KBC Group

2012 1Q Results

Press Conference

10 May 2012 - 11.00 AM CEST

More information www.kbc.com
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KBC Group - Investor Relations Office - E-mail: investor.relations@kbc.com

Key Takeaways

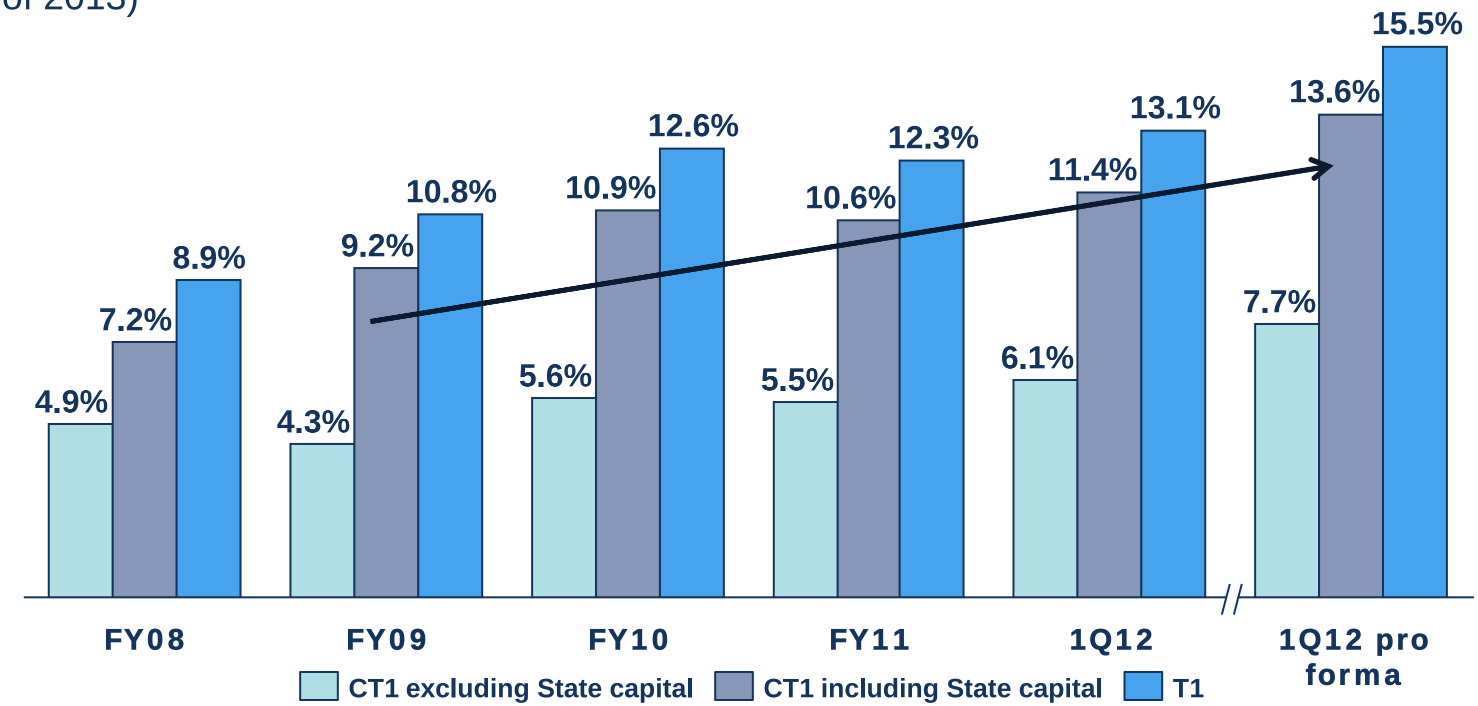
First quarter results	• Strongly improved underlying 1Q12 results: 455m EUR, thanks to markedly lower impairments and strong dealing room income • Good reported 1Q12 profit: 380m EUR, affected by the negative M2M of our own credit risk (due to an improvement of our funding curve), which offset the positive M2M impact of CDOs
Business performance	• Core profitability in home markets remains intact in difficult conditions • Decisive progress on divestments, with capital gains to come in 2H12

Volatility reduction	• Further reduction of volatile elements:
	  • CDO/ABS exposure further reduced by roughly 2.2bn EUR notional
	  • PIIGS exposure further down by 42% since the end of 2011

Asset quality	• Loan loss provisions in 1Q12 were down significantly on the previous quarter • We are sticking to our guidance for loan loss provisions in Ireland of 500-600m EUR for the full year 2012
Capital	• Strong capital position: pro forma core tier-1 ratio of 13.6% at KBC Group, which is a significant improvement compared to the end of last year • First 500m EUR repayment to the Federal Government in January 2012 at 15% premium. Working towards further repayment(s) in 2012
Funding	• Funding needs 2012 covered and additional buffer in place thanks to the issuance of 2.25bn EUR unsecured long-term debt (1.25bn EUR 2y and 1.0bn EUR 5y), strong growth in customer deposits (+4% q-o-q) and additional buffer established with participation in LTRO2
Liquidity	• Strong liquidity position

Strong capital position

- Strong tier-1 ratio of 13.1% (15.5% pro forma) at KBC Group as at end 1Q12 comfortably meets the minimum required tier-1 ratio of 11% (under Basel 2)
- Pro forma core tier-1 ratio – including the effect of divestments already signed – of 13.6% at KBC Group
- First repayment, of 500m EUR, to the Federal Government in January 2012 at 15% premium. Intention is to make additional repayments in 2012 (with the aim being to repay at least 4.67bn EUR of the principal amount of the YES by the end of 2013)



* 1Q12 pro forma CT1 includes the impact of divestments already signed, but not yet closed (KBL epb, Warta and Kredyt Bank)

Content

Section 1

Refocused KBC Taking Shape

Overview of divestment programme

Finalised:	
KBC FP Convertible Bonds	✓
KBC FP Asian Equity Derivatives	✓
KBC FP Insurance Derivatives	✓
KBC FP Reverse Mortgages	✓
KBC Peel Hunt	✓
KBC AM in the UK	✓
KBC AM in Ireland	✓
KBC Securities BIC	✓
KBC Business Capital	✓
Secura	✓
KBC Concord Taiwan	✓
KBC Securities Romania	✓
KBC Securities Serbia	✓
Organic wind-down of international MEB loan book outside home markets	✓
Centea	✓
Fidea	✓
Signed:	
KBL *European Private Bankers*	✓
Warta	✓
Kredyt Bank	✓
Zagiel	✓

In preparation/work-in-progress for 2012/2013
Absolut Bank
KBC Banka
NLB
Antwerp Diamond Bank
KBC Germany
KBC Real Estate Development

Strategic plan: Execution progresses at a brisk pace

Execution status, mid-May 2012:

Stream 1: Agreement to sell Warta signed in January 2012

Stream 2: The agreement between Santander and KBC to merge BZ WBK with Kredyt Bank was a major step towards a full divestment of Kredyt Bank

Stream 3: PIIGS exposure further down by 42% since the end of 2011

Stream 4: CDO/ABS exposure further reduced by roughly 2.2bn EUR notional

Stream 5: RWA at 110.8bn EUR (pro forma) including B2.5/CRD3 impact, reduction better than initially planned. Nevertheless, core profitability remains intact in difficult years

Stream 1: Divestment of Warta

	FY11
Total assets	1.5bn EUR
RWA	1.3bn EUR
Market share	8%-9%
Book value...	0.46bn EUR
... of which goodwill	0.15bn EUR
Underlying net profit	41m EUR

- 20 January: agreement with Talanx announced
- Transaction price: 770m EUR ≈ 2.5x tangible BV
- Total capital relief of almost 0.7bn EUR
- Closure expected in 2H12

=> KBC's tier-1 ratio will rise by ±0.7% (at close)

Stream 2: Divestment of Kredyt Bank

	FY11
Total assets	9.3bn EUR
RWA	6.8bn EUR
Market share	4%
Book value...	0.6bn EUR
... of which goodwill	0.1bn EUR
Underlying net profit	68m EUR

- 28 February: agreement with Santander announced to merge Bank Zachodni WBK and Kredyt Bank in Poland
- KBC's intention is to divest its remaining 9.99% stake, with a view to maximising value (thanks to significant synergies)
- Another major milestone in execution of disposal plan imposed by the European Commission in challenging market circumstances
- Total capital relief of 0.7bn EUR at closing
- Closure expected in 2H12

=> KBC's tier-1 ratio will rise by ±0.8% (at close)

Stream 3: PIIGS exposure down by 42% since the end of 2011

Breakdown of government bond portfolio, banking and insurance (carrying value in bn EUR)

	End 2010	End 1Q11	End 2Q11	End 3Q11	End 2011	End 1Q12	End of April 2012
Portugal	0.3	0.3	0.3	0.1	0.1	0.1	0.1
Ireland	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Italy	6.4	6.2	6.1	3.8	2.1	2.0	2.0
Greece	0.6	0.6	0.5	0.3	0.2	0.0	0.0
Spain	2.2	2.2	2.2	2.1	1.9	1.9	0.3
TOTAL	**10.0**	**9.7**	**9.6**	**6.7**	**4.8**	**4.4**	**2.8**

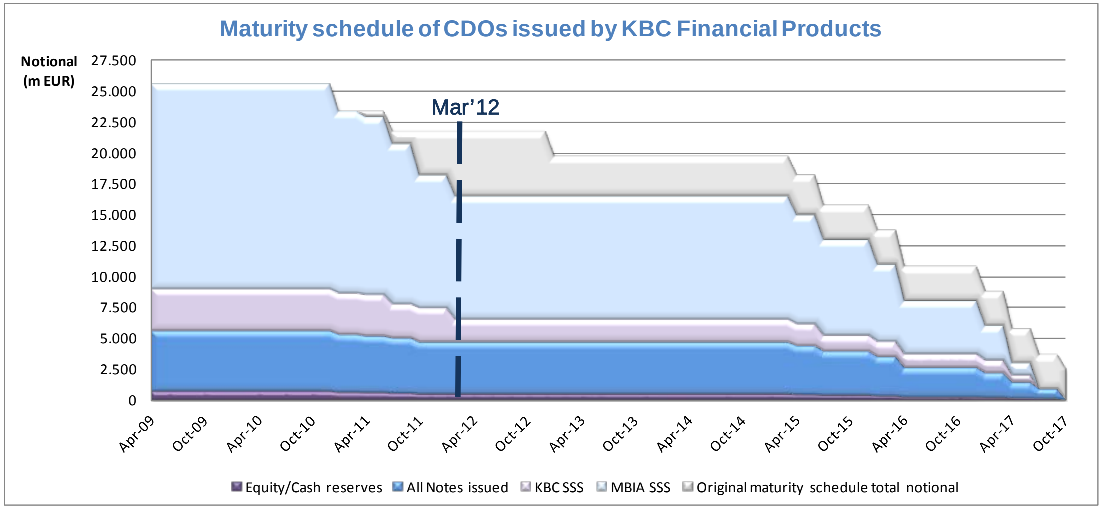
Year-to-date, KBC reduced its PIIGS exposure (carrying amount) by roughly 42%:

- Greece: reduction of 0.2bn EUR
- Italy: reduction of 0.1bn EUR
- Spain: reduction of 1.6bn EUR
- **TOTAL** **reduction of 2.0bn EUR**

KBC further reduced its exposure to Spanish sovereign bonds mainly during April against a cost of 34m EUR post-tax

Stream 4: CDO/ABS exposure reduced

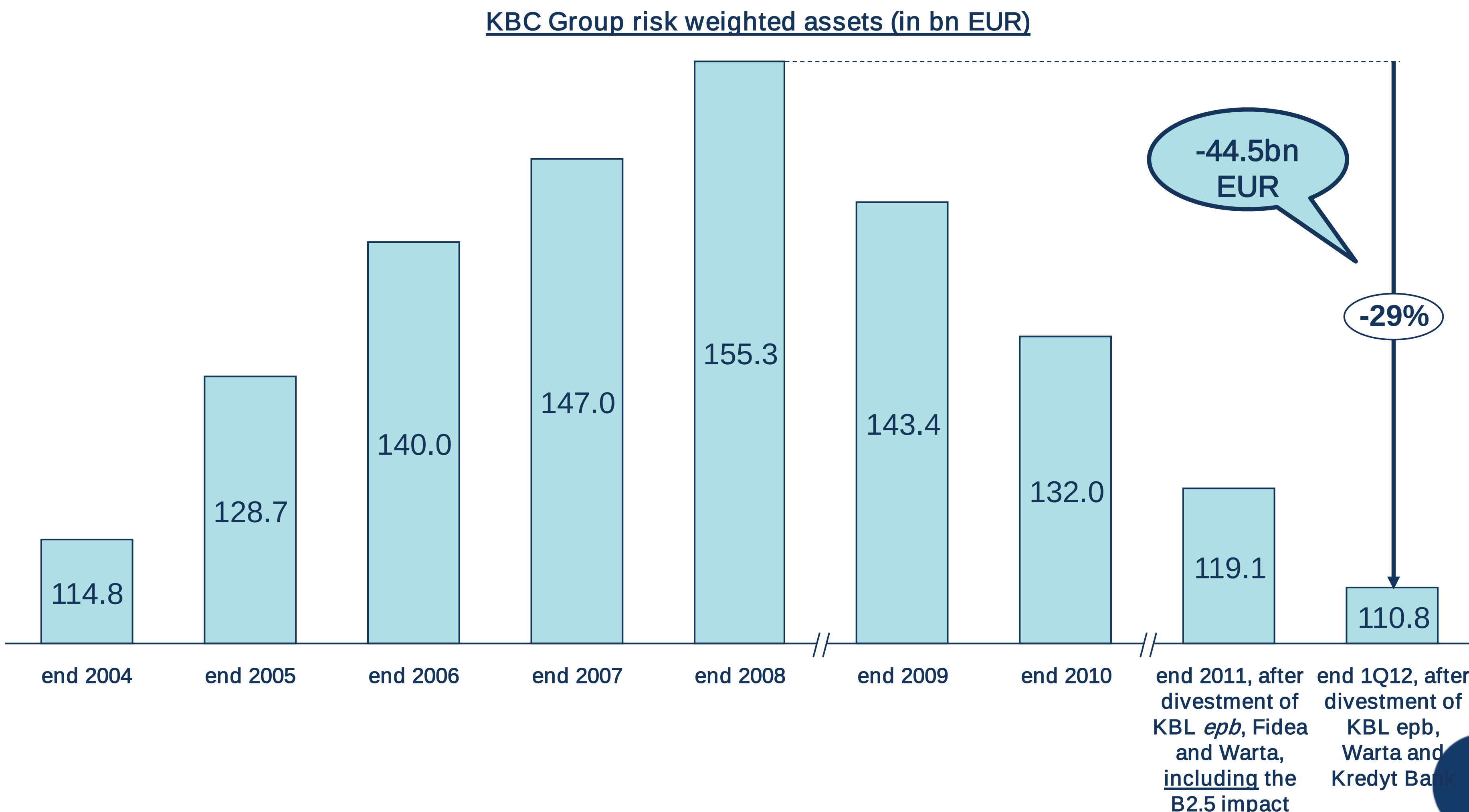
- In 1Q12, **two CDOs were de-risked**, resulting in a reduction of the outstanding notional amount of CDOs by 1.7bn EUR. This had a negative impact on P&L of 64m EUR post-tax, but no material impact on the capital position



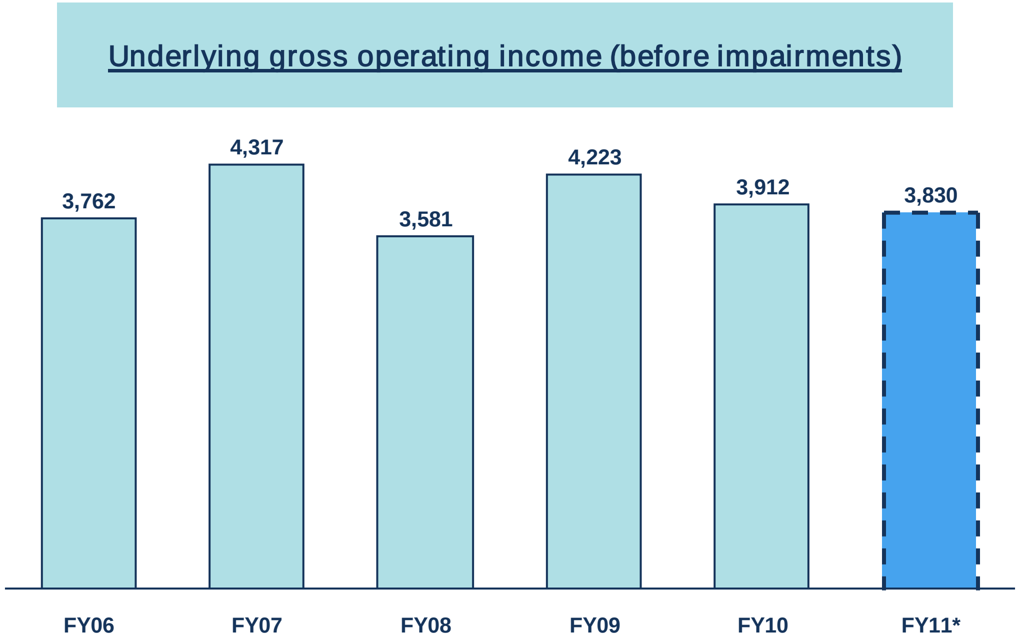
- During 1Q12, we **sold 0.2bn EUR in notional amount of US ABS assets** to the market, resulting in a 34m EUR post-tax P&L loss and a net saving of roughly 150m EUR of regulatory capital. Further on, **the notional amount of the remaining ABS-portfolio decreased by 0.3bn EUR due to the natural run-off of the portfolio**

- We will continue to look at reducing our ABS and CDO exposure, when and if this leads to additional capital relief and lower P&L volatility

Stream 5: RWA reduction better than initially planned



Core earnings power intact



* FY11 with neutralisation of impact of 5-5-5 bonds

Core earnings power intact, with a significantly reduced risk profile (trading), despite drastic RWA reduction (including B2.5 impact) since the end of 2008: 36.2bn EUR per end 2011 and 44.5bn EUR per end 1Q12

Amounts in m EUR for KBC Group

Section 2

1Q 2012 Financial highlights

Financial highlights 1Q 2012

Underlying results

- Strong underlying net group profit in 1Q12: 455m EUR
- Net interest income sustained by higher loan volume in Belgium. NIM only slightly impacted by reduced PIIGS exposure and by K&H Bank (lower FX mortgage loans with relative high margins)
- Excluding deconsolidated entities, net fee and commission income remained stable q-o-q, with 1Q12 including higher entry and management fees on mutual funds and the impact of increased sales of unit-linked products (both at the Belgium BU), partly offset by lower fee income in CEE. Also note that 4Q11 benefited from the successful issuance of Belgian state notes
- Very good dealing room performance
- Strong performance in life and non-life insurance. Strong growth in written premiums, excellent combined ratios and good investment results (albeit driven by realised gains on AFS shares). Deliberate shift in Life insurance sales from guaranteed interest products to unit-linked products
- Underlying cost/income ratio of 56% in 1Q12 (excluding the provision for the 5-5-5 bonds)
- Credit cost ratio of 0.66% in 1Q12 (compared to 0.82% in 2011, 0.91% in 2010 and 1.11% in 2009). Very low levels of impairment across all business units with the exception of KBC Ireland (in line with guidance)

Reported results

- Net reported profit of 380m EUR, affected mainly by the negative M2M of our own credit risk (due to an improvement of our funding curve), which offset the positive M2M impact of CDOs & MBIA

Capital

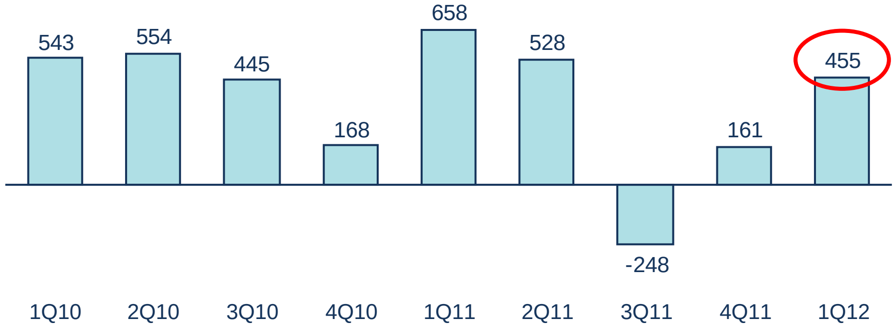
- Continued strong capital base. Pro forma tier-1 ratio under Basel 2.5 – including the effect of divestments for which a sale agreement has been signed – at approximately 15.5% (with core tier-1 at 13.6%)

Funding & Liquidity

- Funding needs 2012 covered and additional buffer in place thanks to the issuance of 2.25bn EUR unsecured long-term debt (1.25bn EUR 2y and 1.0bn EUR 5y), strong growth in customer deposits (+4% q-o-q) and additional buffer established with participation in LTRO2
- Strong liquidity position: Unencumbered assets are double the amount of the net recourse on short-term wholesale funding maturing in 1 year

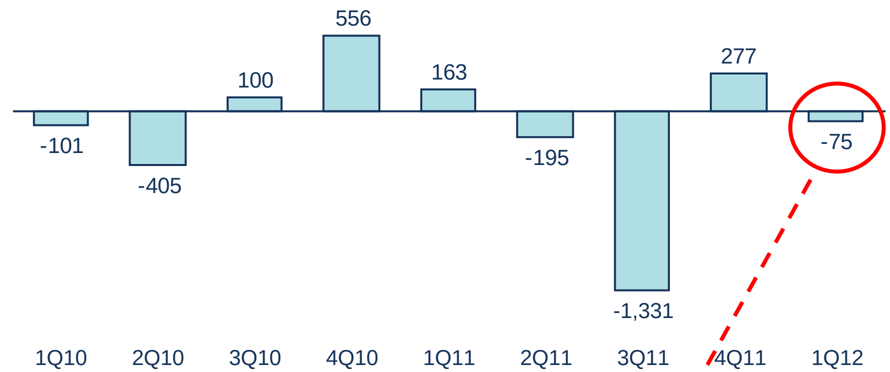
Earnings capacity

Underlying net profit

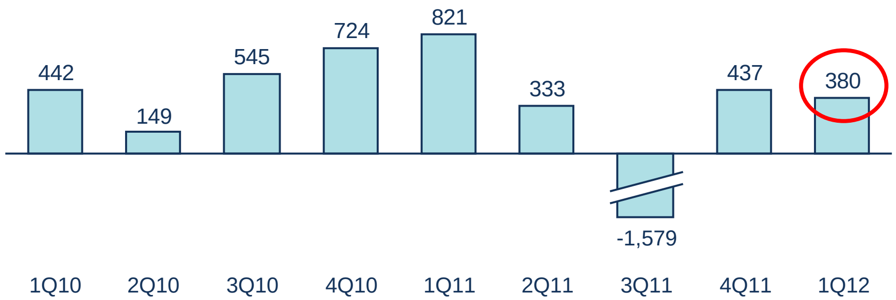


Including exceptional items

Exceptional items



Reported net profit



Main exceptional items (post-tax)

• M2M of own credit risk	- 0.3bn
• Revaluation of structured credit portfolio	+ 0.2bn
	- 0.1bn

Amounts in m EUR

Specific points of attention in 1Q12

1Q12 underlying profit level includes some small one-off items:

- Final additional negative impact of our **Greek government bonds/ Greek debt exchange operation/5-5-5 bonds**: 84m EUR pre-tax and 58m EUR post-tax (no additional impact expected going forward)
- Post-tax loss of 34m EUR on the **sale of ABS bonds** to derisk the group
- **Recuperation at KBC Lease UK**: 41m EUR (pre-tax = post-tax)

1Q12 underlying results were also impacted by market-driven and other items:

- Loan loss provisions in **Ireland** amounted to 195m EUR pre-tax (compared with 228m EUR in 4Q11) and 170m EUR post-tax, which is in line with our guidance of roughly 200m EUR for the quarter
- The recording of the **Hungarian bank tax** for the full year in 1Q12: -57m EUR pre-tax and -46m EUR post-tax

At non-recurring profit level: total impact of -76m EUR (post-tax)

- Tightening corporate credit spread during 1Q12 resulted in unrealised gains of 0.2bn EUR on **CDOs/MBIA**
- A sharp improvement of KBC's funding curve led to 340m EUR **M2M losses of own credit risk** (which does, however, not have an impact on our solvency ratios)

Headlines per business unit (1)

- Underlying net profit of the *Belgium Business Unit* rose 6% q-o-q to 266m EUR. The increase reflects a very low level of impairments, relatively large gains on the sale of shares at the insurance company and an excellent combined ratio of 82%

  - Loan volume rose by 1% q-o-q and 6% y-o-y, driven by mortgage loan growth (+1% q-o-q and +9% y-o-y)

  - Deposit volumes went up by 4% year-on-year and were flat quarter-on-quarter

  - Sales of Non-Life insurance products rose by 69% quarter-on-quarter (typical first quarter effect) and by 2% year-on-year

  - Sales of Life insurance products rose by 50% year-on-year and 24% quarter-on-quarter. The 24% quarter-on-quarter increase was fully driven by higher sales of unit-linked products (thanks to extra commercial efforts), partly offset by deliberately lower sales of guaranteed interest products

Headlines per business unit (2)

- The profit contribution of *Central and Eastern Europe* amounted to 118m EUR (+21% q-o-q) in 1Q12. Results were positively impacted by significantly lower loan loss provisions (K&H Bank) and higher trading income, partly offset by the Hungarian bank tax (57m EUR pre-tax and 46m EUR post-tax) and the realised loss following the Greek debt exchange operation

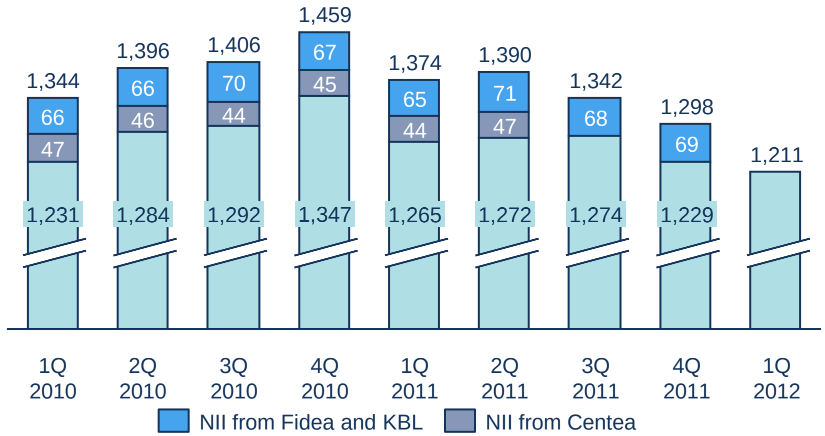
- In *Merchant Banking*, the underlying net profit (42m EUR) was significantly above the average of the last four quarters (-28m EUR). This can mainly be explained by very good dealing room results and low loans loss impairments, except in Ireland (fully in line with guidance)

- Attention is drawn to the fact that the *Group Centre* includes all planned divestments of KBC Group since 1Q10. Note that KBL *epb* and Fidea were deconsolidated in underlying as of 1Q12. Group Centre booked an underlying profit of 30m EUR

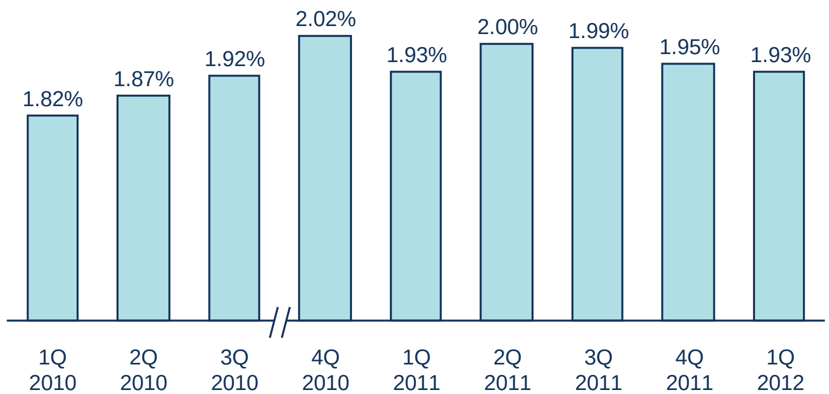
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

NII



NIM (excl. KBL *epb from 4Q10 onwards*)



- Excluding deconsolidated entities, net interest income fell by 1% q-o-q and 4% y-o-y, mainly in CEE (FX measures in Hungary)
- Net interest margin (1.93% excluding KBL *epb*): flat y-o-y and -2bps q-o-q partly due to reduced PIIGS exposure and Hungary
  - NIM in Belgium increased by 3bps quarter-on-quarter to 1.43%, largely attributable to the interest corrections on Greek bonds
  - NIM in Central/Eastern Europe decreased by 11bps quarter-on-quarter to 3.16%, mainly caused by the lower amount of loans & receivables at K&H (especially the result of fewer FX mortgage loans with relative high margins)
- On a comparable basis, loan volumes rose by 3% y-o-y. Loan volumes continued to grow in our home markets (+6% y-o-y in the Belgium BU and +2% y-o-y in the CEE BU). Total deposit volumes fell by 11% y-o-y mainly due to a loss of some volatile short-term corporate and institutional deposits, mainly outside our core markets, during 4Q11. Deposit volumes in our core markets increased (+4% y-o-y in BE BU and +3% y-o-y in CEE BU). Note that deposit volumes in the Merchant Banking BU recovered 18% q-o-q in 1Q12

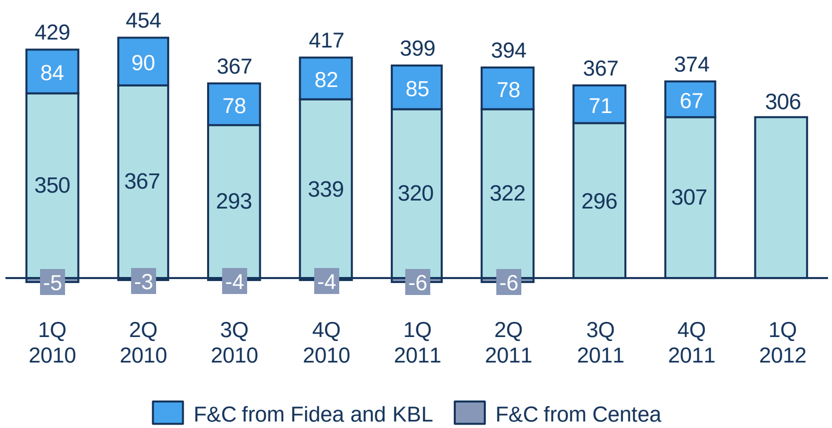
Amounts in m EUR

* Net Interest Margin: Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos

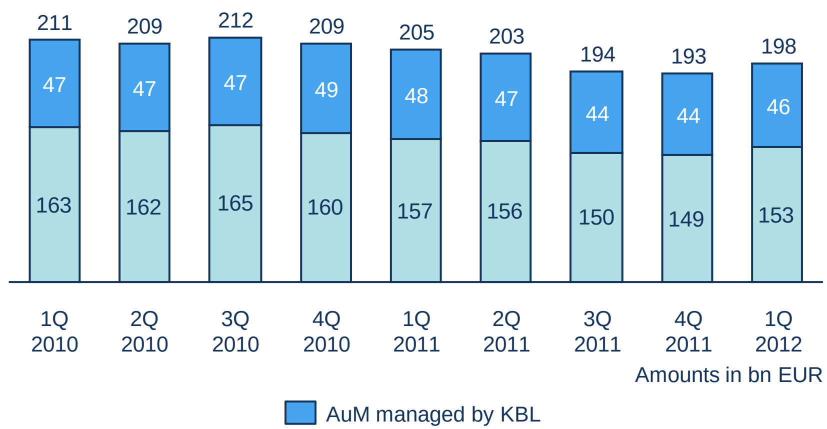
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

F&C



AUM



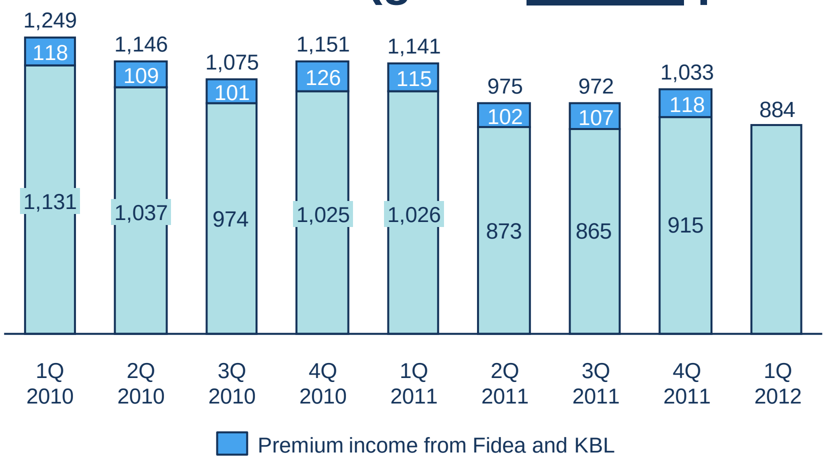
- Excluding deconsolidated entities, net fee and commission income remained stable q-o-q, with 1Q12 including higher entry and management fees on mutual funds and the impact of increased sales of unit-linked products (both at the Belgium BU), partly offset by lower fee income in CEE. Also note that 4Q11 benefited from the successful issuance of Belgian state notes. Excluding deconsolidated entities, net fee and commission income was still down 4% y-o-y

- Excluding KBL *epb*, assets under management increased by 3% quarter-on-quarter (due entirely to a positive price trend) to 153bn EUR at the end of 1Q12

Amounts in m EUR

Underlying revenue trend - Group

Premium income (gross earned premium)

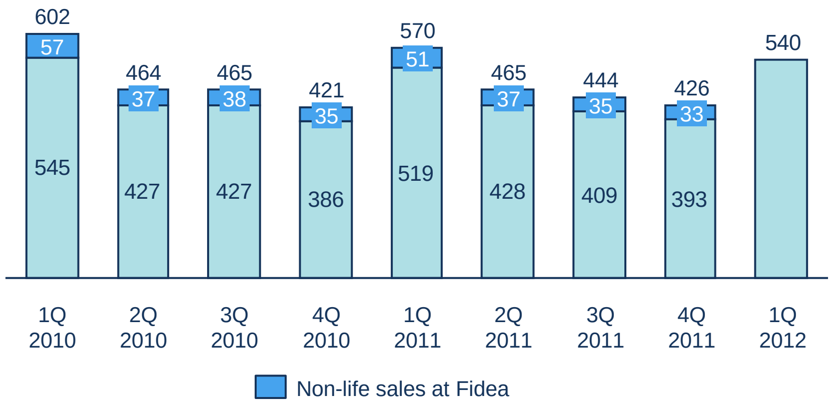


- Excluding deconsolidated entities, insurance premium income (gross earned premium) at 884m EUR
  - Non-life premium income (438m) up 3% q-o-q and 7% y-o-y. The non-life combined ratio in 1Q12 stood at a very good 89%
  - Life premium income (446m) down 9% q-o-q, mainly due to lower sales of guaranteed interest products (deliberate shift from guaranteed interest products to unit-linked products)

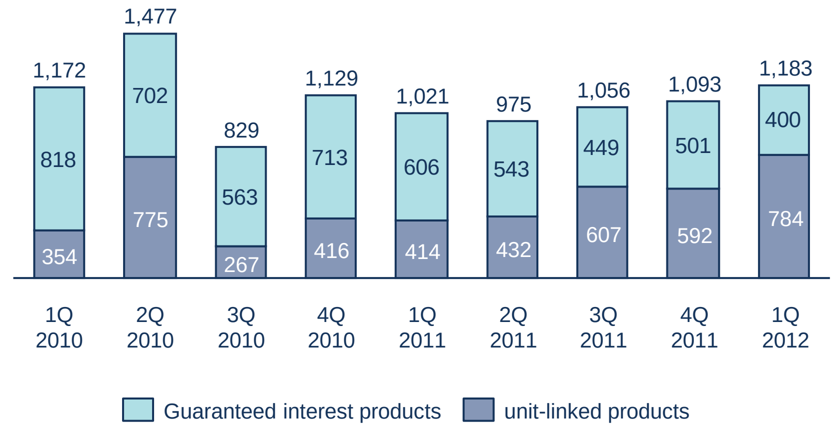
Amounts in m EUR

Underlying revenue trend - Group

Non-Life sales (gross written premium)



Life sales (gross written premium)



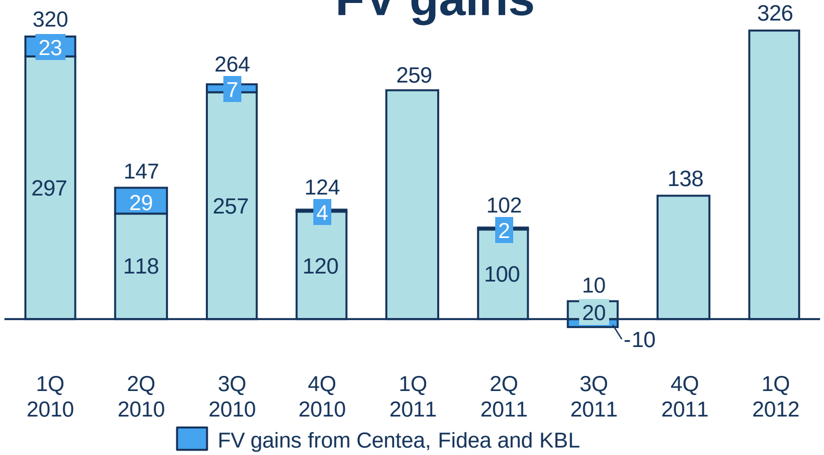
- Sales of Non-Life insurance products:
  - rose by 4% year-on-year excluding the divestment of Fidea
- Sales of Life insurance products:
  - rose by 8% quarter-on-quarter and by 16% year-on-year (respectively +19% and +26% excluding deconsolidated entities), with a deliberate shift from guaranteed interest products to unit-linked products
  - The increased sale of unit-linked products is entirely attributable to the commercial campaigns in the Belgium Business Unit. The decreased sale of guaranteed interest products is partially due to the divestment of Fidea (79m EUR in 4Q11 and 74m EUR in 1Q11) and the extra contribution from pension savings in 4Q11

Amounts in m EUR

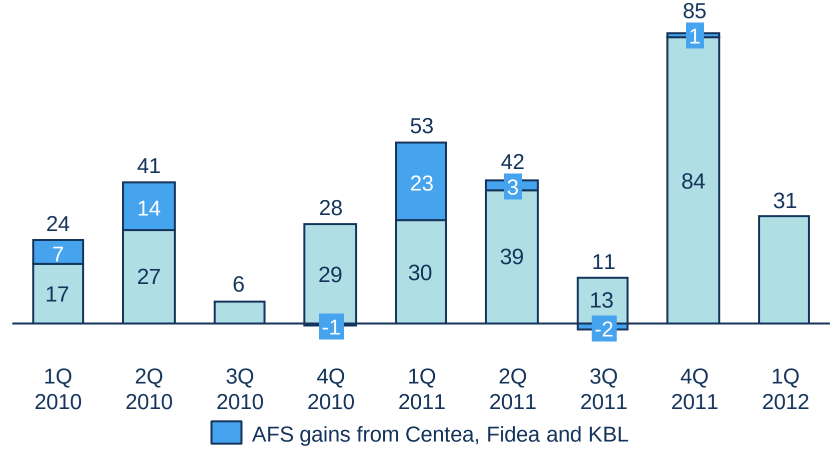
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

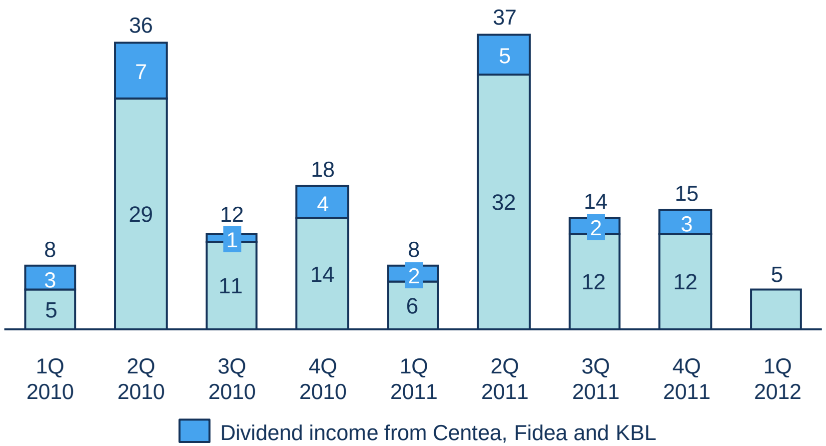
FV gains



Gains realised on AFS



Dividend income

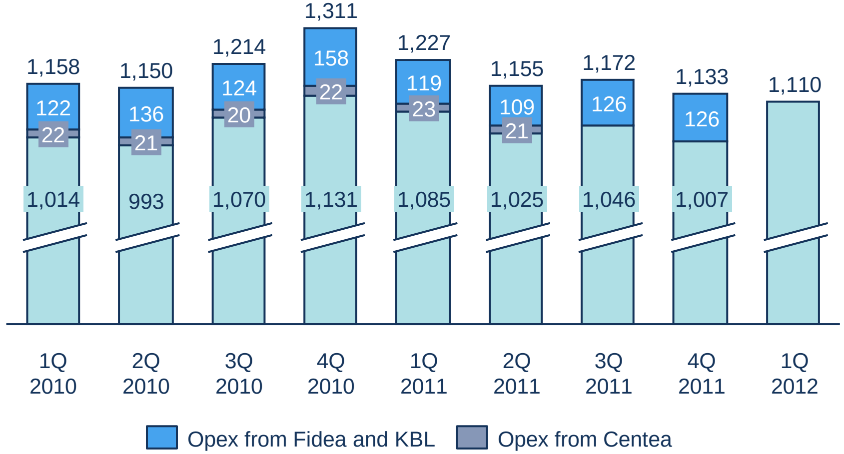


Amounts in m EUR

- The higher figure for net gains from financial instruments at fair value (326m EUR) is primarily the result of higher dealing room activity, a positive q-o-q change in the counterparty value adjustment (CVA) and a 21m EUR gain on the sale of a private equity investment
- Gains realised on AFS assets came to 31m EUR, with increased gains on shares being more than offset by losses on bonds (partly due to the exchange of Greek bonds)
- Dividend income amounted to 5m EUR

Underlying operating expenses - Group

Operating expenses

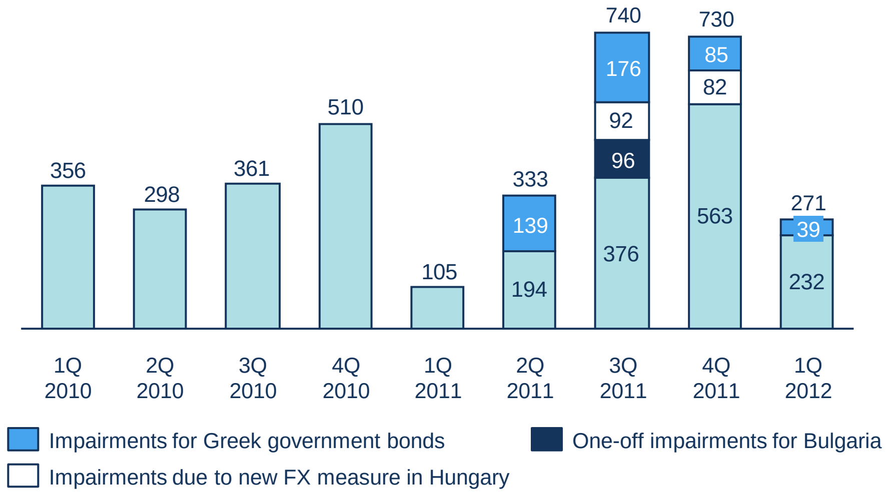


- Excluding deconsolidated entities (KBL *epb*, Fidea and Centea), costs rose by 10% q-o-q and by 2% y-o-y
  - Operating expenses rose by 10% q-o-q to 1,110m EUR in 1Q12, entirely due to higher expenses relating to bank taxes (mainly related to the recognition of the FY12 Hungarian bank tax in 1Q12 and the recuperation of Hungarian bank tax in 4Q11). Excluding the Hungarian bank tax and one-off items, operating expenses fell by 3% q-o-q (partly thanks to lower marketing expenses)
  - Operating expenses rose by 2% y-o-y in 1Q12, which is to a large extent due to the impact of inflation on wages (in Belgium). Excluding one-off items, operating expenses rose by 3% y-o-y
  - Underlying cost/income ratio for the banking business stood at 58% YTD (56% excluding the 5-5-5 bond provision), compared to 60% and 57%, respectively for FY 2011

Amounts in m EUR

Underlying asset impairment - Group

Asset impairment



- Substantially lower impairments (271m EUR)
  - Quarter-on-quarter decrease of 339m EUR in loan loss provisions, which mainly related to the Hungarian FX mortgages, the Belgian corporate segment (given the year-end effect in 4Q11) and KBC Bank Ireland (loan loss provisions in 1Q12 of 195m EUR compared with 228m EUR in 4Q11, fully in line with our previous guidance). Note that Fidea and KBL *epb* accounted for 25m EUR in impairments in 4Q11
  - Compared with the very low level recorded in 1Q11, loan loss provisions were up by 163m EUR, due almost entirely to Ireland (195m EUR in 1Q12 compared with only 45m EUR in 1Q11)
  - Impairment of 5m EUR on AFS shares, mainly at KBC Insurance

Amounts in m EUR

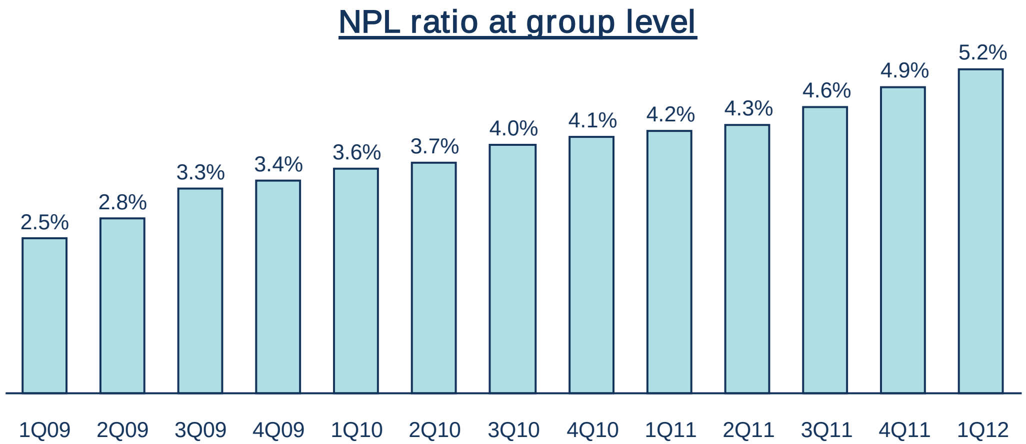
Underlying loan loss provisions – Group

- Credit cost ratio fell to 0.66% in 1Q12 (compared to 0.82% in 2011, 0.91% in 2010 and 1.11% in 2009). Excluding KBC Bank Ireland, the CCR stood at a very low 0.18% in 1Q12. The NPL ratio amounted to 5.2%
- Credit cost ratio in Belgium was even slightly negative thanks to a small reversal of impairments
- Significantly lower loan losses in CEE (-105m EUR q-o-q) entirely thanks to much lower loan loss provisions at K&H Bank and CSOB Bank CZ
- Loan losses significantly lower in Merchant Banking (-165m EUR q-o-q) driven by the Belgian corporate segment (with an uptick at year-end) and KBC Bank Ireland (-33m EUR q-o-q). Excluding Ireland, the CCR in Merchant Banking amounted to only 9bps in 1Q12

Credit cost ratio (CCR)

	Loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY	1Q12
		'Old' BU reporting			'New' BU reporting		
Belgium	**57bn**	0.13%	0.09%	0.17%	0.15%	0.10%	-0.02%
CEE	**31bn**	0.26%	0.73%	2.12%	1.16%	1.59%	0.60%
CEE (excl. one-off items in 2H11)						0.69%	
Merchant B. (incl. Ireland)	**52bn**	0.02%	0.48%	1.32%	1.38%	1.36%	1.57%
Merchant B. (excl. Ireland)	**36bn**	0.02%	0.53%	1.44%	0.67%	0.59%	0.09%
Total Group	**160bn**	**0.13%**	**0.46%**	**1.11%**	**0.91%**	**0.82%**	**0.66%**

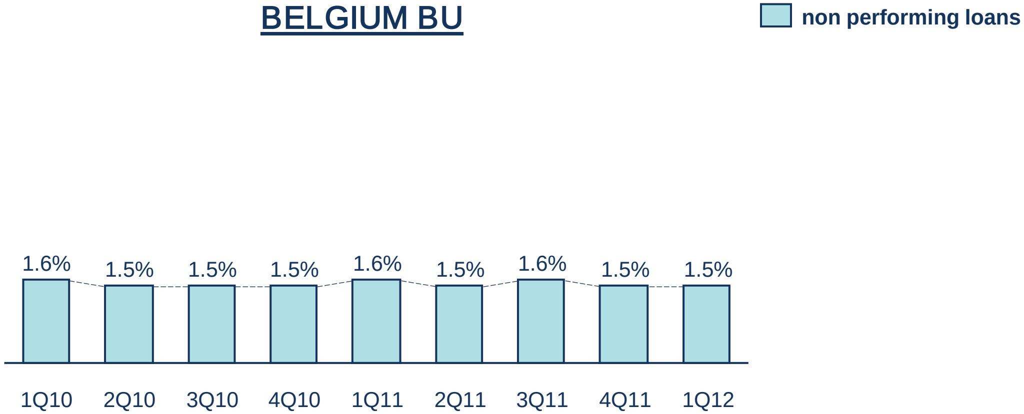
NPL ratio at Group level



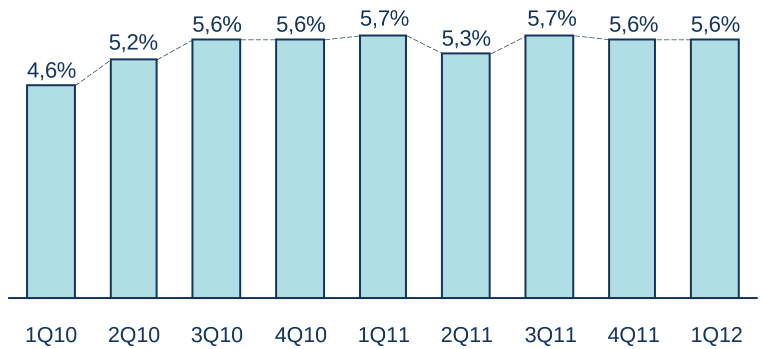
1Q 2012	**Non-Performing Loans** (>90 days overdue)	**High risk, excl. restructured loans** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.5%	2.5%	1.5%
CEE BU	5.6%	4.2%	2.4%
MEB BU	9.1%	6.9%	3.6%

NPL ratios per business unit

BELGIUM BU

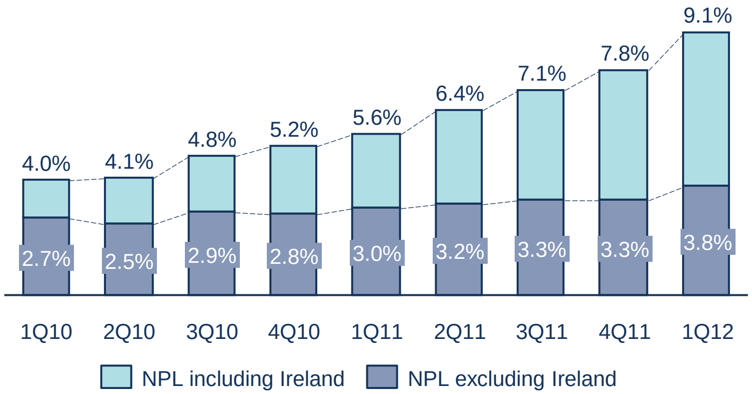


CEE BU



MEB BU

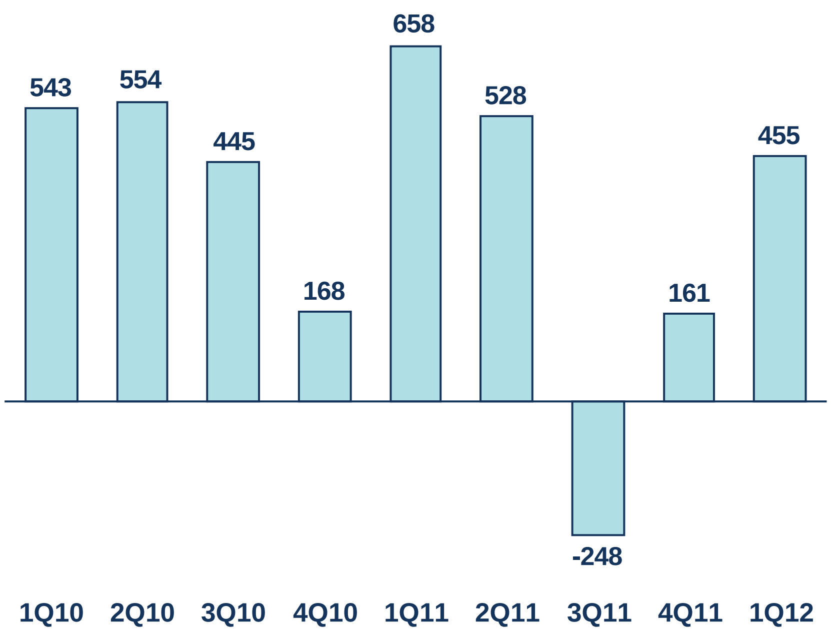
(incl. Ireland)



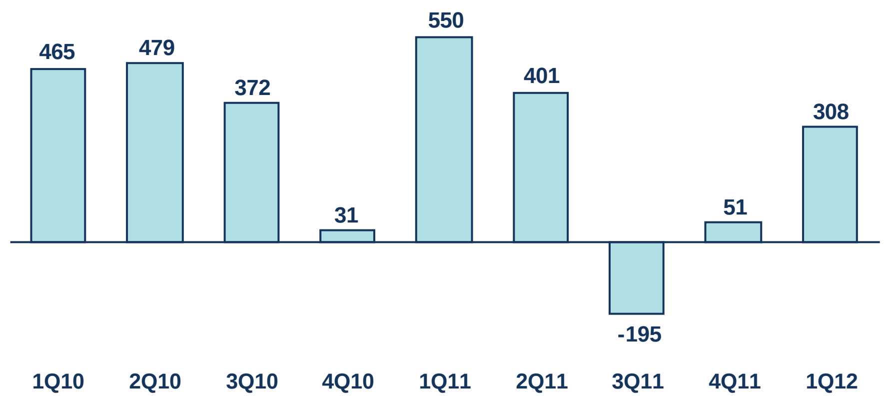
Underlying profit of KBC Group

Amounts in m EUR

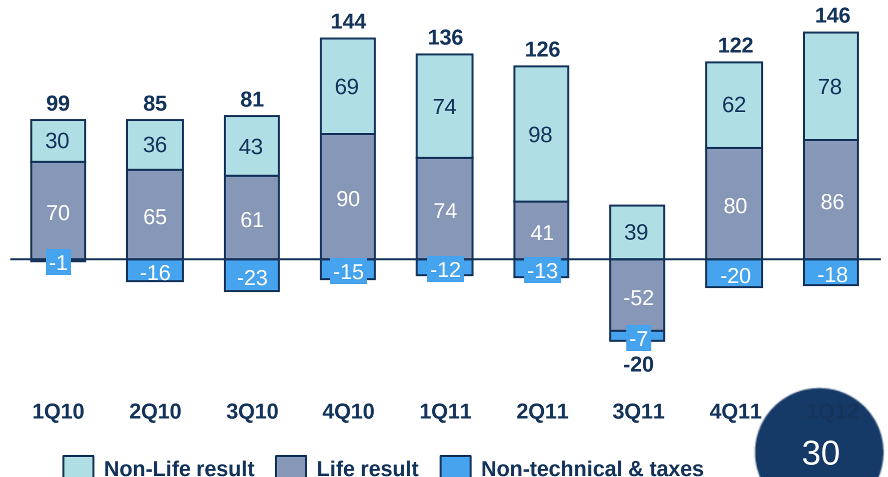
Underlying net profit of KBC Group *



Underlying net profit contribution banking to KBC Group



Underlying net profit contribution insurance to KBC Group (excl. Vitis)



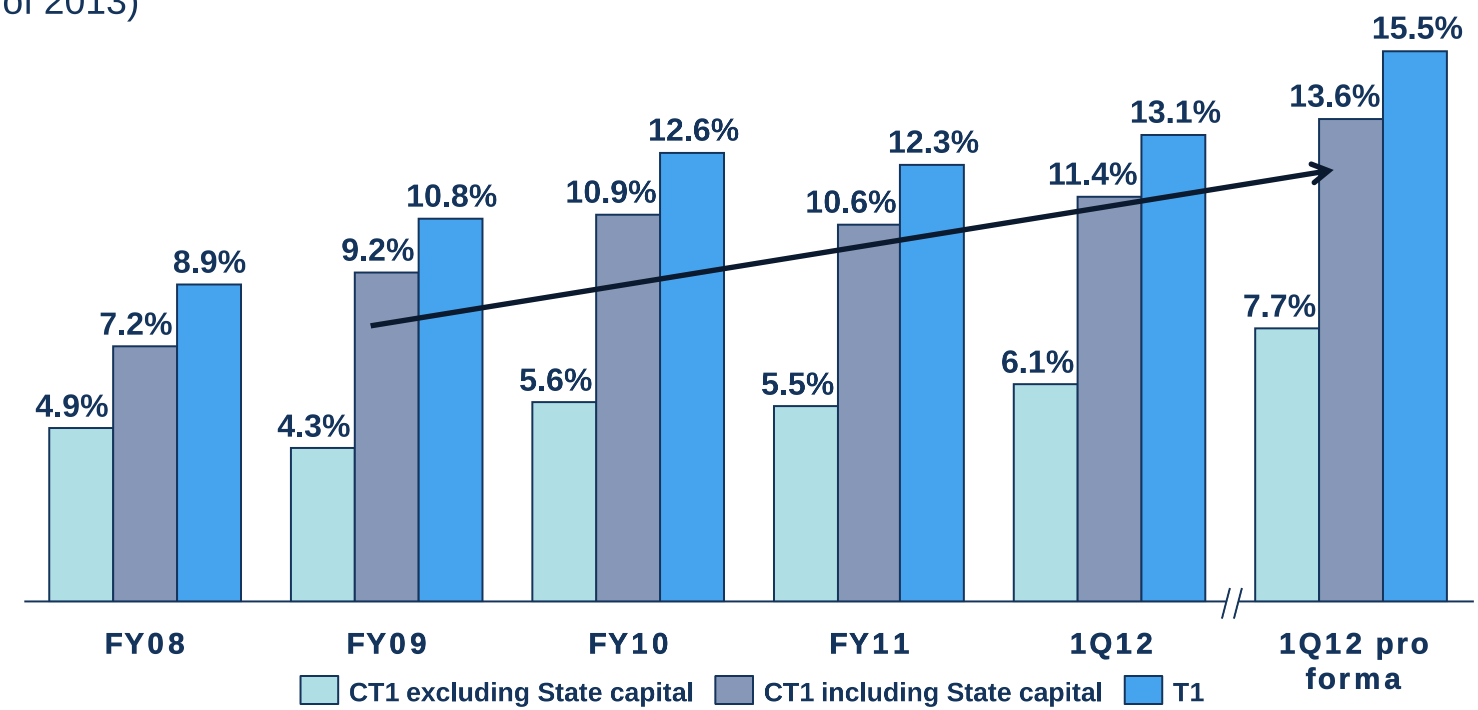
* Difference between underlying net profit of KBC Group and the sum of the banking and insurance contribution are the holding/group items and Vitis

Section 3

Strong solvency and solid liquidity position

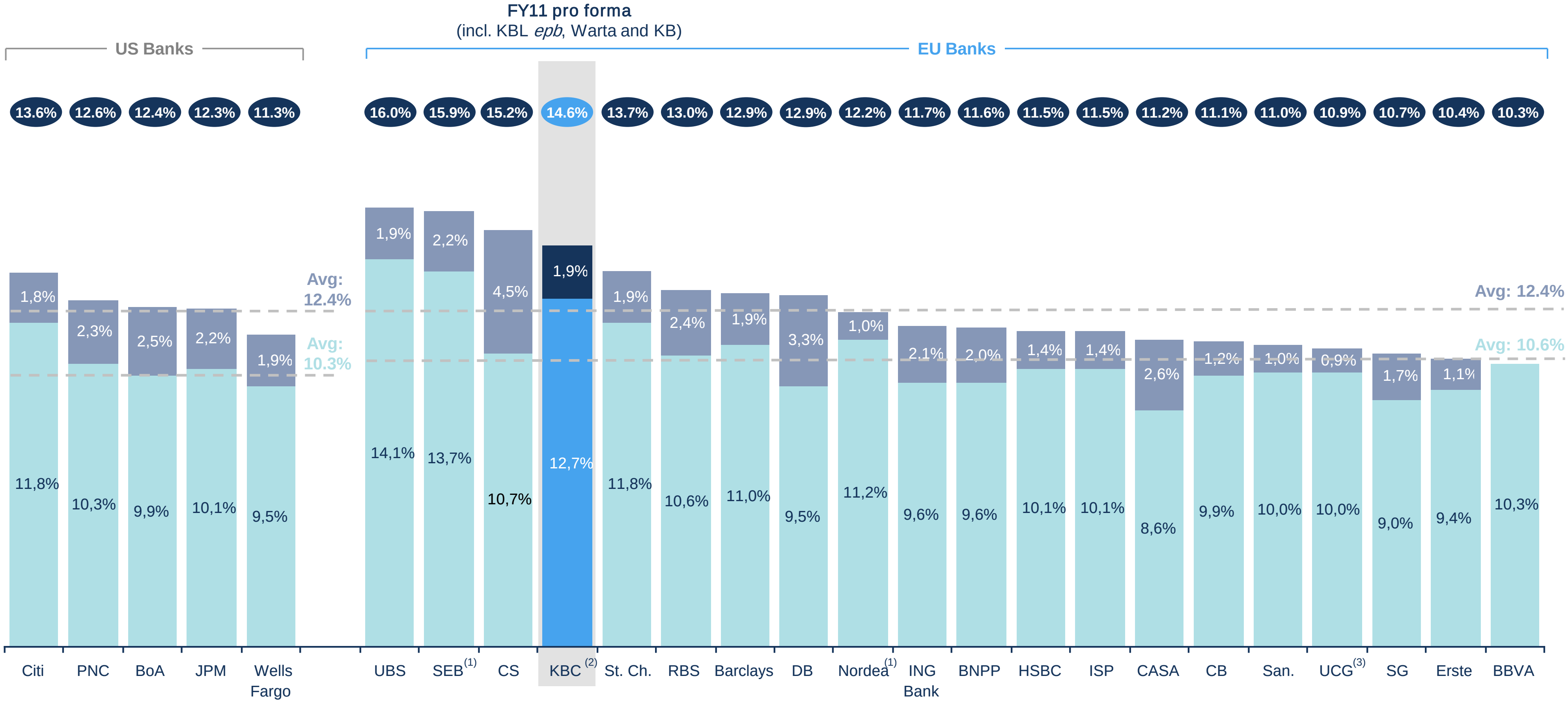
Strong capital position

- Strong tier-1 ratio of 13.1% (15.5% pro forma) at KBC Group as at end 1Q12 comfortably meets the minimum required tier-1 ratio of 11% (under Basel 2)
- Pro forma core tier-1 ratio – including the effect of divestments already signed – of 13.6% at KBC Group
- First repayment, of 500m EUR, to the Federal Government in January 2012 at 15% premium. Intention is to make additional repayments in 2012 (with the aim being to repay at least 4.67bn EUR of the principal amount of the YES by the end of 2013)



* 1Q12 pro forma CT1 includes the impact of divestments already signed, but not yet closed (KBL epb, Warta and Kredyt Bank)

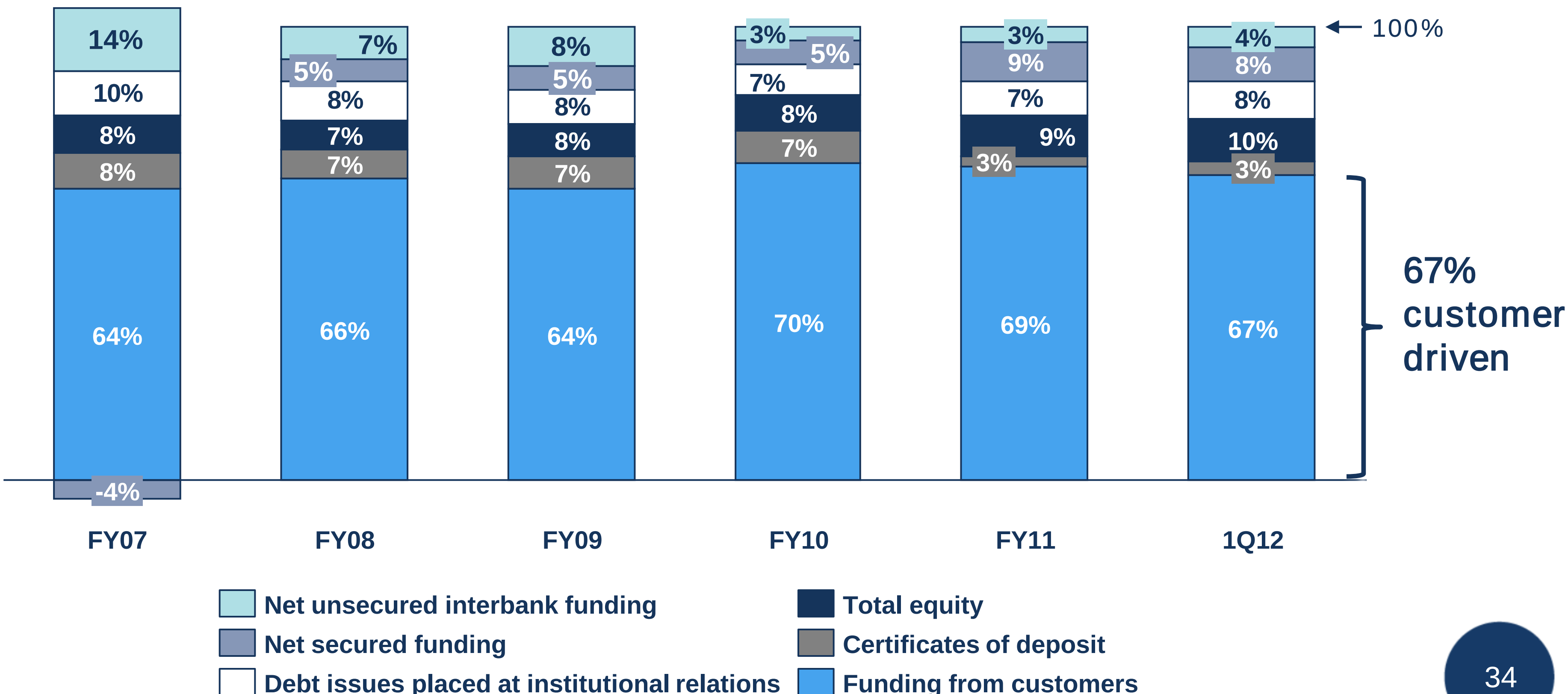
Favourable peer group comparison



Source: Company filings as of Dec 11, BofAML
Note: capital ratios under Basel 2.5 for EU banks and under Basel 1 for US banks
(1) Excluding transition rules.
(2) Including state capital and pro forma for divestments signed as of 28-Feb-12.
(3) Proforma capital increase.

A solid liquidity position (1)

- KBC Bank continues to have a strong retail/corporate deposit base in its core markets – resulting in a stable funding mix with a significant portion of the funding attracted from core customer segments & markets



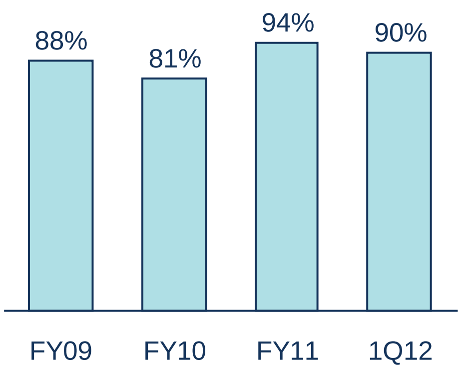
A solid liquidity position (2)

- Funding needs 2012 covered and buffer established given:
  - Our total mid/long-term wholesale funding (15bn EUR) only represents 8% of the total funding mix (which is relatively limited) – with only limited amounts maturing each year
  - Long-term funding needs decrease as steps to reduce RWA continue
  - We already issued 2.25bn EUR unsecured long-term debt YTD (1.25bn EUR 2y and 1.0bn EUR 5y)
- A regulation for the issuance of covered bonds is expected to be approved in Belgium

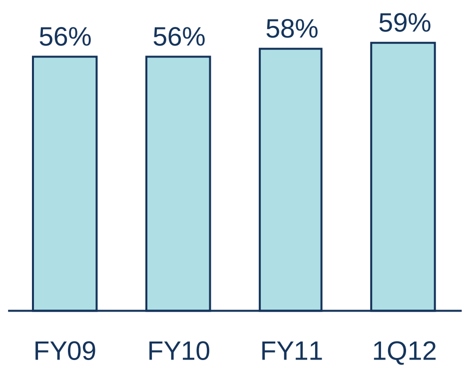
A solid liquidity position (3)

- LTD ratio of 90% at KBC Bank at the end of 1Q 2012. The decrease is the result of a strong deposit growth in retail/corporate and a recovery of the more volatile institutional deposits after the decrease in Q4 – (at that time due to a downgrade of our short-term rating by S&P and the risk aversion towards the European market in general)

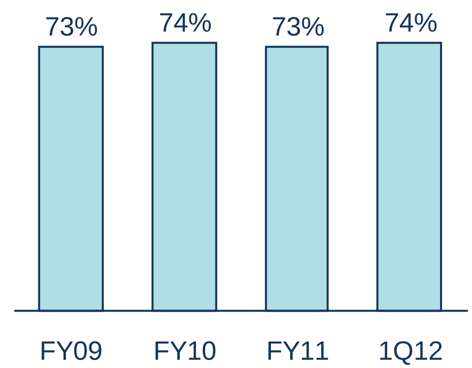
LTD ratio at KBC Bank



LTD ratio at Belgium BU*

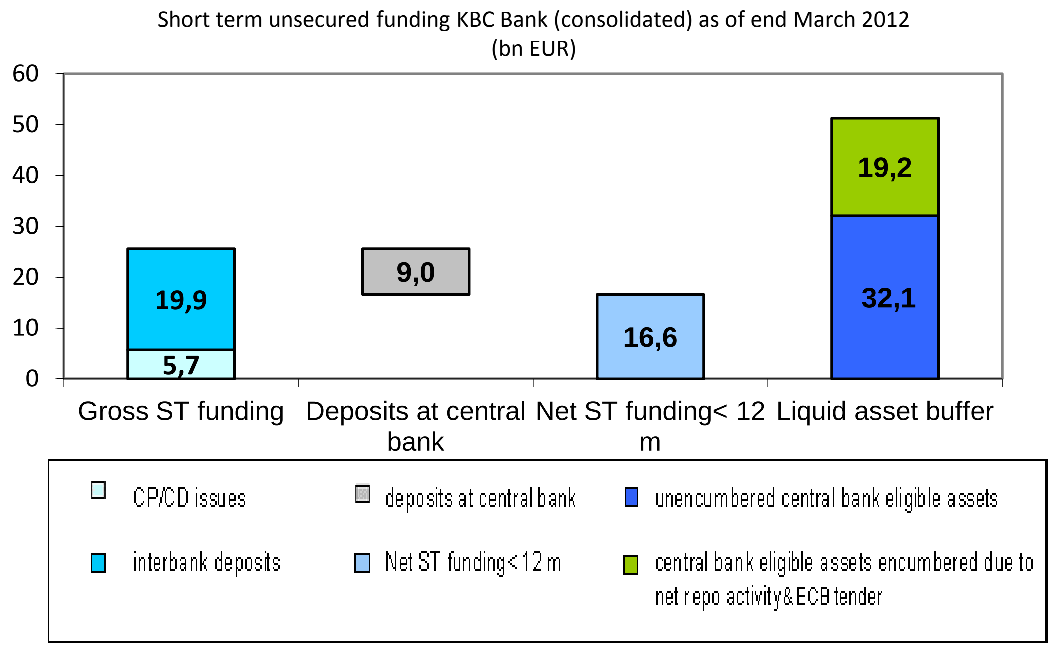


LTD ratio at CEE BU**



* Excluding Centea (retroactively adjusted)
** Excluding Kredyt Bank and Absolut Bank (items earmarked for divestment in Group Centre)

A solid liquidity position (4)



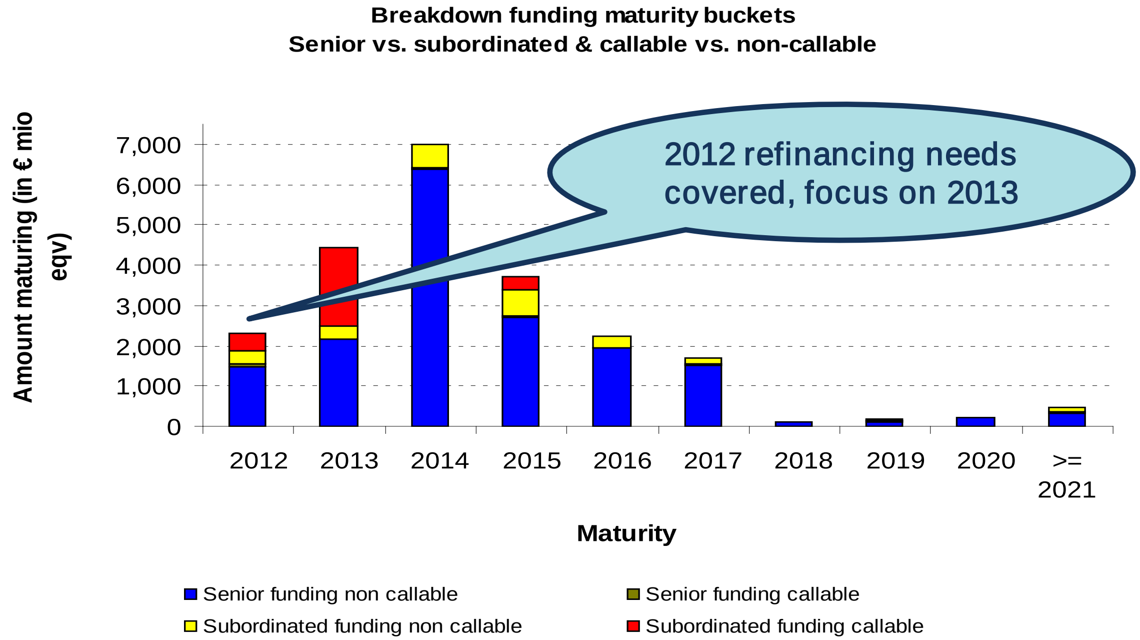
The liquid asset buffer increased slightly amongst other things due to positive M2M evolutions on the portfolio

The total amount of unencumbered assets declined moderately as more secured funding was attracted

However, **the liquidity position remains strong** as:

- **Unencumbered assets are double the amount of the net recourse on short-term wholesale funding maturing in 1 year**
- **Funding coming from non-wholesale markets is stable funding from our core customer segments in our home markets**

Upcoming mid-term funding maturities



- KBC issued successfully 2 new benchmark senior unsecured deals for a total amount of 2.25bn EUR in 1Q 2012
- KBC Bank NV has 3 solid sources of EMTN Funding:
  - Public benchmark transactions
  - Structured Notes using the private placement format
  - Retail EMTN
- A regulation for the issuance of covered bonds is expected to be approved in Belgium

Note that this graph does not include the ECB-LTRO for a total amount of 8.7bn EUR (3y maturity)

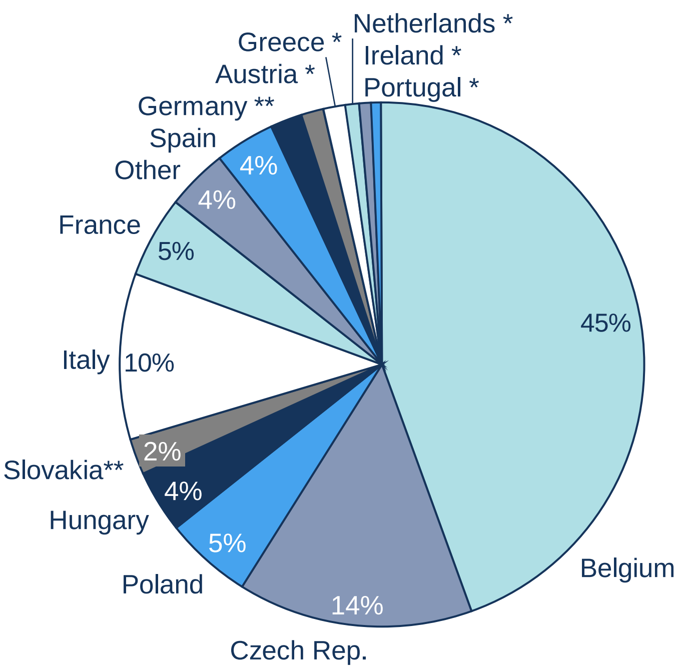
Section 4

Areas of attention

KBC Government bond portfolio

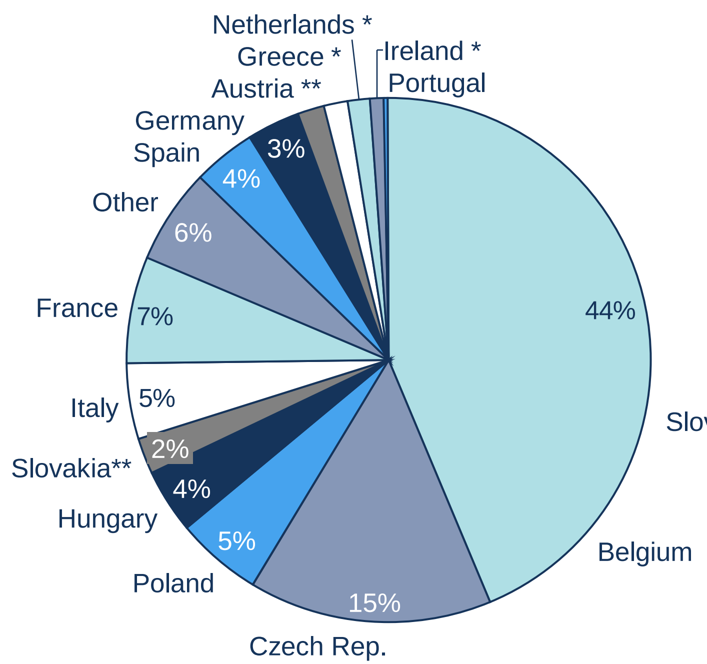
- Notional investment of 53bn EUR in government bonds (excl trading book) at end 1Q12, primarily as a result of significant excess liquidity position and the reinvestment of insurance reserves into fixed income instruments

End 2010
(60bn EUR notional)



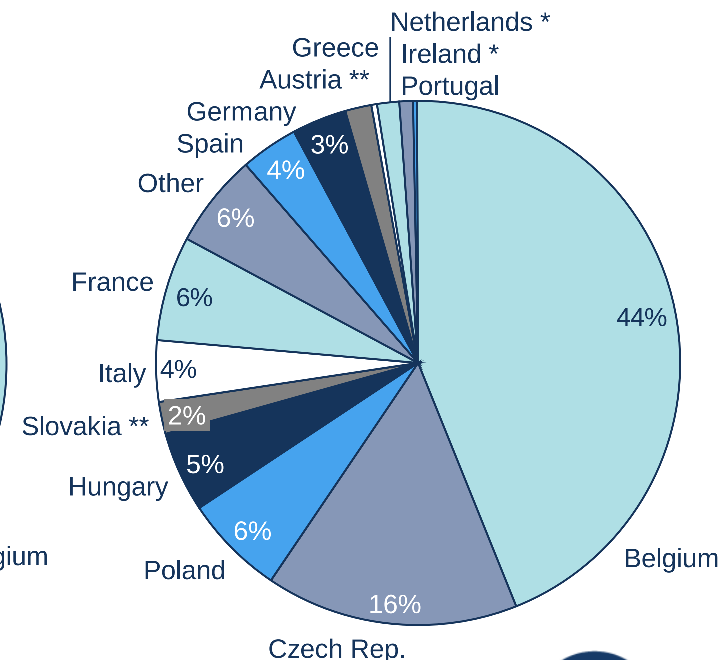
(*) 1%, (**) 2%

End 2011
(51bn EUR notional)



(*) 1%, (**) 2%

End 1Q12
(53bn EUR notional)



(*) 1%, (**) 2%

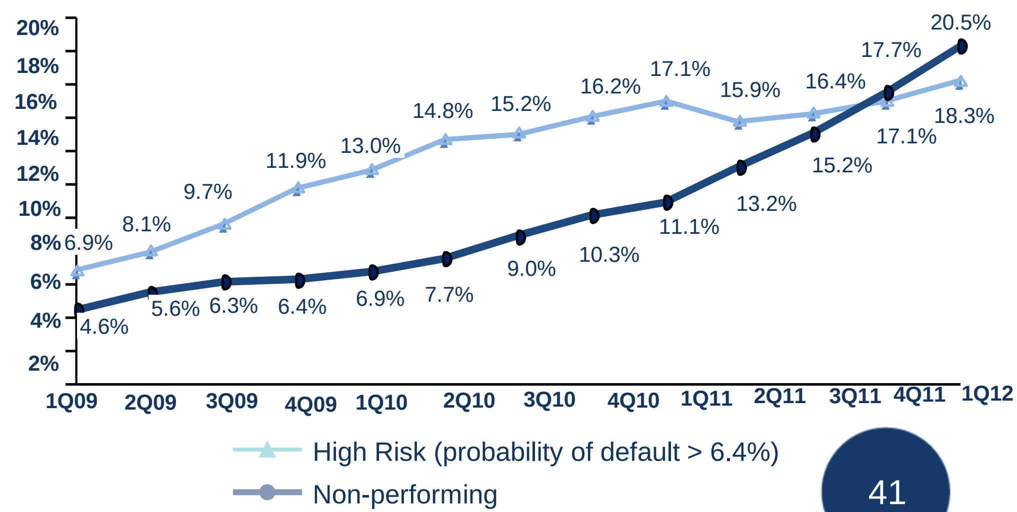
Ireland

- Loan loss provisions in 1Q12 of 195m EUR (228m EUR in 4Q11). The loss after tax in 1Q12 was 126m EUR
- Economic conditions have remained difficult in the early months of the year as budget austerity measures take their toll. Marginally positive economic growth for 2012 is anticipated as a whole
- Unemployment seems to be stabilising. The pipeline of new FDI into Ireland remains encouraging, with new jobs as a result of FDI increasing by 20% in 2011. EU/IMF programme targets continue to be reached
- Residential mortgage arrears continue to deteriorate, although the pace of deterioration has slowed. KBC Ireland is implementing its Mortgage Arrears Resolution Strategy to provide sustainable mortgage restructures to customers in difficulty
- The final shape of the personal insolvency legislation is still unknown and could represent further risk to lenders
- Commercial customers with Irish domestic exposure continue to face challenges and commercial collateral values continue to suffer as all Irish banks deleverage
- Expanded product range driving strong acquisition of retail customers. Successful deposit campaign with increased deposit levels (+0.1bn EUR q-o-q to roughly 1.0bn EUR) and some 2,500 new customers in 1Q12
- Local tier-1 ratio to 11.16% at the end of 1Q12 through a capital increase of 75m EUR (11.06% at the end of 4Q11)

Irish loan book – key figures as at March 2012

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.5bn	14.8%	28%
Buy to let mortgages	3.2bn	24.3%	39%
SME /corporate	2.0bn	20.3%	55%
Real estate investment	1.4bn	26.7%	53%
Real estate development	0.5bn	83.4%	72%
	16.6bn	20.5%	42%

Proportion of High Risk and NPLs



Hungary (1)

- The **underlying net loss** of K&H Group for 1Q12 was 36m EUR. Included in this loss are:
  - 46m EUR post-tax impact of the full year 2012 bank tax
  - 2m EUR post-tax 5-year accounting impact of the HUF ‘buffer account’ bearing below market interest rates
  - 1.6m EUR post-tax 2012 impact of interest rate reduction for customers opting for government FX debtor relief programme

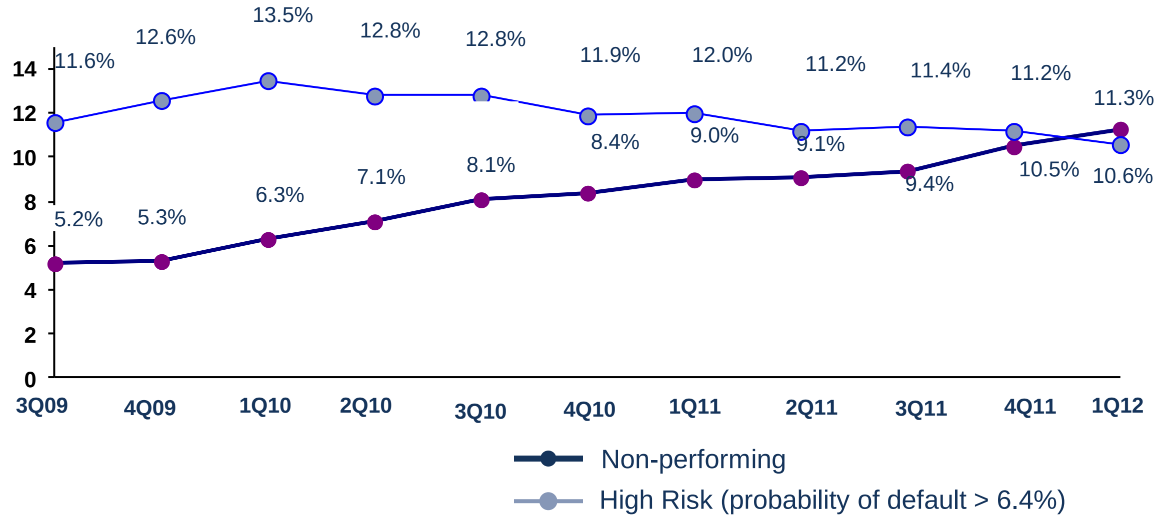
- **Loan loss provisions** in 1Q12 amounted to 28m EUR. The credit cost ratio (without the one-off impact of FX mortgage easement) came to 1.63% in 1Q12 versus 1.72% in 1Q11
- **NPL** rose to 11.3% in 1Q12 (10.5% in 4Q11)
  - NPL Retail: 17.0% in 1Q12 (13.3% in 4Q11):
    - Rising NPL in retail was driven by
      - Repayment of FX mortgages until 28 February reducing performing portfolio (+1.6%)
      - Effect of temporary termination of own easement program due to upcoming new government scheme (+0.8%)
      - Portfolio deterioration (+1.3%), partially explained by customers reducing their installment payments in anticipation of the new government relief scheme
    - The expectation is that the government scheme will reduce new NPL formation in 2H12
  - Corporate: stable portfolio quality (NPL: 7.0% in 1Q12, 8.1% in 4Q11)

Hungary (2)

Hungarian loan book – key figures as at 31 March 2012

Loan portfolio	Outstanding	NPL	NPL coverage
SME/Corporate	2.8bn	7.0%	68%
Retail	2.7bn	15.9%	67%
o/w private	2.2bn	17.0%	67%
o/w companies	0.4bn	9.9%	74%
	5.5bn	11.3%	68%

Proportion of NPLs*



Hungary (3) – FX conversion

Enacted government repayment scheme ≈ 30% of customers participated

30% of loan loss provisions deductible from 2011 bank tax

FX conversion update:

•636m EUR of FX loans repaid by the end of February 2012

•Total pre-tax effect for 2011 after recovering part of the banking tax, amounted to 119m EUR (booked in 2011)

Enacted Act on performing customers ≈ 55% *

Instalment to be split by all stakeholders through a buffer account for maximum 5y:

- Up to 180 HUF/CHF: customer pays principal and interest
- Between 180-270 HUF/CHF:
  - Principal paid by customer through buffer account
  - Interest split between bank and state 50%-50%
- Above 270 HUF/CHF: state pays principal + interest
- Same for EUR with 250-340 limits

Eligibility criteria:

- Original loan value below 83k CHF / 67k EUR
- The debtor does not participate in any other payment easement program
- The debtor is not overdue more than 90 days

Enacted Act on NPL customers ≈ 5% *

25% write-off of all eligible NPLs (90+ continuously from 30 Sep 2011):

- Conversion into HUF following decision of customer
- 30% of loss from write-off deductible from 2012 bank tax

Eligibility criteria:

- Deterioration of financial standing verified by documents
- Original loan amount below 83k CHF / 67k EUR
- Minimum amount due 260 EUR as of Sep 30

Additional support:

- HUF interest subsidy based on further eligibility criteria
- Social cases sold to NAMC up to 25,000 properties at a value of 55/50/35% (per law passed on Dec 5)

*** Eligible customers as a % of the total customers (FX mortgage loan portfolio as at 30 Sep 2011)**

The FX prepayment will have a negative impact on NII at K&H of 30m EUR in 2012, gradually decreasing in the following years

Assuming a customer participation rate of 75%, the estimated pre-tax PV impact is 24m EUR over the 5-year period

Considering the existing average impairment level for the eligible customers, this measure has no substantial impact

Update on outstanding* CDO exposure at KBC (1Q12)

Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- **Hedged portfolio** - **Unhedged portfolio**	10.1 5.5	-0.8 -3.8
TOTAL	**15.6**	**-4.5**

Amounts in bn EUR	**Total**
Outstanding value adjustments Claimed and settled losses - Of which impact of settled credit events	-4.5 -2.2 -1.9

P&L impact of a shift in corporate and ABS credit spreads (reflecting credit risk)**

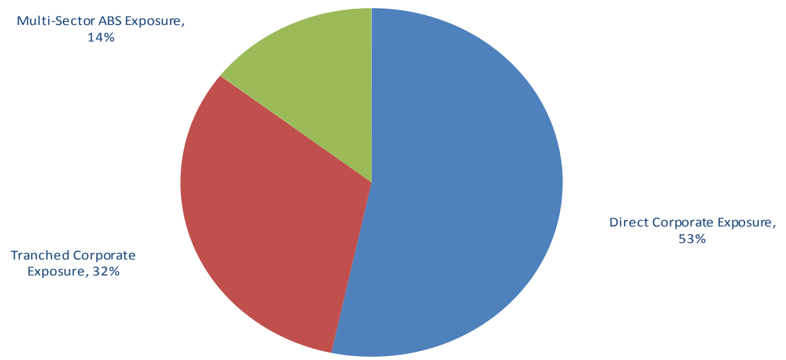
	10%	20%	50%
Spread tightening	+0.1bn	+0.2bn	+0.6bn
Spread widening	-0.1bn	-0.2bn	-0.4bn

- Total notional amount fell by 1.7bn EUR
- Outstanding value adjustments decreased to 4.5bn EUR
- Claimed and settled losses amounted to 2.2bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 12.6% cumulative loss in the underlying corporate risk (approx. 85% of the underlying collateral consists of corporate reference names)
- Reminder: CDO exposure largely written down or covered by a State guarantee

* Figures exclude all expired, unwound or terminated CDO positions
** Taking into account the guarantee agreed with the Belgian State and a provision rate for MBIA at 70%

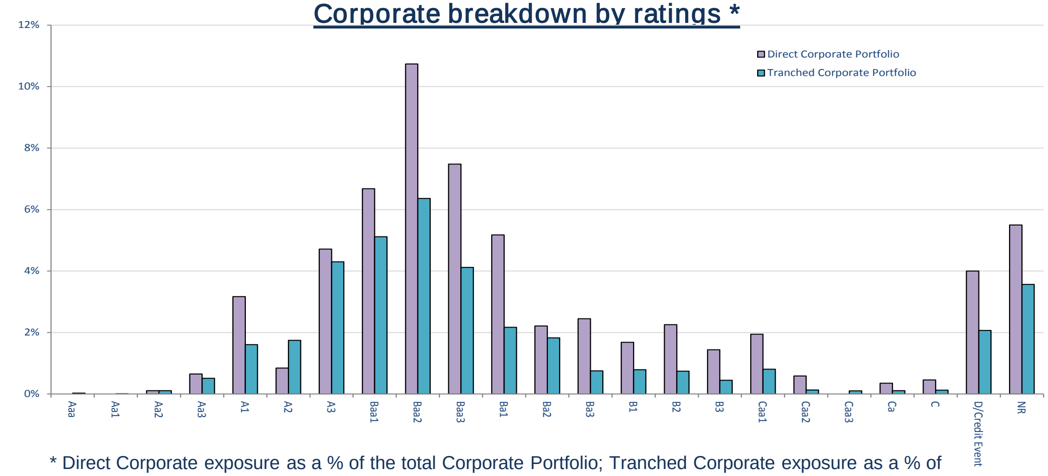
Breakdown of KBC's CDOs originated by KBC FP

Breakdown of assets underlying KBC's CDOs originated by KBC FP*



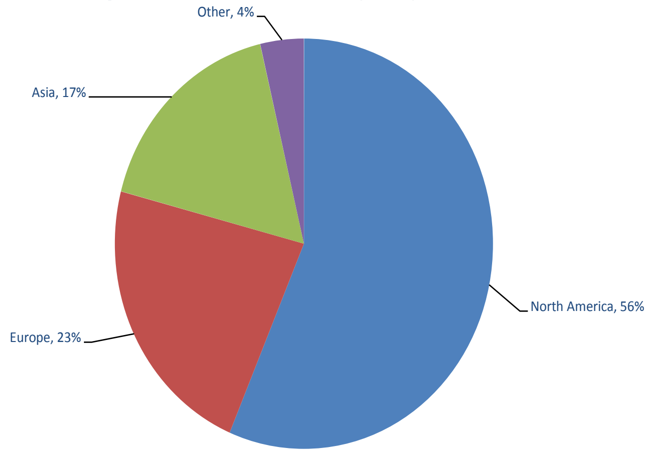
* % of total initial deal exposure; figures at 10 April 2012

Corporate breakdown by ratings *



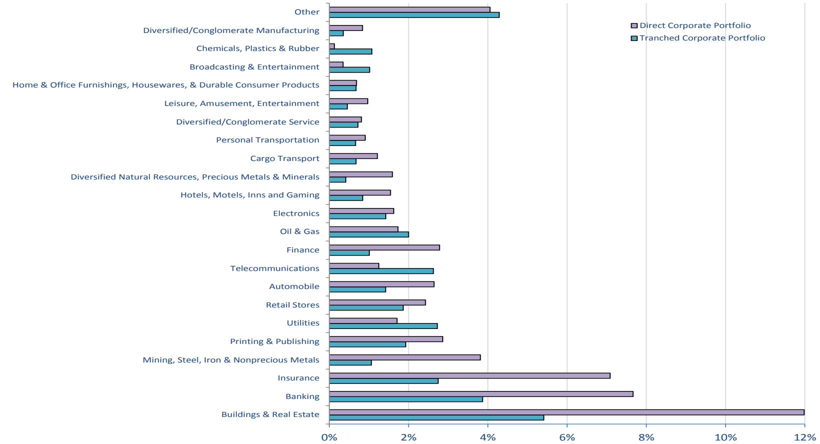
* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio. Figures at 10 April 2012, based on Moody's Ratings

Corporate breakdown by region*



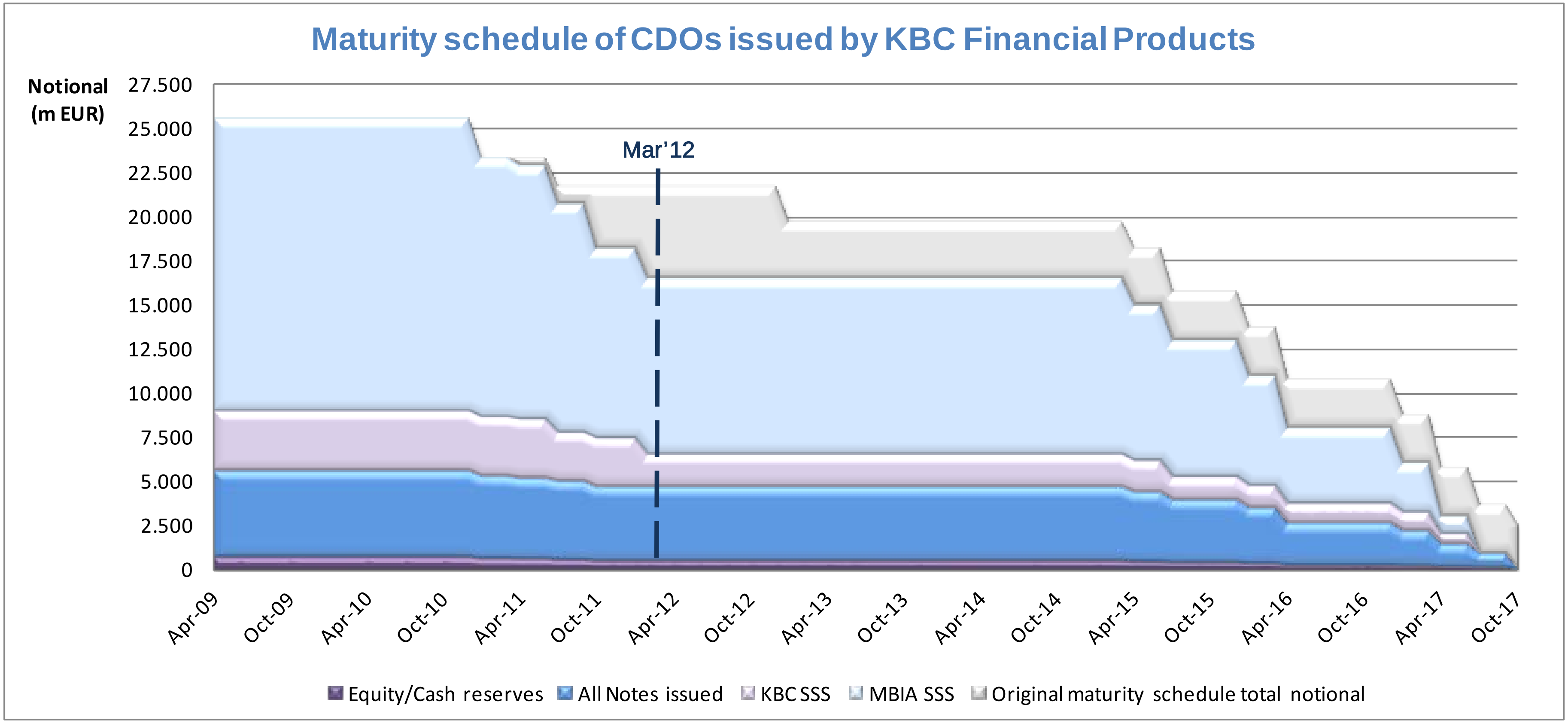
* Direct and Tranched Corporate exposure as a % of the total Corporate Portfolio; figures at 10 April 2012

Corporate breakdown by industry*



* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio. Figures at 10 April 2012

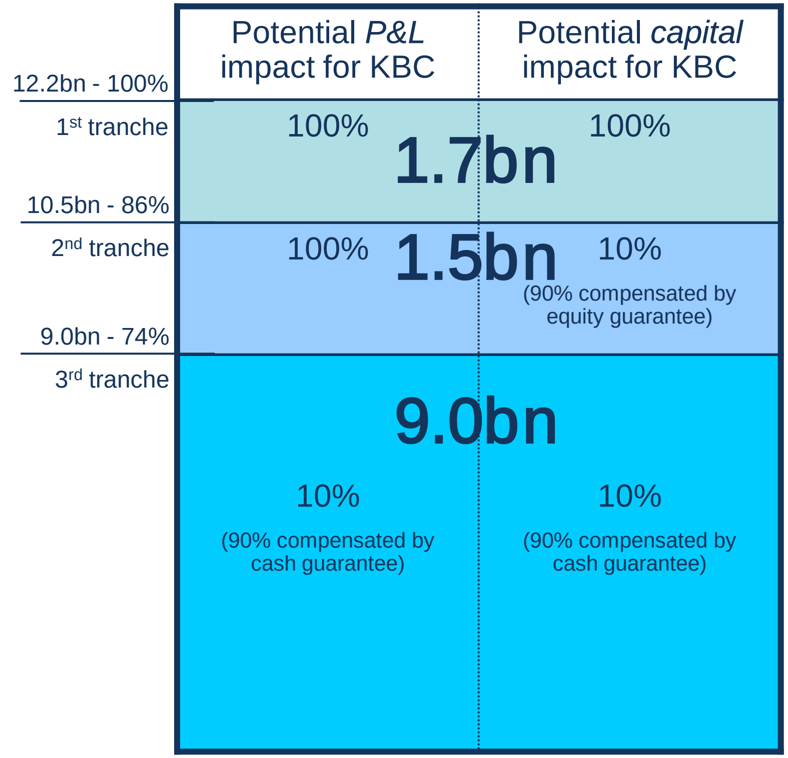
Maturity schedule for CDO portfolio



The total FP CDO exposure includes the 'unhedged' own investment portfolio as well as the 'hedged' portfolio that is insured by MBIA

Summary of government transactions (1)

- State guarantee covering 12.2bn* euros' worth of CDO-linked instruments
  - Scope
    - CDO investments that were not yet written down to zero (2.1bn EUR) when the transaction was finalised
    - CDO-linked exposure to MBIA, the US monoline insurer (10.1bn EUR)
  - First and second tranche: 3.2bn EUR, impact on P&L borne in full by KBC, KBC has option to call on equity capital increase up to 1.3bn EUR (90% of 1.5bn EUR) from the Belgian State
  - Third tranche: 9.0bn EUR, 10% of potential impact borne by KBC
  - Instrument by instrument approach



• Excluding all cover for expired, unwound or terminated CDOs positions

Summary of government transactions (2)

7bn EUR worth of core capital securities subscribed by the Belgian Federal and Flemish Regional Governments

	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	Pari passu with ordinary stock upon liquidation	
Issuer	KBC Group Proceeds used to subscribe 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 KBC	Option for KBC to buy back the securities at 150% of the issue price (44.25)	
Conversion option KBC	From December 2011 onwards, option for KBC 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

Section 5

Wrap up

Key Takeaways

First quarter results	• Strongly improved underlying 1Q12 results: 455m EUR, thanks to markedly lower impairments and strong dealing room income • Good reported 1Q12 profit: 380m EUR, affected by the negative M2M of our own credit risk (due to an improvement of our funding curve), which offset the positive M2M impact of CDOs
Business performance	• Core profitability in home markets remains intact in difficult conditions • Decisive progress on divestments, with capital gains to come in 2H12

Volatility reduction	• Further reduction of volatile elements:
	  • CDO/ABS exposure further reduced by roughly 2.2bn EUR notional
	  • PIIGS exposure further down by 42% since the end of 2011

Asset quality	• Loan loss provisions in 1Q12 were down significantly on the previous quarter • We are sticking to our guidance for loan loss provisions in Ireland of 500-600m EUR for the full year 2012
Capital	• Strong capital position: pro forma core tier-1 ratio of 13.6% at KBC Group, which is a significant improvement compared to the end of last year • First 500m EUR repayment to the Federal Government in January 2012 at 15% premium. Working towards further repayment(s) in 2012
Funding	• Funding needs 2012 covered and additional buffer in place thanks to the issuance of 2.25bn EUR unsecured long-term debt (1.25bn EUR 2y and 1.0bn EUR 5y), strong growth in customer deposits (+4% q-o-q) and additional buffer established with participation in LTRO2
Liquidity	• Strong liquidity position

KBC Group

2012 1Q Results

Q&A