KBC Group

2011 FY/4Q Results

Press Conference

9 February 2012 - 11.00 AM CET

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

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Key Takeaways

- Decisive progress on divestments, with capital gains to come in 2012
- Further reduction of volatile elements: CDO, ABS, Southern European government bond exposure
- Underlying 4Q11 results were affected by one-off items (Greek government bonds, 5-5-5 bonds, Hungary) and situation in Ireland. Loan loss provisions in Ireland are estimated at roughly 200m EUR for the first quarter of 2012 and 500-600m EUR for the full year 2012
- Core profitability in home markets remains intact in difficult market
- Comfortable capital position bolstered by decision to propose only symbolic dividend of 0.01 EUR. Payment of coupon to Governments maintained
- KBC agreed with the European Commission on the extension of the target date for the divestment of Antwerp Diamond Bank and KBC Germany and clarified the repayment intention of the principal of the YES at minimum 4.67bn EUR by the end of 2013
- First 500m EUR repayment to the Federal Government in January 2012 at 15% premium. Working towards further repayment(s) in 2012
- Strong liquidity position in core countries. Overall liquidity position remains robust despite deposit outflows in the Merchant Banking BU (mainly in non-core activities)

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Section 1

Refocused KBC Taking Shape

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	✓
Signed:	
KBL *European Private Bankers*	✓
Fidea	✓
Warta	✓

In preparation/work-in-progress for 2012/2013
Kredyt Bank
Absolut Bank
KBC Banka
NLB
Zagiel
Antwerp Diamond Bank
KBC Germany
KBC Real Estate Development

Strategic plan progress
Execution risk sharply reduced

Where are we mid-February 2012, in terms of execution?

Stream 1: We signed an agreement to sell Warta

Stream 2: We are making considerable progress on the divestment of Kredyt Bank

Stream 3: EC approval for the extension of the target date of certain divestments by KBC and the amendment of restructuring commitments

Stream 4: PIIGS exposure down by 28% q-o-q during 4Q11, further impairments on Greek government bonds resulted in a total haircut of 71% on the notional amount

Stream 5: CDO/ABS exposure further reduced by roughly 1.9bn EUR

Stream 6: RWA at 119bn EUR (pro forma) including B2.5/CRD3 impact, reduction better than initially planned. Nevertheless, core profitability remains intact in difficult years

Stream 1: Divestment of Warta

	FY11
Total assets	1.5bn EUR
RWA	1.3bn EUR
Market share	8%-9%
Book value...	0.46bn EUR
... of which goodwill	0.15bn EUR
Underlying net profit	41m EUR

- 20 January: agreement with Talanx announced
- Transaction price: 770m EUR ≈ 2.5x tangible BV
- Total capital relief of almost 0.7bn EUR
- Closing expected in 2H12

=> KBC's tier-1 ratio will rise by ±0.7% (at closing)

Stream 2: Divestment of Kredyt Bank

	FY11
Total assets	9.3bn EUR
RWA	6.8bn EUR
Market share	4%
Book value...	0.6bn EUR
... of which goodwill	0.1bn EUR
Underlying net profit	68m EUR

- We are making considerable progress on the divestment of Kredyt Bank

Stream 3: Extension of target date of certain divestments, additional commitments and specification of reimbursement

We agreed with the European Commission on:

1. **The extension of the target date for the divestment of Antwerp Diamond Bank and KBC Germany (i.e. KBC Bank Germany and KBC Lease Germany) by one year until 31 December 2012**

2. **The prolongation of the acquisition ban and price leadership ban until the earlier of 18 November 2014 and the date at which all outstanding payments to the Belgian authorities have been made**

3. **Specification for the repayment of State aid**
   KBC clarified with the European Commission the repayment intention of the principal of the YES at minimum 4.67bn EUR by the end of 2013

Stream 4: PIIGS exposure down by 28%

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

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

During 4Q11, KBC reduced its PIIGS exposure (carrying amount) by roughly 28%:

- Italy: reduction of 1.7bn EUR
- Greece: reduction of 0.1bn EUR
- Spain: reduction of 0.2bn EUR
- **TOTAL** **reduction of 1.9bn EUR**

Stream 5: CDO/ABS exposure reduced

- As published with the 3Q11 results, the projected capital range of 0.3-0.4bn EUR from the sale of selected ABS assets and unwinding of CDO assets had already been exceeded, without any substantial impact on P&L **at the end of 3Q11**

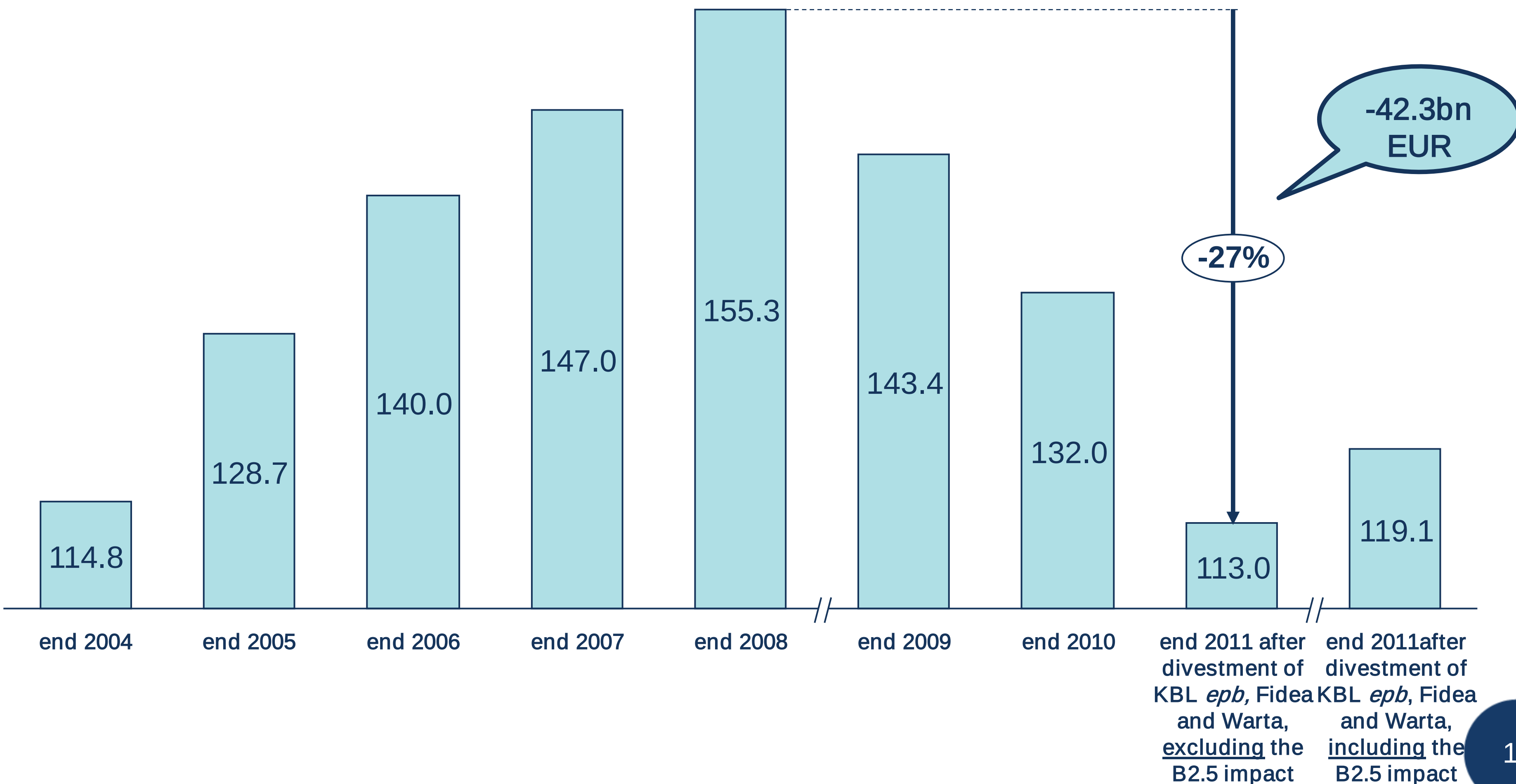
- **During 4Q11,** we sold 0.2bn EUR in notional amount of US ABS assets to the market, without any material impact on P&L or on the capital position of KBC

- **In 1Q12**, two CDOs were de-risked, resulting in a reduction of the outstanding notional amount of CDOs by 1.7bn EUR. This will have a negative impact on P&L of 60-70m EUR, but no material impact on the capital position

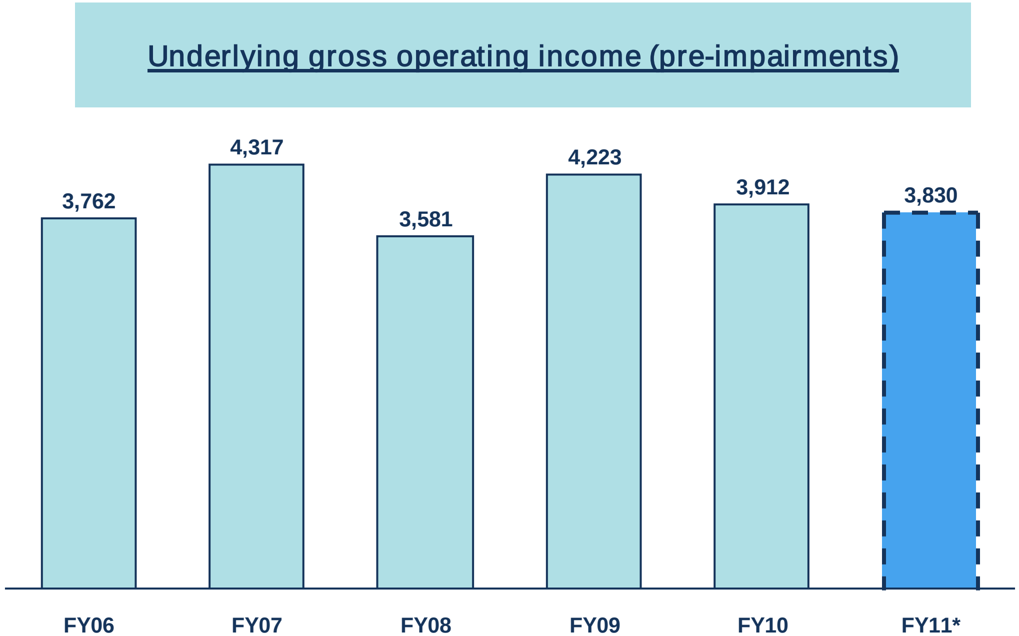
- We will continue to look at reducing our ABS and CDO exposure, which will lead to additional capital relief and lower P&L volatility

Stream 6: RWA reduction better than initially planned

KBC Group risk weighted assets (in bn EUR)



Core earnings power intact



* FY11 with neutralisation of impact of 5-5-5 bonds

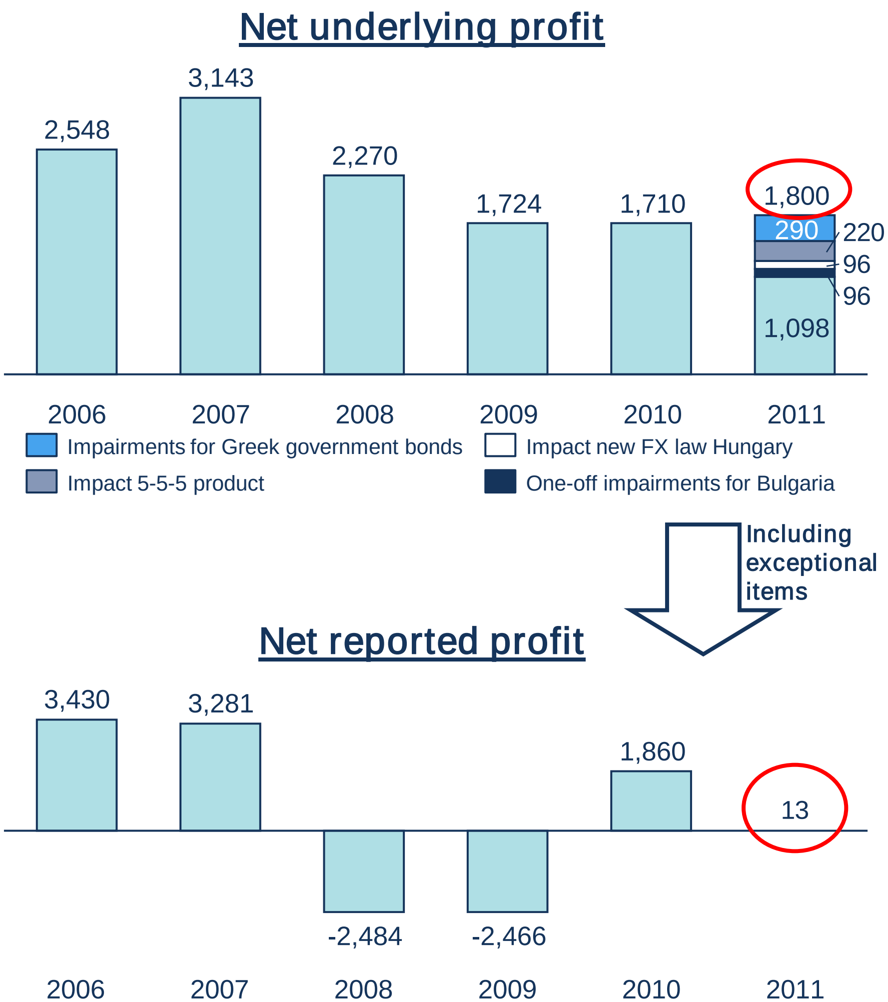
Core earnings power intact, with a significantly reduced risk profile (trading), despite drastic RWA reduction of 42bn EUR (excluding B2.5 impact) since the end of 2008

Amounts in m EUR for KBC Group

Section 2

FY 2011 Financial highlights

FY 2011 Group profit



Amounts in m EUR

- Net underlying profit of 1.1bn EUR in 2011
  - Good revenue generation (both NII and insurance result)
  - Strict cost management
  - Significantly higher impairments
  - Affected by 'one-offs' (Greek government bonds, 5-5-5 product, Hungary and Bulgaria)
- Adjusted for these 'one-offs', underlying net group profit amounted to 1.8bn EUR in 2011
- On top of that, net reported profit in 2011 was negatively impacted by:
  - 0.6bn EUR impairments on divestments
  - 0.4bn EUR unrealised losses on CDOs/MBIA
  - 0.3bn EUR M2M losses relating to ALM derivatives used for hedging purposes
  - 0.1bn EUR impairments on goodwill/ other

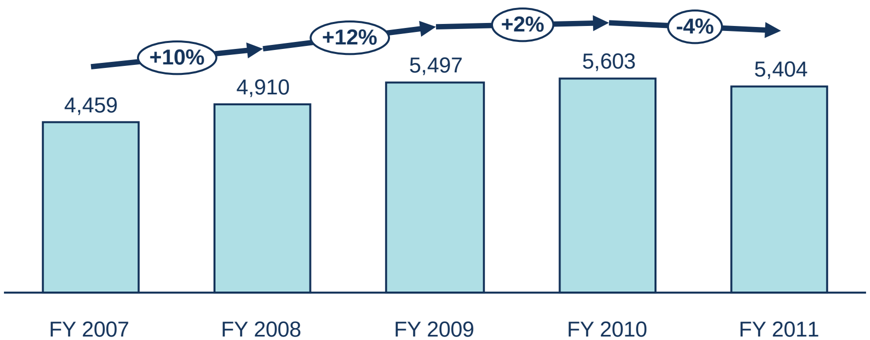
Highlights of underlying FY 2011 results

- Net underlying profit of 1.1bn EUR (1.8bn EUR adjusted for one-offs)
- Good level of net interest income thanks to a higher net interest margin (1.96% in 2011 compared to 1.92% in 2010)
- Increased sales of unit-linked products, offset by lower sales of ‘guaranteed interest’ products; Gross earned premiums for non-life increased by 5% y-o-y excluding Secura (which was sold during 2010). The combined ratio sharply improved to 92%
- Net fee and commission income decreased in line with the trend in assets under management given investors’ reduced risk appetite and the negative price trend
- 40% lower trading and fair value income
- Lower operating expenses (-3% y-o-y), reflecting divestments and deduction from the Hungarian banking tax related to the FX mortgage impairments. Excluding all one-off items, operating expenses rose by 3% y-o-y due to inflation-linked expenses
- Lower loan loss provisions, despite ‘one-off’ impairments for Hungary (FX law) in 2H11 and Bulgaria in 3Q11. Consistently low level in the Belgium BU, and lower loan loss provisions in the Merchant Banking BU (both including and excluding Ireland) and Group Center
- Comfortable capital and solid liquidity position

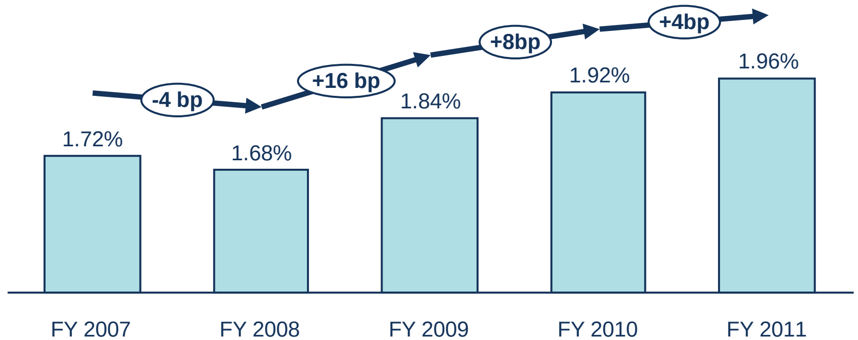
Good level of net interest income

Underlying performance

Net Interest Income



Net Interest Margin



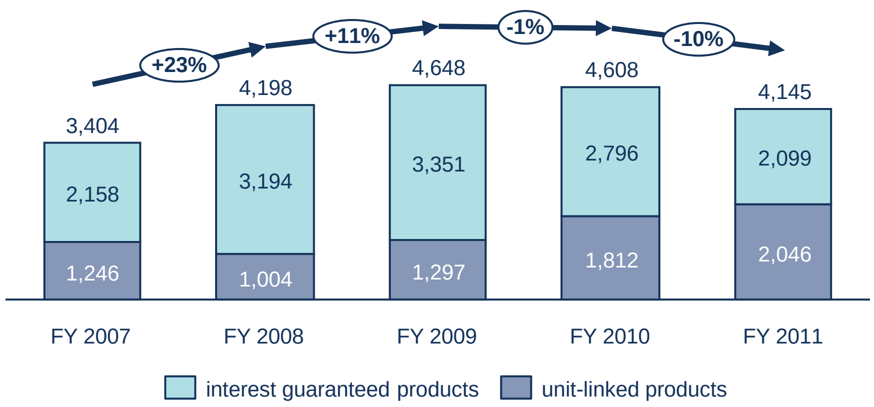
- Net interest income from lending and deposit-taking of 5.4bn EUR, down by 4% y-o-y, largely due to divestments (Centea and Secura) and the reduced government bond portfolio. Excluding Centea and Secura, net interest income fell 2% y-o-y. Customer deposits were down by 14% y-o-y for the group due to outflows of corporate and institutional investors outside core markets linked to EUR-zone and Belgium risk aversion (fully situated in Merchant Banking), with Belgium posting a 5% growth and CEE 4%
- Higher loan volumes compared to year-earlier level (+2%). Increase in volume of Belgian and CEE retail loans (+6% y-o-y) partly offset by intentional scaling down in Russia and international corporate loan book

Amounts in m EUR

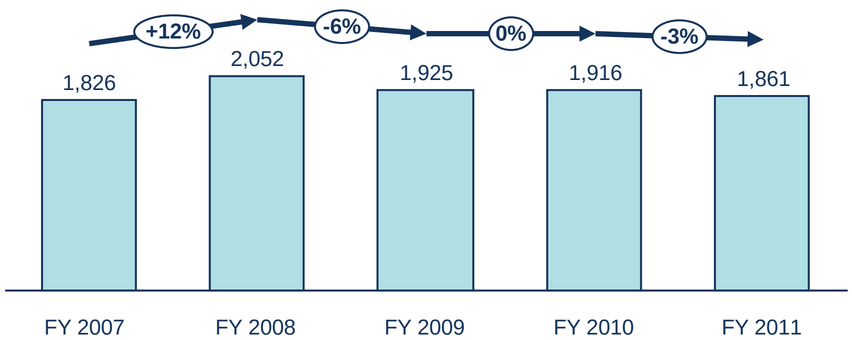
Insurance business – premium trend

Underlying performance

Sales – Life (gross written premium)



Gross Earned Premium – Non-Life

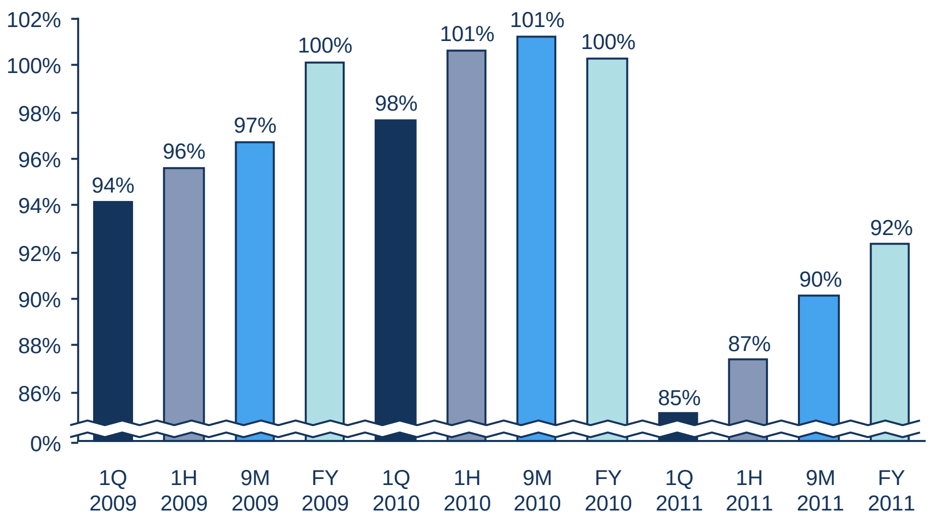


- Increased sales of unit-linked products, offset by lower sales of ‘interest guaranteed’ products
- Gross earned premiums for non-life decreased by 3% year-on-year, but increased by 5% y-o-y excluding Secura (which was sold during 2010)

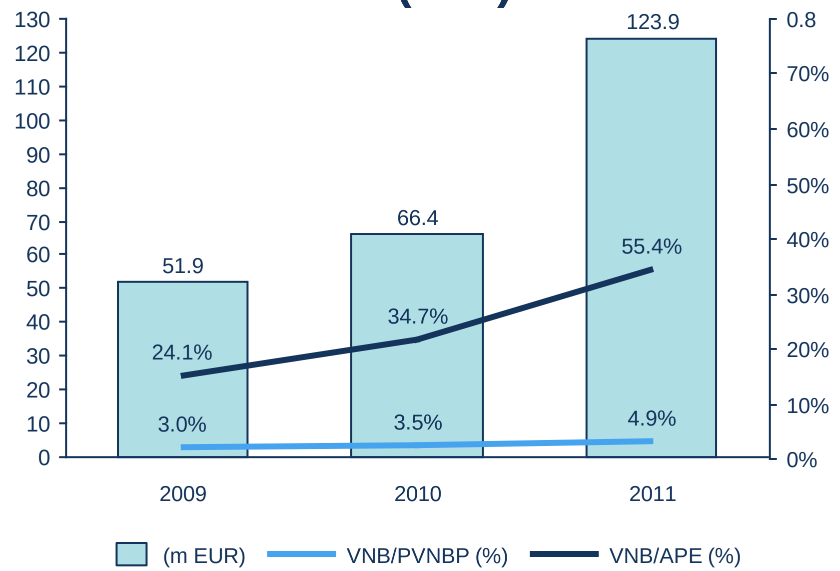
Amounts in m EUR

Excellent combined ratio and VNB

Combined ratio (Non-Life)



VNB (Life)*



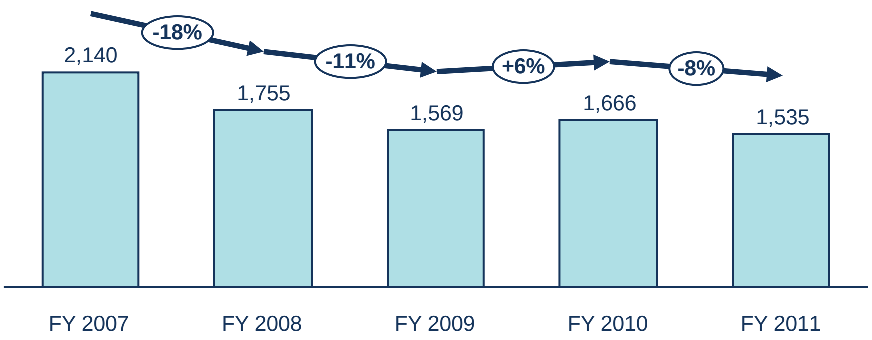
- Thanks chiefly to a relatively low claims level, the non-life combined ratio for the full year 2011 stood at a very good 92% (with the Belgium BU being the main driver), a significant improvement on the 100% recorded for FY2010
- VNB rose by 86% y-o-y to 124m EUR thanks to more profitable business such as unit-linked and term insurance contracts

* Around 24% of the total VNB is generated through the inclusion of the expected future profits arising form the management of unit-linked funds by KBC Asset management
- VNB = Value of New Business = present value of all future profits attributable to the shareholders from the new life insurance policies written during the year
- VNB/PVNBP = VNB at point of sale compared to the Present Value of New Business Premiums. This ratio reflects the margin earned on total premiums
- VNB/APE = VNB at point of sale compared to the Annualised Premium Equivalent. This ratio reflects the margin earned on recurrent premiums and 1/10th of single premiums

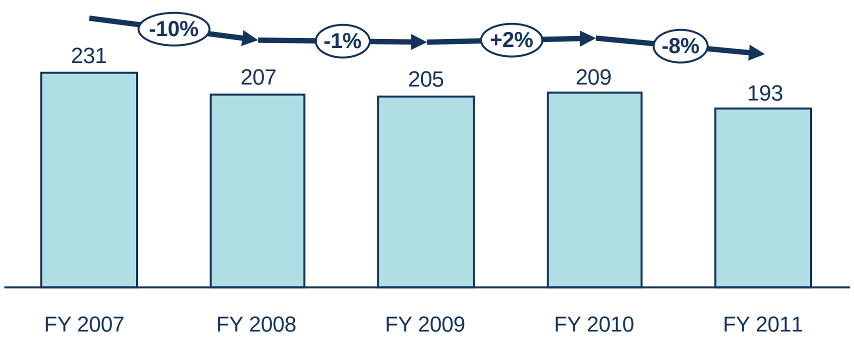
Lower net F&C income, in line with AuM

Underlying performance

Net Fee & Commission Income



Assets Under Management



Amounts in bn EUR

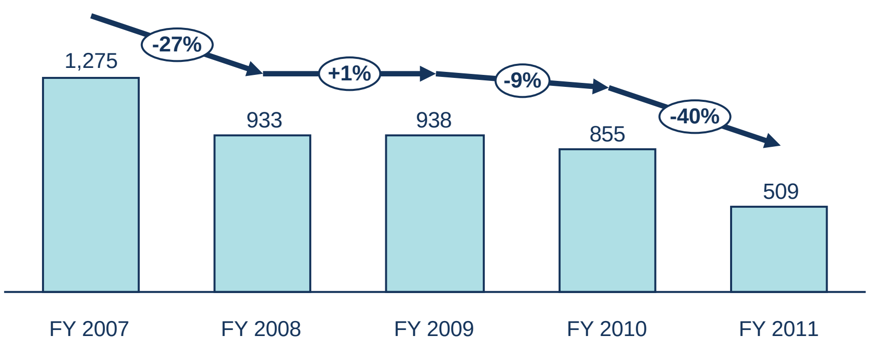
- Lower net fee and commission income, in line with the trend in assets under management
- Assets under management at 193bn EUR (-8% y-o-y, of which -5% due to net outflows and -3% due to the negative price trend): 138bn EUR in Belgium, 44bn EUR in European Private Banking (sale already announced) and 11bn EUR in CEE

Amounts in m EUR

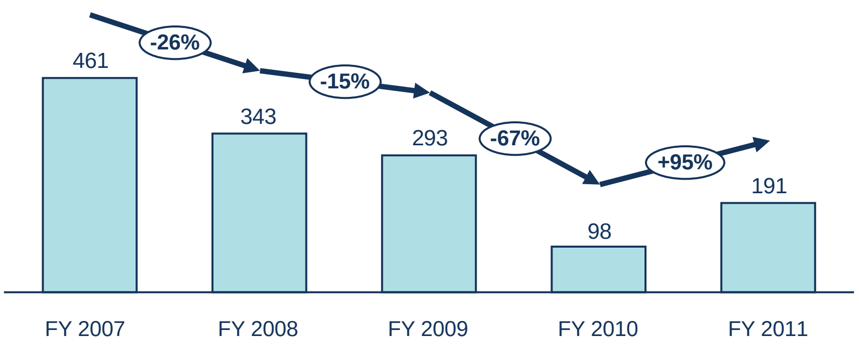
Lower trading and fair value income

Underlying performance

FV gains



Gains realised on AFS

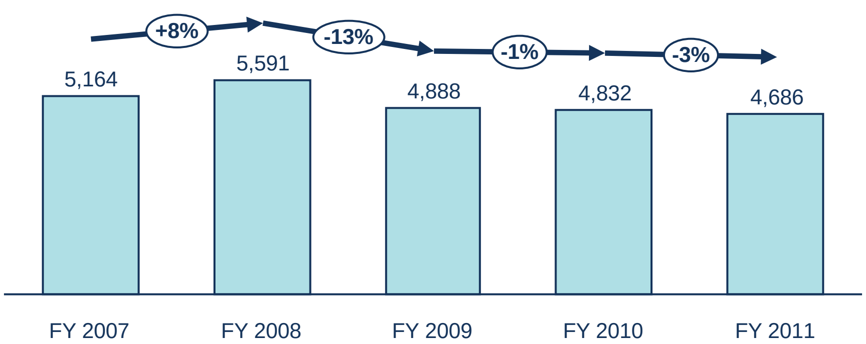


- Trading and fair value income 40% lower y-o-y, mainly driven by a lower contribution from entities to be divested, a negative CVA (Counterparty Value Adjustment) and lower dealing room results
- Sharply higher realised gains on available-for-sale investments, largely driven by the sale of government bonds

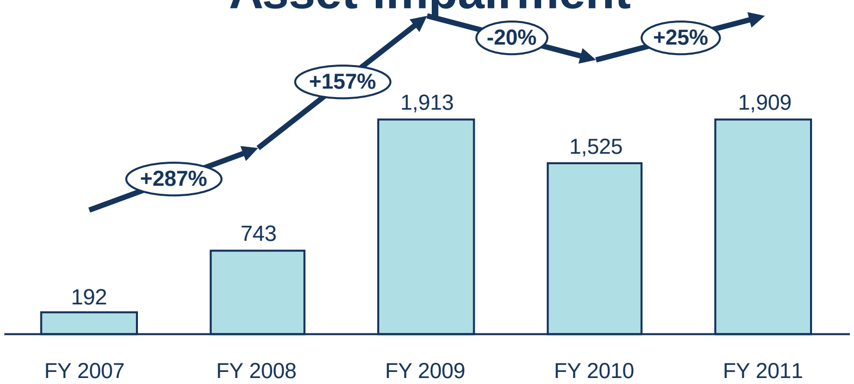
Amounts in m EUR

Costs contained, significantly higher loan loss provisions

Operating expenses



Asset impairment



- Lower operating expenses (-3% y-o-y), reflecting divestments and deduction from the Hungarian banking tax related to the FX mortgage impairments. Excluding all these and other one-off items, operating expenses rose by 3% y-o-y due to inflation-linked expenses
- Significantly higher impairments (+25% y-o-y), which can be explained mainly by the impairments on Greek government bonds, impairments on AFS shares in the Belgium BU, the one-off impairments in Bulgaria (in 3Q11) and Hungary (in 2H11) in the CEE BU

Amounts in m EUR

Loan loss provisions and credit cost ratio

Underlying performance

- Credit cost ratio fell to 0.82% (compared to 0.91% in 2010). The NPL ratio amounted to 4.9%
- Loan losses in Belgium remained at a low level
- Sharply higher loan losses in CEE (-137m EUR y-o-y), driven mainly by Bulgaria (-96m EUR in 3Q11 driven by the very illiquid domestic real estate market) and Hungary (-173m EUR impact of new law on FX mortgages in 2H11)
- Loan losses in Merchant Banking remained at a high level in 2011, mainly attributable to KBC Bank Ireland. Excluding Ireland, the credit cost ratio actually fell from 67 bps in 2010 to 59 bps in 2011

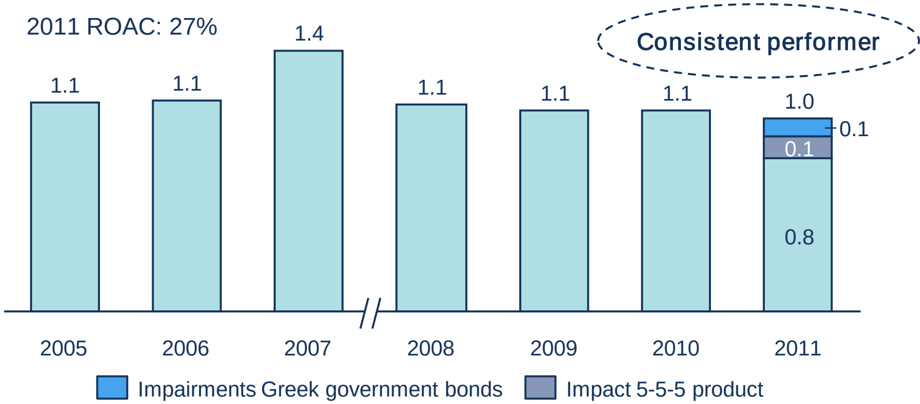
Credit cost ratio

	Loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY
		'Old' BU reporting			'New' BU reporting	
Belgium	**57bn**	0.13%	0.09%	0.17%	0.15%	0.10%
CEE	**30bn**	0.26%	0.73%	2.12%	1.16%	1.59%
CEE (excl. 2H11 one-offs)						0.69%
Merchant B. (incl. Ireland)	**53bn**	0.02%	0.48%	1.32%	1.38%	1.36%
Merchant B. (excl. Ireland)	**37bn**	0.02%	0.53%	1.44%	0.67%	0.59%
Total Group	**156bn**	**0.13%**	**0.46%**	**1.11%**	**0.91%**	**0.82%**

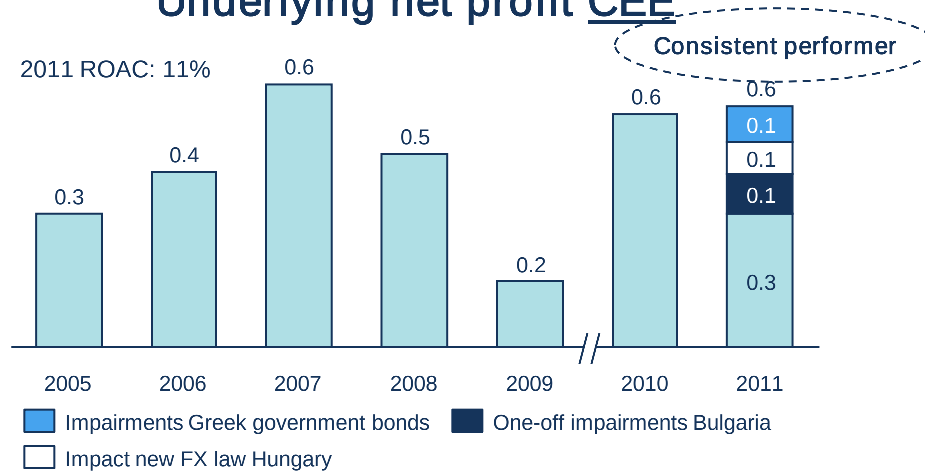
Satisfying FY results in home markets

Underlying performance

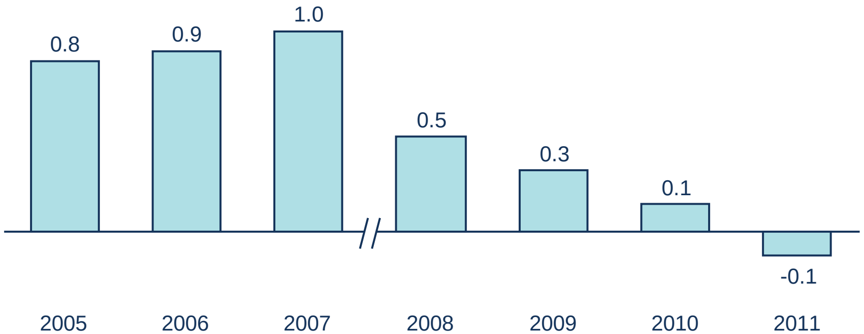
Underlying net profit Belgium (retail)



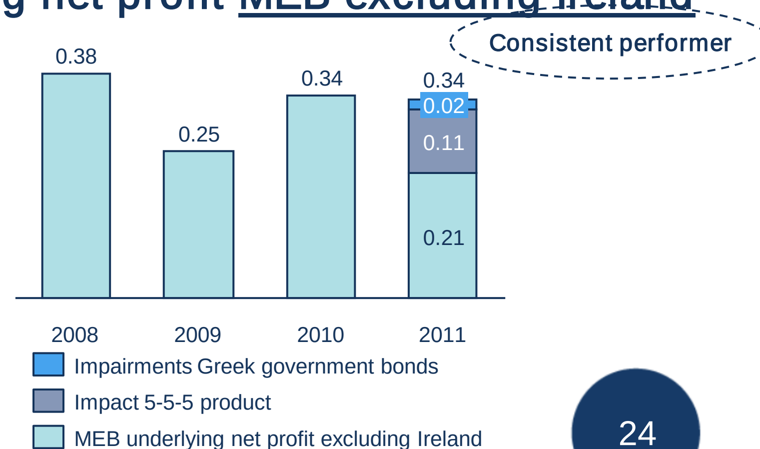
Underlying net profit CEE



Underlying net profit Merchant Banking (BE +Intl) (affected by Ireland)



Underlying net profit MEB excluding Ireland



Amounts in bn EUR

Market shares keep up well***

	BE*	CZ	SK	HU	BG
Loans and deposits	19%	20%**	10%	9%	3%
Investment funds	41%	31%	10%	20%	-
Life insurance	16%	13%	5%	3%	13%
Non-life insurance	8%	6%	2%	5%	13%

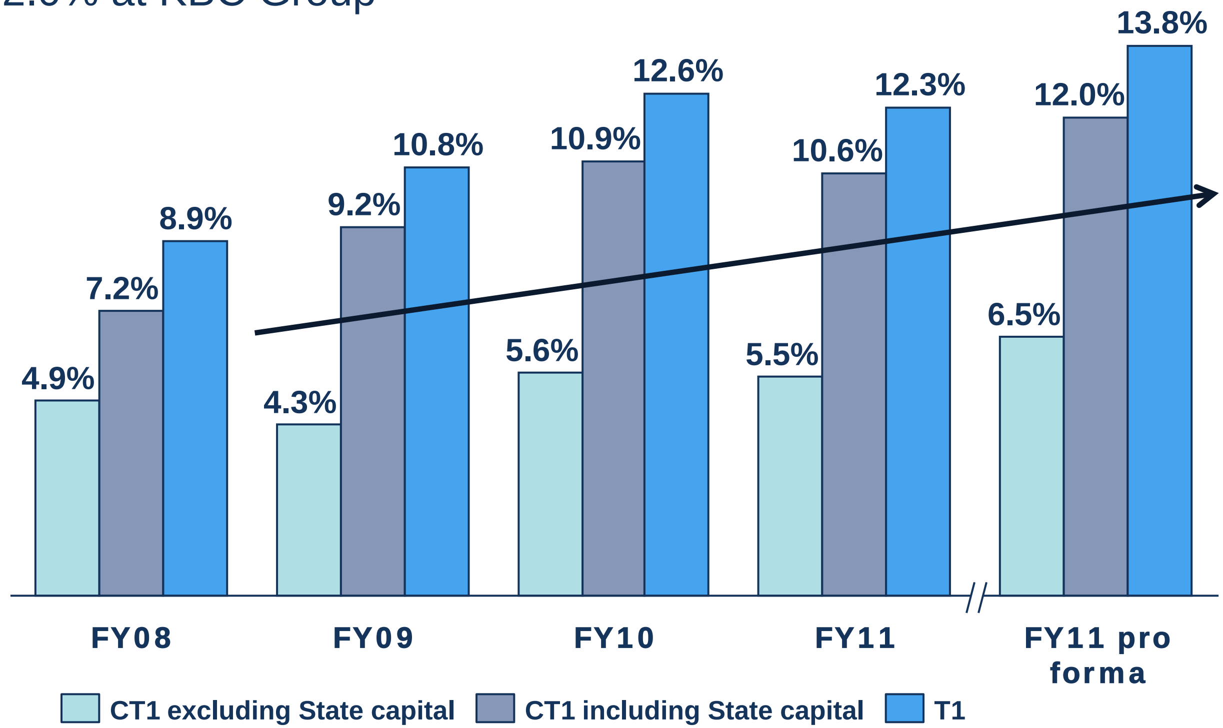
* Excluding Centea and Fidea
** Including 55% of the joint venture with CMSS
*** Market shares are based on preliminary figures

Section 3

Comfortable solvency and solid liquidity position

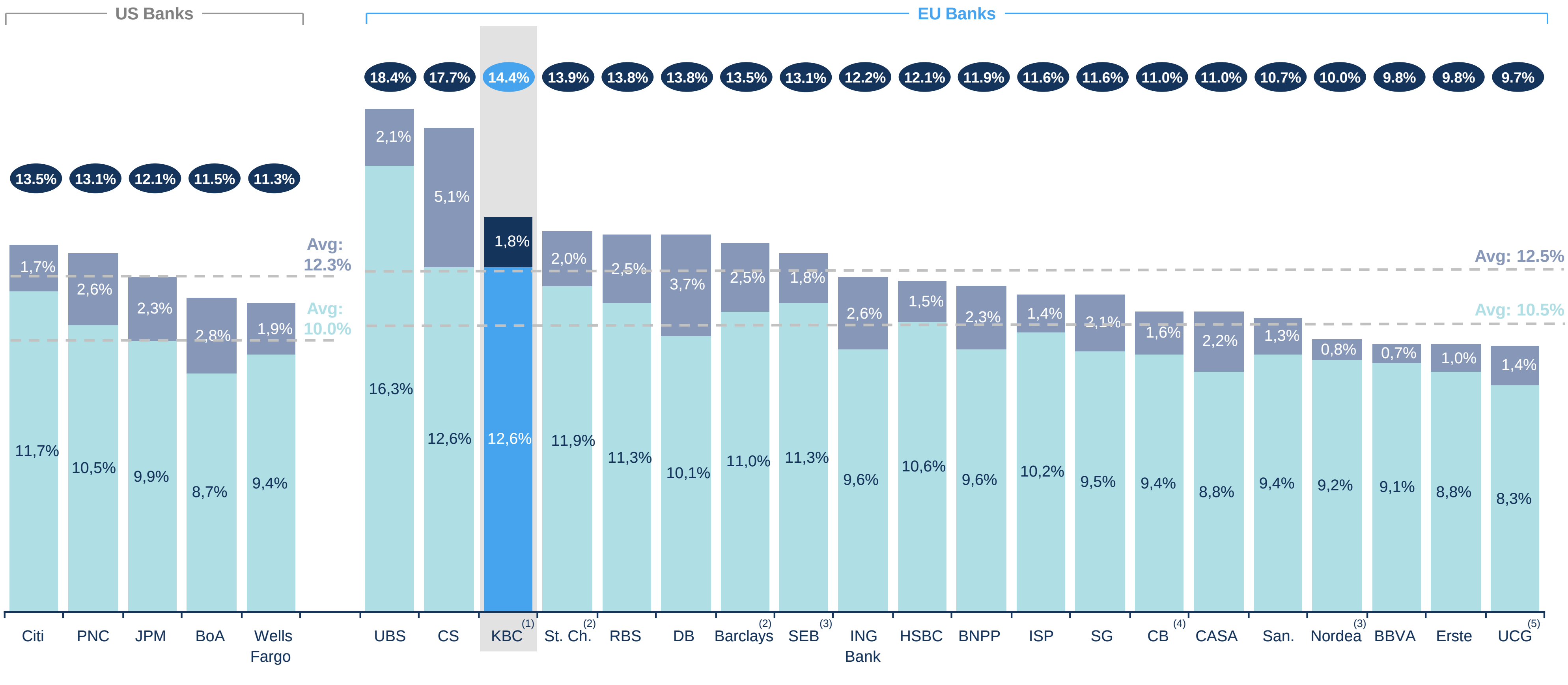
Comfortable capital position (1)

- Despite the RWA impact of B2.5 (roughly +6bn EUR RWAs) and the reimbursement of state aid (500m EUR at 15% premium), strong core tier-1 ratio of 10.6% at KBC Group as at the end of 2011
- Pro forma core tier-1 ratio – including the effect of divestments for which a sale agreement has been signed – of 12.0% at KBC Group



* FY11 pro forma CT1 includes the impact of divestments already signed

Favourable peer group comparison



Source: Company filings, BoAML, SNL as of **Sep-11**

(1) Including state capital and pro-forma of divestments signed as of 10-Nov-11. Non-proforma CT1 and T1 ratios are equal to 11.7% and 13.6% respectively.

(2) As of Jun-11.

(3) Including transition rules.

(4) Including silent participation.

(5) Excluding CASHES, before capital increase announced in Nov-11.

Comfortable capital position (2)

- Strong tier-1 ratio of 12.3% (13.8% pro forma) at KBC group as at end 2011 comfortably meets the minimum required tier-1 ratio of 11% (under Basel 2)

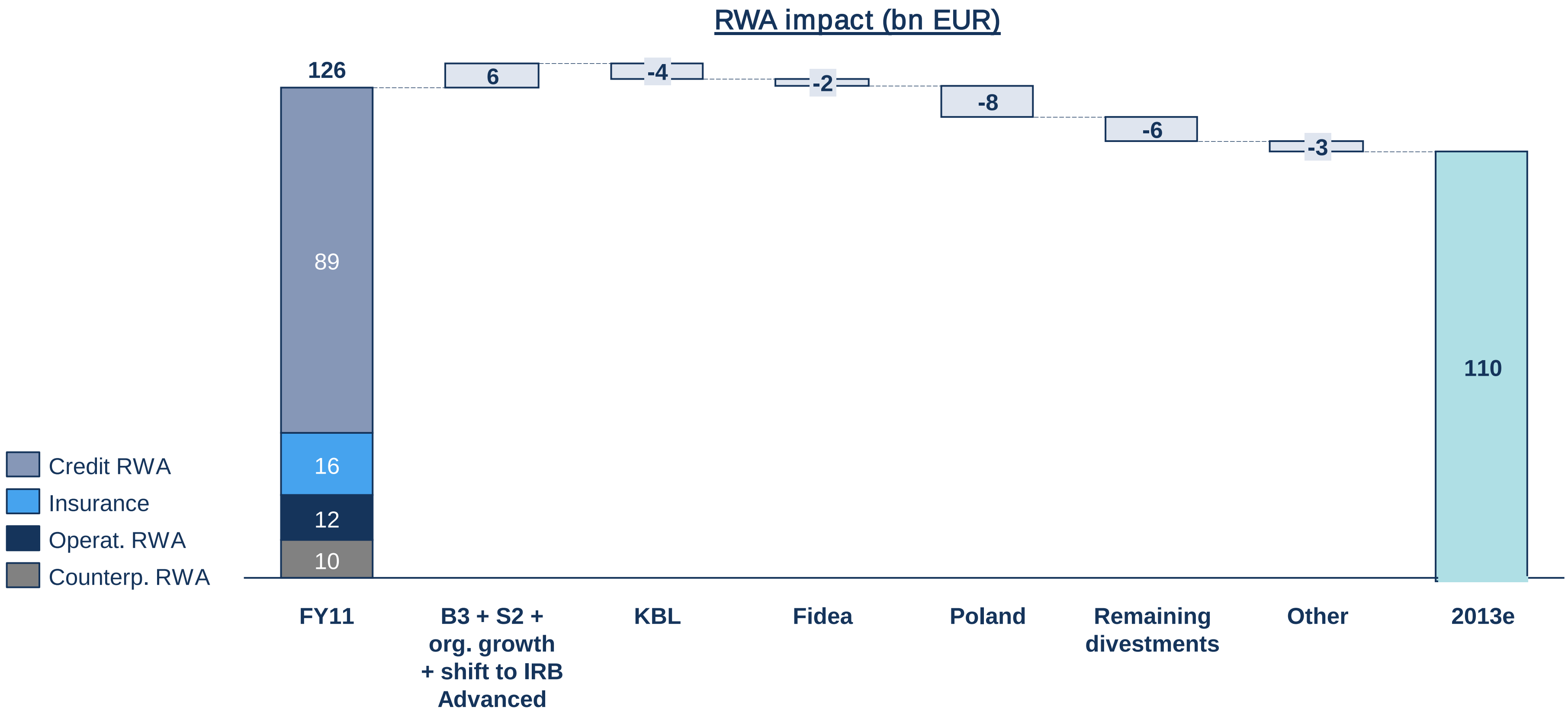
- Both KBC Group and KBC Bank meet the 9% core tier-1 threshold under the EBA definition (capital position as per 30 September 2011 according to B2.5 and adjusted to take account of the sovereign exposures marked down (at 30 September 2011))

- KBC agreed with the European Commission on the extension of the target date for the divestment of Antwerp Diamond Bank and KBC Germany and clarified the repayment intention of the principal of the YES at minimum 4.67bn EUR by the end of 2013

- The Belgian regulator confirmed to us that the YES (Yield Enhanced Securities) will be fully grandfathered as common equity under the current CRD4 proposal

- First 500m EUR repayment to the Federal Government in January 2012 at 15% premium. Working towards further repayment(s) in 2012

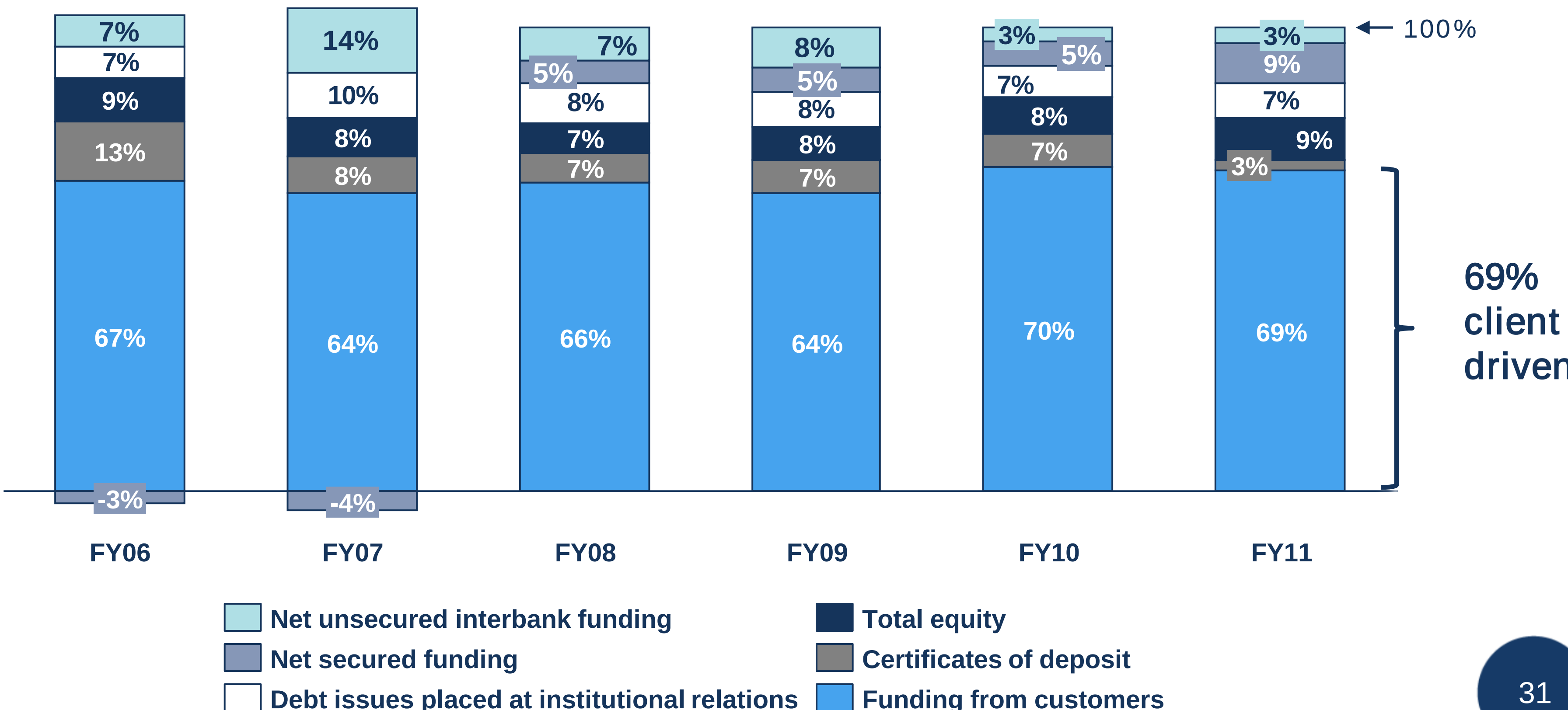
Estimated RWA at the end of 2013



- Taking into account the sale of our Polish entities, the lower-than-initially-estimated impact on RWA of CRD3, B3 and Solvency2, the reduction in RWA due to the shift from IRB Foundation to IRB Advanced and lower-than-expected organic growth, we estimate that RWA will amount to110bn EUR at the end of 2013

A solid liquidity position (1)

- In its core markets, KBC Bank further strengthened its retail/corporate deposit base – together with the overall decrease in funding needs, this kept the funding mix stable with a very large part of the funding attracted from core customer segments & markets



A solid liquidity position (2)

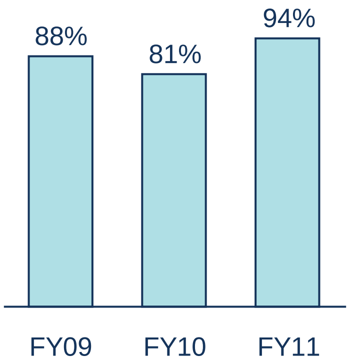
- No immediate need to issue new benchmarks/term debt in the next quarters given that
  - Our total mid/long-term funding (20bn EUR) only represents 7% of total assets/funding (which is relatively limited) – with only limited amounts maturing each year
  - Long-term funding needs decrease as actions to reduce RWA continue
  - KBC made use of the ECB-LTRO for a total amount of 3.3bn EUR (3y maturity), of which 3.2bn EUR for KBC Bank Ireland – mostly with underlying Irish collateral to decrease the dependency of the Irish subsidiary on intragroup funding. Future use of LTRO is being considered in order to further enhance the funding maturity structure. In addition, we drew 4bn USD* on short term ECB facilities to hedge our USD exposure
  - KBC has increased the amount of mid-term/long-term funding attracted from its retail customer base. As such, we have attracted 6.7bn EUR LT funding in 2011 from our retail customers (funding with term > 1 year apart from other stable retail funding)
- A regulation for the issuance of covered bonds is expected to be approved soon in Belgium

* Of which 2bn USD in January 2012

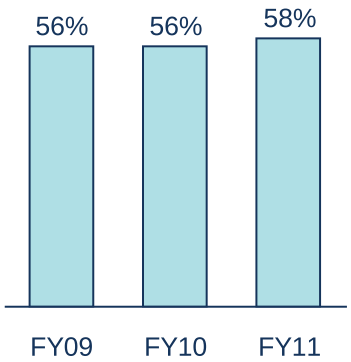
A solid liquidity position (3)

- LTD ratio of 94% at KBC Bank at the end of 2011. The increase is the result of an outflow of some volatile short-term corporate and institutional deposits, mainly outside our core markets – as the result of the downgrade of our short-term rating by S&P and the risk aversion towards the European market in general. Outflows were seen in the first weeks after the downgrade, but have stabilised and even recovered slightly since then. **Corporate/retail deposit base in our core markets remained very stable and showed further growth**

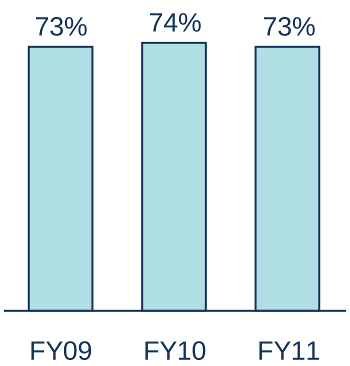
LTD ratio KBC Bank



LTD ratio Belgium BU*

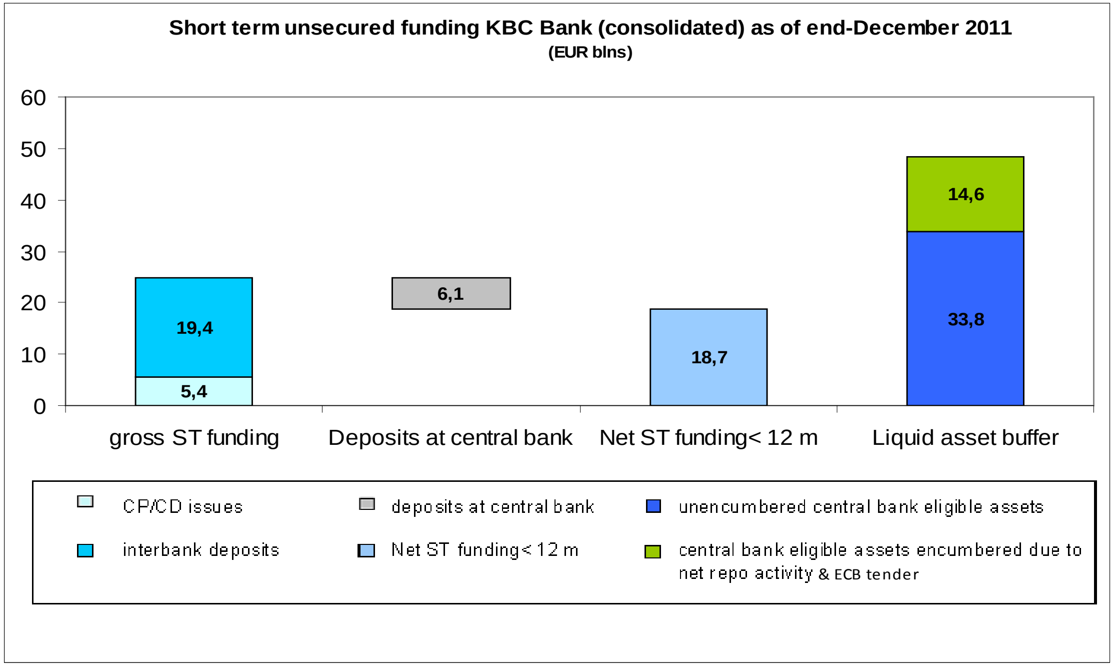


LTD ratio CEE BU**



* LTD ratio of Belgium BU is excluding Centea (retroactively adjusted)
** LTD ratio of CEE BU is excluding Kredyt Bank and Absolut Bank (to be divested items in Group Centre BU)

A solid liquidity position (4)



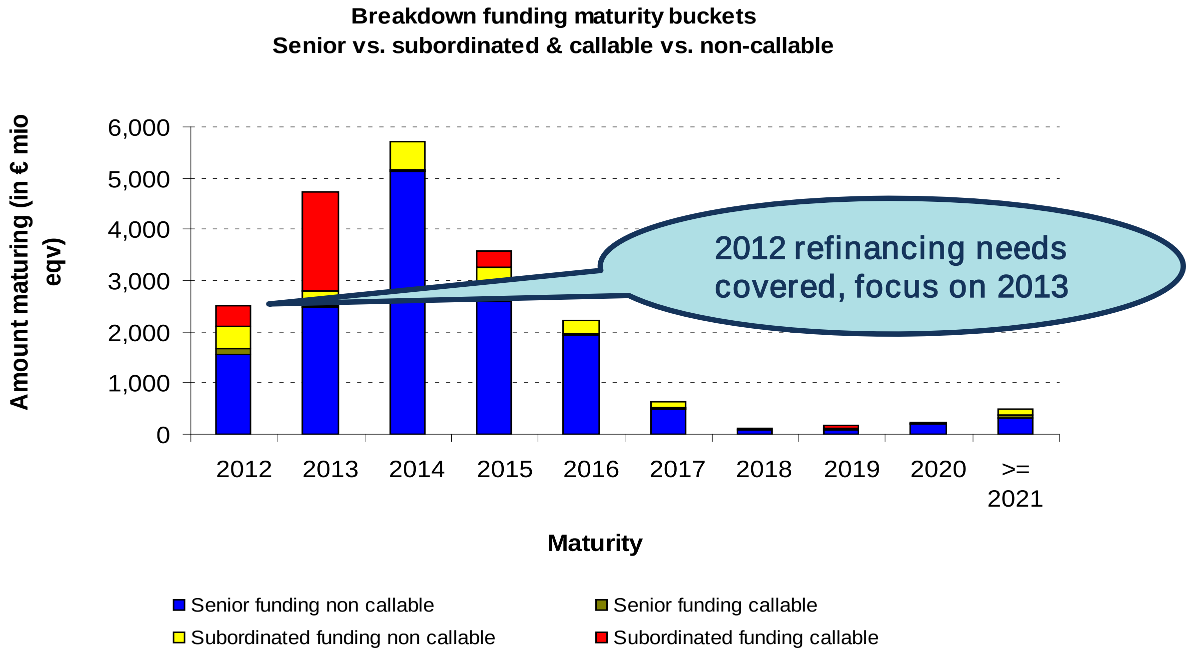
The liquid asset buffer decreased amongst others, as a result of reducing the exposure on Italian and Belgian government bonds

The total amount of unencumbered assets declined as more secured funding was attracted in market and from ECB to make sure that KBC had a sufficient buffer to cope with the possible impact of the rating downgrade

However, **the liquidity position remains strong** as:

- **Unencumbered assets are still more than enough to match the recourse on net short-term wholesale funding maturing in 1 year**
- **Funding coming from non-wholesale markets is very stable funding from our core customer segments in our home markets**

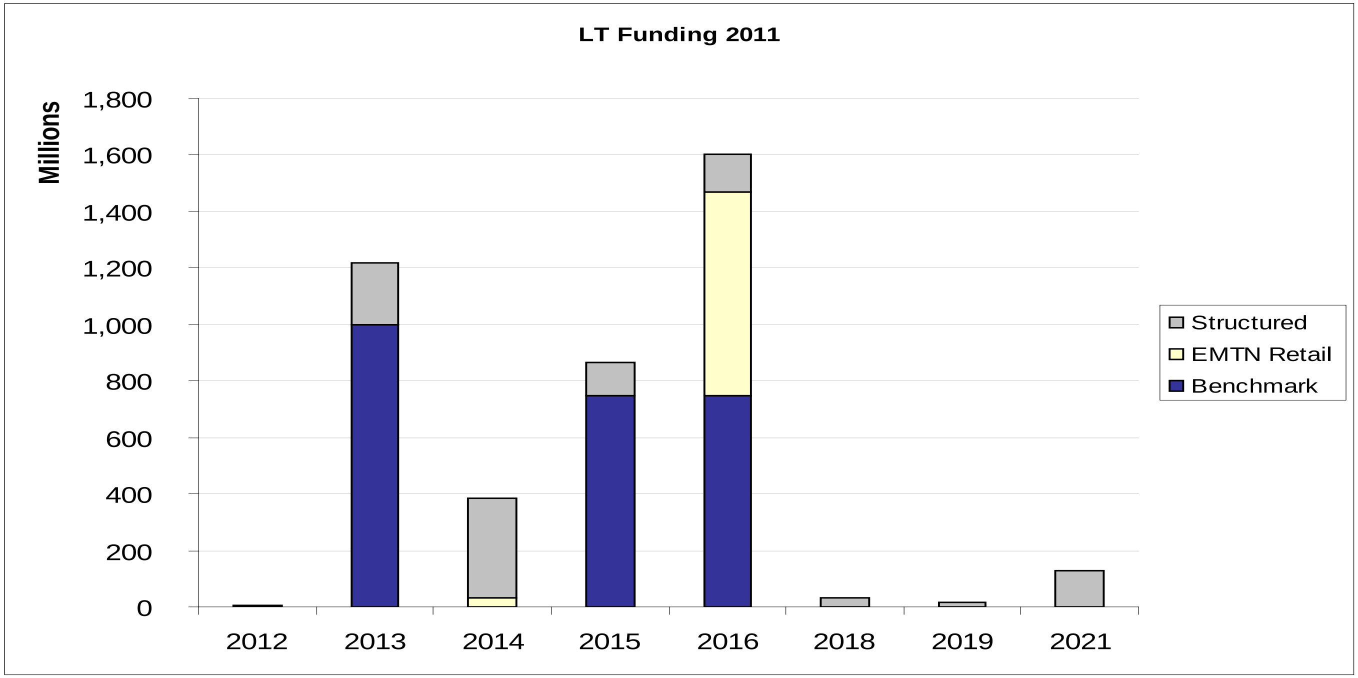
Upcoming mid-term funding maturities



- KBC Bank NV has 3 solid sources of EMTN Funding:
  - Public Benchmark transactions
  - Structured Notes using the Private Placement format
  - Retail EMTN
- A regulation for the issuance of covered bonds is expected to be approved soon in Belgium

Note that this graph does not include the ECB-LTRO for a total amount of 3.3bn EUR (3y maturity)

Overview of LT EMTN funding attracted in 2011 in wholesale and Belgian Retail market through KBC Ifima N.V.



- Using its EMTN programme (40bn EUR), KBC Bank NV - through KBC Ifima NV - raised 4.3bn EUR LT in 2011. This debt programme was updated on 13 July 2011
- KBC Bank NV also has a US MTN programme (10bn USD) available for structuring debt capital market transactions in the US. This debt programme was updated on 15 April 2011

Note that this graph does not include KBC's raised long-term retail funding through on-balance deposits and branch 23 products!

Section 4

Areas of attention

Effects of Greek assistance programme

- With regard to all Greek sovereign bonds it holds (also those maturing after 2020), KBC recorded impairments amounting to an additional 85m EUR pre-tax / 62m post-tax at *underlying* level in 4Q11 (on top of the 139m EUR pre-tax / 102m post-tax already recognised in 2Q11 and the 176m EUR pre-tax / 126m post-tax booked in 3Q11)

- *Calculation* method:
  - Both the AFS and HTM bonds are impaired to their fair value (market prices) as at 31 December 2011
  - **As a result, the carrying amount of Greek government bonds on 31 December 2011 was on average 29% of the nominal amount of these bonds**

- *Breakdown* of impairment *per business unit* at underlying level:

(m EUR)	Impairment on AFS	Impairment on HTM	Total pre-tax impairment	Total post-tax impairment
Belgium BU	-27	-5	-32	-21
CEE BU	-30	0	-30	-24
MEB BU	0	-4	-4	-3
GC BU	-11	-9	-19	-13
TOTAL	**-68**	**-17**	**-85**	**-62**

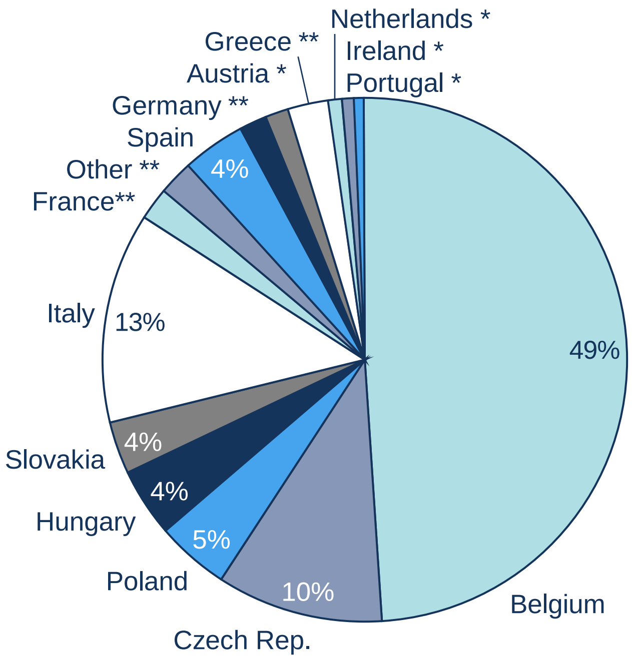
Amounts in m EUR

Government bond portfolio

- Notional investment of 51bn EUR in government bonds (excl trading book) at end 2011, primarily as a result of significant excess liquidity position and the reinvestment of insurance reserves into fixed income instruments

End 2009

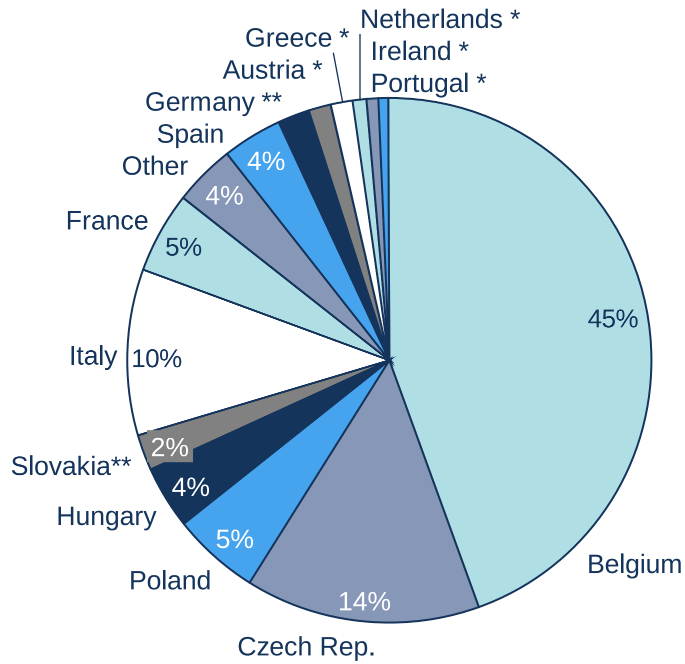
(58bn EUR notional)



(*) 1%, (**) 2%

End 2010

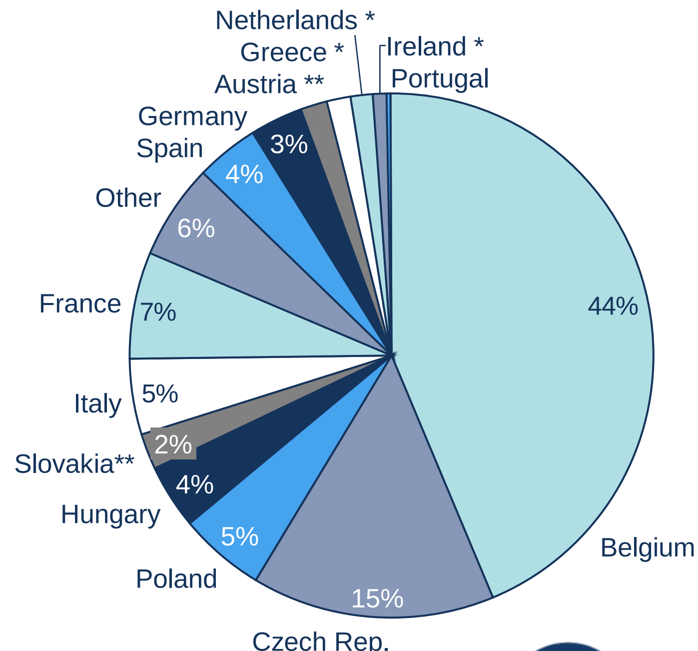
(60bn EUR notional)



(*) 1%, (**) 2%

End 2011

(51bn EUR notional)



(*) 1%, (**) 2%

Sensitivity analysis on government bond exposure at the end of 2011

Impact of a parallel upward shift of 10 bps in the government bond interest rate curves

(m EUR)	Impact on equity	Impact on P&L*	Weighted average duration (in years)
TOTAL	-123	-14*	4.7
- of which Belgium	-74	-13*	4.4

* The impact on P&L was largely eliminated as most of the government bonds classified as 'designated at fair value through profit or loss' are used to hedge the M2M effect of the interest rate swaps

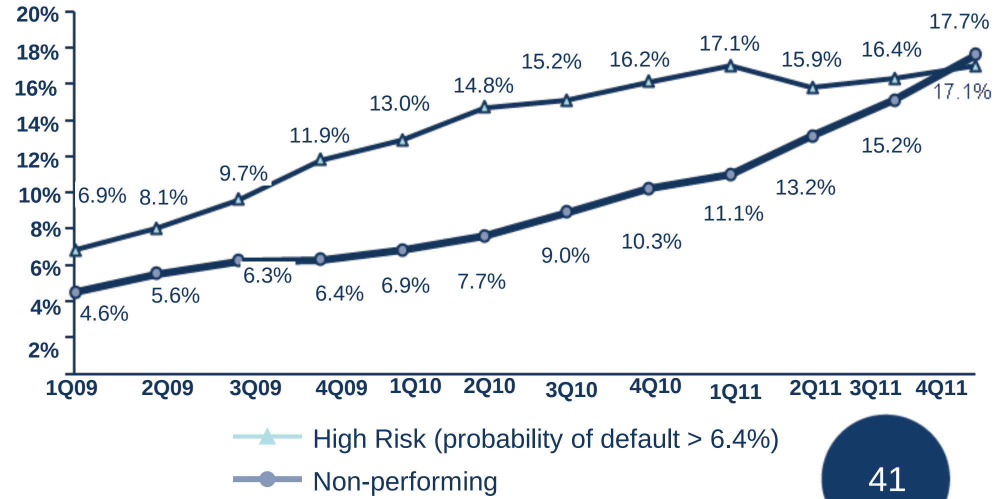
Ireland

- Loan provisions in 4Q11 of 228m EUR (510m EUR in FY11). The loss after tax in 2011 was 268m EUR
- The domestic economy weakened in late 2011 and is expected to remain challenging in 2012. Consumer and business sentiment and spending was hit by the poorer global backdrop and ongoing severe domestic austerity measures
- Unemployment appears to be stabilising at high levels as economic growth is subdued. The Irish economy continues to meet the EU/IMF programme targets and FDI into Ireland remains strong
- Residential mortgage arrears continue to deteriorate. New Personal Insolvency Bill presents a further challenge to Irish lenders
- In the absence of domestic liquidity, collateral values on commercial exposures remain depressed
- Successful retail deposit campaign with over 5,000 customers added in 2011, total retail deposits approach 1bn EUR
- Local tier-1 ratio strengthened to 11.0% at the end of 4Q11 through a capital increase (9.2% at the end of 3Q11)

Irish loan book – key figures December 2011

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.6bn	12.7%	27%
Buy to let mortgages	3.2bn	20.4%	37%
SME /corporate	2.0bn	17.9%	54%
Real estate investment	1.4bn	25.0%	50%
Real estate development	0.5bn	69.5%	82%
	16.7bn	17.7%	42%

Proportion of High Risk and NPLs



Hungary (1)

- The **underlying net loss** of K&H Group for FY11 (-19m EUR) is due to
  - the impact of FX mortgage repayment (173m EUR before tax / 140m EUR after tax)
  - 30% of the loan loss provisions on FX mortgages (as stated above) can be offset against the 2011 bank tax (62m EUR before tax / 51m after tax), leading to a net impact of the bank tax of 7m EUR before tax and 6m EUR after tax
- We strongly believe that K&H Group will be **profitable in 2012**
- Loan loss provisions in 4Q11 amounted to 116m EUR, of which 82m EUR related to the FX mortgage repayment (see details in annex 3). The credit cost ratio came to 4.38% in 2011 (or 1.75% excluding the impact of FX mortgage repayment)
- NPL rose to 10.5% in 4Q11 (9.4% in 3Q11), an increase attributable partly to underlying trend in retail lending and partly to a technical impact of FX repayment.
- FX mortgage repayment: participation rate amounted to approximately 30% (see details in annex 3).

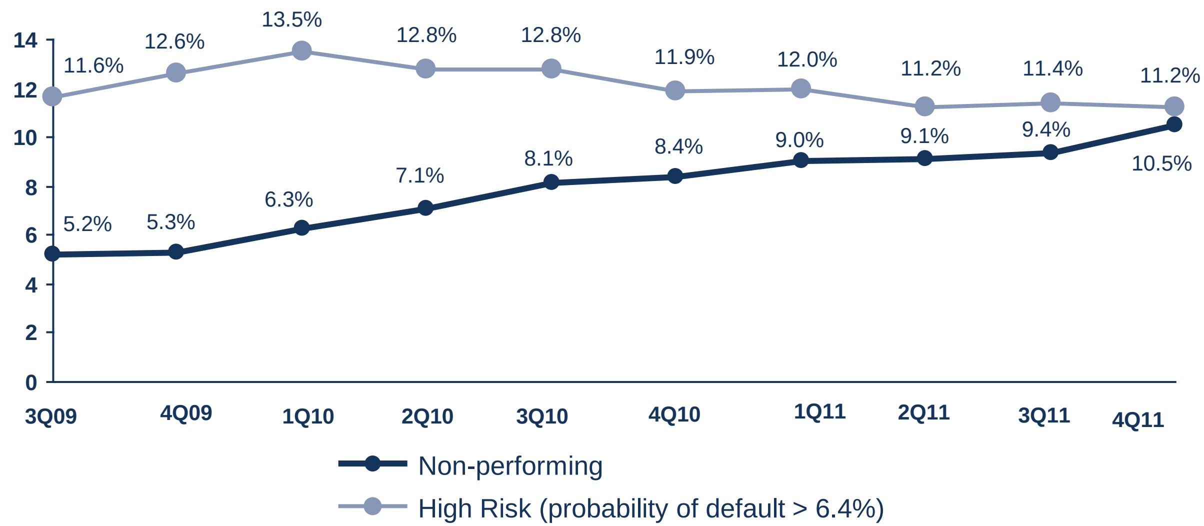
Hungary (2)

Hungarian loan book – key figures 31 December 2011

Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.8bn	8.1%	61%
Retail	2.9bn	12.8%	84%
o/w private	2.5bn	13.3%	85%*
o/w companies	0.4bn	9.8%	76%
	5.7bn	10.5%	75%**

* Includes the additional loan loss provisions of 70m EUR for the impact of FX mortgage repayment (expected to be realised in 1Q12)
** Excluding the loan loss provisions of 70m EUR, the NPL coverage ratio for Hungary would have been 63%

Proportion of NPLs



Update on outstanding* CDO exposure at KBC (end 2011)

Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- **Hedged portfolio** - **Unhedged portfolio**	10.9 6.4	-1.0 -4.1
TOTAL	**17.3**	**-5.1**

Amounts in bn EUR	**Total**
Outstanding value adjustments Claimed and settled losses - Of which impact of settled credit events	-5.1 -2.1 -1.8

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

	10%	20%	50%
Narrowing of spread	+0.1bn	+0.3bn	+0.8bn
Widening of spread	-0.1bn	-0.2bn	-0.5bn

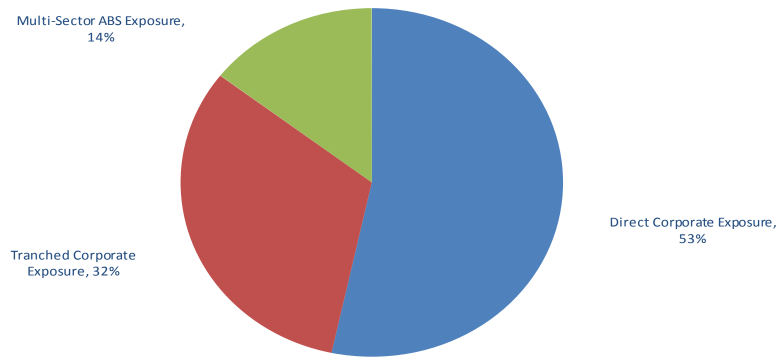
- The total notional amount remained roughly the same as in the previous quarter
- Outstanding value adjustments amounted to 5.1bn EUR at the end of 2011
- Claimed and settled losses amounted to 2.1bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a cumulative loss of 16% in the underlying corporate risk (approx. 86% 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 CDOs

** Taking into account the guarantee agreed with the Belgian State and a provision rate for MBIA of 70%

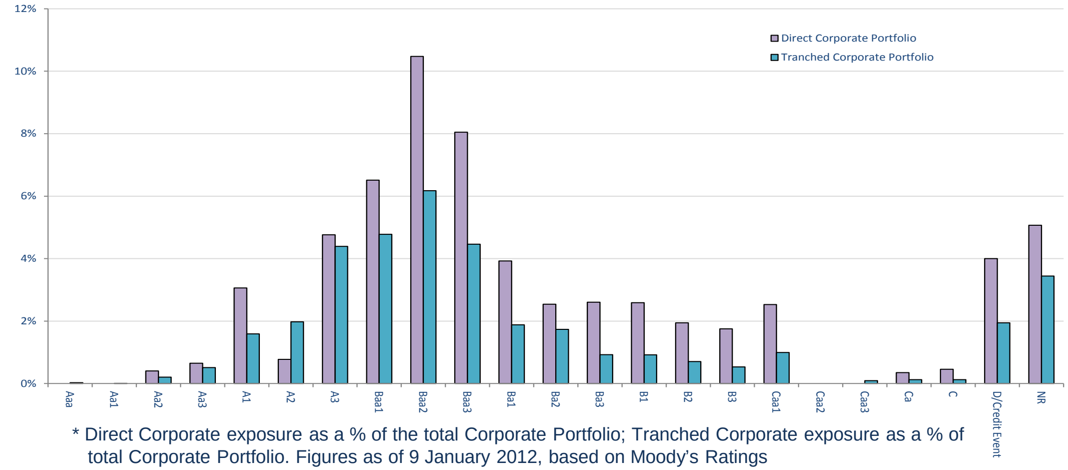
Breakdown of KBCs CDOs originated by KBC FP

Breakdown of assets underlying to KBCs CDOs originated by KBC FP*



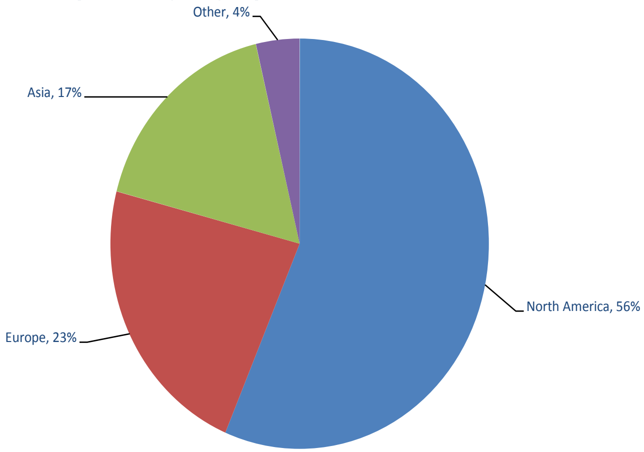
* % of total initial deal exposure; figures as of 9 January 2012

Corporate ratings distribution *



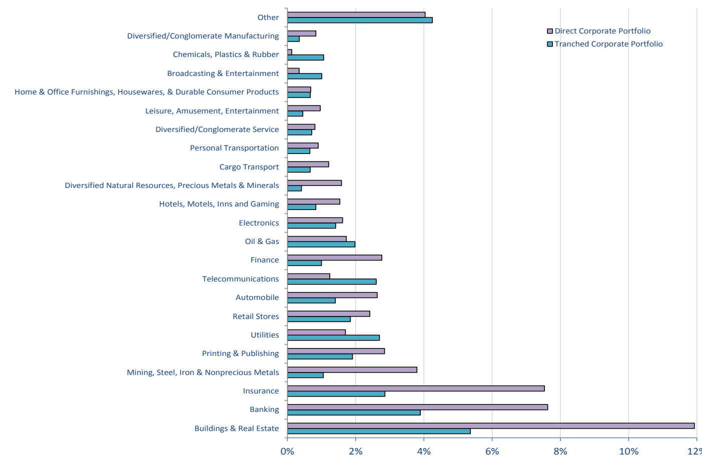
* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio. Figures as of 9 January 2012, based on Moody's Ratings

Corporate geographical distribution*



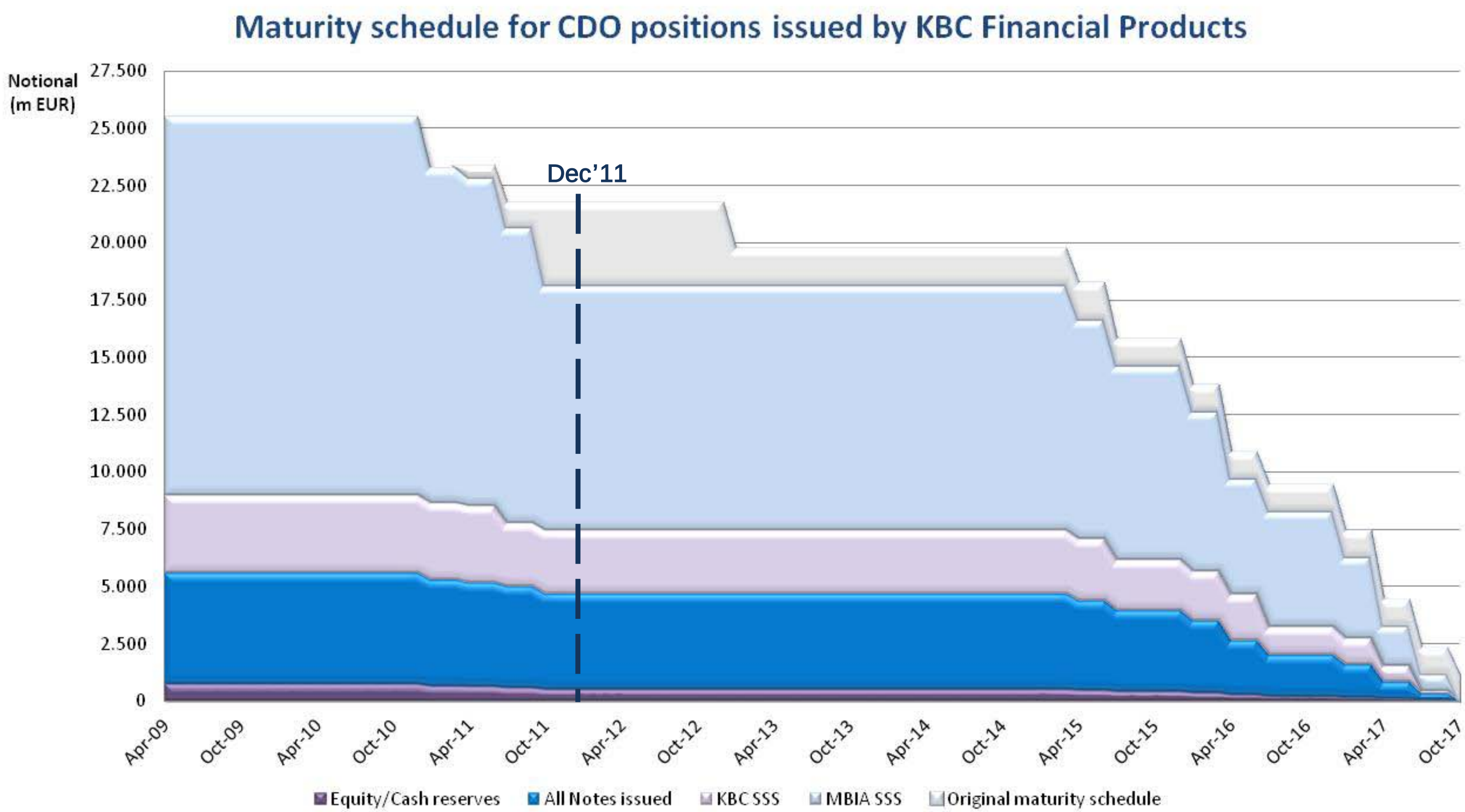
* Direct and Tranched Corporate exposure as a % of the total Corporate Portfolio; figures as of 9 January 2012

Corporate industry distribution*



* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio. Figures as of 9 January 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 13.9bn* euros' worth of CDO-linked instruments
  - Scope
    - CDO investments that were not yet written down to zero (3.0bn EUR) when the transaction was finalised
    - CDO-linked exposure to MBIA, the US monoline insurer (10.9bn EUR)
  - First and second tranche: 3.6bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 1.5bn EUR (90% of 1.6bn EUR) from the Belgian State
  - Third tranche: 10.3bn EUR, 10% of potential impact borne by KBC
  - Instrument by instrument approach

		Potential impact on *P&L* for KBC	Potential impact on *capital* for KBC
13.9bn - 100% 1st tranche	1.9bn	100%	100%
12.0bn - 86% 2nd tranche	1.6bn	100%	10% (90% compensated by equity guarantee)
10.3bn - 74% 3rd tranche	10.3bn	10% (90% compensated by cash guarantee)	10% (90% compensated by cash guarantee)

• Excluding all cover for expired, unwound or terminated CDOs

Summary of government transactions (2)

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

Section 5

Wrap up

Key Takeaways

- Decisive progress on divestments, with capital gains to come in 2012
- Further reduction of volatile elements: CDO, ABS, Southern European government bond exposure
- Underlying 4Q11 results were affected by one-off items (Greek government bonds, 5-5-5 bonds, Hungary) and situation in Ireland. Loan loss provisions in Ireland are estimated at roughly 200m EUR for the first quarter of 2012 and 500-600m EUR for the full year 2012
- Core profitability in home markets remains intact in difficult market
- Comfortable capital position bolstered by decision to propose only symbolic dividend of 0.01 EUR. Payment of coupon to Governments maintained
- KBC agreed with the European Commission on the extension of the target date for the divestment of Antwerp Diamond Bank and KBC Germany and clarified the repayment intention of the principal of the YES at minimum 4.67bn EUR by the end of 2013
- First 500m EUR repayment to the Federal Government in January 2012 at 15% premium. Working towards further repayment(s) in 2012
- Strong liquidity position in core countries. Overall liquidity position remains robust despite deposit outflows in the Merchant Banking BU (mainly in non-core activities)

For detailed 4Q11 results and 4Q11 results per Business Unit, please see analyst presentation (www.kbc.com)

KBC Group

2011 FY/4Q Results

Q&A

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