KBC Group

EXTENDED QUARTERLY REPORT

2Q 2008

www.kbc.com

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The following statements are made in order to comply with new European transparency regulations transposed into Belgian law by Royal Decree of 14 November 2007 in effect as of 2008.

Management certification of financial statements and quarterly report

"I, Herman Agneessens, Chief Financial and Chief Risk Officer of the KBC Group, certify that, to the best of my knowledge, the abbreviated financial statements included in the quarterly report and based on the relevant accounting standards, fairly present in all material respects the financial condition and results of KBC Group NV, including its consolidated subsidiaries. Based on my knowledge, the quarterly report includes all information that is required to be included in such document and does not omit to state all necessary material facts."

Statement of risk

As a banking, insurance and asset management group, KBC is exposed to a number of typical risks such as – but not exclusively – credit default risk, adverse movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations such as IFRS and Basle II, as well as the economy in general.

"Based on current knowledge, we believe that the most noteworthy risks facing KBC for the coming quarters would be significantly more sluggish performances than anticipated of the economy in general, and equity capital markets in particular."

Key risk management data is provided in the annual report and a dedicated risk report, both available on www.kbc.com.

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Earnings Statement

Earnings Statement
KBC Group, 2Q 2008 and 1H 2008

Regulated information* - 7 August 2008 (7 a.m. CEST)

Summary

Strong operating performance, clouded by non-cash items

Net profit (IFRS) for the quarter ending 30 June was 493 million euros, bringing net profit for the first half of the year to 1 047 million euros. Underlying net profit - i.e. excluding exceptional items - for the second quarter of 2008 came to 510 million euros, a 42% drop compared with the very strong year-earlier quarter. While business cash flows remained highly resilient throughout the quarter, non-cash factors had a significant negative impact on the results reported today.

According to André Bergen, Group CEO, '*During the second quarter, operating performance showed clear evidence of resiliency. Lending and deposit-gathering trends remained solid, while capital market activities also performed well. Especially Eastern Europe continued to do very well. On the other hand, the adverse equity and credit markets in June resulted in the recognition of additional markdowns at the end of the quarter. If the effect of these were stripped out, the underlying quarter profit would have exceeded 800 million euros, well above the previous quarter and the quarterly average delivered over the last year.*'

In millions of EUR	2Q 2007	1Q 2008	2Q 2008	2Q 2008 / 2Q 2007	2Q 2008 / 1Q 2008	1H 2007	1H 2008	1H 2008 / 1H 2007
Net profit (IFRS)	936	554	493	-47%	-11%	1 933	1 047	-46%
Earnings per share, basic (IFRS, in EUR)	2.69	1.62	1.45	-46%	-10%	5.54	3.07	-45%
Earnings per share, diluted (IFRS, in EUR)	2.68	1.62	1.45	-46%	-10%	5.51	3.07	-44%
Underlying net profit	880	573	510	-42%	-11%	1 660	1 083	-35%
Underlying earnings per share, basic (in EUR)	2.53	1.68	1.50	-41%	-11%	4.76	3.18	-33%
Underlying earnings per share, diluted (in EUR)	2.52	1.68	1.50	-40%	-11%	4.74	3.17	-33%
Breakdown of underlying profit by business unit								
Belgium Business Unit	417	387	177	-58%	-54%	743	564	-24%
Central & Eastern Europe and Russia Business Unit	177	154	190	8%	24%	327	344	5%
Merchant Banking Business Unit	241	26	128	-47%	-	510	154	-70%
European Private Banking Business Unit	57	43	47	-17%	10%	109	90	-18%
Group Centre	-13	-36	-32	-	-	- 29	- 69	-
Shareholders' equity per share (EUR, at end of period)						49.5	45.5	-8%

Highlights for 2Q 2008:

- Continued strong lending and deposit-gathering trends
- Normalisation of capital market income following weak previous quarter
- Customer loan risk on the rise from a very low level: year-to-date loan loss ratio of 19 basis points
- Net profit impact from structured credit revaluations: -161 million euros (incl. provision increase for monolines)
- Impact from markdown of other investment portfolios, mainly shares in the insurance division: -138 million euros
- Robust solvency ratios: Tier-1 ratio, banking, of 9.3% and solvency margin, insurance, of 210%.

Publication schedule for 7 August 2008:

• Quarterly report available on www.kbc.com	7.00 a.m. CEST
• Press conference , Brussels	10.30 a.m. CEST
• E-conference for financial analysts	1.30 p.m. CEST, www.kbc.com – Tel. +44 20 7162 0125

* KBC Group is a listed company. This news release contains information that is subject to transparency regulations for listed companies.

Financial highlights - 2Q 2008

André Bergen, Group CEO, summarised the financial highlights for 2Q 2008, as follows:

'The operating performance was strong. Loan growth and deposit-gathering remain highly encouraging. The size of the loan book in Belgium was 10% up on the year-earlier level, while customer loans in Central and Eastern Europe grew organically by 23% over the same period. On an organic basis, underlying net interest income increased by 13% in Belgium and 24% in Central and Eastern Europe compared with the second quarter of 2007.

Income from investment banking rebounded well following weak institutional sales and a poor trading performance in the previous quarter. With an underlying net profit contribution of 76 million euros, the investment banking unit was on a par with the quarterly averages of the last few years.

Delinquencies on customer debt are on the rise from very low levels. The loan loss ratio for the first half-year came to 19 basis points. Credit conditions showed signs of worsening, especially in the commercial banking book, while remaining virtually unchanged in the Belgian retail and Central and Eastern European markets.

Although no defaults were recognised, the value of our structured credit investments portfolio was marked down further. An after-tax earnings impact of 161 million euros was posted, including an increase in the provision for exposure towards monoline credit insurers, while the additional impact on shareholders' equity was -71 million euros.

Fee income from fund management started the quarter strong, but investor sentiment turned towards the end of May, becoming depressed again in June. Moreover, adherence to conservative impairment rules led to further impairment of 138 million euros on the back of the adverse equity market climate in June, mostly on proprietary equity holdings of the Belgian insurance division.

We are in a comfortable position in terms of capital. Our solvency levels are amongst the best in the financial sector. The Tier-1 ratio for the banking activities came to 8.8% and 9.3%, according to Basel I and Basel II capital adequacy rules, respectively, while the solvency ratio for the insurance activities amounted to 210%.'

Financial highlights – 1H 2008

- Net profit for the six months ending 30 June 2008 amounted to 1 047 million euros according to IFRS. This figure includes a net amount of -36 million euros for items that do not occur during the normal course of business. Excluding this charge, underlying net profit amounted to 1 083 million euros.
- *Net interest income* came to 2 474 million euros, up 20% on the year-earlier figure (+15% on an underlying basis) thanks to solid volume growth achieved across all markets. Moreover, the net interest margin in the Central & Eastern Europe and Russia Business Unit was increased.
- *Gross earned premiums*, insurance, stood at 2 245 million euros, up 33% compared to the first half of 2007. Net of technical charges, the income was 63 million higher (+25%). The combined ratio, non-life, amounted to 90%.
- *Dividend income* from equity holdings amounted to 159 million euros, similar to the year-earlier figure (166 million).
- *Net gains from financial instruments at fair value* came to a mere 8 million euros (59 million euros on an underlying basis). Trading income was negatively impacted by the adverse capital market climate, especially in the first quarter of the year. The line item for the first half of 2008 also included a valuation markdown of 456 million euros on *asset-backed securities* and *collateralised debt obligations* (255 million euros after tax).
- *Gains from available-for-sale assets* were realised in the amount of 260 million euros (mostly on shares), 164 million euros down on the year-earlier figure.
- *Net fee and commission income* amounted to 914 million euros. This is 10% below the year-earlier level, mainly due to lower customer investment activities as a result of the high volatility in equity markets.
- *Other net income* stood at 225 million euros, 35 million euros below the year-earlier level.
- Operating expenses came to 2 588 million euros. Compared to the year-earlier period, the 3% growth in costs is explained by new acquisitions and currency appreciations. Excluding these factors, the cost level was down 3%, largely on the back of lower bonus accruals due to the lower trading revenue.
- Impairment charges stood at 430 million euros, 170 million euros of which related to the loan portfolio (loan loss ratio: 19 basis points). Impairment of 250 million euros was taken on the available-for-sale share portfolio (held mainly by the insurance business) due to the fall of around 25% in European equity markets.
- The contribution from associated companies amounted to 24 million euros, while taxes and the share in the result attributable to minority interests were 264 million euros and 54 million euros, respectively.
- As at the end of June 2008, parent shareholders' equity came to 15.5 billion euros (45.5 euros per share). Shareholders' equity was down on the start of the year as profit for the period (+1.0 billion euros) was more than offset by dividends paid out and treasury shares repurchased (-1.3 and -0.3 billion euros, respectively) and a decrease in the revaluation reserve for available-for-sales assets (-1.6 billion euros).

Strategy highlights – 1H 2008

During the first half of the year, KBC significantly improved its retail banking position in Slovakia and its private banking position in France via new acquisitions. In order to further enhance its market strength, KBC is pursuing additional acquisitions with a similar strategic focus while maintaining its financial discipline.

KBC also enhanced its business plan for Eastern Europe and Russia. The region's profit contribution is expected to almost double between 2007 and 2010 (specifically x 1.9). As a result, KBC is investing in supporting strong organic growth by expanding sales networks, transferring product know-how to new markets and optimising its cross-selling approach. The group is also working to unlock more operational synergies across markets, e.g., by harmonising group-wide business processes and IT applications.

In light of the adverse operating environment, a stringent cost budget review was completed for the group in the second quarter.

Future developments

André Bergen: '*While overall economic activity is slowing, the quality of our overall franchise remains strong, with our Central and Eastern European operations and Russian driving growth. KBC has the clear ambition to double its net earnings in the region in the foreseeable future. Furthermore, we have recently enhanced our cost discipline throughout the group to cope adequately with increased cost inflation. We are also happy to see that our balance sheet is robust. Asset quality has proven to be quite solid across asset classes, while our solvency position is amongst the most secure in the financial sector.*'

Additional information on the financial statements

During the past year, a limited number of changes were made to the scope of consolidation (mainly entailing the inclusion of newly acquired entities in Russia and Bulgaria and in the French private banking arena). The resulting impact on net profit was still immaterial.

The total impact on net profit of changes in the value of non-euro currencies was negligible.

Earnings per share and shareholders' equity per share as at 30 June 2008 were calculated on the basis of 340.5 (period average) and 339.4 (end of period) million shares, respectively. For this purpose, the number of mandatorily convertible bonds was added to the number of ordinary shares, while the number of treasury shares held was deducted. On the other hand, diluted earnings per share were calculated on the basis of 341.6 million shares (period average), including the number of outstanding share options.

Following the recommendation of the *Financial Stability Forum* (FSF), KBC has made additional risk disclosures on its securitisation exposure (incl. sponsorship of off-balance-sheet vehicles) guided by with leading disclosure practices summarised by the FSF. The dedicated 'Securitisation report 30 June 2008' is available on www.kbc.com/ir.

Financial calendar

Financial calendar	
Publication of 3Q 2008 results	6 November 2008
Publication of 4Q 2008 results	12 February 2009

For an extended version of the calendar, including analyst and investor meetings, see www.kbc.com/ir/calendar.

Overview of results according to IFRS – 2Q 2008 and 1H 2008

Below is the income statement summary of KBC Group, based on the *International Financial Reporting Standards* (IFRS). A full overview of the IFRS consolidated income statement and balance sheet is provided in the 'Consolidated Financial Statements' section of the quarterly report. A condensed statement of changes in shareholders' equity and a number of notes to the accounts are also available in the same section. In order to provide a good insight into the underlying business trends, KBC also publishes its 'underlying' results (see the following section).

Consolidated income statement, KBC Group (in millions of EUR) - **IFRS-FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	cumul. 1H 2007	cumul. 1H 2008
Net interest income	1 052	1 014	930	1 093	1 163	1 311	2 065	2 474
Gross earned premiums, insurance	869	824	969	1 328	1 236	1 008	1 692	2 245
Gross technical charges, insurance	- 753	- 663	- 841	-1 147	-1 078	-820	-1 416	-1 898
Ceded reinsurance result	- 15	- 5	- 17	- 28	- 10	-17	- 20	- 27
Dividend income	28	138	52	38	36	123	166	159
Net (un)realised gains from financial instruments at fair value	400	548	379	315	- 26	35	948	8
Net realised gains from available-for-sale assets	317	108	115	143	198	63	424	260
Net fee and commission income	489	527	478	499	438	477	1 016	914
Other net income	155	105	128	231	129	97	260	225
Total income	2 541	2 595	2 193	2 473	2 084	2 276	5 136	4 360
Operating expenses	-1 208	-1 314	-1 266	-1 431	-1 278	-1 310	-2 522	-2 588
Impairment	- 27	- 56	- 62	- 121	- 98	-332	- 84	- 430
Share in results of associated companies	16	22	14	4	16	8	38	24
Profit before tax	1 322	1 248	878	925	723	642	2 569	1 365
Income tax expense	- 293	- 281	- 211	- 184	- 144	-121	- 575	- 264
Profit after tax	1 028	966	667	741	579	521	1 995	1 101
attributable to minority interests	31	30	28	33	26	28	62	54
attributable to the equity holders of the parent	**997**	**936**	**639**	**708**	**554**	**493**	**1 933**	**1 047**
Belgium	353	470	302	278	357	194	823	551
Central & Eastern Europe and Russia	151	181	150	182	159	203	332	362
Merchant Banking	261	227	160	185	31	125	488	156
European Private Banking	53	73	43	41	43	48	125	90
Group centre	179	- 14	- 16	23	- 35	-77	165	-112

Highlights, consolidated balance sheet and ratios (in millions of EUR or %)	31-12-2007	30-06-2008
Total assets	355 597	377 351
of which loans and advances to customers	147 051	165 263
of which securities (equity and debt instruments)	105 023	106 271
Total liabilities	337 110	360 771
of which deposits from customers and debt certificates	192 135	218 105
of which gross technical provisions, insurance	17 905	19 045
of which liabilities under investment contracts, insurance	8 928	8 349
Parent shareholders' equity	17 348	15 459
Return on equity (based on underlying results, year-to-date)	18%	13%
Cost/income ratio (based on underlying results, year-to-date)	58%	63%
Combined ratio, non-life (based on underlying results, year-to-date)	96%	90%

For a definition of ratios, see "glossary and other information". More information on the balance sheet can be found in the Consolidated Financial Statements part of the quarterly report.

Overview of the underlying results – 2Q 2008 and 1H 2008

Over and above the figures according to IFRS, KBC provides a number of ‘underlying’ figures aimed at providing more insight into the course of business.

The differences with the IFRS figures relate to a) the exclusion of exceptional non-operating items, b) the recognition of certain hedging derivatives used for Asset and Liability Management purposes and c) the accounting treatment of certain income components related to capital market activities. A full reconciliation of the net profit according to IFRS and the underlying net profit is provided on the next page.

Consolidated income statement, KBC Group (in millions of EUR) - **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008	cumul. 1H 2007	cumul. 1H 2008
Net interest income	1 063	1 081	1 116	1 199	1 202	1 257	2 144	2 459
Gross earned premiums, insurance	869	824	969	1 328	1 236	1 008	1 692	2 245
Gross technical charges, insurance	-753	-663	-841	-1 147	-1 078	-820	-1 416	-1898
Ceded reinsurance result	-15	-5	-17	-28	-10	-17	- 20	-27
Dividend income	12	112	23	29	19	103	124	122
Net (un)realised gains from financial instruments at fair value	359	404	154	154	-28	88	763	59
Net realised gains from available-for-sale assets	96	107	115	143	198	63	203	261
Net fee and commission income	512	541	539	546	464	482	1 054	945
Other net income	151	87	88	125	115	72	236	187
Total income	2 293	2 488	2 145	2 350	2 118	2 235	4 781	4 352
Operating expenses	-1 208	-1 314	-1 266	-1 367	-1 278	-1 310	-2 522	-2 588
Impairment	-27	-56	-62	-121	-98	-290	-84	-389
Share in results of associated companies	16	22	14	4	16	8	38	24
Profit before tax	1 074	1 140	831	866	756	643	2 214	1 399
Income tax expense	-262	-230	-202	-157	-157	-105	-492	-263
Profit after tax	812	910	629	709	599	538	1 722	1 137
attributable to minority interests	31	30	28	33	25	28	62	53
attributable to the equity holders of the parent	**781**	**880**	**601**	**676**	**573**	**510**	**1 660**	**1 083**
Belgium	327	417	303	274	387	177	743	564
Central & Eastern Europe and Russia	150	177	117	174	154	190	327	344
Merchant Banking	269	241	153	179	26	128	510	154
European Private Banking	52	57	44	41	43	47	109	90
Group centre	-17	-13	-16	8	-36	-32	-29	-69

Reconciliation of the accounts according to IFRS with the underlying accounts

The differences between the underlying results and the results reported according to IFRS are as follows:

- In order to arrive at the figure for underlying group profit, factors that do not regularly occur during the normal course of business are eliminated from the profit figure. In view of their exceptional nature and materiality, it is important to separate out these factors to understand the profit trend fully (impact on net profit: see table below).
- In the IFRS accounts, a large part of KBC's derivatives used for Asset and Liability Management (ALM) are treated as 'trading instruments'. These include those derivatives that do not qualify for *fair value hedge accounting for a portfolio hedge of interest rate risk*. Consequently, interest results on such hedges are recognised as 'net (un)realised gains from financial instruments at fair value', while the interest paid on the underlying assets is recognised as 'net interest income'. In the underlying accounts, the interest on these derivatives is also recognised in the 'net interest income' heading (where interest results on the underlying assets are already presented), without any impact on net profit.

  Moreover, the fair value changes (due to marking-to-market) of these ALM derivatives are recognised under 'net (un)realised gains from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). Hence, the 'underlying figures' exclude the fair value changes in these ALM derivatives (impact on net profit: see table below).
- Lastly, in the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net (un)realised gains from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised gains on available-for-sale assets' and 'other net income' are also related to trading income. In the underlying figures, all trading income components are recognised under 'net (un)realised gains from financial instruments at fair value', without any impact on net profit.

A detailed reconciliation of net profit under IFRS and underlying net profit is provided in the table below.

Underlying profit analysis, KBC Group (in millions of EUR)	BU*	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Profit after tax, attributable to equity holders of the parent		997	936	639	708	554	493
Minus							
- Amounts before taxes and minority items							
MTM of derivatives for hedging purposes	various	34	94	13	36	-33	41
Sale of participation in BCC/Banksys (Belgium)	Belgium	0	-1	0	0	0	0
Sale of shares in Intesa Sanpaolo (Italy)	Group	207	0	0	0	0	0
Sale of Banca KBL Fumagalli (Italy)	EPB	0	14	0	0	0	0
Sale of GBC (Hungary)	CEER	0	0	35	0	0	0
Adjustment staff health insurance	Group	0	0	0	-64	0	0
Impairment of shares Irish Life & Permanent (Ireland)	Group	0	0	0	0	0	-42
Other	various	-23	-12	-3	80	0	0
- Taxes and minority interests on the items above	various	-2	-40	-6	-20	14	-16
Underlying profit after tax, attributable to equity holders of the parent		781	880	601	676	573	510

*Belgium = Belgium business unit; CEER = Central & Eastern Europe and Russia business unit; Merchant = Merchant Banking business unit; EPB = European Private Banking business unit; Group = Group Centre.

In line with internal reporting policy, impairment in 2Q 2008 of KBC's financial participation of some 2% in Irish Life & Permanent (IL&P) was considered as an exceptional, non-operating item. The gains realised in the 2006 financial year on the sale of part of KBC's participation in IL&P were similarly classified.

Analysis of underlying earnings components

Analysis of earnings components

KBC Group, 2Q 2008

Analysis of total income (underlying figures)

Total income (in millions of EUR) UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	1 063	1 081	1 116	1 199	1 202	1 257
Gross earned premiums, insurance	869	824	969	1 328	1 236	1 008
Non-Life	*440*	*442*	*457*	*487*	*503*	*504*
Life	*429*	*382*	*511*	*841*	*734*	*504*
Gross technical charges	- 753	- 663	- 841	-1 147	-1 078	- 820
Non-Life	*- 298*	*- 246*	*- 272*	*- 269*	*- 289*	*- 261*
Life	*- 455*	*- 416*	*- 570*	*- 877*	*- 789*	*- 559*
Ceded reinsurance result	- 15	- 5	- 17	- 28	- 10	- 17
Net fee and commission income	512	541	539	546	464	482
*Banking**	*608*	*626*	*626*	*646*	*586*	*586*
Insurance	*- 97*	*- 85*	*- 87*	*- 101*	*- 122*	*- 104*
Net (un)realised gains from financial instruments at fair value	359	404	154	154	- 28	88
Net realised gains from available-for-sale assets	96	107	115	143	198	63
Dividend income	12	112	23	29	19	103
Other net income	151	87	88	125	115	72
Total income	2 293	2 488	2 145	2 350	2 118	2 235
Belgium	881	989	872	899	1 012	875
Central & Eastern Europe and Russia	523	581	548	664	631	708
Merchant Banking	696	715	544	583	346	511
European Private Banking	190	192	171	202	148	190
Group Centre	3	11	10	2	- 19	- 48

* Includes banking, KBL EPB and holding activities.

Net interest income did well in the quarter under review and amounted to 1 257 million, the highest quarterly level since the creation of our group. Net interest income was up by 5% on the previous quarter and up 16% on 2Q 2007. The bulk of net interest income growth was accounted for by the CEER business unit, which again confirmed its role as growth engine for the group with year-on-year organic increases of 23% for credits and 8% for deposits.
In the quarter under review, the net interest margin of the banking activities for the entire group amounted to 1.74%, flat on the previous quarter, and up on the 1.68% recorded a year earlier.

Life insurance premiums (including unit-linked products, of which the bulk of the premium income is, in line with IFRS, not included in the gross earned premiums heading in the P/L) amounted to 925 million in the quarter under review. Sales of *interest-guaranteed* life insurance products amounted to 677 million, down 65 million on 1Q 2008 but up 308 million on the year-earlier quarter. *Unit-linked* life sales - obviously negatively influenced by the uncertain stock market climate - stood at a low 248 million, down 128 million on the previous quarter. Year-on-year, total life reserves (23 billion) rose by 5%; vis-à-

vis the previous quarter, growth amounted to 1%. As was the case for credits and deposits, the CEER Business Unit also accounted for a large part of the increase of life reserves.
Non-life sales stood at 504 million in the quarter under review. They were roughly flat quarter-on-quarter and up 14% year-on-year (however, almost 40% of the year-on-year increase was due to the acquisition of DZI Insurance in Bulgaria). The combined ratio of the non-life insurance activities for the first six months of the year stood at an excellent 90%, an improvement on the 96% recorded for 2007 (which, however, had been impacted by the windstorm Kyrill). The combined ratio for 1H 2008 remained well below 95% at all business units (Belgium 91%, CEER 91% and Merchant Banking 84%). The claims reserve ratio amounted to 177%, slightly up from 176% at the end of 2007.

Net fee and commission income amounted to 482 million, up 4% on the weak 1Q 2008 but down 11% on 2Q 2007. Although, in the quarter under review, fee income from fund management got off to a good start, investor sentiment turned again at the end of the quarter and, as a consequence, *received fees* in group banking activities were more or less on par versus the previous quarter. The 4% net increase in total fee income in the quarter under review is therefore due to lower *paid fees* to insurance agents, resulting from lower life insurance sales. Year-on-year, there was a 6% decrease in *received fees* in the banking business, while *paid fees* in the insurance business were 23% higher. The depressed market sentiment, and more specifically, the adverse trend in share prices (general stock indices went down 8% quarter-on-quarter and 25% year-on-year) also negatively impacted the volume of assets under management (AUM) in the group: as at 30 June 2008, AUM stood at 227 billion, flat quarter-on-quarter and down slightly (-1%) year-on-year.

Net (un)realised gains from financial instruments at fair value amounted to 88 million in the quarter under review, up on the negative 28 million recorded in 1Q 2008 and down significantly on the high 2Q 2007 level (404 million). Although market circumstances remained uncertain in the second quarter, many of the market activities that had generated very weak results in the first quarter recovered during the second quarter. Moreover, 1Q 2008 included the negative impact of the unwinding of trading positions. However, part of this positive development was offset by additional negative market value adjustments related to the CDO/ABSs in the group's portfolios (further referred to as 'CDO impact') to the tune of 314 million (161 million after tax), while the equivalent amount in the previous quarter was 141 million (93 million after tax). Over and above the impact on profit and loss, there was also a direct impact on shareholders' equity: in 2Q 2008, this amounted to 105 million (71 million after tax). The CDO-impact in the second quarter related to the widening of credit spreads and rating downgrades of CDO-notes held, while additional credit valuation adjustments were made for the counterparty risk of monoline insurers. As a consequence, the total CDO impact (on profit and loss and on shareholders' equity) since the beginning of the market turmoil (mid-2007) now amounts to 1 billion pre tax (or 0.6 billion after tax).

Gains from available-for-sale assets in the quarter under review amounted to a low 63 million, down on the 107 million recorded in 2Q 2007 and significantly less than the 198 million in 1Q 2008 (in that quarter, a large part of the planned gains on the sales of shares in the insurance business of the Belgium Business Unit for 2008 had already been realised).

Dividend income in 2Q 2008 stood at 103 million, somewhat down on the year-earlier quarter (112 million) and - as the bulk of the dividend income is traditionally received in the second quarter – significantly up on the previous quarter (19 million).

Other net income amounted to 72 million, down on the 104 million average of the last four quarters.

Analysis of operating expenses (underlying figures)

Operating expenses (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Staff expenses	- 745	- 764	- 761	- 813	- 760	- 738
General administrative expenses	- 381	- 446	- 412	- 501	- 447	- 485
Depreciation and amortisation of fixed assets	- 85	- 88	- 95	- 94	- 93	- 88
Provisions for risks and charges	3	- 15	2	41	22	2
Operating expenses	-1 208	-1 314	-1 266	-1 367	-1 278	-1 310
Belgium	- 432	- 471	- 461	- 485	- 464	- 486
Central & Eastern Europe and Russia	- 321	- 352	- 363	- 454	- 406	- 446
Merchant Banking	- 322	- 367	- 311	- 313	- 295	- 250
European Private Banking	- 124	- 115	- 120	- 128	- 95	- 132
Group Centre	- 8	- 9	- 11	13	- 18	4

In 2Q 2008, operating expenses amounted to 1 310 million, which, at first sight, constitutes a 3% quarter-on-quarter increase. However, excluding changes in the scope of consolidation, exchange rate fluctuations and the fact that the previous quarter included a relatively high take-back of provisions for risks and charges, there were down 0.5%.

Compared to a year ago, costs remained flat. Excluding the new acquisitions and exchange rate changes, and some 27 million of one-off expenses in 2Q 2007 (a litigation provision and reallocation costs related to the new head office in

Prague), cost were down by some 5%. The cost decrease was predominantly located in the Merchant Banking Business Unit (and was related to lower income-related remuneration, among other things).

The banking cost/income ratio for the first six months of the year increased to 63%, against 58% for the 2007 financial year. The 1H 2008 cost/income ratio amounted to 61% in the Belgium Business Unit, 61% in CEER, 64% in Merchant Banking and 68% in European Private Banking.

Analysis of impairment (underlying figures)

Impairment (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Impairment on loans and advances	-25	-55	-51	-54	-27	-143
Impairment on available-for-sale assets	-4	2	-8	-65	-71	-138
Impairment on goodwill	0	0	0	0	0	0
Impairment on other	1	-3	-3	-2	0	-9
Impairment	-27	-56	-62	-121	-98	-290
Belgium	2	-9	-11	-62	-52	-121
Central & Eastern Europe and Russia	-25	-27	-38	-1	-39	-57
Merchant Banking	-5	-19	-9	-22	-5	-102
European Private Banking	1	-1	-3	-36	-3	-11
Group Centre	0	-1	-1	0	0	0

In 2Q 2008, impairments increased significantly as regards loans and available-for-sale assets (i.e. the shares in the investment portfolios).

Impairment charges *on the loan portfolio* came to 143 million, a considerable rise versus earlier quarters, predominantly located within the Merchant Banking Business Unit. As a consequence, the loan loss ratio for the first half of the year rose to 19 bps for the whole group, up on the 13 bps recorded for the 2007 financial year. The loan loss ratio for 1H 2008 came to 6 bps for the Belgium Business Unit (down from 13 bps in FY 2007), 43 bps for CEER (up from 26 bps in FY 2007) and 16 bps for Merchant Banking (up from 2 bps in FY 2007). Notwithstanding the increase in loan loss provisions, the loan quality remained good in the quarter under review. At the end of June 2008, the non-performing loan ratio, for instance, stood at 1.4%, a slight improvement versus the 1.5% recorded at the end of 2007, whereas the percentage of cover for non-performing loans afforded by all loan loss provisions remained - at 93% - practically at the same level as at end-2007 (94%). However, as credit conditions show signs of worsening in the quarters to come, especially in the corporate loan book, it is unlikely that the credit risk costs will fall back in the remainder of the year.

As the stock market climate remained unfavourable in the quarter under review (general stock market indices down by some 25% year-on-year), impairments *on available-for-sale securities,* too, were quite significant. They stood at 138 million, up on the 71 million recorded in 1Q 2008, while in 2Q 2007 there had even been a 2 million net retrieval of impairments. Note that the 42 million impairment on the Irish Life & Permanent financial participation was treated as an exceptional item (hence, not included in the underlying figures), in line with the treatment of realised capital gains on such shares in the past.

Analysis of other earnings components (underlying figures)

Other components of the result (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Share in result of associated companies	16	22	14	4	16	8
Income tax expense	-262	-230	-202	-157	-157	-105
Minority interests in profit after tax	31	30	28	33	25	28

The share in the results of associated companies (8 million in 2Q 2008) related to the contribution via the equity method of the minority participation in NLB Bank in Slovenia. Group income tax expense amounted to 105 million in 2Q 2008; this is lower than in previous quarters due to the geographic breakdown of profit (larger share of profit comes from regions with lower-than-average tax rates), tax provision releases and various deferred tax adjustments. The profit attributable to minority shareholders amounted to 28 million, in line with the average of the last four quarters (29 million).

Underlying results per business unit

The group consists of five business units (BUs): Belgium, Central & Eastern Europe and Russia (CEER), Merchant Banking, European Private Banking, and Shared Services & Operations. This last encompasses IT, payments processing and centralised ‘product factories’, such as asset management, consumer finance, leasing and trade finance. All revenue and expenses of the Shared Services & Operations are allocated to the other BUs. The following sections of this report provide an underlying income statement and associated comments for each BU.

Belgium Business Unit (underlying trend)

The underlying net profit generated by this BU came to 177 million in the quarter under review. The BU’s return on allocated capital hence came to 25% in the first half of 2008. The decrease of the net result versus the reference quarters is for a large part related to the share investment portfolio (lesser realised gains and higher impairments), as a result of the adverse stock market climate.

The Belgium BU encompasses the retail bancassurance activities in Belgium (including the KBC-brand private banking activities). 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 (except for some specific items), as well as the activities of a number of Belgian subsidiaries (the main ones being CBC Banque, Centea, Fidea and ADD).

Income statement, Belgium Business Unit (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	483	479	478	511	532	542
Gross earned premiums, insurance	563	522	641	953	865	632
Gross technical charges, insurance	- 564	- 501	- 614	- 939	- 828	- 612
Ceded reinsurance result	- 4	- 5	- 4	0	- 6	- 7
Dividend income	10	90	14	15	15	77
Net (un)realised gains from financial instruments at fair value	5	20	17	- 14	- 3	- 60
Net realised gains from available-for-sale assets	68	107	93	101	200	59
Net fee and commission income	229	238	214	234	192	205
Banking	*276*	*276*	*255*	*279*	*249*	*249*
Insurance	*- 46*	*- 38*	*- 42*	*- 45*	*- 56*	*- 43*
Other net income	92	38	33	37	45	39
Total income	881	989	872	899	1 012	875
Operating expenses	- 432	- 471	- 461	- 485	- 464	- 486
Impairment	2	- 9	- 11	- 62	- 52	- 121
Share in results of associated companies	0	0	0	0	0	0
Profit before tax	451	508	400	352	496	268
Income tax expense	- 121	- 91	- 96	- 78	- 109	- 90
Profit after tax	330	417	304	274	387	177
attributable to minority interests	3	1	1	0	0	0
attributable to the equity holders of the parent	**327**	**417**	**303**	**274**	**387**	**177**
Banking activities	*244*	*142*	*158*	*159*	*177*	*151*
Insurance activities	*83*	*275*	*145*	*114*	*211*	*26*
Risk-weighted assets (end of period)	*39 986*	*41 439*	*42 076*	*42 360*	*42 303*	*43 622*
Allocated equity (end of period)	*4 072*	*4 202*	*4 282*	*4 361*	*4 409*	*4 538*
Return on allocated capital (ROAC)	*34%*	*41%*	*30%*	*25%*	*35%*	*16%*
Cost/income ratio (banking activities)	*50%*	*66%*	*61%*	*59%*	*59%*	*63%*
Combined ratio (non-life insurance activities)	*102%*	*96%*	*97%*	*102%*	*88%*	*96%*

For a definition of ratios, see 'glossary and other information'.

Net interest income of this BU amounted to 542 million and was up 2% quarter-on-quarter and 13% year-on-year. The year-on-year growth resulted from increased credit (+10%) and deposit volumes (+21%), even though volumes of saving accounts went down in favour of term deposits, which bear a lower margin for the group. Compared to the previous quarter, loans and deposit volumes still witnessed a growth of 5% and 13%, respectively.
In the quarter under review, the net interest margin went down to 1.68% (versus 1.72% in 1Q 2008 and 1.77% in 2Q 2007), mainly as a result of the shift to products with a lower margin for the group.

Gross earned premiums of the group's insurance activities in Belgium amounted to 632 million.
In life insurance, gross premiums (including certain types of life insurance – mainly unit-linked products – that, according to IFRS, are not included under the gross earned premium income heading in the P/L) amounted to 556 million, a year-on-year increase of 104 million, which was fully accounted for by interest-guaranteed products, while unit-linked products sales remained flat at a very low level (evidently related to the bad stock market performance). Compared to the previous quarter, life insurance premiums went down significantly (-392 million), with decreases in both interest-guaranteed and unit-linked products (offset, however, by higher growth in bank deposits). The outstanding life reserves in Belgium, at 20 billion, ended 4% higher than a year ago.
Non-life insurance premium income, at 226 million, witnessed a seasonal 2% quarter-on-quarter decrease and a year-on-year increase of 4%. The combined ratio for the first six months of the year came to an excellent 91%, compared to 98% for the 2007 financial year (the latter however being impacted by the Kyrill storm).

Dividend income of this BU stood at 77 million and related almost entirely to the investment portfolio of the Belgian insurance companies of the group. It was up significantly compared to 1Q 2008, as dividends are traditionally received in the second quarter of the year. Year-on-year, dividend income decreased by 13 million, which is related to the reduction of the equity portfolio in the previous quarters.

Net realised gains on available-for-sale securities amounted to 59 million in the quarter under review, significantly below the 200 million realised in the previous quarter, during which it had been decided to realise an important part of the yearly budgeted gains on share sales already, given the uncertain stock market climate. Compared to 2Q 2007 (107 million), realised gains were lower, too.

Net (un)realised gains from financial instruments at fair value amounted to a negative 60 million in the quarter under review, versus -3 million in 1Q 2008 and a positive 20 million in 2Q 2007. As was the case in 1Q 2008, this income item was negatively impacted by value adjustments on CDOs in portfolio (pre-tax 50 million, versus 29 million in the previous quarter).

Net fee and commission income stood at 205 million, up 7% on 1Q 2008, but down 14% on 2Q 2007. Given the depressed equity market climate, *received* commission income for the banking activities remained at status quo vis-à-vis the previous quarter (increase in fees from securities transactions and custody, but lower entry fees on mutual funds and the like, as bank deposits proved to be an attractive alternative for mutual funds), while there was a decrease in *paid* commissions to insurance agents due to lower life insurance sales. At the end of June 2008, the assets under management of this BU stood at 158 billion, flat year-on-year and down 1% quarter-on-quarter.

Other net income amounted to 39 million, in line with the average of the last 4 quarters (38 million).

Notwithstanding inflationary pressures, operating expenses (486 million) were up only 3% compared to a year earlier, thanks to lower bonus accruals, among other things. Costs were up 5% versus the previous quarter, although more than a third of this rise relates to increased cost provisions for a commercial litigation. The 1H 2008 cost/income ratio for the Belgian banking activities rose slightly to 61%, up from 59% for the 2007 financial year.

Impairments stood at 121 million. Impairments on the Belgian retail *loan portfolio* remained quite limited, although, at 13 million, they where somewhat up on the extremely low 4 million recorded in 1Q 2008, while the quarterly average in 2007 was 15 million. This resulted in a very good loan loss ratio for the first half of the year of a mere 6 bps, versus 13 bps for the 2007 financial year.
One of the major elements behind the decrease of the Belgium BU's results in 2Q 2008, however, was the increase in impairments on *available-for-sale assets* (mainly shares in the insurer's investment portfolio). At 108 million, these were significantly higher than the 2007 quarterly average of 5 million and were even up on the 48 million recorded in 1Q 2008. Evidently, this had to do with the continued adverse stock market trends: as average share prices were down some 25% year-on-year, this triggered additional impairments on shares in the investment portfolio, in line with KBC's conservative policy on the matter.

CEER Business Unit (underlying trend)

The CEER BU encompasses all banking and insurance activities in Central and Eastern Europe and Russia, the main ones being:
- Czech Republic: ČSOB Bank (CR) and ČSOB Insurance (CR)
- Slovakia: ČSOB Bank (SR), ČSOB Insurance (SR), Istrobanka (not yet in the results)
- Hungary: K&H Bank and K&H Insurance
- Poland: Kredyt Bank and WARTA Insurance
- Serbia: KBC Banka
- Bulgaria: Economic and Investment Bank (EIB; included since 1Q 2008) and DZI Insurance (included since 4Q 2007)
- Russia: Absolut Bank (included since 3Q 2007)
- Slovenia: NLB Bank (minority participation) and NLB Life.

The underlying net profit generated by this BU came to 190 million in the quarter under review, a record high, mainly thanks to volume-driven growth in most markets, with the Czech Republic accounting for the biggest contribution. Return on allocated equity in the first six months came to 21%.

The underlying quarterly net profit is broken down as follows:
- 128 million in the Czech Republic
- 13 million in Slovakia
- 43 million in Hungary
- 30 million in Poland
- 4 million in Russia
- -29 million other results (mainly funding costs, see further).

Income statement, Central & Eastern Europe and Russia Business Unit (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	274	283	319	361	390	439
Gross earned premiums, insurance	239	231	251	297	299	319
Gross technical charges, insurance	- 139	- 103	- 166	- 165	- 186	- 164
Ceded reinsurance result	- 7	- 5	- 11	- 8	- 4	- 9
Dividend income	0	2	1	2	0	3
Net (un)realised gains from financial instruments at fair value	47	63	51	48	21	26
Net realised gains from available-for-sale assets	12	4	2	9	- 1	- 5
Net fee and commission income	75	84	82	82	76	75
Banking	*109*	*118*	*116*	*129*	*129*	*132*
Insurance	*- 34*	*- 34*	*- 34*	*- 47*	*- 53*	*- 56*
Other net income	23	21	17	38	36	25
Total income	523	581	548	664	631	708
Operating expenses	- 321	- 352	- 363	- 454	- 406	- 446
Impairment	- 25	- 27	- 38	- 1	- 39	- 57
Share in results of associated companies	15	19	14	3	15	8
Profit before tax	192	222	160	211	201	214
Income tax expense	- 35	- 35	- 38	- 31	- 42	- 17
Profit after tax	157	187	122	180	159	196
attributable to minority interests	8	9	5	6	6	6
attributable to the equity holders of the parent	**150**	**177**	**117**	**174**	**154**	**190**
Banking activities	*126*	*157*	*106*	*152*	*160*	*177*
Insurance activities	*23*	*21*	*11*	*22*	*- 7*	*13*
Risk-weighted assets (end of period)	*23 851*	*24 769*	*29 372*	*31 852*	*34 045*	*37 449*
Allocated equity (end of period)	*1 920*	*1 994*	*2 345*	*2 530*	*2 709*	*2 973*
Return on allocated capital (ROAC)	*29%*	*35%*	*20%*	*25%*	*20%*	*23%*
Cost/income ratio (banking activities)	*62%*	*59%*	*65%*	*68%*	*61%*	*61%*
Combined ratio (non-life insurance activities)	*107%*	*88%*	*97%*	*92%*	*92%*	*89%*

For a definition of ratios, see 'glossary and other information'.

Compared to a year earlier, the average quarterly exchange rate of the CZK was up by 13% against the EUR, the SKK by 8%, the PLN by 11% and the HUF exchange rate remained at status quo. The combined weighted appreciation was roughly 9% for this BU. Compared to the previous quarter, exchange rate changes were less outspoken; their combined weighted appreciation was some 3%. Moreover, in comparison with a year ago, a number of important acquisitions were effected, mainly in Russia and Bulgaria. In order not to distort the comparison, the 'organic' growth figures mentioned below exclude the impact of the new acquisitions and changes in the exchange rates.

Net interest income amounted to 439 million, significantly up against both the year-earlier and previous quarter figures (organically +24% and +5%, respectively), reflecting the higher business volumes in almost every CEER market. Compared to a year earlier, organic loan growth was 23%, with housing loans even increasing by 45%, while organic deposit growth amounted to 8%. Including the new acquisitions and exchange rate changes, the '*nominal'* year-on-year growth even amounted to 59% for credits and 31% for deposits. Even compared to the previous quarter, organic growth of 5% for loans and 1% for deposits (in nominal terms +11% and +7%, respectively) was still recorded. The average CEER banking interest margin increased to 3.10%, compared to 3.08% recorded in 1Q 2008 and 3.03% in 2Q 2007 (the latter *inter alia* thanks to the new acquisitions in markets with higher margins).

Gross earned insurance premiums in CEER amounted to 319 million.
Life gross earned premiums (including unit-linked products, which, under IFRS, are not included in the gross earned premiums or in the technical charges) stood at 312 million, significantly up on both the year-earlier and previous quarter (organically, by 208 and 193 million, respectively). Both interest-guaranteed and unit-linked products witnessed increased sales volumes, and the largest part of the growth was situated in Poland. Organically, outstanding life reserves increased by 21% year-on-year and 6% quarter-on-quarter, to 1.7 billion.
In non-life insurance, too, sales went up 12% versus a year ago and some 3% versus the previous quarter (both organically). The combined ratio in the first six months of the year stood at a comfortable 91%, a significant further improvement on the 95% recorded for the entire year 2007, mainly thanks to lower claims in the period under review.

Total net fee and commission income stood at 75 million. Net fee and commission income *received* by the CEER banking entities grew 12% year-on-year and 2% quarter-on-quarter, backed by the new acquisitions and exchange rate changes. However, this was partly offset by the increased commissions paid to agents by the insurance entities of the group as a result of the increase in insurance sales. AUM in CEER amounted to 14 billion as at the end of June 2008, which is organically 14% more than a year earlier. Quarter-on-quarter, AUM were up 2% on an organic basis.

Gains from financial instruments at fair value stood at 26 million, up on the 21 million recorded in 1Q 2008 and down on the 63 million in 2Q 2007. Whereas the previous quarter included a negative value adjustment on the CDOs in portfolio to the tune of 28 million pre-tax, this quarter's equivalent rose to 37 million. Sales of available-for-sale investment securities resulted in a net loss of 5 million, compared to an average net gain of 4 million in the last 4 quarters. Other net income amounted to 25 million, more or less in line with the average of the last 4 quarters.

Operating expenses in the quarter under review stood at 446 million. This constitutes - again excluding exchange rate and consolidation scope effects – an increase of a mere 4% on the year-earlier quarter, due to wage inflation and increased costs related to the branch network expansion, among other things. Costs were up some 6% organically on the previous quarter. While that quarter benefited from the write-back of a litigation provision in Hungary (impact +13 million), the current quarter was also positively impacted by a provision release related to a Polish litigation (+10 million). The cost/income ratio for the CEER banking activities ended at 61% for the first six months of the year, an improvement on the 63% recorded for the 2007 financial year.

Impairments, at 57 million, related almost entirely to loans (51 million). Loan loss impairments were up compared to the previous quarters, leading to a loan loss ratio for the first six months of the year of 43 bps for the region, compared with 26 bps for the 2007 financial year. The 1H 2008 loan loss ratio is broken down as follows: 24 bps in the Czech Republic (18 bps in the 2007 financial year), 58 bps in Slovakia (96 bps in 2007), 92 bps in Poland (net retrieval of impairments in 2007), zero in Hungary (62 bps in 2007) and 160 bps in Russia (21 bps in 2007; the 2008 ratio was boosted by the allocation of portfolio-based loan impairments).

The share in results of associated companies, which relates to Nova Ljubjanska banka (NLB) in Slovenia, amounted to 8 million, lower than the 13 million quarterly average for 2007.

Below, the underlying income statements are provided for the main CEER countries: the Czech Republic, Slovakia, Hungary, Poland and Russia. The 'CEER-funding costs and other results' section includes the funding cost of goodwill paid on acquisitions in CEER, the results of the other subsidiaries and participations (*NLB* and *NLB Life* in Slovenia, *KBC Banka* in Serbia, *DZI Insurance* and *EIB* in Bulgaria being the main ones), minority interests in the CEER subsidiaries, some operating expenses related to CEER at KBC group's head office, and consolidation adjustments.

Income statement, Czech Republic (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	157	163	178	197	213	223
Gross earned premiums, insurance	58	60	63	68	70	74
Gross technical charges, insurance	- 28	- 13	- 50	- 36	- 52	- 35
Ceded reinsurance result	- 3	1	- 1	- 1	- 3	- 3
Dividend income	0	1	1	1	0	1
Net (un)realised gains from financial instruments at fair value	6	12	1	- 8	- 23	- 16
Net realised gains from available-for-sale assets	8	0	1	- 2	- 3	2
Net fee and commission income	51	52	49	54	57	60
Banking	*58*	*59*	*56*	*61*	*64*	*67*
Insurance	*- 7*	*- 7*	*- 7*	*- 7*	*- 7*	*- 7*
Other net income	10	11	8	16	25	7
Total income	260	286	249	290	285	313
Operating expenses	- 127	- 138	- 136	- 161	- 155	- 151
Impairment	- 7	- 6	- 20	2	- 13	- 11
Share in results of associated companies	2	1	1	2	- 1	2
Profit before tax	129	143	94	133	116	153
Income tax expense	- 28	- 30	- 22	- 29	- 19	- 23
Profit after tax	100	114	72	104	96	129
attributable to minority interests	1	1	0	0	1	1
attributable to the equity holders of the parent	**99**	**113**	**72**	**104**	**95**	**128**
Banking activities	*88*	*108*	*68*	*95*	*101*	*120*
Insurance activities	*12*	*5*	*4*	*10*	*- 5*	*9*
Risk-weighted assets (end of period)	*12 233*	*13 109*	*14 099*	*14 899*	*15 733*	*17 533*
Allocated equity (end of period)	*931*	*990*	*1 063*	*1 122*	*1 186*	*1 315*
Return on allocated capital (ROAC)	*37%*	*43%*	*26%*	*31%*	*27%*	*36%*
Cost/income ratio (banking activities)	*49%*	*47%*	*53%*	*56%*	*51%*	*47%*
Combined ratio (non-life insurance activities)	*114%*	*81%*	*98%*	*95%*	*100%*	*91%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Slovakia (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	25	23	22	25	29	34
Gross earned premiums, insurance	13	14	13	18	13	20
Gross technical charges, insurance	- 9	- 10	- 10	- 13	- 8	- 16
Ceded reinsurance result	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0
Net (un)realised gains from financial instruments at fair value	3	11	6	7	7	9
Net realised gains from available-for-sale assets	0	0	0	0	0	0
Net fee and commission income	6	7	5	8	7	6
Banking	*7*	*8*	*6*	*9*	*8*	*7*
Insurance	*- 1*	*- 1*	*- 1*	*- 1*	*- 1*	*- 1*
Other net income	4	4	3	1	1	0
Total income	41	46	39	45	50	53
Operating expenses	- 28	- 27	- 26	- 33	- 30	- 32
Impairment	- 8	- 5	- 6	- 2	- 4	- 4
Share in results of associated companies	0	0	0	0	0	0
Profit before tax	5	15	6	10	16	16
Income tax expense	- 1	- 4	- 1	- 2	- 3	- 3
Profit after tax	4	11	5	8	14	13
attributable to minority interests	0	0	0	0	0	0
attributable to the equity holders of the parent	**4**	**11**	**5**	**8**	**14**	**13**
Banking activities	*3*	*12*	*4*	*7*	*12*	*15*
Insurance activities	*1*	*- 1*	*1*	*1*	*2*	*- 2*
Risk-weighted assets (end of period)	*2 506*	*2 134*	*2 592*	*2 226*	*2 641*	*2 754*
Allocated equity (end of period)	*187*	*163*	*190*	*167*	*199*	*204*
Return on allocated capital (ROAC)	*7%*	*22%*	*9%*	*15%*	*24%*	*19%*
Cost/income ratio (banking activities)	*67%*	*54%*	*66%*	*74%*	*60%*	*56%*
Combined ratio (non-life insurance activities)	*96%*	*122%*	*105%*	*54%*	*86%*	*112%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Hungary (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	62	66	64	67	66	73
Gross earned premiums, insurance	21	24	23	22	20	23
Gross technical charges, insurance	- 12	- 17	- 18	- 16	- 14	- 15
Ceded reinsurance result	- 1	0	1	- 1	0	- 1
Dividend income	0	0	0	0	0	0
Net (un)realised gains from financial instruments at fair value	26	27	30	29	21	31
Net realised gains from available-for-sale assets	0	2	0	0	1	1
Net fee and commission income	25	27	31	29	25	26
Banking	*27*	*29*	*33*	*30*	*27*	*28*
Insurance	*- 2*	*- 2*	*- 2*	*- 2*	*- 2*	*- 2*
Other net income	2	4	1	4	5	6
Total income	124	133	131	134	124	144
Operating expenses	- 78	- 79	- 75	- 79	- 65	- 85
Impairment	- 10	- 27	- 12	2	3	- 2
Share in results of associated companies	0	1	0	1	1	0
Profit before tax	37	28	44	59	63	58
Income tax expense	- 7	- 5	- 13	- 16	- 23	- 15
Profit after tax	30	24	31	43	40	43
attributable to minority interests	0	0	0	0	0	0
attributable to the equity holders of the parent	**30**	**24**	**31**	**43**	**40**	**43**
Banking activities	*26*	*20*	*29*	*42*	*37*	*40*
Insurance activities	*4*	*3*	*2*	*1*	*3*	*4*
Risk-weighted assets (end of period)	*5 113*	*5 089*	*5 333*	*5 326*	*5 302*	*5 948*
Allocated equity (end of period)	*378*	*379*	*397*	*397*	*395*	*437*
Return on allocated capital (ROAC)	*20%*	*13%*	*21%*	*48%*	*29%*	*29%*
Cost/income ratio (banking activities)	*63%*	*60%*	*57%*	*58%*	*52%*	*60%*
Combined ratio (non-life insurance activities)	*78%*	*89%*	*101%*	*104%*	*86%*	*89%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Poland (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	57	59	68	70	75	83
Gross earned premiums, insurance	147	131	148	157	158	166
Gross technical charges, insurance	- 107	- 60	- 83	- 78	- 82	- 79
Ceded reinsurance result	- 4	- 6	- 11	- 6	1	- 3
Dividend income	0	1	0	1	0	1
Net (un)realised gains from financial instruments at fair value	12	10	10	12	11	14
Net realised gains from available-for-sale assets	3	3	2	7	1	- 6
Net fee and commission income	- 8	- 3	- 6	- 8	- 17	- 20
Banking	*16*	*22*	*18*	*25*	*20*	*21*
Insurance	*- 24*	*- 26*	*- 25*	*- 33*	*- 37*	*- 41*
Other net income	10	4	8	20	7	13
Total income	110	139	137	176	154	170
Operating expenses	- 85	- 98	- 96	- 120	- 99	- 114
Impairment	- 1	10	6	- 2	- 14	- 23
Share in results of associated companies	1	0	1	- 1	0	0
Profit before tax	24	51	48	53	40	33
Income tax expense	- 5	- 7	- 11	- 8	- 9	- 4
Profit after tax	19	45	37	45	31	30
attributable to minority interests	0	0	0	0	0	0
attributable to the equity holders of the parent	**19**	**45**	**37**	**45**	**31**	**30**
Banking activities	21	26	*26*	29	21	20
Insurance activities	- 2	18	*10*	15	10	9
Risk-weighted assets (end of period)	*3 999*	*4 436*	*5 188*	*5 806*	*6 347*	*6 447*
Allocated equity (end of period)	*422*	*458*	*513*	*573*	*618*	*643*
Return on allocated capital (ROAC)	*11%*	*34%*	*24%*	*27%*	*15%*	*13%*
Cost/income ratio (banking activities)	*67%*	*74%*	*71%*	*68%*	*66%*	*64%*
Combined ratio (non-life insurance activities)	*110%*	*88%*	*96%*	*90%*	*90%*	*90%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Russia (in millions of EUR) **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	-	-	22	34	40	57
Gross earned premiums, insurance	-	-	0	0	0	0
Gross technical charges, insurance	-	-	0	0	0	0
Ceded reinsurance result	-	-	0	0	0	0
Dividend income	-	-	0	0	0	0
Net (un)realised gains from financial instruments at fair value	-	-	- 1	3	0	1
Net realised gains from available-for-sale assets	-	-	0	0	0	0
Net fee and commission income	-	-	3	4	4	2
Banking	-	-	*3*	*4*	*4*	*2*
Insurance	-	-	*0*	*0*	*0*	*0*
Other net income	-	-	0	2	0	0
Total income	-	-	24	42	45	60
Operating expenses	-	-	- 17	- 31	- 30	- 36
Impairment	-	-	- 4	2	- 5	- 18
Share in results of associated companies	-	-	0	0	0	0
Profit before tax	-	-	3	13	9	6
Income tax expense	-	-	- 1	- 3	- 2	- 1
Profit after tax	-	-	2	10	6	4
attributable to minority interests	-	-	0	0	0	0
attributable to the equity holders of the parent	-	-	**2**	**10**	**6**	**4**
Banking activities	-	-	*2*	10	6	4
Insurance activities	-	-	*0*	0	0	0
Risk-weighted assets (end of period)	-	-	*2 160*	*3 014*	*3 174*	*3 818*
Allocated equity (end of period)	-	-	*147*	*205*	*216*	*260*
Return on allocated capital (ROAC)	-	-	-	-	-	-
Cost/income ratio (banking activities)	-	-	*71%*	*73%*	*68%*	*60%*
Combined ratio (non-life insurance activities)	-	-	-	-	-	-

For a definition of ratios, see 'glossary and other information'.

Income statement, CEER - funding cost and other results (in millions of EUR) - **UNDERLYING FIGURES**	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	-27	-27	-35	-33	-33	-31
Gross earned premiums, insurance	0	3	5	31	38	35
Gross technical charges, insurance	18	-2	-4	-22	-30	-20
Ceded reinsurance result	0	0	0	-1	-1	-2
Dividend income	0	0	0	0	0	0
Net (un)realised gains from financial instruments at fair value	0	4	4	5	5	-13
Net realised gains from available-for-sale assets	0	-1	0	4	0	-2
Net fee and commission income	0	2	1	-4	-1	1
Other net income	-3	-2	-3	-3	-2	-2
Total income	-12	-24	-32	-23	-26	-32
Operating expenses	-4	-10	-14	-31	-27	-27
Impairment	1	0	-1	-4	-6	2
Share in results of associated companies	12	17	11	0	16	5
Profit before tax	-2	-16	-35	-58	-43	-52
Income tax expense	6	10	10	28	14	29
Profit after tax	4	-6	-25	-30	-28	-24
attributable to minority interests	7	8	5	7	4	-5
attributable to the equity holders of the parent	**-3**	**-15**	**-30**	**-36**	**-33**	**-29**
Banking activities	-12	-10	-24	-30	-17	-22
Insurance activities	9	-4	-6	-6	-16	-7

Merchant Banking Business Unit (underlying trend)

The underlying net profit generated by this BU came to 128 million in the quarter under review.
The net profit of the commercial banking activities amounted to 51 million, down on the previous quarters mainly due to increased loan loss provisions.
After the depressed results of the first quarter (net loss of 81 million), the investment banking activities again veered up to a net profit of 76 million in 2Q 2007.

The 'Merchant Banking' BU encompasses the financial services provided to SMEs and corporate customers (including in Belgium) and capital market activities. However, all merchant banking activities of the CEER group companies are handled by the CEER BU.
More specifically, the BU includes the merchant banking activities of KBC Bank in Belgium and its branches elsewhere, as well as the activities of the following subsidiaries (only the main ones are mentioned): KBC Lease, KBC Securities, KBC Financial Products, Antwerp Diamond Bank, KBC Private Equity, KBC Bank Nederland, KBC Bank Deutschland, KBC Clearing, KBC Peel Hunt, KBC Commercial Finance, KBC Finance Ireland, IIB Bank, Secura Re and Assurisk Re.

Income statement, Merchant Banking Business Unit (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	275	273	277	279	249	242
Gross earned premiums, insurance	74	67	78	71	71	60
Gross technical charges, insurance	- 48	- 40	- 54	- 27	- 53	- 37
Ceded reinsurance result	- 4	- 5	- 4	- 20	- 1	- 3
Dividend income	1	8	5	6	2	13
Net (un)realised gains from financial instruments at fair value	284	294	86	129	- 32	128
Net realised gains from available-for-sale assets	8	- 15	4	1	- 1	2
Net fee and commission income	73	96	121	105	79	74
Other net income	34	35	31	38	33	33
Total income	696	715	544	583	346	511
Operating expenses	- 322	- 367	- 311	- 313	- 295	- 250
Impairment	- 5	- 19	- 9	- 22	- 5	- 102
Share in results of associated companies	0	2	0	0	0	0
Profit before tax	369	332	223	248	46	159
Income tax expense	- 78	- 69	- 48	- 43	0	- 10
Profit after tax	291	263	175	205	46	149
attributable to minority interests	22	21	22	26	20	22
attributable to the equity holders of the parent	**269**	**241**	**153**	**179**	**26**	**128**
Banking activities	*257*	*223*	*139*	*174*	*28*	*132*
Insurance activities	*12*	*18*	*14*	*5*	*- 1*	*- 4*
Risk-weighted assets (end of period)	*63 908*	*69 578*	*74 547*	*73 230*	*72 400*	*74 118*
Allocated equity (end of period)	*4 432*	*4 816*	*5 150*	*5 058*	*5 004*	*5 120*
Return on allocated capital (ROAC)	*27%*	*21%*	*15%*	*11%*	*2%*	*10%*
Cost/income ratio (banking activities)	*46%*	*53%*	*58%*	*54%*	*85%*	*49%*
Combined ratio (reinsurance activities)	*88%*	*95%*	*97%*	*90%*	*92%*	*75%*

For a definition of ratios, see 'glossary and other information'.

Net interest income of this BU, which relates to the *commercial banking* activities, amounted to 242 million in 2Q 2008, down 3% on the previous quarter (due to the decrease in the USD exchange rate and a number of small accounting changes). Compared to the year-earlier quarter, the net interest income is, at first sight, 11% lower, but this is entirely due to a methodological change in the way income is recognised for lease finance and ALM derivatives as of 1Q 2008 (leading approximately to a reduced recurring 40 million quarterly net interest income as of then). Excluding this methodological change, net interest income was up some 3% year-on-year. In general, the credit spreads on SME lending show a rising trend, especially in Belgium, but this has been offset by higher funding costs for non-Belgian activities.

Net (un)realised gains from financial instruments at fair value (trading income and other fair value changes) stood at 128 million, 166 million lower than the year-earlier figure (mainly due to the CDO impact – see further), but still a significant rebound on the negative 32 million recorded in the previous quarter, as activities on the money and debt capital markets performed well, while the equity derivatives segment recovered and the insurance derivatives business grew. Moreover, 1Q 2008 had also included a significant negative impact related to the unwinding of trading positions. However, part of the positive development versus 1Q 2008 was offset by a larger negative CDO impact (pre-tax 215 million, versus 74 million in 1Q 2008). This figure includes additional credit value adjustments related to monoline credit insurers in the amount of 148 million (zero in the previous quarter). KBC has fair value exposure to monoline insurers in the form of credit default swaps bought as protection against CDOs. The 148 million, together with the already existing 39 million markdown booked in 4Q 2007, constitutes 42% of the current fair value of the hedge.

As was the case in the previous quarter, net fee and commission income (74 million euros) remained relatively low (the quarterly average of 2007 was 99 million), due to slow brokerage and corporate finance activities, among other things. Furthermore, for the quarter under review, a 2 million net gain was registered on the realisation of available-for-sale assets, compared to net losses of 1 million in 1Q 2008 and 15 million in 2Q 2007 (the latter caused by the sale of a bond portfolio within the banking book). Dividend income, as usual, peaked in the second quarter, and amounted to 13 million (versus 2 million in 1Q 2008 and 8 million in 2Q 2007) and other income stood at 33 million, in line with the average of the last four quarters. The underwriting result (earned premiums net of technical charges and ceded reinsurance result) of the group's inbound re-insurance activities stood at 19 million, more or less in line with the average of the last four quarters. The related combined ratio stood at 84%, even lower than the 91% recorded in the 2007 financial year.

Operating expenses amounted to 250 million, down 15% on the previous quarter (lower headcount in investment banking activities, among other things). Expenses were down 32% compared to a year ago, which was due to (over and above the decrease in the USD exchange rate), lower income-related remuneration and other variable expenses and also the fact that 2Q 2007 included a one-off cost provision for commercial litigation amounting to 23 million. The resulting cost/income ratio of the BU came to 64%, versus 53% for the 2007 financial year.

Impairments stood at 102 million, significantly higher than the previous quarter (5 million) and the year-earlier figure (19 million). The bulk of the increase in impairments related to loan losses and, as a consequence, the resulting annualised loss ratio for the first six months of the year went up to 16 bps, versus the extremely low 2 bps recorded for the 2007 financial year. Impairments on available-for-sale assets stood at 16 million, roughly the same level as the previous quarter; in 2Q 2007, no impairments on available-for-sale assets had been necessary.

Below, the figures for the Merchant Banking BU are broken down into 'Commercial Banking' (mainly lending and banking services to SMEs, but also including the inbound re-insurance business) and 'Investment Banking' (sales and trading on money and capital markets, corporate finance, structured products business, etc.).

Income statement, Commercial Banking (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	275	273	277	279	249	242
Gross earned premiums, insurance	74	67	78	71	71	60
Gross technical charges, insurance	- 48	- 40	- 54	- 27	- 53	- 37
Ceded reinsurance result	- 4	- 5	- 4	- 20	- 1	- 3
Dividend income	1	8	5	6	2	13
Net (un)realised gains from financial instruments at fair value	6	7	- 2	- 36	- 16	- 26
Net realised gains from available-for-sale assets	8	- 15	4	1	- 1	2
Net fee and commission income	13	25	27	24	26	22
Other net income	32	35	31	38	33	33
Total income	356	357	363	337	310	305
Operating expenses	- 122	- 154	- 134	- 128	- 132	- 131
Impairment	- 6	- 19	- 9	- 14	- 10	- 89
Share in results of associated companies	0	0	0	0	0	0
Profit before tax	229	185	220	195	168	86
Income tax expense	- 50	- 33	- 55	- 44	- 39	- 14
Profit after tax	179	152	164	151	129	72
attributable to minority interests	23	22	22	22	21	20
attributable to the equity holders of the parent	**156**	**130**	**143**	**129**	**108**	**51**
Banking activities	*144*	*112*	*129*	*124*	*109*	*55*
Insurance activities	*12*	*18*	*14*	*5*	*- 1*	*- 4*
Risk-weighted assets (end of period)	*51 398*	*52 568*	*53 510*	*54 655*	*54 073*	*55 318*
Allocated equity (end of period)	*3 581*	*3 659*	*3 720*	*3 795*	*3 755*	*3 842*
Return on allocated capital (ROAC)	*18%*	*16%*	*19%*	*17%*	*11%*	*6%*
Cost/income ratio (banking activities)	*35%*	*46%*	*38%*	*38%*	*41%*	*43%*
Combined ratio (reinsurance activities)	*88%*	*95%*	*97%*	*90%*	*92%*	*75%*

For a definition of ratios, see 'glossary and other information'.

Income statement, Investment Banking (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	0	0	0	0	0	0
Gross earned premiums, insurance	0	0	0	0	0	0
Gross technical charges, insurance	0	0	0	0	0	0
Ceded reinsurance result	0	0	0	0	0	0
Dividend income	0	0	0	0	0	0
Net (un)realised gains from financial instruments at fair value	278	288	87	165	-17	154
Net realised gains from available-for-sale assets	0	0	0	0	0	0
Net fee and commission income	60	71	94	81	53	52
Other net income	2	0	0	0	0	0
Total income	340	358	181	246	36	206
Operating expenses	-201	-213	-178	-185	-163	-119
Impairment	0	0	0	-8	5	-13
Share in results of associated companies	0	2	0	0	0	0
Profit before tax	140	147	3	53	-121	74
Income tax expense	-28	-36	7	1	39	4
Profit after tax	112	111	10	54	-82	78
attributable to minority interests	-1	-1	0	4	-1	1
attributable to the equity holders of the parent	**113**	**112**	**10**	**50**	**-81**	**76**
Banking activities	*113*	*112*	*10*	*50*	*-81*	*76*
Insurance activities	*0*	*0*	*0*	*0*	*0*	*0*
Risk-weighted assets (end of period)	*12 510*	*17 011*	*21 037*	*18 575*	*18 363*	*18 800*
Allocated equity (end of period)	*851*	*1 157*	*1 431*	*1 263*	*1 249*	*1 278*
Return on allocated capital (ROAC)	*55%*	*29%*	*-*	*13%*	*-*	*24%*
Cost/income ratio (banking activities)	*56%*	*60%*	*98%*	*75%*	*-*	*58%*

For a definition of ratios, see 'glossary and other information'.

European Private Banking Business Unit

(underlying trend)

The European Private Banking BU comprises the activities of the KBL European Private Bankers group. More specifically, it includes KBL European Private Bankers and its subsidiaries in the Benelux and other Western European countries (Germany, France and Monaco, the UK and Switzerland), as well as insurance company VITIS Life in Luxembourg. Since 2Q 2008, the scope of consolidation was enlarged to include Richelieu Finance in France.

The underlying net profit generated by this BU came to 47 million in the quarter under review and the return on allocated capital for the first half of the year came to 29%.

The difficult financial climate continued to negatively impact private banking income. The acquisition of the Richelieu Finance contributed positively to net profit in the first half of 2008, to the tune of some 11 million (for 5 months).

Income statement, European Private Banking Business Unit
(in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	36	34	41	58	57	64
Gross earned premiums, insurance	5	12	8	17	13	7
Gross technical charges, insurance	- 12	- 17	- 15	- 23	- 17	- 13
Ceded reinsurance result	0	0	0	0	0	0
Dividend income	2	6	2	4	1	6
Net (un)realised gains from financial instruments at fair value	22	23	4	- 3	- 14	- 6
Net realised gains from available-for-sale assets	8	10	12	36	- 1	8
Net fee and commission income	121	119	116	112	107	120
Other net income	7	5	3	2	2	3
Total income	190	192	171	202	148	190
Operating expenses	- 124	- 115	- 120	- 128	- 95	- 132
Impairment	1	- 1	- 3	- 36	- 3	- 11
Share in results of associated companies	1	1	1	1	1	1
Profit before tax	68	76	50	39	50	47
Income tax expense	- 16	- 19	- 6	2	- 8	0
Profit after tax	52	57	44	41	43	47
attributable to minority interests	0	0	0	0	0	0
attributable to the equity holders of the parent	**52**	**57**	**44**	**41**	**43**	**47**
Banking activities	*50*	*55*	*44*	*36*	*41*	*47*
Insurance activities	*2*	*2*	*0*	*5*	*2*	*0*
Risk-weighted assets (end of period)	*6 416*	*6 575*	*8 080*	*6 610*	*6 367*	*7 190*
Allocated equity (end of period)	*501*	*512*	*615*	*514*	*495*	*541*
Return on allocated capital (ROAC)	*40%*	*38%*	*24%*	*22%*	*29%*	*31%*
Cost/income ratio (banking activities)	*65%*	*61%*	*70%*	*65%*	*65%*	*70%*

For a definition of ratios, see 'glossary and other information'.

Net interest income, at 64 million, held up well (up 13% on the previous quarter and even +88% versus a year earlier), thanks to an increased interest margin on treasury activities, related to the positive liquidity position and the high demand for liquidity in the market. The net fee and commission income, at 120 million, also held up well, thanks to the positive contribution of the newly acquired Richelieu Finance. Excluding the latter, net fee and commission income was down 10% quarter-on-quarter and 19% year-on-year, which was evidently related to the adverse financial market conditions, which continued to depress private banking income in general.

Likewise, largely thanks to the contribution of Richelieu Finance, assets under management (AUM) of this BU, at 53 billion, continued to witness positive net inflows (+4% quarter-on-quarter and +2% year-on-year). The net inflows, however, were partially or entirely eaten away by market-driven price decreases. As a result, the nominal amount of AUM increased 3% quarter-on-quarter and went down 9% year-on-year (excluding Richelieu: -1% quarter-on-quarter and -13% year-on-year). As was the case in previous quarters, the on-shore private banking assets (26 billion), being the core part of the assets under management, witnessed a higher-than-average growth: net inflows were 10% quarter-on-quarter and 12% year-on-year (even excluding Richelieu Finance still +1% and +4%, respectively).

Net (un)realised gains from financial instruments at fair value stood at a negative 6 million. As was the case in the three previous quarters, the current quarter's result was negatively impacted by value adjustment on the CDOs in portfolio, to the tune of 12 million (pre-tax), more or less the same as in 1Q 2008. Gains from available-for-sale assets stood at 8 million, somewhat lower than the 14 million average of the last four quarters. Dividend income, at 6 million, witnessed its seasonal peak and other income stood at 3 million, in line with the average of the last four quarters.

As regards this BU's insurance activities, life premiums (including unit-linked products, of which the bulk of the premium income is, in line with IFRS, not included in the gross earned premium heading in the P/L) amounted to 53 million, in line with the average of the last 4 quarters. Life reserves of this BU, at 1.5 billion, were virtually flat compared to the reference quarters.

Expenses, at 132 million in the quarter under review, were kept well under control. They went up a mere 2% year-on-year on an organic basis (i.e. excluding Richelieu Finance). Vis-à-vis the previous quarter, expenses were – at first sight - up 23% organically, but that quarter's costs had been positively impacted by a 19 million retrieval of a redundant early retirement provision. Excluding the latter, the quarter-on-quarter organic cost increase was 2%. The cost/income ratio for the first six months of the year amounted to 68%, somewhat up on the 65% recorded in the entire year 2007.

Impairments amounted to 11 million in the quarter under review, and related entirely to shares in portfolio. Evidently, the adverse stock market developments caused this figure to rise; the average of the last four quarters was only 1 million).

Income taxes – at virtually zero – were lower than the 8 million average of the last four quarters, as the current quarter included, *inter alia*, a 6 million tax provision release due to the final settlement of taxes of a previous financial year.

Group Centre (underlying trend)

The Group Centre comprises the results of the holding company KBC Group NV, a limited portion of the results of its subsidiaries KBC Bank NV and KBC Insurance NV (such as strategy-related expenses, non-allocated taxes or income on non-strategic equity holdings), the results of the shared-service company Fin-Force and the elimination of the results of intrasegment transactions.

In the quarter under review, the underlying net result of the Group Centre amounted to a negative 32 million.

Income statement, Group Centre (in millions of EUR)

UNDERLYING FIGURES	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008	2Q 2008
Net interest income	-6	12	0	-10	-25	-31
Gross earned premiums, insurance	-12	-8	-10	-10	-10	-10
Gross technical charges, insurance	10	-1	7	7	6	7
Ceded reinsurance result	0	9	2	0	2	2
Dividend income	0	5	0	1	0	5
Net (un)realised gains from financial instruments at fair value	1	4	-4	-7	0	0
Net realised gains from available-for-sale assets	0	1	3	-4	0	0
Net fee and commission income	13	4	7	13	9	7
Other net income	-4	-13	4	10	-1	-28
Total income	3	11	10	2	-19	-48
Operating expenses	-8	-9	-11	13	-18	4
Impairment	0	-1	-1	0	0	0
Share in results of associated companies	0	0	0	0	0	0
Profit before tax	-6	2	-3	16	-38	-45
Income tax expense	-12	-15	-13	-7	1	13
Profit after tax	-18	-13	-16	9	-36	-32
attributable to minority interests	-1	-1	0	1	0	0
attributable to the equity holders of the parent	**-17**	**-13**	**-16**	**8**	**-36**	**-32**
Banking activities	*-3*	*-2*	*-5*	*28*	*-3*	*-9*
Insurance activities	*0*	*0*	*0*	*0*	*-14*	*-16*
Holding activities	*-14*	*-10*	*-12*	*-19*	*-20*	*-8*

Consolidated financial statements

Consolidated financial statements
KBC Group, 2Q 2008 and 1H 2008

Consolidated income statement

In millions of EUR	Note	2Q 2007	1Q 2008	2Q 2008	cumul 1H 2007	cumul 1H 2008
Net interest income	3	1 014	1 163	1 311	2 065	2 474
Interest income		3 908	4 413	4 132	7 498	8 545
Interest expense		- 2 894	- 3 250	- 2 821	- 5 432	- 6 071
Gross earned premiums, insurance	9	824	1 236	1 008	1 692	2 245
non-life		442	503	504	881	1 007
life	10	382	734	504	811	1 238
Gross technical charges, insurance	9	- 663	- 1 078	- 820	- 1 416	- 1 898
non-life		- 246	- 289	- 261	- 544	- 550
life		- 417	- 789	- 559	- 873	- 1 348
Ceded reinsurance result	9	- 5	- 10	- 17	- 20	- 27
Dividend income	4	138	36	123	166	159
Net (un)realised gains from financial instruments at fair value through profit or loss		548	- 26	35	948	8
Net realised gains from available-for-sale assets	6	108	198	63	424	260
Net fee and commission income	7	527	438	477	1 016	914
Fee and commission income		817	742	771	1 602	1 513
Fee and commission expense		- 290	- 304	- 294	- 585	- 598
Other net income		105	129	97	260	225
TOTAL INCOME		2 595	2 084	2 276	5 136	4 360
Operating expenses		- 1 314	- 1 278	- 1 310	- 2 522	- 2 588
staff expenses		- 764	- 760	- 738	- 1 509	- 1 498
general administrative expenses		- 446	- 447	- 485	- 827	- 932
depreciation and amortisation of fixed assets		- 88	- 93	- 88	- 173	- 181
provisions for risks and charges		- 15	22	2	- 12	23
Impairment	14	- 56	- 98	- 332	- 84	- 430
on loans and receivables		- 55	- 27	- 143	- 79	- 170
on available-for-sale assets		2	- 71	- 180	- 2	- 250
on goodwill		0	0	0	0	0
on other		- 3	0	- 9	- 2	- 10
Share in results of associated companies		22	16	8	38	24
PROFIT BEFORE TAX		1 248	723	642	2 569	1 365
Income tax expense		- 281	- 144	- 121	- 575	- 264
Net post-tax income from discontinued operations		0	0	0	0	0
PROFIT AFTER TAX		966	579	521	1 995	1 101
attributable to minority interest		30	26	28	62	54
attributable to equity holders of the parent		**936**	**554**	**493**	**1 933**	**1 047**
Earnings per share (in EUR)						
Basic		2.69	1.62	1.45	5.54	3.07
Diluted		2.68	1.62	1.45	5.51	3.07

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2007	30-06-2008
Cash and cash balances with central banks		4 613	3 966
Financial assets	18, 24	340 522	361 286
Held for trading		73 907	83 757
Designated at fair value through profit or loss		46 212	39 402
Available for sale		46 750	49 110
Loans and receivables		160 607	176 413
Held to maturity		12 320	11 754
Hedging derivatives		725	850
Reinsurers' share in technical provisions, insurance		291	326
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		- 223	- 340
Tax assets		919	1 423
Current tax assets		138	203
Deferred tax assets		781	1 221
Non-current assets held for sale and disposal groups		41	687
Investments in associated companies		634	63
Investment property		593	688
Property and equipment		2 234	2 935
Goodwill and other intangible assets		3 501	3 813
Other assets		2 473	2 503
TOTAL ASSETS		355 597	377 351

LIABILITIES AND EQUITY(in millions of EUR)		31-12-2007	30-06-2008
Financial liabilities	18	311 422	334 341
Held for trading		41 298	37 456
Designated at fair value through profit or loss		45 774	52 207
Measured at amortised cost		223 858	244 268
Hedging derivatives		492	410
Gross technical provisions, insurance	31	17 905	19 045
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	0
Tax liabilities		816	743
Current tax liabilities		481	432
Deferred tax liabilies		335	311
Non-current liabilities held for sale and liabilities associated with disposal groups		0	56
Provisions for risks and charges		456	549
Other liabilities		6 511	6 037
TOTAL LIABILITIES		337 110	360 771
Total equity		18 487	16 580
Parent shareholders' equity	35	17 348	15 459
Minority interests		1 139	1 121
TOTAL LIABILITIES AND EQUITY		355 597	377 351

The minority stake held in Nova Ljubjanska Banka (NLB) is treated under IFRS 5 as a non-current asset held for sale from 30 June 2008 on, given the ongoing sale process of KBC’s minority stake in NLB to a third party and the likewise intended divestment of KBC’s stake in NLB Vita.

Condensed consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Other equity (Mandatorily convertible bonds)	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent share-holders' equity	Minority interests	Total equity
30-06-2007											
Balance at the beginning of the period	1 235	4 150	183	- 1 111	1 968	46	10 651	98	17 219	1 234	18 453
Recognised directly in equity	0	0	0	0	- 506	54	4	- 38	- 485	0	- 485
Net profit for the period	0	0	0	0	0	0	1 933	0	1 933	62	1 995
Total income and expense for the period	**0**	**0**	**0**	**0**	**- 506**	**54**	**1 937**	**- 38**	**1 448**	**62**	**1 510**
Dividends	0	0	0	0	0	0	- 1 151	0	- 1 151	0	- 1 151
Capital increase	0	1	- 1	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 / Derivatives on) treasury shares	0	0	0	- 317	0	0	1	0	- 315	0	- 315
Cancellation of treasury shares	0	0	0	698	0	0	- 698	0	0	0	0
Change in minority interests	0	0	0	0	0	0	0	0	0	- 163	- 163
Total change	**0**	**1**	**- 1**	**382**	**- 506**	**54**	**89**	**- 38**	**- 18**	**- 101**	**- 120**
Balance at the end of the period	**1 235**	**4 151**	**182**	**- 730**	**1 462**	**100**	**10 740**	**61**	**17 201**	**1 133**	**18 334**
of which revaluation reserve for shares					1 733						
of which revaluation reserve for bonds					- 271						
of which revaluation reserve for other assets than bonds and shares					0						
30-06-2008											
Balance at the beginning of the period	1 235	4 161	181	- 1 285	810	73	12 125	47	17 348	1 139	18 487
Recognised directly in equity	0	0	0	0	- 1 594	108	- 1	115	- 1 373	0	- 1 373
Subtotal, recognised directly in equity	**0**	**0**	**0**	**0**	**- 1 594**	**108**	**- 1**	**115**	**- 1 373**	**0**	**- 1 373**
Net profit for the period	0	0	0	0	0	0	1 047	0	1 047	54	1 101
Total income and expense for the period	**0**	**0**	**0**	**0**	**- 1 594**	**108**	**1 046**	**115**	**- 326**	**54**	**- 272**
Dividends	0	0	0	0	0	0	- 1 281	0	- 1 281	0	- 1 281
Capital increase	0	0	0	0	0	0	0	0	0	0	0
(Results / Derivatives on) treasury shares	0	0	0	- 282	0	0	0	0	- 282	0	- 282
Change in minority interests	0	0	0	0	0	0	0	0	0	- 72	- 72
Total change	**0**	**0**	**0**	**- 282**	**- 1 594**	**108**	**- 235**	**115**	**- 1 888**	**- 18**	**- 1 907**
Balance at the end of the period	**1 235**	**4 161**	**181**	**- 1 566**	**- 784**	**181**	**11 890**	**162**	**15 459**	**1 121**	**16 580**
of which revaluation reserve for shares					245						
of which revaluation reserve for bonds					- 1 028						
of which revaluation reserve for other assets than bonds and shares					- 1						

Condensed consolidated cash flow statement

In millions of EUR	1H 2007	1H 2008
Net cash from (used in) operating activities	3 807	2 485
Net cash from (used in) investing activities	- 777	780
Net cash from (used in) financing activities	- 1 293	1 893
Net increase or decrease in cash and cash equivalents	1 737	5 158
Cash and cash equivalents at the beginning of the period	23 635	20 738
Effects of exchange rate changes on opening cash and cash equivalents	- 50	51
Cash and cash equivalents at the end of the period	25 322	25 947

Notes on the accounting policies

Provided below is a selection of notes to the accounts. The numbers and titles of the notes that only appear in the annual report, but not in the quarterly reports, are shown below solely to ensure there is a link with the annual report.

Note 1a: Statement of compliance

The consolidated financial statements of the KBC Group have been prepared in accordance with the International Financial Reporting Standards (in particular IAS 34), as adopted for use in the European Union (‘endorsed IFRS’).

The consolidated financial statements of KBC present one year of comparative information.
The Group will apply the IFRS 8 standard as of 1 January 2009.

As of the beginning of 2008 KBC has changed the presentation of the balance sheet to correspond with the Belgian prudential reporting presentation of banks. Whereas in previous years the "accrued interest income" and the "accrued interest expense" were disclosed separately on the face of the balance sheet, they are as of 2008 included in the corresponding line items of the financial assets and financial liabilities. The total amounts of the "accrued interest income" and of the "accrued interest expense" are still being disclosed in Note 18: Financial assets and liabilities: breakdown by portfolio and product. The reference figures for 31 December 2007 have been restated accordingly.

Note 1b: Summary of significant accounting policies

A summary of the main accounting policies is provided in the annual report. In 1H 2008, no changes in content were made in the accounting policies that had a material impact on the results.

Notes on segment reporting

Note 2: Reporting according to the legal structure of the group and by geographic segment

Under IFRS, the 'primary segment' reporting format used by KBC is based on the group's legal structure. KBC hence distinguishes between the following primary segments:

- Banking: KBC Bank and its subsidiaries;
- Insurance: KBC Insurance and its subsidiaries;
- European Private Banking: Kredietbank SA Luxembourgeoise and its subsidiaries;
- Holding Company Activities: mainly KBC Group NV on a non-consolidated basis and KBC Global Services.

Intersegment transactions are transactions conducted between the different primary segments at arm's length. As a number of items are reported on a net basis (e.g., net interest income), the balance of the intragroup transactions for these items is immaterial. Intersegment transfers are measured on the basis actually used to price the transfers.

The IFRS 'secondary segment' reporting format is based on geographic areas, and reflects KBC's focus on its two home markets – Belgium and Central and Eastern Europe (incl. Russia) – and its selective presence in other countries ('rest of the world', i.e. mainly Western Europe excluding Belgium, the US and Southeast Asia).
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.

In millions of EUR	Banking	Insurance	European Private Banking	Holding Company Activities	Inter-segment eliminations	KBC Group
INCOME STATEMENT 1H 2007						
Net interest income	1 614	313	135	10	- 6	2 065
Gross earned premiums, insurance	0	1 692	0	0	0	1 692
Non-life	0	881	0	0	0	881
Life	0	811	0	0	0	811
Gross technical charges, insurance	0	- 1 415	0	0	- 1	- 1 416
non-life	0	- 544	0	0	0	- 544
life	0	- 872	0	0	- 1	- 873
Ceded reinsurance result	0	- 20	0	0	0	- 20
Dividend income	54	106	6	0	0	166
Net (un)realised gains from financial instruments at fair value through profit or loss	1 014	- 33	- 32	0	0	948
Net realised gains from available-for-sale assets	142	263	18	0	1	424
Net fee and commission income	955	- 181	238	- 2	6	1 016
Other net income	201	38	26	348	- 353	260
TOTAL INCOME	3 979	765	392	356	- 354	5 136
Operating expenses	- 2 025	- 266	- 234	- 351	354	- 2 522
Impairment	- 82	- 1	- 1	- 1	0	- 84
on loans and receivables	- 81	0	1	0	0	- 79
on available-for-sale assets	0	- 1	- 1	0	0	- 2
on goodwill	0	0	0	0	0	0
on other	- 1	0	0	- 1	0	- 2
Share in results of associated companies	37	0	2	0	0	38
PROFIT BEFORE TAX	1 909	498	159	4	0	2 569
Income tax expense	- 419	- 61	- 35	- 59	0	- 575
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	1 490	437	123	- 55	0	1 995
attributable to minority interests	58	4	0	0	0	62
attributable to equity holders of the parent	1 432	433	123	- 55	0	1 933
INCOME STATEMENT 1H 2008						
Net interest income	1 998	381	104	- 14	4	2 474
Gross earned premiums, insurance	0	2 255	0	0	- 11	2 245
Non-life	0	1 017	0	0	- 10	1 007
Life	0	1 238	0	0	0	1 238
Gross technical charges, insurance	0	- 1 899	0	0	1	- 1 898
Non-life	0	- 551	0	0	1	- 550
Life	0	- 1 348	0	0	0	- 1 348
Ceded reinsurance result	0	- 27	0	0	0	- 27
Dividend income	52	101	5	0	0	159
Net (un)realised gains from financial instruments at fair value through profit or loss	175	- 149	- 15	- 2	0	8
Net realised gains from available-for-sale assets	- 3	257	7	0	0	260
Net fee and commission income	923	- 226	224	- 4	- 2	914
Other net income	191	43	5	393	- 407	225
TOTAL INCOME	3 335	736	330	374	- 415	4 360
Operating expenses	- 2 074	- 319	- 222	- 388	415	- 2 588
Impairment	- 235	- 184	- 11	0	0	- 430
on loans and receivables	- 164	- 4	- 2	0	0	- 170
on available-for-sale assets	- 63	- 178	- 9	0	0	- 250
on goodwill	0	0	0	0	0	0
on other	- 8	- 2	0	0	0	- 10
Share in results of associated companies	23	0	1	0	0	24
PROFIT BEFORE TAX	1 049	232	99	- 14	0	1 365
Income tax expense	- 217	- 24	- 8	- 15	0	- 264
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	831	208	90	- 29	0	1 101
attributable to minority interests	54	- 1	0	0	0	54
attributable to equity holders of the parent	777	209	90	- 29	0	1 047
BALANCE SHEET 31-12-2007						
Total assets	306 453	30 741	17 481	923		355 597
Total liabilities	289 835	27 884	18 315	1 076		337 110
BALANCE SHEET 30-06-2008						
Total assets	327 664	29 680	19 111	896		377 351
Total liabilities	309 758	28 643	20 723	1 646		360 771

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	Inter-segment eliminations	KBC Group
1H 2007					
Gross income	2 785	1 161	1 190	0	5 136
31-12-2007					
Total assets (period-end)	191 319	52 031	112 247		355 597
Total liabilities (period-end)	184 762	47 144	105 203		337 110
1H 2008					
Gross income	2 096	1 445	819	0	4 360
30-06-2008					
Total assets (period-end)	219 232	63 756	94 363		377 351
Total liabilities (period-end)	200 716	57 967	102 087		360 771

Notes on the income statement

General remark: all data in this chapter are based on IFRS. However, from an analytical point of view (for instance, due to the treatment of recognition of certain income components related to capital market activities and the treatment of certain ALM hedging derivatives), it may be useful to look at additional 'underlying' figures. These 'underlying' data (which are not part of the 'Consolidated Financial Statements') are provided in the 'earnings release' and 'analysis of earnings components' chapters of the extended quarterly report.

Note 3: Net interest income

In millions of EUR	2Q 2007	1Q 2008	2Q 2008	cumul 1H 2007	cumul 1H 2008
Total	1 014	1 163	1 311	2 065	2 474
Interest income	3 908	4 413	4 132	7 498	8 545
Available-for-sale assets	465	482	483	924	965
Loans and receivables	2 094	2 507	2 314	3 963	4 821
Held-to-maturity investments	117	129	127	246	255
Other assets not at fair value	26	50	46	50	96
Subtotal, interest income from financial assets not measured at fair value through profit or loss	2 702	3 168	2 969	5 182	6 137
Financial assets held for trading	410	422	525	776	948
Hedging derivatives	172	269	225	331	494
Other financial assets at fair value through profit or loss	624	553	413	1 209	967
Interest expense	- 2 894	- 3 250	- 2 821	- 5 432	- 6 071
Financial liabilities measured at amortised cost	- 2 066	- 2 414	- 1 966	- 3 858	- 4 380
Other	- 6	- 2	- 1	- 7	- 3
Investment contracts at amortised cost	0	0	0	0	0
Subtotal, interest expense for financial assets not measured at fair value through profit or loss	- 2 072	- 2 416	- 1 967	- 3 865	- 4 383
Financial liabilities held for trading	- 105	- 102	- 89	- 214	- 191
Hedging derivatives	- 159	- 268	- 162	- 310	- 430
Other financial liabilities at fair value through profit or loss	- 558	- 464	- 603	- 1 044	- 1 067

Note 4: Dividend income

In millions of EUR	2Q 2007	1Q 2008	2Q 2008	cumul 1H 2007	cumul 1H 2008
Total	138	36	123	166	159
Breakdown by type	138	36	123	166	159
Held-for-trading shares	26	17	20	42	36
Shares initially recognised at fair value through profit or loss	15	0	13	15	14
Available-for-sale shares	96	19	90	109	109

Note 5: Net (un)realised gains from financial instruments at fair value

Note available in the annual report only.

Note 6: Net realized gains from available-for-sale assets

In millions of EUR	2Q 2007	1Q 2008	2Q 2008	cumul 1H 2007	cumul 1H 2008
Total	108	198	63	424	260
Breakdown by portfolio					
Fixed-income assets	- 106	- 1	0	- 125	- 1
Shares	214	199	63	550	262

Note 7: Net fee and commission income

In millions of EUR	2Q 2007	1Q 2008	2Q 2008	cumul 1H 2007	cumul 1H 2008
Total	527	438	477	1 016	914
Breakdown by type					
Fee and commission income	817	742	771	1 602	1 513
Securities and asset management	574	465	490	1 126	955
Margin on deposit accounting (life insurance investment contracts without DPF)	8	11	7	18	18
Commitment credit	45	55	50	91	104
Payments	101	119	128	202	247
Other	89	93	96	165	189
Fee and commission expense	- 290	- 304	- 294	- 585	- 598
Commission paid to intermediaries	- 103	- 126	- 114	- 223	- 240
Other	- 187	- 179	- 180	- 362	- 358

Note 8: Other net income

Note available in the annual report only.

Note 9: Breakdown of the insurance results

In millions of EUR	Insurance contracts			Investment contracts		Non-technical account	TOTAL
				with DPF	without DPF		
	Life	Non-life	Total	(Life)	(Life)		
1H 2007							
Net interest income	0	0	0	0	0	313	313
Gross earned premiums, insurance	373	881	1 254	438	0	0	1 692
Gross technical charges	- 313	- 544	- 856	- 558	- 1	0	- 1 415
Ceded reinsurance result	- 1	- 17	- 18	0	0	- 2	- 20
Dividend income	0	0	0	0	0	106	106
Net gains from financial instruments at fair value	0	0	0	0	0	- 33	- 33
Net realised gains from AFS assets	0	0	0	0	0	263	263
Net fee and commission income	- 40	- 163	- 202	- 11	10	23	- 181
Other net income	0	0	0	0	0	38	38
TOTAL INCOME	20	158	178	- 131	9	709	765
Operating expenses	- 40	- 169	- 209	- 14	- 8	- 35	- 266
Impairments	0	0	0	0	0	- 1	- 1
Share in results of associated companies	0	0	0	0	0	0	0
Allocation to the technical accounts	235	153	388	200	0	- 588	0
PROFIT BEFORE TAX	214	142	357	55	1	85	498
Income tax expense						- 61	- 61
Net post-tax income from discontinued operations							0
PROFIT AFTER TAX	214	142	357	55	1	24	437
attributable to minority interest							4
attributable to equity holders of the parent							433
1H 2008							
Net interest income	0	0	0	0	0	381	381
Gross earned premiums, insurance	404	1 017	1 421	834	0	0	2 255
Gross technical charges	- 353	- 551	- 904	- 986	- 10	0	- 1 899
Ceded reinsurance result	- 1	- 24	- 25	0	0	- 3	- 27
Dividend income	0	0	0	0	0	101	101
Net gains from financial instruments at fair value	0	0	0	0	0	- 149	- 149
Net realised gains from AFS assets	0	0	0	0	0	257	257
Net fee and commission income	- 44	- 198	- 241	- 16	7	24	- 226
Other net income	0	0	0	0	0	43	43
TOTAL INCOME	7	244	252	- 168	- 2	655	736
Operating expenses	- 47	- 193	- 240	- 18	- 9	- 52	- 319
Impairments	0	0	0	0	0	- 184	- 184
Share in results of associated companies	0	0	0	0	0	0	0
Allocation to the technical accounts	163	127	290	153	0	- 443	0
PROFIT BEFORE TAX	123	179	301	- 33	- 12	- 24	232
Income tax expense						- 24	- 24
Net post-tax income from discontinued operations							0
PROFIT AFTER TAX	123	179	301	- 33	- 12	- 48	208
attributable to minority interest							- 1
attributable to equity holders of the parent							209

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

Note 10: Gross earned premiums, life insurance

In millions of EUR	2Q 2007	1Q 2008	2Q 2008	cumul 1H 2007	cumul 1H 2008
Total	382	735	503	811	1 238
Breakdown by type					
Accepted reinsurance	4	9	5	10	13
Primary business	377	726	499	801	1 225
Breakdown of primary business					
Individual versus group					
Individual premiums, including unit-linked insurance	321	655	439	677	1 094
Premiums under group contracts	56	71	60	124	131
Periodic versus single					
Periodic premiums	159	218	182	343	401
Single premiums	218	508	316	458	824
Non-bonus versus bonus contracts					
Premiums from non-bonus contracts	53	49	56	99	105
Premiums from bonus contracts	292	642	418	645	1 059
Unit linked	32	35	25	57	60

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

Note 11: Overview of non-life insurance per class of business
Note 12: Operating expenses
Note 13: Personnel

Notes available in the annual report only.

Note 14: Impairment (income statement)

In millions of EUR	2Q 2007	1Q 2008	2Q 2008	cumul 1H 2007	cumul 1H 2008
Total	- 56 0	- 98	- 332	- 84	- 430
Impairment on loans and receivables	- 55	- 27	- 143	- 79	- 170
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 47	- 41	- 101	- 58	- 142
Specific impairments for off-balance-sheet credit commitments	- 8	4	- 13	- 13	- 9
Portfolio-based impairments	0	9	- 29	- 9	- 20
Breakdown by business unit					
Belgium	- 9	- 4	- 13	- 6	- 17
Central and Eastern Europe and Russia	- 27	- 35	- 51	- 49	- 86
Merchant Banking	- 19	13	- 78	- 25	- 66
European Private Banking	0	- 2	0	1	- 2
Group Centre	0	0	0	0	0
Impairment on available-for-sale assets	2	- 71	- 180	- 2	- 250
Breakdown by type					
Shares	- 1	- 76	- 173	- 2	- 249
Other	2	5	- 6	0	- 1
Impairment on goodwill	0	0	0	0	0
Impairment on other	- 3	0	- 9	- 2	- 10
Intangible assets, other than goodwill	- 1	- 1	- 1	- 1	- 2
Property and equipment	0	1	- 1	0	- 1
Held-to-maturity assets	0	0	0	1	0
Associated companies (goodwill)	0	0	0	0	0
Other	- 2	0	- 7	- 2	- 7

Note 15: Share in results of associated companies
Note 16: Income tax expense
Note 17: Earnings per share

Notes available in the annual report only.

Note 18: Financial assets and liabilities: breakdown by portfolio and product

FINANCIAL ASSETS (in millions of EUR)	Held for trading	Designated at fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2007								
Loans and advances to credit institutions and investment firms [1]	16 098	15 881	0	21 865	-	-	-	53 843
Loans and advances to customers [2]	2 067	7 730	0	137 254	-	-	-	147 051
Discount and acceptance credit	0	0	0	718	-	-	-	718
Consumer credit	0	0	0	3 893	-	-	-	3 893
Mortgage loans	0	3 254	0	43 871	-	-	-	47 125
Term loans	2 067	4 269	0	66 378	-	-	-	72 714
Finance leasing	0	0	0	6 883	-	-	-	6 883
Current account advances	0	0	0	7 853	-	-	-	7 853
Securitised loans	0	0	0	264	-	-	-	264
Other	0	207	0	7 396	-	-	-	7 603
Equity instruments	17 008	219	4 979	-	-	-	-	22 207
Investment contracts (insurance)	-	9 066	-	-	-	-	-	9 066
Debt instruments issued by	16 697	12 982	41 095	-	12 041	-	-	82 816
Public bodies	5 268	9 269	21 507	-	10 858	-	-	46 902
Credit institutions and investment firms	4 131	1 735	8 152	-	811	-	-	14 829
Corporates	7 298	1 979	11 436	-	372	-	-	21 085
Derivatives	21 689	-	-	-	-	544	-	22 232
Total carrying value excluding accrued intrest income	73 559	45 878	46 075	159 119	12 041	544	0	337 215
Accrued interest income	348	334	676	1 488	279	181	0	3 307
Total carrying value including accrued interest income	73 907	46 212	46 750	160 607	12 320	725	0	340 522
[1] *Of which reverse repos*								*33 503*
[2] *Of which reverse repos*								*6 339*
30-06-2008								
Loans and advances to credit institutions and investment firms [1]	16 747	8 739	2	27 911	-	-	-	53 399
Loans and advances to customers [2]	9 079	8 072	174	147 938	-	-	-	165 263
Discount and acceptance credit	0	0	0	212	-	-	-	212
Consumer credit	0	0	0	4 683	-	-	-	4 683
Mortgage loans	0	3 272	0	48 909	-	-	-	52 181
Term loans	9 079	4 619	174	70 237	-	-	-	84 109
Finance leasing	0	0	0	6 805	-	-	-	6 805
Current account advances	0	0	0	9 462	-	-	-	9 462
Securitised loans	0	0	0	0	-	-	-	0
Other	0	180	0	7 630	-	-	-	7 811
Equity instruments	13 726	234	4 180	-	-	-	-	18 140
Investment contracts (insurance)	-	8 356	-	-	-	-	-	8 356
Debt instruments issued by	18 910	13 618	44 058	-	11 544	-	-	88 131
Public bodies	8 076	10 290	25 066	-	10 482	-	-	53 915
Credit institutions and investment firms	4 362	1 415	8 138	-	736	-	-	14 651
Corporates	6 472	1 914	10 854	-	326	-	-	19 565
Derivatives	24 943	-	-	-	-	733	-	25 676
Total carrying value excluding accrued interest income	83 405	39 020	48 414	175 849	11 544	733	0	358 965
Accrued interest income	352	381	696	565	210	118	0	2 321
Total carrying value including accrued interest income	83 757	39 402	49 110	176 413	11 754	850	0	361 286
[1] *Of which reverse repos*								*27 194*
[2] *Of which reverse repos*								*13 390*

Full service car leases are as of 1 January 2008 considered as operational leases instead of finance leases. This results in a reclassification from Loans and advances to customers (Finance Leasing) to Property and equipment for an amount of 529 million euros.

FINANCIAL LIABILITIES (in millions of EUR)	Held for trading	Designated at fair value through profit or loss	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total
31-12-2007								
Deposits from credit institutions and investment firms [3]	7 409	15 028	-	-	-	-	50 667	73 104
Deposits from customers and debt certificates [4]	2 452	21 373	-	-	-	-	168 310	192 135
Deposits from customers	0	13 932	-	-	-	-	123 415	137 347
Demand deposits	0	1 415	-	-	-	-	41 073	42 488
Time deposits	0	12 516	-	-	-	-	50 840	63 357
Savings deposits	0	0	-	-	-	-	27 079	27 079
Special deposits	0	0	-	-	-	-	3 444	3 444
Other deposits	0	0	-	-	-	-	979	979
Debt certificates	2 452	7 441	-	-	-	-	44 895	54 788
Certificates of deposit	0	2 239	-	-	-	-	15 699	17 937
Customer savings certificates	0	0	-	-	-	-	2 956	2 956
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	2 452	4 156	-	-	-	-	19 716	26 324
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	1 046	-	-	-	-	6 524	7 570
Liabilities under investment contracts	-	8 928	-	-	-	-	-	8 928
Derivatives	26 042	-	-	-	-	155	-	26 197
Short positions	4 845	-	-	-	-	-	-	4 845
in equity instruments	3 724	-	-	-	-	-	-	3 724
in debt instruments	1 120	-	-	-	-	-	-	1 120
Other	243	34	-	-	-	-	3 848	4 126
Total carrying value excluding accrued interest expense	40 992	45 362	-	-	-	155	222 826	309 335
Accrued interest expense	307	412	-	-	-	337	1 032	2 087
Total carrying value including accrued interest expense	41 298	45 774	-	-	-	492	223 858	311 422
[3] *Of which repos*								*21 979*
[4] *Of which repos*								*8 284*
30-06-2008								
Deposits from credit institutions and investment firms [3]	1 604	12 265	-	-	-	-	49 935	63 804
Deposits from customers and debt certificates [4]	2 049	31 301	-	-	-	-	184 755	218 105
Deposits from customers	0	19 721	-	-	-	-	137 347	157 068
Demand deposits	0	1 399	-	-	-	-	52 721	54 120
Time deposits	0	18 322	-	-	-	-	54 109	72 430
Savings deposits	0	0	-	-	-	-	25 263	25 263
Special deposits	0	0	-	-	-	-	3 846	3 846
Other deposits	0	0	-	-	-	-	1 407	1 408
Debt certificates	2 049	11 580	-	-	-	-	47 408	61 037
Certificates of deposit	0	5 177	-	-	-	-	15 932	21 110
Customer savings certificates	0	0	-	-	-	-	3 141	3 141
Convertible bonds	0	0	-	-	-	-	0	0
Non-convertible bonds	2 049	5 455	-	-	-	-	19 811	27 314
Convertible subordinated liabilities	0	0	-	-	-	-	0	0
Non-convertible subordinated liabilities	0	948	-	-	-	-	8 524	9 472
Liabilities under investment contracts	-	8 349	-	-	-	-	-	8 349
Derivatives	28 016	-	-	-	-	118	-	28 134
Short positions	5 594	-	-	-	-	-	-	5 594
in equity instruments	4 398	-	-	-	-	-	-	4 398
in debt instruments	1 196	-	-	-	-	-	-	1 196
Other	0	42	-	-	-	-	8 106	8 148
Total carrying value excluding accrued interest expense	37 262	51 957	-	-	-	118	242 796	332 133
Accrued interest expense	194	250	-	-	-	292	1 471	2 208
Total carrying value including accrued interest expense	37 456	52 207	-	-	-	410	244 268	334 341
[3] *Of which repos*								13 522
[4] *Of which repos*								13 573

Note 19: Financial assets and liabilities: breakdown by portfolio and geography
Note 20: Financial assets: breakdown by portfolio and quality
Note 21: Financial assets and liabilities: breakdown by portfolio and remaining maturity
Note 22: Impairments for financial assets available-for-sale
Note 23: Impairments for financial assets held to maturity

Notes available in the annual report only.

Note 24: Impairments on loans and receivables (balance sheet)

In millions of EUR	31-12-2007	30-06-2008
Total	2 233	2 299
Breakdown by type		
Specific impairment, on-balance-sheet lending	1 963	1 955
Specific impairment, off-balance-sheet credit commitments	84	92
Portfolio-based impairment	186	252
Breakdown by counterparty		
Impairment for loans and advances to banks	6	1
Impairment for loans and advances to customers	2 119	2 173
Specific and portfolio based impairment, off-balance-sheet credit commitments	108	122

Note 25: Derivative financial instruments
Note 26: Other assets
Note 27: Tax assets and tax liabilities
Note 28: Investments in associated companies
Note 29: Property and equipment and investment property
Note 30: Goodwill and other intangible fixed assets

Notes available in the annual report only.

Note 31: Technical provisions, insurance

In millions of EUR	31-12-2007	30-06-2008
Gross technical provisions	17 905	19 045
Insurance contracts	9 474	9 855
Provisions for unearned premiums and unexpired risk	509	622
Life insurance provision	4 968	5 141
Provision for claims outstanding	3 557	3 653
Provision for bonuses and rebates	29	28
Other technical provisions	411	411
Investment contracts with DPF	8 431	9 191
Life insurance provision	8 367	9 145
Provision for claims outstanding	0	0
Provision for bonuses and rebates	64	46
Reinsurers' share	291	326
Insurance contracts	291	326
Provisions for unearned premiums and unexpired risk	21	34
Life insurance provision	3	7
Provision for claims outstanding	266	285
Provision for bonuses and rebates	0	0
Other technical provisions	0	0
Investment contracts with DPF	0	0
Life insurance provision	0	0
Provision for claims outstanding	0	0
Provision for bonuses and rebates	0	0

Technical provisions relate to insurance contracts and investment contracts with a discretionary participation feature (DPF). Liabilities under investment contracts without DPF have to be valued according to IAS39 (deposit accounting); these liabilities concern mainly the unit-linked contracts. Liabilities under investment contracts without DPF are included in the overview on financial liabilities in note18.

Note 32: Provisions
Note 33: Other liabilities
Note 34: Retirement benefit obligations

Notes available in the annual report only.

Note 35: Parent shareholders' equity

in number of shares	31-12-2007	30-06-2008
Total number of shares issued and fully paid up	357 704 668	357 704 668
Breakdown by type		
Ordinary shares	355 115 321	355 122 707
Other equity instruments	2 589 347	2 581 961
of which ordinary shares that entitle the holder to a dividend payment	*342 568 138*	*341 762 130*
of which treasury shares	*15 441 530*	*18 287 727*
Other information		
Par value per share (in euros)	3.48	3.48
Number of shares issued but not fully paid up	0	0

The share capital of KBC Group NV consists of ordinary shares of no nominal value and mandatorily convertible bonds (MCBs – see 'Other equity instruments' in the table). No participation certificates or non-voting shares have been issued. The shares are quoted on 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 30 June 2008, this number includes, *inter alia*:
- the shares that are held to meet requirements under the various employee stock option plans (945 868 shares*)*.
- the shares that were bought in relation to the 2007-2009 3-billion-euro share buyback programme (13 360 577 shares).

The MCBs have a maturity date of 30 November 2008 and a base rate of 3.5% (as of 2000, related to changes in the dividend on the KBC share). Holders of these MCBs are entitled, until 30 November 2008, to request that their MCBs be converted according to a ratio of one KBC ordinary share for one MCB. MCBs which have not been converted by their holders will be converted automatically into ordinary shares at maturity.

Other notes

Note 36: Commitments and contingent liabilities
Note 37: Leasing

Notes available in the annual report only.

Note 38: Related party transactions

In 1H 2008, there was no significant change in related parties compared to the end 2007 nor were there any new related party transactions with a significant impact on KBC Group's results. More information on related party transactions is available in the 2007 annual report, p. 164.

Note 39: Auditor's fee

Note available in the annual report only.

Note 40: List of significant subsidiaries and associated companies

Company	Business unit (*)	Registered office	Ownership percentage at KBC Group level	Activity
BANKING				
Fully consolidated subsidiaries				
Absolut Bank	CEER	Moscow - RU	95.00	Credit institution
Antwerpse Diamantbank NV	MB	Antwerp - BE	100.00	Credit institution
CBC Banque SA	B	Brussels - BE	100.00	Credit institution
CENTEA NV	B	Antwerp - BE	99.56	Credit institution
CSOB a.s. (Czech Republic)	CEER	Prague - CZ	100.00	Credit institution
CSOB a.s. (Slovak Republic)	CEER	Bratislava - SK	100.00	Credit institution
Economic and Investment Bank AD	CEER	Sofia - BG	77.08	Credit institution
Fin-Force NV	GR	Brussels - BE	90.00	Processing financial transactions
IIB Bank Plc	MB	Dublin - IE	100.00	Credit institution
KBC Asset Management NV	B	Brussels - BE	100.00	Asset Management
KBC Bank NV	B/MB/CEER/GR	Brussels - BE	100.00	Credit institution
KBC Bank Deutschland AG	MB	Bremen - DE	100.00	Credit institution
KBC Bank Funding LLC & Trust (group)	MB	New York - US	100.00	Issuance of trust preferred securities
KBC Bank Nederland NV	MB	Rotterdam - NL	100.00	Credit institution
KBC Clearing NV	MB	Amsterdam - NL	100.00	Clearing
KBC Commercial Finance NV (ex-International Factors NV)	MB	Brussels - BE	100.00	Factoring
KBC Credit Investments NV	MB	Brussels - BE	100.00	Investments in credit-linked securities
KBC Finance Ireland	MB	Dublin - IE	100.00	Lending
KBC Financial Products (group)	MB	Various locations	100.00	Equities and derivatives trading
KBC Internationale Financieringsmaatschappij NV	MB	Rotterdam - NL	100.00	Issuance of bonds
KBC Lease (group)	MB	Various locations	100.00	Leasing
KBC Peel Hunt Ltd.	MB	London - GB	99.99	Stock exchange broker / corporate finance
KBC Private Equity NV	MB	Brussels - BE	100.00	Private equity
KBC Real Estate NV	MB	Zaventem - BE	100.00	Real estate
KBC Securities NV	MB	Brussels - BE	100.00	Stock exchange broker / corporate finance
K&H Bank Rt.	CEER	Budapest - HU	100.00	Credit institution
Kredyt Bank SA	CEER	Warsaw - PL	80.00	Credit institution
Associated companies				
Nova Ljubljanska banka d.d. (group)	CEER	Ljubljana - SI	34.00	Credit institution
INSURANCE				
Fully consolidated subsidiaries				
ADD NV	B	Heverlee - BE	100.00	Insurance company
Assurisk SA	MB	Luxembourg - LU	100.00	Insurance company
CSOB Pojist'ovna a.s.(Czech Republic)	CEER	Pardubice - CZ	100.00	Insurance company
CSOB Poist'ovna a.s.(Slovak Republic)	CEER	Bratislava - SK	100.00	Insurance company
DZI Insurance	CEER	Sofia - BG	89.52	Insurance company
Fidea NV	B	Antwerp - BE	100.00	Insurance company
K&H Insurance	CEER	Budapest - HU	100.00	Insurance company
KBC Banka A.D. (formerly A Banka A.D.)	CEER	Belgrade - RS	100.00	Credit institution
KBC Verzekeringen NV	B	Leuven - BE	100.00	Insurance company
Secura NV	MB	Brussels - BE	95.04	Insurance company
VITIS Life Luxembourg SA	EPB	Luxembourg - LU	99.99	Insurance company
VTB-VAB NV	B	Zwijndrecht - BE	74.81	Automobile assistance
TUIR WARTA SA	CEER	Warsaw - PL	100.00	Insurance company
Proportionally consolidated subsidiaries				
NLB Vita d.d.	CEER	Ljubljana - SI	50.00	Insurance company
EUROPEAN PRIVATE BANKING				
Fully consolidated subsidiaries				
Brown, Shipley & Co Ltd.	EPB	London - GB	99.91	Credit institution
KBL France sa	EPB	Paris - FR	99.91	Credit institution
Kredietbank SA Luxembourgeoise	EPB	Luxembourg - LU	99.91	Credit institution
Kredietbank (Suisse) SA, Genève	EPB	Geneva - CH	99.90	Credit institution
Merck Finck & Co.	EPB	Munich - DE	99.91	Credit institution
Puilaetco Dewaay Private Bankers SA	EPB	Brussels - BE	99.91	Credit institution
Richelieu Finance	EPB	Paris - FR	99.91	Asset Management
Theodoor Gilissen Bankiers NV	EPB	Amsterdam - NL	99.91	Credit institution
HOLDING-COMPANY ACTIVITIES				
Fully consolidated subsidiaries				
KBC Global Services NV (ex-KBC Exploitatie)	GR	Brussels - BE	100.00	Cost-sharing structure
KBC Group NV	GR	Brussels - BE	100.00	Holding company

(*) B=Belgium business unit, MB= Merchant Banking business unit, CEER = Central & Eastern Europe and Russia business unit, EPB = European Private Banking business unit, GR = Group Centre

Note 41: Main changes in the scope of consolidation

	Company	Consolidation method	Ownership percentage at KBC Group level		Comments
For income statement comparison			1H 2007	1H 2008	
ADDITIONS					
Banking	Absolut Bank	Full	-	95.00%	Recognised in income statement from 3Q 2007
Banking	Economic and Investment Bank AD	Full	-	77.08%	Recognised in income statement from 1Q 2008
Banking	CSOB a.s. (Slovak Republic)	Full	-	100.00%	Demerger from CSOB (Czech Republic) as of 1Q08
Insurance	DZI Insurance	Full	-	89.52%	Recognised in income statement from 4Q 2007
KBL European Private Bankers	Richelieu Finance	Full	-	99.91%	Recognised in income statement from 2Q 2008
EXCLUSIONS					
KBL European Private Bankers	Banca KBL Fumagalli Soldan	Full	99.90%	-	Sold in 2Q 2007
CHANGES IN OWNERSHIP PERCENTAGE					
none					
For balance sheet comparison			31-12-2007	30-06-2008	
ADDITIONS					
Banking	CSOB a.s. (Slovak Republic)	Full	-	100.00%	Demerger with CSOB (Czech Republic) as of 1Q08
KBL European Private Bankers	Richelieu Finance	Full	-	99.91%	Recognised in income statement from 2Q 2008

Note 42: Post-balance sheet events

Significant (non-adjusting) events between the balance sheet date (30 June 2008) and the publication of this report (7 August 2008):

- On 1 July 2008, BAWAG P.S.K. and KBC closed the acquisition of ISTROBANKA after receiving the necessary approval of the Central Bank of Slovakia and the Anti-Trust Commission for KBC to acquire full ownership (100%) of Istrobanka and Istro Asset Management. The acquisition of ISTROBANKA, the tenth largest bank in terms of assets in Slovakia, was announced on 20 March 2008 and the bank was valued at 350 million euros, 3.5 times its book value. ISTROBANKA will be consolidated as of 3Q 2008.
- On 5 July 2008, KBC Bank increased the interest rate on savings deposits in Belgium to 4% for savings up to 40 000 euros. The rate only applies to private individuals.

Note 43: General information (IAS 1)

Note available in the annual report only.

Auditor’s report

Report of the statutory auditor to the shareholders of KBC Group NV on the review of the interim condensed consolidated financial statements as of 30 June 2008 and for the six months then ended

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Group NV (the “Company”) as at 30 June 2008 and the related interim condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard *IAS 34 Interim Financial Reporting* (“IAS 34”) as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Brussels, 7 august 2008

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor

represented by

Jean-Pierre Romont
Partner

Ref.: 09JPR0014

Glossary and other information

Glossary and other information

KBC Group, 2Q 2008 and 1H 2008

Glossary of ratios used

CAD ratio (banking)
: [consolidated regulatory capital] / [total risk-weighted volume]. Detailed calculations in the 'Solvency' section of this part.

Claims reserve ratio
: [average net provision for claims outstanding (excl.life part)] / [net earned premiums]

Combined ratio (non-life insurance)
: [net claims incurred / net earned premiums] + [net expenses / net written premiums].

Cost/income ratio (banking)
: [(underlying) operating expenses of the banking businesses of the group (i.e. KBC Bank and KBL EPB)] / [(underlying) total income of the banking businesses of the group].

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

Earnings per share, basic
: [profit after tax, attributable to the equity holders of the parent)] / [average number of ordinary shares, plus mandatorily convertible bonds, less treasury shares].

Earnings per share, diluted
: [profit after tax, attributable to the equity holders of the parent, adjusted for interest expense (after tax) for non-mandatorily convertible bonds] / [average number of ordinary shares, plus mandatorily convertible bonds, less treasury shares, plus the potentially dilutive effect of share options and ordinary convertible bonds].

Gearing ratio
: [sum of the consolidated equity of KBC Bank, KBC Insurance, KBL EPB and KBC Global Services] / [consolidated equity of KBC group]

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

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

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

Return on allocated capital (ROAC - for a particular business unit)
: [profit after tax, including minority interests, of a business unit, corrected for income on allocated instead of real equity] / [average allocated equity to the business unit]

  Profit of a business unit is the sum of the profit of the companies belonging to the business unit, corrected for the funding cost of goodwill (related to the companies in the business unit) and allocated central governance expenses.

  The allocated equity to a business unit is based on a tier-1 ratio of 8% of risk-weighted assets for banking activities and a solvency ratio of 200% for the insurance activities. In the banking business, allocated tier-1 capital consists of core equity (85%) and preference shares (15%), while in the insurance business, allocated capital consists purely of core equity. To calculate ROAC, only core equity is taken into account in the denominator. The risk-weighted assets of the banking activities are calculated according to Basel I.

Return on equity

[profit after tax, attributable to the equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale investments].

Solvency ratio (insurance)

[consolidated available capital of KBC Insurance] / [minimum required capital of KBC Insurance]. Detailed calculations in the 'Solvency' section of this part.

Tier-1 ratio (banking)

[consolidated tier-1 capital] / [total risk-weighted volume]. Detailed calculations in the 'Solvency' section of this part.

Credit ratings

KBC Group and some of its main operating subsidiaries are rated by the international rating agencies Fitch, Standard and Poor's and Moody's. The long-term ratings for KBC Bank, KBC Insurance and KBC Group are mentioned in the table.

There have been no changes in the following ratings since 31 March 2008.

Ratings, 30-06-2008	Long-term rating (+ outlook)		Short-term rating
Fitch			
KBC Bank	AA-	(stable)	F1+
KBC Insurance (claims-paying ability)	AA	(stable)	-
KBC Group NV	AA-	(stable)	F1+
Moody's			
KBC Bank	Aa2	(negative)	P-1
KBC Group NV	Aa3	(negative)	P-1
Standard and Poor's			
KBC Bank	AA-	(stable)	A1+
KBC Insurance (claims-paying ability)	AA-	(stable)	-
KBC Group NV	A+	(stable)	A1

Share-buyback programme

At the end of 2005, KBC announced a 1 billion euros share-buyback programme for 2006. This programme was completed in November 2006: in total, 11.7 million shares were bought back, at an average price of 85.08 euros per share. All of these shares were then cancelled.

At the end of 2006, KBC announced a new 3 billion euros share-buyback programme for the next three years. The purchases were effected on the open market. No dividends would be payable on these shares. Only when the total number of treasury shares at KBC Group were to exceed 10% of the total number of shares, the (number in excess of this 10% of) shares would be cancelled. As at 30 June 2008, the number of treasury shares bought under this programme stood at 13 360 577.
The share buyback plan was temporarily suspended as of 15 May 2008.

KBC Group shares, 30-06-2008[1]	number
Ordinary shares	355 122 707
of which held by KBC Group companies (treasury shares)	18 287 727
Related to the share-buyback programme in the amount of 3 billion (2007-2009)	13 360 577
Other [2]	4 927 150
Mandatorily convertible bonds (MCBs)[3]	2 581 961

1 Data based on value date.
2 Includes, *inter alia,* shares held for ESOP and shares held in the trading books of KBC Securities and KBC Financial Products.
3 Number of shares on conversion.

Assets under management

Assets under advice or management (AUM) at KBC group, in millions of EUR	31-12-2007	30-06-2008
By business unit		
Belgium	161 680	157 880
Central & Eastern Europe and Russia	12 999	14 418
Merchant Banking	2 249	2 202
European Private Banking	54 462	52 885
Total	231 390	227 384
By product or service		
Investment funds for private individuals	92 572	86 264
Assets managed for private individuals	81 874	80 587
Assets managed for institutional investors	39 778	43 644
Group assets (managed by KBC Asset Management)	17 165	16 888
Total	231 390	227 384

Solvency

KBC Bank

In millions of EUR	KBC BANK	31-12-2007 Basel I	31-12-2007 Basel II	30-06-2008 Basel I	30-06-2008 Basel II
Regulatory capital					
Regulatory capital, KBC Bank (after profit appropriation)		15 543	15 723	17 149	17 707
Tier-1 capital		11 525	10 942	13 442	12 908
Parent shareholders' equity		12 342	12 342	11 883	11 883
Intangible fixed assets		- 197	- 197	- 206	- 206
Goodwill on consolidation		- 1 811	- 1 811	- 2 001	- 2 001
Innovative hybrid tier-1 instruments		1 694	1 694	1 614	1 614
Non-innovative hybrid tier-1 instruments		0	0	1 746	1 746
Minority interests		584	584	638	638
Elimination	Mandatorily convertible bonds	- 186	- 186	- 186	- 186
	Revaluation reserve available-for-sale assets (AFS)	46	46	565	565
	Hedging reserve (cashflow hedges)	- 73	- 73	- 180	- 180
	Minority interest in AFS reserve & hedging reserve, cashflov	2	2	13	13
Dividend payout		- 876	- 876	- 444	- 444
Items to be deducted (*)		-	- 583	-	- 534
Tier-2 & 3 capital		4 018	4 782	3 707	4 799
Mandatorily convertible bonds		186	186	186	186
Perpetuals (incl. hybrid tier-1 not used in tier-1)		581	581	775	775
Revaluation reserve, available-for-sale shares (at 90%)		154	154	57	57
Minority interest in revaluation reserve AFS shares (at 90%)		2	2	- 2	- 2
IRB provision excess		0	139	0	0
Subordinated liabilities		4 285	4 285	4 273	4 273
Tier-3 capital		18	18	43	43
Items to be deducted (*)		- 1 208	- 583	- 1 626	- 534
Weighted risks					
Total weighted risk volume		147 444	128 536	155 231	138 490
Credit risk		136 677	107 461	142 849	112 227
Market risk		10 767	12 329	12 382	13 873
Operational risk		-	8 747	-	12 391
Solvency ratios					
Tier-1 ratio		7.8%	8.5%	8.7%	9.3%
CAD ratio		10.5%	12.2%	11.0%	12.8%

(*) In the Basel I calculation, all of the items to be deducted are subtracted from tier-2 capital; in the Basel II calculation, items to be deducted are split 50/50 over tier-1 and tier-2 capital. Items to be deducted include mainly participations in and subordinated claims on financial institutions in which KBC Bank has between a 10% to 50% share (predominantly NLB), as well as KBC Group shares held by KBC Bank.

The calculation based on Basel I follows the same methodology as was used in the calculation in earlier annual reports.

The Basel II calculation for KBC Bank takes into account the specific Basel II rules for the calculation of weighted risks (which essentially differ from Basel I as to the calculation of the charge for credit risk and which also add a charge for operational risk). Note that Basel II is being used in all entities throughout the group from 1Q08 on (as at 31-12-2007, the end of the transition year, this was not yet the case). The main Basel II method used is IRB foundation (roughly 75% of the weighted risks), while the weighted risks of the other companies (roughly 25% of the weighted risks) are calculated following the standardised method. Moreover, in the Basel II calculation, the 'IRB credit provision excess (i.e. the difference between the loan loss impairment on the balance sheet and the expected loss) is added to the tier-2 capital, while in case of shortage it is substracted 50% from tier 1-capital and 50% from the tier-2 capital. Moreover 50% of 'items to be deducted' is substracted from the tier-1 capital. Items to be deducted' include mainly participations in and subordinated claims to financial institutions in which KBC has between a 10% to 50% share - predominantly NLB - as well as KBC Group shares held by KBC Bank; under Basel I, 'items to be deducted' are 100% substracted from tier-2 capital.

In order to strengthen the solvency ratios of KBC Bank and in view of an optimal use of hybrid instruments allowed by the regulator, KBC Bank has issued in the second quarter of 2008 so-called non-innovative hybrid tier 1 capital instruments for an amount of 2 billion euros. In Belgium, banks can issue both innovative and non-innovative hybrid capital instruments totalling up to 25% of Tier 1 capital (with additional limitations for the innovative hybrids part). To be classified as non-innovative, the instrument must have a number of characteristics, such as subordinated, no step-up in dividends, perpetual (no general redemption right for the investors) and conversion to ordinary shares permissible subject to certain limits and approvals.

KBL EPB

In millions of EUR	KBL EPB	31-12-2007 Basel I	31-12-2007 Basel II	30-06-2008 Basel I	30-06-2008 Basel II
Regulatory capital					
Regulatory capital, KBL (after profit appropriation)		1 447	1 447	1 309	1 360
Tier-1 capital		881	881	832	831
Parent shareholders' equity		1 308	1 308	1 127	1 127
Intangible fixed assets		- 47	- 47	- 46	- 46
Goodwill on consolidation		- 242	- 242	- 321	- 321
Innovative hybrid tier-1 instruments		121	121	120	120
Non-innovative hybrid tier-1 instruments		0	0		
Minority interests		0	0	0	0
Elimination	Other tier-2 instruments	- 18	- 18	- 18	- 18
	Revaluation reserve, available-for-sale assets (AFS)	- 39	- 39	33	33
	hedging reserve (cashflow hedges)	0	0	0	0
	Minority interest in AFS reserve & hedging reserve, cashflow hed(	0	0	0	0
Dividend payout		- 201	- 201	- 63	- 63
Items to be deducted (*)		-	- 1	-	- 1
Tier-2 capital		565	566	476	528
Mandatorily convertible bonds		0	0	0	0
Perpetuals (incl. hybrid tier-1 not included in tier-1)		18	18	18	18
Revaluation reserve, available-for-sale shares (at 90%)		79	79	53	53
Minority interest in revaluation reserve, available-for-sale shares (at 90%)		0	0	0	0
		-	-	-	-
Subordinated liabilities		469	469	458	458
Tier-3 capital		0	0	0	0
Items to be deducted (*)		- 1	- 1	- 53	- 1
Weighted risks					
Total weighted risk volume		6 610	6 610	7 943	9 622
Credit risk		5 954	5 954	7 022	7 639
Market risk		655	655	921	921
Operational risk		-	-	0	1 062
Solvency ratios					
Tier-1 ratio		13.3%	13.3%	10.5%	8.6%
CAD ratio		21.9%	21.9%	16.5%	14.1%

(*) In the Basel I calculation all of the items to be deducted are substracted from tier-2 capital; in the Basel II calculation 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 to financial institutions in which KBL has between a 10% to 50% share.

KBC Insurance

in millions of EUR	31-12-2007	30-06-2008
Available capital		
Share capital	29	32
Share premium account	122	619
Reserves	2 600	2 191
Revaluation reserve available-for-sale (AFS) investments	953	- 152
Translation differences	37	52
Dividend payment (-)	- 617	0
Minority interests	35	24
Subordinated liabilities	0	0
Intangible fixed assets (-)	- 24	- 23
Goodwill on consolidation (-)	- 495	- 504
Available capital	2 641	2 238
Required capital		
Non-life and industrial accidents - legal lines	301	324
Annuities	8	8
Subtotal, non-life	308	332
Class 21	661	713
Class 23	24	17
Subtotal, life	685	730
Other	4	5
Total required solvency margin	997	1 067
Solvency ratios and surplus		
Solvency ratio (%)	265%	210%
Solvency surplus, in millions of EUR	1 643	1 171

Risk management information

Extensive risk management data for 31-12-2007 is provided in KBC's 2007 Annual Report. A summary update of this information is provided below. For an explanation regarding the methodology used, please refer to the annual report.

Credit risk data

The main source of credit risk is the loan portfolio of the bank. A snapshot of this portfolio is shown in the table below. It includes all payment credit, guarantee credit (except for confirmations of letters of credit and similar export-/import-related commercial credit), standby credit and credit derivatives, granted by KBC Bank and KBL EPB to private persons, companies, governments and banks. Bonds held in the investment portfolio are included if they are corporate- or bank-issued, hence government bonds and trading book exposure are not included. Ratios are defined in the 'glossary and other information' section of the quarterly report.

Credit risk: loan portfolio overview (KBC Bank and KBL EPB)	31-12-2007	30-06-2008
Total loan portfolio (in billions of EUR)		
Amount granted	208.2	218.0
Amount outstanding	163.5	176.1
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	27.9%	27.8%
Central & Eastern Europe and Russia Business Unit	21.4%	23.6%
Merchant Banking	48.8%	46.8%
European Private Banking	1.9%	1.8%
Total	100.0%	100.0%
Total loan portfolio, by sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	6.6%	6.4%
Electricity	1.8%	1.8%
Aviation	0.4%	0.4%
Automobile industry	2.6%	2.4%
Impaired loans (in millions of EUR or %)		
Amount outstanding	3 446	3 420
Specific loan impairment	2 048	2 047
Portfolio-based loan impairment	186	252
Loan-loss ratio, per business unit (negative figures -> positive impact on results)		
Belgium	0.13%	0.06%
Central & Eastern Europe and Russia Business Unit[1]	0.26%	0.43%
Merchant Banking	0.02%	0.16%
European Private Banking	1.03%	0.12%
Total	0.13%	0.19%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	2 386	2 476
Specific loan impairment for NP loans	1 505	1 654
Non-performing ratio, per business unit		
Belgium	1.6%	1.5%
Central & Eastern Europe and Russia Business Unit	2.1%	1.9%
Merchant Banking	1.0%	1.0%
European Private Banking	1.7%	3.0%
Total	1.5%	1.4%
Cover ratio		
Specific loan impairment for NP loans / outstanding NP loans	63%	67%
Specific & portfolio-based loan impairment for performing and NP loans / outstanding NP loans	94%	93%

Definition of ratios: see 'Glossary and other information'.

[1]Broken down as follows for 30-06-2008:

CZ: 0.235%, SK: 0.582%, Hungary: -0.065%, Poland: 0.918%, Russia: 1.601%

As at 30 June 2008, a total of 3.0 billion euros of credit exposure relates to leveraged finance financing (LBO/MBO transactions, see footnote under the table for a definition) ; the average transaction size is 17 million euros. The maximum engagement of KBC in leveraged financing is limited to maximum 3% of the portfolio of the Merchant Banking Business Unit and to 500 million euros for the CEER business unit.

Additional information on leveraged finance* (KBC Bank and KBL EPB)	31-12-2007	30-06-2008
Total granted amount of leveraged finance deals (in billions of EUR)	2.7	3.0
Granted leveraged finance portfolio, by sector		
Services	17.9%	17.3%
Distribution	14.9%	17.5%
Chemicals	11.0%	11.0%
Telecom	8.2%	8.7%
Machinery	6.9%	8.2%
Other	41.1%	37.3%
Total	100.0%	100.0%
Granted leveraged finance portfolio, by transaction size (total amount in a size interval / total leveraged finance portfolio)		
Up to and incl. 10 million euros	12.5%	11.4%
Over 10 million and up to and incl. 25 million euros	65.0%	60.6%
Over 25 million and up to and incl. 50 million euros	18.7%	17.6%
Over 50 million and up to and incl. 100 million euros	0.0%	6.6%
Over 100 million euros	3.8%	3.8%
Total	100.0%	100.0%

* In order to be included in this scope, following criteria must be met:
1. Involvement of a private equity fund and/or management buyout.
2. Consolidated total net debt / EBITDA >= 4.5 or consolidated net senior debt / EBITDA >= 2.5.

Information on structured credit investments and on exposure towards monoline insurers

Detailed information on securitizations (including CDO and subprime exposure data) and data on the exposure towards monoline insurers can be found in the ‘Securitisation Report 30 June 2008’, (which is a 1H2008 update of the chapter on securitization of the 2007 Risk Report), which is available on www.kbc.com.

Asset/Liability management data

The first table shows - for the banking business - the extent to which the value of the portfolio would change (basis-point-value or BPV) if interest rates were to fall by ten basis points across the entire curve (positive figures indicate an increase in the value of the portfolio). The figures relate to KBC Bank, CBC Banque, Centea, KBC Lease, KBC Bank Deutschland, IIB Bank, KBC Bank Nederland, Antwerp Diamond Bank, ČSOB CZ, CSOB SK, K&H Bank, Kredyt Bank, KBL EPB, Absolut Bank and KBC Credit Investments.
The second table provides - for the insurance business - an overview of the composition of the investment portfolio. In the consolidated financial statements of KBC Group, the insurer’s investment portfolio is not shown as such, but is spread over various balance sheet items.

ALM risk: BPV of the ALM book, banking (in millions of EUR)	
Average 1Q 2007	70
Average 2Q 2007	54
Average 3Q 2007	44
Average 4Q 2007	46
Average 1Q 2008	59
Average 2Q 2008	74
30-06-2008	78
Maximum in 1H 2008	78
Minimum in 1H 2008	48

ALM risk: investment portfolio, insurance (carrying value, in millions of EUR)	31-12-2007	30-06-2008
Bonds and other fixed-income securities	14 643	14 849
Shares and other variable-yield securities	4 328	3 502
Other securities	20	50
Loans and advances to customers	156	163
Loans and advances to banks	1 775	1 819
Property and equipment and investment property	285	363
Liabilities under investment contracts, unit-linked	9 099	8 356
Other	112	125
Total investment portfolio KBC Insurance	30 417	29 227

Market risk data

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

Market risk: VAR (in millions of EUR; 1-day holding period)	KBC Bank	KBC Financial products
Average 1Q 2007	4	10
Average 2Q 2007	4	10
Average 3Q 2007	4	13
Average 4Q 2007	5	15
Average 1Q 2008	5	15
Average 2Q 2008	7	11
30-06-2008	8	11
Maximum in 1H 2008	9	30
Minimum in 1H 2008	3	9

Quarterly time series for financial assets and liabilities

FINANCIAL ASSETS (in millions of EUR)

	31-03-2007	30-06-2007	30-09-2007	31-12-2007	31-03-2008	30-06-2008
Loans and advances to credit institutions and investment firms [1]	46 390	52 080	52 336	53 843	53 351	53 399
Loans and advances to customers [2]	135 512	134 065	139 887	147 051	149 161	165 263
Discount and acceptance credit	233	292	252	718	210	212
Consumer credit	3 221	3 689	3 761	3 893	4 030	4 683
Mortgage loans	41 010	42 471	44 297	47 125	49 310	52 181
Term loans	71 386	66 433	69 373	72 714	73 365	84 109
Finance leasing	6 110	6 404	6 720	6 883	6 514	6 805
Current account advances	7 989	8 896	8 342	7 853	7 505	9 462
Securitised loans	293	284	304	264	255	0
Other	5 270	5 596	6 839	7 603	7 972	7 811
Equity instruments	25 005	25 377	24 228	22 207	19 206	18 140
Investment contracts (insurance)	9 237	9 272	9 179	9 066	8 626	8 356
Debt instruments issued by	89 674	87 233	85 938	82 816	84 195	88 131
Public bodies	56 679	55 674	54 988	46 902	49 218	53 915
Credit institutions and investment firms	15 435	15 251	15 409	14 829	14 757	14 651
Corporates	17 560	16 307	15 541	21 085	20 220	19 565
Derivatives	16 913	19 050	20 662	22 232	25 182	25 676
Total carrying value excluding accrued intrest income	322 731	327 077	332 232	337 215	339 720	358 965
Accrued interest income	2 633	2 929	2 946	3 307	2 410	2 321
Total carrying value including accrued interest income	325 364	330 006	335 178	340 522	342 130	361 286
[1] Of which reverse repos	*24 745*	*23 018*	*35 111*	*33 503*	*29 168*	*27 194*
[2] Of which reverse repos	*21 775*	*16 754*	*6 451*	*6 339*	*5 808*	*13 390*

FINANCIAL LIABILITIES (in millions of EUR)

	31-03-2007	30-06-2007	30-09-2007	31-12-2007	31-03-2008	30-06-2008
Deposits from credit institutions and investment firms [3]	64 779	65 483	67 660	73 104	68 690	63 804
Deposits from customers and debt certificates [4]	183 850	186 295	191 928	192 135	197 261	218 105
Deposits from customers	128 584	134 949	137 040	137 347	143 569	157 068
Demand deposits	37 319	40 419	40 744	42 488	46 704	54 120
Time deposits	58 141	61 015	64 115	63 357	65 877	72 430
Savings deposits	28 735	28 866	27 115	27 079	26 245	25 263
Special deposits	3 057	3 053	3 172	3 444	3 566	3 846
Other deposits	1 331	1 596	1 894	979	1 177	1 408
Debt certificates	55 266	51 346	54 887	54 788	53 692	61 037
Certificates of deposit	24 894	17 867	18 844	17 937	16 770	21 110
Customer savings certificates	2 716	2 690	2 869	2 956	3 028	3 141
Convertible bonds	0	0	0	0	0	0
Non-convertible bonds	21 221	24 251	25 997	26 324	26 369	27 314
Convertible subordinated liabilities	0	0	0	0	0	0
Non-convertible subordinated liabilities	6 435	6 538	7 178	7 570	7 525	9 472
Liabilities under investment contracts	9 223	9 255	8 972	8 928	8 480	8 349
Derivatives	23 823	25 917	26 956	26 197	27 599	28 134
Short positions	7 420	8 280	4 703	4 845	4 430	5 594
in equity instruments	2 578	2 812	3 985	3 724	3 303	4 398
in debt instruments	4 841	5 468	718	1 120	1 127	1 196
Other	5 227	4 789	4 152	4 126	4 759	8 148
Total carrying value excluding accrued interest expense	294 322	300 019	304 371	309 335	311 220	332 133
Accrued interest expense	1 809	2 008	2 411	2 087	2 043	2 208
Total carrying value including accrued interest expense	296 131	302 027	306 782	311 422	313 263	334 341
[3] Of which repos	*25 500*	*20 440*	*22 897*	*21 979*	*21 388*	*13 522*
[4] Of which repos	*6 670*	*8 061*	*9 753*	*8 284*	*10 233*	*13 573*

Financial calendar

Financial calendar	
Publication of 3Q 2008 results	6 November 2008
Publication of 4Q 2008 results	12 February 2009
Annual General Meeting	30 April 2009
Publication of 1Q 2009 results	14 May 2009
Publication of 2Q 2009 results	6 August 2009
Publication of 3Q 2009 results	13 November 2009
Publication of 4Q 2009 results	11 February 2010

For the most up-to-date version of the financial calendar, including investor relations events such as analyst meetings and investor road shows, see www.kbc.com.

Powerpoint presentation

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  - Highlights
  - Analysis of results, Group
  - Structured credit exposure
  - Underlying profit performance per business unit
- Wrap Up

2Q 2008

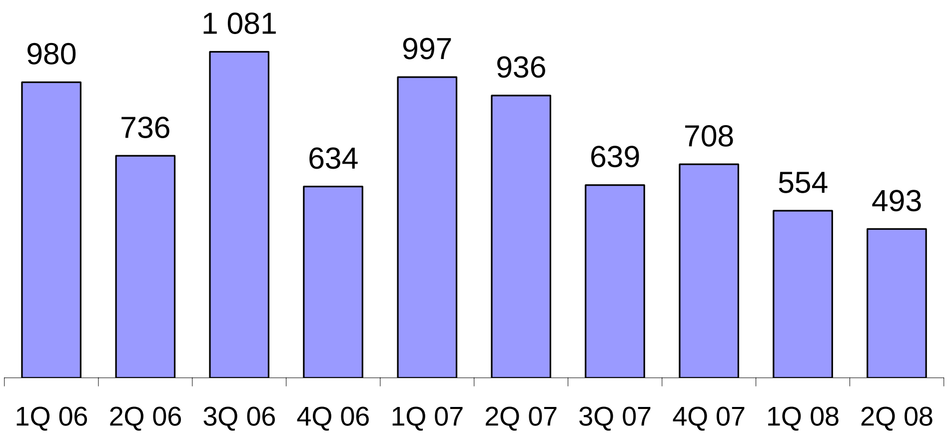
financial performance

Highlights

Financial highlights - Strong operational performance

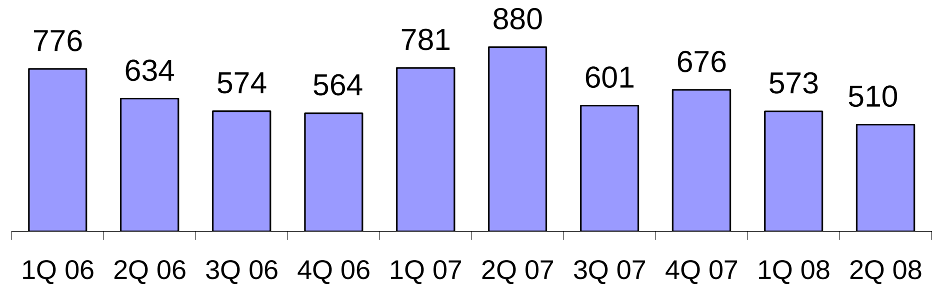
All figures are in m euros

Reported net profit



1) Deduction of one-off items and MtM-result of hedging derivatives

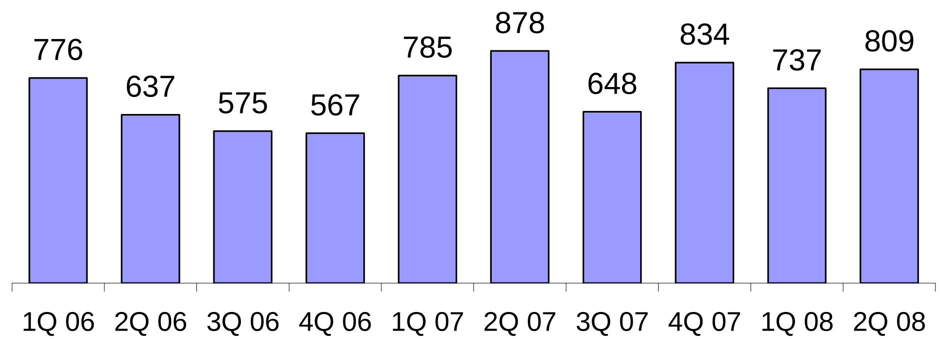
Underlying net profit



2) Cleansing the impact of the market turbulence

Note:
Impact of the market turbulence is defined as FV losses on ABS/CDOs and net AFS-related impaiments

Clean underlying net profit



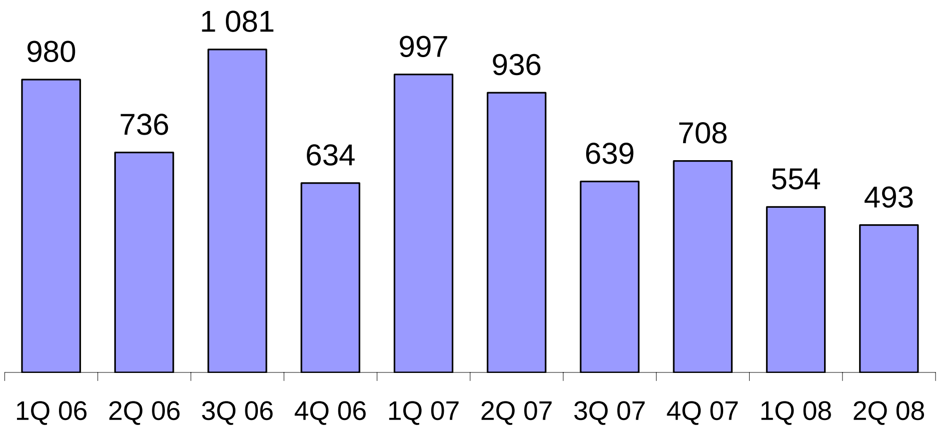
Financial highlights – Q2 monthly evolution of clean underlying profit

	April 2008	May 2008	June 2008
Reported net profit	373	242	-122
Underlying net profit	**364**	**242**	**-96**
FV adjustments re CDO/ABSs	36	-7	-190
Impairments on shares	-1	-7	-130
Clean underlying profit	**328**	**256**	**221**

Financial highlights - Strong operational performance

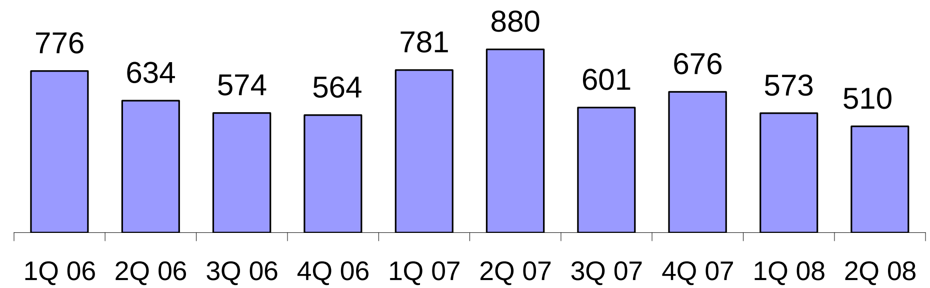
All figures are in m euros

Reported net profit



1) Deduction of one-off items and MtM-result of hedging derivatives

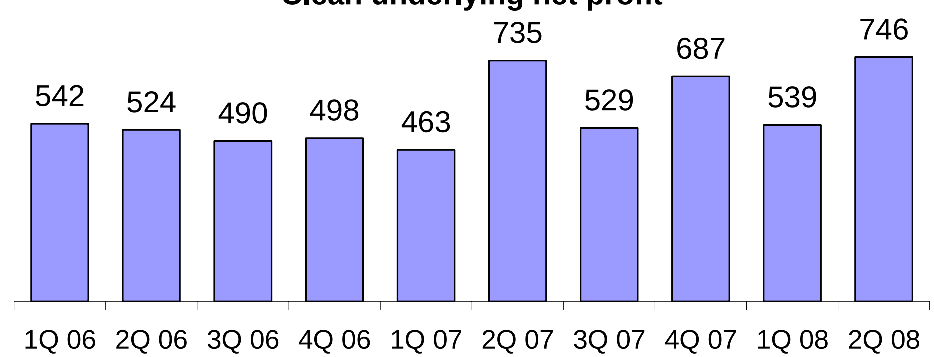
Underlying net profit



2) Cleansing the impact of the market turbulence and capital gains

Note:
Impact of the market turbulence is defined as FV losses on ABS/CDOs, net AFS related impaiments and net AFS-realised gains

Clean underlying net profit



Quarter under review – Financial headlines

- Encouraging volume growth: loan book up 10% y/y in Belgium and 23% in CEE
- Underlying NII up 13% y/y in Belgium and 24% in CEE
- Solid rebound of investment banking income (76m net profit contribution)
- Somewhat higher loan losses from very low levels. Half-year LLR at 19 bps
- Lower gains realised on share portfolio (63m)
- Net F&C down 11% y/y, mainly due to lower customer investment activities as a result of the high volatility in equity markets
- Out of 290m impairment charges in underlying profit, 143m related to the loan portfolio. 138m impairment was taken on the AFS share portfolio (held mainly by the insurance business) due to the ca. 25% fall in European equity markets
- No defaults, but further markdowns of structured credit investments portfolio. After-tax P&L impact of 161m, including a provision to cover exposure to monoline insurers. Impact on equity: -71 m
- Solvency amongst the best within the financial sector.Tier-1 ratio, banking, stood at 9.3%, according to Basel II (8.8% under Basel I). Core Tier-1 at 7% (Basel II), solvency ratio, insurance, at 210%

Future developments

André Bergen, CEO:

- *“ While overall economic activity is slowing, the quality of our overall franchise remains strong, with our CEE operations being the engine of growth. KBC has the clear ambition to double its net earnings in the region in the foreseeable future.”*
- *“Furthermore, we have recently enhanced our cost discipline throughout the group to cope adequately with increased cost inflation.”*
- *“We are also happy to see that our balance sheet is robust. Asset quality has proven to be quite solid across asset classes, while our solvency position is amongst the most secure in the financial sector.”*

Analysis of results

Group

Growth remains resilient

y/y growth	Customer loans 2006	Customer loans 2007	Customer loans 1H 08	Customer wealth 2006	Customer wealth 2007	Customer wealth 1H 08
Belgium (retail)	+8%	+14%	+10%	+14%	+11%	+9%
CEE	+26%	+23%	+23%	+12%	+16%	+18%
Commercial banking	+13%	+16%	+15%	-	-	-
Private banking	-	-	-	+5%	+0%	-4%

y/y organic growth trends; customer wealth = banking deposits + AUM + life insurance

- Our organic growth has been strong
- Although we expect to see some impact from an economic downturn, we believe growth momentum remains resilient, especially in CEE

Volumes y/y

	Total loans	Of which mortgages	Customer deposits	AUM	Life reserves
Outstanding (in bn)	165	52	218	227	23
Growth, y/y	**+19%**	**+23%**	**+14%**	**-1%**	**+5%**
Belgium	**+10%**	**+11%**	**+21%**	**+0%**	**+4%**
CEE R	**+23%**	**+45%**	**+8%**	**+14%**	**+21%**
- Czech Republic	+24%	+45%	+10%	+8%	+9%
- Slovakia	+22%	+41%	+1%	+30%	+26%
- Hungary	+8%	+19%	-6%	+18%	+27%
- Poland	+45%	+82%	+12%	+25%	+65%
Merchant Banking	**+15%**	**-**	**-7%**	**-**	**-**
Private Banking	**-**	**-**	**-**	**-9%**	**+1%**

y/y growth of customer deposits equals to the growth in total loans (30bn), therefore liquidity buffers remained intact in absolute terms

Notes:
- Organic growth rates only
- Growth rates excluding repo and reverse repo actvities
- Trends for CEE in local currency

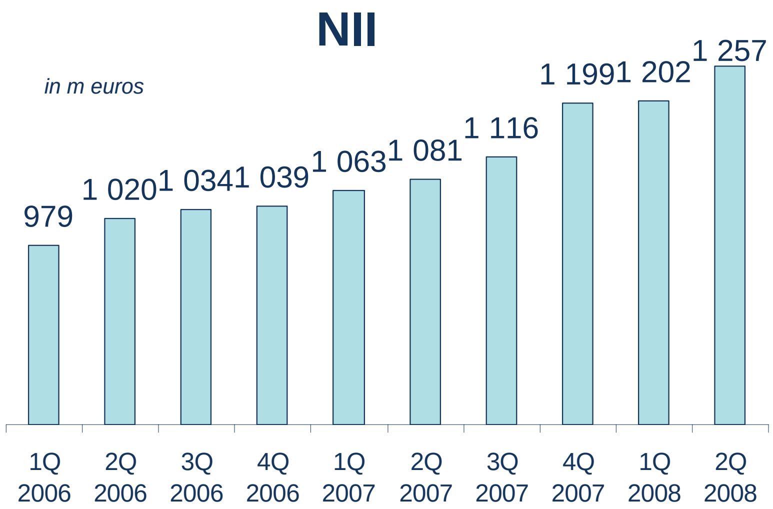
Volumes q/q – non-annualised

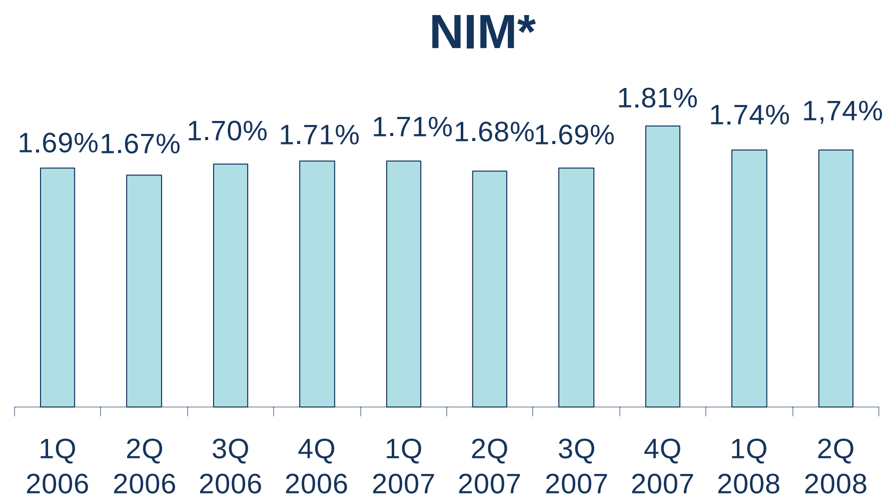
	Total loans	Of which mortgages	Customer deposits	AUM	Life reserves
Outstanding (in bn)	165	52	218	227	23
Growth, q/q	**+6%**	**+6%**	**+9%**	**+0%**	**+1%**
Belgium	**+5%**	**+3%**	**+13%**	**-1%**	**+0%**
CEE R	**+5%**	**+7%**	**+1%**	**+2%**	**+6%**
- Czech Republic	+6%	+6%	+2%	+4%	+1%
- Slovakia	+1%	+8%	-3%	+15%	+8%
- Hungary*	-4%	-5%	-5%	+2%	+7%
- Poland	+7%	+15%	+3%	-7%	+35%
- Serbia	+18%	+19%	+4%	-	-
- Russia	+19%	+30%	-4%	-	-
- Bulgaria	+11%	+13%	+1%	-	+3%
Merchant Banking	**+4%**	**-**	**+5%**	**-**	**-**
Private Banking	**-**	**-**	**-**	**+3%**	**+0%**

The current decline of volumes in Hungary has to do with the appreciation of HUF (+9% q/q) and the high proportion of FX-loans within the total loan book (60%)

Notes: Organic growth rates only. Growth rates excluding repo and reverse repo actvities. Trends for CEE in local currency

Revenue trend - Group



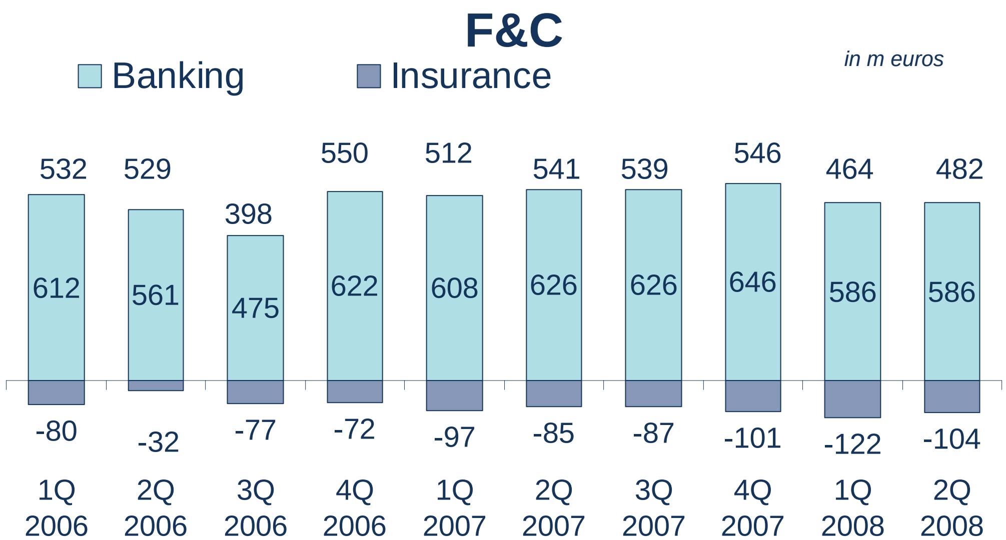


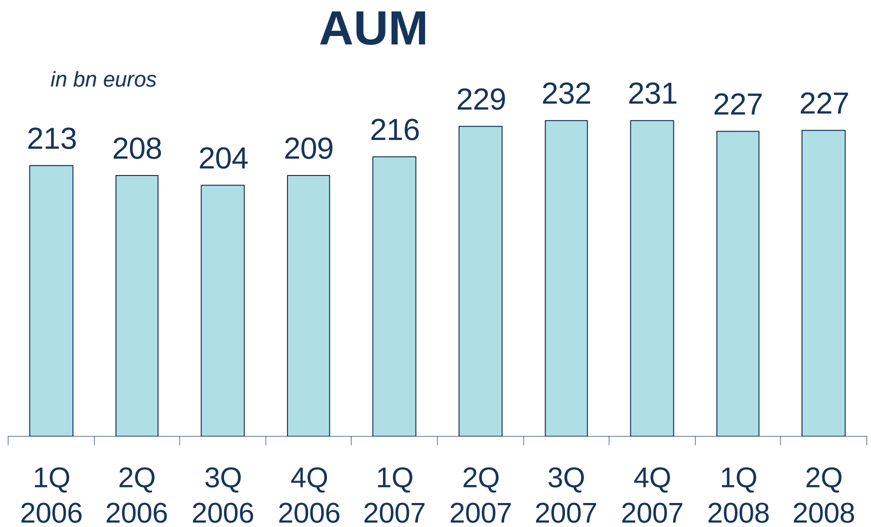
* Net Interest Margin equals Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos

- NII (1 257 m) up 16% y/y and up 5% q/q, as a result of:
  - Rising volumes throughout the group: e.g., loans up 19% y/y and 6% q/q
  - NIM (1.74%): 6 bps up y/y, flat q/q

Note: change in the accounting of lease finance and ALM derivatives from 1Q 08 onwards has a -40m quarterly impact (recurring)

Revenue trend - Group



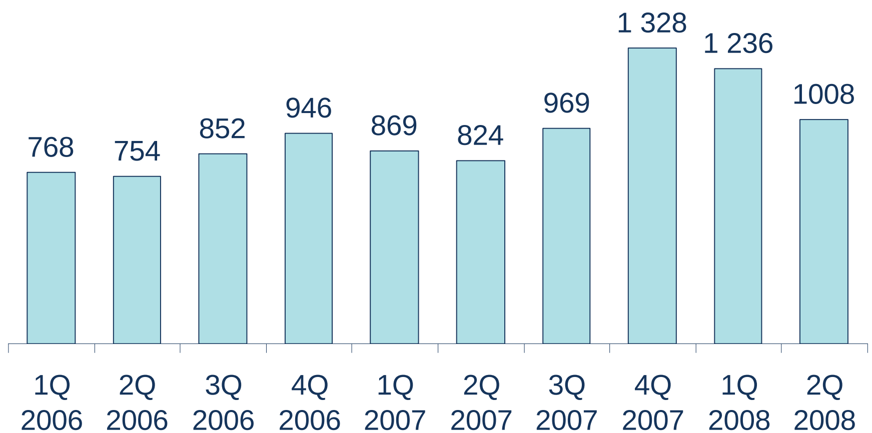


- Net F&C (482m) up 4% q/q, but down 11% y/y on a comparable basis, as a result of:
  - q/q: Flat fees received (banking and asset management), but lower commissions paid (life insurance)
  - y/y: Fees received down 6%, due to the adverse trend in equity markets; insurance fees paid up 23%
- AUM (227 bn) down 1% y/y and flat q/q. (Net inflows at 1% q/q offset by negative price effect)

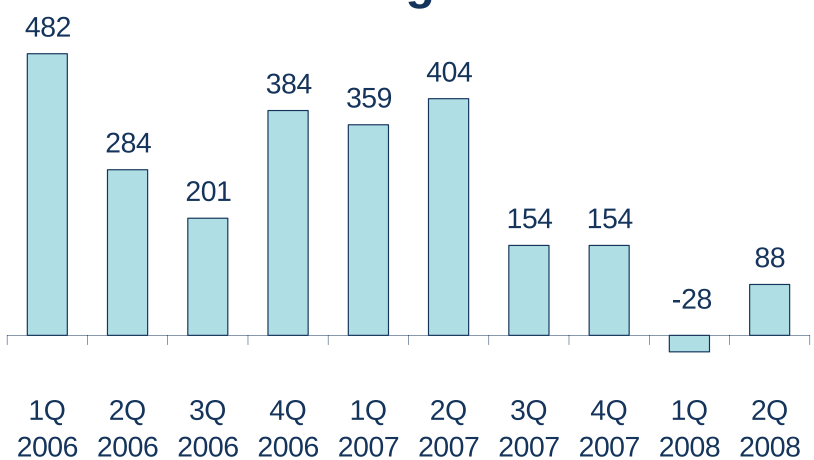
Revenue trend - Group

All figures are in m euros

Premium income



FV gains

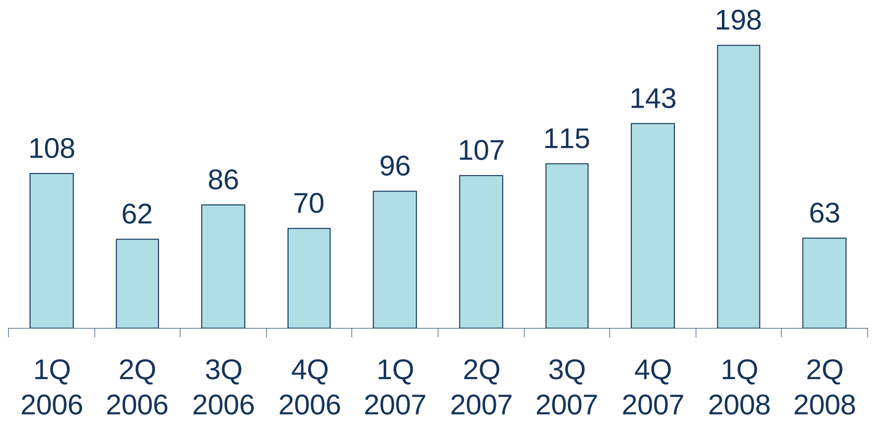


- Earned premium, insurance (1 008m) down 18% q/q on the back of lower lump-sum life insurance sales (especially unit-linked), but up 22% y/y
- FV gains (88m) up from the negative result of previous quarter, but significantly down on the high level a year earlier (404m)
  - difficult capital market situation was still in evidence, but trading activities performed well
  - FV adjustments on CDO/ABS portfolio: 314m pre-tax (vs. 141m in 1Q 08)

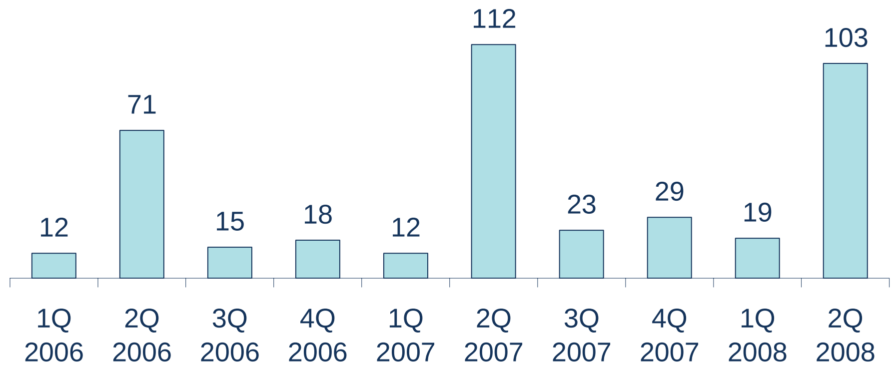
Revenue trend - Group

All figures are in m euros

AFS realised gains



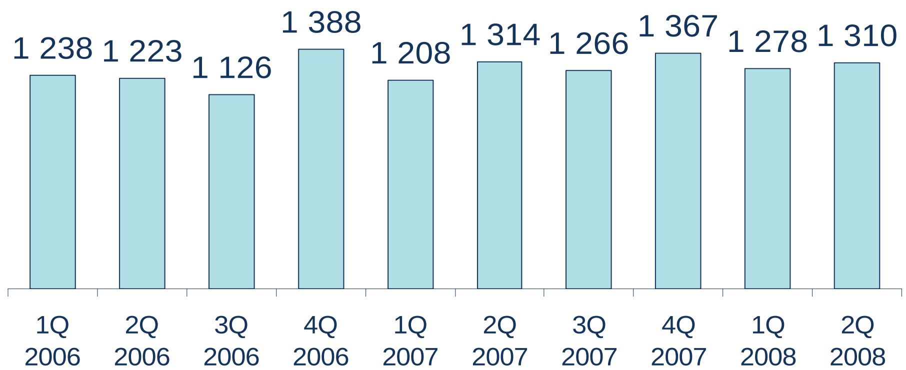
Dividend income



- AFS gains (63m) much lower than in previous quarters. In 1Q 2008 a large part of the planned gains for the year on the sales of shares in the insurance business had already been realised (Business Unit Belgium)
- Still unrealised gains on shares stood at gross 437m (net 157m) in the insurance division at the end of 2Q 08
- Dividend income (103m) significantly up q/q in accordance with the seasonal peak in the second quarter

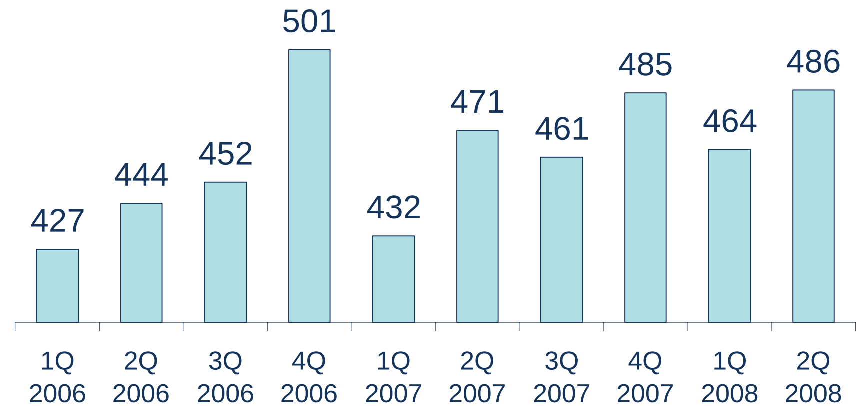
Operating expenses - Group

Operating expenses, consolidated

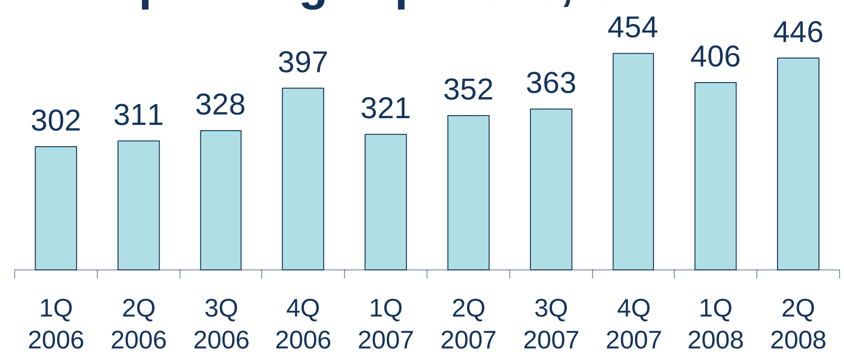


C/I, banking	FY 06	FY 07	1H 08
Belgium	58%	59%	61%
Czech Republic	57%	53%	49%
Slovakia	-	65%	58%
Hungary	63%	59%	56%
Poland	72%	70%	65%
Russia	-	72%	64%
Merchant Banking	50%	53%	64%
Private Banking	73%	65%	68%
Total	**58%**	**58%**	**63%**

Operating expenses, Belgium



Operating expenses, CEER



All figures are in m euros

Operating expenses - Group

- q/q evolution: down 1% on a comparable basis (excluding FX-impact and a 22m take-back in 1Q 08)

	1Q 08	2Q 08	change
Opex at actual rate	**1278**	**1310**	**3%**
FX-impact/Change in scope		-23	
One-offs	22		
Opex on comparable basis	**1300**	**1287**	**-1%**

- y/y development: down 5% on a comparable basis (without FX and changes in consolidation scope and a 27m one-off charge in 2Q 07)

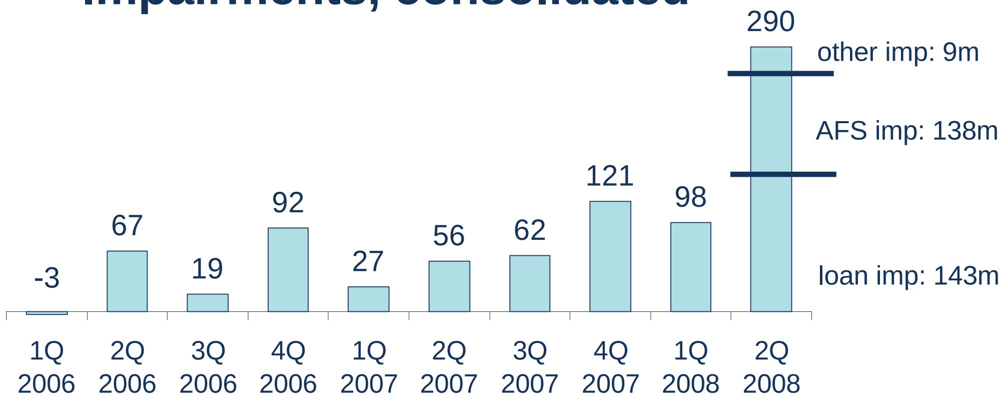
	2Q 07	2Q 08	change
Opex at actual rate	**1314**	**1310**	**0%**
FX-impact/Change in scope		-87	
One-offs	-27		
Opex on comparable basis	**1287**	**1223**	**-5%**

- YTD C/I ratio at 63% (underlying)
- Rigid cost budget review completed in order to cope with increased inflationary pressure (e.g. CPI in Belgium peaked at 5.9% in July)

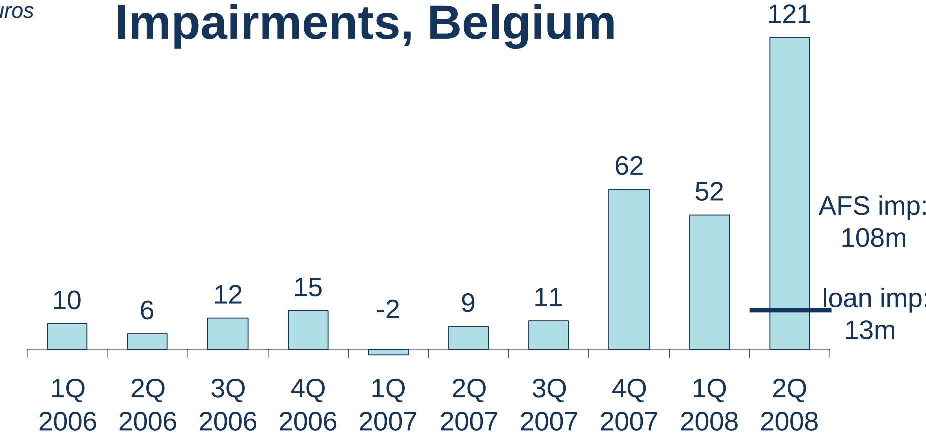
Impairments - Group

All figures are in m euros

Impairments, consolidated



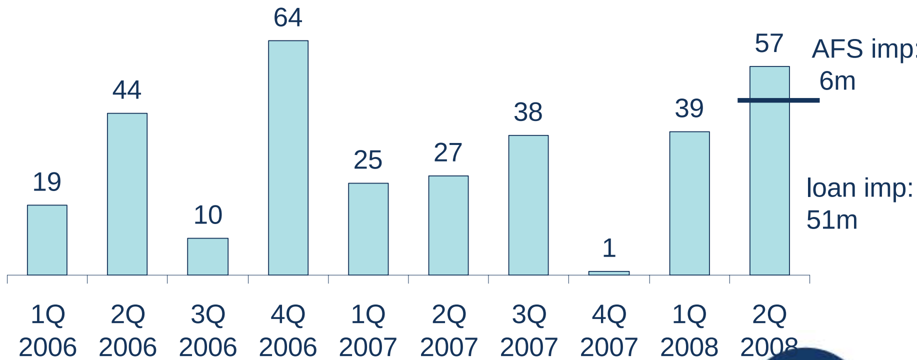
Impairments, Belgium



Loan loss ratio	FY 06	FY 07	1H 08
Belgium	0.07%	0.13%	0.06%
Czech Republic	0.36%	0.18%	0.24%
Slovakia	-	0.96%	0.58%
Hungary	1.50%	0.62%	0.00%
Poland	0.00%	0.00%	0.92%
Russia	-	0.21%	1.60%*
Merchant Banking	0.00%	0.02%	0.16%
Total	**0.13%**	**0.13%**	**0.19%**

*boosted by the allocation of generic provisions

Impairments, CEER



Impairments - Group

- 2Q 08 total impairment: 290m, of which:
  - 143m related to the loan portfolio
  - 138m related to AFS securities (mostly shares in the insurance divisions)

Impairments	3Q 07	4Q 07	1Q 08	2Q 08
on loans	- 51	- 54	- 27	- 143
on AFS assets	- 8	- 65	- 71	- 138
on goodwill & other	- 3	- 2	0	- 9
Total	**- 62**	**- 121**	**- 98**	**- 290**

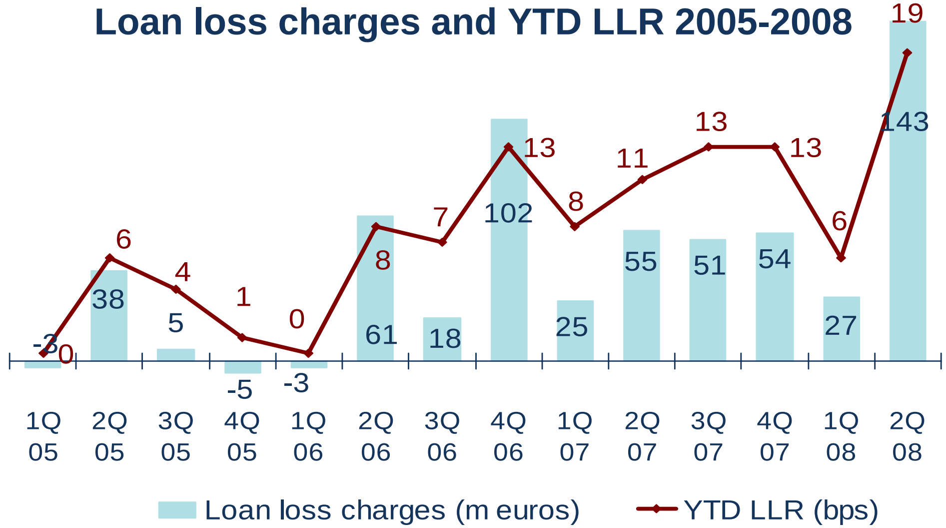
- YTD LLR 19bps on Group level: still very low (13bps in FY 07)

- Although loan losses are rising, overall loan quality continues to be sound. NPL ratio at 1.4% (1.5% at YE 07)

Note: All figures are before tax

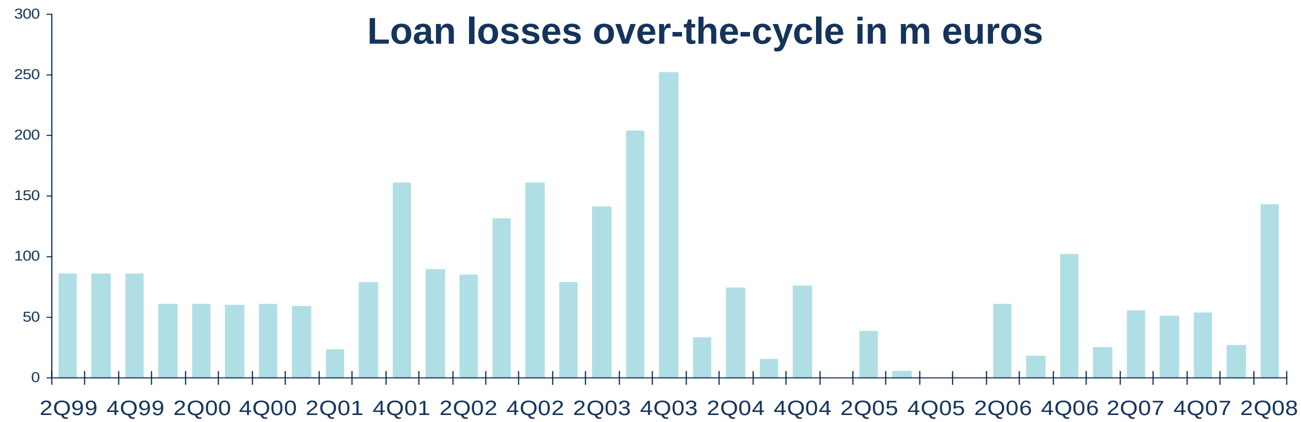
Evolution of loan losses

Loan loss charges and YTD LLR 2005-2008



LLR best estimates:

- **Belgium:** 20 bps (over-the-cycle)
- **Corporates:** 35 bps (over-the-cycle)
- **CEE-4**: 40-60 bps (2008-2010)
- **Russia:** 150-200 bps (2008-2010)



Share portfolio impairments

Size of the AFS portfolio: 4.2bn,

predominantly in insurance business

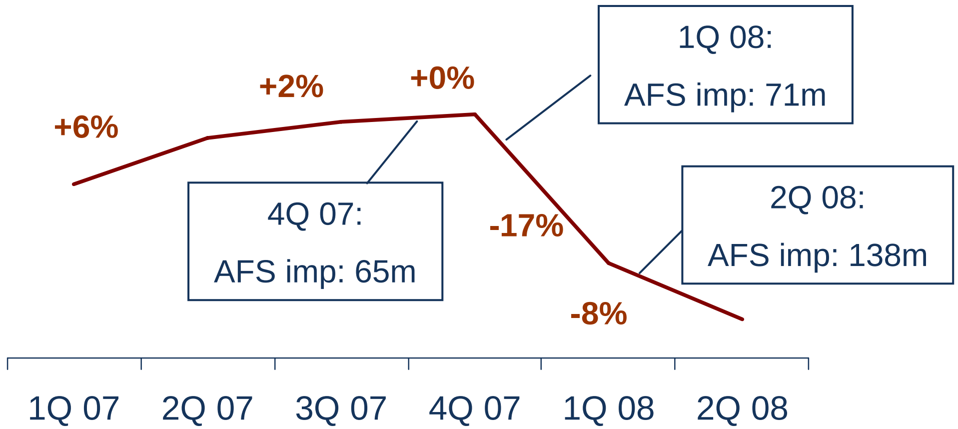
Objectives:

- Higher investment yield anticipated over a long-term investment horizon
- Hedging the “tail-risk” of long-term life-insurance liabilities

Impairment rules applied:

- 12 months below 75% / at reporting date below 60% of purchase price
- All negative price trends of previously impaired shares
- Other criteria apply

Evolution of MSCI Europe Index

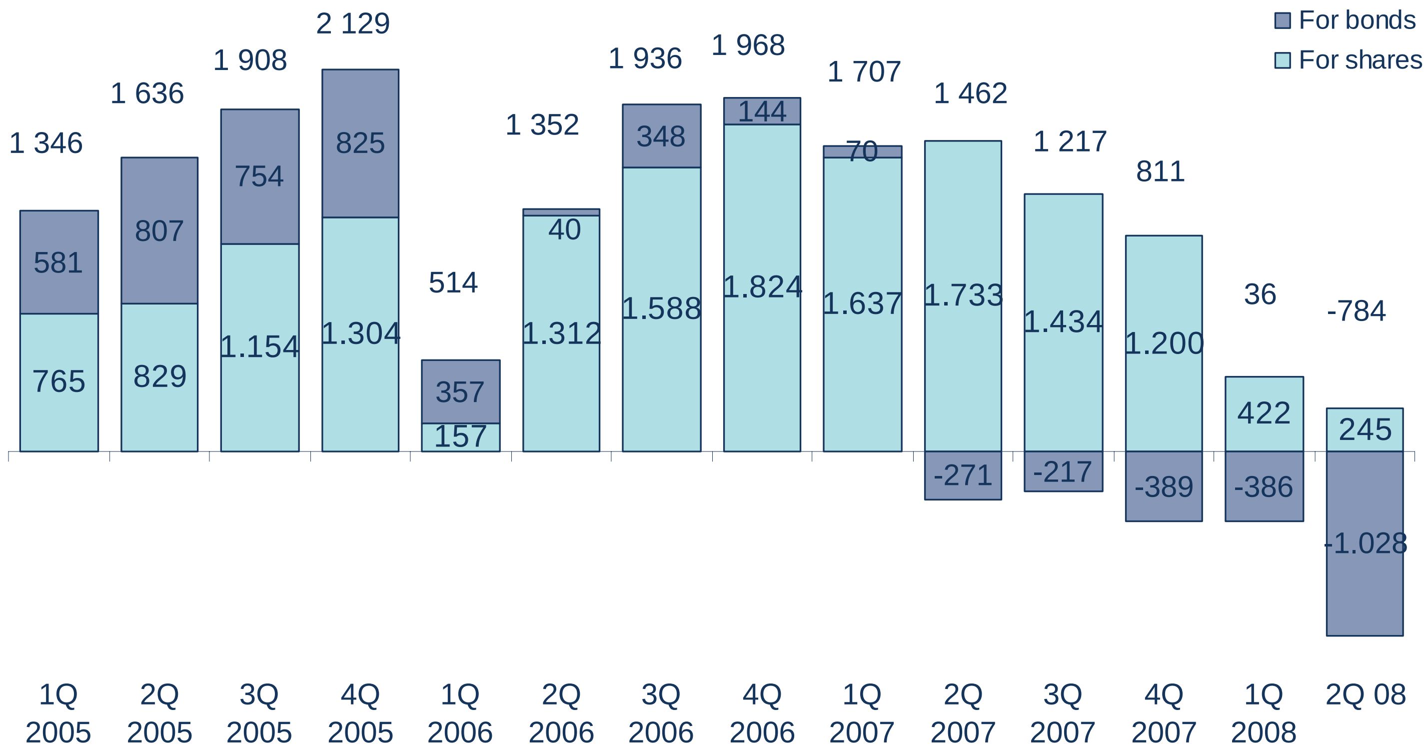


Earnings sensitivity to share price trends

Equity market assumptions	P&L impact	Impact on shareholders' equity
12,5% drop	-193m	-293m

All figures are after taxes

Evolution of revaluation reserves

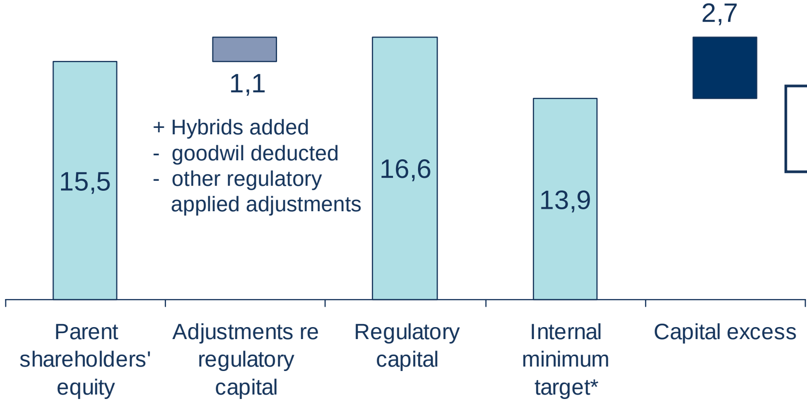


- Rising interest rates and falling equity prices have had a significant impact on the revaluation reserves, and hence, on the solvency of the insurance business in 1H 08 (no impact on banking capital)

Solvency situation

Capital excess

All figures are under Basel II, in bn euros



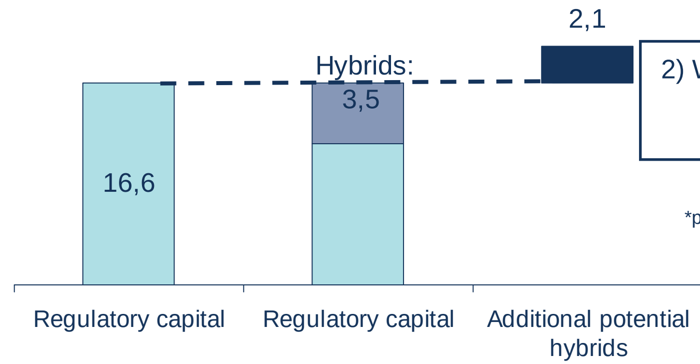
1) We have 2.7bn excess in capital

*8% Tier 1 in banking, 200% solvency in insurance

- Current Tier-1 ratio, banking, at 9.3%, core (equity)Tier-1 at 7% (according to Basel II)
- Solvency ratio, insurance at 210%

- We could further strengthen solvency by increasing debt leverage before we would have to take EPS-dilutive actions
- Using the maximum hybrid and holding company leverage potential would increase theTier-1 ratio, banking, to over 11%, solvency ratio, insurance to over 300% (*ceteris paribus*)

Hybrid capital instruments

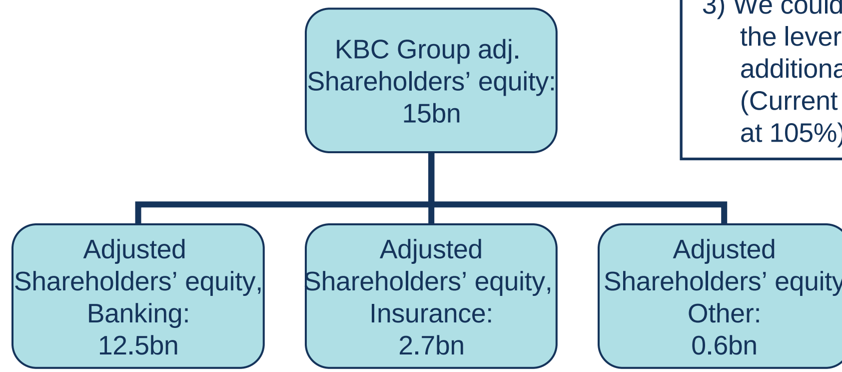


2) We could add max. 2.1bn hybrid elements*

*profit sharing certificates

Leverage at holding company level*

3) We could increase the leverage by additional 1.5bn (Current gearing at 105%)



Sum of the subs: 15.8bn

* All figures are after deduction of assumed dividend upstreaming

Structured
credit exposure

CDO/ABS exposure

Relevant changes in 2Q 2008:

- No major changes to composition of CDO and ABS portfolio (14.4 bn, net fair value)
- No credit defaults incurred on securities held
- Ratings of several CDO notes downgraded (with valuation impact)
- Ratings of monoline insurers downgraded (with valuation impact)

CDO/ABS exposure - overview (bn)		Mar-08	Jun-08
Nominal exposure			
Investment portfolio	CDO	9.0	9.0
	ABS	6.8	6.5
Trading portfolio	ABS	1.0	0.7
Nominal, total		16.8	16.2
Value writedowns (cumul)			
Initial writedown of junior/equity pieces		-0.8	-0.8
Value adjustments for monolines		-0.0	-0.2
Other value adjustments	P&L	-0.3	-0.5
	Sh. Equity	-0.2	-0.3
Total writedowns		-1.4	-1.8
Exposure, net of value adjustments			
Total		**15.5**	**14.4**

A detailed “June 2008 securitisaiton report” is available on www.kbc.com/Ir

Impact credit crisis on valuation of CDO/ABS portfolios

In 2Q 2008, 419m additional fair value markdowns recognised (1.0 bn total markdown since start of crisis)

- CDO notes were downgraded (for first time since start of crisis) following rating methodology changes, causing 135m modelled value loss
- *Monolines* were downgraded, impacting the fair value of the CDS protection received: additional 148m value adjustments were made (bringing total to 187m, 42% of the CDS fair value)
- Widening of ABS and CDS spreads (reference for underlying collateral) triggered another 136m modelled value writedown

Fair value adjustments made in July 2008:
-5m on P&L, -37m on B/S (before tax)

Credit ratings KBC FP CDOs	2Q 2007 ratings	2Q 2008 ratings
Aaa	83.6%	73.1%
Aa	13.9%	10.6%
A	2.3%	5.7%
Baa	0.2%	2.1%
Ba	0.0%	7.9%
B	0.0%	0.4%*
Caa	0.0%	0.2%*
Ca	0.0%	0.0%
C	0.0%	0.0%
D	0.0%	0.0%

Exposure to *monoline* insurers (mainly MBIA, Ambac, FSA)	
Credit enhancing for liquidity facilities in pub fin & health care sectors	Guarantees received (1.1 bn) for underlying assets that are AA/A- rated. Given high ratings, loss at insurers' default is very limited
Insurance coverage received for CDOs	Fair value exposure in the form of CDS protection bought against CDOs to the tune of 447m; 187m provisioned
Indirect exposure within the corporate collateral pool of CDOs	Overall collateral valuation based on observable data. Increasing risk profile of collateral reflected in fair value

*Written down to zero

CDO/ABS valuation impact, overview

CDO/ABS valuation changes (m)	2Q 08	YTD 08	12MTD
Fair value adjustment (P&L impact)	167	308	486
Fair value adjustment (B/S impact)	105	195	325
Value adjustment for monolines (P&L)	148	148	187
Total	**419**	**651**	**998**
Due to downgrading of CDO notes held	135	135	135
Due to increased counterparty risk of monolines	148	148	187
Due to credit spread widening & other FV changes	136	368	676

All figures are before tax

REMINDER

The following explains the "below average" CDO writedowns:

- Mostly corporate (74%), limited portion of RMBS/CMBS (14%)
- High "attachment points" of CDO notes , allowing substantial losses before being impacted (17%, on average)
- No assets sold at distressed prices ("buy and hold")
- "Low quality" CDO tranches completely written-down in past (equity/junior notes, 0.8 bn)
- Active CDO collateral management (asset substitutions)
- Part of CDO exposure hedged by short positions in trading book
- Selective asset picking at origination (no pressure to upload low-quality assets in order to complete securitisation transactions, no warehouse lines or super senior protection provided to external managers…)

Structured credit loss estimates

Exposure overview (summary at June, 2008):

- Nominal outstanding*: 15 433m, of which 8 187m CDO and 7 243m ABSs
- For 7 456m KBC acts as the CDO manager through its subsidiary KBC Financial Products (KBC FP)
- 97% of securities rated A or higher (85% Aaa)
- Underlying pool of assets (look-through approach for CDOs):
  - 39% is corporate risk (78% is IG, average rating is Baa2**)
  - 8% is subprime RMBS, 5% Alt-A (CMBS and credit card receivables both less than 1%)
  - Financial guarantee within CDOs by monolines via CDS (fair value exposure: 447m)

Test assumptions:

- 25% net loss on all 2005-2007 subprime and alt-A assets
- Up to 300 bps net loss on corporate underlying assets
- Potential default of monolines

Test scenarios used for CDOs managed by KBC FP and all ABS with subprime content	Net loss test assumptions			Test result:
(updated June 30, 2008)	Subprime/Alt-A underlying	Corporate underlying	Defaults of monolines	expected default
Scenario 1	25%	-	-	231m
Scenario 2	25%	3%	-	408m
Scenario 3	25%	-	100%	474m
Scenario 4	25%	3%	100%	708m

*Nominal amount, net of equity and junior CDO pieces fully written down at time of origination

** For reference purposes: Moodys' global average 1yr corporate default rate for Baa2 stands at 19 bps (1998-2007), over the last 35 yrs peak level (1986) stood at 136 bps

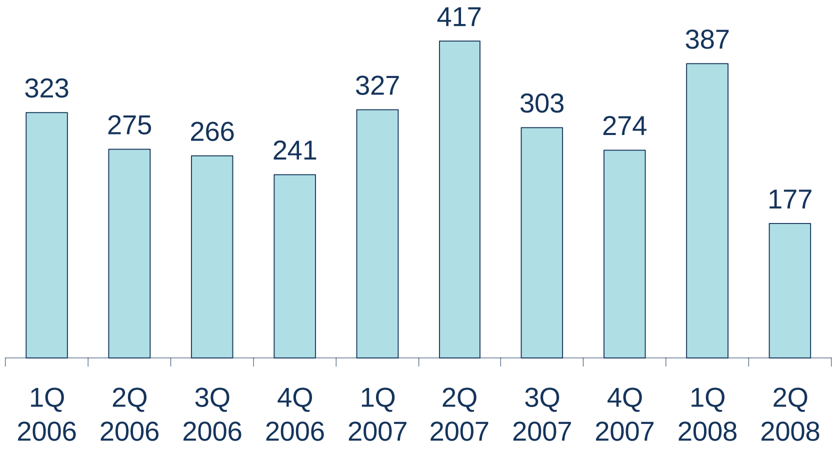
Underlying profit

performance per business unit

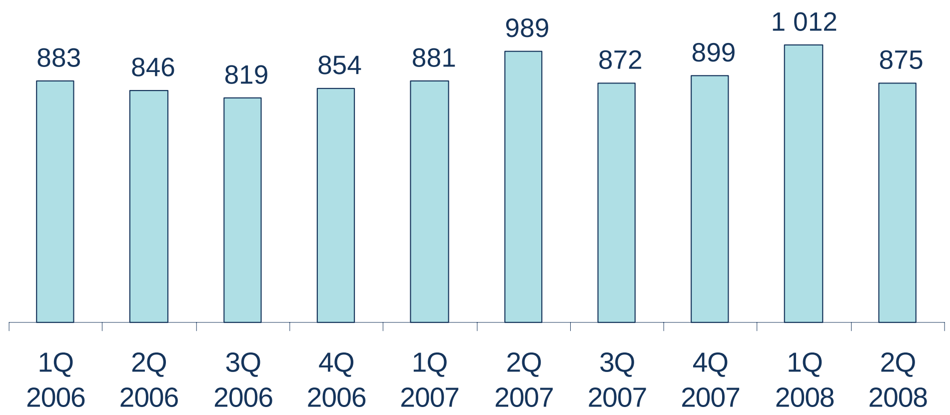
Business Unit Belgium

Net profit

All figures are in m euros

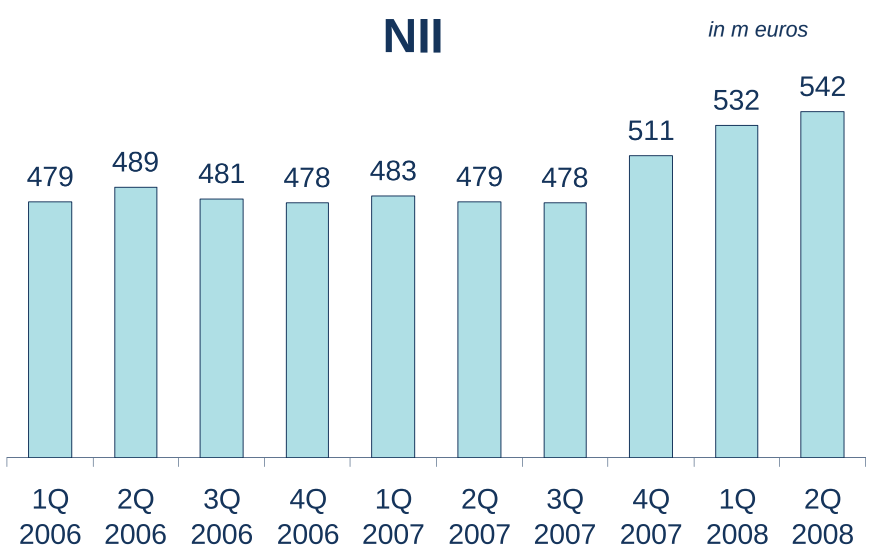


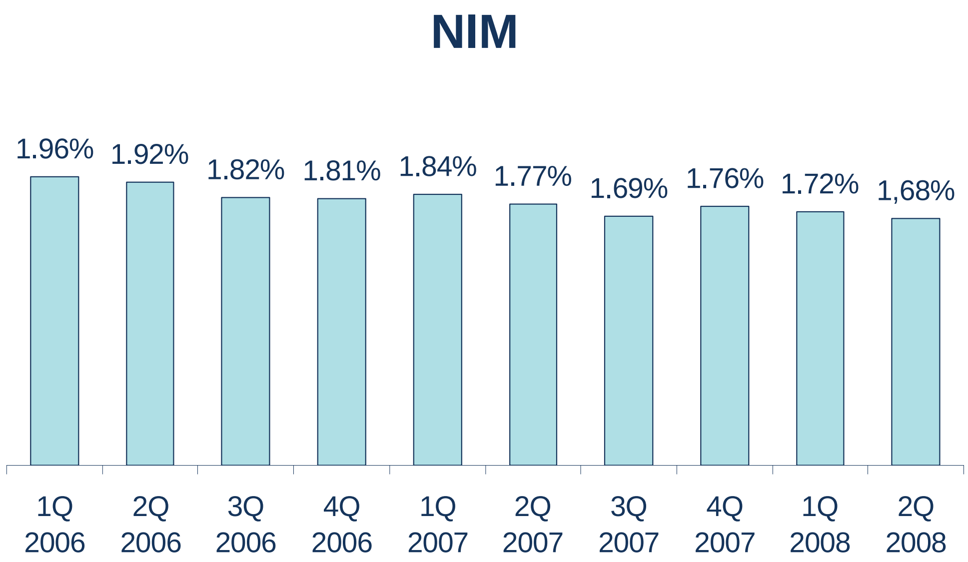
Total Income



- Underlying net profit at 177m, significantly lower than in previous quarters, largely due to lower AFS realised gains and higher AFS impairments
- Key financial ratios:
  - Underlying YTD C/I ratio at 61% (59% in FY 07)
  - YTD net combined ratio, non life insurance at low 91%
  - YTD return on allocated capital 25%

Business Unit Belgium (2)

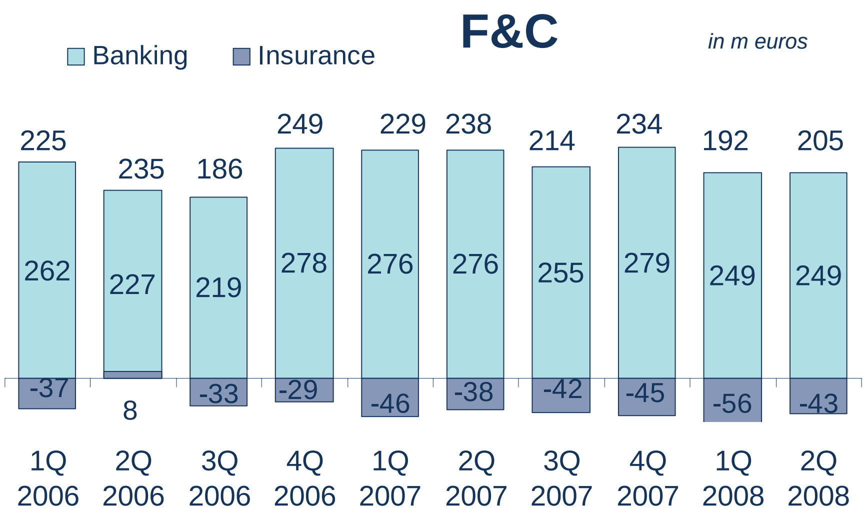


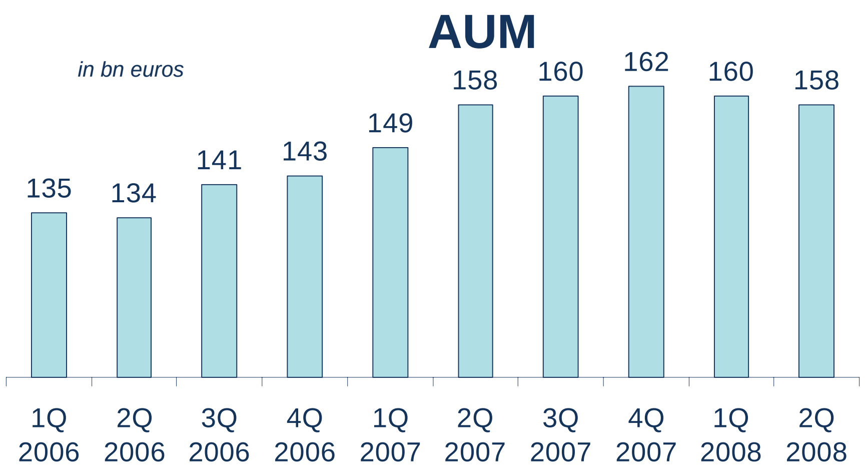


- NII (542m) up 2% q/q and 13% y/y – continuing the strong trend started in 4Q 07 and resulting from continued volume growth of loans and deposits (+10% and +21%, respectively)

- NIM stood at 1.68%, down 4 bps q/q and 9 bps y/y and resulting from higher share of low-margin deposits

Business Unit Belgium (3)



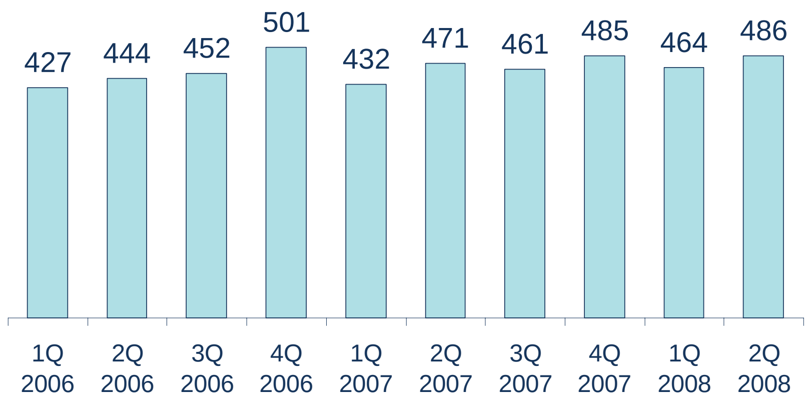


- F&C income (205m) up 7% q/q, but down 14% y/y, mainly due to high volatility in equity markets which led *inter alia* to flat fees from sales of investment funds
- AUM (158bn) down 1 % q/q (0% net inflows, -1% fund performances), flat y/y (+7% net new inflows and -8% fund performances)

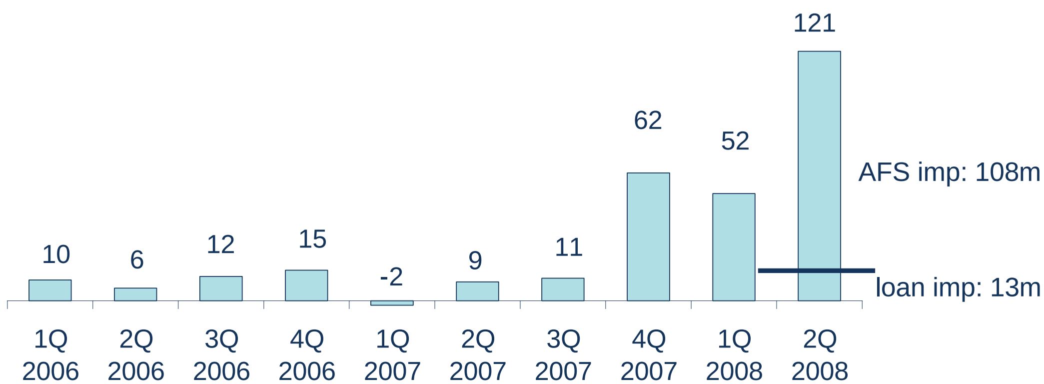
Business Unit Belgium (4)

All figures are in m euros

Operating expenses



Impairment



- Operating expenses (486m) up 5% q/q, partially due to increased cost provisions for a litigation file
- Costs up 3% y/y only, as inflationary pressure was counterbalanced by lower bonus accruals

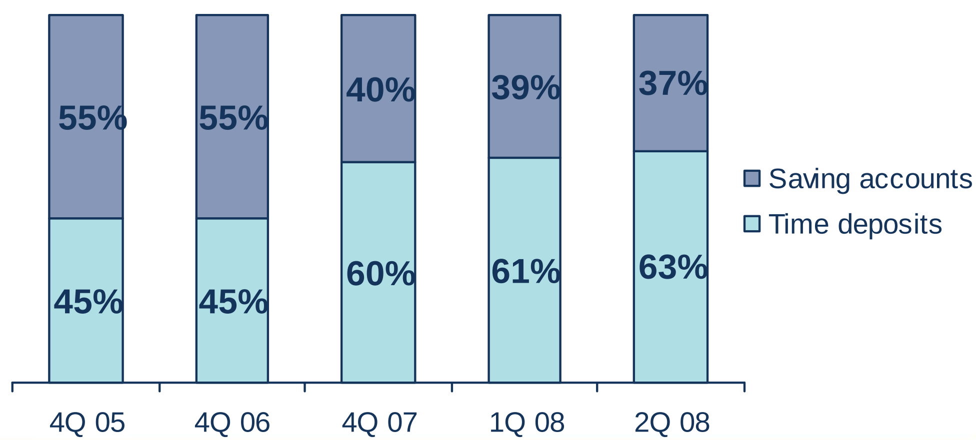
- Impairments on loans remained limited (13m), in line with 2007 quarterly average of 15m
- YTD LLR at 6bps (13 bps in 2007)
- High impairment on AFS assets (108m) in the insurance division on the back of adverse stock markets

Business Unit Belgium (5)

- Growth in customers' wealth continues to be strong, but since start of 2007, strong "mix" shifts were observed, having a negative impact on NIM:
  - Shift from investment funds to bank deposits
  - Shift from high-margin saving accounts to low-margin time deposits

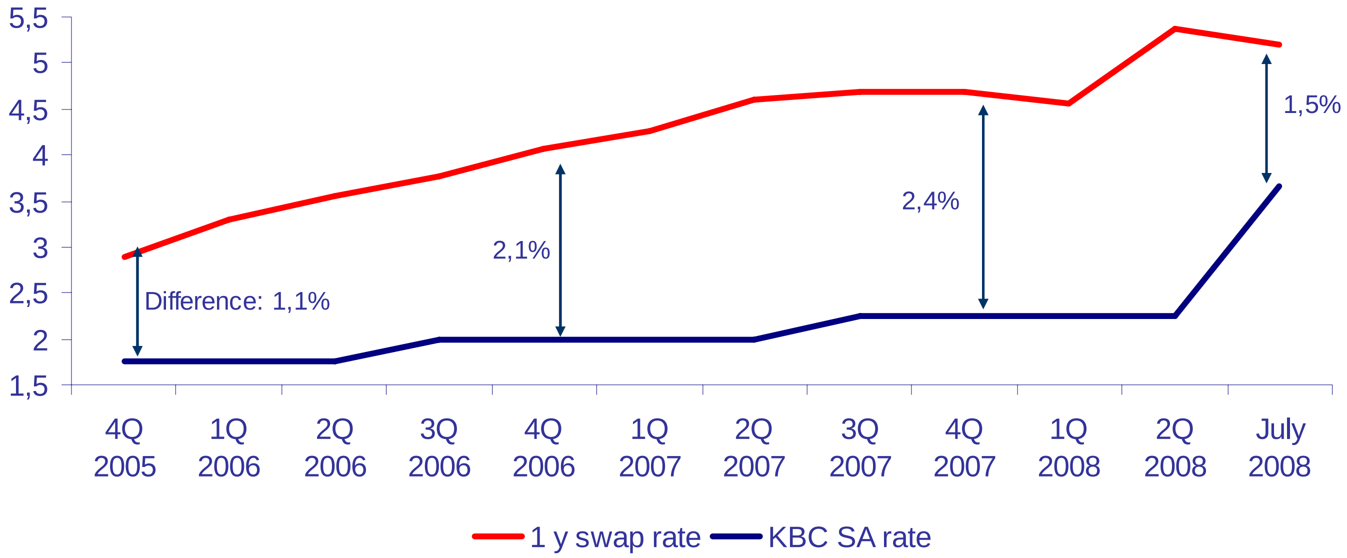
Evolution of total customer wealth (AUM + deposits + life reserves)

Shift from saving accounts to time deposits



Business Unit Belgium (6)

- In accordance with the increasing market rates (1 year swap rate exceeded 5%) and the competitive pressure, KBC increased its customer rate on (part of) its savings account to 4% as of July 2008 (estimated effective rate paid: ± 3.65% p.a.)

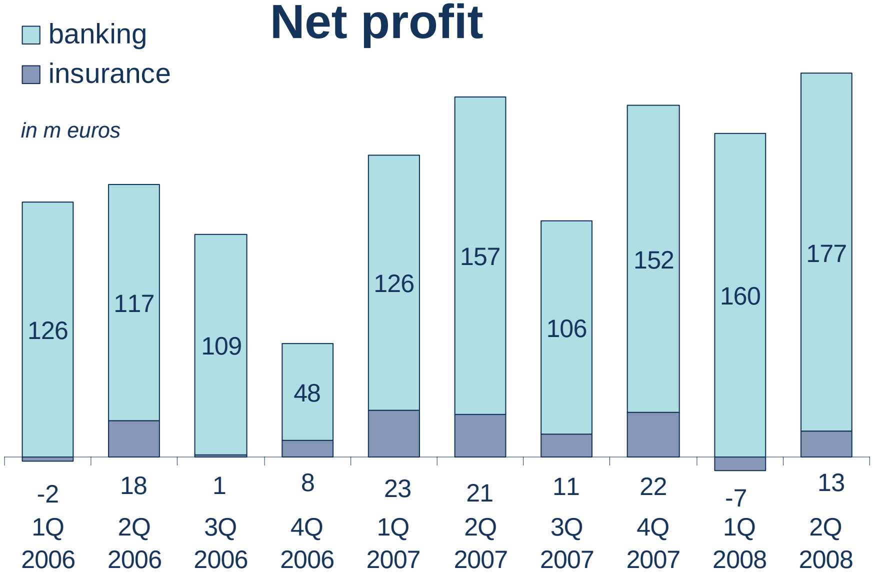


Strategy:

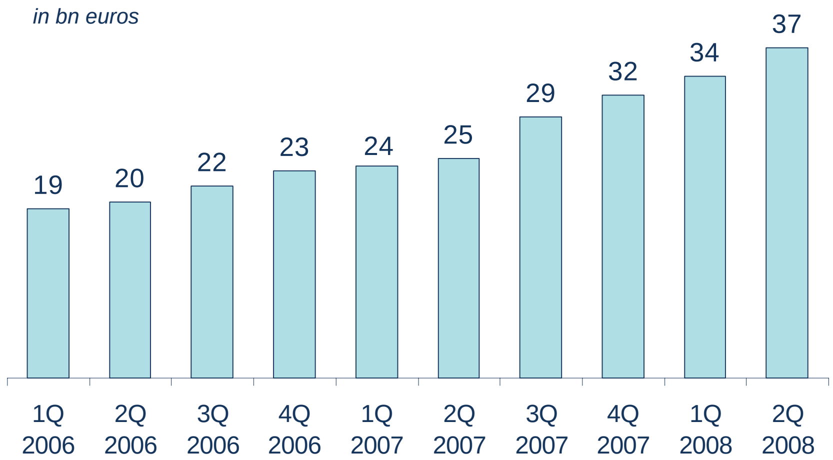
- Reprice according to rise in market rates
- Maintain customer satisfaction and safeguard market share (± 99% of market offers similar rates)
- Stop shift to (low-margin) time deposits

Business Unit CEER

Net profit



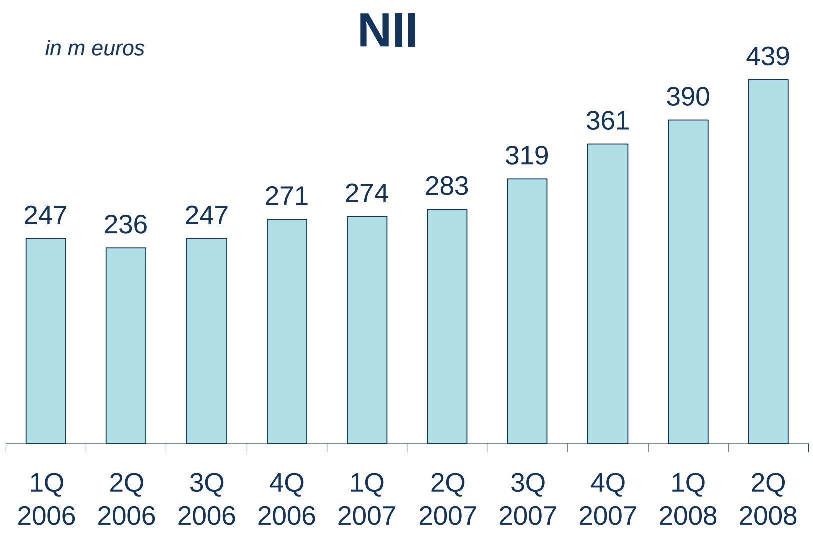
RWA

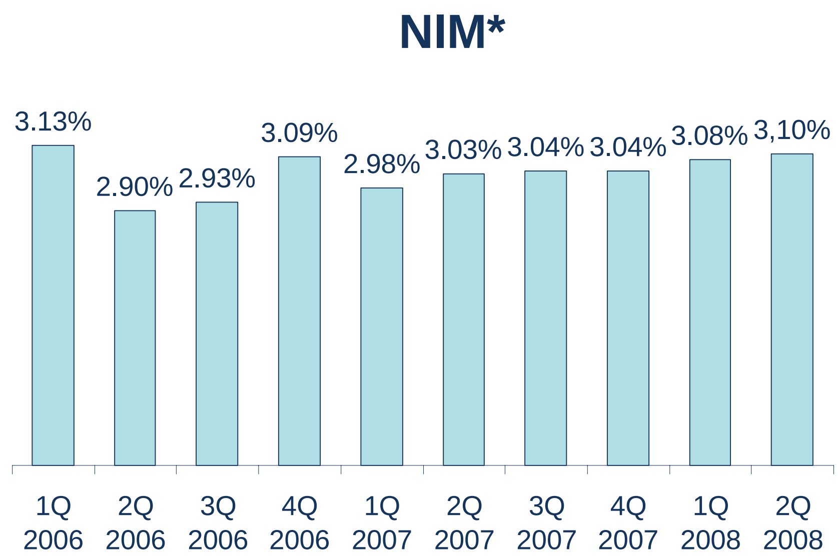


- Underlying net profit (190m), a record high, up 23% q/q and 7% y/y
- Contribution of Czech Republic: 128m, Slovakia: 13m, Hungary: 43m, Poland: 30m, Russia: 4m

- Impact of FV ABS/CDO (investment of excess deposits in CR): -29m after-tax (in 1Q 08: -21m)
- Excluding this impact, for the region as a whole, banking profit was up 31% y/y, while insurance results were down 35%

Business Unit CEER (2)



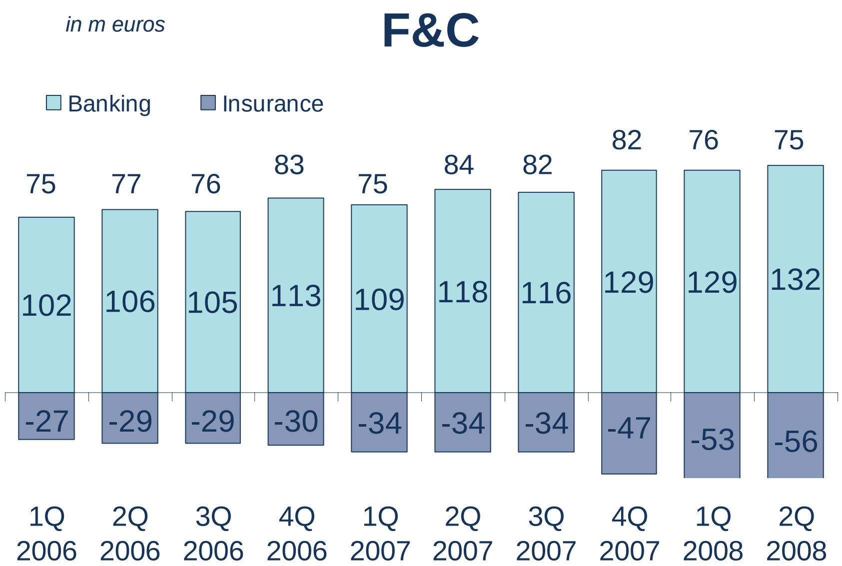


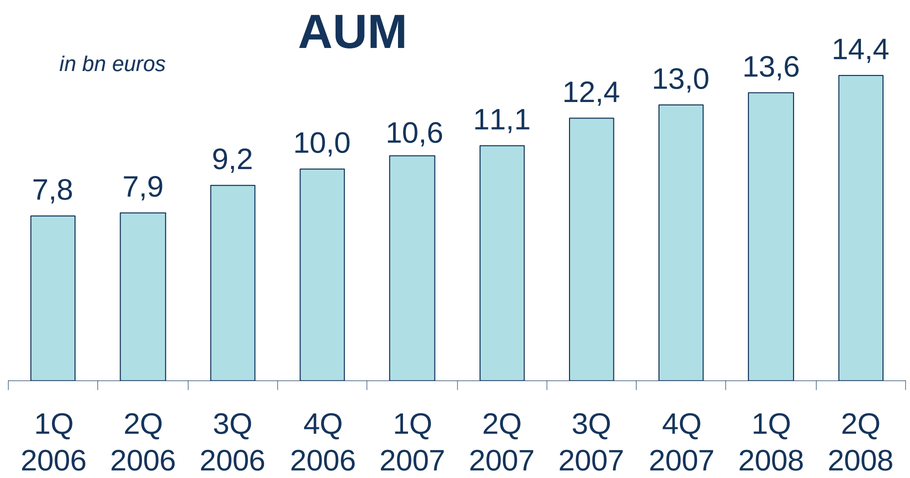
- Significant rise in NII (439m, by far the most important income item): up 5% q/q and 24% y/y on an organic basis, thanks to robust volume growth and margin expansion:
  - loan volumes: +23%, of which mortgages: +45%, and deposits +8% y/y
  - NIM up to 3.10% (partly due to new acquisitions in markets with higher margins)

All growth figures above are organic growth y/y; FX-impact excluded

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

Business Unit CEER (3)





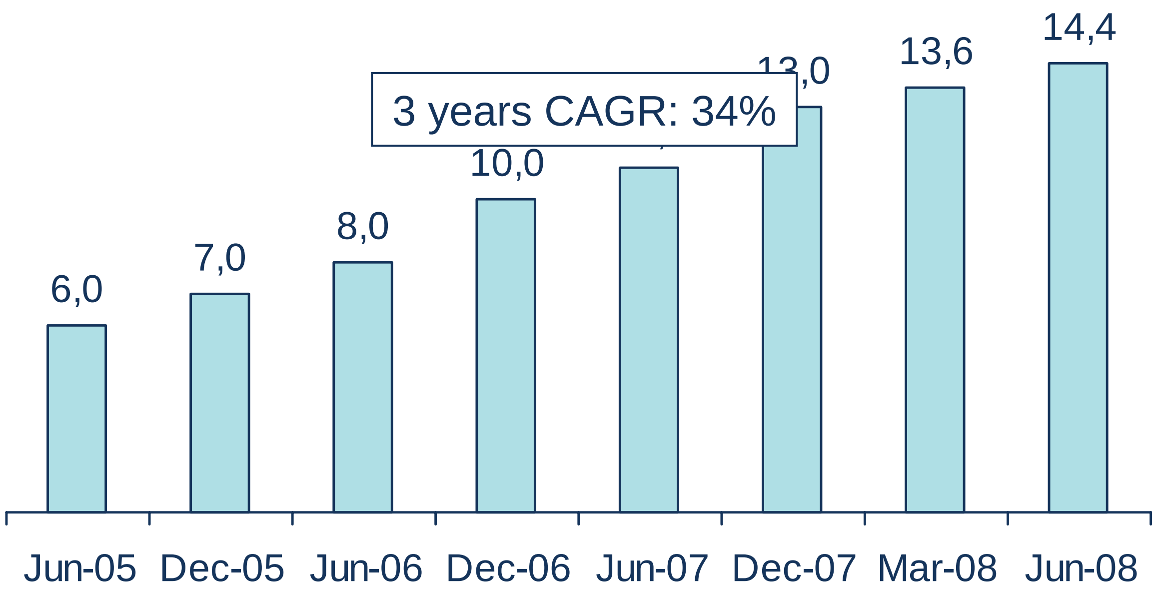
- Net F&C stood at 75m, as a result of:
  - F&C received (banking) up 2% q/q, and 12% y/y on a comparable basis
  - Offset by increased commissions paid to insurance agents due to higher sales

- Notwithstanding the difficult market environment, AUM up 2% q/q, 14% y/y on an organic basis

Business Unit CEER (4)

- Over the past few years KBC has become a leading asset manager in CEER

Evolution of KBC AUM in CEER

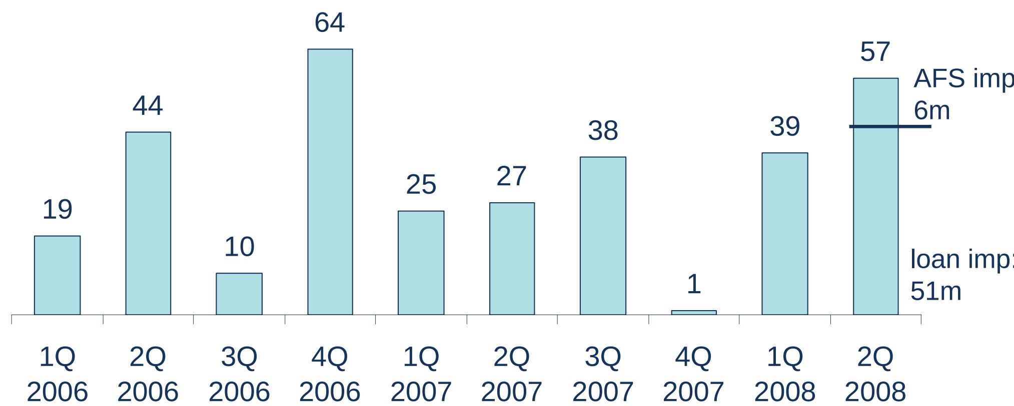


Business Unit CEER (5)

All figures are in m euros

Operating expenses

Impairments

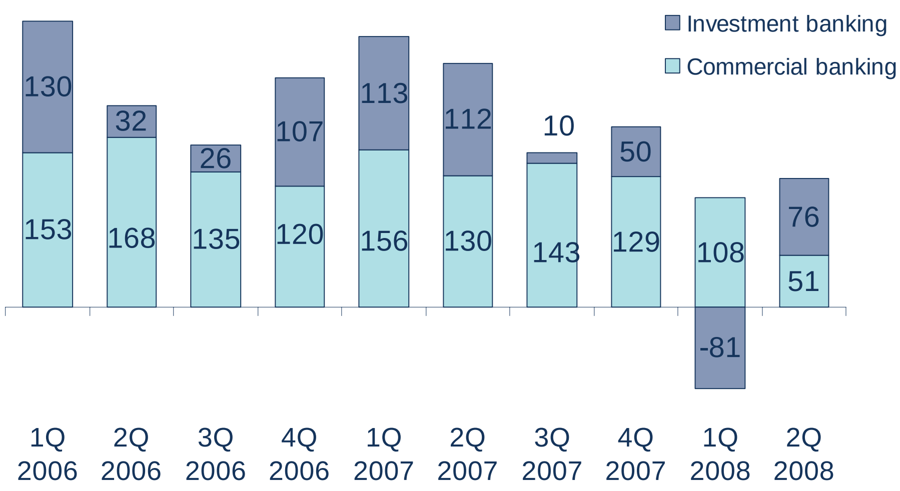


- Operating expenses (446m) up 6% q/q:
  - In 2Q 08 a provision release in Poland (positive impact of 10m)
  - 1Q 08 benefited from the write-back of a litigation provision in Hungary (impact +13m)
- Organic cost increase at 4% y/y, due to wage inflation and costs related to branch openings (10m per quarter), among other things
- YTD C/I ratio (banking) at 61% (63% in FY 07)
- Impairments (57m) up to the previous quarters; mainly related to consumer loans in Poland and generic provisions in Russia
- YTD LLR for the region: 43 bps (26 bps in FY 07); YTD LLR in Russia (160 bps) boosted by allocation of generic provisions

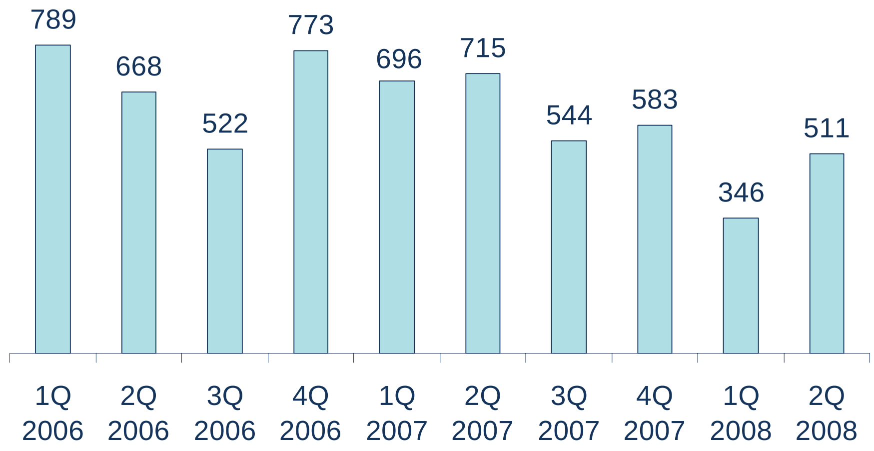
Business Unit Merchant Banking

Net profit

All figures are in m euros

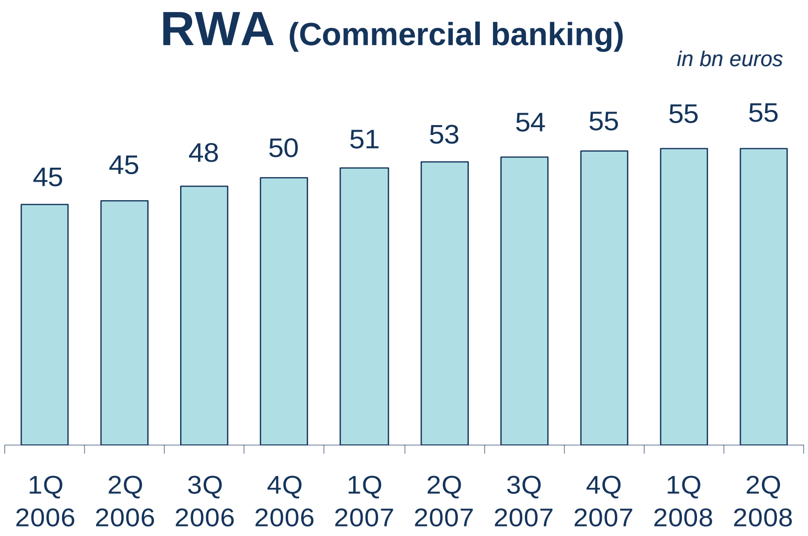


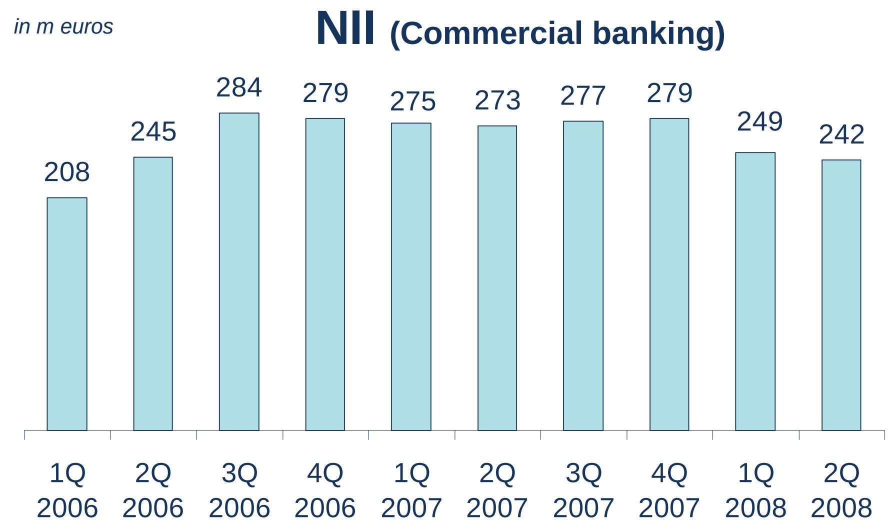
Total Income



- Underlying net profit at 128m:
  - 51m profit in commercial banking, down vs. previous quarter, mainly due to increased loan loss provisions
  - 76m net profit for investment banking (vs. 81m loss in 1Q 08)
- FV losses on ABS/CDOs: 90m after-tax (-46m in 1Q 08), including additional credit valuation related to monoline insurers

Business Unit Merchant Banking (2)



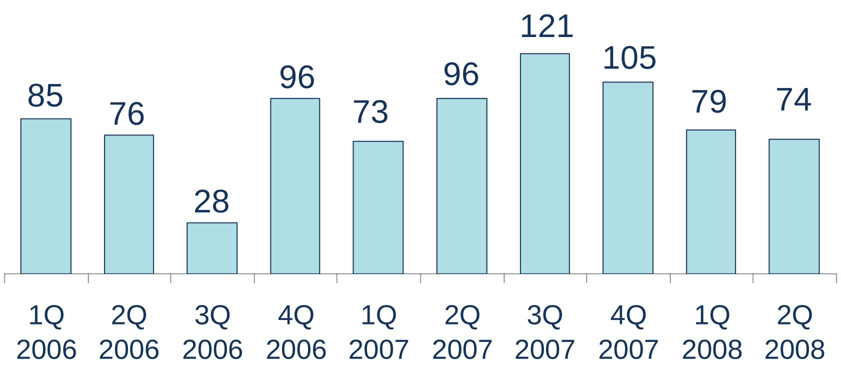


- NII (242m, related to commercial banking) down 3% q/q, due to the devaluation of USD against EUR and a number of small accounting changes
- Up 3% y/y, disregarding the negative impact of a methodological change in the booking of lease finance and ALM derivatives (-40m per quarter, recurring from 1Q 08 onwards)
- Rising credit spreads in SME lending in Belgium offset by higher funding costs for non-Belgian activities

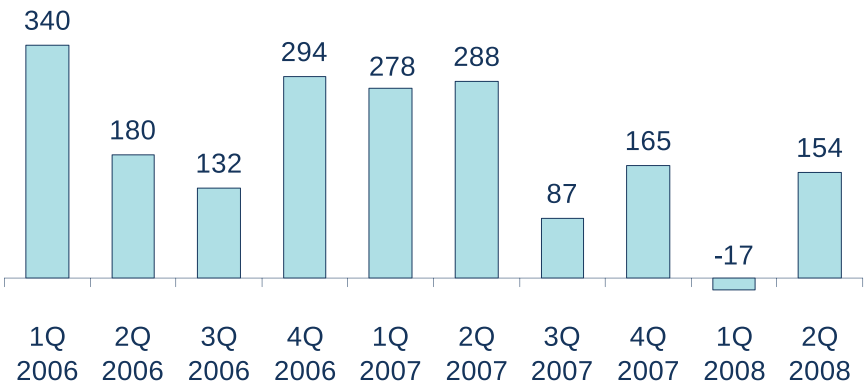
Business Unit Merchant Banking (3)

F&C

All figures are in m euros



FV gains (Investment banking)



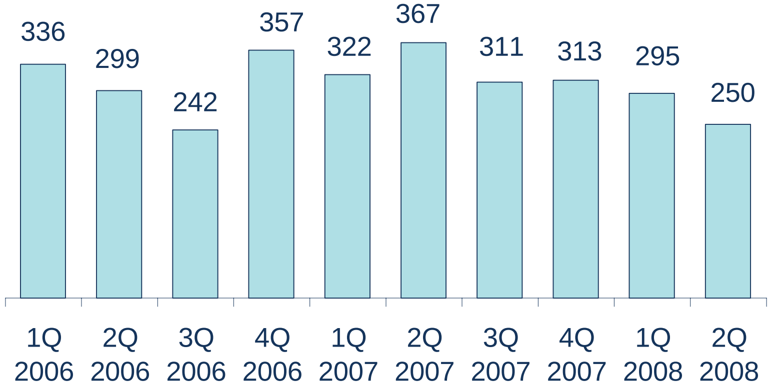
- Net F&C (74m) below 2007 quarterly average of 99m, due to lower equity brokerage and corporate finance activities

- Significant rebound of Fair Value income contains, among other things:
  - 215m negative value adjustments on CDO/ABSs and monoline insurers (pre-tax, 74m in 1Q 08, nil in 2Q 07)
  - Activities on money and debt capital markets performed well, while equity derivatives recovered and insurances derivatives grew

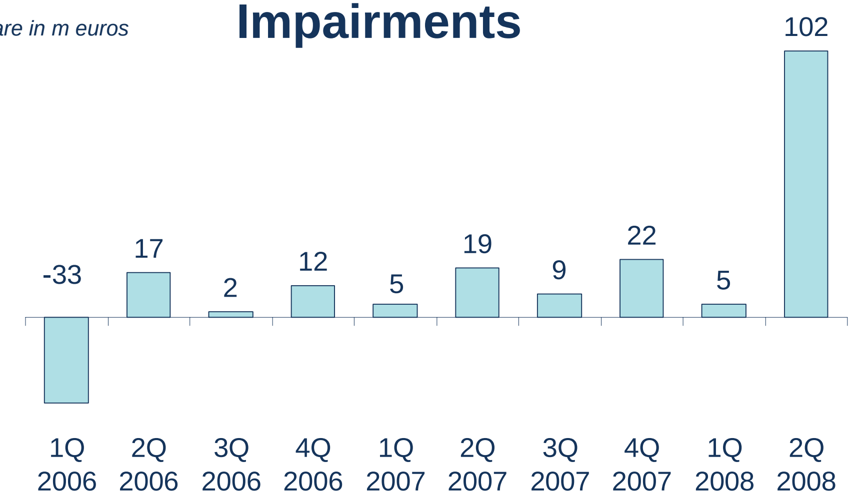
Business Unit Merchant Banking (4)

All figures are in m euros

Operating expenses

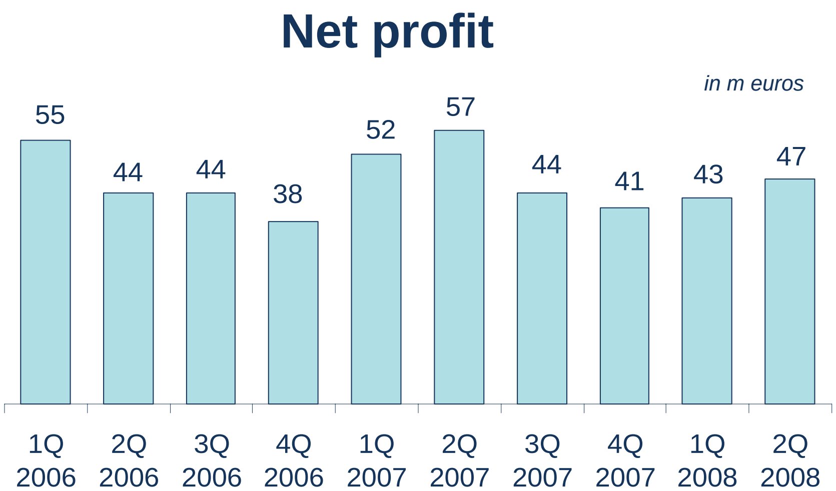


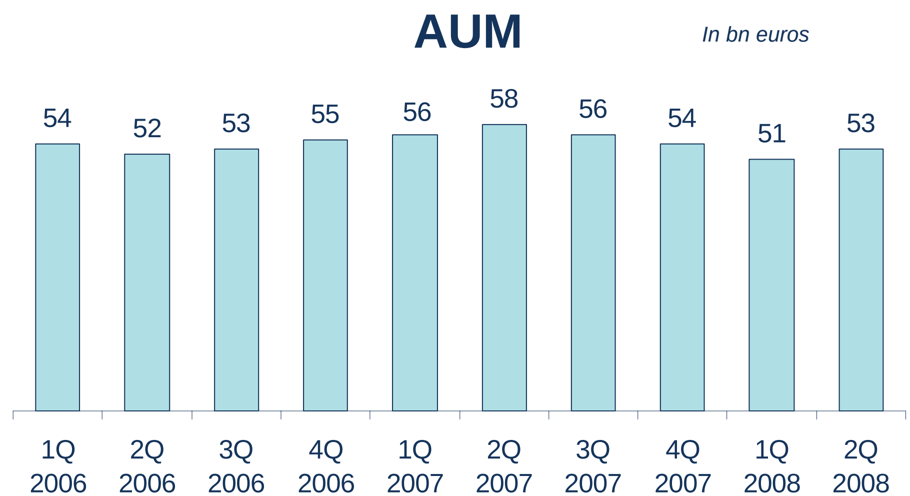
Impairments



- Operating expenses (250m), down 15% q/q and 32% y/y, *inter alia* due to:
  - Lower remuneration and other variable expenses
  - Lower headcount in investment banking
- YTD C/I ratio at 64% (53% in FY 07)
- Significant increase in loan impairments, bringing YTD LLR to 16 bps (2 bps in FY 07)

Business Unit Private Banking





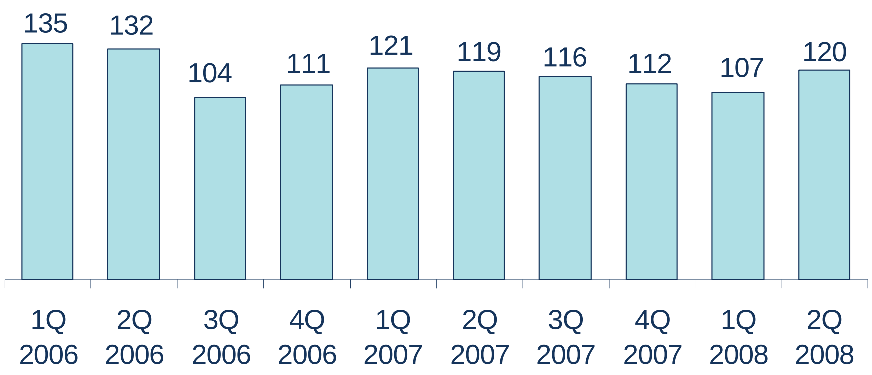
- Underlying net profit (47m) up 9% q/q, down 18% y/y
- Positive impact from the first-time consolidation of Richelieu Finance (11m over five months)
- YTD return on allocated capital at 29% (33 % in FY 07)

- AUM (53bn) up 3% q/q, and down 9% y/y:
  - Excluding Richelieu: -1% q/q, -13% y/y
  - net new inflow: 2% y/y, 4% q/q, offset by negative price effect
  - the drop was most outspoken in the non-core, low-yielding assets - in line with expectations
  - +10% q/q and +12% y/y net inflows of on-shore private banking (total: 26 bn)

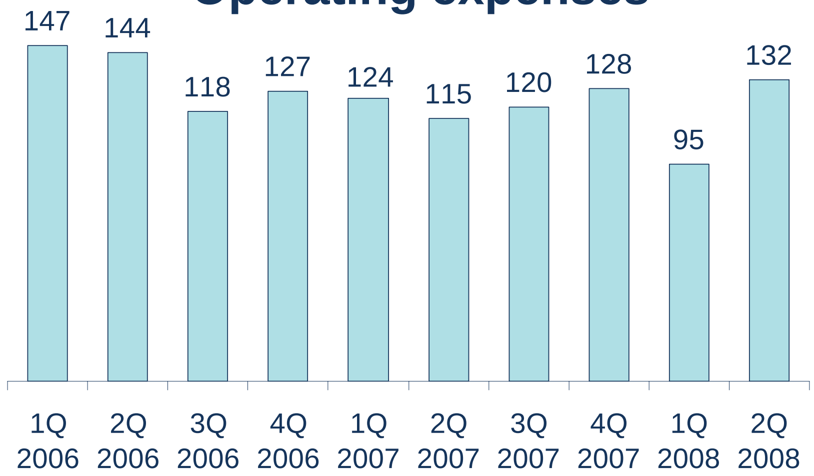
Business Unit Private Banking (2)

All figures are in m euros

F&C



Operating expenses



- Increasing net F&C (120m), both q/q and y/y, thanks to Richelieu (excluding Richelieu F&C down 10% q/q and 19% y/y)
- Expenses (132 m) up 23% q/q and 2% y/y organically. 1Q 08 included a 19m write-back of a redundant early-retirement provision
- YTD C/I at 68% (65% in FY 07)
- FV adjustment re CDOs at -12m, pre-tax (-8m, after-tax) – similar to 1Q 08

Wrap up

Wrap Up

- Strong operating performance with encouraging volume trends across the board and double-digit growth in NII both in Belgium and in CEE
- Solid rebound of investment banking income
- Upward trend for loan losses from very low levels
- No defaults, but further markdowns of structured credit investments portfolio and additional provision to cover exposure to monoline insurers
- Sensitivity to equity market downturn
- Solvency amongst the best within the financial sector

Annexes

Annex 1:
Impact of structured credit exposure

Fair Value ABS/CDO - impact on P&L		Belgium	CEER	Merchant Banking	Private Banking	Group Centre	KBC Group consolidated
Pre-tax	3Q 2007	-8	-16	-22	-6	-	-51
	4Q 2007	-25	-13	-115	-13	-	-166
	1Q 2008	-29	-28	-74	-10	-	-141
	2Q 2008	-50	-37	-215	-12	-	-314
	1H 2008	**-79**	**-65**	**-289**	**-22**	**-**	**-456**
	TOTAL	**-112**	**-94**	**-426**	**-41**	**-**	**-673**
After-tax	3Q 2007	-6	-12	-17	-4	-	-39
	4Q 2007	-17	-10	-66	-9	-	-102
	1Q 2008	-19	-21	-46	-7	-	-93
	2Q 2008	-33	-29	-90	-8	-	-160
	1H 2008	**-53**	**-51**	**-136**	**-15**	**-**	**-255**
	TOTAL	**-74**	**-73**	**-219**	**-28**	**-**	**-396**

Fair Value ABS/CDO - impact on equity		KBC Group consolidated
Pre-tax	3Q 2007	-49
	4Q 2007	-81
	1Q 2008	-91
	2Q 2008	-105
	1H 2008	**-195**
	TOTAL	**-325**
After-tax	3Q 2007	-37
	4Q 2007	-51
	1Q 2008	-61
	2Q 2008	-71
	1H 2008	**-132**
	TOTAL	**-220**

Annex 2: Capital position

Capital position, Basel II 30 June 2008	Available	Target	Surplus
Banking	13.7 bn	11.8 bn	1.9 bn
Insurance	2.2 bn	2.1 bn	0.1 bn
Other group subsidiaries	0.6 bn	0.1 bn	0.6 bn
Total, Group	**16.6 bn**	**13.9 bn**	**2.7 bn**

- KBC intends to keep its Tier-1 banking capital level at >8% and >200% solvency margin, insurance
- At the end of 2Q 2008, the capital was in surplus of that level in the amount of 2.7bn euros

Annex 3: Holding company gearing ratio

As of 30-06-2008, in m euros	Shareholders' equity	Dividend upstreaming assumed	Shareholders' equity for calculation
Shareholders' equity KBC Group (A)	**15 459**	**-419**	**15 041**
Shareholders' equity subsidiaries (B)	**16 506**	**- 661**	**15 845**
KBC Bank*	11 852	- 444	11 408
KBC Insurance	2 741	-	2 741
KBL EPB	1 127	- 63	1 064
Shared services companies	786	-154	632
Gearing ratio (B) / (A)			**105%**

* Minus revaluation reserve on KBC Group shares (31 million)