KBC Group

2010 1Q Results

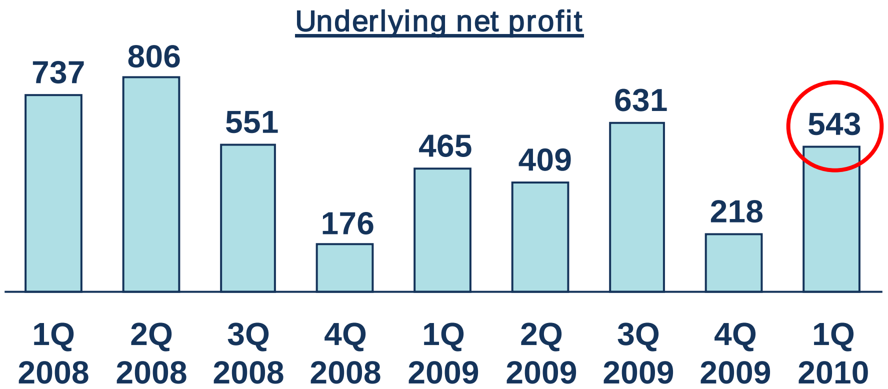
Press tele-conference

12 May 2010 - 11.30 CEST

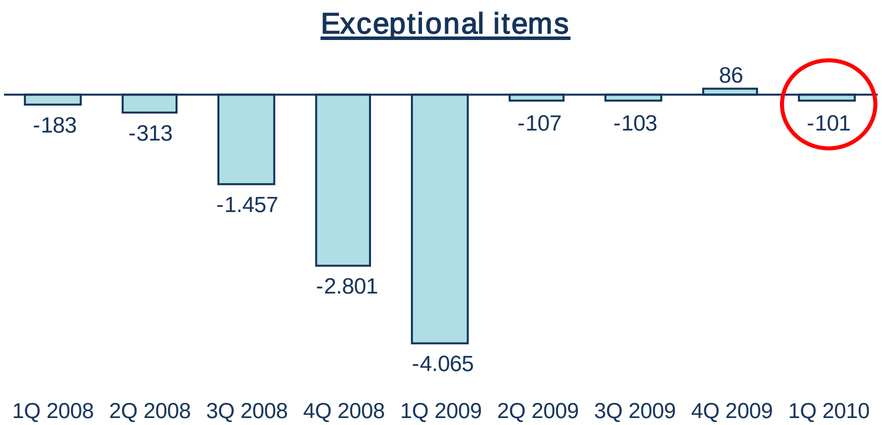
KBC

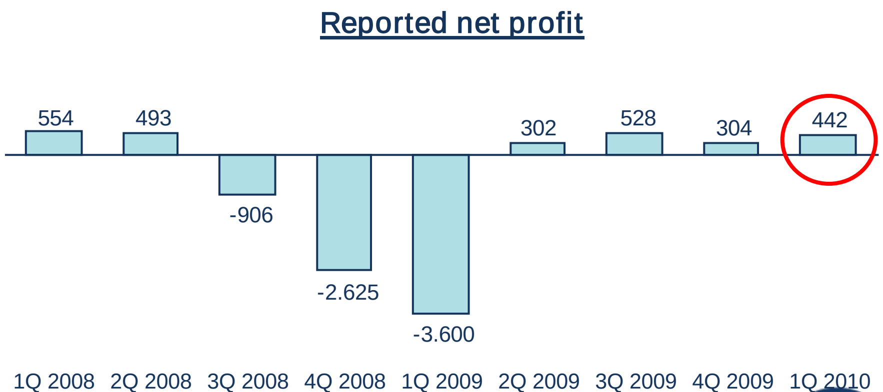
Upward trend confirmed

Underlying net profit 543m



Reported net profit 442m





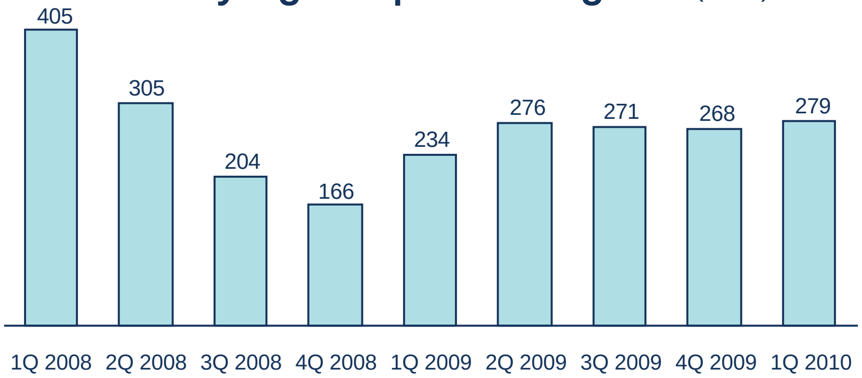
Amounts in m. EUR

Financial highlights 1Q 2010

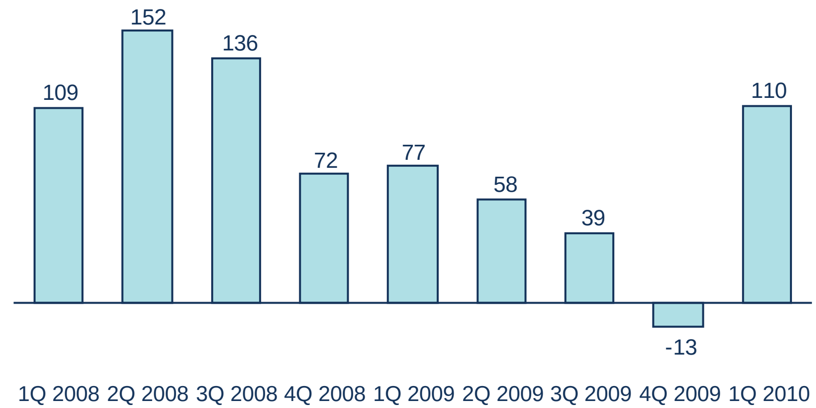
- Continued sound deposit and credit spreads
- Gradual recovery of fee & commission income confirmed
- Strong dealing room activities, in line with market performance
- Insurance premium inflows continued their steady pace
- Operational expenses remained very well under control: -6% year-on-year
- Credit risk improving: substantial lower loan loss impairments compared to previous quarter (credit cost: 84 basis points)
- -0.1bn exceptional items
- Group tier 1 ratio, a measure of capital strength, at solid 11%
  EUR 1.5bn excess capital, above 10% Tier 1-solvency target
- KBC's exposure on Greek sovereign bonds is limited to EUR 1.9bn (of which EUR 0.6bn in the trading book)

Underlying profit per business unit

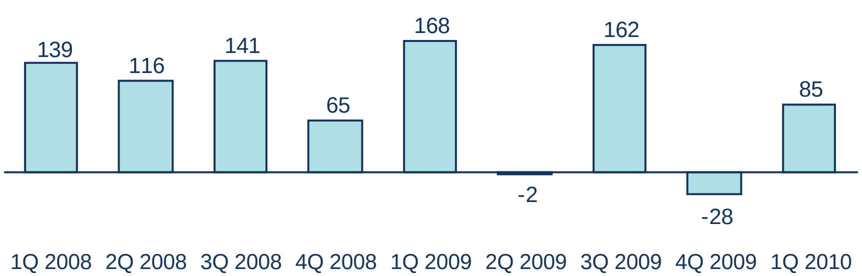
Underlying net profit Belgium (retail)



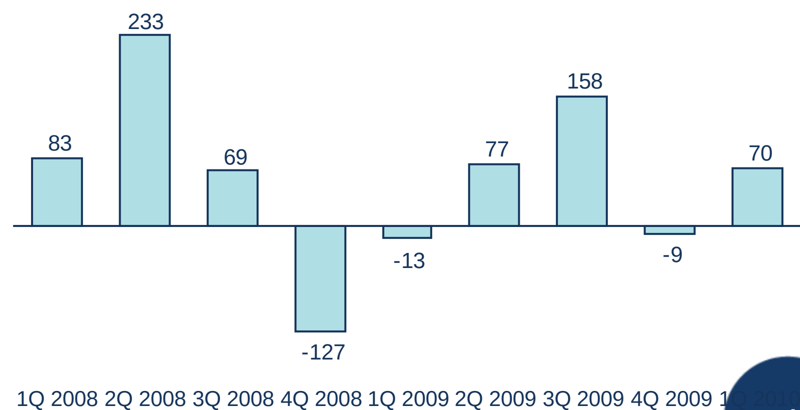
Underlying net profit CEE



Underlying net profit Merchant Banking (BE +Int'l)



Underlying net profit Group Centre

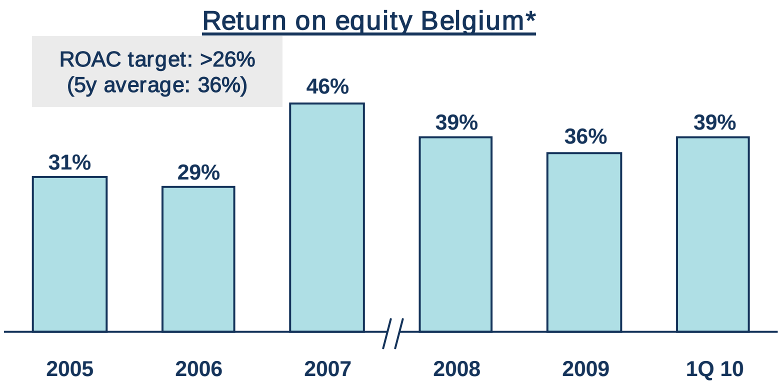


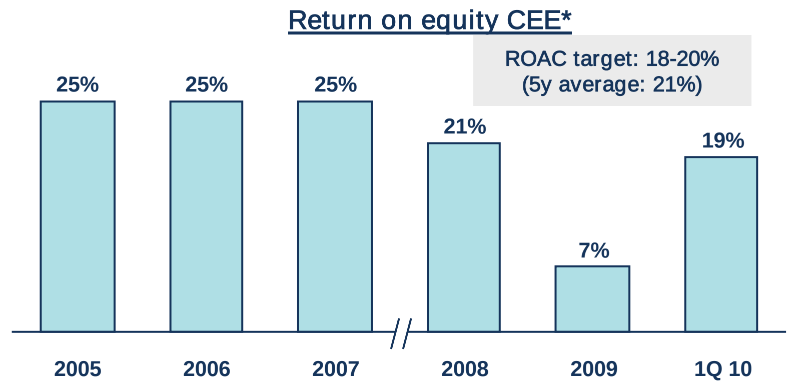
Headlines per business unit

- A strong cost performance combined with virtual no loan loss charges and stable revenues led to a higher net result in the *Belgium Business Unit*.
- The main drivers for the better quarter-on-quarter net result for *Central and Eastern Europe* were substantially lower expenses, and even more importantly, much lower impairments on loans and receivables (circa -50%).
- In *merchant banking*, very good dealing room results added substantially to the bottom line. Due to the intentional run-down of the loan book, total revenue was down on the previous quarter. The total amount of impairments still dropped some 14% compared to the previous quarter, despite the enhancement of the provision coverage in Ireland given the difficult outlook for the Irish economy.
- Attention is drawn to the fact that the *Group Centre* now includes all planned divestments of KBC Group. By doing so, the objective is to clearly indicate the financial performances of the long term activities and the planned divestments separately.

A successful core strategy

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





  - 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.

2010-2013 Business Plan

1. Leverage Earnings Power

- Capital is generated by leveraging our successful business model in core markets (retained earnings)

2. Shrink RWA By 25% (2008-'13)

- Capital is being freed-up by:
  - Reducing international lending & capital market activities
  - Divesting Private Banking (EUR 47bn AUM), complementary channels in Belgium (giving up 1-2% market share) and non-EU CEE (Russia and Serbia, post '11)
  - IPO of minority of CSOB (Czech bank, EUR 2.7bn 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 (8% core T1 target) and steady organic growth

Reminder: new business unit reporting

As of the quarterly reporting for 1Q 2010

- Entities to be divested were shifted to Business Unit ‘Group Center’

Belgium
- KBC Bank
- KBC Insurance
- CBC Banque
- ADD
- Centea
- Fidea

CEE
- Czech Republic
- Slovakia
- Hungary
- Poland
- Bulgaria
- Russia
- Serbia
- Slovenia
- Zagiel (Poland)

Merchant Banking
- KBC Lease
- KBC Securities
- KBC Bank Ireland
- KBC Clearing
- KBC Commercial Finance
- Antwerp Diamond Bank
- KBC Private Equity
- KBC Bank Deutschland
- KBC Peel Hunt
- KBC Finance Ireland
- KBC Financial Products

European Private Banking
- KBL EPB
- Vitis Life

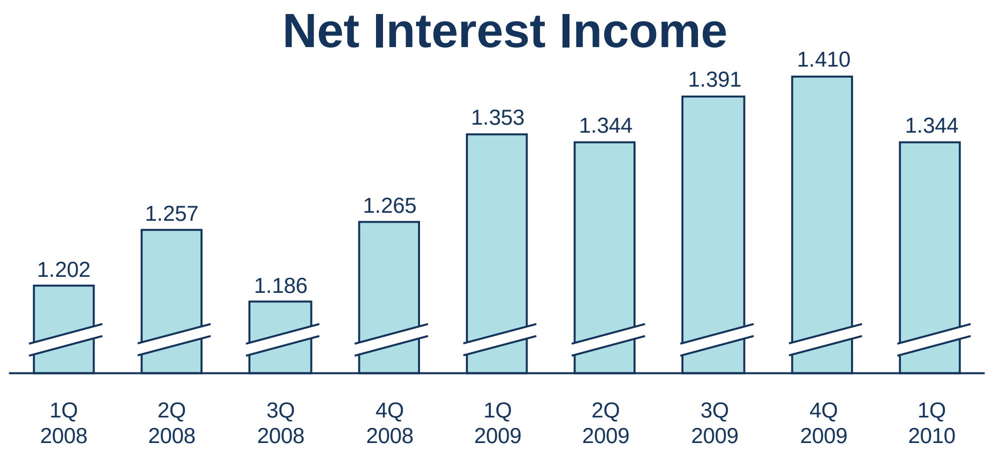
Group Center
- KBC Group
- Fin-Force
- KBC Global Services

Indicated divestments + minorities interest line for % of CSOB CZ that will be floated

•Assurisk

- Assurisk (Reinsurance captive) was moved from Merchant Banking to BU Belgium
- The objective is to clearly indicate the financial performances of the long term activities and the planned divestments separately

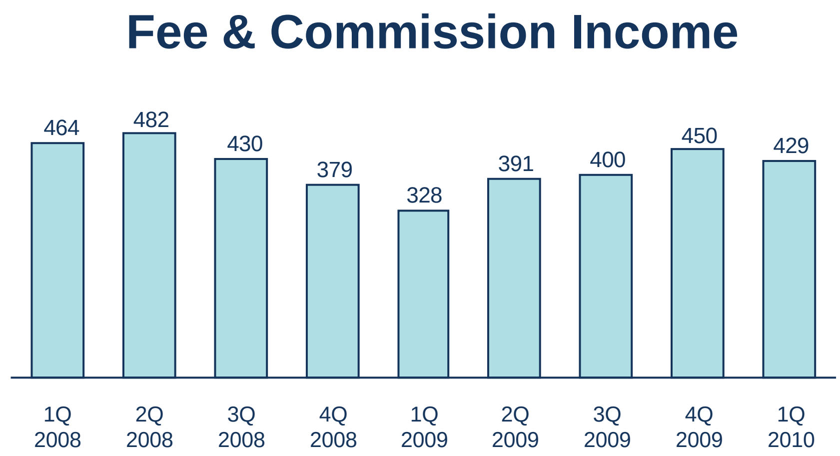
Net interest income remains high



- Net interest income slightly fell year on year
- Credit and deposit spreads remained healthy
- The net margin tightening quarter on quarter is mainly due to more focus on short term assets for the reinvestment of excess saving deposits (adjustment of ALM policy)
- Credit and deposit volumes down year on year (-5%, -4%) based on (among other factors) reduction of international loan book (Merchant banking and Russia) in line with strategic focus

Amounts in m. EUR

Recovering fee and commission income

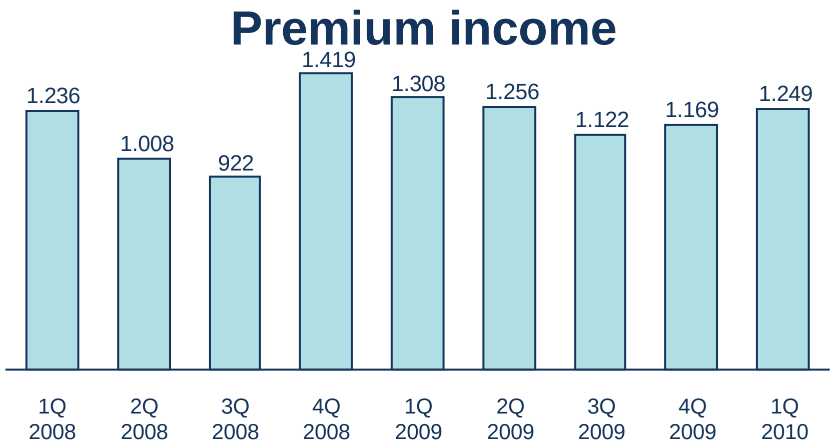


- Net fee and commission rose sharply year on year (+31%) and slightly fell quarter on quarter (-5%)
  - YoY improvement thanks to increased income on sale and management of investment products, on the back of an improved investment sentiment.
  - QoQ decrease can be explained by seasonal effects

- Assets under management at 211bn EUR (+3% qoq, of which +1% net inflow)

Amounts in m. EUR

Insurance premium income



- Premium income at 1.249m
  - Non-life premium income (489m) continued to increase (+2% year-on-year and +3% quarter-on-quarter)
  - Life premium income (760m) rose 9.5% quarter-on-quarter thanks to the further improvement of the investment climate and despite traditionally strong year end sales in 4Q09

- Combined ratio at 98%, up compared to 94% in 1Q09 due to a higher claims ratio (a.o. storm Xynthia)

Amounts in m. EUR

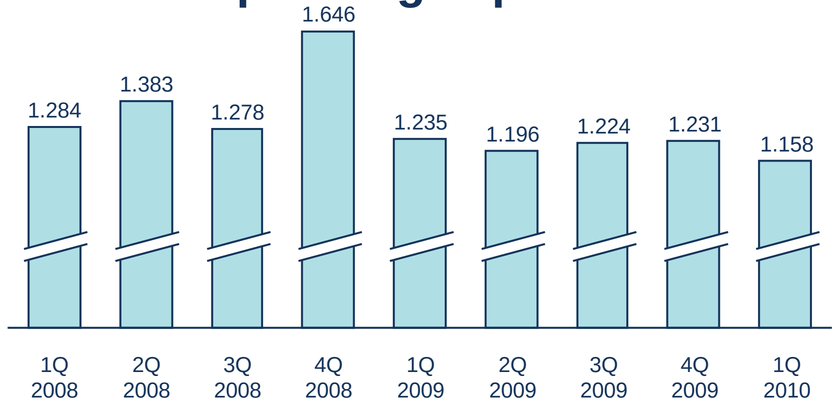
Strong trading income

- The strong performance of trading income (320m) is the result of strong dealing room activities, in line with the market trend

Amounts in m. EUR

Good control of operating expenses

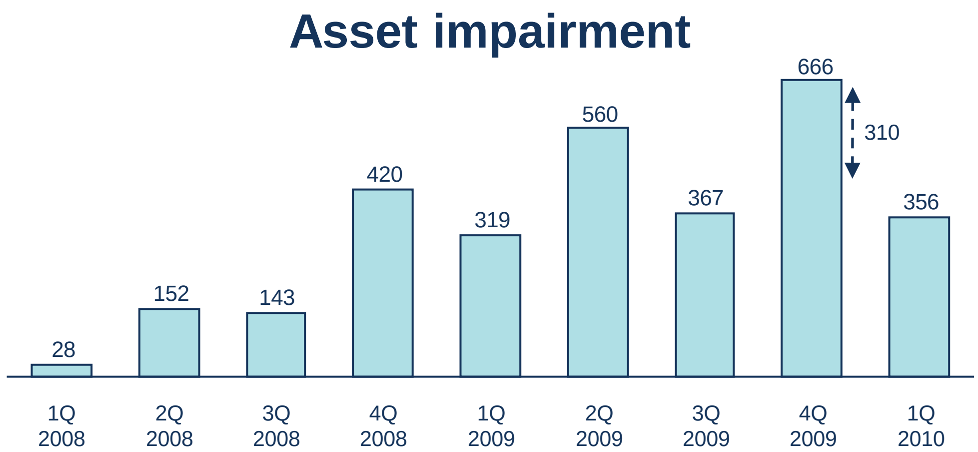
Operating expenses



- Operating expenses fell 6% to EUR 1.158m, still benefiting from cost containment measures initiated in 2008
- Underlying cost/income ratio for banking stood at 50% (compared to 55% for full year 2009)
- The cost trend has been bottoming out and we expect costs to further increase from this point.

Amounts in m. EUR

Asset impairment

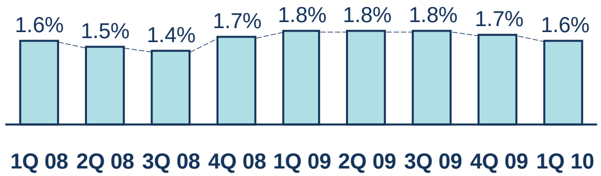


- Sharply lower impairments (356m)
  - 310m quarter on quarter decrease is situated in all business units, but is most outspoken in Central & Eastern Europe

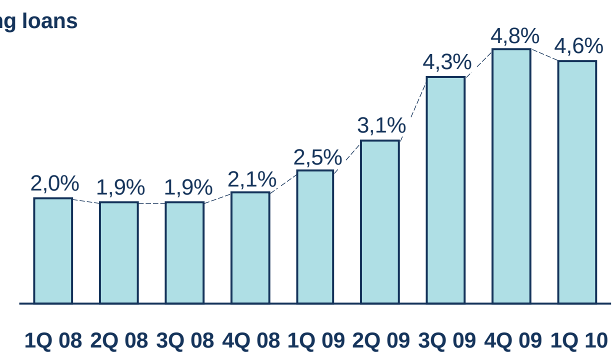
Amounts in m. EUR

Peak of loan loss provisions may be behind us

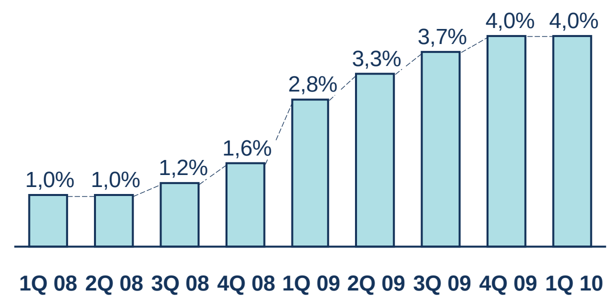
BU BELGIUM



BU CEE



BU Merchant Banking



Credit cost ratio

	YTD 1Q 2010 * credit cost ratio	FY 2009 * credit cost ratio
Belgium	**0.02%**	0.15%
CEE	**1.20%**	1.70%
Merchant	**1.34%**	0.77%
Incl. Asset Backed Securities **	1.47%	1.19%
Group Centre	**0.47%**	2.15%
Incl. to be divested assets		
Total	**0.79%**	0.95%
Incl. Asset Backed Securities**	0.84%	1.11%

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

* Restated (given new business reporting)

** At year end 2008, KBC has reclassified Mortgage Backed Securities to 'Loans and Receivables' under IAS 39

- Credit cost ratio went down to 0.84% (vs. 1.11% in 2009). NPL ratio amounted to 3.6%.
  - Credit costs in Belgium fell to virtual nil
  - Sharply decreased credit cost in CEE (-107m qoq), mainly in Poland (-64m), in the Czech Republic (-23m) and in Hungary (-14m)
  - In Merchant Banking, the decrease of impairments in the international loan books was partly offset by a significant enhancement of the provision coverage level in KBC Bank Ireland

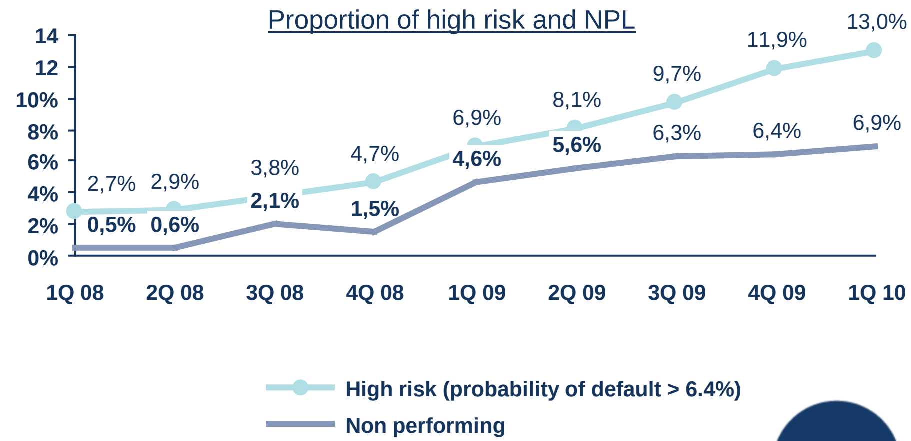
Update on Ireland

- NPL has risen to 6.9% (6.4% in 4Q09)
- EUR 142m loan impairments also includes a portfolio-wide upwards adjustment in the expected house price decline (from 40% to 50%) and a further reduction in collateral value assumptions in the commercial real estate portfolio influenced by the NAMA discounts for relevant Irish banks
- Credit costs for the remainder of 2010 should therefore be significantly lower than 1Q10.
- Local Tier 1 ratio of 9.2% at the end of 1Q10
- NPL coverage ratio of 31% reflects predominance of residential mortgages (iLTV of 90%) and relatively low exposure to real estate development (4% of the portfolio)
- Against a backdrop of a very severe recession, 80% of portfolio remains low or medium risk

Irish loan book – key figures March 2010

Loan portfolio	Outstanding	NPL Mar 10
Owner occupied mortgages	10.0bn	5.2%
Buy to let mortgages	3.3bn	7.2%
SME /corporate	2.6bn	3.3%
Real estate investment	1.3bn	10.2%
Real estate development	0.6bn	40.7%
	17.8bn	6.9%

Proportion of high risk and NPL



Exposure to Southern Europe (1)

Total exposure to Greece, Portugal & Spain at the end of 1Q10 (bn EUR)

	Banking and Insurance book			Trading book	
	Credits & corporate bonds	bank bonds	Gov. bonds	Gov. Bonds	Total exposure
Greece	0,1	0,0	1,3	0,6	**2,0**
Portugal	0,3	0,0	0,3	0,0	**0,6**
Spain	2,5	0,6	2,4	0,3	**5,8**

- Total exposure to the most stressed countries Greece and Portugal amounted to EUR 2.6bn, of which EUR 0.6bn 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 1Q10 (bn EUR)

	Banking	Insurance	Total
Greece	0,9	0,4	**1,3**
Portugal	0,2	0,1	**0,3**
Spain	1,6	0,7	**2,4**
TOTAL	**2,7**	**1,2**	**4,0**

Exposure to Southern Europe (2)

Maturity date of government bond portfolio of the banking and insurance book (bn EUR)

	2Q10	2H10	2011	2012	> 2012
Greece	0,1	0,0	0,1	0,2	0,9
Portugal	0,0	0,0	0,1	0,1	0,1
Spain	0,0	0,0	0,1	0,5	1,7

Breakdown of total government bonds, by portfolio at the end 1Q10 (bn EUR)

	AFS *	HTM **	FIV ***	Trading ***	TOTAL
Greece	0,5	0,5	0,3	0,6	**1,9**
Portugal	0,2	0,2	0,0	0,0	**0,4**
Spain	2,1	0,3	0,0	0,3	**2,7**

Breakdown of total government bonds, by portfolio at 30 April (bn EUR)

	AFS *	HTM **	FIV ***	Trading ***	TOTAL
Greece	0,5	0,4	0,2	0,4	**1,5**
Portugal	0,1	0,2	0,0	0,0	**0,3**
Spain	2,1	0,3	0,0	0,3	**2,7**

* Available for sale: value loss versus 31 March due to price decline booked against shareholders' equity
** Held to Maturity: negative pull-to-par effect versus 31 March
*** Financial Instruments at Fair Value / Trading: lower value vs. 31 March due to price decline and run-down of portfolio (value loss booked against revenu)

Looking forward

Jan Vanhevel, Group CEO:

- ‘The cost trend has been bottoming out and we expect costs to further increase from here.’
- ‘We may have seen a turn in the credit cycle. Our 2010 base case scenario includes loan losses to visibly decline compared to the financial year 2009.’
- ‘A trading loss related to the ‘legacy’ structured derivatives positions within KBC Financial Products has been booked. Additional limited losses cannot be excluded for the next few quarters of 2010, while risk exposure is continuously being unwound.’
- ‘We are making good progress on our flagship projects to refocus the business portfolio. Moreover, a significant reduction of the group’s credit derivatives was initiated in the first quarter of 2010.’
- ‘At the end of April, the Belgian tax ruling office ruled positively that a waiver of intercompany debt, related to CDO-linked losses incurred in past years, is tax deductible, conditions met. This means KBC will be able to book a positive deferred tax income of EUR 0.3bn, partly compensating the losses it has suffered in the past.’

Wrap up

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 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 international merchant banking operations and completing divestment program
- Maintaining strong risk controls in non-core entities if operating environments were to deteriorate (e.g. in Ireland)

KBC Group

2010 1Q Results

Q&A