KBC Group

Delivering Sustainable Risk-Adjusted Growth

Morgan Stanley Investor Conference, March 2011

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Content

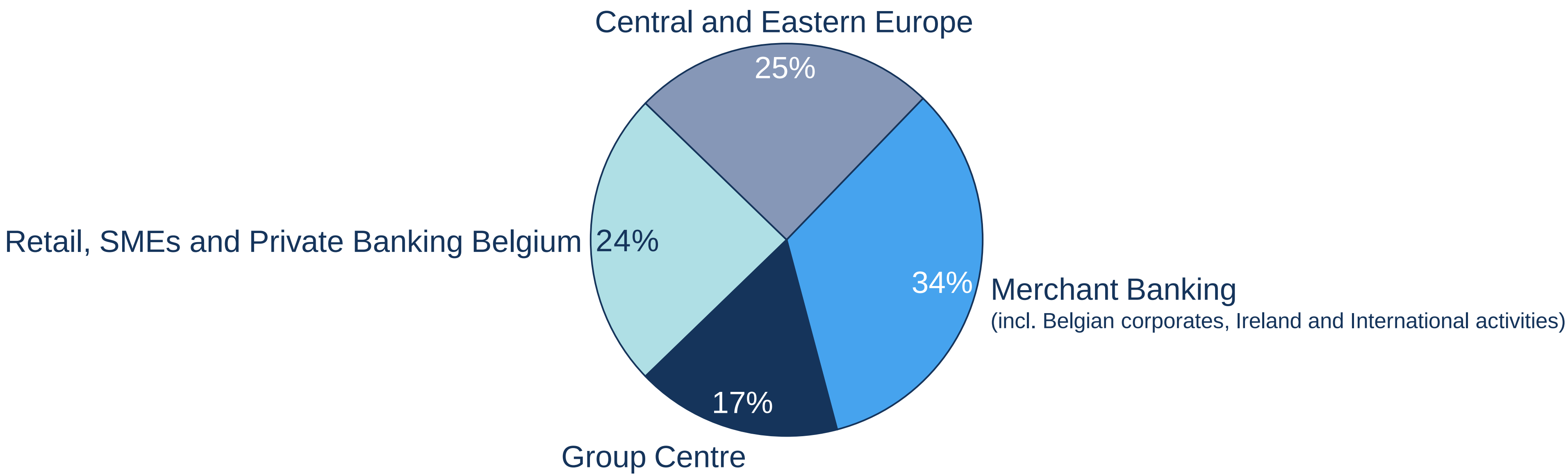
Section 1

Company profile and strategy

KBC

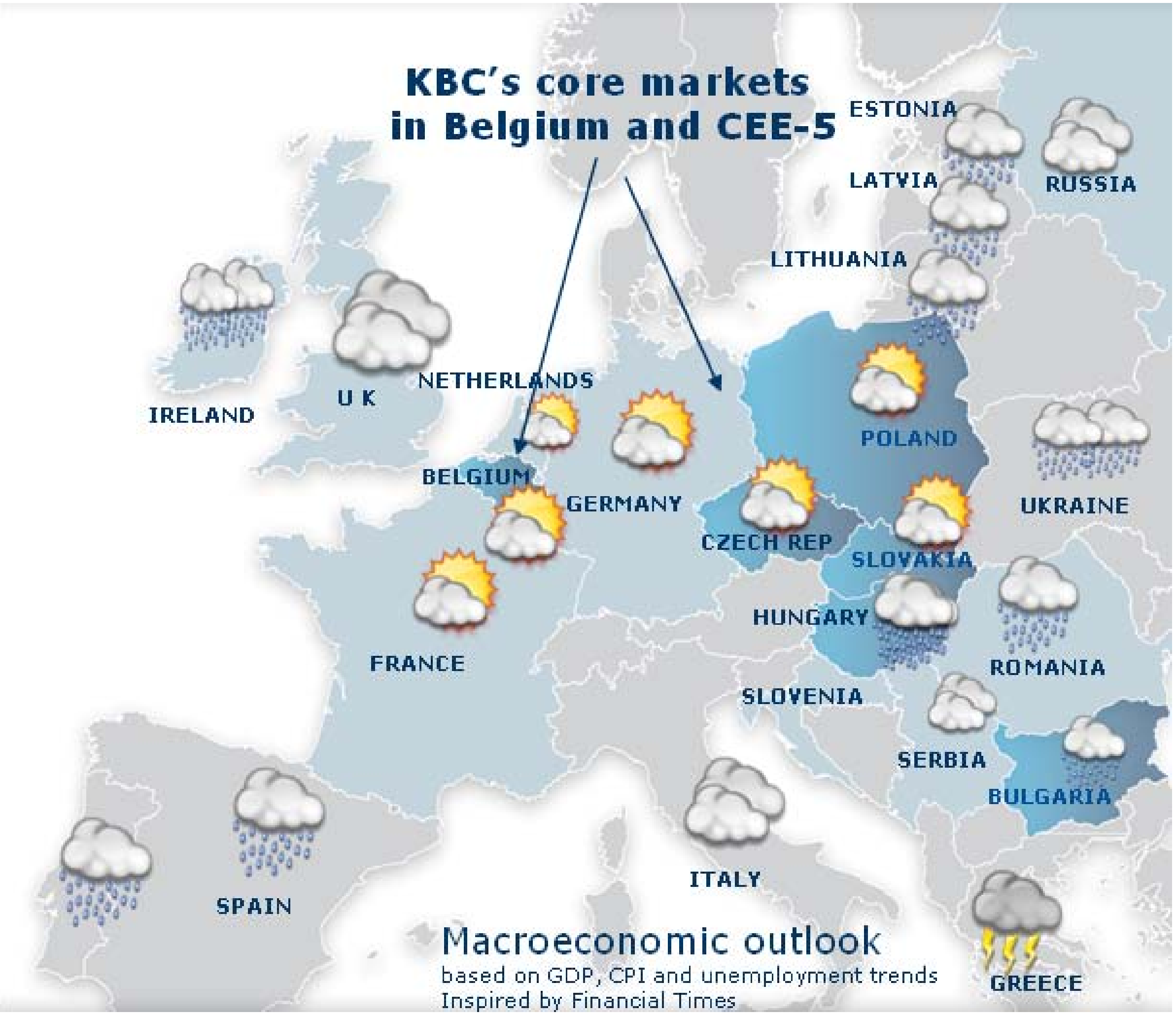
Business profile

Breakdown of allocated capital as of 31 December 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 in which the company has a 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 of KBL EPB has already been announced)

KBC's geographical presence



KBC'S CORE MARKETS

Belgium (Moody's Aa1)
Total assets: 180bn EUR

Czech Republic (A1)
Total assets: 36bn 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, February 2011

	% of assets	2010a	2011e	2012e
PL	4%	+3.8%	+4.0%	+4.0%
SK	2%	+4.2%	+3.2%	+3.5%
BE	56%	+2.0%	+1.9%	+2.0%
CZ	11%	+2.2%	+2.1%	+3.0%
BG	1%	+0.2%	+2.8%	+3.8%
HU	4%	+1.0%	+2.5%	+2.9%

Market shares of KBC in core markets

Market shares, as of end-2010**

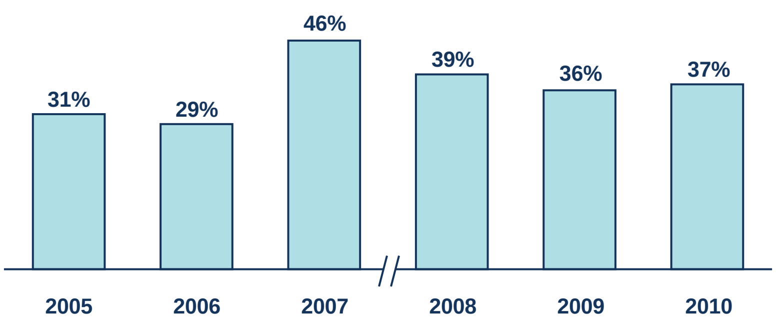
	Belgium	Czech Republic	Slovakia	Hungary	Poland	Bulgaria
(Inhabitants)	(10 million)	(10 million)	(5 million)	(10 million)	(39 million)	(8 million)
Loans and deposits	21% ↑	23%* →	10% →	9% →	4% →	3% →
Investment funds	39% →	32% ↓	11% ↓	20% →	5% →	-
Life insurance	17% →	9% →	5% →	3% ↓	8% ↑	13% ↓
Non-life insurance	10% →	5% →	2% →	4% →	9% →	12% ↓

* Including the joint venture with CMSS. Excluding this, the market share would amount to roughly 20%-21%
** Market shares are based on preliminary figures

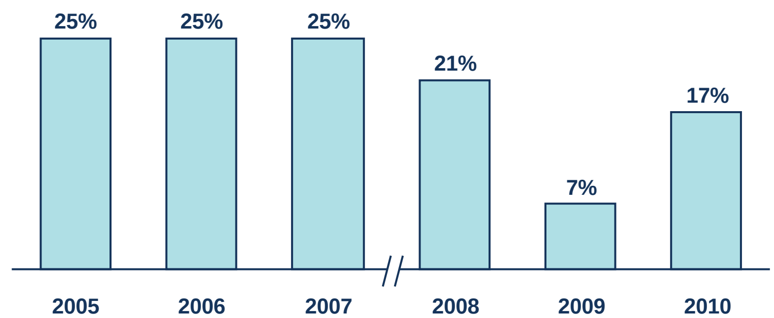
A successful core strategy

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

Return on allocated capital - Belgium*



Return on allocated capital - CEE*



  - Remaining asset risks manageable, so 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, 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, book value of 2.6bn EUR at end 2010)
  - Certain additional measures

3. Pay Back State Capital & Continue Growth

- Accumulated capital will be sufficient to reimburse the State, whilst maintaining sound solvency (10% tier-1 target) and steady organic growth

Key strengths

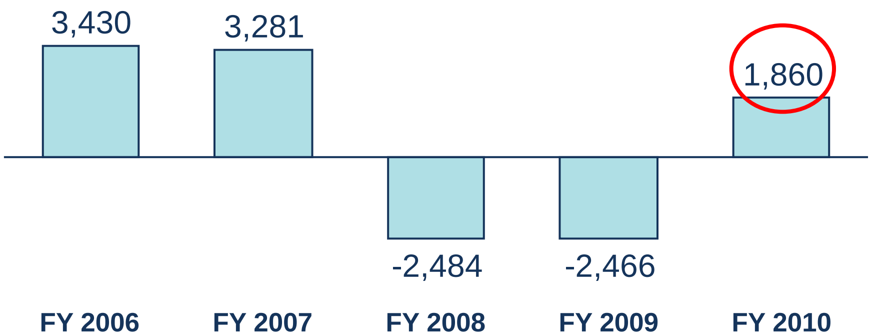
- Well-developed bancassurance strategy and strong cross-selling capabilities
- Strong franchise in Belgium with high and stable return levels
- Exposure/access to growth in ‘new Europe’, with mitigated risk profile (most mature markets in the region)
- Successful underlying earnings track record
- Solid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

Section 2

FY 2010
Financial highlights

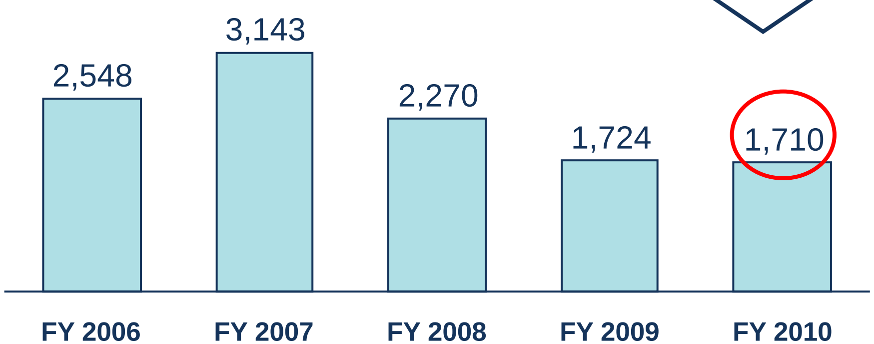
FY 2010 Group profit

Net reported profit



Excluding exceptional items

Net underlying profit



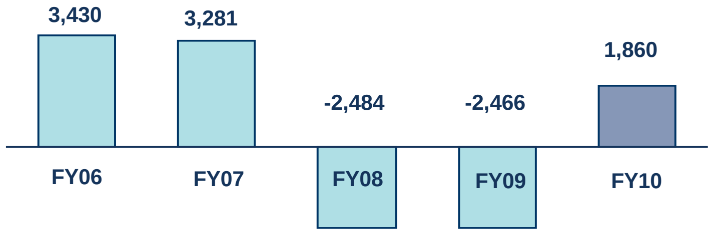
- 1.9bn EUR net reported profit, a clear break from the results of the previous 2 years
- 1.7bn EUR net underlying profit, in line with 2009
  - Good revenue generation (both NII and net F&C)
  - Strict cost management
  - Lower impairments
  - Despite items such as bank tax and one-off provisions for Ireland and KBC Lease UK

Amounts in m EUR

Solid core earnings power

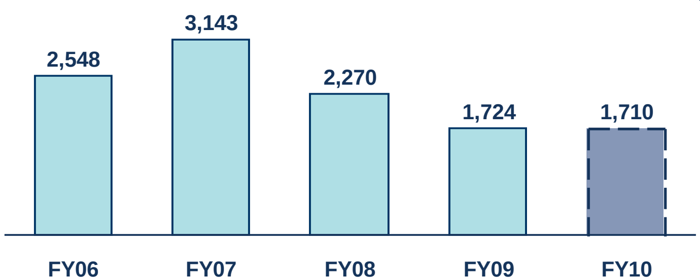
Amounts in EUR million

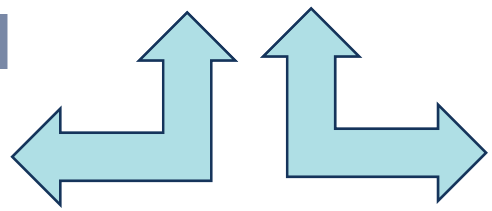
Reported net profit



Excl. exceptional items

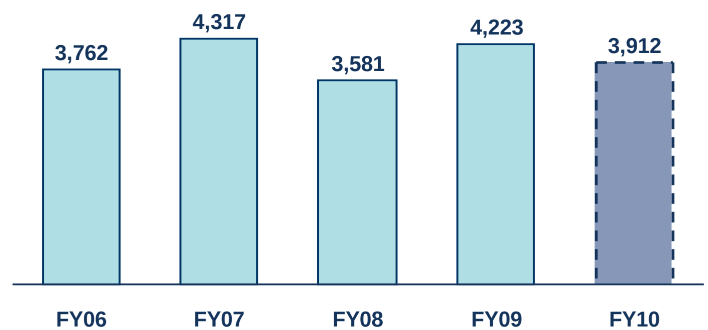
Underlying net profit





Excl. exceptional items and cyclical effects of credit provisions

Underlying gross operating income (pre-impairments)



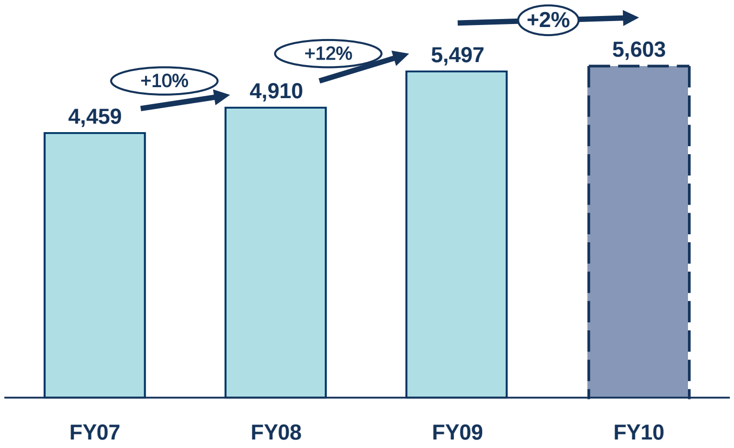
Underlying gross operating income (core earnings) in FY09 and FY10 is roughly in line with the pre-crisis FY06 and FY07 level (when trading income was still much higher)

Revenue keeping up well based on healthy margin environment

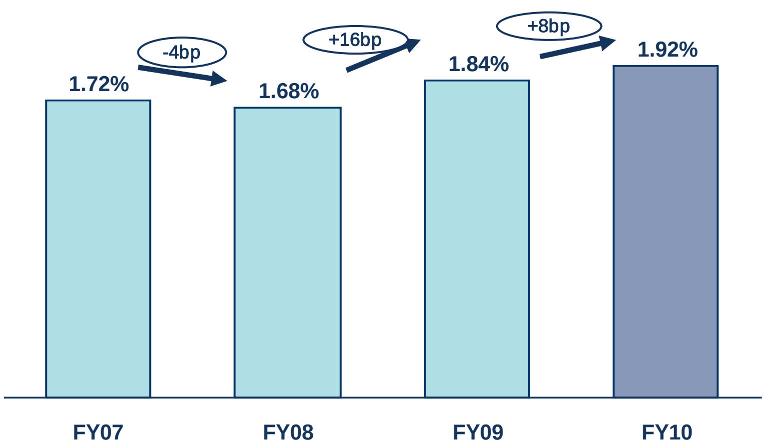
- Net interest income from lending and deposit-taking rose 2% in 2010 on account of healthy credit spreads and shift to higher-margin deposit products. The NIM increased 8bps y-o-y to 1.92%, partly thanks to some technical items
- Loan volumes fell 2% yoy in FY10, while deposit volumes rose 6% in FY10. 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

Amounts in EUR million



Net interest margin

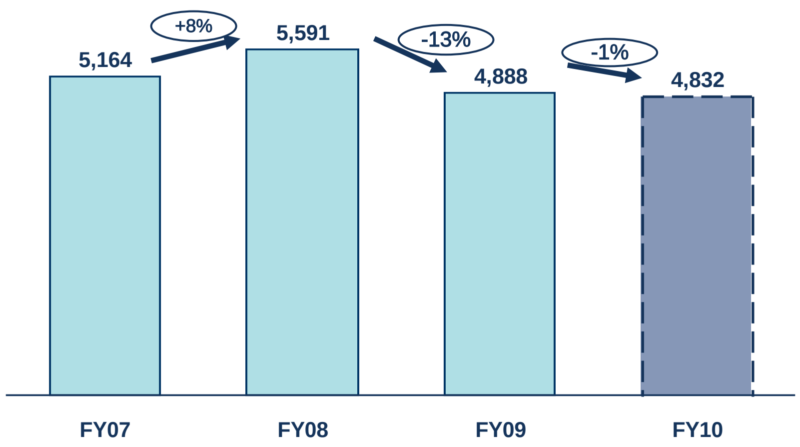


Continued tight cost control, loan loss provisions significantly lower

- Even after the 13% y-o-y reduction in operating expenses realised in 2009, operating costs remained very well under control (-1% y-o-y in 2010), reflecting strong cost management, despite the Belgian and Hungarian bank tax. We still believe that costs in 2011 on a like-for-like basis will start to increase somewhat going forward
- In 2010, loan loss provisions were significantly lower (-20% y-o-y): consistently low in Belgium BU and substantially lower in the CEE and Group Centre BUs

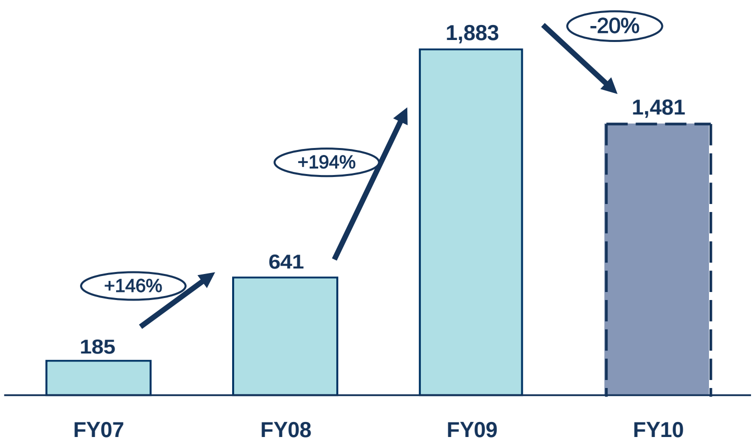
Underlying operating expenses

Amounts in EUR million



Underlying loan loss provisions

Amounts in EUR million



Loan loss experience at KBC

	FY 2010 credit cost ratio	FY 2009 credit cost ratio	Average '99 –'10	Peak '99 –'10
Belgium	**0.15%**	0.15%	0.16%	0.31%
CEE	**1.22%**	1.70%	1.05%	2.75%
Merchant	**1.38%***	1.19%	0.55%	1.38%*
Group Centre	**1.03%**	2.15%		
Total	**0.91%**	1.11%	0.45%	1.11%

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

* This high credit cost ratio level at Merchant Banking is fully attributable to KBC Bank Ireland

Highlights underlying full year 2010 results

- Net underlying profit of 1.7bn EUR
- Rising net interest income thanks to a higher net interest margin (1.92% in 2010 vs 1.84% in 2009)
- Increased sales of unit-linked products, offset by lower sales of 'guaranteed interest' products; combined ratio stable at 100%
- Strong recovery in net fee and commission income, reflecting the gradually improved investment climate
- 9% lower trading and fair value income
- Lower operating expenses (-1% y-o-y), reflecting strong cost management, despite the Belgian and Hungarian bank tax
- Significantly lower loan loss provisions: consistently low in Belgium BU and substantially lower in the CEE and Group Centre BUs
- Solid capital (4.5bn EUR surplus capital) and liquidity position

Section 3

Asset Quality

Credit quality

Total Assets

Tangible & intangible fixed assets

Loan book
(loans & advances to customers)

1. Credit quality

Trading assets

2. Trading exposure

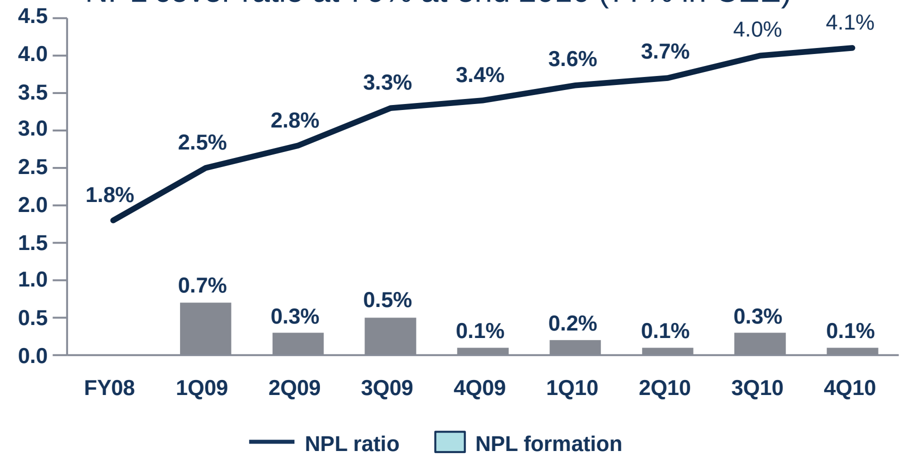
Investment portfolio

3. 'Toxic' assets

4. Sovereign bonds

Other (incl. interbank loans)

- Customer loan book: 151bn EUR at end 2010
  - 41% residential mortgages
  - 3% consumer finance
  - 12% other retail loans
  - 44% SME/corporate loans
- Largely sold through own branches
- Total NPL at 4.1% at end 2010 (5.6% in CEE)
- The NPL formation has stabilised
- NPL cover ratio at 76% at end 2010 (77% in CEE)



20

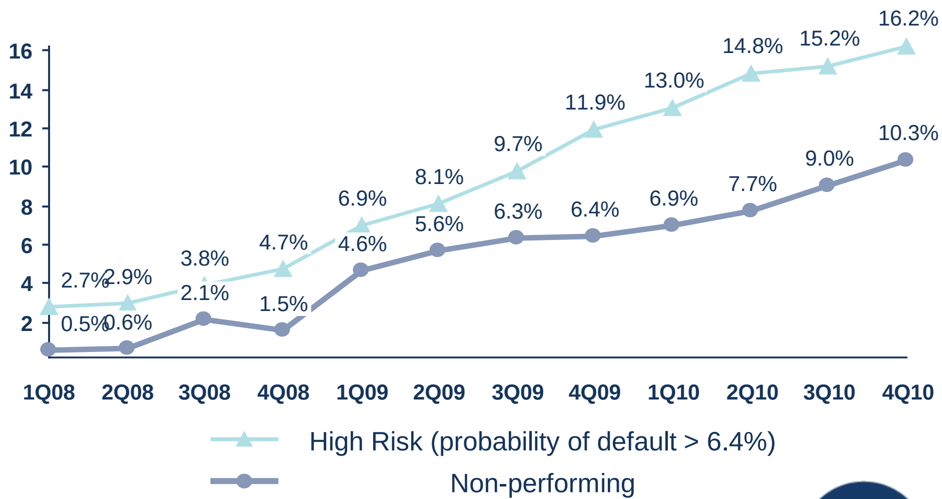
Focus on NPL trends in Ireland

- 302m EUR loan impairments charged in 4Q10 (525m EUR in FY10)
- NPL rose to 10.3% in 4Q10 (9.0% in 3Q10), reflecting the continued difficult economic conditions in Ireland. The outstanding portfolio has been reduced from 18.0bn EUR at the end of 2009 to 17.2bn EUR at the end of 2010
- 73% of the outstanding portfolio remains low or medium risk
- The increase in mortgage provisions reflected weaker market conditions in Ireland through 2010
- The NPL coverage ratio has risen to 42% (from 29% in 3Q10). NPL coverage ratio reflects predominance of residential mortgages (and the relatively low exposure to real estate development)
- Local tier-1 ratio was 10.3% at the end of 4Q10 (10.6% at the end of 3Q10)

Irish loan book – key figures December 2010

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.8bn	7.4%	29%
Buy to let mortgages	3.3bn	10.9%	33%
SME /corporate	2.3bn	7.3%	55%
Real estate investment	1.3bn	15.2%	42%
Real estate development	0.6bn	50.4%	76%
	17.2bn	10.3%	42%

Proportion of High Risk and NPLs



Trading activities

Total Assets

Tangible & intangible fixed assets

Loan book

(loans & advances to customers)

1. Credit quality

Trading assets

2. Trading exposure

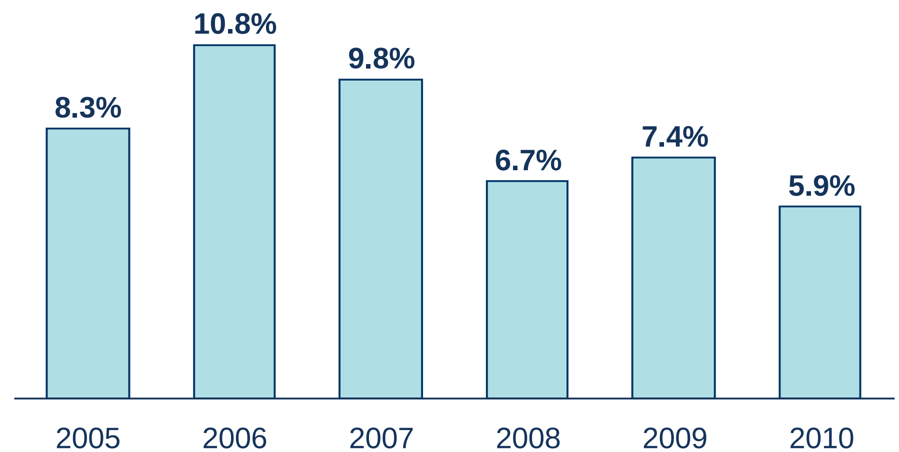
Investment portfolio

3. ‘Toxic’ assets

4. Sovereign bonds

Other (incl. interbank loans)

Net (un)realised gains from FIFV within the subdivision ‘Market Activities’, ‘05-’10 (on a pro forma basis)



Underlying net (un)realised gains from FIFV within ‘Market Activities’ (on a pro forma basis) as a % of group underlying total income

Less dependency on net (un)realised gains from FIFV within the subdivision ‘Market activities’ (part of MEB), and more in particular of the dealing room results

22

Investment portfolio

Total Assets

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

CDO exposure (bn EUR)	Notional	Outstanding markdowns
- Hedged portfolio - Unhedged portfolio	14.9 7.7	-1.2 -4.8
TOTAL	**22.5**	**-6.0***

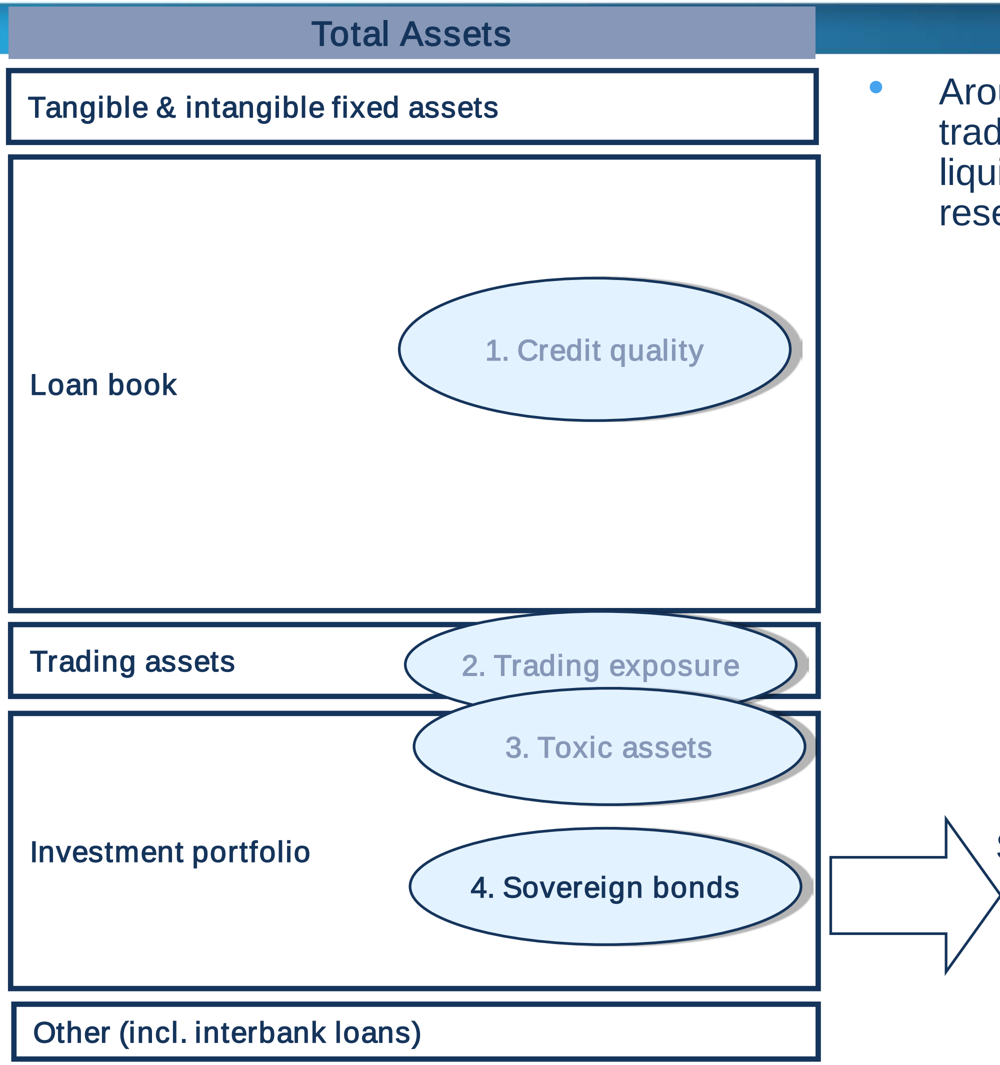
Amounts in bn EUR	Total
Value adjustments (since start crisis)	-6.0
“Effective” loss (i.e. expect. losses based on claimed credit events) *	-1.9
- Of which impact of settled credit events	-1.1

* Excl. impact on equity and junior CDO pieces

- The total notional amount decreased by roughly 2.2bn EUR as a result of the first maturity in the CDO book
- At end of 2010, outstanding value adj. amounted to 6.0bn EUR vs. 1.9bn EUR effective cash losses (excl. impact on equity and junior CDO pieces)
- Within the scope of the sensitivity tests, the value adjustments reflect an 17% cumulative loss in the underlying corporate risk
- Reminder: CDO exposure largely written down or covered by a State guarantee

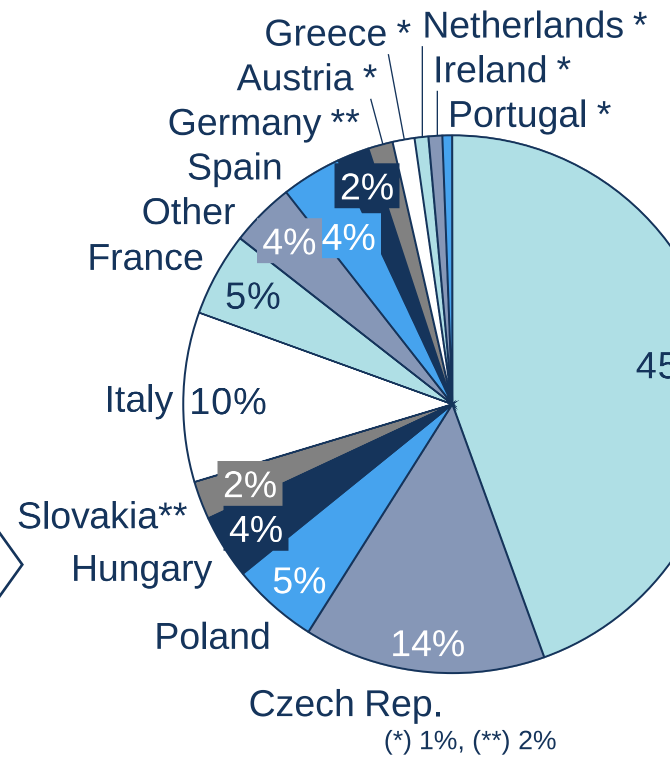
23

Investment portfolio (cont'd)



- Around 60bn investment in government bonds (excl trading book), primarily as a result of significant excess liquidity position and the reinvestment of insurance reserves into fixed income instruments

End 2010



No material non-EU sovereign exposure

Section 4

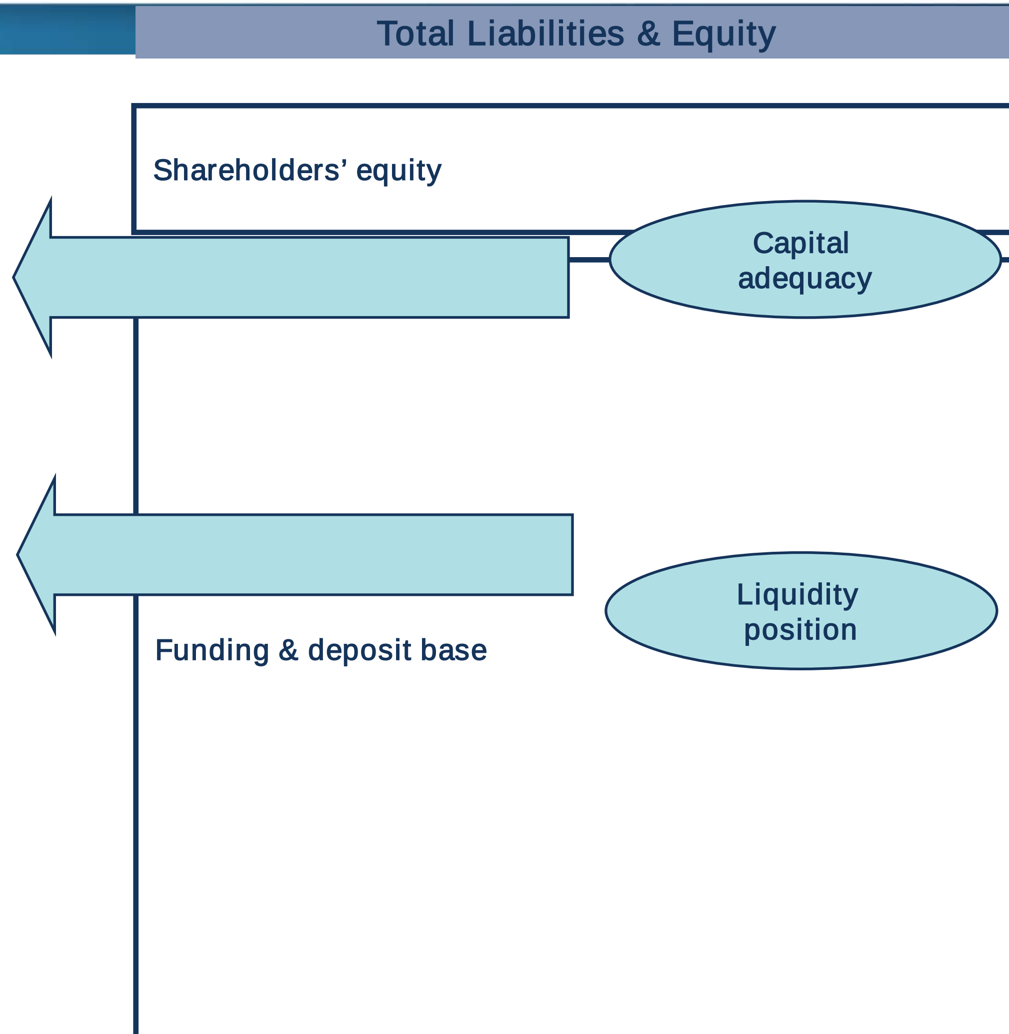
Solvency and Liquidity

Solvency and liquidity position

With core tier-1 ratio of 10.5% at KBC Bank (excl. KBL EPB) and 10.9% at KBC Group, KBC is well positioned to pursue organic growth

With loan-to-deposit ratio at 81%, 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

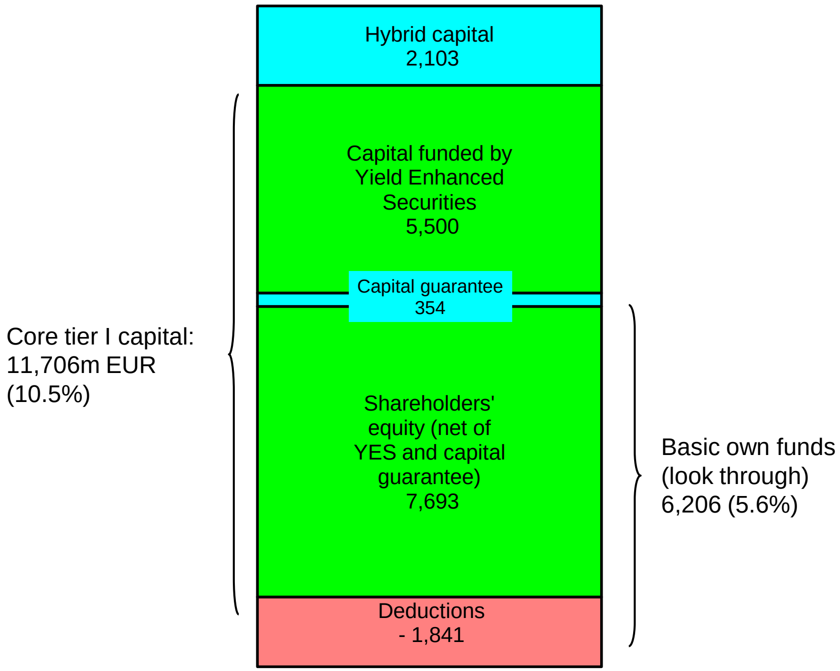


26

Overview total (Core) tier-1 composition

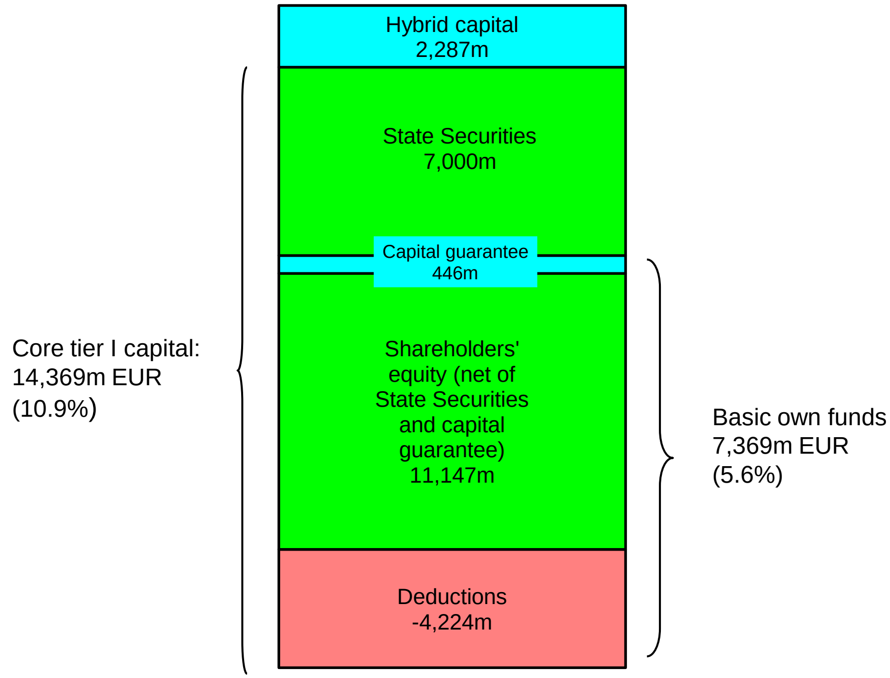
KBC Bank

Total tier I capital: 13,809 (12.4%)



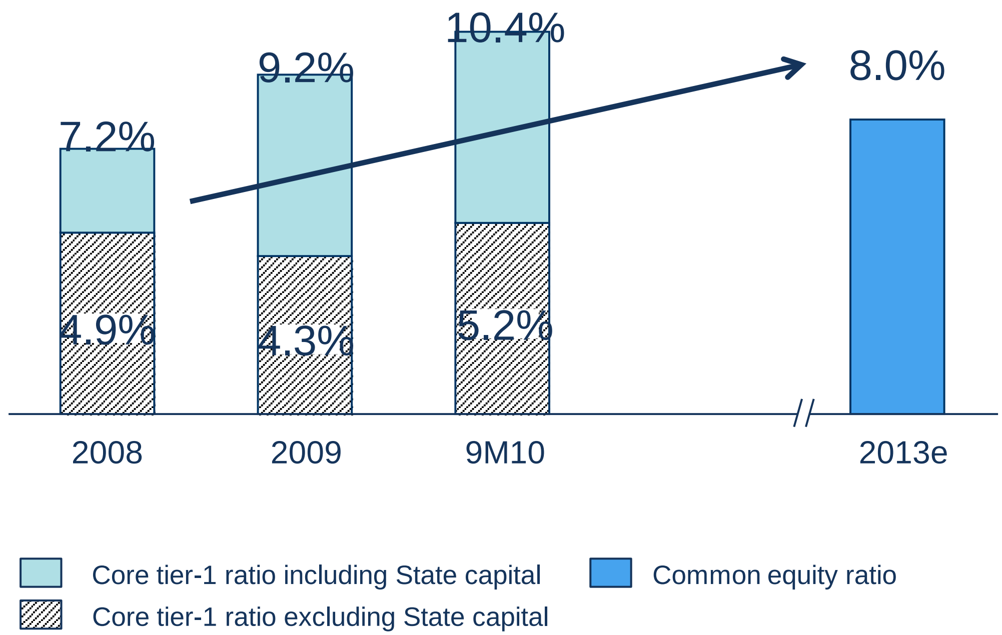
KBC Group

Total tier-1 capital: 16,656m EUR (12.6%)

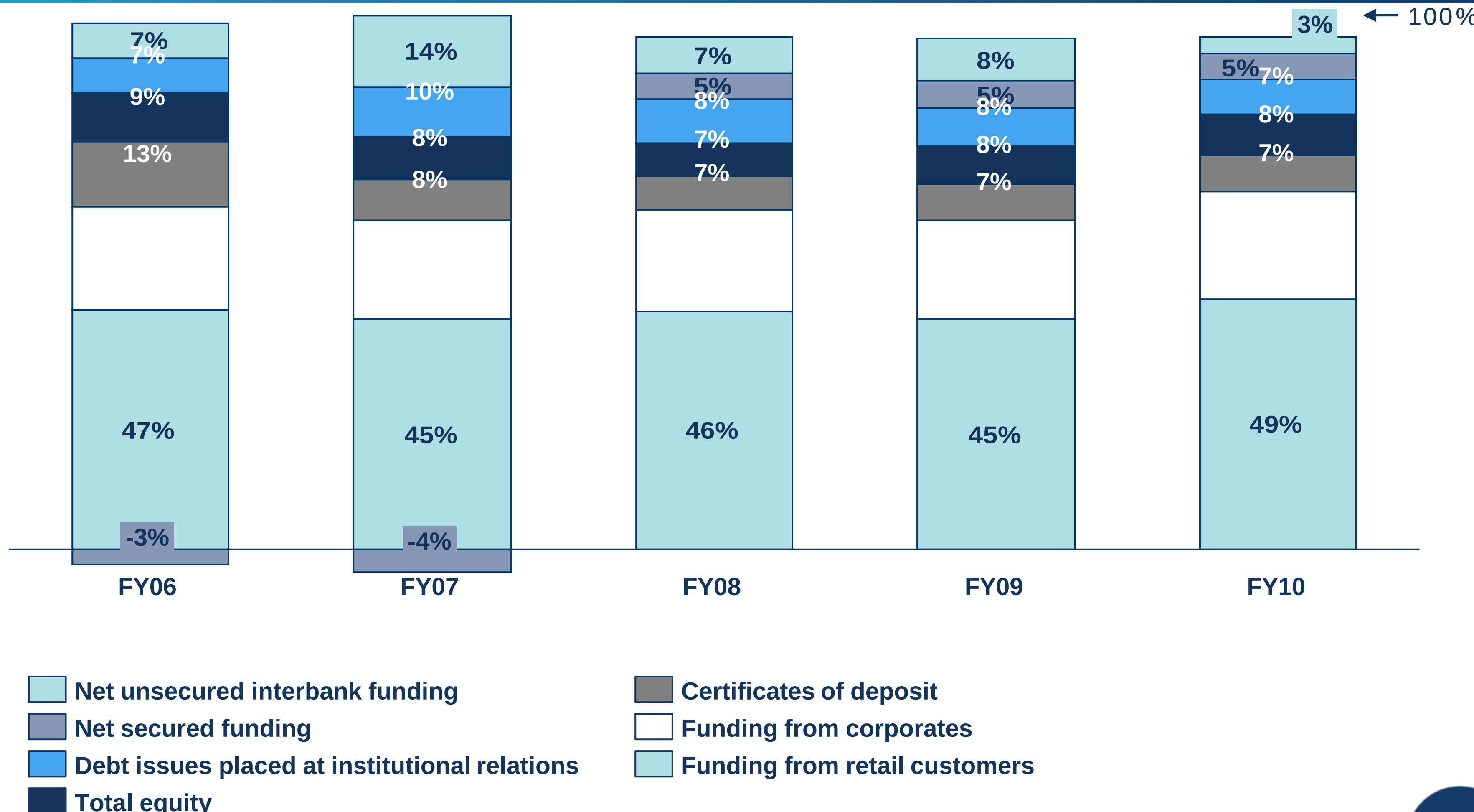


Basel III impact for KBC Group (1)

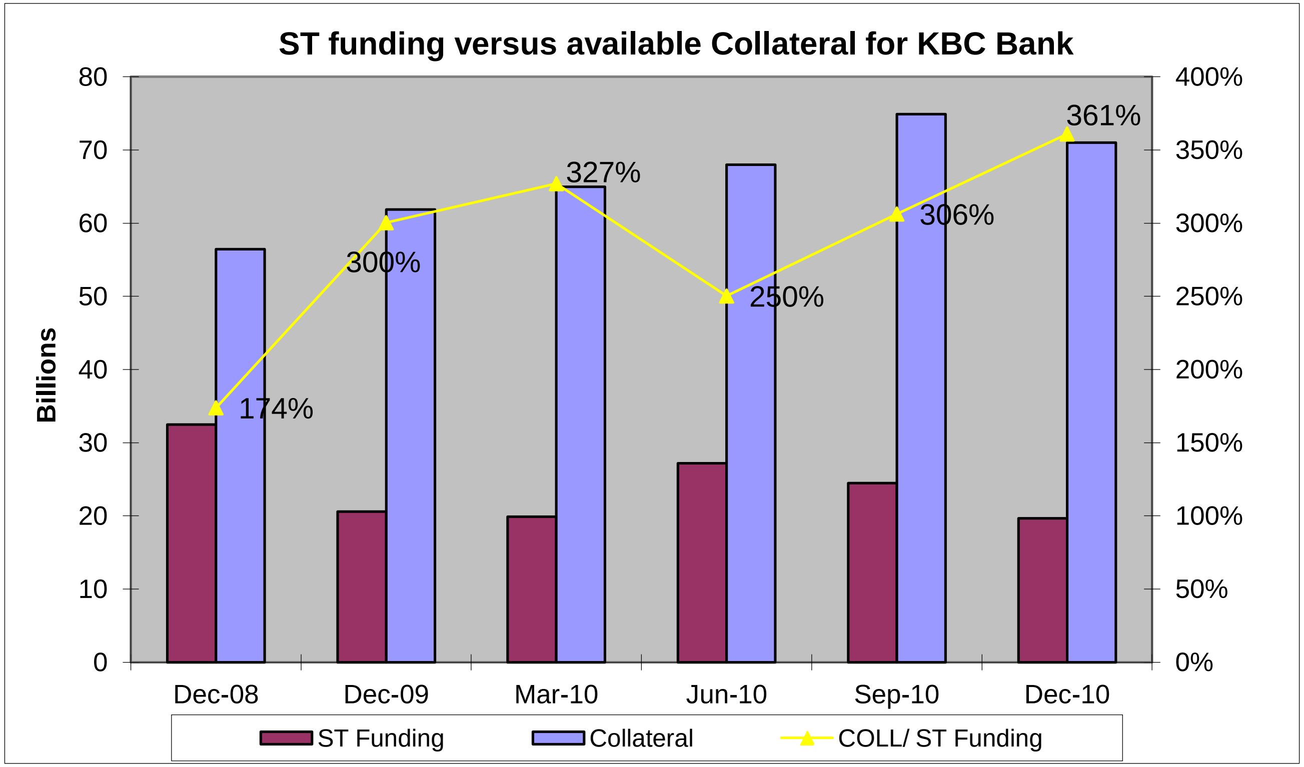
“Basel III” pro forma common equity ratio is estimated at roughly 8.0% at end 2013



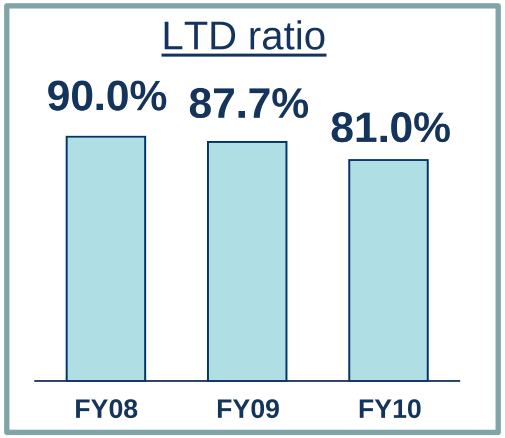
Liabilities funding mix: stable & retail-based



Short term funding needs fully covered by central bank eligible collateral



… and healthy LTD ratios



Section 5

Wrap-up

Wrap up

- Well-developed bancassurance strategy and strong cross-selling capabilities. 75%-80% of revenue is generated in markets with leading market share
- Strong franchise in Belgium with high and stable return levels (ROAC of 37%)
- Access to growth in 'new Europe', with mitigated risk profile given most mature markets in the region
- Successful underlying earnings track record, as reconfirmed by the solid 1.7bn EUR net underlying profit in 2010
- Thanks to RWA reductions, disposals of non-core assets and strong earnings power, KBC Group is well on track to reimburse the government support
- Stable shareholder structure
- Solid liquidity position, with a 81% LTD ratio and a large portfolio of unencumbered government bonds
- A very favourable funding profile with relatively low (re)financing needs in 2011-2014 of 5bn-7bn EUR as well as a deep pool of liquidity in KBC's retail client base
- Comfortable level of CT1 and T1 at the end of 2010: 10.9% and 12.6% respectively. The "Basel III" pro forma common equity ratio is estimated at roughly 8.0% at end 2013

Section 6

Additional Data-set

Analysts' coverage

Bank/broker	Analyst	Contact details	Rating	Target price	Upside
ABN Amro	Robin van den Broeck	robin.van.den.broeck@nl.abnamro.com	-	27	-11%
Autonomous	Britta Schmidt	bschmidt@autonomous-research.com	-	27	-11%
Barclays Capital	Kiri Vijayarajah	kiri.vijayarajah@barcap.com	+	41	36%
BOFA Merrill Lynch	Patrick Leclerck	patrick.leclerck@baml.com	+	40	32%
Cheuvreux	Hans Pluijgers	hpluijgers@cheuvreux.com	-	27	-11%
Citi Investment Research	Andrew Coombs	andrew.coombs@citi.com	+	37	22%
Deutsche Bank	Brice Vandamme	brice.vandamme@db.com			
Exane BNP Paribas	François Boissin	francois.boissin@exanebnpparibas.com	-	33	9%
Evolution Securities	Fabrizio Bernardi	Fabrizio.Bernardi@evosecurities.com	-	32	6%
Goldman Sachs	Frederik Thomasen	frederik.thomasen@gs.com	=	37	22%
ING	Albert Ploegh	albert.ploegh@ing.com	=	28	-7%
JP Morgan Securities	Paul Formanko	paul.formanko@jpmorgan.com	+	40	32%
Keefe, Bruyette & Woods	Jean-Pierre Lambert	jplambert@kbw.com	=	30	-1%
Kepler	Benoit Petrarque	benoit.petrarque@keplercm.com	+	35	16%
Macquarie	Thomas Stögner	thomas.stoegner@macquarie.com	=	27	-11%
Mediobanca	Riccardo Rovere	riccardo.rovere@mediobanca.it	+	40	32%
Morgan Stanley	Thibault Nardin	thibault.nardin@morganstanley.com	=	30	-1%
Natixis Securities	Alex Koagne	alex.koagne@sec.natixis.com	+	38	26%
Petercam	Matthias de Wit	matthias.dewit@petercam.be	+	36	19%
Rabo Securities	Cor Kluis	cor.kluis@rabobank.com	+	46	52%
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	=	28	-7%

Situation as of 4 February, based on the share price of 30.21 EUR