

KBC GROUP

EXTENDED QUARTERLY REPORT

1Q 2010



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Management certification of financial statements and quarterly report

'I, Luc Philips, Chief Financial Officer of the KBC group, certify that, to the best of my knowledge, the abbreviated financial statements included in the quarterly report are based on the relevant accounting standards and fairly present in all material respects the financial condition and results of KBC Group NV, including its consolidated subsidiaries, and that the quarterly report provides a fair view of the information that must be included in such a report.'

Statement of risk

Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but certainly not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations, customer litigations as well as the economy in general. It is part of the business risk that the macroeconomic environment and the ongoing restructuring plans may have a negative impact on asset values or generate additional charges beyond anticipated levels.

Key risk management data are provided in the annual reports, the quarterly reports and the dedicated risk reports, all of which are available at www.kbc.com.

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Glossary of ratios used

CAD ratio
[consolidated total regulatory capital] / [total risk-weighted volume].

Combined ratio (non-life insurance)
[net claims incurred / net earned premiums] + [net expenses / net written premiums]. Some changes have been made to the definition of this ratio compared to previous reports. Reference figures have been adjusted accordingly.

(Core) Tier-1 capital ratio
[consolidated tier-1 capital] / [total risk-weighted volume]. The calculation of the core tier-1 ratio does not include hybrid instruments (but does include the core-capital securities sold to the Belgian and Flemish governments).

Cost/income ratio (banking)
[operating expenses of the banking businesses of the group] / [total income of the banking businesses of the group].

Cover ratio
[individual impairment on non-performing loans] / [outstanding non-performing loans]. For a definition of 'non-performing', see 'Non-performing ratio'. The cover ratio may also include the individual impairment on still performing loans and portfolio-based impairments.

Credit cost ratio
[net changes in individual and portfolio-based impairment for credit risks] / [average outstanding loan portfolio].

Earnings per share, basic
[profit after tax, attributable to the equity holders of the parent] / [average number of ordinary shares, plus mandatorily convertible bonds, less treasury shares]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian and Flemish governments, it will be deducted from the numerator (pro rata).

Earnings per share, diluted
[profit after tax, attributable to equity holders of the parent, adjusted for interest expense (after tax) for non-mandatorily convertible bonds] / [average number of ordinary shares, plus mandatorily convertible bonds, less treasury shares, plus the dilutive effect of options (number of stock options allocated to staff with an exercise price less than the market price) and non-mandatorily convertible bonds]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian and Flemish governments, it will be deducted from the numerator (pro rata).

Expense ratio, insurance
[net expenses / net written premiums].

Net interest margin
[net interest income] / [average interest-bearing assets].

Non-performing ratio
[amount outstanding of non-performing loans (loans for which principal repayments or interest payments are more than ninety days in arrears)] / [total outstanding loan portfolio]

Parent shareholders' equity per share
[parent shareholders' equity] / [number of ordinary shares and mandatorily convertible bonds, less treasury shares (at period-end)].

Return on allocated capital (ROAC) for a particular business unit
[profit after tax, including minority interests, of a business unit, corrected for income on allocated instead of real equity] / [average allocated equity to the business unit]. Profit of a business unit is the sum of the profit of the companies belonging to the business unit, corrected for the funding cost of goodwill (related to the companies in the business unit) and allocated central governance expenses. The allocated equity to a business unit is based on risk-weighted assets for banking and risk-weighted asset equivalents for insurance.

Return on equity
[profit after tax, attributable to the equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale investments]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian and Flemish governments, it will be deducted from the numerator (pro rata).

Solvency ratio, insurance
[consolidated available capital of KBC Insurance] / [minimum required solvency margin of KBC Insurance].

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Earnings statement

KBC Group, 1Q 2010

This news release contains information that is subject to transparency regulations for listed companies.
Date of release: 12 May 2010, 7 a.m. CEST

Summary

KBC ended the three months to March 2010 with a net profit of 442 million euros, compared with a net profit of 304 million euros in the previous quarter. In the corresponding first quarter of 2009, when the financial crisis was at its height, a significant loss of 3.6 billion euros was posted. On an underlying basis, i.e. excluding non-operational items, net profit amounted to 543 million euros in the quarter under review.

Jan Vanhevel, Group CEO: 'Against the backdrop of a modest European economic recovery, KBC continued to focus on its core markets. In the first quarter, the progress started last year continued without major disruption. Our quarterly profit was up on the previous quarter due to stable business development combined with generally lower loan loss provisioning. The core earnings trends remained solid. In addition, we are making good progress on our flagship projects to refocus the business portfolio.'

Overview	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	1Q 2010 /1Q 2009	1Q 2010 / 4Q 2009
Net profit, IFRS (in millions of EUR)	-3 600	302	528	304	442	-	+45%
Earnings per share, basic, IFRS (in EUR)	-10.60	0.89	1.56	0.90	0.86	-	-4%
Underlying net profit (in millions of EUR)	465	409	631	218	543	+17%	+149%
Underlying earnings per share, basic (in EUR)	1.37	1.21	1.86	0.64	1.16	-15%	+81%
Breakdown of underlying net profit per business unit (in millions of EUR)*							
Belgium	234	276	271	268	279	+19%	+4%
Central & Eastern Europe	77	58	39	-13	110	+43%	-
Merchant Banking	168	-2	162	-28	85	-49%	-
Group Centre	-13	77	158	-9	70	-	-
Shareholders' equity per share (in EUR, end of period)	19.5	23.2	27.7	28.4	31.4	+61%	+11%

* The business unit breakdown has been changed. All planned divestments of group companies are now included in the Group Centre and all reference figures have been adapted retroactively.

The IFRS and underlying income statement summary tables are provided further on in this earnings statement.

Financial highlights for 1Q 2010:

- Continued sound deposit and credit spreads
- Gradual recovery of fee & commission income confirmed
- Strong dealing room activities, in line with market performance
- Insurance premium inflows continued their steady pace
- Operational expenses remained very well under control
- Substantially lower loan loss impairments quarter-on-quarter
- 1.5 billion euros' worth of excess regulatory capital accumulated beyond the 10% tier-1 solvency target

Financial highlights 1Q 2010

Jan Vanhevel, Group CEO, summarises the *underlying* business performance for 1Q 2010 as follows:

- 'Underlying, net interest income from the core deposit-taking and lending business stood at 1 344 million euros. The average net interest margin for the banking operations came to 1.82%, compared to 1.94% in the previous quarter. Deposit and credit spreads remained healthy. The tightening of the interest margin is mainly due to, for prudency reasons, an increased focus on short-term assets for the reinvestment of savings deposits.'
- 'Fee and commission income stood at 429 million euros, up 31% on the year-earlier quarter, when the financial crisis was at its height, thanks to increased income from the sale and management of investment products, on the back of improved investment sentiment. Compared to 4Q 2009, fee and commission income fell by 5%, partly related to seasonal effects.'
- 'Net gains from financial instruments at fair value, which includes among other things the result from the dealing room activities, stood at 320 million euros. This strong performance was in line with the market trend'.
- 'We are continuing our tight cost control. Following our efforts to cut costs over the past two years, our operating expenses were down 6% on the previous quarter and also 6% less than in the first quarter of 2009. The cost trend has been bottoming out and we expect costs to increase from this point.'
- 'We think we may have seen a turn in the credit cycle. Our base case scenario for 2010 is that losses will visibly decline compared to the 2009 financial year. At the end of the first quarter, we added 355 million euros to the loan loss provisions, significantly down on the 652 million registered in the previous quarter. The 1Q 2010 credit cost charge came to 0.84% of total loans for the whole group. In Central & Eastern Europe, the first-quarter credit cost was 1.20%, down from 1.70% for the full year 2009. In Belgium, loan loss provisioning came to practically nil, while the credit cost ratio came to 1.47% for the loan book of the Merchant Banking Business Unit.'
- 'During the first quarter, an excess of 1.5 billion euros of regulatory capital was built up over the 10% tier-1 target'

Headlines of underlying performance per business unit:

- It should be noted that the Group Centre now also includes all planned divestments of KBC Group. The aim here is to clearly indicate the financial performances of the long-term activities and the planned divestments separately.
- In Belgium, a strong cost performance combined with virtually no loan loss charges and stable revenues led to a higher net result.
- Central and Eastern Europe generated a slightly higher total income, as a result of a stable net interest margin, higher gross earned insurance premiums, increased trading and fair value income and slightly lower fees and commissions compared to the previous quarter. The main drivers for the better quarter-on-quarter net result of this business unit were substantially lower expenses and, even more importantly, much lower impairment on loans and receivables (around -50%). As a result, the bottom line for this business unit came to 110 million euros.
- In Merchant Banking, very good dealing room results added substantially to the bottom line. Due to the intentional run-down of the loan book, net interest income was down on the previous quarter. Given the difficult outlook for the Irish economy, we have enhanced loan loss provisions there by 142 million euros. However, the total amount of impairment booked for this business unit still fell by some 14% compared to the previous quarter. In total, the business unit reported a net result of 85 million euros.

The quarter was also characterised by a number of one-off items that were not part of the normal course of business and were excluded from the underlying results (combined net impact: 0.1 billion euros). The main items were:

- A valuation mark-up of CDO exposure in the amount of 0.2 billion euros, resulting mainly from the further improvement of the credit environment;
- A trading loss of 0.1 billion euros, related to 'legacy' structured derivatives positions within KBC Financial Products (Merchant Banking Business Unit). Additional limited losses cannot be excluded for the next few quarters of 2010, while risk exposure is continuously being unwound.

1Q 2010 results per heading

Explanations per heading of the IFRS income statement for the first quarter of 2010 (see summary tables on the next few pages):

- The net result for the first three months of the 2010 financial year amounted to 442 million euros, compared to -3.6 billion euros a year earlier, which included significant losses related to CDOs and shares. The *underlying* net result for the quarter under review totalled 543 million euros.
- Net interest income came to 1 560 million euros, up 6% year-on-year (-1% on an underlying basis). While volume growth remained sluggish in the quarter, the average net interest margin of 1.82% was more or less unchanged from the first quarter of 2009 (1.80%).
- Gross earned premiums in insurance stood at 1 249 million euros, down 5% on the year-earlier figure. Net of technical charges and the ceded reinsurance result, technical insurance income came to 72 million euros. The claims level continued to be relatively high because of factors such as the storm Xynthia, leading to an 11% year-on-year hike in gross technical charges in the Non-Life segment.
- Dividend income from equity investments amounted to 17 million euros.
- Net (un)realised gains from financial instruments at fair value came to -3 million euros. On an underlying basis, this figure was significantly higher, at 320 million euros. Good sales and trading activities on the money and debt securities markets were recognised, in line with the market.
- Net realised gains from available-for-sale assets stood at 26 million euros, markedly lower than in the previous quarter.
- Net fee and commission income amounted to 420 million euros. This is 32% higher than the year-earlier level. Commission-based business continues to recover in volume terms after the historical low levels we have seen due to the financial crisis.
- Other net income totalled 101 million euros, down on the year-earlier figure of 152 million euros.
- Operating expenses came to 1 181 million euros, down 4% year-on-year (-6%, underlying). The cost level continued to benefit from cost containment measures initiated in 2008 but, going forward, costs are expected to move upwards. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 50%, compared to 55% for the whole of 2009.
- Total impairment charges stood at 383 million euros, 46% lower than the year-earlier quarter, and attributable primarily to loans and receivables. In 2009, the credit cost ratio had risen to 1.11%, but the ratio fell during the first quarter of 2010, to 0.84%. While impairment charges went down in all business units, the decline was most pronounced in Central & Eastern Europe. In Merchant Banking, part of the decrease in impairment on the international loan books was set off by higher impairment in KBC Bank Ireland.
- Income tax amounted to 177 million euros in the quarter under review.
- At the end of the first quarter of 2010, total equity came to 18.2 billion euros, up 1 billion euros on the figure at the end of 2009, mainly due to the inclusion of the positive quarterly result (+0.4 billion euros) and an increase of the revaluation reserve for available-for-sale assets (+0.6 billion euros). The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 11.0% of risk-weighted assets (9.5%, when excluding non-state hybrid tier-1 instruments).

Table of results according to IFRS

A summary of the income statement of KBC group, based on the *International Financial Reporting Standards* (IFRS) is given below. A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated Financial Statements' section of the quarterly report. Condensed statements of comprehensive income, changes in shareholders' equity and cash flow as well as several notes to the accounts are also available in the same section. In order to provide a good insight into the underlying business trends, KBC also publishes its 'underlying' results (see the following section).

Consolidated income statement KBC Group, according to IFRS, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	1 477	1 441	1 597	1 551	1 560	-	-	-
Gross earned premiums, insurance	1 308	1 256	1 122	1 169	1 249	-	-	-
Gross technical charges, insurance	-1 164	-1 127	-1 039	-1 106	-1 168	-	-	-
Ceded reinsurance result	-15	-17	-2	-30	-9	-	-	-
Dividend income	23	60	26	37	17	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	-3 742	78	-160	374	-3	-	-	-
Net realised gains from available-for-sale assets	34	13	117	109	26	-	-	-
Net fee and commission income	317	372	380	423	420	-	-	-
Other net income	152	116	116	44	101	-	-	-
Total income	-1 610	2 193	2 157	2 570	2 191	-	-	-
Operating expenses	-1 235	-1 518	-1 307	-1 231	-1 181	-	-	-
Impairment	-707	-633	-442	-995	-383	-	-	-
Of which on loans and receivables	-307	-578	-368	-650	-355	-	-	-
Of which on available-for-sale assets	-311	-19	-5	-16	-1	-	-	-
Share in results of associated companies	0	-2	3	-24	-1	-	-	-
Profit before tax	-3 552	40	411	320	626	-	-	-
Income tax expense	-28	286	8	-32	-177	-	-	-
Net post-tax income from discontinued operations	0	0	0	0	0	-	-	-
Profit after tax	-3 580	326	419	288	448	-	-	-
attributable to minority interests	20	24	-109	-16	6	-	-	-
attributable to equity holders of the parent	-3 600	302	528	304	442	-	-	-
Belgium	-951	533	343	579	283	-	-	-
Central & Eastern Europe	32	29	2	-149	99	-	-	-
Merchant Banking	172	-12	267	-16	64	-	-	-
Group Centre	-2 853	-248	-83	-110	-3	-	-	-
Earnings per share, basic (in EUR)	-10.60	0.89	1.56	0.90	0.86	-	-	-
Earnings per share, diluted (in EUR)	-10.60	0.89	1.56	0.90	0.86	-	-	-

Highlights, consolidated balance sheet and ratios KBC Group, in millions of EUR or %	31-03- 2009	30-06- 2009	30-09- 2009	31-12- 2009	31-03- 2010	30-06- 2010	30-09- 2010	31-12- 2009
Total assets	347 400	344 415	334 219	324 231	340 128	-	-	-
Loans and advances to customers	154 409	158 949	156 974	153 230	153 640	-	-	-
Securities (equity and debt instruments)	95 834	96 559	97 252	98 252	101 984	-	-	-
Deposits from customers and debt certificates	205 110	194 141	194 748	193 464	203 367	-	-	-
Gross technical provisions, insurance	20 124	20 860	21 508	22 012	23 222	-	-	-
Liabilities under investment contracts, insurance	6 877	6 987	7 319	7 939	7 908	-	-	-
Parent shareholders' equity	6 636	7 888	9 416	9 662	10 677	-	-	-
Non-voting core-capital securities	3 500	7 000	7 000	7 000	7 000	-	-	-
Ratios KBC Group (based on underlying results, year-to-date)								
Return on equity				16%	18%	-	-	-
Cost/income ratio, banking				55%	50%	-	-	-
Combined ratio, non-life insurance				101%	98%	-	-	-

Table of underlying results

Over and above the figures according to IFRS, KBC provides a number of 'underlying' figures aimed at providing more insight into the business trends. The differences with the IFRS figures relate to the exclusion of exceptional or non-operating items and a different accounting treatment of certain hedging results and capital-market income. In view of their nature and materiality, it is important to adjust the results for these factors to understand the profit trend fully. A full explanation of the differences between IFRS and underlying figures is provided in the 'Consolidated financial statements' section of the quarterly report, under 'Segment reporting'. A reconciliation table for net profit is provided below.

Consolidated income statement KBC Group, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	1 353	1 344	1 391	1 410	1 344	-	-	-
Gross earned premiums, insurance	1 308	1 256	1 122	1 169	1 249	-	-	-
Gross technical charges, insurance	-1 164	-1 127	-1 039	-1 086	-1 168	-	-	-
Ceded reinsurance result	-15	-17	-2	-30	-9	-	-	-
Dividend income	12	47	9	28	8	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	231	321	335	52	320	-	-	-
Net realised gains from available-for-sale assets	51	41	95	106	24	-	-	-
Net fee and commission income	328	391	400	450	429	-	-	-
Other net income	119	98	93	34	85	-	-	-
Total income	2 222	2 353	2 405	2 131	2 282	-	-	-
Operating expenses	-1 235	-1 196	-1 224	-1 231	-1 158	-	-	-
Impairment	-319	-560	-367	-666	-356	-	-	-
Of which on loans and receivables	-307	-567	-356	-652	-355	-	-	-
Of which on available-for-sale assets	-3	-1	0	-11	-1	-	-	-
Share in results of associated companies	0	-2	3	-24	-1	-	-	-
Profit before tax	667	595	816	210	767	-	-	-
Income tax expense	-181	-162	-167	3	-218	-	-	-
Profit after tax	486	433	649	213	549	-	-	-
attributable to minority interests	21	24	18	-5	6	-	-	-
attributable to equity holders of the parent	465	409	631	218	543	-	-	-
Belgium	234	276	271	268	279	-	-	-
Central & Eastern Europe	77	58	39	-13	110	-	-	-
Merchant Banking	168	-2	162	-28	85	-	-	-
Group Centre	-13	77	158	-9	70	-	-	-
Earnings per share, basic (in EUR)	1.37	1.21	1.86	0.64	1.16	-	-	-
Earnings per share, diluted (in EUR)	1.37	1.21	1.86	0.64	1.16	-	-	-

Reconciliation between underlying profit and profit according to IFRS* KBC Group, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010			
Profit after tax, attributable to equity holders of the parent, UNDERLYING	465	409	631	218	543	-	-	-
+ MTM of derivatives for ALM hedging	-137	206	42	-33	-94	-	-	-
+ gains/losses on CDOs	-3 793	996	228	719	182	-	-	-
+ MTM of CDO guarantee and commitment fee	0	-1 121	-146	-143	-50	-	-	-
+ value losses on AFS shares	-311	-50	4	-4	0	-	-	-
+ impairment on troubled US & Icelandic banks	16	-1	42	8	13	-	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	128	0	0	-	-	-
+ impairment on goodwill	-79	-28	-58	-328	-27	-	-	-
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-	-	-
+ MTM of own debt issued	134	200	-330	41	-2	-	-	-
+ other	96	63	-33	16	-62	-	-	-
+ taxes & minority interests re. items above	7	388	176	-24	41	-	-	-
Profit after tax, attributable to equity holders of the parent, IFRS	-3 600	302	528	304	442			

* A breakdown of this reconciliation table per business unit is provided in the chapter 'Underlying results per business unit' of the Extended quarterly report 1Q 2010.

Other information

Strategy highlights and future developments

- After reviewing its strategy in 2009, the Group clearly committed to lowering its risk profile while still maintaining its core earnings power and organic growth potential. Jan Vanhevel, Group CEO: 'Our assessment indicated plainly that our core business model remained largely untouched by the turbulence in the financial sector. However, it became obvious that we had to reduce our risk profile and the scope of activities to which we allocate capital. We, therefore, took our decision on strategy in accordance with this assessment.'
- The new strategy, announced in November 2009, is focused on growing bancassurance on an organic basis in Belgium and selected Central and Eastern European markets, targeting retail and SME customers, including local mid-caps. Exposure to non-domestic corporate lending and non-core capital market activities will be largely reduced and KBL European Private Bankers will be divested. This will be complemented by some additional capital optimisation measures. Jan Vanhevel: 'We are ready for the future. We have a clear vision for the mid-term that is supported by a strong business case. Implementation of the strategy is progressing well and this is being tightly monitored.'
- In line with the above strategy, all the activities earmarked for divestment have been regrouped, for reporting purposes, in the Group Centre. The results of the other business units hence exclude these companies. Jan Vanhevel: 'This makes it very easy to assess what activities are core to KBC and what their financial status is, allowing the investment community an even better insight into our financial strengths.'
- The refocus process has made substantial progress and a number of divestment transactions have already been signed in 1Q10, such as for the US reverse mortgage portfolio and the Japanese cash equity operations. Moreover, a significant reduction of the group's credit derivatives, as part of the restructuring of KBC Financial Products, was initiated in the first quarter of 2010 as well. The other divestments scheduled for 2010 remain on track.
- At the end of April, the Belgian tax ruling office ruled positively that a waiver of intercompany debt, related to CDO-linked losses incurred in past years, is tax deductible, provided certain conditions are met. In practice, this means KBC will be able to book a positive deferred tax income of 0.3 billion euros in the second quarter of 2010, partly compensating the losses it has suffered in previous periods.
- KBC intends to redeem the core capital securities that were issued to the State largely by retaining earnings and releasing capital currently tied up in non-core assets. KBC also intends to maintain a regulatory tier-1 capital ratio of 10%, of which 8% core capital, according to the so-called Basel II banking capital adequacy rules (in a first phase, the core capital also includes the core capital securities issued to the State).
- KBC's exposure to Greek sovereign bonds is limited to 1.9 billion euros (of which 0.6 billion in the trading book). More information on KBC's sovereign bond exposure to Southern Europe is provided in the Consolidated Financial Statements part of the quarterly report.

Additional information on the financial statements

- During the first quarter of 2010, no changes were made to the scope of consolidation or to the valuation rules that had a material net impact on earnings.
- In 1Q 2010, the value of local currencies in KBC's Central and Eastern European markets appreciated by (a weighted average of) 8% against the euro, compared to 1Q 2009 (with an impact on the result components of the Central & Eastern Europe Business Unit). However, when comparing 1Q 2010 with 4Q 2009, changes in the value of those currencies were not material.
- *Parent shareholders' equity per share* at 31 March 2010 (31.4 euros) was calculated on the basis of 339.73 million shares (for this calculation, the number of treasury shares held (18.2 million) was deducted from the number of ordinary shares outstanding (357.9 million).
- *Earnings per share* for 1Q 2010 (0.86 euros) was calculated on the basis of 339.73 million shares (average number during the quarter), while *diluted earnings per share* (0.86 euros) was calculated on the basis of 339.74 million shares (also quarterly average). In both cases, the average number of treasury shares held was deducted from the average ordinary share count. For calculating diluted earnings per share, however, the number of stock options granted to employees with an exercise price below market price (14 882) was added. Under IAS 33, the conversion option held on a portion of the non-voting core capital securities issued to the Belgian State and the share underwriting commitment by the State linked to the CDO guarantee scheme do not have any impact. Note: the coupon that is expected to be paid on the core-capital securities sold to the Belgian State and Flemish Region, is deducted from earnings (pro rata) in the EPS calculation.
- As usual, KBC has made additional risk disclosures on the composition of its loan book and its structured credit exposure as at 31 March 2010 (available in the English version of the extended quarterly report at www.kbc.com/ir). The financial calendar, including the dates of earnings releases as well as analysts and investor meetings, is available at www.kbc.com.

Analysis of underlying earnings components

KBC Group, 1Q 2010

Unless otherwise specified, all amounts are given in euros.

Analysis of total income (underlying figures)

Total income, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	1 353	1 344	1 391	1 410	1 344	-	-	-
Gross earned premiums, insurance	1 308	1 256	1 122	1 169	1 249	-	-	-
Non-life	479	477	495	475	489	-	-	-
Life	830	780	627	694	760	-	-	-
Gross technical charges, insurance	-1 164	-1 127	-1 039	-1 086	-1 168	-	-	-
Non-life	-297	-290	-323	-315	-330	-	-	-
Life	-867	-837	-716	-771	-838	-	-	-
Ceded reinsurance result	-15	-17	-2	-30	-9	-	-	-
Dividend income	12	47	9	28	8	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	231	321	335	52	320	-	-	-
Net realised gains from available-for-sale assets	51	41	95	106	24	-	-	-
Net fee and commission income	328	391	400	450	429	-	-	-
Banking*	448	486	503	546	542	-	-	-
Insurance	-120	-95	-103	-96	-113	-	-	-
Other net income	119	98	93	34	85	-	-	-
Total income	2 222	2 353	2 405	2 131	2 282	-	-	-
Belgium	788	827	823	824	818	-	-	-
Central & Eastern Europe	639	579	604	630	657	-	-	-
Merchant Banking	480	516	498	286	482	-	-	-
Group Centre	314	432	479	391	325	-	-	-

* Includes banking, KBL EPB and holding activities.

Net interest income in the quarter under review amounted to 1 344 million, down on the high levels of the past year (due to the decrease in the international credit portfolio and, for prudency reasons, more focus on short-term assets for the reinvestment of saving deposits in Belgium, among other things), but still significantly up on the levels recorded in the second half of 2008 (on average 1 225 million). The latter was largely thanks to the more healthy credit and deposit spreads since a few quarters now, leading to a net interest margin of 1.82% in 1Q 2010 (comparable with the 2009-average of 1.84%, and a significant increase on the low 1.63% in 2H 2008). Credit volumes remained more or less unchanged in the quarter under review (-1%), with the small increase in Belgian retail credit being set off by the intentional decrease of the international loan books. Client deposits went up by 4% in the quarter under review.

Gross earned insurance premiums amounted to 1 249 million in 1Q 2010. This breaks down into 760 million for life insurance and 489 million for non-life insurance. The latter continued its gradual rise (+3% on the previous quarter) and moreover turned in yet another good technical result, as illustrated by a combined ratio of 98%. The 1Q 2010 combined ratio breaks down into an excellent 90% for the Belgium Business Unit (a further improvement compared to the 95% registered in FY 2009) and a high 110% for Central & Eastern Europe (even up on the 107% registered in 2009 and again mainly due to a high claims ratio in Poland). Gross earned premiums for *life* insurance under IFRS exclude certain types of life insurance contracts (i.e. the unit-linked contracts). When these contracts are included, total life insurance sales amounted to 1 172 million, down 22% on 4Q 2009 (sales in the last quarter of the year are traditionally strong) and up almost 10% on the year earlier quarter, thanks to the improvement of the investment climate in general. While interest-guaranteed products still accounted for the bulk (roughly 70%) of life sales in 1Q 2010, sales of unit-linked products witnessed the strongest year-on-year growth (x 3.5). At 31 March 2010, the group's total life reserves stood at 26 billion, up 4% on the previous quarter.

Net fee and commission income stood at 429 million in 1Q 2010, significantly up on the year-ago figure (+31%), thanks inter alia to the gradual increase of asset management related fee income (sale and management of investments funds etc.). Compared to the strong previous quarter, fee and commission income received in the banking activities held up well, but higher commissions paid to insurance agents pushed down total net fee and commission income by 5% quarter-on-quarter. At the end of March 2010, assets under management at group level stood at 211 billion, up 3% compared to the previous quarter (1/3 net inflow, 2/3 price increase).

The other income components are as follows: dividend income amounted to 8 million, trading and fair value income (booked under 'Net (un)realised gains from financial instruments at fair value') amounted to a high 320 million (significantly up on the previous quarter due to the excellent performance of the fixed-income dealing room activities and the fact that 4Q 2009 was negatively impacted by market value adjustments), realised gains on available-for-sale assets stood at 24 million (down on the previous quarter) and other net income amounted to 85 million, in line with the average of the last four quarters.

It should be noted that, as usual, these underlying figures exclude non-operating items such as fair value changes in ALM hedging instruments (negative amount in the quarter under review), the CDO-related impact (positive amount), and losses related to investment banking activities that are being run down (negative amount). A full overview of these items is provided in the table 'Reconciliation between underlying profit and profit according to IFRS' in the first part of this report, while the impact for each business unit is summarised separately in the following sections of this report.

Analysis of costs and impairment (underlying figures)

Operating expenses, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Staff expenses	-691	-695	-721	-755	-691	-	-	-
General administrative expenses	-448	-404	-399	-376	-371	-	-	-
Depreciation of fixed assets	-96	-98	-105	-100	-96	-	-	-
Operating expenses	-1 235	-1 196	-1 224	-1 231	-1 158	-	-	-
Belgium	-433	-418	-417	-432	-407	-	-	-
Central & Eastern Europe	-365	-347	-362	-402	-347	-	-	-
Merchant Banking	-143	-144	-175	-131	-140	-	-	-
Group Centre	-294	-288	-270	-266	-264	-	-	-

At 1 158 million, operating expenses in 1Q 2010 were down 6% both on the year-earlier and previous quarters. The quarter-on-quarter cost decrease breaks down as follows: -6% for the Belgium Business Unit; -15% for the Central & Eastern Europe Business Unit (excluding the effect of changes in exchange rates of CEE currencies), +7% for the Merchant Banking Business Unit and -1% for the Group Centre (which includes the companies that are earmarked for divestment).

As a result, the banking business cost/income ratio (expenses versus total income) for 1Q 2010 stood at a very comfortable 50%, a further improvement on the 55% recorded for FY 2009. As already stated, the direct impact of the financial crisis and other exceptional items have been disregarded in these calculations. The 1Q 2010 cost/income ratio for the banking business breaks down per business unit as follows: 53% for Belgium, 50% for CEE and 29% for Merchant Banking. The non-life insurance expense ratio (net expenses/net written premiums) stood at 28% for 1Q 2010 (compared to 32% for FY 2009) and breaks down into 24% for the Belgium Business Unit and 34% for CEE.

Impairment, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Impairment on loans and receivables	-307	-567	-356	-652	-355	-	-	-
Impairment on available-for-sale assets	-3	-1	0	-11	-1	-	-	-
Impairment on goodwill	0	0	0	0	0	-	-	-
Impairment on other	-9	8	-11	-3	0	-	-	-
Impairment	-319	-560	-367	-666	-356	-	-	-
Belgium	-18	-19	-10	-29	-3	-	-	-
Central & Eastern Europe	-133	-133	-156	-218	-111	-	-	-
Merchant Banking	-102	-330	-126	-256	-219	-	-	-
Group Centre	-66	-78	-75	-164	-22	-	-	-

In 1Q 2010, impairment on *loans and receivables* (loan loss provisions) stood at 355 million, significantly down on the high 652 million recorded in the previous quarter, but up on the 307 million recorded a year ago. The quarter-on-quarter decrease is attributable to all business units, but primarily Central and Eastern Europe (107 million decrease of loan losses, thanks mainly to Poland), Merchant Banking (36 million decrease, thanks to generally lower impairment on the international credit portfolio, with the exception of Ireland) and the Group Centre (129 million decrease, inter alia in Russia). In the Belgian retail credit portfolio, loan losses were insignificant (2 million), even down on the very moderate levels recorded in the previous quarters. Impairment on *available-for-sale assets* (bonds and shares) in 1Q 2010 was virtually nil. The annualised credit cost ratio (which includes both loans and corporate and bank bonds) for 1Q 2010 came to 84 basis points for the whole group, a significant improvement on the 111 basis points recorded in FY 2009. The 1Q 2010 credit cost ratio breaks down as follows: an extremely low 2 basis points for the Belgium Business Unit (15 basis points in FY 2009), 120 basis points for the CEE Business Unit (down on the 170 basis points registered in FY 2009) and 147 basis points for the Merchant Banking Business Unit (up on the 119 basis points in FY 2009). At the end of March 2010, some 3.6% of the total loan book was non-performing, compared to 3.4% three months ago.

Impairment on goodwill booked on group companies is excluded from the underlying results. In 1Q 2010, impairment on goodwill amounted to only 27 million, whereas in the previous quarter impairment on goodwill of some 0.3 billion was booked (mostly related to group companies in Bulgaria and Russia).

Analysis of other earnings components (underlying figures)

Other components of the result, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Share in result of associated companies	0	-2	3	-24	-1	-	-	-
Income tax expense	-181	-162	-167	3	-218	-	-	-
Minority interests in profit after tax	21	24	18	-5	6	-	-	-

The share in the results of associated companies, which concerns mainly the minority participation in Nova Ljubljanska banka in Slovenia, stood at -1 million in the quarter under review, compared to -24 million in the previous quarter (which included high loan loss impairments).

Underlying group tax amounted to -218 million in 1Q 2010, up on the positive 3 million registered in the previous quarter (which benefitted from reversals of tax accruals from previous quarters, among other things).

Underlying results per business unit

KBC Group, 1Q 2010

Unless otherwise specified, all amounts are given in euros.

In order to create more transparency and to avoid substantial quarter-on-quarter distortion in the results of the business units upon each divestment, all (underlying) results of the companies that are earmarked for divestment are henceforth grouped together in the Group Centre. The results of the other business units (Belgium, Central & Eastern Europe (CEE) and Merchant Banking) therefore exclude these companies. The former European Private Banking Business Unit is not presented as a separate business unit anymore, since the companies belonging to this former business unit will also be divested (so included in the Group Centre figures). The reference quarters of 2009 have been adjusted for comparison purposes.

Belgium Business Unit (underlying trend)

The Belgium Business Unit encompasses the retail bancassurance activities in Belgium. More specifically, it includes the retail and private banking activities of the legal entity KBC Bank in Belgium, the activities of the legal entity KBC Insurance, and the activities of a number of subsidiaries (primarily CBC Banque, ADD, Secura and Assurisk). The entities that, according to the new strategic plan, are earmarked for divestment in the coming years (Centea and Fidea) are not included in this business unit anymore, but have been moved to the Group Centre. All changes have been retroactively adjusted for the 2009 quarterly figures as well.

Income statement Belgium Business Unit, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	516	522	544	563	550	-	-	-
Gross earned premiums, insurance	957	891	726	741	839	-	-	-
Gross technical charges, insurance	-902	-840	-710	-754	-823	-	-	-
Ceded reinsurance result	-12	-8	-5	-19	-4	-	-	-
Dividend income	10	28	1	24	5	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	15	15	23	16	21	-	-	-
Net realised gains from available-for-sale assets	34	18	40	46	2	-	-	-
Net fee and commission income	128	165	160	200	193	-	-	-
Other net income	42	37	44	7	35	-	-	-
Total income	788	827	823	824	818	-	-	-
Operating expenses	-433	-418	-417	-432	-407	-	-	-
Impairment	-18	-19	-10	-29	-3	-	-	-
on loans and receivables	-18	-18	-10	-28	-2	-	-	-
on available-for-sale assets	0	-1	0	0	-1	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Profit before tax	337	391	397	364	408	-	-	-
Income tax expense	-101	-113	-125	-94	-127	-	-	-
Profit after tax	235	277	272	270	280	-	-	-
attributable to minority interests	1	1	1	2	2	-	-	-
attributable to equity holders of the parent	234	276	271	268	279	-	-	-
banking activities	126	153	195	193	197	-	-	-
insurance activities	108	123	76	76	81	-	-	-
Risk-weighted assets, group (end of period, Basel II)	29 521	29 816	29 145	28 542	29 038	-	-	-
of which banking	19 846	19 767	18 873	18 260	18 293	-	-	-
Allocated equity (end of period, Basel II)	2 775	2 812	2 766	2 709	2 771	-	-	-
Return on allocated equity (ROAC, Basel II)	33%	37%	36%	37%	39%	-	-	-
Cost/income ratio, banking	65%	58%	53%	53%	53%	-	-	-
Combined ratio, non-life insurance	83%	91%	90%	117%	90%	-	-	-

These underlying figures exclude exceptional items. A table reconciling underlying net profit and net profit according to IFRS is provided below.

Reconciliation between underlying profit and profit according to IFRS Belgium Business Unit, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Profit after tax, attributable to equity holders of the parent: underlying	234	276	271	268	279	-	-	-
+ MTM of derivatives for ALM hedging	-92	155	47	14	-47	-	-	-
+ gains/losses on CDOs	-950	199	33	352	39	-	-	-
+ MTM of CDO guarantee and commitment fee	0	-198	-25	-23	-8	-	-	-
+ value losses on AFS shares	-233	-37	2	-1	0	-	-	-
+ impairment on troubled US & Icelandic banks	0	0	0	0	0	-	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	22	0	0	-	-	-
+ impairment on goodwill	0	0	0	-3	0	-	-	-
+ other	53	50	0	0	0	-	-	-
+ taxes and minority interests re. items above	35	87	-7	-28	20	-	-	-
Profit after tax, attributable to equity holders of the parent: IFRS	-951	533	343	579	283	-	-	-

In the quarter under review, the Belgium Business Unit generated an underlying profit of 279 million, a strong result, up both on the previous quarter (+4%) and year-earlier quarter (+19%).

Net interest income remains healthy

Net interest income remained relatively strong in the quarter under review. At 550 million, it was only slightly down on the high level recorded in the previous quarter (-2%, due to, for prudence reasons, greater focus on short-term assets for the reinvestment of savings deposits, among other things), while it was up almost 7% compared to the year-earlier quarter. The healthy credit and deposit margins are reflected in the overall net interest margin, which stood at 1.50% in the quarter under review. This is, though somewhat down on the average level recorded in FY2009 (1.58%), still significantly up on the depressed levels recorded in the second half of 2008 (1.22%, when, inter alia, margins generated on savings deposits were extremely low). Volume movements were limited in the quarter under review (retail credit +1%, retail deposits +2%). Compared to a year ago, retail credit volumes went up 3%, while retail deposits came down 1% (the 25% increase in traditional savings accounts being set off by a decrease in such products as time deposits).

Increased sales of both life and non-life insurance

Up 6% compared to the previous quarter and 3% year-on-year, non-life premium income (267 million in 1Q 2010) continued its gradual and steady rise witnessed of the past few years. Moreover, the Belgian non-life insurance activities recorded yet another good technical performance in the quarter under review, as reflected in an excellent combined ratio of 90%, a further improvement on the already comfortable 95% registered in FY 2009 (restated on account of a new calculation method).

Life insurance premium income stood at 573 million in the quarter under review. Note that, in simplified words, sales of unit-linked life insurance products are not reflected in the IFRS figures (but only the margin on these products is shown under net fee and commission income). If these products are included, total life insurance sales amounted to 777 million in 1Q 2010, up both on the previous and year-earlier figures (+5% and +4%, respectively). Sales of unit-linked life insurance (class 23 products) accounted for slightly more than a quarter of total life sales and benefitted from the gradual recovery of the investment climate, pushing up sales from the record low level a year ago (45 million) to 202 million in the quarter under review (compared to the relatively high level of unit-linked insurance sales in the previous quarter, there was a 20% drop, though). Interest-guaranteed products (class 21 products), which accounted for almost 75% of life sales in the quarter, went up 18% quarter-on-quarter and declined 18% compared to 1Q 2009, which was strongly biased towards interest-guaranteed products given the depressed investment climate at that time. As at end March 2010, the life reserves of this business unit amounted to 21 billion.

Improved investment climate reflected in strong year-on-year increase in commission income

The total net fee and commission income (193 million in the quarter under review) remained positively impacted by the improving investment climate (leading, inter alia, to higher commission income from asset management activities). As a consequence, net commission income *from banking activities* – at 253 million – was up 31% on the year-earlier quarter. Compared to the strong 4Q 2009 there was still a 4% increase in commission income from banking. However, the latter was offset by the increase in commissions *paid to insurance agents* in 1Q 2010, provoking a 4% quarter-on-quarter drop in *total* net fee and commission income. At end March 2010, assets under management of this business unit stood at 150 billion, up 3% in the last three months (2 percentage points of which related to net inflows, the rest to price increases of the assets themselves).

Other income components

Trading and fair value income (see 'Net (un)realised gains on financial instruments at fair value') came to 21 million in the quarter under review. As already explained, the underlying trading and fair value results exclude the CDO-related impact and some other exceptional items. Dividend income stood at 5 million, down on both reference quarters. Note that the bulk of dividends is traditionally received in the second quarter of the year. Realised gains on available-for-sale assets amounted to a low 2 million, down on the 35-million average of the last four quarters. Other net income came to 35 million, in line with the average of the last four quarters.

Both costs and loan losses remain at low levels

Evidently, the cost saving measures that were initiated in the past still positively influenced the cost level in the quarter under review, while there was some upward pressure on costs from higher accruals for variable remuneration for staff. On balance, however, cost (407 million) remained well under control and were even down 6% on both 1Q 2009 and 4Q 2009 (the latter included the traditional end-of-year higher costs for marketing etc.). This favourable cost trend led to a further improvement of the cost/income ratio for the Belgian banking activities, which now stands at a very comfortable 53%, compared to 57% for FY 2009.

Loan losses, at 2 million, remained (very) low too in the quarter under review, helped by an 11 million write-back for a single file, and were even further down on the already low figures in the reference quarters (28 million in 4Q 2009 and 18 million in 1Q 2009). This resulted in a very low credit cost ratio of only 2 basis points, compared to 15 basis points in FY 2009. At the end of March 2010, around 1.6% of the Belgian retail loan book was non-performing, in line with the end of 2009 (1.5%).

CEE Business Unit (underlying trend)

The CEE Business Unit encompasses the banking and insurance activities in the Czech Republic (ČSOB Bank and ČSOB Insurance), Slovakia (ČSOB Bank and ČSOB Insurance), Hungary (K&H Bank and K&H Insurance), Poland (Kredyt Bank and WARTA Insurance) and Bulgaria (CIBank and DZI Insurance). Absolut Bank in Russia, KBC Banka in Serbia, NLB and NLB Vita in Slovenia and Zagiel (consumer finance) in Poland have been moved to the Group Centre, since they are earmarked for divestment. The same applies to the minority stake in CSOB (Czech Republic) that will be listed. All changes have been effected retroactively for the 2009-quarterly figures, as well.

Income statement CEE Business Unit, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	398	399	419	440	447	-	-	-
Gross earned premiums, insurance	254	265	280	284	303	-	-	-
Gross technical charges, insurance	-163	-178	-214	-193	-228	-	-	-
Ceded reinsurance result	-4	-7	0	-14	-10	-	-	-
Dividend income	0	7	1	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	47	-14	12	18	45	-	-	-
Net realised gains from available-for-sale assets	6	2	4	6	10	-	-	-
Net fee and commission income	60	76	79	81	76	-	-	-
Other net income	42	30	24	8	14	-	-	-
Total income	639	579	604	630	657	-	-	-
Operating expenses	-365	-347	-362	-402	-347	-	-	-
Impairment	-133	-133	-156	-218	-111	-	-	-
on loans and receivables	-125	-141	-146	-218	-111	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	1	0	0	0	0	-	-	-
Profit before tax	141	99	86	10	200	-	-	-
Income tax expense	-19	-3	-8	-5	-33	-	-	-
Profit after tax	122	95	78	5	167	-	-	-
attributable to minority interests	45	37	39	19	57	-	-	-
attributable to equity holders of the parent	77	58	39	-13	110	-	-	-
banking activities	41	38	37	-23	103	-	-	-
insurance activities	36	20	3	10	7	-	-	-
Risk-weighted assets, group (end of period, Basel II)	35 795	35 212	34 358	34 112	34 425	-	-	-
of which banking	32 978	32 554	31 760	31 430	31 900	-	-	-
Allocated equity (end of period, Basel II)	3 033	2 976	2 905	2 890	2 906	-	-	-
Return on allocated equity (ROAC, Basel II)	13%	10%	8%	-3%	19%	-	-	-
Cost/income ratio, banking	57%	59%	57%	62%	50%	-	-	-
Combined ratio, non-life insurance	112%	102%	111%	104%	110%	-	-	-

These underlying figures exclude exceptional items. A table reconciling underlying net profit and net profit according to IFRS is provided below.

Reconciliation between underlying profit and profit according to IFRS CEE Business Unit, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Profit after tax, attributable to equity holders of the parent: underlying	77	58	39	-13	110	-	-	-
+ MTM of derivatives for ALM hedging	-11	23	-6	-27	-23	-	-	-
+ gains/losses on CDOs	0	-30	-23	40	8	-	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	-	-	-
+ value losses on AFS shares	-14	0	-1	-2	0	-	-	-
+ impairment on troubled US & Icelandic banks	16	0	1	1	0	-	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	36	0	0	-	-	-
+ impairment on goodwill	-71	-11	-46	-134	0	-	-	-
+ other	28	0	0	-7	0	-	-	-
+ taxes and minority interests re. items above	6	-11	1	-5	3	-	-	-
Profit after tax, attributable to equity holders of the parent: IFRS	32	29	2	-149	99	-	-	-

The change in the average exchange rate against the euro of the main currencies in the region compared to both reference quarters is provided in the table. In order not to distort the comparison, the 'organic' growth figures mentioned below exclude this impact of changes in exchange rates.

CEE average exchange rate changes	CZK	HUF	PLN	BGN	
+: appreciation against the euro	(Czech Rep.)	(Hungary)	(Poland)	(Bulgaria)	Weighted average
-: depreciation against the euro					
1Q 2010 / 1Q 2009	+6%	+10%	+13%	+0%	+8%
1Q 2010 / 4Q 2009	0%	+1%	+5%	+0%	+1%

Slovakia already uses the euro. The weighted average is based on the respective share in risk-weighted assets of each country.

In the quarter under review, the CEE Business Unit generated an underlying result of 110 million, significantly up on the negative 13 million recorded a quarter ago and even up on the positive 77 recorded a year ago, thanks inter alia to lower credit losses and good cost control. The CEE Business Unit's net profit for 1Q 2010 breaks down as follows: 92 million for the Czech Republic (note that part of CSOB Bank's result – related to the planned public offering of a minority part – has been shifted towards the Group Centre¹), 13 million for Slovakia, 26 million for Hungary, 8 million for Poland, 0 million for Bulgaria and -28 million included under other results (largely funding cost of goodwill).

Net interest income stable quarter-on-quarter

Net interest income amounted to 447 million in the quarter under review. On an organic basis, this is virtually unchanged from the previous quarter, and a 4% increase compared to the year-earlier quarter. The average net interest margin for the region came to 3.19%, comparable to the 3.18% registered in 4Q 2009. The loan book of KBC's five core countries went down by some 2% quarter-on-quarter (mainly in Hungary) and 5% year-on-year (again mainly in Hungary), while total deposits stayed roughly unchanged quarter-on-quarter and year-on-year. As usual, the business unit's deposits continued to largely surpass its loan books, leading to a favourable loan-to-deposit ratio (78%) as at end March 2010.

High combined ratio in non-life insurance

Gross earned insurance premiums amounted to 303 million. This breaks down into 114 million for life insurance and 189 million for non-life insurance. On an organic basis, non-life sales decreased both versus the previous and year-earlier quarter, by -3% and -7%, respectively. As was the case in 2009, the combined ratio of KBC's Polish non-life insurance operations stood at a high level (118% in 1Q 2010, 115% for FY 2009, in both cases caused by high claims). In Bulgaria too, the combined ratio stood at a high 115% in the quarter under review (related to car insurance). In the other countries, the ratio stayed well below 100% (92% in the Czech Republic, 84% in Slovakia and 87% in Hungary). In total, the combined ratio for the whole region amounted to a high 110%, up from an already high 107% in FY 2009 (restated following adjustment in methodology).

Life sales, including unit-linked products (which are not included in the IFRS premium figures) amounted to 223 million in the quarter under review. This is, on an organic basis, a decrease on the previous and year-earlier quarters (-5% and -16%, respectively, in the latter case largely due to decreased sales in Poland). Compared to the previous quarter, sales of interest-guaranteed products increased (to 168 million) at the expense of unit-linked products (54 million). At 31 March 2010, the outstanding life reserves in this business unit amounted to 1.9 billion.

Other income components

Net fee and commission income amounted to 76 million in the quarter under review. On an organic basis, this is a 6% decrease on the previous quarter, though largely explained by a change in the accounting treatment of the distribution fees paid to the Czech Post (a shift of 10 million from expenses to commission income, without impacting the bottom line). Compared to a year ago, net fee and commission income went up by 19% on an organic basis (notwithstanding the aforementioned change in methodology), thanks to the combination of slightly higher fees received in the banking business and lower fees paid in the insurance business. At end of March 2010, the assets under management of this business unit stood at 13 billion, up 8% quarter-on-quarter (1/4 due to net inflows, 3/4 to price increases of the assets themselves).

Trading and fair value income (see 'Net (un)realised gains from financial instruments at fair value') came at 45 million, up on the 16-million average of the last four quarters. As already explained, these underlying figures do not include CDO-related items (which led to a slight positive impact in the quarter under review) and other non-operational items. Net realised gains from available-for-sale assets stood at 10 million, up on the 5-million average of the last four quarters. Lastly, other net income came to 14 million in the quarter under review, down on the 26-million average of the last four quarters.

¹ The (assumed) minority part (a working assumption of 40% is used) of CSOB that will be floated has been taken out of the Profit after tax attributable to equity holders of the parent (and moved to Profit after tax, attributable to minority interests).

Further decrease of costs

The operating expenses of this business unit totalled at 347 million, which, on an organic basis, constitutes a decrease of 15% and 11% on the previous and year-earlier quarters, respectively. The decline in the level of costs relates both to staff costs and other administrative expenses (e.g. lower quarter-on-quarter ICT and marketing costs in some group companies), and also includes the (positive) impact of the aforementioned change in methodology (10 million shifted to commission income). As a consequence, the annualised 1Q 2010 cost/income ratio for the CEE banking activities improved from 59% in FY 2009 to 50% in the quarter under review.

Loan losses significantly down on the previous quarter

After the quite substantial loan losses of the previous quarter (218 million), loan losses were, at 111 million, significantly down in the first quarter of 2010. The decline in loan losses was evident in all major markets, but was most pronounced in Poland (4Q 2009 included high loan provisions for Polish consumer finance, among other things). Compared to a year ago, loan losses were down some 17% on an organic basis (again, with Poland showing the largest decrease). Consequently, the CEE Business Unit's annualised credit cost ratio amounted to 120 basis points, a significant improvement on the 170 basis points recorded in FY 2009. The annualised credit cost ratio for 1Q 2010 breaks down as follows: 69 basis points for the Czech Republic, 157 basis points for Slovakia, 119 basis points for Poland, 208 basis points for Hungary and 203 basis points for Bulgaria. At end-March 2010, some 4.6% of the loan book of the CEE-subidiaries was non-performing, compared to 4.1% as at year-end 2009.

As mentioned above, (among others) Absolut Bank in Russia has been moved to the 'Group Centre' and is therefore no longer included in this business unit anymore. For information, the credit cost ratio in Russia was zero in 1Q 2010, clearly down on the 615 basis point recorded in FY 2009.

No impairment on goodwill

In the current quarter, no impairment on goodwill was booked related to the companies of this business unit. Note that in the previous quarter, a relatively high 134 million of goodwill was written down (mainly related to Bulgaria). Note also that impairment on goodwill is treated as an exceptional item and is not, therefore, included in the underlying figures.

Breakdown per country

The underlying income statements for the Czech Republic, Slovakia, Hungary, Poland and Bulgaria are given below. The 'CEE funding costs and other results' section includes mainly the funding cost of goodwill paid on the companies belonging to this business unit and some operating expenses related to CEE at KBC group's head office.

Income statement Czech Republic, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	220	226	229	245	240	-	-	-
Gross earned premiums, insurance	65	67	71	73	91	-	-	-
Gross technical charges, insurance	-25	-46	-50	-41	-67	-	-	-
Ceded reinsurance result	-2	-2	0	-3	-4	-	-	-
Dividend income	0	7	1	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	0	6	17	4	21	-	-	-
Net realised gains from available-for-sale assets	5	0	0	4	3	-	-	-
Net fee and commission income	51	56	57	48	46	-	-	-
Other net income	11	12	9	-4	7	-	-	-
Total income	326	326	334	326	337	-	-	-
Operating expenses	-136	-148	-146	-153	-134	-	-	-
Impairment	-32	-65	-62	-54	-31	-	-	-
on loans and receivables	-31	-65	-52	-54	-31	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Profit before tax	158	112	125	119	171	-	-	-
Income tax expense	-25	-15	-18	-31	-26	-	-	-
Profit after tax	133	97	108	88	146	-	-	-
attributable to minority interests	47	35	39	29	54	-	-	-
attributable to equity holders of the parent	86	62	69	59	92	-	-	-
banking activities	69	51	60	44	81	-	-	-
insurance activities	17	12	9	15	11	-	-	-
Risk-weighted assets, group (end of period, Basel II)	14 628	14 926	14 726	14 689	14 833	-	-	-
of which banking	13 872	14 156	13 948	13 945	14 060	-	-	-
Allocated equity (end of period, Basel II)	1 216	1 240	1 225	1 220	1 233	-	-	-
Return on allocated equity (ROAC, Basel II)	39%	26%	29%	22%	41%	-	-	-
Cost/income ratio, banking	43%	45%	44%	48%	40%	-	-	-
Combined ratio, non-life insurance	92%	100%	95%	84%	92%	-	-	-

Income statement Slovakia, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	47	54	58	56	51	-	-	-
Gross earned premiums, insurance	19	17	19	19	21	-	-	-
Gross technical charges, insurance	-13	-11	-14	-15	-15	-	-	-
Ceded reinsurance result	0	0	1	0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	-4	-8	0	3	7	-	-	-
Net realised gains from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	7	6	6	8	8	-	-	-
Other net income	2	5	2	1	1	-	-	-
Total income	57	63	71	72	71	-	-	-
Operating expenses	-43	-43	-44	-50	-39	-	-	-
Impairment	-14	-17	-21	-21	-16	-	-	-
on loans and receivables	-13	-17	-20	-22	-17	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Profit before tax	1	2	6	1	16	-	-	-
Income tax expense	0	2	-2	2	-3	-	-	-
Profit after tax	1	4	5	3	13	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	1	4	5	3	13	-	-	-
banking activities	0	2	3	2	11	-	-	-
insurance activities	1	3	2	1	2	-	-	-
Risk-weighted assets, group (end of period, Basel II)	4 415	4 386	4 217	4 125	4 056	-	-	-
of which banking	4 278	4 247	4 077	3 989	3 913	-	-	-
Allocated equity (end of period, Basel II)	361	359	346	338	333	-	-	-
Return on allocated equity (ROAC, Basel II)	-3%	1%	1%	-1%	11%	-	-	-
Cost/income ratio, banking	74%	71%	63%	68%	55%	-	-	-
Combined ratio, non-life insurance	81%	84%	97%	132%	84%	-	-	-

Income statement Hungary, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	99	89	92	95	94	-	-	-
Gross earned premiums, insurance	16	19	19	23	17	-	-	-
Gross technical charges, insurance	-8	-12	-11	-16	-11	-	-	-
Ceded reinsurance result	0	-1	-2	-1	-1	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	3	9	4	5	10	-	-	-
Net realised gains from available-for-sale assets	1	1	1	2	4	-	-	-
Net fee and commission income	18	22	24	31	29	-	-	-
Other net income	2	2	3	-2	1	-	-	-
Total income	130	129	130	139	143	-	-	-
Operating expenses	-76	-61	-72	-76	-70	-	-	-
Impairment	-36	-29	-29	-49	-35	-	-	-
on loans and receivables	-36	-29	-29	-48	-35	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	1	0	0	0	0	-	-	-
Profit before tax	19	39	29	13	37	-	-	-
Income tax expense	-8	-9	-8	-3	-11	-	-	-
Profit after tax	10	30	21	11	26	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	10	30	21	11	26	-	-	-
banking activities	6	27	17	7	23	-	-	-
insurance activities	4	3	3	4	3	-	-	-
Risk-weighted assets, group (end of period, Basel II)	7 179	6 621	6 275	6 042	6 275	-	-	-
of which banking	6 970	6 439	6 073	5 825	6 056	-	-	-
Allocated equity (end of period, Basel II)	587	541	514	496	515	-	-	-
Return on allocated equity (ROAC, Basel II)	-0%	15%	12%	2%	14%	-	-	-
Cost/income ratio, banking	60%	49%	56%	55%	49%	-	-	-
Combined ratio, non-life insurance	72%	93%	95%	78%	87%	-	-	-

Income statement Poland, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	68	73	78	77	81	-	-	-
Gross earned premiums, insurance	122	132	143	143	147	-	-	-
Gross technical charges, insurance	-95	-86	-112	-100	-113	-	-	-
Ceded reinsurance result	-2	-4	1	-9	-6	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	28	-1	3	6	7	-	-	-
Net realised gains from available-for-sale assets	0	1	4	0	3	-	-	-
Net fee and commission income	-12	-7	-6	-3	-5	-	-	-
Other net income	30	12	11	10	5	-	-	-
Total income	139	120	121	122	119	-	-	-
Operating expenses	-89	-76	-83	-93	-83	-	-	-
Impairment	-39	-24	-37	-85	-22	-	-	-
on loans and receivables	-40	-24	-37	-86	-22	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Profit before tax	11	19	1	-56	14	-	-	-
Income tax expense	1	-3	-2	8	-4	-	-	-
Profit after tax	11	16	-1	-48	11	-	-	-
attributable to minority interests	-2	2	0	-9	3	-	-	-
attributable to equity holders of the parent	13	15	-1	-39	8	-	-	-
banking activities	-6	7	1	-38	12	-	-	-
insurance activities	19	7	-2	-1	-4	-	-	-
Risk-weighted assets, group (end of period, Basel II)	8 473	8 187	8 050	8 222	8 292	-	-	-
of which banking	7 060	6 919	6 881	6 921	7 143	-	-	-
Allocated equity (end of period, Basel II)	763	731	714	736	732	-	-	-
Return on allocated equity (ROAC, Basel II)	3%	5%	-4%	-31%	1%	-	-	-
Cost/income ratio, banking	69%	61%	60%	60%	59%	-	-	-
Combined ratio, non-life insurance	126%	103%	118%	113%	118%	-	-	-

Income statement Bulgaria, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	12	13	12	11	11	-	-	-
Gross earned premiums, insurance	32	31	29	27	27	-	-	-
Gross technical charges, insurance	-25	-22	-25	-21	-22	-	-	-
Ceded reinsurance result	0	-1	0	0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	0	0	0	0	0	-	-	-
Net realised gains from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	-2	-2	-1	-2	-1	-	-	-
Other net income	0	1	1	-4	0	-	-	-
Total income	18	20	17	10	17	-	-	-
Operating expenses	-13	-13	-13	-13	-13	-	-	-
Impairment	-4	-4	-4	-5	-4	-	-	-
on loans and receivables	-4	-4	-4	-4	-4	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Profit before tax	1	2	0	-8	0	-	-	-
Income tax expense	0	0	0	1	0	-	-	-
Profit after tax	1	2	0	-6	0	-	-	-
attributable to minority interests	0	0	0	-1	0	-	-	-
attributable to equity holders of the parent	1	2	0	-6	0	-	-	-
banking activities	0	0	0	-2	0	-	-	-
insurance activities	0	2	-1	-3	0	-	-	-
Risk-weighted assets, group (end of period, Basel II)	1 082	1 079	1 081	1 026	955	-	-	-
of which banking	781	780	770	742	715	-	-	-
Allocated equity (end of period, Basel II)	105	104	105	99	91	-	-	-
Return on allocated equity (ROAC, Basel II)	-16%	-16%	-23%	-47%	-23%	-	-	-
Cost/income ratio, banking	65%	62%	64%	89%	70%	-	-	-
Combined ratio, non-life insurance	111%	107%	122%	110%	115%	-	-	-

Income statement CEE – funding cost and other results, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	-48	-56	-51	-44	-29	-	-	-
Gross earned premiums, insurance	-1	-1	-1	-1	-1	-	-	-
Gross technical charges, insurance	2	0	-2	0	0	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	18	-20	-12	0	0	-	-	-
Net realised gains from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	0	0	0	-1	0	-	-	-
Other net income	-3	-3	-2	7	1	-	-	-
Total income	-31	-78	-69	-39	-29	-	-	-
Operating expenses	-8	-5	-4	-17	-8	-	-	-
Impairment	-9	7	-3	-3	-3	-	-	-
on loans and receivables	-1	-1	-3	-3	-3	-	-	-
on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Profit before tax	-48	-76	-75	-60	-40	-	-	-
Income tax expense	14	21	21	18	12	-	-	-
Profit after tax	-34	-55	-54	-41	-28	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	-34	-55	-54	-41	-28	-	-	-
banking activities	-28	-50	-45	-36	-23	-	-	-
insurance activities	-6	-6	-9	-6	-5	-	-	-

Merchant Banking Business Unit (underlying trend)

The Merchant Banking Business Unit encompasses the financial services provided to SMEs and corporate customers and capital market activities (merchant banking activities of the CEE group companies are included in the CEE business unit). More specifically, it includes commercial banking and market activities of KBC Bank in Belgium and its branches elsewhere, and the activities of a number of subsidiaries, the main ones being KBC Lease, KBC Securities, KBC Clearing, KBC Commercial Finance and KBC Bank Ireland. The entities that, according to the new strategic plan, are earmarked for divestment in the coming years (KBC Financial Products, KBC Peel Hunt, KBC Finance Ireland (global trade and project finance), KBC Private Equity, Antwerp Diamond Bank, KBC Bank Deutschland) are no longer included in this business unit, as they have been moved to the Group Centre. All changes have been effected retroactively for the 2009-quarterly figures as well.

Income statement Merchant Banking Business Unit, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	193	202	214	219	189	-	-	-
Gross earned premiums, insurance	0	0	0	0	0	-	-	-
Gross technical charges, insurance	0	0	0	0	0	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	2	7	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	199	217	158	-25	210	-	-	-
Net realised gains from available-for-sale assets	-1	2	29	26	1	-	-	-
Net fee and commission income	45	55	45	57	54	-	-	-
Other net income	44	37	44	8	28	-	-	-
Total income	480	516	498	286	482	-	-	-
Operating expenses	-143	-144	-175	-131	-140	-	-	-
Impairment	-102	-330	-126	-256	-219	-	-	-
on loans and receivables	-100	-330	-127	-255	-219	-	-	-
on available-for-sale assets	-2	0	1	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Profit before tax	235	41	196	-101	122	-	-	-
Income tax expense	-46	-22	-15	79	-35	-	-	-
Profit after tax	189	19	182	-22	88	-	-	-
attributable to minority interests	22	22	19	6	3	-	-	-
attributable to equity holders of the parent	168	-2	162	-28	85	-	-	-
banking activities	167	-2	162	-28	83	-	-	-
insurance activities	0	0	1	0	2	-	-	-
Risk-weighted assets, group (end of period, Basel II)	54 138	55 424	56 111	53 597	51 703	-	-	-
of which banking	54 138	55 424	56 111	53 597	51 703	-	-	-
Allocated equity (end of period, Basel II)	4 331	4 434	4 489	4 288	4 136	-	-	-
Return on allocated equity (ROAC, Basel II)	17%	1%	14%	-1%	8%	-	-	-
Cost/income ratio, banking	30%	28%	35%	46%	29%	-	-	-

These underlying figures exclude exceptional items. A table reconciling underlying net profit and net profit according to IFRS is provided below.

Reconciliation between underlying profit and profit according to IFRS Merchant Banking Business Unit, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Profit after tax, attributable to equity holders of the parent: underlying	168	-2	162	-28	85	-	-	-
+ MTM of derivatives for ALM hedging	-15	2	2	-17	-8	-	-	-
+ gains/losses on CDOs	1	-14	46	58	18	-	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	-	-	-
+ value losses on AFS shares	0	0	0	-1	0	-	-	-
+ impairment on troubled US & Icelandic banks	0	-1	39	4	13	-	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	69	0	0	-	-	-
+ impairment on goodwill	0	0	0	-22	0	-	-	-
+ other	3	2	-33	11	-62	-	-	-
+ taxes and minority interests re. items above	15	1	-19	-21	19	-	-	-
Profit after tax, attributable to equity holders of the parent: IFRS	172	-12	267	-16	64	-	-	-

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of 85 million, above the average of the last four quarters (75 million). The 1Q 2010 underlying result breaks down as follows: a negative 5 million for commercial banking activities and a positive 90 million for market activities.

Total income up quarter-on-quarter, thanks inter alia to strong dealing room performance

Total income for this business unit amounted to 482 million, approximately the same level as the year-earlier quarter, but a significant increase (+69%) on the weak 4Q 2009.

This quarter-on-quarter increase was largely attributable to the trading and fair value income (noted under 'Net (un)realised gains from financial instruments at fair value'), which rebounded strongly compared to the previous quarter (from -25 million to +210 million). This was due chiefly to the solid performance of the fixed-income dealing room activities, compared to a weak performance in 4Q 2009 (which was aggravated by the booking of negative market value adjustments to include increased counterparty risk and lower liquidity). As already explained, the underlying figures do not include CDO-related items (a positive impact in the quarter under review) and other non-operational items. Furthermore, we repeat that a significant part of the merchant banking activities have been shifted to the Group Centre.

The business unit's net interest income amounted to 189 million in the quarter under review, down 14% on the previous quarter and 2% on the year-earlier quarter. As anticipated, volumes in this business unit fell: credits, for instance, decreased 5% quarter-on-quarter and as much as 13% year-on-year. This decrease is expected to go on for a number of years, as it is the result of the new strategy of the group which focuses on clients with a link to the group's home markets in Belgium and Central & Eastern Europe and hence implies a gradual scaling down of a large part of the international credit portfolio outside the home markets.

Realised gains from available-for-sale assets were insignificant in the quarter under review, while in the previous quarter, (26 million) they had been boosted by gains on the sale of a bond portfolio. Net fee and commission income stood at 54 million, 4% down on the previous quarter, but up 22% compared to a year ago, thanks, inter alia, to higher fees related to trade finance, corporate finance and brokerage activities. Other net income totalled 28 million, more or less in line with the average of the last four quarters.

Costs up 7% in the quarter under review, but loan losses down

Operating expenses in the quarter under review amounted to 140 million, a slight improvement on a year ago, but up 7% on the previous quarter. This quarter-on-quarter cost increase was accounted for by the commercial banking activities, and related partly to increased ICT-expenses, higher variable remuneration and some technical one-off items.

Impairment on loans and receivables came to 219 million in 1Q 2010, 14% lower than the 255 million registered in 4Q 2009, but still a significant increase compared to the 100 million registered in 1Q 2009. The quarter-on-quarter decline in loan losses was mainly due to lower loan loss provisions in the international loan book in general (except for Ireland, see further). In Ireland, increased provisioning coverage levels for home loans and corporate credits pushed up the loan loss impairments from 75 million in 4Q 2009 to 142 million in the quarter under review. As a result, the credit cost ratio for Ireland rose from 96 basis points in FY 2009 to 316 basis points (annualised) in 1Q 2010. For the business unit as a whole, the credit cost ratio increased from 119 basis points for FY 2009 to 147 basis points in 1Q 2010. As at end-March 2010, approximately 4.0% of the Merchant Banking Business Unit's loan book was non-performing, in line with the 3.9% registered three months ago (in Ireland, the non-performing ratio is 6.9%). There was no impairment on available-for-sale securities (shares and bonds) in 1Q 2010, or on goodwill related to companies belonging to this business unit.

Breakdown into commercial banking activities and market activities

The underlying figures for the Merchant Banking Business Unit are broken down below into 'Commercial Banking' (mainly lending and banking services to SMEs) and 'Market activities' (sales and trading on money and capital markets, corporate finance, etc.).

Income statement Commercial Banking, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	193	202	214	219	189	-	-	-
Gross earned premiums, insurance	0	0	0	0	0	-	-	-
Gross technical charges, insurance	0	0	0	0	0	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	2	7	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	23	0	7	14	14	-	-	-
Net realised gains from available-for-sale assets	-1	2	29	26	1	-	-	-
Net fee and commission income	29	35	26	35	35	-	-	-
Other net income	44	37	44	8	28	-	-	-
Total income	288	279	327	302	267	-	-	-
Operating expenses	-95	-102	-101	-78	-92	-	-	-
Impairment	-53	-138	-120	-199	-162	-	-	-
on loans and receivables	-52	-138	-119	-199	-162	-	-	-
on available-for-sale assets	-1	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Profit before tax	139	39	106	26	13	-	-	-
Income tax expense	-23	0	-29	4	-16	-	-	-
Profit after tax	116	38	77	30	-3	-	-	-
attributable to minority interests	22	22	20	6	3	-	-	-
attributable to equity holders of the parent	94	17	58	24	-5	-	-	-
banking activities	93	17	57	24	-8	-	-	-
insurance activities	0	0	1	0	2	-	-	-
Risk-weighted assets, group (end of period, Basel II)	42 384	44 687	42 315	40 215	38 295	-	-	-
of which banking	42 384	44 687	42 315	40 215	38 295	-	-	-
Allocated equity (end of period, Basel II)	3 391	3 575	3 385	3 217	3 064	-	-	-
Return on allocated equity (ROAC, Basel II)	11%	2%	6%	4%	-1%	-	-	-
Cost/income ratio, banking	33%	36%	31%	25%	34%	-	-	-
Income statement Market Activities, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	0	0	0	0	0	-	-	-
Gross earned premiums, insurance	0	0	0	0	0	-	-	-
Gross technical charges, insurance	0	0	0	0	0	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	176	217	151	-39	196	-	-	-
Net realised gains from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	16	20	19	22	19	-	-	-
Other net income	0	0	0	0	0	-	-	-
Total income	192	237	171	-17	215	-	-	-
Operating expenses	-48	-42	-74	-53	-48	-	-	-
Impairment	-48	-192	-7	-57	-57	-	-	-
on loans and receivables	-48	-192	-7	-57	-57	-	-	-
on available-for-sale assets	-1	0	1	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Profit before tax	96	2	90	-127	109	-	-	-
Income tax expense	-22	-22	14	75	-19	-	-	-
Profit after tax	74	-19	104	-52	90	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	74	-19	105	-52	90	-	-	-
banking activities	74	-19	105	-52	90	-	-	-
insurance activities	0	0	0	0	0	-	-	-
Risk-weighted assets, group (end of period, Basel II)	11 753	10 737	13 796	13 382	13 408	-	-	-
of which banking	11 753	10 737	13 796	13 382	13 408	-	-	-
Allocated equity (end of period, Basel II)	940	859	1 104	1 071	1 073	-	-	-
Return on allocated equity (ROAC, Basel II)	40%	-5%	42%	-16%	35%	-	-	-
Cost/income ratio, banking	25%	18%	43%	-	23%	-	-	-

Group Centre (underlying trend)

The Group Centre comprises, inter alia, the results of the holding company KBC Group NV, a small amount of the results of its subsidiaries KBC Bank NV and KBC Insurance NV (such as strategy-related expenses or non-allocated taxes) and the elimination of the results of intersegment transactions. It also comprises the results of the companies that have been designated as non-core in the new strategy and are therefore earmarked for divestment in the coming years, namely (main ones are mentioned): Centea (Belgium), Fidea (Belgium), Absolut Bank (Russia), KBC Banka (Serbia), NLB and NLB Vita (Slovenia), Zagiel (Poland), the minority share in CSOB that will be floated (Czech Republic), KBC Financial Products (various countries), KBC Peel Hunt (U.K.), KBC Finance Ireland (global trade and project finance; Ireland), KBC Private Equity (Belgium), Antwerp Diamond Bank (Belgium), KBC Bank Deutschland (Germany) and the KBL EPB group including Vitis Life (various countries).

Income statement Group Centre, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	245	221	214	187	158	-	-	-
Gross earned premiums, insurance	97	101	116	144	107	-	-	-
Gross technical charges, insurance	-99	-109	-114	-139	-117	-	-	-
Ceded reinsurance result	1	-1	3	3	5	-	-	-
Dividend income	2	9	0	4	3	-	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	-30	102	142	42	45	-	-	-
Net realised gains from available-for-sale assets	12	19	21	27	10	-	-	-
Net fee and commission income	95	95	116	113	105	-	-	-
Other net income	-9	-6	-19	11	9	-	-	-
Total income	314	432	479	391	325	-	-	-
Operating expenses	-294	-288	-270	-266	-264	-	-	-
Impairment	-66	-78	-75	-164	-22	-	-	-
on loans and receivables	-65	-77	-74	-151	-22	-	-	-
on available-for-sale assets	-2	-1	-1	-11	0	-	-	-
Share in results of associated companies	0	-2	3	-24	-2	-	-	-
Profit before tax	-46	65	137	-63	37	-	-	-
Income tax expense	-15	-23	-19	23	-22	-	-	-
Profit after tax	-61	41	117	-40	14	-	-	-
attributable to minority interests	-48	-36	-41	-31	-55	-	-	-
attributable to equity holders of the parent	-13	77	158	-9	70	-	-	-
banking activities	-3	65	154	-10	82	-	-	-
insurance activities	8	10	4	6	1	-	-	-
holding activities	-19	3	1	-5	-14	-	-	-
Risk-weighted assets, group (end of period, Basel II)	37 161	31 003	28 394	27 107	28 383	-	-	-
of which banking	35 191	29 006	26 362	25 050	26 275	-	-	-
Allocated equity (end of period, Basel II)	3 057	2 566	2 357	2 255	2 356	-	-	-

These underlying figures exclude exceptional items. A table reconciling underlying net profit and net profit according to IFRS is provided below.

Reconciliation between underlying profit and profit according to IFRS Group Centre, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Profit after tax, attributable to equity holders of the parent: underlying	-13	77	158	-9	70	-	-	-
+ MTM of derivatives for ALM hedging	-20	27	-1	-2	-15	-	-	-
+ gains/losses on CDOs	-2 843	843	172	270	116	-	-	-
+ MTM of CDO guarantee and commitment fee	0	-923	-121	-120	-42	-	-	-
+ value losses on AFS shares	-64	-14	1	-1	0	-	-	-
+ impairment on troubled US & Icelandic banks	0	0	1	3	0	-	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	0	0	0	-	-	-
+ impairment on goodwill	-9	-17	-12	-169	-27	-	-	-
+ MTM of own debt issued	134	200	-330	41	-2	-	-	-
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-	-	-
+ other	12	11	0	12	0	-	-	-
+ taxes and minority interests re. items above	-48	309	200	32	-2	-	-	-
Profit after tax, attributable to equity holders of the parent: IFRS	-2 853	-248	-83	-110	-3	-	-	-

The Group Centre's net result in 1Q 2010 amounted to 70 million, a significant increase compared to both reference quarters (-9 million in 4Q 2009 and -13 million in 1Q 2009). This significant increase is largely attributable to (the results of) the companies that are earmarked for divestment in the coming years, whose combined net result increased to 91 million, up from -12 million in 4Q 2009 and +7 million in 1Q 2009, mainly on the back of lower loan loss impairments.

The 1Q 2010 underlying net result of the companies that are earmarked for divestment (91 million) is broken down by former business unit as follows:

- Ex-Belgium Business Unit: 25 million:
Including: 17 million for Centea and 8 million for Fidea
- Ex-CEER Business Unit: 45 million
Including mainly: 54 million relating to the minority share in CSOB that is earmarked for floating, -1 million for Absolut Bank (up on the -46 million registered in the previous quarter thanks to the significant drop in loan loss impairments) and -2 million for NLB (significantly up on the -25 million registered in the previous quarter thanks also to a drop in loan loss impairment)
- Ex-Merchant Banking Business Unit: 9 million
Including mainly: 11 million for KBC Finance Ireland (global trade and project finance activities), 6 million for KBC Bank Deutschland, -5 million for KBC Private Equity and -4 million for KBC Financial Products (note: excluding losses relating to discontinued activities, and gains/losses on CDOs, which are excluded from the underlying figures – see table)
- Ex-European Private Banking Business Unit: 38 million
- Other (for the larger part relating to funding of goodwill paid in relation to companies that are earmarked for divestment): -26 million.

Consolidated financial statements

according to IFRS
KBC Group, 1Q 2010

Consolidated income statement

In millions of EUR	Note	1Q 2009	4Q 2009	1Q 2010
Net interest income	3	1 477	1 551	1 560
Interest income		3 488	2 695	2 695
Interest expense		- 2 012	- 1 144	- 1 135
Gross earned premiums, insurance	9	1 308	1 169	1 249
non-life		479	475	489
life	10	830	694	760
Gross technical charges, insurance	9	- 1 164	- 1 106	- 1 168
non-life		- 297	- 335	- 330
life		- 867	- 771	- 838
Ceded reinsurance result	9	- 15	- 30	- 9
Dividend income	4	23	37	17
Net (un)realised gains from financial instruments at fair value through profit or loss	5	- 3 742	374	- 3
Net realised gains from available-for-sale assets	6	34	109	26
Net fee and commission income	7	317	423	420
fee and commission income		581	704	672
fee and commission expense		- 263	- 281	- 252
Other net income	8	152	44	101
TOTAL INCOME		- 1 610	2 570	2 191
Operating expenses		- 1 235	- 1 231	- 1 181
staff expenses		- 691	- 770	- 705
general administrative expenses		- 448	- 362	- 379
depreciation and amortisation of fixed assets		- 96	- 99	- 97
Impairment	14	- 707	- 995	- 383
on loans and receivables		- 307	- 650	- 355
on available-for-sale assets		- 311	- 16	- 1
on goodwill		- 79	- 327	- 27
on other		- 9	- 2	0
Share in results of associated companies		0	- 24	- 1
PROFIT BEFORE TAX		- 3 552	320	626
Income tax expense		- 28	- 32	- 177
Net post-tax income from discontinued operations		0	0	0
PROFIT AFTER TAX		- 3 580	288	448
attributable to minority interest		20	- 16	6
attributable to equity holders of the parent		- 3 600	304	442
Earnings per share (in EUR)				
Basic		-10.60	0.90	0.86
Diluted		-10.60	0.90	0.86

Condensed consolidated statement of comprehensive income

	1Q 2009	4Q 2009	1Q 2010
PROFIT AFTER TAX	- 3 580	288	448
attributable to minority interest	20	- 16	6
attributable to equity holders of the parent	- 3 600	304	442
OTHER COMPREHENSIVE INCOME			
Net change in revaluation reserve (AFS assets) - Equity	22	52	64
Net change in revaluation reserve (AFS assets) - Bonds	- 205	- 44	530
Net change in revaluation reserve (AFS assets) - Other	0	2	0
Net change in hedging reserve (cash flow hedge)	- 164	54	- 135
Net change in translation differences	- 151	- 128	129
Other movements	1	4	- 1
TOTAL OTHER COMPREHENSIVE INCOME	- 497	- 60	587
TOTAL COMPREHENSIVE INCOME	- 4 077	228	1 036
attributable to minority interest	- 1	- 14	20
attributable to equity holders of the parent	- 4 076	242	1 015

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2009	31-03-2010
Cash and cash balances with central banks		7 173	9 048
Financial assets	18, 24	304 057	317 033
Held for trading		40 563	45 301
Designated at fair value through profit or loss		30 520	33 239
Available for sale		56 120	58 279
Loans and receivables		164 598	167 324
Held to maturity		12 045	12 667
Hedging derivatives		213	223
Reinsurers' share in technical provisions, insurance		284	311
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		259	304
Tax assets		2 214	2 063
Current tax assets		367	404
Deferred tax assets		1 847	1 660
Non-current assets held for sale and assets associated with disposal groups		70	69
Investments in associated companies		608	598
Investment property		762	767
Property and equipment		2 890	2 888
Goodwill and other intangible assets		3 316	3 346
Other assets		2 597	3 701
TOTAL ASSETS		324 231	340 128

LIABILITIES AND EQUITY (in millions of EUR)		31-12-2009	31-03-2010
Financial liabilities	18	279 450	292 379
Held for trading		29 891	36 133
Designated at fair value through profit or loss		31 309	34 711
Measured at amortised cost		217 163	220 403
Hedging derivatives		1 087	1 132
Gross technical provisions, insurance	31	22 012	23 222
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	0
Tax liabilities		519	585
Current tax liabilities		379	379
Deferred tax liabilities		140	206
Non-current liabilities held for sale and liabilities associated with disposal groups		0	0
Provisions for risks and charges		651	631
Other liabilities		4 422	5 095
TOTAL LIABILITIES		307 054	321 912
Total equity		17 177	18 215
Parent shareholders' equity	35	9 662	10 677
Non-voting core-capital securities	35	7 000	7 000
Minority interests		515	538
TOTAL LIABILITIES AND EQUITY		324 231	340 128

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Mandatorily convertible bonds	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent shareholders' equity	Non-voting core- capital securities	Minority interests	Total equity
31-03-2009												
Balance at the beginning of the period	1 244	4 335	0	- 1 561	- 1 131	- 352	8 359	- 184	10 710	3 500	1 165	15 376
Net profit for the period	0	0	0	0	0	0	- 3 600	0	- 3 600	0	20	- 3 580
Other comprehensive income for the period	0	0	0	0	- 180	- 160	1	- 135	- 475	0	- 21	- 497
Total comprehensive income	0	0	0	0	- 180	- 160	- 3 600	- 135	- 4 076	0	- 1	- 4 077
Dividends	0	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0	0
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	1	0	0	0	0	1	0	0	1
Change in minorities	0	0	0	0	0	0	0	0	0	0	14	14
Total change	0	0	0	1	- 180	- 160	- 3 600	- 135	- 4 074	0	13	- 4 062
Balance at the end of the period	1 244	4 335	0	- 1 560	- 1 311	- 512	4 759	- 319	6 636	3 500	1 178	11 314
of which revaluation reserve for shares					- 42							
of which revaluation reserve for bonds					- 1 270							
of which revaluation reserve for other assets than bonds and shares					0							
31-03-2010												
Balance at the beginning of the period	1 245	4 339	0	- 1 560	457	- 374	5 894	- 339	9 662	7 000	515	17 177
Net profit for the period	0	0	0	0	0	0	442	0	442	0	6	448
Other comprehensive income for the period	0	0	0	0	589	- 136	- 1	121	573	0	14	587
Total comprehensive income	0	0	0	0	589	- 136	442	121	1 015	0	20	1 036
Dividends	0	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0	0
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	0	3	3
Total change	0	0	0	0	589	- 136	442	121	1 015	0	23	1 038
Balance at the end of the period	1 245	4 339	0	- 1 559	1 046	- 510	6 336	- 219	10 677	7 000	538	18 215
of which revaluation reserve for shares					450							
of which revaluation reserve for bonds					595							
of which revaluation reserve for other assets than bonds and shares					0							

Condensed consolidated cash flow statement

In millions of EUR	3M 2009	3M 2010
Net cash from (used in) operating activities	- 12	6 538
Net cash from (used in) investing activities	733	- 401
Net cash from (used in) financing activities	16	397
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	737	6 534
Cash and cash equivalents at the beginning of the period	9 461	5 487
Effects of exchange rate changes on opening cash and cash equivalents	- 107	601
Cash and cash equivalents at the end of the period	10 090	12 622

Statement of compliance and changes in accounting policies

Statement of compliance (note 1a in the annual accounts)

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards (IAS 34), as adopted for use in the European Union ('endorsed IFRS'). The consolidated financial statements of KBC present one year of comparative information. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2009

In 2010, KBC adjusted the presentation of the income statement: the heading 'provisions for risks and charges' has been removed as part of 'operating expenses'. Amounts allocated to or reversed from the balance sheet heading 'provisions for risks and charges' will be recorded from now on in the income statement heading where the future cost regarding this provision will be included (staff expenses, general administrative expenses, income tax expense and other net income). In the reference figures, the amounts included in the income statement for 'provisions for risks and charges' have been added to 'general administrative expenses'.

Changes to the segment reporting: following the restructuring plan, approved by the EC at the end of 2009, results for the coming years will be impacted substantially by the foreseen divestments, and this for all BU's. In order to create more transparency and in order to avoid substantial quarter-on-quarter distortion in the BU-results, a new format for the BU-reporting was needed. This new format includes following BU's: BU Belgium (BU BEL), BU Central and Eastern Europe (BU CEE), BU Merchant Banking (BU MEB) and Group Centre (latter including the former BU Group Item and all Divestments), see also note 40. As such, the figures of the new BU's represent the 'new' KBC going forward and the trends within these BU's in the next quarters will not be distorted anymore by the future divestments.

Change in presentation to note 9 technical results: in order to provide a more transparent view on the insurance activities, note 9 has been reworked.

Summary of significant accounting policies (note 1b in the annual accounts)

A summary of the main accounting policies is provided in the annual report. In 1Q 2010, no changes in content were made in the accounting policies that had a material impact on the results.

Segment reporting

Segment reporting according to the management structure of the group (note 2a in the annual accounts)

KBC is structured and managed according to a number of segments (called 'business units'). The segment reporting (see below) is based on this breakdown, but, as of this report, also brings together all companies that are up for divestment (according to the new strategic plan) under the Group Centre. The reference figures were adjusted accordingly.

For reporting purposes, the business units hence are:

- Belgium (retail bancassurance, asset management and private banking in Belgium; companies that are planned for divestment are moved to Group Centre).
- Central & Eastern Europe (retail bancassurance, asset management, private banking and merchant banking in the Czech and Slovak Republics, Hungary, Poland and Bulgaria; companies in other countries that are planned for divestment are moved to Group Centre¹).
- Merchant Banking (commercial banking and market activities in Belgium and selected countries in Europe, America and Southeast Asia; companies that are planned for divestment are moved to Group Centre)
- Group Centre (companies that are planned for divestment¹, as well as KBC Group NV, KBC Global Services and some allocated costs (the allocation of results of KBC Bank Belgium and KBC Insurance to the Group Centre are limited to those results that can not be allocated in a reliable way to other segments).

The basic principle of the segment reporting is that an individual subsidiary is allocated fully to one segment (see note 40). Exceptions are made for costs that can not be allocated reliably to a certain segment (grouped together in a separate Group Centre) and KBC Bank NV (allocated to the different segments and to the Group Centre by means of different allocation keys).

Funding costs of goodwill regarding participations recorded in KBC Bank and KBC Insurance are allocated to the different segments in function of the subsidiaries concerned. The funding costs regarding leveraging at the level of KBC Group are not allocated.

The transactions conducted between the different segments occur at arm's length.

The figures of the segment reporting have been prepared in accordance with the general KBC accounting policies (see Note 1) and are thus in compliance with the International Financial Reporting Standards as adopted for use in the European Union (endorsed IFRS).

Some exceptions to these accounting policies have been made to better reflect the underlying performance:

- In order to arrive at the underlying group profit, exceptional factors that do not regularly occur during the normal course of business are eliminated. These factors also include exceptional losses (and gains), such as those incurred on structured credit investments, on exposures to troubled banks (Lehman Brothers, Washington Mutual, Icelandic banks) and on trading positions that were unwound due to the discontinuation of activities of KBC Financial Products. In view of their exceptional nature and materiality, it is important to separate out these factors to understand the profit trend fully.

¹ Includes also the minority share in CSOB (Czech Republic) that will be floated and Zagieli (Poland).

- In the IFRS accounts, a large part of KBC's derivatives used for Asset and Liability Management (ALM) are treated as 'trading instruments'. These include those derivatives that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk. Consequently, interest results on such hedges are recognised as 'net (un)realised gains from financial instruments at fair value', while the interest paid on the underlying assets is recognised as 'net interest income'.
- In the underlying accounts, the interest on these derivatives is also recognised in the 'net interest income' heading (where interest results on the underlying assets are already presented), without any impact on net profit.

Moreover, fair value changes (due to marking-to-market) of these ALM derivatives are recognised under 'net (un)realised gains from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). Hence, the 'underlying figures' exclude fair value changes in these ALM derivatives.

- In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net (un)realised gains from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised gains on available-for-sale assets' and 'other net income' are also related to trading income.

In the underlying figures, all trading income components within the investment banking division are recognised under 'net (un)realised gains from financial instruments at fair value', without any impact on net profit.

- In the IFRS accounts, the effect of changes in own credit risk was taken into account to determine the fair value of liabilities at fair value through profit or loss. This resulted in value changes that had an impact on reported net profit. Since this is a non-operating item, the impact is excluded from the 'underlying figures'.
- In the IFRS accounts, discontinued operations (in KBC's new strategic plan, this refers only to KBL EPB) will be booked according to IFRS5 (meaning that results relating to such a discontinued operation are moved from the various P&L lines towards one line 'Net post-tax income from discontinued operations', as soon as the criteria for IFRS5 are fulfilled). In the underlying results, such discontinued operations follow the same rules as other divestments (all relevant P&L lines relating to the divestment or discontinued operation are moved to Group Centre).

A table reconciling the net profit and the underlying net profit is provided below.

Reconciliation between underlying profit and profit according to IFRS* KBC Group, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010			
Profit after tax, attributable to equity holders of the parent, UNDERLYING	465	409	631	218	543	-	-	-
+ MTM of derivatives for ALM hedging	-137	206	42	-33	-94	-	-	-
+ gains/losses on CDOs	-3 793	996	228	719	182	-	-	-
+ MTM of CDO guarantee and commitment fee	0	-1 121	-146	-143	-50	-	-	-
+ value losses on AFS shares	-311	-50	4	-4	0	-	-	-
+ impairment on troubled US & Icelandic banks	16	-1	42	8	13	-	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	128	0	0	-	-	-
+ impairment on goodwill	-79	-28	-58	-328	-27	-	-	-
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-	-	-
+ MTM of own debt issued	134	200	-330	41	-2	-	-	-
+ other	96	63	-33	16	-62	-	-	-
+ taxes & minority interests on the items above	7	388	176	-24	41	-	-	-
Profit after tax, attributable to equity holders of the parent, IFRS	-3 600	302	528	304	442			

* A breakdown of this reconciliation table per business unit is provided in the chapter 'Underlying results per business unit' of the Extended quarterly report 1Q 2010.

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre excl. inter- segment eliminations	Inter- segment eliminations	KBC Group
INCOME STATEMENT - underlying results - 3M 2009						
Net interest income	516	398	193	245	1	1 353
Gross earned premiums, insurance	957	254	0	107	- 11	1 308
Non-life	259	186	0	44	- 11	479
Life	699	68	0	63	0	830
Gross technical charges, insurance	- 902	- 163	0	- 100	0	- 1 164
non-life	- 142	- 132	0	- 24	2	- 297
life	- 759	- 31	0	- 75	- 1	- 867
Ceded reinsurance result	- 12	- 4	0	0	1	- 15
Dividend income	10	0	0	2	0	12
Net (un)realised gains from financial instruments at fair value through profit or loss	15	47	199	- 30	0	231
Net realised gains from available-for-sale assets	34	6	- 1	12	0	51
Net fee and commission income	128	60	45	93	2	328
Other net income	42	42	44	265	- 274	119
TOTAL INCOME	788	639	480	595	- 280	2 222
Operating expenses	- 433	- 365	- 143	- 574	280	- 1 235
Impairment	- 18	- 133	- 102	- 66	0	- 319
on loans and receivables	- 18	- 125	- 100	- 65	0	- 307
on available-for-sale assets	0	0	- 2	- 2	0	- 3
on goodwill	0	0	0	0	0	0
on other	0	- 8	0	0	0	- 9
Share in results of associated companies	0	1	0	0	0	0
PROFIT BEFORE TAX	337	141	235	- 46	0	667
Income tax expense	- 101	- 19	- 46	- 15	0	- 181
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	235	122	189	- 61	0	486
attributable to minority interests	1	45	22	- 48	0	21
attributable to equity holders of the parent	234	77	168	- 13	0	465
INCOME STATEMENT - underlying results - 3M 2010						
Net interest income	550	447	189	161	- 3	1 344
Gross earned premiums, insurance	839	303	0	107	0	1 249
Non-life	267	189	0	33	0	489
Life	573	114	0	74	0	760
Gross technical charges, insurance	- 823	- 228	0	- 117	0	- 1 168
non-life	- 170	- 131	0	- 30	0	- 330
life	- 653	- 97	0	- 88	0	- 838
Ceded reinsurance result	- 4	- 10	0	5	0	- 9
Dividend income	5	0	0	3	0	8
Net (un)realised gains from financial instruments at fair value through profit or loss	21	45	210	45	0	320
Net realised gains from available-for-sale assets	2	10	1	10	0	24
Net fee and commission income	193	76	54	103	2	429
Other net income	35	14	28	9	0	85
TOTAL INCOME	818	657	482	325	0	2 282
Operating expenses	- 407	- 347	- 140	- 264	0	- 1 158
Impairment	- 3	- 111	- 219	- 22	0	- 356
on loans and receivables	- 2	- 111	- 219	- 22	0	- 355
on available-for-sale assets	- 1	0	0	0	0	- 1
on goodwill	0	0	0	0	0	0
on other	0	0	0	0	0	0
Share in results of associated companies	0	0	0	- 2	0	- 1
PROFIT BEFORE TAX	408	200	122	37	0	767
Income tax expense	- 127	- 33	- 35	- 22	0	- 218
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	280	167	88	14	0	549
attributable to minority interests	2	57	3	- 55	0	6
attributable to equity holders of the parent	279	110	85	70	0	543

In the table below, an overview is provided of certain balance sheet items divided by segment.

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre	KBC Group
Balance sheet information 31/12/09					
Total loans to customers	49 593	33 767	52 298	17 571	153 230
Of which mortgage loans	25 029	12 075	13 383	8 693	59 180
Of which reverse repos	0	3 096	3 199	0	6 295
Customer deposits	64 827	42 088	63 237	23 313	193 464
Of which repos	320	3 138	9 741	0	13 199
Balance sheet information 31/03/10					
Total loans to customers	50 318	32 757	53 411	17 155	153 640
Of which mortgage loans	25 434	12 577	13 217	7 567	58 795
Of which reverse repos	0	1 646	7 011	40	8 697
Customer deposits	65 607	42 028	73 178	22 554	203 367
Of which repos	0	1 917	14 698	0	16 615

Segment reporting according to geographic segment (note 2b in the annual accounts)

The geographical information is based on geographic areas, and reflects KBC's focus on Belgium (land of domicile) and Central and Eastern Europe (including Russia) – and its selective presence in other countries ('rest of the world', i.e. mainly the US, Southeast Asia and Western Europe excluding Belgium). The geographic segmentation is based on the location where the services are rendered. Since at least 95% of the customers are local customers, the location of the branch or subsidiary determines the geographic breakdown of both the balance sheet and income statement. The geographic segmentation differs significantly from the business unit breakdown, due to, inter alia, a different allocation methodology and the fact that the geographic segment 'Belgium' includes not only the Belgium business unit, but also the Belgian part of the Merchant Banking Business unit.

More detailed geographic segmentation figures for balance sheet items are provided in the various Notes to the balance sheet. The breakdown here is made based on the geographic location of the counterparty.

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Group
03M 2009				
Total income from external customers	1 077	741	404	2 222
31-12-2009				
Total assets (period-end)	208 551	58 411	57 268	324 231
Total liabilities (period-end)	187 689	52 289	67 077	307 054
3M 2010				
Total income from external customers	1 064	728	489	2 282
31-03-2010				
Total assets (period-end)	218 684	59 706	61 737	340 128
Total liabilities (period-end)	197 178	53 089	71 645	321 912

Other notes

All data in this chapter are based on IFRS. From an analytical point of view (for instance, due to the treatment of recognition of certain income components related to capital market activities and the treatment of certain ALM hedging derivatives), it may be useful to look at additional 'underlying' figures. These 'underlying' data (which are included in the Notes on segment reporting) are also provided in the 'earnings release' and 'analysis of earnings components' chapters of the extended quarterly report, which are not reviewed by the auditor.

Net interest income (note 3 in the annual accounts)

In millions of EUR	1Q 2009	4Q 2009	1Q 2010
Total	1 477	1 551	1 560
Interest income	3 488	2 695	2 695
Available-for-sale assets	495	518	512
Loans and receivables	2 099	1 719	1 664
Held-to-maturity investments	119	131	133
Other assets	36	9	8
<i>Subtotal, interest income from financial assets not measured at fair value through profit or loss</i>	<i>2 748</i>	<i>2 378</i>	<i>2 316</i>
Financial assets held for trading	209	117	105
Hedging derivatives	238	23	94
Other financial assets at fair value through profit or loss	293	176	180
Interest expense	- 2 012	- 1 144	- 1 135
Financial liabilities measured at amortised cost	- 1 448	- 871	- 815
Other	- 3	- 5	- 4
Investment contracts at amortised cost	0	0	0
<i>Subtotal, interest expense for financial assets not measured at fair value through profit or loss</i>	<i>- 1 450</i>	<i>- 876</i>	<i>- 819</i>
Financial liabilities held for trading	- 34	- 21	- 21
Hedging derivatives	- 271	- 196	- 226
Other financial liabilities at fair value through profit or loss	- 256	- 52	- 70

Dividend income (note 4 in the annual accounts)

In millions of EUR	1Q 2009	4Q 2009	1Q 2010
Total	23	37	17
Breakdown by type			
Held-for-trading shares	10	7	9
Shares initially recognised at fair value through profit or loss	0	1	0
Available-for-sale shares	12	28	8

Net (un)realised gains from financial instruments at fair value (note 5 in the annual accounts)

In the first quarter 2010, the market price for corporate credit, reflected in credit default swap spreads, improved slightly further after a markedly improvement since 31 March 2009, generating a value mark-up of KBC's CDO exposure. The positive earnings impact from CDO revaluation amounted to +0.2 billion euros for 1Q 2010 (including impact government guarantee but excluding the related fee; the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer, remained at the level of 31 December 2009, namely 70%).

Net realised gains from available-for-sale assets (note 6 in the annual accounts)

In millions of EUR	1Q 2009	4Q 2009	1Q 2010
Total	34	109	26
Breakdown by portfolio			
Fixed-income securities	13	50	17
Shares	22	59	9

Net fee and commission income (note 7 in the annual accounts)

In millions of EUR	1Q 2009	4Q 2009	1Q 2010
Total	317	423	420
Fee and commission income	581	704	672
Securities and asset management	335	428	399
Margin on deposit accounting (life insurance investment contracts without DPF)	5	13	9
Commitment credit	67	61	64
Payments	117	130	126
Other	57	72	74
Fee and commission expense	- 263	- 281	- 252
Commission paid to intermediaries	- 119	- 113	- 136
Other	- 144	- 168	- 116

Other net income (note 8 in the annual accounts)

In millions of EUR	1Q 2009	4Q 2009	1Q 2010
Total	152	44	101
Net realised gain on loans and receivables	0	2	3
Net realised gain on held-to-maturity investments	0	0	- 1
Net realised gain on financial liabilities measured at amortised cost	1	1	0
Other	151	41	99
of which: income concerning leasing at the KBC Lease-group	12	35	23
of which: income from consolidated private equity participations	28	- 2	13
of which: income from Groep VAB	20	19	20
of which: net realised gain on World Alliance Foundation (WAF)	0	0	10

Breakdown of the insurance results (note 9 in the annual accounts)

In millions of EUR

	Life	Non-life	Non-technical account	TOTAL
1Q 2009				
Technical result	- 64	73	6	15
Gross earned premiums	831	484	0	1 315
Gross technical charges	- 867	- 297	0	- 1 165
Net fee and commission income	- 28	- 100	7	- 120
Ceded reinsurance result	0	- 13	- 1	- 15
Financial result	50	- 8	- 688	- 647
Net interest income			232	232
Net dividend income			9	9
Net gains from financial instruments at fair value			- 920	- 920
Net realised gains from AFS assets			31	31
Allocation to the technical accounts	50	- 8	- 41	0
Operating expenses	- 33	- 69	- 2	- 104
Internal costs claim paid	- 2	- 20	0	- 22
Administration costs related to acquisitions	- 9	- 23	0	- 32
Administration costs	- 22	- 26	0	- 48
Management costs investments	0	0	- 2	- 2
Other net income			18	18
Impairments			- 271	- 271
Share in results of associated companies			0	0
PROFIT BEFORE TAX	- 48	- 4	- 937	- 989
Income tax expense				- 31
Net post-tax income from discontinued operations				0
PROFIT AFTER TAX	- 48	- 4	- 937	- 1 020
attributable to minority interest				5
attributable to equity holders of the parent				- 1 024
1Q 2010				
Technical result	- 102	59	8	- 36
Gross earned premiums	762	494	0	1 256
Gross technical charges	- 838	- 331	0	- 1 169
Net fee and commission income	- 25	- 97	9	- 113
Ceded reinsurance result	- 1	- 8	- 1	- 9
Financial result	206	56	41	303
Net interest income			250	250
Net dividend income			6	6
Net gains from financial instruments at fair value			33	33
Net realised gains from AFS assets			15	15
Allocation to the technical accounts	206	56	- 262	0
Operating expenses	- 32	- 78	- 3	- 113
Internal costs claim paid	- 2	- 18	0	- 21
Administration costs related to acquisitions	- 10	- 22	0	- 32
Administration costs	- 20	- 38	0	- 58
Management costs investments	0	0	- 3	- 3
Other net income			2	2
Impairments			1	1
Share in results of associated companies			0	0
PROFIT BEFORE TAX	72	36	49	157
Income tax expense				- 27
Net post-tax income from discontinued operations				0
PROFIT AFTER TAX	72	36	49	131
attributable to minority interest				4
attributable to equity holders of the parent				126

Figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products.

Figures are before the elimination of the internal insurance between the insurance and banking businesses of the Group (which also explains the difference between the amount on the headings Gross earned premiums, Gross technical charges and Ceded reinsurance result between note 9 and the income statement of the Group).

Gross earned premiums, life insurance (note 10 in the annual accounts)

In millions of EUR	1Q 2009	4Q 2009	1Q 2010
Total	830	694	760
Breakdown by IFRS category	830	694	760
Insurance contracts	202	257	250
Investment contracts with discretionary participation	628	437	511
Breakdown by type			
Accepted reinsurance	7	3	9
Primary business	822	691	751
Breakdown of primary business			
Individual versus group			
Individual premiums	747	596	624
Premiums under group contracts	76	94	127
Periodic versus single			
Periodic premiums	195	251	225
Single premiums	627	439	525
Non-bonus versus bonus contracts			
Premiums from non-bonus contracts	46	55	47
Premiums from bonus contracts	764	604	654
Unit linked	12	32	50

Under IFRS, figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are after the elimination of the internal insurance between the insurance and banking businesses of the Group.

Impairment - income statement (note 14 in the annual accounts)

In millions of EUR	1Q 2009	4Q 2009	1Q 2010
Total	- 707	- 995	- 383
Impairment on loans and receivables	- 307	- 650	- 355
Breakdown by type			
Specific impairments for on-balance-sheet lending	- 274	- 612	- 293
Specific impairments for off-balance-sheet credit commitments	- 7	- 11	2
Portfolio-based impairments	- 27	- 26	- 65
Breakdown by business unit			
Belgium	- 18	- 28	- 2
Central and Eastern Europe	- 125	- 218	- 111
Merchant Banking	- 100	- 252	- 219
Group Centre	- 65	- 152	- 22
Impairment on available-for-sale assets	- 311	- 16	- 1
Breakdown by type			
Shares	- 308	- 7	- 1
Other	- 3	- 9	0
Impairment on goodwill	- 79	- 327	- 27
Impairment on other	- 9	- 2	0
Intangible assets, other than goodwill	0	0	0
Property and equipment	1	- 1	0
Held-to-maturity assets	0	- 1	0
Associated companies (goodwill)	0	0	0
Other	- 9	1	0

In 1Q 2010, impairment on goodwill amounted to only 27 million, whereas in the previous quarter some 0.3 billion impairment on goodwill was booked (mostly related to group companies in Bulgaria and Russia).

Financial assets and liabilities: breakdown by portfolio and product (note 18 in the annual accounts)

FINANCIAL ASSETS (in millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2009								
Loans and advances to credit institutions and investment firms ^a	566	3 708	0	16 930	-	-	-	21 204
Loans and advances to customers ^b	3 169	6 133	0	143 928	-	-	-	153 230
Discount and acceptance credit	0	9	0	116	-	-	-	125
Consumer credit	0	0	0	4 947	-	-	-	4 947
Mortgage loans	0	2 349	0	56 830	-	-	-	59 180
Term loans	3 169	3 579	0	64 904	-	-	-	71 652
Finance leasing	0	0	0	5 569	-	-	-	5 569
Current account advances	0	0	0	5 123	-	-	-	5 123
Securitised loans	0	0	0	0	-	-	-	0
Other	0	196	0	6 439	-	-	-	6 635
Equity instruments ^c	2 977	20	2 418	-	-	-	-	5 414
Investment contracts (insurance)	-	7 957	-	-	-	-	-	7 957
Debt instruments issued by	12 653	12 457	52 694	3 270	11 765	-	-	92 838
Public bodies	8 056	11 202	39 439	3	10 662	-	-	69 362
Credit institutions and investment firms	2 512	327	6 297	0	767	-	-	9 903
Corporates	2 085	928	6 958	3 267	335	-	-	13 572
Derivatives	20 995	-	-	-	-	165	-	21 160
Total carrying value excluding accrued interest income	40 360	30 275	55 112	164 128	11 765	165	0	301 804
Accrued interest income	203	245	1 008	470	280	48	0	2 254
Total carrying value including accrued interest income	40 563	30 520	56 120	164 598	12 045	213	0	304 057
^a Of which reverse repos								6 297
^b Of which reverse repos								6 295
^c For AFS equity: of which:								
Real estate certificates			41					
Bonds and cash			406					
Shares			1 971					
31-03-2010								
Loans and advances to credit institutions and investment firms ^a	676	4 303	0	20 001	-	-	-	24 980
Loans and advances to customers ^b	1 758	8 646	0	143 236	-	-	-	153 640
Discount and acceptance credit	0	0	0	82	-	-	-	82
Consumer credit	0	0	0	4 949	-	-	-	4 949
Mortgage loans	0	883	0	57 911	-	-	-	58 795
Term loans	1 758	7 550	0	65 174	-	-	-	74 482
Finance leasing	0	0	0	5 278	-	-	-	5 278
Current account advances	0	0	0	5 726	-	-	-	5 726
Securitised loans	0	0	0	0	-	-	-	0
Other	0	213	0	4 115	-	-	-	4 328
Equity instruments ^c	2 811	21	2 376	-	-	-	-	5 208
Investment contracts (insurance)	-	8 392	-	-	-	-	-	8 392
Debt instruments issued by	14 028	11 735	55 134	3 546	12 332	-	-	96 776
Public bodies	10 897	10 463	41 672	70	11 258	-	-	74 360
Credit institutions and investment firms	883	362	6 330	0	733	-	-	8 308
Corporates	2 248	911	7 132	3 476	342	-	-	14 109
Derivatives	25 806	-	-	-	-	181	-	25 986
Total carrying value excluding accrued interest income	45 079	33 098	57 510	166 783	12 332	181	0	314 983
Accrued interest income	222	141	769	542	334	42	0	2 051
Total carrying value including accrued interest income	45 301	33 239	58 279	167 324	12 667	223	0	317 033
^a Of which reverse repos								7 295
^b Of which reverse repos								8 697
^c For AFS equity: of which:								
Real estate certificates			65					
Bonds and cash			123					
Shares			2 188					

In October 2008, the IASB issued amendments to IAS 39 (Financial instruments: recognition and measurement) and IFRS 7 (Financial instruments: disclosure) under 'Reclassification of financial assets'. These amendments were endorsed by the European Union on 15 October 2008.

The amendments to IAS 39 in October 2008 permit an entity to reclassify certain financial assets in particular circumstances. Certain non-derivative financial assets measured *at fair value through profit or loss* (other than those classified under the fair value option) may in certain cases be reclassified to: 'held-to-maturity assets', 'loans and receivables' or 'available-for-sale assets'. Certain assets classified as 'available for sale' may be transferred to 'loans and receivables', likewise in particular cases. The amendments to IFRS 7 impose additional disclosure requirements if the reclassification option is used.

Following the implementation of these amendments, the KBC group reclassified on 31 December 2008 a number of assets out of the 'available for sale' category to the 'loans and receivables' category because they had become less liquid. On the date of reclassification, the assets in question met the definition of loans and receivables, and the group has the intention and ability to hold these assets for the foreseeable future or until maturity. Both the carrying value and the fair value of the reclassified assets came to 3.6 billion euro on 31 December 2008.

Financial assets reclassified out of 'available for sale' to 'loans and receivables' on 31-12-2008, in millions of EUR, 31-03-2010

Carrying value	3 103
Fair value	3 257

Financial assets reclassified out of 'available for sale' to 'loans and receivables' on 31-12-2008, in millions of EUR, 31-03-2010, amounts before tax

	In case of non-reclassification (AFS)	After reclassification (L&R)	Impact
Outstanding revaluation reserve AFS	-549	-718	-169
Impact on the income statement	-17	-55	-38

In 1Q 2010, the reclassification resulted pre-tax in a negative effect on equity to the tune of -169 million euro regarding the revaluation reserves AFS (and a positive impact on reserves of +18 million euro regarding the income statement impact of 2009) and a negative effect on the income statement in 1Q 2010 amounting to -38 million euro. Besides specific impairments, 35 million euro was also set aside for portfolio-based impairment (IBNR) on loans and receivables in 1Q 2010.

FINANCIAL LIABILITIES (in millions of EUR)	Held for trading	Designated at fair value ^c	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2009								
Deposits from credit institutions and investment firms ^a	211	6 678	-	-	-	-	38 555	45 444
Deposits from customers and debt certificates ^b	834	16 695	-	-	-	-	175 935	193 464
Deposits from customers	0	13 154	-	-	-	-	132 165	145 319
Demand deposits	0	150	-	-	-	-	44 271	44 421
Time deposits	0	12 992	-	-	-	-	44 448	57 441
Savings deposits	0	0	-	-	-	-	38 645	38 645
Special deposits	0	0	-	-	-	-	3 677	3 677
Other deposits	0	11	-	-	-	-	1 124	1 135
Debt certificates	834	3 541	-	-	-	-	43 770	48 146
Certificates of deposit	0	42	-	-	-	-	15 746	15 788
Customer savings certificates	0	0	-	-	-	-	2 583	2 583
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	834	3 218	-	-	-	-	16 311	20 363
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	282	-	-	-	-	9 129	9 411
Liabilities under investment contracts	-	7 685	-	-	-	-	254	7 939
Derivatives	26 304	0	-	-	-	882	-	27 185
Short positions	2 147	0	-	-	-	-	-	2 147
in equity instruments	486	0	-	-	-	-	-	486
in debt instruments	1 661	0	-	-	-	-	-	1 661
Other	250	168	-	-	-	-	1 514	1 931
Total carrying value excluding accrued interest expense	29 745	31 226	-	-	-	882	216 258	278 111
Accrued interest expense	146	83	-	-	-	205	905	1 339
Total carrying value including accrued interest expense	29 891	31 309	-	-	-	1 087	217 163	279 450

^a Of which repos

^b Of which repos

^c Of which valuation own credit risk

11 513

13 199

- 204

31-03-2010								
Deposits from credit institutions and investment firms ^a	21	4 692	-	-	-	-	35 044	39 757
Deposits from customers and debt certificates ^b	753	22 043	-	-	-	-	180 571	203 367
Deposits from customers	0	18 615	-	-	-	-	135 297	153 912
Demand deposits	0	167	-	-	-	-	52 398	52 565
Time deposits	0	18 448	-	-	-	-	38 392	56 840
Savings deposits	0	0	-	-	-	-	39 445	39 445
Special deposits	0	0	-	-	-	-	3 804	3 804
Other deposits	0	0	-	-	-	-	1 258	1 258
Debt certificates	753	3 428	-	-	-	-	45 274	49 454
Certificates of deposit	0	46	-	-	-	-	17 455	17 501
Customer savings certificates	0	0	-	-	-	-	2 514	2 514
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	753	3 074	-	-	-	-	15 751	19 577
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	307	-	-	-	-	9 554	9 862
Liabilities under investment contracts	-	7 718	-	-	-	-	190	7 908
Derivatives	33 539	0	-	-	-	1 032	-	34 570
Short positions	1 758	0	-	-	-	-	-	1 758
in equity instruments	398	0	-	-	-	-	-	398
in debt instruments	1 360	0	-	-	-	-	-	1 360
Other	0	161	-	-	-	-	3 504	3 665
Total carrying value excluding accrued interest expense	36 070	34 613	-	-	-	1 032	219 309	291 025
Accrued interest expense	63	97	-	-	-	101	1 093	1 354
Total carrying value including accrued interest expense	36 133	34 711	-	-	-	1 132	220 403	292 379

^a Of which repos

^b Of which repos

^c Of which valuation own credit risk

9 998

16 615

- 202

Impairments on loans and receivables (note 24 in the annual accounts)

In millions of EUR	31-12-2009	31-03-2010
Total	4 080	4 458
Breakdown by type		
Specific impairment, on-balance-sheet loans and receivables	3 667	3 974
Specific impairment, off-balance-sheet credit commitments	85	84
Portfolio-based impairment	328	400
Breakdown by counterparty		
Impairment for loans and receivables to banks	36	37
Impairment for loans and receivables to customers	3 933	4 313
Specific and portfolio based impairment, off-balance-sheet credit commitments	111	108

Technical provisions, insurance (note 31 in the annual accounts)

In millions of EUR	31-12-2009	31-03-2010
Gross technical provisions	22 012	23 222
Insurance contracts	10 244	10 977
Provisions for unearned premiums and unexpired risk	504	630
Life insurance provision	5 493	5 605
Provision for claims outstanding	3 770	3 860
Provision for profit sharing and rebates	29	27
Other technical provisions	449	854
Investment contracts with DPF	11 768	12 246
Life insurance provision	11 715	12 217
Provision for claims outstanding	0	0
Provision for profit sharing and rebates	53	29
Reinsurers' share	284	311
Insurance contracts	284	311
Provisions for unearned premiums and unexpired risk	15	32
Life insurance provision	7	7
Provision for claims outstanding	262	271
Provision for profit sharing and rebates	0	0
Other technical provisions	0	0
Investment contracts with DPF	0	0
Life insurance provision	0	0
Provision for claims outstanding	0	0
Provision for profit sharing and rebates	0	0

Technical provisions relate to insurance contracts and investment contracts with a discretionary participation feature (DPF). Liabilities under investment contracts without DPF have to be valued according to IAS39 (deposit accounting); these liabilities concern mainly the unit-linked contracts. Liabilities under investment contracts without DPF are included in the overview on financial liabilities in note 18.

Parent shareholders' equity and non-voting core-capital securities (note 35 in the annual accounts)

in number of shares	31-12-2009	31-03-2010
Breakdown by type		
Ordinary shares	357 918 125	357 918 125
Non-voting core-capital securities	237 288 134	237 288 134
<i>of which ordinary shares that entitle the holder to a dividend payment</i>	<i>344 392 245</i>	<i>344 557 548</i>
<i>of which treasury shares</i>	<i>18 189 217</i>	<i>18 184 622</i>
Other information		
Par value per ordinary share (in euros)	3.48	3.48
Number of shares issued but not fully paid up	0	0

The ordinary shares of KBC Group NV have no nominal value and are quoted on NYSE Euronext (Brussels) and on the Luxembourg Stock Exchange.

The number of KBC-shares held by group companies is shown in the table under 'treasury shares'. As at 31 March 2010, this number includes, *inter alia*:

- the shares that are held to meet requirements under the various employee stock option plans (889 130 shares).
- the shares that were bought in relation to the 2007-2009 3-billion-euro share buyback programme (13 360 577 shares).

Related-party transactions (note 38 in the annual accounts)

During the first quarter of 2010, there was no significant change in related parties compared to the end 2009. KBC bought a guarantee in 2009 from the Belgian government covering to a large extent the potential downside risk on the value of its collateralised debt obligations (CDO's). The results of the first quarter 2010 include the accounting of 50 million euro fee expense (included in net gains from financial instruments at fair value).

List of significant subsidiaries and associated companies (note 40 in the annual accounts)

Company	Business unit*	Registered office	Ownership percentage at KBC Group level	Activity
BANKING				
Fully consolidated subsidiaries				
Absolut Bank	GRP	Moscow - RU	95.00	Credit institution
Antwerpse Diamantbank NV	GRP	Antwerp - BE	100.00	Credit institution
CBC Banque SA	BEL	Brussels - BE	100.00	Credit institution
CENTEA NV	GRP	Antwerp - BE	99.56	Credit institution
CIBANK AD	CEE	Sofia - BG	81.69	Credit institution
CSOB a.s. (Czech Republic)	CEE**	Prague - CZ	100.00	Credit institution
CSOB a.s. (Slovak Republic)	CEE	Bratislava - SK	100.00	Credit institution
KBC Asset Management NV	BEL	Brussels - BE	100.00	Asset Management
KBC Bank NV	BEL/MEB/CEE/GR	Brussels - BE	100.00	Credit institution
KBC Bank Deutschland AG	GRP	Bremen - DE	100.00	Credit institution
KBC Bank Funding LLC & Trust (group)	MEB	New York - US	100.00	Issuance of trust preferred securities
KBC Bank Ireland Plc	MEB	Dublin - IE	100.00	Credit institution
KBC Clearing NV	MEB	Amsterdam - NL	100.00	Clearing
KBC Commercial Finance NV	MEB	Brussels - BE	100.00	Factoring
KBC Credit Investments NV	MEB	Brussels - BE	100.00	Investments in credit-linked securities
KBC Finance Ireland	GRP	Dublin - IE	100.00	Lending
KBC Financial Products (group)	GRP	Various locations	100.00	Equities and derivatives trading
KBC Internationale Financieringsmaatschappij NV	MEB	Rotterdam - NL	100.00	Issuance of bonds
KBC Lease (group)	MEB/CEE/BEL	Various locations	100.00	Leasing
KBC Peel Hunt Ltd.	GRP	London - GB	100.00	Stock exchange broker / corporate finance
KBC Private Equity NV	GRP	Brussels - BE	100.00	Private equity
KBC Real Estate NV	MEB	Brussels - BE	100.00	Real estate
KBC Securities NV	MEB	Brussels - BE	100.00	Stock exchange broker / corporate finance
K&H Bank Zrt.	CEE	Budapest - HU	100.00	Credit institution
Kredyt Bank SA	CEE	Warsaw - PL	80.00	Credit institution
Associated companies				
Nova Ljubljanska banka d.d. (group)	GRP	Ljubljana - SI	30.57	Credit institution
INSURANCE				
Fully consolidated subsidiaries				
ADD NV	BEL	Heverlee - BE	100.00	Insurance company
Assurisk SA	BEL	Luxembourg - LU	100.00	Insurance company
CSOB Pojist'ovna a.s.(Czech Republic)	CEE	Pardubice - CZ	100.00	Insurance company
CSOB Poist'ovna a.s.(Slovak Republic)	CEE	Bratislava - SK	100.00	Insurance company
DZI Insurance	CEE	Sofia - BG	90.35	Insurance company
Fidea NV	GRP	Antwerp - BE	100.00	Insurance company
Groep VAB NV	BEL	Zwijndrecht - BE	74.81	Automobile assistance
K&H Insurance	CEE	Budapest - HU	100.00	Insurance company
KBC Banka A.D.	GRP	Belgrade - RS	100.00	Credit institution
KBC Verzekeringen NV	BEL	Leuven - BE	100.00	Insurance company
Secura NV	BEL	Brussels - BE	95.04	Insurance company
VITIS Life Luxembourg SA	GRP	Luxembourg - LU	99.99	Insurance company
TUIR WARTA SA	CEE	Warsaw - PL	100.00	Insurance company
Proportionally consolidated subsidiaries				
NLB Vita d.d.	GRP	Ljubljana - SI	50.00	Insurance company
EUROPEAN PRIVATE BANKING				
Fully consolidated subsidiaries				
Brown, Shipley & Co Ltd.	GRP	London - GB	99.91	Credit institution
KBL Richelieu Banque Privée	GRP	Paris - FR	99.91	Credit institution
Kredietbank SA Luxembourggeoise	GRP	Luxembourg - LU	99.91	Credit institution
Kredietbank (Suisse) SA, Genève	GRP	Geneva - CH	99.90	Credit institution
Merck Finck & Co.	GRP	Munich - DE	99.91	Credit institution
Puilaetco Dewaay Private Bankers SA	GRP	Brussels - BE	99.91	Credit institution
Theodoor Gilissen Bankiers NV	GRP	Amsterdam - NL	99.91	Credit institution
HOLDING-COMPANY ACTIVITIES				
Fully consolidated subsidiaries				
KBC Global Services NV	GRP	Brussels - BE	100.00	Cost-sharing structure
KBC Group NV	GRP	Brussels - BE	100.00	Holding company

* BEL=Belgium business unit, MEB= Merchant Banking business unit, CEE = Central & Eastern Europe business unit, GRP = Group Centre

** (Estimate of) minority part that will be floated allocated to GRP

Main changes in the scope of consolidation (note 41 in the annual accounts)

For income statement comparison	1Q 2009	1Q 2010
ADDITIONS		
None		
EXCLUSIONS		
None		
CHANGES IN OWNERSHIP PERCENTAGE AND INTERNAL MERGERS		
Istrobanka a.s.	Full	100.00% - Merged with CSOB SR from 3Q2009
KBC Bank Nederland	Full	100.00% - Merged with KBC Bank from 2Q2009
For balance sheet comparison	31-12-2009	31-03-2010
None		

During 1Q 2010, changes to the scope of consolidation had no material net impact on the income statement nor on the balance sheet.

Additional note: overview of sovereign risk on Southern Europe and Ireland

Sovereign bonds on selected Southern European countries and Ireland, in billions of EUR, 31-03-2010, carrying amounts

	Total			Banking and Insurance Book		
	Banking and Insurance book*	Trading book	Total	Of which maturity date in 2Q 2010	Of which maturity date in 2H 2010	Of which maturity date after 2010
Greece	1.3	0.6	1.9	0.1	0.0	1.2
Portugal	0.3	0.0	0.3	0.0	0.0	0.2
Spain	2.4	0.3	2.7	0.0	0.0	2.3
Italy	7.9	3.0	10.9	0.3	0.1	7.6
Ireland	0.5	0.1	0.6	0.0	0.0	0.5

* Available-for-sale, held-to-maturity and designated at fair value through profit and loss.

Recent market turbulences for sovereign bonds have not had any relevant impact on KBC's liquidity position and strategy. All sovereign bonds remain eligible for being pledged against the ECB.

Post-balance sheet events (note 42 in the annual accounts)

Significant events between the balance sheet date (31 March 2010) and the publication of this report (12 May 2010):

- KBC booked a negative result over 2009 of EUR 2.5 billion, to a large extent as a result of (fair value) losses registered on its CDO book (collateralised debt obligations) and related lines of business. So far, KBC has not booked a tax impact on the larger part of these losses, given the fact that these losses occurred in subsidiaries which had insufficient future taxable profits to offset these tax losses. In order to recapitalise one of the major subsidiaries involved, KBC Bank proposed to the local regulator and the Belgian tax office a debt waiver in favour of this subsidiary. At the end of April, the Belgian tax ruling office ruled positively, confirming the general principle that, if certain criteria are being met, a debt waiver is tax deductible. In practice, this means KBC will be able to book in the second quarter of 2010 a positive deferred tax income of EUR 0.3 billion. The deferred tax asset is justified by the availability of sufficient taxable profit in a reasonably foreseeable future. The estimated future profits are based on macro economic assumptions and take into account the most conservative of a range of scenarios.
- In view of the restructuring of KBC Financial Products, the outstanding default swap position is temporarily increased compared to the end of 2009. However, in the second quarter of 2010, KBC will significantly reduce this position. This will ultimately lead to a reduction in regulatory capital requirements.

Auditor's report

Report of the statutory auditor to the shareholders of KBC Group nv on the review of the interim condensed consolidated financial statements as of 31 March 2010 and for the three months then ended

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Group nv (the "Company") as at 31 March 2010 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the statement of changes in equity and the cashflow statement for the three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review ("revue limitée/beperkt nazicht" as defined by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards of the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren" and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted for use in the European Union.

Brussels, 12 May 2010

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
represented by

Pierre Vanderbeek
Partner

Peter Telders
Partner

Ref: 10PVDB0128

Risk and capital management

KBC Group, 1Q 2010

Extensive risk management and solvency data for 31-12-2009 is provided in KBC's 2009 Annual Report. A summary update of this information is provided below. For an explanation regarding the methodology used, please refer to the annual report.

Snapshot of the credit portfolio (banking activities)

The main source of credit risk is the loan portfolio of the bank. A snapshot of this portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC Bank and KBL EPB to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Further on in this chapter, extensive information is provided on the credit portfolio of each business unit. Structured credit exposure is described separately.

Credit risk: loan portfolio overview (KBC Bank and KBL EPB)	31-12-2009	31-03-2010
Total loan portfolio (in billions of EUR)		
Amount granted	201.6	201.6
Amount outstanding	166.5	167.8
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	29%	29%
CEE	21%	22%
Merchant Banking	39%	38%
Group Centre	11%	11%
Total	100%	100%
Total loan portfolio, by sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	7%	7%
Electricity	3%	3%
Aviation	0.3%	0.3%
Automobile industry	2%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	8 982	9 817
Specific loan impairments	3 884	4 125
Portfolio-based loan impairments	328	400
Credit cost ratio, per business unit		
Belgium	0.15%	0.02%
CEE	1.70%	1.20%
Czech Republic	1.12%	0.69%
Slovakia	1.56%	1.57%
Hungary	2.01%	2.08%
Poland	2.59%	1.19%
Bulgaria	2.22%	2.03%
Merchant Banking	1.19%	1.47%
Group Centre	2.15%	0.47%
Total	1.11%	0.84%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	5 595	5 992
Specific loan impairments for NP loans	2 790	2 849
Non-performing ratio, per business unit		
Belgium	1.5%	1.6%
CEE	4.1%	4.6%
Merchant Banking	3.9%	4.0%
Group Centre	5.1%	5.7%
Total	3.4%	3.6%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	50%	48%
Idem, excluding mortgage loans	60%	56%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	75%	76%
Idem, excluding mortgage loans	90%	85%

Credit portfolio per business unit (banking activities)

Loan portfolio Business Unit Belgium

31-03-2010, in millions of EUR

Belgium

Total outstanding amount		51 711	
Counterparty break down		<u>% outst.</u>	
SME / corporate	2 084	4.0%	
retail	49 627	96.0%	
o/w private	26 593	51.4%	
o/w companies	23 034	44.5%	
Mortgage loans (*)		<u>% outst.</u>	<u>ind. LTV</u>
total	25 340	49.0%	53%
o/w FX mortgages	0	0.0%	-
o/w vintage 2007 and 2008	6 766	13.1%	-
o/w LTV > 100%	1 663	3.2%	-
Top 5 Belgian corporate sectors		<u>% outst.</u>	<u>avg. PD</u>
services	6 909	13.4%	low
distribution	4 271	8.3%	medium
real estate	3 271	6.3%	medium
agriculture	2 930	5.7%	low
building	1 882	3.6%	low
Exposure to cyclical sectors			
real estate	3 271	6.3%	medium
building	1 882	3.6%	low
automotive	828	1.6%	medium
energy (oil, gas & other fuels / electricity)	138	0.3%	low
aviation	15	0.0%	medium
IT & telecom	89	0.2%	medium
LBO-exposure			
LBO	0	0.0%	
Probability of default (PD)		<u>% outst.</u>	
low risk (0%-0.8%)	41 006	79.3%	
medium risk (0.8%-6.4%)	7 443	14.4%	
high risk (6.4%-100%)	2 390	4.6%	
non-performing loans	831	1.6%	
unrated	40	0.1%	
Other risk measures		<u>% outst.</u>	
outstanding non-performing loans (NPL)	831	1.6%	
NPL cover ratio	62%		
2009 Credit cost ratio (CCR)	0.15%		
YTD 2010 CCR	0.02%		

Legend

ind. LTV Indexed Loan to Value: current outstanding loan / current value of property

avg. PD Average Probability of Default

NPL Non-Performing Loan

Remark

(*) Please note that this overview has a different scope than the balance sheet item 'loans and advances', i.e. mortgage loans represent loans only to private persons (as opposed to the accounting figures).

Loan portfolio Business Unit Central & Eastern Europe

31-03-2010, in millions of EUR

	Czech republic			Slovakia			Poland			Hungary			Bulgaria			Total CEE	
Total outstanding amount	18 865			3 622			7 624			6 756			747			37 614	
Counterparty break down		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		
SME / corporate	6 506	34.5%		1 386	38.3%		2 748	36.0%		3 236	47.9%		334	44.7%		14 209	37.8%
retail	12 359	65.5%		2 237	61.7%		4 876	64.0%		3 520	52.1%		413	55.3%		23 404	62.2%
o/w private	8 673	46.0%		1 242	34.3%		4 685	61.5%		2 963	43.9%		226	30.3%		17 790	47.3%
o/w companies	3 686	19.5%		994	27.4%		191	2.5%		557	8.2%		186	25.0%		5 614	14.9%
Mortgage loans (*)		<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	
total	5 229	27.7%	65%	982	27.1%	56%	3 596	47.2%	81%	2 551	37.8%	59%	97	13.0%	64%	12 454	33.1%
o/w FX mortgages	0	0.0%	-	0	0.0%	-	2 366	31.0%	91%	2 175	32.2%	62%	51	6.8%	63%	4 593	12.2%
o/w vintage 2007 and 2008	2 539	13.5%	-	430	11.9%	-	2 509	32.9%	-	1 273	18.8%	-	65	8.7%	-	6 815	18.1%
o/w LTV > 100%	300	1.6%	-	0	0.0%	-	1 201	15.8%	-	133	2.0%	-	6	0.7%	-	1 640	4.4%
Top 5 CEE corporate sectors		<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>
services	2 154	11.4%	low	744	20.6%	low	244	3.2%	medium	488	7.2%	medium	14	1.9%	-	3 645	9.7%
finance & insurance	2 199	11.7%	low	110	3.0%	low	367	4.8%	low	272	4.0%	low	43	5.8%	-	2 992	8.0%
distribution	897	4.8%	medium	299	8.3%	medium	654	8.6%	medium	528	7.8%	medium	28	3.7%	-	2 406	6.4%
real estate	488	2.6%	medium	361	10.0%	medium	338	4.4%	medium	224	3.3%	medium	213	28.5%	-	1 624	4.3%
building	575	3.0%	medium	129	3.5%	medium	199	2.6%	medium	393	5.8%	medium	13	1.8%	-	1 309	3.5%
Exposure to cyclical sectors		<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>
real estate	488	2.6%	medium	361	10.0%	medium	338	4.4%	medium	224	3.3%	medium	213	28.5%	-	1 624	4.3%
building	575	3.0%	medium	129	3.5%	medium	199	2.6%	medium	393	5.8%	medium	13	1.8%	-	1 309	3.5%
automotive	465	2.5%	medium	217	6.0%	medium	96	1.3%	medium	259	3.8%	medium	14	1.9%	-	1 051	2.8%
energy (oil, gas & other fuels / electricity)	483	2.6%	low	45	1.2%	low	193	2.5%	medium	200	3.0%	low	44	5.9%	-	965	2.6%
aviation	81	0.4%	high	0	0.0%	-	9	0.1%	medium	2	0.0%	medium	0	0.0%	-	93	0.2%
IT & telecom	52	0.3%	medium	26	0.7%	high	19	0.2%	medium	48	0.7%	medium	1	0.1%	-	145	0.4%
LBO-exposure		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
LBO	62	0.3%		0	0.0%		20	0.1%		61	0.3%		0	0.0%		143	0.4%
Probability of default (PD)		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
low risk (0%-0.8%)	12 861	68.2%		1 336	36.9%		4 272	56.0%		3 942	58.3%		0	0.0%		22 411	59.6%
medium risk (0.8%-6.4%)	4 138	21.9%		1 646	45.4%		1 846	24.2%		1 449	21.4%		0	0.0%		9 078	24.1%
high risk (6.4%-100%)	1 361	7.2%		304	8.4%		690	9.1%		912	13.5%		37	4.9%		3 304	8.8%
non-performing loans	505	2.7%		169	4.7%		477	6.3%		425	6.3%		157	21.0%		1 731	4.6%
unrated	0	0.0%		168	4.6%		339	4.4%		29	0.4%		554	74.1%		1 089	2.9%
Other risk measures		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
outstanding non-performing loans (NPL)	505	2.7%		169	4.7%		477	6.3%		425	6.3%		157	21.0%		1 731	4.6%
NPL cover ratio	92%			118%			90%			77%			24%			84%	
2009 Credit cost ratio (CCR)	1.12%			1.56%			2.59%			2.01%			2.22%			1.70%	
YTD 2010 CCR (local currency)	0.69%			1.57%			1.19%			2.08%			2.03%			1.20%	
Stress tests		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
- if default of the local top 10 corporate names	454	2.4%		148	4.1%		369	4.8%		394	5.8%		-	-		1 366	3.6%
- on FX mortgages in -30% stress scenario (**)	-	-		-	-		12	0.2%		42	0.6%		1	0.1%		55	0.1%
- on FX mortgages in -30%/-30% stress scenario (***)	-	-		-	-		20	0.3%		96	1.4%		2	0.2%		118	0.3%

Legend

ind. LTV Indexed Loan to Value: current outstanding loan / current value of property

avg. PD Average Probability of Default

NPL Non-Performing Loan

Remarks

(*) mortgage loans: only to private persons (as opposed to the accounting figures)

(**) pre-tax loss if currency depreciates further by 30%

(***) pre-tax loss if both currency depreciates further by 30% and property value falls further by 30%

Loan portfolio Business Unit Merchant Banking

31-03-2010, in millions of EUR

	Belgium	Western Europe	o/w Ireland	USA	Southeast Asia	Global	Credit Investments	Total Merchant Banking
Total outstanding amount	17 857	24 534	17 881	5 698	1 569	3 745	6 209	59 612
Counterparty break down	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>
SME / corporate	17 857 100.0%	11 233 45.8%	4 579 25.6%	5 698 100.0%	1 569 100.0%	3 745 100.0%	6 209 100.0%	46 311 77.7%
retail	0 0.0%	13 302 54.2%	13 302 74.4%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	13 302 22.3%
o/w private	0 0.0%	13 302 54.2%	13 302 74.4%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	13 302 22.3%
o/w companies	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%
Mortgage loans (*)	<u>% outst.</u> <u>ind. LTV</u>	<u>% outst.</u> <u>ind. LTV</u>	<u>% outst.</u> <u>ind. LTV</u>	<u>% outst.</u> <u>ind. LTV</u>	<u>% outst.</u> <u>ind. LTV</u>	<u>% outst.</u> <u>ind. LTV</u>	<u>% outst.</u> <u>ind. LTV</u>	<u>% outst.</u> <u>ind. LTV</u>
total	0 0.0%	13 302 54.2%	90% 13 302 74.4%	90% 0 0.0%	0 0.0%	0 0.0%	0 0.0%	13 302 22.3%
o/w FX mortgages	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%
o/w vintage 2007 and 2008	0 0.0%	4 831 19.7%	4 831 27.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	4 831 8.1%
o/w LTV > 100%	0 0.0%	5 570 22.7%	5 570 31.2%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	5 570 9.3%
Top 5 Merchant Banking corporate sectors	<u>% outst.</u> <u>ava. PD</u>	<u>% outst.</u> <u>ava. PD</u>	<u>% outst.</u> <u>ava. PD</u>	<u>% outst.</u> <u>ava. PD</u>	<u>% outst.</u> <u>ava. PD</u>	<u>% outst.</u> <u>ava. PD</u>	<u>% outst.</u> <u>ava. PD</u>	<u>% outst.</u> <u>ava. PD</u>
finance & insurance	1 504 8.4%	1 924 7.8%	109 0.6%	526 9.2%	157 10.0%	672 17.9%	6 130 98.7%	10 913 18.3% low
real estate	1 690 9.5%	3 287 13.4%	2 140 12.0%	698 12.2%	49 3.1%	832 22.2%	12 0.2%	6 568 11.0% medium
services	2 262 12.7%	1 415 5.8%	484 2.7%	892 15.7%	28 1.8%	36 1.0%	16 0.3%	4 648 7.8% medium
distribution	2 044 11.4%	811 3.3%	471 2.6%	54 1.0%	163 10.4%	59 1.6%	19 0.3%	3 151 5.3% medium
building	1 310 7.3%	612 2.5%	243 1.4%	62 1.1%	72 4.6%	120 3.2%	9 0.1%	2 185 3.7% low
Exposure to cyclical sectors								
real estate	1 690 9.5%	3 287 13.4%	2 140 12.0%	698 12.2%	49 3.1%	832 22.2%	12 0.2%	6 568 11.0% medium
building	1 310 7.3%	612 2.5%	243 1.4%	62 1.1%	72 4.6%	120 3.2%	9 0.1%	2 185 3.7% low
automotive	698 3.9%	153 0.6%	11 0.1%	78 1.4%	25 1.6%	95 2.5%	0 0.0%	1 049 1.8% medium
energy (oil, gas & other fuels / electricity)	789 4.4%	478 2.0%	391 2.2%	269 4.7%	119 7.6%	663 17.7%	0 0.0%	2 319 3.9% medium
aviation	134 0.8%	11 0.0%	1 0.0%	94 1.6%	19 1.2%	35 0.9%	7 0.1%	299 0.5% medium
IT & telecom	146 0.8%	112 0.5%	12 0.1%	6 0.1%	32 2.1%	230 6.1%	10 0.2%	536 0.9% high
LBO-exposure								
LBO	0 0.0%	630 3.5%	65 0.4%	36 0.2%	37 0.2%	424 2.4%	0 0.0%	1 127 1.9%
Probability of default (PD)	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>
low risk (0%-0.8%)	10 070 56.4%	10 212 41.6%	7 361 41.2%	4 414 77.5%	828 52.8%	1 988	6 189 99.7%	33 701 56.5%
medium risk (0.8%-6.4%)	5 929 33.2%	8 902 36.3%	6 810 38.1%	780 13.7%	618 39.4%	1 241	20 0.3%	17 490 29.3%
high risk (6.4%-100%)	728 4.1%	3 719 15.2%	2 462 13.8%	319 5.6%	42 2.7%	346 9.2%	0 0.0%	5 155 8.6%
non-performing loans	498 2.8%	1 507 6.1%	1 232 6.9%	174 3.1%	80 5.1%	101 2.7%	0 0.0%	2 360 4.0%
unrated	632 3.5%	194 0.8%	16 0.1%	10 0.2%	1 0.0%	70	0 0.0%	907 1.5%
Other risk measures	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>	<u>% outst.</u>
outstanding non-performing loans (NPL)	498 2.8%	1 507 6.1%	1 232 6.9%	174 3.1%	80 5.1%	101 2.7%	0 0.0%	2 360 4.0%
NPL cover ratio	109%	39%	31%	46%	93%	109%	-	73%
2009 Credit cost ratio (CCR)	n.a.	n.a.	0.96%	n.a.	n.a.	n.a.	n.a.	1.19%
YTD 2010 CCR	n.a.	n.a.	3.16%	n.a.	n.a.	n.a.	n.a.	1.47%

Legend

ind. LTV Indexed Loan to Value: current outstanding loan / current value of property
 avg. PD Average Probability of Default
 NPL Non-Performing Loan

Remarks

Belgium = BEL corp, Lease, ComFin, Real Estate
 Western Europe = UK, FR, NL, IRL, HL, LUK, MA, ITA, LAPA assets
 Ireland = IRL, HL
 USA = USA
 Southeast Asia = HK, SI, TP, CHN
 Global = HO, ITF, DU
 Credit Investments = CRED INV, Quasar, Atomium

(*) mortgage loans: only KBC HomeLoans exposure and only to private persons (as opposed to the accounting figures)

Loan portfolio Business Unit Group Centre (excl. EPB)

31-03-2010, in millions of EUR

	Belgium		CEER		o/w Russia		Western Europe		Southeast Asia		Global		Total Group Centre (excl. EPB)	
Total outstanding amount	8 248		2 640		2 486		2 500		60		2 277		15 726	
Counterparty break down	<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
SME / corporate	1 026	12.4%	1 446	54.8%	1 357	54.6%	2 500	100.0%	60	100.0%	2 277	100.0%	7 310	46.5%
retail	7 222	87.6%	1 194	45.2%	1 129	45.4%	0	0.0%	0	0.0%	0	0.0%	8 416	53.5%
o/w private	6 207	75.2%	1 126	42.7%	1 062	42.7%	0	0.0%	0	0.0%	0	0.0%	7 333	46.6%
o/w companies	1 015	12.3%	68	2.6%	68	2.7%	0	0.0%	0	0.0%	0	0.0%	1 083	6.9%
Mortgage loans (*)	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>	<u>% outst.</u>	<u>ind. LTV</u>
total	5 925	71.8%	52%	846	32.0%	-	793	31.9%	58%	0	0.0%	-	0	0.0%
o/w FX mortgages	0	0.0%	-	347	13.1%	-	295	11.9%	54%	0	0.0%	-	0	0.0%
o/w vintage 2007 and 2008	1 417	17.2%	-	724	27.4%	-	680	27.3%	-	0	0.0%	-	0	0.0%
o/w LTV > 100%	138	1.7%	-	45	1.7%	-	40	1.6%	-	0	0.0%	-	0	0.0%
Top 5 Group Centre corporate sectors	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>	<u>% outst.</u>	<u>avg. PD</u>
distribution	1 036	12.6%	-	565	21.4%	-	537	21.6%	-	270	10.8%	-	5	7.5%
electricity	0	0.0%	-	26	1.0%	-	26	1.0%	-	55	2.2%	-	0	0.0%
real estate	68	0.8%	-	372	14.1%	-	365	14.7%	-	320	12.8%	-	16	0.7%
building	120	1.5%	-	107	4.0%	-	100	4.0%	-	192	7.7%	-	288	12.7%
services	294	3.6%	-	54	2.1%	-	49	2.0%	-	170	6.8%	-	56	2.4%
Exposure to cyclical sectors														
real estate	68	0.8%	-	372	14.1%	-	365	14.7%	-	320	12.8%	-	16	0.7%
building	120	1.5%	-	107	4.0%	-	100	4.0%	-	192	7.7%	-	288	12.7%
automotive	32	0.4%	-	72	2.7%	-	70	2.8%	-	259	10.4%	-	37	1.6%
energy (oil, gas & other fuels / electricity)	0	0.0%	-	80	3.0%	-	80	3.2%	-	88	3.5%	-	1 243	54.6%
aviation	1	0.0%	-	28	1.1%	-	28	1.1%	-	0	0.0%	-	157	6.9%
IT & telecom	10	0.1%	-	5	0.2%	-	3	0.1%	-	13	0.5%	-	232	10.2%
LBO-exposure														
LBO	0	0.0%	-	0	0.0%	-	0	0.0%	-	333	4.0%	-	0	0.0%
Probability of default (PD)	<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
low risk (0%-0.8%)	4 546	55.1%		111	4.2%		0	0.0%		1 232	49.3%		25	42.0%
medium risk (0.8%-6.4%)	2 558	31.0%		8	0.3%		0	0.0%		951	38.0%		13	21.0%
high risk (6.4%-100%)	726	8.8%		162	6.1%		146	5.9%		281	11.2%		101	4.5%
non-performing loans	394	4.8%		463	17.5%		445	17.9%		37	1.5%		18	29.1%
unrated	24	0.3%		1 896	71.8%		1 896	76.2%		0	0.0%		5	7.9%
Other risk measures	<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>		<u>% outst.</u>	
outstanding non-performing loans (NPL)	394	4.8%		463	17.5%		445	17.9%		37	1.5%		18	29.1%
NPL cover ratio	37%			70%			70%			177%			1%	
2009 Credit cost ratio (CCR)	n.a.			n.a.			6.15%			1.65%			-2.63%	
YTD 2010 CCR (local currency)	n.a.			n.a.			0.00%			1.04%			0.99%	

Legend

ind. LTV Indexed Loan to Value: current outstanding loan / current value of property
 avg. PD Average Probability of Default
 NPL Non-Performing Loan

Remarks

Belgium = Centea, ADB
 CEER = KBC Banka, Absolut KB
 Western Europe = DEU
 Southeast Asia = ADB AP
 Global = FI

(*) mortgage loans: only KBC Homeloans exposure and only to private persons (as opposed to the accounting figures)

Structured credit exposure (banking and insurance activities)

Summary overview

In the past, KBC acted as an *originator* of structured credit transactions and also *invested* in such structured credit products itself.

- KBC (via its subsidiary KBC Financial Products) acted as an originator when structuring CDO deals (based on third-party assets) for itself or for third party investors. For several transactions, protection was bought from credit insurers, mainly MBIA, a US monoline insurer ('hedged CDO-linked exposure' in the table).
- KBC invested in structured credit products, both in CDOs (notes and super senior tranches), largely those originated by KBC itself ('unhedged CDO exposure' in the table) and in other ABS ('other ABS' in the table). The main objective at that time was to differentiate risk and to enhance the yield for the re-investment of the insurance reserves and bank deposits it held in surplus of its loans.

Structured credit exposure (CDOs and other ABS), 31-03-2010 In billions of EUR, pre-tax	Hedged CDO-linked exposure (insured by credit insurers)	Unhedged CDO exposure	Other ABS
Total nominal amount	14.9	10.0	5.1
Initial write-downs on equity and junior CDO pieces	-	-0.8	-
Cumulative value adjustments (excl. above-mentioned initial write-downs)	-1.3	-4.4	-1.1

The increase in the total nominal unhedged CDO exposure compared to 31-12-2009 (from 9.8 to 10.0 billion euros) is the result of settlement with clients in Belgium, Hungary and Slovakia, and partly compensated by amortisations and impacted by exchange rate effects.

Since the beginning of 2010, the CDO positions held by KBC experienced *effective* losses caused by *settled credit events* in the lower tranches of the CDO structure for a total amount of 0.5 billion euros. These have had no further impact on P/L because complete value markdowns for these CDO tranches were already absorbed in P/L in the past. The recoveries resulting from the settled credit events reduce the CDO-exposure with -0.2 billion EUR. As a result at 31 March 2010, the structured credit exposure now includes a net amount of 0.3 billion of effective credit losses (of which 0.2 billion is attributable to the hedged portfolio and 0.1 billion to unhedged portfolio). The *total loss* on the positions within KBC Group from claimed credit events (both *not yet settled* and *settled* – excluding equity and junior note positions) amounts to 1.1 billion euros.

Hedged CDO exposure

As stated above, KBC bought credit protection for a large part of the (super senior) CDOs it originated. A relatively limited portion of this insurance was bought from Channel and the bulk from MBIA, a US monoline insurer, which initially had an 'AAA' rating, but whose creditworthiness declined gradually over time (leading to negative value adjustments being recorded at KBC on the credit protection received).

In February 2009, MBIA announced a restructuring plan, which included a spin-off of valuable assets, provoking a steep decline in its creditworthiness. The increase of the market value of the underlying swap in combination with the increased counterparty risk, resulted in significant additional negative value adjustments at KBC. Moreover, the remaining risk related to MBIA's insurance coverage is to a large extent mitigated as it is included in the scope of the Guarantee Agreement that was agreed with the Belgian State on 14 May 2009 (see below).

Hedged CDO-linked exposure (insurance for CDO-linked risks received from credit insurers), 31-03-2010
In billions of EUR

Total insured amount (notional amount of super senior swaps)	
- MBIA	14.4
- Channel	0.4
Impact of settled credit events	-0.2
Details for MBIA insurance coverage	
- Total insured amount (notional amount of the super senior swap)	14.4
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement ¹ into account)	1.8
- Credit value adjustment for counterparty risk, MBIA (as a % of fair value of insurance coverage received) ²	-1.3 70%

¹The amount insured by MBIA is included in the Guarantee Agreement with the Belgian State (14 May 2009).

²Taking into account translation differences accrued over time.

Unhedged CDO exposure and other ABS

This heading relates to CDOs which KBC bought as investments and which are not 'insured' by credit protection from MBIA or other external credit insurers ('unhedged CDO exposure' in the table) and other ABS in portfolio ('other ABS' in the table).

As regards the CDOs, KBC has already made significant negative value adjustments to date. It should be noted that their remaining risk is mitigated, as the unhedged super senior CDO tranches are fully included under the Guarantee Agreement concluded with the Belgian State (see further).

It should also be noted that value adjustments to KBC's CDOs are accounted for via profit and loss (instead of directly via shareholders' equity), since the group's CDOs are mostly of a synthetic nature (meaning that the underlying assets are derivative products such as credit default swaps on corporate names). Their synthetic nature is also the reason why KBC's CDOs are *not* eligible for accounting reclassification under IFRS in order to neutralise their impact.

Until 2008, value adjustments to other ABS were largely accounted for via shareholders' equity. At the end of 2008, KBC reduced the sensitivity of shareholders' equity towards value adjustments to ABS by reclassifying most of the ABS portfolio as 'loans and receivables'. Since then, they have been included in the scope of the impairment procedure for the loan portfolio (such impairments clearly have an impact on P/L).

Unhedged CDO exposure and other ABS, 31-03-2010 In billions of EUR	Unhedged CDO exposure	Other ABS
Total nominal amount	10.0	5.1
Initial write-downs on equity and junior CDO pieces	-0.8	-
Impact of settled credit events *	-0.1	-
Total nominal amount, net of provisions for equity and junior pieces and net of impact settled credit events	9.1	5.1
- super senior tranches (included under Guarantee Agreement with Belgian State)	5.5	-
- non-super senior tranches	3.6	-
Cumulative market value adjustments	-4.4	-1.1

* excl. impact on equity and junior CDO pieces

Details of the underlying assets of the CDOs and ABS

In the tables below, the nominal value of the hedged CDO-exposure (net of the impact of settled credit events), the unhedged CDO-exposure (net of initial write-down of junior and equity CDO-pieces, and net of the impact of settled credit events) and the ABS in portfolio is broken down according to nature and rating of the underlying assets.

Hedged CDO-linked exposure, i.e. insured by credit insurers (net of the -0.2 billion euros impact of settled credit events)

Type and quality breakdown of the underlying of the hedged CDOs held – based on Moody's ratings
Amounts at nominal value - in millions of EUR – 31-03-2010

	Aaa	Aa	A	Baa	Ba	B	Caa	<=Caa3	NR	Total
Corporates	0	355	2 009	5 019	2 711	1 045	719	818	23	12 701
Sector										
Real Estate	-	-	78	1 283	329	310	14	62	-	2 076
Banking	-	87	733	270	86	-	-	309	-	1 485
Finance	-	56	234	206	244	188	90	143	-	1 162
Insurance	-	21	246	345	3	-	244	-	-	859
Publishing	-	-	20	77	324	179	48	3	-	653
Retail Stores	-	-	28	205	215	72	64	-	-	584
Automobile	-	-	44	147	209	58	26	-	-	483
Monoline	-	176	7	67	83	-	-	148	-	481
Telecom	-	1	135	222	82	6	-	-	-	447
Oil & Gas	-	1	18	346	76	-	-	-	-	442
Utilities	-	7	111	286	23	1	7	-	-	434
Electronics	-	-	26	89	91	78	13	75	-	373
Other	-	6	328	1 476	944	153	214	77	23	3 222
Region										
US	-	262	684	2 560	1 770	514	620	477	-	6 887
EU	-	85	563	1 158	520	362	9	115	23	2 836
Asia	-	3	502	495	266	101	90	115	-	1 572
Latin America	-	3	53	101	8	-	-	38	-	204
Other	-	1	206	706	148	69	-	72	-	1 202
CMBS	-	-	3	-	-	-	-	-	-	4
RMBS	-	4	67	58	108	62	54	1 210	3	1 567
Origin										
Prime	-	-	-	-	-	-	-	-	-	-
ALT-A	-	-	-	3	13	16	7	424	-	462
Alt-A (<2005 vintage)	-	-	-	3	1	4	-	1	-	9
Alt-A (2005-2007 vintage)	-	-	-	-	13	11	7	423	-	454
Subprime	-	4	67	56	95	47	47	786	3	1 104
subprime (<2005 vintage)	-	4	43	52	50	19	9	36	3	217
subprime (2005-2007 vintage)	-	-	24	4	45	27	38	750	-	888
Region										
US	-	4	67	58	108	62	54	1 210	3	1 567
Other ABS	-	-	6	2	-	-	-	4	-	12
CDO	6	8	32	21	47	17	25	232	35	423
Total	6	367	2 117	5 101	2 867	1 124	798	2 264	61	14 706

'Look through approach', which means that the subordination of the notes held is not taken into account.

Unhedged CDO-exposure (after initial write-down of junior and equity pieces, and net of the 0.1 billion euros impact of settled credit events)

Type and quality breakdown of the underlying of the unhedged CDOs held – based on Moody's ratings
Amounts at nominal value - in millions of EUR – 31-03-2010

		Aaa	Aa	A	Baa	Ba	B	Caa	<=Caa3	NR	Total
Corporates		-	220	1 245	3 111	1 680	648	446	507	15	7 872
Sector	Real Estate	-	-	48	795	204	192	9	38	-	1 287
	Banking	-	54	454	167	54	-	-	191	-	920
	Finance	-	35	145	128	151	117	56	89	-	720
	Insurance	-	13	152	214	2	-	151	-	-	532
	Publishing	-	-	12	48	201	111	30	2	-	404
	Retail Stores	-	-	17	127	133	45	39	-	-	362
	Automobile	-	-	27	91	129	36	16	-	-	300
	Monoline	-	109	4	41	51	-	-	92	-	298
	Telecom	-	1	84	138	51	4	-	-	-	277
	Oil & Gas	-	1	11	214	47	-	-	-	-	274
	Utilities	-	4	69	177	14	0	4	-	-	269
	Electronics	-	-	16	55	57	48	8	47	-	231
	Other	-	4	203	915	585	95	132	48	15	1 997
	Region	US	-	163	424	1 586	1 097	318	384	296	-
EU		-	53	349	718	322	224	6	72	15	1 757
Asia		-	2	311	307	165	63	56	71	-	975
Latin America		-	2	33	63	5	-	-	24	-	126
Other		-	1	128	437	91	43	-	45	-	745
CMBS		-	-	2	-	-	-	-	-	-	2
RMBS		-	3	42	36	67	38	34	750	2	971
Origin	Prime	-	-	-	-	-	-	-	-	-	-
	ALT-A	-	-	-	2	8	10	4	263	-	287
	<i>Alt-A (<2005 vintage)</i>	-	-	-	2	1	3	-	1	-	5
	<i>Alt-A (2005-2007 vintage)</i>	-	-	-	-	8	7	4	262	-	281
	Subprime	-	3	42	34	59	29	29	487	2	684
	<i>subprime (<2005 vintage)</i>	-	3	27	32	31	12	6	23	2	134
	<i>subprime (2005-2007 vintage)</i>	-	-	15	2	28	17	24	465	-	550
Region	US	-	3	42	36	67	38	34	750	2	971
Other ABS		-	-	4	2	-	-	-	3	-	8
CDO		4	5	20	13	29	11	15	144	22	262
Total		4	228	1 312	3 162	1 777	697	495	1 403	38	9 114

'Look through approach', which means that the subordination of the notes held is not taken into account.

Other ABS

Type and quality breakdown of the underlying of the other ABSs held – based on Moody's ratings
Amounts at nominal value - in millions of EUR - 31-03-2010

		Aaa	Aa	A	Baa	<Baa3	NR	Total
Corporates		-	-	-	-	-	-	-
CMBS		69	23	22	3	23	-	140
RMBS		2 467	409	106	73	543	-	3 598
Origin	Prime	2 352	371	7	3	-	-	2 733
	<i>prime (<2005 vintage)</i>	1 389	182	1	3	-	-	1 575
	<i>prime (2005-2007 vintage)</i>	963	189	6	-	-	-	1 158
	ALT-A	37	20	52	66	332	-	507
	<i>Alt-A (<2005 vintage)</i>	23	-	-	-	-	-	23
	<i>Alt-A (2005-2007 vintage)</i>	14	20	52	66	332	-	484
	Subprime	78	18	47	4	211	-	358
	<i>subprime (<2005 vintage)</i>	27	-	3	4	-	-	33
	<i>subprime (2005-2007 vintage)</i>	51	18	44	-	211	-	325
	Region	US	270	39	100	70	543	-
	Spain	755	177	6	-	-	-	938
	Italy	526	5	-	-	-	-	531
	Netherlands	424	28	-	-	-	-	452
	Portugal	348	25	-	-	-	-	373
	UK	27	44	-	-	-	-	71
	Other	116	92	-	3	-	-	211
Other	Type	783	408	115	19	4	5	1 334
	CLO	311	331	56	-	-	-	698
	Leases	93	47	14	9	-	-	163
	Auto Loans/Leases	117	21	-	-	-	-	137
	SME loans	71	-	42	-	-	-	113
	Consumer Loans	53	10	3	-	-	-	65
	Other	138	-	1	10	4	5	158
Total		3 318	840	243	95	570	5	5 072

Market risks

Market risks in non-trading activities

The first table shows - for the banking business - the extent to which the value of the portfolio would change (basis-point-value or BPV) if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio). The figures relate to KBC Bank, CBC Banque, Centea, KBC Lease, KBC Bank Deutschland, KBC Bank Ireland, Antwerp Diamond Bank, ČSOB CZ, CSOB SK, K&H Bank, Kredyt Bank, KBL EPB, Absolut Bank and KBC Credit Investments.

BPV of the ALM book, banking (in millions of EUR)	FY 2009	1Q 2010
Average 1Q	89	65
Average 2Q	94	-
Average 3Q	85	-
Average 4Q	67	-
End of period	62	69
Maximum in period	98	69
Minimum in period	62	62

The second table provides - for the insurance business - an overview of the composition of the investment portfolio. In the consolidated financial statements of KBC Group, the insurer's investment portfolio is not shown as such, but is spread over various balance sheet items.

Investment portfolio KBC Insurance (carrying value, in millions of EUR)	FY 2009	1Q 2010
Bonds and other fixed-income securities	20 594	21 673
Shares and other variable-yield securities	1 463	1 547
Other securities	33	45
Loans and advances to customers	203	205
Loans and advances to banks	2 789	2 843
Property and equipment and investment property	432	432
Liabilities under investment contracts, unit-linked	7 957	8 392
Other	126	123
Total	33 598	35 259

Market risk in trading activities (banking activities)

The table shows the Value-at-Risk (99% confidence interval, 1-day holding period) for the bank's dealing rooms on the money and capital markets (KBC Bank in the table – including KBL EPB) and for KBC Financial Products.

VAR trading activities (in millions of EUR, 1-day holding period)	FY 2009		1Q 2010	
	KBC Bank	KBC Financial Products	KBC Bank	KBC Financial Products
Average 1Q	10	14	6	9
Average 2Q	8	15	-	-
Average 3Q	6	9	-	-
Average 4Q	6	10	-	-
End of period	5	11	6	9
Maximum in period	13	21	8	11
Minimum in period	5	6	5	7

Solvency

Solvency KBC Group

KBC reports its solvency at group, banking and insurance level, calculating it on the basis of IFRS figures and the relevant guidelines issued by the Belgian regulator.

For group solvency, the so-called 'building block' method is used. This entails comparing group regulatory capital (i.e. parent shareholders' equity less intangible assets and a portion of the revaluation reserve for available-for-sale assets, plus subordinated debt, etc.) with the sum of the separate minimum regulatory solvency requirements for KBC Bank, KBL EPB and the holding company (after deduction of intercompany transactions between these entities) and KBC Insurance. The total risk-weighted volume of insurance companies is calculated as the required solvency margin under Solvency I divided by 8%. The internal target for the tier-1 capital ratio at group level has been set at 10%.

Solvency at group level In millions of EUR	31-12-2009	31-03-2010
Total regulatory capital, after profit appropriation	20 414	20 692
Tier-1 capital	15 426	15 832
Parent shareholders' equity	9 662	10 677
Non-voting core-capital securities	7 000	7 000
Intangible fixed assets (-)	-398	-406
Goodwill on consolidation (-)	-2 918	-2 940
Innovative hybrid tier-1 instruments	554	570
Non-innovative hybrid tier-1 instruments	1 642	1 688
Minority interests	159	174
Equity guarantee (Belgian State)	601	554
Revaluation reserve, available-for-sale assets (-)	-457	-1 046
Hedging reserve, cashflow hedges (-)	374	510
Valuation differences in financial liabilities at fair value – own credit risk (-)	-151	-149
Minority interests in available-for-sale reserve and hedging reserve, cashflow hedges (-)	-1	-7
Equalisation reserves (-)	-131	-136
Dividend payout (-)	0	-235
IRB provision shortfall (50%) (-)	-77	0
Items to be deducted (-)	-433	-423
Tier-2 and tier-3 capital	4 988	4 860
Perpetuals (including hybrid tier-1 instruments not used in tier-1 capital)	321	18
Revaluation reserve, available-for-sale shares (at 90%)	348	405
Minority interests in revaluation reserve, available-for-sale shares (at 90%)	0	0
IRB provision excess (+)	0	92
Subordinated liabilities	4 685	4 624
Tier-3 capital	145	144
Items to be deducted (-)	-510	-423
Total weighted risks	143 359	143 550
Banking	128 303	127 922
Insurance	15 022	15 379
Holding-company activities	86	290
Elimination of intercompany transactions between banking and holding-company activities	-52	-41
Solvency ratios		
Tier-1 ratio	10.8%	11.0%
Core tier-1 ratio	9.2%	9.5%
CAD ratio	14.2%	14.4%

Solvency banking and insurance activities separately

The tables below show the tier-1 and CAD ratios calculated under Basel II for the banking activities of the group (KBC Bank and KBL EPB combined) and the solvency ratio of the insurance activities of the group (KBC Insurance).

Banking activities

In millions of EUR	31-12-2009 Basel II	31-03-2010 Basel II
Regulatory capital		
Regulatory capital, banking (after profit appropriation)	18 939	19 323
Tier-1 capital	14 144	14 082
Parent shareholders' equity	13 165	13 766
Intangible fixed assets	- 162	- 165
Goodwill on consolidation	- 1 986	- 2 007
Innovative hybrid tier-1 instruments	507	521
Non-innovative hybrid tier-1 instruments	1 945	1 688
Minority interests	492	525
Equity guarantee (Belgian State)	462	428
Tier 2 instruments	- 18	- 18
Revaluation reserve available-for-sale assets	11	- 314
Hedging reserve, cashflow hedges	374	513
Valuation diff. in fin. liabilities at fair value - own credit risk	- 151	- 149
Minority interest in AFS reserve & hedging reserve, cashflow hedges	0	- 10
Dividend payout	0	- 276
IRB provision shortfall (50%)	- 77	0
Items to be deducted ¹	- 419	- 419
Tier-2 & 3 capital	4 794	5 240
Mandatorily convertible bonds	0	0
Perpetuals (incl. hybrid tier-1 not used in tier-1)	313	317
Revaluation reserve, available-for-sale shares (at 90%)	149	178
Minority interest in revaluation reserve AFS shares (at 90%)	- 1	2
IRB provision excess	0	92
Subordinated liabilities	4 685	4 926
Tier-3 capital	145	144
Items to be deducted ¹	- 496	- 419
Weighted risks		
Total weighted risk volume	128 303	127 922
Credit risk	104 472	104 004
Market risk	11 995	12 083
Operational risk	11 835	11 835
Solvency ratios		
Tier-1 ratio	11.0%	11.0%
Of which core tier-1 ratio	9.1%	9.3%
CAD ratio	14.8%	15.1%

¹ items to be deducted are split 50/50 over tier-1 and tier-2 capital. Items to be deducted include mainly participations in and subordinated claims on financial institutions in which KBC Bank has between a 10% to 50% share (predominantly NLB), as well as KBC Group shares held by KBC Bank.

Insurance activities

in millions of EUR	31-12-2009	31-03-2010
Available capital	3 130	3 451
Parent shareholders' equity	3 331	3 755
Dividend payout	0	- 123
Minority interests	74	77
Subordinated liabilities	0	0
Intangible fixed assets	- 20	- 19
Goodwill on consolidation	- 401	- 402
Revaluation reserve available-for-sale investments	- 540	- 821
Equalization reserve	- 131	- 136
Equity guarantee (Belgian State)	139	126
Cash flow hedge		- 2
90% of positive revaluation reserve, available-for-sale shares	264	308
Latent gains on bonds	346	617
Latent gains on real estate	67	70
Limitation of latent gains on shares and real estate	0	0
Required solvency margin	1 202	1 230
Non-life and industrial accidents - legal lines	322	323
Annuities	8	8
Subtotal, non-life	330	332
Class 21	845	872
Class 23	16	17
Subtotal, life	861	889
Other	10	9
Solvency ratios and surplus		
Solvency ratio (%)	260%	281%
Solvency surplus, in millions of EUR	1 928	2 221

Quarterly time series

of balance sheet items

KBC Group, 1Q 2010

Financial assets and liabilities, by product

FINANCIAL ASSETS (in millions of EUR)

	31-12-2008	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010
Loans and advances to credit institutions and investment firms ¹	36 796	29 367	27 663	23 954	21 204	24 980
Loans and advances to customers ²	157 296	154 409	158 949	156 974	153 230	153 640
Discount and acceptance credit	153	101	170	83	125	82
Consumer credit	4 625	4 699	5 112	5 059	4 947	4 949
Mortgage loans	55 571	56 092	57 265	58 257	59 180	58 795
Term loans	77 915	74 982	76 458	77 307	71 652	74 482
Finance leasing	6 728	6 251	6 186	5 854	5 569	5 278
Current account advances	6 718	5 952	6 343	5 346	5 123	5 726
Securitised loans	0	0	0	0	0	0
Other	5 585	6 333	7 414	5 068	6 635	4 328
Equity instruments	9 145	7 084	6 156	5 761	5 414	5 208
Investment contracts (insurance)	6 948	6 581	6 861	7 377	7 957	8 392
Debt instruments issued by	85 752	88 750	90 403	91 491	92 838	96 776
Public bodies	58 235	63 126	66 081	69 010	69 362	74 360
Credit institutions and investment firms	12 804	12 000	12 019	10 101	9 903	8 308
Corporates	14 713	13 625	12 302	12 380	13 572	14 109
Derivatives	38 800	36 910	27 610	24 904	21 160	25 986
Total carrying value excluding accrued interest income	334 737	323 102	317 642	310 461	301 804	314 983
Accrued interest income	2 466	2 318	2 242	2 069	2 254	2 051
Total carrying value including accrued interest income	337 203	325 420	319 884	312 531	304 057	317 033
¹ Of which reverse repos	11 214	6 180	7 822	7 579	6 297	7 295
² Of which reverse repos	3 838	2 775	6 147	9 084	6 295	8 697

FINANCIAL LIABILITIES (in millions of EUR)

	31-12-2008	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010
Deposits from credit institutions and investment firms ³	60 602	46 311	55 611	48 024	45 444	39 757
Deposits from customers and debt certificates ⁴	196 733	205 110	194 141	194 748	193 464	203 367
Deposits from customers	146 964	153 099	152 265	147 817	145 319	153 912
Demand deposits	44 739	51 805	52 861	51 597	44 421	52 565
Time deposits	68 582	65 165	60 326	54 545	57 441	56 840
Savings deposits	28 951	31 588	34 326	36 759	38 645	39 445
Special deposits	3 546	3 401	3 603	3 679	3 677	3 804
Other deposits	1 147	1 140	1 149	1 237	1 135	1 258
Debt certificates	49 768	52 010	41 875	46 931	48 146	49 454
Certificates of deposit	15 122	19 051	10 001	13 531	15 788	17 501
Customer savings certificates	3 077	2 905	2 788	2 672	2 583	2 514
Convertible bonds	0	0	0	0	0	0
Non-convertible bonds	21 843	20 377	19 776	21 547	20 363	19 577
Convertible subordinated liabilities	0	0	0	0	0	0
Non-convertible subordinated liabilities	9 726	9 678	9 310	9 181	9 411	9 862
Liabilities under investment contracts	7 201	6 877	6 987	7 319	7 939	7 908
Derivatives	40 469	43 233	34 406	31 620	27 185	34 570
Short positions	2 960	1 876	1 651	1 866	2 147	1 758
in equity instruments	394	388	449	467	486	398
in debt instruments	2 566	1 488	1 201	1 399	1 661	1 360
Other	4 085	4 375	6 466	3 506	1 931	3 665
Total carrying value excluding accrued interest expense	312 049	307 782	299 262	287 082	278 111	291 025
Accrued interest expense	1 882	1 740	1 621	1 980	1 339	1 354
Total carrying value including accrued interest expense	313 931	309 522	300 883	289 062	279 450	292 379
³ Of which repos	18 647	9 966	12 298	11 133	11 513	9 998
⁴ Of which repos	7 855	11 891	12 560	15 161	13 199	16 615
Of which own credit risk	- 245	- 333	- 465	- 247	- 204	- 202

Selected balance sheet items, per business unit

Customer loans and advances (excluding reverse repos)

In millions of EUR	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010
Total	151 978	152 801	147 890	146 935	144 943
Breakdown per business unit					
Belgium	48 972	49 505	48 932	49 593	50 318
Central and Eastern Europe and Russia	30 668	31 536	31 829	30 671	31 110
Merchant Banking	53 449	53 386	49 107	49 100	46 400
Group Centre	18 889	18 375	18 023	17 571	17 115

Mortgage loans

In millions of EUR	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010
Total	56 092	57 265	58 257	59 180	58 795
Breakdown per business unit					
Belgium	23 246	23 775	24 353	25 029	25 434
Central and Eastern Europe and Russia	10 995	11 614	12 088	12 075	12 577
Merchant Banking	13 696	13 594	13 432	13 383	13 217
Group Centre	8 155	8 282	8 383	8 693	7 567

Customer deposits and debt certificates (excluding repos)

In millions of EUR	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010
Total	193 559	181 652	179 587	180 265	186 751
Breakdown per business unit					
Belgium	66 349	66 186	67 333	64 507	65 607
Central and Eastern Europe and Russia	36 593	39 183	39 241	38 949	40 111
Merchant Banking	61 590	51 936	48 744	53 496	58 480
Group Centre	29 026	24 346	24 269	23 313	22 554

Technical provisions life insurance

Technical provisions, Life Insurance (In millions of EUR)	31-03-2009		30-06-2009		30-09-2009		31-12-2009		31-03-2010	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Total	16 127	6 581	16 636	6 861	17 086	7 313	17 517	7 958	18 069	8 392
Breakdown per business unit										
Belgium	12 514	5 460	13 054	5 548	13 447	5 837	13 813	6 021	14 330	6 271
Central and Eastern Europe	1 185	520	1 085	609	1 079	698	1 071	747	1 045	816
Group Centre	2 429	601	2 497	703	2 559	778	2 633	1 189	2 695	1 305

Assets under management, per business unit and product

Assets under advice or management (AUM) at KBC group, in millions of EUR	31-Mar-09	30-Jun-09	30-Sep-09	31-Dec-09	31-Mar-10
By business unit					
Belgium	147 879	143 436	146 834	145 719	149 833
Central & Eastern Europe and Russia	10 760	11 655	12 382	12 419	13 378
Group Centre	42 400	44 616	46 945	47 096	47 463
Total	201 039	199 707	206 161	205 234	210 674
By product or service					
Investment funds for private individuals	94 426	94 875	96 026	93 620	96 358
Assets managed for private individuals	47 323	42 233	44 535	45 162	46 597
Assets managed for institutional investors	39 818	41 959	44 002	44 108	44 137
Group assets (managed by KBC Asset Management)	19 472	20 639	21 598	22 345	23 582
Total	201 039	199 707	206 161	205 234	210 674

Presentation

KBC Group, 1Q 2010



1Q 2010 Financial highlights





Reminder: new business unit reporting

As of the quarterly reporting for 1Q 2010

- Entities to be divested were shifted to Business Unit 'Group Center'

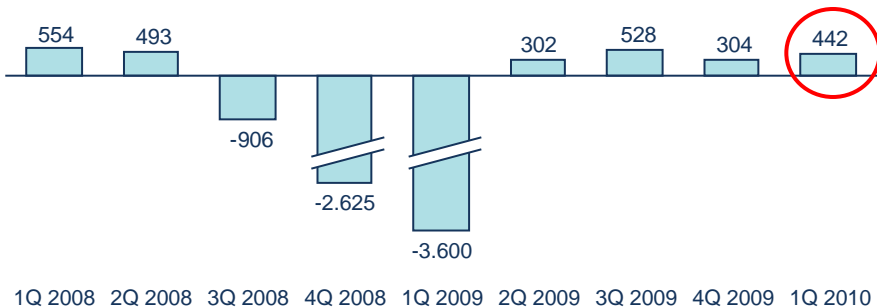


- Assurisk (Reinsurance captive) was moved from Merchant Banking to BU Belgium
- The objective is to clearly indicate the financial performances of the long term activities and the planned divestments separately

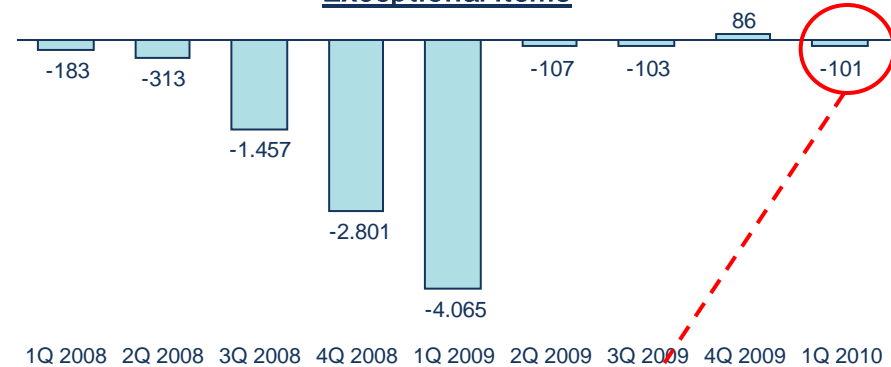


Solid core earnings power

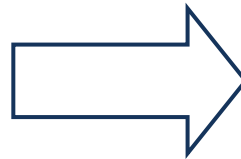
Reported net profit



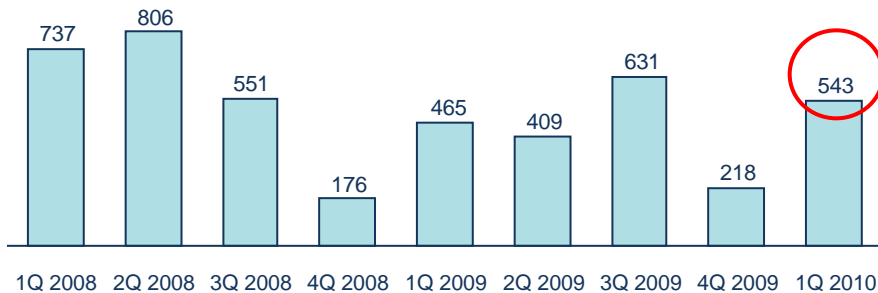
Exceptional items



Excluding
exceptional
items

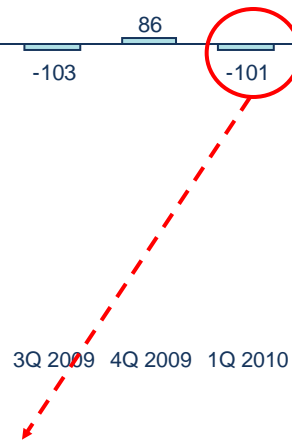


Underlying net profit



Main exceptional items (post-tax)

- Structured credit portfolio revaluation +0.2bn
- Trading loss on "legacy" business KBC FP -0.1bn
- MTM trading derivatives for hedging purposes -0.1bn
- Other -0.1bn





Financial highlights 1Q 2010

- Continued sound deposit and credit spreads
- Gradual recovery of fee & commission income confirmed
- Strong dealing room activities, in line with market performance
- Insurance premium inflows continued their steady pace
- Operational expenses remained very well under control
- Substantial lower loan loss impairments quarter on quarter
- EUR 1.5bn excess regulatory capital accumulated beyond the 10% Tier 1-solvency target
- KBC's exposure on Greek sovereign bonds is limited to EUR 1.9bn (of which EUR 0.6bn in the trading book)



Looking forward

Jan Vanhevel, Group CEO:

- ‘The cost trend has been bottoming out and we expect costs to further increase from here.’
- ‘We may have seen a turn in the credit cycle. Our 2010 base case scenario includes loan losses to visibly decline compared to the financial year 2009.’
- ‘A trading loss related to the ‘legacy’ structured derivatives positions within KBC Financial Products has been booked. Additional limited losses cannot be excluded for the next few quarters of 2010, while risk exposure is continuously being unwound.’
- ‘We are making good progress on our flagship projects to refocus the business portfolio. Moreover, a significant reduction of the group’s credit derivatives was initiated in the first quarter of 2010.’ We will be glad to elaborate on this during our upcoming “Investor Lunch Meeting” (4 June, London)
- ‘At the end of April, the Belgian tax ruling office ruled positively that a waiver of intercompany debt, related to CDO-linked losses incurred in past years, is tax deductible, conditions met. This means KBC will be able to book a positive deferred tax income of EUR 0.3bn, partly compensating the losses it has suffered in the past.’

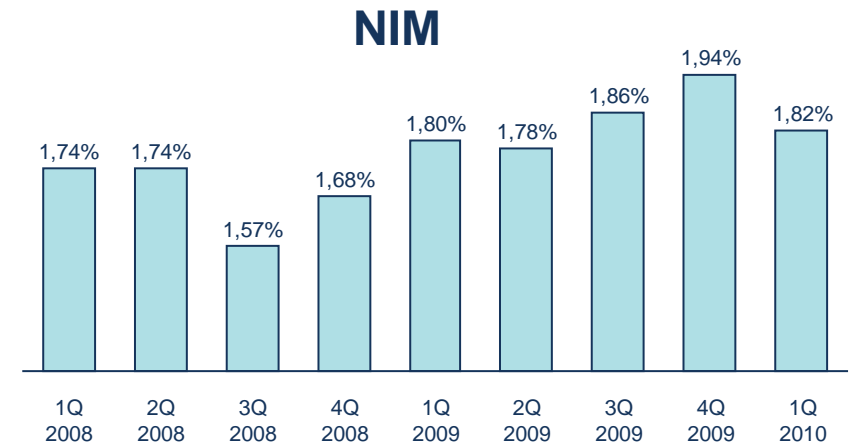
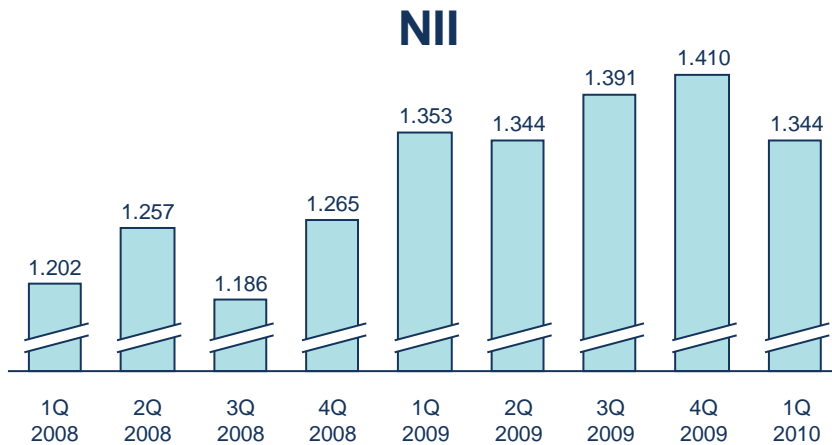
Section 3

Underlying business performance





Revenue trend - Group

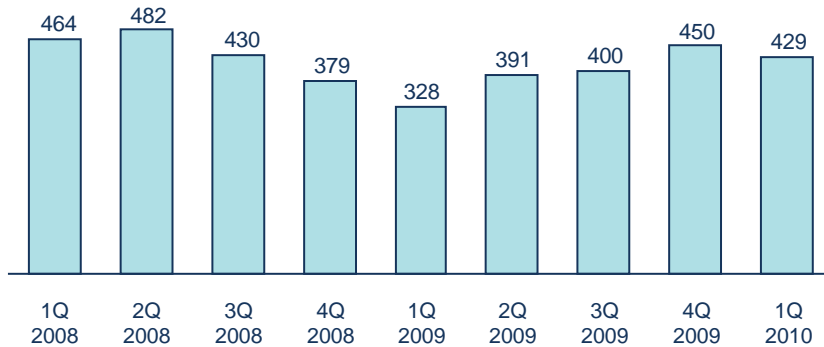


- Net interest income slightly fell year on year
- Net interest margin at 1.82%
 - Credit and deposit spreads remained healthy
 - The net margin tightening quarter on quarter is mainly due to, for prudence reasons, more focus on short term assets for the reinvestment of excess saving deposits (adjustment of ALM policy)
- Credit and deposit volumes down year on year (-5%, -4%) based on (among other factors) reduction of international loan book (Merchant banking and Russia) in line with strategic focus



Revenue trend - Group

F&C



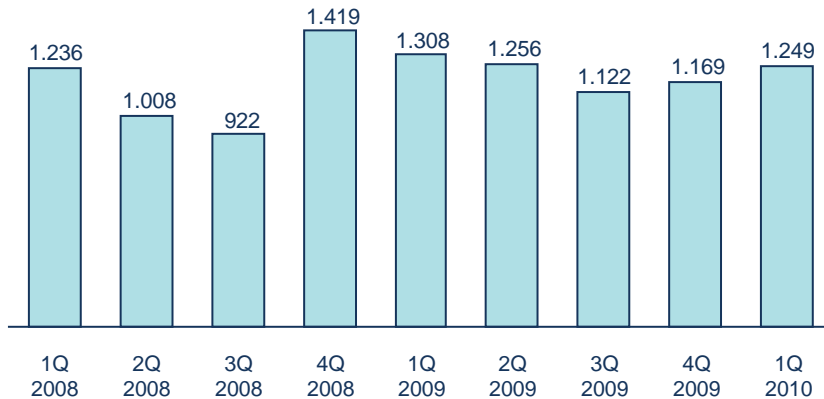
AUM



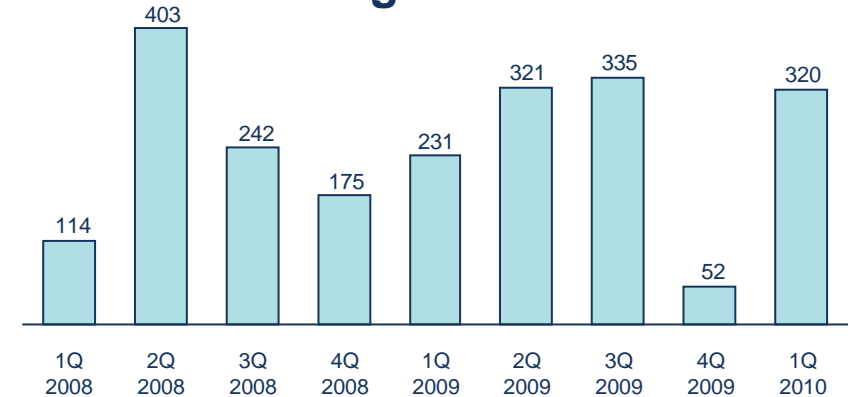
- Net fee and commission rose sharply year on year (+31%) and slightly fell quarter on quarter (-5%)
 - YoY improvement thanks to increased income on sale and management of investment products, on the back of an improved investment sentiment.
 - QoQ decrease can be explained by seasonal effects
- Assets under management at 211bn EUR (+3% qoq, of which +1% net inflow)

Revenue trend - Group

Premium income



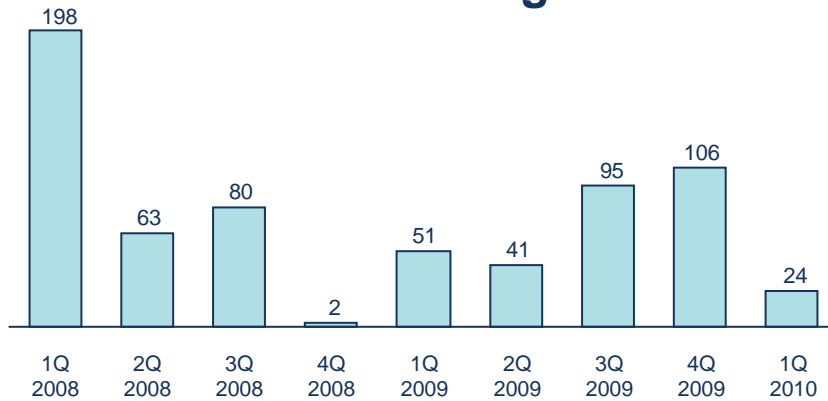
FV gains



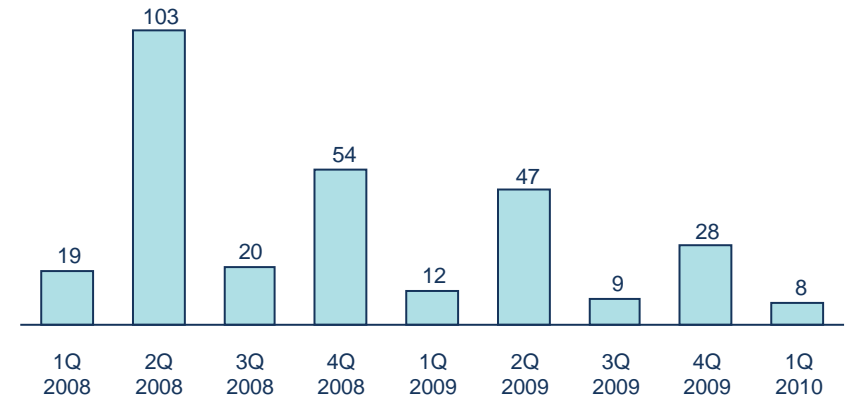
- Insurance premium income at 1.249m
 - Non-life premium income (489m), up 2% yoy and 3% qoq
 - Life premium income (760m), up 9.5% qoq thanks to the further improvement of the investment climate and despite traditionally strong year end sales in 4Q09
- Combined ratio at 98%, up compared to 94% in 1Q09 due to a higher claims ratio (a.o. storm Xynthia)
- The strong performance of Fair Value gains (320m) is the result of strong dealing room activities, in line with the market trend

Revenue trend - Group

AFS realised gains



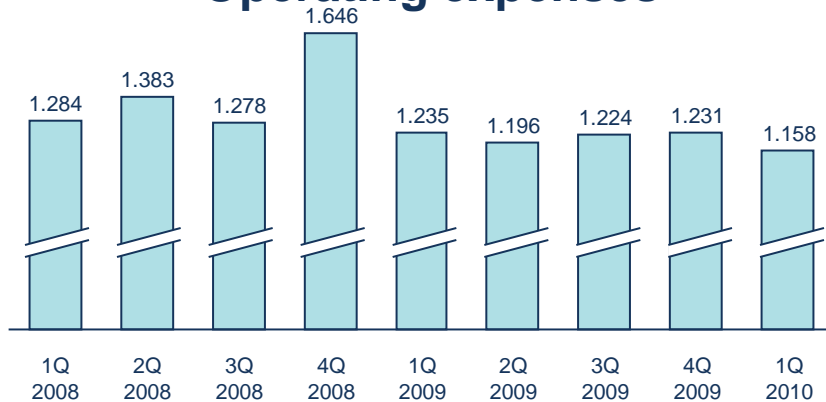
Dividend income



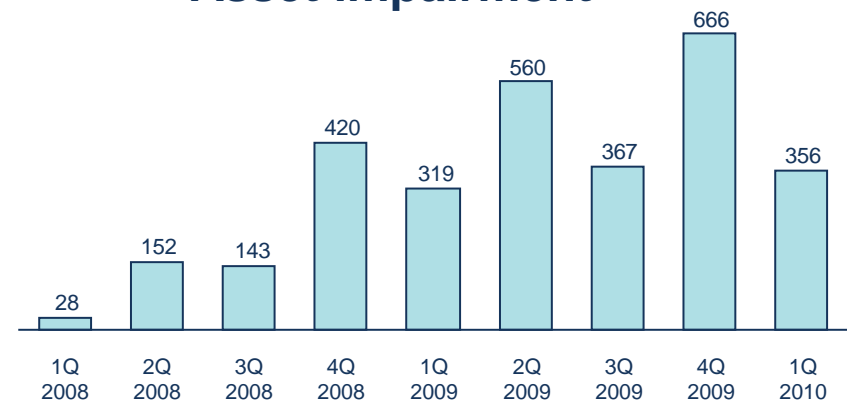
- AFS realised gains at 24m, markedly lower than in the previous quarters
- Dividend income at 8m

Opex and asset impairment - Group

Operating expenses



Asset impairment



- Continued tight cost control
 - Operating expenses fell 6% (both qoq and yoy) to EUR 1.158m, still benefiting from cost containment measures initiated in 2008
 - Underlying cost/income ratio for banking stood at 50% (compared to 55% for full year 2009)
 - The cost trend has been bottoming out and we expect costs to further increase from this point.
- Sharply lower impairments (356m)
 - 310m quarter on quarter decrease is situated in all business units, but is most outspoken in Central & Eastern Europe



Peak of loan loss provisions may be behind us

- Credit cost ratio went down to 0.84% (vs. 1.11% in 2009). NPL ratio amounted to 3.6%
- Credit cost in Belgium fell to virtual nil
- Sharply decreased credit cost in CEE (-107m qoq), mainly in Poland (-64m), in the Czech Republic (-23m) and in Hungary (-14m)
- In Merchant Banking, the decrease of impairments in the international loan books was partly offset by a significant enhancement of the provision coverage level in KBC Bank Ireland

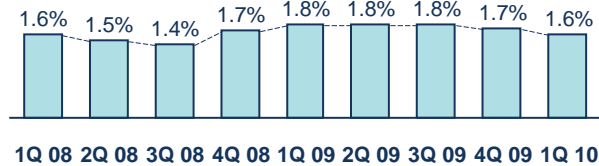
Credit cost ratio

	Loan book	2007 FY	2008 FY	2009 FY	2009 FY	1Q10 YTD
		'Old' BU reporting			'New' BU reporting	
Belgium	52bn	0.13%	0.09%	0.17%	0.15%	0.02%
CEE	38bn	0.26%	0.73%	2.12%	1.70%	1.20%
Merchant (incl. Ireland)	60bn	0.02%	0.48%	1.32%	1.19%	1.47%
Total Group	168bn	0.13%	0.46%	1.11%	1.11%	0.84%

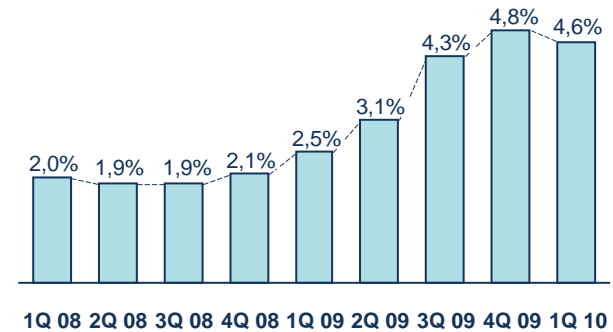


Peak of loan loss provisions may be behind us

BU BELGIUM



BU CEE

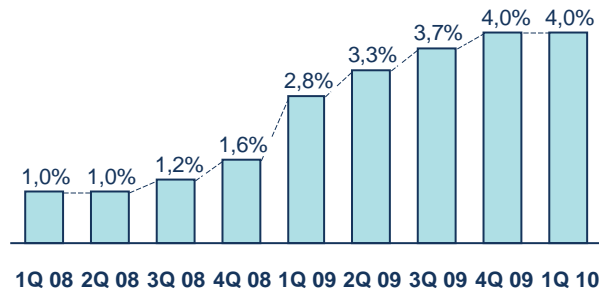


■ non performing loans

New BU reporting as of 2010

BU MEB

(incl. Ireland)

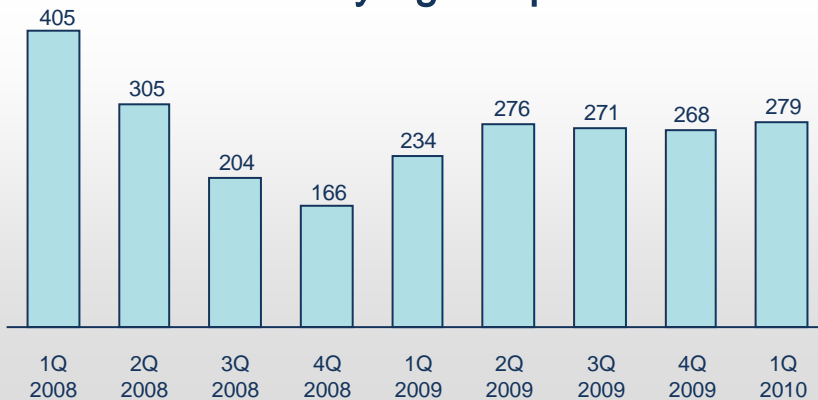


1Q 2010	High risk (probability of default >6.4%)	Restructured loans (probability of default >6.4%)
BU Belgium	3.1%	1.5%
BU CEE	5.6%	3.2%
BU MEB	4.6%	4.0%



Business Unit Belgium

Underlying net profit



Volume trend**

	Total loans	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	50bn	25bn	66bn	150bn	21bn
Growth q/q*	+1%	+2%	+2%	+3%	+4%
Growth y/y	+3%	+9%	-1%	+6%	+15%

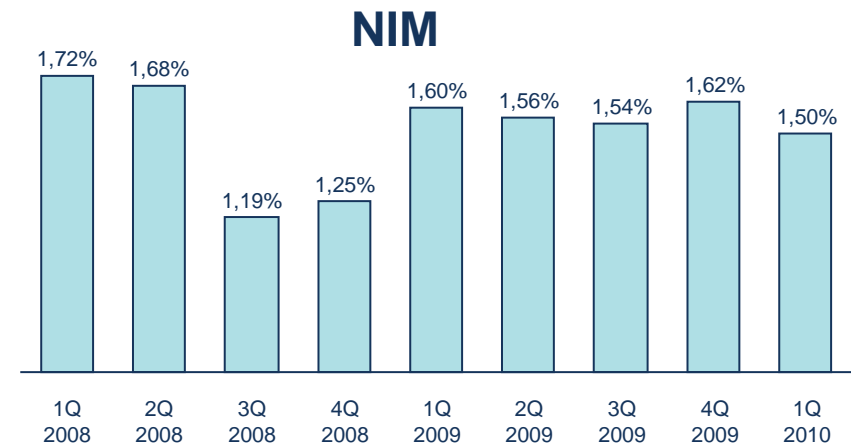
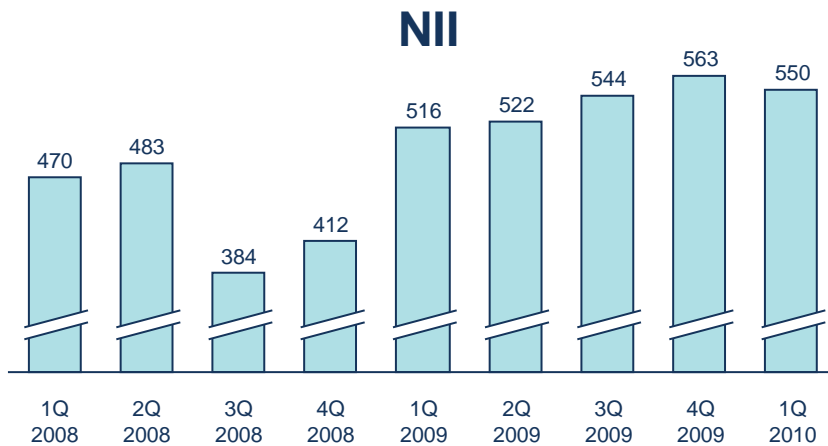
* non-annualized

** All figures were restated due to new business unit reporting

- Underlying profit Business Unit Belgium (279m) slightly above previous quarters, well above year earlier quarter
- Increase in credit volume quarter on quarter and year on year (circa 3%, annualised), driven by mortgage loan growth
- Increase in deposit volumes qoq, but decrease yoy
- Asset under management and life reserves are growing



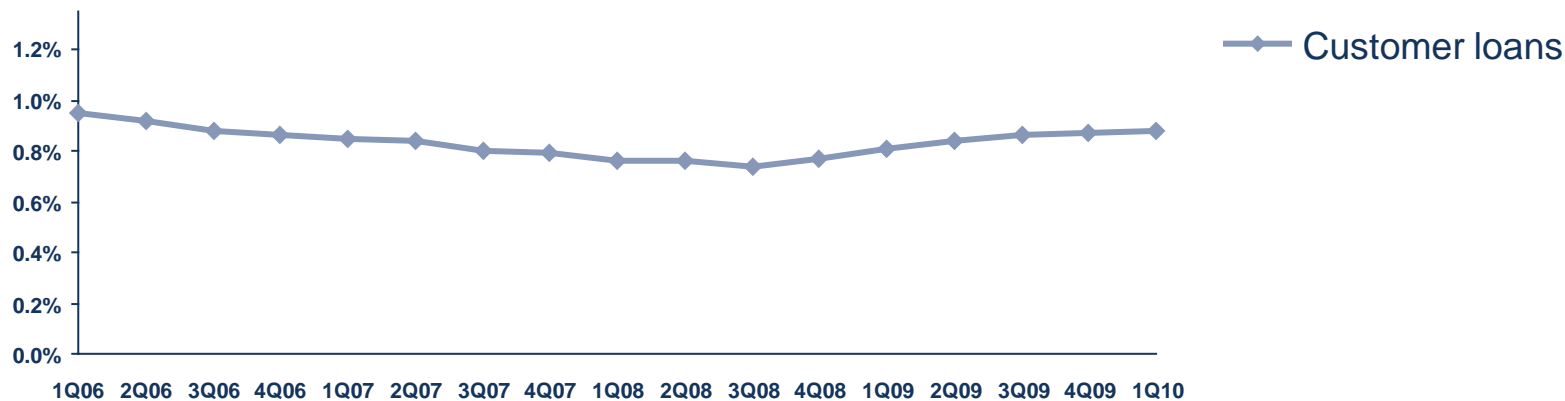
Business Unit Belgium (2)



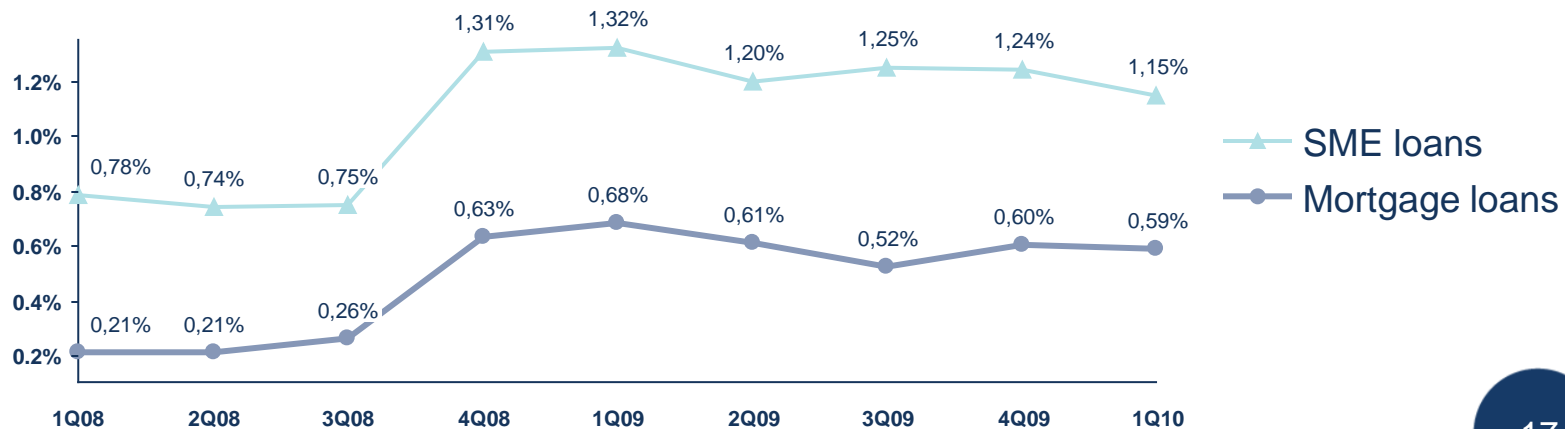
- Net interest income (550m) remains healthy
 - A 7% increase year on year
 - A 2% decrease quarter on quarter due to a.o. more focus on short-term assets for the reinvestments of saving deposits (lower ALM margin)
 - Major improvement versus 2H 2008 based on margin recovery on credits and deposits combined with shift to higher margin products (from time deposits to saving accounts)

Credit margins in Belgium

Product spreads on customer loans book, outstanding



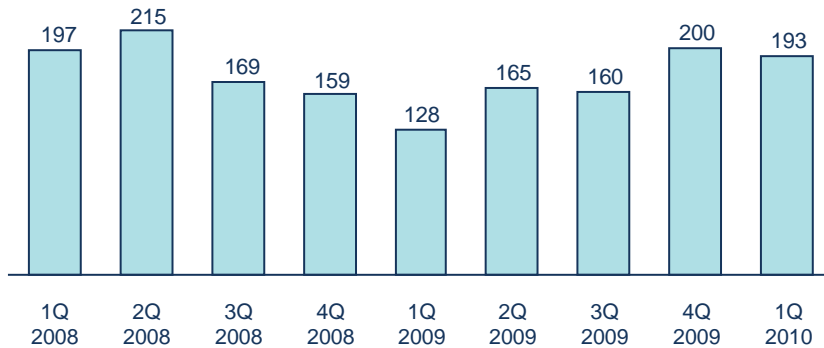
Product spread on new production





Business Unit Belgium (3)

F&C

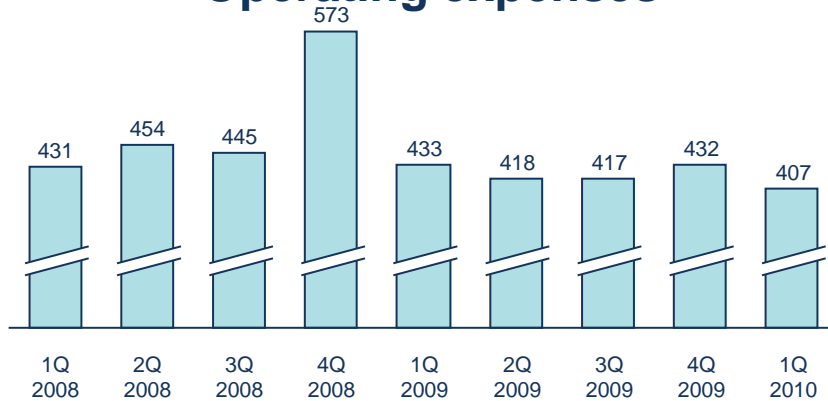


AUM

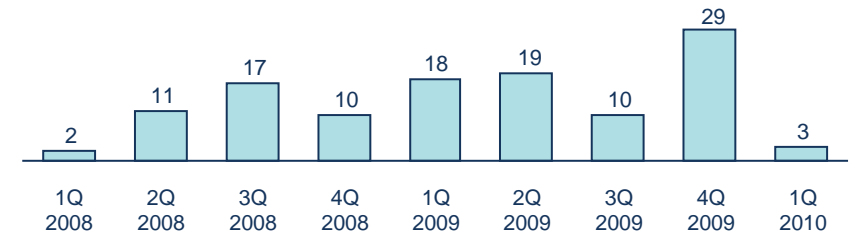


- Net fee and commission income (193m) remained positively impacted by the improving investment climate
 - Net commission income from banking activities rose 31% yoy and 4% qoq thanks to the improving investment climate, leading, inter alia, to higher commission income from asset management activities. Assets under management rose 3% qoq (to EUR 150bn), of which 2% was related to net inflows
 - This was offset by the increase of commissions paid to insurance agents in 1Q10, provoking a 4% qoq drop in total net fee and commission income

Operating expenses

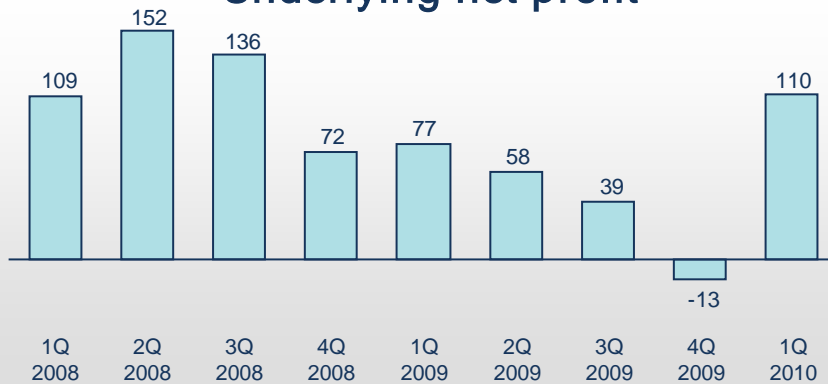


Asset impairment



- Operating expenses remained well under control: -6% both qoq and yoy
 - Cost saving measures that were initiated in the past still positively influenced the cost level, while some upwards pressure on costs came from higher accruals for variable remuneration for staff
 - Further improvement of the cost/income ratio: 53%, (vs. 57% for full year 2009)
- Asset impairment remained (very) low too in 1Q10, helped by an EUR 11m write-back for a single file. Credit cost ratio of only 2bps. NPL level at 1.6%

Underlying net profit



Volume trend

	Total loans	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	31bn	13bn	40bn	13bn	2bn
Growth q/q*	-2%	+0%	0%	+8%	+2%
Growth y/y	-5%	+5%	0%	+24%	+9%

*non-annualized

** All figures were restated due to new business unit reporting

- Underlying profit CEE Business Unit at 110m
 - CEE profit breakdown: 92m Czech Republic, 13m Slovakia, 26m Hungary, 8m Poland, 0m Bulgaria, other -28m (mainly funding costs at parent company level)
 - Excellent evolution mainly on the back of lower credit losses and good cost control
- Quarter on quarter organic reduction of loan book (-2%) on the back of low credit demand, most outspoken in Hungary (-4%) and Slovakia (-3%). Deposit volumes stable quarter on quarter and year on year. Loan to deposit ratio at 81%.
- Assets under management at 13bn (+8% qoq and +24% yoy)



KBC Business Unit CEE (2)

Organic growth^(*)

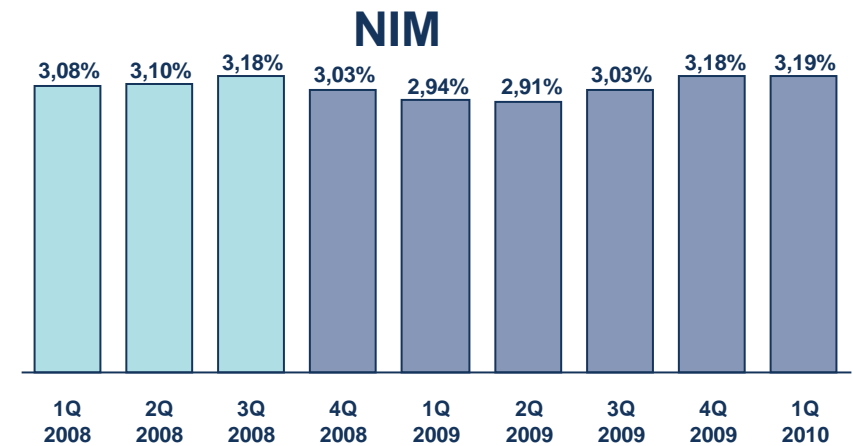
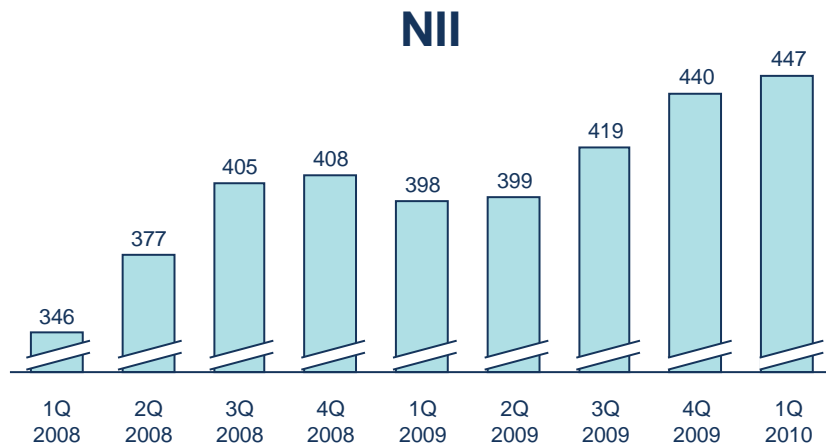
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	-1%	-3%	+2%	+15%	0%	+4%
SK	-3%	-4%	-7%	-9%	-8%	-1%
HU	-4%	-11%	-2%	-5%	-7%	-24%
PL	-2%	-2%	0%	-2%	+11%	+19%
BU	-2%	-4%	-2%	+1%	+3%	+9%

- Credit demand and deposit growth remained mostly weak across the region
- Quarterly time series are influenced by volatility in corporate deposits
- In Poland, the quarter benefited from a successful retail deposit campaign launched at the end of February

(*) organic growth excluding FX impact, q/q figures are non-annualized



KBC Business Unit CEE (3)



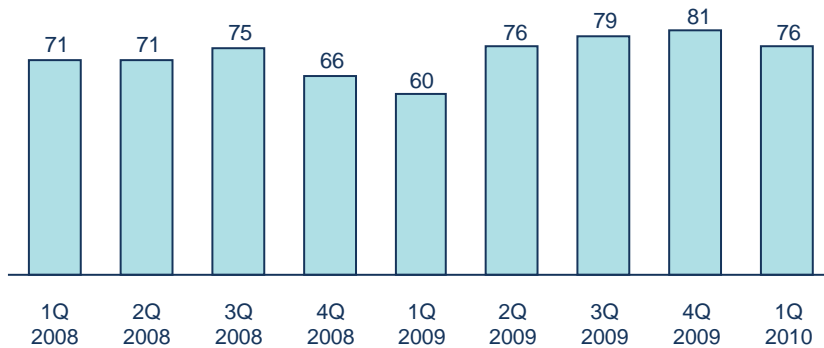
■ NIM old scope
 ■ NIM new scope

- Net interest income rose 2% qoq and 12% yoy to EUR 447m (flat qoq and +4% yoy organically evolution)
- Net interest margin (new scope) at 3.19% compared to 3.18% in previous quarter

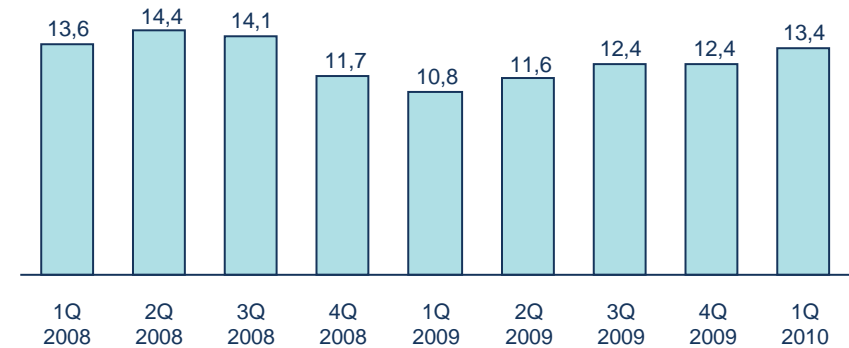


Business Unit CEE (4)

F&C



AUM

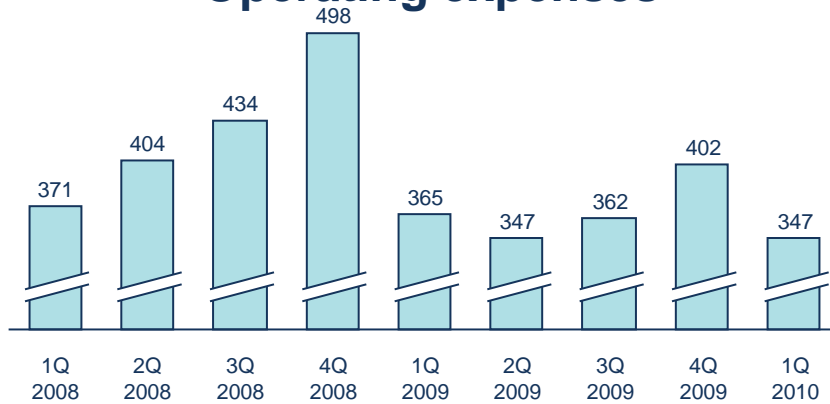


Amounts in bn. EUR

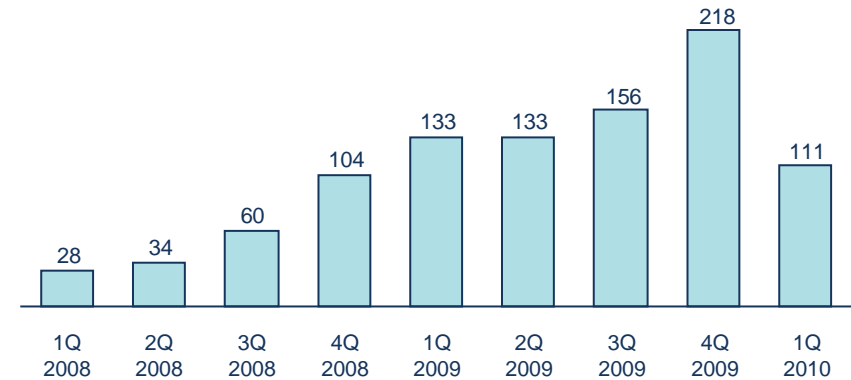
- Net fee and commission income (76m) organically down 6% quarter on quarter, explained by a change in accounting treatment of the distribution fees paid to the Czech Post (10m shift from expenses to commission income, without bottom line impact)
- However, net fee and commission income organically up 19% yoy (notwithstanding the mentioned methodology change), thanks to the combination of slightly increased received fees in the banking businesses and lower paid fees in the insurance businesses.
- Assets under management rose 8% qoq to 13.4bn (1/4th due to net inflows, 3/4th due to price increases of the assets)

Amounts in m. EUR

Operating expenses



Asset impairment



- Operating expenses (347m), on organic basis down 15% quarter on quarter and 11% year on year
 - Drop relates both to staff costs, other administrative expenses and the impact of the methodological change
 - Ytd cost income ratio at 50% (59% FY 2009)
- Asset impairment at 111m, entirely on L&R
 - Falling credit cost, most outspoken in Poland
 - Significant CCR improvement: 120bps vs. 170bps in FY09
 - NPL ratio at 4.6%, up from 4.1% at the end of 2009

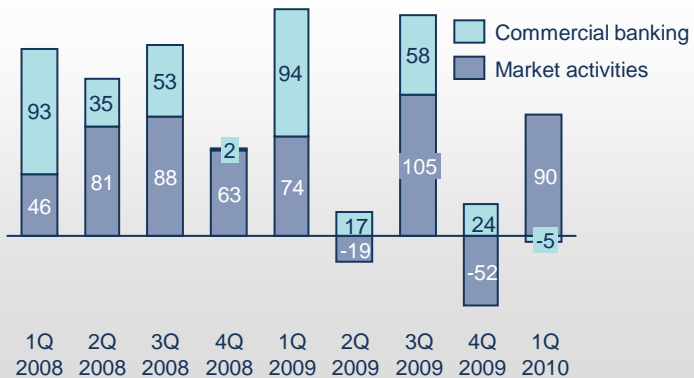
	Loan book	2007* CCR	2008* CCR	2009* CCR	2009 CCR	1Q10 CCR
CEE	38bn	0.26%	0.73%	2.12%	1.70%	1.20%
- Czech Rep.	19bn	0.27%	0.38%	1.12%	1.12%	0.69%
- Poland	8bn	0.00%	0.95%	2.59%	2.59%	1.19%
- Hungary	7bn	0.62%	0.41%	2.01%	2.01%	2.08%
- Slovakia	4bn	0.27%	0.82%	1.56%	1.56%	1.57%
- Bulgaria	1bn	n.a.	1.49%	2.22%	2.22%	2.03%

* CCR according to 'old' business unit reporting



Business Unit Merchant Banking

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	46bn	58bn
Growth q/q*	-5%	+9%
Growth y/y*	-13%	-5%

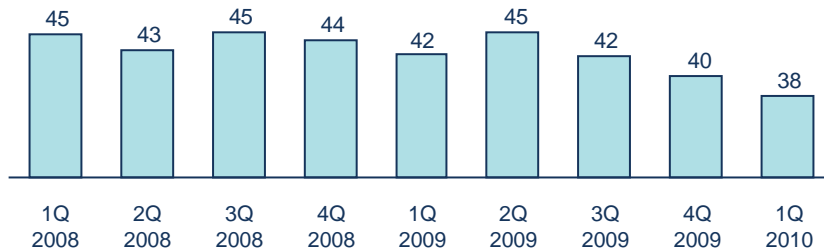
*non-annualized

- Underlying net profit in Business Unit Merchant Banking (85m), above the average of the last 4 quarters (75m)
 - Commercial banking result -5m, suffering from the enhancement of the provision coverage level in KBC Bank Ireland
 - Market Activities result +90m, mainly thanks to the solid performance of the fixed-income dealing room activities
- Reminder: a significant part of the merchant banking activities (to be divested assets) has been shifted to the Group Centre



Business Unit Merchant Banking (2)

RWA banking & insurance (Commercial banking)



Amounts in bn. EUR

NII (Commercial banking)

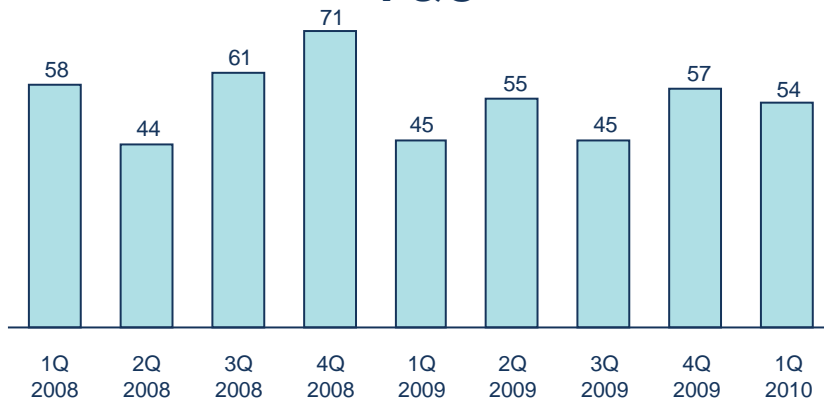


- Lower risk weighted assets commercial banking due to further organic reduction international corporate loan book
- Net interest income (relating to the commercial banking division) down 14% qoq and 2% yoy. As anticipated, volumes in this business unit went down (e.g. credits -5% qoq and -13% yoy). This decrease is expected to continue for a number of years, as it is a result of the new strategy of the group (gradual built-down of a large part of the international credit portfolio outside the home markets).

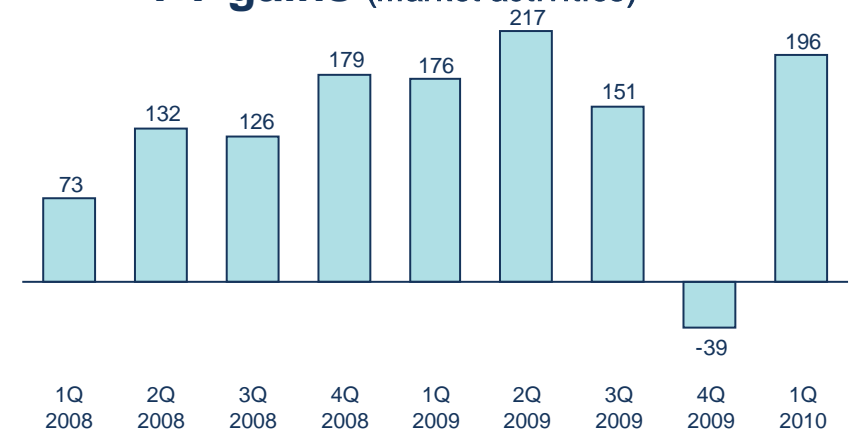
Amounts in m. EUR

Business Unit Merchant Banking (3)

F&C

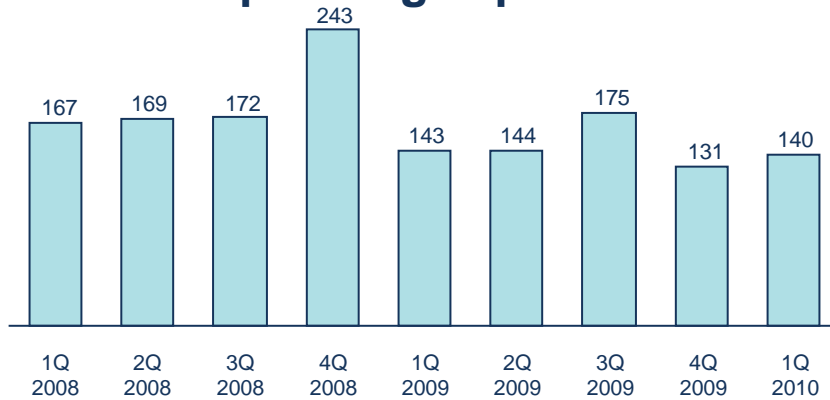


FV gains (market activities)

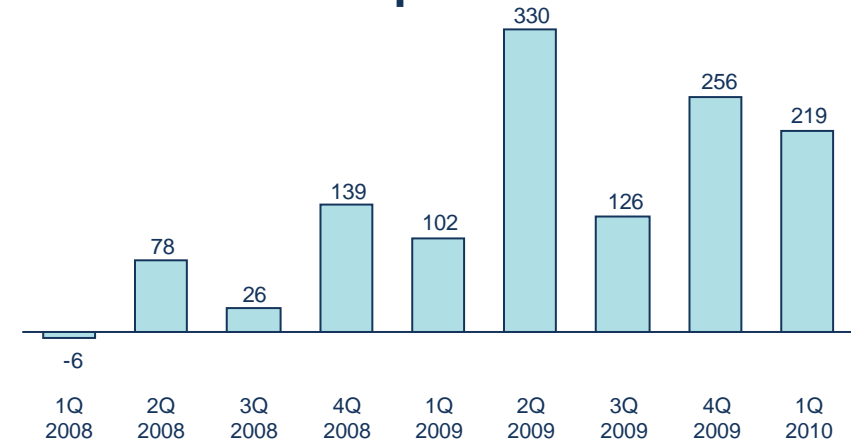


- Net fee and commission rose 22% yoy (but fell 4% qoq) to EUR 54m thanks, inter alia, to higher fees related to trade finance, corporate finance and brokerage activities
- Strong rebound of trading results, mainly resulting from a solid performance of the fixed-income dealing room activities, compared to a weak performance in 4Q09 (which was aggravated by the booking of negative market value adjustments to include increased counterparty risk and lower liquidity).

Operating expenses



Asset impairment



- Operating expenses at 140m up quarter on quarter (7%), but down year on year (-2%)
 - Quarter on quarter cost increase was located in the commercial banking activities, and related, inter alia, to increased ICT expenses, increased variable remuneration and some one-off items.
- Impairment (219m), 14% lower quarter on quarter mainly thanks to lower loan loss provisions in the international loan book in general (except for Ireland)
 - Credit cost ratio at 1.47% and NPL ratio roughly stable at 4.0%

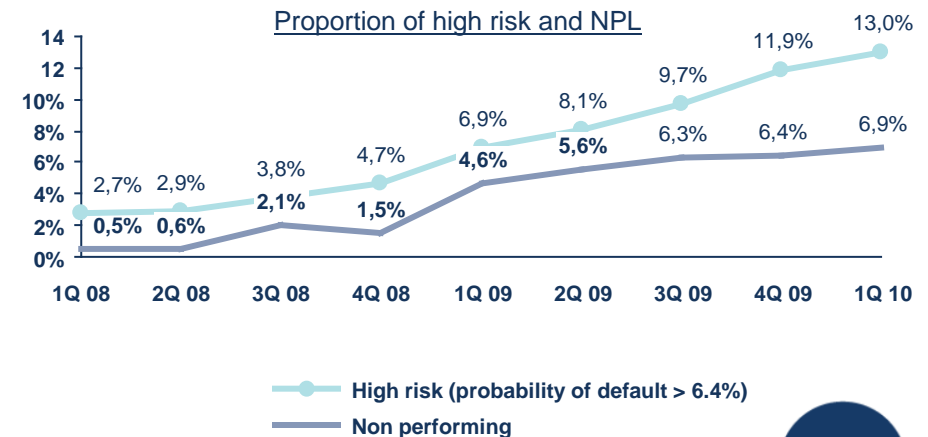


Update on Ireland

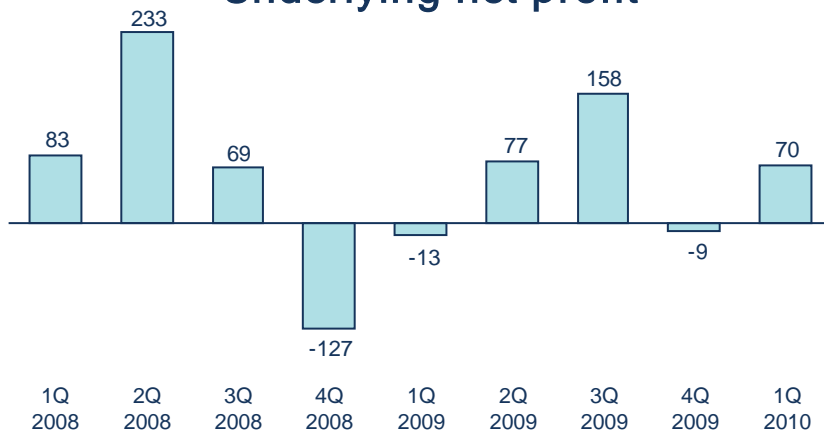
- NPL has risen to 6.9% (6.4% in 4Q09)
- EUR 142m loan impairments also includes a portfolio-wide upwards adjustment in the expected house price decline (from 40% to 50%) and a further reduction in collateral value assumptions in the commercial real estate portfolio influenced by the NAMA discounts for relevant Irish banks
- Credit costs for the remainder of 2010 should therefore be significantly lower than 1Q10.
- Local Tier 1 ratio of 9.2% at the end of 1Q10
- NPL coverage ratio of 31% reflects predominance of residential mortgages (iLTV of 90%) and relatively low exposure to real estate development (4% of the portfolio)
- Against a backdrop of a very severe recession, 80% of portfolio remains low or medium risk

Irish loan book – key figures March 2010

<u>Loan portfolio</u>	<u>Outstanding</u>	<u>NPL Mar 10</u>
Owner occupied mortgages	10.0bn	5.2%
Buy to let mortgages	3.3bn	7.2%
SME /corporate	2.6bn	3.3%
Real estate investment	1.3bn	10.2%
Real estate development	0.6bn	40.7%
	17.8bn	6.9%



Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	17bn	23bn
Growth q/q*	-3%	-3%
Growth y/y*	-9%	-22%

**non-annualized*

- Besides the existing activities of the holding and shared-services companies at 'Group Centre', all upcoming divestments are shifted to 'Group Centre' as of 1Q10 onwards. Compared to both reference quarters, the significant increase of the net group profit is largely attributable to the companies that are up for divestment in the coming quarters, predominantly on the back of lower loan loss impairments
- Only the planned divestments are included. The merchant banking activities that will be wound down organically are NOT shifted to the 'Group Centre'



KBC Group Centre (2)

Breakdown of underlying net group profit

	1Q10	Some comments
Group item (ongoing business)	-22	
Planned divestments	91	
- Centea	17	
- Fidea	8	
- 40% minorities CSOB Bank CZ	54	
- Absolut Bank	-1	Significant drop in loan loss provisions
- 'old' Merchant Banking activities	9	
- KBL	38	EUR 47,4bn AuM (+1% qoq and +12% yoy)
- Other	-34	
TOTAL underlying net group profit	70	

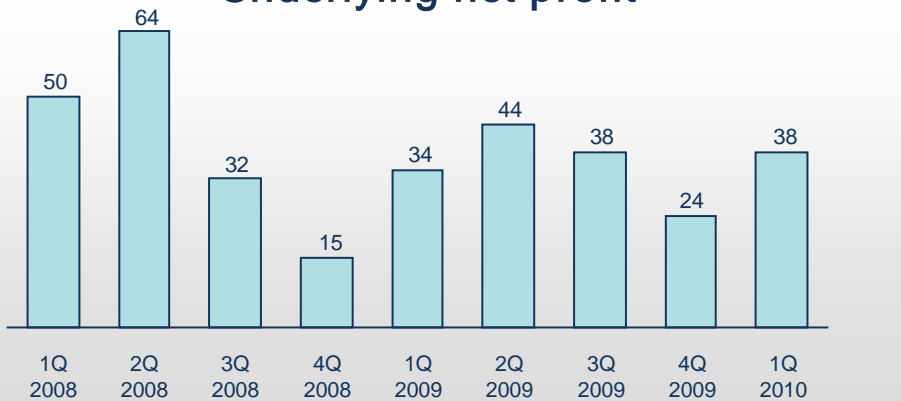
NPL, NPL formation and restructured loans in Russia

	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010
RU						
NPL	0.5%	2.3%	3.3%	9.2%	14.0%	17.9%
NPL formation		1.8%	1.0%	5.9%	4.8%	3.9%
Restructured loans	-	3.6%	7.2%	9.8%	11.2%	10.3%
Loan loss provisions (m EUR)	31	45	33	48	56	0



Group Centre (3) – KBL EPB

Underlying net profit



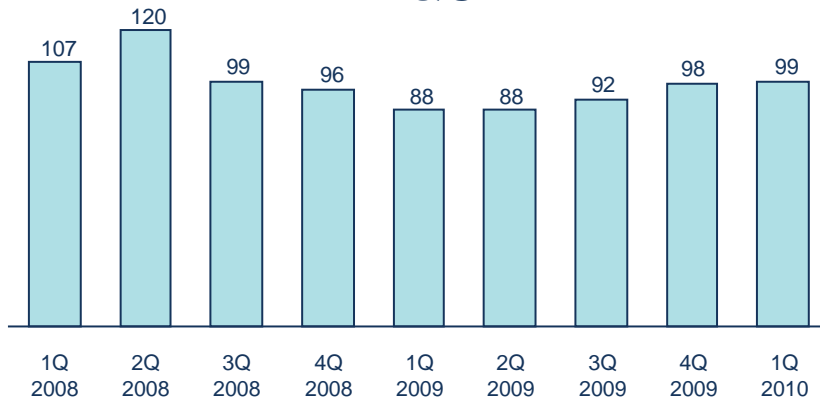
Volume trend

	Customer deposits	AUM
Volume	8bn	47bn
Growth q/q*	+1%	+1%
Growth y/y*	-16%	+12%

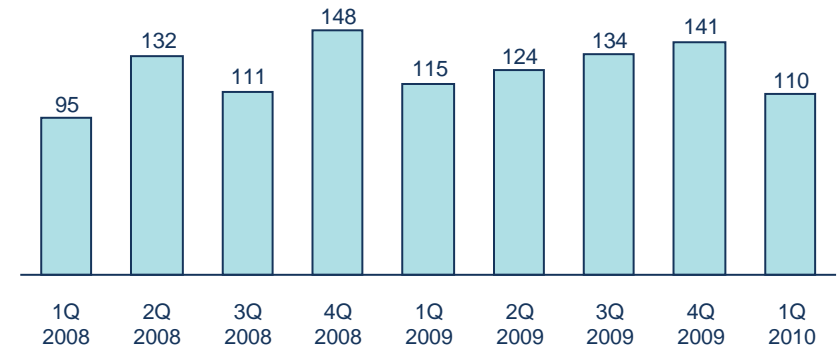
*non-annualized

- Underlying net profit European Private Banking (38m) up on previous quarter (+56%) thanks to lower operating expenses and no impairments
- Assets under management at 47bn
 - Quarter on quarter increase (+1%) based on increased asset prices

F&C



Operating expenses



- Fee and commission income (99m)
 - +1% qoq and +12% yoy based on better than expected on shore activities and higher assets under management
- Operating expense down 22% quarter on quarter due to the non-recurrence of restructuring costs and variable pay recognised in 4Q09.



Exposure to Southern Europe (1)

Total exposure to Greece, Portugal & Spain at the end of 1Q10 (bn EUR)

	Banking and Insurance book			Trading book	Total exposure
	Credits & corporate bonds	bank bonds	Gov. bonds	Gov. Bonds	
Greece	0,1	0,0	1,3	0,6	2,0
Portugal	0,3	0,0	0,3	0,0	0,6
Spain	2,5	0,6	2,4	0,3	5,8

- Total exposure to the most stressed countries Greece and Portugal amounted to EUR 2.6bn, of which EUR 0.6bn trading positions
- No impact on KBC's liquidity position (since the sovereign bonds can still be pledged with the ECB)

Breakdown of government bond portfolio, banking and insurance, at the end of 1Q10 (bn EUR)

	Banking	Insurance	Total
Greece	0,9	0,4	1,3
Portugal	0,2	0,1	0,3
Spain	1,6	0,7	2,4
TOTAL	2,7	1,2	4,0

Exposure to Southern Europe (2)

Maturity date of government bond portfolio of the banking and insurance book (bn EUR)

	2Q10	2H10	2011	2012	> 2012
Greece	0,1	0,0	0,1	0,2	0,9
Portugal	0,0	0,0	0,1	0,1	0,1
Spain	0,0	0,0	0,1	0,5	1,7

Breakdown of total government bonds, by portfolio at the end 1Q10 (bn EUR)

	AFS *	HTM **	FIV ***	Trading ***	TOTAL
Greece	0,5	0,5	0,3	0,6	1,9
Portugal	0,2	0,2	0,0	0,0	0,4
Spain	2,1	0,3	0,0	0,3	2,7

Breakdown of total government bonds, by portfolio at 30 April (bn EUR)

	AFS *	HTM **	FIV ***	Trading ***	TOTAL
Greece	0,5	0,4	0,2	0,4	1,5
Portugal	0,1	0,2	0,0	0,0	0,3
Spain	2,1	0,3	0,0	0,3	2,7

* Available for sale: value loss versus 31 March due to price decline booked against shareholders' equity

** Held to Maturity: negative pull-to-par effect versus 31 March

*** Financial Instruments at Fair Value / Trading: lower value vs. 31 March due to price decline and run-down of portfolio (value loss booked against revenue)

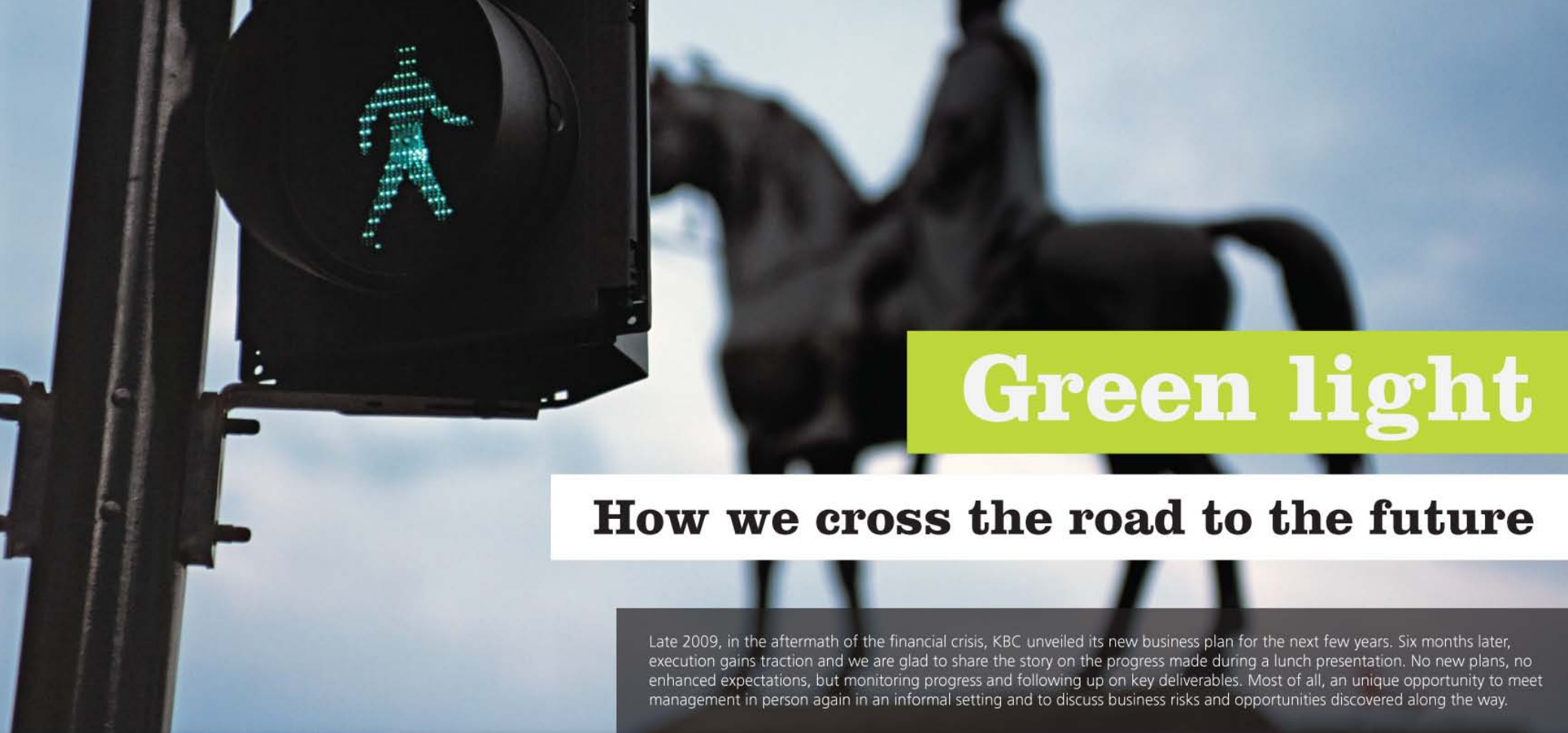
Wrap up





Financial highlights 1Q 2010

- Continued sound deposit and credit spreads
- Gradual recovery of fee & commission income confirmed
- Strong dealing room activities, in line with market performance
- Insurance premium inflows continued their steady pace
- Operational expenses remained very well under control
- Substantial lower loan loss impairments quarter on quarter
- EUR 1.5bn excess regulatory capital accumulated beyond the 10% Tier 1-solvency target
- KBC's exposure on Greek sovereign bonds is limited to EUR 1.9bn (of which EUR 0.6bn in the trading book)



Green light

How we cross the road to the future

Late 2009, in the aftermath of the financial crisis, KBC unveiled its new business plan for the next few years. Six months later, execution gains traction and we are glad to share the story on the progress made during a lunch presentation. No new plans, no enhanced expectations, but monitoring progress and following up on key deliverables. Most of all, an unique opportunity to meet management in person again in an informal setting and to discuss business risks and opportunities discovered along the way.

4 June 2010

KBC Investor Lunch **London**

Hilton London Tower Bridge



Additional data set





Update CDO exposure at KBC (end1Q10)

CDO exposure (bn EUR)	Notional	Cumulative Mark downs
- Hedged portfolio	14.8	-1.3
- Unhedged portfolio	9.9	-5.1
TOTAL	25.7	-6.3

Amounts in bn €	Total
Value adjustments (since start crisis)	-6.3
“Effective” loss (i.e. expect. losses based on claimed credit events)	-1.1

Sensitivity tests

Amounts in bn €	Total at risk
Scenario 1 (16% corporate loss)	-4.6
Scenario 2 (18% corporate loss)	-5.2
Scenario 3 (20% corporate loss)	-6.8

Sensitivity test made on CDOs total outstanding, excluding third-party CDOs and CDOs in run-off

Sensitivity test assumptions: expected loss on claimed corporate names and ABS and 16%-18%-20% cumulative expected loss on corporate underlying

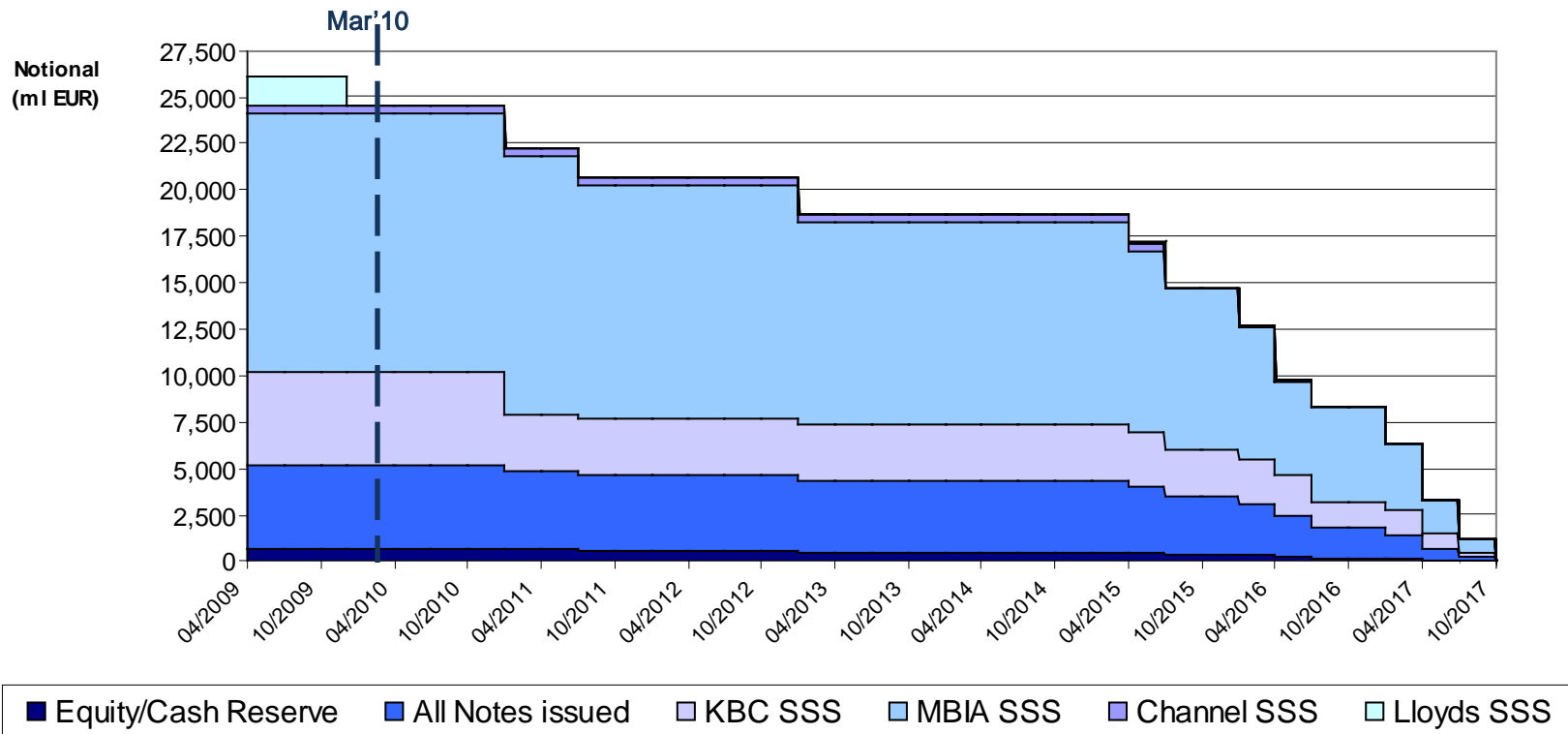
The floor provided by the government guarantee is taken into account

The counterparty risk includes the amount to be borne by KBC in case of default of MBIA with zero recovery

- Cumulative value adjustments amounted to EUR 6.3bn at the end of 1Q10
- Effective cash losses amounted to EUR 1.1bn
- The EUR 6.3bn value adjustments reflect a 18%-20% cumulative loss of the underlying corporate risk (circa 80% of the underlying collateral are corporate reference names)
- Reminder: CDO exposure largely written down or covered by a State guarantee.

Maturity schedule CDO portfolio

Maturity schedule CDOs issued by KBCFP



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

Summary of government transactions (1)

- State guarantee on 20bn CDO linked instruments
 - Scope
 - CDO investments that were not yet written down to zero (5.5bn) at closing of the transaction
 - CDO-linked exposure towards MBIA, the US monoline insurer (14.4bn)
 - First and second tranche: 5.2bn, impact on P&L fully borne by KBC, KBC has option to call on equity capital increase up to 1.8bn (90% of 2.0bn) from the Belgian State if losses exceed 3.2bn
 - Third tranche: 14.8bn, 10% of potential impact borne by KBC
 - Instrument by instrument approach

	Potential <i>P&L</i> impact for KBC	Potential <i>capital</i> impact for KBC
20bn - 100%		
1 st tranche	100%	100%
	3.2bn	
16.8bn - 84%		
2 nd tranche	100%	10%
	2.0bn	
		(90% compensated by equity guarantee)
14.8bn - 74%		
3 rd tranche		
	14.8bn	
	10%	10%
	(90% compensated by cash guarantee)	(90% compensated by cash guarantee)



Summary of government transactions (2)

7 bn EUR core capital securities subscribed by the Belgian Federal State and the Flemish Region

	Belgian State	Flemish Region
Amount	3.5bn	3.5bn
Instrument	Perpetual fully paid up new class of non-transferable securities qualifying as core capital	
Ranking	Pari passu with ordinary stock upon liquidation	
Issuer	KBC Group Proceeds used to subscribe ordinary share capital at KBC Bank (5.5bn) and KBC Insurance (1.5bn)	
Issue Price	29.5 EUR	
Interest coupon	Conditional on payment of dividend to shareholders. The higher of (i) 8.5% or (ii) 120% of the dividend for 2009 and 125% for 2010 onwards Not tax deductible	
Buyback option KBC	Option for KBC to buy back the securities at 150% of the issue price (44.25)	
Conversion option KBC	From December 2011 onwards, option for KBC to convert securities into shares (1 for 1). In that case, the State can ask for cash at 115% (33.93) increasing every year with 5% to the maximum of 150%	No conversion option