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Building on sustainable foundations in Belgium

J. Thijs, *CEO Belgium*

Welcome to the New Normal

Business plan for the years ahead

KBC

KBC Investor Day 2009

Important information for investors

This legend was added on 11DEC09

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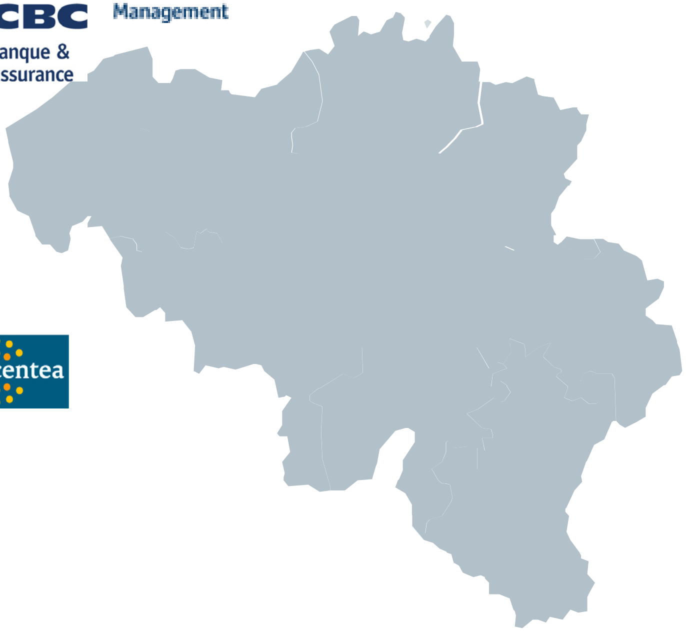
Speaker's *curriculum vitae*

1988	Various actuary functions in life and non-life insurance, ABB Insurance
1995	Head of non-life department, Limburg regional office, ABB Insurance
1998	Provincial manager Limburg and Eastern Belgium, KBC Insurance
2001	Senior General Manager non-life insurance, KBC Insurance
2009	Member of the Executive Committee of KBC Group; CEO of the Belgium Business Unit

Today's messages

- Retail bancassurance in Belgium has been and will continue to be an attractive return & low-risk business
- KBC's Belgium Business Unit weathered the storm reasonably well
- Core strategy will continue to be based on relationship bancassurance via a dense network
- Divestment of complementary sales channels to generate repayment capacity for capital securities issued to the State
- Future profit projections show continued sustainable income and sound returns, even in an adverse economic scenario

Passport of the Belgium Business Unit

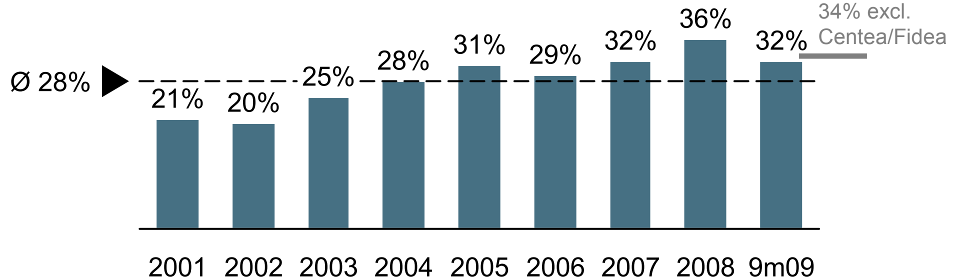


Belgium Business unit	
Clients	3.9 m
Staff (fte)	12 300*
Network	867 bank branches & 555 insurance agencies + 689 bank agencies + insurance brokers
Ranking in Belgium	Top-3
Market share (est.)	loans 22%, deposits 20%, investment funds 39%, life insurance 17%**, non-life insurance 10%
AUM	EUR 147 bln
Loans	EUR 56 bln
Deposits	EUR 75 bln
Life reserves	EUR 21 bln
Risk-weighted assets	EUR 34 bln (bank+insurance)
Allocated capital	EUR 3.3 bln

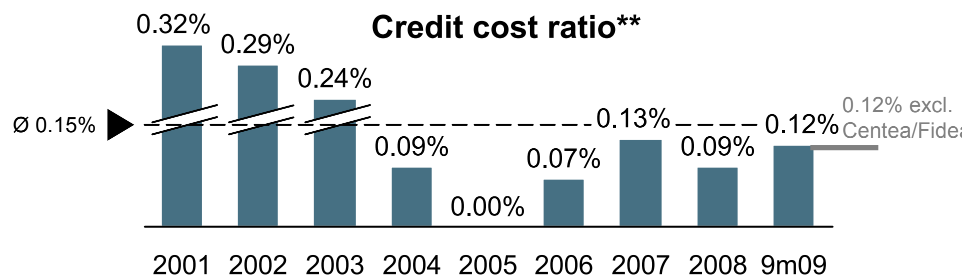
Date: June or September '09
* Excluding supporting services for other business units or for the whole group
** Based on life reserves

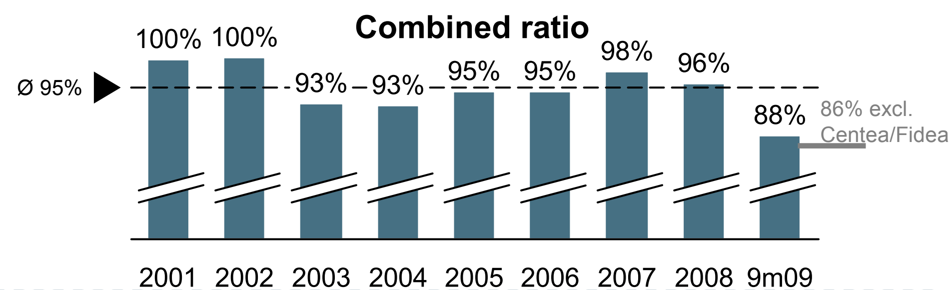
An attactive return & low risk business

- KBC's retail bancassurance activities in Belgium have always been a high return & low risk business
- Return on allocated capital in last 9 years: on average 28% [low: 20%, high: 36%]
- Credit cost ratio in last 9 years: on average 0.15% [low 0.00%, high 0.32%]
- Combined ratio in last 9 years: on average 95% [low 88%, high 100%]



* Based on a 8-8.5% tier-1 ratio capital allocation. As of 2008 based on Basel II (before: Basel I).





** As of 2005: retail credits, before 2005: retail and corporate credits

Attractive returns and low risks in a sustainable growth environment

Growth in Belgium is higher than usually perceived

- Notwithstanding a perceived mature market, Belgium witnessed solid growth in many fields
- CAGR since 2004, for KBC in Belgium:
  - Total loans +8%
  - Customer deposits +6%
  - Life reserves +15%
  - Non-life premium income +6%
  - Assets under management +11%

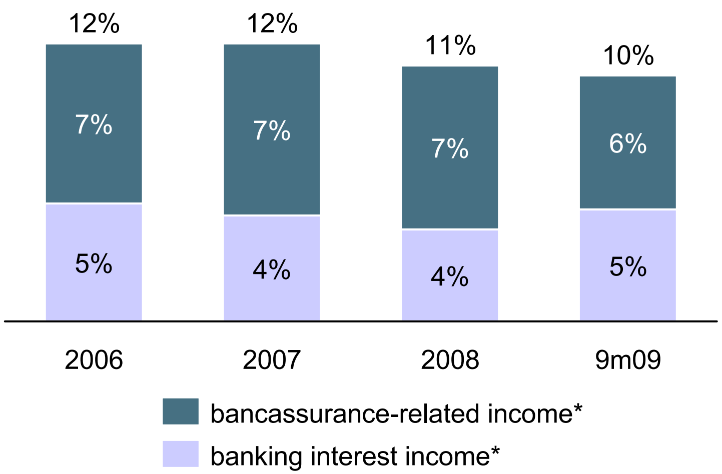
YOY growth	Total loans	Mortgages	Customer deposits	Life reserves	Non-life premiums	AUM
09/09	+2%	+8%	-1%	+9%	+5%	-7%
2008	+8%	+9%	+6%	+0%	+5%	-7%
2007	+11%	+9%	+9%	+5%	+6%	+13%
2006	+8%	+12%	+4%	+11%	+6%	+17%
2005	+10%	+16%	+4%	+38%	+6%	+31%
2004	+5%	+9%	+10%	+28%	+6%	+20%
CAGR 04-09	**+8%**	**+11%**	**+6%**	**+15%**	**+6%**	**+11%**

Elements contributing to the attractive return & low risk business (1)

Bancassurance adds growth and stability to BU Belgium's income

- Bancassurance allows swift changes between bank-, insurance- and asset management products, taking into acccount market opportunities and changes in client behaviour
- Bancassurance leads to strong cross selling results, offsetting the relatively low net interest margin in Belgium.
- On average, almost 60% of income comes from cross-selling (mainly insurance & asset management products)

Breakdown of total income margin into banking interest income and bancassurance-related income (in % of RWA)*



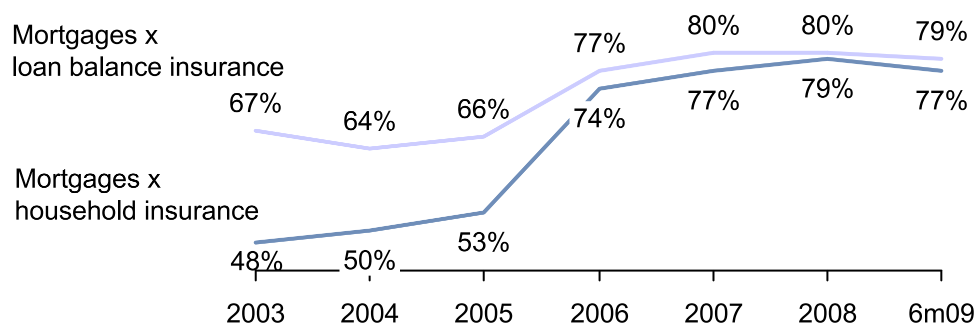
* Banking interest income: [net interest income banking activities] / [risk-weighted assets, group]. Bancassurance-related income: [total income, excluding net interest income banking activities] / [risk-weighted assets, group]

Elements contributing to the attractive return & low risk business (2)

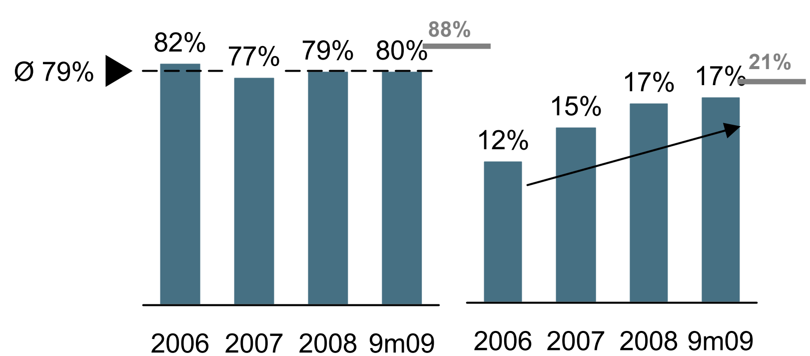
Bancassurance adds growth and stability (cont'd)

- Strong cross selling results
  - +/- 80% of KBC mortgage loans sold together with household insurance policy
  - +/- 80% of KBC life insurances sold by bank branches.
  - For non-life, bank sales are gradually rising
- Bancassurance model underpinned by highly performing asset manager
  - KBC's share of the investment fund market constantly >30% (mid 2009: 39%)

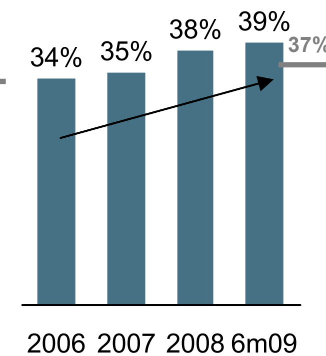
Cross-selling of mortgage loans with…



Insurance sold via bank branches



Market share investment funds



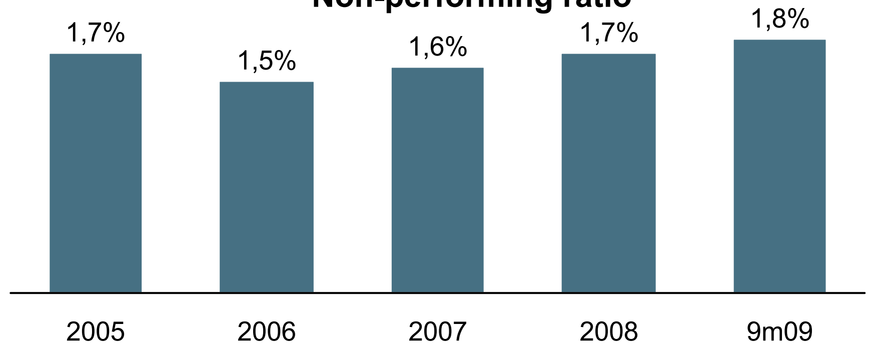
excl. Centea/Fidea

Elements contributing to the attractive return & low risk business (3)

Low credit costs

- Consistently low credit costs: avg credit cost ratio in last 9 years: 0.15%
- Non-performing loans: 1.8% of loan portfolio as at 30SEP09

Non-performing ratio

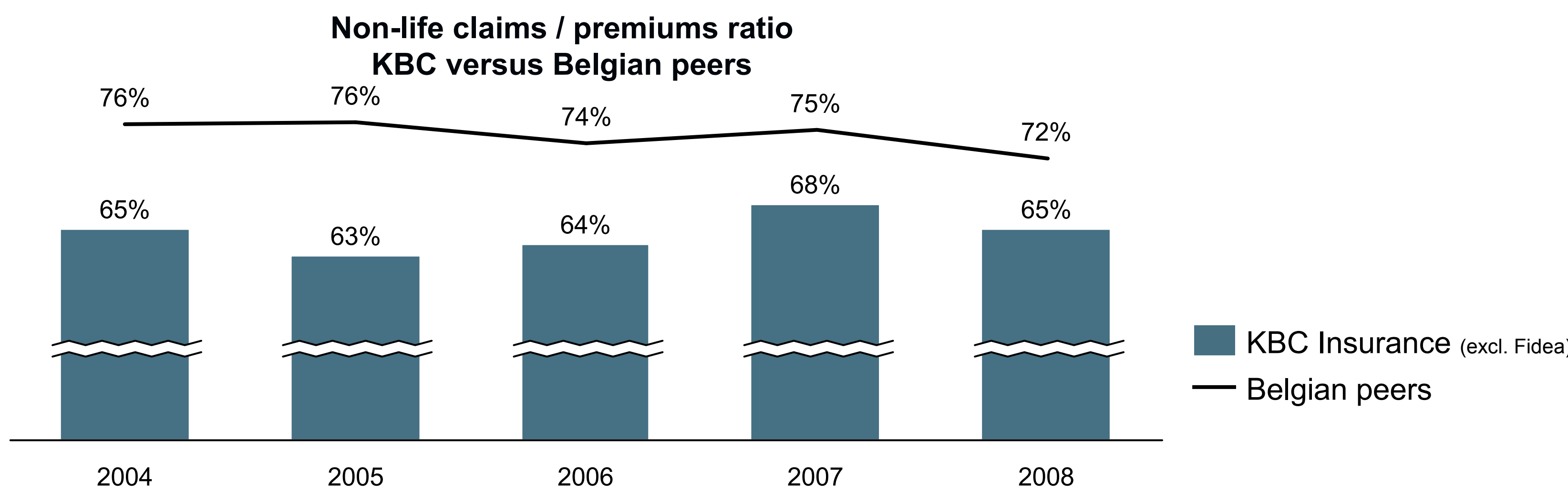


Decrease in house prices in recent crisis (peak to trough)		Belgian housing market not a threat
USA	-34%	o In US and Ireland, prices dropped significantly in 2008/2009; in Belgium, house prices increased 2.5% in 2008 and are expected to drop only 2% in 2009
IRL	-23%	o Belgian housing market has avoided excesses; house prices developped in line with structural factors such as demographics, interest rates and income
ESP	-9%	o No excesses in term of mortgage products; exotic mortgage products (that partly provoked the problems in the US) not used in Belgium
BEL	-2%	o Financial situation of Belgian households remains sound. Debt levels well below levels in most affected countries
		o Mortgage loan demand picking up in recent months thanks to low interest rates
		o In next 10 years, Belgium is to experience highest population growth in over 40 years (source: NIS)

Elements contributing to the attractive return & low risk business (4)

Low claims in non-life insurance

- Claims ratio of KBC Insurance consistently lower than Belgian market: avg in last 5y: 65% (versus 75% avg for Belgian peers)



An attactive return & low risk business, also during the crisis

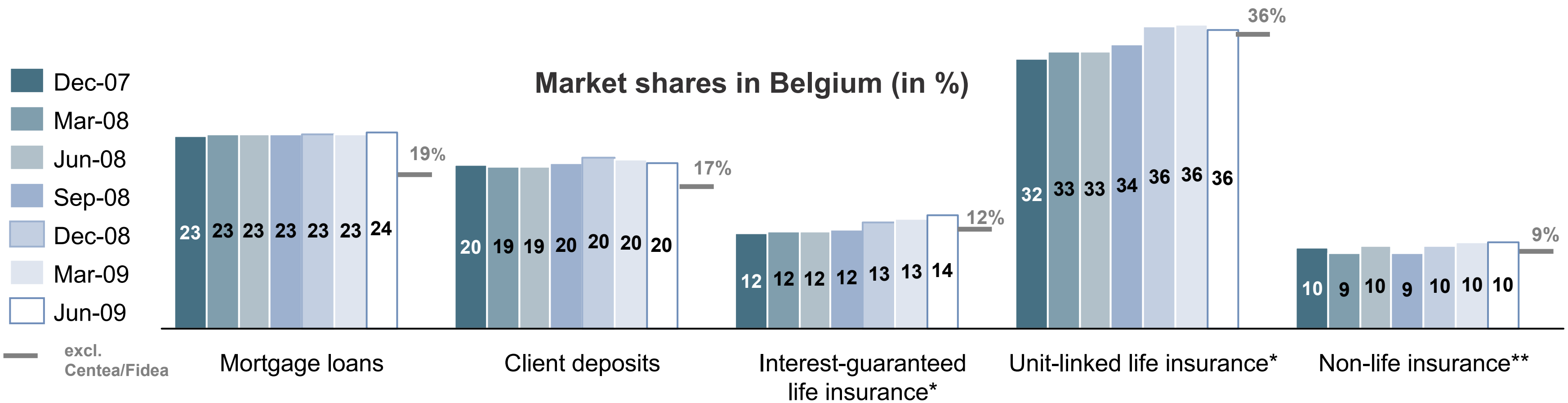
Performance during crisis

- KBC's retail bancassurance activities in Belgium have in the past always been an attractive return & low risk business…

  …and this remained so during the crisis. Notwithstanding a deterioration, profit and financial ratios remained at good levels
- Markets shares did not suffer

Underlying	Pre-crisis average*	Crisis average*
Total income, annualised (EUR)	3.5 bln	3.3 bln
Net profit, annualised (EUR)	1.2 bln	1.0 bln
Return on allocated capital	37%	28%
Cost/income ratio	57%	68%
Combined ratio (non-life insurance)	95%	91%
Credit cost ratio	0.07%	0.12%

* Pre-crisis: weighted avg 2005, 2006, 2007 and 1h08. Crisis: avg 2h08 & 9m09



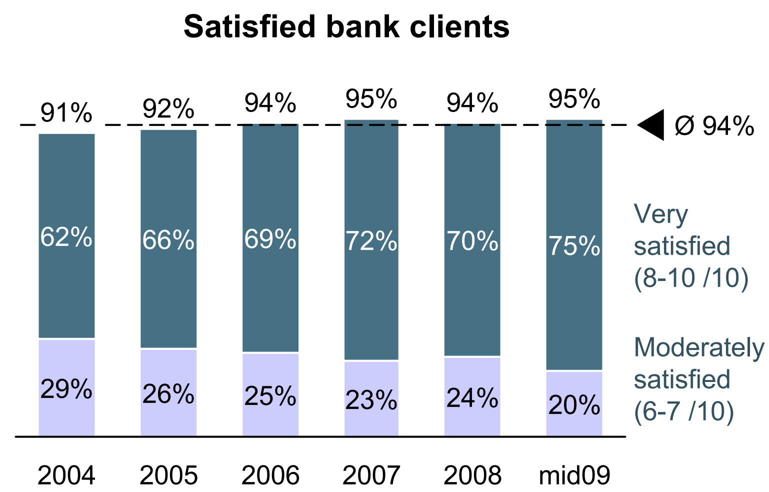
* Based on life reserves

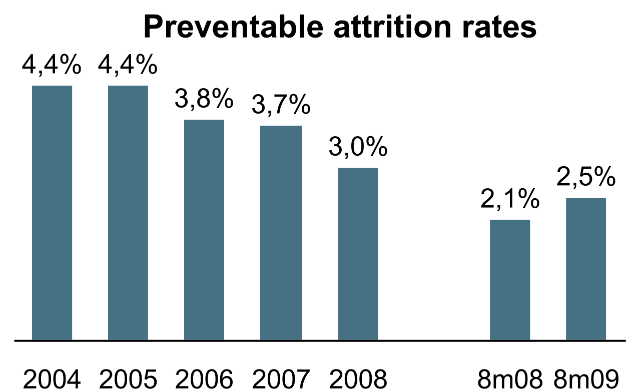
** Based on premiums

Customer and employee satisfaction (1)

Client satisfaction staying at a high level

- Bancassurance model is based on relationship management and closeness to the client, allowing for continuous communication with customers, even more so in distressed periods.
- Customer satisfaction & loyalty is a conditio sine qua non for successful cross-selling
- Surveys confirm that client satisfaction has been rising almost constantly and still remains at a high level.
  - 75% of KBC Bank branch customers very satisfied (5m09)
  - 86% of KBC Insurance agency customers satisfied (2007)
  - No significant change before/after (05/09) crisis
- KBC Bank's preventable attrition rate (for reasons other than death, bankruptcy etc.) well below European retail banking average (4.6% in 2008).





Customer and employee satisfaction (2)

KBC's strong reputation with customers withstood the storm

KBC weathered the crisis without much harm to its reputation.

Panel discussions held with groups of KBC-clients in June-August 09 indicate that:

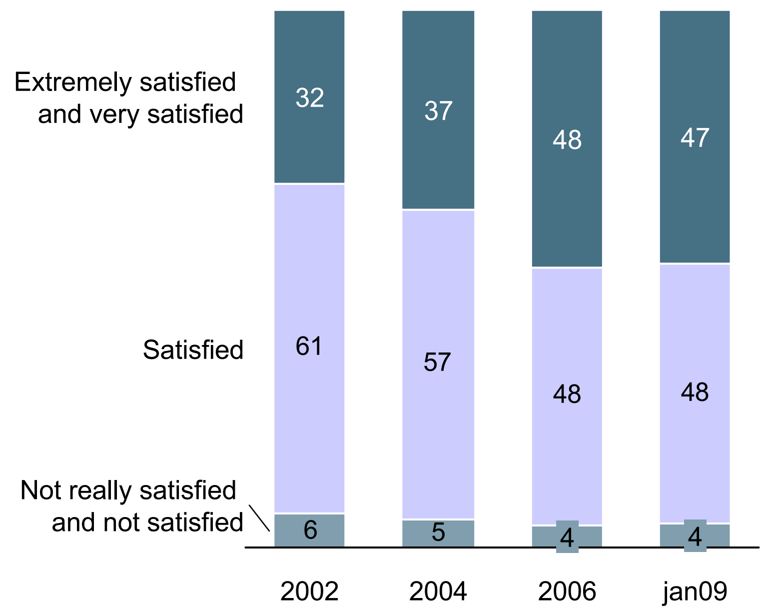
- General trust in financial sector has decreased significantly
- Image perception of KBC brand remained stable and relatively positive
- Compared to other banks in Belgium, KBC is perceived to be 'stable', 'trustworthy', 'calm' and 'solid' ("KBC has held up till the last, but finally had to bend too")
- KBC is also perceived as 'warm bank', thanks to personal approach of branch employees towards clients
- KBC's communication towards clients is perceived as 'self-relativating', 'not from an ivory tower', 'no-nonsense / down to earth'….

Customer and employee satisfaction (3)

Employee satisfaction suffered somewhat, but loyalty remains

- In recent years, number of extremely & very satisfied employees increased, number of not satisfied employees stayed very limited
- Panel discussions with employees indicate that crisis caused frustration and uncertainty, but commitment to the 'KBC community' stays high.
- Four 4 consecutive years, KBC has been awarded 'Beste Werkgever' (one of the best employers in Belgium) by Great Place to Work ®
- In a survey of Vlerick Management School and Vacature, KBC figured in top-10 of *most attractive employers* in Flanders (number 1 in the financial sector)

Employee satisfaction (%)



The Great Place to Work® Institute, Inc. is a research and advice organisation, located in the US, with establishments and partners throughout the world.

Customer and employee satisfaction (4)

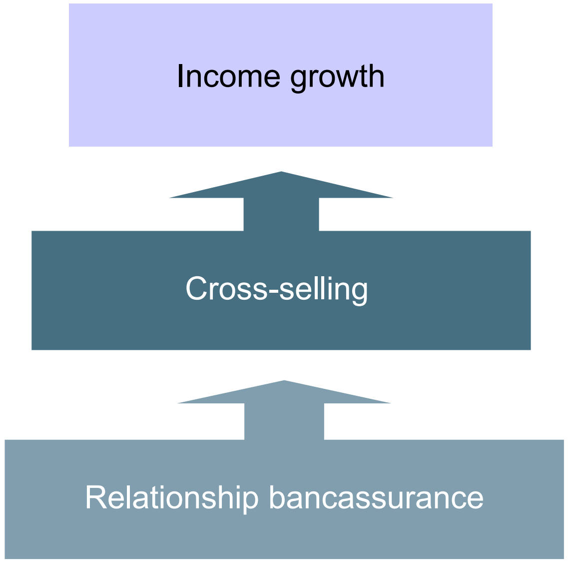
New Collective Labour Agreement in Belgium

- CLA signed in September 2009
- CLA addresses number of concerns that existed among staff in Belgium
  - Job security: prolonged till end 2011
  - Variable remuneration: existing system (based on growth of group profit) to be re-installed (negative impact on staff costs)
  - Job flexibility:
    - Extended opening hours
    - Continuation of 'time credit' and systems for 50+ / pre-retirement

Seen past track record, no major change to general strategy (1)

General strategy remains unchanged

- As existing model in Belgium has proven to be successfull, general strategy remains untouched
- KBC will remain focussed on full-service banking, insurance and asset management, via a dense network
  - Existing bancassurance model largely unchanged
  - Dense network guarantees closeness to customer & personal service.
- Further enhancement of client focus in the network by, i.a.:
  - Further differentiation of product offering per client group
  - Enhanced multi-channel approach through i.a. increased internet offering
  - Extended opening hours and more flexible deployment of employees on branch cluster level



Seen past track record, no major change to general strategy (2)

Disposal of complementary distribution channels

- In addition to the core bancassurance platform, products and services are offered via secondary channels, operating under different brand names
  - CENTEA (bank agency network)
  - Fidea (insurance sold via broker channel)
- To be able to repay state aid in a reasonable time, it was decided to focus on the core bancassurance networks; complementary channels to be divested
- The non-core networks:
  - accounted for avg net profit contribution of 0.1 bln euros in last 5 years
  - account for 16% of BU's banking risk-weighted assets (bank+insurance)
- Even without Centea and Fidea, KBC will still have a dense network in the country

Contribution to BU Belgium of Centea/Fidea

Total income (5y avg*)	EUR 0.3 bln
Expenses (5y avg*)	EUR 0.1 bln
Profit contribution (after funding costs, 5y avg*)	EUR 0.1 bln
RWA (mid 2009, bank+insur.)	EUR 5 bln
Market share (mid '09)	
Total loans	1 – 1.5%
Mortgage loans	4 - 5%
Total deposits	1%
Retail client deposits	2 - 3%
Life insurance	1 – 1.5%
Non-life insurance	1.5 - 2%
Clients (end '08)	800 000
Staff (fte, sep '09)	700

* Average of 2005, 2006, 2007, 2008 and 6m2009 (annualised)

Taking into account the planned actions, where do we expect to stand in a few years' time?

Projections show that if all strategic changes (cf. the sales of some group companies) are implemented, the Belgium BU will continue to deliver sustainable income and sound returns, even in an adverse case scenario

Belgium BU (in billions of EUR)	9m2009 Actual	From now towards 2013
Risk-weighted assets (bank+insurance)	**34.1**	**low to mid single-digit organic CAGR***
Revenues	**2.6**	**-**
Cost/income	**57%**	**low 50s (by 2013)**
Combined ratio	**88%**	**low 90s**
Credit cost ratio	**0.12%**	**low 10s of bps**
Return on 10% Tier-1 capital**	**33%**	**> 26%**

* Dependent on macro-economic scenario; limited impact from rating migration expected, and some beneficial impact expected from shift to IRB advanced modelling.

** [Annualised underlying profit] / [10% of average risk-weighted assets (bank+insurance)]

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