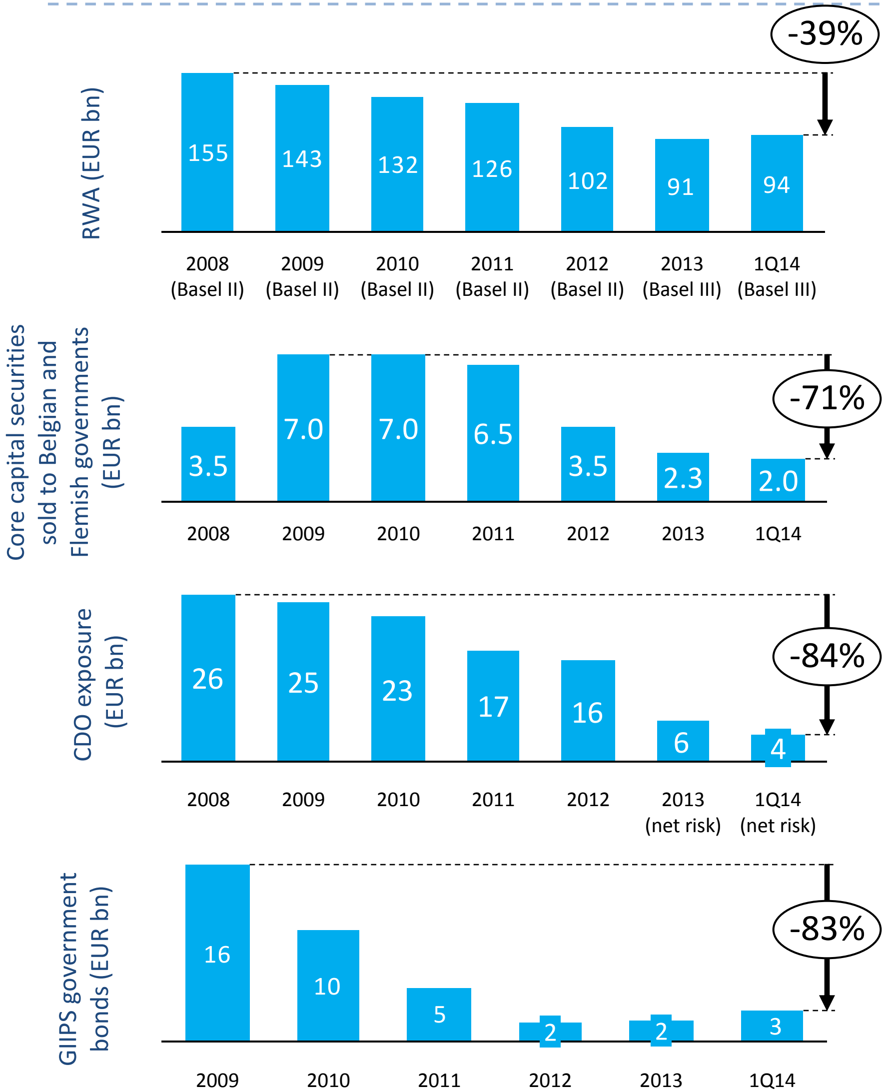
Clients	10 million
Staff (FTEs)	36 177 ♀ 57% ♂ 43% BEL 45% CEE 51% Rest 4%
Network	1 616 bank branches worldwide 470 tied insurance agencies in Belgium various insurance distribution channels in CEE various online channels
Principal brands and market share	Belgium: KBC and CBC (20% in banking, 17% in life , 9% in non-life, 33% in investment funds) Czech Republic: ČSOB (19% in banking, 6% in life, 6% in non-life, 28% in investment funds) Slovakia: ČSOB (10% in banking, 5% in life, 3% in non-life, 7% in investment funds) Hungary: K&H (9% in banking, 3% in life, 5% in non-life, 17% in investment funds) Bulgaria: CIBANK and DZI (2% in banking, 10% in life, 10% in non-life) Ireland: KBC Bank Ireland (10% in retail mortgage loans, 3% in retail deposits)
Balance sheet total	EUR 246 bn
AUM	EUR 167 bn
Loans	EUR 120 bn
Deposits	EUR 151 bn
Life reserves	EUR 27 bn

Market share: KBC's own estimates; Loans: loans and advances to customers (excl. reverse repos); deposits; deposits from customers and debt certificates (excl. repos). Financial data at 31 March 2014; other data at 31 December 2013

While regulatory and economic uncertainties start to recede…

- Economic environment: euro and sovereign crises abated, and mild macroeconomic recovery in all of KBC's markets
- Regulatory framework: uncertainties have not gone, but many steps taken towards implementation of Basel III, CRD IV, Solvency II, …
- EMU: institutional architecture progressing (e.g. banking union)

...KBC has left the past behind...



Divestment programme virtually completed (sale agreements for KBC Deutschland and Antwerp Diamond Bank still to be approved by regulators), resulting in a smaller, more focused group

EUR 5 bn out of EUR 7 bn state aid already paid back. Intention to accelerate the repayment of state aid (+ penalties) by year-end 2017 at the latest

Other risks (CDO, GIIPS government securities) significantly reduced. Net CDO risk now EUR 4.1 bn, GIIPS government bond exposure (excluding trading book) EUR 2.7 bn

…and secured its risk profile via embedded risk management

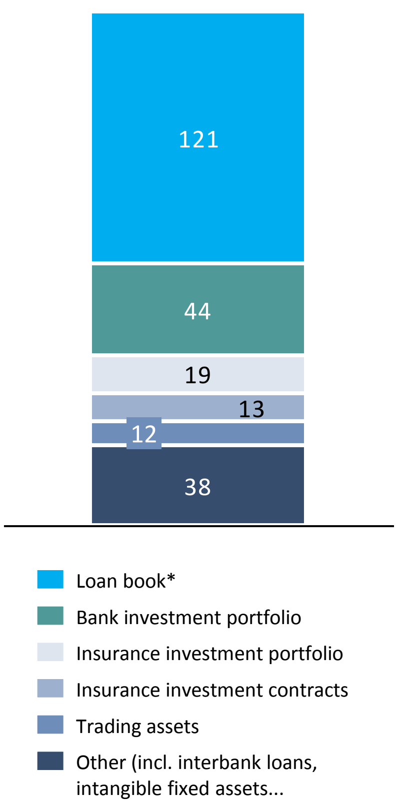
Risk management fully embedded in KBC's strategy and decision-making process:

- Group Executive Committee and Board of Directors define a clear risk appetite inspired by end-to-end risk processes:
  - Risk scan identifying all top risks
  - Clear decision on risk appetite
  - Operational translation into strict limit monitoring per business activity and per business unit
  - New and Active Product Process surveying the risk profile of existing and new products
  - Stress testing to challenge the outcome of regular planning processes
- Group wide embedded risk organisation:
  - Close monitoring of possible changes in risk profile relative to risk appetite
  - Independent CROs with time-out right at all levels of the organisation

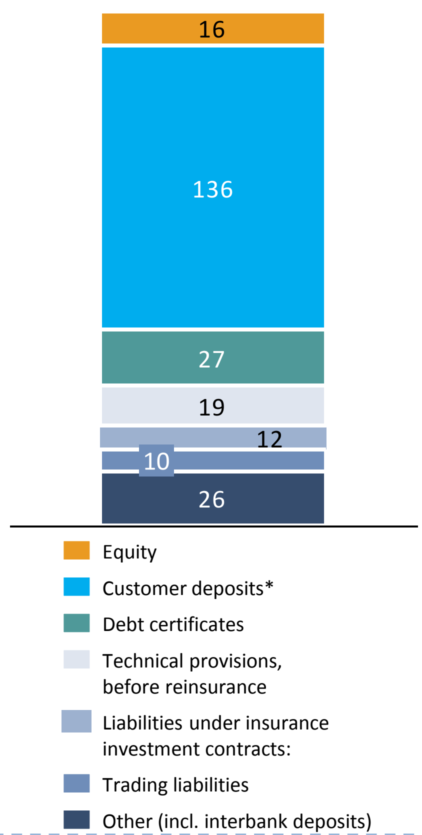
KBC Group today: a ‘low risk’ bank-insurance group with...

KBC’s activities result in a ‘plain vanilla’ balance sheet, representing an integrated bank-insurance group with diversified exposures across Belgium, Central Europe and Ireland

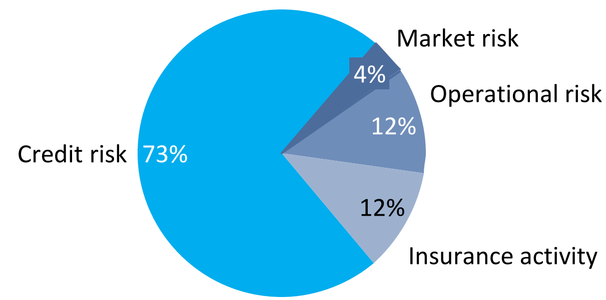
Total assets
(EUR 246 bn)



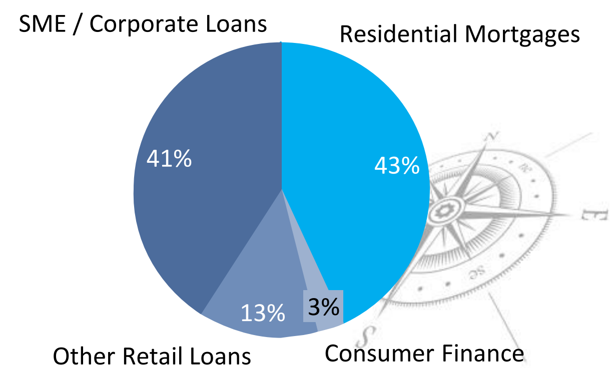
Total liabilities and equity
(EUR 246 bn)



KBC Group - RWA distribution



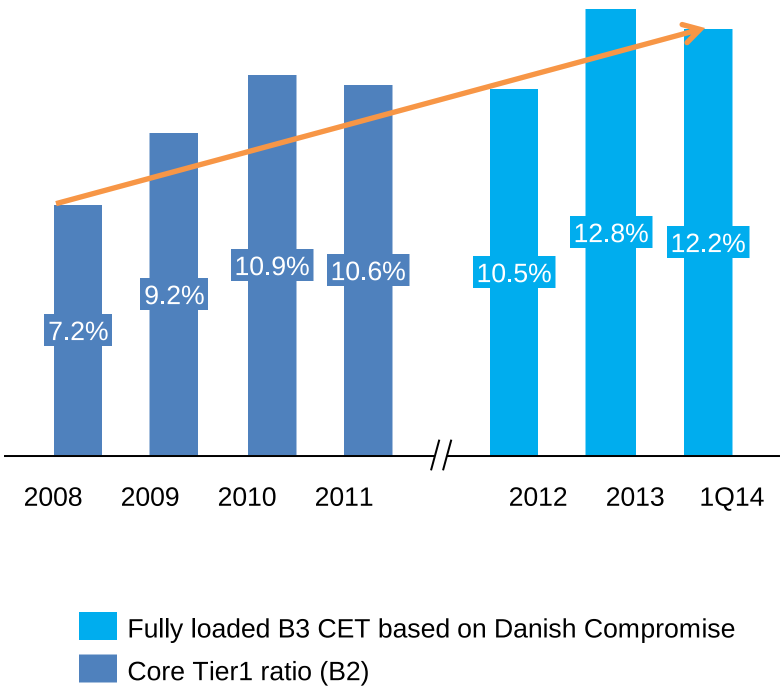
Loan distribution: total retail = 59%



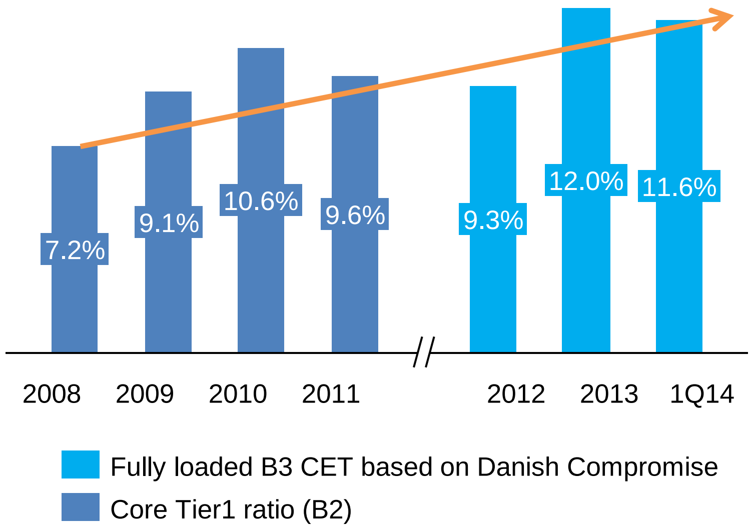
*Including (reverse) repos

… a strong capital position…

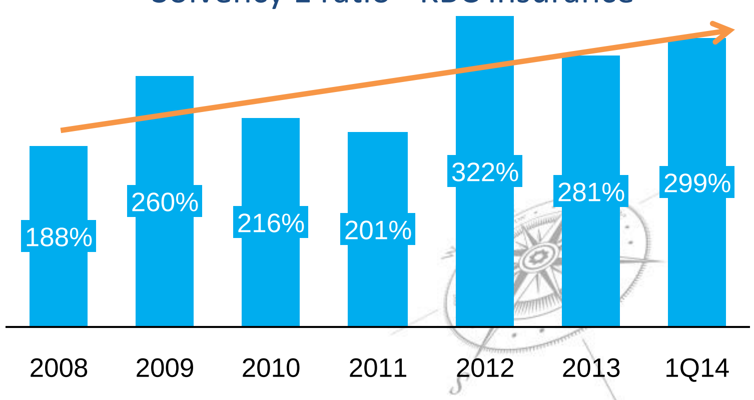
CET1 ratio* - KBC Group



CET1 ratio - KBC Bank



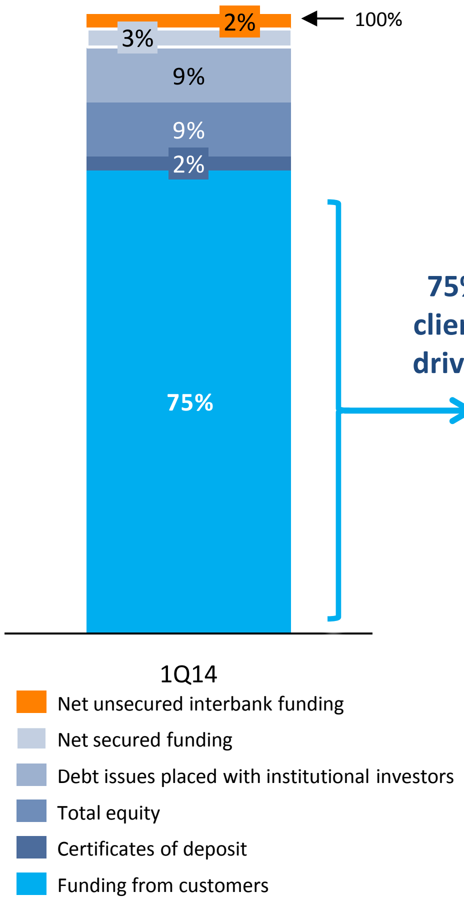
Solvency 1 ratio - KBC Insurance



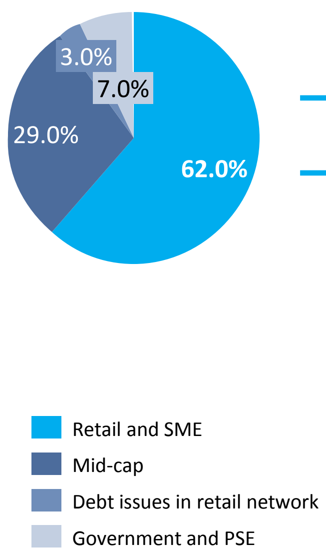
* Including remaining state aid as agreed with local regulator (2bn at end 1Q14)

… and solid liquidity position…

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 client segments and markets



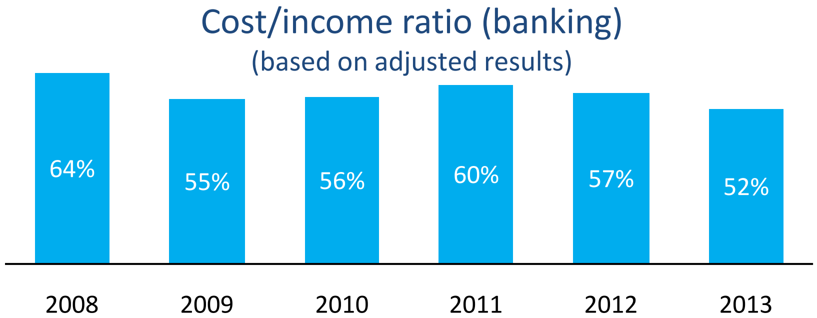
75% client-driven

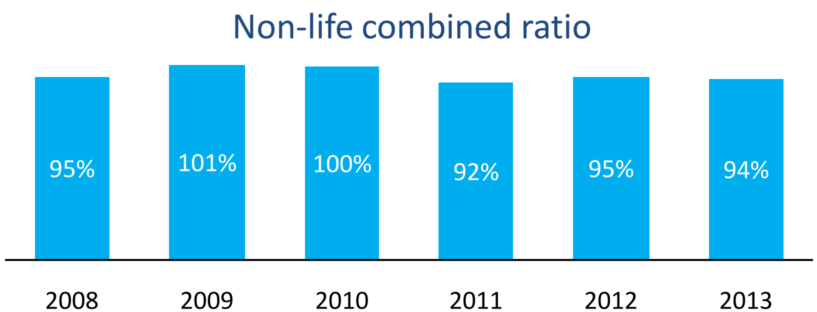


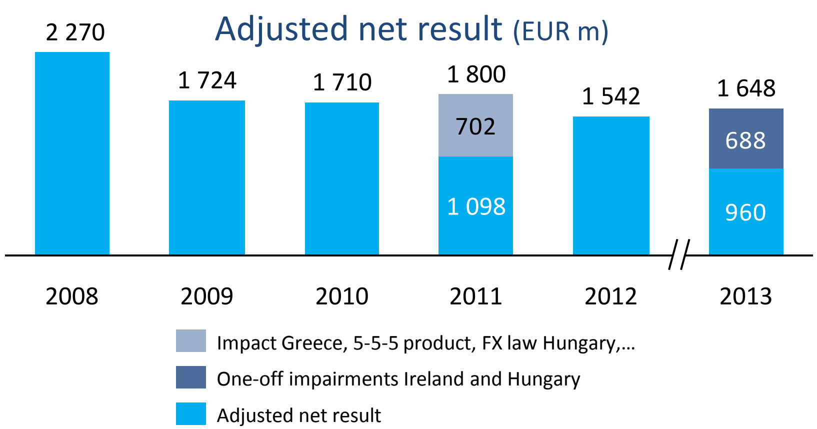
Ratios	1Q14
NSFR	108%
LCR	130%

Available liquid assets are more than 5 times the amount of the net recourse to short-term wholesale funding

… having strong cost-efficiency and robust profitability





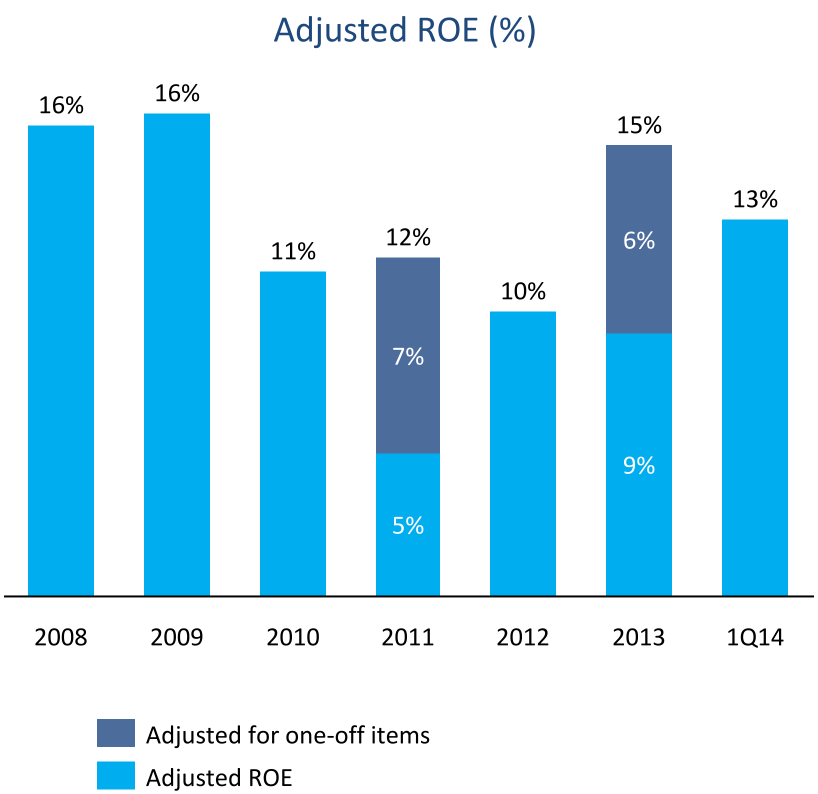


The C/I ratio has sharply improved from 64% at year-end 2008 to 52% at year-end 2013

Generally favourable non-life combined ratio

Adjusted profitability has remained robust, despite considerable deleveraging (RWA reduced by EUR 61 bn or roughly 40% between year-end 2008 and 2013)

… resulting in sustainable returns, clearly above the sector average



Despite the financial and economic crisis, the adjusted ROE* of KBC Group is holding up well over time (>10%)

Current adjusted ROE* at KBC Group is clearly above the sector average as well as the cost of equity

* ROE corrected for one-off items

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

- KBC wants to build on its strengths and be among Europe's best performing retail-focused financial institutions. This will be achieved by:
  - Strengthening our bank-insurance business model for retail, SME and mid-cap clients in our core markets, in a highly cost-efficient way
  - Focusing on sustainable and profitable growth within the framework of solid risk, capital and liquidity management
  - Creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach
- By achieving this, KBC wants to become the reference in bank-insurance in its core markets

KBC Group going forward: the bank-insurance business model, different countries, different stages of implementation

Level 4: Integrated distribution and operation

Acting as a single operational company: bank and insurance operations working under unified governance and achieving commercial and non-commercial synergies

Belgium

Level 3: Integrated distribution

Acting as a single commercial company: bank and insurance operations working under unified governance and achieving commercial synergies

Target for Central Europe

Level 2: Exclusive distribution

Bank branches selling insurance products from intra-group insurance company as additional source of fee income

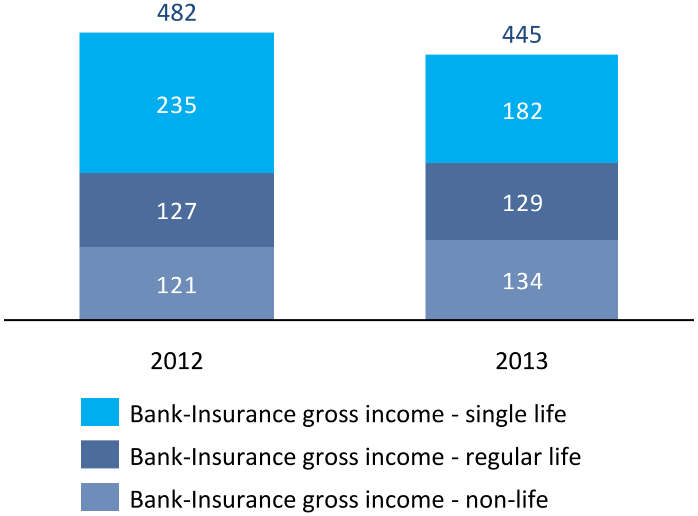
Level 1: Non-exclusive distribution

Bank branches selling insurance products of third party insurers as additional source of fee income

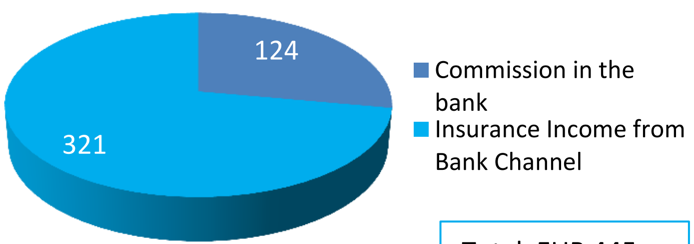
KBC targets to reach at least level 3 in every country, adapted to the local market structure and KBC's market position in banking and insurance.

KBC Group going forward: The integrated KBC bank-insurance business model adds value

Bank-insurance gross income
(in millions of EUR)



Bank-insurance gross income 2013



Total: EUR 445 m

Having both banking and insurance activities integrated within one group adds extra value:

- For clients: fulfilment of client needs, from building up wealth to protecting it; convenient and optimised one-stop financial shopping, …
- For KBC Group: diversification of income, revenue growth, lower operating expenses, synergies in know-how, enhanced risk diversification,…

Bank-insurance gross income represents roughly 50% of the total insurance income and 11% of the retail income of banks in the core countries.

KBC Group going forward: Strengthened in a cost-efficient and profitable manner

Going forward, further emphasis will be put on the seamless fulfilment of client needs through our bank-insurance offering in all our core countries, allowing us to create sustainable client relationships and to diversify KBC Group's income

2017 targets for KBC Group*:

CAGR bank-insurance gross income ('13-'17)	≥ 5%
Combined ratio	≤ 94%
C/I ratio	≤ 53%

* Targets per business unit will be provided later in this presentation

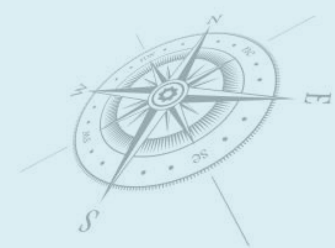
KBC Group going forward:
Sustainable and profitable growth within a framework of solid risk, capital and liquidity management

- Build on KBC's profitability* track record, enhance sustainable and profitable growth:
  - Sustainable profitability is key
  - CAGR for total income ('13-'17)** ≥ 2.25%

- Secure the independence of the embedded risk framework:
  - Through closer monitoring by Group CRO
  - Reporting to the Board of Directors of each business entity

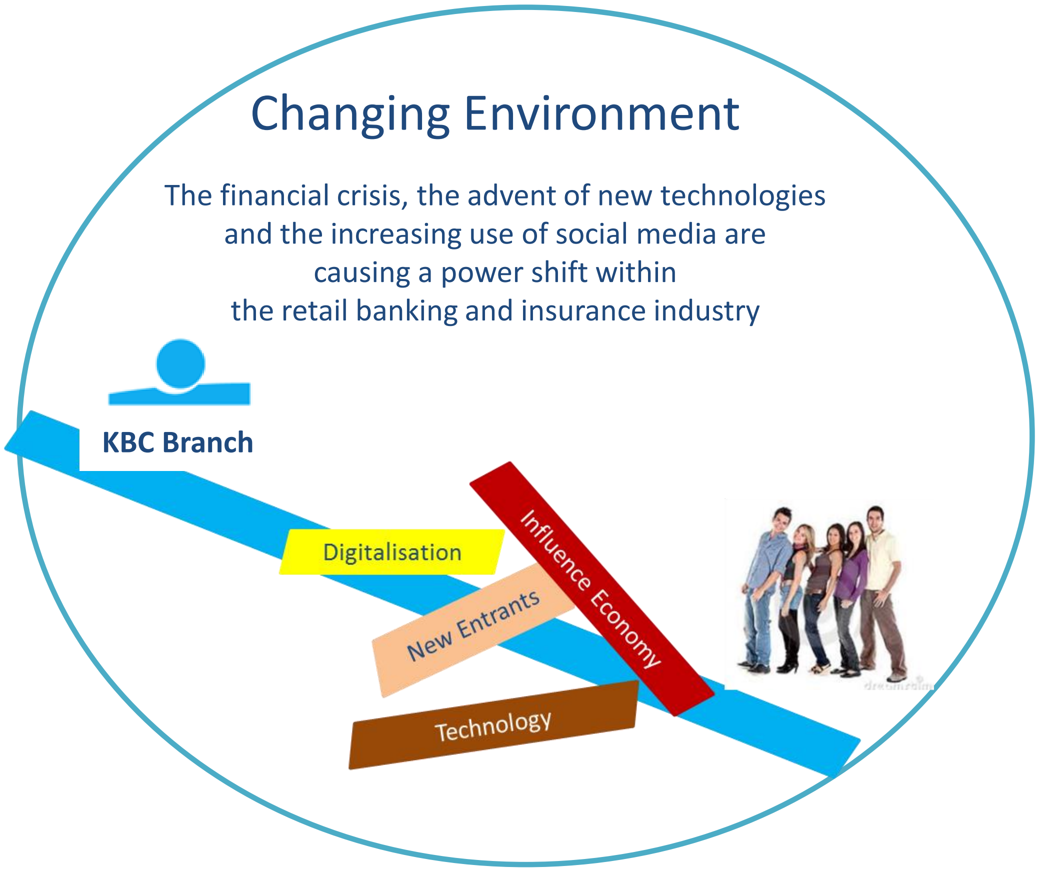
- Strengthen the solid capital position, keep growth options open:
  - Target for Common Equity Ratio (Basel III, Fully Loaded) 2014: minimum 10.50%, exceeding regulatory minimum of 9.25% (excl. gains on AFS portfolio)

- Consolidate the strong liquidity position :
  - Target for NSFR 2014 ≥ 105%
  - Target for LCR 2014 ≥ 105%



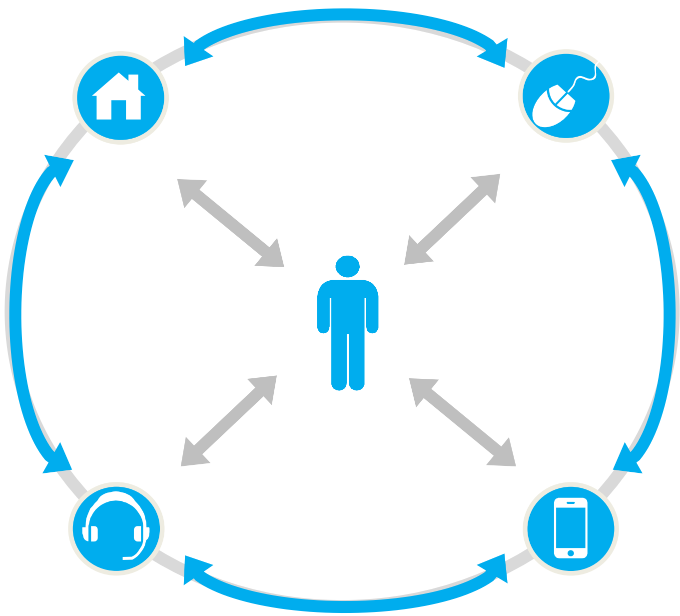
* Adjusted profitability
** Excluding marked-to-market valuations of ALM derivatives

KBC Group going forward: Addressing the changing environment and client behaviour



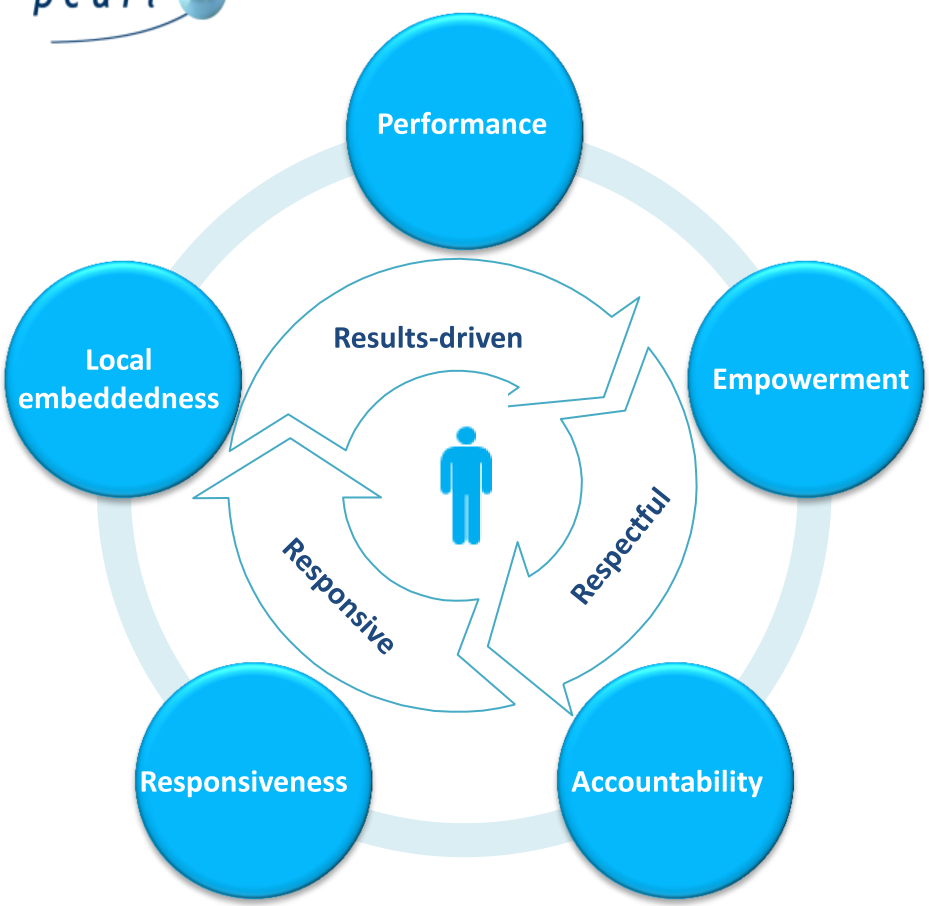
- Growing client self-awareness
- Digitalisation is here to stay and offers opportunities
- New entrants challenge the position of traditional players
- Data intelligence is an internal asset, certainly for a bank-insurer, to the benefit of the client

KBC Group going forward: Creating superior client satisfaction via a seamless, multi-channel client-centric distribution approach



- The client is at the heart of our bank and insurance distribution channels
- Everything starts from the client's needs and not from KBC's banking or insurance products or services
- The different channels are equal and reinforce each other in a seamless way
- Intelligent analysis of client data and intelligence is to the benefit of both the client and the bank-insurer
- KBC will invest roughly EUR 0.5 bn in seamless integration between 2014-2020 (roughly 50% of which will be spent in the first two years)

KBC Group going forward:
A performance and client-centric driven corporate culture implemented throughout the group

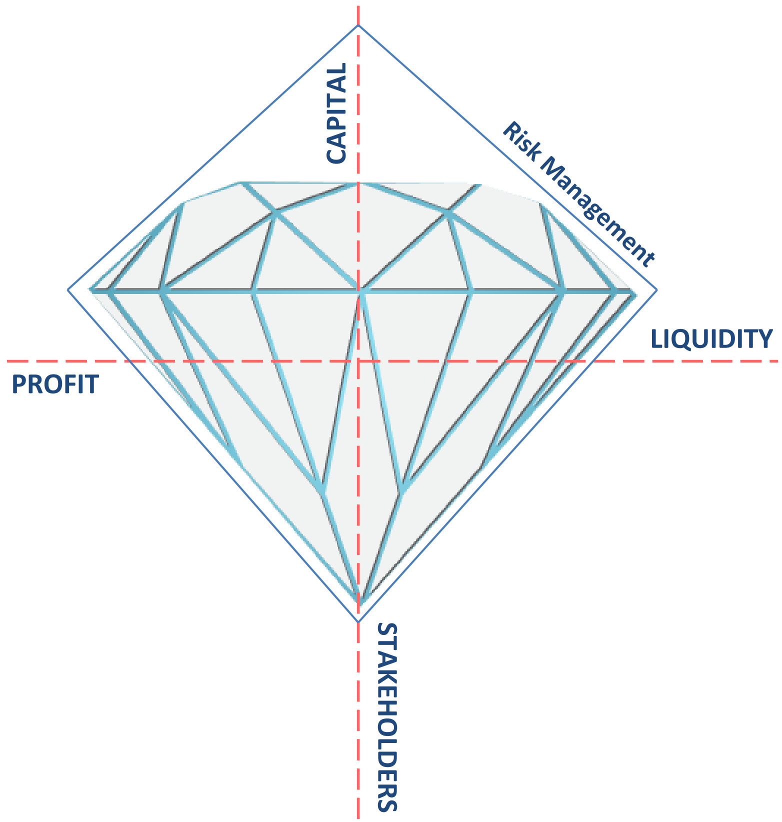


Focusing on building sustainable and long-term client bank-insurance relationships

By putting the client at the centre of what we do, we want to be the reference in bank-insurance

KBC Group going forward:
Monitored through the KBC performance diamond

KBC *'Performance Diamond'*



The performance diamond defines, within the limits of the risk management playing field, the (nominal) targets for 4 performance dimensions:

- Net profit
- Capital
- Liquidity
- Stakeholders
  (clients, staff, society, shareholders)

for KBC Group and for all the business units.

KBC Group going forward: An optimised geographic footprint

Strengthen current geographic footprint

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

No further plans to expand beyond current geographic footprint

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

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

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

KBC Group going forward:
An optimised geographic footprint

Become a reference in bank-insurance in each core country

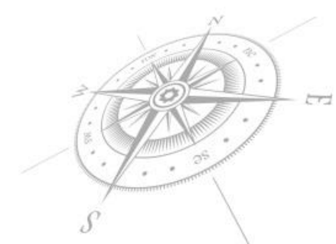
Through a local embedded bank-insurance business model and a strong corporate culture, creating superior client satisfaction

With a clear focus on sustainable and profitable growth

KBC Group going forward: Dividend policy

The target for the dividend payout ratio (including the coupon paid on state aid and AT1) is at least 50% from 2016 on

If there is a lack of value-accretive employment of capital, the payout ratio might surpass 50%



Based on adjusted figures

Summary:
KBC Group wants to be among the best performing retail-focused financial institutions in Europe

- KBC wants to be among Europe's best performing retail-focused financial institutions. This will be achieved by:
  - Strengthening our bank-insurance business model for retail, SME and mid-cap clients in our core markets, in a highly cost-efficient way
  - Focusing on sustainable and profitable growth within the framework of solid risk, capital and liquidity management
  - Creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach
- By achieving this, KBC wants to become the reference in bank-insurance in its core markets

Summary of the financial targets at KBC Group level

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

Based on adjusted figures

* Excluding marked-to-market valuations of ALM derivatives


Capital
Management
Luc Popelier

KBC has raised 5 billion euros in capital over the last 1.5 years

Sale of treasury shares: 16OCT12
Capital release: 0.35

Capital increase: 10DEC12
Common increase: 1.25

Coco: 18JAN13
Increase in loss-absorbing capital: 0.8

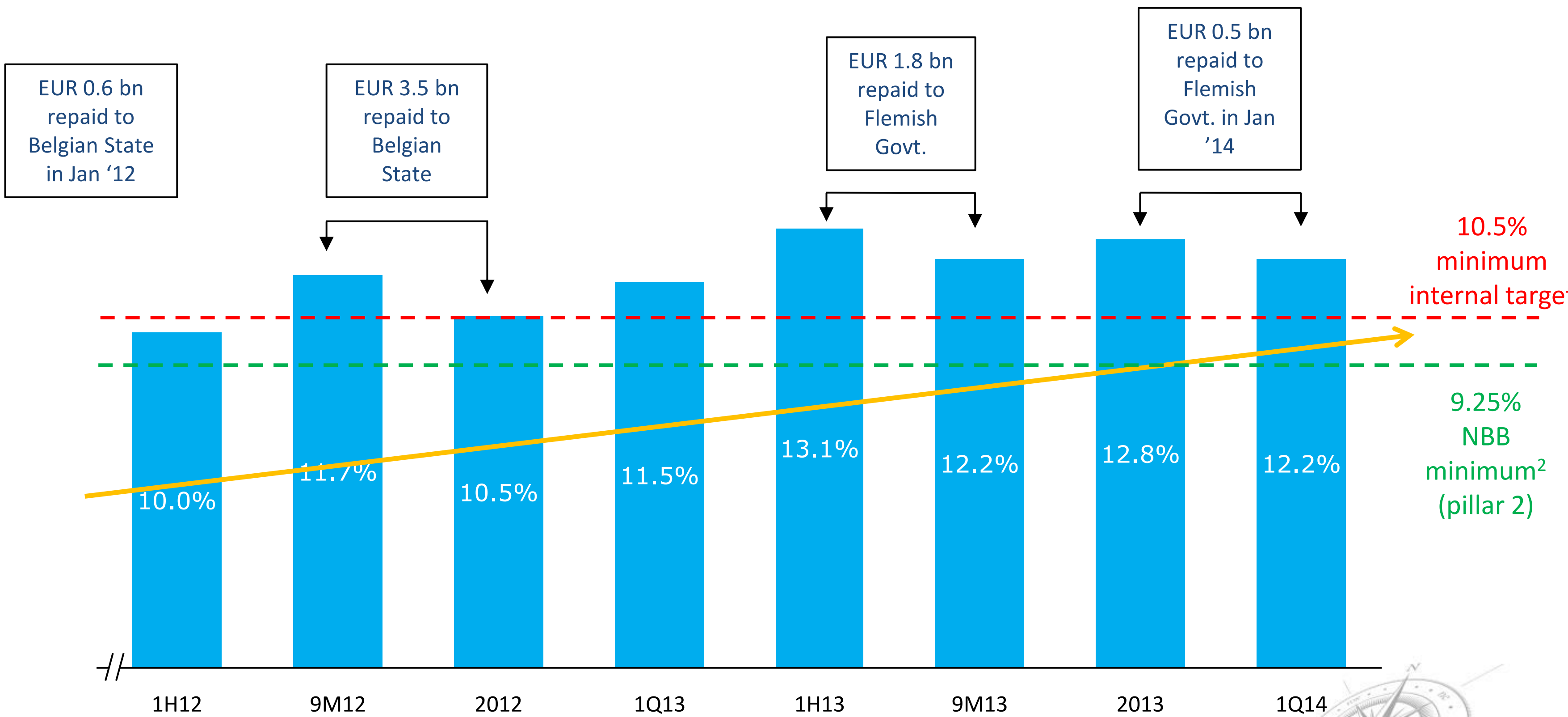
Shareholder loans I: 03JUL13
Capital release: 0.33

Shareholder loans II: 19NOV13
Capital release: 0.67

Additional tier 1: 12MAR14
Increase in loss-absorbing capital: 1.4

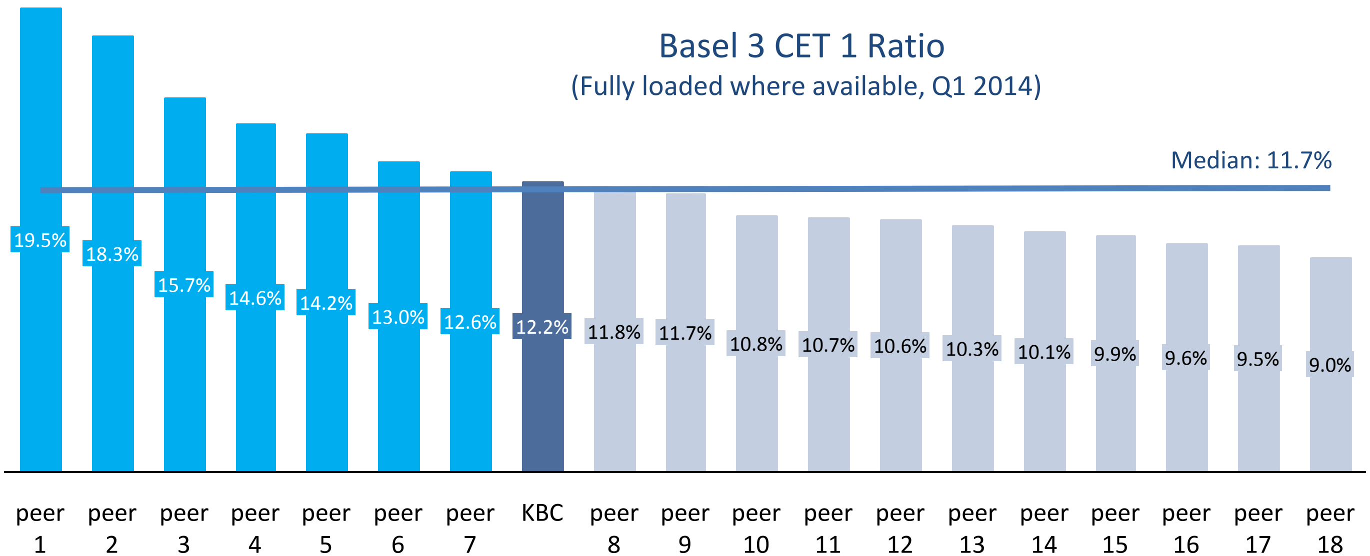
(in EUR bn)

KBC has repaid 6.3 billion EUR to the state and strengthened its capital base[1]

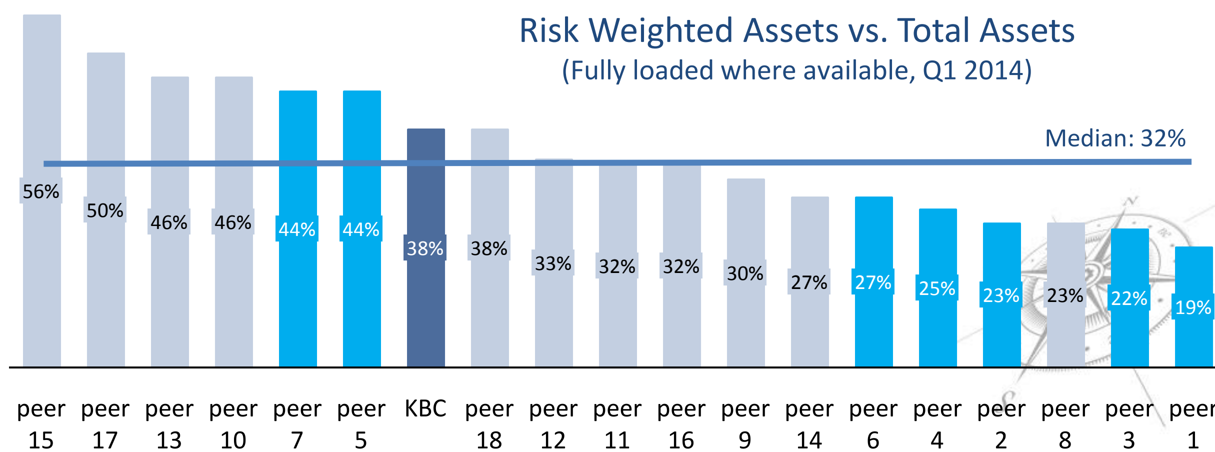


1. With the remaining state aid included in CET1, as agreed with local regulator
2. Excluding the revaluation reserve of available-for-sales assets

Strong B3 CET1 ratio, despite conservative RWA

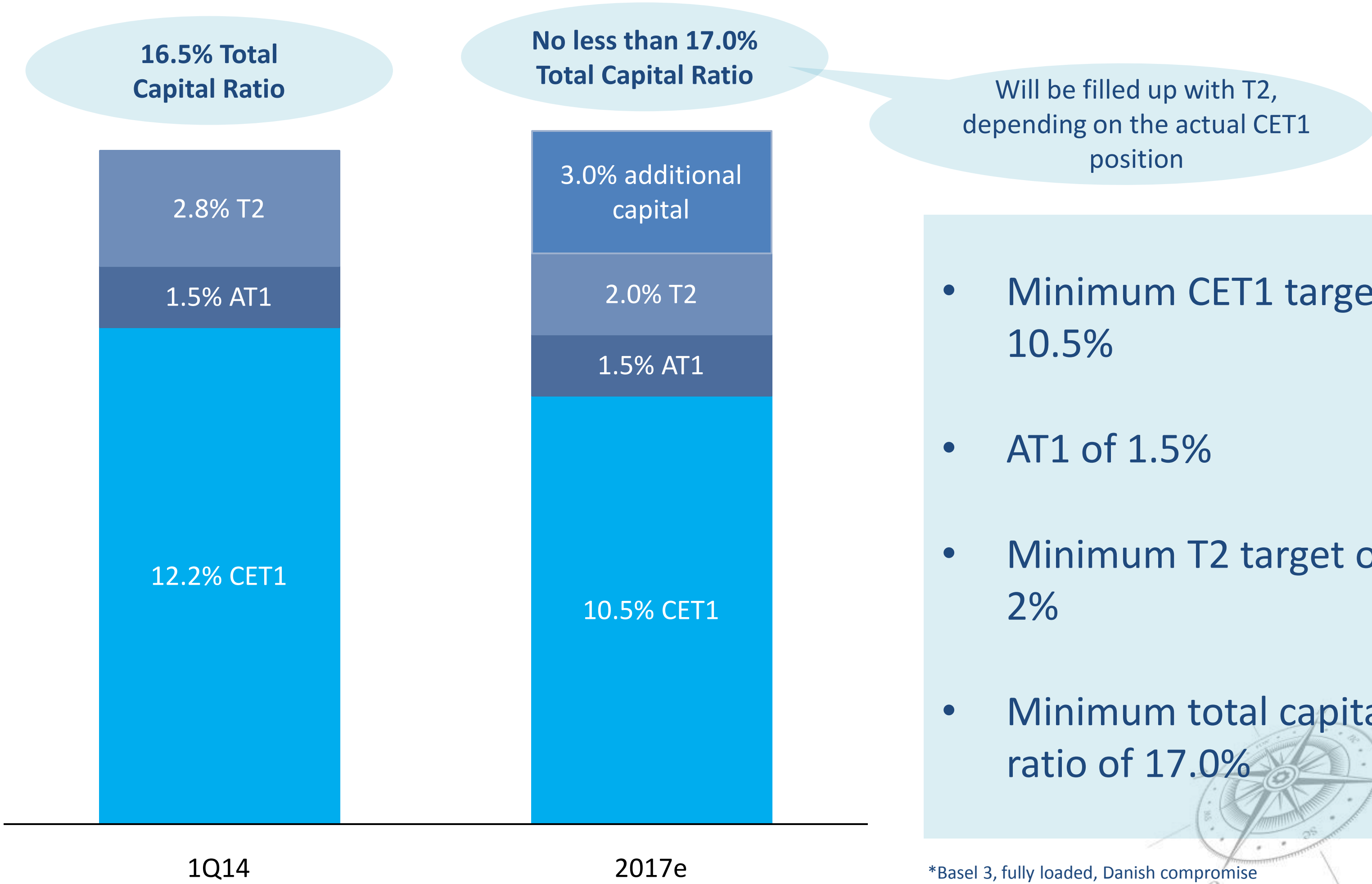


Source: Company filings, Goldman Sachs



Source: Company filings, Goldman Sachs

KBC maintains minimum 17% total capital ratio*



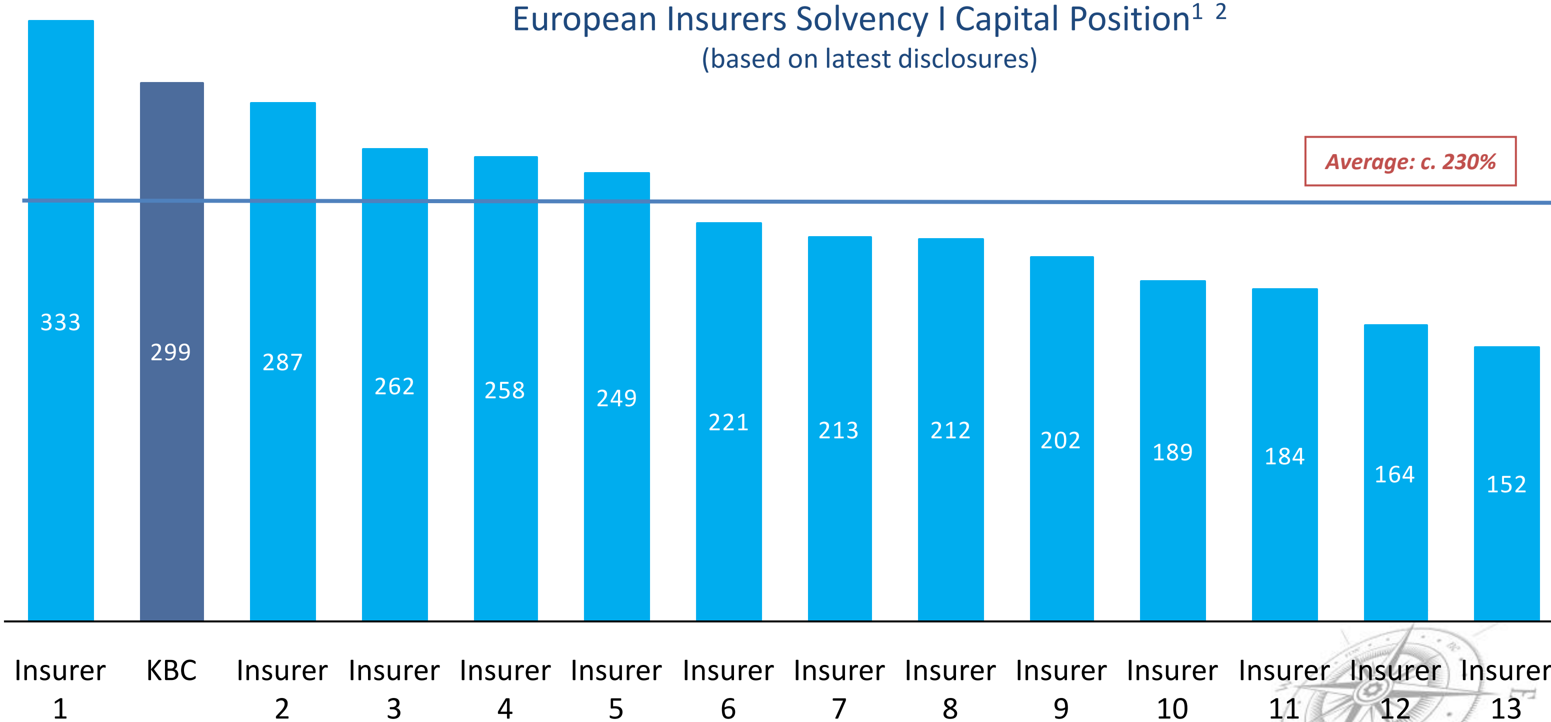
- Minimum CET1 target of 10.5%
- AT1 of 1.5%
- Minimum T2 target of 2%
- Minimum total capital ratio of 17.0%

*Basel 3, fully loaded, Danish compromise

Optionality: leverage KBC Insurance

Robust Solvency 1 ratio at KBC Insurance: 299% at end 1Q14, without leverage

European Insurers Solvency I Capital Position[1 2]
(based on latest disclosures)



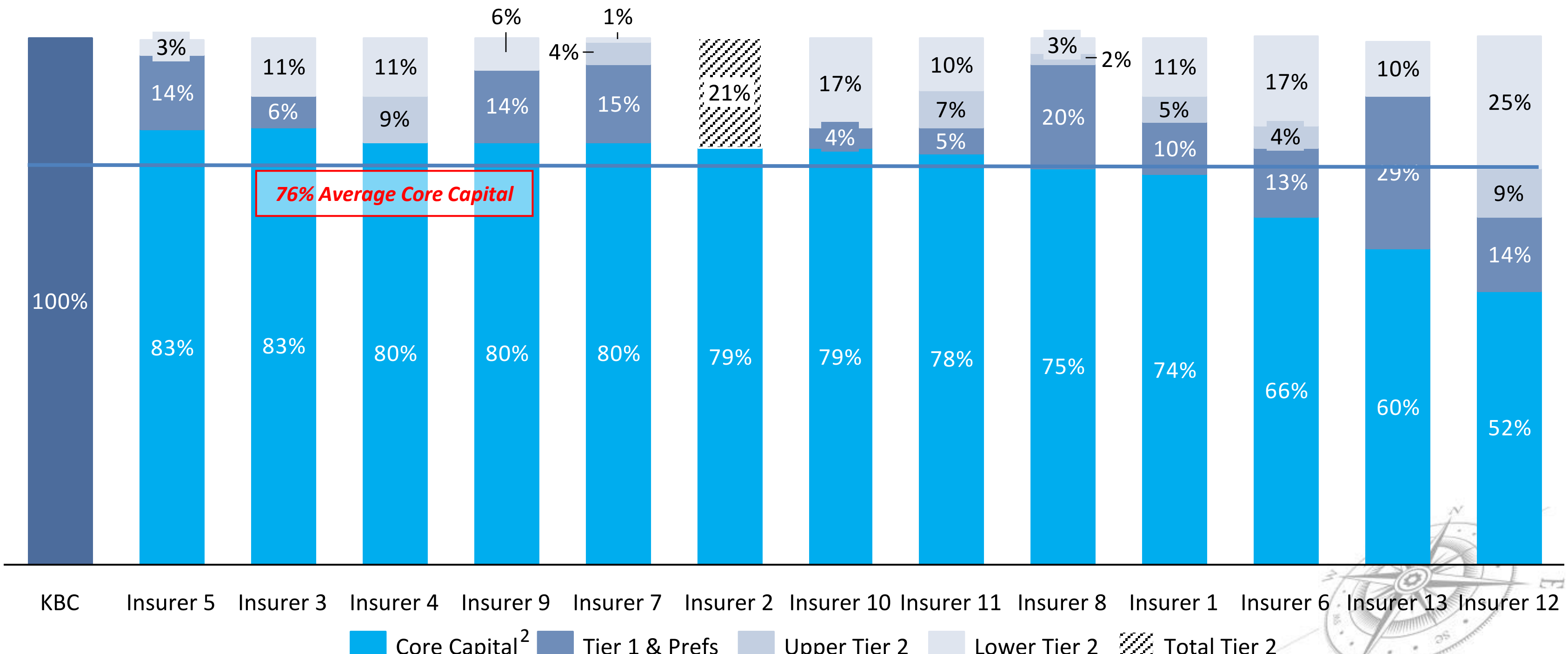
1. 1Q 2014 except insurers 2, 3, 4, 6, 9 and 12 (YE 2013)
2. Source: Company filings, Morgan Stanley

Optionality: leverage KBC Insurance

Option to optimally leverage KBC Insurance, possibly leading to roughly EUR 0.5 bn in extra CET1 under Solvency 1. Decision pending given the uncertainties linked to the ECB's view on the treatment of insurance and the ALM policy under Solvency 2.

Breakdown of insurers' total capital[1]

(IFRS basis, based on FY13 disclosures[3])



1. Total Capital excludes goodwill, Acquired Value of In-Force business (AVIF) and Other Intangibles (and senior debt)
2. Core Capital defined as Shareholders' Equity – Goodwill – AVIF – Other Intangibles + Minority Interests
3. Source: Company filings, Morgan Stanley

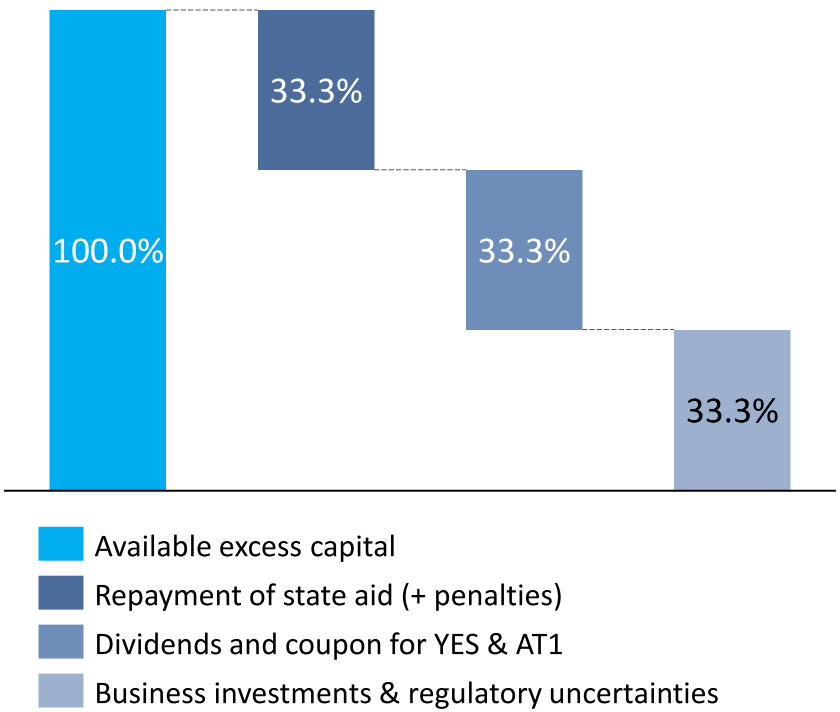
Dividend policy going forward

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

* Subject to approval of the General Meeting of Shareholders

KBC wants to keep its options open

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



Solid capital generation 2Q14-2017

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

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

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

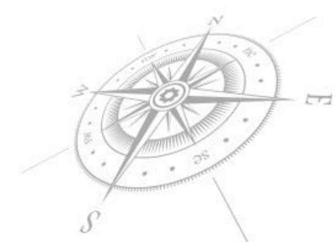
The excess capital can be returned to the shareholders if no value-added business investments are found


Belgium
Business Unit
Daniel Falque

Passport of the Belgium Business Unit

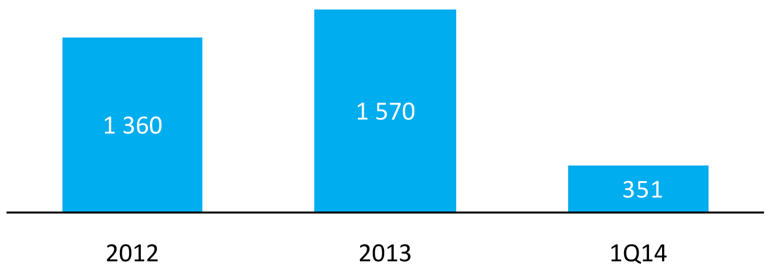
Belgium Business Unit	
Clients	3.5 million
Network	827 bank branches 470 tied insurance agencies 1.2 million online subscriptions
Ranking in Belgium	Top 2 in banking, Top 4 in insurance
Market share (est.)	Loans 23%, Deposits 17%, Investment funds 33%, Life insurance 17%, Non-Life insurance 9%
AUM	EUR 155 bn
Loans	EUR 82 bn
Deposits	EUR 100 bn
Life reserves	EUR 26 bn
Allocated capital	EUR 5.6 bn

Ranking/market share: KBC's own estimates;
Loans: loans and advances to customers (excl. reverse repos);
Deposits: deposits from customers and debt certificates (excl. repos);
Financial data at 31 March 2014; other data at 31 December 2013.

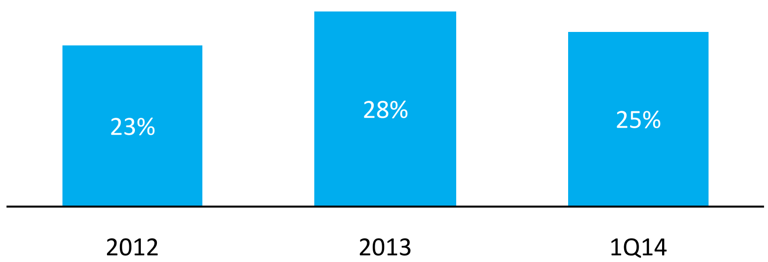


Building on our strengths in Belgium…

Net profit contribution (EUR m)



Return on allocated capital



Consistent performer with a full-year profit contribution of between EUR 1.4 and 1.6 bn in past few years

High return on allocated capital thanks to bank-insurance model and activity mix (retail, SME, mid-cap, private banking, asset management, etc.) with ROAC in 20%-30% range

Strong market position

- Stable client base (both bank and insurance)
- Historical presence in the country leading to longstanding client relationships

… opportunities are omnipresent

Summary of main strategic goals

1. To offer client-centric solutions in an ever-changing world

2. To optimise its bank-insurance franchise

3. To grow in challengers’ markets: Brussels & Wallonia

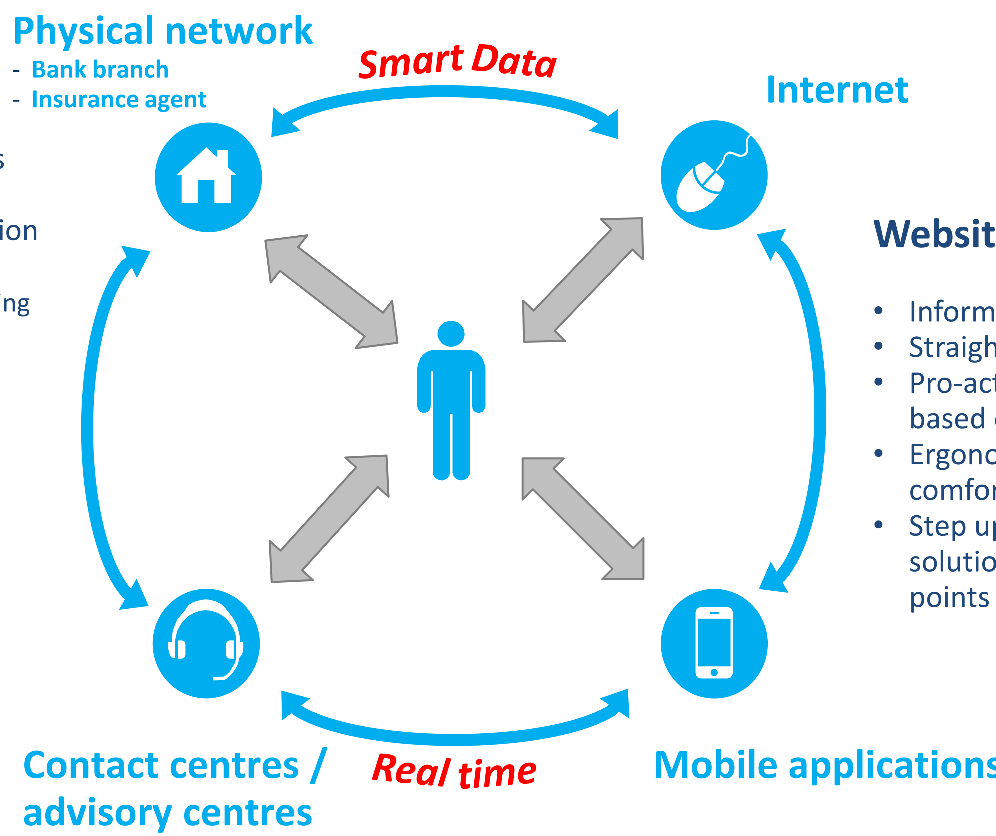
Client centric: integrated access & tailored solutions

Branches

- Less transactional
- Personal advice for more sophisticated financial matters
- New branch concept
- Technology: real-time interaction with the other contact points
- Mobile and flexible staff (opening hours)
- Lower operating costs

Contact centres / advisory centres

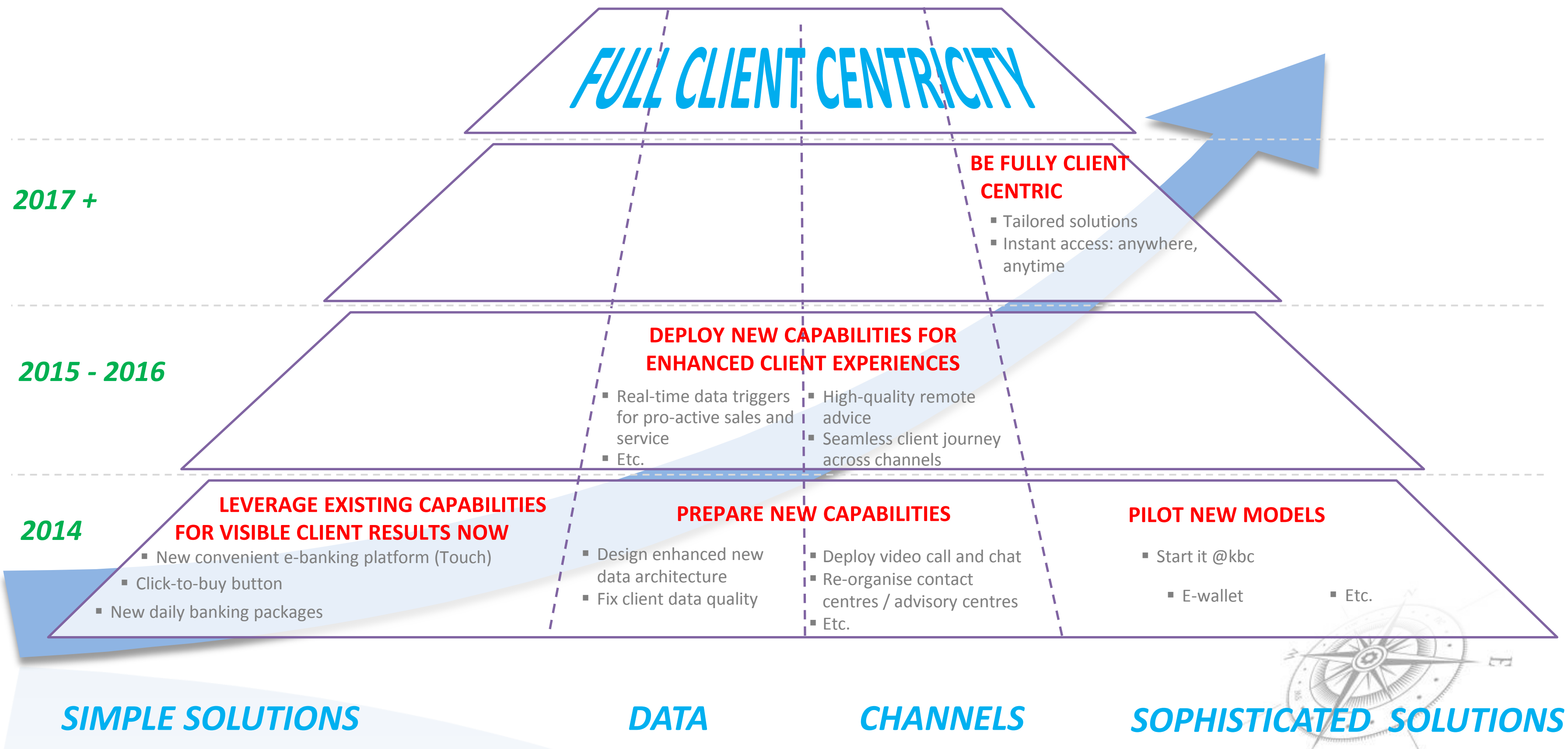
- Pro-active rather than reactive today
- Data driven
- Easy to access + personalised service (physically accessible)
- Additional staff



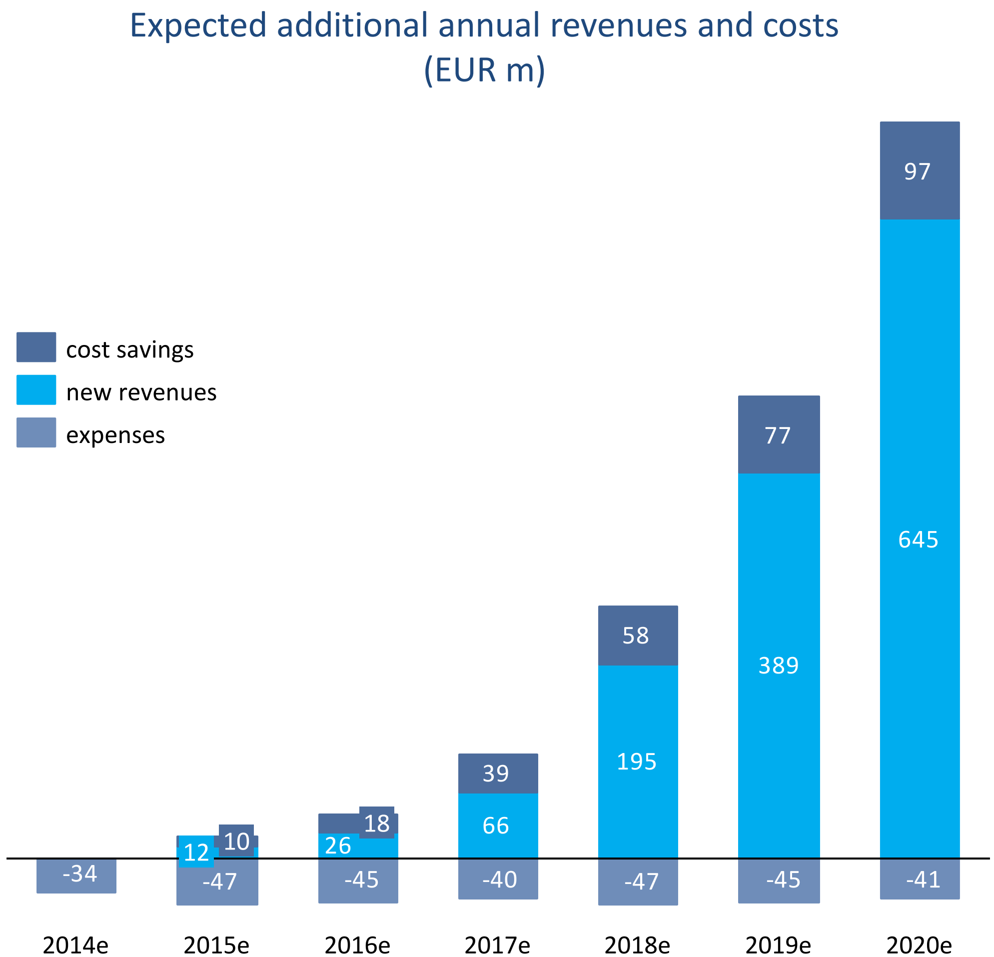
Websites and mobile apps

- Information and simulations
- Straightforward transactions
- Pro-active tailor-made proposals based on data analytics
- Ergonomics and increased user comfort
- Step up for more sophisticated solutions via other contact points

Implementation roadmap



Client-centric approach: P&L impact



Expected top-line income upside of EUR 645 m by 2020 through growing numbers of clients, upgrading to higher segments and increased return per client (integrated access & tailored solutions)

EUR 97 m cost reduction by 2020

Expenses include business and ICT FTE investment costs, a ‘rapid intervention budget’ as a buffer to react to competitor moves, as well as increased OPEX at HQ, for example for additional data analytics skills

Grow bank-insurance business by 5% per year

NEW INITIATIVES

Strong market position

- Longstanding universal insurance company
- Stable client base (joint bank & insurance clients) still offering substantial cross-selling potential
- KBC bank-insurance gross income 2013: EUR 400 m

Unique value proposition

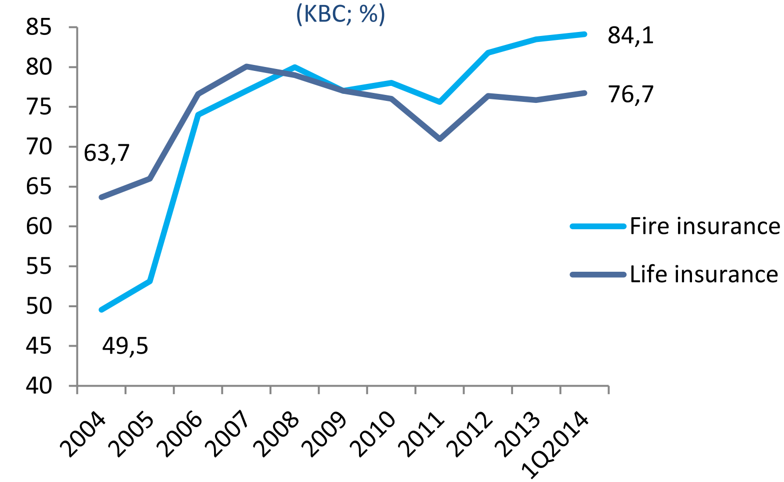
- Long-term relationships result in high customer loyalty and revenue stability
- Unique cooperation charter at local level between bank manager and insurance agent foster natural cross-selling
- Supported by physical proximity of bank branches and insurance agencies

Client-centric initiatives

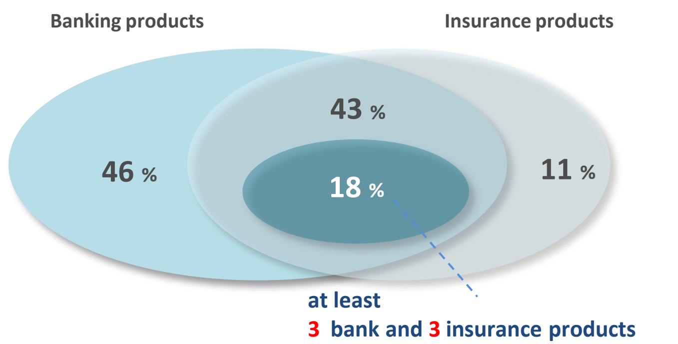
- Insurance business: new integrated digital strategy to be applied to both bank and agency channels
- Leverage smart use of data to foster further cross-selling between banking and insurance products (deepening of existing relationships)
- Client acquisition: a specific bank-insurance value proposition for medical practitioners

Mortgages-related cross-selling in Belgium

(KBC; %)

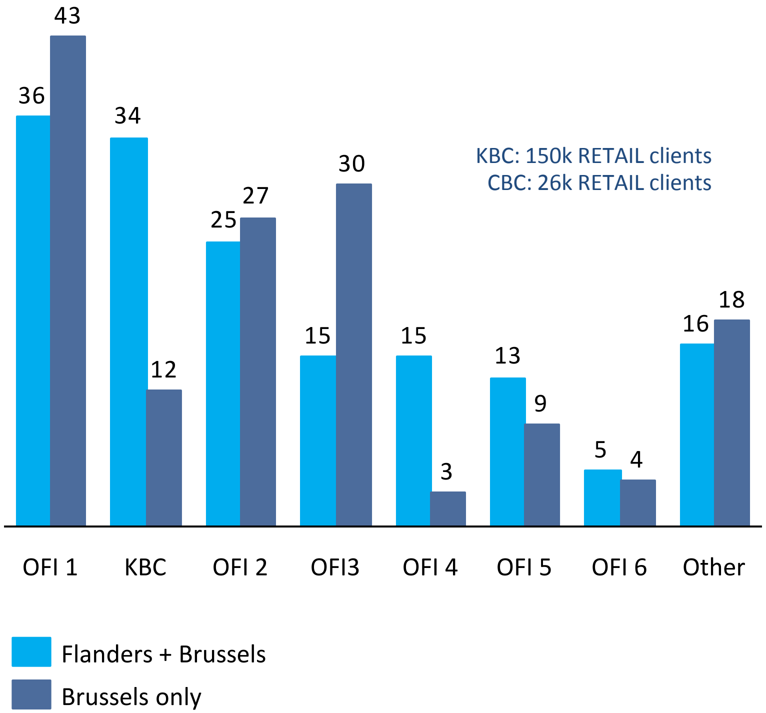


Product ownership (KBC clients)



Launch of separate brand: KBC Brussels

Client relationships in Flanders and Brussels
[% of respondents - 2012]



Current situation:

- Brussels region: growing market with untapped potential for KBC
- KBC/CBC growing slower than in respective regions
- Both KBC and CBC are present, yet neither is dominant

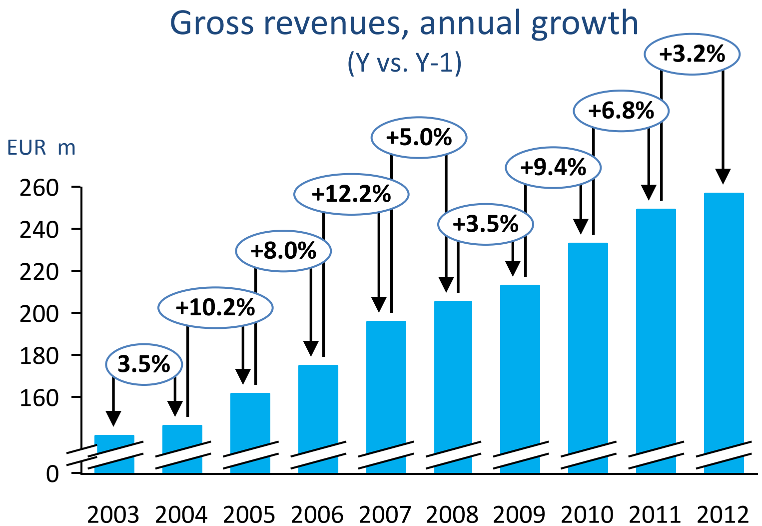
As of 2015 :

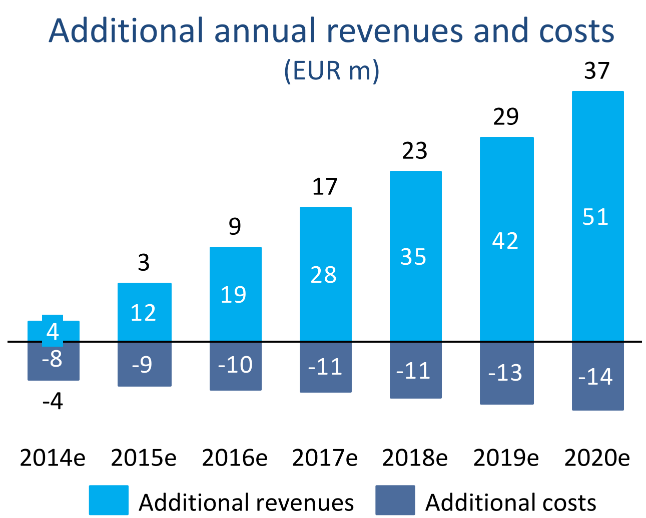
- 1 separate brand: KBC Brussels
- 1 unified KBC and CBC bank-insurance product and service offering
- Autonomous operating model (KBC platforms)
- Repositioning of existing KBC/CBC branches and introduction of innovative new branch formats
- Market challenger approach (niche and smart targeting approach)

Targeting an increase by 2020 in:

- No. of clients: + 40 000
- Revenues: + EUR 24 m

Expansion in Wallonia





Current situation:

Successful challenger strategy

- Autonomous operating and commercial model
- Solid and constant y-o-y gross revenue growth (CAGR of 5.6% since 2008)
- Growth potential in selected market segments
  - Banking market share: 6% (retail), 9% (personal), 16% (private banking), 23% (SME)
  - Insurance market share: 2% (retail)

As of 2015:

Increase footprint, enhance availability and service offering

- Open 8 new and relocate 10 existing bank branches (+10%)
- Bring in 8 new insurance agents (+10%)
- Bank: + 90 FTE / Insurance: + 14 support FTE
- To fully deploy KBC integrated digital strategy

Targeting a significant additional increase by 2020 in:

- No. of clients: +39 000
- Revenues: + EUR 51 m
- One-off investment (EUR 14 m over 3 Y – facilities & marketing)
- Additional recurrent cost: predominantly FTE

Financial roadmap

Target 2017	
CAGR Total income (2013-2017)*	**≥ 2%**
CAGR bank-insurance gross income (2013-2017)	**≥ 5%**
C/I ratio	**≤ 50%**
Combined ratio	**≤ 94%**

How this will be achieved

Macroeconomic environment

- Expected increase in long-term interest rates, supporting growth in net interest income as well as in fee income from AM funds and life insurance
- GDP gradually recovering whilst inflation staying low

Strong domestic business with market leader position in the more affluent part of Belgium

- Fully integrated bank-insurer with in-house asset management operations
- High-quality loan portfolio with profitable margins

Increased performance of distribution model

- Complementing the existing branch network with the new integrated digital strategy
- Client-centric approach, with smart use of data (cross-selling), enhanced client acquisition and revenue per client
- Selective growth in challengers' markets (Brussels and Wallonia)

Continuous strict cost and risk control

*Excluding marked-to-market valuations of ALM derivatives.

Czech Republic Business Unit

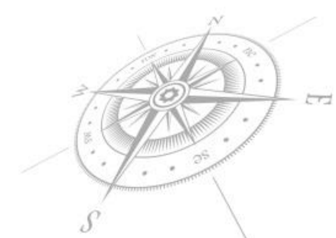
John Hollows

Passport of the Czech Republic Business Unit

Czech Republic Business Unit

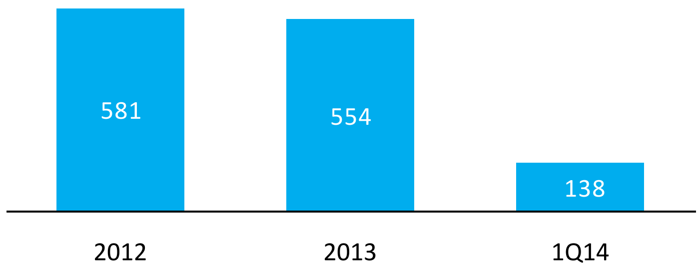
Clients	4 million
Network	319 bank branches (ČSOB and Era) 1 168 tied insurance agencies Various other channels
Ranking in the Czech Republic	Top 3 in banking, Top 5 in insurance
Market share (est.)	Loans 19%, Deposits 20%, Investment funds 28%, Life insurance 6%, Non-Life insurance 6%
AUM	EUR 6 bn
Loans	EUR 15 bn
Deposits	EUR 22 bn
Life reserves	EUR 1 bn
Allocated capital	EUR 1.4 bn

Ranking/market share: KBC's own estimates;
Loans: loans and advances to customers (excl. reverse repos);
Deposits: deposits from customers and debt certificates (excl. repos);
Financial data at 31 March 2014; other data at 31 December 2013.

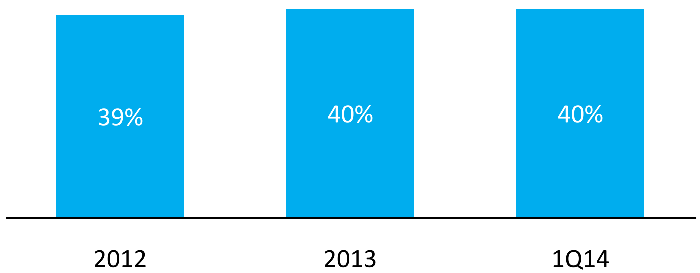


Building on our strengths in the Czech Republic…

Net profit contribution (EUR m)



Return on allocated capital



Strong market position

- Universal insurance company
- Sound client base with room for increasing penetration
- Full range of products
- Insurance sales force in all bank branches
- Dedicated sales manager

Consistent performer with full-year profit contribution of between EUR 0.5 and 0.6 bn in past few years

High return on allocated capital with ROAC around 40% in past few years

Favourable, stable cost/income ratio at 47% in 2012, 2013 and 1Q2014

… opportunities are omnipresent

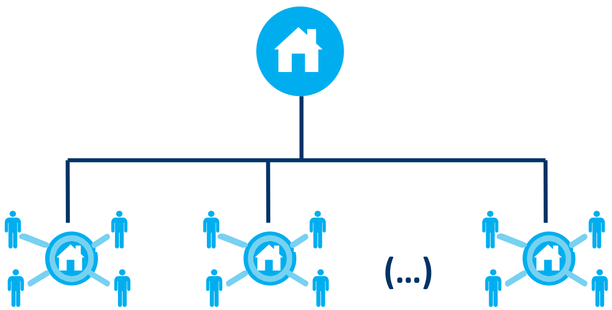
Summary of main strategic goals

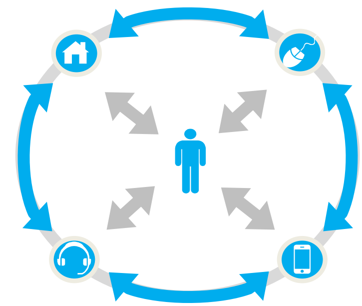
1. Offer client-centric solutions

2. Generate cost-efficiency benefits
3. Accelerate bank-insurance business
4. Lending:
   - Maintain growth in mortgages and corporate loans
   - Accelerate SME and consumer finance

Create value for the client: from channel-driven solution to client-driven solution…

FROM Channel-centric model	TO Client-centric seamlessly integrated model

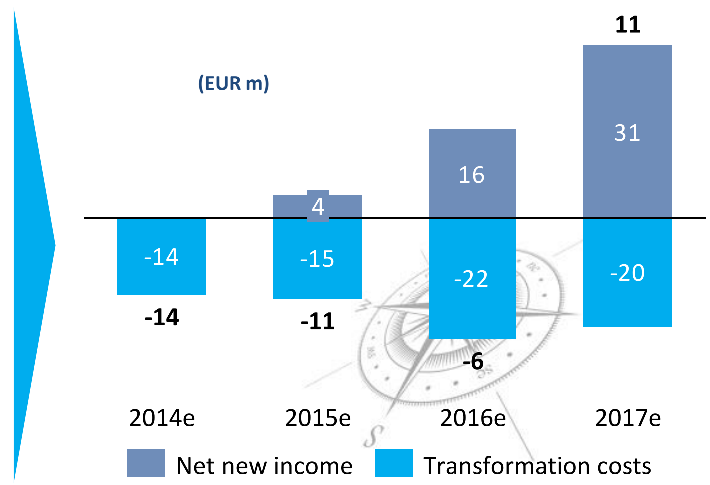




- **CLIENT**
- **DATA**
- **INTEGRATION**
  - **BANK-INSURANCE**
  - **3RD PARTIES**

Our target is:

- to put the client centre stage, engage, empower and leverage trust
- to create an integrated model, which brings together clients, third parties and bank-insurance
- to build up excellent data analytics and client insights, turn data into added value for clients
- to develop beyond-bank-insurance products to protect our value
- to offer 3 distinctively different propositions (Convenience, Specialists, Premium)



... extended to beyond financial services

Protect our value by creating new added value for the client

EXISTING PRODUCTS

- Personal financial manager
- Convenient billing
- Data mailboxes
- Connection to a health insurance company

FUTURE DIRECTION

- Life stages and roles
- Advertising
- Secured digital archive
- Client identity management

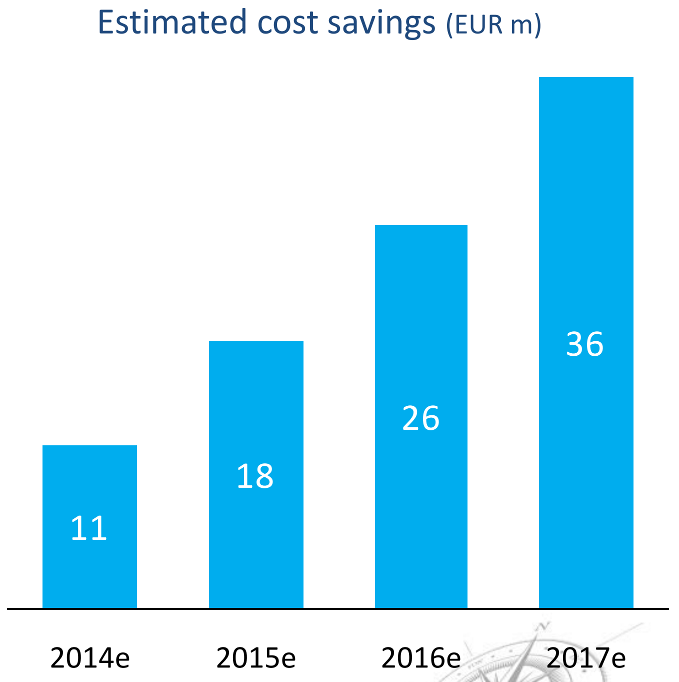
BEYOND-FINANCIAL-SERVICES PRODUCTS

- New types of non-financial service-oriented products integrated into the model to provide added value for clients
- These products should:
  - de-commoditise and stimulate the use of traditional products
  - strengthen connection with clients
  - gather data and provide offers
- Leveraging our competitive advantages such as client data, local embeddedness and trust

Simplification as a key part of our new model to generate cost-efficiency benefits

Key efficiency benefits

- Products: streamline number of products, discontinue obsolete products
- IT: IT architecture clean-up & simplification
- Digital: multi-device platform (simple to use) and standardised processes (internal simplification)
- Branch/distribution network optimisation: unified and integrated concept for distribution network, remove overlaps in footprint and head office, implement new formats and improve performance, review size of branches
- Branding: single concept covering both Convenience and Premium propositions
- Head office: rightsizing of central and support functions

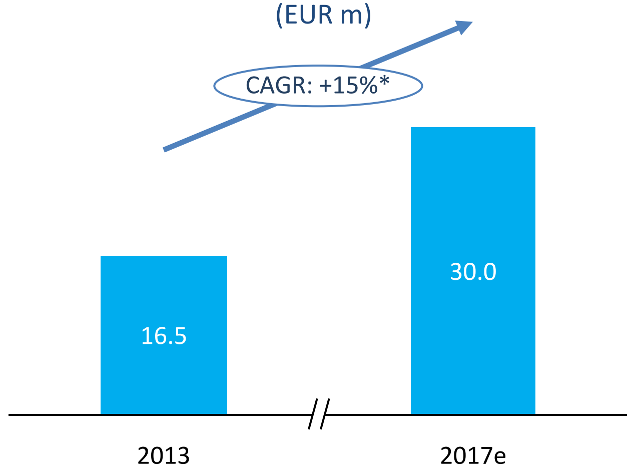


Further enhance and accelerate bank-insurance

New initiatives

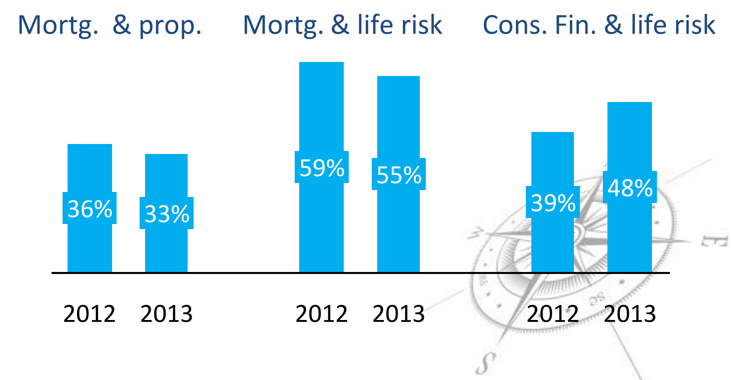
- Advanced and flexible pricing model
- Further development of combined bank-insurance products (e.g., interim coverage of potential claims payment via cash loan). Bring bank-insurance into the heart of the model as a key differentiation
- Increase client awareness (insurance marketing material and assistance service in bank branches)
- After-sales client communication to improve client experience
- TV marketing campaign

Bank-insurance gross income (EUR m)



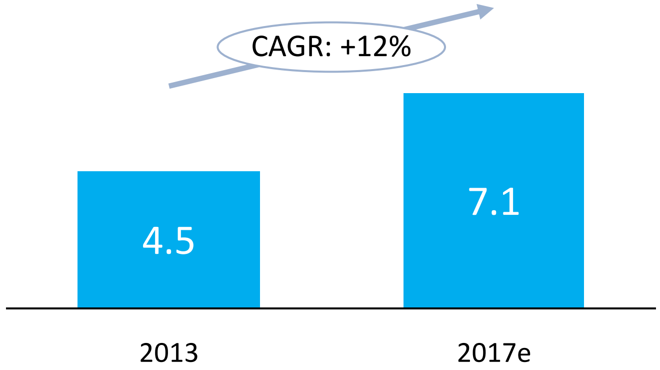
*In local currency

Cross-selling ratios

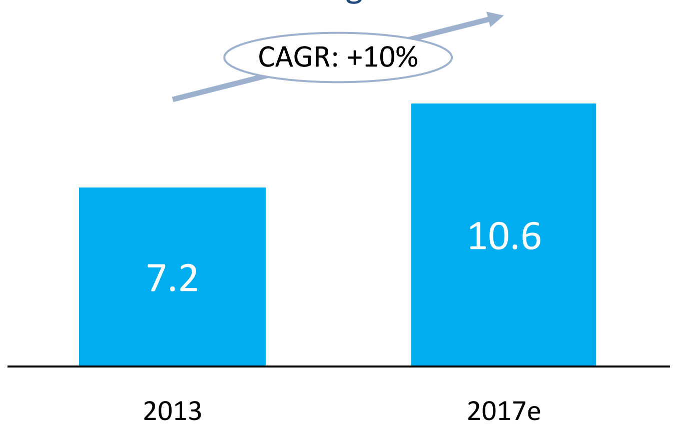


Continue growth in traditionally strong areas

Corporate loans (EUR bn), outstanding volume



Mortgages (EUR bn), outstanding volume



Aim to outperform the market (2013-17 CAGR: +7%) and grow market share from the current 19% to 21% in 2017

Expect to expand, thanks to the relationship with clients and providing them with comprehensive financing solutions and the expertise in the specialised finance area

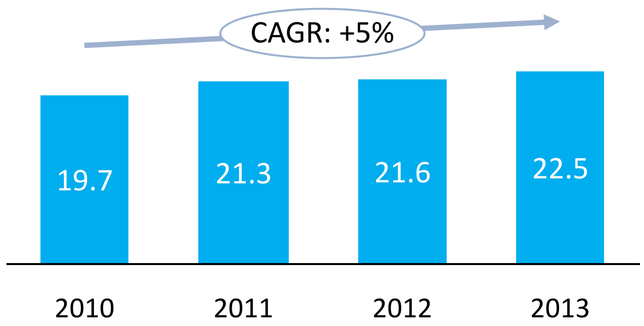
Aim to keep current leading position, with a market share of around 30%

Expect the market to grow robustly (2013-17 CAGR: +8%), thanks to relatively stable housing prices and low interest rates

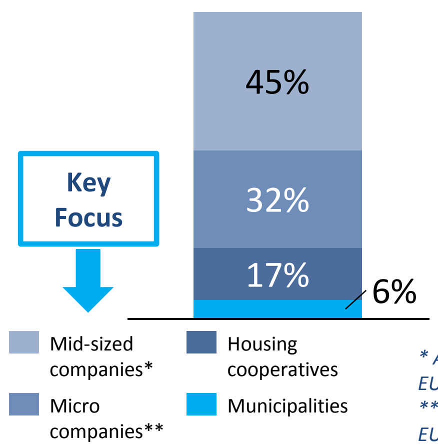
Aim to retain a high level of client loyalty (currently 80% of clients refinancing their mortgages stay)

Mining potential in SME loans...

Market size (EUR bn), outstanding loans



Split of 2013 SME total income



** Annual turnover below EUR 1.5m*
*** Annual turnover between EUR 1.5m and EUR 11m*

SME market in outstanding loans has been growing, but less than in mortgages and corporate loans

Concentrated market: 2/3 of it controlled by 3 banks

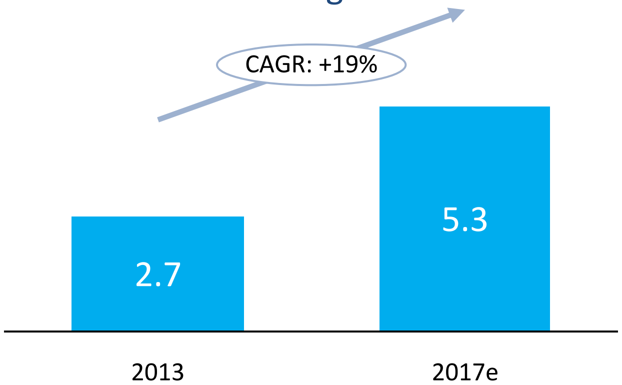
At 13%, our market share remains below potential

SME market remains attractive:
- 2013-2017 CAGR: +5% growth
- Micro companies have an average 1.3 banking relationships, while mid-sized companies have 1.8
- Loan penetration is highest amongst micro companies

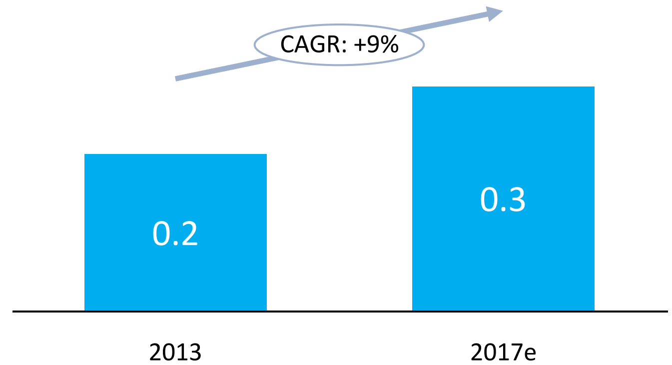
SME portfolio offers potential:
- On average, one out of three SME clients finances itself via bank loans
- Micro companies are underpenetrated
- Focus mainly on mid-sized and micro companies as they are the most profitable for us

…and focusing on sustainable client relationships will help grow market share

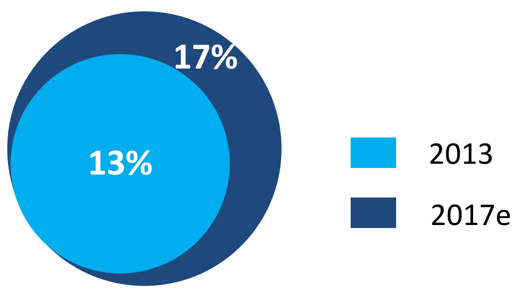
SME loans (EUR bn), outstanding volume



SME total income (EUR bn)



SME loan volume* market share (%)



** Outstanding at the given date, excl. leasing and factoring*

Enlarge sales force capacity, including mobile sales force, enabling service at client's site

Strengthen after-sales activities to improve client experience and loyalty (less emphasis in the past)

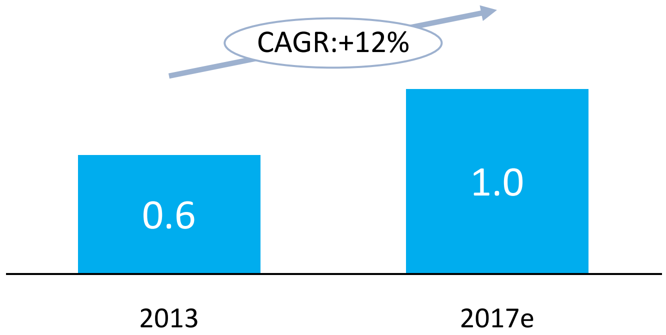
Exploit further multi-product portfolio (leasing, factoring, trade finance, financial markets, EU funds)

Shorten time-to-yes in line with existing risk processes

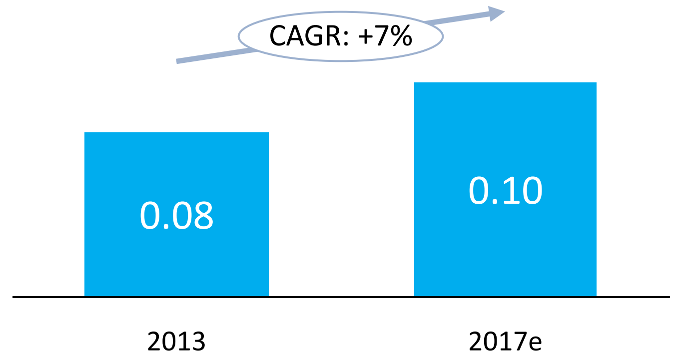
Replicate corporate relationship 'feel' for mid-sized companies

Consumer finance: increase market share with acceptable cost of risk

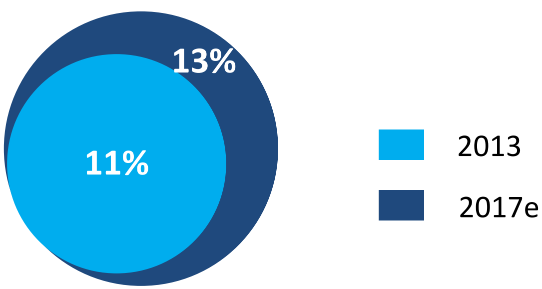
Consumer finance loans (EUR bn), outstanding volume



Consumer finance total income (EUR bn)



Consumer finance loans market share (%)



Market share has been steadily growing in a stagnating market over the last 4 years, but at 11%, is still far from our potential

Redesigned consumer finance approach:

- Focus on loan consolidation/refinancing, including flexible pricing at branches and exploitation of country-wide Czech Post network
- Increase online sales (time-to-yes online = zero)
- Promote the bank as a strong responsible consumer finance lender via marketing campaigns to attract new clients
- High-margin product with cost of risk around 200 bps
- Increase credit limit offers for majority of clients

Financial roadmap

Target 2017*	
CAGR Total income (2013-2017)	≥ 3%
CAGR bank-insurance gross income (2013-2017)	≥ 15%
C/I ratio	≤ 45%
Combined ratio	≤ 94%

How this will be achieved

Maintain growth in traditionally strong areas (mortgages and corporate loans), while exploiting growth opportunities in SME and consumer finance thanks to redesigned approach

Re-position client to the centre of integrated environment and offer beyond-financial-services products to de-commoditise and stimulate use of traditional products and turn data/client insights into a source of income

Strengthen insurance sales force and develop combined bank-insurance products to accelerate bank-insurance contribution

Generate cost savings through more efficient procurement and reduction of organisational and ICT complexity thanks to operational model transformation

*In local currency


International
Markets
Business Unit
Luc Gijsens

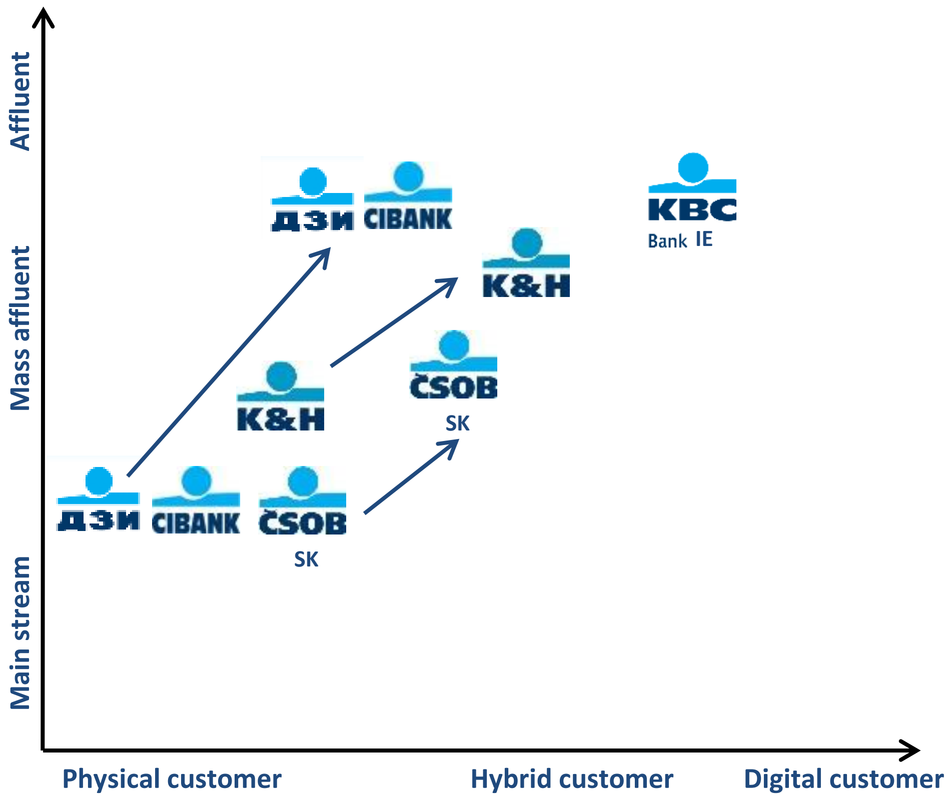
Passport of the International Markets Business Unit

International Markets Business Unit

		SK	HU	BG	IE
Clients	**In millions**	0.6	1.6	0.5	0.2
Network	**Bank branches**	128	220	105	7
	Tied insurance agencies	219	336	1 865	-
Ranking	**Banking**	4th	2nd	11th	5th
	Insurance Life / Non-Life	8th / 7th	11th / 7th	4th / 4th	-
Market share	**Loans**	10%	8%	2%	10% (mortgage loans)
	Deposits	10%	9%	2%	3% (retail)
	Investment funds	7%	17%	-	-
	Life insurance	5%	3%	10%	-
	Non-Life insurance	3%	5%	10%	-
AUM	**In billions of EUR**	0.4	3.3	-	-
Loans	**In billions of EUR**	4.3	3.9	0.6	12.3
Deposits	**In billions of EUR**	4.6	5.4	0.5	3.8
Life reserves	**In billions of EUR**	0.2	0.2	0.04	-
Allocated capital	**In billions of EUR**	0.4	0.8	0.1	0.7

Ranking/market share: KBC's own estimates;
Loans: loans and advances to customers (excl. reverse repos);
Deposits: deposits from customers and debt certificates (excl. repos);
Financial data at 31 March 2014; other data at 31 December 2013.

Future position: all entities have a clear focus on hybrid (mass) affluent clients



KBC Ireland is making the transition from a digitally led monoliner (mortgage) bank to a full retail bank. Having no heritage, they can take a fresh start to develop a complete retail product offering through digital channels. KBC Ireland will be our frontrunner in implementing the new strategy

K&H and ČSOB Slovakia intend to transform their models from branch centric to a hybrid distribution model

CIBANK/DZI are following the same direction as K&H and ČSOB but with slower dynamics due to a less mature market

Financial roadmap - Slovakia

Target 2017		How this will be achieved
CAGR Total income (2013-2017)	≥ 3%	• Business income to increase significantly above market expectations, especially in retail asset classes (home loans, consumer finance, SME and lease)
CAGR bank-insurance gross income (2013-2017)	≥ 10%	• C/I ratio to gradually improve based on income growth (see above) and flat trend in operating expenses (corrected for inflation). Opex flat despite the negative impact of investments in key strategic projects and the bank levy
C/I ratio	≤ 58%	
Combined ratio	≤ 94%	• Double-digit growth of top line (incl bank-insurance), periodic strong monitoring of claims development and product parameters, and a minimal growth of operating expenses, will offset the declining reserve releases in MTPL by 2017

Financial roadmap - Hungary

HU

Target 2017		How this will be achieved
CAGR Total income (2013-2017)	≥ 4%	• Strategy of K&H is growth-oriented, aimed at increasing market positions in all key segments, with continuous efficiency and profitability improvements. Main focus is to improve top line. For the bank, client acquisitions and 'share of wallet' actions in retail, SME and Corporate remain top priority. For the insurer, growth will primarily come from sales via the bank channel
CAGR bank-insurance gross income (2013-2017)	≥ 20%	
C/I ratio	≤ 62%	• C/I ratio will continue to be heavily impacted (15 %-points) by the sector tax in the coming years. Below-inflation increase in operating expenses driven by strict cost control initiatives
Combined ratio	≤ 96%	

Financial roadmap - Bulgaria

Target 2017		How this will be achieved
CAGR Total income (2013-2017)	≥ 3%	• Increased profitability through growth in selected target segments while maintaining focus on robust risk management practices and processes. Growth will be supported by favourable economic environment in the coming years
CAGR bank-insurance gross income (2013-2017)	≥ 5%	• Bank-insurance income: strengthened cooperation and further development of products and distribution channels (sale of insurance products not linked to loans via the bank network)
C/I ratio	≤ 67%	• Continued strict cost control while striving for operational excellence and efficiency
Combined ratio	≤ 96%	• Improved technical insurance result and increased premium, through outstanding customer service combined with operational efficiency

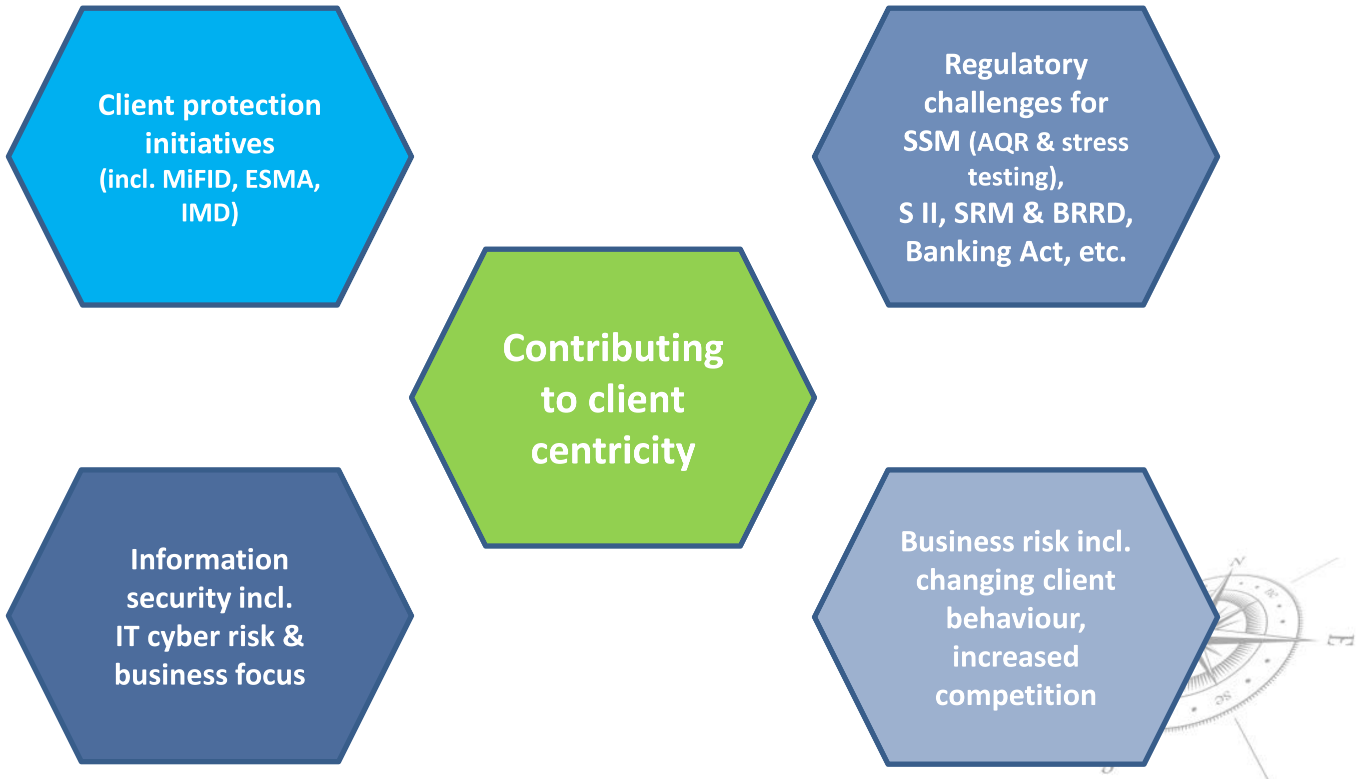
Financial roadmap - Ireland

Target 2017		How this will be achieved
CAGR Total income (2013-2017)	≥ 25%	• Strong volume growth in new retail mortgages in combination with expansion of overall retail product offering, including consumer finance and asset management, and a multi-platform distribution model • Decrease in Corporate and SME volumes in line with deleveraging strategy • Reduction of funding costs • Strict cost control given the significant investment in personnel, IT and marketing to implement the Retail Strategy
C/I ratio	≤ 50%	


Risk Management
Christine Van Rijsseghem

Main risk priorities identified for the coming years

Both KBC's improved risk profile and
embeddedness of risk management in the organisation
provide a solid basis to respond to future challenges




Group Centre
Luc Popelier

From business unit targets to group targets

Belgium
Business Unit
Targets

Czech Republic
Business Unit
Targets

International Markets
Business Unit
Targets

+ Group Centre

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

* Excluding marked-to-market valuations of ALM derivatives

See next slide

Group Centre

- The adjusted result of the Group Centre mainly includes:
  - Results of holding-company-related activities: rather constant
  - Subordination costs: depends on issuance
  - Funding costs of participations: increasing following expected rise in interest rates
  - Results of companies in run-down: limited

- Overall net contribution to adjusted results in 2017 estimated at roughly **EUR -0.3 bn**


Conclusion
Johan Thijs

Summary:
KBC Group wants to be among the best performing retail-focused financial institutions in Europe

- KBC wants to be among Europe's best performing retail-focused financial institutions. This will be achieved by:
  - Strengthening our bank-insurance business model for retail, SME and mid-cap clients in our core markets, in a highly cost-efficient way
  - Focusing on sustainable and profitable growth within the framework of solid risk, capital and liquidity management
  - Creating superior client satisfaction via a seamless, multi-channel, client-centric distribution approach
- By achieving this, KBC wants to become the reference in bank-insurance in its core markets

KBC

Investor Day

Annex: glossary

- Bank-insurance gross income: the commission received by the bank from the linked group insurer plus the insurance income on the insurance products sold by the bank branches (referrals by bank branches to insurance agents are not included)
- CAGR: Compound Annual Growth Rate
- Combined ratio (non-life insurance): [technical insurance charges, including the internal cost of settling claims / earned insurance premiums] + [operating expenses / written insurance premiums] (after reinsurance in each case)
- Common equity ratio (CRR/CRD IV/Basel III): [common equity tier-1 capital] / [total weighted risks]. The calculation is based on the Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV) approved and published by the EU, and includes in the numerator the core-capital securities sold to the government that are grandfathered by the regulator, as well as latent gains (reserve for available-for-sale assets). The minimum target set by the regulator for the common equity ratio does not take account of these latent gains
- Cost/income ratio: [operating expenses of the banking activities] / [total income of the banking activities]
- Credit cost ratio: [net changes in impairment for credit risks] / [average outstanding loan portfolio]. For a definition of the loan portfolio, see the 'Value and risk management' section in KBC Group's annual report for 2013 (government bonds, for instance, are excluded)

Annex: glossary

- Liquidity coverage ratio (LCR): [stock of high-quality liquid assets] / [total net cash outflows over the next 30 calendar days].
  LCR is calculated based on KBC's interpretation of current Basel Committee guidance, which may change in the future. The LCR can be relatively volatile in future due to its calculation method, as month-to-month changes in the difference between inflows and outflows can cause significant swings in the ratio even if liquid assets remain stable.
- Net stable funding ratio (NSFR): [available amount of stable funding] / [required amount of stable funding].
  NSFR is calculated based on KBC's interpretation of current Basel Committee guidance, which may change in the future.
- Return on allocated capital for a particular business unit: [result after tax (including minority interests) of a business unit] / [average allocated capital of the business unit]. The capital allocated to a business unit is based on the risk-weighted assets for the banking activities (based on Basel III) and risk-weighted asset equivalents for the insurance activities (based on Solvency I)

Johan Thijs, KBC Group CEO

2012	**KBC Group CEO**
2009	Member of the Executive Committee of KBC Group
	CEO of the Belgium Business Unit
2006	Member of the Management Committee of the Belgium Business Unit
2001	Senior General Manager of Non-Life Insurance, KBC Insurance
1998	General Manager for Limburg and Eastern Belgium, KBC Insurance
1995	Head of the Non-Life Department, Limburg Regional Office, ABB Insurance
1988	Various actuary positions in the life and non-life businesses at ABB Insurance

Born in 1965
Married, 2 children
Likes cycling, travelling and Italian wine

Luc Popelier, KBC Group CFO

2011	**KBC Group Chief Financial Officer**
2009	Member of the Executive Committee of KBC Group
	CEO of the market activities of the Merchant Banking Business Unit
2009	Member of the Executive Committee of KBC Asset Management
2008	General Manager of the Trade Finance Division, KBC Bank
2002	General Manager of the Strategy & Expansion Division, KBC Group
1999	Executive Director of Corporate Finance, KBC Securities
1995	Various positions at Warburg Dillen Read and SBC Warburg in UK
1988	Various positions in corporate banking, Kredietbank

Born in 1964
Married, 4 children
Likes running, cycling , skiing and reading

Daniel Falque, Belgium Business Unit CEO

2012 Member of the Executive Committee of KBC Group
CEO of the Belgium Business Unit

2009 President of the Executive Committee of CBC Banque
Member of the Management Committee of the KBC Belgium Business Unit

2004 Managing Director of Deutsche Bank's Global Transaction Banking in Western & Eastern Europe & Middle East

1991 Various positions at Deutsche Bank AG (Belgium)

1989 Production Inspector at De Vaderlandsche insurance company

Born in 1963
Married, 2 children
Likes travelling , architecture
and dining with friends

John Hollows, Czech Republic Business Unit CEO

2014 **CEO of the Czech Republic Business Unit**

2010 KBC Group Chief Risk Officer

2009 Member of the Executive Committee of KBC Group

CEO of the Central & Eastern Europe and Russia Business Unit

2006 Senior General Manager of the Central & Eastern Europe Banking Division, KBC Group

2003 CEO of K&H Bank in Hungary

1996 Various positions in Kredietbank's/KBC Bank's Southeast-Asia offices

1978 Various positions at Barclays Bank in UK and Taiwan

Born in 1956
Married, 4 children
Likes sailing

Luc Gijsens, International Markets Business Unit CEO

2014 **CEO of the International Markets Business Unit**

2013 CEO of the International Product Factories Business Unit

2011 Member of the Executive Committee of KBC Group

CEO of the Merchant Banking Business Unit

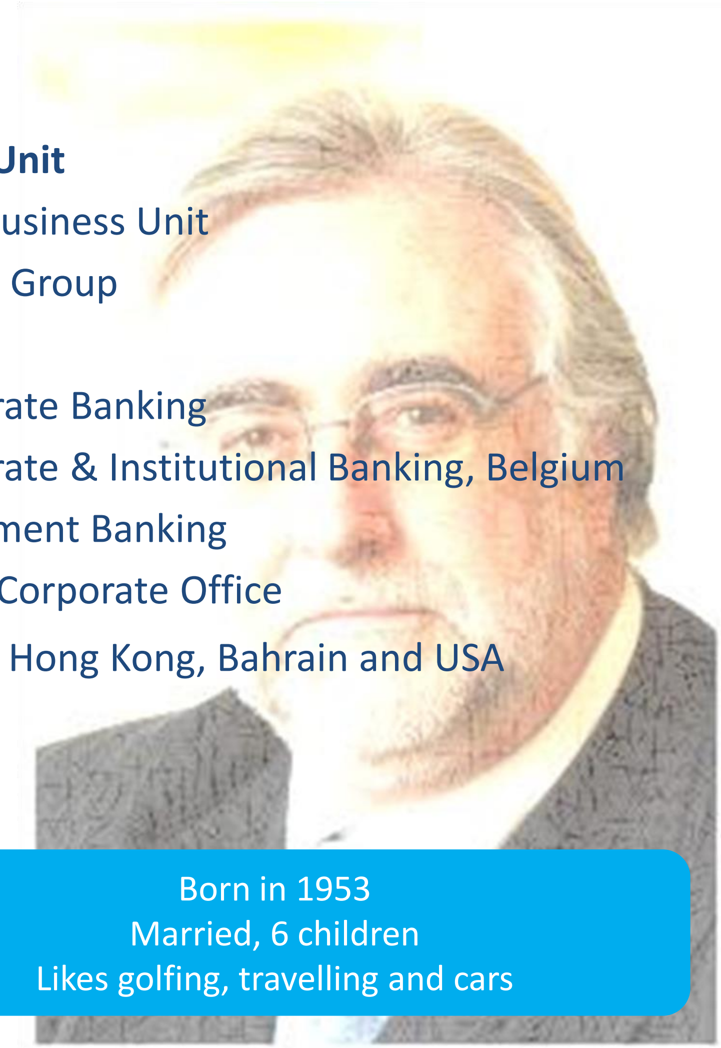
2003 Senior General Manager of KBC Bank Corporate Banking

2001 Senior General Manager of KBC Bank Corporate & Institutional Banking, Belgium

2000 Senior General Manager of KBC Bank Investment Banking

1994 General Manager of Kredietbank's Antwerp Corporate Office

1977 Various positions at Kredietbank in Belgium, Hong Kong, Bahrain and USA



Born in 1953
Married, 6 children
Likes golfing, travelling and cars

Christine Van Rijsseghem, KBC Group CRO

2014 Member of the Executive Committee of KBC Group

KBC Group Chief Risk Officer

2003 Senior General Manager of Group Finance, KBC Group

2000 Senior General Manager of the Securities & Derivatives Processing Directorate, KBC Group

1994 Various positions in Kredietbank's/KBC Bank's offices and subsidiaries in France, Ireland and UK

1992 Head of the Central Department of Foreign Entities (incl. international acquisition strategy)

1987 Various positions at Kredietbank

Born in 1962
Married
Likes golfing, swimming and cycling