KBC Group

Company presentation 2Q 2010

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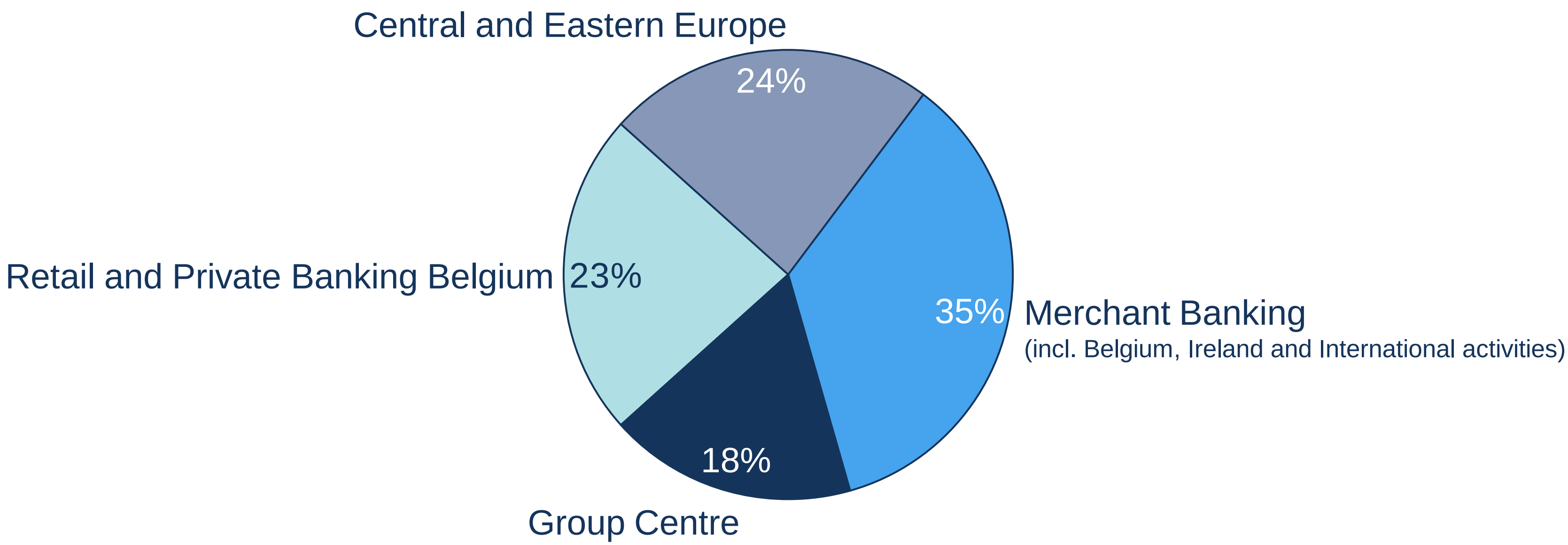
Content

Section 1

Company profile and strategy

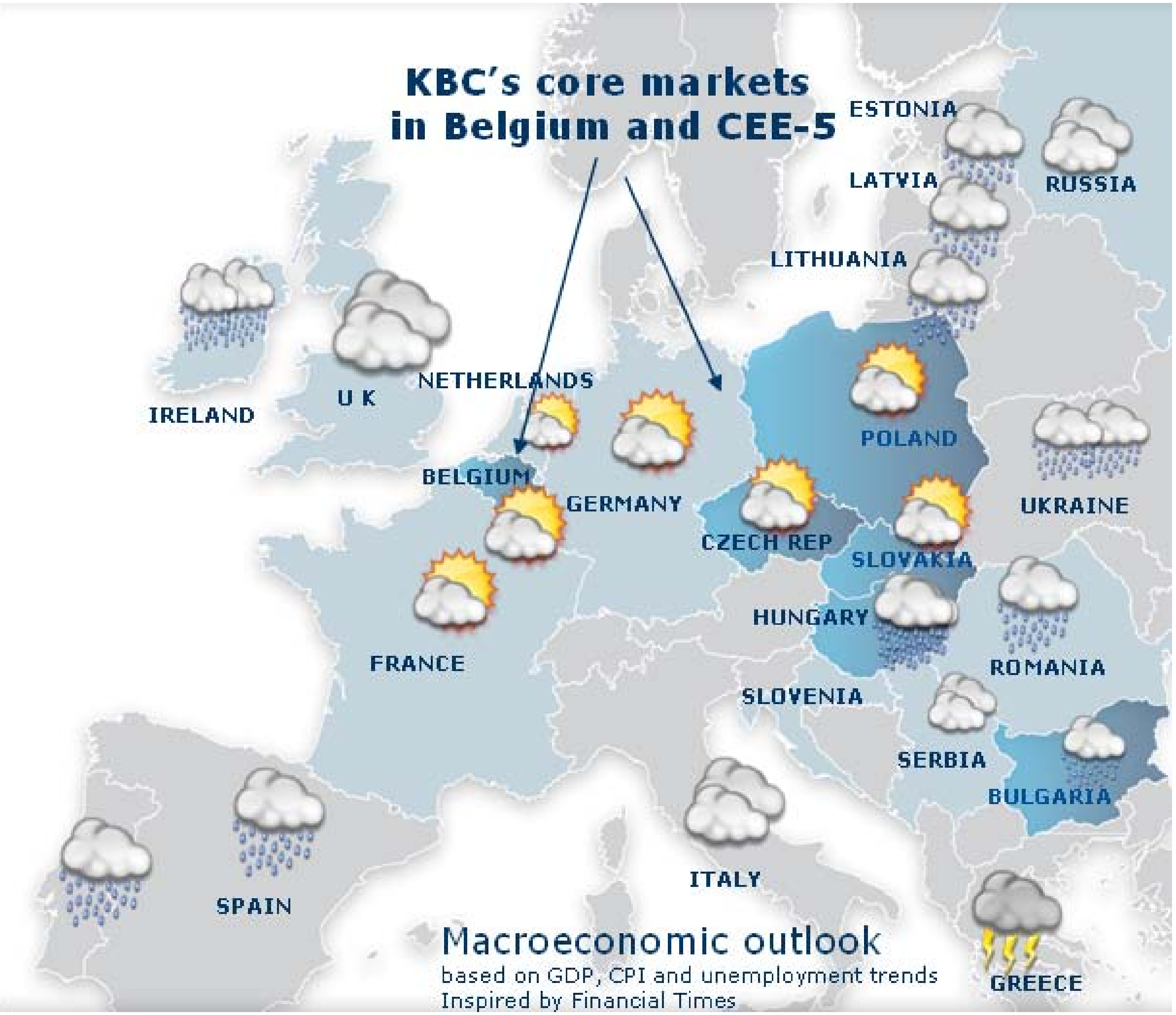
Business profile

Breakdown of allocated capital as of 30 June 2010 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 (these activities are currently being downsized) and European private banking (which is sold in the meantime).

KBC's geographical presence



KBC'S CORE MARKETS

Belgium (Moody's Aa1)
Total assets: 201bn EUR

Czech Republic (A1)
Total assets: 34bn EUR

Hungary (Baa1)
Total assets: 12bn EUR

Poland (A2)
Total assets: 12bn EUR

Slovakia (A1)
Total assets: 6bn EUR

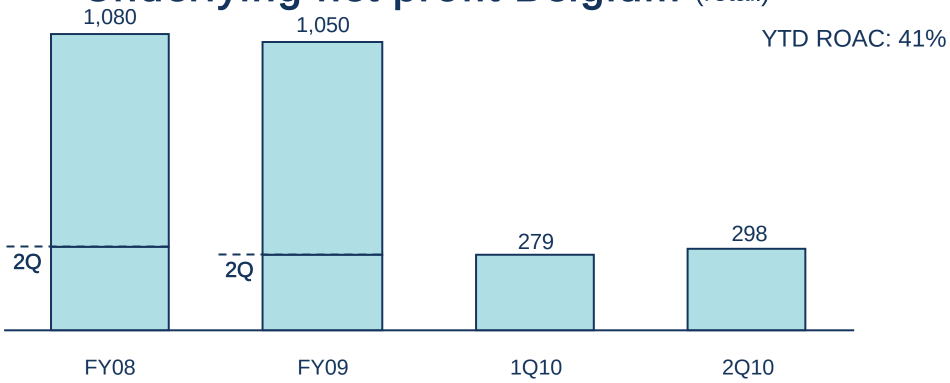
Bulgaria (Baa3)
Total assets: 1bn EUR

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

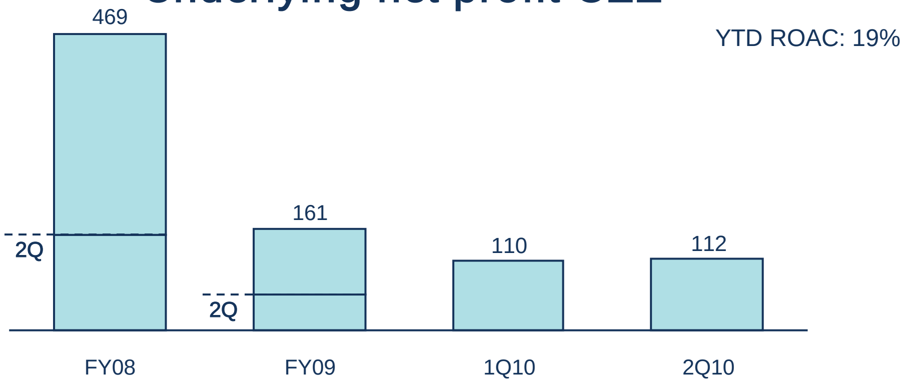
	% of assets	2009	2010e	2011e
PL	3%	+1.8%	+3.0%	+3.3%
SK	2%	-4.7%	+3.0%	+3.2%
BE	57%	-3.0%	+1.4%	+1.6%
CZ	10%	-4.3%	+1.5%	+2.5%
BG	1%	-5.0%	+0.2%	+3.0%
HU	3%	-6.2%	+0.6%	+2.7%

Underlying profit per business unit

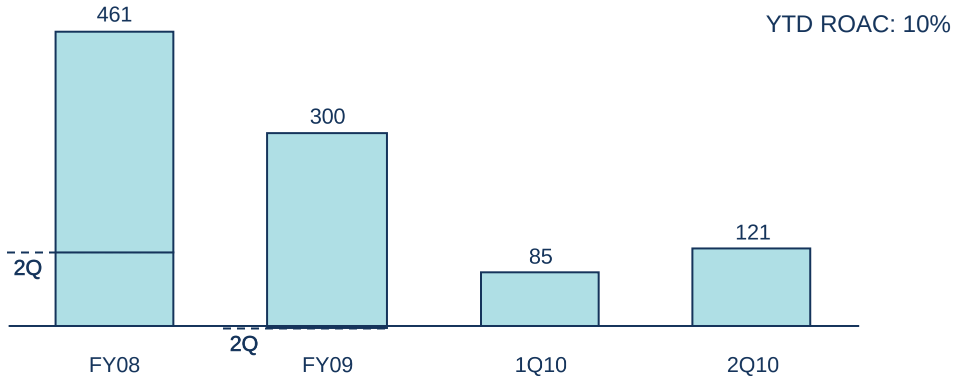
Underlying net profit Belgium (retail)



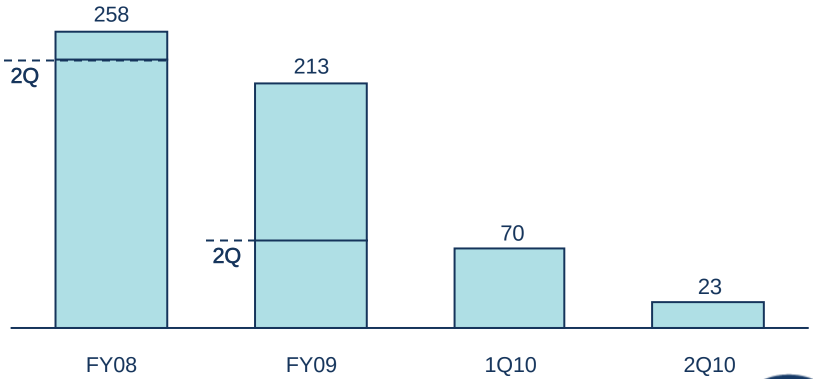
Underlying net profit CEE



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



Underlying net profit Group Centre



Loan loss experience at KBC

	YTD 1H 2010 * credit cost ratio	FY 2009 * credit cost ratio	Average '99 –'09	Peak '99 –'09
Belgium	**0.10%**	0.15%	0.16%	0.31%
CEE	**1.23%**	1.70%	1.03%	2.75%
Merchant	**0.88%**	0.77%	0.47%	1.32%
Incl. Asset Backed Securities **	1.03%	1.19%		
Group Centre	**0.91%**	2.15%		
Total	**0.71%**	0.95%	0.40%	1.11%
Incl. Asset Backed Securities**	0.77%	1.11%		

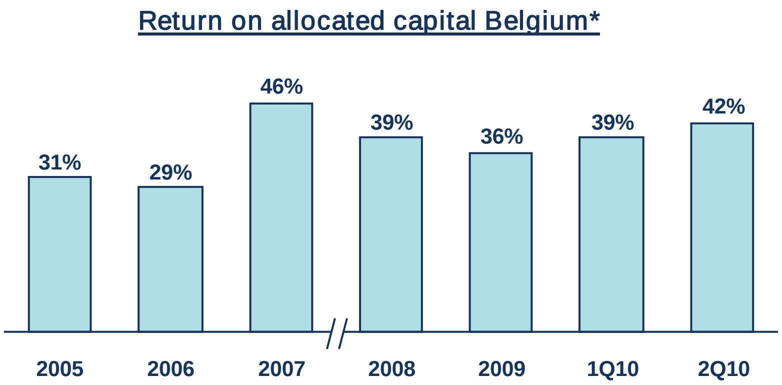
Credit cost ratio, amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

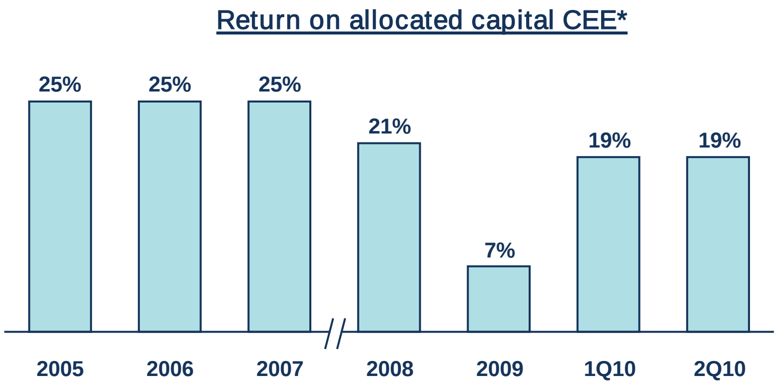
* Restated (given new business unit reporting)

(**) At year end 2008, KBC 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 consistently 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

- Generate capital by leveraging our successful business model in core markets (retained earnings)

2. Shrink RWA By 25% (2008-2013)

- Free up capital by:
  - Reducing international lending & capital market activities
  - Divesting European Private Banking (transaction since completed), complementary channels in Belgium (giving up 1-2% market share) and non-EU CEE (Russia and Serbia, post 2011)
  - IPO of minority of CSOB (Czech bank, EUR 2.2bn 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 (10% Tier1 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/access 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

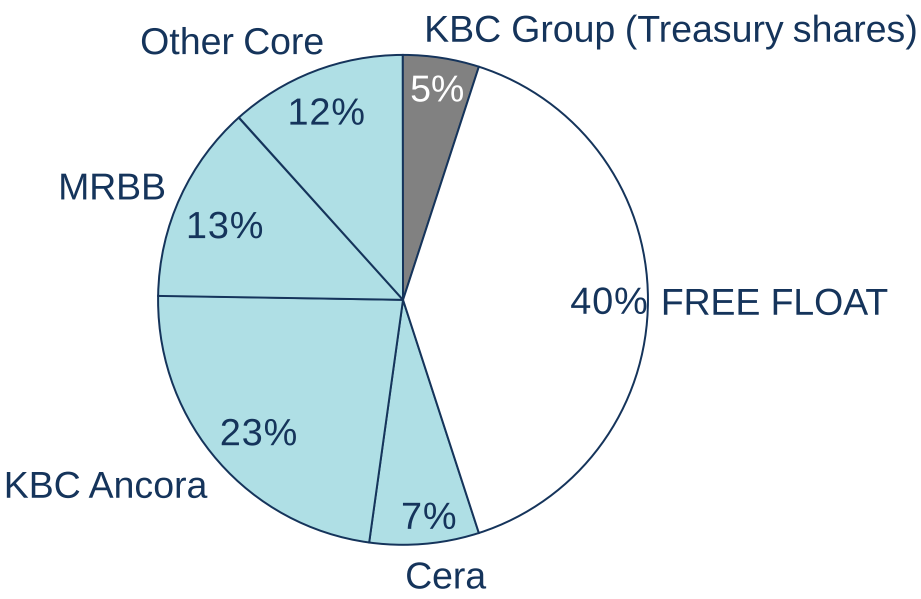
Key company-specific challenges:

- Orderly running-off of international merchant banking operations and completion of the divestment program
- Maintaining strong risk controls in non-core entities if operating environments were to deteriorate

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	17%
Barclays Capital	Kiri Vijayarajah	kiri.vijayarajah@barcap.com	+	42	24%
BOFA Merrill Lynch	Patrick Leclerck	patrick.leclerck@baml.com	=	42	24%
Cheuvreux	Hans Pluijgers	hpluijgers@cheuvreux.com	+	40	18%
Citi Investment Research	Andrew Coombs	andrew.coombs@citi.com	+	40	18%
Credit Suisse Securities	Guillaume Tiberghien	guillaume.tiberghien@credit-suisse.com	-	36	6%
Degroof Banque	Ivan Lathouders	ivan.lathouders@degroof.be	=	27	-20%
Deutsche Bank	Brice Vandamme	brice.vandamme@db.com			
Exane BNP Paribas	François Boissin	francois.boissin@exanebnpparibas.com	-	33	-3%
Evolution Securities	Jaap Meijer	Jaap.Meijer@evosecurities.com	-	31	-9%
Goldman Sachs	Frederik Thomasen	frederik.thomasen@gs.com	+	42	24%
HSBC	Carlo Mareels	carlo.mareels@hsbcib.com	+	42	24%
ING	Albert Ploegh	albert.ploegh@ing.com	=	33	-3%
JP Morgan Securities	Paul Formanko	paul.formanko@jpmorgan.com	+	40	18%
Keefe, Bruyette & Woods	Jean-Pierre Lambert	jplambert@kbw.com	=	35	2%
Kepler	Benoit Petrarque	benoit.petrarque@keplercm.com	+	40	18%
Macquarie	Thomas Stögner	thomas.stoegner@macquarie.com	-	27	-20%
Morgan Stanley	Thibault Nardin	thibault.nardin@morganstanley.com	=	39	15%
Natixis Securities	Alex Koagne	alex.koagne@sec.natixis.com	+	38	12%
Oddo Securities	Scander Bentchikou	sbentchikou@oddo.fr	+	43	27%
Petercam	Matthias de Wit	matthias.dewit@petercam.be	+	39	14%
Rabo Securities	Cor Kluis	cor.kluis@rabobank.com	+	43	27%
Royal Bank of Scotland	Thomas Nagtegaal	thomas.nagtegaal@rbs.com	=		
Societe Generale	Sabrina Blanc	sabrina.blanc@sgcib.com	=	32	-6%
UBS	Omar Fall	omar.fall@ubs.com	=	32	-5%

Situation as of 30 July, based on the share price of 33,90 EUR.

2Q 2010
Financial highlights

Reminder: new business unit reporting

Since the quarterly reporting for 1Q 2010

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

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 Bank Deutschland
- KBC Peel Hunt
- KBC Finance Ireland
- KBC Financial Products
- Assurisk

European Private Banking
- KBL EPB
- Vitis Life

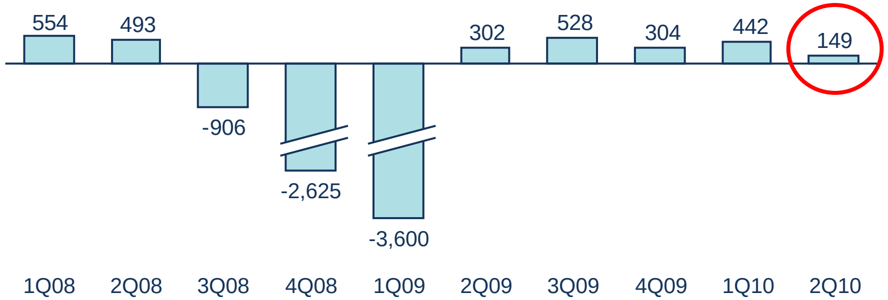
Group Centre
- KBC Group
- Fin-Force
- KBC Global Services

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

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

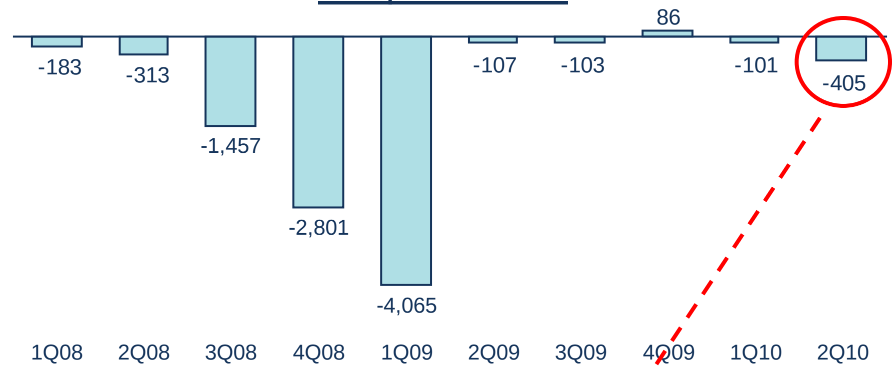
Solid core earnings power

Reported net profit

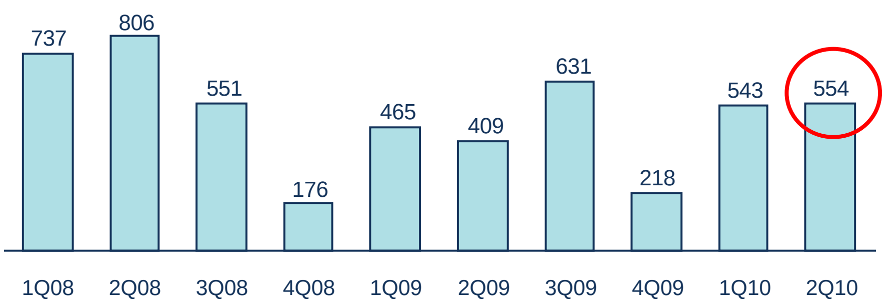


Excluding exceptional items

Exceptional items



Underlying net profit



Main exceptional items (post-tax)

• Divestments	-0.3bn
• Structured credit portfolio revaluation	-0.2bn
• MTM trading derivatives for hedging purposes	-0.2bn
• Trading loss on “legacy” business KBC FP	-0.1bn
• Deferred tax impact	+0.4bn
	-0.4bn

Amounts in m. EUR

Financial highlights 2Q 2010

- Net interest income at continued high level thanks to sound deposit and loan margins
- Gradual recovery of fee and commission income confirmed
- Weak dealing room activity
- Dip in combined ratio because of lower premium income at group level combined with higher claims related to flooding in CEE
- Operational expenses are bottoming out in 2Q10 as well, rigorous cost containment continued
- Significantly lower loan loss impairments, notably in Merchant Banking activities
- Reduction of the exposure to Greek government bonds, related to the containment of sovereign risks
- Including the effect of the sale of KBL EPB, the excess regulatory capital accumulated beyond the 10% tier 1-solvency target amounted to roughly 3.0bn EUR at the end of 2Q10. Excluding all CDO effects, available surplus capital at the end of 2Q10 amounted to roughly 2.6bn EUR (incl. KBL EPB effect)

Looking forward

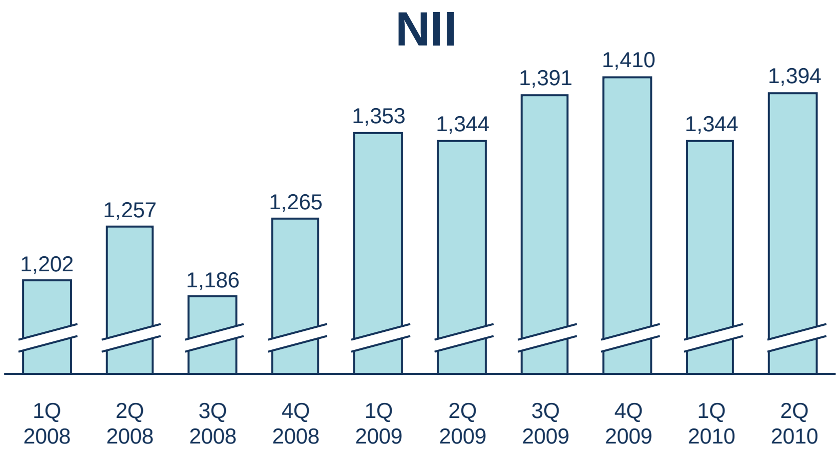
Jan Vanhevel, Group CEO:

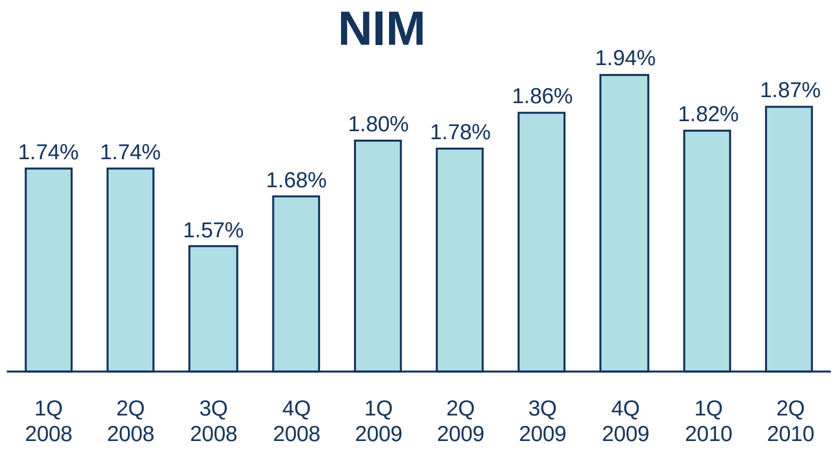
- ‘We continued to make good progress regarding the execution of our strategic plan:
  - We realised one of our most important projects in terms of capital release (sale of KBL EPB).
  - Other, already announced, divestments are the UK and the Dublin activities of KBC AM, Secura, KBC Peel Hunt and the global convertible bond and Asian equity derivatives business of KBC FP.
  - We also completed the novation transactions to significantly reduce the group’s credit derivatives to the tune of 1.5bn EUR of RWAs in 2Q10.
  - The gradual run-down of the credit portfolio outside the home markets is progressing well too.
  - Preparations to float a minority stake in our Czech banking subsidiary are well progressed and we are awaiting the right window of opportunity to launch the IPO.
  - We are ready to launch the sales process of our Belgian complementary channels (Centea and Fidea) after the summer.
  - Additional limited losses linked to the ‘legacy’ structured derivatives positions within KBC FP cannot be excluded for the next few quarters of 2010 as we continue to unwind our risk exposure.’
- ‘We continue to expect good revenue generation’
- ‘We still believe that costs on a like-for-like basis will start to increase somewhat going forward.’
- ‘We may have seen a turn in the credit cycle. Our 2010 base case scenario includes a visible decline in loan losses compared to the 2009 financial year.’
- ‘Regulatory changes are currently high on the agenda and KBC is closely monitoring these files in order to address these issues immediately and adequately’

Section 3

Underlying business performance

Revenue trend - Group





- Net interest income increased 4% both year-on-year and quarter-on-quarter thanks to moderate volume growth
- Net interest margin at 1.87%
  - Loan and deposit margins remained sound
- Loan volumes down year on year (-5%) based on (among other factors) reduction of international loan book (Merchant Banking and Russia) in line with strategic focus

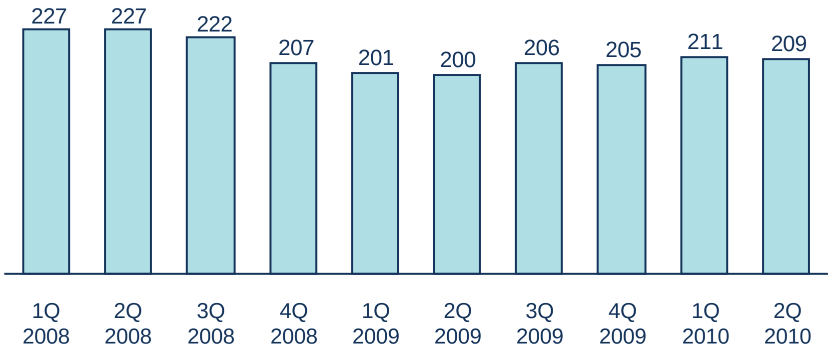
Amounts in m. EUR

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

Revenue trend - Group

F&C

AUM



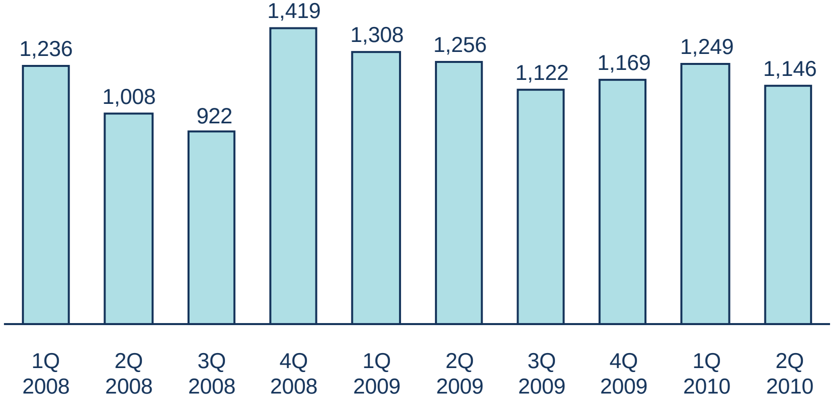
Amounts in bn. EUR

- Net fee and commission income rose sharply year-on-year (+16%) and slightly quarter-on-quarter (+6%)
  - Gradual recovery of fee and commission income confirmed, although the global economic scenario (impacting the business) is one of moderate and fragile growth
- Assets under management at 209bn EUR (+5% y-o-y and -1% q-o-q, of which 1% net outflow)

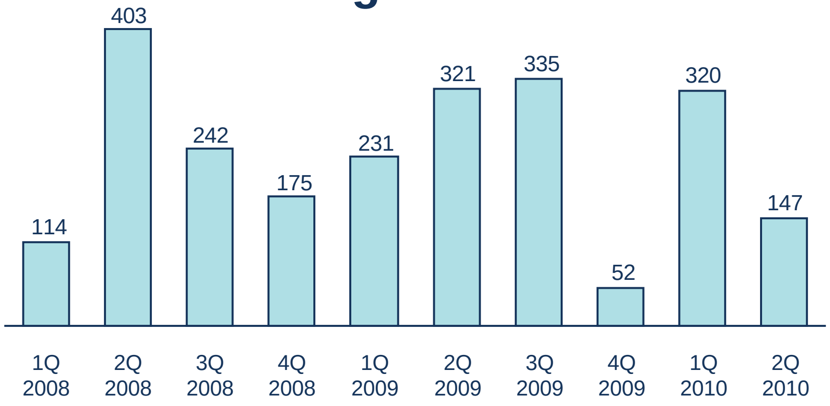
Amounts in m. EUR

Revenue trend - Group

Premium income



FV gains

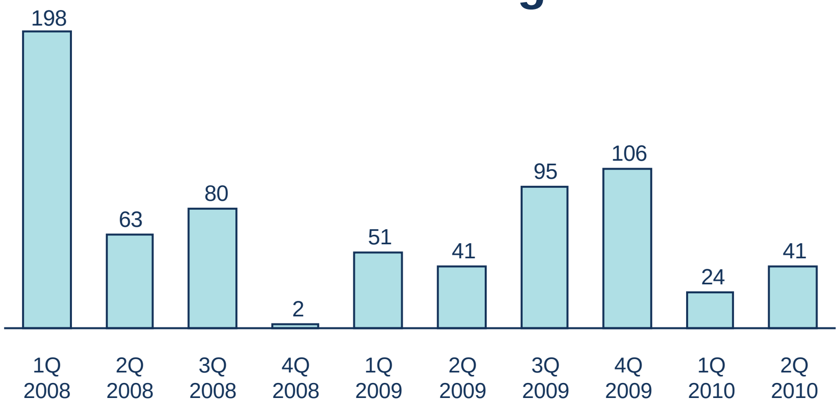


- Insurance premium income at 1,146m EUR
  - Non-life premium income (480m), up 1% y-o-y and down 2% q-o-q
  - Life premium income (666m), down 13% q-o-q mainly due to a decrease in the guaranteed interest rate in 2Q10 in Belgium
- Combined ratio at 104%, up compared to 98% in 2Q09 due to lower premium income at group level combined with higher claims related to flooding in CEE
- Net gains from financial instruments at fair value (147m EUR) is the result of weak dealing room activity, in line with the negative market trend

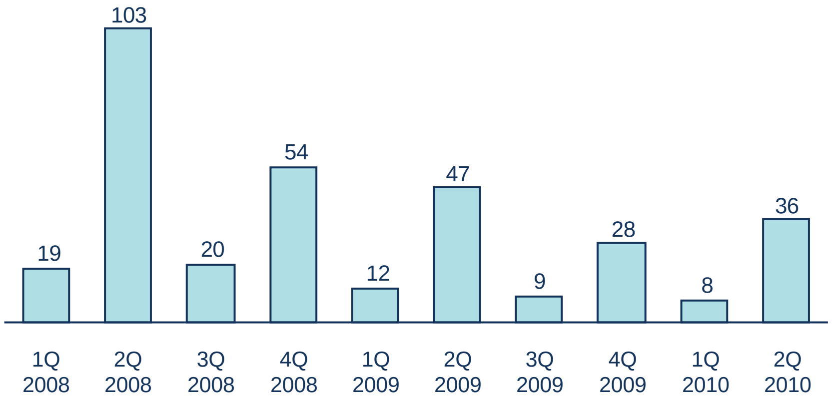
Amounts in m. EUR

Revenue trend - Group

AFS realised gains



Dividend income

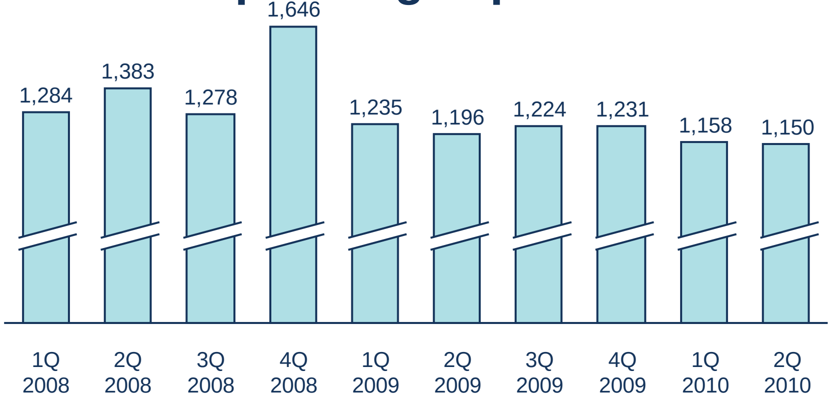


- AFS realised gains at 41m EUR
- Dividend income at 36m EUR, obviously higher quarter-on-quarter thanks to the dividend season, but clearly lower year-on-year due to a decrease in the share portfolio

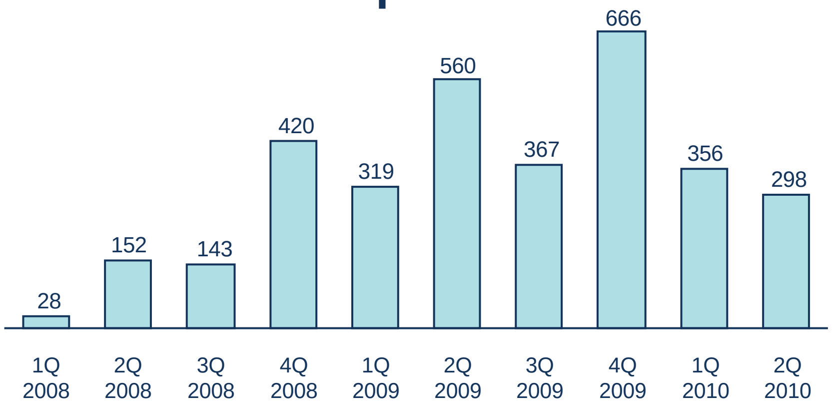
Amounts in m. EUR

Opex and asset impairment - Group

Operating expenses



Asset impairment



- Continued tight cost control
  - Operating expenses fell 4% y-o-y and 1% q-o-q to 1,150m EUR, still benefiting from cost containment measures initiated in 2008
  - Underlying cost/income ratio for banking stood at 52% YTD (compared to 55% for full year 2009)
  - We still believe that costs will start to increase going forward

- Sharply lower impairments (298m EUR)
  - 262m EUR year-on-year decrease, mainly thanks to much lower impairments on Asset Backed Securities (ABS) assets
  - 58m EUR quarter-on-quarter decrease, mainly thanks to lower impairments at KBC Bank Ireland

Amounts in m. EUR

Loan loss provisions may have peaked

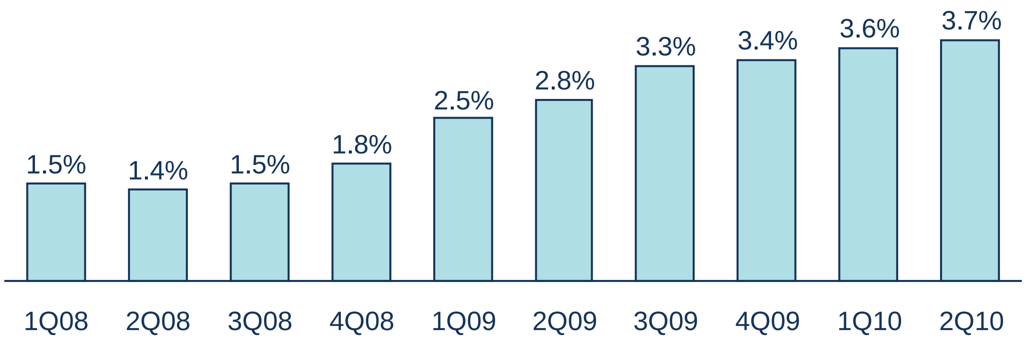
- Credit cost ratio went down to 0.77% (vs. 1.11% in 2009). NPL ratio amounted to 3.7%
- Credit cost in Belgium remained at a low level
- Slightly higher credit cost in CEE (+3m EUR q-o-q), mainly due to higher impairments at Kredyt Bank (+12m EUR q-o-q), partially compensated by lower impairments at K&H Bank (-7m EUR q-o-q)
- Sharply decreased credit cost in Merchant Banking (-130m EUR q-o-q), mainly thanks to lower impairments at KBC Bank Ireland and on ABS assets

Credit cost ratio

	Loan book	2007 FY	2008 FY	2009 FY	2009 FY	1H10 YTD
		'Old' BU reporting			'New' BU reporting	
Belgium	**53bn**	0.13%	0.09%	0.17%	0.15%	0.10%
CEE	**37bn**	0.26%	0.73%	2.12%	1.70%	1.23%
Merchant B. **(incl. Ireland)**	**59bn**	0.02%	0.48%	1.32%	1.19%	1.03%
Total Group	**168bn**	0.13%	0.46%	1.11%	1.11%	0.77%

While the NPL formation has stopped growing

NPL ratio at Group level



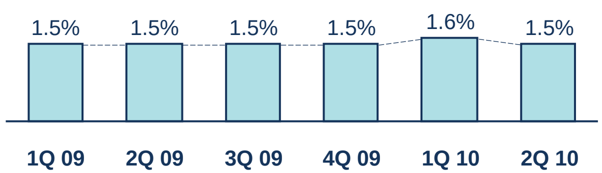
2Q 2010	**Non Performing Loans** (>90 days overdue)	**High risk** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
BU Belgium	1.5%	3.6%	1.2%
BU CEE	5.2%	4.8%	3.9%
BU MEB	4.1%	5.1%	4.6%

NPL ratios per business unit

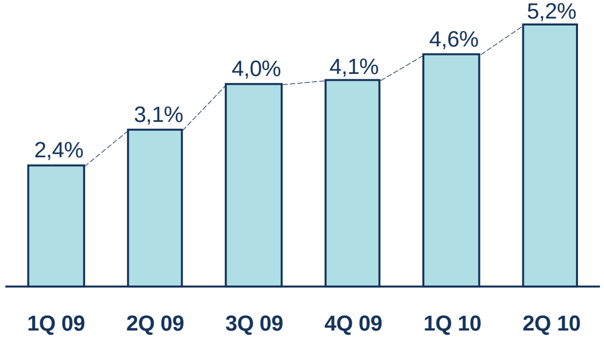
BU BELGIUM

non performing loans

New BU reporting as of 2010
(pro forma 2009 figures)

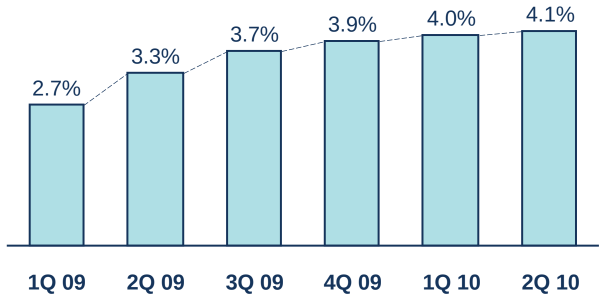


BU CEE



BU MEB

(incl. Ireland

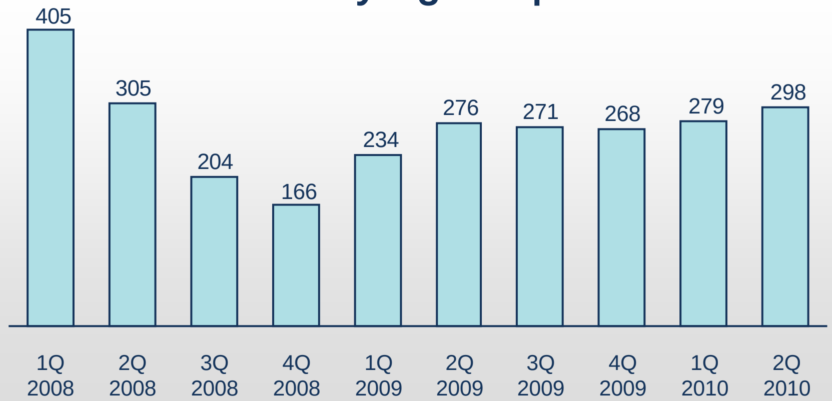


Rising NPL ratio vs. decreasing or flat CCR ratio in 1H10 seems inconsistent, but is caused by:

- Largest part of the NPL increase refers to residential mortgage loans with high quality collateral (hence lower impairment needs)
- The gradual move from impaired performing to non-performing status didn't lead to a significant additional impairment creation (given the already high impairment creation on performing loans during Q4 2009)

Belgium Business Unit

Underlying net profit



Volume trend

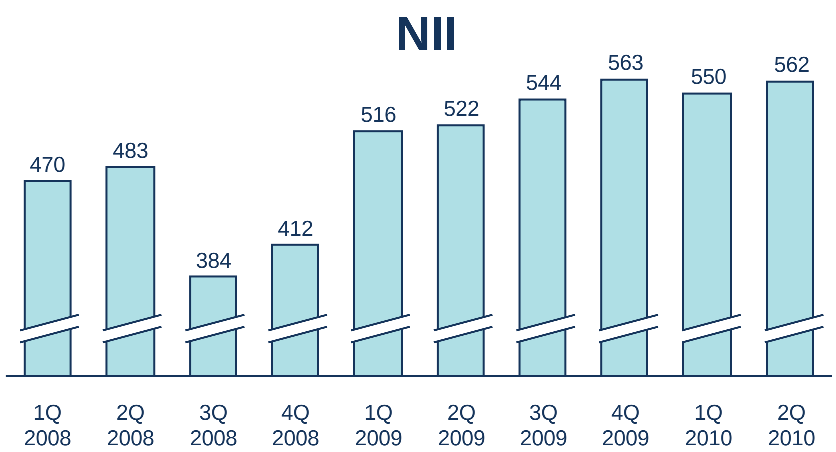
	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	51bn	26bn	67bn	149bn	21bn
Growth q/q*	+2%	+2%	+3%	0%	+1%
Growth y/y	+3%	+9%	+2%	+4%	+11%

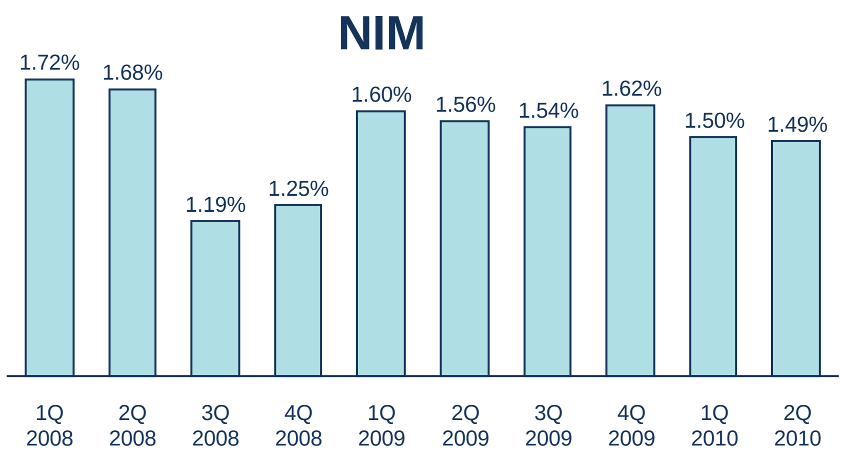
** Non-annualized*
*** Loans to customers, excluding reverse repo's (and not including bonds)*

- Underlying profit of Belgium Business Unit rose 7% quarter-on-quarter and 8% year-on-year to 298m EUR
- Increase in loan volume quarter-on-quarter and year-on-year, driven by mortgage loan growth
- Increase in deposit volumes quarter-on-quarter and year-on-year, with the traditional savings accounts still proving to be very popular (+2% q-o-q and +17% y-o-y)
- Assets under management and life reserves are growing year-on-year (and stabilising quarter-on-quarter)

Amounts in m. EUR

Belgium Business Unit (2)



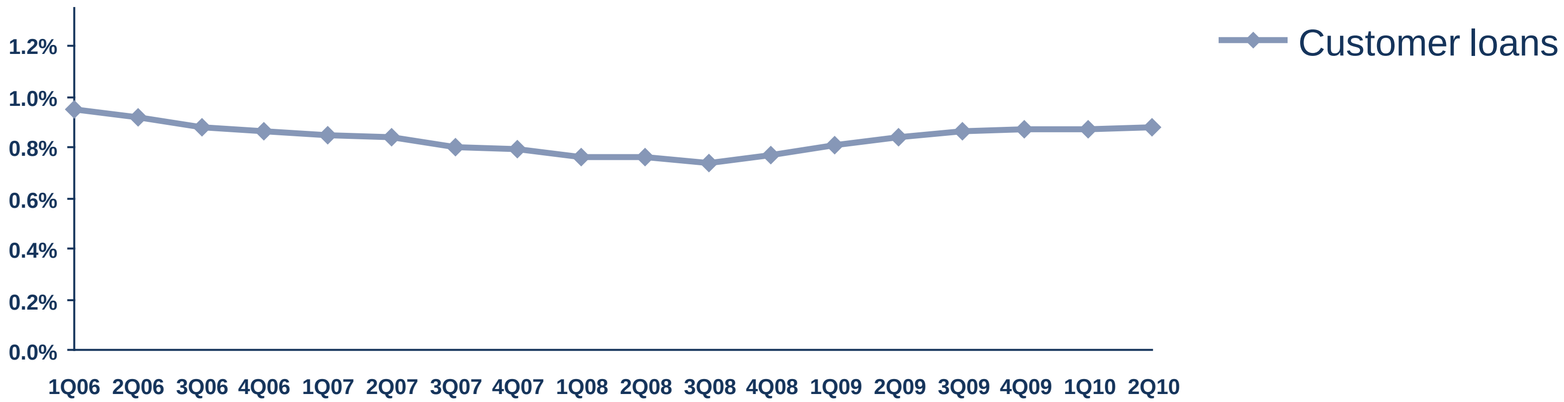


- Net interest income (562m EUR) remains healthy
  - An increase of 8% year-on-year and 2% quarter-on-quarter thanks to moderate volume growth
  - Major improvement versus 2H 2008 based on margin recovery on loans and deposits combined with shift to higher margin products (from time deposits to saving accounts)

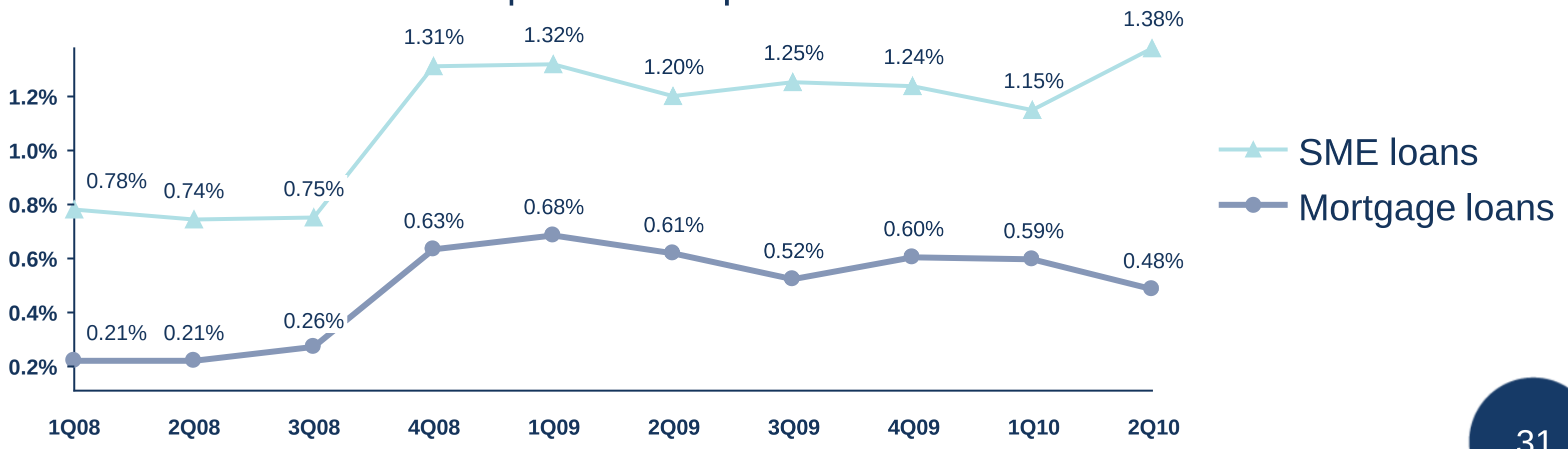
Amounts in m. EUR

Credit margins in Belgium

Product spreads on customer loans book, outstanding

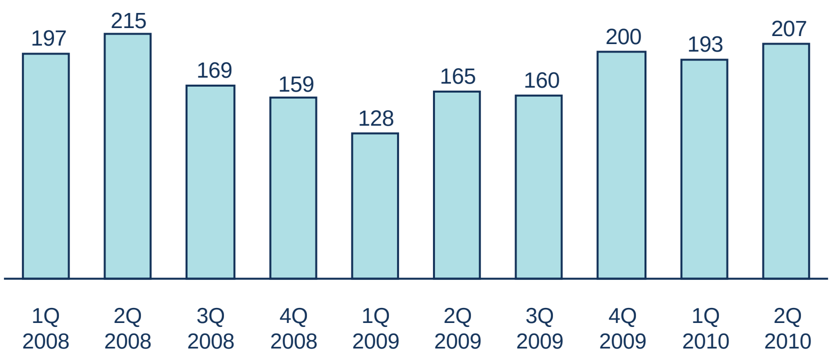


Product spread on new production

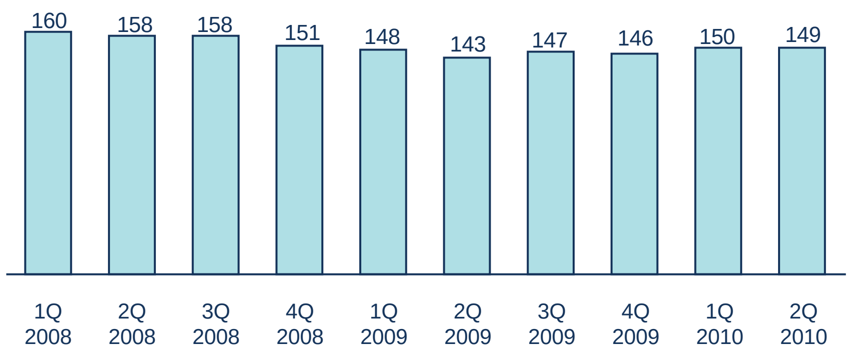


Belgium Business Unit (3)

F&C



AUM



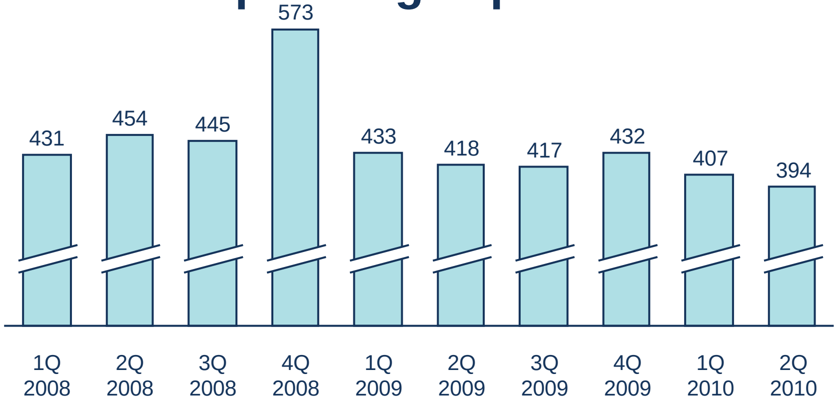
Amounts in bn. EUR

- Net fee and commission income (207m EUR) further improved
  - Net commission income from banking activities rose 19% y-o-y thanks to the gradually improving investment climate, leading, inter alia, to higher commission income from asset management activities. Assets under management rose 4% y-o-y (to 149bn EUR), despite 3% net outflows (higher risk-aversion).
  - Net commission income from banking activities stabilised q-o-q. This, combined with a noticeable q-o-q decrease in commissions paid to insurance agents in 2Q10 (related to the decrease in insurance sales in 2Q10), led to a 7% q-o-q increase in total net fee and commission income

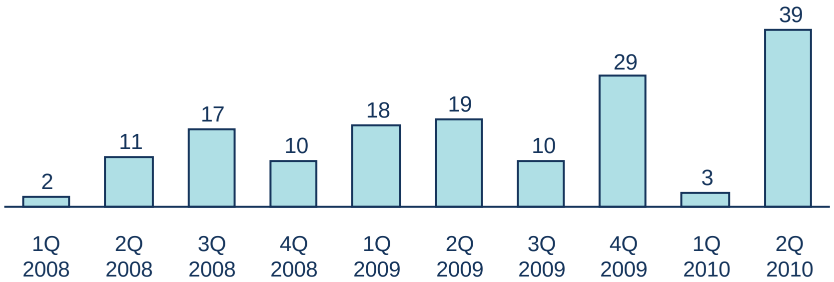
Amounts in m. EUR

Belgium Business Unit (4)

Operating expenses



Asset impairment



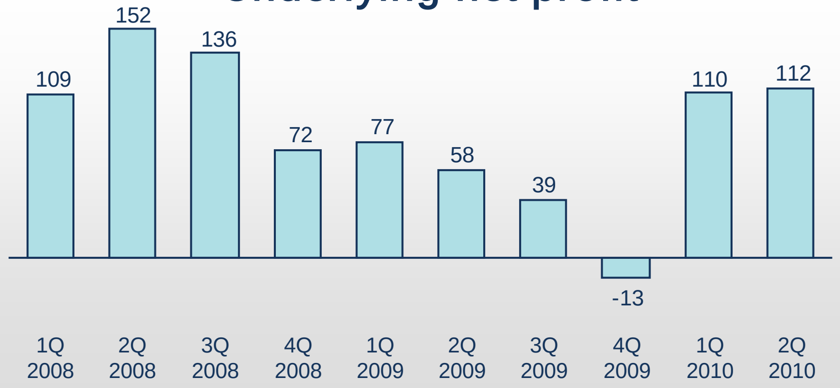
- Operating expenses remained well under control: -6% year-on-year and -3% quarter-on-quarter
  - Cost saving measures that were initiated in the past still positively influenced the cost level, while some upward pressure on costs came from higher accruals for variable remuneration for staff and higher marketing and communication expenses
  - This quarter was helped by some one-off items, e.g. lower costs related to staff hospitalisation insurance. Disregarding these items, the cost trend has been virtual flat q-o-q
  - Further improvement in the cost/income ratio: 50% YTD (compared to 57% for full year 2009)

- Asset impairment remained at a low level (relatively speaking), though was clearly up on the exceptionally low 3m EUR figure in 1Q10 (which benefitted from an 11m EUR write-back for a single file)
  Credit cost ratio of 10bps YTD. NPL ratio at 1.5%

Amounts in m. EUR

CEE Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	31bn	14bn	40bn	13bn	2bn
Growth q/q*	-1%	+1%	3%	-6%	+2%
Growth y/y	-5%	+4%	2%	+8%	+12%

** Non-annualized*
*** Loans to customers, excluding reverse repo's (and not including bonds)*

- Underlying profit at CEE Business Unit of 112m EUR
  - CEE profit breakdown: 89m Czech Republic, 7m Slovakia, 35m Hungary, -6m Poland, 1m Bulgaria, other -14m (mainly funding costs of goodwill)
  - In line with the strong result in 1Q10
- Q-o-q organic reduction in loan book (-1%) on the back of low loan demand, most pronounced in Hungary (-4%). Deposit volumes rose both q-o-q (mainly in Slovakia) and y-o-y (mainly in Poland). Loan to deposit ratio at 77%.

Amounts in m. EUR

CEE Business Unit (2)

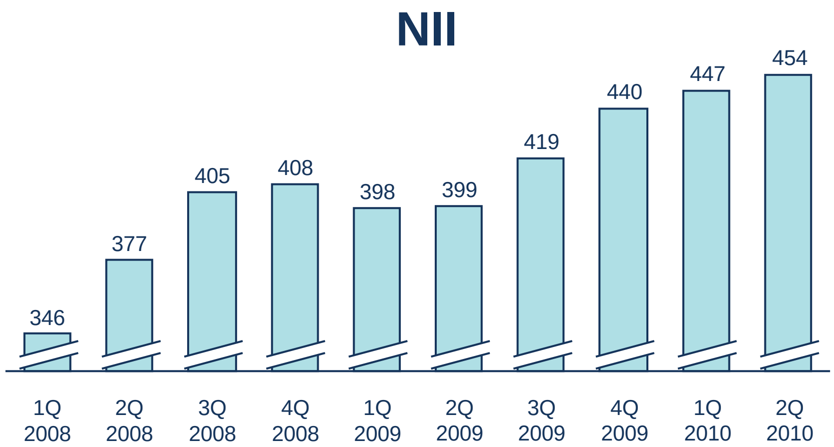
Organic growth(*)

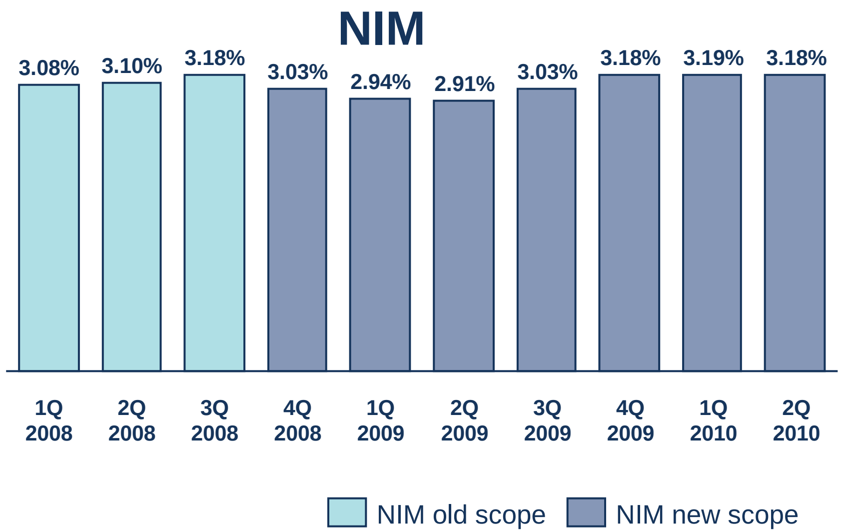
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	-1%	-3%	+2%	+12%	+2%	+4%
SK	1%	-2%	+7%	+23%	+10%	-3%
HU	-4%	-11%	-1%	-6%	0%	-15%
PL	0%	-4%	+1%	-3%	+4%	+19%
BU	-1%	-6%	-1%	-1%	-10%	0%

- Loan demand 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 in 1H10
  - In HU:
    - Loans -11% y-o-y due to decrease of corporate loan book
    - Deposits -15% y-o-y. Last year, there was a deposit war (attract expensive retail deposits to improve the LTD ratio)
  - In SK:
    - Mortgages +23% y-o-y thanks to organic growth and the broadening of the definition (including 'American mortgages')
    - Deposits +10% q-o-q thanks to increase of MM deposits (institutional client) and C/A balances
  - In CZ, mortgages +12% y-o-y thanks to active campaigns with attractive pricing

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

CEE Business Unit (3)



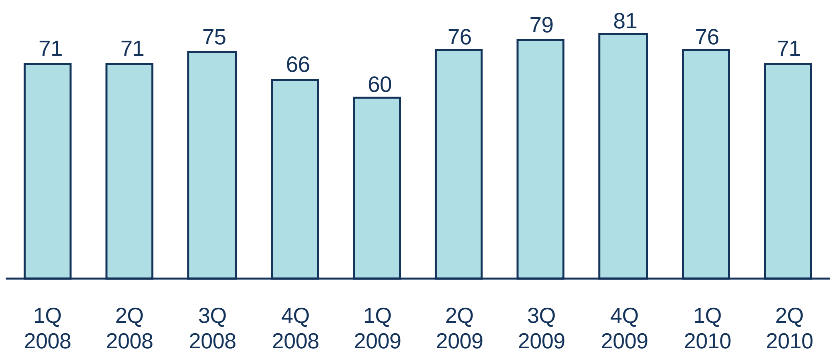


- Net interest income rose 2% q-o-q and 14% y-o-y to EUR 454m (organic growth of +1% q-o-q and +8% y-o-y)
- Net interest margin at 3.18%, comparable to the last 2 quarters

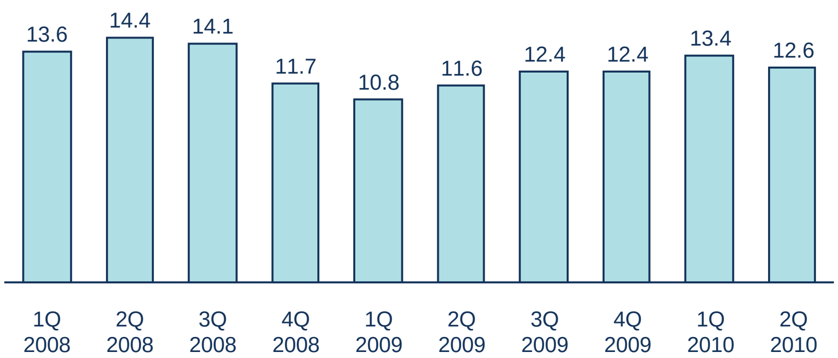
Amounts in m. EUR

CEE Business Unit (4)

F&C



AUM



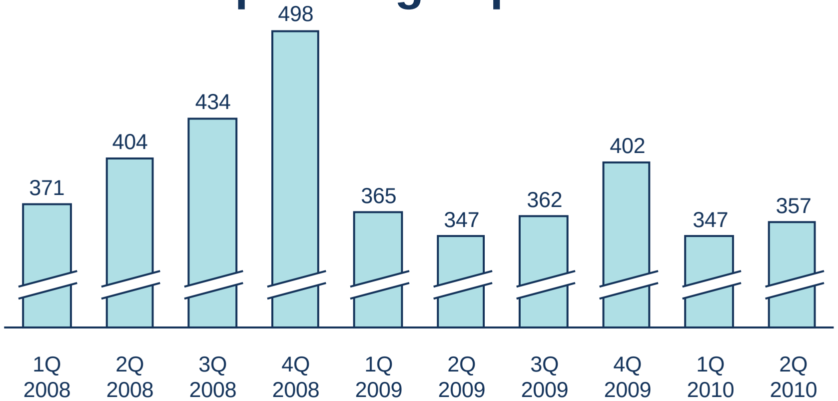
Amounts in bn. EUR

- Net fee and commission income (71 m EUR) down on an organic basis (excluding FX impact) by 10% y-o-y and 7% q-o-q.
  - A decline in fees received (banking) combined with a small increase in the fees paid (insurance) led to this result
  - The y-o-y comparison also suffered from an accounting change of the distribution fees paid to the Czech Post (shift from expenses to commission income, without impacting the bottom line). Excluding this shift and the FX impact, net fee and commission income would have increased by some 2% y-o-y.
- Assets under management amounted to roughly 13bn EUR

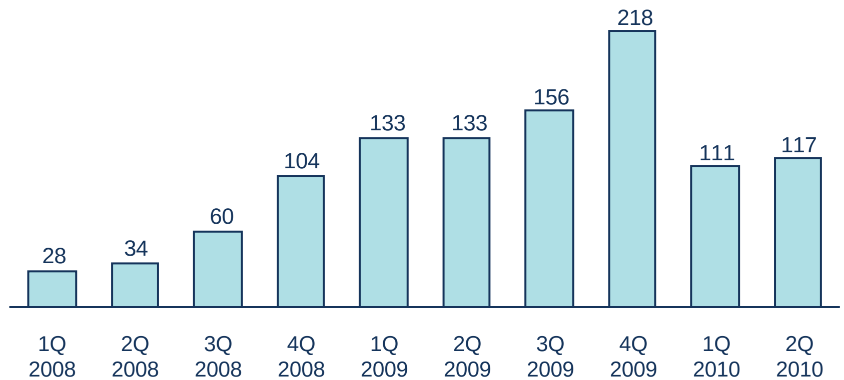
Amounts in m. EUR

CEE Business Unit (5)

Operating expenses



Asset impairment



- Operating expenses (357m EUR), on an organic basis (excluding FX impact) up 2% q-o-q and down 3% y-o-y
  - The q-o-q increase is mainly caused by higher administrative expenses, inter alia for marketing and ICT
  - Excluding the positive effect of the aforementioned change in methodology, expenses would have stabilised y-o-y.
  - Ytd cost income ratio at 50% (59% FY 2009)

	Loan book	2008* CCR	2009* CCR	2009 CCR	1Q10 CCR	1H10 CCR
CEE	**37bn**	0.73%	2.12%	1.70%	1.20%	1.23%
- Czech Rep.	18bn	0.38%	1.12%	1.12%	0.69%	0.74%
- Poland	8bn	0.95%	2.59%	2.59%	1.19%	1.45%
- Hungary	7bn	0.41%	2.01%	2.01%	2.08%	1.84%
- Slovakia	4bn	0.82%	1.56%	1.56%	1.57%	1.22%
- Bulgaria	1bn	1.49%	2.22%	2.22%	2.03%	1.78%

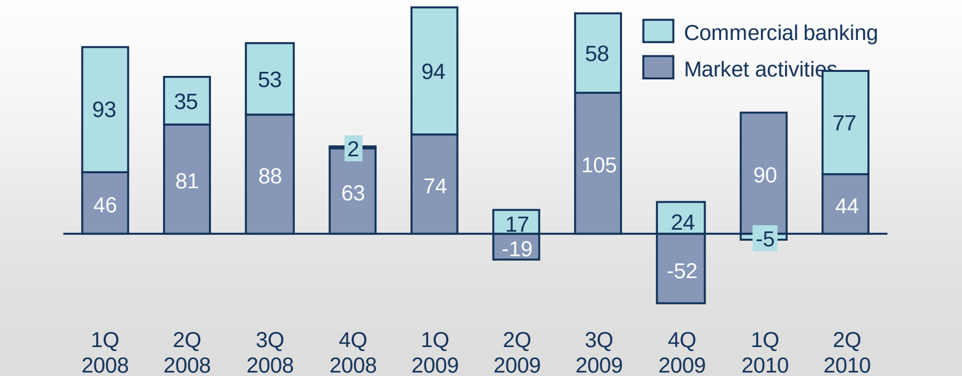
** CCR according to 'old' business unit reporting*

- Asset impairment at 117m, mainly on L&R
  - Credit cost ratio at 1.23% in 1H10 (1.20% in 1Q10)
  - NPL ratio at 5.2%, up from 4.6% at the end of 1Q10

Amounts in m. EUR

Merchant Banking Business Unit

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	46bn	61bn
Growth q/q*	-1%	+4%
Growth y/y*	-14%	+18%

**non-annualized*

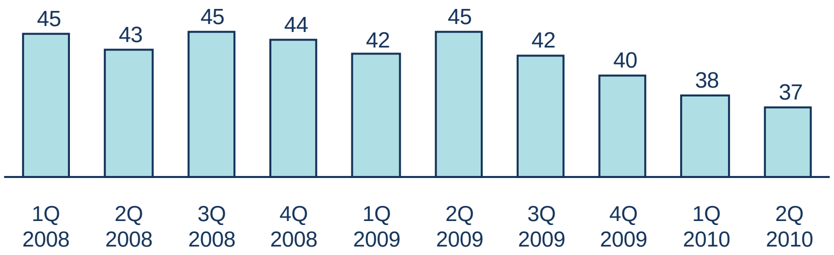
- Underlying net profit in Merchant Banking Business Unit (121m EUR), significantly above the average of the last four quarters (54m)
  - Commercial banking result of +77m EUR, sharply up q-o-q mainly thanks to lower impairments at KBC Bank Ireland
  - Market Activities result of +44m, down q-o-q due to weak dealing room activity (in line with the negative market trend)

- Reminder: a significant part of the merchant banking activities (assets to be divested) has been shifted to the Group Centre since 1Q10

Amounts in m. EUR

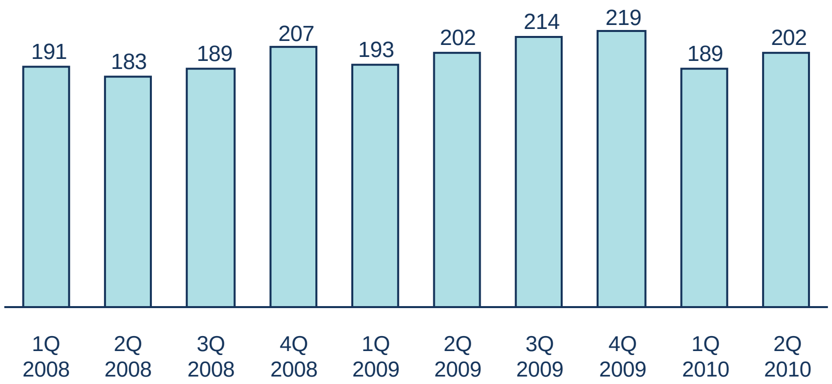
Merchant Banking Business Unit (2)

RWA banking & insurance
(Commercial banking)



Amounts in bn. EUR

NII (Commercial banking)

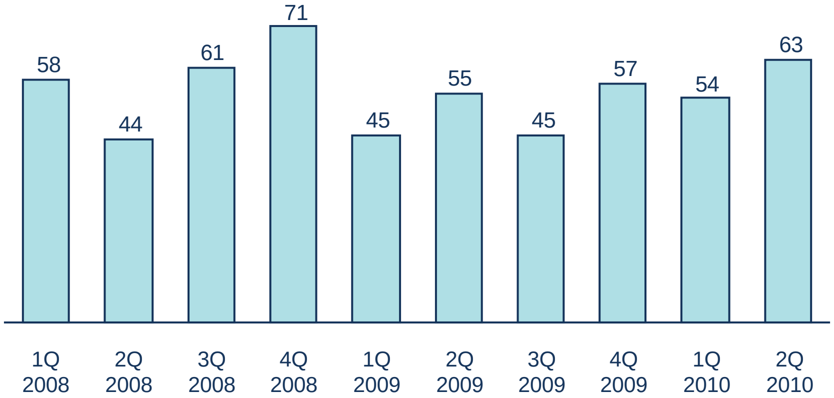


- Lower risk weighted assets in commercial banking due to further organic reduction in international corporate loan book
- Net interest income (relating to the commercial banking division) rose 7% q-o-q (flat y-o-y), though part of the increase was related to one-off items (such as the early repayment of a large loan). As anticipated, volumes in this business unit went down (e.g. loans -1% q-o-q and -14% y-o-y). This decrease is expected to continue for a number of years, as it is the result of the refocused strategy of the group (gradual scaling down of a large part of the international loan portfolio outside the home markets).

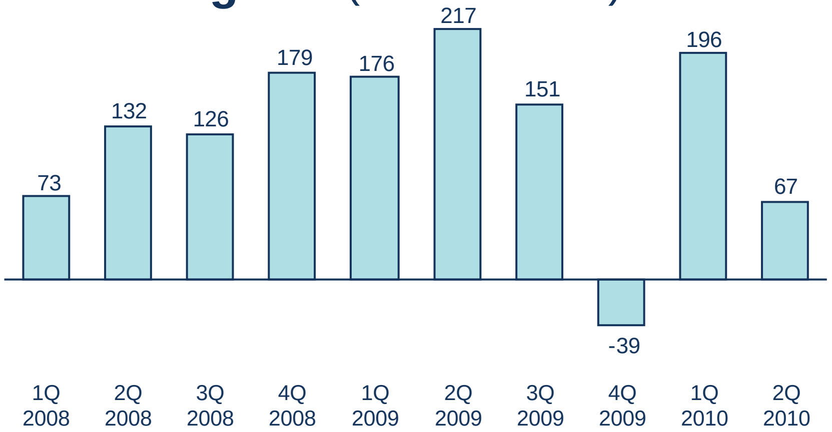
Amounts in m. EUR

Merchant Banking Business Unit (3)

F&C



FV gains (market activities)

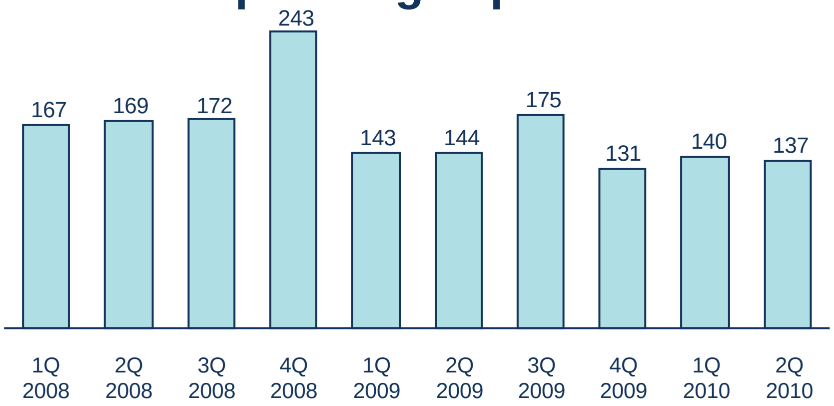


- Net fee and commission rose 15% both quarter-on-quarter and year-on-year to 63m EUR, in part thanks to higher brokerage and corporate finance income.
- Low fair value gains within the ‘Market Activities’ sub-unit, due entirely to weak dealing room activities (in line with the negative market trend)

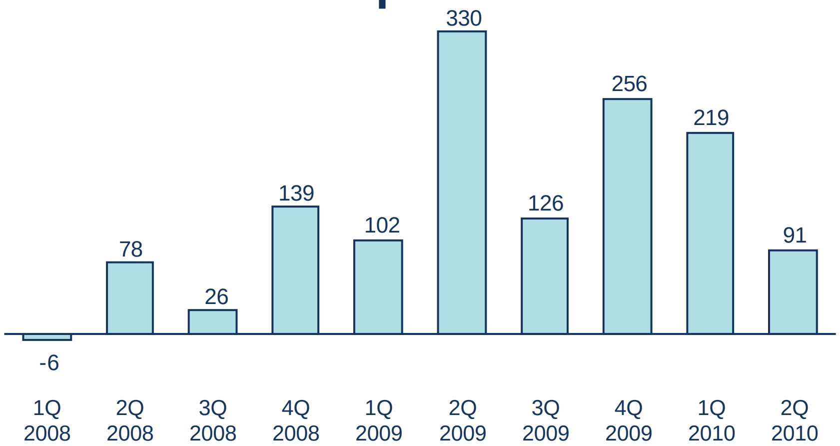
Amounts in m. EUR

Merchant Banking Business Unit (4)

Operating expenses



Asset impairment



- Operating expenses decreased by 2% quarter-on-quarter and 5% year-on-year to 137m EUR
  - Excluding technical and one-off items, costs fell by as much as 10% quarter-on-quarter.
- Impairment (91m EUR), 58% lower quarter-on-quarter (and even 72% lower year-on-year) mainly thanks to lower impairments at KBC Bank Ireland and on Asset Backed Securities assets
  - Credit cost ratio at 1.03% and NPL ratio roughly stable at 4.1%

Amounts in m. EUR

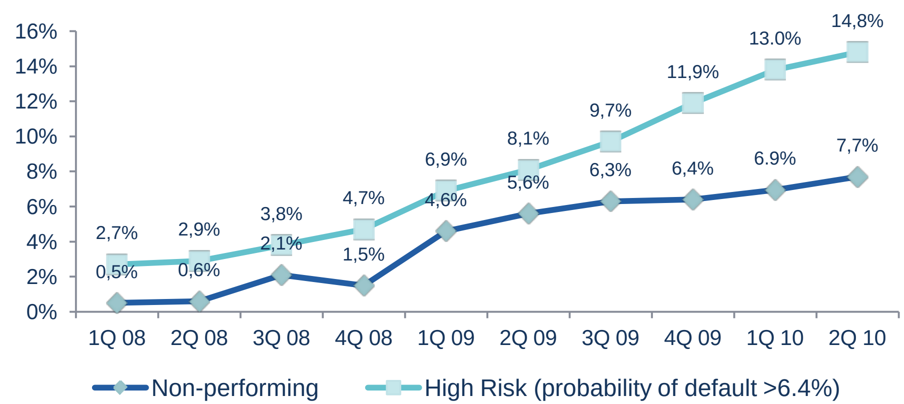
Update on Ireland

- 28m EUR loan impairments charged in 2Q10 (142m EUR in 1Q10). Credit costs for the remainder of 2010 should be significantly lower than 1H10.
- NPL rose to 7.7% in 2Q10 (6.9% in 1Q10), reflecting a continued increase in arrears, primarily for residential customers. This reflects the anticipated lag in employment, income and GDP recovery following initial signs of the Irish economy emerging from recession
- 77% of the outstanding portfolio remains low or medium risk
- Local Tier 1 ratio of 10.2% at the end of 2Q10

Irish loan book – key figures June 2010

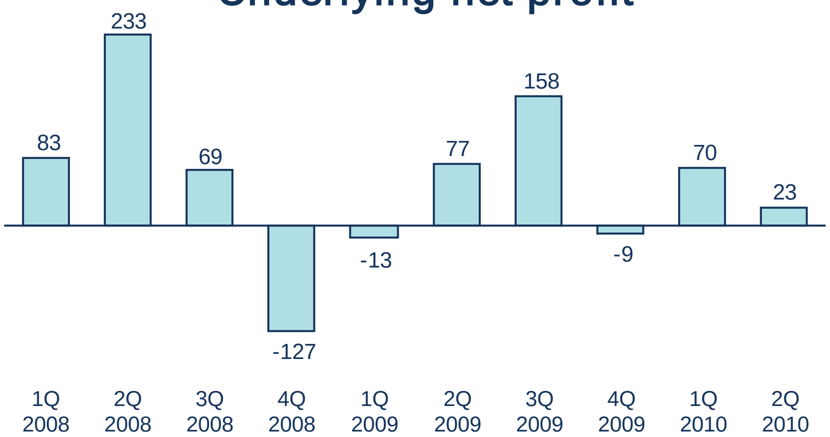
Loan portfolio	Outstanding	NPL Jun 10
Owner occupied mortgages	10.0bn	5.8%
Buy to let mortgages	3.3bn	7.9%
SME /corporate	2.5bn	4.7%
Real estate investment	1.3bn	10.9%
Real estate development	0.6bn	41.3%
	17.7bn	7.7%

Proportion of High Risk and NPL



Group Centre

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	**16bn**	**15bn**
Growth q/q*	**-7%**	**-35%**
Growth y/y*	**-13%**	**-40%**

**non-annualized*

- Besides the existing activities of the holding and shared-services companies at 'Group Centre', all upcoming divestments were shifted to 'Group Centre' from 1Q10 onwards. The decrease of the net group profit (both q-o-q and y-o-y) is largely attributable to the results of the companies that were earmarked for divestment in the coming years. Note that a number of divestment agreements have already been signed in 2Q10 and 3Q10.

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

Amounts in m. EUR

Group Centre (2)

Breakdown of underlying net group profit

	2Q10
Group item (ongoing business)	**-39**
Planned divestments	**62**
- Centea	15
- Fidea	13
- 40% minorities CSOB Bank CZ	53
- Absolut Bank	-4
- 'old' Merchant Banking activities	0
- KBL	34
- Other	-49
TOTAL underlying net group profit	**23**

NPL, NPL formation and restructured loans in Russia

		4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010
RU	NPL	0.5%	2.3%	3.3%	9.2%	14.0%	17.9%	17.8%
	NPL formation		1.8%	1.0%	5.9%	4.8%	3.9%	-0.1%
	Restructured loans	-	3.6%	7.2%	9.8%	11.2%	10.3%	10.3%
	Loan loss provisions (m EUR)	31	45	33	48	56	0	19

Amounts in m. EUR

Wrap up

Financial highlights 2Q 2010

- Net interest income at continued high level thanks to sound deposit and loan margins
- Gradual recovery of fee and commission income confirmed
- Weak dealing room activity
- Dip in combined ratio because of lower premium income at group level combined with higher claims related to flooding in CEE
- Operational expenses are bottoming out in 2Q10 as well, rigorous cost containment continued
- Significantly lower loan loss impairments, notably in Merchant Banking activities
- Reduction of the exposure to Greek government bonds, related to the containment of sovereign risks
- Including the effect of the sale of KBL EPB, the excess regulatory capital accumulated beyond the 10% tier 1-solvency target amounted to roughly 3.0bn EUR at the end of 2Q10. Excluding all CDO effects, available surplus capital at the end of 2Q10 amounted to roughly 2.6bn EUR (incl. KBL EPB effect)

Additional data set

Exposure to Southern Europe (1)

Total exposure to Greece, Portugal & Spain at the end of 2Q10 (bn EUR)

	Banking and Insurance book			Trading book Gov. Bonds	Total exposure
	Credits & corporate bonds	Bank bonds	Gov. bonds		
Greece	0.1	0.0	0.9	0.1	**1.1**
Portugal	0.3	0.0	0.3	0.0	**0.6**
Spain	2.4	0.6	2.3	0.2	**5.5**

- Total exposure to the most stressed countries Greece and Portugal amounted to EUR 1.7bn, of which EUR 0.1bn 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 2Q10 (bn EUR)

	Banking	Insurance	Total
Greece	0.6	0.3	**0.9**
Portugal	0.1	0.2	**0.3**
Spain	1.5	0.8	**2.3**
TOTAL	**2.2**	**1.3**	**3.5**

Exposure to Southern Europe (2)

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

	2H10	2011	2012	> 2012
Greece	0.0	0.1	0.2	0.6
Portugal	0.0	0.0	0.1	0.2
Spain	0.0	0.1	0.5	1.7

Breakdown of total government bonds, by portfolio at the end 2Q10 (bn EUR)

	AFS	HTM	FIV	Trading	TOTAL
Greece	0.6	0.1	0.2	0.1	**1.0**
Portugal	0.1	0.2	0.0	0.0	**0.3**
Spain	2.1	0.3	0.0	0.2	**2.6**

Hungary: ‘bank tax’ and sovereign exp.

‘Bank tax’ in 2010:

- Indication of the impact of the so-called ‘bank tax’ for K&H Group: roughly 55m-60m EUR pre-tax in 2010
- The bank tax should be accounted for as an expense in the 2010 P&L for corporate income tax purposes. As a result, it is tax deductible, which would imply an impact of roughly 45m-50m EUR after-tax in 2010
- The bank tax determined for 2010 is payable in two equal instalments by 30 September 2010 and 10 December 2010
- The current law only details the rules for determining the tax payable in relation to 2010
- Separate laws should be passed by the Hungarian parliament to determine the detailed rules for establishing the tax liability for 2011 and 2012

Sovereign exposure:

- Government bond exposure: 2.2bn EUR at the end of 2Q10, of which the majority is held by K&H

Satisfactory outcome of the stress test

- The stress test focused on KBC Bank
- Even under stress scenarios, the bank adequately meets the legal and market requirements in terms of solvency
  - Under the adverse scenario: the consolidated tier-1 ratio is estimated at 9.8% in 2011
  - An additional sovereign risk scenario would bring the estimated tier-1 ratio to 9.4% at the end of 2011. This suggests a buffer of EUR 4.6bn of the tier 1 capital against the threshold of a tier-1 ratio of 6% as agreed exclusively for the purposes of this exercise.
- A stress testing exercise does not provide forecasts of expected outcomes, nor does it reflect in any way KBC's own budgets and forecasts. Besides the extreme assumptions selected by CEBS, we want to stress that KBC has been extremely conservative itself. For instance:
  - Implementation of zero-growth assumption (by CEBS): KBC has put all growth at 0%, but expected contraction percentages has been kept intact
  - Macro-economic scenario for Belgium was more severe than that of its neighbouring countries
  - Net trading income before stress estimated (assumption by CEBS): KBC however took into account large negative items (such as negative CDO-related value adjustments, legacy costs related to KBC FP, M2M trading derivatives for hedging purposes,...)
  - KBC excluded 'other' operating income to a large extent

Basel III: first assessment after 26/07/2010 statements

- At first assessment , the impact from the new ‘Basel III’ proposals is manageable as long as the ‘grandfathering clause’ applies temporarily to the State Core Tier 1 securities.
- Although the listing of a minority stake in CSOB will negatively affect the capital treatment of the transaction, it will be less negative than stated in the initial consultation document (released on 17 December 2009)
- We also welcome the new definition of liquid assets, leading to an improved LCR and NSFR
- However, there are still several uncertainties, such as timing of implementation, definition of local required minimum capital,...
- As a result, it’s too early to make exact quantitative disclosure of the full effects.

Update CDO exposure at KBC (end 2Q10)

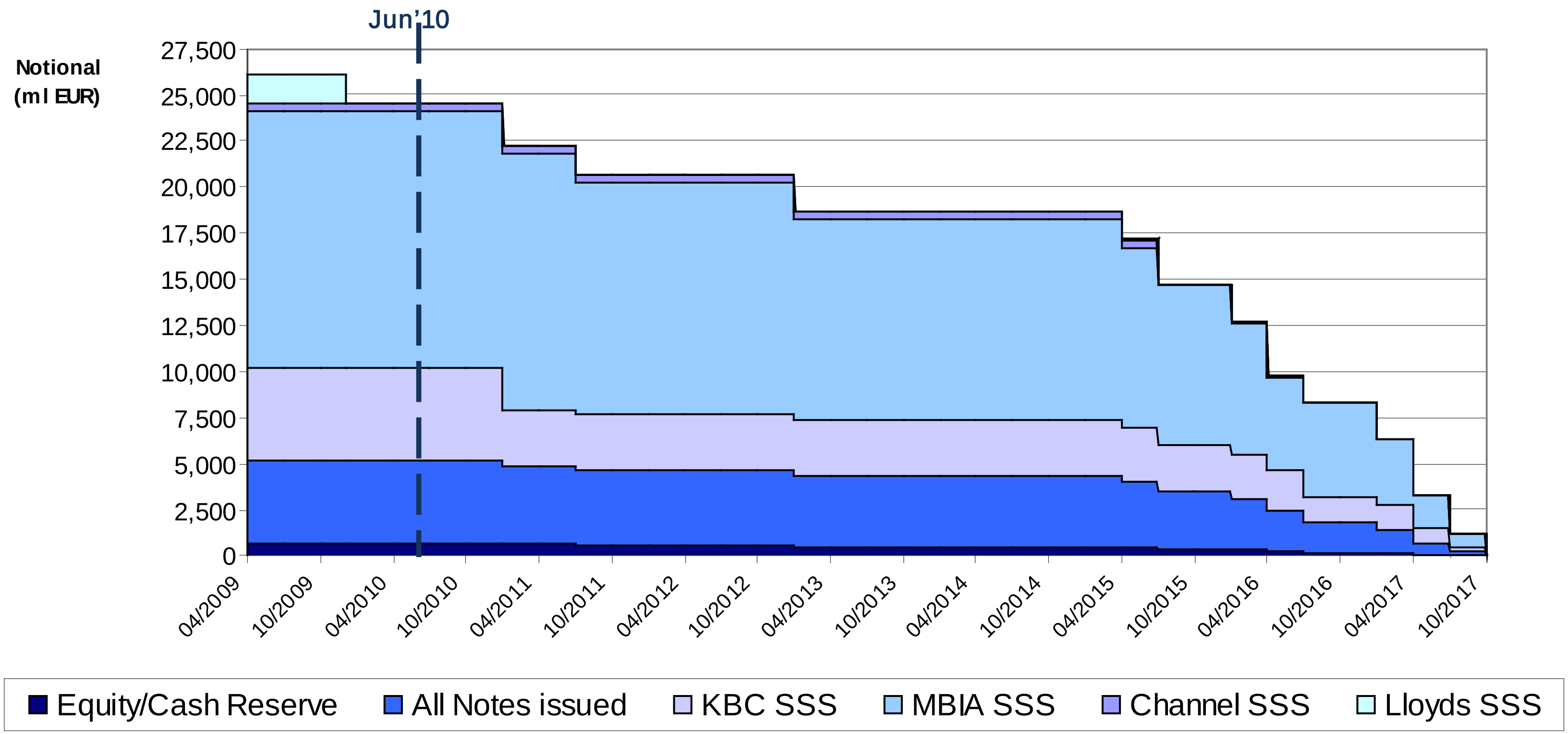
CDO exposure (bn EUR)	Notional	Cumulative markdowns
- **Hedged portfolio** - **Unhedged portfolio**	14.9 10.0	-1.5 -5.4
TOTAL	**24.9**	**-6.9**

Amounts in bn €	**Total**
Value adjustments (since start crisis) “Effective” loss (i.e. expect. losses based on claimed credit events) - Of which impact of settled credit events	-6.9 -1.3 -0.7

- Cumulative value adjustments amounted to 6.9bn EUR at the end of 2Q10
- Effective cash losses amounted to 1.3bn EUR, of which 0.7bn EUR impact of settled credit events
- Within the scope for the sensitivity tests, the value adjustments reflect an 18% cumulative loss in the underlying corporate risk (approx. 80% of the underlying collateral are corporate reference names)
- Reminder: CDO exposure largely written down or covered by a State guarantee.

Maturity schedule for 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

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

Summary of government transactions (2)

7bn EUR core capital securities subscribed by the Belgian Federal and Flemish Regional Governments

	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 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. The higher of (i) 8.5% or (ii) 120% of the dividend for 2009 and 125% for 2010 onwards 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