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Excellence in retail distribution: “Going the extra mile for customers in Belgium”

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**Excellence
goes beyond
numbers**

KBC Investor Lunch Meeting - London, 7 December 2007

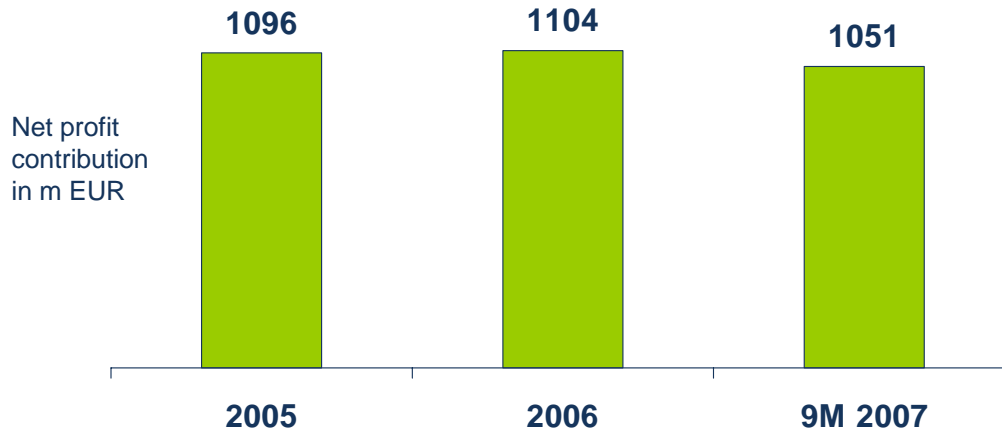
- ✓ Education:
 - Commercial Engineer Degree, Business Economics, University of Leuven (Belgium)
 - Master of Internal Auditing , University of Antwerp (Belgium)
- ✓ Previous positions:
 - 1984 Kredietbank, Brussels – various positions in internal audit, controlling & accounting
 - 1994 Kredietbank, Leuven Regional Office (Belgium) - Deputy Manager
 - 1996 Kredietbank, Brussels Head Office - Manager, Domestic Payments and E-Banking
 - 1997 Kredietbank - General Manager, Domestic Banking General Services
 - 1998 KBC, Brussels - General Manager, Payments and E-services
 - 2002 KBC - General Manager, Retail, Private Banking and E-services
- ✓ Present position:
 - 2006 Senior General Manager, Retail and Private Bancassurance Distribution (Belgium Business Unit)

Today's messages

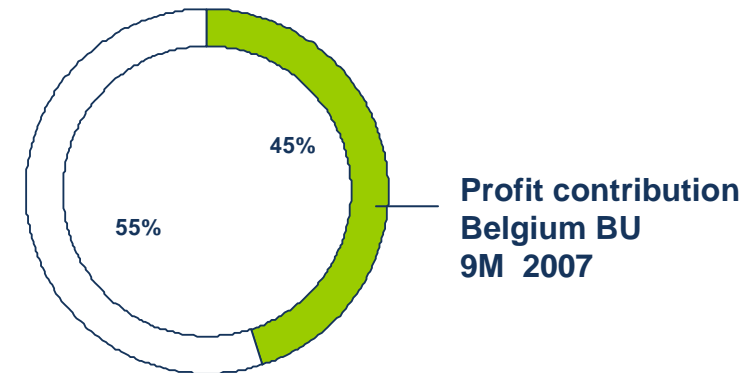
- ✓ Sound profitability in Belgium is highly driven by cross-selling while customer loyalty is a *sine qua non* of successful cross-selling
- ✓ With growing customer satisfaction and buoyant cross-selling results over the last few years, KBC has already set an excellent track record
- ✓ Recent initiatives – tailored to our ‘customer focus’ approach – will further tap the still high potential for cross-selling



Profitability level is high: return on allocated capital of ca. 30%



Belgium Business Unit generates ca. 45% of Group profit



Return on allocated capital

31%

29%

35%

Target >26%

Using Basel II capital methodology, as of 30 Sep 2007, risk-weighted assets were 38% lower, boosting the ytd return on allocated capital level to 43%

2001

2002

2003

2004

2005

2006

2007

2008

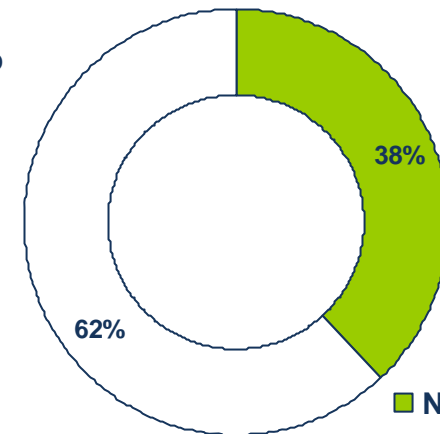
2009

We evolved from an efficiency-based strategy, which focused on the reduction of branches, FTE and business process costs

... to a growth-based strategy, with a focus on income growth

- ✓ NIM on RWA stands at 3.8%, while total income* margin on RWA - i.e. including non-interest income - equals 9.0%
- ✓ +/- 60% of income comes from cross-selling, mainly of insurance and asset management products
- ✓ Cross-selling is key to further growth (also to further growth of NII), while customer loyalty is a sine qua non of successful cross-selling

NII as part of Total Income* (9M 07, annualised)

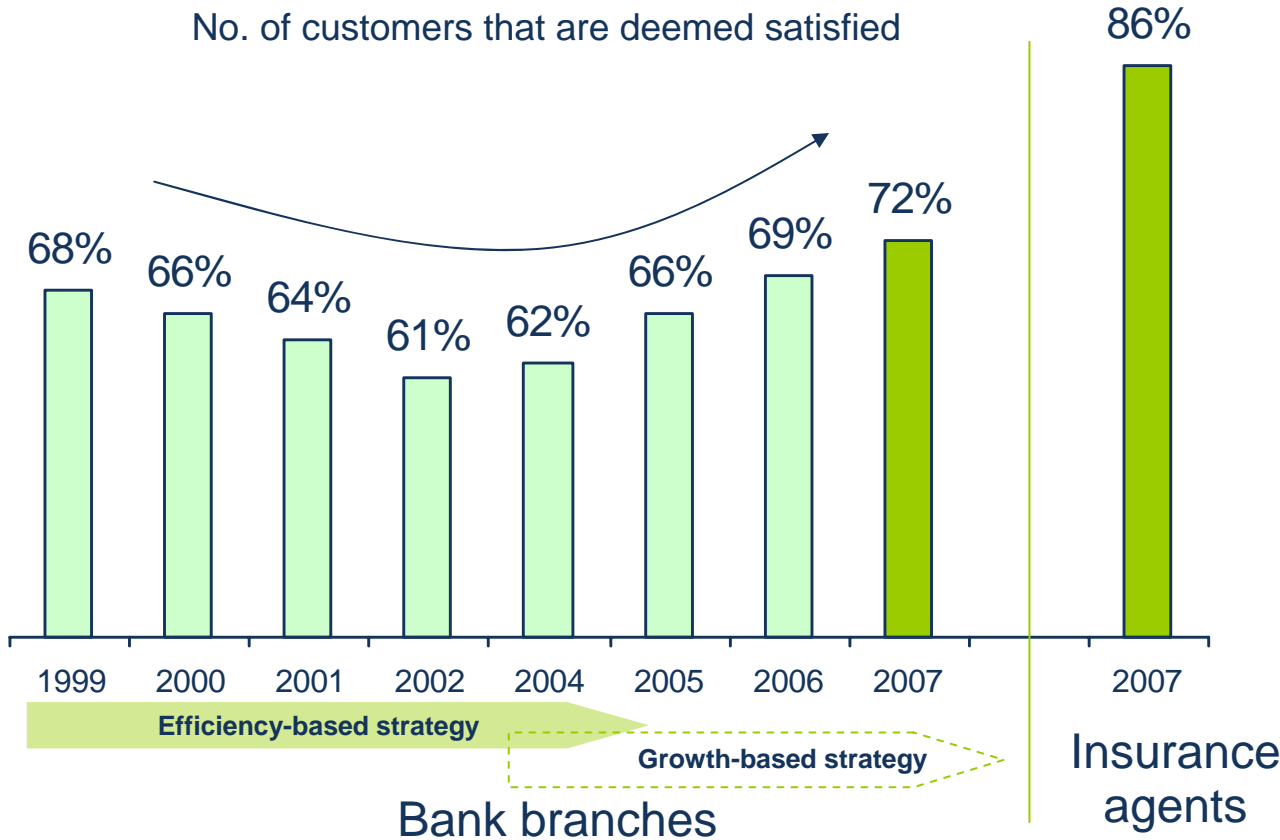


■ Net interest income
□ Non interest income

* Total income excl. technical results, insurance – FY 2006 figures

Results of customer satisfaction survey

No. of customers that are deemed satisfied



- ✓ Yearly survey, carried out by the external marketing research company *Significant*
- ✓ Customers are deemed satisfied if they give KBC a score of 8 or more out of 10
- ✓ For the insurance agents channel, the first survey was undertaken in 2007

Customer satisfaction at bank branches grows for the 4th consecutive year !

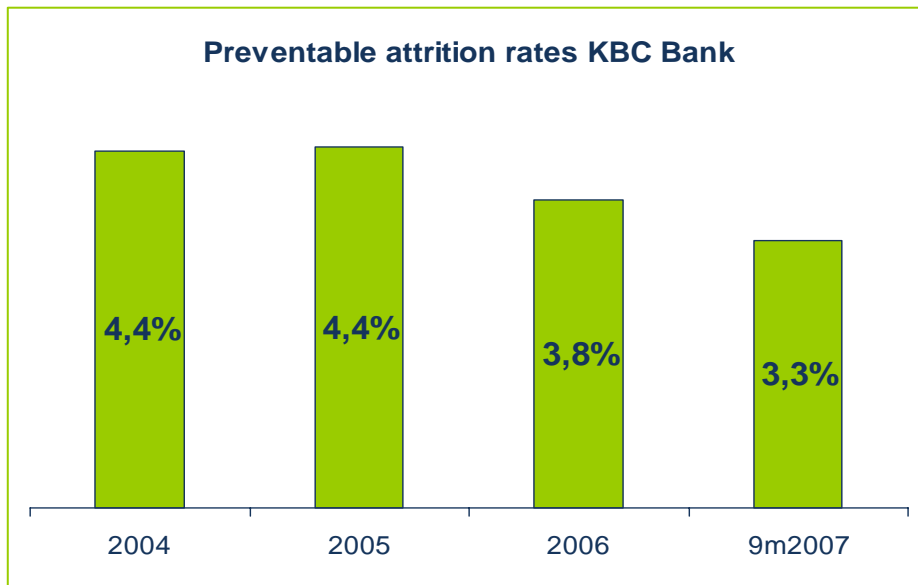


Proven performance: strong customer loyalty

Excellence goes beyond numbers

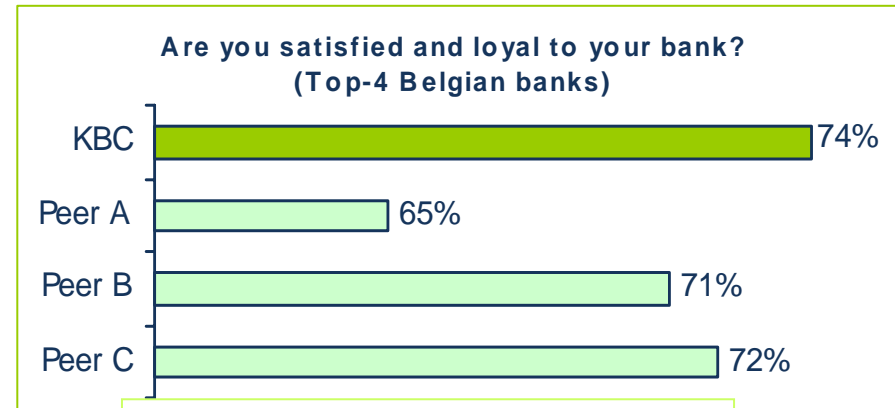
Lower attrition rates than other banks...

- ✓ In European retail banking, the average customer 'preventable' attrition rate stands at 4.5% (i.e. attrition for other reasons than by death, bankruptcy etc.)
- ✓ KBC's rate is below average (ca. 3.5%)



Source: Finalta Briefing, April 2007 and KBC Data

as KBC customers are more satisfied



Source: 'Strategic monitor private persons', 2006 research by Significant



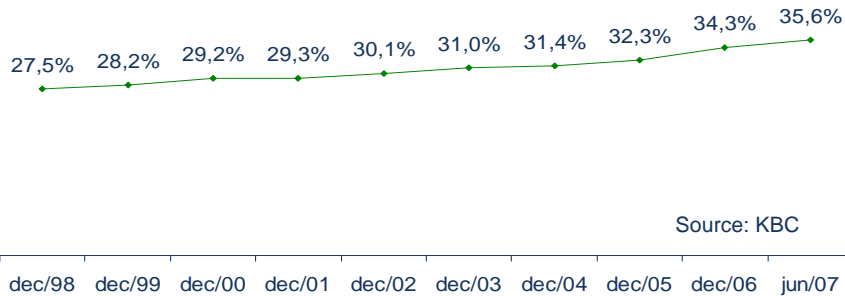
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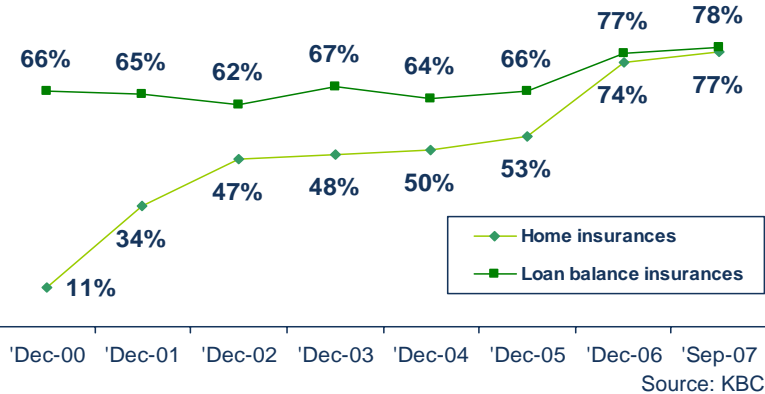
Distribution excellence: buoyant cross-selling results

Excellence goes beyond numbers

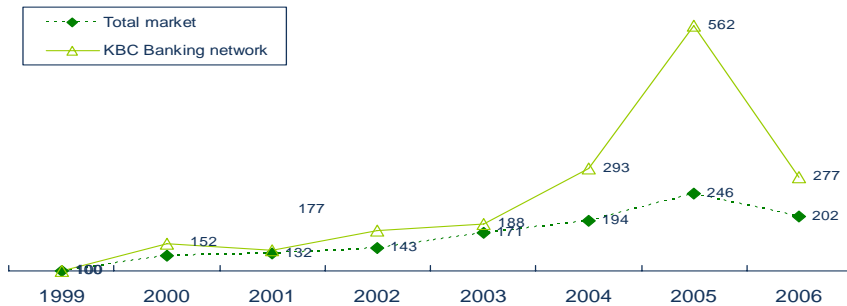
Market share mutual funds Belgium



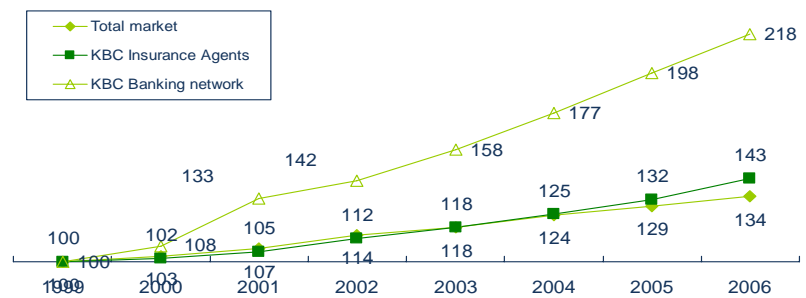
Cross-selling of mortgages +...



Premium income, life insurance (1999 = 100)



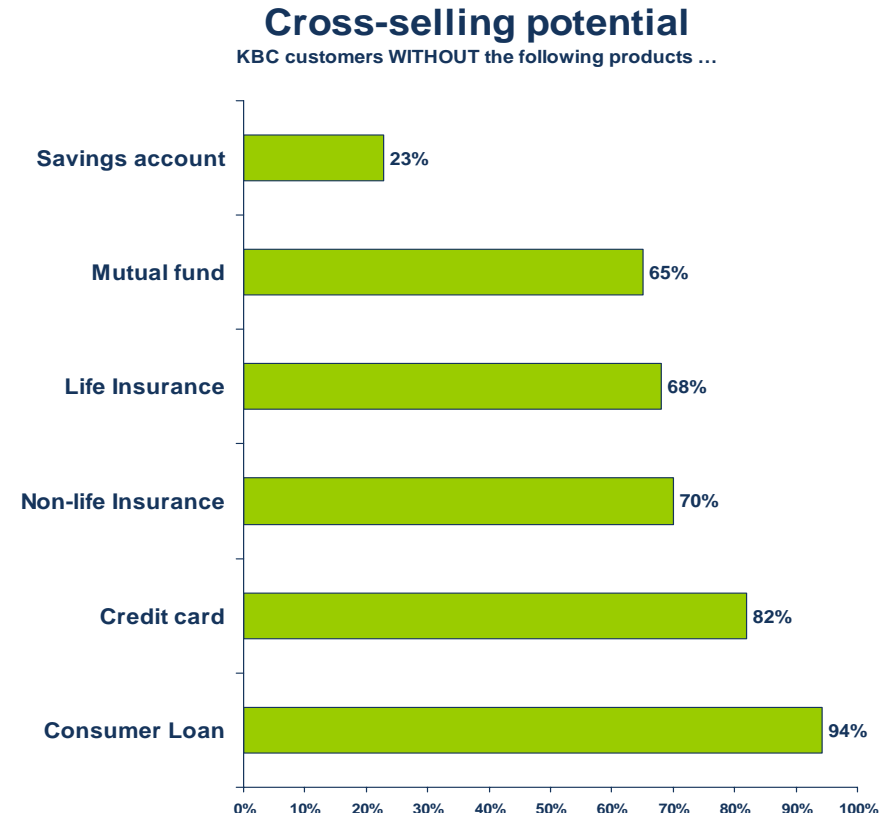
Premium income, non-life insurance (1999 = 100)



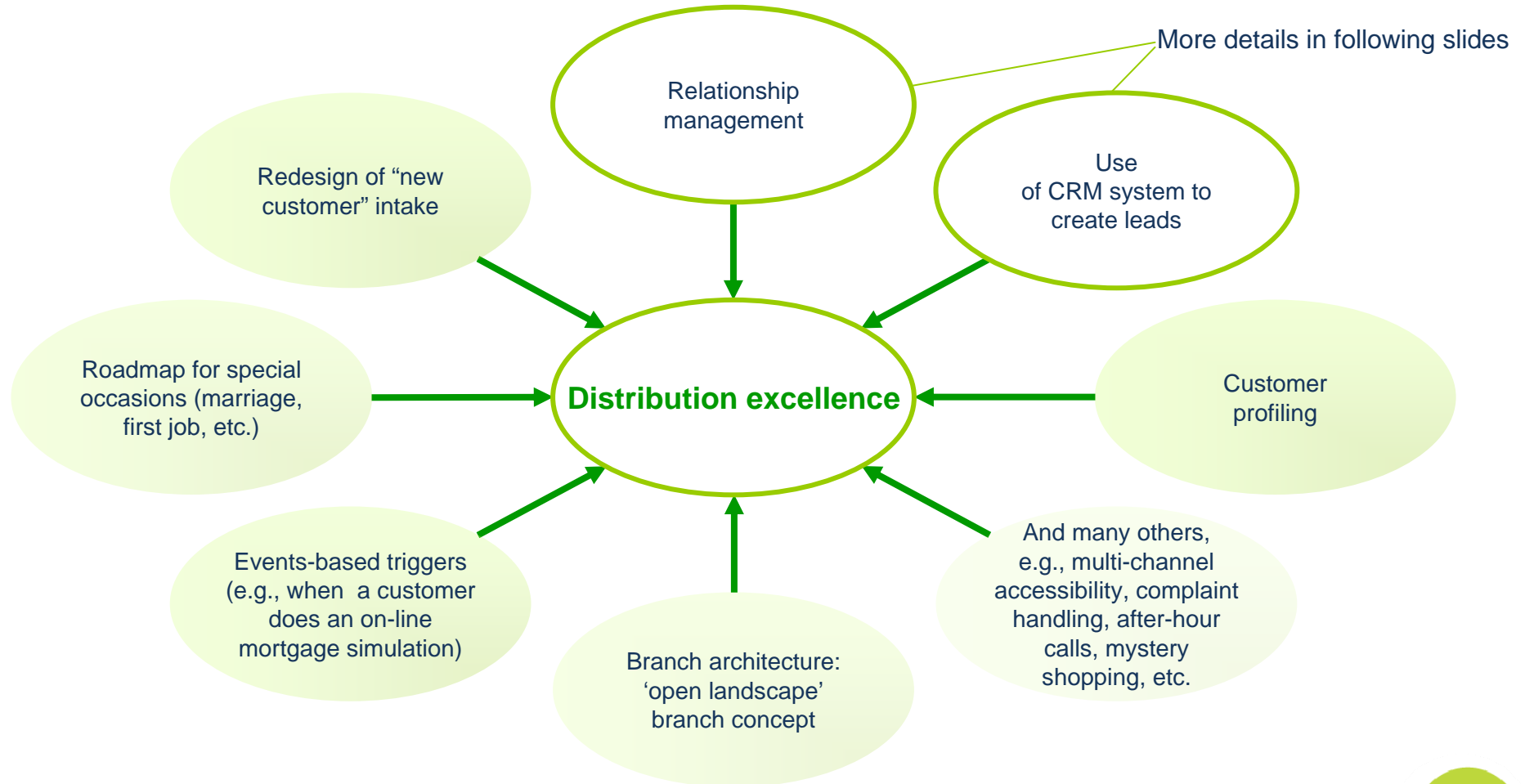
Source: Assuralia & KBC Data

Source: KBC Data

- ✓ We continue to take initiatives to enhance cross-selling, such as:
 - ✓ Screening of insurance portfolios
 - ✓ New product bundling (e.g., business package account)
 - ✓ Use of remote channels (Internet, call centre)
 - ✓ Cross-selling is taken into account in the remuneration policy for branch employees
- ✓ And of course: our renewed 'customer focus' approach generates higher cross-selling leads



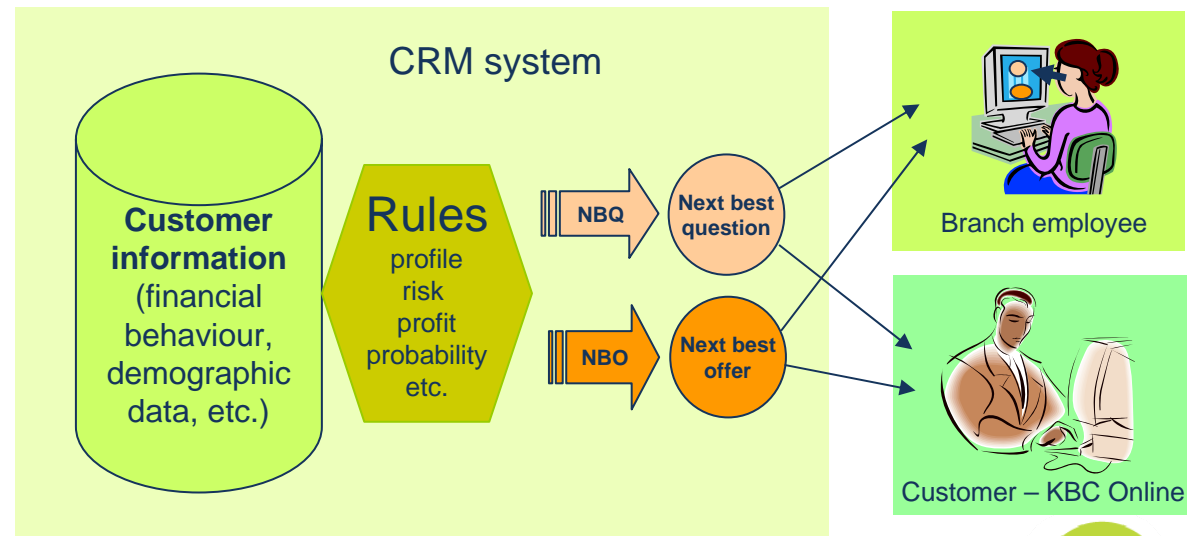
Data on the level of households



- ✓ Leads are generated on the basis of information available in the CRM database
- ✓ The branch employee has access to the following information:
 - ✓ “Next best offer” (NBO): if a sales opportunity occurs, what is the best product to offer?
 - ✓ “Next best question” (NBQ): which customer information is most lacking in the CRM data? (e.g., marital status, income, etc.) Used to complete database with missing data
- ✓ The NBO is launched when the customer logs on to KBC Online (the e-bancassurance tool)

Promising results in 2007 pilot project:

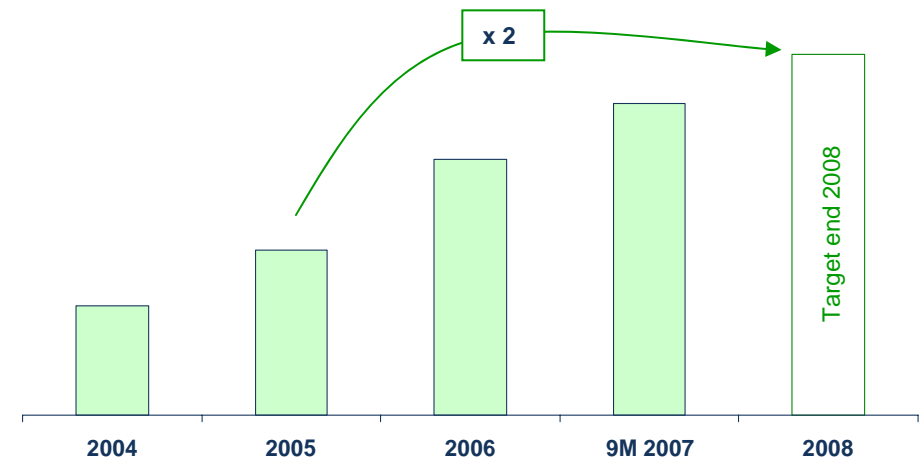
- ✓ 16 000 NBOs generated over 5-months period
- ✓ If an NBO is used by the branch employee, the offer is sold in 23% of the cases
- ✓ The NBO generated sales of other products in 13% of the cases



- ✓ Segmentation on the basis of customer lifetime value
- ✓ Specialised relationship managers (RM):
 - ✓ for families, with priority to A-families
 - ✓ for 'business customers' (incl. self-employed and free professions)
 - ✓ for most important SMEs
- ✓ High quality: no more than 120 families or 80 SMEs per RM
- ✓ Pro-activity: meetings initiated by the RM
 - ✓ To discuss relationship and check satisfaction level
 - ✓ To sell on basis of customer profile
 - ✓ To add information to database

Segmentation based on lifetime value	A – customers	30%
	B – customers	30%
	C – customers	30%
	Base	10%
No segmentation	Young customers (<25 y)	
	New customers	

Number of customers with personally assigned RM



Source: KBC Data

- ✓ Performances of customer service, cross-selling and profitability are closely monitored
- ✓ Performances are taken into account for remuneration of branch employees

Balanced scorecard	Referentiemeting		Huidige meting		
	datum	waarde	datum	waarde	evol.
Het juiste product aan de juiste cliënt					
<i>Vermogensopbouw</i>					
Commerciële werving	€	6m06	3.434	6m07	5.129 ↗
<i>BMW</i>					
Koppelingsgraad WK + SSV	%	6m06	75%	6m07	77% ↗
Koppelingsgraad WK + Brand	%	6m06	72%	6m07	76% ↗
Bankverzekeringsstabiele huishoudens/onderr	%	6m06	15%	6m07	16% ↗
met een uitmuntende service					
Cliënttevr.: bekwaamheid	%	9m06	70%	8m07	70% →
Cliënttevr.: spontaan voorstellen	%	9m06	53%	8m07	54% ↗
Cliënttevr.: dr juiste persoon geholpen	%	9m06	65%	8m07	65% →
LO in relatiebeheer	%	12m06	25%	6m07	32% ↗
A-gezinnen in relatiebeheer	%	6m06	37%	6m07	45% ↗
<i>Prospectie & retentie</i>					
Netto-instroom jongeren	#	6m06	16.508	6m07	13.071 ↘
Netto-instroom particulieren	#	6m06	3.891	6m07	-10.760 ↘
Een efficiënte organisatie					
<i>Automatisering</i>					
Automatisering geldopnemem	%	7m06	95%	7m07	95% ↗

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