

‘KBC 2013 and beyond’, a strategy update



Press / Analyst Conference

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1 ***KBC Group Today***





Today's Reality: KBC at a Crossroads



What are we good at?

- Bank-insurance group present in Belgium & CEE
- Strongly embedded in local economies with leading market positions
 - Business focus on Retail, SME & Midcap clients
 - USP : in-depth knowledge of local markets and profound relationships with clients
- Integrated bank-insurance business model
 - strong value creator with good underlying results through the cycle

What are we good at?

- Implementation of EU Plan well advanced, despite the exceedingly difficult circumstances
- Divestments leading to a smaller group
 - Divestment of KBC companies at large scale since 2009: >20 entities
 - 32% Reduction in RWA (between end 2008 and end 2Q12)



Need to re-adjust KBC Group to its smaller scope and reduce organisational complexity



KBC Group Today

What can we do better ?

- 'Local responsiveness' & 'global efficiency' were given equal strategic priority
- Given the different levels of maturity of KBC's franchises, 'local responsiveness' and 'global efficiency' were sometimes conflicting
- 'Global Efficiency' has created added value in some areas, like Risk Management or Asset Management
- Implementation of 'Global efficiency' increased complexity and can slow down the decision taking process
- To benefit from economies of scale 'Global Efficiency' requires sufficient size



Today's Reality: KBC at a Crossroads

Environment

- Changing expectations from different stakeholders and society
 - Changing and more demanding client behaviour
 - Changing and restrictive regulatory environment
- Europe with different country specifics
 - Macro-economic challenges: Eurozone, low growth, volatility
 - Changed financial and competitive landscape with focus on home markets and deleveraging
 - Request for increased support for local economies and growth initiatives
 - Need for cost effectiveness, therefore reduction of complexity

2 *KBC's Strategy Update : KBC 2013 and beyond*





KBC 2013 and beyond: Strategy Update

KBC's Strategy update is determined by 6 drivers :

1. Local responsiveness as key strategic priority : putting the client first
2. Focus on core bank and core insurance products and services
3. Well defined core markets
4. Utilise group leverage through cross-border cooperation
5. New organisational structure aligned with strategic choices
6. More clearly defined culture of accountability and responsiveness



KBC 2013 and beyond (1)

Local responsiveness : putting the client first

- Local Responsiveness becomes the key strategic choice :
Better understand local clients, readily and proactively take up suggestions, influences, appeals or efforts, and tailor products and services to clients' local needs.
- Focus on retail, SME and midcap client segments.
- Relationship bank-insurance:
All banking and insurance business activities necessary to serve the client-relationship in a sustainable way.





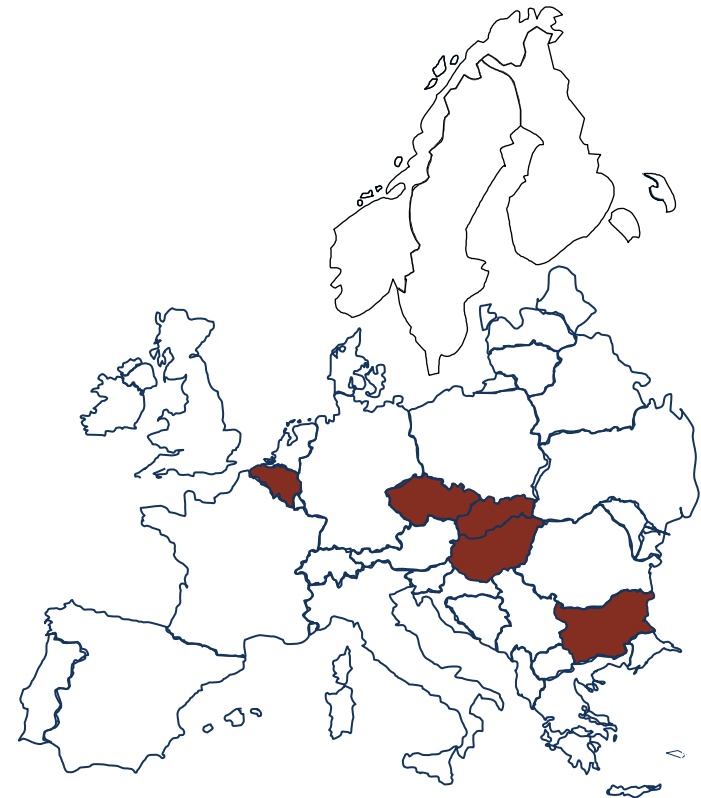
KBC 2013 and beyond (2)

Focus on core bank and core insurance products and services :

- We have proven to be good at the traditional bank-insurance business, through the cycle.
As a principle: all non-core businesses will be divested or stopped.
- The integrated bank-insurance model :
 - Creating cost synergies by avoiding overlap of the supporting entities, like IT, Marketing or Accounting.
 - Generating added value for our clients through complementary and optimized product and service offering.

Well defined core markets :

- Core market are defined as markets where we are present in banking and insurance business
- Belgium Czech Republic Hungary Slovakia Bulgaria
 - Absolut Bank (Russia), KBC Banka (Serbia), KBC Bank Deutschland (Germany), NLB (Slovenia), Antwerp Diamond Bank (Belgium) will be divested
 - Ireland will remain an exception, and will be managed to maximize its value contribution through the retail banking business
 - All activities which do not contribute to serving the clientrelationships in our core markets, will be stopped





KBC 2013 and beyond (4)

Utilise group leverage through cross-border cooperation :

- Create cost-efficiencies through out the group
 - Leverage product development, client service, administrative & IT processes throughout the group via communities, as a general policy.
 - Create International Productfactories for products & services with a global nature, like Markets or Asset Management, as a specific policy.
International Product Factories develop products and services with a global view, tailored to fit into distribution strategy of the core markets and to help increase local responsiveness.
- Communities :
 - Work on exchange of know-how, best practices, products, services and processes throughout the Group whenever and wherever it makes sense;
 - Receive central support from the new Corporate Communities Support entity
 - Core communities : banking, insurance, lease, payments, i.e. mission critical activities



KBC 2013 and beyond (5)

Organisational structure fully aligned with strategic choices and ambitions :

- Business focused governance structure :
 - New Business Unit: Czech Republic
 - 3 main Business Units: Belgium, Czech Republic, International Markets, including Hungary, Slovakia, Bulgaria
 - Supporting effective decision-making and accountability
- Business Unit Merchant Banking and Business Unit Shared Service Organisation will disappear, and the component parts will be incorporated :
 - Corporate Banking Belgium into the Belgium Business Unit
Belgian Corporate clients will be catered for through the existing network of specialized corporate branches in Belgium as it is the case today.
 - Markets & Securities into the new International Product Factories Business Unit
 - Ireland into the International Markets Business Unit
 - Other Business activities, like Leasing, into country business units
 - Shared Services and IT into the new Corporate Change and Support entity.

More clearly defined culture of stronger accountability & responsiveness :

- Performance management & accountability linked to 4 strategic priorities (KPIs)
 - 3 financial KPIs : Net profit, Capital, Liquidity
 - 1 non-financial KPI : People (clients, staff, society, shareholders)
- Well defined and group-wide aligned target setting :
 - Monitored via the Strategy House





KBC 2013 and beyond : Clear Focus



Clear business model and business choices



Optimization of organisational structure



Clearly defined corporate culture

3 *Optimization of Organisational Structure*





Optimization Organisational Structure

'Group activity is limited, but the Group framework will be binding'
'From active intervention (push) to active ownership (pull)'

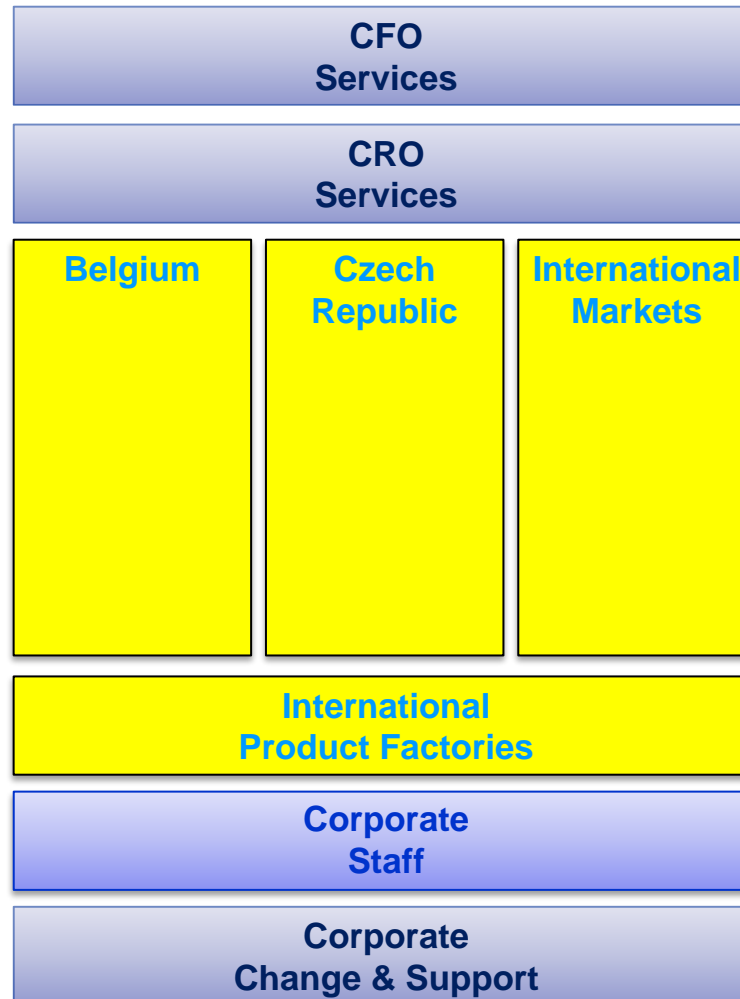
'Focus on Belgium and Central & Eastern Europe'

'Belgium and Czech Republic, are mature market leaders taking care of a stable and high profitability. The growth generators are the other Central & East European core countries (Ireland has to prove it can come to a sustainable and profitable business model)'

'Local responsiveness is the key strategic priority and thus the point of gravity is local'

'Cross border factories support to the local focus by proving added value'

'Community-wide cooperation mobilised through value creation by being supportive and offering the better'



CLIENT

'We put our clients first and establish a sustainable bond with them'

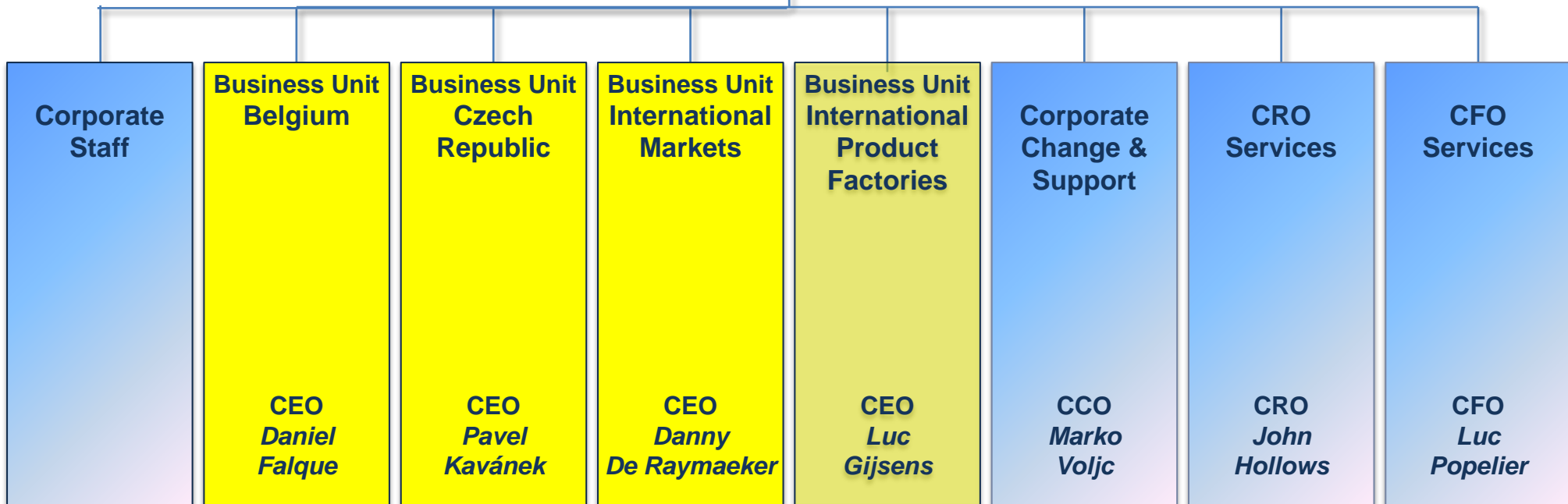
'Competitive advantage by understanding local clients'



A new KBC Group Structure

KBC Group

CEO *Johan Thijs*



DEVELOP

GENERATE

IMPROVE

Contribute to Profit & Growth

G
E
N
E
R
A
T
E

- **BU Belgium** Mature Market Leader ensuring stable and high risk-adjusted profitability
- **BU Czech Republic** Mature Market Leader ensuring stable and high risk-adjusted profitability
- **BU International Markets** : Growth Generators and non-core Countries
- **BU International Product Factories:** Product Specialist Entities

Key feature: full responsibility and accountability for achieving targets



Optimization Organisational Structure

Enable, Support , monitor & Improve

I
M
P
R
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V
E

- **CFO Services**
- **CRO Services**
- **Corporate Change & Support**

Key feature: enable Business Units, support , monitor & improve

Knowledge & Competence

D
E
V
E
L
O
P

- Strategy, Organisation, Mergers & Acquisitions
- Corporate Communication
- Corporate Social Responsibility
- Corporate Chief Economist
- Corporate Audit
- Public Policy Unit
- Secretariat Board and Group Executive Committee

Key feature: Competence centre for strategic know-how and best practices on corporate organisation and communication

4 *Corporate Culture and Performance Management*



“Culture eats strategy for breakfast”
(Peter Drucker)

The implementation of the new strategy is linked to a clearly defined company culture.

This change in culture is guided by 5 imperatives, which are summarized in the word “PEARL”



Corporate Culture

P • *Performance*

E • *Empowerment*

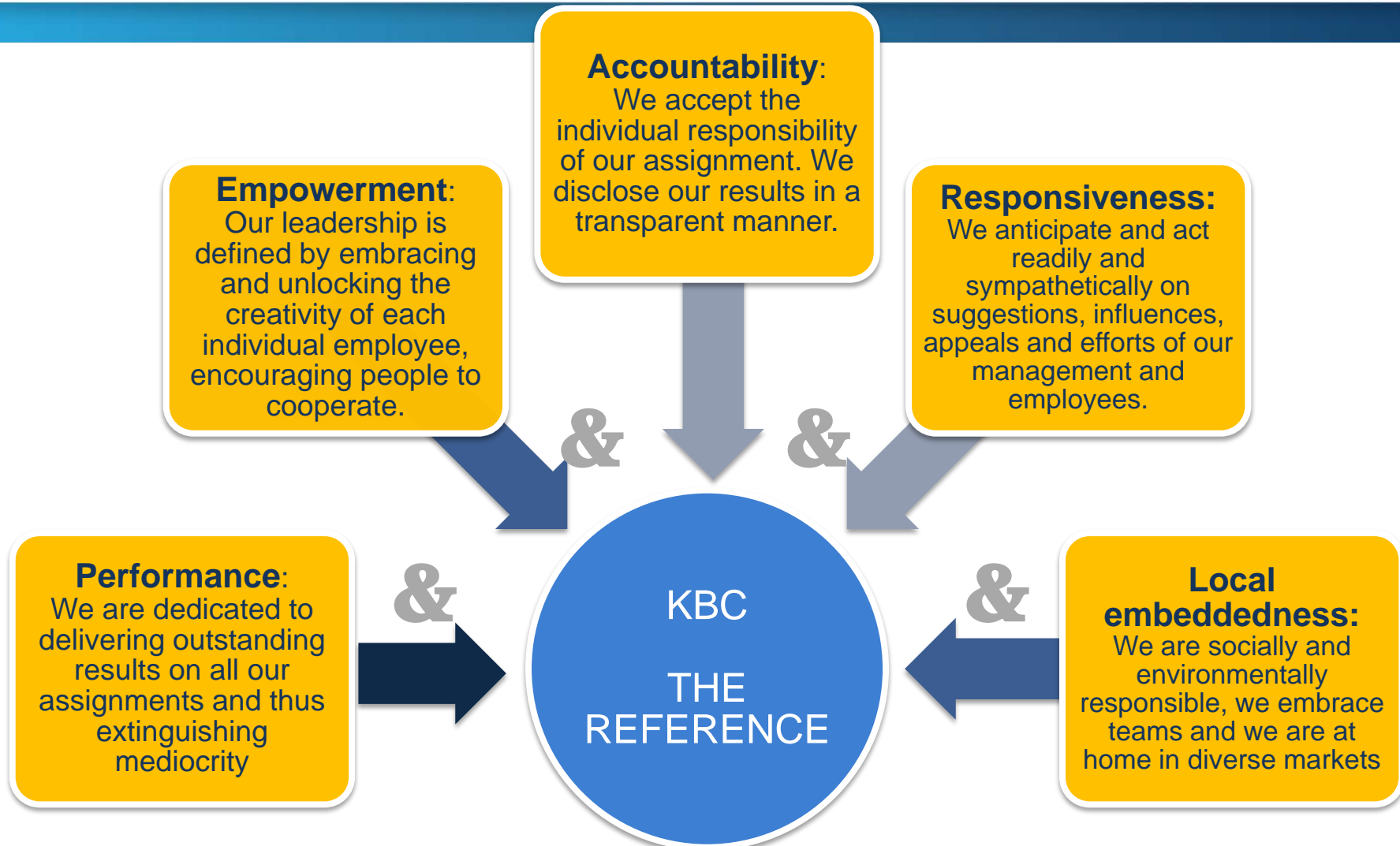
A • *Accountability*

R • *Responsiveness*

L • *Local embeddedness*

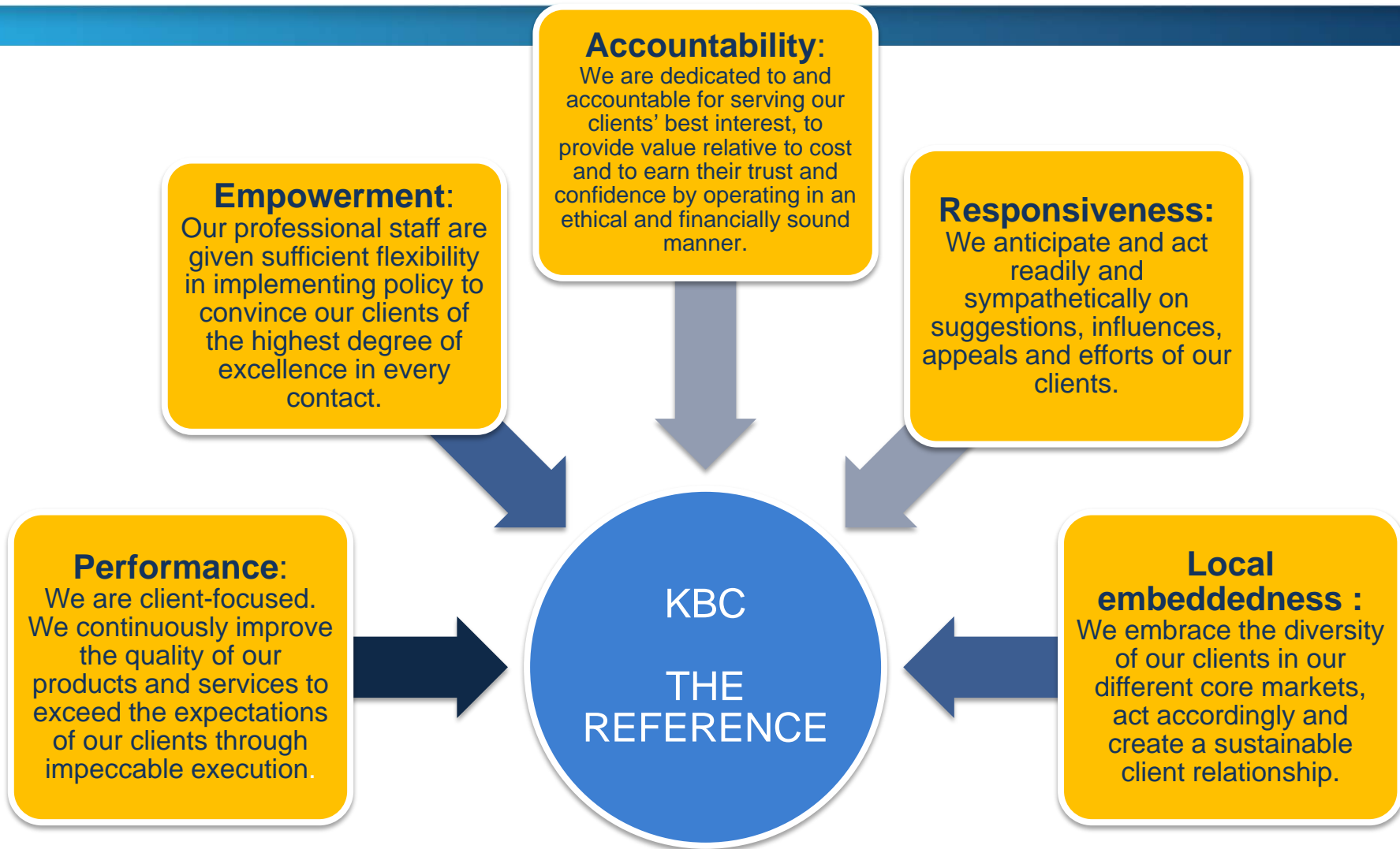


Corporate Culture and our internal world



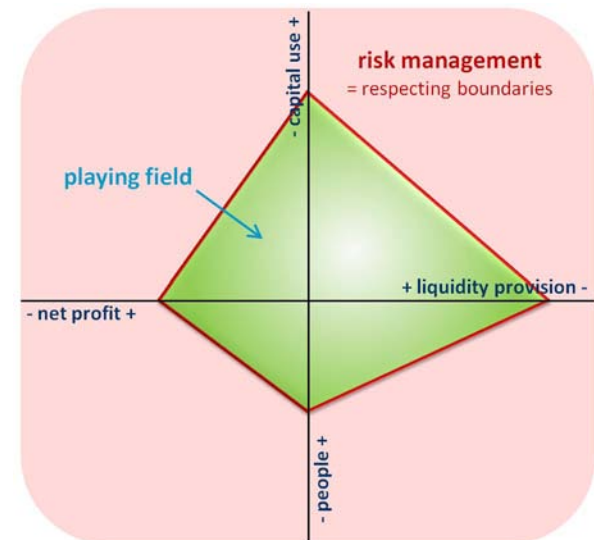


Corporate Culture and our external world



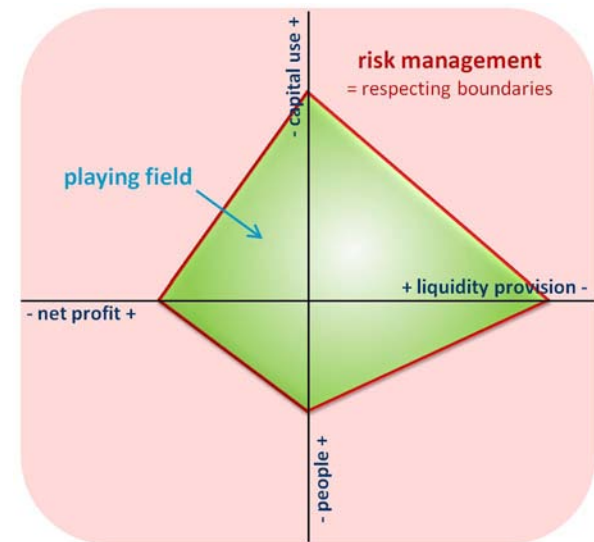
Performance Management: basic principles (1)

- Group Executive Committee will define a performance diamond for KBC Group and the level below, the 8 pillars, based on nominal targets for 4 performance dimensions, being:
 1. Net profit
 2. Capital.
 3. Liquidity
 4. People
- Risk management is a consequence of balancing these 4 dimensions within the defined playing field and therefore must always be within focus



Performance Management: basic principles (2)

- Local management is responsible and accountable for achieving its targets. A true reflection of 'active ownership'
- Targets will be set at group level and translated into local targets reflecting the aspirations and potential of KBC Group and its local entities
- Group targets by 2015
 - Cost/Income $\leq 55\%$
 - Combined Ratio $\leq 95\%$
 - LCR $\geq 100\%$
 - NSFR $\geq 105\%$
 - ROE target will be disclosed in 1Q13 after minimum CE target BIII is defined by NBB





Performance Management: The Strategy House

Traffic light colours are for indicative purposes only and do not indicate actual assessments.

		RISK MANAGEMENT			
		NET PROFIT	CAPITAL	LIQUIDITY	PEOPLE
KBC Group					
generate	BU Belgium				
	BU Czech R.				
	BU Int. Markets				
	BU Int. Product F.				
improve	Corporate Change & Support				
	CRO Services				
	CFO Services				
develop	Corporate Staff				



KBC 2013 and beyond

KBC is passionate about being

'The Reference'

in bank-insurance

in its core markets

5 *Timeline and Governance*





Timeline and Governance : Phased Roll-out with Strict Governance



6 *Attachments*





Local Responsiveness: putting the client first (1)

Volumes, as of June 2012

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria
Loans	78.8bn	20.3bn	4.3bn	5.4bn	0.7bn
Of which Mortgages	30.0bn	6.7bn	1.4bn	1.9bn	0.1bn
Customer Deposits	85.3bn	24.9bn	4.1bn	5.5bn	0.6bn
Life Insurance Technical Reserves	23.5bn	1.2bn	0.2bn	0.2bn	0.1bn
Non-Life Insurance Earned Premiums	0.7bn	0.1bn	-	-	-

Volumes, as of Dec 2010

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria
Loans	71.9bn	18.3bn	3.9bn	6.7bn	0.7bn
Of which Mortgages	27.1bn	5.7bn	1.2bn	2.7bn	0.1bn
Customer Deposits	76.9bn	24.5bn	4.1bn	5.8bn	0.6bn
Life Insurance Technical Reserves	21.6bn	1.1bn	0.2bn	0.2bn	-
Non-Life Insurance Earned Premiums	1.0bn	0.2bn	-	0.1bn	0.1bn



Local Responsiveness: putting the client first (2)

Market shares, as of end 2011

	Belgium*	Czech Republic	Slovakia	Hungary	Bulgaria
Loans and deposits	19%	20%**	10%	9%	3%
Investment funds	41%	31%	10%	20%	-
Life insurance	16%	13%	5%	3%	13%
Non-life insurance	8%	6%	2%	5%	13%

* Excluding Centea and Fidea

** Including 55% of the joint venture with CMSS

7 *Curricula Vitae*





Johan Thijs *curriculum vitae*



- 1988 Various actuary positions in life and non-life insurance, ABB Insurance**
- 1991 head of product development Non Life, ABB Insurance**
- 1995 Head of non-life department, Limburg regional office, ABB Insurance**
- 1998 Regional manager Limburg and Eastern Belgium, KBC Insurance**
- 2001 Senior General Manager non-life insurance, KBC Insurance**
- 2006 Member of the Management Committee of Business Unit Belgium, KBC Group**
- 2009 Member of the Executive Committee of KBC Group; CEO of the Belgium Business Unit**
- 2012 Group Chief Executive Officer**



Luc Popelier *curriculum vitae*



- 1988 Various positions in corporate banking, Kredietbank
- 1995 Associate Director Credit Risk Management, Warburg Dillen Read, London
- 1996 Director Corporate Finance, Leveraged Finance Group, SBC Warburg
- 1999 Executive Director Corporate Finance, KBC Securities
- 2002 General manager Strategy and Expansion Division, KBC Group
- 2008 General manager Trade Finance Division, KBC Bank
- 2009 Member of the Executive Committee of KBC Asset Management
- 2009 Member of the Executive Committee of KBC Group; CEO of the market activities of the Merchant Banking Business Unit
- 2011 Group Chief Financial Officer



John Hollows *curriculum vitae*



- 1978** Various positions in Barclays Bank in London and Taiwan
- 1996** Head of commercial banking Hong Kong branch, Kredietbank
- 1997** General manager of Shanghai branch, Kredietbank
- 1999** General manager of Southeast-Asia offices, KBC Bank
- 2003** CEO of K&H Bank in Hungary
- 2006** Senior general manager of the Central and Eastern Europe banking division,
KBC Group
- 2009** Member of the Executive Committee of KBC Group; CEO of the Central and
Eastern Europe and Russia Business Unit
- 2010** Group Chief Risk Officer



Daniel Falque *curriculum vitae*



- 1989** Production inspector at De Vaderlandsche insurance company
- 1991** Various functions at Deutsche Bank AG (Belgium): a.o. Managing Director,
Head of Corporate and Investment Banking (2001 - 2004)
- 2004** International position as Managing Director of Deutsche Bank's Global
Transaction Banking Western & Eastern Europe and the Middle East.
- 2009** Executive Director, President of the Executive Committee and member of the
KBC Management Committee for Belgium at CBC Banque & Assurance
- 2012** CEO Belgium Business Unit



Pavel Kavánek *curriculum vitae*



- 1972 Various functions at ČSOB**
- 1990 Member of the Board of Directors of ČSOB**
- 1993 Chairman of the Board of Directors and CEO of ČSOB**
- 2012 CEO Czech Republic Business Unit**



Danny De Raymaeker *curriculum vitae*



- 1984 Internal auditor payments and market activities, Kredietbank
- 1990 Head of the control department, market activities, Kredietbank
- 1994 Deputy Regional Manager of the Leuven Retail Banking Office, Kredietbank
- 1996 General Manager of the Domestic Payments and Electronic Banking Division, Kredietbank
- 1998 General Manager of the Payments Directorate, Kredietbank
- 2002 General Manager Retail & Private Bancassurance Distribution, KBC Group
- 2006 Member of the Management Committee of the Belgium Business Unit, KBC Group
- 2008 Member of the Executive Committee of KBC Group; CEO of the Belgium Business Unit
- 2009 Chief Operating Officer of KBC Group
- 2012 CEO International Markets Business Unit



Luc Gijsens *curriculum vitae*



- 1977 Joined Kredietbank
- 1978 Foreign Exchange Dealer, Kredietbank Brussels
- 1981 Representative, Kredietbank Hong Kong
- 1984 Branch manager, Kredietbank Bahrain branch
- 1986 Agency Manager, Kredietbank Los Angeles
- 1988 Account Manager, Kredietbank Antwerp Corporate Office
- 1991 Assistant General Manager, Kredietbank Antwerp Corporate Office
- 1994 General Manager, Kredietbank Antwerp Corporate Office
- 2000 Senior General Manager, KBC Bank Investment Banking Directorate
- 2001 Senior General Manager, KBC Bank Corporate and Institutional Banking Directorate, Belgium
- 2003 Senior General Manager, KBC Bank Corporate and Institutional Banking Directorate
- 2009 Senior General Manager, KBC Bank Corporate Services Directorate
- 2011 Member of the Executive Committee of KBC Group; CEO of the Merchant Banking Business Unit
- 2012 CEO International Product Factories Business Unit



Marko Voljc *curriculum vitae*



- 1976** Head of the analytical department of the National Bank of Slovenia
- 1979** World Bank in Washington D.C. and Mexico City
- 1992** CEO Nova Ljubljanska Banka in Slovenia
- 2004** General Manager of the Central Europe Directorate at KBC headquarters in Brussels.
- 2006** CEO of K&H Bank and Country Manager of the Hungarian operations of KBC
- 2010** Member of the Executive Committee of KBC Group; CEO of the Central and Eastern Europe and Russia Business Unit
- 2012** Group Chief Operating Officer