KBC Group

“Navigating through the crisis”
Morgan Stanley Investor Conference, April 2009

www.kbc.com
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Reminder: business profile

- Top-3 player in Belgium and CEE-4; 75-80% of revenue is generated in markets with leading market share
- Niche strategies in selected merchant banking activities and private banking outside home markets (mainly European focus)
### Reminder: presence in CEE

- **4 CEE key markets in the central subregion (representing 15% of group total assets)**
- **(Limited) presence in Russia (1%) and Balkan area (0.3%), no presence in Baltics and other CIS**

#### Key markets
- **Czech Republic**
  - Total assets: 30 bn
  - Bank ranking: Top-3
- **Hungary**
  - Total assets: 12 bn
  - Bank ranking: Top-3
- **Poland**
  - Total assets: 7 bn
  - Bank ranking: Top-10
- **Slovakia**
  - Total assets: 6 bn
  - Bank ranking: Top-5

#### New markets
- **Russia**
  - Total assets: 4 bn
  - Bank ranking: Top-30
- **Bulgaria**
  - Total assets: 1 bn
  - Bank ranking: Top-10
- **Serbia**
  - Total assets: 0.2 bn
  - Bank ranking: Top-25

**Total CEE**
- Total assets: 60 bn
- RWA: 38bn

Assets in bn euros as at 31 Dec 2008
2008 underlying performance remained ‘satisfactory’ and loan losses were ‘reasonable’ (even so, at the start of 2009)

On the other hand, significant ‘damage’ in 2008 from asset markdowns due to financial market crisis: 4.7 bn, net (structured credit, bank defaults, equity portfolio)
Investor points of interest are therefore plentiful

## Assets

<table>
<thead>
<tr>
<th>Tangible &amp; intangible fixed assets</th>
<th>Loan book</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill value, exp. CEE?</td>
<td>Credit quality, exp. CEE &amp; MB?</td>
</tr>
<tr>
<td>Trading exposure</td>
<td>Trading exposure</td>
</tr>
<tr>
<td>‘Toxic’ assets?</td>
<td>‘Toxic’ assets?</td>
</tr>
<tr>
<td>Share portfolio markdown?</td>
<td>Share portfolio markdown?</td>
</tr>
</tbody>
</table>

## Liabilities

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital adequacy?</td>
</tr>
<tr>
<td>Liquidity position?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funding &amp; deposit base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance reserves</td>
</tr>
</tbody>
</table>
Outstanding goodwill

Assets

Tangible & intangible fixed assets

1. Goodwill value, exp. CEE?

- Bulk of CEE acquisitions made >5 yrs ago at ‘acceptable’ prices (goodwill outstanding: 2.1 bn)
- At 1.5x BV, CEE unit overall not overvalued in our accounts

<table>
<thead>
<tr>
<th></th>
<th>Goodwill</th>
<th>Book value*</th>
<th>P/B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>CEE</td>
<td>2.1 bn</td>
<td>4.4 bn</td>
<td>1.5x</td>
</tr>
<tr>
<td>Private</td>
<td>0.9 bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merchant</td>
<td>0.3 bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group</td>
<td>3.3 bn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Net asset value of subsidiaries acquired, ex minority interests (value ex. Goodwill)
Credit quality

Cost of credit risk remained low in Belgium and moderate in CEE

Pronounced increase in 4Q08 in non-domestic corporate loan book within merchant bank (mainly related to the 12 bn US & UK exposure)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>55bn</td>
<td>0.07%</td>
<td>0.13%</td>
<td>0.09%</td>
</tr>
<tr>
<td>CEE</td>
<td>43bn</td>
<td>0.58%</td>
<td>0.26%</td>
<td>0.73%</td>
</tr>
<tr>
<td>Merchant</td>
<td>76bn</td>
<td>0.00%</td>
<td>0.02%</td>
<td>0.48%</td>
</tr>
<tr>
<td>Total</td>
<td>178bn</td>
<td>0.13%</td>
<td>0.13%</td>
<td>0.46%</td>
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</tbody>
</table>
Limited loan losses in Belgium through-the-cycle; average loan-loss ratio of 20 bps over 25-yr period (30 bps being the peak level)

Earnings sensitivity test
If loan losses were to increase from 9 bps to 30 bps, pre-tax impact would be ±100m (±5 bps impact on core Tier 1 ratio)
Credit quality in CEE

<table>
<thead>
<tr>
<th>Country</th>
<th>Loan book</th>
<th>Current NPL</th>
<th>NPL peak KBC</th>
<th>NPL peak banking system</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Rep</td>
<td>20 bn</td>
<td>1.8%</td>
<td>2.5% (2000)</td>
<td>18% (2000)</td>
</tr>
<tr>
<td>Poland</td>
<td>7 bn</td>
<td>3.3%</td>
<td>29.4% (2003)</td>
<td>24% (2003)</td>
</tr>
<tr>
<td>Hungary</td>
<td>7 bn</td>
<td>1.7%</td>
<td>3.7% (2000)</td>
<td>23% (1999)</td>
</tr>
<tr>
<td>Slovakia</td>
<td>4 bn</td>
<td>3.7%</td>
<td>3.7% (2008)</td>
<td>35% (2000)</td>
</tr>
<tr>
<td>Russia</td>
<td>3 bn</td>
<td>0.5%</td>
<td>N/A</td>
<td>40% (1999)</td>
</tr>
<tr>
<td><strong>CEE, total</strong></td>
<td><strong>43 bn</strong></td>
<td><strong>2.1%</strong></td>
<td><strong>6.8% (2003)</strong></td>
<td></td>
</tr>
</tbody>
</table>

- KBC largely present within less vulnerable countries (Czech Rep., Slovakia...)
- Broker analysts currently expect KBC’s 2009-2010 CEE loan losses to be at 200 bps (implying NPL to increase to ca. 5% in 2009 and 8% in 2010, on average)

**Earnings sensitivity test**
If loan losses were to increase to 200 bps, pre-tax impact would be ±0.6 bn (±35 bps impact on core Tier 1 ratio)
Current NPL: 1.70%

Cautious stance since mid-2006:
- No corporate loan growth in past years (-4% y/y in 2007 and flat in ‘08)
- Conservative FX lending criteria (avg indexed FX mortgage Loan to Value 60% at YE 2008, well below sector average of 80%+)
- Further tightening of credit underwriting criteria in 2008: stop growth for consumer finance, car leasing, FX mortgage loans...
- Limited currency exposure thanks to NAV-hedge

Earnings sensitivity test
30% simultaneous fall in all CEE currencies and all house prices triggers ±90m impairment loss on FX mortgages (pre-tax)
Credit quality in Russia

Current NPL: 0.50% (rising trend)

Strategy since Sept 2008:
- Corporate and retail lending restricted
- Funding provided by Group treasury reduced and (partly) secured by Belgian Export Credit Agency
- Conservative loan provision methodology applied (incl. ‘generic’ provisions)
- In 1Q 2009, 17% staff reduction (no outlets closed)
- Limited currency exposure thanks to NAV-hedge

**Earnings sensitivity test**
If loan loss ratio was to increase from 240 bps to 500 bps, pre-tax impact would be ±75m (±3% of '08 underlying pre-tax profit)
Credit quality in merchant bank

Loan loss ratio in merchant bank

- Consolidation of ‘preferred bank’ on Belgian SME market, but strict restriction of non-domestic corporate lending
- Tightening of underwriting criteria in Ireland

Earnings sensitivity test
If Moody’s current 2009 default expectations were to materialise, loan loss ratio would be around 100-110 bps (0.3bn higher loan loss, pre-tax – ca. 20 bps on impact on core Tier 1 ratio)
Credit quality in Ireland

Current NPL: 3.0% (rising trend)

Our experience before
- Selective underwriting policy pursued (10y avg loan loss ratio: 7 bps, o/w 3 bps for retail)
- No sub-prime or self-certification mortgages and mortgage LTV ‘top slice’ (>80%) highly covered by mortgage insurance

Additional measures taken in 2008
- Further tightening of underwriting criteria (e.g. mortgage LTV cap currently reduced to 80%)
- Commercial real estate nominal outstanding reduced (-8% y/y)

Irish activities (though incl. 2/3 retail housing loans) are part of the Merchant banking Business Unit
Trading activities

Assets

- **Tangible & intangible fixed assets**
- **Loan book**
  - 1. Goodwill value, exp. CEE & MB?
  - 2. Credit quality, exp. CEE & MB?
- **Trading assets**
- **Investment portfolio**
  - 4. ‘Toxic’ assets?
  - 5. Share portfolio markdown?

KBC, share of investment banking profit, 1998-’08

- Less dependency on IB income since ‘9/11’
- Further cut in IB activities following credit crisis; derivatives business largely put on run-off (headcount: -35% in 2008, another -35%, 500 FTE, in 2009)
Investment portfolio

<table>
<thead>
<tr>
<th>Tangible &amp; intangible fixed assets</th>
<th>1 Goodwill value, exp. CEE?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan book</td>
<td>2 Credit quality, exp. CEE?</td>
</tr>
<tr>
<td>Trading assets</td>
<td>3 Trading exposure</td>
</tr>
<tr>
<td>Investment portfolio</td>
<td>4 ‘Toxic’ assets?</td>
</tr>
<tr>
<td></td>
<td>5 Share portfolio markdown?</td>
</tr>
</tbody>
</table>

- Corporate CDO and ABS portfolios of 5.4 bn and 4.8 bn, resp.
- Exposure written down to 57% and 74% of original value, resp.
- CDO collateral includes 84% corporate credit (mainly Investment Grade)
- Earnings sensitivity strongly reduced due to writedown of non-super-senior CDO exposure and reclassification of ABS to ‘loan and receivables’
Share portfolio of 2.7 bn, mainly investment of insurance reserves

Impairment when share price remain below purchase price for more than 1 year or falls below 70% of purchase price

Earnings sensitivity test
±0.5 bn impairment charge for 25% fall in European equities in 1Q 2009
Financial position

- Well positioned to absorb expected procyclical impact (and drawbacks, if any) with Tier-1 ratio of 11.2% (8.6 equity)

- Limited needs for refinancing in the market with loan to deposit ratio at 92%

Liabilities

Shareholders’ equity

6 Capital adequacy?

Funding & deposit base

7 Liquidity position?

Insurance reserves
**Zoom in on solvency**

<table>
<thead>
<tr>
<th>31 Dec 2008</th>
<th>Tangible equity ¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking</td>
<td>12.2 bn</td>
</tr>
<tr>
<td>Insurance</td>
<td>1.9 bn</td>
</tr>
<tr>
<td>Shared services</td>
<td>0.6 bn</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.7 bn</strong></td>
</tr>
</tbody>
</table>

¹ Common shareholder's capital minus goodwill & intangibles, excl. revaluation reserves and excl. hybrid instruments (3.4bn); pro forma incl. announced capital transactions

- Capital base adequately strengthened in order to weather recessionary climate (tangible equity up 2.5 bn compared to start of 2008)
- Procyclical impact on tied-up equity estimated at 1.0bn for 2009*
- Equity Tier-1, banking (8.6%) well above 7% sector average and 8% ‘crisis benchmark’ (in total: 2.5 bn and 1 bn surplus, resp.)
- Stand-by facility for another non-dilutive State capital injection of 1.5 bn

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* Based on Moody’s 2009 rating migration expectations
Questions ?
## Annex: Analysts’ opinions

<table>
<thead>
<tr>
<th>BANK/BROKER</th>
<th>ANALYST</th>
<th>PHONE</th>
<th>RATING</th>
<th>TARGET PRICE</th>
<th>UPSIDE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citigroup</td>
<td>Kiri Vijayarajah</td>
<td>+44 20 7986 4258</td>
<td>=</td>
<td>12</td>
<td>74%</td>
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<tr>
<td>CREDIT SUISSE</td>
<td>Guillaume Tiberghien</td>
<td>+44 20 7883 7515</td>
<td>+</td>
<td>under review</td>
<td>N/A</td>
</tr>
<tr>
<td>UBS</td>
<td>Ivan Lathouders</td>
<td>+32 2 287 91 76</td>
<td>+</td>
<td>13</td>
<td>88%</td>
</tr>
<tr>
<td>Deutsche Bank</td>
<td>Brice Vandamme / Thibaut Nardin</td>
<td>+33 1 44 95 66 28</td>
<td>-</td>
<td>8</td>
<td>16%</td>
</tr>
<tr>
<td>BNP PARIBAS</td>
<td>François Boissin</td>
<td>+33 1 42 99 25 12</td>
<td>=</td>
<td>17</td>
<td>146%</td>
</tr>
<tr>
<td></td>
<td>Kurt Debaenst</td>
<td>+32 2 565 60 42</td>
<td>+</td>
<td>15</td>
<td>117%</td>
</tr>
<tr>
<td>HSBC</td>
<td>Marcel Mballa-Ekobena</td>
<td>+44 20 7991 6809</td>
<td>=</td>
<td>16</td>
<td>125%</td>
</tr>
<tr>
<td>ING Bank</td>
<td>Albert Ploegh</td>
<td>+31 20 563 8748</td>
<td>+</td>
<td>under review</td>
<td>N/A</td>
</tr>
<tr>
<td>Natixis</td>
<td>Christophe Ricetti</td>
<td>+33 1 58 55 05 22</td>
<td>-</td>
<td>13</td>
<td>88%</td>
</tr>
<tr>
<td>JPMorgan</td>
<td>Paul Formanko</td>
<td>+44 20 7325 6028</td>
<td>-</td>
<td>under review</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Jean-Pierre Lambert</td>
<td>+44 20 7663 5292</td>
<td>=</td>
<td>13</td>
<td>83%</td>
</tr>
<tr>
<td></td>
<td>Benoît Pétrarque</td>
<td>31 20 563 2382</td>
<td>+</td>
<td>16</td>
<td>132%</td>
</tr>
<tr>
<td>Bank of America</td>
<td>Bitta Schmidt</td>
<td>+44 20 7996 2559</td>
<td>=</td>
<td>15</td>
<td>117%</td>
</tr>
<tr>
<td>Sociétés Générales</td>
<td>Scander Bentchikou</td>
<td>+33 1 44 51 83 08</td>
<td>+</td>
<td>20</td>
<td>190%</td>
</tr>
<tr>
<td>Sal Oppenheim</td>
<td>Thomas Stögner</td>
<td>+49 69 7134 5602</td>
<td>=</td>
<td>10</td>
<td>45%</td>
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<tr>
<td></td>
<td>Ton Gietman</td>
<td>+31 20 573 54 63</td>
<td>=</td>
<td>18</td>
<td>154%</td>
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<tr>
<td></td>
<td>Cor Kluijs</td>
<td>+31 20 460 48 60</td>
<td>=</td>
<td>14</td>
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<tr>
<td>RBS</td>
<td>Aurelia Faure</td>
<td>+44 20 7678 0442</td>
<td>=</td>
<td>13</td>
<td>88%</td>
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<tr>
<td>Société Générale</td>
<td>Sabrina Blanc</td>
<td>+33 1 42 13 47 32</td>
<td>=</td>
<td>13</td>
<td>88%</td>
</tr>
<tr>
<td></td>
<td>Marco Troiano</td>
<td>+44 20 7176 3964</td>
<td>+</td>
<td>16</td>
<td>132%</td>
</tr>
</tbody>
</table>

**Consensus:** 14 103%

Situation as of 4 March 2009 (actual share price: 6.90)