

KBC Group

Competing in the Age of Austerity

Investor Conference, September 2010



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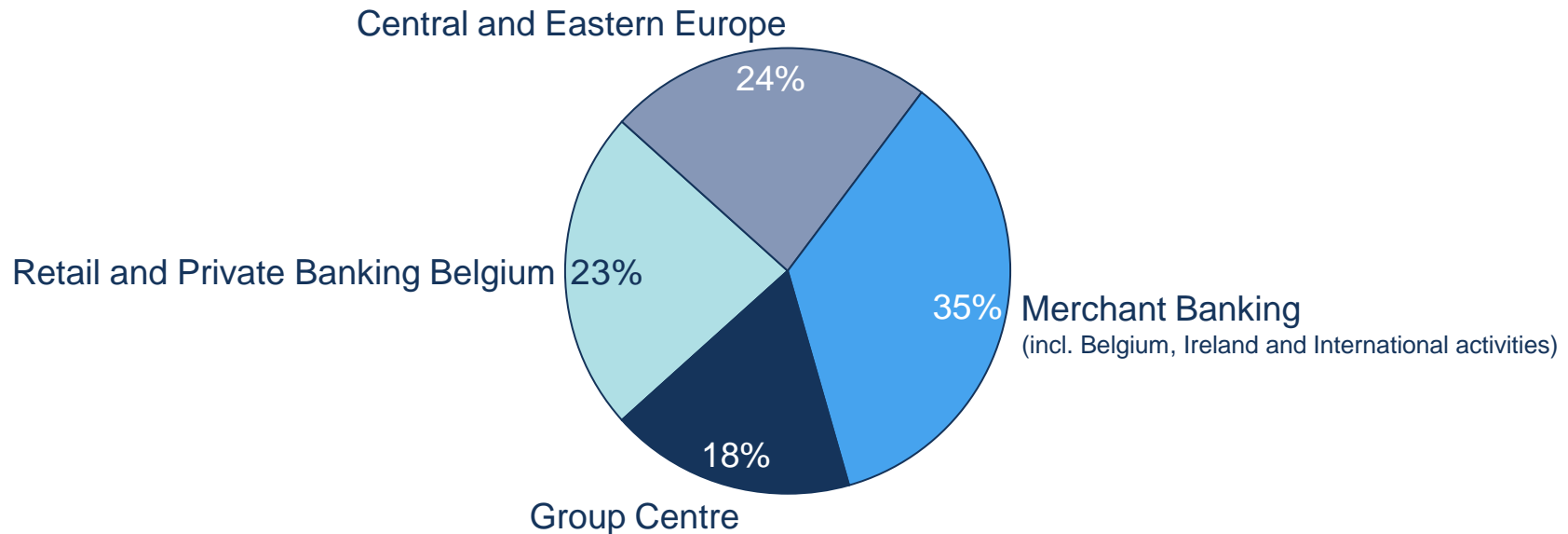
5 Annex

Section 1

Company profile and strategy



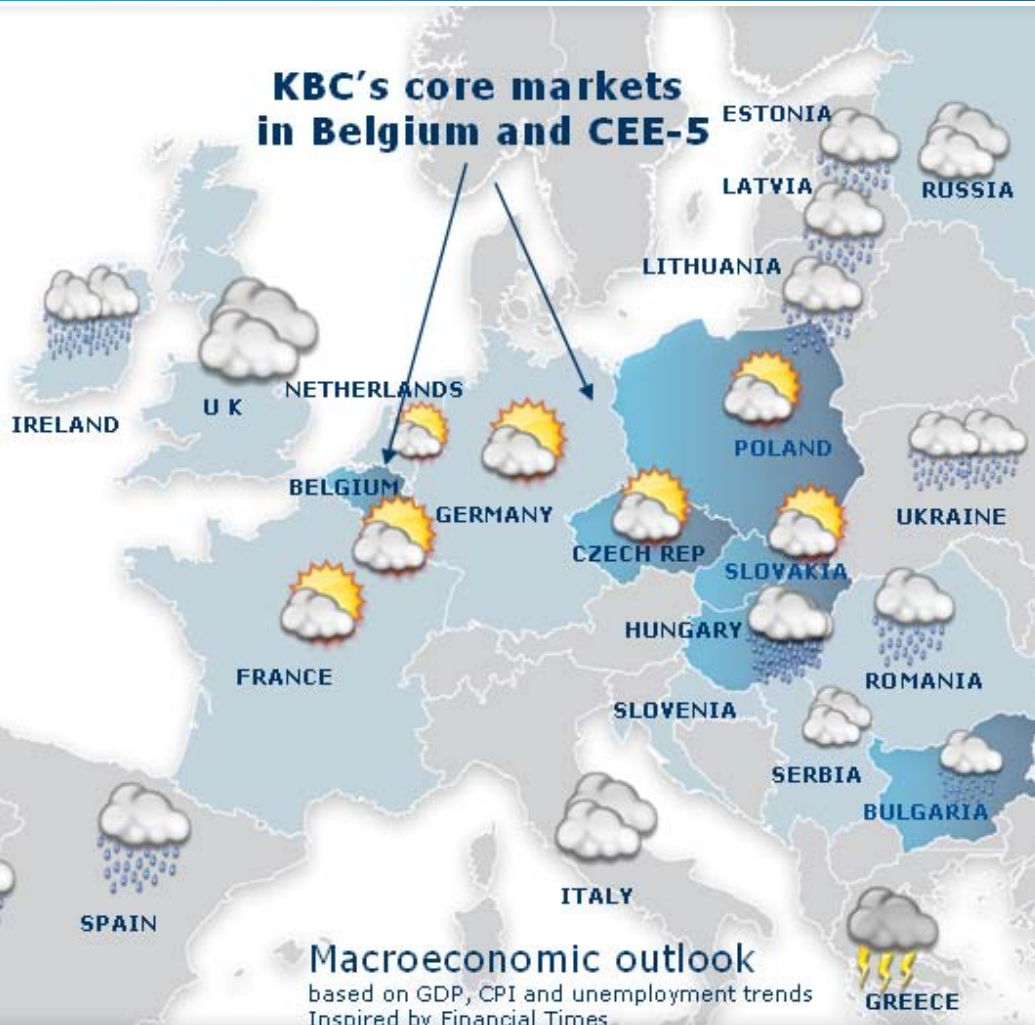
Breakdown of allocated capital as of 30 June 2010 per (new) business unit



- 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 in Belgium and CEE-5



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%	

**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

Section 2

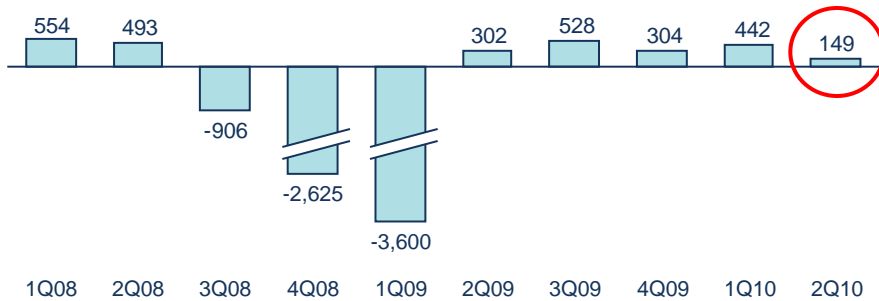
2Q 2010

Financial highlights

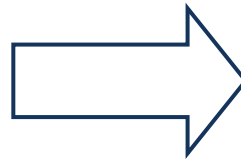


Solid core earnings power

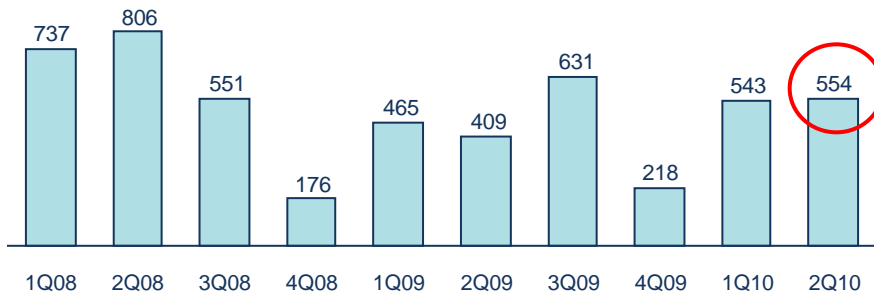
Reported net profit



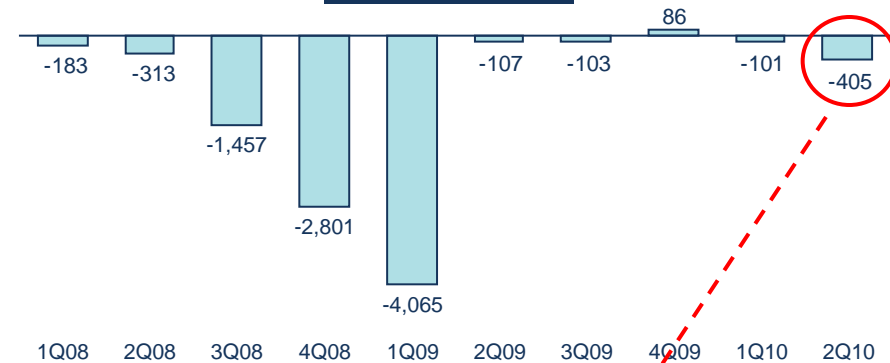
Excluding
exceptional
items



Underlying net profit

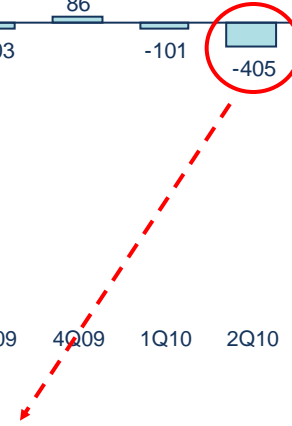


Exceptional items



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





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)

Section 3

How we put the plans to work





On the path of execution

Where are we mid-2010?

Track 1: We have completed the sale of KBL EPB

Track 2: We are well advanced in the preparation of the IPO process of the Czech bank

Track 3: We have designed the stand-alone strategy for the Belgian assets and prepared the launch of the divestment process

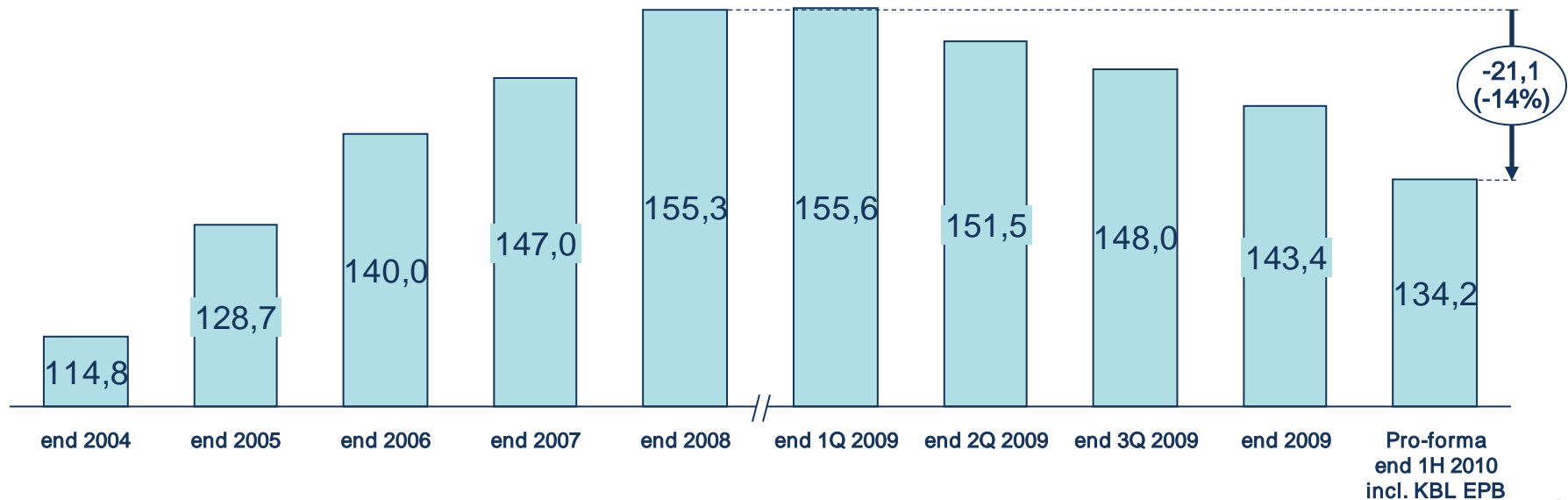
Track 4: We are running down the international merchant banking loan portfolio and further exploring some opportunities to sell sub-portfolio assets

Track 5: We are continuing to wind-down 'legacy' trading positions and have made clear progress in the sales process of other non-core capital market activities

Risk weighted assets reduction well under way

- Previously announced risk weighted assets reduction of 39bn in 2008-2013 period (-25%)
 - Mainly reduction of capital market activities and international corporate lending
 - Including the sale of KBL EPB, RWA have fallen by 21bn (54% of target) at the end of 1H10

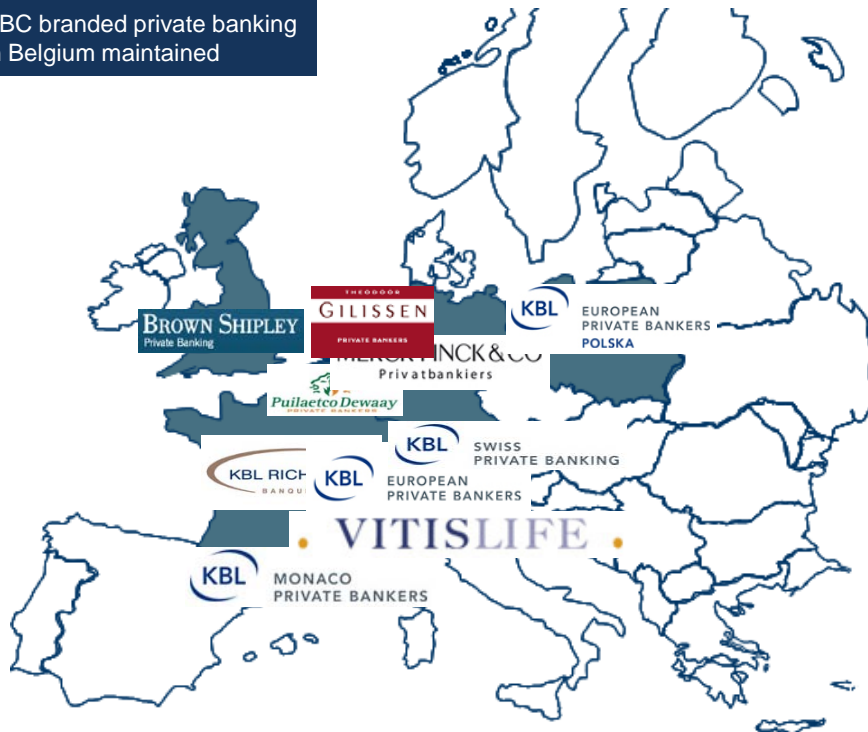
KBC Group risk weighted assets (in bn EUR)



Track 1: Divestment of KBL European Private Bankers

Pure play private banking with network of local brands

KBC branded private banking in Belgium maintained



- Sales process has been completed:
 - Transaction was launched in 1Q 2010
 - Second half of May: agreement with the Hinduja Group of India
 - Transaction price: EUR 1.35bn
 - 2.9% of AuM
 - 2.1x KBL's Tangible Book Value
 - Capital contribution is fully in line with the targeted core capital relief range of EUR 0.8bn – EUR 1.5bn

⇒ **Core Tier 1 ratio rose by 0.9%**

Key data at KBC consolidated level (end 1Q10):

- AuM: EUR 47bn
- RWA: EUR 5.5bn
- Book value: EUR 1.1bn (incl. EUR 0.5bn goodwill at sublevel)
- Goodwill at parent level: EUR 0.5bn
- Underlying 2009 net profit: EUR 140m



Track 2: IPO Czech subsidiary CSOB

- The plan has not changed:
 - IPO on Prague Stock Exchange expected in 2010 if climate permits
 - Sale of minority stake, e.g., 40% (as assumed in the table below)
- During the last six months KBC has taken important steps with the various financial and legal advisors to prepare for the IPO. KBC will continue to observe market circumstances very closely
- Pre-deal communication restrictions apply; management is not in the position to discuss the transaction in public



Ranking in CZ	Top-3
Market share	20%-35%
Staff (FTE)	7 600
Total assets	EUR 33bn
Book value (after div. distribution)	EUR 2.3bn
Goodwill	EUR 0.2bn
Underlying net profit, banking (2009)	EUR 0.4bn

Updated data (1Q10)

Capital contribution based on P/B

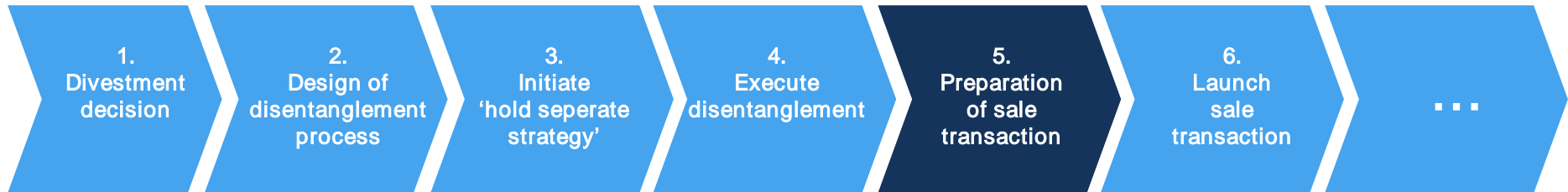
	1,5	1,7	2,0	2,4	2,8	3,0
FLOAT 25%	0,8	1,0	1,1	1,4	1,6	1,7
30%	1,0	1,1	1,4	1,6	1,9	2,0
35%	1,2	1,3	1,6	1,9	2,2	2,4
40%	1,4	1,5	1,8	2,2	2,5	2,7

Amounts in bn EUR

Capital contribution = (Price - Book Value - Goodwill) + adjustment for Goodwill + adjustment for Minority interests
 Upon closing of the transaction, other accounting adjustments may apply



Track 3: Divestment of Belgian complementary channels



Screen IT/operations

Allocate resources

Assign hold separate manager

Design stand-alone strategy to ensure standalone viability

Implement staff and customer retention plan



Execute stand-alone strategy

Prepare data room

Engage advisors

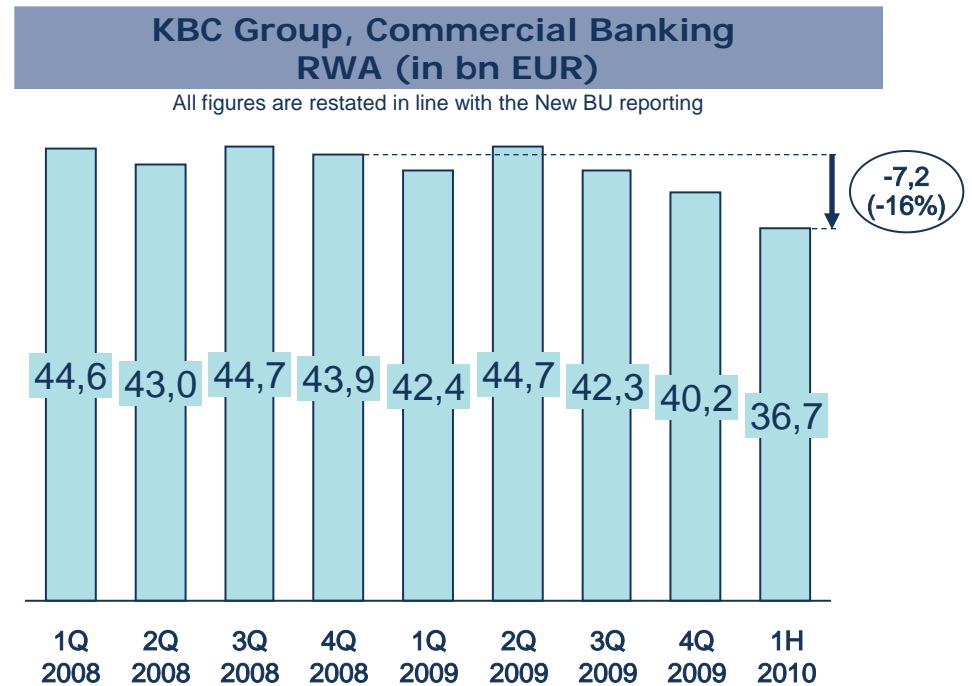
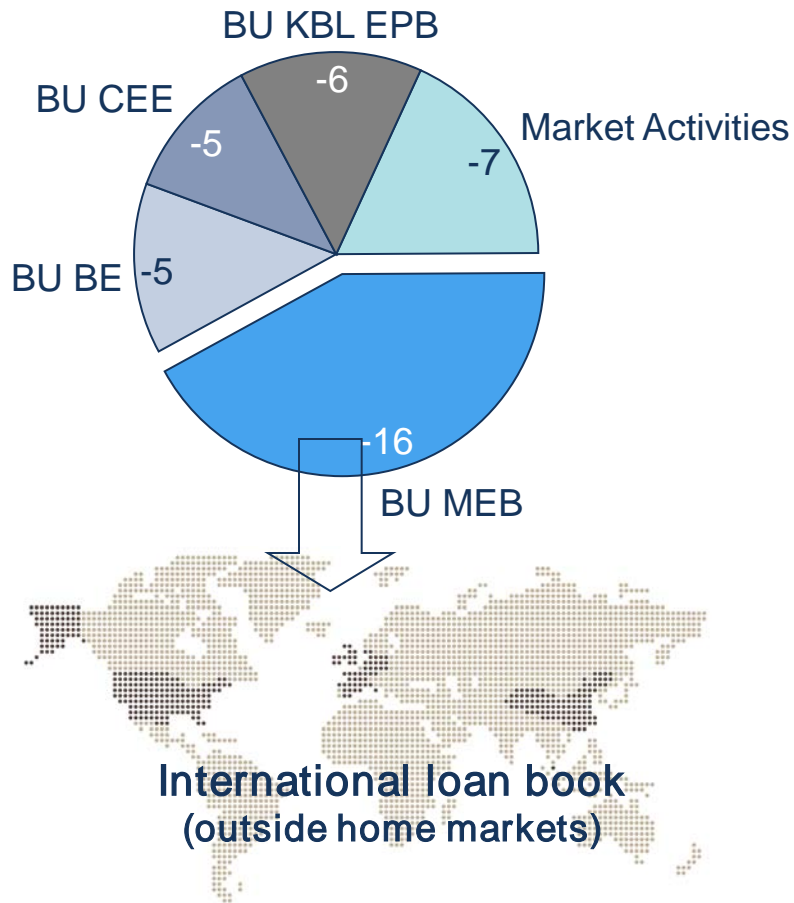
Send information memorandum

Contact interested parties

		
<u>2009</u>		
Total assets	EUR 10.5bn	EUR 3.3bn
RWA	EUR 3.9bn	EUR 1.6bn
Market share	1%-2%	1%-2%
Agents	ca 700	ca 4200
Book value	EUR 0.6bn	EUR 0.4bn
Goodwill	0	0
2009 net profit	EUR 0.1bn	EUR 0.03bn

Track 4: Run-down of international MEB loan book

39bn group wide RWA reduction (-25%), 16bn in international corporate loan book



Track 4. Run down of international MEB loan book (con'td)

International corporate loan portfolio

Figures in EUR

<u>Western-Europe</u>	
RWA	
2008	6,7bn
2010 Q2	4,7bn
Run down	29%

<u>United States</u>	
RWA	
2008	3,4bn
2010 Q2	2,8bn
Run down	18%

<u>South-East Asia</u>	
RWA	
2008	1,4bn
2010 Q2	0,9bn
Run down	34%

Sub portfolios up for sale or accelerated wind-down represent 9.7bn:

Global Trade & Project Finance

2008	5,0bn
2010 Q2	4,2bn
Run Down	17%

International Leasing outside home markets

2008	1bn
2010 Q2	0,7bn
Run Down	32%

Diamond Financing

2008	1,4bn
2010 Q2	1,2bn
Run Down	11%

German Corporate Activities

2008	2,2bn
2010 Q2	2,2bn
Run Down	0%

- 50% of organic wind-down effectively executed (3 out of EUR 6bn)
- Combination of run-off at maturity (in many cases, KBC is not the lead lender) and sale of parts of the portfolio
- Credit rating migration was an obstacle to RWA reduction in 2009, but is expected to speed up the process after 2010
- International network to be optimised in order to service financial needs of network corporate customers abroad



Track 5. Run-down of the capital market activities

	RWA 31/12/08	RWA 31/12/09	Expected RWA (*) 31/12/10				
Activities that are being run off (less liquid and long-duration positions)	7.0	5.5	3.6				
Structured credit & credit derivatives	5.3	4.1	2.9				
Structured Fund derivatives	0.4	0.1	0.1				
Structured equity derivatives	0.5	0.4	0.3				
Insurance derivatives	0.8	0.8	0.3				
Private Equity	0.6	0.6	0.5				
		Start	Step 1	Step 2	Step 3	Step 4	Completed
Activities that are up for sale	RWA		preparation	Info exchange	indicat bids	final bid	
US reverse mortgage business	0.04	4Q09					X
Japan cash equities	0.0	4Q09					X
Equity derivatives & convertibles	0.7	4Q09					X
UK cash equities	0.2	4Q09					X



Divestment program, overview

	Initial timing	Expected Closing Date	Active	Step 1: Internal preparation	Step 2: Info exchange	Step 3: Indicative bids	Step 4: Final bids				
Private Banking:											
KBL European Private Bank	2010	Completed	✓	"Well on our way to deliver"				✓			
Merchant Banking:											
US reverse mortgages	2012	Completed	✓								
Asian equities	2012	Completed	✓								
Equity deriv., convert., UK equities	2012	Completed	✓								
German corporate activities	2012	2011									
Diamond Financing	2011	2011									
Struct. Trade & Project Fin.	-	>2011	✓								
International Leasing outside home markets	-	>2011	✓								
Belgium:											
Secondary bank & insurance channel	2010	2010	✓								
CEE:											
IPO in Czech Republic	2010	2010	✓								
Consumer finance in Poland	2012	2010	✓								
Banking in Russia & Serbia	>2011	>2011									

Section 4
Wrap up



Where are we today?

- Available surplus represents 24% of capital needs
- Capital budget remains 'matched', execution risk is declining
- 54% of targeted RWA reduction is already realised
- Divestment program is on track

⇒ **Despite tough market circumstances,
KBC is living up to its promise**

Section 5
Annex





New business unit reporting

Since the quarterly reporting for 1Q 2010

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



- 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



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%



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