

Prospectus



KBC BANK NV

(incorporated with limited liability under the laws of Belgium)

Issue of up to €700,000,000 8% Euro Directly Issued Perpetual Debt Securities

having the benefit of a Support Agreement entered into with

KBC GROUP NV

(incorporated with limited liability under the laws of Belgium)

Issue Price: 100%

The Euro Directly Issued Perpetual Debt Securities (the **Securities**) are directly-issued securities of KBC Bank NV (the **Issuer** or **KBC Bank**), a company with limited liability incorporated under the laws of Belgium. The Securities will have the benefit of a Support Agreement entered into by the Issuer's holding company, KBC Group NV (**KBC Holding**).

THE SECURITIES ARE ONLY OFFERED TO ELIGIBLE INVESTORS (AS DEFINED HEREIN).

The aggregate principal amount of the securities to be issued will be up to €700,000,000. The Securities will bear interest from (and including) 27 June 2008 (the **Issue Date**) at a rate of interest of 8% per annum. Subject as provided below, interest will be payable annually in arrear on 27 June of each year (each an **Interest Payment Date**), commencing on 27 June 2009.

The Issuer may at its option or (if a Net Assets Deficiency Event (as defined herein) occurs and is continuing prior to an Interest Payment Date or would occur as a result of the payment of interest on an Interest Payment Date) shall defer the payment of interest that would have been payable on such Interest Payment Date or any portion thereof, with the consequence that no interest amount or less than the full interest amount will be payable on such Interest Payment Date. Notwithstanding the foregoing and subject to certain exceptions, deferred amounts of interest will become mandatorily payable upon any payment of dividends on Junior Securities or Parity Securities (each as defined herein) of the Issuer or KBC Holding or any redemption, repurchase or other acquisition by the Issuer or KBC Holding of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition (as defined herein)). The Issuer will generally be required to satisfy its obligation to pay deferred interest only in accordance with the Alternative Coupon Payment Method. See "*Terms and Conditions of the Securities – Deferral of Coupons*" and "*Terms and Conditions of the Securities – Alternative Coupon Payment Method*".

An investment in the Securities involves certain risks. Please review the section "Risk Factors" beginning on page 13 of this Prospectus for a description of such risks.

The Securities are perpetual securities and have no fixed maturity date. The Securities are not redeemable at the option of the holders at any time and are not redeemable at the option of the Issuer prior to the First Call Date, except in certain circumstances set out herein. Subject to compliance with applicable regulatory requirements, the Securities may be redeemed at the option of the Issuer, in whole (but not in part), on 27 June 2013 (the **First Call Date**) or on any subsequent Interest Payment Date. Upon the occurrence of certain events, the Issuer may convert the Securities, in whole (but not in part), into Conversion Upper Tier 2 Instruments or redeem the Securities. In addition, upon the occurrence of a Supervisory Event (as defined herein) or an event resulting in a general *concursum creditorum* on the assets of the Issuer, the Securities shall be converted into profit-sharing certificates (*winstbewijzen/parts bénéficiaires*) (**Profit-Sharing Certificates**) directly issued by the Issuer, upon the terms set out in the Schedule to "Terms and Conditions of the Securities". See "*Terms and Conditions of the Securities – Conversion into Conversion Upper Tier 2 Instruments and Redemption*".

The Securities will be in bearer form and in the denomination €1,000 each. The Securities will be issued under the form of a global certificate (the **Global Certificate**) without interest coupons, which will be deposited on or around the Issue Date with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Ownership of beneficial interests in the Securities will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream, Luxembourg, and their respective participants. To the extent permitted by law, the Global Certificate will be exchangeable in certain limited circumstances, in whole but not in part, for Securities in definitive form in the denomination of €1,000 each and with interest coupons and a talon for further interest coupons attached. See "*Summary of Provisions Relating to the Securities in Global Form*".

Application has been made to the Commission de Surveillance du Secteur Financier (the **CSSF**), in its capacity as competent authority under the Luxembourg Act dated 10 July 2005 on prospectuses for securities (the **Luxembourg Act**), for the approval of this document as a prospectus for offers of the Securities for the purposes of Article 5.3 of Directive 2003/71/EC (the **Prospectus Directive**) and for the purposes of the Luxembourg Act. Application has also been made to the Luxembourg Stock Exchange for the listing of the Securities on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market. References herein to the Securities being "listed" (and all related references) shall mean that the Securities have been listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

The results of the Public Offer of Securities will be notified to the CSSF and announced on the websites of the Luxembourg Stock Exchange (www.bourse.lu) and the Issuer (www.kbc.be) by no later than the business day following completion of the Offer Period.

Any person (an **Investor**) intending to acquire or acquiring any Securities from any person (an **Offeror**) should be aware that, in the context of an offer to the public as defined in the Prospectus Directive, the Issuer may be responsible to the Investor for the Prospectus only if the Issuer is acting in association with that Offeror to make the offer to the Investor. Each Investor should therefore verify with the Offeror whether or not the Offeror is acting in association with the Issuer. If the Offeror is not acting in association with the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Prospectus for the purposes of Article 6 of the Prospectus Directive as implemented by the national legislation of each EEA Member State in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Prospectus and/or who is responsible for its contents it should take legal advice.

Manager

KBC Bank NV

6 June 2008

This Prospectus has been prepared on the basis that any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), other than an offer (the **Public Offer of Securities**) which is made prior to 17:00 (CET) on 25 June 2008 (or such later date as the Issuer may permit), and which is contemplated in this Prospectus, in the Public Offer Jurisdiction (as defined under "*Subscription and Sale – Public Offer of Securities*" below) once the Prospectus has been approved by the CSSF and published and notified to the relevant competent authorities in accordance with the Prospectus Directive as implemented in Belgium, will be made pursuant to an exemption under Article 3(2) of the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Securities. Accordingly, any person making or intending to make an offer in that Relevant Member State of Securities which are the subject of the offering contemplated in this Prospectus, other than Public Offer of Securities, may only do so in circumstances in which no obligation arises for the Issuer, KBC Holding or any of the Manager (as defined under "*Subscription and Sale*") to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Issuer, KBC Holding or the Manager has authorised, nor does it authorise, the making of any offer (other than Public Offer of Securities) of Securities in circumstances in which an obligation arises for the Issuer, KBC Holding or the Manager to publish or supplement a prospectus for such offer.

Each of the Issuer and KBC Holding has confirmed to the Manager that this Prospectus contains all information regarding the Issuer and KBC Holding, the Securities, the Support Agreement, the Profit-Sharing Certificates and the Contingent Guarantee Agreement which is (in the context of the issue of the Securities) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer or (as the case may be) KBC Holding are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing. Each of the Issuer and KBC Holding accepts responsibility for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus to the best of their knowledge is in accordance with the facts and does not omit anything likely to affect the import of such information. The previous sentence should be read in conjunction with the final paragraph on the front page of this Prospectus.

An Investor intending to acquire or acquiring any Securities from an Offeror will do so, and offers and sales of the Securities to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with Investors (other than the Manager) in connection with the offer or sale of the Securities and, accordingly, this Prospectus does not contain such information. The Investor must look to the Offeror at the time of such offer for the provision of such information. The Issuer has no responsibility to an Investor in respect of such information.

The Manager has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Manager as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or KBC Holding in connection with the offering of the Securities. The Manager accepts no liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or KBC Holding in connection with the offering of the Securities or their distribution.

Neither the Issuer nor KBC Holding has authorised the making or provision of any representation or information regarding the Issuer, KBC Holding or the Securities other than as contained in this Prospectus or as approved for such purpose by the Issuer and KBC Holding. Any such representation or information should not be relied upon as having been authorised by the Issuer, KBC Holding or the Manager.

Neither this Prospectus nor any other information supplied in connection with the offering of the Securities (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, KBC Holding or the Manager that any recipient of this Prospectus or any other information supplied in connection with the offering of the Securities should purchase any Securities. Each Investor contemplating purchasing any Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or KBC Holding. Neither this Prospectus nor any other information supplied in connection with the offering of the Securities constitutes an offer or invitation by or on behalf of the Issuer, KBC Holding or the Manager to any person to subscribe for or to purchase any Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any of the Securities shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or KBC Holding since the date of this Prospectus. The Manager expressly does not undertake to review the financial condition or affairs of the Issuer of KBC Holding during the term of the Securities or to advise any Investor in the Securities of any information coming to their attention.

The distribution of this Prospectus and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. The Issuer, KBC Holding and the Manager do not represent that this Prospectus may be lawfully distributed, or that the Securities 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 Issuer, KBC Holding or the Manager which is intended to permit a public offering of the Securities or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Securities 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 comes are required by the Issuer, KBC Holding and the Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Securities and on distribution of this Prospectus and other offering material relating to the Securities, see "*Subscription and Sale*".

In particular, the Securities have not been, and will not be, registered under the United States Securities Act of 1933 (the **Securities Act**) and are subject to United States tax law requirements. Subject to certain exceptions, Securities may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to **EUR**, **euro** or **€** are to the single currency introduced at the start of the Third Stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. References to **billions** are to thousands of millions.

References herein to **KBC Group** or **KBC** are to KBC Holding and its subsidiaries.

References herein to articles of the Belgian company code enacted by the law of 7 May 1999 (the **Belgian Company Code**) shall be deemed to refer to such articles as the same may be amended from time to time.

In connection with the issue of the Securities, the Manager (in such capacity, the Stabilising Manager) (or persons acting on behalf of the Stabilising Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the

Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

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SUMMARY

This summary must be read as an introduction to this Prospectus and any decision to invest in the Securities should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. No civil liability attaches to the persons responsible for this summary in any Member State of the European Economic Area which has implemented the Prospectus Directive solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus, including any information incorporated by reference. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Words and expressions defined in the "Terms and Conditions of the Securities" below or elsewhere in this Prospectus have the same meanings in this summary.

The Issuer: Summary description of KBC Bank NV

KBC Bank NV is a multi-channel bank that caters primarily to private persons and small and medium-sized companies. Its geographic focus is on Europe. In its two home markets (Belgium and Central and Eastern Europe), KBC Bank NV has a very important to even leading position. In the rest of the world, KBC Bank NV has a selective presence in certain countries or areas. KBC Bank NV's core business is retail and private bancassurance (including asset management) in its two home markets, though it is also active in services to corporations and market activities. See "*Description of the Issuer*".

KBC Holding: Summary description of KBC Holding

KBC Holding is the holding company of the KBC Group. KBC Group is an integrated multi-channel bancassurance group, catering mainly to retail customers, small and medium-sized enterprises and private banking clientele. Geographically, KBC Group focuses on Belgium and Central and Eastern Europe for its retail bancassurance and asset management activities, as well as for the provision of services to business customers, and occupies significant, even leading positions in these two home markets. The group is also active in a selection of other countries in Europe in private banking and the provision of services to businesses. Elsewhere around the globe, the group has established a presence in selected countries and regions. KBC Holding has three main direct subsidiaries, KBC Bank, KBC Insurance and KBL European Private Bankers S.A. (**KBL**). See "*Description of KBC Holding*".

Manager: KBC Bank NV

Issue Price: 100% of the principal amount of the Securities.

Issue Date: 27 June 2008

Aggregate Principal Amount:	Up to €700,000,000
Use of Proceeds:	The proceeds of the issue of the Securities will be used by the Issuer to increase its Tier 1 capital and for general corporate purposes.
Form and Denomination:	The Securities will be issued in the form of the Global Certificate, which will be in bearer form representing Securities with a denomination of €1,000 per Security. The Securities will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxemburg.
Status:	The payment obligations of the Issuer under the Securities will rank behind the claims of holders of Senior and Subordinated Indebtedness of the Issuer, <i>pari passu</i> with claims of holders of Parity Securities and before the claims of holders of Junior Securities of the Issuer. In the event of a Supervisory Event or a general <i>concursum creditorum</i> on the assets of the Issuer, the Securities will be converted automatically into Profit-Sharing Certificates.
Support Agreement:	The Securities will have the benefit of a Support Agreement entered into by KBC Holding. KBC Holding has agreed in the Support Agreement (i) to contribute to the capital of the Issuer or otherwise make available such funds as may be necessary in order to permit the Issuer to pay any Mandatory Coupon due and payable, subject to certain exceptions and (ii) to use reasonable efforts to ensure that each of the Issuer and KBC Holding has sufficient authorised capital in order to enable the Issuer to pay any Deferred Coupons on any Deferred Coupon Satisfaction Date in accordance with the Alternative Coupon Payment Method. The obligations of KBC Holding under the Support Agreement are unsecured and subordinated.
Interest:	The Securities will bear interest from (and including) 27 June 2008 at a rate of 8%, payable annually in arrear on 27 June of each year, commencing on 27 June 2009.
Deferral of Interest:	The Issuer may at its option, or (if a Net Assets Deficiency Event occurs and is continuing prior to an Interest Payment Date or would occur as a result of the payment of interest on an Interest Payment Date) shall, defer the payment of interest that would have been payable on an Interest Payment Date or any portion thereof, with the consequence that no interest amount or less than the full interest amount will be payable on such Interest Payment Date. Notwithstanding the foregoing and subject to certain exceptions, Deferred Coupons will become mandatorily payable (i) upon any payment of dividends on Junior Securities or Parity Securities of the Issuer or KBC Holding or any redemption, repurchase or other acquisition by the Issuer or KBC Holding of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition) pursuant to Condition 6.2 (<i>Dividend Stopper and Mandatory Coupons – Mandatory Coupons</i>), (ii) in the case of an Exceptional Deferred Coupon, on the later of: (x) the date falling 90 business days following the date on which the Net Assets Deficiency Event giving rise to the Exceptional Deferred Coupon first occurred and, (y) the next Interest

Payment Date following the date on which such Net Assets Deficiency Event occurred, or (iii) in the case of an Elective Deferred Coupon, on the date falling 90 business days following the Interest Payment Date in respect of which the Deferral Notice was given. The Issuer will generally be required to satisfy its obligation to pay Deferred Coupons only in accordance with the Alternative Coupon Payment Method.

Dividend Stopper:

Following the issue of a Deferral Notice by the Issuer and continuing until all Deferred Coupons are paid in full: the Issuer and KBC Holding (i) will not propose to their shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend on their Junior Securities or Parity Securities and (ii) will not redeem, repurchase or otherwise acquire any of their Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition).

If less than the full amount of interest is paid on the Securities on any Interest Payment Date, the undertakings described above will not prevent the distribution of a partial dividend, in the same proportion, on any Set Rate Parity Securities during the period beginning on such Interest Payment Date and ending before the next succeeding Interest Payment Date.

Mandatory Coupons:

If the Issuer or KBC Holding (A) pays any dividend on any of its Junior Securities or Parity Securities or (B) redeems, repurchases or otherwise acquires any of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition), then (i) all Deferred Coupons will become mandatorily due and payable, and (ii) the interest due and payable on each Interest Payment Date occurring during the Relevant Period will be mandatorily due and payable on each such date (a **Mandatory Coupon Date**), in each case, notwithstanding any Deferral Notice as to such interest or the occurrence of any Net Assets Deficiency Event with respect to the Issuer.

In the case of any dividend on any Set Rate Parity Securities, the interest payable on each related Mandatory Coupon Date will be payable in an amount that results in payment on such Mandatory Coupon Date of a proportion of the full interest amount on the Securities payable on the Interest Payment Date equal to the proportion that a full dividend on such Set Rate Parity Securities bears to such dividend.

The Issuer will be permitted, but shall not be required, to satisfy its obligation to pay the interest payable on a Mandatory Coupon Date in accordance with the Alternative Coupon Payment Method.

Alternative Coupon Payment Method:

The Issuer will satisfy its obligation to pay any Deferred Coupon on a Deferred Coupon Satisfaction Date only in accordance with the procedure described in Condition 7 (*Alternative Coupon Payment Method*) and the Issuer may elect to follow such procedure in order to satisfy its obligation to pay any interest payable on any Interest Payment Date or Mandatory Coupon Date.

The Alternative Coupon Payment Method involves the Issuer issuing Issuer Ordinary Shares and delivering them to KBC Holding and KBC Holding issuing KBC Holding Ordinary Shares and delivering them to the Calculation Agent. The Calculation Agent will then use reasonable endeavours to procure purchasers for the KBC Holding Ordinary Shares in order to provide enough cash to enable the Calculation Agent to make full payment of the Deferred Coupons or interest then due and payable.

If the net sale proceeds from the sale of KBC Holding Ordinary Shares available for distribution to Holders are less than the full amount of the Deferred Coupon or interest then payable, Holders will be paid rateably in any distribution of such proceeds, in proportion to the full amount of the Deferred Coupons that would be due and payable on such Deferred Coupon Satisfaction Date. The completion of the steps set out in Condition 7 (*Alternative Coupon Payment Method*) will satisfy the Issuer's obligation to pay any Deferred Coupon on a Deferred Coupon Satisfaction Date, notwithstanding any shortfall in the sufficiency of the net sale proceeds to pay the full amount of the Deferred Coupon or interest then payable.

Each of the Issuer and KBC Holding has undertaken to use all reasonable efforts to ensure that it has sufficient authorised capital to enable the Issuer to be able to pay Deferred Coupons and interest (if it elects to do so) in accordance with the Alternative Coupon Payment Method.

Notwithstanding the foregoing, if, in the opinion of the Issuer, a Postponement Event occurs, the obligation to pay or satisfy the relevant Deferred Coupon or amount of interest then due and payable shall be deferred until a Postponement Event is no longer continuing.

Maturity:

The Securities are perpetual securities and have no fixed maturity date.

Optional Redemption:

The Securities may be redeemed at the Base Redemption Price, at the option of the Issuer, subject to compliance with applicable regulatory requirements, including the prior approval of the Belgian Banking, Finance and Insurance Commission (*Commission Bancaire Financière et des Assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*) (the **CBFA**), in whole (but not in part), on 27 June 2013 (the **First Call Date**) or on any subsequent Interest Payment Date.

Upon the occurrence of a Tax Event or a Tier 1 Disqualification Event, the Issuer will have the right, subject to the prior approval of the CBFA, (i) at any time before the First Call Date, to redeem the Securities, in whole (but not in part), at a redemption price equal to the greater of (x) the Make Whole Amount and (y) the Base Redemption Price, (ii) on the First Call Date or at any time thereafter, to redeem the Securities, in whole (but not in part), at the Base Redemption Price, or (iii) at any time, to convert the Securities, in whole (but not in part), into Conversion Upper Tier 2 Instruments.

In any event, no redemption or conversion of Securities will be permitted if, before or after giving the effect to such redemption or conversion, a Net Assets Deficiency Event has occurred and is continuing with respect to the Issuer.

Mandatory Conversion:

Upon the occurrence of a Supervisory Event or any event resulting in a general *concursum creditorum* on the assets of the Issuer, the Securities will be converted into Profit-Sharing Certificates (in consideration for a contribution in kind of the Securities to the Issuer) (**Mandatory Conversion**), on the Issuer's giving notice, having a total nominal value in euro equal to (A) the aggregate of (i) the aggregate outstanding principal amount of the Securities, (ii) accrued but unpaid interest on the Adjusted Outstanding Principal Amount, if any, with respect to the current Interest Period accrued on a daily basis to (but excluding) the date of the Mandatory Conversion, and (iii) unpaid Deferred Coupons, if any, less (B) any withholding or deduction in respect of items (A)(ii) and (A)(iii) for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed at any time by or on behalf of the Kingdom of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax (the **Mandatory Conversion Amount**).

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Belgium references in these Conditions to the Kingdom of Belgium shall be construed as references to the Kingdom of Belgium and/or such other jurisdiction.

Neither the Issuer, the Paying Agent, nor any other person shall be obliged to make any gross up or to pay any additional amount to any Holder or Couponholder in respect of any such withholding or deduction referred to under (B) above. .

The contribution referred to above will take place without the need for further consent or action by the Holders. The issuance of the Profit-Sharing Certificates will be recorded by authentic deed made at the request of the board of directors of the Issuer.

Events of Default:

If any of the following events occurs and is continuing:

- (a) the Issuer fails to pay all mandatorily due and payable Deferred Coupons on any Deferred Coupon Satisfaction Date and the default continues for a period of 30 days; or
- (b) the Issuer fails to pay all Mandatory Coupons, which are due and payable on any Mandatory Coupon Date, on such Mandatory Coupon Date and the default continues for a period of 30 days,

then Holders of Securities holding not less than one quarter of the aggregate principal amount of the outstanding Securities may institute proceedings to obtain the payment of the amounts due or to obtain the bankruptcy of the Issuer (or any analogous proceeding which may be

available from time to time under the laws of Belgium).

No remedy against the Issuer, other than the institution of the proceedings referred to above or proving in the bankruptcy, dissolution or liquidation of the Issuer, shall be available to the Holders of the Securities in respect of any Event of Default.

Withholding Tax:

All payments of principal, premium (if any) and interest in respect of the Securities (as well as the conversion of the Securities) will be made without withholding taxes of the Kingdom of Belgium, unless the withholding is required by a Belgian taxing authority. In such event, the Issuer shall not be obliged to pay any additional amounts to the Holders and Couponholders.

If a payment were to be made or collected through a paying agent established in a Member State which has opted for the withholding tax system pursuant to Directive 2003/48/EC of 3 June 2003 and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor the Paying Agent nor any other person would be obliged to pay additional amounts to the holders of Securities or Coupons or to otherwise compensate holders of Securities (as well as the conversion of the Securities) or Coupons for the reductions in the amounts that they will receive as a result of the imposition of such withholding tax.

Governing Law:

The Securities and all matters arising from or connected with the Securities will be governed by, and shall be construed in accordance with, English law.

The Support Agreement, the Agency Agreement relating to the Profit-Sharing Certificates and the Contingent Guarantee Agreement will be governed by Belgian law.

Ratings:

The Securities are expected to be rated A1 by Moody's Investors Services Limited (**Moody's**), A by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies Inc. (**S&P**) and A+ by Fitch Ratings (**Fitch**).

Listing and Admission to Trading:

Application has been made for the Securities to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's regulated market.

Clearing Systems:

Euroclear and Clearstream, Luxembourg.

Selling Restrictions and Public Offer of Securities:

For a description of certain restrictions on offers, sales and deliveries of Securities and on the distribution of offering materials in the United States of America and the European Economic Area and the United Kingdom, see "*Subscription and Sale*".

The Securities may be offered to the public in Belgium. For a description of the public offer and certain applicable restrictions relating to offers of Securities to the public in the European Economic Area, see "*Subscription and Sale – Public Offer of Securities*".

The results of the Public Offer of Securities will be notified to the CSSF and announced on the websites of the Luxembourg Stock Exchange (www.bourse.lu) and the Issuer (www.kbc.be) by no later than the business day following completion of the Offer Period.

Risk Factors:

Summary of Risks Relating to the Issuer and the KBC Group

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Securities. These are set out under "*Risk Factors*" below and include the Issuer's dependence on the level of economic activity in those jurisdictions in which it operates and the impact of domestic and international economic and political events; exposure to risks arising from changes in the credit quality of its borrowers and counterparties, changes in interest rates and currency exchange rates, the performance of financial markets and adverse market conditions; operational risk; liquidity risk; and changes in financial services law, regulations, administrative actions and policies in each location in which the KBC Group operates. In addition, Holders should be aware of the prevailing and widely reported global market conditions, resulting difficulties in valuing assets and exposures and the risk of general market illiquidity for the Securities.

KBC Holding is a financial holding company and the parent company of the KBC Group. Its principal sources of funds are dividends, distributions, interest payments and/or advances from its operational subsidiaries and its financial position and profitability are therefore dependent on the level of performance of such subsidiaries.

Summary of Risks Relating to the Securities

There are certain factors which are material for the purpose of assessing the market risks associated with the Securities. These are also set out under "*Risk Factors*" below and include the following: the Securities are deeply subordinated obligations of the Issuer, ranking behind the claims of holders of Senior and Subordinated Indebtedness of the Issuer; the occurrence of a Net Assets Deficiency Event with respect to the Issuer will require the Issuer to defer all or a portion of the interest payable on the next succeeding Interest Payment Date; the Issuer is entitled to defer all or a portion of the interest payable at any time and for any reason (other than interest payable on a Deferred Coupon Satisfaction Date or a Mandatory Coupon Date); the Issuer is required to pay all Deferred Coupons only by means of the Alternative Coupon Payment Method; the Securities are perpetual and have no fixed maturity date and so potential investors may be required to bear the financial risk of an investment in the Securities for an indefinite period of time; and upon the occurrence of a Supervisory Event or an event resulting in a general *concurso creditorum* on the assets of the Issuer, the Securities shall be converted into Profit-Sharing Certificates, the payment of distributions on which will be dependent on the availability of distributable profits pursuant to Belgian law.

RISK FACTORS

Prior to making an investment decision, prospective purchasers of the Securities should consider carefully, in the light of their own circumstances and investment objectives, the information contained in the entire Prospectus. Investing in the Securities involves certain risks. Prospective purchasers of the Securities should consider, among other things, the risk factors set out below.

Words and expressions defined in the "Terms and Conditions of the Securities" below or elsewhere in this Prospectus have the same meanings in this section.

RISKS RELATING TO THE ISSUER AND THE KBC GROUP

Risks Relating to the Issuer

The Issuer (or KBC Bank) is a direct subsidiary of KBC Holding. KBC Holding has three main direct subsidiaries: KBC Bank and all its subsidiaries; KBC Insurance and all its subsidiaries (**KBC Insurance**); and KBL European Private Bankers S.A. and all its subsidiaries (**KBL**).

Economic Activity

KBC Bank's business activities are dependent on the level of banking, 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 that KBC Bank does business in and market interest rates at the time. As KBC Bank currently conducts the majority of its business in Belgium 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. There can be no assurance that a weakening in these economies will not have a material effect on KBC Bank's future results.

Risks Relating to KBC Bank's Business

As a result of its business activities, KBC Bank is exposed to a variety of risks, the most significant of which are credit risk, market risk, operational risk and liquidity risk. Failure to control these risks could result in material adverse effects on KBC Bank's financial performance and reputation.

Credit Risk

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of KBC Bank's businesses. Adverse changes in the credit quality of KBC Bank's borrowers and counterparties or a general deterioration in the Belgian, Central and Eastern European or global economic conditions, or arising from systematic risks in the financial systems, could affect the recoverability and value of its assets and require an increase in KBC Bank's provision for bad and doubtful debts and other provisions.

Market Risk

The most significant market risks that KBC Bank 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 realised 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 Bank's investment and trading portfolios. KBC Bank has implemented risk management methods to mitigate and control these and other market risks to which KBC Bank is exposed and exposures are constantly measured and monitored.

However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on KBC Bank's financial performance and business operations.

Operational Risk

KBC Bank's businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems, for example, those of KBC Bank's suppliers or counterparties. Although KBC Bank has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks.

Liquidity Risk

The inability of a bank, including KBC Bank, to anticipate and provide for unforeseen decreases or changes in funding sources could have consequences on such bank's ability to meet its obligations when they fall due. Liquidity risk is inherent to the banking business. Within KBC Bank, this risk is monitored and limited by an operational and a structural liquidity framework.

KBC Bank's ability to access sources of liquidity during periods of liquidity stress (such as have been experienced in recent months), including through the issue or sale of complex financial and other instruments, may be constrained as a result of current and future market conditions.

KBC Bank's borrowing costs and its access to the debt capital markets depend significantly on its credit ratings

KBC Bank's long-term credit ratings are AA- (Fitch), Aa2 (Moody's) and AA- (S&P). On 15 February 2008, however, Moody's changed the outlook on all KBC's ratings to negative from stable. A reduction in the long-term credit ratings of KBC Bank or one of its principal subsidiaries may increase its borrowing costs, limit its access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements. Credit ratings are also important to KBC Bank when competing in certain markets, such as longer-term over-the-counter derivatives. Therefore, reductions in KBC Bank's credit ratings could adversely affect its access to liquidity and competitive position and, hence, negatively impact its earnings.

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgments and estimates which may change over time

Under International Financial Reporting Standards (IFRS), KBC Bank recognises at fair value (i) financial instruments classified as "held-for-trading" or "designated as at fair value through profit or loss", (ii) financial assets classified as "available-for-sale" and (iii) derivatives, each as further described in "Notes on accounting policies" on pages 44-49 of the Notes to the consolidated financial statements of KBC Bank for the financial year ended 31 December 2007 which are incorporated by reference herein. Generally, in order to establish the fair value of these instruments, KBC Bank relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instrument utilised by such valuation models may not be available or may become unavailable due to changes in market conditions, as has been the case over the past several months. In such circumstances, KBC Bank's internal valuation models require KBC Bank to make assumptions, judgments and estimates in order to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgements and estimates KBC Bank is required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt,

house price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgments and estimates may need to be updated to reflect changing trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on KBC Bank's earnings.

KBC Bank's future earnings or capital position could be affected by depressed asset valuations resulting from poor market conditions

Financial markets are sometimes subject to significant stress conditions where steep falls in perceived or actual asset values are accompanied by a severe reduction in market liquidity, as exemplified by recent events affecting asset-backed CDOs, the US sub-prime residential mortgage market and leveraged finance. In dislocated markets, hedging and other risk management strategies may not be as effective as they are in normal market conditions due, in part, to the decreasing credit quality of hedge-counterparties, including monoline insurers. Severe market events are difficult to foresee and, if they continue to occur, could result in KBC Bank or the KBC Group incurring significant losses. Recent market volatility and illiquidity has made it difficult to value certain of KBC Bank's exposures. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant changes in the fair values of KBC Bank's or the KBC Group's exposures. Any of these factors could adversely affect KBC Bank's financial condition, capital position and results of operations.

Impact of Regulatory Changes

KBC Bank is subject to financial services laws, regulations, administrative actions and policies in each location that KBC Bank operates. Changes in supervision and regulation, in particular in Belgium and Central and Eastern Europe, could materially affect KBC Bank's business, the products and services offered or the value of its assets. Although KBC Bank works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of KBC Bank.

Risks Relating to KBC Insurance

As a result of its business activities, KBC Insurance is exposed to a variety of risks, the most significant of which are credit risk, market risk, operational risk and insurance risk. Failure to control these risks could result in material adverse effects on KBC Insurance's financial performance and reputation.

Credit Risk

KBC Insurance faces credit risks arising from changes in credit quality and the recoverability of bonds in the investment portfolios and amounts due from reinsurers.

Market Risk

The most significant market risks KBC Insurance faces are interest rate, foreign exchange and equity price risks. Changes in interest rate levels, yield curves and spreads may affect the realised investment income. Changes in currency rates affect the value of assets and liabilities denominated in foreign currencies. KBC Insurance has implemented risk management methods to mitigate and control these and other market risks to which KBC Insurance is exposed and exposures are constantly measured and monitored. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on KBC Insurance's financial performance and business operations.

Operational Risk

KBC Insurance's businesses are dependent on the ability to process a large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document

transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems, for example, those of KBC Insurance's suppliers or counterparties. Although KBC Insurance has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks.

Insurance Risk

The most significant insurance risks KBC Insurance faces are mortality and longevity risks in its life business and catastrophe and non-catastrophe non-life risks in its P&C business. Changes in the frequency of the underlying risk factors and the severity of the potential losses may affect the magnitude of KBC Insurance's liabilities and its realised technical income. KBC Insurance has implemented risk management methods to mitigate and control these insurance risks to which KBC Insurance is exposed, *inter alia* by reinsurance programmes, and exposures are constantly measured and monitored.

Impact of Regulatory Changes

KBC Insurance is subject to financial services laws, regulations, administrative actions and policies in each location that KBC Insurance operates. Changes in supervision and regulation, in particular in Belgium and Central and Eastern Europe, could materially affect KBC Insurance's business, the products and services offered or the value of its assets. Although KBC Insurance works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of KBC Insurance.

Risks Relating to KBL

As a result of its business activities, KBL is exposed to a variety of risks, the most significant of which are credit risk, market risk, operational risk and liquidity risk. Failure to control these risks could result in material adverse effects on KBL's financial performance and reputation.

Credit Risk

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of KBL's businesses. Adverse changes in the credit quality of KBL's borrowers and counterparties or a general deterioration in the Belgian or global economic conditions, or arising from systematic risks in the financial systems, could affect the recoverability and value of its assets and require an increase in KBL's provision for bad and doubtful debts and other provisions.

Market Risk

The most significant market risks KBL 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 realised 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 KBL's investment and trading portfolios. KBL has implemented risk management methods to mitigate and control these and other market risks to which KBL is exposed and exposures are constantly measured and monitored. However, it is difficult to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on KBL's financial performance and business operations.

Operational Risk

KBL's businesses are dependent on the ability to process a very large number of transactions efficiently and accurately. Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, equipment failures, natural disasters or the failure of external systems, for example, those of KBL's suppliers or counterparties. Although KBL has implemented risk controls and loss mitigation actions, and substantial resources are devoted to developing efficient procedures and to staff training, it is not possible to implement procedures which are fully effective in controlling each of the operational risks.

Liquidity Risk

The inability of a bank, including KBL, to anticipate and provide for unforeseen decreases or changes in funding sources could have consequences on such bank's ability to meet its obligations when they fall due. Liquidity risk is inherent to the banking business. Within KBL, this risk is monitored and limited by an operational and a structural liquidity framework.

Impact of Regulatory Changes

KBL is subject to financial services laws, regulations, administrative actions and policies in each location that KBL operates. Changes in supervision and regulation, in particular in Luxembourg, could materially affect KBL's business, the products and services offered or the value of its assets. Although KBL works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of KBL.

Risks Relating to KBC Holding

KBC Holding is a financial holding company, with direct or indirect ownership and management of shareholdings in other companies. As a holding company, KBC Holding's principal sources of funds are dividends, distributions, interest payments and/or advances from its operational subsidiaries and amounts that may be raised through the issue of debt instruments. The ability of such subsidiaries to pay dividends and other amounts to KBC Holding may be subject to their profitability and to applicable restrictions on the payment of dividends and other amounts contained in relevant financing or other agreements to which those subsidiaries are party.

RISKS RELATING TO THE SECURITIES

Global Credit Market Conditions

Holder should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Securities. The Issuer cannot predict when these circumstances will change and if and when they do whether conditions of general market illiquidity for the Securities and instruments similar to the Securities will return in the future.

The Securities are deeply subordinated obligations

The Securities are unsecured, deeply subordinated obligations of the Issuer and rank behind the claims of holders of Senior and Subordinated Indebtedness of the Issuer, *pari passu* with the claims of holders of Parity Securities and before the claims of holders of Junior Securities of the Issuer. Consequently, if the Issuer's financial condition were to deteriorate and, to the extent that funds are not available through the Support Agreement, Holders could suffer direct and materially adverse consequences, including nonpayment of interest, automatic conversion of the Securities into Profit-Sharing Certificates or, if a liquidation,

dissolution or winding up of the Issuer were to occur, loss by the Holders of all or part of their investment. Although the Securities may pay a higher rate of interest than comparable securities which are not subordinated or are not as deeply subordinated, there is a substantial risk that an investor in the Securities will lose all or some of his investment should the Issuer become insolvent.

Receipt of Interest Payments

If the net assets of the Issuer were to decline significantly, no interest or less than the full interest amount on the Securities will be payable on an Interest Payment Date to the extent that, before or after giving effect to such interest payment, a Net Assets Deficiency Event has occurred and is continuing with respect to the Issuer; *provided that*, notwithstanding the occurrence of any Net Assets Deficiency Event with respect to the Issuer, interest on the Securities will be mandatorily payable on any Deferred Coupon Satisfaction Date and Mandatory Coupon Date. See "*Terms and Conditions of the Securities – Interest – Deferred Coupons*" and "*Terms and Conditions of the Securities – Dividend Stopper and Mandatory Coupons*".

The rights of Holders to receive interest payments on the Securities may be limited to the extent the Issuer may give a Deferral Notice with respect to the interest that would have been payable on such Interest Payment Date or any portion thereof, in which case no interest or less than the full interest amount will be payable on an Interest Payment Date. The Issuer may give a Deferral Notice in its sole discretion and for any reason, and must give a Deferral Notice on the occurrence of a Net Assets Deficiency Event with respect to the Issuer, except that a Deferral Notice as to interest payable on a Deferred Coupon Satisfaction Date or Mandatory Coupon Date shall have no force or effect. The occurrence of a Net Assets Deficiency Event with respect to the Issuer is dependent on various circumstances, some of which are to some degree under the Issuer's control.

The Issuer will satisfy its obligations to pay Deferred Coupons on a Deferred Coupon Satisfaction Date only by means of the Alternative Coupon Payment Method. The implementation of the Alternative Coupon Payment method, which requires the issuance of shares by the Issuer and KBC Holding, is dependent on actions and resolutions that will need to be taken at the time by the Issuer and KBC Holding. The Alternative Coupon Payment Method involves the sale of KBC Holding Ordinary Shares in the market. To the extent the proceeds from such sale are not adequate to pay the full amount of the Deferred Coupon then due, the Issuer is nonetheless deemed to have satisfied its obligation in full. See "*Terms and Conditions of the Securities – Alternative Coupon Payment Method*".

No Final Maturity Date

The Issuer is under no obligation to redeem the Securities at any time and the Holders of the Securities have no right to call for their redemption. The Securities are perpetual securities with no final maturity date and will form part of the core Tier 1 regulatory capital of the Issuer. Therefore, potential investors in the Securities may be required to bear the financial risk of an investment in such Securities for an indefinite period of time.

Early redemption of the Securities

Although the Securities are perpetual securities and have no final maturity date, they may be redeemed as set out below. In any event, no redemption of Securities will be permitted if, before or after giving the effect to such redemption, a Net Assets Deficiency Event has occurred and is continuing with respect to the Issuer.

On 27 June 2013 or on any subsequent Interest Payment Date, the Issuer will have the right, subject to the prior approval of the CBFA, to redeem the Securities at a redemption price equal to the Base Redemption Price (as defined in Condition 8.5 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Redemption at the option of the Issuer*)).

In addition, upon the occurrence of a Tax Event or a Tier 1 Disqualification Event, the Issuer will have the right, subject to the prior approval of the CBFA, (i) at any time before the First Call Date, to redeem the Securities in whole (but not in part) at a redemption price equal to the greater of (x) the Make Whole Amount and (y) the Base Redemption Price, (ii) on the First Call Date or at any time thereafter, to redeem the Securities, in whole (but not in part), at the Base Redemption Price, or (iii) at any time, to convert the Securities in whole (but not in part) into Conversion Upper Tier 2 Instruments.

Furthermore, upon the occurrence of a Supervisory Event or any event resulting in a general *concursum creditorum* on the assets of the Issuer, the Securities will be converted into Profit-Sharing Certificates, as described under "*Risk Factors – The Issuer's Capital and Regulatory Position; Mandatory Conversion*" below.

No Limitation on Issuing Further Debt

The Issuer is not prohibited from issuing further debt or securities ranking *pari passu* with or senior to the Securities. None of the Securities, the Profit-Sharing Certificates, the Support Agreement and the Contingent Guarantee Agreement limits the ability of the Issuer or KBC Holding to incur indebtedness or issue securities. The issuance of any such further debt or securities may dilute the claim of Holders of Securities and of the Issuer under the Support Agreement.

Securities may be held only by Eligible Investors

The Securities may be held only by eligible investors (**Eligible Investors**). Eligible Investors are investors who **do not** qualify for holding securities, directly or through intermediary financial institutions, in a so-called "X-Account" in the X/N-System (which is the book-entry clearance and settlement system operated by the National Bank of Belgium). The main categories of Eligible Investors are as follows:

- (a) Belgian resident investors who are individuals;
- (b) Belgian non-profit organisations, other than those referred to under (b) and (c) below; and
- (c) Belgian pension funds that have adopted the form of an organism for the financing of pension (*Organisme voor de Financiering van Pensioenen/Organisme de Financement de Pensions*) as set forth in the law of 27 October 2006.

The main categories of investors qualifying for holding their securities, directly or through intermediary financial institutions, in a so-called "X-account" in the X/N System (**Exempt Investors**) are as follows:

- (a) Belgian resident companies subject to corporate income tax;
- (b) Belgian qualifying pension funds in the form of an *ASBL/VZW*;
- (c) semi-public governmental social security institutions or institutions similar thereto;
- (d) individual investors who are non-residents of Belgium and who have not allocated the Securities to a professional activity in Belgium;
- (e) corporate investors who are non-residents of Belgium, whether they have a permanent establishment in Belgium or not; and
- (f) non-incorporated foreign collective investment schemes (such as *beleggingsfondsen/fonds de placement*) which are an undivided estate managed by a management company for the account of its participants and whose units are not publicly offered or marketed in Belgium.

The above categories only summarise the detailed definitions contained in Article 4 of the Royal Decree of 26 May 1994 (as amended) to which investors should refer for a precise description of the relevant eligibility rules.

Exempt Investors **do not** qualify as Eligible Investors for the purposes of this Prospectus. The Securities may **not** be held by Exempt Investors.

The Issuer's Capital and Regulatory Position; Mandatory Conversion

If a Supervisory Event involving the Issuer were to occur or in the event of a general *concursum creditorum* on the assets of the Issuer, the Securities will be converted into Profit-Sharing Certificates having a total nominal value equal to (A) the aggregate of (a) the aggregate outstanding principal amount of the Securities, (b) accrued but unpaid interest on the Adjusted Outstanding Principal Amount, if any, with respect to the current Interest Period until (but excluding) the date of such conversion, and (c) the unpaid Deferred Coupons, if any, less (B) any withholding or deduction in respect of items (A)(b) and (A)(c) for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed at any time by or on behalf of the Kingdom of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax. Therefore, following a Supervisory Event or a general *concursum creditorum* on the assets of the Issuer, Holders of Securities would become holders of Profit-Sharing Certificates at a time when the Issuer's financial condition has deteriorated.

Payment of distributions on the Profit-Sharing Certificates is subject to the availability of distributable profits in accordance with Article 617 of the Belgian Company Code. Distributions on the Profit-Sharing Certificates will also not be made in the event of a Net Assets Deficiency Event with respect to the Issuer or if the Issuer elects to defer payment of the relevant distribution pursuant to Condition 4.4 (*Distribution - Deferral of distributions*) of the Profit-Sharing Certificates. Any distribution missed by reason of the occurrence of a Net Assets Deficiency Event or of insufficiency of distributable profits in accordance with Article 617 of the Belgian Company Code will be definitively forgone, and the Holders of Profit-Sharing Certificates will not be entitled to any carry forward of such missed distribution.

As with the Securities, the Profit-Sharing Certificates, in the event that they are issued, may have no established market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Profit-Sharing Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Profit-Sharing Certificates.

Although the Issuer has undertaken to create and issue Profit-Sharing Certificates with economic terms substantially similar to the Securities if required to do so to effect Mandatory Conversion and although KBC Holding will undertake to vote, at the general meeting of shareholders of the Issuer, in favour of such an issue and the corresponding amendments to the statutes of the Issuer, the Issuer has not yet created such Profit-Sharing Certificates. KBC Holding has undertaken in the Support Agreement to exercise its voting rights so that the terms and conditions of the Profit-Sharing Certificates are approved by the general meeting of shareholders of the Issuer (at the latest) at the next extraordinary shareholders meeting of the Issuer at which the statutes of the Issuer are amended. The ultimate issue of the Profit-Sharing Certificates will require actions and resolutions to be taken at the time by the Issuer.

Rights under the Support Agreement; Ranking of the Support Agreement

KBC Holding's obligations under the Support Agreement constitute unsecured, subordinated obligations. In the event of a general *concursum creditorum* on the entire assets of KBC Holding, the Holders of the Securities shall irrevocably waive their right to equal treatment with, and the rights of the Holders of Securities will rank behind those of, all creditors of KBC Holding, including subordinated creditors (other than those, if any, whose claims are capable of constituting tier 1 regulatory capital of KBC Holding), and

their payment will be subject to the condition precedent that all such creditors of KBC Holding will have been paid in full. The rights of the Holders of Securities under the Support Agreement will rank equally with the Parity Securities of KBC Holding and will rank ahead of the Junior Securities of KBC Holding. KBC Holding's obligations under the Support Agreement with respect to the payment of Coupons that are mandatorily payable on a Mandatory Coupon Date will be satisfied by making capital contributions to the Issuer and, as a result, any claims of Holders of Securities will be subordinated to claims of creditors of the Issuer. The Support Agreement does not limit the ability of KBC Holding to incur indebtedness or issue securities. See "*Description of the Support Agreement*".

KBC Holding will not be obligated to make any payment in respect of interest payments under the Support Agreement unless a dividend payment, or a redemption, repurchase or acquisition, is made in respect of any of the Junior Securities or Parity Securities of KBC Holding. See "*Description of the Support Agreement*".

In the event that KBC Holding does not have sufficient legally available reserves to make in full the payments due under the Support Agreement, KBC Holding will not be able to contribute or otherwise make available to the Issuer such additional funds as may be necessary to ensure that the Issuer will be able to pay all Mandatory Coupons due and payable on a Mandatory Coupon Date. See "*Description of the Support Agreement*".

Limited Remedies

The Issuer may elect to defer the payment of interest that would otherwise have been due and payable, except in certain limited circumstances. The sole remedy against the Issuer available to the Holders of the Securities for recovery of amounts owing is the institution of proceedings to obtain the payment of such amounts and or to obtain the bankruptcy of the Issuer, as more particularly described in "*Terms and Conditions of the Securities – Events of Default*".

No Voting Rights

Holders of the Securities will not have any voting rights, except as provided in "*Terms and Conditions of the Securities – Meetings of Holders of Securities*".

Holders of the Profit-Sharing Certificates will not have any voting rights, except as provided in "*Terms and Conditions of the Profit-Sharing Certificates – Voting and Preference Rights*".

Relationship with the Issuer

All notices and payments to be delivered to Holders of Securities will be distributed by the Issuer to such Holders of Securities through the relevant clearing systems. In the event that a Holder of Securities does not receive such notices or payments, its rights may be prejudiced but it may not have a direct claim against the Issuer therefor.

Reliance on the procedures of Euroclear and Clearstream, Luxembourg for transfer, payment and communication with the Issuer

The Securities will be represented by the Global Certificate, which will be deposited with a common depositary and held by or on behalf of Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Certificate and subject as provided below, investors will not be entitled to receive definitive Securities. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Certificate. While the Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Securities by making payments to or to the order of a common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Securities. The Issuer and KBC Holding have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer in the event of a default under the Securities but will have to rely upon their rights under the Deed of Covenant.

Pursuant to Belgian law of 14 December 2005 on the abolition of bearer securities, the Issuer will not be allowed to deliver Securities in bearer form in Belgium, other than deliveries to a clearing system, a depository or another institution for the purpose of their immobilisation.

Risks Relating to the Securities generally

The Securities may not be a suitable investment for all investors

Purchasing the Securities involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Securities. Before making an investment decision, prospective purchasers of the Securities should ensure that they understand the nature of the Securities and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives, all the information set forth and incorporated by reference herein.

Investment in the Securities is only suitable for investors who:

- (a) have the requisite knowledge and experience in financial and business matters, and access to, and knowledge of, appropriate analytical resources, to evaluate the information contained herein and the merits and risks of an investment in the Securities in the context of such investors' financial positions and circumstances;
- (b) are capable of bearing the economic risk of an investment in the Securities for an indefinite period of time; and
- (c) recognise that it may not be possible to make any transfer of the Securities for a substantial period of time, if at all.

Further, each prospective purchaser of the Securities must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Securities (a) is fully consistent with its (or if it is acquiring the Securities in a fiduciary capacity, the beneficiary's/beneficiaries') financial needs, objectives and condition; (b) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Securities as principal or in a fiduciary capacity); and (c) is a fit, proper and suitable investment for it (or if it is acquiring the Securities in a fiduciary capacity, for the beneficiary/beneficiaries), notwithstanding the clear and substantial risks inherent in investing in or holding the Securities.

Modifications and Waivers

The Terms and Conditions of the Securities contain provisions for convening meetings of Holders of the Securities pursuant to Articles 568 *et seq.* of the Belgian Company Code to consider any matters affecting their interests including the sanctioning of a modification or waiver of certain of the terms and conditions of the Securities as set forth in Articles 568 *et seq.* of the Belgian Company Code. Resolutions duly passed in accordance with the provisions of Articles 568 *et seq.* of the Belgian Company Code at any meeting of the Holders of the Securities shall be binding on all Holders of the Securities, regardless of whether they were present at the meeting and whether they voted in favour of such resolutions.

Change of law

The Terms and Conditions of the Securities are governed by, and shall be construed in accordance with, English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Securities.

Risks Relating to the market generally

Exchange rate risks and exchange controls

The Issuer will pay principal, premium (if any) and interest on the Securities in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a different currency or currency unit (the **Investor's Currency**). These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency-equivalent yield on the Securities, (ii) the Investor's Currency-equivalent value of the principal payable on the Securities and (iii) the Investor's Currency-equivalent market value of the Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

The Securities will accrue interest at a fixed rate. Investment in fixed rate instruments involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate instruments.

Credit ratings may not reflect all risks

The Securities are expected to be rated A1 by Moody's, A by S&P and A+ by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency without notice. Similar ratings on different types of securities do not necessarily mean the same thing. The aforementioned ratings do not address the likelihood that the principal on the Securities will be prepaid on any particular date. The ratings do not address the marketability of the Securities or any market price. Any change in the credit ratings of the Securities, the Issuer or KBC Holding could adversely affect the price that a subsequent purchaser will be willing to pay for the Securities. The significance of each rating should be evaluated independently of any other rating. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Securities are legal investments for it, (ii) the Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Securities under any applicable risk-based capital or similar rules.

INFORMATION INCORPORATED BY REFERENCE

The following information set out in the table below has been extracted from the Annual Reports of KBC Bank and KBC Holding for 2006 and 2007 and shall be deemed to be incorporated in, and to form part of, this Prospectus. The Statutory Auditors' Report in respect of the consolidated financial statements of KBC Bank NV for the year ended 31 December 2007 and the Extended Quarterly Report of KBC Group (1Q 2008) shall also be deemed to be incorporated in, and to form part of, this Prospectus. Any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement.

Such documents will be made available, free of charge, during usual business hours at the specified offices of the Paying Agents and the Listing Agent in Luxembourg, unless such documents have been modified or superseded. Such documents will also be available to view on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purpose only.

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TERMS AND CONDITIONS OF THE SECURITIES

The following terms and conditions are, the terms and conditions which save for the sentences in italics (and subject to amendment) will be endorsed on the Securities in definitive form. So long as the Securities are in global form, the effect of certain of these terms and conditions will be amended by the provisions of the Global Certificate (see "Summary of Provisions Relating to the Securities in Global Form").

The up to €700,000,000 Euro Directly Issued Perpetual Debt Securities (the **Securities**, which expression includes any further securities issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of KBC Bank NV (the **Issuer**) are issued subject to and with the benefit of (a) a support agreement dated 27 June 2008 (as amended or supplemented from time to time, the **Support Agreement**) between the Issuer and KBC Group NV (**KBC Holding**) and (b) an agency agreement dated 27 June 2008 (as amended or supplemented from time to time, the **Securities Agency Agreement**) between the Issuer, KBC Holding and KBL European Private Bankers S.A. as fiscal agent (the **Fiscal Agent**, which expression includes any successor fiscal agent appointed from time to time in connection with the Securities), the Calculation Agent and the paying agents named therein (together with the Fiscal Agent, the **Paying Agents**, which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities). Certain provisions of these terms and conditions (the **Conditions**) are summaries of the Support Agreement and the Securities Agency Agreement and are subject to their detailed provisions.

The holders of the Securities (the **Holders of Securities** or **Holders**) and the holders of the related interest coupons (the **Couponholders** and the **Coupons**, respectively) are bound by, and are deemed to have notice of, all the provisions of the Support Agreement and the Securities Agency Agreement applicable to them. Copies of the Support Agreement and the Securities Agency Agreement are available for inspection during normal business hours at the Specified Offices (as defined in the Securities Agency Agreement) of each of the Paying Agents.

Pursuant to the Belgian law of 14 December 2005 on the abolition of bearer securities, the Issuer will not be allowed to deliver bearer Securities in Belgium, other than deliveries to a clearing system, a depositary or other institution, for the purpose of their immobilisation. Furthermore, Profit-Sharing Certificates may not be issued in bearer form, either in Belgium or outside Belgium.

1. DEFINITIONS

In these Conditions the following expressions have the following meanings:

2006 Decree has the meaning given in Condition 8.4 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Mandatory Conversion*).

Adjusted Outstanding Principal Amount means the aggregate principal amount of the Securities (or, as the context may require, the relevant number thereof or an individual Security) outstanding for the time being adjusted to include the aggregate amount of any Elective Deferred Coupons.

Administrative Action means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) by any legislative body, court, governmental or administrative authority or regulatory body having appropriate jurisdiction.

Adviser has the meaning given in Condition 7.3 (*Alternative Coupon Payment Method – Appointment of Adviser*).

Alternative Coupon Payment Method has the meaning given in Condition 7.1 (*Alternative Coupon Payment Method – Applicable*).

Applicable Banking Regulations means at any time the capital adequacy regulations then in effect of the CBFA or other regulatory authority in Belgium (or, if the Issuer becomes domiciled in a jurisdiction other than Belgium, such other jurisdiction) having primary bank supervisory authority with respect to the Issuer.

Base Redemption Price has the meaning given in Condition 8.5 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Redemption at the option of the Issuer*).

Belgian Company Code means the Belgian company code enacted by the law of 7 May 1999, as the same may be amended from time to time.

business day means a day which is a TARGET2 Settlement Day and which is also a day on which Euroclear and Clearstream, Luxembourg are operating.

Calculation Agent means KBC Bank NV and any successor appointed under the Securities Agency Agreement.

CBFA means the Belgian Banking, Finance and Insurance Commission (*Commission Bancaire Financière et des Assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*), together with any successor authority that administers the Applicable Banking Regulations.

Clearstream, Luxembourg means Clearstream Banking, société anonyme.

Conversion Upper Tier 2 Instruments means instruments constituting "upper tier 2" regulatory capital of the Issuer under Applicable Banking Regulations having the same material terms as the Securities, except that each such instrument will (i) be a perpetual capital security issued by the Issuer with cumulative interest, (ii) rank *pari passu* with any other upper tier 2 capital securities issued by the Issuer, (iii) not be redeemable upon a Tier 1 Disqualification Event, (iv) not be subject to the Alternative Coupon Payment Method, (v) not be subject to a Mandatory Conversion and (vi) be subject to such terms and conditions as may be required under the Applicable Banking Regulations to be capable of constituting "upper tier 2" regulatory capital of the Issuer, including as regards deferral of interest and the subordination of claims to principal and interest. For the avoidance of doubt, with respect to any Securities, any Deferred Coupons outstanding at the time of the conversion into Conversion Upper Tier 2 Instruments shall become outstanding missed cumulative interest payments for the purposes of the Conversion Upper Tier 2 Instruments and the terms of such Conversion Upper Tier 2 Instruments will be reflected in one or more agency agreements or in an agency agreement supplemental to the Securities Agency Agreement, without the need for any consent of the Holders of Securities, at the time of conversion, if any.

Coupon Sheet has the meaning given in Condition 9.8 (*Payments – Exchange of Talons*).

Day Count Fraction has the meaning given in Condition 4.1 (*Interest – Interest Period*).

Deferral Notice has the meaning given in Condition 5.1 (*Deferral of Coupons – Deferral Notice*).

Deferred Coupon means any interest on the Securities or any portion thereof that is deferred in accordance with Conditions 4.3 (*Interest – Deferred Coupons*) and 5 (*Deferral of Coupons*) which is either an Elective Deferred Coupon or an Exceptional Deferred Coupon.

Deferred Coupon Satisfaction Date means, subject to the occurrence of a Postponement Event (i) upon any payment of dividends on Junior Securities or Parity Securities of the Issuer or KBC

Holding or any redemption, repurchase or other acquisition by the Issuer or KBC Holding of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition) as set out in Condition 6.2 (*Dividend Stopper and Mandatory Coupons – Mandatory Coupons*), a date to be determined by the Issuer but in any event no later than 90 business days after the date of the payment in respect of such Junior Securities or Parity Securities, (ii) in the case of an Exceptional Deferred Coupon, the later of (x) the date falling 90 business days following the date on which the Net Assets Deficiency Event giving rise to the Exceptional Deferred Coupon first occurred and (y) the next Interest Payment Date following the date on which such Net Assets Deficiency Event occurred, (iii) in the case of an Elective Deferred Coupon, the date falling 90 business days following the Interest Payment Date in respect of which the Deferral Notice was given or (iv) any date on which the Issuer elects to pay Deferred Coupons before they become mandatorily due and payable.

Dispute has the meaning given in Condition 18.2 (*Governing Law and Jurisdiction – English courts*).

dividend means, with respect to Junior Securities and Parity Securities, a dividend or any other distribution of earnings or reserved profits thereon; for the avoidance of doubt, "dividend" does not include any coupon representing subscription rights or similar rights, any redemption of capital, nor any adjustment payment (*opleg/soulte*) paid on a merger or other capital restructuring event.

Elective Deferred Coupons has the meaning given in Condition 4.3 (*Interest – Deferred Coupons*).

euro, EUR and € are references to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty.

Event of Default has the meaning given in Condition 11 (*Events of Default*).

Exceptional Deferred Coupons has the meaning given in Condition 4.3 (*Interest – Deferred Coupons*).

Expert has the meaning given in Condition 7.3 (*Alternative Coupon Payment Method – Appointment of Adviser*).

Euroclear means Euroclear Banking S.A./N.V.

First Call Date has the meaning given in Condition 8.5 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Redemption at the option of the Issuer*).

general concursus creditorum means any *concurus creditorum* (*concoures des créanciers/samenloop van schuldeisers*) on the entire assets of the Issuer or KBC Holding, as the case may be, including bankruptcy (*faillite/faillissement*), moratorium (*concordat judiciaire/gerechtiged akkoord*) and judicial or voluntary dissolution (*dissolution judiciaire ou volontaire/gerechtiged akkoord of vrijwillige ontbinding*) except, in the latter case, for corporate reorganisations involving a dissolution without liquidation (*dissolution sans liquidation/ontbinding zonder vereffening*) of the Issuer or KBC Holding, as the case may be, as referred to in Articles 671 to 677 of the Belgian Company Code relating to mergers, demergers and assimilated transactions.

Interest Payment Date has the meaning given in Condition 4.1 (*Interest – Interest Period*).

Interest Period has the meaning given in Condition 4.1 (*Interest – Interest Period*).

Issue Date has the meaning given in Condition 4.1 (*Interest – Interest Period*).

Issuer Ordinary Shares means ordinary shares of the Issuer or any ordinary share equivalent that may replace or be substituted for the ordinary shares of the Issuer.

Junior Securities means, with respect to the Issuer or KBC Holding, (i) Issuer Ordinary Shares or KBC Holding Ordinary Shares, (ii) profit-sharing certificates (*winstbewijzen/parts bénéficiaires*) of the Issuer or KBC Holding ranking junior to the Parity Securities of the Issuer or KBC Holding, as the case may be, or (iii) any other securities or obligations of the Issuer or KBC Holding ranking or expressed to rank junior to the Parity Securities of the Issuer or KBC Holding, as the case may be, whether issued directly by the Issuer or KBC Holding or by any subsidiary of the Issuer or KBC Holding benefiting from a guarantee or support agreement from the Issuer or KBC Holding ranking or expressed to rank junior to the Securities and the Support Agreement.

KBC Holding Ordinary Shares means ordinary shares of KBC Holding or any ordinary share equivalent that may replace or be substituted for the ordinary shares of KBC Holding.

Law of 22 March 1993 has the meaning given in Condition 8.4 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Mandatory Conversion*).

Make Whole Amount means, in respect of each Security, the price, as determined by the Calculation Agent three dealing days before the relevant Special Event Redemption Date, equal to the aggregate of (i) the present value of the principal amount of the Security discounted from the First Call Date, (ii) the present values of scheduled interest amounts from (and including) the relevant Special Event Redemption Date to (but excluding) the First Call Date, (iii) any due and accrued but unpaid interest calculated from (and including) the immediately preceding Interest Payment Date (or, if none, the Issue Date) to (but excluding) the Special Event Redemption Date, and (iv) any unpaid Deferred Coupons.

The present values calculated in (i) and (ii) above shall be calculated by discounting the relevant amounts to the date when the Security is to be redeemed on an annual basis at the Adjusted Yield.

For the purposes of determining the Make Whole Amount:

Adjusted Yield means the Initial Bond Yield, plus the Margin;

Initial Bond Yield means the rate per annum, as observed and fixed on the date on which the issue of the Securities is priced, equal to the annual yield to maturity of the Reference Bond;

Margin means the margin to be determined prior to the Issue Date of the Securities and notified by the Issuer on the website of the Luxembourg Stock Exchange (www.bourse.lu);

Reference Bond means such European government bond as the Calculation Agent may, with the advice of the Reference Bond Dealers, determine to be appropriate for determining the Make Whole Amount, such Reference Bond to be determined prior to the Issue Date of the Securities and notified by the Issuer on the website of the Luxembourg Stock Exchange (www.bourse.lu); and

Reference Bond Dealers means three brokers of, and/or market makers in, European government bonds selected by the Calculation Agent in consultation with the Issuer, or such other three persons operating in the European government bond market as are selected by the Calculation Agent in consultation with the Issuer.

Mandatory Conversion has the meaning given in Condition 8.4 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Mandatory Conversion*).

Mandatory Conversion Amount has the meaning given in Condition 8.4 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Mandatory Conversion*).

Mandatory Coupon means an amount of interest mandatorily due and payable on a Mandatory Coupon Date or a Deferred Coupon Satisfaction Date.

Mandatory Coupon Date has the meaning given in Condition 6.2 (*Dividend Stopper and Mandatory Coupons – Mandatory Coupons*).

Market Disruption Event has the meaning given in Condition 7.5 (*Alternative Coupon Payment Method – Postponement Event*).

Net Assets Deficiency Event has the meaning given in Condition 4.3 (*Interest – Deferred Coupons*).

Other Pari Passu Claims has the meaning set forth in the definition of Senior and Subordinated Indebtedness.

Parity Guarantees has the meaning set forth in the definition of Parity Securities.

Parity Securities means, with respect to the Issuer or KBC Holding, (i) the most senior ranking preferred or preference shares or profit-sharing certificates (*winstbewijzen/parts bénéficiaires*) (**Parity Shares**) of the Issuer or KBC Holding, if any and (ii) guarantees by the Issuer or KBC Holding (whether through an agreement or instrument labelled as a guarantee, as a support agreement, or with some other name but with an effect similar to a guarantee or support agreement) of preferred securities or preferred or preference shares issued by any of the Issuer's or KBC Holding's subsidiaries, ranking or expressed to rank *pari passu* with the Issuer's or KBC Holding's Parity Shares (**Parity Guarantees**).

Parity Shares has the meaning set forth in the definition of Parity Securities.

Permitted Share Acquisition means an acquisition of Junior Securities or Parity Securities (i) by simultaneous replacement with other Junior Securities or, as the case may be, Parity Securities of the same aggregate principal amount and the same or a lower ranking, (ii) in connection with transactions effected for the account of customers of the Issuer or KBC Holding or any of their subsidiaries or in connection with the distribution, trading or market-making in respect of such securities, (iii) in connection with the satisfaction by the Issuer or KBC Holding or any of their subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants. For the avoidance of doubt, Set Rate Parity Securities may be replaced with new Set Rate Parity Securities, subject to (i) above, but Parity Securities which are not Set Rate Parity Securities may not be replaced by Set Rate Parity Securities.

Postponement Event has the meaning given in Condition 7.5 (*Alternative Coupon Payment Method – Postponement Event*).

Proceedings has the meaning given in Condition 18.4 (*Governing Law and Jurisdiction – Service of process*).

Profit-Sharing Certificates means the profit-sharing certificates (*winstbewijzen/parts bénéficiaires*) directly issued by the Issuer pursuant to Condition 8.4 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Mandatory Conversion*) upon the occurrence of a Supervisory Event or upon an event resulting in a general *concurso creditorum* on the assets of the Issuer, the terms and conditions of which being as set out in the Schedule hereto.

Redemption Date means a Special Event Redemption Date or the First Call Date or any date occurring after the First Call Date upon which the Securities are redeemed.

Relevant Coupons has the meaning given in Condition 9.4(b)(i) (*Payments – Deduction for unmatured Coupons*).

Relevant Date means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders of Securities.

Relevant Period has the meaning given in Condition 6.2 (*Dividend Stopper and Mandatory Coupons – Mandatory Coupons*).

Senior and Subordinated Indebtedness means all deposits and other liabilities of the Issuer (including those in respect of bonds, notes and debentures, whether senior or subordinated (but not subordinated further than instruments constituting upper "tier 2" capital of the Issuer under the Applicable Banking Regulations)) or guarantees in respect thereof, other than (i) liabilities of the Issuer under the Securities, and (ii) Other Pari Passu Claims. For the purposes of the foregoing, **Other Pari Passu Claims** means claims of creditors of the Issuer which are subordinated so as to rank *pari passu* with claims in respect of the Securities.

Set Rate Parity Securities means Parity Securities carrying a right to a set level of dividend (whether by reference to a fixed or floating rate or otherwise), as opposed to a right to dividend which, subject to the availability of profits, is essentially discretionary.

Special Event Redemption Date means, a redemption date that occurs before the First Call Date in connection with the occurrence of a Tax Event or a Tier 1 Disqualification Event.

Supervisory Event has the meaning given in Condition 8.4 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Mandatory Conversion*).

Talon has the meaning given in Condition 2 (*Form, Denomination and Title*).

TARGET2 Settlement Day means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto is open for business.

Tax Event has the meaning given in Condition 8.2 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Redemption for tax reasons*).

Tier 1 Disqualification Event has the meaning given in Condition 8.3 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Tier 1 Disqualification Event*).

2. FORM, DENOMINATION AND TITLE

The Securities are in bearer form in the denomination €1,000 with Coupons and talons (each, a **Talon**) for further Coupons attached at the time of issue.

Title to the Securities, the Coupons and the Talons will pass by delivery. The holder of any Security, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

No person shall have any right to enforce any term or condition of the Securities under the Contracts (Rights of Third Parties) Act 1999.

3. STATUS AND SUPPORT AGREEMENT

3.1 Status of the Securities

The payment obligations of the Issuer under the Securities will rank behind the claims of holders of Senior and Subordinated Indebtedness of the Issuer, *pari passu* with the claims of holders of Parity Securities and before the claims of holders of Junior Securities of the Issuer. In the event of a general *concursum creditorum* on the assets of the Issuer, the Holders of the Securities shall irrevocably waive their right to equal treatment with the holders of Senior and Subordinated Indebtedness of the Issuer and the Securities will be converted automatically into Profit-Sharing Certificates as provided in Condition 8.4 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Mandatory Conversion*).

3.2 Company Law Status

The Securities do not constitute convertible bonds (*obligations convertibles/converteerbare obligaties*) or subscription rights (*droits de souscription/inschrijvingsrechten*) for the purposes of Belgian company law and the Holders of Securities shall not be entitled to the rights granted by the Belgian Company Code specifically to holders of convertible bonds or subscription rights, in particular under Articles 491, 492, 501 and 502.

3.3 Support Agreement

KBC Holding has in the Support Agreement agreed to perform the following obligations:

- (a) *Mandatory Coupons*: to contribute or cause to be contributed to the capital of the Issuer or otherwise make available such funds as may be necessary to permit the Issuer, taking into account the computation methods as provided for under Article 617 of the Belgian Company Code, to pay any Mandatory Coupon due and payable on a Mandatory Coupon Date; *provided that* any such payment will not be due and payable if following such payment, KBC Holding would not be solvent or would be in a situation of cessation of payment (*cessation de paiement/staking van betalen*). Further, no such contribution to the capital of the Issuer will be due and payable if, and to the extent that, before or after giving effect to such contribution, a Net Assets Deficiency Event has occurred and is continuing with respect to KBC Holding; *provided that*, notwithstanding the occurrence of any Net Assets Deficiency Event with respect to KBC Holding, such contributions to the capital of the Issuer will be mandatorily due and payable on or before any Mandatory Coupon Date that is triggered by payment of a dividend or redemptions, repurchases or other acquisitions in respect of Junior Securities or Parity Securities of KBC Holding; and
- (b) *Alternative Coupon Payment Method*: in order that the Issuer is able to pay Deferred Coupons on any Deferred Coupon Satisfaction Date in accordance with the Alternative Coupon Payment Method, to use all reasonable efforts to ensure that the Issuer has sufficient authorised capital and that KBC Holding has sufficient authorised capital for such purpose; *provided that* this undertaking shall not be construed to require KBC Holding to acquire any issued and outstanding KBC Holding Ordinary Shares. Without limiting the generality of the foregoing, at each annual general meeting, KBC Holding will propose that its shareholders approve resolutions authorising the issuance of such number of KBC Holding Ordinary Shares as KBC Holding reasonably determines are sufficient to pay the interest scheduled to fall due on the Securities over the next 12 months in accordance with the

Alternative Coupon Payment Method, except to the extent that KBC Holding reasonably determines that there is sufficient authorised capital for such purpose already in existence.

3.4 Status of the obligations of KBC Holding under the Support Agreement

The obligations of KBC Holding under the Support Agreement constitute unsecured and subordinated obligations of KBC Holding. In the event of a general *concursum creditorum* on the entire assets of KBC Holding, the Holders of the Securities shall irrevocably waive their right to equal treatment with, and the rights of the Holders of Securities will rank behind those of, all creditors of KBC Holding, including subordinated creditors (other than those, if any, whose claims are capable of constituting tier 1 regulatory capital of KBC Holding), and their payment will be subject to the condition precedent that all such creditors of KBC Holding will have been paid in full. The rights of the Holders of Securities under the Support Agreement will rank equally with the Parity Securities of KBC Holding and will rank ahead of the Junior Securities of KBC Holding.

3.5 Enforcement by the Issuer

The Issuer undertakes promptly to take all necessary steps to enforce the terms of the Support Agreement against KBC Holding in case of breach thereof.

4. INTEREST

4.1 Interest Period

The Securities bear interest from (and including) 27 June 2008 (the **Issue Date**) at a rate of 8% per annum (the **Rate of Interest**) payable in arrear on 27 June in each year (each, an **Interest Payment Date**), commencing on 27 June 2009, subject as provided in Conditions 4.3 (*Interest – Deferred Coupons*), 5 (*Deferral of Coupons*), 6 (*Dividend Stopper and Mandatory Coupons*), 7 (*Alternative Coupon Payment Method*) and 9 (*Payments*).

The amount of interest payable in respect of each Security on each Interest Payment Date shall be calculated by applying the Rate of Interest to the Adjusted Outstanding Principal Amount of each Security. If interest in respect of a Security is required to be paid on any other date, it shall be calculated by applying the Rate of Interest to the Adjusted Outstanding Principal Amount of such Security, multiplying the product by the Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards), where:

Day Count Fraction means, in respect of any period, the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Interest Period in which the relevant period falls; and

Interest Period means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

4.2 Accrual of interest

Subject to Condition 7 (*Alternative Coupon Payment Method*), each Security will cease to bear interest from the relevant Redemption Date unless, upon due presentation, payment of principal or Elective Deferred Coupons is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 4 (*Interest*) on the amounts in respect of which payment is so withheld or refused (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Security up to that day are received by or on behalf of the relevant Holder of Securities and (b) the day which is seven days after the Fiscal Agent has notified

the Holders of Securities that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is any subsequent default in payment).

4.3 Deferred Coupons

If and to the extent that, before or after giving effect to any interest on the Securities otherwise due and payable on an Interest Payment Date, a Net Assets Deficiency Event has occurred and is continuing with respect to the Issuer, the Issuer will give a Deferral Notice and no interest or less than the full interest amount will be due and payable on such Interest Payment Date; *provided that*, notwithstanding the occurrence of any Net Assets Deficiency Event with respect to the Issuer, interest on the Securities will be mandatorily due and payable on any Deferred Coupon Satisfaction Date or Mandatory Coupon Date in accordance with Condition 6.2 (*Dividend Stopper and Mandatory Coupons – Mandatory Coupons*). If interest on the Securities is not mandatorily due and payable on an Interest Payment Date and no Net Assets Deficiency Event has occurred, then, if the Issuer gives a Deferral Notice, no interest or less than the full amount of interest as specified in such Deferral Notice will be payable on such Interest Payment Date.

Deferred Coupons that are deferred in the circumstances described in the first sentence of the preceding paragraph are referred to herein as **Exceptional Deferred Coupons** and Deferred Coupons that are deferred in the circumstances described in the second sentence of the preceding paragraph are referred to herein as **Elective Deferred Coupons**.

For the purposes of the foregoing, **Net Assets Deficiency Event** means (a) with respect to the Issuer or KBC Holding, a decline in the net assets of the Issuer or KBC Holding to below the sum of its paid-in capital and non-distributable reserves, as determined in accordance with, or by applying the computation method provided in, Article 617 of the Belgian Company Code in relation to the distribution of dividends or (b) with respect to the Issuer, an occurrence of the event described in clause (i) of the definition of Supervisory Event. Net assets are to be understood (subject to any change in Article 617 of the Belgian Company Code that may occur after the Issue Date) as the total assets as they appear in the most recent audited annual non-consolidated balance sheet of the Issuer or KBC Holding, as the case may be, after deduction of provisions, debts (including, for the avoidance of doubt, the Securities), formation expenses not yet written off and research and development costs not yet written off.

5. DEFERRAL OF COUPONS

5.1 Deferral Notice

In respect of an Exceptional Deferred Coupon, the Issuer will, and in respect of an Elective Deferred Coupon the Issuer may, on or before the 15th business day immediately preceding an Interest Payment Date, give notice (a **Deferral Notice**) that the Issuer will defer the interest that would, in the absence of deferral in accordance with this Condition, otherwise have been due and payable on such Interest Payment Date or a specified portion thereof, in which case no interest or less than the full amount of interest so specified will be due and payable on such Interest Payment Date.

In respect of an Elective Deferred Coupon, the Issuer may give a Deferral Notice in its sole discretion and for any reason.

A Deferral Notice as to interest due and payable on a Deferred Coupon Satisfaction Date or Mandatory Coupon Date shall have no force or effect. Each Deferral Notice shall be given by mail and facsimile to the Paying Agents, the Calculation Agent and, in accordance with Condition 17 (*Notices*), to the Holders of Securities and shall specify whether the full amount of interest due and payable in respect of the Securities on the relevant Interest Payment Date will be deferred or, if not, the amount of interest which will be deferred.

5.2 Payment of Deferred Coupons

Deferred Coupons will become mandatorily payable (i) upon any payment of dividends on Junior Securities or Parity Securities of the Issuer or KBC Holding or any redemption, repurchase or other acquisition by the Issuer or KBC Holding of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition) pursuant to Condition 6.2 (*Dividend Stopper and Mandatory Coupons – Mandatory Coupons*), (ii) in the case of an Exceptional Deferred Coupon, on the later of (x) the date falling 90 business days following the date on which the Net Assets Deficiency Event giving rise to the Exceptional Deferred Coupon first occurred, and (y) the next Interest Payment Date following the date on which such Net Assets Deficiency Event occurred, or (iii) in the case of an Elective Deferred Coupon, on the date falling 90 business days following the Interest Payment Date in respect of which the Deferral Notice was given. The Issuer may, however, elect to pay Deferred Coupons at any time before they become mandatorily payable. The Issuer will satisfy its obligation to pay Deferred Coupons only in accordance with the Alternative Coupon Payment Method.

5.3 Interest on Deferred Coupons

Elective Deferred Coupons shall bear interest in accordance with Condition 4.1 (*Interest – Interest Period*) provided that they shall not bear interest during any period when a Net Assets Deficiency Event has occurred and is continuing with respect to the Issuer. Exceptional Deferred Coupons shall not bear interest beyond their scheduled Interest Payment Date.

6. DIVIDEND STOPPER AND MANDATORY COUPONS

6.1 Dividend Stopper

The Issuer agrees, and KBC Holding has agreed in the Support Agreement, that beginning on the day the Issuer gives a Deferral Notice and continuing until all Deferred Coupons are paid in full, each of the Issuer and KBC Holding (i) will not propose to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend on its Junior Securities or Parity Securities and (ii) will not redeem, repurchase or otherwise acquire any of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition).

KBC Holding will not vote, and will procure that no vote is cast by any of its subsidiaries, in favour of any of the actions of the Issuer described in clauses (i) and (ii) above; provided that if less than the full amount of interest is paid on the Securities on any Interest Payment Date, the undertaking described in this Condition 6.1 will not prevent the distribution of a partial dividend, in the same proportion, on any Set Rate Parity Securities during the period beginning on such Interest Payment Date and ending before the next succeeding Interest Payment Date.

6.2 Mandatory Coupons

If the Issuer or KBC Holding (A) pays any dividend on any of its Junior Securities or Parity Securities or (B) redeems, repurchases or otherwise acquires any of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition), then all Deferred Coupons will become mandatorily due and payable on the relevant Deferred Coupon Satisfaction Date, notwithstanding any further Deferral Notice or the occurrence of any Net Assets Deficiency Event with respect to the Issuer. The Issuer will satisfy its obligation to pay such Deferred Coupons only in accordance with the Alternative Coupon Payment Method.

If the Issuer or KBC Holding (A) pays any dividend on any of its Junior Securities or Parity Securities or (B) redeems, repurchases or otherwise acquires any of its Junior Securities or Parity

Securities (other than pursuant to a Permitted Share Acquisition), then the interest due and payable on each Interest Payment Date occurring during the Relevant Period (as defined below) will be mandatorily due and payable on each such date (a **Mandatory Coupon Date**), notwithstanding any Deferral Notice as to such interest or the occurrence of any Net Assets Deficiency Event with respect to the Issuer. In the case of any dividend on any Set Rate Parity Securities, the interest payable on each related Mandatory Coupon Date will be payable in an amount that results in payment on such Mandatory Coupon Date of a proportion of the full interest amount on the Securities payable on the Interest Payment Date equal to the proportion that a full dividend on such Set Rate Parity Securities bears to such dividend. The Issuer will be permitted, but shall not be required, to satisfy its obligation to pay the interest payable on a Mandatory Coupon Date in accordance with the Alternative Coupon Payment Method.

For the purposes of the foregoing, **Relevant Period** means one year commencing on and including the day of the relevant dividend or redemption, repurchase or other acquisition but not including the corresponding day of the 12th month thereafter.

7. ALTERNATIVE COUPON PAYMENT METHOD

7.1 Applicable

The Issuer will satisfy its obligation to pay any Deferred Coupon on a Deferred Coupon Satisfaction Date only in accordance with the procedure described below (the **Alternative Coupon Payment Method**). The Issuer will be permitted, but shall not be required, to follow the Alternative Coupon Payment Method in order to satisfy its obligation to pay any interest (other than Deferred Coupons) payable on an Interest Payment Date or Mandatory Coupon Date.

7.2 Issuance, Exchange and Sale Procedure

The Issuer's obligation to pay Deferred Coupons on a Deferred Coupon Satisfaction Date, or interest payable on an Interest Payment Date or Mandatory Coupon Date, as applicable, in accordance with the Alternative Coupon Payment Method will be satisfied as follows:

- (i) the Issuer will give at least 20 business days' notice to any Paying Agent, the Calculation Agent and Holders of the Securities of the forthcoming Deferred Coupon Satisfaction Date, or of its intent to use the Alternative Coupon Payment Method on an Interest Payment Date or Mandatory Coupon Date, as applicable;
- (ii) on or before the seventh business day preceding such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date, as applicable, such Deferred Coupons or interest will be contributed in kind for the account of the Holders of the Securities to the capital (or an issue premium account) of the Issuer and the Issuer will (a) in consideration of such contribution, issue Issuer Ordinary Shares having, in the judgment of the Calculation Agent and, subject to compliance with the requirements of Article 602 of the Belgian Company Code on contributions to share capital in kind (when converted into euro), an aggregate fair market value equal to the aggregate amount of Deferred Coupons that will be payable on such Deferred Coupon Satisfaction Date, or interest payable on such Interest Payment Date or Mandatory Coupon Date, as applicable, plus, subject to the proviso below, any expenses to be borne by the Issuer or KBC Holding in connection with using the Alternative Coupon Payment Method (including, without limitation, the claims for the costs, fees and expenses of the Calculation Agent); *provided that* for the purposes of the foregoing calculation, such expenses shall not be included in such calculation or contributed as a claim for reimbursement against the Issuer or KBC Holding, to the extent that such expenses are otherwise paid or provided for by the Issuer or KBC Holding, as the case may be, on or before the eighth business day preceding such Deferred Coupon Satisfaction Date, Interest

Payment Date or Mandatory Coupon Date, as applicable, and (b) cause such Issuer Ordinary Shares to be delivered to KBC Holding for the account of the Holders of the Securities and for the purposes of the contribution to be made in accordance with paragraph (iii) below;

- (iii) on or before the sixth business day preceding such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date, as applicable, such Issuer Ordinary Shares will be contributed to the capital (or an issue premium account) of KBC Holding for the account of the Holders of the Securities, and KBC Holding will (a) in consideration of such contribution and within one business day thereafter, issue KBC Holding Ordinary Shares having, in the judgment of the Calculation Agent and subject to compliance with the requirements of Article 602 of the Belgian Company Code on contributions to the share capital in kind an aggregate fair market value (when converted into euro) equal to the aggregate amount of Deferred Coupons that will be payable on such Deferred Coupon Satisfaction Date, or the interest that will be payable on such Interest Payment Date or Mandatory Coupon Date, as applicable, plus, subject to the proviso below, any expenses to be borne by the Issuer or KBC Holding in connection with using the Alternative Coupon Payment Method (including, without limitation, the claims for the costs, fees and expenses of the Calculation Agent); *provided that* for the purposes of the foregoing calculation, such expenses shall not be included in such calculation or contributed as a claim for reimbursement against the Issuer or KBC Holding, to the extent that such expenses are otherwise paid or provided for by the Issuer or KBC Holding, as the case may be, on or before the sixth business day preceding such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date, as applicable, and (b) cause such KBC Holding Ordinary Shares to be delivered to the Calculation Agent for the account of the Holders of the Securities;
- (iv) as soon as reasonably practicable thereafter, the Calculation Agent has agreed to use reasonable endeavours on normal market terms to procure purchasers for the KBC Holding Ordinary Shares which, when sold and exchanged into euro at prevailing market exchange rates, are intended to provide enough cash to enable the Calculation Agent to make full payment of the Deferred Coupons or interest then due and payable. The Calculation Agent will then transfer the KBC Holding Ordinary Shares to the purchasers thereof, and the Calculation Agent will collect any sales proceeds and exchange them into euro at prevailing market exchange rates; and
- (v) on such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date, as applicable, the Calculation Agent will apply such sales proceeds first, if applicable, towards the payment of any amounts to be borne by the Issuer or KBC Holding in connection with the use of the Alternative Coupon Payment Method, secondly, towards the payment, on behalf of the Holders of Securities, of all fees, costs and expenses of the Adviser and Expert in accordance with Condition 7.3 (*Alternative Coupon Payment Method – Appointment of Adviser*) and thirdly, towards the payment of the Deferred Coupons or interest then payable.

For the avoidance of doubt, payment of fees, costs and expenses of the Adviser and Expert, if any, in accordance with Condition 7.2(v) shall fulfil the Issuer's obligation to pay interest on such Interest Payment Date or Mandatory Coupon Date only to the extent of such payment. However, in the case of a Deferred Coupon Satisfaction Date, the completion of the foregoing steps (i) through (v) will be in full satisfaction of the Issuer's obligation to pay any Deferred Coupon on a Deferred Coupon Satisfaction Date, without regard to whether the net sales proceeds ultimately delivered to the Holders of Securities are equal to the full amount of the Deferred Coupons that would be due and payable on such Deferred Coupon Satisfaction Date.

If the net sale proceeds from the sale of the KBC Holding Ordinary Shares available for distribution to Holders of Securities are less than the full amount of the Deferred Coupon or interest then payable, Holders of Securities will be paid rateably in any distribution of such proceeds, in proportion to the full amount of the Deferred Coupon or interest on such Holder's Securities.

The contributions referred to in paragraphs (ii) and (iii) above will take place by virtue of these Conditions, without the need for further consent or action by the Holders of Securities. The issuance of the Issuer Ordinary Shares and of the KBC Holding Ordinary Shares will be recorded by authentic deeds made at the request of the board of directors of the Issuer and KBC Holding, respectively, unless otherwise required by law.

7.3 Appointment of Adviser

For the purposes of determining the number of Issuer Ordinary Shares or KBC Holding Ordinary Shares to be issued under (ii) and (iii) above, a majority (in terms of principal amount of the outstanding Securities held) of the Holders of Securities may, at the expense of all Holders of Securities, request the Calculation Agent to seek the opinion of an internationally recognised investment bank selected by the Calculation Agent (the **Adviser**), on giving notice to the Issuer, KBC Holding and the Calculation Agent on or before the 15th business day preceding such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date, as applicable. Once the Calculation Agent has received timely notice from a majority of the Holders of Securities in accordance with this Condition 7.3, no further requests to seek the opinion of an Adviser shall be considered by the Calculation Agent in respect of such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date.

If the opinion of the Adviser differs from the judgment of the Calculation Agent, the Calculation Agent and the Adviser together shall seek to agree the appropriate number of Issuer Ordinary Shares or KBC Holding Ordinary Shares, as the case may be, to be issued.

If the Calculation Agent and the Adviser fail to reach agreement by the 12th business day preceding such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date, as applicable, a bank or other financial institution (the **Expert**) shall be appointed by the Calculation Agent and the Adviser, or, failing agreement on such appointment, by the Calculation Agent, to determine the number of Issuer Ordinary Shares or KBC Holding Ordinary Shares to be issued under (ii) and (iii) above, on or before the ninth business day preceding such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date. The Expert so appointed shall act as an expert and not as an arbitrator. In acting in accordance with this Condition 7.3, the Expert shall not assume any obligations towards or relationship of agency or trust for or with any of the Holders of Securities or Couponholders.

If by the eighth business day preceding such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date, as applicable, (i) an Expert has not been duly appointed or (ii) the Expert has not determined the number of Issuer Ordinary Shares or KBC Holding Ordinary Shares to be issued under (ii) and (iii) above, then the Calculation Agent shall make the final determination of the number of Issuer Ordinary Shares or KBC Holding Ordinary Shares to be issued.

The number of Issuer Ordinary Shares or KBC Holding Ordinary Shares determined in accordance with this Condition 7.3 shall be binding on all Holders of Securities and Couponholders, the Issuer and KBC Holding, whether they requested the opinion of the Adviser or not.

All fees, costs and expenses of the Adviser and the Expert shall be borne by the Holders of Securities and will be deducted from the sales proceeds in accordance with Condition 7.2(v) (*Alternative Coupon Payment Method – Issuance, exchange and sale procedure*). Neither the Issuer nor KBC Holding will be liable to pay any such fees, costs and expenses.

7.4 Sufficiency of Issuer Ordinary Shares and KBC Holding Ordinary Shares

The Issuer will be able to pay Deferred Coupons and interest (if it elects to do so) in accordance with the Alternative Coupon Payment Method only to the extent that (i) the Issuer has enough authorised capital and (ii) KBC Holding has enough authorised capital. The Issuer undertakes to use all reasonable efforts to ensure that it has sufficient authorised capital for this purpose. KBC Holding has undertaken in the Support Agreement to use all reasonable efforts to ensure that the Issuer has sufficient authorised capital and that KBC Holding has sufficient authorised capital, respectively, for this purpose, and in particular that at each annual general meeting of the Issuer and KBC Holding resolutions be passed authorising the issuance of such number of KBC Holding Ordinary Shares or Issuer Ordinary Shares as KBC Holding reasonably determines are sufficient to pay the interest scheduled to fall due on the Securities over the next 12 months in accordance with the Alternative Coupon Payment Method, except to the extent that KBC Holding reasonably determines that there is sufficient authorised capital for such purpose already in existence; *provided that* neither the Issuer nor KBC Holding shall be required to acquire any issued and outstanding Issuer Ordinary Shares or KBC Holding Ordinary Shares.

7.5 Postponement Event

Notwithstanding the provisions of Condition 7.2 (*Alternative Coupon Payment Method – Issuance, exchange and sale procedure*), if, in the opinion of the Issuer (subject, where necessary, to determinations made by the Calculation Agent), a Postponement Event occurs, then the Issuer shall give a notice to the Fiscal Agent, the Calculation Agent, the Holders of Securities (in accordance with Condition 17 (*Notices*)) and (for so long as the Securities are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange as soon as possible after the Issuer determines that the Postponement Event has arisen or occurred, whereupon the obligation to pay or satisfy the relevant Deferred Coupon or amount of interest then due and payable shall be deferred until a Postponement Event is no longer continuing. In such event, the date upon which a Deferred Coupon or amount of interest is due to be made or satisfied in accordance with this Condition 7 shall be the date notified by the Issuer to the Fiscal Agent, the Calculation Agent, the Holders of Securities (in accordance with Condition 17 (*Notices*)) and (for so long as the Securities are listed on the Luxembourg Stock Exchange) the Luxembourg Stock Exchange, which shall be a date no later than 20 business days following the date on which (in the opinion of the Issuer) the Postponement Event no longer exists.

Interest shall not accrue on such Deferred Coupon or amount of interest or part thereof which is so deferred unless, as a consequence of the existence of a Postponement Event, the Issuer does not pay or otherwise satisfy the relevant Deferred Coupon or amount of interest or part thereof for a period of 14 days or more after such Deferred Coupon Satisfaction Date, Interest Payment Date or Mandatory Coupon Date, in which case interest shall accrue on such Deferred Coupon or amount of interest or part thereof which is so deferred from (and including) the date on which the relevant Deferred Coupon or amount of interest or part thereof was due to be made to (but excluding) the date on which such Deferred Coupon or amount of interest or part thereof is made. Any such interest shall accrue at the prevailing rate provided for in Condition 4 (*Interest*) and shall be satisfied only in accordance with this Condition 7 and as soon as reasonably practicable after the relevant Deferred Coupon or amount of interest is paid or satisfied. No liability shall attach to the Fiscal Agent or the Calculation Agent if, as a result of a Postponement Event or any other event outside the control of the Fiscal Agent or the Calculation Agent, the Fiscal Agent or the Calculation Agent is unable to comply with the provisions of Condition 7.2 (*Alternative Coupon Payment Method – Issuance, exchange and sale procedure*).

The Issuer agrees to use all reasonable efforts to comply with the provisions of Condition 7.2 (*Alternative Coupon Payment Method – Issuance, exchange and sale procedure*), notwithstanding the occurrence of a Postponement Event, to the extent it can do so without violation of any applicable law and in compliance with any covenant, undertaking, guarantee or other similar

provision in any Senior and Subordinated Indebtedness and/or Parity Securities (other than Junior Securities).

A **Postponement Event** shall be deemed to occur if:

- (a) a Market Disruption Event exists on or after the 15th business day preceding any Deferred Coupon Satisfaction Date or any Interest Payment Date or Mandatory Coupon Date on which the Issuer has elected to satisfy its obligation to pay interest on such date in accordance with the Alternative Coupon Payment Method;
- (b) notwithstanding the actions taken by the Issuer and KBC Holding pursuant to Condition 7.4 (*Alternative Coupon Payment Method – Issuance, exchange and sale procedure*), the available Issuer Ordinary Shares and/or KBC Holding Ordinary Shares are not sufficient to pay the full amount of the Deferred Coupons or interest then payable, in which event a Postponement Event will occur with respect to any such unpaid amount until such time as the shareholders of the Issuer and/or KBC Holding approve resolutions authorising the issuance of sufficient Issuer Ordinary Shares and/or KBC Holding Ordinary Shares, respectively;
- (c) the Issuer and/or KBC Holding are subject to a "black-out" period which, under applicable securities laws or policies implemented by the Issuer or KBC Holding then in place, would not permit the Issuer or KBC Holding to issue Issuer Ordinary Shares or KBC Holding Ordinary Shares, as the case may be, until the release of information which has resulted in the commencement of such black-out period or such black-out period has otherwise terminated; or
- (d) as a result of any covenant, undertaking, guarantee or other similar provision in any Senior and Subordinated Indebtedness and/or Parity Securities (other than Junior Securities), either the Issuer or KBC Holding would not be permitted to pay any Deferred Coupons or interest then payable because the Issuer or KBC Holding has not satisfied its obligations under such Senior and Subordinated Indebtedness and/or Parity Securities (other than Junior Securities), as the case may be.

As used in these Conditions, **Market Disruption Event** means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by Euronext Brussels or such other principal exchange of KBC Holding from time to time) or on settlement procedures for transactions in the KBC Holding Ordinary Shares on Euronext Brussels if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material in the context of the sale of the KBC Holding Ordinary Shares, (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the KBC Holding Ordinary Shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the KBC Holding Ordinary Shares or (iii) where, pursuant to these Conditions, moneys are required to be converted from one currency into another currency in respect of any payment, the occurrence of any event that makes it impracticable to effect such conversion.

8. CONVERSION INTO CONVERSION UPPER TIER 2 INSTRUMENTS AND REDEMPTION

8.1 No Fixed Redemption Date

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 3.1 (*Status and Support Agreement – Status of the Securities*)) and 0 (

Events of Default), only have the right to repay them in accordance with the provisions of this Condition 8 *Conversion into Conversion Upper Tier 2 Instruments and Redemption*.

Any optional redemption or conversion of Securities pursuant to Condition 8.2 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Redemption for tax reasons*), 8.3 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Tier 1 Disqualification Event*) or Condition 8.5 (*Conversion into Conversion Upper Tier 2 Instruments and Redemption – Redemption at the option of the Issuer*) is subject to compliance with applicable regulatory requirements, including the prior approval of the CBFA. In any event, no redemption or conversion of Securities will be permitted if, before or after giving effect to such redemption or conversion, a Net Assets Deficiency Event has occurred and is continuing with respect to the Issuer.

8.2 Redemption for tax reasons

Upon the occurrence of a Tax Event, and subject to the conditions set forth in this Condition 8, the Issuer will have the right, subject to the prior approval of the CBFA, by giving not less than 30 nor more than 60 days' notice to the Holders of Securities in accordance with Condition 17 (*Notices*), (i) at any time before the First Call Date, to redeem the Securities, in whole (but not in part), at a redemption price equal to the greater of (x) the Make Whole Amount and (y) the Base Redemption Price, (ii) on the First Call Date or at any time thereafter, to redeem the Securities, in whole (but not in part), at the Base Redemption Price or (iii) at any time, to convert the Securities, in whole (but not in part), into Conversion Upper Tier 2 Instruments.

For the purposes of the foregoing, **Tax Event** means the receipt by the Issuer of an opinion of a nationally recognised law firm or other tax advisor (which may be an accounting firm) in Belgium experienced in such matters to the effect that, as a result of (i) any amendment to, clarification of, or change (including any announced prospective change) in, the laws or treaties (or any regulations thereunder) of the Kingdom of Belgium or any political subdivision or taxing authority thereof or therein affecting taxation, (ii) any Administrative Action or (iii) any amendment to, clarification of, or change in the official position on the interpretation of any Administrative Action or any official interpretation or pronouncement that provides for a position with respect to any Administrative Action that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change, interpretation or pronouncement is made known, which amendment, clarification or change is effective or which official interpretation or pronouncement is announced on or after the date of issuance of the Securities, there is more than an insubstantial risk that any interest deduction or other similar direct or indirect tax benefit available to the Issuer in respect of the Securities is eliminated, reduced or otherwise adversely affected in any material respect.

8.3 Tier 1 Disqualification Event

Upon the occurrence of a Tier 1 Disqualification Event, and subject to the conditions set forth in this Condition 8, the Issuer will have the right by giving not less than nor more than 60 days' notice to the Holders of Securities in accordance with Condition 17 (*Notices*), (i) at any time before the First Call Date, to redeem the Securities, in whole (but not in part), at a redemption price equal to the greater of (x) the Make Whole Amount and (y) the Base Redemption Price, (ii) on the First Call Date or at any time thereafter, to redeem the Securities, in whole (but not in part), at the Base Redemption Price or (iii) at any time, to convert the Securities, in whole (but not in part), into Conversion Upper Tier 2 Instruments.

For the purposes of the foregoing, **Tier 1 Disqualification Event** means the receipt by the Issuer of an opinion or declaration, rule or decree of the CBFA to the effect that there has been either (i) a change in law or regulation or (ii) a change in the official interpretation thereof, resulting in more

than an insubstantial risk that the Securities (or any portion thereof) will no longer be capable of constituting tier 1 capital of the Issuer under Applicable Banking Regulations.

8.4 **Mandatory Conversion**

Upon the occurrence of a Supervisory Event or any event resulting in a general *concursum creditorum* on the assets of the Issuer, the Securities will be converted into Profit-Sharing Certificates (in consideration for a contribution in kind of the Securities to the Issuer) (**Mandatory Conversion**), on the Issuer's giving not less than 30 nor more than 60 days' notice to the Holders of Securities in accordance with Condition 17 (*Notices*), having a total nominal value in euro equal to (A) the aggregate of (i) the aggregate outstanding principal amount of the Securities, (ii) accrued but unpaid interest on the Adjusted Outstanding Principal Amount, if any, with respect to the current Interest Period accrued on a daily basis to (but excluding) the date of the Mandatory Conversion, and (iii) unpaid Deferred Coupons, less (B) any withholding or deduction in respect of items (A)(ii) and (A)(iii) for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed at any time by or on behalf of the Kingdom of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax (the **Mandatory Conversion Amount**).

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Belgium references in these Conditions to the Kingdom of Belgium shall be construed as references to the Kingdom of Belgium and/or such other jurisdiction.

Neither the Issuer, the Paying Agent, nor any other person shall be obliged to make any gross up or to pay any additional amount to any Holder or Couponholder in respect of any such withholding or deduction referred to under (B) above.

For the purposes of the foregoing, a **Supervisory Event** will be deemed to occur if (i) the amount of total regulatory capital (*eigen vermogen/fonds propres*) of the Issuer on a company or on a consolidated basis declines below the requirements set out in Article III.1 § 1, 3° of the 2006 Decree of 17 October 2006 of the CBFA on the regulation of the own funds of the credit institutions and investment firms as resulting from the international regulations in force regarding solvency (the **2006 Decree**), (ii) the amount of core tier 1 regulatory capital of the Issuer on a company or on a consolidated basis declines below 5/8 of the requirements set out in Article III.1 § 1, 3° of the 2006 Decree, (iii) Article 633 of the Belgian Company Code becomes applicable by virtue of the Issuer's net assets becoming less than 50% of its corporate capital, (iv) Article 23 of the Belgian law of 22 March 1993 on the status and supervision of credit institutions (the **Law of 22 March 1993**) applies by virtue of the Issuer's capital falling below EUR 6.2 million or (v) at the discretion of the CBFA, in the event that Article 57 § 1 of the Law of 22 March 1993 becomes applicable due to the special measures imposed by the CBFA in application thereof. For the purposes hereof, references to the 2006 Decree, the Law of 22 March 1993 and the provisions thereof shall be deemed to refer to the same as may be amended from time to time or replaced by other laws, regulations or provisions.

The contribution referred to in this Condition 8.4 will take place by virtue of these Conditions, without the need for further consent or action by the Holders of Securities. The issuance of the Profit-Sharing Certificates will be recorded by authentic deed made at the request of the board of directors of the Issuer.

8.5 **Redemption at the option of the Issuer**

The Securities may, subject to the prior approval of the CBFA, be redeemed at the option of the Issuer, in whole (but not in part), on 27 June 2013 (the **First Call Date**) or on any subsequent Interest Payment Date; *provided that* the Issuer will give notice to Holders of Securities not less than 60 business days but not more than 90 business days prior to any such redemption on the First Call

Date and not less than 30 days but not more than 60 days prior to any such redemption on any subsequent Interest Payment Date. This notice shall be given in accordance with Condition 17 (*Notices*).

The redemption price for such redemptions will be an amount equal to the aggregate of (i) the aggregate outstanding principal amount of the Securities, (ii) accrued but unpaid interest on the Adjusted Outstanding Principal Amount, if any, with respect to the current Interest Period accrued on a daily basis to (but excluding) the Redemption Date and (iii) unpaid Deferred Coupons, if any, (the **Base Redemption Price**).

8.6 Cancellation

All Securities so redeemed and any unmatured Coupons or unexchanged Talons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

9. PAYMENTS

9.1 Principal

This Condition 9.1 is without prejudice to the prohibition on delivery of bearer securities in Belgium as set out in the paragraph preceding Condition 1 (Definitions) above.

Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Securities at the Specified Office of any Paying Agent outside the United States by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a euro-zone bank.

9.2 Interest

This Condition 9.2 is without prejudice to the prohibition on delivery of bearer securities in Belgium as set out in the paragraph preceding Condition 1 (Definitions) above.

Payments of interest shall, subject to Condition 9.6 (*Payments – Payments other than in respect of matured Coupons*) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 9.1 (*Payments – Principal*) above.

9.3 Payments subject to fiscal laws

All payments in respect of the Securities are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*). No commissions or expenses shall be charged to the Holders of Securities or Couponholders in respect of such payments.

9.4 Deduction for unmatured Coupons

If a Security is presented without all unmatured Coupons relating thereto then:

- (a) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however*, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons

which the gross amount actually available for payment bears to the amount of principal due for payment;

- (b) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
- (i) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the **Relevant Coupons**) being equal to the amount of principal due for payment; *provided, however*, that where this sub paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
 - (ii) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however*, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment. Each sum of principal so deducted shall be paid in the manner provided in Condition 9.1 (*Payments – Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void Coupons.

9.5 Payments on business days

If the due date for payment of any amount in respect of any Security or Coupon is not a payment business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding payment business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, **payment business day** means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and a TARGET2 Settlement Day.

9.6 Payments other than in respect of matured Coupons

This Condition 9.6 is without prejudice to the prohibition on delivery of bearer securities in Belgium as set out in the paragraph preceding Condition 1 (Definitions) above.

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Securities at the Specified Office of any Paying Agent outside the United States.

9.7 Partial payments

This Condition 9.7 is without prejudice to the prohibition on delivery of bearer securities in Belgium as set out in the paragraph preceding Condition 1 (Definitions) above.

If a Paying Agent makes a partial payment in respect of any Security or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

9.8 Exchange of Talons

This Condition 9.8 is without prejudice to the prohibition on delivery of bearer securities in Belgium as set out in the paragraph preceding Condition 1 (Definitions) above.

On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Securities (each, a **Coupon Sheet**), the Talon forming part of such Coupon Sheet may be exchanged (free of charge) at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 12 (*Prescription*)). Upon the due date for redemption of any Security, any unexchanged Talon relating to such Security shall become void and no Coupon will be delivered in respect of such Talon.

10. TAXATION

All payments of principal, premium (if any) and interest in respect of the Securities and the Coupons by or on behalf of the Issuer (as well as the conversion of the Securities) shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed at any time by or on behalf of the Kingdom of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction is made for or on account of such taxes, duties, assessments or governmental charges which are required by law (the **Relevant Tax**). In such event, neither the Issuer, the Paying Agent, nor any other person shall be obliged to gross up the payments in respect of the Securities and the Coupons, or to pay any additional amount to any Holder or Couponholder in respect of any such Relevant Tax.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the Kingdom of Belgium references in these Conditions to the Kingdom of Belgium shall be construed as references to the Kingdom of Belgium and/or such other jurisdiction.

If a payment were to be made or collected through a paying agent established in a Member State which has opted for the withholding tax system pursuant to Directive 2003/48/EC of 3 June 2003 and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor the Paying Agent nor any other person would be obliged to pay additional amounts to the holders of Securities or Coupons or to otherwise compensate holders of Securities or Coupons for the reductions in the amounts that they will receive as a result of the imposition of such withholding tax.

11. EVENTS OF DEFAULT

11.1 If any of the following events occurs and is continuing (each, an **Event of Default**):

- (a) the Issuer fails to pay all mandatorily due and payable Deferred Coupons on any Deferred Coupon Satisfaction Date and the default continues for a period of 30 days; or
- (b) the Issuer fails to pay all Mandatory Coupons, which are due and payable on any Mandatory Coupon Date, on such Mandatory Coupon Date and the default continues for a period of 30 days,

then Holders of Securities holding not less than one quarter of the aggregate principal amount of the outstanding Securities may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, institute proceedings to obtain the payment of the amounts due or to obtain the bankruptcy of the Issuer (or any analogous proceeding which may be available from time to time under the laws of Belgium). No remedy against the Issuer, other than the institution of the proceedings referred to above or proving in the bankruptcy, dissolution or

liquidation of the Issuer, shall be available to the Holders of the Securities in respect of any Event of Default.

- 11.2 For the avoidance of doubt, the Holders of the Securities waive, to the fullest extent permitted by law (i) all their rights whatsoever pursuant to Article 1184 of the Belgian Civil Code to rescind (*ontbinden/résoudre*), or demand in legal proceedings the rescission (*ontbinding/résolution*) of, the Securities and (ii) to the extent applicable, all their rights whatsoever in respect of the Securities pursuant to Article 487 of the Belgian Company Code (right to rescind (*ontbinding/résolution*)). Furthermore, to the fullest extent permitted by law, the parties hereby waive their rights under Article 1117 of the Belgian Civil Code to nullify, or demand in legal proceedings the nullification of, the Securities on the ground of error (*dwalings/erreur*).

12. PRESCRIPTION

Claims for principal shall become void unless the relevant Securities are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

13. REPLACEMENT OF SECURITIES, COUPONS AND TALONS

If any Security, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent or any Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Securities, Coupons or Talons must be surrendered before replacements will be issued.

14. PAYING AGENTS

In acting under the Securities Agency Agreement and in connection with the Securities and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders of Securities or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided, however*, that the Issuer shall at all times maintain (a) a fiscal agent and a calculation agent and (b) so long as the Securities are listed on any stock exchange or admitted to listing by any other relevant authority, a paying agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority. .

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Holders of Securities.

15. MEETINGS OF HOLDERS OF SECURITIES; MODIFICATION

15.1 Meetings of Holders of Securities

All meetings of Holders of the Securities will be held in accordance with the provisions of Articles 568 *et seq.* of the Belgian Company Code with respect to meetings of bondholders (*algemene vergadering van obligatiehouders*). Subject to the quorum and majority requirements set out in Article 574 of the Belgian Company Code (and if required thereunder, subject to validation by the Brussels Court of Appeal), a meeting of Holders of the Securities shall be entitled to modify or

waive certain of the terms and conditions of the Securities as set forth in Articles 568 *et seq.* of the Belgian Company Code, including, without limitation, lowering the applicable interest rate or delaying interest payments on the Securities. Resolutions duly passed in accordance with the provisions of Articles 568 *et seq.* of the Belgian Company Code at any meeting of the Holders of the Securities shall be binding on all Holders of the Securities, regardless of whether they were present at the meeting and whether they voted in favour of such resolution. A summary of such resolutions, setting forth the decisions adopted at any such meeting of the Holders of the Securities, shall be published in accordance with Condition 17 (*Notices*), so long as the rules of any stock exchange on which the Securities are admitted to trading so require.

All notices relating to meetings of Holders of the Securities shall be made in accordance with Article 570 of the Belgian Company Code, which currently requires an announcement to be published not less than 15 days prior to the meeting of bondholders, in the Belgian Official Gazette (*Belgisch Staatsblad/Moniteur Belge*) and in a national newspaper in Belgium. Such notices will also be published once, not less than eight days prior to the meeting, in accordance with Condition 17 (*Notices*).

15.2 Meetings of Shareholders and Right to Information

With the exception of decisions which are taken by the General Meeting of Shareholders by unanimous written agreement in accordance with Article 536 of the Belgian Company Code (which is only possible in case the relevant decisions have not been made by authentic deed), the Holders of the Securities shall be entitled to attend all General Meetings of Shareholders of the Issuer, in accordance with Article 537 of the Belgian Company Code, and they shall be entitled to receive or examine any documents that are to be remitted or disclosed to them in accordance with the Belgian Company Code. The Holders of the Securities who attend the General Meeting of Shareholders of the Issuer shall be entitled only to a consultative vote. All notices relating to General Meetings of Shareholders shall be published once, not less than eight days prior to the meeting, in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*), so long as the Securities are listed on the Luxembourg Stock Exchange and its rules so require.

15.3 Modification

The terms of the Securities, the Deed of Covenant and the Support Agreement may be amended without the consent of the Holders of Securities or the Couponholders to correct a manifest error. In addition, the parties to the Securities Agency Agreement, the Deed of Covenant or to the Support Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Holders of Securities, granted in accordance with Condition 15.1 (*Meetings of Holders of Securities; Modification – Meetings of Holders of Securities*) above, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Holders of Securities.

16. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Holders of Securities or the Couponholders, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Securities.

17. NOTICES

Subject as provided below, notices to the Holders of Securities shall be valid if published in a leading Belgian newspaper in Belgium (which is expected to be the *De Tijd* or *L'Echo*), and, so long as the Securities are listed on the Luxembourg Stock Exchange and its rules so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu). In either case, if such publication is not practicable, notices to the Holders of Securities shall be valid if published in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Securities. This Condition 17 (*Notices*) shall not apply to notices given pursuant to Condition 15.2 (*Meetings of Holders of Securities; Modification – Meetings of Shareholders and Right to Information*).

The Holders of Securities shall be deemed to have waived any right to individual notice such holders may have pursuant to Article 533 or 570 of the Belgian Company Code, as the case may be, with respect to general meetings of shareholders of the Issuer or meetings of bondholders of the Issuer.

18. GOVERNING LAW AND JURISDICTION

18.1 Governing law

The Securities and all matters arising from or connected with the Securities are governed by, and shall be construed in accordance with, English law.

18.2 English courts

The courts of England have non-exclusive jurisdiction to settle any dispute (a **Dispute**) arising from or connected with the Securities.

18.3 Appropriate forum

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

18.4 Service of process

The Issuer agrees that the documents which start any proceedings relating to a Dispute (**Proceedings**) and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to KBC Bank NV, London Branch at 111 Old Broad Street, 5th Floor, London EC2N 1BR. Nothing in this paragraph shall affect the right of any Holder of Securities to serve process in any other manner permitted by law. This Condition applies to Proceedings in England.

SCHEDULE

TERMS AND CONDITIONS OF THE PROFIT-SHARING CERTIFICATES

The Profit-Sharing Certificates will be issued in certain circumstances, as set out in Condition 2.1 (*Issuance of the Profit-Sharing Certificates – Circumstances*), by KBC Bank NV (the **Issuer**), pursuant to a resolution of the Issuer's general shareholders meeting, at the next extraordinary shareholders meeting of the Issuer when the statutes of the Issuer are amended.

The Profit-Sharing Certificates are the subject of (a) a contingent guarantee agreement dated 27 June 2008 (as amended or supplemented from time to time, the **Contingent Guarantee Agreement**) between the Issuer and KBC Group NV (**KBC Holding**) and (b) an agency agreement dated 27 June 2008 (as amended or supplemented from time to time, the **Agency Agreement**) between the Issuer, KBL European Private Bankers S.A. as fiscal agent (the **Fiscal Agent**, which expressions include any successor fiscal agent appointed from time to time in connection with the Profit-Sharing Certificates), the Calculation Agent and the paying agents named therein (together with the Fiscal Agent, the **Paying Agents**, which expression includes any successor or additional paying agents appointed from time to time in connection with the Profit-Sharing Certificates). Certain provisions of these terms and conditions (the **Conditions**) are summaries of the Contingent Guarantee Agreement and the Agency Agreement and are subject to their detailed provisions. The holders of the Profit-Sharing Certificates (the **Holders of Profit-Sharing Certificates** or the **Holders**) and the holders of the related dividend coupons are bound by, and are deemed to have notice of, all the provisions of the Contingent Guarantee Agreement and the Agency Agreement applicable to them. Copies of the Contingent Guarantee Agreement and the Agency Agreement are available for inspection by any interested person during normal business hours at the Specified Offices (as defined in the Agency Agreement) of each of the Paying Agents, the initial Specified Offices of which are set out below.

1. Definitions

Terms used in these Conditions in relation to the Securities referred to below will have the meaning defined in the Terms and Conditions of those Securities. In addition, in these Conditions the following expressions have the following meanings:

Applicable Banking Regulations means, at any time, the capital adequacy regulations then in effect of the CBFA or other regulatory authority in Belgium (or, if the Issuer becomes domiciled in a jurisdiction other than Belgium, such other jurisdiction) having primary bank supervisory authority with respect to the Issuer.

CBFA means the Belgian Banking and Finance Commission (*Commission Bancaire Financière et des Assurances/Commissie voor het Bank-, Financie- en Assurantiewezzen*), together with any successor authority that administers the Applicable Banking Regulations.

Company Code means the Belgian company code enacted by the law of 7 May 1999, as the same may be amended from time to time.

Deferred Distribution means a distribution or any part thereof which has been deferred pursuant to the provisions of Condition 4.4 (*Distributions – Deferral of distributions*).

Distribution Date has the meaning given in Condition 4.2 (*Distributions – Fixed distributions*).

Distribution Period has the meaning given in Condition 4.2 (*Distributions – Fixed distributions*).

Exchange Upper Tier 2 Instruments means instruments constituting "upper tier 2" regulatory capital of the Issuer under Applicable Banking Regulations having the same material terms as the

Profit-Sharing Certificates, except that each such instrument will (i) be a perpetual security issued by the Issuer with cumulative interest, (ii) rank *pari passu* with any other upper tier 2 capital securities issued by the Issuer, (iii) not be redeemable upon a Tier 1 Disqualification Event, and (iv) be subject to such terms and conditions as may be required under the Applicable Banking Regulations to be capable of constituting "upper tier 2" regulatory capital of the Issuer. The terms of such Exchange Upper Tier 2 Instruments will be documented by the Issuer and may be reflected in one or more agency agreements or in an agency agreement supplemental to the Agency Agreement, without the consent of the Holders of Profit-Sharing Certificates, at the time of conversion.

Issuer Ordinary Shares means ordinary shares of the Issuer or any ordinary share equivalent that may replace or be substituted for the ordinary shares of the Issuer.

Junior Securities means, with respect to the Issuer or KBC Holding, (i) Issuer Ordinary Shares or KBC Holding Ordinary Shares, (ii) profit-sharing certificates (*winstbewijzen/parts bénéficiaires*) of the Issuer or KBC Holding ranking junior to the Parity Securities of the Issuer or KBC Holding, as the case may be, or (iii) any other securities or obligations of the Issuer or KBC Holding ranking or expressed to rank junior to the Parity Securities of the Issuer or KBC Holding, as the case may be, whether issued directly by the Issuer or KBC Holding or by any subsidiary of the Issuer or KBC Holding benefiting from a guarantee or support agreement from the Issuer or KBC Holding ranking or expressed to rank junior to the Profit-Sharing Certificates and the Support Agreement.

KBC Holding Ordinary Shares means ordinary shares of KBC Holding or any ordinary share equivalent that may replace or be substituted for the ordinary shares of KBC Holding.

Mandatory Distribution means a distribution on the Profit-Sharing Certificates which is mandatorily payable pursuant to Condition 6 (*Mandatory Distributions*).

Net Assets Deficiency Event means (i) with respect to the Issuer or KBC Holding, a decline in the net assets of the Issuer or KBC Holding, respectively, to below the sum of its paid in capital and non-distributable reserves, as determined in accordance with, or by applying the computation method provided in, Article 617 of the Company Code in relation to the distribution of dividends, or (ii) with respect to the Issuer, a decline in the amount of total regulatory capital (*eigen vermogen/fonds propres*) of the Issuer on a company or on a consolidated basis to below the requirements set out in Article III.1 § 1, 3° of the Decree of 17 October 2006 of the CBFA on the regulation of the own funds of the credit institutions and investment firms as resulting from the international regulations in force regarding solvency (the **2006 Decree**). For the purposes hereof, references to the 2006 Decree and the provisions thereof will be deemed to refer to the same as may be amended from time to time or replaced by other laws, regulations or provisions. Net assets are to be understood (subject to any change in Article 617 of the Company Code that may occur after 27 June 2008) as the total assets as they appear in the most recent audited annual non-consolidated balance sheet of the Issuer or KBC Holding, as the case may be, after deduction of provisions, debts (including, for the avoidance of doubt, the Securities), formation expenses not yet written off and research and development costs not yet written off.

Parity Securities means, with respect to the Issuer or KBC Holding, (i) the most senior ranking preferred or preference shares or profit-sharing certificates (*winstbewijzen/parts bénéficiaires*) (**Parity Shares**) of the Issuer or KBC Holding, if any, and (ii) guarantees by the Issuer or KBC Holding (whether through an agreement or instrument labelled as a guarantee, as a support agreement, or with some other name but with an effect similar to a guarantee or support agreement) of preferred securities or preferred or preference shares issued by any of the Issuer's or KBC Holding's subsidiaries, ranking or expressed to rank *pari passu* with the Issuer's or KBC Holding's Parity Shares (**Parity Guarantees**).

Permitted Share Acquisition means an acquisition of Junior Securities or Parity Securities (i) by simultaneous replacement with other Junior Securities or, as the case may be, Parity Securities of the same aggregate principal amount and the same or a lower ranking, (ii) in connection with transactions effected for the account of customers of the Issuer or KBC Holding or any of their subsidiaries or in connection with the distribution, trading or market-making in respect of such securities, (iii) in connection with the satisfaction by the Issuer or KBC Holding or any of their subsidiaries of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants. For the avoidance of doubt, Set Rate Parity Securities may be replaced with new Set Rate Parity Securities, subject to (i) above, but Parity Securities which are not Set Rate Parity Securities may not be replaced by Set Rate Parity Securities.

Securities means up to €700,000,000 Euro Directly Issued Perpetual Debt Securities issued by the Issuer on 27 June 2008, as well as any further securities issued pursuant to Condition 16 (*Further Issues*) of the Securities, in each case forming a single series therewith.

Set Rate Parity Securities means Parity Securities carrying a right to a set level of dividend (whether by reference to a fixed or floating rate or otherwise), as opposed to a right to dividend which, subject to the availability of profits, is essentially discretionary.

TARGET2 Settlement Day means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto is open for business.

2. Issuance of the Profit-Sharing Certificates

2.1 Circumstances

The Profit-Sharing Certificates will be issued upon the occurrence of a Supervisory Event or any event resulting in a general *concursum creditorum* on the assets of the Issuer, on the Issuer giving not less than 30 nor more than 60 days' notice to the Holders of Securities in accordance with Condition 17 (*Notices*) of the Securities.

For the purposes of the foregoing, a **Supervisory Event** will be deemed to occur if (i) the amount of total regulatory capital (*eigen vermogen/fonds propres*) of the Issuer on a company or on a consolidated basis declines below the requirements set out in Article III.1 § 1, 3° of the Decree of 17 October 2006 of the CBFA on the regulation of the own funds of the credit institutions and investment firms as resulting from the international regulations in force regarding solvency (the **2006 Decree**), (ii) the amount of core tier 1 regulatory capital of the Issuer on a company or on a consolidated basis declines below 5/8 of the requirements set out in Article III.1 §1, 3° of the 2006 Decree, (iii) Article 633 of the Company Code becomes applicable by virtue of the Issuer's net assets becoming less than 50% of its corporate capital, (iv) Article 23 of the Belgian law of 22 March 1993 on the status and supervision of credit institutions (the **Law of 22 March 1993**) applies by virtue of the Issuer's capital falling below EUR 6.2 million or (v) at the discretion of the CBFA, in the event that Article 57 §1 of the Law of 22 March 1993 becomes applicable due to the special measures imposed by the CBFA in application thereof. For the purposes hereof, references to the 2006 Decree, the Law of 22 March 1993 and the provisions thereof will be deemed to refer to the same as may be amended from time to time or replaced by other laws, regulations or provisions.

2.2 Consideration

The Profit-Sharing Certificates will be issued in consideration for the contribution in kind to the Issuer of the outstanding Securities and all outstanding rights attached thereto.

2.3 Amount

The Profit-Sharing Certificates will be issued with a total nominal value in euro equal to the Mandatory Conversion Amount.

2.4 Powers

The contribution referred to in Condition 2.2 (*Consideration*) above will take place by virtue of the terms and conditions of the Securities, without the need for further consent or action by the Holders of Securities. The issuance of the Profit-Sharing Certificates will be recorded by authentic deed made at the request of the board of directors of the Issuer, unless otherwise required by law.

3. Nature, Denomination, Form and Status

3.1 Nature

The Profit-Sharing Certificates constitute *winstbewijzen/parts bénéficiaires* as described under Article 483 of the Company Code. They do not represent the capital of the Issuer.

3.2 Denomination

The denomination of each Profit-Sharing Certificate is equal to the total nominal value issued in accordance with Condition 2.3 (*Issuance of the Profit-Sharing Certificates – Amount*), divided by the number of outstanding Securities contributed in consideration for their issuance. The denomination of the Profit-Sharing Certificates will be expressed in euro.

3.3 Form

If the board of directors or executive committee of the Issuer determines that Profit-Sharing Certificates in registered form or in dematerialised form are able to be cleared through Euroclear and/or Clearstream, Luxembourg or their respective successors, the Profit-Sharing Certificates will be in those forms. In any event, the Profit-Sharing Certificates will be in registered form or dematerialised form at the choice of the Issuer.

3.4 Status

The Profit-Sharing Certificates constitute unsecured subordinated obligations of the Issuer. In the event of a general *concursum creditorum* (*concoure des créanciers/samenloop van schuldeisers*) on the entire assets of the Issuer, the Holders of the Profit-Sharing Certificates shall irrevocably waive their right to equal treatment with, and the rights of the Holders of Profit-Sharing Certificates will rank behind those of, all creditors of the Issuer, including subordinated creditors (other than those, if any, whose claims are capable of constituting tier 1 regulatory capital of the Issuer), and their payment will be subject to the condition precedent that all such creditors of the Issuer will have been paid in full. The Holders of Profit-Sharing Certificates will rank equally with the Parity Securities of the Issuer and will rank ahead of the Junior Securities of the Issuer. In a liquidation of the Issuer, the Holders of Profit-Sharing Certificates will be entitled to the repayment of the nominal value of the Profit-Sharing Certificates, subject to the above ranking provisions, but will not be entitled to share in further liquidation proceeds of the Issuer.

4. Distributions

4.1 Conditional entitlement

The Holders of Profit-Sharing Certificates are entitled to the distributions set out in this Condition 4, subject only to the availability of distributable profits in accordance with Article 617 of the Company Code and to the conditions set out in Condition 4.3 (*Net assets deficiency*) and Condition 4.4 (*Deferral of distributions*) below. Those distributions will be made in priority to any dividend distribution on the Junior Securities of the Issuer. Distributions will be calculated and paid in euro.

4.2 Fixed distributions

The distribution entitlement will be calculated at a rate per annum on their nominal amount equal to the rate of interest payable on the Securities, payable in arrear on 27 June in each year (each, a **Distribution Date**). On the first Distribution Date following the date of issue of the Profit-Sharing Certificates, the amount of the distribution will be calculated *pro rata temporis*, provided that no distribution will accrue on that first Distribution Date on the part of the nominal value of the Profit-Sharing Certificates which is referred to in item (ii) of Condition 2.3 (*Issuance of the Profit-Sharing Certificates – Amount*). For the purposes hereof and of Condition 8.5 (*Redemption – Redemption price*), *pro rata* accruals will be calculated on the basis of the actual number of days elapsed and the actual number of days in the Distribution Period. **Distribution Period** means each period from (and including) the issue date of the Securities (being 27 June 2008) or any Distribution Date to (but excluding) the next Distribution Date.

4.3 Net assets deficiency

If and to the extent that, before or after giving effect to any distribution on the Profit-Sharing Certificates, a Net Assets Deficiency Event has occurred and is continuing with respect to the Issuer, the Issuer will not declare any such distribution (subject to Condition 6 (*Mandatory Distributions*)).

4.4 Deferral of distributions

If a distribution on the Profit-Sharing Certificates is not mandatorily due and payable on a Distribution Date pursuant to Condition 6 (*Mandatory Distributions*) and no Net Assets Deficiency Event has occurred, then the Issuer may elect to defer payment of a distribution (or a specified portion thereof) otherwise available to be paid on such Distribution Date by giving notice (a **Deferral Notice**) to the Holders of Profit-Sharing Certificates in accordance with Condition 15 (*Notices*) on or before the 15th business day immediately preceding the relevant Distribution Date. In such event, the Issuer will not declare any such distribution or shall declare less than the full amount of such distribution. Each Deferral Notice shall specify whether the full amount of the distribution due and payable in respect of the Profit-Sharing Certificates on the relevant Distribution Date will be deferred or, if not, the amount of the distribution which will be deferred.

Deferred Distributions will become mandatorily payable, subject always to the availability of distributable profits in accordance with Article 617 of the Company Code, upon any payment of dividends on Junior Securities or Parity Securities of the Issuer or KBC Holding or any redemption, repurchase or other acquisition by the Issuer or KBC Holding of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition). The Issuer may, however, elect to pay Deferred Distributions at any time before they become mandatorily payable.

4.5 Distributions not cumulative

Any distribution missed by reason of the application of Condition 4.3 (*Net assets deficiency*) above or of insufficiency of distributable profits in accordance with Article 617 of the Company Code will be definitively forgone, and the Holders of Profit-Sharing Certificates will not be entitled to any carry forward of such missed distribution.

5. Dividend Stopper

5.1 Issuer

If a full distribution has not been paid on the Profit-Sharing Certificates on any Distribution Date, then the Issuer will not, for a period of 12 months after such Distribution Date, declare or pay any dividend on its Junior Securities or Parity Securities or redeem, repurchase or otherwise acquire any of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition).

5.2 KBC Holding

KBC Holding has agreed in the Contingent Guarantee Agreement that, if a full distribution has not been paid on the Profit-Sharing Certificates on any Distribution Date, then for a period of 12 months after such Distribution Date, (A) it (i) will not propose to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend on its Junior Securities or Parity Securities and (ii) will not redeem, repurchase or otherwise acquire any of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition), and (B) it will not vote, and will procure that no vote is cast by any of its subsidiaries, in favour of any of the actions of the Issuer described in Condition 5.1 (*Dividend Stopper – Issuer*) above.

5.3 Partial distributions

If a partial distribution is paid on the Profit-Sharing Certificates on any Distribution Date, Condition 5.1 (*Dividend Stopper – Issuer*) and 5.2 (*Dividend Stopper – KBC Holding*) above will not prevent the distribution of a partial dividend, in the same proportion, on any Set Rate Parity Securities during the period beginning on such Distribution Date and ending before the next succeeding Distribution Date.

5.4 Exchange Upper Tier 2 Instruments

The Issuer agrees and KBC Holding has agreed in the Contingent Guarantee Agreement that the provisions thereof relating to the Dividend Stopper described in this Condition 5 will, after the conversion of all (but not part) of the Profit-Sharing Certificates into Exchange Upper Tier 2 Instruments in accordance with Condition 8.4 (*Redemption – Redemption upon Tier 1 Disqualification Event*), continue to apply *mutatis mutandis* by reference to the deferral of interest payments due under the Exchange Upper Tier 2 Instruments.

5.5 Enforcement by the Issuer

The Issuer undertakes promptly to take all necessary steps to enforce the terms of the Contingent Guarantee Agreement against KBC Holding in case of breach thereof.

6. Mandatory Distributions

6.1 Circumstances

Notwithstanding Condition 4.3 (*Distributions – Net assets deficiency*) and Condition 4.4 (*Distributions – Deferral of distributions*), but subject always to the availability of distributable profits in accordance with Article 617 of the Company Code, if the Issuer or KBC Holding (A) pays any dividend on any of its Junior Securities or Parity Securities or (B) redeems, repurchases or otherwise acquires any of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition), then the distributions payable on each Distribution Date occurring during the Relevant Period will be mandatorily payable on each such date.

6.2 Partial distributions

If a partial distribution is paid on any Set Rate Parity Securities, Condition 6.1 (*Mandatory distributions – Circumstances*) above will only render mandatory the payment of a partial distribution, in the same proportion, on the Profit-Sharing Certificates during the Relevant Period.

6.3 Relevant Period

For the purposes of the foregoing, **Relevant Period** means one year commencing on and including the day of the relevant dividend or redemption, repurchase or other acquisition but not including the corresponding day of the 12th month thereafter.

7. Taxation

All payments in respect of the Profit-Sharing Certificates by or on behalf of the Issuer (as well as the conversion of the Profit Sharing Certificates) will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed at any time by or on behalf of the Kingdom of Belgium or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction is made for or on account of such taxes, duties, assessments or governmental charges (the **Relevant Tax**) which are required by law. In that event, the Issuer will pay such additional amounts (the **Supplemental Amounts**) as will result in receipt by the Holders of Profit-Sharing Certificates after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Supplemental Amounts will be payable in respect of any Profit-Sharing Certificate:

- (a) held or presented for payment by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Profit-Sharing Certificate by reason of its having some connection with the Kingdom of Belgium other than the mere holding of the Profit-Sharing Certificate; or
- (b) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Profit-Sharing Certificate to another paying agent of the Issuer in a Member State of the European Union; or
- (c) presented for payment more than 30 days after the Relevant Date except to the extent that the holder of such Profit-Sharing Certificate would have been entitled to such additional amounts on presenting such Profit-Sharing Certificate for payment on the last day of such period of 30 days; or
- (d) where or to the extent that the Relevant Tax is imposed or levied because the holder (or beneficial owner) has not made a declaration or claim for exemption or reduction of the Relevant Tax, if the Issuer or its agent has given the beneficial owner or its nominee at least 60 days' prior written notice of an opportunity to make the declaration or claim; or
- (e) upon its redemption or conversion by the Issuer pursuant to Condition 8.3 (*Redemption-Redemption at the option of the Issuer*) or Condition 8.4 (*Redemption-Redemption upon a Tier 1 Disqualification Event*).

In these Conditions, **Relevant Date** means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders of Profit-Sharing Certificates.

Any reference in these Conditions to distributions will be deemed to include any Supplemental Amounts which may be payable under this Condition 7.

8. Redemption

8.1 No fixed redemption date

The Profit-Sharing Certificates do not have a fixed redemption date.

8.2 No redemption at the option of the Holders

The Profit-Sharing Certificates are not redeemable at the option of the Holders.

8.3 Redemption at the option of the Issuer

The Profit-Sharing Certificates may, subject to prior approval by the CBFA, be redeemed at the option of the Issuer, in whole (but not in part), on 27 June 2013 (the **First Call Date**) or on any subsequent Distribution Date at the Base Redemption Price; *provided that* the Issuer will give notice to the Holders of Profit-Sharing Certificates not less than 60 business days but not more than 90 business days prior to any such redemption on the First Call Date and not less than 30 days but not more than 60 days prior to any such redemption on any date following the First Call Date.

8.4 Redemption upon Tier 1 Disqualification Event

Upon the occurrence of a Tier 1 Disqualification Event, the Issuer will have the right, subject to prior approval by the CBFA, by giving not less than 30 nor more than 60 days' notice to the Holders of Profit-Sharing Certificates in accordance with Condition 15 (*Notices*), (i) at any time before the First Call Date, to redeem the Profit-Sharing Certificates, in whole (but not in part), at a redemption price equal to the greater of (x) the Make Whole Amount and (y) the Base Redemption Price, (ii) on the First Call Date or at any time thereafter, to redeem the Profit-Sharing Certificates, in whole (but not in part), at the Base Redemption Price, or (iii) at any time, to convert the Profit-Sharing Certificates, in whole (but not in part), into Exchange Upper Tier 2 Instruments. For the purposes of the foregoing, **Tier 1 Disqualification Event** means the receipt by the Issuer of an opinion or declaration, rule or decree of the CBFA to the effect that there has been either (i) a change in law or regulation or (ii) a change in the official interpretation thereof, resulting in more than an insubstantial risk that the Profit-Sharing Certificates (or any portion thereof) will no longer be capable of constituting tier 1 capital of the Issuer under Applicable Banking Regulations.

8.5 Redemption price

For the purposes of the foregoing, **Base Redemption Price** means an amount equal to the aggregate of (i) the aggregate nominal value of the Profit-Sharing Certificates, (ii) an amount equal to *pro rata* unpaid distributions, if any, with respect to the current Distribution Period accrued up to the date fixed for redemption and (iii) unpaid Deferred Distributions, if any, in each case including Supplemental Amounts, if any, in accordance with Condition 7 (*Taxation*).

Make Whole Amount means, in respect of each Profit-Sharing Certificate, an amount equal to the aggregate of (i) the present value of the nominal value of the Profit-Sharing Certificate discounted from the First Call Date, (ii) the present values of scheduled distributions from (and including) the date fixed for redemption until the First Call Date, (iii) an amount equal to *pro rata* unpaid distributions, if any, with respect to the current Distribution Period accrued up to the date fixed for redemption and (iv) unpaid Deferred Distributions, if any, all as determined by the Calculation Agent. The present values calculated in (i) and (ii) above shall be calculated by discounting the

relevant amounts to the date when the Profit-Sharing Certificates are to be redeemed on an annual basis at the Adjusted Yield.

For these purposes **Adjusted Yield** means the rate per annum, as observed and fixed on the date on which the issue of the Securities is priced, equal to the annual yield to maturity of such European government bond as the Calculation Agent may, with the advice of three brokers of, and/or market-makers in, European government bonds selected by the Calculation Agent in consultation with the Issuer determine to be appropriate for determining the Make Whole Amount (as notified by the Issuer on the website of the Luxembourg Stock Exchange (www.bourse.lu)) plus the margin to be determined prior to the issue date of the Securities and notified by the Issuer on the website of the Luxembourg Stock Exchange (www.bourse.lu). The Base Redemption Price and the Make Whole Amount will be expressed in euro.

8.6 Conditions and procedure

Any redemption or conversion of Profit-Sharing Certificates is subject to compliance with all applicable regulatory requirements, including prior approval by the CBFA. In any event, no redemption of Profit-Sharing Certificates will be permitted if, before or after giving effect to any distribution on the Profit-Sharing Certificates, a Net Assets Deficiency Event has occurred and is continuing with respect to the Issuer. Any redemption of the Profit-Sharing Certificates will further be subject to the conditions and procedures set out in Articles 612, 613 and 620 of the Company Code (save that Articles 612 and 613 will not apply in the case of a redemption made in accordance with Condition 8.4 (*Redemption – Redemption upon Tier 1 Disqualification Event*) above); for the avoidance of doubt, any redemption or conversion decided in execution of this Condition 8 will not constitute a modification to the respective rights of the Holders of Profit-Sharing Certificates compared to the rights of the holders of any shares or other profit-sharing certificates of the Issuer for the purposes of Article 560 of the Company Code, and the Holders of Profit-Sharing Certificates will not be entitled to vote on any decision made in accordance with Articles 612 and 620 of the Company Code.

8.7 No further rights

Upon redemption of the Profit-Sharing Certificates, their Holders will cease to be entitled to any subsequent distribution or other rights.

9. Contingent Guarantee

9.1 Mandatory distributions

KBC Holding has agreed in the Contingent Guarantee Agreement to pay any Mandatory Distribution if and to the extent that the Issuer has not paid the same when due. KBC Holding has the option to satisfy this obligation by either (i) making the required payment directly to the Holders of Profit-Sharing Certificates or (ii) making a contribution to the capital or own funds of the Issuer sufficient to permit the Issuer to pay the relevant Mandatory Distribution.

9.2 Exceptions

No such payment or contribution will be required if and to the extent that, before or after giving effect to such contribution, a Net Assets Deficiency Event has occurred and is continuing with respect to KBC Holding or KBC Holding would not be solvent or would be in a situation of cessation of payment (*cessation de paiement/staking van betaling*); *provided that*, notwithstanding the occurrence of any Net Assets Deficiency Event with respect to KBC Holding, such payment or contribution will be required in connection with any Mandatory Distribution that is triggered by

payment of dividends or redemptions, repurchases or other acquisitions in respect of Junior Securities or Parity Securities of KBC Holding.

9.3 Preference shares

The Issuer agrees and KBC Holding has agreed in the Contingent Guarantee Agreement not to authorise unilaterally, and not to propose to their shareholders to authorise, the issue of any additional Junior Securities or Parity Securities unless they are subject to the dividend stopper set out in Condition 5 (*Dividend Stopper*).

10. Voting and Preference Rights

10.1 Voting rights

The Holders of Profit-Sharing Certificates will have no voting rights, save in the cases mandatorily provided by the Company Code. They will not be entitled to attend shareholders meetings, save when they are entitled to vote.

10.2 Preference rights

The Holders of Profit-Sharing Certificates will have no preference rights in respect of any subsequent issuance of shares, profit-sharing certificates (*winstbewijzen/parts bénéficiaires*) or other securities by the Issuer.

11. Accounting Treatment

The contributions made in consideration for the issuance of the Profit-Sharing Certificates will be accounted for as an unavailable reserve. This reserve may only be reduced in accordance with Articles 612 to 614 of the Company Code, save in the case of a redemption made in accordance with Condition 8.4 (*Redemption – Redemption upon Tier 1 Disqualification Event*). The reserve representing the Profit-Sharing Certificates may be reduced by way of absorption of losses in accordance with Article 614 of the Company Code; the entitlement of the Holders of Profit-Sharing Certificates to distributions in accordance with these Conditions, however, will continue irrespective of any such reduction even if it results in the full cancellation of the reserve representing the Profit-Sharing Certificates.

12. Amendments

These Conditions and the Contingent Guarantee Agreement may be amended without the consent of the Holders of the Profit-Sharing Certificates to correct a manifest error. The rights attached to the Profit-Sharing Certificates and these Conditions may be amended in accordance with the rules applicable to modifications to the statutes of the Issuer, taking into account Article 560 of the Company Code, as the case may be. The parties to the Agency Agreement or to the Contingent Guarantee Agreement may agree to modify any provision thereof, but the Issuer will not agree, without the consent of the Holders of Profit-Sharing Certificates granted in a general meeting with the same conditions of quorum and majority as those required for modifications to the statutes, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Holders of Profit-Sharing Certificates.

13. Transferability

The transferability of Profit-Sharing Certificates is subject to the provisions of Article 508 of the Company Code (which provides that: "Profit-sharing certificates..... are transferable from the tenth

day after the filing of the second annual accounts that follows their issuance. Until the end of that period their transfer may only be operated by public deed or by written agreement, notified to the company within a month of the transfer, all this under sanction of nullity. The nullity may only be invoked by the purchaser"), to the extent applicable.

In accordance with Articles 463, 465, 468 and 508 of the Company Code, the register of Profit-Sharing Certificates and any certificates evidencing inscriptions in the register of Profit-Sharing Certificates shall mention the transferability conditions set out in this Condition 13.

14. Further Issues

The Issuer may from time to time, without the consent of the Holders of Profit-Sharing Certificates, create and issue further securities having the same terms and conditions as the Profit-Sharing Certificates in all respects (or in all respects except for the first distribution) so as to form a single series with the Profit-Sharing Certificates.

15. Notices

Without prejudice to the applicable provisions of the Company Code, notices to the Holders of Profit-Sharing Certificates will be published in a leading Belgian newspaper in Belgium (which is expected to be the *De Tijd* or *L'Echo*) and, so long as the Profit-Sharing Certificates are listed on the Luxembourg Stock Exchange and its rules so require, a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu). If and as long as the Profit-Sharing Certificates are deposited with a settlement system, notices may also be published through such system. Any such notice will be deemed to have been given on the date of first publication.

The Holders of Profit-Sharing Certificates shall be deemed to have waived any right to individual notice such holders may have pursuant to Article 533 or 570 of the Company Code, as the case may be, with respect to general meetings of shareholders of the Issuer or meetings of bondholders of the Issuer.

16. Governing Law and Jurisdiction

The Profit-Sharing Certificates will be governed by Belgian law. Any dispute in connection therewith will be subject to the exclusive jurisdiction of the courts of Brussels.

DESCRIPTION OF THE SUPPORT AGREEMENT

KBC Holding will make the undertakings described below in a Support Agreement to be entered into on the Issue Date between KBC Holding and the Issuer.

These undertakings are made for the benefit of the Holders of the Securities from time to time and, subject to permitted amendments, constitute an irrevocable stipulation for their benefit (*stipulation pour autrui/beding ten behoeve van een derde*) which they are entitled to enforce against KBC Holding.

Dividend Stopper

KBC Holding and the Issuer will, respectively, undertake in the Support Agreement that, beginning on the day the Issuer gives a Deferral Notice and continuing until all Deferred Coupons are paid in full, each of the Issuer and KBC Holding (i) will not propose to its shareholders and, to the fullest extent permitted by law, will otherwise act to prevent the declaration or payment of any dividend on its Junior Securities or Parity Securities, and (ii) will not redeem, repurchase or otherwise acquire any of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition).

KBC Holding will not vote, and will procure that no vote is cast by any of its subsidiaries, in favour of any of the actions of the Issuer described in (i) and (ii) above; *provided that* if less than the full interest amount is paid on the Securities on any Interest Payment Date, the foregoing undertaking will not prevent the distribution of a partial dividend, in the same proportion, on any Set Rate Parity Securities during the period beginning on such Interest Payment Date and ending before the next succeeding Interest Payment Date.

These Dividend Stopper provisions will continue to apply, *mutatis mutandis*, after conversion of the Securities into Conversion Upper Tier 2 Instruments.

Mandatory Coupons

KBC Holding will undertake in the Support Agreement to contribute or cause to be contributed to the capital of the Issuer or to otherwise make available such funds as may be necessary to permit the Issuer, taking into account the computation methods as provided for under Article 617 of the Belgian Company Code, to pay any Mandatory Coupon due and payable on a Mandatory Coupon Date; *provided that* any such payment will not be due and payable if, following such payment, KBC Holding would not be solvent or would be in a situation of cessation of payment (*cessation de paiement/staking van betaling*). Further, no such contribution to the capital of the Issuer will be due and payable if and to the extent that, before or after giving effect to such contribution, a Net Assets Deficiency Event has occurred and is continuing with respect to KBC Holding; *provided that*, notwithstanding the occurrence of any Net Assets Deficiency Event with respect to KBC Holding, such contributions to the capital of the Issuer will be mandatorily due and payable on or before any Mandatory Coupon Date that is triggered by payment of a dividend or redemptions, repurchases or other acquisitions in respect of Junior Securities or Parity Securities of KBC Holding.

Alternative Coupon Payment Method

KBC Holding will undertake in the Support Agreement, in order that the Issuer is able to pay Deferred Coupons on any Deferred Coupon Satisfaction Date in accordance with the Alternative Coupon Payment Method, to use all reasonable efforts to ensure that each of the Issuer and KBC Holding has sufficient authorised capital for the purpose. Without limiting the generality of the foregoing, (a) at each annual general meeting of KBC Holding, KBC Holding will propose that its shareholders approve resolutions authorising the issuance of such number of KBC Holding Ordinary Shares, and (b) at each annual general meeting of the Issuer, KBC Holding will exercise its voting rights, and if applicable will procure that its subsidiaries exercise their voting rights, in order to approve resolutions authorising the issuance of such number of Issuer Ordinary Shares, in each case as KBC Holding reasonably determines are sufficient to pay

the interest scheduled to fall due on the Securities over the next 12 months, in accordance with the Alternative Coupon Payment Method, except to the extent that KBC Holding reasonably determines that there is sufficient authorised capital for such purpose already in existence. Nothing herein, however, will require KBC Holding or the Issuer to acquire any issued and outstanding KBC Holding Ordinary Shares or Issuer Ordinary Shares.

Approval of the Profit-Sharing Certificates

KBC Holding has undertaken in the Support Agreement to exercise its voting rights in the Issuer, and if applicable to procure that its subsidiaries exercise their voting rights, in order to ensure that the terms and conditions of the Profit-Sharing Certificates are approved by the general meeting of shareholders of the Issuer, and that the statutes of the Issuer are amended in accordance therewith, (at the latest) at the next extraordinary shareholders meeting of the Issuer at which the statutes of the Issuer are amended.

Status of the Obligations of KBC Holding

The obligations of KBC Holding under the Support Agreement constitute unsecured subordinated obligations of KBC Holding. In the event of a general *concursum creditorum* (*concursum des créanciers/samenloop van schuldeisers*) on the entire assets of KBC Holding, the Holders of the Securities shall irrevocably waive their right to equal treatment with, and the rights of the Holders of Securities will rank behind those of, all creditors of KBC Holding, including subordinated creditors (other than those, if any, whose claims are capable of constituting tier 1 regulatory capital of KBC Holding), and their payment will be subject to the condition precedent that all such creditors of KBC Holding will have been paid in full. The rights of the Holders of Securities under the Support Agreement will rank equally with the Parity Securities of KBC Holding and will rank ahead of the Junior Securities of KBC Holding.

Amendments

The Support Agreement may be amended by the mutual agreement of KBC Holding and the Issuer to correct a manifest error, without the consent of the Holders of Securities. In addition, KBC Holding and the Issuer may agree to modify any provision of the Support Agreement, but they will not, without the consent of the Holders of Securities granted in accordance with Condition 15.1 (*Meetings of Holders of Securities; Modification – Meetings of Holders of Securities*), agree to any such modification unless it is of a formal, minor or technical nature or it is, in their opinion, not materially prejudicial to the interests of the Holders of Securities.

Law and Jurisdiction

The Support Agreement is governed by Belgian law and provides for the exclusive jurisdiction of the courts of Brussels.

DESCRIPTION OF THE CONTINGENT GUARANTEE AGREEMENT

KBC Holding will make the undertakings described below in a Contingent Guarantee Agreement to be entered into on the Issue Date between KBC Holding and the Issuer.

These undertakings are made for the benefit of the Holders of Profit-Sharing Certificates from time to time and, subject to permitted amendments, constitute an irrevocable stipulation for their benefit (*stipulation pour autrui/beding ten behoeve van een derde*) which they are entitled to enforce against KBC Holding.

Dividend Stopper

The Issuer will undertake in the Contingent Guarantee Agreement that, if a full distribution has not been paid on the Profit-Sharing Certificates on any Distribution Date, then it will not, for a period of 12 months after such Distribution Date, declare or pay any dividend on its Junior Securities or Parity Securities or redeem, repurchase or otherwise acquire any of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition).

KBC Holding will undertake in the Contingent Guarantee Agreement that, if a full distribution has not been paid on the Profit-Sharing Certificates on any Distribution Date, then for a period of 12 months after such Distribution Date (a) it (i) will not propose to its shareholders and, to the fullest extent permitted by applicable law, will otherwise act to prevent the declaration or payment of any dividend on its Junior Securities or Parity Securities and (ii) will not redeem, repurchase or otherwise acquire any of its Junior Securities or Parity Securities (other than pursuant to a Permitted Share Acquisition); and (b) it will not vote, and will procure that no vote is cast by any of its subsidiaries, in favour of any of the actions of the Issuer described above.

If a partial distribution is paid on the Profit-Sharing Certificates on any Distribution Date, the above undertakings will not prevent the distribution of a partial dividend, in the same proportion, on any Set Rate Parity Securities during the period beginning on such Distribution Date and ending before the next succeeding Distribution Date.

These Dividend Stopper provisions will continue to apply, *mutatis mutandis*, after conversion of the Profit-Sharing Certificates into Exchange Upper Tier 2 Instruments.

Mandatory Distributions

KBC Holding will undertake in the Contingent Guarantee Agreement to pay any Mandatory Distribution if and to the extent that the Issuer has not paid the same. KBC Holding has the option to satisfy this obligation by either (i) making the required payment directly to the Holders of Profit-Sharing Certificates or (ii) making a contribution to the capital or own funds of the Issuer sufficient to permit the Issuer to pay the relevant Mandatory Distribution. No such payment or contribution will be required, however, if and to the extent that, before or after giving effect to such contribution, a Net Assets Deficiency Event has occurred and is continuing with respect to KBC Holding or KBC Holding would not be solvent or would be in a situation of cessation of payment (*cessation de paiement/staking van betaling*); *provided that*, notwithstanding the occurrence of any Net Assets Deficiency Event with respect to KBC Holding, such payment or contribution will be required in connection with any Mandatory Distribution that is triggered by payment of dividends or redemptions, repurchases or other acquisitions in respect of Junior Securities or Parity Securities of KBC Holding.

Preference Shares

The Issuer and KBC Holding will undertake in the Contingent Guarantee Agreement not to authorise unilaterally, and not to propose to their shareholders to authorise, the issue of any additional Junior Securities

or Parity Securities unless they are subject to the dividend stopper set out in Condition 5 (*Dividend Stopper*) of the Profit-Sharing Certificates.

Status of the Obligations of KBC Holding

The obligations of KBC Holding under the Contingent Guarantee Agreement constitute unsecured subordinated obligations of KBC Holding. In the event of a general *concursum creditorum* (*concoures des créanciers/samenloop van schuldeisers*) on the entire assets of KBC Holding, the Holders of Profit-Sharing Certificates shall irrevocably waive their right to equal treatment with, and the rights of the Holders of Profit-Sharing Certificates will rank behind those of, all creditors of KBC Holding, including subordinated creditors (other than those, if any, whose claims are capable of constituting tier 1 regulatory capital of KBC Holding), and their payment will be subject to the condition precedent that all such creditors of KBC Holding will have been paid in full. The rights of the Holders of Profit-Sharing Certificates under the Contingent Guarantee Agreement will rank equally with the Parity Securities of KBC Holding and will rank ahead of the Junior Securities of KBC Holding.

Amendments

The Contingent Guarantee Agreement may be amended by the mutual agreement of KBC Holding and the Issuer to correct a manifest error, without the consent of the Holders of Profit-Sharing Certificates. In addition, KBC Holding and the Issuer may agree to modify any provision of the Contingent Guarantee Agreement, but they will not, without the consent of either (a) (prior to the issuance of Profit-Sharing Certificates) the Holders of Securities granted in accordance with Condition 15.1 (*Meetings of Holders of Securities; Modification – Meetings of Holders of Securities*) of the Securities or (b) (after the issuance of Profit-Sharing Certificates) the Holders of the Profit-Sharing Certificates granted in a general meeting at the same conditions of quorum and majority as those required for modifications to the statutes of the Issuer, agree to any such modification unless it is of a formal, minor or technical nature or it is, in their opinion, not materially prejudicial to the interests of the Holders of Profit-Sharing Certificates.

Law and Jurisdiction

The Contingent Guarantee Agreement is governed by Belgian law and provides for the exclusive jurisdiction of the courts of Brussels.

SUMMARY OF PROVISIONS RELATING TO THE SECURITIES IN GLOBAL FORM

The following is a summary of the provisions to be contained in the Global Certificate which will apply to, and in some cases modify, the Terms and Conditions of the Securities while the Securities are represented by the Global Certificate.

The Securities will be issued in the form of the Global Certificate (the **Global Certificate**). The Global Certificate will be in bearer form. Consequently, references in the "*Terms and Conditions of the Securities*" herein to "Holder of Securities" are references to the bearer of the Global Certificate which, for so long as the Global Certificate is held with a common depository for Euroclear and/or Clearstream, Luxembourg, will be the common depository for Euroclear and/or Clearstream, Luxembourg.

The Global Certificate will be deposited on or around the Issue date with a common depository for Euroclear and Clearstream, Luxembourg.

On the Issue Date, the Fiscal Agent, on behalf of the Issuer, will instruct the common depository to credit the Manager's securities accounts with Euroclear's and/or Clearstream, with an aggregate amount equivalent to the principal amount of the Global Certificate, following confirmation of payment to the Issuer of the net proceeds for the issue of the Securities. The Manager will credit the holders of beneficial interests by crediting their securities accounts as participants in Euroclear or Clearstream, Luxembourg with the principal amount of the Securities purchased by each of them against payment of the purchase price.

Ownership of beneficial interests in the Global Certificate will be limited to persons who maintain accounts with Euroclear and Clearstream, Luxembourg or persons who hold interests through such persons and which are Eligible Investors. Ownership of beneficial interests in the Global Certificate will be shown on, and the transfer of such interests will be effected only through, in the records maintained by Euroclear and Clearstream, Luxembourg and in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in the relevant Global Certificate (each an **Accountholder**) must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Certificate and in relation to all other rights arising under the Global Certificate. For so long as the Securities are represented by the Global Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Securities and such obligations of the Issuer will be discharged by payment to the bearer of the relevant Global Certificate. Neither the Issuer, KBC Holding nor any of their respective agents will have any responsibility or liability for any aspect of the records relating to beneficial ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Euroclear and Clearstream, Luxembourg and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Securities will be responsible for establishing and maintaining accounts for their participants and customers having interests in book-entry interests in the Securities.

The Issuer will not impose any fees in respect of the Securities. Holders of book-entry interests in the Securities may incur fees normally payable in respect of the maintenance and operation of accounts in the Euroclear and Clearstream, Luxembourg.

Exchange for Definitive Bearer Securities

Subject as provided under "*Abolition of bearer securities*" below, interests in the Global Certificate will be exchangeable, in whole (but not in part), for definitive bearer securities (the **Definitive Bearer Securities**) in

the denomination of €1,000 each at the request of the bearer of the Global Certificate against presentation and surrender of the Global Certificate to the Fiscal Agent only if (A)(i) the Securities become ineligible for clearance and settlement through Euroclear and Clearstream, Luxembourg and a successor depositary is not appointed within 120 days of receiving notice of ineligibility and (ii) the Issuer is not able, after using reasonable efforts, to arrange for clearance and settlement of the Securities through a successor clearing system or (B) if as a result of any amendment to, or change in, the laws or regulations of the Kingdom of Belgium (or any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation, by a revenue authority or a court or administration, of such laws or regulations which become effective on or after 27 June 2008, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Securities which would not be required were the Securities in definitive bearer form. In the event Definitive Bearer Securities are issued in exchange for the Global Certificate, such Definitive Bearer Securities will be issued in bearer form with interest Coupons attached.

Whenever the Global Certificate are to be exchanged for Definitive Bearer Securities, the Issuer shall procure the prompt delivery (free of charge to the bearer, save for the tax on the physical delivery of bearer securities if applicable (see "*Taxation – Belgium*") and other applicable taxes) of such Definitive Bearer Securities, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the principal amount of the Global Certificate to the bearer of the Global Certificate against the surrender of the Global Certificate at the Specified Office of the Fiscal Agent within 60 days of the bearer requesting such exchange.

If:

- (a) Definitive Bearer Securities have not been delivered by 5.00 p.m. (London time) on the 60th day after the bearer has duly requested exchange of the Global Certificate for Definitive Bearer Securities; or
- (b) the Global Certificate (or any part of it) has become due and payable in accordance with the Conditions or the date for redemption of the Securities has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Global Certificate on the due date for payment,

then the Global Certificate (including the obligation to deliver Definitive Bearer Securities) will become void at 5.00 p.m. (London time) on such 60th day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Global Certificate will have no further rights thereunder (but without prejudice to the rights which the bearer of the Global Certificate or others may have under a deed of covenant dated 27 June 2008 executed by the Issuer (the **Deed of Covenant**, as amended or supplemented from time to time). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Global Certificate will acquire, directly against the Issuer, all those rights to which they would have been entitled if, immediately before the Global Certificate became void, they had been the holders of Definitive Bearer Securities in an aggregate principal amount equal to the principal amount of Securities which they were shown as holding in the records of the Euroclear and/or Clearstream, Luxembourg.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Securities as they apply to the Global Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Certificate will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Certificate at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Securities. On each occasion on which a payment of principal or interest is made in respect of the Global Certificate, the Issuer shall procure that the same is noted in a schedule thereto.

Payment business day: Subject as provided in Condition 9.5 (*Payments – Payment on business days*), while all the Securities are represented by the Global Certificate and the Global Certificate are deposited with the common depositary for Euroclear and Clearstream, Luxembourg all payments in respect of the Global Certificate will be made on a day on which Euroclear and Clearstream, Luxembourg are open. If payment is due on a day on which Euroclear and Clearstream, Luxembourg are not open, the holder shall not be entitled to payment of the amount due until the next succeeding date on which Euroclear and Clearstream, Luxembourg, are open and shall not be entitled to any further interest or other payment in respect of any such delay.

Notices: Notwithstanding Condition 17 (*Notices*), while all the Securities are represented by the Global Certificate and such Global Certificate is deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Holders of Securities may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg, as the case may be and, in any case, such notices shall be deemed to have been given to the Holders of Securities in accordance with Condition 17 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg as the case may be; *provided, however, that*, so long as the Securities are listed on the Luxembourg Stock Exchange and its rules so require, notices will also be published either in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or on the website of the Luxembourg Stock Exchange (www.bourse.lu) or in such other manner as permitted by the Luxembourg Stock Exchange.

Abolition of bearer securities

Pursuant to the Belgian law of 14 December 2005 on the abolition of bearer securities, the Issuer will not be allowed to deliver Securities in Belgium, other than deliveries to a clearing system, a depositary or other institution, for the purpose of their immobilisation. Furthermore, Profit-Sharing Certificates may not be issued in bearer form, either in Belgium or outside Belgium.

USE OF PROCEEDS

The net proceeds of the issue of the Securities will be used by the Issuer (i) to increase the Tier 1 capital of the Issuer and (ii) for general corporate purposes. The proceeds are taken into consideration as Tier 1 capital for the net amount.

The estimated total expenses in respect of the issue of the Securities will be determined following completion of the Offer Period.

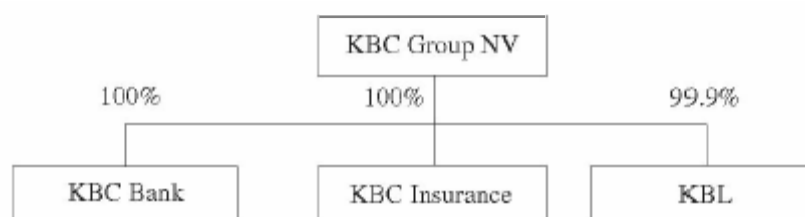
DESCRIPTION OF THE ISSUER

1. Creation

KBC Bank NV (**KBC Bank**), a wholly-owned subsidiary of KBC Group NV (**KBC Holding**, see below), was incorporated in Belgium on 3 June 1998 for an indefinite duration in the form of a company with limited liability (with number BE-0462.920.226) and operates under the laws of Belgium. KBC Bank's registered office is at Havenlaan 2, B-1080 Brussels, Belgium and it can be contacted via its Telecenter (+32) (0) 78 152 154.

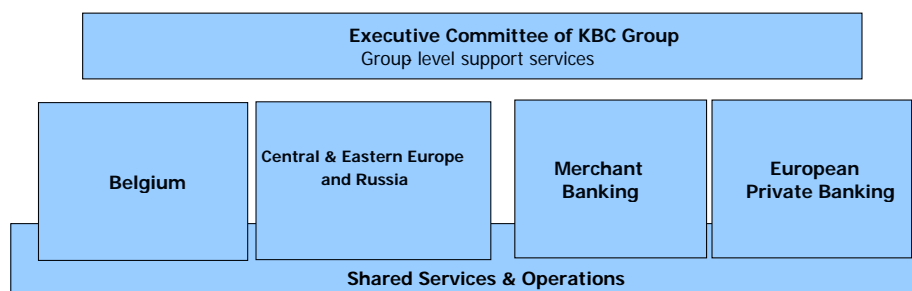
KBC Bank was initially formed through the merger of the banking operations of the Almanij-Kredietbank group and CERA Bank group (**CERA**). The merger combined the operations of four Belgian banks: Kredietbank, CERA, Bank van Roeselare and CERA Investment Bank. KBC Bank is registered as a credit institution with the Belgian Banking, Finance and Insurance Commission (*Commissie voor Bank-, Financie- en Assurantiewezen*) (the **CBFA**).

On 2 March 2005, KBC Bank and Insurance Holding Company NV, the parent company of KBC Bank, merged with its parent company Almanij. The merged entity has been renamed KBC Group NV. This restructuring was followed by a number of other simplifications to the group structure, and as a result, the current legal structure of KBC Group now consists of a holding company (KBC Group NV) with three main direct subsidiaries (KBC Bank, KBC Insurance and KBL, see diagram).



KBC Holding's shares are quoted on Euronext Brussels and on the Luxembourg Stock Exchange. As at 31 December 2007, there were 355,115,321 ordinary shares of KBC Holding in circulation, as well as 2,589,347 Mandatorily Convertible Bonds (MCBs) 1998-2008 (which will be converted on or before 30 November 2008 into KBC Holding shares according to a ratio of one ordinary share for one MCB). As at 31 March 2008, these numbers were 355,118,679 (ordinary shares) and 2,585,989 (MCBs), respectively.

As of May 2006, a new management structure was rolled out throughout the KBC Group. This management structure is shown in the diagram below and essentially breaks down the group into five business units: Belgium, Central & Eastern Europe and Russia, Merchant Banking, European Private Banking and Shared Services & Operations (such as ICT and logistics and "product factories" such as payment systems, asset management, leasing and trade finance). Each business unit is headed by a Chief Executive Officer (CEO), and these CEOs, together with the group CEO and group CFRO, constitute the executive committee of KBC Group. Each business unit has direct responsibility for achieving the objectives set.



2. Short presentation of KBC Bank

KBC Bank is a multi-channel bank that caters primarily to private persons and small and medium-sized companies. Its geographic focus is on Europe. In its two home markets (Belgium and Central and Eastern Europe), KBC Bank has a very important to even leading position. In the rest of the world, KBC Bank has a selective presence in certain countries or areas. KBC Bank's core business is retail and private bancassurance (including asset management) in its two home markets, though it is also active in services to corporations and market activities.

Shareholders (as at 31 December 2007)	<i>(Number of Shares)</i>
KBC Group	412,331,793
KBC Insurance	1
Total	412,331,794

Network (as at 31 December 2007)	
Bank branches in Belgium	923
Bank branches in Central and Eastern Europe and Russia	1,223

Long-term ratings (as at end of February 2008)	
Fitch	AA- (stable outlook)
Moody's	Aa2 (negative outlook)
Standard and Poor's	AA- (stable outlook)

Consolidated balance sheet data	<i>(31 December 2006)</i>	<i>(31 December 2007)</i>	<i>(31 March 2008)</i>
	<i>(in millions of EUR, IFRS)</i>		
Total assets	275,738	309,476	312,744
Parent shareholders' equity	10,603	12,342	11,562

Consolidated profit and loss account data	FY 2006	FY 2007	1Q 2007	1Q 2008
Total income	7,158	7,576	2,080	1,524
Operating expenses	-3,872	-4,140	-956	-1,019
Impairment	-169	-212	-27	-38
Net profit, group share	2,083	2,261	832	308

List of main subsidiaries and associated companies of KBC Bank (as at 31 March 2008)

<i>Company</i>	<i>Registered office</i>	<i>Ownership percentage at KBC Bank Level</i>	<i>Activity</i>
Main fully consolidated subsidiaries			
Absolut Bank	Moscow – RU	95.00	Credit Institution
Antwerpse Diamantbank NV	Antwerp – BE	100.00	Credit institution
CBC Banque SA	Brussels – BE	100.00	Credit institution
Centea NV	Antwerp – BE	99.56	Credit institution
ČSOB a.s. (Czech Republic)	Prague – CZ	100.00	Credit institution
ČSOB a.s. (Slovak Republic)	Bratislava – CZ	100.00	Credit Institution
Economic and Investment Bank AD	Sofia – BG	77.08	Credit institution
Fin-Force NV	Brussels – BE	90.00	Processing financial transactions
IIB Bank Plc	Dublin – IE	100.00	Credit institution
KBC Asset Management NV	Brussels – BE	51.86	Asset management
KBC Bank NV	Brussels – BE	100.00	Credit institution
KBC Bank Deutschland AG	Bremen – DE	99.76	Credit institution
KBC Bank Funding LLC & Trust (group)	New York – US	100.00	Issuance of trust preferred securities
KBC Bank Nederland NV	Rotterdam – NL	100.00	Credit institution
KBC Clearing NV	Amsterdam – NL	100.00	Clearing
KBC Commercial Finance (ex-International Factors NV)	Brussels – BE	100.00	Factoring
KBC Credit Investments NV	Brussels – BE	100.00	Investments in credit-linked securities
KBC Finance Ireland	Dublin – IE	100.00	Lending
KBC Financial Products (group)	Various locations	100.00	Shares and derivatives trading
KBC Internationale Financieringsmaatschappij NV	Rotterdam – NL	100.00	Issuance of bonds
KBC Lease (group)	Various locations	100.00	Leasing
KBC Peel Hunt Limited	London – GB	99.99	Stock exchange broker/corporate finance
KBC Private Equity NV	Brussels – BE	100.00	Private equity
KBC Real Estate NV	Zaventem – BE	73.18	Real estate
KBC Securities NV	Brussels – BE	100.00	Stock exchange broker/corporate finance
K&H Bank Rt.	Budapest – HU	100.00	Credit institution
Kredyt Bank SA	Warsaw – PL	80.00	Credit institution
Main proportionately consolidated subsidiaries			
-	-	-	-
Main companies accounted for using the equity method			
Nova Ljubljanska banka d.d. (NLB)	Ljubljana – SI	34.00	Credit institution

3. Network and market position

Bank network in Belgium and Central and Eastern Europe and Russia (as at 31 December 2007)¹

		<i>Market share</i>	<i>Customers (in millions)</i>	<i>Branches</i>
Belgium	KBC Bank	20%	3.4	923
Czech Republic	ČSOB- CR	21%	3.0	251
Slovakia	ČSOB - SR	8%	0.2	114
Hungary	K&H Bank	10%	0.9	223
Poland	Kredyt Bank	4%	1.0	393
Bulgaria	Economic and Investment Bank	3%	0.2	126
Romania	Romstal Leasing	-	-	-
Serbia ²	KBC Banka	0.7%	0.1	45
Russia	Absolut Bank	0.5%	0.2	71

1 Figures for market share relate to customer deposits and credits; figures for market shares and customers are own KBC Bank estimates.

Excluding the minority stake in NLB in Slovenia, which is seen as a pure financial participation.

2 KBC Banka is a subsidiary of KBC Insurance, a sister company of KBC Bank.

Network in Belgium

At the end of 2007, KBC Bank had a network of 923 branches in Belgium (KBC Bank branches in the Dutch-speaking part of Belgium and CBC Banque branches in the French-speaking part of Belgium). The branch network is broken down into 865 retail branches, 33 corporate branches (including the social profit branches) and 25 private banking branches.

The Belgian retail market is also catered to by 712 independent agents working under the umbrella of the retail savings bank, Centea NV, a subsidiary of KBC Bank.

The KBC Group's expansion has given private banking customers the choice of being served by KBC Bank and CBC Banque private banking branches or Puilaetco Dewaay Private Bankers, a subsidiary of KBL European Private Bankers S.A. (**KBL**), a sister company of KBC Bank.

Via these networks, the group caters to approximately 3.4 million customers in Belgium.

As of 31 December 2007, KBC Bank had (based on its own estimates) a 18% share of the Belgian deposit market and a 22% share of the lending market. Over the past few years, KBC Bank has built up a strong position in investment funds, and leads the Belgian market with an estimated share of 35%.

Network in Central and Eastern Europe and Russia

Over the past few years, KBC Bank has built up an extensive network in a number of countries in Central and Eastern Europe and Russia. As of 31 December 2007, this network consisted of 1,223 branches operated by its ČSOB subsidiary in the Czech Republic and Slovakia (separate legal entities as of 1 January 2008), K&H Bank in Hungary, Kredyt Bank in Poland, Economic and Investment Bank in Bulgaria, KBC Serbia in Serbia (previously called A Banka and owned by KBC Bank's sister company, KBC Insurance) and Absolut Bank in Russia. Moreover, KBC Bank is indirectly present in Slovenia and other ex-Yugoslav Republics via a minority shareholding in Nova

Ljubljanska banka (**NLB**). In the Czech Republic, ČSOB also sells its products through over 3,000 Czech post offices. The new acquisitions in 2007 (*inter alia* in Bulgaria, Romania and Russia) are described below.

Through this network, KBC Bank caters to over 5.5 million bank customers in the region (excluding the clients of NLB). This customer base, along with the group's 4 million insurance customers, make KBC Group one of the largest financial groups in the Central & Eastern European region.

As at 31 December 2007, the estimated market share (the average of the share of the lending market and the deposit market) came to 21% in the Czech Republic, 8% in Slovakia, 10% in Hungary, 4% in Poland, 3% in Bulgaria and below 1% in both Serbia and Russia. Given the increasing sophistication of these markets, there has been a shift to some extent from traditional deposits to off-balance-sheet products, such as investment funds. KBC Bank also has a strong position in the investment fund market in Central and Eastern Europe (estimated at 28% in the Czech Republic, 12% in Slovakia, 17% in Hungary and 4% in Poland).

Network in the rest of the world

Outside Belgium and Central and Eastern Europe and Russia, KBC Bank concentrates on merchant banking through a network of KBC Bank representative offices and branches (mainly in Western Europe, Southeast Asia and the US) and a number of subsidiaries.

The main subsidiaries are IIB Bank (an Irish bank that provides financial services to SMEs and corporate customers, and also has a sizeable share of the home loan market), KBC Bank Nederland (which is based in Rotterdam and engages in corporate banking activities, relationship management and providing operational support to the group's business-network customers) and KBC Bank Deutschland (which operates through a limited branch network in the banking market for local mid-sized companies, banks and network customers doing business in Germany). The subsidiaries engaging in more specialised activities are mentioned below.

Following the rationalisation of the past few years, no substantial changes were made to this network in 2007 (except for the opening of a branch in Madrid). If deemed necessary, KBC Bank may open new branches in future, in order to improve market coverage.

Specialised activities

KBC Bank is active in a large number of markets and activities, ranging from the plain vanilla deposit, credit and asset management businesses, to specialised activities (which are conducted out of specialised departments at head office or specialised subsidiaries) such as:

- acquisition finance (the financing of buy-outs, whether by management or shareholders, of entire companies or company assets, with the repayment being derived primarily from future cash flows)
- payments services
- dealing room activities (via a number of dealing rooms in Western and Central and Eastern Europe, the United States and South East Asia)
- brokerage and corporate finance (mainly via KBC Securities and KBC Peel Hunt)
- clearing (via KBC Clearing)
- foreign trade finance

- diamond finance (via Antwerpse Diamantbank)
- structured finance (structured trade finance and project finance, managed via KBC Finance in Ireland)
- international cash management
- specialised market activities of KBC Financial Products (including trading in equities and equity derivatives, credit derivatives, convertible bonds, CDO business etc.)
- leasing (mainly finance leasing, real estate leasing, renting, full-service car leasing and European vendor finance via KBC Lease group)
- private equity business (via KBC Private Equity, which finances buy-outs and provides mid-caps with growth capital)
- real estate services (including finance for property developers and real estate investors, real estate securitisation, real estate investment and project development services)

KBC Asset Management is a subsidiary of KBC Bank. Its services include individual asset management, institutional asset management (pension funds, social security funds, corporate liquidity management), as well as collective asset management, backed by research, product development, advisory management and marketing support. KBC Asset Management has a subsidiary in Ireland, KBC Asset Management Limited, and also operates in other countries, assisting, for example, KBC Bank's Central & Eastern European subsidiaries with the launch of own or KBC Bank investment funds. In Belgium, asset management products are sold through the KBC Bank, KBC Insurance, CBC Banque and Centea networks. In recent years, KBC Bank's share of the Belgian market in investment funds has been over 30%. Through its banking and insurance subsidiaries, the KBC Group has also built up a significant position in asset management in Central and Eastern Europe (see above).

4. Main acquisitions/divestments in 2007 and from January to May 2008

- March 2007: acquisition of a 99.3% stake in the Romanian leasing company Romstal Leasing;
- April 2007: acquisition of a 100% stake in the Romanian broker Swiss Capital; acquisition of a 100% stake in the Hungarian online retailbroker Equitas;
- June 2007: take-over of the 50% stake of ING Belgium in International Factors (now called KBC Commercial Finance); acquisition of 100% of A Banka (now called KBC Serbia) by KBC Insurance;
- July 2007: acquisition of a 95% stake in the Russian Absolut Bank; acquisition of the Serbian equity broker Hipobroker; finalisation of the squeeze-out of the remaining shares of ČSOB in the Czech Republic;
- August 2007: acquisition of a 51% stake in Baltic Investment Company, a corporate finance specialist in Latvia;
- September 2007: acquisition of a 60% stake in the Serbian corporate finance specialist Bastion;
- October 2007: acquisition of the Serbian equity broker Senzal; and
- December 2007: acquisition of a 75% stake in Economic and Investment Bank in Bulgaria.

- January 2008: announcement of acquisition of French asset manager Richelieu Finance.
- March 2008: signed an agreement to acquire 100% of the Slovak bank, Istrobanka.

In general, it will remain KBC Bank's policy to continue to look for expansion possibilities that fit into its strategy, especially in Central and Eastern Europe. This can be done either by add-on acquisitions and branch network increases in the countries that KBC Group is already present in (for instance, in the next few years, the branch network in Central- and Eastern Europe and Russia will be significantly increased), or by acquisitions in other countries of the region.

5. Cross-selling

KBC Group considers itself to be an integrated bancassurer and illustrated this clearly through the new management structure it introduced in 2006. Certain shared and support services are since then organised at group level, serving the entire group, and not just the bank or insurance businesses separately. KBC Group is divided up into five divisions (the so-called "business units"), each combining both banking and insurance activities. It is KBC's explicit aim to continue to actively encourage the cross-selling of bank and insurance products within the group's various business units.

The success of KBC's bancassurance concept can be measured by various factors, including the number of customers the bank and insurer share, as well as by sales of insurance products via the bank distribution channels.

The success of KBC's bancassurance model is in part due to the co-operation that exists between the bank branches of KBC Bank and the insurance agents of KBC Insurance, whereby the branches sell standard insurance products to retail customers and refer their customers to the insurance agents for non-standard products. Claims-handling is the responsibility of agents, the call centre and the head office departments at KBC Insurance.

KBC's bancassurance concept has over the past few years been exported to KBC's Central and Eastern European entities. In order to be able to do so, KBC Group has built up a second "home" market in Central and Eastern Europe in insurance too (via KBC Insurance). The group now has an insurance business in nearly every Central and Eastern European country in which it also has a major banking presence. In the Czech Republic, the KBC Group's insurer is ČSOB Pojist'ovňa; in Slovakia, ČSOB Poist'ovňa; in Poland, WARTA; in Slovenia, NLB Vita (a joint venture with NLB); in Hungary, K&H Insurance and in Bulgaria DZI Insurance.

6. E-banking

The brick-and-mortar networks in Belgium and Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephones and the Internet.

As at 31 December 2007, the branch network in Belgium was supplemented by 1,277 automated "KBC Matic" teller machines that allow customers to make fund transfers and receive account statements. KBC Bank also has a "KBC-Telecenter" which allows customers to effect the most current transactions, including securities trading, by phone. Customers who want to do their banking business directly by phone are offered "KBC-Phone" or "CBC-Phone" facilities. On the KBC website visitors can find a variety of information and can carry out loan, investment and insurance-related simulations. PC and Internet banking can be done via "KBC-Online", "CBC Online" and "Centea Online".

These alternative channels have proved popular. For example, in Belgium at the end of 2007, there were roughly 580,000 customers actively using the online systems, a 14% increase within one year.

E-banking indicators – Belgium	<i>31 December</i> <u>2006</u>	<i>31 December</i> <u>2007</u>
Number of KBC- and CBC-Matic ATMs	1,240	1,277
Number of cash withdrawals at KBC- and CBC-Matic ATMs per month	3.2 million	3.9 million
Active subscribers to KBC's Internet and PC banking facilities	510,000	580,000

KBC Bank also offers various electronic services to its business customers, including KBC-Online for Business, KBC-Flexims (an internet channel that customers can use to apply to KBC Bank for documentary credit, documentary collections and international bank guarantees or to modify such facilities), and WISE, which enables companies to remotely initiate and approve local and cross-border payments and direct debits.

In Central and Eastern Europe and Russia too, the group supplements its networks by electronic channels; in total, KBC Bank has, via its subsidiaries in the region, some 1,700 ATMs and some 700,000 active users of its various internet and PC-banking facilities.

7. Private banking strategy in Belgium

With the expansion of the KBC Group, and in particular with the inclusion of KBL, the private banking strategy has been updated. In Belgium, this has led to a dual-brand strategy being adopted.

KBC Bank and CBC Banque operate a private banking network of 25 specialised branches that offer high-net-worth customers a broad range of private banking services, along with the expertise of a large bank. Via these branches, KBC Bank provides both advisory and discretionary portfolio management services, tailored to clients' individual needs and objectives. The needs of private banking clients are catered to on a privileged basis and they are offered services reserved specifically for them, such as exclusive investment funds and bond issues, funds of other asset managers and exclusive management solutions.

In addition, since the new KBC Group was formed, Belgian clients have been able to opt for the private banking service provided by Puilaetco Dewaay Private Bankers, a subsidiary of the KBL group.

8. Competition

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

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

In both Belgium and Central & Eastern Europe and Russia, KBC Bank has an extensive network of branches and/or agencies and the group believes most of its group companies have a strong name brand recognition in their respective markets.

In Belgium, KBC Bank is perceived as belonging to the top three financial institutions. For certain products or activities, KBC Bank estimates it has a leading position (e.g. investment funds). The main competitors in Belgium are Fortis, Dexia and ING, though for certain products, services or markets, other financial institutions may also be important competitors.

In the Central & Eastern Europe region, KBC Bank is one of the leading financial groups, occupying significant to even leading positions in banking. In this respect, KBC Bank 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 Europe, KBC Group's presence mainly consists of a limited number of KBC Bank branches and subsidiaries, that cater primarily to corporate clients. Outside Europe, KBC Bank's presence is limited to a number of branches and subsidiaries of KBC Bank. In these activities, KBC Bank faces competition both from local companies and international financial groups.

9. Risk management

Risk management in the KBC Group is effected group-wide. As a consequence, the risk management for KBC Bank is embedded in the group risk management and cannot be seen separately from it.

A description of risk management in the KBC Group (which, over and above KBC Bank, also includes KBC Insurance and KBL) is available in the 2007 Annual Report of KBC Group. Below, only a selection of this information is provided – for a full picture, please refer to the annual report of KBC Group.

Risk governance

The main risks incurred by a bank such as KBC Bank are credit risks, Asset/Liability Management risks, liquidity risks, market risks and operational risks.

- Credit risk is the potential shortfall relative to the value expected consequent on non-payment or non-performance by an obligor (a borrower, guarantor, counterparty to an inter-professional transaction or issuer of a debt instrument), due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country. The latter risk is also referred to as "country risk".
- Asset/Liability Management (ALM) is the process of managing KBC's structural exposure to macroeconomic risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk, inflation risk and credit risk (limited to the investment portfolios).
- Liquidity risk is the risk that an organisation may not be able to fund increases in assets or meet obligations as they fall due, unless at unreasonable cost.
- Market risk is defined as the potential negative deviation from the expected economic value of a financial instrument caused by fluctuations in market prices, i.e. 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, foreign exchange and equity risks of the non-trading positions in the banking book are all included in ALM exposure.
- 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.

Credit risk management

Although quite a few transactions involve credit risk, the main source of credit risk is the loan portfolio of KBC Bank. A snapshot of this portfolio is shown in the table below.

The loan portfolio includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import-related commercial credits), standby credit and credit derivatives (granted by KBC Bank and all its majority-held subsidiaries) to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate or bank-issued, hence government bonds (which are used more for treasury and liquidity management purposes) and trading book exposure are not included.

	<i>31 December</i> <i>2006</i>	<i>31 December</i> <i>2007</i>	<i>31</i> <i>March</i> <i>2008</i>
Loan portfolio, KBC Bank			
TOTAL LOAN PORTFOLIO (IN BILLIONS OF EUR)			
Amount granted	182	204	208
Amount outstanding	135	160	165
Loan portfolio breakdown by division (as a % of the portfolio of credit granted)			
Belgium (retail)	30%	29%	28%
Central and Eastern Europe and Russia	19%	22%	23%
Merchant banking (excl. Central and Eastern Europe and Russia)	52%	50%	49%
Total	100%	100%	100%
Loan portfolio breakdown by sector (selected sectors as a % of the portfolio of credit granted)			
Real estate	6%	7%	7%
Electricity	3%	2%	2%
Automobile industry	3%	3%	2%
Impaired loans (PD 10 + 11 + 12; in millions of EUR or %)			1 936
Specific impairment	1,933	1,943	176
Portfolio-based impairment	222	185	0.05%
Loan loss ratio (net changes in individual and portfolio-based impairment for credit risks/average outstanding loan portfolio)	0.14%	0.11%	
Non-performing (NP) loans (PD 11 + 12; in millions of EUR or %)			2 342
Amount outstanding	2,157	2,329	1 553
Specific impairment for non-performing loans	1,488	1,456	1.4%
Non-performing ratio (amount outstanding of NP loans/total outstanding loan portfolio)	1.6%	1.5%	66%
Cover ratio of NP loans by specific impairment for NP loans	69%	63%	90%
Cover ratio of NP loans by specific and portfolio-based impairment for performing and NP loans	100%	91%	28%

The table also provides information on impaired and non-performing loans. On KBC Bank's internal Probability of Default (PD) scale, impaired loans coincide with the worst loan classes, i.e. loans to clients with a PD of 10, 11 and 12. In respect of these impaired loans, specific loan impairments are recorded under IFRS. In addition, a portfolio-based impairment is recognised (based on a formula). The related loan loss ratio is also given in the table. Non-performing loans are impaired loans for which principal repayments or interest payments are more than ninety days overdue. This coincides with loans to clients with PD classes 11 and 12. The table provides information on non-performing loans, including the 'non-performing ratio' and the 'cover ratio'.

As mentioned above, the loan portfolio clearly constitutes the main source of credit risk for the bank. However, a number of activities that are excluded from the credit portfolio figures also contain an element of credit risk:

- short-term commercial exposure: trade-related commitments, where the term does not surpass two years and the counterparty is a bank (such as confirmed or guaranteed documentary credits and documented pre-export financing and post-import financing). As at 31 December 2007, this exposure (100% weighted, excluding the portion covered by the Belgian Export Credit Agency, NDD) amounted to 1.8 billion euros (31 December 2006: 1.3 billion euros);
- counterparty risk of inter-professional transactions: refers to placements (money market transactions) and the pre-settlement risk of derivatives (forex products, swaps and options). As at 31 December 2007, this exposure (weighted as positive present value, plus add-on – more explanation in the annual report of KBC Group) came to 31.0 billion euros (31 December 2006: 22.3 billion euros);
- trading book securities – issuer risk: refers to the potential loss on default by the issuer of the trading securities. As at 31 December 2007, the trading issuer risk came to approximately 3.7 billion euros (31 December 2006: 2.3 billion euros); and
- government bonds in the investment portfolio: the exposure related to government bonds amounted to 32.1 billion euros as at 31 December 2006 (36.6 billion euros as at 31 December 2006) and was accounted for mainly by bonds issued by European Union (EU) states (particularly Belgium).

KBC Bank's methodology for calculating country risk is explained in the 2007 Annual Report of KBC Group. The table below shows the result of this calculation for 31 December 2007. This calculation encompasses more than the loan portfolio, as it also includes (the country risk involved in) inter-professional transactions and short-term commercial transactions. However, transactions in local currency and the whole euro zone are excluded from the calculation, as they do not entail any transfer risk.

Country risk at 31 December 2007 (excluding local-currency transactions) of KBC Bank (in millions of EUR)

	Total	Western Europe		Asia	North America	Middle East	Latin America	Africa	Oceania	International institutions
		(excl. euro zone)	Central and Eastern Europe							
Breakdown by region										
IFC 'B' loans	41	2	1	26	0	0	5	1	0	6
Performance risks	1,063	84	507	31	11	54	223	153	2	0
Other loans	18,708	4,976	7,791	2,271	2,566	516	287	139	135	27
Bonds and shares	8,929	3,930	2,329	531	1,473	106	322	0	76	161
Interprofessional transactions (weighted)	5,028	2,389	1,014	947	273	141	243	1	12	8
MLT export finance	164	4	39	6	0	5	8	102	0	0
Short-term commercial transactions	1,484	42	283	415	11	529	108	95	1	0

	<i>Western</i>								<i>Inter-</i>	
	<i>Europe</i>	<i>Central</i>							<i>national</i>	
	<i>(excl.</i>	<i>and</i>								
	<i>euro</i>	<i>Eastern</i>								
	<i>zone)</i>	<i>Europe</i>	<i>Asia</i>	<i>North</i>	<i>Middle</i>	<i>Latin</i>	<i>Africa</i>	<i>Oceania</i>	<i>institutions</i>	
	<i>Total</i>									
Total	35,418	11,428	11,964	4,227	4,333	1,350	1,196	490	227	203
Breakdown by remaining tenor										
Not more than 1 year	11,918	3,074	3,959	2,661	860	683	477	112	56	35
More than 1 year	23,500	8,353	8,005	1,566	3,474	667	719	378	171	168
Total	35,418	11,428	11,964	4,227	4,333	1,350	1,196	490	227	203

In relation to so-called "US subprime lending", KBC Group has no direct sub-prime lending exposure. Its indirect sub-prime exposure consists of (the subprime part of) investments in CDOs which carry some ABS underlying (as at 31 March 2008: 4.2 billion euros of which circa 13% subprime underlying), as well as the ABS of the former conduit Atomium (now on KBC's books; 1.7 billion euros, 32% sub-prime).

The credit risk related to this exposure has been limited due to the high credit ratings of the tranches held, the high attachment points, and the fact that the CDOs are actively managed by KBC. This was confirmed by the outcome of internal stress tests (performed on KBC Group), which revealed that the expected amount of credit downgrading to "default" was limited (details in KBC Group's Extended Quarterly Report 1Q 2008, available on www.kbc.com and incorporated by reference herein). Note that a stress test is not an actual loss estimate.

Asset/liability management

The table below shows, in respect of banking, the extent to which the value of the portfolio would change (basis-point-value or BPV) if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio).

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

Average, 1Q 2006	75
Average, 2Q 2006	87
Average, 3Q 2006	89
Average, 4Q 2006	74
31 December 2006	67
Maximum in 2006	94
Minimum in 2006	65
Average, 1Q 2007	70
Average, 2Q 2007	54
Average, 3Q 2007	41
Average, 4Q 2007	41
31 December 2007	43
Maximum in 2007	74
Minimum in 2007	37
Average, 1Q 2008	54
31 March 2008	64
Maximum in 1Q 2008	64
Minimum in 1Q 2008	43

Market risk management

As already stated before, KBC Bank has a number of money and capital market dealing rooms in Western and Central and Eastern Europe, the United States and the Southeast Asia, though the dealing room in Brussels accounts for the majority of the limits and risks. The dealing rooms abroad focus primarily on providing customer service in money and capital market products, funding local bank activities and engaging in limited trading for own account in local niches. All of the dealing rooms focus on trading in interest rate instruments as a result of activities on the forex markets traditionally being limited.

KBC Bank, through its specialised subsidiaries KBC Securities, KBC Peel Hunt and KBC Financial Products, engages in trading in equities and their derivatives, such as options and convertible bonds. Through KBC Financial Products, the bank is also involved in, *inter alia*, trading in credit derivatives and in managing and providing services in relation to hedge funds and launching and managing other instruments, including Collateralised Debt Obligations (CDOs). Neither the bank nor its subsidiaries are active in the commodities markets.

The table below shows the Value-at-Risk (VAR; 99% confidence interval, 1-day holding period) for KBC Bank's dealing rooms on the money and capital markets, based on historical simulation. KBC Securities, is not included in the table (its VAR at 31 December 2007 amounted to 0.5 million euros).

Market risk VAR (1-day holding period, in millions of EUR)	<u>KBC Bank</u>	<u>KBC Financial Products</u>
Average, 1Q 2006	4	9
Average, 2Q 2006	4	12
Average, 3Q 2006	3	8
Average, 4Q 2006	3	7
31 December 2006	3	5
Maximum in 2006	6	20
Minimum in 2006	2	4
Average, 1Q 2007	4	10
Average, 2Q 2007	4	10
Average, 3Q 2007	4	13
Average, 4Q 2007	5	15
30 September 2007	5	13
Maximum in 9M 2007	7	19
Minimum in 9M 2007	3	4
Average, 1Q 2008	5	15
31 March 2008	4	11
Maximum in 1Q 2008	6	30
Minimum in 1Q 2008	3	10

* Including KBL.

10. Staff

As at 31 December 2007, KBC Bank had, on a consolidated basis, about 42,000 employees (in full-time equivalents (FTE)), the majority of which were located in Belgium (especially KBC Bank

NV) and Central and Eastern Europe (especially ČSOB in the Czech and Slovak republics, Kredyt bank in Poland, K&H Bank in Hungary, Economic and Investment Bank in Bulgaria, Absolut Bank in Russia).

In addition to talks at works council meetings and at meetings with union representatives and with other consultative bodies, KBC Bank also works closely in other areas with employee associations. There are various collective labour agreements in force.

11. Banking supervision and regulation

Introduction

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed, comprehensive regulation in Belgium, supervised by the CBFA, an autonomous public agency, acting as the supervisory authority.

EU directives have had and will continue to have a significant impact on the regulation of the banking business in the EU, as such directives are implemented through legislation adopted within each Member State, including Belgium. The general objective of these EU directives is to promote the realisation of a unified internal market and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision, and in particular, licensing.

Supervision and regulation in Belgium

The banking regime in Belgium is governed by the Law on the Legal Status and Supervision of Credit Institutions of 22 March 1993 and its subsequent modifications (the **Banking Act**). The Banking Act, among other things, implements the European legislation, as coordinated by EC Directive 2006/48/EC of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (the **Capital Requirements Directive**) and by EC Directive 2006/49/EC of 14 June 2006 on the capital adequacy of investment firms and credit institutions (the **Capital Adequacy Directive**). It sets forth the conditions under which credit institutions may operate in Belgium and defines the regulatory and supervisory powers of the CBFA. The main objective of the Banking Act is to protect public savings and the stability of the Belgian banking system in general.

Supervision of credit institutions

All Belgian credit institutions must obtain a licence from the CBFA before they may commence operations. In order to obtain a licence and maintain it, each credit institution must fulfill numerous conditions, including certain minimum paid-up capital requirements. In addition, any shareholder holding 5% or more (directly or indirectly, alone, together with affiliated persons or in concert with third parties) of the capital or the voting rights of the institution must be of "fit and proper" character to ensure proper and prudent management of the credit institution. The CBFA therefore requires the disclosure of the identity and participation of any shareholder with a 5% or greater capital or voting interest. If the CBFA considers that the participation of a shareholder in a credit institution jeopardises its sound and prudent management, it may suspend the voting rights attached to this participation and, if necessary, request that the shareholder transfers to a third party its participation in the credit institution. Prior notification to and non-opposition by the CBFA is required each time a person intends to acquire shares in a credit institution, resulting in the direct or indirect ownership of 5% of the capital or voting rights or a multiple thereof. Furthermore, a shareholder who wishes to directly or indirectly sell his participation or a part thereof, which would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the CBFA thereof one month in advance. The Belgian credit institution itself is obliged to notify the CBFA of any such transfer when it becomes aware thereof.

The Banking Act requires credit institutions to provide detailed periodic financial information to the CBFA and to the National Bank of Belgium (**NBB**). The CBFA also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. It also sets the standards regarding the solvability, liquidity, risk concentration and other limitations applicable to credit institutions.

Pursuant to the Banking Act, the CBFA may, in order to exercise its prudential supervision, require that all information with respect to the organisation, the functioning, the position and the transactions of a credit institution be provided to it. Further, the CBFA supervises, among other things, the management structure, the administrative organisation, the accounting and the internal control mechanisms of a credit institution. The CBFA may supplement these communications and controls by on-site inspections. The CBFA also exercises its comprehensive supervision of credit institutions through Statutory Auditors who cooperate with the CBFA in its prudential supervision. A credit institution selects its Statutory Auditor from the list of auditors or audit firms accredited by the CBFA.

Within the context of the European System of Central Banks, the NBB issues certain recommendations regarding monetary controls and in that respect co-operates closely with the CBFA. As the lender of last resort to credit institutions, the NBB is empowered to make recommendations, which it may eventually render compulsory, to banks and other financial institutions. It is also empowered to enforce compliance with standards for balance sheet ratios. The NBB may require banks to make special deposits with it and to maintain set proportions of government paper holdings. It may impose ceilings on credit facilities and on interest rates payable on certain liabilities.

If the CBFA finds that a credit institution is not operating in accordance with the provisions of the Banking Act, that its management policy or its financial position is likely to prevent it from honouring its commitments or that it does not provide sufficient guarantees for its solvency, liquidity or profitability, or that its management structure, administrative and accounting procedures or internal control systems present serious deficiencies, it will set a deadline by which the situation must be rectified. If the situation has not been rectified by the deadline, the CBFA has the power to appoint a special commissioner, to impose additional requirements regarding solvability, liquidity, risk concentration and other limitations, to suspend or prohibit all or part of its activities, to order the disposal of all or part of its shareholdings, to impose the replacement of the directors, and finally, to revoke the licence of the credit institution.

Bank governance

Belgian law and regulatory practices make a fundamental distinction between the management of banking activities, which is within the competence of the Executive Committee, and the supervision of management and the definition of the credit institution's general policy, which is entrusted to the Board of Directors. In a circular, the CBFA recommends the implementation of this distinction. Besides, this circular contains also other recommendations to assure the autonomy of the banking function and the proper governance of the credit institution.

KBC Bank is in the process of drafting a **Governance Memorandum**, as required by the CBFA. This Governance Memorandum will sum up the main characteristics of its policy-structure. The policy of the credit institution must meet the principles set out in the above-referenced circular of the CBFA. The final version of the Governance Memorandum will then be submitted to the principal shareholders of KBC Bank for approval.

Pursuant to the Banking Act, the members of the Executive Committee need to have the required professional reliability and appropriate experience, the other managers of a credit institution need to have the required expertise and appropriate experience.

Solvency supervision

Capital requirements and capital adequacy ratios are provided for in the CBFA's Regulation on own funds of 17 October 2006 as approved by Ministerial Decree of 27 December 2006 (the **2006 Decree on Own Funds**), transposing the Basel II related provisions of the Capital Requirements Directive and the Capital Adequacy Directive. The payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements, and is further limited by the general provisions of Belgian company law.

The 2006 Decree on Own Funds requires that the solvency of Belgian credit institutions be measured by a ratio that serves as the basis for the calculation of the minimum required capital. This capital requirement is principally determined by the degree of credit risk that is inherent in each item of the balance sheet and in each off-balance-sheet item. Each bank subject to the 2006 Decree on Own Funds must maintain a capital adequacy ratio (the **CAD ratio**) of total capital (Tier I and Tier II) to risk-weighted assets, of no less than 8%. The CAD ratio also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. The CAD ratio may increase to cover temporary large exposures that exceed the exposure limit described below.

Solvency is also measured by the gearing ratio, which compares shareholders' equity to debt to third parties, as defined in applicable regulations. The 2006 Decree on Own Funds also stipulates that in no event may the total capital of credit institutions be less than total fixed assets.

Large exposure supervision

Belgian regulations also ensure the solvency of credit institutions by imposing limits on the concentration of risk in order to limit the impact of failure on the part of a large debtor. For this purpose, credit institutions must limit the amount of risk exposure to any single counterparty to 25% of the total capital and the total amount of concentrated risks (single counterparty exposures larger than 10% of total capital) to 800% of total capital. Belgian regulations also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

Equity investments

Belgian credit institutions may make equity investments in commercial and industrial companies. However, such investments (of 10% or more) may not exceed: (i) 15% of the shareholders' equity of the credit institution on a per investment basis, or (ii) 45% of the shareholders' equity of the credit institution in the aggregate.

Money laundering

Belgium has implemented EU Directive 91/308 of 10 June 1991 on the prevention of the use of the financial system for the purpose of money-laundering (amended by EU Directive 97/2001 of 4 December 2001) in an Act of 11 January 1993, as amended (amongst others, by the Act of 12 January 2004). This legislation constitutes a preventive system imposing a number of obligations in relation to money laundering and the financing of terrorism. These obligations are related, among other things, to the identification of the client, special attention for unusual transactions, internal reporting, processing and compliance mechanisms, and employee training requirements on various categories of institutions and professionals, including credit and financial institutions. When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Financial Intelligence Unit. The unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The CBFA has

issued guidance to credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, paragraph 1, 2 3 and 4 of the Criminal Code) and sanctions them with a jail term of a minimum of 15 days and a maximum of five years and/or a penalty of a minimum of 26 euros and a maximum of 100,000 euros (to be increased with the additional penalty or, in other words, to be multiplied by 5).

Consolidated supervision

KBC Bank is subject to consolidated supervision on the basis of the consolidated financial situation of the KBC Group, which covers solvency and large exposure as described above, pursuant to Article 49, § 4 of the Banking Act.

KBC Asset Management

As from June 2005, the status of KBC Asset Management has been changed from "investment firm" to a "management company of undertakings for collective investment in transferable securities (UCITS)" (a **UCITS-management company**). Its activities are, *inter alia*, the management of UCITS and the management of portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis. KBC Asset Management is subject to detailed, comprehensive regulation in Belgium, supervised by the CBFA.

The UCITS-management company regime in Belgium is governed by the "Law on certain forms of collective management of investment portfolios" of 20 July 2004 (**Act of 20 July 2004**). The Act of 20 July 2004 implements European Directive 2001/107/EC of 21 January 2002 relating to UCITS with a view to regulating management companies and simplified prospectuses. This Act also sets forth the conditions under which UCITS-management companies may operate in Belgium and defines the regulatory and supervisory powers of the CBFA.

The regulatory framework concerning supervision on UCITS-management companies is for most part similar to the regulation applicable to investment firms. The Act of 20 July 2004 contains, *inter alia*, the following principles:

- certain minimum paid-up capital requirements and rules relating to changes affecting capital structure;
- obligation to carry out their activities in the interests of their clients or of the UCITS that they manage (e.g. creation of Chinese walls);
- obligation to provide, on a periodical basis, a detailed financial statement to the CBFA;
- subject to the same supervision of the CBFA and the same administrative sanctions imposed by the CBFA as mentioned above;
- subject to the supervision of Statutory Auditors.

12. Material contracts

KBC Bank has not entered into any material contracts outside the ordinary course of its business which could result in any member of the KBC Group being under an obligation or entitlement that is material to KBC Bank's ability to meet its obligations to Holders of the Securities.

13. Memorandum and Articles of Association

Pursuant to Article 2 of KBC Bank's Articles of Association, the company has as its object, in Belgium or abroad, for its own account or for account of third parties, the execution of all banking operations in the widest sense, as well as the exercise of all other activities which banks are or shall be permitted to pursue. Consequently, included in the objects of the company to the extent that they are permitted under the legal status of the credit institutions are: all operations in connection with deposits of cash, securities and valuables; all credit operations; all financial, stock-exchange, foreign-exchange and issue transactions; all broking and commission operations, including those relating to insurance; the purchase and sale, hire and letting, and the leasing of movable and immovable goods, as well as all other transactions involving such goods; investment in shares and the holding of participations. The company may perform all acts which can contribute directly or indirectly to the implementation of its objects in the widest sense.

The Articles of Association of KBC Bank were adopted on 17 March 1998 and they were last amended on 23 April 2008.

14. Share Capital

The share capital of KBC Bank consists of ordinary shares of no nominal value and mandatorily convertible bonds. All ordinary shares carry voting rights and each share represents one vote. No participation certificates or non-voting shares have been issued. As at 31 March 2008, there were 412,331,794 ordinary shares in circulation. Of these, KBC Holding and KBC Insurance NV, respectively, hold 412,331,793 shares and 1 share. As at 31 March 2008, there were no freely convertible bonds outstanding.

KBC Bank has paid the following dividends over the past five years: €1,591 million (2007); €1,367 million (2006); €1,035 million (2005); €832 million (2004); and €392 million (2003).

15. Outstanding debt

For information on outstanding debt of KBC Bank, please refer to Notes 14, 15, 17 and 21 to the audited consolidated financial statements of KBC Bank in respect of the financial year ended 31 December 2007 incorporated by reference herein.

16. Management

The Board of Directors of KBC Bank has the powers to perform everything that is necessary or useful to achieve the object of the company, with exception of those powers of which, pursuant to the law and the articles of association, solely another body is empowered to perform.

Pursuant to article 26 of the Law of 22 March 1993 on the legal status and supervision of credit institutions, and article 524bis of the Companies Code, the Board of Directors of KBC Bank has transferred the day-to-day management of the company to the Executive Committee of KBC Bank. However, under applicable Belgian law, the Board of Directors can not transfer the power to determine the "*general policy*"¹ of the company to the Executive Committee, nor can it delegate certain powers with which it is entrusted under applicable Belgian law. The Board of Directors is responsible for supervision of the Executive Committee. There are no potential conflicts of interest between the duties to KBC Bank of the Members of the Board of Directors of KBC Bank detailed below and their private interests or other duties.

¹ 'General policy' means the determination of strategic guidelines, the approval of projects and budgets, important structural reforms, the definition of the relationship of the company with its shareholders. In interpreting this concept, the type of activities and the size of the company need to be taken into account as well.

Members of the Board of Directors of KBC Bank are as follows:

<i>Name</i>	<i>Business address</i>	<i>Position in KBC Bank</i>	<i>Principal offices outside KBC Bank</i>
Andre Bergen* +	KBC Bank Havenlaan 2 BE 1080 Brussels	President of the Executive Committee	President the Executive Committee of KBC Group and Executive Director of KBC Insurance
Etienne Verwilghen * +	KBL 43 Boulevard Royal LU 2955 Luxembourg	Executive Director	President of the Executive Committee of KBL European Private Bankers S.A., Executive Director of KBC Group and Executive Director of KBC Insurance
Chris Defrancq* +	KBC Bank Havenlaan 2 BE 1080 Brussels	Executive Director	President of the Executive Committee of KBC Insurance and Executive Director of KBC Group
Danny De Raymaecker*	KBC Bank Havenlaan 2 BE 1080 Brussels	Executive Director	Member of the Executive Committee of KBC Group and Executive Director of KBC Insurance
Herman Agneessens*	KBC Bank Havenlaan 2 BE 1080 Brussels	Executive Director	Member of the Executive Committee of KBC Group and Executive Director of KBC Insurance, Director of KBL European Private Bankers S.A.
Jan Vanhevel*	KBC Bank Havenlaan 2 BE 1080 Brussels	Executive Director	Member of the Executive Committee of KBC Group and Executive Director of KBC Insurance
Guido Segers*	KBC Bank Havenlaan 2 BE 1080 Brussels	Executive Director	Member of the Executive Committee of KBC Group and Executive Director of KBC Insurance
Jan Huyghebaert	KBC Bank Havenlaan 2 BE 1080 Brussels	Chairman of the Board of Directors	Chairman of the Board of Directors of KBC Group, Director of KBC Insurance, Chairman of the Board of Directors of KBL European Private Bankers S.A., Member of the Executive Committee of the Federation of Enterprises in Belgium (FEB)
Luc Philips	KBC Bank Havenlaan 2 BE 1080 Brussels	Vice-Chairman of the Board of Directors	Chairman of the Board of Directors of KBC Insurance and Director of KBC Group, Director of KBL European Private Bankers S.A.
Sonja De Becker	MRBB CVBA Diestsevest 40 BE 30000 Leuven	Director	Secretary General of Belgische Boerenbond, Director of MRBB
Franky Depickere	Cera CVBA Philipssite 5/B10 BE 3001 Leuven	Director	Director of KBC Group, Executive Director of Cera Beheersmaatschappij NV and KBC Ancora Beheersmaatschappij NV, President of the Executive Committee of Cera CVBA, Director of KBL European Private Bankers S.A.
Pierre Konings	Prins Van Oranjelaan 178 BE 1180 Brussels	Director	Member of the Board of Directors of BD-World SA, Chairman of the Board of Directors of E-Capital II
Walter Nonneman	UA (City campus) Dpt Economie Prinsstraat 13 BE 2000 Antwerpen	Director	Member of the Board of Directors of Cera Beheersmaatschappij NV Professor of Economics, Faculty of Applied Economics & Faculty of Law, Universeit Antwerpen
Marita Orlent-Heyvaert	Richard Orlenstraat 5 BE 2070 Zwijndrecht	Director	Director of Robor NV

<i>Name</i>	<i>Business address</i>	<i>Position in KBC Bank</i>	<i>Principal offices outside KBC Bank</i>
Paul Peeters	Pharmacia NV Rijksweg 12 BE 2870 Puurs	Director	Director of Pharmacia NV
Gustaaf Sap	Advocantenkantoor SAP Justitiestraat 24 BE 2017 Antwerp	Director	Permanent representative of CECAN NV on the Board of Directors of VUM Media NV
Patrick Vanden Avenne	Vanden Avenne Oostrozebeeksestraat 160 BE 8710 Ooigem	Director	Executive Director of Vanden Avenne-Ooigem NV
Julien De Wilde	Jabekestraat 49 BE 9230 Wetteren	Independent Director	Member of the Board of Directors of Agfa NV and of Bekaert NV
Germain Vantiegheem	Cera CVBA Philipsite 5/B10 BE 3001 Leuven	Director	Director of KBC Group and KBC Insurance, Director of Cera Beheersmaatschappij NV and KBC Ancora Beheersmaatschappij NV, Member of the Executive Committee of Cera CVBA, Director of VTB-VAB Group NV
Dirk Wauters	VRT Auguste Reyerslaan 52 BE 1043 Brussels	Director	President Executive Director of VRT, the Flemish public radio and tv broadcaster
Marc Wittemans	MRBB CVBA Diestsevest 40 BE 3000 Leuven	Director	Director of KBC Group, Secretary General of MRBB CVBA

* These members of the Board of Directors of KBC Bank form the Executive Committee of KBC Bank. According to article 20 of the articles of association of KBC Bank, members of the Executive Committee, by reason of their appointment, acquire the capacity of executive director of KBC Bank. These people are also members of the Board of Directors of KBC Insurance, who form the Executive Committee of KBC Insurance. According to article 19 of the articles of association of KBC Insurance, members of the Executive Committee, by virtue of their appointment, acquire the capacity of executive director of KBC Insurance.

+ These people are also members of the Board of Directors of KBC Group and of the Executive Committee of KBC Group. By virtue of their appointment as member of the Executive Committee, they acquire the capacity of executive director of KBC Group.

17. Litigation

For a description of the material litigation to which KBC Holding or any of its companies (including KBC Bank) are party, please see paragraph 18 of the section "*Description of KBC Holding*" below.

DESCRIPTION OF KBC HOLDING

1) Creation and Introduction

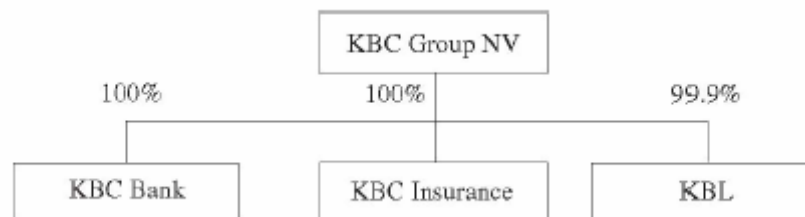
KBC Group NV (**KBC Holding**) was incorporated in Belgium on 9 February 1935 for an indefinite duration in the form of a public company with limited liability (with number BE-0403.227.515) as Kredietbank NV. On 3 June 1998, Kredietbank NV contributed its totality to KBC Bank NV.¹ At the same time Kredietbank 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.

KBC Holding 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 Holding 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. KBC Holding is registered as a credit institution with the Belgian Banking, Finance and Insurance Commission (*Commissie voor Bank-, Financier- en Assurantiewezenen*) (the **CBFA**).

Merger of KBC Bank and Insurance Holding Company NV with Almanij

On 2 March 2005, the extraordinary general shareholder meetings of KBC Bank and Insurance Holding Company NV² and Almanij (which held a majority in KBC Bank and Insurance Holding Company NV) approved the restructuring of the Almanij-KBC group through the merger by acquisition of Almanij by KBC Bank and Insurance Holding Company NV. The merged entity has been renamed KBC Group NV. This restructuring, together with further additional simplifications in the structure, has resulted in a simpler, more streamlined group structure with one single entity (**KBC Holding**) controlling the underlying companies KBC Bank, KBC Insurance and KBL European Private Bankers S.A. (**KBL**) (see diagram below).



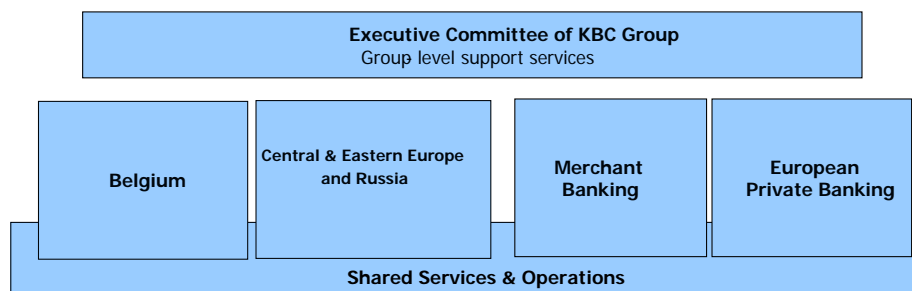
KBC Holding's shares are quoted on Euronext Brussels and on the Luxembourg Stock Exchange. As at 31 December 2007, there were 355,115,321 ordinary shares of KBC Holding in circulation, as well as 2,589,347 Mandatorily Convertible Bonds (MCBs) 1998-2008 (which will be converted on or before 30 November 2008 into KBC Holding shares according to a ratio of one ordinary share for one MCB). As at 31 March 2008, these numbers were 355,118,679 (ordinary shares) and 2,585,989

² The KBC Bank and Insurance Holding Company was formed on June 1998, organizing the banking operations of the merged entities (Almanij –Kredietbank Group, CERA Bank and ABB) into KBC Bank, consolidating the insurance operations of the merged entities to form KBC Insurance and creating a holding company for the KBC Group.

(MCBs), respectively. Information on the existing share buyback programmes of the group is provided in its annual and quarterly reports, which are available on www.kbc.com.

KBC Bank was initially formed on 3 June 1998 through the merger of the banking operations of the Almanijl-Kredietbank group and CERA Bank group. The merger combined the operations of four Belgian banks: Kredietbank, CERA, Bank van Roeselare and CERA Investment Bank.

As of May 2006, a new management structure was rolled out throughout the KBC Group. This management structure is shown in the diagram and essentially breaks down the group into five business units: Belgium, Central & Eastern Europe and Russia, Merchant Banking, European Private Banking, and Shared Services & Operations (such as ICT and logistics and "product factories" such as payment systems, asset management, leasing and trade finance). Each business unit is headed by a Chief Executive Officer (CEO), and these CEOs, together with the group CEO and group CFRO, constitute the executive committee of KBC Group. Each business unit has direct responsibility for achieving the objectives set.



2) Short presentation of KBC Group

Area of Activity

KBC is an integrated multi-channel bancassurance group, catering mainly for retail customers, small and medium-sized enterprises and private banking clientele. Geographically, KBC focuses on Belgium and Central and Eastern Europe for its retail bancassurance and asset management activities, as well as for the provision of services to business customers, and occupies significant, even leading positions in these two home markets. The group is also active in a selection of other countries in Europe in private banking and the provision of services to businesses. Elsewhere around the globe, the group has established a presence in selected countries and regions.

Business Unit Breakdown

The group's management structure is structured around five business units:

Belgium Business Unit: This business unit groups all the banking and insurance activities in Belgium. Specifically, it comprises KBC Bank (retail and private banking activities), KBC Insurance and a number of Belgian subsidiaries, including CBC Banque, KBC Asset Management, Centea, Fidea and ADD.

Central & Eastern Europe and Russia (CEER) Business Unit: This business unit groups all banking and insurance activities pursued in Central and Eastern Europe and Russia.

Merchant Banking Business Unit: This business unit groups the services provided to corporate customers and all market activities, except those performed by the group's CEER subsidiaries. Specifically, it encompasses the merchant banking activities of KBC Bank in Belgium, its branches

abroad and the specialised merchant banking subsidiaries of KBC Bank, as well as the activities of the insurance companies Secura and Assurisk, and a number of financing companies.

European Private Banking Business Unit: This business unit comprises the activities of both the KBL European Private Bankers group (KBL) – i.e. KBL European Private Bankers S.A. and its subsidiaries in Western Europe – and the insurance company Vitis Life.

Shared Services and Operations Business Unit: This business unit provides support to and serves as a product factory for the other business units. It encompasses a number of divisions that provide products and services to the entire group, such as Asset Management, ICT, Payments, Trade Finance, Leasing and Consumer Finance. Most of the expenses and income of this business unit are passed on to the other business units and consequently reflected in their results.

Shareholders (as at 31 December 2007)	<i>(% of total number of ordinary shares)</i>
KBC Ancora	23.2%
Cera	7.1%
MRBB	12.0%
Other core shareholders	12.0%
KBC Group companies	4.3%
Free float	41.4%
Total	100.0%

Network (as at 31 December 2007)

Bank branches in Belgium	923
Bank branches in Central and Eastern Europe and Russia (excluding the minority participation in NLB)	1,223

Long-Term Ratings of KBC Holding and KBC Bank (end of February 2008)

KBC Holding

Fitch	AA-
Moody's	Aa3
Standard and Poor's	A+

KBC Bank

Fitch	AA-
Moody's	Aa2
Standard and Poor's	AA-

Fitch and S&P's ratings on stable outlook; Moody's ratings on negative outlook.

List of main subsidiaries and associated companies of KBC Group, 31-12-2007

Company	<i>Business unit(*)</i>	<i>Registered office</i>	<i>Ownership percentage at KBC Group level</i>	<i>Activity</i>
BANKING				
Fully consolidated subsidiaries				
Absolut Bank	CEER	Moscow – RU	95.00	Credit institution

Company	<i>Business</i>		<i>Ownership percentage</i>	
	<i>unit(*)</i>	<i>Registered office</i>	<i>at KBC Group level</i>	<i>Activity</i>
Antwerpse Diamantbank NV	MB	Antwerp – BE	100.00	Credit institution
CBC Banque SA	B	Brussels – BE	100.00	Credit institution
CENTEA NV	B	Antwerp – BE	99.56	Credit institution
ČSOB a.s. (Czech Republic)	CEER	Prague – CZ	100.00	Credit institution
ČSOB a.s. (Slovak Republic)	CEER	Bratislava – CZ	100.00	Credit institution
Economic and Investment Bank AD	CEER	Sofia – BG	77.08	Credit institution
Fin-Force NV	GR	Brussels – BE	90.00	transactions
IIB Bank Plc	MB	Dublin – IE	100.00	Credit institution
KBC Asset Management NV	B	Brussels – BE	100.00	Asset Management
KBC Bank NV	B/MB/CE	Brussels – BE	100.00	Credit institution
KBC Bank Deutschland AG	MB	Bremen – DE	99.76	Credit institution
				Issuance of trust
KBC Bank Funding LLC & Trust (group)	MB	New York – US	100.00	preferred securities
KBC Bank Nederland NV	MB	Rotterdam – NL	100.00	Credit institution
KBC Clearing NV	MB	Amsterdam – NL	100.00	Clearing
KBC Commercial Finance NV				
(ex-International Factors NV)	MB	Brussels – BE	100.00	Factoring
KBC Credit Investments NV	MB	Brussels – BE	100.00	linked securities
KBC Finance Ireland	MB	Dublin – IE	100.00	Lending
				Equities and
KBC Financial Products (group)	MB	Various locations	100.00	derivatives trading
KBC Internationale				
Financieringsmaatschappij NV	MB	Rotterdam – NL	100.00	Issuance of bonds
KBC Lease (group)	MB	Various locations	100.00	Leasing
KBC Peel Hunt Ltd.	MB	London – GB	99.99	Stock exchange
				broker/corporate
				finance
KBC Private Equity NV	MB	Brussels – BE	100.00	Private equity
KBC Real Estate NV	MB	Zaventem – BE	100.00	Real estate
KBC Securities NV	MB	Brussels – BE	100.00	Stock exchange
				broker/corporate
				finance
K&H Bank Rt.	CEER	Budapest – HU	100.00	Credit institution
Kredyt Bank SA	CEER	Warsaw – PL	80.00	Credit institution
<u>Associated companies</u>				
Nova Ljubljanska banka d.d. (group)	CEER	Ljubljana – SI	34.00	Credit institution
INSURANCE				
Fully consolidated subsidiaries				
A Banka A.D.	CEER	Belgrade – RS	100.00	Credit institution
ADD NV	B	Heverlee – BE	100.00	Insurance company
Assurisk SA	MB	Luxembourg – LU	100.00	Insurance company
ČSOB Pojist'ovna a.s.(Czech Republic)	CEER	Pardubice – CZ	100.00	Insurance company
ČSOB Poist'ovna a.s.(Slovak Republic)	CEER	Bratislava – SK	100.00	Insurance company
DZI Insurance	CEER	Sofia – BG	89.52	Insurance company
Fidea NV	B	Antwerp – BE	100.00	Insurance company
KBC Banka A.D.	CEER	Belgrade – RS	100.00	Credit Institution
K&H Insurance	CEER	Budapest – HU	100.00	Insurance company
KBC Verzekeringen NV	B	Leuven – BE	100.00	Insurance company
Secura NV	MB	Brussels – BE	95.04	Insurance company
VITIS Life Luxembourg SA	EPB	Luxembourg – LU	99.99	Insurance company

Company	<i>Business</i>	<i>Registered office</i>	<i>Ownership percentage</i>	<i>Activity</i>
	<i>unit(*)</i>		<i>at KBC Group level</i>	
VTB-VAB NV	B	Zwijndrecht – BE	64.80	Automobile assistance
TUIR WARTA SA	CEER	Warsaw – PL	100.00	Insurance company
Proportionally consolidated subsidiaries				
NLB Vita d.d.	CEER	Ljubljana – SI	50.00	Insurance company
EUROPEAN PRIVATE BANKING				
Fully consolidated subsidiaries				
Brown, Shipley & Co Ltd.	EPB	London – GB	99.91	Credit institution
KBL European Private Bankers S.A.	EPB	Luxembourg – LU	99.91	Credit institution
KBL France sa	EPB	Paris – FR	99.91	Credit institution
Kredietbank (Suisse) SA, Genève	EPB	Geneva – CH	99.90	Credit institution
Merck Finck & Co.	EPB	Munich – DE	99.91	Credit institution
Puilaetco Private Bankers SA	EPB	Brussels – BE	99.91	Credit institution
Theodoor Gilissen Bankiers NV	EPB	Amsterdam – NL	99.91	Credit institution
HOLDING-COMPANY ACTIVITIES				
Fully consolidated subsidiaries				
KBC Global Services NV (ex-KBC Exploitation)	GR	Brussels – BE	100.00	Cost-sharing structure
KBC Group NV	GR	Brussels – BE	100.00	Holding company

(*) B=Belgium business unit, MB= Merchant Banking business unit, CEER = Central & Eastern Europe and Russia business unit, EPB = European Private Banking business unit, GR = Group Centre.

3) Selected financial information

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Balance sheet and assets under management, end of period				
(in millions of EUR)				
Total assets	285,163	325,801	325,400	355,597
Loans and advances to customers	111,177	119,475	127,152	147,051
Securities	98,862	125,810	111,959	105,023
Deposits from customers and debt securities	157,712	171,572	179,488	192,135
Gross technical provisions and liabilities under investment contracts, insurance	17,190	22,394	25,121	26,833
Parent shareholders' equity	12,328	15,751	17,219	17,348
Risk-weighted assets, banking (Basel I)	105,768	117,730	128,968	154,054
Assets under management	156,677	196,358	208,560	231,390
Underlying results (in millions of EUR)				
Total income	12,333	11,451	11,644	12,745
Operating expenses	-4,944	-4,794	-4,976	-5,154
Impairment	-365	-54	-175	-267
Net profit, group share	1,615	2,306	2,548	2,938
Basic earnings per share (in EUR)	4.48	6.42	7.19	8.47
Diluted earnings per share (in EUR)	4.39	6.27	7.13	8.43
Net profit per business unit				
Belgium	-	1,096	1,104	1,321
Central & Eastern Europe and Russia (CEER)	-	327	426	618

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Merchant Banking	-	821	871	843
European Private Banking	-	190	181	194
Group Centre	-	-127	-33	-38
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
KBC share				
Number of shares outstanding, end of period ('000)	310,849	366,567	363,217	355,115
Equity per share, end of period (in EUR)	33.6	43.8	49.2	50.7
Highest share price for the financial year (in EUR)	59.8	79.0	93.3	106.2
Lowest share price for the financial year (in EUR)	37.3	56.0	76.2	85.9
Average share price for the financial year (in EUR)	49.2	66.4	85.9	95.8
Share price at year-end (in EUR)	56.5	78.7	92.9	96.2
Gross dividend (in EUR)	1.84	2.51	3.31	3.78
Equity market capitalisation, end of period (in billions of EUR)	17.6	28.8	33.7	34.2
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Ratios				
Return on equity	14%	18%	24%	21%
Return on equity (based on underlying profit)	14%	18%	18%	18%
Cost/income ratio, banking	65%	60%	53%	56%
Cost/income ratio, banking (based on underlying profit)	65%	58%	58%	58%
Combined ratio, non-life insurance	95%	96%	96%	96%
Loan loss ratio, banking	0.20%	0.01%	0.13%	0.13%
Tier-1 ratio, banking (Basel I)	10%	9%	9%	8%
Solvency ratio, insurance	347%	385%	374%	265%

* For definitions and comments, see the detailed tables and analyses in the KBC Annual Report 2007. The figures for 2004 are based on a combined KBC-Almanij entity (except for "Number of shares outstanding" and "Equity market capitalisation", which relate solely to the KBC Bank and Insurance Holding Company). Moreover, the IAS 32, IAS 39 and IFRS 4 standards were not applied to the 2004 figures, and underlying profit was equated to net profit, which means the figures are not fully comparable with those for subsequent years. A number of adjustments were made retroactively to the balance sheet figures for 2006, due to differences in definitions.

4) Network and market position

Bank network in Belgium and Central & Eastern Europe and Russia at 31 December 2007¹

		<u>Market share</u>	<u>Customers (in millions)</u>	<u>Branches</u>
Belgium	KBC Bank	20%	3.4	923
Czech Republic	ČSOB	21%	3.0	251
Slovakia	ČSOB	8%	0.2	114
Hungary	K&H Bank	10%	0.9	223
Poland	Kredyt Bank	4%	1.0	393
Bulgaria	Economic and Investment Bank	3%	0.2	126

¹ Figures for market share relate to customer deposits and credits; figures for market shares and customers are KBC's own estimates. Excluding the minority stake in NLB in Slovenia, which is seen as a pure financial participation.

Romania	Romstal Leasing	-	-	-
Serbia	A Banka	0.7%	0.1	45
Russia	Absolut Bank	0.5%	0.2	71

**Insurance network in Belgium and Central & Eastern Europe
(as at 31 December 2007)¹**

		<i>Life Market Share</i>	<i>Non-Life Market share</i>	<i>Customers (in millions)</i>
Belgium	KBC Insurance	11%	9%	1.4
Czech Republic	ČSOB Pojist' ovna	10%	5%	0.8
Slovakia	ČSOB Poist' ovna	5%	3%	0.2
Hungary	K&H Insurance	5%	4%	0.5
Poland	WARTA	2%	10%	2.0
Bulgaria	DZI Insurance	18%	15%	0.8

¹ Figures for market shares and customers are KBC's own estimates.

Excluding the stake in NLB Vita in Slovenia.

**Share of the investment fund market in Belgium and Central & Eastern Europe
(as at 31 December 2007)¹**

Belgium	35%
Czech Republic	28%
Slovakia	12%
Hungary	17%
Poland	4%

¹ Figures are KBC's own estimates.

Excluding Slovenia.

Network in Belgium

At the end of 2007, KBC Bank had a network of 923 branches in Belgium (KBC Bank branches in the Dutch-speaking part of Belgium and CBC Banque branches in the French-speaking part of Belgium). The branch network is broken down into 865 retail branches, 33 corporate branches (including the social profit branches) and 25 private banking branches.

The Belgian retail market is also catered to by 712 independent agents working under the umbrella of the retail savings bank, Centea NV, a subsidiary of KBC Bank.

Besides traditional bank products, KBC also markets the insurance products of KBC Insurance. To sell these products, KBC has – besides its bank branches that sell standard insurance products – an extensive network of tied insurance agents (552 agencies at year-end 2007), who handle claims settlement as well. In addition, the group offers the insurance products of subsidiary Fidea through independent brokers and Centea agents. As regards the electronic networks, more information is given below.

The group serves some 3.4 million bank customers and around 1.4 million insurance customers in Belgium through all these networks.

The KBC Group's expansion has given private banking customers the choice of being served by KBC Bank and CBC Banque private banking branches or Puilaetco Dewaay Private Bankers, a subsidiary KBL European Private Bankers S.A. (**KBL**).

As at 31 December 2007, KBC Bank had (based on its own estimates) a 18% share of the Belgian deposit market, a 22% share of the lending market, a 11% share of the Life insurance market, and a 9% share of the Non-Life insurance market. Over the past few years, KBC has built up a strong position in investment funds, and leads the Belgian market with an estimated share of 35%.

Network in Central and Eastern Europe and Russia

Over the past few years, the KBC Group has built up an extensive banking and insurance network in strategically chosen countries in Central and Eastern Europe and Russia, and, via its subsidiaries, is now one of the biggest financial groups in the Central and Eastern European region. Unlike many of its competitors there, KBC not only has banking subsidiaries, it also has an insurance company in each of its core countries, enabling it to develop its bancassurance concept to the full.

At the end of 2007, KBC's Central and Eastern European banking network (including Russia) comprised 1,223 branches belonging to its subsidiaries ČSOB in the Czech Republic and Slovakia (split entities as at 1 January 2008), K&H Bank in Hungary, Kredyt Bank in Poland, Economic and Investment Bank in Bulgaria, KBC Serbia and Absolut Bank in Russia. This number does not take account of KBC's presence in Slovenia and the other republics of the former Yugoslavia through its minority interest in Nova Ljubljanska banka (a total of some 500 branches). Besides selling products through these bank branches, the group also uses other channels, such as the more than 3,000 Czech post offices, the points of sale of Kredyt Bank's Polish consumer finance subsidiary, and the various electronic channels, such as the Internet and phone-banking.

KBC has built up a second home market in this region not just in banking, but in insurance as well. At year-end 2007, this network included ČSOB Pojišť'ovna in the Czech Republic, ČSOB Poist'ovňain Slovakia, WARTA in Poland, NLB Vita in Slovenia (a joint venture with Nova Ljubljanska banka), K&H Insurance in Hungary and DZI Insurance in Bulgaria. Together, these companies have a network of over 14,000 exclusive insurance agents.

Given the increasing sophistication of the region, there has been a shift to some extent away from traditional deposits to off-balance-sheet products, such as investment funds. Here, too, KBC enjoys a very strong position in the region, in part because it is continuously introducing innovative products (including funds offering capital protection, which present an attractive alternative to traditional deposits).

The estimated market shares for bank products, investment funds and insurance in the various countries are shown in the tables above.

Thanks to this extensive banking and insurance network, KBC has captured a prominent market position in selected countries and serves over 5.5 million banking customers (not counting NLB) and over 4 million insurance customers in the region. The group expects that this region will not only achieve significantly higher economic growth than Western Europe, but also that it will continue to catch up as regards the penetration of bank and insurance products. KBC consequently remains convinced that its presence in this region gives it a strong motor to drive growth in the future.

Network in the rest of the world

Outside Belgium and Central and Eastern Europe and Russia, KBC Bank concentrates on merchant banking through a network of KBC Bank representative offices and branches (mainly in Western Europe, Southeast Asia and the US) and a number of subsidiaries. The main subsidiaries are IIB

Bank (an Irish bank that provides financial services to SMEs and corporate customers, and also has a sizeable share of the home loan market), KBC Bank Nederland (which is based in Rotterdam and engages in corporate banking activities, relationship management and providing operational support to the group's business-network customers) and KBC Bank Deutschland (which operates through a limited branch network in the banking market for local mid-sized companies, banks and network customers doing business in Germany). The subsidiaries engaging in more specialised activities are mentioned below.

Following the rationalisation of the past few years, no substantial changes were made to this network in 2007 (except for the opening of a branch in Madrid). If deemed necessary, KBC Bank may open new branches in future, in order to improve market coverage.

KBC is also involved in asset management in this part of the world via, *inter alia*, its Irish subsidiary, KBC Asset Management Limited. KBC Asset Management is also active in, *inter alia*, the US, Germany, and in Asia and Oceania.

The KBL group's parent company, KBL European Private Bankers S.A., is located in Luxembourg. Besides pursuing private banking and some niche activities there, it continues to develop specific support services (such as IT, back-office operations, global custody services and product support) within a Hub Service Centre for KBL's Europe-wide activities. Over the past few years, KBL has been rapidly building up an on-shore network of local private bankers in a selection of Western European countries. Besides Luxembourg and Belgium, it is now present in Germany, France, the United Kingdom, Switzerland, Monaco and the Netherlands.

As regards insurance activities, KBC's presence outside Belgium and Central and Eastern Europe is limited to the activities of the subsidiaries VITIS Life (Luxembourg) and Secura (reinsurance). See below.

Specialised activities

KBC is active in a large number of markets and activities, ranging from the plain vanilla deposit, credit, asset management and insurance businesses, to specialised activities (which are conducted out of specialised departments at head office or specialised subsidiaries) such as:

- acquisition finance (the financing of buy-outs, whether by management or shareholders, of entire companies or company assets, with the repayment being derived primarily from future cash flows)
- payments services
- dealing room activities (via a number of dealing rooms in Western and Central and Eastern Europe, the United States and the Southeast Asia)
- brokerage and corporate finance (mainly via KBC Securities and KBC Peel Hunt)
- clearing (via KBC Clearing)
- foreign trade finance
- diamond finance (via Antwerpse Diamantbank)
- structured finance (structured trade finance and project finance, managed via KBC Finance in Ireland)

- international cash management
- specialised market activities of KBC Financial Products (including trading in equities and equity derivatives, credit derivatives, convertible bonds, CDO business etc.)
- leasing (mainly finance leasing, real estate leasing, renting, full-service car leasing and European vendor finance via KBC Lease group)
- private equity business (via KBC Private Equity, which finances buy-outs and provides mid-caps with growth capital)
- real estate services (including finance for property developers and real estate investors, real estate securitisation, real estate investment and project development services)
- insurance brokerage for businesses (among others via ADD)
- reinsurance (via Secura)
- insurance for high-net-worth customers (via VITIS Life)
- roadside and travel assistance (via VTB-VAB)

KBC Asset Management is a subsidiary of KBC Bank. Its services include individual asset management, institutional asset management (pension funds, social security funds, corporate liquidity management), as well as collective asset management, backed by research, product development, advisory management and marketing support. KBC Asset Management has a subsidiary in Ireland, KBC Asset Management Limited, and also operates in other countries, assisting, for example, KBC Bank's Central & Eastern European subsidiaries with the launch of own or KBC Bank investment funds. In Belgium, asset management products are sold through the KBC Bank, KBC Insurance, CBC Banque and Centea networks. In recent years, KBC Bank's share of the Belgian market in investment funds has been over 30%. Through its banking and insurance subsidiaries, the KBC Group has also built up a significant position in asset management in Central and Eastern Europe (see above).

5) Main acquisitions/divestments in 2007 and from January to May 2008

- March 2007: acquisition of a 99.3% stake in the Romanian leasing company Romstal Leasing;
- April 2007: acquisition of a 100% stake of the Romanian broker Swiss Capital; acquisition of a 100% stake in the Hungarian online retailbroker Equitas;
- June 2007: take-over of the 50% stake of ING Belgium in International Factors (now called KBC Commercial Finance); acquisition of 100% of A Banka in Serbia (now called KBC Serbia) by KBC Insurance;
- July 2007: acquisition of a 95% stake in the Russian Absolut Bank; acquisition of the Serbian equity broker Hipobroker; finalisation of the squeeze-out of the remaining shares of ČSOB in the Czech Republic;
- August 2007: acquisition of a 51% stake in Baltic Investment Company, a corporate finance specialist in Latvia;
- September 2007: acquisition of a 60% stake in the Serbian corporate finance specialist Bastion;

- October 2007: acquisition of the Serbian equity broker Senzal;
- December 2007: acquisition of a 75% stake in Economic and Investment Bank in Bulgaria;
- January 2008: announcement of acquisition of French asset manager Richelieu Finance; and
- March 2008: signed an agreement to acquire 100% of the Slovak bank Istrobanka.

In general, it will remain KBC Bank's policy to continue to look for expansion possibilities that fit into its strategy, especially in Central and Eastern Europe. This can be done either by add-on acquisitions and branch network increases in the countries the KBC Group is already present in (for instance, in the next few years, the branch network in Central- and Eastern Europe and Russia will be significantly increased), or by acquisitions in other countries of the region.

6) Cross-selling

KBC Group considers itself to be an integrated bancassurer and illustrated this clearly through the new management structure it introduced in 2006. Certain shared and support services have since then been organised at group level, serving the entire group, and not just the bank or insurance businesses separately. KBC Group is divided up into five divisions (the so-called "business units"), each combining both banking and insurance activities. It is KBC's explicit aim to continue to actively encourage the cross-selling of bank and insurance products within the group's various business units.

The success of KBC's bancassurance concept can be measured by various factors, including the number of customers the bank and insurer share, as well as by sales of insurance products via the bank distribution channels.

The success of KBC's bancassurance model is in part due to the co-operation that exists between the bank branches of KBC Bank and the insurance agents of KBC Insurance, whereby the branches sell standard insurance products to retail customers and refer their customers to the insurance agents for non-standard products. Claims-handling is the responsibility of agents, the call centre and the head office departments at KBC Insurance.

KBC's bancassurance concept has over the past few years been exported to KBC's Central and Eastern European entities. In order to be able to do so, KBC Group has built up a second "home" market in Central and Eastern Europe both in banking (via KBC Bank) and in insurance (via KBC Insurance). The group now has an insurance business well as a bank presence in the Czech Republic, Slovakia, Poland, Bulgaria and Hungary.

7) E-banking

The brick-and-mortar networks in Belgium and Central and Eastern Europe are supplemented by electronic channels, such as ATMs, telephones and the Internet.

As at 31 December 2007, the branch network in Belgium was supplemented by 1,277 automated "KBC Matic" teller machines that allow customers to make fund transfers and receive account statements. Customers who want to do their banking business directly by phone are offered "KBC-Phone" or "CBC-Phone" facilities. On the KBC web site, visitors can find a variety of information and can carry out loan, investment and insurance-related simulations. PC and Internet banking can be done via "KBC-Online", "CBC Online" and "Centea Online".

These alternative channels have proved popular. For example, in Belgium at the end of 2007, there were roughly 580,000 customers actively using the online systems, a 14% increase within one year.

E-banking indicators – Belgium	<i>31 December</i> <u>2006</u>	<i>31 December</i> <u>2007</u>
Number of KBC- and CBC-Matic ATMs	1,240	1,277
Number of cash withdrawals at KBC- and CBC-Matic ATMs per month	3.2 million	3.9 million
Active subscribers to KBC's Internet and PC banking facilities	510,000	580,000

KBC Bank also offers various electronic services to its business customers, including KBC-Online for Business, KBC-Flexims (an internet channel that customers can use to apply to KBC Bank for documentary credit, documentary collections and international bank guarantees or to modify such facilities), and WISE, which enables companies to remotely initiate and approve local and cross-border payments and direct debits.

In Central and Eastern Europe and Russia too, the group supplements its networks by electronic channels; in total, KBC has, via its subsidiaries in the region, some 1,700 ATMs and some 700,000 active users of its various internet and PC-banking facilities.

8) Private banking strategy in Belgium

With the expansion of the KBC Group, and in particular with the inclusion of KBL, the private banking strategy has been updated. In Belgium, this has led to a dual-brand strategy being adopted.

KBC Bank and CBC Banque operate a private banking network of 25 specialised branches that offer high-net-worth customers a broad range of private banking services, along with the expertise of a large bank. Via these branches, KBC Bank provides both advisory and discretionary portfolio management services, tailored to clients' individual needs and objectives. The needs of private banking clients are catered for on a privileged basis and they are offered services reserved specifically for them, such as exclusive investment funds and bond issues, funds of other asset managers and exclusive management solutions.

In addition, since the new KBC Group was formed, Belgian clients have been able to opt for the private banking service provided by Puilaetco Dewaay Private Bankers, a subsidiary of the KBL Group.

9) Competition

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

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

In both Belgium and Central and Eastern Europe and Russia, KBC Bank has an extensive network of branches and/or agencies and the group believes most of its group companies have a strong name brand recognition in their respective markets.

In Belgium, KBC is perceived as belonging to the top three financial institutions. For certain products or activities, KBC estimates it has a leading position (e.g. investment funds). The main competitors in Belgium are Fortis, Dexia and ING, though for certain products (such as insurance), services or markets, other financial institutions may also be important competitors.

In Central and Eastern Europe (Czech and Slovak Republics, Hungary, Bulgaria and Poland), KBC Bank is one of the leading financial groups, occupying significant to even leading positions in banking and/or insurance. In this respect, KBC Bank competes, in each of these countries, against local financial institutions, as well as subsidiaries of other large foreign financial groups (such as Erste Bank, Bank Austria, Unicredit and others).

In the rest of Europe, KBC Group's presence mainly consists of a limited number of KBC Bank branches and subsidiaries, that cater primarily for corporate clients as well as a network of private banking companies belonging to the KBL group. Outside Europe, KBC Bank's presence is limited to a number of branches and subsidiaries of KBC Bank. In these activities, KBC faces competition both from local companies and international financial groups.

10) Risk management

Risk management in the KBC Group is effected group-wide. A description of risk management in the KBC Group is available in the 2007 Annual Report of KBC Group. Below, only a selection of this information is provided – for a full picture, please refer to the annual report of KBC Group).

Risk governance

The main risks incurred by a financial services group such as KBC are credit risks, Asset/Liability Management risks, liquidity risks, market risks, operational risks and technical insurance risks.

- Credit risk is the potential shortfall relative to the value expected consequent on non-payment or non-performance by an obligor (a borrower, guarantor, counterparty to an inter-professional transaction or issuer of a debt instrument), due to that party's insolvency or lack of willingness to pay, or to events or measures taken by the political or monetary authorities of a particular country. The latter risk is also referred to as "country risk".
- Asset/Liability Management (ALM) is the process of managing KBC's structural exposure to macroeconomic risks. These risks include interest rate risk, equity risk, real estate risk, foreign exchange risk, inflation risk and credit risk (limited to the investment portfolios).
- Liquidity risk is the risk that an organisation may not be able to fund increases in assets or meet obligations as they fall due, unless at unreasonable cost.
- Market risk is defined as the potential negative deviation from the expected economic value of a financial instrument caused by fluctuations in market prices, i.e. 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, foreign exchange and equity risks of the non-trading positions in the banking book are all included in ALM exposure.
- Operational risk is the risk of loss resulting from inadequate or failed internal procedures, people and systems or from external events. Operational risks include fraud, legal, compliance and tax risks.
- The technical insurance risks include tariffication and acceptance risk, the risk that reserves will prove inadequate, the risk of serious accidents and catastrophes, and the risk of insurance fraud.

Credit risk management, banking activities

Although quite a few transactions involve credit risk, the main source of credit risk is the loan portfolio of KBC Bank. A snapshot of this portfolio is shown in the table below.

The loan portfolio includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export/import-related commercial credits), standby credit and credit derivatives (granted by KBC Bank, KBL and all their majority-held subsidiaries) to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate or bank-issued, hence government bonds (which are used more for treasury and liquidity management purposes) and trading book exposure are not included.

	<i>31 December 2006</i>	<i>31 December 2007</i>	<i>31 March 2008</i>
Loan portfolio			
Total loan portfolio (in billions of EUR)			
Amount granted	185.7	208.2	208
Amount outstanding	138.6	163.5	165
Loan portfolio breakdown by business unit (as a % of the portfolio of credit granted)			
Belgium	29%	28%	28%
CEER	18%	21%	22%
Merchant banking	51%	49%	48%
European Private Banking	2%	2%	2%
Total	100%	100%	100%
Loan portfolio breakdown by sector (selected sectors as a % of the portfolio of credit granted)			
Real estate	6%	7%	7%
Electricity	3%	2%	2%
Automobile industry	3%	3%	2%
Impaired loans (PD 10 + 11 + 12; in millions of EUR or %)			
Specific impairment	2,001	2,048	2,009
Portfolio-based impairment	222	186	175
Loan loss ratio (net changes in individual and portfolio-based impairment for credit risks/average outstanding loan portfolio)	0.13%	0.13%	0.06%
Non-performing (NP) loans (PD 11 + 12; in millions of EUR or %)			
Amount outstanding	2,221	2,386	2,451
Specific impairment for non-performing loans	1,541	1,505	1,615
Non-performing ratio (amount outstanding of NP loan/total outstanding loan portfolio)	1.6%	1.5%	1.5%
Cover ratio of NP loans by specific impairment for NP loans	69%	63%	66%
Cover ratio of NP loans by specific and portfolio-based impairment for performing and NP loans	100%	94%	89%

The table also provides information on impaired and non-performing loans (based on IFRS data). On KBC Bank's internal Probability of Default (PD) scale, impaired loans coincide with the worst loan classes, i.e. loans to clients with a PD of 10, 11 and 12. In respect of these impaired loans, specific loan impairments are recorded under IFRS. In addition, a portfolio-based impairment is recognised. The related loan loss ratio is also given in the table.

Non-performing loans are impaired loans (and corporate and bank bonds in the investment portfolio) for which principal repayments or interest payments are more than 90 days overdue. This coincides with loans to clients with PD classes 11 and 12. The table provides information on non-performing loans, including the "non-performing ratio" and the "cover ratio".

As mentioned above, the loan portfolio clearly constitutes the main source of credit risk for the bank. However, a number of activities that are excluded from the credit portfolio figures also contain an element of credit risk (note that KBL is not included in the 2006 figures, except for the government bond totals):

- short-term commercial exposure: trade-related commitments, where the term does not surpass two years and the counterparty is a bank (such as confirmed or guaranteed documentary credits and documented pre-export financing and post-import financing). As at 31 December 2007, this exposure (100% weighted) amounted to 1.8 billion euros (31 December 2006: 1.3 billion euros);
- counterparty risk of inter-professional transactions: refers to placements (money market transactions) and the pre-settlement risk of derivatives (forex products, swaps and options). As at 31 December 2007, this exposure (weighted as positive current replacement value, plus add-on – more explanation in the annual report of KBC Group) came to 34.5 billion euros (31 December 2006: 22.3 billion euros);
- trading book securities – issuer risk: refers to the potential loss on default by the issuer of the trading securities. As at 31 December 2007, the trading issuer risk came to approximately 3.8 billion euros (31 December 2006: 2.3 billion euros);
- government bonds in the investment portfolio: the exposure related to government bonds amounted to 34.8 billion euros as at 31 December 2007 (37 billion euros as at 31 December 2006) and was accounted for mainly by bonds on EU states (particularly Belgium).

KBC Bank's methodology for calculating country risk is explained in the 2007 Annual Report of KBC Group. The table below shows the result of this calculation for 31 December 2007. This calculation encompasses more than the loan portfolio, as it also includes (the country risk involved in) inter-professional transactions and short-term commercial transactions. However, transactions in local currency and the whole euro zone are excluded from the calculation, as they do not entail any transfer risk.

	<u>Total</u>	<i>Western</i>		<i>Asia</i>	<i>North America</i>	<i>Middle East</i>	<i>Latin America</i>	<i>Africa</i>	<i>Oceania</i>	<i>Inter-national institutions</i>
		<i>Europe (excl. euro zone)</i>	<i>Central and Eastern Europe</i>							
By transaction type										
IFC 'B'loans	41	2	1	26	0	0	5	1	0	6
Performance risks	1,063	84	507	31	11	54	223	153	2	0
Other loans	18,819	5,105	7,751	2,271	2,581	522	287	139	135	27
Bonds and	10,134	4,384	2,372	582	1,881	119	463	5	115	216

	<i>Total</i>	<i>Western Europe (excl. euro zone)</i>	<i>Central and Eastern Europe</i>	<i>Asia</i>	<i>North America</i>	<i>Middle East</i>	<i>Latin America</i>	<i>Africa</i>	<i>Oceania</i>	<i>Inter- national institutions</i>
shares										
Interprofessional transactions (weighted)	5,955	3,151	1,014	997	336	141	294	1	12	8
Medium-and long-term export finance	164	4	39	6	0	5	8	102	0	0
Short-term commercial transactions	1,483	42	283	415	11	529	108	95	1	0
Total	37,660	12,772	11,966	4,328	4,820	1,370	1,388	496	266	255
Breakdown by remaining tenor										
Not more than 1 year	13,022	3,914	3,970	2,737	956	690	542	117	62	35
More than 1 year	24,638	8,857	7,997	1,591	3,864	680	846	378	204	220
Total	37,660	12,772	11,966	4,328	4,820	1,370	1,388	496	266	255

* Excluding Economic and Investment Bank (Bulgaria).

In relation to so-called "US sub-prime lending", KBC Group has no direct subprime lending exposure. Its indirect sub-prime exposure consists of (the sub-prime part of) investments in CDOs which carry some ABS underlying (as at 31 March 2008: 6.9 billion euros of which circa 13% sub-prime underlying), as well as the ABS of the former conduit Atomium (now on KBC's books; 1.7 billion euros, 32% subprime).

The credit risk related to this exposure has been limited due to the high credit ratings of the tranches held, the high attachment points, and the fact that the CDOs are actively managed by KBC. This was confirmed by the outcome of internal stress tests, which revealed that the expected amount of credit downgrading to "default" was limited (details in KBC Group's Extended Quarterly Report 1Q 2008, available on www.kbc.com and incorporated by reference herein). Note that a stress test is not an actual loss estimate.

Asset/liability management

The table below shows, in respect of banking, the extent to which the value of the portfolio would change (basis-point-value or BPV) if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio).

BPV of the ALM book of KBC Group banks* (in millions of EUR)

Average, 1Q 2006	76
Average, 2Q 2006	87
Average, 3Q 2006	88
Average, 4Q 2006	74
31 December 2006	67
Maximum in 2006	92

Minimum in 2006	66
Average, 1Q 2007	70
Average, 2Q 2007	54
Average, 3Q 2007	44
Average, 4Q 2007	46
31 December 2007	48
Maximum in 2007	74
Minimum in 2007	42
Average, 1Q 2008	59
31-03-2008	69
Maximum in 1Q 2008	69
Minimum in 1Q 2008	48

* Excluding Absolut Bank, Economic and Investment Bank and A Banka.

The table below provides – for the insurance business – an overview of the composition of the investment portfolio. In the consolidated financial statements of KBC Group, the insurer's investment portfolio is not shown as such, but is spread over various balance sheet items.

	<i>31 December</i> <u>2006</u>	<i>31 December</i> <u>2007</u>
Bonds and other fixed-income securities	13,145	14,643
Shares and other variable-yield securities	4,529	4,328
Other securities	8	20
Loans and advances to customers	148	156
Loans and advances to banks	1,002	1,775
Property and equipment, and investment property	228	285
Liabilities under investment contracts, unit-linked	9,367	9,099
Other	131	112
Total investment portfolio, KBC Insurance	28,558	30,417

Market risk management

As already stated, KBC Bank has a number of money and capital market dealing rooms in Western and Central and Eastern Europe, the United States and the Southeast Asia, though the dealing room in Brussels accounts for the majority of the limits and risks. The dealing rooms abroad focus primarily on providing customer service in money and capital market products, funding local bank activities and engaging in limited trading for own account in local niches. All of the dealing rooms focus on trading in interest rate instruments as a result of activities on the forex markets traditionally being limited.

KBC Bank, through its specialised subsidiaries KBC Securities, KBC Peel Hunt and KBC Financial Products, engages in trading in equities and their derivatives, such as options and convertible bonds. Through KBC Financial Products, the bank is also involved in, *inter alia*, trading in credit derivatives and in managing and providing services in relation to hedge funds and launching and managing other instruments, including Collateralised Debt Obligations (CDOs). Neither the bank nor its subsidiaries are active in the commodities markets.

The table below shows the Value-at-Risk (VAR; 99% confidence interval, 1-day holding period) for KBC Bank's dealing rooms on the money and capital markets, based on historical simulation. KBC Securities is not included in the table (its VAR at the end of 2007 amounted to 0.5 million euros).

Market risk VAR (1-day holding period, in millions of EUR)	<i>KBC Bank*</i>	<i>KBC Financial Products</i>
Average, 1Q 2006	4	9
Average, 2Q 2006	4	12
Average, 3Q 2006	3	8
Average, 4Q 2006	3	7
31 December 2006	3	5
Maximum in 2006	6	20
Minimum in 2006	2	4
Average, 1Q 2007	4	10
Average, 2Q 2007	4	10
Average, 3Q 2007	4	13
Average, 4Q 2007	5	15
31 December 2007	5	13
Maximum in 2007	7	19
Minimum in 2007	3	4
Average, 1Q 2008	5	15
31-03-2008	4	11
Maximum in 1Q 2008	6	30
Minimum in 1Q 2008	3	10

* Including KBL.

11) Staff

As at 31 December 2007, KBC Group had, on a consolidated basis, about 57,000 employees (in full-time equivalents (FTE)), the majority of which were located in Belgium (especially KBC Bank NV) and Central and Eastern Europe and Russia (especially ČSOB in the Czech and Slovak republics, Kredyt Bank and Warta in Poland, Economic and Investment Bank and DZI Insurance in Bulgaria, K&H Bank in Hungary and Absolut Bank in Russia).

In addition to talks at works council meetings and at meetings with union representatives and with other consultative bodies, KBC Bank also works closely in other areas with employee associations. There are various collective labour agreements in force.

12) Banking supervision and regulation

Banking activities

Introduction

KBC Bank, a credit institution governed by the laws of Belgium, is subject to detailed, comprehensive regulation in Belgium, supervised by the CBFA, an autonomous public agency, acting as the supervisory authority.

EU directives have had and will continue to have a significant impact on the regulation of the banking business in the EU, as such directives are implemented through legislation adopted within each Member State, including Belgium. The general objective of these EU directives is to promote the realisation of a unified internal market and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision, and in particular, licensing.

Supervision and regulation in Belgium

The banking regime in Belgium is governed by the Law on the Legal Status and Supervision of Credit Institutions of 22 March 1993 and its subsequent modifications (the **Banking Act**). The Banking Act, among other things, implements European legislation, as coordinated by EC Directive 2006/48/EC of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (the **Capital Requirements Directive**) and by EC Directive 2006/49/EC of 14 June 2006 on the capital adequacy of investment firms and credit institutions (the **Capital Adequacy Directive**). It sets forth the conditions under which credit institutions may operate in Belgium and defines the regulatory and supervisory powers of the CBFA. The main objective of the Banking Act is to protect public savings and the stability of the Belgian banking system in general.

Supervision of credit institutions

All Belgian credit institutions must obtain a licence from the CBFA before they may commence operations. In order to obtain a licence and maintain it, each credit institution must fulfil numerous conditions, including certain minimum paid-up capital requirements. In addition, any shareholder holding 5% or more (directly or indirectly, alone, together with affiliated persons or in concert with third parties) of the capital or the voting rights of the institution must be of "fit and proper" character to ensure proper and prudent management of the credit institution. The CBFA therefore requires the disclosure of the identity and participation of any shareholder with a 5% or greater capital or voting interest. If the CBFA considers that the participation of a shareholder in a credit institution jeopardises its sound and prudent management, it may suspend the voting rights attached to this participation and, if necessary, request that the shareholder transfers to a third party its participation in the credit institution. Prior notification to and non-opposition by the CBFA is required each time a person intends to acquire shares in a credit institution, resulting in the direct or indirect ownership of 5% of the capital or voting rights or a multiple thereof. Furthermore, a shareholder who wishes to directly or indirectly sell his participation or a part thereof, which sale would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the CBFA thereof one month in advance. The Belgian credit institution itself is obliged to notify the CBFA of any such transfer when it becomes aware of it.

The Banking Act requires credit institutions to provide detailed periodic financial information to the CBFA and to the National Bank of Belgium (the **NBB**). The CBFA also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to credit institutions. It also sets the standards regarding the solvency, liquidity, risk concentration and other limitations applicable to credit institutions.

Pursuant to the Banking Act, the CBFA may, in order to exercise its prudential supervision, require that all information with respect to the organisation, the functioning, the position and the transactions of a credit institution be provided to it. Further, the CBFA supervises, among other things, the management structure, the administrative organisation, the accounting and the internal control mechanisms of credit institutions. The CBFA may supplement these communications and controls by on-site inspections. The CBFA also exercises its comprehensive supervision of credit institutions through Statutory Auditors who cooperate with the CBFA in its prudential supervision. A credit institution selects its Statutory Auditor from the list of auditors or audit firms accredited by the CBFA.

Within the context of the European System of Central Banks, the NBB issues certain recommendations regarding monetary controls and in that respect co-operates closely with the CBFA. As the lender of last resort to credit institutions, the NBB is empowered to make recommendations, which it may eventually render compulsory, to banks and other financial institutions. It is also empowered to enforce compliance with standards for balance sheet ratios. The NBB may require banks to make special deposits with it and to maintain set proportions of government paper holdings. It may impose ceilings on credit facilities and on interest rates payable on certain liabilities.

If the CBFA finds that a credit institution is not operating in accordance with the provisions of the Banking Act, that its management policy or its financial position is likely to prevent it from honouring its commitments or that it does not provide sufficient guarantees for its solvency, liquidity or profitability, or that its management structure, administrative and accounting procedures or internal control systems present serious deficiencies, it will set a deadline by which the situation must be rectified. If the situation has not been rectified by the deadline, the CBFA has the power to appoint a special commissioner, to impose additional requirements regarding solvency, liquidity, risk concentration and other limitations, to suspend or prohibit all or part of its activities, to order the disposal of all or part of its shareholdings, to impose the replacement of the directors, and finally, to revoke the licence of the credit institution.

Bank governance

Belgian law and regulatory practices make a fundamental distinction between the management of banking activities, which is within the competence of the Executive Committee, and the supervision of management and the definition of the credit institution's general policy, which is entrusted to the Board of Directors. In a circular, the CBFA recommends the implementation of this distinction. This circular also contains other recommendations to assure the autonomy of the banking function and the proper governance of the credit institution.

KBC Bank is in the process of drafting a **Governance Memorandum**, as required by the CBFA. This Governance Memorandum will sum up the main characteristics of its policy-structure. The policy of the credit institution must meet the principles set out in the above-referenced circular of the CBFA. The final version of the Governance Memorandum will then be submitted to the principal shareholders of KBC Bank for approval.

Pursuant to the Banking Act, the members of the Executive Committee need to have the required professional reliability and appropriate experience, the other managers of a credit institution need to have the required expertise and appropriate experience.

Solvency supervision

Capital requirements and capital adequacy ratios are provided for in the CBFA's Regulation on own funds of 17 October 2006 as approved by Ministerial Decree of 27 December 2006 (the **2006 Decree on Own Funds**), transposing the Basel II related provisions of the Capital Requirements Directive

and the Capital Adequacy Directive. The payment of dividends by Belgian credit institutions is not limited by Belgian banking regulations, except indirectly through capital adequacy and solvency requirements, and is further limited by the general provisions of Belgian company law.

The 2006 Decree on Own Funds requires that the solvency of Belgian credit institutions be measured by a ratio that serves as the basis for the calculation of the minimum required capital. This capital requirement is principally determined by the degree of credit risk that is inherent in each item of the balance sheet and in each off-balance-sheet item. Each bank subject to the 2006 Decree on Own Funds must maintain a capital adequacy ratio (the **CAD ratio**) of total capital (Tier I and Tier II) to risk-weighted assets, of no less than 8%. The CAD ratio also takes into account market risk with respect to the bank's trading book (including interest rate and foreign currency exposure) and operational risk in the calculation of the weighted risk. The CAD ratio may increase to cover temporary large exposures that exceed the exposure limit described below.

Solvency is also measured by the gearing ratio, which compares shareholders' equity to debt to third parties, as defined in applicable regulations. The 2006 Decree on Own Funds also stipulates that in no event may the total capital of credit institutions be less than total fixed assets.

Large exposure supervision

Belgian regulations also ensure the solvency of credit institutions by imposing limits on the concentration of risk in order to limit the impact of failure on the part of a large debtor. For this purpose, credit institutions must limit the amount of risk exposure to any single counterparty to 25% of the total capital and the total amount of concentrated risks (single counterparty exposures larger than 10% of total capital) to 800% of total capital. Belgian regulations also require that the credit institutions establish procedures to contain concentrations on economic activity sectors and geographic areas.

Equity investments

Belgian credit institutions may make equity investments in commercial and industrial companies. However, such investments (of 10% or more) may not exceed: (i) 15% of the shareholders' equity of the credit institution on a per investment basis, or (ii) 45% of the shareholders' equity of the credit institution in aggregate.

Money laundering

Belgium has implemented EU Directive 91/308 of 10 June 1991 on the prevention of the use of the financial system for the purpose of money-laundering (amended by EU Directive 97/2001 of 4 December 2001) in an Act of 11 January 1993, as amended (amongst others, by the Act of 12 January 2004). This legislation constitutes a preventive system imposing a number of obligations in relation to money laundering and the financing of terrorism. These obligations are related, among other things, to the identification of the client, special attention for unusual transactions, internal reporting, processing and compliance mechanisms, and employee training requirements on various categories of institutions and professionals, including credit and financial institutions. When, after investigation, a credit or financial institution suspects money laundering to be the purpose of a transaction, it must promptly notify an independent administrative authority, the Financial Intelligence Unit. The unit is designated to receive reports on suspicious transactions, to investigate them and, if necessary, to report to the criminal prosecutors to initiate proceedings. The CBFA has issued guidance to credit and financial institutions and supervises their compliance with the legislation. Belgian criminal law specifically addresses criminal offences of money-laundering (Article 505, paragraph 1, 2, 3 and 4 of the Criminal Code) and sanctions them with a jail term of a minimum of 15 days and a maximum of five years and/or a penalty of a minimum of 26 euros and a

maximum of 100,000 euros (to be increased with the additional penalty, or – in other words – to be multiplied by five).

Consolidated supervision

KBC Bank is subject to consolidated supervision on the basis of the consolidated financial situation of the KBC Group, which covers solvency and large exposure as described above, pursuant to Article 49, § 4 of the Banking Act.

Insurance activities

Introduction

KBC Insurance, an insurance company governed by the laws of Belgium, is subject to detailed, comprehensive regulation in Belgium, supervised by the CBFA.

EU directives have had and will continue to have a significant impact on the regulation of the insurance business in the EU, as such directives are implemented through legislation adopted within each Member State, including Belgium. The general objective of these EU directives is to promote the realisation of a unified internal market and to improve standards of prudential supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision, and in particular, licensing.

Supervision and regulation in Belgium

The insurance regime in Belgium is governed by the Insurance Supervision Act, as amended. The Insurance Supervision Act, among other things, implements the European legislation as co-ordinated by, *inter alia*, EU Directive 73/239 of 24 July 1973 on the co-ordination of laws, regulations and administrative provisions relating to the conduct of the business of direct insurance, other than life insurance, as amended, and EU Directive 2002/83 of 5 November 2002 concerning life insurance. It sets forth the conditions under which insurance companies may operate in Belgium and defines the regulatory and supervisory powers of the CBFA. The regulatory framework is in some respects similar to the regulation applicable to banks in Belgium.

Supervision of insurance companies

All Belgian insurance companies must obtain a licence from the CBFA before they may commence operations. In order to obtain a licence and maintain it, each insurance company must fulfil numerous conditions, including the requirement to apply certain "technical reserves" for the adequate fulfilment of its contractual and legal obligations, as well as a minimum "solvency margin" in order to cover any unforeseeable liabilities. In addition, any shareholders holding (directly or indirectly, acting alone or in concert with third parties) a substantial stake in the company (in general, this means 10% or more of the capital or the voting rights) must be of "fit and proper" character to ensure proper and prudent management of the insurance company. Moreover, any shareholder wishing to increase such substantial stake to a 20%, 33% or 50% capital or voting interest or to any stake that allows him to exercise control over the company, must disclose this to the CBFA. If the CBFA considers that the influence of such a shareholder in an insurance company jeopardises its sound and prudent management, it may suspend the voting rights attached to this participation. Furthermore, a shareholder who wishes to sell his participation or a part thereof, which sale would result in his shareholding dropping below any of the above-mentioned thresholds, must notify the CBFA thereof one month in advance. The Belgian insurance company itself is obliged to notify the CBFA of any such transfer when it becomes aware of it.

The Insurance Supervision Act requires insurance companies to provide detailed periodic financial information to the CBFA. The CBFA also supervises the enforcement of laws and regulations with respect to the accounting principles applicable to insurance companies.

Pursuant to the Insurance Supervision Act, the CBFA may, in order to exercise its prudential supervision, require that all information with respect to the financial position and the transactions of an insurance company be provided to it, either by the insurance company itself or by its affiliated companies. The CBFA may supplement these communications by on-site inspections. The CBFA also exercises its comprehensive supervision of insurance companies through Statutory Auditors who collaborate with the CBFA in its prudential supervision. An insurance company selects its Statutory Auditors from among the list of auditors or audit firms accredited by the CBFA.

If an insurance company does not provide for the required technical reserves, the CBFA may restrict or prohibit the company's free use of its assets. If an insurance company no longer meets the minimum solvency margin requirements, the CBFA may require that a recovery plan be prepared. In general, if the CBFA finds that an insurance company is not operating in accordance with the provisions of the Insurance Supervision Act, that its management policy or its financial position is likely to prevent it from honouring its commitments or that its administrative and accounting procedures or internal control systems present deficiencies, it will set a deadline by which the situation must be rectified. If the situation has not been rectified by the deadline, the CBFA has the power to appoint a special commissioner to replace management, to prohibit or limit certain activities, to dispose of all or part of its activities, and to order the replacement of the Board of Directors and management, failing which it will itself appoint a provisional manager.

Insurance governance

Belgian law and regulatory practices make a fundamental distinction between the management of insurance activities, which is the competence of the Executive Committee, and the supervision of management and the definition of the insurance company's general policy, which is entrusted to the Board of Directors. In order to ensure that such a distinction is maintained, Belgian regulatory practices require an insurance company and its principal shareholders to underwrite "internal governance rules" in order to ensure the autonomy of the insurance function and the proper governance of the insurance company. The rules also require the principal shareholders of an insurance company to contribute to the institution's autonomy and stability.

Money laundering

Belgian insurance companies are also subject to the Act of 11 January 1993 referred to above.

KBC Asset Management

As from June 2005, the status of KBC Asset Management has been changed from "investment firm" to a "management company of undertakings for collective investment in transferable securities (UCITS)" (hereafter: **UCITS-management company**). Its activities are, *inter alia*, the management of UCITS and the management of portfolios of investments in accordance with mandates given by investors on a discretionary, client-by-client basis. KBC Asset Management is subject to detailed, comprehensive regulation in Belgium, supervised by the CBFA.

The UCITS-management company regime in Belgium is governed by the "Law on certain forms of collective management of investment portfolios" of 20 July 2004 (**Act of 20 July 2004**). The Act of 20 July 2004 implements European Directive 2001/107/EC of 21 January 2002 relating to UCITS with a view to regulating management companies and simplified prospectuses. This Act also sets forth the conditions under which UCITS-management companies may operate in Belgium and defines the regulatory and supervisory powers of the CBFA.

The regulatory framework concerning supervision on UCITS-management companies is for the most part similar to the regulation applicable to investment firms. The Act of 20 July 2004 contains, *inter alia*, the following principles:

- certain minimum paid-up capital requirements, and rules relating to changes affecting capital structure;
- an obligation to carry out their activities in the interests of their clients or of the UCITS that they manage (e.g. creation of Chinese walls);
- an obligation to provide, on a periodical basis, a detailed financial statement to the CBFA;
- they are subject to the same supervision of the CBFA and the same administrative sanctions imposed by the CBFA as mentioned above;
- they are subject to the supervision of Statutory Auditors.

KBL European Private Banker S.A. (KBL)

Introduction

KBL is, a credit institution governed by the laws of Luxembourg, is subject to detailed, comprehensive regulation in Luxembourg, supervised by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), an autonomous public agency controlling the banking sector.

Supervision and regulation in Luxembourg

KBL is a fully-licensed credit institution governed by the Luxembourg Act of 5 April 1993 on the Financial Sector, as last amended on 9 November 2007 (the **Financial Sector Act**). Under the Financial Sector Act, any institution willing to undertake banking activities in Luxembourg must, prior to starting its activities, obtain a licence from the Ministry of Finance upon investigation of the CSSF. In order to obtain and hold the licence, the undertaking must fulfil numerous conditions, including certain minimum paid-up capital requirements.

In addition, any qualifying shareholder must be authorised beforehand by the CSSF as of "fit and proper" character to ensure sound and prudent management of the credit institution. It is therefore required to disclose to the CSSF the identity and participation of any significant shareholder, as well as any increase of shareholdership above certain thresholds and any divestment below such thresholds. When the acquisition takes place in spite of CSSF's objection, underlying voting rights may be frozen and decisions already taken are subject to cancellation.

The Financial Sector Act, among other things, implements European legislation, as co-ordinated by EU Directive 2006/48/EC of 14 June 2006, relating to the taking up and pursuit of the business of credit institutions and by EU Directive 2006/49/EC of 14 June 2006 on the capital adequacy of investment firms and credit institutions. It sets forth the conditions under which credit institutions may operate in Luxembourg and defines the regulatory and supervisory powers of the CSSF. The rationale behind the Banking Act is the protection of public savings and the stability of the Luxembourg banking system in general.

EU directives have had and will continue to have a significant impact on the regulation of the banking business in the EU, as such directives are implemented through legislation adopted within each Member State, including Luxembourg. The general purpose of these EU directives is to promote the realisation of a unified internal market and to improve standards of prudential

supervision and market efficiency through harmonisation of core regulatory standards and mutual recognition among EU Member States of regulatory supervision, and in particular, licensing.

Credit institutions are thus bound by detailed, comprehensive regulations of the CSSF. They have to comply, amongst other things, with capital adequacy and large exposure ratios, as provided for by CSSF Circular 06/273 of 22 December 2006, as last amended on 10 September 2007 by the CSSF circular N° 07/317.

They are allowed to make equity investments in commercial and industrial companies, provided however that these investments remain in line with their commercial strategy, in view of their actual setting-up or future development.

The Financial Sector Act requires credit institutions to provide detailed periodic financial information to the CSSF. The CSSF also supervises the enforcement of laws and regulations with respect to accounting principles applicable to credit institutions.

Pursuant to the Financial Sector Act, the CSSF may, in order to exercise its prudential supervision, require that all information with respect to the organisation, functioning, position and the transactions of a credit institution be provided to it. The CSSF may supplement these communications by on-site inspections.

The CSSF also exercises its comprehensive supervision of credit institutions through statutory auditors who co-operate with the CSSF in its prudential supervision. A credit institution selects its statutory auditor from the list of auditors or audit firms authorised by the CSSF.

Within the context of the European System of Central Banks, the Luxembourg Central Bank (the **LCB**) issues certain recommendations regarding monetary controls and in that respect co-operates closely with the CSSF. As the lender of last resort to credit institutions, the LCB is empowered to make recommendations, which it may eventually render compulsory, to banks and other financial institutions.

It is also in position to enforce compliance with standards for balance sheet ratios. The LCB may require banks to make special deposits with it and to maintain set proportions of government paper holdings. It may impose ceilings on credit facilities and on interest rates payable on certain liabilities.

If the CSSF finds that a credit institution is not operating in accordance with the provisions of the Financial Sector Act, that its management policy or its financial position is likely to prevent it from honouring its commitments or that it does not provide sufficient guarantees for its solvency, liquidity or profitability, or that its management structure, administrative and accounting procedures or internal control systems present serious deficiencies, it will set a deadline by which the situation must be remedied. If the situation has not been remedied by the deadline, the CSSF has the power to appoint a special administrator to replace management, to suspend or prohibit all or part of its activities, to order the disposal of all or part of its shareholdings, and finally, to withdraw the licence of the credit institution.

Money laundering

Under the Financial Sector Act and the Act of 12 November 2004, as last amended by the MIFID implementation law dated 13 July 2007, Luxembourg credit institutions are also subject to series of obligations in relation to defence against money laundering and terrorist financing.

These obligations are related, *inter alia*, to the identification of the client (know-your-customer), monitoring of unusual transactions (know-your-transactions), reporting to authorities (suspicious-transaction reports), setting-up procedures and underlying employee training.

When money laundering or terrorist financing is possibly at stake, Luxembourg credit institutions must immediately notify the Financial Intelligence Unit, being in Luxembourg the Luxembourg District Attorney. As a regulating body, the CSSF has issued a number of circulars outlining the obligations of Luxembourg banks with respect to money laundering, KYC policies and identification of terrorists.

These circulars, which stick to the spirit and text of EU provisions, are regularly updated and, over the years, their scope has been widened to include provisions on, for example, politically exposed persons, corruption, terrorist financing, bribery, weapons trafficking, trade in human beings and fraud against the interests of an International Organisation. They merged in 2005 in Circular CSSF 05/211 dated 13 October 2005.

Supervision of the KBC Group

KBC Bank, KBC Insurance, KBC Asset Management and KBL are subject to consolidated supervision on the basis of the consolidated financial situation of the KBC Group, pursuant to, among other things, Article 49, § 4 of the Banking Act.

13) Material contracts

KBC Holding has not entered into any material contracts outside the ordinary course of its business which could result in any member of the KBC Group being under an obligation or entitlement that is material to KBC Holding's ability to meet its obligations to Holders of the Securities.

14) Memorandum and Articles of Association

KBC Holding is registered in the Register of Legal Persons (*Le Registre des Personnes Morales/Rechtspersonenregister*) of Brussels with number BE-0403.227.515.

KBC Holding 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.

It is also the object of KBC holding to provide support services for third parties, and in particular, for companies in which KBC Holding retains an interest (whether direct or indirect).

The objects and purposes of KBC Holding are more fully set out in Article 2 of its Memorandum and Articles of Association.

The Articles of Association of KBC Holding were adopted on 9 February 1935, and they were last amended on 24 April 2008.

The ways in which KBC Holding is required to communicate information to its shareholders is determined by the Belgian Company Code and the Belgian Royal Decree dated 14 November 2007 regarding Obligations of Listed Companies to Publish Information. The articles of association of KBC Holding do not contain any provisions in this regard, with the exception of Article 41, discussed below. In short, under Belgian law, most communications to the shareholders of KBC Holding are done through publication in the Belgian Official Gazette (*Belgisch Staatsblad/Moniteur Belge*) and in a national Belgian newspaper (e.g. notice of the general meeting of shareholders, as set forth in Article 533 of the Belgian Company Code). However, in certain circumstances, Belgian law

requires individual notice by mail to certain shareholders of KBC Holding (e.g. shareholders with registered shares are entitled to receive the notice for the general meeting of shareholders by individual letter, unless they explicitly waive this right in writing (Article 533 of the Belgian Company Code)). Although certain financial and other information regarding KBC Holding is communicated to its shareholders by way of publication in the Belgian Official Gazette and a national Belgian newspaper, increasingly, such information is provided through the website of KBC Holding (subject to the provisions of the above-referenced Royal Decree, which, among other things, sets forth certain standards to which the website has to conform). Finally, pursuant to Article 41 of the articles of association of KBC Holding, its shareholders who are not domiciled in Belgium are obliged to elect domicile in Belgium for the purposes of all relations with KBC Holding. In case of failure to meet this obligation, they shall ipso jure be deemed to have elected domicile at the registered office of KBC Holding, where all notifications, summonses and writs may be legally served upon them, and all notices and letters may be sent.

15) Share capital

The share capital of KBC Holding consists of ordinary shares of no nominal value and mandatorily convertible bonds. All ordinary shares carry voting rights and each share represents one vote. As at 31 March 2008, the total number of shares issued was 357,704,668, comprising 355,118,679 ordinary shares and 2,585,989 other equity instruments, each of which is fully paid up. No participation certificates or non-voting shares have been issued. The shares are quoted on Euronext Brussels and on the Luxembourg Stock Exchange. At 31 March 2008, the KBC group companies held 17,545,949 KBC shares.

KBC Holding has paid the following dividends over the past five years: €3.78 (2007); €3.31 (2006); €2.51 (2005); €1.84 (2004); €1.64 (2003).

16) Outstanding Debt

For information on the outstanding debt of KBC Holding, please refer to Notes 18, 19, 21 and 25 to the audited consolidated financial statements of KBC Holding in respect of the financial year ended 31 December 2007, incorporated by reference herein.

17) Recent Developments

The most recent developments of KBC Holding can be found on its website www.kbc.com, more specifically in the press releases and financial reports. At the date this Prospectus, the latest quarterly report on KBC Group related to 1Q 2008 and the latest annual report related to 2007.

18) Management

The Board of Directors is made up of 26 members (Directors), three of whom are also members of the Executive Committee (Managing Directors). Four of the non-executive directors are independent directors. The designation "independent director" is based on the relevant definition used by Euronext Brussels. The other Directors are representatives of the (principal) shareholders. 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. There are no potential conflicts of interest between the duties to KBC Holding of the Members of the Management detailed below and their private interests or other duties.

<u>Name</u>	<u>Business address</u>	<u>Position</u>	<u>Principal offices outside KBC Group NV</u>
Andre Bergen*	KBC Group	President	President of KBC Bank

<i>Name</i>	<i>Business address</i>	<i>Position</i>	<i>Principal offices outside KBC Group NV</i>
	Havenlaan 2 BE 1080 Brussels		Executive Director of KBC Insurance
Danny De Raymaecker**	KBC Group Havenlaan 2 BE 1080 Brussels	Member of the ExCo	Executive Director of KBC Bank Executive Director of KBC Insurance
Herman Agneessens**	KBC Group Havenlaan 2 BE 1080 Brussels	Member of the ExCo	Executive Managing Director of KBC Bank Executive Director of KBC Insurance
Jan Vanhevel**	KBC Group Havenlaan 2 BE 1080 Brussels	Member of the ExCo	Executive Director of KBC Bank Executive Director of KBC Insurance
Guido Segers **	KBC Group Havenlaan 2 BE 1080 Brussels	Member of the ExCo	Executive Director of KBC Bank Executive Director of KBC Insurance
Chris Defrancq*	KBC Group Havenlaan 2 BE 1080 Brussels	Executive Director	President of KBC Insurance Executive Director of KBC Bank
Etienne Verwilghen*	KBL 43 Boulevard Royal LU 2955 Luxembourg	Executive Director	President of KBL European Private Bankers S.A. Executive Director of KBC Bank Executive Director of KBC Insurance
Jan Huyghebaert	KBC Group Havenlaan 2 BE 1080 Brussels	Chairman of the Board of Directors	Chairman of the Board of Directors of KBC Bank Chairman of the Board of Directors of KBL European Private Bankers S.A. Vice Chairman of the Board of Directors of KBC Insurance Member of the Executive Committee of the Federation of Enterprises in Belgium (FEB)
Philippe Vlerick	VLERICK GROUP	Vice Chairman of the Board of Directors	CEO and Managing Director of UCO Textiles

<i>Name</i>	<i>Business address</i>	<i>Position</i>	<i>Principal offices outside KBC Group NV</i>
	Doorniksewijk 49 BE 8500 Kortrijk		NV and BIC Carpets NV
Paul Borghgraef	Rozenlaan 24 BE 2970 Schilde	Director	Director of various companies
Paul Bostoën	Coupure 10 BE 9000 Gent	Director	Managing Director of Christeyns NV and Algimo NV
Jo Cornu	Grouwesteenstraat 13 BE 9170 Sint-Gillis-Waas	Independent Director	Director of Alcatel NV
Luc Debaillie	Voeders Debaillie NV Kaaistraat 31 BE 8800 Roeselare	Director	Chairman and Managing Director of Voeders Debaillie NV
Noël Devisch	AVEVE Minderbroederstraat 8 BE 3000 Leuven	Director	Member of the Board of MRBB and AVEVE Director of KBC Insurance
Frank Donck	Ibervest NV Rijvissestraat 118 BE 9052 Zwijnaarde	Director	Managing Director of 3D NV
Franky Depickere	Cera CVBA Philipssite 5/B10 BE 3001 LEUVEN	Director	Director of KBC Bank, Executive director of Cera Beheersmaatschappij NV and KBC Ancora Beheersmaatschappij NV, President of the Executive Committee of Cera CVBA, Director of KBL European Private Bankers S.A.
Geradin Jean-Marie	Geradin Société d'Avocats 11 avenue Blondin BE 4000 Liège	Director	Lawyer Director of Cera Beheersmaatschappij NV and KBC Ancora Beheersmaatschappij NV
Dirk Heremans	KUL Faculteit Econ. En Toegep. Wetenschappen Departement Economie	Independent Director	Professor at the Faculty of Economics and Applied Economics Katholieke Universiteit Leuven (KUL)

<i>Name</i>	<i>Business address</i>	<i>Position</i>	<i>Principal offices outside KBC Group NV</i>
	Centrum voor Econ, Studieën Naamsestraat 69 BE 3000 Leuven		
Christian Leysen	AHLERS NV – Axe Investments NV Noorderlaan 139 BE 2030 Antwerpen	Director	CEO Ahlers Group
Ghislaine Van Kerckhove	Cera CVBA Philipssite 5/10 BE 3001 LEUVEN	Director	Deputy-Chairman of Cera Beheersmaatschappij NV
Philippe Naert	Struikenlaan 13 BE 2930 Brasschaat	Independent Director	Dean Tias Business School at Tilburg University and the Technical University Eindhoven
Luc Philips	KBC Group Havenlaan 2 BE 1080 Brussels	Director	Chairman of the Board of Directors of KBC Insurance Vice Chairman of the Board of Directors of KBC Bank Director of KBL European. Private Bankers S.A
Theo Roussis	Ravago Poederstraat 52 BE 2370 Arendonk	Director	CEO Ravago Plastics NV
Hendrik Soete	Aveve NV Minderbroedersstraat 8 BE 3000 Leuven	Director	Managing Director of Aveve NV
Alain Tytgadt	Prinses Josephinelaan 7 BE 8300 Knokke	Director	Managing Director of Metalunion CVBA
Lode Morlion	Cera CVBA Philipssite 5/B10 BE 3001 Leuven	Director	Chairman of the Board of Directors Cera Beheersmaatschappij NV
Jozef Van Waeyenberge	De Eik NV Eikelenbergstraat 20 BE 1700 Dilbeek	Director	Director of De Eik NV
Germain Vantieghem	Cera CVBA Philipssite 5/B10	Director	Managing Director of Cera Beheersmaatschappij NV

<u>Name</u>	<u>Business address</u>	<u>Position</u>	<u>Principal offices outside KBC Group NV</u>
	BE 3001 Leuven		and KBC Ancora Beheersmaatschappij NV Director of KBC Bank Director of KBC Insurance
Marc Wittemans	MRBB cvba Diestsevest 40 BE 3000 Leuven	Director	Secretary General of MRBB cvba

* and ** These members form the Executive Committee of KBC Group

** These members of the Executive Committee of KBC Group are not executive directors.

Audit Committee and Corporate Governance

The Audit Committee assists the Board by supervising, on its behalf, the integrity, efficiency and effectiveness of the internal control measures and the risk management in place, and paying special attention to accurate and correct financial reporting and overseeing KBC Group's processes to comply with laws and regulations. Its responsibilities under the terms of the Audit Committee Charter (as approved by the KBC Holding's Board of Directors) relate to (i) an annual review of the quality of internal controls (based on statements provided by the executive management and supplemented by the opinion of the internal audit); (ii) the integrity of KBC Holding's financial statements and financial reporting process; (iii) the framework set up to identify and monitor the main risks KBC Group is exposed to, in particular the value and risk management framework; (iv) the compliance with legal and regulatory requirements, including KBC Holding's disclosure controls and procedures; (v) the organisation of the internal audit function; (vi) the annual independent audit of KBC Holding's consolidated financial statements and internal control over financial reporting, the engagement of the independent registered public accounting firm and the evaluation of the independent registered public accounting firm's qualifications, independence and performance; and (vii) the fulfilment of the other responsibilities set out in its Audit Committee Charter.

On 1 June 2008, the members of the Audit Committee were Luc Philips (Chairman), Dirk Heremans, Philippe Naert, Theo Roussis, Germain Vantieghem and Marc Wittemans.

With the following exception regarding the Audit Committee, KBC Holding complies with the Belgian Code on Corporate Governance (which came into effect on 1 January 2005):

- Provision 5.2/1 stipulates that the Board of Directors should set up an Audit Committee composed exclusively of non-executive directors. At least a majority of its members should be independent. On 1 June 2008, the Audit Committee of KBC Holding is composed of six non-executive directors, two of whom are independent. These independent directors, therefore, are in the minority on this committee.

The members of the Audit Committee are appointed based on their financial and/or other expertise that is required to perform their control tasks in a professional way. When the composition of the Audit Committee is established, account is taken of the specific shareholder structure of KBC Holding and, in particular, of the presence of Cera, KBC Ancora and MRBB and the other core shareholders on the Audit Committee. In this way, a balance is maintained that is beneficial to the stability and continuity of the KBC Group.

The same approach is followed when appointing the members of the Board of Directors of KBC Holding.

19) Litigation

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

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

Judicial inquiries and criminal proceedings

An inquiry was instituted in mid-1996 by the Belgian judicial authorities relating to the alleged cooperation by (former) directors, managers or members of staff of KBC Bank NV and KBL European Bankers S.A. (**KBL**) in tax evasion committed by customers of KBC Bank and KBL. The investigation was based on confidential information believed to have been stolen by former KBL employees who had been dismissed in 1994 for embezzlement. This inquiry ended in October 2000 and resulted in eight (former) directors, managers and members of staff of KBC and 27 (former) directors, managers and members of staff of KBL being placed under suspicion.

On 11 January 2008, the Chambers section of the Brussels Court of First Instance (the *Raadkamer*) has decided to refer finally just 11 people previously placed under suspicion in this case to the criminal court for trial. All the other persons placed under suspicion have had charges dismissed against them because the charges were insufficient or the period of prescription has expired. The Prosecutor lodged an appeal to the Chambers section of the court of Appeal (*Kamer van Inbeschuldigingstelling*) against three people who were discharged. One former KBL employee lodged an appeal against his committal for trial.

In the end, it is only the criminal court which can decide, based on the merits of the case, whether these persons are guilty or whether they should be acquitted.

Another inquiry was started in mid-1995 by Belgian judicial authorities relating to transactions in Italian bonds involving the foreign tax credit (FBB or QFIE) in 1988 and 1989. In June 2002, the investigating magistrate placed nine (former) directors, managers and members of staff of KBC Bank under suspicion. KBC Bank is firmly convinced that the actions of the directors, managers and members of staff were lawful in every respect and that the legality of these transactions will be demonstrated in court. Recently the Prosecutor demanded in his requisition to dismiss charges against the accused. The case is scheduled on 30 May 2008, before the Chambers section of the Brussels Court of First Instance (the *Raadkamer*).

In 2003, an important case of fraud perpetrated by an employee, Atilla Kulcsár, 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. A criminal investigation is currently ongoing and numerous civil claims are pending. Some of the civil claims have been settled either by agreement or by arbitration awards. Provisions have been set aside at K&H Equities. In spite of the forgery most of the arbitration awards consider the portfolio statements to show the clients' true balances. In more

recent awards, the Arbitration Court also accepted some evidence on the account histories of the claimants, which resulted in lower amounts being awarded than originally claimed by the clients.

In July 2006, KBC Holding was placed under suspicion by an investigating magistrate in Brussels in an alleged case of money-laundering. It is an isolated case, where four mortgage loans were granted by KBC Bank over a five-year period to one customer in order to buy and renovate three investment properties and build apartments. The bank had followed its internal procedures to combat money laundering and fraud.

The investigation was terminated and the case is scheduled for 23 September 2008, before the Chambers section of the Brussels Court of First Instance (the *Raadkamer*), that must decide whether there are sufficient charges against the accused to proceed to trial. One of the former involved branch managers is also summoned. The Prosecutor demands in his requisition to dismiss charges against KBC Holding.

In June 2007, KBC Holding was placed under suspicion by an investigating magistrate in Brussels in an alleged case of fraud and tax evasion by a customer, who is active in the real estate sector. This matter concerns the financing by KBC Bank of an equity transaction of a real estate company.

KBC was granted access to the relevant judicial dossier and may ask for additional investigations to be carried out. KBC is convinced that both it and its employees followed the Bank's internal procedures to combat money laundering and fraud and complied with legal and regulatory requirements in this case.

KBL France acted as co-agent for the listing on the "marché libre" of MNC, a start up company specialising in the conception and manufacturing of a multimedia desk top. EUR 15 million is the total amount of funds subscribed while the company was listed. The Bank has signed the placing memorandum which was itself approved by COB (*Commission des opérations de Bourse*) with a strong warning for potential investors. In January 2003, the Montpellier Court started a prosecution file against Marc Andrieux, the manager and main shareholder of MNC for fraud. Mr. Andrieux is accused of not having disclosed the true information regarding his company and in particular the exact situation of confirmed orders. On 20 January 2006, EFI (the main agent) and KBL France were notified by the Juge Courazier of their "mise en examen" being accused of complicity of fraud in the listing of the company. The examining magistrate has decided on 23 June 2006 that his investigation was completed. Nevertheless, KBL France has asked for additional investigations in July which was rejected by the Magistrate on 30 August 2006. On 29 March 2007, the court of appeal rejected the appeal of KBL France regarding this refusal. The court decided that no new investigation was necessary to recognize that Mr. Andrieux concealed considerable information about the confirmed orders and that KBL France did not possess this information.

On 13 September 2007, the Prosecutor rendered a non suit (*réquisitoire définitive de non-lieu*) in favour of KBL France, considering that it did not collude in the fraud committed by Mr. Andrieux as the intention of fraud is not established. The final decision of the investigating magistrate (*ordonnance de règlement*) is now expected.

The investigating magistrate explained that his intention was to handle this case with an other fraud procedure related to the CEO of MNC. On 9 April 2008 this magistrate indicated to KBL France's solicitor that the judicial enquiry regarding the second fraud procedure related to the Chief Executive Officer of MNC did not bring forth any new element likely to modify his position on the possible non-suit of KBL France in this case.

The end of the judicial enquiry should be shortly notified to the parties. If no additional measure of enquiry is required, KBL France will be able to lodge a new request for non-suit.

Only penal proceedings are ongoing.

Other litigation

On 19 June 2000, ČSOB concluded an "Agreement on Sale of Enterprise" with another Czech bank, IPB, which had been placed under forced administration on 16 June 2000. This agreement was approved by the Czech National Bank (**CNB**). In connection with the acquisition by ČSOB of the Enterprise of IPB (**IPB Enterprise**), the Czech Ministry of Finance (acting on behalf of the Czech Republic) entered into an agreement with and provided a state guarantee to ČSOB, and the CNB also entered into an indemnity agreement with ČSOB. The purpose of these two agreements is, *inter alia*, to ensure a zero net asset value and to protect ČSOB against (i) losses existing as of the date of the sale of the IPB Enterprise as revealed by extraordinary audits of the IPB Enterprise carried out after the closing of the acquisition of the IPB Enterprise by ČSOB and (ii) damages incurred by ČSOB as a result of the acquisition of the IPB Enterprise (**state guarantees**).

ČSOB is party (claimant/plaintiff or defendant) to a number of civil and criminal actions that were triggered by the acquisition of the IPB Enterprise. These actions relate to alleged off-balance sheet assets and legal actions of former IPB management, various attempts to contest the take-over of IPB Enterprise by ČSOB, the rescue and restructuring of IPB Enterprise and the state aid provided in connection with the rescue and restructuring of the IPB Enterprise.

As a result of the foregoing, Nomura Principal Investment Plc (**Nomura**) has filed a complaint against ČSOB and KBC Bank for unfair competition. Nomura alleges that (i) ČSOB and KBC Bank (with a view to securing the market position of ČSOB and redirecting state aid from IPB) acted in bad faith and attempted to influence the Czech government and the CNB to ensure that IPB did not receive state aid or any other type of rescue package and (ii) the IPB enterprise was not sold to an investor in a transparent tender procedure. Nomura demands, *inter alia*, that the defendants be jointly obliged to pay Nomura CZK 31.5 billion and to reimburse Nomura for the alleged material detriment suffered by it as a result of the conduct of the ČSOB and KBC Bank. The case is pending before a Czech court. In March 2006, an arbitration award was issued in the arbitral proceedings between Nomura group and the Czech Republic, which, *inter alia*, acknowledged that the state had legally put IPB under forced administration and sold the IPB enterprise to ČSOB.

Recently Nomura withdrew the proceeding by which it challenged the clearance given by the European Commission in 2004 of the validity of the state aid provided by the Czech government to IPB (and consequently to ČSOB) before the European Court of First Instance.

In February 2007, the Czech National Bank (**CNB**) requested that ČSOB set aside provisions against the 'realistic possibility' that ČSOB might lose several disputes in IPB-related claims. ČSOB responded that these issues are fully covered by the state guarantees and that creating provisions would be redundant and in contradiction of international accounting standards.

On 13 June 2007 ČSOB has filed a Request for Arbitration against the Czech Republic for CZK 1.7 billion (approximately EUR 62.3 million) plus interest as a result of the failure of the Czech Republic to reimburse ČSOB in connection with the J. Ring-case. Article 2.5 of the Agreement and State Guarantee provides that, in the event ČSOB has to pay back to the CKA (a state owned financial institution facilitating the restructuring of the Czech economy by purchasing bad loans) the consideration for any item of the IPB enterprise returned by the CKA to ČSOB, the Czech Republic has to reimburse ČSOB for the full amount in order to ensure a zero net asset value. As the Czech Republic fails to pay the amount of the consideration in the J. Ring-case to ČSOB, although the J Ring items in question have been transferred by CKA to IPB on the basis of an arbitral award, ČSOB has had to start the aforementioned arbitration proceedings.

In its answer in which it presented its defence in this arbitration proceeding, the Czech Republic asserted in July 2007 a counter-claim of CZK 26.7 BLN (approximately EUR 1 billion). Having reviewed this claim and the underlying arguments together with its external counsel, ČSOB believes that this claim is without merit and expects the Arbitral Tribunal not to award any amounts to the Czech Republic on the basis of this counterclaim.

By notice dated 21 March 2008 the CNB instructed ČSOB to effectively remove the J Ring receivable (CZK 1.65 bln) from its books. ČSOB decided to execute this CNB decision and to derecognise the J Ring receivable in the ČSOB statutory accounts as at 9 April 2008.

The J Ring case not only falls under the State Guarantee Agreement with the CZ Ministry of Finance but also under the CNB Guarantee Agreement.

CSOB strongly disagrees with this decision of the CNB and has filed an appeal against this decision on 10 April 2008. However, this appeal has no suspensory effect.

From late 1995 until early 1997, KBC Bank 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 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 KBC Bank 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, KBC Bank and KB Consult discovered that certain purchasers of these cash companies failed to reinvest such companies' cash in qualifying assets and file tax returns for the cash companies they purchased in order to thereby defer the taxes owed by such companies. KBC Bank and KB Consult immediately took the necessary measures to prevent any further involvement with these parties. The activities of KB Consult were subsequently wound up. KBC Bank and KB Consult were summoned to court in 23 cases. In addition, KB Consult was placed under suspicion by an investigating magistrate in December 2004. A provision of EUR 40.5 million has been constituted to cover the potential impact of any liability with respect to these actions.

In March 2000, Rebeo (currently Almafin Real Estate Services) and Trustimmo, two former subsidiaries of Almafin (currently a Belgian subsidiary of KBC Group), and four former directors of Broeckdal Vastgoedmaatschappij (a real estate company) were summoned, together with, before civil court in Brussels by the Belgian State, Finance Department, for the non-payment of approximately EUR 16.7 million in taxes due by Broeckdal Vastgoedmaatschappij. In November 1995, Broeckdal Vastgoedmaatschappij 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 24.2 million 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, 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 adjudged 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

Deloitte & Touche as the auditor of Broeckdal Vastgoedmaatschappij before the civil court in Brussels in order to indemnify the former against all judgments.

On a proposal by the Polish Organization of Commerce and Distribution (**POHiD**) in Warsaw, the Office for Competition and Consumer Protection (**UOKiK**) instituted legal proceedings against the Polish Banks Association, VISA and MasterCard and twenty Polish banks, including Kredyt Bank S.A., issuing payment cards in Poland. On 29 December 2006, the President of the UOKiK rendered a decision by which Kredyt Bank and other banks were accused of practices restricting competition and breaching the ban set forth in art. 81 (1) of the Treaty establishing the European Community and in art. 5 (1) point 1, of the Competition and Consumer Protection Act, by participating in an agreement to fix the amount of interchange fees collected for transactions made using VISA and MasterCard cards in Poland.

The banks have not been accused of practices restricting competition that consist in the co-ordination of actions to restrict entrepreneurs, which are not parties to such agreements, from accessing the market of services for the settlement of payments by consumers to commercial entities for purchases made using payment cards. Kredyt Bank S.A. was fined approximately PLZ 12.2 million. HSBC Bank Poland S.A. (**HSBC**), based on the actions of its subsidiary Prosper Bank SA, was fined PLZ 192,900, and the proceedings against it were dropped and will not be continued. Because Kredyt Bank sold the shares of Prosper Bank SA to HSBC and agreed to pay all fines imposed on HSBC for the obligations of Prosper Bank existing as of the date of the sale, Kredyt Bank will pay the fine imposed on HSBC.

With regard to the decision of the President of the UOKiK that these banks refrain from anti-competitive practices, an enforcement clause has been added to prevent the banks, from the time they receive the decision, from engaging in anticompetitive practices and requiring them to cease applying agreed interchange fees.

On 12 January 2007, a complaint was filed against the decision of the President of UOKiK to add the sanction clause of immediate enforceability. On 17 January 2007 and 19 January 2007, complaints were filed on behalf of HSBC Bank Polska and Kredyt Bank against the decision of the President of UOKiK, to consider participation in the agreement on fixing the amount of interchange fees by VISA, MasterCard and the banks as anticompetitive practice.

On 18 January 2007, the President of UOKiK rendered a decision by which the banks are jointly obliged to pay POHiD PLZ 157,643 as reimbursement for the cost of the proceedings. Kredyt Bank filed a complaint against the decision, considering it to be groundless.

On 20 December 2007, UOKiK transferred the case to the commercial court of Warsaw.

In March 2008, KBC Holding, KBC Bank, KBL and Kredietrust have been summoned to appear before the commercial court in Brussels by the British company Beverly Securities Limited. This company makes 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.

Even if it is true that during this period the KBC/KBL group maintained business relations with South Africa, this in no way supports the allegations made in the summons. After a thorough

examination carried out on the basis of the documents and archives still available, and having obtained two legal opinions from well-known legal practices, particularly in relation to the embargo, KBC and KBL are reassured of their position and of the fact that they respected all the laws applicable to them at the time.

KBC and KBL consider the complaint to be totally unjustified and they intend to claim substantial damages from the plaintiff for a frivolous and vexatious action.

The case was introduced on 17 April 2008 and is postponed. The parties are filing their requests for the organisation of the proceedings schedules.

TAXATION

BELGIUM

This section provides a general description of the main Belgian tax issues and consequences of acquiring, holding, redeeming and/or disposing of the Securities and the Profit-Sharing Certificates. This summary provides general information only and is restricted to the matters of Belgian taxation stated herein. It is intended neither as tax advice nor as a comprehensive description of all Belgian tax issues and consequences associated with or resulting from any of the transactions mentioned above. Prospective investors are urged to consult their own tax advisors concerning the detailed and overall tax consequences of acquiring, holding, redeeming and/or disposing of the Securities and Profit-Sharing Certificates.

The summary provided below is based on the information provided in this Prospectus and on Belgium's tax laws, regulations, resolutions and other public rules with legal effect, and the interpretation thereof under published case law, all as in effect on the date of this Prospectus and with the exception of subsequent amendments with retroactive effect.

Belgian tax treatment in relation to the Securities

Withholding tax

Under current Belgian withholding tax legislation, all interest payments in respect of the Securities (which include any amount paid in excess of the initial issue price upon the redemption of the Securities by the Issuer and any interest deemed paid upon the conversion of the Securities into Profit Sharing Certificates) are normally subject to Belgian withholding tax on the gross amount of the interest, currently at the rate of 15%.

Income tax

(a) For Belgian resident individuals and legal entities

The Belgian withholding tax will as a rule constitute the final income tax burden in relation to interest for (i) holders of Securities who are private individuals (subject to Belgian individual income tax) holding the Securities as a private investment and for (ii) Belgian legal entities (subject to the Belgian legal entities income tax). These investors will not be obliged to declare the interest income received.

Any capital gain realised by a Belgian individual investor or a Belgian legal entity upon a sale of Securities to a party other than the Issuer is in principle tax exempt, except for that part of the sale price attributable to the *pro rata* interest component.

Furthermore, capital gains realised by a Belgian individual investor on the Securities are taxable at a flat rate of 33% (plus local taxes) if the tax authorities can prove that the capital gain does not result from the normal management of the individual's private estate.

Capital losses realised on the Securities by an individual investor or a legal entity are usually not deductible.

(b) For pension funds organised as an organism for the financing of pensions

Any income earned or capital gain realised on the Securities will normally not be taxed in the hands of Belgian organisms for the financing of pensions (*Organisme voor de Financiering van Pensioenen/Organisme de Financement de Pensions* as referred to in the law of 27 October 2006). Any withholding tax levied on interest will, subject to certain conditions, be creditable against the corporate income liability or refundable in the case of an excess.

Belgian tax treatment in relation to the Profit-Sharing Certificates

Withholding tax

Dividends paid by the Issuer on the Profit-Sharing Certificates (including those dividends deemed paid upon the redemption of the Profit-Sharing Certificates) will be subject to withholding tax in Belgium. The normal dividend withholding tax rate in Belgium is 25% (a lower rate may apply in certain cases). Income tax

(a) For Belgian resident individuals and legal entities

The Belgian withholding tax will as a rule constitute the final income tax burden in relation to dividends paid on the Profit-Sharing Certificates for (i) holders of Profit-Sharing Certificates who are private individuals (subject to Belgian individual income tax) and who are holding these Certificates as a private investment, and for (ii) Belgian legal entities (subject to Belgian legal entities income tax). These investors will not be obliged to declare the dividend income received.

Any capital gain realised by a Belgian individual investor or a Belgian legal entity upon a sale of the Profit-Sharing Certificates to a party other than the Issuer is in principle tax exempt.

However, capital gains realised by an individual investor on the Profit-Sharing Certificates are taxable at a flat rate of 33% (plus local taxes) if the tax authorities can prove that the capital gain does not result from the normal management of the individual's private estate.

Capital losses realised on the Profit-Sharing Certificates by an individual investor or a legal entity are usually not deductible.

(b) For Belgian pension funds organised as an organism for the financing of pensions

Any income earned or capital gain realised on the Profit-Sharing Certificates will normally not be taxed in the hands of Belgian pension funds organised as organisms for the financing of pensions. Any withholding tax levied on dividends will be creditable against the corporate income liability or refundable in the case of an excess (subject to conditions).

Tax on stock exchange transactions

No tax on stock exchange transactions will be due on the issuance of the Securities or the Profit-Sharing Certificates.

Any transfer for consideration of the Securities on the secondary market executed in Belgium through a financial intermediary will trigger a tax on stock exchange transactions of 0.07%.

Any transfer for consideration of the Profit-Sharing Certificates on the secondary market executed in Belgium through a financial intermediary will trigger a tax on stock exchange transactions of 0.17%.

In both cases, the tax will be due on each sale and acquisition separately, with a maximum of EUR 500 per party and per transaction. An exemption is available for, *inter alia*, certain Belgian institutional investors, acting for their own account.

Tax on the physical delivery of bearer securities

The physical delivery to investors (other than qualifying financial intermediaries) of Securities in definitive bearer form or of Profit-Sharing Certificates will, subject to some conditions and exceptions, trigger a tax of 0.6% if such delivery takes place in Belgium.

LUXEMBOURG

The following is a general description of certain Luxembourg tax considerations relating to the acquisition, holding or disposal of the Securities. It specifically contains information on taxes on the income from the Securities withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Securities, whether in Luxembourg or elsewhere. Prospective purchasers of the Securities should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Securities, payments of interest, principal and/or other amounts under the Securities and the consequences of such actions under the tax laws of Luxembourg. This summary is based upon the law as in effect on the date of this Prospectus. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Securities.

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Securities can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject, however, to:

- (i) the application of the Luxembourg laws of 21 June 2005 implementing the European Union Savings Directive (Council Directive 2003/48/EC) and several agreements concluded between Luxembourg and certain dependant or associated territories of the European Union (**EU**) and providing for the possible application of a withholding tax (15% from 1 July 2005 to 30 June 2008, 20% from 1 July 2008 to 30 June 2011 and 35% from 1 July 2011) on interest paid to certain non-Luxembourg resident investors (individuals and certain types of entities called "residual entities") in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive (see, paragraph "*EU Savings Directive*" below);
- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10% final withholding tax on savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the EU Savings Directive). This law applies to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding or optional exchange of information system in the case of Switzerland).

SUBSCRIPTION AND SALE

KBC Bank NV of Havenlaan 2, 1080 Brussels (the **Manager**) has, in a subscription agreement dated on or about 25 June 2008 (the **Subscription Agreement**) and made between the Issuer, KBC Holding and the Manager, upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Securities at their issue price of 100% of their principal amount less certain commissions, fees and expenses in connection with the issue of the Securities. The Manager is entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Securities.

United States of America

The Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any Securities in circumstances in which Section 21(1) of the FSMA does not or, in the case of the Issuer, would not if it was not an authorised person, apply to the Issuer or KBC Holding; and
- (b) it has complied, and will comply, with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Manager has represented and agreed that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State,

(the **Relevant Implementation Date**), it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State, other than the offer contemplated in the Prospectus in Belgium from the time the Prospectus has been approved by the CSSF in Luxembourg and published and notified to the relevant competent authority in accordance with the Prospectus Directive as implemented in Belgium until 17:00 (CET) on 25 June 2008 (or such later date as the Issuer may permit), except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Manager; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Securities to the public** in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

General

Save as described under "*Public Offer of Securities*" below, no action has been or will be taken in any jurisdiction by the Issuer, KBC Holding or any Manager that would, or is intended to, permit a public offering of the Securities, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer, KBC Holding and the Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Securities or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Securities, in all cases at their own expense.

Public Offer of Securities

Upon submission of this Prospectus to the CSSF for approval the Issuer intends to request that the CSSF provides to the competent authority in Belgium (the **Public Offer Jurisdiction**) a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.

Upon provision of such certificate, an offer of the Securities may be made by the Manager and Offerors authorised to do so by the Issuer other than pursuant to Article 3(2) of the Prospectus Directive in the Public Offer Jurisdictions during the Offer Period set out in sub-paragraph (a) below. In any other EEA Member State or at any time outside the Offer Period, offers of the Securities will only be made pursuant to an

exemption from the obligation under the Prospectus Directive, as implemented in such Member State, to publish a prospectus.

The Manager may offer Securities only to Eligible Investors and the main categories of Eligible Investors are as follows:

- (a) Belgian resident investors who are individuals;
- (b) Belgian non-profit organisations, other than (i) Belgian qualifying pension funds in the form of an *ASBL/VZW* and (ii) semi-public governmental social security institutions similar thereto; and
- (c) Belgian pension funds that have adopted the form of an organism for the financing of pension (*Organisme voor de Financiering van Pensioenen/Organisme de Financement de Pensions*) as meant in the law of 27 October 2006.

The Issuer retains responsibility for the Prospectus in relation to offers of the Securities to investors during the Offer Period by the Manager or by any Offeror separately notified to and approved by the Issuer, who has received a distribution confirmation from the Manager setting out the basis upon which such Offeror may distribute Securities during the Offer Period (any such Offeror, an **Authorised Offeror**). Any such offers are not made on behalf of the Issuer or any other Offeror and neither the Issuer nor any other Offeror makes any representation as to the compliance by any Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to any such offer. Neither the Issuer nor any other Offeror has any responsibility or liability for the actions of such Authorised Offerors.

The Securities may only be offered or sold in Belgium, in accordance with the requirements of the relevant securities laws and regulations applicable in Belgium.

The terms and conditions of the Securities are set out in the "*Terms and Conditions of the Securities*" above.

- (a) Offer Period:

From 11 June 2008 to 17:00 (CET) on 25 June 2008 (or such later time as the Issuer may permit).

- (b) Offer Price:

The Issuer has offered the Securities to the Manager at an initial issue price of 100% of the aggregate nominal amount of the Securities less a total selling concession of 1% of the aggregate nominal amount of the Securities.

The price at which the Securities will be offered by any Offeror (including the Manager) will be 100% of the aggregate nominal amount of the Securities.

Any expenses or taxes specifically charged to the subscriber will be determined and agreed at the time of the offer.

- (c) Conditions to which the offer is subject:

Offers of the Securities are conditional on their issue and the Securities will be issued on the Issue Date against payment to the Issuer of the net subscription moneys.

- (d) Description of the application process:

To participate in the offering of Securities, each prospective Eligible Investor should contact the relevant Offeror prior to the end of the Offer Period. Each Eligible Investor will subscribe or

purchase the Securities from the relevant Offeror in accordance with the arrangements existing between the relevant Offeror and its customers relating to the subscription of Securities generally. Eligible Investors will not be required to enter into any contractual arrangements directly with the Issuer in order to subscribe or purchase the Securities.

- (e) Details of the minimum and/or maximum amount of application:

Not Applicable

- (f) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

Not Applicable.

- (g) Details of the method and time limits for paying up and delivering the Securities:

The Securities will be issued on the Issue Date against payment to the Issuer of the net subscription moneys. Investors will be notified by the relevant Offeror of their allocations of Securities and the settlement arrangements in respect thereof.

- (h) Description of the manner in which, and the date on which, the results of the offer are to be made public and arrangements and time for announcing to the public the definitive amount of the offer:

The results of the Public Offer of Securities will be notified to the CSSF and announced on the websites of the Luxembourg Stock Exchange (www.bourse.lu) and the Issuer (www.kbc.be) by no later than the business day following completion of the Offer Period.

The Issuer reserves the right, in consultation with the Manager, to withdraw, extend or alter the terms of the offer of the Securities. Adjustments in relation to the early closing or extension of the Offer Period will be published at least three trading hours before the adjustment is due to take effect on the website of the Luxembourg Stock Exchange (www.bourse.lu) and the Issuer (www.kbc.be). Any adjustments in relation to the offer will be published at least one trading day before the Issue Date on the website of the Luxembourg Stock Exchange (www.bourse.lu) and on the website of the Issuer (www.kbc.be).

- (i) Procedure for exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised:

Not Applicable.

- (j) Categories of potential investors to which the Securities are offered:

Offers may be made by the Offerors in the Public Offer Jurisdiction to Eligible Investors during the Offer Period. In other EEA countries and in all jurisdictions (including the Offer Jurisdiction) outside of the Offer Period, offers will only be made by the Offerors pursuant to an exemption from the obligation under the Prospectus Directive, as implemented in such countries, to publish a prospectus.

The Securities may only be acquired, subscribed and/or held by Eligible Investors.

- (k) Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made:

Investors will be notified by the relevant Offerors of their allocations of Securities.

(l) Name(s) and address(es) of the placers in Belgium, where the offer takes place:

KBC Bank NV
Havenlaan 2
1080 Brussels
Belgium

GENERAL INFORMATION

1. The creation and issue of the Securities has been authorised by resolutions of the Board of Directors of the Issuer dated 20 March 2008 and authorised/ratified by the Executive Committee of the Issuer on 3 June 2008. The Support Agreement has been authorised by resolutions of the Board of Directors of KBC Holding dated 20 March 2008 and authorised/ratified by the Executive Committee of KBC Holding on 3 June 2008.
2. Save as disclosed in this Prospectus, there are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer or KBC Holding is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer and its Subsidiaries or KBC Holding and its Subsidiaries.
3. Save as disclosed in this Prospectus, since 31 December 2007, there has been no material adverse change in the prospects of the Issuer and no significant change in the financial or trading position of the Issuer. Since 31 December 2007, there has been no material adverse change in the prospects of KBC Holding and no significant change in the financial or trading position of KBC Holding since 31 March 2008.
4. For so long as any of the Securities are outstanding, copies of the following documents may be inspected during normal business hours at the Specified Office of each Paying Agent:
 - (a) the Securities Agency Agreement;
 - (b) the Agency Agreement;
 - (c) the Deed of Covenant;
 - (d) the Support Agreement;
 - (e) the Contingent Guarantee Agreement;
 - (f) the articles of association of the Issuer; and
 - (g) the articles of association of KBC Holding.
5. For so long as any of the Securities are outstanding, copies of the following documents (together with English translations thereof) may be obtained, upon request, free of charge, during normal business hours at the office of KBL European Private Bankers S.A. in its capacity as Fiscal Agent:
 - (a) this Prospectus;
 - (b) the Support Agreement and the Contingent Guarantee Agreement;
 - (c) the audited annual consolidated and non-consolidated financial statements of the Issuer for the years ended 31 December 2006 and 31 December 2007, in each case together with the auditors' reports prepared in connection therewith;
 - (d) the audited annual consolidated and non-consolidated financial statements of KBC Holding for the years ended 31 December 2006 and 31 December 2007, in each case together with the auditors' reports prepared in connection therewith; and

- (e) the latest published audited annual consolidated financial statements of the Issuer and KBC Holding and the latest published unaudited interim consolidated financial statements of KBC Holding, in each case together with any auditors' or review reports prepared in connection therewith.

KBC Holding publishes quarterly unaudited consolidated interim financial statements. The Issuer does not publish quarterly financial statements. Neither the Issuer nor KBC Holding publish non-consolidated financial statements.

Requests for copies of the documents listed under this paragraph 5 should be made to KBC Bank NV at KBC Group (Investor Relations Office), Havenlaan 2 – IRO, B-1080 Brussels, Belgium (email: investor.relations@kbc.com).

6. The consolidated financial statements of the Issuer and KBC Holding have been audited without qualification for the years ended 31 December 2006 and 31 December 2007 by Ernst & Young Bedrijfsrevisoren BCVI, at Marcel Thiry laan 204, 1200 Brussels, Belgium. The auditors of the Issuer and KBC Holding are members of the *Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises*.
7. On the basis of the issue price of the Securities of 100% of their principal amount, the yield of the Securities is expected to be 8% on an annual basis. It is not an indication of future yield.
8. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN is XS0368735154. The common code is 036873515.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L 1855 Luxembourg.

9. This Prospectus shall be published on the Luxembourg Stock Exchange's website (www.bourse.lu).

REGISTERED OFFICE OF THE ISSUER

KBC Bank NV
Havenlaan 2
1080 Brussels
Belgium

REGISTERED OFFICE OF KBC HOLDING

KBC Group NV
Havenlaan 2
1080 Brussels
Belgium

FISCAL AGENT

KBL European Private Bankers S.A.
43, boulevard Royal
L-2955 Luxembourg

PAYING AGENT AND CALCULATION AGENT

KBC Bank NV
Havenlaan 2
1080 Brussels
Belgium

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United Kingdom

To the Manager as to Belgian law:

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2600 Antwerp
Belgium

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