KBC Group / Bank

DEBT ROADSHOW

October 2010

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Before we start…

Key strengths of KBC <u>Group</u>:

- 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 capital buffer

Contents

KBC Group at a glance

- KBC Group has a successful track record in bancassurance in its domestic market of Belgium and has been expanding to Central & Eastern Europe over the last 10 years

- Key data on KBC Group
  - Total market cap (end of September 2010): 12bn EUR
  - Total assets: 350bn EUR at the end of 1H10
  - Total equity: 17bn EUR
  - Tier-1 ratio: 11.4% (9.7% core)

- Key data on KBC Bank
  - Total assets: 305bn EUR at the end of 1H10
  - Total equity: 13bn EUR
  - Tier-1 ratio: 10.9% (9.1% core)

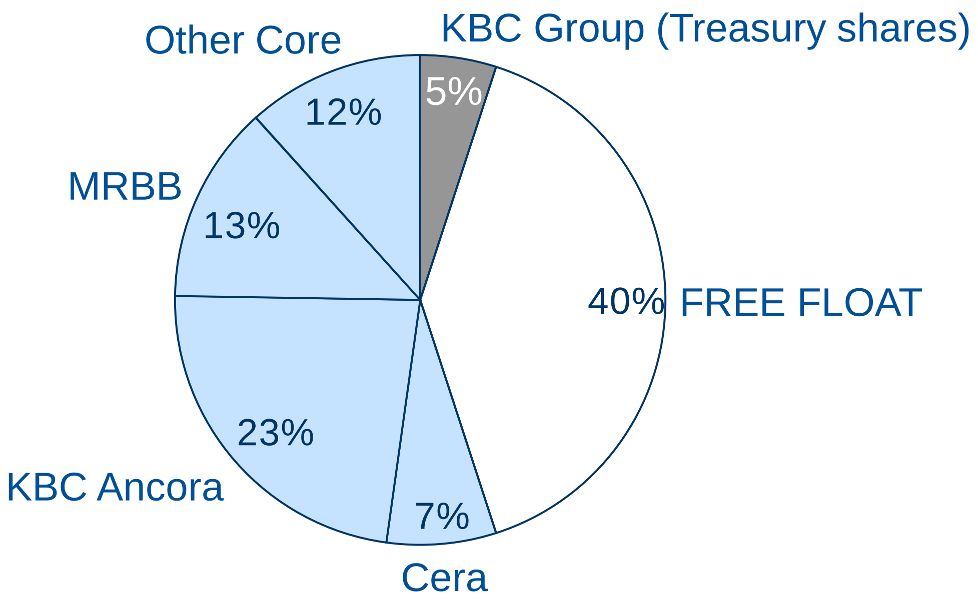
- Credit ratings of KBC Bank

	S&P (Mar 2009)	**Moody's** (Mar 2010)	**Fitch** (Jul 2010)
Long-term	**A / stable**	**Aa3 / Neg**	**A / Stable**
Short-term	A-1	Prime-1	F1

- Underlying net group profit of KBC Group in 2009: 1,724m EUR

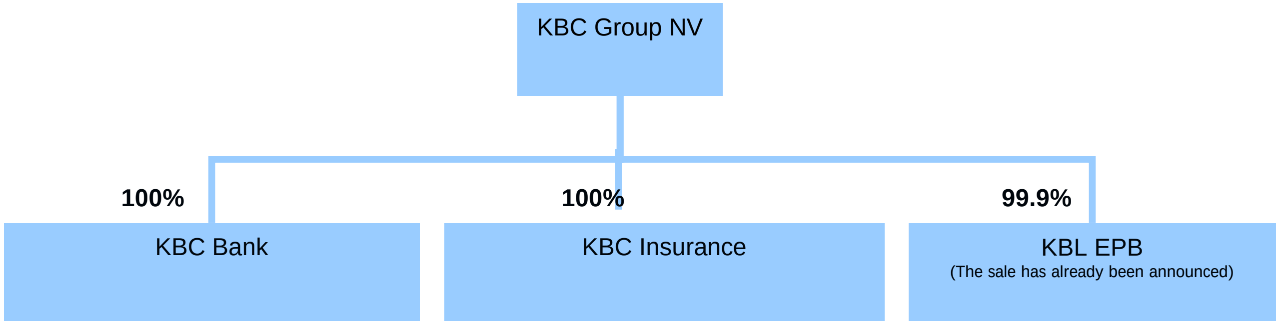
Shareholder structure

- 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

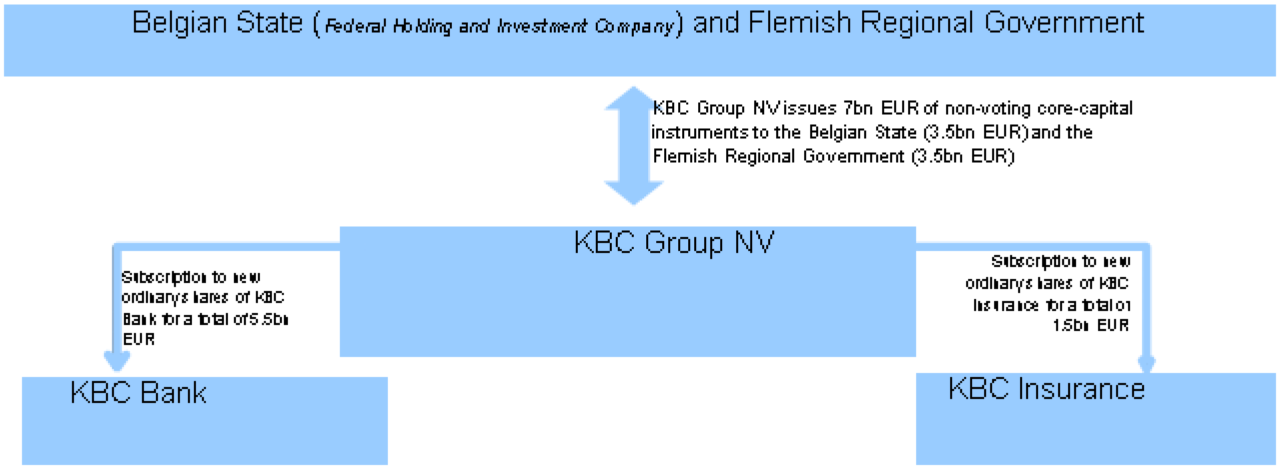


Group's legal structure

- Group's legal structure

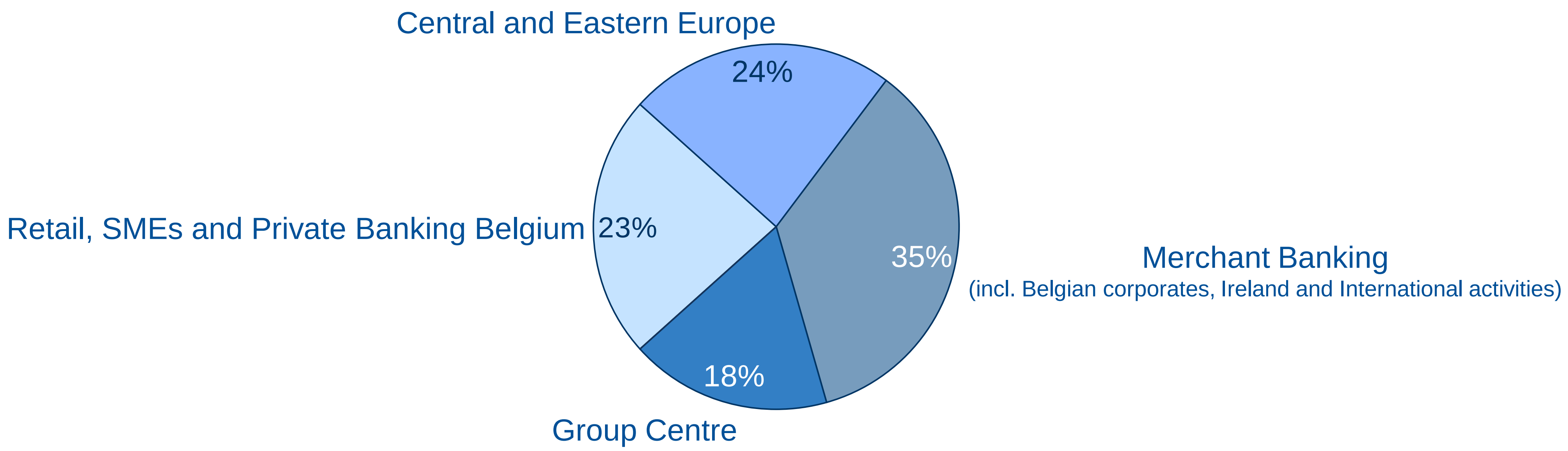


- Overview of capital transactions with the Belgian State and the Flemish Regional Government



Business profile of KBC Group

Breakdown of capital allocation as of 30 June 2010 per business unit



- KBC is a leading player in Belgium and our 5 core countries in CEE (retail bancassurance, private banking, commercial and local investment banking); 75-80% of revenue is generated in markets with leading market share

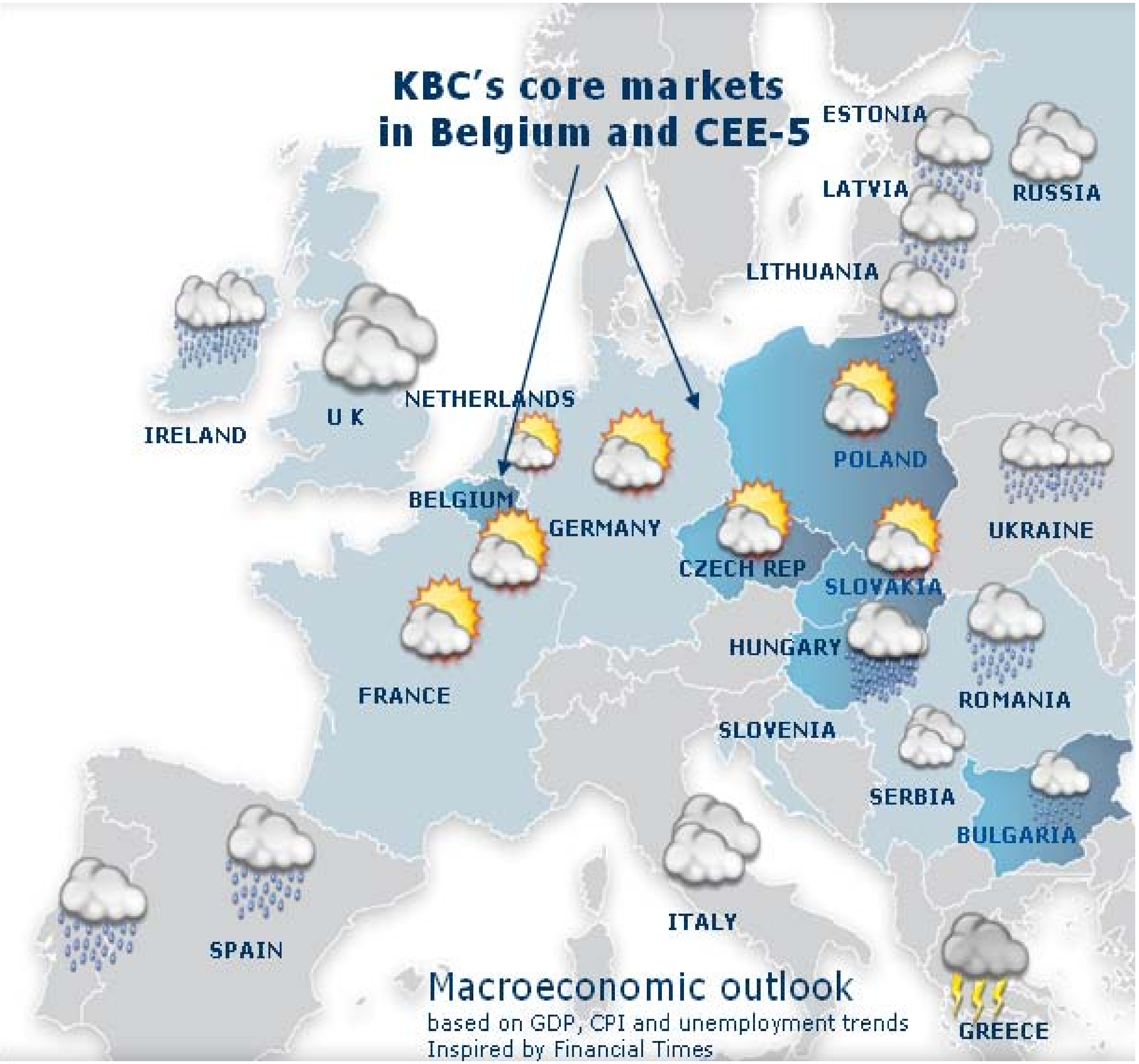
- In the past, niche strategies were developed for international merchant banking (these activities are currently being downsized) and European private banking (the sale has already been announced).

Market shares of KBC Bank in core markets

Market shares, as of end-2009

	Belgium	Czech Republic	Slovakia	Hungary	Poland	Bulgaria
(Inhabitants)	(10 million)	(10 million)	(5 million)	(10 million)	(39 million)	(8 million)
Loans and deposits	20% →	23% ↑	10% →	9% →	4% →	3% →
Investment funds	39% ↑	35% ↑	13% →	20% ↓	5% →	-

KBC Group's geographical presence: well-positioned



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

KBC'S NON-CORE MARKETS

Ireland (Moody's Aa2)
Total assets: 22bn EUR

Russia (Baa1)
Total assets: 2.7bn EUR

Serbia (not rated)
Total assets: 0.2bn EUR

Romania (Baa3)
Total assets: 0.1bn EUR

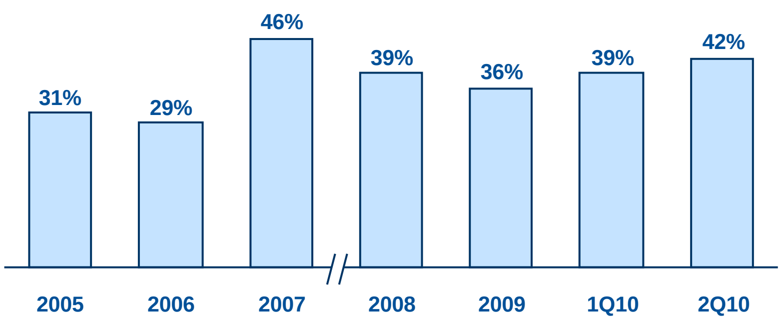
Real GDP growth outlook for core markets
Source: KBC data, August 2010

	% 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%

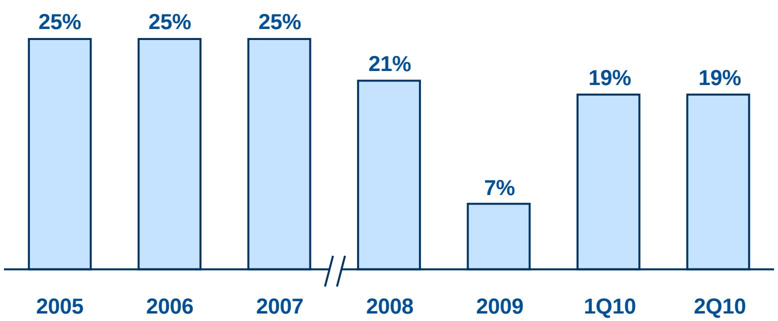
A successful core strategy

- **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)

Return on allocated capital Belgium*



Return on allocated capital CEE*



  - 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.

Action plan to prepare the future

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 already announced), 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 at end 1H10)
  - Certain additional 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

Current situation (at end 1H10)

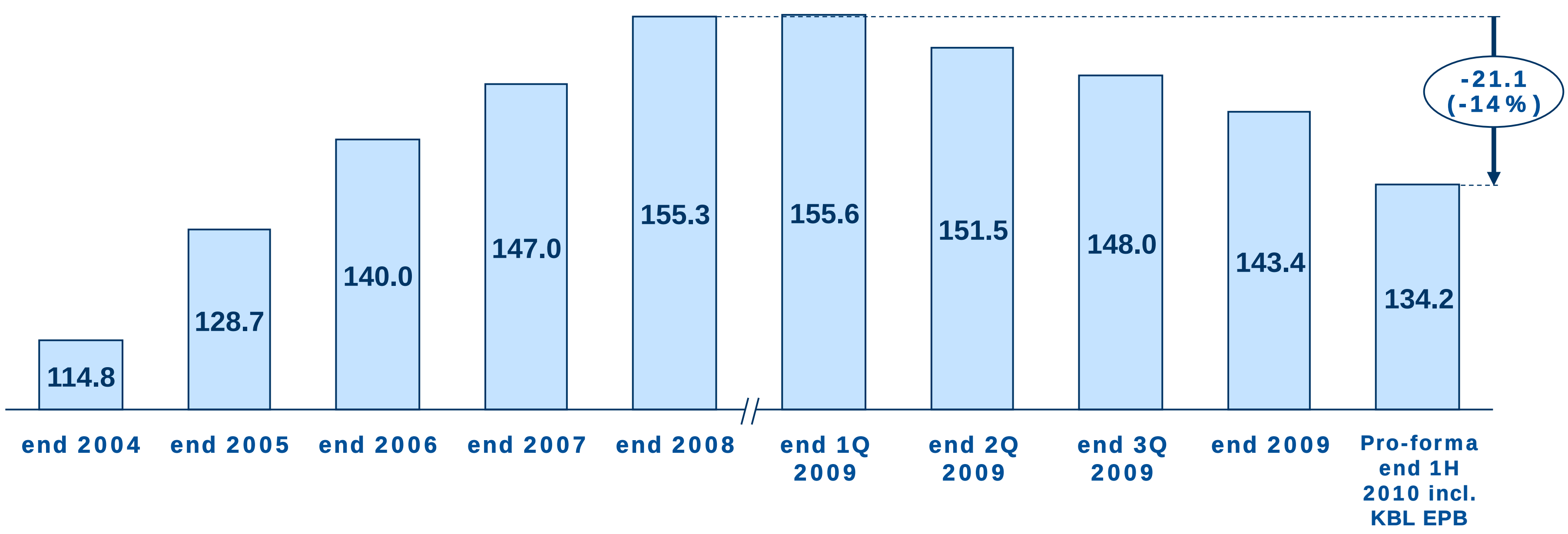
1. Adequate Capital	Including EUR 7bn State core capital securities, the core tier-1 ratio for KBC Group is at a comfortable 9.7% level at the end of 1H10 . At KBC Bank, the core Tier-1 ratio amounted to 9.1% at the end of 1H10.
2. Mitigated 'Toxic' risk	Remaining structured credit risk is largely covered by a State guarantee* in order to prevent new market turbulences putting the capital position at risk again
3. Adequate Loan Quality	With NPL covered up to 72% by provisions and NPL formation slowing down, we expect 2010 loan losses to be significantly lower than in 2009
4. New Team & Strategy	The new management team is implementing a new strategy, focusing on core businesses and structurally reducing risk, whilst maintaining sound growth/returns

* Additional disclosure in appendices

RWA reduction well under way

- Previously announced reduction of 39bn in risk weighted assets 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 EUR (54% of target) at the end of 1H10

KBC Group risk weighted assets (in bn EUR)



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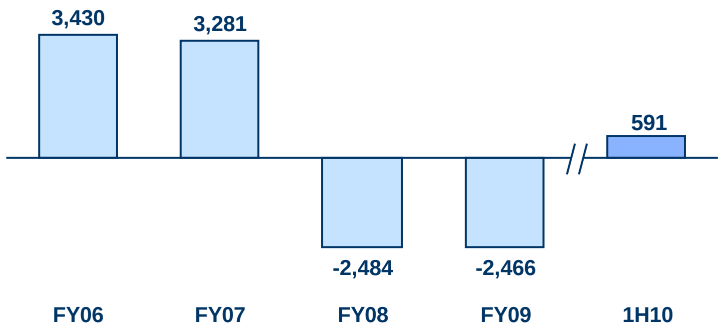
Solid core earnings power

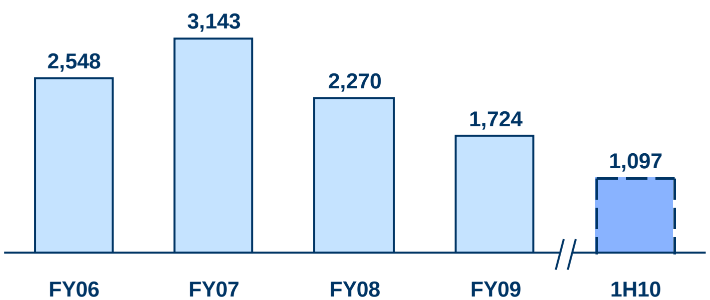
Amounts in EUR million
for KBC Group

Reported net profit



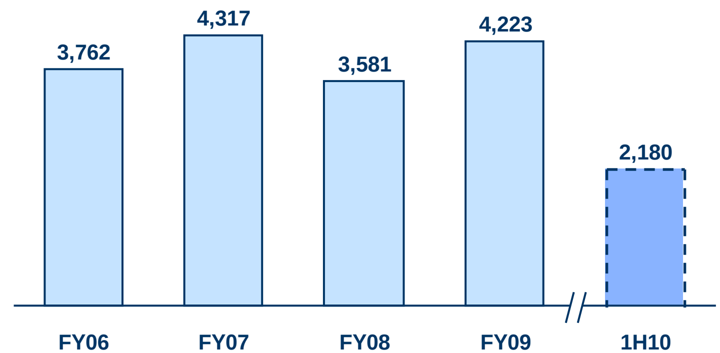
Excl. exceptional items

Underlying net profit



Excl. exceptional items and cyclical effects of credit provisions

Underlying gross operating income (pre-impairments)



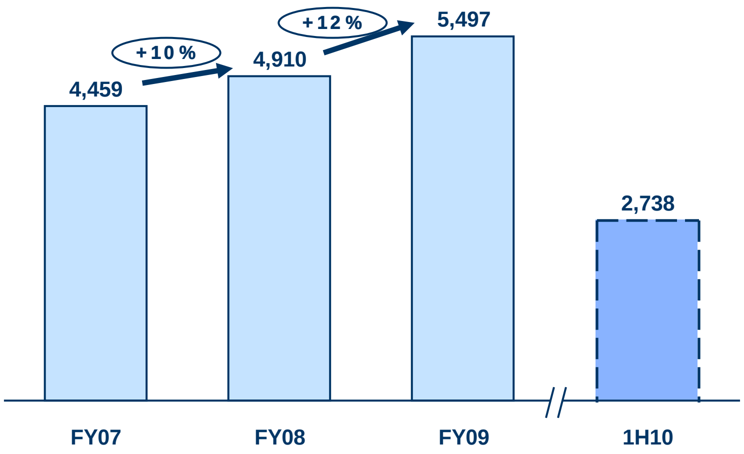
- Underlying gross operating income (core earnings) in FY09 and 1H10 (annualised) is in line with the pre-crisis FY07 level (when trading income was still much higher)

Revenue keeping up well based on healthy margin environment

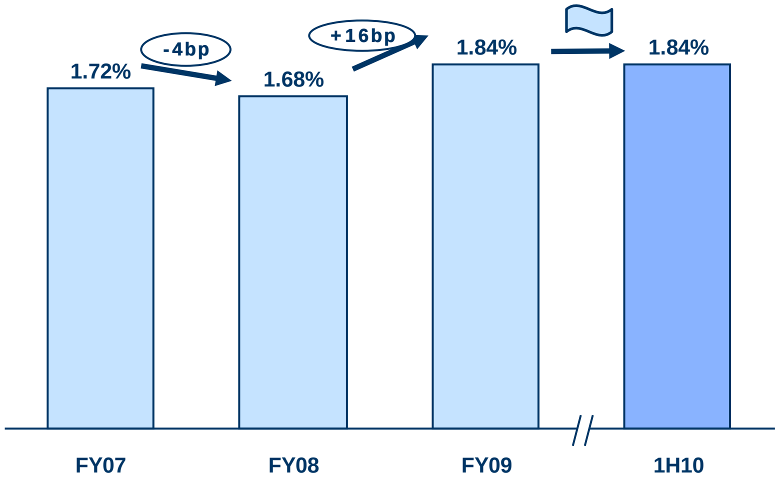
- Net interest income from lending and deposit-taking rose 12% in 2009 on account of healthy credit spreads and shift to higher-margin deposit products. The annualised NII of 1H10 is in line with FY09.
- Loan volumes fell 5% yoy in 1H10, while deposit volumes rose 6% in 1H10. Loan volume growth in Belgium was offset by the scaling down in Central Eastern Europe and international corporate loan book, in line with the strategic focus.

Underlying net interest income
(worldwide)

Amounts in EUR million
for KBC Group



Net interest margin
(worldwide)

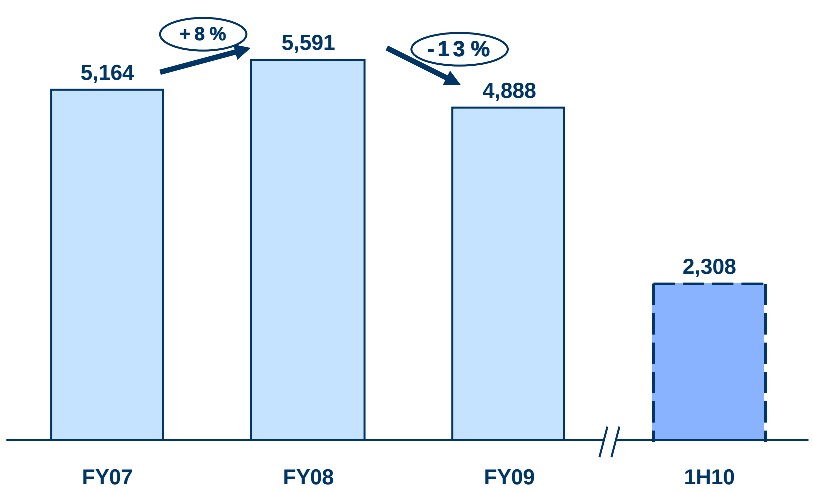


Continued tight cost control, loan loss provisions may have peaked

- Strong reduction in operating expenses realised (-13% in 2009) on the back of staff reduction, lower variable pay and downsizing of the Merchant Bank. Although costs decreased yoy in 1H10 (following cost containment measures initiated in 2008), we believe that costs will start to increase going forward.
- Higher loan loss provisions (1.9bn EUR in 2009) reflected the worsened economic climate. In 1H10, loan loss provisions were significantly lower. We expect slightly higher loan loss provisions in 2H10.

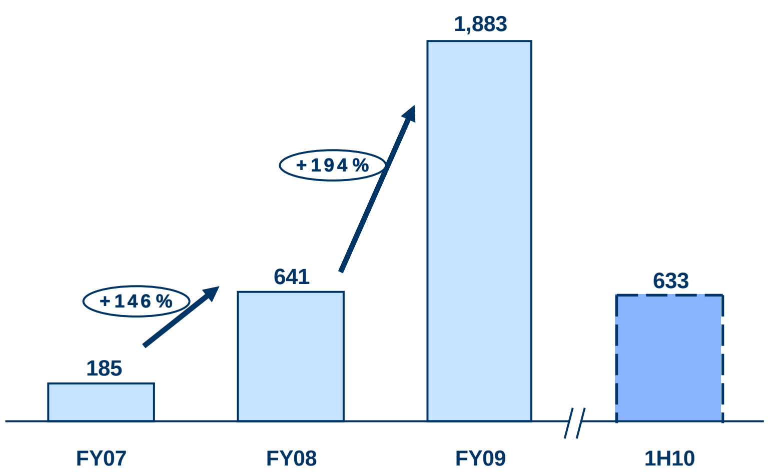
Underlying operating expenses (worldwide)

Amounts in EUR million for KBC Group



Underlying loan loss provisions (worldwide)

Amounts in EUR million for KBC Group



Loan loss experience at KBC Group

	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	**1.03%**	1.19%	0.47%	1.32%
Group Centre	**0.91%**	2.15%		
Total	**0.77%**	1.11%	0.40%	1.11%

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

Contents

Balance sheet risks?
(KBC Bank consolidated at end 1H10)

Total Assets: 305bn EUR	Total Liabilities & Equity: 305bn EUR
Tangible & intangible fixed assets (incl. Investment property): 5bn EUR	Parent shareholders' equity: 13bn EUR
Loan book: 157bn EUR (Loans and advances to customers)	Funding and deposit base: 208bn EUR
Trading assets: 36bn EUR	
Investment portfolio: 60bn EUR	Trading liabilities: 31bn EUR
Other (incl. interbank loans): 47bn EUR	Other (incl. interbank deposits): 53bn EUR

1. Credit quality
2. Trading exposure
3. 'Toxic' assets
4. Sovereign bonds

Capital adequacy

Liquidity position

Credit quality

Total Assets

Tangible & intangible fixed assets

Loan book
(loans & advances to customers)

1. Credit quality
(esp. in CEE)

Trading assets

2. Trading exposure

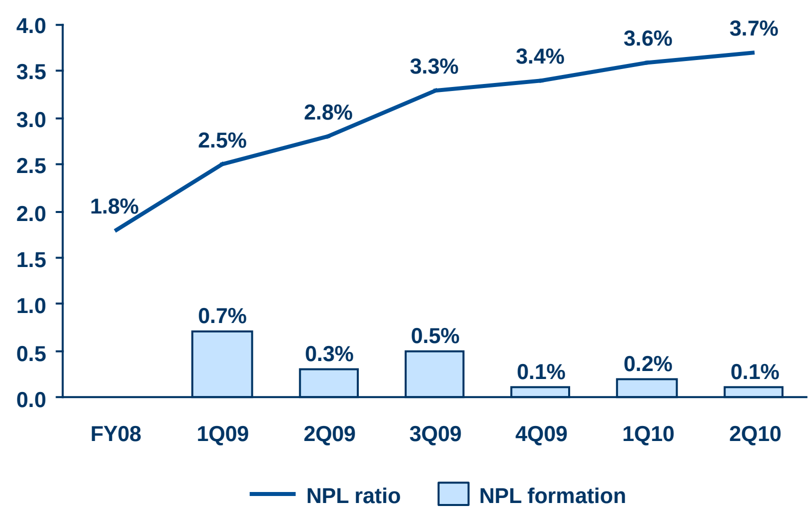
3. ‘Toxic’ assets

Investment portfolio

4. Sovereign bonds

Other (incl. interbank loans)

- Customer loan book: 157bn EUR at end 1H10
  - 42% residential mortgages
  - 3% unsecured consumer finance
  - 55% SME/corporate loans
- Largely sold through own branches
- Total NPL at 3.7% at end 1H10 (5.2% in CEE)
- The NPL formation has stabilised
- NPL cover ratio at 72% at end 1H10 (77% in CEE)



Focus on NPL trends in Ireland

- With credit cost of 96 bps in 2009, Irish business contributed 92m EUR to group profit.
- 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 (EUR)	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%

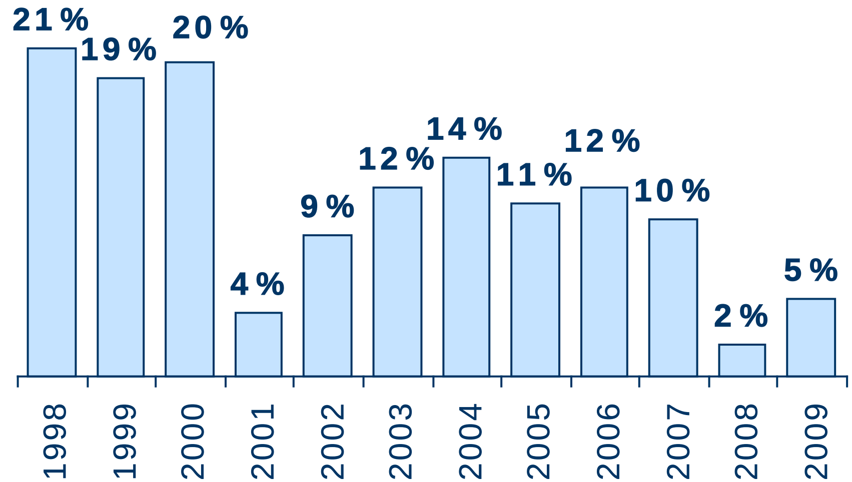
Proportion of High Risk and NPL

Trading activities

Total Assets

- **Tangible & intangible fixed assets**
- **Loan book** — 1. Credit quality
- 2. Trading exposure
- **Trading assets** — 3. 'Toxic' assets
- **Investment portfolio** — 4. Sovereign bonds
- **Other** (incl. interbank loans)

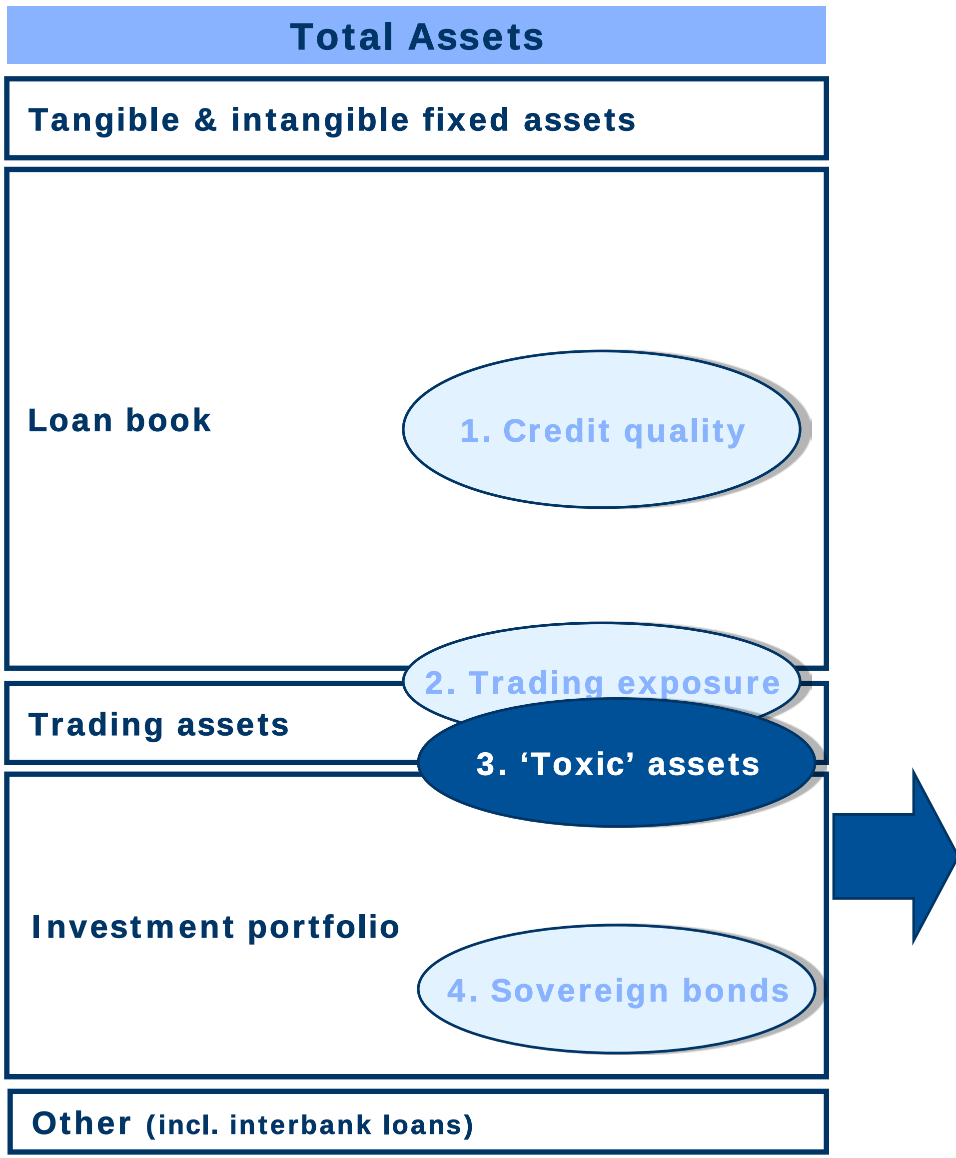
KBC Bank, share of investment banking (IB) profit, 1998-'09



Underlying income from MM/DCM/ECM activities as a % of group underlying net profit

- Less dependency on investment banking with further cut in activities being implemented following the 'credit crisis'
- However, unwinding of 'legacy' positions may generate further losses in 2010

Investment portfolio



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 EUR	Total
Value adjustments (since start crisis)	-6.9
"Effective" loss (i.e. expect. losses based on claimed credit events)	-1.3

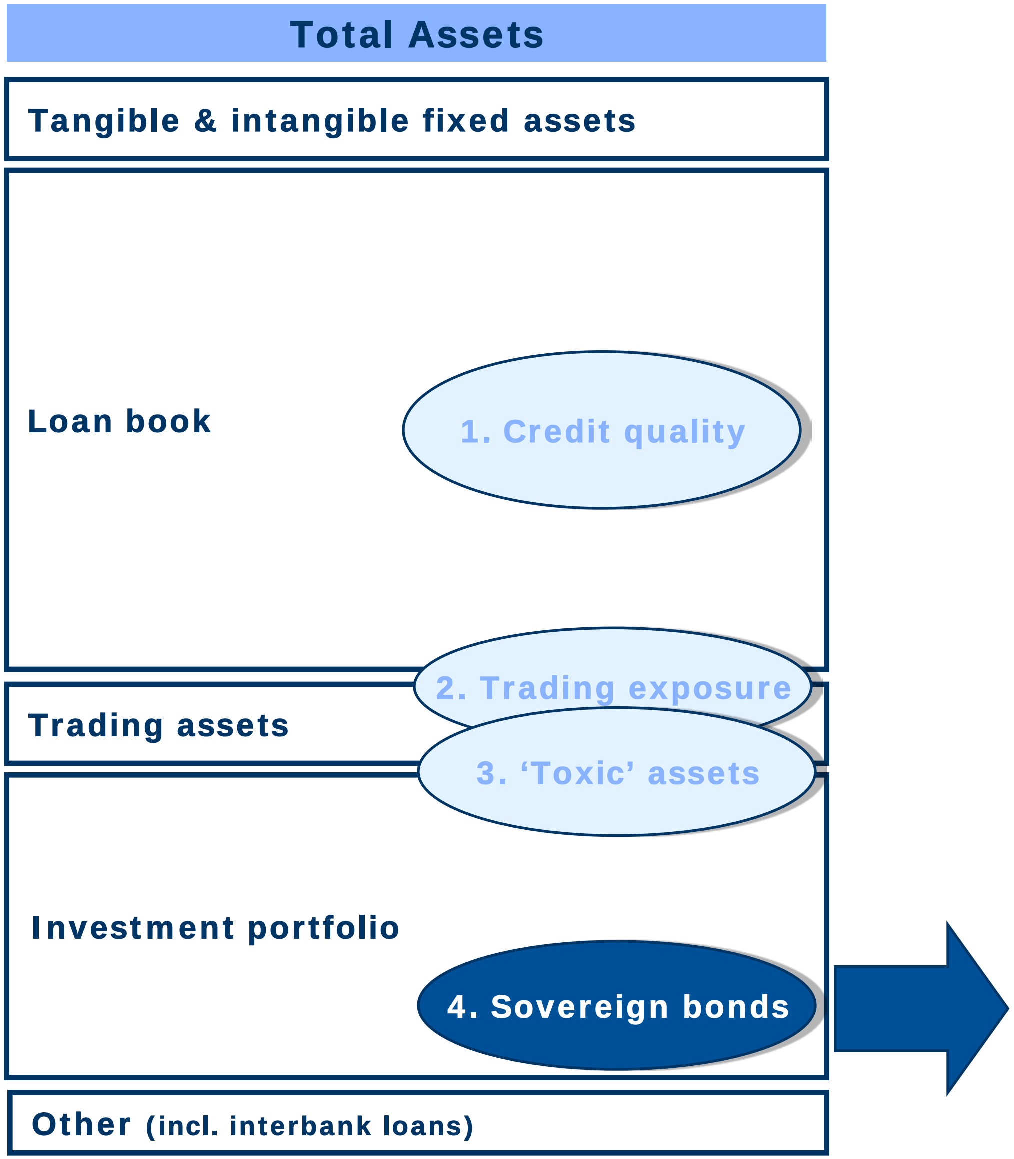
- At end 1H10, cumulative value adj. amounted to 6.9bn EUR vs. 1.3bn EUR effective cash losses
- Within the scope of the sensitivity tests, the value adjustments reflect an 18% cumulative loss in the underlying corporate risk
- Reminder: CDO exposure largely written down or covered by a State guarantee

Earnings sensitivity test

- If credit spreads were to tighten/widen by 20%, MtM impact on CDO values would be EUR +0.4/-0.3bn

* See appendices for more details

Investment portfolio (cont'd)

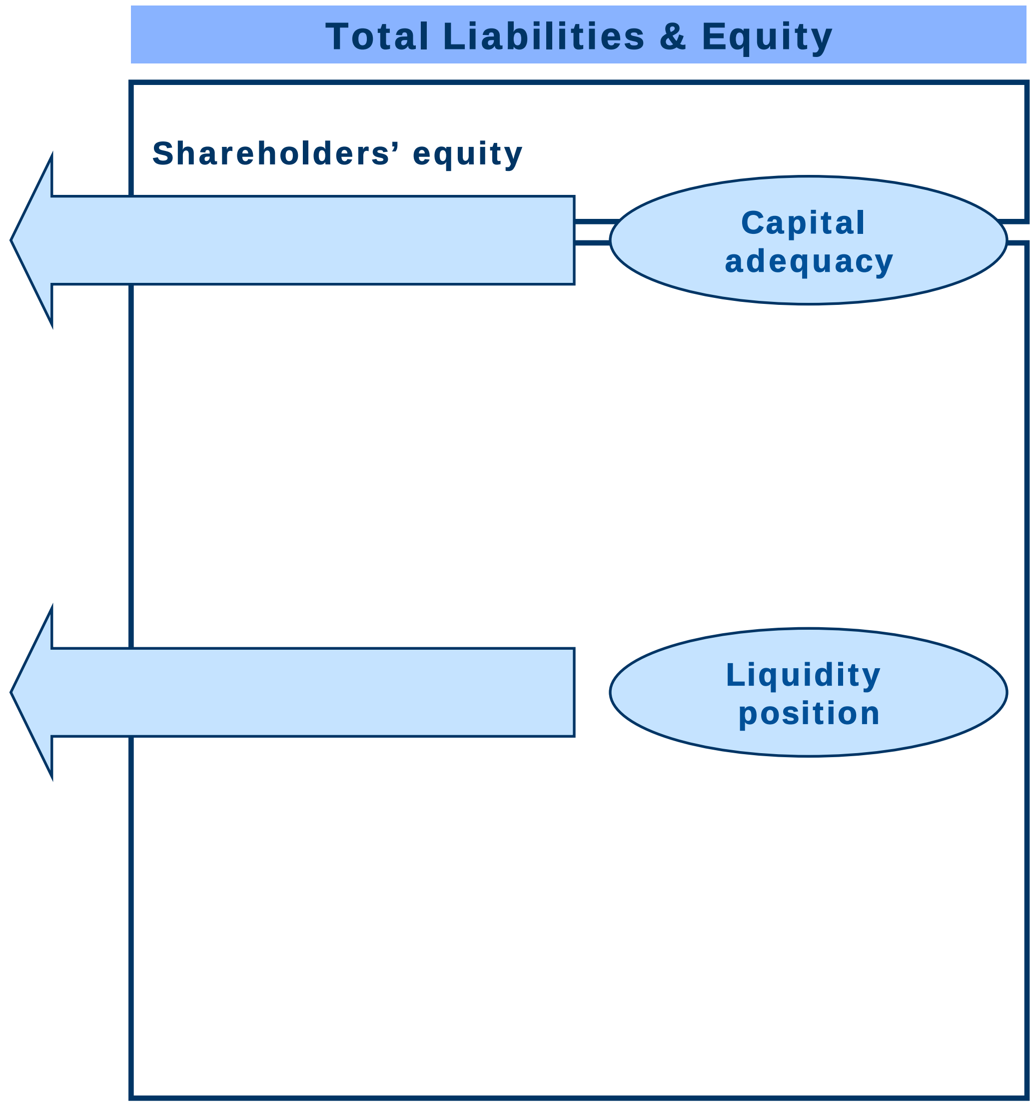


- Government bond investment portfolio at KBC Bank of EUR 51bn (at end 1Q10)
- Geographical composition:
  - All European
  - Belgium (AA+/Aa1): 43%
  - CEE (mainly locally held portfolios): 33%
  - Italy: 15%
  - Spain: 3%
  - Greece, Portugal and Ireland: 3%
  - Other Europe: 3%
- Sovereign credit ratings:
  - All investment grade
  - Average: S&P AA- / Moody's Aa2

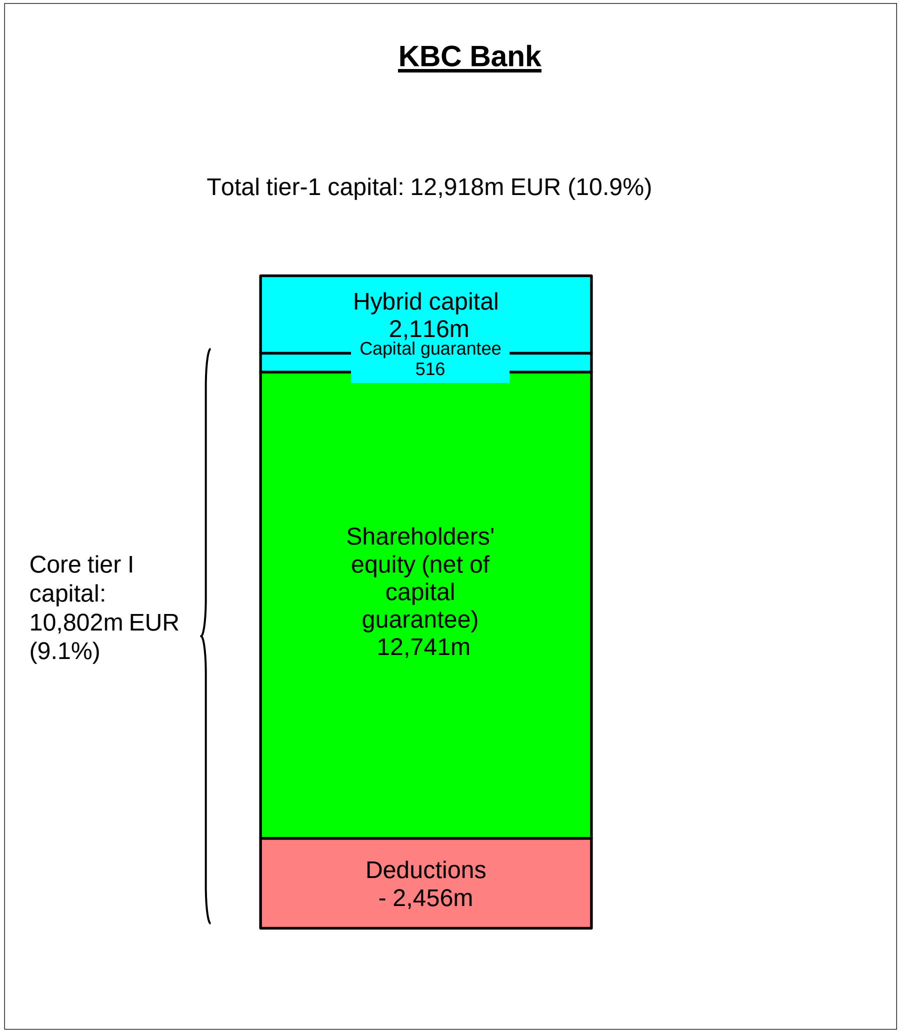
Contents

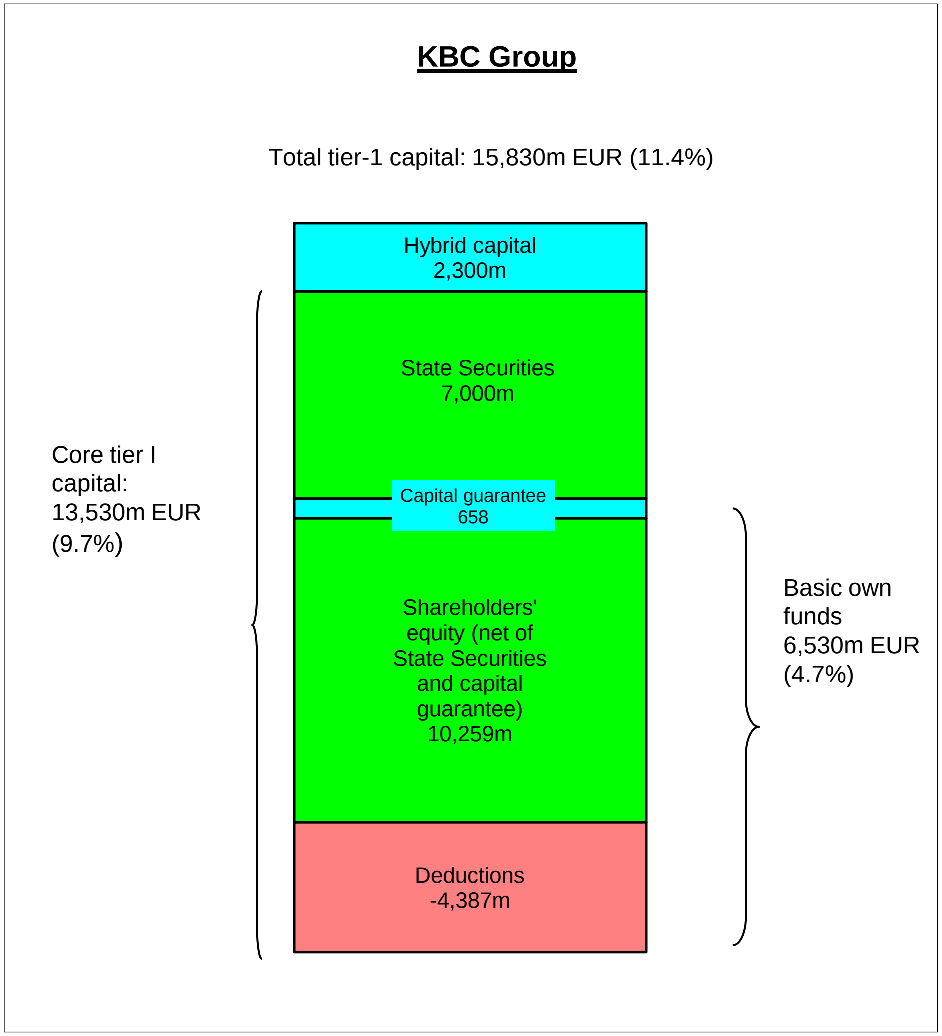
Solvency and liquidity position

- With core tier-1 ratio of 9.1% at KBC Bank (excl. KBL EPB) and 9.7% at KBC Group, KBC is well positioned to pursue organic growth
- With loan-to-deposit ratio at 85%, limited needs for refinancing in the market compared to peers
- Based on a preliminary analysis, funding & solvency seem to be manageable in light of the new ‘Basel’ proposals

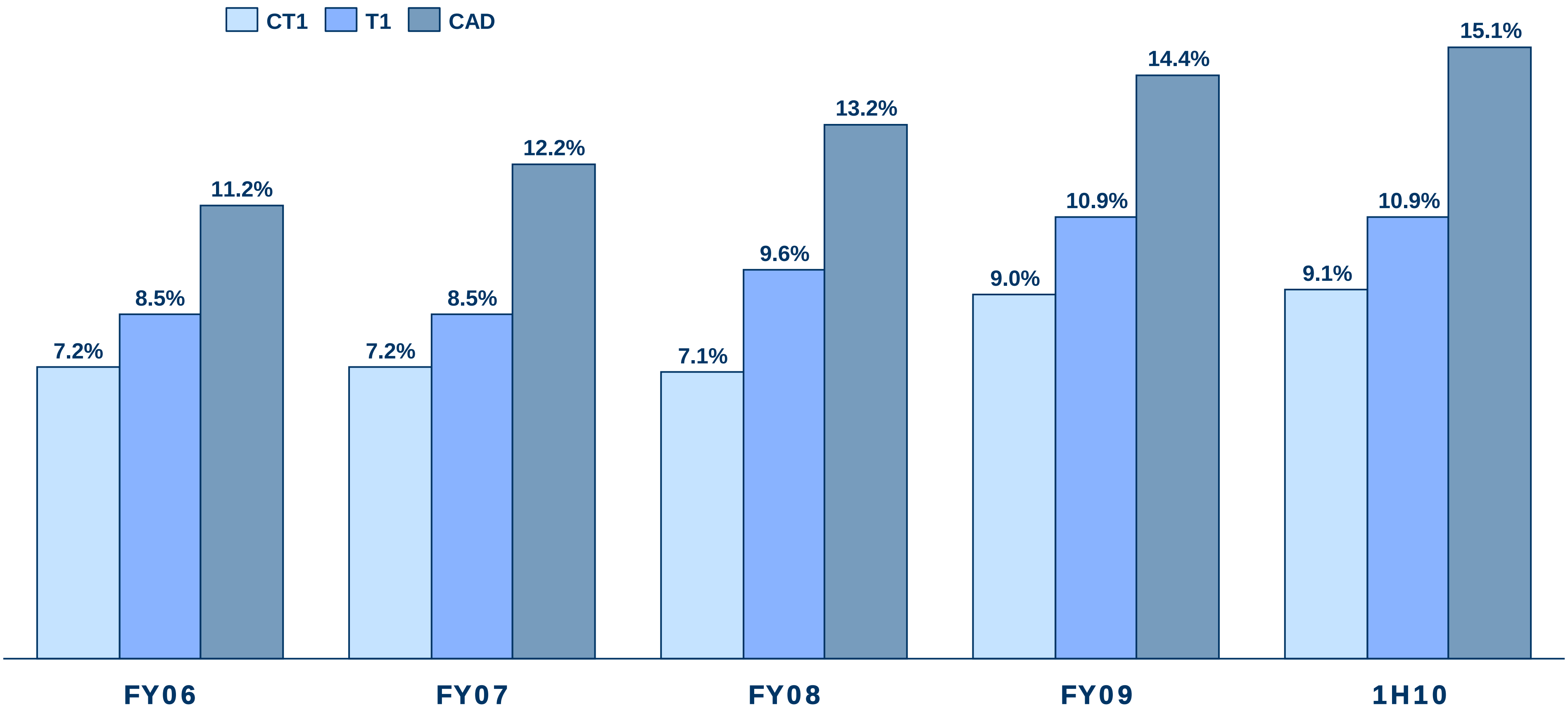


Overview total (Core) tier-1 composition

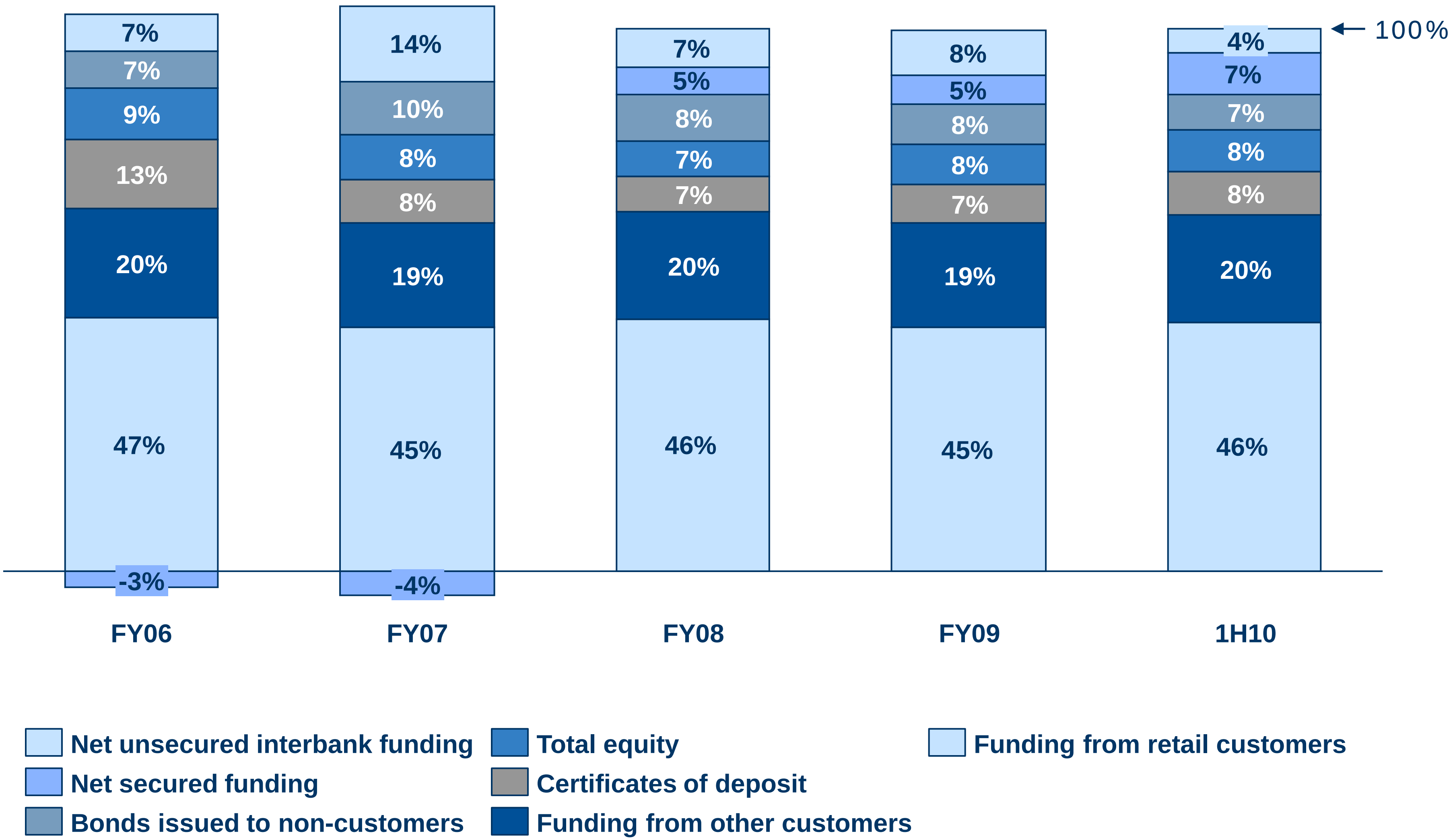




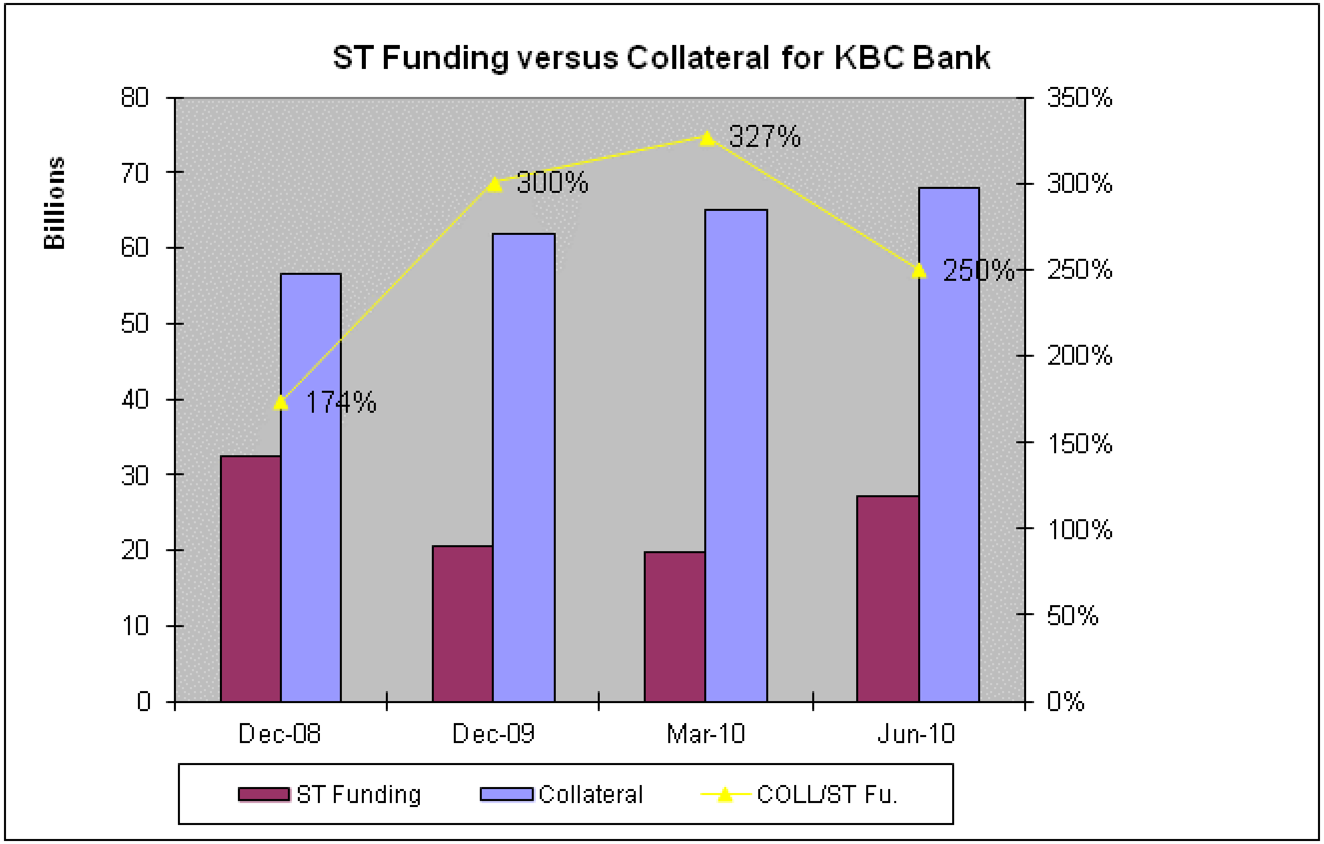
Improved capital ratios at KBC Bank (excl. KBL)



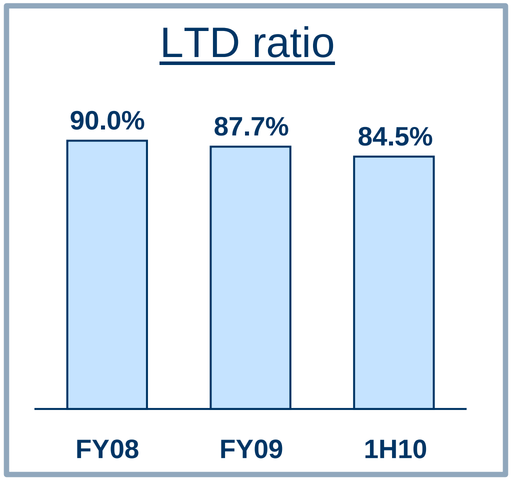
Liabilities – funding mix: stable & retail-based



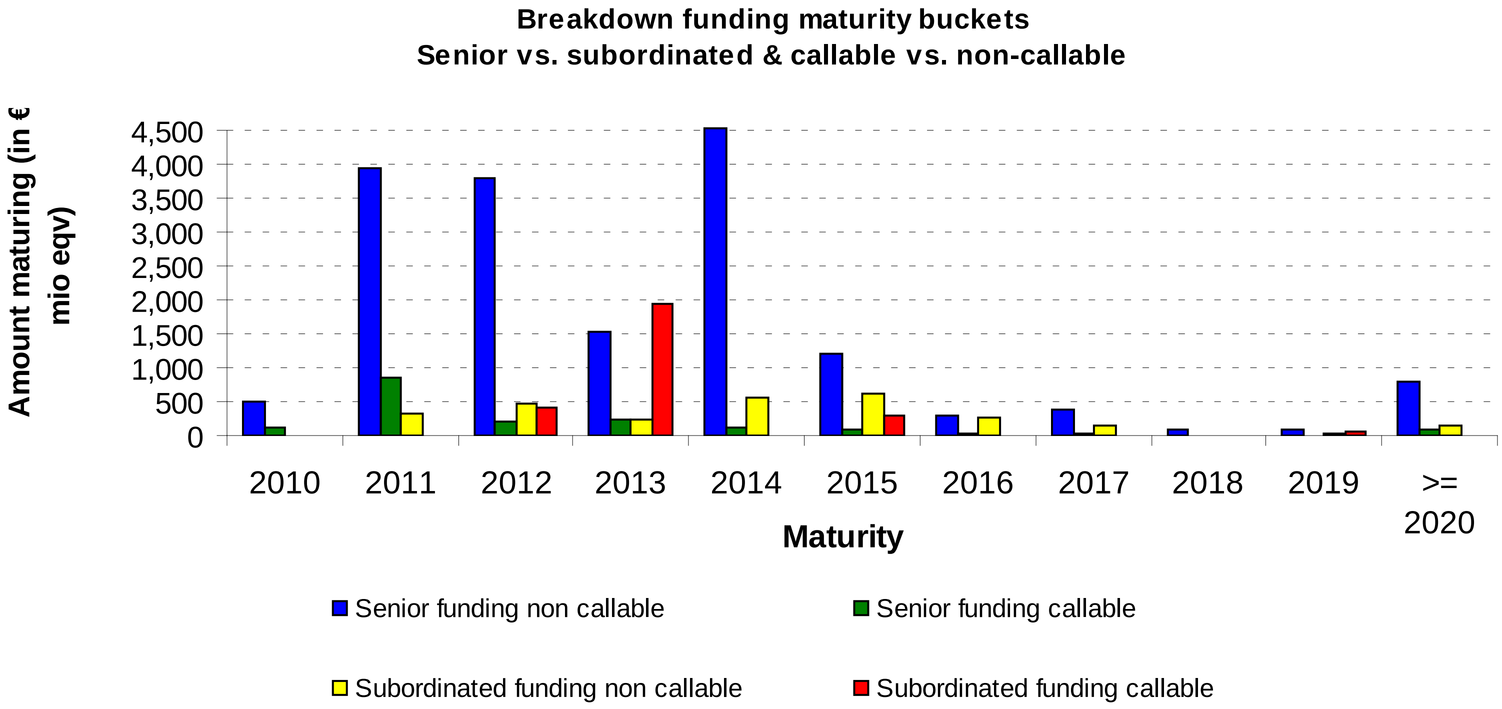
ST funding needs are fully covered by central bank eligible collateral



… and healthy LTD ratios



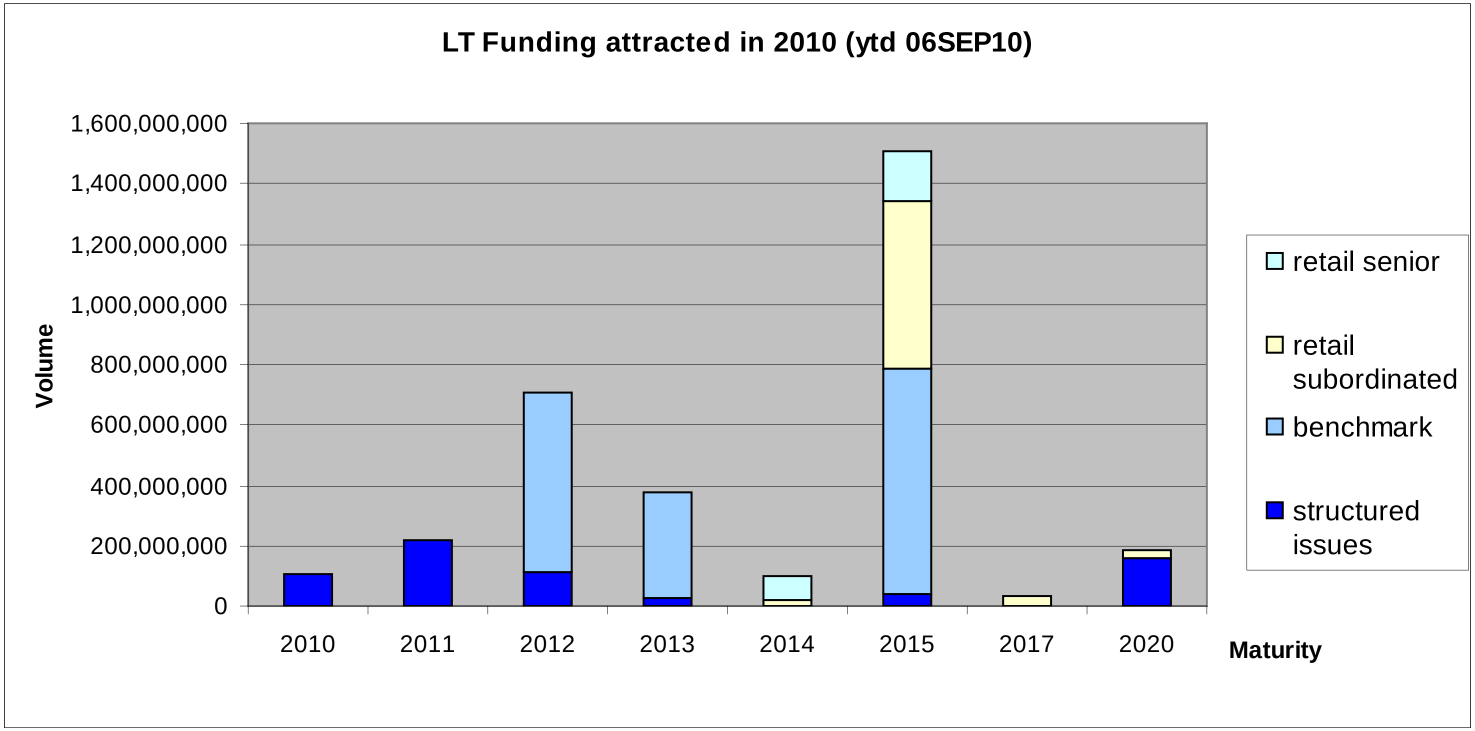
Debt distribution profile



KBC Bank NV has 3 solid sources of funding:

- Public Benchmark transactions
- Structured Notes using the Private Placement format
- Retail and Private Banking Network Notes

Overview of wholesale funding attracted in 2010



- KBC Bank NV, through KBC Ifima NV, has already raised 3.4bn EUR LT in 2010 (by the end of September), using its EMTN program (40bn EUR).
- KBC Bank NV does also have a US MTN program (10bn USD) available for structuring debt capital market transactions in the US.

Contents

Wrap up

1. A new strategy is being implemented to reduce the risk profile; the ‘new’ KBC is more focused on core activities

2. The core business model remained largely intact throughout the crisis and is ready to deliver again an attractive return in the future

3. We are well on our way to deliver on refocused goals, despite tough market circumstances:
   - Available surplus represents 24% of capital needs
   - Capital budget remains ‘matched’, execution risk is declining
   - 54% of targeted RWA reduction has already been realised
   - Divestment program is on track

4. Satisfying underlying earnings are being recorded, benefiting from a healthy margin environment, strict cost control and declining loan loss provisions

5. Asset quality is manageable and solvency & liquidity profiles are solid

Appendices

Appendices

- KBC 2010 benchmarks + overview outstanding benchmarks
- KBC Bank CDS evolution
- Strategic review/divestment program and the ‘new future’
- Basel III impact for KBC Group
- Sovereign risk at KBC Group
- Additional info about our CDO portfolio
- Macro economic views

KBC 2010 Benchmarks

KBC 2Y FRN - XS0479870916

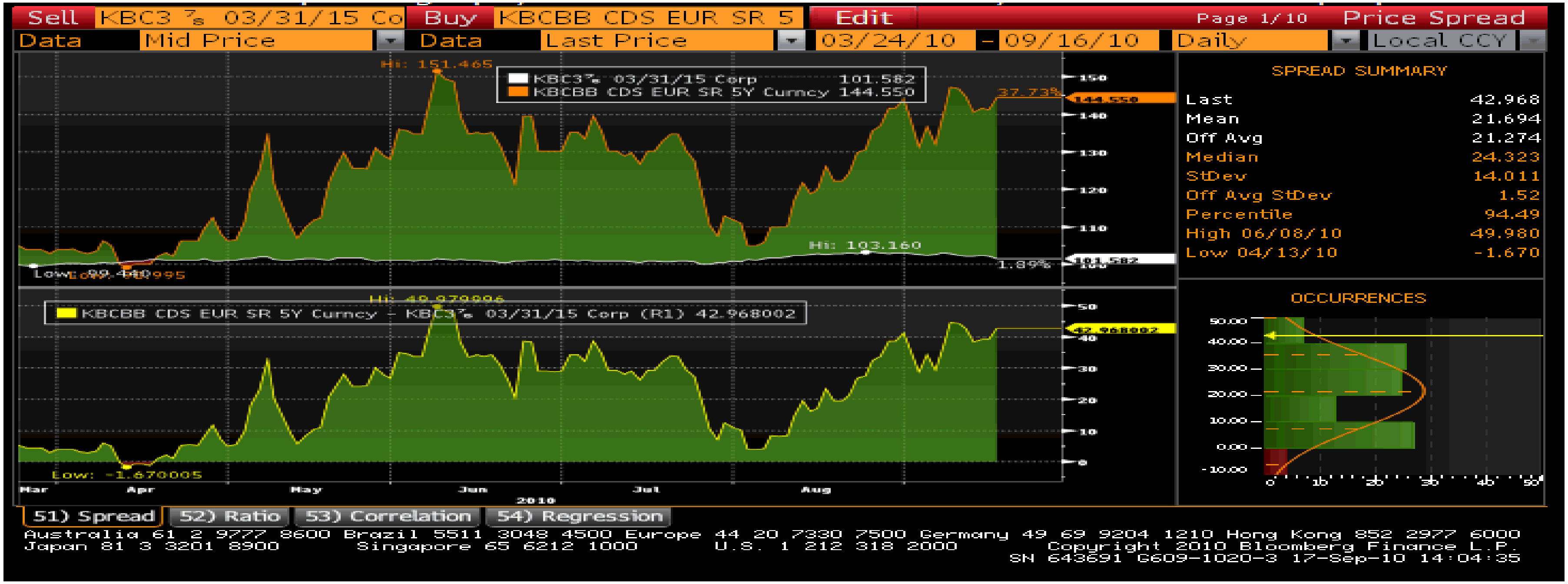
- Notional: 600m EUR
- Issue Date: 20 Jan 2010 – Maturity: 20 Jan 2012
- Coupon: 3M EUR + 75bp
- Re-offer spread: 3M EUR + 80bp (issue price 99.90%)
- Joint lead managers: KBC, UBS, DZ Bank

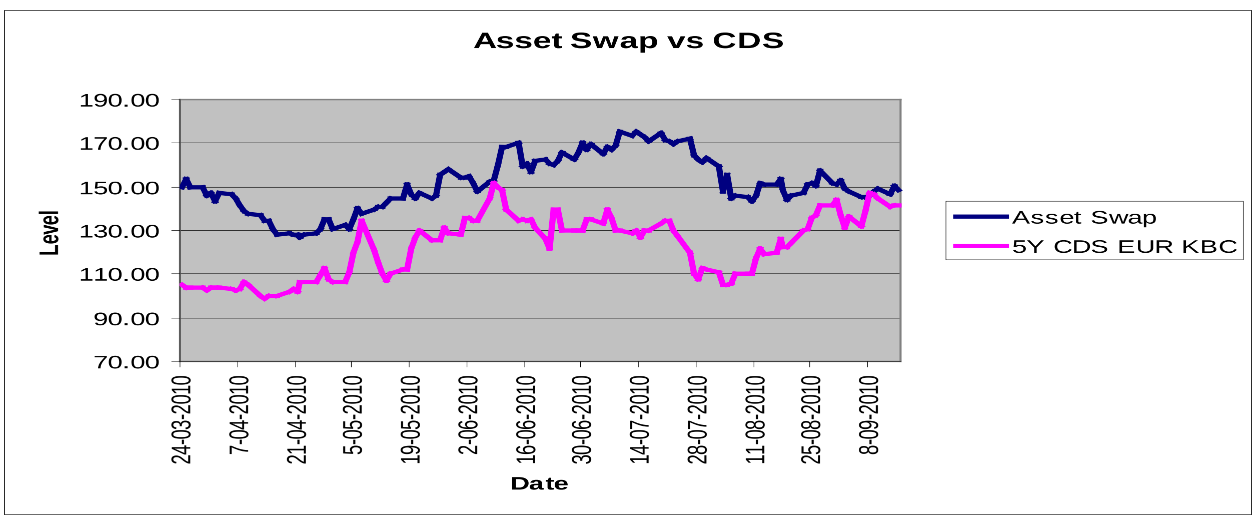
KBC 2010 Benchmarks

KBC 5Y Fixed - XS0498962124

- Notional: 750m EUR
- Issue Date: 31 March 2010 – Maturity: 31 March 2015
- Coupon: 3.875%, A, Act/Act
- Re-offer spread: 5-yr Mid Swap + 155bp (issue price 99.621%)
- Joint lead managers: KBC, DZ Bank, DB, SocGen

KBC 2010 Benchmarks



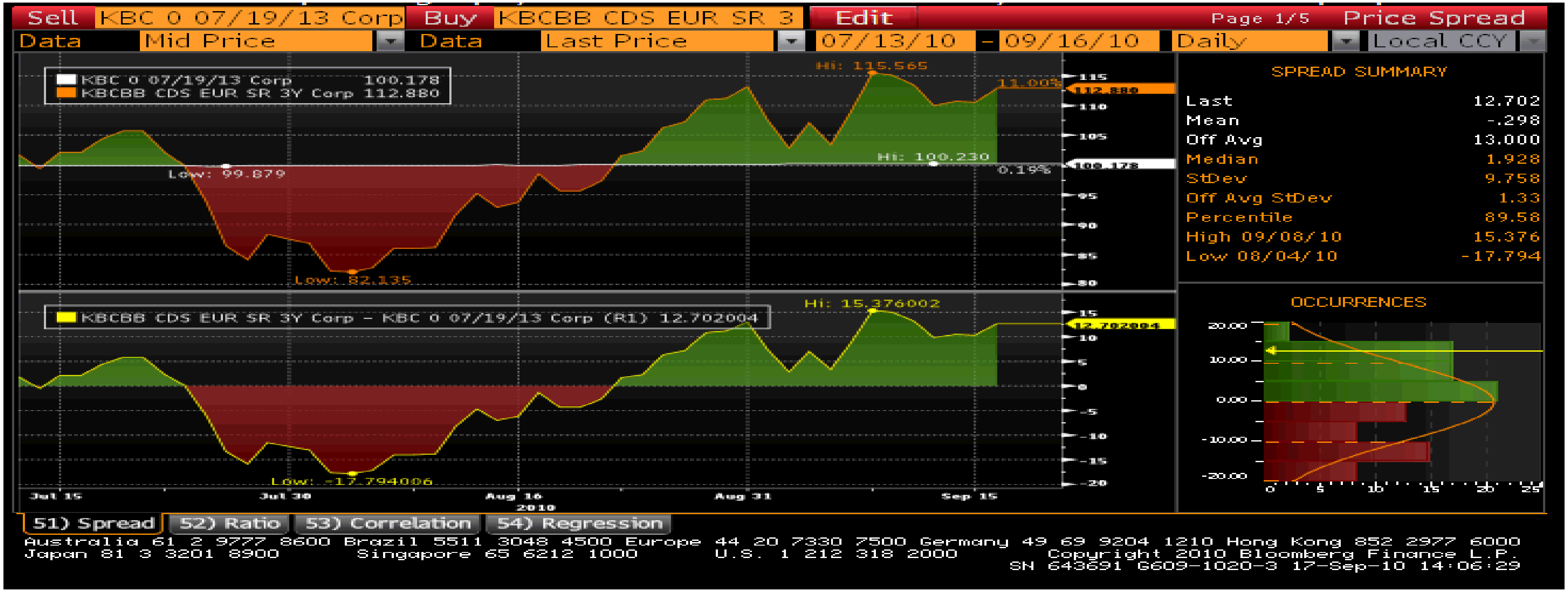


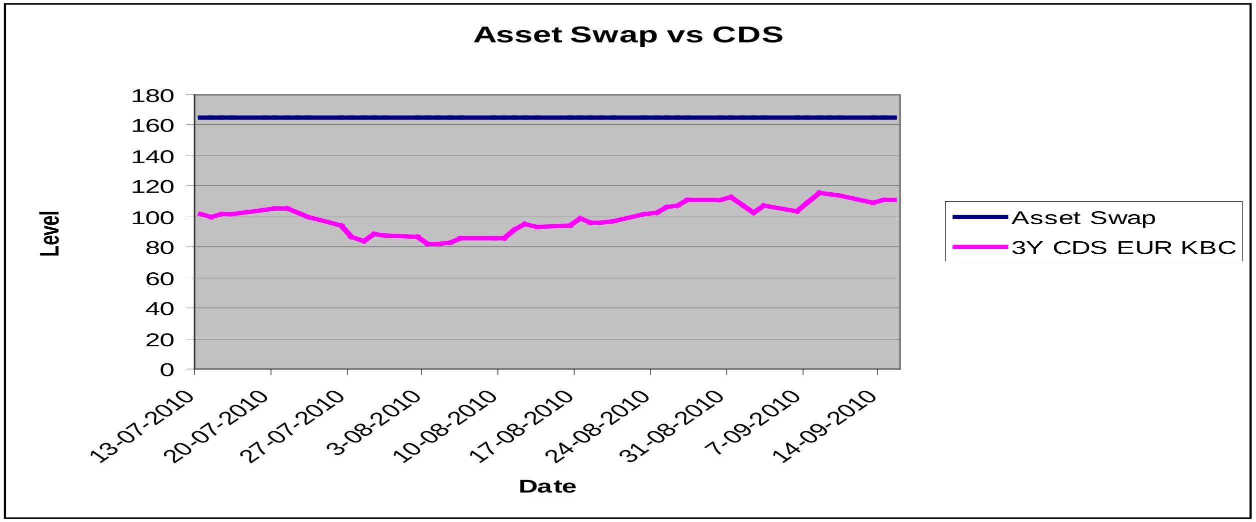
KBC 2010 Benchmarks

KBC 3Y FRN - XS0527072937

- Notional: 350m EUR
- Issue Date: 19 July 2010 – Maturity: 19 July 2013
- Coupon: 3M EUR + 165bp
- Re-offer spread: 3M EUR + 165bp (issue price: 100%)
- Joint lead managers: KBC, CS, DZ Bank

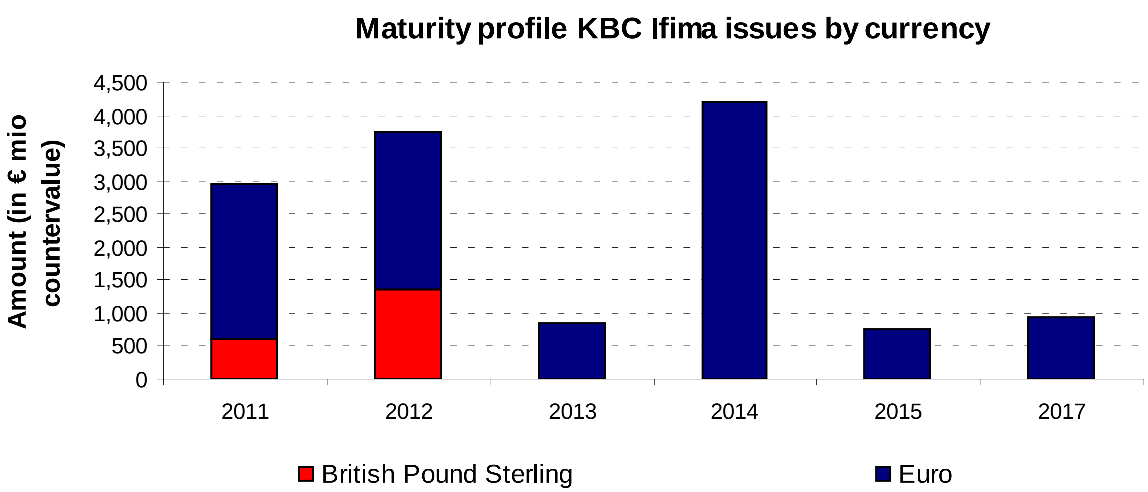
KBC 2010 Benchmarks





Outstanding Benchmarks

Pricing Date	Issuer *	Curr	Amount issued	Coupon	Settlement Date	Maturity Date	ISIN
23/jan/06	KBC Ifima N.V.	EUR	500.000.000	3-mth Euribor +8.5bp	1/feb/06	1/feb/11	XS0242421617
09 Mar 2006	KBC Ifima N.V.	EUR	500.000.000	3-mth Euribor +8bp	17 Mar 2006	17 Mar 2011	XS0247664542
10/jul/06	KBC Ifima N.V.	EUR	350.000.000	3-mth Euribor +9.5bp	18/jul/06	18/jul/11	XS0261363005
20/sep/06	KBC Ifima N.V.	EUR	1.000.000.000	3-mth Euribor +9bp	04 Oct 2006	04 Oct 2011	XS0269226238
25 Oct 2006	KBC Ifima N.V.	GBP	400.000.000	3-mth Libor +7.5bp	8/nov/06	8/nov/11	XS0273444538
3/jan/07	KBC Ifima N.V.	GBP	500.000.000	3-mth Libor +7.5bp	18/jan/07	18/jan/12	XS0281641810
9/jan/07	KBC Ifima N.V.	EUR	500.000.000	3-mth Euribor +7bp	23/jan/07	23/jan/12	XS0282215259
25/jan/07	KBC Ifima N.V.	GBP	400.000.000	3-mth Libor +7.5bp	8/feb/07	8/feb/12	XS0285159363
16/jan/07	KBC Ifima N.V.	EUR	923.000.000	4,2	16/jan/07	16/jan/17	XS0279519887
16/jan/07	KBC Ifima N.V.	EUR	355.000.000	4,05	16/jan/07	16/jan/14	XS0279518640
16 Oct 2007	KBC Ifima N.V.	EUR	1.000.000.000	3-mth Euribor +35bp	26 Oct 2007	26 Oct 2012	XS0327159074
25/jan/08	KBC Ifima N.V.	EUR	1.602.615.000	6-mth Euribor -60bp	31 Mar 2008	31 Mar 2014	XS0340282739
04 Mar 2008	KBC Ifima N.V.	EUR	250.000.000	3-mth Euribor +85bp	04 Mar 2008	04 Mar 2013	XS0350935671
06 Mar 2008	KBC Ifima N.V.	EUR	250.000.000	3-mth Euribor +85bp	06 Mar 2008	06 Mar 2013	XS0351341150
14 Mar 2008	KBC Ifima N.V.	EUR	300.000.000	3-mth Euribor +80bp	14 Mar 2008	14 Mar 2012	XS0353131419
21 Mar 2008	KBC Ifima N.V.	EUR	743.968.000	3m Euribor + 50	16 May 2008	16 May 2014	XS0352674682
12/jan/09	KBC Ifima N.V.	EUR	250.000.000	4,75	26/jan/09	26/jan/14	XS0406774538
10/sep/09	KBC Ifima N.V.	EUR	1.250.000.000	4,5	17/sep/09	17/sep/14	XS0452462723
13/jan/10	KBC Ifima N.V.	EUR	600.000.000	3-mth Euribor +75bp	20/jan/10	20/jan/12	XS0479870916
24 Mar 2010	KBC Ifima N.V.	EUR	750.000.000	3,875	31 Mar 2010	31 Mar 2015	XS0498962124
12/jul/10	KBC Ifima N.V.	EUR	350.000.000	3-mth Euribor +165bp	19/jul/10	19/jul/13	XS0527072937



* Issues are guaranteed by KBC Bank NV

Main characteristics of outstanding T1 issues

SUBORDINATED BOND ISSUES KBC BANK

	KBC Bank Funding Trust II	KBC Bank Funding Trust III	KBC Bank Funding Trust IV	KBC Bank NV	KBC Bank NV	KBC Bank NV
Amount issued	EUR 280,000,000	USD 600,000,000	EUR 300,000,000	GBP 525,000,000	EUR 1,250,000,000	EUR 700,000,000
Tendered	EUR 161,300,000	USD 431,400,000	EUR 179,200,000	GBP 480,500,000		
Net Amount	EUR 118,700,000	USD 168,600,000	EUR 120,800,000	GBP 44.500,000		
ISIN-code	XS0099124793	USU2445QAA68 / US48239AAA79	US48239FAA66 / USU2445TAA08	BE0119284710	BE0934378747	XS0368735154
Call date	30/06/2009	2/11/2009	10/11/2009	19/12/2019	14/05/2013	27/06/2013
Coupon	6,875%	9,86%	8,220%	6,202%	8,000%	8,000%
Step-up coupon	3m euribor + 300bps	3m usd libor + 405bps	3m usd libor + 405bps	3m gbp libor + 193bps	no step-up	no step-up
First (next) call date	30/12/2010	2/11/2010	10/11/2010	19/12/2019	14/05/2013	27/06/2013
ACPM	-	-	-	Yes	Yes	Yes
Dividend Stopper	-	-	-	Yes	Yes	Yes
Conversion into PSC	-	-	-	Yes	Yes	Yes
Trigger	-	-	-	Supervisory Event or general "concursus creditorum"	Supervisory Event or general "concursus creditorum"	Supervisory Event or general "concursus creditorum"
Dividend payments	Dividends are only payable with respect to any Dividend Period if, and to the extent that, the Dividends for the corresponding Dividend Period are declared (or deemed declared for the purposes, and subject to the conditions of the Bank Guarantuee or Holding Guarantee) on the securities owned by the Trust (together with the aforementioned guarantees, the assets of the Trust). Dividends will be paid to the extent that the Trust has funds available for the payment of such Dividends from its assets.					

Tender offer organized in September 2009

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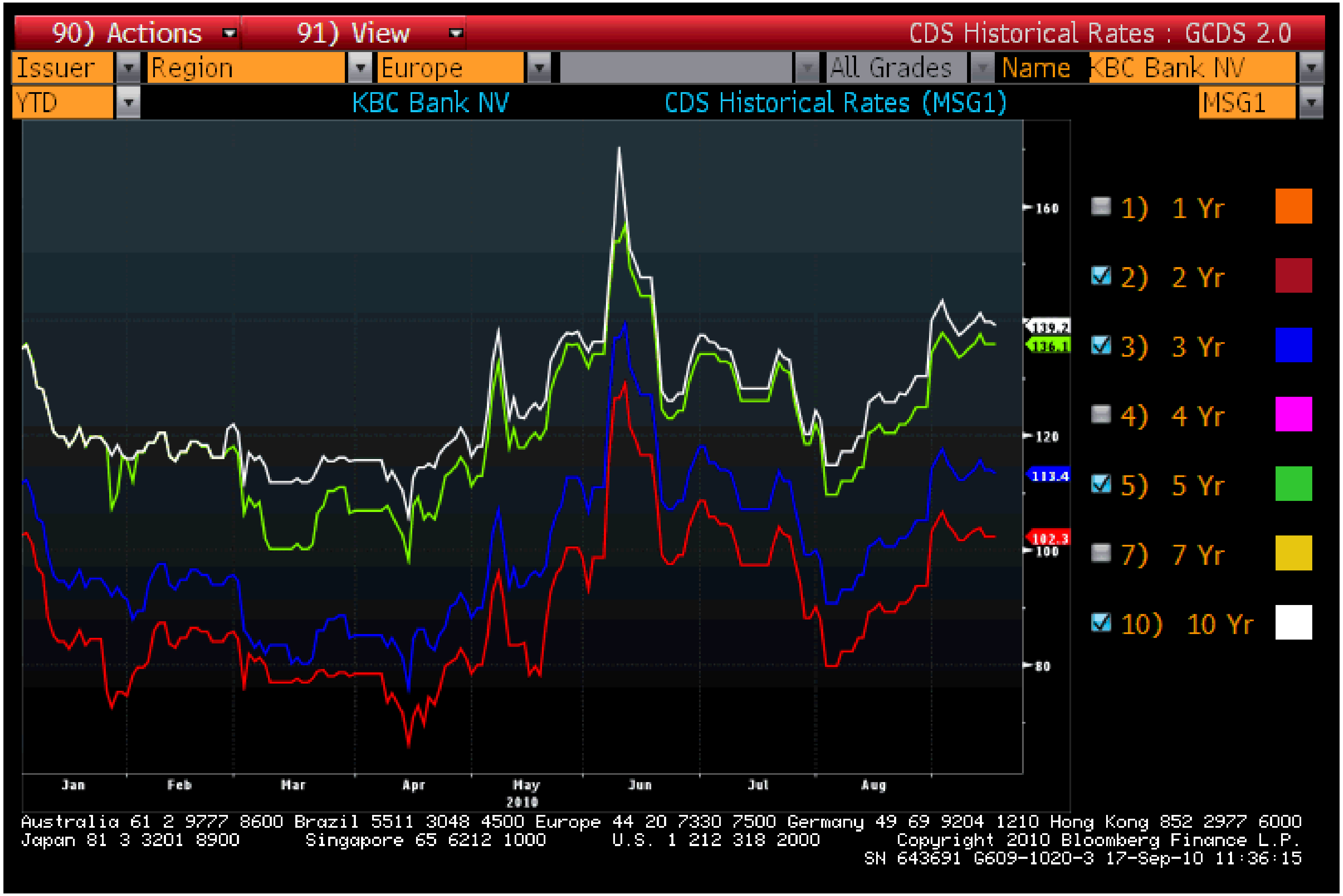
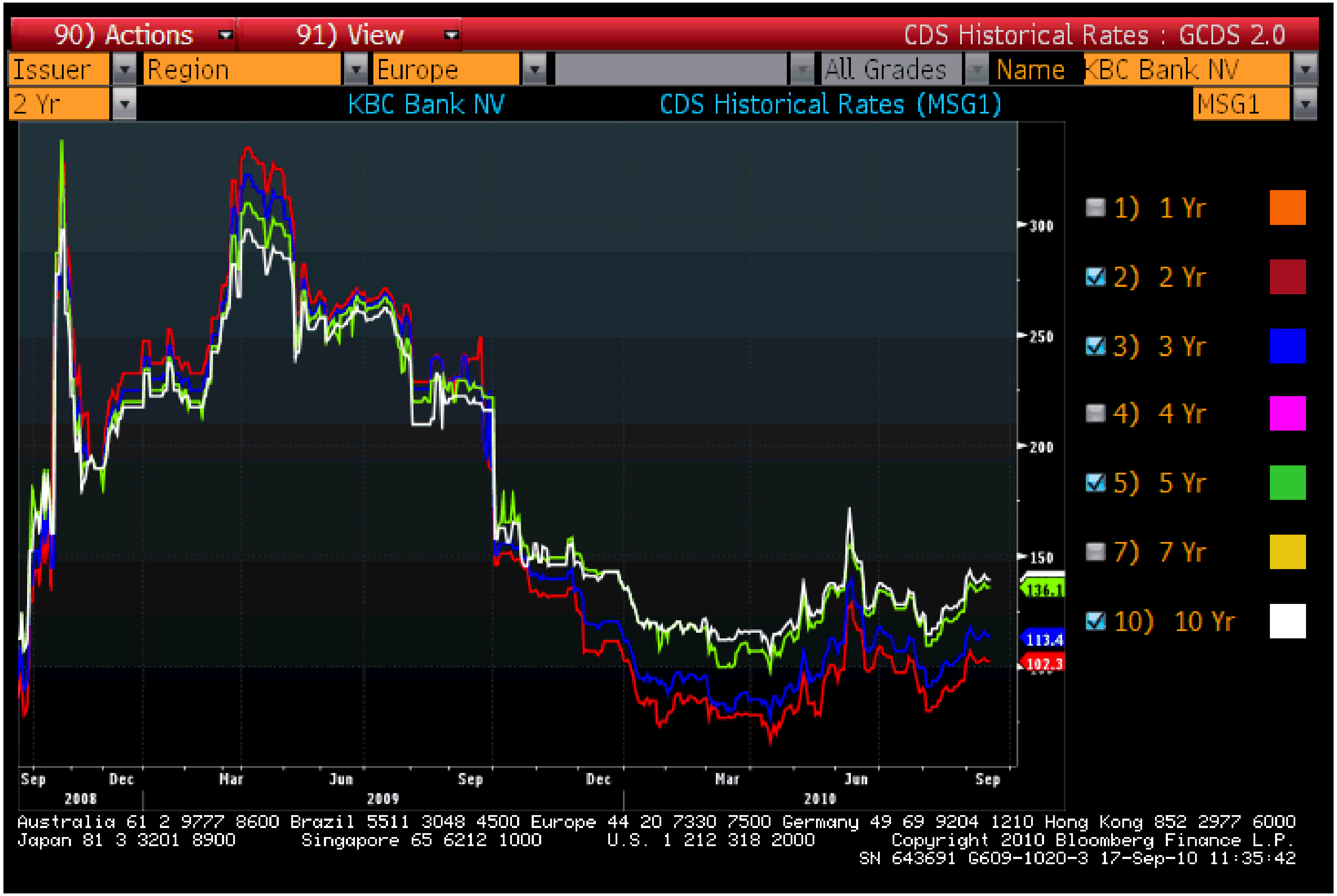
KBC Bank CDS evolution

- KBC Bank CDS Spreads YTD



KBC Bank CDS evolution

- KBC Bank CDS Spreads over the last 2 years



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The New Future

REMINDER

KBC aims to be a high-performing European regional player with a more focused range of activities/markets and a reduced risk profile

- Activities with low strategic fit will be divested or run down
- Capital is to be re-allocated to capture sustainable organic growth potential of core businesses while also reimbursing State capital

KBC will build on sustainable foundations in Belgium

- The strategy is based on relationship bancassurance via a dense network
- Complementary sales channels are being divested to generate repayment capacity for State capital securities
- The market is delivering an attractive return, while being a low risk business

KBC is resuming the convergence play in CEE

- We are committed to 5 core markets where we have a strong foothold
- Strategy fundamentals remain unchanged and based on a refined business model
- A minority share in CSOB is scheduled to be floated, unlocking a significant amount of capital and creating an opportunity to strenghten the link to the local market

KBC is reshaping the 'other' activities

- KBC has divested private banking outside home markets
- Major reduction of scope and risk profile of international commercial banking operations (targeted RWA – 25% groupwide)
- Determined run-down of market activities (mainly KBC FP)
- All remaining merchant banking activities have a strategic fit with home markets

Strategic review – Dec 2009

REMINDER

		Keep and refine	Divest	Reduce
BEL	Bancassurance in Belgium	☑	☐	☐
BEL	Complementary channels for banking & insurance in Belgium	☐	☑	☐
CEE	Bancassurance in CEE-5	☑	☐	☐
CEE	Banking in CEE, outside EU (Russia,Serbia)	☐	☑	☐
Merchant	Corporate banking for home market business customers	☑	☐	☐
Merchant	Investment banking services for home market customers	☑	☐	☐
Merchant	International corporate banking for international customers	☐	☑	☑
Merchant	Structured derivatives, other IB	☐	☑	☑
PB	Private banking outside home markets	☐	☑	☐

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	☑				✓
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					

"Well on our way to deliver"

Capital planning update after 1H10 results

Illustration only

KBC, capital plan 2010-2013, building block illustration (all amounts in EUR)

Capital needs	
Organic RWA growth on core business (5-10% cagr)	2.0–2.5bn
Reimbursement State (incl. penalty)	9.3–10.5bn
Total	**11.3–13.0bn**
Mid-point	**12.2bn**

UPDATED Capital sources, end 1H10	
Available surplus incl. KBL (above 8% core tier-1)	3.1bn
Earnings power (based on sell-side consensus), net of div/State coupon	4.6bn
RWA reduction (18bn)	1.4bn
Divestment gains	0.0-0.5bn
IPO Czech sub	1.5–2.5bn
Other financial optimisation	1.4bn
Total	**12.0–13.5bn**
Mid-point	**12.8bn**

Other assumptions made (for illustration purposes only):
- Dividend payout 2011-2013: 1 euro gross per share (340m)
- Schedule of repurchase of state securities, including maximum penalty premium: EUR 3.5bn each year (‘11-’13)

⇨Available surplus (3.1bn EUR) already represents 24% of capital plan (mid-point) (3.5bn EUR available surplus capital including CDO effects of the last 9 months (4Q09-1H10)

Our plan meets the capital needs

Illustration only

CAPITAL NEEDS*
* Including 5.0%- 7.5% RWA projections

11.3 – 13.0bn

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

CAPITAL GENERATION

12.0 – 13.5bn

Flexibility in place to offset execution risk

- Including the effect of the sale of KBL EPB, the excess regulatory capital accumulated beyond the 10% tier-1 solvency target amounted to around 3.0bn EUR at the end of 2Q10. Excluding all CDO effects, available surplus capital at the end of 2Q10 amounted to around 2.6bn EUR (incl. effect of sale of KBL EPB)

- Should the strategy (incl. RWA shrinkage and divestments) not sufficiently generate additional capital, we could consider a series of other measures in 2012/2013:
  - Postpone redemption of up to 3.5bn EUR of State securities over several years post 2013
  - Review our position as a mortgage lender in Ireland, which is not part of our core business, but is currently not for sale (book value: 1bn EUR, no goodwill, 9bn EUR RWA)

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Basel III impact for KBC Group

- Most important KBC-related items:
  - Grandfathering for the non-voting core-capital securities until 1 January 2018
  - Innovative hybrid instruments will be excluded from non-common equity tier-1; non-innovative hybrid instruments will be phased out over a 10-y horizon beginning 1 January 2013
  - The regulatory adjustments (i.e. deductions and prudential filters) will be fully deducted from common equity by 1 January 2018 (e.g. DTAs and investments in financial institutions)
  - 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 Dec 2009)
  - Removal from Common Equity of AFS filter: unrealised gains or losses recognised on the balance sheet are reflected in Common Equity
  - We also welcome the new definition of liquid assets, leading to an improved LCR and NSFR

- Still several uncertainties:
  - How and when will the countercyclical buffer be implemented?
  - What additional impact will systemically important banks have to bear?
  - What will be the concrete impact on RWAs?
  - How will the market react on the phased-in implementation of the Basel III minimum requirements?
  - Regarding minorities to be included in Common Equity of the home country: what will be the minimum required capital level in the host country?

- As a result, it’s too early to make exact quantitative disclosure of the full effects

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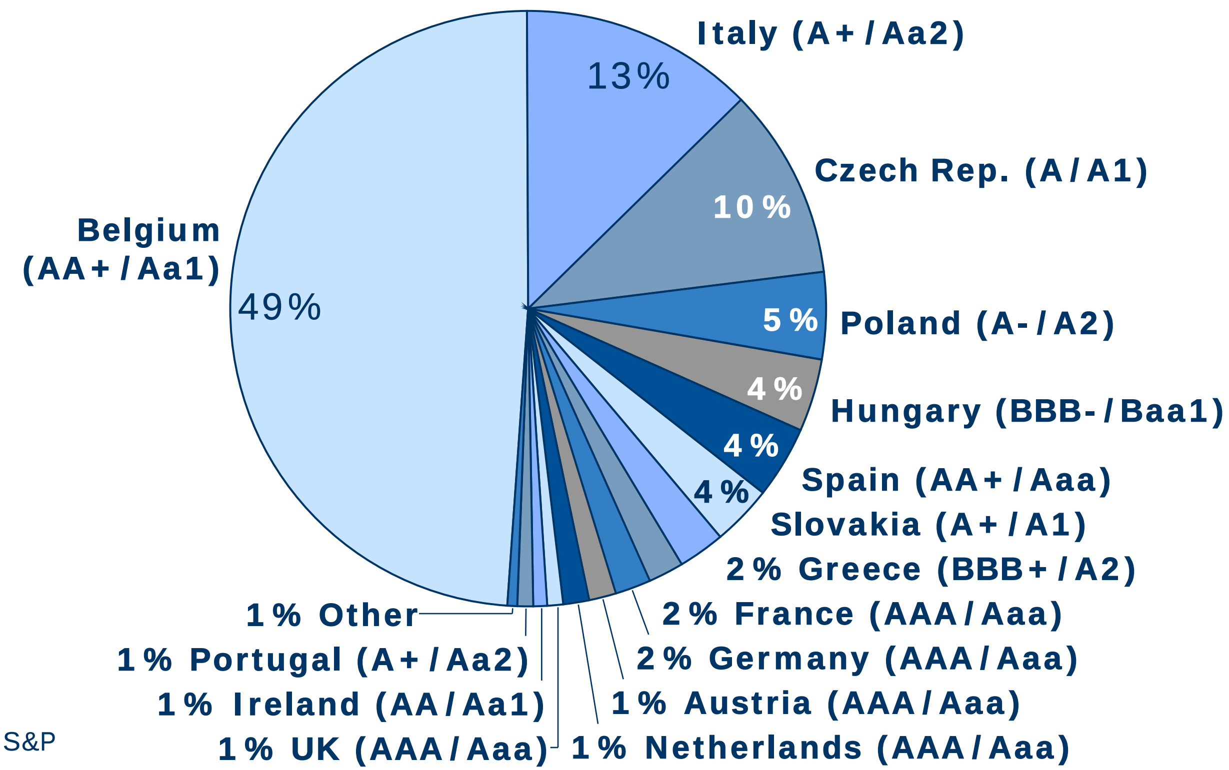
Sovereign risk at KBC Group

- KBC holds approximately 60bn EUR of investments in government bonds (excl trading book), primarily as a result of the significant excess liquidity position and the reinvestment of insurance reserves into fixed income instruments
- No material exposure to non-European sovereigns, while investment in Central Eastern European bonds relates to the placement of local excess liquidity and insurance reserves in the Central Eastern European Business Unit
- No new investment below AA-

Geographical breakdown (end 2009)



Sovereign ratings are from S&P and Moody's, respectively

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
	Loans & 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 1.7bn EUR, of which 0.1bn EUR in 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

	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**

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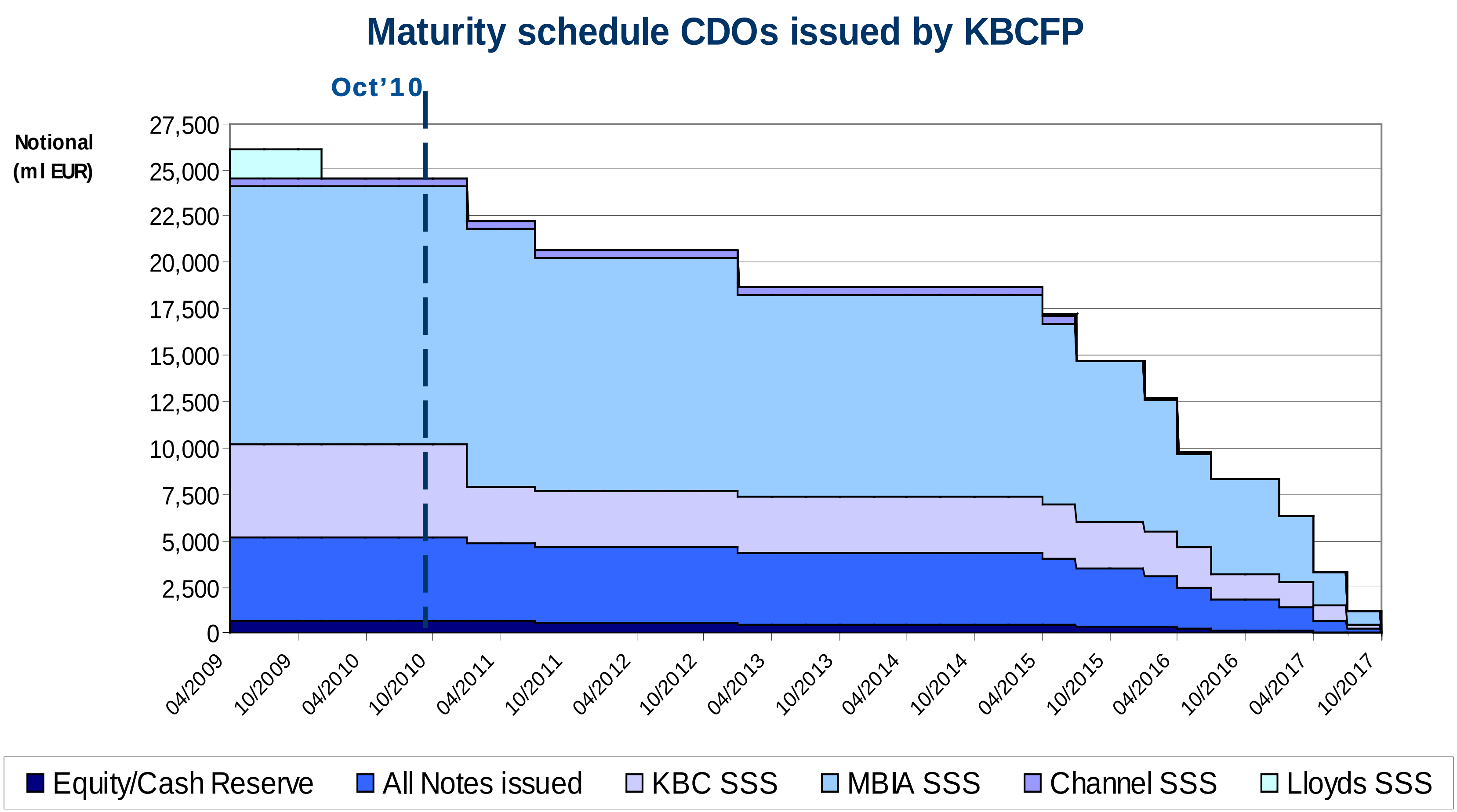
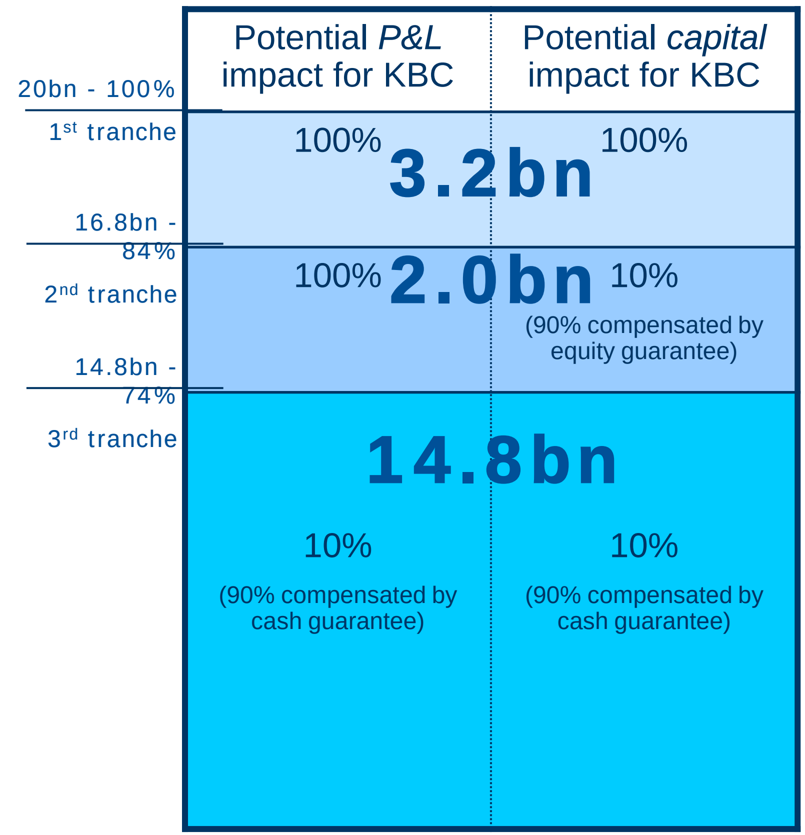
Maturity schedule for CDO portfolio



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

CDO State Guarantee, overview

- State guarantee on 20bn CDO-linked instruments
  - Scope
    - CDO investments that were not yet written down to zero (5.5bn) when the transaction was closed
    - 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



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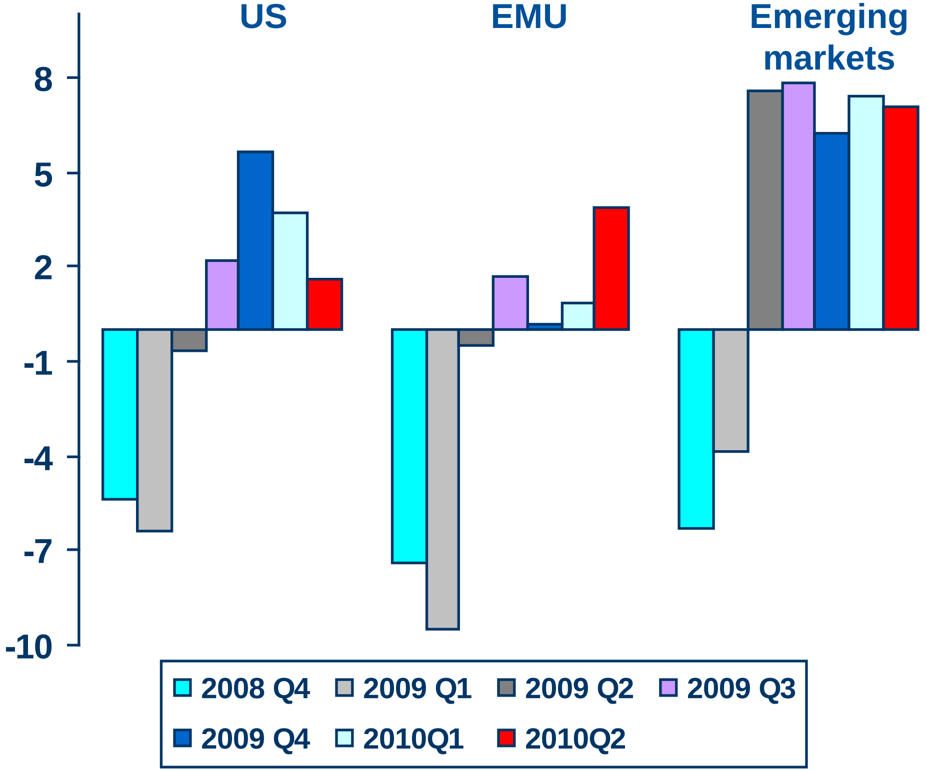
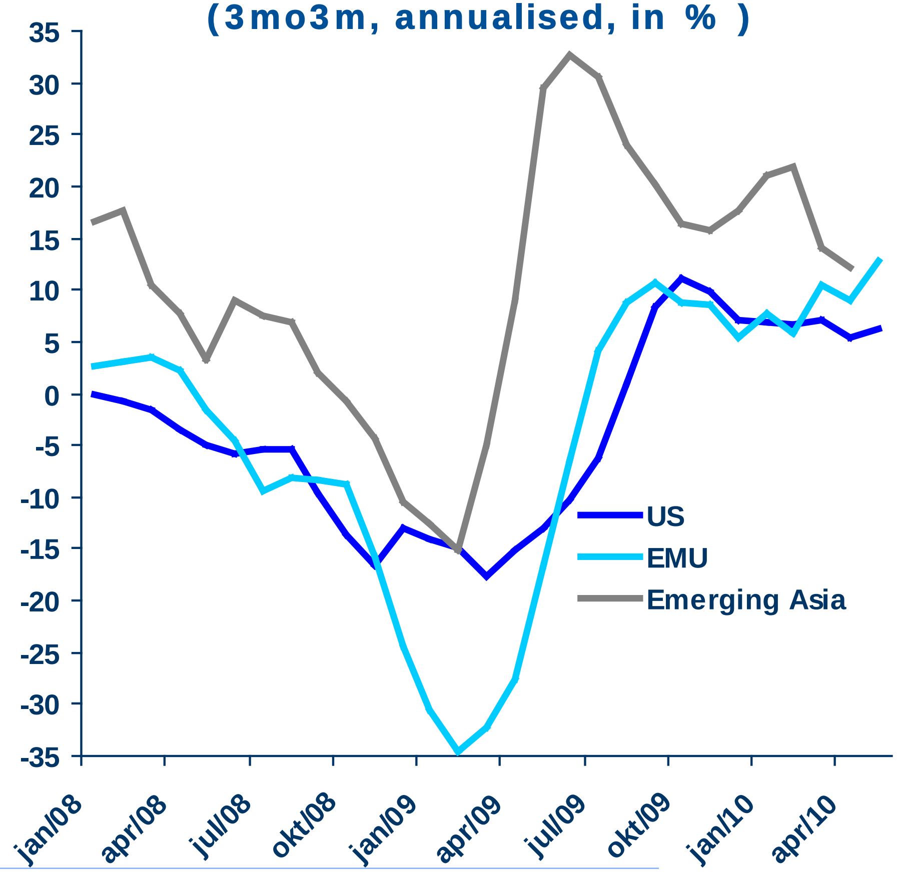
Global growth losing some momentum in 2Q10

- *US: sharper than expected slowdown*
- *EMU: upside surprise*
- *Emerging markets: strong, but decelerating*

Real GDP-growth
(QoQ annualised, in %)

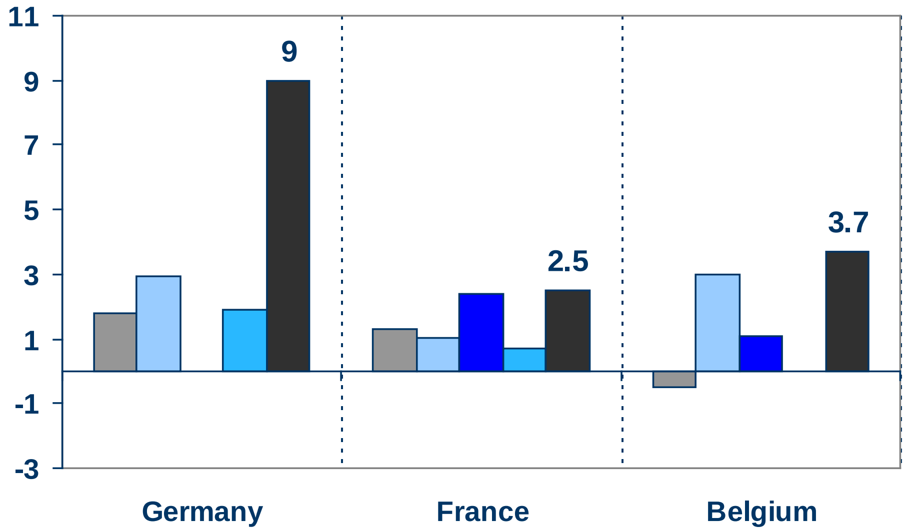


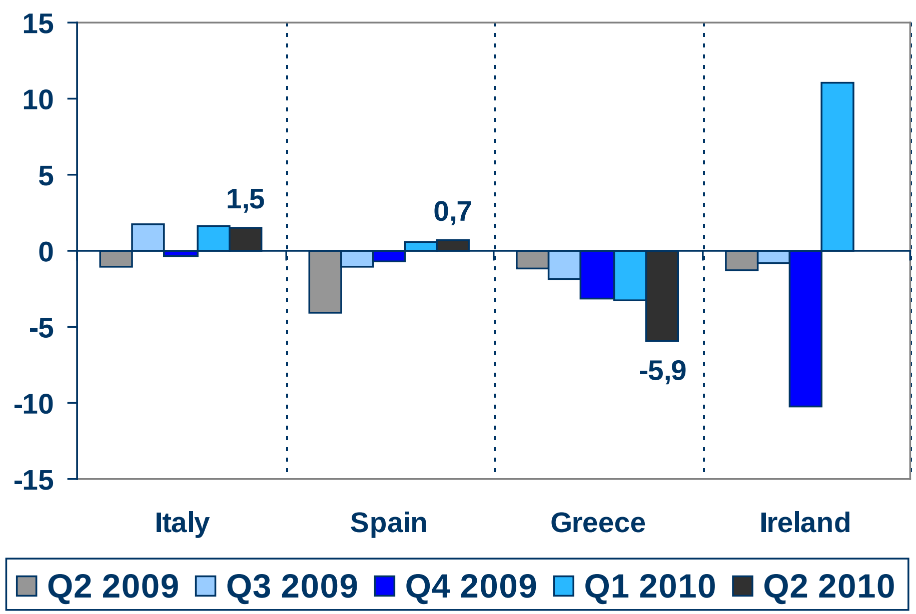
Industrial production growth
(3mo3m, annualised, in %)



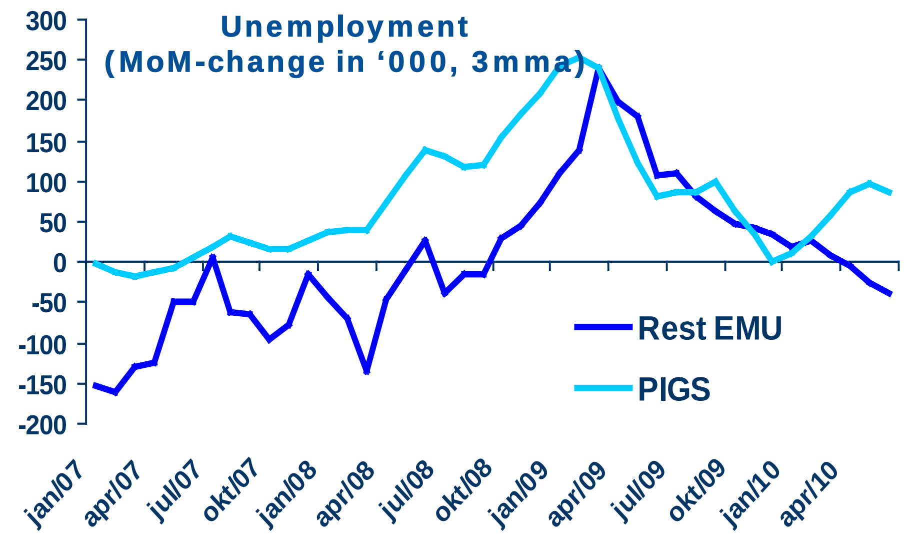
EMU: 2Q10 growth surge – surprising & uneven

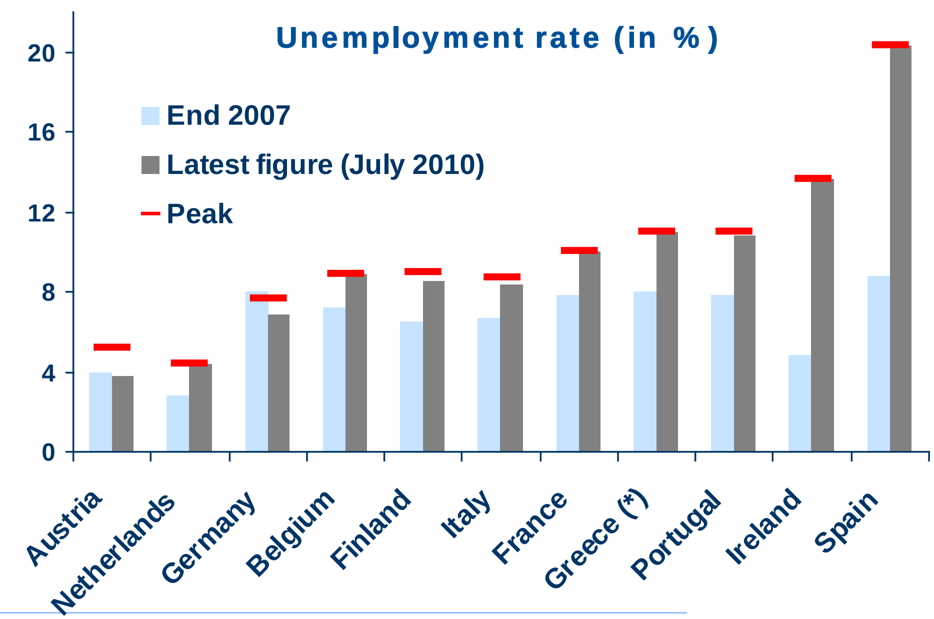
Real GDP-growth (QoQ annualised, in %)





Intra EMU labour market divergence is getting worse





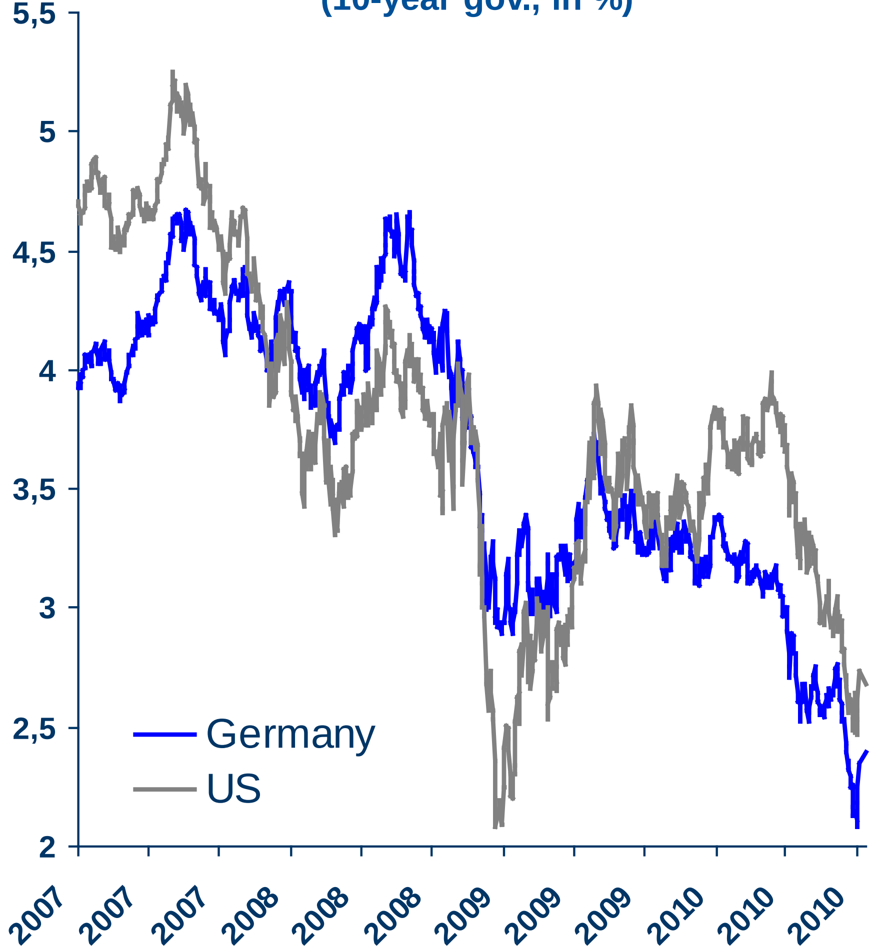
Economic outlook (KBC base case scenario)

	Real GDP growth (in %)	
	2010	*2011*
US	2.7	2.0
EMU	1.6	1.3
Belgium	1.8	1.5
Czech Rep.	1.7	1.8
Slovakia	3.7	3.0
Hungary	0.7	2.7
Poland	3.2	3.4

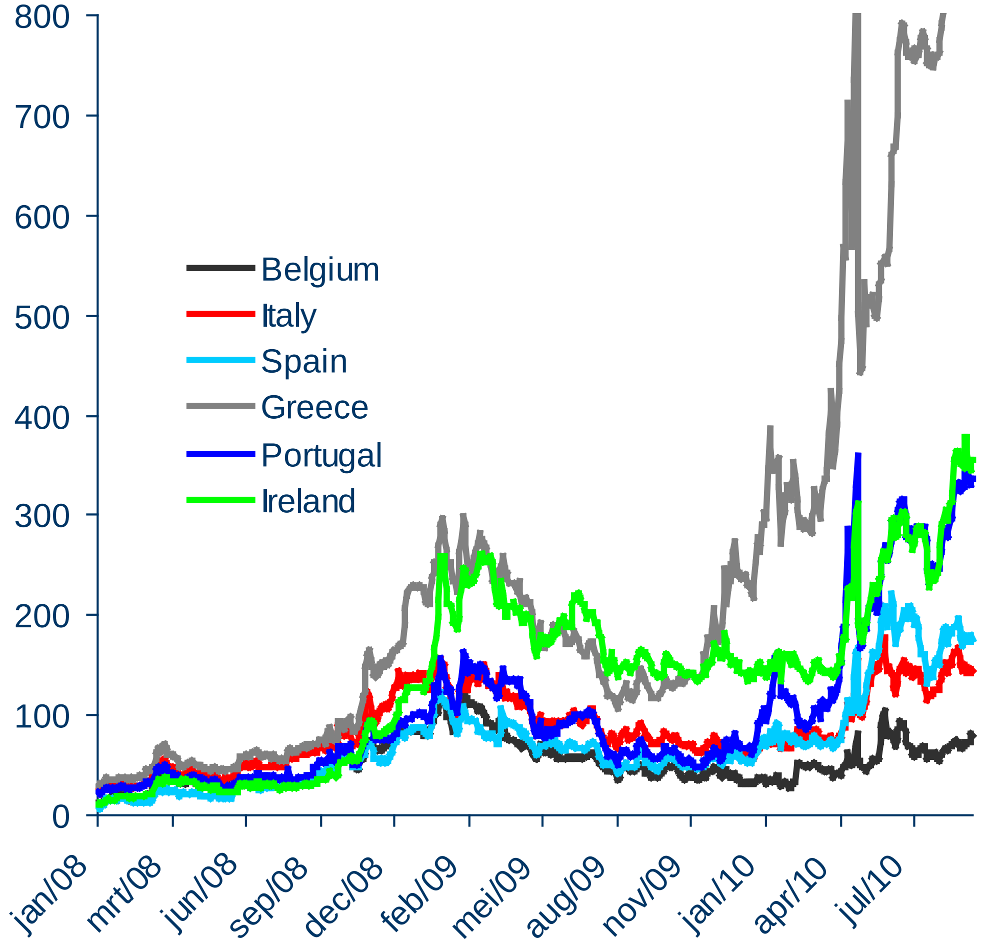
	Inflation (in %)	
	2010	*2011*
US	1.6	1.6
EMU	1.4	1.5
Belgium	1.9	1.8
Czech Rep.	1.5	2.3
Slovakia	1.6	2.6
Hungary	5.0	4.1
Poland	2.5	2.8

Interest rates: extremely low, but intra EMU spreads persistently high

Long-term interest rates (10-year gov., in %)



Interest rate spreads intra EMU (difference with 10-year Bund, in bps.)



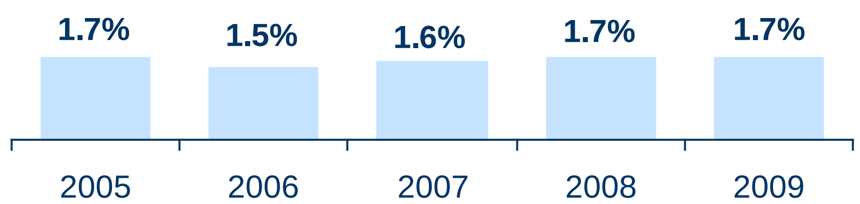
Housing market in Belgium

Belgian housing market not a threat

- In many markets house prices dropped significantly during 2007-2009 whereas in Belgium house prices increased by 3% in 2008 and dropped by (only) 2% in 2009
- Over the past decade, house prices have developped in line with structural factors such as demographics, interest rates and disposable income
- KBC has adopted a disciplined approach to mortgage product offerings: mortgages with ‘high LTV’, ‘interest-only’, ‘no-income-verification’ or similar features are not commonly used
- The financial situation of Belgian households remains sound with debt to income levels well below those in the most affected countries

Decrease in house prices, peak to trough, Sep 2009	
USA	-34%
IRL	-23%
ESP	-9%
BEL	-2%

KBC, share of non-performing loans, Belgian retail business*



Source: KBC

Source: KBC, Economic research