



# KBC Group

**Merrill Lynch  
Banking & Insurance CEO Conference**





# Important information for investors

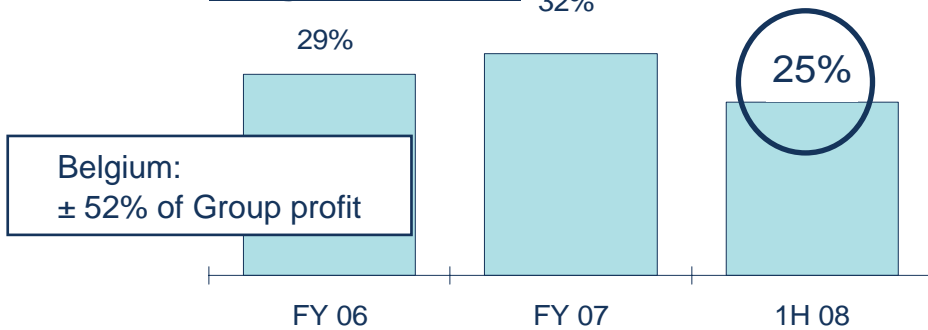
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# Reminder: strong franchises

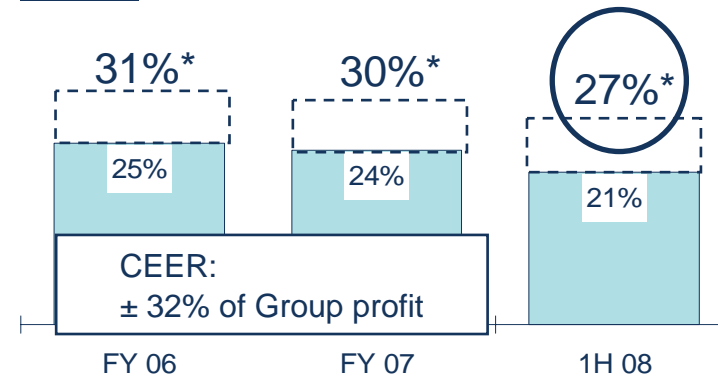
## Home markets:

### Belgium (retail)



## Return on allocated capital

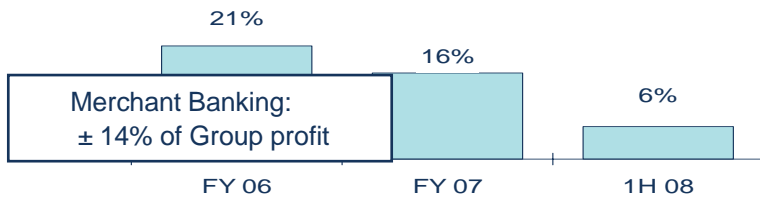
### CEER



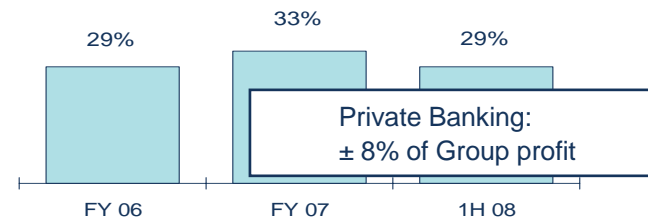
\*level of return before funding costs of KBC as parent company

## Niche strategies:

### Merchant Banking



### European Private Banking



All figures are excluding exceptional result items



# Reminder (cont'd): Our “old-fashioned” business model

- Strong customer base
- Conservative credit policy
- Distribute through our channels ('Know Your Customer')
- “Originate and keep”
- Conservative capital management



# Resilient business growth

y/y growth (organic)	Customer loans			Customer wealth		
	2006	2007	1H 08	2006	2007	1H 08
Belgium (retail)	+8%	+14%	+10%	+14%	+11%	+9%
CEER	+26%	+23%	+23%	+12%	+16%	+18%
Commercial banking	+13%	+16%	+15%	-	-	-
Private banking	-	-	-	+5%	+0%	-4%

y/y organic growth trends - customer wealth = banking deposits + AUM + life insurance

- Year-to-date organic growth remained very strong across markets (exception for private banking)
- Although we expect to see some impact from an economic downturn, we believe growth momentum will remain resilient in particular in CEER

# CEE economic outlook keeps us well

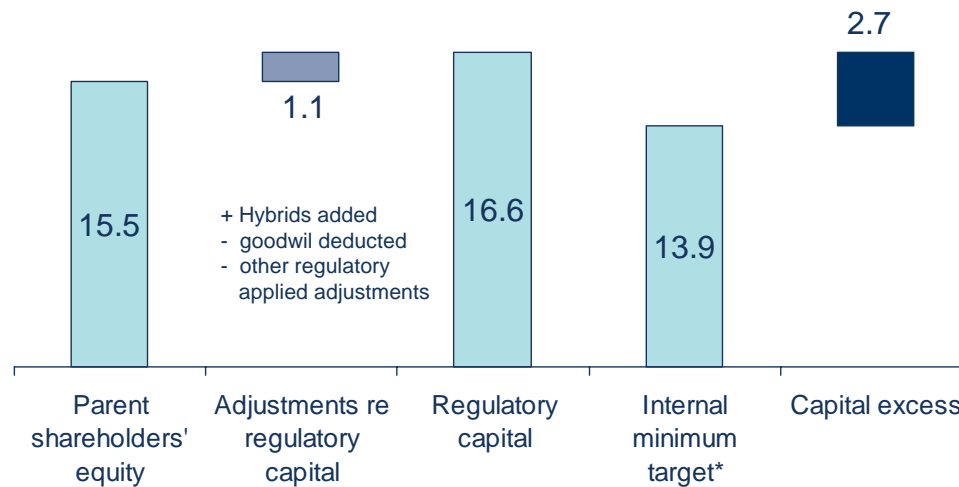
## Our presence in CEE



- As the cycle turns, (our) CEE-economies will continue to outgrow mature markets
- 2008 economic growth in nominal terms is expected to be in the 10% range
- Our CEE footprint is mainly concentrated in the central subregion (90% of our CEER assets) which has a more limited 'macro' risk
- The impact from the credit crisis has been limited, compared to some of our peers

# Strong solvency: 2.7 bn excess in capital

## Capital surplus



We have 2.7 bn in excess of our minimum targets

\*8% Tier 1 in banking, 200% solvency in insurance

- Tier-1 ratio, banking stands at 9.3% (solvency, insurance 210%), implying 2.7 bn surplus capital



# Comfortable liquidity situation

- Customer deposit base exceeds loan portfolio (loan-to-deposit ratio well below 100%), while deposit inflow remains steady
- Deposit overhang almost entirely invested in securities pledgeable at ECB (providing an unused liquidity buffer of - after applicable hair cuts – more than 50 bn)
- Unused liquidity buffer exceeds by far the net short-term liquidity gap for the next few months (interbank, CP, repo, fiduciary...), allowing to weather a liquidity crunch period in which no wholesale funding can be rolled-over
- Medium term wholesale funding: low amounts of maturing debt (ca. 3 bn/yr in 2008-2010) and all maturities until mid-2009 already refinanced





# Downsize Risk on Earnings?

## Good quality of investments, but sensitive to market valuations

- Investments in CDO & ABS with primarily corporate and prime MBS collateral and “high attachment points”
- Stress tests illustrate quality: (only) 0.8 bn loss on securities held when assuming losses on subprime/corporate/monoline collateral of 25%/3%/100% resp.
- But sensitive to “fair value accounting”: 1.8 bn written down to June 2008; further value adjustments dependent on credit market spreads and ratings (however, we believe that current credit spreads do not reflect potential effective loss)
- Transparency: detailed report is available at [www.kbc.com/Investor Relations](http://www.kbc.com/Investor Relations)

CDO/ABS exposure - overview (in bn euros)	Jun-08
Nominal exposure	16.2
Value adjustments (cumul.)	-1.8
Exposure, net of value adjustments	14.4



# **Downsize Risk on Earnings? (cont'd)**

**Good quality of investments, but sensitive to market valuations**

- Sensitivity to further impairment of equity holdings predominantly in insurance division (281m impairments in 12 months-to-June 2008)



# Wrap Up

- Today's message is consistent with past disclosures
- Traditional, “old-fashioned” business model, liquidity provided by the customers
- Business growth remained resilient, still favorable economic outlook in “our” CEER
- Conservative capital management
- Market crisis has obviously an impact on KBC

**Questions?**