# KBC Group

## Company presentation
## Summer 2010

KBC

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

More information www.kbc.com
on your mobile m.kbc.com

# Contact information

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Go to www.kbc.com for the latest update.

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By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.

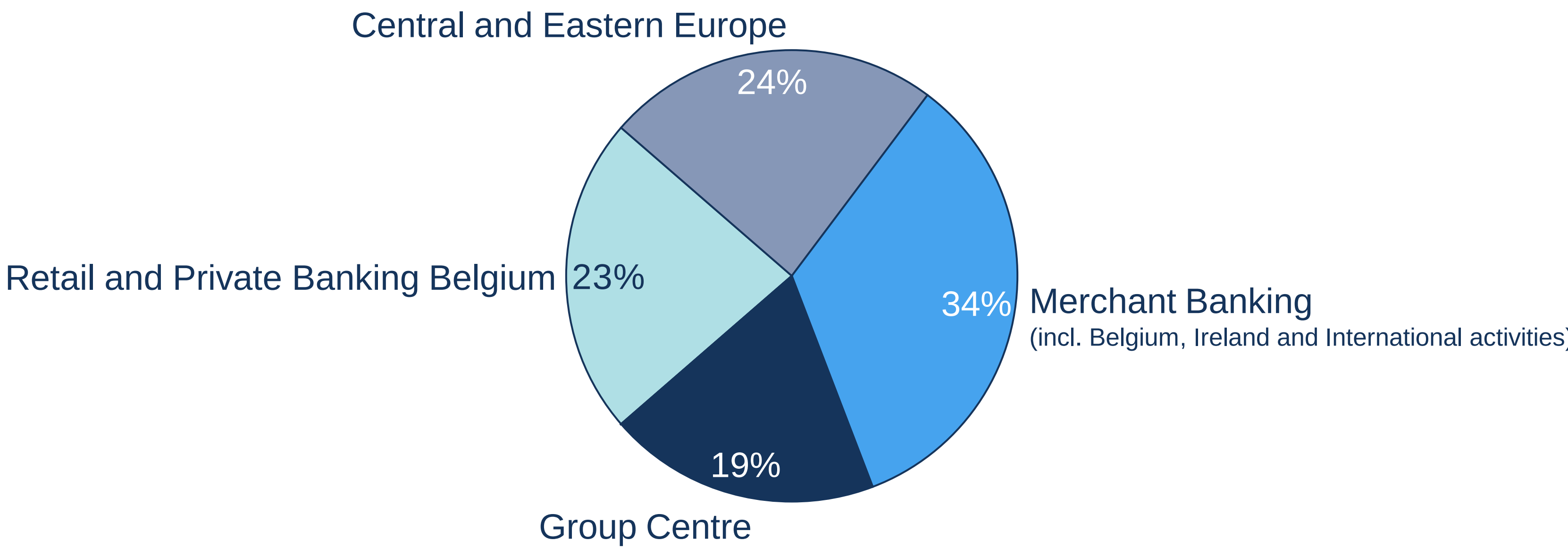
# Content

Section 1

# Company profile and strategy

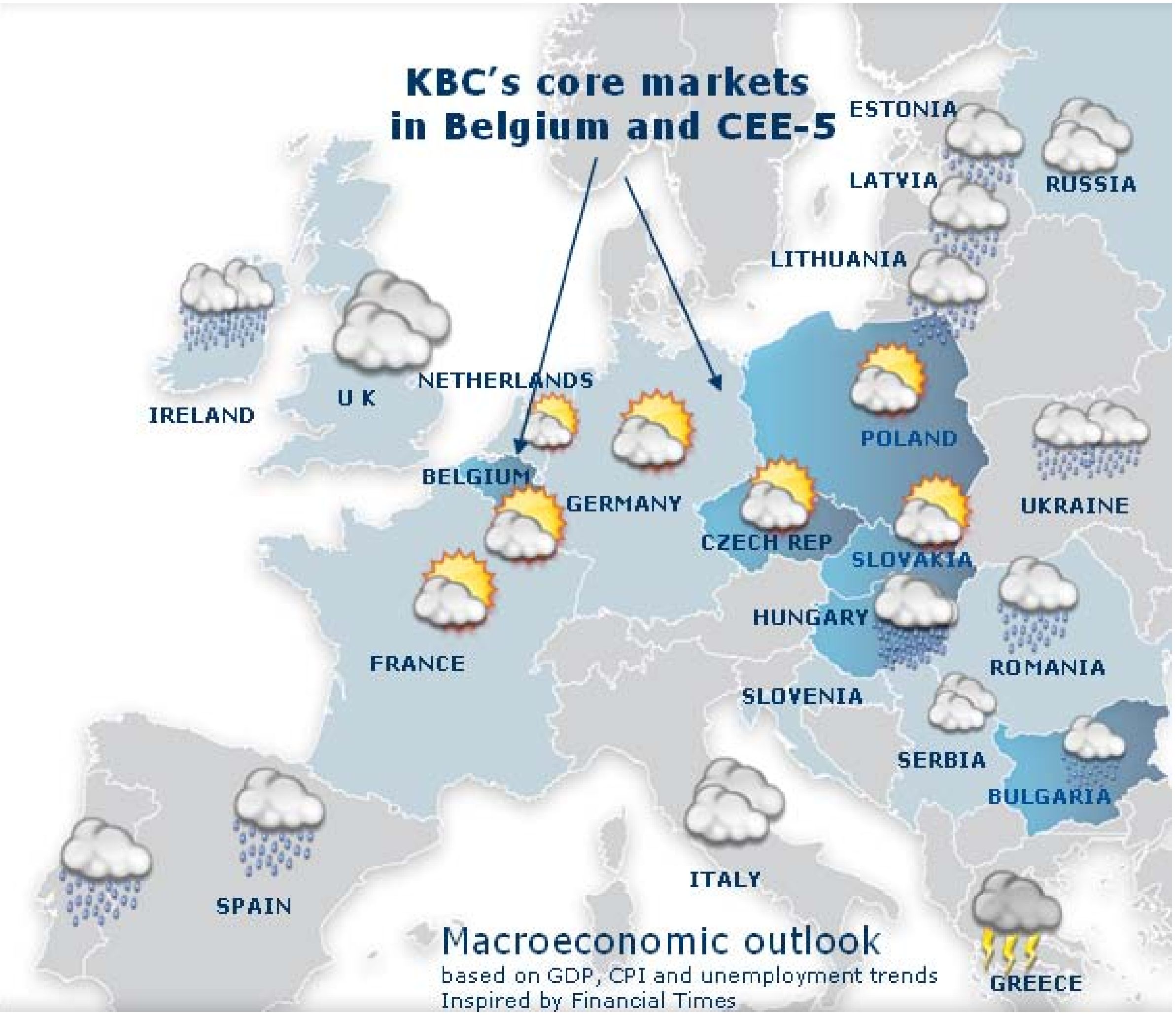
# Business profile

## Breakdown allocated capital as of 31-Mar-10 per (new) business unit




- KBC is a leading player in Belgium and CEE-5 (retail bancassurance, private banking, commercial and local investment banking); 75-80% of revenue is generated in markets with leading market share
- In the past, niche strategies were developed for international merchant banking and European private banking (these activities are currently being downsized).

# KBC's geographical presence




**KBC'S CORE MARKETS**

**Belgium (Moody's Aa1)**
Total assets: EUR 199bn

**Czech Republic (A1)**
Total assets: EUR 33bn

**Hungary (Baa1)**
Total assets: EUR 12bn

**Poland (A2)**
Total assets: EUR 11bn

**Slovakia (A1)**
Total assets: EUR 6bn

**Bulgaria (Baa3)**
Total assets: EUR 1bn

**OTHER PRESENCES**

**Ireland (Aa1)**
Total assets: EUR 22bn
Activity to be reviewed in 2012

**Rest of Europe (mainly Aaa)**
Total assets: EUR 27bn
Presence being reduced

**USA (Aaa)**
Total assets: EUR 6bn
Presence being reduced

**Russia (Baa1)**
Total assets: EUR 3bn
Exit scheduled in 2012

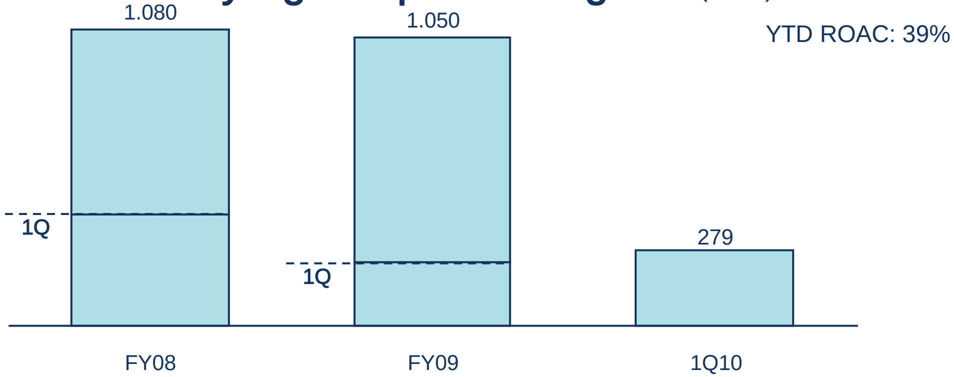
**South-East Asia**
Total assets: EUR 2bn
Presence being reduced

**Real GDP growth outlook for core markets**
Source: KBC data, May 2010

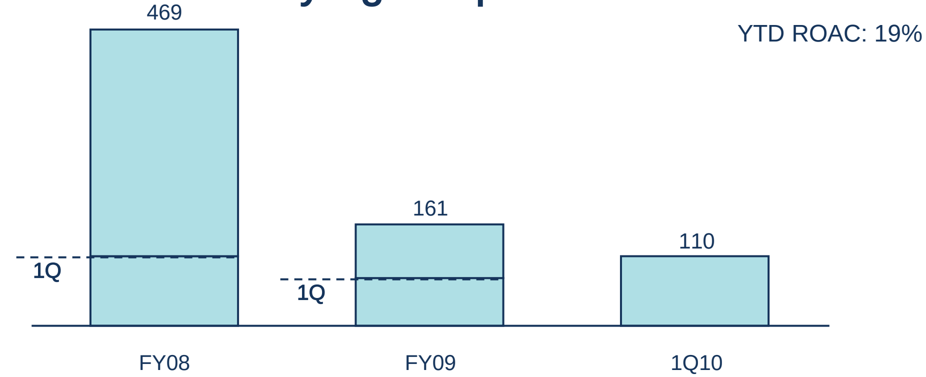
| | % of assets | 2009 | 2010e |
|---|---|---|---|
| PL | 3% | +1.8% | +3.1% |
| SK | 2% | -4.7% | +3.0% |
| BE | 61% | -3.0% | +1.6% |
| CZ | 10% | -4.3% | +1.5% |
| BG | 1% | -5.0% | +0.2% |
| HU | 4% | -6.2% | +0.2% |

# Underlying profit per business unit

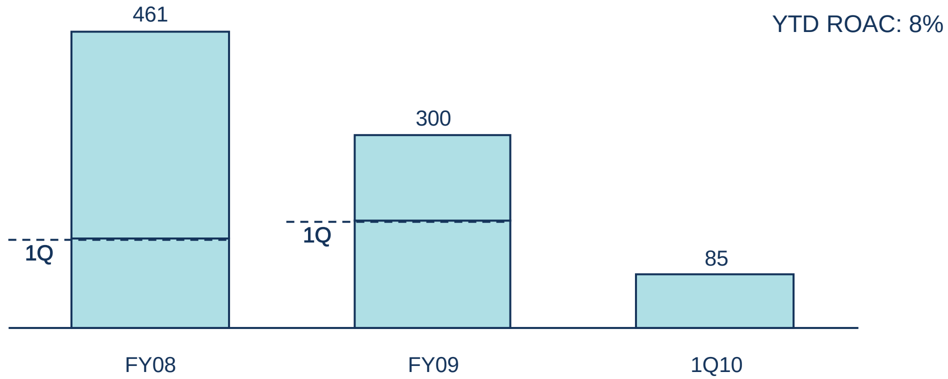
## Underlying net profit Belgium (retail)



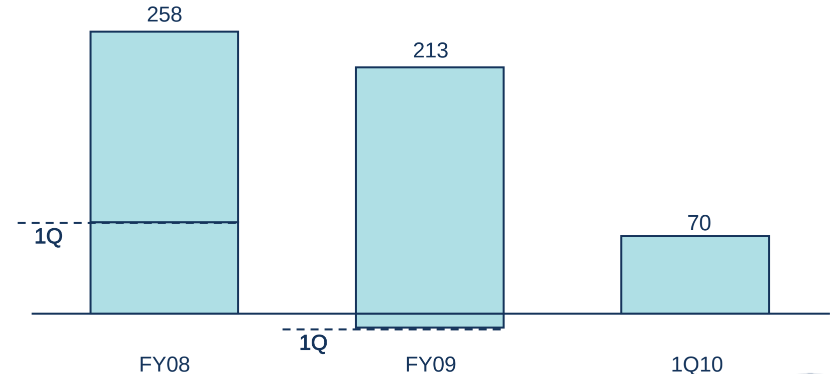

## Underlying net profit CEE




## Underlying net profit Merchant Banking (BE +Int'l)




## Underlying net profit Group Centre



# Loan loss experience at KBC

| | **YTD 1Q 2010 * credit cost ratio** | FY 2009 * credit cost ratio | Average ‘99 –’09 | Peak ‘99 –’09 |
|---|---|---|---|---|
| **Belgium** | **0.02%** | 0.15% | 0.16% | 0.31% |
| **CEE** | **1.20%** | 1.70% | 1.03% | 2.75% |
| **Merchant** | **1.34%** | 0.77% | 0.47% | 1.32% |
| Incl. Asset Backed Securities ** | 1.47% | 1.19% | | |
| **Group Centre** | **0.47%** | 2.15% | | |
| Incl. to be divested assets | | | | |
| **Total** | **0.79%** | 0.95% | 0.40% | 1.11% |
| Incl. Asset Backed Securities** | 0.84% | 1.11% | | |

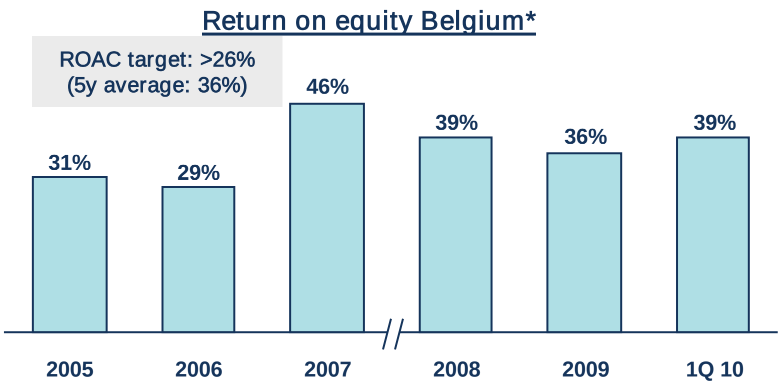
Credit cost ratio, amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

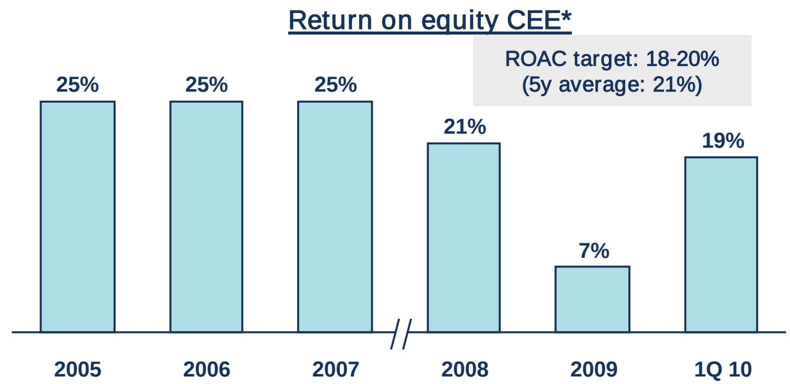
* Restated (given new business unit reporting)

(**) At year end 2008 KBC has reclassified Mortgage Backed Securities to ‘Loans and Receivables’ under IAS39

# A successful core strategy

- Strategic review November 2009
  - Core earnings power in Belgium and CEE largely intact
  - Our business model generates consistent high returns in core geographies (cyclical 1.7% loan provision charge was the main swing factor in CEE in 2009)




  - Remaining asset risks manageable, therefore capital buffer sufficient
  - Reimbursement of the State capital will be based on internal capital generation from retained earnings and RWA reduction combined with divestment of non core assets

* excl. non-operating items (incl. investment markdowns). Note change in business unit reporting as of 2008.

# 2010-2013 Business Plan

**1. Leverage Earnings Power**

- Capital is generated by leveraging our successful business model in core markets (retained earnings)

**2. Shrink RWA By 25% (2008-'13)**

- Capital is being freed-up by:
  - Reducing international lending & capital market activities
  - Divesting Private Banking (EUR 47bn AUM), complementary channels in Belgium (giving up 1-2% market share) and non-EU CEE (Russia and Serbia, post '11)
  - IPO of minority of CSOB (Czech bank, EUR 2.7bn book value)
  - Some other measures

**3. Pay Back State Capital & Continue Growth**

- Accumulated capital will be sufficient to reimburse the State, whilst maintaining sound solvency (8% core T1 target) and steady organic growth

# Key strengths and challenges

**Key strengths:**

- Well-developed bancassurance strategy and strong cross-selling capabilities
- Strong franchise in Belgium with high and stable return levels
- Exposure to growth in ‘new Europe’, with mitigated risk profile (most mature markets in the region)
- Successful underlying earnings track record
- Solid liquidity position and satisfactory capital buffer

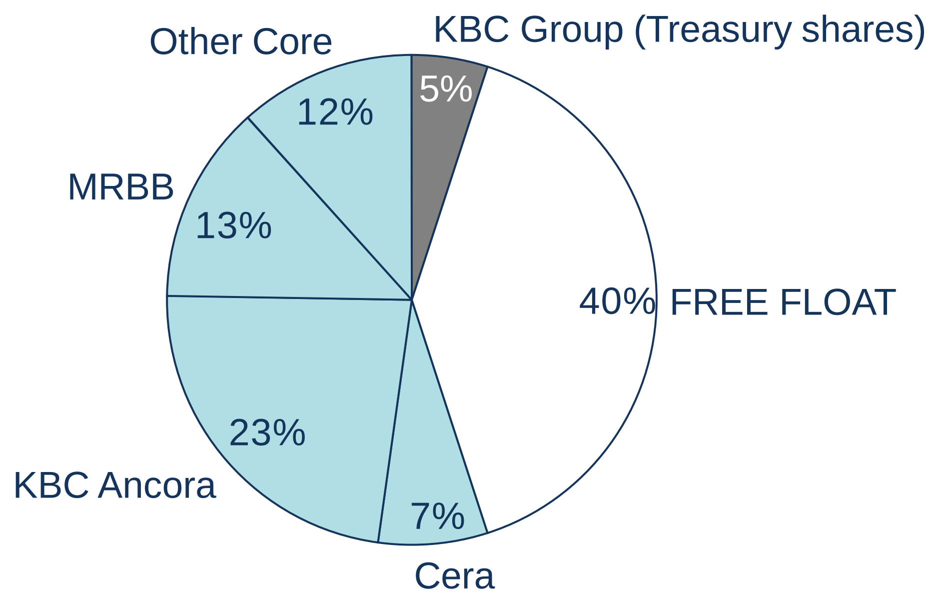
**Key company-specific challenges:**

- Orderly running-off international merchant banking operations and completing divestment program
- Maintaining strong risk controls in non-core entities if operating environments were to deteriorate (e.g. in Ireland)

# Shareholder structure

- Over 50% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals. Committed shareholders include the Cera / KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of industrialist families

- The free float is mainly held by a large variety of international institutional investors



# Analysts' coverage

| Bank / Broker | Analyst | Contact details | Rating | Target Price | Upside |
|---|---|---|---|---|---|
| Autonomous | Britta Schmidt | bschmidt@autonomous-research.com | + | 40 | 38% |
| Barclays Capital | Kiri Vijayarajah | kiri.vijayarajah@barcap.com | + | 42 | 46% |
| BOFA Merrill Lynch | Patrick Leclerc | patrick.leclerc@baml.com | = | 42 | 46% |
| Cheuvreux | Hans Pluijgers | hpluijgers@cheuvreux.com | + | 40 | 39% |
| Citi Investment Research | Andrew Coombs | andrew.coombs@citi.com | = | 40 | 39% |
| Credit Suisse Securities | Guillaume Tiberghien | guillaume.tiberghien@credit-suisse.com | = | 35 | 22% |
| Degroof Banque | Ivan Lathouders | ivan.lathouders@degroof.be | = | 27 | -6% |
| Deutsche Bank | Brice Vandamme | brice.vandamme@db.com | = | 36 | 25% |
| Exane BNP Paribas | François Boissin | francois.boissin@exanebnpparibas.com | - | 33 | 15% |
| Evolution Securities | Jaap Meijer | Jaap.Meijer@evosecurities.com | - | 33 | 14% |
| Goldman Sachs | Frederik Thomasen | frederik.thomasen@gs.com | + | 40 | 39% |
| HSBC | Carlo Mareels | carlo.mareels@hsbcib.com | + | 42 | 46% |
| ING | Albert Ploegh | albert.ploegh@ing.com | = | 33 | 15% |
| JP Morgan Securities | Paul Formanko | paul.formanko@jpmorgan.com | + | 40 | 39% |
| Keefe, Bruyette & Woods | Jean-Pierre Lambert | jplambert@kbw.com | = | 38 | 30% |
| Kepler | Benoit Petrarque | benoit.petrarque@keplercm.com | + | 36 | 25% |
| Morgan Stanley | Thibault Nardin | thibault.nardin@morganstanley.com | = | 39 | 35% |
| Natixis Securities | Alex Koagne | alex.koagne@sec.natixis.com | - | 33 | 15% |
| Oddo Securities | Scander Bentchikou | sbentchikou@oddo.fr | + | 43 | 49% |
| Petercam | Matthias de Wit | matthias.dewit@petercam.be | + | 39 | 34% |
| Rabo Securities | Cor Kluis | cor.kluis@rabobank.com | + | 42 | 46% |
| Royal Bank of Scotland | Thomas Nagtegaal | thomas.nagtegaal@rbs.com | = | | |
| S&P | Phuong Pham | phuong_pham@standardandpoors.com | + | 36 | 25% |
| Societe Generale | Sabrina Blanc | sabrina.blanc@sgcib.com | = | 32 | 11% |
| UBS | Omar Fall | omar.fall@ubs.com | = | 36 | 25% |



Situation as of 7 May, based on the share price of 28.80 EUR.

# 1Q 2010
# Financial highlights

# Reminder: new business unit reporting

## As of the quarterly reporting for 1Q 2010

- Entities to be divested were shifted to Business Unit 'Group Center'

**Belgium**
- KBC Bank
- KBC Insurance
- CBC Banque
- ADD
- Centea
- Fidea

**CEE**
- Czech Republic
- Slovakia
- Hungary
- Poland
- Bulgaria
- Russia
- Serbia
- Slovenia
- Zagiel (Poland)

**Merchant Banking**
- KBC Lease
- KBC Securities
- KBC Bank Ireland
- KBC Clearing
- KBC Commercial Finance
- Antwerp Diamond Bank
- KBC Private Equity
- KBC Bank Deutschland
- KBC Peel Hunt
- KBC Finance Ireland
- KBC Financial Products

**European Private Banking**
- KBL EPB
- Vitis Life

**Group Center**
- KBC Group
- Fin-Force
- KBC Global Services

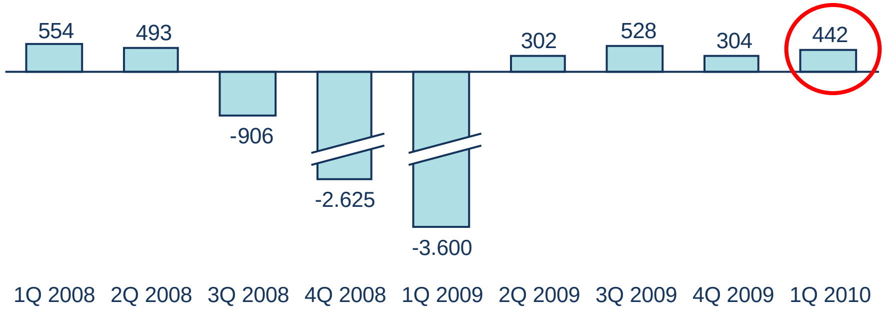
Indicated divestments + minorities interest line for % of CSOB CZ that will be floated

•Assurisk

- Assurisk (Reinsurance captive) was moved from Merchant Banking to BU Belgium
- The objective is to clearly indicate the financial performances of the long term activities and the planned divestments separately

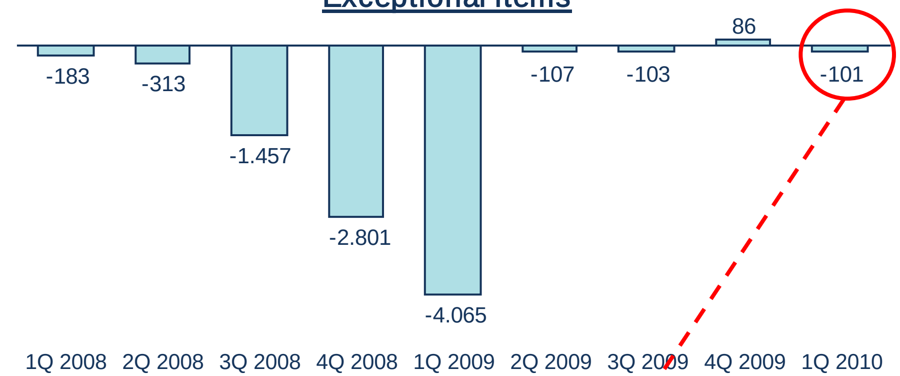
# Solid core earnings power

## Reported net profit

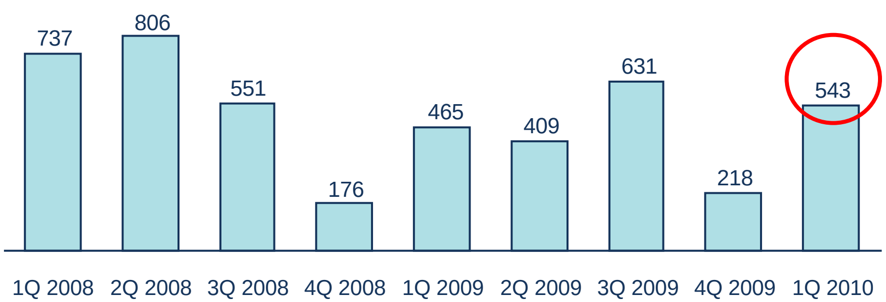



Excluding exceptional items

## Exceptional items




## Underlying net profit




Main exceptional items (post-tax)

| | |
|---|---|
| • Structured credit portfolio revaluation | +0.2bn |
| • Trading loss on "legacy" business KBC FP | -0.1bn |
| • MTM trading derivatives for hedging purposes | -0.1bn |
| • Other | -0.1bn |
| | -0.1bn |

Amounts in m. EUR

# Financial highlights 1Q 2010

- Continued sound deposit and credit spreads
- Gradual recovery of fee & commission income confirmed
- Strong dealing room activities, in line with market performance
- Insurance premium inflows continued their steady pace
- Operational expenses remained very well under control
- Substantial lower loan loss impairments quarter on quarter
- EUR 1.5bn excess regulatory capital accumulated beyond the 10% Tier 1-solvency target
- KBC's exposure on Greek sovereign bonds is limited to EUR 1.9bn (of which EUR 0.6bn in the trading book)

# Looking forward

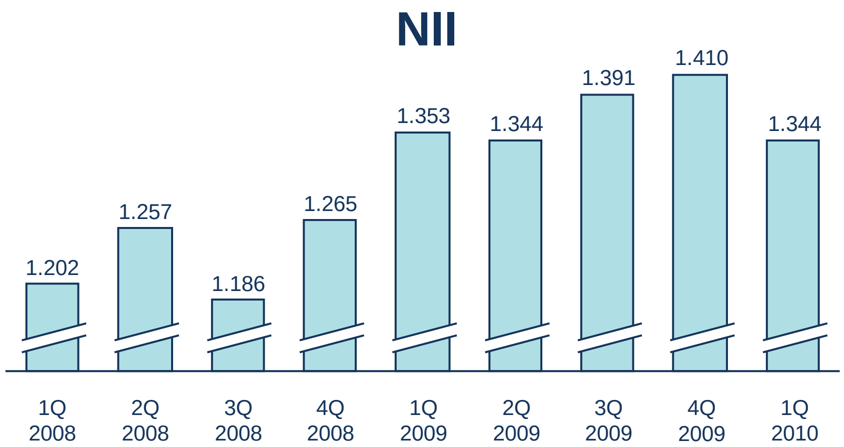
Jan Vanhevel, Group CEO:

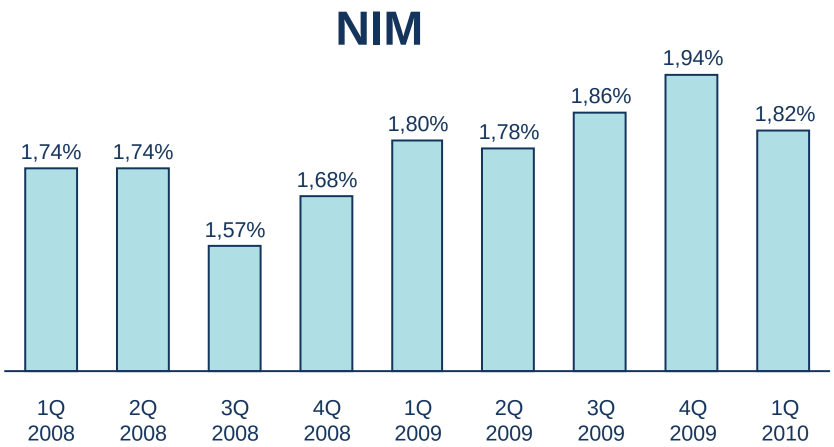
- ‘The cost trend has been bottoming out and we expect costs to further increase from here.’
- ‘We may have seen a turn in the credit cycle. Our 2010 base case scenario includes loan losses to visibly decline compared to the financial year 2009.’
- ‘A trading loss related to the ‘legacy’ structured derivatives positions within KBC Financial Products has been booked. Additional limited losses cannot be excluded for the next few quarters of 2010, while risk exposure is continuously being unwound.’
- ‘We are making good progress on our flagship projects to refocus the business portfolio. Moreover, a significant reduction of the group’s credit derivatives was initiated in the first quarter of 2010.’ We will be glad to elaborate on this during our upcoming “Investor Lunch Meeting” (4 June, London)
- ‘At the end of April, the Belgian tax ruling office ruled positively that a waiver of intercompany debt, related to CDO-linked losses incurred in past years, is tax deductible, conditions met. This means KBC will be able to book a positive deferred tax income of EUR 0.3bn, partly compensating the losses it has suffered in the past.’

Section 3

# Underlying business performance

# Revenue trend - Group



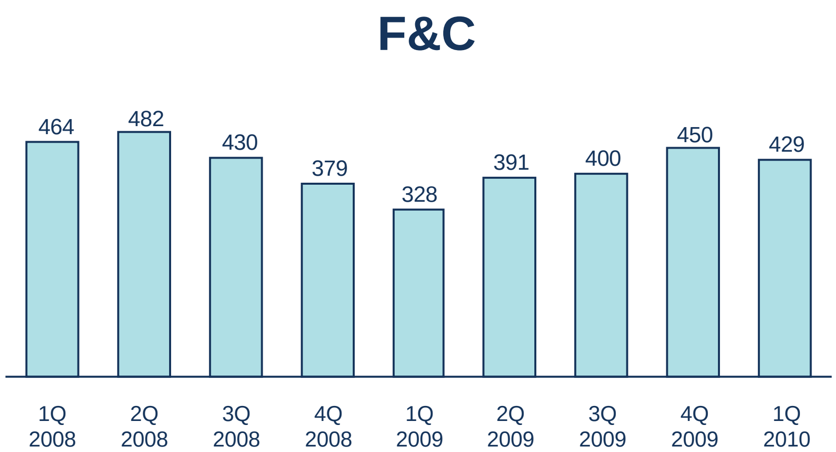



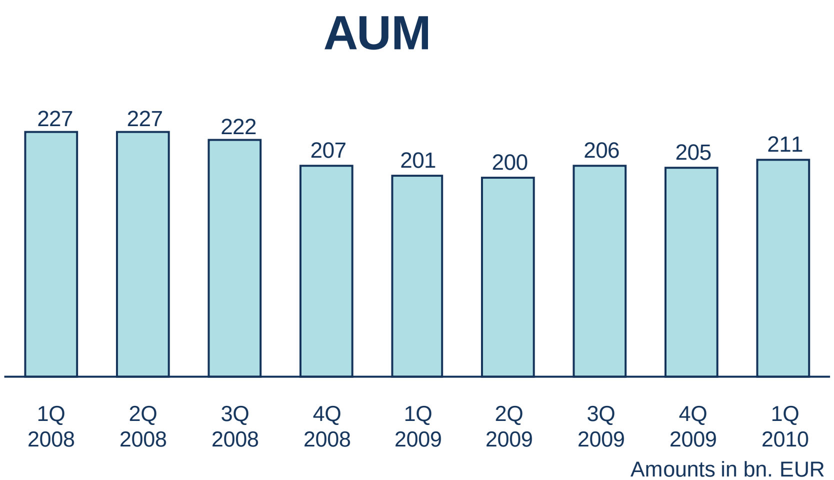

- Net interest income slightly fell year on year
- Net interest margin at 1.82%
  - Credit and deposit spreads remained healthy
  - The net margin tightening quarter on quarter is mainly due to, for prudency reasons, more focus on short term assets for the reinvestment of excess saving deposits (adjustment of ALM policy)
- Credit and deposit volumes down year on year (-5%, -4%) based on (among other factors) reduction of international loan book (Merchant banking and Russia) in line with strategic focus

Amounts in m. EUR

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

# Revenue trend - Group



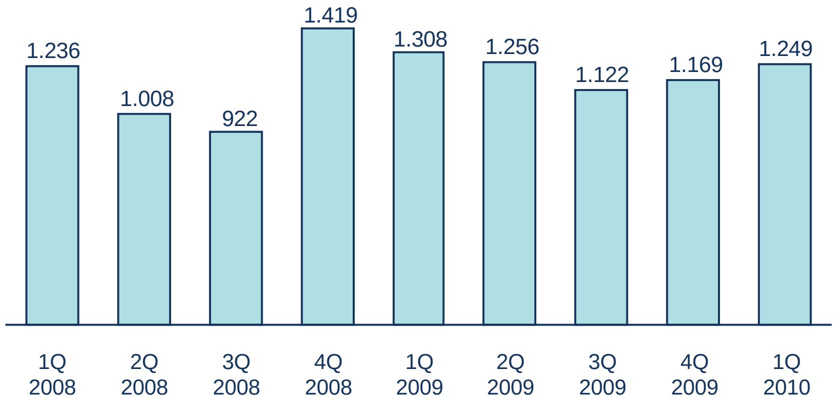

- Net fee and commission rose sharply year on year (+31%) and slightly fell quarter on quarter (-5%)
  - YoY improvement thanks to increased income on sale and management of investment products, on the back of an improved investment sentiment.
  - QoQ decrease can be explained by seasonal effects

- Assets under management at 211bn EUR (+3% qoq, of which +1% net inflow)

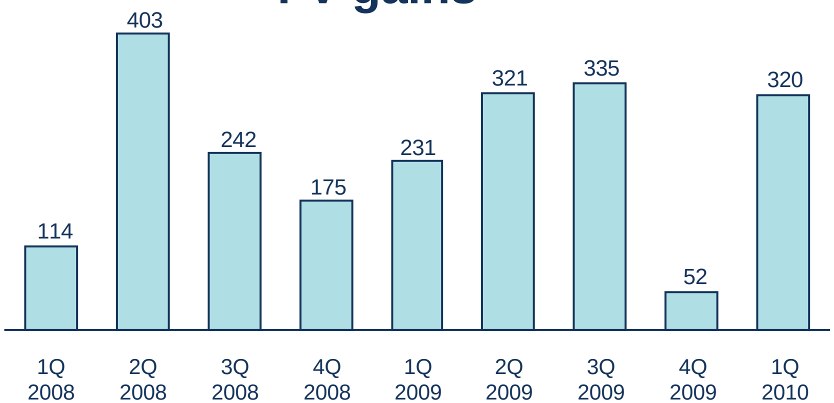
Amounts in m. EUR

# Revenue trend - Group

## Premium income




## FV gains

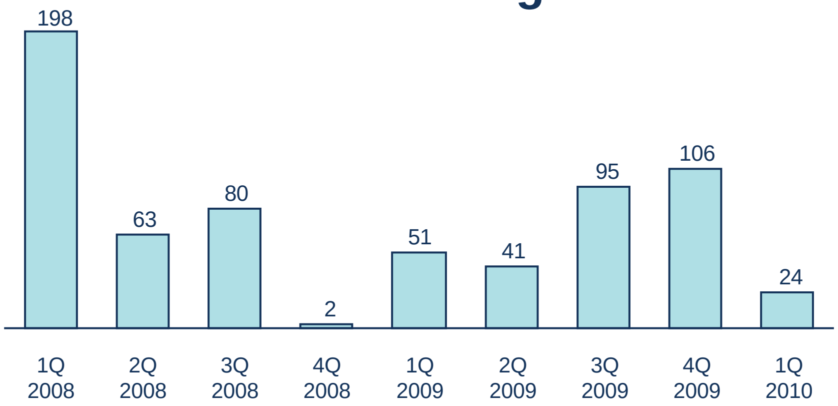



- Insurance premium income at 1.249m
  - Non-life premium income (489m), up 2% yoy and 3% qoq
  - Life premium income (760m), up 9.5% qoq thanks to the further improvement of the investment climate and despite traditionally strong year end sales in 4Q09
- Combined ratio at 98%, up compared to 94% in 1Q09 due to a higher claims ratio (a.o. storm Xynthia)
- The strong performance of Fair Value gains (320m) is the result of strong dealing room activities, in line with the market trend

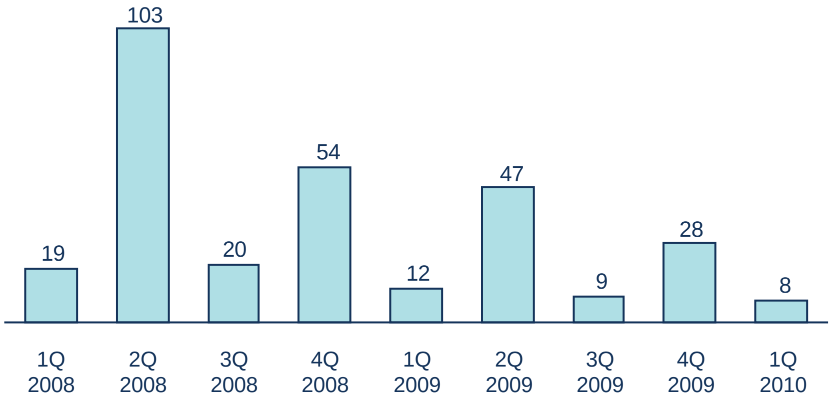
Amounts in m. EUR

# Revenue trend - Group

## AFS realised gains




## Dividend income

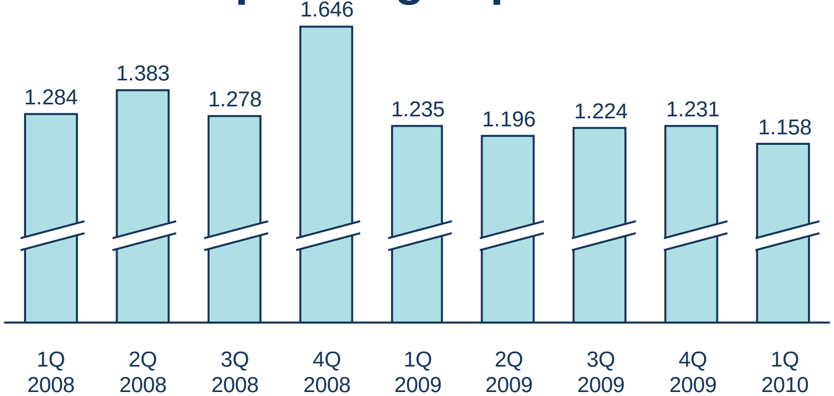



- AFS realised gains at 24m, markedly lower than in the previous quarters
- Dividend income at 8m

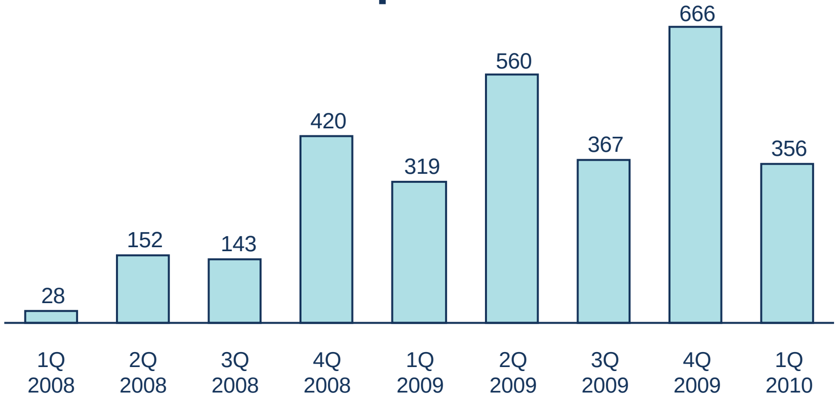
Amounts in m. EUR

# Opex and asset impairment - Group

## Operating expenses




## Asset impairment




- Continued tight cost control
  - Operating expenses fell 6% (both qoq and yoy) to EUR 1.158m, still benefiting from cost containment measures initiated in 2008
  - Underlying cost/income ratio for banking stood at 50% (compared to 55% for full year 2009)
  - The cost trend has been bottoming out and we expect costs to further increase from this point.

- Sharply lower impairments (356m)
  - 310m quarter on quarter decrease is situated in all business units, but is most outspoken in Central & Eastern Europe

Amounts in m. EUR

# Peak of loan loss provisions may be behind us

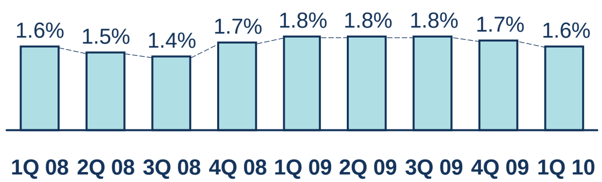
- Credit cost ratio went down to 0.84% (vs. 1.11%  in 2009). NPL ratio amounted to 3.6%
- Credit cost in Belgium fell to virtual nil
- Sharply decreased credit cost in CEE (-107m qoq), mainly in Poland (-64m), in the Czech Republic (-23m) and in Hungary (-14m)
- In Merchant Banking, the decrease of impairments in the international loan books was partly offset by a significant enhancement of the provision coverage level in KBC Bank Ireland

**Credit cost ratio**

| | Loan book | 2007 FY | 2008 FY | 2009 FY | 2009 FY | 1Q10 YTD |
|---|---|---|---|---|---|---|
| | | 'Old' BU reporting | | | 'New' BU reporting | |
| **Belgium** | **52bn** | 0.13% | 0.09% | 0.17% | 0.15% | 0.02% |
| **CEE** | **38bn** | 0.26% | 0.73% | 2.12% | 1.70% | 1.20% |
| **Merchant** (incl. Ireland) | **60bn** | 0.02% | 0.48% | 1.32% | 1.19% | 1.47% |
| **Total Group** | **168bn** | 0.13% | 0.46% | 1.11% | 1.11% | 0.84% |

# Peak of loan loss provisions may be behind us

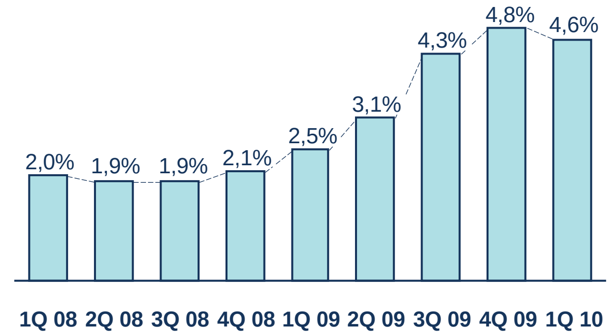
## BU BELGIUM




non performing loans

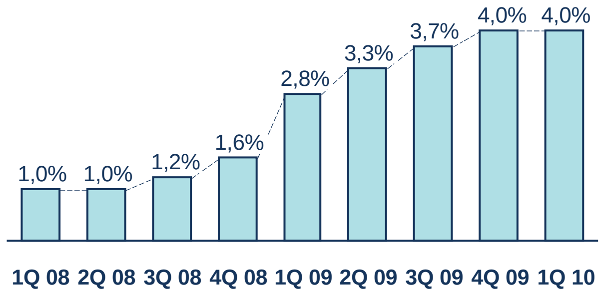
New BU reporting as of 2010

## BU CEE




## BU MEB

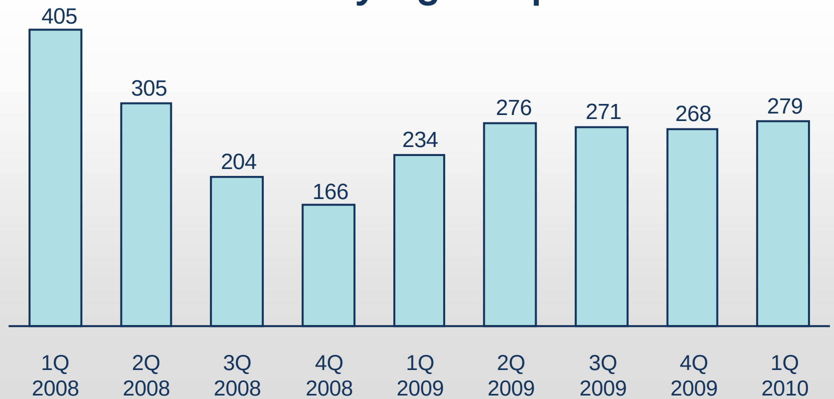
(incl. Ireland




| **1Q 2010** | **High risk** (probability of default >6.4%) | **Restructured loans** (probability of default >6.4%) |
|---|---|---|
| BU Belgium | 3.1% | 1.5% |
| BU CEE | 5.6% | 3.2% |
| BU MEB | 4.6% | 4.0% |

# Business Unit Belgium

## Underlying net profit




## Volume trend**

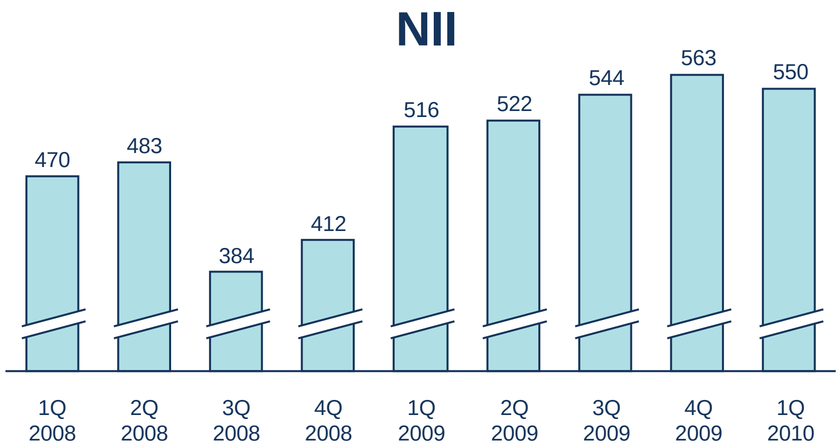
| | Total loans | Of which mortgages | Customer deposits | AUM | Life reserves |
|---|---|---|---|---|---|
| Volume | 50bn | 25bn | 66bn | 150bn | 21bn |
| Growth q/q* | +1% | +2% | +2% | +3% | +4% |
| Growth y/y | +3% | +9% | -1% | +6% | +15% |

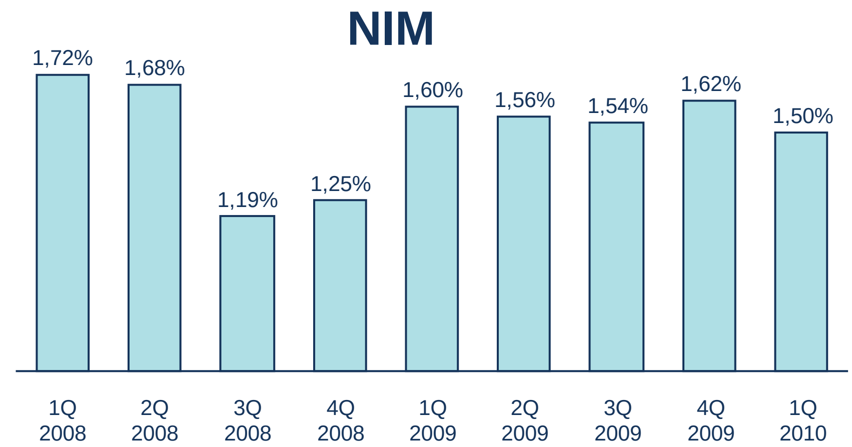
** non-annualized*
*** All figures were restated due to new business unit reporting*

- Underlying profit Business Unit Belgium (279m) slightly above previous quarters, well above year earlier quarter
- Increase in credit volume quarter on quarter and year on year (circa 3%, annualised), driven by mortgage loan growth
- Increase in deposit volumes qoq, but decrease yoy
- Asset under management and life reserves are growing

Amounts in m. EUR

# Business Unit Belgium (2)



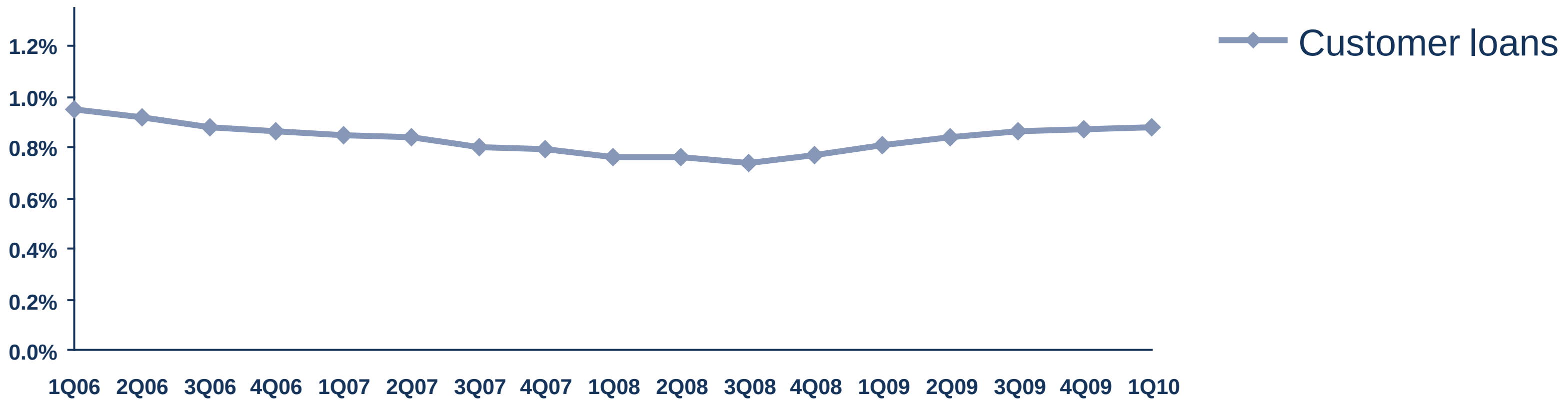




- Net interest income (550m) remains healthy
  - A 7% increase year on year
  - A 2% decrease quarter on quarter due to a.o. more focus on short-term assets for the reinvestments of saving deposits (lower ALM margin)
  - Major improvement versus 2H 2008 based on margin recovery on credits and deposits combined with shift to higher margin products (from time deposits to saving accounts)

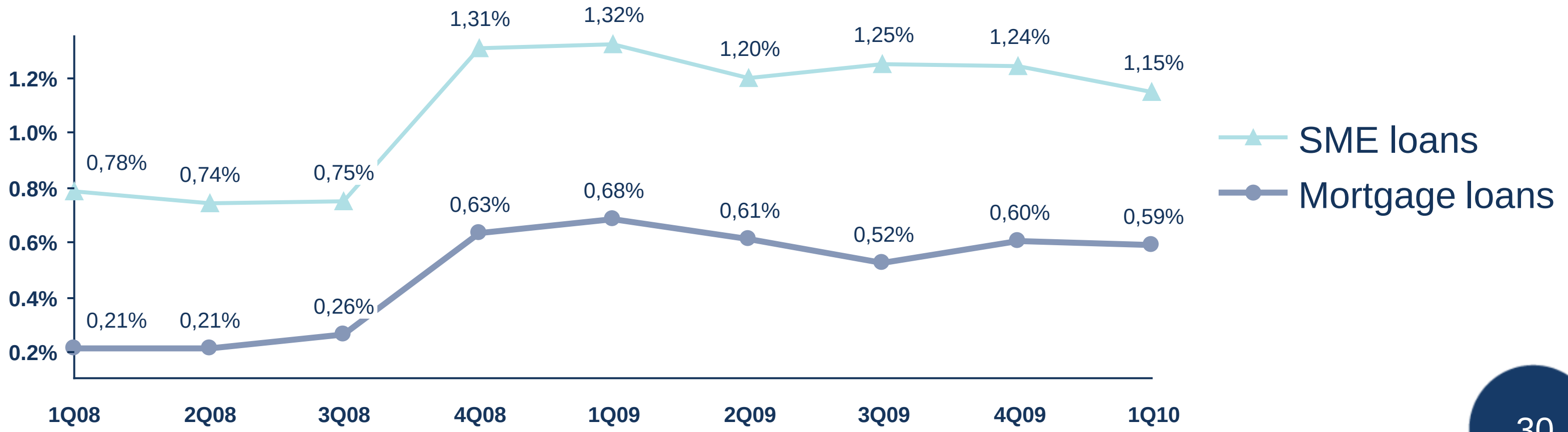
Amounts in m. EUR

# Credit margins in Belgium

## Product spreads on customer loans book, outstanding

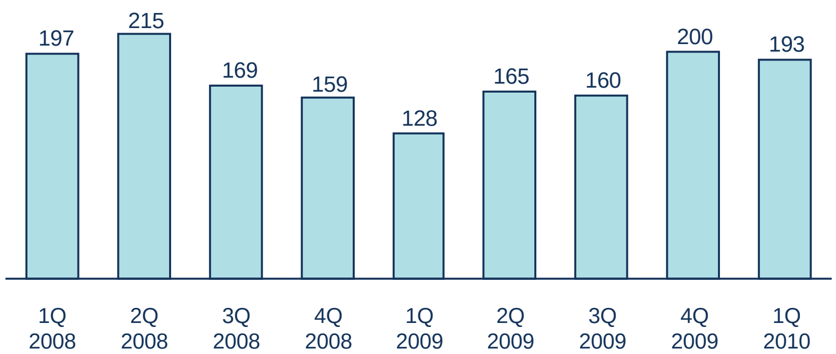



## Product spread on new production

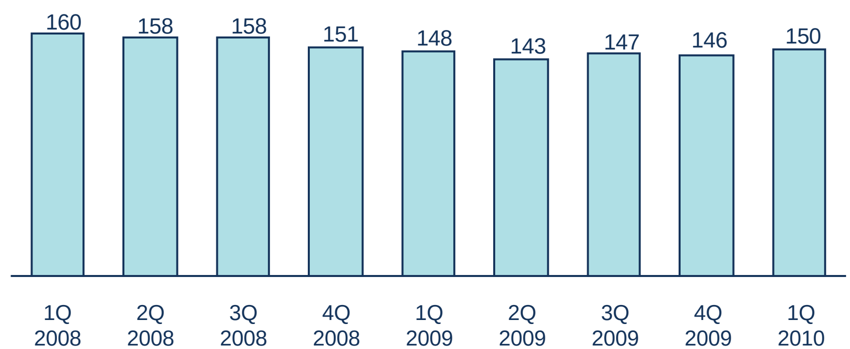


# Business Unit Belgium (3)

## F&C




## AUM



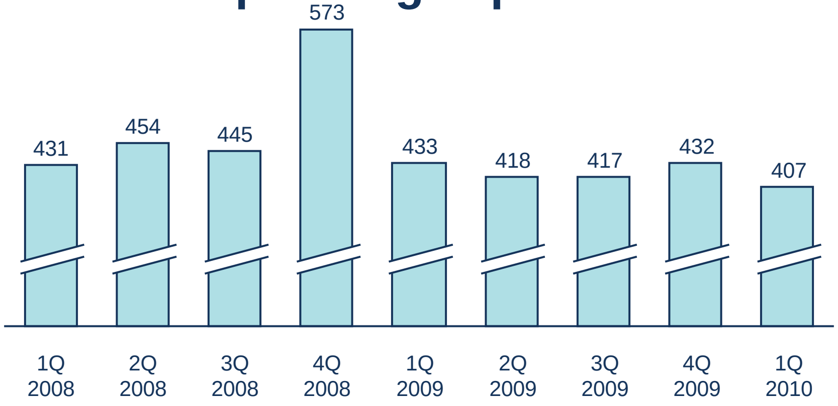

Amounts in bn. EUR

- Net fee and commission income (193m) remained positively impacted by the improving investment climate
  - Net commission income from banking activities rose 31% yoy and 4% qoq thanks to the improving investment climate, leading, inter alia, to higher commission income from asset management activities. Assets under management rose 3% qoq (to EUR 150bn), of which 2% was related to net inflows
  - This was offset by the increase of commissions paid to insurance agents in 1Q10, provoking a 4% qoq drop in total net fee and commission income

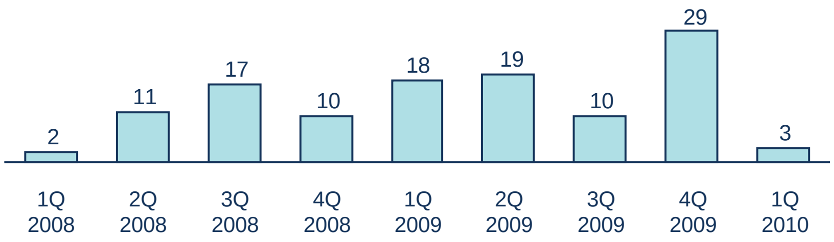
Amounts in m. EUR

# Business Unit Belgium (4)

## Operating expenses




## Asset impairment

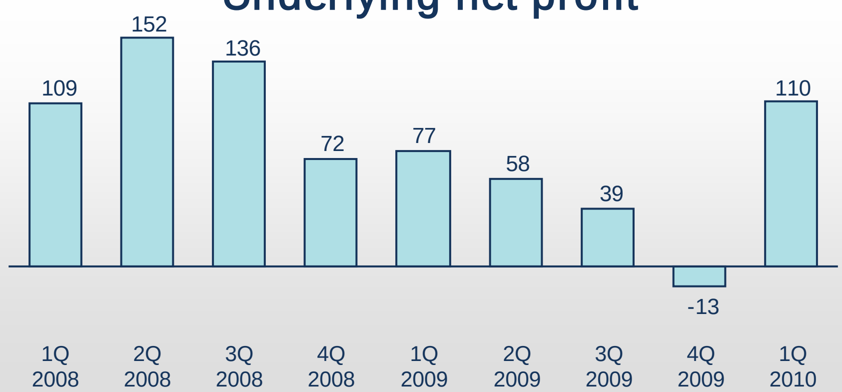



- Operating expenses remained well under control: -6% both qoq and yoy
  - Cost saving measures that were initiated in the past still positively influenced the cost level, while some upwards pressure on costs came from higher accruals for variable remuneration for staff
  - Further improvement of the cost/income ratio: 53%, (vs. 57% for full year 2009)
- Asset impairment remained (very) low too in 1Q10, helped by an EUR 11m write-back for a single file. Credit cost ratio of only 2bps. NPL level at 1.6%

Amounts in m. EUR

# Business Unit CEE

## Underlying net profit




## Volume trend

| | Total loans | Of which mortgages | Customer deposits | AUM | Life reserves |
|---|---|---|---|---|---|
| Volume | 31bn | 13bn | 40bn | 13bn | 2bn |
| Growth q/q* | -2% | +0% | 0% | +8% | +2% |
| Growth y/y | -5% | +5% | 0% | +24% | +9% |

**non-annualized*
*** All figures were restated due to new business unit reporting*

- Underlying profit CEE Business Unit at 110m
  - CEE profit breakdown: 92m Czech Republic, 13m Slovakia, 26m Hungary, 8m Poland, 0m Bulgaria, other -28m (mainly funding costs at parent company level)
  - Excellent evolution mainly on the back of lower credit losses and good cost control
- Quarter on quarter organic reduction of loan book (-2%) on the back of low credit demand, most outspoken in Hungary (-4%) and Slovakia (-3%). Deposit volumes stable quarter on quarter and year on year. Loan to deposit ratio at 81%.
- Assets under management at 13bn (+8% qoq and +24% yoy)

Amounts in m. EUR

# Business Unit CEE (2)

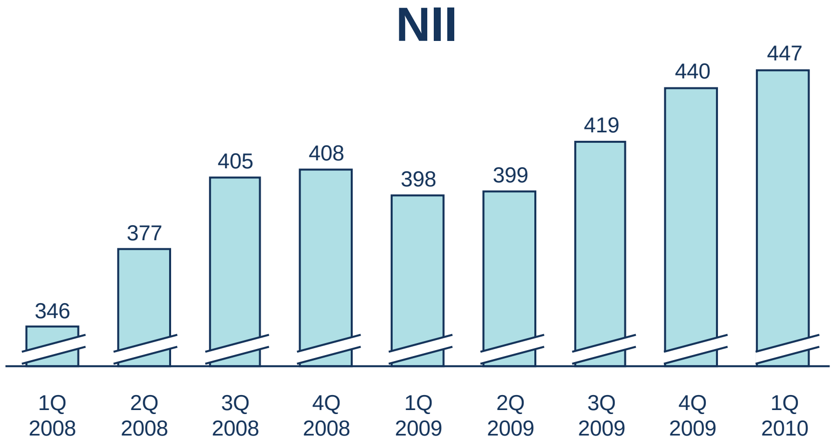
## Organic growth(*)

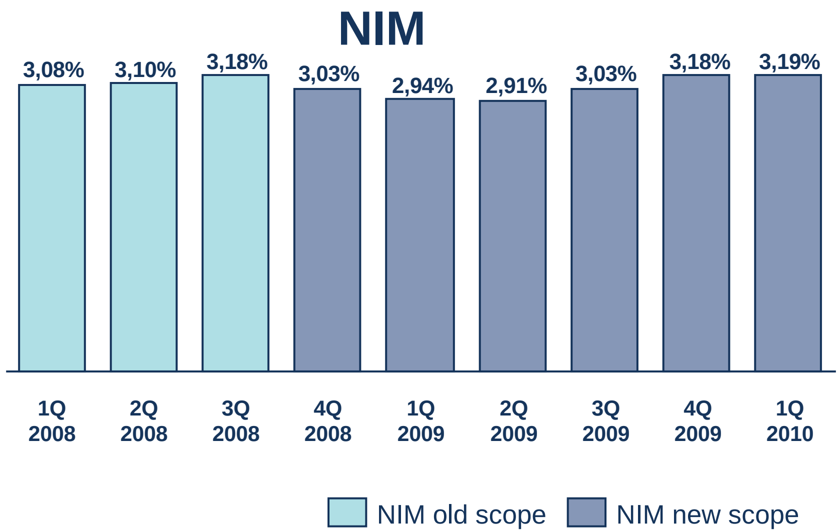
| | Total loans | | Mortgages | | Deposits | |
|---|---|---|---|---|---|---|
| | q/q | y/y | q/q | y/y | q/q | y/y |
| CZ | -1% | -3% | +2% | +15% | 0% | +4% |
| SK | -3% | -4% | -7% | -9% | -8% | -1% |
| HU | -4% | -11% | -2% | -5% | -7% | -24% |
| PL | -2% | -2% | 0% | -2% | +11% | +19% |
| BU | -2% | -4% | -2% | +1% | +3% | +9% |

- Credit demand and deposit growth remained mostly weak across the region
- Quarterly time series are influenced by volatility in corporate deposits
- In Poland, the quarter benefited from a successful retail deposit campaign launched at the end of February

(*) organic growth excluding FX impact, q/q figures are non-annualized

# Business Unit CEE (3)



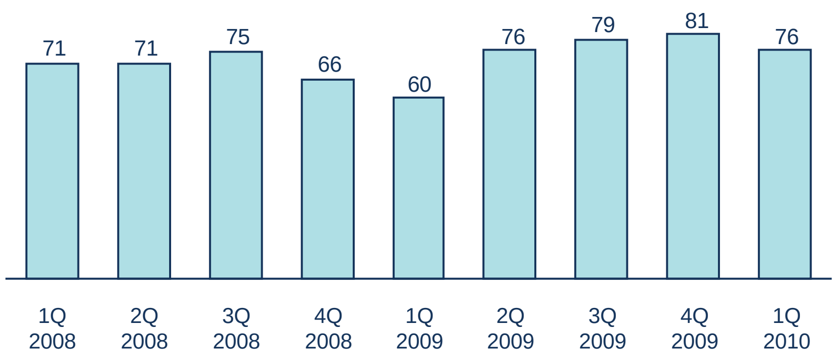




- Net interest income rose 2% qoq and 12% yoy to EUR 447m (flat qoq and +4% yoy organically evolution)
- Net interest margin (new scope) at 3.19% compared to 3.18% in previous quarter

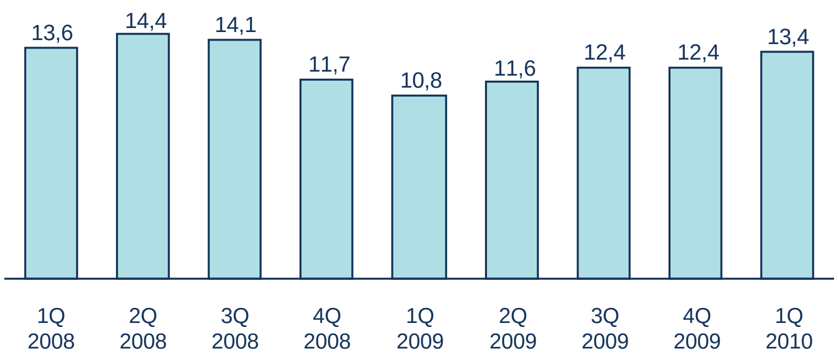
Amounts in m. EUR

# Business Unit CEE (4)

## F&C




## AUM




Amounts in bn. EUR

- Net fee and commission income (76m) organically down 6% quarter on quarter, explained by a change in accounting treatment of the distribution fees paid to the Czech Post (10m shift from expenses to commission income, without bottom line impact)

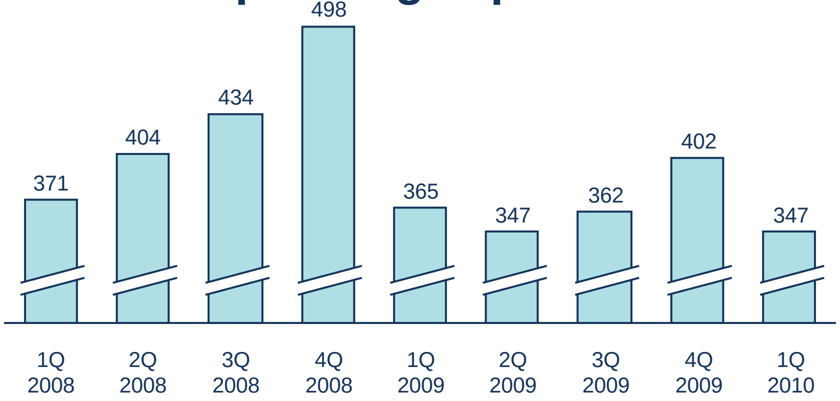
- However, net fee and commission income organically up 19% yoy (notwithstanding the mentioned methodology change), thanks to the combination of slightly increased received fees in the banking businesses and lower paid fees in the insurance businesses.

- Assets under management rose 8% qoq to 13.4bn (1/4th due to net inflows, 3/4th due to price increases of the assets)

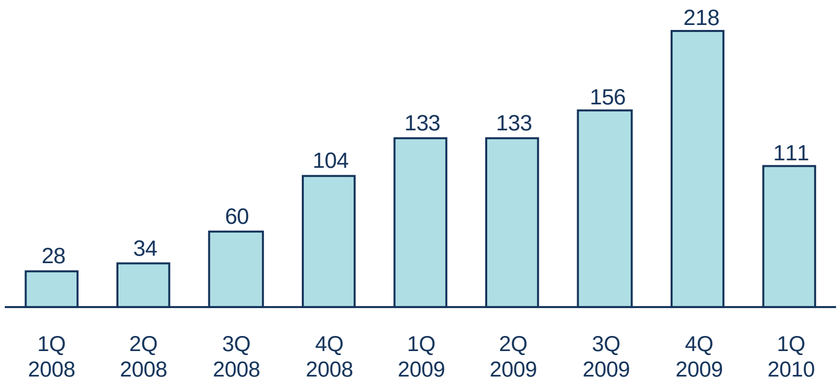
Amounts in m. EUR

# Business Unit CEE (5)

## Operating expenses




## Asset impairment




- Operating expenses (347m), on organic basis down 15% quarter on quarter and 11% year on year
  - Drop relates both to staff costs, other administrative expenses and the impact of the methodological change
  - Ytd cost income ratio at 50% (59% FY 2009)
- Asset impairment at 111m, entirely on L&R
  - Falling credit cost, most outspoken in Poland
  - Significant CCR improvement: 120bps vs. 170bps in FY09
  - NPL ratio at 4.6%, up from 4.1% at the end of 2009

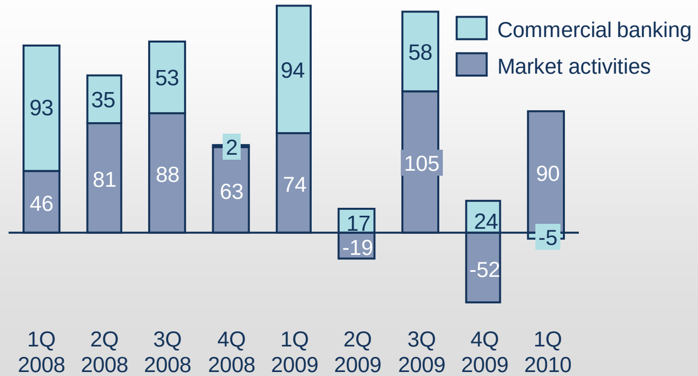
| | Loan book | 2007* CCR | 2008* CCR | 2009* CCR | 2009 CCR | 1Q10 CCR |
|---|---|---|---|---|---|---|
| **CEE** | **38bn** | 0.26% | 0.73% | 2.12% | 1.70% | 1.20% |
| - Czech Rep. | 19bn | 0.27% | 0.38% | 1.12% | 1.12% | 0.69% |
| - Poland | 8bn | 0.00% | 0.95% | 2.59% | 2.59% | 1.19% |
| - Hungary | 7bn | 0.62% | 0.41% | 2.01% | 2.01% | 2.08% |
| - Slovakia | 4bn | 0.27% | 0.82% | 1.56% | 1.56% | 1.57% |
| - Bulgaria | 1bn | n.a. | 1.49% | 2.22% | 2.22% | 2.03% |

** CCR according to 'old' business unit reporting*

Amounts in m. EUR

# Business Unit Merchant Banking

## Underlying net profit




## Volume trend

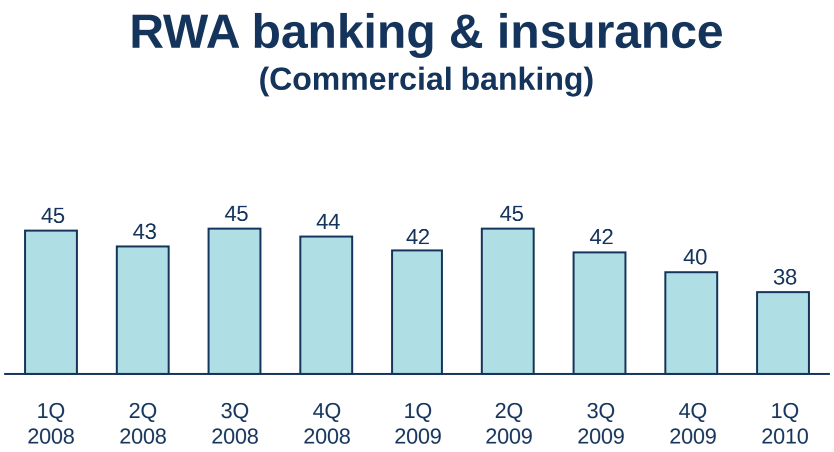
| | Total loans | Customer deposits |
|---|---|---|
| Volume | 46bn | 58bn |
| Growth q/q* | -5% | +9% |
| Growth y/y* | -13% | -5% |

**non-annualized*

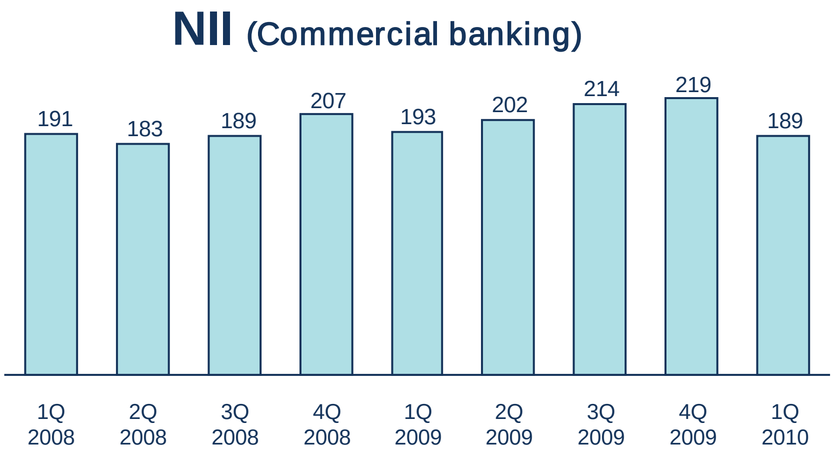
- Underlying net profit in Business Unit Merchant Banking (85m), above the average of the last 4 quarters (75m)
  - Commercial banking result -5m, suffering from the enhancement of the provision coverage level in KBC Bank Ireland
  - Market Activities result +90m, mainly thanks to the solid performance of the fixed-income dealing room activities
- Reminder: a significant part of the merchant banking activities (to be divested assets) has been shifted to the Group Centre

Amounts in m. EUR

# Business Unit Merchant Banking (2)




Amounts in bn. EUR

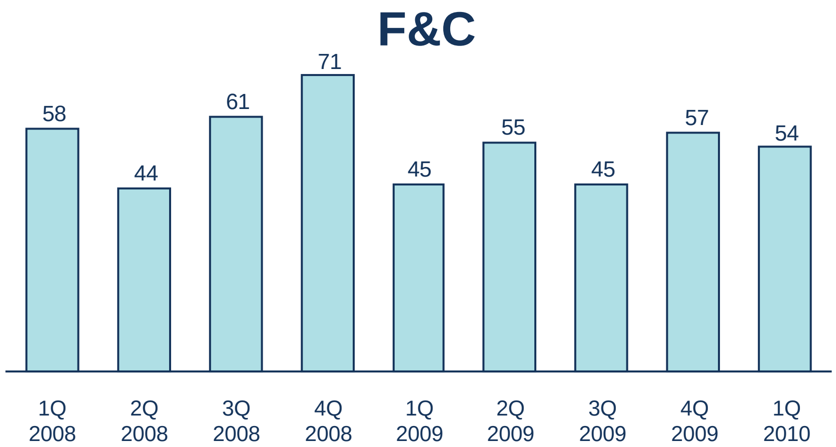


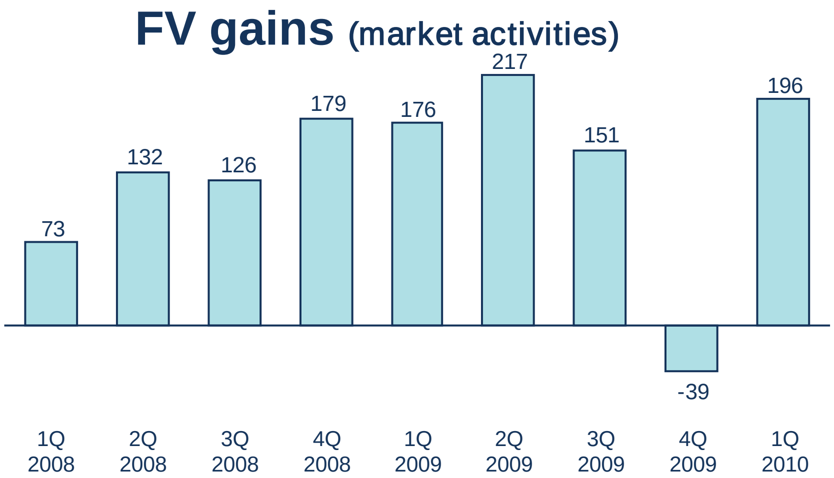

- Lower risk weighted assets commercial banking due to further organic reduction international corporate loan book

- Net interest income (relating to the commercial banking division) down 14% qoq and 2% yoy. As anticipated, volumes in this business unit went down (e.g. credits -5% qoq and -13% yoy). This decrease is expected to continue for a number of years, as it is a result of the new strategy of the group (gradual built-down of a large part of the international credit portfolio outside the home markets).

Amounts in m. EUR

# Business Unit Merchant Banking (3)



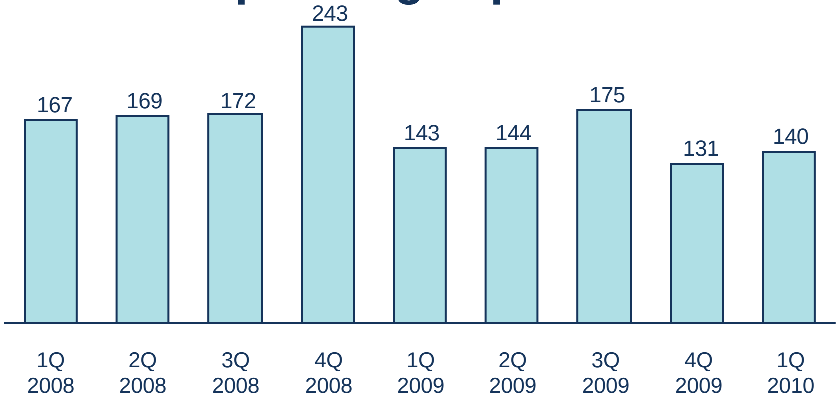

- Net fee and commission rose 22% yoy (but fell 4% qoq) to EUR 54m thanks, inter alia, to higher fees related to trade finance, corporate finance and brokerage activities

- Strong rebound of trading results, mainly resulting from a solid performance of the fixed-income dealing room activities, compared to a weak performance in 4Q09 (which was aggravated by the booking of negative market value adjustments to include increased counterparty risk and lower liquidity).

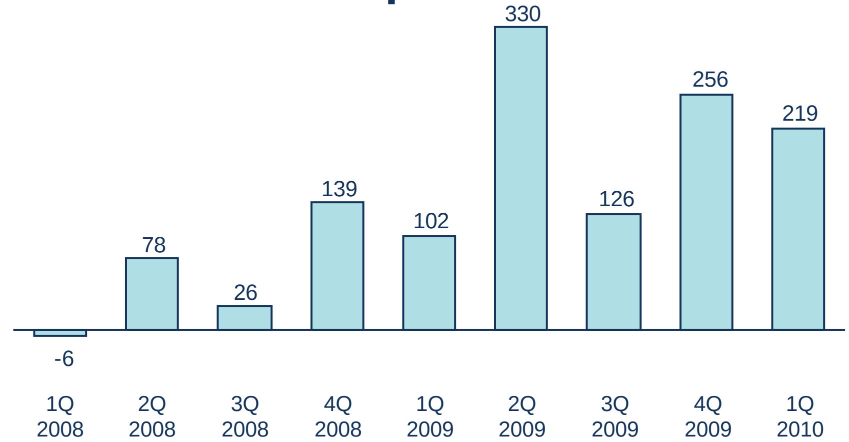
Amounts in m. EUR

# Business Unit Merchant Banking (4)

## Operating expenses




## Asset impairment




- Operating expenses at 140m up quarter on quarter (7%), but down year on year (-2%)
  - Quarter on quarter cost increase was located in the commercial banking activities, and related, inter alia, to increased ICT expenses, increased variable remuneration and some one-off items.
- Impairment (219m), 14% lower quarter on quarter mainly thanks to lower loan loss provisions in the international loan book in general (except for Ireland)
  - Credit cost ratio at 1.47% and NPL ratio roughly stable at 4.0%

Amounts in m. EUR

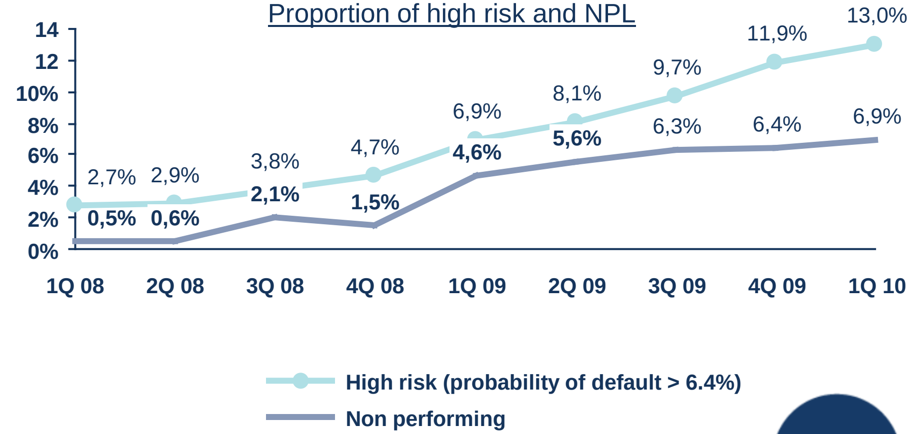
# Update on Ireland

- NPL has risen to 6.9% (6.4% in 4Q09)
- EUR 142m loan impairments also includes a portfolio-wide upwards adjustment in the expected house price decline (from 40% to 50%) and a further reduction in collateral value assumptions in the commercial real estate portfolio influenced by the NAMA discounts for relevant Irish banks
- Credit costs for the remainder of 2010 should therefore be significantly lower than 1Q10.
- Local Tier 1 ratio of 9.2% at the end of 1Q10
- NPL coverage ratio of 31% reflects predominance of residential mortgages (iLTV of 90%) and relatively low exposure to real estate development (4% of the portfolio)
- Against a backdrop of a very severe recession, 80% of portfolio remains low or medium risk

Irish loan book – key figures March 2010

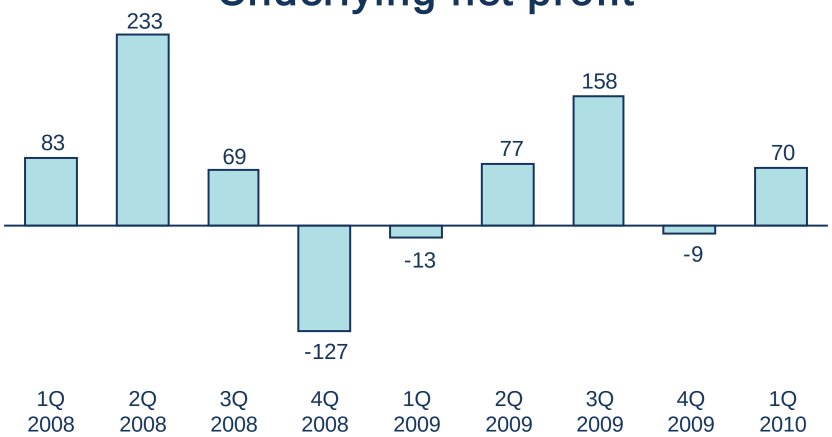
| Loan portfolio | Outstanding | NPL Mar 10 |
|---|---|---|
| Owner occupied mortgages | 10.0bn | 5.2% |
| Buy to let mortgages | 3.3bn | 7.2% |
| SME /corporate | 2.6bn | 3.3% |
| Real estate investment | 1.3bn | 10.2% |
| Real estate development | 0.6bn | 40.7% |
| | 17.8bn | 6.9% |

Proportion of high risk and NPL



# Group Centre

## Underlying net profit




## Volume trend

| | Total loans | Customer deposits |
|---|---|---|
| **Volume** | **17bn** | **23bn** |
| **Growth q/q*** | **-3%** | **-3%** |
| **Growth y/y*** | **-9%** | **-22%** |

**non-annualized*

- Besides the existing activities of the holding and shared-services companies at ‘Group Centre’, all upcoming divestments are shifted to ‘Group Centre’ as of 1Q10 onwards. Compared to both reference quarters, the significant increase of the net group profit is largely attributable to the companies that are up for divestment in the coming quarters, predominantly on the back of lower loan loss impairments

- Only the planned divestments are included. The merchant banking activities that will be wound down organically are NOT shifted to the ‘Group Centre’

Amounts in m. EUR

# Group Centre (2)

## Breakdown of underlying net group profit

| | 1Q10 | Some comments |
|---|---|---|
| **Group item (ongoing business)** | **-22** | |
| **Planned divestments** | **91** | |
| - Centea | 17 | |
| - Fidea | 8 | |
| - 40% minorities CSOB Bank CZ | 54 | |
| - Absolut Bank | -1 | Significant drop in loan loss provisions |
| - 'old' Merchant Banking activities | 9 | |
| - KBL | 38 | EUR 47,4bn AuM (+1% qoq and +12% yoy) |
| - Other | -34 | |
| **TOTAL underlying net group profit** | **70** | |

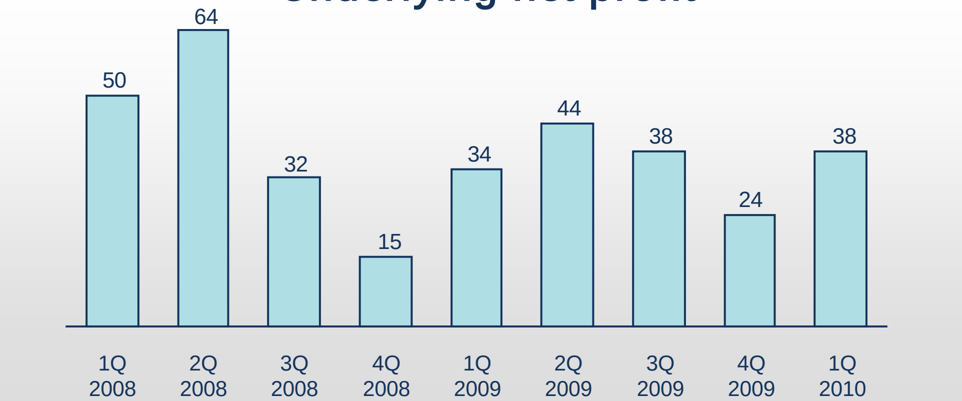
## NPL, NPL formation and restructured loans in Russia

| | | 4Q 2008 | 1Q 2009 | 2Q 2009 | 3Q 2009 | 4Q 2009 | 1Q 2010 |
|---|---|---|---|---|---|---|---|
| **RU** | NPL | 0.5% | 2.3% | 3.3% | 9.2% | 14.0% | 17.9% |
| | NPL formation | | 1.8% | 1.0% | 5.9% | 4.8% | 3.9% |
| | Restructured loans | - | 3.6% | 7.2% | 9.8% | 11.2% | 10.3% |
| | Loan loss provisions (m EUR) | 31 | 45 | 33 | 48 | 56 | 0 |

Amounts in m. EUR

# Group Centre (3) – KBL EPB

## Underlying net profit




## Volume trend

| | Customer deposits | AUM |
|---|---|---|
| Volume | 8bn | 47bn |
| Growth q/q* | +1% | +1% |
| Growth y/y* | -16% | +12% |

**non-annualized*

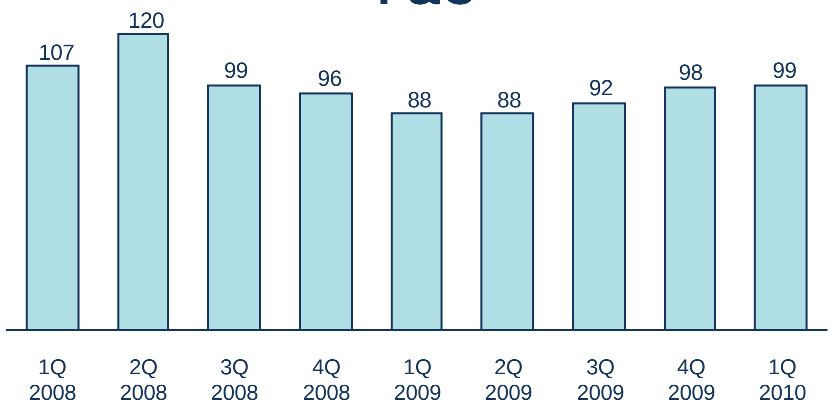
- Underlying net profit European Private Banking (38m) up on previous quarter (+56%) thanks to lower operating expenses and no impairments

- Assets under management at 47bn
  - Quarter on quarter increase (+1%) based on increased asset prices

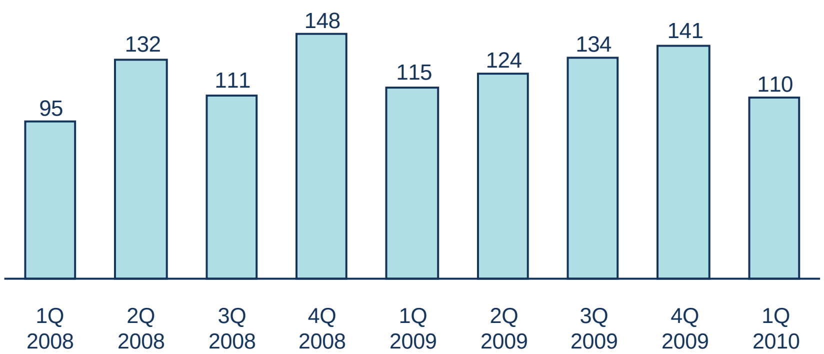
Amounts in m. EUR

# Group Centre (4) – KBL EPB

## F&C




## Operating expenses




- Fee and commission income (99m)
  - +1% qoq and +12% yoy based on better than expected on shore activities and higher assets under management
- Operating expense down 22% quarter on quarter due to the non-recurrence of restructuring costs and variable pay recognised in 4Q09.

Amounts in m. EUR

# Exposure to Southern Europe (1)

## Total exposure to Greece, Portugal & Spain at the end of 1Q10 (bn EUR)

| | Banking and Insurance book | | | Trading book | |
|---|---|---|---|---|---|
| | Credits & corporate bonds | bank bonds | Gov. bonds | Gov. Bonds | Total exposure |
| Greece | 0,1 | 0,0 | 1,3 | 0,6 | **2,0** |
| Portugal | 0,3 | 0,0 | 0,3 | 0,0 | **0,6** |
| Spain | 2,5 | 0,6 | 2,4 | 0,3 | **5,8** |

- Total exposure to the most stressed countries Greece and Portugal amounted to EUR 2.6bn, of which EUR 0.6bn trading positions
- No impact on KBC's liquidity position (since the sovereign bonds can still be pledged with the ECB)

## Breakdown of government bond portfolio, banking and insurance, at the end of 1Q10 (bn EUR)

| | Banking | Insurance | Total |
|---|---|---|---|
| Greece | 0,9 | 0,4 | **1,3** |
| Portugal | 0,2 | 0,1 | **0,3** |
| Spain | 1,6 | 0,7 | **2,4** |
| **TOTAL** | **2,7** | **1,2** | **4,0** |

# Exposure to Southern Europe (2)

## Maturity date of government bond portfolio of the banking and insurance book (bn EUR)

| | 2Q10 | 2H10 | 2011 | 2012 | > 2012 |
|---|---|---|---|---|---|
| Greece | 0,1 | 0,0 | 0,1 | 0,2 | 0,9 |
| Portugal | 0,0 | 0,0 | 0,1 | 0,1 | 0,1 |
| Spain | 0,0 | 0,0 | 0,1 | 0,5 | 1,7 |

## Breakdown of total government bonds, by portfolio at the end 1Q10 (bn EUR)

| | AFS * | HTM ** | FIV *** | Trading *** | TOTAL |
|---|---|---|---|---|---|
| Greece | 0,5 | 0,5 | 0,3 | 0,6 | **1,9** |
| Portugal | 0,2 | 0,2 | 0,0 | 0,0 | **0,4** |
| Spain | 2,1 | 0,3 | 0,0 | 0,3 | **2,7** |

## Breakdown of total government bonds, by portfolio at 30 April (bn EUR)

| | AFS * | HTM ** | FIV *** | Trading *** | TOTAL |
|---|---|---|---|---|---|
| Greece | 0,5 | 0,4 | 0,2 | 0,4 | **1,5** |
| Portugal | 0,1 | 0,2 | 0,0 | 0,0 | **0,3** |
| Spain | 2,1 | 0,3 | 0,0 | 0,3 | **2,7** |

* Available for sale: value loss versus 31 March due to price decline booked against shareholders' equity
** Held to Maturity: negative pull-to-par effect versus 31 March
*** Financial Instruments at Fair Value / Trading: lower value vs. 31 March due to price decline and run-down of portfolio (value loss booked against revenu)

# Wrap up

# Financial highlights 1Q 2010

- Continued sound deposit and credit spreads
- Gradual recovery of fee & commission income confirmed
- Strong dealing room activities, in line with market performance
- Insurance premium inflows continued their steady pace
- Operational expenses remained very well under control
- Substantial lower loan loss impairments quarter on quarter
- EUR 1.5bn excess regulatory capital accumulated beyond the 10% Tier 1-solvency target
- KBC's exposure on Greek sovereign bonds is limited to EUR 1.9bn (of which EUR 0.6bn in the trading book)

# Green light

## How we cross the road to the future

Late 2009, in the aftermath of the financial crisis, KBC unveiled its new business plan for the next few years. Six months later, execution gains traction and we are glad to share the story on the progress made during a lunch presentation. No new plans, no enhanced expectations, but monitoring progress and following up on key deliverables. Most of all, an unique opportunity to meet management in person again in an informal setting and to discuss business risks and opportunities discovered along the way.

# 4 June 2010

# KBC Investor Lunch London

Hilton London Tower Bridge

KBC

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

# Additional data set

# Update CDO exposure at KBC (end1Q10)

| CDO exposure (bn EUR) | Notional | Cumulative Mark downs |
|---|---|---|
| - **Hedged portfolio**<br>- **Unhedged portfolio** | 14.8<br>9.9 | -1.3<br>-5.1 |
| **TOTAL** | **25.7** | **-6.3** |

| Amounts in bn € | **Total** |
|---|---|
| Value adjustments (since start crisis)<br>"Effective" loss (i.e. expect. losses based on claimed credit events) | -6.3<br>-1.1 |

## Sensitivity tests

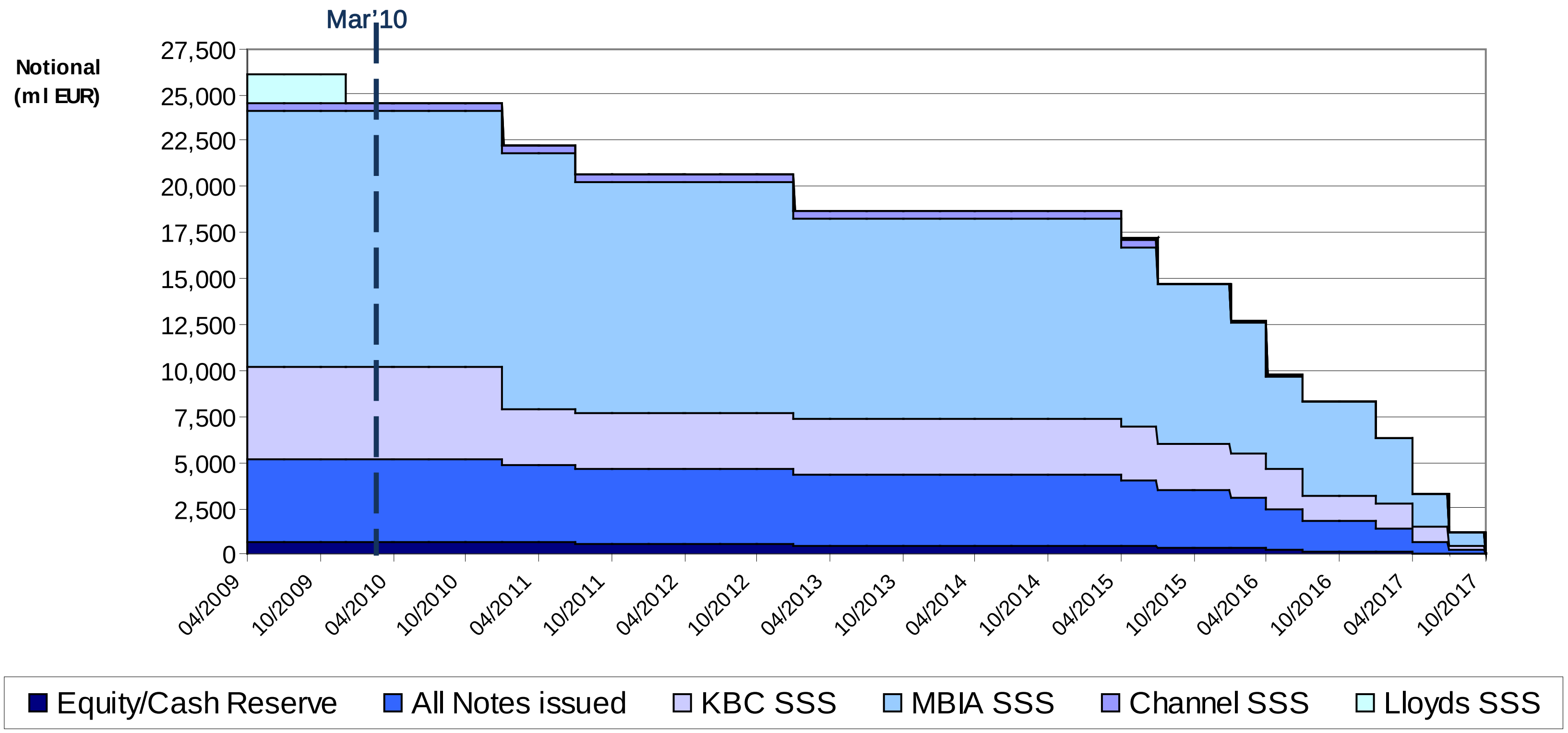
| Amounts in bn € | **Total at risk** |
|---|---|
| Scenario 1 (16% corporate loss)<br>Scenario 2 (18% corporate loss)<br>Scenario 3 (20% corporate loss) | -4.6<br>-5.2<br>-6.8 |

Sensitivity test made on CDOs total outstanding, excluding third-party CDOs and CDOs in run-off
Sensitivity test assumptions: expected loss on claimed corporate names and ABS and 16%-18%-20% cumulative expected loss on corporate underlying
The floor provided by the government guarantee is taken into account
The counterparty risk includes the amount to be borne by KBC in case of default of MBIA with zero recovery

- Cumulative value adjustments amounted to EUR 6.3bn at the end of 1Q10
- Effective cash losses amounted to EUR 1.1bn
- The EUR 6.3bn value adjustments reflect a 18%-20% cumulative loss of the underlying corporate risk (circa 80% of the underlying collateral are corporate reference names)
- Reminder: CDO exposure largely written down or covered by a State guarantee.

# Maturity schedule CDO portfolio

## Maturity schedule CDOs issued by KBCFP




The total FP CDO exposure includes the 'unhedged' own investment portfolio as well as the 'hedged' portfolio that is insured by MBIA, Channel and Lloyds

# Summary of government transactions (1)

- State guarantee on 20bn CDO linked instruments
  - Scope
    - CDO investments that were not yet written down to zero (5.5bn) at closing of the transaction
    - CDO-linked exposure towards MBIA, the US monoline insurer (14.4bn)
  - First and second tranche: 5.2bn, impact on P&L fully borne by KBC, KBC has option to call on equity capital increase up to 1.8bn (90% of 2.0bn) from the Belgian State if losses exceed 3.2bn
  - Third tranche: 14.8bn, 10% of potential impact borne by KBC
  - Instrument by instrument approach

| | Potential *P&L* impact for KBC | | Potential *capital* impact for KBC |
|---|---|---|---|
| 20bn - 100%<br>1st tranche | 100% | 3.2bn | 100% |
| 16.8bn - 84%<br>2nd tranche | 100% | 2.0bn | 10%<br>(90% compensated by equity guarantee) |
| 14.8bn - 74%<br>3rd tranche | 10%<br>(90% compensated by cash guarantee) | 14.8bn | 10%<br>(90% compensated by cash guarantee) |

# Summary of government transactions (2)

## 7 bn EUR core capital securities subscribed by the Belgian Federal State and the Flemish Region

| | Belgian State | Flemish Region |
|---|---|---|
| Amount | **3.5bn** | **3.5bn** |
| Instrument | Perpetual fully paid up new class of non-transferable securities qualifying as core capital | |
| Ranking | Pari passu with ordinary stock upon liquidation | |
| Issuer | KBC Group<br>Proceeds used to subscribe ordinary share capital at KBC Bank (5.5bn) and KBC Insurance (1.5bn) | |
| Issue Price | 29.5 EUR | |
| Interest coupon | Conditional on payment of dividend to shareholders.<br>The higher of (i) 8.5% or (ii) 120% of the dividend for 2009 and 125% for 2010 onwards<br>Not tax deductible | |
| Buyback option KBC | Option for KBC to buy back the securities at 150% of the issue price (44.25) | |
| Conversion option KBC | From December 2011 onwards, option for KBC to convert securities into shares (1 for 1). In that case, the State can ask for cash at 115% (33.93) increasing every year with 5% to the maximum of 150% | No conversion option |