# KBC Group

## Company presentation

## 1Q 2012

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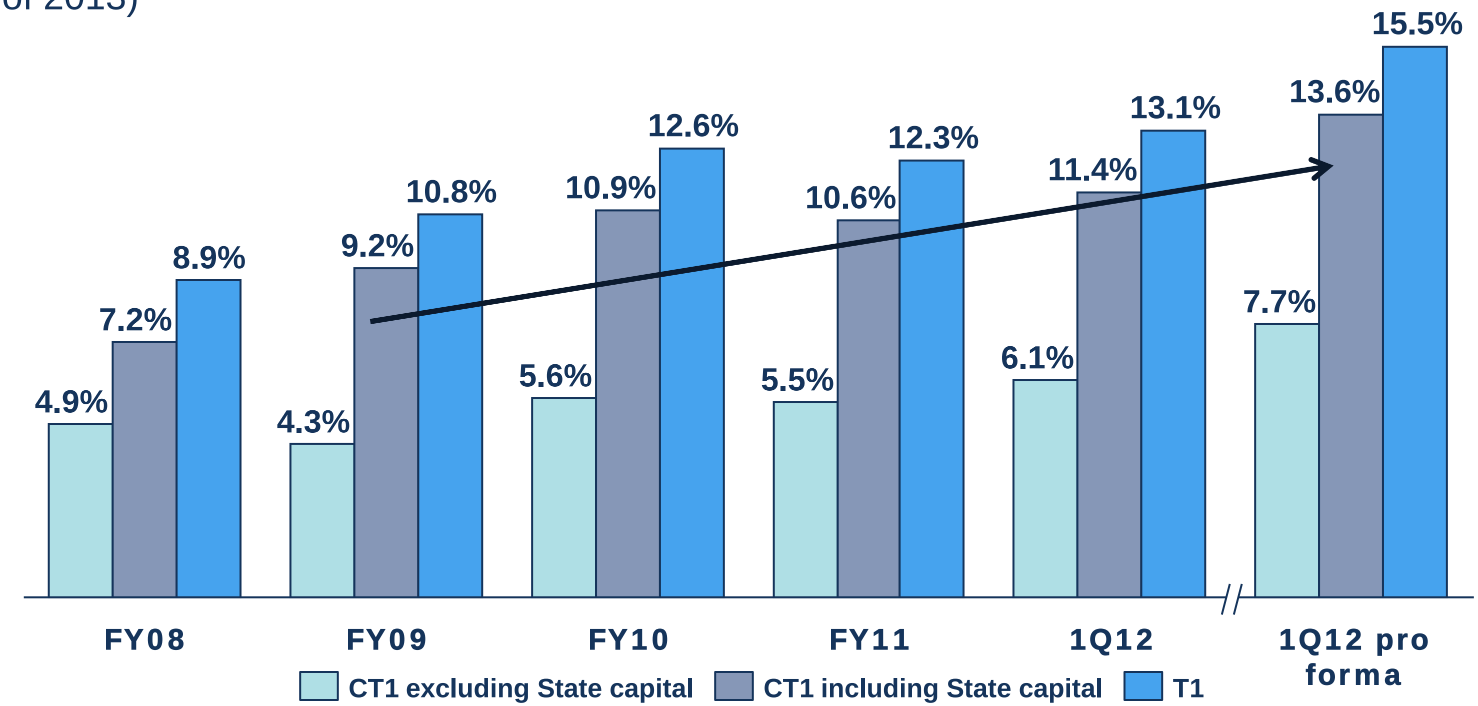
By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.

# Key Takeaways

| | |
|---|---|
| First quarter results | • Strongly improved underlying 1Q12 results: 455m EUR, thanks to markedly lower impairments and strong dealing room income<br>• 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<br>• Decisive progress on divestments, with capital gains to come in 2H12 |
| Volatility reduction | • Further reduction of volatile elements:<br>  • CDO/ABS exposure further reduced by roughly 2.2bn EUR notional<br>  • 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<br>• 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<br>• 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** |

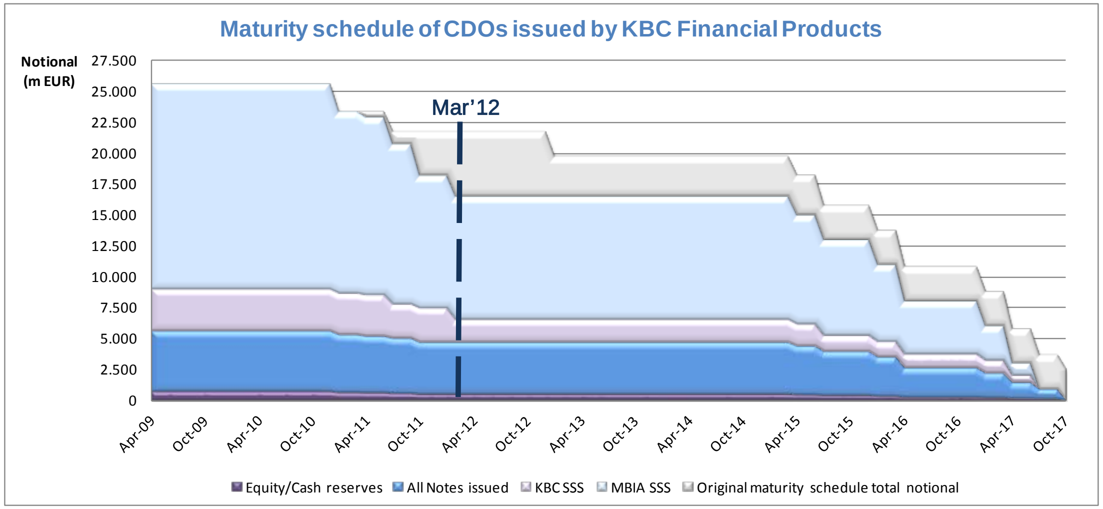
**Year-to-date, KBC reduced its PIIGS exposure (carrying amount) by roughly 42%:**

- 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



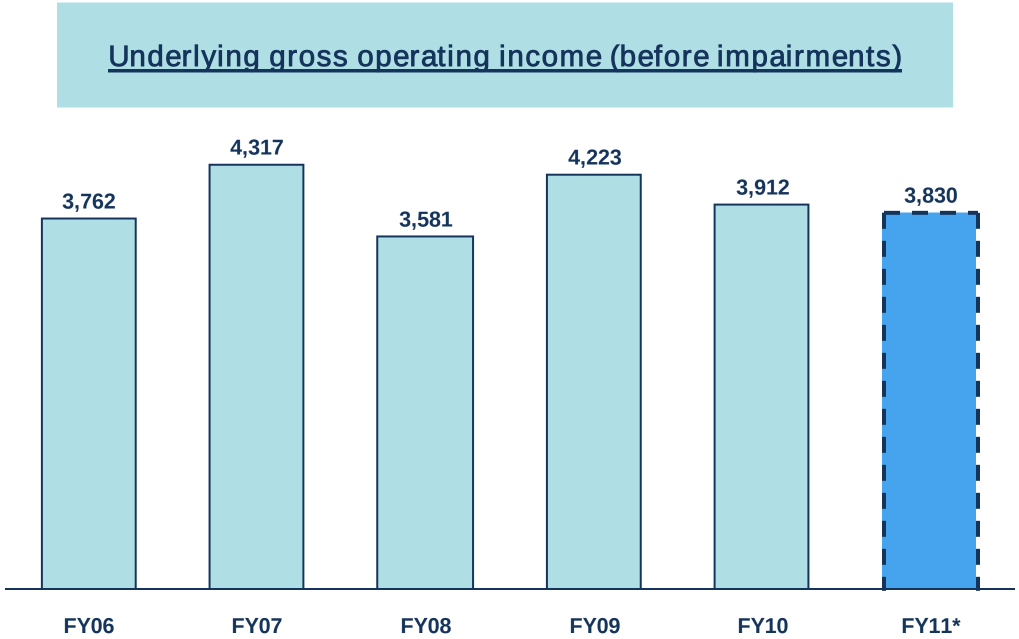

- During 1Q12, we **sold 0.2bn EUR in notional amount of US ABS assets** to the market, resulting in a 34m EUR post-tax P&L loss and a net saving of roughly 150m EUR of regulatory capital. Further on, **the notional amount of the remaining ABS-portfolio decreased by 0.3bn EUR due to the natural run-off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

KBC Group risk weighted assets (in bn EUR)

# 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

KBC

# 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**

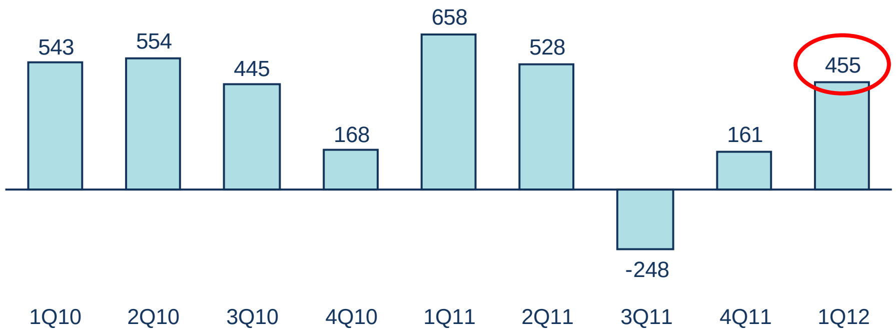
- Continued strong capital base. Pro forma tier-1 ratio under Basel 2.5 – including the effect of divestments for which a sale agreement has been signed – at approximately 15.5% (with core tier-1 at 13.6%)

**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

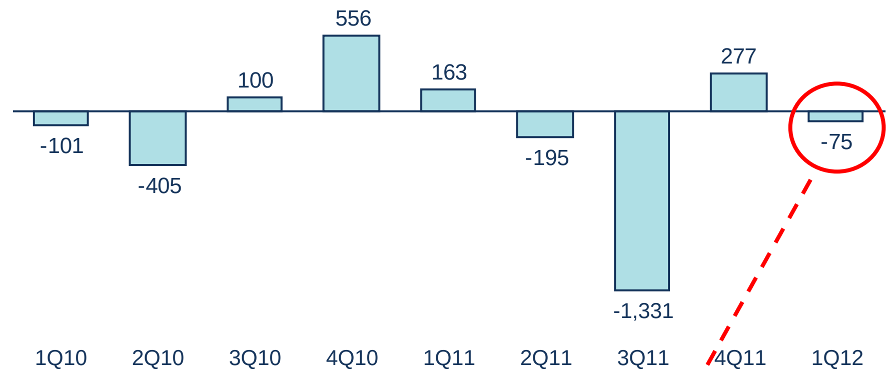
# Earnings capacity

## Underlying net profit

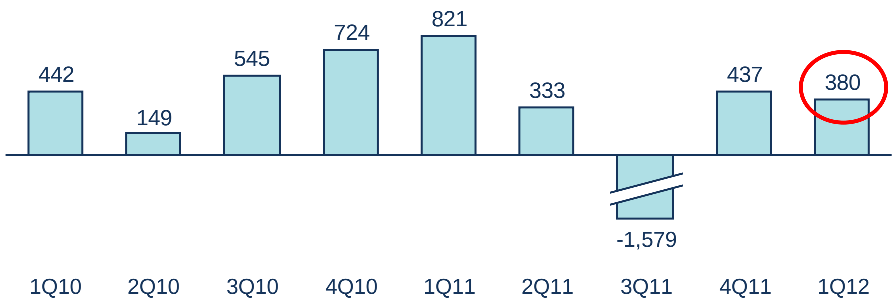



Including exceptional items

## 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:

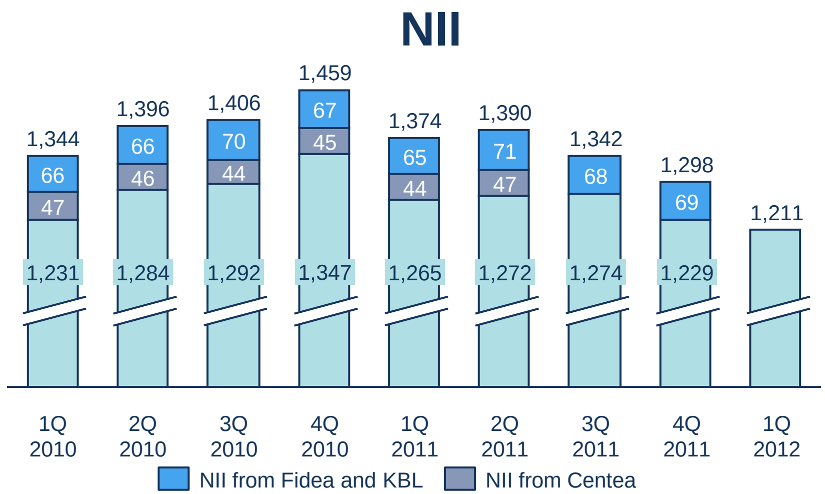
- Loan loss provisions in **Ireland** amounted to 195m EUR pre-tax (compared with 228m EUR in 4Q11) and 170m EUR post-tax, which is in line with our guidance of roughly 200m EUR for the quarter
- The recording of the **Hungarian bank tax** for the full year in 1Q12: -57m EUR pre-tax and -46m EUR post-tax

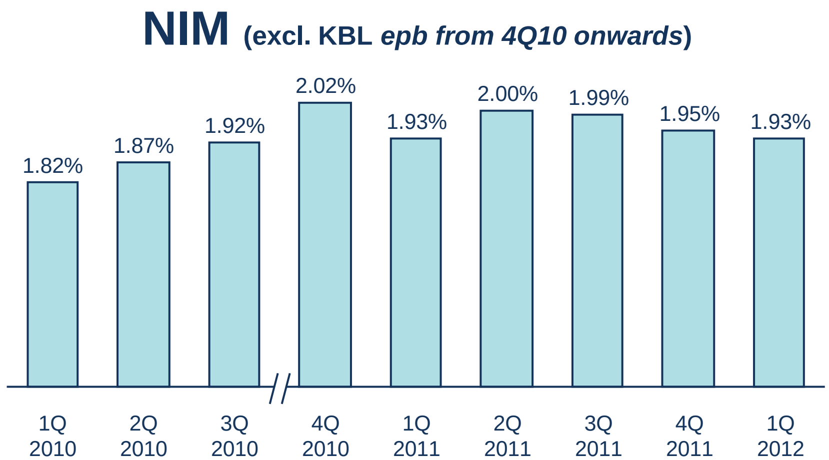
## At non-recurring profit level: total impact of -76m EUR (post-tax)

- 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)

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

# Underlying revenue trend - Group




- 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

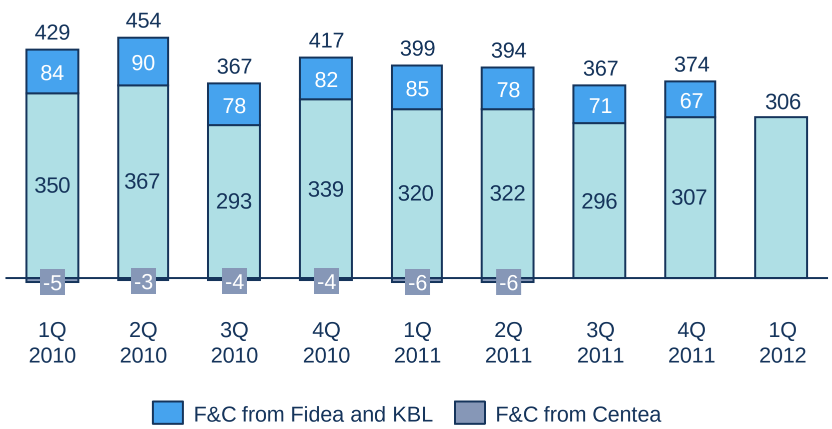
Amounts in m EUR

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

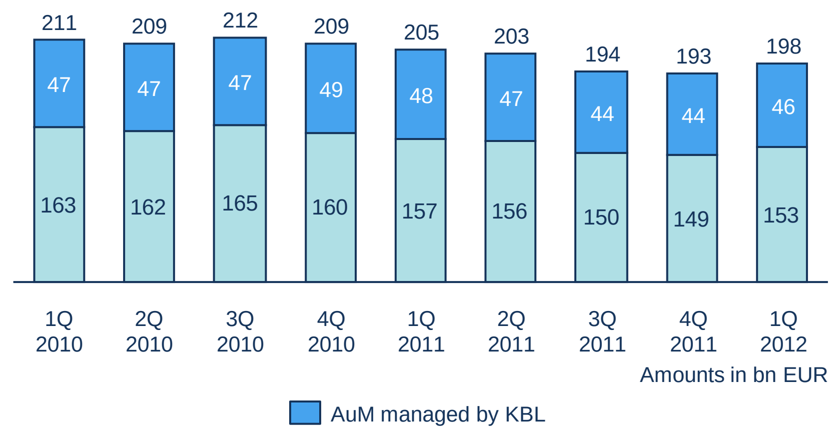
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

# 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

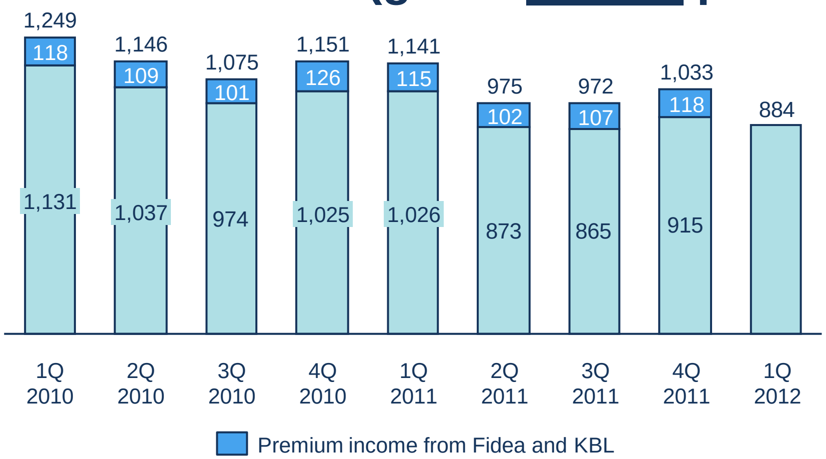
- Excluding KBL *epb*, assets under management increased by 3% quarter-on-quarter (due entirely to a positive price trend) to 153bn EUR at the end of 1Q12

Amounts in m EUR

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

# Underlying revenue trend - Group

## Premium income (gross earned premium)



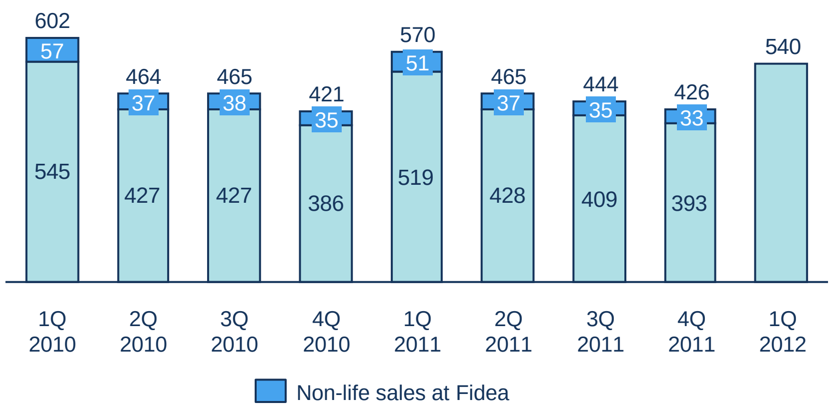

- Excluding deconsolidated entities, insurance premium income (gross earned premium) at 884m EUR
  - Non-life premium income (438m) up 3% q-o-q and 7% y-o-y. The non-life combined ratio in 1Q12 stood at a very good 89%
  - Life premium income (446m) down 9% q-o-q, mainly due to lower sales of guaranteed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

Amounts in m EUR

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

# Underlying revenue trend - Group

## Non-Life sales (gross written premium)




## Life sales (gross written premium)

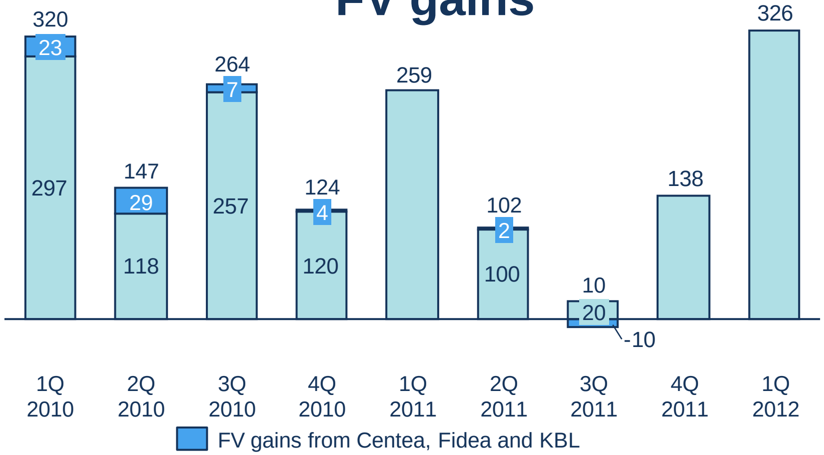

- Sales of Non-Life insurance products:
  - rose by 4% year-on-year excluding the divestment of Fidea
- Sales of Life insurance products:
  - rose by 8% quarter-on-quarter and by 16% year-on-year (respectively +19% and +26% excluding deconsolidated entities), with a deliberate shift from guaranteed interest 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

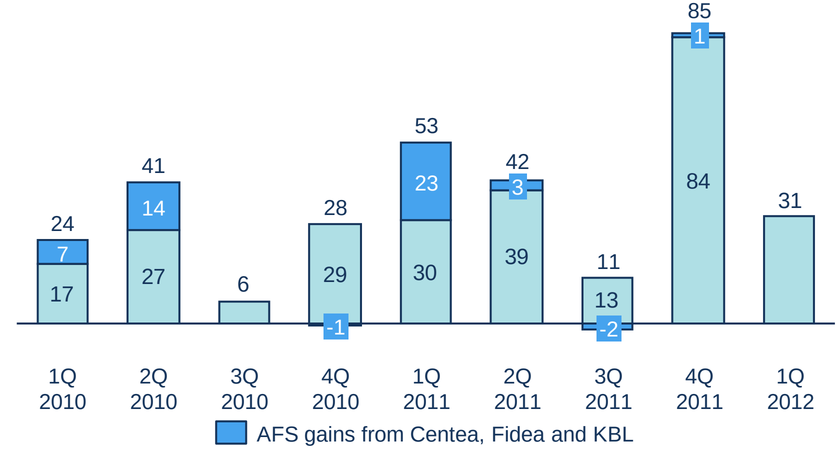
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

# Underlying revenue trend - Group

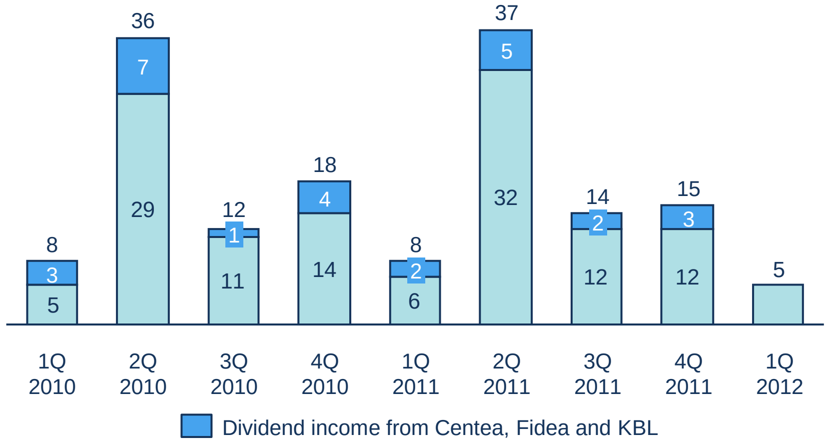
## FV gains




## Gains realised on AFS




## Dividend income

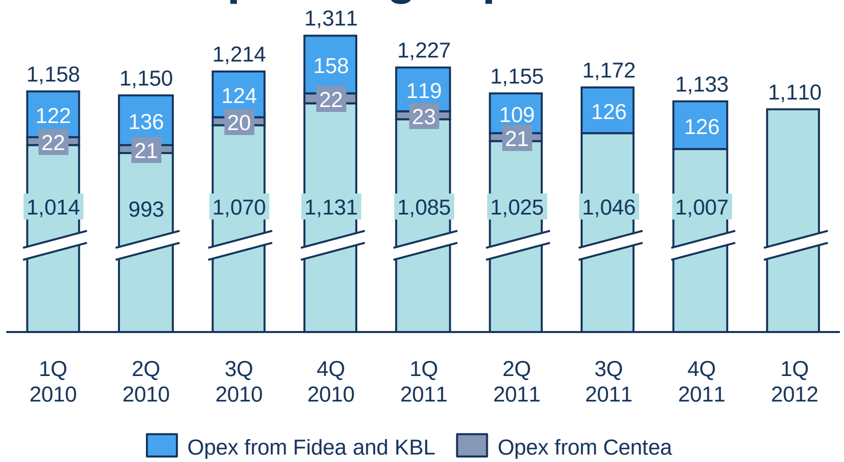



Amounts in m EUR

- 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

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

# Underlying operating expenses - Group

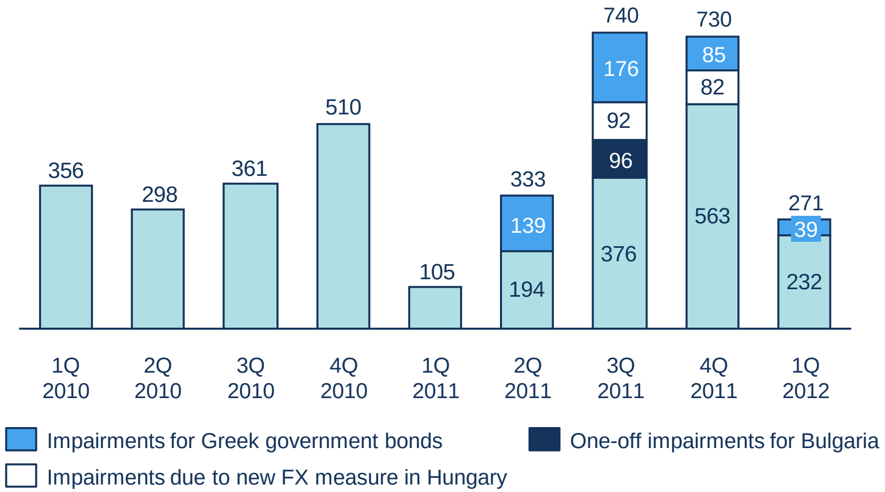



- Excluding deconsolidated entities (KBL *epb*, Fidea and Centea), costs rose by 10% q-o-q and by 2% y-o-y
  - Operating expenses rose by 10% q-o-q to 1,110m EUR in 1Q12, entirely due to higher expenses relating to bank taxes (mainly related to the recognition of the FY12 Hungarian bank tax in 1Q12 and 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

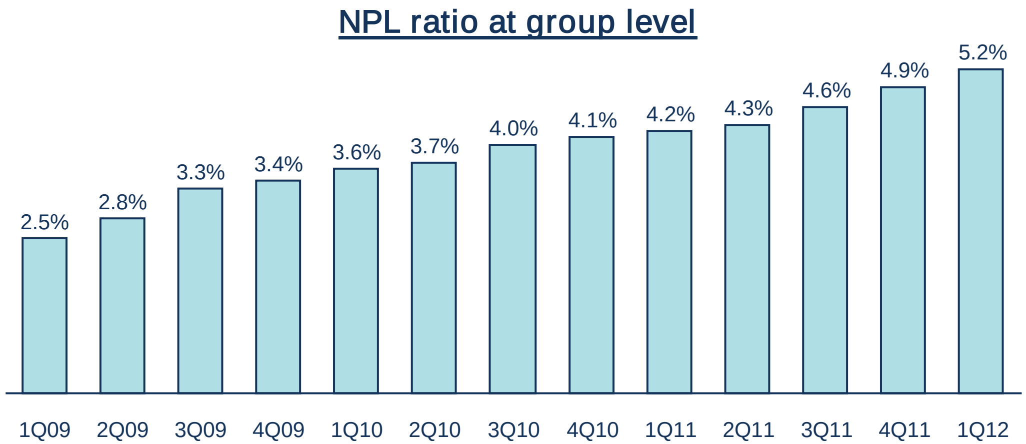
# Underlying loan loss provisions – Group

- 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

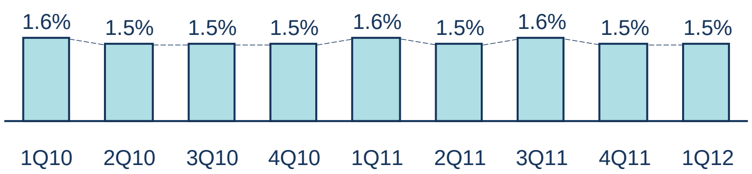



| 1Q 2012 | **Non-Performing Loans** (>90 days overdue) | **High risk, excl. restructured loans** (probability of default >6.4%) | **Restructured loans** (probability of default >6.4%) |
|---|---|---|---|
| Belgium BU | 1.5% | 2.5% | 1.5% |
| CEE BU | 5.6% | 4.2% | 2.4% |
| MEB BU | 9.1% | 6.9% | 3.6%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

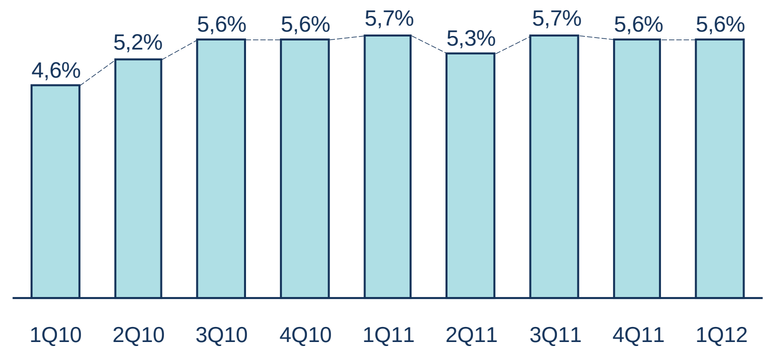
# NPL ratios per business unit

## BELGIUM BU

non performing loans

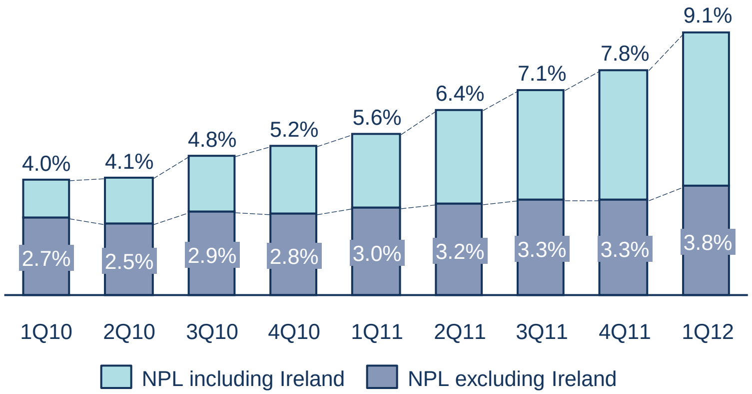



## CEE BU




## MEB BU

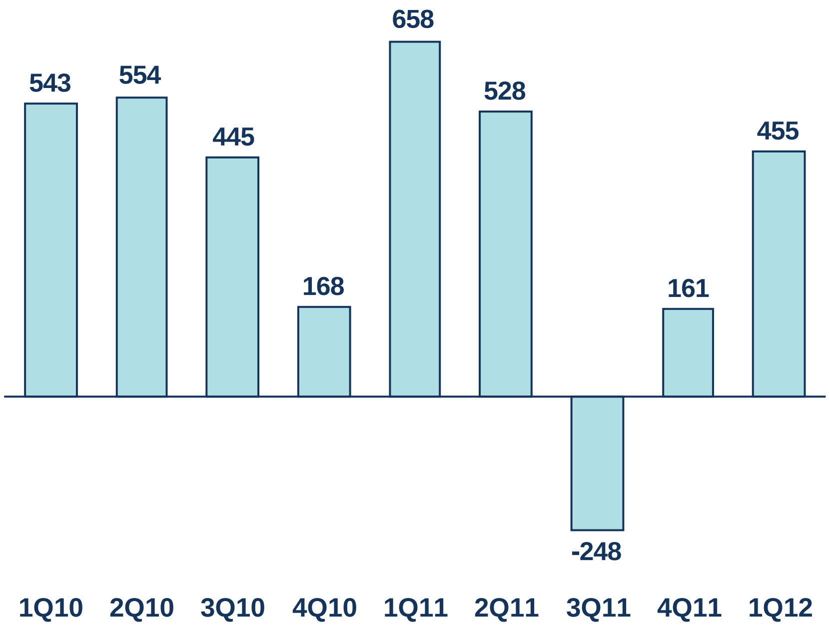
(incl. Ireland)



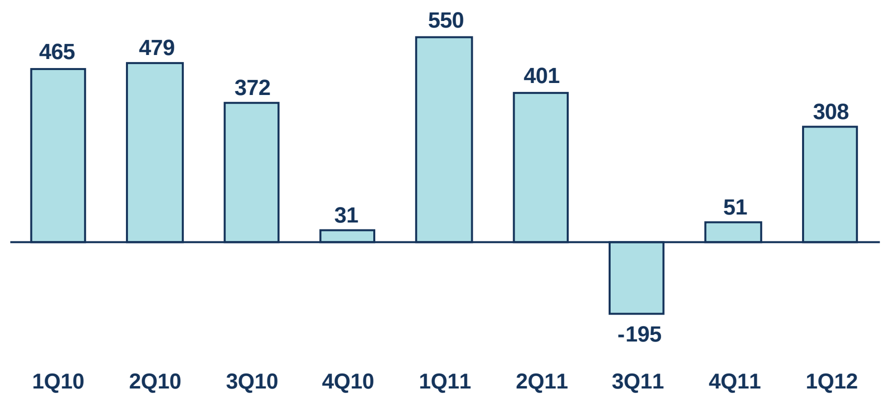
# Underlying profit of KBC Group

Amounts in m EUR

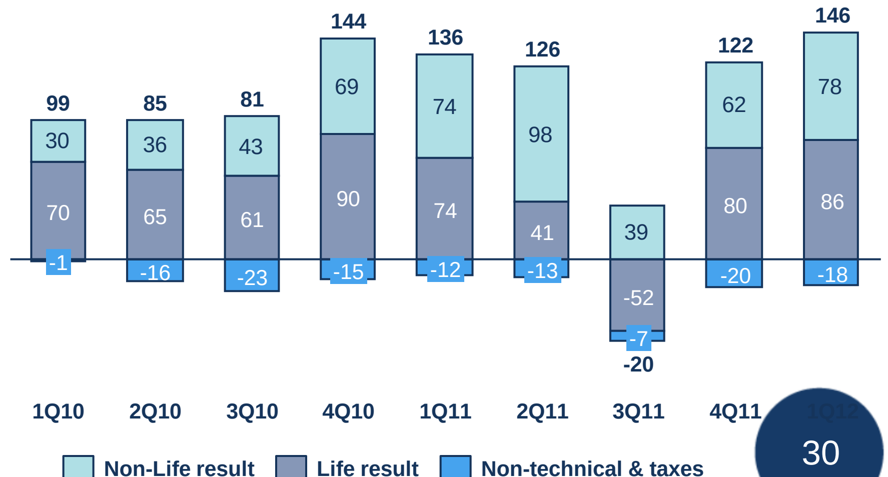
## Underlying net profit of KBC Group *




## Underlying net profit contribution banking to KBC Group




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



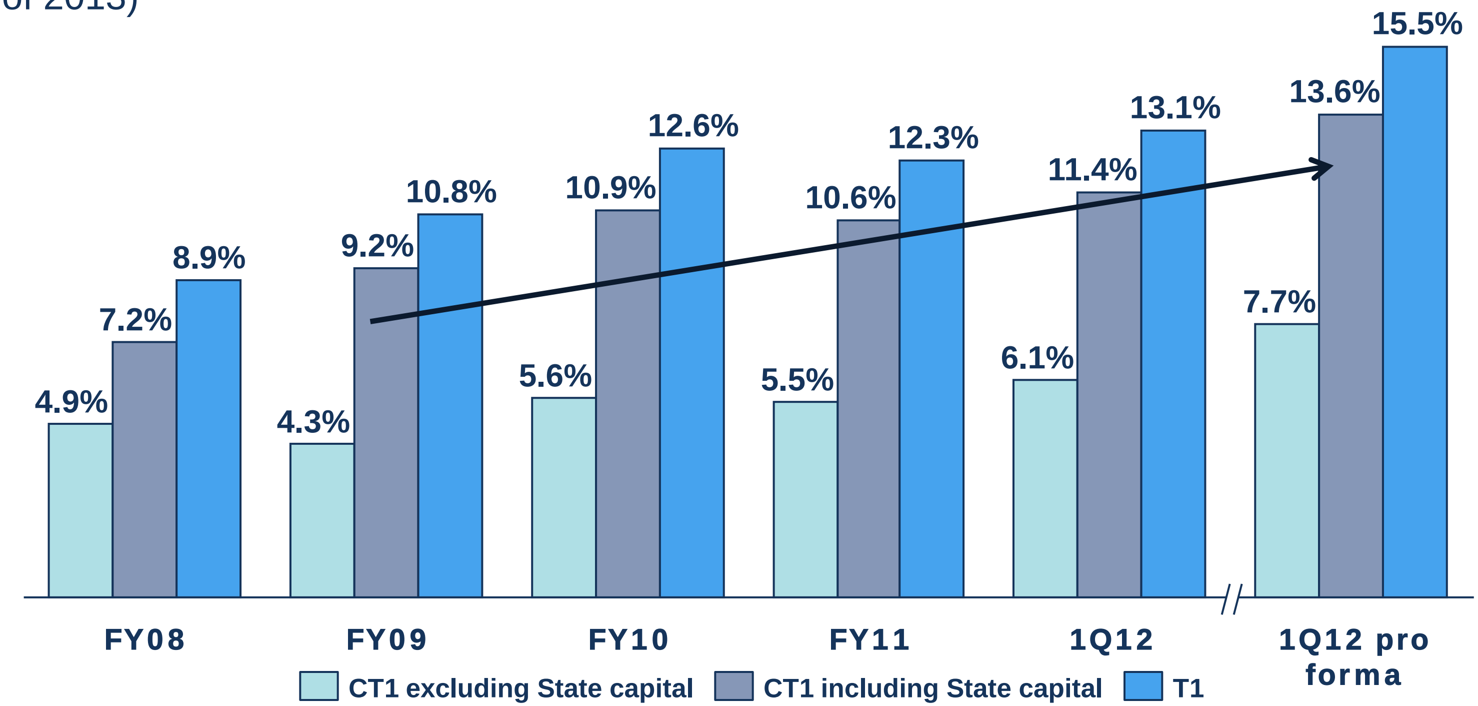

* Difference between underlying net profit of KBC Group and the sum of the banking and insurance contribution are the holding/group items and Vitis

Section 3

# Strong solvency and solid liquidity position

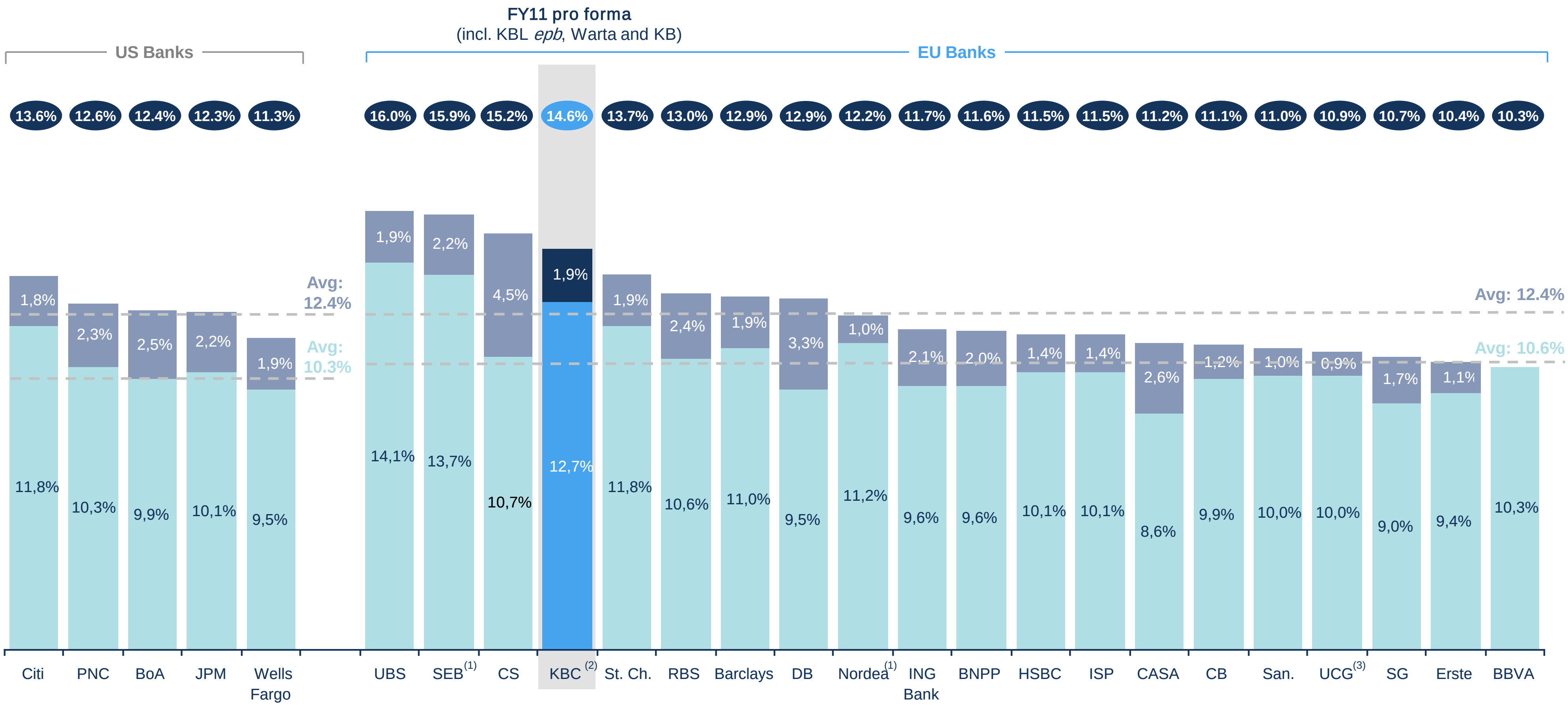
# Strong capital position

- 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



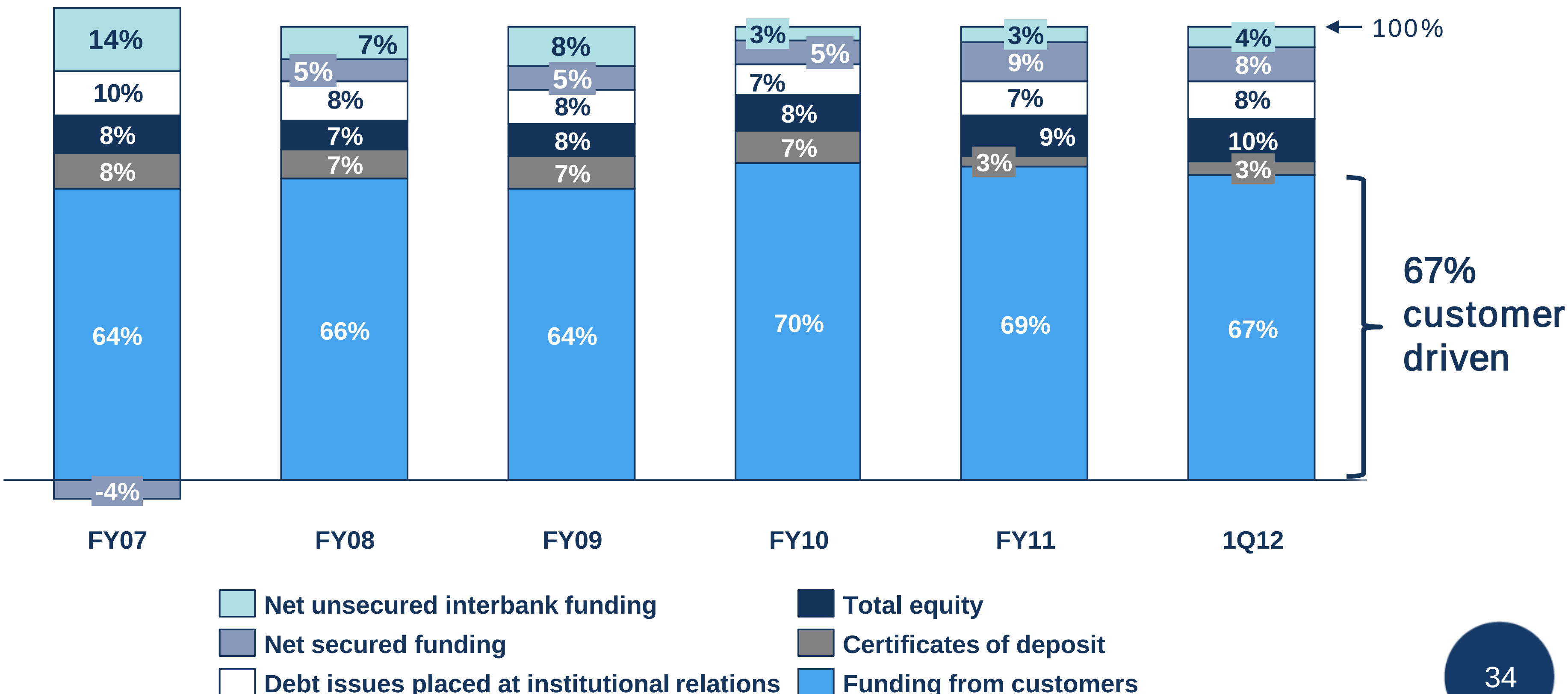

Source: Company filings as of Dec 11, BofAML

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



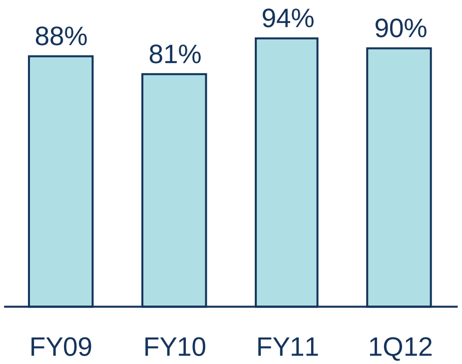
# A solid liquidity position (2)

- 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

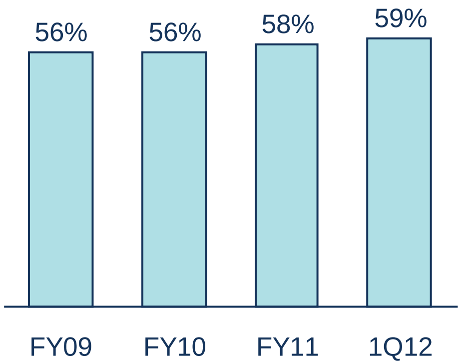
# A solid liquidity position (3)

- 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)

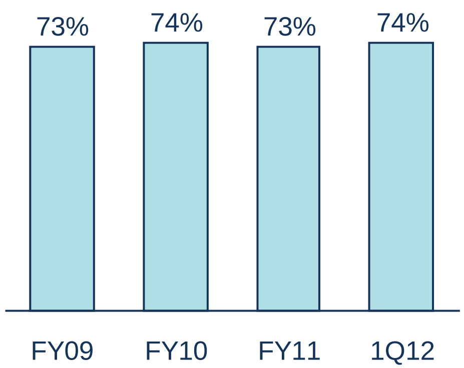
**LTD ratio at KBC Bank**




**LTD ratio at Belgium BU***

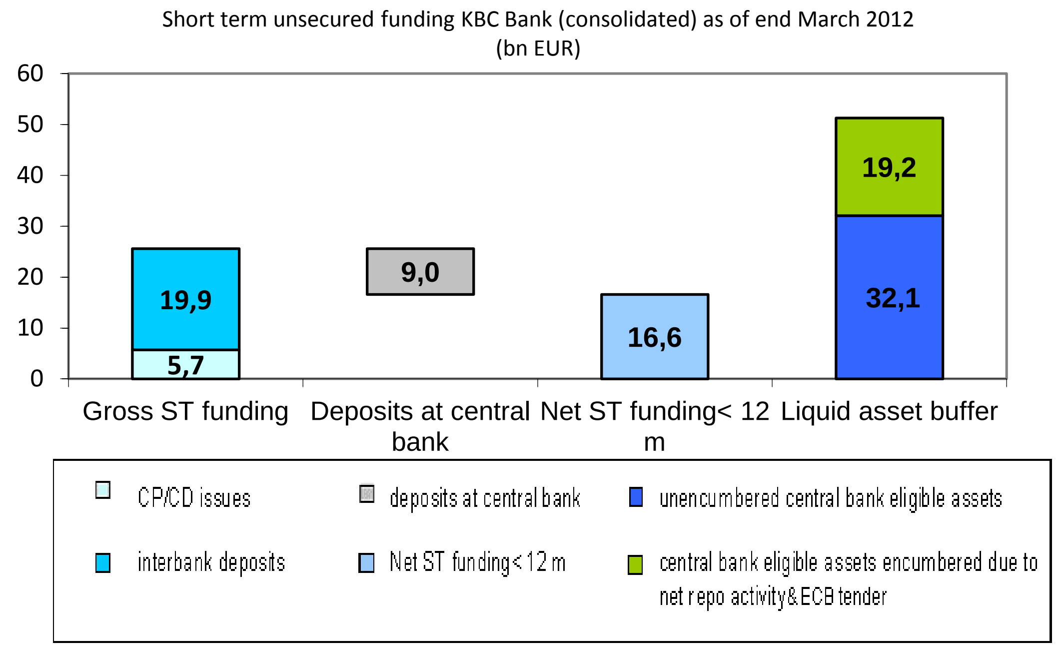



**LTD ratio at CEE BU****




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

# A solid liquidity position (4)



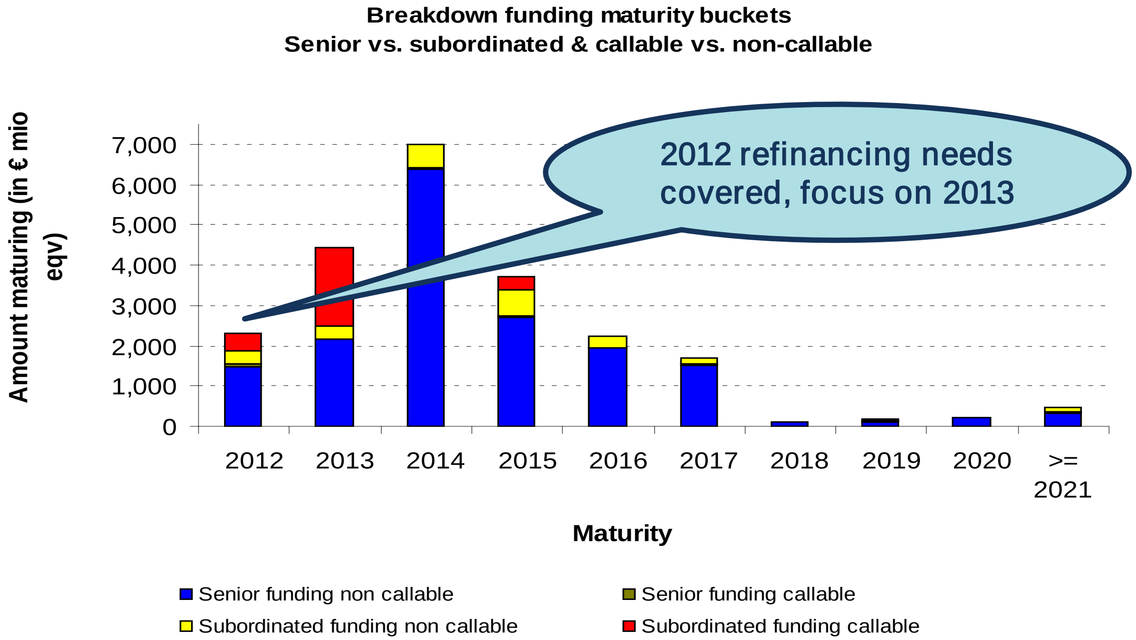

The liquid asset buffer increased slightly amongst other things due to positive M2M evolutions on the portfolio

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

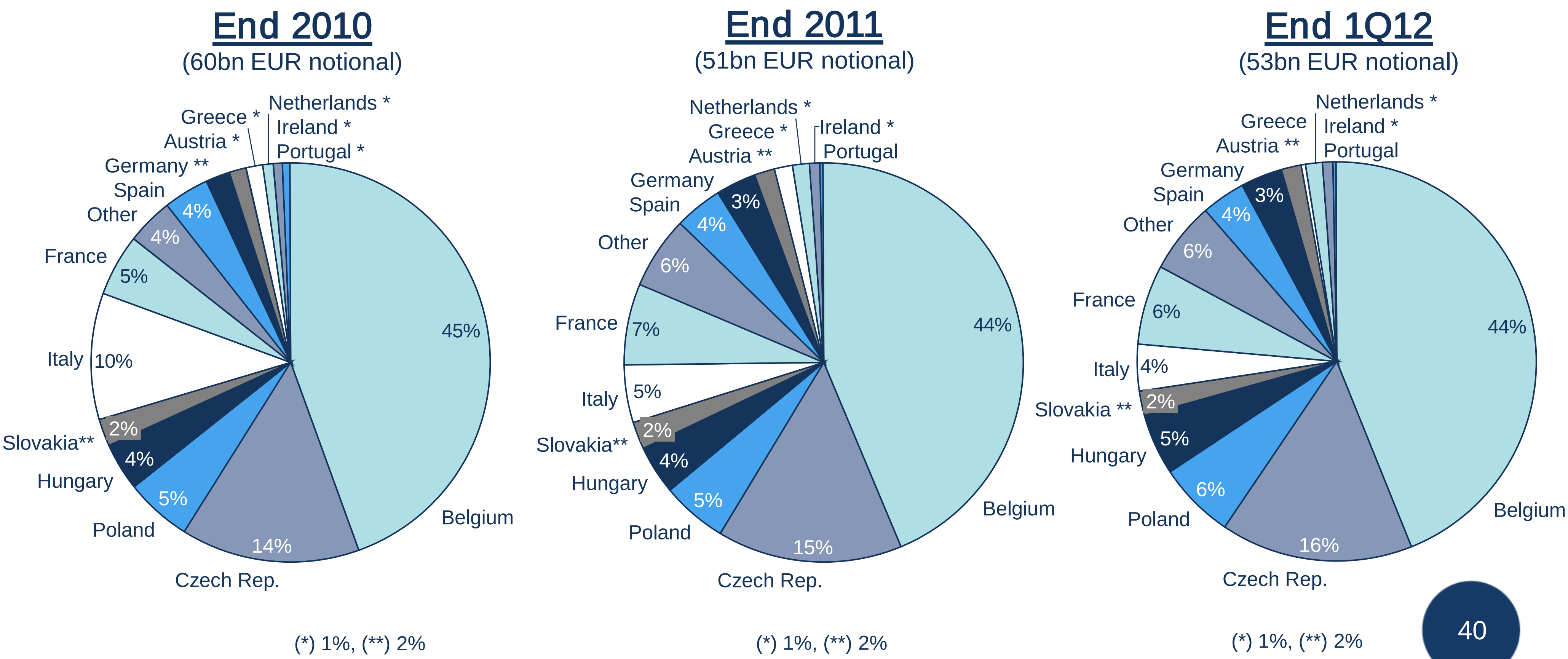
Note that this graph does not include the ECB-LTRO for a total amount of 8.7bn EUR (3y maturity)

Section 4

# Areas of attention

# 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



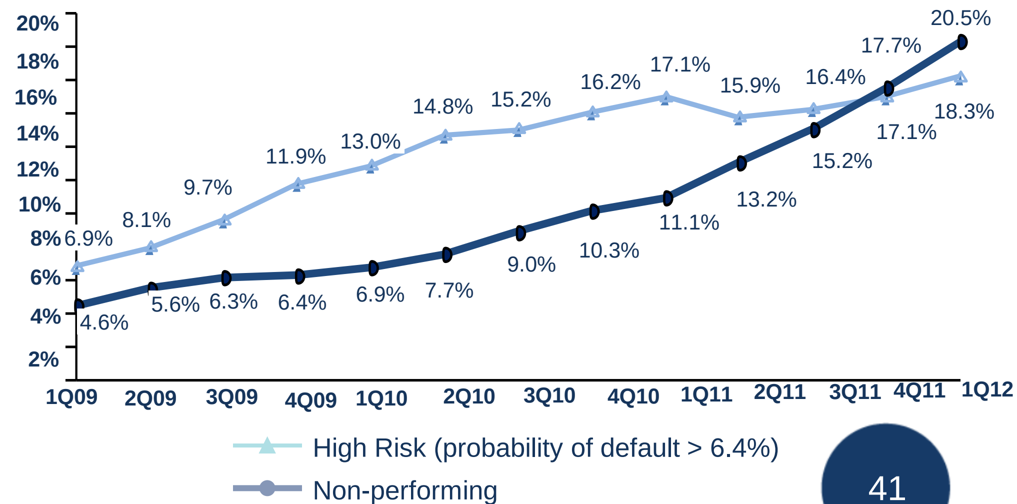
# Ireland

- 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

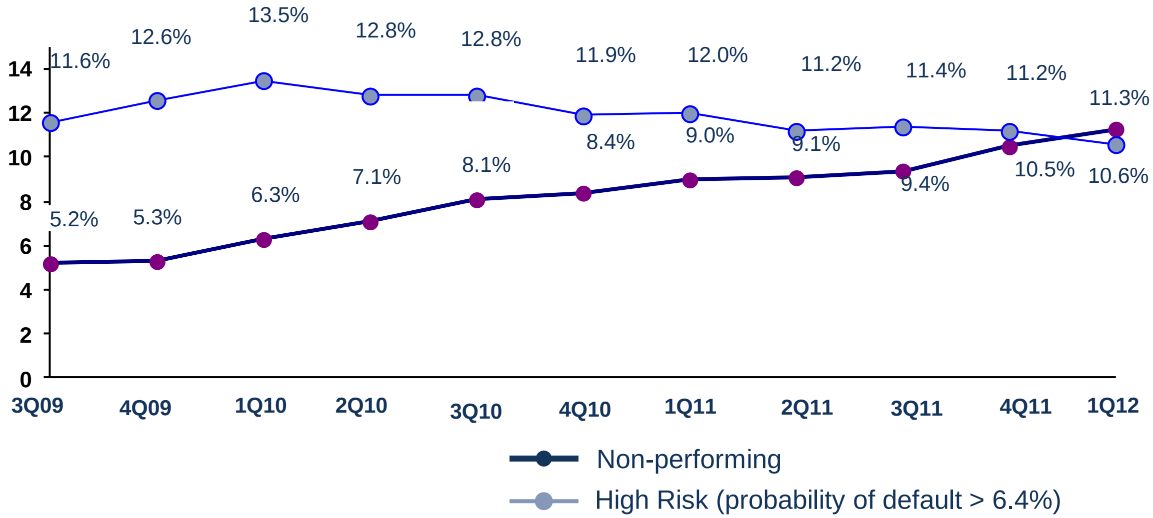
- **Loan loss provisions** in 1Q12 amounted to 28m EUR. The credit cost ratio (without the one-off impact of FX mortgage easement) came to 1.63% in 1Q12 versus 1.72% in 1Q11
- **NPL** rose to 11.3% in 1Q12 (10.5% in 4Q11)
  - NPL Retail: 17.0% in 1Q12 (13.3% in 4Q11):
    - Rising NPL in retail was driven 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**<br>- **Unhedged portfolio** | 10.1<br>5.5 | -0.8<br>-3.8 |
| **TOTAL** | **15.6** | **-4.5** |

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

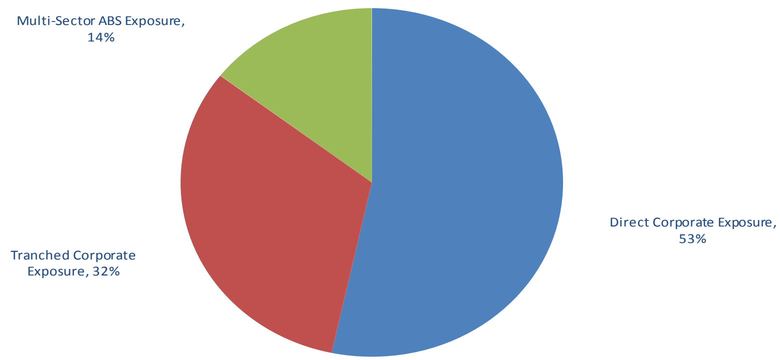
- Total notional amount fell by 1.7bn EUR
- Outstanding value adjustments decreased to 4.5bn EUR
- Claimed and settled losses amounted to 2.2bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 12.6% cumulative loss in the underlying corporate risk (approx. 85% of the underlying 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%

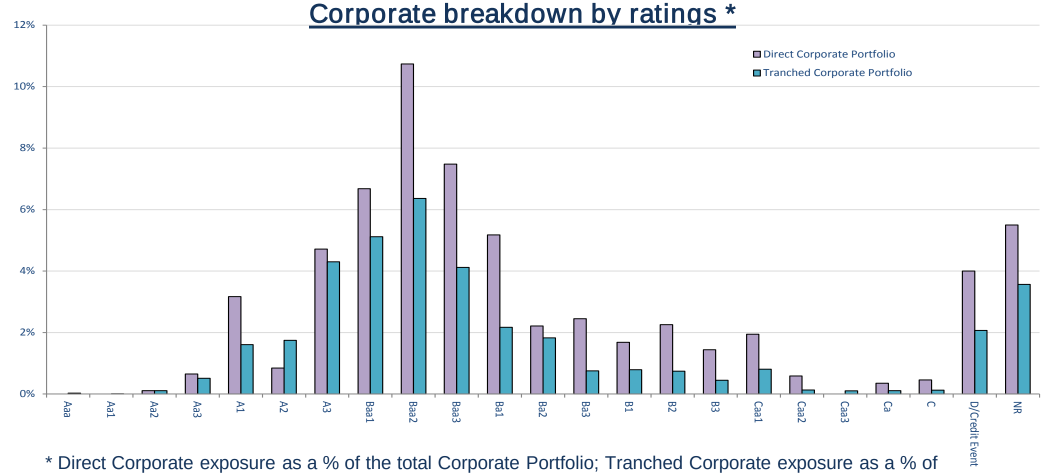
# Breakdown of KBC's CDOs originated by KBC FP

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



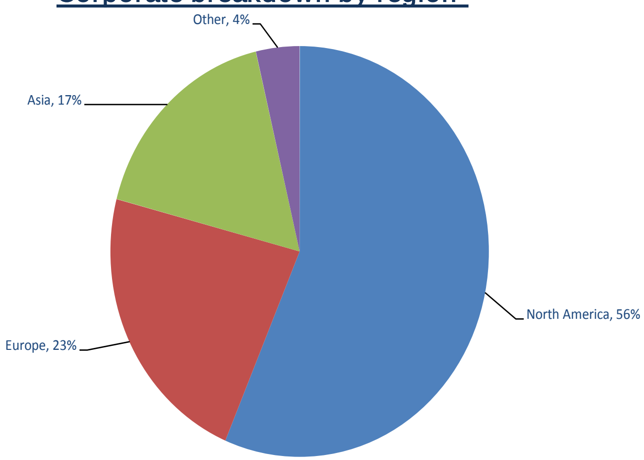

* % of total initial deal exposure; figures at 10 April 2012

## Corporate breakdown by ratings *



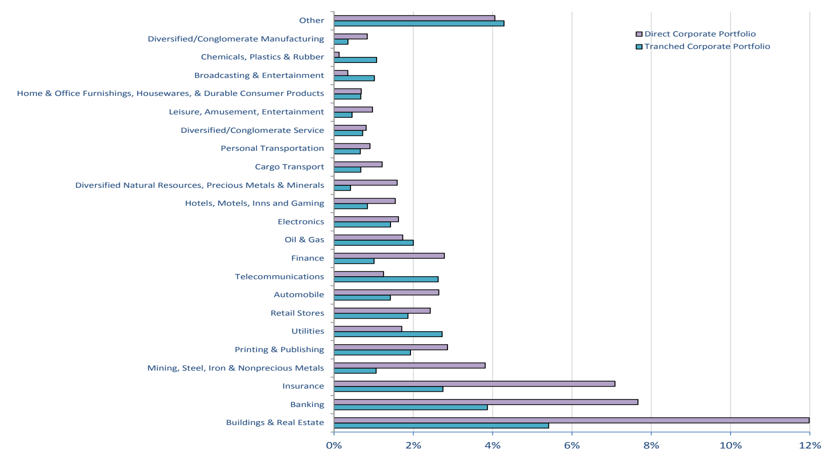

* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio. Figures at 10 April 2012, based on Moody's Ratings

## Corporate breakdown by region*



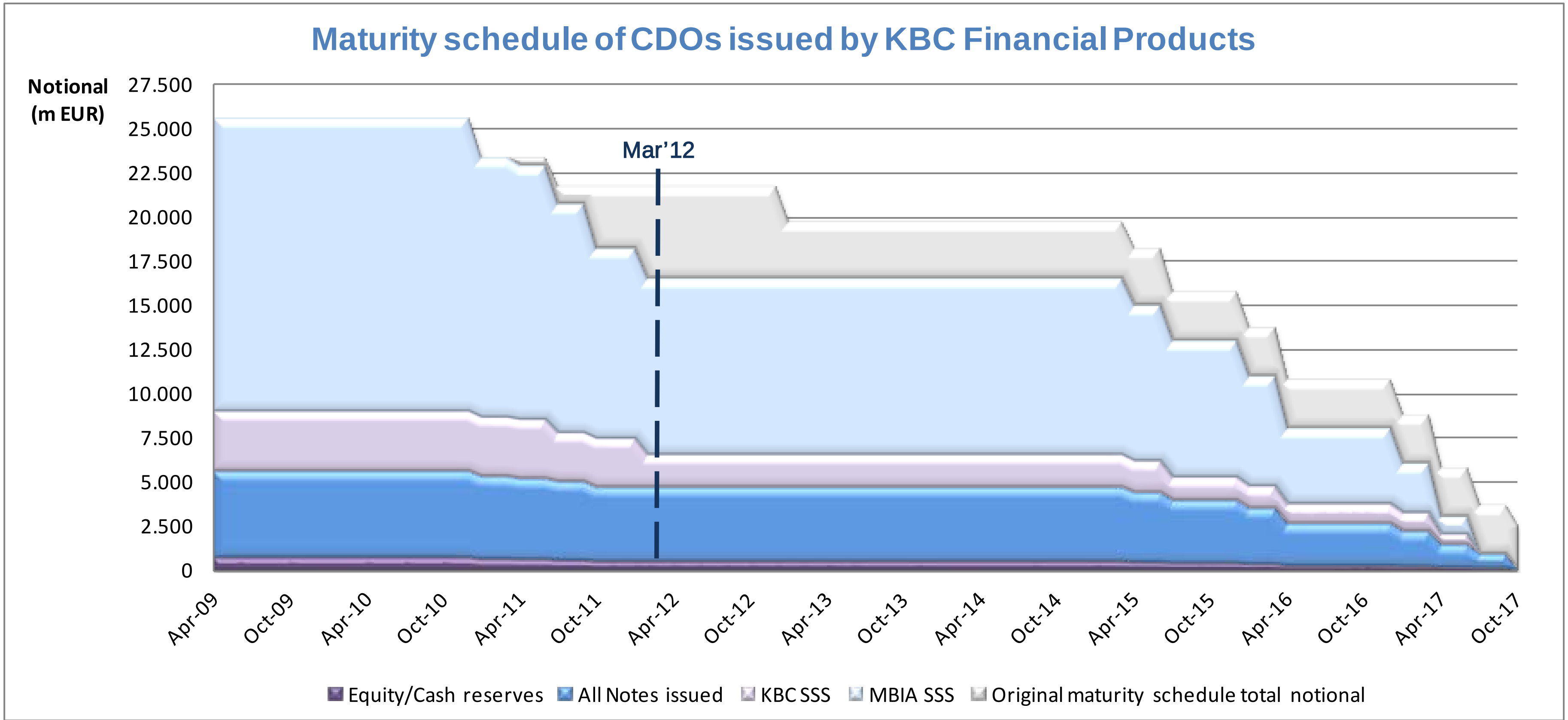

* Direct and Tranched Corporate exposure as a % of the total Corporate Portfolio; figures at 10 April 2012

## 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

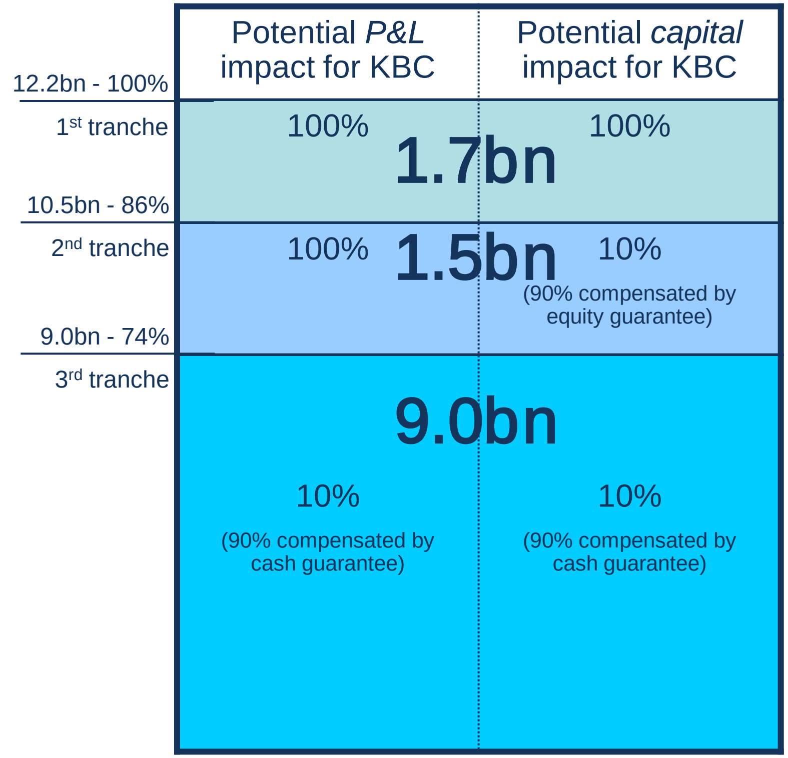
# Maturity schedule for CDO portfolio




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<br>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<br>The higher of (i) 8.5% or (ii) 120% of the dividend for 2009 and 125% for 2010 onwards<br>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**

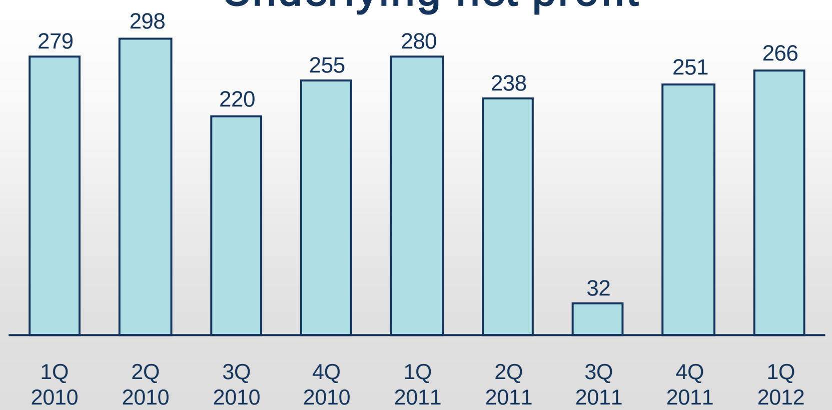
- Strong liquidity position

Annex 1

# 1Q 2012 underlying performance of business units

# Belgium Business Unit

## Underlying net profit




## Volume trend

| | Total loans ** | Of which mortgages | Customer deposits | AuM | Life reserves |
|---|---|---|---|---|---|
| Volume | 56bn | 30bn | 71bn | 142bn | 23bn |
| Growth q/q* | +1% | +1% | 0% | +3% | +3% |
| Growth y/y | +6% | +9% | +4% | -2% | +7% |

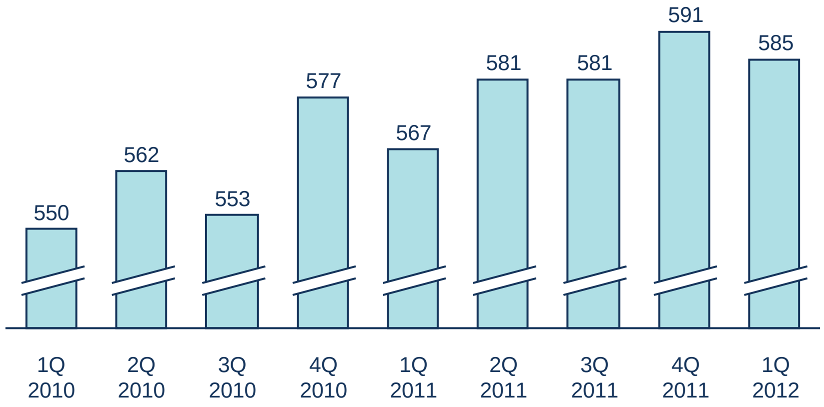
*  *Non-annualised*
**  *Loans to customers, excluding reverse repos (and not including bonds)*

- Underlying net group profit of the Belgium Business Unit continued to recover quarter-on-quarter to 266m EUR
  - At the banking business, this can be attributed mainly to lower impairments (on Loans & Receivables and AFS assets), partly offset by additional charges for the 5-5-5 bonds and the losses realised following the Greek debt exchange operation. Remember that 4Q11 included gains following the issue of Belgian state notes
  - Good insurance result, chiefly driven by a very high level of realised gains on shares in combination with a good technical non-life result (both high premiums and low claims)
- Increase in quarter-on-quarter and year-on-year loan volume, driven by growth in mortgage loans
- Deposit volumes went up by 4% year-on-year and were flat quarter-on-quarter

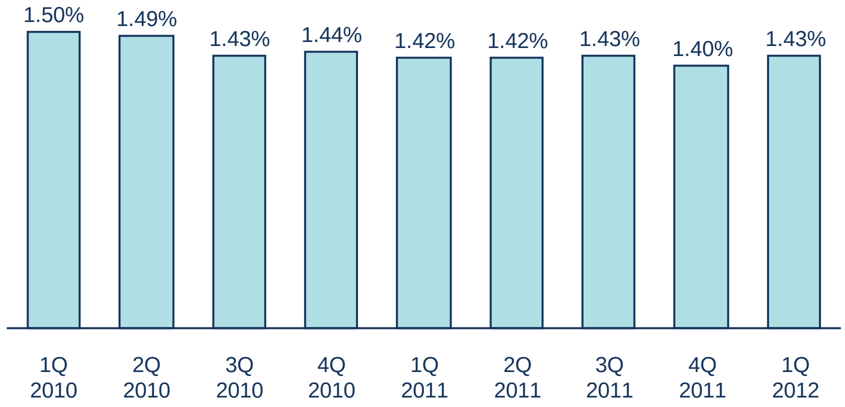
Amounts in m EUR

# Belgium Business Unit (2)

## NII



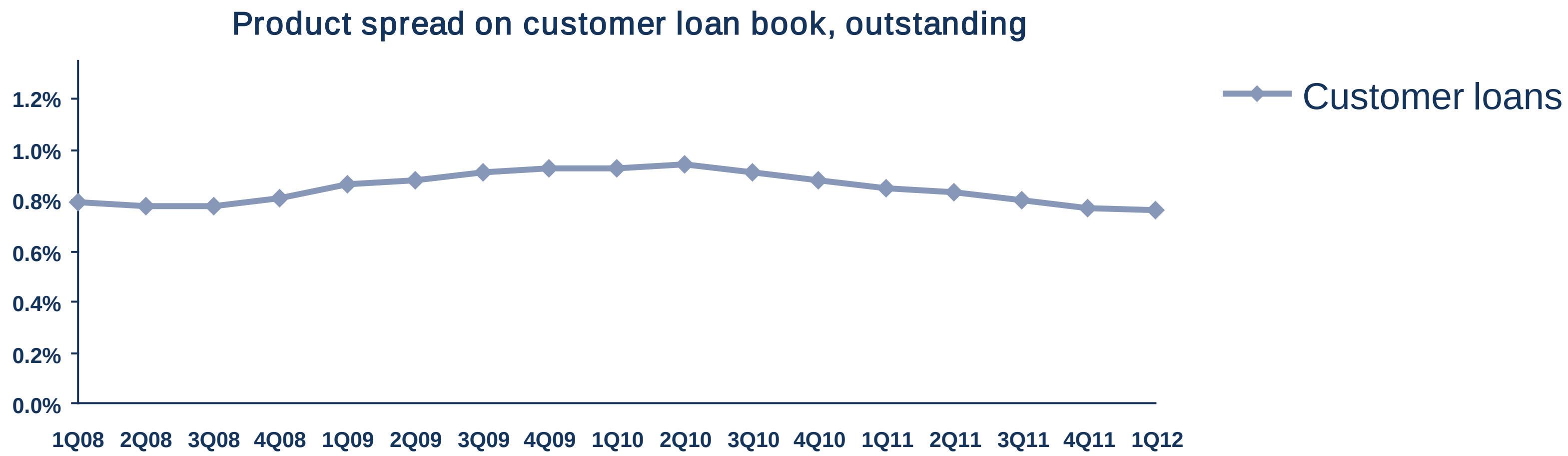

## NIM

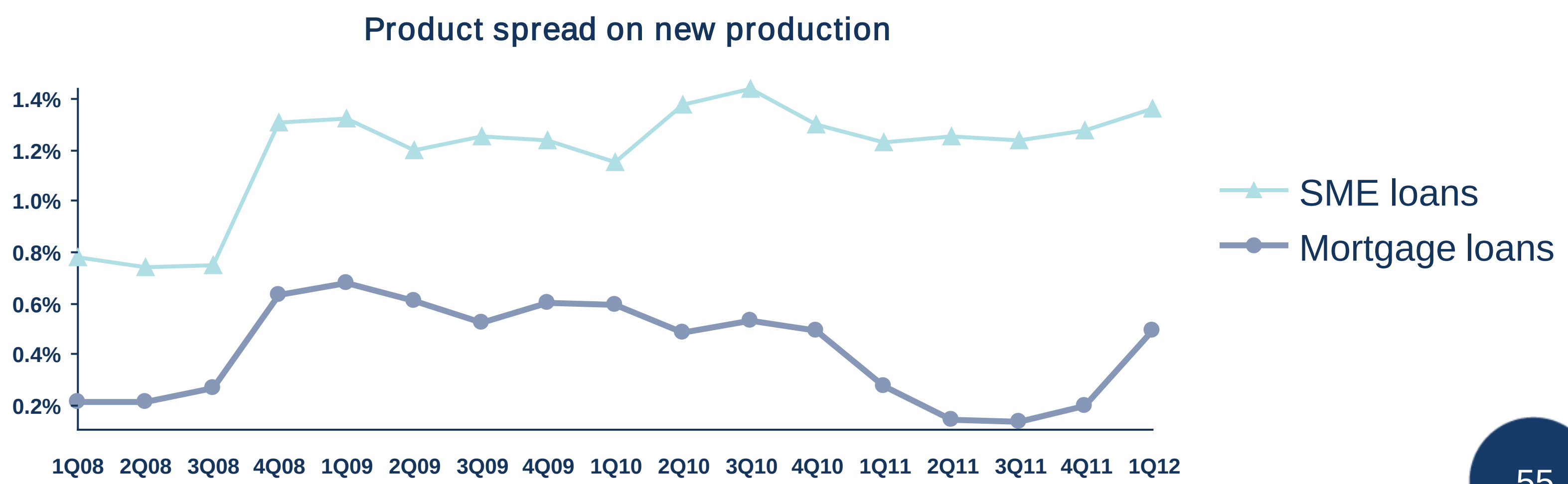



- Net interest income (585m EUR) remained healthy
  - An increase of 3% y-o-y, a slight decrease q-o-q (-1%)
  - The net interest margin increased by 3bps quarter-on-quarter to 1.43%, consequent chiefly on the interest adjustments on Greek bonds. Excluding the impact of interest corrections on Greek bonds, NIM stabilised q-o-q. The current NIM remains much higher than the 2H 2008 level (1.19% in 3Q08 and 1.25% in 4Q08)

Amounts in m EUR

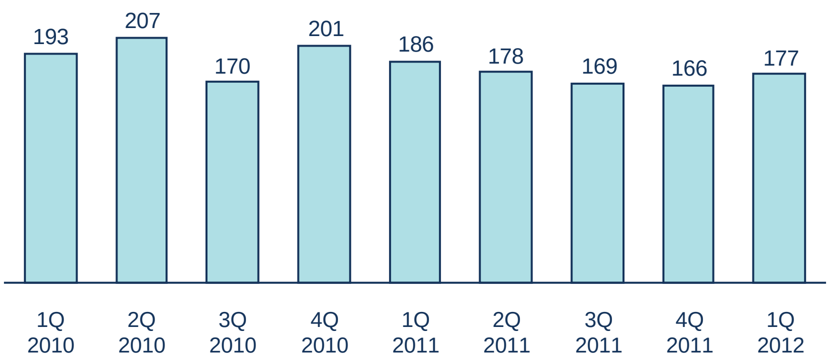
# Credit margins in Belgium



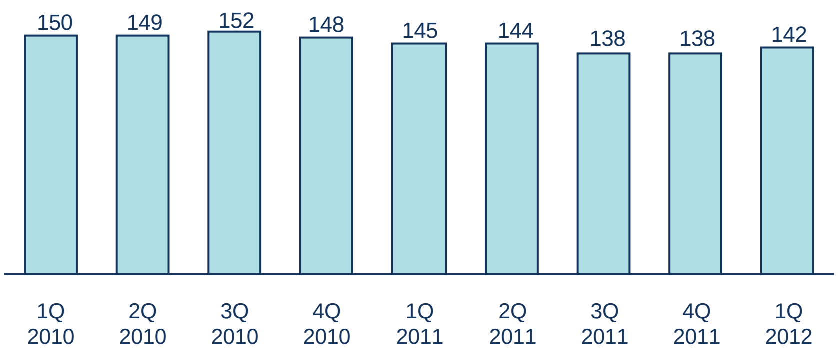



# Belgium Business Unit (3)

## F&C




## AUM



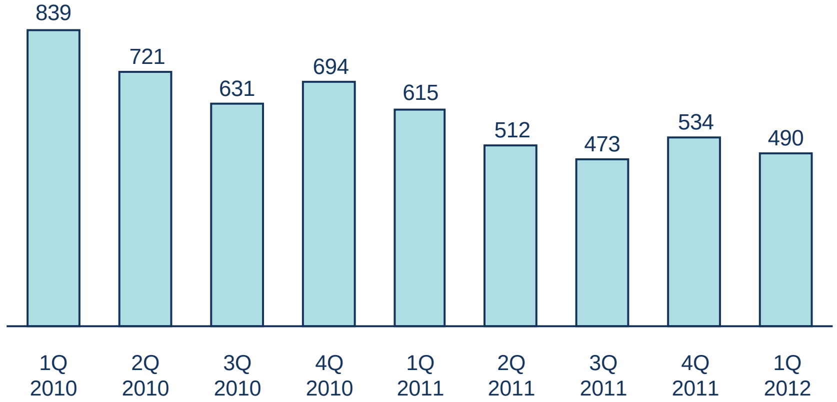

Amounts in bn EUR

- Net fee and commission income (177m EUR)
  - Net fee and commission income from banking activities (213m EUR) increased by 3% q-o-q, mainly driven by i) an increase of the entry fees on mutual funds, ii) high sales of unit-linked life insurance products and iii) to a lesser extent by higher management fees on mutual funds. Net fee and commission income from banking activities decreased by 7% y-o-y. Risk appetite remained low, leading to lower entry fees on mutual funds compared to a year earlier. Management fees on mutual funds were impacted by lower assets under management
  - Commission related to insurance activities (-35m EUR, mainly commission paid to insurance agents) was less negative than the previous quarter (-13%) and last year (-14%)
- Assets under management increased by 3% q-o-q to 142bn EUR due entirely to the positive price trend, and decreased by 2% y-o-y due primarily to net AuM outflows

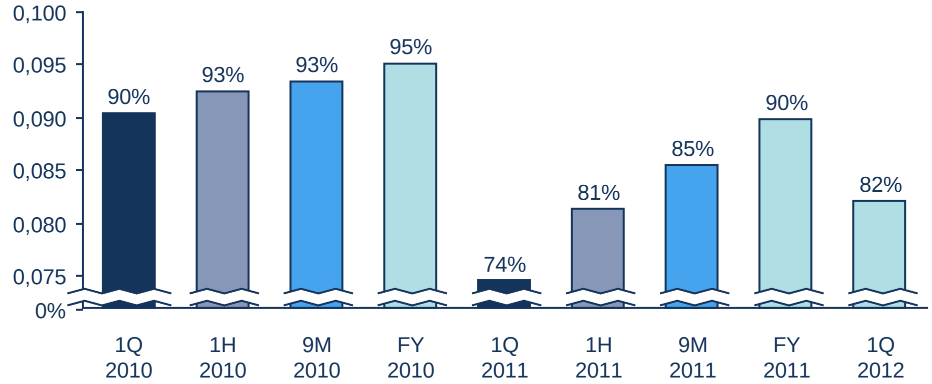
Amounts in m EUR

# Belgium Business Unit (4)

## Premium income (gross earned premium)




## Combined ratio (Non-Life)

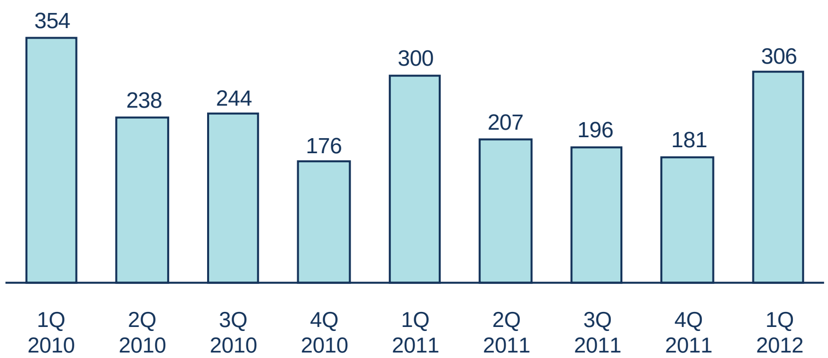



- Insurance premium income (gross earned premium) at 490m EUR
  - Non-life premium income (225m) up 1% q-o-q and 6% y-o-y (increase in most classes, but mainly in Fire insurance)
  - Life premium income (264m) down 15% q-o-q and 34% y-o-y
- Combined ratio remained at an excellent level of 82% in 1Q12

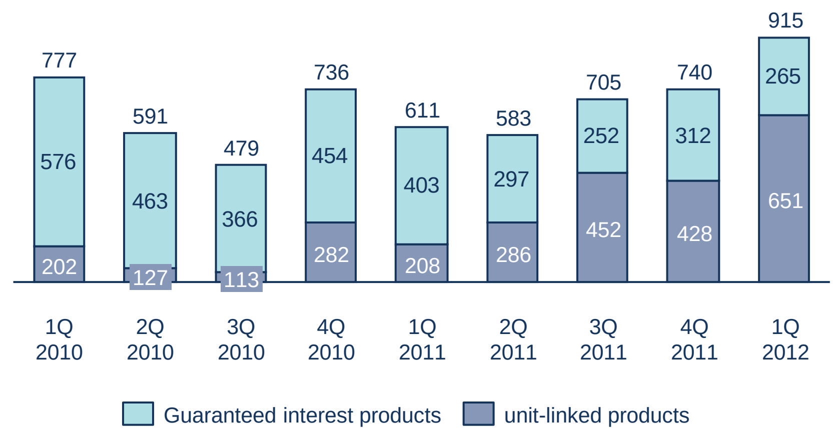
Amounts in m EUR

# Belgium Business Unit (5)

## Non-Life sales (gross written premium)




## Life sales (gross written premium)

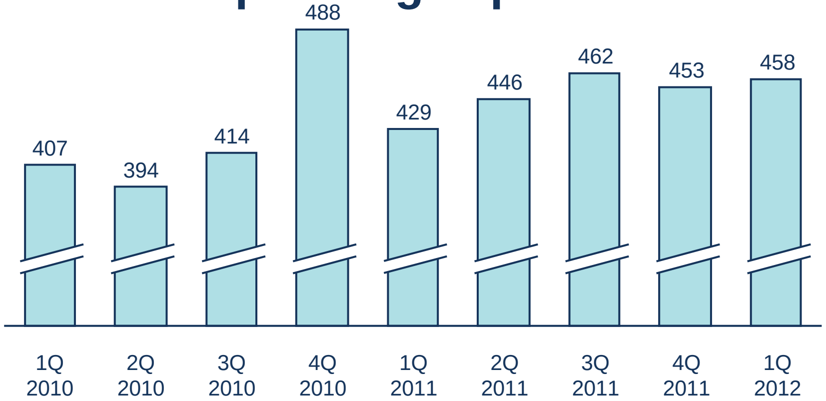



- Sales of Non-Life insurance products:
  - rose by 69% quarter-on-quarter (typical first quarter effect) and by 2% year-on-year
- Sales of Life insurance products:
  - rose by 50% year-on-year and 24% quarter-on-quarter. The 24% quarter-on-quarter increase was fully driven by higher sales of unit-linked products (thanks to extra commercial efforts), partly offset by deliberately lower sales of guaranteed interest products
  - As a result, guaranteed interest products and unit-linked products accounted for respectively 29% and 71% of life insurance sales in 1Q12

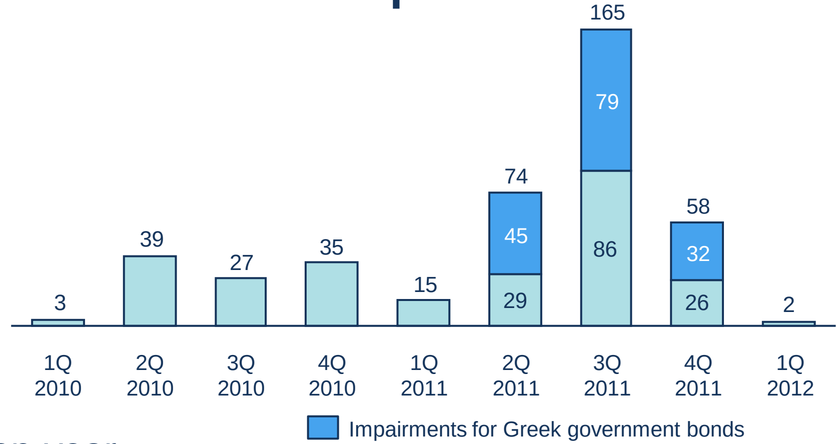
Amounts in m EUR

# Belgium Business Unit (6)

## Operating expenses




## Asset impairment



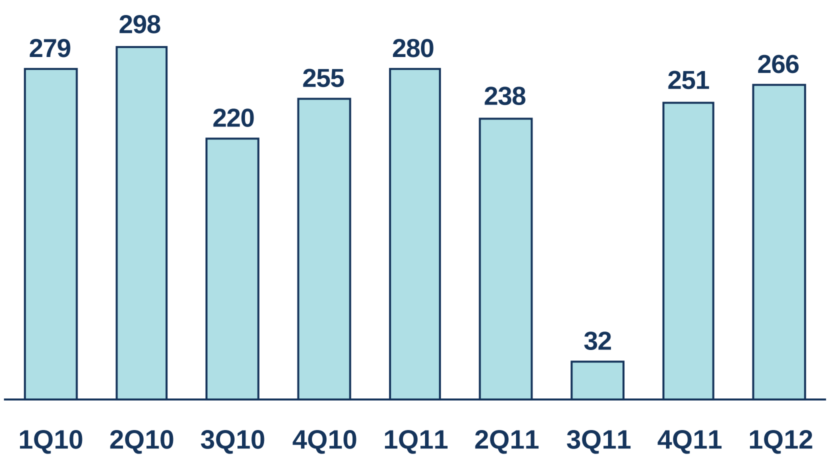

- Operating expenses: +1% quarter-on-quarter and +7% year-on-year
  - Operating expenses rose by 1% q-o-q due to the higher contribution to the Deposit Guarantee Scheme (38m EUR in 1Q12 compared to 22m EUR in 4Q11) and despite lower marketing and ICT expenses and low restructuring charges. Excluding several small one-off items, operating expenses decreased by 1% q-o-q
  - On a y-o-y basis, operating expenses were up 7% due to a higher contribution to the Deposit Guarantee Scheme and higher staff expenses, mainly as a consequence of the wage indexation. Excluding several one-off items, operating expenses rose by 3% y-o-y
  - Underlying cost/income ratio: 65% YTD (and 62% YTD excluding the provision for the 5-5-5 product)
- A small reversal of loan loss provisions in 1Q12 (2m EUR). Credit cost ratio of -2 bps in 1Q12. NPL ratio at 1.5%. Furthermore, only 4m EUR was recognised for impairment on shares at KBC Insurance.
  No further impairments on Greek government bonds given the exchange deal

Amounts in m EUR

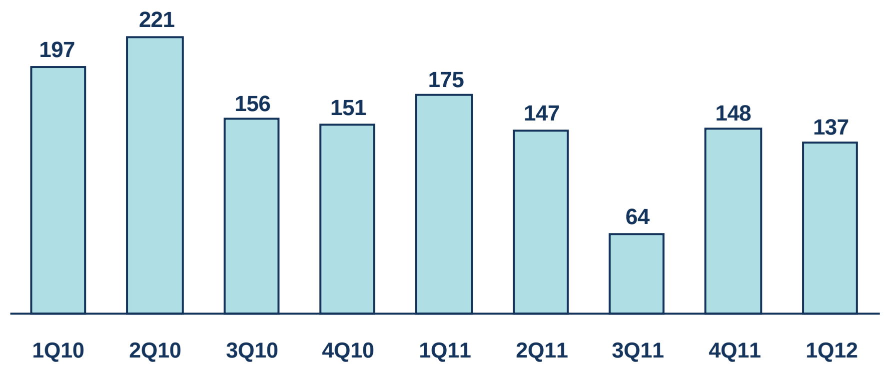
# Underlying profit of the Belgium BU

Amounts in m EUR

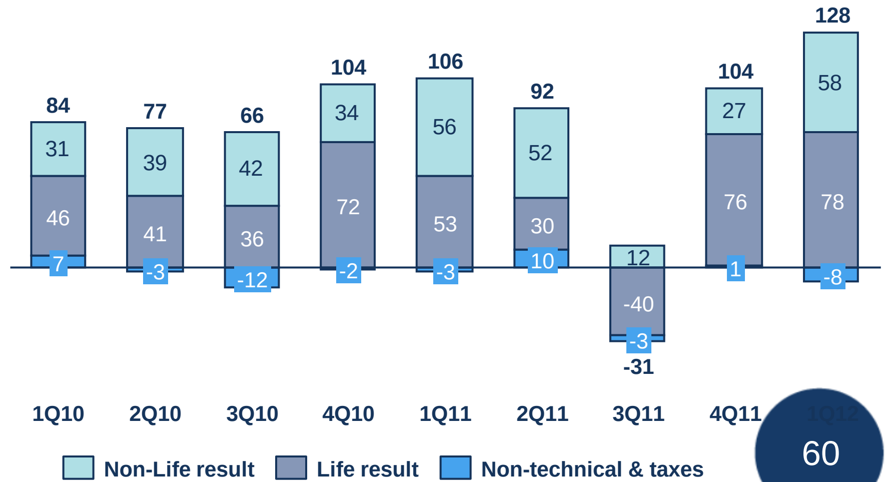
## Underlying net profit of the Belgium BU *




## Underlying net profit contribution banking to the Belgium BU



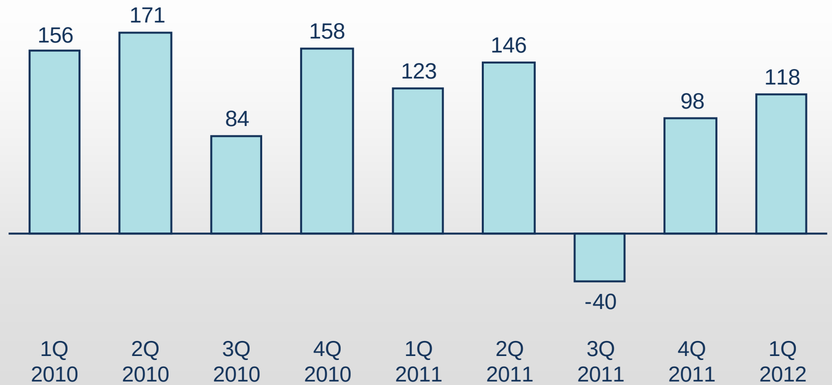

## Underlying net profit contribution insurance to the Belgium BU




* Difference between underlying net profit of the Belgium BU and the sum of the banking and insurance contribution are some rounding differences

# CEE Business Unit

## Underlying net profit




## Volume trend

| | Total loans ** | Of which mortgages | Customer deposits | AUM | Life reserves |
|---|---|---|---|---|---|
| Volume | 26bn | 11bn | 36bn | 11bn | 2bn |
| Growth q/q* | 0% | 0% | -2% | +5% | +5% |
| Growth y/y | +2% | +1% | +3% | -9% | 0% |

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

- Underlying profit at CEE Business Unit of 118m EUR
  - CEE profit breakdown: 156m Czech Republic, 23m Slovakia, -36m Hungary, 3m Bulgaria, -27m Other (mainly due to the recognition at KBC Group level for funding costs of goodwill)
  - Results from the banking business versus 4Q11 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
  - Profit contribution from the insurance business remained limited in comparison to the banking business

Amounts in m EUR

# CEE Business Unit (2)

## Organic growth(*)

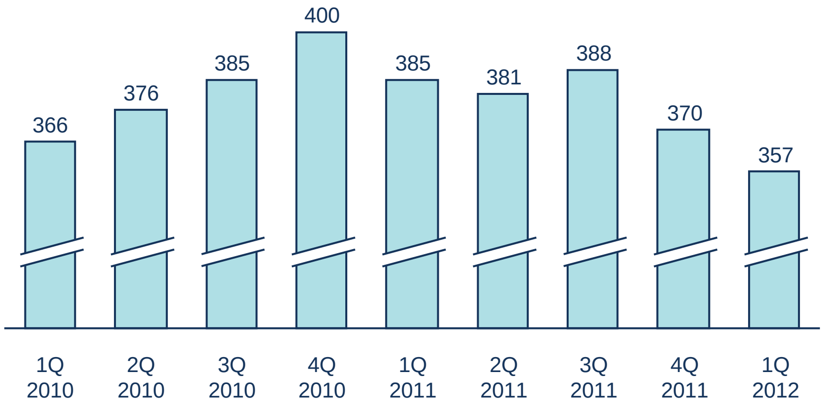
| | Total loans | | Mortgages | | Deposits | |
|---|---|---|---|---|---|---|
| | q/q | y/y | q/q | y/y | q/q | y/y |
| **CZ** | 1% | +6% | +3% | +11% | -2% | +3% |
| **SK** | +1% | +14% | +2% | +16% | +5% | +2% |
| **HU** | -3% | -14% | -12% | -28% | -5% | +4% |
| **BU** | -2% | -19% | -10% | -29% | -2% | +8% |
| **TOTAL** | **0%** | **+2%** | **0%** | **+1%** | **-2%** | **+3%** |

- The total loan book was flat q-o-q, but rose by 2% y-o-y. On a y-o-y basis, the increases in Slovakia (+14% y-o-y thanks to an increase in mortgage loans) and the Czech Republic (+6% y-o-y) were only partly offset by decreases in Hungary (where trend was impacted by the FX mortgage relief programme) and Bulgaria (where trend was impacted by 3Q11 impairments, mainly on corporate real estate)
- Total deposits were down 2% q-o-q (with the largest relative decrease in Hungary), but up 3% y-o-y
- Loan to deposit ratio at 74%

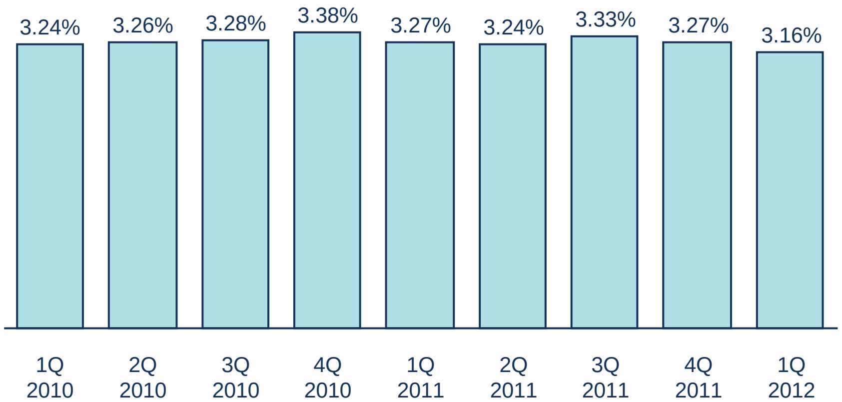
(*) organic growth excluding FX impact, q-o-q figures are non-annualised. Loan and mortgage figures after impairments

# CEE Business Unit (3)

## NII




## NIM



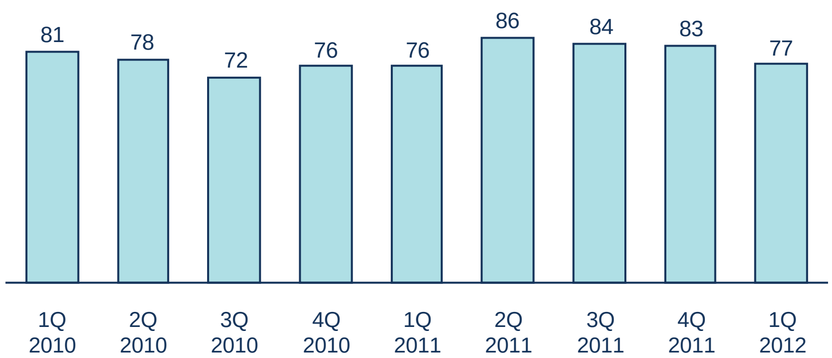

- Excluding the FX effect, net interest income fell by 4% both q-o-q and y-o-y to 357m EUR. This can mainly be explained by a decrease in the loan portfolio at K&H Bank following the repayment of FX mortgages in 2011

- The net interest margin narrowed by some 11bps quarter-on-quarter to 3.16%, caused by the lower amount of loans & receivables at K&H (especially the result of lower FX mortgage loans with high margins) and a lower NIM at CSOB SK (given the exceptionally high NIM in 4Q11)

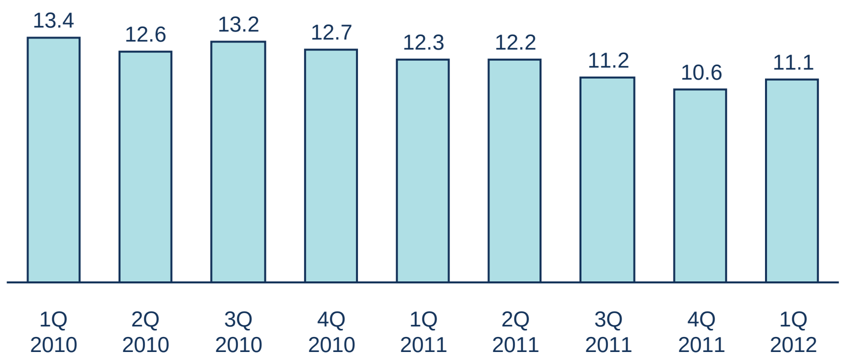
Amounts in m EUR

# CEE Business Unit (4)

## F&C




## AUM




Amounts in bn EUR

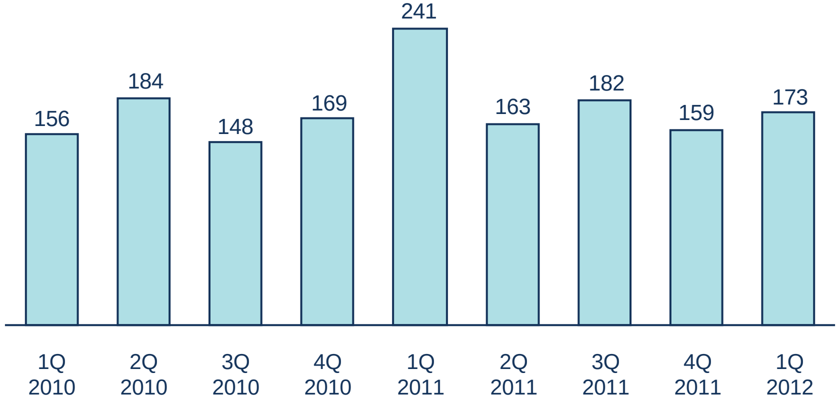
- Excluding the FX effect, net fee and commission income (77m EUR) fell by 9% q-o-q, but rose by 5% y-o-y. The 9% q-o-q decrease is mainly driven by CSOB Bank CZ (lower F&C income on investment services). Excluding technical items, net F&C decreased by 9% y-o-y due to lower investment services fees in CR, lower payment fees in Hungary and higher insurance commissions paid

- Assets under management increased by 5% q-o-q to roughly 11bn EUR, driven by the positive price trend (+6% q-o-q), partly offset by net outflows (-1% q-o-q). Y-o-y, assets under management decreased by 9%, driven by net outflows (-6%) and some negative price effect

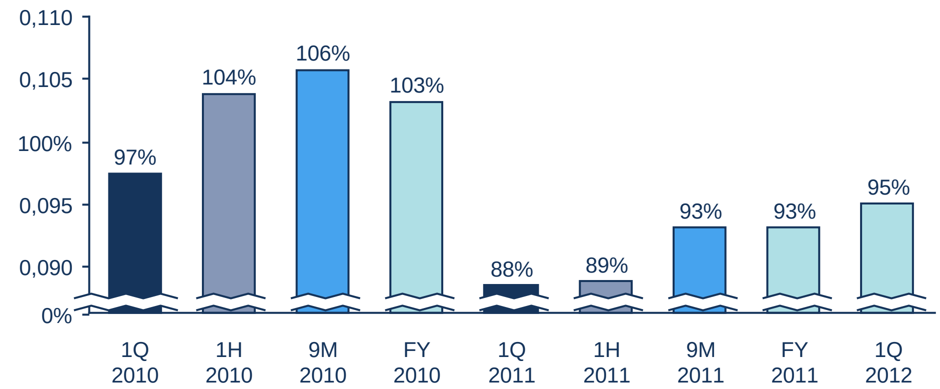
Amounts in m EUR

# CEE Business Unit (5)

## Premium income (gross earned premium)




## Combined ratio (Non-Life)

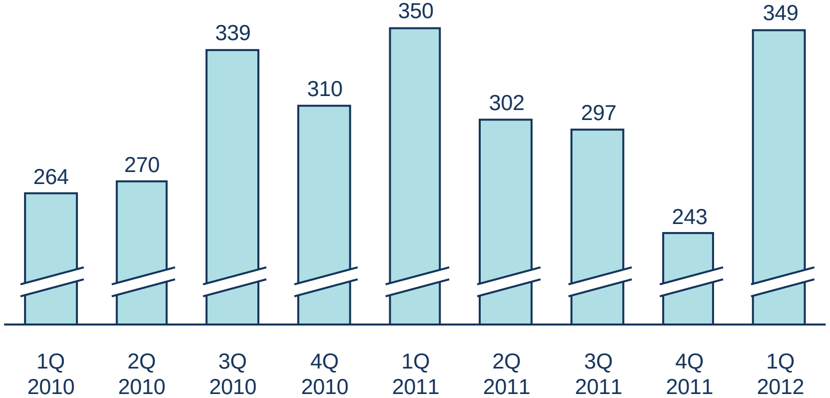



- Insurance premium income (gross earned premium) stood at 173m EUR
  - Non-life premium income (81m) down 3% q-o-q and up 3% y-o-y
  - Life premium income (91m) up 22% q-o-q, but down 44% y-o-y (mainly due to the variance in unit-linked sales in CR)
- Combined ratio at 95% in 1Q12

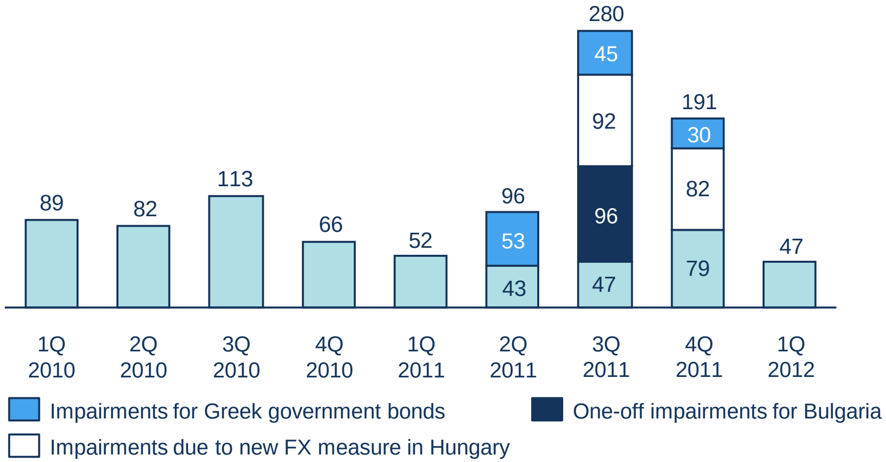
Amounts in m EUR

# CEE Business Unit (6)

## Operating expenses




## Asset impairment




- Operating expenses (349m EUR) rose by 44% q-o-q, but remained flat y-o-y
  - This q-o-q increase is due entirely to the recognition of the Hungarian bank tax in 1Q12 (57m EUR pre-tax) versus the recuperation of the Hungarian bank tax in 4Q11
  - Excluding this bank tax and other technical items, opex decreased by 1% q-o-q, but increased by 1% y-o-y (due to FX effect)
  - YTD cost/income ratio at 65% (54% excluding Hung. bank tax)
- Asset impairment at 47m
  - L&R impairments decreased sharply thanks to lower q-o-q FX mortgage impairments in Hungary, leading to a credit cost ratio of 0.60% YTD (1.59% in FY11). NPL ratio at 5.6%

| | Loan book | 2009* CCR | 2010 CCR | 2011 CCR | 1Q12 CCR |
|---|---|---|---|---|---|
| **CEE** | **31bn** | **2.12%** | **1.16%** | **1.59%** | **0.60%** |
| - Czech Rep. | 20bn | 1.12% | 0.75% | 0.37% | 0.26% |
| - Hungary | 6bn | 2.01% | 1.98% | 4.38% | 1.92% |
| - Slovakia | 4bn | 1.56% | 0.96% | 0.25% | 0.29% |
| - Bulgaria | 1bn | 2.22% | 2.00% | 14.73% | 1.16% |

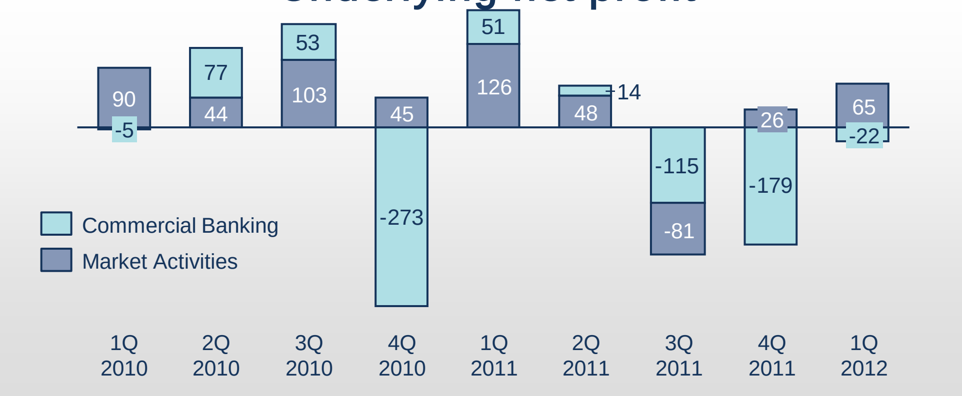
** CCR according to 'old business unit reporting'*



Amounts in m EUR

# Merchant Banking Business Unit

## Underlying net profit




## Volume trend

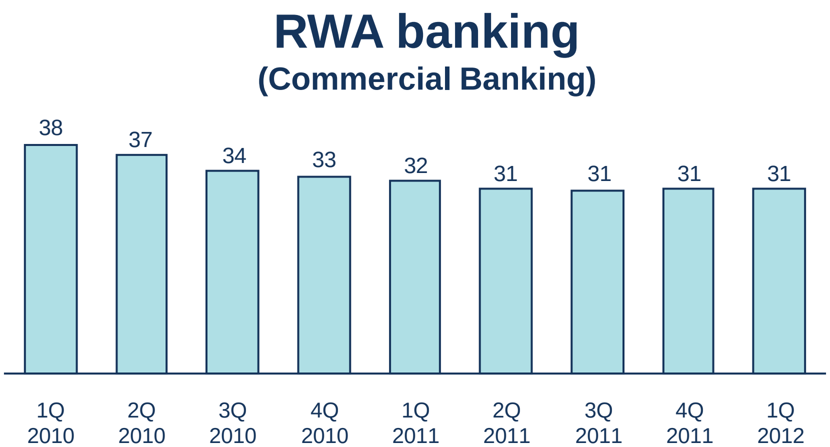
| | Total loans | Customer deposits |
|---|---|---|
| **Volume** | **43bn** | **40bn** |
| **Growth q/q*** | **0%** | **+18%** |
| **Growth y/y*** | **0%** | **-34%** |

**non-annualised*

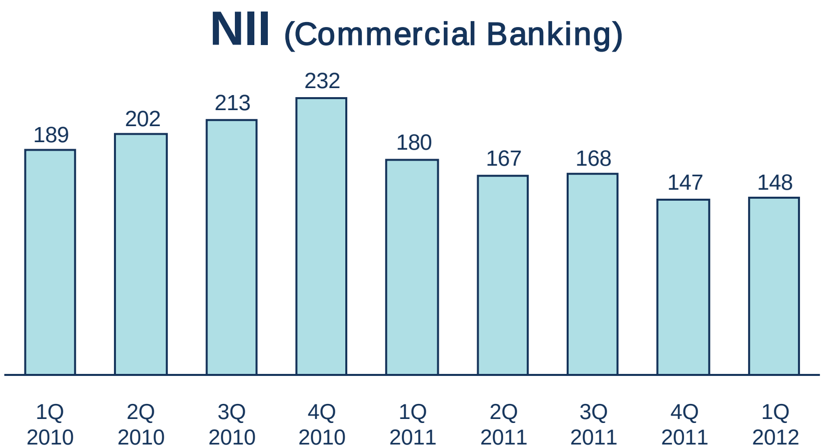
- Underlying net profit in the Merchant Banking Business Unit totalled 42m EUR
  - The higher q-o-q result from this business unit's Commercial Banking activities of 157m EUR in 1Q12 was due entirely to lower loan loss provisions for Belgian corporates, the 41m EUR reversal regarding the fraud case at KBC Lease UK and the positive counterparty value adjustment (29m EUR pre-tax and 19m post-tax). Despite that, the result for 1Q12 was negative entirely on account of the high loan impairments at KBC Bank Ireland, fully in line with our previous guidance. Excluding KBC Bank Ireland, the 1Q12 result would be +123m EUR, which is a fine result given the y-o-y reduction in capital consumption
  - The result from the unit's Market Activities of 65m EUR was up sharply q-o-q, mainly driven by the excellent dealing room result and the gain of 21m EUR realised at KBC Private Equity. It was partially offset by the 34m EUR post-tax losses (51m EUR pre-tax) on the sale of ex-Atomium bonds and the additional provision for the 5-5-5 bonds (27m EUR pre-tax and 18m post-tax)

Amounts in m EUR

# Merchant Banking Business Unit (2)




Amounts in bn. EUR



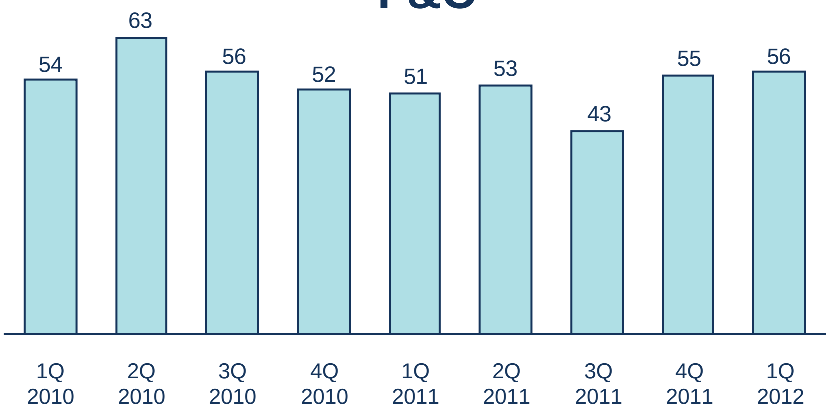

- Risk weighted assets in Commercial Banking stabilised at roughly 31bn EUR, whilst RWA at Market Activities reduced by roughly 2bn EUR due to the sale of ABS assets
- After several quarters with decreasing net interest income (relating to the Commercial Banking activities), the 1Q12 net interest income level stabilised q-o-q



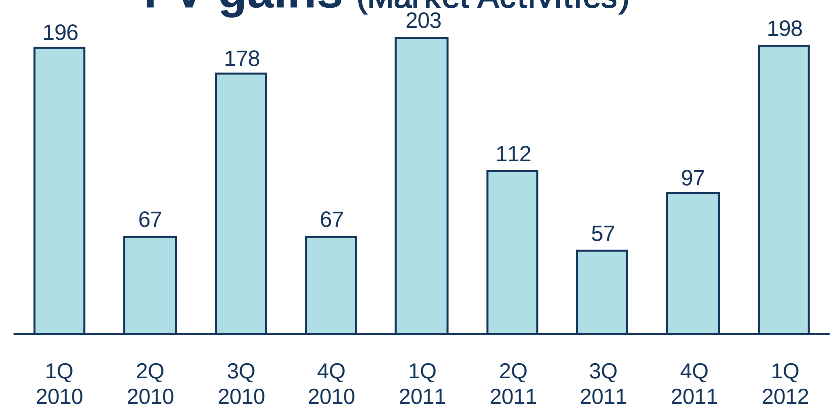
Amounts in m EUR

# Merchant Banking Business Unit (3)

## F&C




## FV gains (Market Activities)



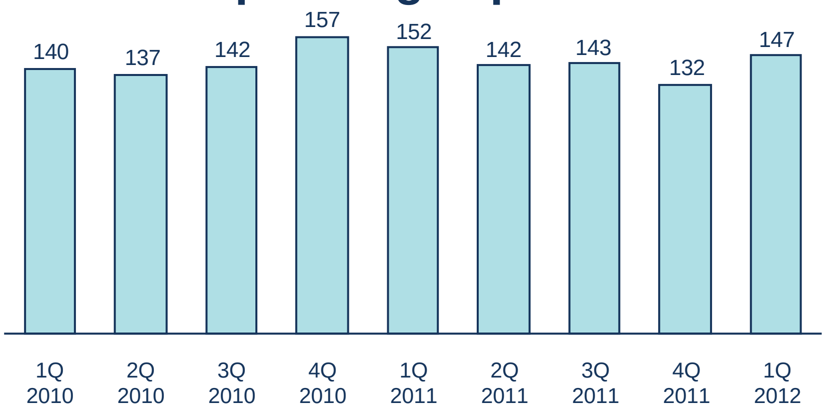

- At 56m EUR, net fee and commission income also stabilised q-o-q. Net fee and commission income increased by 10% y-o-y driven by higher fees for foreign payments, letters of credit and domestic payments

- Higher q-o-q fair value gains within the 'Market Activities' sub-unit, largely thanks to excellent dealing room activities in 1Q12 (and to a lesser extent to the 21m EUR gain realised at KBC Private Equity). Slightly lower y-o-y FV gains due to substantially lower CVAs in 1Q12 and lower Private Equity gains, which offset the increased dealing room income

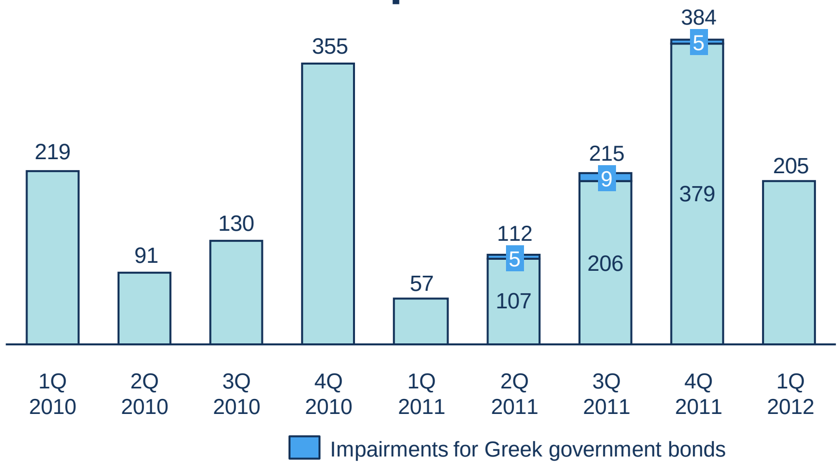
Amounts in m EUR

# Merchant Banking Business Unit (4)

## Operating expenses




## Asset impairment

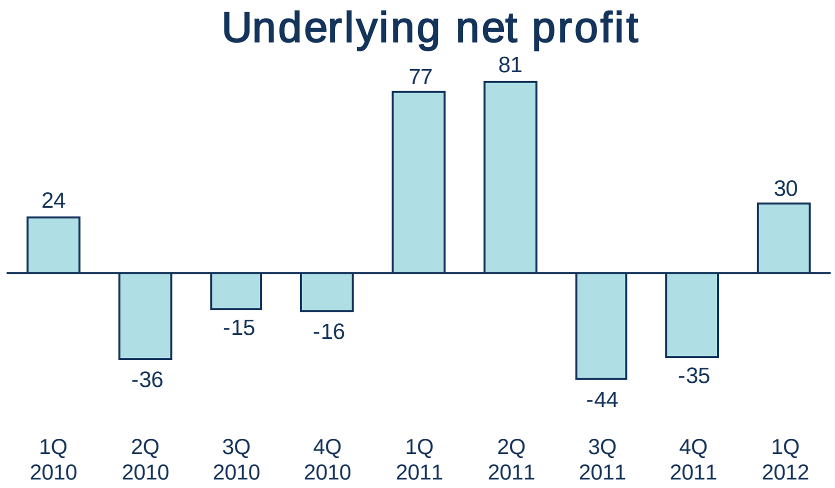



- Operating expenses increased by 11% quarter-on-quarter, but fell by 4% year-on-year to 147m EUR. Excluding several small one-off items, operating expenses rose by 7% quarter-on-quarter and stabilised year-on-year. Underlying cost/income ratio: 35% in 1Q12 (and 32% excluding the provision for the 5-5-5 product)

- Total impairments amounted to 205m EUR in 1Q12
  - The significantly lower q-o-q impairments on L&R were accounted for largely by Belgian corporates (on account of the year-end uptick in 4Q11) and KBC Bank Ireland (loan loss provisions in 1Q12 of 195m EUR compared with 228m EUR in 4Q11). Credit cost ratio at 1.57% in 1Q12 (compared to 1.36% in 2011) and NPL ratio at 9.1% (mainly due to one large file shifting from performing to non-performing status); 0.09% and 3.8%, respectively excluding KBC Bank Ireland
  - No additional impairments for Greek government bonds given the exchange deal

Amounts in m EUR

# Group Centre




- KBL *epb* and Fidea were deconsolidated in underlying as of 1Q12
- 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). After two quarterly losses, the Group Centre booked an underlying profit of 30m EUR, mainly thanks to lower impairments, driven by Absolut Bank, NLB and Antwerp Diamond Bank. Note that the divestment of Fidea was finalised on 31 March 2012 (1Q12), while the sale of KBL *epb* was announced in October 2011 and is expected to be finalised during 2Q12
- 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'

Amounts in m EUR

# Group Centre (2)

## Breakdown of underlying net group profit

| | 1Q12 |
|---|---|
| **Group item (ongoing business)** | **9** |
| **Planned divestments** | **20** |
| - Centea | 0 |
| - Fidea | 0 |
| - Kredyt Bank | 10 |
| - Warta | 15 |
| - Absolut Bank | 12 |
| - 'old' Merchant Banking activities | 13 |
| - KBL EPB | 0 |
| - Other | -30 |
| **TOTAL underlying net group profit** | **30** |

## NPL, NPL formation and restructured loans in Russia

| | 1Q 2010 | 2Q 2010 | 3Q 2010 | 4Q 2010 | 1Q 2011 | 2Q 2011 | 3Q 2011 | 4Q 2011 | 1Q 2012 |
|---|---|---|---|---|---|---|---|---|---|
| NPL | 17.9% | 17.8% | 18.3% | 16.8% | 16.1% | 13.5% | 11.4% | 11.2% | 10.3% |
| NPL formation | 3.9% | -0.1% | 0.5% | -1.5% | -0.7% | -2.6% | -2.1% | -0.2% | -0.9% |
| Restructured loans | 10.3% | 10.3% | 9.7% | 6.3% | 4.2% | 3.9% | 3.9% | 3.2% | 2.3% |
| Loan loss provisions (m EUR) | 0 | 19 | 12 | -9 | -29 | -9 | -8 | 4 | -10 |

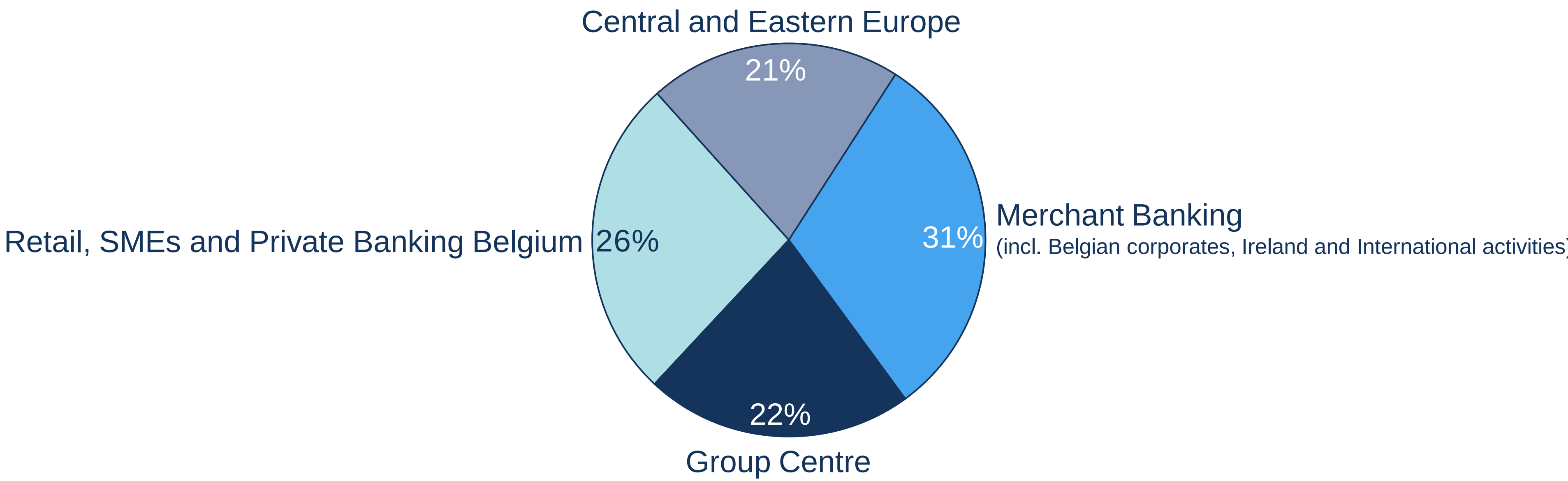
Amounts in m EUR

Annex 2

# Company profile

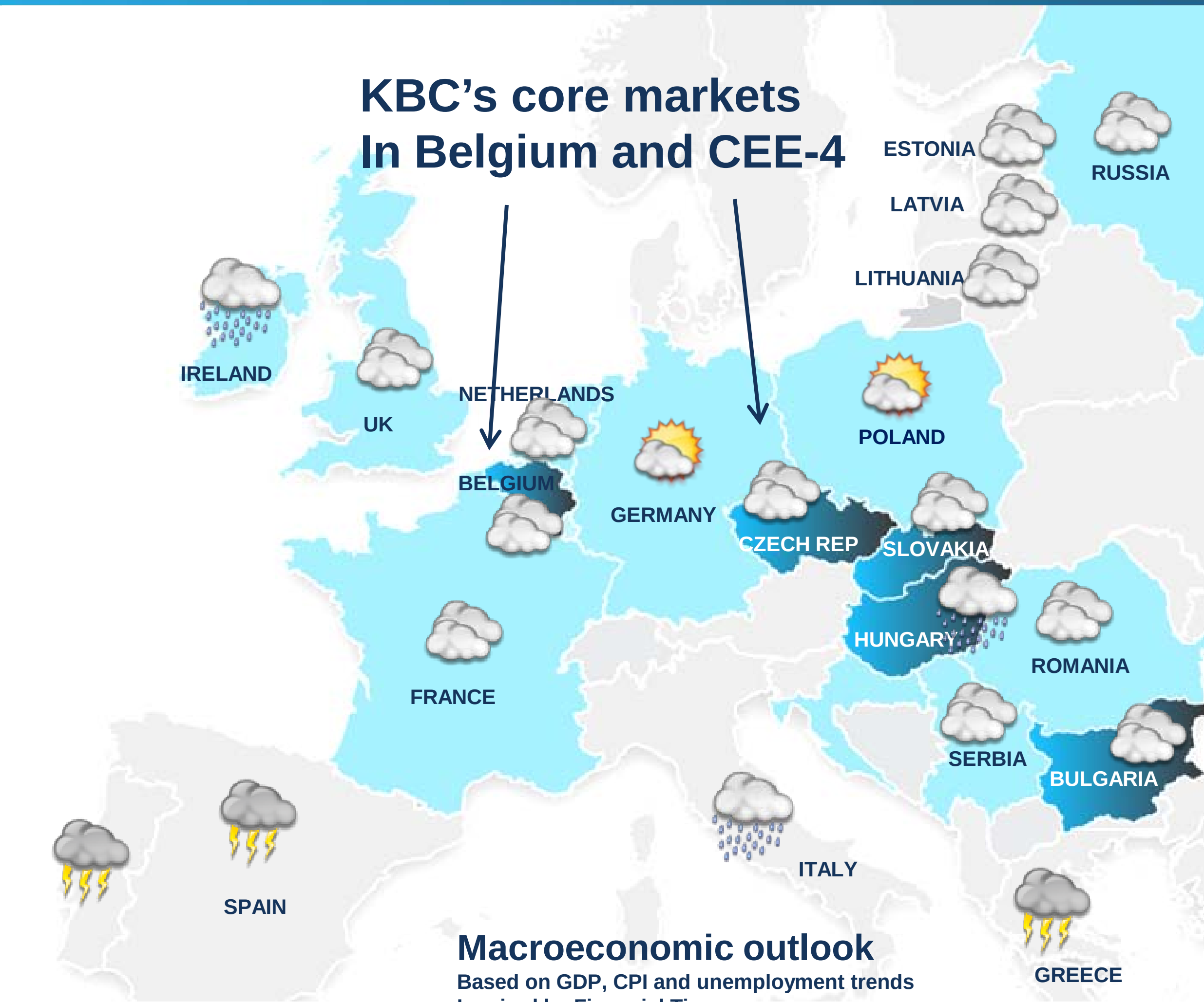
# Business profile

## Breakdown of allocated capital by business unit at 31 March 2012




- KBC is a leading player (retail and SME bancassurance, private banking, commercial and local investment banking) in Belgium and our 4 core countries in CEE

# KBC's geographical presence




**Macroeconomic outlook**

Based on GDP, CPI and unemployment trends
Inspired by Financial Times

**KBC'S CORE MARKETS**

**Belgium (Moody's Aa3)**
Total assets: 167bn EUR

**Czech Republic (A1)**
Total assets: 39bn EUR

**Hungary (Ba1)**
Total assets: 9bn EUR

**Slovakia (A2)**
Total assets: 6bn EUR

**Bulgaria (Baa2)**
Total assets: 1bn EUR

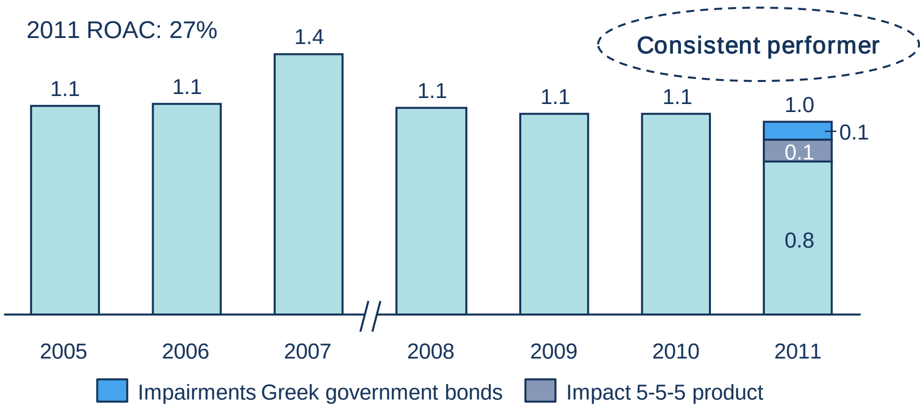
**Real GDP growth outlook for core markets**
Source: KBC data, February 2012

| | % of assets | 2011a | 2012e | 2013e |
|---|---|---|---|---|
| SK | 2% | +3.3% | +1.5% | +2.2% |
| BE | 57% | +1.9% | +0.2% | +1.4% |
| CZ | 13% | +1.7% | 0.0% | +2.0% |
| BG | 1% | +2.1% | +1.2% | +2.5% |
| HU | 3% | +1.7% | -0.3% | +1.0% |

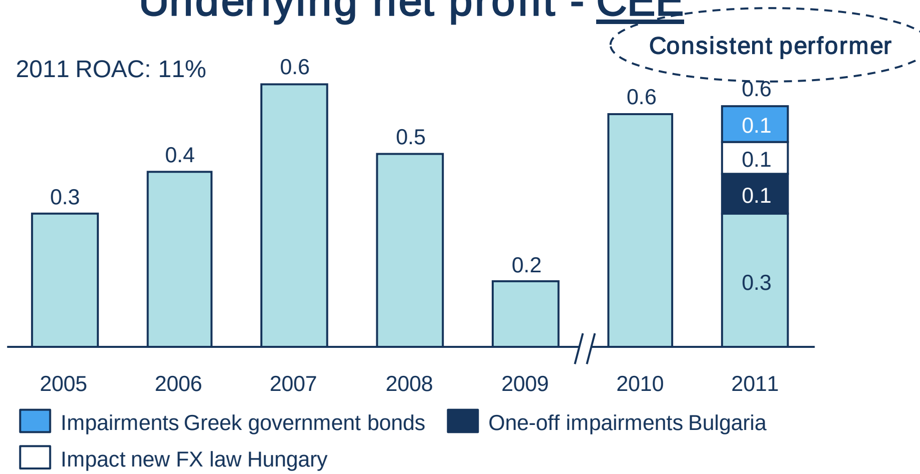
# Satisfying FY results in home markets

Underlying performance

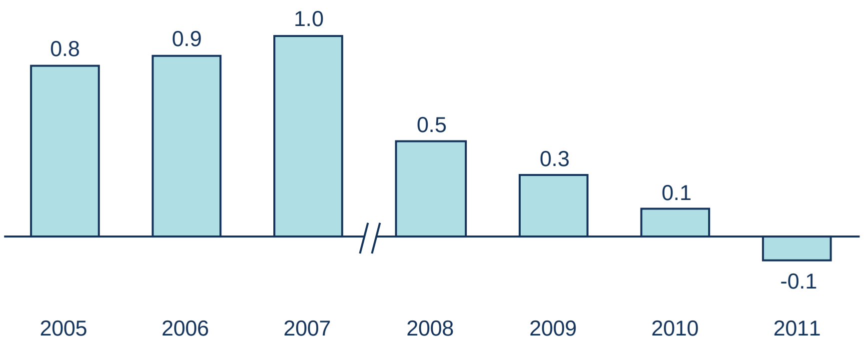
## Underlying net profit - Belgium (retail)



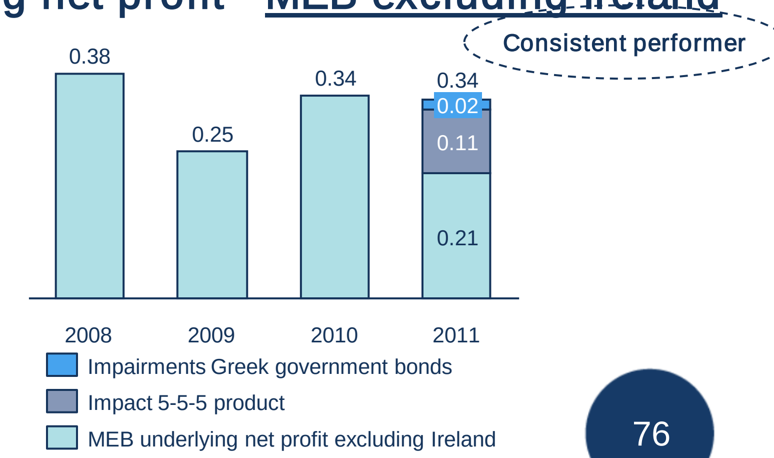

## Underlying net profit - CEE




## Underlying net profit - Merchant Banking (BE +Intl) (affected by Ireland)




## Underlying net profit - MEB excluding Ireland




Amounts in bn EUR

# Loan loss experience at KBC

| | 1Q 2012 credit cost ratio | FY 2011 credit cost ratio | FY 2010 credit cost ratio | FY 2009 credit cost ratio | Average '99 –'10 | Peak '99 –'10 |
|---|---|---|---|---|---|---|
| **Belgium** | **-0.02%** | **0.10%** | 0.15% | 0.15% | 0.16% | 0.31% |
| **CEE** | **0.60%** | **1.59%*** | 1.16% | 2.11% | 1.05% | 2.75% |
| **Merchant** | **1.57%**** | **1.36%**** | 1.38%** | 1.19% | 0.55% | 1.38%** |
| **Group Centre** | **0.34%** | **0.32%** | 1.17% | 1.58% | | |
| **Total** | **0.66%***** | **0.82%** | 0.91% | 1.11% | 0.45% | 1.11% |

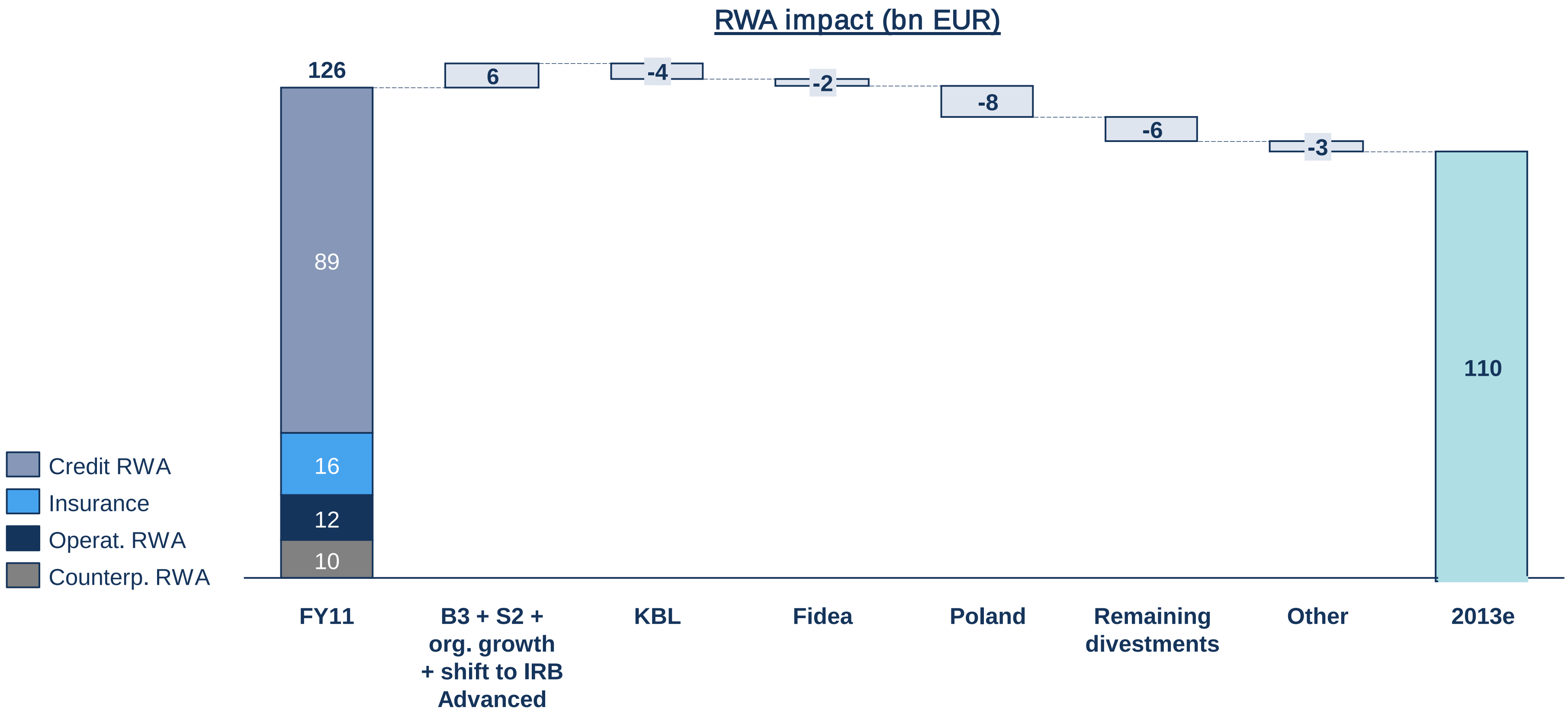
Credit cost ratio: amount of losses incurred on troubled loans as a % of total average outstanding loan portfolio

* The high credit cost ratio at CEE is attributable entirely to Bulgaria (very illiquid domestic real estate market) and K&H Bank (impact of new law on FX mortgages) in 2H11

** The high credit cost ratio at Merchant Banking is due in full to KBC Bank Ireland

*** Credit cost ratio fell to 0.66% in 1Q12 (from 0.82% in FY11). Excluding KBC Bank Ireland, the credit cost ratio stood at a very low 0.18% in 1Q12

# Estimated RWA at the end of 2013




- Taking into account the sale of our Polish entities, the lower-than-initially-estimated impact on RWA of CRD3, B3 and Solvency2, the reduction in RWA due to the shift from IRB Foundation to IRB Advanced and lower-than-expected organic growth, we estimate that RWA will amount to110bn EUR at the end of 2013

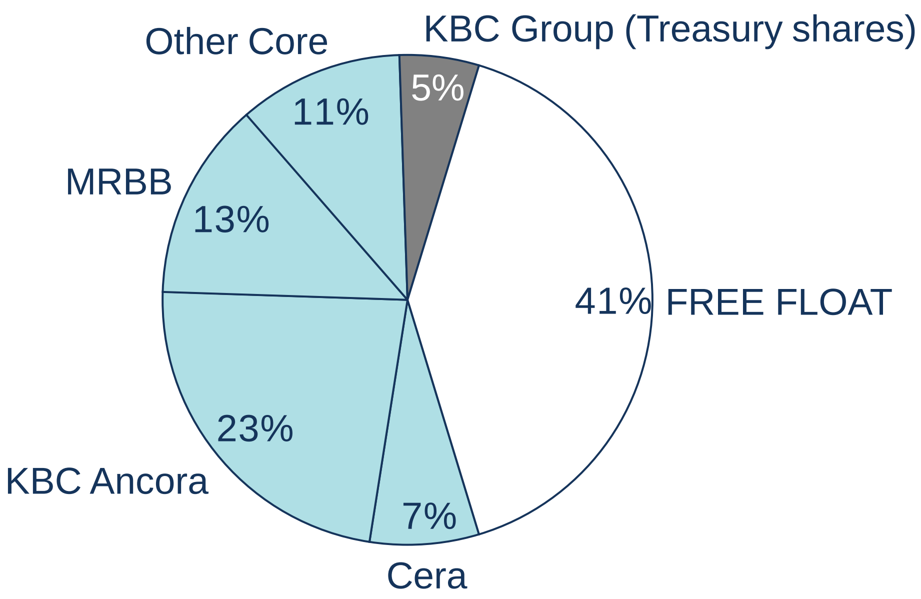
# Key strengths

- Well-developed bancassurance strategy and strong cross-selling capabilities
- Strong franchise in Belgium with high and stable return levels
- Exposure/access to growth in ‘new Europe’ (most mature markets in the region)
- Successful underlying earnings track record
- Solid liquidity and comfortable capital position

# Stable shareholder structure

- Over 50% of KBC shares are owned by a syndicate of core shareholders, providing continuity to pursue long-term strategic goals. Committed shareholders include the Cera / KBC Ancora Group (co-operative investment company), the Belgian farmers' association (MRBB) and a group of industrialist families

- The free float is mainly held by a large variety of international institutional investors



# Analysts' coverage

| Bank/broker | Analyst | Contact details | Rating | Target Price | Upside |
|---|---|---|---|---|---|
| ABN Amro | Jan Willem Weidema | janwillem.weidema@nl.abnamro.com | + | 24,00 | 72% |
| Alpha Value | Christophe Nijdam | christophe.nijdam@alphavalue.com | + | 23,00 | 65% |
| Autonomous | Giovanni Carriere | gcarriere@autonomous.com | = | 19,20 | 38% |
| Barclays Capital | Kiri Vijayarajah | kiri.vijayarajah@barcap.com | + | 24,00 | 72% |
| BOFA Merrill Lynch | Patrick Leclerc | patrick.leclerc@baml.com | = | 20,00 | 44% |
| Cheuvreux | Hans Pluijgers | hpluijgers@cheuvreux.com | + | 22,50 | 62% |
| Citi Investment Research | Stefan Nedialkov | stefan.nedialkov@citi.com | + | 22,00 | 58% |
| Deutsche Bank | Flora Benhakoun | flora-a.benhakoun@db.com | = | 18,00 | 29% |
| Exane BNP Paribas | François Boissin | francois.boissin@exanebnpparibas.com | = | 19,00 | 36% |
| ING | Albert Ploegh | albert.ploegh@ing.com | + | 22,50 | 62% |
| JP Morgan Securities | Paul Formanko | paul.formanko@jpmorgan.com | + | 21,00 | 51% |
| Keefe, Bruyette & Woods | Jean-Pierre Lambert | jplambert@kbw.com | + | 26,00 | 87% |
| Kepler | Benoit Petrarque | benoit.petrarque@keplercm.com | + | 25,00 | 80% |
| Macquarie | Thomas Stögner | thomas.stoegner@macquarie.com | = | 15,00 | 8% |
| Mediobanca | Riccardo Rovere | riccardo.rovere@mediobanca.it | + | 25,00 | 80% |
| Morgan Stanley | Thibault Nardin | thibault.nardin@morganstanley.com | + | 21,70 | 56% |
| Natixis Securities | Alex Koagne | alex.koagne@sec.natixis.com | + | 20,00 | 44% |
| Nomura | Tarik El Mejjad | tarik.elmejjad@nomura.com | + | 28,70 | 106% |
| Oddo | Jean Sassus | Jsassus@oddo.fr | = | 26,00 | 87% |
| Petercam | Matthias de Wit | matthias.dewit@petercam.be | = | 14,50 | 4% |
| Rabo Securities | Cor Kluis | cor.kluis@rabobank.com | + | 27,00 | 94% |
| Societe Generale | Sebastien Lemaire | sebastien.lemaire@sgcib.com | + | 23,00 | 65% |
| UBS | Omar Fall | omar.fall@ubs.com | + | 24,00 | 72% |

Situation at 7 May 2012, based on current share price of 13.92 EUR