



KBC Group

Investor Presentation

September, 2009



Ticker codes: KBC BB (Bloomberg)
KBC BR (Reuters)

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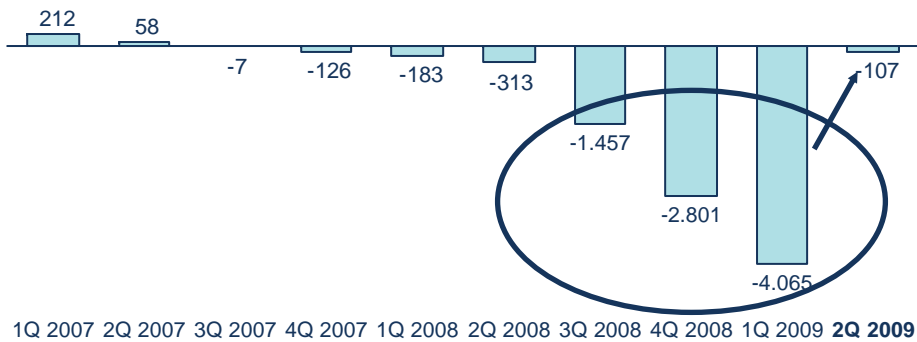
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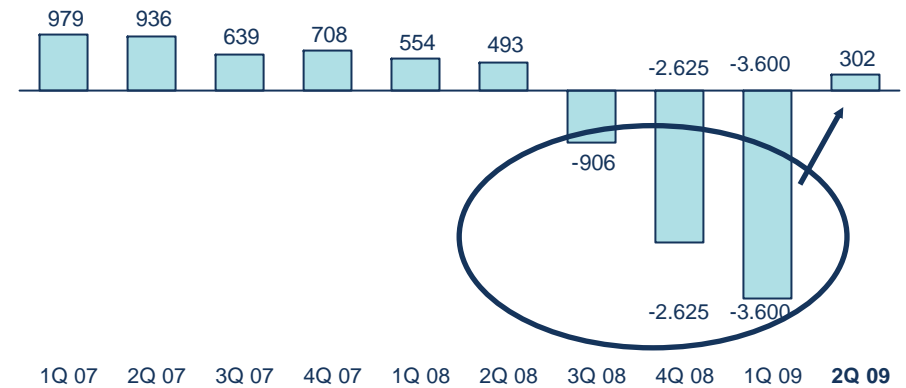


We are back on track...

Exceptional items



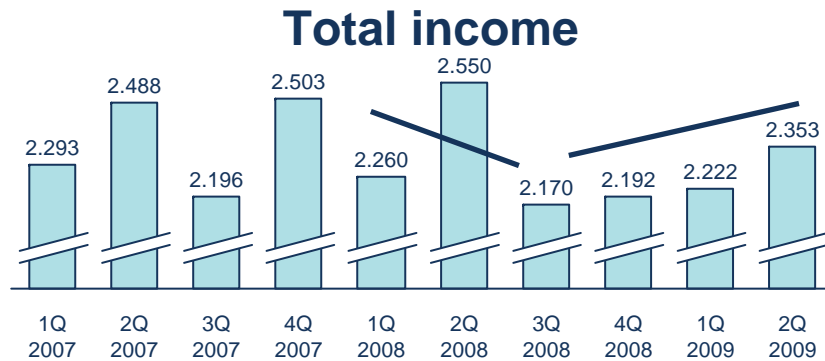
Reported net profit



Amounts in m. EUR



Solid income and expenses development



- While loan growth slowed down, net interest income benefits from favourable credit spread environment combined with steep yield curve
- Non-interest income rebounded on back of improving investment climate (asset management fees) and solid performance on debt capital markets (trading income)
- Operating expenses down 14% year-on-year; reduction across all business units (-8% in Belgium, -15% in CEE, -30% in Merchant Banking, -6% in Private Banking)
- Underlying cost/income ratio (banking) down to 56%; back to pre-crisis level



Loan losses remain within expectations

	2008 credit cost ratio	1Q 09 credit cost ratio	1H 2009 credit cost ratio	Average '99 –'08	Peak '99 –'08
Belgium	0.09%	0.13%	0.14%	0.16%	0.31%
CEE	0.73%	1.69%	1.75%	0.92%	2.75%
Merchant Incl. US RMBS*	0.48%	0.59%	0.71% 1.31%	0.39%	0.90%
Total Incl. US RMBS*	0.46%	0.70%	0.76% 1.01%	0.33%	0.71%

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

- Expected to remain very low in Belgium (ytd 14 bps and 31 bps historical peak); guidance for CEER FY09 to maintain credit cost at 200-230 bps (below historical peak)
- Main CEE markets seem to be out of recession, but questions remain about pace of recovery and fall-out on corporate entities and households
- Trends closely monitored for CEE (Hungary, Russia, unsecured consumer lending in Poland, etc.) and Merchant Banking (Ireland, reclassified US RMBS portfolio)

* At year-end 2008, KBC reclassified Asset Backed Securities as 'Loans and Receivables' under IAS39



Update on CDO portfolio

	Nominal	FV loss booked	Claimed events	Protected by
CDO-linked exposure (largely corporate reference pool)	26 bn	- 7.4 bn	-1.0 bn	fully written down or 90% state guarantee

State guarantee includes 10% risk sharing beyond set loss of 5.2 bn, on aggregate. All KBC-originated CDO Mezz notes were written down, however, excl. 0.8 bn third-party CDOs

- State guarantee caps downside risk, potential to reverse write-downs left intact
- Tightening of credit spread and valuation impact of guarantee triggered 1.6 bn reversal of MtM losses in 2Q 2009 (another 0.2 bn in July / August so far)
- Following 2Q write-back, P&L would have to bear next 1.2 bn of markdowns if credit spreads were to widen again (though regulatory capital benefits from offsetting impact of guarantee!)



Update on other structured products business

Investment banking business lines	Exit status	Nominal outstanding
- Exotic equity derivatives	Started 4Q 08	2.4 bn
- Fund derivatives	Started 4Q 08	1.6 bn
- US reverse mortgages	Started 2Q 09	1.3bn
- Life insurance settlements	Started 2Q 09	0.6 bn ¹
- Alternative investments	Almost completed	0.1 bn

(1) This amount reflect market value

- Strategy to exit activities in order to free up capital and reduce risk profile of group
- Structured products are complex and have a long duration; 'unwinding losses' cannot be ruled out
- In 2Q09, 0.7 bn of reserves set aside against future 'unwinding losses'



Preparing for the future

- Strategy review announced at year-end 2008:
 - Refocus business portfolio on core activities in core markets
 - Downsizing corporate banking presence outside home markets and cutting investment banking activities (run-off of structured products business)
- Update mid-2009:
 - RWA shrinkage and cost control underway
 - Senior management team renewed
 - Strategy review ongoing, outcome dependent on EU approval (provisional clearance been granted)
 - Pending regulatory approval, embargo on calls of perpetual hybrid instruments
- Strategy update will result in release of significant amount of capital (RWA shrinkage, divestments not ruled out) while safeguarding core earnings power. Together with future retained earnings, capital release will contribute to repurchase of State capital

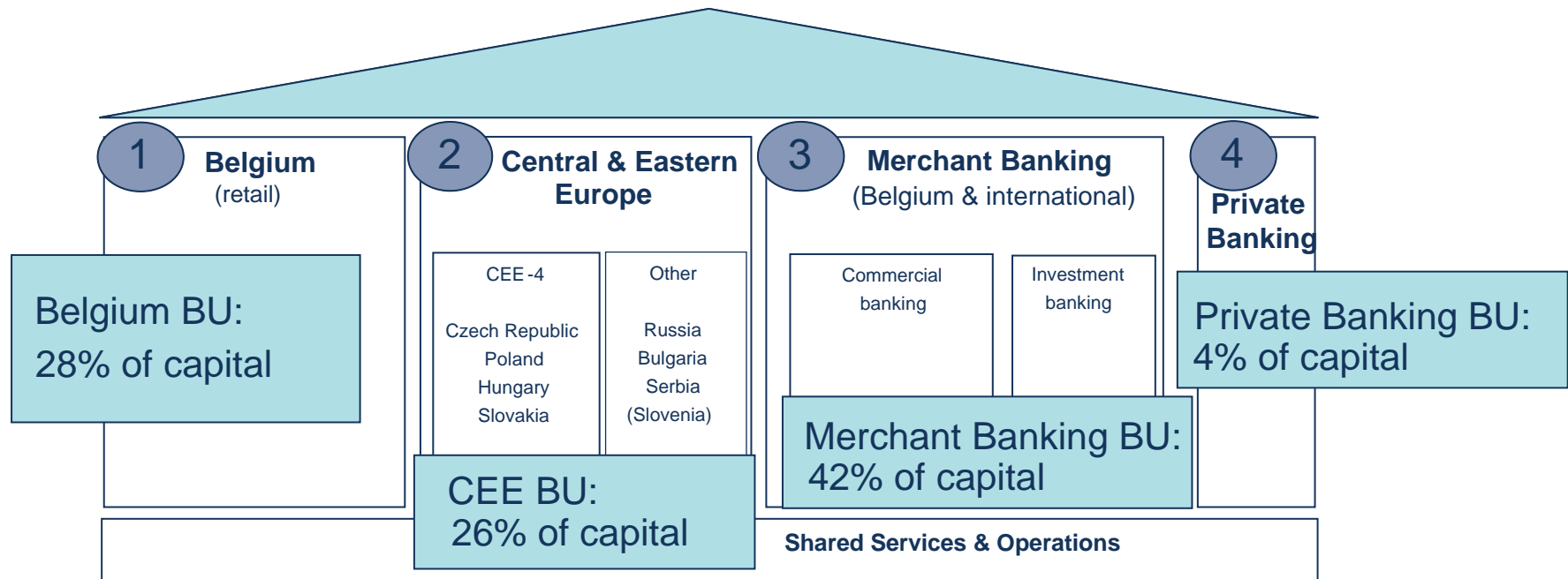


KBC Wrap Up

- 'Back to black' after 3 consecutive quarters of CDO-related losses
- Capital situation stabilised (including 7 bn state capital injection): Tier-1 ratio >10% of which core > 8% and CDO-related risk capped by State guarantee
- Resilient underlying business: margin recovery, healthy non-interest-income trend
- Restructuring process underway: significant progress made on shrinking investment banking activities, cost control initiatives on track, new management team on board
- Non-performing loans to continue to climb in the next quarters (risk cost anticipated to be sufficiently absorbed by regulatory capital buffer)
- 'New-born KBC' will be more focused on core franchise, with sustainable earnings power remaining intact (and a lower risk profile)

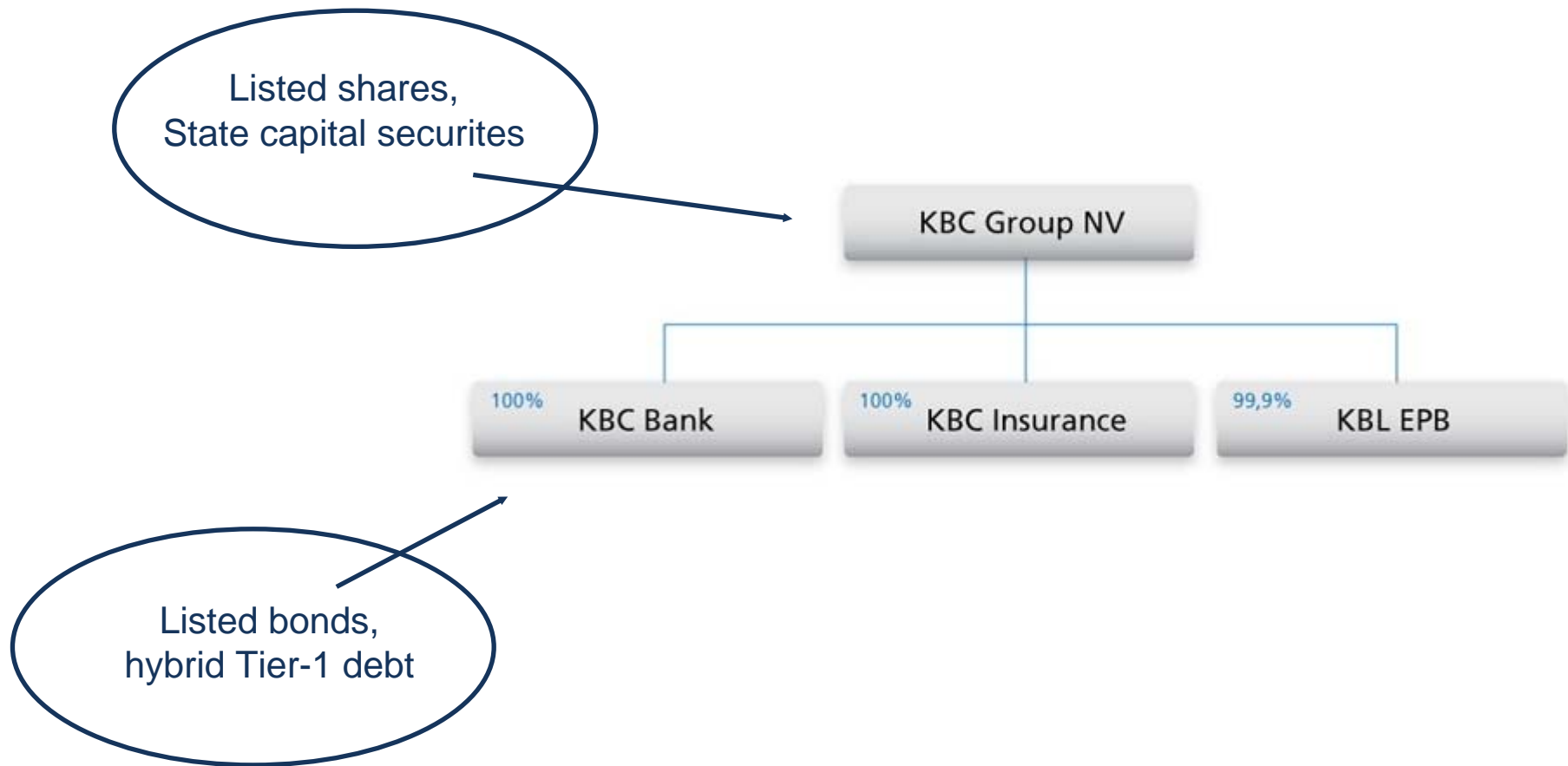


Reminder: business profile





Legal structure of KBC Group





Presence in CEER



Main markets

Czech Republic

Total assets: 30 bn
Bank ranking: Top 3
Insurance ranking: Top 5
Entry: 1999

Hungary

Total assets: 12 bn
Bank ranking: Top 3
Insurance ranking: Top 10
Entry: 2000

Poland

Total assets: 7 bn
Bank ranking: Top 10
Insurance ranking: Top 3
Entry: 2001

Slovakia

Total assets: 6 bn
Bank ranking: Top 5
Insurance ranking: Top 10
Entry: 1999

New markets

Russia

Total assets: 4 bn
Bank ranking: Top 25
Entry: 2007

Bulgaria

Total assets: 1 bn
Bank ranking: Top 10
Insurance ranking: Top 3
Entry: 2007

Serbia

Total assets: 0.2 bn
Bank ranking: Top 25
Entry: 2007

Assets in billions of euros at 31 Dec. 2008

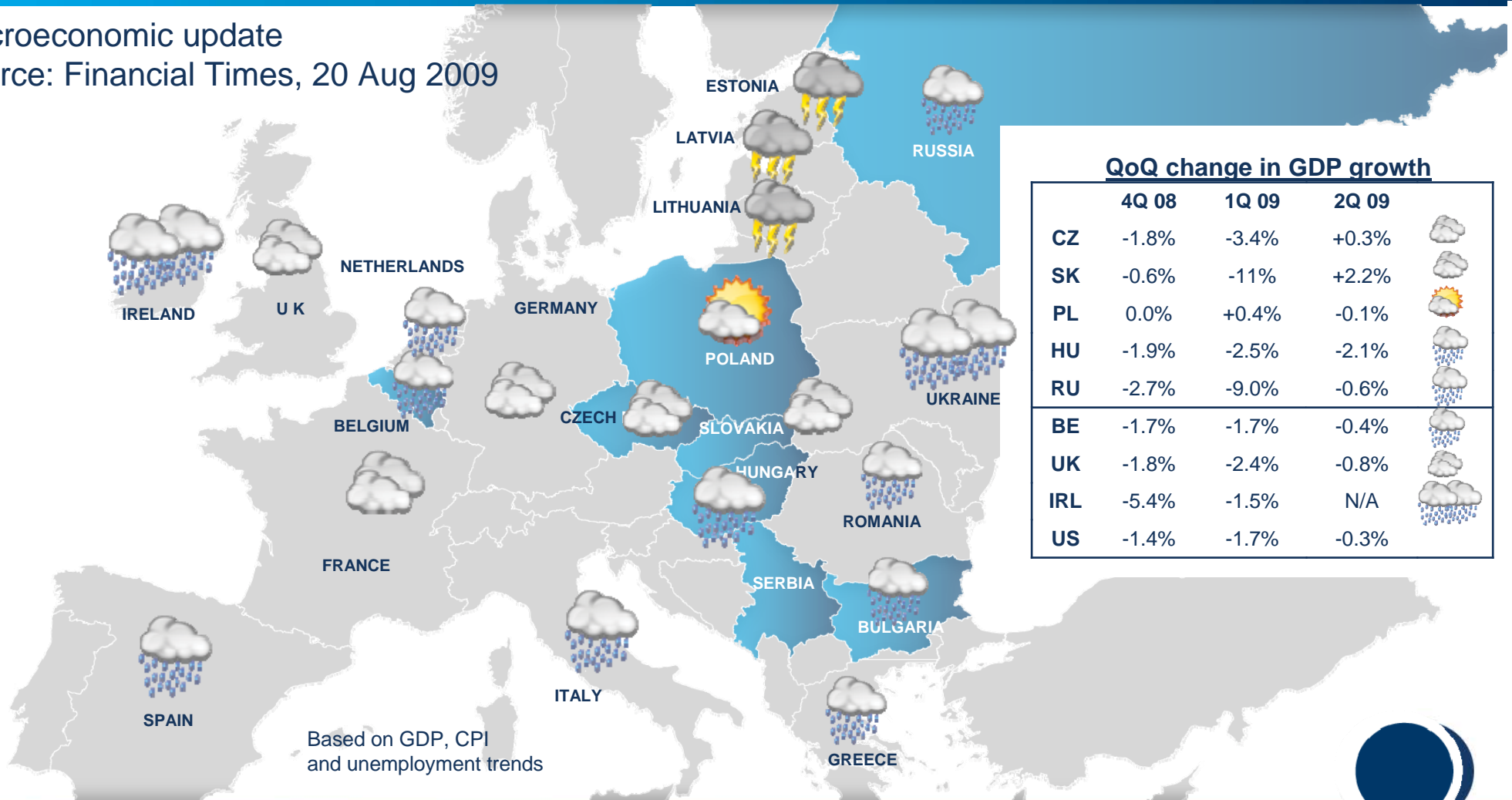
'Entry' means year in which a majority shareholding was acquired



Update on exposure to CEE

Macroeconomic update

Source: Financial Times, 20 Aug 2009



QoQ change in GDP growth

	4Q 08	1Q 09	2Q 09	
CZ	-1.8%	-3.4%	+0.3%	☁
SK	-0.6%	-11%	+2.2%	☁
PL	0.0%	+0.4%	-0.1%	☀
HU	-1.9%	-2.5%	-2.1%	☁
RU	-2.7%	-9.0%	-0.6%	☁
BE	-1.7%	-1.7%	-0.4%	☁
UK	-1.8%	-2.4%	-0.8%	☁
IRL	-5.4%	-1.5%	N/A	☁
US	-1.4%	-1.7%	-0.3%	☁



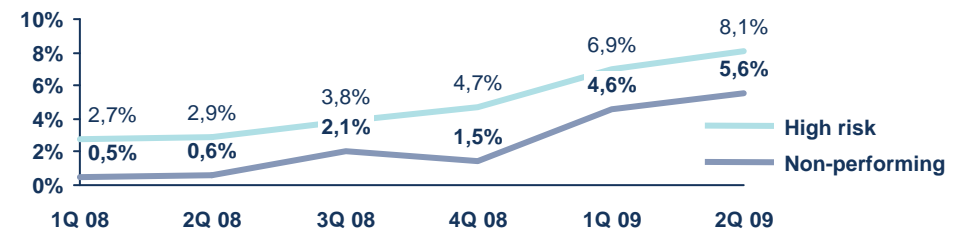


Update on exposure to Ireland

Irish loan book – key figures for 2Q 2009

<u>Loan portfolio</u>	<u>Outstanding</u>	<u>NPL 1H09</u>
Owner-occupied mortgages	10.2bn	4.8%
Buy-to-let mortgages	3.4bn	6.3%
SMEs /corporate entities	2.9bn	3.8%
Real estate investment	1.2bn	7.4%
Real estate development	0.6bn	26.1%
	18.3bn	5.6%

Proportion of high risk and NPL



- NPL at 5.6%, bringing credit cost ratio to 67 bps year-to-date
- GDP still contracting, unemployment on the rise (currently some 12%) and house prices falling (-8% ytd); consequently, credit quality to deteriorate further
- Though conditions are worsening, 86% of portfolio still considered to be low or medium risk and after loan impairment of 62m, Irish business still contributed 42m to group profit (ytd)



Summary of government transactions (1)

7 bn EUR capital securities subscribed to by the Belgian Federal State and the Belgian Flemish Region

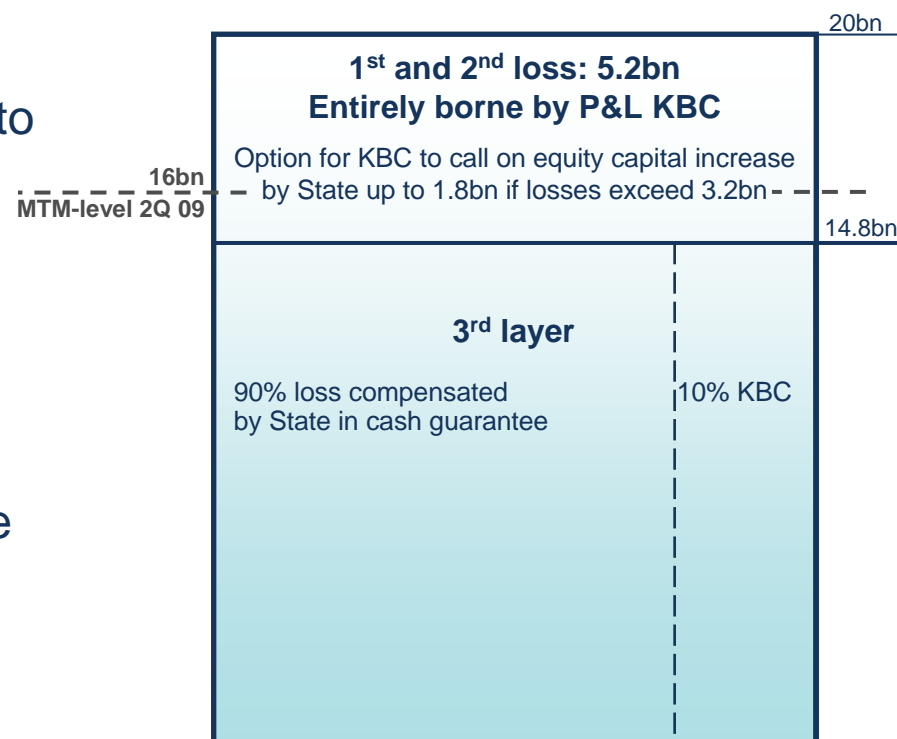
	Belgian State	Flemish Region
Amount	3.5bn	3.5bn
Instrument	Perpetual fully paid-up new class of non-transferable securities qualifying as core capital	
Ranking	Equal ranking (<i>pari passu</i>) with ordinary stock upon liquidation	
Issuer	KBC Group NV Proceeds used to subscribe to ordinary share capital at KBC Bank (5.5bn) and KBC Insurance (1.5bn)	
Issue Price	29.5 EUR	
Interest coupon	Conditional on payment of dividend to shareholders. The higher of (i) 8.5% or (ii) 120% of the dividend for 2009 and 125% for 2010 onwards Not tax deductible	
Buyback option for KBC	Option for KBC to buy back the securities at 150% of the issue price (44.25)	
Conversion option for KBC	From December 2011 onwards, KBC has option to convert securities into shares (1 for 1). In that case, the State can ask for cash at 115% (33.93) increasing every year by 5% to the maximum of 150%	No conversion option



Summary of government transactions (2)

- State guarantee for 20 bn CDO-linked instruments:
 - CDO investments not yet written down to zero (5.5 bn)
 - CDO-linked exposure towards MBIA, the US monoline insurer (14.4 bn)
- First and second layer (5.2 bn): loss fully borne by KBC (KBC has option to call on equity capital increase up to 1.8 bn from the Belgian State if losses exceed 3.2bn)
- Third layer (14.8 bn): 10% risk only
- Instrument-by-instrument approach

GUARANTEE STRUCTURE





KBC hybrid debt instruments

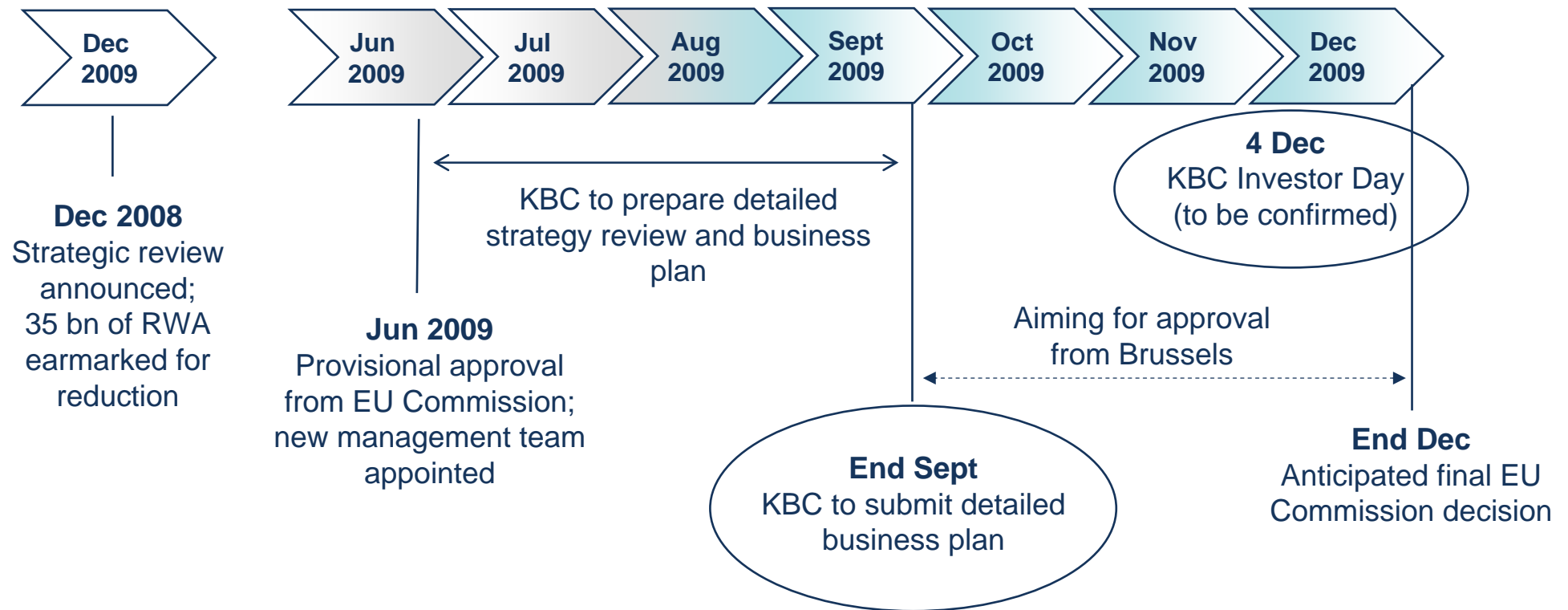
ISIN	Issuer	Amount	Coupon	Coupon/Call date 2H 2009	Call Option 2H 2009
XS0099124793	KBC Bank Funding Trust II	280m EUR	3m EURIBOR +3%	30-Sep-09	No call
XS0099124793	KBC Bank Funding Trust II	280m EUR	3m EURIBOR +3%	31-Dec-09	No call
US48239AAA79	KBC Bank Funding Trust III	600m USD	9.86%	02-Nov-09	No call
USU2445TAA08	KBC Bank Funding Trust IV	300m EUR	8.22%	10-Nov-09	No call
BE0119284710	KBC Bank	525m GBP	6.202%	19-Dec-09	No call date

Hybrid instruments without 2H 2009 event

BE0934378747	KBC Bank	1.25bn EUR	8.00%	No coupon date	No call date
XS0368735154	KBC Bank	700m EUR	8.00%	No coupon date	No call date



Strategy review



Announcement

4 December 2009 // DATE TO BE CONFIRMED

KBC Investor Day London

Merchant Taylors' Hall
30 Threadneedle Street - London EC2R 8 JB

KBC's Management is delighted to invite you to London on 4 December 2009 on the occasion of its Investor Day, to unveil its business plan for the years ahead.

