KBC Group

2010 3Q Results

Press tele-conference

10 November 2010 - 11.30 AM CET

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

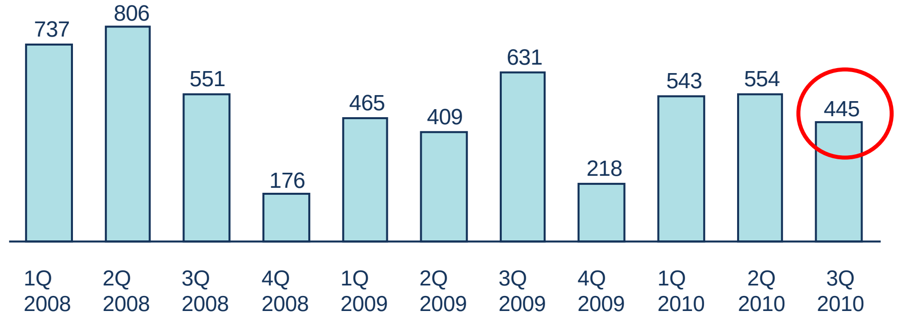
KBC Group - Investor Relations Office - E-mail: investor.relations@kbc.com

Solid core earnings power

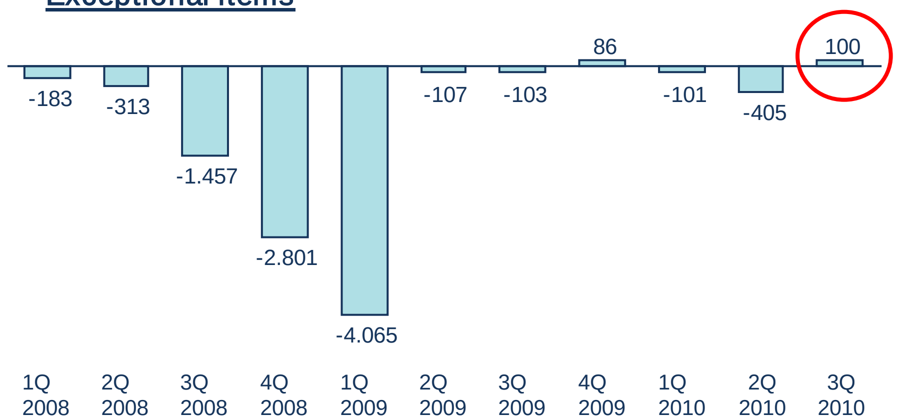
Underlying
net profit
445m EUR

Reported
net profit
545m EUR

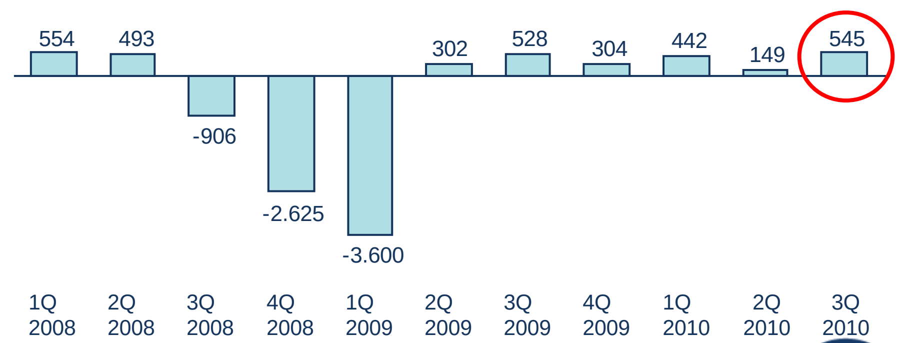
Underlying net profit



Exceptional items



Reported net profit



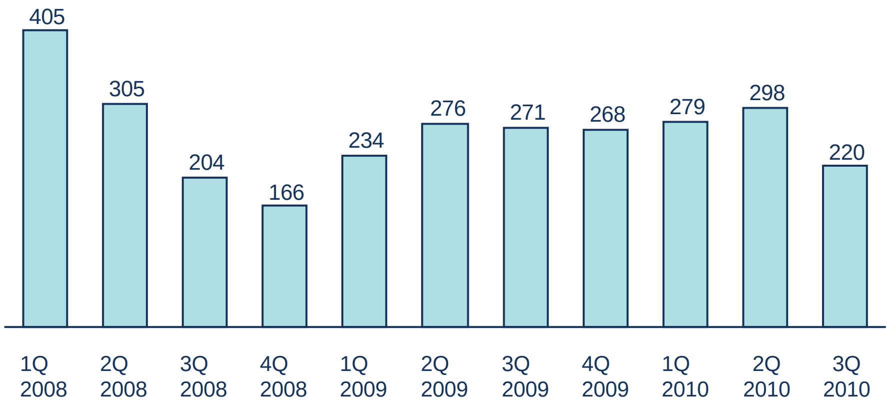
Amounts in m. EUR

Financial highlights 3Q 2010

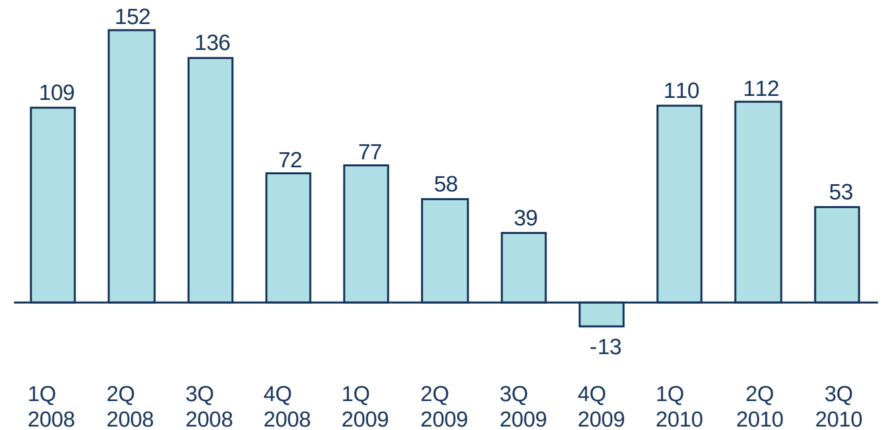
- Stable net interest income (at continued high level), with continued loan volume growth in Belgium, driven by mortgages
- Lower fee and commission income, following a difficult summer season (seasonal effect and very low risk appetite)
- Slightly better combined ratio in non-life insurance
- Good dealing room income
- Operational expenses under control, but impacted by booking of Hungarian bank tax for the full year and costs related to the Belgian Deposit Guarantee Scheme
- Increase in loan loss impairment, particularly in CEE and Merchant Banking
- Further reduction of the exposure to Greek government bonds, related to the containment of sovereign risks
- Including the impact of the divestments already announced, regulatory capital accumulated in excess of the 10% tier-1 solvency target amounted to roughly 4.3bn EUR at the end of 3Q10. Excluding all CDO effects since the end of 3Q09, available surplus capital at the end of 3Q10 amounted to roughly 3.8bn EUR (incl. the effect of divestments already announced)

Underlying profit per business unit

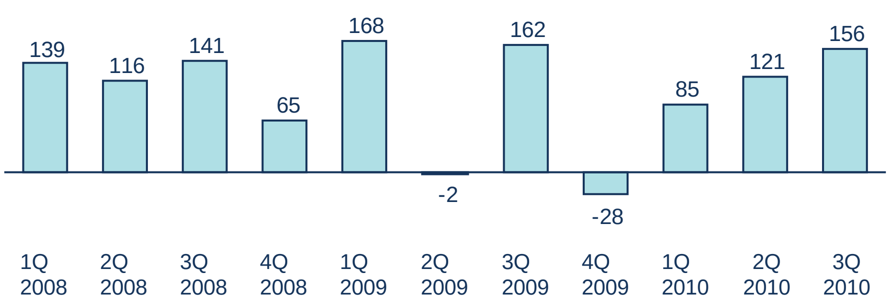
Underlying net profit Belgium (retail)



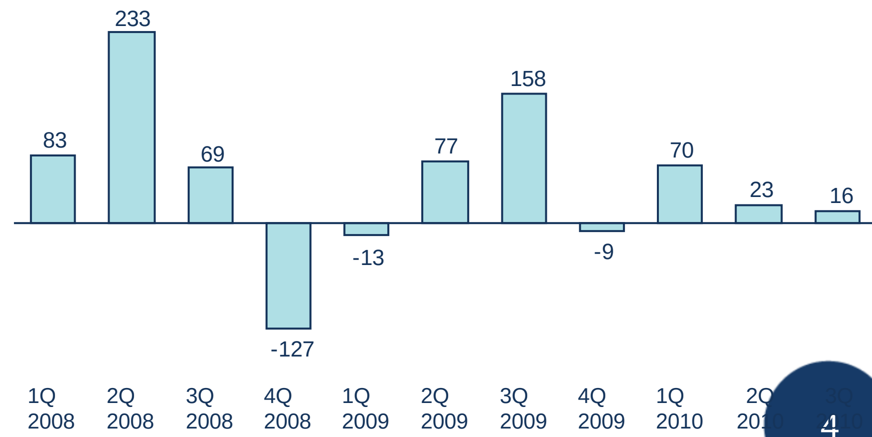
Underlying net profit CEE



Underlying net profit Merchant Banking (BE +Int'l)



Underlying net profit Group Centre

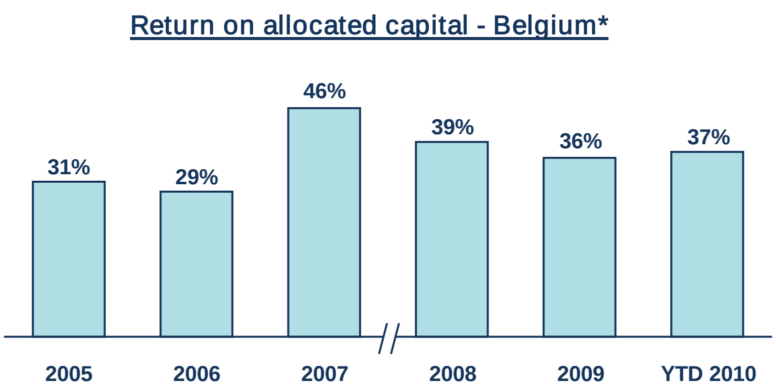


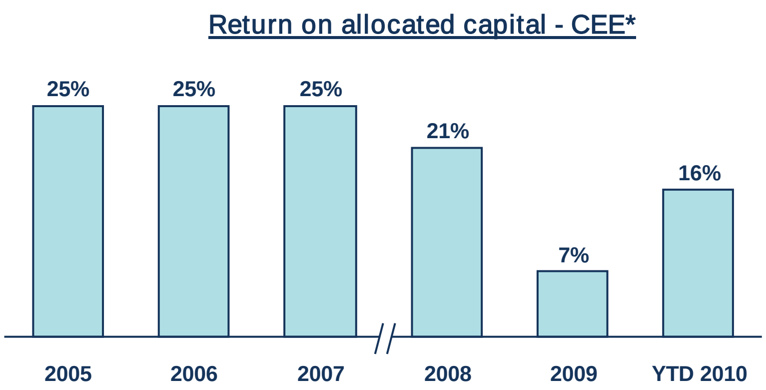
Headlines per business unit

- Net interest income remained healthy, with continued loan volume growth, driven by mortgages. Nevertheless, total revenues fell q-o-q mainly due to lower fees and commissions from the sale and management of funds, as well as lower realised gains on the sale of bonds and shares and the traditional seasonal drop in dividend income. Combined with operating expenses bottoming out and still low impairments, this led to a net result of 220m EUR in the *Belgium Business Unit*.
- Y-o-Y, higher revenues (mainly thanks to higher net interest income) were offset by the booking of the Hungarian bank tax for the full year. Insurance results improved after a weak 2Q10 that was impacted by the bad weather conditions. This led to a 53m EUR net result for *Central and Eastern Europe* in 3Q10.
- In *Merchant Banking*, the underlying net profit (156m EUR) was significantly above the average of the last four quarters (85m EUR). The main driver was the solid dealing room result, partly offset by higher impairments for Ireland and a few large files in the international credit portfolio.
- Attention is drawn to the fact that the *Group Centre* includes all planned divestments of KBC Group since 1Q10. By doing so, the objective is to clearly indicate the financial performances of the long term activities and the planned divestments separately.

A successful core strategy

- Strategic review November 2009
  - Core earnings power in Belgium and CEE largely intact
  - Our business model generates consistently high returns in core geographies (cyclical 1.7% loan provision charge was the main swing factor in CEE in 2009)





  - Remaining asset risks manageable, therefore capital buffer sufficient
  - Reimbursement of the State capital will be based on internal capital generation from retained earnings and RWA reduction combined with divestment of non-core assets

* excl. non-operating items (incl. investment markdowns). Note change in business unit reporting as of 2008.

2010-2013 Business Plan

1. Leverage Earnings Power

- Generate capital by leveraging our successful business model in core markets (retained earnings)

2. Shrink RWA By 25% (2008-2013)

- Free up capital by:
  - Reducing international lending & capital market activities
  - Divesting European Private Banking (transaction already announced), complementary channels in Belgium (giving up 1-2% market share) and non-EU CEE (Russia and Serbia, post 2011)
  - IPO of minority of CSOB (Czech bank, 2.6bn EUR book value at end 9M10)
  - Certain additional measures

3. Pay Back State Capital & Continue Growth

- Accumulated capital will be sufficient to reimburse the State, whilst maintaining sound solvency (10% tier-1 target) and steady organic growth

Reminder: new business unit reporting

Since the quarterly reporting for 1Q 2010

- Entities to be divested were shifted to 'Group Centre' Business Unit

Belgium
- KBC Bank
- KBC Insurance
- CBC Banque
- ADD
- Centea
- Fidea

CEE
- Czech Republic
- Slovakia
- Hungary
- Poland
- Bulgaria
- Russia
- Serbia
- Slovenia
- Zagiel (Poland)

Merchant Banking
- KBC Lease
- KBC Securities
- KBC Bank Ireland
- KBC Clearing
- KBC Commercial Finance
- Antwerp Diamond Bank
- KBC Bank Deutschland
- KBC Peel Hunt
- KBC Finance Ireland
- KBC Financial Products

European Private Banking
- KBL EPB
- Vitis Life

Group Centre
- KBC Group
- Fin-Force
- KBC Global Services

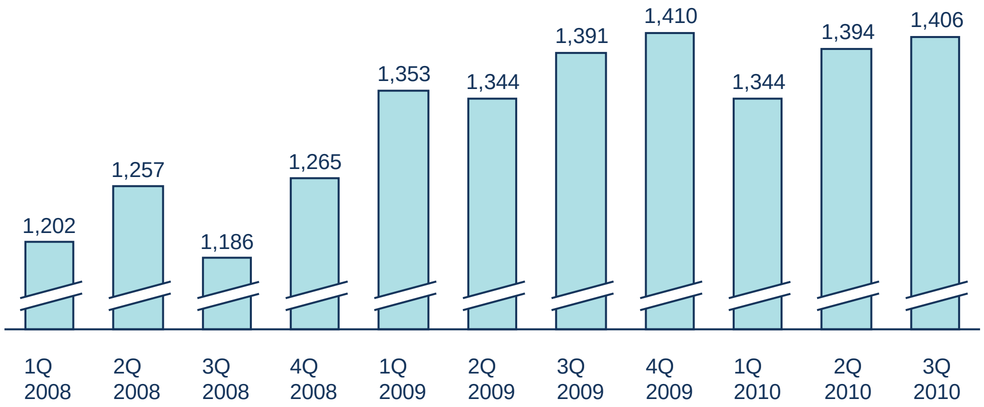
Indicated divestments + minority interest line for % of CSOB CZ that will be floated

- Assurisk

- Assurisk (reinsurance captive) was moved from Merchant Banking to Belgium BU
- The objective is to clearly indicate the financial performances of the long term activities and the planned divestments separately

Net interest income remains high

Net Interest Income

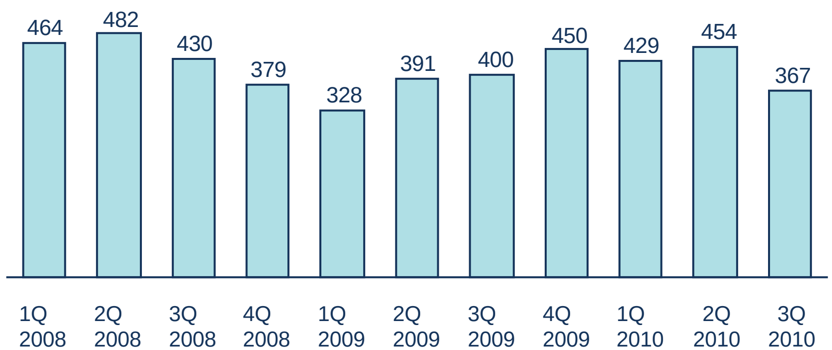


- Net interest income increased 1% both year-on-year and quarter-on-quarter
- Net interest margin at 1.92%
  - Some pressure on the NIM in Belgium, while the margin increased slightly in Central/Eastern Europe
- Loan volumes down year on year (-2%) due, among other things, to a reduction in the international loan book (Merchant Banking and Russia) in line with strategic focus

Amounts in m. EUR

Fee and commission income

Fee & Commission Income

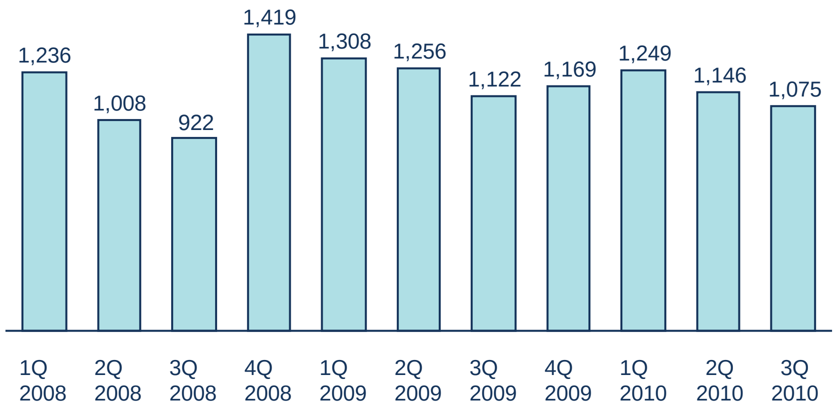


- Net fee and commission income fell year-on-year (-8%) and quarter-on-quarter (-19%)
  - Besides the seasonal effect (summertime), net fee and commission income was impacted by very low risk appetite. This has led to lower front-end loads and management fees.
- Assets under management rose by 2% year-on-year and quarter-on-quarter to 212bn EUR at the end of 3Q10 (despite lower average outstanding AuM during 3Q10).

Amounts in m. EUR

Insurance premium income

Premium Income

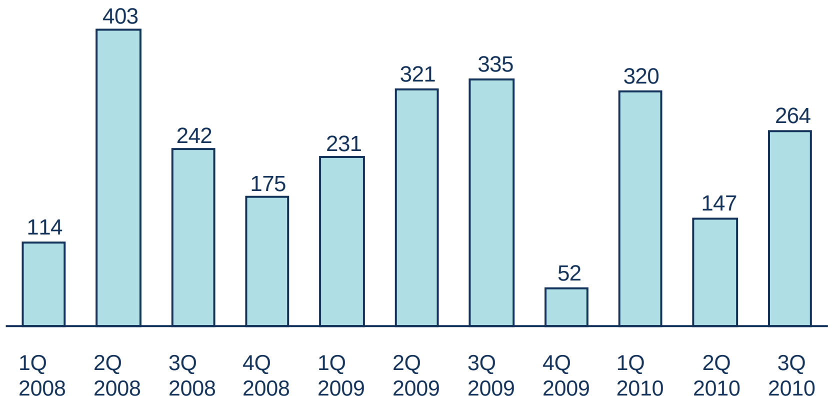


- Insurance premium income at 1,075m EUR
  - Non-life premium income (495m), up 3% q-o-q and flat y-o-y
  - Life premium income (580m), down 13% q-o-q mainly due to a decrease in the guaranteed interest rate in June 2010 in Belgium and very low risk appetite
- Combined ratio at 103%, down on the 104% recorded in 2Q10 thanks to lower flood-related claims in CEE

Amounts in m. EUR

Good trading income

Trading Income

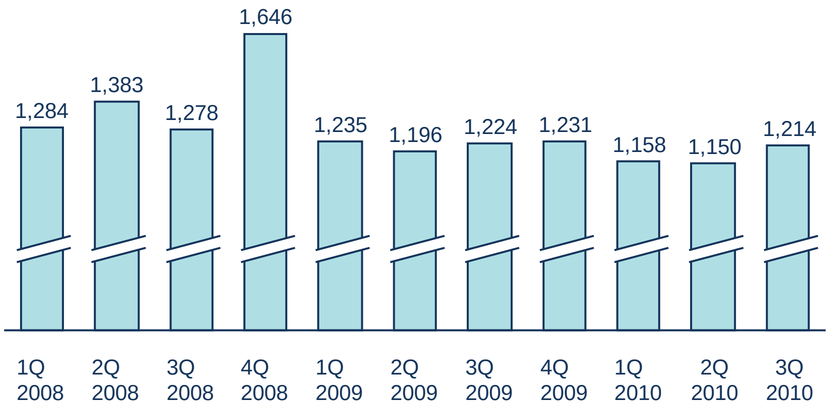


- Net gains from financial instruments at fair value (264m EUR) is the result of good dealing room activity

Amounts in m. EUR

Good control of operating expenses

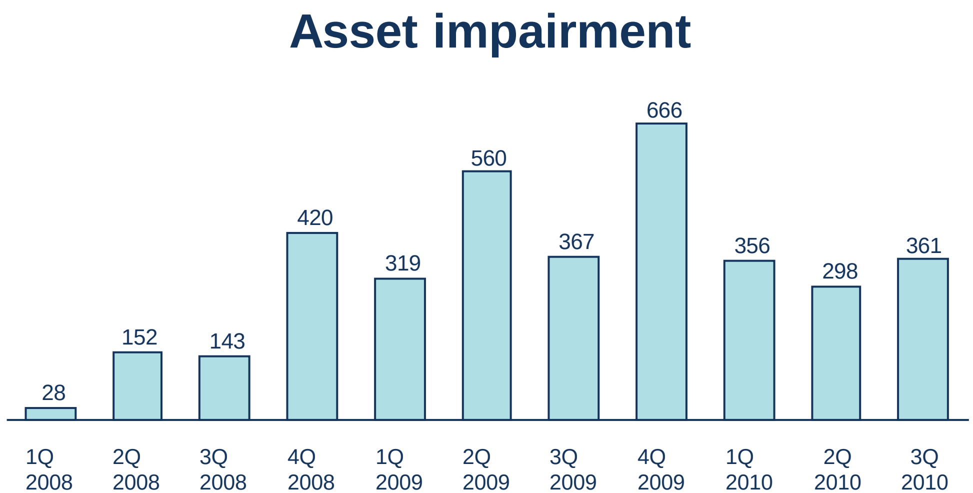
Operating expenses



- Operating expenses fell by 1% y-o-y to 1,214m EUR, still benefiting from cost containment measures initiated in 2008
- Operating expenses rose by 6% q-o-q, due entirely to the booking of the Hungarian bank tax for the full year and costs related to Belgian Deposit Guarantee Scheme.
- Underlying cost/income ratio for banking stood at 53% YTD (compared to 55% for full year 2009)
- We still believe that costs will start to increase going forward

Amounts in m. EUR

Asset impairment



- Impairments in line with 3Q09 and 1Q10 (361m EUR)
  - As expected, we noticed a quarter-on-quarter increase (63m EUR) given the low impairments at CEE in 1H10 and the low impairment level at MEB in 2Q10.

Amounts in m. EUR

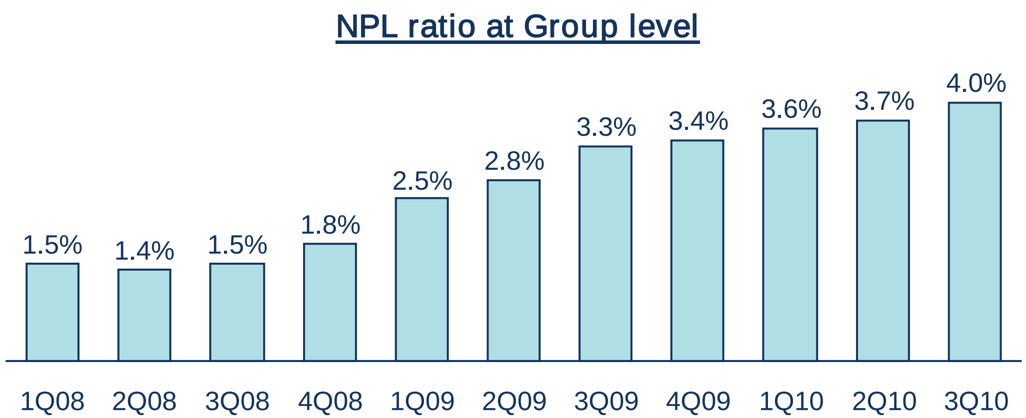
Loan loss provisions may have peaked

- Credit cost ratio fell to 0.80% (compared to 1.11% in 2009). NPL ratio amounted to 4.0%
- Credit cost in Belgium remained at a low level
- As expected, higher credit cost in CEE (+28m EUR q-o-q), mainly due to higher impairments at K&H Bank (+22m EUR q-o-q, of which 14m EUR ‘one-off’ model changes) and CSOB CR (+10m EUR q-o-q), partially offset by lower impairments at Kredyt Bank (-4m EUR q-o-q)
- Credit cost also higher in Merchant Banking (+43m EUR q-o-q), attributable primarily to KBC Bank Ireland and a few large files in the international credit portfolio.

Credit cost ratio

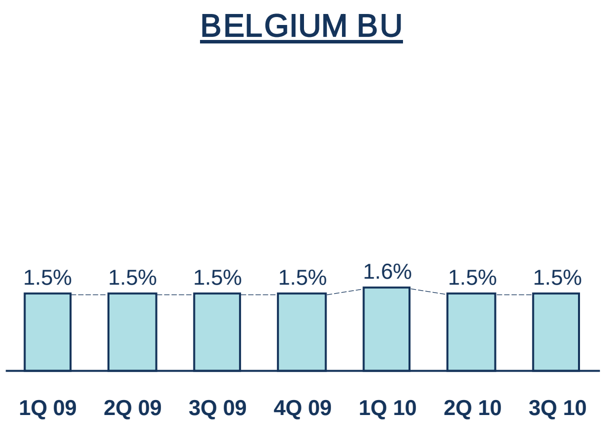
	Loan book	2007 FY	2008 FY	2009 FY	2009 FY	9M10 YTD
		‘Old’ BU reporting			‘New’ BU reporting	
Belgium	**53bn**	0.13%	0.09%	0.17%	0.15%	0.12%
CEE	**38bn**	0.26%	0.73%	2.12%	1.70%	1.32%
Merchant B. (incl. Ireland)	**56bn**	0.02%	0.48%	1.32%	1.19%	1.01%
Total Group	**166bn**	0.13%	0.46%	1.11%	1.11%	0.80%

NPL ratio at Group level



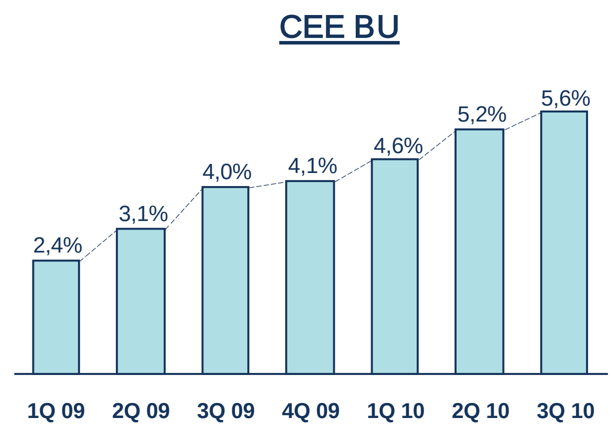
3Q 2010	**Non-Performing Loans** (>90 days overdue)	**High risk** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.5%	2.3%	1.2%
CEE BU	5.6%	5.9%	2.9%
MEB BU	4.8%	6.4%	4.0%

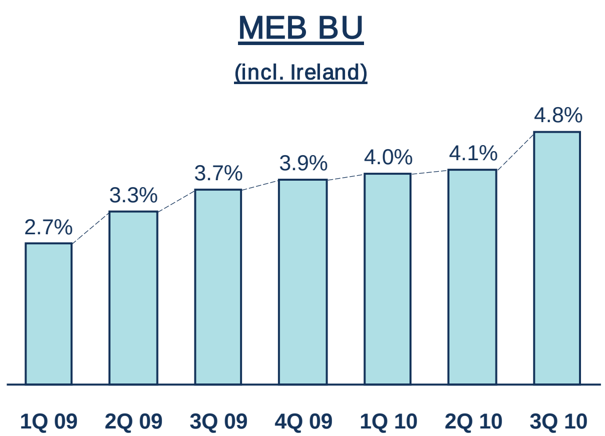
NPL ratios per business unit



non performing loans

New BU reporting as of 2010
(pro forma 2009 figures)

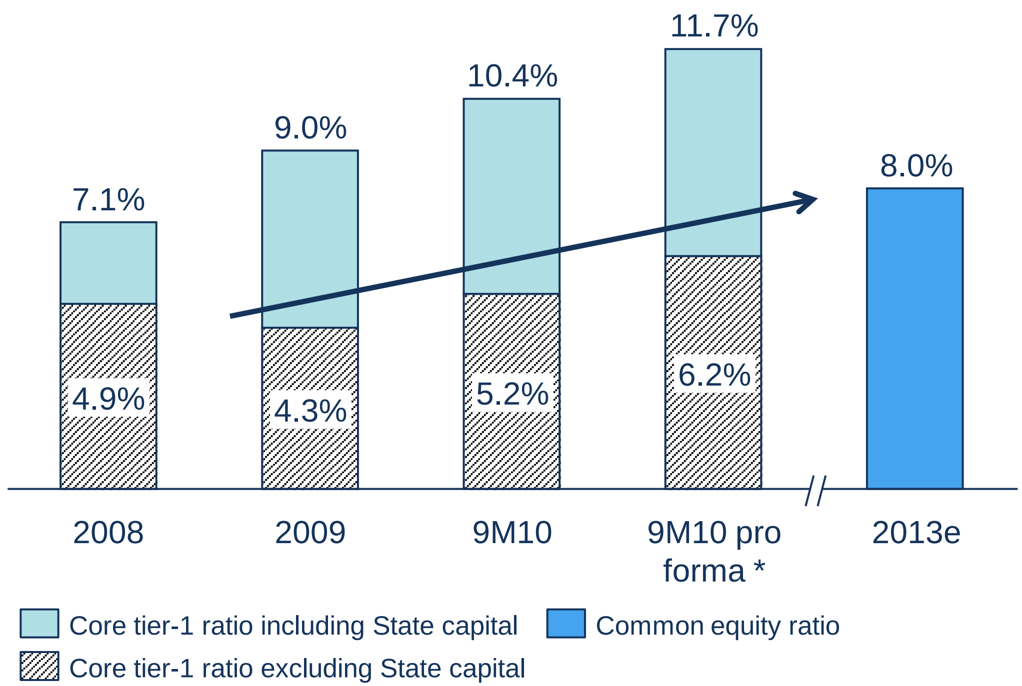




- CEE BU: the q-o-q increase of the NPL ratio can mainly be explained by the lagging effect of relatively weak economic development and continued high levels of unemployment.
- MEB BU: the NPL ratio sharply rose q-o-q, mainly due to KBC Bank Ireland and a few large files in the international credit portfolio, as well as performing loan book contraction.

Basel III impact for KBC Group (1)

- **MAIN CONCLUSION ABOUT BIII IMPACT FOR KBC GROUP:**
  - "Basel III" pro forma common equity ratio is estimated at roughly 8.0% at end 2013



* 9M10 pro forma CT1 is including the impact of the already announced divestments

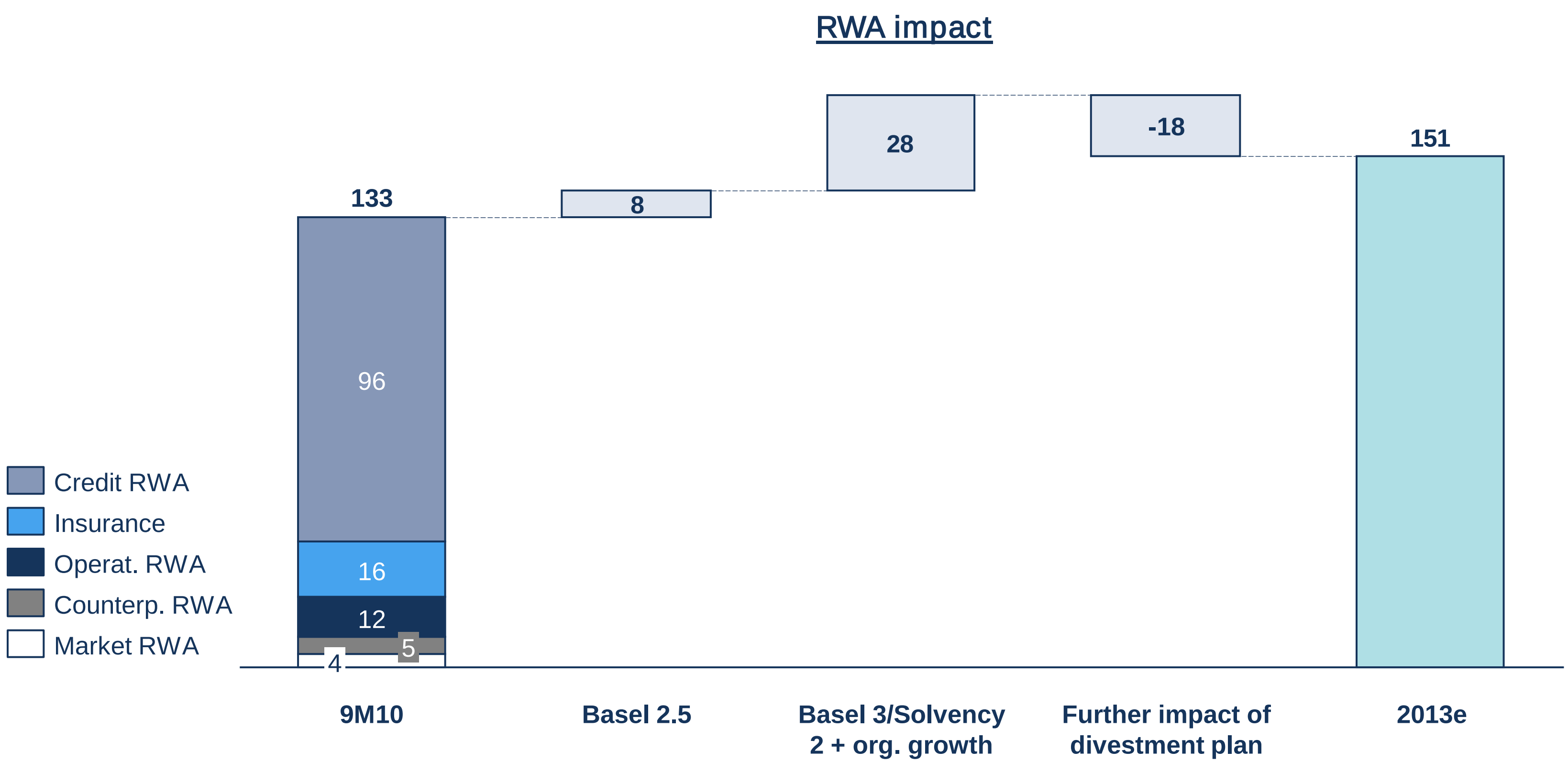
Basel III impact for KBC Group (2)

- **At the level of 'RWAs': relatively limited impact thanks to KBC's divestment plan**
  - Still many uncertainties remain with respect to e.g. different calculations for the Credit Valuation Adjustment (CVA) method.
  - Counterparty and market RWAs have already fallen by 54% to roughly 9.5bn EUR in 7 quarters (end FY08 – end 3Q10), mainly as a consequence of progress made in implementing KBC's divestment plan.

(bn EUR)	End FY08	End 3Q10	% Δ
Counterparty RWAs	9.2	5.2	-43%
Market RWAs	11.4	4.2	-63%
TOTAL counterparty & market RWAs	20.6	9.5	-54%
% of TOTAL RWAs	13.3%	7.1%	

  - By the end of 2012-1013, once the divestment plan is completely finalised, the counterparty and market RWAs will have further decreased. As such, BIII impact on these RWAs will certainly be manageable for KBC Group.

Basel III impact for KBC Group (3)



Basel III impact for KBC Group (4)

- **MORE DETAILED INFO ABOUT SOME COMPANY-SPECIFIC IMPORTANT BIII ITEMS:**

  - Minority interests: Although the capital impact of the listing of a minority stake in CSOB will still be negatively impacted by BIII, this impact will be considerably less negative than under the initial BIII consultation document (released on 17 Dec 2009)
    - Minority share in line with the minimum required capital at subsidiary = common equity
    - Based on current KBC Group structure: very limited impact since no important minority interests
    - Regarding IPO CSOB:
      - Capital gain is included in common equity
      - Worst-case scenario at 'common equity' level (IPO 40% of CSOB, 7% minimum required common equity in CR and no upstreaming of capital before IPO): approximately 285m EUR minorities would not be included in common equity
      - Sensitivity: every additional 1% above the 7% minimum required capital in CR (used in our worst-case scenario) will lower the 2013 negative impact at 'common equity' level of KBC Group by around 55m EUR

  - DTAs:
    - Current (BII): deducted from T1 insofar > 10% T1 (basis = total of DTAs excluding DTA on AFS and Cash flow hedges)
    - BIII: difference is made between i) DTA which rely on future profitability (= on losses carried forward): entirely deducted from common equity (roughly 850m EUR at end 3Q10) and ii) DTA which do not rely on future profitability (= timing differences): included in common equity

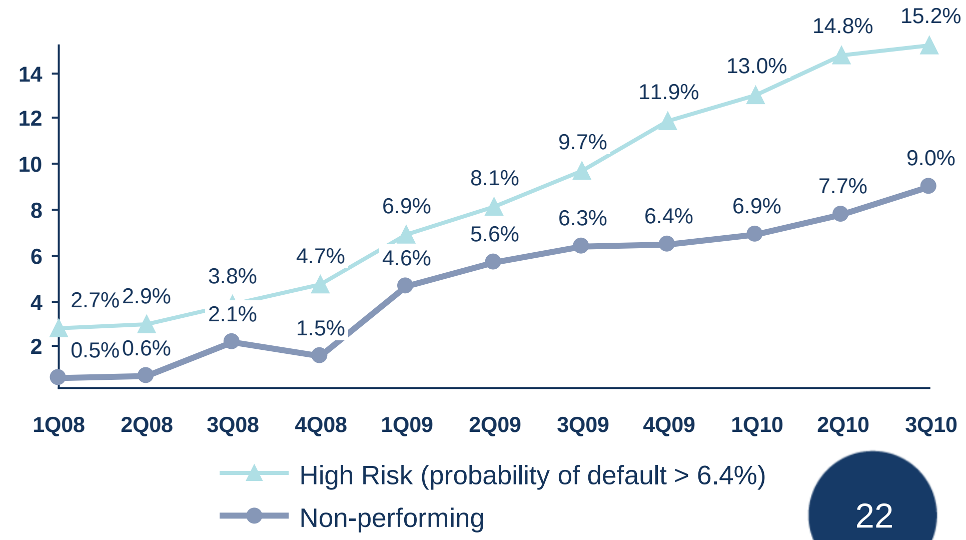
Update on Ireland

- 53m EUR loan impairments charged in 3Q10 (142m EUR in 1Q10 and 28m EUR in 2Q10).
- NPL rose to 9.0% in 3Q10 (7.7% in 2Q10), reflecting the continued difficult economic conditions in Ireland. The outstanding portfolio has been reduced from 17.7bn EUR in 2Q10 to 17.4bn EUR in 3Q10.
- 76% of the outstanding portfolio remains low or medium risk.
- In the absence of any unforeseen circumstances, we forecast that KBC Bank Ireland will remain profitable in FY2010.
- Local tier-1 ratio increased to 10.6% at the end of 3Q10 (from 10.2% at the end of 2Q10).

Irish loan book – key figures September 2010

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.8bn	6.9%	21%
Buy to let mortgages	3.3bn	9.5%	26%
SME /corporate	2.4bn	5.5%	38%
Real estate investment	1.3bn	11.9%	30%
Real estate development	0.6bn	43.8%	48%
	17.4bn	9.0%	29%

Proportion of High Risk and NPLs



Exposure to Southern Europe (1)

Total exposure to Greece, Portugal & Spain at the end of 3Q10 (bn EUR)

	Banking and Insurance book			Trading book Gov. Bonds	Total exposure
	Credit & corporate bonds	Bank bonds	Gov. bonds		
Greece	0.1	0.0	0.8	0.0	**0.9**
Portugal	0.2	0.0	0.3	0.0	**0.5**
Spain	2.3	0.6	2.3	0.1	**5.3**

- Total exposure to the most stressed countries Greece and Portugal amounted to only 1.4bn EUR
- No impact on KBC's liquidity position (since the sovereign bonds can still be pledged with the ECB)

Breakdown of government bond portfolio, banking and insurance, at the end of 3Q10 (bn EUR)

	Banking	Insurance	Total
Greece	0.5	0.3	**0.8**
Portugal	0.1	0.2	**0.3**
Spain	1.6	0.7	**2.3**
TOTAL	**2.2**	**1.2**	**3.4**

Exposure to Southern Europe (2)

Maturity date of government bond portfolio of the banking and insurance book (bn EUR)

	4Q10	2011	2012	> 2012
Greece	0.0	0.1	0.2	0.5
Portugal	0.0	0.0	0.1	0.2
Spain	0.0	0.1	0.5	1.7

Breakdown of total government bonds, by portfolio at the end 3Q10 (bn EUR)

	AFS	HTM	FIV	Trading	TOTAL
Greece	0.5	0.1	0.2	0.0	**0.8**
Portugal	0.1	0.2	0.0	0.0	**0.3**
Spain	2.0	0.3	0.0	0.1	**2.4**

Hungary: K&H Group is still profitable

‘Bank tax’

- 2010 impact of the so-called ‘bank tax’ for K&H Group: 57m EUR pre-tax / 46m EUR post-tax, which has been booked in full in 3Q10.
- The banking tax for 2011 will be booked in full in 1Q11.

Still profitable YTD, despite the bank tax and high loan loss provisions in 3Q10

- 9M10 underlying net profit still amounted to 37m EUR, despite the 100% inclusion of the ‘bank tax’
- The qoq increase of loan loss provisions (+22m q-o-q to 50m EUR) can mainly be explained by 14m EUR ‘one-off’ model changes. Excluding this effect, loan loss provisions for the consumer segment (mostly FX mortgages, including housing and home equity loans, and thus mainly impacted by unemployment and FX rate) were stable qoq.

Economic scenario

- Economic recovery will remain supported by external demand. Private consumption growth will continue to suffer from weak labour market conditions, but investments could pick up as financial markets have stabilised. On balance, growth is expected to accelerate to around 2.7% in 2011 (from 0.7% in 2010).
- Budget deficit < 3% of GDP in 2011 – mainly as a result of short-term solutions (e.g. transfer of pension assets and set up of crisis taxes). Hungarian government can continue without IMF assistance, but nevertheless long-term structural adjustments in public finances are required.

Sovereign exposure

- Government bond exposure: 2.4bn EUR at the end of 3Q10, of which the majority is held by K&H

Looking forward

Jan Vanhevel, Group CEO:

- ‘We continued to make good progress regarding the execution of our strategic plan:
  - During 3Q10, we announced the divestments of among other things the global convertible bond and Asian equity derivatives business of KBC FP, Secura and KBC Peel Hunt.
  - The gradual run-down of the credit portfolio outside the home markets is progressing well too: at the end of 3Q10, roughly two-thirds of the intended organic run-down was executed.
  - Preparations to float a minority stake in our Czech banking subsidiary are on track; we are on stand-by to launch the IPO programme when we observe optimal conditions for a successful transaction.
  - Our Belgian complementary sales channels (Centea and Fidea) are currently in the sales process, as according to plan.
  - Additional limited losses linked to the ‘legacy’ structured derivatives positions within KBC FP cannot be excluded for the next few quarters as we continue to unwind our risk exposure.’
- ‘We continue to expect good revenue generation.’
- ‘We still believe that costs on a like-for-like basis will start to increase somewhat going forward.’
- ‘We may have seen a turn in the credit cycle. Our 2010 base case scenario includes a visible decline in loan losses compared to the 2009 financial year.’
- ‘In the absence of any unforeseen circumstances, we forecast that KBC Bank Ireland and K&H Group will remain profitable in FY2010.’
- ‘KBC Group is able to meet the targeted common equity ratio under Basel III without having to issue capital. We estimate this ratio at roughly 8.0% at the end of 2013.’

Wrap up

Key strengths

Key strengths:

- Well-developed bancassurance strategy and strong cross-selling capabilities
- Strong franchise in Belgium with high and stable return levels
- Exposure/access to growth in ‘new Europe’, with mitigated risk profile (most mature markets in the region)
- Successful underlying earnings track record
- Solid liquidity position and satisfactory capital buffer

KBC Group

2010 3Q Results

Q&A