



KBC BANK NV (NEW YORK)
U.S. RESOLUTION PLAN
SECTION 1 - PUBLIC SECTION

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1 INTRODUCTION

US REGULATORY CONTEXT

KBC Bank NV, (“KBC Bank”) developed its U.S. Resolution Plan, as required by the Federal Deposit Insurance Corporation (“FDIC”) and the Board of Governors of the Federal Reserve System (“FRB”) issued, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act final rule section 165(d). This rule stipulates that any foreign bank or company that is, or is treated as, a bank holding company under the International Banking Act of 1978, with total consolidated assets of \$50 billion or more and total U.S. non-bank assets of \$100 billion or less, is a covered company and is required to periodically submit to the FDIC and the FRB a plan for rapid and orderly resolution [under the Bankruptcy Code] in the event of material distress or failure.

The FDIC and the FRB have each, by rule and through supervisory guidance, prescribed the assumptions, required approach and scope for the resolution plan. This resolution plan was developed based upon these requirements and guidelines. Except as otherwise specifically required by the Final Rule, the information contained in the U.S. Resolution Plan relates to branches and subsidiaries, core business lines and critical operations, as applicable, that are domiciled in the U.S. or conducted in whole or in material part in the U.S.

The US Resolution Plan is being filed pursuant to the regulatory requirements and provides for the continuation of KBC Bank’s U.S. critical operations and the orderly transfer of customers to other providers of U.S. services, customer accounts and other property with minimum disruption. The U.S. Resolution Plan is not expected to require government support and would not result in losses being borne by the US government. KBC Bank’s initial resolution plan submission is due on or before December 31, 2013, with annual updates thereafter.

PUBLIC SECTION OF THE RESOLUTION PLAN

This document is the **Public Section** of KBC Bank’s U.S. Resolution Plan for the rapid and orderly resolution of the U.S. operations of KBC Bank NV.

KBC Bank recognizes that the requirement for a Resolution Plan is a Regulatory initiative to enhance the safety and soundness of the US financial system. The plan was developed based on this objective.

1.1 OVERVIEW OF KBC BANK

GLOBAL STRUCTURE

KBC Bank is a wholly-owned subsidiary of KBC Group NV. It was established in Belgium in 1998 as a bank (with number BE-0462.920.226), and operates under the laws of the Kingdom of Belgium. KBC Bank Group (i.e. KBC Bank and its fully consolidated subsidiaries) is one of Belgium’s largest bank groups with total consolidated assets of approximately €257 billion as of December 31, 2012. KBC Bank conducts most of its operations and derives most of its income from its operations in the Belgian and Central &

Eastern European markets. KBC Bank Group also has operations outside of these areas, mainly in Western Europe, Asia and North America.

KBC Bank is registered as a credit institution and is supervised by (i) the National Bank of Belgium, which is the prudential supervisory authority in Belgium and (ii) the Autoriteit Financiële Diensten En Markten (FSMA), which has supervisory responsibility with regard to the conduct of business rules for financial institutions and market regulation.

KBC Bank was initially formed through the merger of the banking operations of the Almanij Kredietbank group and CERA Bank group. The merger combined the operations of four Belgian banks: Kredietbank, CERA, Bank van Roeselare and CERA Investment Bank.

On March 2, 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 the main direct subsidiaries of KBC Bank and KBC Insurance.

KBC Bank Group provides a broad range of banking and financial products and services to its private, corporate and public sector clients, including traditional deposit-taking and lending (including residential mortgage lending), relationship banking services to its different client segments, retail and private bancassurance and corporate banking and capital markets activities. In addition, KBC Bank Group is a large asset manager in Belgium. KBC Bank Group maintains an extensive Belgian retail network and an international network of branches, representative offices and subsidiaries in countries outside of Belgium.

Since the crisis, KBC Group has significantly and successfully reduced their risk exposure. As at December 31, 2012, KBC Bank Group has largely completed the divestment plan approved by the European Commission in November 2009. The divestment involved the sale, termination or run-down of various non-core activities (chiefly investment banking) and a refocus on retail bank-assurance model in the core markets.

KBC Group - EUR bln	31.Dec. 2008	31.Dec.2012	% Change
Total Assets	355	257	-28%
Risk Weighted Assets	155	102	-34%

U.S. STRUCTURE OF COVERED ENTITIES

KBC Bank's business in the U.S. is focused on its international corporate lending activities, particularly as distribution channel to corporate customers with operations in KBC Bank's core markets (i.e. Belgium and a number of countries in Central & Eastern Europe).

The primary U.S. activities of KBC Bank are booked in and managed by KBC Bank NV, New York Branch ("KBCNY"). KBCNY is an unincorporated branch of KBC Bank that operates pursuant to a license issued by the Superintendent of Banks of the State of New York Department of Financial Services ("NYSDFS"). KBCNY is not FDIC insured and not a retail branch. KBCNY has been conducting banking activities in New York for the past 35 years.

Since 2010, KBC Bank has scaled down or sold a number of its other U.S. legal entities, operations and activities, many of which related to investment banking activities, niche lending activities or trading activities. KBC Bank effected divestments relating to the US reverse mortgage portfolio, the US life settlement portfolio, and the convertible bond businesses of KBC Financial Holding Inc. and its subsidiaries.

2 MATERIAL US ENTITIES

KBC Bank has identified its New York Branch (“KBCNY”) as a “material entity” based on its core lending business line. KBCNY is a wholesale commercial branch of KBC Bank. KBCNY is licensed by the New York State Department of Financial Services (“NYSDFS”) as a New York branch of a foreign bank. It is regulated and examined by the NYSDFS and FRB. Its deposits are not insured by the Federal Deposit Insurance Corporation. KBCNY engages in primarily in traditional lending and deposit raising activities, as well as managing USD funding position. KBCNY personnel are responsible for managing the U.S. operations of KBC Bank’s US subsidiaries.

3 CORE BUSINESS LINES

KBC Bank has identified the U.S. loan portfolio in KBCNY as a core business line under the requirements of the Final Rule. The failure of this core business line in KBCNY would result in a material loss of revenue to the U.S. operations.

KBCNY	31.Dec.2012	
	US\$ mln - Gross Income	%
Lending Activities	54.4	82.8%
Total (All Activities)	65.7	100.0%

4 SUMMARY FINANCIAL INFORMATION REGARDING ASSETS, LIABILITIES, CAPITAL AND MAJOR FUNDING SOURCES

As of December 31, 2012, KBCNY’s total assets were \$3 billion. The majority of KBCNY’s assets were comprised of loans, leases, cash and balances due from depository institutions. As of December 31, 2012, KBCNY’s total liabilities were \$3 billion.

US\$ bln	31.Dec.2010	31.Dec.2011	31.Dec.2012
Loans & Leases	2.1	1.7	1.1
Cash & Balances	9.7	1.4	1.7
Other	0.9	0.9	0.2
Total Assets	12.7	4.0	3.0

As KBCNY is a branch of KBC Bank, KBCNY does not hold standalone capital and is not subject to standalone regulatory capital minimums. KBC Group has strong capital ratios:

KBC Group	31.Dec.2011	31.DEC.2012
Tier 1 ratio	11.6%	13.8%
Tier 1 ratio (core)	9.6%	11.4%

KBCNY's funding strategy is to develop a maintain access to a diverse variety of funding sources, geographically and by funding source. KBCNY has access to the discount window at the FRB. Funding sources are mainly unsecured.

5 DERIVATIVE AND HEDGING ACTIVITIES

KBCNY's trading activity was discontinued in August 2012. KBCNY's Treasury activities now focus on: (i) Asset and Liability Management, (ii) encompassing U.S. dollar deposit gathering and funding of the KBCNY's corporate loan portfolio and other balance sheet items and (iii) providing local customers with a plain vanilla corporate sales services, on a fully covered basis with KBC Bank.

Derivative transactions are not a significant part of KBCNY's operations. As part of the closure of the trading activity, external swap counterparties were re-assigned from KBCNY to KBC Bank Head Office. Derivatives are used to hedge interest rate exposures and when they meet the required criteria for hedge effectiveness, hedge accounting is applied. Derivatives are no longer entered into on behalf of customers, for trading, as this activity has been discontinued.

6 MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SERVICES

As an essential part of engaging in the financial services industry and facilitating financial transactions in the United States for clients and customers, KBCNY maintains memberships and/or participates in (either directly or indirectly) various financial market utilities ("FMUs"), such as payment systems, clearinghouses, exchanges and depositories.

The FMUs allow KBCNY to provide payments services to customer and clients as needed to manage risk, secure funding and meet the needs of customers and clients.

The table below provides a list of material FMUs, as well as a brief description of each FMU's services and a description of which KBC US entity uses these FMUs.

FMU	Type	Description of Services Provided by FMU	Entity holding membership
Clearing House Interbank Payments System ("CHIPS")	Payments	CHIPS is a US payments system operated by The Clearing House Payments Company LLC, which is owned by the world's largest commercial banks. CHIPS is a large value wire transfer payment system with real time final settlement of payments. It is utilized to process US dollar cross border payments and certain amount of US domestic payments.	KBCNY
Fedwire Funds Service ("FedWire")	Payments	Wire transfer service provider that is owned and operated by the FRB. FedWire is a real-time gross settlement system. Payments are continuously settled on an individual order-by-order basis without netting. It is utilized for payments to third parties in respect of clearing and settlement.	KBCNY
Fed ACH Services ("FedACH")	Payments	Electronic payment system providing ACH services that is owned and operated by the FRB. ACH system exchanges batched debit and credit payments among business, consumer and government accounts. It is utilized to process pre-authorized recurring payments of customers, such as payroll and non-recurring payments of customers such as conversion of checks into ACH payments.	KBCNY
Society for Worldwide Interbank Financial Telecommunication ("SWIFT")	Messaging	SWIFT is a member owned cooperative that provides a telecommunication platform for the exchange of standardized financial messages between financial institutions and corporations. SWIFT is neither a payment system nor a settlement system though SWIF messaging standards is used in many payment and settlement systems. SWIF is subject to oversight by central banks of the G10 led by the National Bank of Belgium.	KBCNY
The Bank of New York	Custodial	Custodial agent for corporate and municipal bonds, equities and repos.	KBCNY
The Depository Trust Company ("DTC")	Clearing & settlement	Central securities depository providing depository and book-entry services for eligible securities and other financial assets to its participants, which are principally banks and broker/dealers.	KBCNY

7 FOREIGN OPERATIONS

As a U.S. branch of a foreign banking organization, KBCNY is a part of KBC Bank and has no branches, subsidiaries, associates or joint ventures. KBCNY has no foreign operations.

KBC Bank is an integrated bank-insurance group, catering mainly for retail, SME and mid-cap clients. Geographically, the focus is on the core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. KBC Bank's presence elsewhere in the world, is primarily to support corporate clients from the core markets. As at 31 December 2012, KBC Bank had:

- 9 million clients (estimate);
- 37,083 employees;
- 1,648 bank branches.

8 MATERIAL SUPERVISORY AUTHORITIES

KBCNY and KBC Bank’s US subsidiaries are subject to regulation under U.S. federal and state laws. The FRB acts as an “umbrella regulator”. The principal supervisory authorities for KBC Bank’s U.S. core operations are described below.

8.1 U.S. BANKING REGULATION FOR MATERIAL U.S. OPERATIONS

KBCNY is a wholesale commercial branch of KBC Bank. KBCNY is licensed by the New York State Department of Financial Services (“NYSDFS”). It is subject to supervision and examination by the NYSDFS and the FRB. Its deposits are not insured by the Federal Deposit Insurance Corporation. It primarily engages in traditional lending and deposit activities.

8.2 U.S. REGULATION FOR OTHER NON-MATERIAL U.S. OPERATIONS

KBC Bank conducts brokerage and underwriting activities in the U.S. through its ownership of KBC Securities USA, Inc. (“KBCS USA”). KBCS USA, a Delaware corporation, is wholly owned subsidiary of KBC Financial Holding, Inc., which in turn is a wholly owned by KBC Bank. KBCS USA is registered as a broker-dealer with the Securities Exchange Commission. In addition, KBCS USA is a member of the Financial Industry Regulatory Authority.

9 PRINCIPAL OFFICERS

The chart below depicts the members of the KBCNY Management Committee with each member’s responsibilities as of December 31, 2013. KBCNY Management Committee is responsible for the day-to-day operational management of KBCNY.

Title
Senior Vice President - General Manager
Managing Director - General Counsel & Chief Compliance Officer
Managing Director - Head of Human Resources
Managing Director - Head of Network Lending & General Corporate Lending
Director - Chief Risk Officer
Managing Director - Head of Healthcare Lending
Managing Director - Chief Credit Officer

10 RESOLUTION PLANNING CORPORATE GOVERNANCE STRUCTURE AND PROCESSES RELATED TO RESOLUTION PLANNING

The governance structure for the U.S. Resolution Plan consists of a US steering committee and a working group. The US steering committee is comprised of members of the KBCNY Management Committee. It is responsible for the overall oversight and control of the U.S. Resolution Plan, including reviewing the U.S. Resolution Plan deliverables and making recommendations for submission to and approval by the KBC Bank's Board of Directors or its delegates.

KBCNY established a U.S. resolution working group comprised of senior business, operations, and control function representatives. The U.S. resolution working group is responsible for the efficient delivery of requirements, and ensuring leverage of the entire organization to effectively address the regulatory requirements. Clear roles and responsibilities were defined to ensure effective working processes and compliance with decision making authorities. These include processes required to prepare, verify and sign-off on resolution plans at global, local and legal entity levels. This ensures that senior management, local management committee, and where applicable, the Management Committee of Business Unit Belgium and the KBC Board of Directors or its delegates assisted by the KBC Audit, Risk and Compliance Committee take responsibility for the content of deliverables, are comfortable that provided information is appropriate, and implementation issues are adequately addressed at local and global levels.

11 MATERIAL MANAGEMENT INFORMATION SYSTEMS

KBCNY utilizes comprehensive and effective information technology and management information systems ("MIS") to monitor and report its finances, liquidity, and operations to local management, Head Office management and relevant US regulatory authorities. MIS is utilized to provide transparent, accurate, reliable and timely financial, transactional and operational information that can be used by (i) management to make sound decisions regarding finances, business activities, risk, compliance matters and operational support, and (ii) regulators to supervise and examine KBCNY appropriately. The management information and reports used by management to conduct business have been used to support the development of the US Resolution Plan.

The following are examples of key management systems and capabilities.

- **Compliance:** provides information to manage risks arising from compliance with local regulatory regime, and KBCNY and KBC Head Office compliance standards, including anti-money laundering, sanctioning, monitoring and case management tools.
- **Credit Risk & Legal:** provides information to management on risks arising from creditworthiness of clients and customers, as well as legal documentation support, including transaction capture and processing, risk aggregation, and pricing and valuation services.
- **Finance:** provides information in support of financial control, regulatory reporting and accounts payable.

- **Market Risk:** provides information to risks arising from financial market events, including the production of value-at-risk and other statistical indicators of risk.
- **Operations:** provides information regarding day-to-day activities at a transactional level, including payments and cash management.
- **Treasury & Liquidity Risk Management:** provides information to manage liquidity risk, and the liquidity and funding processes.

12 HIGH LEVEL SUMMARY OF RESOLUTION STRATEGY

The rules regarding the U.S. Resolution Plan require that KBC Bank contemplate the failure of its U.S. operations under ordinary insolvency laws, particularly New York Banking Law, the Securities Investor Protection Act and the U.S. Bankruptcy Code.

The U.S. Resolution Plan provides a strategic analysis for the rapid and orderly resolution of its identified material entities, core business lines and critical operations in the event of material financial distress. Each of KBC Bank's strategies within the U.S. Resolution Plan has been designed to mitigate systemic impact on the U.S. economy.

The U.S. Resolution Plan focuses on two alternatives:

- the sale of "material entities" or "core business lines" and
- the orderly wind down of "material entities" and "core business lines".

Each option was assessed with a view of maintaining critical operations during resolution while options for sale, transfer or wind-down of "material entities" and/or "core business lines" are assessed and transacted. A sale would contemplate the maintenance of market operations. Certain "material entities" or "core business lines" may be marketed individually or bundled in a package deal. A wind down would involve the liquidation of the positions remaining in inventory at the time of resolution. The actual wind-down procedures would be determined based on a number of factors at resolution, including market conditions, current valuations and the liquidity profile of the remaining portfolio.