KBC Group

2012 2Q Results

Press Conference

7 August 2012 - 11.00 AM CEST

KBC

More information www.kbc.com
on your mobile m.kbc.com

KBC Group - Investor Relations Office - E-mail: investor.relations@kbc.com

Important information for investors

This presentation is provided for informational purposes only. It does not constitute an offer to sell or the solicitation to buy any security issued by the KBC group.

KBC believes that this presentation is reliable, although some information is condensed and therefore incomplete. KBC can not be held liable for any damage resulting from the use of the information.

This presentation contains non-IFRS information and forward-looking statements with respect to the strategy, earnings and capital trends of KBC, involving numerous assumptions and uncertainties. There is a risk that these statements may not be fulfilled and that future developments differ materially. Moreover, KBC does not undertake any obligation to update the presentation in line with new developments.

By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.

Key Takeaways

Resilient business performance

- Underlying 2Q12 net group profit of 372m EUR, demonstrating resilience of commercial franchise
- Lower loan loss provisions, also at K&H Bank and KBC Bank Ireland
- FY2012 guidance for loan loss provisions in Ireland maintained at 500m-600m EUR

Momentum maintained on divestments and derisking

- Sales of Warta, KBL *epb* and Zagiel have been closed
- Impairments on the remaining divestments further reduce the downside P&L volatility
- GIIPS exposure reduced again, down 52% since the end of 2011

Capital and liquidity positions further strengthened

- Tier-1 ratio of 13.6% in 2Q12 at KBC Group, up from 13.1% in 1Q12, despite impact of impairments on the planned divestments
- Estimated B3 CET at the end of 2013: 10.7% phased in (9.5% fully loaded), factoring in 4.67bn EUR repayment of YES instruments by end 2013
- Continued strong liquidity position, with 2012 funding needs covered

Contents

Section 1

2Q 2012
Financial highlights

2Q 2012 financial highlights

Underlying results

- Strong commercial franchise in all our core markets and core activities, with continued good underlying net group profit of 372m EUR in 2Q12
- Net interest income was negatively impacted by reduced GIIPS exposure and higher senior debt costs, while 1Q12 benefited from interest corrections on Greek bonds
- Good growth in loan and deposit volumes
- Net fee and commission income rose by 1% q-o-q, driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products (both at the Belgium BU)
- Written life insurance premiums further increased q-o-q
- The combined ratio (non-life) stood at an excellent 89% YTD
- Performance in life and non-life insurance was impacted by lower investment results (driven by lower realised gains on AFS shares)
- Underlying cost/income ratio of 58% YTD
- Credit cost ratio at a low 0.59% YTD. Excluding Ireland (in line with guidance), this ratio stands at 0.18%

Reported results

- Net reported profit of -539m EUR, affected by the impairments on planned divestments

Capital

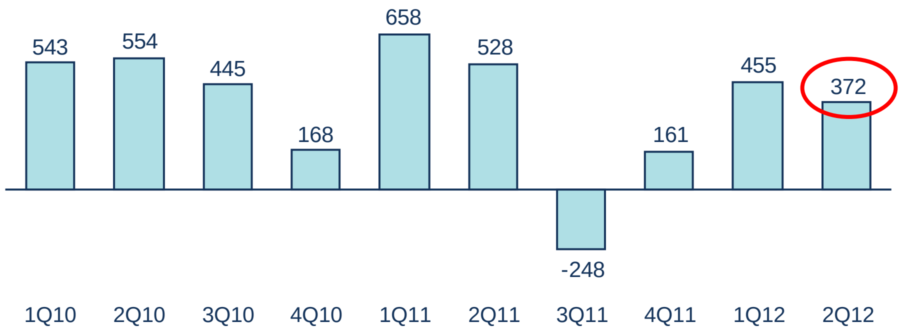
- Continued strong capital base. Pro forma tier-1 ratio under Basel 2.5 – including the effect of divestments for which a sale agreement has been signed – at approximately 15.4% (with core tier-1 at 13.4%)

Liquidity & Funding

- Strong liquidity position, with a loan-to-deposit ratio of 83% (vs. 90% at the end of 1Q12) Unencumbered assets are double the amount of the net recourse on short-term wholesale funding
- 2012 funding needs covered and additional buffer in place thanks to the issuance of 2.25bn EUR unsecured long-term debt (1.25bn EUR 2y and 1.0bn EUR 5y), and continued growth in customer deposits (+3.1bn EUR q-o-q excluding repos)

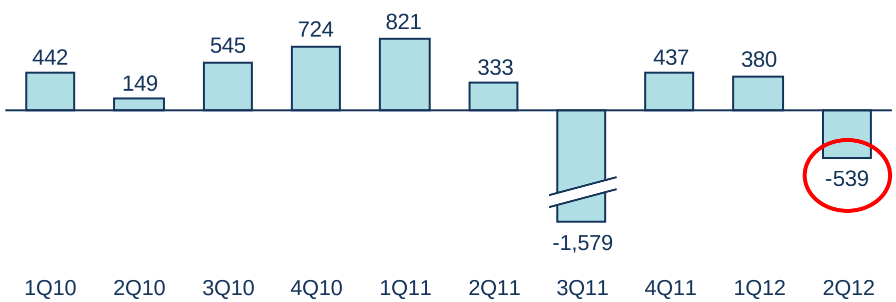
Earnings capacity

Underlying net profit *

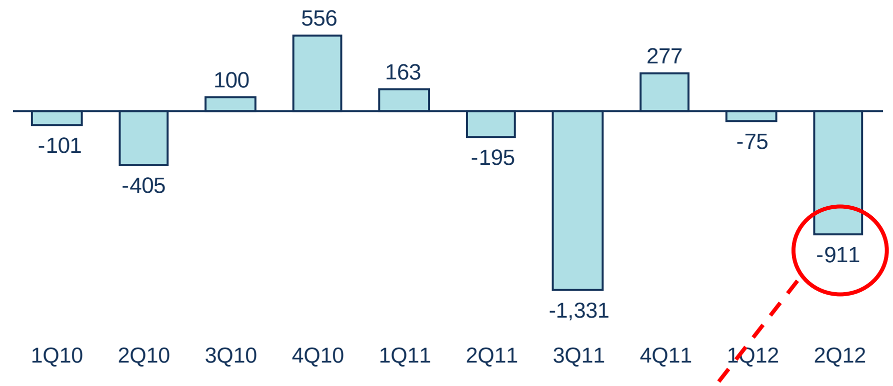


Including exceptional items

Reported net profit *



Exceptional items



Main exceptional items (post-tax)

- Impairments related to divestment portfolio - 0.9bn

Amounts in m EUR

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

Specific points of attention in 2Q12

2Q12 underlying profit level includes some small one-off items:

- Realised losses regarding the **sale of Spanish government bonds**: -53m EUR pre-tax (-35m EUR post-tax)
- **Recuperation of funds from the former Belgian Deposit Guarantee Scheme**: +51m EUR pre-tax (+34m EUR post-tax)

2Q12 underlying results were also impacted by market-driven items:

- Widened corporate credit spreads led to a -57m EUR pre-tax **CVA** (-38m EUR post-tax), mainly on OTC derivatives concluded with our corporate banking clients at KBC Bank Belgium (mainly at MEB BU)
- **Impairments on AFS shares**: -24m EUR pre-tax (= post-tax)

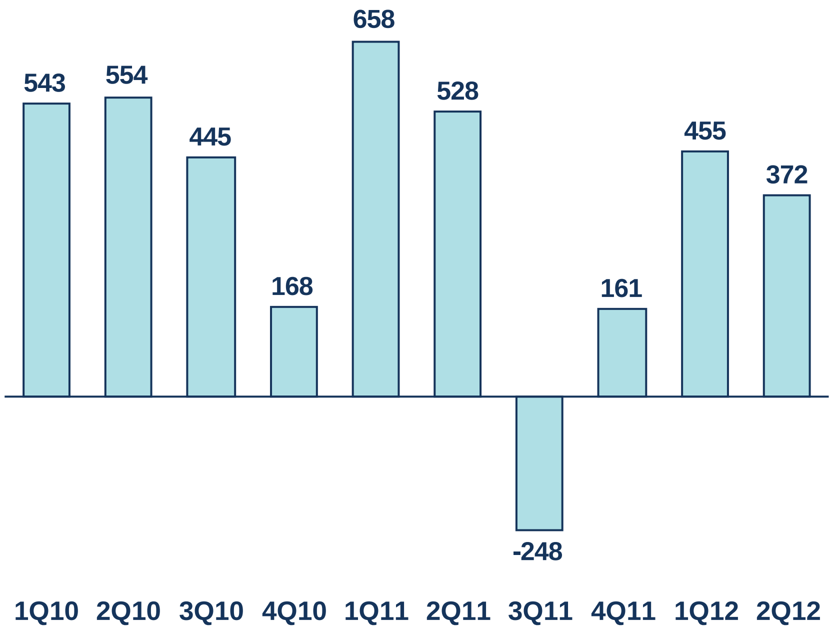
At non-recurring profit level: total impact of -911m EUR (post-tax)

- **Divestments**: -868m EUR post-tax impact
  - The sale of Warta has been closed, leading to 0.3bn EUR realised P&L gains
  - Impairments of 1.2bn EUR taken on to be divested businesses (NLB, Absolut Bank, KBC Banka, KBC Bank Deutschland and Antwerp Diamond Bank) reduce further the downside P&L volatility
  - Impairments are largely related to goodwill. As such, the regulatory capital impact is substantially lower at 0.6bn EUR
  - Negative capital impact will be reversed entirely at closing (spread out over 2012-2013), mainly through the release of RWAs (5bn EUR in total)
- The effect of widening corporate credit spreads during 2Q12 on the value of the **CDOs/MBIA** (-14m EUR post-tax) was not as large as was previously the case, due to distortions in the market
- The remaining amount (-29m EUR) is caused by a range of smaller impacts (M2M ALM derivatives, M2M own credit risk,…)

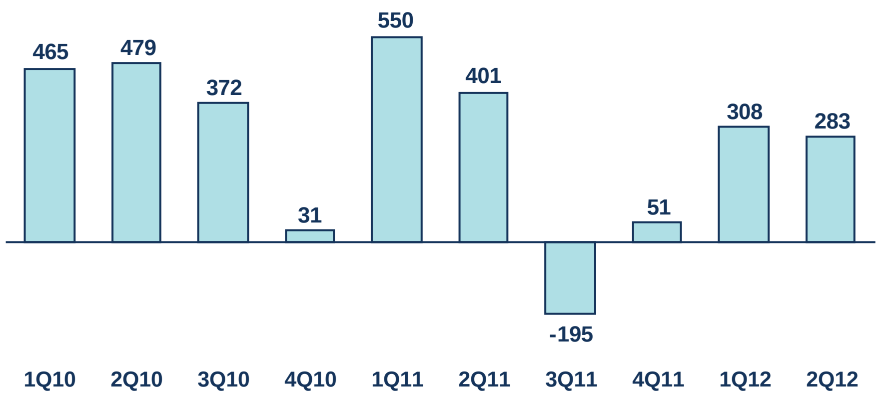
Underlying profit of KBC Group

Amounts in m EUR

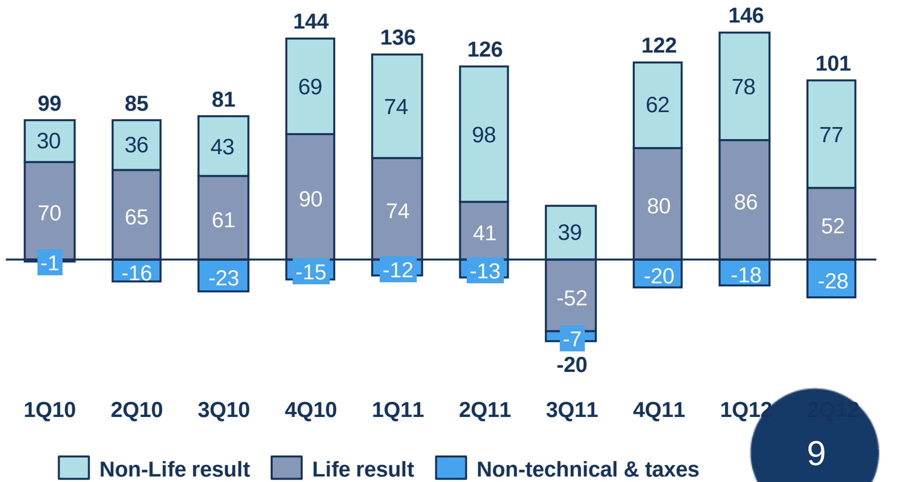
Underlying net profit of KBC Group *



Underlying net profit contribution banking to KBC Group *



Underlying net profit contribution insurance to KBC Group (excl. Vitis) *

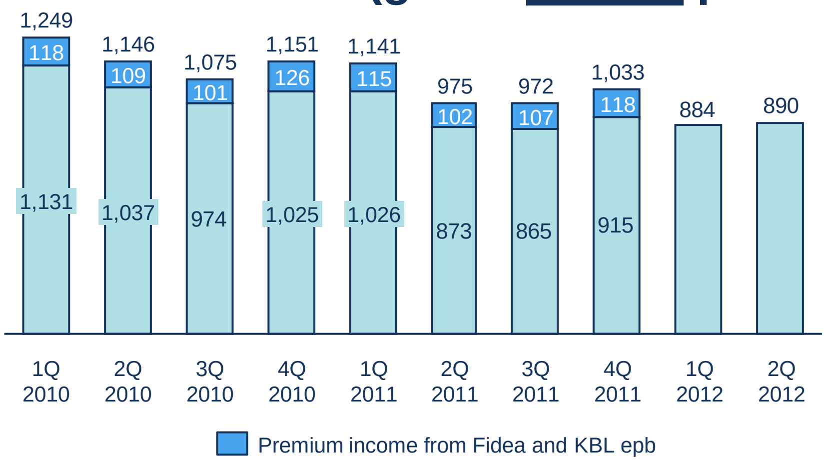


* Difference between underlying net profit of KBC Group and the sum of the banking and insurance contribution are the holding-company/group items and Vitis

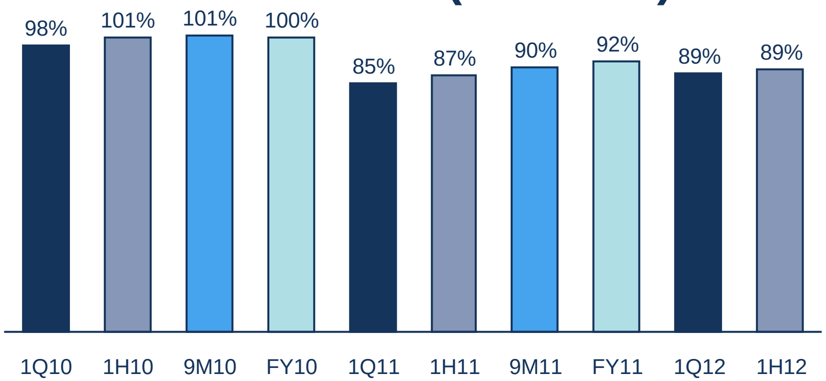
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

Premium income (gross <u>earned</u> premium)



Combined ratio (Non-Life)



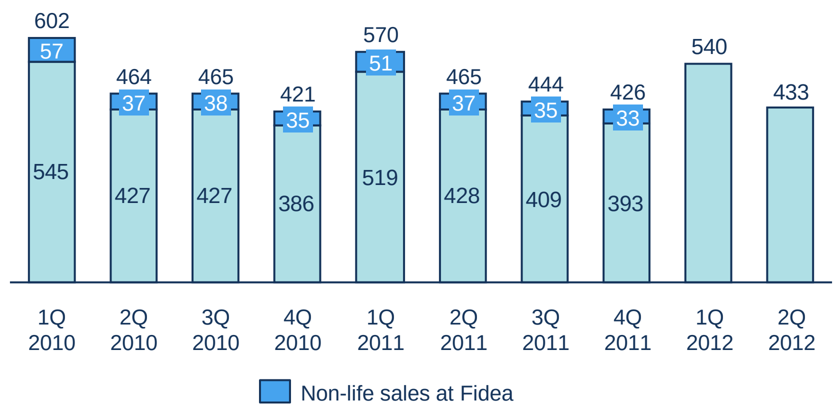
- Excluding deconsolidated entities, insurance premium income (gross <u>earned</u> premium) at 890m EUR
  - Non-life premium income (442m) up 1% q-o-q and 3% y-o-y. The non-life combined ratio in 1H12 stood at a very good 89%
  - Life premium income (448m) flat q-o-q and +1% y-o-y

Amounts in m EUR

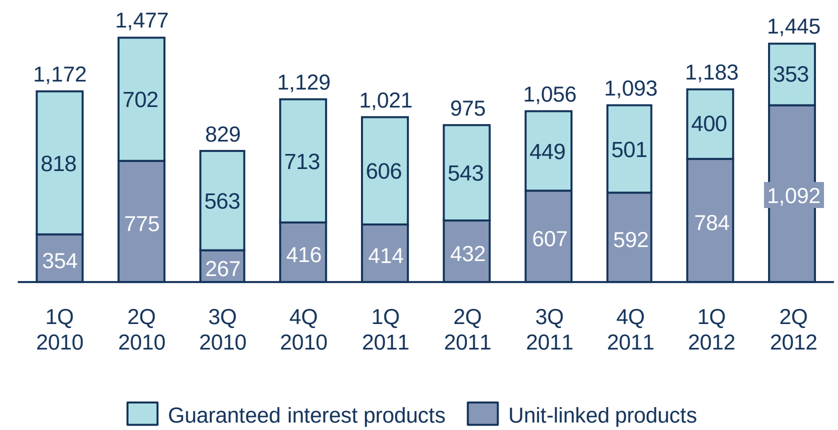
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

Non-Life sales (gross written premium)



Life sales (gross written premium)



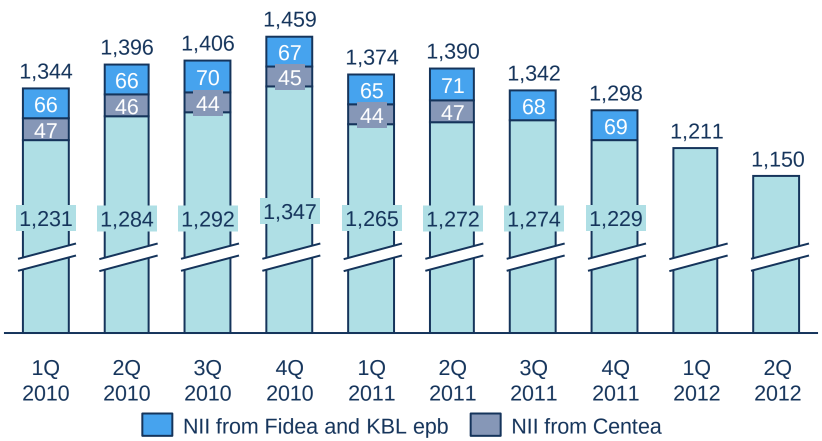
- Sales of Non-Life insurance products:
  - rose by 1% year-on-year excluding the divestment of Fidea
- Sales of Life insurance products:
  - rose by 22% q-o-q and by 48% y-o-y (respectively +21% and +62% excluding deconsolidated entities)
  - Deliberate shift from guaranteed interest products to unit-linked products (mainly in the Belgium Business Unit and the Czech Republic)
  - Sales of unit-linked products already account for more than 75% of total life insurance sales

Amounts in m EUR

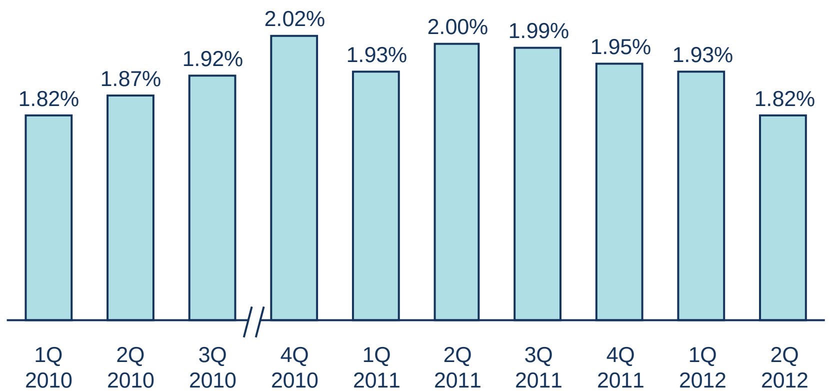
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

NII



NIM (excl. KBL *epb from 4Q10 onwards*)



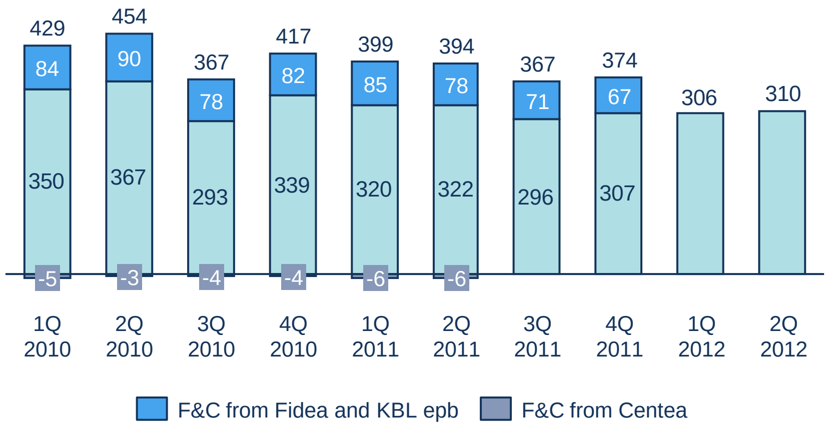
- Excluding deconsolidated entities, net interest income fell by 5% q-o-q and 10% y-o-y, mainly in the BE and MEB BUs
- Net interest margin (1.82% excluding KBL *epb*): -18bps y-o-y and -11bps q-o-q partly due to reduced GIIPS exposure and higher senior debt costs (mainly visible in the MEB BU). However, commercial margins are not under pressure
  - NIM in Belgium decreased by 15bps quarter-on-quarter to 1.28%, largely attributable to higher average balances with the ECB and the reduced GIIPS exposure during 2Q12, while 1Q12 benefited from interest corrections on Greek bonds
  - NIM in Central & Eastern Europe decreased by 12bps quarter-on-quarter to 3.04%, mainly caused by the FX impact from CZK
- On a comparable basis, loan volumes rose by 3% y-o-y, with continued growth in our home markets (+6% y-o-y in the BE BU and +4% y-o-y in the CEE BU)
- Deposit volumes in our core markets increased (+5% y-o-y in BE BU and +3% y-o-y in CEE BU). Deposit volumes in the MEB BU recovered another 2% q-o-q in 2Q12

Amounts in m EUR

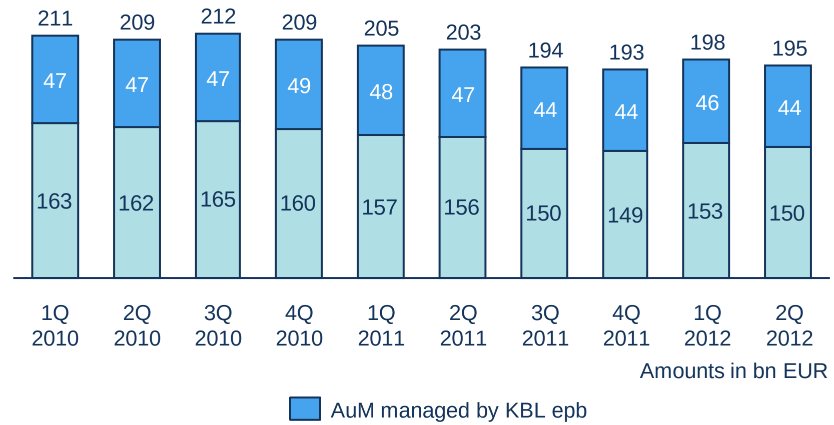
* Net Interest Margin: Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos

Underlying revenue trend - Group

F&C



AUM



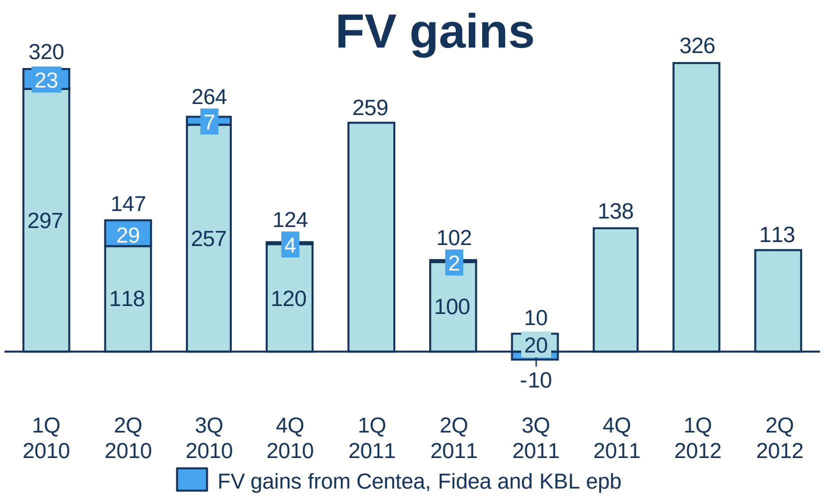
- Net fee and commission income increased 1% q-o-q, driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products (both at the Belgium BU). Excluding deconsolidated entities, net fee and commission income was still down 4% y-o-y

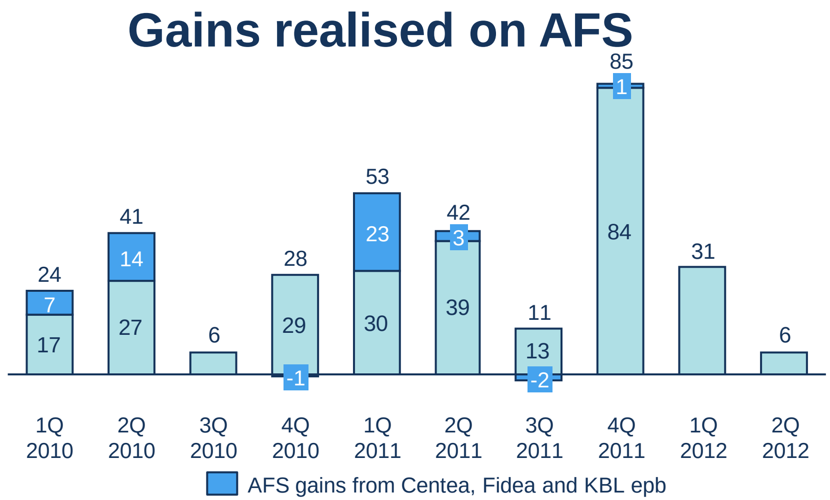
- Excluding KBL *epb*, assets under management decreased by 2% quarter-on-quarter (essentially due to net outflows) to 150bn EUR at the end of 1H12

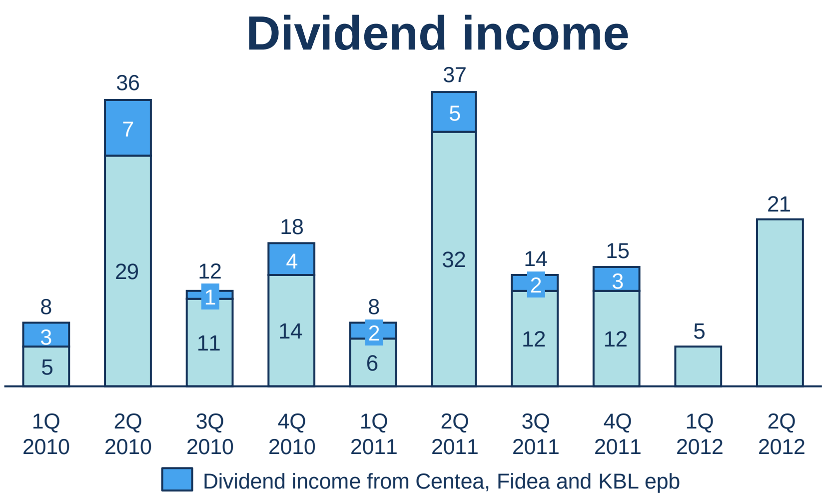
Amounts in m EUR

Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group





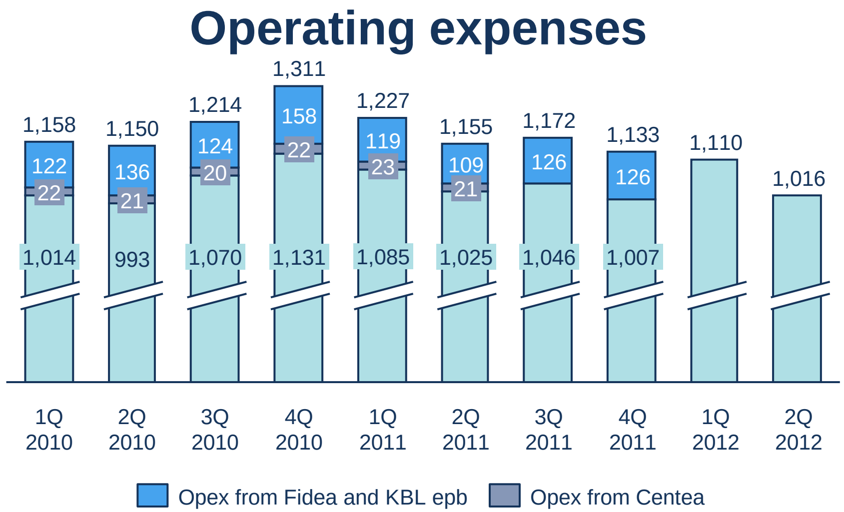


Amounts in m EUR

- The lower q-o-q figure for net gains from financial instruments at fair value (113m EUR) is primarily the result of lower dealing room activity and a negative q-o-q change in the credit value adjustment (CVA), mainly on OTC derivatives concluded with our corporate banking clients
- Gains realised on AFS assets came to 6m EUR, despite 53m EUR pre-tax realised losses on the sale of Spanish government bonds
- Dividend income amounted to 21m EUR, as the bulk of dividend income is traditionally received in 2Q

Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying operating expenses - Group



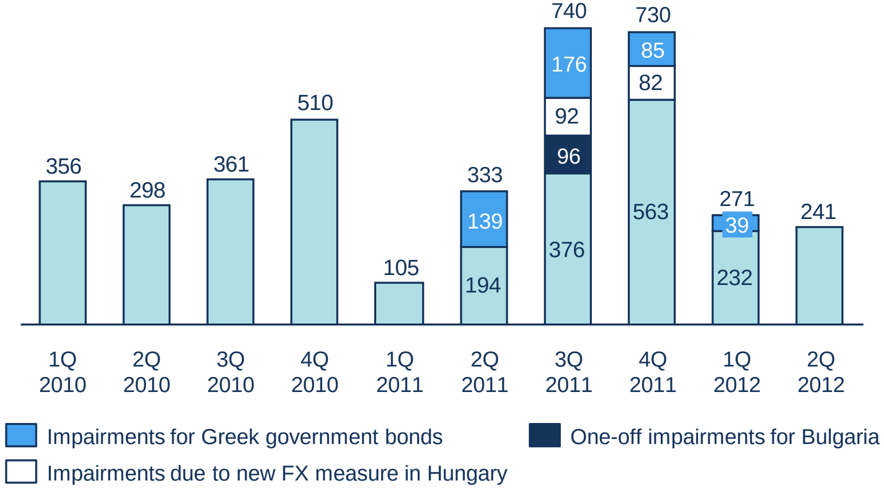
- Excluding deconsolidated entities (KBL *epb*, Fidea and Centea), costs fell by 8% q-o-q and by 1% y-o-y
  - Operating expenses fell by 8% q-o-q to 1,016m EUR in 2Q12, entirely thanks to a recuperation of funds from the former Deposit Guarantee Scheme in Belgium in 2Q12 and the recognition of the FY12 Hungarian bank tax in 1Q12. Excluding these items, operating expenses were flat q-o-q
  - Operating expenses decreased by 1% y-o-y in 2Q12. Excluding one-off items, operating expenses rose by 1% y-o-y, to a large extent due to the impact of inflation on wages (in Belgium)
  - Underlying cost/income ratio for the banking business stood at 58% YTD (57% excluding the 5-5-5 bond provision in 1Q12), compared to 60% and 57%, respectively for FY 2011

Amounts in m EUR

Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying asset impairment - Group

Asset impairment



- Continued low impairments (-30m EUR q-o-q to 241m EUR)
  - Quarter-on-quarter decrease of 62m EUR in loan loss provisions, which mainly related to a significantly better figure for K&H Bank in Hungary (retail portfolio) and a lower (though still significant) provisioning amount at KBC Bank Ireland (loan loss provisions in 2Q12 of 136m EUR compared with 195m EUR in 1Q12, fully in line with our previous guidance).
  - Compared with the very low level recorded in 2Q11 (164m EUR), loan loss provisions were up by 35m EUR, due almost entirely to Ireland (136m EUR in 2Q12 compared with only 49m EUR in 2Q11)
  - Impairment of 24m EUR on AFS shares (mainly at KBC Insurance) and 14m EUR on investment property

Amounts in m EUR

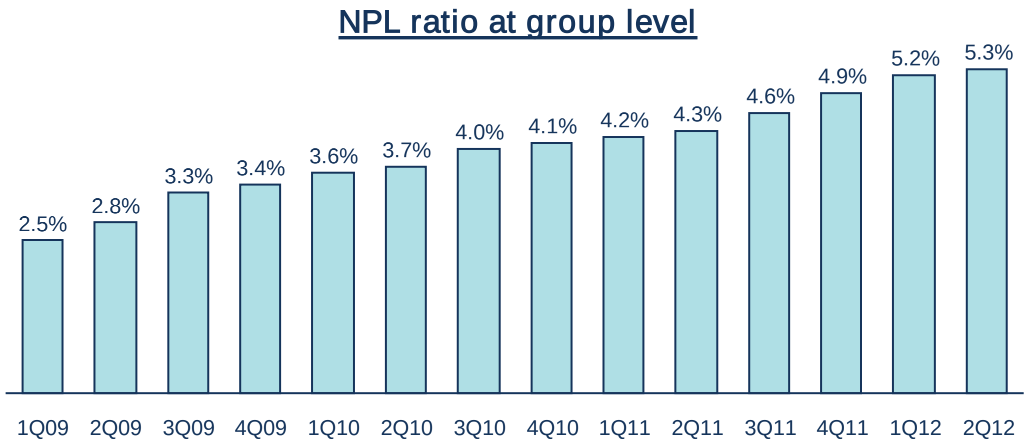
Underlying loan loss provisions – Group

- Credit cost ratio fell to 0.59% in 1H12 (compared to 0.82% in 2011, 0.91% in 2010 and 1.11% in 2009). Excluding KBC Bank Ireland, the CCR stood at a very low 0.18% in 1H12. The NPL ratio amounted to 5.3%
- Credit cost ratio in Belgium amounted to only 4bps
- Significantly lower loan losses in CEE (-28m EUR q-o-q) entirely thanks to much lower loan loss provisions at K&H Bank (retail)
- Loan losses significantly lower in Merchant Banking (-52m EUR q-o-q) entirely driven by KBC Bank Ireland (-59m EUR q-o-q). Excluding Ireland, the CCR in Merchant Banking amounted to only 14bps in 1H12

Credit cost ratio (CCR)

	outstanding loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY	1H12
		'Old' BU reporting			'New' BU reporting		
Belgium	**58bn**	0.13%	0.09%	0.17%	0.15%	0.10%	0.04%
CEE	**31bn**	0.26%	0.73%	2.12%	1.16%	1.59%	0.42%
CEE (excl. one-off items in 2H11)						0.69%	
Merchant B. (incl. Ireland)	**51bn**	0.02%	0.48%	1.32%	1.38%	1.36%	1.38%
Merchant B. (excl. Ireland)	**35bn**	0.02%	0.53%	1.44%	0.67%	0.59%	0.14%
Total Group	**142bn**	**0.13%**	**0.46%**	**1.11%**	**0.91%**	**0.82%**	**0.59%**

NPL ratio at Group level

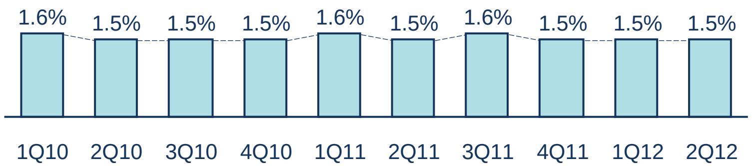


1H 2012	**Non-Performing Loans** (>90 days overdue)	**High risk, excl. restructured loans** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.5%	3.0%	0.8%
CEE BU	5.6%	4.6%	2.3%
MEB BU	9.5%	7.7%	3.9%

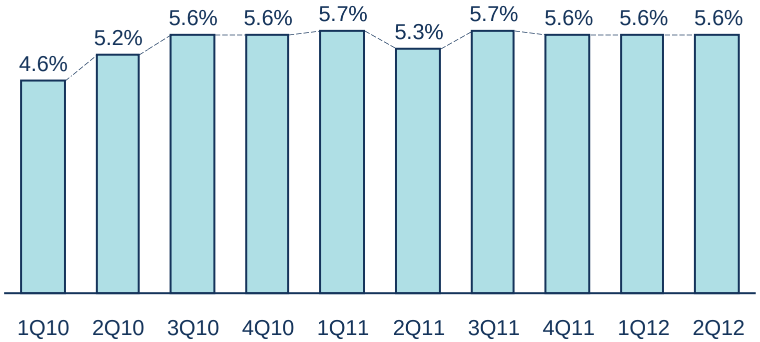
NPL ratios per business unit

non performing loans

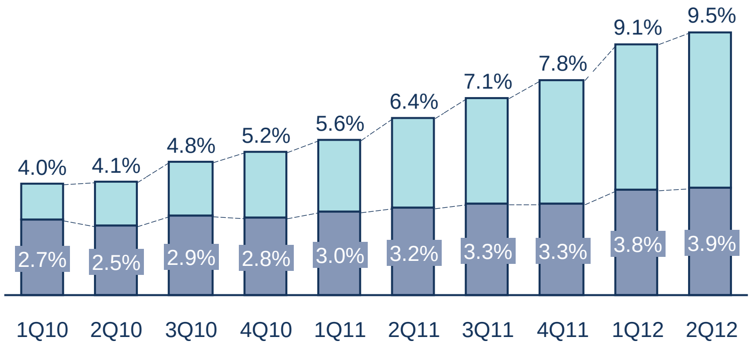
BELGIUM BU



CEE BU



MEB BU



Headlines per business unit (1)

- Underlying net profit of the *Belgium Business Unit* amounted to 226m EUR in 2Q12. The quarter under review was characterised by lower net interest income, strong unit-linked life insurance sales, an excellent combined ratio, increased net fee and commission income, a loss on the sale of Spanish government bonds, lower costs thanks to a recuperation of funds from the Deposit Guarantee Scheme, low impairment on loans but higher impairment on shares
  - Loan volume rose by 2% q-o-q and 6% y-o-y, driven by mortgage loan growth (+1% q-o-q and +8% y-o-y)
  - Deposit volumes went up by 5%, both quarter-on-quarter and year-on-year
  - Sales of Non-Life insurance products fell by 29% quarter-on-quarter (typical first quarter effect), but rose by 5% year-on-year
  - Sales of Life insurance products rose by 80% year-on-year and 14% quarter-on-quarter. The 14% quarter-on-quarter increase was driven entirely by higher sales of unit-linked products (thanks to extra commercial efforts), partly offset by deliberately lower sales of guaranteed interest products

Headlines per business unit (2)

- The profit contribution of *Central and Eastern Europe* amounted to 188m EUR (+60% q-o-q) in 2Q12. Results were positively impacted by a low level of loan loss provisions in 2Q12 (entirely thanks to much lower loan loss provisions at K&H Bank (retail)), while 1Q12 included the Hungarian bank tax (57m EUR pre-tax and 46m EUR post-tax) and the realised loss following the Greek debt exchange operation
  - Loan volume rose by 2% q-o-q and 4% y-o-y
  - Total deposits were flat q-o-q, but up 3% y-o-y
- In *Merchant Banking*, 2Q12 underlying net profit (-65m EUR) was q-o-q negatively impacted by a lower dealing room result, higher senior debt costs, a negative counterparty value adjustment (mainly on OTC derivatives concluded with our corporate banking clients at KBC Bank Belgium) and slightly higher loan loss provisions for Belgian corporates. Note that 1Q12 benefited from the 41m EUR reversal regarding the fraud case at KBC Lease UK. The result for 2Q12 was negative partly on account of the high loan impairments at KBC Bank Ireland (136m EUR in 2Q12 versus 195m in 1Q12, fully in line with our guidance)
- Attention is drawn to the fact that the *Group Centre* includes all planned divestments of KBC Group since 1Q10. Note that KBL *epb* and Fidea were deconsolidated in underlying as of 1Q12. Group Centre booked an underlying profit of 23m EUR

Section 2

Divestments and derisking

Divestment programme: momentum maintained

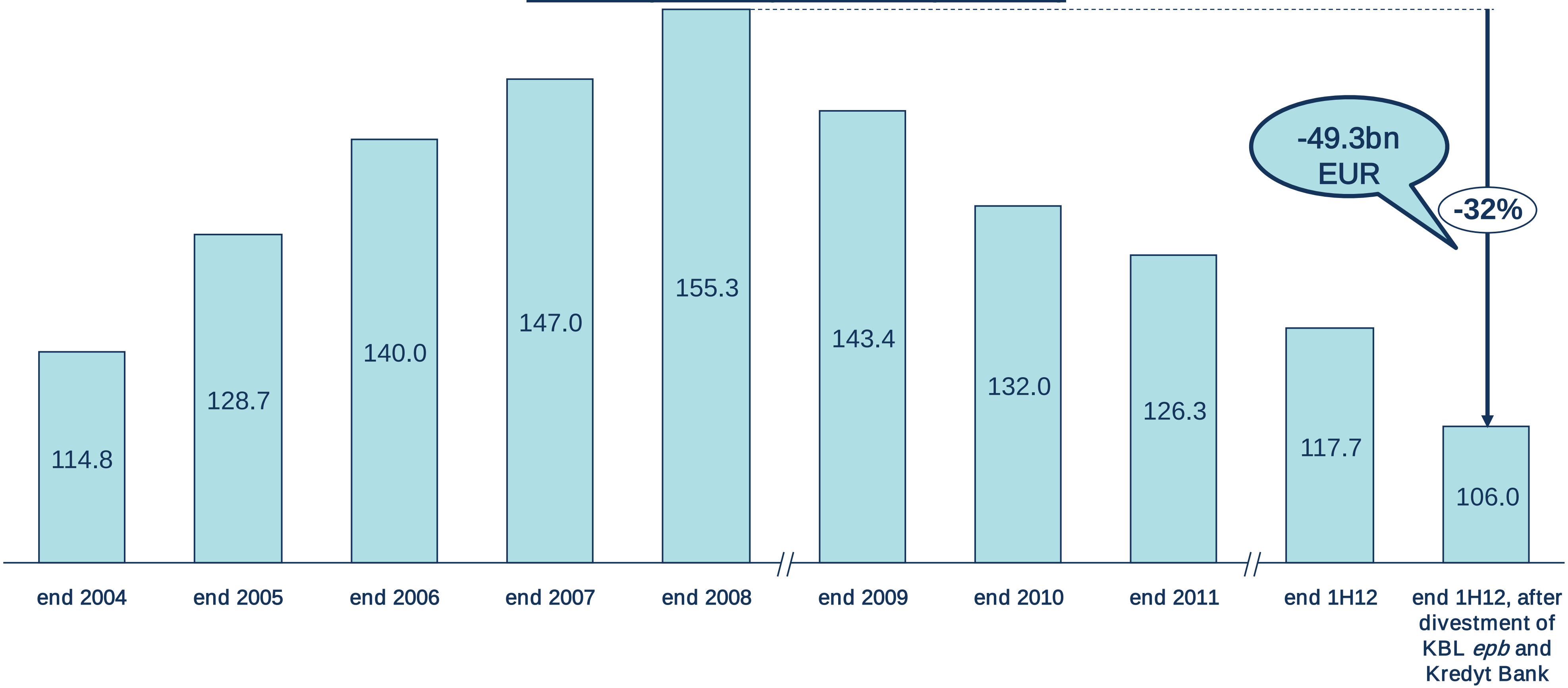
Closed	
KBL *epb* (closed in 3Q12)	Capital relief of 1.4bn EUR
Zagiel (closed in 3Q12)	
Signed	
Kredyt Bank (closing expected in 4Q12)	

In preparation/work-in-progress for 2012/2013 a.o.	
Absolut Bank	Expected capital relief of 0.6bn EUR (mainly from RWA reductions)
KBC Banka	
NLB	
Antwerp Diamond Bank	
KBC Bank Deutschland	

- KBC decided to reclassify the remaining planned divestments under IFRS 5
- Impairments of 1.2bn EUR to reflect the current market environment in 2Q12, markedly reducing the downside P&L volatility upon final divestment
- Impairments are largely related to goodwill. As such, the regulatory capital impact is substantially lower at 0.6bn EUR
- Negative capital impact will be reversed entirely at closing (spread out over 2012-2013), mainly through the release of RWAs (5bn EUR in total)

RWA reduction better than initially planned

KBC Group risk weighted assets (in bn EUR)



GIIPS exposure down by 52% since the end of 2011

Breakdown of government bond portfolio, banking and insurance (carrying value in bn EUR)

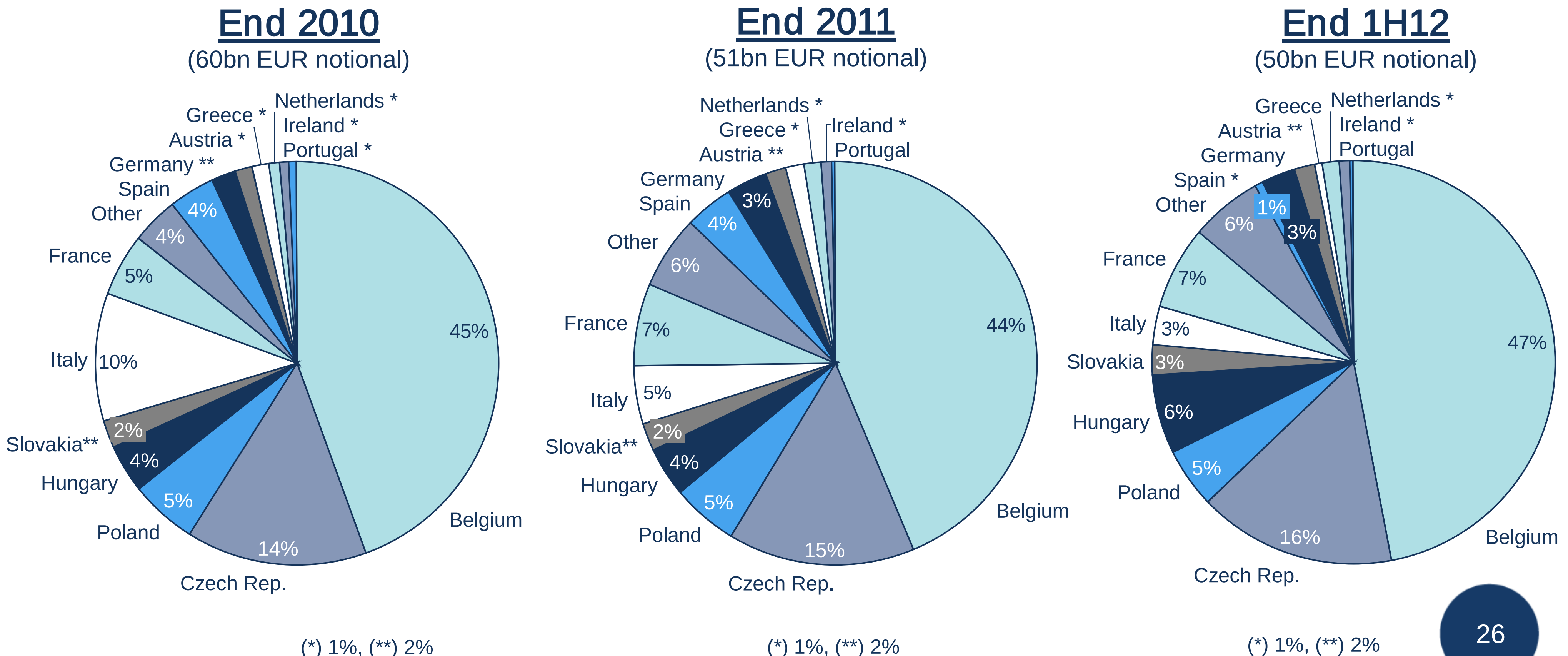
	End 2010	End 1Q11	End 2Q11	End 3Q11	End 2011	End 1Q12	End 1H12
Greece	0.6	0.6	0.5	0.3	0.2	0.0	0.0
Ireland	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Italy	6.4	6.2	6.1	3.8	2.1	2.0	1.4
Portugal	0.3	0.3	0.3	0.1	0.1	0.1	0.1
Spain	2.2	2.2	2.2	2.1	1.9	1.9	0.3
TOTAL	**10.0**	**9.7**	**9.6**	**6.7**	**4.8**	**4.4**	**2.3**

Year-to-date, KBC reduced its GIIPS exposure (carrying amount) by roughly 52%:

- Greece: reduction of 0.2bn EUR
- Italy: reduction of 0.7bn EUR
- Spain: reduction of 1.6bn EUR
- **TOTAL** **reduction of 2.5bn EUR**

Government bond portfolio

- Notional investment of 50bn EUR in government bonds (excl trading book) at end 1H12, primarily as a result of significant excess liquidity position and the reinvestment of insurance reserves into fixed income instruments

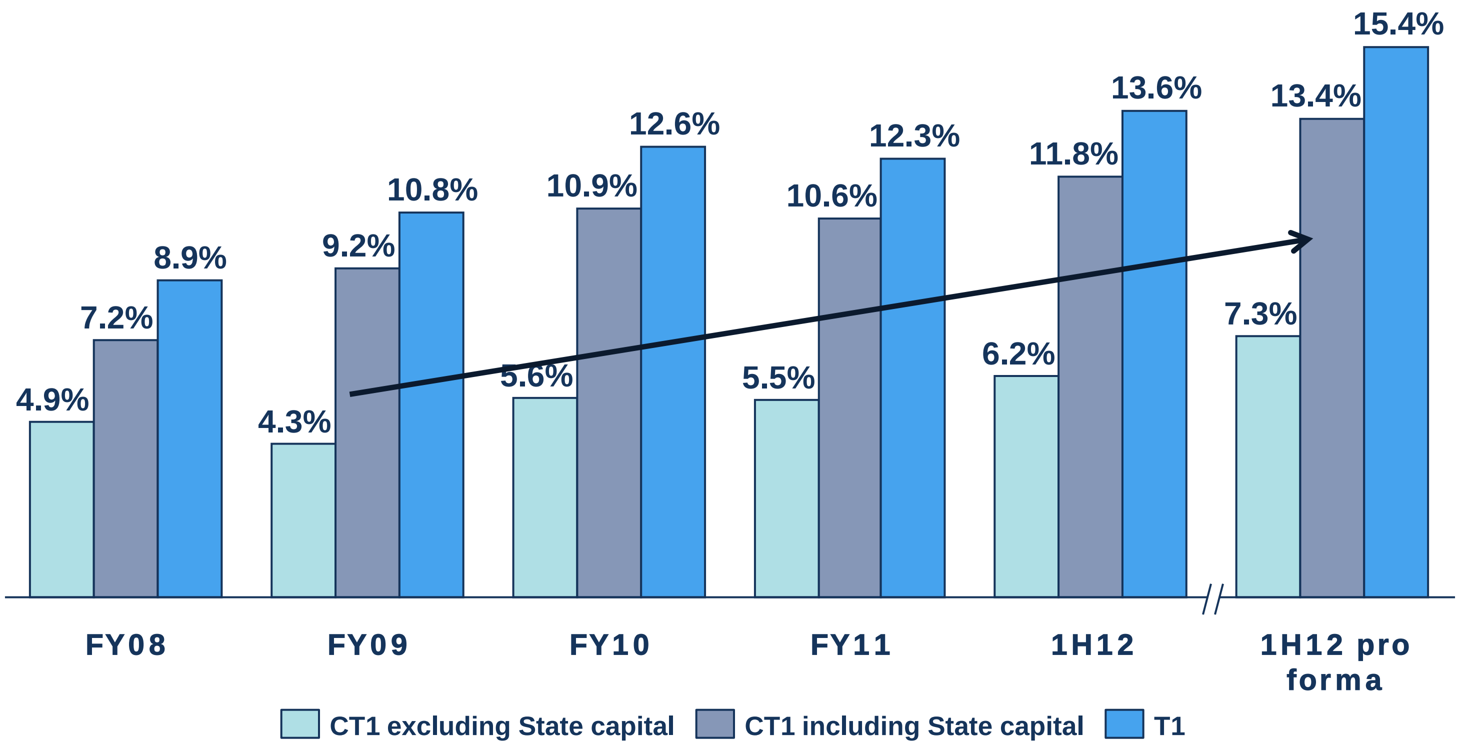


Section 3

Strong solvency and Solid liquidity

Strong capital position (1)

- Strong tier-1 ratio of 13.6% (15.4% pro forma) at KBC Group as at end 1H12 comfortably meets the minimum required tier-1 ratio of 11% (under Basel 2)
- Pro forma core tier-1 ratio – including the effect of divestments already signed – of 13.4% at KBC Group



* 1H12 pro forma CT1 includes the impact of divestments already signed, but not yet closed (Kredyt Bank)

Strong capital position (2)

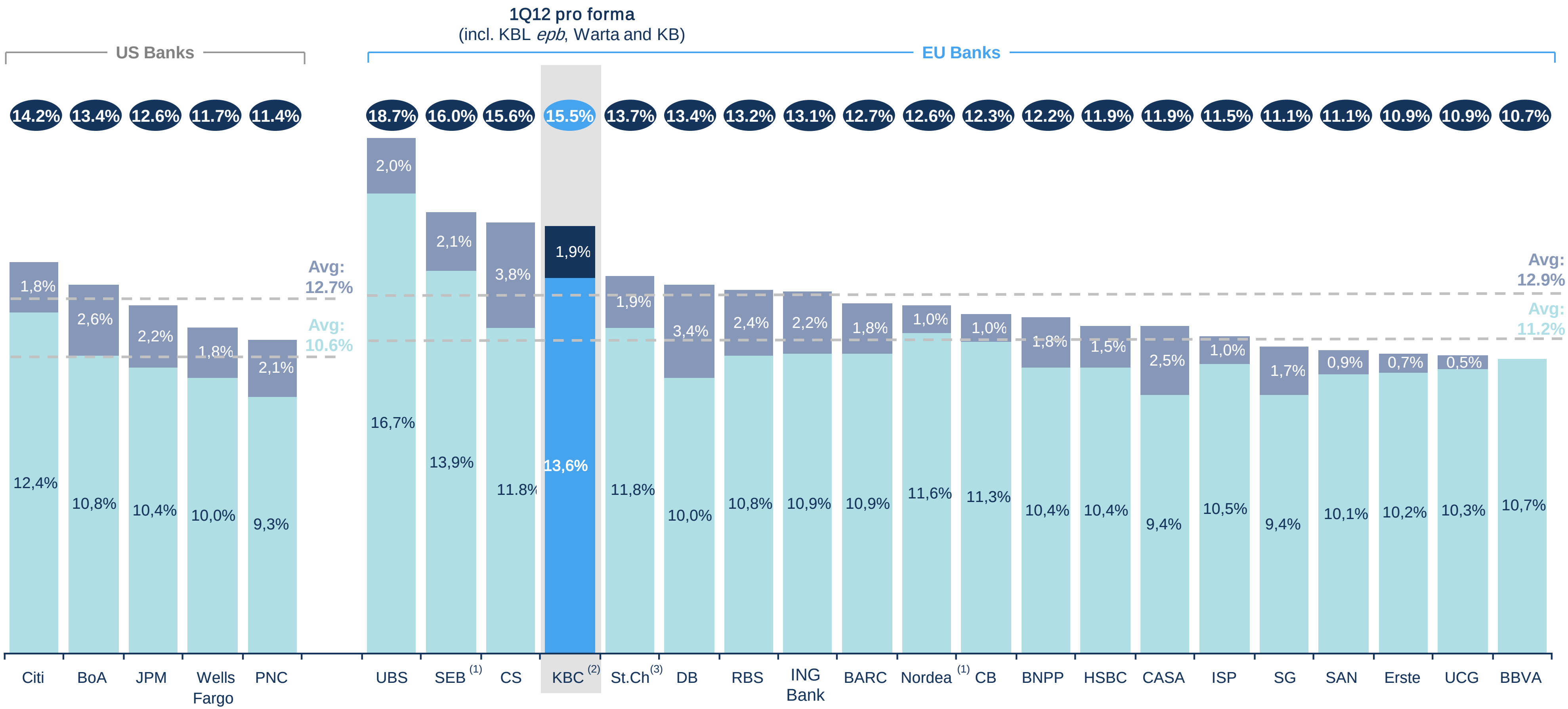
- Strong capital position maintained despite capital impact of impairments on planned divestments, thanks to good underlying profit generation, the closing of Warta and further reduction of RWAs (driven by shift from IRB Foundation to IRB Advanced)

- First repayment of 500m EUR to the Federal Government in January 2012 at 15% premium

- Next reimbursement will be made once common equity target has been decided by the National Bank of Belgium

- We are continuing our efforts to ensure that 4.67bn EUR in state aid (before any penalty) is reimbursed by the end of 2013, as set out in the European plan, of which a substantial part before end of 2012

Favourable peer group comparison



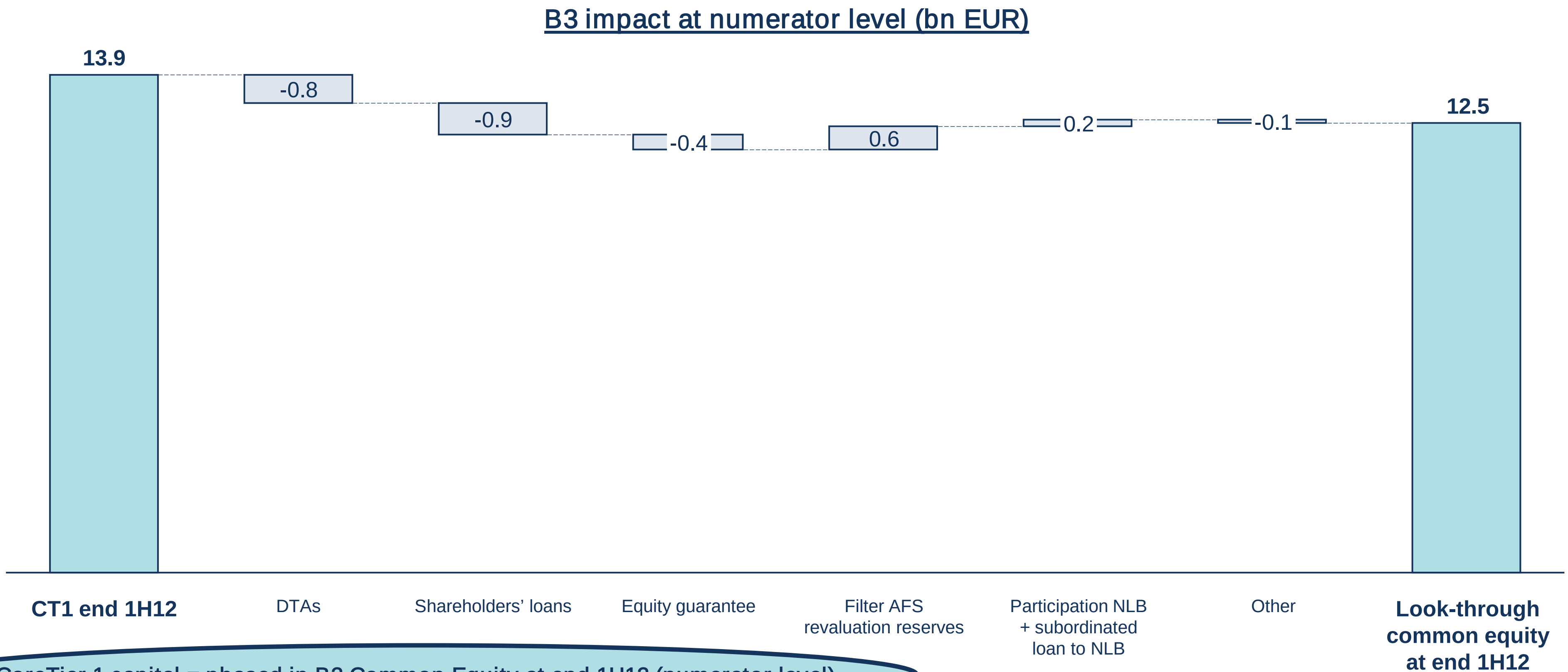
Source: Company filings as of March 2012, BofAML
Note: capital ratios under Basel 2.5 for EU banks and under Basel 1 for US banks
(1) Excluding transition rules
(2) Including state capital and pro-forma of divestments signed as of 1Q12 (KBL epb, Warta and Kredyt Bank)
(3) As of December 2011

Core Tier 1 as of Mar-12
Tier 1 as of Mar-12

Look-through common equity at end 1H12

From phased in to fully loaded B3 at numerator level

(given remaining YES being part of common equity as agreed with local regulator)



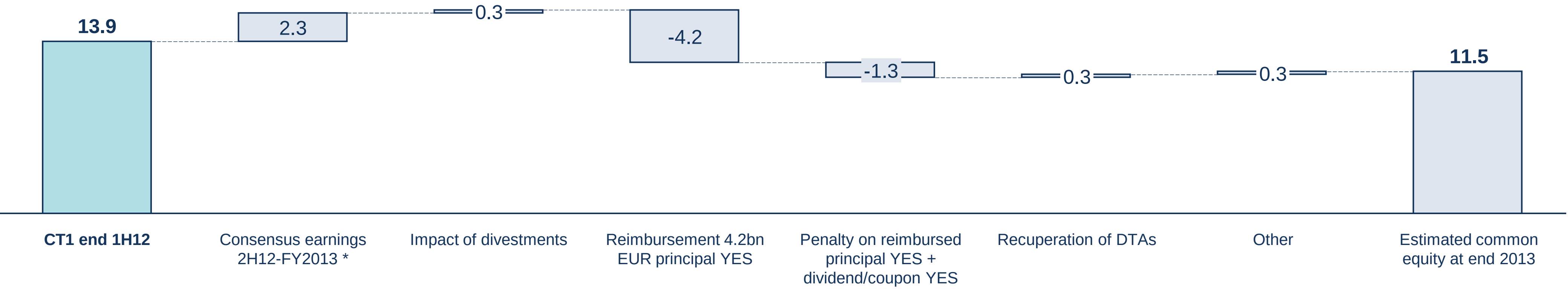
CoreTier 1 capital = phased in B3 Common Equity at end 1H12 (numerator level)

Roughly 11.1% phased in B3 common equity ratio at end 1H12

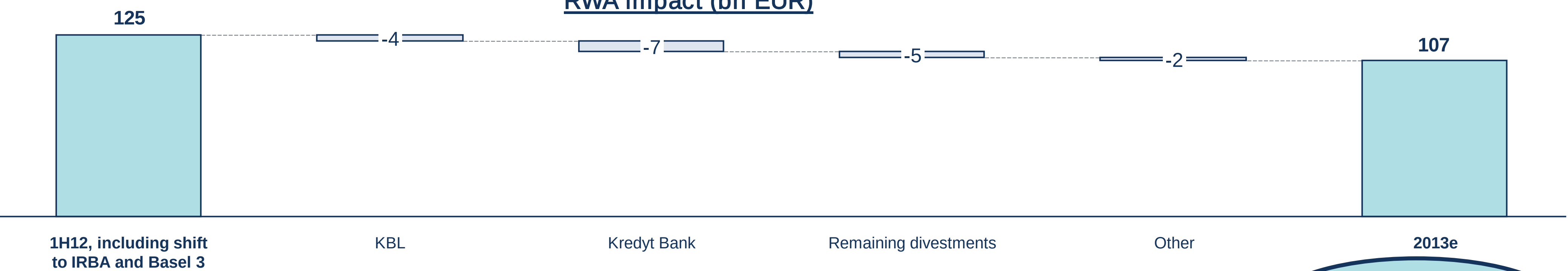
Roughly 10.0% fully loaded B3 common equity ratio at end 1H12

Estimated common equity at end 2013 Phased in B3 (given remaining YES being part of common equity as agreed with local regulator)

B3 impact at numerator level (bn EUR)



RWA impact (bn EUR)



Roughly 11.1% phased in B3 common equity ratio at end 1H12

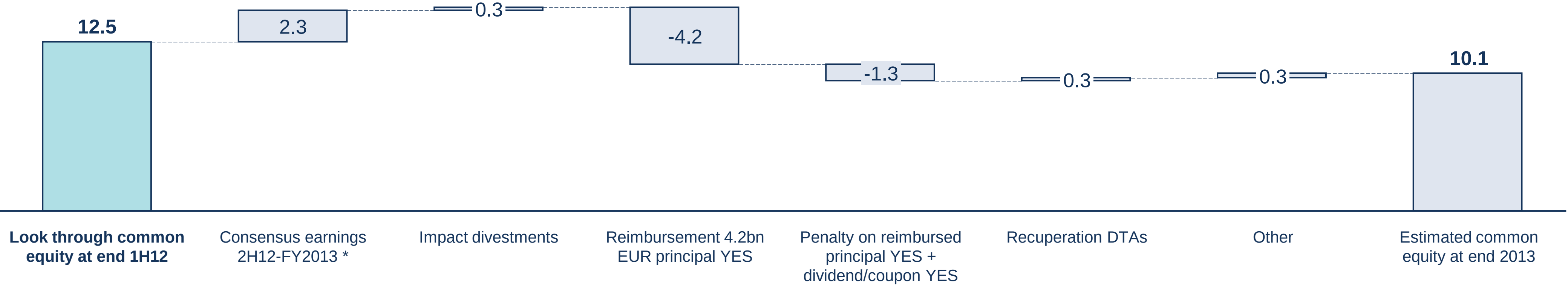
Roughly 10.7% phased in B3 common equity ratio at end 2013

* Based on earnings consensus of sell-side equity analysts

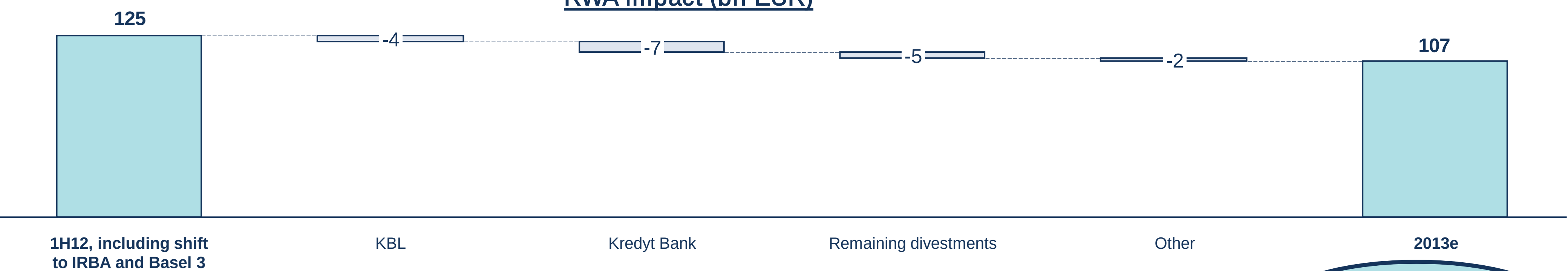
** For indicative purposes only

Estimated common equity at end 2013
Fully loaded B3 (given remaining YES being part of common equity as agreed with local regulator)

B3 impact at numerator level (bn EUR)



RWA impact (bn EUR)



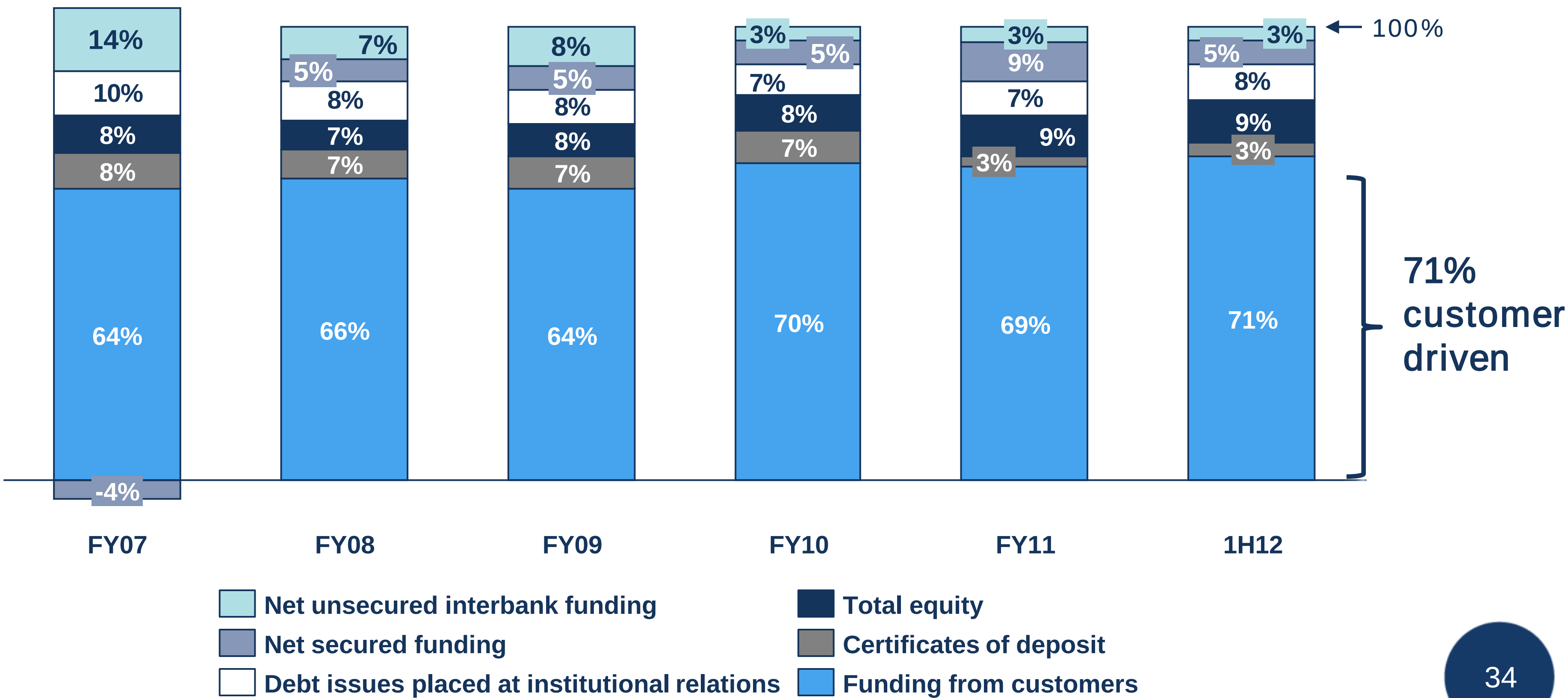
Roughly 10.0% fully loaded B3 common equity ratio at end 1H12

Roughly 9.5% fully loaded B3 common equity ratio at end 2013

* Based on earnings consensus of sell-side equity analysts
** For indicative purposes only

A solid liquidity position (1)

- KBC Bank continues to have a strong retail/corporate deposit base in its core markets – resulting in a stable funding mix with a significant portion of the funding attracted from core customer segments & markets



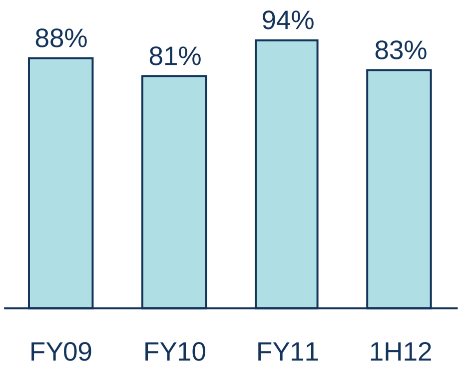
A solid liquidity position (2)

- 2012 funding needs covered and buffer established given:
  - Long-term funding needs decrease as steps to reduce RWA continue
  - Issue of 2.25bn EUR unsecured long-term debt YTD (1.25bn EUR 2y and 1.0bn EUR 5y)
  - Moreover, substantial increases in stable funding have been registered in different entities of the Bank Group.
- Belgian Parliament recently voted a covered bonds law. To diversify further our funding base, KBC plans its first covered bond issue in 4Q12/1Q13

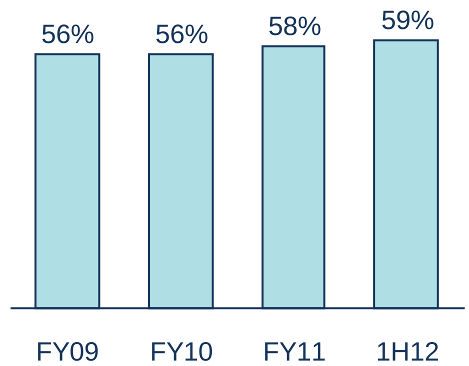
A solid liquidity position (3)

- LTD ratio of 83% at KBC Bank at the end of 1H 2012
- Decrease is the result of strong deposit growth in retail/corporate and a recovery in the more volatile institutional deposits after the decrease in 4Q2011 – (at that time due to a downgrade of our short-term rating by S&P and the risk aversion to the European market in general)
- The downgrade of our Moody’s ST and LT rating in June 2012 has had no substantial impact on the funding profile

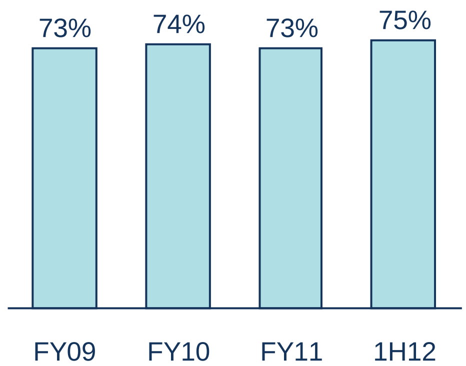
LTD ratio at KBC Bank*



LTD ratio at Belgium BU**

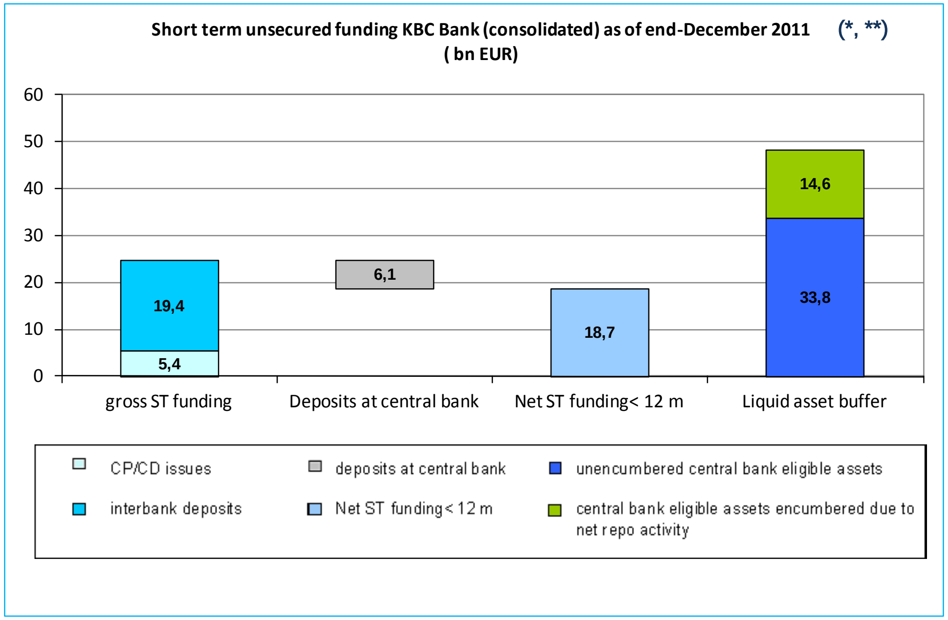


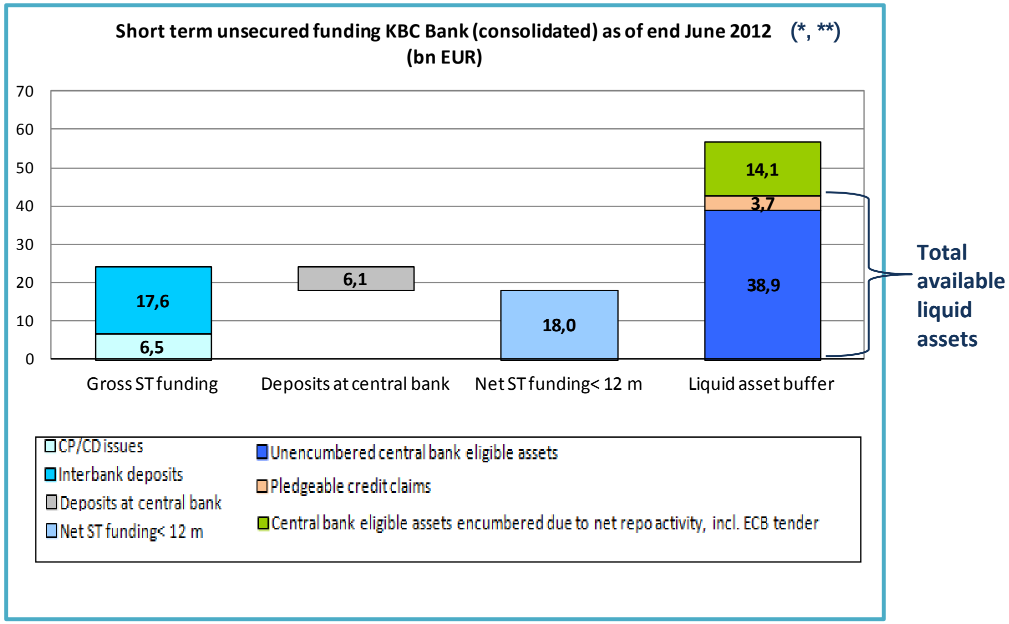
LTD ratio at CEE BU***



* Excluding all the entities earmarked for divestment in Group Centre: KBL *epb*, ADB, KBC Deutschland, KBC Banka, Absolut Bank and Kredyt Bank
** Excluding Centea (retroactively adjusted)
*** Excluding Kredyt Bank and Absolut Bank (items earmarked for divestment in Group Centre)

A solid liquidity position (4)





According to IFRS5, situation as per 30/06/2012 (right-hand side) excludes the in-divestment entities (Absolut Bank, Kredyt Bank, KBC Deutschland, KBC Banka, ADB, KBL)

*** Graphs are based on Note 18 of KBC's quarterly report, except for the liquid assets buffer which is based on the Treasury Management Report of KBC Group*

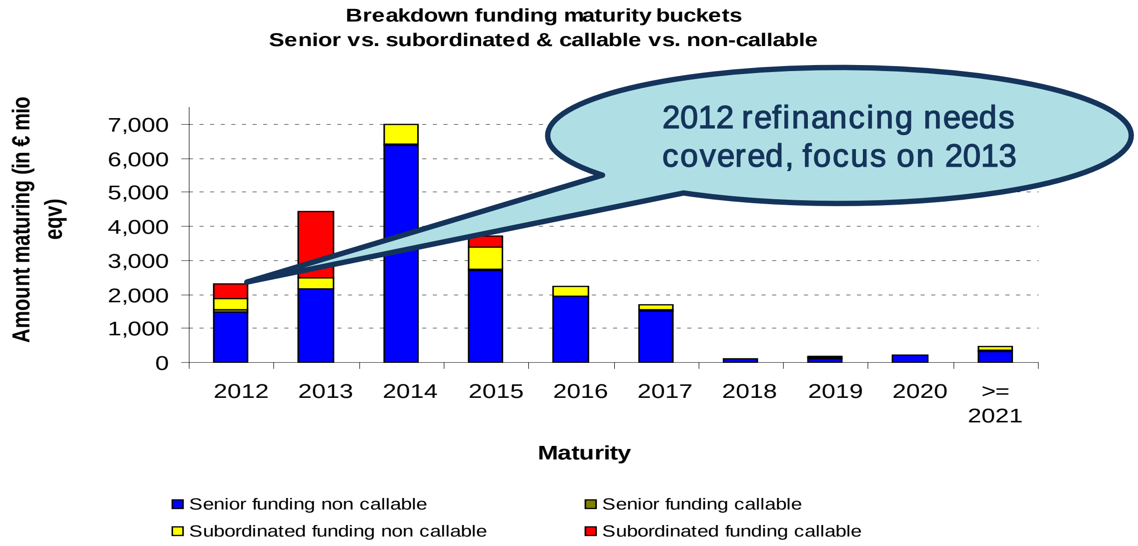
The liquid asset buffer increased in comparison with end 2011, due to the following factors:

- Positive changes in MtM, including on our exposure to Belgian bonds
- The automation of the credit claims pledging process allowed KBC to pledge almost 4bn euro's worth (after haircuts) of loans at NBB
- The total amount of unencumbered assets increased moderately as less secured funding was attracted.

Therefore, the already strong liquidity position improves further as:

- **Unencumbered assets are more than double the amount of the net recourse on short-term wholesale funding**
- **Funding coming from non-wholesale markets is stable funding from our core customer segments in our home markets**

Upcoming mid-term funding maturities



- KBC successfully issued 2 new benchmark senior unsecured deals for a total amount of 2.25bn EUR in 1Q 2012
- KBC Bank NV has 3 solid sources of EMTN Funding:
  - Public benchmark transactions
  - Structured Notes using the private placement format
  - Retail EMTN
- Belgian Parliament has recently voted a law for the issuance of covered bonds. To diversify further our funding base, KBC plans its first covered bond issue in 4Q12/1Q13

Note that this graph does not include the ECB LTRO for a total amount of 8.7bn EUR (3y maturity)

Section 4

Wrap up

Wrap up

- Resilient business performance in core markets
- Momentum maintained on divestments and derisking
- Capital and liquidity positions further strengthened

Annex 1

2Q 2012 underlying performance of business units

Belgium Business Unit

Underlying net profit

Volume trend

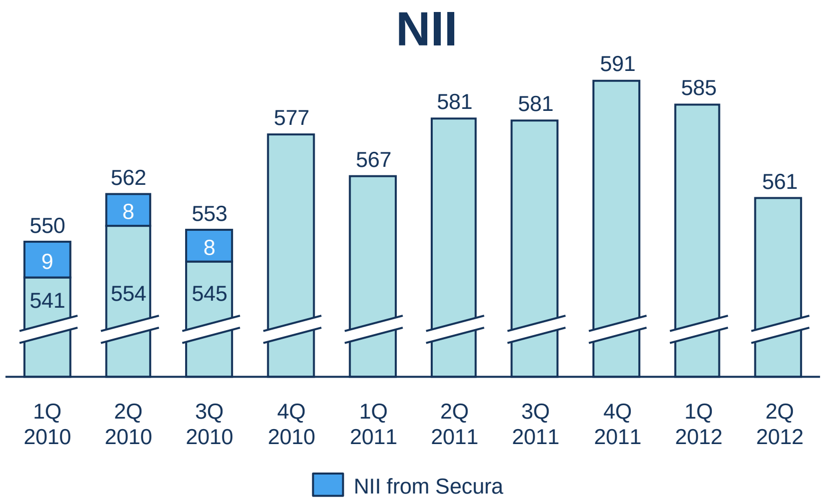
	Total loans **	Of which mortgages	Customer deposits	AuM	Life reserves
Volume	**57bn**	**30bn**	**75bn**	**140bn**	**23bn**
Growth q/q*	**+2%**	**+1%**	**+5%**	**-1%**	**+2%**
Growth y/y	**+6%**	**+8%**	**+5%**	**-2%**	**+9%**

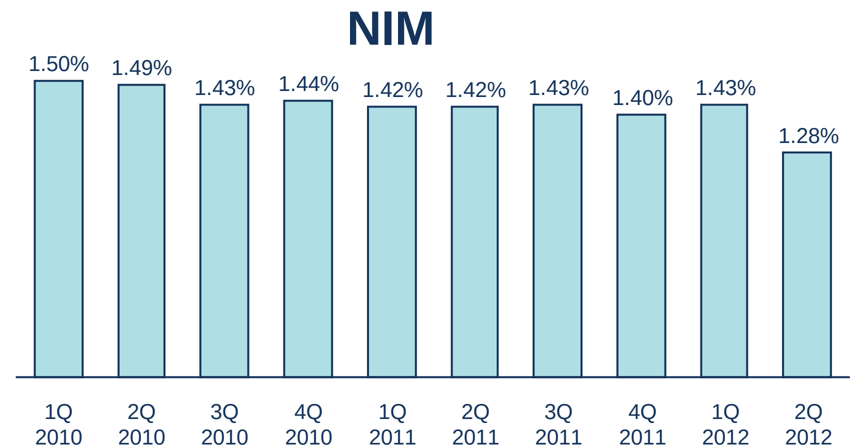
* *Non-annualised*
** *Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying net profit of the Belgium Business Unit amounted to 226m EUR
  - The quarter under review was characterised by lower net interest income, strong unit-linked life insurance sales, an excellent combined ratio, increased net fee and commission income, a loss on the sale of Spanish government bonds, lower costs thanks to a recuperation of funds from the Deposit Guarantee Scheme, low impairment on loans but higher impairment on shares
- Increase in quarter-on-quarter and year-on-year loan volume, driven by growth in mortgage loans
- Deposit volumes went up by 5%, both year-on-year and quarter-on-quarter

Amounts in m EUR

Belgium Business Unit (2)



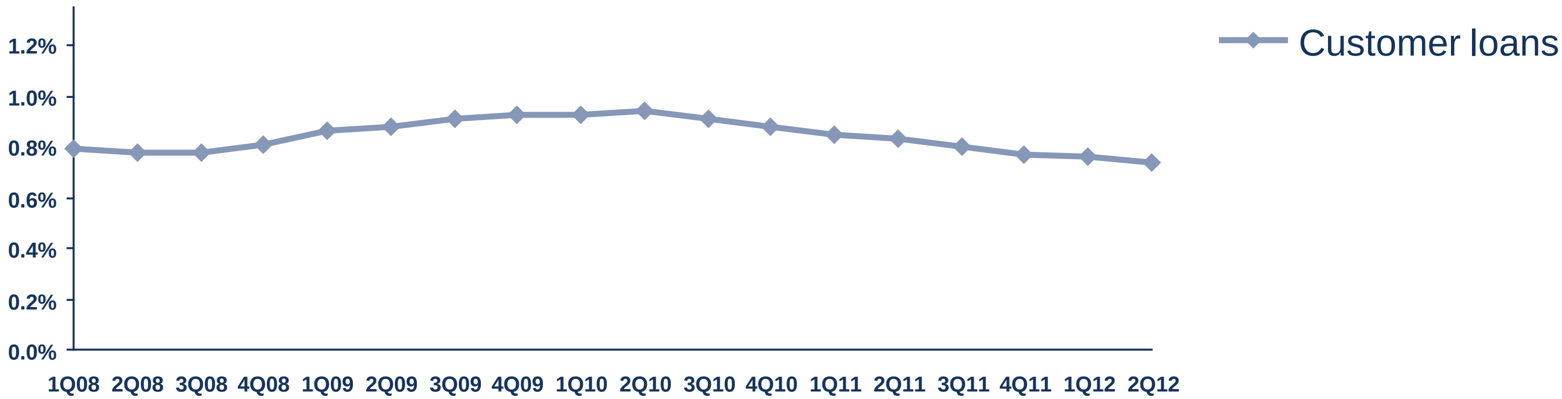


- Net interest income (561m EUR)
  - A decrease of 4% both y-o-y and q-o-q
  - The net interest margin decreased by 15bps quarter-on-quarter to 1.28%, largely attributable to higher average balances with the ECB and the reduced GIIPS exposure during 2Q12, while 1Q12 benefited from interest corrections on Greek bonds

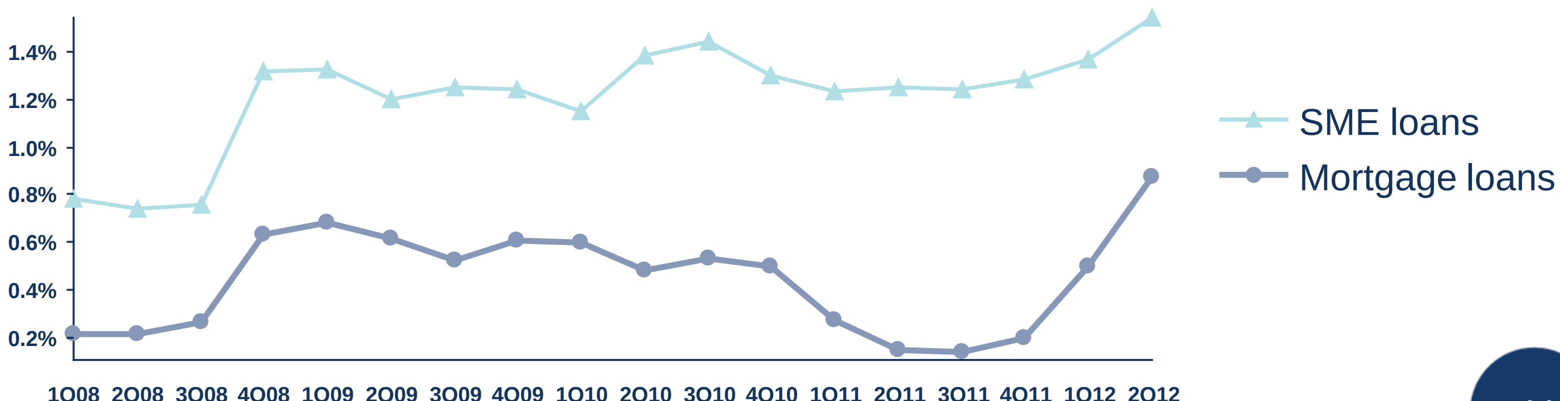
Amounts in m EUR

Credit margins in Belgium

Product spread on customer loan book, outstanding

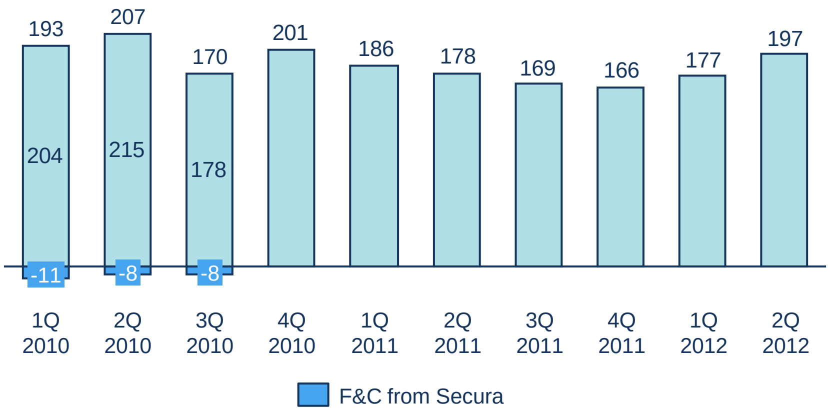


Product spread on new production



Belgium Business Unit (3)

F&C



AUM

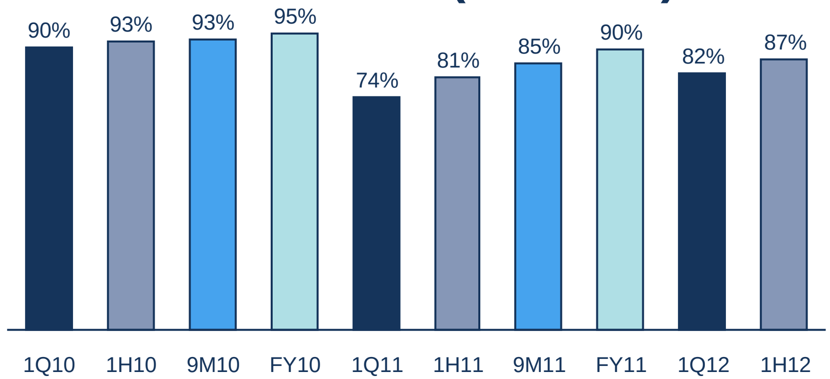
- Net fee and commission income (197m EUR) continued its gradual recovery
  - Net fee and commission income increased by 11% q-o-q and 10% y-o-y, mainly driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products (the margin on those products is included in net fee and commission income). Customers' risk appetite remained low
- Assets under management decreased by 1% q-o-q (and -2% y-o-y) to 140bn EUR due to (small) net AuM outflows not being entirely compensated by a positive price effect

Amounts in m EUR

Belgium Business Unit (4)

Premium income (gross earned premium)

Combined ratio (Non-Life)

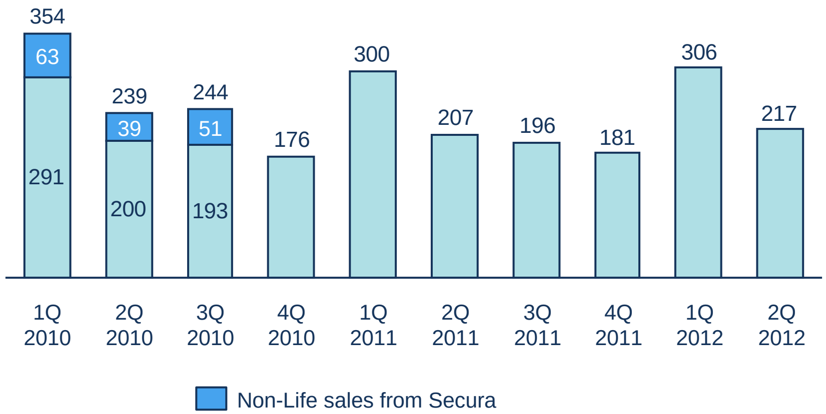


- Insurance premium income (gross earned premium) at 411m EUR
  - Non-life premium income (226m) up 1% q-o-q and 5% y-o-y (increase in most classes, but mainly in Fire insurance)
  - Life premium income (184m) down 30% q-o-q and 38% y-o-y due to 1) a deliberate shift from the sale of guaranteed interest products to the sale of unit-linked products and 2) a decrease in the guaranteed interest rate on Life savings products from May 2012 onwards (from 2.25% to 2.00%)
- Combined ratio remained at an excellent level of 87% in 1H12

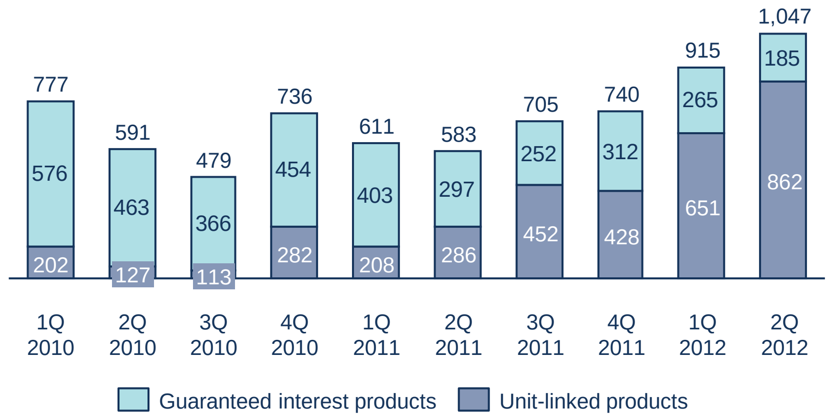
Amounts in m EUR

Belgium Business Unit (5)

Non-Life sales (gross written premium)



Life sales (gross written premium)

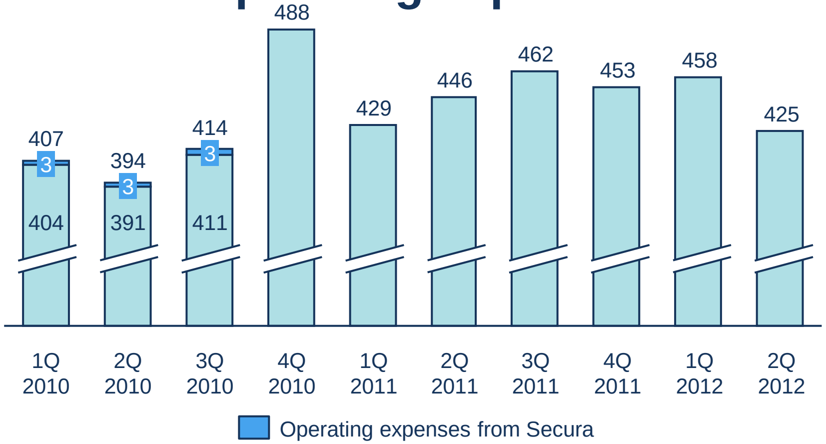


- Sales of Non-Life insurance products:
  - fell by 29% quarter-on-quarter (typical first quarter effect), but rose by 5% year-on-year
- Sales of Life insurance products:
  - rose by 80% year-on-year and 14% quarter-on-quarter. The 14% quarter-on-quarter increase was driven entirely by higher sales of unit-linked products (thanks to extra commercial efforts), partly offset by deliberately lower sales of guaranteed interest products
  - As a result, guaranteed interest products and unit-linked products accounted for 18% and 82%, respectively, of life insurance sales in 2Q12

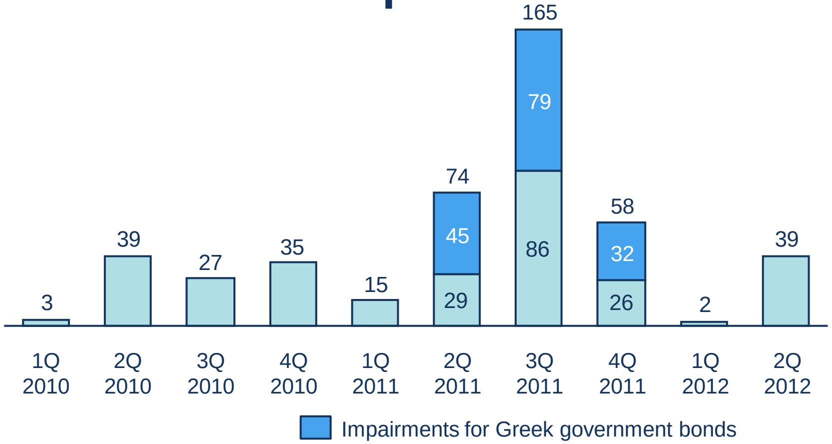
Amounts in m EUR

Belgium Business Unit (6)

Operating expenses



Asset impairment



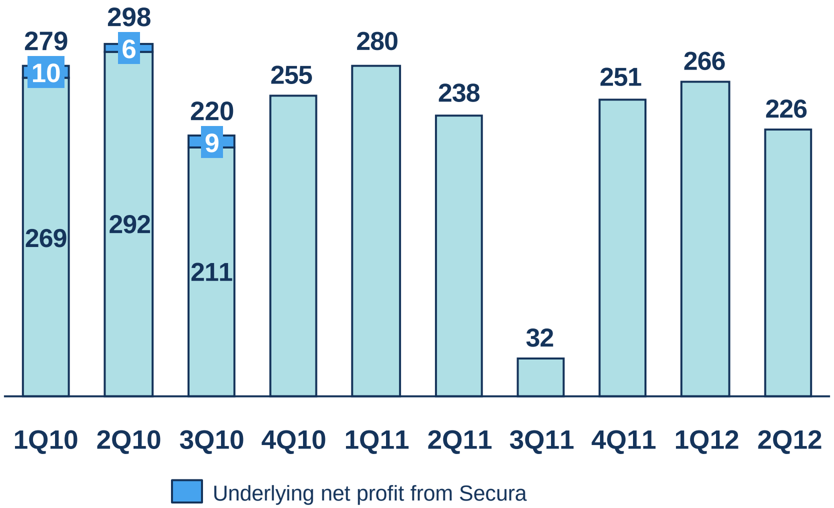
- Operating expenses: -7% quarter-on-quarter and -5% year-on-year
  - Both the q-o-q and the y-o-y decrease is almost entirely related to the +51m EUR pre-tax (and +34m EUR post-tax) recuperation of funds from the former Belgian Deposit Guarantee Scheme.
  - Excluding this recuperation, costs were up 2% q-o-q and 1% y-o-y, whereby increased staff expenses (mainly as a consequence of the wage indexation) were only partially offset by decreased ICT expenses
  - Underlying cost/income ratio: 62% YTD (and 60% YTD excluding the provision for the 5-5-5 product in 1Q12)
- Loan loss provisions were again quite limited in 2Q12 (only 15m EUR). Credit cost ratio of 4 bps in 1H12. NPL ratio at 1.5%. Furthermore, 24m EUR was recognised for impairment on shares at KBC Insurance (mainly related to Spain and to the telecom sector)

Amounts in m EUR

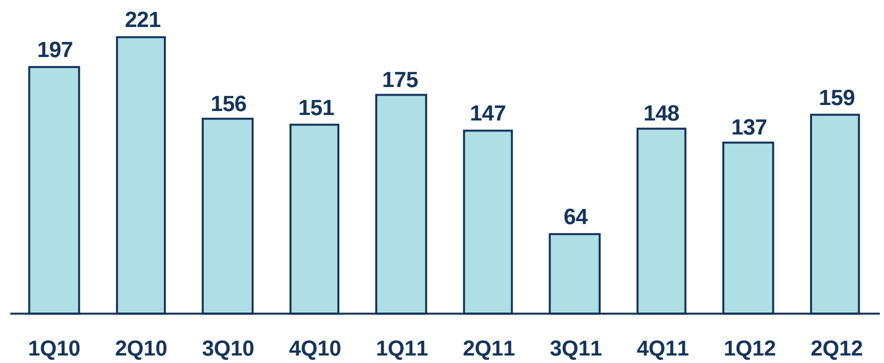
Underlying profit of the Belgium BU

Amounts in m EUR

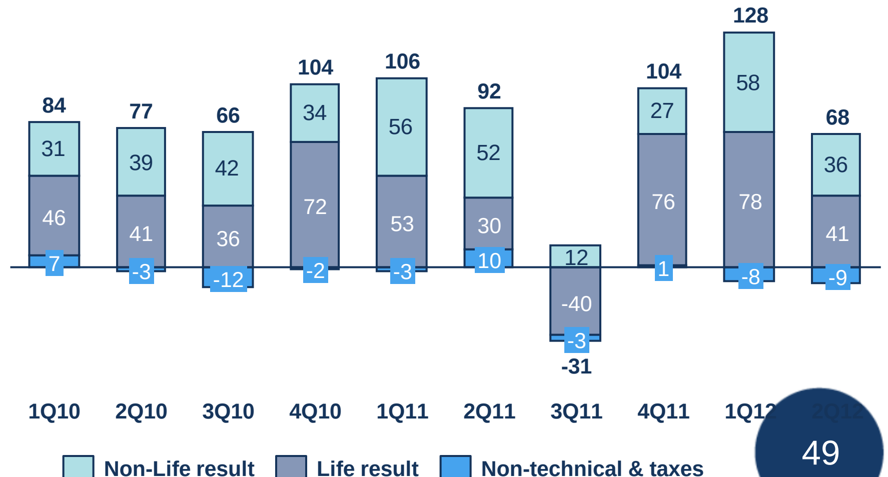
Underlying net profit of the Belgium BU *



Underlying net profit contribution banking to the Belgium BU *



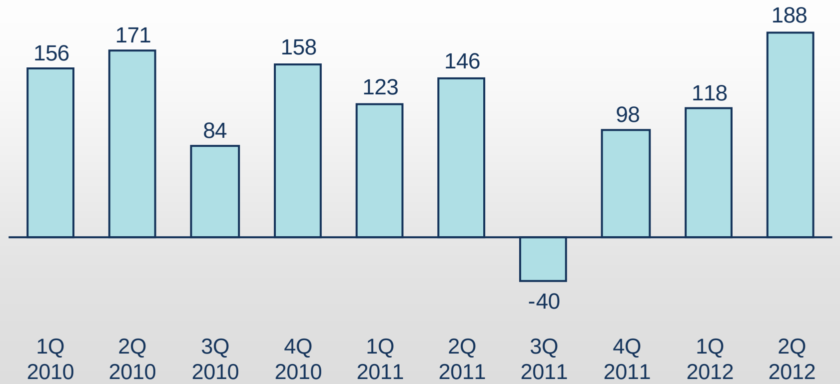
Underlying net profit contribution insurance to the Belgium BU *



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

CEE Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	26bn	11bn	35bn	10bn	2bn
Growth q/q*	+2%	+2%	0%	-7%	+2%
Growth y/y	+4%	-2%	+3%	-15%	0%

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

- Underlying net profit at CEE Business Unit of 188m EUR
  - CEE profit breakdown: 158m Czech Republic, 16m Slovakia, 35m Hungary, 6m Bulgaria, -27m Other (mainly due to the recognition at KBC Group level for funding costs of goodwill)
  - Results from the banking business versus 1Q12 were positively impacted by a low level of loan loss provisions in 2Q12 (entirely thanks to much lower loan loss provisions at K&H Bank (retail)), while 1Q12 included the Hungarian bank tax (57m EUR pre-tax and 46m EUR post-tax) and the realised loss following the Greek debt exchange operation
  - Profit contribution from the insurance business remained limited in comparison to the banking business

Amounts in m EUR

CEE Business Unit (2)

Organic growth(*)

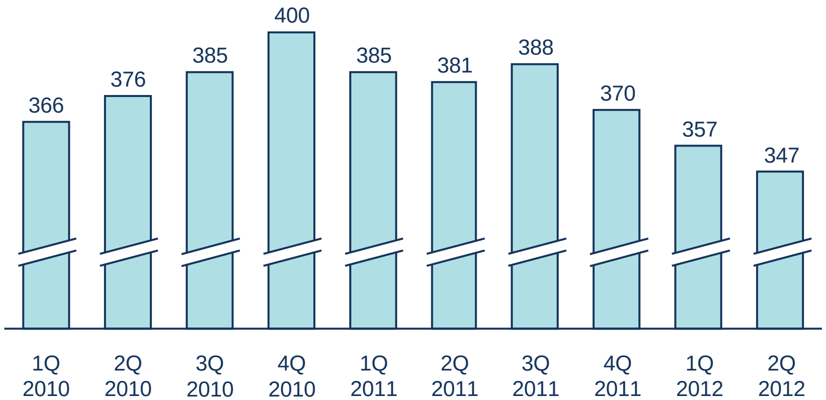
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	+3%	+12%	+3%	+11%	+1%	+4%
SK	+1%	+9%	+4%	+13%	+2%	+4%
HU	-2%	-19%	0%	-36%	-3%	0%
BU	+1%	-18%	-18%	-41%	+2%	+9%
TOTAL	**+2%**	**+4%**	**+2%**	**-2%**	**0%**	**+3%**

- The total loan book rose by 2% q-o-q and 4% y-o-y. On a y-o-y basis, the increases in the Czech Republic (+12% y-o-y thanks to a continued increase in mortgage loans, but also an increase in corporate loans) and Slovakia (+9% y-o-y thanks to an increase in mortgage loans) were only partly offset by decreases in Hungary (where trend was impacted by the FX mortgage relief programme, but also a decreased corporate loan portfolio) and Bulgaria (where trend was impacted by 3Q11 impairments, mainly on corporate real estate)
- Total deposits were flat q-o-q, but up 3% y-o-y
- Loan to deposit ratio at 75%

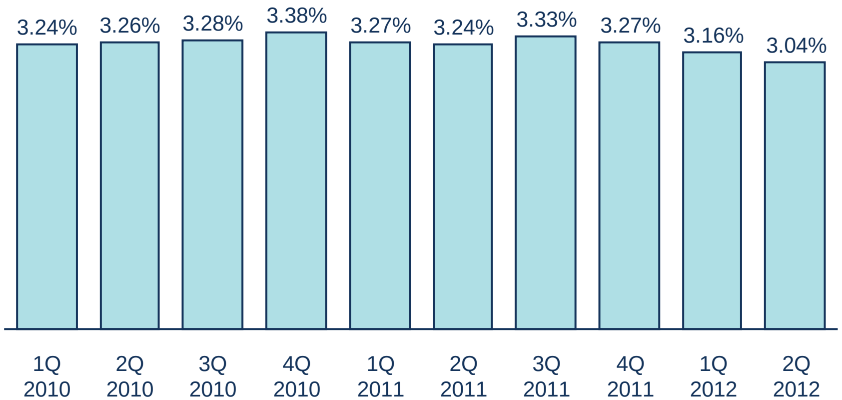
(*) organic growth excluding FX impact, q-o-q figures are non-annualised. Loan and mortgage figures after impairments

CEE Business Unit (3)

NII



NIM



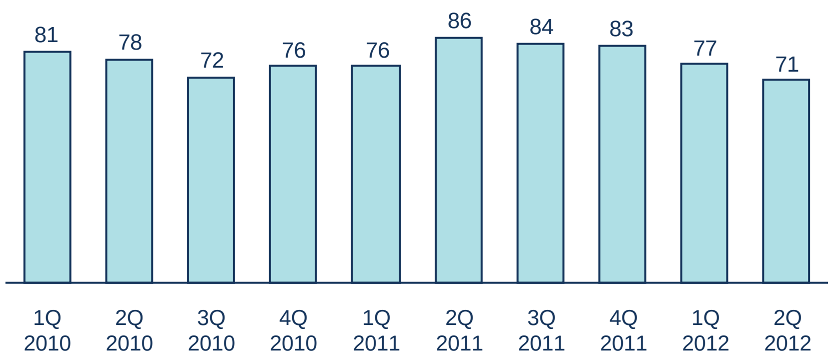
- Excluding the FX effect, net interest income fell by 3% q-o-q and 5% y-o-y to 347m EUR. This can mainly be explained by a decrease in the loan portfolio at K&H Bank (following the repayment of FX mortgages in 2011 and a decreased corporate loan portfolio)

- The net interest margin narrowed by some 12bps quarter-on-quarter to 3.04%, mainly caused by the lower amount of loans & receivables at K&H (especially the result of fewer FX mortgage loans with relative high margins) and the FX impact from CZK

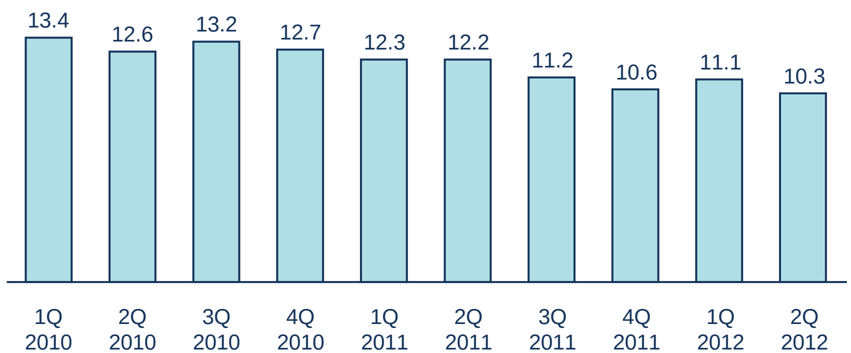
Amounts in m EUR

CEE Business Unit (4)

F&C



AUM



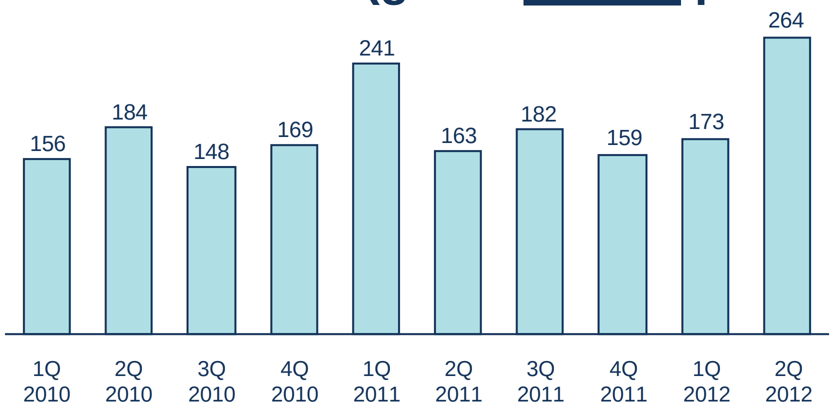
Amounts in bn EUR

- Excluding the FX effect, net fee and commission income (71m EUR) fell by 7% q-o-q and 13% y-o-y. The 7% q-o-q decrease is mainly driven by CSOB Bank CZ
- Assets under management decreased by 7% q-o-q to roughly 10bn EUR, essentially as a result of net outflows (-6% q-o-q). Y-o-y, assets under management fell by 15%, driven by net outflows (-11%) and some negative price effect

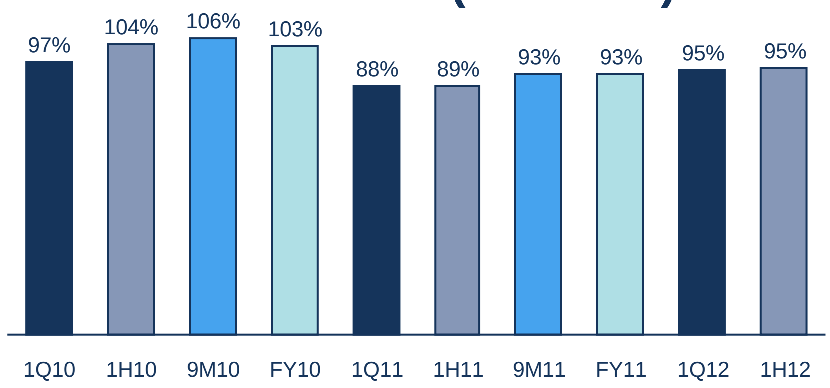
Amounts in m EUR

CEE Business Unit (5)

Premium income (gross earned premium)



Combined ratio (Non-Life)

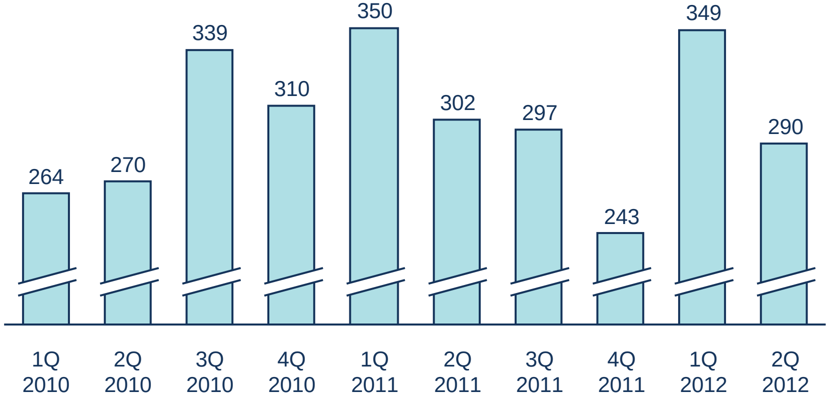


- Insurance premium income (gross earned premium) stood at 264m EUR
  - Non-life premium income (82m) flat q-o-q and down 3% y-o-y
  - Life premium income (182m) doubled q-o-q (as much as +130% y-o-y), mainly thanks to strong sales of unit-linked products in the Czech Republic
- Combined ratio at 95% in 1H12

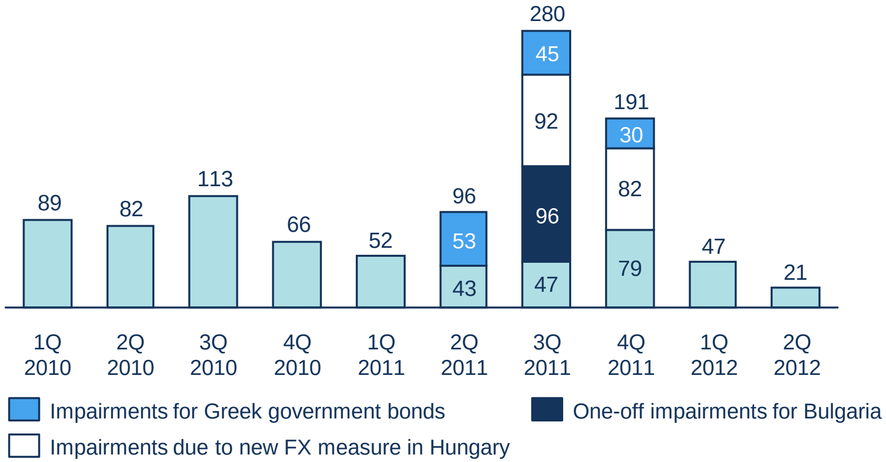
Amounts in m EUR

CEE Business Unit (6)

Operating expenses



Asset impairment



- Opex (290m EUR) fell by 17% q-o-q and 4% y-o-y
  - This q-o-q decrease is due entirely to the recognition of the Hungarian bank tax in 1Q12 (57m EUR pre-tax)
  - Excluding this bank tax and FX changes, opex remained more or less unchanged both q-o-q and y-o-y
  - YTD cost/income ratio at 59% (54% excluding Hung. bank tax)
- Asset impairment at 21m
  - L&R impairments decreased sharply thanks to a significant decline in Hungary (retail), leading to a credit cost ratio of 0.42% YTD (1.59% in FY11). NPL ratio at 5.6%

	Loan book	2009* CCR	2010 CCR	2011 CCR	1H12 CCR
CEE	**31bn**	**2.12%**	**1.16%**	**1.59%**	**0.42%**
- Czech Rep.	20bn	1.12%	0.75%	0.37%	0.24%
- Hungary	5bn	2.01%	1.98%	4.38%	1.08%
- Slovakia	4bn	1.56%	0.96%	0.25%	0.25%
- Bulgaria	1bn	2.22%	2.00%	14.73%	0.86%

** CCR according to 'old business unit reporting'*

Amounts in m EUR

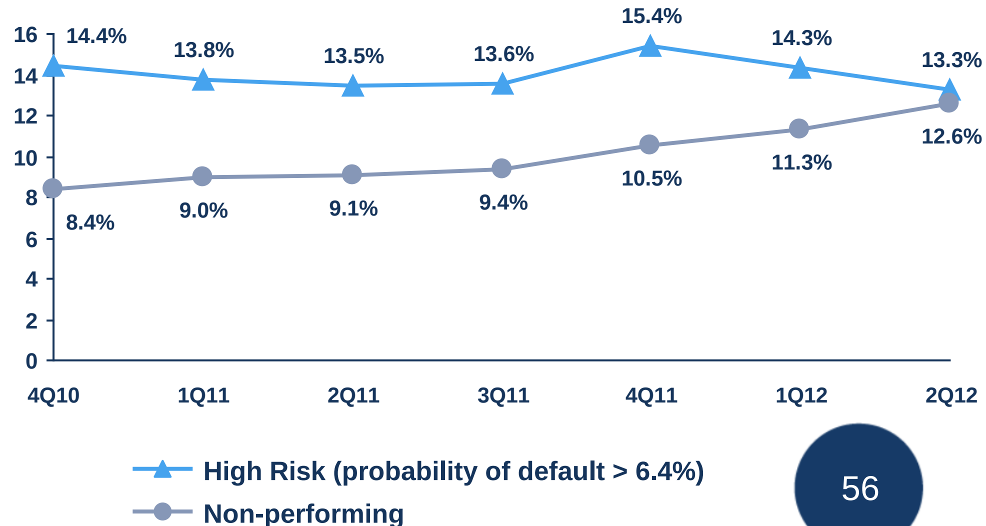
Hungary

- 2Q12 **underlying net profit** of K&H Group amounted to 35m EUR
- 2Q12 **loan loss provisions** amounted to merely 3m EUR (28m EUR in 1Q12). The credit cost ratio came to 1.08% in 1H12 versus 1.39% in 1H11. The favourable figures in 2Q12 versus 1Q12 are due to:
  - Continued stable trends in corporate and SME portfolios
  - new positive signs in the retail customer behaviour due to the re-launch of the earlier temporarily suspended own easement programme
  - positive trends of performing clients signing up for the accumulation loan under the government FX debtor relief program
  - the review of the impairment estimation (one-off impact) on delinquent FX mortgage loans which can be converted into HUF loans under the FX debtor relief program
- **NPL** rose to 12.6% in 2Q12 (11.3% in 1Q12)
  - NPL Retail: 19.4% in 2Q12 (17.0% in 1Q12):
    - In April and May 2012, further increase in retail NPL
    - In June, the rise in delinquencies slowed down primarily due to the re-launch of the bank's own easement programme and first positive signs of the accumulation loan programme
    - The expectation is that the FX debtor relief program will further reduce new NPL formation in 2H12

Hungarian loan book – key figures as at 30 June 2012

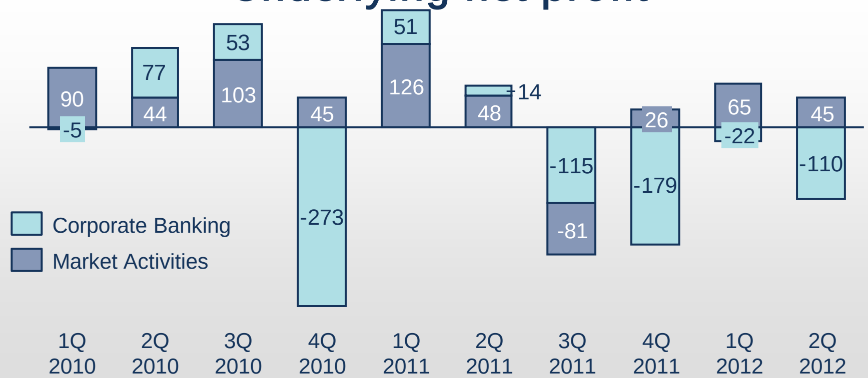
Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.8bn	7.7%	64%
Retail	2.6bn	17.8%	60%
o/w private	2.2bn	19.4%	59%
o/w companies	0.4bn	9.5%	73%
	5.4bn	12.6%	61%

Proportion of High Risk and NPLs (new method)



Merchant Banking Business Unit

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	**43bn**	**40bn**
Growth q/q*	**+1%**	**+2%**
Growth y/y*	**+1%**	**-28%**

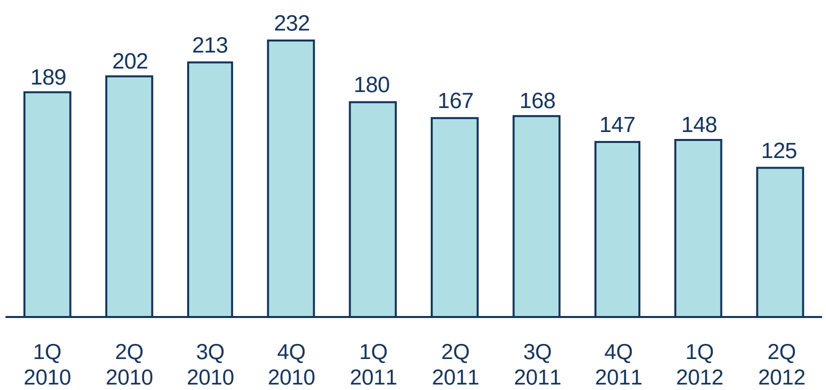
**non-annualised*

- Underlying net profit in the Merchant Banking Business Unit totalled -65m EUR
  - The lower q-o-q result from this business unit's Corporate Banking activities of 88m EUR in 2Q12 was due entirely to higher senior debt costs, a negative counterparty value adjustment (mainly on OTC derivatives concluded with our corporate banking clients at KBC Bank Belgium) and slightly higher loan loss provisions for Belgian corporates. Note that 1Q12 benefited from the 41m EUR reversal regarding the fraud case at KBC Lease UK. The result for 2Q12 was negative partly on account of the high loan impairments at KBC Bank Ireland (136m EUR in 2Q12 versus 195m in 1Q12, fully in line with our guidance). Excluding KBC Bank Ireland, the 2Q12 result would be -18m EUR
  - The result from the unit's Market Activities of 45m EUR was down q-o-q, mainly driven by the lower dealing room result

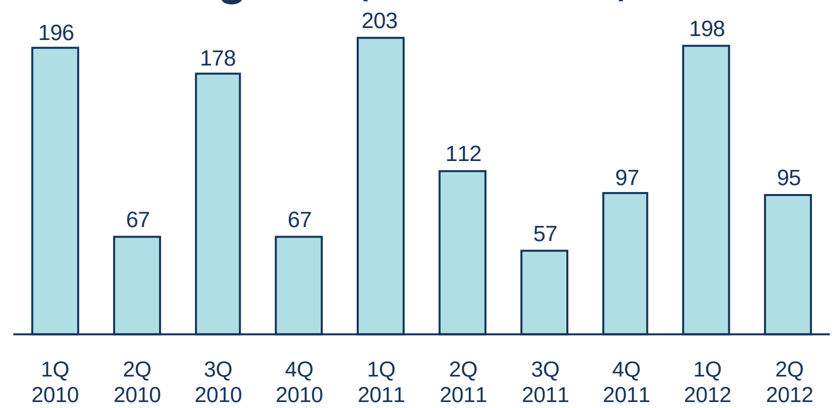
Amounts in m EUR

Merchant Banking Business Unit (2)

NII (Commercial Banking)



FV gains (Market Activities)



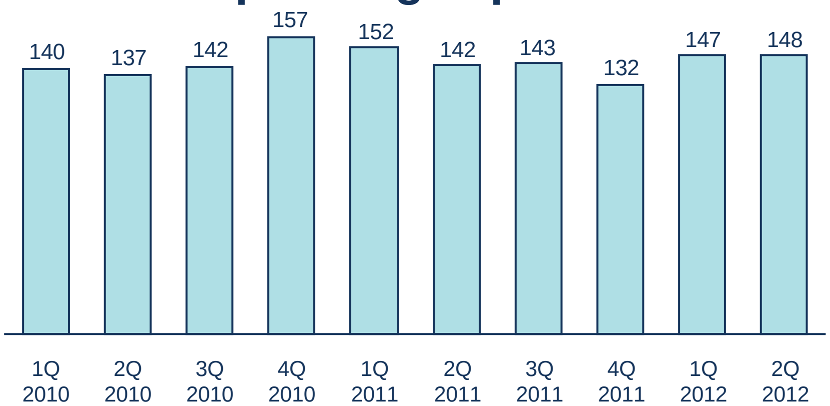
- The 2Q12 net interest income level decreased q-o-q mainly due to higher senior debt costs

- Lower q-o-q fair value gains within the 'Market Activities' sub-unit, largely due to lower dealing room results in 2Q12 (compared to excellent performance in 1Q12) and significant negative CVAs in 2Q12, mainly on OTC derivatives concluded with our corporate banking clients (due to widened corporate credit spreads)

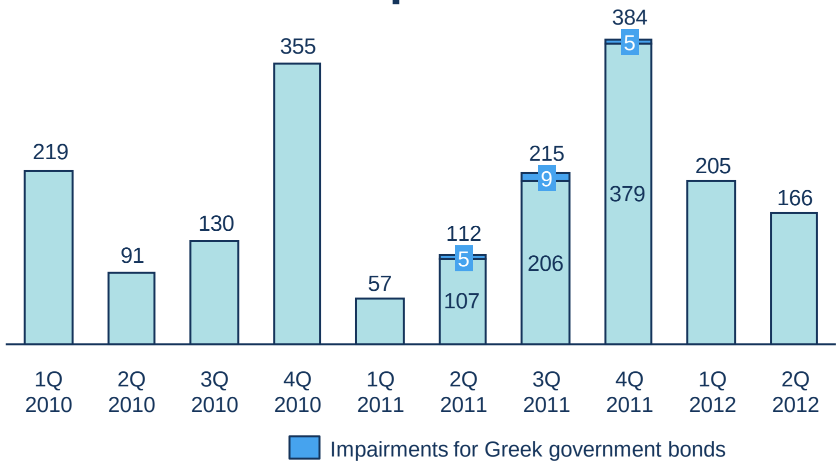
Amounts in m EUR

Merchant Banking Business Unit (3)

Operating expenses



Asset impairment



- Operating expenses increased by 1% quarter-on-quarter and 4% year-on-year to 148m EUR driven by higher staff expenses. Underlying cost/income ratio: 44% in 1H12 (and 42% excluding the provision for the 5-5-5 product in 1Q12)
- Total impairments amounted to 166m EUR in 2Q12
  - The significantly lower q-o-q impairments on L&R were accounted for fully by KBC Bank Ireland (loan loss provisions in 2Q12 of 136m EUR compared with 195m EUR in 1Q12). Credit cost ratio at 1.38% in 1H12 (compared to 1.36% in 2011) and NPL ratio at 9.5% (0.14% and 3.9%, respectively, excluding KBC Bank Ireland)
  - Other impairment charges amounted to 14m EUR, related to real estate investments

Amounts in m EUR

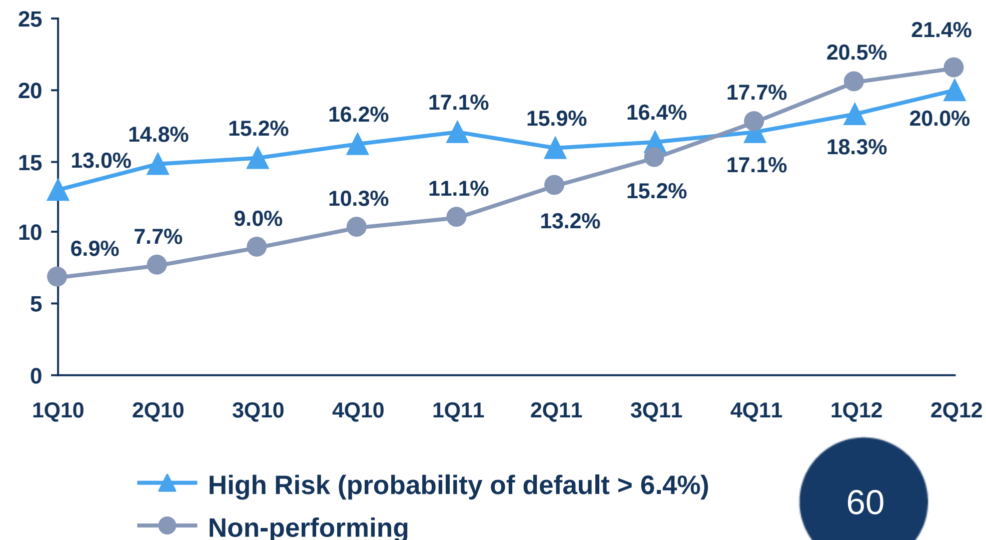
Ireland

- Loan loss provisions in 2Q12 of 136m EUR (195m EUR in 1Q12). The loss after tax in 2Q12 was 72m EUR
- Recent economic indicators point towards resilience in Irish exports, continuing strength in the pipeline of FDI and progress in reducing the deficit in the Public Finances. These developments have been reflected in continuing positive assessments by the EU/IMF
- While residential mortgage arrears continue to deteriorate, the pace of deterioration has slowed markedly compared to 2011 which is also positively impacting on NPL trends
- The Personal Insolvency Bill 2012 was published in June 2012. While KBCI has reservations about the Bill, it welcomes the emphasis placed by policy makers on customers firstly engaging with their bank. KBCI is experiencing positive results from its extensive outreach programmes and is confident that its Mortgage Arrears Resolution Strategy will restore a significant number of customers back to financial stability
- Commercial collateral values continue to suffer as all Irish banks deleverage in an illiquid market
- Successful retail deposit campaign with expanded product offering. Increased gross retail deposit levels of +0.5bn EUR and new customer accounts of 8,000 in 1H12. In addition, new corporate deposit sales increased in 1H12
- Local tier-1 ratio to 11.12% at the end of 2Q12 through a capital increase of 50m EUR (11.16% at the end of 1Q12)

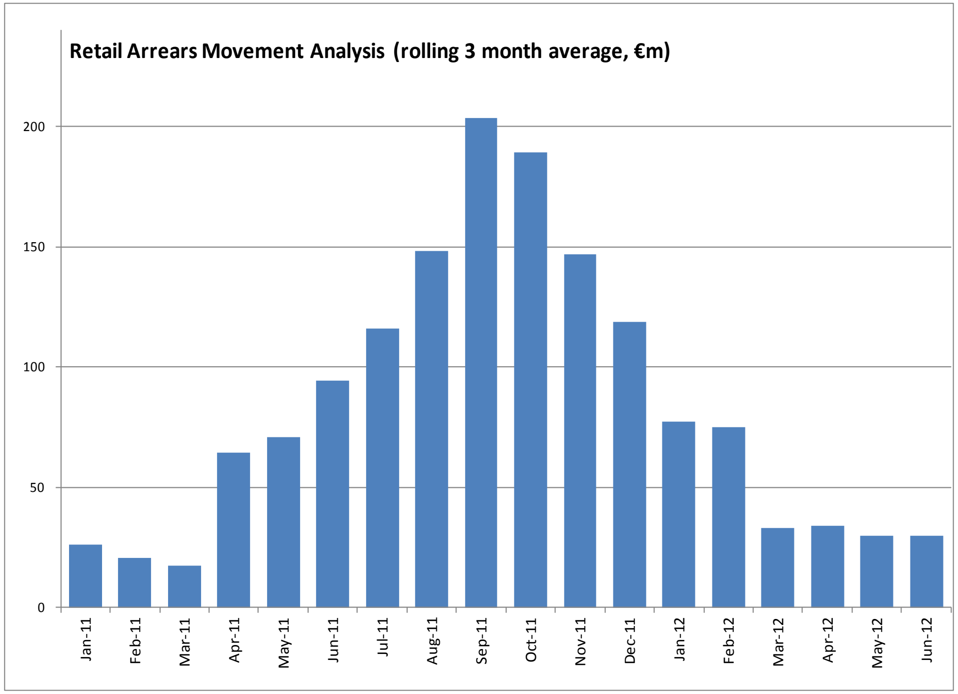
Irish loan book – key figures as at June 2012

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.4bn	15.9%	30%
Buy to let mortgages	3.2bn	26.7%	38%
SME /corporate	1.9bn	19.3%	53%
Real estate investment	1.3bn	27.8%	60%
Real estate development	0.5bn	83.1%	76%
	16.4bn	21.4%	43%

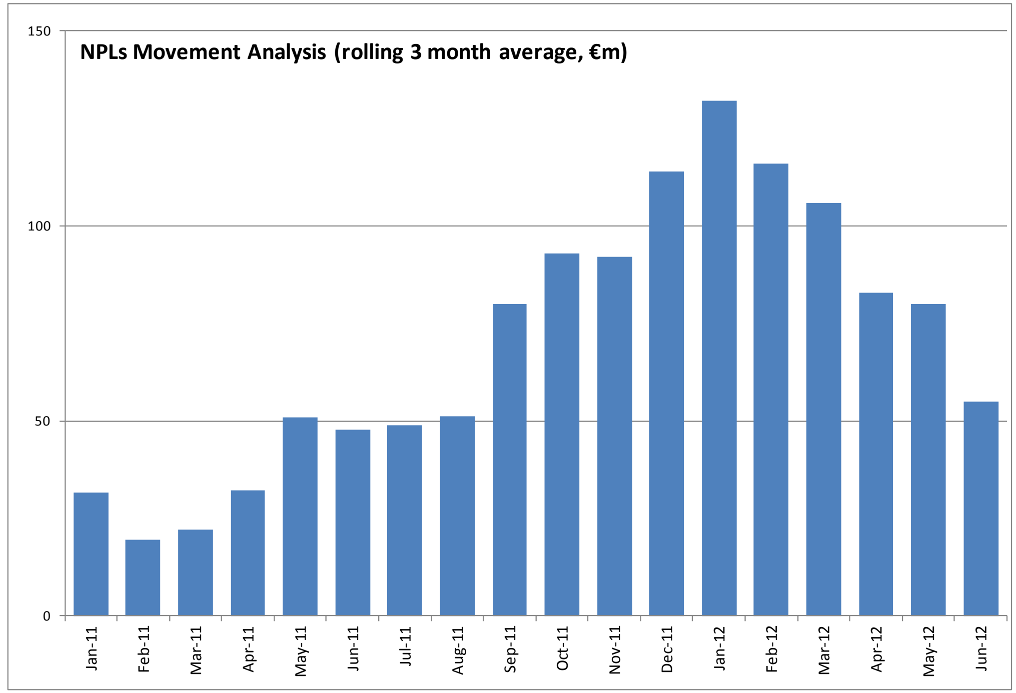
Proportion of High Risk and NPLs



Ireland (2)



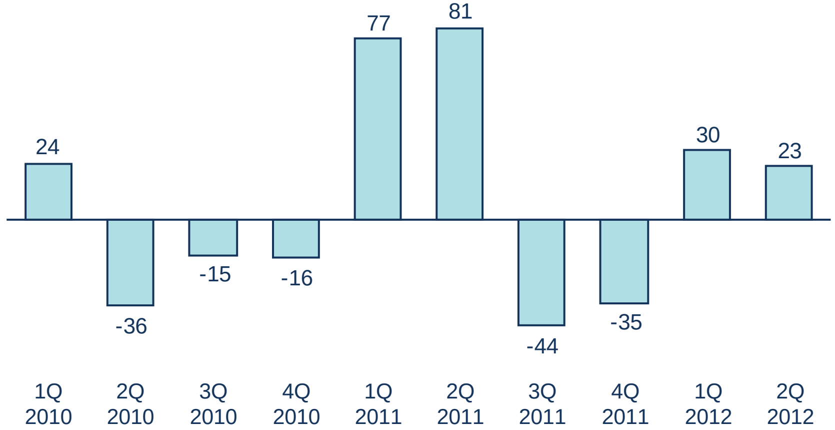
Retail Arrears Movement Analysis (rolling 3 month average, €m)
0
50
100
150
200
Jan-11
Feb-11
Mar-11
Apr-11
May-11
Jun-11
Jul-11
Aug-11
Sep-11
Oct-11
Nov-11
Dec-11
Jan-12
Feb-12
Mar-12
Apr-12
May-12
Jun-12



NPLs Movement Analysis (rolling 3 month average, €m)
0
50
100
150
Jan-11
Feb-11
Mar-11
Apr-11
May-11
Jun-11
Jul-11
Aug-11
Sep-11
Oct-11
Nov-11
Dec-11
Jan-12
Feb-12
Mar-12
Apr-12
May-12
Jun-12

Group Centre

Underlying net profit



- KBL *epb* and Fidea were deconsolidated in underlying as of 1Q12
- In addition to the results of the holding company and shared services, the results of companies scheduled for divestment have been reallocated to the 'Group Centre' (starting in 1Q10). The Group Centre posted an underlying profit of 23m EUR. Note that the divestment of Fidea was finalised on 31 March 2012 (1Q12), while the sales of Warta and KBL *epb* were finalised during 3Q12 (respectively 2 and 31 July 2012)
- Only the planned divestments are included. The Merchant Banking activities that will be wound down on an organic basis have not been shifted to the 'Group Centre'

Amounts in m EUR

Group Centre (2)

Breakdown of underlying net profit from Group Centre

	2Q12
Group item (ongoing business)	**-8**
Planned divestments	**31**
- Centea	0
- Fidea	0
- Kredyt Bank	8
- Warta	26
- Absolut Bank	19
- ‘old’ Merchant Banking activities	8
- KBL EPB	0
- Other	-30
TOTAL underlying net profit from Group Centre	**23**

NPL, NPL formation and restructured loans in Russia

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12
NPL	17.9%	17.8%	18.3%	16.8%	16.1%	13.5%	11.4%	11.2%	10.3%	7.6%
NPL formation	3.9%	-0.1%	0.5%	-1.5%	-0.7%	-2.6%	-2.1%	-0.2%	-0.9%	-2.7%
Restructured loans	10.3%	10.3%	9.7%	6.3%	4.2%	3.9%	3.9%	3.2%	2.3%	2.3%
Loan loss provisions (m EUR)	0	19	12	-9	-29	-9	-8	4	-10	-3

Amounts in m EUR

Annex 2

Other items

Overview of divestment programme

Finalised:	
KBC FP Convertible Bonds	✓
KBC FP Asian Equity Derivatives	✓
KBC FP Insurance Derivatives	✓
KBC FP Reverse Mortgages	✓
KBC Peel Hunt	✓
KBC AM in the UK	✓
KBC AM in Ireland	✓
KBC Securities BIC	✓
KBC Business Capital	✓
Secura	✓
KBC Concord Taiwan	✓
KBC Securities Romania	✓
KBC Securities Serbia	✓
Organic wind-down of international MEB loan book outside home markets	✓
Centea	✓
Fidea	✓
Warta	✓
KBL *European Private Bankers*	✓
Zagiel	✓
Signed:	
Kredyt Bank	✓

In preparation/work-in-progress for 2012/2013 a.o.
Absolut Bank
KBC Banka
NLB
Antwerp Diamond Bank
KBC Bank Deutschland

Update on outstanding* CDO exposure at KBC (2Q 2012)

Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- **Hedged portfolio** - **Unhedged portfolio**	10.1 5.5	-0.7 -3.7
TOTAL	15.6	-4.5

Amounts in bn EUR	**Total**
Outstanding value adjustments Claimed and settled losses - Of which impact of settled credit events	-4.5 -2.2 -2.0

P&L impact of a shift in corporate and ABS credit spreads (reflecting credit risk)**

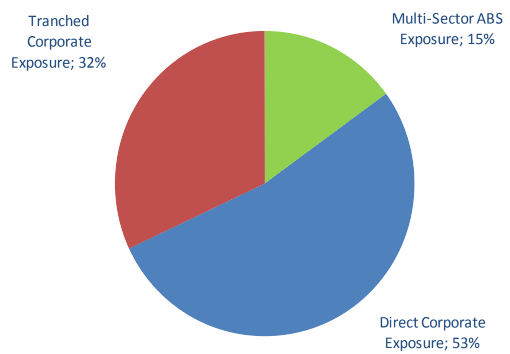
	10%	20%	50%
Spread tightening	+0.1bn	+0.2bn	+0.6bn
Spread widening	-0.1bn	-0.2bn	-0.4bn

- The total notional amount as well as the outstanding markdowns remained stable
- Claimed and settled losses amounted to 2.2bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 12.0% cumulative loss in the underlying corporate risk (approx. 85% of the underlying collateral consists of corporate reference names)
- Reminder: CDO exposure largely written down or covered by a State guarantee

* Figures exclude all expired, unwound or terminated CDO positions
** Taking into account the guarantee agreed with the Belgian State and a provision rate for MBIA at 70%

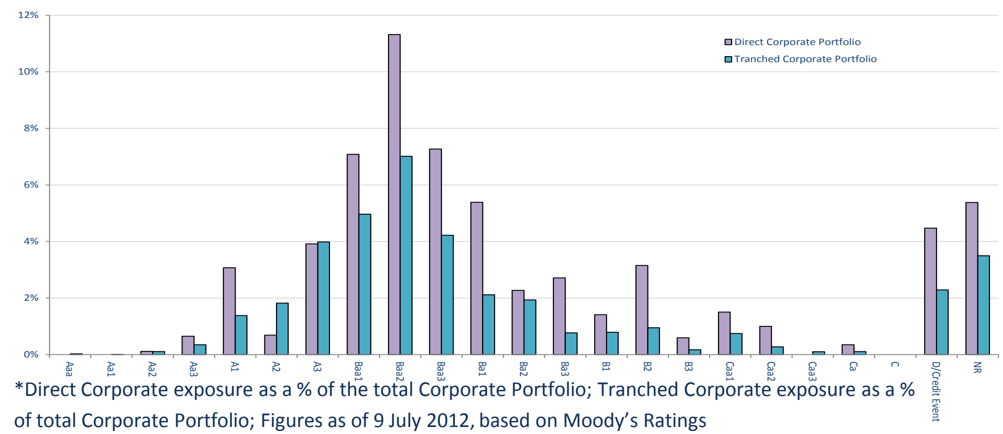
Breakdown of KBC's CDOs originated by KBC FP

Breakdown of assets underlying KBC's CDOs originated by KBC FP*



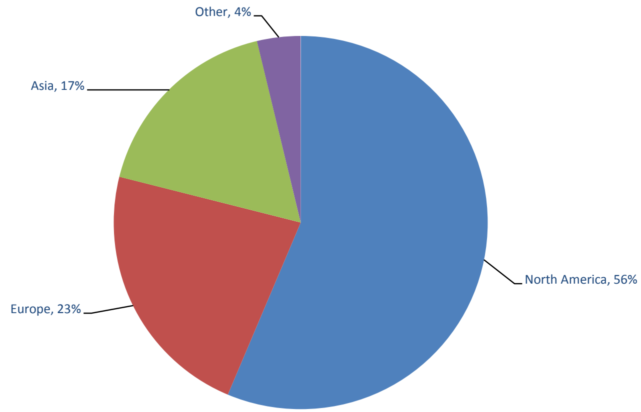
* % of total initial deal exposure; figures at 9 July 2012

Corporate breakdown by ratings *



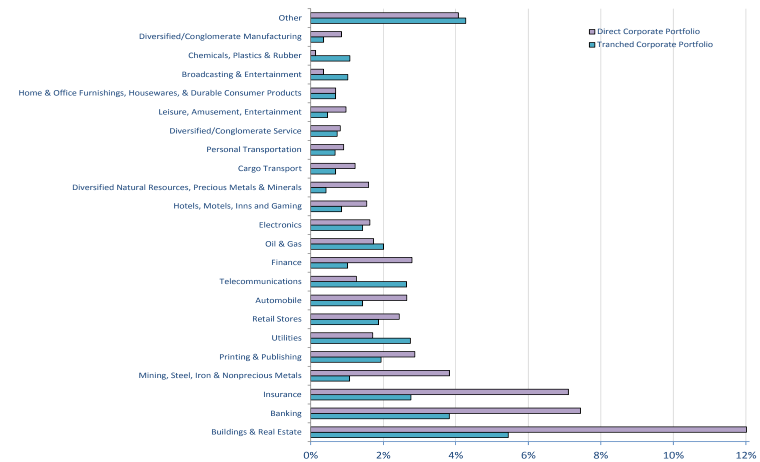
*Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio; Figures as of 9 July 2012, based on Moody's Ratings

Corporate breakdown by region*



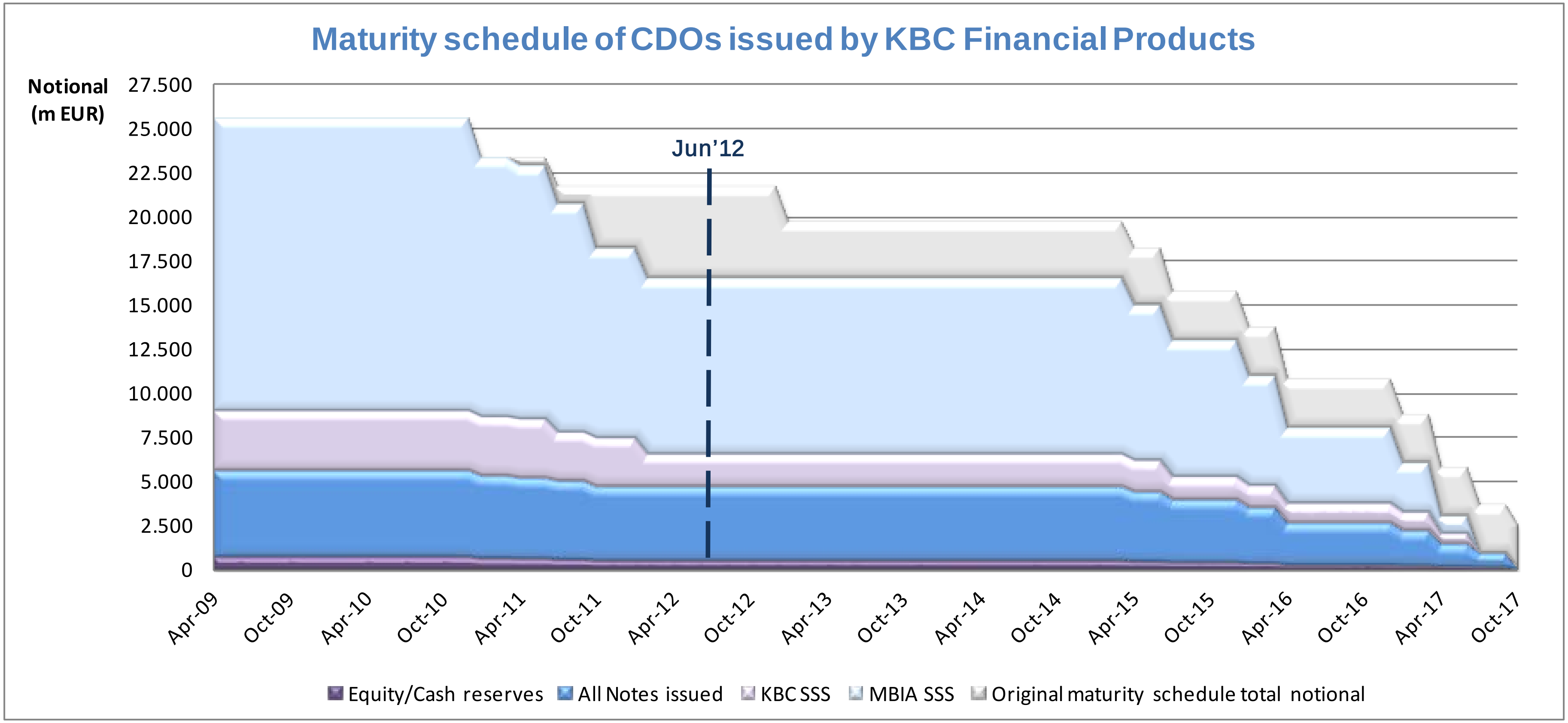
* Direct and Tranched Corporate exposure as a % of the total Corporate Portfolio; figures as of 9 July 2012

Corporate breakdown by industry *



***Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of the total Corporate Portfolio; figures as of 9 July 2012**

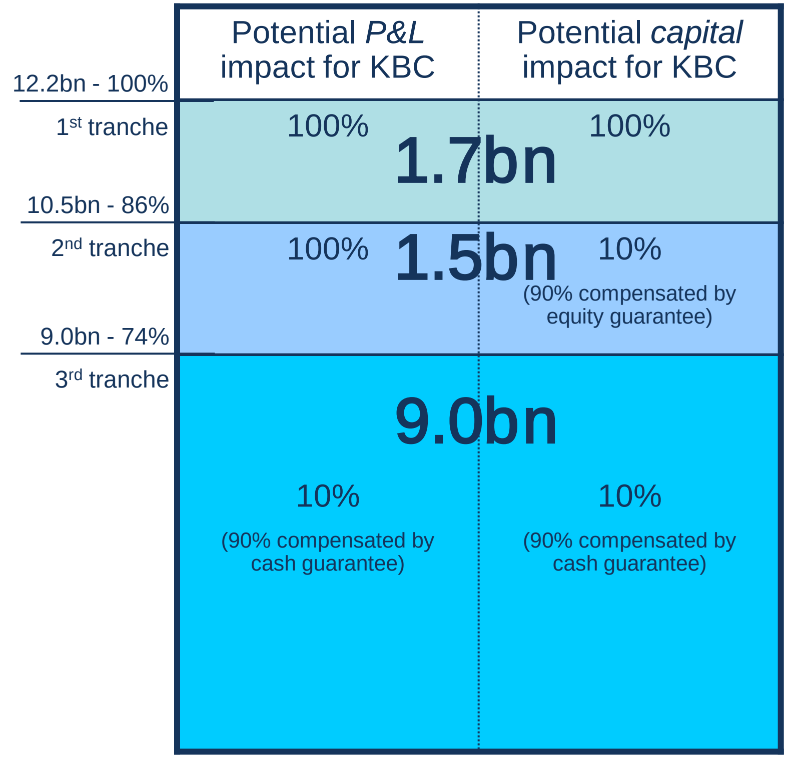
Maturity schedule for CDO portfolio



The total FP CDO exposure includes the ‘unhedged’ own investment portfolio as well as the ‘hedged’ portfolio that is insured by MBIA

Summary of government transactions (1)

- State guarantee covering 12.2bn* euros' worth of CDO-linked instruments
  - Scope
    - CDO investments that were not yet written down to zero (2.1bn EUR) when the transaction was finalised
    - CDO-linked exposure to MBIA, the US monoline insurer (10.1bn EUR)
  - First and second tranche: 3.2bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 1.3bn EUR (90% of 1.5bn EUR) from the Belgian State
  - Third tranche: 9.0bn EUR, 10% of potential impact borne by KBC
  - Instrument by instrument approach



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

Summary of government transactions (2)

Originally, 7bn EUR worth of core capital securities subscribed by the Belgian Federal and Flemish Regional Governments

	Belgian State	Flemish Region
Amount	**3.5bn**	**3.5bn**
Instrument	Perpetual fully paid up new class of non-transferable securities qualifying as core capital	
Ranking	Pari passu with ordinary stock upon liquidation	
Issuer	KBC Group Proceeds used to subscribe ordinary share capital at KBC Bank (5.5bn) and KBC Insurance (1.5bn)	
Issue price	29.5 EUR	
Interest coupon	Conditional on payment of dividend to shareholders The higher of (i) 8.5% or (ii) 120% of the dividend for 2009 and 125% for 2010 onwards Not tax deductible	
Buyback option KBC	Option for KBC to buy back the securities at 150% of the issue price (44.25)	
Conversion option KBC	From December 2011 onwards, option for KBC to convert securities into shares (1 for 1). In that case, the State can ask for cash at 115% (33.93) increasing every year by 5% to the maximum of 150%	No conversion option

KBC Group
2012 2Q Results

Q&A