KBC GROUP

EXTENDED QUARTERLY REPORT

1Q 2012

KBC

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Management certification of financial statements and quarterly report

'I, Luc Popelier, Chief Financial Officer of the KBC Group certify on behalf of the Executive Committee of KBC Group NV 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 main events, the main transactions with related parties in the period under review and their impact on the abbreviated financial statements, and an overview of the main risks and uncertainties for the remainder of the current year.

Forward-looking statements

The expectations, forecasts and statements regarding future developments that are contained in this report are, of course, based on assumptions and are contingent on a number of factors that will come into play in the future. Consequently, the actual situation may turn out to be (substantially) different.

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Glossary of ratios used

CAD ratio
[consolidated total regulatory capital] / [total weighted risks].

Combined ratio (non-life insurance)
[technical insurance charges, including the internal cost of settling claims / earned premiums] + [expenses / written premiums] (after reinsurance).

(Core) Tier-1 capital ratio
[consolidated tier-1 capital] / [total weighted risks]. 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].

Cost ratio, non-life insurance
[expenses / written premiums] (after reinsurance).

Cover ratio
[impairment on loans] / [outstanding non-performing loans]. For a definition of 'non-performing', see 'Non-performing ratio'. Where appropriate, the numerator may be limited to individual impairment non-performing loans.

Credit cost ratio
[net changes in individual and portfolio-based impairment for credit risks]/ [average outstanding loan portfolio]. Note that, *inter alia*, government bonds are not included in this formula.

Earnings per share, basic
[result after tax, attributable to the equity holders of the parent)] / [average number of ordinary shares, 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*); if a penalty premium is paid, it is deducted too.

Earnings per share, diluted
[result 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, 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*) ; if a penalty premium is paid, it is deducted too.

Net interest margin group
[net interest income of the banking activities (underlying)] / [average interest-bearing assets of the banking activities].

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

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

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

Return on equity
[result 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*) ; if a penalty premium is paid, it is deducted too.

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

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Report on 1Q2012
KBC Group

This news release contains information that is subject to transparency regulations for listed companies.
Date of release: 10 May 2012, 7 a.m. CEST.

Summary: Good result in the first quarter combined with significant de-risking of the company.

KBC ended the first three months of 2012 with a net profit of 380 million euros, compared with a net profit of 437 million euros in the previous quarter and 821 million euros in the corresponding quarter of 2011. The 'underlying' net result for the quarter under review (after excluding one-off and exceptional items) came to 455 million euros, well up on the net profit of 161 million euros in 4Q2011 and down on the 658 million euros in 1Q2011.

Johan Thijs, Group CEO:

'KBC has started 2012 by posting a solid level of profit in the first quarter. We recorded a good 455 million euros in underlying profit and took another sizeable step forward in the implementation of our divestment plan, mainly in Poland. This has enabled us to continue to de-risk our company.

All this resulted in our tier-1 capital ratio increasing by 0.8% to 13.1% in the first quarter of 2012. This tier-1 ratio amounts to 15.5% on a pro forma basis, when all agreements that have been signed but not yet closed are included.

This has been achieved against a background of particularly challenging market conditions. Despite this, the execution of our strategic plan has gained further momentum.

Our underlying result has been driven by the good results generated by our strategic banking and insurance business model on our home markets in Belgium and Central and Eastern Europe. Net interest income remained solid and insurance results remained good. The dealing rooms, in particular, had an excellent quarter. The quarter was also characterised by low levels of impairment. However, the result was also affected by additional loan loss provisioning in Ireland, as well as by the additional and final losses recorded on our Greek government bond position.

The two most noteworthy exceptional items were the strong positive value adjustments in our CDO portfolio and the negative marked-to-market valuation of our own issued debt.

On 2 January 2012, KBC repaid a first tranche of 500 million euros in respect of the YES (Yield Enhanced Securities) to the Belgian Federal Government, plus a 15% penalty. We are continuing our efforts to ensure that the 4.7 billion euros in state aid (before any penalty) is reimbursed by the end of 2013, as set out in the European plan.

We remain committed to executing our strategic plan with the same diligence and determination to ensure timely repayment of the state aid and are committed to playing an active role in the European financial sector, which will benefit our customers, employees, shareholders and other stakeholders.'

As has been the case in previous quarters, KBC has acted to reduce volatility in its results. We reduced our CDO and ABS exposure by 2.2 billion euros in the first quarter of 2012. This was achieved by early terminations and sales.

The main exceptional factors having an impact on the reported IFRS result for 1Q2012 were:

- **Impact of the credit spread on CDO exposure**
  During the first quarter, corporate and ABS credit spreads tightened further, as had been the case during the fourth quarter of 2011. After the cost of reducing the CDO exposure was also taken into account, this led to a valuation mark-up of some 0.2 billion euros on the CDO exposure.
- **Impact of the marked-to-market valuation of issued debt**
  The substantial improvement of the credit spread on KBC debt between year-end 2011 and the end of the first quarter resulted in a negative marked-to-market adjustment of 0.3 billion euros.

The main one-off items having an impact on the underlying result for 1Q2012 were:

- **Greece: one-off impact**
  As a result of the exchange offer of Greek bonds (PSI debt restructuring), KBC recorded an additional and final negative result of 21 million euros after tax (28 million, pre-tax) on its Greek government bond portfolio in this market.
  KBC also recorded a charge of 37 million euros after tax (56 million, pre-tax) above the provision already booked in 2011 on the repurchase on a voluntary basis the bonds (KBC IFIMA 5/5/5 and KBC Group 5/5/5) sold to retail customers, provided a credit event occurred. These structured bonds were launched in the spring of 2008, have a term to maturity of five years and a gross coupon of 5%. All holders of these bonds had been informed in March 2011 of this intention. The ISDA Determination Committee decided that a relevant CDS Credit Event occurred on 9 March 2012. As a consequence, KBC has repurchased the bonds of all bond holders on the basis of the invested capital less any coupons paid by the issuer. The difference between the auction price of 19 March 2012 and the invested capital less any coupons paid by the issuer has been provisioned for during this and previous quarters.

The main special item having an impact on the underlying result for 1Q2012 was:

- **Ireland**

  The Irish economy weakened in late 2011 and is expected to remain challenging in 2012. Consumer sentiment, business sentiment and spending were all hit by the poorer global backdrop and ongoing severe austerity measures taken in Ireland itself. As a consequence, a loan loss provision of 195 million euros was recorded in 1Q2012.

Despite the particularly challenging market conditions, implementation of the strategic plan gained further momentum, as illustrated by the agreement that was signed for the sale of Warta. The deal is expected to release almost 0.7 billion euros in capital, resulting in an increase in KBC's tier-1 ratio of slightly less than 0.7%. When closed, the deal will have a positive impact of approximately 0.3 billion euros on KBC's income statement.

The investment agreement between KBC Bank and Banco Santander to merge the Polish banking subsidiaries, Bank Zachodni WBK and Kredyt Bank, clearly reflects KBC's progress in executing the divestment programme. Upon the deconsolidation of Kredyt Bank as a result of the proposed merger, and after the committed reduction of KBC's participation to below 10% shortly after the registration of the merger, approximately 0.7 billion euros of capital will be released (based on market valuations at the time the deal was announced), which corresponds with a *pro forma* tier-1 impact at KBC-group consolidated level of approximately +0.8%. Assuming a full exit, the *pro forma* tier-1 impact at KBC-group consolidated level is estimated at approximately +0.9%. Moreover, based on these market valuations, the deal will positively affect KBC's income statement by approximately 0.1 billion euros, which will be recognised when the deal is completed.

In addition, KBC closed the previously announced deal with affiliates of J.C. Flowers & Co. for the sale of Fidea, after receiving the necessary regulatory approvals.

With a *pro forma* total tier-1 ratio of 15.5% and a core tier-1 ratio of 13.6% (including the impact of the divestment of Warta, Kredyt Bank and KBL EPB), solvency remains solid.

Johan Thijs concludes: 'The first quarter was a continuation of the solid performance turned in by our underlying business in previous quarters. Our focus firmly remains on catering for our customer base in our core markets in Belgium and Central and Eastern Europe.'

Overview (consolidated)	1Q2011	4Q2011	1Q2012
Net result, IFRS (in millions of EUR)	821	437	380
Earnings per share, basic, IFRS (in EUR)[1]	1.98	0.63	0.71
Underlying net result (in millions of EUR)	658	161	455
Underlying earnings per share, basic (in EUR)[1]	1.50	-0.19	0.93
Breakdown of underlying net result per business unit (in millions of EUR)			
Belgium	280	251	266
Central & Eastern Europe	123	98	118
Merchant Banking	177	-153	42
Group Centre	77	-35	30
Parent shareholders' equity per share (in EUR, end of period)	32.4	28.7	32.2

1 Note: 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) ; if a penalty premium is paid, it is deducted too.

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

Financial highlights for 1Q2012 compared to 4Q2011:

- Good result characterised by sound underlying business.
- Net interest income (net of divestments) sustained by higher loan and deposit volumes in Belgium.
- Margins only slightly impacted by reduced FX loan book in Hungary.
- Net fee and commission income stable on account of higher fees for mutual funds and successful sales of unit-linked life products.
- Combined ratio stands at an excellent 89% year-to-date.
- Increased premium income driven by higher sales of unit-linked life products.
- Very good dealing room performance.
- Underlying cost/income ratio at 58% year-to-date (56% excluding the impact of the provision for 5/5/5 investment products).
- Credit cost ratio at a low 0.66% year-to-date, almost exclusively accounted for by Ireland. When Ireland is excluded, this ratio stands at 0.18%.
- Strong liquidity with a loan-to-deposit ratio of 90%, a good improvement from 94% at the end of 2011.
- Solvency: continued strong capital base: *pro forma* tier-1 ratio – including the effect of divestments for which an agreement has been signed to date – at approximately 15.5% (with a core tier-1 ratio of 13.6%).

Financial highlights 1Q2012 (underlying)

Johan Thijs, Group CEO, summarises the ***underlying*** business performance for 1Q2012 as follows:

Gross income benefits from sustained net interest income and stable fee and commission income, good technical insurance results, and very good dealing room results.

- Underlying net interest income stood at 1 211 million euros, down 12% year-on-year and 7% quarter-on-quarter. This performance was accounted for primarily by the deconsolidation of KBL EPB and Fidea, as well as Centea for the year-on-year comparison. Leaving these items out, net interest income was down only 1% quarter-on-quarter and 4% year-on-year. The net interest margin came to 1.93% for the quarter under review, 2 basis points lower than in the previous quarter but equal to the level of a year earlier. In the Belgium Business Unit, both deposit and credit volumes were up quarter-on-quarter and year-on-year (credit: +6% year-on-year and +1% quarter-on-quarter; deposits +4% year-on-year and marginally up quarter-on-quarter). The loan book in the CEE Business Unit increased by 2% year-on-year (thanks to the Czech Republic and Slovakia), but stayed flat quarter-on-quarter (due in part to the decline caused by Hungary), while deposits increased by 3% year-on-year and contracted by 2% quarter-on-quarter. The loan portfolio in the Merchant Banking Business Unit was flat year-on-year and slightly up quarter-on-quarter, while the deposit base shrunk by 34% year-on-year (primarily in the last quarter of 2011, caused mainly by reduced short-term deposits in our New York branch and at KBC Bank Ireland), but was up 18% quarter-on-quarter.
- A good performance was turned in on the technical insurance front during the quarter under review: net of technical charges and the ceded reinsurance result, technical insurance income came to 118 million euros, up 9% year-on-year but down 22% quarter-on-quarter. This was accounted for by the deconsolidation of Fidea. Disregarding this item, the technical insurance result was up 15% year-on-year, but down 20% quarter-on-quarter, due to technical items. The year-to-date combined ratio came to an excellent 89%. On a comparable basis, there was a 19% quarter-on-quarter increase in the sale of life insurance products (thanks to higher sales of unit-linked products). Year-on year, these sales rose by as much as 26%.
- The net result from financial instruments at fair value amounted to 326 million euros in this quarter, well up on its level both in the previous quarter and a year earlier, due to the very good performance turned in by the dealing rooms in the quarter under review and a positive CVA adjustment in this quarter.
- Net realised gains from available-for-sale assets stood at 31 million for the quarter under review, down on the 48–million-euro average for the last four quarters. This item was characterised by increased gains on shares, mitigated by the losses on bonds (mainly Greek ones).
- Net fee and commission income amounted to 306 million euros, down 18% quarter-on-quarter and 23% year-on-year. This was accounted for primarily by the deconsolidation of KBL EPB and Fidea, as well as Centea for the year-on-year comparison. Leaving these items out, income was flat quarter-on-quarter and down only 4% year-on-year. Assets under management stood at 153 billion euros (excluding KBL EPB), down 3% on the year-earlier figure but up 3% compared to the last quarter of 2011.
- Other net income came to a negative 8 million euros. We recorded a provision of 37 million euros after tax (56 million euros, pre-tax) on the voluntary repurchase of bonds (KBC IFIMA 5/5/5 and KBC Group 5/5/5) sold to retail customers, provided a credit event occurred. This item was also affected by a loss of 34 million euros after tax (51 million euros, pre-tax) realised on the sale of ABS.

Operating expenses lower on account of divestments.

- Operating expenses came to 1 110 million euros in the first quarter of 2012, down 2% on their level in the previous quarter and 10% on their year-earlier level. This was accounted for primarily by the deconsolidation of KBL EPB and Fidea, as well as Centea for the year-on-year comparison. The quarter-on-quarter performance was also impacted by the Hungarian banking tax. Excluding the banking tax effect, FX impact and other one-off items, underlying costs decreased by 3% quarter-on-quarter and increased by 3% year-on-year. The year-to-date cost/income ratio came to 58% (56% excluding the impact of the 5/5/5 investment product), a clear indication of a well-controlled cost environment.

Low credit cost overall, with the exception of significant loan loss provisions for Ireland.

- Loan loss impairment stood at 261 million euros in the first quarter, up on the 97 million euros recorded a year earlier, but down on the 599 million euros recorded in the previous quarter. The figure came about largely because of the loan loss impairment of 195 million euros in Ireland, whereas the credit cost was low in the other regions. As a consequence, the annualised credit cost ratio stood at 0.66% year-to-date; this breaks down into virtually zero for the Belgian retail book (compared to 0.10% for FY2011), 0.60% in Central and Eastern Europe (down from 1.59% for FY2011, which had been affected by Hungary and Bulgaria) and 1.57% for Merchant Banking (up from 1.36% for FY2011). Excluding Ireland, the credit cost ratio for Merchant Banking stands at a very low 0.09% (down from 0.59% for FY2011).

- Other impairment charges came to 10 million euros in the quarter under review.

Strong solvency capital position under Basel II.

- The group's tier-1 ratio (under Basel II) came to a strong 13.1% at 31 March 2012 (core tier-1 ratio of 11.4%). Including the effect of divestments for which an agreement has been signed to date (Warta, Kredyt Bank and KBL EPB), the *pro forma* tier-1 ratio even stands at approximately 15.5% (core tier-1 ratio of 13.6%).

Highlights of underlying performance per business unit.

- The Belgium Business Unit contributed 266 million euros to profit in 1Q2012, which was 15 million euros more than in 4Q2011. The quarter was characterised by stable net interest income, good insurance results, increasing fee income, a very low level of loan impairment and a high level of realised gains on shares. It was also characterised by additional charges above the provision already booked in 2011 for the reimbursement of retail customers who had bought 5/5/5 investment products, and to losses realised on Greek government bonds in the investment portfolio, following the Greek debt exchange.
- The CEE Business Unit (Czech Republic, Slovakia, Hungary and Bulgaria) posted a profit of 118 million euros in 1Q2012, compared to 98 million euros in the previous quarter. The results were driven by a good trading result, a relatively low level of loan impairment, the full-year charge for the Hungarian banking tax and the losses realised following the Greek debt exchange.
- The Merchant Banking Business Unit recorded a profit of 42 million euros in 1Q2012, compared to a 153-million-euro loss in 4Q2011. This was due to the very good level of income generated by the dealing rooms. However, this performance was offset by the high level of impairment in Ireland, an additional charge above the provision already booked in 2011 for the reimbursement of retail customers who had bought 5/5/5 investment products, as well as losses on the accelerated sale of ex-Atomium bonds. Excluding KBC Bank Ireland, the 1Q2012 result for Commercial Banking would be 123 million euros, a good performance given the year-on-year reduction in capital consumption.
- It should be noted that all planned divestments in the KBC group are not included in the respective business units, but have been grouped together in the Group Centre in order to clearly indicate the financial performance of the long-term activities and the planned divestments separately. In 1Q2012, the Group Centre's net result came to 30 million euros, compared to -35 million euros in the previous quarter, despite the deconsolidation of KBL EPB and Fidea in this quarter and thanks to lower impairment charges at Kredyt Bank, Absolut Bank, Nova Ljubljanska banka and Antwerp Diamond Bank, as well as strong results at Warta.

Negative value adjustments dominate exceptional items.

- The quarter was also characterised by a number of exceptional items that were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 1Q2012 amounted to a negative 0.1 billion euros. Apart from some smaller items, the main non-operating items in 1Q2012 were:
    - a valuation mark-up of 0.2 billion euros on the CDO exposure (resulting mainly from a tightening of corporate and ABS credit spreads).
    - a negative 0.3 billion euros marked-to-market adjustment in relation to KBC's own credit risk.

First quarter of 2012: results per heading (IFRS)

Explanations per heading of the ***IFRS*** income statement for the first quarter of 2012 (see summary table on the next page):

- The IFRS net result for 1Q2012 amounted to 380 million euros, compared to 437 million euros a quarter ago and 821 million euros a year ago.
- Net interest income amounted to 1 261 million euros compared to 1 337 million euros in the fourth quarter of 2011 and 1 395 million euros a year earlier. The decline was caused primarily by the deconsolidation of KBL EPB, Fidea and Centea. Year-on-year, credit volumes grew by 3%, and mortgages by as much as 4%. Customer deposits expanded by 4% in Belgium and by 3% in Central Europe, while the deposit base at Merchant Banking contracted by 34% (primarily in 4Q2011). The net interest margin was stable at 1.93% in terms of its year-on-year comparison.
- Net of technical charges and the ceded reinsurance result, technical insurance income came to 118 million euros, up 5% year-on-year but down 24% quarter-on-quarter. This was accounted for by the deconsolidation of Fidea. The year-to-date combined ratio came to an excellent 89% (82% in Belgium, 95% in CEE), an improvement on the 92% for FY2011. On a comparable basis, there was a 19% quarter-on-quarter increase in the sale of life insurance products (thanks to higher sales of unit-linked products). Year-on year, these sales rose by as much as 26%.
- Net fee and commission income amounted to 304 million euros in 1Q2012, up 6% on its 4Q2011 level and 1% on its 1Q2011 level. Besides the successful sale of unit-linked products, assets under management stood at 153 billion euros (exclusive of KBL EPB), down 3% on the year earlier figure but up 3% compared to the last quarter of 2011.
- The net result from financial instruments at fair value (trading and fair value income) came to 60 million euros in the first quarter of 2012, compared to 436 million euros in the previous quarter and 472 million euros a year earlier. On an underlying basis (i.e. excluding exceptional items such as value adjustments to structured credit, fair valuing of our own debt, results related to the activities of KBC Financial Products that are being wound down, and after shifting all trading-related income items to this income statement line), trading and fair value income amounted to 326 million euros in this quarter, significantly up on its level both in the previous quarter and a year earlier, due to the very good performance turned in by the dealing room in the quarter under review.
- The remaining income components were as follows: dividend income from equity investments amounted to 6 million euros, the net realised result from available-for-sale assets (bonds and shares) stood at 32 million euros and other net income totalled 73 million euros.
- Operating expenses amounted to 1 132 million euros in 1Q2012, 8% higher than the previous quarter but 1% lower than the year-earlier figure. This was caused by the divestments in 2011, but mitigated somewhat by such factors as inflation, wage indexation and the banking tax. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 58% at the end of March 2012, down on the 60% recorded for FY2011.
- Total impairment stood at 273 million euros for the first quarter of 2012. Impairment on loans and receivables amounted to 261 million euros, down on the 599 million euros recorded in 4Q2011, despite the high level recorded in this quarter for Ireland. As a result, the annualised credit cost ratio for 2012 came to 0.66%, an improvement on the figure of 0.82% for FY2011. Other impairment charges totalled 12 million euros.
- Income tax amounted to 93 million euros for the quarter.
- At the end of the first quarter of 2012, total equity came to 18.0 billion euros, a 1.2-billion-euro increase compared to the start of the year, due mainly to the inclusion of the net profit for 1Q2012 and the change in the available-for-sale revaluation reserve (1.1 billion euros, combined). The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 13.1% at 31 March 2012.

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 according to IFRS, KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Net interest income	1 395	1 406	1 341	1 337	1 261			
Interest income	3 047	3 195	2 910	2 732	2 695			
Interest expense	-1 651	-1 789	- 1569	-1 395	-1 434			
Earned premiums, insurance (before reinsurance)	1 141	974	972	1 033	884			
Technical charges, insurance (before reinsurance)	-1 012	-840	-812	-877	-752			
Ceded reinsurance result	-17	-8	-18	-1	-14			
Dividend income	12	41	17	15	6			
Net result from financial instruments at fair value through profit or loss	472	-194	-892	436	60			
Net realised result from available-for-sale assets	34	42	10	83	32			
Net fee and commission income	300	297	281	287	304			
Fee and commission income	518	530	480	514	492			
Fee and commission expense	-218	-233	-200	-227	-188			
Other net income	92	110	-149	3	73			
Total income	2 416	1 829	749	2 317	1 853			
Operating expenses	-1 143	-1 081	-1 077	-1 043	-1 132			
Impairment	-105	-332	-940	-746	-273			
on loans and receivables	-97	-164	-473	-599	-261			
on available-for-sale assets	-6	-118	-223	-71	-5			
on goodwill	0	-17	-62	-41	0			
on other	-2	-33	-183	-35	-7			
Share in results of associated companies	1	0	-23	-35	-9			
Result before tax	1 170	416	-1 292	492	439			
Income tax expense	-334	-76	165	-75	-93			
Net post-tax result from discontinued operations	0	0	-445	26	40			
Result after tax	835	340	-1 571	443	387			
attributable to minority interests	14	6	8	6	7			
attributable to equity holders of the parent	**821**	**333**	**-1 579**	**437**	**380**			
Belgium	385	158	-348	226	489			
Central & Eastern Europe	141	145	-91	94	119			
Merchant Banking	203	69	-255	-225	17			
Group Centre	92	-39	-885	342	-246			
Earnings per share, basic (EUR)	1.98	0.54	-5.08	0.63	0.71			
Earnings per share, diluted (EUR)	1.98	0.54	-5.08	0.63	0.71			

Highlights, consolidated balance sheet and ratios, KBC Group (in millions of EUR or %)	31-03-2011	30-06-2011	30-09-2011	31-12-2011	31-03-2012	30-06-2012	30-09-2012	31-12-2012
Total assets	322 493	312 899	305 109	285 382	290 635			
Loans and advances to customers*	147 625	143 182	143 451	138 284	135 980			
Securities (equity and debt instruments)*	88 839	85 144	74 062	65 036	65 853			
Deposits from customers and debt certificates*	192 412	188 116	184 453	165 226	166 551			
Technical provisions, before reinsurance*	23 870	24 084	21 064	19 914	19 925			
Liabilities under investment contracts, insurance*	6 568	6 638	6 787	7 014	7 871			
Parent shareholders' equity	11 011	11 500	9 834	9 756	10 949			
Non-voting core-capital securities	7 000	7 000	7 000	6 500	6 500			
KBC Group ratios (based on underlying results, year-to-date)								
Return on equity				5%	12.5%			
Cost/income ratio, banking				60%	58%			
Combined ratio, non-life insurance				92%	89%			
KBC Group solvency								
Tier-1 ratio				12.3%	13.1%			
Core tier-1 ratio				10.6%	11.4%			

* Note: in accordance with IFRS 5, the assets and liabilities of a number of divestments were moved to 'Non-current assets held for sale and assets associated with disposal groups' and 'Liabilities associated with disposal groups', which slightly distorts the comparison between periods.

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 ‘Notes on segment reporting’. A reconciliation table for the net result is provided below.

Consolidated income statement, KBC Group, underlying (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Net interest income	1 374	1 390	1 342	1 298	1 211			
Earned premiums, insurance (before reinsurance)	1 141	975	972	1 033	884			
Technical charges, insurance (before reinsurance)	-1 016	-843	-817	-880	-752			
Ceded reinsurance result	-17	-8	-18	-1	-14			
Dividend income	8	37	14	15	5			
Net result from financial instruments at fair value through profit or loss	259	102	10	138	326			
Net realised result from available-for-sale assets	53	42	11	85	31			
Net fee and commission income	399	394	367	374	306			
Other net income	73	72	-210	12	-8			
Total income	2 274	2 161	1 673	2 075	1 989			
Operating expenses	-1 227	-1 155	-1 172	-1 133	-1 110			
Impairment	- 105	-333	-740	-730	-271			
on loans and receivables	-97	-164	-475	-599	-261			
on available-for-sale assets	-6	-135	-228	-85	-5			
on goodwill	0	0	0	0	0			
on other	-2	-35	-38	-46	-5			
Share in results of associated companies	1	0	-23	-35	-9			
Result before tax	943	673	-262	177	599			
Income tax expense	- 271	-138	22	-9	-136			
Result after tax	671	534	-240	167	463			
attributable to minority interests	14	6	8	7	7			
attributable to equity holders of the parent	**658**	**528**	**-248**	**161**	**455**			
Belgium	280	238	32	251	266			
Central & Eastern Europe	123	146	-40	98	118			
Merchant Banking	177	63	-196	-153	42			
Group Centre	77	81	-44	-35	30			
Earnings per share, basic (EUR)	1.50	1.11	-1.17	-0.19	0.93			
Earnings per share, diluted (EUR)	1.50	1.11	-1.17	-0.19	0.93			

Reconciliation between underlying result and result according to IFRS KBC Group (in millions of EUR)	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Result after tax, attributable to equity holders of the parent, UNDERLYING	658	528	-248	161	455			
+ MTM of derivatives for ALM hedging	96	-77	-245	-46	45			
+ gains/losses on CDOs	124	-86	-618	164	189			
+ MTM of CDO guarantee and commitment fee	-10	-22	-10	-10	-40			
+ impairment on goodwill (and associated companies)	0	-17	-57	-41	0			
+ result on legacy structured derivative business (KBC FP)	14	43	5	-12	-11			
+ MTM of own debt issued	-16	-25	185	215	-340			
+ Results on divestments	-45	-12	-591	8	81			
Result after tax, attributable to equity holders of the parent: IFRS	821	333	-1 579	437	380			

Other information

Strategy highlights and main events

- KBC's core strategy remains centred around bancassurance in Belgium and a selection of countries in CEE (Czech Republic, Slovakia, Hungary and Bulgaria). In line with its strategic plan, the group has made considerable progress in the sale or run-down of a number of (non-core) activities (see below).

- In 1Q2012, we successfully continued to implement our strategic refocusing plan:
  - On 30 March 2012, KBC closed the previously announced deal with affiliates of J.C. Flowers & Co. for the sale of Fidea, after receiving the necessary regulatory approvals.
  - On 8 March 2012, Value Partners Ltd., a Hong Kong-based and listed asset management firm, reached an agreement with KBC Asset Management NV to acquire its 49% stake in KBC Goldstate. The deal was approved by Chinese Regulator CSRC and was closed on March 26. Given the size and nature of the activities involved, the deal has no material impact on the KBC group's earnings and capital.
  - On 28 February 2012, KBC Bank NV and Banco Santander S.A. announced that they had entered into an investment agreement to combine their Polish banking subsidiaries, Bank Zachodni WBK S.A. and Kredyt Bank S.A. Upon the deconsolidation of Kredyt Bank as a result of the proposed merger, and after the committed reduction of KBC's participation to below 10% shortly after the registration of the merger, approximately 0.7 billion euros of capital will be released (based on market valuations at the time the deal was announced). Moreover, based on these valuations, the deal will positively affect KBC's income statement by approximately 0.1 billion euros, which will be recognised when the deal is completed.
  - On 23 January 2012, KBC Private Equity and the other shareholders of Dynaco Group NV reached an agreement with Assa Abloy AB regarding the acquisition of Dynaco. The deal has been closed and generated a capital gain of 21 million euros.
  - On 20 January 2012, KBC reached an agreement with Talanx International AG for the sale of all the shares in KBC's Polish insurance subsidiary, TUiR Warta S.A. for a total consideration of 770 million euros, to be adjusted for changes in net asset value between 30 June 2011 and the date of closure. Closure of the deal is subject to the customary regulatory approvals and is expected to be completed in the second half of 2012. The deal is expected to release almost 0.7 billion euros in capital for KBC, resulting in an increase in the tier-1 ratio of slightly less than 0.7%. When closed, the deal will have a positive impact of approximately 0.3 billion euros on KBC's income statement.
  - On 17 January 2012, KBC Asset Management reached an agreement with both Kredyt Trade Sp z.o.o. (a fully owned subsidiary of Kredyt Bank) and WARTA to buy those companies' stakes in Polish asset management company, KBC TFI. As a result of the two transactions, KBC Asset Management NV becomes the sole shareholder of KBC TFI.
  - A number of companies are still scheduled for divestment. The divestment process for KBC Bank Deutschland is in progress, while the preparations for Absolut Bank and Antwerp Diamond Bank are under way.

  - On 2 January 2012, KBC repaid 500 million euros in state aid (plus a 15% penalty) to the Belgian Federal Government.
  - KBC's main objective in this respect is and remains to implement the plan within the agreed timeframe and to repay the Belgian authorities in a timely manner. KBC also intends to maintain a regulatory tier-1 capital ratio of 11%, according to Basel II banking capital adequacy rules.

- Other main events in 1Q2012:
  - As a result of the exchange offer of Greek bonds (PSI debt restructuring), KBC recorded an additional and final negative result of 21 million euros after tax (28 million, pre-tax) on its Greek government bond portfolio in this quarter. KBC also recorded a charge of 37 million euros after tax (56 million, pre-tax) above the provision already booked in 2011 on the repurchase on a voluntary basis of the bonds (KBC IFIMA 5/5/5 and KBC Group 5/5/5) sold to retail customers, provided a credit event occurred. These structured bonds were launched in the spring of 2008, have a term to maturity of five years, a gross coupon of 5% and are linked until their maturity to the creditworthiness of five countries (Belgium, France, Spain, Italy and Greece). All holders of these bonds had been informed in March 2011 of this intention. The ISDA Determination Committee decided that a relevant CDS Credit Event occurred on 9 March 2012. As a consequence, KBC has repurchased the bonds of all bond holders on the basis of the invested capital less any coupons paid by the issuer. The difference between the auction price of 19 March 2012 and the invested capital less any coupons paid by the issuer has been provisioned for during this and previous quarters.
  - In Ireland, the domestic economy weakened in late 2011 and is expected to remain challenging in 2012. Consumer sentiment, business sentiment and spending were all hit by the poorer global backdrop and ongoing severe austerity measures taken in Ireland itself. As a consequence, a loan loss provision of 195 million euros was recorded in 1Q2012.
  - The tightening of corporate ABS credit spreads between end-December and end-March resulted in a valuation mark-up of 0.2 billion euros (after tax) on the CDO and ABS exposure, net of costs for the collapse of two CDOs with a nominal value of 1.7 billion euros.

- The tightening of KBC's credit spread in the first quarter of 2012 resulted in a negative 0.3 billion euros (after tax) marked-to-market adjustment in relation to KBC's own credit risk.
- We reduced our CDO and ABS exposure by 2.2 billion euros in the first quarter of 2012. This was achieved by early terminations and sales at limited cost.

Statement of risk

- Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but 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 litigation, 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 could generate additional charges beyond anticipated levels.

- Risk management data are provided in KBC's annual reports, the extended quarterly reports and the dedicated risk reports, all of which are available at www.kbc.com.

- For 2012, the main risk for economic growth remains the potential for contagion of a re-emerging EMU-debt crisis to the real economy. In particular, a credible and sustainable solution for the EMU sovereign debt problem is necessary to restore general confidence and to stabilise the financial sector.

The financial calendar, including analyst and investor meetings, is available at www.kbc.com/ir/calendar.

Analysis of underlying earnings components

KBC Group, 1Q2012

Unless otherwise specified, all amounts are given in euros

Analysis of total income (underlying figures)

Total income, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	1 374	1 390	1 342	1 298	1 211	-	-	-
Earned premiums, insurance (before reinsurance)	1 141	975	972	1 033	884	-	-	-
Non-life	451	468	477	466	438	-	-	-
Life	691	507	496	567	446	-	-	-
Technical charges, insurance (before reinsurance)	-1 016	-843	-817	-880	-752	-	-	-
Non-life	-234	-245	-259	-258	-234	-	-	-
Life	-782	-599	-557	-622	-518	-	-	-
Ceded reinsurance result	-17	-8	-18	-1	-14	-	-	-
Dividend income	8	37	14	15	5	-	-	-
Net result from financial instruments at fair value through profit or loss	259	102	10	138	326	-	-	-
Net realised result from available-for-sale assets	53	42	11	85	31	-	-	-
Net fee and commission income	399	394	367	374	306	-	-	-
Banking	497	488	468	475	396	-	-	-
Insurance	-98	-93	-101	-102	-89	-	-	-
Other net income	73	72	-210	12	-8	-	-	-
Total income	2 274	2 161	1 673	2 075	1 989	-	-	-
Belgium	845	864	692	860	829	-	-	-
Central & Eastern Europe	556	537	538	544	531	-	-	-
Merchant Banking	469	340	105	323	425	-	-	-
Group Centre	404	420	338	348	204	-	-	-

Net interest income in the quarter under review amounted to 1 211 million.
Excluding entities that were deconsolidated (Centea as of 3Q2011, Fidea and KBL EPB as of 1Q2012), net interest income was almost flat (-1%) on its quarter-earlier level and down 4% on its year-earlier level. The overall net interest margin (excluding KBL EPB) stood at 193 basis points in 1Q2012, stable on its year-earlier level and 2 basis points down on its 4Q2011 level, due in part to the decrease in FX mortgage loans with relatively high margins in Hungary (see further) and reduced PIIGS-government bond exposure.
On a comparable basis (disregarding the deconsolidated entities and those entities falling under IFRS 5), the group's total loan portfolio increased by 3% year-on-year, whereas total deposit volumes fell by 11% year-on-year. Compared to the previous quarter, the loan volume went up by 1% and the deposit volume by 4% (a partial recovery of the significant outflow of deposits in 4Q2011). In the Belgium Business Unit, the credit portfolio continued to increase, going up by 6% year-on-year and by 1% quarter-on-quarter. In the CEE Business Unit, credit volumes went up by 2% year-on-year and were roughly flat quarter-on-quarter, which in both cases was essentially the result of the credit portfolio expanding in the Czech Republic and Slovakia, and the relatively large decline in the Hungarian credit portfolio (related to the decrease in mortgage loans triggered by the impact of the FX mortgage relief programme). In the Merchant Banking Business Unit, credit volumes were roughly flat both year-on-year and quarter-on-quarter. As regards deposit volumes, the following trend can be witnessed: they were up 4% year-on-year and 0.2% quarter-on-quarter in the Belgium Business Unit ; they were up 3% year-on-year, but down 2% quarter-on-quarter in the CEE Business Unit; and they increased by 18% in the quarter under review, but – taking account of the significant drop in the last quarter of 2011 – were still 34% down year-on-year in the Merchant Banking Business Unit.

Earned insurance premiums amounted to 884 million in 1Q2012, which breaks down into 446 million for life insurance and 438 million for non-life insurance.
Excluding Fidea (deconsolidated as of 1Q2012) *non-life* premium income was up 7% year-on-year and 3% quarter-on-quarter. The non-life combined ratio in 1Q2012 stood at an excellent level of 89% and breaks down into 82% for Belgium and 95% for CEE.
Earned premiums for *life* insurance under IFRS exclude certain types of life insurance contracts (simplified, the unit-linked contracts). When these contracts are included, total life insurance sales amounted to some 1.2 billion in the quarter under review. This figure was up 19% on its 4Q2011 level and by 26% on its 1Q2011 level (excluding Fidea and VITIS Life in the calculation). The quarter under review was characterised by a switch from interest-guaranteed life insurance products (the 4Q2011 figures also included extra contributions to pension savings schemes) to unit-linked life products. Overall, sales of interest-guaranteed products for the group as a whole accounted for one-third of life insurance sales, while unit-linked insurance products increased their share to two-thirds (in FY2011, 53% and 47%, respectively).

Net fee and commission income stood at 306 million in 1Q2012.
Excluding the entities that were deconsolidated, net fee and commission income was at the same level as in the previous quarter (higher fees related to investment funds and unit-linked life insurance in 1Q2012, whereas fee income stemming from the issuance of Belgian state notes was included in 4Q2011), but was still down 4% year-on-year. Total assets under management of the group (excluding KBL EPB) stood at 153 billion at the end March of 2012, up 3% on its level at the start of the year, due entirely to a positive price effect.

The other income components were as follows. Dividend income amounted to 5 million. Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit and loss') amounted to a strong 326 million, thanks mainly to a very good performance in the dealing room, and, to a lesser extent, to positive credit value adjustments and to a gain on the sale of a private equity participation. The net realised result on available-for-sale assets stood at 31 million, down on the average of 48 million for the four preceding quarters, due to the fact that it includes a 39 million loss on the exchange of available-for-sale Greek bonds (plus another 3 million on held-to-maturity bonds, booked under 'Other net income'), which partially offset the relatively high gains on the sale of shares in the quarter under review (56 million at KBC Insurance). Other net income amounted to -8 million. It was negatively impacted by an additional 56 million used for settling the 5-5-5 investment product (over and above the 334 million recorded in 2011) and a 51 million loss related to the sale of Atomium assets and it was positively impacted by recoveries of 41 million in relation to the fraud case at KBC Lease UK in 2010.

As usual, the underlying figures *exclude* a number of non-operating or exceptional items, such as fair value changes in ALM hedging instruments (a positive amount in the quarter under review), the CDO-related impact (a significant positive amount in the quarter under review), fair value changes in own debt instruments (a significant negative amount related to the substantial narrowing of KBC's credit spread), results related to divestments (a positive amount), etc. A full overview of these items is provided in the table 'Reconciliation between underlying result and result according to IFRS' in the first part of this report, while the impact for each business unit is summarised separately in the following section of the report.

Analysis of costs and impairment (underlying figures)

Operating expenses, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Staff expenses	-694	-701	-719	-693	-628	-	-	-
General administrative expenses	-444	-366	-367	-354	-404	-	-	-
Depreciation and amortisation of fixed assets	-89	-87	-86	-85	-78	-	-	-
Operating expenses	-1 227	-1 155	-1 172	-1 133	-1 110	-	-	-
Belgium	-429	-446	-462	-453	-458	-	-	-
Central & Eastern Europe	-350	-302	-297	-243	-349	-	-	-
Merchant Banking	-152	-142	-143	-132	-147	-	-	-
Group Centre	-296	-265	-269	-305	-156	-	-	-

Operating expenses amounted to 1 110 million in the quarter under review.
At first sight, costs were down 2% quarter-on-quarter and by as much as 10% year-on-year. However, these figures are distorted by a) the effect of the deconsolidation of Centea, Fidea and KBL EPB, and b) the amounts booked for the Hungarian bank tax: negative impact of the full-year amount booked in 1Q2012 (57 million – a similar amount was also booked in 1Q2011) versus positive impact (55 million) related to a compensation measure for FX mortgage losses in 4Q2011. Excluding these items, costs fell 1% quarter-on-quarter (due in part to lower marketing expenses) and increased 3% year-on-year (mainly the impact of inflation).
As a result, the cost/income ratio (operating expenses versus total income) of the group's banking activities stood at 58% in 1Q2012, an improvement on its FY2011 level (60%). The 1Q2012 cost/income ratio breaks down per business unit as follows: 65% for Belgium, 65% for CEE (owing to the impact of the Hungarian banking tax) and 35% for Merchant Banking.

Impairment, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Impairment on loans and receivables	-97	-164	-475	-599	-261	-	-	-
Impairment on available-for-sale assets	-6	-135	-228	-85	-5	-	-	-
Impairment on goodwill	0	0	0	0	0	-	-	-
Impairment on other	-2	-35	-38	-46	-5	-	-	-
Impairment	-105	-333	-740	-730	-271	-	-	-
Belgium	-15	-74	-165	-58	-2	-	-	-
Central & Eastern Europe	-52	-96	-280	-191	-47	-	-	-
Merchant Banking	-57	-112	-215	-384	-205	-	-	-
Group Centre	19	-51	-81	-97	-17	-	-	-

In 1Q2012, total impairment charges stood at 271 million.
Impairment *on loans and receivables* (loan loss provisions) stood at 261 million, 195 million of which related to KBC Bank Ireland. This figure of 261 million constitutes a 339 million decrease on the 599 million recorded in the previous quarter. While that quarter also included high loan loss provisions for Ireland, the quarter-on-quarter decrease is primarily situated in the other group entities, more specifically in the CEE Business Unit (especially in Hungary) and in the Merchant Banking Business Unit (lower impairment on Belgian corporate entities, among other things). Compared to their very low level recorded in 1Q2011, loan loss provisions were up 163 million, but that is almost entirely due to the situation in Ireland (195 million in the quarter under review as opposed to only 45 million in 1Q2011).
Overall, this led to an annualised credit cost ratio of 66 basis points in the quarter under review (or 18 basis points excluding Ireland), an improvement on the 82 basis points recorded for FY2011. The credit cost ratio for 1Q2012 breaks down as

follows: virtually zero basis points for the Belgium Business Unit, 60 basis points for the CEE Business Unit, 157 basis points for the Merchant Banking Business Unit (only 9 basis points excluding Ireland) and 34 basis points for the Group Centre. At the end of March 2012, non-performing loans accounted for some 5.2% of the total loan book, up somewhat on the 4.9% registered three months earlier (virtually unchanged in the Belgium and CEE Business Units, but an increase in the Merchant Banking Business Unit).

Other impairment in the quarter under review totalled 10 million, much lower than the 131 million recorded in the previous quarter, which had been impacted by impairment on investment property and some 85 million in additional impairment on Greek government bonds. It should be noted that, in the quarter under review, the exchange deal regarding Greek bonds had an additional negative impact, but that was included under ‘Net realised result from available-for-sale assets’ (39 million) and ‘Other net income’ (3 million).

It should be noted that impairment on *goodwill* booked on group companies is always excluded from the underlying results, and hence it is always zero in the table above.

Analysis of other earnings components (underlying figures)

Other components of the result, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Share in result of associated companies	1	0	-23	-35	-9	-	-	-
Income tax expense	-271	-138	22	-9	-136	-	-	-
Minority interests in profit after tax	14	6	8	7	7	-	-	-

The share in the results of associated companies was -9 million in the quarter under review (this item traditionally includes the result of KBC’s minority participation in NLB in Slovenia). Underlying group tax amounted to -136 million in 1Q2012 and minority interests in the result amounted to 7 million.

Underlying results per business unit

KBC Group, 1Q2012

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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 the results of the companies that are earmarked for divestment have been 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.

Belgium Business Unit (underlying trend)

The Belgium Business Unit encompasses the retail and private 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, KBC Asset Management, part of KBC Lease, KBC Group Re, KBC Consumer Finance and VAB). It should be noted that the entities that are earmarked for divestment under the strategic plan (Centea and Fidea, both now sold) are not included here, but grouped together in the Group Centre (until their sale date).

Income statement, Belgium Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	567	581	581	591	585	-	-	-
Earned premiums, insurance (before reinsurance)	615	512	473	534	490	-	-	-
Technical charges, insurance (before reinsurance)	-593	-507	-436	-488	-468	-	-	-
Ceded reinsurance result	-8	-1	-11	-5	-8	-	-	-
Dividend income	6	26	9	11	5	-	-	-
Net result from financial instruments at fair value through profit or loss	10	12	10	13	15	-	-	-
Net realised result from available-for-sale assets	22	24	7	45	41	-	-	-
Net fee and commission income	186	178	169	166	177	-	-	-
Other net income	41	37	-110	-8	-6	-	-	-
Total income	845	864	692	860	829	-	-	-
Operating expenses	-429	-446	-462	-453	-458	-	-	-
Impairment	-15	-74	-165	-58	-2	-	-	-
on loans and receivables	-11	-16	-10	-23	2	-	-	-
on available-for-sale assets	-4	-53	-142	-31	-4	-	-	-
on goodwill	0	0	0	0	0	-	-	-
on other	0	-5	-13	-5	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	402	344	65	348	369	-	-	-
Income tax expense	-121	-105	-32	-97	-103	-	-	-
Result after tax	281	238	33	251	266	-	-	-
attributable to minority interests	1	0	1	0	1	-	-	-
attributable to equity holders of the parent	**280**	**238**	**32**	**251**	**266**	**-**	**-**	**-**
Banking	175	147	64	148	137	-	-	-
Insurance	106	91	-32	103	128	-	-	-
Risk-weighted assets, group (end of period, Basel II)	29 104	29 158	29 161	28 929	29 101	-	-	-
of which banking	18 086	18 013	17 988	18 038	18 179	-	-	-
Allocated equity (end of period, Basel II)	2 775	2 786	2 787	2 746	2 763	-	-	-
Return on allocated equity (ROAC, Basel II)	39%	32%	3%	34%	37%	-	-	-
Cost/income ratio, banking	57%	60%	77%	60%	65%	-	-	-
Combined ratio, non-life insurance	74%	89%	95%	106%	82%	-	-	-

These underlying figures exclude exceptional items. A table reconciling the underlying result and the result according to IFRS is provided below (amounts are *after* taxes and minority interests).

Reconciliation between underlying result and result according to IFRS Belgium Business Unit (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	280	238	32	251	266	-	-	-
+ MTM of derivatives for ALM hedging	57	-56	-213	-38	68	-	-	-
+ gains/losses on CDOs	49	-20	-165	18	161	-	-	-
+ MTM of CDO guarantee and commitment fee	-1	-4	-2	-2	-6	-	-	-
+ impairment on goodwill	0	0	0	-4	0	-	-	-
+ result on divestments	0	0	0	0	2	-	-	-
+ other	0	0	0	0	0	-	-	-
Result after tax, attributable to equity holders of the parent: IFRS	385	158	-348	226	489	-	-	-

In the quarter under review, the Belgium Business Unit generated an underlying profit of 266 million, significantly above the average of 201 million for the four preceding quarters. This was achieved in part thanks to a very low level of impairment and relatively large gains on the sale of shares at the insurance company in the quarter under review. It should be noted that the quarter under review was negatively impacted to the tune of some 34 million (after tax), due to the exchange deal on Greek government bonds (realised loss on old Greek bonds plus the additional impact on the 5-5-5 investment product).
Banking activities accounted for 52% of the underlying result of the Belgium Business Unit in the quarter under review, and insurance activities for 48%.

Net interest income more or less stable quarter-on-quarter; credit and deposit volumes continue upward trend
Net interest income stood at 585 million in the quarter under review, a 3% increase year-on-year and more or less stable quarter-on-quarter. At 143 basis points, the net interest margin of KBC Bank in Belgium widened by 3 basis points quarter-on-quarter (partly due to interest corrections on Greek bonds, and despite somewhat lower commercial margins) and remained more or less flat year-on-year. In line with the group's focus on its home markets, the Belgian retail loan book continued to increase, expanding by 1% quarter-on-quarter and by as much as 6% year-on-year, with mortgage loans remaining an important driver of this volume growth (up 9% year-on-year). Customers' deposits likewise increased, going up by 0.2% quarter-on-quarter and 4% year-on-year.

Non-life combined ratio remains excellent; strong sales of unit-linked products
Earned insurance premiums in the quarter under review amounted to 490 million and break down into 264 million for life insurance and 225 million for non-life insurance.
Non-life premium income continued its upward trend, increasing by 1% compared to the previous quarter and by as much as 6% on the year-earlier quarter (increases in most classes, but mainly in Fire insurance). The combined ratio stood at an excellent 82% in 1Q2012.
Life sales, including unit-linked products (which – in simplified terms – are not included in the premium figures under IFRS), amounted to 915 million in 1Q2012, significantly up on their level in 4Q2011 (+24%) and in 1Q2011 (+50%). Both the quarter-on-quarter and year-on-year increases were driven by very strong sales of unit-linked products (extra commercial efforts) in the quarter under review, which more than offset the decrease in sales of interest-guaranteed products. As a result, unit-linked products accounted for 71% of life insurance sales in 1Q2012 (as opposed to 52% in FY2011). At the end of March 2012, the life reserves of this business unit amounted to 23 billion.

Increasing fee and commission income
Total net fee and commission income amounted to 177 million in the quarter under review, up 7% on the previous quarter (which had additionally benefitted from the fee income stemming from the issuance of Belgian state notes), but still 5% down on the year-earlier quarter. The quarter-on-quarter increase was accounted for by higher sales of unit-linked insurance products (the margin on those products is included in net fee and commission income) and by increased fee income from mutual funds (both entry and management fees). Assets under management of this business unit stood at 142 billion at the end of March 2012, up 3% on their level at the start of the year, thanks essentially to a positive price effect.

Other income components: high gains realised on sale of shares and additional impact for 5-5-5 product
Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit and loss') came to 15 million in the quarter under review, slightly up on the average of 11 million for the four preceding quarters. Dividend income stood at 5 million. Notwithstanding the inclusion of the additional 19 million loss on the sale of old Greek bonds following the government bond exchange operation, the realised result on available-for-sale assets amounted to a relatively high 41 million, up on the average of 25 million for the four preceding quarters, thanks to significant gains on the sale of shares in the insurer's investment portfolio. Other net income came to -6 million in 1Q2012 and was negatively impacted by an additional 29 million for the 5-5-5 investment product, over and above the 167 million booked in FY2011.

Costs roughly flat quarter-on-quarter, but up year-on-year
The operating expenses of the Belgium Business Unit stood at 458 million in the quarter under review, comparable to the level recorded in the previous quarter (the quarter under review includes a higher contribution to the deposit guarantee scheme, the previous quarter included high marketing expenses). Costs were up 7% on their level in the year-earlier quarter, for a large part driven by the increased contribution to the deposit guarantee scheme referred to above; excluding this, the increase was 3%, due to higher staff expenses mainly as a consequence of inflation. The cost/income ratio in the quarter under review amounted to 65%, slightly more than the 63% recorded for FY2011.

Virtually no impairment charges in the quarter under review
Impairment on loans and receivables (loan loss provisions) was virtually zero in the quarter under review (even a small net reversal), enabling it to outperform the traditionally low level of loan losses in this business unit. As a consequence, the annualised credit cost ratio was roughly zero basis points, compared to an already excellent 10 basis points for FY2011. At the end of 1Q2012, some 1.5% of the Belgian retail loan book was non-performing, the same level as three months earlier.
The other impairment charges amounted to 4 million in the quarter under review and related solely to shares in portfolio. The previous quarter included some 36 million worth of other impairment, which related mainly to Greek government bonds. It should be noted that, in the quarter under review, the exchange deal regarding Greek bonds had an additional negative impact of 22 million, but this was included under 'Net realised result from available-for-sale assets' (19 million) and 'Other net income' (2 million).

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) and Bulgaria (CIBANK and DZI Insurance). Since they are earmarked for divestment, Absolut Bank in Russia, KBC Banka in Serbia, NLB and NLB Vita in Slovenia, and Kredyt Bank and Warta (both Poland) are not included here, but grouped together in the Group Centre.

Income statement, CEE Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	385	381	388	370	357	-	-	-
Earned premiums, insurance (before reinsurance)	241	163	182	159	173	-	-	-
Technical charges, insurance (before reinsurance)	-189	-115	-135	-108	-127	-	-	-
Ceded reinsurance result	-5	-4	-6	-6	-3	-	-	-
Dividend income	0	1	1	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	33	14	5	22	55	-	-	-
Net realised result from available-for-sale assets	6	3	6	17	-11	-	-	-
Net fee and commission income	76	86	84	83	77	-	-	-
Other net income	9	9	13	7	11	-	-	-
Total income	556	537	538	544	531	-	-	-
Operating expenses	-350	-302	-297	-243	-349	-	-	-
Impairment	-52	-96	-280	-191	-47	-	-	-
on loans and receivables	-51	-42	-234	-151	-46	-	-	-
on available-for-sale assets	0	-52	-45	-30	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
on other	-1	-2	0	-11	-1	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	154	139	-39	111	136	-	-	-
Income tax expense	-31	8	-1	-14	-19	-	-	-
Result after tax	123	147	-40	97	118	-	-	-
attributable to minority interests	0	0	0	-1	0	-	-	-
attributable to equity holders of the parent	**123**	**146**	**-40**	**98**	**118**	**-**	**-**	**-**
Banking	113	136	-43	85	112	-	-	-
Insurance	10	11	3	12	6	-	-	-
Risk-weighted assets, group (end of period, Basel II)	25 607	25 810	26 062	26 128	26 260	-	-	-
of which banking	24 140	24 300	24 541	24 563	24 742	-	-	-
Allocated equity (end of period, Basel II)	2 137	2 155	2 176	2 184	2 192	-	-	-
Return on allocated equity (ROAC, Basel II)	19%	22%	-11%	14%	17%	-	-	-
Cost/income ratio, banking	63%	55%	53%	43%	65%	-	-	-
Combined ratio, non-life insurance	88%	89%	101%	93%	95%	-	-	-

These underlying figures exclude exceptional items. A table reconciling the underlying result and the result according to IFRS is provided below (amounts are *after* taxes and minority interests).

Reconciliation between underlying result and result according to IFRS CEE Business Unit (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	123	146	-40	98	118	-	-	-
+ MTM of derivatives for ALM hedging	22	-1	2	21	2	-	-	-
+ gains/losses on CDOs	2	0	0	-3	0	-	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	-	-	-
+ impairment on goodwill	0	-1	-53	-21	0	-	-	-
+ result on divestments	-5	1	0	0	0	-	-	-
+ other	0	0	0	0	0	-	-	-
Result after tax, attributable to equity holders of the parent: IFRS	141	145	-91	94	119	-	-	-

In the quarter under review, the CEE Business Unit generated an underlying net result of 118 million, considerably more than the average figure of 82 million for the four preceding quarters. The good performance is due to, among other things, the low level of loan loss provisions, and was achieved despite the special Hungarian bank tax (57 million pre-tax) being booked for the full year and the loss realised on Greek bonds following the exchange deal (18 million pre-tax) in the quarter under review. The CEE Business Unit's net result for 1Q2012 breaks down as follows: 156 million for the Czech Republic, 23 million for Slovakia, -36 million for Hungary (owing to the special bank tax recorded for FY2012), 3 million for Bulgaria and -27 million included under 'Other results'.

Net interest income down somewhat due to repayment of FX mortgages in Hungary
Net interest income generated in this business unit amounted to 357 million in the quarter under review. Excluding the exchange rate impact, this represents a 4% decrease on both the previous quarter and the year-earlier quarter, due mainly to the decrease in the Hungarian loan book following the repayment of FX mortgages in 2011 (following the FX mortgage relief programme). At 316 basis points, the net interest margin narrowed by some 11 basis points both quarter-on-quarter and year-on-year (again, mainly on account of Hungary and, to a lesser extent, Slovakia). As regards volumes, the combined loan book of the business unit was up 2% year-on-year and virtually flat quarter-on-quarter (with the above-mentioned decrease in Hungary being compensated by increases in the loan books of the Czech Republic and Slovakia). As regards customer deposits, the total volume for the CEE-4 rose by over 3% year-on-year and contracted by 2% quarter-on-quarter (with the largest relative decrease being in Hungary).

Combined ratio in the non-life business remains good; life sales up quarter-on-quarter
Earned insurance premiums in the quarter under review amounted to 173 million, which breaks down into 91 million for life insurance and 81 million for non-life insurance.
Excluding the exchange rate impact, non-life premium income was down 4% quarter-on-quarter and up 6% year-on-year. The combined ratio for the quarter under review stood at a good 95%. The combined ratio remained below 100% in all countries, with the exception of Bulgaria.
Life sales, including insurance products not booked under earned premiums under IFRS, amounted to 98 million in the quarter under review, up 16% quarter-on-quarter but down 43% year-on-year. Most of the difference in the quarter-on-quarter and year-on-year figures is accounted for by the increase or decrease in the sale of unit-linked products in the Czech Republic. Overall, unit-linked life products accounted for some two-thirds of life insurance sales in the CEE Business Unit in 1Q2012, with interest-guaranteed products accounting for the other third. At the end of March 2012, the outstanding life reserves in this business unit stood at 1.7 billion.

Net fee and commission income somewhat lower
Net fee and commission income amounted to 77 million in the quarter under review, which is below the 82-million average of the last four quarters, due to a combination of various elements (lower fee income from investment services in the Czech Republic, from payment services in Hungary, etc.). Total assets under management of this business unit amounted to 11 billion at quarter-end, up 5% compared to year-end 2011, essentially as a result of a positive price effect.

Other income components
Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit and loss') came to a relatively strong 55 million, up on the average of 19 million for the four preceding quarters (good trading results in the Czech and Slovak Republics, among other things). The net realised result from available-for-sale assets amounted to -11 million, as it incorporates some 18 million in losses realised on bonds covered by the Greek debt exchange operation. Other net income totalled 11 million.

Excluding the Hungarian bank tax, costs more or less in line with the reference quarters
The operating expenses of this business unit came to 349 million. At first sight, costs would appear to be significantly higher quarter-on-quarter. However, the 1Q2012 cost level includes the negative impact of the special Hungarian bank tax for the full year (57 million), whereas the previous quarter had included the positive impact (55 million) of the partial compensation of FX mortgage loan impairment charges. Excluding Hungarian-bank-tax-related items and some other technical items, operating expenses were down 1% quarter-on-quarter and up 1% year-on-year. The cost/income ratio of the CEE banking activities stood at 65% in the quarter under review, compared to 54% for FY2011 (the comparison is also clearly distorted by the amounts booked in relation to the Hungarian banking tax).

Loan loss provisions significantly down quarter-on-quarter on account of Hungary
In the quarter under review, impairment on loans and receivables (loan loss provisions) stood at 46 million, a significant improvement on the level in the previous quarter (151 million), and even slightly down on the already low level recorded in 1Q2011. Most of the large quarter-on-quarter decrease came about because of Hungary (the 4Q2011 figure had included a significant loan loss impairment related to FX mortgage loans). As a result, the annualised credit cost ratio of this business unit amounted to 60 basis points in 1Q2012, well below the 159 basis points recorded for FY2011. At the end of the quarter under review, non-performing loans accounted for some 5.6% of the CEE loan book, the same level as three months earlier.
Impairment on assets other than loans and receivables was immaterial in the quarter under review. In the previous quarter, it amounted to some 40 million, 30 million of which related to Greek government bonds. Please note that, in the quarter under review, the exchange deal regarding Greek bonds had an additional negative impact of 18 million, but this was included under 'Net realised result from available-for-sale assets'.

Breakdown per country
The underlying income statements for the Czech Republic, Slovakia, Hungary and Bulgaria are given below.

Income statement, Czech Republic, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	259	261	268	257	260	-	-	-
Earned premiums, insurance (before reinsurance)	178	96	119	99	111	-	-	-
Technical charges, insurance (before reinsurance)	-151	-71	-92	-68	-86	-	-	-
Ceded reinsurance result	-2	-2	-3	-5	-1	-	-	-
Dividend income	0	1	1	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	26	12	-1	16	31	-	-	-
Net realised result from available-for-sale assets	5	3	6	15	-11	-	-	-
Net fee and commission income	42	49	50	49	45	-	-	-
Other net income	4	2	9	5	10	-	-	-
Total income	361	351	357	368	358	-	-	-
Operating expenses	-158	-165	-169	-182	-160	-	-	-
Impairment	-18	-65	-52	-70	-13	-	-	-
Of which on loans and receivables	-18	-13	-9	-33	-13	-	-	-
Of which on available-for-sale assets	0	-52	-43	-29	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	185	121	136	116	185	-	-	-
Income tax expense	-28	-13	-19	-16	-29	-	-	-
Result after tax	157	108	116	100	156	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**157**	**108**	**116**	**100**	**156**	**-**	**-**	**-**
banking	148	101	112	91	151	-	-	-
insurance	8	7	5	9	5	-	-	-
Risk-weighted assets, group (end of period, Basel II)	13 854	13 937	14 342	14 869	15 590	-	-	-
of which banking	13 015	13 080	13 477	14 013	14 709	-	-	-
Allocated equity (end of period, Basel II)	1 159	1 166	1 199	1 241	1 300	-	-	-
Return on allocated equity (ROAC, Basel II)	46%	30%	32%	27%	42%	-	-	-
Cost/income ratio, banking	43%	46%	46%	49%	44%	-	-	-
Combined ratio, non-life insurance	87%	91%	97%	84%	91%	-	-	-

Income statement, Slovakia, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	48	46	48	51	46	-	-	-
Earned premiums, insurance (before reinsurance)	19	20	16	15	18	-	-	-
Technical charges, insurance (before reinsurance)	-13	-14	-9	-6	-10	-	-	-
Ceded reinsurance result	-1	0	-1	-1	-1	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	3	1	-3	-7	10	-	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	11	10	9	10	9	-	-	-
Other net income	2	4	1	1	2	-	-	-
Total income	70	67	60	64	75	-	-	-
Operating expenses	-40	-42	-39	-36	-44	-	-	-
Impairment	-1	-8	-5	0	-3	-	-	-
Of which on loans and receivables	-1	-7	-3	1	-3	-	-	-
Of which on available-for-sale assets	0	0	-2	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	29	17	16	27	28	-	-	-
Income tax expense	-5	0	-4	-4	-5	-	-	-
Result after tax	24	18	13	23	23	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**24**	**18**	**13**	**23**	**23**	**-**	**-**	**-**
banking	19	15	13	20	19	-	-	-
insurance	6	3	0	4	4	-	-	-
Risk-weighted assets, group (end of period, Basel II)	4 208	4 382	4 435	4 261	4 102	-	-	-
of which banking	4 038	4 205	4 258	4 084	3 926	-	-	-
Allocated equity (end of period, Basel II)	347	361	365	352	339	-	-	-
Return on allocated equity (ROAC, Basel II)	23%	16%	9%	24%	22%	-	-	-
Cost/income ratio, banking	61%	63%	65%	58%	60%	-	-	-
Combined ratio, non-life insurance	85%	88%	89%	67%	52%	-	-	-

Income statement, Hungary, underlying(in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	103	100	95	83	70	-	-	-
Earned premiums, insurance (before reinsurance)	22	23	23	20	19	-	-	-
Technical charges, insurance (before reinsurance)	-11	-17	-18	-16	-15	-	-	-
Ceded reinsurance result	-1	-1	-1	-1	-1	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	4	12	12	13	15	-	-	-
Net realised result from available-for-sale assets	0	0	0	2	0	-	-	-
Net fee and commission income	24	25	25	24	22	-	-	-
Other net income	1	2	1	0	-2	-	-	-
Total income	143	143	138	125	109	-	-	-
Operating expenses	-130	-71	-68	0	-122	-	-	-
Impairment	-29	-19	-126	-117	-29	-	-	-
Of which on loans and receivables	-28	-18	-126	-116	-28	-	-	-
Of which on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	-15	54	-56	8	-41	-	-	-
Income tax expense	-1	-13	6	-1	5	-	-	-
Result after tax	-16	40	-50	7	-36	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**-16**	**40**	**-50**	**7**	**-36**	**-**	**-**	**-**
banking	-19	38	-50	5	-35	-	-	-
insurance	3	2	0	2	-1	-	-	-
Risk-weighted assets, group (end of period, Basel II)	6 666	6 587	6 505	6 123	5 759	-	-	-
of which banking	6 424	6 335	6 253	5 834	5 513	-	-	-
Allocated equity (end of period, Basel II)	548	542	536	507	475	-	-	-
Return on allocated equity (ROAC, Basel II)	-18%	24%	-41%	-1%	-35%	-	-	-
Cost/income ratio, banking	93%	49%	48%	2%	112%	-	-	-
Combined ratio, non-life insurance	74%	92%	109%	109%	98%	-	-	-

Income statement, Bulgaria, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	12	10	8	9	10	-	-	-
Earned premiums, insurance (before reinsurance)	23	25	24	25	25	-	-	-
Technical charges, insurance (before reinsurance)	-15	-14	-16	-19	-18	-	-	-
Ceded reinsurance result	-2	-1	-1	1	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	-	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	1	0	1	0	0	-	-	-
Other net income	0	0	0	0	1	-	-	-
Total income	19	21	17	17	19	-	-	-
Operating expenses	-14	-14	-14	-15	-14	-	-	-
Impairment	-4	-3	-2	-8	-2	-	-	-
Of which on loans and receivables	-4	-3	-2	-6	-2	-	-	-
Of which on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	2	4	1	-6	3	-	-	-
Income tax expense	0	0	0	0	0	-	-	-
Result after tax	2	5	1	-6	3	-	-	-
attributable to minority interests	0	0	0	-1	0	-	-	-
attributable to equity holders of the parent	**2**	**4**	**1**	**-5**	**3**	**-**	**-**	**-**
banking	0	0	1	-5	2	-	-	-
insurance	1	4	1	0	1	-	-	-
Risk-weighted assets, group (end of period, Basel II)	846	867	750	848	808	-	-	-
of which banking	628	643	523	604	593	-	-	-
Allocated equity (end of period, Basel II)	81	83	74	82	77	-	-	-
Return on allocated equity (ROAC, Basel II)	-17%	-15%	-13%	-49%	-10%	-	-	-
Cost/income ratio, banking	66%	74%	82%	83%	69%	-	-	-
Combined ratio, non-life insurance	107%	83%	104%	107%	110%	-	-	-

Income statement, CEE – funding cost and other results, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	-36	-36	-31	-31	-29	-	-	-
Earned premiums, insurance (before reinsurance)	-1	-1	-1	-1	-1	-	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	1	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	0	-11	-3	0	0	-	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	-2	2	-1	0	0	-	-	-
Other net income	2	1	2	2	0	-	-	-
Total income	-38	-45	-34	-30	-29	-	-	-
Operating expenses	-9	-11	-8	-9	-9	-	-	-
Impairment	0	-1	-95	4	0	-	-	-
Of which on loans and receivables	0	0	-96	4	0	-	-	-
Of which on available-for-sale assets	0	0	0	0	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	-47	-57	-136	-35	-38	-	-	-
Income tax expense	3	34	17	7	11	-	-	-
Result after tax	-43	-23	-120	-28	-27	-	-	-
attributable to minority interests	0	0	0	0	0	-	-	-
attributable to equity holders of the parent	**-43**	**-23**	**-120**	**-28**	**-27**	**-**	**-**	**-**
banking	-36	-19	-118	-25	-25	-	-	-
insurance	-7	-5	-2	-3	-3	-	-	-

Merchant Banking Business Unit (underlying trend)

The Merchant Banking Business Unit encompasses the financial services provided to SMEs & 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 (partial), KBC Securities, KBC Commercial Finance, KBC Credit Investments and KBC Bank Ireland. The entities that are earmarked for divestment under the strategic plan (the main ones being KBC Financial Products (various activities already sold), Antwerp Diamond Bank and KBC Bank Deutschland) are not included here, but are grouped together in the Group Centre.

Income statement, Merchant Banking Business Unit, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	180	167	168	147	148	-	-	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	-	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	4	2	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	213	87	9	97	239	-	-	-
Net realised result from available-for-sale assets	2	11	0	22	-1	-	-	-
Net fee and commission income	51	53	43	55	56	-	-	-
Other net income	22	17	-117	2	-17	-	-	-
Total income	469	340	105	323	425	-	-	-
Operating expenses	-152	-142	-143	-132	-147	-	-	-
Impairment	-57	-112	-215	-384	-205	-	-	-
on loans and receivables	-57	-95	-205	-368	-203	-	-	-
on available-for-sale assets	0	-1	-2	-3	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
on other	0	-16	-7	-13	-1	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	259	86	-253	-193	74	-	-	-
Income tax expense	-78	-21	61	44	-27	-	-	-
Result after tax	182	65	-192	-149	46	-	-	-
attributable to minority interests	5	2	4	4	4	-	-	-
attributable to equity holders of the parent	**177**	**63**	**-196**	**-153**	**42**	**-**	**-**	**-**
Banking	176	62	-197	-154	41	-	-	-
Insurance	1	1	1	1	1	-	-	-
Risk-weighted assets, group (end of period, Basel II)	45 945	42 446	39 736	42 126	40 319	-	-	-
of which banking	45 945	42 446	39 736	42 126	40 319	-	-	-
Allocated equity (end of period, Basel II)	3 676	3 396	3 179	3 370	3 225	-	-	-
Return on allocated equity (ROAC, Basel II)	19%	6%	-25%	-19%	6%	-	-	-
Cost/income ratio, banking	32%	42%	138%	41%	35%	-	-	-

These underlying figures exclude exceptional items. A table reconciling the underlying result and the result according to IFRS is provided below (amounts are *after* taxes and minority interests).

Reconciliation between underlying result and result according to IFRS Merchant Banking Business Unit (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	177	63	-196	-153	42	-	-	-
+ MTM of derivatives for ALM hedging	9	-7	-31	-28	-24	-	-	-
+ gains/losses on CDOs	18	18	-13	-30	-1	-	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	-	-	-
+ impairment on goodwill	0	-5	-4	-8	0	-	-	-
+ result on divestments	-1	0	-10	-6	0	-	-	-
+ other	0	0	0	0	0	-	-	-
Result after tax, attributable to equity holders of the parent: IFRS	203	69	-255	-225	17	-	-	-

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of 42 million, above the -28 million average for the four preceding quarters. The quarter under review was characterised by very good dealing room results and low loan loss impairment, except in Ireland, where another 195 million in impairment was set aside. The underlying result for 1Q2012 breaks down as follows: 65 million for market activities and -22 million for commercial banking activities (+123 million excluding KBC Bank Ireland, which is a fine result given the year-on-year reduction in capital consumption).

Total income up on the previous quarter, thanks to higher dealing room income

Total income for this business unit amounted to 425 million in the quarter under review. Trading and fair value income (recorded under 'Net result from financial instruments at fair value through profit or loss') amounted to a strong 239 million in the quarter under review, well above the average of 101 million for the four preceding quarters. This was accounted for mainly by the very good performance of the dealing room, and to a lesser extent by the fact that the quarter under review included positive credit value adjustments and a 21 million gain on the sale of a private equity participation.

Followings several quarters of decreasing net interest income, 1Q2012 witnessed a stabilisation at 148 million. The total credit portfolio of the Merchant Banking Business Unit remained roughly the same, both year-on-year and quarter-on-quarter. Deposit volume in the quarter under review rose by 18%, a partial recovery after the large deposit outflow in 4Q2011, which was accounted for by volatile short-term corporate and institutional deposits outside KBC's core markets. On a year-on-year basis, deposits decreased by 34%

The other income components combined totalled 38 million in the quarter under review and included net fee and commission income of 56 million (slightly up on the 51 million average for the four preceding quarters), a net realised result from available-for-sale assets of -1 million (as opposed to a +9 million average in the four preceding quarters), and other net income of -17 million. The latter figure included the negative impact of 27 million for the 5-5-5 investment product, a 51 million loss related to the sale of Atomium assets and a positive impact of 41 million regarding partial recoveries for the fraud case at KBC Lease UK in 2010.

Costs down year-on-year and up quarter-on-quarter

Operating expenses in the quarter under review amounted to 147 million, up 11% quarter-on-quarter, partly driven by the increased contribution to the Belgian deposit guarantee scheme (+ 7% excluding this and some other one-off items) and down 4% year-on-year (flat excluding several one-off items). The underlying cost/income ratio stood at 35%, compared to 46% for FY2011.

Loan loss provisions significantly down on the previous quarter, but continued high provisioning for Ireland

Impairment *on loans and receivables* (loan loss provisions) amounted to 203 million in the quarter under review, well down on the high 368 million registered in the previous quarter, but up on the favourable 57 million recorded in 1Q2011. Provisioning in the quarter under review related almost entirely to KBC Bank Ireland, where 195 million was set aside, roughly comparable to the 228 million booked in the previous quarter, but clearly much higher than the 45 million booked in 1Q2011. Disregarding Ireland, loan loss impairment in the other merchant banking entities was very limited in the quarter under review (a mere 8 million), a significant improvement on both reference quarters. Consequently, the annualised credit cost ratio for the Merchant Banking Business Unit came to 157 basis points in 1Q2012, compared to 136 basis points for FY2011. Excluding Ireland, the 1Q2012 credit cost ratio would have come to just 9 basis points, much better than the 59 basis points recorded for FY2011. At the end of 1Q2012, approximately 9.1% of the Merchant Banking Business Unit's loan book was non-performing, up on the 7.8% recorded three months earlier. Excluding Ireland, non-performing loans rose from 3.3% as at end 4Q2011 to 3.8% as at end 1Q2012, mainly due to one large file that went from performing to non-performing. The annualised credit cost ratio for KBC Bank Ireland stood at 469 basis points in 1Q2012, compared to 301 basis points for FY2011, while the non-performing ratio rose to 20.5% at the end of 1Q2012, up from 17.7% three months earlier.

Other impairment charges for this business unit were immaterial in 1Q2012. In the previous quarter, they came to 16 million, and related primarily to Greek government bonds and investment property.

Breakdown into commercial banking activities and market activities

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

Income statement, Commercial Banking, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	180	167	168	148	148	-	-	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	-	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	4	2	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	10	-25	-48	0	41	-	-	-
Net realised result from available-for-sale assets	2	11	0	22	-1	-	-	-
Net fee and commission income	26	29	26	36	36	-	-	-
Other net income	22	24	21	37	61	-	-	-
Total income	242	210	169	242	286	-	-	-
Operating expenses	-87	-88	-90	-86	-92	-	-	-
Impairment	-72	-100	-208	-385	-202	-	-	-
Of which on loans and receivables	-72	-83	-200	-368	-201	-	-	-
Of which on available-for-sale assets	0	-1	-1	-3	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	83	23	-130	-229	-8	-	-	-
Income tax expense	-28	-6	19	53	-10	-	-	-
Result after tax	55	17	-111	-176	-18	-	-	-
attributable to minority interests	4	3	4	3	4	-	-	-
attributable to equity holders of the parent	**51**	**14**	**-115**	**-179**	**-22**	**-**	**-**	**-**
Banking	50	13	-116	-180	-23	-	-	-
Insurance	1	1	1	1	-1	-	-	-
Risk-weighted assets, group (end of period, Basel II)	32 176	30 934	30 733	31 065	31 300	-	-	-
of which banking	32 176	30 934	30 733	31 065	31 300	-	-	-
Allocated equity (end of period, Basel II)	2 574	2 475	2 459	2 485	2 504	-	-	-
Return on allocated equity (ROAC, Basel II)	7%	2%	-19%	-30%	-3%	-	-	-
Cost/income ratio, banking	36%	42%	54%	36%	32%	-	-	-

Income statement, Market Activities, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	0	0	0	0	0	-	-	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	-	-	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	-	-	-
Ceded reinsurance result	0	0	0	0	0	-	-	-
Dividend income	0	0	0	0	0	-	-	-
Net result from financial instruments at fair value through profit or loss	203	112	57	96	198	-	-	-
Net realised result from available-for-sale assets	0	0	0	0	0	-	-	-
Net fee and commission income	25	25	17	19	19	-	-	-
Other net income	0	-8	-138	-35	-78	-	-	-
Total income	227	129	-64	80	139	-	-	-
Operating expenses	-65	-53	-53	-46	-55	-	-	-
Impairment	15	-12	-6	1	-2	-	-	-
Of which on loans and receivables	15	-12	-5	0	-2	-	-	-
Of which on available-for-sale assets	0	0	-1	1	0	-	-	-
Share in results of associated companies	0	0	0	0	0	-	-	-
Result before tax	177	63	-123	36	82	-	-	-
Income tax expense	-50	-15	42	-9	-17	-	-	-
Result after tax	127	48	-81	27	64	-	-	-
attributable to minority interests	1	-1	0	1	0	-	-	-
attributable to equity holders of the parent	**126**	**48**	**-81**	**26**	**65**	**-**	**-**	**-**
banking	126	48	-81	26	65	-	-	-
insurance	0	0	0	0	0	-	-	-
Risk-weighted assets, group (end of period, Basel II)	13 769	11 512	9 003	11 061	9 018	-	-	-
of which banking	13 769	11 512	9 003	11 061	9 018	-	-	-
Allocated equity (end of period, Basel II)	1 102	921	720	885	721	-	-	-
Return on allocated equity (ROAC, Basel II)	46%	18%	-41%	14%	34%	-	-	-
Cost/income ratio, banking	29%	41%	-	57%	39%	-	-	-

Group Centre (underlying trend)

The Group Centre comprises the results of the holding company KBC Group NV, KBC Global Services, some results that are not attributable to the other business units 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 group's strategy and are therefore earmarked for divestment. The main ones are Centea and Fidea (both have now been sold), Absolut Bank, KBC Banka, NLB and NLB Vita, Kredyt Bank (agreement signed with Banco Santander regarding the merger of Kredyt Bank with Bank Zachodni) and Warta (sale agreement signed), KBC Financial Products (various activities sold), Antwerp Diamond Bank, KBC Bank Deutschland and the KBL EPB group (sale agreement signed).

Income statement, Group Centre, underlying (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Net interest income	242	261	205	190	121	-	-	-
Earned premiums, insurance (before reinsurance)	284	299	317	341	222	-	-	-
Technical charges, insurance (before reinsurance)	-234	-221	-245	-283	-157	-	-	-
Ceded reinsurance result	-4	-3	-2	9	-3	-	-	-
Dividend income	2	6	2	3	0	-	-	-
Net result from financial instruments at fair value through profit or loss	4	-11	-14	6	16	-	-	-
Net realised result from available-for-sale assets	22	3	-2	2	3	-	-	-
Net fee and commission income	86	77	72	70	-4	-	-	-
Other net income	2	9	4	11	5	-	-	-
Total income	404	420	338	348	204	-	-	-
Operating expenses	-296	-265	-269	-305	-156	-	-	-
Impairment	19	-51	-81	-97	-17	-	-	-
on loans and receivables	21	-11	-26	-58	-14	-	-	-
on available-for-sale assets	-2	-29	-38	-21	0	-	-	-
on goodwill	0	0	0	0	0	-	-	-
on other	-1	-12	-17	-18	-3	-	-	-
Share in results of associated companies	1	0	-23	-35	-10	-	-	-
Result before tax	127	104	-35	-89	20	-	-	-
Income tax expense	-42	-19	-6	58	12	-	-	-
Result after tax	85	85	-41	-32	32	-	-	-
attributable to minority interests	8	3	3	3	3	-	-	-
attributable to equity holders of the parent	**77**	**81**	**-44**	**-35**	**30**	**-**	**-**	**-**
Banking	86	57	-19	-29	17	-	-	-
Insurance	20	26	-10	3	12	-	-	-
holding company	-29	-2	-16	-9	1	-	-	-
Risk-weighted assets, group (end of period, Basel II)	30 933	29 959	25 693	29 149	27 429	-	-	-
of which banking	27 732	26 637	22 347	25 814	25 850	-	-	-
Allocated equity (end of period, Basel II)	2 628	2 556	2 216	2 491	2 283	-	-	-

These underlying figures exclude exceptional items. A table reconciling the underlying result and the result according to IFRS is provided below (amounts are *after* taxes and minority interests).

Reconciliation between underlying result and result according to IFRS, Group Centre (in millions of EUR)	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012
Result after tax, attributable to equity holders of the parent: underlying	77	81	-44	-35	30	-	-	-
+ MTM of derivatives for ALM hedging	8	-13	-2	0	1	-	-	-
+ gains/losses on CDOs	55	-84	-439	178	29	-	-	-
+ MTM of CDO guarantee and commitment fee	-8	-18	-8	-9	-33	-	-	-
+ impairment on goodwill (incl. associated companies)	0	-11	0	-8	0	-	-	-
+ fair value changes of own debt outstanding	-16	-25	185	215	-340	-	-	-
+ legacy structured derivative business (KBC FP)	14	43	5	-12	-11	-	-	-
+ Results on divestments	-38	-12	-581	14	80	-	-	-
+ other	0	0	0	0	0	-	-	-
Result after tax, attributable to equity holders of the parent: IFRS	92	-39	-885	342	-246	-	-	-

The Group Centre's net result amounted to 30 million in 1Q2012. As mentioned before, this includes a number of group items and the results of the companies that are earmarked for divestment, whose combined net result came to 20 million in 1Q2012, compared to -24 million in 4Q2011. Please note that the 1Q2012 result was impacted by the deconsolidation of Fidea and KBL EPB.

The net result contribution of the companies up for divestment can be broken down by former business unit as follows:

- Formerly recognised under the Belgium Business Unit: **zero** (all planned divestments for this business unit have been completed), compared with +8 million in the previous quarter (which still included Fidea).
- Formerly recognised under the CEER Business Unit: **28 million**, compared with -23 million in the previous quarter. The difference is due to Absolut Bank making a significantly higher contribution to the results (thanks in part to a reversal of impairment charges), Warta (higher non-life result, among other things) and NLB. Please note that both Warta's and Kredyt Bank's results are still being included since their divestment/merger agreements have not yet been finalised.
- Formerly recognised under the Merchant Banking Business Unit: **13 million**, compared with -4 million in the previous quarter, thanks mainly to Antwerp Diamond Bank making a higher contribution to the results.
- Formerly recognised under the European Private Banking Business Unit: **zero** (KBL EPB has been excluded from the underlying results since the agreement to sell it is expected to be finalised in the near term)**,** compared with +18 million in the previous quarter.
- Other (relating mainly to funding of goodwill paid in relation to companies that are earmarked for divestment): **-23 million**, in line with the previous quarter.

Consolidated financial statements according to IFRS

KBC Group, 1Q2012

Reviewed by the auditors

Consolidated income statement

In millions of EUR	Note	1Q 2011	4Q 2011	1Q 2012
Net interest income	3	1 395	1 337	1 261
Interest income		3 047	2 732	2 695
Interest expense		- 1 651	- 1 395	- 1 434
Earned premiums, insurance (before reinsurance)	9	1 141	1 033	884
Non-life		450	466	438
Life		690	567	446
Technical charges, insurance (before reinsurance)	9	- 1 012	- 877	- 752
Non-life		- 234	- 258	- 234
Life		- 778	- 618	- 518
Ceded reinsurance result	9	- 17	- 1	- 14
Dividend income		12	15	6
Net result from financial instruments at fair value through profit or loss		472	436	60
Net realised result from available-for-sale assets	6	34	83	32
Net fee and commission income	7	300	287	304
Fee and commission income		518	514	492
Fee and commission expense		- 218	- 227	- 188
Other net income	8	92	3	73
TOTAL INCOME		2 416	2 317	1 853
Operating expenses	12	- 1 143	- 1 043	- 1 132
Staff expenses		- 637	- 631	- 635
General administrative expenses		- 421	- 332	- 416
Depreciation and amortisation of fixed assets		- 84	- 80	- 81
Impairment	14	- 105	- 746	- 273
on loans and receivables		- 97	- 599	- 261
on available-for-sale assets		- 6	- 71	- 5
on goodwill		0	- 41	0
on other		- 2	- 35	- 7
Share in results of associated companies		1	- 35	- 9
RESULT BEFORE TAX		1 170	492	439
Income tax expense		- 334	- 75	- 93
Net post-tax result from discontinued operations	46	0	26	40
RESULT AFTER TAX		835	443	387
Attributable to minority interest		14	6	7
of which relating to discontinued operations		*0*	*0*	*0*
Attributable to equity holders of the parent		**821**	**437**	**380**
of which relating to discontinued operations		*0*	*26*	*40*

Earnings per share (in EUR)				
Basic		1,98	0,63	0,71
Diluted		1,98	0,63	0,71

Condensed consolidated statement of comprehensive income

In millions of EUR	1Q 2011	1Q 2012
RESULT AFTER TAX	835	387
attributable to minority interest	14	7
attributable to equity holders of the parent	821	380
OTHER COMPREHENSIVE INCOME		
Net change in revaluation reserve (AFS assets) - Equity	- 9	38
Net change in revaluation reserve (AFS assets) - Bonds	- 291	732
Net change in revaluation reserve (AFS assets) - Other	- 1	0
Net change in hedging reserve (cash flow hedge)	171	- 6
Net change in translation differences	19	107
Other movements	1	- 2
TOTAL COMPREHENSIVE INCOME	**724**	**1 256**
attributable to minority interest	10	19
attributable to equity holders of the parent	714	1 236

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2011	31-03-2012
Cash and cash balances with central banks		6 218	10 235
Financial assets	18	249 439	244 670
Held for trading		26 936	25 068
Designated at fair value through profit or loss		13 940	16 758
Available for sale		39 491	34 599
Loans and receivables		153 894	146 348
Held to maturity		14 396	21 124
Hedging derivatives		782	772
Reinsurers' share in technical provisions		150	150
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		197	188
Tax assets		2 646	2 321
Current tax assets		201	205
Deferred tax assets		2 445	2 116
Non-current assets held for sale and assets associated with disposal groups	46	19 123	25 644
Investments in associated companies		431	427
Investment property		758	708
Property and equipment		2 651	2 638
Goodwill and other intangible assets		1 898	1 822
Other assets		1 871	1 833
TOTAL ASSETS		285 382	290 635

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2011	31-03-2012
Financial liabilities	18	225 804	226 937
Held for trading		27 355	24 035
Designated at fair value through profit or loss		28 678	29 293
Measured at amortised cost		167 842	171 766
Hedging derivatives		1 929	1 844
Technical provisions, before reinsurance		19 914	19 925
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		4	2
Tax liabilities		545	563
Current tax liabilities		255	277
Deferred tax liabilies		290	286
Liabilities associated with disposal groups	46	18 132	21 229
Provisions for risks and charges		889	533
Other liabilities		3 322	3 474
TOTAL LIABILITIES		268 611	272 664
Total equity	39	16 772	17 971
Parent shareholders' equity	39	9 756	10 949
Non-voting core-capital securities	39	6 500	6 500
Minority interests		516	522
TOTAL LIABILITIES AND EQUITY		285 382	290 635

In line with IFRS 5, the assets and liabilities of some divestments were moved from various balance sheet lines towards the lines ‘Non-current assets held for sale and assets associated with disposal groups’ and ‘Liabilities associated with disposal groups’. Note that reference figures were not adjusted (not required by IFRS 5). More information on divestments and all data required by IFRS 5 can be found in a separate note (note 46).

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability).

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	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
31-03-2011											
Balance at the beginning of the period	1 245	4 340	- 1 529	66	- 443	7 749	- 281	11 147	7 000	527	18 674
Net result for the period	0	0	0	0	0	821	0	821	0	14	835
Other comprehensive income for the period	0	0	0	- 299	171	1	20	- 107	0	- 4	- 111
Total comprehensive income	**0**	**0**	**0**	**- 299**	**171**	**822**	**20**	**714**	**0**	**10**	**724**
Dividends	0	0	0	0	0	- 850	0	- 850	0	0	- 850
Capital increase	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
Sales of treasury shares	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
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	- 17	- 17
Change in scope	0	0	0	0	0	0	0	0	0	0	0
Total change	**0**	**0**	**0**	**- 299**	**171**	**- 28**	**20**	**- 136**	**0**	**- 6**	**- 142**
Balance at the end of the period	**1 245**	**4 340**	**- 1 529**	**- 233**	**- 272**	**7 721**	**- 261**	**11 011**	**7 000**	**520**	**18 532**
of which revaluation reserve for shares				426							
of which revaluation reserve for bonds				- 659							
of which revaluation reserve for other assets than bonds and shares				0							
of which relating to non-current assets held for sale and disposal groups				- 30			14	- 16			- 16
31-03-2012											
Balance at the beginning of the period	1 245	4 341	- 1 529	- 117	- 594	6 831	- 422	9 756	6 500	516	16 772
Net result for the period	0	0	0	0	0	380	0	380	0	7	387
Other comprehensive income for the period	0	0	0	767	- 5	- 2	97	857	0	12	869
Total comprehensive income	**0**	**0**	**0**	**767**	**- 5**	**378**	**97**	**1 236**	**0**	**19**	**1 256**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Repayment of non-voting core-capital securities	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	- 3	0	0	0	0	- 3	0	0	- 3
Impact business combinations	0	0	0	0	0	0	0	0	0	0	0
Change in minorities	0	0	0	0	0	0	0	0	0	- 13	- 13
Change in scope	0	0	0	- 41	0	0	0	- 41	0	0	- 41
Total change	**0**	**0**	**- 3**	**726**	**- 5**	**378**	**97**	**1 192**	**0**	**7**	**1 199**
Balance at the end of the period	**1 245**	**4 341**	**- 1 532**	**609**	**- 599**	**7 209**	**- 325**	**10 949**	**6 500**	**522**	**17 971**
of which revaluation reserve for shares				273							
of which revaluation reserve for bonds				336							
of which revaluation reserve for other assets than bonds and shares				0							
of which relating to non-current assets held for sale and disposal groups				39			5	44			44

The changes in equity during 1Q 2012 do not yet include the accounting of neither a gross dividend of 0.01 euros per share (3.6 million euros in total) nor the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments (595 million euros or 8.5% of 7 billion euros).

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability).

Condensed consolidated cash flow statement

In millions of EUR	1Q 2011	1Q 2012
Operating activities		
Net cash from (used in) operating activities	- 5 352	10 868
Investing activities		
Net cash from (used in) investing activities	- 70	- 7 376
Financing activities		
Net cash from (used in) financing activities	722	- 760
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	- 4 700	2 733
Cash and cash equivalents at the beginning of the period	17 709	13 997
Effects of exchange rate changes on opening cash and cash equivalents	- 622	90
Cash and cash equivalents at the end of the period	12 387	16 820

As mentioned in note 46, KBL EPB, Kredyt Bank and Warta form a disposal group. The planned divestments of KBL EPB (of which the closing of the sale transaction is planned in the first half of 2012), Kredyt Bank and Warta (of which the closing of the sale transaction is planned in the second half of 2012) will have the following main impacts on the cash flows included in investing activities:

- receipt of the sale price : close to 1 billion euros, 0.8 billion euros and 0.8 billion euros for KBL EPB, Kredyt Bank (after full exit) and Warta respectively
- reduction of cash and cash equivalents which are part of the disposal group: 4.0 billion euros, 253 million euros and 3 million euros for KBL EPB, Kredyt Bank and Warta respectively (amounts of 31 March 2012).
- on 30 March 2012, KBC closed the previously announced transaction with affiliates of J.C. Flowers & Co. for the sale of its subsidiary Fidea, leading to a positive cash flow in investing activities of +0.2 billion euros in 1Q 2012.

Notes on statement of compliance and changes in accounting policies

Statement of compliance (note 1a in the annual accounts 2011)

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 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 2011.

Presentation change regarding parent shareholders’ equity: the changes in equity during 1Q 2012 do not yet include the accounting of neither a gross dividend of 0.01 euros per share (3.6 million euros in total) nor the coupon on the core-capital securities sold to the Belgian Federal and Flemish Regional governments (595 million euros or 8.5% of 7 billion euros), whereas in previous 1Q-reports this was already deducted from parent shareholders’ equity.

Summary of significant accounting policies (note 1b in the annual accounts 2011)

A summary of the main accounting policies is provided in the annual report. In 1Q 2012, no changes in content were made in the accounting policies that had a material impact on the results.

Notes on segment reporting

Segment reporting according to the management structure of the group (note 2a in the annual accounts 2011)

KBC is structured and managed according to a number of segments (called ‘business units’). This breakdown is based on a combination of geographic criteria (Belgium and Central and Eastern Europe, being the two core geographic areas the group operates in) and activity criteria (retail bancassurance versus merchant banking). The Shared Services and Operations business unit, which includes a number of divisions that provide support to and serve as a product factory for the other divisions (ICT, leasing, payments, asset management etc.) is not shown as a separate segment, as all costs and income of this business unit are allocated to the other business units and are hence included in their results.
The segment reporting (see below) is based on this breakdown, but, as of 2010, also brings together all companies that are up for divestment (according to the new strategic plan) under the Group Centre.

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 and Bulgaria; companies in other countries that are planned for divestment are moved to Group Centre).
- 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 divestment, as well as KBC Group NV, KBC Global Services NV and some allocated costs (the allocation of results of KBC Bank Belgium and KBC Insurance NV to the Group Centre are limited to those results that cannot 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 44 in annual report 2011). Exceptions are made for costs that cannot 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. As a principle the funding costs regarding leveraging at the level of KBC Group are not allocated.

Inter-segment transactions are presented 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 (the resulting figures are called ‘underlying results’):

- In order to arrive at the underlying group profit, factors that are not related to the normal course of business are eliminated. These factors also include exceptional losses (and gains), such as those incurred on structured credit investments 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. The realised gain or impairment from divestments is considered as non-recurring.
- Fair value changes (due to marking-to-market) of a large part of KBC’s ALM derivatives (who are treated as ‘trading instruments’) are recognised under ‘net result from financial instruments at fair value’, while most of the underlying assets are not fair-valued (i.e. not marked-to-market). In order to limit the volatility of this MtM, a (government) bond portfolio has been classified as financial assets at fair value through profit or loss (fair value option). The remaining volatility of the fair value changes in these ALM derivatives versus the fair value changes in the bond portfolio at fair value through profit or loss is excluded in the underlying results.
- In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under ‘net result 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 result 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 result 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) are booked according to IFRS 5 (meaning that results relating to such a discontinued operation are moved from the various P&L lines towards one line 'Net post-tax result from discontinued operations', as soon as the criteria for IFRS 5 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). Given the nearby closing of the sale of KBL EPB, no results of KBL EPB have been included anymore in the underlying results as of 1 January 2012.

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

Reconciliation between underlying result and result according to IFRS * KBC Group, in millions of EUR	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012
Result after tax, attributable to equity holders of the parent, UNDERLYING	658	528	-248	161	455
+ MTM of derivatives for ALM hedging	96	-77	-245	-46	45
+ gains/losses on CDOs	124	-86	-618	164	189
+ MTM of CDO guarantee and commitment fee	-10	-22	-10	-10	-40
+ impairment on goodwill (and associated companies)	0	-17	-57	-41	0
+ loss on legacy structured derivative business (KBC FP)	14	43	5	-12	-11
+ change in fair value of own debt instruments (due to own credit risk)	-16	-25	185	215	-340
+ Results on divestments	-45	-12	-591	8	81
Result after tax, attributable to equity holders of the parent: IFRS	821	333	-1 579	437	380

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

MTM of derivatives for ALM hedging:
The positive impact in the first quarter of 2012 is mainly due to the tightening of the credit spreads of government bonds in the designated at fair value through profit or loss portfolio. In KBC, a part of the government bond portfolio in the banking book is classified as financial assets designated at fair value through profit or loss (the fair value option) in order to significantly reduce a measurement inconsistency ('an accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases). This method is used specifically to avoid the remaining accounting mismatches relating to the loan portfolio (measured at amortized cost) and the interest rate swaps (measured at fair value) in ALM. For this purpose, a (government) bond portfolio has been classified as a financial asset at fair value through profit or loss.

Gains and losses on CDO's:
In the first quarter of 2012, the market price for corporate credit decreased, as reflected in credit default swap spreads, generating a value mark-up of KBC's CDO exposure (including the impact of the government guarantee, but excluding the related fee and including the coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer which remained at the level of 31 December 2011, namely 70%). This value mark-up was offset by a negative P/L impact of approximately 0.1 billion euros from collapsing two CDOs in January 2012, which reduced the total nominal value of the CDO portfolio with 1.7 billion euros.

MTM of own debt issued:
The negative impact on the results of the first quarter of 2012 can be explained by the strong decrease of the senior and subordinated credit spreads of KBC, leading to a higher MtM of debt certificates included in the financial liabilities designated at fair value through profit or loss.

Gains and losses on divestments:
In the first quarter of 2012, the results on divestments include mainly:

- the realised gain on Fidea (+51 million euros) largely influenced by the reclassification from equity to profit & loss of Fidea's outstanding AFS reserves,
- a partial reversal of the impairment on KBL EPB (+28 million euros) as well as the results of KBL EPB itself (+12 million euros) since these are as of 1 January 2012 no longer included in the underlying results.

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre excluding intersegment eliminations	Inter-segment eliminations	KBC Group
UNDERLYING INCOME STATEMENT - 3M2011						
Net interest income	567	385	180	242	0	1 374
Earned premiums, insurance (before reinsurance)	615	241	0	305	- 21	1 141
Non-life	212	79	0	169	- 11	450
Life	403	162	0	136	- 10	691
Technical charges, insurance (before reinsurance)	- 593	- 189	0	- 241	7	- 1 016
Non-life	- 95	- 38	0	- 100	- 2	- 234
Life	- 499	- 151	0	- 141	9	- 782
Ceded reinsurance result	- 8	- 5	0	- 8	4	- 17
Dividend income	6	0	0	2	0	8
Net result from financial instruments at fair value through profit or loss	10	33	213	4	0	259
Net realised result from available-for-sale assets	22	6	2	22	0	53
Net fee and commission income	186	76	51	86	0	399
Other net income	41	9	22	7	- 5	73
TOTAL INCOME	**845**	**556**	**469**	**419**	**- 15**	**2 274**
Operating expenses	- 429	- 350	- 152	- 311	15	- 1 227
Impairment	- 15	- 52	- 57	19	0	- 105
on loans and receivables	- 11	- 51	- 57	21	0	- 97
on available-for-sale assets	- 4	0	0	- 2	0	- 6
on goodwill	0	0	0	0	0	0
on other	0	- 1	0	- 1	0	- 2
Share in results of associated companies	0	0	0	1	0	1
RESULT BEFORE TAX	**402**	**154**	**259**	**127**	**0**	**943**
Income tax expense	- 121	- 31	- 78	- 42	0	- 271
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**281**	**123**	**182**	**85**	**0**	**671**
attributable to minority interests	1	0	5	8	0	14
attributable to equity holders of the parent	**280**	**123**	**177**	**77**	**0**	**658**
UNDERLYING INCOME STATEMENT 3M2012						
Net interest income	585	357	148	121	0	1 211
Earned premiums, insurance (before reinsurance)	490	173	0	231	- 9	884
Non-life	225	81	0	140	- 8	438
Life	264	91	0	91	0	446
Technical charges, insurance (before reinsurance)	- 468	- 127	0	- 160	3	- 752
Non-life	- 111	- 44	0	- 82	3	- 234
Life	- 357	- 84	0	- 78	0	- 518
Ceded reinsurance result	- 8	- 3	0	- 7	4	- 14
Dividend income	5	0	0	0	0	5
Net result from financial instruments at fair value through profit or loss	15	55	239	16	0	326
Net realised result from available-for-sale assets	41	- 11	- 1	3	0	31
Net fee and commission income	177	77	56	- 4	0	306
Other net income	- 6	11	- 17	7	- 2	- 8
TOTAL INCOME	**829**	**531**	**425**	**208**	**- 4**	**1 989**
Operating expenses	- 458	- 349	- 147	- 160	4	- 1 110
Impairment	- 2	- 47	- 205	- 17	0	- 271
on loans and receivables	2	- 46	- 203	- 14	0	- 261
on available-for-sale assets	- 4	0	0	0	0	- 5
on goodwill	0	0	0	0	0	0
on other	0	- 1	- 1	- 3	0	- 5
Share in results of associated companies	0	0	0	- 10	0	- 9
RESULT BEFORE TAX	**369**	**136**	**74**	**20**	**0**	**599**
Income tax expense	- 103	- 19	- 27	12	0	- 136
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**266**	**118**	**46**	**32**	**0**	**463**
attributable to minority interests	1	0	4	3	0	7
attributable to equity holders of the parent	**266**	**118**	**42**	**30**	**0**	**455**

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 31-12-2011					
Total loans to customers	55 254	25 648	43 832	13 550	138 284
Of which mortgage loans	29 417	10 533	12 288	5 194	57 431
Of which reverse repos	0	16	1 413	0	1 429
Customer deposits	71 156	38 216	46 168	9 687	165 226
Of which repos	0	3 209	12 633	0	15 841
Balance sheet information 31-03-2012					
Total loans to customers	55 776	26 279	46 542	7 383	135 980
Of which mortgage loans	29 703	10 871	12 093	1 284	53 951
Of which reverse repos	0	59	3 981	0	4 040
Customer deposits	71 324	39 907	52 380	2 940	166 551
Of which repos	0	4 034	12 832	0	16 866

Segment reporting according to geographic segment (note 2b in the annual accounts 2011)

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.

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Group
03M 2011				
Total income from external customers (underlying)	1 078	783	413	2 274
31-12-2011				
Total assets (period-end)	181 036	60 898	43 448	285 382
Total liabilities (period-end)	171 262	55 189	42 159	268 611
03M 2012				
Total income from external customers (underlying)	1 018	749	222	1 989
31-03-2012				
Total assets (period-end)	185 474	64 634	40 527	290 635
Total liabilities (period-end)	175 507	58 459	38 699	272 664

Other notes

Net interest income (note 3 in the annual accounts 2011)

In millions of EUR	1Q 2011	4Q 2011	1Q 2012
Total	**1 395**	**1 337**	**1 261**
Interest income	**3 047**	**2 732**	**2 695**
Available-for-sale assets	467	406	350
Loans and receivables	1 628	1 656	1 580
Held-to-maturity investments	140	165	184
Other assets not at fair value	8	9	8
Subtotal, interest income from financial assets not measured at fair value through profit or loss	2 242	*2 235*	*2 122*
Financial assets held for trading	547	228	344
Hedging derivatives	108	131	161
Other financial assets at fair value through profit or loss	149	138	67
Interest expense	- 1 651	- 1 395	- 1 434
Financial liabilities measured at amortised cost	- 773	- 805	- 761
Other	0	- 6	- 1
Investment contracts at amortised cost	0	0	0
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	- 773	- 811	- 762
Financial liabilities held for trading	- 616	- 299	- 392
Hedging derivatives	- 197	- 185	- 220
Other financial liabilities at fair value through profit or loss	- 65	- 100	- 60

Net realised result from available-for-sale assets (note 6 in the annual accounts 2011)

In millions of EUR	1Q 2011	4Q 2011	1Q 2012
Total	34	83	32
Breakdown by portfolio			
Fixed-income securities	7	47	- 30
Shares	27	35	61

The net realised loss from AFS assets in 1Q 2012 include -39 million euros stemming from the finalisation of the events regarding Greece. More information is presented in Note 47.

Net fee and commission income (note 7 in the annual accounts 2011)

In millions of EUR	1Q 2011	4Q 2011	1Q 2012
Total	300	287	304
Fee and commission income	518	514	492
Securities and asset management	245	217	201
Margin on deposit accounting (life insurance investment contracts without DPF)	9	15	24
Commitment credit	70	86	77
Payments	135	161	137
Other	58	34	54
Fee and commission expense	- 218	- 227	- 188
Commission paid to intermediaries	- 122	- 114	- 101
Other	- 97	- 113	- 87

Other net income (note 8 in the annual accounts 2011)

In millions of EUR	1Q 2011	4Q 2011	1Q 2012
Total	92	3	73
Of which net realised result following			
The sale of loans and receivables	- 2	- 7	- 49
The sale of held-to-maturity investments	0	- 1	- 4
The sale of financial liabilities measured at amortised cost	0	- 2	0
Other: of which:	94	13	126
KBC Lease UK	0	13	41
Income concerning leasing at the KBC Lease-group	21	30	20
Income from consolidated private equity participations	16	10	4
Income from Group VAB	17	15	18
5/5/5 bonds	0	- 71	- 56
Realised gains or losses on divestments	- 5	0	72

The net realized result following the sale of loans and receivables includes -51 million euros related to assets formerly assigned to Atomium, leading to a reduction in risk weighted assets of roughly 2 billion euros.

The realised results relating to the sale of HTM investments includes mainly the exchange operation regarding Greek bonds (more information in Note 47).

In 1Q 2012 there were further recuperations to the tune of 41 million euros in light of the fraud case at KBC Lease UK.

In the first quarter of 2012 KBC also recorded a negative P/L impact of 37 million euros after tax (56 million, pre-tax) as a result of KBC's voluntary compensation with respect to the 5/5/5 bonds (KBC IFIMA 5/5/5 and KBC Group 5-5-5) sold to retail customers. These structured bonds were launched in the spring of 2008, have a term to maturity of five years, a gross coupon of 5% (of which three have been paid) and were linked until their maturity to the creditworthiness of five countries (Belgium, France, Spain, Italy and Greece). All retail holders of these bonds had been informed in March 2011 of KBC's intention to offer a voluntary compensation in case of a credit event. The ISDA Determination Committee decided that a relevant CDS Credit Event occurred on 9 March 2012. As a result, the bonds were settled according to the principles laid down in the bond prospectuses. In addition to the settlement value, KBC has paid all bond holders a compensation on the basis of the invested capital less the coupons that were already paid by the issuer. Provisions for this voluntary compensation have been recorded in the third and fourth quarter of 2011 (i.e. for an amount of 334 million euros pre-tax). The final compensation amount could only be calculated after the auction held by ISDA on 19 March 2012 which determined the settlement value for the bonds. The additional negative P/L impact in the first quarter 2012 relates to the difference between the provisioned amount at end of year 2011 and the total compensation to retail customers.

The closing of the divestments of Fidea and Dynaco (KBC Private Equity participation), resulted in a gain of respectively 51 and 21 million euros in 1Q 2012.

Breakdown of the insurance results (note 9 in the annual accounts 2011)

In millions of EUR

	Life	Non-life	Non-technical account	TOTAL
1Q 2011				
Technical result	-114	126	10	22
Earned premiums, insurance (before reinsurance)	692	456	0	1148
Technical charges, insurance (before reinsurance)	-779	-229	0	-1008
Net fee and commission income	-26	-84	10	-101
Ceded reinsurance result	-1	-17	0	-17
Financial result	224	43	73	340
Net interest income			252	252
Dividend income			6	6
Net result from financial instruments at fair value			55	55
Net realised result from AFS assets			27	27
Allocation to the technical accounts	224	43	-267	0
Operating expenses	-37	-90	-2	-129
Internal costs claim paid	-2	-19	0	-21
Administration costs related to acquisitions	-10	-24	0	-34
Administration costs	-25	-48	0	-72
Management costs investments	0	0	-2	-2
Other net income			14	14
Impairments			-8	-8
Share in results of associated companies			0	0
RESULT BEFORE TAX	73	79	87	239
Income tax expense				-65
Net post-tax result from discontinued operations				2
RESULT AFTER TAX				175
attributable to minority interest				1
attributable to equity holders of the parent				**174**
1Q 2012				
Technical result	-97	113	16	33
Earned premiums, insurance (before reinsurance)	447	443		890
Technical charges, insurance (before reinsurance)	-517	-237		-754
Net fee and commission income	-26	-79	16	-89
Ceded reinsurance result	0	-14		-13
Financial result	211	51	238	501
Net interest income			229	229
Dividend income			5	5
Net result from financial instruments at fair value			215	215
Net realised result from AFS assets			52	52
Allocation to the technical accounts	211	51	-263	0
Operating expenses	-35	-89	0	-124
Internal costs claim paid	-2	-20		-22
Administration costs related to acquisitions	-10	-24		-35
Administration costs	-23	-44		-67
Management costs investments	0		0	0
Other net income			45	45
Impairments			-10	-10
Share in results of associated companies			0	0
RESULT BEFORE TAX	79	76	289	444
Income tax expense				-103
Net post-tax result from discontinued operations				1
RESULT AFTER TAX				343
attributable to minority interest				1
attributable to equity holders of the parent				**342**

Note: Figures for premium income exclude the investment contracts without DPF, which roughly coincide with the unit-linked products. Figures are before elimination of transactions between the bank and insurance entities of the group (more information in the 2011 annual report).

Operating expenses (note 12 in the annual accounts 2011)

In 2010 the Hungarian government has decided to impose a new extraordinary bank tax on the financial institutions. The bank tax was introduced for 2010, 2011 and 2012 and is due by both K&H Bank and K&H Insurance. The operating expenses for the first quarter of 2011 and 2012 include the expenses related to the special tax imposed on financial institutions in Hungary (62 million euros cost in 2011 fully booked in the first quarter of 2011, 57 million euros cost in 2012 fully booked in the first quarter of 2012; deductible expense).
During 4Q 2011, The Government of Hungary and the representatives of the Hungarian Banking Association, agreed on additional measures regarding FX debt relief, impacting also the amount of banking tax. The losses incurred by the banks on the FX-loans can for 30% be recovered from the banking tax paid. As a result of this, the full year amount of banking tax reduces to a cost of only 6 million euros. The agreement also states that the banking tax will not increase in 2012, be halved in 2013 and as from 2014 will be set at the level of the European bank tax.

Impairment – income statement (note 14 in the annual accounts 2011)

In millions of EUR	1Q 2011	4Q 2011	1Q 2012
Total	- 105	- 746	- 273
Impairment on loans and receivables	- 97	- 599	- 261
Breakdown by type			
Specific impairments for on-balance-sheet lending	- 119	- 613	- 300
Provisions for off-balance-sheet credit commitments	8	3	- 4
Portfolio-based impairments	15	10	44
Breakdown by business unit			
Belgium	- 11	- 23	2
Central and Eastern Europe	- 51	- 151	- 46
Merchant Banking	- 57	- 368	- 203
Group Centre	22	- 58	- 14
Impairment on available-for-sale assets	- 6	- 71	- 5
Breakdown by type			
Shares	- 6	- 8	- 5
Other	0	- 63	0
Impairment on goodwill	0	- 41	0
Impairment on other	- 2	- 35	- 7
Intangible assets, other than goodwill	0	- 7	0
Property and equipment and investment property	0	- 18	0
Held-to-maturity assets	0	- 16	0
Associated companies (goodwill)	0	0	0
Other	- 2	7	- 7

The impairment on loans and receivables for the business unit Merchant Banking, includes an impairment on loans & receivables in Ireland of -195 million euros in 1Q 2012.

Financial assets and liabilities: breakdown by portfolio and product (note 18 in the annual accounts 2011)

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	Total excluding Kredyt Bank Group (IFRS 5)
FINANCIAL ASSETS, 31-12-2011									
Loans and advances to credit institutions and investment firms [a]	4 600	305	0	14 253	-	-	-	19 158	19 111
Loans and advances to customers [b]	203	1 879	0	136 201	-	-	-	138 284	131 813
Excluding reverse repos								*136 855*	*130 384*
Discount and acceptance credit	0	0	0	137	-	-	-	137	137
Consumer credit	0	0	0	3 910	-	-	-	3 910	3 269
Mortgage loans	0	178	0	57 253	-	-	-	57 431	53 492
Term loans	203	1 531	0	61 880	-	-	-	63 614	62 553
Finance leasing	0	11	0	4 647	-	-	-	4 658	4 524
Current account advances	0	0	0	4 876	-	-	-	4 876	4 249
Securitised loans	0	0	0	0	-	-	-	0	0
Other	0	159	0	3 499	-	-	-	3 659	3 589
Equity instruments	1 028	28	1 446	-	-	-	-	2 501	2 491
Investment contracts (insurance)		7 652	-	-	-	-	-	7 652	7 652
Debt instruments issued by	4 286	3 997	37 299	2 890	14 063	-	-	62 535	60 374
Public bodies	3 101	3 594	29 183	224	13 365	-	-	49 467	47 580
Credit institutions and investment firms	647	204	3 862	211	491	-	-	5 415	5 141
Corporates	538	199	4 255	2 455	207	-	-	7 653	7 653
Derivatives	16 750	-	-	-	-	624	-	17 375	17 192
Total carrying value excluding accrued intrest income	26 867	13 861	38 745	153 345	14 063	624	0	247 505	238 633
Accrued interest income	69	79	746	549	334	158	0	1 934	1 858
Total carrying value including accrued interest income	26 936	13 940	39 491	153 894	14 396	782	0	249 439	240 491
[a] *Of which reverse repos*								*5 982*	*5 982*
[b] *Of which reverse repos*								*1 429*	*1 429*
FINANCIAL ASSETS, 31-03-2012									
Loans and advances to credit institutions and investment firms [a]	4 854	823	0	11 855	-	-	-	17 532	
Loans and advances to customers [b]	71	4 280	0	131 629	-	-	-	135 980	
Excluding reverse repos								*131 940*	
Discount and acceptance credit	0	0	0	179	-	-	-	179	
Consumer credit	0	0	0	3 223	-	-	-	3 223	
Mortgage loans	0	161	0	53 790	-	-	-	53 951	
Term loans	71	3 993	0	61 374	-	-	-	65 437	
Finance leasing	0	10	0	4 441	-	-	-	4 451	
Current account advances	0	0	0	4 802	-	-	-	4 802	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	116	0	3 820	-	-	-	3 937	
Equity instruments	793	18	1 334	-	-	-	-	2 144	
Investment contracts (insurance)		8 562	-	-	-	-	-	8 562	
Debt instruments issued by	4 754	3 048	32 839	2 361	20 707	-	-	63 709	
Public bodies	3 860	2 686	24 551	201	19 471	-	-	50 769	
Credit institutions and investment firms	487	201	3 562	11	703	-	-	4 964	
Corporates	407	161	4 726	2 148	533	-	-	7 976	
Derivatives	14 514	-	-	-	-	634	-	15 149	
Total carrying value excluding accrued interest income	24 986	16 730	34 173	145 846	20 707	634	0	243 075	
Accrued interest income	83	28	426	503	417	138	0	1 594	
Total carrying value including accrued interest income	25 068	16 758	34 599	146 348	21 124	772	0	244 670	
[a] *Of which reverse repos*								*6 065*	
[b] *Of which reverse repos*								*4 040*	

In the first quarter of 2012, a total amount of 3.6 billion euros of government securities were reclassified from AFS to HTM.

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	Total excluding Kredyt Bank Group (IFRS 5)
FINANCIAL LIABILITIES, 31-12-2011									
Deposits from credit institutions and investment firms [a]	843	3 831	-	-	-	-	21 259	25 934	25 901
Deposits from customers and debt certificates [b]	4 288	17 565	-	-	-	-	143 373	165 226	159 163
Excluding repos								*149 385*	*143 322*
Deposits from customers	3 774	13 277	-	-	-	-	117 410	134 461	128 397
Demand deposits	0	0	-	-	-	-	37 472	37 472	33 788
Time deposits	3 774	13 277	-	-	-	-	42 010	59 061	56 918
Savings deposits	0	0	-	-	-	-	32 624	32 624	32 624
Special deposits	0	0	-	-	-	-	3 887	3 887	3 887
Other deposits	0	0	-	-	-	-	1 417	1 417	1 180
Debt certificates	514	4 288	-	-	-	-	25 963	30 766	30 766
Certificates of deposit	0	20	-	-	-	-	4 597	4 617	4 617
Customer savings certificates	0	0	-	-	-	-	710	710	710
Convertible bonds	0	0	-	-	-	-	0	0	0
Non-convertible bonds	514	4 167	-	-	-	-	12 694	17 375	17 375
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	0
Non-convertible subordinated liabilities	0	101	-	-	-	-	7 961	8 063	8 063
Liabilities under investment contracts	-	7 014	-	-	-	-	0	7 014	7 014
Derivatives	21 699	0	-	-	-	1 601	-	23 300	23 111
Short positions	497	0	-	-	-	-	-	497	497
in equity instruments	4	0	-	-	-	-	-	4	4
in debt instruments	493	0	-	-	-	-	-	493	493
Other	0	173	-	-	-	-	2 408	2 581	2 581
Total carrying value excluding accrued interest expense	27 327	28 584	-	-	-	1 601	167 041	224 553	218 267
Accrued interest expense	27	94	-	-	-	328	801	1 251	1 240
Total carrying value including accrued interest expense	27 355	28 678	-	-	-	1 929	167 842	225 804	219 508
[a] *Of which repos*								*6 574*	*6 574*
[b] *Of which repos*								*15 841*	*15 841*

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
FINANCIAL LIABILITIES, 31-03-2012								
Deposits from credit institutions and investment firms [a]	1 133	2 992	-	-	-	-	23 672	27 797
Deposits from customers and debt certificates [b]	4 264	18 274	-	-	-	-	144 014	166 551
Excluding repos								*149 685*
Deposits from customers	3 686	13 398	-	-	-	-	117 914	134 999
Demand deposits	0	0	-	-	-	-	35 672	35 672
Time deposits	3 686	13 398	-	-	-	-	43 256	60 340
Savings deposits	0	0	-	-	-	-	33 751	33 751
Special deposits	0	0	-	-	-	-	3 977	3 977
Other deposits	0	0	-	-	-	-	1 258	1 258
Debt certificates	578	4 876	-	-	-	-	26 099	31 553
Certificates of deposit	0	10	-	-	-	-	5 700	5 711
Customer savings certificates	0	0	-	-	-	-	667	667
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	578	4 639	-	-	-	-	12 158	17 375
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	226	-	-	-	-	7 574	7 800
Liabilities under investment contracts	-	7 871	-	-	-	-	0	7 871
Derivatives	17 995	0	-	-	-	1 582	-	19 576
Short positions	620	0	-	-	-	-	-	620
in equity instruments	9	0	-	-	-	-	-	9
in debt instruments	611	0	-	-	-	-	-	611
Other	0	78	-	-	-	-	3 135	3 212
Total carrying value excluding accrued interest expense	24 012	29 214	-	-	-	1 582	170 820	225 628
Accrued interest expense	23	78	-	-	-	262	946	1 310
Total carrying value including accrued interest expense	24 035	29 293	-	-	-	1 844	171 766	226 937
[a] *Of which repos*								*7 889*
[b] *Of which repos*								*16 866*

Additional information on quarterly time series

Total customer loans excluding reverse repo

In millions of EUR	31-03-2011	30-06-2011	30-09-2011	31-12-2011	31-03-2012
Total	134 214	135 674	136 281	136 855	131 940
Breakdown per business unit					
Belgium	52 413	53 364	54 190	55 254	55 776
Central and Eastern Europe	25 279	25 950	25 826	25 632	26 220
Merchant Banking	42 561	42 389	42 542	42 419	42 561
Group Centre (*)	13 962	13 972	13 723	13 550	7 383

(*) figures as of 31-03-2011 excluding Centea; figures as of 31-03-2012 excluding Kredyt Bank

Total mortgage loans

In millions of EUR	31-03-2011	30-06-2011	30-09-2011	31-12-2011	31-03-2012
Total	55 795	56 731	57 081	57 431	53 951
Breakdown per business unit					
Belgium	27 337	27 833	28 457	29 417	29 703
Central and Eastern Europe	10 677	11 045	11 019	10 533	10 871
Merchant Banking	12 633	12 550	12 460	12 288	12 093
Group Centre (*)	5 149	5 303	5 145	5 194	1 284

(*) figures as of 31-03-2011 excluding Centea; figures as of 31-03-2012 excluding Kredyt Bank.

Total customer deposits excluding repos

In millions of EUR	31-03-2011	30-06-2011	30-09-2011	31-12-2011	31-03-2012
Total	173 492	171 388	167 683	149 385	149 685
Breakdown per business unit					
Belgium	68 554	70 802	72 687	71 156	71 324
Central and Eastern Europe	35 543	35 692	35 193	35 007	35 874
Merchant Banking	60 175	56 010	51 474	33 535	39 548
Group Centre (*)	9 221	8 884	8 329	9 687	2 940

(*) figures as of 31-03-2011 excluding Centea; figures as of 31-03-2012 excluding Kredyt Bank

Technical provisions plus unit linked, life insurance

Technical provisions, Life Insurance (In millions of EUR)	31-03-2011		30-06-2011		30-09-2011		31-12-2011		31-03-2012	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Total	18 704	7 267	18 885	7 356	18 860	7 579	18 891	7 936	16 296	8 820
Breakdown per business unit										
Belgium	15 260	6 148	15 374	6 217	15 363	6 466	15 414	6 859	15 240	7 713
Central and Eastern Europe	868	783	879	803	865	779	836	742	859	796
Group Centre	2 576	336	2 633	335	2 632	334	2 641	335	197	311

(*) figures as from 30/09/2011 are excluding Fidea, and as from 31/12/2011 also excluding Warta.

Provisions for risks and charges (note 36 in the annual accounts 2011)

See note 8 (Other net income), for more detail on provision regarding 5/5/5 bonds.

Parent shareholders' equity and non-voting core-capital securities (note 39 in the annual accounts 2011)

in number of shares	31-12-2011	31-03-2012
Ordinary shares	357 980 313	357 980 313
of which ordinary shares that entitle the holder to a dividend payment	*344 619 736*	*344 619 736*
of which treasury shares	*18 169 054*	*18 169 054*
Non-voting core-capital securities	220 338 982	220 338 982
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 2012, 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 program (13 360 577 shares).

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State representing 16 949 152 non-voting core-capital securities. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability)

Related-party transactions (note 42 in the annual accounts 2011)

In the course of 1Q 2012, there was no significant change in related parties compared to the end of 2011.
In 2009, KBC entered into a guarantee agreement with the Belgian State to cover most of its potential downside risk exposure to CDOs. Included in the 1Q 2012 results is the related cost of 60 million euros (pre-tax), which is recognized in 'Net result from financial instruments at fair value through profit or loss'.
On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability)

Main changes in the scope of consolidation (note 45 in the annual accounts 2011)

Company	Consolidation method	Ownership percentage at KBC Group level		Comments
For income statement comparison		1Q2011	1Q2012	
Additions				
None				
Exclusions				
Centea	Full	100,00%	------	Sold in 3Q2011
Fidea NV	Full	100,00%	------	Sold in 1Q2012
Name Changes				
None				
Changes in ownership percentage and internal mergers				
Absolut Bank	Full	95,00%	99,00%	Increase with 4,00% (2Q11)
KBC Consumer Finance NV	Full	60,01%	100,00%	Increase with 39,99% (2Q11)
DZI Insurance	Full	90,35%	99,95%	Increase with 9,61% (4Q11)
For balance sheet comparison		31-12-2011	31-03-2012	
Additions				
None				
Exclusions				
Fidea NV	Full	100,00%	------	Sold in 1Q2012
Name Changes				
None				
Changes in ownership percentage and internal mergers				
None				

As compared to 1Q 2011 the consolidation scope changed by excluding Centea and Fidea, both contributing 12 million euros and 13 million euros respectively to the consolidated net profit in 1Q 2011.

Non-current assets held for sale and discontinued operations (IFRS 5) (note 46 in the annual accounts 2011)

Situation as at 31 March 2012

On 31 March 2012, following planned divestments fulfill the criteria of IFRS 5:

- as disposal groups without being part of a discontinued operation: Kredyt Bank and Warta. The results of Kredyt Bank and Warta are still included in the income statement's lines.
- as disposal groups which are part of a discontinued operation: KBL EPB-group (including Vitis Life). As required by IFRS 5, the results of a discontinued operation are shown (retroactively) on one line in the income statement: Net post-tax result from discontinued operations.

The assets and liabilities of these divestments are shown separately on the balance sheet (Non-current assets held for sale and assets associated with disposal groups on the asset side and Liabilities associated with disposal groups on the liability side): see table below for more details.

The other participations which are up for divestment in the future do not fulfill one or more of the criteria mentioned above on 31 March 2012:

- for a number of them the sale within one year is not planned
- and/or: an active program to locate a buyer has not been launched
- and/or: it is preliminary to conclude that in the current volatile financial markets the desired sale price can be obtained so that also significant changes to the plan can be made

Summary of facts and circumstances regarding divestments

KBL EPB:

Activity:	Private banking
Segment:	Group Centre
Other information:	On 10 October 2011, the KBC group has reached an agreement with Precision Capital for the sale of its dedicated private banking subsidiary KBL European Private Bankers ('KBL EPB') for a total consideration of approximately 1 billion euros. The transaction will release a total of approximately 0.7 billion euros in capital for KBC, resulting in a 0.6 % increase in KBC's tier-1 ratio (impact calculated on 30 June 2011 and subject to pricing adjustments on closing accounts). The transaction had a negative impact of approximately 0.4 billion euros on KBC's third-quarter P/L**.**

Fidea:

Activity:	Insurance
Segment:	Group Centre
Other information:	This transaction, between KBC Group and J.C. Flowers, was closed on 30 March 2012 .

Warta:

Activity:	Insurance
Segment:	Group Centre
Other information:	On 20 January 2012, KBC Group has reached an agreement with Talanx. for the sale of its subsidiary Warta for a total consideration of 770 million euros, adjusted by changes in net asset value between 30 June 2011 and the closing date. Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the second half of 2012. On the basis of figures as at 30 September 2011, the transaction is expected to release almost 0.7 billion euros in capital for KBC, resulting in an increase in KBC's tier-1 ratio of slightly below 0.7%. The transaction will have a positive impact of approximately 0.3 billion euros on KBC's profit and loss, at the time of closing of the transaction.

Kredyt Bank:

Activity:	Banking
Segment:	Group Centre
Other information:	On 28 February 2012, KBC Group has reached an agreement with Santander for the merger of its subsidiary Kredyt Bank and Bank Zachodni WBK. Following the proposed merger, Santander will hold approximately 76.5% of the merged bank and KBC around 16.4%. The rest will be held by other minority shareholders. Banco Santander S.A. has committed to help KBC to lower its stake in the merged bank to below 10% immediately after the merger. Furthermore, KBC's intention is to divest its remaining stake, with a view to maximising value. Based on the market valuations at the time of reaching the agreement, the transaction will have a positive effect on KBC's income statement of approximately +0.1 billion euros at the time of closing the transaction. Closing of the transaction is subject to the customary regulatory approvals and is expected to be completed in the second half of 2012. Upon the deconsolidation of Kredyt Bank as a result of the proposed merger, and after a committed reduction of KBC's participation below 10% shortly after the registration of the merger and at the market valuations at the time of reaching the agreement approximately 0.7 billion euros of capital will be released, predominantly based on a reduction of Risk Weighted Assets – corresponding with a pro forma tier-1 impact at KBC-group consolidated level (calculated at year-end 2011) of approximately +0.8%. Assuming a full exit and based on current market valuations, the pro forma tier-1 impact at KBC- group consolidated level (calculated at year-end 2011) is estimated at approximately +0.9%.

Impact on P/L, Balance sheet and Cash flow:

In millions of EUR	1Q 2011	4Q 2011	1Q 2012
A: DISCONTINUED OPERATIONS			
Income statement			
Income statement KBL EPB (including Vitis Life)			
Net interest income	35	39	29
Net fee and commission income	98	77	88
Other income	23	50	20
Total income	156	166	137
Operating expenses	- 108	- 117	- 110
Impairment	- 1	- 79	- 8
Share in results of associated companies	0	0	0
Result before tax	48	- 29	19
Income tax expense	- 11	19	- 6
Result after tax	**37**	**- 10**	**12**
Result of sale of KBL EPB (including Vitis Life)			
Impairment loss recognised on the remeasurement to fair value less costs to sell	- 37	36	28
Tax income related to measurement to fair value less costs to sell (deferred tax)	0	0	0
Result of sale after tax	- 37	36	28
Net post-tax result from discontinued operations	**0**	**26**	**40**

Cashflow statement KBL EPB (including Vitis Life)	
Net cash from (used in) operating activities	- 476
Net cash from (used in) investing activities	- 2
Net cash from (used in) financing activities	8
Net cash outflow/inflow	**- 470**

Earnings per share relating to discontinued operations (KBL, including Vitis Life)	
Basic	0,12
Diluted	0,12

Regarding KBL's available for sale portfolio and translation differences, an unrealised reserve of +10 million euros (after tax) is included in parent shareholders' equity on 31 March 2012. At the latest at the time of closing (expected in the second quarter of 2012), these unrealised reserves will be reclassified from equity to profit or loss.

B: NON-CURRENT ASSETS HELD FOR SALE AND ASSETS ASSOCIATED WITH DISPOSAL GROUPS AND LIABILITIES ASSOCIATED WITH DISPOSAL GROUPS

Balance sheet	31-12-2011	*of which: Discon-tinued operations*	31-03-2012	*of which: Discon-tinued operations*
Assets				
Cash and cash balances with central banks	1 076	*1 076*	764	*497*
Financial assets	16 797	*12 523*	23 382	*12 231*
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	12	*12*	12	*12*
Tax assets	110	*95*	157	*69*
Investments in associated companies	13	*13*	12	*12*
Investment property and property and equipment	278	*224*	359	*223*
Goodwill and other intangible assets	352	*196*	461	*227*
Other assets	485	*103*	498	*104*
Total assets	19 123	*14 242*	25 644	*13 374*
Liabilities				
Financial liabilities	12 901	*12 710*	18 935	*11 681*
Technical provisions insurance, before reinsurance	4 533	*424*	1 628	*407*
Tax liabilities	38	*6*	36	*7*
Provisions for risks and charges	30	*22*	44	*22*
Other liabilities	631	*304*	585	*417*
Total liabilities	18 132	*13 466*	21 229	*12 534*
Other comprehensive income				
Available-for-sale reserve	- 81	*- 72*	97	*79*
Deferred tax on available-for-sale reserve	29	*20*	- 25	*- 22*
Cash flow hedge reserve			- 1	*0*
Translation differences	7	*7*	61	*- 1*
Total other comprehensive income	- 45	*- 46*	131	*56*

Update government bonds on selected countries (note 47 in the annual accounts 2011)

Sovereign bonds on selected European countries, in billions of EUR, 31-03-2012, carrying amounts

	Banking and Insurance book			Trading book	Total	Banking and insurance book maturity breakdown		
	AFS	HTM	FIV*			Maturity date in 2012	Maturity date in 2013	Maturity date in & after 2014
Greece	0,0	0,0	0,0	0,0	0.0	0,0	0,0	0,0
Portugal	0,0	0,1	0,0	0,0	0,1	0,0	0,0	0,1
Spain	1,6	0,2	0,0	0,0	1,9	0,5	0,4	1,0
Italy	1,5	0,4	0,0	0,0	2,0	0,0	0,4	1,6
Ireland	0,1	0,3	0,0	0,0	0,4	0,0	0,0	0,4
Total	3,4	1,0	0,0	0,0	4,4	0,5	0,8	3,1

* Designated at fair value through profit and loss.

Evolution of Sovereign bond portfolio on selected European countries, banking and insurance (carrying amount in billions of EUR)

	End 1Q11	End 2Q11	End 3Q11	End 4Q11	End 1Q12
Greece	0,6	0,5	0,3	0,2	0,0
Portugal	0,3	0,3	0,1	0,1	0,1
Spain	2,2	2,2	2,1	1,9	1,9
Italy	6,2	6,1	3,8	2,1	2,0
Ireland	0,4	0,4	0,4	0,4	0,4
Total	9,7	9,6	6,7	4,8	4,4

During the first quarter of 2012, KBC took part in the exchange operation regarding Greek government bonds. The new Greek government bonds received as part of the exchange of the 'old' Greek government bonds (31,5% of the nominal value of the 'old' government bonds) are valued at the market value at the moment of exchange (prices between 21%-29%), leading to a limited remaining carrying value of 43 million euros and a realised loss on AFS and HTM (above the impairments booked in 2011) of about 42 million euros. The new Greek government bonds are classified in level 1 (while the former Greek bonds were classified in level 2).

Spanish sovereign bond exposure: see also note 48 post-balance sheet events.

At 31 March 2012, the carrying amounts of the AFS government bonds contained a negative revaluation. This effect is included in the revaluation reserve for AFS financial assets for a total amount before tax of -83 million euros (Italy: +20 million, Portugal: -24 million, Spain: -62 million, Ireland: -15 million, Greece: -1 million).

Post-balance sheet events (note 48 in the annual accounts 2011)

Significant events between the balance sheet date (31 March 2012) and the publication of this report (10 May 2012)

- In the course of April 2012, KBC further reduced its Spanish sovereign bond exposure by selling all its HTM positions (0.2 billion euros) as well as a large amount of AFS bonds (approximately 1.0 billion euros) leading to a realised result of about -51 million euros before tax. Next to this, about 0.4 billion euros worth of bonds came to maturity. The remaining carrying amount of Spanish government bonds taking into account these sale amounts and maturities reduced to approximately 0.3 billion euros.

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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 2012 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 2012 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow 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 van de Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Reviseurs d'Entreprises/Instituut van de 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 van de 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.

ERNST & YOUNG

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 2012 and for the three months then ended

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, 10 May 2012

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Pierre Vanderbeek
Partner

Peter Telders
Partner

12PVDB0177

Risk and capital management

KBC Group, 1Q 2012

Not reviewed by the auditors

Extensive risk management and solvency data for 31-12-2011 is provided in KBC's 2011 Annual Report. For an explanation regarding the methodology used, please refer to the annual report.

Credit Risk

Snapshot of the credit portfolio (Banking activities, excl. KBL EPB and Kredyt Bank)

The main source of credit risk is the loan portfolio of the bank. A snapshot of the banking 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 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. Information specifically on sovereign bonds can be found under ‘ Note 47 (in the annual accounts 2011)’.

Credit risk: loan portfolio overview (KBC Banking activities excl. KBL-EPB and Kredyt Bank)	31-12-2011[1]	31-03-2012
Total loan portfolio (in billions of EUR)		
Amount granted	186	178
Amount outstanding[2]	156	149
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	34%	36%
CEE	19%	21%
Merchant Banking	37%	38%
Group Centre	10%	6%
Total	100%	100%
Impaired loans (in millions of EUR or %)		
Amount outstanding	11 234	10 888
Specific loan impairments	4 870	4 665
Portfolio-based loan impairments	371	308
Credit cost ratio, per business unit		
Belgium	0.10%	- 0.02%
CEE	1.59%	0.60%
Czech Republic	0.37%	0.26%
Slovakia	0.25%	0.29%
Hungary	4.38%	1.92%
Bulgaria	14.73%	1.16%
Merchant Banking	1.36%	1.57%
Group Centre	0.36%[3]	-0.01% [4]
Total	0.83%[3]	0.66% [4]
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	7 580	7 888
Specific loan impairments for NP loans	3 875	3 794
Non-performing ratio, per business unit		
Belgium	1.5%	1.5%
CEE	5.6%	5.6%
Merchant Banking	7.8%	9.1%
Group Centre	5.5%	6.4%
Total	4.9%	5.3%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	51%	48%
Idem, excluding mortgage loans	62%	60%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	69%	63%
Idem, excluding mortgage loans	89%	81%

1. Figures of 31-12-2011 include Kredyt Bank
2. Outstanding amount includes all on-balance sheet commitments and off-balance sheet guarantees.
3. CCR Group Centre including KBL EPB: 0.32% and CCR Total including KBL EPB: 0.82%.
4. CCR Group Centre including Kredyt Bank: 0.34% and CCR Total including Kredyt Bank: 0.66%

Further information on the provisions made for KBC Bank Ireland in Ireland can be found under ‘Impairment – income statement (note 14)

Credit portfolio per business unit (Banking activities, excl. KBL EPB)

Legend:

- ind. LTV - Indexed Loan to Value: current outstanding loan / current value of property
- NPL - Non-Performing Loans: loans assigned a PD 11 or 12
- Specific provisions: provisions for defaulted exposure (i.e. exposure with PD 10, 11 or 12)
- portfolio provisions: provisions for non-defaulted exposure (i.e. exposure with PD < PD 10)

Loan portfolio Business Unit Belgium

31-03-2012, in millions of EUR	**Belgium**		
Total outstanding amount	57.239		
Counterparty break down		*% outst.*	
SME / corporate	1.624	*2,8%*	
retail	55.615	*97,2%*	
o/w private	30.941	*54,1%*	
o/w companies	24.674	*43,1%*	
Mortgage loans (*)		*% outst.*	ind. LTV
total	29.675	*51,8%*	64%
o/w FX mortgages	0	*0,0%*	-
o/w vintage 2007 and 2008	4.920	*8,6%*	-
o/w LTV > 100%	2.740	*4,8%*	-
Probability of default (PD)		*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	46.137	*80,6%*	
medium risk (pd 5-7; 0.80%-6.40%)	7.942	*13,9%*	
high risk (pd 8-10; 6.40%-100.00%)	2.280	*4,0%*	
non-performing loans (pd 11 - 12)	871	*1,5%*	
unrated	9	*0,0%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	871	*1,5%*	
provisions for NPL	440		
all provisions (specific + portfolio based)	535		
cover NPL by all provisions (specific + portfolio)	61%		
2011 Credit cost ratio (CCR)	0,10%		
YTD 2012 CCR	-0,02%		

Remark

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

Loan portfolio Business Unit Central & Eastern Europe

31-03-2012, in millions of EUR	Czech republic			Slovakia			Hungary			Bulgaria			Total CEE	
Total outstanding amount	20.339			4.361			5.506			694			30.900	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	6.730	*33,1%*		2.405	*55,1%*		2.842	*51,6%*		296	*42,6%*		12.273	*39,7%*
retail	13.609	*66,9%*		1.956	*44,9%*		2.664	*48,4%*		398	*57,4%*		18.628	*60,3%*
o/w private	10.261	*50,4%*		1.652	*37,9%*		2.229	*40,5%*		240	*34,6%*		14.382	*46,5%*
o/w companies	3.348	*16,5%*		305	*7,0%*		435	*7,9%*		158	*22,7%*		4.246	*13,7%*
Mortgage loans (1)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	6.688	*32,9%*	67%	1.396	*32,0%*	58%	1.953	*35,5%*	86%	114	*16,5%*	65%	10.152	*32,9%*
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	1.618	*29,4%*	94%	70	*10,1%*	62%	1.688	*5,5%*
o/w vintage 2007 and 2008	2.101	*10,3%*	-	310	*7,1%*	-	1.009	*18,3%*	-	54	*7,8%*	-	3.475	*11,2%*
o/w LTV > 100%	445	*2,2%*	-	0	*0,0%*	-	675	*12,3%*	-	15	*2,2%*	-	1.136	*3,7%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	13.030	*64,1%*		2.432	*55,8%*		2.288	*41,5%*		9	*1,3%*		17.759	*57,5%*
medium risk (pd 5-7; 0.80%-6.40%)	5.670	*27,9%*		1.343	*30,8%*		1.790	*32,5%*		226	*32,6%*		9.030	*29,2%*
high risk (pd 8-10; 6.40%-100.00%)	846	*4,2%*		282	*6,5%*		787	*14,3%*		119	*17,1%*		2.034	*6,6%*
non-performing loans (pd 11 - 12)	715	*3,5%*		153	*3,5%*		621	*11,3%*		245	*35,3%*		1.735	*5,6%*
unrated	78	*0,4%*		150	*3,4%*		20	*0,4%*		94	*13,6%*		343	*1,1%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	715	*3,5%*		153	*3,5%*		621	*11,3%*		245	*35,3%*		1.735	*5,6%*
provisions for NPL	404			90			349			117			960	
all provisions (specific + portfolio based)	523			126			421			138			1.208	
cover NPL by all provisions (specific + portfolio)	73%			82%			68%			56%			70%	
2011 Credit cost ratio (CCR) (2)	0,37%			0,25%			4,38%			14,73%			1,59%	
YTD 2012 CCR (local currency) (2)	0,26%			0,29%			1,92%			1,16%			0,60%	

Remarks

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

(2) individual CCR's in local currencies

Loan portfolio Business Unit Merchant Banking

31-03-2012, in millions of EUR	Belgium			Western Europe			o/w Ireland			USA			Southeast Asia			Global			Credit Investments			Total Merchant Banking	
Total outstanding amount	21.068			21.135			16.606			3.826			1.029			2.116			3.181			52.355	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	21.068	*100,0%*		8.428	*39,9%*		3.899	*23,5%*		3.826	*100,0%*		1.029	*100,0%*		2.116	*100,0%*		3.181	*100,0%*		39.648	*75,7%*
retail	0	*0,0%*		12.707	*60,1%*		12.707	*76,5%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		12.707	*24,3%*
o/w private	0	*0,0%*		12.707	*60,1%*		12.707	*76,5%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		0	*0,0%*		12.707	*24,3%*
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 (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	0	*0,0%*	-	12.707	*60,1%*	118%	12.707	*76,5%*	118%	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	12.707	*24,3%*
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%*	-	4.654	*22,0%*	-	4.654	*28,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	4.654	*8,9%*
o/w LTV > 100%	0	*0,0%*	-	8.440	*39,9%*	-	8.440	*50,8%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	0	*0,0%*	-	8.440	*16,1%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	14.135	*67,1%*		9.287	*43,9%*		7.093	*42,7%*		3.091	*80,8%*		590	*57,4%*		998			1.913	*60,2%*		30.015	*57,3%*
medium risk (pd 5-7; 0.80%-6.40%)	4.176	*19,8%*		4.040	*19,1%*		3.078	*18,5%*		410	*10,7%*		375	*36,4%*		804			1.116	*35,1%*		10.920	*20,9%*
high risk (pd 8-10; 6.40%-100.00%)	813	*3,9%*		4.100	*19,4%*		3.036	*18,3%*		177	*4,6%*		41	*4,0%*		237	*11,2%*		151	*4,8%*		5.520	*10,5%*
non-performing loans (pd 11 - 12)	916	*4,3%*		3.662	*17,3%*		3.399	*20,5%*		85	*2,2%*		22	*2,2%*		59	*2,8%*		0	*0,0%*		4.745	*9,1%*
unrated	1.027	*4,9%*		46	*0,2%*		0	*0,0%*		62	*1,6%*		0	*0,0%*		19			0	*0,0%*		1.154	*2,2%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	916	*4,3%*		3.662	*17,3%*		3.399	*20,5%*		85	*2,2%*		22	*2,2%*		59	*2,8%*		0	*0,0%*		4.745	*9,1%*
provisions for NPL	549			1.314			1.166			76			14			63			0			2.016	
all provisions (specific + portfolio based)	753			1.711			1.430			85			28			64			28			2.699	
cover NPL by all provisions (specific + portfolio)	82%			47%			42%			100%			126%			108%			-			57%	
2011 Credit cost ratio (CCR)	n.a.			n.a.			3,01%			n.a.			n.a.			n.a.			n.a.			1,36%	
YTD 2012 CCR	n.a.			n.a.			4,69%			n.a.			n.a.			n.a.			n.a.			1,57%	

Remarks

Belgium = Belgian Corporate Branches, KBC Lease (Belgium), KBC Commercial Finance, KBC Real Estate

Western Europe = Foreign branches in Western Europe (UK, France, Netherlands); KBC Bank Ireland (incl. former Homeloans), KBC Lease UK, Ex-Atomium assets

Ireland = KBC Bank Ireland (incl. former KBC Homeloans)

USA = foreign branch in USA

Southeast Asia = Foreign branches in Asia (Hong Kong, Singapore, China)

Global = Structured Trade Finance, Foreign branch in Dublin (Syndicated loans), KBC Bank Head-office

Credit Investments = KBC Credit Investments

(*) 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 & Kredyt Bank)

31-03-2012, in millions of EUR	**Belgium**			**CEER**			**o/w Russia**			**Western Europe**			**Global**			**Total Group Centre (excl. EPB and KB)**	
Total outstanding amount	1.539			2.369			2.116			2.675			1.835			8.418	
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
SME / corporate	1.539	*100,0%*		1.242	*52,4%*		1.082	*51,1%*		2.675	*100,0%*		1.835	*51,1%*		7.291	*86,6%*
retail	0	*0,0%*		1.127	*47,6%*		1.035	*48,9%*		0	*0,0%*		0	*0,0%*		1.127	*13,4%*
o/w private	0	*0,0%*		1.048	*44,2%*		956	*45,2%*		0	*0,0%*		0	*0,0%*		1.048	*12,5%*
o/w companies	0	*0,0%*		79	*3,3%*		79	*3,7%*		0	*0,0%*		0	*0,0%*		79	*0,9%*
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*
total	0	*0,0%*	-	881	*37,2%*	-	806	*38,1%*	0%	0	*0,0%*	-	0	*0,0%*	-	881	*10,5%*
o/w FX mortgages	0	*0,0%*	-	255	*10,8%*	-	180	*8,5%*	0%	0	*0,0%*	-	0	*0,0%*	-	255	*3,0%*
o/w vintage 2007 and 2008	0	*0,0%*	-	445	*18,8%*	-	403	*19,0%*	-	0	*0,0%*	-	0	*0,0%*	-	445	*5,3%*
o/w LTV > 100%	0	*0,0%*	-	20	*0,9%*		11	*0,5%*	-	0	*0,0%*	-	0	*0,0%*	-	20	*0,2%*
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
low risk (pd 1-4; 0.00%-0.80%)	165	*10,7%*		977	*41,2%*		961	*45,4%*		1.593	*59,6%*		467			3.202	*38,0%*
medium risk (pd 5-7; 0.80%-6.40%)	1.026	*66,7%*		909	*38,4%*		841	*39,8%*		827	*30,9%*		1.188			3.950	*46,9%*
high risk (pd 8-10; 6.40%-100.00%)	171	*11,1%*		79	*3,4%*		138	*6,5%*		172	*6,4%*		138	*7,5%*		561	*6,7%*
non-performing loans (pd 11 - 12)	162	*10,5%*		252	*10,6%*		0	*0,0%*		82	*3,1%*		42	*2,3%*		537	*6,4%*
unrated	15	*1,0%*		152	*6,4%*		45	*2,1%*		1	*0,0%*		0			168	*2,0%*
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*
outstanding non-performing loans (NPL)	162	*10,5%*		252	*10,6%*		218	*10,3%*		82	*3,1%*		42	*2,3%*		537	*6,4%*
provisions for NPL	147			150			139			65			15			378	
all provisions (specific + portfolio based)	166			176			164			95			42			532	
cover NPL by all provisions (specific + portfolio)	103%			70%			75%			116%			100%			99%	
2011 Credit cost ratio (CCR)	n.a.			n.a.			-1,99%			1,31%			0,70%			0,36%	
YTD 2012 CCR (local currency)	n.a.			n.a.			-1,89%			1,13%			0,08%			-0,01%	

Legend

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

avg. PD Average Probability of Default

Remarks

Belgium = Antwerpse Diamantbank (incl. ADB Asia Pacific)

CEER = KBC Banka, Absolut Bank

Outstanding[1] structured credit exposure (banking – including KBL EPB - and insurance activities)

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 outstanding transactions, protection was bought from the US monoline credit insurer MBIA ('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.

In billions of EUR – 31-03-2012

KBC investments in structured credit products (CDOs and other ABS)*	
Total nominal amount	*18.2*
o/w hedged CDO exposure	*10.1*
o/w unhedged CDO exposure	*5.5*
o/w other ABS exposure	*2.6*
Cumulative value markdowns (mid 2007 to date)*	-4.8
o/w value markdowns	*-4.1*
for unhedged CDO exposure	*-3.8*
for other ABS exposure	*-0.3*
o/w Credit Value Adjustment (CVA) on MBIA cover	*-0.8*

* Note 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.

Over the first quarter of 2012, there was a total notional reduction of 2.2 billion euros. The main component of this reduction was the de-risking of two CDOs, resulting in a decrease of the outstanding CDO notional with 1.7 billion euros, and the approximately 500 million euros of sales and amortizations of ABSs held by KBC Group.

Since the inception, the outstanding unhedged CDO positions held by KBC experienced net effective losses caused by claimed credit events until 10 April 2012 in the lower tranches of the CDO structure for a total amount of -2.2 billion euros. Of these, -1.9 billion euro's worth of events have been settled. 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.

Protection for CDO exposure

As stated above, KBC bought credit protection from MBIA for a large part of the (super senior) CDOs it originated.

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. The contract with the Belgian State has a nominal value of 12.2 billion euros of which 10.1 billion euros relates to the exposure insured by MBIA. The remaining 2.1 billion euros of exposure covered by the contract with the Belgian State relates to the unhedged exposure. Of this portfolio (i.e. CDO exposure not covered by credit protection by MBIA) the super senior assets have also been included in the scope of the Guarantee Agreement with the Belgian State.

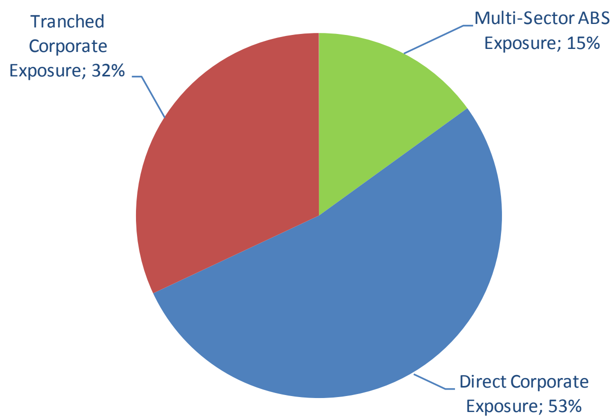
[1] Figures exclude all expired, unwound and terminated CDO positions.

Details on the hedged CDO exposure (insurance for CDO-linked risks received from MBIA), 31-03-2012
In billions of EUR

Total insured amount (notional amount of super senior swaps)[1]	10.1
Details for MBIA insurance coverage	
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement into account)	1.1
- CVA for counterparty risk, MBIA	-0.8
(as a % of fair value of insurance coverage received)	70%

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

Details of the underlying assets to KBC's CDOs originated by KBC FP



(Average % as of initial total deal notional exposure; figures as of 10 April 2012)

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 target for the tier-1 capital ratio at group level has been set at 11%.

In millions of EUR	31-12-2011	31-03-2012
Regulatory capital		
Total regulatory capital, KBC Group (after profit appropriation)	19 687	19 789
Tier-1 capital	**15 523**	**16 145**
Parent shareholders' equity	9 756	10 949
Non-voting core-capital securities [(2)]	6 500	6 500
Intangible fixed assets (-)	- 446	- 454
Goodwill on consolidation (-)	- 1 804	- 1 827
Innovative hybrid tier-1 instruments [(2)]	420	416
Non-innovative hybrid tier-1 instruments [(2)]	1 690	1 691
Minority interests	145	156
Equity guarantee (Belgian State)	564	387
Revaluation reserve available-for-sale assets (-)	117	- 609
Hedging reserve, cashflow hedges (-)	594	599
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 550	- 209
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	- 3	0
Equalization reserve (-)	- 139	- 127
Dividend payout (-) [(3)]	- 598	- 737
IRB provision shortfall (50%) (-)	0	0
Limitation of deferred tax assets	- 384	- 257
Items to be deducted [(1)] (-)	- 338	- 331
Tier-2 & 3 capital	**4 164**	**3 644**
Perpetuals (incl. hybrid tier-1 not used in tier-1)	30	30
Revaluation reserve, available-for-sale shares (at 90%)	246	246
Minority interest in revaluation reserve AFS shares (at 90%)	0	
IRB provision excess (+)	403	403
Subordinated liabilities	3 778	3 252
Tier-3 capital	45	44
IRB provision shortfall (50%) (-)	0	0
Items to be deducted [(1)] (-)	- 338	- 331
Capital requirement		
Total weighted risks	126 333	123 108
Banking	110 355	108 907
Insurance	15 791	14 018
Holding activities	286	242
Elimination of intercompany transactions between banking and holding activities	- 100	- 59
Solvency ratios		
Tier-1 ratio	12,29%	13,11%
Core Tier-1 ratio	10,62%	11,40%
CAD ratio	15,58%	16,07%

[(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 w hich KBC Bank has betw een a 10% to 50% share (predominantly NLB).

[(2)] According to CRD II, these items are considered as grandfathered items.

[(3)] for 31/12/2011: includes 595 million euros coupon on non-voting core capital securities and 3 million euros dividend on ordinary shares; for 31/03/2012: includes coupon and dividend 2011 to be paid in 2Q12 and a pro rata of the dividend and coupon for 2012.

On 2 January 2012, KBC Group reimbursed 0.5 billion euros (and 15% penalty) to the Belgian State. This has already been taken into account in the balance sheet and hence also in the solvency calculation on 31-12-2011 (0.5 billion euros shift from equity to liabilities, and the extraction of the penalty from equity by presenting it as a liability).

The pro forma tier-1 ratio at 31 March 2012 including the impact of the sale of KBL, Kredyt Bank and Warta amounts to approximately 15.5%.

The Belgian regulator has confirmed to KBC that the non-voting core capital securities will be fully grandfathered as common equity under the current CRD4 proposal.

Solvency banking and insurance activities separately

The tables below show the tier-1 and CAD ratios calculated under Basel II for KBC Bank, as well as the solvency ratio of KBC Insurance. More information on the solvency of KBC Bank and KBC Insurance can be found in their consolidated financial statements and in the KBC Risk Report.

Solvency, KBC Bank consolidated (in millions of EUR)	31-12-2011	31-03-2012
Total regulatory capital, after profit appropriation	**16 364**	**16 261**
Tier-1 capital	12 346	12 689
Tier-2 and tier-3 capital	4 019	3 572
Total weighted risks	**106 256**	**104 746**
Credit risk	85 786	84 843
Market risk	9 727	9 160
Operational risk	10 744	10 744
Solvency ratios		
Tier-1 ratio	11,6%	12,1%
of which core tier-1 ratio	9,6%	10,1%
CAD ratio	15,4%	15,5%

Solvency, KBC Insurance consolidated (in millions of EUR)	31-12-2011	31-03-2012
Available capital	2 533	2 784
Required solvency margin	1 263	1 121*
Solvency ratio and surplus		
Solvency ratio (%)	201%	248%
Solvency surplus (in millions of EUR)	1 270	1 662

* decrease compared to 31-12-2011 related to the closing of the sale of Fidea in 1Q 2012.

Presentation

KBC Group, 1Q 2012

KBC Group

Analyst **tele**-conference

10 May 2012 - 9.30 AM CEST

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

Key Takeaways

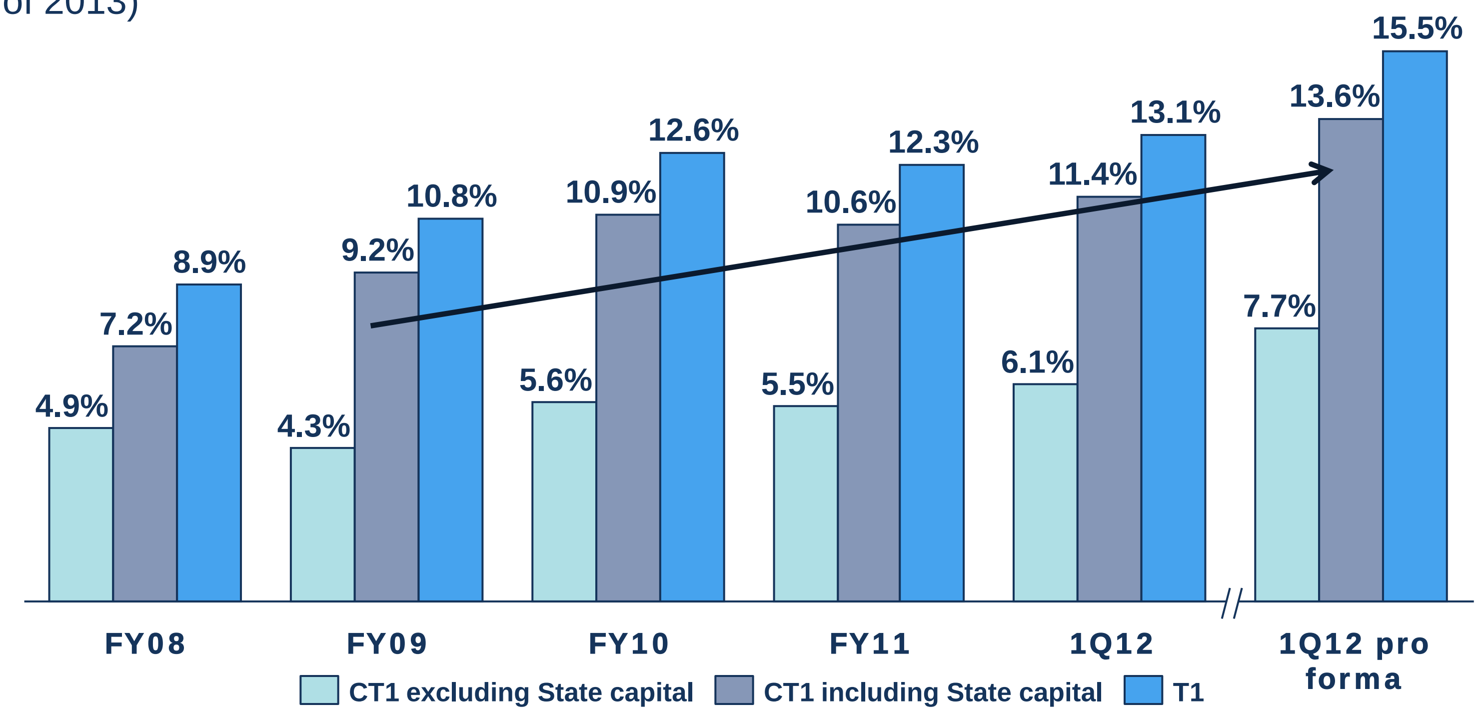
First quarter results	• Strongly improved underlying 1Q12 results: 455m EUR, thanks to markedly lower impairments and strong dealing room income • Good reported 1Q12 profit: 380m EUR, affected by the negative M2M of our own credit risk (due to an improvement of our funding curve), which offset the positive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

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

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

Strong capital position

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



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

Content

Section 1

Refocused KBC Taking Shape

Overview of divestment programme

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

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

Strategic plan: Execution progresses at a brisk pace

Execution status, mid-May 2012:

Stream 1: Agreement to sell Warta signed in January 2012

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

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

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

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

Stream 1: Divestment of Warta

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

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

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

Stream 2: Divestment of Kredyt Bank

Kredyt Bank

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

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

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

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

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

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

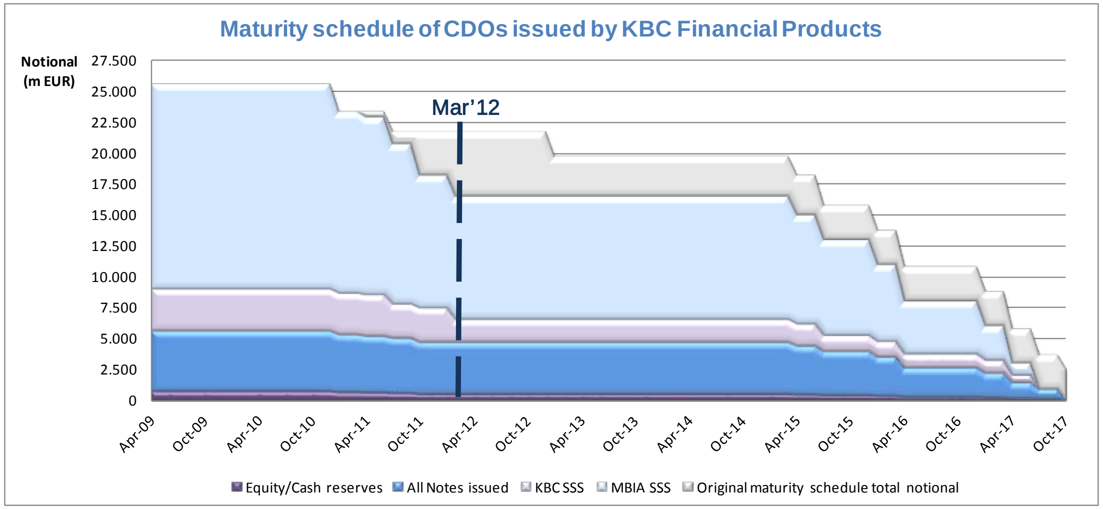
Year-to-date, KBC reduced its PIIGS exposure (carrying amount) by roughly 42%:

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

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

Stream 4: CDO/ABS exposure reduced

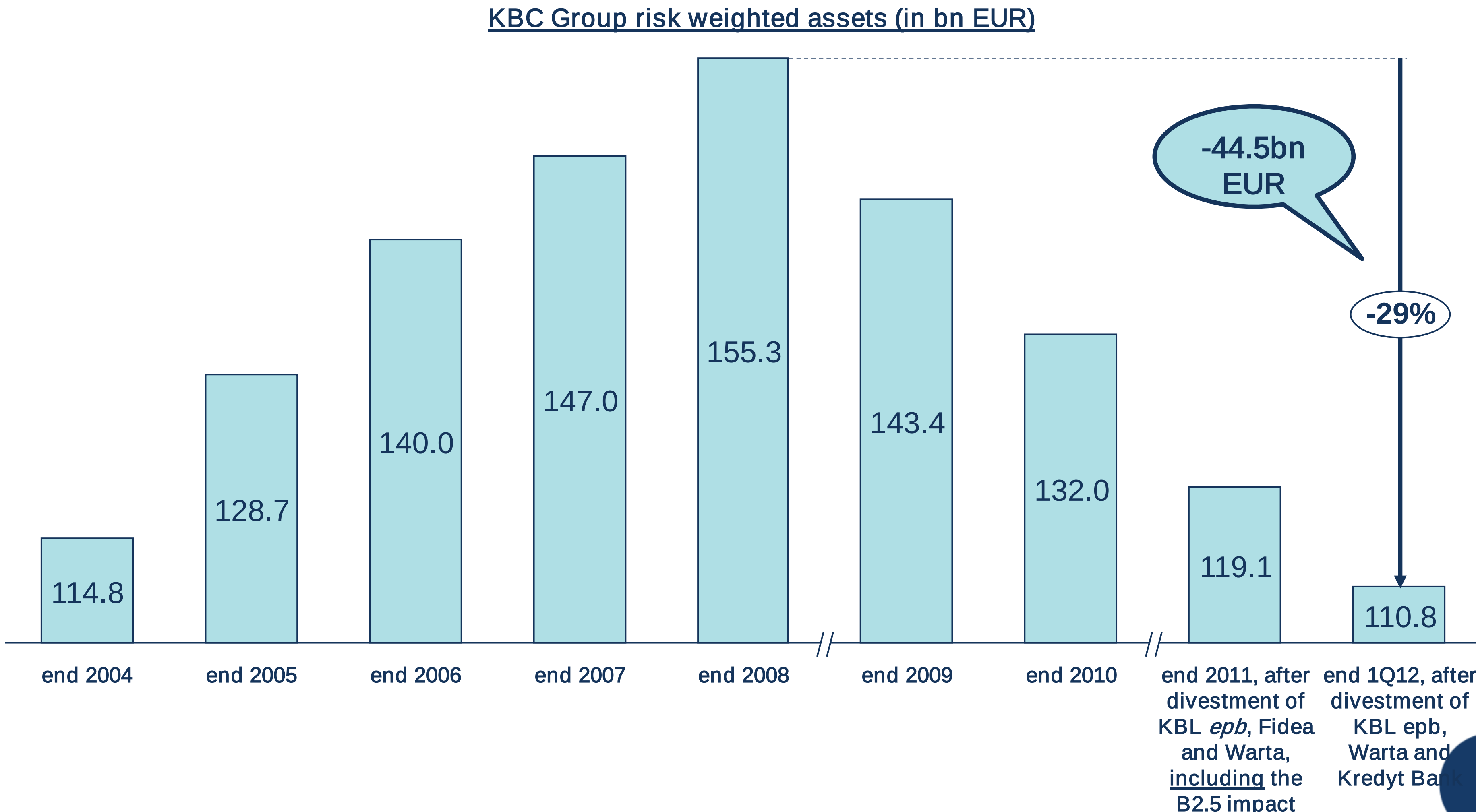
- In 1Q12, **two CDOs were de-risked**, resulting in a reduction of the outstanding notional amount of CDOs by 1.7bn EUR. This had a negative impact on P&L of 64m EUR post-tax, but no material impact on the capital position



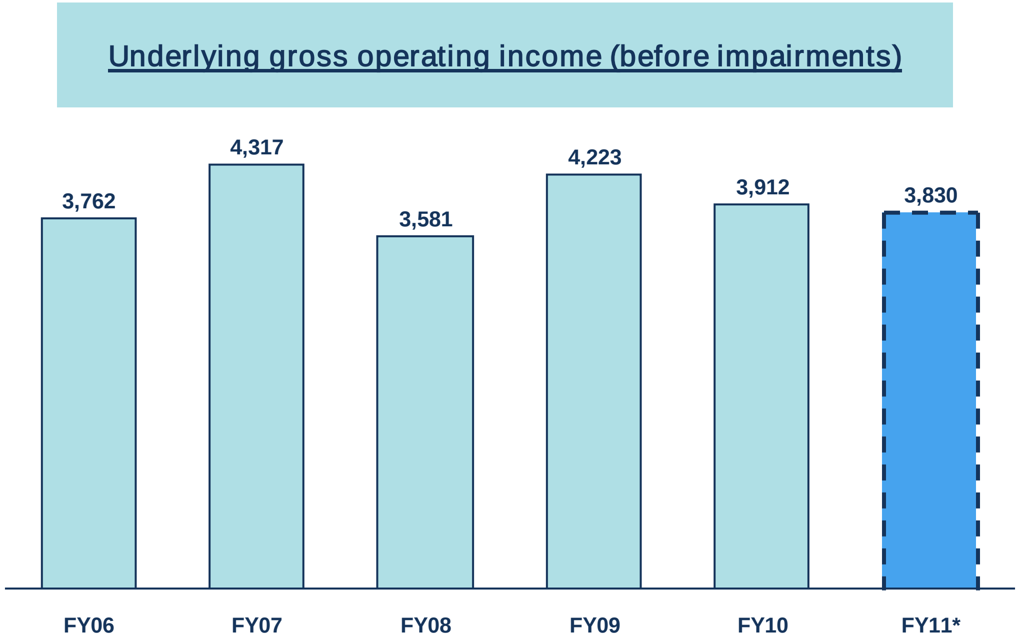
- During 1Q12, we **sold 0.2bn EUR in notional amount of US ABS assets** to the market, resulting in a 34m EUR post-tax P&L loss and a net saving of roughly 150m EUR of regulatory capital. Further on, **the notional amount of the remaining ABS-portfolio decreased by 0.3bn EUR due to the natural run-off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

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

Stream 5: RWA reduction better than initially planned



Core earnings power intact



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

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

Amounts in m EUR for KBC Group

Section 2

1Q 2012
Financial highlights

Financial highlights 1Q 2012

Underlying results

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

Reported results

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

Capital

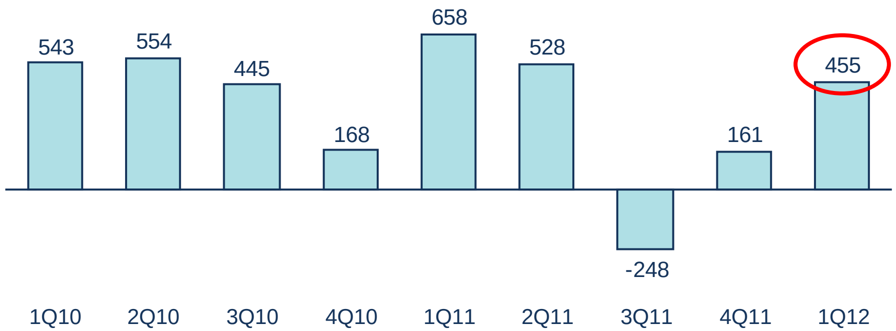
- Continued strong capital base. Pro forma tier-1 ratio under Basel 2.5 – including the effect of divestments for which a sale agreement has been signed – at approximately 15.5% (with core tier-1 at 13.6%)

Funding & Liquidity

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

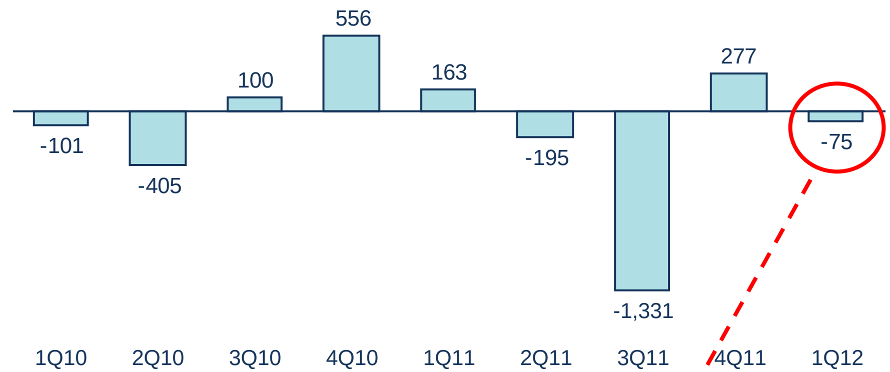
Earnings capacity

Underlying net profit

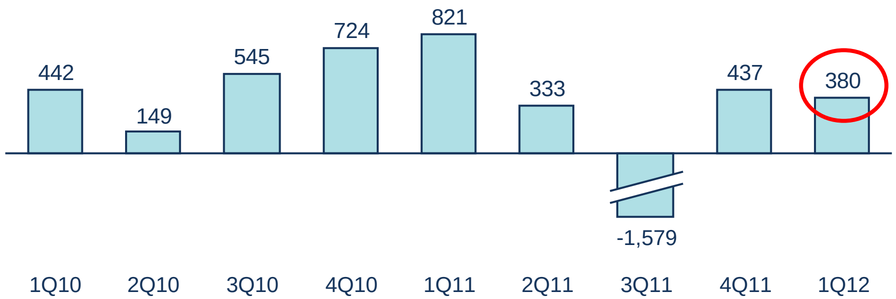


Including exceptional items

Exceptional items



Reported net profit



Main exceptional items (post-tax)

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

- 0.1bn

Amounts in m EUR

Specific points of attention in 1Q12

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

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

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

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

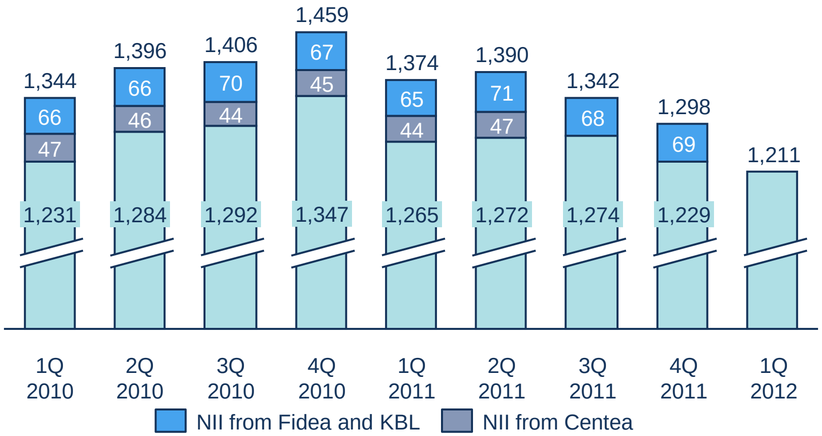
At non-recurring profit level: total impact of -76m EUR (post-tax)

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

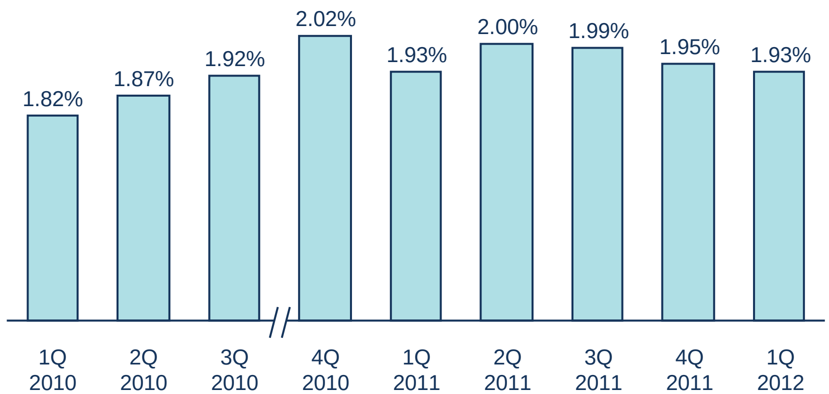
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

NII



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



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

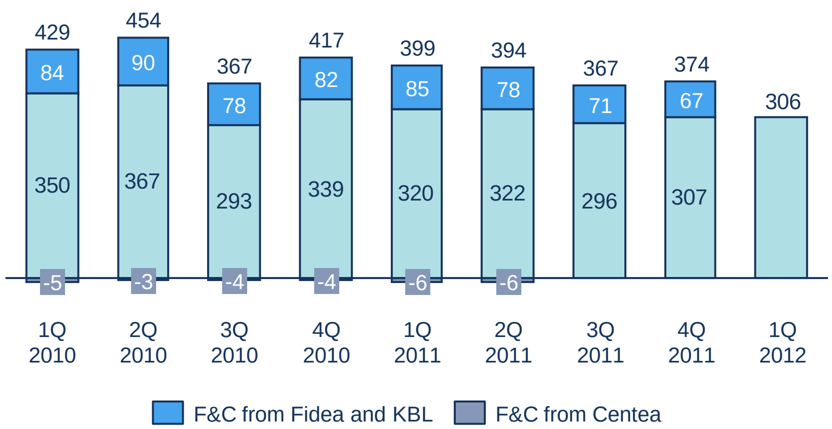
Amounts in m EUR

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

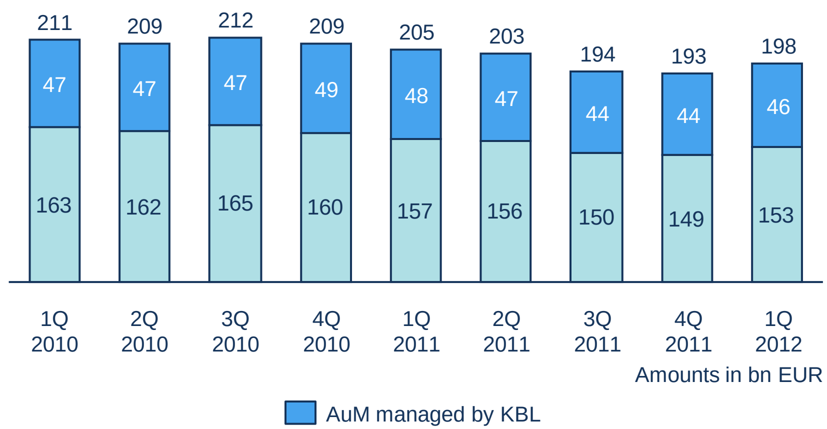
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

F&C



AUM



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

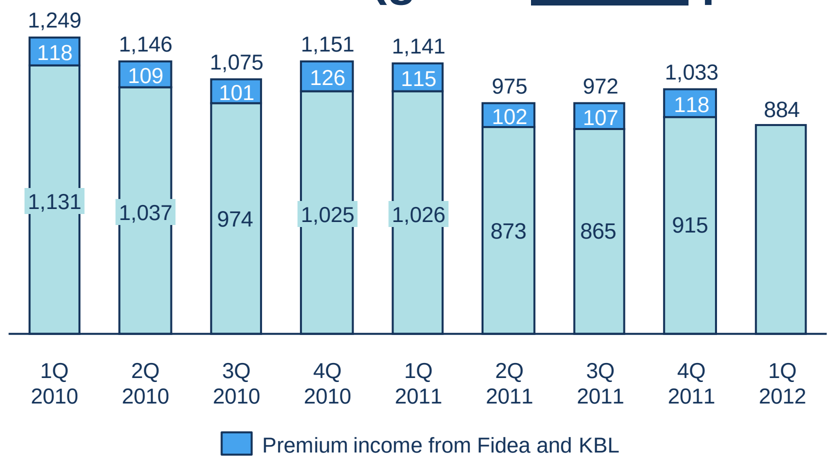
- Excluding KBL *epb*, assets under management increased by 3% quarter-on-quarter (due entirely to a positive price trend) to 153bn EUR at the end of 1Q12

Amounts in m EUR

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

Underlying revenue trend - Group

Premium income (gross earned premium)

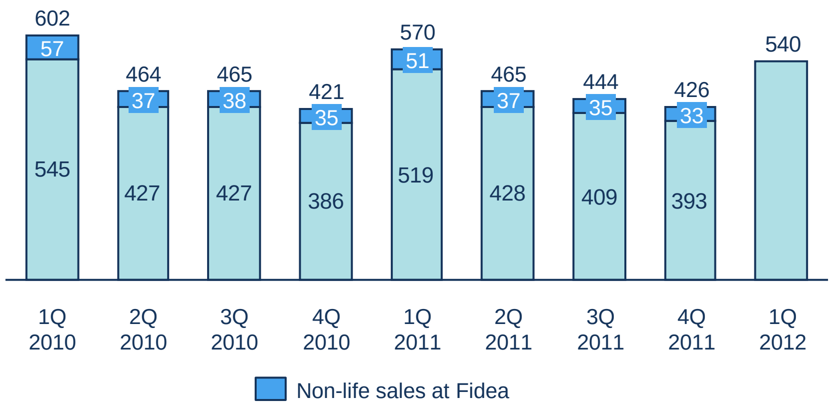


- Excluding deconsolidated entities, insurance premium income (gross earned premium) at 884m EUR
  - Non-life premium income (438m) up 3% q-o-q and 7% y-o-y. The non-life combined ratio in 1Q12 stood at a very good 89%
  - Life premium income (446m) down 9% q-o-q, mainly due to lower sales of guaranteed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

Amounts in m EUR

KBC Underlying revenue trend - Group

Non-Life sales (gross written premium)



Life sales (gross written premium)

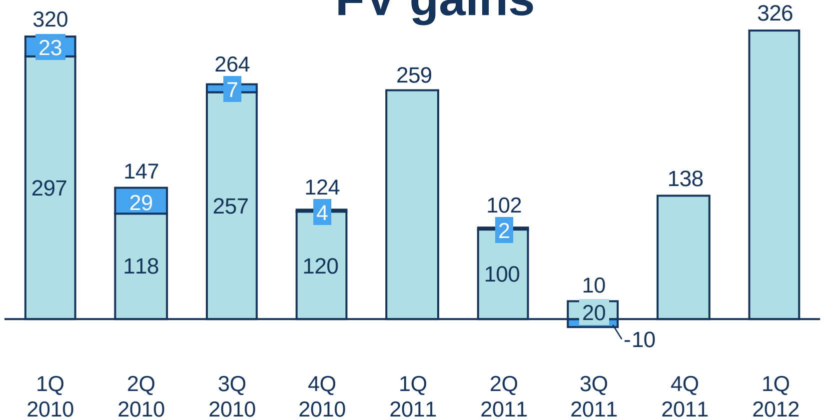
- Sales of Non-Life insurance products:
  - rose by 4% year-on-year excluding the divestment of Fidea
- Sales of Life insurance products:
  - rose by 8% quarter-on-quarter and by 16% year-on-year (respectively +19% and +26% excluding deconsolidated entities), with a deliberate shift from guaranteed interest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

Amounts in m EUR

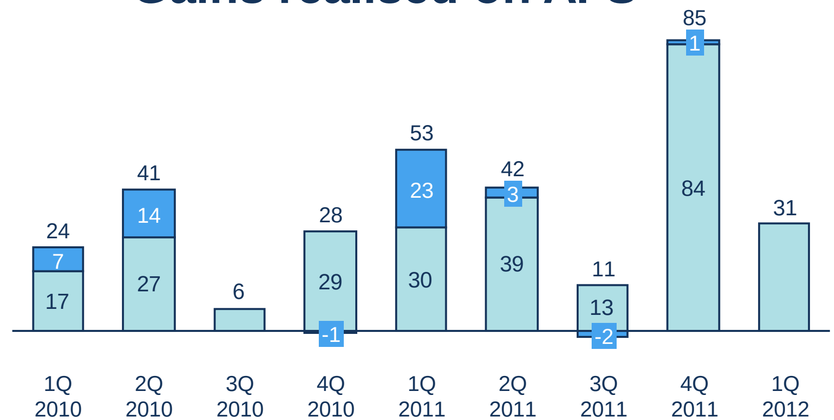
Note: KBL *epb* and Fidea are no longer reported in underlying profit from 1Q12 onwards

Underlying revenue trend - Group

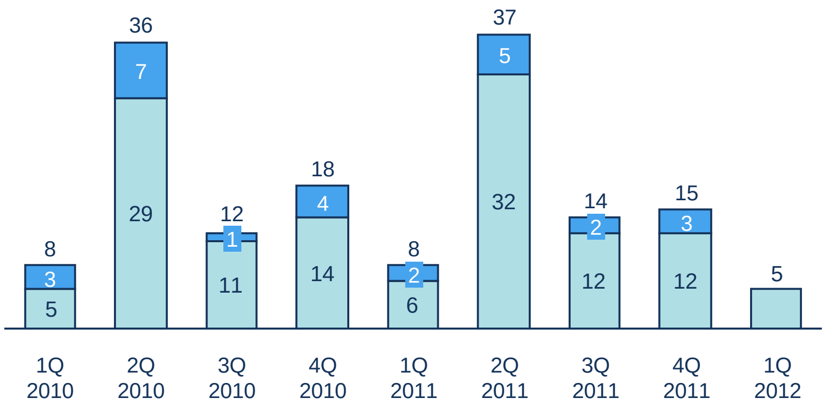
FV gains



Gains realised on AFS



Dividend income



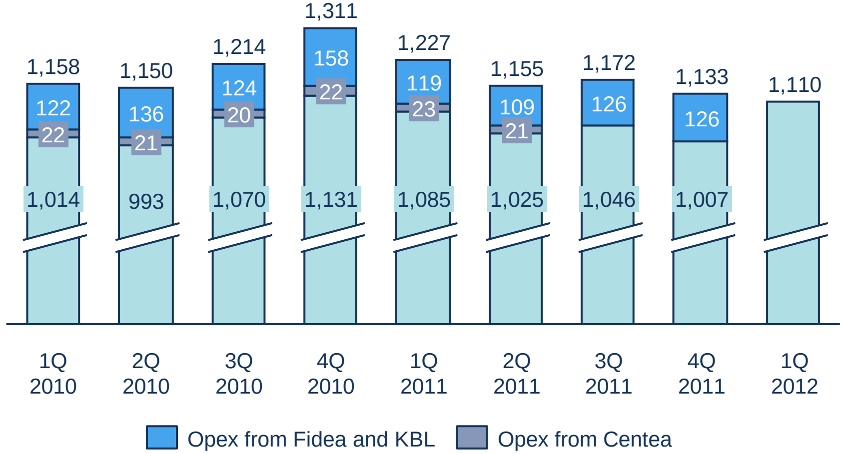
Amounts in m EUR

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

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

Underlying operating expenses - Group

Operating expenses

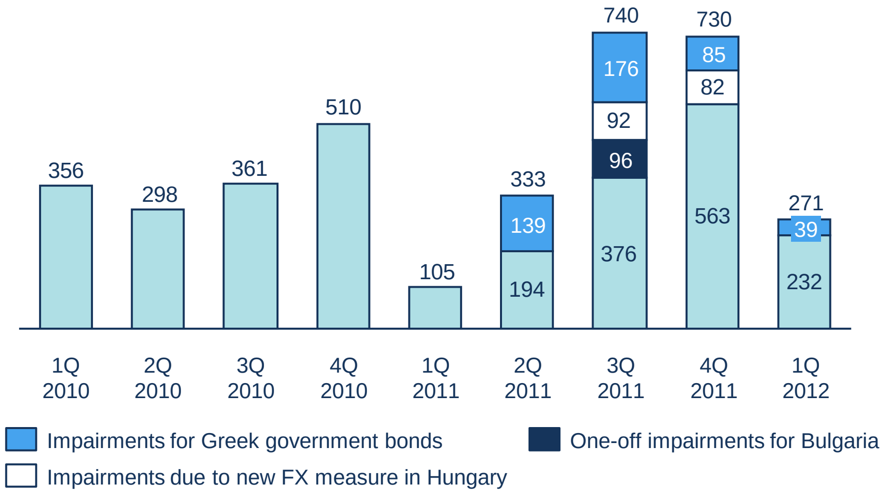


- Excluding deconsolidated entities (KBL *epb*, Fidea and Centea), costs rose by 10% q-o-q and by 2% y-o-y
  - Operating expenses rose by 10% q-o-q to 1,110m EUR in 1Q12, entirely due to higher expenses relating to bank taxes (mainly related to the recognition of the FY12 Hungarian bank tax in 1Q12 and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

Amounts in m EUR

Underlying asset impairment - Group

Asset impairment



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

Amounts in m EUR

Underlying loan loss provisions – Group

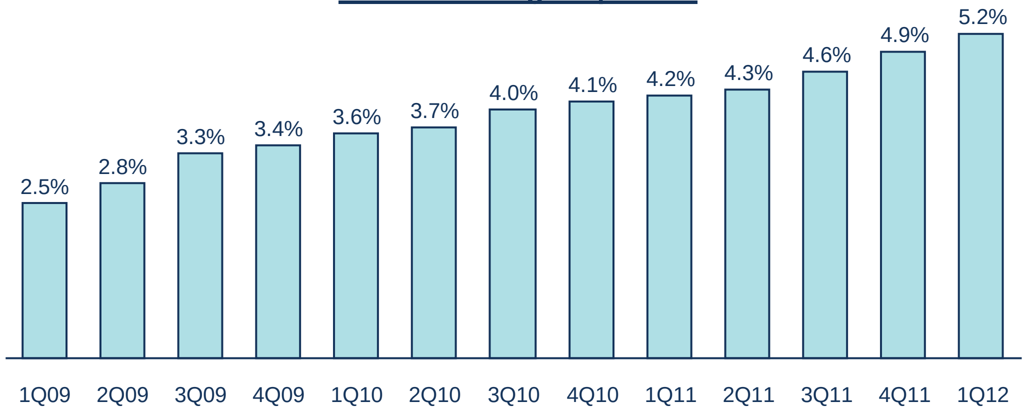
- Credit cost ratio fell to 0.66% in 1Q12 (compared to 0.82% in 2011, 0.91% in 2010 and 1.11% in 2009). Excluding KBC Bank Ireland, the CCR stood at a very low 0.18% in 1Q12. The NPL ratio amounted to 5.2%
- Credit cost ratio in Belgium was even slightly negative thanks to a small reversal of impairments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

Credit cost ratio (CCR)

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

NPL ratio at Group level

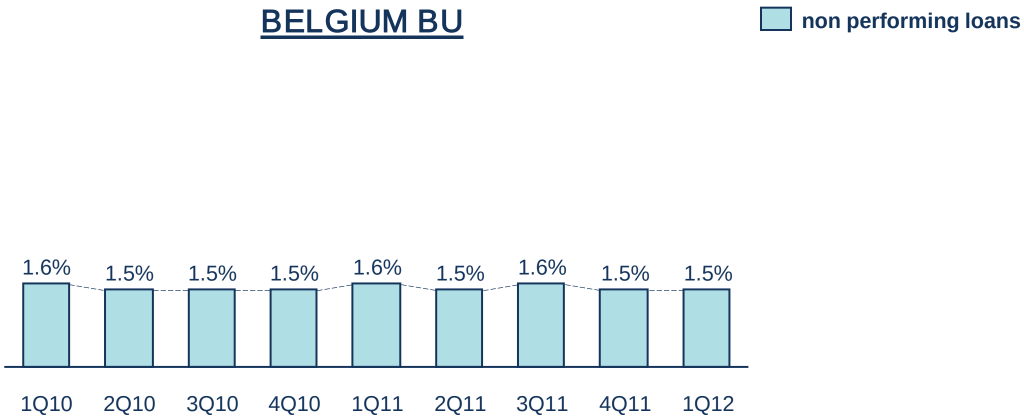
NPL ratio at group level



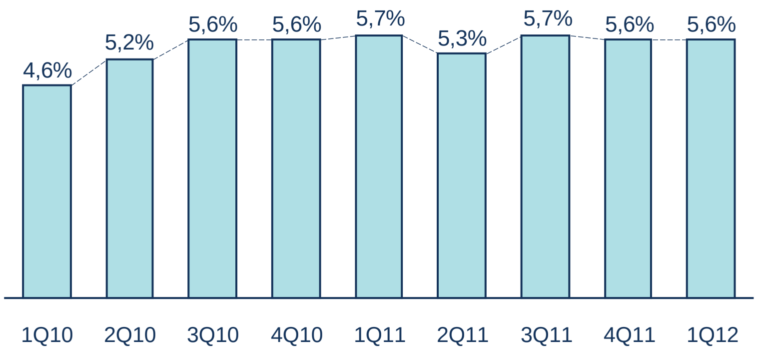
1Q 2012	**Non-Performing Loans** (>90 days overdue)	**High risk, excl. restructured loans** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.5%	2.5%	1.5%
CEE BU	5.6%	4.2%	2.4%
MEB BU	9.1%	6.9%	3.6%

NPL ratios per business unit

BELGIUM BU

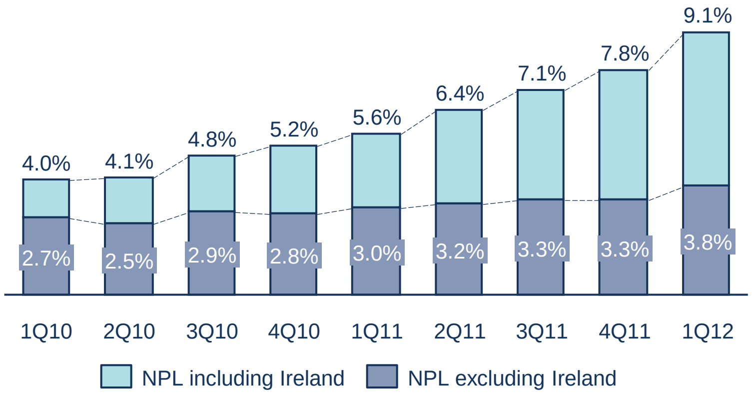


CEE BU



MEB BU

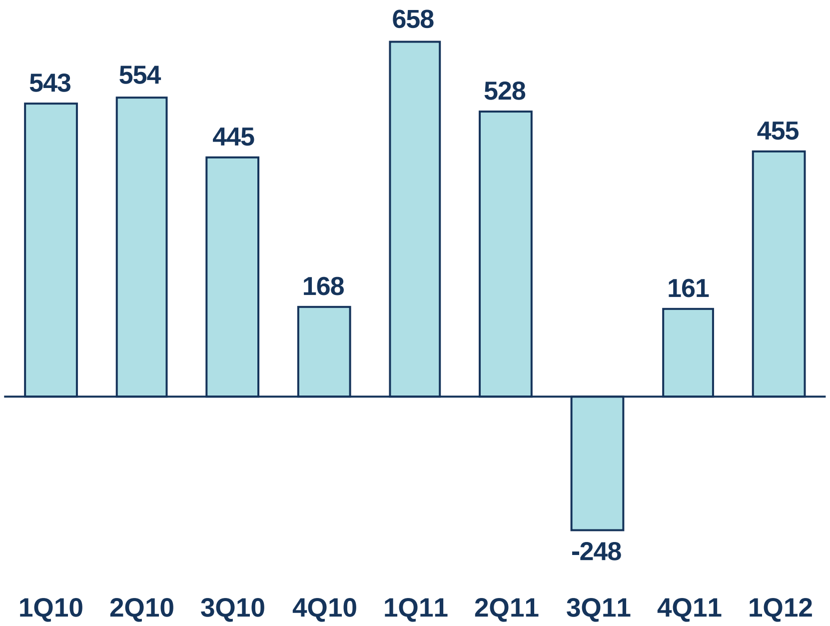
(incl. Ireland)



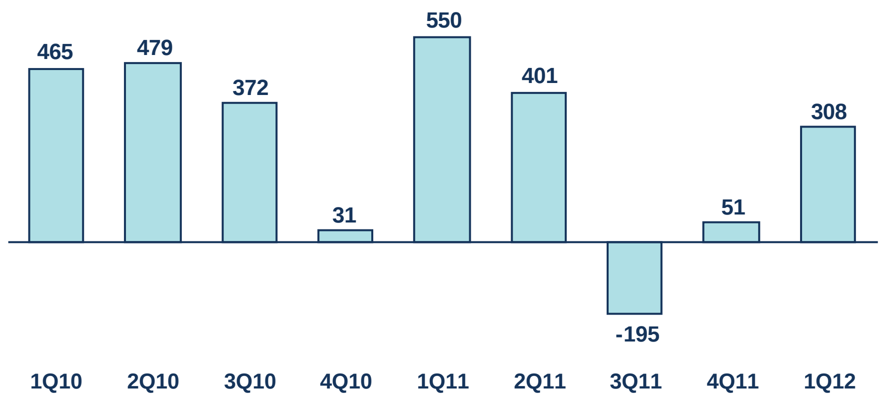
Underlying profit of KBC Group

Amounts in m EUR

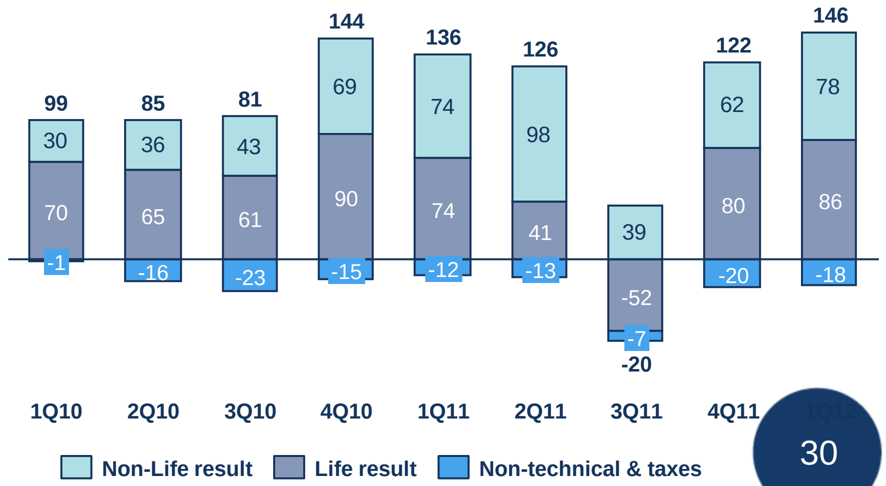
Underlying net profit of KBC Group *



Underlying net profit contribution banking to KBC Group



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



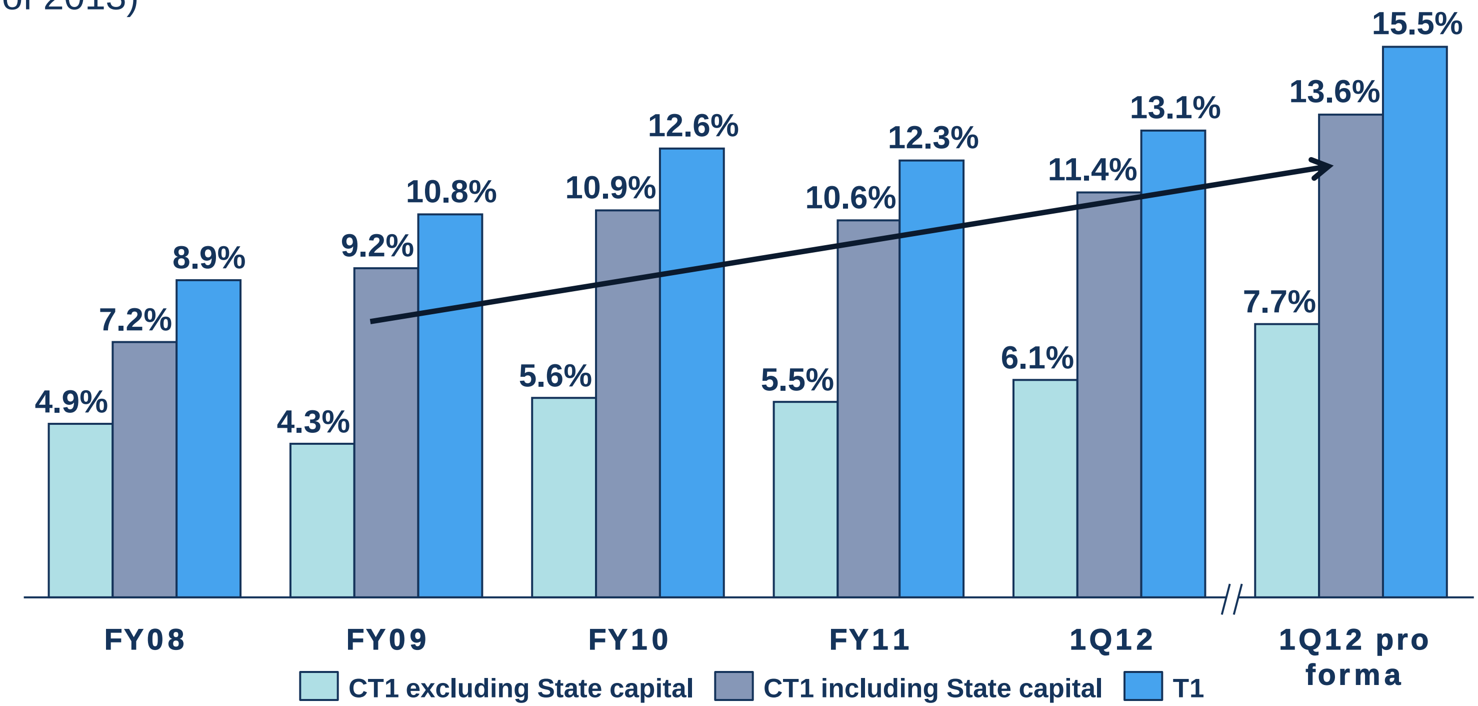
* Difference between underlying net profit of KBC Group and the sum of the banking and insurance contribution are the holding/group items and Vitis

Section 3

Strong solvency and solid liquidity position

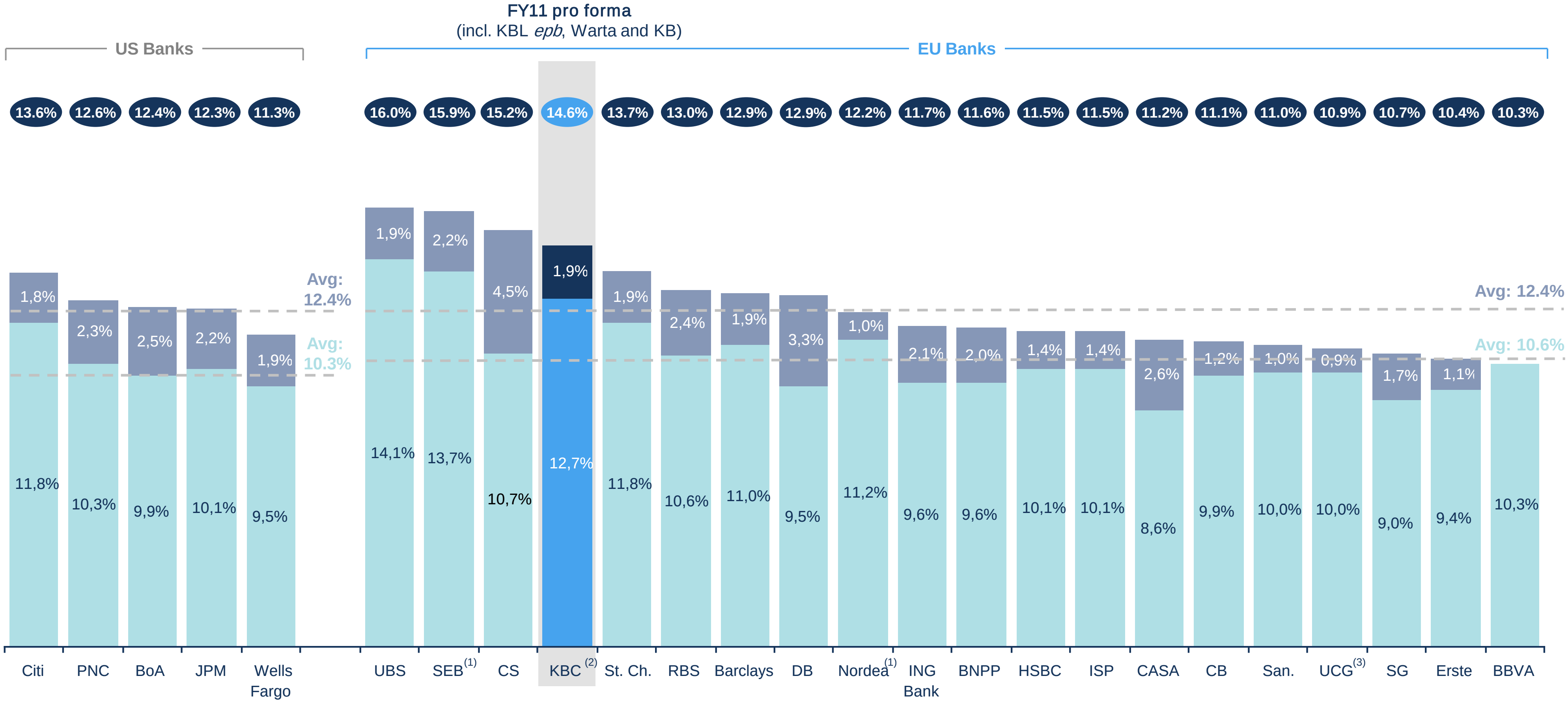
Strong capital position

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



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

Favourable peer group comparison

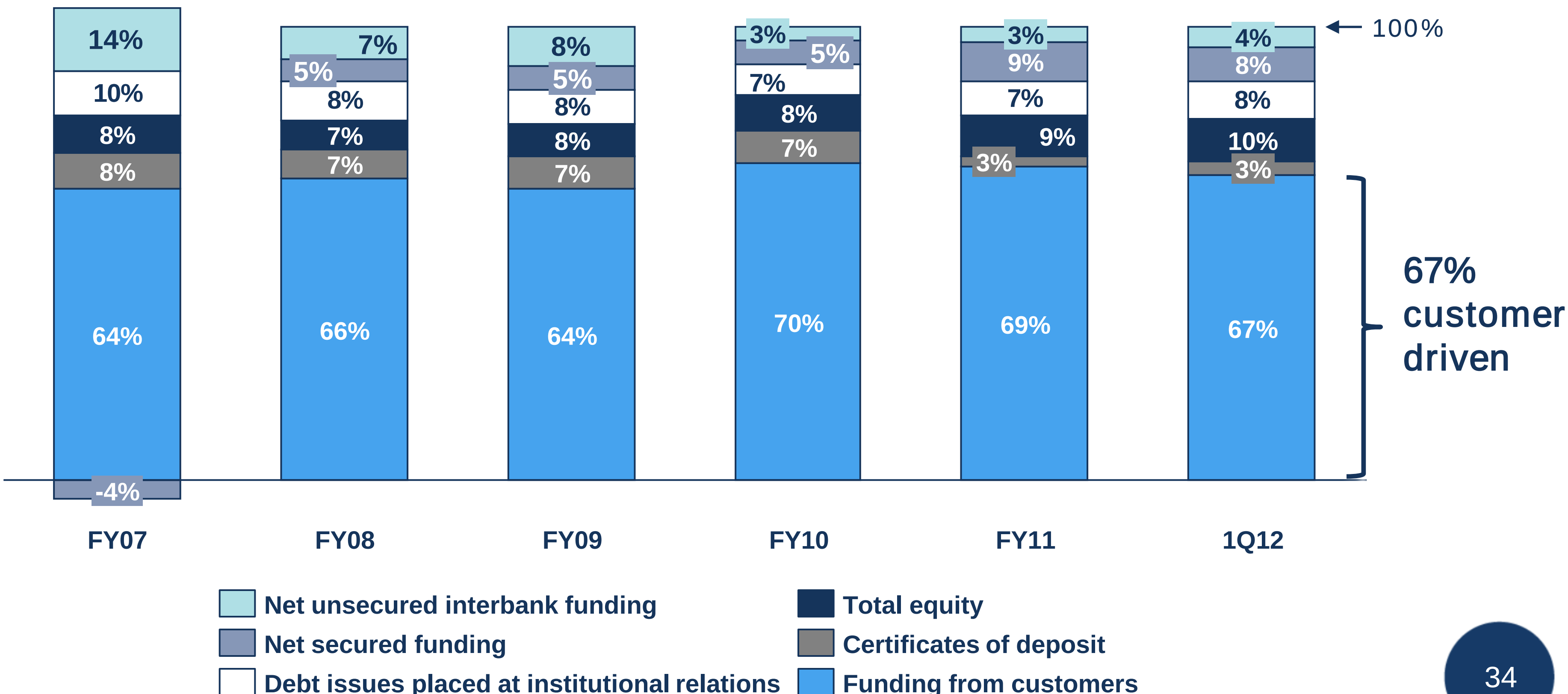


Core Tier 1 as of Dec 11
Tier 1 as of Dec 11

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

A solid liquidity position (1)

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



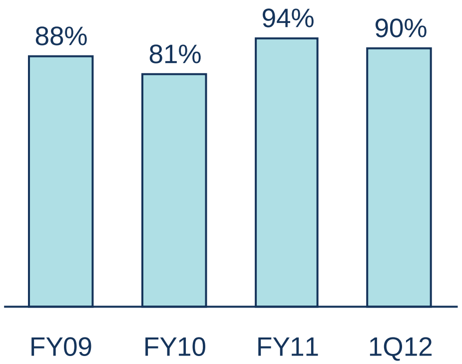
A solid liquidity position (2)

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

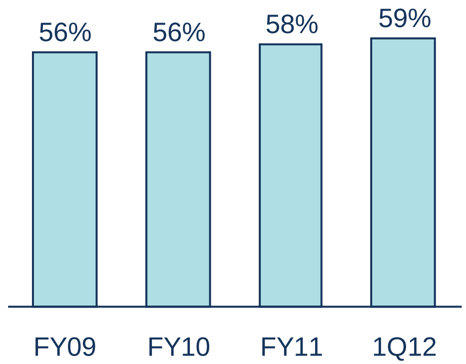
A solid liquidity position (3)

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

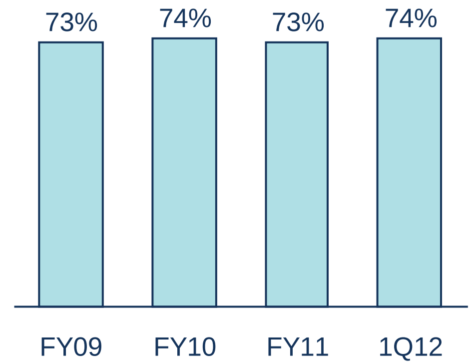
LTD ratio at KBC Bank



LTD ratio at Belgium BU*



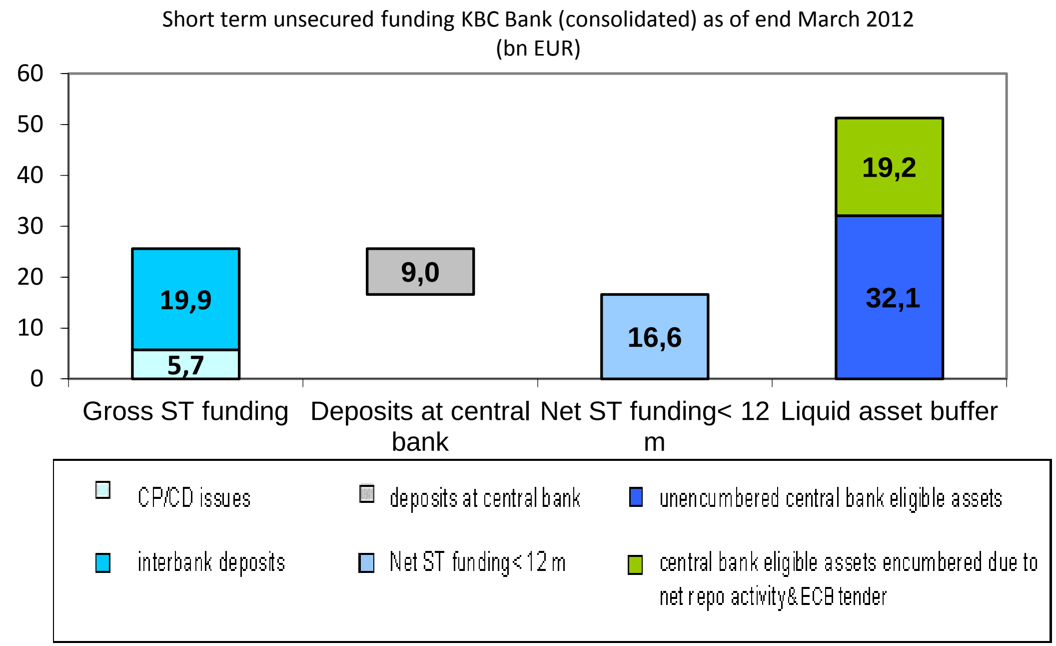
LTD ratio at CEE BU**



* Excluding Centea (retroactively adjusted)

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

A solid liquidity position (4)



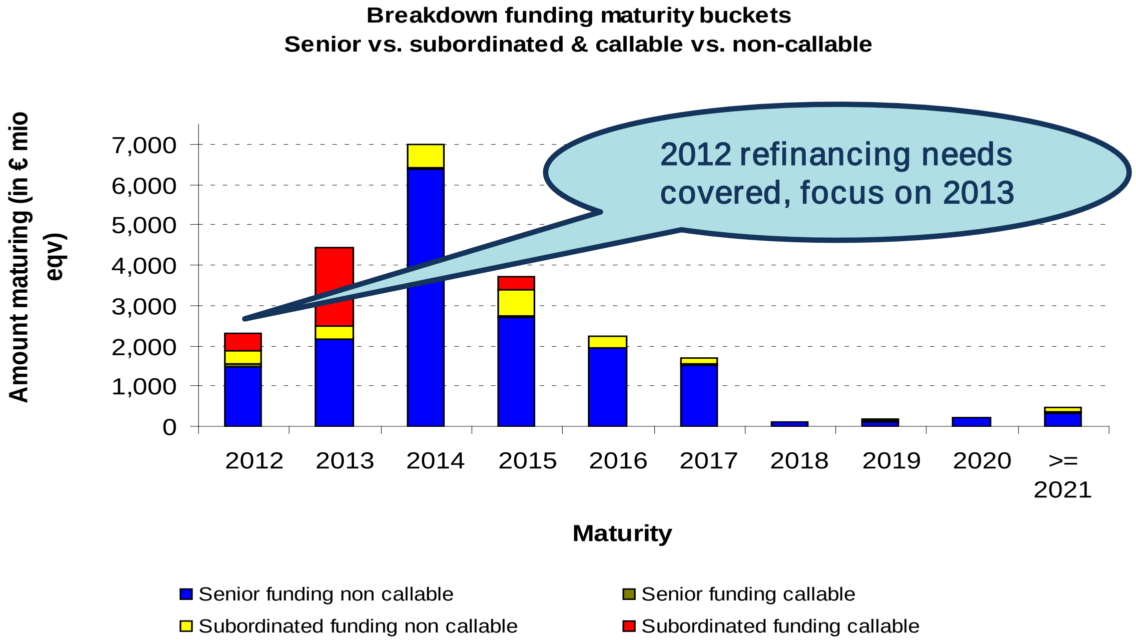
The liquid asset buffer increased slightly amongst other things due to positive M2M evolutions on the portfolio

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

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

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

Upcoming mid-term funding maturities



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

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

Section 4

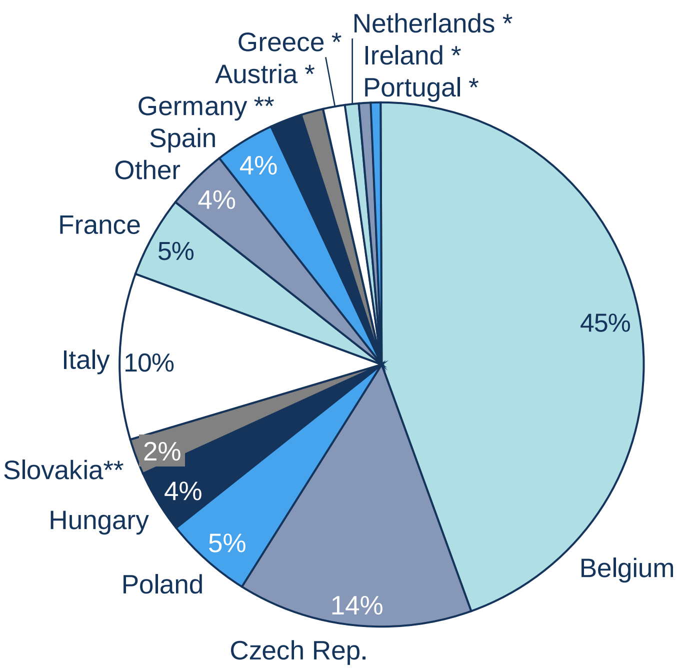
Areas of attention

Government bond portfolio

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

End 2010

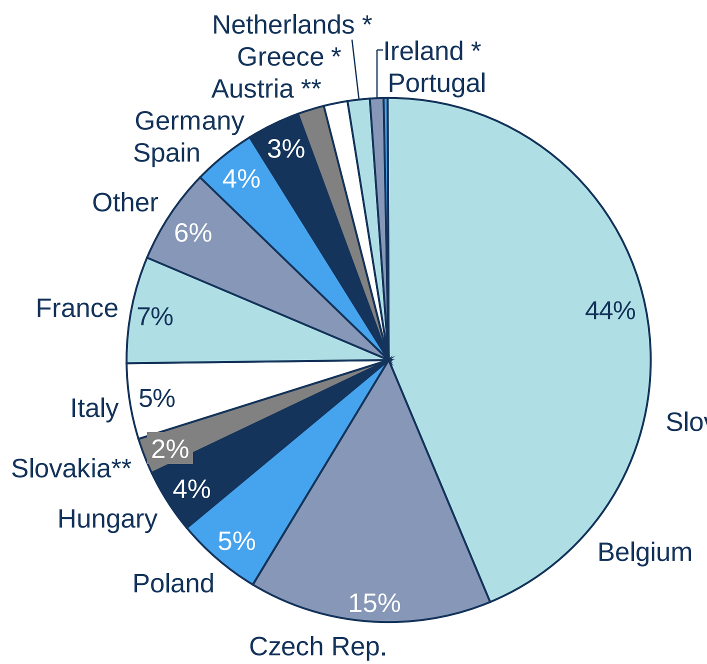
(60bn EUR notional)



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

End 2011

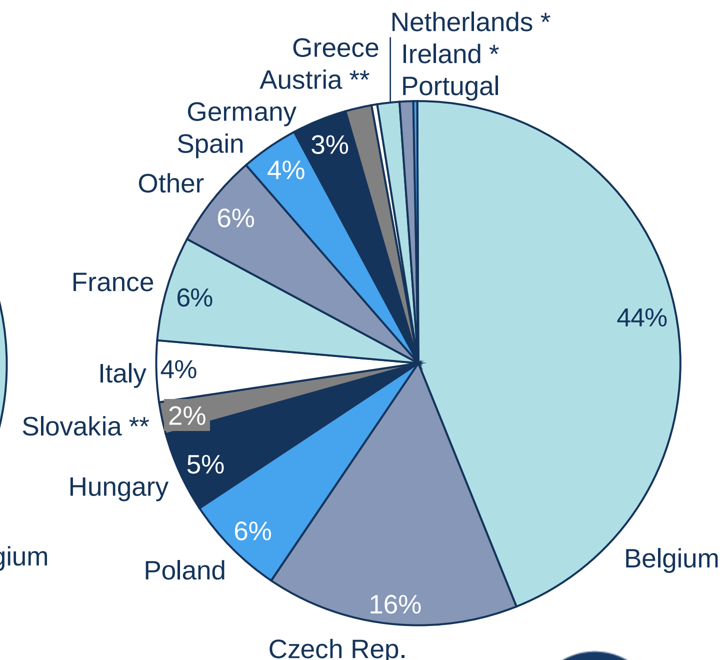
(51bn EUR notional)



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

End 1Q12

(53bn EUR notional)



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

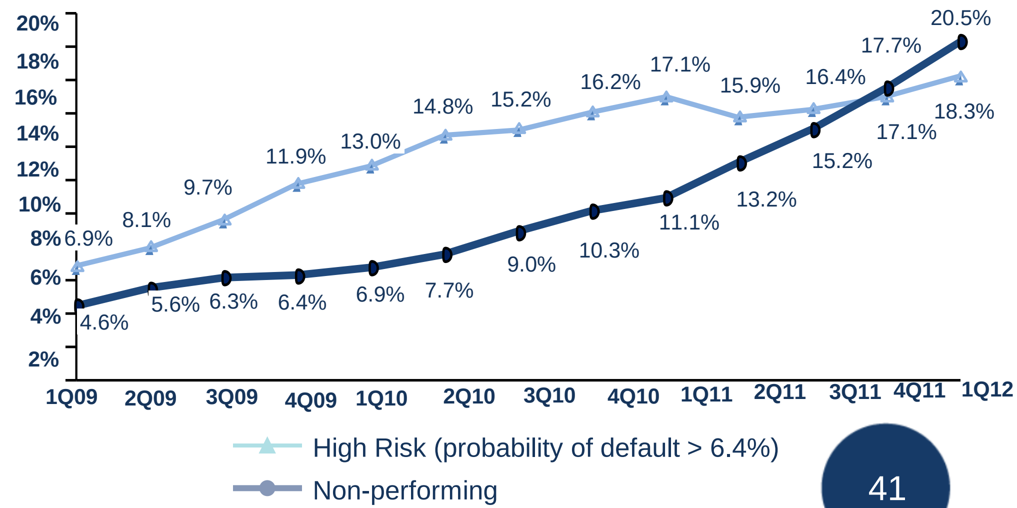
Ireland

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

Irish loan book – key figures as at March 2012

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

Proportion of High Risk and NPLs



Hungary (1)

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

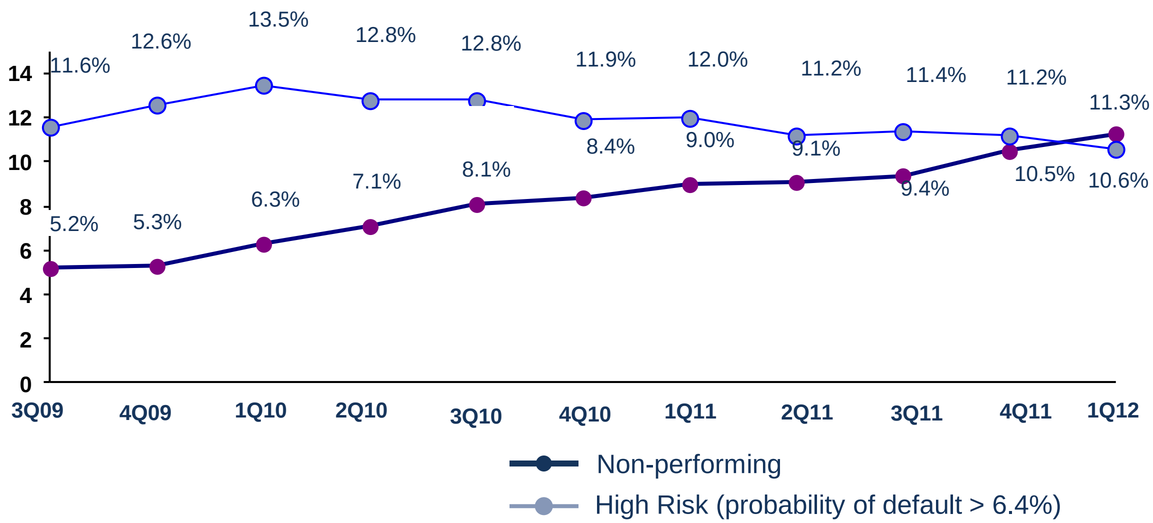
- **Loan loss provisions** in 1Q12 amounted to 28m EUR. The credit cost ratio (without the one-off impact of FX mortgage easement) came to 1.63% in 1Q12 versus 1.72% in 1Q11
- **NPL** rose to 11.3% in 1Q12 (10.5% in 4Q11)
  - NPL Retail: 17.0% in 1Q12 (13.3% in 4Q11):
    - Rising NPL in retail was driven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

Hungary (2)

Hungarian loan book – key figures as at 31 March 2012

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

Proportion of NPLs*



Hungary (3) – FX conversion

Enacted government repayment scheme ≈ 30% of customers participated

30% of loan loss provisions deductible from 2011 bank tax

FX conversion update:

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

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

Enacted Act on performing customers ≈ 55% *

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

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

Eligibility criteria:

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

Enacted Act on NPL customers ≈ 5% *

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

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

Eligibility criteria:

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

Additional support:

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

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

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

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

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

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

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

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

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

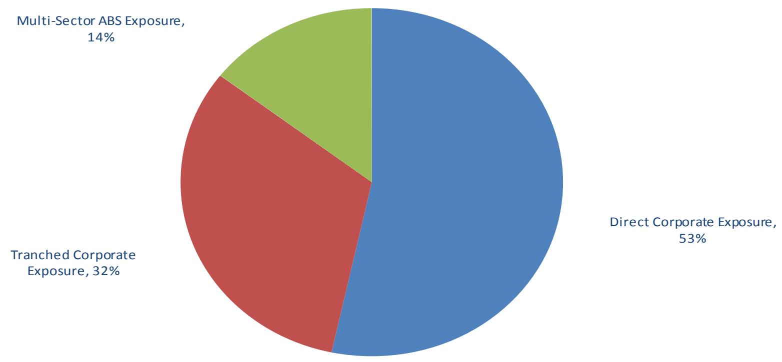
	10%	20%	50%
Spread tightening	+0.1bn	+0.2bn	+0.6bn
Spread widening	-0.1bn	-0.2bn	-0.4bn

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

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

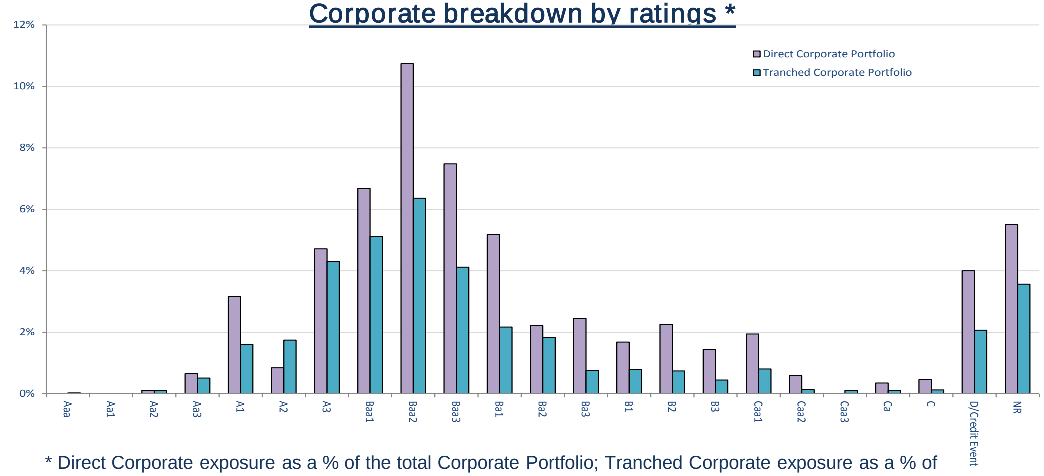
Breakdown of KBC's CDOs originated by KBC FP

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



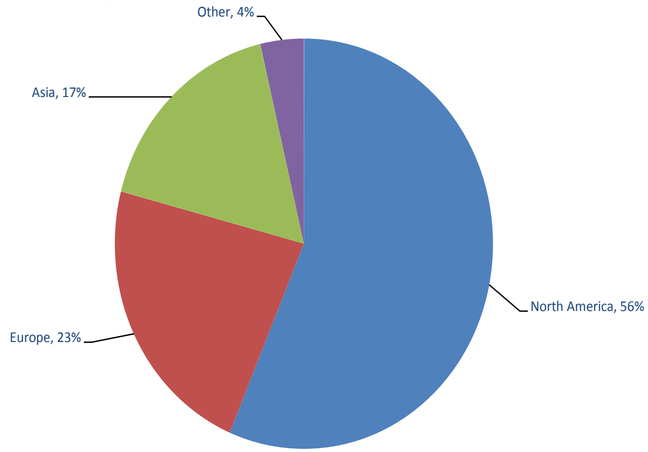
* % of total initial deal exposure; figures at 10 April 2012

Corporate breakdown by ratings *



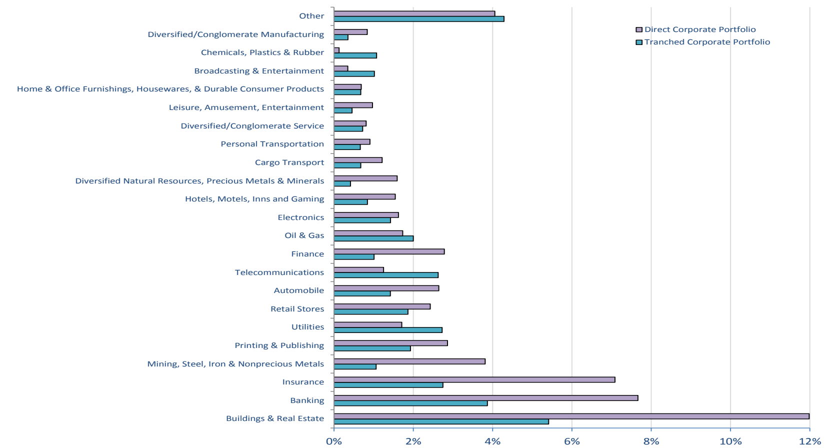
* Direct Corporate exposure as a % of the total Corporate Portfolio; Tranched Corporate exposure as a % of total Corporate Portfolio. Figures at 10 April 2012, based on Moody's Ratings

Corporate breakdown by region*



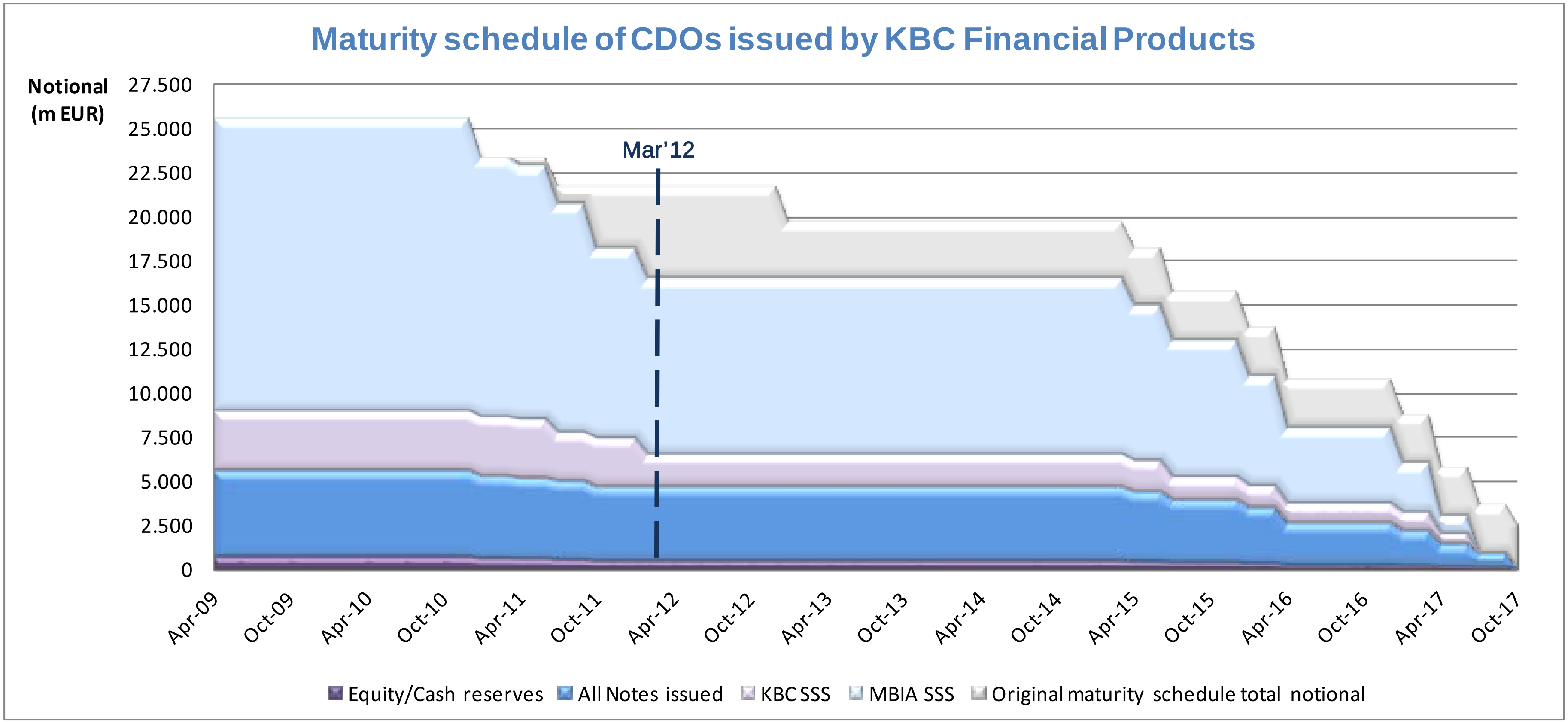
* Direct and Tranched Corporate exposure as a % of the total Corporate Portfolio; figures at 10 April 2012

Corporate breakdown by industry*



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

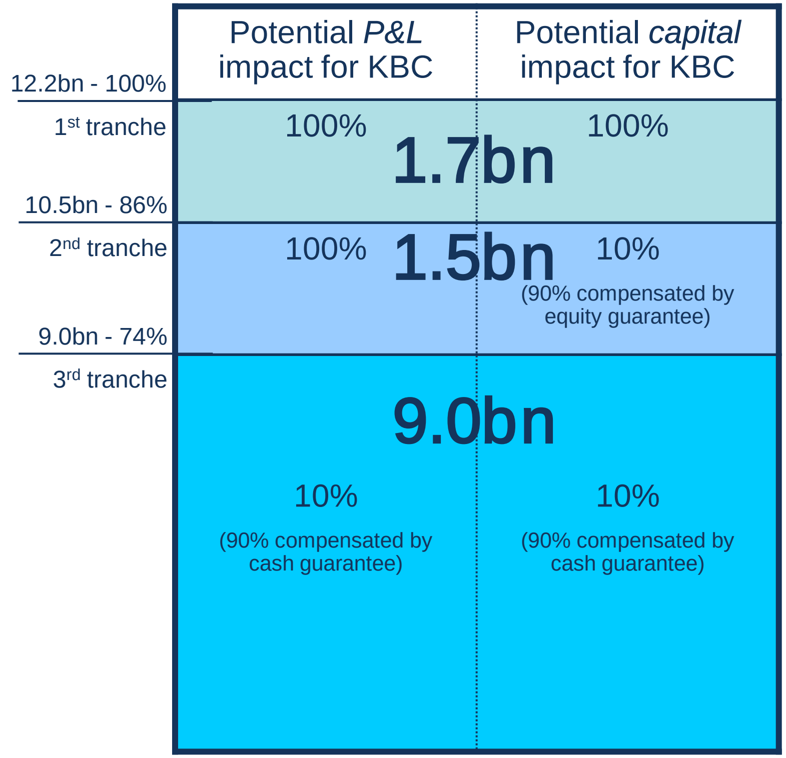
Maturity schedule for CDO portfolio



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

Summary of government transactions (1)

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



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

Summary of government transactions (2)

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

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

Section 5

Wrap up

Key Takeaways

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

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

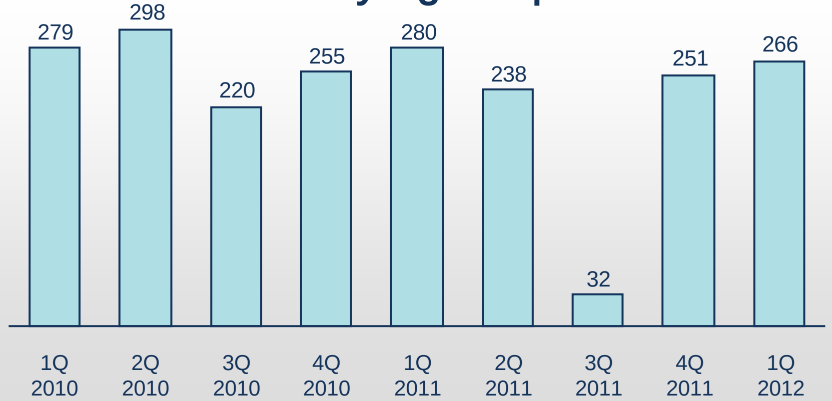
Asset quality	• Loan loss provisions in 1Q12 were down significantly on the previous quarter • We are sticking to our guidance for loan loss provisions in Ireland of 500-600m EUR for the full year 2012
Capital	• Strong capital position: pro forma core tier-1 ratio of 13.6% at KBC Group, which is a significant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

Annex 1

1Q 2012 underlying performance of business units

Belgium Business Unit

Underlying net profit



Volume trend

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

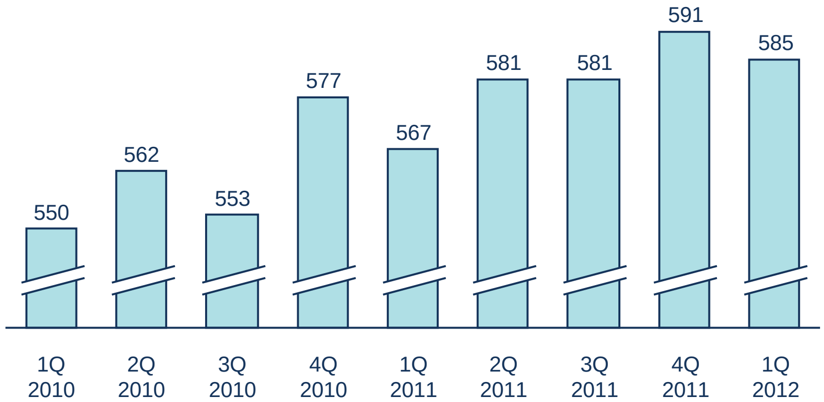
* *Non-annualised*
** *Loans to customers, excluding reverse repos (and not including bonds)*

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

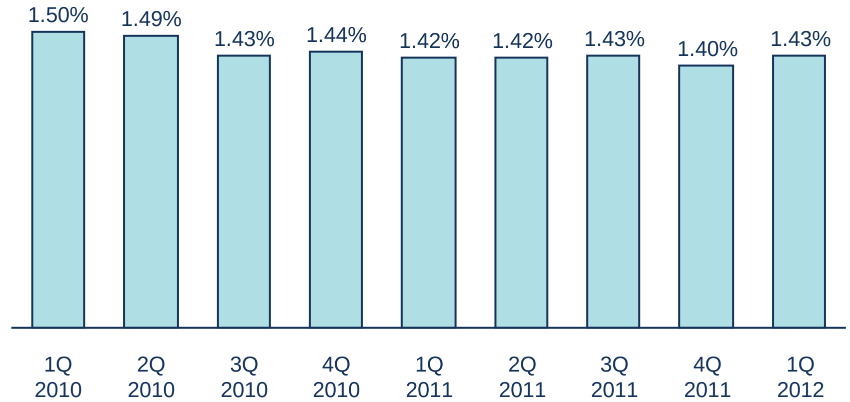
Amounts in m EUR

Belgium Business Unit (2)

NII



NIM

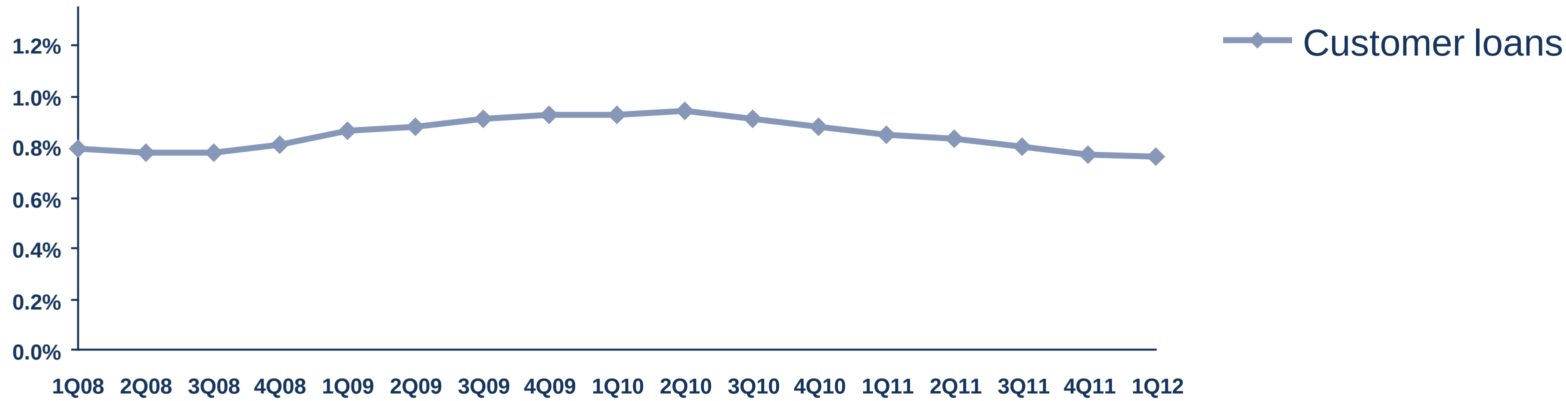


- Net interest income (585m EUR) remained healthy
  - An increase of 3% y-o-y, a slight decrease q-o-q (-1%)
  - The net interest margin increased by 3bps quarter-on-quarter to 1.43%, consequent chiefly on the interest adjustments on Greek bonds. Excluding the impact of interest corrections on Greek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

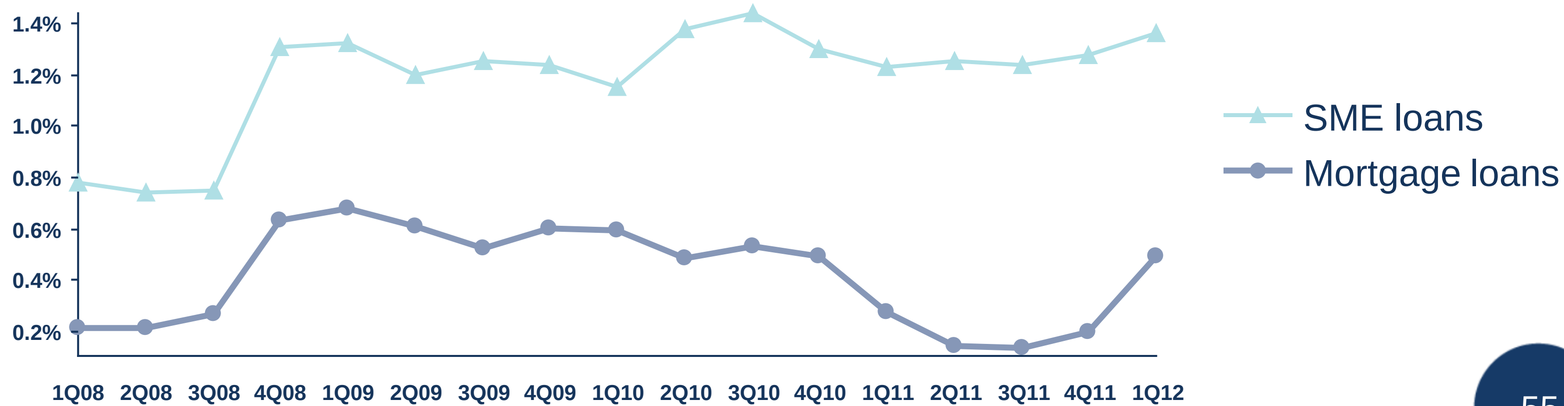
Amounts in m EUR

Credit margins in Belgium

Product spread on customer loan book, outstanding



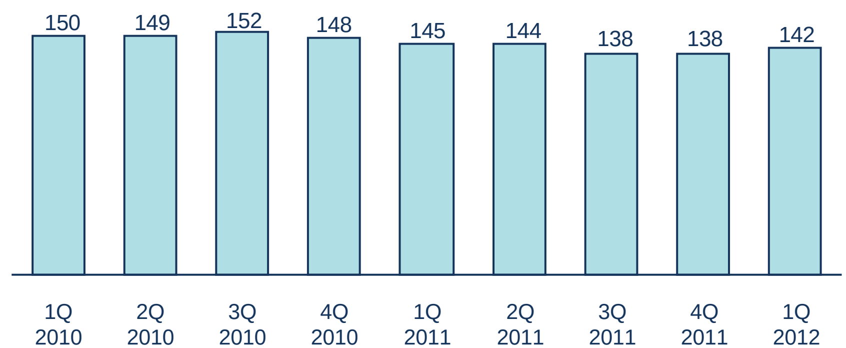
Product spread on new production



Belgium Business Unit (3)

F&C

AUM



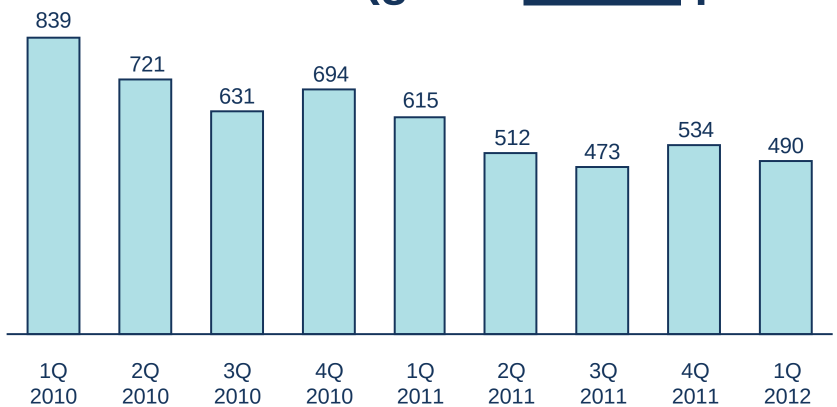
Amounts in bn EUR

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

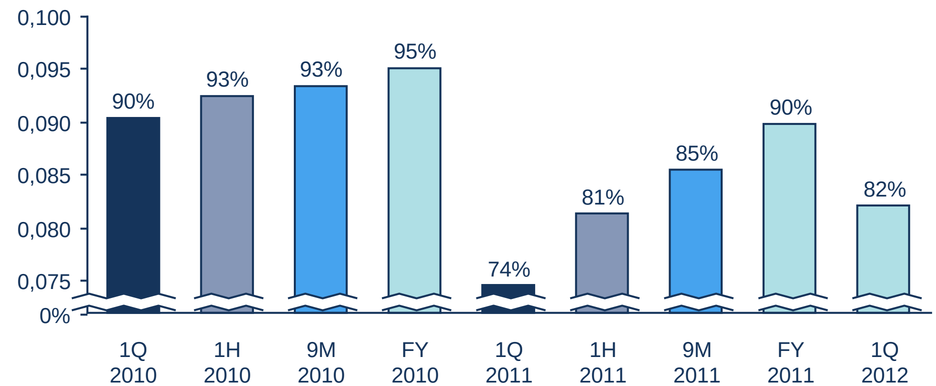
Amounts in m EUR

Belgium Business Unit (4)

Premium income (gross earned premium)



Combined ratio (Non-Life)

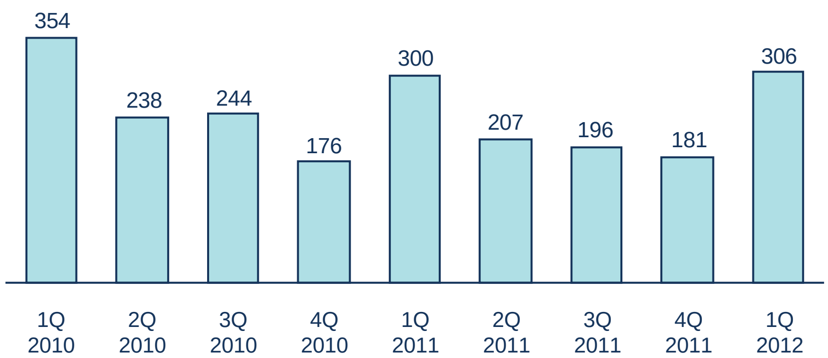


- Insurance premium income (gross earned premium) at 490m EUR
  - Non-life premium income (225m) up 1% q-o-q and 6% y-o-y (increase in most classes, but mainly in Fire insurance)
  - Life premium income (264m) down 15% q-o-q and 34% y-o-y
- Combined ratio remained at an excellent level of 82% in 1Q12

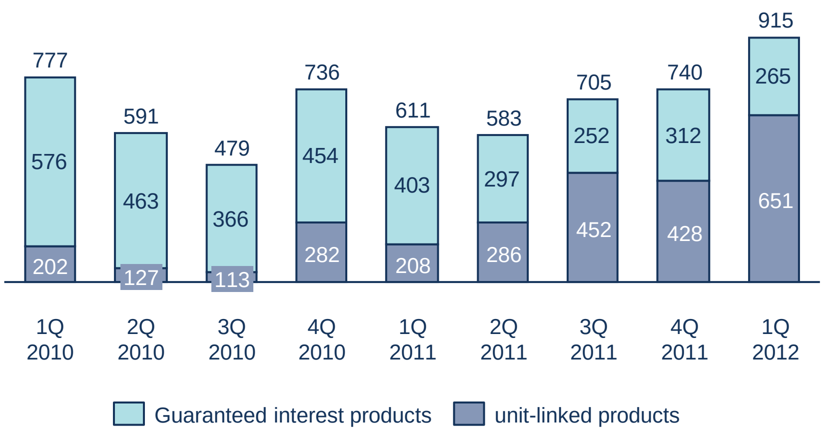
Amounts in m EUR

Belgium Business Unit (5)

Non-Life sales (gross written premium)



Life sales (gross written premium)

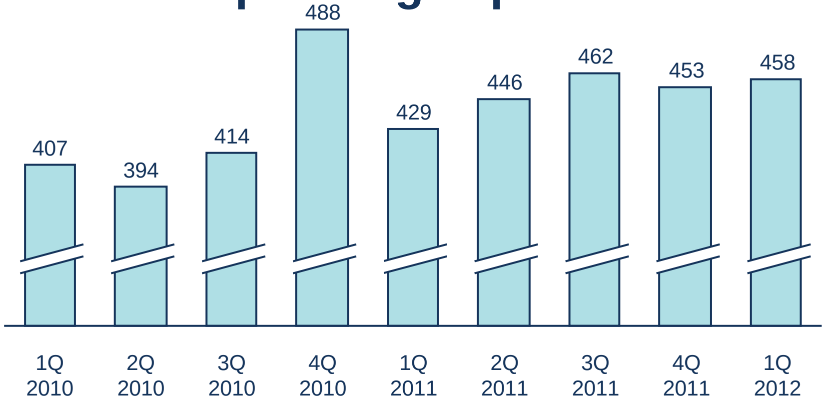


- Sales of Non-Life insurance products:
  - rose by 69% quarter-on-quarter (typical first quarter effect) and by 2% year-on-year
- Sales of Life insurance products:
  - rose by 50% year-on-year and 24% quarter-on-quarter. The 24% quarter-on-quarter increase was fully driven by higher sales of unit-linked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

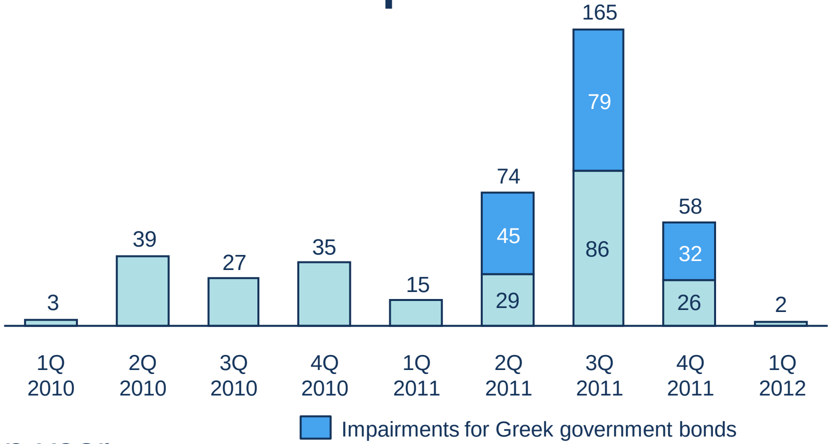
Amounts in m EUR

Belgium Business Unit (6)

Operating expenses



Asset impairment



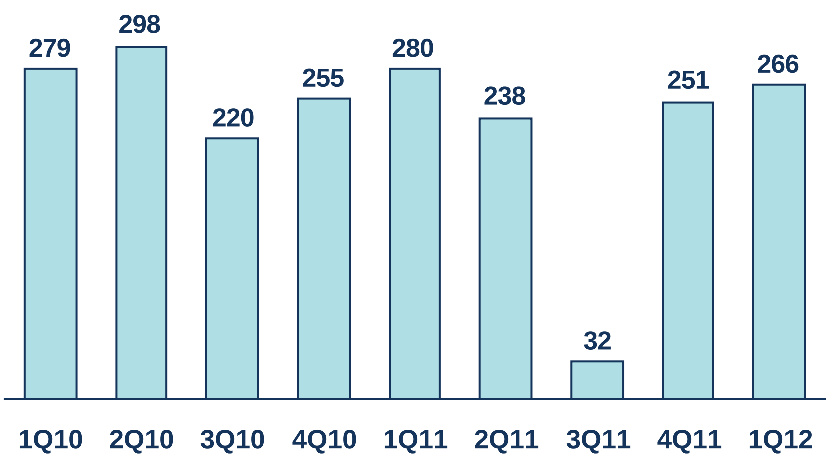
- Operating expenses: +1% quarter-on-quarter and +7% year-on-year
  - Operating expenses rose by 1% q-o-q due to the higher contribution to the Deposit Guarantee Scheme (38m EUR in 1Q12 compared to 22m EUR in 4Q11) and despite lower marketing and ICT expenses and low restructuring charges. Excluding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

Amounts in m EUR

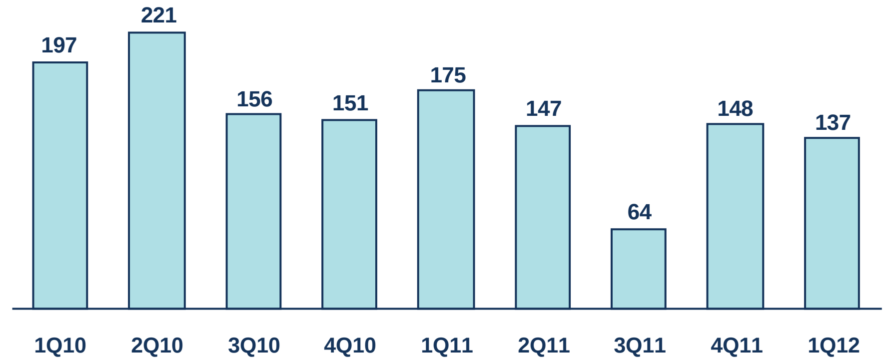
Underlying profit of the Belgium BU

Amounts in m EUR

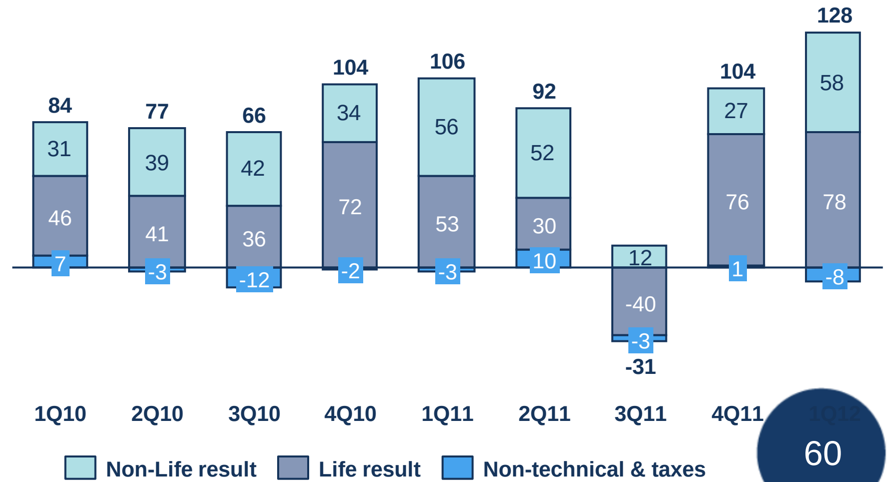
Underlying net profit of the Belgium BU *



Underlying net profit contribution banking to the Belgium BU



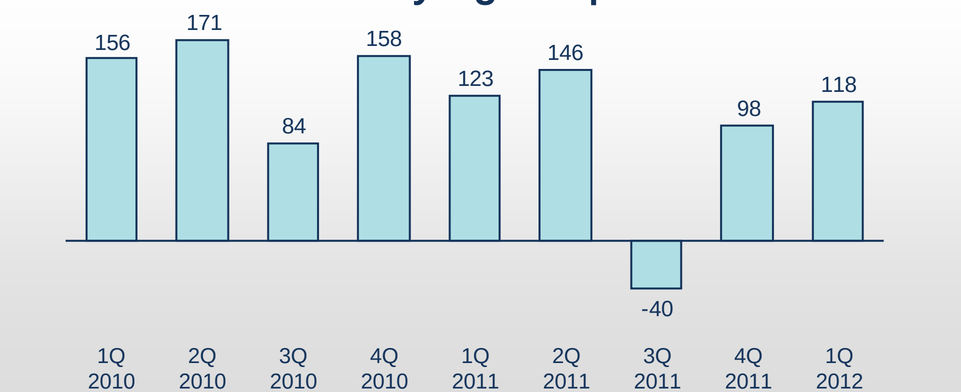
Underlying net profit contribution insurance to the Belgium BU



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

CEE Business Unit

Underlying net profit



Volume trend

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

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

- Underlying profit at CEE Business Unit of 118m EUR
  - CEE profit breakdown: 156m Czech Republic, 23m Slovakia, -36m Hungary, 3m Bulgaria, -27m Other (mainly due to the recognition at KBC Group level for funding costs of goodwill)
  - Results from the banking business versus 4Q11 were positively impacted by significantly lower loan loss provisions (K&H Bank) and higher trading income, partly offset by the Hungarian bank tax (57m EUR pre-tax and 46m EUR post-tax) and the realised loss following the Greek debt exchange operation
  - Profit contribution from the insurance business remained limited in comparison to the banking business

Amounts in m EUR

CEE Business Unit (2)

Organic growth(*)

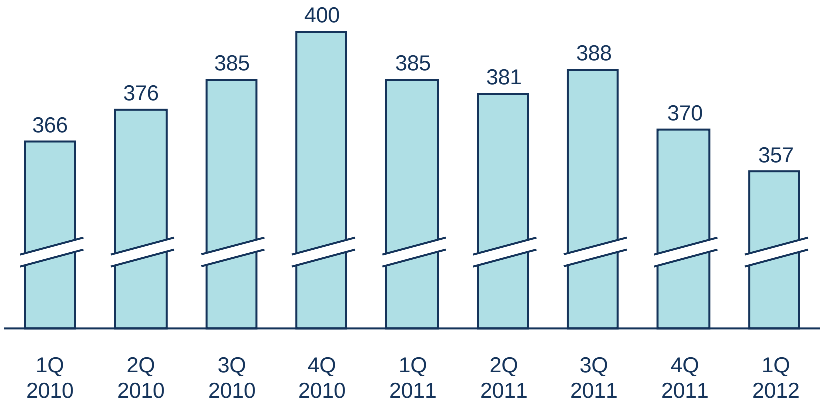
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	1%	+6%	+3%	+11%	-2%	+3%
SK	+1%	+14%	+2%	+16%	+5%	+2%
HU	-3%	-14%	-12%	-28%	-5%	+4%
BU	-2%	-19%	-10%	-29%	-2%	+8%
TOTAL	**0%**	**+2%**	**0%**	**+1%**	**-2%**	**+3%**

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

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

CEE Business Unit (3)

NII



NIM

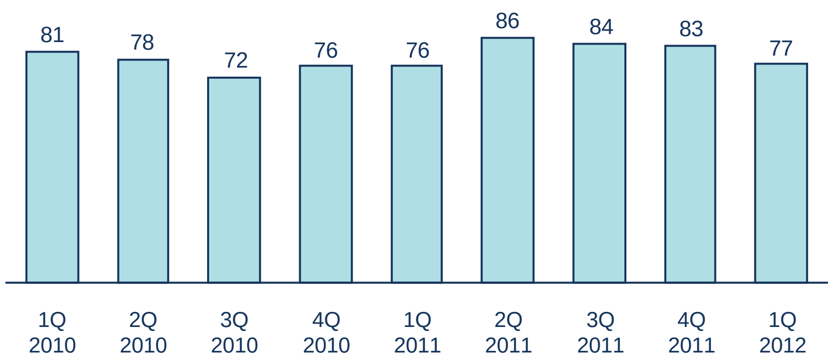
- Excluding the FX effect, net interest income fell by 4% both q-o-q and y-o-y to 357m EUR. This can mainly be explained by a decrease in the loan portfolio at K&H Bank following the repayment of FX mortgages in 2011

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

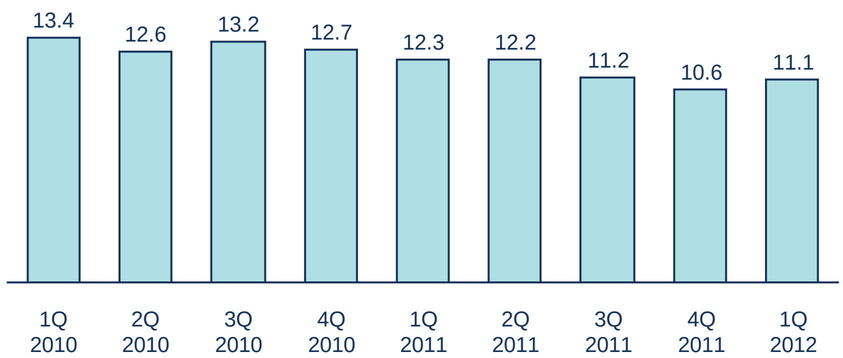
Amounts in m EUR

CEE Business Unit (4)

F&C



AUM



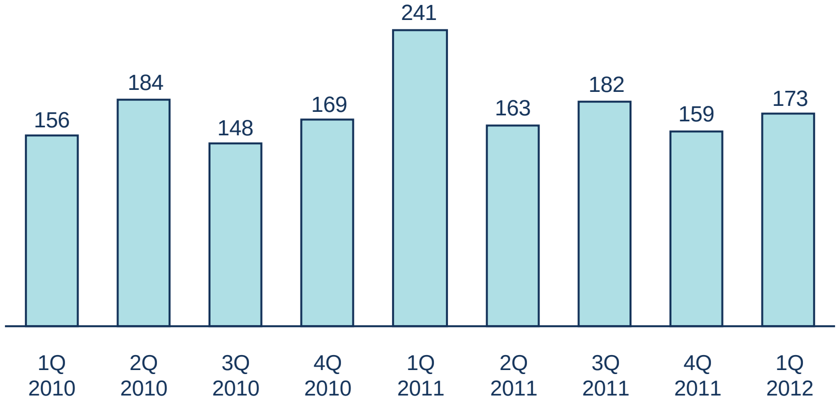
Amounts in bn EUR

- Excluding the FX effect, net fee and commission income (77m EUR) fell by 9% q-o-q, but rose by 5% y-o-y. The 9% q-o-q decrease is mainly driven by CSOB Bank CZ (lower F&C income on investment services). Excluding technical items, net F&C decreased by 9% y-o-y due to lower investment services fees in CR, lower payment fees in Hungary and higher insurance commissions paid
- Assets under management increased by 5% q-o-q to roughly 11bn EUR, driven by the positive price trend (+6% q-o-q), partly offset by net outflows (-1% q-o-q). Y-o-y, assets under management decreased by 9%, driven by net outflows (-6%) and some negative price effect

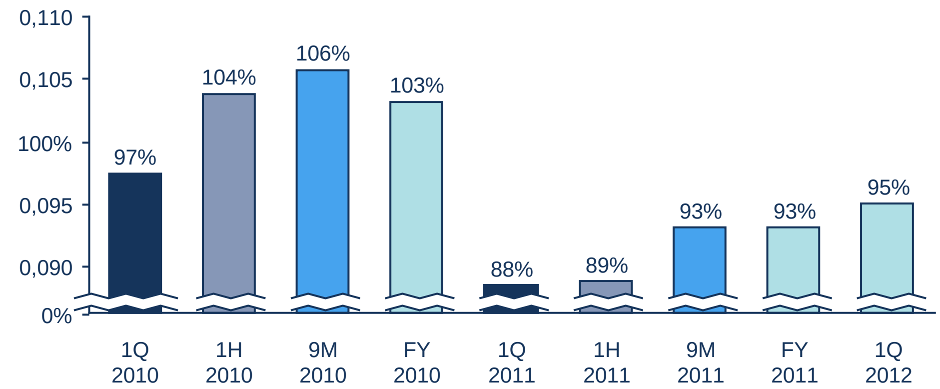
Amounts in m EUR

CEE Business Unit (5)

Premium income (gross earned premium)



Combined ratio (Non-Life)

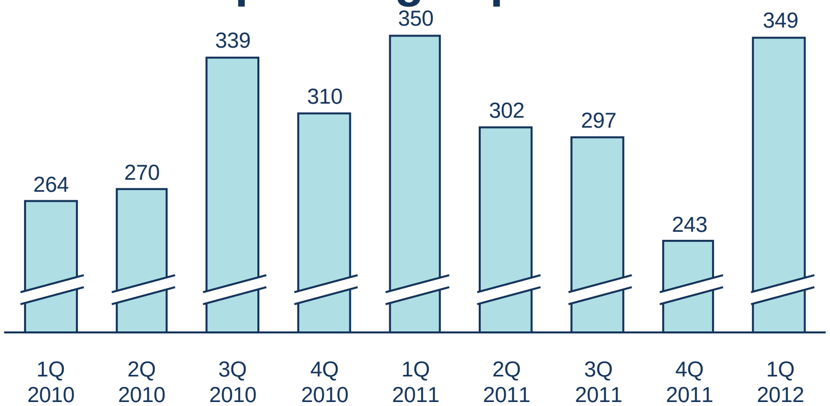


- Insurance premium income (gross earned premium) stood at 173m EUR
  - Non-life premium income (81m) down 3% q-o-q and up 3% y-o-y
  - Life premium income (91m) up 22% q-o-q, but down 44% y-o-y (mainly due to the variance in unit-linked sales in CR)
- Combined ratio at 95% in 1Q12

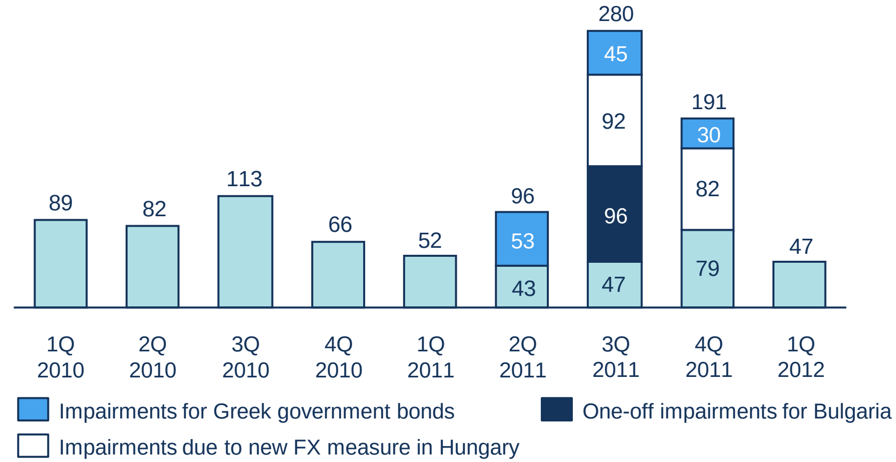
Amounts in m EUR

CEE Business Unit (6)

Operating expenses



Asset impairment



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

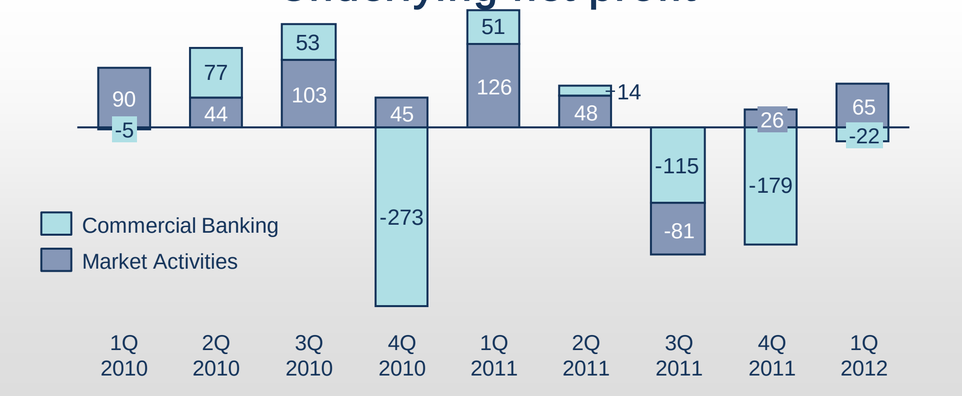
	Loan book	2009* CCR	2010 CCR	2011 CCR	1Q12 CCR
CEE	**31bn**	**2.12%**	**1.16%**	**1.59%**	**0.60%**
- Czech Rep.	20bn	1.12%	0.75%	0.37%	0.26%
- Hungary	6bn	2.01%	1.98%	4.38%	1.92%
- Slovakia	4bn	1.56%	0.96%	0.25%	0.29%
- Bulgaria	1bn	2.22%	2.00%	14.73%	1.16%

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

Amounts in m EUR

Merchant Banking Business Unit

Underlying net profit



Volume trend

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

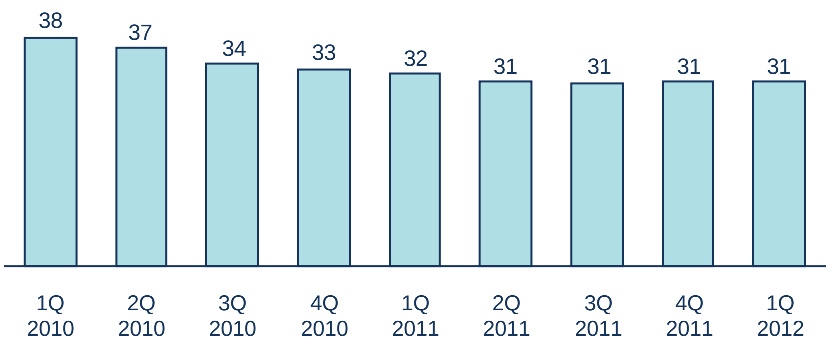
**non-annualised*

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

Amounts in m EUR

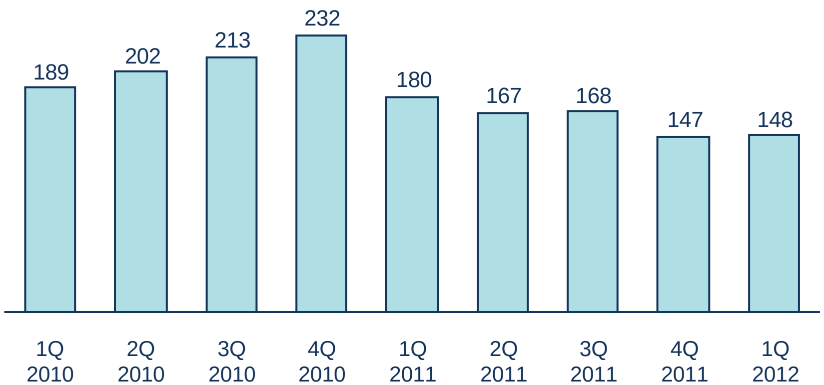
Merchant Banking Business Unit (2)

RWA banking (Commercial Banking)



Amounts in bn. EUR

NII (Commercial Banking)

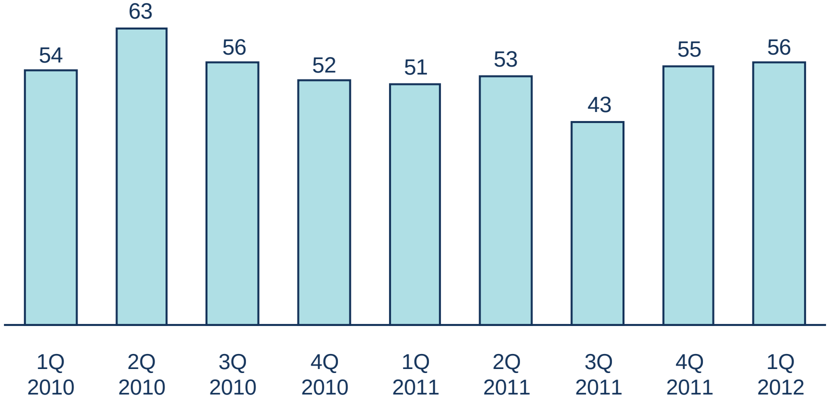


- Risk weighted assets in Commercial Banking stabilised at roughly 31bn EUR, whilst RWA at Market Activities reduced by roughly 2bn EUR due to the sale of ABS assets
- After several quarters with decreasing net interest income (relating to the Commercial Banking activities), the 1Q12 net interest income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

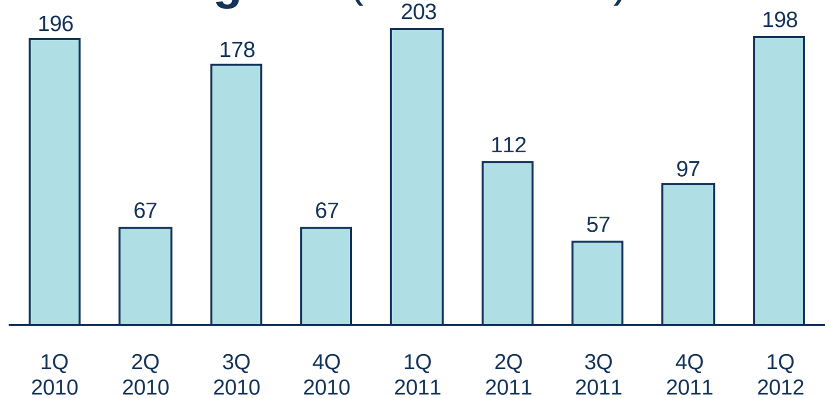
Amounts in m EUR

Merchant Banking Business Unit (3)

F&C



FV gains (Market Activities)



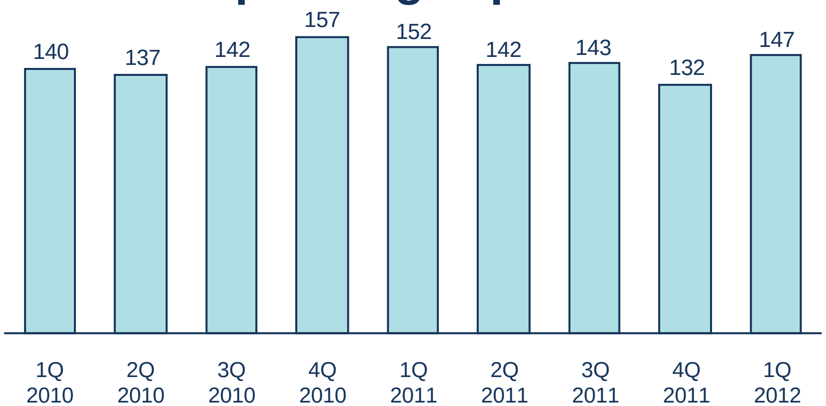
- At 56m EUR, net fee and commission income also stabilised q-o-q. Net fee and commission income increased by 10% y-o-y driven by higher fees for foreign payments, letters of credit and domestic payments

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

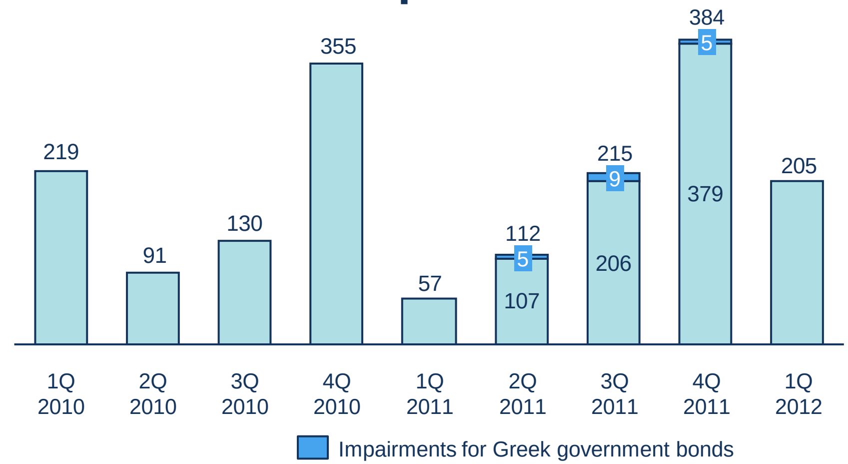
Amounts in m EUR

Merchant Banking Business Unit (4)

Operating expenses



Asset impairment

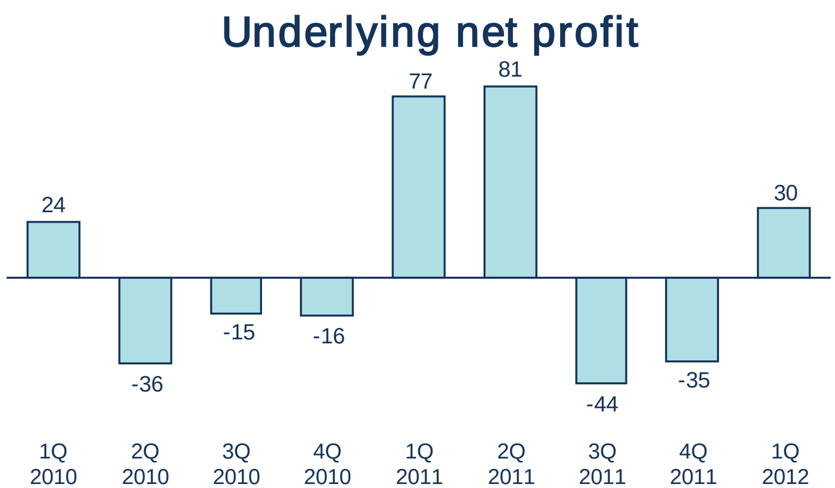


- Operating expenses increased by 11% quarter-on-quarter, but fell by 4% year-on-year to 147m EUR. Excluding several small one-off items, operating expenses rose by 7% quarter-on-quarter and stabilised year-on-year. Underlying cost/income ratio: 35% in 1Q12 (and 32% excluding the provision for the 5-5-5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

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

Amounts in m EUR

Group Centre



- KBL *epb* and Fidea were deconsolidated in underlying as of 1Q12
- In addition to the results of the holding company and shared services, the results of companies scheduled for divestment have been reallocated to the 'Group Centre' (starting in 1Q10). After two quarterly losses, the Group Centre booked an underlying profit of 30m EUR, mainly thanks to lower impairments, driven by Absolut Bank, NLB and Antwerp Diamond Bank. Note that the divestment of Fidea was finalised on 31 March 2012 (1Q12), while the sale of KBL *epb* was announced in October 2011 and is expected to be finalised during 2Q12
- Only the planned divestments are included. The Merchant Banking activities that will be wound down on an organic basis have not been shifted to the 'Group Centre'

Amounts in m EUR

Group Centre (2)

Breakdown of underlying net group profit

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

NPL, NPL formation and restructured loans in Russia

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

Amounts in m EUR