

KBC Group

2012 3Q Results

Press Conference Call

8 November 2012 - 11.00 AM CET



More information www.kbc.com
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Key Takeaways

Resilient business performance

- Underlying net group profit of 406m EUR for 3Q12, demonstrating resilience of commercial franchise
- FY2012 guidance for loan loss provisions in Ireland maintained at 500m-600m EUR

Capital and liquidity positions further strengthened

- Pro-forma Tier-1 ratio of 16.8% in 3Q12 at KBC Group, up from 15.4% in 2Q12
- Estimated B3 CET at the end of 2013: 11.2% phased in (10.2% fully loaded), factoring in 4.67bn EUR repayment of YES instruments by end 2013 (of which a substantial part in 2012)
- Continued strong liquidity position (82% LTD ratio), with 2012 funding needs covered. Covered bonds will support funding mix diversification, which will reduce funding costs

Updated strategy

- Groupwide communication updated strategy KBC 2013 and beyond: done
- Preparation for implementation on 1st January 2013: on track

Momentum maintained on divestments and derisking

- Sales of KBL *epb*, Zagiel and KBC Lease Deutschland have been closed
- GIIPS exposure reduced again, down 67% since the end of 2011
- P&L sensitivity to CDO positions significantly reduced thanks to derisking activities



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- 2 Divestments and derisking
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- 4 Wrap up

Annex 1: 3Q12 underlying performance of business units

Section 1

3Q 2012

Financial highlights





3Q 2012 financial highlights

Underlying results

- Continued good underlying net group profit of 406m EUR in 3Q12, produced by strong commercial franchise in all our core markets and core activities
- Net interest income was negatively impacted by low interest rate environment, lower reinvestments yields (partly due to reduced GIIPS exposure), higher senior debt costs and the deconsolidation of Warta/Zagiel. However, commercial margins remained sound
- Good growth in loan and deposit volumes in our core markets
- Net fee and commission income rose by 1% q-o-q and 7% y-o-y on a comparable basis
- Strong gains from financial instruments at fair value, mainly driven by positive CVA changes
- Good sales of unit-linked life products. Performance in life and non-life insurance benefited from higher investment results (driven by higher realised gains on AFS shares)
- The combined ratio (non-life) stood at an excellent 90% YTD
- Underlying cost/income ratio of 57% YTD
- Credit cost ratio at a low 0.63% YTD. Excluding Ireland (in line with guidance), this ratio stands at 0.27%

Reported results

- Net reported profit of 531m EUR, driven by strong increase in CDO valuations, offset partly by negative M2M on own credit risk.

Capital

- Continued strong capital base. Pro forma tier-1 ratio under Basel 2.5 – including the effect of the sale of Kredyt Bank (not yet closed) and the impact of the sale of treasury shares – at approximately 16.8% (with core tier-1 ratio at 14.7%)

Liquidity & Funding

- Strong liquidity position, with a loan-to-deposit ratio of 82% (83% at the end of 2Q12)
Unencumbered assets are more than double the amount of short-term wholesale funding
- 2012 funding needs covered and additional buffer in place thanks to the issuance of 2.75bn EUR unsecured long-term debt
- Covered bonds will support funding mix diversification, which will reduce funding costs

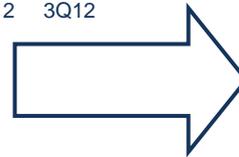


Earnings capacity

Underlying net profit *



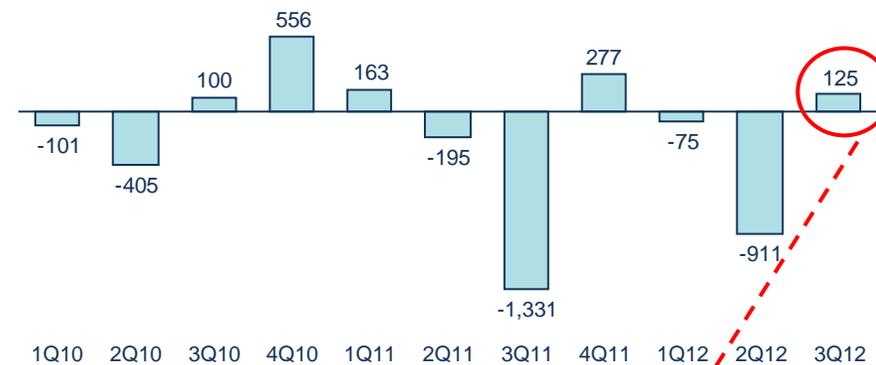
Including
exceptional
items



Reported net profit *



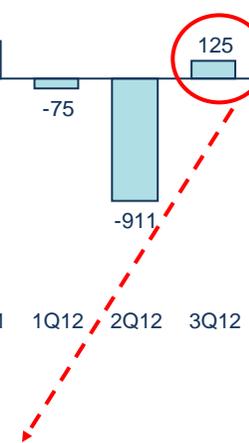
Exceptional items



Main exceptional items (post-tax)

- Revaluation of structured credit portfolio
- M2M of own credit risk

+ 274m EUR
- 144m EUR

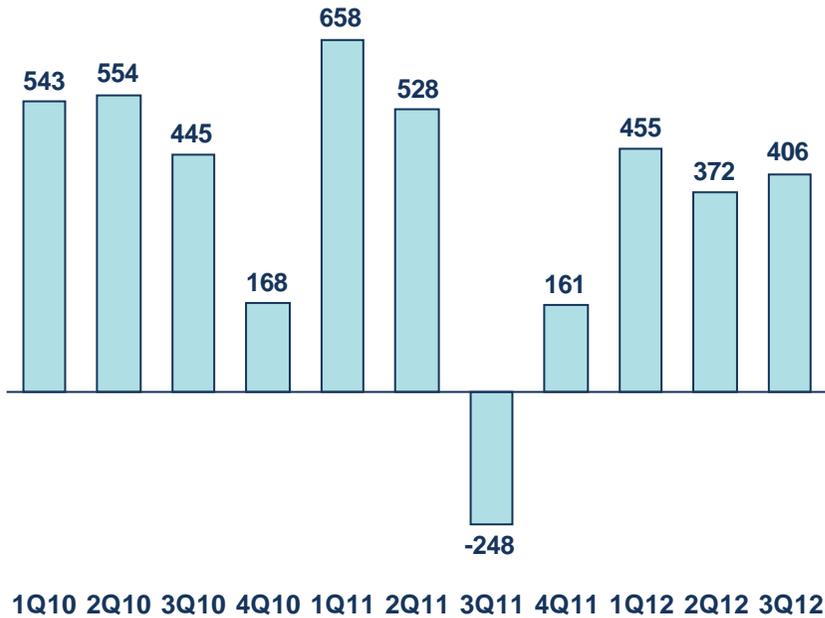




Underlying profit at KBC Group

Amounts in m EUR

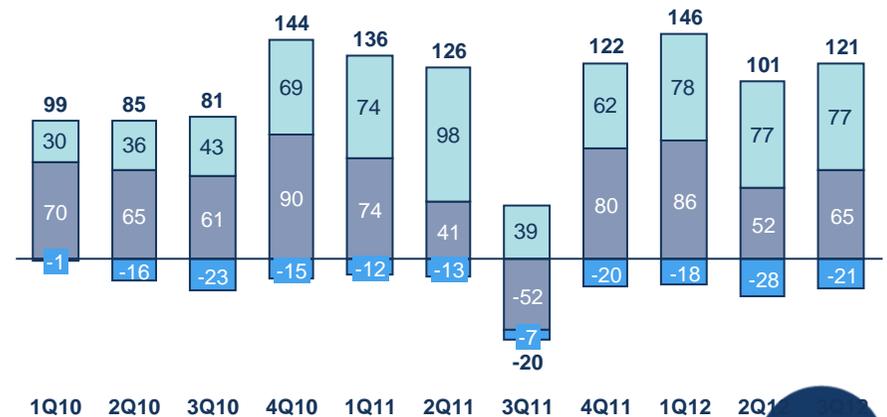
Underlying net profit at KBC Group *



Underlying net profit contribution of banking to KBC Group *



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



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

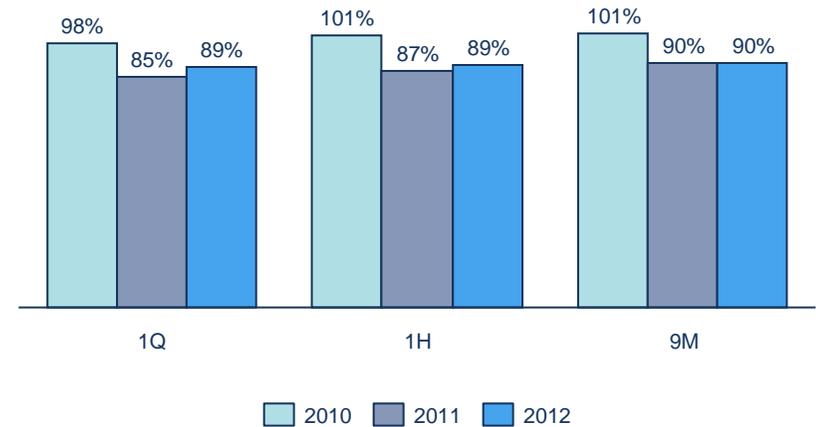
■ Non-Life result ■ Life result ■ Non-technical & taxes

Underlying revenue trend - Group

Premium income (gross earned premium)



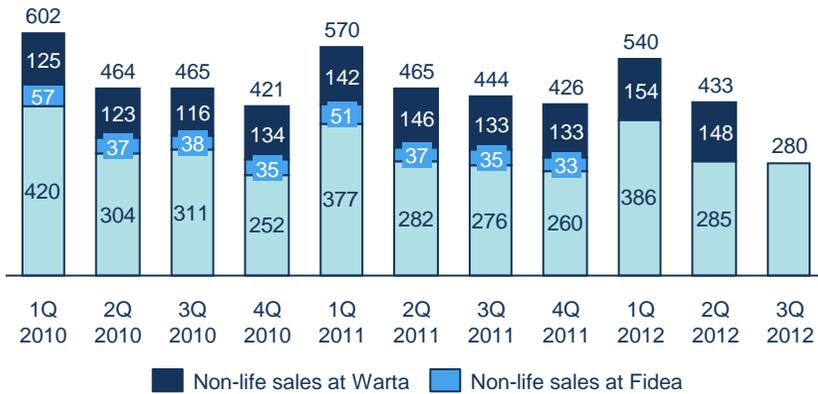
Combined ratio (Non-Life)



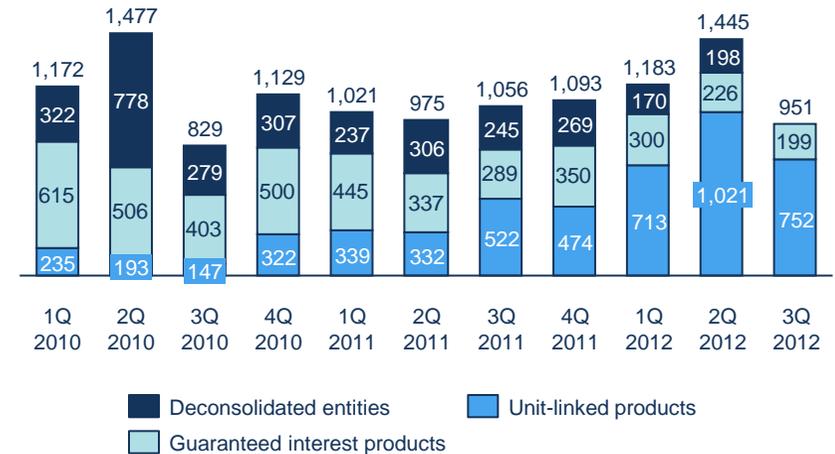
- Insurance premium income (gross earned premium) at 578m EUR
- Excluding deconsolidated entities,
 - Non-life premium income (307m) up almost 2% q-o-q and y-o-y. The non-life combined ratio in 9M12 stood at a very good 90%
 - Life premium income (271m) down 27% q-o-q and 23% y-o-y

Underlying revenue trend - Group

Non-Life sales (gross written premium)



Life sales (gross written premium)



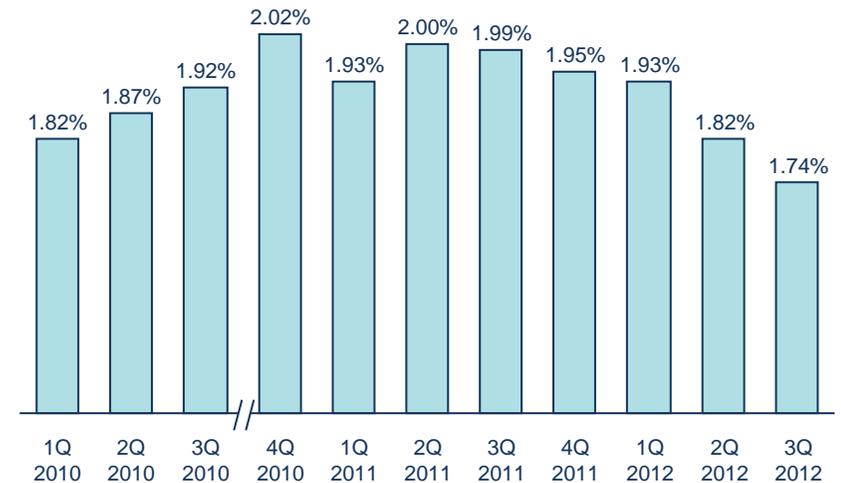
- Sales of Non-Life insurance products:
 - Up almost 2% year-on-year and down 2% q-o-q, excluding the divestment of Fidea and Warta
- Sales of Life insurance products:
 - Down 34% q-o-q and 10% y-o-y (-24% and +17%, respectively, excluding deconsolidated entities)
 - Deliberate shift from guaranteed interest products to unit-linked products (mainly in the Belgium Business Unit and the Czech Republic)
 - Sales of unit-linked products already account for 79% of total life insurance sales

Underlying revenue trend - Group

NII



NIM (excl. KBL epb from 4Q10 onwards)



- Excluding deconsolidated entities, net interest income fell by 4% q-o-q (mainly in the BE BU) and 13% y-o-y (across all BUs)
- Net interest margin (1.74%): -25bps y-o-y and -8bps q-o-q partly due to the low interest rate environment, lower reinvestment yields (partly due to reduced GIIPS exposure) and higher senior debt costs (mainly visible in MEB BU). However, commercial margins remained sound
 - NIM in Belgium fell by 13bps quarter-on-quarter to 1.15%, while NIM in Central & Eastern Europe fell by 1bp quarter-on-quarter to 3.03%
- On a comparable basis, loan volumes rose by 2% y-o-y, with continued growth in our home markets (+6% y-o-y in both the BE BU and CEE BU), partly offset by a reduced corporate loan book in BU MEB
- Deposit volumes in our core markets increased (+4% y-o-y in BE BU and +3% y-o-y in CEE BU). Deposit decrease in BU MEB (-4% q-o-q)

Underlying revenue trend - Group

F&C



■ F&C at Warta and Zagiel ■ F&C at Centea
■ F&C at Fidea and KBL epb

AUM

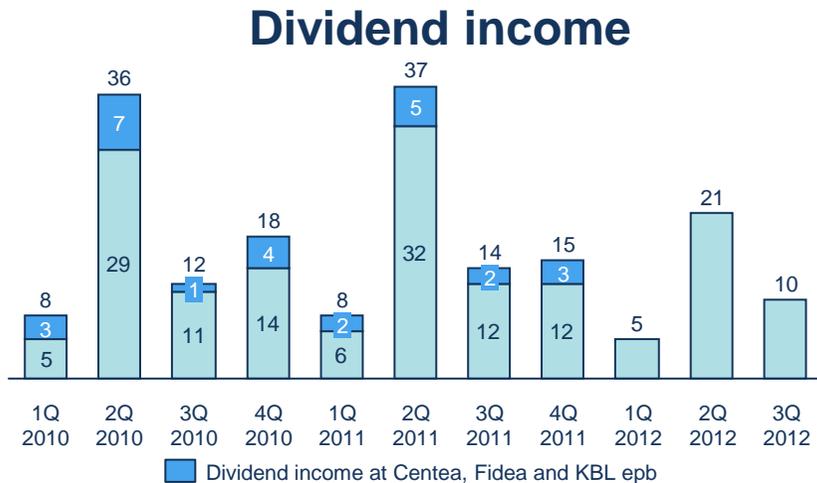
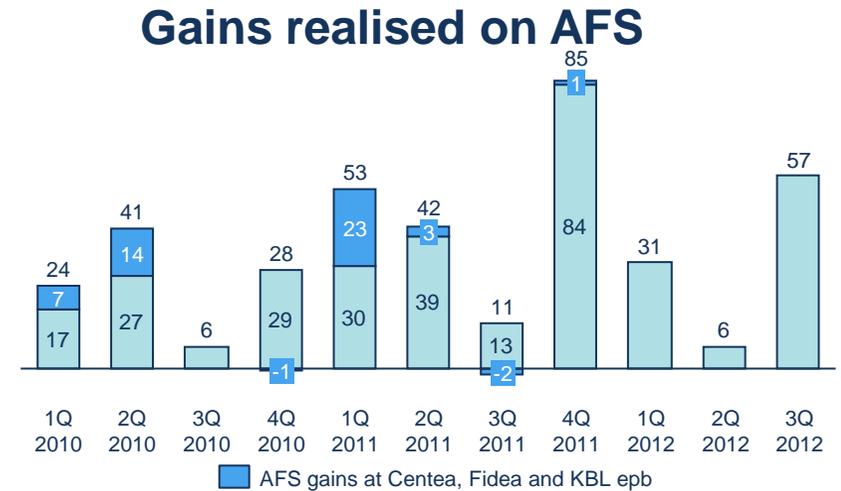
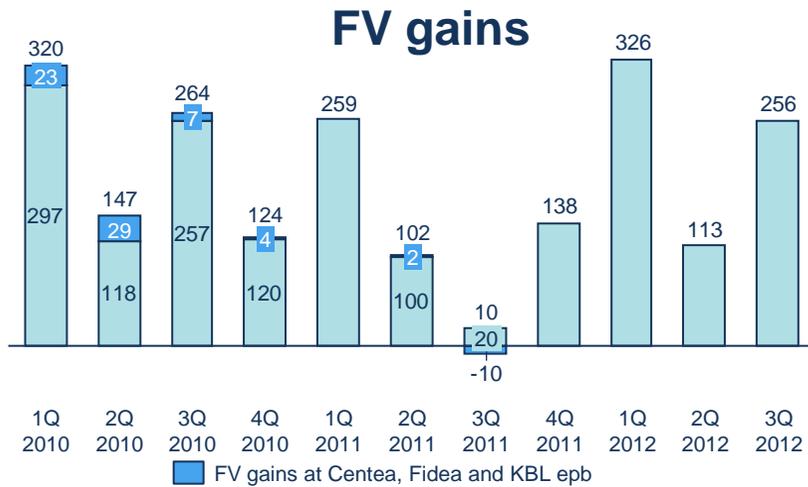


■ AuM managed by KBL epb

Amounts in bn EUR

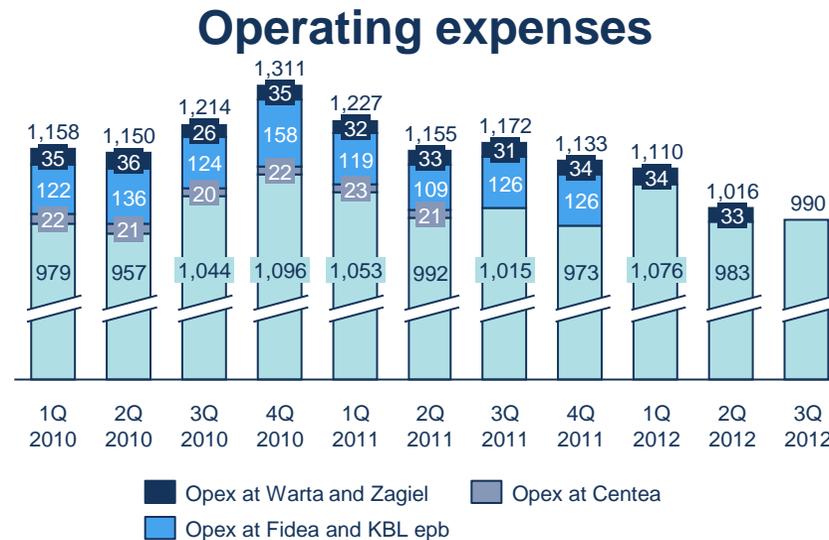
- Excluding deconsolidated entities, net fee and commission income:
 - increased 1% q-o-q
 - rose by 7% y-o-y driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products
- Assets under management increased by 3% quarter-on-quarter (due entirely to a positive price trend) to 155bn EUR at the end of 9M12

Underlying revenue trend - Group



- The sharply higher q-o-q figure for net gains from financial instruments at fair value (256m EUR) was primarily the result of a satisfactory dealing room performance and a positive q-o-q change in credit value adjustments (CVA)
- Gains realised on AFS assets came to 57m EUR (mainly on shares at KBC Insurance)
- Dividend income amounted to 10m EUR

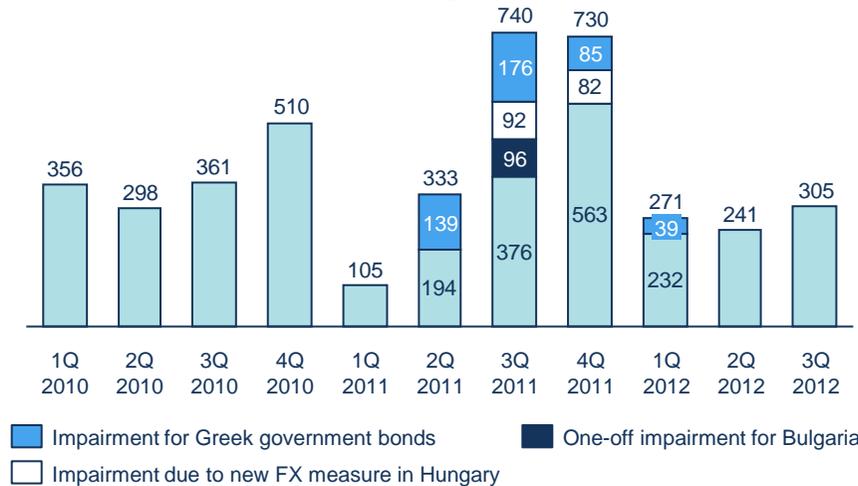
Underlying operating expenses - Group



- Excluding deconsolidated entities (KBL *epb*, Fidea and Warta), costs fell by 2% y-o-y and rose by 1% q-o-q
 - Operating expenses fell by 2% y-o-y, thanks in part to lower restructuring charges
 - Operating expenses increased by 1% q-o-q in 3Q12 due entirely to the impact of a recuperation of funds from the former Deposit Guarantee Scheme in Belgium in 2Q12 (51m EUR pre-tax and 34m EUR post-tax). Without this impact, operating expenses fell by 4% q-o-q
 - Underlying cost/income ratio for the banking business stood at 57% YTD (56% excluding the 5-5-5 bond provision in 1Q12), compared to 60% and 57%, respectively for FY 2011

Underlying asset impairment - Group

Asset impairment



- Higher impairment charges (+64m EUR q-o-q to 305m EUR)

- Quarter-on-quarter increase of 85m EUR in loan loss provisions, mainly for the Belgian corporate entities and foreign branches (given the unsustainably low level in 1H12) and KBC Finance Ireland (project finance), despite slightly lower (though still significant) provisioning at KBC Bank Ireland (129m EUR in 3Q12 compared with 136m EUR in 2Q12, fully in line with our previous guidance)
- Compared with the very high level recorded in 3Q11 (475m EUR), loan loss provisions were down by 191m EUR, as 3Q11 included a substantial impairment charge for Hungary (92m EUR related to FX mortgage relief measures), Bulgaria (96m EUR) and Ireland (187m EUR)
- Impairment of 4m EUR on AFS shares (mainly at KBC Insurance) and 18m EUR on investment property



Underlying loan loss provisions – Group

- Credit cost ratio fell to 0.63% in 9M12 (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 0.27% in 9M12. The NPL ratio amounted to 5.5%
- Credit cost ratio in Belgium amounted to only 6bps
- Somewhat higher loan losses in CEE (+11m EUR q-o-q) , due in part to 1 large corporate loan at CSOB Bank CZ, but credit cost ratio in CEE remained at a low level
- Loan losses higher in Merchant Banking (+14m EUR q-o-q) compared with the unsustainably low level of provisioning for Belgian corporate entities and foreign branches. Excluding Ireland, the CCR in Merchant Banking still amounted to just 24bps in 9M12

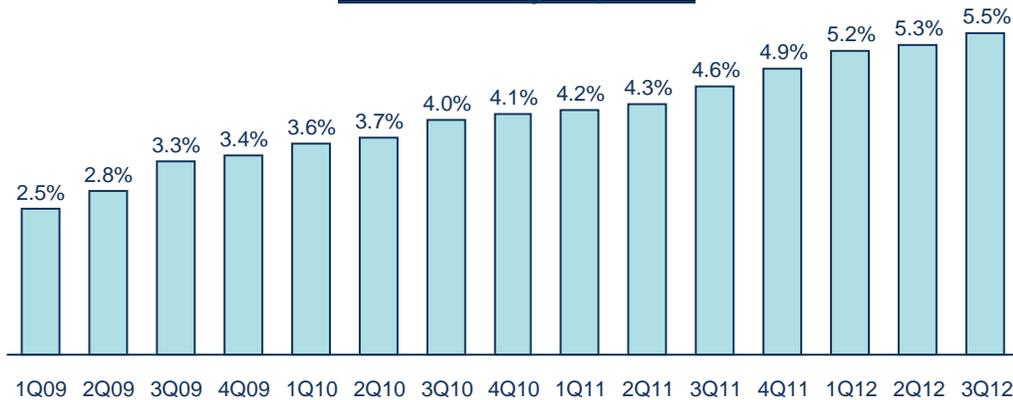
Credit cost ratio (CCR)

	outstanding loan book	2007 FY	2008 FY	2009 FY	2010 FY	2011 FY	9M12
		'Old' BU reporting			'New' BU reporting		
Belgium	58bn	0.13%	0.09%	0.17%	0.15%	0.10%	0.06%
CEE	32bn	0.26%	0.73%	2.12%	1.16%	1.59%	0.40%
CEE (excl. one-off items in 2H11)						0.69%	
Merchant B. (incl. Ireland)	50bn	0.02%	0.48%	1.32%	1.38%	1.36%	1.38%
Merchant B. (excl. Ireland)	33bn	0.02%	0.53%	1.44%	0.67%	0.59%	0.24%
Ireland	16bn	0.03%	0.31%	0.96%	2.98%	3.01%	3.71%
Total Group	141bn	0.13%	0.46%	1.11%	0.91%	0.82%	0.63%



NPL ratio at Group level

NPL ratio at group level



9M 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	1.6%	2.9%	0.8%
CEE BU	5.5%	4.2%	2.3%
MEB BU including Ireland	10.1%	7.8%	4.7%
MEB BU excluding Ireland	4.1%	7.0%	0.9%
Ireland	22.5%	9.3%	12.5%



NPL ratios per business unit

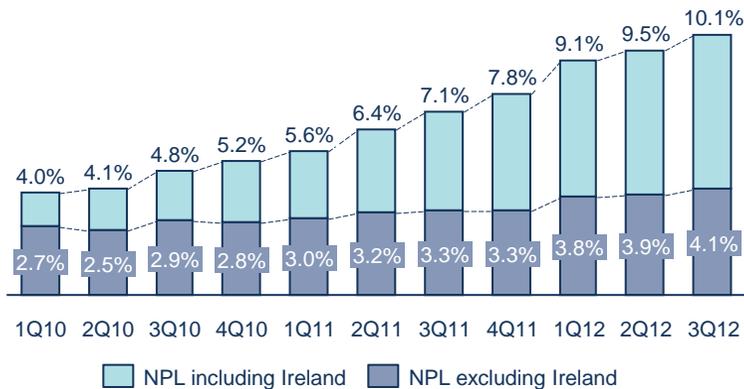
BELGIUM BU

■ non-performing loan ratio

CEE BU



MEB BU



■ NPL including Ireland ■ NPL excluding Ireland



Headlines per business unit (1)

- Underlying net profit of the *Belgium Business Unit* amounted to 290m EUR (+28% q-o-q) in 3Q12. The quarter under review was characterised by lower net interest income, strong unit-linked life insurance sales, an excellent non-life performance, stable net fee and commission income, only slightly higher costs despite a recuperation of funds from the Deposit Guarantee Scheme in 2Q12 and low impairment charges
 - Loan volume rose by 1% q-o-q and 6% y-o-y, driven by mortgage loan growth (+2% q-o-q and +8% y-o-y)
 - Deposit volumes went up by 1% q-o-q and 4% y-o-y
 - Sales of Non-Life insurance products fell by 6% quarter-on-quarter, but rose by 4% year-on-year
 - Sales of Life insurance products rose by 19% year-on-year (but fell by 20% quarter-on-quarter given the very high level in 2Q12). The year-on-year increase was driven entirely 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 169m EUR in 3Q12. Results were characterised by stable net interest income, increased net fee and commission income, stable costs and relatively low loan loss provisions
 - Loan volume rose by 2% q-o-q and 6% y-o-y
 - Total deposits were up 1% q-o-q and 3% y-o-y
- In *Merchant Banking*, 3Q12 underlying net profit (+10m EUR) was q-o-q positively impacted by a positive credit value adjustment and a 44m EUR reversal regarding the fraud case at KBC Lease UK. This was only partly offset by somewhat higher loan loss provisions for Belgian corporate entities and foreign branches and losses realised on bond sales. Note that the loan impairment charges at KBC Bank Ireland amounted to 129m EUR in 3Q12 (versus 136m in 2Q12), fully in line with our 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, while Warta and Zagiel were deconsolidated in underlying as of 3Q12. The Group Centre posted an underlying loss of 64m EUR

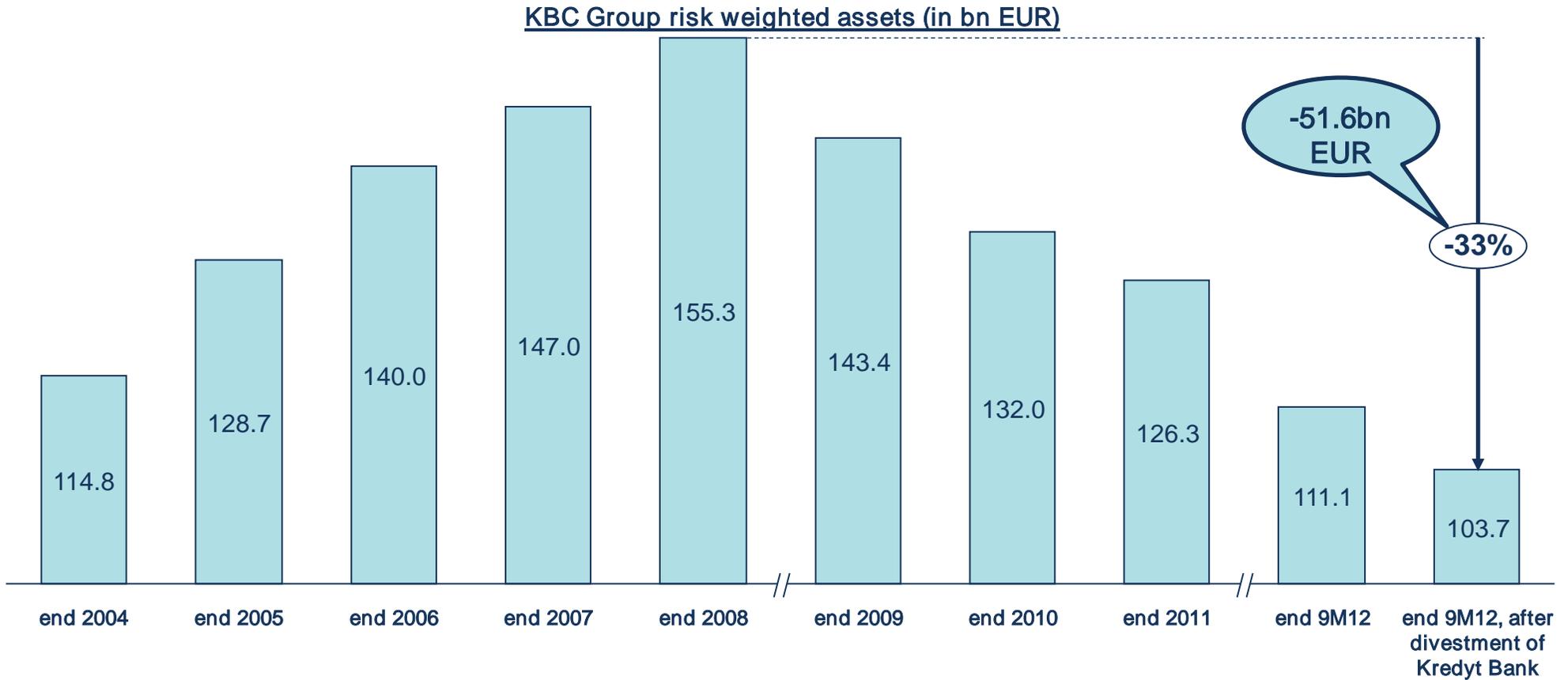
Section 2

Divestments and derisking





RWA reduced by more than initially planned





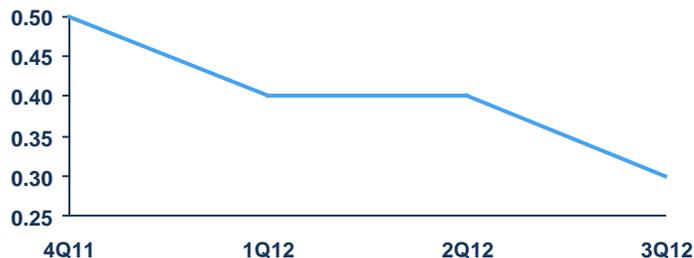
Update on outstanding* CDO exposure at KBC (3Q 2012)

Outstanding CDO exposure (bn EUR)	Notional	Outstanding markdowns
- CDO exposure protected with MBIA	10.1	-0.6
- Other CDO exposure	5.5	-3.5
TOTAL	15.6	-4.1

Amounts in bn EUR	Total
Outstanding value adjustments	-4.1
Claimed and settled losses	-2.2
- Of which impact of settled credit events	-2.1

- The total notional amount remained stable over the last quarter. The outstanding markdowns decreased as a result of the credit spread tightening.
- Claimed and settled losses amounted to 2.2bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 10.7% cumulative loss in the underlying corporate risk (approx. 85% of the underlying collateral consists of corporate reference names)
- P&L sensitivity significantly reduced thanks to derisking activities
- Reminder: CDO exposure largely written down or covered by a State guarantee

Negative P&L impact** of a 50% widening in corporate and ABS credit spreads

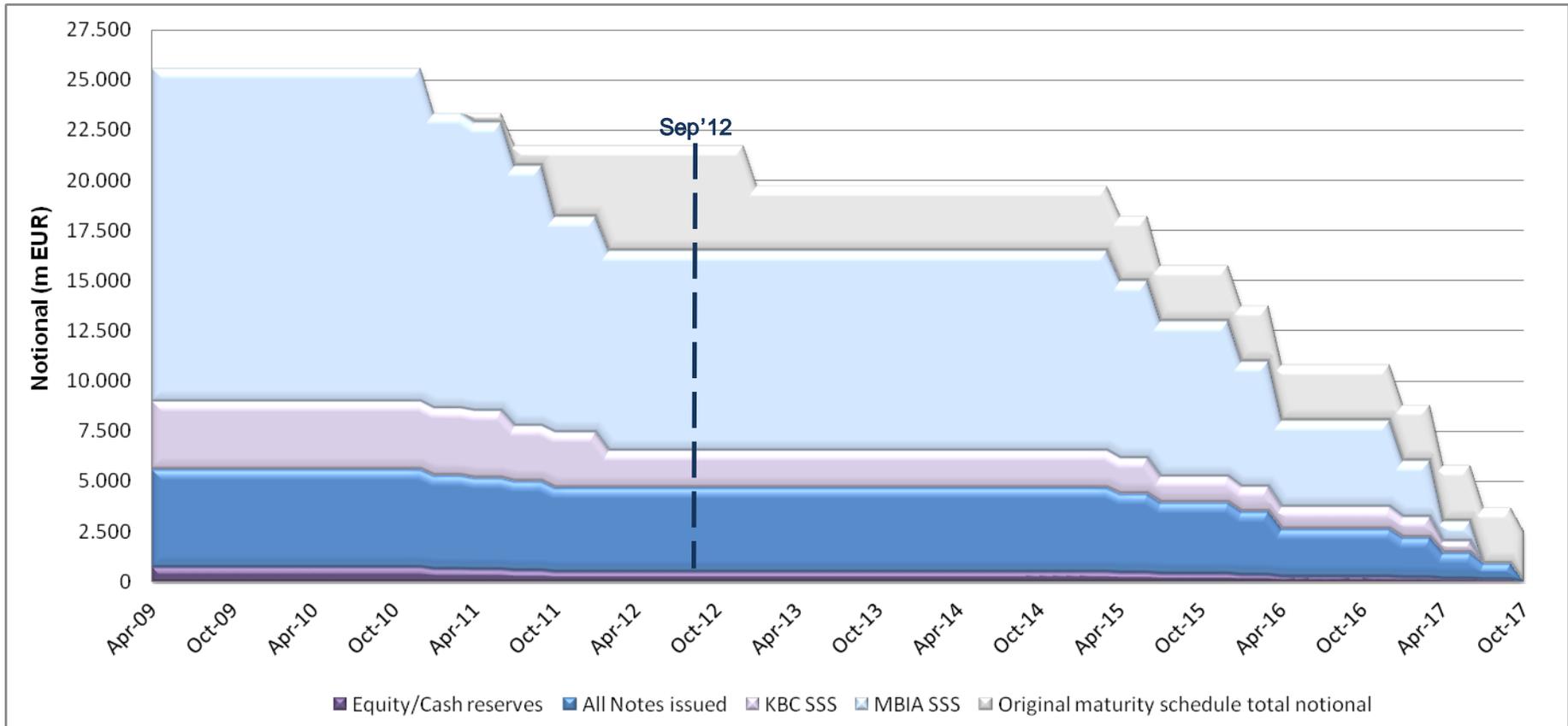


* Figures exclude all expired, unwound or terminated CDO positions

** Taking into account the guarantee transacted with the Belgian State and a provision rate for MBIA at 70%



Maturity schedule of the CDOs issued by KBC FP





GIIPS exposure down by 67% 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 2Q12	End 3Q12
Greece	0.6	0.6	0.5	0.3	0.2	0.0	0.0	0.0
Ireland	0.5	0.4	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	1.4	0.8
Portugal	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.1
Spain	2.2	2.2	2.2	2.1	1.9	1.9	0.3	0.2
TOTAL	10.0	9.7	9.6	6.7	4.8	4.4	2.3	1.6

Year-to-date, KBC has reduced its GIIPS exposure (carrying amount) by roughly 67%:

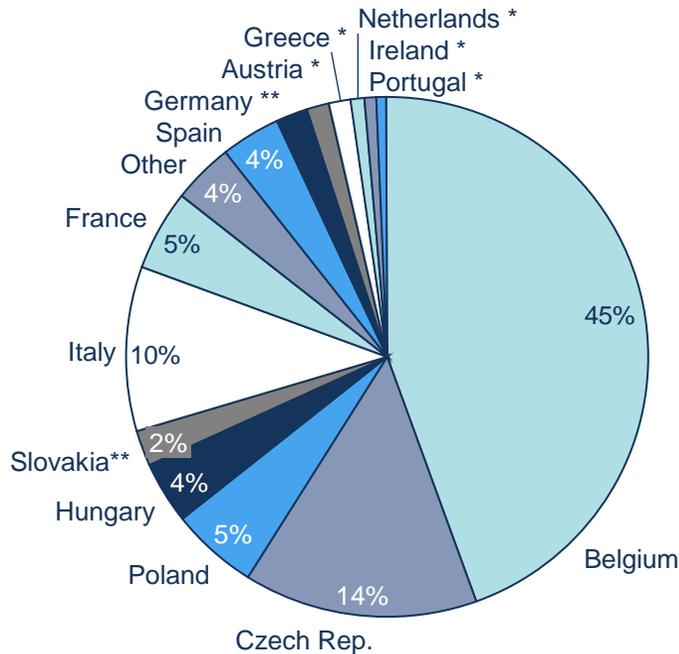
- Greece: reduction of 0.2bn EUR
- Italy: reduction of 1.3bn EUR
- Spain: reduction of 1.7bn EUR
- **TOTAL** reduction of **3.2bn EUR**



Government bond portfolio

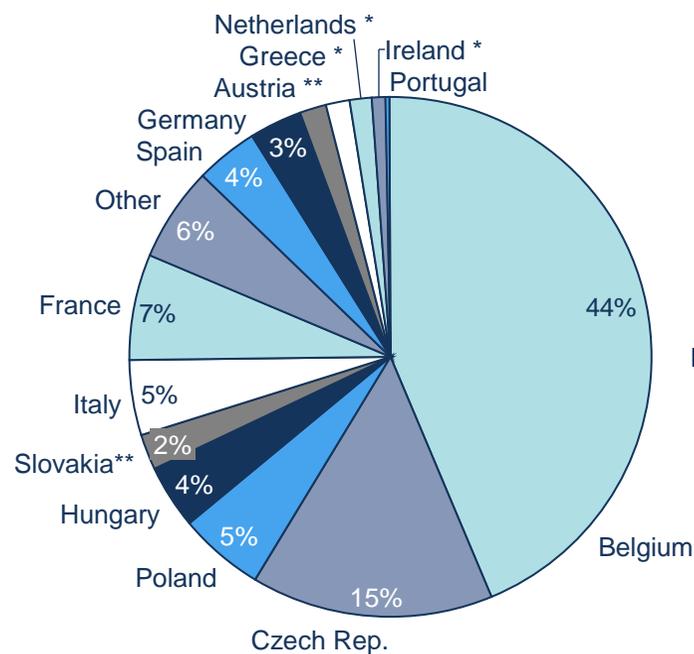
- Notional investment of 49bn EUR in government bonds (excl. trading book) at end 9M12, primarily as a result of a significant excess liquidity position and the reinvestment of insurance reserves into fixed-income instruments

End 2010
(60bn EUR notional)



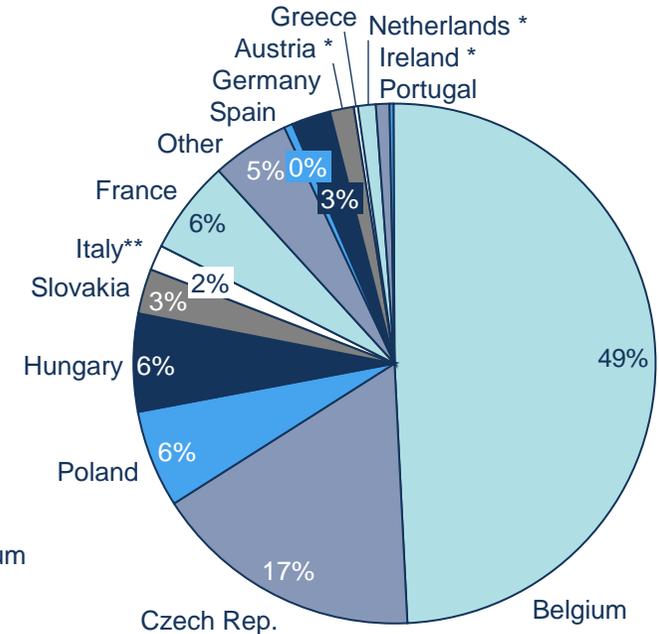
(*) 1%, (**) 2%

End 2011
(51bn EUR notional)



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

End 9M12
(49bn EUR notional)



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

Section 3

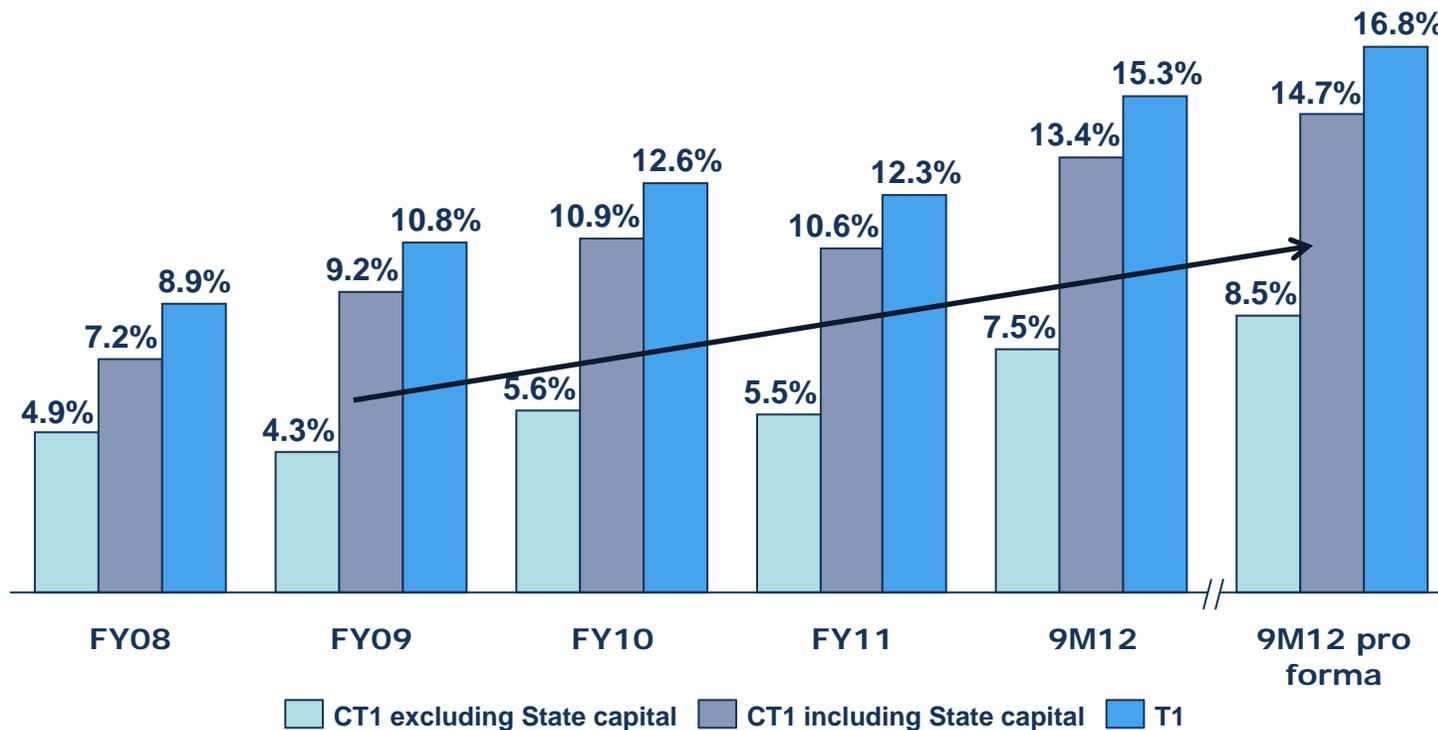
Strong solvency and Solid liquidity





Strong capital position

- Strong tier-1 ratio of 15.3% (16.8% pro forma) at KBC Group as at end 9M12
- Pro forma core tier-1 ratio – including the effect of the sale of Kredyt Bank (not yet closed) and the impact of the sale of treasury shares – of 14.7% at KBC Group



* 9M12 pro forma CT1 includes 1) the impact of divestment agreements already signed, but not yet concluded (Kredyt Bank) and 2) the impact of the sale of treasury shares



Assessment of state aid position

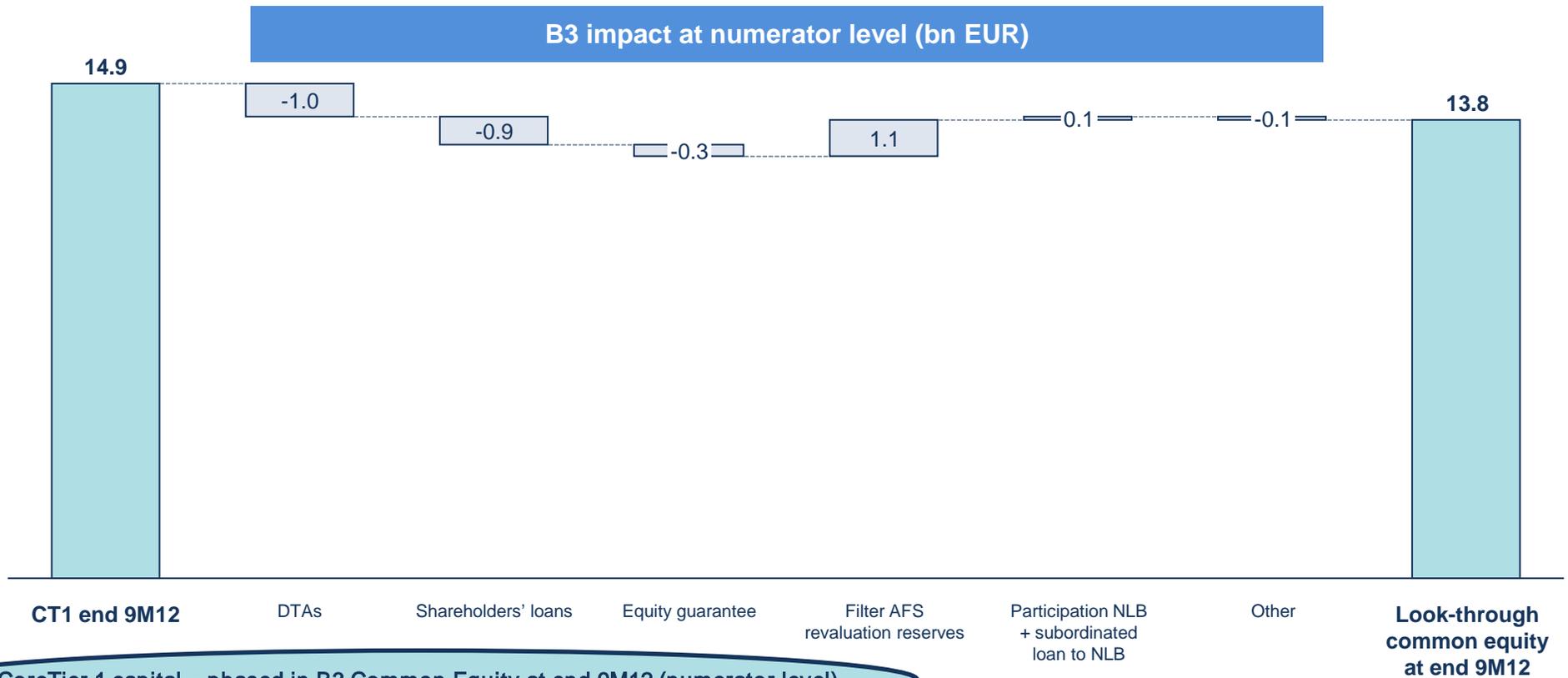
- First repayment of 500m EUR to the Federal Government in January 2012 plus 15% penalty
- Next reimbursement will be made once the common equity target has been decided by the National Bank of Belgium
- We are continuing our efforts to ensure that 4.67bn EUR in state aid (before any penalty) is reimbursed by the end of 2013, as set out in the European plan, with a substantial part being repaid before the end of 2012



Look-through common equity at end 9M12

From phased in to fully loaded B3 at numerator level

(given remaining YES being part of common equity as agreed with local regulator)



Core Tier 1 capital = phased in B3 Common Equity at end 9M12 (numerator level)

Phased in B3 common equity ratio of approx. 12.6% at end 9M12

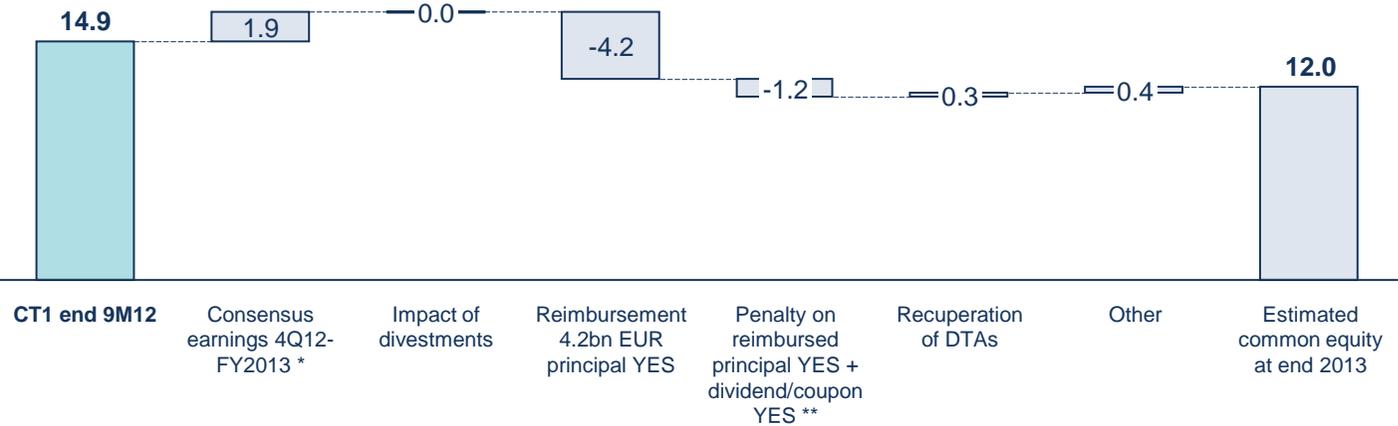
Fully loaded B3 common equity ratio of approx. 11.7% at end 9M12



Estimated common equity at end 2013

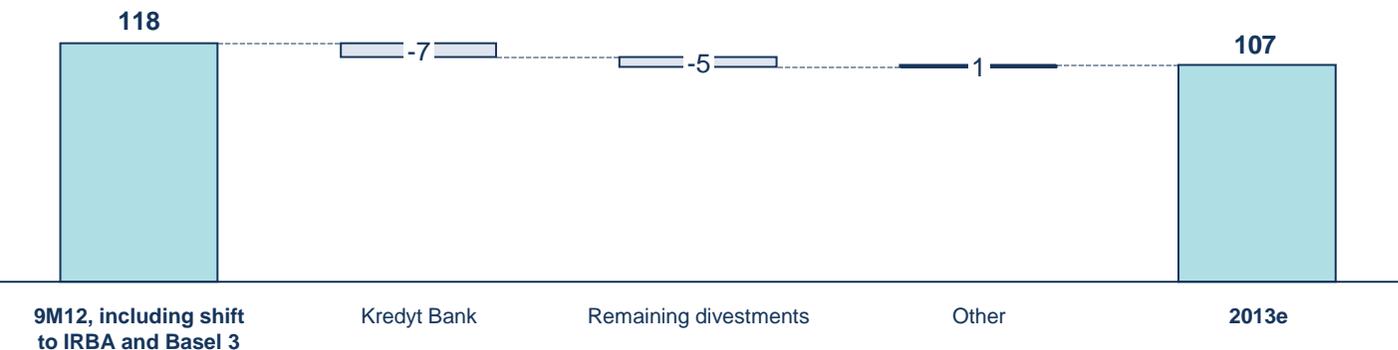
Phased in B3 (given remaining YES being part of common equity as agreed with local regulator)

B3 impact at numerator level (bn EUR)



- Phased in B3 common equity ratio of approx. 12.6% at end 9M12
- Phased in B3 common equity ratio of approx. 11.2% at end 2013

RWA impact (bn EUR)



* Based on earnings consensus of sell-side equity analysts

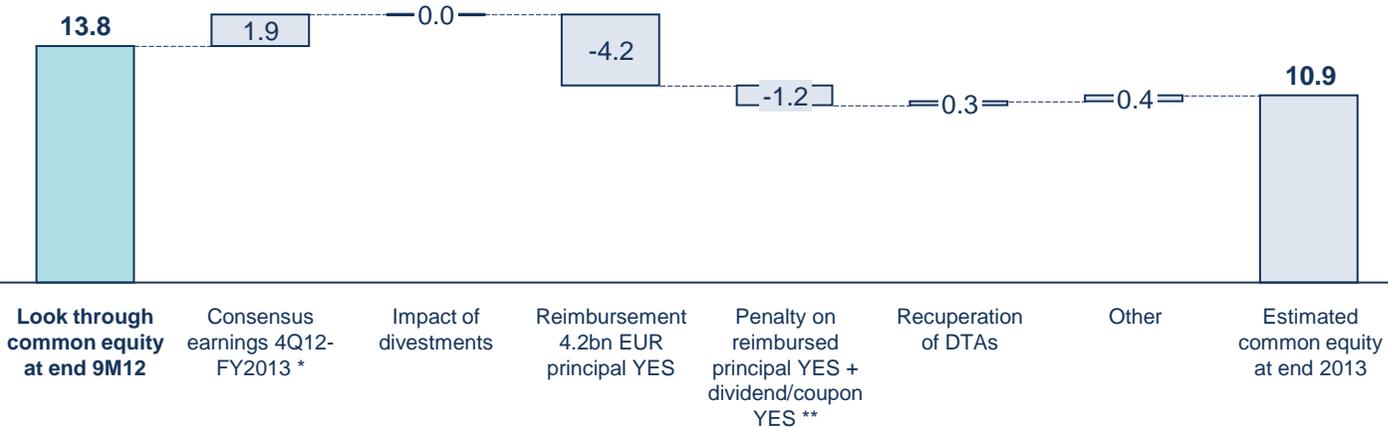
** For indicative purposes only



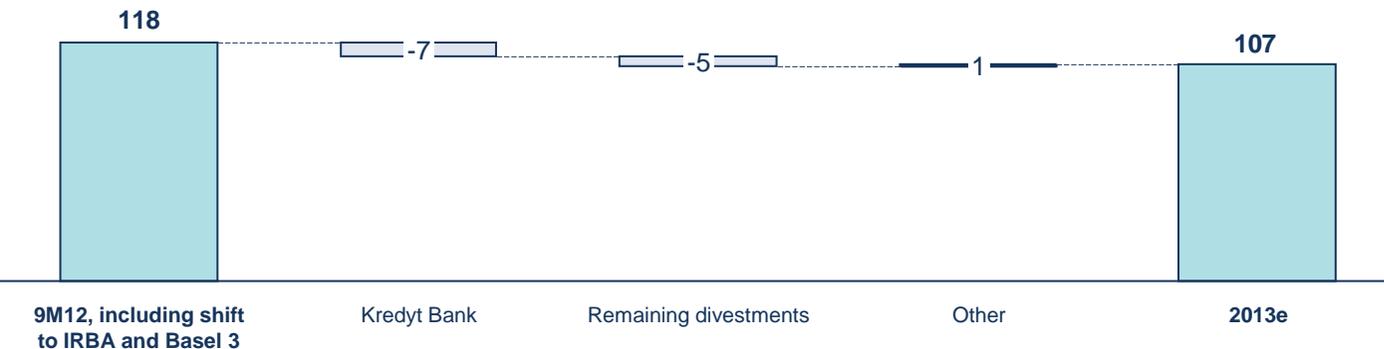
Estimated common equity at end 2013

Fully loaded B3 (given remaining YES being part of common equity as agreed with local regulator)

B3 impact at numerator level (bn EUR)



RWA impact (bn EUR)



- Fully loaded B3 common equity ratio of approx. 11.7% at end 9M12
- Fully loaded B3 common equity ratio of approx. 10.2% at end 2013

* Based on earnings consensus of sell-side equity analysts

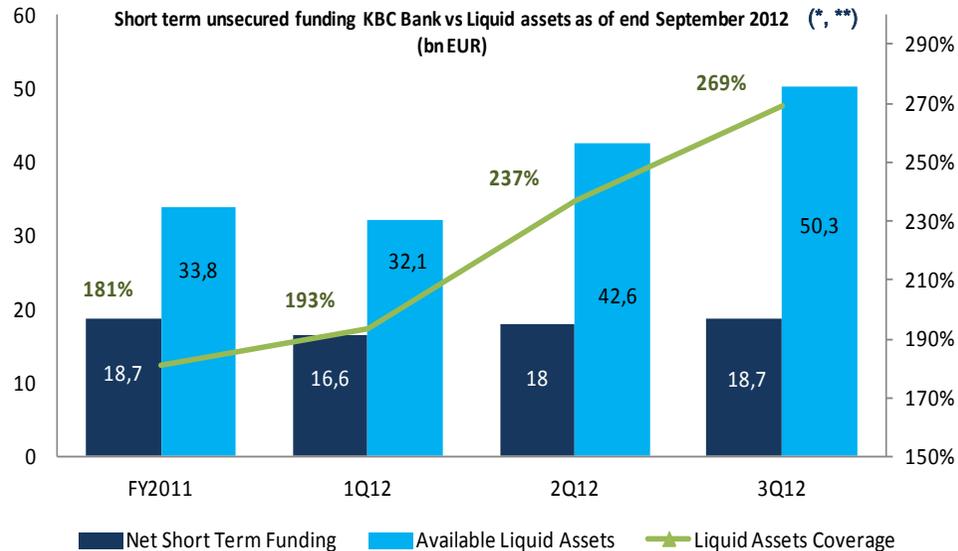
** For indicative purposes only



A solid liquidity position (1)

- Strong liquidity position strengthened even more by a solid increase in the liquid asset buffer
- 2012 funding needs covered and buffer established given:
 - Long-term funding needs decrease as steps to reduce RWA continue
 - The issue of 2.75bn EUR unsecured long-term debt YTD (of which 0.5bn EUR on 4y issued in 3Q12)
 - Moreover, substantial increases in stable funding have been registered in different entities of the Bank Group
- Legislative framework for covered bond in Belgium in place. KBC is in the process of obtaining a license from the NBB to issue covered bonds
- KBC plans its first covered bond issue in 4Q12/1Q13. This will enable KBC to further diversify its investor base and funding mix, which will reduce funding costs

A solid liquidity position (2)



The liquid asset buffer increased substantially in comparison with the end of June 2012, due to the following factors:

- Increasing investments in highly liquid assets and positive MtM
- The automation of the credit claims pledging process allows KBC to pledge more than 4bn EUR's worth (after haircuts) of loans at NBB
- The total amount of unencumbered assets increased substantially as less secured funding was attracted

Therefore, the already strong liquidity position has improved further as:

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

* According to IFRS5, the situation at 28/09/2012 (right-hand side) excludes the investment entities (Absolut Bank, Kredyt Bank, KBC Deutschland, KBC Banka, ADB, KBL)

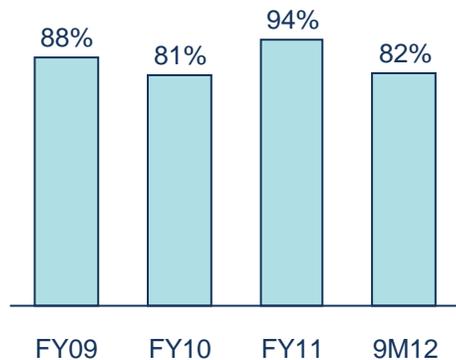
** Graphs are based on Note 18 of KBC's quarterly report, except for the 'available liquid assets' and 'liquid assets coverage', which is based on the Treasury Management Report of KBC Group



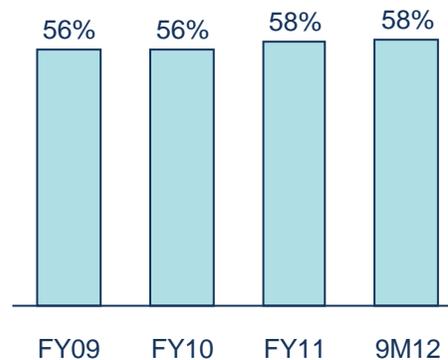
A solid liquidity position (3)

- LTD ratio of 82% at KBC Bank at the end of 9M12
- The LTD decrease is mainly the result of loan reduction in the MEB BU (in line with the building down of our overseas balance sheet)
 - The q-o-q LTD decrease in the Belgium BU can be explained by strong deposit growth, more than compensating the loan growth
 - The q-o-q LTD increase in the CEE BU is mainly due to CSOB CZ, where we noticed strong loan growth and very limited unsecured deposit inflow

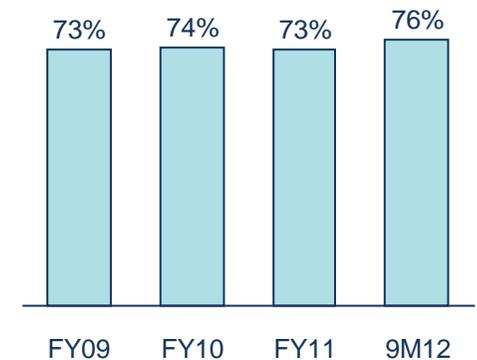
LTD ratio at KBC Bank*



LTD ratio at Belgium BU**



LTD ratio at CEE BU***



* Excluding all the entities earmarked for divestment in Group Centre: KBL *epb*, ADB, KBC Deutschland, KBC Banka, Absolut Bank and Kredyt Bank

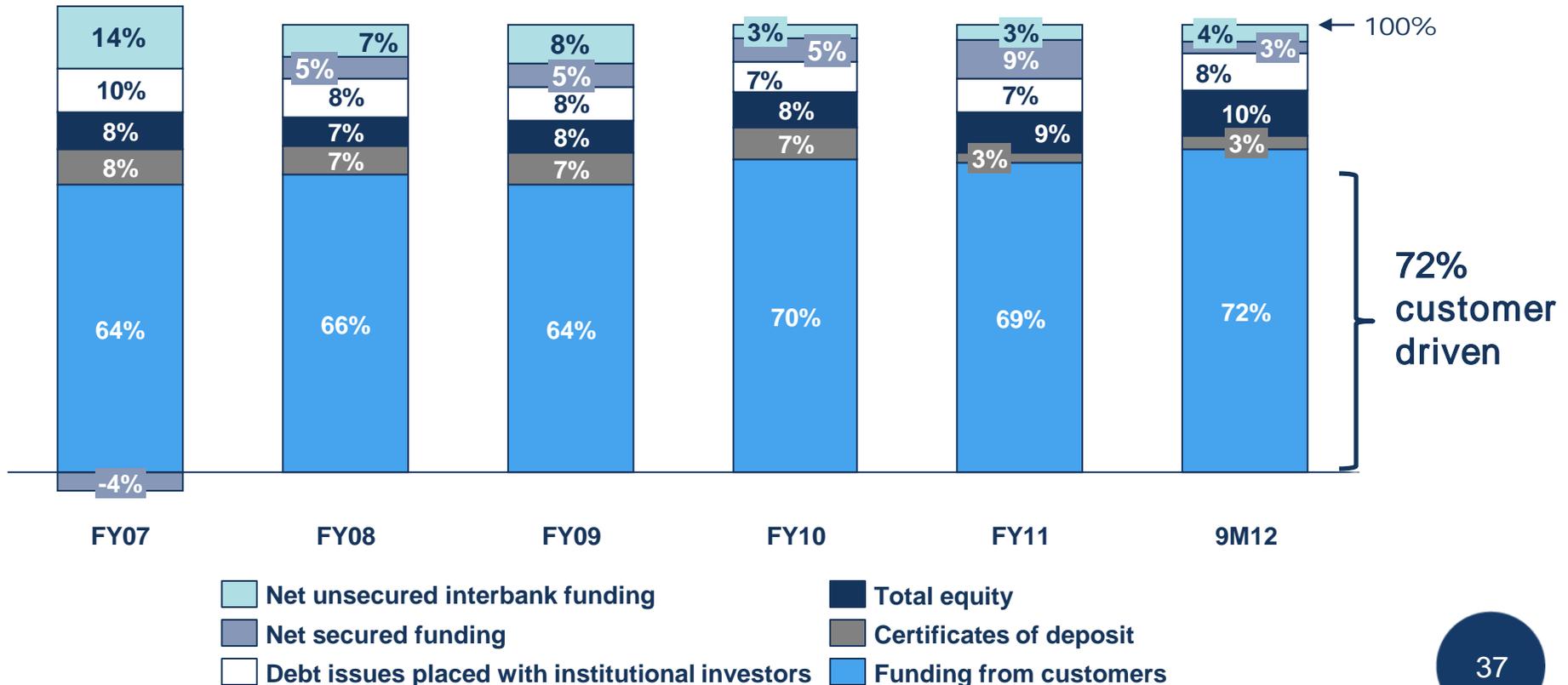
** Excluding Centea (retroactively adjusted)

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



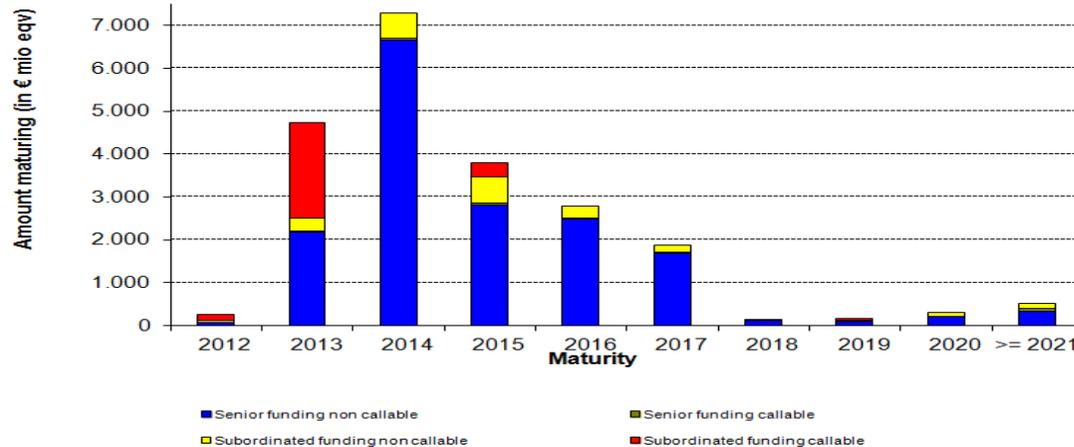
A solid liquidity position (4)

- 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

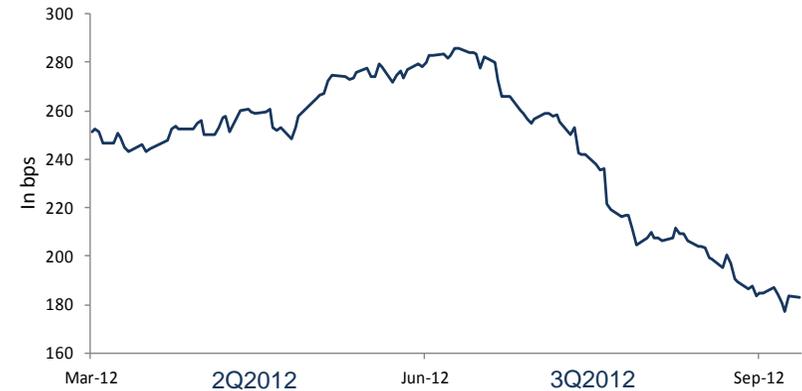


Upcoming mid-term funding maturities

Breakdown funding maturity buckets
Senior vs. subordinated & callable vs. non-callable



3Y Linearly Interpolated Credit Spreads



- KBC successfully issued 3 new benchmark senior unsecured deals for a total amount of 2.75bn EUR in 2012
- Long-term funding requirements for 2012 fully covered
- KBC's credit spreads narrowing in 3Q12
- KBC Bank has 5 solid sources of long-term funding:
 - Retail term deposits
 - Retail EMTN
 - Public benchmark transactions
 - Structured Notes using the private placement format
 - Covered bonds will support funding mix diversification

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

Section 4
Wrap up





Wrap up

- Resilient business performance in core markets
- Momentum maintained on divestments and derisking
- Capital and liquidity positions further strengthened

Annex 1

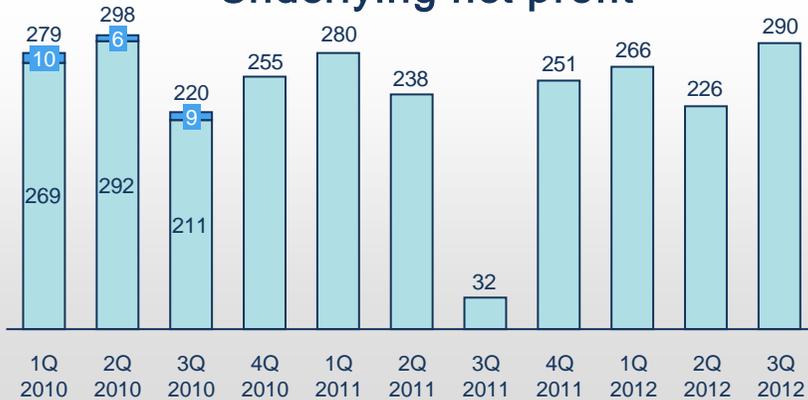
3Q 2012 underlying performance of business units





Belgium Business Unit

Underlying net profit



Underlying net profit at Secura

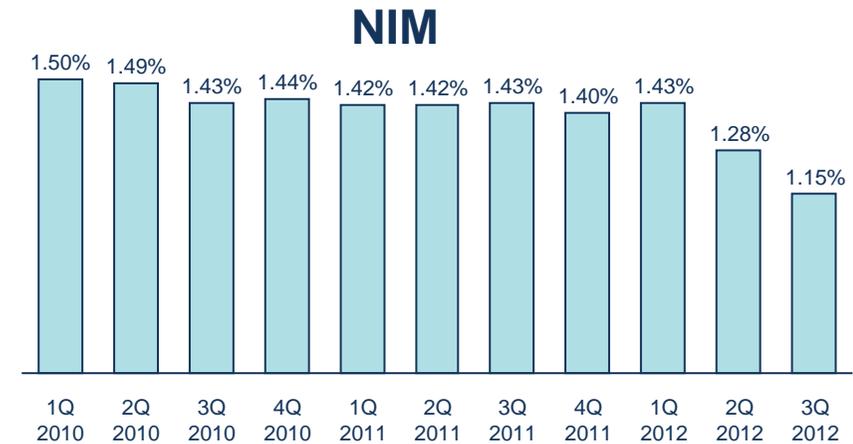
Volume trend

	Total loans **	Of which mortgages	Customer deposits	AuM	Life reserves
Volume	57bn	31bn	75bn	145bn	24bn
Growth q/q*	+1%	+2%	+1%	+3%	+4%
Growth y/y	+6%	+8%	+4%	+5%	+12%

* Non-annualised

** Loans to customers, excluding reverse repos (and not including bonds)

- Underlying net profit at the Belgium Business Unit amounted to 290m EUR
 - The quarter under review was characterised by lower net interest income, strong unit-linked life insurance sales, an excellent non-life performance, stable net fee and commission income, only slightly higher costs despite a recuperation of funds from the Deposit Guarantee Scheme in 2Q12 and low impairment charges
- Increase in quarter-on-quarter (+1%) and year-on-year (+6%) loan volume, driven by growth in mortgage loans
- Deposit volumes up 4% year-on-year and 1% quarter-on-quarter



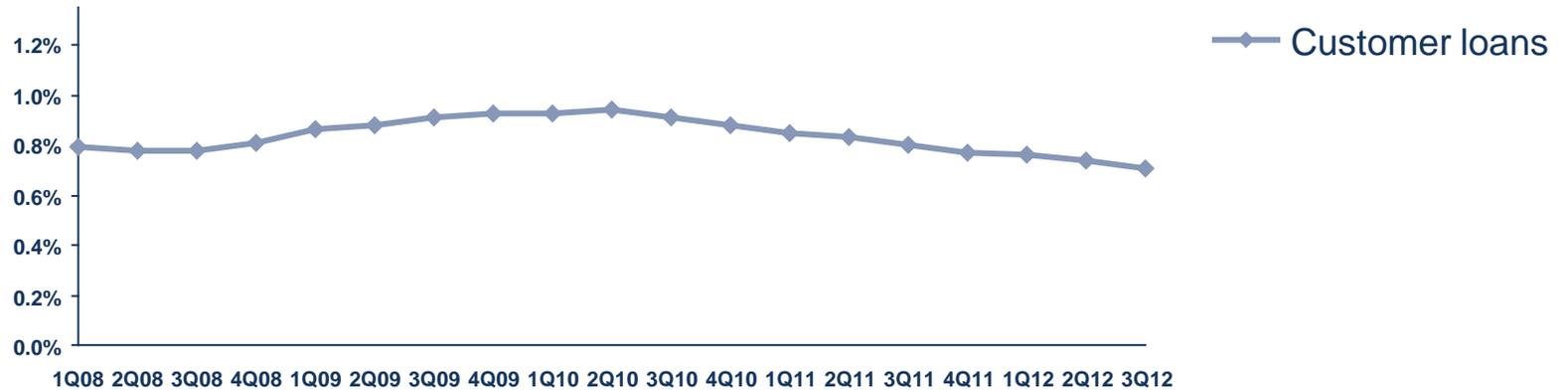
- Net interest income (532m EUR)

- Down 5% q-o-q and 8% y-o-y

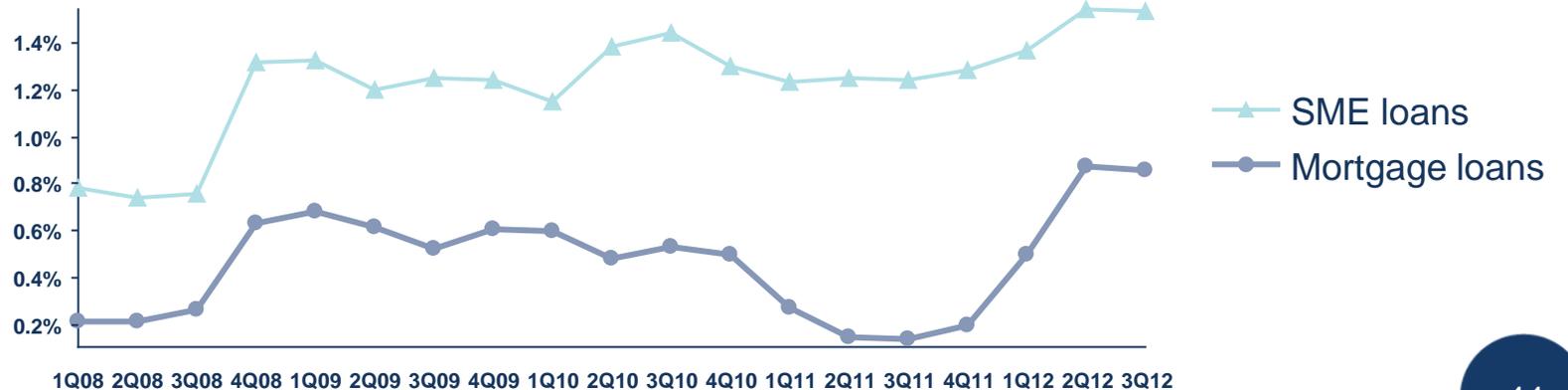
- The net interest margin narrowed by 13bps quarter-on-quarter to 1.15%, largely attributable to the low interest rate environment and lower reinvestment yields partly due to the reduced exposure to GIIPS during the last quarters. However, commercial margins remained sound

Credit margins in Belgium

Product spread on customer loan book, outstanding



Product spread on new production



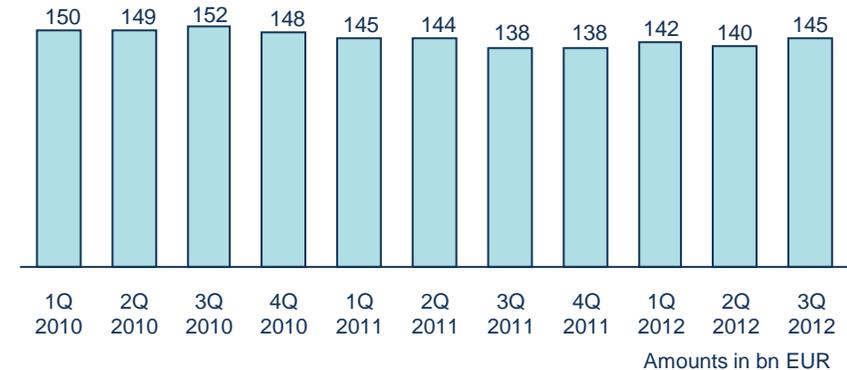


Belgium Business Unit (3)

F&C



AUM

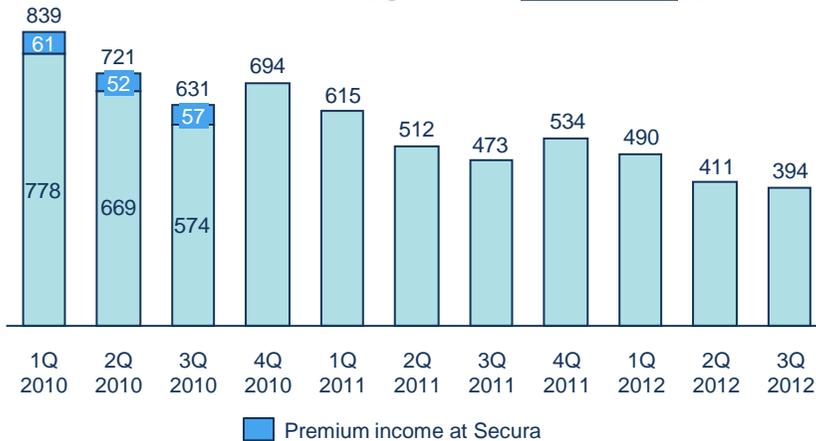


- Net fee and commission income (195m EUR)

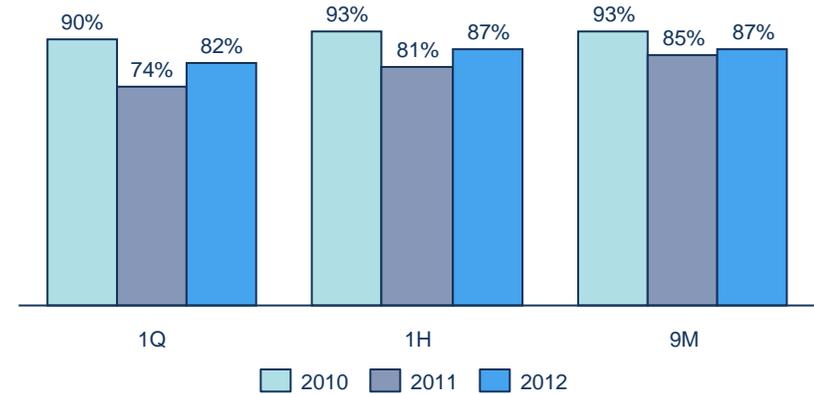
- Net fee and commission income increased by 16% y-o-y, mainly driven by higher management fees on mutual funds and the impact of successful sales of unit-linked products (the margin on those products is included in net fee and commission income). Customers' risk appetite remained low. Net fee and commission income fell by 1% q-o-q despite higher income from mutual funds (both entry and management fees). This was due to somewhat lower q-o-q sales of unit-linked life products and lower securities transactions (brokerage and lending)

- Assets under management increased by 3% q-o-q (and +5% y-o-y) to 145bn EUR, thanks entirely to a positive price effect

Premium income (gross earned premium)



Combined ratio (Non-Life)



- Insurance premium income (gross earned premium) at 394m EUR
 - Non-life premium income (228m) up 1% q-o-q and 3% y-o-y (mainly in Fire insurance)
 - Life premium income (166m) down 10% q-o-q and 34% y-o-y due to 1) a deliberate shift from the sale of guaranteed interest products to the sale of unit-linked products and 2) a decrease in the guaranteed interest rate on Life savings products from September 2012 onwards (from 2.00% to 1.75%)
- Combined ratio remained at an excellent level of 87% in 9M12

Non-Life sales (gross written premium)



■ Non-Life sales at Secura

Life sales (gross written premium)



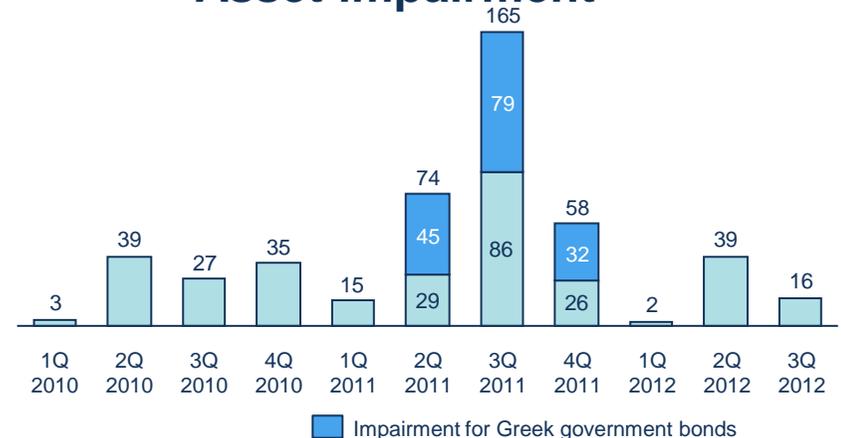
■ Guaranteed interest products ■ Unit-linked products

- Sales of Non-Life insurance products:
 - fell by 6% quarter-on-quarter, but rose by 4% year-on-year
- Sales of Life insurance products:
 - rose by 19% year-on-year (but fell by 20% quarter-on-quarter given the very high level in 2Q12). The year-on-year increase was driven entirely by higher sales of unit-linked products (thanks to extra commercial efforts), partly offset by deliberately lower sales of guaranteed interest products
 - As a result, guaranteed interest products and unit-linked products accounted for 20% and 80%, respectively, of life insurance sales in 3Q12

Operating expenses



Asset impairment



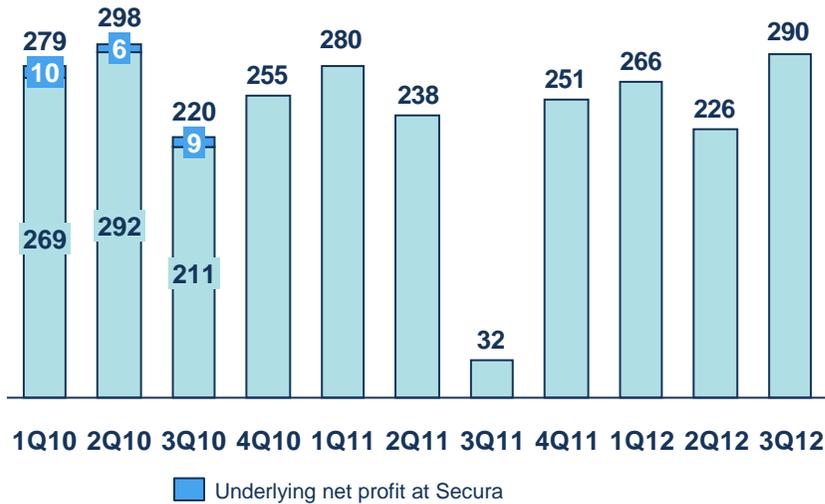
- Operating expenses: +2% quarter-on-quarter and -7% year-on-year
 - The q-o-q increase is entirely related to the +51m EUR pre-tax (and +34m EUR post-tax) recuperation of funds from the former Belgian Deposit Guarantee Scheme in 2Q12. This impact was partly offset by lower staff and marketing expenses
 - The y-o-y decrease can be explained by a combination of various items, such as lower restructuring charges and lower ICT and marketing costs
 - Underlying cost/income ratio: 60% YTD (and 59% YTD excluding the provision for the 5-5-5 product in 1Q12)
- Loan loss provisions were again quite limited in 3Q12 (only 12m EUR). Credit cost ratio of 6 bps in 9M12. NPL ratio at 1.6%. Limited impairments on AFS shares (4m EUR)



Underlying profit at the Belgium BU

Amounts in m EUR

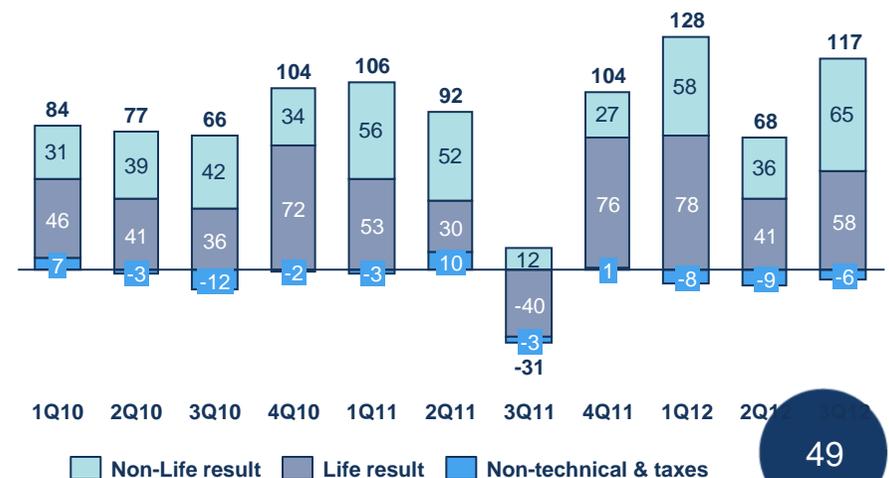
Underlying net profit at the Belgium BU *



Underlying net profit contribution of banking to the Belgium BU *



Underlying net profit contribution of insurance to the Belgium BU *



* Difference between underlying net profit at the Belgium BU and the sum of the banking and insurance contribution is accounted for by some rounding up or down of figures

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	27bn	11bn	36bn	10bn	2bn
Growth q/q*	+2%	+3%	+1%	-2%	+3%
Growth y/y	+6%	+4%	+3%	-10%	+5%

* Non-annualised

** Loans to customers, excluding reverse repos (and not including bonds)

- Underlying net profit at CEE Business Unit of 169m EUR
 - CEE profit breakdown: 143m Czech Republic, 18m Slovakia, 36m Hungary, 3m Bulgaria, -31m Other (mainly due to the recognition at KBC Group level for funding costs of goodwill)
 - Results from the banking business were characterised by stable net interest income, increased net fee and commission income, stable costs and relatively low loan loss provisions
 - Profit contribution from the insurance business remained limited in comparison to the banking business.



CEE Business Unit (2)

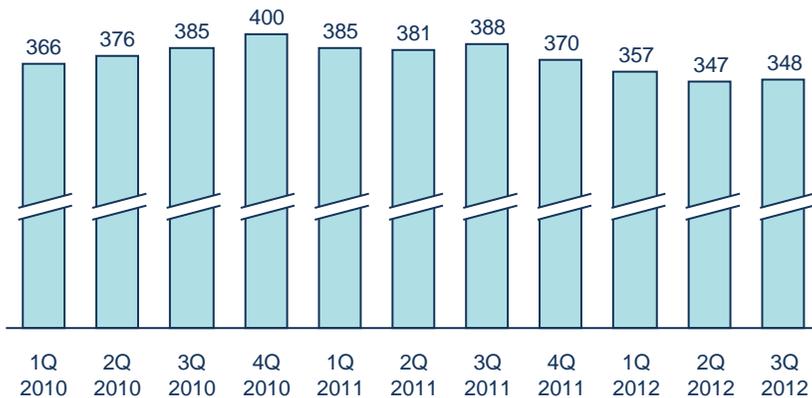
Organic growth^(*)

	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	+2%	+11%	+3%	+12%	0%	+3%
SK	+1%	+8%	+3%	+12%	+6%	+12%
HU	0%	-13%	+1%	-22%	+1%	-2%
BU	+3%	+1%	0%	-6%	0%	+5%
TOTAL	+2%	+6%	+3%	+4%	+1%	+3%

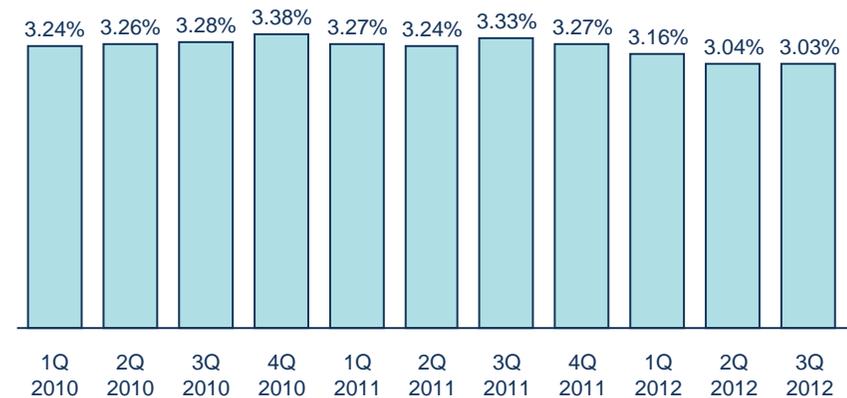
- The total loan book rose by 2% q-o-q and 6% y-o-y. On a y-o-y basis, the increases in the Czech Republic (+11% y-o-y thanks to a continued increase in mortgage loans, but also an increase in corporate loans) and Slovakia (+8% y-o-y thanks to an increase in mortgage loans) were only partly offset by decreases in Hungary (where the trend was impacted not only by the FX mortgage relief programme, but also by a decreased corporate loan portfolio)
- Total deposits were up 1% q-o-q and 3% y-o-y
- Loan to deposit ratio at 76%

^(*) organic growth excluding FX impact, q-o-q figures are non-annualised. Loan and mortgage figures after impairment charges

NII



NIM



- Net interest income stabilised q-o-q, but fell by 10% y-o-y to 348m EUR. Excluding the FX effect, net interest income fell by 1% q-o-q and 7% y-o-y. This can mainly be explained by a decrease in the loan portfolio at K&H Bank (following the repayment of FX mortgages in 2011 and a decreased corporate loan portfolio)
- The net interest margin remained roughly stable quarter-on-quarter at 3.03%, but fell by 30bps year-on-year, mainly caused by the lower amount of loans & receivables at K&H (especially the result of fewer FX mortgage loans with relative high margins) and the FX impact of the CZK

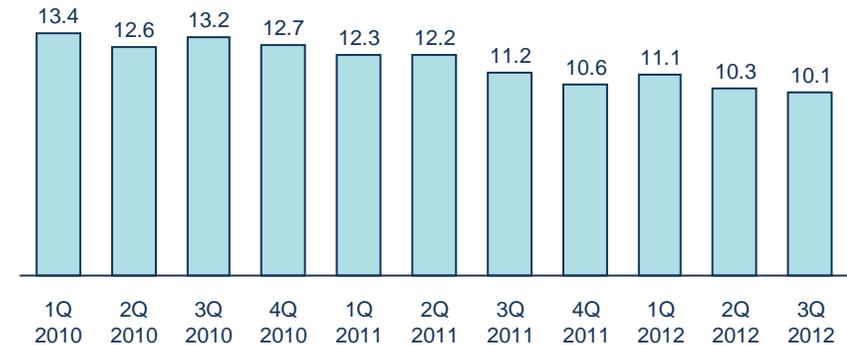


CEE Business Unit (4)

F&C



AUM



Amounts in bn EUR

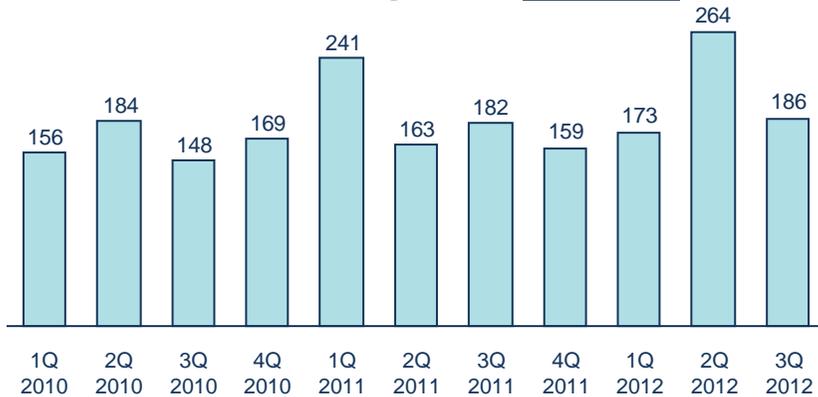
- Net fee and commission income (77m EUR) rose by 9% q-o-q, but fell 8% y-o-y (or +8% q-o-q and -5% y-o-y, respectively, excluding the FX effect)
- Assets under management decreased by 2% q-o-q to roughly 10bn EUR, essentially as a result of net outflows. Y-o-y, assets under management fell by 10%, driven by net outflows (-11%) and a small positive price effect (+1%)

Amounts in m EUR

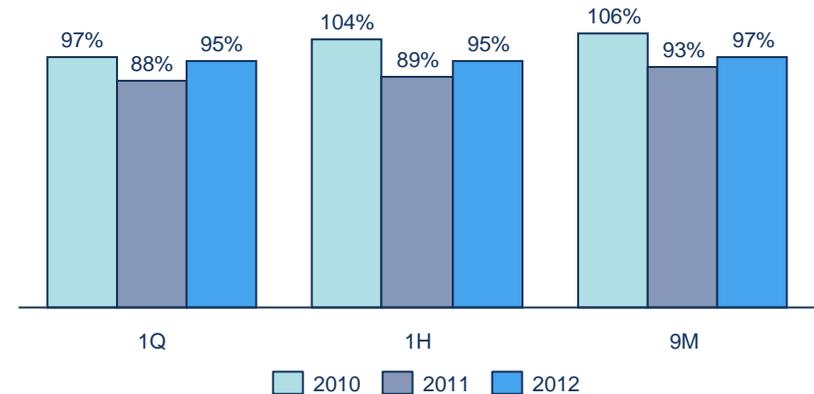


CEE Business Unit (5)

Premium income (gross earned premium)



Combined ratio (Non-Life)

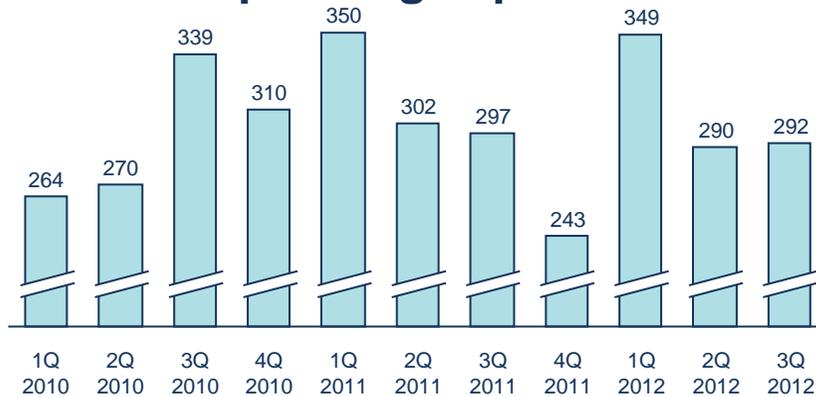


- Insurance premium income (gross earned premium) stood at 186m EUR
 - Non-life premium income (85m) up 4% q-o-q and down 3% y-o-y
 - Life premium income (101m) sharply down q-o-q, mainly the result of strong sales of unit-linked products in the Czech Republic during 2Q12
- Combined ratio at 97% in 9M12

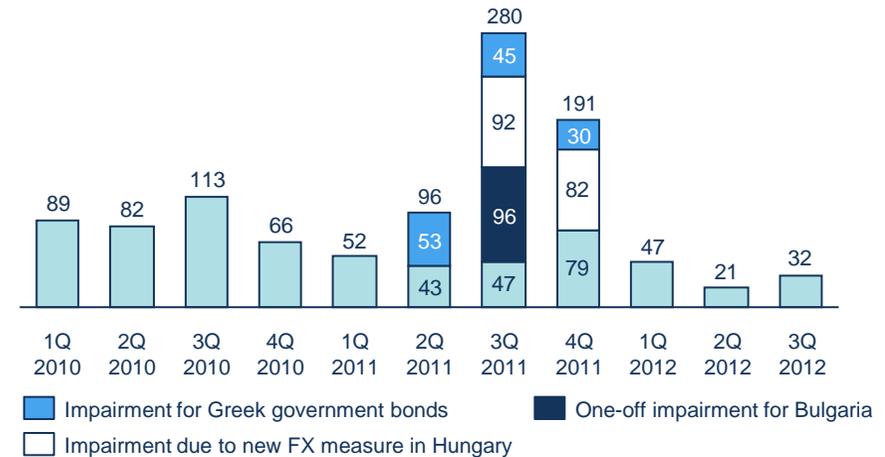


CEE Business Unit (6)

Operating expenses



Asset impairment



Opex (292m EUR) rose by 1% q-o-q, but fell by 2% y-o-y

- Excluding FX changes, opex remained more or less unchanged both q-o-q and y-o-y
- YTD cost/income ratio at 58% (54% excluding Hung. bank tax)

Asset impairment at 32m

- L&R impairments remained at a low level q-o-q, but decreased sharply y-o-y as 3Q11 had been impacted by high FX mortgage impairments in Hungary and one-off impairments for Bulgaria. This led to a credit cost ratio of 0.40% YTD (1.59% in FY11). NPL ratio at 5.5%

	Loan book	2009* CCR	2010 CCR	2011 CCR	9M12 CCR
CEE	32bn	2.12%	1.16%	1.59%	0.40%
- Czech Rep.	21bn	1.12%	0.75%	0.37%	0.28%
- Hungary	5bn	2.01%	1.98%	4.38%	0.86%
- Slovakia	4bn	1.56%	0.96%	0.25%	0.27%
- Bulgaria	1bn	2.22%	2.00%	14.73%	1.03%

* CCR according to 'old business unit reporting'

Hungarian loan book – key figures as at 30 Sep 2012

<u>Loan portfolio</u>	<u>Outstanding</u>	<u>NPL</u>	<u>NPL coverage</u>
SME/Corporate	2.7bn	7.5%	63%
Retail	2.6bn	16.5%	64%
o/w private	2.2bn	17.9%	63%
o/w companies	0.4bn	9.9%	70%
	5.3bn	11.9%	64%

- 3Q12 **underlying net profit** at the K&H Group amounted to 36m EUR (35m EUR YTD, including full-year bank tax)
- 3Q12 **loan loss provisions** amounted to 6m EUR (28m EUR in 1Q12 and 3m EUR in 2Q12). The credit cost ratio came to 0.86% YTD versus 1.66% in 9M11. The favourable figures in 3Q12 are due to:

- continued stable trends in corporate and SME portfolios
- Re-launch of the bank's own easement programme in June
- positive trends of performing clients signing up for the accumulation loan under the government FX debtor relief programme

- NPL** declined to 11.9% in 3Q12 (12.6% in 2Q12)

- NPL Retail: 17.9% in 3Q12 (19.4% in 2Q12):
 - Increase in retail NPL until May 2012
 - Starting from June, the rise in delinquencies slowed down primarily due to the re-launch of the bank's own easement programme and first positive signs of the accumulation loan programme

Proportion of High Risk and NPLs



▲ High Risk (probability of default > 6.4%)
● Non-performing



KBC Hungary (2)

Municipal loans

The government has announced that it will launch a second phase in the consolidation of municipal debt, whereby a total amount of 612bn HUF (2.2bn EUR) in debt will be taken over by the State. Details have not yet been announced, and consultations are going on among the relevant Ministries and the Hungarian Banking Association

Banking tax

The government originally intended to phase out banking tax in two waves (half it in 2013 and reduce to average European level from 2014). Based on recent announcements in 2013, it will be kept at the level of 2012 (57m EUR pre-tax for K&H)

Financial transaction levy

As of 1 Jan 2013 a financial transaction levy will be introduced. The general rate of the levy will be 0.3% for cash transactions and 0.2% for other transactions (with certain exceptions), with a cap of 6,000 HUF per transaction. Since it has an impact on the cost structure of the banks, it will prompt them to readjust their fee structure. The gross amount of the levy is estimated to be annually approx. 43m EUR pre-tax for K&H. The final version of the law is not yet passed in the parliament



Merchant Banking Business Unit

Underlying net profit



Volume trend

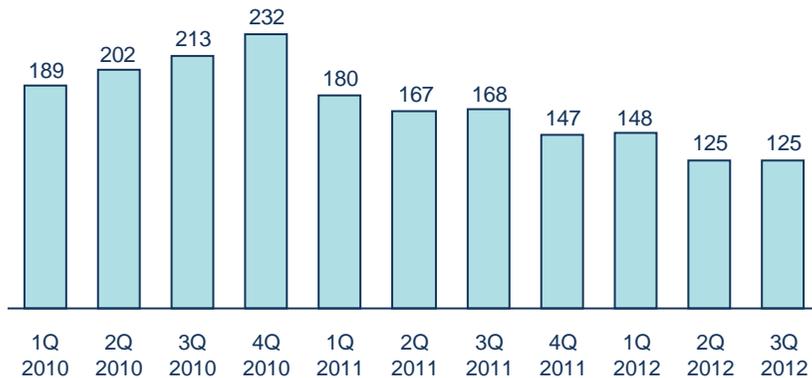
	Total loans	Customer deposits
Volume	40bn	39bn
Growth q/q*	-5%	-4%
Growth y/y*	-4%	-25%

*non-annualised

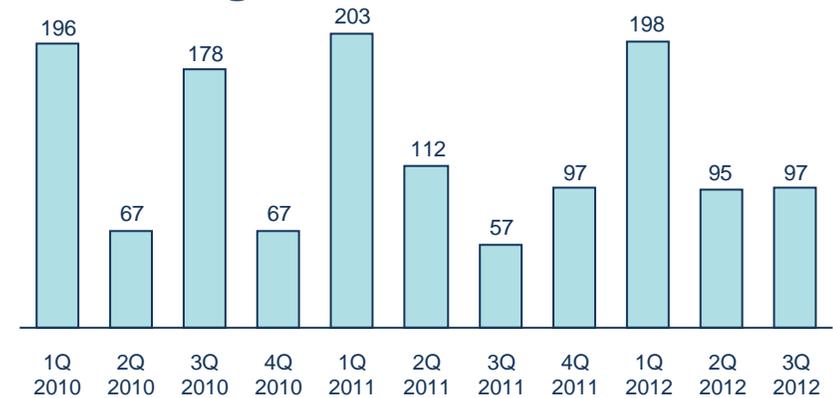
- Underlying net profit in the Merchant Banking Business Unit totalled 10m EUR
 - The higher q-o-q result from this business unit's **Corporate Banking** activities in 3Q12 was due entirely to a positive credit value adjustment and a 44m EUR reversal regarding the fraud case at KBC Lease UK. This was only partly offset by somewhat higher loan loss provisions for Belgian corporate entities and foreign branches. The result for 3Q12 was negative, partly on account of the high loan impairment charges at KBC Bank Ireland (129m EUR in 3Q12 versus 136m in 2Q12, fully in line with our guidance). Excluding KBC Bank Ireland, the 3Q12 result would be +64m EUR
 - The 38m EUR result from the unit's **Market Activities** was down q-o-q due to losses realised on bond sales

Merchant Banking Business Unit (2)

NII (Commercial Banking)



FV gains (Market Activities)

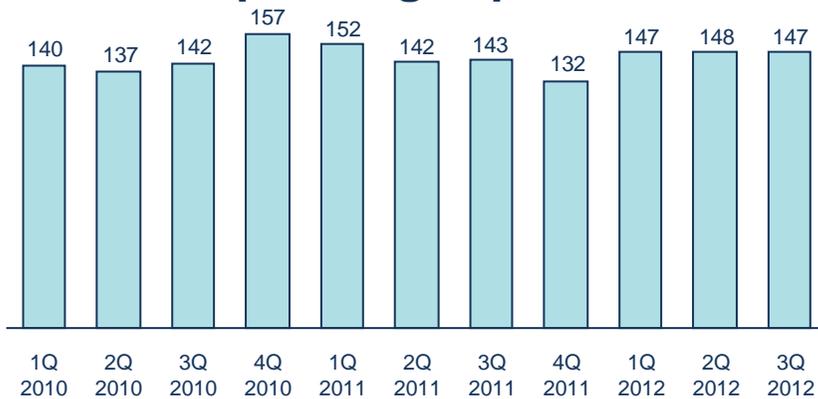


- The 3Q12 net interest income level stabilised q-o-q, but decreased roughly 25% y-o-y due to lower reinvestment yields due to the reduced GIIPS exposure, higher senior debt costs and reduced volumes
- Stable q-o-q fair value gains within the 'Market Activities' sub-unit. The quarter under review included a satisfactory dealing room performance and positive CVAs (thanks to tightening corporate credit spreads)

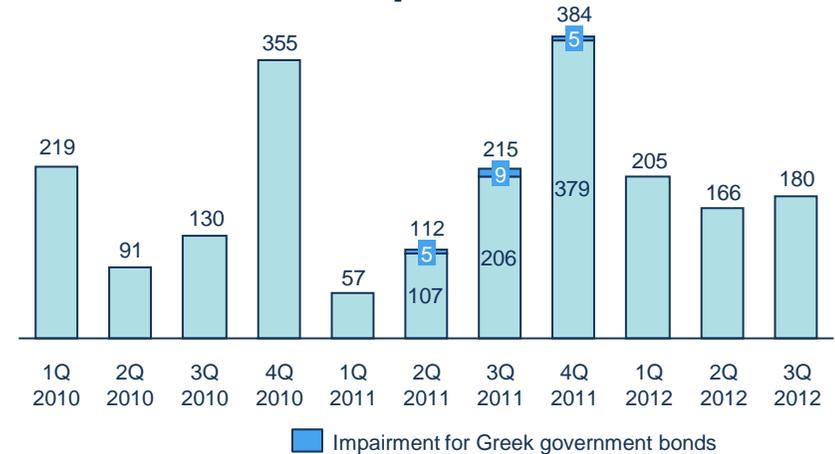


Merchant Banking Business Unit (3)

Operating expenses



Asset impairment



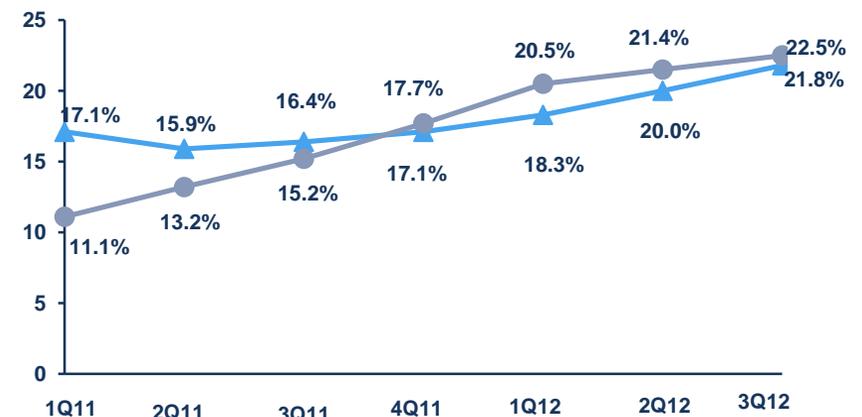
- Operating expenses decreased by 1% quarter-on-quarter, but rose by 2% year-on-year to 147m EUR mainly due to higher banking tax. Underlying cost/income ratio: 42% in 9M12 (and 41% excluding the provision for the 5-5-5 product in 1Q12)
- Total impairments amounted to 180m EUR in 3Q12
 - The somewhat higher q-o-q impairment on L&R was accounted for by Belgian corporate entities and foreign branches. Loan loss provisions at KBC Bank Ireland amounted to 129m EUR (versus 136m EUR in 2Q12), fully in line with our guidance. The credit cost ratio came to 1.38% in 9M12 (compared to 1.36% in 2011) and the NPL ratio to 10.1% (0.24% and 4.1%, respectively, excluding KBC Bank Ireland)
 - Other impairment charges amounted to 14m EUR and related to real estate investments

- Loan loss provisions in 3Q12 of 129m EUR (136m EUR in 2Q12). The loss after tax in 3Q12 was 71m EUR
- Emerging stabilisation in parts of the domestic economy and an improvement in financial sentiment towards Ireland. Slightly better than expected tax revenues, broadly flat unemployment and a range of survey indicators reflect a tentative turning point in domestic activity of late
- There are signs that the housing market may have bottomed out in terms of prices and transaction levels
- KBCI is implementing longer term mortgage resolution options as part of its Mortgage Arrears Resolution Strategy that should restore a significant number of customers back to financial stability. KBCI's comprehensive outreach programme continues to have positive results
- The Personal Insolvency Bill is expected to be enacted in 1Q13. The degree of impact on the KBCI mortgage portfolio will be determined by the final parameters including: (i) the voting rights of creditors, (ii) requirement for borrowers prior cooperation and (iii) the upper debt limit in the Personal Insolvency Arrangement
- Commercial customers operating in the Irish domestic market continue to face a challenging environment.
- Successful retail deposit campaign with expanded product offering. Increased gross retail deposit levels of +0.9bn EUR (YTD) to 1.7bn EUR and new customer accounts of c. 16,000 to end 3Q12
- Local tier-1 ratio to 11.36% at the end of 3Q12 through a capital increase of 100m EUR (11.12% at the end of 2Q12)

Irish loan book – key figures as at September 2012

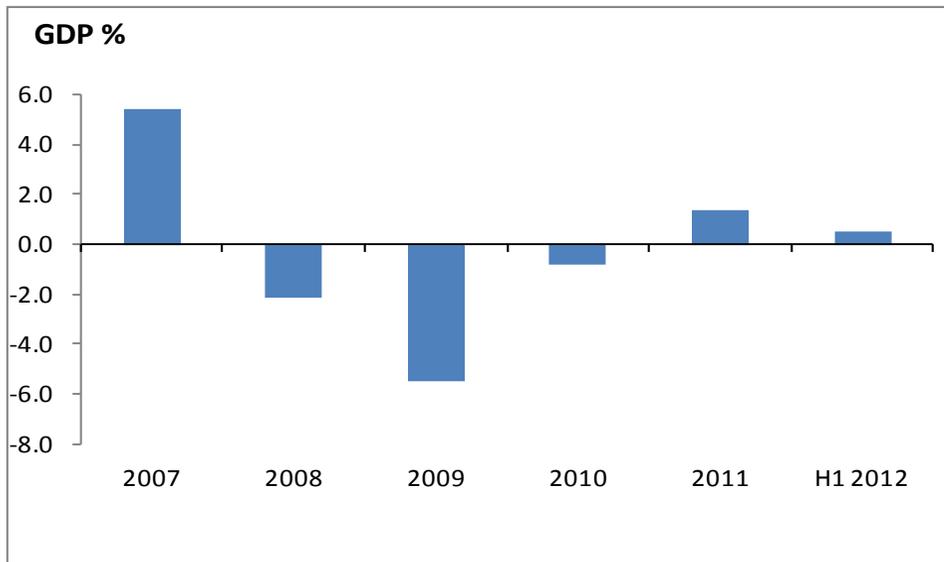
<u>Loan portfolio</u>	<u>Outstanding</u>	<u>NPL</u>	<u>NPL coverage</u>
Owner occupied mortgages	9.4bn	16.9%	31%
Buy to let mortgages	3.2bn	28.0%	40%
SME /corporate	1.8bn	17.8%	70%
Real estate investment	1.3bn	28.6%	62%
Real estate development	0.5bn	90.7%	73%
	16.2bn	22.5%	45%

Proportion of High Risk and NPLs

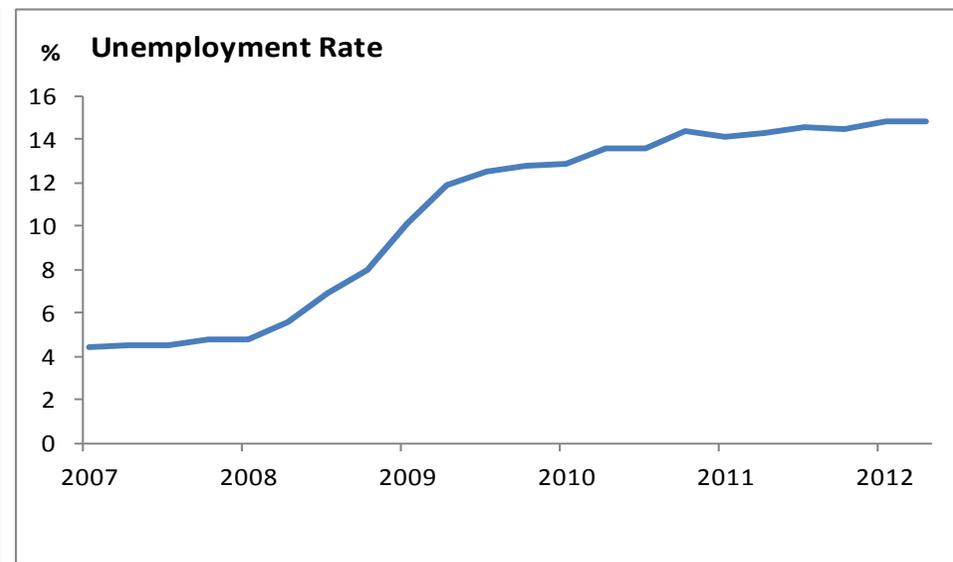


▲ High Risk (probability of default > 6.4%)
● Non-performing

Continuing tentative signs of GDP stabilisation.

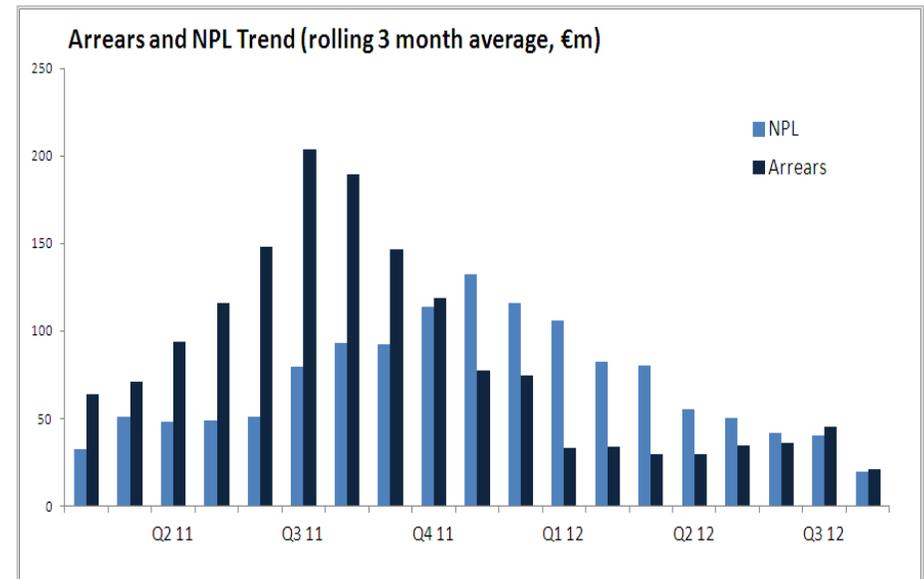


Unemployment rate has remained broadly stable through 2012

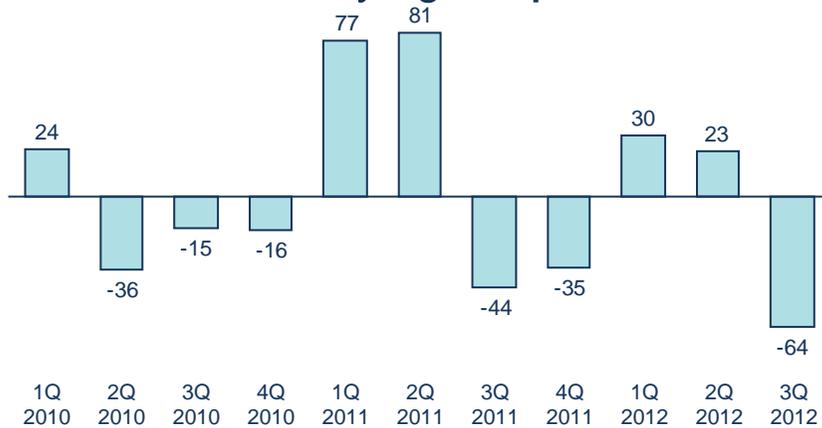


Residential property prices have increased in each of the last 3 months

Reduction in residential mortgage arrears & NPL growth continuing year to date in 2012



Underlying net profit



- KBL *epb* and Fidea were deconsolidated in underlying as of 1Q12, while Warta and Zagiel were deconsolidated in underlying as of 3Q12
- In addition to the results of the holding company and shared services, the results of companies scheduled for divestment have been reallocated to the 'Group Centre' (starting in 1Q10). The Group Centre posted an underlying loss of 64m EUR
- Only the planned divestments are included. The Merchant Banking activities that will be wound down on an organic basis have not been shifted to the 'Group Centre'



Group Centre (2)

Breakdown of underlying net profit at Group Centre

	1Q12	2Q12	3Q12
Group item (ongoing business)	9	-8	-17
Planned divestments	20	31	-47
- Centea	0	0	0
- Fidea	0	0	0
- Kredyt Bank	10	8	22
- Warta	15	26	0
- Absolut Bank	12	19	2
- 'old' Merchant Banking activities	13	8	-37
- KBL EPB	0	0	0
- Other	-30	-30	-34
TOTAL underlying net profit at Group Centre	30	23	-64

→ Mainly due to an increase in loan loss provisions for KBC Finance Ireland (a limited number of project finance files)

→ Mainly allocation funding cost goodwill and liquidity costs regarding divestments and the result of NLB

NPL, NPL formation and restructured loans in Russia

	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12
NPL	17.9%	17.8%	18.3%	16.8%	16.1%	13.5%	11.4%	11.2%	10.3%	7.6%	5.6%
NPL formation	3.9%	-0.1%	0.5%	-1.5%	-0.7%	-2.6%	-2.1%	-0.2%	-0.9%	-2.7%	-2.0%
Restructured loans	10.3%	10.3%	9.7%	6.3%	4.2%	3.9%	3.9%	3.2%	2.3%	2.3%	2.0%
Loan loss provisions (m EUR)	0	19	12	-9	-29	-9	-8	4	-10	-3	-3



KBC Group 2012 3Q Results



Q&A