

KBC GROUP NV
(the “Company”)

*Public limited liability company incorporated under Belgian law
with registered office at Havenlaan 2, B-1080 Brussels, Belgium*

**ADMISSION TO TRADING OF 23.037.264 SHARES
ON THE REGULATED MARKETS OF NYSE EURONEXT BRUSSELS
AND LUXEMBOURG STOCK EXCHANGE**

This prospectus (the “Prospectus”) has been prepared by the Company in relation to the admission to trading on the regulated markets of NYSE Euronext Brussels and Luxembourg Stock Exchange of 23.037.264 ordinary shares representing the share capital of the Company (the “Shares”).

An investment in the Shares involves certain risks. For a discussion of these risks see “Risk Factors”. Investors should review and consider these risk factors carefully before purchasing any Shares.

The Prospectus dated 9 April 2013 was approved on 9 April 2013 by the Financial Services and Markets Authority (Autoriteit voor Financiële Diensten en Markten/Autorité des services et marchés financiers) (the “FSMA”) in its capacity as competent authority under Article 23 of the Belgian Law dated 16 June 2006 concerning the public offer of investment securities and the admission of investment securities to trading on a regulated market (the “Prospectus Law”) and Article 13 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented or applied in a Relevant Member State of the European Economic Area) (the “Prospectus Directive”). This approval cannot be considered as a judgment by the FSMA as to the opportunity or the quality of the Shares, nor on the situation of the Company. Application has been made for the Shares to be admitted to trading on the NYSE Euronext Brussels’ and Luxembourg Stock Exchange’s regulated markets. The NYSE Euronext Brussels’ and Luxembourg Stock Exchange’s regulated markets are regulated markets for the purposes of the Prospectus Directive.

The date of this Prospectus is 9 April 2013.

A handwritten signature in black ink, appearing to read 'Johan Tyteca', with a long horizontal stroke extending to the right.

Johan Tyteca
Group Secretary

A handwritten signature in black ink, appearing to read 'John Hollows', with a large circular flourish at the end.

John Hollows
Executive Director

IMPORTANT INFORMATION

This Prospectus comprises a prospectus issued for the purposes of Article 23 of the Prospectus Law and Article 3.3 of the Prospectus Directive.

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus has been prepared in English and has not been translated in any language.

Market data and other statistical information used in this Prospectus has been extracted from a number of sources, including independent industry publications, government publications, reports by market research firms or other independent publications (each an “**Independent Source**”). The Company confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant Independent Source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Prospectus shall be read and construed on the basis that such documents are incorporated in and form part of this Prospectus.

No person is or has been authorised by the Company to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with this Prospectus or the Shares and, if given or made, such information or representation must not be relied upon as having been authorised by the Company.

Neither this Prospectus nor any other information supplied in connection with this Prospectus or the Shares (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Company that any recipient of this Prospectus or any other information supplied in connection with the Prospectus or the Shares should purchase any Shares. Neither this Prospectus nor any other information supplied in connection with the admission to trading of any Shares constitutes an offer or invitation by or on behalf of the Company to any person to subscribe for or to purchase any Shares.

This Prospectus contains or incorporates by reference certain statements that constitute forward-looking statements. Such forward-looking statements may include, without limitation, statements relating to the Company's business strategies, trends in its business, competition and competitive advantage, regulatory changes, and restructuring plans.

Words such as **believes, expects, projects, anticipates, seeks, estimates, intends, plans** or similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. The Company does not intend to update these forward-looking statements except as may be required by applicable laws.

This Prospectus contains various amounts and percentages which have been rounded and, as a result, when those amounts and percentages are shown as totals in certain tables, they may not be an arithmetic aggregation of the figures which precede them.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS PROSPECTUS AND OFFER OF SHARES GENERALLY

This Prospectus has been approved for the purposes of the admission to trading of the Shares on the regulated market of the NYSE Euronext Brussels and Luxembourg Stock Exchange and does not constitute an offer to sell or the solicitation of an offer to buy any Shares in any jurisdiction to any person to whom it is unlawful to

make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Shares may be restricted by law in certain jurisdictions. The Company does not represent that this Prospectus may be lawfully distributed, or that any Shares may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company which is intended to permit a public offering of any Shares or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Shares may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Shares may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Shares.

The Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”). Subject to certain exceptions, the Shares may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”)).

References in this Prospectus to “euro” or “EUR” are references to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union.

Additional information, please contact the Company at:

KBC Group NV
Havenlaan 2
B-1080 Brussel
Tel. +32 78 152 153

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for shares. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of "not applicable".

Section A - Introduction and warnings

Element	Title	
A.1	Introduction	<p>This summary should be read as an introduction to the Prospectus.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or if it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such Shares.</p>
A.2	Consent to use the Prospectus for subsequent resale or final placement by financial intermediaries	Not Applicable

Section B - Company

Element	Title	
B.1	Legal and commercial name of the Company	KBC Group NV
B.2	Domicile/ legal form/ legislation/ country of incorporation	The Company is incorporated as a limited liability company (' <i>naamloze vennootschap</i> ') under the laws of Belgium.
B.3	Current operations/ principal activities/ principal markets	KBC Group NV, together with its subsidiaries included in the consolidation (the KBC Group), focuses on financial services to retail, private banking, SME and mid-cap clients in a number of home markets, namely Belgium, Czech Republic, Slovakia, Hungary and Bulgaria. The

		<p>presence outside the home markets is mainly focused on supporting the business clients in the home markets. An important part of the previous presence of the KBC Group outside the home markets has been downsized following the 2008 financial crisis. In all its home markets, the KBC Group is a bank-insurer and is active in a large number of activities, ranging from deposit-taking, lending, asset management and general insurance and life insurance, to rather specialized activities (specialized services or specialized subsidiaries) including but not limited to payments, dealing room activities (money and capital market activities), equity brokerage, corporate finance, foreign trade, international cash management and leasing.</p>
B.4a	Trends	<p>After a weak fourth quarter for the European economy in 2012, the general outlook for the economic trend has greatly improved. Although the political risks are still high, the financial and economic risks clearly declined. The economic confidence indicators in KBC Group's home markets (Belgium, Czech Republic, Slovakia, Hungary, Bulgaria) also start to bottom out gradually, indicating that the economic trend in these countries will gradually improve.</p>
B.5	Description of the KBC Group	<p>The Company is a financial holding whose purpose is the direct or indirect ownership and management of shareholdings in other companies, including - but not limited to - credit institutions, insurance companies and other financial institutions. The Company also aims to provide support services for third parties, as agent or otherwise, in particular for companies in which the Company, directly or indirectly, has an interest. The Company may do everything that directly or indirectly can contribute to the realisation of its purpose in the widest sense.</p> <p>A simplified chart of KBC Group's legal structure is provided below.</p> <div style="text-align: center;"> <pre> graph TD KBCGroep[KBC Groep NV] --- KBCBank[KBC Bank] KBCGroep --- KBCVerzekeringen[KBC Verzekeringen] KBCBank --- P1[100%] KBCVerzekeringen --- P2[100%] </pre> </div>
B.6	Interest in the Company's capital/voting rights	<p>Based on the most recent notifications made under the Belgian transparency rules or (if more recent) disclosures made under the Belgian law on public takeover bids, or other public disclosures (such as press releases), the shareholder structure of KBC Group NV on 31 December 2012 was as follows (further updates regarding the shareholder structure of KBC Group NV can be found on www.kbc.com under "Investor relations – shareholder structure").</p> <ul style="list-style-type: none"> • KBC ANCORA: following KBC Group NV's capital increase announced on 10 December 2012, KBC Ancora announced that the number of KBC Group NV shares held by it remained unchanged at 82.216.380 (19,72% of the total number of KBC Group NV shares at 31 December 2012) • CERA: following KBC Group NV's capital increase announced

		<p>on 10 December 2012, CERA announced that the number of KBC Group NV shares held by it increased to 29.227.166 (7.01% of the total number of KBC Group NV shares at 31 December 2012)</p> <ul style="list-style-type: none"> MRBB and the other core shareholders: according to the last notification of 30 June 2011, MRBB at that time held 12,9% and the other core shareholders (together) circa 11% of the number of KBC Group NV shares (357.938.193 shares). In a voluntary update beginning of year 2013, MRBB stated to hold 12,8% of the number of shares in the Company after the capital increase. KBC-companies: following the sale on 16 October 2012 of all KBC Group NV shares held by KBC Group NV itself and by KBC Bank NV, only 302 KBC Group NV-shares remain held by KBC-companies BlackRock Inc: based on the last notification of 6 December 2012, BlackRock held at that time some 3.08% of the number of KBC Group NV shares (357.980.313 shares). No other notification was received since that date, meaning that the 3% shareholding has not decreased and that the threshold of 5% shareholding was not reached. 																																																																								
B.7	Key financial information	<table border="1"> <thead> <tr> <th></th> <th>2010</th> <th>2011</th> <th>2012</th> </tr> </thead> <tbody> <tr> <td colspan="4">Consolidated balance sheet and assets under management at end of period (in millions of EUR)</td> </tr> <tr> <td>Total Balance</td> <td>320 823</td> <td>285 382</td> <td>256 886</td> </tr> <tr> <td>Loans and advances to customers</td> <td>150 666</td> <td>138 284</td> <td>128 492</td> </tr> <tr> <td>Excluding reverse repos</td> <td>141 179</td> <td>136 855</td> <td>126 510</td> </tr> <tr> <td>Equity instruments</td> <td>89 395</td> <td>65 036</td> <td>67 296</td> </tr> <tr> <td>Deposits from customers and debt certificates</td> <td>197 870</td> <td>165 226</td> <td>159 632</td> </tr> <tr> <td>Technical provisions and liabilities under investment contracts, insurance</td> <td>29 948</td> <td>26 928</td> <td>30 058</td> </tr> <tr> <td>Total equity (including non-voting core-capital securities)</td> <td>18 674</td> <td>16 772</td> <td>15 961</td> </tr> <tr> <td>Risk-weighted assets at group level (Basel II)</td> <td>132 034</td> <td>126 333</td> <td>102 148</td> </tr> <tr> <td>Assets under management</td> <td>208 813</td> <td>192 795</td> <td>155 079</td> </tr> <tr> <td colspan="4">Consolidated results under IFRS (in millions of EUR)</td> </tr> <tr> <td>Total Income</td> <td>8 378</td> <td>7 310</td> <td>7 733</td> </tr> <tr> <td>Operating expenses</td> <td>-4 436</td> <td>-4 344</td> <td>-4 248</td> </tr> <tr> <td>Impairment</td> <td>-1 656</td> <td>-2 123</td> <td>-2 511</td> </tr> <tr> <td>Result Attributable to equity holders of the parent</td> <td>1 860</td> <td>13</td> <td>612</td> </tr> <tr> <td>Earnings per share, basic (in EUR) *</td> <td>3,72</td> <td>-1,93</td> <td>-1,09</td> </tr> <tr> <td>Earnings per share, diluted (in EUR) *</td> <td>3,72</td> <td>-1,93</td> <td>-1,09</td> </tr> </tbody> </table> <p>* Despite the positive net results, the EPS for 2011 and 2012 is negative since the numerator takes into account a deduction of the coupon for the non-voting core-capital securities and the penalty regarding the repayment for the government guarantee.</p> <p>There have been no significant changes in the financial or trading position of the Company since 31 December 2012.</p> <p>There has been no material adverse change in the prospects of the Company since 31 December 2012.</p>		2010	2011	2012	Consolidated balance sheet and assets under management at end of period (in millions of EUR)				Total Balance	320 823	285 382	256 886	Loans and advances to customers	150 666	138 284	128 492	Excluding reverse repos	141 179	136 855	126 510	Equity instruments	89 395	65 036	67 296	Deposits from customers and debt certificates	197 870	165 226	159 632	Technical provisions and liabilities under investment contracts, insurance	29 948	26 928	30 058	Total equity (including non-voting core-capital securities)	18 674	16 772	15 961	Risk-weighted assets at group level (Basel II)	132 034	126 333	102 148	Assets under management	208 813	192 795	155 079	Consolidated results under IFRS (in millions of EUR)				Total Income	8 378	7 310	7 733	Operating expenses	-4 436	-4 344	-4 248	Impairment	-1 656	-2 123	-2 511	Result Attributable to equity holders of the parent	1 860	13	612	Earnings per share, basic (in EUR) *	3,72	-1,93	-1,09	Earnings per share, diluted (in EUR) *	3,72	-1,93	-1,09
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B.8	Key pro forma financial information	Not applicable; no pro forma financial information has been included in this Prospectus.																																																																								
B.9	Profit forecast or estimate	Not applicable; the Company has not made a profit forecast or estimate.																																																																								
B.10	Audit report qualifications	Not applicable; there are no qualifications in any audit report on the historical financial information included in the Prospectus.																																																																								

B.11	Working capital statement	In the opinion of the Company, its working capital is sufficient to satisfy its present requirements.
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Section C – Securities

Element	Title	
C.1	Type and class of Shares/ISIN	<p>The Shares are ordinary shares, carrying the same rights as all outstanding shares of the Company.</p> <p>The ISIN is: BE0003565737.</p>
C.2	Currency	The Shares are denominated and payable in EUR.
C.3	Number of Shares/ par value	The issued share capital of the Company amounts to EUR 1,450,401,447.91, divided into 416.967.355 shares of no nominal value. The par value of the shares equals EUR 3,48.
C.4	Rights attached to the Shares	<p>All existing shares of the Company, including the Shares, are ordinary shares, having the same rights and advantages.</p> <p>Each share represents the same fraction of the share capital, being at present EUR 3,48 per share. The shares do not have a nominal value and are fully paid up.</p> <p><i>Dividend rights</i></p> <p>All shares, including the Shares, participate in the same manner in the Company's profits (if any).</p> <p>Pursuant to the Belgian Companies Code, the shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the annual general shareholders' meeting, based on the most recent audited statutory financial statements, prepared in accordance with the generally accepted accounting principles in Belgium and based on a (non-binding) proposal of the Company's Board of Directors. The Company's articles of association also authorize the Board of Directors to issue interim dividends on profits from the current financial year subject to the terms and conditions of the Belgian Companies Code.</p> <p>Dividends can only be distributed if following the declaration and issuance of the dividends the amount of the Company's net assets on the date of the closing of the last financial year as follows from the statutory financial statements (i.e., the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities, all as prepared in accordance with Belgian accounting rules), decreased with the non-amortized costs of incorporation and extension and the non-amortized costs for research and development, does not fall below the amount of the paid-up capital, increased with the amount of non-distributable reserves. In addition, prior to distributing dividends, 5% of the net profits must be allotted to a legal reserve, until the legal reserve amounts to 10% of the share capital.</p> <p>The right to receive payment of dividends expires five years after the Board of Directors has declared the dividend payable.</p>

Element	Title	
		<p><i>Preferential subscription rights</i></p> <p>In the event of a capital increase in cash with issue of new shares, or in the event of an issue of convertible bonds or warrants, the shareholders have a preferential right to subscribe to the new shares, convertible bonds or warrants, pro rata of the part of the share capital represented by the shares that they already possess. The general shareholders' meeting can decide to limit or cancel this preferential subscription rights, subject to the terms and conditions set forth in the Belgian Companies Code (i.a. special reporting requirements). Such decision needs to satisfy the same quorum and majority requirements as the decision to amend the Company's articles of association.</p> <p>The shareholders have also authorized the Board of Directors of the Company to limit or cancel the preferential subscription rights within the framework of the authorized capital, subject to the terms and conditions set forth in the Belgian Companies Code.</p> <p><i>Voting Rights</i></p> <p>Each shareholder of the Company is entitled to one vote per share. Voting rights can be suspended subject to the terms and conditions set forth in the Belgian Companies Code or other relevant legislation, a.o. in relation to shares:</p> <ul style="list-style-type: none"> • which were not fully paid up, notwithstanding the request thereto of the Board of Directors of the Company; • to which more than one person is entitled, except in the event a single representative is appointed for the exercise of the voting rights; • which entitle their holder to voting rights above the threshold of 3%, 5%, or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant general shareholders' meeting, except in the event where the relevant shareholder has notified the Company and the FSMA at least 20 days prior to the date of the general shareholders' meeting of its shareholding exceeding the afore mentioned thresholds ; and • of which the voting right was suspended by a competent court or the FSMA. <p><i>Rights to participate and vote at general shareholder's meetings</i></p> <p><i>Annual general shareholders' meeting</i> A general meeting shall be held annually at the registered office of the Company or at any other place indicated in the convening notice, on the first Thursday of May at 10 a.m., or, if this day is a statutory public holiday or bankholiday, on the business day immediately preceding it, at 10 a.m.</p> <p>At the annual general shareholders' meeting, the Board of Directors submits the audited statutory and consolidated financial statements and the reports of the Board of Directors and of the statutory auditors with respect thereto to the shareholders. The shareholders' meeting subsequently decides a.o. on the approval of the statutory financial statements, the proposed allocation of the Company's profit or loss, the discharge from</p>

Element	Title	
		<p>liability of the directors and the statutory auditors, and, when applicable, the (re)appointment or resignation of the statutory auditors and/or of all or certain directors and their remuneration.</p> <p>In addition, as relevant, the annual general shareholders' meeting must also decide on the approval of provisions of service agreements to be entered into with executive directors, members of the executive committee and other executives providing for severance payments exceeding 12 months' remuneration (or , subject to a motivated opinion by the remuneration committee, 18 months' remuneration). The shareholders' meeting must also decide separately on the approval of the remuneration report included in the annual report.</p> <p><i>Special and extraordinary general shareholders' meetings</i> The Board of Directors or the statutory auditors may convene special and extraordinary general shareholders' meetings.</p> <p><i>Right to put items on the agenda</i></p> <p>One or more shareholders who together own at least 3% of the capital of the Company have the right to put additional items on the agenda's of the annual, special and extraordinary general shareholders' meetings and to table draft resolutions for items included or to be included in the agenda's.</p> <p>A request to put additional items on the agenda and/or to table draft resolutions must be submitted in writing, and must be accompanied by either the text of the items to be put on the agenda and the corresponding draft resolutions, or by the text of the draft resolutions to be tabled. The request must include the postal or e-mail address to which the Company will send the proof of receipt of these requests within 48 hours of their receipt. The request must reach the Company by the twenty second day prior to the relevant general shareholders' meeting.</p> <p><i>Right to ask questions</i></p> <p>During the annual, special and extraordinary general shareholders' meeting shareholders may ask questions to (i) the Board of Directors in respect of agenda items and board reports submitted to the general shareholders' meeting and (ii) the auditors in respect of the auditors' report submitted to the general shareholders' meeting. Shareholders may also submit these questions in writing as soon as the convening notice has been published and until the sixth day before the general shareholders' meeting.</p> <p>The questions submitted in time will be answered during the general shareholders' meeting by the directors or, where appropriate, by the auditors, provided they pertain to the agenda items, and in so far as the publication of data or facts would not jeopardise the business interests of the Company or the confidentiality to which the Company, its directors or the auditors are committed. Written questions will only be answered if the shareholders who asked the questions were shareholders on the record date and if they complied with the formalities to allow them to attend the general shareholders' meeting.</p> <p>If there are different questions on the same subject, the directors and the auditors may only provide one answer.</p>

Element	Title	
		<p><i>Quorum and majorities</i></p> <p>Except for resolutions for which the law requires a stricter attendance and/or voting quorum, resolutions will be passed by a simple majority (50% + 1) of the votes validly cast by those present or represented by proxy, regardless of the number of shares participating in the voting. Invalid and blank votes will not be included in either the numerator or denominator.</p> <p>For amendments to the articles of association or for the dissolution of the Company, an attendance quorum of 50% of the issued share capital and a majority of at least 75% of the votes validly cast by those present or represented by proxy is required. If the attendance quorum is not reached, another general shareholders' meeting must be convened and held, which may then, regardless of the capital represented, adopt resolutions by a majority of at least 75% of the votes validly cast by those present or represented by proxy. For amendments to the articles of association that pertain to the object of the Company, an attendance quorum of 50% of the issued share capital and at least 50% of the profit certificates, if any, and a majority of at least 80% of the votes validly cast by those present or represented by proxy is required. If the attendance quorum is not reached, analogous principles apply as set forth in the foregoing paragraph.</p> <p>In all other cases, the legally required attendance and/or voting quorums will apply.</p> <p>Voting shall occur by show of hands or in any other way accepted by the general shareholders' meeting. A ballot shall be held at the request of one or more persons present and provided that this request is endorsed by one third of the votes.</p> <p><i>Amendments to the rights of shareholders (art. 560 Belgian Companies Code)</i></p> <p>According to article 560 of the Belgian Companies Code, if several classes of shares exist, or if different types of profit-sharing certificates were issued, the General Meeting may, notwithstanding any contrary provision in the articles of association, change their respective rights or decide that the shares or profit shares of a particular species may be replaced by that of a other kind.</p> <p>The proposed changes, with a detailed justification, are announced by the Board of Directors in a report which is stated in the agenda. A copy of this report can be obtained in accordance with Article 535 of the Belgian Companies Code.</p> <p>The lack of this report results in the nullity of the decision of the General Meeting.</p>
C.5	Restrictions on free transferability	None
C.6	Application for admission to trading	An application has been made for the admission to trading of the Shares on the regulated market of NYSE Euronext Brussels and Luxembourg Stock Exchange. It is expected that the admission to trading will become effective and that dealings in the Shares will commence on or around 9

Element	Title	
		April 2013.
C.7	Description dividend policy	<p>The Company pays out the dividend to the external shareholders. The “KBC Group NV governance re dividend management” at this level is twofold:</p> <ul style="list-style-type: none"> - first step: decide and communicate on the target pay-out ratio (mostly valid for a longer period of time) - second step: decide on the nominal dividend per share (yearly decision). <p>Both steps take into account the following dimensions:</p> <ul style="list-style-type: none"> - Shareholders’ expectations - Solvency: any dividend pay-out should respect the capital targets (both internal and the ones set by the regulator) with regard to both regulatory capital and economic capital (at consolidated level). - Sufficient distributable reserves: the Belgian Company Code (art. 617) determines that a dividend can be paid only to the extent that there is a positive difference between net assets and non distributable shareholders’ equity. This difference is defined as ‘distributable reserves’; these reserves are built up over time from the Company statutory profit (according to BGAAP) that consist primarily of dividends from KBC Bank NV, KBC Insurance NV and KBC Asset Management NV. - Sufficient cash resources: a dividend can be paid in cash, in shares (stock dividend) or as a choice dividend (the shareholder decides whether he prefers payment in cash or in shares). A cash dividend requires sufficient cash resources at group level. Besides the dividend payment, the Company mainly needs cash to remunerate and redeem debt instruments (commercial paper, bank loans, Yield Enhanced Securities) and to cover its own operating expenses. Dividends received from its subsidiaries are the Company’s only recurring cash resource. Besides this, the Company can raise cash by taking up new debt or through a capital increase. - Remuneration and repayment of Yield Enhanced Securities: under normal circumstances, dividend upstream towards the Company can be limited to what is necessary for the external dividend and the operating expenses of the Company. However, in 2008 and 2009, KBC received 7.0 bn EUR of state aid in the form of so-called Yield Enhanced Securities (YES’es). At present EUR 3,5 billion of state aid in the form of YES’es subscribed by the Flemish Government is still outstanding. These securities trigger substantial needs for dividend income at group level and thus they have a significant impact on the dividend : <ul style="list-style-type: none"> • Coupon: the terms and conditions of the YES’es states that a coupon will be paid only if a dividend is paid on the Company’s ordinary shares. In certain circumstances this might trigger a dividend of 0.01 EUR/share (in particular when there are insufficient resources for a dividend but the Company still wants to pay the coupon on the YES’es). Furthermore, if the Company’s dividend exceeds a certain threshold, this triggers a higher coupon on the YES’es. The coupon payment also has an important impact on distributable reserves, cash resources and solvency.

Element	Title	
		<ul style="list-style-type: none"> • Renotification of the state aid to the European Commission is required in case the Company does not pay dividend for a period of two consecutive years following 1 January 2010 or does not pay dividend for three years in the five years following 1 January 2009. • Penalty at repayment of principal: a penalty of 50% is due. This penalty has an impact on distributable reserves, cash resources and solvency. • Repayment of principal: this has an impact on cash resources. <p>The Board of Directors of the Company approves the pay-out ratio and the dividend amounts. The payment of the dividend has to be ultimately approved by the general meeting.</p>

Section D - Risks

Element	Title	
D.1	Key risks regarding the Company	<p>The Company believes that the factors summarised below may have an adverse impact on its position as issuer of the Shares. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring.</p> <p>These factors can be summarised as follows:</p> <ul style="list-style-type: none"> (i) the KBC Group is exposed to counterparty credit risk; (ii) fluctuations in interest rates affect the returns the KBC Group earns on fixed interest investments. Interest rate changes also affect the market values of the amounts of capital gains or losses the KBC Group realizes on the fixed interest securities it holds. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or results of operations of KBC Group's businesses; (iii) foreign exchange risk; (iv) strategies for hedging against market risks may prove to be ineffective; (v) a downgrade in credit rating may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges; (vi) the KBC Group is highly concentrated in and hence vulnerable to European sovereign exposure, in particular in its home country Belgium;

Element	Title	
		<p>(vii) potential losses stemming from structured products portfolios: the KBC Group was active in the field of structured credits, both as originator and as investor. Since mid 2007, the KBC Group tightened its strategy. The risks linked to these structured products portfolios, although reduced significantly in recent years, still may have an adverse effect on KBC Group's business, financial condition and results of operation.</p> <p>(viii) risks associated with the government support and the associated EU plan: the acceptance of government support by the KBC Group implied the acceptance of related risks and obligations in respect of KBC Group's ability to successfully execute its strategic plan; for example, it is not guaranteed that a number of mandatory divestments will be profitable and that such divestments are free of operational risk.</p> <p>(ix) operational risks, including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non-availability. The KBC Group attempts to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks, they do not eliminate them.</p> <p>(x) risk management policies, procedures and methods may expose the KBC Group to unidentified, unanticipated or incorrectly quantified risks. The KBC Group devotes significant resources to developing risk management policies and models, procedures and assessment methods for its banking, insurance and asset management businesses. Nonetheless, such risk management techniques and strategies may not be fully effective in assessing risk exposure in all economic and market environments or against all types of risk, including risks that the KBC Group fails to identify or anticipate.</p> <p>(xi) the risk of breaches of compliance-related requirements;</p> <p>(xii) litigation or other proceedings or actions may adversely affect the KBC Group. Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability related to such liability risks, to evaluate the outcome of such litigation or the time when such liability may materialise. There can be no assurance that provisions, based on judgment and currently available information, will be sufficient to fully cover the possible losses arising from litigation proceedings, and the KBC Group cannot give any assurance that a negative outcome in one or more of such proceedings would not have a material adverse effect on KBC Group's business, results of operations or financial</p>

Element	Title	
		condition; and (xiii) risks on account of direct and indirect pension obligations.
D.3	Key risks regarding the Shares	<p>There are certain factors which are material for the purpose of assessing the risks associated with the Shares, which include:</p> <ul style="list-style-type: none"> (i) additional investment risk from currency exchange rate fluctuations in connection with the holding of the Shares by shareholders in countries with currencies other than the Euro; (ii) the trading market for the Shares may decline; (iii) the Company may offer additional shares in its share capital in the future, and this may adversely affect the market price of outstanding shares; (iv) the interests of the major shareholders of the Company may differ from interests of the Company or of other shareholders.

Section E - Offer

Element	Title	
E.1	Net proceeds/ estimated expenses	Not Applicable
E.2b	Reasons for the offer/ use of proceeds	The net proceeds from the issue of Shares have been applied by the Company in the context of effecting an accelerated full repayment of EUR 3.0 billion of state aid to the Belgian Federal Government, plus a 15% premium (amounting to EUR 0,45 billion) on 17 December 2012.
E.3	Terms and conditions of the offer	Not applicable; the Shares are not being offered to the public.
E.4	Interest of natural and legal persons involved in the issue/offer	Not applicable
E.5	Entity offering the Shares/ Lock-up agreements	<p>J.P. Morgan Securities plc acted as Joint Global Coordinator and Joint Bookrunner. KBC Securities NV acted as Joint Global Coordinator and Co-Bookrunner. Nomura International plc acted as Joint Bookrunner.</p> <p>The Company, as well as certain core shareholders, have agreed to a 6-month lock-up, subject to certain customary exceptions and the granting of a pledge in respect of certain financings.</p>
E.6	Percentage of dilution	On 13 December 2012 58.835.249 new shares were issued. The creation of these shares resulted in a dilution of the net asset value per share amounting to 4,34%. As to the voting power and the right to share in the

Element	Title	
		<p>profits, the creation of these shares resulted in a dilution of 14,12% of the participations of the existing shareholders.</p> <p>35.797.985 of the new shares were issued in book-entry form and have been listed immediately after the issue. The 23.037.264 remaining shares, which are in registered form, are the subject of this listing prospectus and their listing and trading on the regulated market of the NYSE Euronext Brussels and the Luxembourg Stock Exchange has been requested.</p>
E.7	Expenses charged to the investor by the Company or an offeror	Not applicable

1. RISK FACTORS

The Company believes that the following factors may have an adverse impact on an investment in the Shares. All of these factors are contingencies which may or may not occur and the Company is not in a position to express a view on the likelihood of any such contingency occurring. If any of the following risks actually occur, the Company's business, results of operations, financial condition and prospects could be adversely affected. In that case, the trading price of the Company's shares could decline and investors could lose all or part of their investment. An investment in the Shares is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Prospective investors should carefully review the entire Prospectus (including any documents incorporated by reference herein) and should reach their own views and decisions on the merits and risks of investing in the Company in light of their own personal circumstances. Furthermore, investors should consult their financial, legal and tax advisors to carefully review the risks associated with an investment in the Company.

KBC Group refers to the Company and its subsidiaries from time to time (including KBC Bank NV and KBC Insurance NV).

1.1. Risks related to the Shares

Shareholders in countries with currencies other than the Euro face additional investment risk from currency exchange rate fluctuations in connection with their holding of the Shares.

The Shares are quoted only in Euro and any future payments of dividends on the Shares will be denominated in Euro. The equivalent in other currencies of any dividends paid on the Shares or received in connection with any sale of the Shares could be adversely affected by the appreciation of the Euro against such other currencies.

The Company cannot assure that the trading market for the Shares will not decline.

The Shares are expected to be traded on the regulated market of the NYSE Euronext Brussels and Luxembourg Stock Exchange as from 9 April 2013. The Company does not intend to apply for the Shares to be traded on any other exchange. The Company cannot assure that the active trading market in the Shares will not decline.

The Company may offer additional shares in its share capital in the future, and this may adversely affect the market price of outstanding shares.

It is possible that the Company will decide to offer additional shares in its share capital in the future to, for example, strengthen its capital position in response to regulatory changes. An additional offering of shares in the Company's share capital could have an adverse effect on the market price of the Shares.

The interests of the major shareholders of the Company may differ from interests of the Company or of other shareholders.

A number of the shares of the Company are held by major shareholders. For an overview of the major shareholders of the Company, please refer to section 4.3 Capital of the Company and Major Shareholders.

The major shareholders can exert a decisive influence on the adoption of shareholder resolutions and may in any case decide to block shareholder decisions which require more than 75% of the votes of shareholders present or represented at the general meetings.

To the extent that certain major shareholders would make voting agreements they would possibly gather sufficient votes to appoint or dismiss directors and to take other shareholder decisions which require (more than) 50% or 75% of the votes of the present or represented shareholders in general meetings. Moreover, the major shareholders can block shareholder resolutions which require (more than) 50% or 75% of the votes of the shareholders present or represented at the general meetings. The voting behavior of the major shareholders may not be consistent with the interests of the Company or the other shareholders of the Company.

1.2. Risks related to the Company and the KBC Group

Risks related to the market in which KBC Group operates

Current economic and market conditions pose significant challenges for KBC Group and may adversely affect its results

The global economy, the condition of the financial markets and adverse macro-economic developments can all significantly influence KBC Group's performance. In recent years, the financial markets have experienced unprecedented levels of market volatility. The financial turbulence since 2008 and its after-effects on the wider economy have led to more difficult earnings conditions for the financial sector. During this period, numerous governments and central banks were forced into the role of lender of last resort as funding available to financial institutions from lenders and institutional investors was scarce and threatened the continued stability of the global financial system. The tightening of credit, increased market volatility and widespread reduction of business activity generally has adversely affected KBC Group's financial condition, results of operations, liquidity and access to capital and credit. Since early 2009, substantial market uncertainty and significant constraints on the credit system remain.

Furthermore, certain countries in Europe have relatively large sovereign debts or fiscal deficits, or both, which has led to tensions in the EU bond markets, the interbank lending market and to credit spread volatility. The peripheral crisis of 2010 has affected countries, such as Ireland, in which the KBC Group operates. There continue to be constraints on the availability of wholesale debt funding at reasonable cost, especially in Europe, as a result of the peripheral crisis, the broader political and economic environment and other factors.

Since the KBC Group currently conducts the majority of its business in Belgium, Ireland and Central and Eastern Europe, its performance is influenced by the level and cyclical nature of business activity in these countries which is in turn affected by both domestic and international economic and political events. A weakening in these economies may in particular have a negative effect on KBC Group's financial condition and results of operations. Moreover, any deterioration in current financial and credit market conditions could further adversely affect KBC Group's business and, if they were to persist or worsen, could adversely affect the results of operations and financial condition of the KBC Group.

The losses and asset impairments resulting from the current economic situation forced many financial institutions, including the Company, to raise additional capital in order to maintain appropriate capital adequacy and solvency ratios. Nonetheless, the Company and/or certain of its regulated subsidiaries may need to raise additional capital, either as a result of further asset impairments or other factors. Further infusions of additional equity capital, if necessary, may be difficult to achieve. Any failure by the Company to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse effect on operating results, financial condition and prospects.

General business and economic conditions that could affect the KBC Group include the level and volatility of short-term and long-term interest rates, inflation, employment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, fluctuations in foreign exchange, the availability and cost of funding, investor confidence, credit spreads (e.g., corporate, sovereign), and the strength of the economies in which the KBC Group operates.

In addition, KBC Group's business activities are dependent on the level of banking, insurance, finance and financial services required by its customers. In particular, levels of borrowing are heavily dependent on customer confidence, employment trends, the state of the economies in which the KBC Group does business and market interest rates at the time.

Market volatility can negatively affect KBC Group's activities through a reduction in demand for products and services, a reduction in the value of assets held by the KBC Group, a decline in the profitability of certain assets and a loss of liquidity in certain asset classes.

Increased regulation of the financial services industry or changes thereto could have an adverse effect on KBC Group's operations

The recent global economic downturn has resulted in calls for significant changes to regulatory regimes in the U.S., the European Union, Belgium and other countries. There have been significant regulatory developments in response to the global crisis, including various initiatives and measures taken at the level of the European Union or national governments, the stress test exercise coordinated by the European Banking Authority in cooperation with the European Central Bank, liquidity risk assessments on European and national levels and the adoption of new regulatory capital requirements under Basel III and the Capital Adequacy Directive and Regulation, CRD IV. In addition, a new regulatory solvency regime for all EU insurance and reinsurance companies is being developed (Solvency II) and changes are being made to the International Financial Accounting Standards (“IFRS”). Although KBC Group works closely with its regulators and continually monitors regulatory developments, there can be no assurance that additional regulatory or capital requirements will not have an adverse impact on the KBC Group, its business, financial condition or results of operations.

There can be no assurance that implementation of these new standards, or any other new regulation, will not require the KBC Group to issue securities that qualify as regulatory capital or to liquidate assets or curtail business, all of which may have adverse effects on its business, financial condition and results of operations.

The KBC Group conducts its businesses subject to on-going regulation and associated regulatory risks, including the effects of changes in the laws, regulations, policies and interpretations in Belgium and the other regions in which the KBC Group does business. Changes in supervision and regulation, in particular in Belgium and Central & Eastern Europe (e.g. Hungary), could materially affect KBC Group's business, the products and services offered by it or the value of its assets. In addition to the above, since the start of the global economic downturn, there seems to be an increase in the level of scrutiny applied by governments and regulators to enforce applicable regulations and calls to impose further charges on the financial services industry. There can be no assurance that such increased scrutiny or charges, will not require KBC Group to take additional measures which, in turn, may have adverse effects on its business, financial condition and results of operations.

Risk associated with the highly competitive environment in which the KBC Group operates and which could intensify further as a result of the global market conditions

As part of the financial services industry, the KBC Group faces substantial competitive pressures that could adversely affect the results of its operations in banking, insurance, asset management and other products and services.

In its Belgian home market, KBC Bank NV faces substantial competition, mainly from BNP Paribas Fortis, ING Group and Belfius Bank. In addition, KBC Bank NV faces increased competition in the Belgian savings market from smaller-scale banking competitors (and internet bank competitors) seeking to enlarge their respective market shares by offering higher interest rates. In Central & Eastern Europe, the KBC Group faces competition from the regional banks in each of the jurisdictions in which it operates and from international competitors such as UniCredit, Erste Bank and Raiffeisen International. Competition is also affected by consumer demand, technological changes, regulatory actions and/or limitations and other factors. These competitive pressures could result in increased pricing pressures on a number of KBC Group's products and services and in the loss of market share in one or more such markets.

Risks associated with liquidity and funding, which are inherent to KBC Group's business, are aggravated by the current global market conditions

The procurement of liquidity for KBC Group's operations and access to long term financings are crucial to achieve KBC Group's strategic goals, as they enable the KBC Group to meet payment obligations in cash and on delivery, scheduled or unscheduled, so as not to prejudice KBC Group's activities or financial situation.

Although the KBC Group currently has a satisfactory liquidity position (with a diversified core deposit base and a large amount of liquid and/or pledgeable assets), its procurement of liquidity could be adversely impacted by the

inability to access the debt market, sell products or reimburse financings as a result of the deterioration of market conditions, the lack of confidence in financial markets, uncertainties and speculations regarding the solvency of market participants, rating downgrades or operational problems of third parties. In addition thereto, KBC Group's liquidity position could be adversely impacted by substantial outflows in deposits, life insurance and asset management products.

Limitations of KBC Group's ability to raise the required funds on terms that are favourable for the KBC Group, difficulties in obtaining long-term financings on terms that are favourable for the KBC Group or dealing with substantial outflows could adversely affect KBC Group's business, financial condition and results of operations. In this respect, the adoption of new liquidity requirements under Basel III and CRD IV is also to be taken into account since these could give rise to an increased competition to attract the necessary deposits.

Furthermore, protracted market declines can reduce the liquidity of markets that are typically liquid. If, in the course of its activities, the KBC Group requires significant amounts of cash on short notice in excess of anticipated cash requirements, the KBC Group may have difficulty selling investments at attractive prices, in a timely manner, or both.

In response to the financial markets crisis and the reduced liquidity available, many market operators in the industry have to fall back on support from central banks and governments by pledging securities as collateral. Unavailability of liquidity through such measures, or the decrease or discontinuation of such measures could add to increased difficulties in procuring liquidity on the market and/or result in higher costs for the procurement of such liquidity when needed, thereby adversely affecting KBC Group's business, financial condition and results of operations.

Risks related to the KBC Group and its business

The KBC Group has significant credit default risk exposure

As a large financial organisation, the KBC Group is subject to a wide range of general credit risks, including risks arising from changes in the credit quality and recoverability of loans and amounts due from counterparties. Third parties that owe the KBC Group money, securities or other assets may not pay or perform under their obligations. These parties include, among others, borrowers under loans made by the KBC Group, the issuers whose securities the KBC Group holds, customers, trading counterparties, counterparties under credit, swaps and other derivative contracts, clearing agents, exchanges, clearing houses, guarantors and other financial intermediaries. These parties may default on their obligations to the KBC Group due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons.

Credit institutions have witnessed a significant increase in default rates over the past few years as a result of worsening economic conditions. This increase in the scope and scale of defaults is evidenced by the significant increase in the amount of impaired loans in the portfolio of the KBC Group. This trend remains visible, particularly in Ireland and Hungary. In part of the Central Eastern European countries where the KBC Group is active in, credit is also granted in a currency other than the local currency. Changes in exchange rates between the local and such other currency can also have an impact on the credit quality of the borrower. Any further adverse changes in the credit quality of KBC Group's borrowers, counterparties or other obligors could affect the recoverability and value of its assets and require an increase in KBC Group's provision for bad and doubtful debts and other provisions. In addition to the credit quality of the borrower, adverse market conditions such as declining real estate prices negatively affect the results of KBC Group's credit portfolio since these impact the recovery value of the collateral. All this could be further exacerbated in the case of a prolonged economic downturn or worsening market conditions.

The KBC Group makes provisions for loan losses which correspond to the provision for impairment losses in its income statement in order to maintain appropriate allowances for loan losses based on an assessment of prior loan loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the collectability of the loan portfolio. This determination is primarily based on KBC Group's historical experience and judgment. Any increase in the provision for loan losses, any loan losses

in excess of the previously determined provisions with respect thereto or changes in the estimate of the risk of loss inherent in the portfolio of non-impaired loans could have a material adverse effect on KBC Group's business, results of operation or financial condition.

The KBC Group's principal credit risk exposure is to retail and corporate customers, including in its mortgage and real estate portfolio, as well as towards other financial institutions and sovereigns. As this credit risk reflects some concentration, particularly in Belgium, Ireland and certain Eastern European countries where it is active, KBC Group's financial position is sensitive to a significant deterioration in credit and general economic conditions in these regions. Moreover, uncertainty regarding the euro-area, the risk of losses as a result of a country's or a credit institution's financial difficulties or a downgrade in its credit rating could have a significant impact on KBC Group's credit exposure, loan provisioning, results of operation and financial position. In addition, concerns about, or a default by, one credit institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions are closely related as a result of their credit, trading, clearing and other relationships.

The events described above have and may continue to adversely affect KBC Group's ability to engage in routine transactions as well as the performance of various loans and other assets it holds.

The KBC Group is exposed to counterparty credit risk in derivative transactions

The KBC Group executes a wide range of derivatives transactions, such as interest rate, exchange rate, share/index prices, commodity and credit derivatives with counterparties in the financial services industry.

Operating in derivative financial instruments exposes the KBC Group to market risk and operational risk, as well as the risk that the counterparty defaults on its obligations or becomes insolvent prior to maturity when the KBC Group has an outstanding claim against that counterparty. Non-standardized or individually negotiated derivative transactions can make exiting, transferring or settling the position difficult.

Counterparty credit risk has increased due to recent volatility in the financial markets and may be further exacerbated if the collateral held by us cannot be realised or liquidated at a value that is sufficient to cover the full amount of the counterparty exposure.

Changes in interest rates, which are caused by many factors beyond KBC Group's control, can have significant adverse effects on its financial results

Fluctuations in interest rates affect the returns the KBC Group earns on fixed interest investments. Interest rate changes also affect the market values of the amounts of capital gains or losses the KBC Group takes on and the fixed interest securities it holds. These fluctuations and changes affect KBC Group's net interest income and recognised gains and losses on securities held in its investment portfolios.

The results of KBC Group's operations are affected by its management of interest rate sensitivity. Interest rate sensitivity refers to the relationship between changes in market interest rates and changes in net interest income. The composition of KBC Group's assets and liabilities, and any gap position resulting from the composition, causes KBC Group's operations' net interest income to vary with changes in interest rates. In addition, variations in interest rate sensitivity may exist within the repricing periods and/or between the different currencies in which the KBC Group holds interest rate positions. A mismatch of interest-earning assets and interest-bearing liabilities in any given period may, in the event of changes in interest rates, have a material effect on the financial condition or results of operations of KBC Group's businesses.

The KBC Group is subject to foreign exchange risk

The KBC Group pursues a prudent policy as regards its structural currency exposure, with a view to limit as much as possible currency risk. Foreign exchange exposures in the ALM books of banking entities with a trading book are transferred to the trading book where they are managed within the allocated trading limits. The foreign exchange exposure of banking entities without a trading book and of other entities has to be hedged, if material. Equity holdings in non-euro currencies that are part of the investment portfolio are however not generally hedged.

Participating interests in foreign currency are in principle funded by borrowing an amount in the relevant currency equal to the value of the net assets excluding goodwill. Although the KBC Group pursues a prudent policy with regard to foreign exchange risk, there can still be a limited impact of this risk on the financial results of the KBC Group.

The KBC Group's strategies for hedging against market risks may prove to be ineffective

The most significant market risks the KBC Group faces are interest rate, foreign exchange and bond and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realized between lending and borrowing costs. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies and may affect income from foreign exchange dealing. The performance of financial markets may cause changes in the value of KBC Group's investment and trading portfolios.

The KBC Group uses a range of instruments and strategies to hedge against market risks. If these instruments and strategies prove ineffective or only partially effective, the KBC Group may suffer losses. Unforeseen market developments such as the development of government bonds of various countries that occurred in 2011 and 2012 may significantly reduce the effectiveness of the measures taken by the KBC Group to hedge risks. Gains and losses from ineffective risk-hedging measures may heighten the volatility of the results achieved by the KBC Group and could therefore have a material adverse effect on KBC Group's business, results of operations and financial condition.

A downgrade in the credit rating of the KBC Group may limit access to certain markets and counterparties and may necessitate the posting of additional collateral to counterparties or exchanges

The credit ratings of the KBC Group are important to maintaining access to key markets and trading counterparties. The major rating agencies regularly evaluate the KBC Group and its securities, and their ratings of debt and other securities are based on a number of factors, including financial strength, as well as factors not entirely within the control of the KBC Group, including conditions affecting the financial services industry generally or the rating of the countries in which it operates. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the KBC Group will maintain the current ratings.

The KBC Group's failure to maintain its credit ratings could adversely affect the competitive position, make entering into hedging transactions more difficult and increase borrowing costs or limit access to the capital markets or the ability of the KBC Group to engage in funding transactions at all. A further reduction in the KBC Group credit ratings also could have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical. In connection with certain trading agreements, the KBC Group may be required to provide additional collateral in the event of a credit ratings downgrade.

The KBC Group's risk management policies, procedures and methods may leave it exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities

The KBC Group devotes significant resources to developing risk management policies and models, procedures and assessment methods for its banking, insurance and asset management businesses, the KBC Group applies both quantitative and qualitative methods to arrive at quantifications of risk exposures. These include a.o. value-at-risk ("VAR") models, back testing, Probability of Default ("PD") models, Loss Given Default ("LGD") models, asset valuation models and stress tests as well as risk assessment methods.

Nonetheless, such risk management techniques and strategies may not be fully effective in assessing risk exposure in all economic and market environments or against all types of risk, including risks that the KBC Group fails to identify or anticipate. Some of the models and metrics used are based upon observed historical behaviour as well as future predictions. Accordingly, the models used by the KBC Group may fail to predict or predict incorrectly future risk exposures and KBC Group's losses could therefore be significantly greater than such measures would indicate. In addition, the risk management methods used by the KBC Group do not take all risks into account and could prove insufficient. If prices move in a way that KBC Group's risk modelling has not anticipated, the KBC Group

may experience significant losses. These failures can be exacerbated where other market participants are using models that are similar to those of the KBC Group. In certain cases, it may also be difficult to reduce risk positions due to the activity of other market participants or widespread market dislocations. Furthermore, other risk management methods depend on the evaluation of information regarding markets, customers or other publicly-available information. Such information may not always be accurate or up-to-date.

Accordingly, KBC Group's losses could be significantly greater than such measures would indicate and unanticipated or incorrectly quantified risk exposures could result in material losses in KBC Group's banking, insurance and asset management businesses.

The KBC Group is exposed to the risk of breaches of compliance-related requirements in connection with the exercise of its business activity, such as provisions for limitation of money laundering

The possibility of inadequate or erroneous internal and external processes and systems, regulatory problems, breaches of compliance-related provisions in connection with the exercise of business activities, such as rules to prevent money laundering, human errors and deliberate legal violations such as fraud cannot be ruled out. The KBC Group endeavours to hedge such risks by implementing appropriate control processes tailored to its business, the market and regulatory environment in which it operates. Nevertheless, it is possible that these measures prove to be ineffective in relation to particular or all operational risks to which the KBC Group is exposed. Even though the KBC Group endeavours to insure itself against the most significant operational risks, it is not possible to obtain insurance cover for all the operational risks on commercially acceptable terms on the market. Should one, some or all of the risks described in this paragraph materialise, the KBC Group business, results of operations and financial condition could be materially adversely affected.

Litigation or other proceedings or actions may adversely affect KBC Group's business, financial condition and results of operations

The KBC Group's business is subject to the risk of litigation by customers, employees, shareholders or others through private actions, administrative proceedings, regulatory actions or other litigation. Given the complexity of the relevant circumstances and corporate transactions underlying these proceedings, together with the issues relating to the interpretation of applicable law, it is inherently difficult to estimate the potential liability related to such liability risks, to evaluate the outcome of such litigation or the time when such liability may materialise. Management makes estimates regarding the outcome of legal, regulatory and arbitration matters and creates provisions when losses with respect to such matters are deemed probable and can be reasonably estimated. Estimates, by their nature, are based on judgment and currently available information and involve a variety of factors, including but not limited to the type and nature of the litigation, claim or proceeding, the progress of the matter, the advice of legal counsel and other advisers, possible defences and previous experience in similar cases or proceedings. Legal proceedings with remote or non quantifiable outcomes are not provided for, and the KBC Group may be required to cover litigation losses which are not covered by such provision, including for example series of similar proceedings. As a result, there can be no assurance that provisions will be sufficient to fully cover the possible losses arising from litigation proceedings, and the KBC Group cannot give any assurance that a negative outcome in one or more of such proceedings would not have a material adverse effect on KBC Group's business, results of operations or financial condition.

Furthermore, plaintiffs in legal proceedings may seek recovery of large or indeterminate amounts or other remedies that may affect KBC Group's ability to conduct business, and the magnitude of the potential loss relating to such actions may remain unknown for substantial periods of time. Also, the cost to defend future actions may be significant. There may also be adverse publicity associated with litigation that could decrease customer acceptance of its services, regardless of whether the allegations are valid or whether they are ultimately found liable (see "*Description of the Company – Litigation*" below (pg. 71)).

As a result, litigation may adversely affect KBC Group's business, financial condition and results of operations.

The KBC Group is exposed to risks on account of direct and indirect pension obligations

The KBC Group has various direct and indirect pension obligations towards its current and former staff. These obligations therefore entail various risks which are similar to, amongst others, risks in a life insurance company and risks involving a capital investment. Risks, however, may also arise due to changes in tax or other legislation, and/or in judicial rulings, as well as inflation rates or interest rates. Any of these risks could have a material adverse effect on KBC Group's business, results of operations and financial condition.

Risks related to KBC Group's insurance business

The KBC Group is exposed to certain risks relating to its insurance operations, including underwriting risk

The results and financial situation of KBC Group's insurance operations depend on its ability to select and underwrite risks, and in particular the ability to accurately price its different insurance products, to establish appropriate loss reserves to cover the underwritten risks and the performance of its obligations, and, with respect to its life operations and pension products, to perform correct statistical and actuarial projections regarding life expectancies and factors related to pension claims.

Following the above, KBC Group's ability to set adequate premium rates can be adversely affected by several factors, including the lack of sufficient reliable data, the incomplete or incorrect analysis of available data, the uncertainties inherent in estimates and assumptions (in particular with respect to the number and amount of claims to be covered by premiums), the application of inappropriate or inadequate formulae or methodologies, unanticipated changes in the regulatory and judicial framework as well as changes in claims settlement practices. The KBC Group uses its experience in this sector and information available in the market to develop estimates of revenues from future insurance policies. However, future claims may significantly exceed the estimates used to price its products, both in terms of volume and amount, which could result in material adverse effects on KBC Group's insurance business, results of operations and financial condition.

Risks related to KBC Group's insurance business, including the impact of interest rate fluctuations

The KBC Group is dependent on the level of insurance services required by its customers. The KBC Group's insurance business faces substantial competitive pressure that could adversely affect the results of its operations. Moreover, its liquidity position could be adversely impacted by substantial outflows in life insurance products.

While the KBC Group reduces the impact of interest rate fluctuations on its life insurance business by transferring interest rate exposure to some policyholders through product design, KBC Group's insurance business can be adversely affected by sustained low interest rates as well as certain interest rate movements. In particular, the profitability of spread-based insurance products depends in large part upon the ability to manage interest rate spreads and the credit and other risks inherent in the investment portfolio. In addition, certain of its traditional life insurance products provide for guaranteed returns. Although the impact of such guarantees on results of operations will be spread out over a period of years in a sustained low interest rate environment, such guarantees may also affect profitability. There can be no assurance that the KBC Group will be able to successfully manage interest rate spreads or the potential negative impact of risks associated with sustained low rates or interest rate changes.

The EU Commission is currently in the process of introducing a new regime governing solvency margins and provisions in relation to insurance undertakings, the effect of which is uncertain

The EU Commission is carrying out a wide-ranging review in relation to solvency margins and provisions (the project being known as "Solvency II"). It is intended that the new regime for insurers and reinsurers (apart from very small firms) will apply more risk-sensitive standards to capital requirements, bring insurance regulation more closely in line with banking and security regulation with a view to avoiding regulatory arbitrage, align regulatory capital with economic capital and introduce an enhanced degree of public disclosure.

The European Parliament and Council of the European Union approved the directive containing the framework principles of Solvency II on 22 April and 5 May 2009, respectively. Adaptations to the directive are expected to be

adopted in 2013. The new legislation is currently foreseen to become fully applicable on 1 January 2014, although further delay is increasingly likely.

However, it is still uncertain when the Solvency II rules will be finalised before the EU's target deadline of 2014 (or later), as well as how the final form of those rules might look. The KBC Group cannot therefore predict the exact impact that the rules will have on the KBC Group, its insurance business, capital requirements, financial condition, key risk management resources or results of operations.

Given the uncertainty of future implementation of Solvency II, there can be no assurance that the KBC Group or its insurance business will not need to strengthen its solvency if and when Solvency II enters into force.

Other risks related to the KBC Group

Minimum regulatory capital and liquidity requirements

The Company is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements. Under Basel II, capital requirements are inherently more sensitive to market movements than under previous regimes. Capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Company to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on KBC Group's results of operations. A shortage of available capital may restrict KBC Group's opportunities for expansion.

In the future, under the Basel III proposals ("**Basel III**"), capital and liquidity requirements will increase. On 17 December 2009, the Basel Committee on Banking Supervision (the "**Basel Committee**") proposed a number of fundamental reforms to the regulatory capital framework in its consultative document entitled "Strengthening the resilience of the banking sector". The Basel Committee published its economic impact assessment on 18 August 2010 and, on 12 September 2010, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, announced further details of the proposed substantial strengthening of existing capital requirements. On 16 December 2010 the Basel Committee issued its final view on Basel III.

There can be no assurance that, prior to its implementation (which may be subject to delay in implementation associated with delays in the implementation of CRD IV), the Basel Committee will not amend the package of reforms described above. Further, the European Commission and/or the National Bank of Belgium may implement the package of reforms in a manner that is different from that which is currently envisaged, or may impose additional capital and liquidity requirements on Belgian financial institutions. The same reasoning holds for the Solvency II regulation under development.

If the regulatory capital requirements, liquidity restrictions or ratios applied to the Company are increased in the future, any failure of the Company to maintain such increased capital and liquidity ratios could result in administrative actions or sanctions, which may have an adverse effect on KBC Group's results of operations.

The KBC Group is highly concentrated in and hence vulnerable to European sovereign exposure, in particular in its home country Belgium

The KBC Group conducts the vast majority of its business in the European Union (as at 31 December 2011, approximately 94% of its business). Part of that business has led to exposure by the KBC Group towards various countries in the European Union, including certain countries which have come under market pressure. Given the recent political, economical and financial developments in most of the European countries, the KBC Group incurs a risk that those countries will no longer be able to comply with the terms and conditions of their exposure vis-à-vis the KBC Group. If such sovereign risk would materialise, KBC Group's business, financial condition and results of operation could be materially adversely affected. Exposure towards the PIIGS countries has been reduced and been replaced by a further increase in the exposure towards Belgian sovereign debt. See further "*Description of the Company – Risk management – Sovereign debt exposure*" (pg. 56).

The KBC Group is exposed to potential losses stemming from structured products portfolios, including its ABS and CDO portfolios

Structured credit activities of KBC Group entities relate to ABSs and CDOs, which are defined as follows:

- ABSs are bonds or notes backed by loans or accounts receivable originated by providers of credit, such as banks and credit card companies. Typically, the originator of the loans or accounts receivable transfers the credit risk to a trust, which pools these assets and repackages them as securities. These securities are then underwritten by brokerage firms, which offer them to the public.
- CDOs are a type of asset-backed security and a structured finance product in which a distinct legal entity, a Special Purpose Vehicle (“SPV”), issues bonds or notes against an investment in an underlying asset pool. Pools may differ with regard to the nature of their underlying assets and can be collateralized either by a portfolio of bonds, loans and other debt obligations, or be backed by synthetic credit exposures through use of credit derivatives and credit-linked notes.

The claims issued against the collateral pool of assets are prioritized in order of seniority by creating different tranches of debt securities, including one or more investment grade classes and an equity/first loss tranche. Senior claims are insulated from default risk to the extent that the more junior tranches absorb credit losses first. As a result, each tranche has a different priority of payment of interest and/or principal and may thus have a different rating.

The KBC Group was active in the field of structured credits, both as an originator and an investor. Since mid 2007, the KBC Group tightened its strategy. As an originator, the KBC Group also takes on other roles such as sponsor, when it provides liquidity support to the related SPVs. The KBC Group also invested in structured credit products. These investments appear on the Company’s balance sheet. The risks linked to these structured products portfolios, although reduced significantly in recent years, still may have an adverse effect on KBC Group’s business, financial condition and results of operation. See further “*Description of the Company – Risk management – Structured credit exposure (CDOs and other ABS), at 31 December 2012*” (pg 58).

Risks associated with the government support and the associated EU Plan

The acceptance of government support also includes the acceptance of related risks and obligations – KBC Group’s ability to successfully execute its strategic plan is not assured.

The acceptance of government support and the approval of these measures under European Union State Aid rules was subject to submission by the Belgian authorities of a restructuring plan for the KBC Group containing measures to safeguard its long-term viability and to ensure KBC Group’s capacity to repay within a reasonable timeframe the capital received. This restructuring plan was approved on 18 November 2009, as amended on 27 July 2011 and further amended on 20 December 2012 in relation to the State guarantee. Under the terms of such approval, the European Commission has imposed a range of conditions on the KBC Group, including divestment, conduct of business and other restrictions, some of which could materially impact KBC Group or result in dilution for the existing shareholders of the KBC Group.

Approval by European Commission of the restructuring plan was also subject to the imposition of certain behavioural commitments imposed on the KBC Group, such as maintaining a minimum solvency ratio, respecting certain limitations on executive compensation, restrictions on acquisitions, and adhering to a price leadership ban subject to certain conditions. Furthermore, the acceptance of the government support has led to the supervision of the European Union and the presence of government representatives on the Board of Directors of the Company, thereby limiting the Company’s autonomy.

The strategic plan requires the Company and its subsidiaries to engage in a restructuring according to the terms outlined in such plan, including the disposal and downsizing of a significant number of its businesses (see “*Description of the Company – Principal markets and activities*” below (pg 50)). The KBC Group has implemented a range of initiatives to give effect to the plan, including some important steps to derisk aspects of the merchant banking business unit. Such divestments are obligatory, and, while the European Commission has

permitted the KBC Group flexibility to avoid the need for conducting disposals at below book value prices, there can be no assurance that these divestments will be completed on favourable terms or at all and without any operational risk on behalf of the KBC Group. The completion of any proposed divestments may be subject to a range of conditions, including but not limited to regulatory approval and other actions beyond KBC Group's control. There can be no assurance that any or all of the divestments will be completed within the envisioned timeframe, at the price or cost anticipated and without any impact on the profit or loss of the KBC Group or at all. Additionally, there can be no assurance that the disposal of one or more of the businesses will not negatively impact KBC Group's business, financial condition or results of operations in the future.

While the KBC Group strictly manages its operational risks, these risks remain inherent to its business

The KBC Group is exposed to many types of operational risks, including fraudulent and other criminal activities (both internal and external), breakdowns in processes or procedures and systems failure or non-availability. In addition, the KBC Group may also be subject to disruptions of its operating systems, or of the infrastructure that supports it, arising from events that are wholly or partially beyond KBC Group's control (for example natural disasters, acts of terrorism, computer viruses, pandemics, transport or utility failures or external vendors not fulfilling their contractual obligations) which could give rise to losses in service to our customers and to loss or liability to the KBC Group.

The operational risks that the KBC Group faces include the possibility of inadequate or failed internal or external processes or systems, human error, regulatory breaches, employee misconduct or external events such as fraud. These events can potentially result in financial loss as well as harm to its reputation. Additionally, the loss of key personnel could adversely affect KBC Group's operations and results. Furthermore, KBC Group's risk management policies, procedures and methods may leave it exposed to unidentified, unanticipated or incorrectly quantified risks, which could lead to material losses or material increases in liabilities. Like any other business, the KBC Group is also vulnerable to reputational risk and tries to mitigate and manage this as much as possible by always considering carefully all advantages and disadvantages of certain actions.

The KBC Group attempts to keep operational risks at appropriate levels by maintaining a sound and well controlled environment in light of the characteristics of its business, the markets and the regulatory environments in which it operates. While these control measures mitigate operational risks, they do not eliminate them.

2. DOCUMENTS INCORPORATED BY REFERENCE

The audited consolidated annual financial statements of the Company for the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, together, in each case, with the related auditors' report, documents which have previously been published and have been filed with the FSMA, shall be incorporated in, and form part of, this Prospectus.

Other documents which are incorporated by reference in this Prospectus are the following:

- 18-01-2013 // KBC successfully placed 1 billion USD of contingent capital notes
- 25-01-2013 // KBC Group NV repays 2011/2012 LTRO to ECB
- 8-03-2013 // Annex to the Belgian Official Gazette: filing merger proposal – announcement by extract
- 12-03-2013// KBC Bank completes the sale of its remaining 22% stake in NLB (Republic of Slovenia)
- 22-03-2013// KBC Bank NV places 16,17 per cent. of Bank Zachodni WBK in the market.

Following the publication of this Prospectus, a supplement may be prepared by the Company and approved by the FSMA in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in a document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus can be obtained from (i) the registered office of the Company and the website of the Company at www.kbc.com, (ii) the NYSE Euronext Brussels's website at www.bourse.be or (iii) the Luxembourg Stock Exchange's website at www.bourse.lu.

Other documents on display

The (amended and restated) articles of association of the Company are open to public inspection at the Registry of the Brussels Commercial Court and are published on www.kbc.com. The financial statements and annual report are filed with the National Bank of Belgium. These documents can also be obtained from the Company's registered office or downloaded from www.kbc.com. Decisions on the appointment and the termination of the offices of members of the Executive Committee and the Board of Directors are published in the *Appendices to the Belgian Official Gazette*. Financial reports about the Company are published in the financial press and/or on www.kbc.com. Convening notices of general meetings of shareholders are published in the *Belgian Official Gazette*, in the financial press, in the media and on www.kbc.com.

3. INFORMATION CONCERNING THE SHARES

3.1. Capital increase

3.1.1 Capital increase in the framework of the authorized capital

58.835.249 new shares were issued on 13 December 2012 at the occasion of a capital increase resolved upon by the Board of Directors on 9 December 2012 in consideration for a total cash contribution of EUR 1.250.249.997,50 (of which EUR 204.746.823,12 has been booked as share capital and EUR 1,045,503,174.38 as issuance premium as further described in Section 3.2).

This capital increase was resolved upon by the Board of Directors in the framework of the authorized capital in accordance with article 7 of the articles of association of the Company. According to such article, the Board of Directors of the Company is authorised to increase the share capital up to a maximum amount of EUR 900,000,000. This authorisation has been granted by the general meeting of 30 April 2009 and is valid for a period of 5 years as of the publication of this resolution on 22 May 2009. On 9 December 2012 the authorised capital had been used in a total amount of EUR 791.668,68.

35.797.985 of the newly issued shares in book-entry form have been listed immediately after the issue. The 23.037.264 remaining registered Shares are the subject of this listing prospectus and their listing and trading on NYSE Euronext Brussels and on the Luxembourg Stock Exchange has been requested.

3.1.2 Cancellation of preferential subscription rights of the existing shareholders

In order to allow JP Morgan, acting as Joint Global Coordinator and Joint Bookrunner, KBC Securities NV, acting as Joint Global Coordinator and Co-Bookrunner and Nomura International plc, acting as Joint Bookrunner, (JP Morgan, KBC Securities NV and Nomura International plc together referred to as the “**Joint Global Coordinators**”) to approach a broad group of unspecified institutional and professional investors in the framework of an accelerated book build private placement of the new shares, the Board of Directors has cancelled the preferential subscription rights of the existing shareholders of the Company in accordance with Article 596 of the Belgian Companies Code.

The new shares were offered to institutional and professional investors in Belgium and abroad (excluding the United States (including its territories and possessions, any State of the United States and the District of Columbia), Australia, Canada, Japan and South Africa, unless subject to specified conditions), who by virtue of their nature do not jeopardise the private nature of the transaction taking into account a.o. Article 3, §2, a) of the Prospectus Law.

In order to enable the Joint Global Coordinators to deliver listed shares to the investors who participated in the accelerated book building, the newly-issued 23.037.264 registered Shares that are the subject of this listing prospectus, were swapped with a core shareholder against existing listed shares and thus are owned at present by MRBB CVBA.

3.2. Issue price of the Shares

The issue price (fractional value plus issuance premium) at which the Shares were issued is EUR 21,25 per Share. A part of the issue price of the shares, an amount equal to the fractional value of the existing shares of the Company immediately prior to their issuance, i.e. EUR 3,48 per Share, has been booked as share capital and the balance, i.e. EUR 17,77 per Share, has been booked as issuance premium.

This issuance premium has been appropriated to the share premium account, which will, to the same extent as the share capital, serve as security for third parties, and which, except in the event of the incorporation of this reserve in capital, may be used only in accordance with the rules laid down in the Belgian Companies Code for the reduction of share capital.

3.3. Description of the Shares

The Shares are registered shares without nominal value, having the same rights and advantages as the existing shares, it being understood, for the avoidance of doubt, that the Shares will participate in the results of the Company as of and for the entire financial year that started on 1 January 2012. Following the admission to trading of the Shares at the Regulated Market of NYSE Euronext Brussels and Luxembourg Stock Exchange, the Shares can, at the request and expense of the shareholder, be converted into book-entry shares.

3.4. Rights attached to the Shares

3.4.1 Ordinary shares

All existing shares of the Company, including the Shares, are ordinary shares, having the same rights and advantages.

Each share represents the same fraction of the share capital, being at present EUR 3,48 per share. The shares do not have a nominal value. All shares are fully paid up.

3.4.2 Dividend rights

All shares, including the Shares, participate in the same manner in the Company's profits (if any).

Pursuant to the Belgian Companies Code, the shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the annual general shareholders' meeting, based on the most recent audited statutory financial statements, prepared in accordance with the generally accepted accounting principles in Belgium and based on a (non-binding) proposal of the Company's Board of Directors. The Company's articles of association also authorize the Board of Directors to issue interim dividends on profits from the current financial year subject to the terms and conditions of the Belgian Companies Code.

Dividends can only be distributed if following the declaration and issuance of the dividends the amount of the Company's net assets on the date of the closing of the last financial year as follows from the statutory financial statements (i.e., the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities, all as prepared in accordance with Belgian accounting rules), decreased with the non-amortized costs of incorporation and extension and the non-amortized costs for research and development, does not fall below the amount of the paid-up capital, increased with the amount of non-distributable reserves. In addition, prior to distributing dividends, 5% of the net profits must be allotted to a legal reserve, until the legal reserve amounts to 10% of the share capital.

The right to receive payment of dividends expires five years after the Board of Directors has declared the dividend payable.

The "KBC Group NV governance re dividend management" at this level is twofold:

- first step: decide and communicate on the target pay-out ratio (mostly valid for a longer period of time)
- second step: decide on the nominal dividend per share (yearly decision).

Both steps take into account the following dimensions:

- Shareholders' expectations
- Solvency: any dividend pay-out should respect the capital targets (both internal and the ones set by the regulator) with regard to both regulatory capital and economic capital (at consolidated level).
- Sufficient distributable reserves: the Belgian Company Code (art. 617) determines that a dividend can be paid only to the extent that there is a positive difference between net assets and non distributable shareholders' equity. This difference is defined as 'distributable reserves'; these reserves are built up over time from the Company

statutory profit (according to BGAAP) that consist primarily of dividends from KBC Bank NV, KBC Insurance NV and KBC Asset Management NV.

- Sufficient cash resources: a dividend can be paid in cash, in shares (stock dividend) or as a choice dividend (the shareholder decides whether he prefers payment in cash or in shares). A cash dividend requires sufficient cash resources at group level. Besides the dividend payment, the Company mainly needs cash to remunerate and redeem debt instruments (commercial paper, bank loans, Yield Enhanced Securities) and to cover its own operating expenses. Dividends received from its subsidiaries are the Company's only recurring cash resource. Besides this, the Company can raise cash by taking up new debt or through a capital increase.

- Remuneration and repayment of Yield Enhanced Securities: under normal circumstances, dividend upstream towards the Company can be limited to what is necessary for the external dividend and the operating expenses of the Company. However, in 2008 and 2009, KBC received 7,0 bn EUR of state aid in the form of so-called Yield Enhanced Securities (YES'es). At present EUR 3,5 billion of state aid in the form of YES'es subscribed by the Flemish Government is still outstanding. These securities triggered substantial needs for dividend income at group level and thus they have a significant impact on the dividend :

- Coupon: the terms and conditions of the YES'es states that a coupon will be paid only if a dividend is paid on the ordinary shares. In certain circumstances this might trigger a dividend of 0,01 EUR/share (in particular when there are insufficient resources for a dividend but the Company still wants to pay the coupon on the YES'es). Furthermore, if the Company's dividend exceeds a certain threshold, this triggers a higher coupon on the YES'es. The coupon payment also has an important impact on distributable reserves, cash resources and solvency.
- Renotification of the state aid to the European Commission is required in case the Company does not pay dividend for a period of two consecutive years following 1 January 2010 or does not pay dividend for three years in the five years following 1 January 2009.
- Penalty at repayment of principal: a penalty of 50% is due. This penalty has an impact on distributable reserves , cash resources and solvency.
- Repayment of principal: this has an impact on cash resources.

The Board of Directors of the Company approves the pay-out ratio and the dividend amounts. The payment of the dividend has to be approved ultimately by the general meeting.

3.4.3 Preferential subscription rights

In the event of a capital increase in cash with issue of new shares, or in the event of an issue of convertible bonds or warrants, the shareholders have a preferential right to subscribe to the new shares, convertible bonds or warrants, pro rata of the part of the share capital represented by the shares that they already possess. The general shareholders' meeting can decide to limit or cancel this preferential subscription rights, subject to the terms and conditions set forth in the Belgian Companies Code (i.a. special reporting requirements). Such decision needs to satisfy the same quorum and majority requirements as the decision to amend the Company's articles of association.

The shareholders have also authorized the Board of Directors of the Company to limit or cancel the preferential subscription rights within the framework of the authorized capital, subject to the terms and conditions set forth in the Belgian Companies Code.

3.4.4 Voting Rights

Each shareholder of the Company is entitled to one vote per share. There are no different categories of shares. All shareholders have the same voting rights. Voting rights can be suspended subject to the terms and conditions set forth in the Belgian Companies Code or other relevant legislation, a.o. in relation to shares:

- which were not fully paid up, notwithstanding the request thereto of the Board of Directors of the Company;

- to which more than one person is entitled, except in the event a single representative is appointed for the exercise of the voting rights;
- which entitle their holder to voting rights above the threshold of 3%, 5%, or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant general shareholders' meeting, except in the event where the relevant shareholder has notified the Company and the FSMA at least 20 days prior to the date of the general shareholders' meeting of its shareholding exceeding the afore mentioned thresholds ; and
- of which the voting right was suspended by a competent court or the FSMA.

3.4.5 Rights to participate and vote at general shareholder's meetings

A. Annual general shareholders' meeting

A general meeting shall be held annually at the registered office of the Company or at any other place indicated in the convening notice, on the first Thursday of May at 10 a.m., or, if this day is a statutory public holiday or bankholiday, on the business day immediately preceding it, at 10 a.m.

At the annual general shareholders' meeting, the Board of Directors submits the audited statutory and consolidated financial statements and the reports of the Board of Directors and of the statutory auditors with respect thereto to the shareholders. The shareholders' meeting subsequently decides a.o. on the approval of the statutory financial statements, the proposed allocation of the Company's profit or loss, the discharge from liability of the directors and the statutory auditors, and, when applicable, the (re)appointment or resignation of the statutory auditors and/or of all or certain directors and their remuneration.

In addition, as relevant, the annual general shareholders' meeting must also decide on the approval of provisions of service agreements to be entered into with executive directors, members of the executive committee and other executives providing for severance payments exceeding 12 months' remuneration (or , subject to a motivated opinion by the remuneration committee, 18 months' remuneration). The shareholders' meeting must also decide separately on the approval of the remuneration report included in the annual report.

B. Special and extraordinary general shareholders' meetings

The Board of Directors or the statutory auditors may convene special and extraordinary general shareholders' meetings. They must do so at the request of one or more shareholders who own at least one fifth of the shares or who represent at least one fifth of the share capital, and this within three weeks after the date of the postmark on the registered letter which is sent to it, listing and substantiating the case for the points to be dealt with and stating the motions to be put forward.

C. Notices convening the general shareholders' meeting

The notice convening the general shareholders' meeting must indicate a.o. (i) the agenda, place, date and time of the meeting; (ii) the items to be discussed and the proposed resolutions that will be submitted to the meeting; (iii) a clear description of the formalities to be fulfilled by the shareholders in order to be entitled to participate to the general shareholders' meeting and to exercise their voting right, including the period within which the shareholders should indicate to the Company their intention to participate to the meeting; (iv) a description of the procedure to vote by proxy (or at distance to the extent permitted by the articles of association); (v) details with regard to the right of shareholders to amend items of the agenda, require additional items/proposed resolutions to be put on the agenda, and ask questions; (vi) the timeframe within which such rights may be exercised and an electronic address to which shareholders may send their queries; (vii) the registration date and explanations related thereto and (viii) the place as well as the website on which all relevant documents can be obtained.

The meeting cannot deliberate and vote on items that are not mentioned on the agenda, unless all shareholders are present or represented and decide unanimously to place such items on the agenda.

The notice convening the general shareholders' meeting must be published (i) in the *Appendices to the Belgian Official Gazette*, (ii) in a newspaper with nationwide distribution in Belgium (iii) via media as may reasonably be relied upon for the effective dissemination of information to the public throughout the European Economic Area and (iv) on the website of the Company at least thirty days prior to the general meeting (or, in case a second meeting is required, if the date of the second meeting was mentioned in the notice convening the first meeting and the agenda has not changed, at least seventeen days prior to the second meeting).

A publication in the *Appendices to the Belgian Official Gazette*, via media as mentioned in the paragraph above and on the website of the Company suffices for notices convening the annual general shareholders' meeting if such meeting takes place in Brussels and on the place, date and hour as mentioned in the articles of association of the Company and if the agenda is limited to the submission of the financial statements, the reports of the Board of Directors and statutory auditors relating thereto, the discharge from liability of the directors and statutory auditors, the approval of provisions of service agreements and the approval of the remuneration report.

The holders of registered shares and/or registered bonds together with the directors and the statutory auditors, will be sent a convening notice at least thirty days prior to the general shareholders' meeting, either by ordinary post or by other means of communication to which they have expressly agreed in writing. The holders of registered shares, the directors and the statutory auditors will also be sent the documents required by law.

Holders of book-entry shares and/or book-entry bonds or holders of bearer shares and/or bearer bonds may – on presentation of a certificate drawn up by a recognized account holder or clearing house and attesting to the fact that the number of book-entry securities have been registered in the name of the holder or the intermediary on the date required for exercising this right, or upon presentation of the bearer securities – collect other documents required by law from the registered office of the Company as soon as the notice convening the general shareholders' meeting has been published.

D. Formalities to attend the general shareholders' meeting

The general shareholders' meeting represents all shareholders. Holders of bonds, warrants or certificates issued in co-operation with the Company shall be entitled to attend the general meeting, but have only advisory voting capacity.

The right of a shareholder to attend the general shareholders' meeting and to exercise voting rights at said meeting is granted solely on the basis of the accounting record of the shares in the name of the shareholder on the record date, i.e. at midnight (Belgian time) on the fourteenth day before the general shareholders' meeting, either by entering the shares in the share register, by entering them on the accounts of a recognised account holder or clearing house, or by presenting any bearer shares to a financial intermediary, and this regardless of the number of shares that the shareholder possesses on the day of the general shareholders' meeting.

The right of a holder of bonds, warrants or certificates issued in co-operation with the company, to attend the general shareholders' meeting is similarly granted solely on the basis of the accounting record of these securities in his/her name on the record date.

Every shareholder and every holder of bonds, warrants or certificates issued in co-operation with the company, who wishes to attend the general shareholders' meeting, must, by no later than the sixth day before the day of the general shareholders' meeting, inform the Company or a person so designated by the Company of his/her intention to attend and also indicate the number of securities he/she wishes to represent.

Holders of bearer or book-entry securities wishing to attend the general shareholders' meeting must also ensure that the Company or a person so designated by the Company, receives on the same day at the latest, a certificate supplied by the financial intermediary, the recognized account holder or the clearing house, which states the

number of bearer or book-entry securities – submitted or registered in their name on their accounts on the registration date – they wish to represent when attending the general shareholders’ meeting.

The above mentioned provisions also apply to the holders of profit-sharing certificates - whether they are in registered or book-entry form – in the cases where such holders have the right to attend the general shareholder’s meeting.

E. Proxies

Unless otherwise specified by law, every shareholder, every holder of bonds, warrants and certificates issued in cooperation with the Company and, as the case may be, every holder of profit-sharing certificates, whether a private individual or a legal entity, may arrange to be represented at the general shareholders’ meeting by a single proxy.

The Board of Directors will determine the form to be used when voting by proxy. Blank copies of the proxy form can be downloaded from the Company’s website. Alternatively, the Company will send a blank copy to the person concerned, at its request.

In accordance with applicable law, the dated and signed proxy must be sent by letter or e-mail to the Company’s registered office or the place indicated in the notice convening the general shareholders’ meeting and must reach the Company at the latest on the sixth day prior to the relevant general shareholders’ meeting. If notice is provided via an electronic channel, the original proxy form must arrive at the Company before the start of the general shareholders’ meeting.

The holders of a proxy must comply with the provisions of the Belgian Companies Code regarding proxies for general shareholders’ meetings.

Holders of securities who wish to be represented by proxy must, in any case, comply with the formalities to register for the meeting, as explained under *‘Formalities to attend the general shareholders’ meeting’* above.

F. Right to put items on the agenda

One or more shareholders who together own at least 3% of the capital of the Company have the right to put additional items on the agenda’s of the annual, special and extraordinary general shareholders’ meetings and to table draft resolutions for items included or to be included in the agenda’s.

A request to put additional items on the agenda and/or to table draft resolutions must be submitted in writing, and must be accompanied by either the text of the items to be put on the agenda and the corresponding draft resolutions, or by the text of the draft resolutions to be tabled.

The request must include the postal or e-mail address to which the Company will send the proof of receipt of these requests within 48 hours of their receipt.

The request must reach the Company by the twenty second day prior to the relevant general shareholders’ meeting.

On the day they submit the request, the shareholders must demonstrate they own 3% of the share capital, either based on their entry in the register of registered shares or on a certificate supplied by the financial intermediary, the recognized account holder or the clearing house, which states the number of bearer or book-entry securities submitted or registered in their name on their accounts.

In addition, the Company will only deal with these newly proposed items and draft resolutions at the general shareholders’ meeting, if - at midnight (Belgian time) on the record date – at least 3% of the share capital is registered in the name of the shareholders who formulated the request.

By the fifteenth day prior to the date of the general shareholders’ meeting, the Company will publish an agenda which includes the additional items and/or the draft resolutions which have been included on the agenda based on

this right to put items on the agenda. This notification will be made in the same way as the notification of the original agenda.

As of the same date, the Company will place on its website proxy forms which include the additional items and/or draft resolutions.

G. Right to ask questions

During the annual, special and extraordinary general shareholders' meeting shareholders may ask questions to (i) the Board of Directors in respect of agenda items and board reports submitted to the general shareholders' meeting and (ii) the auditors in respect of the auditors' report submitted to the general shareholders' meeting. Shareholders may also submit these questions in writing as soon as the convening notice has been published and until the sixth day before the general shareholders' meeting.

The questions submitted in time will be answered during the general shareholders' meeting by the directors or, where appropriate, by the auditors, provided they pertain to the agenda items, and in so far as the publication of data or facts would not jeopardise the business interests of the Company or the confidentiality to which the Company, its directors or the auditors are committed. Written questions will only be answered if the shareholders who asked the questions were shareholders on the record date and if they complied with the formalities to allow them to attend the general shareholders' meeting.

If there are different questions on the same subject, the directors and the auditors may only provide one answer.

H. Quorum and majorities

Except for resolutions for which the law requires a stricter attendance and/or voting quorum, resolutions will be passed by a simple majority (50% + 1) of the votes validly cast by those present or represented by proxy, regardless of the number of shares participating in the voting. Invalid and blank votes will not be included in either the numerator or denominator.

For amendments to the articles of association or for the dissolution of the Company, an attendance quorum of 50% of the issued share capital and a majority of at least 75% of the votes validly cast by those present or represented by proxy is required. If the attendance quorum is not reached, another general shareholders' meeting must be convened and held, which may then, regardless of the capital represented, adopt resolutions by a majority of at least 75% of the votes validly cast by those present or represented by proxy. For amendments to the articles of association that pertain to the object of the Company, an attendance quorum of 50% of the issued share capital and at least 50% of the profit certificates, if any, and a majority of at least 80% of the votes validly cast by those present or represented by proxy is required. If the attendance quorum is not reached, analogous principles apply as set forth in the foregoing paragraph.

In all other cases, the legally required attendance and/or voting quorums will apply.

Voting shall occur by show of hands or in any other way accepted by the general shareholders' meeting. A ballot shall be held at the request of one or more persons present and provided that this request is endorsed by one third of the votes.

3.4.6 Amendments to the rights of shareholders (art. 560 Belgian Companies Code)

According to article 560 of the Belgian Companies Code, if several classes of shares exist, or if different types of profit-sharing certificates were issued, the General Meeting may, notwithstanding any contrary provision in the articles of association, change their respective rights or decide that the shares or profit shares of a particular species may be replaced by that of a other kind.

The proposed changes, with a detailed justification, are announced by the Board of Directors in a report which is stated in the agenda. A copy of this report can be obtained in accordance with Article 535 of the Belgian Companies Code.

The lack of this report results in the nullity of the decision of the General Meeting.

Notwithstanding any contrary provision in the articles of association, the holders of profit-sharing certificates can exercise voting rights with regard to the decision to be taken by the General Meeting, statutory voting restrictions (if any) do not apply and the General Meeting has:

1 ° for each species, to meet the requirements of presence and majority required for the amendment of the articles of association;

2 ° to permit each holder of fractions of shares to vote in the species concerned, whereby the votes are counted on the basis of one vote for the smallest fraction.

These provisions are not relevant for the Company as all existing shares of the Company are ordinary shares, having the same rights and no profit-sharing certificates have been issued.

3.5. Dilution

The creation of the 58.835.249 new shares on 13 December 2012 (under which the Shares) resulted in a dilution of the net asset value per share amounting to 4,34%.

Calculation of the dilution of the net asset value per share

Situation prior to the capital increase:

Number of shares prior to the capital increase	357.980.313
Net assets of the shareholders on 30 September 2012 ¹	EUR 10.979.000.000
Net asset value/share prior to the capital increase as per 30 September 2012	EUR 30,67

¹ An amount of 350 million EUR has been added to the net assets as per 30 September 2012 due to the sale of treasury shares in October 2012.

Capital increase with EUR 21.25 issue price per share:

Number of shares after the capital increase	416.815.607
Amount of collected subscriptions attributed to Capital	EUR 204.746.823,12
Amount of collected subscriptions attributed to Issue Premium	EUR 1.045.503.174,38
Net assets of the shareholders after the capital increase	EUR 12.229.249.997,50
Net asset value/share after the capital increase	EUR 29,34

The calculation of the dilution of the net asset value per share can be expressed through the following formula: $(100 - (29.34 : 0,3067))$.

As to the voting power and the right to share in the profits, the creation of these shares resulted in a dilution of 14,12% of the participations of the existing shareholders.

3.6. Rationale of the capital increase and use of proceeds

On 17 December 2012, the Company has effectuated the full accelerated repayment of EUR 3 billion of State aid to the Federal government, plus a 15% premium (amounting to EUR 0,45 billion).

The Company will also work towards repayment of EUR 1,17 billion of State aid to the Flemish government plus a 50% premium (amounting to EUR 0,85 billion) in the first half of 2013, subject to customary approval by the National Bank of Belgium. The Company is committed to repay the remaining outstanding balance of EUR 2,33 billion to the Flemish government in seven equal instalments of EUR 0,33 billion (plus premium) over the 2014-2020 period, as agreed with the European Commission. The Company also has the option to further accelerate these payments.

Since receiving State aid during the financial crisis, the Company has significantly enhanced its capital base, both organically and through asset divestments. As a result of the above mentioned repayments and this capital plan, the Company will honour, ahead of schedule, its prior commitment to the European Commission to repay a notional amount of EUR 4,67 billion of State aid before the end of 2013.

The Company intends to maintain a fully loaded Basel III common equity ratio of 10%.

3.7. Taxation in Belgium

The following is a summary of certain Belgian income tax consequences of the acquisition, ownership and disposal of the Shares. It is based on the tax laws, treaties, regulations and administrative interpretations applicable in Belgium as presently in effect and is subject to changes thereto, including changes that could have a retroactive effect. The following summary does not take into account or discuss the tax laws of any country other than Belgium, nor does it take into account the individual circumstances of each investor. This summary is thus not intended to cover all tax consequences related to the acquisition, ownership and disposal of shares and does not take into account specific tax rules which may be applicable to certain specific categories of investors. Prospective investors should consult their own advisers as to the Belgian and foreign tax consequences of the acquisition, ownership and disposal of the shares.

For the purposes of this summary, a Belgian resident is either an individual subject to Belgian personal income tax (i.e., an individual who is domiciled in Belgium or has his seat of wealth in Belgium or a person assimilated to a resident), a company subject to Belgian corporate income tax (i.e., a corporate entity that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium) or a legal entity subject to the Belgian income tax on legal entities (i.e., a legal entity other than a company subject to Belgian corporate income tax, that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium). A Belgian non-resident is any person that is not a Belgian resident.

Investors should consult their own advisers regarding the tax consequences of an investment in the Shares in the light of their particular circumstances, including the effect of any state, local or other national laws.

3.7.1. Dividends

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the Shares is generally treated as a dividend distribution. By way of exception, the repayment of capital is carried out in accordance with the Companies Code is not treated as a dividend distribution to the extent that such repayment is imputed to fiscal capital. This fiscal capital includes, in principle, the actual paid-up statutory share capital and, subject to certain

conditions, the paid issue premiums and the cash amounts subscribed to at the time of the issue of profit sharing certificates.

Belgian withholding tax of 25 per cent is normally levied on dividends, subject to such relief as may be available under applicable domestic or tax treaty provisions.

In the case of the redemption of the Shares, the redemption distribution (after deduction of the part of the fiscal capital represented by the redeemed Shares) will be treated as a dividend which, in certain circumstances, may be subject to a Belgian withholding tax of 25 per cent. No withholding tax will be triggered if this redemption is carried out on a stock exchange and meets certain conditions. In the event of liquidation of the Company, a withholding tax of 10 per cent will be levied on any distributed amount exceeding the fiscal capital.

(a) Belgian resident individuals

For Belgian resident individuals who acquire and hold the Shares as a private investment, the Belgian withholding tax generally constitutes the final tax in Belgium on dividend income and the dividend need not be reported in the annual tax return.

If a Belgian resident individual nevertheless elects in such an event to report the dividend income in his or her personal income tax return, this income will be taxed at the separate rate of 25 per cent or at the progressive personal income tax rates applicable to the taxpayer's overall declared income, whichever rate is lower.

If the dividends are reported, the Belgian withholding tax paid can be credited against the final income tax liability, provided that the dividend distribution does not result in a reduction in value of, or capital loss on, the Shares. This condition is not applicable if the Belgian individual can demonstrate that he has had full ownership of the Shares during an uninterrupted period of 12 months prior to the attribution of the dividends.

For Belgian resident individuals who acquire and hold the Shares for professional purposes, the Belgian withholding tax does not fully discharge their income tax liability. Dividends must be reported by the individual and will be taxable at the individual's personal income. Withholding tax withheld at source may be credited against the personal income tax due and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (i) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed, and (ii) the dividend distribution may not result in a reduction in value or a capital loss on the Shares. The latter condition is not applicable if the individual can demonstrate that he has held the full legal ownership of the Shares for an uninterrupted period of 12 months prior to the payment or attribution of the dividends.

(b) Belgian resident companies

For Belgian resident companies, the dividend withholding tax does not fully discharge the corporate income tax liability. The gross dividends income (including the withholding tax) must be reported and will be subject to a corporate income tax rate of 33,99 per cent, unless the reduced income tax rates for small and medium sized enterprises apply.

Any Belgian dividend withholding tax levied at source may be credited against the corporate income tax due and is reimbursable to the extent that it exceeds the corporate income tax due, subject to two conditions: (1) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (2) the dividend distribution may not result in a reduction in value or a capital loss on the Shares. The latter condition is not applicable: (a) if the company can demonstrate that it has held the Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment of or attribution on the dividends, or (b) if, during that period, the Shares never belonged to a taxpayer other than a resident company or a non-resident company which has, in an uninterrupted manner, invested the Shares in a Belgian permanent establishment.

No withholding tax will be due on dividends paid to a resident company if at the time of the payment or distribution of the dividend, the resident company owns at least 10 per cent of the share capital of the Company for an uninterrupted period of at least one year and subject to certain formalities. If the investor holds the Shares for less than one year at the time the dividend are paid on or attributed to the Shares, the Company must deduct the withholding tax but does not need to transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which the investor has held the Shares, and the investor's commitment to hold the Shares for an uninterrupted period of at least one year. The investor must also inform the Company or its paying agent when the one-year period has expired or if its shareholding drops below 10 per cent of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the deducted dividend withholding tax will be refunded to the investor.

Belgian resident companies can generally deduct up to 95 per cent of the gross dividend received from the taxable income ("dividend received deduction"), provided that at the time of a dividend payment or attribution: (1) the Belgian resident company holds Shares representing at least 10 per cent of the share capital of the Company or a participation in the Company with an acquisition value of at least EUR 2,500,000; (2) the Shares in the company qualify and are recorded as "fixed financial assets" under Belgian GAAP; (3) the Shares have been held or will be held in full ownership for an uninterrupted period of at least one year; and (4) the conditions relating to the taxation of the underlying distributed income, as described in article 203 of the Belgian Income Tax code are met (together the "Conditions for the application of the dividend received deduction regime").

The conditions for the application of the dividend received deduction regime depend on a factual analysis and for this reason the availability of this regime should be verified upon each dividend distribution.

(c) Other legal entities

For taxpayers subject to the Belgian income tax on legal entities, the Belgian dividend withholding tax, in principle, fully discharges its income tax liability.

(d) Belgian non-residents

For non-resident individuals and companies, the dividend withholding tax will be the only tax on dividends in Belgium, unless the non-resident holds the Shares in connection with a business conducted in Belgium through a fixed base in Belgium or a Belgian permanent establishment.

If the Shares are acquired by a non-resident in connection with a business in Belgium, the investor must report any dividends received, which will be taxable at the applicable non-resident individual or corporate income tax, as appropriate. Withholding tax levied at source may be credited against non-resident individual or corporate income tax and is reimbursable to the extent that it exceeds the income tax due, subject to two conditions: (1) the taxpayer must own the Shares in full legal ownership at the time the dividends are paid or attributed and (2) the dividend distribution may not result in a reduction in value or a capital loss on the Shares. The latter condition is not applicable: (a) if the non-resident can demonstrate that it has held the Shares in full legal ownership for an uninterrupted period of 12 months prior to the payment of or attribution on the dividends, or (b) with regard to non-resident companies only, if, during the relevant period, the Shares have not belonged to a taxpayer other than a resident company or a non-resident company which has, in an uninterrupted manner, invested the Shares in a Belgian permanent establishment.

For non-resident companies whose Shares are invested in a fixed base in Belgium or Belgian permanent establishment the dividend received deduction will apply on the same conditions as apply for Belgian resident companies.

(e) Belgian withholding tax relief

Under Belgian tax law, withholding tax is not due on dividends paid to a non-resident organization that is not engaged in any business or other profit making activity and that is exempt from income taxes in its country of residence, provided that it is not contractually bound to redistribute the dividends to any beneficial owner of such dividends for whom it is required to manage the Shares. The exemption will only apply if the organization provides a certificate confirming that it is a qualifying entity, that it is the full legal owner or usufruct holder of the Shares and that it has no contractual redistribution obligations. The organization must then forward that certificate to the Company or its paying agent.

Dividends distributed to non-resident companies that (i) are either established in a Member State of the EU or in a country with which Belgium has concluded a double tax treaty or any other treaty concluded between Belgium and that jurisdiction includes a qualifying exchange of information clause; and (ii) qualify as a parent company, will be exempt from Belgian withholding tax provided that the Shares held by the non-resident company, upon payment or attribution of the dividends, amount to at least 10 per cent of the Company's share capital and are held or will be held during an uninterrupted period of at least one year. A company qualified as a parent company if: (i) for companies established in a Member State of the EU, it has a legal form as listed in the annex to the EU Parent-Subsidiary Directive of 23 July 1990 (90/435/EC), as amended, or for companies in a country with which Belgium has concluded a double tax treaty and where that treaty or any other treaty concluded between Belgium and that country includes a qualifying exchange of information clause, it has a legal form similar to the ones listed in such annex, (ii) it is considered to be a tax resident according to the tax laws of the country where it is established and the double tax treaties concluded between such country and third countries and (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime.

In order to benefit from this exemption, the investor must provide the Company or its paying agent with a certificate confirming its qualifying status and the fact that it satisfies the required conditions. If the investor holds the Shares, the Company must deduct the withholding tax but does not need to transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which the investor has held the Shares for an uninterrupted period of at least one year. The investor must also inform the Company or its paying agent when the one-year period has expired or if its shareholding drops below 10 per cent of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the deducted dividend withholding tax will be paid to the investor.

Belgium has concluded tax treaties with more than 95 countries, reducing the dividend withholding tax rate to 15, 10, 5 or 0 per cent for residents of those countries, depending on conditions, among others, relating to the size of the shareholding and certain identification formalities.

Prospective holders should consult their own tax advisors as to whether they qualify for reduction in withholding tax upon payment or attribution of dividends, and as to the procedural requirements for obtaining a reduced withholding tax upon the payment of dividends or for claiming reimbursement.

3.7.2. Capital gains and losses

(a) Belgian resident individuals

Belgian resident individuals acquiring the Shares as a private investment should not be subject to Belgian capital gains tax on the disposal of the Shares and capital losses are not tax deductible.

However, capital gains realized by a private individual are taxable at 33 per cent (plus local surcharges) if the capital gain is deemed to be realized outside the scope of the normal management of the individual's private estate.

Capital gains realized by Belgian resident individuals on the disposal of the Shares for considerations, outside the exercise of a professional activity, to a non-resident company (or a body constituted in a similar legal form), to a foreign state (or one of its political subdivisions or local authorities) or to a non-resident legal entity, are in principle taxable at a rate of 16.5 percent (plus local surcharges), if, at any time during the five years preceding the sale, the Belgian resident individual has owned directly or indirectly, alone or with his/her spouse or with certain relatives, a substantial shareholding in the Company (i.e. a shareholding of more than 25 per cent in the Company). This rule does not apply if the Shares are transferred to the above mentioned persons provided that they are established in the European Economic Area (EEA).

(b) Belgian resident companies

For small entities, according to article 15 of the Belgian Companies Code, no Belgian capital gains taxation will be due on gains realized upon the disposal of the Shares provided that the conditions relating to the taxation of the underlying distributed income in the framework of the dividends received deduction, as described in article 202, § 1 and 203 of the Belgian Income Tax Code are satisfied. With effect from 1 January 2012, a minimum holding period of 1 year must be met in order for the capital gains exemption to apply. If the holding period is not met, the gains are taxed at the rate of 25.75 per cent.

If the condition of taxation and the minimum holding period of 1 year are met, the capital gains realized upon the disposal of the shares will be subject to a corporate income tax rate of 0.412 per cent for entities that do not satisfy the conditions of article 15 of the Belgian Companies Code.

Capital losses are, in principle, not tax deductible.

(c) Other taxable legal entities

Belgian resident legal entities subject to the legal entities income tax are, in principle, not subject to Belgian capital gains taxation on the disposal of the Shares, except in the case of the transfer of a substantial shareholding to an entity established outside the EEA.

Capital losses on Shares incurred by Belgian resident legal entities are not tax deductible.

(d) Belgian non-residents

(1) Non-resident individuals

Capital gains realized on the Shares by a non-resident individual that has not acquired the Shares in connection with a business conducted in Belgium through a fixed base in Belgium or a Belgian permanent establishment are generally not subject to taxation, unless the gain is deemed to be realized outside the scope of the normal management of the individual's private estate and the capital gain is obtained or received in Belgium. In such an event the gain is subject to a final professional withholding tax of 30.28 per cent. However, Belgium has concluded tax treaties with more than 95 countries which generally provide for a full exemption from Belgian capital gain taxation on such gains realized by residents of those countries. Capital losses are generally not tax deductible.

Capital gains realized by non-resident individuals on the transfer of a substantial shareholding to an entity established outside the EEA are generally subject to the same regime as Belgian resident individuals. However, Belgium has concluded tax treaties with more than 95 countries which generally provide for a full exemption from Belgian capital gain taxation on such gains realized by residents of those countries. Capital losses are generally not tax deductible.

(2) Non-resident companies or entities

Capital gains realized on the Shares by non-resident companies or non-resident entities that have not acquired the Shares in connection with a business conducted in Belgium through a Belgian permanent establishment are generally not subject to taxation and losses are not tax deductible.

Capital gains realized by non-resident companies or other non-resident entities that hold the Shares in connection with a business conducted in Belgium through a Belgian permanent establishment are generally subject to the same regime as Belgian resident companies.

4.7.3. Tax on stock exchange transactions

The purchase and the sale and any other acquisition or transfer for consideration of existing Shares (secondary market) in Belgium through a professional intermediary is subject to the tax on the stock exchange transactions of 0,25 per cent of the purchase price, capped at EUR 740 per transaction and per party. Upon the issue of new Shares (primary market), no tax on stock exchange transactions is due.

No tax on stock exchange transaction is due by (1) professional intermediaries described in Article 2, 9° and 10° of the Belgian Law of 2 August 2002 where they act their own account, (2) insurance companies described in Article 2, §1 of the Belgian Law of 9 July 1975 acting on their own account, (3) professional retirement institutions referred to in Article 2, 1° of the Belgian Law of 27 October 2006 concerning the supervision of institutions for occupational pension acting on their own account and (4) collective investment institutions acting for their own account.

Belgian non-residents who purchase or otherwise acquire on transfer, for considerations, existing Shares in Belgium (secondary market) on their own behalf through a professional intermediary may be exempt from the tax on stock exchange transactions if they deliver a sworn affidavit to the intermediary confirming their non-resident status.

4. DESCRIPTION OF THE COMPANY

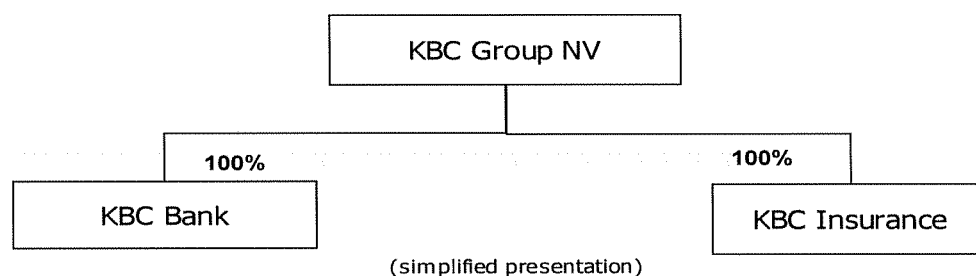
4.1. History and development

KBC Group NV was incorporated in Belgium on 9 February 1935 for an indefinite duration in the form of a public limited liability company (with number BE-0403.227.515) as Kredietbank NV. On 3 June 1998 Kredietbank NV contributed its totality to KBC Bank NV. At the same time Kredietbank NV changed its name into KB ABB Cera Bank and Insurance Holding Company NV. On 27 April 2000 KB ABB Cera Bank and Insurance Holding Company NV changed its name into KBC Bank and Insurance Holding Company NV. On 2 March 2005 KBC Bank and Insurance Holding Company NV changed its name into KBC Group NV.

The Company operates under Belgian laws, and has its registered office at 2 Havelaan, BE-1080 Brussels, Belgium and it can be contacted via its Telecenter (+32) (0) 78 152 154.

KBC Group NV is a financial holding company which has as its object the direct or indirect ownership and management of shareholdings in other companies, including but not restricted to credit institutions, insurance companies and other financial institutions. The Company also has as object to provide support services to third parties, as mandatory or otherwise, in particular to companies in which the Company has an interest – either directly or indirectly. The Company may do everything that directly or indirectly can contribute to the realisation of its purpose in the widest sense.

A simplified chart of KBC Group NV's legal structure is provided below. KBC Bank NV and KBC Insurance NV each have a number of subsidiaries, a list of which is available on www.kbc.com.



4.2. Articles of association

Object of the Company

The Company is a financial holding company, which has as its purpose the direct or indirect holding and management of shareholdings in other companies, including but not restricted to credit institutions, insurance companies and other financial institutions.

The Company also has as object to provide support services for third parties, as mandatory or otherwise, in particular for companies in which the Company has an interest – either directly or indirectly.

The Company may do everything that directly or indirectly can contribute to the realisation of its purpose in the widest sense.

Corporate bodies

The *Board of Directors* has powers to perform everything which is necessary or useful for the implementation of the Company's object, with the exception of what, pursuant to the law, solely another body is empowered to perform.

The Company is to be administered by a board of at least three (3) directors - who may or may not be shareholders - appointed by the General Meeting, on condition that at least three (3) members of the Board of Directors have the

capacity of independent director in accordance with the Belgian Companies Code. The mandate of director may at all times be revoked.

The term of office of directors amounts to six years at the most (in practice four years) and expires after the annual Ordinary General Meeting. Outgoing directors shall always be eligible for re-election.

If a directorship falls vacant as a result of decease, resignation, dismissal or any other reason, the remaining directors may provisionally arrange for the replacement. In that case, the next General Meeting shall proceed to a definitive appointment. A director appointed to replace a director whose term of office had not yet come to an end will complete this term of office, unless the General Meeting opts for a different term of office, when making the definitive appointment.

The Board of Directors elects from among its members a chairman and, possibly, one or more vice-chairmen and holders of other offices. The Board of Directors shall appoint its secretary, who need not be a director.

The Board of Directors has delegated its management powers to an *Executive Committee* pursuant to Article 524 *bis* of the Belgian Companies Code. This delegation may not relate to general policy or acts which by law are reserved for the Board of Directors. The Board of Directors is responsible for supervision of the Executive Committee.

The Executive Committee comprises maximum 10 members. Together, they form a collective body. The president of the Executive Committee is appointed by the Board of Directors on the proposal of the Executive Committee.

Provisions preventing a change of control

Authorized Capital The Board of Directors is authorised to increase the share capital in one or more steps by nine hundred million euros (EUR 900.000.000), under the terms and conditions to be determined by the Board of Directors.

In addition, the Board of Directors is authorised to determine the dividend entitlement of the shares that will be issued following the capital increases carried out under the above authority. The Board of Directors may exercise this authority during the five years following the publication of the amendment to the articles of association decided upon by the Extraordinary General Meeting of Shareholders of 30 April 2009. This authority can be extended in accordance with the prevailing statutory provisions.

The increases of capital decided upon under this authority may be carried out, within the confines of the law, by both contributions in cash or in kind and by the incorporation of reserves, including the share premium account unavailable for distribution. The reserves may be incorporated with or without new shares being issued.

Upon deciding to increase capital within the framework of this authorisation via the issue of new shares for cash, the Board of Directors is authorised, in the Company's interest, to repeal or restrict the pre-emptive rights of existing shareholders. The Board may also do so to the benefit of one or more specific persons. In the event of the repeal or restriction of the pre-emptive rights, the Board of Directors may grant a right of precedence to the existing shareholders on allotment of the new shares.

Furthermore, the Board of Directors is authorised to decide on the issue in one or more steps of convertible bonds, subordinated or otherwise, or warrants, attached or unattached to bonds, subordinated or otherwise, which may lead to increases of capital by up to the amount specified above.

To this end, the Board of Directors is also authorised to determine the dividend entitlement of the shares that will be issued following the conversion of the bonds or exercise of the warrants. The Board of Directors may exercise this authority during the five years following the publication of the amendment to the Articles of association decided upon by the Extraordinary General Meeting of Shareholders of 30 April 2009. This authority can be extended in accordance with the prevailing statutory provisions.

Upon deciding to issue these bonds or warrants, the Board of Directors is authorised, in the Company's interest and within the confines of the law, to limit or suspend the pre-emptive rights of existing shareholders. The Board may

also do so upon the issue of the aforementioned bonds or warrants to the benefit of one or more specific persons, on the understanding that, upon the issue of the warrants, the warrants may not be destined primarily for one or more specific persons other than employees of the Company or of one or more of its subsidiaries. In the event of the suspension or limitation of the pre-emptive rights, the Board of Directors may grant a right of precedence to the existing shareholders on allotment of the bonds or warrants.

The Board of Directors is, pursuant to Article 607 of the Belgian Companies Code, especially empowered for a period of three years starting from 28 April 2011 to make capital increases in accordance with the terms and conditions and within the limits laid down in the Belgian Companies Code even after the date of receipt of the notification from the FSMA of a public bid for the securities of the Company, within the limits of the existing authorisation as detailed in Articles 7A and 7B of the Articles of Association.

Acquisition and disposal of the Company's own shares (art. 11 AoA)

The Board of Directors of the Company, as well as the Boards of Directors of the companies in which the Company alone or pursuant to a shareholders' agreement directly holds, exercises or controls the majority of the voting rights, or in which the Company has the right to directly appoint the majority of the directors or business managers, are authorised, without a resolution of the General Meeting of the Company being required, to acquire or dispose of the Company's own shares or profit-sharing certificates whether or not convertible into shares whenever the acquisition or disposal thereof is necessary to prevent the Company suffering imminent serious disadvantage. The above-mentioned Boards of Directors may proceed to such acquisition or disposal during the three years following the publication of the amendment to the articles of association decided upon by the Extraordinary General Meeting of 3 May 2012.

4.3. Capital of the Company and Major Shareholders

At 31 December 2012 there were 416.967.355 ordinary shares of KBC Group NV in circulation. KBC Group NV's shares are (with exception of the approx. 23 million Shares, see below) listed on NYSE Euronext Brussels and the Luxembourg Stock Exchange. The share capital as at 31 December 2012 amounted to EUR 1.450.401.448. In 2012, the number of shares had been increased through two capital increases:

- a first capital increase on 13 December 2012 (see the press release of 10 December 2012, available on www.kbc.com) following which the share capital increased by EUR 204.746.823,12 to EUR 1.449.873.364,87 and the total number of shares increased by 58.835.294 to 416.815.607 shares. The total number of voting rights also increased by 58.835.294 to 416.815.607. The 58.835.294 new ordinary shares were placed at a price of EUR 21.25 per share, resulting in gross cash proceeds of EUR 1.250.250.000. The offering comprised approximately 35,8 million new ordinary shares which were listed on 13 December 2012 and 23 million new registered shares which were swapped with a core shareholder (M.R.B.B. CVBA) against existing ordinary shares held by it and which are to be listed pursuant to this prospectus.

- a second capital increase on 19 December 2012, being the traditional annual capital increase reserved for the employees of KBC Group NV and some of its Belgian subsidiaries. The share capital was increased by EUR 528.083,04 to EUR 1.450.401.447,91 and the total number of shares increased by 151.748 to 416.967.355 shares. The total number of voting rights also increased by 151.748 to 416.967.355.

Based on the most recent notifications made under the Belgian transparency rules or (if more recent) disclosures made under the Belgian law on public takeover bids, or other public disclosures (such as press releases), the shareholder structure of KBC Group NV on 31 December 2012 was as follows (further updates regarding the shareholder structure of KBC Group NV can be found on www.kbc.com under "Investor relations – shareholder structure").

- KBC ANCORA: following KBC Group NV's capital increase announced on 10 December 2012, KBC Ancora announced that the number of KBC Group NV shares held by it remained unchanged at 82.216.380 (19,72% of the total number of KBC Group NV shares at 31 December 2012)

- CERA: following KBC Group NV's capital increase announced on 10 December 2012, CERA announced that the number of KBC Group NV shares held by it increased to 29.227.166 (7.01% of the total number of KBC Group NV shares at 31 December 2012)
- MRBB and the other core shareholders: according to the last notification of 30 June 2011, MRBB at that time held 12,9% and the other core shareholders (together) circa 11% of the number of KBC Group NV shares (357.938.193 shares). In a voluntary update beginning of year 2013, MRBB stated to hold 12,8% of the number of shares in the Company after the capital increase.
- KBC-companies: following the sale on 16 October 2012 of all KBC Group NV shares held by KBC Group NV itself and by KBC Bank NV, only 302 KBC Group NV-shares remain held by KBC-companies
- BlackRock Inc: based on the last notification of 6 December 2012, BlackRock held at that time some 3.08% of the number of KBC Group NV shares (357.980.313 shares). No other notification was received since that date, meaning that the 3% shareholding has not decreased and that the threshold of 5% shareholding was not reached.

In accordance with Article 18 of the Act of 2 May 2007 concerning the disclosure of significant participations in issuers whose shares are admitted to trading on a regulated market, the disclosure obligations under Articles 6 through 17 of the above Act are triggered as soon as a person, directly or indirectly, holds securities carrying voting rights and/or has voting rights representing 3% or more of the total existing voting rights.

This does not prejudice the legally mandated notifications as soon as the securities carrying voting rights and/or the voting rights reach the 5% threshold of the total existing voting rights, or a multiple thereof.

4.4. Ratings of KBC Group NV

Long-term ratings of KBC Bank (as at 31 December 2012)

Fitch	A- (stable outlook)
Moody's	Baa1 (stable outlook)
Standard & Poor's	BBB+ (positive outlook)

Ratings are subject to change. Various ratings exist. Investors should look at www.kbc.com for the most recent ratings and for the underlying full analysis provided by each rating agency to understand the meaning of each rating.

Each of Fitch, Moody's and S&P is established in the European Union and is included in the updated list of credit rating agencies registered under Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies published on the European Shares and Markets Authority's ("ESMA") website (<http://esma.europa.eu/page/List-registered-and-certified-CRAs>).

Fitch France S.A.S. ("**Fitch**"): 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. (Source: www.fitchratings.com).

Moody's France S.A.S. ("**Moody's**"): Obligations rated 'Baa' are judged to be medium grade quality and are subject to a moderate credit risk and may, as such, possess certain speculative characteristics. (Source: www.moodys.com).

Standard & Poor's Credit Market Services Italy Srl. ("**Standard & Poor's**"): An obligation rated 'BBB' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong. (Source: www.standardandpoors.com).

The description of the ratings provided above has been extracted from the specified website of the relevant rating agency. The Company confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. The web-site of the relevant rating agencies have been provided as sources only, and no information from any such web-site is deemed to be incorporated in or forms part of this Prospectus. The Company does not take any responsibility for the information contained in any such website.

4.5. Organisational structure

On 8 October 2012, KBC Group NV announced its strategic plan for the future. Six drivers define KBC Group's updated strategy:

- The KBC Group will focus first and foremost on the client.

The KBC Group aims at building and deepening sustainable relationships with retail, SME (small and medium enterprises) and midcap clients. KBC Group's competitive advantage is understanding local clients and tailoring to their local needs. Hence, 'local responsiveness' is the key strategic priority and thus the point of gravity is local.

- KBC Group continues to focus on core bank and core insurance products and services.

KBC Group confirms its long-standing and long-term commitment to its integrated bank-insurance model, a model which KBC Group has mastered and which has produced excellent results through the cycle.

- KBC Group clearly defines its core markets as those markets where it is present with banking and insurance companies.

These core markets are Belgium, the Czech Republic, Hungary, Slovakia and Bulgaria, where the group is strongly embedded in the local economies. All activities which do not contribute to serving the client relationships in KBC Group's core markets will be stopped in principle.

- KBC Group further mobilises cross-border co-operation and group leverage to create cost-efficiencies throughout the group.

International Product Factories and International Service Providers will focus on offering products and services which support and are tailored to the distribution strategy of the business units and help to increase local responsiveness. Exchange of know-how, best practices, experience, products and services between the different business units and corporate functions will be stimulated through communities.

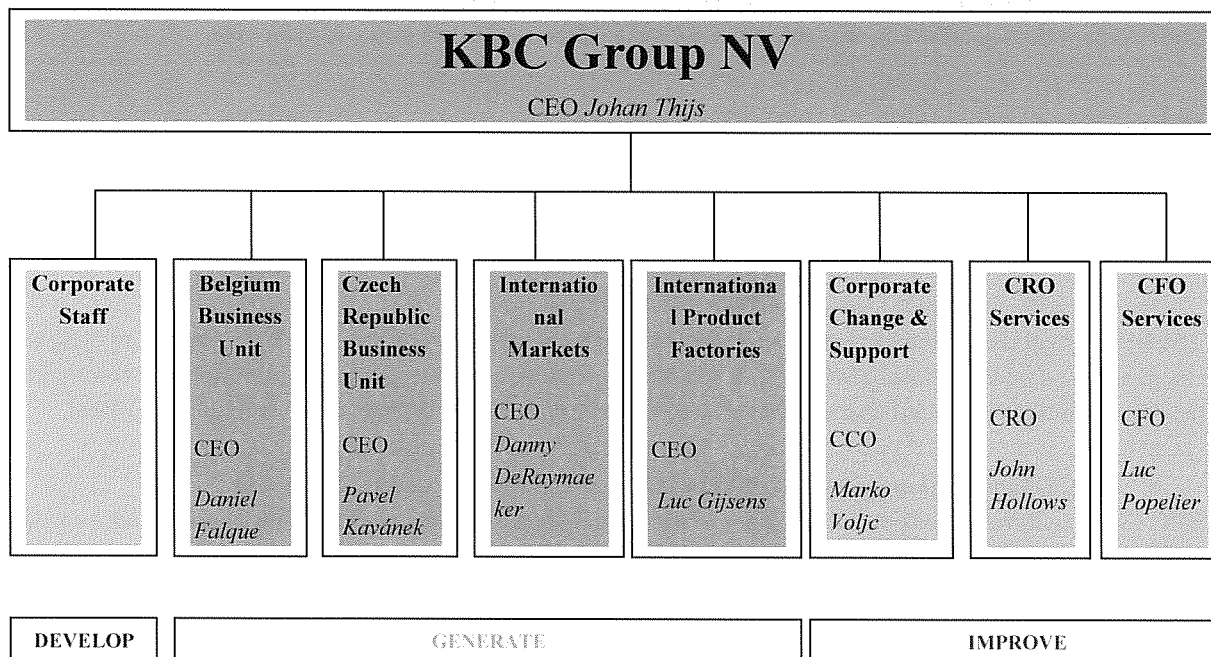
- KBC Group implements a new organisational structure that is fully aligned with the strategic choices and which supports effective decision making and accountability.

The new structure includes, among other things, the creation of a new, separate business unit for the Czech Republic franchise, and clarification of the future role of the Merchant Banking Business Unit. The new structure is highlighted further.

KBC Group commits to a clearly defined group culture. KBC Group will strengthen its agility and responsiveness by emphasising and streamlining performance management and accountability for all staff. A clear link will be established between the strategic priorities and accountability (through key performance indicators). KBC Group plans to improve its cost/income ratio to 55% by 2015, by both increasing revenues and improving efficiency and creating synergies. The combined ratio target for insurance is set at 95% or less. The KBC Group is also targeting a liquidity coverage ratio of 100% and a net stable funding ratio of 105% by 2015. On 10 December 2012, the KBC Group also announced its intention to maintain a fully loaded Basel 3 common equity target ratio of 10% as of 1 January 2013.

The strategic choices are fully reflected in a new group structure, which comprises three building blocks and eight vertical pillars, each focusing on its individual contribution to the KBC Group. The KBC Group NV Executive

Committee will define the 'chalk lines' for each of the pillars outlined below and will monitor and guard them closely. The management structure of KBC Group consists of a number of business units and support services, which are presented in simplified form as follows:



The new management structure as of 2013 comprises three building blocks and eight pillars.

The 'develop' building block consisting of the 'Corporate Staff' pillar is a competence centre for strategic know-how and best practices on corporate organisation and communication. It supports and serves the Group Executive Committee and the business units, and is also dedicated to stimulating corporate collaboration.

The 'generate' building block, consisting of four pillars (i.e. the business units). These business units focus on local business and should contribute to sustainable profit and growth by catering for clients' needs.

The Belgium Business Unit and the Czech Republic Business Unit are both mature market leaders and must ensure stable, growing and high-level profitability.

The International Markets Business Unit contains the other core Central and Eastern European countries (Slovakia, Hungary and Bulgaria) and are viewed as growth generators. KBC Bank Ireland also belongs to this business unit, as well as the remaining non-core entities that are earmarked for divestment. At the date of this Prospectus, Ireland is not considered as a home market of the KBC Group but is also not on the list of divestments agreed with the European Commission.

The International Product Factories Business Unit includes amongst others Asset Management, Trade Finance, Consumer Finance, Markets & Securities.

The 'improve' building block, consisting of the 'Corporate Change & Support', 'CRO Services' and 'CFO Services' pillars, acts as an internal regulator, and must above all support the business units.

Each business unit is headed by a Chief Executive Officer (CEO), and these CEOs, together with the group CEO, the group Chief Risk Officer (CRO), the group Chief Change Officer (CCO) and the group Chief Financial Officer (CFO), constitute the executive committee of the Company.

Compared to the previous management structure and business unit breakdown, the main changes were:

- the split of the former Merchant Banking Business Unit into:
 - o Corporate Banking Belgium, which, in line with the principle of local responsiveness, is shifted to the Belgium Business Unit;

- Activities such as Markets and Securities – global by nature – which have been shifted into the new International Product Factories Business Unit;
- Ireland, which is incorporated into the new International Markets Business Unit.
- based on the focus on local economies and the integrated relationship bank-insurance model, the other corporate banking activities are positioned as part of each local business unit.
- the split of the former Shared Services & Operations Business Unit into:
 - Country and international product factories. Truly international product factories (eg, KBC Asset Management and KBC Securities) are moved into the new International Product Factories Business Unit. Other, not truly international, product factories (eg Lease) are divided into the different business units as (embedded) Country Product Factories; and
 - International service providers (eg internal ICT department) are moved into the new Corporate Change & Support Division.
- the split of the former Central and Eastern Europe Business Unit into:
 - a separate business unit for the Czech Republic
 - the activities in the other Central and Eastern European Countries (Slovakia, Hungary, Bulgaria) are moved to the International Markets Business unit.

4.6. Main companies belonging to KBC Group NV (as of 31 December 2012)

Company	Registered office	Ownership percentage at group level	Activity
KBC BANK			
Fully consolidated subsidiaries			
Absolut Bank (sale agreement signed)	Moscow – RU	99,00	Credit institution
Antwerp Diamond Bank NV (to be sold)	Antwerp – BE	100,00	Credit institution
CBC Banque SA	Brussels – BE	100,00	Credit institution
CIBANK EAD	Sofia – BG	100,00	Credit institution
ČSOB a.s. (Czech Republic)	Prague – CZ	100,00	Credit institution
ČSOB a.s. (Slovakia)	Bratislava – SK	100,00	Credit institution
KBC Asset Management NV	Brussels – BE	100,00	Asset management
KBC Bank NV	Brussels – BE	100,00	Credit institution
KBC Bank Deutschland AG (to be sold)	Bremen – DE	100,00	Credit institution
KBC Bank Funding LLC & Trust (group)	New York – US	100,00	Issuance of trust preferred securities
KBC Bank Ireland Plc	Dublin – IE	100,00	Credit institution
KBC Commercial Finance NV	Brussels – BE	100,00	Factoring
KBC Credit Investments NV	Brussels – BE	100,00	Investment in credit-related securities
KBC Finance Ireland	Dublin – IE	100,00	Lending
KBC Financial Products (group)	Various locations	100,00	Equities and derivatives trading
KBC Internationale Financieringsmaatschappij NV	Rotterdam – NL	100,00	Issuance of bonds
KBC Lease (group)	Various locations	100,00	Leasing
KBC Securities NV	Brussels – BE	100,00	Stock exchange broker, corporate finance
K&H Bank Rt.	Budapest – HU	100,00	Credit institution
Associated companies			
Nova Ljubljanska banka d.d. (sale agreement signed)	Ljubljana – SI	22,04	Credit institution
KBC INSURANCE			
Fully consolidated subsidiaries			
ADD NV	Heverlee – BE	100,00	Insurance company
ČSOB Pojišťovna (Czech Republic)	Pardubice – CZ	100,00	Insurance company
ČSOB Poist'ovňa a.s. (Slovakia)	Bratislava – SK	100,00	Insurance company
DZI Insurance	Sofia – BG	100,00	Insurance company
VAB Group	Zwijndrecht – BE	79,81	Automobile assistance
K&H Insurance Rt.	Budapest – HU	100,00	Insurance company
KBC Banka A.D. (to be sold)	Belgrade – RS	100,00	Credit institution
KBC Group Re SA	Luxembourg – LU	100,00	Insurance company

KBC Insurance NV	Leuven – BE	100,00	Insurance company
Proportionately consolidated subsidiaries			
NLB Vita d.d.	Ljubljana – SI	50,00	Insurance company
KBC GROUP NV (other direct subsidiaries)			
Fully consolidated subsidiaries			
KBC Global Services NV	Brussels – BE	100,00	Group service provider
KBC Group NV	Brussels – BE	100,00	Holding company

A full list of companies belonging to KBC Group NV is provided in its 2011 Annual Report.

4.7. Principal markets and activities

Market position in the home countries of Central and Eastern Europe*		Czech Republic	Slovakia	Hungary	Bulgaria
Market share	Banking	20%	10%	8%	2%
(own KBC estimates)	products	30%	8%	20%	-
	Investment	8%	5%	3%	13%
	funds	6%	3%	4%	11%
	Life insurance				
	Non-life insurance				
Bank branches		322**	132	236	109
Insurance network			Via various distribution channels		

* Market shares: own estimates, based on, inter alia, data from Czech National Bank, Czech Insurance Association, National Bank of Slovakia, Slovak Association of Insurers, National Bank of Hungary, Association of Hungarian Insurance Companies, Bulgarian National Bank, Financial Supervision Commission of Bulgaria etc. Markets share banking products: average of the market share in credits and in customer deposits.

** CSOB Bank+ Postal Saving Bank branches.

In the Central and Eastern European region, the KBC Group focuses on 4 home countries, being the Czech Republic, Hungary, Slovakia and Bulgaria. The main KBC Group Central- and Eastern European entities in those home markets are CIBANK and DZI Insurance (both in Bulgaria), ČSOB and CSOB Poist'ovna (both in Slovakia), ČSOB and CSOB Pojist'ovna (both in the Czech Republic), and K&H Bank and K&H Insurance (both in Hungary). The sale contract for Absolut Bank (in Russia) has been signed but the transaction is not completed yet. Nova Ljubljanska banka (NLB, in Slovenia; minority share) and Kredyt Bank and WARTA (both in Poland) also belong to the KBC Group, have been divested (see further pg. 51).

In its four home countries, the KBC Group caters to an estimated 6 million customers, which makes KBC Group one of the larger financial groups in the Central & Eastern European region. In general, the KBC Group companies focus on providing clients with a broad area of credit (including mortgage loans), deposit, investment fund and other asset management products, life and non-life insurance products and other specialised financial banking products and services. Just as in Belgium, the bricks-and-mortar networks in Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephone and the Internet.

KBC Group's bancassurance concept has over the past few years been exported to its Central and Eastern European entities. In order to be able to do so, the KBC Group has acquired in each Central and Eastern European core country both a banking and an insurance subsidiary. Contrary to the situation of KBC Bank NV in Belgium, KBC Group's insurance companies in Central and Eastern Europe operate not only via tied agents (and bank branches) but also via other distribution channels, such as insurance brokers and multi-agents.

The KBC Group's estimated market share (the average of the share of the lending market and the deposit market, see table) came to 20 per cent. in the Czech Republic, 10 per cent. in Slovakia, 8 per cent. in Hungary, and 2 per cent. in Bulgaria (rounded figures). The market shares in both Serbia and Russia are limited. KBC Group also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 30 per cent. in the Czech Republic, 8 per cent. in Slovakia, and 20 per cent. in Hungary). The estimated market shares in insurance are (figures for life and non-life insurance, respectively): Czech republic: 8 per cent. and 6 per cent., Slovakia 5 per cent. and 3 per cent., Hungary 3 per cent. and 4 per cent. and Bulgaria 13 per cent and 11 per cent.

The most important entities in Central and Eastern Europe that have been or are to be divested, in line with the EU Plan (see below), are Absolut Bank (Russia), KBC Banka (in Serbia), (the minority share in) Nova Ljubljanska banka (in Slovenia) and Kredyt Bank and WARTA (both in Poland). WARTA was sold in July 2012. KBC Bank NV has concluded an agreement with Banco Santander S.A. with regard to the merger of the respective Polish subsidiaries, Bank Zachodni WBK and Kredyt Bank, ultimately with the aim to divest KBC Bank NV's shareholding in the merged bank (deal not yet fully finalised). Moreover, also Zagiel (Poland), KBC Securities Baltic Investment Company (Latvia), KBC Autolease Polska (Poland) and the Serbian and Romanian activities of KBC Securities have been sold. In December 2012, sale agreements for both Absolut Bank (Russia) and the minority share in NLB (Slovenia) were signed (but the transactions not yet closed). KBC Banka (Serbia) still needs to be divested.

Note that KBC Bank NV's 2011 Annual Report, section 'Report of the Board of Directors' also provides details on the loan portfolio of K&H Bank in Hungary, a feature of which is the relatively large share of retail loans in foreign currency. New legislation in Hungary regarding this issue caused K&H Bank to book significant additional loan loss provisions in 2011.

Activities in the rest of the world

The presence of the KBC Group outside Belgium and Central and Eastern Europe consists of a number of subsidiaries and a (limited) network of foreign branches of KBC Bank NV. In the past few years, this international presence has been downscaled.

The foreign branches of KBC Bank NV are located mainly in Western Europe, Southeast Asia and the U.S. and focus on serving customers that already do business with KBC Bank NV's Belgian or Central and Eastern European network. In the past years, many of the other (niche) activities of these branches have been built down, stopped or sold, and the pure international credit portfolio has been scaled down.

A number of subsidiaries of KBC Bank NV is also active in countries outside the home markets. These include, among others, KBC Bank Deutschland (which is to be divested) and KBC Bank Ireland. The latter is an Irish bank that provides financial services to SMEs and corporate customers, and also has a sizeable share of its home loan market. The Company's annual report provides details on the portfolio of this Irish subsidiary. In 2011, KBC Bank NV set aside approximately EUR 0.5 billion in additional loan loss provisions for this Irish loan book and as at end 2011, approximately 17.7 per cent. of the Irish loan book was classified as non-performing. In 2012, EUR 0.5 billion in additional loan loss provisions were booked and as at 31 December 2012, 23 per cent. of the portfolio was non-performing.

The KBC Group also provides specialised corporate services via subsidiaries that specialise in the area of real estate services, leasing, finance for the diamond trade, etcetera, many of which have activities outside KBC Group's home markets. In the EU Plan, a large number of these activities were considered non-core and marked for divestment. Since 2010, inter alia following subsidiaries were divested: KBC Peel Hunt (UK), various activities of KBC Financial Products (various countries), the British and Irish activities of KBC Asset Management, KBC Business Capital (UK), KBC Concord Asset Management (Taiwan), KBC Goldstate (China), KBC Lease Deutschland (Germany).

The main entity outside Belgium and Central and Eastern Europe that still has to be divested is KBC Bank Deutschland.

4.8. Competition

All of KBC Group's operations face competition in the sectors they serve.

Depending on the activity, competitor companies include other commercial banks, saving banks, loan institutions, consumer finance companies, investment banks, brokerage firms, insurance companies, specialised finance companies, asset managers, private bankers, investment companies etc.

In both Belgium and Central & Eastern Europe, KBC Group has an extensive network of branches and KBC Group believes most of its companies have strong name brand recognition in their respective markets.

In Belgium, the KBC Group, with its 820 retail and private banking offices and 481 insurance agencies², is perceived as one of the top three financial institutions having (end 2012³) 3,4 million clients and an estimated market share of 20 per cent. for traditional banking products, 35 per cent. for mutual funds, 17 per cent. for life insurance and 9 per cent. for non-life insurance.

For certain products or activities, the KBC Group estimates it has a leading position (e.g. in the area of investment funds). The main competitors in Belgium are BNP Paribas Fortis, Belfius and ING, although for certain products, services or markets, other financial institutions may also be important competitors.

In its Central & Eastern European home market the KBC Group is one of the leading financial groups (see market shares), occupying significant positions in banking. In this respect, the KBC Group competes in each of these countries against local financial institutions, as well as subsidiaries of other large foreign financial groups (such as Erste Bank, Unicredit and others).

In the rest of the world, KBC Group's presence primarily consists of a limited number of branches and subsidiaries. In this case, the KBC Group faces competition both from local companies and international financial groups.

² The number of offices includes the offices of CBC Banque SA which service both retail as corporate clients, and the social profit and public sector offices of the KBC Group.

³ The data on market share and customers are based on own estimates; regarding market shares use is made of data from the NBB Schedule A and from BEAMA and Assuralia. The data on the market share for traditional banking products describe the average of the estimated market share of the Company for loans and deposits, including larger companies. The data on the market share for life insurance include both branch 21 and branch 23 products.

4.9. Strategic plan of KBC Group NV

Since 2009, the Company has been working on a strategic analysis of its group-wide activities and of the economic and financial environment the KBC Group currently operates in. This effort has resulted in a strategic plan, which has been tested under different macroeconomic scenarios. The plan analysed KBC Group's business and its proposed future strategy, and also served as a basis for the European Commission to assess the Company's capacity to redeem the capital securities subscribed by the Belgian State and the Flemish Region of Belgium within a reasonable timeframe. This is common practice for European financial institutions that have taken part in economic stimulus plans launched by the EU Member States. The plan was cleared by European regulatory authorities on 18 November 2009.

Due to the impact of certain changes in the regulatory environment (especially Basel III and draft IFRS on leases), and the difficulty involved in floating K&H Bank in the current circumstances, some measures presented in the initial strategic plan had become less effective or less feasible in achieving the intended aim of repaying the state aid in a timely manner. In 2011, KBC Group proposed to replace the initial public offerings of a minority stake in CSOB Bank (Czech Republic) and K&H Bank (Hungary) and the sale and lease back of the headquarter offices in Belgium foreseen in the initial strategic plan, with the divestment of Kredyt Bank and Warta in Poland and the sale or unwind of selected ABS (asset backed securities) and CDO (collateralised debt obligations) assets. This proposal was accepted by the EU Commission on 27 July 2011 (the "EU Plan").

In this strategic plan, basis for the EU Plan, KBC Group refocuses on its core bancassurance activities in Belgium and 4 selected countries in Central and Eastern Europe (Czech and Slovak Republics, Hungary and Bulgaria). A number of subsidiaries and activities, many of which related to investment banking activities, are already or will be downscaled or sold. International corporate lending outside the home markets is to be downscaled.

For the (former) Belgium Business Unit, it was decided to divest the complementary sales channels of Centea and Fidea. In July 2011, Centea was sold to Landbouwkrediet/Crédit Agricole (Belgium). In March 2012, Fidea was sold to J.C. Flowers & co.

For the (former) Central and Eastern Europe Business Unit, it was decided to focus on the Czech and Slovak Republics, Hungary and Bulgaria and to divest the presence in the other Central and Eastern European countries, namely Kredyt Bank and Warta in Poland, Absolut Bank in Russia, KBC Banka in Serbia, the minority stake in Nova Ljubljanska banka (NLB) in Slovenia and Zagiel (Polish consumer finance). In July 2012, Warta was sold to Talanx (Germany). In February 2012, KBC Bank NV and Banco Santander announced their intention to merge their respective Polish banking subsidiaries, Kredyt Bank and BZ WBK; the merger was signed by both entities management boards in May 2012 and approved by both entities general shareholders meeting, as well as by the EU competition authorities. Early December 2012, approval was obtained from the Polish Financial Supervision Authority KNF. In July 2012, Zagiel was sold to Santander Consumer Finance. Agreements on the divestment of Absolut Bank and NLB have been respectively signed on 24 and 28 December 2012. The divestment of NLB has already been closed, while the divestment of Absolut Bank is still pending. The divestment of KBC Banka (Serbia) is still outstanding.

For the (former) Merchant Banking Business Unit, the objective was to exit in an orderly manner from the bulk of the lending and investment banking activities that do not have clear synergies with the Belgium and Central and Eastern European markets. This meant the closure of some branches and the sale of a number of subsidiaries. As at the end of 2012, the bulk of the divestments was finalised, with the exception of Antwerp Diamond Bank and KBC Bank Deutschland. Moreover, the international credit portfolio outside the home markets has been downscaled.

The entire former European Private Banking Business Unit (consisting of KBL European Private Bankers and Vitis Life) was considered non-core and was sold in July 2012 to Precision Capital.

4.10. Risk management

Through its banking, insurance and asset management activities, the Company is exposed to a number of typical risks such as – but certainly not exclusively – credit risk, market risk, liquidity risk, insurance risk and operational risk. It is part of the business risk that the macroeconomic environment and the ongoing restructuring under the Strategic Plan may have a negative impact on asset values or generate additional charges beyond anticipated levels.

Risk management in the KBC Group is implemented group-wide. As a consequence, the risk management for the Company is embedded in the KBC Group risk management and cannot be isolated from it. A description of risk management is available in the 2011 Risk Report of KBC Group NV, available on www.kbc.com.⁴

Below is a description of credit risk, market risk (trading & non-trading activities), liquidity risk, insurance risk and operational risk. A selection of figures on credit risk, Asset and Liability Management (“ALM”) and market risk in trading activities are provided further on.

Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non performance by a contracting party (for instance, a borrower, guarantor, insurer or re-insurer, counterparty in a professional transaction or issuer of a debt instrument), due to that party’s insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country (country risk). Credit risk thus encompasses default risk and country risk, but also includes migration risk, which is the risk for adverse changes in credit ratings.

Market risk in trading activities is defined as the potential negative deviation from the expected economic value of a financial instrument caused by fluctuations in market prices, e.g. interest rates, exchange rates and equity or commodity prices. Market risk also covers the risk of price fluctuations in negotiable securities as a result of credit risk, country risk and liquidity risk. The interest rate, currency and equity risks of the non-trading positions in the banking book are all included in ALM.

Market risk in non-trading activities (also known as ALM) is the process of managing KBC Group’s structural exposure to market risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk and inflation risk.

Liquidity risk is the risk that an organisation will be unable to meet its payment obligations as they come due, without incurring unacceptable losses. The principal objective of KBC Group’s liquidity management is to be able to fund such needs and to enable the core business activities of KBC Group to continue to generate revenue, even under adverse circumstances.

(Technical) *insurance risk* is the potential negative deviation from the expected value of an insurance contract or pension claim (or a portfolio thereof).

Operational risk is the risk of loss resulting from inadequate or failed internal procedures, people and systems or from external events. Operational risks include the risk of fraud, and legal, compliance and tax risks.

KBC Group’s risk governance framework defines the responsibilities and tasks required to manage value creation and the associated risks. During 2012, KBC Group’s risk management framework underwent significant changes with regard to governance and structure. The goal of these changes was to further improve KBC Group’s ability to deal decisively with major economic events in the future by creating an adjusted and comprehensive integrated model that aligns all dimensions of risk, capital and value management.

Credit risk

As far as the banking activities are concerned, the main source of credit risk is the loan and investment portfolio. The loan & investment portfolio is primarily comprised of products from pure, traditional lending activities. It includes all retail lending such as mortgage loans and consumer loans, all corporate lending such as (committed and uncommitted) working capital credit lines, investment credit, guarantee credit and credit derivatives (protection sold) and all non-government debt securities in the investment books of KBC Group’s bank entities. The table

⁴ https://multimediafiles.kbcgroup.eu/ng/published/KBCCOM/PDF/COM_RVK_pdf_risk_report_2011_EN.pdf

below excludes other credit risks, such as issuer risk related to trading activities, counterparty risk associated with interprofessional transactions, international trade finance (documentary credit, etc.) and government bonds.

Loan portfolio, KBC Group*

	31 December 2010	31 December 2011	31 December 2012
Total loan portfolio (in billions of EUR)			
Amount granted.....	192	186	167
Amount outstanding.....	161	156	141
Loan & investment portfolio breakdown by business unit (as a per cent., of the portfolio of credit granted)			
Belgium.....	31 per cent.	34 per cent.	39 per cent.
CEE.....	18 per cent.	19 per cent.	22 per cent.
Merchant banking.....	36 per cent.	37 per cent.	37 per cent.
Group Centre (includes planned divestments).....	15 per cent.	10 per cent.	1 per cent.
Total.....	100 per cent.	100 per cent.	100 per cent.
Loan & investment portfolio breakdown by sector (selected sectors as a per cent. of the portfolio of credit granted)			
Private individuals	37 per cent.	36 per cent.	37 per cent.
Financial and Insurance services	7 per cent.	6 per cent.	6 per cent.
Governments	3 per cent.	4 per cent.	3 per cent.
Corporates	52 per cent.	54 per cent.	53 per cent.
Non-financial services	10 per cent.	10 per cent.	11 per cent.
Retail and wholesale trade	8 per cent.	8 per cent.	8 per cent.
Real estate	7 per cent.	7 per cent.	7 per cent.
Construction	5 per cent.	5 per cent.	5 per cent.
Other ⁵	22 per cent.	23 per cent.	22 per cent.
Total.....	100 per cent.	100 per cent.	100 per cent.
Impaired loans (in millions of EUR or per cent.)			
Amount outstanding.....	10,950	11,234	10,757
Specific loan impairments.....	4,696	4,870	4,614
Portfolio-based loan impairments.....	353	371	244
Credit cost ratio, per business unit			
Belgium.....	0.15 per cent.	0.10 per cent.	0.11 per cent.
CEE.....	1.16 per cent.	1.59 per cent.	0.40 per cent.
Merchant Banking.....	1.38 per cent.	1.36 per cent.	1.42 per cent.
Group Centre (includes planned divestments).....	1.17 per cent.	0.36 per cent.	1.44 per cent.
Total.....	0.91 per cent.	0.83 per cent.	0.71 per cent.
Non-performing (NP) loans (in millions of EUR or per cent.)			

⁵ Individual sector shares not exceeding 3 per cent.

	31 December 2010	31 December 2011	31 December 2012
Amount outstanding	6,551	7,580	7,397
Specific loan impairments for NP loans	3,287	3,875	3,626
Non-performing ratio, per business unit.....			
Belgium.....	1.5 per cent.	1.5 per cent.	1.6 per cent.
CEE.....	5.3 per cent.	5.6 per cent.	5.2 per cent.
Merchant Banking.....	5.2 per cent.	7.8 per cent.	9.8 per cent.
Group Centre (includes planned divestments).....	5.8 per cent.	5.5 per cent.	6.1 per cent.
Total.....	4.1 per cent.	4.9 per cent.	5.3 per cent.
Cover ratio.....			
Specific loan impairments for NP loans/Outstanding NP loans ..	50 per cent.	51 per cent.	49 per cent.
<i>Idem</i> , excluding mortgage loans.....	60 per cent.	63 per cent.	63 per cent.
Specific and portfolio-based loan impairments for performing and NP loans/outstanding NP loans	77 per cent.	69 per cent.	66 per cent.
<i>Idem</i> , excluding mortgage loans.....	96 per cent.	89 per cent.	91 per cent.

* including Centea at 31 March 2011

The normal loan portfolio is split into internal rating classes ranging from 1 (lowest risk) to 9 (highest risk) reflecting the probability of default (“PD”). An impaired loan is assigned an internal rating ranging from PD 10 to PD 12. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral. Class 11 is assigned to obligors that are more than 90 days past due (in arrears or overdrawn), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which there is reason to believe that they are unlikely to pay (on time), yet are still performing and do not meet the criteria for classification as PD 11 or PD 12. In respect of these impaired loans (PD 10 to PD 12), specific loan impairments are recorded under the net present value of the recoverable amount. In addition, a portfolio-based impairment for credit in PD classes 1 to 9 is recognised (based on a formula).

The “**non-performing ratio**” is defined as the amount outstanding of non-performing loans (PD 11 and PD 12) divided by the total outstanding loan portfolio. The “**credit cost ratio**” is defined as net changes in specific and portfolio-based impairment for credit risks divided by the average outstanding loan portfolio.

Other credit risks:

As mentioned above, the loan portfolio clearly constitutes the main source of credit risk for the KBC Group. However, a number of activities that are excluded from the credit portfolio figures also contain an element of credit risk, such as short-term commercial exposure (this activity involves export or import finance (documentary credit, pre-export and post-import finance, etc.) and only entails exposure to financial institutions. Risks associated with this activity are managed by setting limits per financial institution and per country or group of countries). Information on risks related to counterparty risk of inter-professional transactions (refers to settlement and the pre-settlement risk of derivatives), trading book securities - issuer risk (refers to the potential loss on default by the issuer of the trading securities) and the government securities in the investment portfolio of banking and insurance entities, can be found in the 2011 annual report of the Company.

Sovereign debt exposure

At the end of 2010, KBC Group's total portfolio of sovereign bonds of selective countries, being Greece (EUR 0,6 billion), Portugal (EUR 0,3 billion), Spain (EUR 2,3 billion), Italy (EUR 6,6 billion) and Ireland (EUR 0,5 billion), amounted to EUR 10 billion. Following the decline in the state of the Greek economy and the – at the time – ongoing discussion related to the restructuring of Greek debt, KBC Group started recording impairments on its Greek Sovereign bonds from the second quarter of 2011 onwards until during the first quarter of 2012 when KBC

Group took part in the exchange operation regarding Greek government bonds. The new Greek government bonds received as part of the exchange of the 'old' Greek government bonds (31,5% of the nominal value of the 'old' government bonds) were valued (prices between 21% and 29%) at the moment of exchange (end of March 2012) leading to a limited remaining carrying value of 43 million euro and a realised loss on AFS and HTM (above the impairments booked in 2011) of about 42 million euro. At the end of September 2012, the carrying value of these bonds amounted to 44 million euro. The new Greek government bonds are classified in level 1 (while the former Greek bonds were classified in level 2), which means they are based again on observable prices in the market.

Over the second half of 2011 KBC Group's portfolio of Italian sovereign bonds decreased significantly from EUR 61 billion to EUR 2,1 billion.

Overview of sovereign bond exposure at year-end 2011 and of sovereign bond exposure on GIIPS countries at year-end 2012

Overview of exposure to sovereign bonds at year-end 2011¹ (in billions of EUR)

Total	Banking and insurance book				Held for trading	Total	For comparison purposes: total at year-end 2010	Breakdown by remaining term to maturity		
	Available for sale	Held to maturity	Designated at fair value through profit or loss	Loans and receivables				Amounts maturing in 2012	Amounts maturing in 2013	Amounts maturing in 2014 and later
GIIPS countries										
Greece	0,1	0,0	0,0	0,0	0,0	0,2	0,6	0,1	0,0	0,1
Portugal	0,1	0,1	0,0	0,0	0,0	0,1	0,3	0,0	0,0	0,1
Spain	1,7	0,2	0,0	0,0	0,0	1,9	2,3	0,5	0,4	1,0
Italy	1,6	0,4	0,0	0,0	0,0	2,1	6,6	0,2	0,3	1,5
Ireland	0,1	0,3	0,0	0,0	0,0	0,4	0,5	0,0	0,0	0,4
KBC home countries										
Belgium	17,7	1,7	3,2	0,0	0,3	22,9	28,6	1,6	4,0	17,4
Czech Rep.	2,1	5,3	0,2	0,0	0,9	8,6	9,7	0,6	0,6	7,3
Hungary	0,5	1,3	0,1	0,2	0,2	2,2	3,3	0,3	0,6	1,4
Slovakia	0,6	0,6	0,0	0,0	0,1	1,3	1,8	0,1	0,2	1,0
Bulgaria	0,1	0,0	0,0	0,0	0,0	0,1	0,1	0,0	0,0	0,1
Other countries										
France	2,1	1,4	0,0	0,0	0,0	3,4	3,3	0,2	0,2	3,0
Poland	1,9	0,9	0,0	0,1	0,0	2,8	3,8	0,4	0,4	2,0
Germany	0,9	0,3	0,0	0,0	1,0	2,1	2,5	0,7	0,2	1,2
Austria	0,3	0,5	0,0	0,0	0,0	0,8	0,9	0,2	0,1	0,6
Netherlands	0,5	0,2	0,0	0,0	0,0	0,7	0,9	0,1	0,0	0,6
Finland	0,2	0,1	0,0	0,0	0,0	0,3	0,4	0,0	0,0	0,3
Rest ²	2,3	0,5	0,1	0,0	0,4	3,3	4,1	1,4	0,1	1,8
Total	32,7	13,8	3,6	0,3	3,1	53,5	69,7	6,5	7,3	39,7

¹ including entities classified as 'disposal groups' under IFRS 5 (Fidea, KBL EPB and WARTA, accounting for an aggregate 4 billion euros at year-end 2011 and 1.6 billion euros (KBL EPB only) at year-end 2010). Excludes exposure to supranational entities of selected countries. The figures for 2010 have been restated from notional to carrying amounts to better represent the actual situation.

² Sum of countries whose individual exposure is less than 0.5 billion euros at year-end 2011.

Sovereign bond exposure on a selection of European countries, in million euro, 31-12-2012						breakdown by remaining term to maturity		
breakdown by portefeuille								
	AFS*	HTM*	FIV*	Trading book	Totaal	maturity date in 2013	maturity date in 2014	maturity date in and after 2015
Greece	0	0	0	0	0	0	0	0
Portugal	38	56	0	0	94	0	0	94
Spain	229	0	0	1	230	12	0	218
Italy	732	152	0	27	911	62	13	837
Ireland	137	314	0	0	452	0	0	452
Total	1137	522	0	29	1 687	74	13	1600

* AFS (available-for-sale), HTM (held-to-maturity), FIV (designated at fair value through profit and loss)

Evolution of sovereign bonds of a selection of European countries, in million euro					
	31/12/2011	31/03/2012	30/06/2012	30/09/2012	31/12/2012
Greece	0,2	0,0	0,0	0,0	0,0
Portugal	0,1	0,1	0,1	0,1	0,1
Spain	1,9	1,9	0,3	0,2	0,2
Italy	2,1	2,0	1,4	0,8	0,9
Ireland	0,4	0,4	0,4	0,4	0,5
Total	4,8	4,4	2,3	1,6	1,7

During the first quarter of 2012, the KBC Group took part in the exchange operation regarding Greek government bonds. The new Greek government bonds received as part of the exchange of the 'old' Greek government bonds (31,5% of the nominal value of the 'old' government bonds) were valued (prices between 21% and 29%) at the moment of exchange end of March 2012 leading to a limited remaining carrying value of EUR 43 million and a realised loss on AFS and HTM (above the impairments booked in 2011) of about EUR 42 million.

During the second and third quarter of 2012, the GIIPS portfolio was substantially reduced:

- the KBC Group reduced its Spanish sovereign bond exposure by selling all its HTM positions (EUR -0,2 billion) as well as a large portion of its AFS bonds (approximately EUR -1,0 billion). Moreover, about EUR 0,4 billion of Spanish sovereign bonds matured. The KBC Group furthermore decided to sell all its Spanish regional government bonds.
- also Italian sovereign bonds were sold. KBC Group's total exposure on Italian sovereign bonds decreased by a total carrying amount of approx. EUR -1,0 billion.
- The sovereign exposure is partially affected by the sale of KBL EPB and Vitis. This resulted in a reduction of sovereign bonds from Italy and Spain for an amount of EUR -0,1 billion for each.

During the last quarter of 2012, the carrying amount of GIIPS sovereign bonds increased slightly with almost EUR 0.1 billion mainly because of the higher fair value of the AFS bonds, while the limited remaining Greek bond portfolio was sold. At 31 December 2012, the carrying amounts of the AFS government bonds contained a negative revaluation. This effect is included in the revaluation reserve for AFS financial assets for a total amount before tax of EUR -37 million (Spain: EUR -27 million, Italy: EUR -11 million, Ireland: EUR +3 million, Portugal: EUR -3 million).

Structured credit exposure (CDOs and other ABS), at 31 December 2012

In the past, KBC Group acted as an *originator* of structured credit transactions and also *invested* in such structured credit products itself.

The Company (via its subsidiary KBC Financial Products) acted as an originator when structuring CDO (collateralised debt obligations) deals (based on third-party assets with no sponsoring role for the KBC Group) for

itself or for third-party investors. For several transactions, protection was bought from credit insurers, mainly MBIA, a U.S. monoline insurer ('hedged CDO-linked exposure' in the table).

KBC Group invested in structured credit products, both in CDOs (notes and super senior tranches), largely those originated by KBC Group itself ('unhedged CDO exposure' in the table) and in other ABS ('other ABS' in the table). The main objective at that time was to differentiate risk and to enhance the yield for the re-investment of the insurance reserves and bank deposits it held in surplus of its loans.

KBC Group's investments in structured credit products (CDOs and other ABS)*

(in billions of EUR)

	31-12-2010	31-12-2011	30-12-2012
Total nominal amount	27.2	20.4	17.1
<i>o/w CDO exposure protected by MBIA</i>	14.9	10.9	10.1
<i>o/w other CDO exposure</i>	7.7	6.4	5.4
<i>o/w other ABS exposure</i>	4.7	3.1	1.6
Cumulative value markdowns (mid 2007 to date)*	-6.3	-5.5	-4.1
<i>Value markdowns</i>	-5.2	-4.5	-3.6
<i> for other CDO exposure</i>	-4.2	-4.1	-3.4
<i> for other ABS exposure</i>	-1.0	-0.4	-0.1
<i>Credit Value Adjustment (CVA) on MBIA cover</i>	-1.2	-1.0	-0.5

* Note that, value adjustments to KBC Group's CDOs are accounted for via profit and loss (instead of directly via shareholders' equity), since KBC Group's CDOs are mostly of a synthetic nature (meaning that the underlying assets are derivative products such as credit default swaps on corporate names). Their synthetic nature is also the reason why KBC Group's CDOs are not eligible for accounting reclassification under IFRS in order to neutralise their impact.

In 2012, there was a total notional reduction in KBC Group's investments in structured credit products of 3.3 billion euro, due mainly to the:

2.2 billion of this notional reduction were realized over the first quarter of 2012. The main component of this reduction was the de-risking of two CDOs (Dorset and Newcourt), resulting in a decrease of the outstanding CDO notional with 1.7 billion euro, and the approximately 500 million euro of sales and amortizations of ABSs held by KBC Group. Over the second quarter of 2012, there was a total notional reduction of 0.3 billion euro. The reduction of 0.3 billion euro is attributable to sales and repayments (on other ABS exposures). Over the third quarter of 2012, there was a total notional reduction of 0.6 billion euro. This reduction was mainly observed at the level of the 'other ABS exposure' (0.5 billion euro) mainly due to the finalisation of the sale of KBL and for a lesser extent due to the sales and repayments. Over the fourth quarter of 2012, there was another notional reduction in KBC's CDO and ABS exposure of 0.3 billion euros.

The other outstanding CDO positions held by KBC have incurred net effective losses totalling -2.2 billion euros, caused by claimed credit events until 07 January 2013 in the lower tranches of the CDO structure. Of this figure, -2,1 billion euro's worth of events have been settled. These have had no further impact on P/L because complete value markdowns for these CDO branches were already absorbed in the past.

Asset and Liability Management (market risks in non-trading activities)

Market risks in the non-trading activities, both in banking and insurance, mainly stem from interest rate risk, equity risk and real estate risk.

Interest rate risk mainly resides in the banking activities. The table below shows the extent to which the value of the economic portfolio of the KBC Group would change (basis-point-value or BPV) if interest rates were to

increase by ten basis points across the entire curve (negative figures indicate a decrease in the value of the portfolio). More details are available in the 2012 annual report of the Company.

BPV of the ALM-book, KBC Bank Group⁶ (in millions of EUR)

Average, 1Q 2010	-63
Average, 2Q 2010	-68
Average, 3Q 2010	-69
Average, 4Q 2010	-62
<i>End of period</i>	-55
<i>Maximum in period</i>	-69
<i>Minimum in period</i>	-55
Average, 1Q 2011	-61
Average, 2Q 2011	-62
Average, 3Q 2011	-58
Average, 4Q 2011	-45
<i>End of period</i>	-40
<i>Maximum in period</i>	-65
<i>Minimum in period</i>	-40
Average, 1Q 2012	-57
<i>End of period</i>	-55
<i>Maximum in period</i>	-61
<i>Minimum in period</i>	-54
Average, 2Q 2012	-50
<i>End of period</i>	-50
<i>Maximum in period</i>	-52
<i>Minimum in period</i>	-49
Average, 3Q 2012	-55
<i>End of period</i>	-51
<i>Maximum in period</i>	-57
<i>Minimum in period</i>	-51
Average 4Q 2012	-53
<i>End of period</i>	-44
<i>Maximum in period</i>	-58
<i>Minimum in period</i>	-44
Average, 1Q 2010	-63
Average, 2Q 2010	-68
Average, 3Q 2010	-69
Average, 4Q 2010	-62

⁶ KBC Bank Group for the purpose of this section of the prospectus means KBC Bank NV and its subsidiaries.

<i>End of period</i>	-55
<i>Maximum in period</i>	-69
<i>Minimum in period</i>	-55
Average, 1Q 2011	-61
Average, 2Q 2011	-62
Average, 3Q 2011	-58
Average, 4Q 2011	-45
<i>End of period</i>	-40
<i>Maximum in period</i>	-65
<i>Minimum in period</i>	-40
Average, 1Q 2012	-57
<i>End of period</i>	-55
<i>Maximum in period</i>	-61
<i>Minimum in period</i>	-54
Average, 2Q 2012	-50
<i>End of period</i>	-50
<i>Maximum in period</i>	-52
<i>Minimum in period</i>	-49
Average, 3Q 2012	-55
<i>End of period</i>	-51
<i>Maximum in period</i>	-57
<i>Minimum in period</i>	-51
Average 4Q 2012	-53
<i>End of period</i>	-44
<i>Maximum in period</i>	-58
<i>Minimum in period</i>	-44

The main exposure to equity is within the insurance business, where the ALM strategies are based on a risk-return evaluation, account taken of the market risk attached to open equity positions. The table below provides an overview of the sensitivity of income and economic value to fluctuations in the equity markets.

Impact of a 12.5% drop in equity prices ¹ (in millions of EUR)	Impact on net profit (IFRS)		Impact on value	
	2010	2011	2010	2011
Insurance activities	-13	-36	-100	-57
Banking activities	-27	-28	-142	-26
Total ²	-40	-67	-242	-145

¹ Entities classified as 'disposal groups' under IFRS 5 have been excluded. A -12.5% equity shift would have an impact of -6 million euros on the net profit of these entities and the impact on the economic value would be -37 million euros.

² Total includes KBC Pension fund which contributed -2,9 million euros to IFRS net profit and -61 million euros to the impact on the economic value at year-end 2011.

A limited real estate investment portfolio is held by the group's real estate businesses with a view to realising capital gains over the long term. KBC Insurance also holds a diversified real estate portfolio, which is held as an investment for non-life reserves and long-term life activities. The real estate exposure is viewed as a long-term hedge against inflation risks and as a way of optimising the risk/return profile of these portfolios. The table provides an overview of the sensitivity of economic value to fluctuations in the property markets.

Impact of a 12.5% drop in real estate prices¹
(in millions of EUR)

	Impact on value	
	2010	2011
Bank portfolios	-80	-68
Insurance portfolios	-30	-43
KBC group ²	-110	-124

¹ Excluding a number of small group companies. Entities classified as 'disposal groups' under IFRS 5 have also been excluded (for Fidea, a 12.5% drop in real estate prices had an impact of -8 million euros in 2011).

² In 2011, KBC Pension Fund was included in the KBC group line and not in 'Bank portfolios' or 'Insurance portfolios'. In 2010, it was reported under 'Bank portfolios'.

Market risk management

KBC Group has a number of money and debt capital market dealing rooms in Western Europe, Central and Eastern Europe and Asia, though the dealing room in Brussels accounts for the majority of the limits and risks.

KBC Group continued to divest trading activities in its subsidiaries by, *inter alia*, selling KBL EPB, continuing to wind down the remaining business lines at KBC Financial Products, and selling or unwinding selected ABS and CDO assets.

The tables below show the Historical Value-at-Risk (HVAR; 99 per cent. confidence interval, 1-day holding period, historical simulation) and Stressed Value-at-Risk (SVAR; 99 per cent. confidence interval, 10-day holding period, historical simulation) for KBC Group's dealing rooms on the money and capital markets, and for KBC Financial Products. More details are available in the 2012 annual report of KBC Group.

Market risk HVAR (1-day holding period, in millions of EUR)

	KBC Bank Group ¹	KBC Financial Products ²
Average, 1Q 2010	6	9
Average, 2Q 2010	8	9
Average, 3Q 2010	6	8
Average, 4Q 2010	5	8
<i>End of period</i>	4	7
<i>Maximum in period</i>	15	13
<i>Minimum in period</i>	4	6
Average, 1Q 2011	4	6
Average, 2Q 2011	4	5
Average, 3Q 2011	4	8
Average, 4Q 2011	8	3
<i>End of period</i>	9	6
<i>Maximum in period</i>	10	11
<i>Minimum in period</i>	3	1
Average, 1Q 2012	10	5
<i>End of period</i>	10	1
<i>Maximum in period</i>	11	8
<i>Minimum in period</i>	9	1
Average, 2Q 2012	11	1

	KBC Bank Group¹	KBC Financial Products²
<i>End of period</i>	11	1
<i>Maximum in period</i>	12	1
<i>Minimum in period</i>	10	1
Average, 3Q 2012	10	1
<i>End of period</i>	11	1
<i>Maximum in period</i>	11	1
<i>Minimum in period</i>	8	1
Average, 4Q 2012	10	0.5
<i>End of period</i>	12	0.5
<i>Maximum in period</i>	12	1
<i>Minimum in period</i>	8	0.3

1. Excluding 'specific interest rate risk' (measured using other techniques) and swap basis risk.

2. Excluding the Avebury CDO and Fund Derivatives business line.

Market risk SVAR (10-day holding period, in millions of EUR)¹

	KBC Bank Group	KBC Financial Products
Average, 1Q 2011	-	-
Average, 2Q 2011	-	-
Average, 3Q 2011	-	-
Average, 4Q 2011	46	14
<i>End of period</i>	36	17
<i>Maximum in period</i>	60	19
<i>Minimum in period</i>	24	11
Average, 1Q 2012 ²	44	14
<i>End of period</i>	42	5
<i>Maximum in period</i>	48	20
<i>Minimum in period</i>	40	5
Average, 2Q 2012	47	4
<i>End of period</i>	48	4
<i>Maximum in period</i>	58	5
<i>Minimum in period</i>	37	3
Average, 3Q 2012	37	3
<i>End of period</i>	41	2
<i>Maximum in period</i>	41	5

<i>Minimum in period</i>	33	2
Average, 4Q 2012.....	35	3
<i>End of period</i>	29	3
<i>Maximum in period</i>	42	3
<i>Minimum in period</i>	27	2
	KBC Bank Group	KBC Financial Products
Average, 1Q 2011	-	-
Average, 2Q 2011	-	-
Average, 3Q 2011	-	-
Average, 4Q 2011	46	14
<i>End of period</i>	36	17
<i>Maximum in period</i>	60	19
<i>Minimum in period</i>	24	11
Average, 1Q 2012 ²	44	14
<i>End of period</i>	42	5
<i>Maximum in period</i>	48	20
<i>Minimum in period</i>	40	5
Average, 2Q 2012	47	4
<i>End of period</i>	48	4
<i>Maximum in period</i>	58	5
<i>Minimum in period</i>	37	3
Average, 3Q 2012	37	3
<i>End of period</i>	41	2
<i>Maximum in period</i>	41	5
<i>Minimum in period</i>	33	2
Average, 4Q 2012.....	35	3
<i>End of period</i>	29	3
<i>Maximum in period</i>	42	3
<i>Minimum in period</i>	27	2

1. SVAR (Stressed VAR) calculated only as of the fourth quarter of 2011. Unaudited.

2. SVAR figures for 1Q are based on a 60 day window.

4.11. Staff

At the end of 2012, KBC Group had, on a consolidated basis, about 37.000 employees (full-time or equivalent, and excluding companies booked under IFRS 5 (i.e. on the divestment list)), the majority of whom were located in Belgium (44%) and Central and Eastern Europe (52%). In addition to talks at works council meetings and at

meetings with union representatives and with other consultative bodies, KBC also works closely in other areas with employee associations. There are various collective labour agreements in force.

4.12. Capital Transactions and Guarantee Agreements with the Government in 2008 and 2009

In order to maintain its capital base at a sufficiently high level, the Company issued in 2008 and 2009 EUR 3.5 billion worth of capital securities to each of the Belgian State and the Flemish Region. In addition it was agreed with the Belgian State that it would provide a guarantee relating to (originally) €20 billion of CDO and MBIA-related risk.

The €7 billion core capital securities subscribed by the Belgian State and Flemish Region of Belgium

Since the end of 2008, the Company has issued EUR 7 billion of perpetual, non-transferable core-capital instruments with no voting rights, which rank equally with ordinary shares upon liquidation, to the Belgian State (the *Federale Participatie- en Investeringsmaatschappij*) and the Flemish Region (EUR 3.5 billion each). The transaction with the Belgian State was concluded in December 2008 and the transaction with the Flemish Region was closed in July 2009. The Company has used the proceeds of these transactions to strengthen the core capital of KBC Group's banking activities by in total EUR 5.5 billion via ordinary capital increases in KBC Bank NV and to increase the solvency margin of KBC Group's insurance activities by EUR 1.5 billion (via ordinary capital increases in KBC Insurance NV). The other features of these transactions are described in the 2011 Annual Report of the Company.

In 2012, the Company repaid EUR 3.5 billion (plus a 15% penalty) to the Belgian State (EUR 0.5 billion in the beginning of the year, EUR 3.0 billion at the end). The Company will work towards repaying 1.17 billion euros of state aid to the Flemish Regional Government, plus the 50% premium, in the first half of 2013. The repayment will be subject to customary approval from the National Bank of Belgium. The Company is committed to repaying the remaining outstanding balance of EUR 2.33 billion issued to the Flemish Regional government in seven equal instalments of EUR 0.33 billion (plus premium) over the 2014-2020 period, as agreed with the European Commission. The Company benefits however of the option to further accelerate these repayments.

The Guarantee Agreement relating to (originally) EUR 20 billion of CDO and MBIA-related risk

In May 2009, the Company reached an agreement with the Belgian State regarding a guarantee arrangement for a substantial part of its structured credit exposure. In brief and simplified, the guarantee relates to an original notional amount of €20 billion (EUR 12.2 billion at 30 September 2012), comprising a notional amount of EUR 5.5 billion of super senior CDO investments and EUR 14.4 billion of counterparty risk on MBIA. Against payment of a fee, a guarantee from the Belgian State was bought covering 90 per cent. of the default risk beyond a set first loss. The original figures have changed in the meanwhile (due to a decrease in CDO-exposure); this is reflected in the structure of the guarantee transaction as set out below ('currently' meaning as at the end of December 2012). Note that the CDO portfolio consists of several CDOs; the guarantee structure applies to each CDO; the mentioned figures refer to the aggregate notional amount at risk of all CDOs to which the guarantee relates:

- First Tranche of originally EUR 3.2 billion (currently EUR 1.7 billion): credit losses to be borne by the Company.
- Second Tranche of originally EUR 2 billion (currently EUR 1.5 billion): credit losses to be borne by the Company. The Company can ask the Belgian State to subscribe to new KBC Group shares at market value, for an amount equalling 90 per cent. of the loss in this tranche (10 per cent. of the risk to be retained by the Company).
- Third Tranche of originally EUR 14.8 billion (currently EUR 9.0 billion): credit losses of 90 per cent. to be compensated for by the Belgian State in cash (10 per cent. of the loss to be retained by the Company).

As a result, the potential negative impact from the MBIA- and CDO-exposure is significantly reduced.

On 20 December 2012, the KBC Group and the Belgian Federal Government reached an agreement on a review of the CDO guarantee agreement. Additional clauses have been added to the revised agreement which grant the Company a conditional discount on the outstanding premiums (under certain strict conditions and limited to a pre-

determined maximum amount). In other words, the government has included an incentive for the KBC Group if it succeeds in significantly reducing its government exposure. Any future impact on its results will depend on market conditions and opportunities that arise going forward.

4.13. Recent Events

Detailed information is set out in KBC Group NV's press releases and financial reports, all of which are available on www.kbc.com. For the avoidance of doubt, the information available on KBC Group NV's website, www.kbc.com, shall not be incorporated by reference in, or form part of, this Prospectus (other than as referred to in the section "*Documents incorporated by reference*" (pg. 28)).

Selection of most recent press releases/events (since January 2013):

- 18-01-2013 // KBC successfully placed 1 billion USD of contingent capital notes
- 25-01-2013 // KBC Group NV repays 2011/2012 LTRO to ECB
- 8-03-2013 // Annex to the Belgian Official Gazette: filing merger proposal – announcement by extract
- 12-03-2013// KBC Bank completes the sale of its remaining 22% stake in NLB (Republic of Slovenia)
- 22-03-2013// KBC Bank NV places 16,17 per cent. of Bank Zachodni WBK in the market.

4.14. Trend Information

After a weak fourth quarter for the European economy in 2012, the general outlook for economic trend has improved. Although the political risks are still high, especially in the south of the European Monetary Union ("EMU"), the financial and economic risks declined. This is due in part to the circumvention of the fiscal abyss ("Fiscal cliff") in the U.S., the continued positive impact of the Outright Monetary Transactions (bond purchase) program of the European Central Bank in the government bond market and the gradual stabilization of the financial sector in Southern Europe. The EU/IMF programme for Cyprus again proved the willingness of the EMU countries to show solidarity with crisis countries, albeit under strong conditionality and assurances of long-term financial and sovereign sustainability. The gradual stabilization process in the banking sector will be further supported by the creation of a banking union in the EMU, with a single supervisor as from July 2014, and eventually a single resolution mechanism and single deposit guarantee scheme, which will further reduce the risks of Cyprus-like 'financial accidents'. Over the last months, the global manufacturing and services recovery is gaining strength, what is most reflected in the confidence indicators in the U.S., China and Germany. Since the structural reforms in Southern Europe will gradually bear fruit and the political approach with respect to growth restrictive savings measures has become more pragmatic, it is likely that Southern Europe will follow gradually the global growth recovery before the end of 2013. The economic confidence indicators in KBC Group's home markets (Belgium, Czech Republic, Slovakia, Hungary, Bulgaria) also start to bottom out gradually, indicating that the economic trend in these countries will gradually improve.

4.15. Material Contracts

Except as stated in the paragraph below, KBC Group NV has not entered into any material contracts outside the ordinary course of its business which could result in any member of KBC Group NV being under an obligation or entitlement that is material to KBC Group NV's ability to meet its obligations to holders.

KBC Group NV has concluded certain transactions with the Belgian State and the Regional Flemish government in order to strengthen its capital and to secure credit protection for a large part of KBC Group's structured credit

exposure. The content of these transactions has been summarised under “*Description of the Company - Capital Transactions and Guarantee Agreements with the Government in 2008 and 2009*” above.

4.16. Management of the Company

The Board of Directors of the Company consists of 20 members as listed below:

Name and address	Position	Expiry date mandate	External mandates
LEYSEN Thomas KBC Group NV Havenlaan 2 1080 Brussel Belgium	Chairman	2015	Chairman of the Board of Directors of Umicore NV Chairman of the Board of Directors of Corelio NV Director of De Vijver NV Managing Director of Mediacore NV Managing Director of Tradicor NV Managing Director of Booischoot NV Chairman of the Board of Directors of KBC Verzekeringen NV Chairman of the Board of Directors of KBC Bank NV
VLERICK Philippe Ronsevaalstraat 2 8510 Bellegem Belgium	Vice-Chairman	2013	Director of Concordia Textiles NV Chairman of the Board of Directors of Indus Kamdhenu Fund Managing Director of Lurick NV Managing Director of THERICK NV Chairman of the Board of Directors of Vlerick Investeringsmaatschappij CVBA Chairman of the Board of Directors of Vlerick Vastgoed NV Chairman of the Board of Directors of Raymond Uco denim Private Ltd. Director of B.M.T. NV Director of ETEX GROUP SA Member of the Board of Directors of IVC NV Chairman of the Board of Directors of BATIBIC NV Chairman of the Board of Directors of Vobis Finance NV Chairman of the Board of Directors of HAMON & CIE (INTERNATIONAL) SA Chairman of the Board of Directors of UCO NV Director of KBC Verzekeringen NV Vice Chairman of the Board of Directors of Durabilis NV Managing Director of Point NV Managing Director of CECAN Invest NV Chairman of the Board of Directors of TESSA LIM NV Chairman of the Board of Directors of Midelco NV Vice Chairman of the Board of Directors of Spector Photo Group NV Director of BESIX Group NV Director of EXMAR NV

			<p>Chairman of the Board of Directors of VIT NV Managing Director and Chairman of the Board of Directors of B.I.C. Carpets NV Director of LVD Company NV Vice Chairman of the Board of Directors of CORELIO NV Representative of Hermes Invest NV Chairman of the Board of Directors of Pentahold NV Managing Director of CECAN NV Managing Director of Lutherick NV Director of De Robaertbeek NV Director of Bareldam SA Chairman of the Board of Directors of Sapient Investment Managers Ltd Deputy Chairman of the Board of Directors of KBC Bank NV</p>
<p>BOSTOEN Alain Coupure 126 9000 Gent Belgium</p>	Director	2014	<p>Managing Director of Quatorze Juillet BVBA Managing Director of AGROBOS NV Director of KBC Verzekeringen NV Managing Director of Christeys NV Managing Director of ALGIMO NV Director of KBC Bank NV</p>
<p>DEPICKERE Franky Cera Philipssite 5/10 3001 Leuven Belgium</p>	Director	2015	<p>Managing Director of Almancora Beheersmaatschappij NV Director of Commercial bank "Absolut Bank" (ZAO) Managing Director of Cera cvba Independent Director of MIKO NV Managing Director of Cera Beheersmaatschappij NV Managing Director of BRS VZW Director of International Raiffeisen Union e.V. Director CBC BANQUE SA Director of Euro Pool System International BV Director of KBC Verzekeringen NV Director of KBC Bank NV</p>
<p>DISCRY Luc Cera Philipssite 5 B 10 3001 Leuven Belgium</p>	Director	2015	<p>Director of Cera CVBA Director of KBC Verzekeringen NV Non-executive Director of KBC Bank NV Managing Director of De Onderlinge Ziekenkas Managing Director of Almancora Beheersmaatschappij NV Managing Director of Cera Beheersmaatschappij NV</p>
<p>DONCK Frank Floridalaan 62 1180 Ukkel Belgium</p>	Director	2015	<p>Managing Director of 3D NV Director of 3D Private Equity NV Director of Iberanfra BVBA Managing Director of Ibervest NV Representative of Ter Wyndt NV Representative of Ter Wyndt CVBA Director of Zenitel NV Director of Aspel Slovakia sro Director of Anchorage NV Director of Aspel Polyform SA</p>

			<p>Representative of Atenor Group SA Director of Hof Het Lindeken CVBA Managing Director of Huon & Kauri NV Managing Director of Tris NV Director of J. Zinner NV Director of Penguin Lutosa NV Director of Winge Golf NV Director Plastiflex Group NV Chairman of the Board of Directors of Telenet NV Chairman of the Board of Directors of Telenet Group Holding NV Chairman of the Board of Directors of Telenet Vlaanderen NV Director of KBC Verzekeringen NV Director of KBC Bank NV</p>
<p>HOLLOWS John KBC Group NV Havenlaan 2 1080 Brussel Belgium</p>	Managing Director	2015	<p>Managing Director of KBC Verzekeringen NV Managing Director of KBC Bank NV Directors of KBC Global Services NV</p>
<p>MORLION Lode Weststraat 18 8647 Lo-Reninge Belgium</p>	Director	2016	<p>Managing Director of M&D Invest NV Chairman of the Board of Directors of Cera Beheersmaatschappij NV Director of Woonmaatschappij Ijzer en Zee CVBA Director of KBC Verzekeringen NV Director of KBC Bank NV</p>
<p>POPELIER Luc KBC Group NV Havenlaan 2 1080 Brussel Belgium</p>	Managing Director	2015	<p>Managing Director of KBC Verzekeringen NV Managing Director of KBC Global Services NV Managing Director of KBC Bank NV Director of KBC Financial Products UK Limited</p>
<p>ROUSSIS Theodoros Poederstraat 51 2370 Arendonk Belgium</p>	Director	2016	<p>Director of K&H Bank Zrt Director of Ravago Holding America, Inc. Director of Plastomark (Proprietary) Ltd. Director of Polymed Global Group Ltd. Director of KBC Verzekeringen NV Director of KBC Bank NV</p>
<p>THIJS Johan KBC Group NV Havenlaan 2 1080 Brussel</p>	Managing Director (CEO)	2016	<p>Director of CBC BANQUE SA Managing Director of KBC Global Services NV Managing Director of KBC Verzekeringen NV Director of FBD Holding Plc Director of KBC Bank NV Director of Assuralia</p>
<p>TYTGADT Alain Prinses Josephinelaan 7 8300 Knokke-Heist Belgium</p>	Director	2013	<p>Chairman of the Board of Directors and Executive Director of Metalunion CVBA Chairman of the Board of Directors of Hallex NV Director of Hallex Nederland BV Non-executive Director of Sloestal BV Chairman of the Board of Directors of Sinfonia Investments NV Non-executive Director of Sobemetal NV Non-executive Director of KBC Verzekeringen NV Non-executive Director of KBC Bank NV Managing Director of CENTEA NV</p>

VAN KERCKHOVE Ghislaine Wegvoeringstraat 62 9230 Wetteren Belgium	Director	2016	Director of Almancora Beheersmaatschappij NV Vic-Chairman of the Board of Directors of Cera Beheersmaatschappij NV Director of KBC Bank NV Director of KBC Verzekeringen NV
VANTHEMSCHE Pieter MRBB Diestsevest 40 3000 Leuven Belgium	Director	2014	Chairman of the Board of Directors of Gimv-Agri+ Investment Fund Director of KBC Bank NV Director of M.R.B.B. cvba - Maatschappij voor Roerend Bezit van de Boerenbond Chairman of the Board of Directors of Agri Investment Fund CVBA Chairman of the Board of Directors of BB-Patrim CVBA Director of KBC Verzekeringen NV
WITTEMANS Marc MRBB cvba Diestsevest 40 3000 Leuven Belgium	Director	2014	Director of Agro Services CVBA Director of Aktiefinvest CVBA Chairman of the Board of Directors of Arda Immo NV Director of Acerta CVBA Director of Acerta Consulting CVBA Director of SBB Accountants en Belastingconsulenten BV cvba Managing Director of M.R.B.B. cvba - Maatschappij voor Roerend Bezit van de Boerenbond Director of Covalis NV Director of Agri Investment Fund CVBA Director of SBB Bedrijfsdiensten BV CVBA Director of KBC Verzekeringen NV Director of KBC Bank NV
DE CEUSTER Marc KBC Bank NV Havenlaan 2 1080 Brussel Belgium	Director	2014	-
DECHAENE Tom KBC Bank NV Havenlaan 2 1080 Brussel Belgium	Director	2016	Independent Director of Transics NV Independent Director of Agenus Inc Representative of Bourn Hall International Ltd
HEREMANS Dirk KBC Bank NV Havenlaan 2 1080 Brussel Belgium	Independent Director	2013	Director of Die Keure NV Director of T V K Brava CVBA Director of Continuga NV
PAPIRNIK Vladimira KBC Group NV Havenlaan 2 1080 Brussel Belgium	Independent Director	2016	Lawyer

CORNU Jozef KBC Bank NV Havenlaan 2 1080 Brussel Belgium	Independent Director	2016	Director of Belgacom NV Director of Mercodi BVBA Director of Electrawinds NV Director of Agfa-Gevaert NV Chairman of the Board of Directors of Electrawinds SE
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The Board of Directors does not include any legal persons among its members and its Chairman may not be a member of the Executive Committee. A mandate is no longer than six years (in practice four years). Directors can be re-elected when their term expires. The mandate of non-executive directors comes to an end at the date of the annual meeting following the day on which they reach the age of 70, save for exceptional situations. The mandate of executive directors ends at the end of the month when they reach the age of 65, save for exceptional situations.

The Board of Directors is responsible for determining the overall strategy and monitoring the executive management. It meets at least eight times a year and decides by simple majority. The activities of the Board are governed by Belgian company law and by the statutes of the Company.

Committees of the Board of Directors

The Board of Directors includes the following committees: an Audit, Risk and Compliance Committee, an Appointment Committee and an Remuneration Committee.

The Audit, Risk and Compliance Committee (ARC-Committee) supervises the integrity, efficiency and effectiveness of the internal control measures and the risk management in place, paying special attention to accurate and correct financial reporting and overseeing the processes set up by the Company to comply with laws and other regulations. In order to do this, the ARC-Committee has unlimited access to all information and may start up investigations for all domains it is responsible for. Such investigations can be carried out by internal or external parties but in any case the chairman of the Executive Committee needs to be informed.

The most important tasks of the ARC-Committee are: (i) reviewing, at least once a year, the quality of internal controls; (ii) supervising the integrity of the Company's financial statements and financial reporting process; (iii) monitoring the asset liability management, market, credit, insurance and operational risks; the ARC-Committee is informed periodically about risk management systems of the KBC Group with the view identify and manage the key risks within the business, in particular the system for value and risk management; (iv) advising the Board of Directors regarding limits; (v) controlling/monitoring the performance of the internal audit function within the KBC Group with particular attention for expertise and independence; (vi) supervising the compliance by the KBC Group with legal, regulatory and statutory requirements and procedures, KBC Group's policy regarding "whistleblowers". The ARC-Committee takes note of the studies and recommendations of supervisors and ensures timely and appropriate response and is regularly kept informed of pending lawsuits.

The members of the ARC-Committee at this moment are:

- Franky Depickere
- Dirk Heremans
- Frank Donck
- Marc Wittemans
- Val Papirnik

- Marc De Ceuster
- Tom Dechaene

The Appointment Committee submits its recommendations on appointments, reappointments and dismissals of directors, members of the ARC-Committee, Appointment Committee, Remuneration Committee and of the Executive Committee for approval to the Board of Directors. The Appointment Committee takes proposals of relevant parties, including management and shareholders into account.

The Remuneration Committee advises the Board of Directors in defining and implementing its remuneration policy. The chairman of the Remuneration Committee is one of the independent directors. The chairman of the Executive Committee participates in the meetings with advisory vote when the remuneration of the other members of the Executive Committee are handled. The Remuneration Committee also makes recommendations on the remuneration of the directors. The Committee submits the annual report to the Board of Directors.

Executive Committee

The Board of Directors has delegated its management powers to the Executive Committee in accordance with article 524bis of the Belgian Companies Code. The Executive Committee exercises such powers autonomously, but always within the framework of the strategy adopted by the Board of Directors. The delegation does not extend to the general policy or matters assigned by law to the Board of Directors. The Executive Committee consists of 8 members appointed by the Board of Directors and is chaired by the CEO of KBC Group NV.

Johan Thijs	Danny De Raymaeker	Daniel Falque	Luc Gijsens	John Hollows	Luc Popelier	Marko Voljc	Pavel Kavanek
In service since 1988	In service since 1984	In service since 2009	In service since 1977	In service since 1996	In service since 1988	In service since 2004	In service since 1972
CEO (Chief Executive Officer) KBC Group NV	CEO International Markets Business Unit	CEO Belgium Business Unit	CEO International Product Factories Business Unit	CRO (Chief Risk Officer)	CFO (Chief Financial Officer)	CCO (Chief Corporate Change & Support Officer)	CEO Czech Republic Business Unit

Corporate Governance

The Company uses the Belgian Corporate Governance Code 2009 (Code) as reference code. The Code seeks to ensure transparency in the area of corporate governance through the publication of information in the Corporate Governance Charter (Charter) and the Corporate Governance Statement (Statement).

The Charter sets out the main aspects of the policy of the KBC Group in the area of corporate governance, such as the governance structure, the internal regulations of the Board of Directors, its committees and the Executive Committee, and other important topics.

The Charter is published on www.kbc.com.

The Statement is published in the annual report and contains more factual information about the corporate governance of the Group, including a description of the composition and functioning of the Board, relevant events during the year, provisions of the Code which may be waived, the remuneration report and a description of the main features of the internal control and risk management systems.

Conflict of interests policy

The information related to the policy of the Company conflict of interests can be found in the chapter "Corporate Governance Statement" of the annual reports of the Company. A distinction is made between (i) the statutory regulation of conflict of interests, namely the conflict of interests falling under Article 523 and 524ter of the Belgian Companies Code (and Article 524 of the Belgian Companies Code regarding intra-group conflicts) and, (ii) transactions and other contractual relationships between the Company (including its affiliates) and its directors, not falling under (i) and for which the Company has developed its own policy on the basis of the Code, which was included in the Charter.

In 2011, none of both types of conflict of interests rules were invoked.

In 2010, both types of conflict of interest rules were invoked. At the meeting of the Board of Directors of 24 June 2010, a conflict of interests procedure under Article 523 of the Belgian Companies Code was carried out, and this following the discussion of the director's liability of - among others - a number of members of the Board of Directors of KBC Group NV by virtue of their membership of the Board of Directors of KBL European Private Bankers SA and in a Steering Committee in such Board of Directors. In this regard, reference is made to pages 97 and 98 of the Company's 2010 annual report. With regard to the conflict of interests for which the Company has developed its own policy on the basis of the Code, this scheme was complied with in relation to certain transactions in connection with the divestment of KBL European Private Bankers SA.

The Company is not aware of any potential conflicts of interests between the obligations which a director has with respect to the Company and the personal interests and / or other obligations of that director.

4.17. Litigation

The following describes material litigation to which KBC Group NV or any of its companies (or certain individuals in their capacity as current or former employees or officers of KBC Group NV or any of its companies) are party. It describes all claims, quantified or not, that could lead to the impairment of the relevant company's reputation or to a sanction by an external regulator or governmental authority, or that could present a risk of criminal prosecution for that corporation, its members of the board or its management.

Although the outcome of these matters is uncertain and some of the claims concern relatively substantial amounts in damages, the management does not believe that the liabilities arising from these claims will adversely affect KBC Group's consolidated financial position or results, given the provisions that, where necessary, have been set aside for these disputes.

Judicial inquiries and criminal proceedings

Cash companies

From late 1995 until early 1997, Kredietbank NV, the predecessor of KBC Bank NV, ("KB") and KB Consult NV ("KB Consult") were involved in the sale of "cash companies" to various purchasers. A "cash company" is characterised by the fact that a substantial majority of the assets consist of accounts receivable, fixed financial assets, cash and other highly liquid assets. KB Consult acted as an intermediary between the seller and the purchaser of the cash companies. The involvement of KB differed from sale to sale, but generally related to the handling of payments and the granting of loans. The transfer of a cash company is in principle a legal transaction.

However, in March 1997, KB and KB Consult discovered that certain purchasers of these cash companies failed to reinvest such companies' cash in qualifying assets and to file tax returns for the cash companies they purchased in order to thereby defer the taxes owed by such companies. KB and KB Consult immediately took the necessary measures to preclude any further involvement with these parties. The activities of KB Consult were subsequently wound up.

KBC Bank NV and KB Consult were summoned separately or jointly to court in 28 legal actions. This resulted in 20 lawsuits of which 18 are still pending before the courts. In one lawsuit the court ruled that KB Consult was summoned as third party without cause and therefore the claim was dismissed. In another lawsuit the claim of the Belgian State was dismissed and the judgment is definite. Subsequently the provision for these cases was offset in the accounts. KB Consult was placed under suspicion by an investigating magistrate in December 2004. A provision of EUR 30.8 million (status as at 31 December 2012) has been made to cover the potential impact of any liability with respect to these actions.

In addition to KB Consult and KBC Bank NV, KBC Group NV was also summoned before the Chambers section of the Court of First Instance in Bruges on 25 February 2009. The charges against the aforesaid KBC Group entities relate only to the use of false documents. The trial was postponed several times. On 9 November 2011 a judgment ordered KBC Bank NV and KB Consult be prosecuted together with 21 other parties indicted of various crimes with regard to tax fraud. KBC Group NV was dismissed. An appeal was lodged against this dismissal by the Prosecutor and two civil parties.

The Kulcsár fraud case K&H Equities

In 2003, an important case of fraud perpetrated by an employee, Atilla Kulcsár, involving about EUR 140.6 million, came to light at K&H Equities in Hungary. Orders and portfolio statements of the clients were forged. Many clients suffered substantial losses in their portfolio as a result of unauthorised speculation and the misappropriation of funds. On 28 August 2008 a Budapest court sentenced Atilla Kulcsár to eight years imprisonment and a fine of 230 million forints. The court acquitted Tibor E. Rejto, former CEO of K&H Bank, who had also been charged with embezzlement as an accomplice. Other persons involved were sentenced to severe punishments.

The Public Prosecutor and all the persons which had been found guilty filed an appeal before the Court of Appeal. On 27 May 2010, the Court of Appeal annulled the first instance court verdict and ordered a complete retrial. The new trial before the first instance court started on 1 December 2010 and is ongoing.

Most claims have already been settled, either amicably or following an arbitral decision. Appropriate provisions have been set aside for the claims still outstanding, taking into account compensation provided by an external insurer. Among these pending claims, DBI Kft. (Betonut) is the most important case, involving an initial total claimed amount of HUF 11.8 billion (ca. EUR 41.9 million) plus interest, which the Company believes is manifestly exaggerated. Recently a judicial expertise has been carried out in favour of K&H and two employees confirmed in court having ordered (disputed) debits of the accounts. The Metropolitan court issued a partial judgment dated 7 December 2012 in which K&H Equities and K&H Bank have been ordered to pay HUF 3,7 Bln plus costs and interests to DBI Kft. Both K&H Equities and K&H Bank appealed the partial judgment. It is expected that a decision on this appeal will be issued by April 2013. The proceedings with regard to the remaining claims are ongoing and a judgement is expected by the end of 2013.

Other litigation

Broeckdal

In March 2000, the Belgian State, Finance Department, summoned Rebeo (currently Almafin Real Estate Services) and Trustimmo, two former subsidiaries of former Almafin, currently KBC Real Estate, a Belgian subsidiary of KBC Bank NV, before the civil court in Brussels, together with four former directors of Broeckdal Vastgoedmaatschappij (a real estate company), for not paying approximately EUR 16.7 million in taxes due by Broeckdal Vastgoedmaatschappij. In November 1995, this company had been converted into a cash company and

sold to Mubavi België (currently BeZetVe), a subsidiary of Mubavi Nederland (a Dutch real estate investment group). According to the Belgian State, Finance Department, Mubavi België did not make real investments and failed to file proper tax returns. A criminal investigation is pending. However Broeckdal Vastgoedmaatschappij contested the tax claims and in December 2002 commenced a lawsuit before the civil court in Antwerp against the Belgian State, Finance Department.

The civil lawsuit pending in Brussels has been suspended pending a final judgment in the tax lawsuit in Antwerp. A provision of EUR 29.6 million (status as at 31 December 2012) has been reserved to cover the potential impact of liability with respect to these actions.

In July 2003, Broeckdal Vastgoedmaatschappij, Mubavi België and Mubavi Nederland summoned KBC Bank NV, KB Consult, Rebeo and Trustimmo before the commercial court in Brussels in order to indemnify them against all damages the former would suffer if the tax claims were approved by the court in Antwerp. In March 2005, Mubavi Nederland was declared bankrupt by the court of 's-Hertogenbosch in the Netherlands.

In November 2005, KBC Bank, KB Consult, Rebeo and Trustimmo and the four former directors of Broeckdal Vastgoedmaatschappij summoned the auditor of Broeckdal Vastgoedmaatschappij, Deloitte & Touche, before the civil court in Brussels in order to indemnify them for any amount they should be ordered to pay as a result of the aforementioned claims. In November 2008 Mubavi België (currently BeZetVe) was also declared bankrupt by the commercial court in Antwerp.

Beverly Shares

In March 2008 KBC Group NV, KBC Bank NV, KBL and Krediettrust were summoned to appear before the commercial court in Brussels by the British company Beverly Shares Limited. This company has made reference to business relations that KBC/KBL are said to have had with the Republic of South Africa almost 20 years ago, at the time of apartheid and the trade embargo recommended by the UN.

The company is seeking payment of a substantial commission linked to a business transaction totally foreign to KBC and KBL. In the past it has already tried to obtain payment of this commission from third parties through legal proceedings launched in South Africa and France, where on each occasion the case was dismissed. It is now attempting to obtain payment on the pretext of having opened an account with KBL more than 17 years ago.

KBC and KBL consider the complaint to be totally unjustified and they claimed damages from the plaintiff for a frivolous and vexatious action. A judgment was rendered on 26 March 2010 whereby the court considered the actions inadmissible and granted damages for the defendants. Beverly Shares Limited lodged an appeal on 2 July 2010. Written arguments have been exchanged. A court date for pleading the case has not yet been determined but it will not take place before October 2013.

The customers' CDO liability claims

KBC Bank NV and subsidiaries such as K&H Bank and CSOB SK received numerous complaints about CDO Shares issued by KBC Financial Products that were sold to private banking and corporate clients and which have been downgraded. Such clients have been asking for their Shares to be bought back at their original value. KBC Bank NV decided to examine all CDO related files with respect to private banking and retail clients on a case-by-case basis and to settle the disputes as much as possible out of court. In Belgium settlements were signed with clients in KBC Bank Private Banking and Retail, which represent 99% of the private banking and retail clients involved. In the only judicial case that is still ongoing, the court of first instance of Kortrijk ruled in favour of KBC Bank NV and dismissed the claim on 24 November 2011. The counterparty lodged an appeal on 12 January 2012.

As a result of complaints, some Corporate Banking files were also examined. Subsequently negotiations started in the files where a decision to propose a settlement was taken and in a limited number of files settlements were reached. Only a few lawsuits are ongoing. On 12 January 2011 the commercial court in Brussels completely dismissed the claim of a corporate client. The judgment has become final. In three other lawsuits entirely favourable judgments were rendered by the commercial court in Brussels on 28 January 2011, 5 September 2011 and 28 March 2012. However the counterparties lodged an appeal. Written arguments are being exchanged. On 14

November 2012 the commercial court in Hasselt ruled also in a case with a listed company in favour of KBC Bank NV. Three other cases are pending before court in the first instance.

In one case a criminal complaint was lodged against KBC Bank NV in France. Three representatives of KBC Bank NV were interrogated by the Police Judiciaire in Paris. The inquiry is still ongoing.

In Hungary a marketing brochure was used which could be misinterpreted as a guarantee on a secondary market and contained a possibly misleading comparison with state bonds. In more than 94% of the files, a settlement has been reached. A limited number of clients started a lawsuit. Most of the lawsuits were terminated by a settlement out of court; recently three cases were settled as a result of court verdicts; a few clients are still pursuing their claim before the court.

On 10 December 2009, the Hungarian Competition Authority (“HCA”) passed a resolution whereby K&H was ordered to pay a fine of HUF 40,000,000 (approximately EUR 150,000) based on the violation of the Hungarian Act on the prohibition of unfair and restrictive market practices in relation to K&H's trade in CDO bonds. The appeal filed by K&H against the HCA resolution was rejected by the Budapest Metropolitan Court. K&H Bank submitted a revision claim before the Supreme Court.

In CSOB SK a similar approach as in Belgium was followed and in all cases of CDO investments with Private Banking and Retail clients settlements were reached. There will be no settlement with four institutional clients. No lawsuit in respect of CDO investments is pending.

Lazare Kaplan

Lazare Kaplan International Inc. (“LKI”) is a U.S. based listed diamond company that is involved since 2008 in a serious dispute with its former business partner DD Manufacturing (“DD”), an Antwerp based diamond company belonging to Mr. Erez Daleyot. They set up a joint venture 'Gulfdiam' in Dubai. LKI alleges that it was swindled out of some USD 140 million by DD and other Daleyot entities. Both companies became entangled in a complex litigation in Belgium, both claiming that the other party is their debtor. The dispute has escalated to the degree that LKI does not only accuse the Daleyot Group of fraud, theft, money laundering etc but is now also directly involving Antwerpse Diamantbank NV (“ADB”), a subsidiary of KBC Bank NV, and KBC Bank NV by launching legal claims against ADB in Belgium (Antwerp) and against KBC Bank NV and ADB in New York for huge amounts (USD 500 million). This development was accelerated by the end of 2009 when ADB terminated LKI's credit facilities, in conformity with the contractual provisions and started recovery actions against LKI before the Court in Antwerp.

The actual status of both proceedings is:

Commercial Court of Antwerp: on 16 March 2010 ADB issued a summons against LKI in order to recover the monies owed to it under the terminated credit facility (approximately USD 45 million). LKB, the Belgian affiliate of LKI, recently voluntarily intervened in this proceeding and claimed an amount of USD 350 million from ADB. In turn LKI claimed an amount of USD 500 million (including the USD 350 million of LKB). The case is pending and the day before the hearing scheduled for 23 March 2013 LKI has summoned ADB directly before the criminal court in Antwerp on 3 May 2013 under accusation of embezzlement and money laundering with the intention to suspend the case. KBC is not a party in this litigation.

District Court Southern District of New York: on 23 December 2011, LKI filed a claim of USD 500 million against KBC and ADB based on the so-called RICO-act; this claim is in fact a non-cumulative duplicate of the one in Belgium.

Based on the information and evidence received this far, ADB and KBC consider the claims to be without merits and, hence, consider the risk that they should pay an amount to LKI and LKB as a result of their allegations against ADB and KBC to be remote.

On 5 September 2012, the New York District Court granted ADB 's and KBC's motions to dismiss based on the doctrine of 'forum non conveniens' meaning that New York is not the appropriate forum for this litigation.

On 6 September, 2012, LKI filed a notice of appeal to the United States Court of Appeals for the Second Circuit. The appeal procedure is still pending.

The Lehman Brothers Finance' dispute

On 15 September 2008, when Lehman Brothers went bankrupt, KBC Bank NV had several outstanding derivative transactions with Lehman Brothers Finance AG ("**LBF**") as counterparty under an ISDA Master Agreement. Lehman Brothers' bankruptcy triggered an event of default and early termination of all outstanding derivative transactions. As a result of this early termination KBC Bank NV claimed a net amount of USD 18.2 million payable by LBF. This amount has been set off by KBC Investments Cayman Islands V Ltd ("**Cayman V**") against proceeds due by Cayman V to LBF under an option contract. LBF contests the valuation methodology applied by KBC Bank NV and asserts, in a letter of claim dated 21 December 2012, that the net amount due under the ISDA Master Agreement is USD 58.1 million payable to LBF. Together with interest as of 17 September 2008 the total amount claimed by LBF from KBC Bank NV amounts to USD 110.9 million as at 19 December 2012. LBF equally contests the inter-affiliate set-off by Cayman V and demands return of the set-off amount from Cayman V. KBC Bank NV will determine its position on basis of the findings of further enquiry into the valuation of the terminated transactions and legal analysis.

Bell Group

In 1991, a syndicate of banks, including KBC Bank NV (London branch) refinanced the Bell Group. Security interests were granted by some of the Bell Group companies. On collapse of the Bell Group in April 1991, the banks in the syndicate recovered the outstanding amounts by enforcing their security rights.

Legal proceedings were started by the Bell Group's liquidators, who claimed all recovered amounts from the syndicate of banks by alleging that the banks' security rights were granted unlawfully.

By judgment dated October 28, 2008 the Australian court of first instance ordered the syndicate of banks to repay all recovered amounts, together with the compound interest. The syndicate of banks appealed against this judgment. By decision dated August 17, 2012, the Supreme Court of Western Australia increased the amount of the first judgment due to the treatment of interest.

Considering the decision of the Supreme Court of Western Australia and in anticipation of a decision of the High Court of Australia, KBC Bank NV set aside a provision of an amount of EUR 64.4 million.

Even in case the leave for appeal will be granted to the syndicate of banks, the discussions before the High Court will be limited to the interest due by the banks.

4.18. Statutory Auditors

The statutory auditors of the Company are Ernst & Young Bedrijfsrevisoren BCVBA (*erkende revisor/révisieur agréé*), represented by P. Vanderbeek and/or P. Telders, with offices at De Kleetlaan 2, B-1831 Diegem Brussels. The auditors of the Company are members of the *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*. The financial statements of the Company for the years ended 31 December 2010 and 31 December 2011 have been audited in accordance with Belgian GAAS and the audits resulted, in each case, in an unqualified opinion. The financial statement of the Company for the year ended 31 December 2012 has been audited in accordance with the International Standards on Auditing and the audit resulted in an unqualified opinion. The auditors of the Company have no material interest in the Company.

The reports of the auditors of the Company are included or incorporated in the form and context in which they are included or incorporated, with the consent of the auditors who have authorised the contents of that part of this Prospectus.

5. ADMISSION TO TRADING

Application has been made to the Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des services et marchés financiers*) (the “FSMA”) in its capacity as competent authority under article 23 of the Prospectus Law to approve this document as a Prospectus for the purposes of Articles 23 of the Prospectus Law. This approval cannot be considered as a judgment as to the opportunity or the quality of the transaction, nor on the situation of the Company. Application has also been made to the NYSE Euronext Brussels and the Luxembourg Stock Exchange for the Shares to be admitted to trading on the NYSE Euronext Brussels’ and the Luxembourg Stock Exchange’s regulated markets. The NYSE Euronext Brussels’ and Luxembourg Stock Exchange’s regulated markets are regulated markets for the purposes of the Prospectus Directive.

6. ADDITIONAL INFORMATION

6.1. Documents Available

Copies of the following documents (together with English translations thereof where relevant) will be available on the website of KBC Group at www.kbc.com, on the website of the NYSE Euronext Brussels at www.bourse.lu and during normal business hours at the registered office of the Company:

- (i) a copy of this Prospectus;
- (ii) the audited annual consolidated financial statements of the Company in respect of the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, together, in each case, with the related statutory auditors' report;
- (iii) the constitutional documents of the Company.

6.2. Significant or Material Change

Save as disclosed in sections “*Description of the Company – Recent events*”(pg. 64), there has been:

- (a) no significant change in the financial or trading position of the Company since 31 December 2012; and
- (b) no material adverse change in the financial position, business or prospects of the Company since 31 December 2012.

6.3. Mandatory takeover bids, squeeze out and sell out rules

The Company is subject to the Belgian rules relating to public takeover bids, mandatory takeover bids and mandatory squeeze-outs.

Public takeover bids

Under the Belgian Regulation on public takeover bids, public takeover bids must be made for all of the Company’s voting securities, as well as for all other securities that entitle the holders thereof to the subscription to, the acquisition of or the conversion in voting securities. Prior to making a bid, a bidder must issue and disseminate a prospectus, which must be approved by the FSMA. The bidder must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of the Company.

Mandatory takeover bids

The Belgian Regulation on public takeover bids provides that, subject to certain exceptions (including where the crossing of the 30% thresholds mentioned below is the result of the subscription of shares in the framework of a capital increase with preferential subscription right attached to each Share decided by the company’s shareholders meeting), a mandatory bid will be triggered if a person, as a result of its own acquisition or the acquisition by

affiliates, by persons acting in concert with him or by persons acting for the latter's account, holds, directly or indirectly, more than 30 percent of the voting securities in a company having its registered office in Belgium and of which at least part of the voting securities are being traded on a regulated market or on a multilateral trading facility designated by Royal Decree of 27 April 2007 on public takeover bids. The mere fact of exceeding the relevant threshold will give rise to a mandatory bid, irrespective of whether or not the price paid in the relevant transaction exceeds the current market price.

There are several provisions of Belgian company law and certain other provisions of Belgian law, such as the obligation to disclose important shareholdings and merger control, that may apply to the Company and which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult. These provisions could discourage potential takeover attempts that other shareholders may consider to be in their best interest and could adversely affect the market price of the Company's shares. These provisions may also have the effect of depriving the shareholders of the opportunity to sell their shares at a premium. As a matter of principle, the authorization of the Board of Directors to increase the share capital of the Company through contributions in cash with cancellation or limitation of the preferential subscription right of the existing shareholders is suspended as of the notification to the Company by the FSMA of a public takeover bid on the securities of the Company. The general shareholders' meeting can, however, authorize the Board of Directors to increase the share capital by issuing shares in an amount of not more than 10 percent of the existing shares of the Company at the time of such a public takeover bid. Such authorization has not been granted to the Board of Directors of the Company.

Squeeze-out

Pursuant to Article 513 of the BCC or the regulations promulgated hereunder, a person or entity, or different persons or entities acting alone or in concert, who own together with the company 95 percent of the securities conferring voting power in a public company, can acquire, the totality of the securities conferring (potential) voting rights in that company following a squeeze-out offer. The shares that are not voluntarily tendered in response to such offer are deemed to be automatically transferred to the bidder at the end of the procedure. At the end of the offer, the company is no longer deemed a public company, unless bonds issued by the company are still spread among the public. The consideration for the securities must be in cash and must represent the fair value as to safeguard the interests of the transferring shareholders.

Sell-Out right

Holders of voting securities or of securities giving access to voting rights may require the offeror, acting alone or in concert, who owns 95% of the voting capital and 95% of the voting securities in a public company following a takeover bid to buy its securities from it at the price of the bid, on the condition that the offeror has acquired, through the acceptance of the bid, securities representing at least 90% of the voting capital subject to the takeover bid.

6.4. Public takeover bids by third parties

No public takeover bid has been made by any third party during the last financial year or the current financial year, in respect of the Company's shares.

