



2

Budgeting for the New Normal

L. Philips, *Group CFO*

**Welcome to the
New Normal**

Business plan for the years ahead



KBC Investor Day 2009



Important information for investors

This legend was added on 11DEC09

Welcome to the
New Normal

Business plan for the years ahead

- As regards any reference to the sale of a minority stake in CSOB in these presentations:
- The information contained therein is not for publication or distribution, directly or indirectly, in or into the United States of America. The materials do not constitute an offer of securities for sale in the United States, nor may the securities be offered or sold in the United States absent registration or an exemption from registration as provided in the U.S. Securities Act of 1933, as amended, and the rules and regulations thereunder. There is no intention to register any portion of the offering in the United States of America or to conduct a public offering of securities in the United States of America.
- The information contained therein shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities referred to therein in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of any such jurisdiction.

Speaker's *curriculum vitae*

- 1971 Various functions in domestic network, Kredietbank (Belgium)
- 1981 Head of Corporate Banking Department, Kredietbank New York branch
- 1987 Senior Vice-President and General Manager, Kredietbank New York branch
- 1991 General Manager Corporates/Multinationals Department, Kredietbank
- 1993 General Manager Investment Banking Directorate, Kredietbank
- 1997 Executive Director, Kredietbank
- 2003 Executive Director, Almanij (parent company of KBC Group)
- 2009 Member of the Executive Committee of KBC Group; Group Chief Financial Officer

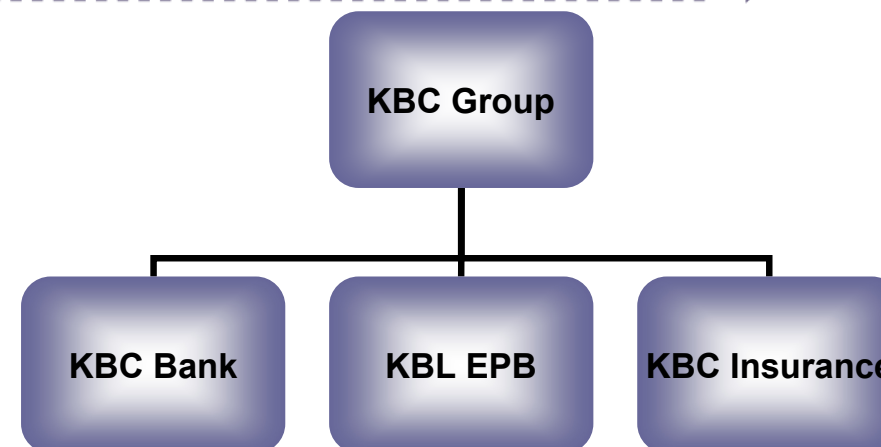
- KBC will continue solid organic growth while reimbursing the State capital, resuming dividend payout as of 2011 and maintaining a core capital level of ca. 8%
- Main sources of capital generation are retained earnings, organic balance sheet reduction, divestment of non core assets and the partial listing of CSOB
- KBC has the flexibility to adapt to the evolution of the market environment along the way, if needed

Capital position

- **Current capital position KBC Group**
 - Tier 1 capital:10.2%
 - of which 8.8% core capital including state capital
 - No impact from use of bancassurance group capital leverage
- **Future capital position KBC Group**
 - Target tier 1 capital ratio of 10%
 - Of which ca 8% core (may be reviewed if market conditions normalise)
 - KBC has today **1.1 bn** 'available' capital in excess of 8% core Tier-1 ratio

Capital position at 30-09-2009

| KBC Group | |
|--------------------------|--------------|
| Shareholders' equity | 9.4 |
| Government capital | 7 |
| Goodwill | -3.3 |
| Minorities | 0.2 |
| Other | -0.4 |
| Core tier 1 capital | 13.1 |
| Hybrids | 2.1 |
| Total tier-1 | 15.1 |
| RWA | 148.0 |
| Tier 1 ratio | 10.2% |
| Core Tier 1 ratio | 8.8% |



| | Banking (KBC+KBL) | Insurance | Holding | Group total |
|--------------------------|----------------------|------------|---------------------|----------------|
| Shareholders' equity | 13.3 | 3.0 | 0.1 | 16.4 |
| Goodwill | -2.3 | -0.4 | -0.5 ⁽¹⁾ | -3.3 |
| Minorities | 0.5 | 0.1 | -0.4 ⁽²⁾ | 0.2 |
| Other | 0.2 | -0.5 | -0.1 | -0.2 |
| Core tier 1 capital | 11.7 | 2.1 | -0.9 | 13.0 |
| Hybrids | 2.4 | 0 | -0.4 ⁽³⁾ | 2.1 |
| Total tier-1 | 14.1 | 2.1 | -1.2 | 15.1 |
| RWA | 133.1 | 14.9 | 0 | 148 |
| Tier 1 ratio | 10.6% | - | - | 10.2% |
| Core Tier 1 ratio | 8.8% | - | - | 8.8% |

Reminder: State capital support

- **Belgian State**
 - 3.5bn core capital securities, 8.5% coupon (but dependent on dividend amount)
 - Two ways of exit **4.03bn – 5.25bn**
 - Cash repurchase at 150%
 - Conversion option available for KBC that could trigger repurchase at 115% - 150%
- **Flemish Region**
 - 3.5bn core capital securities, 8.5% coupon (but dependent on dividend amount)
 - Cash repurchase at 150% **5.25bn**

REIMBURSEMENT STATE CAPITAL 9.3 – 10.5 bn

Capital needs 2010-2013*

- **Reimbursement state capital** **9.3 - 10.5 bn EUR**
 - **Growth**
 - We will have capital needs to support growth **2 - 3.5 bn EUR**
In our business plan, we assumed the following RWA growth for 2010-2013
 - Low to mid single digit cagr in Belgium
 - High single digit to low double digit cagr in CEE
 - Low single digit cagr in Merchant Banking
- A combined annual growth of e.g. 5-10% would require 2 to 3.5bn EUR capital

CAPITAL NEEDS

11.3 - 14 bn

Our plan to rebuild the capital base

REALITY CHECK

- We do not intend to give detailed guidance on our financial plan
- In the following slides we try to give some input on the building blocks and the potential magnitude of their capital contribution without suggesting the one single path or an exact timing to rebuild capital

The building blocks (illustration only)

POTENTIAL CAPITAL IMPACT

AVAILABLE SURPLUS per 30/09

+ 1.1bn

EARNINGS POWER

Retail bancassurance in BE
CZ, SK, PL, HU, BG

Merchant banking for home
market SME/midcap clients

...

RWA REDUCTION

Investment Banking

International corporate lending

Divestments

...

GAINS ON DIVESTMENTS

KBL European Private Bankers

Complementary channels in BE

Secondary markets in CEE

...

PARTIAL IPO CSOB

...

OTHER FINANCIAL OPERATIONS

...

Earnings power 2010 - 2013

- We do not intend to provide detailed financial plan, however, for illustration only, the following indications could be used

- Historic average underlying Group result since 2005, before balance sheet reduction

| 2005 | 2006 | 2007 | 2008 | 2009* | AVERAGE |
|------|------|------|------|-------|-------------|
| 2307 | 2549 | 3145 | 2271 | 2008 | 2456 |

- We believe it is realistic to assume that we will get back to normalised earnings as of 2011
- For illustration purposes, we assumed post 2011 scenarios with annual net earnings growth from 2% to 7% (and RWA growth from 5%-10%)
- For budgeting purposes, we assume there will be no reversal of value losses suffered previously on the CDO portfolio. Any reversal would come on top of the following calculations.
- For 2010, we use the analysts consensus as collected by KBC: 1345m EUR

ILLUSTRATION
ONLY

ILLUSTRATION
ONLY

- Financial impact of balance sheet reduction

| | Reduction | Indicative timing | 5y average profit contribution |
|----------------------------|--|------------------------------|--------------------------------|
| Belgium | Divestment Centea and Fidea | 2010 | 110m EUR |
| Central and Eastern Europe | Divestment Russia and Serbia Partial listing of CSOB (e.g. 40%) | 2012 2010 | 0m EUR 120m EUR |
| Merchant Banking | Reduction international corporate banking and investment banking | Gradual build down 2011-2013 | 150m EUR |
| KBL-EPB | Divestment KBL-EPB | 2010 | 125m EUR |
| TOTAL | | 2010-2013 | 505m EUR |

* For 2009, 1H figures have been annualized

Earnings power 2010 - 2013

ILLUSTRATION
ONLY

We have the intention to resume dividend payment as of 2011, triggering also payment of the State capital coupon

- Dividend payment
 - For illustration purposes, min 20% dividend payout ratio on earnings before state coupon
 - Effective future dividend will be adjusted according to circumstances
- Impact of State capital coupon
 - For illustration purposes assumed payback in 2012 and 2013

EARNINGS POWER (illustration only)

Based on adjusted historic figures

After dividend and State coupon

+ 4.4-4.7 bn



Earnings power 2010 – 2013

Example of potential scenarios*

Welcome to the
New Normal

Business plan for the years ahead

ILLUSTRATION
ONLY

| Simulation 1 | 4Q 2009 | 2010 | 2011 | growth | growth | CUMUL |
|--------------------------|---------|-------|-------|--------|--------|-------|
| | | | | 2% | 2% | |
| | 2012 | 2013 | | | | |
| Earnings for KBC 'as is' | 0.50 | 1.35 | 2.46 | 2.51 | 2.56 | 9.36 |
| Correction for exit BE | | | -0.11 | -0.11 | -0.11 | -0.34 |
| Correction for exit CEE | | | - | 0 | 0 | 0 |
| Correction for exit MEB | | | -0.05 | -0.10 | -0.16 | -0.31 |
| Correction for exit EPB | | | -0.13 | -0.13 | -0.13 | -0.38 |
| Correction for 40% CSOB | | | -0.12 | -0.12 | -0.12 | -0.37 |
| Earnings for KBC 'to be' | 0.50 | 1.35 | 2.05 | 2.04 | 2.03 | 7.97 |
| Dividend at 20% | | -0.27 | -0.40 | -0.40 | -0.40 | -1.46 |
| State coupon | | -0.60 | -0.60 | -0.60 | -0.30 | -2.08 |
| Retained earnings | 0.50 | 0.48 | 1.06 | 1.05 | 1.34 | 4.42 |

| Simulation 2 | 4Q 2009 | 2010 | 2011 | growth | growth | CUMUL |
|--------------------------|---------|-------|-------|--------|--------|-------|
| | | | | 7% | 7% | |
| | 2012 | 2013 | | | | |
| Earnings for KBC 'as is' | 0.50 | 1.35 | 2.46 | 2.63 | 2.81 | 9.74 |
| Correction for exit BE | | | -0.11 | -0.12 | -0.13 | -0.35 |
| Correction for exit CEE | | | - | 0 | 0 | 0 |
| Correction for exit MEB | | | -0.05 | -0.11 | -0.17 | -0.33 |
| Correction for exit EPB | | | -0.13 | -0.13 | -0.14 | -0.40 |
| Correction for 40% CSOB | | | -0.12 | -0.13 | -0.14 | -0.39 |
| Earnings for KBC 'to be' | 0.50 | 1.35 | 2.05 | 2.14 | 2.23 | 8.27 |
| Dividend at 20% | | -0.27 | -0.40 | -0.40 | -0.40 | -1.46 |
| State coupon | | -0.60 | -0.60 | -0.60 | -0.30 | -2.08 |
| Retained earnings | 0.50 | 0.48 | 1.06 | 1.15 | 1.54 | 4.73 |

Amounts in bn EUR

The building blocks (illustration only)

Welcome to the
New Normal

Business plan for the years ahead

POTENTIAL CAPITAL IMPACT

AVAILABLE SURPLUS per 30/09

+ 1.1bn

EARNINGS POWER

Retail bancassurance in BE
CZ, SK, PL, HU, BG

Merchant banking for home
market SME/midcap clients

+ 4.4-4.7 bn

RWA REDUCTION

Investment Banking

International corporate lending

Divestments

...

GAINS ON DIVESTMENTS

KBL European Private Bankers

Complementary channels in BE

Secondary markets in CEE

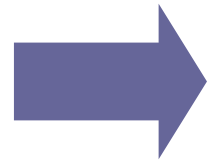
...

PARTIAL IPO CSOB

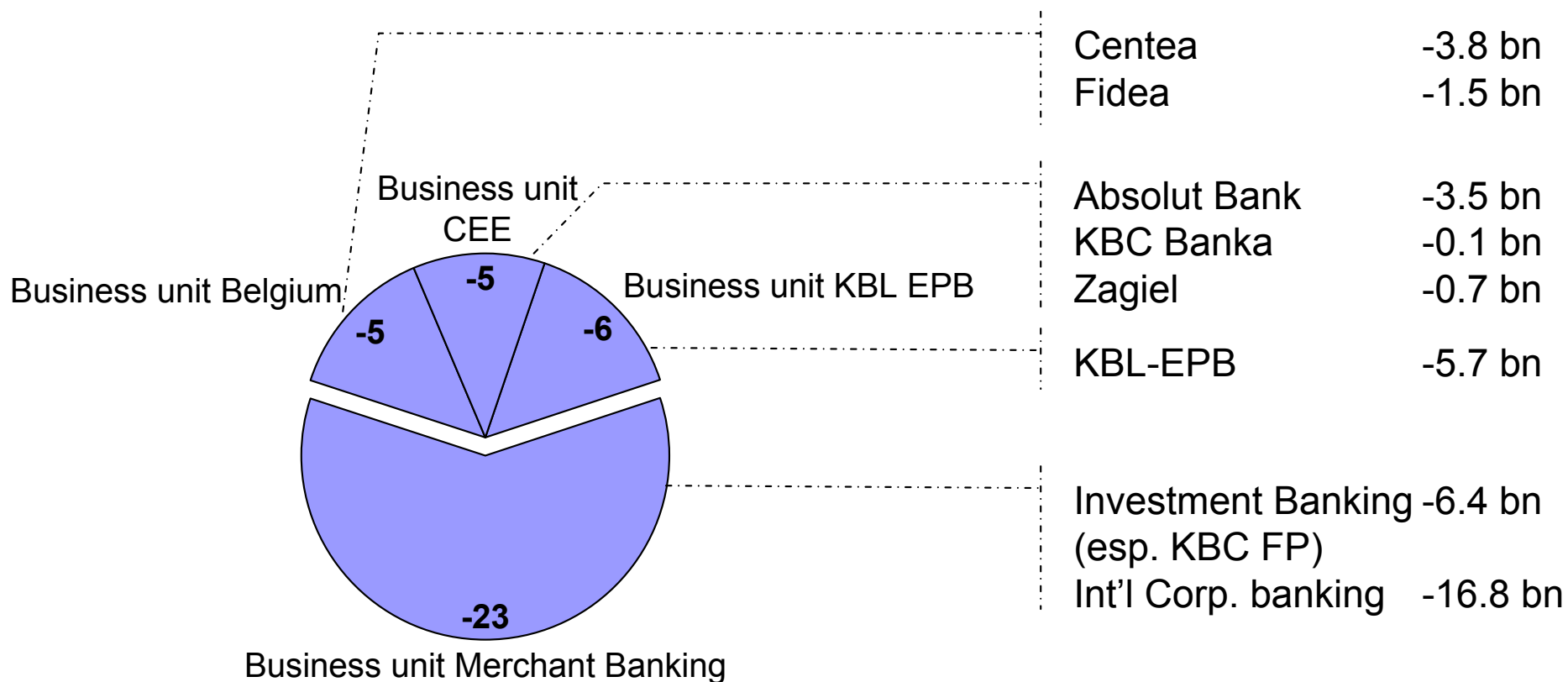
...

OTHER FINANCIAL OPERATIONS

...



RWA reduction





RWA reduction Capital release

Welcome to the
New Normal

Business plan for the years ahead

| | | RWA | CORE CAPITAL RELEASE @8%* |
|---------------------|----------|------|------------------------------|
| Centea | -3.8 bn | 39bn | → +3.1bn |
| Fidea | -1.5 bn | | |
| Absolut | -3.5 bn | | |
| KBC Banka | -0.1 bn | | |
| Zagiel | -0.7 bn | | |
| KBL-EPB | -5.7 bn | | |
| Invest. banking | -6.4 bn | | |
| Int'l corp. banking | -16.8 bn | | |

CAPITAL IMPACT RWA REDUCTION

+ 3.1 bn

* Target core tier 1 ratio of 8%

The building blocks (illustration only)

Welcome to the
New Normal

Business plan for the years ahead

POTENTIAL CAPITAL IMPACT

AVAILABLE SURPLUS per 30/09

+ 1.1bn

EARNINGS POWER

Retail bancassurance in BE
CZ, SK, PL, HU, BG

Merchant banking for home
market SME/midcap clients

+ 4.4-4.7 bn

RWA REDUCTION

Investment Banking

International corporate lending

Divestments

+ 3.1 bn

GAINS ON DIVESTMENTS

KBL European Private Bankers

Complementary channels in BE

Secondary markets in CEE

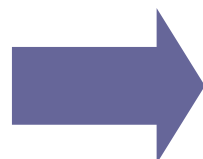
...

PARTIAL IPO CSOB

...

OTHER FINANCIAL OPERATIONS

...



Gains on divestments

- Data set as 30-09-09, in bn EUR

| | Indicative timing | Book Value | Goodwill | BV+GW | Shareholding |
|--------------------|-------------------|------------|----------|-------|--------------|
| Centea (Belgium) | 2010 | 0.6 | 0.0 | 0.6 | 100% |
| Fidea (Belgium) | 2010 | 0.4 | 0.0 | 0.4 | 100% |
| Absolut (Russia) | 2012 | 0.4 | 0.5 | 0.8 | 95% |
| KBC Banka (Serbia) | 2012 | 0.0 | 0.1 | 0.1 | 100% |
| NLB (Slovenia) | - | 0.4 | 0.2 | 0.6 | 31% |
| KBL-EPB (W-Europe) | 2010 | 1.1 | 0.5 | 1.6 | 100% |

- We have no intention to divest at distressed prices and the EU Commission does not require divestment below a P/B of 1x in 2011 and P/B of 0.9x in 2012

Net gain from divestments

$$\text{Net gain} = [(\text{Book value} * \text{P/B}) - (\text{Book value} + \text{Goodwill})] * (1 - \text{Tax})$$

(RWA impact is already included in 'RWA reduction' estimate, see slide 16)

Net gain in P&L based on a P/B of

| | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | 1.9 | 2.1 |
|--------------|------|------|------|------|------|------|------|
| Centea | -0.1 | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 | 0.7 |
| Fidea | 0.0 | 0.0 | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 |
| Absolut | -0.5 | -0.4 | -0.4 | -0.3 | -0.2 | -0.1 | -0.1 |
| KBC Banka | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| NLB | -0.3 | -0.2 | -0.1 | 0.0 | 0.1 | 0.2 | 0.2 |
| KBL-EPB | -0.6 | -0.4 | -0.2 | 0.0 | 0.3 | 0.5 | 0.7 |

Amounts in bn EUR

Capital contribution from divestments (excl. capital release from RWA reduction)

Capital contribution = Net gain + Goodwill - Minorities

Capital impact based on a P/B of

| | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | 1.9 | 2.1 |
|--------------|------------|------------|------------|------------|------------|------------|------------|
| Centea | -0.1 | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 | 0.7 |
| Fidea | 0.0 | 0.0 | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 |
| Absolut | 0.0 | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.4 |
| KBC Banka | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| NLB | 0.0 | 0.0 | 0.1 | 0.2 | 0.3 | 0.4 | 0.4 |
| KBL-EPB | 0.4 | 0.6 | 0.8 | 1.0 | 1.3 | 1.5 | 1.7 |
| TOTAL | 0.2 | 0.8 | 1.4 | 2.0 | 2.5 | 3.1 | 3.7 |

Amounts in bn EUR

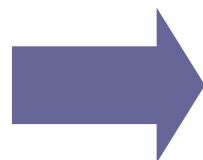
CAPITAL IMPACT FROM GAINS ON DIVESTMENTS
(illustration only)

+ 0-2 bn

The building blocks (illustration only)

POTENTIAL CAPITAL IMPACT

| | |
|---|----------------------------|
| <p>AVAILABLE SURPLUS per 30/09</p> | <p>+ 1.1bn</p> |
| <p>EARNINGS POWER Retail bancassurance in BE CZ, SK, PL, HU, BG Merchant banking for home market SME/midcap clients</p> | <p>+ 4.4-4.7 bn</p> |
| <p>RWA REDUCTION Investment Banking International corporate lending Divestments</p> | <p>+ 3.1 bn</p> |
| <p>GAINS ON DIVESTMENTS KBL European Private Bankers Complementary channels in BE Secondary markets in CEE</p> | <p>+ 0-2 bn</p> |
| <p>PARTIAL IPO CSOB</p> | <p>...</p> |
| <p>OTHER FINANCIAL OPERATIONS</p> | <p>...</p> |



Partial IPO of CSOB CZ

- Intention to list a minority stake in CSOB CZ on the Prague Stock Exchange
- Data set
 - Total assets 33.6bn
 - Book value 2.1bn
 - Goodwill 0.2bn
 - Shareholding 100%
 - 5y historic average profit 360m
(300m average profit contribution to Group)



Partial IPO of CSOB CZ Capital contribution*

Welcome to the
New Normal

Business plan for the years ahead

Capital contribution = (Price - Book Value – Goodwill)
+ adjustment for Goodwill
+ adjustment for Minority interests

Capital contribution based on P/B

| | 1.5 | 1.8 | 2.1 | 2.4 | 2.7 | 3 |
|------------|-----|-----|-----|-----|-----|-----|
| 25% | 0.8 | 1.0 | 1.2 | 1.3 | 1.5 | 1.7 |
| 30% | 1.0 | 1.2 | 1.4 | 1.6 | 1.8 | 2.0 |
| 35% | 1.2 | 1.4 | 1.6 | 1.9 | 2.1 | 2.3 |
| 40% | 1.3 | 1.6 | 1.9 | 2.1 | 2.4 | 2.7 |
| 45% | 1.5 | 1.8 | 2.1 | 2.4 | 2.7 | 3.0 |
| 49% | 1.6 | 2.0 | 2.3 | 2.6 | 2.9 | 3.3 |

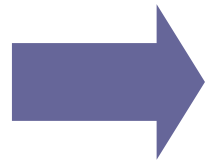
Amounts in bn EUR

PARTIAL IPO CSOB (illustration only) + 1.5-2.5 bn

The building blocks (illustration only)*

POTENTIAL CAPITAL IMPACT

| | |
|---|---------------------|
| AVAILABLE SURPLUS per 30/09 | + 1.1bn |
| EARNINGS POWER Retail bancassurance in BE CZ, SK, PL, HU, BG Merchant banking for home market SME/midcap clients | + 4.4-4.7 bn |
| RWA REDUCTION Investment Banking International corporate lending Divestments | + 3.1 bn |
| GAINS ON DIVESTMENTS KBL European Private Bankers Complementary channels in BE Secondary markets in CEE | + 0-2 bn |
| PARTIAL IPO CSOB | + 1.5-2.5 bn |
| OTHER FINANCIAL OPERATIONS | ... |



Other financial operations

- Sale of treasury shares **0.6bn**
 - Illustration at share price of 32 EUR, effective offering price to be determined
- Other measures **>0.8bn**
 - Sale and lease back of buildings (ca 0.3bn capital impact)
 - Optimisation reported RWA amounts without reducing exposures
 - Optimisation of credit practices and processes
 - Optimisation of internal modelling and LGD/EAD methodology
 - Review of consistency of RWA calculations and booking
 - Peer experience shows that substantial amounts of RWA could be freed; already 2 bn of 'RWA gains' identified in 2009 (ca. 0.2 bn capital equivalent)
 - Listing of selected other CEE assets

OTHER FINANCIAL OPERATIONS

> 1.4 bn

The building blocks (illustration only)*

POTENTIAL CAPITAL IMPACT

| | |
|---|---------------------|
| AVAILABLE SURPLUS per 30/09 | + 1.1bn |
| EARNINGS POWER Retail bancassurance in BE CZ, SK, PL, HU, BG Merchant banking for home market SME/midcap clients | + 4.4-4.7 bn |
| RWA REDUCTION Investment Banking International corporate lending Divestments | + 3.1 bn |
| GAINS ON DIVESTMENTS KBL European Private Bankers Complementary channels in BE Secondary markets in CEE | + 0-2 bn |
| PARTIAL IPO CSOB | + 1.5-2.5 bn |
| OTHER FINANCIAL OPERATIONS | + 1.4 bn |



Our plan meets the capital needs (illustration only)

Welcome to the
New Normal

Business plan for the years ahead

CAPITAL NEEDS

11.3 - 14 bn

**REALITY CHECK – No detailed financial planning is disclosed.
However, this illustration shows our capacity to meet the capital needs
for growth and reimbursement. Effective numbers in the future will differ.**

CAPITAL GENERATION

11.5 - 14.8 bn

If all the abovementioned measures would appear not be sufficient, we could consider a series of other measures that can contribute to the capital position

- Postpone the redemption of the Government securities beyond the amount of 7bn EUR over several years post 2013
- Review the position of our Irish activities

Wildcard n°1

State capital penalty

- We could consider postponing the redemption of the Government securities beyond the amount of 7bn EUR over several years post 2013
 - This would reduce the capital need in 2010-2013 by 2.3 - 3.5 bn



Wildcard n°2 Ireland

Welcome to the
New Normal

Business plan for the years ahead

- Data set
 - RWA 9.3bn
 - Book value 1bn
 - Goodwill 0bn
 - Shareholding 100%
 - 5y hist. average net profit contribution 100m
(80m average contribution to Group profit)

Capital release from potential divestment based on a P/B of

| | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | 1.9 | 2.1 |
|---------|-----|-----|-----|-----|-----|-----|-----|
| Ireland | 0.6 | 0.8 | 1.0 | 1.2 | 1.4 | 1.6 | 2.4 |

(RWA impact + gain on divestment, in bn EUR)

- KBC will continue solid organic growth while reimbursing the State capital, resuming dividend payout as of 2011 and maintaining a core capital level of ca. 8%
- Main sources of capital generation are retained earnings, organic balance sheet reduction, divestment of non core assets and the partial listing of CSOB
- KBC has the flexibility to adapt to the evolution of the market environment along the way, if needed