KBC Group

Interim earnings update

15 October 2008

KBC

Publication scheme for 15 October 2008
8.00 a.m. CEST - Press release and Powerpoint presentation available on www.kbc.com
9.30 a.m. CEST - Teleconference for financial analysts
11.00 a.m. CEST - Press conference, KBC Head Office, Brussels, 2 Havenlaan

For registration and conference dial-ins of the analysts’ conference call please click on:
https://eventreg2.conferencing.com/webportal3/reg.html?Acc=151732&Conf=198102

Today’s objectives

- Informing about pro-active measures taken to reduce future earnings volatility
- Enhancing comfort as regards our financial stability
- Increasing visibility on the resiliency of 3Q 2008 business performance
- Reconfirming belief in mid-term value of the franchise
- Confirming our commitment to transparent communication

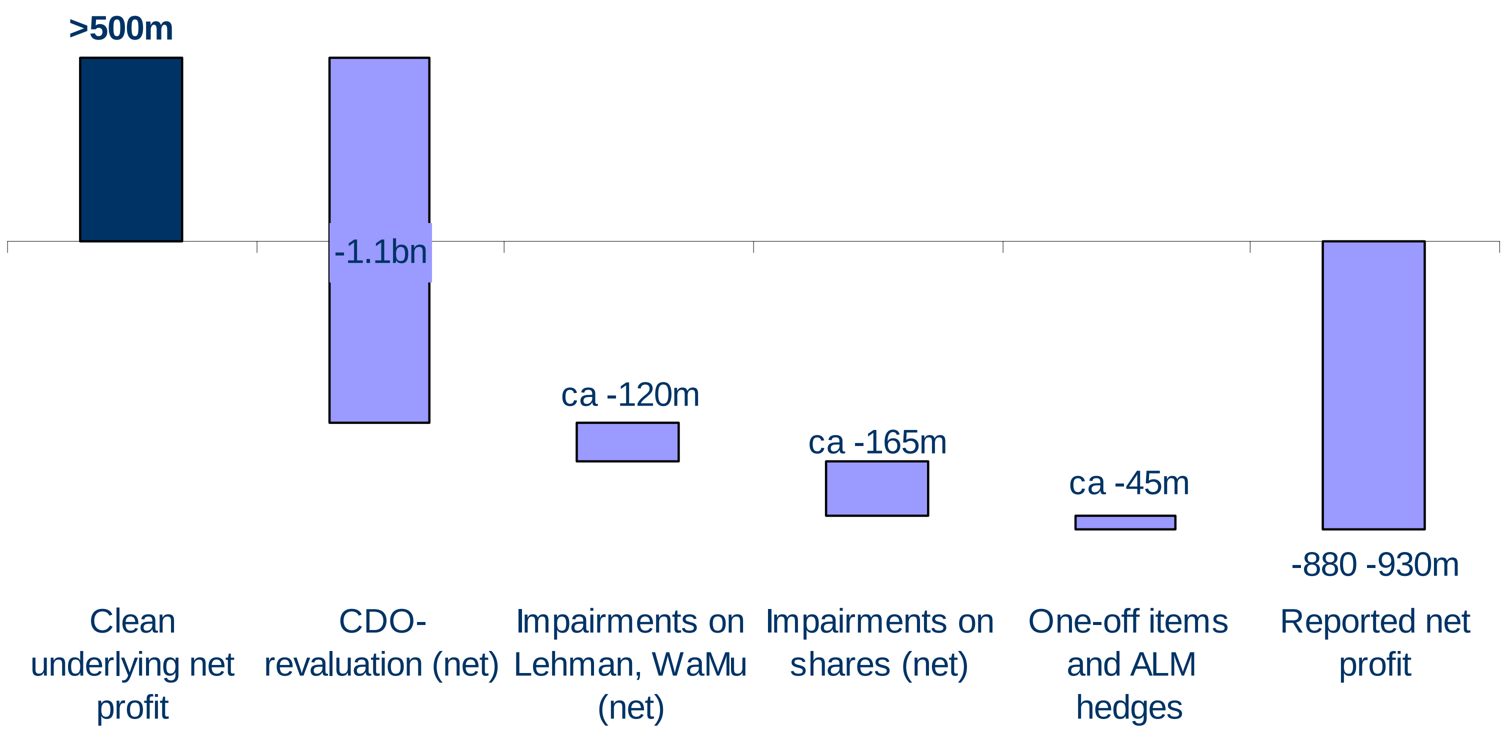
Attention:
All Q3 figures in this presentation are based on best-effort, unaudited estimates and therefore preliminary

3Q 2008 highlights

- Business performance remains satisfying despite difficult climate
- Moody's downgraded on 14 October 5 CDOs in which KBC has invested, applying much more severe loss assumptions
- Thanks to its capital surplus position, KBC marked down its entire portfolio to mitigate future CDO value markdowns triggered by potential new downgrades
- Consequently, net reported Q3 loss of ca. 880-930 million,
- The financial position remains very strong (Tier-1 well above 8.5%, estimated core Tier-1 close to 7%)

Satisfactory underlying operating results

Adjusting the results for:
- One-off items and MtM of hedges
- Market crisis (share portfolio revaluation, CDO revaluation, bank defaults)



Satisfactory underlying operating results

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	3Q 07	4Q 07	1Q 08	2Q 08	3Q 08 expected
Reported net profit (IFRS)	639	708	554	493	-880m -930m
One-off items + ALM hedges	38	32	-20	-17	ca -45m
SUBTOTAL	**601**	**676**	**574**	**510**	**-835 - 885**
Impairments on shares (net)	-7	-65	-70	-135	ca -165
Impairments on Lehman, WaMu (net)					ca -120
CDO-revaluation (net)	-39	-93	-93	-161	ca -1.1bn
Clean underlying net profit	**647**	**834**	**737**	**806**	**> 500**

All figures are in m euros

Business development in Belgium

- Satisfactory business development despite economic slowdown
- Seasonal revenue pattern (summer slowdown)
- Continued strong inflow of deposits (both retail and corporate)
- Continued low credit cost

Growth in CEE

- Continued solid business growth with limited cost of credit risk
- Growth outlook remains intact since presence highly concentrated in markets with less macro vulnerability
- FX lending closely monitored (stress tests provide required comfort level)
- Underlying bottomline showing 25%+ growth yoy (both for 3Q and ytd)

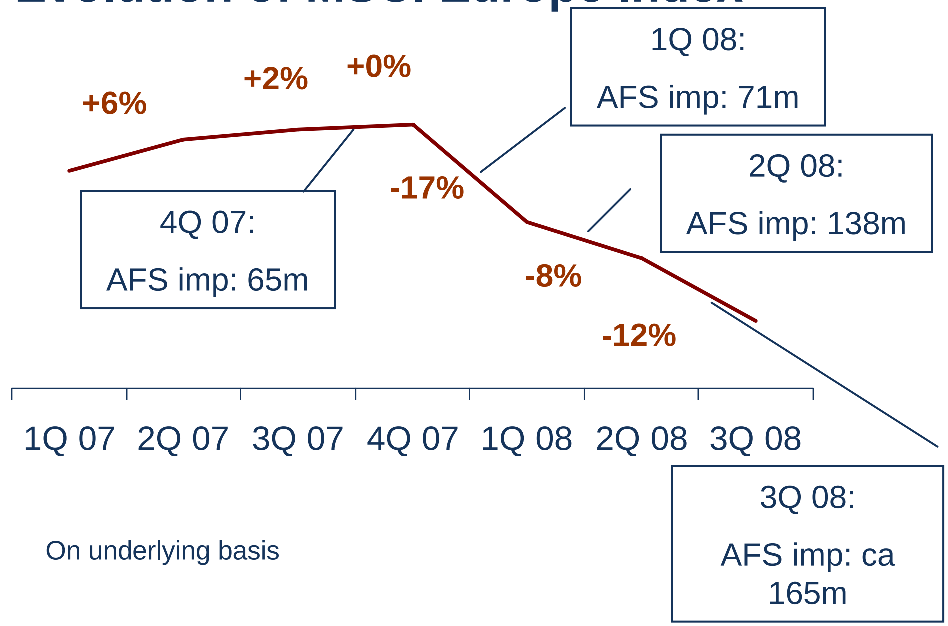
Merchant banking and private banking

- **Merchant banking**
  - Seasonal revenue pattern
  - Underlying profit (i.e. excluding financial crisis impact) comparable to same quarter of 2007 (which is satisfactory under current circumstances)
  - Credit loss remains limited (also in Ireland)
- **European Private banking**
  - As in previous quarters, negatively impacted by market turmoil

Impact from stock market trends

- European stock markets down ca. 12% in 3Q 2008
- Additional impairments on equity portfolio (mainly of insurance division): ca. 165 million, in line with guidance

Evolution of MSCI Europe Index



AFS imp = Impairments set aside for Asset-For-Sale

Impact of US bank defaults

- Total credit losses on US banks: 172 m (post-tax 120 m)

	Writedown amount	Assumed recovery of unsecured exposure
Lehman Brothers	104m	15%
Washington Mutual	68m	15%

- NB: Our credit-exposure to 3 Icelandic banks amounts to 277m – no impairment decision taken

Revaluation of CDO portfolio

- CDO investments with “high attachment points*” and primarily corporate collateral (nominal value: 9 bn, unchanged)
- High P&L sensitivity to “fair-value accounting” (in contrast to many peers, where impact is reported against shareholders’ equity)
- Main “fair value“ drivers:
- Credit ratings of notes held
- Credit market spreads (± 50% CDX / ± 30% iTraxx / ± 20 % ABX)
- Fair value of monoline exposure (40% provisioned)

* The “attachment point” of a CDO-tranche is the level as of which the tranche is hit by losses in the underlying pool of assets

Revaluation of CDO portfolio

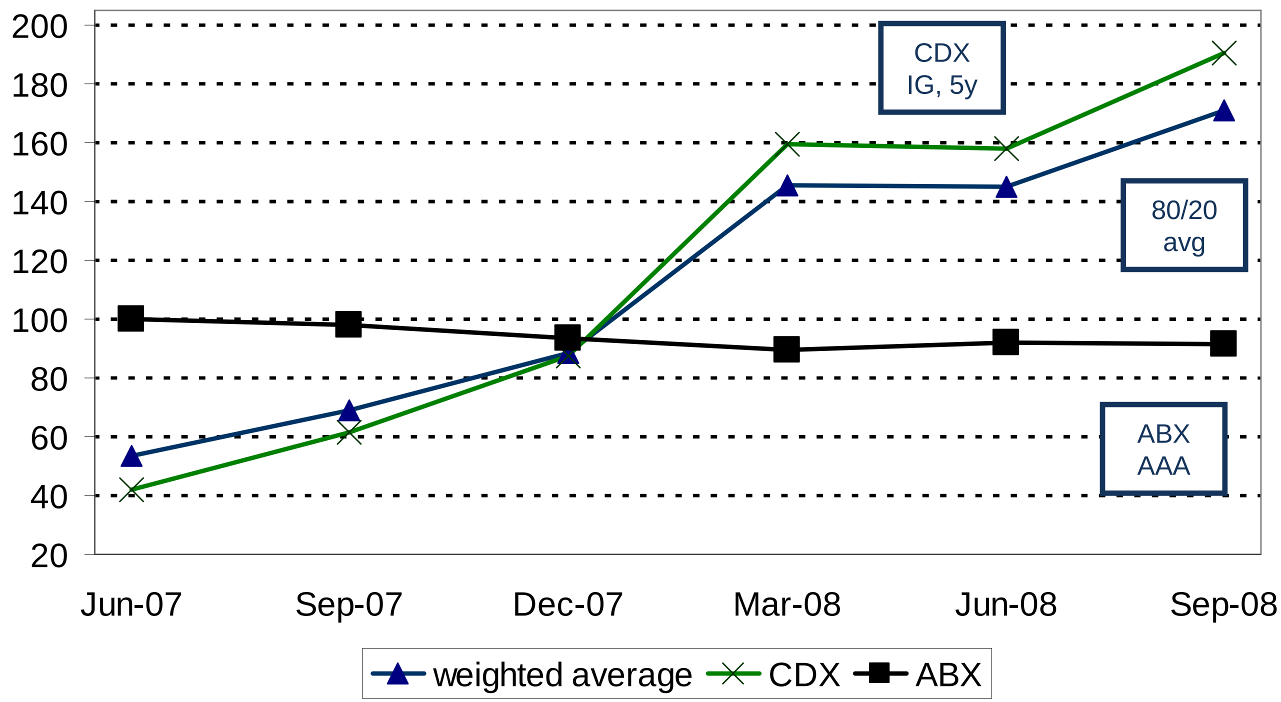
KBC FP issued CDOs - distribution per rating class of nominal outstanding (net of provisions for equity and junior pieces)

	30 Jun 2008	Moody's 15 Oct 2008	KBC 15 Oct 2008	Markdown in %
Aaa	73.1%	55.0%	50.5%	-3%
Aa	10.6%	9.3%	6.9%	-15%
A	5.7%	16.1%	15.2%	-19%
Baa	2.1%	4.6%	5.6%	-52%
Ba	7.9%	8.5%	9.1%	-39%
B	0.4%	3.1%	4.8%	-100%
Caa	0.2%	3.5%	7.9%	-100%
Ca	0.0%	0.0%	0.0%	-100%
C	0.0%	0.0%	0.0%	-100%
D	0.0%	0.0%	0.0%	-100%

All tranches with credit rating <Ba3 have been fully written down to zero

Revaluation of CDO portfolio – impact of credit indices

Simplified, illustration only



30 June 2008

CDX (5 years, investment grade): 158.16

ABX (2006-vintage, AAA-grade): 91.81

80/20 weighted average: 144.88

For revaluation purposes several CDX/ABX indices used

30 Sept 2008

CDX (5 years, investment grade): 190.75

ABX (2006-vintage, AAA-grade): 91.38

80/20 weighted average: 170.88

Revaluation of CDO portfolio

- Impact of notes downgraded in October will be booked retroactively in Q3
- An additional provision was set aside to cover potential downgrades on the CDOs not included in Moody's review
- Total impact of CDO-revaluation in 3Q 2008: -1.6bn euros, pre-tax (-1.1bn after-tax)

Revaluation of CDO portfolio

Main drivers	P&L impact (pre-tax)		
	1Q 2008	2Q 2008	3Q 2008
Downgrading of CDO notes held*	0	135m	1.2bn
Increased counterparty risk of monolines	0	148m	0.1bn
Credit spread widening & other FV changes	141m	32m	0.3bn
Total pre-tax impact	**141m**	**314m**	**1.6bn**
Total after-tax impact	**93m**	**160m**	**1.1bn**

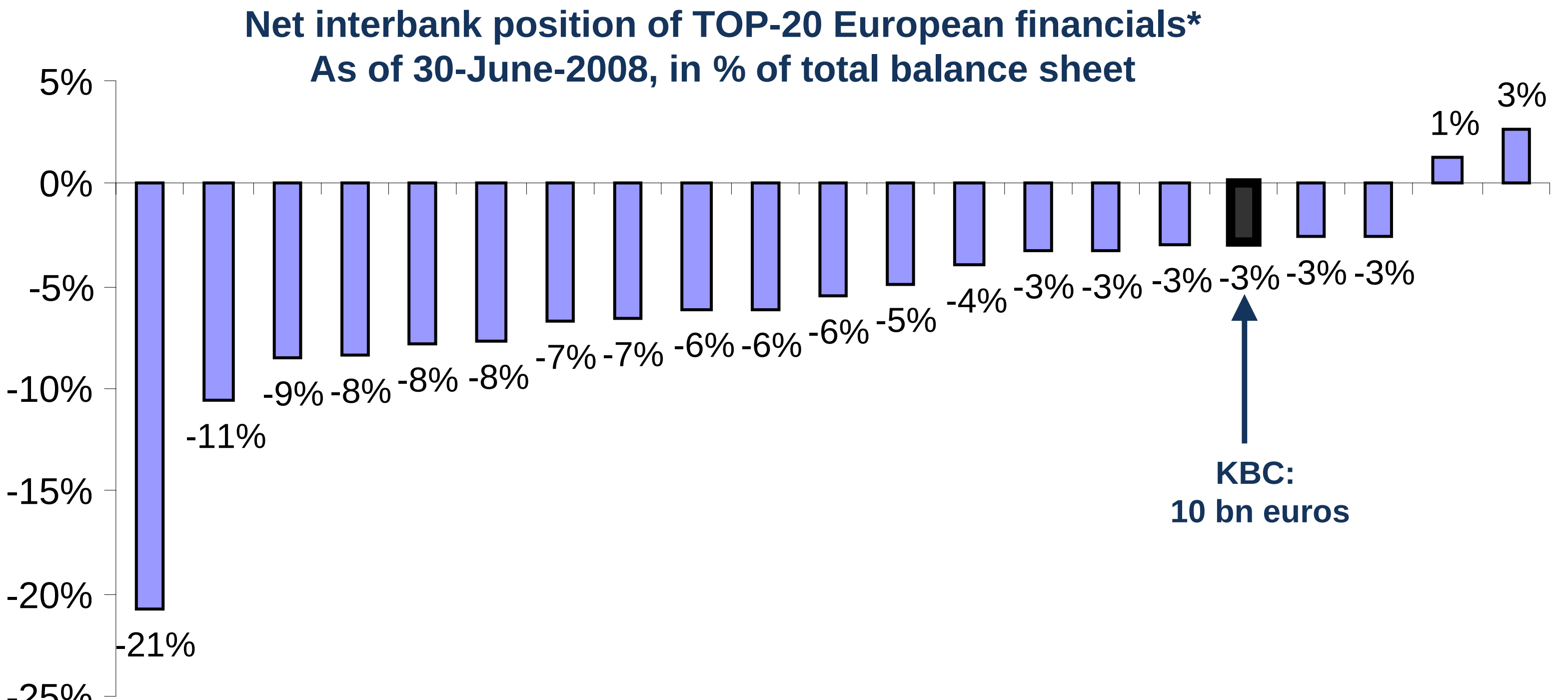
*including potential future revisions

Revaluation of CDO portfolio

	P&L-impact (after-tax)		
	1Q 2008	2Q 2008	3Q 2008
Total KBC Group	**93m**	**160m**	**1.1bn**
Belgium	19m	33m	0.3bn
CEE	22m	29m	0.2bn
Merchant Banking	45m	91m	0.5bn
EPB	7m	8m	0.1bn

Comfortable liquidity situation

- Customer deposit base exceeds loan portfolio (loan-to-deposit ratio well below 100%), deposit inflow remains steady
- Net interbank funding is low for European banking



Source: company reports and KBC research
*Net interbank position = loans to credit institutions minus deposits from credit institutions; selection based on market capitalization

Comfortable liquidity situation

- Deposit overhang almost entirely invested in securities pledgeable at ECB (providing unused ‘liquidity buffer’ - after applicable haircuts* – of more than 50 billion)
- Unused ‘liquidity buffer’ exceeds by far the net short-term liquidity gap of the next few months (interbank, CP, repo, fiduciary…), enabling us to weather a liquidity crunch period in which no wholesale funding can be rolled over
- Access to Belgian State guarantee to be provided on deposits from banks and institutional counterparties
- Medium term wholesale funding: low level of maturing debt (ca. 3 billion per year in 2008-2010)

* Haircut is the value-reduction (safety margin) used by the ECB

Strong capital base

- Tier-1 ratio of banking activities: in excess of 8.5% as at 30 September 2008 (estimated core Tier-1 close to 7%), exceeding sector average and in-house minimum of 8%
- Solvency ratio of insurance activities: close to double the legal minimum
- Estimated excess capital: 1.6bn
- Unused additional leverage capacity

Strong capital base

- Parent shareholders’ equity stood at ca.14.2bn at 30 Sept (15.5bn at 30 June)
- Revaluation reserve:
  - on bonds: ca. -1bn (stable compared to 30 June 08)
  - on equities: down from ca. 245m in June 08 to ca. -40m

Key messages

1. Business performance remains satisfactory (resiliency in CEER) notwithstanding difficult environment and seasonal pattern
2. A proactive, additional reserve was created to cope with potential future downgrades of structured assets, resulting in a quarterly loss
3. The financial position, however, remains very solid
4. Commitment to remain as transparent as possible in market communications

All information provided in this presentation is preliminary and unaudited
It does not include potential changes in European IFRS rules on Fair Value Accounting

Full results to be released on 6 November 2008