KBC Group

"Managing as the cycle turns"

Morgan Stanley Investor Conference, April 2008

www.kbc.com

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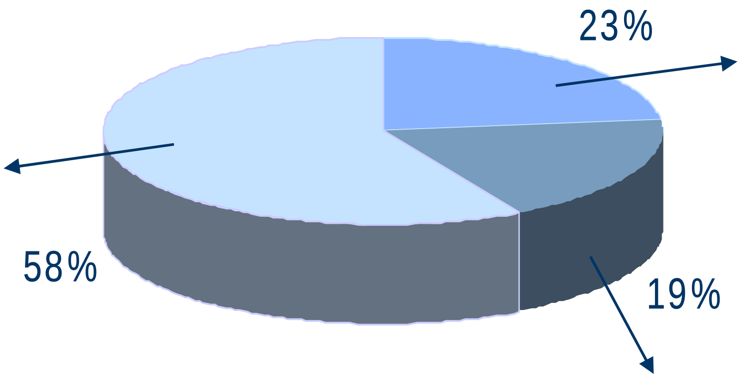
Introduction (1): business profile

Revenue breakdown per geographical area
(FY 2007)



Belgium:
- retail bancassurance
- wealth management
- local merchant banking activities

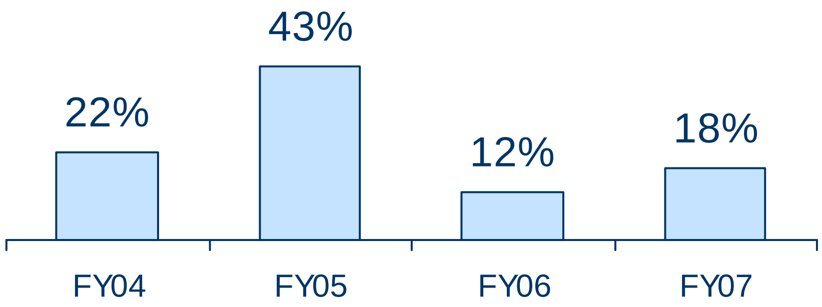
CEE:
- 4 main markets: Czech Republic, Poland, Hungary, Slovakia
- new markets added in 2007 (Russia, Bulgaria, Serbia)

Other
- commercial and private banking, mostly in Belgium's neighbours (NL, LU, FR,GE, UK)
- capital market activities

- KBC is a top-3 player in Belgium and in CEE-4; 75-80% of revenue is generated in markets with leading market share (which provides over-the-cycle strength)
- Moreover, KBC pursues some niche strategies in private banking and selected merchant banking activities (mainly European focus)

Introduction (2): financial track record

Underlying earnings-per-share growth per year



Underlying net profit CAGR 10y: 16%

- The financial track record is very solid, based on strong cross-selling performance in Belgium (bancassurance) and increasing earnings momentum in CEE (the region represents 50% of the group's 2007 profit growth)
- As an average for 2007-2009, an underlying EPS growth of 12% is targeted (reconfirmed at year-end '07, including the "mechanical" boost via the share buy-backs)

Introduction (3): strategy development

Over the last 12 months, we have been carrying out what we promised in order to underpin future growth and profitability:

- Delivering a sustained high performance in Belgium, focusing on cross-selling and customer satisfaction (avg return on allocated capital targeted of > 26% for 2007-2009)
- Strengthening the sales networks in key CEE-4 markets (2 new branch openings/week)
- Entry into new CEE markets further East (1.7 bn euros invested in 2007)
- Achieving cross-border business synergies (another 180m euros pre-tax/year synergies to come by 2009)
- Optimising the capital structure (reducing excess capital)

Growth expected to remain resilient

	Customer loans			Customer wealth		
	2005	2006	2007	2005	2006	2007
Belgium (retail)	+10%	+8%	+11%	+17%	+14%	+11%
CEE	+12%	+26%	+23%	+23%	+12%	+16%
Commercial banking	+17%	+13%	+15%	-	-	-
Private banking	-	-	-	-	+5%	+0%

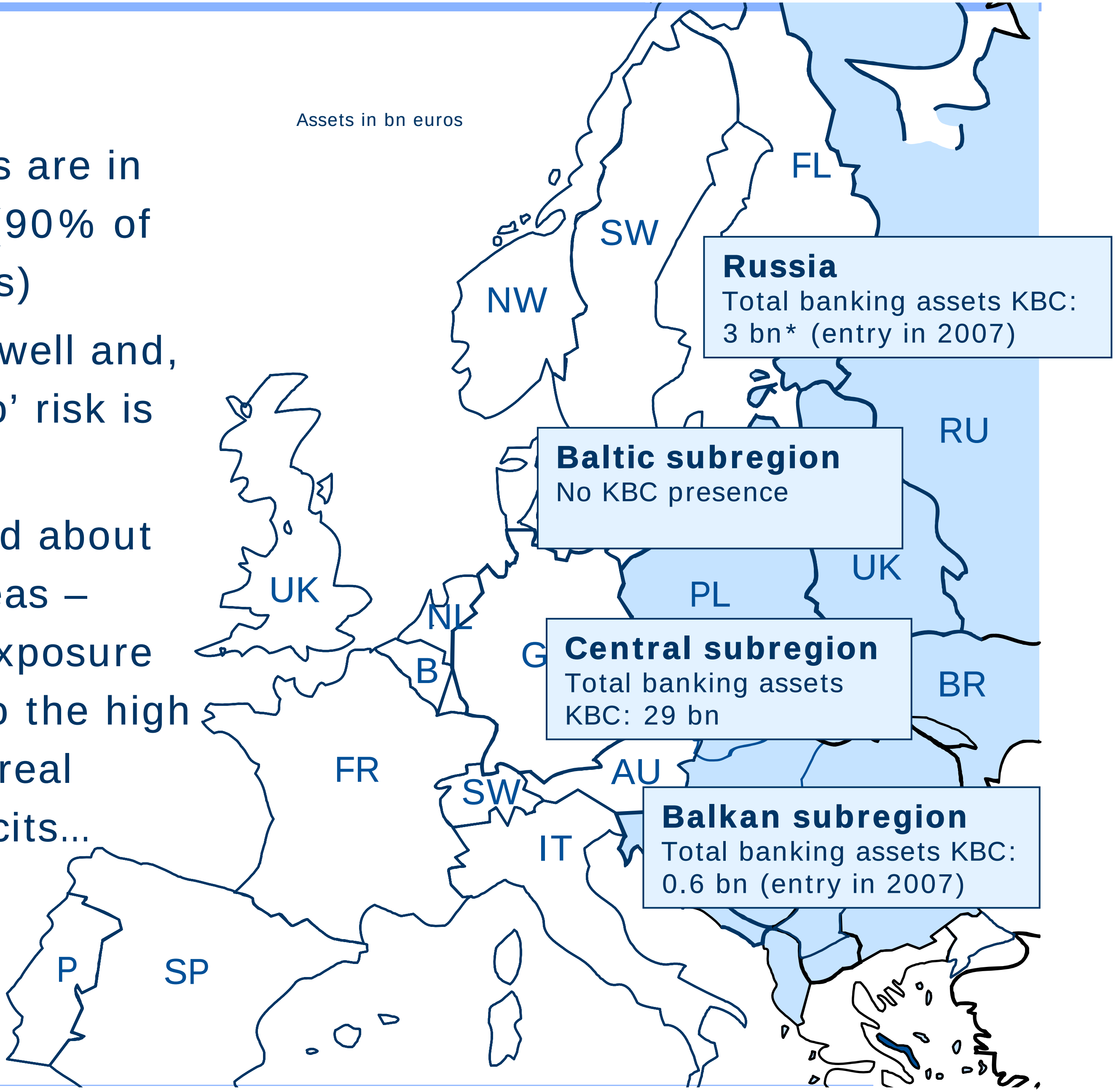
Organic growth trends; customer wealth = banking deposits + AUM + life insurance

- Our organic growth has been strong, mainly on the back of sustained wealth inflows and the low level of indebtedness in Belgium and converging purchasing power in CEE
- Although we expect to see some impact from an economic downturn, we believe growth momentum will remain resilient, especially in CEE

Growth potential in CEE

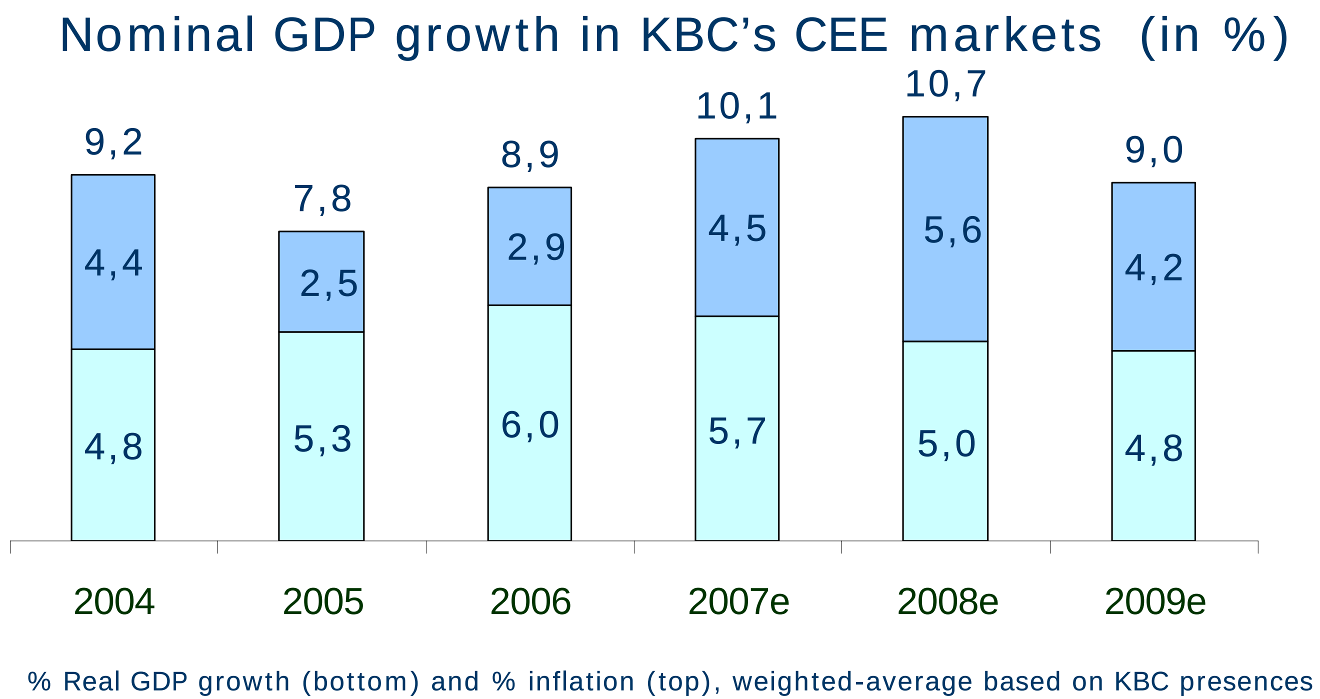
- Our 4 CEE key markets are in the central subregion (90% of our CEE banking assets)
- The economy is doing well and, in our view, the 'macro' risk is more limited here
- We are more concerned about the Baltic & Balkan areas – where our combined exposure is very limited – due to the high levels of private debt, real estate prices, C/A deficits…

Assets in bn euros



* Top-10 mortgage lender in Russia

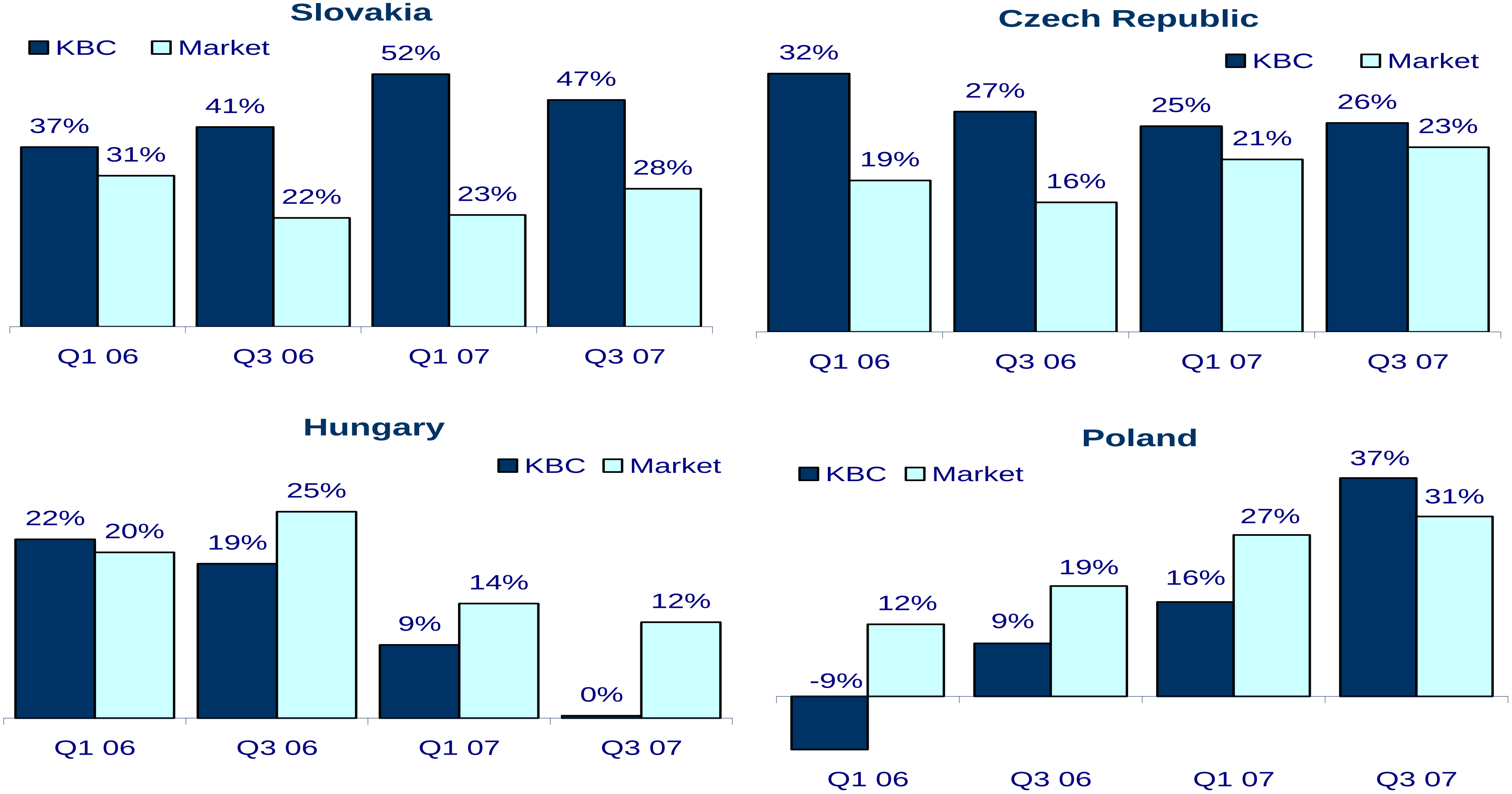
Growth potential in CEE (cont'd)



- As the cycle turns, (our) CEE economies will continue to outgrow mature markets. We expect economic growth for 2008 to be similar to that of 2007 (albeit with higher inflation)
- Although we prefer to remain cautious, we may have seen 'the worst' during the course of 2007 in Hungary, which has been the region's economic outlier since mid-2006

Growth potential in CEE (cont'd)

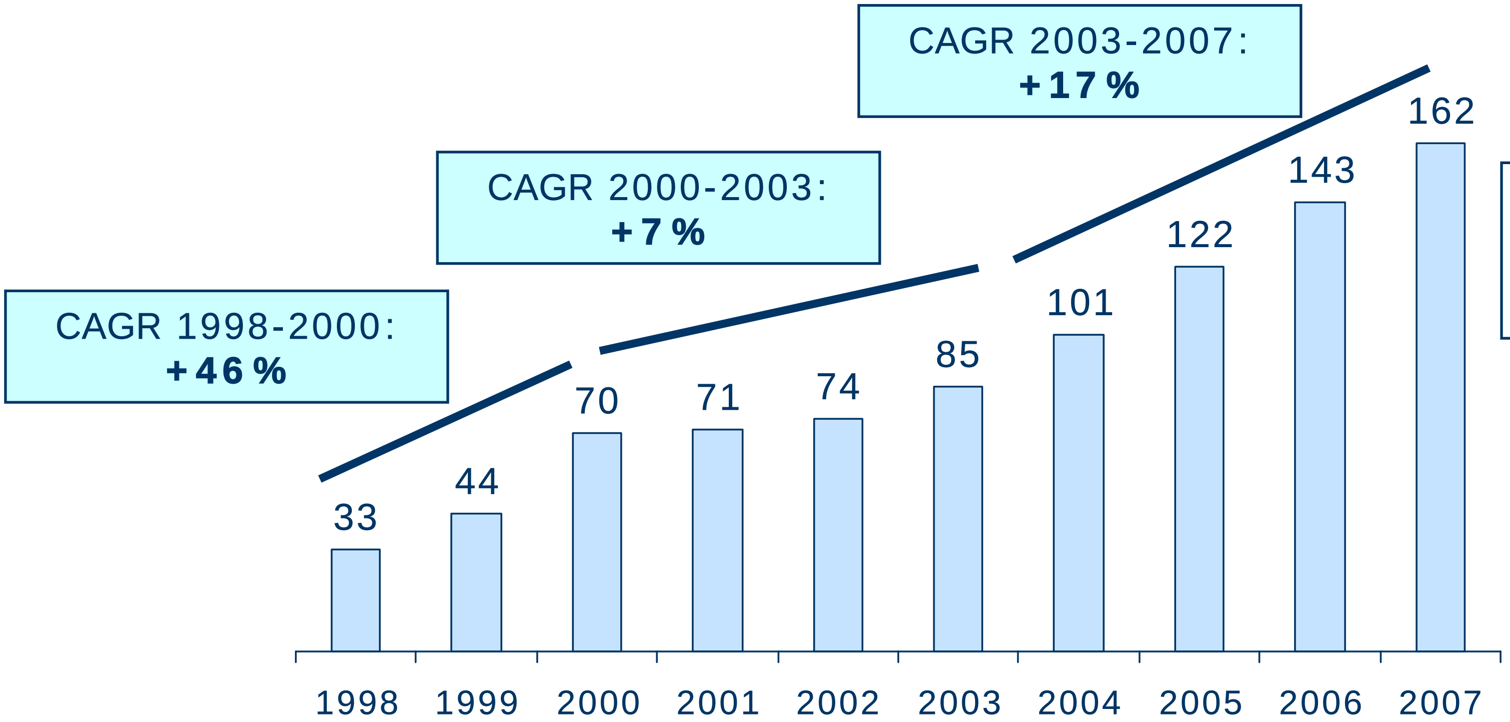
KBC, loan growth, CEE (y/y, in %)



- CEE's growth momentum is supported by our enhanced competitive abilities (except in Hungary, where we decided mid-2006 to be more cautious)

Resiliency in Belgium

KBC, funds under management, Belgium, 1998-2007



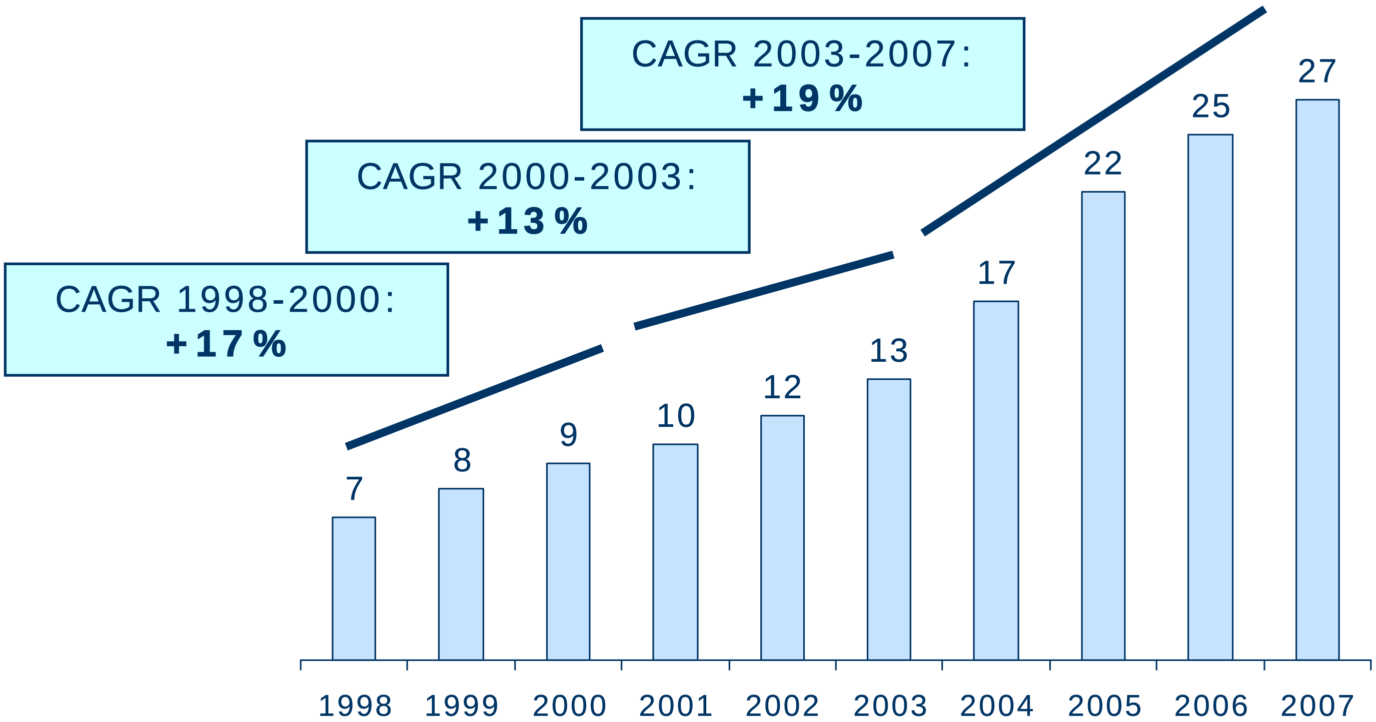
Retail AM has consistently been a strong earnings driver in Belgium

in bn euros

- Past 'bear periods' (i.e. 2001 to 2003) have shown that, even with poor capital market performance, we are still able to deliver decent net retail AUM growth (high level of capital-guaranteed AM products)

Resiliency in Belgium (cont 'd)

KBC Group, outstanding Life reserves, 1998-2007

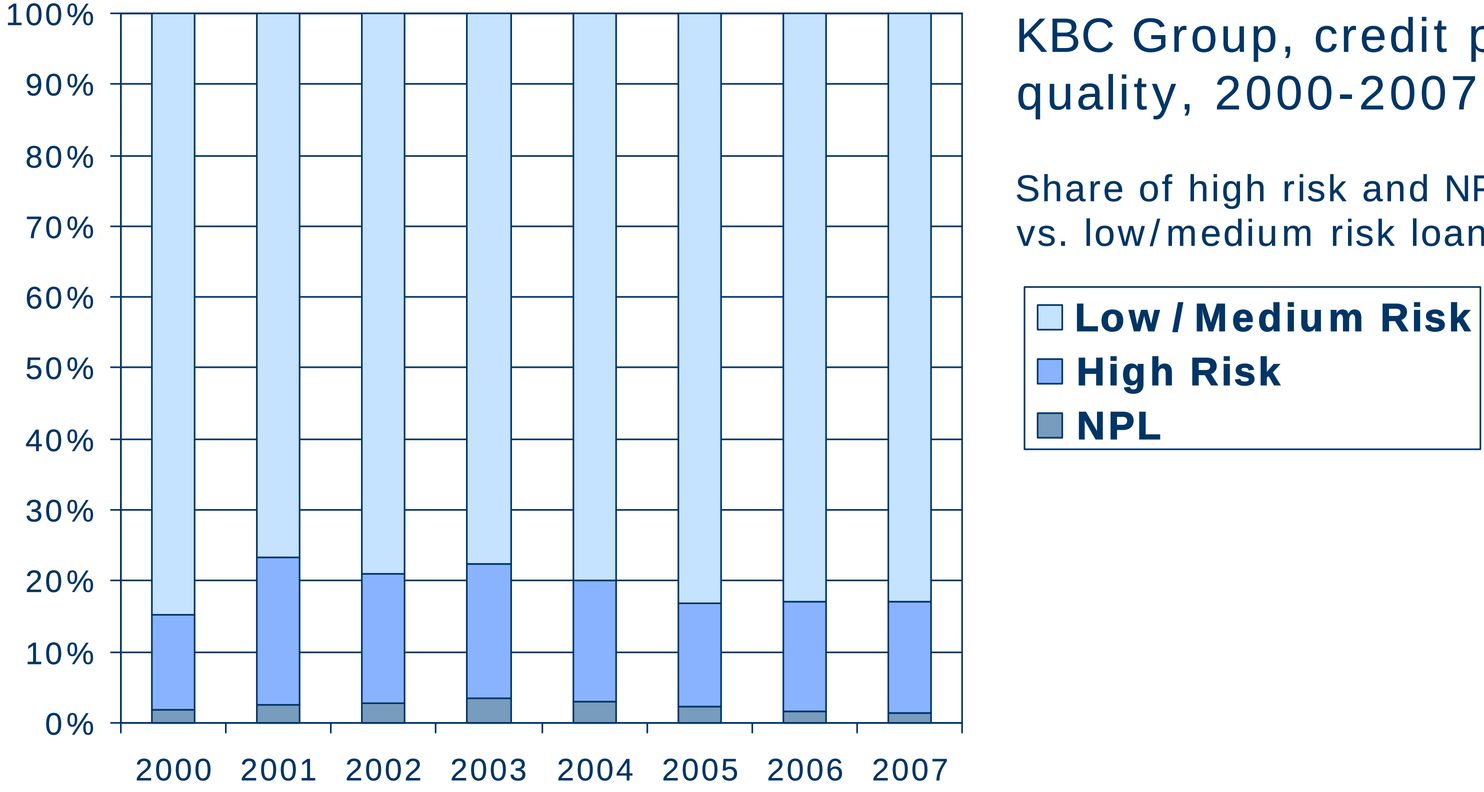


The bulk of the Life business consists of single-premium investment products (>90% of reserves are held in Belgium)

in bn euros

- Past 'bear periods' have shown that we are still able to continue to deliver growth in the Life insurance field (albeit less strong)
- In a period of economic downturn, 70% of sales are related to interest-guarantee-type products (vs. 30% in 'bull periods')

Encouraging credit risk trend



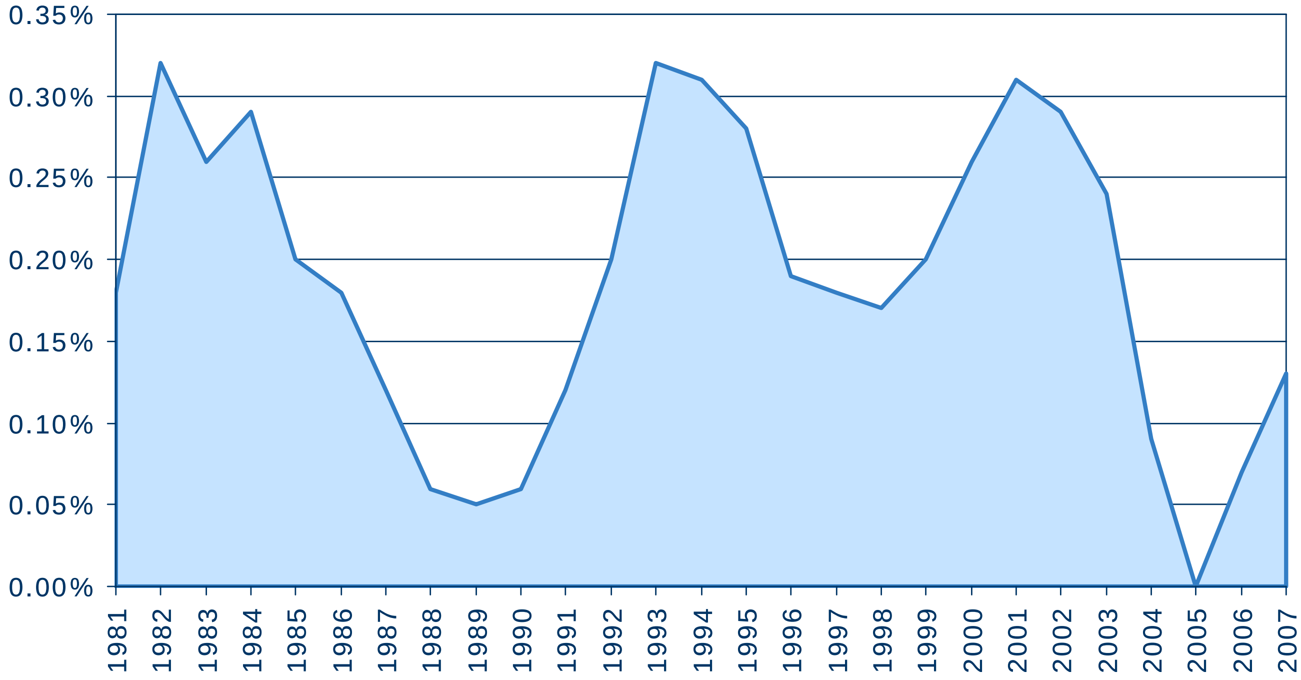
KBC Group, credit portfolio quality, 2000-2007

Share of high risk and NPL loans vs. low/medium risk loans

- So far, no sign of material deterioration in asset quality has been detected; loan losses are not expected to increase significantly in the short term

Encouraging credit risk trend (cont'd)

KBC, loan loss ratio, Belgium, 1981-2007



Total loans in Belgium represent ±45% of the Group's total loan book (retail and commercial combined)

Loan impairment as % of outstanding loans - definitions have changed over time

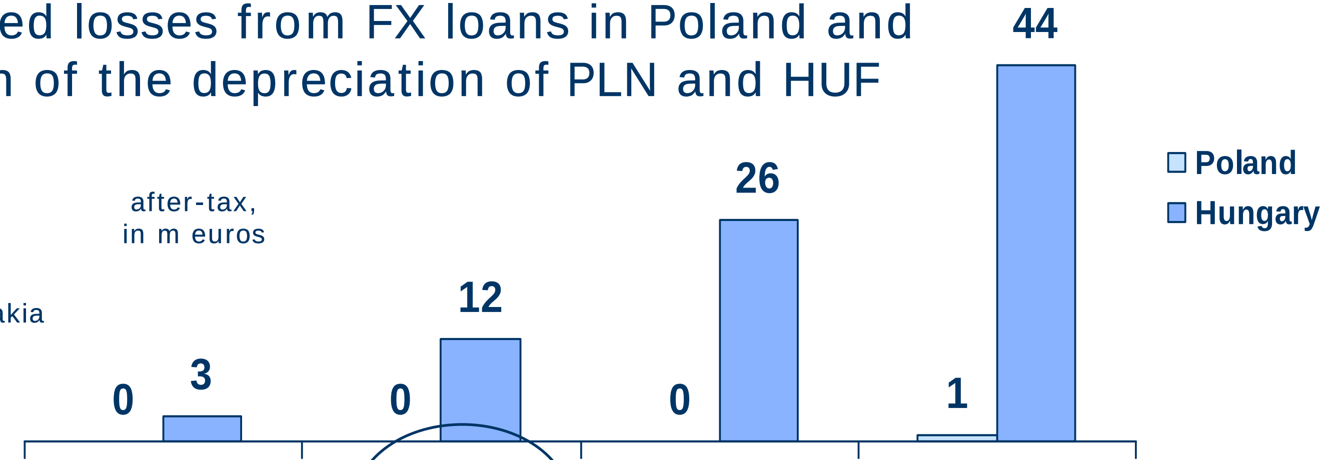
- Loan losses in Belgium are limited through-the-cycle; an average loan-loss ratio of 20 bps was recorded over a 25-yr period, with 30 bps being the peak level (for the retail and commercial markets combined)
- If loan losses for the Belgian market were to increase in 2008 to 20 bps, the net impact would be ±30m euros (±1% of 2008[e] EPS)

No material FX lending issues in CEE

Stress test: expected losses from FX loans in Poland and Hungary in function of the depreciation of PLN and HUF

after-tax,
in m euros

There is no material FX consumer credit business in the Czech Republic and Slovakia

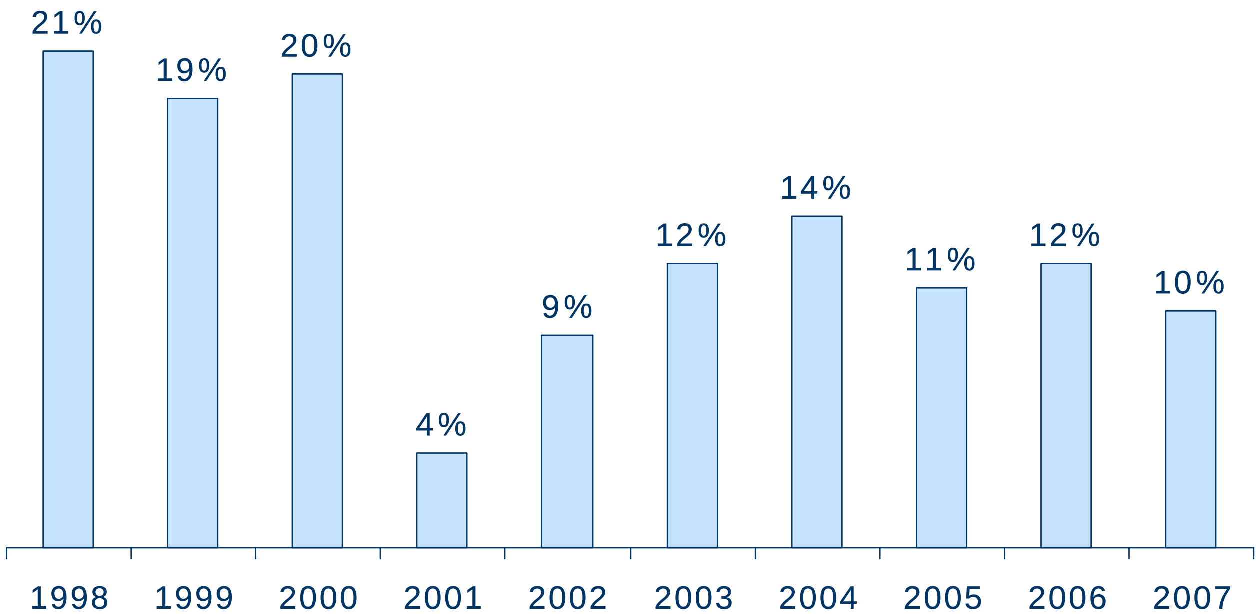


	YE 07 level	10% depreciation	20% depreciation	30% depreciation	40% depreciation
EUR/HUF	252	277	302	328	353
EUR/PLN	3.5	3.96	4.32	4.68	5.04
Impact on KBC	2008 net profit* (*Sell-side consensus)	0.1%	0.4%	0.8%	1.4%

- For KBC, FX lending is an “issue” in Hungary only
- Given our conservative approach here, a 20% HUF depreciation would cost <0.5% of Group net profit (i.e. 12m euros after tax)

Investment banking earnings at risk

KBC, share of investment banking income, 1998-2007



Normalised income from MM/DCM/ECM activities (incl. corporate finance fees) as a % of group underlying net profit

- It is obvious that the current environment is negative for IB's contribution to group earnings
- However, since '9/11', the group has become less dependent on investment banking income. In the 2001-2003 'bear period', IB's contribution was 8%, on average (versus 10% for 2007)

Manageable impact of subprime assets

Financial impact of subprime exposure through ABS/CDO, 2H2007:

Impairment loss (P&L)	Mark-to-market adjustment on P&L*	Mark-to-market adjustment on B/S	Post-tax P&L impact
Nil	204m euros	130m euros	132m euros

* incl. provision for counterparty risk related to monoline insurers

- No actual losses, but a negative 0.3 bn euros MtM impact (net earnings impact: 0.1 bn)
- Ultimately, we expect to write back part of this markdown. Stress tests show effective subprime loss at pre-tax 0.2 bn euros assuming 20% net loss on subprime content*
- Further downward MtM is likely in 1H 2008 due to widening of corporate spreads (since the bulk of the underlying collateral is corporate debt)

* Assuming 20% net loss on all subprime and alt-A collateral and default of monoline insurers

Manageable impact of subprime (cont'd)

A combination of factors explains KBC's low subprime risk vs. peers:

1. Limited size of subprime portion (only 10% of total ABS/CDO portfolio)
2. High "attachment points" of CDO notes , allowing substantial losses of underlying assets before being impacted (avg. attachment point 17%)
3. Active management of CDOs held, allowing asset substitution
4. Low quality pieces of CDOs (equity/junior) completely 'provisioned' (i.e. not recognised in profit) at the time of issue in the amount of 750m euros
5. Hedges are in place (via short positions, not with monolines) and offset somewhat the MtM volatility of CDOs

DON'T COMPARE APPLES WITH ORANGES

As of 1 March 2008, none of the CDO notes held were downgraded by rating agencies despite the massive wave of downgrades in the market. Although we cannot and do not want to exclude potential downgrades, the figures illustrate the above-average quality of our investments

Solvency buffers

Capital position (31-Dec-07)	Actual	Potential	"Buffer"
Regulatory capital (Basel II)	14.1 bn	12.8 bn	1.3 bn
- o/w leveraged by use of hybrids	1.8 bn	3.6 bn	1.8 bn
- o/w leveraged at holding co level	0.0 bn	±2.0 bn	±2.0 bn
Total (bn euros) – indicative only *			±5.0 bn

- KBC intends to keep its Tier-1 banking capital level at >8% (and >200% solvency margin, insurance)
- At the end of 2007, the capital was in excess of that level in the amount of 1.3 bn euros (0.9 bn of which relates to the shift to Basel II)
- In stress situations, unutilised debt leverage potential could be used to avoid an EPS dilutive right issue

* Subject to conditions applied by regulator and rating agencies

However, there are new challenges

What are the main business challenges as the cycle turns?

- Slower growth of transactions in retail asset management, a major profit driver in Belgium (but from a very high level, as illustrated before)
- Lower revenue from investment and non-domestic private banking (contributed 10% and 7%, respectively, to the bottom-line in 2007)
- Cost inflation, especially in CEE - also boosted there by new “through the cycle” investments in branch networks and IT upgrades
  (cost control is on the forefront of management’s agenda)

The end

'Managing as the cycle turns'

- Defensive risk profile
- Attractive growth potential in CEE

- More challenging business environment
- Some uncertainty as regards temporary MtM of credit-linked investments

THROUGHOUT THE CYCLE, WE REMAIN CONFIDENT
IN OUR BUSINESS MODEL AND STRATEGY

Questions ?

Annex 1: Investments in ABS/CDO

31-Dec-2007	Portfolio total (euros)	Asset type	AAA-rated	AAA/AA-rated	Allocation to subprime RMBS
Main CDO portfolio	6.9 bn	Corporate CDO notes with limited ABS underlying	88%	99%	13%
“Atomium” portfolio	2.0 bn	US ABS of former KBC conduit “Atomium”	100%	100%	33%
Other portfolios	7.4 bn	Mostly European ABS/CDO without subprime assets	94%	98%	0%
Total	16.3 bn	All	91%	99%	10%

More information available on www.kbc.com

Annex 2: CDO portfolio with ABS content, details

Situation as at 31/12/2007

CAPITAL MARKETS

Diversified corporate debt – 77% (2/3 US, 1/3 mainly Europe)

AAA-rated	2%
AA	5%
A	16%
BBB	41%
BB	13%
B	1%
	77%

US ABS – 23%

Collateral:

Subprime	13%
Prime	3%
Cred card	0%
Other	6%
	23%

Securities:

AAA	3%
AA	7%
A	5%
BBB	5%
Lower	3%
	23%

KBC INVESTMENT BANKING UNIT

Synthetic CDOs originated and managed (credit risk transferred to investors)

Assets:
Cash
Credit default swaps:
- 77% corporate
- 23% ABS CDS

Liabilities:

Super senior	77%
AAA	9%
AA	7%
A	3%
BBB	4%
Junior/equity	3%

KBC INVESTMENT PORTFOLIO

CDO notes held
Total size: 6.9 bn

AAA-rated (incl SS)	88%
AA	11%
A	1%

Step 1
KBC bought credit risk (by writing CDS) on a diversified pool of corporate instruments and some ABS

Step 2
KBC structured the CDO and issued CDO notes to investors (credit risk transferred!)

Step 3
KBC invested in a selected part of high-rated CDO notes (credit risk held, but high average net loss subordination)

Annex 3: Atomium portfolio, details

Situation as at 31/12/2007

POOL OF SECURITISED ASSETS

Collateral:		Securities:	
US prime mortgages	30%	AAA ABS	79%
US subprime mortgages	33%	AAA ABS CDO	21%
Credit card receivables	0%		100%
US commercial real estate	8%		
US corporate debt	29%		
	100%		

KBC ATOMIUM PORTFOLIO

ABS	1.6 bn
ABS CDO notes	0.4 bn
Total	2.0 bn
AAA-rated	100%

Step 1
KBC launched an ABCP ("Atomium"), the proceeds of which were invested in ABS (credit risk in principle transferred to CP holders)

Step 2
Within the initial CP deal, a liquidity backup facility was provided by KBC (i.e. asset risk indirectly held by KBC)

Step 3
In 2H2007, KBC brought assets to the balance sheet (risk position unchanged)

Annex 4: Analysts' opinions

BANK/BROKER	ANALYST	PHONE	RATING	TARGET PRICE	UPSIDE
ABN·AMRO	Omar Fall	+44 20 7678 0442	+	110	33%
CHEUVREUX	Jan-Kees Mons	+31 20 573 06 66	+	116	40%
CAZENOVE	Natasha Oliver	+44 20 7155 6664	+	112	35%
citigroup	Kiri Vijayarajah	+44 20 7986 4258	+	110	33%
CREDIT SUISSE	Guillaume Tiberghien	+44 20 7883 7515	+	108	30%
BANK DEGROOF	Ivan Lathouders	+32 2 287 91 76	+	109	31%
Deutsche Bank	Gaelle Cibelly	+33 1 44 95 66 28	+	109	32%
Dresdner Kleinwort	Jaap Meijer	+44 20 747 55 664	+	107	29%
FORTIS	Kurt Debaenst	+32 2 565 60 42	+	109	32%
FPK	Jonathan Tyce	+44 20 7663 6058	=	100	21%
HSBC	Marcel Mballa-Ekobena	+44 20 7991 6809	+	110	33%
ING BANK	Albert Ploegh	+31 20 563 8748	+	110	33%
NATIXIS	Christophe Ricetti	+33 1 58 55 05 22	+	105	27%
JPMorgan	Paul Formanko	+44 20 7325 6028	+	110	33%
KBW	Jean-Pierre Lambert	+44 20 7663 5292	-	64	-23%
Merrill Lynch	Manus Costello	+44 20 7996 1953	+	100	21%
ODDO	Scander Bentchikou	+33 1 44 51 83 08	+	96	16%
Sal. Oppenheim	Thomas Stögner	+49 69 7134 5602	+	107	29%
PETERCAM	Ton Gietman	+31 20 573 54 63	-	103	24%
Rabobank	Georg Krijgh	+31 20 460 48 60	=	107	29%
STANDARD &POOR'S	Marco Troiano	+44 20 7176 3964	=	95	15%
UBS Investment Bank	Simon Chiavarini	+44 20 7568 2131	+	115	39%
WestLB	Ralf Breuer	+49 211 826 4987	+	110	33%
			CONSENSUS:	**105**	**27%**

Situation as at 1 March 2008 (share price: 82.88)

KBC's Management is delighted to invite you to Moscow on 5 and 6 June 2008 on the occasion of its Investor Day, to further unveil its ambitions in the Eastern part of Europe and Russia.

KBC

We recommend that you make your travel arrangements as soon as you receive our formal invitation due to visa application formalities for entry into Russia. The number of flights to Moscow may also be limited.

Please also ensure that you plan to arrive in Moscow on 5 June by 4 p.m. local time, at the latest.