# KBC Group

## Company presentation
# Winter 2008

Ticker codes: KBC BB (Bloomberg)
KBC BR (Reuters)

Web site: www.kbc.com

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

# Contact information

**Investor Relations Office**

e-mail: investor.relations@kbc.com

Surf to **www.kbc.com** for the latest update.

# Important information for investors

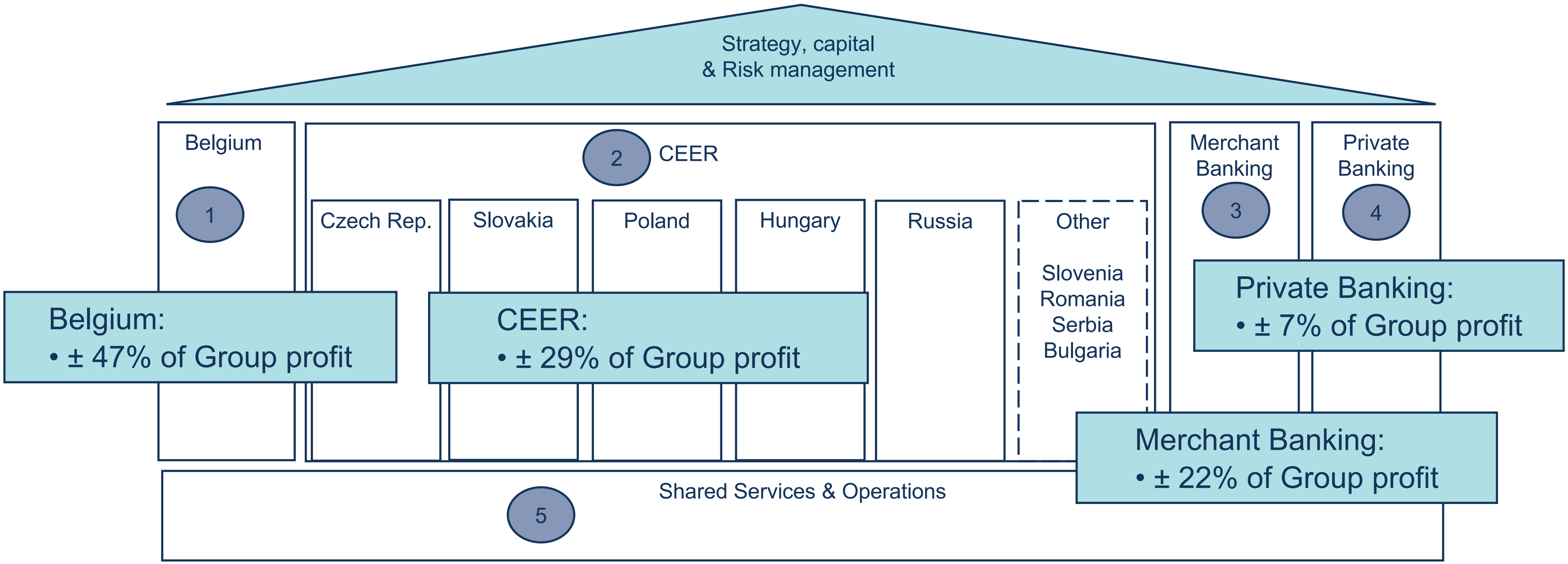
- This presentation is provided for informational purposes only. It does not constitute an offer to sell or the solicitation to buy any security issued by the KBC Group.
- KBC believes that this presentation is reliable, although some information is condensed and therefore incomplete.
- This presentation contains forward-looking statements with respect to the strategy, earnings and capital trends of KBC, involving numerous assumptions and uncertainties. The risk exists 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.

# Content

Section 1

# Company profile and strategy

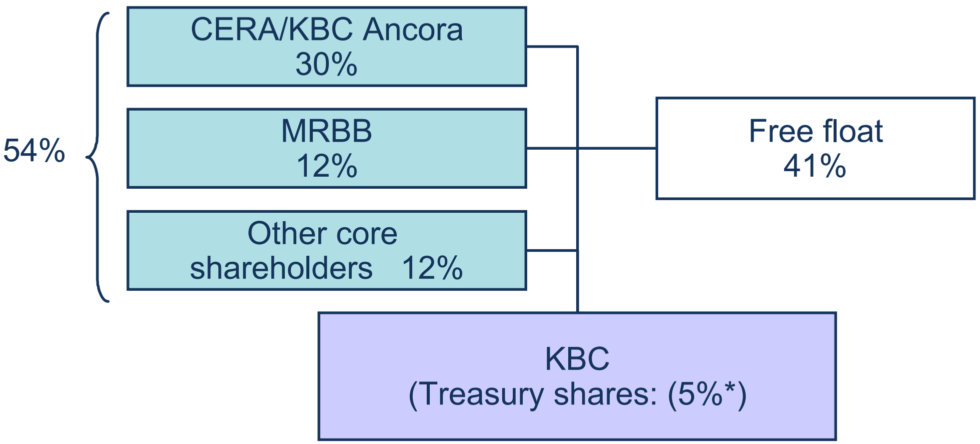
# Strong, attractive franchises




**N.B.**:Profit contribution of business units excluding non-recurring items and inpact of the financial crisis in 9M 2008

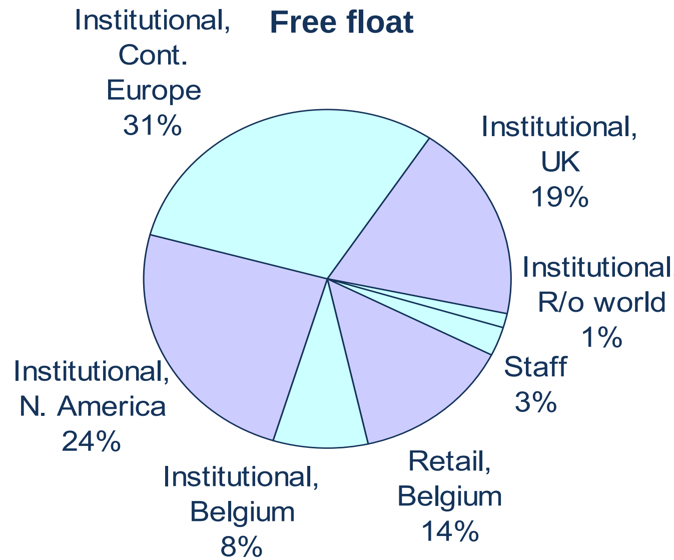
- KBC is a top-3 player in Belgium and in CEE-4; 75-80% of revenue is generated in markets with leading market share (which provides over-the-cycle strength)
- Moreover, KBC pursues some niche strategies in private banking and selected merchant banking activities (mainly European focus)

# Shareholder structure




Situation as at 30 Sept, 2008

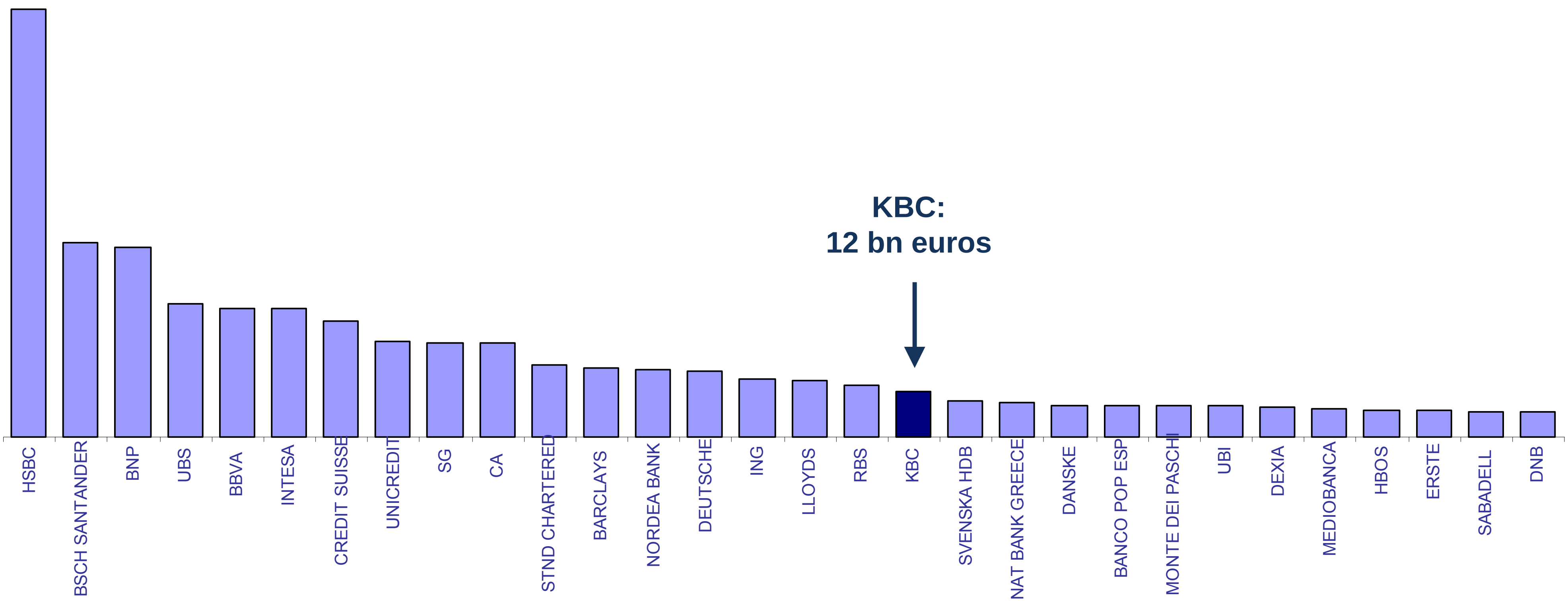
*Including ESOP hedge and shares bought back according to the share buyback plan




Shareholder identification survey as of 31 Dec 2007

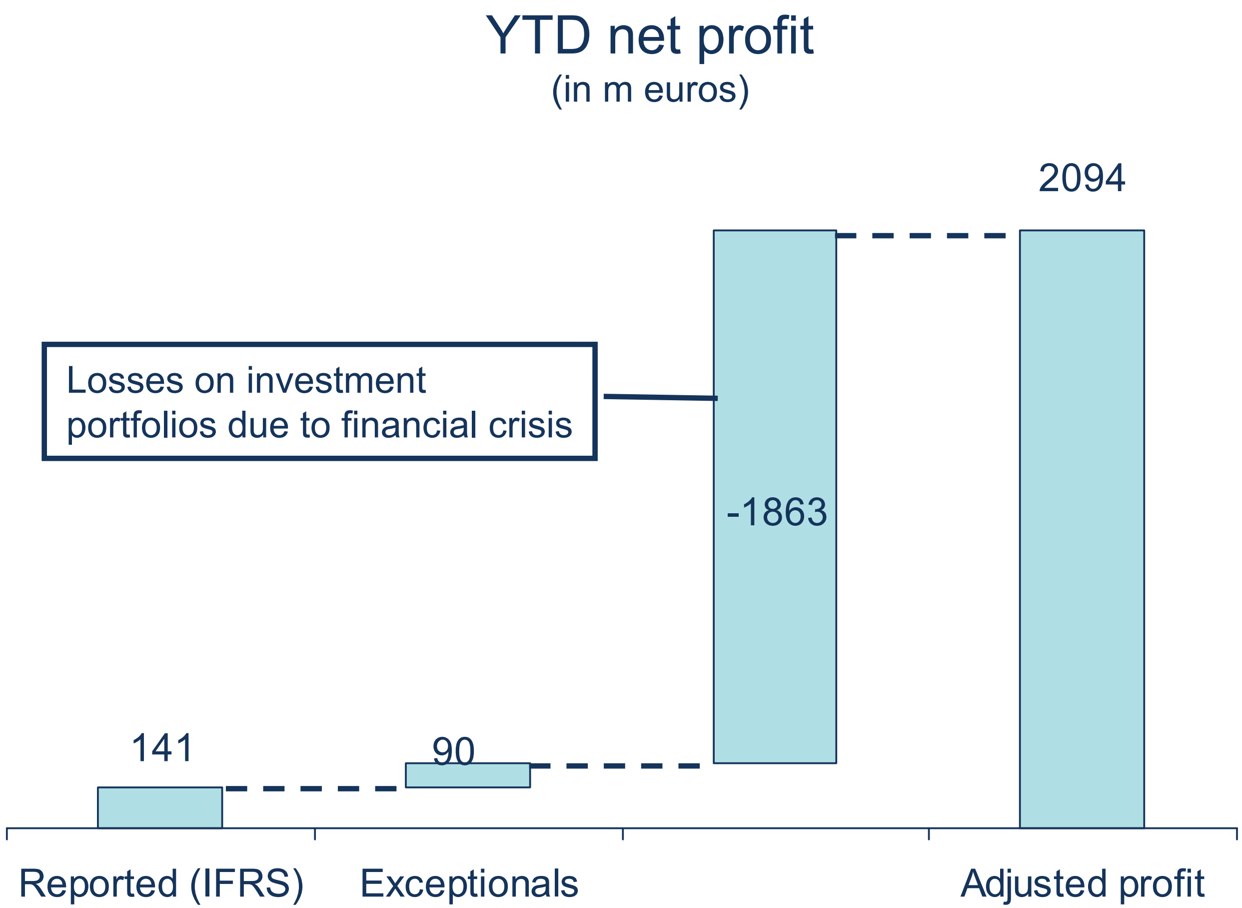
- KBC is ±50%-owned by a syndicate of shareholders, providing continuity to pursue long-term strategic goals. Committed holders include the Cera/KBC Ancora Group (co-operative investment company), a farmers' association (MRBB) and a group of industrialist families
- The free float is chiefly held by a large variety of international institutional investors (close to 45% UK- or US-based)

# Ranking based on market capitalization, European Financials




Situation as at 3 November 2008. Actual KBC share price: 33.5 euros

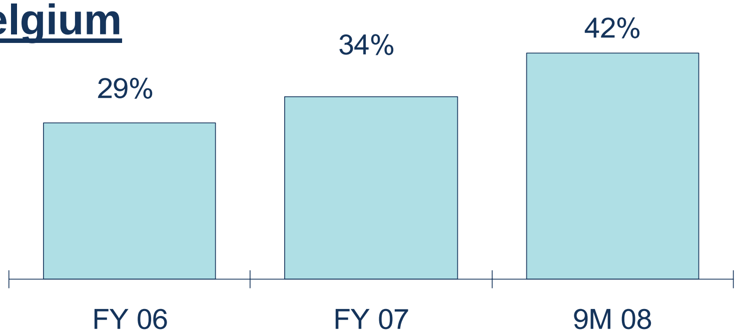
# 2008 results significantly touched upon by financial crisis



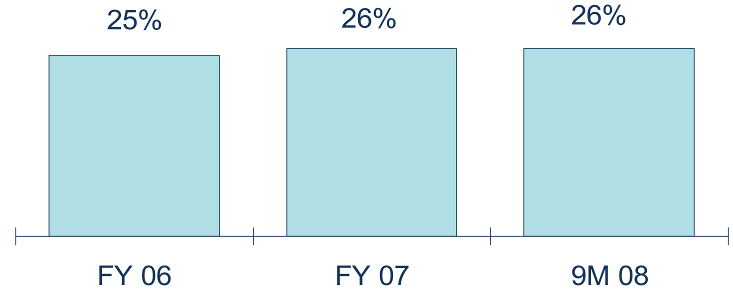
# Return level per business units

## Return on Allocated Capital

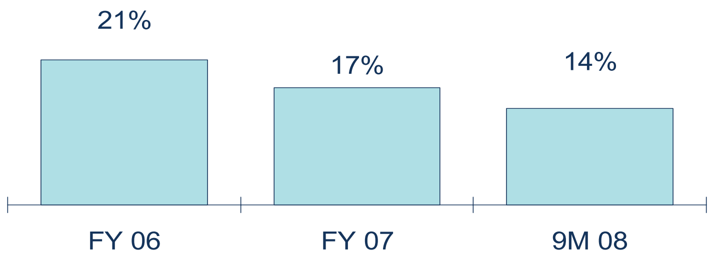
### Belgium



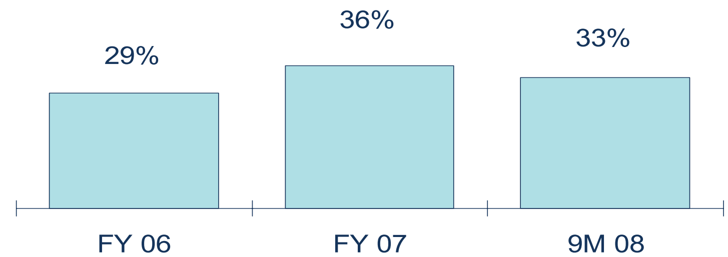

### CEER




### Merchant Banking




### European Private Banking




FY 06 & FY 07: Basel I, based on underlying net profit
9M 08: Basel II, based on underlying net profit, excluding impact of financial crisis

For CEER: return level after deduction of funding costs of KBC as parent company

# Presence in CEER


**Main markets**

**Czech Republic**
Total assets: 35 bn
Bank ranking: Top-3
Entry: 1999

**Poland**
Total assets: 8 bn
Bank ranking: Top-10
Entry: 2001

**Hungary**
Total assets: 10 bn
Bank ranking: Top-3
Entry: 2000

**Slovakia**
Total assets: 6 bn
Bank ranking: Top-5
Entry: 1999

**New markets**

**Russia**
Total assets: 4 bn
Bank ranking: Top-25
Entry: 2007

**Bulgaria**
Total assets: 3 bn
Bank ranking: Top-10
Entry: 2007

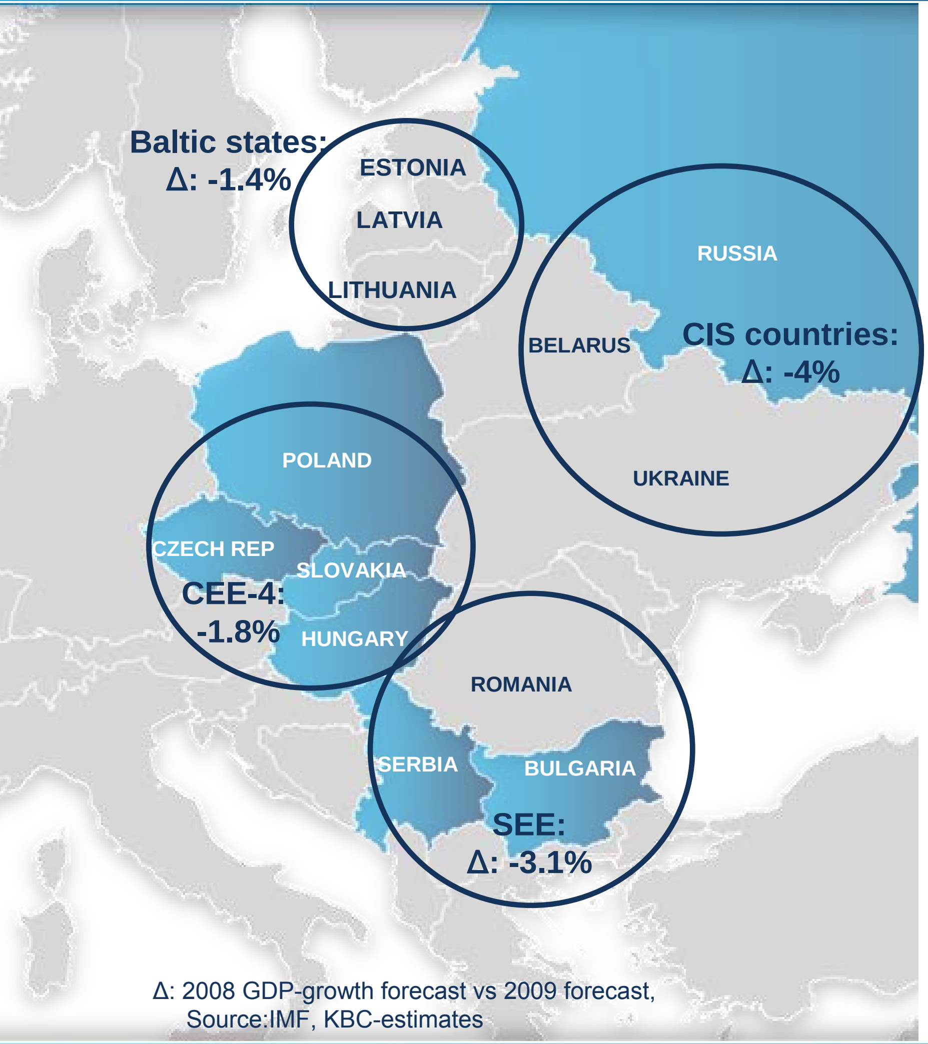
**Serbia**
Total assets: 0.1 bn
Bank ranking: Top-25
Entry: 2007

**Romania**
Niche start-up
Entry: 2007

Assets in bn euros as at 30 Sept 2008

'Entry' year means year of majority-holding acquisition

# Close to 3% GDP-growth in 2009




- GDP-growth expected for 2009 is lower than 2008 level, but still close to 3%
- Slowdown for KBC-countries is significantly lower then the regional average (2008/2009 change: -1.9% vs -3.3%)

Note:

Average for KBC-countries calculated on RWA-distribution, regional average based on nominal GDP-distribution

# No material credit linked-issues in CEER

| | Total loans (bn euros, as of 30-Sep) | LTD ratio (as of 30-June) | FX mortgages (bn euros) | LTV FX mortgages (indexed) |
|---|---|---|---|---|
| **- Czech Republic** | 15.5 | 40%* | - | - |
| **- Poland** | 6.4 | 100% | 1.8 | 70% |
| **- Hungary** | 6.7 | 93% | 1.9 | 52% |
| **- Russia** | 3.8 | 390% | 0.4 | 50% |
| **- Slovakia** | 3.3 | 75% | 0.02 | - |
| **- Bulgaria** | 0.7 | 110% | 0.05 | 58% |
| **CEE** | **36.4** | **100%** | **4.2** | **59%** |

* 71% on consolidated level

Section 2

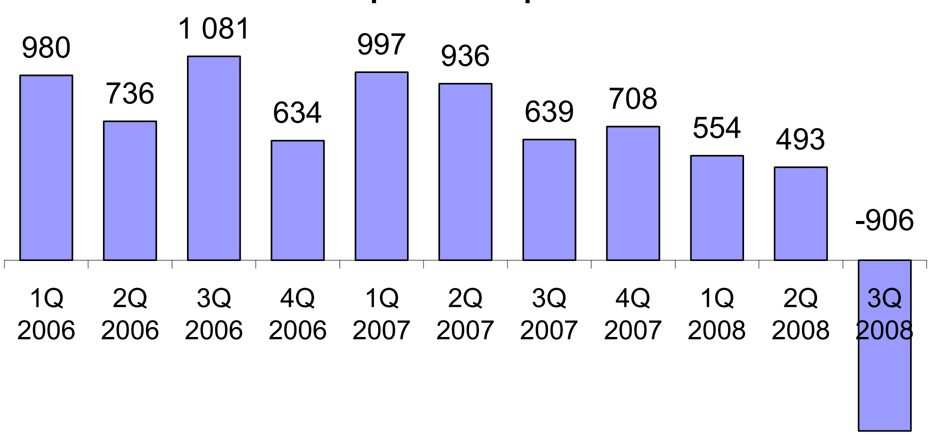
# 3Q 2008

# financial hightlights

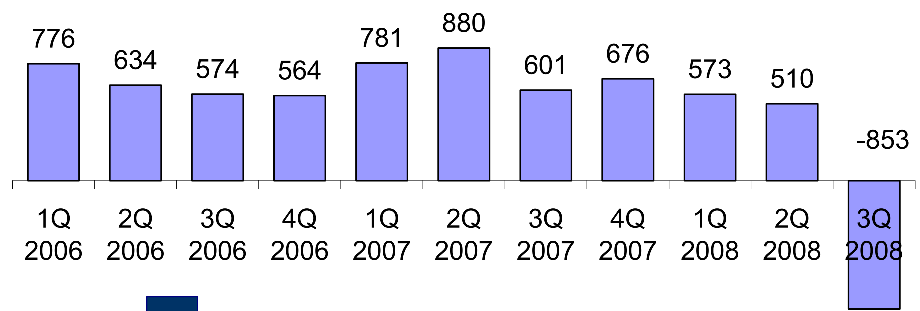
# 3Q 2008 financial highlights

Step 1 – deducting extraordinary items (one-off items and MtM-results of hedging derivatives)

**Reported net profit**

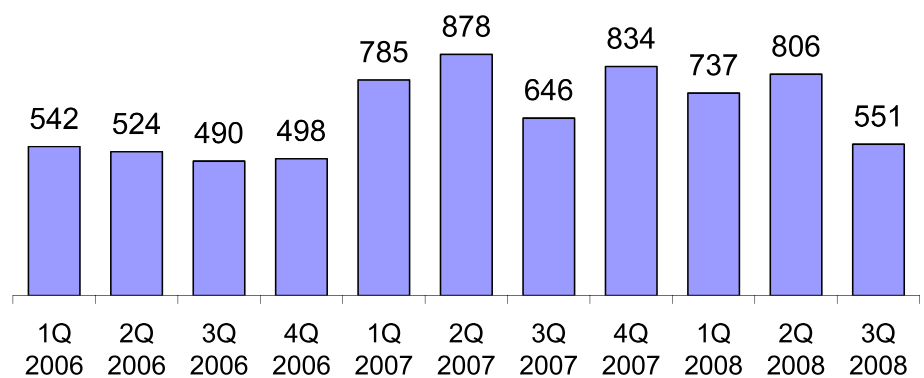



**Underlying net profit**




Step 2 - cleansing the financial impact of the market turbulence

**"Clean" underlying net profit**




*All figures are in m euros*

# 3Q 2008 financial headlines (2)

- Preliminary earnings trend confirmed
- Despite difficult climate, and taking into account recurring summer slowdown, satisfactory commercial results, especially in Eastern Europe. Results in Belgium impacted by increased funding cost (increased deposit rate), amongst others
- Negative impact from investment markdowns (1.4 billion euros, net), partly driven by CDO rating downgrades by Moody's
- Measures taken to reduce earnings impact of future CDO rating downgrades ("extrapolation" of impact of downgrades to CDOs that were not reviewed by Moody's yet)
- Loan quality remains good (credit cost ratio: 24 bps). Within the context of the deteriorating economic environment, it is expected that the loan loss trend will remain upwards for the coming quarters
- CEE continues to perform well, mainly thanks to geographical business mix. Updated stress tests provide comfort as regards our selective FX-lending in the region
- *Pro forma* Tier-1 capital ratio, banking, at 10.7% (of which 8.2% core equity), *pro-forma* insurance solvency at 2.8 times the regulatory minimum

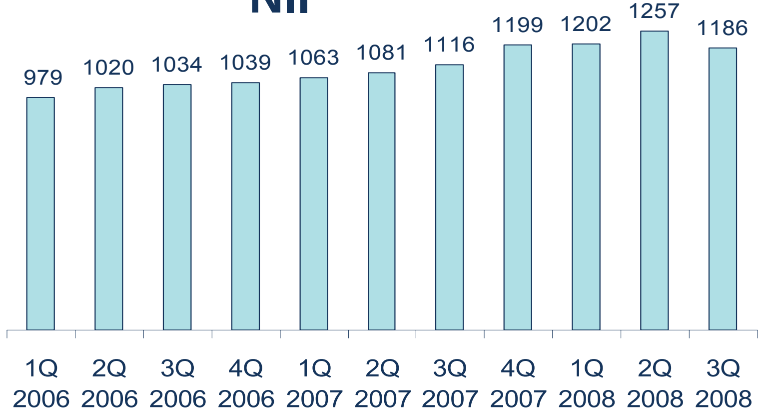
Section 3

# Underlying business performance

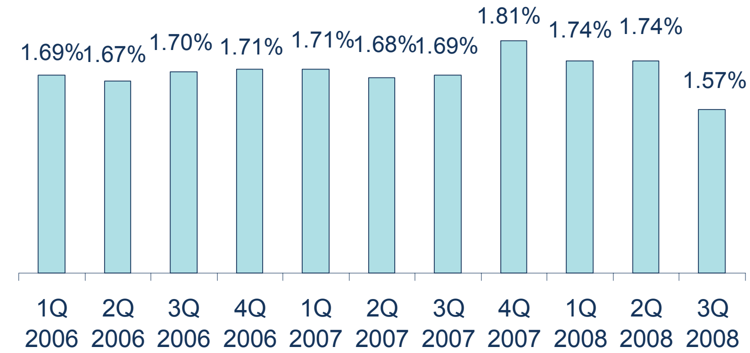
# Revenue trend - Group

*in m euros*

## NII



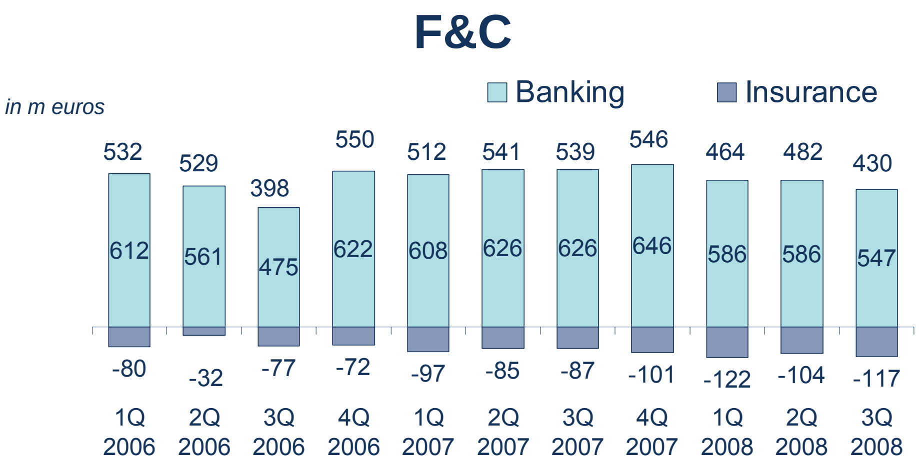

## NIM*

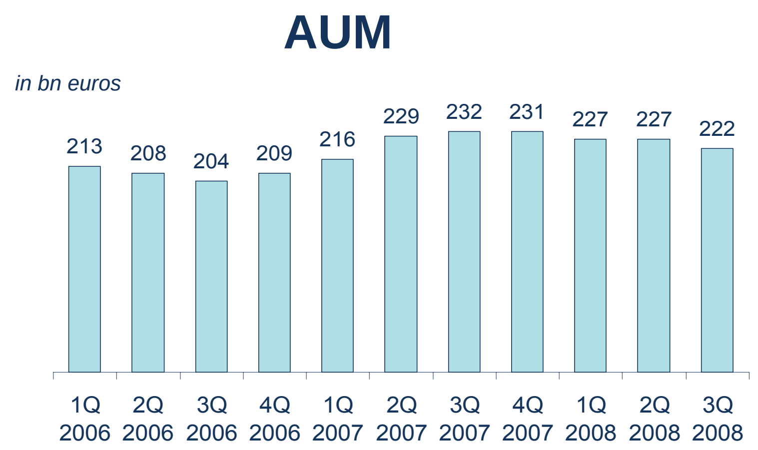



- NII (1 186m) negatively impacted by higher interest rate on traditional savings deposits in Belgium (impact: 85 m pre-tax, 56m post-tax)
- Excluding the above, NII up +1% q/q, 13% y/y, thanks mainly to CEER
- Loans up 2% q/q, deposits roughly flat. y/y loan and deposit-growth at +16% and +10%, respectively
- NIM (1.57%) drop 17bps q/q and 12 bps y/y

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

# Revenue trend - Group



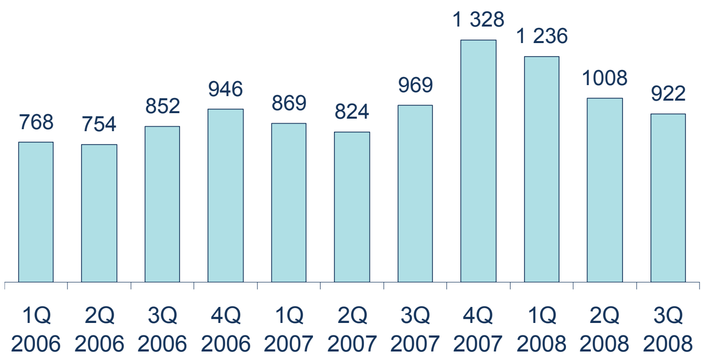

- F&C (430m) down 11% q/q and 20% y/y, as a result of:
  - Traditional summer slowdown in retail sales
  - Lower fees received (banking), due to changed client investment behaviour owing to difficult financial climate
  - Increased paid fees to insurance agents

- AUM (222bn) down 2% q/q, due to negative price impact (-2%). AUM volumes dropped 4% y/y, negatively impacted by the depressed market sentiment (broad stock indices down more than 30% y/y)

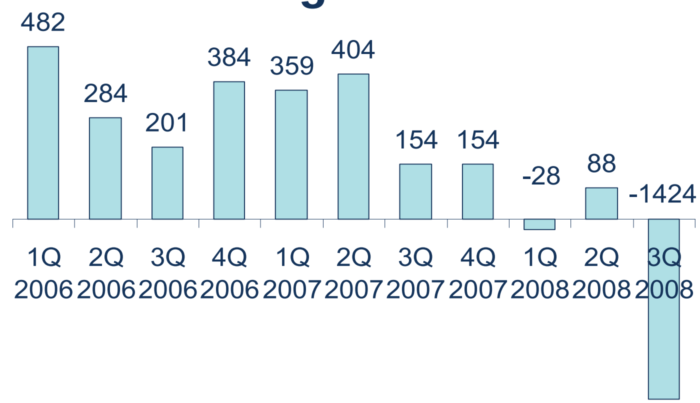
# Revenue trend - Group

*All figures are in m euros*

## Premium income




## FV gains

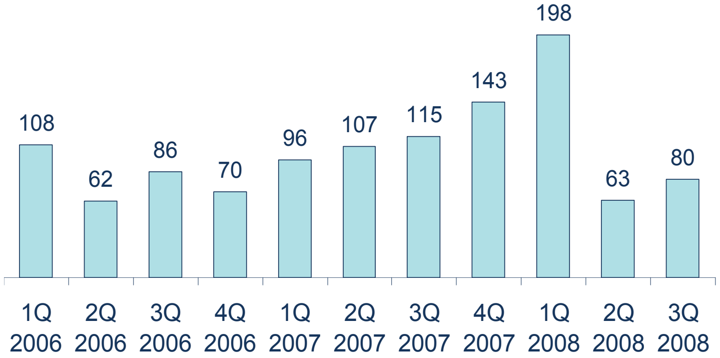



- Premium income (922m) down 9% q/q, 5% y/y, due to drop in sales both of interest-guaranteed and unit-linked life insurance policies, resulting from adverse customer investment sentiment
- Continued upward trend in non-life sales (514m), up 2% q/q, 12% y/y (part of the y/y growth due to the acquisition of DZI Insurance in Bulgaria)
- FV gains (‘trading and other fair value income’): 1 424m loss, caused by the booking of 1.6bn MtM-write-downs on CDOs (FV gains disregarding CDO-related markdowns would come to a positive 209m)
- For KBC, these markdowns are booked against revenue, whereas for many peers, value adjustments are booked against shareholders’ equity

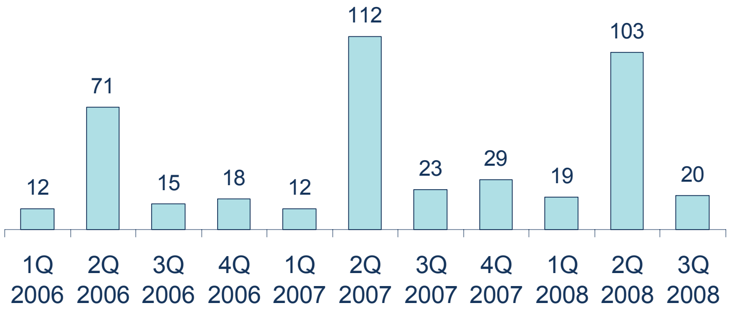
# Revenue trend - Group

## AFS realised gains

*All figures are in m euros*




## Dividend income



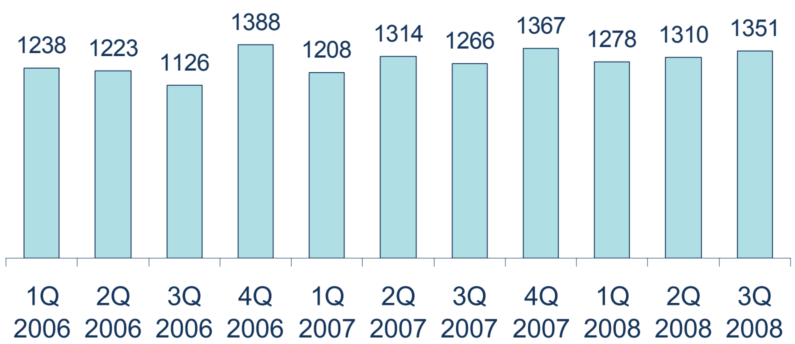

- Realised gains from AFS assets (80m) up 27% q/q, but down 30% y/y. 3Q 07 result was boosted by sales of a number of share investments due to corporate actions. Moreover, in 2008, a large part of planned full-year gains on shares (mainly in insurance, Belgium) had already been realised in 1Q 08, in anticipation of an expected drop in stock-prices

- Dividend income (20m) clearly down q/q (2Q 2008: 103m), as the bulk of the dividend is traditionally received in the second quarter of the year

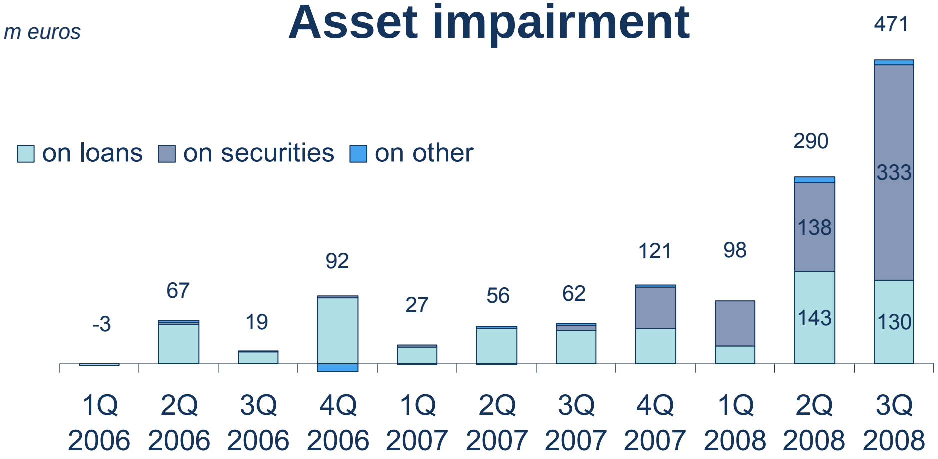
# Operating expenses and asset impairment - Group

## Operating expenses

*All figures are in m euros*



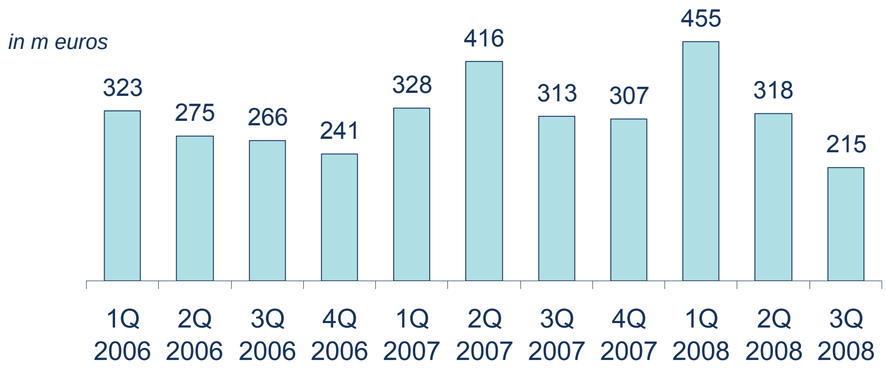

## Asset impairment




- Organic cost-growth (excl. FX-impact and changes in consolidation scope): 2% q/q and 2% y/y, notwithstanding inflationary pressure and branch expansion in CEER
- YTD C/I ratio (banking) at 79% (FY 2007: 58%). Excluding impact of financial crisis C/I at 60%
- Asset impairments (471m), of which 130m in loan impairments and 333m in AFS-related impairments (of which 172m relates to troubled US banks)
- Credit exposure to Icelandic banks (277m) no impairment decision yet
- YTD credit cost ratio at 37bps. Excl. impairments on troubled US banks: 24bps (2007: 13 bps)
- General loan quality, however remained satisfactory. NPL ratio at 1.5% (same as in FY 2007)

# Business Unit Belgium

## Underlying net profit, adjusted for crisis impact




## Volume trends

| | Total loans | Of which mortgages | Customer deposits | AUM | Life reserves |
|---|---|---|---|---|---|
| Growth q/q* | +5% | +2% | +2% | +0% | -1% |
| Growth y/y | +6% | +10% | +11% | -2% | +2% |

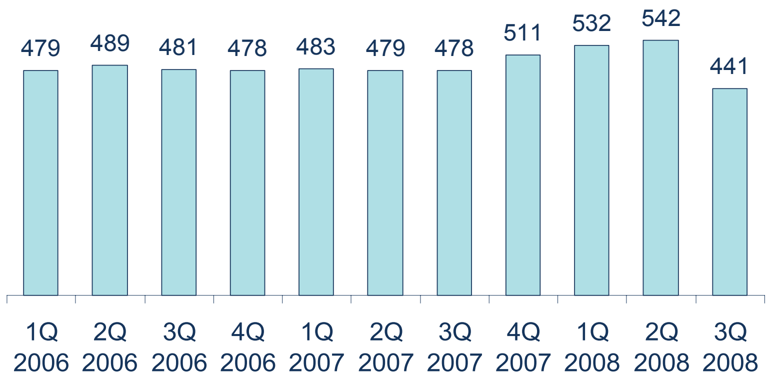
*non-annualized

- Underlying result, excluding impact of financial crisis, at 215m, down both 33% q/q and y/y, due to:
  - higher rate on saving accounts since July 2008 (impact: -56m post-tax)
  - changed client investment behaviour (lower sales of funds and life insurance products)
  - traditional summer slowdown in sales
- Total loans up 5% q/q and 6% y/y. Mortgages grew 2% q/q, 10% y/y
- Customer deposits up 2% q/q and 11% y/y with AUM and life trend stable to decreasing

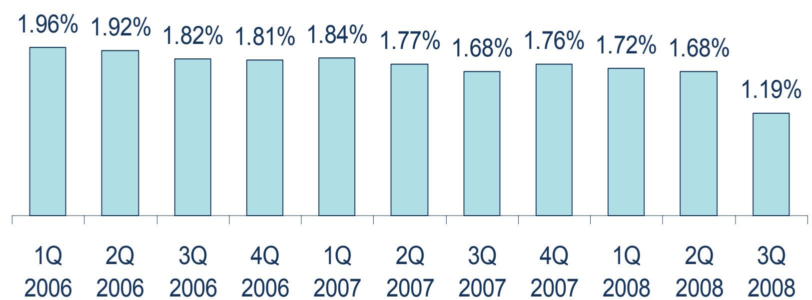
# Business Unit Belgium (2)

## NII

*in m euros*

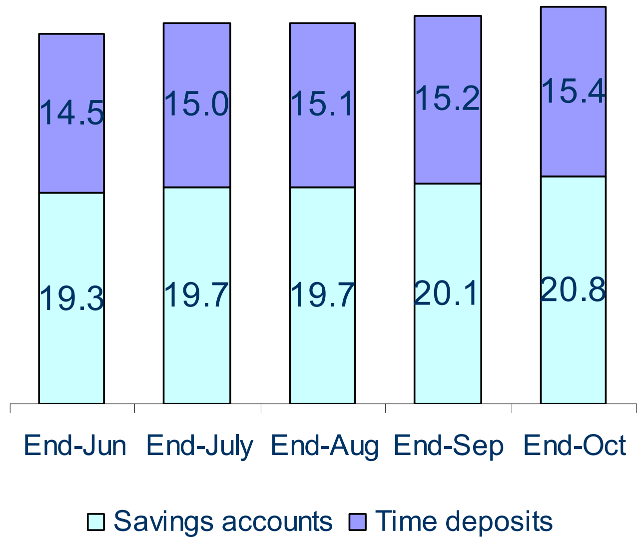



## NIM




- NII (441m) negatively impacted by increased interest rate paid for saving deposits since July (pre-tax impact: 85m)
- Excluding this impact NII down slightly q/q (-3%), partly due to changed product structure, and up 9% y/y, thanks to volume growth
- NIM at 1.19%, down 49bps both on q/q and y/y, due to the increase in the rate on traditional saving deposits

# Business Unit Belgium (3)

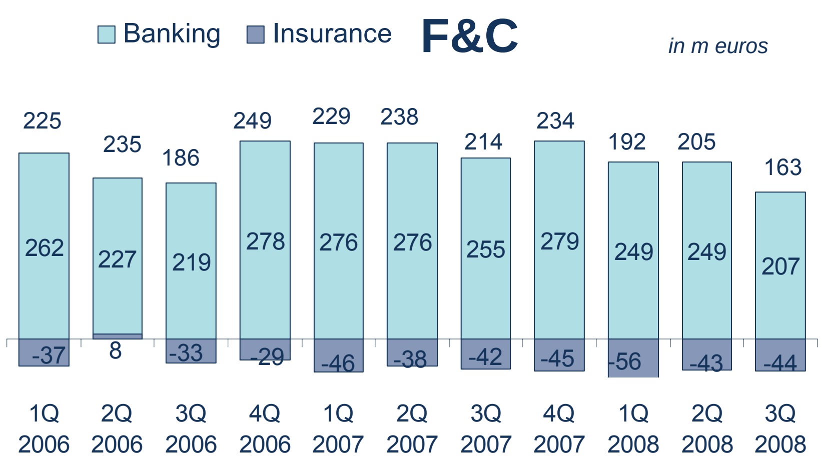


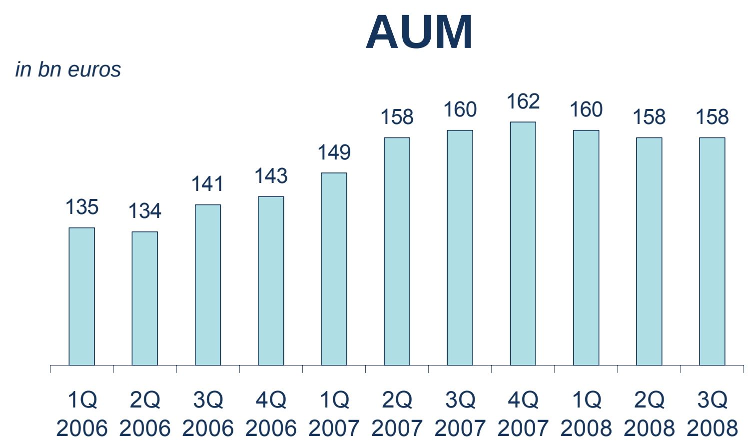

*in bn euros*

*KBC Bank NV, Belgium (excluding subsidiaries CBC, Centea)*

- Despite market turbulence and enhanced price competition for retail deposits, deposit inflows remained strong
- Trend of previous 6 quarters where savings had shifted towards low-margin time deposits came to an end (but was not reversed, however)

# Business Unit Belgium (4)



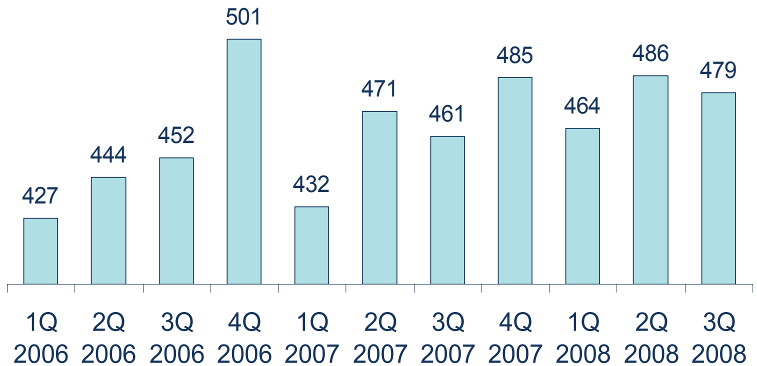




- F&C (163m) down 20% q/q and 24% y/y
- Quarterly drop mainly due to traditional summer slowdown of investments products sales, coupled with the difficult financial and economic climate
- AUM (158bn) stable q/q, +1% net new inflow fully offset by negative price impact

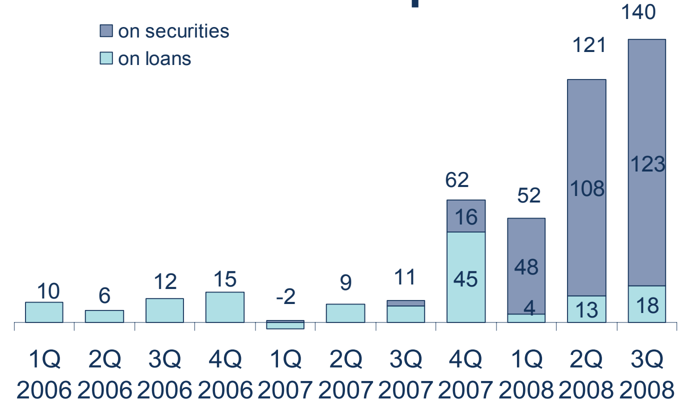
# Business Unit Belgium (5)

## Operating expenses

*All figures are in m euros*




## Asset impairment




- Operating expenses (479m) down 1%q/q, up 4% y/y. 2Q 08 was burdened by cost provisions for a commercial litigation (8m). y/y cost-growth largely due to inflationary pressure (YTD C/I ratio at 65%, excl. negative CDO impact)
- Loan impairments (18m) at very low level, notwithstanding a worsening economic climate (13m in 2Q 08, 8m in 3Q 07). Continued very good credit cost ratio of 9 bps (FY 07: 13 bps)
- Impairments related to AFS assets (mainly shares in the insurer’s portfolio) at 123m, up somewhat on q/q (2Q 08: 108m) and significantly higher than 2007 quarterly average of 5m, due to deteriorating stock market prices (MSCI Europe index down 12% q/q)

# Business Unit CEER

## Underlying net profit, adjusted for crisis impact


## Volume trends

| | Total loans | Of which mortgages | Customer deposits | AUM | Life reserves |
|---|---|---|---|---|---|
| **Growth q/q*** | **+8%** | **+13%** | **+4%** | **+0%** | **+16%** |
| **Growth y/y** | **+28%** | **+59%** | **+9%** | **+4%** | **+34%** |

**non-annualized*

- Underlying quarterly net profit, excluding the financial crisis impact (201m) down 9% compared to the record 222m of 2Q 08, but 55% up y/y
- Underlying net profit broken down as follows: 140m in the Czech Republic, 11m in Slovakia, 41m in Hungary, 49m in Poland, 0m in Russia and -39m other results (including funding costs)
- Organic volume-growth (excluding FX-impact and changes in consolidation scope): loans: 8% q/q, 28% y/y; deposits: 4% q/q, 9% y/y. Continued solid growth in life reserves

# Business Unit CEER (2)

| | Customer loans | | | Customer wealth* | | |
|---|---|---|---|---|---|---|
| | 2006 | 2007 | 3Q 08 | 2006 | 2007 | 3Q 08 |
| Total outstanding (in bn) | 21 | 34 | 37 | 39 | 50 | 58 |
| y/y growth | +26% | +23% | +28% | +12% | +16% | +11% |

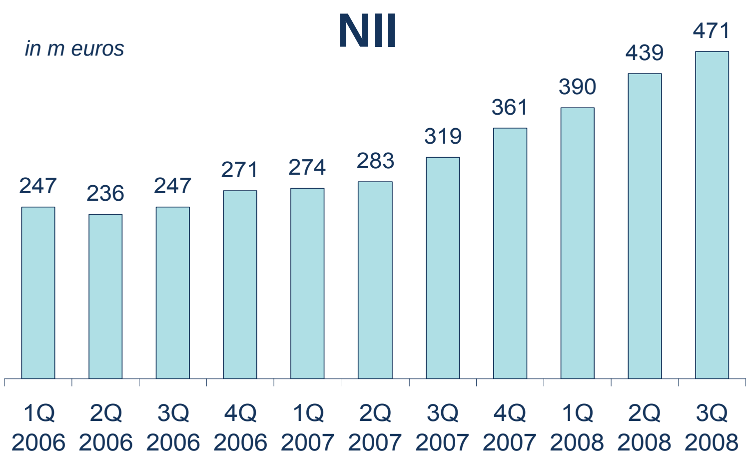
- Growth momentum remains resilient, although we expect to see some impact from an economic downturn
- Loan-to-deposit ratios per countries
  - Czech Republic: 40%**
  - Slovakia: 75%
  - Hungary: 93%
  - Poland: 100%
  - Russia: 390%

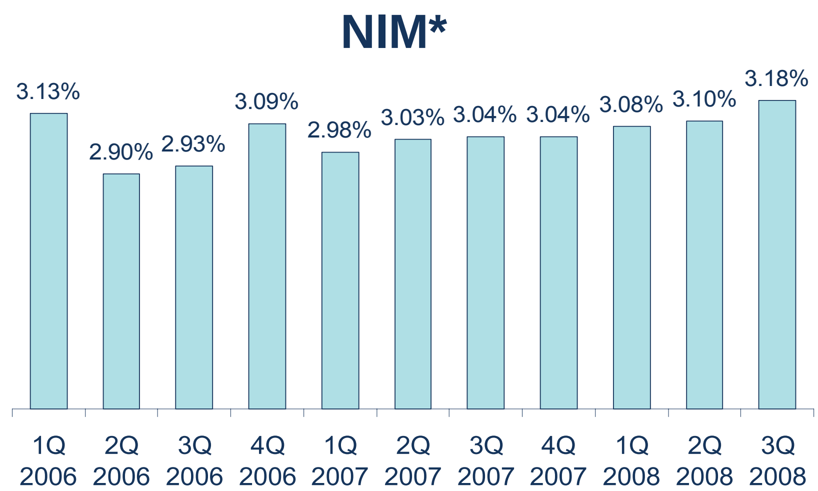
LTDs as of 30 June 2008

**71% on consolidated level

*definition:
y/y organic growth trends; customer wealth = banking deposits + AUM + life insurance

# Business Unit CEER (3)



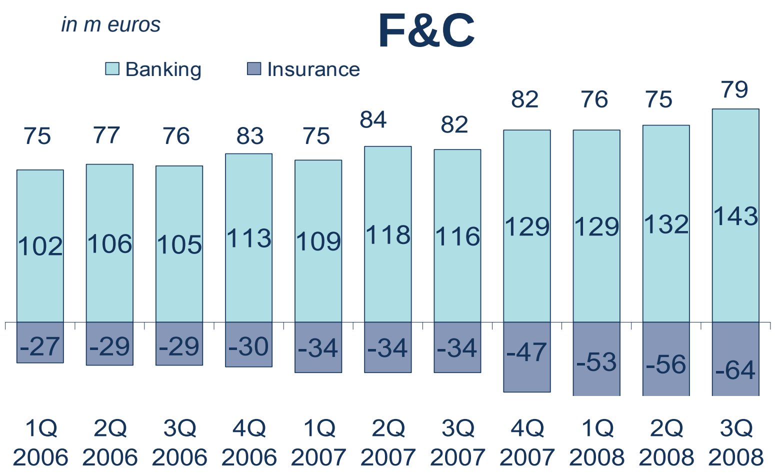



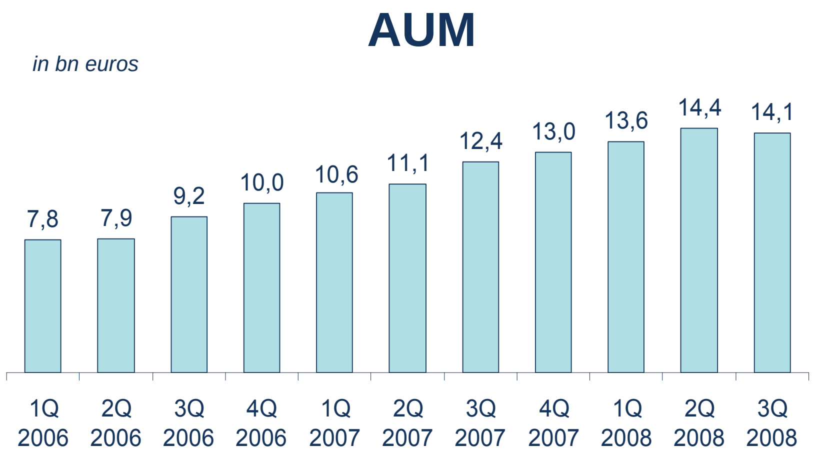

- NII (471m) up 3% q/q and 29% y/y on an organic basis, partly due to increased loan- and deposit volumes
- NIM (3.18%) up 8bps q/q and 14bps y/y, as margins edged up further, except for Russia

All growth figures above are organic growth y/y; FX-impact excluded

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

# Business Unit CEER (4)



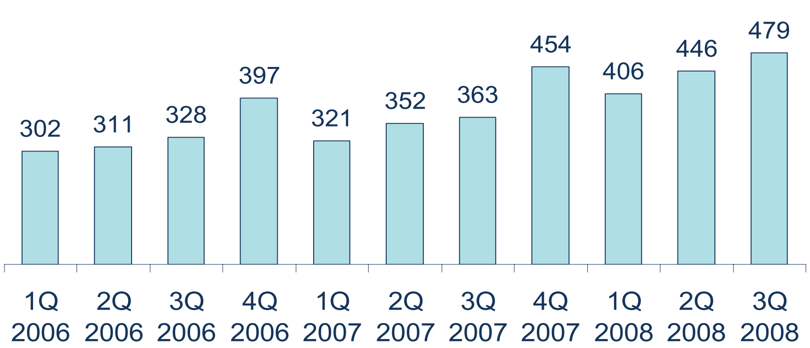




- Net F&C (79m) up 5% q/q, but down 4% y/y (increased fees received in banking, partly offset higher commissions paid to insurance agents)
- AUM (14.1bn) virtually flat q/q, up 4% y/y

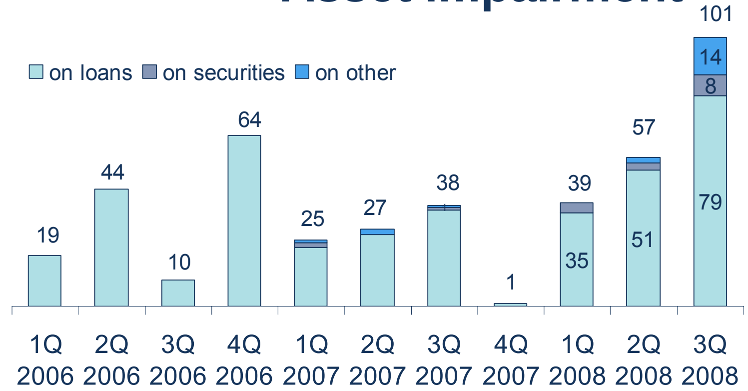
# Business Unit CEER (5)

*All figures are in m euros*

## Operating expenses



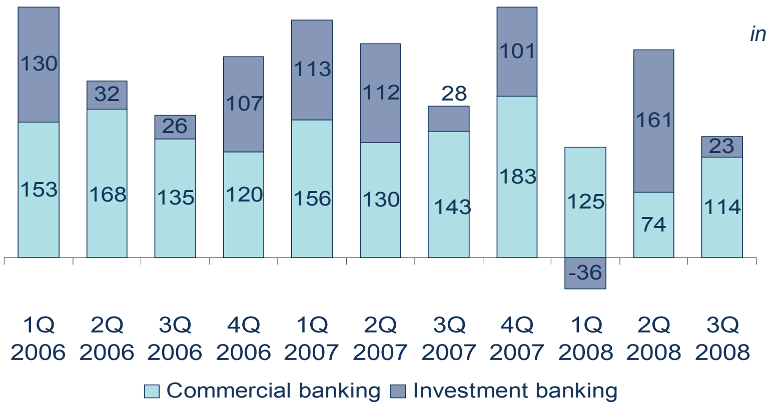

## Asset impairment




- Operating expenses (479m) up 3% q/q on an organic basis (2Q 08 figure contained 10m provision write-back in Poland. Disregarding this impact, costs q/q virtually flat)
- Cost increased 14% y/y on an organic basis, due to wage inflation and branch network expansion, among other things
- YTD C/I ratio, excluding negative CDO impact, at 58% (FY 07: 63%)
- Loan impairments stood at 79m, up by 28m q/q and by 43m y/y. Besides impairments for loan losses, 3Q 08 also includes impairments for shares (8m) and for troubled US banks (13m)
- YTD credit cost ratio at 57bps, or 54bps without troubled US banks (FY 07 ratio 26bps)
- Goodwill impairment test reconfirmed value of past acquisitions

# Business Unit Merchant Banking

## Underlying net profit, adjusted for crisis impact



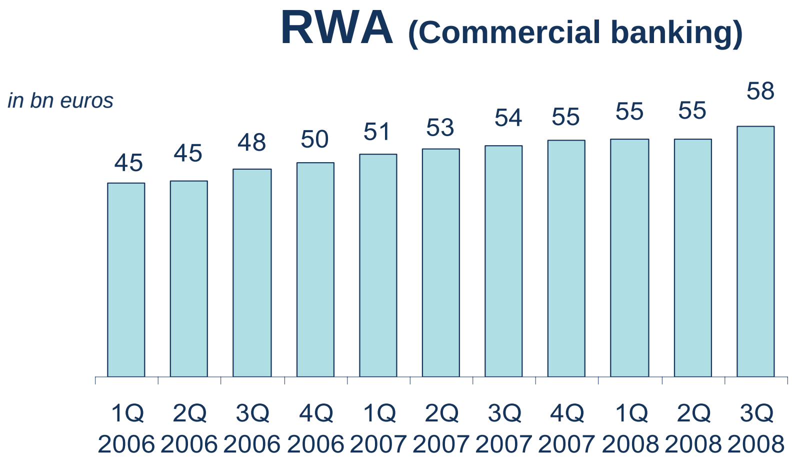

## Volume trends

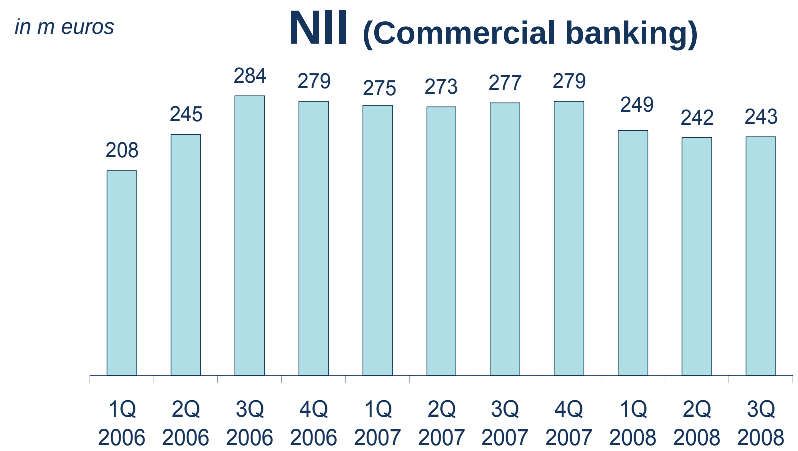
| | Total loans | Of which mortgages | Customer deposits | AUM | Life res. |
|---|---|---|---|---|---|
| Growth q/q* | -4% | | -10% | | |
| Growth y/y | +12% | | +3% | | |

*non-annualized

- Underlying net profit, excluding the direct impact of the financial crisis (negative valuation adjustments on CDOs, as well as impairments on the share portfolio and on troubled US banks) at 137m, down nearly 40% q/q and 20% y/y
- The adjusted net profit figure can be broken down into 114m for commercial banking and 23m for investment banking activities

# Business Unit Merchant Banking (2)

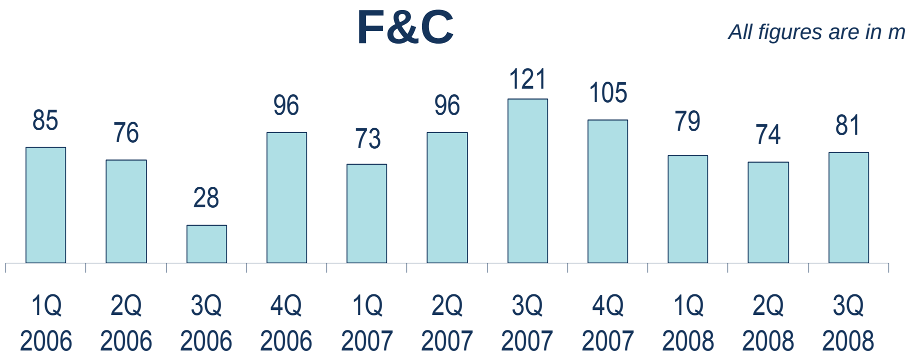


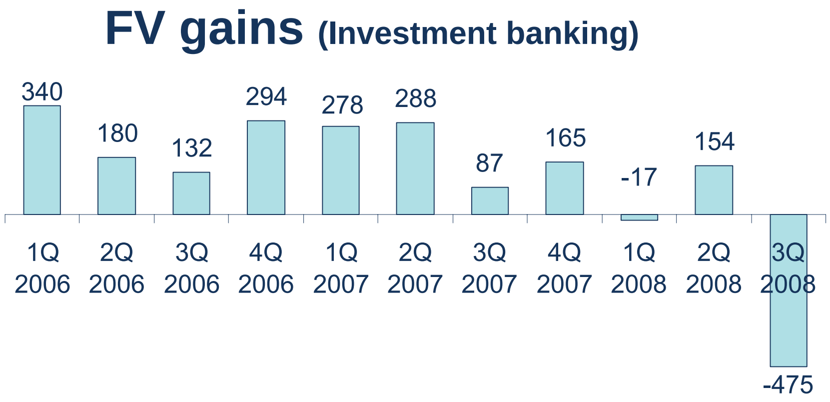




- RWA, commercial banking (58bn) up 5% q/q and 7% y/y
- NII relates to commercial banking (243m) virtually flat q/q
- y/y comparison of NII negatively impacted by a methodological change in income-recognition of lease finance and ALM derivatives as of 1Q 2008. Excluding this recurring impact (-40m per quarter) NII up some 2% y/y

# Business Unit Merchant Banking (3)

*All figures are in m euros*

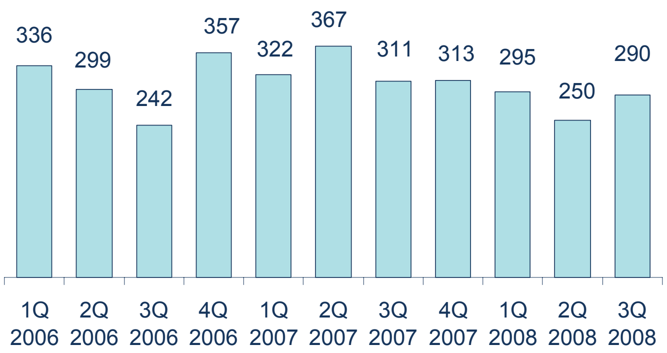


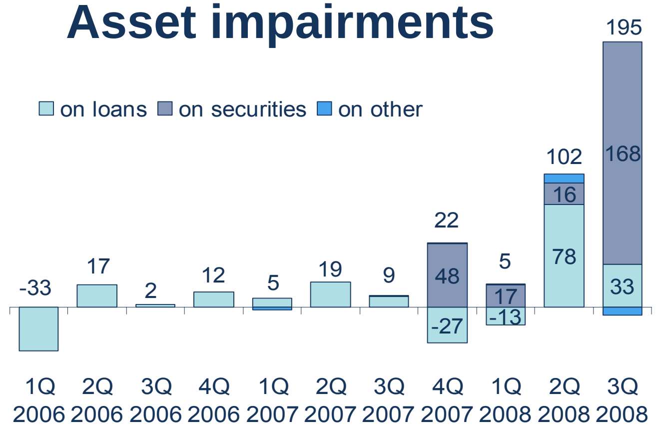

- Net F&C (81m) remained at a low level, 18% down on the quarterly average of 2007, due to decreased fees relating to brokerage and corporate finance activities, among other things
- FV gains in investment banking (-475m) very much impacted by negative value markdowns on CDOs. Excluding impact of financial crisis FV gains would come to 130m positive
- These markdowns were – over and above the impact of increased credit spreads and monoline counterparty risk – mainly due to the downgrading of a number of CDOs by Moody's in October, as the result of the application of more stringent loss assumptions

# Business Unit Merchant Banking (4)

## Operating expenses




## Asset impairments



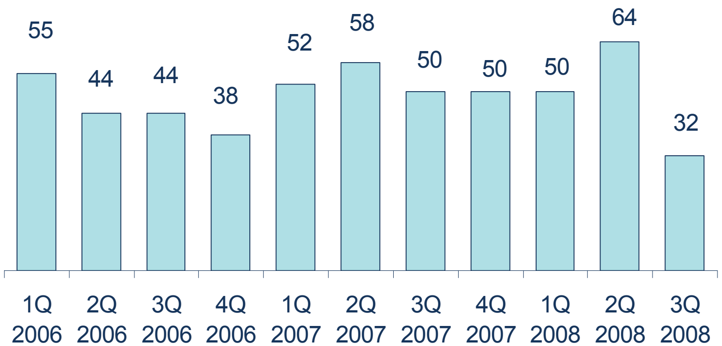

*All figures are in m euros*

- Operating expenses (290m) up 16% on the low level of 2Q 08, but down 7% y/y, mainly on account of lower income-related remuneration. YTD C/I ratio of the BU, excluding negative CDO-impact at 52% (FY 07: 53%)
- Impairments stood at 195m, up on the previous quarter (102m), and significantly higher than the 2007 quarterly average of 14m
- This was the result of higher impairments for AFS-assets (168m, vs 16m in the 2Q 07 and zero in 3Q 07), which included impairments related to troubled US banks (for 136m).
- Impairments for loans remained limited to 33m
- YTD credit cost ratio stood at 43 bps, or 19 bps excluding the troubled US banks (FY 2007 stood at extremely low of 2bps)

# Business Unit Private Banking

## Clean, underlying net profit

*in m euros*



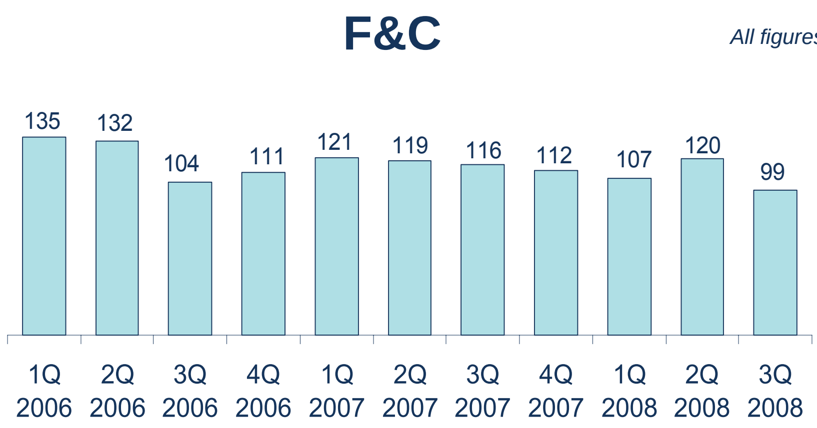

## Volumes

| | Total loans | Of which mortgages | Customer deposits | AUM | Life reserves |
|---|---|---|---|---|---|
| **Growth q/q*** | | | -2% | -6% | 0% |
| **Growth y/y** | | | +3% | -12% | -1% |

- Underlying net profit, excluding the direct impact of financial crisis at 32m, compared to 64m in 2Q 08 and 50m in 3Q 07
- AUM (50bn) down 6% q/q and 15% y/y, on a comparable basis, excluding Richelieu Finance (Including Richelieu: -12% y/y)
- Notwithstanding the difficult market climate, net outflows remained limited to a mere 1%, both q/q and y/y. On-shore private banking assets flat q/q; whereas witnessed 3% net inflow y/y. Clearly , over and above the volume effect, there was a significant price effect (falling stock market prices caused the value of existing assets to drop)

# Business Unit Private Banking (2)

*All figures are in m euros*





- F&C (99m) down 21m and 26m on 2Q 08 and 3Q 07, respectively, on a comparable basis
- Decline in F&C evidently caused by the depressed investment climate, over and above the traditional seasonal drop during the summer months
- Operating expenses (111m) down 8% q/q and 15% y/y (on a comparable basis), thanks partly to 12m recoveries on litigation provisions that had become redundant
- YTD C/I ratio, excluding negative CDO impact, at 67% (FY07 stood at 65%)

Section 4

# Update on topics

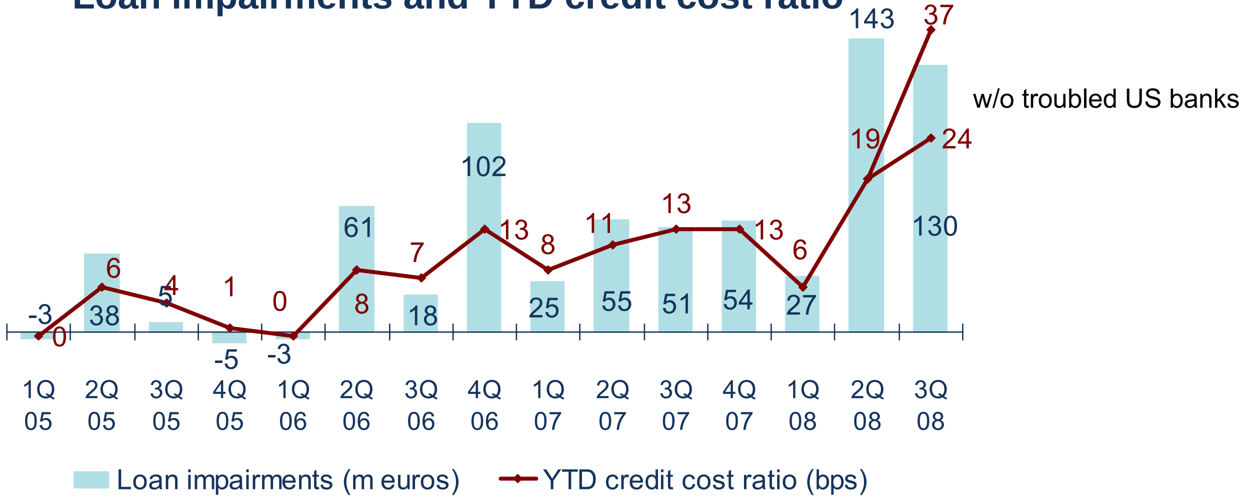
# Loan portfolio: Limited sector concentration and good quality

| | Outstanding in bn euros | Share of mortgage loans | Share of automotive | Share of building and construction | Share of real estate risk | Share of banks | Share of small-cap LBO/MBO |
|---|---|---|---|---|---|---|---|
| Belgium | 54.5 | 51,2% | 1,7% | 3,6% | 4,8% | 0,2% | 0,0% |
| CEER | 45.3 | 24,9% | 2,3% | 3,9% | 4,6% | 8,0% | 0,0% |
| Merchant Banking | 78.6 | 17,3% | 1,7% | 3,3% | 9,0% | 5,6% | 3,0% |
| EPB | 4.1 | 6,7% | 1,6% | 1,3% | 0,6% | 23,0% | 0,0% |
| **KBC Group total** | **182.5** | **29,1%** | **1,9%** | **3,5%** | **6,5%** | **5,0%** | **1,5%** |

| | outstanding in bn euros | Impaired loans in % of outst. | NPL ratio in % of outst. | NPL ratio YTD change |
|---|---|---|---|---|
| Belgium | 54.5 | 2,0% | 1,4% | -0,2% |
| CEER | 45.3 | 2,7% | 1,9% | -0,2% |
| Merchant Banking | 78.6 | 2,0% | 1,2% | 0,2% |
| EPB | 4.1 | 4,0% | 3,5% | 1,8% |
| **KBC Group total** | **182.5** | **2,2%** | **1,5%** | **0,0%** |
| **Adjustments** | **-18.5** | Excluding off-BS commitments, corp bonds, etc | | |
| **Total customer loans on balance sheet** | **164.0** | | | |

# Loan portfolio: Evolution of credit costs

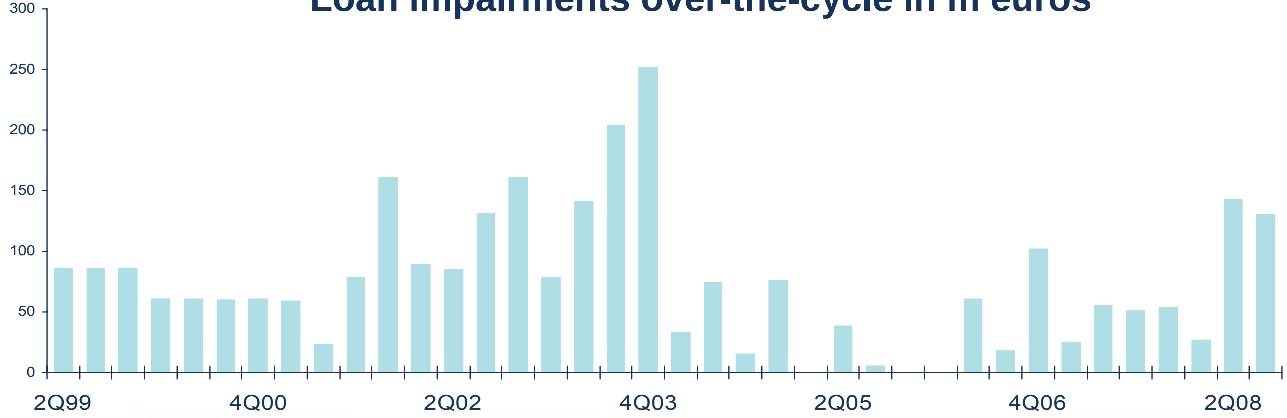
## Loan impairments and YTD credit cost ratio




**Credit costs, best estimates:**

- **Belgium:**
  20 bps (average, over-the-cycle)
- **Corporates:**
  35 bps (average, over-the-cycle)
- **CEE-4**:
  40-60 bps (average, 2008-2010)
- **Russia:**
  150-200 bps (average, 2008-2010)

## Loan impairments over-the-cycle in m euros



# Loan portfolio: No material mortgage-related issues

| | Total mortgages (volume in bn euros) | LTV outstanding mortgages (indexed) | LTV new production | Share of FX mortgages | LTV FX mortgages (indexed) | NPL - Total mortgages | NPL - FX mortgages |
|---|---|---|---|---|---|---|---|
| **Belgium** | **28.0** | **50%** | **72%** | **-** | **-** | **0,50%** | **-** |
| **Ireland** | 13.6 | 76% | 79% | 4% | - | 2,50% | - |
| **CEE** | **11.3** | **54%** | **72%** | **37%** | **59%** | **1,30%** | **1,00%** |
| **- Czech Republic** | 4.3 | 49% | 65% | - | - | 0,90% | - |
| **- Poland** | 2.8 | 64% | 87% | 66% | 70% | 1,40% | 0,40% |
| **- Hungary** | 2.4 | 50% | 62% | 81% | 52% | 1,60% | 1,70% |
| **- Russia** | 1.0 | 56% | 64% | 37% | 50% | 0,30% | 0,40% |
| **- Slovakia** | 0.7 | 53% | 73% | 3% | - | 1,10% | - |
| **- Bulgaria** | 0.1 | 57% | 62% | 46% | 58% | 1,70% | N/A |
| **KBC Group total** | **53.2** | **57%** | **73%** | **9%** | **62%** | **1,20%** | **1,00%** |

# Update on Hungarian market

Areas of concerns

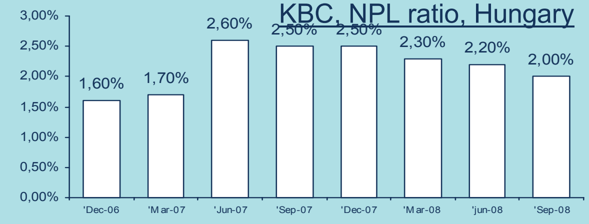
- Renewed concerns on large external debt resulted in bank funding strains and put FX borrowers at risk
- Interest rate defence of currency adversely affects potential economic recovery

Areas of support

- High level of foreign ownership of banks
- Substantial FX swap facilities provided by CB (backed by ECB) and financing package by IMF

Key figures, KBC, Sep-08
- Loan portfolio 7.7 bn (LTD 89%)
- NPL: 2.0%
- Mortgages: 2.4 bn (ind. LTV 50%), o/w 1.9 bn FX (52% LTV/1.7% NPL)

KBC, NPL ratio, Hungary



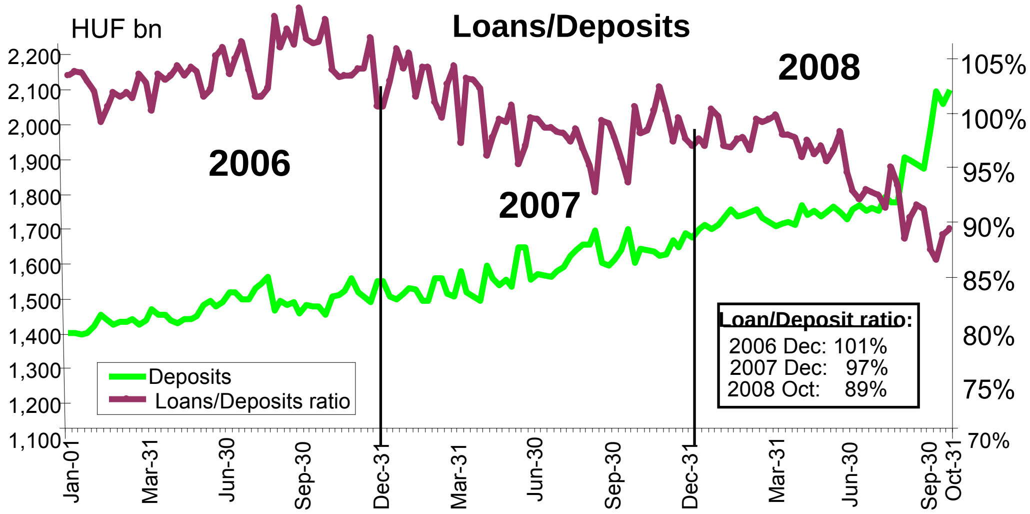

Our cautious stance since mid-2006

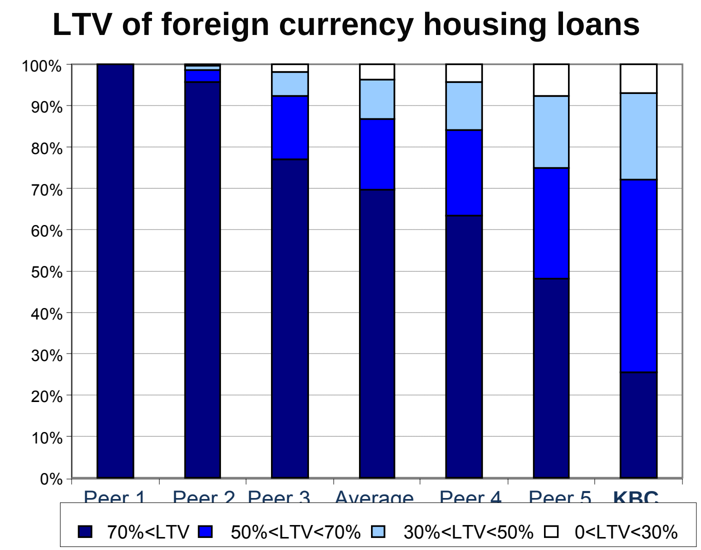
- More stringent collateral valuation since 2006 (resulting in ytd loan loss of 'only' 7 bps)
- Controlled corporate loan growth (-4% y/y in 2007 and -1% 2008 ytd)
- Conservative FX lending criteria (average indexed FX mortgage LTV 52%)

Additional measures taken in (3Q) 2008

- Restriction of business lines with high funding needs and continuation of deposit-gathering campaigns to consolidate favourable LTD ratio at around 90%
- Further tigthening of credit underwriting criteria (e.g. CHF lending to unhedged individuals virtually stopped…)

# Update on Hungarian market (2)



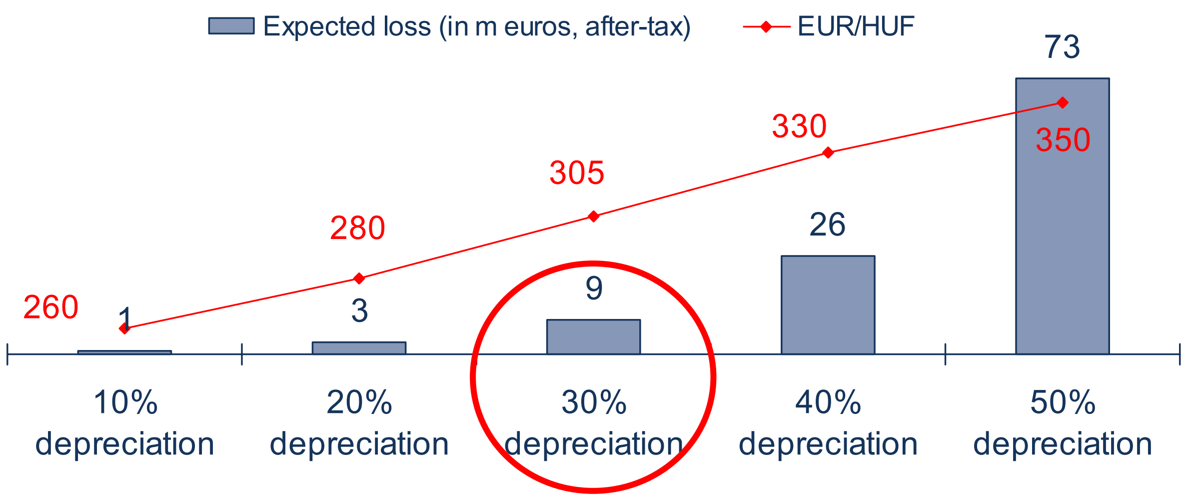




- Despite ongoing "war for deposits", liquidity remains good (LTD ratio ytd down to 89% from 97% vs sector average of 130%)
- Conservative FX lending criteria:
  - LTV at 52% well below sector average (80%+); LTV of new production at 62%
  - FX loans stress tests show continued comfort:
    - No material loss with HUF to EUR below 300 (261 at 31-Oct)
    - At HUF/EUR of 305 and simultaneous 30% fall in house prices: 9m net loss
    - At HUF/EUR of 330 and simultaneous 40% fall in house prices: 26m net loss

Source for LTV data: Interbank Data Exchange System (PSZAF) - OTP: OTP Bank + Mortgage Bank - LTV = actual loan amount/collateral value at origination - average: average LTV of the 6 banks listed

# Update on Hungarian market (3)

Stress test: expected losses from FX loans in Hungary in function of the depreciation of HUF and real estate prices




- Starting point for the stress test: 235 EUR/HUF (= situation as at end-June)
- Given our conservative approach here, a 30% HUF depreciation would cost 9m euros (after tax)

# Update on Russian market

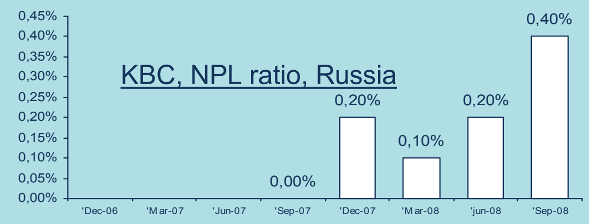
Areas of concerns

- Foreign capital outflows - triggered by geopolitical tensions and falling oil prices – generated refinancing problems for corporate Russia (incl. banking)

Areas of support

- Substantial liquidity facilities and deposit guarantees provided by authorities (backed by external economic surplus and strong FX reserves)
- State ability to recapitalise banks/corporates, if needed, and to support economic growth

Key figures, KBC, Sep-08
- Loan portfolio 4.0 bn (LTD 390%)
- NPL: 0.4%
- Mortgages: 1.0 bn (ind. LTV 56%), o/w 0.4 bn FX (50% LTV/0.4% NPL)




Our strategy (update 3Q 2008):

- Short term RUB facilities provided by financial authorities, backed up by funding provided by Group treasury
- Funding provided by Group treasury is the subject to a transfer risk cap of 25% of bank shareholders' equity
- Restriction on corporate lending, product mix being reviewed
- More sophisticated deposit marketing
- Review of branch expansion roll-out / intensified cost control
- Conservative loan provision methodology

# Revaluation of CDO portfolio

- CDO investments with “high attachment points*” (16% on average) and primarily corporate collateral (nominal value, net of initial write-offs: 8.7 bn)
- 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)
- Impact of notes downgraded by Moody’s in October has been booked retroactively in Q3
- Moody’s downgrades had been extrapolated for CDOs not included in their review
- Total impact of CDO-revaluation in 3Q 2008: -1.6bn euros, pre-tax (-1.1bn after-tax), of which:
  - 1.2bn due to downgrading of credit ratings
  - 0.3bn due to credit spread widening & other fair value changes
  - 0.1bn due to increased counterparty risk of monolines

* 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

# CDO stress tests

Tests based on data for all CDOs originated by KBC (7.9bn nominal value, or 91% of total CDO-exposure), as of mid-October

| Credit impairment test | | | Test result (pre-tax) |
|---|---|---|---|
| Loss on underlying with high near-term risk of default (AIG, FGIC, … ) in addition to the effective default of LeBros, WaMu and Icelandics* | | | -645m |
| **Credit stress test** | | | **Test result (pre-tax)** |
| 25% net loss on 2005+ subprime/Alt-A underlying | 3%** net loss on corporate underlying additional to effective default of LeBros, WaMu & Iceland* | 80% net loss on monolines (default with 20% recovery) | -2 263m |
| **Market valuation sensitivity** | | | **Test result (pre-tax)** |
| One notch downgrading of all CDO credit ratings | | | -205m |
| Increase of credit spreads by 25% (ABX, CDX, iTraxx) | | | -250m |

Total markdowns on CDOs since start of crisis: 2 305m euros

* Assumed recovery rate for LeBros: 9%, for WaMu: 60%, Icelandics: 5%

** For reference purposes: Moody's global average 1yr corporate default rate for Baa2 stands at 19bps (1998-2007), over the last 35 yrs peak level at 136 bps

# Solvency situation

- Consequent on uncertain global environment and massive capital injections worldwide, capital markets call for higher banking capital requirements
- KBC agreed with the Belgian State to issue capital securities in an amount of 3.5bn euros
- Out of the total amount, 2.25bn to be used in banking, 1.25bn in insurance
- Securities qualified by financial sector regulator as core capital; core capital ratios boosted

| | As of 30 Sept | Pro forma, with capital strengthening |
|---|---|---|
| Banking (Basel-II figures) | | |
| • Tier-1 ratio | 8.9% | 10.7% |
| • Core Tier-1 ratio | 6.6% | 8.2% |
| Insurance | | |
| • Solvency margin | 170% | 280% |

- Gearing capacity at holding company level untouched (gearing ratio: 104%)

# Sensitivity test of shareholders’ equity to the revaluation of share investment portfolio

Situation as of 30 September 2008:

- Total portfolio: 4.3bn (market value)
- Revaluation reserve: -40m
- Estimated revaluation due to -12.5% fall in equity markets: -280m
- Estimated revaluation due to -25% fall in equity markets: -390m

Section 5:

# Wrap up

# Wrap Up

- Preliminary earnings trend confirmed
- Satisfactory commercial results, especially in Eastern Europe, despite difficult climate. Results in Belgium effected by increased funding cost (increased deposit rate), amongst others
- Negative impact from investment markdowns (1.4 billion euros, net)
- Measures taken to reduce earnings impact of future CDO ratings downgrades
- Loan quality remains good (credit cost ratio: 24 bps). Within the context of the deteriorating economic environment, it is expected that the loan loss trend will remain upwards for the next quarters
- CEE continues to perform well, mainly thanks to geographical business mix. Updated stress tests provide comfort as regards our selective FX-lending in the region
- Pro forma Tier-1 capital ratio, banking at 10.7% (of which 8.2% core equity), pro-forma insurance solvency at 2.8 times the regulatory minimum

Section 6:

# Annexes

# Annex 1:
# Core capital issuance announced in October

| | |
|---|---|
| Instrument | Fully paid-up new class of non-transferable securities qualifying as core capital |
| Issuer | KBC Group |
| Subscriber | Belgian State |
| Maturity | Perpetual |
| Issue price | 29.50 euros per security (average of 3 last closing prices) |
| Issuer buyback option | KBC may offer a buyback at any time of all or some securities at 44.25 euros per security (150% of the issue price). State may opt for shares at 100%. Subject to regulator's approval |
| Interest coupon | The higher of (i) 2.51 euros per security (8.5%) or (ii) 110% of dividend paid for 2009 and 115% for 2010 and onwards. No coupon in case no dividend is paid |
| Ranking | Pari passu with ordinary equity |
| Substitution option | From 3 years after the issuance onwards, KBC has the right to substitute the securities with ordinary shares on a one-on-one basis. If KBC chooses to do so, the State can opt for repayment of the securities in cash at 100% of the issue price (subject to approval) |
| Tax treatment | Coupon is not tax deductable |

To be completed before the year-end

# Annex 2: Volumes y/y

| | Total loans | Of which mortgages | Customer deposits | AUM | Life reserves |
|---|---|---|---|---|---|
| Outstanding (in bn) | 164 | 54 | 215 | 222 | 23 |
| **Growth, y/y** | **+16%** | **+23%** | **+10%** | **-5%** | **+4%** |
| **Belgium** | **+6%** | **+10%** | **+11%** | **-2%** | **+2%** |
| **CEE R** | **+28%** | **+59%** | **+9%** | **+4%** | **+34%** |
| - Czech Republic | +19% | +45% | +7% | +8% | +11% |
| - Slovakia | +24% | +31% | +4% | +16% | +26% |
| - Hungary | +11% | +22% | +23% | +5% | +15% |
| - Poland | +46% | +81% | +8% | -10% | >100% |
| **Merchant Banking** | **+12%** | **-** | **+3%** | **-** | **-** |
| **Private Banking** | **-** | **-** | **-** | **-12%** | **-1%** |

**Notes:**
- Organic growth rates only
- Growth rates excluding repo and reverse repo actvities
- Trends for CEE in local currency

# Annex 3: Volumes q/q – non-annualised

| | Total loans | Of which mortgages | Customer deposits | AUM | Life reserves |
|---|---|---|---|---|---|
| Outstanding (in bn) | 164 | 54 | 215 | 222 | 23 |
| **Growth, q/q** | **+2%** | **+4%** | **-2%** | **-2%** | **+0%** |
| **Belgium** | **+5%** | **+2%** | **+2%** | **+0%** | **-1%** |
| **CEE R** | **+8%** | **+13%** | **+4%** | **+0%** | **+16%** |
| - Czech Republic | +5% | +8% | +0% | +3% | +7% |
| - Slovakia | +4% | +2% | +12% | -2% | +3% |
| - Hungary | +7% | +9% | +18% | -3% | +4% |
| - Poland | +14% | +23% | +1% | -4% | +44% |
| - Serbia | +17% | >100% | +11% | - | - |
| - Russia | +18% | +26% | +4% | - | - |
| - Bulgaria | +5% | +2% | % | - | +2% |
| **Merchant Banking** | **-4%** | **-** | **-10%** | **-** | **-** |
| **Private Banking** | **-** | **-** | **-** | **-6%** | **+0%** |

**Notes:** Organic growth rates only. Growth rates excluding repo and reverse repo actvities. Trends for CEE in local currency

# Annex 4:
# CDO portfolio

KBC FP issued CDOs (91% of total portfolio) distribution per rating class of nominal outstanding

| | 30 June 2008 | 15 Oct 2008 | Nominal value (in bn euros)* | Markdown in % | Average attachment points |
|---|---|---|---|---|---|
| Aaa | 73.1% | 53.1% | 4.2 | -2% | 19% |
| Aa | 10.6% | 6.6% | 0.5 | -15% | 15% |
| A | 5.7% | 14.4% | 1.1 | -19% | 18% |
| Baa | 2.1% | 5.3% | 0.4 | -52% | 12% |
| Ba | 7.9% | 1.6% | 0.1 | -56% | 11% |
| Ba in run-off | | 7.0% | 0.6 | -37% | |
| B | 0.4% | 4.6% | 0.4 | -100% | 9% |
| Caa | 0.2% | 7.5% | 0.6 | -100% | 5% |
| Ca | 0.0% | 0.0% | 0 | -100% | <5% |
| C | 0.0% | 0.0% | 0 | -100% | <5% |
| D | 0.0% | 0.0% | 0 | -100% | <5% |
| **Total** | **100.0%** | **100.0%** | **7.9** | **-24%** | **16%** |

*net of provisions for equity and junior pieces

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

# Annex 5: Impact of structured credit exposure per business units

| Fair Value ABS/CDO - Impact on P&L | | Belgium | CEER | Merchant Banking | Private Banking | Group Centre | KBC Group consolidated |
|---|---|---|---|---|---|---|---|
| Pre-tax | 3Q 2007 | -8 | -16 | -22 | -6 | - | -51 |
| | 4Q 2007 | -25 | -13 | -115 | -13 | - | -166 |
| | 1Q 2008 | -29 | -28 | -74 | -10 | - | -141 |
| | 2Q 2008 | -50 | -37 | -215 | -12 | - | -314 |
| | 3Q 2008 | -431 | -258 | -809 | -136 | - | -1633 |
| | **YTD 2008** | **-510** | **-323** | **-1098** | **-158** | **-** | **-2088** |
| | **TOTAL** | **-543** | **-352** | **-1235** | **-177** | **0** | **-2305** |
| After-tax | 3Q 2007 | -6 | -12 | -17 | -4 | - | -39 |
| | 4Q 2007 | -17 | -10 | -66 | -9 | - | -102 |
| | 1Q 2008 | -19 | -21 | -46 | -7 | - | -93 |
| | 2Q 2008 | -33 | -29 | -90 | -8 | - | -160 |
| | 3Q 2008 | -285 | -204 | -528 | -96 | - | -1112 |
| | **YTD 2008** | **-337** | **-255** | **-664** | **-111** | **-** | **-1367** |
| | **TOTAL** | **-360** | **-277** | **-747** | **-124** | **-** | **-1508** |

| Fair Value ABS/CDO - Impact on equity | | KBC Group consolidated |
|---|---|---|
| Pre-tax | 3Q 2007 | -49 |
| | 4Q 2007 | -81 |
| | 1Q 2008 | -91 |
| | 2Q 2008 | -105 |
| | 3Q 2008 | -200 |
| | **YTD 2008** | **-395** |
| | **TOTAL** | **-525** |
| After-tax | 3Q 2007 | -37 |
| | 4Q 2007 | -51 |
| | 1Q 2008 | -61 |
| | 2Q 2008 | -71 |
| | **3Q 2008** | -134 |
| | **YTD 2008** | **-266** |
| | **TOTAL** | **-354** |

# Annex 6: Cost/Income ratio per business unit

| C/I, banking | FY 06 underlying | FY 07 underlying | 9M 08 underlying | 9M 08 Clean und. |
|---|---|---|---|---|
| Belgium | 58% | 59% | 68% | 65% |
| Czech Republic | 57% | 53% | 66% | 44% |
| Slovakia | - | 65% | 61% | 61% |
| Hungary | 63% | 59% | 58% | 57% |
| Poland | 72% | 70% | 64% | 64% |
| Russia | - | 72% | 65% | 65% |
| Merchant Banking | 50% | 53% | 113% | 52% |
| Private Banking | 73% | 65% | 99% | 67% |
| **Total** | **58%** | **58%** | **79%** | **60%** |

# Annex 7:
# Credit cost ratio per business units

| Credit cost ratio | FY 06 | FY 07 | 9M 08 | 9M 08 excl LB, WaMu |
|---|---|---|---|---|
| Belgium | 0.07% | 0.13% | 0.09% | 0.09% |
| Czech Republic | 0.36% | 0.18% | 0.45% | 0.36% |
| Slovakia | - | 0.96% | 0.79% | 0.79% |
| Hungary | 1.50% | 0.62% | 0.07% | 0.07% |
| Poland | 0.00% | 0.00% | 0.69% | 0.69% |
| Russia | - | 0.21% | 1.72%* | 1.72%* |
| Merchant Banking | 0.00% | 0.02% | 0.43% | 0.19% |
| **Total** | **0.13%** | **0.13%** | **0.37%** | **0.24%** |

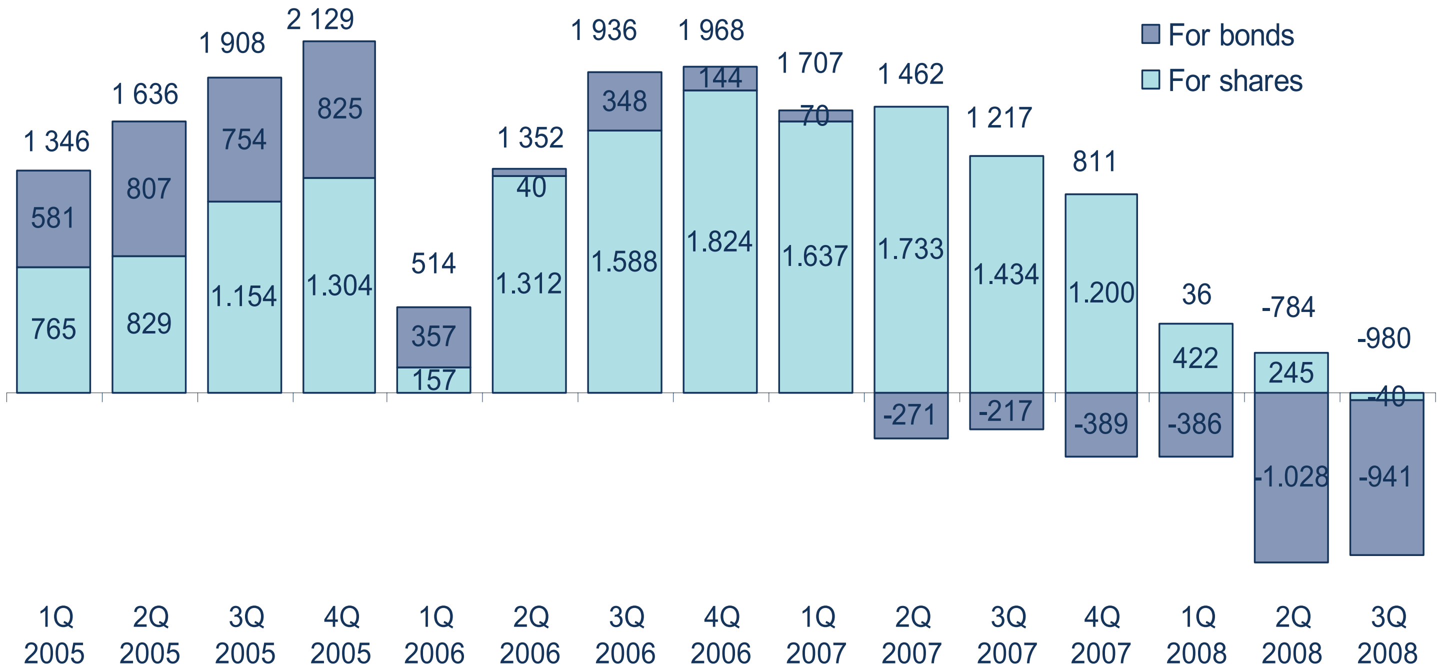
*boosted by the allocation of generic provisions

# Annex 8:
# Sensitivity test of earnings to share price trend

Total estimated net profit impact of 12.5%/25% drop in share prices: -180m/-525m, including:

- impairment charges (mostly non tax deductible)
- impact on F&C income from lower AUM
- impact on FV income of revaluation of part of securities portfolio classified “at fair value”

# Annex 9: Evolution of revaluation reserve




- Widening corporate credit spreads and falling equity prices have had a negative impact on the revaluation reserve of the AFS investment portfolio in 3Q (credit spread impact was however more, then offset by the positive impact from lower interest rates)