KBC Group

"Competing in the New Normal"

Merrill Lynch Banking & Insurance Conference, 1 October 2009

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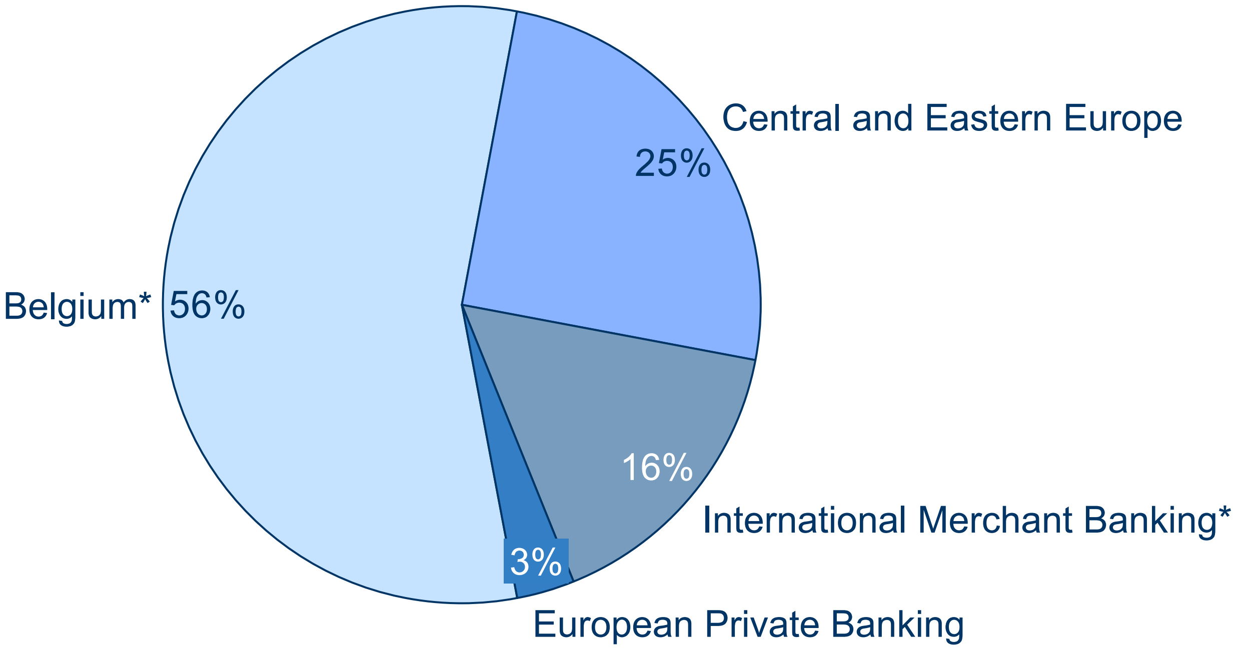
Introduction: business mix

KBC, CAPITAL ALLOCATION



- KBC is a leading player in its 2 core markets of Belgium and CEE-4
- Niche strategies were developed for international merchant banking and European private banking

* Belgium includes the Business Unit 'Belgium' (retail) and the Belgian activities of the Business Unit 'merchant banking'

What the crisis brought us?

LIQUIDITY ?

With a loan-to-deposit ratio of 88%, funding has not been an issue and will not be a constraint to growth in the 'New Normal'

LOAN QUALITY ?

With an overall provision charge of 0.76% (1H09), bad loan charges up to now showed to be very 'affordable' (even in 'our' CEE !)

'TOXIC' ASSETS ?

We suffered from some 10 bn* market value loss on structured credit, which made us issuing 7 bn State core capital securities to restore the capital position **

* Peak level of ca. 10 bn at 31-Mar-2009, was already partly reversed in the meanwhile
** Further potential CDO-related loss is largely capped by the Governement Guarantee acquired

What's the situation now?

ADEQUATE CAPITAL

Including the 7 bn State core capital securities, the core Tier-1 ratio was brought back above a comfortable 8% level

MANAGEABLE RISK

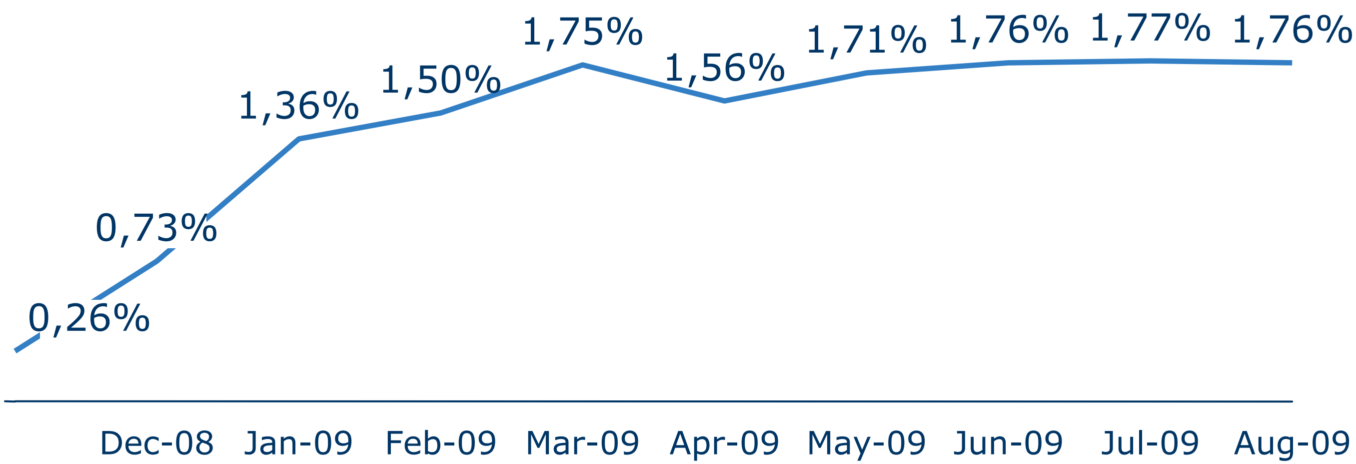
On the short term, the ordinary equity capital buffer (excl. State securities) may be perceived as rather thin, but we believe remaining asset risks are manageable, therefore capitalisation is sufficient

NEW MANAGEMENT

Mid-2009, the senior management team was renewed

Remaining asset risks seem manageable

KBC, year-to-date credit cost in CEE, 2009



- Though bad debt levels in CEE are further increasing, provisioning charges have stabilised. Though it is early days, our earlier guidance for the FY09 credit cost (200-230 bps) may be rather at the high side
- The Irish loan portfolio is closely monitored (currently 67 bps loan loss)
- Across business units, credit costs remain below historic peaks. If credit cost were to rise to own historic peak levels, a total core Tier-1 impact of a mere –45 bps is estimated (offset by pre-provision result)

Remaining asset risks seem manageable

- Remaining CDO exposure is largely protected by the State Guarantee
- The high-risk subprime/Alt-A RMBS portfolio was written down to 51% of its 0.9 bn par value (no capital impact unless value falls below 51% watermark*)
- ‘Unwinding risks’ in the discontinued derivatives business (trading book) were identified and a 0.7 bn reserve was set aside against potential future unwinding losses

-> Consequently, risk of a (dilutive) capital increase to absorb potential further asset writedown seems to be remote

* Potential negative P&L impact to be reversed against revaluation reserve

What's the plan for the 'New Normal'?

5 YR BUSINESS PLAN SUBMITTED FOR APPROVAL TO 'EUROPE'

SOLID CORE EARNINGS POWER

In core markets, our business model/earnings power remained intact; moreover, we intend to largely keep our main growth options in CEE

BALANCE SHEET SHRINKAGE

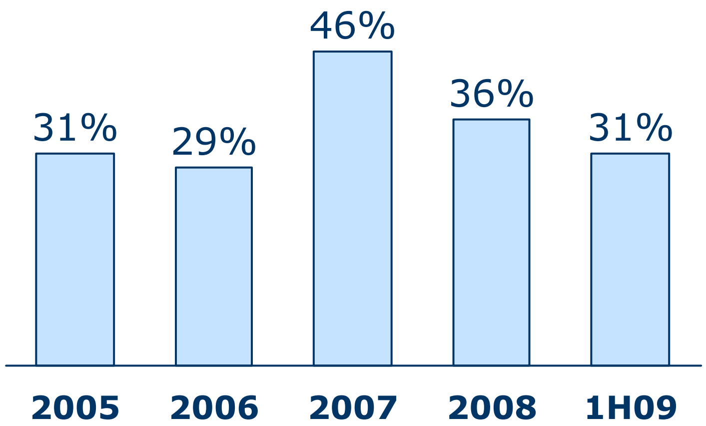
RWA are being reduced in merchant banking and non core assets may/will be divested

PAYBACK GOV'T CAPITAL

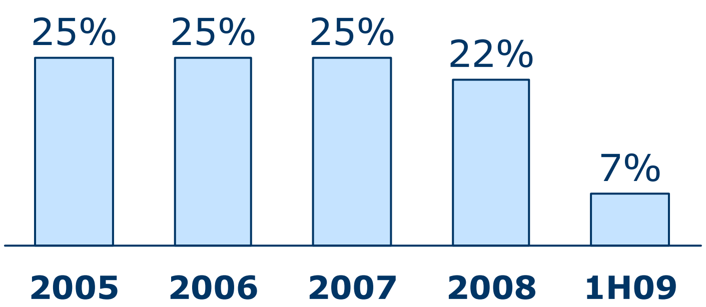
Retained earnings, non-core RWA shrinkage and divestments will be the main sources for Government reimbursement and for allowing steady organic growth

Core earnings power largely intact

KBC, return on equity
Belgium*



KBC, return on equity
Central and Eastern Europe*

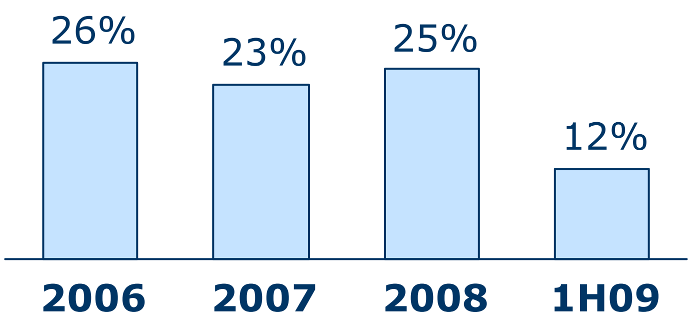


- Bancassurance strategy in core geographies has delivered consistently high-return levels
- Business performance in 2008/1H 2009 crisis period kept up well (higher loan provision charge in CEE being main swing factor)
- Business model has largely remained intact, future profitability to remain solid (even with higher capital adequacy requirements expected)

* excl. exceptionals

Growth options in the East largely intact

KBC, organic loan growth in Central and Eastern Europe



Main CEE-4 markets:
- Czech Republic (18 bn loans)
- Poland (7 bn)
- Hungary (7 bn)
- Slovakia (4 bn)

We prefer to largely keep our growth options in CEE:

- Affordable capital need for organic growth of RWA (31bn in main CEE-4)
- No major funding constraints: CEE loan to deposit ratio of 85% allows loan growth in excess of deposit growth (opposite to many peers)*
- Affordable CEE risk profile (opposite to higher risk of Baltics, Balkan or CIS markets in which our presence is limited)

* however, with differences amongst CEE markets

Balance sheet to be reduced

STRATEGY REVIEW END-2008

Areas for RWA reduction were already identified earlier (work in progress):

- International corporate lending (run-off of loan book outside home markets): ca 20 bn RWA
- Investment banking (run-off of derivatives and structured products business): ca 15 bn RWA

-> 35 bn RWA reduction* will release some 2.8 bn core capital

STRATEGY UPDATE MID-2009

Non-core asset divestments are being considered in order to additionally free up capital (proposal list currently being discussed with the European Commission)

-> more public disclosure planned for Dec-09

* Target as set per end-2008, may be adjusted as business plan is being updated

Payback of State capital

Analyst consensus on net earnings KBC Group*

2010e	2011e	2012e	2013e	2014e	5Y CUMULATIVE NET EARNINGS
1.2bn	1.9bn	2.3n	2.3bn	2.3bn	10bn

- European regulation imposes the restructuring to be completed within ‘max 5 years’ timeframe
- Reimbursement will be predominantly based on internal capital generation: retained earnings, non-core RWA shrinkage and divestments
- Any further reversal of CDO markdowns would come on top, however, are difficult to quantify since mainly market credit-spread driven (and therefore not integrated in the business plan)
- Any capital increase through share issuance is not a preferred scenario; the majority shareholders syndicate prefers not to see its holdings being largely diluted

* Net earnings expectations: source Bloomberg Best Consensus Overview. 2013 and 2014 assumed to be equal to 2012

Wrap up

1. ‘New born’ KBC will be more focused on core activities
2. The core business model remained largely intact throughout the crisis, it is ready to deliver again in the ‘New Normal’
3. As new management team, we have a plan to ensure an attractive future risk-return-growth profile and to enable the rebuilding of core capital (predominantly based on internal capital generation)
4. We are currently seeking for approval of the business plan by ‘Brussels’; we will be able to communicate on its details when discussions will have been completed (investor communication planned for 4 Dec*)
5. Beware of overoptimism on the short term: recession risk has sunk… but still just sits below the waterline

* Date to be confirmed

Additional information

KBC milestones

Dec 2009 | Jun 2009 | Jul 2009 | Aug 2009 | Sept 2009 | Oct 2009 | Nov 2009 | Dec 2009

Dec 2008
Strategic review announced; 35 bn of RWA earmarked for being reduced

Jun 2009
Temporary approval by EU; new management team appointed

Aug 2009
KBC published reassuring 2Q results

Sep 2009
KBC submitted detailed business plan

13 Nov
KBC to publish 3Q results

4 Dec
Investor Day (to be confirmed)

Aiming for approval from ‘Brussels’

Dec 2009
Final EU Commission decision anticipated

Announcement

4 December 2009 // DATE TO BE CONFIRMED

KBC Investor Day London

Merchant Taylors' Hall

30 Threadneedle Street- London EC2R 8 JB

KBC's Management is delighted to invite you to London on 4 December 2009 on the occasion of its Investor Day, to unveil its business plan for the years ahead.

Analyst consensus

Bank/broker	Analyst	Contact details	Rating	Target	Upside
BNP Paribas Fortis	Kurt De Baenst	kurt.debaenst@fortis.com	-	16	-45%
CA Cheuvreux	Hans Pluijgers	hpluijgers@cheuvreux.com	-	13	-54%
Citi Investment Research	Andrew Coombs	andrew.coombs@citi.com	=	25	-15%
Credit Suisse Securities	Guillaume Tiberghien	guillaume.tiberghien@credit-suisse.com	=	26	-11%
Degroof Banque	Ivan Lathouders	ivan.lathouders@degroof.be	-	12	-60%
Deutsche Bank	Brice Vandamme	brice.vandamme@db.com	+	28	-5%
Evolution Securities	Jaap Meijer	jaap.meijer@evosecurities.com	-	16	-45%
Exane BNP Paribas	François Boissin	francois.boissin@exanebnpparibas.com	=	30	+2%
HSBC	Marcel Mballa-Ekobena	marcel.mballa-ekobena@hsbcib.com	+	34	16%
ING	Albert Ploegh	albert.ploegh@ing.com	+	31	+6%
JP Morgan Securities	Paul Formanko	paul.formanko@jpmorgan.com	+	40	+36%
Keefe, Bruyette & Woods	Jean-Pierre Lambert	jplambert@kbw.com	+	33	+13%
Kepler Capital Markets	Benoit Petrarque	benoit.petrarque@keplercm.com	=	25	-15%
Natexis Securities	Christophe Ricetti	christophe.ricetti@sec.natexis.com	-	19	-36%
Oddo Securities	Scander Bentchikou	sbentchikou@oddo.fr	+	24	-18%
Oppenheim Research	Thomas Stögner	thomas.stoegner@oppenheim.de	=	21	-28%
Rabo Securities	Cor Kluis	cor.kluis@rabobank.com	+	26	-11%
Royal Bank of Scotland	Aurelia Faure	afaure@uk.abnamro.com	=	13	-55%
Standard & Poor's	Phuong Pham	puuong_pham@sandp.com	=	22	-25%
Soc Gen Securities	Sabrina Blanc	sabrina.blanc@sgcib.com	-	16	-45%
UBS	Omar Fall	omar.fall@ubs.com	=	25	-15%

Last update: 14 September 2009 based on share price 29.31 EUR