Press Release – Outside trading hours – Regulated information*

Brussels, 8 October 2012

KBC Group CEO, Johan Thijs, announces 'KBC 2013 and beyond'

Updated strategic focus and financial aspirations

During a press and analyst conference in Brussels today, Johan Thijs, CEO of the KBC group since May 2012, presented the group's updated strategy and explained how KBC will address the challenges presented by the changed business environment. He also announced KBC's major financial targets for 2015, setting the course for the group to become the reference in bank-insurance in its core markets.

Johan Thijs commented: 'The macroeconomic environment, competitive landscape and regulatory situation and outlook remain challenging. Everyone needs to adapt. KBC is passionate about being the reference in bank-insurance in its core markets. After a thorough review, we decided at the Executive Committee to update our strategy. By building further on the strengths of the KBC group, our integrated bank-insurance business model which continued to perform through the cycle, and our skilled and professional employees, we enhanced our strategy by making clear business choices, optimising the organisational structure of our group (taking into account the divestments and derisking/deleveraging of recent years) and committing to a clearly defined corporate culture. Our goal is to become more agile and efficient and thus more competitive. In doing so, we will not only adapt to changing client behaviour but will also meet the legitimate expectations from society as a whole.'

Six drivers define KBC's updated strategy, '2013 and beyond':

1. **KBC defines 'Local responsiveness' as the key strategic priority. KBC will focus first and foremost on the client. KBC aims at building and deepening sustainable relationships with retail, SME and midcap clients. 'Local responsiveness' means better understanding local clients, readily and proactively taking up suggestions, and tailoring products and services to their local needs. Relationship bank-insurance is key to 'local responsiveness' i.e. KBC will focus on banking and insurance business activities necessary to serve the client relationship in a sustainable way.**
2. **KBC continues to focus on core bank and core insurance products and services. KBC confirms its long-standing and long-term commitment to our bank-insurance model, a model which KBC has mastered and which has produced excellent results through the cycle. KBC's bank-insurance business model is a fully integrated business model, creating cost synergies by avoiding an overlap of supporting entities (e.g., ICT, accounting). Clients benefit from its added value through the complementary and optimised banking and insurance product and service offering.**
3. **KBC clearly defines its core markets as those markets where it is present with banking and insurance companies. These core markets are Belgium, the Czech Republic, Hungary, Slovakia and Bulgaria, where the group is strongly embedded in the local economies. In some of these markets KBC has achieved a market leadership position. All activities which do not contribute to serving the client relationships in KBC's core markets will be stopped.**

4. **KBC further mobilises cross-border co-operation and group leverage to create cost-efficiencies throughout the group. International Product Factories and International Service Providers will focus on offering products and services which support and are tailored to the distribution strategy of the business units and help to increase local responsiveness. Exchange of know-how, best practices, experience, products and services between the different business units and corporate functions will be stimulated through communities.**
5. **KBC implements a new organisational structure that is fully aligned with the strategic choices and which supports effective decision making and accountability. The new structure includes, among other things, the creation of a new, separate business unit for the Czech Republic franchise, and clarification of the future role of the Merchant Banking Business Unit.**
6. **KBC commits to a clearly defined group culture. The group will strengthen its agility and responsiveness by emphasising and streamlining performance management and accountability for all staff. A clear link will be established between the strategic priorities and accountability (through key performance indicators).**

KBC today already announced some of its financial aspirations for 2015, setting its course to become the reference in bank-insurance in its core markets.

KBC plans to improve its cost/income ratio to 55% by 2015, by both increasing revenues and improving efficiency and creating synergies. The combined ratio target for insurance is set at 95% or less.

KBC is also targeting a liquidity coverage ratio of 100% and a net stable funding ratio of 105% by 2015.

These targets will be further fine-tuned in the coming six months, during KBC's internal budget process, and first-quarter earnings will be reported on 16 May 2013 following implementation of the new structure.

KBC's internal and external challenges

Today, KBC, like any other player in the financial sector, is being confronted with changing client behaviour and stakeholder expectations, a changing and restrictive regulatory environment, a number of macroeconomic challenges, a European landscape characterised by different country specifics and a changed financial and competitive landscape where the focus is on home markets and deleveraging.

KBC's priority over the last few years has been the implementation of the plan agreed with the European Commission in 2009 with the aim of repaying the state aid it received and of complying with the new capital requirements for financial institutions (Basel III, Solvency II, etc.). This has resulted in a deleveraging strategy and a reduction in KBC's balance sheet by nearly one-third. KBC is now well advanced in the implementation.

Today, the KBC group is defined by two business dimensions:
1. Strategically: banking and insurance.
2. Geographically: Belgium and Central and Eastern Europe, with Belgium and the Czech Republic being the main drivers of profit.

The group is also intertwined with and a driving force in the local economies it operates in:
1. As regards its business, KBC focuses on retail, SME and midcap clients/client segments.
2. KBC's distinctive and unique expertise is based on in-depth knowledge of its local markets and deep relationships with its clients.

KBC's integrated bank-insurance business model has proven to be a strong value creator with good underlying results through the cycle.

KBC's current strategy, in which 'local responsiveness' and 'global efficiency' have the same strategic value, was sometimes conflicting, given the different levels of maturity of the group's franchises. Although in some areas a group approach has created added value (risk or asset management, for example), the implementation of 'global efficiency' has increased complexity, thus slowing down the decision-making process and resulting in loss of efficiency and agility. Given that KBC is not big enough to compete solely on the basis of economies of scale, it will create its competitive advantage in other areas.

The updated strategy 'KBC 2013 and beyond' addresses tomorrow's challenges and provides a clear strategic framework for the refocused, smaller group KBC has become.

'KBC 2013 and beyond'

The 'KBC 2013 and beyond' strategy puts the customer first and comprises both an optimisation of the organisational structure of the group and a commitment to a clearly defined corporate culture.

'Our clients are and should be at the heart of everything we do, and deserve all our energy and attention. We can only achieve confidence and trust if we focus on client satisfaction and on putting clients first', said Johan Thijs. 'KBC 2013 and beyond' continues to focus first and foremost on the client and on doing business in a sustainable way. KBC believes that better understanding local clients and tailoring products and services to their local needs, will create and increase its competitive advantage. Therefore, 'local responsiveness' becomes the key strategic priority. KBC will continue to build sustainable relationships with and offer added value to retail, SME and midcap client segments in its core markets. The core markets (i.e. the markets in which KBC is present in banking and insurance business), continue to be Belgium, the Czech Republic, Hungary, Slovakia and Bulgaria, where KBC is already strongly embedded in the local economy. Absolut Bank (Russia), NLB (Slovenia), KBC Bank Deutschland (Germany), KBC Banka (Serbia) and Antwerp Diamond Bank (Belgium) will be divested. Ireland remains an exception, where in the coming years KBC Bank Ireland will be managed to maximise its value contribution through its retail banking business.

In its updated strategy, KBC repeats its long-standing and long-term commitment to the integrated bank-insurance model, a model which it has mastered and in which it has been very successful, including during the recent years of financial crisis. By using the 'relationship bank-insurance' approach, i.e. focus on the optimal combination of banking and insurance products and services to fulfil clients' needs and to serve the client relationship in a sustainable way, KBC will further build its market position in its core markets. This also means that KBC will divest or discontinue activities which do not contribute to building sustainable banking and insurance client relationships in its core markets.

Although the point of gravity is local, the group should and wishes to be more than the sum of its parts. Consequently, KBC will further mobilise cross-border co-operation and create group leverage in a pragmatic way. In doing so, it will create cost efficiencies throughout the group.

International Product Factories and International Service Providers will focus on offering products and services – developed from a global point of view – which support and fit into the distribution strategy of the Belgium, Czech Republic and International Markets business units and help increase local responsiveness.
Exchange of know-how, best practices, experience, products and services will be stimulated through the creation of communities. Their mission will be to promote synergy, dialogue and exchange throughout the group wherever and whenever it makes sense. Banking, Insurance, Lease and Payments have already

been identified by management as core communities, handling mission-critical items. This way of working with communities will be stimulated through central support from the new Corporate Communities Support entity within the Corporate Change & Support Division.

Fully in line with these strategic choices, KBC will implement a new organisational structure which supports effective decision making and accountability. In the new structure, a new, separate business unit will be created for the Czech Republic franchise. Together with the Belgium and International Markets business units, it will form the beating heart of the KBC group.

Now that the deleveraging of the group and reduction in risk-weighted assets (mainly in the Merchant Banking Business Unit) is well advanced and the implementation of the divestment and restructuring plan agreed with the European Commission is drawing to a close, KBC has clarified the future role of the Merchant Banking Business Unit. The current Merchant Banking Business Unit will be split mainly into:

1. Corporate Banking Belgium, which, in line with the principle of local responsiveness, has been shifted to the Belgium Business Unit.
2. Activities such as Markets and Securities – global by nature – which have been shifted into the new International Product Factories Business Unit.
3. Ireland, which will be incorporated into the new International Markets Business Unit.

Based on the focus on local economies and the relationship bank-insurance model, the other corporate banking activities will be positioned as part of each local business unit. In addition, because the corporate banking segment contains client types that can differ from country to country, the incorporation of this segment into the various business units will provide for better alignment of larger SME and smaller corporate clients.

Based on a re-assessment of the global nature of activities and services, the current Shared Services & Operations Business Unit has been split into:

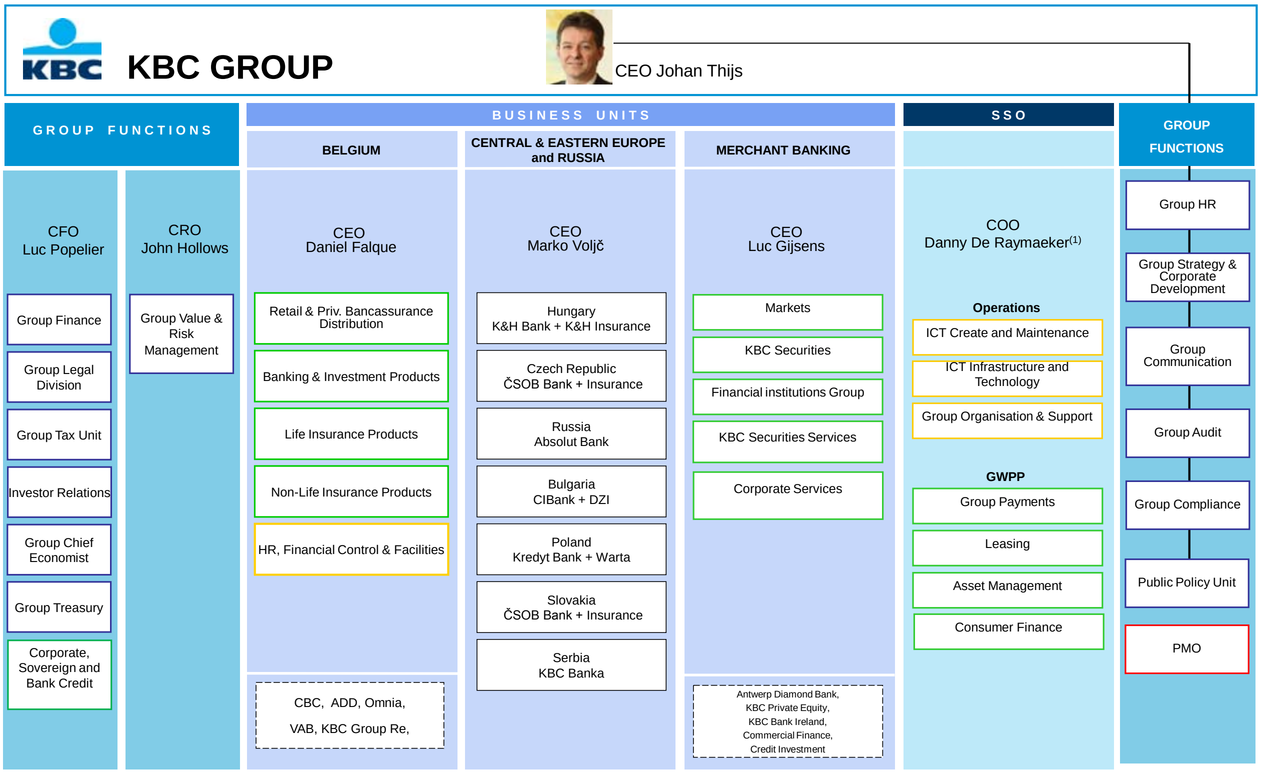
1. Country and international product factories. Truly international product factories (e.g., KBC Asset Management and KBC Securities) will be moved into the new International Product Factories Business Unit. Other, not truly international, product factories (e.g., Lease) will be divided into the different business units as (embedded) Country Product Factories.
2. International service providers (e.g., ICT) will be moved into the new Corporate Change & Support Division.

Johan Thijs concluded: **'***Since we are passionate about being the reference in bank-insurance in our core markets, we recognise that our corporate culture can be more clearly defined. We will put more emphasis on individual accountability for all staff and streamline performance management across the group, so that we become more responsive and agile. Our talented and professional staff will be increasingly empowered to use their talents to the full and will be encouraged to co-operate internally, but will also be accountable and responsible for achieving the targets we have set. In fact, today we also announced some of our financial aspirations for 2015, such as the cost/income ratio, combined ratio, liquidity coverage ratio and net stable funding ratio.*

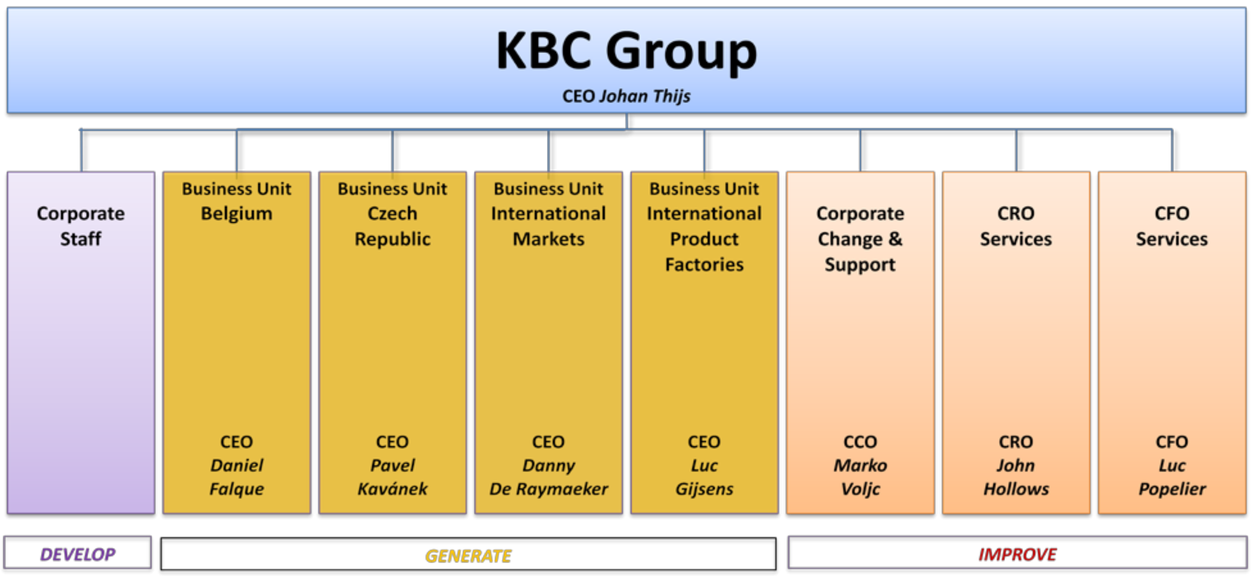
A clear link will be established between the strategic priorities and accountability, through key performance indicators. As in the past, targets will not exclusively focus on financial elements (capital, net profit, liquidity) but will also include clear 'stakeholder objectives' (with stakeholders including customers, staff, society and shareholders). We are well aware of our responsibility towards and the contribution we are expected to make to society as a whole. Hence we have also decided that from now on our Corporate Social Responsibility (CSR) team will report directly to me. I will personally follow up on and commit to further implementing our CSR vision and strategy, which is also a major concern shared by our Supervisory Board'.

Organisational structure fully aligned with the strategic choices

Current organisational structure



New organisational structure



The strategic choices will be fully reflected in a new group structure, which comprises three building blocks and eight vertical pillars, each focusing on its individual contribution to the group. The Group Executive Committee will define the ‘chalk lines’ for each of the pillars outlined below and will monitor and guard them closely.

1. The ‘**generate’ building block**, consisting of four pillars (i.e. the business units).
   These business units will be the beating heart of the group, focusing on local business and contributing to sustainable profit and growth by catering for clients’ needs. They will be fully responsible and accountable for achieving their targets and will be the final decision-takers for their core domain.

   Belgium Business Unit and the newly created **Czech Republic Business Unit**: both mature market leaders, will ensure stable, growing, high-level profitability.

   International Markets Business Unit: will contain the other core Central and Eastern European countries, Slovakia, Hungary and Bulgaria. These will be the growth generators.
   KBC Bank Ireland will also belong to this business unit, as will the non-core entities earmarked for divestment (Russia, Serbia, Antwerp Diamond Bank, etc.).

   International Product Factories Business Unit: will include Asset Management, Trade Finance, Consumer Finance, Markets & Securities, etc.

2. The **‘improve’ building block**, consisting of the ‘**Corporate Change & Support**’, ‘**CRO Services**’ **and** ‘**CFO Services**’ pillars, will act as an internal regulator, but must above all support the business units.

3. The **‘develop’ building block** consisting of the ‘**Corporate Staff**’ pillar will be a competence centre for strategic know-how and best practices on corporate organisation and communication. It will support and serve the Group Executive Committee and the business units. This pillar will be dedicated to stimulating corporate collaboration.

Compared to the current KBC group structure, this new organisational model incorporates, among other things, two major re-designs:

- The current Merchant Banking Business Unit will be split mainly into:
  - Corporate Banking Belgium, which, in line with the principle of local responsiveness, will be moved to the Belgium Business Unit. Corporate clients in Belgium will be catered for through the existing network of specialised corporate branches, as is the case today. Corporate banking activities outside Belgium will be positioned as part of each local business unit focusing on core clients in core markets.
  - Activities such as Markets and Securities, which have been moved into the International Product Factories Business Unit.
- Following a re-assessment of the global nature of activities and services, the current Shared Services & Operations Business Unit will be split into:
  - Country and international product factories: the truly international product factories (such as Asset Management, KBC Securities, Trade Finance and Consumer Finance) will be moved into the International Product Factories Business Unit. Other product providers, which are currently group-wide but not truly global, will be divided into the various business units as (embedded) Country Product Factories (e.g., Lease).
  - International service providers such as ICT will be moved into the Corporate Change & Support Division.

The new organisational structure will be implemented as of 1 January 2013.

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