KBC GROUP

EXTENDED QUARTERLY REPORT

2Q 2010

KBC

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Glossary of ratios used

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

Combined ratio (non-life insurance)
[net claims incurred / net earned premiums] + [net expenses / net written premiums]. Some changes have been made to the definition of this ratio compared to reports dating from 2009 and before. Reference figures have been adjusted accordingly.

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

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

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

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

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

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

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

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

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

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

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

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

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

Management certification of financial statements and quarterly report

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

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Contents

Earnings statement

KBC Group, 2Q 2010 and 1H 2010

This news release contains information that is subject to transparency regulations for listed companies.
Date of release: 5 August 2010, 7 a.m. CEST

Summary

KBC ended the second quarter of 2010 with a net profit of 149 million euros, compared with a net profit of 442 million euros in the previous quarter and 302 million euros in the corresponding quarter of 2009. Excluding exceptional items, the 'underlying' net result for the quarter under review came to 554 million euros, compared with 543 million euros in 1Q 2010 and 409 million euros in 2Q 2009.

As a result, net profit came to 591 million in the first six months of the year, as opposed to a net loss of 3 298 million euros in the first half of 2009 (which included a significant CDO-related loss in the first quarter of 2009).

Jan Vanhevel, Group CEO: 'Overall, we are satisfied with the result for the second quarter of the year. Our underlying business result, derived from focusing on our core markets and activities, came to an excellent 554 million euros, thanks to continuing good revenue generation combined with an ongoing decrease in credit costs. A number of exceptional items, which have led on balance to a negative impact of some 400 million euros on the results, brought the reported net profit to a positive 149 million euros in the quarter under review. These items are to a large extent linked to our wind-down programme, which we are executing at a steady pace.'

Overview	2Q 2009	1Q 2010	2Q 2010	Cumul. 1H 2009	Cumul. 1H 2010
Net profit, IFRS (in millions of EUR)	302	442	149	-3 298	591
Earnings per share, basic, IFRS (in EUR) [1]	0.89	0.86	0.00	-9.71	0.86
Underlying net profit (in millions of EUR)	409	543	554	875	1 097
Underlying earnings per share, basic (in EUR)	1.21	1.16	1.19	2.58	2.35
Breakdown of underlying net profit per business unit (in millions of EUR) [2]					
Belgium	276	279	298	510	577
Central & Eastern Europe	58	110	112	135	222
Merchant Banking	-2	85	121	165	206
Group Centre	77	70	23	64	93
Shareholders' equity per share (in EUR, end of period)	23.2	31.4	30.2	23.2	30.2

1 Note: the coupon that is expected to be paid on the core-capital securities sold to the Belgian State and Flemish Region, is deducted from earnings (pro rata) in the EPS calculation (see 'Additional information on the financial statements').
2 As of 2010, the business unit breakdown has been changed. All planned divestments of group companies are now included in the Group Centre and all reference figures have been adapted retroactively.

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

Financial highlights for 2Q 2010:

- Net interest income at continued high level because of sound net interest margins and modest volume growth
- Continued positive trend of fees and commissions
- Dip in combined ratio due to lower premiums at group level and higher claims related to flooding in Central Europe
- Weak dealing room results
- Operating expenses continue to bottom out in Q2, rigorous cost containment continued
- Considerably lower loan loss impairment, notably in Merchant Banking activities
- Reduction of the exposure to Greek government bonds, related to the containment of sovereign risks
- Group Tier-1 ratio – including the effect of the sale of KBL EPB – would amount to approx. 12.2%, generating excess capital of roughly 3 billion euros above the 10% tier-1 target.

Financial highlights 2Q 2010

Jan Vanhevel, Group CEO, summarises the *underlying* business performance for 2Q 2010 as follows:

- Underlying, net interest income from our deposit and lending business stood at 1 394 million euros. The average net interest margin stood at 1.87%, compared to 1.82% in the previous quarter. Deposit and credit spreads remained healthy both in Belgium and in Central Europe.
- Fee and commission income amounted to 454 million euros, up 16% year-on-year. This figure confirms the positive trend we have seen, although the global economic scenario impacting the business is one of moderate and fragile growth.
- Net gains from financial instruments at fair value, which includes dealing room activities, were impacted by a difficult quarter and stood at 147 million euros (320 million euros in the previous quarter).
- Our operating expenses continue to bottom out and came to 1 150 million euros, compared to 1 158 million euros in the previous quarter.
- The turn in the credit cycle we highlighted last quarter seems to have been confirmed this quarter, with loan loss provisioning of 278 million euros. This compares to 355 million euros in the previous quarter and 567 million euros a year ago. The credit cost ratio came to 0.77% for the whole group year-to-date. Notably in Central Europe this ratio has moved from 1.70% in 2009 to 1.23% year-to-date 2010. In Merchant Banking, the credit cost ratio came to 1.03% for the first half of 2010, down from 1.19% for 2009.
- At the end of the current quarter, the KBC group has generated excess capital over the 10% tier-1 target of roughly 3 billion euros (including the effect of the sale of KBL EPB).

Headlines of underlying performance per business unit:

- All business units contributed positively to the net underlying result.
- In Belgium, income from net interest and from fees and commissions has remained at a satisfactory level and has been driving the revenue side. Combined with operating expenses bottoming out, this has led to a good 298 million euros profit contribution in the quarter under review.
- Year-on-year, higher revenues in Central Europe combined with lower impairment charges led to a bottom line of 112 million euros. Notably higher insurance premium income has been offset by the higher claims resulting from the flooding in Central Europe. As an overall conclusion, Central Europe continues to perform well.
- The dealing rooms of the Merchant Banking Business Unit have been faced with a tough environment, resulting in a sizeably lower net result for these activities. The commercial banking activities have been thriving under a good climate though, resulting in stable revenues and substantially lower impairment charges, mainly in Ireland. The total bottom line for Merchant Banking amounted to 121 million euros.
- It should be noted that all planned divestments of the KBC group are not included in the respective business units, but have been grouped together in the Group Centre. The aim here is to clearly indicate the financial performance of the long-term activities and the planned divestments separately. In 2Q 2010, the Group Centre's net result came to 23 million euros.

The quarter was also characterised by a number of one-off items that were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 2Q 2010 amounted to a negative 0.4 billion euros. The main items were as follows:

- At the end of April, the Belgian tax authorities ruled positively that a waiver of intercompany debt related to CDO-linked losses incurred in past years, is tax deductible, provided certain conditions are met. In practice, this means KBC was able to book a positive deferred tax of 0.4 billion euros in the second quarter of 2010, partly compensating the losses it has suffered in previous periods.
- The sale of KBL EPB resulted in a goodwill impairment of 0.3 billion euros, which was recognised in the results during the second quarter, despite the fact that the sales transaction has not yet been closed . This is expected during the second half of the year.
- A valuation markdown of CDO exposure in the amount of 0.2 billion euros, resulting mainly from the worsening credit environment.
- A trading loss of 0.1 billion euros, related to 'legacy' structured derivatives positions within KBC Financial Products (Merchant Banking Business Unit). As mentioned in the previous quarters, additional losses cannot be excluded for the next few quarters of 2010 as we continuously unwind our risk exposure.
- The marked-to-market valuation of trading derivatives for hedging purposes suffered from a negative credit environment during the second quarter, resulting in a 0.3 billion euro-markdown (pre-tax). The main driver has been the increase in credit spreads, particularly in the PIIGS countries and in Belgium.

First six months of 2010: results per heading

Explanations per heading of the IFRS income statement for the first half of 2010 (see summary table on the next page):

- The net result for the first six months of the 2010 financial year amounted to 591 million euros, compared to -3.3 billion euros a year earlier, which included significant losses related to CDOs and shares in the first quarter, among other things. Excluding exceptional items, the *underlying* net result for the first six months of 2010 totalled 1097 million euros, up 25% on the figure for the first six months of 2009.
- Net interest income came to 3 086 million euros, up 11% year-on-year. On a comparable basis, credit volumes were down on their year-earlier level (mainly in Merchant Banking), while customer deposits were up. The net interest margin moved to 1.84% in 1H2010, up from 1.79% a year earlier.
- Gross earned insurance premiums stood at 2 392 million euros, down 7% on the year-earlier figure. Net of technical charges and the ceded reinsurance result, technical insurance income came to 147 million euros. The claims level continued to be high during first half of 2010 because of factors such as storm Xynthia and flooding in Central Europe.
- Net fee and commission income amounted to 658 million euros, up 28% on the year-earlier level. Commission-based business continues to recover in volume terms after the historical low levels due to the financial crisis.
- Net (un)realised gains from financial instruments at fair value (trading and fair value income) came to -733 million euros. On an underlying basis (i.e. excluding exceptional items such as value adjustments on structured credits, losses related to activities of KBC Financial Products that are being wound down etc.), trading and fair value income amounted to 467 million euros, compared to 551 million euros in 1H 2009.
- The other income components were as follows: dividend income from equity investments amounted to 56 million euros (77 million euros a year earlier), net realised gains from available-for-sale assets (bonds and shares) stood at 50 million euros (33 million euros a year earlier) and other net income totalled 280 million euros (266 million euros a year earlier).
- Operating expenses came to 2 116 million euros, down 16% year-on-year. This is obviously due to our strategic refocus programme where activities are being wound down. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 52%, compared to 56% for the first half of 2009.
- Impairment on loans and receivables stood at 633 million euros, 28% lower than in 1H 2009, thanks mainly to Central Europe and Merchant Banking (notably in our ABS and our Irish portfolio). As a result, the annualised credit cost ratio for 1H 2010 amounted to 0.77%, down on the figure of 1.11% for 2009 as a whole. Other impairment charges totalled 47 million in 1H 2010 and related to available–for-sale assets (shares and bonds; 17 million euros), goodwill on subsidiaries (28 million euros) and other impairment charges (2 million euros).
- Income tax amounted to a positive 140 million euros in the six months under review. This figure includes a positive deferred tax asset of 0.4 billion euros.
- Net post-tax income from discontinued operations amounted to a negative 271 million euros. This comprises the results and impairment related to the sale of KBL EPB, which are regrouped in this single line under IFRS accounting rules (reference figures were adjusted accordingly).
- At the end of the first half of 2010, total equity came to 17.8 billion euros. This constitutes an increase of 0.6 billion compared to the start of the year, which is predominantly due to the inclusion of the positive result for the first six months of 2010. The group's Tier-1 capital ratio – a measure of financial strength – stood at a sound 11.4% of risk-weighted assets. Disregarding KBL EPB, the *pro forma* Tier-1 ratio even amounted to approx. 12.2%.

Table of results according to IFRS

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

It should be noted that, since the sale of KBL EPB qualifies as a discontinued operation, all results for and relating to KBL EPB have been shifted to 'Net post-tax income from discontinued operations'. All reference quarters have been adjusted accordingly.

Consolidated income statement according to IFRS,KBC Group, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Cumul. 1H 2009	Cumul. 1H 2010
Net interest income	1 407	1 375	1 535	1 500	1 519	1 567	-	-	2 782	3 086
Interest income	3 384	2 915	2 771	2 618	2 621	2 651	-	-	6 299	5 273
Interest expense	-1 977	-1 539	-1 237	-1 118	-1 103	-1 085	-	-	-3 516	-2 187
Gross earned premiums, insurance	1 307	1 254	1 119	1 168	1 248	1 144	-	-	2 561	2 392
Gross technical charges, insurance	-1 158	-1 120	-1 033	-1 101	-1 163	-1 123	-	-	-2 279	-2 286
Ceded reinsurance result	-15	-17	-2	-30	-9	50	-	-	-32	41
Dividend income	22	55	26	35	15	40	-	-	77	56
Net (un)realised gains from financial instruments at fair value through profit or loss	-3 738	63	-170	361	-11	-721	-	-	-3 676	-733
Net realised gains from available-for-sale assets	35	-2	95	95	19	30	-	-	33	50
Net fee and commission income	230	286	289	326	322	336	-	-	516	658
Fee and commission income	471	491	514	582	549	578	-	-	962	1 127
Fee and commission expense	-241	-206	-224	-256	-227	-242	-	-	-446	-469
Other net income	150	116	117	44	98	181	-	-	266	280
Total income	-1 760	2 010	1 977	2 398	2 038	1 504	-	-	250	3 543
Operating expenses	-1 122	-1 396	-1 171	-1 089	-1 072	-1 044	-	-	-2 518	-2 116
Impairment	-701	-614	-441	-969	-383	-299	-	-	-1 316	-681
on loans and receivables	-308	-578	-368	-648	-355	-278	-	-	-885	-633
on available-for-sale assets	-306	-11	-4	-6	-1	-16	-	-	-317	-17
on goodwill	-79	-33	-58	-313	-27	-1	-	-	-112	-28
on other	-9	8	-11	-2	0	-3	-	-	-1	-2
Share in results of associated companies	0	-3	2	-24	-2	-9	-	-	-3	-11
Profit before tax	-3 584	-3	367	315	581	153	-	-	-3 586	734
Income tax expense	-20	302	16	-42	-164	304	-	-	282	140
Net post-tax income from discontinued operations	24	27	35	15	31	-302	-	-	51	-271
Profit after tax	-3 580	326	419	288	448	155	-	-	-3 254	603
attributable to minority interests	20	24	-109	-16	6	6	-	-	44	12
attributable to equity holders of the parent	-3 600	302	528	304	442	149	-	-	-3 298	591
Belgium	-951	533	343	579	283	131	-	-	-418	414
Central & Eastern Europe	32	29	2	-149	99	119	-	-	60	218
Merchant Banking	172	-12	267	-16	64	73	-	-	160	137
Group Centre	-2 853	-248	-83	-110	-3	-174	-	-	-3 100	-177
Earnings per share, basic (in EUR)*	-10.60	0.89	1.56	0.90	0.86	0.00	-	-	-9.71	0.86
Earnings per share, diluted (in EUR)*	-10.60	0.89	1.56	0.90	0.86	0.00	-	-	-9.71	0.86

* Calculation: see 'Additional information on the financial statements'.

Highlights, consolidated balance sheet and ratios, KBC Group, in millions of EUR or %	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010	30-09-2010	31-12-2009
Total assets	347 400	344 415	334 219	324 231	340 128	350 232	-	-
Loans and advances to customers*	154 409	158 949	156 974	153 230	153 640	157 024	-	-
Securities (equity and debt instruments)*	95 834	96 559	97 252	98 252	101 984	95 910	-	-
Deposits from customers and debt certificates*	205 110	194 141	194 748	193 464	203 367	205 108	-	-
Gross technical provisions, insurance*	20 124	20 860	21 508	22 012	23 222	22 384	-	-
Liabilities under investment contracts, insurance*	6 877	6 987	7 319	7 939	7 908	6 496	-	-
Parent shareholders' equity	6 636	7 888	9 416	9 662	10 677	10 259	-	-
Non-voting core-capital securities	3 500	7 000	7 000	7 000	7 000	7 000	-	-
KBC Group ratios (based on underlying results, year-to-date)								
Return on equity				16%	-	17%	-	-
Cost/income ratio, banking				55%	-	52%	-	-
Combined ratio, non-life insurance				101%	-	101%	-	-
KBC Group solvency								
Tier-1 ratio				10.8%	-	11.4%	-	-
Core tier-1 ratio				9.2%	-	9.7%	-	-

* In accordance with IFRS 5, the assets and liabilities of a number of divestments (including KBL EPB) were moved to 'Non-current assets held for sale and assets associated with disposal groups' and 'Liabilities associated with disposal groups' as of 30-06-2010, which makes the figures at 30-06-2010 slightly less comparable with previous quarters.

Table of underlying results

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

For reasons of simplification, and contrary to the treatment under IFRS (see previous heading), KBL EPB’s results are still reported in every relevant line item of the income statement (ie. not moved to a ‘Net post-tax income from discontinued operations’ line) in the underlying results. The 0.3 billion impairment on goodwill related to this sale is treated as an exceptional item and therefore not included in the underlying figures

Consolidated income statement, KBC Group, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Cumul. 1H 2009	Cumul. 1H 2010
Net interest income	1 353	1 344	1 391	1 410	1 344	1 394	-	-	2 697	2 738
Gross earned premiums, insurance	1 308	1 256	1 122	1 169	1 249	1 146	-	-	2 564	2 395
Gross technical charges, insurance	-1 164	-1 127	-1 039	-1 086	-1 168	-1 129	-	-	-2 291	-2 297
Ceded reinsurance result	-15	-17	-2	-30	-9	50	-	-	-32	41
Dividend income	12	47	9	28	8	36	-	-	59	43
Net (un)realised gains from financial instruments at fair value through profit or loss	231	321	335	52	320	147	-	-	551	467
Net realised gains from available-for-sale assets	51	41	95	106	24	41	-	-	92	64
Net fee and commission income	328	391	400	450	429	454	-	-	719	883
Other net income	119	98	93	34	85	68	-	-	216	153
Total income	2 222	2 353	2 405	2 131	2 282	2 205	-	-	4 575	4 487
Operating expenses	-1 235	-1 196	-1 224	-1 231	-1 158	-1 150	-	-	-2 432	-2 307
Impairment	-319	-560	-367	-666	-356	-298	-	-	-880	-653
on loans and receivables	-307	-567	-356	-652	-355	-278	-	-	-874	-633
on available-for-sale assets	-3	-1	0	-11	-1	-17	-	-	-5	-18
on goodwill	0	0	0	0	0	0	-	-	0	0
on other	-9	8	-11	-3	0	-3	-	-	-1	-2
Share in results of associated companies	0	-2	3	-24	-1	-9	-	-	-1	-10
Profit before tax	667	595	816	210	767	749	-	-	1 263	1 516
Income tax expense	-181	-162	-167	3	-218	-189	-	-	-344	-407
Profit after tax	486	433	649	213	549	559	-	-	919	1 109
attributable to minority interests	21	24	18	-5	6	6	-	-	44	12
attributable to equity holders of the parent	465	409	631	218	543	554	-	-	875	1 097
Belgium	234	276	271	268	279	298	-	-	510	577
Central & Eastern Europe	77	58	39	-13	110	112	-	-	135	222
Merchant Banking	168	-2	162	-28	85	121	-	-	165	206
Group Centre	-13	77	158	-9	70	23	-	-	64	93
Earnings per share, basic (in EUR)*	1.37	1.21	1.86	0.64	1.16	1.19	-	-	2.58	2.35
Earnings per share, diluted (in EUR)*	1.37	1.21	1.86	0.64	1.16	1.19	-	-	2.58	2.35

* Calculation : see ‘Additional information on the financial statements’.

Reconciliation between underlying profit and profit according to IFRS [1] KBC Group, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Cumul. 1H 2009	Cumul. 1H 2010
Profit after tax, attributable to equity holders of the parent, UNDERLYING	465	409	631	218	543	554	-	-	875	1 097
+ MTM of derivatives for ALM hedging	-137	206	42	-33	-94	-268	-	-	69	-362
+ gains/losses on CDOs	-3 793	996	228	719	182	-160	-	-	-2 797	22
+ MTM of CDO guarantee and commitment fee	0	-1 121	-146	-143	-50	-27	-	-	-1 121	-77
+ value losses on AFS shares	-311	-50	4	-4	0	0	-	-	-361	0
+ (reversal of) impairment on troubled US & Icelandic banks	16	-1	42	8	13	0	-	-	16	13
+ gain on buy-back of hybrid tier-1 securities	0	0	128	0	0	0	-	-	0	0
+ impairment on goodwill	-79	-28	-58	-328	-27	-1	-	-	-108	-28
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-101	-	-	-760	-202
+ MTM of own debt issued	134	200	-330	41	-2	45	-	-	334	43
+ Results on divestments [2]	0	0	0	0	0	-338	-	-	0	-338
+ other	96	63	-33	16	-62	-30	-	-	158	-92
+ taxes and minority interests related to the items above	7	388	176	-24	41	474 [3]	-	-	395	515
Profit after tax, attributable to equity holders of the parent (IFRS)	-3 600	302	528	304	442	149	-	-	-3 298	591

1 A breakdown of this reconciliation table per business unit is provided in the 'Underlying results per business unit' section of the Extended quarterly report.
2 Impairment on goodwill and transaction costs related to the sale of KBL EPB.
3 Including the positive 0.4 billion deferred tax asset relating to past fair value losses on CDO exposure.

Other information

Strategy highlights and main events

- In the second quarter of the year, we continued to implement our strategic refocusing exercise, and even managed to complete one of our most important projects in terms of capital release, namely the sale of our European private banking network (KBL EPB). In May, the agreement was signed for the sale of these activities to the Hinduja Group of India for 1.35 billion euros. This led to the release of 1.3 billion euros' worth of capital (partly thanks to the reduction of 5.5 billion euros in risk-weighted assets).

  Over and above this project, we also made progress concerning some other divestments, such as the sale agreements on both the UK activities and the Dublin activities of KBC Asset Management through a management buyout and sale to RHJ International, respectively. Other companies that have been the subject of a signed sales agreement are Secura (to QBE), BIC (management buyout), KBC Peel Hunt (management buyout) and the global convertible bond and Asian equity derivatives business of KBC Financial Products (to Daiwa). All of these projects are expected to be closed in the coming months. We also completed the novation transactions reducing significantly the group's credit derivatives (as part of the restructuring of KBC Financial Products) to the tune of approx. 1.5 billion euros in risk-weighted assets in 2Q2010. The gradual run-down of the credit portfolio outside the home markets is progressing well too: at the end of June 2010, some 50% of the intended organic risk-weighted assets reduction in the international credit portfolio was already realised. Preparations to float a minority stake in our Czech banking subsidiary are well progressed. The disentaglement process for our Belgian supplementary sales channels (Centea and Fidea), which is designed to prepare these companies for sale, has been completed, which means we are on standby for the launch of the sales process in the second half of the year.
- As stated on previous occasions, KBC intends to redeem the core capital securities issued to the State largely by retaining earnings and releasing capital currently tied up in non-core assets, which are earmarked for divestment. KBC also intends to maintain a regulatory Tier-1 capital ratio of 10%, of which 8% core capital, according to the Basel II banking capital adequacy rules (in a first phase, the core capital also includes the core capital securities issued to the State).
- Concerns have arisen during the second quarter about financial institutions' exposure to government bonds. In this respect, it is worth mentioning that following a reduction in both the banking and trading book, KBC's exposure to Greek sovereign bonds dropped to 1 billion euros as at 30 June 2010. More information on KBC's sovereign bond exposure to a selection of Southern European countries is provided in the 'Consolidated Financial Statements' section of the quarterly report.
- The CEBS organised a stress test for 91 European Banks as a way of checking solvency strength. KBC was pleased to have passed the test with a Tier-1 ratio of 9.4% in an adverse scenario, with additional government bond shocks applied. Obviously, KBC conducts regular internal stress tests based on its own risk management framework.

Statement of risk

- Mainly active in banking, insurance and asset management, KBC is exposed to a number of typical risks such as – but certainly not exclusively – credit default risk, movements in interest rates, capital markets risk, currency risk, liquidity risk, insurance underwriting risk, operational risk, exposure to emerging markets, changes in regulations, customer litigations, as well as the economy in general. It is part of the business risk that the macroeconomic environment and the ongoing restructuring plans may have a negative impact on asset values or generate additional charges beyond anticipated levels.
- Regulatory changes are currently high on the agenda and KBC is closely monitoring these files in order to address these issues immediately and adequately. We refer here to the current Basel III announcements and legislative initiatives in Hungary.
- Key risk management data are provided in the annual reports, the quarterly reports and the dedicated risk reports, all of which are available at www.kbc.com.

Additional information on the financial statements

- During the first half of 2010, no changes were made to the scope of consolidation or to the valuation rules that had a material net impact on earnings.
- In 1H 2010, the value of local currencies in KBC's Central and Eastern European markets appreciated by (a weighted average of) 7% against the euro, compared to 1H 2009. In 2Q 2010, the comparable figure was up 1% on the 1Q 2010 level and up 6% on the 2Q 2009 level. Significant changes in these exchange rates evidently impact the result components of the Central & Eastern Europe Business Unit.

- *Parent shareholders' equity per share* at 30 June 2010 (30.2 euros) was calculated on the basis of 339.73 million shares (for this calculation, the number of treasury shares held (18.2 million) was deducted from the number of ordinary shares outstanding (357.9 million).
- *Earnings per share* for 1H 2010 (0.86 euros) was calculated on the basis of 339.73 million shares (average number during the period), while *diluted earnings per share* (0.86 euros) was calculated on the basis of 339.74 million shares (also period average). In both cases, the average number of treasury shares held was deducted from the average ordinary share count. For calculating diluted earnings per share, however, the number of stock options granted to employees with an exercise price below market price was added (immaterial in 1H 2010). Under IAS 33, the conversion option held on a portion of the non-voting core capital securities issued to the Belgian State and the share underwriting commitment by the State linked to the CDO guarantee scheme do not have any impact. Note: the coupon that is expected to be paid on the core-capital securities sold to the Belgian State and Flemish Region, is deducted from earnings (*pro rata*) in the EPS calculation.
- As usual, KBC has made additional risk disclosures on the composition of its loan book and its structured credit exposure as at 30 June 2010 (available in the English version of the extended quarterly report at www.kbc.com/ir). The financial calendar, including the dates of earnings releases as well as analysts and investor meetings, is available at www.kbc.com.

Analysis of underlying earnings components

KBC Group, 2Q 2010

Unless otherwise specified, all amounts are given in euros.

Analysis of total income (underlying figures)

Total income, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	1 353	1 344	1 391	1 410	1 344	1 394	-	-
Gross earned premiums, insurance	1 308	1 256	1 122	1 169	1 249	1 146	-	-
Non-life	479	477	495	475	489	480	-	-
Life	830	780	627	694	760	666	-	-
Gross technical charges, insurance	-1 164	-1 127	-1 039	-1 086	-1 168	-1 129	-	-
Non-life	-297	-290	-323	-315	-330	-378	-	-
Life	-867	-837	-716	-771	-838	-751	-	-
Ceded reinsurance result	-15	-17	-2	-30	-9	50	-	-
Dividend income	12	47	9	28	8	36	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	231	321	335	52	320	147	-	-
Net realised gains from available-for-sale assets	51	41	95	106	24	41	-	-
Net fee and commission income	328	391	400	450	429	454	-	-
Banking*	448	486	503	546	542	547	-	-
Insurance	-120	-95	-103	-96	-113	-93	-	-
Other net income	119	98	93	34	85	68	-	-
Total income	2 222	2 353	2 405	2 131	2 282	2 205	-	-
Belgium	788	827	823	824	818	864	-	-
Central & Eastern Europe	639	579	604	630	657	655	-	-
Merchant Banking	480	516	498	286	482	361	-	-
Group Centre	314	432	479	391	325	324	-	-

* Includes banking, KBL EPB and holding-company activities.

Net interest income in the quarter under review amounted to 1 394 million, up 4% on both the previous and year-earlier quarters. On a comparable basis, the group's credit volume was virtually flat compared to the previous quarter, but went down 5% compared to a year ago, mainly as a consequence of the continued run-down of the international loan book (Merchant Banking), in line with the strategy to refocus on the home markets. As a consequence, the Merchant Banking loan book was reduced by 14% in one year's time. In CEE, there was also a year-on-year decrease in the loan volume (-5%, most pronounced in Hungary), whereas in Belgium, the retail loan book increased by 3% year-on-year (2% in the previous quarter). For the group as a whole and again on a comparable basis, deposit volumes grew by 2% in the quarter under review and by as much as 6% year-on-year (though part of this growth is in the more volatile corporate segment). The overall net interest margin of the group stood at 1.84% for the first six months of the year, more or less the same level as for FY 2009.

Gross earned insurance premiums amounted to 1 146 million in 2Q 2010, which breaks down into 666 million for life insurance and 480 million for non-life insurance. The latter fell slightly compared to the previous quarter (-2%, the decrease in Belgium being partly compensated by an increase in CEE), and was roughly unchanged compared to a year ago. Higher claims (especially related to the bad weather in Central and Eastern Europe) caused the non-life combined ratio to amount to 101% in the first half of 2010 (including an excellent 93% for the Belgium Business Unit but a high 114% for Central & Eastern Europe). Gross earned premiums for *life* insurance under IFRS exclude certain types of life insurance contracts (i.e. the unit-linked contracts). When these contracts are included, total life insurance sales amounted to almost 1.5 billion in the quarter under review, significantly up on both 1Q 2010 and 2Q 2009, thanks entirely to a large increase in unit-linked products sales at Vitis Life. Excluding Vitis Life (to be divested), interest-guaranteed products accounted for the bulk (roughly 3/4) of life sales in the quarter under review, the remainder being accounted for by unit-linked products.

Net fee and commission income stood at 454 million in 2Q 2010, up 6% on the previous quarter and up by as much as 16% on a year ago. The gradual recovery of net commission income since the depressed levels at the beginning of 2009 continues to be largely based on the increase in asset-management-related fee income (sale and management of investments funds etc.). At the end of June 2010, assets under management at group level stood at 209 billon. Excluding the 47 billion assets of KBL EPB, for which a sale agreement has been signed, assets under management amounted to 162 billion, virtually unchanged compared to three months ago.

The other income components are as follows: dividend income amounted to 36 million (the bulk of dividends is traditionally received in the second quarter of the year), trading and fair value income (booked under 'Net (un)realised gains from financial instruments at fair value') amounted to 147 million (down on the high level recorded in the reference quarters due to the weak performance of the fixed-income dealing room activities in the quarter under review), realised gains on available-for-sale assets (bonds and shares) stood at 41 million and other net income amounted to 68 million (down somewhat on the average of the last four quarters).

As usual, the underlying figures exclude a significant amount of non-operating items. These comprise, *inter alia*, the fair value changes in ALM hedging instruments, the CDO-related impact, fair value changes in own debt instruments, and losses related to investment banking activities that are being run down. A full overview of these items is provided in the table 'Reconciliation between underlying profit and profit according to IFRS' in the first part of this report, while the impact for each business unit is summarised separately in the following sections of this report.

Analysis of costs and impairment (underlying figures)

Operating expenses, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Staff expenses	-691	-695	-721	-755	-691	-674	-	-
General administrative expenses	-448	-404	-399	-376	-371	-382	-	-
Depreciation of fixed assets	-96	-98	-105	-100	-96	-94	-	-
Operating expenses	-1 235	-1 196	-1 224	-1 231	-1 158	-1 150	-	-
Belgium	-433	-418	-417	-432	-407	-394	-	-
Central & Eastern Europe	-365	-347	-362	-402	-347	-357	-	-
Merchant Banking	-143	-144	-175	-131	-140	-137	-	-
Group Centre	-294	-288	-270	-266	-264	-263	-	-

In the quarter under review, operating expenses stood at 1 150 million. This is a decrease of 4% compared to a year ago and in line with the already favourable cost figure recorded in the previous quarter. The 4% year-on-year decrease was to a large extent caused by one-off items though (relatively high cost related to post-employment benefits in the reference quarter, among other things); disregarding such items, costs were virtually flat year-on-year. Per business unit and quarter-on-quarter, there was a 3% decrease in the Belgium Business Unit, a 3% increase in the CEE Business Unit and a 2% decrease in the Merchant Banking Business Unit.

As a result, the banking business cost/income ratio (expenses versus total income) for the first six months of 2010 stood at a very comfortable 52%, even a further improvement on the 55% recorded for FY 2009. The 1H 2010 cost/income ratio for the banking business breaks down per business unit as follows: 50% for Belgium, 50% for CEE, 33% for Merchant Banking, the remainder being accounted for by the Group Centre. The non-life insurance expense ratio (net expenses/net written premiums) stood at 30% for 1H 2010 (compared to 32% for FY 2009) and breaks down into 27% for the Belgium Business Unit and 35% for CEE.

Impairment, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Impairment on loans and receivables	-307	-567	-356	-652	-355	-278	-	-
Impairment on available-for-sale assets	-3	-1	0	-11	-1	-17	-	-
Impairment on goodwill	0	0	0	0	0	0	-	-
Impairment on other	-9	8	-11	-3	0	-3	-	-
Impairment	-319	-560	-367	-666	-356	-298	-	-
Belgium	-18	-19	-10	-29	-3	-39	-	-
Central & Eastern Europe	-133	-133	-156	-218	-111	-117	-	-
Merchant Banking	-102	-330	-126	-256	-219	-91	-	-
Group Centre	-66	-78	-75	-164	-22	-51	-	-

In 2Q 2010, impairment *on loans and receivables* (loan loss provisions) stood at 278 million, some 22% lower than the level in the previous quarter and even less than half the level in the year-earlier quarter. In both cases, the decrease is mainly thanks to significantly lower loan losses in the Merchant Banking Business Unit, especially as regards the Irish loan book (high in 1Q2010) and asset-backed securities (high in 2Q2009). In the Belgian retail loan book, loan losses increased somewhat, but all in all remained relatively low, amounting to a mere 25 million in the quarter under review. In Central and Eastern Europe, loan losses, at 114 million, were comparable with the previous quarter. As a consequence, the annualised credit cost ratio for 1H 2010 came to 77 basis points for the whole group, a significant improvement on the 111 basis points recorded in FY 2009. The 1H 2010 credit cost ratio breaks down as follows: a low 10 basis points for the Belgium Business Unit (15 basis points in FY 2009), 123 basis points for the CEE Business Unit (down on the 170 basis points registered in FY 2009) and 103 basis points for the Merchant Banking Business Unit (down on the 119 basis points in FY 2009). At the end of June 2010, some 3.7% of the total loan book was non-performing, compared to 3.6% three months earlier and 3.4% at the start of the year.

Other impairment in the quarter under review was limited to 20 million and related mainly to *available-for-sale assets,* in particular to shares in the insurer's portfolio. Note that Impairment on *goodwill* booked on group companies is always excluded from the underlying results (hence zero in the table above). For information purposes: in 2Q 2010, a 0.3 billion goodwill impairment was booked on the sale of KBL EPB; however, since that sale qualifies as a discontinued operation under IFRS5, that amount is included in the line item "Net post-tax income from discontinued operations" in the IFRS figures.

Analysis of other earnings components (underlying figures)

Other components of the result, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Share in result of associated companies	0	-2	3	-24	-1	-9	-	-
Income tax expense	-181	-162	-167	3	-218	-189	-	-
Minority interests in profit after tax	21	24	18	-5	6	6	-	-

The share in the results of associated companies stood at -9 million in the quarter under review, compared to -1 million in the previous quarter and -2 million a year ago (that line item relates *inter alia* to KBC's minority participation in Nova Ljubljanska banka in Slovenia).

Underlying group tax amounted to -189 million in 2Q 2010, compared with the -218 million registered in the previous quarter and the -162 million registered in the year-earlier quarter. Note that the *underlying* tax figures exclude the positive 0.4 billion deferred tax related to CDO-linked losses in past years.

Underlying results per business unit

KBC Group, 2Q 2010

Unless otherwise specified, all amounts are given in euros.

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

Belgium Business Unit (underlying trend)

The Belgium Business Unit encompasses the retail bancassurance activities in Belgium. More specifically, it includes the retail and private banking activities of the legal entity KBC Bank in Belgium, the activities of the legal entity KBC Insurance, and the activities of a number of subsidiaries (primarily CBC Banque, ADD, Secura and Assurisk). It should be noted that the entities that, according to the new strategic plan, are earmarked for divestment (Centea and Fidea) are not included here, but grouped together in the Group Centre.

Income statement, Belgium Business Unit, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	516	522	544	563	550	562	-	-
Gross earned premiums, insurance	957	891	726	741	839	721	-	-
Gross technical charges, insurance	-902	-840	-710	-754	-823	-721	-	-
Ceded reinsurance result	-12	-8	-5	-19	-4	10	-	-
Dividend income	10	28	1	24	5	25	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	15	15	23	16	21	25	-	-
Net realised gains from available-for-sale assets	34	18	40	46	2	13	-	-
Net fee and commission income	128	165	160	200	193	207	-	-
Other net income	42	37	44	7	35	23	-	-
Total income	788	827	823	824	818	864	-	-
Operating expenses	-433	-418	-417	-432	-407	-394	-	-
Impairment	-18	-19	-10	-29	-3	-39	-	-
on loans and receivables	-18	-18	-10	-28	-2	-25	-	-
on available-for-sale assets	0	-1	0	0	-1	-13	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Profit before tax	337	391	397	364	408	432	-	-
Income tax expense	-101	-113	-125	-94	-127	-133	-	-
Profit after tax	235	277	272	270	280	299	-	-
attributable to minority interests	1	1	1	2	2	1	-	-
attributable to equity holders of the parent	234	276	271	268	279	298	-	-
banking	126	153	195	193	197	221	-	-
insurance	108	123	76	76	81	77	-	-
Risk-weighted assets, group (end of period, Basel II)	29 521	29 816	29 145	28 542	29 038	28 609	-	-
of which banking	19 846	19 767	18 873	18 260	18 293	17 699	-	-
Allocated equity (end of period, Basel II)	2 775	2 812	2 766	2 709	2 771	2 741	-	-
Return on allocated equity (ROAC, Basel II)	33%	37%	36%	37%	39%	42%	-	-
Cost/income ratio, banking	65%	58%	53%	53%	53%	48%	-	-
Combined ratio, non-life insurance	83%	91%	90%	117%	90%	96%	-	-

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

Reconciliation between underlying profit and profit according to IFRS Belgium Business Unit, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Profit after tax, attributable to equity holders of the parent: underlying	234	276	271	268	279	298	-	-
+ MTM of derivatives for ALM hedging	-92	155	47	14	-47	-188	-	-
+ gains/losses on CDOs	-950	199	33	352	39	-42	-	-
+ MTM of CDO guarantee and commitment fee	0	-198	-25	-23	-8	-4	-	-
+ value losses on AFS shares	-233	-37	2	-1	0	0	-	-
+ impairment on troubled US & Icelandic banks	0	0	0	0	0	0	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	22	0	0	0	-	-
+ impairment on goodwill	0	0	0	-3	0	0	-	-
+ other	53	50	0	0	0	15	-	-
+ taxes and minority interests related to the items above	35	87	-7	-28	20	53	-	-
Profit after tax, attributable to equity holders of the parent (IFRS)	-951	533	343	579	283	131	-	-

In the quarter under review, the Belgium Business Unit generated an underlying profit of 298 million, a good result that even surpasses the 1Q 2010 and 2Q 2009 result by 7% and 8%, respectively.

Net interest income remains at a comfortable level

At 562 million, net interest income stood at a slightly higher level than the previous quarter (550 million), and was up almost 8% compared to the year-earlier quarter. The business unit's net interest margin came to 1.49% in the quarter under review, comparable to the 1.50% in 1Q 2010 and down somewhat on the 1.56% in 2Q 2009 (note that this remains a significant increase compared to the depressed levels recorded in the second half of 2008, when, *inter alia*, margins generated on savings deposits were extremely low). In line with the group's strategic decision to refocus its lending activities on its home markets, the year-on-year decrease in the group's total credit portfolio relates mainly to the (international part of) the Merchant Banking loan book, while the credit portfolio in the Belgium Business Unit was even up 2% and 3% on the previous and year-earlier quarters. Retail clients' deposits in the Belgium Business Unit grew by 3% quarter-on-quarter and 2% year-on-year, with traditional savings account ('deposit books') still proving to be very popular (outstanding volume +2% quarter-on-quarter and as much as +17% year-on-year).

Excellent combined ratio in non-life, lower sales in life

Gross earned insurance premiums in the quarter under review amounted to 721 million and break down into 465 million for life insurance and 256 million for non-life insurance. The latter fell 4% compared to 1Q 2010, but still increased slightly (1%) compared to a year ago. The combined ratio of the group's Belgian non-life activities remained at a very comfortable 93% for the first six months of the year, a further improvement on the already very good 95% registered in FY 2009.

As regards life insurance, it should be noted that, in simplified terms, sales of unit-linked life insurance products are not reflected in the figures (but only the margin on these products is shown under net fee and commission income), as required under IFRS. If these products are included, total life insurance sales amounted to 591 million in 2Q 2010, a decrease compared to both the previous and year-earlier figures (-24% and -19%, respectively). The quarter-on-quarter decrease was due to a slowdown in both the sale of unit-linked products and interest-guaranteed products, as the previous quarter benefited from commercial campaigns, among other things. On the whole, interest-guaranteed products continued to account for the bulk (almost 80%) of life insurance sales in the quarter under review. As at end-June 2010, the life reserves of this business unit amounted to 21 billion, virtually unchanged on the figure of three months earlier.

Recovery of net fee and commission income continues

Total net fee and commission income amounted to 207 million in the quarter under review. Fee and commission income *from banking activities* (253 million) was roughly on a par with the previous quarter, but was still up 19% compared to the year-earlier figure, thanks largely to the asset management business (higher entry and management fees related to mutual funds, shift towards products with a higher yield for the group etc.). Commissions *paid to insurance agents* were roughly flat compared to the year-earlier quarter but fell 24% compared to the previous quarter (inter alia related to the decrease in insurance sales in the quarter under review). As a result, total fee and commission income (banking and insurance combined) rose some 7% quarter-on-quarter and no less than 25% year-on-year. At end-June 2010, total assets under management of this business unit stood at 149 billion, virtually unchanged on the figure for three months ago and up 4% on the year-earlier figures (related to increases in the asset prices themselves).

Other income components

Trading and fair value income (recorded under 'Net (un)realised gains on financial instruments at fair value') came to 25 million in the quarter under review. As already explained, these underlying figures exclude some exceptional items (see table). Dividend income stood at 25 million, in line with the year-earlier quarter, but significantly up on the previous quarter, as the bulk of dividends is traditionally received in the second quarter of the year. Realised gains on available-for-sale assets amounted to 13 million and other net income came to 23 million, both down on the average of the last four quarters.

Comfortable cost/income ratio and still favourable level of loan losses

Costs in the quarter under review stood at 394 million, a further decrease compared to the previous and year-earlier quarters (-3% and -6%, respectively), which is to a significant extent related to one-off items (lower costs related to hospitalisation insurance for retired employees, a methodological shift between costs and other net income etc.). Disregarding these items, costs were virtually flat quarter-on-quarter, while they increased by some 3% year-on-year (the FTE decrease being offset by higher variable remuneration and higher marketing and communication expenses, among other things). The cost/income ratio for the Belgian banking activities continued to improve in the quarter under review, leading to a very comfortable six-month ratio of only 50%, a further improvement on the 57% registered for FY 2009.

Relatively speaking, loan loss impairment on the Belgian retail loan book (25 million), remained at a low level, though clearly up on the exceptionally low 2 million figure recorded in the previous quarter (which benefited from a relatively large write-back for a single file). For the first six months of the year, this resulted in what is still a very favourable credit cost ratio of 10 basis points, comparable with the 15 basis points recorded in FY 2009. At the end of June 2010, around 1.5% of the Belgian retail loan book was non-performing, in line with the figure recorded three and six months ago. Other impairments (13 million) in the quarter under review related to available-for-sale assets, more specifically to shares in the insurers' portfolio.

CEE Business Unit (underlying trend)

The CEE Business Unit encompasses the banking and insurance activities in the Czech Republic (ČSOB Bank and ČSOB Insurance), Slovakia (ČSOB Bank and ČSOB Insurance), Hungary (K&H Bank and K&H Insurance), Poland (Kredyt Bank and WARTA Insurance) and Bulgaria (CIBank and DZI Insurance). Absolut Bank in Russia, KBC Banka in Serbia, NLB and NLB Vita in Slovenia and Żagiel (consumer finance) in Poland are not included here, but grouped together in the Group Centre, since they are earmarked for divestment. The same applies to the minority stake in ČSOB (Czech Republic) that is to be listed.

Income statement CEE Business Unit, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	398	399	419	440	447	454	-	-
Gross earned premiums, insurance	254	265	280	284	303	358	-	-
Gross technical charges, insurance	-163	-178	-214	-193	-228	-338	-	-
Ceded reinsurance result	-4	-7	0	-14	-10	33	-	-
Dividend income	0	7	1	0	0	2	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	47	-14	12	18	45	37	-	-
Net realised gains from available-for-sale assets	6	2	4	6	10	14	-	-
Net fee and commission income	60	76	79	81	76	71	-	-
Other net income	42	30	24	8	14	25	-	-
Total income	639	579	604	630	657	655	-	-
Operating expenses	-365	-347	-362	-402	-347	-357	-	-
Impairment	-133	-133	-156	-218	-111	-117	-	-
on loans and receivables	-125	-141	-146	-218	-111	-114	-	-
on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	1	0	0	0	0	0	-	-
Profit before tax	141	99	86	10	200	182	-	-
Income tax expense	-19	-3	-8	-5	-33	-17	-	-
Profit after tax	122	95	78	5	167	165	-	-
attributable to minority interests	45	37	39	19	57	54	-	-
attributable to equity holders of the parent	77	58	39	-13	110	112	-	-
banking	41	38	37	-23	103	116	-	-
insurance	36	20	3	10	7	-4	-	-
Risk-weighted assets, group (end of period, Basel II)	35 795	35 212	34 358	34 112	34 425	33 363	-	-
of which banking	32 978	32 554	31 760	31 430	31 900	30 840		
Allocated equity (end of period, Basel II)	3 033	2 976	2 905	2 890	2 906	2 820	-	-
Return on allocated equity (ROAC, Basel II)	13%	10%	8%	-3%	19%	19%	-	-
Cost/income ratio, banking	57%	59%	57%	62%	50%	50%	-	-
Combined ratio, non-life insurance	112%	102%	111%	104%	110%	117%	-	-

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

Reconciliation between underlying profit and profit according to IFRS CEE Business Unit, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Profit after tax, attributable to equity holders of the parent: underlying	77	58	39	-13	110	112	-	-
+ MTM of derivatives for ALM hedging	-11	23	-6	-27	-23	-35	-	-
+ gains/losses on CDOs	0	-30	-23	40	8	25	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	-	-
+ value losses on AFS shares	-14	0	-1	-2	0	0	-	-
+ impairment on troubled US & Icelandic banks	16	0	1	1	0	0	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	36	0	0	0	-	-
+ impairment on goodwill	-71	-11	-46	-134	0	0	-	-
+ other	28	0	0	-7	0	0	-	-
+ taxes and minority interests related to the items above	6	-11	1	-5	3	18	-	-
Profit after tax, attributable to equity holders of the parent (IFRS)	32	29	2	-149	99	119	-	-

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

CEE average exchange rate changes +: appreciation against the euro -: depreciation against the euro	CZK (Czech Rep.)	HUF (Hungary)	PLN (Poland)	BGN (Bulgaria)	Weighted average
2Q2010 / 1Q2010	2%	-1%	0%	0%	1%
2Q2010 / 2Q2009	5%	5%	12%	0%	6%

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

In the quarter under review, the CEE Business Unit generated an underlying net profit of 112 million, in line with the strong 110 million recorded in 1Q 2010 and significantly up on the 58 million registered a year ago. The CEE Business Unit's net profit for 2Q 2010 breaks down as follows: 89 million for the Czech Republic (we repeat that part of ČSOB Bank's result – related to the planned public offering of a minority participation – has been shifted to the Group Centre[1]), 7 million for Slovakia, 35 million for Hungary, -6 million for Poland, 1 million for Bulgaria and -14 million included under 'other results' (largely funding cost of goodwill).

Net interest income virtually stable quarter-on-quarter

Net interest income amounted to 454 million in the quarter under review. On an organic basis, this is virtually the same (+1%) compared to the previous quarter, and 8% more than the year-earlier quarter. The average net interest margin for this business unit came to 3.18% in the quarter under review, comparable to the previous quarter. While total *deposits* in KBC's five core countries increased by 3% quarter-on-quarter and 2% year-on-year, the combined *loan book* decreased by 1% quarter-on-quarter and by 5% year-on-year, with Hungary in particular posting the largest relative decline. As usual, the business unit's deposits continued to largely surpass its loan books, leading to a favourable loan-to-deposit ratio (77%) as at the end of June 2010.

Increase in life sales; bad weather conditions pushes up non-life combined ratio further

Gross earned insurance premiums amounted to 358 million, which breaks down into 164 million for life insurance and 194 million for non-life insurance. On an organic basis, the non-life premium income increased some 3% compared with the previous quarter, but fell 6% year-on-year (mainly due to lower sales in Poland). The technical results of the non-life insurance activities in the region were negatively affected by – among other things – the bad weather conditions (floods and storms) in the region in May and June, bringing the combined ratio in the quarter under review to a high 117%. Following an already high combined ratio in the first quarter (110%), the six-month ratio now stands at 114% for the region as a whole. With the positive exception of the Czech Republic (95%), the six-month combined ratio now surpasses 100% in all the other countries (120% for Poland, 113% for Bulgaria, 110% for Hungary and 106% for Slovakia).

Life sales, including unit-linked products (which are not included in the premium figures under IFRS) amounted to 278 million in the quarter under review. On an organic basis, this is a significant increase on both the previous and year-earlier quarters (+24% and +19%, respectively), thanks mainly to increased sales of unit-linked insurance products, especially in Poland and the Czech Republic. At 30 June 2010, the outstanding life reserves in this business unit amounted to 1.9 billion.

Other income components

Net fee and commission income amounted to 71 million in the quarter under review, down on an organic basis by 7% and 10% on the previous and year-earlier quarters, respectively. In both cases, the decrease resulted from the combination of a decline in *fees received in the banking business* and a small increase in the *fees paid in the insurance businesses*. The year-on-year comparison is also affected by a change in the accounting treatment (since the start of 2010) of the distribution fees paid to the Czech Post (shifted from operating expenses to paid commission income, with no bottom line impact). Excluding this shift, organic net fee and commission income would have increased by some 2% year-on-year. At the end of June 2010, the assets under management of this business unit stood at almost 13 billion.

Trading and fair value income (recorded under 'Net (un)realised gains from financial instruments at fair value') came to 37 million, up on the 15-million average of the last four quarters. As already explained, these underlying figures do not include CDO-related items and other non-operational items (see table). Net realised gains from available-for-sale assets stood at 14 million, up on the 6-million average of the last four quarters, thanks, *inter alia*, to gains on sales of government bonds in the quarter under review. Lastly, other net income came to 25 million in the quarter under review, slightly up on the 19-million average of the last four quarters.

1 The minority participation (a working assumption of 40% has been used) in ČSOB that will be floated has been removed from 'Profit after tax attributable to equity holders of the parent' (and moved to 'Profit after tax, attributable to minority interests').

Limited cost increase and roughly stable loan losses in the quarter under review

The operating expenses of this business unit totalled 357 million, which, on an organic basis, constitutes a 2% increase compared to the previous quarter (mainly caused by higher administrative expenses for *inter alia* marketing and ICT), but a 3% decrease compared to the year-earlier quarter. Excluding the positive effect of the aforementioned change in methodology (shift from costs to paid commissions), expenses would have remained roughly unchanged compared to a year ago. In the first six months of 2010, the cost/income ratio for the CEE banking activities therefore stood at 50%, a further improvement on the 59% recorded in FY 2009.

Impairment on loans and receivables (loan losses) stood at 114 million in the quarter under review, comparable to the level recorded in the first quarter of the year (111 million), but a decrease of 27 million compared to a year ago (the year-on-year decrease was located mainly in the Czech Republic, and more than offset the increase in Poland). Consequently, the CEE Business Unit's annualised credit cost ratio amounted to 123 basis points in the first six months of the year, a significant improvement on the 170 basis points recorded in FY 2009. The 1H 2010 credit cost ratio breaks down into 74 basis points for the Czech Republic, 122 basis points for Slovakia, 145 basis points for Poland, 184 basis points for Hungary and 178 basis points for Bulgaria. At end-June 2010, some 5.2% of the loan book of the CEE subsidiaries was non-performing, compared to 4.6% three months earlier and 4.1% at the start of the year. As mentioned above, (among other companies) Absolut Bank in Russia is included in the 'Group Centre' and is therefore not included in the figures for the CEE Business Unit.

There were virtually no other significant impairment (on available-for-sale assets, on goodwill or on other assets) in the quarter under review.

Breakdown per country

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

Income statement Czech Republic, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	220	226	229	245	240	250	-	-
Gross earned premiums, insurance	65	67	71	73	91	121	-	-
Gross technical charges, insurance	-25	-46	-50	-41	-67	-96	-	-
Ceded reinsurance result	-2	-2	0	-3	-4	-4	-	-
Dividend income	0	7	1	0	0	1	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	0	6	17	4	21	6	-	-
Net realised gains from available-for-sale assets	5	0	0	4	3	7	-	-
Net fee and commission income	51	56	57	48	46	47	-	-
Other net income	11	12	9	-4	7	7	-	-
Total income	326	326	334	326	337	341	-	-
Operating expenses	-136	-148	-146	-153	-134	-145	-	-
Impairment	-32	-65	-62	-54	-31	-38	-	-
on loans and receivables	-31	-65	-52	-54	-31	-36	-	-
on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Profit before tax	158	112	125	119	171	158	-	-
Income tax expense	-25	-15	-18	-31	-26	-16	-	-
Profit after tax	133	97	108	88	146	142	-	-
attributable to minority interests	47	35	39	29	54	53	-	-
attributable to equity holders of the parent	86	62	69	59	92	89	-	-
banking	69	51	60	44	81	79	-	-
insurance	17	12	9	15	11	10	-	-
Risk-weighted assets, group (end of period, Basel II)	14 628	14 926	14 726	14 689	14 833	14 001	-	-
of which banking	13 872	14 156	13 948	13 945	14 060	13 229	-	-
Allocated equity (end of period, Basel II)	1 216	1 240	1 225	1 220	1 233	1 166	-	-
Return on allocated equity (ROAC, Basel II)	39%	26%	29%	22%	41%	41%	-	-
Cost/income ratio, banking	43%	45%	44%	48%	40%	42%	-	-
Combined ratio, non-life insurance	92%	100%	95%	84%	92%	98%	-	-

Income statement Slovakia, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	47	54	58	56	51	52	-	-
Gross earned premiums, insurance	19	17	19	19	21	19	-	-
Gross technical charges, insurance	-13	-11	-14	-15	-15	-21	-	-
Ceded reinsurance result	0	0	1	0	0	6	-	-
Dividend income	0	0	0	0	0	0	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	-4	-8	0	3	7	2	-	-
Net realised gains from available-for-sale assets	0	0	0	0	0	0	-	-
Net fee and commission income	7	6	6	8	8	8	-	-
Other net income	2	5	2	1	1	0	-	-
Total income	57	63	71	72	71	66	-	-
Operating expenses	-43	-43	-44	-50	-39	-41	-	-
Impairment	-14	-17	-21	-21	-16	-13	-	-
on loans and receivables	-13	-17	-20	-22	-17	-13	-	-
on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Profit before tax	1	2	6	1	16	11	-	-
Income tax expense	0	2	-2	2	-3	-4	-	-
Profit after tax	1	4	5	3	13	7	-	-
attributable to minority interests	0	0	0	0	0	0	-	-
attributable to equity holders of the parent	1	4	5	3	13	7	-	-
banking	0	2	3	2	11	6	-	-
insurance	1	3	2	1	2	1	-	-
Risk-weighted assets, group (end of period, Basel II)	4 415	4 386	4 217	4 125	4 056	4 133	-	-
of which banking	4 278	4 247	4 077	3 989	3 913	3 983	-	-
Allocated equity (end of period, Basel II)	361	359	346	338	333	340	-	-
Return on allocated equity (ROAC, Basel II)	-3%	1%	1%	-1%	11%	4%	-	-
Cost/income ratio, banking	74%	71%	63%	68%	55%	62%	-	-
Combined ratio, non-life insurance	81%	84%	97%	132%	84%	131%	-	-

Income statement Hungary, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	99	89	92	95	94	96	-	-
Gross earned premiums, insurance	16	19	19	23	17	17	-	-
Gross technical charges, insurance	-8	-12	-11	-16	-11	-19	-	-
Ceded reinsurance result	0	-1	-2	-1	-1	-1	-	-
Dividend income	0	0	0	0	0	0	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	3	9	4	5	10	10	-	-
Net realised gains from available-for-sale assets	1	1	1	2	4	4	-	-
Net fee and commission income	18	22	24	31	29	27	-	-
Other net income	2	2	3	-2	1	8	-	-
Total income	130	129	130	139	143	141	-	-
Operating expenses	-76	-61	-72	-76	-70	-66	-	-
Impairment	-36	-29	-29	-49	-35	-28	-	-
on loans and receivables	-36	-29	-29	-48	-35	-28	-	-
on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	1	0	0	0	0	0	-	-
Profit before tax	19	39	29	13	37	47	-	-
Income tax expense	-8	-9	-8	-3	-11	-11	-	-
Profit after tax	10	30	21	11	26	35	-	-
attributable to minority interests	0	0	0	0	0	0	-	-
attributable to equity holders of the parent	10	30	21	11	26	35	-	-
banking	6	27	17	7	23	38	-	-
insurance	4	3	3	4	3	-2	-	-
Risk-weighted assets, group (end of period, Basel II)	7 179	6 621	6 275	6 042	6 275	6 005	-	-
of which banking	6 970	6 439	6 073	5 825	6 056	5 788	-	-
Allocated equity (end of period, Basel II)	587	541	514	496	515	493	-	-
Return on allocated equity (ROAC, Basel II)	-0%	15%	12%	2%	14%	21%	-	-
Cost/income ratio, banking	60%	49%	56%	55%	49%	44%	-	-
Combined ratio, non-life insurance	72%	93%	95%	78%	87%	133%	-	-

Income statement Poland, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	68	73	78	77	81	78	-	-
Gross earned premiums, insurance	122	132	143	143	147	174	-	-
Gross technical charges, insurance	-95	-86	-112	-100	-113	-182	-	-
Ceded reinsurance result	-2	-4	1	-9	-6	33	-	-
Dividend income	0	0	0	0	0	0	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	28	-1	3	6	7	8	-	-
Net realised gains from available-for-sale assets	0	1	4	0	3	3	-	-
Net fee and commission income	-12	-7	-6	-3	-5	-7	-	-
Other net income	30	12	11	10	5	8	-	-
Total income	139	120	121	122	119	115	-	-
Operating expenses	-89	-76	-83	-93	-83	-87	-	-
Impairment	-39	-24	-37	-85	-22	-34	-	-
on loans and receivables	-40	-24	-37	-86	-22	-34	-	-
on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Profit before tax	11	19	1	-56	14	-6	-	-
Income tax expense	1	-3	-2	8	-4	1	-	-
Profit after tax	11	16	-1	-48	11	-5	-	-
attributable to minority interests	-2	2	0	-9	3	1	-	-
attributable to equity holders of the parent	13	15	-1	-39	8	-6	-	-
banking	-6	7	1	-38	12	3	-	-
insurance	19	7	-2	-1	-4	-9	-	-
Risk-weighted assets, group (end of period, Basel II)	8 473	8 187	8 050	8 222	8 292	8 285	-	-
of which banking	7 060	6 919	6 881	6 921	7 143	7 139	-	-
Allocated equity (end of period, Basel II)	763	731	714	736	732	732	-	-
Return on allocated equity (ROAC, Basel II)	3%	5%	-4%	-31%	1%	-8%	-	-
Cost/income ratio, banking	69%	61%	60%	69%	59%	61%	-	-
Combined ratio, non-life insurance	126%	103%	118%	113%	118%	123%	-	-

Income statement Bulgaria, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	12	13	12	11	11	10	-	-
Gross earned premiums, insurance	32	31	29	27	27	28	-	-
Gross technical charges, insurance	-25	-22	-25	-21	-22	-20	-	-
Ceded reinsurance result	0	-1	0	0	0	-2	-	-
Dividend income	0	0	0	0	0	0	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	0	0	0	0	0	1	-	-
Net realised gains from available-for-sale assets	0	0	0	0	0	0	-	-
Net fee and commission income	-2	-2	-1	-2	-1	-1	-	-
Other net income	0	1	1	-4	0	1	-	-
Total income	18	20	17	10	17	17	-	-
Operating expenses	-13	-13	-13	-13	-13	-13	-	-
Impairment	-4	-4	-4	-5	-4	-3	-	-
on loans and receivables	-4	-4	-4	-4	-4	-3	-	-
on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Profit before tax	1	2	0	-8	0	1	-	-
Income tax expense	0	0	0	1	0	0	-	-
Profit after tax	1	2	0	-6	0	1	-	-
attributable to minority interests	0	0	0	-1	0	0	-	-
attributable to equity holders of the parent	1	2	0	-6	0	1	-	-
banking	0	0	0	-2	0	0	-	-
insurance	0	2	-1	-3	0	0	-	-
Risk-weighted assets, group (end of period, Basel II)	1 082	1 079	1 081	1 026	955	926	-	-
of which banking	781	780	770	742	715	688	-	-
Allocated equity (end of period, Basel II)	105	104	105	99	91	88	-	-
Return on allocated equity (ROAC, Basel II)	-16%	-16%	-23%	-47%	-23%	-21%	-	-
Cost/income ratio, banking	65%	62%	64%	89%	70%	72%	-	-
Combined ratio, non-life insurance	111%	107%	122%	110%	115%	112%	-	-

Income statement CEE – funding cost and other results, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	-48	-56	-51	-44	-29	-32	-	-
Gross earned premiums, insurance	-1	-1	-1	-1	-1	-1	-	-
Gross technical charges, insurance	2	0	-2	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 through profit or loss	18	-20	-12	0	0	10	-	-
Net realised gains from available-for-sale assets	0	0	0	0	0	0	-	-
Net fee and commission income	0	0	0	-1	0	-2	-	-
Other net income	-3	-3	-2	7	1	1	-	-
Total income	-31	-78	-69	-39	-29	-24	-	-
Operating expenses	-8	-5	-4	-17	-8	-4	-	-
Impairment	-9	7	-3	-3	-3	0	-	-
on loans and receivables	-1	-1	-3	-3	-3	0	-	-
on available-for-sale assets	0	0	0	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Profit before tax	-48	-76	-75	-60	-40	-28	-	-
Income tax expense	14	21	21	18	12	14	-	-
Profit after tax	-34	-55	-54	-41	-28	-14	-	-
attributable to minority interests	0	0	0	0	0	0	-	-
attributable to equity holders of the parent	-34	-55	-54	-41	-28	-14	-	-
banking	-28	-50	-45	-36	-23	-9	-	-
insurance	-6	-6	-9	-6	-5	-5	-	-

Merchant Banking Business Unit (underlying trend)

The Merchant Banking Business Unit encompasses the financial services provided to SMEs and corporate customers and capital market activities (merchant banking activities of the CEE group companies are included in the CEE business unit). More specifically, it includes commercial banking and market activities of KBC Bank in Belgium and its branches elsewhere, and the activities of a number of subsidiaries, the main ones being KBC Lease, KBC Securities, KBC Clearing, KBC Commercial Finance, and KBC Bank Ireland. The entities that, according to the new strategic plan, are earmarked for divestment in the coming years (the main ones being KBC Financial Products, KBC Peel Hunt, KBC Finance Ireland (global trade and project finance), Antwerp Diamond Bank and KBC Bank Deutschland) are not included here, but are grouped together in the Group Centre.

Income statement Merchant Banking Business Unit, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	193	202	214	219	189	202	-	-
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	2	7	0	0	2	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	199	217	158	-25	210	67	-	-
Net realised gains from available-for-sale assets	-1	2	29	26	1	1	-	-
Net fee and commission income	45	55	45	57	54	63	-	-
Other net income	44	37	44	8	28	27	-	-
Total income	480	516	498	286	482	361	-	-
Operating expenses	-143	-144	-175	-131	-140	-137	-	-
Impairment	-102	-330	-126	-256	-219	-91	-	-
on loans and receivables	-100	-330	-127	-255	-219	-89	-	-
on available-for-sale assets	-2	0	1	0	0	-2	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Profit before tax	235	41	196	-101	122	133	-	-
Income tax expense	-46	-22	-15	79	-35	-8	-	-
Profit after tax	189	19	182	-22	88	125	-	-
attributable to minority interests	22	22	19	6	3	4	-	-
attributable to equity holders of the parent	168	-2	162	-28	85	121	-	-
banking	167	-2	162	-28	83	119	-	-
insurance	0	0	1	0	2	2	-	-
Risk-weighted assets, group (end of period, Basel II)	54 138	55 424	56 111	53 597	51 703	51 880	-	-
of which banking	54 138	55 424	56 111	53 597	51 703	51 880	-	-
Allocated equity (end of period, Basel II)	4 331	4 434	4 489	4 288	4 136	4 150	-	-
Return on allocated equity (ROAC, Basel II)	17%	1%	14%	-1%	8%	11%	-	-
Cost/income ratio, banking	30%	28%	35%	46%	29%	38%	-	-

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

Reconciliation between underlying profit and profit according to IFRS Merchant Banking Business Unit, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Profit after tax, attributable to equity holders of the parent: underlying	168	-2	162	-28	85	121	-	-
+ MTM of derivatives for ALM hedging	-15	2	2	-17	-8	-26	-	-
+ gains/losses on CDOs	1	-14	46	58	18	7	-	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	-	-
+ value losses on AFS shares	0	0	0	-1	0	0	-	-
+ impairment on troubled US & Icelandic banks	0	-1	39	4	13	0	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	69	0	0	0	-	-
+ impairment on goodwill	0	0	0	-22	0	-2	-	-
+ result on divestments	0	0	0	0	0	-3		
+ other	3	2	-33	11	-62	-45	-	-
+ taxes and minority interests related to the items above	15	1	-19	-21	19	21	-	-
Profit after tax, attributable to equity holders of the parent (IFRS)	172	-12	267	-16	64	73	-	-

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of 121 million, which significantly surpasses the 54 million average of the last four quarters. The 2Q 2010 underlying result breaks down as follows: 77 million for commercial banking activities and 44 million for market activities.

Total income down due to weak dealing room performance

Total income for this business unit amounted to 361 million, which is down both on the previous and year-earlier quarters (-25% and -30%, respectively).

Both the quarter-on-quarter and year-on-year decreases are predominantly attributable to weak dealing room income in the quarter under review, which is reflected in the line item 'Net (un)realised gains from financial instruments at fair value', down from 210 million in 1Q 2010 and 217 million in 2Q 2009 to 67 million in the quarter under review. As already explained, the underlying figures do not include CDO-related items and other non-operational items (see table).

On the other hand, both net interest income and net fee and commission income went up compared with the reference quarters, although not enough to compensate for the effect of the decrease in dealing room income. At 202 million, net interest income was up 7% on 1Q 2010 and virtually flat on 2Q2009, though part of the difference was related to one-off items (such as the early repayment of a large loan). As anticipated, loan volumes in this business unit continued to go down and now stand at -14% compared to one year ago, as a logical consequence of the implementation of the group's new strategy, which focuses on clients with a link to the its home markets and therefore implies a gradual scaling down of a large part of the international credit portfolio outside these markets.

Net fee and commission income (63 million) increased by roughly 15% on the figures for both 1Q2010 and 2Q2009, thanks to *inter alia* higher brokerage and corporate finance income. As was the case in both reference quarters, realised gains from available-for-sale assets were insignificant in the quarter under review. Other net income totalled 27 million, more or less in line with the 29-milion average of the last four quarters.

Costs down and significant decrease in loan loss impairment

Operating expenses in the quarter under review amounted to 137 million, a 2% decrease compared to the previous quarter and a 5% decrease compared to the year-earlier quarter, which is of course related to the activities being run down in this business unit.

Impairment on loans and receivables (loan losses) came to 89 million in 2Q 2010. That is significantly down on both the year-earlier quarter (330 million loan losses, mainly on non-Belgian corporate and on asset-backed securities) and the previous quarter (219 million). As regards the latter, the 130-million quarter-on-quarter decrease was largely thanks to significantly lower loan losses at KBC Bank Ireland (28 million loan losses in the quarter under review, versus 142 million in the previous quarter, the latter for almost two thirds relating to the home loan portfolio). As a result, the credit cost ratio in Ireland stood at 189 basis points for the first six months of the year, while the part of the portfolio that is non-performing stood at 7,7% at the end of June 2010. As a consequence, for the business unit as a whole, the credit cost ratio decreased from 119 basis points for FY 2009 to 103 basis points in the first six months of 2010. As at end-June 2010, approximately 4.1% of the Merchant Banking Business Unit's loan book was non-performing, slightly up on the 4.0% and 3.9% registered three and six months ago, respectively.

As was the case in both reference quarters, the amount of impairment on available-for-sale securities (shares and bonds) was very limited (2 million), as was the case for the amount of impairment on goodwill related to companies belonging to this business unit (2 million, but excluded from the underlying figures).

Breakdown into commercial banking activities and market activities

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

Income statement Commercial Banking, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	193	202	214	219	189	202	-	-
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	2	7	0	0	2	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	23	0	7	14	14	0	-	-
Net realised gains from available-for-sale assets	-1	2	29	26	1	1	-	-
Net fee and commission income	29	35	26	35	35	33	-	-
Other net income	44	37	44	8	28	27	-	-
Total income	288	279	327	302	267	265	-	-
Operating expenses	-95	-102	-101	-78	-92	-87	-	-
Impairment	-53	-138	-120	-199	-162	-85	-	-
on loans and receivables	-52	-138	-119	-199	-162	-83	-	-
on available-for-sale assets	-1	0	0	0	0	-2	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Profit before tax	139	39	106	26	13	92	-	-
Income tax expense	-23	0	-29	4	-16	-11	-	-
Profit after tax	116	38	77	30	-3	81	-	-
attributable to minority interests	22	22	20	6	3	4	-	-
attributable to equity holders of the parent	94	17	58	24	-5	77	-	-
banking	93	17	57	24	-8	75	-	-
insurance	0	0	1	0	2	2	-	-
Risk-weighted assets, group (end of period, Basel II)	42 384	44 687	42 315	40 215	38 295	36 689	-	-
of which banking	42 384	44 687	42 315	40 215	38 295	36 689	-	-
Allocated equity (end of period, Basel II)	3 391	3 575	3 385	3 217	3 064	2 935	-	-
Return on allocated equity (ROAC, Basel II)	11%	2%	6%	4%	-1%	9%	-	-
Cost/income ratio, banking	33%	36%	31%	25%	34%	33%	-	-

Income statement Market Activities, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	0	0	0	0	0	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 through profit or loss	176	217	151	-39	196	67	-	-
Net realised gains from available-for-sale assets	0	0	0	0	0	0	-	-
Net fee and commission income	16	20	19	22	19	30	-	-
Other net income	0	0	0	0	0	0	-	-
Total income	192	237	171	-17	215	97	-	-
Operating expenses	-48	-42	-74	-53	-48	-50	-	-
Impairment	-48	-192	-7	-57	-57	-6	-	-
on loans and receivables	-48	-192	-7	-57	-57	-6	-	-
on available-for-sale assets	-1	0	1	0	0	0	-	-
Share in results of associated companies	0	0	0	0	0	0	-	-
Profit before tax	96	2	90	-127	109	41	-	-
Income tax expense	-22	-22	14	75	-19	3	-	-
Profit after tax	74	-19	104	-52	90	44	-	-
attributable to minority interests	0	0	0	0	0	0	-	-
attributable to equity holders of the parent	74	-19	105	-52	90	44	-	-
banking	74	-19	105	-52	90	44	-	-
insurance	0	0	0	0	0	0	-	-
Risk-weighted assets, group (end of period, Basel II)	11 753	10 737	13 796	13 382	13 408	15 191	-	-
of which banking	11 753	10 737	13 796	13 382	13 408	15 191	-	-
Allocated equity (end of period, Basel II)	940	859	1 104	1 071	1 073	1 215	-	-
Return on allocated equity (ROAC, Basel II)	40%	-5%	42%	-16%	35%	16%	-	-
Cost/income ratio, banking	25%	18%	43%	-	23%	51%	-	-

Group Centre (underlying trend)

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

Income statement Group Centre, underlying, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Net interest income	245	221	214	187	158	175	-	-
Gross earned premiums, insurance	97	101	116	144	107	66	-	-
Gross technical charges, insurance	-99	-109	-114	-139	-117	-69	-	-
Ceded reinsurance result	1	-1	3	3	5	7	-	-
Dividend income	2	9	0	4	3	7	-	-
Net (un)realised gains from financial instruments at fair value through profit or loss	-30	102	142	42	45	19	-	-
Net realised gains from available-for-sale assets	12	19	21	27	10	13	-	-
Net fee and commission income	95	95	116	113	105	113	-	-
Other net income	-9	-6	-19	11	9	-7	-	-
Total income	314	432	479	391	325	324	-	-
Operating expenses	-294	-288	-270	-266	-264	-263	-	-
Impairment	-66	-78	-75	-164	-22	-51	-	-
on loans and receivables	-65	-77	-74	-151	-22	-49	-	-
on available-for-sale assets	-2	-1	-1	-11	0	-2	-	-
Share in results of associated companies	0	-2	3	-24	-2	-9	-	-
Profit before tax	-46	65	137	-63	37	2	-	-
Income tax expense	-15	-23	-19	23	-22	-31	-	-
Profit after tax	-61	41	117	-40	14	-30	-	-
attributable to minority interests	-48	-36	-41	-31	-55	-53	-	-
attributable to equity holders of the parent	-13	77	158	-9	70	23	-	-
banking	-3	65	154	-10	82	23	-	-
insurance	8	10	4	6	1	9	-	-
holding company	-19	3	1	-5	-14	-8		
Risk-weighted assets, group (end of period, Basel II)	37 161	31 003	28 394	27 107	28 383	25 236	-	-
of which banking	35 191	29 006	26 362	25 050	26 275	23 139	-	-
Allocated equity (end of period, Basel II)	3 057	2 566	2 357	2 255	2 356	2 103	-	-

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

Reconciliation between underlying profit and profit according to IFRS Group Centre, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Profit after tax, attributable to equity holders of the parent: underlying	-13	77	158	-9	70	23	-	-
+ MTM of derivatives for ALM hedging	-20	27	-1	-2	-15	-19	-	-
+ gains/losses on CDOs	-2 843	843	172	270	116	-149	-	-
+ MTM of CDO guarantee and commitment fee	0	-923	-121	-120	-42	-22	-	-
+ value losses on AFS shares	-64	-14	1	-1	0	0	-	-
+ impairment on troubled US & Icelandic banks	0	0	1	3	0	0	-	-
+ gain on buy-back of hybrid tier-1 securities	0	0	0	0	0	0	-	-
+ impairment on goodwill	-9	-17	-12	-169	-27	0	-	-
+ MTM of own debt issued	134	200	-330	41	-2	45	-	-
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-101	-	-
+ Results on divestments [1]	0	0	0	0	0	-335	-	-
+ other	12	11	0	12	0	0	-	-
+ taxes and minority interests related to the items above	-48	309	200	32	-2	383 [2]	-	-
Profit after tax, attributable to equity holders of the parent (IFRS)	-2 853	-248	-83	-110	-3	-174	-	-

1 Impairment on goodwill and transaction costs related to the sale of KBL EPB.
2 Including the positive 0.4 billion deferred tax relating to past fair value losses on CDO exposure.

The Group Centre's net result in 2Q 2010 amounted to 23 million, down on the 70 and 77 million registered in the previous and year-earlier quarters, respectively. The larger part of this decrease relates to (a decline in) the results of the companies that are earmarked for divestment in the coming years, whose combined net result came to 62 million, down on the 91 million registered in 1Q 2010.

The 2Q 2010 underlying net result of the companies that are earmarked for divestment can be broken down by former business unit as follows:

- Ex-Belgium Business Unit: 28 million (compared with 25 million in the previous quarter)
- Ex-CEER Business Unit: 28 million (compared with 45 million in the previous quarter)
- Ex-Merchant Banking Business Unit: 0 million (compared with 9 million in the previous quarter)
- Ex-European Private Banking Business Unit: 34 million (compared with 38 million in the previous quarter)
- Other (for the larger part relating to funding of goodwill paid in relation to companies that are earmarked for divestment): -26 million.

Please note that a number of divestment agreements have already been signed in the second quarter of 2010, the most important one relating to the sale of KBL EPB (ex-European Private Banking Business Unit) to the Indian Hinduja Group. The transaction is expected to close in 3Q or 4Q 2010. In the quarter under review, KBL EPB's underlying results therefore remain included in the Group Centre. The 0.3 billion goodwill impairment related to this sale is viewed as an exceptional item and hence not included in the underlying results (see table). Note that in the 'IFRS' figures, all results relating to KBL EPB – including the 0.3 billion impairment on goodwill – have been shifted to 'Net post-tax income from discontinued operations'.

Consolidated financial statements according to IFRS

KBC Group, 2Q 2010 and 1H 2010

Consolidated income statement

In millions of EUR	Note	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
Net interest income	3	1 375	1 519	1 567	2 782	3 086
Interest income		2 915	2 621	2 651	6 299	5 273
Interest expense		- 1 539	- 1 103	- 1 085	- 3 516	- 2 187
Gross earned premiums, insurance	9	1 254	1 248	1 144	2 561	2 392
Non-life		477	489	480	955	969
Life	10	778	759	664	1 606	1 423
Gross technical charges, insurance	9	- 1 120	- 1 163	- 1 123	- 2 279	- 2 286
Non-life		- 290	- 330	- 378	- 587	- 709
Life		- 831	- 832	- 745	- 1 692	- 1 577
Ceded reinsurance result	9	- 17	- 9	50	- 32	41
Dividend income	4	55	15	40	77	56
Net (un)realised gains from financial instruments at fair value through profit or loss	5	63	- 11	- 721	- 3 676	- 733
Net realised gains from available-for-sale assets	6	- 2	19	30	33	50
Net fee and commission income	7	286	322	336	516	658
Fee and commission income		491	549	578	962	1 127
Fee and commission expense		- 206	- 227	- 242	- 446	- 469
Other net income	8	116	98	181	266	280
TOTAL INCOME		2 010	2 038	1 504	250	3 543
Operating expenses		- 1 396	- 1 072	- 1 044	- 2 518	- 2 116
Staff expenses		- 632	- 632	- 609	- 1 251	- 1 241
General administrative expenses		- 672	- 348	- 345	- 1 087	- 693
Depreciation and amortisation of fixed assets		- 92	- 92	- 89	- 180	- 181
Impairment	14	- 614	- 383	- 299	- 1 316	- 681
on loans and receivables		- 578	- 355	- 278	- 885	- 633
on available-for-sale assets		- 11	- 1	- 16	- 317	- 17
on goodwill		- 33	- 27	- 1	- 112	- 28
on other		8	0	- 3	- 1	- 2
Share in results of associated companies		- 3	- 2	- 9	- 3	- 11
PROFIT BEFORE TAX		- 3	581	153	- 3 586	734
Income tax expense	16	302	- 164	304	282	140
Net post-tax income from discontinued operations	45	27	31	- 302	51	- 271
PROFIT AFTER TAX		326	448	155	- 3 254	603
attributable to minority interest		24	6	6	44	12
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**302**	**442**	**149**	**- 3 298**	**591**
of which relating to discontinued operations		*27*	*31*	*- 302*	*51*	*- 271*
Earnings per share (in EUR)						
Basic		0.89	0.86	0.00	-9.71	0.86
Diluted		0.89	0.86	0.00	-9.71	0.86

In May 2010, a sale agreement was signed regarding KBL EPB (which includes the activities of the former European Private Banking Unit including Vitis Life). As a consequence, in line with IFRS 5, the results of KBL EPB were moved from various P/L-lines towards one single line 'Net post-tax income from discontinued operations' and all reference figures were adjusted accordingly. More information on the sale of KBL EPB and all data required by IFRS 5 can be found in a separate note (note 45) at the end of this chapter.

Condensed consolidated statement of comprehensive income

In millions of EUR	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
PROFIT AFTER TAX	326	448	155	- 3 254	603
Attributable to minority interest	24	6	6	44	12
Attributable to equity holders of the parent	302	442	149	- 3 298	591
OTHER COMPREHENSIVE INCOME					
Net change in revaluation reserve (AFS assets) - Equity	167	64	- 129	189	- 66
Net change in revaluation reserve (AFS assets) - Bonds	501	530	- 204	296	326
Net change in revaluation reserve (AFS assets) - Other	- 3	0	1	- 3	1
Net change in hedging reserve (cash flow hedge)	158	- 135	- 148	- 7	- 283
Net change in translation differences	138	129	- 96	- 13	33
Other movements	- 2	- 1	- 1	- 2	- 2
TOTAL OTHER COMPREHENSIVE INCOME	958	587	- 578	461	9
TOTAL COMPREHENSIVE INCOME	1 284	1 036	- 423	- 2 793	612
Attributable to minority interest	31	20	- 5	30	15
Attributable to equity holders of the parent	**1 253**	**1 015**	**- 418**	**- 2 823**	**597**

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2009	30-06-2010
Cash and cash balances with central banks		7 173	16 214
Financial assets	18, 24	304 057	306 251
Held for trading		40 563	38 499
Designated at fair value through profit or loss		30 520	35 360
Available for sale		56 120	55 496
Loans and receivables		164 598	163 754
Held to maturity		12 045	12 833
Hedging derivatives		213	309
Reinsurers' share in technical provisions, insurance		284	268
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		259	306
Tax assets		2 214	2 552
Current tax assets		367	367
Deferred tax assets		1 847	2 185
Non-current assets held for sale and assets associated with disposal groups	45	70	16 273
Investments in associated companies		608	574
Investment property		762	713
Property and equipment		2 890	2 651
Goodwill and other intangible assets		3 316	2 316
Other assets		2 597	2 114
TOTAL ASSETS		324 231	350 232

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2009	30-06-2010
Financial liabilities	18	279 450	288 535
Held for trading		29 891	30 633
Designated at fair value through profit or loss		31 309	42 439
Measured at amortised cost		217 163	214 215
Hedging derivatives		1 087	1 248
Gross technical provisions, insurance	31	22 012	22 384
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	0
Tax liabilities		519	539
Current tax liabilities		379	329
Deferred tax liabilies		140	210
Liabilities associated with disposal groups	45	0	16 886
Provisions for risks and charges		651	611
Other liabilities		4 422	3 479
TOTAL LIABILITIES		307 054	332 434
Total equity		17 177	17 798
Parent shareholders' equity	35	9 662	10 259
Non-voting core-capital securities	35	7 000	7 000
Minority interests		515	539
TOTAL LIABILITIES AND EQUITY		324 231	350 232

In line with IFRS 5, the assets and liabilities of some divestments were moved from various balance sheet lines towards the lines ‘Non-current assets held for sale and assets associated with disposal groups’ and ‘Liabilities associated with disposal groups’. Note that reference figures were not adjusted (not required by IFRS 5). More information on divestments and all data required by IFRS 5 can be found in a separate note at the end of this chapter (note 45).

Consolidated statement of changes in equity

In millions of EUR	Issued and paid up share capital	Share premium	Treasury shares	Revaluation reserve (AFS assets)	Hedging reserve (cashflow hedges)	Reserves	Translation differences	Parent shareholders' equity	Non-voting core-capital securities	Minority interests	Total equity
30-06-2009											
Balance at the beginning of the period	1 244	4 335	- 1 561	- 1 131	- 351	8 359	- 184	10 710	3 500	1 165	15 376
Net profit for the period	0	0	0	0	0	- 3 298	0	- 3 298	0	44	- 3 254
Other comprehensive income for the period	0	0	0	484	- 3	- 2	- 4	475	0	- 14	461
Total comprehensive income	**0**	**0**	**0**	**484**	**- 3**	**- 3 299**	**- 4**	**- 2 823**	**0**	**30**	**- 2 793**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	3 500	0	3 500
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	1	0	0	0	0	1	0	0	1
Change in minorities	0	0	0	0	0	0	0	0	0	- 48	- 48
Total change	**0**	**0**	**1**	**484**	**- 3**	**- 3 299**	**- 4**	**- 2 822**	**3 500**	**- 18**	**660**
Balance at the end of the period	**1 244**	**4 335**	**- 1 560**	**- 647**	**- 354**	**5 059**	**- 188**	**7 889**	**7 000**	**1 148**	**16 036**
of which revaluation reserve for shares				125							
of which revaluation reserve for bonds				- 770							
of which revaluation reserve for other assets than bonds and shares				- 3							
30-06-2010											
Balance at the beginning of the period	1 245	4 339	- 1 560	457	- 374	5 894	- 339	9 662	7 000	515	17 177
Net profit for the period	0	0	0	0	0	591	0	591	0	12	603
Other comprehensive income for the period	0	0	0	259	- 284	- 2	33	6	0	3	9
Total comprehensive income	**0**	**0**	**0**	**259**	**- 284**	**589**	**33**	**597**	**0**	**15**	**612**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	0	0	0	0	0	0
Purchases of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Sales of treasury shares	0	0	0	0	0	0	0	0	0	0	0
Results on (derivatives on) treasury shares	0	0	5	0	0	0	0	5	0	0	5
Impact business combinations (IFRS 3)	0	0	0	0	0	- 6	0	- 6	0	0	- 6
Change in minorities	0	0	0	0	0	0	0	0	0	9	9
Total change	**0**	**0**	**5**	**259**	**- 284**	**584**	**33**	**597**	**0**	**24**	**621**
Balance at the end of the period	**1 245**	**4 339**	**- 1 554**	**715**	**- 658**	**6 478**	**- 306**	**10 259**	**7 000**	**539**	**17 798**
of which revaluation reserve for shares				321							
of which revaluation reserve for bonds				394							
of which revaluation reserve for other assets than bonds and shares				1							
of which relating to non-current assets held for sale and disposal groups				18	0		8	26		0	26

Condensed consolidated cash flow statement

In millions of EUR	1H 2009	1H 2010
Net cash from (used in) operating activities	1 128	10 970
Net cash from (used in) investing activities	99	- 593
Net cash from (used in) financing activities	- 291	928
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	935	11 304
Cash and cash equivalents at the beginning of the period	9 461	5 487
Effects of exchange rate changes on opening cash and cash equivalents	- 81	1 400
Cash and cash equivalents at the end of the period	10 316	18 192

As mentioned in note 45, KBL EPB forms a disposal group which is part of a discontinued operation. The planned divestment of KBL EPB (of which the closing of the sale transaction is planned in the second half year of 2010) will have the following main impacts on the cash flows included in investing activities:

- receipt of the sale price : 1 350 million euro,
- reduction of cash and cash equivalents which are part of the disposal group: 2.0 billion euro (amount of 31 December 2009) and 2.4 billion euro (amount of 30 June 2010).

Statement of compliance and changes in accounting policies

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

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

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

Changes to the segment reporting since the start of 2010: following the restructuring plan, approved by the EC at the end of 2009, results for the coming years will be impacted substantially by the foreseen divestments, and this for all BU's. In order to create more transparency and in order to avoid substantial quarter-on-quarter distortion in the BU-results, a new format for the BU-reporting was needed. This new format includes following BU's: BU Belgium (BU BEL), BU Central and Eastern Europe (BU CEE), BU Merchant Banking (BU MEB) and Group Centre (latter including the former BU Group Item and all Divestments), see also note 40. As such, the figures of the new BU's represent the 'new' KBC going forward and the trends within these BU's in the next quarters will be minimally impacted by the future divestments.

Change in presentation of note 9 (Breakdown of insurance results) since the start of 2010: in order to provide a more transparent view on the insurance activities, note 9 has been reworked (see further).

In the income statement, the accounting presentation of certain types of costs and income was further harmonised within the KBC Group which causes a limited distortion when comparing the income statement of 1H 2009 with 1H 2010. If the figures for 1H 2009 would be corrected for this classification methodology, the net fee and commission income would have been 20 million euro lower, the other net income 13 million euro lower and operating expenses 32 million less negative.

Note that all information required by IFRS 5 is mentioned in a new note (45) at the end of this chapter.

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

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

Segment reporting

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

KBC is structured and managed according to a number of segments (called ‘business units’). This breakdown is based on a combination of geographic criteria (Belgium and Central and Eastern Europe, being the two core geografic areas the group operates in) and activity criteria (retail bancassurance versus merchantbanking). The Shared Services and Operations business unit, which includes a number of divisions that provide support to and serve as a product factory for the other divisions (ICT, leasing, payments, assetmanagement etc.) is not shown as a separate segment, as all costs and income of this business unit are allocated to the other business units and are hence included in their results.
The segment reporting (see below) is based on this breakdown, but, as of 2010, also brings together all companies that are up for divestment (according to the new strategic plan) under the Group Centre (figures for 2009 were adjusted accordingly) .

For reporting purposes, the business units hence are:

- Belgium (retail bancassurance, asset management and private banking in Belgium; companies that are planned for divestment are moved to Group Centre).
- Central & Eastern Europe (retail bancassurance, asset management, private banking and merchant banking in the Czech and Slovak Republics, Hungary, Poland and Bulgaria; companies in other countries that are planned for divestment are moved to Group Centre[1])
- Merchant Banking (commercial banking and market activities in Belgium and selected countries in Europe, America and Southeast Asia; companies that are planned for divestment are moved to Group Centre)
- Group Centre (companies that are planned for divestment[1], as well as KBC Group NV, KBC Global Services NV and some allocated costs (the allocation of results of KBC Bank Belgium and KBC Insurance NV to the Group Centre are limited to those results that can not be allocated in a reliable way to other segments).

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

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

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

The figures of the segment reporting have been prepared in accordance with the general KBC accounting policies (see Note 1) and are thus in compliance with the International Financial Reporting Standards as adopted for use in the European Union (endorsed IFRS). Some exceptions to these accounting policies have been made to better reflect the underlying performance:

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

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

- In the IFRS accounts, a large part of KBC's derivatives used for Asset and Liability Management (ALM) are treated as 'trading instruments'. These include those derivatives that do not qualify for fair value hedge accounting for a portfolio hedge of interest rate risk. Consequently, interest results on such hedges are recognised as 'net (un)realised gains from financial instruments at fair value', while the interest paid on the underlying assets is recognised as 'net interest income'. In the underlying accounts, the interest on these derivatives is also recognised in the 'net interest income' heading (where interest results on the underlying assets are already presented), without any impact on net profit.
  Moreover, fair value changes (due to marking-to-market) of these ALM derivatives are recognised under 'net (un)realised gains from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). In order to limit the volatility of this MtM, a (government) bond portfolio has been classified as financial assets at fair value through profit or loss (fair value option). The remaining volatility of the fair value changes in these ALM derivatives versus the fair value changes in the bond portfolio at fair value through profit or loss is excluded in the underlying results.
- In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net (un)realised gains from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised gains on available-for-sale assets' and 'other net income' are also related to trading income. In the underlying figures, all trading income components within the investment banking division are recognised under 'net (un)realised gains from financial instruments at fair value', without any impact on net profit.
- In the IFRS accounts, the effect of changes in own credit risk was taken into account to determine the fair value of liabilities at fair value through profit or loss. This resulted in value changes that had an impact on reported net profit. Since this is a non-operating item, the impact is excluded from the 'underlying figures'.
- In the IFRS accounts, discontinued operations (in KBC's new strategic plan, this refers only to KBL EPB) are booked according to IFRS 5 (meaning that results relating to such a discontinued operation are moved from the various P&L lines towards one line 'Net post-tax income from discontinued operations', as soon as the criteria for IFRS 5 are fulfilled). In the underlying results, such discontinued operations follow the same rules as other divestments (all relevant P&L lines relating to the divestment or discontinued operation are moved to Group Centre).

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

Reconciliation between underlying profit and profit according to IFRS [1] KBC Group, in millions of EUR	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Cumul. 1H 2009	Cumul. 1H 2010
Profit after tax, attributable to equity holders of the parent, UNDERLYING	465	409	631	218	543	554	-	-	875	1 097
+ MTM of derivatives for ALM hedging	-137	206	42	-33	-94	-268	-	-	69	-362
+ gains/losses on CDOs	-3 793	996	228	719	182	-160	-	-	-2 797	22
+ MTM of CDO guarantee and commitment fee	0	-1 121	-146	-143	-50	-27	-	-	-1 121	-77
+ value losses on AFS shares	-311	-50	4	-4	0	0	-	-	-361	0
+(reversal of) impairment on troubled US & Icelandic banks	16	-1	42	8	13	0	-	-	16	13
+ gain on buy-back of hybrid tier-1 securities	0	0	128	0	0	0	-	-	0	0
+ impairment on goodwill	-79	-28	-58	-328	-27	-1	-	-	-108	-28
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-101	-	-	-760	-202
+ MTM of own debt issued	134	200	-330	41	-2	45	-	-	334	43
+ Results on divestments [2]	0	0	0	0	0	-338	-	-	0	-338
+ other	96	63	-33	16	-62	-30	-	-	158	-92
+ taxes & minority interests re. items above	7	388	176	-24	41	474 [3]	-	-	395	515
Profit after tax, attributable to equity holders of the parent, IFRS	-3 600	302	528	304	442	149	-	-	-3 298	591

1 A breakdown of this reconciliation table per business unit is provided in the chapter 'Underlying results per business unit' of the Extended quarterly report.
2 Mainly goodwill impairment and transaction costs related to sale of KBL EPB.
3 Including the positive 0.4 billion deferred tax relating to past fair value losses on CDO-exposure (Note 16).

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre excluding intersegment eliminations	Inter-segment eliminations	KBC Group
INCOME STATEMENT - underlying results - 1H 2009						
Net interest income	1 037	797	395	471	- 4	2 697
Gross earned premiums, insurance	1 848	519	0	219	- 21	2 564
Non-life	512	377	0	86	- 20	955
Life	1 336	142	0	132	- 1	1 609
Gross technical charges, insurance	- 1 742	- 341	0	- 210	2	- 2 291
Non-life	- 287	- 253	0	- 54	8	- 587
Life	- 1 455	- 88	0	- 157	- 6	- 1 704
Ceded reinsurance result	- 20	- 12	0	- 3	3	- 32
Dividend income	38	8	2	11	0	59
Net (un)realised gains from financial instruments at fair value through profit or loss	31	32	416	72	0	551
Net realised gains from available-for-sale assets	52	8	1	31	0	92
Net fee and commission income	293	136	99	188	3	719
Other net income	78	71	82	529	- 544	216
TOTAL INCOME	**1 615**	**1 218**	**996**	**1 309**	**- 562**	**4 575**
Operating expenses	- 851	- 712	- 288	- 1 143	562	- 2 432
Impairment	- 37	- 267	- 432	- 144	0	- 880
on loans and receivables	- 36	- 266	- 430	- 142	0	- 874
on available-for-sale assets	- 1	0	- 1	- 3	0	- 5
on goodwill	0	0	0	0	0	0
on other	0	0	- 1	0	0	- 1
Share in results of associated companies	0	1	0	- 2	0	- 1
PROFIT BEFORE TAX	**727**	**240**	**276**	**19**	**0**	**1 263**
Income tax expense	- 215	- 23	- 68	- 38	0	- 344
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	**512**	**217**	**209**	**- 19**	**0**	**919**
attributable to minority interests	2	82	44	- 83	0	44
attributable to equity holders of the parent	**510**	**135**	**165**	**64**	**0**	**875**
INCOME STATEMENT - underlying results - 1H 2010						
Net interest income	1 112	901	391	333	0	2 738
Gross earned premiums, insurance	1 561	661	0	232	- 59	2 395
Non-life	523	383	0	85	- 22	969
Life	1 038	278	0	146	- 36	1 426
Gross technical charges, insurance	- 1 544	- 566	0	- 223	36	- 2 297
Non-life	- 339	- 321	0	- 47	- 2	- 709
Life	- 1 206	- 245	0	- 176	38	- 1 589
Ceded reinsurance result	6	23	0	- 4	16	41
Dividend income	29	2	3	10	0	43
Net (un)realised gains from financial instruments at fair value through profit or loss	46	81	276	64	0	467
Net realised gains from available-for-sale assets	15	25	2	23	0	64
Net fee and commission income	399	148	117	218	0	883
Other net income	57	39	54	10	- 8	153
TOTAL INCOME	**1 682**	**1 313**	**843**	**663**	**- 14**	**4 487**
Operating expenses	- 800	- 703	- 277	- 540	14	- 2 307
Impairment	- 42	- 228	- 310	- 74	0	- 653
on loans and receivables	- 28	- 225	- 308	- 72	0	- 633
on available-for-sale assets	- 14	0	- 2	- 2	0	- 18
on goodwill	0	0	0	0	0	0
on other	0	- 2	0	0	0	- 2
Share in results of associated companies	0	1	0	- 11	0	- 10
PROFIT BEFORE TAX	**840**	**382**	**255**	**38**	**0**	**1 516**
Income tax expense	- 260	- 50	- 43	- 54	0	- 407
Net post-tax income from discontinued operations	0	0	0	0	0	0
PROFIT AFTER TAX	**580**	**333**	**212**	**- 16**	**0**	**1 109**
attributable to minority interests	3	110	7	- 108	0	12
attributable to equity holders of the parent	**577**	**222**	**206**	**93**	**0**	**1 097**

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

In millions of EUR	Belgium Business unit	CEE Business unit	Merchant Banking Business unit	Group Centre	KBC Group
Balance sheet information 31-12-2009					
Total loans to customers	49 593	33 767	52 298	17 571	153 230
Of which mortgage loans	25 029	12 075	13 383	8 693	59 180
Of which reverse repos	0	3 096	3 199	0	6 295
Customer deposits	64 827	42 088	63 237	23 313	193 464
Of which repos	320	3 138	9 741	0	13 199
Balance sheet information 30-06-2010					
Total loans to customers	51 186	32 699	57 199	15 941	157 024
Of which mortgage loans	25 987	13 625	13 162	7 282	60 056
Of which reverse repos	0	1 967	11 344	0	13 311
Customer deposits	67 393	42 524	80 549	14 642	205 108
Of which repos	0	2 502	19 595	0	22 097

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

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

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

In millions of EUR	Belgium	Central and Eastern Europe and Russia	Rest of the world	KBC Group
1H 2009				
Total income from external customers	2 087	1 453	1 035	4 575
31-12-2009				
Total assets (period-end)	208 551	58 411	57 268	324 231
Total liabilities (period-end)	187 689	52 289	67 077	307 054
1H 2010				
Total income from external customers	2 012	1 472	1 002	4 487
30-06-2010				
Total assets (period-end)	230 301	59 160	60 771	350 232
Total liabilities (period-end)	210 977	53 182	68 275	332 434

Other notes

We repeat that due to the application of IFRS 5 as regards the sale of KBL EPB, P&L reference figures have been restated accordingly. This is not the case for the reference balance sheet data. In Note 18 a separate column has been added to exclude the contribution of those divestments that fall under the scope of IFRS 5 (figures as of 31/12/2009).

Net interest income (note 3 in the annual accounts)

In millions of EUR	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
Total	1 375	1 519	1 567	2 782	3 086
Interest income	2 915	2 621	2 651	6 299	5 273
Available-for-sale assets	503	474	496	943	969
Loans and receivables	1 874	1 651	1 674	3 956	3 325
Held-to-maturity investments	117	132	135	234	268
Other assets not at fair value	- 6	7	8	29	15
Subtotal, interest income from financial assets not measured at fair value through profit or loss	2 487	2 264	2 313	5 162	4 577
Financial assets held for trading	138	104	93	345	197
Hedging derivatives	141	74	92	352	166
Other financial assets at fair value through profit or loss	149	180	153	440	332
Interest expense	- 1 539	- 1 103	- 1 085	- 3 516	- 2 187
Financial liabilities measured at amortised cost	- 1 146	- 805	- 782	- 2 586	- 1 587
Other	- 4	- 4	6	- 7	2
Investment contracts at amortised cost	0	0	0	0	0
Subtotal, interest expense for financial liabilities not measured at fair value through profit or loss	- 1 150	- 808	- 777	- 2 592	- 1 585
Financial liabilities held for trading	- 18	- 21	- 26	- 52	- 47
Hedging derivatives	- 240	- 203	- 213	- 485	- 417
Other financial liabilities at fair value through profit or loss	- 131	- 70	- 68	- 387	- 138

Dividend income (note 4 in the annual accounts)

In millions of EUR	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
Total	55	15	40	77	56
Breakdown by type					
Held-for-trading shares	12	9	8	23	16
Shares initially recognised at fair value through profit or loss	0	0	2	0	2
Available-for-sale shares	43	6	31	54	37

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

In the second quarter 2010, the market price for corporate credit, reflected in credit default swap spreads, deteriorated again after 4 quarters of improvement, generating a value mark-down of KBC's CDO exposure. The negative earnings impact from CDO revaluation amounted to -0.2 billion euros for 2Q 2010. For the first six months, the cumulative impact is roughly 0 billion euros (the figure includes the impact of government guarantee but excludes the related fee).The coverage of the CDO-linked counterparty risk against MBIA, the US monoline insurer, remained at the level of 31 December 2009, namely 70%.

Information on the P&L impact of the valuation changes related to the government bonds of selected European countries is provided in the note 44.

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

In millions of EUR	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
Total	- 2	19	30	33	50
Breakdown by portfolio					
Fixed-income securities	- 2	16	20	5	36
Shares	0	3	10	28	14

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

In millions of EUR	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
Total	286	322	336	516	658
Fee and commission income	491	549	578	962	1 127
Securities and asset management	243	285	314	476	599
Margin on deposit accounting (life insurance investment contracts without DPF)	5	7	5	9	12
Commitment credit	63	64	70	130	134
Payments	120	125	126	237	251
Other	60	68	63	111	131
Fee and commission expense	- 206	- 227	- 242	- 446	- 469
Commission paid to intermediaries	- 99	- 132	- 117	- 215	- 249
Other	- 106	- 95	- 126	- 231	- 220

Other net income (note 8 in the annual accounts)

In millions of EUR	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
Total	116	98	181	266	280
Net realised gain on loans and receivables	6	3	1	6	4
Net realised gain on held-to-maturity investments	- 1	- 1	1	- 1	0
Net realised gain on financial liabilities measured at amortised cost	0	0	0	1	0
Other	110	97	180	259	276
of which: income concerning leasing at the KBC Lease-group	13	23	14	25	36
of which: income from consolidated private equity participations	12	13	14	40	27
of which: moratorium interests on tax recuperation	0	0	14	0	14
of which: income from Groep VAB	19	20	12	39	33

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

In millions of EUR	Life	Non-life	Non-technical account	TOTAL
6M 2009				
Technical result	- 141	172	15	45
Gross earned premiums	1 609	966		2 574
Gross technical charges	- 1 692	- 587		- 2 280
Net fee and commission income	- 57	- 178	17	- 218
Ceded reinsurance result	- 1	- 29	- 2	- 32
Financial result	257	37	- 456	- 162
Net interest income			457	457
Net dividend income			40	40
Net gains from financial instruments at fair value			- 682	- 682
Net realised gains from AFS assets			23	23
Allocation to the technical accounts	257	37	- 294	0
Operating expenses	- 60	- 150	- 5	- 215
Internal costs claim paid	- 4	- 36		- 40
Administration costs related to acquisitions	- 19	- 46	0	- 65
Administration costs	- 37	- 69	0	- 106
Management costs investments	0	0	- 5	- 5
Other net income			18	18
Impairments			- 293	- 293
Share in results of associated companies			0	0
PROFIT BEFORE TAX	56	58	- 721	- 607
Income tax expense				47
Net post-tax income from discontinued operations				3
PROFIT AFTER TAX	56	58	- 721	- 558
attributable to minority interest				9
attributable to equity holders of the parent				- 567
6M 2010				
Technical result	- 210	134	17	- 59
Gross earned premiums	1 429	979	0	2 408
Gross technical charges	- 1 591	- 710	0	- 2 301
Net fee and commission income	- 46	- 180	19	- 206
Ceded reinsurance result	- 1	44	- 2	41
Financial result	424	108	- 14	517
Net interest income			504	504
Net dividend income			31	31
Net gains from financial instruments at fair value			- 44	- 44
Net realised gains from AFS assets			26	26
Allocation to the technical accounts	424	108	- 532	0
Operating expenses	- 64	- 172	- 4	- 240
Internal costs claim paid	- 4	- 36	0	- 41
Administration costs related to acquisitions	- 19	- 46	0	- 65
Administration costs	- 41	- 90	0	- 130
Management costs investments	0	0	- 4	- 4
Other net income			- 3	- 3
Impairments			- 14	- 14
Share in results of associated companies			0	0
PROFIT BEFORE TAX	150	69	- 17	202
Income tax expense				- 69
Net post-tax income from discontinued operations				
PROFIT AFTER TAX	150	69	- 17	133
attributable to minority interest				2
attributable to equity holders of the parent				131

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

As a bancassurance company, KBC presents its financial information in an integrated manner (bank and insurance activities together). More information on the group's bank activities and insurance activities separately are available in the annual reports of KBC Bank and KBC Insurance.
This note provides some information on the insurance results separately. The figures are before elimination of transactions between the bank and insurance entities of the group (results related to insurance contracts between bank and insurance entities of the group, interest received by insurance entities on deposits placed with bank entities of the group, paid commissions of insurance entities to bank entities related to the sale of insurance products etc.), in order to provide a better view on the profitability of the insurance activities.

Additional information on insurance activities included in this report:

- Gross earned premiums, life insurance (note 10)
- Technical provisions, insurance (note 31)
- List of significant subsidiaries and associated companies (note 40)

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

In millions of EUR	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
Total	778	759	664	1 606	1 423
Breakdown by IFRS category					
Insurance contracts	198	250	284	400	534
Investment contracts with discretionary participation	580	509	380	1 206	889
Breakdown by type					
Accepted reinsurance	7	9	9	14	18
Primary business	771	749	655	1 591	1 405
Breakdown of primary business					
Individual versus group					
Individual premiums	705	623	513	1 450	1 136
Premiums under group contracts	66	127	142	141	268
Periodic versus single					
Periodic premiums	173	225	201	368	426
Single premiums	598	524	454	1 224	978
Non-bonus versus bonus contracts					
Premiums from non-bonus contracts	46	47	51	92	98
Premiums from bonus contracts	702	652	498	1 464	1 151
Unit linked	22	50	106	35	156

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

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

In millions of EUR	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
Total	- 614	- 383	- 299	- 1 316	- 681
Impairment on loans and receivables	- 578	- 355	- 278	- 885	- 633
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 421	- 292	- 292	- 696	- 584
Specific impairments for off-balance-sheet credit commitments	- 5	2	- 10	- 11	- 8
Portfolio-based impairments	- 152	- 65	24	- 178	- 41
Breakdown by business unit					
Belgium	- 18	- 2	- 25	- 36	- 28
Central and Eastern Europe	- 141	- 111	- 114	- 266	- 225
Merchant Banking	- 330	- 219	- 89	- 430	- 308
Group Centre	- 88	- 22	- 49	- 153	- 72
Impairment on available-for-sale assets	- 11	- 1	- 16	- 317	- 17
Breakdown by type					
Shares	- 11	- 1	- 17	- 315	- 17
Other	0	0	0	- 2	0
Impairment on goodwill	- 33	- 27	- 1	- 112	- 28
Impairment on other	8	0	- 3	- 1	- 2
Intangible assets, other than goodwill	0	0	0	0	0
Property and equipment	0	0	- 1	1	- 1
Held-to-maturity assets	0	0	0	0	0
Associated companies (goodwill)	0	0	0	0	0
Other	8	0	- 1	- 1	- 1

The 0.3 billion euros impairment on goodwill relating to the sale agreement on KBL EPB is not booked under the impairment heading but, as required by IFRS 5, is included in the line ‘net post-tax income from discontinued operations.’

Income tax expense (note 16 in the annual accounts)

KBC booked a negative result over 2009 of EUR 2.5 billion, to a large extent as a result of (fair value) losses registered on its CDO book (collaterised debt obligations) and related lines of business. Untill 31 March 2010, KBC had not booked a tax impact on the larger part of these losses, given the fact that these losses occured in subsidiaries which had insufficient future taxable profits to offset these tax losses. In order to recapitalise one of the major subsidiaries involved, KBC Bank proposed to the local regulator and the Belgian tax office a debt waiver in favour of this subsidiary.
At the end of April, the Belgian tax ruling office ruled positively, confirming the general principle that, if certain criteria are being met, a debt waiver is tax deductible. In practice, this means KBC has booked in the second quarter of 2010 a net positive deferred tax income of EUR 0.4 billion. The deferred tax asset is justified by the availability of sufficient taxable profit in a reasonably foreseeable future. The estimated future profits are based on macro economic assumptions and take into account the most conservative of a range of scenarios.

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

FINANCIAL ASSETS (in millions of EUR)	Held for trading	Designated at fair value	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	Total excluding IFRS 5 (*)
31-12-2009									
Loans and advances to credit institutions and investment firms [a]	566	3 708	0	16 930	-	-	-	21 204	17 965
Loans and advances to customers [b]	3 169	6 133	0	143 928	-	-	-	153 230	151 930
Discount and acceptance credit	0	9	0	116	-	-	-	125	114
Consumer credit	0	0	0	4 947	-	-	-	4 947	4 940
Mortgage loans	0	2 349	0	56 830	-	-	-	59 180	58 801
Term loans	3 169	3 579	0	64 904	-	-	-	71 652	71 283
Finance leasing	0	0	0	5 569	-	-	-	5 569	5 569
Current account advances	0	0	0	5 123	-	-	-	5 123	4 668
Securitised loans	0	0	0	0	-	-	-	0	0
Other	0	196	0	6 439	-	-	-	6 635	6 555
Equity instruments [c]	2 977	20	2 418	-	-	-	-	5 414	4 734
Investment contracts (insurance)	-	7 957	-	-	-	-	-	7 957	6 867
Debt instruments issued by	12 653	12 457	52 694	3 270	11 765	-	-	92 838	86 291
Public bodies	8 056	11 202	39 439	3	10 662	-	-	69 362	66 010
Credit institutions and investment firms	2 512	327	6 297	0	767	-	-	9 903	8 787
Corporates	2 085	928	6 958	3 267	335	-	-	13 572	11 494
Derivatives	20 995	-	-	-	-	165	-	21 160	20 864
Total carrying value excluding accrued intrest income	40 360	30 275	55 112	164 128	11 765	165	0	301 804	288 651
Accrued interest income	203	245	1 008	470	280	48	0	2 254	2 149
Total carrying value including accrued interest income	40 563	30 520	56 120	164 598	12 045	213	0	304 057	290 800
[a] *Of which reverse repos*								*6 297*	*3 924*
[b] *Of which reverse repos*								*6 295*	*6 295*
[c] *For AFS equity: of which:*									
Real estate certificates			*41*						
Bonds and cash funds			*406*						
Shares			*1 971*						
30-06-2010									
Loans and advances to credit institutions and investment firms [a]	889	4 173	0	17 274	-	-	-	22 335	
Loans and advances to customers [b]	2 134	12 690	0	142 200	-	-	-	157 024	
Discount and acceptance credit	0	0	0	210	-	-	-	210	
Consumer credit	0	0	0	4 433	-	-	-	4 433	
Mortgage loans	0	664	0	59 392	-	-	-	60 056	
Term loans	2 134	11 930	0	63 860	-	-	-	77 924	
Finance leasing	0	0	0	5 225	-	-	-	5 225	
Current account advances	0	0	0	5 144	-	-	-	5 144	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	96	0	3 938	-	-	-	4 034	
Equity instruments	2 279	19	2 008	-	-	-	-	4 307	
Investment contracts (insurance)	-	7 034	-	-	-	-	-	7 034	
Debt instruments issued by	11 415	11 215	52 627	3 769	12 577	-	-	91 603	
Public bodies	8 170	9 986	41 445	91	11 633	-	-	71 325	
Credit institutions and investment firms	1 552	358	5 472	214	612	-	-	8 207	
Corporates	1 693	871	5 710	3 464	332	-	-	12 071	
Derivatives	21 620	-	-	-	-	259	-	21 879	
Total carrying value excluding accrued interest income	38 336	35 130	54 635	163 244	12 577	259	0	304 182	
Accrued interest income	163	230	861	510	255	49	0	2 069	
Total carrying value including accrued interest income	38 499	35 360	55 496	163 754	12 833	309	0	306 251	
[a] *Of which reverse repos*								*4 431*	
[b] *Of which reverse repos*								*13 311*	
[c] *For AFS equity: of which:*									
Real estate certificates			*64*						
Bonds and cash funds			*109*						
Shares			*1 836*						

*Excluding the contribution of all divestments in the scope of IFRS 5 as at 30 June 2010.

In October 2008, the IASB issued amendments to IAS 39 (Financial instruments: recognition and measurement) and IFRS 7 (Financial instruments: disclosure) under 'Reclassification of financial assets'. These amendments were endorsed by the European Union on 15 October 2008. The amendments to IAS 39 in October 2008 permit an entity to reclassify certain financial assets in particular circumstances. Certain non-derivative financial assets measured *at fair value through profit or loss* (other than those classified under the fair value option) may in certain cases be reclassified to: 'held-to-maturity assets', 'loans and receivables' or 'available-for-sale assets'. Certain assets classified as 'available for sale' may be transferred to 'loans and receivables', likewise in particular cases. The amendments to IFRS 7 impose additional disclosure requirements if the reclassification option is used.
Following the implementation of these amendments, the KBC group reclassified on 31 December 2008 a number of assets out of the 'available for sale' category to the 'loans and receivables' category because they had become less liquid. On the date of reclassification, the assets in question met the definition of loans and receivables, and the group has the intention and ability to hold these assets for the foreseeable future or until maturity. Both the carrying value and the fair value of the reclassified assets came to 3.6 billion euro on 31 December 2008.

Financial assets reclassified out of 'available for sale' to 'loans and receivables' on 31-12-2008, in millions of EUR, 30-06-2010

Carrying value	3 105
Fair value	3 176

Financial assets reclassified out of 'available for sale' to 'loans and receivables' on 31-12-2008, in millions of EUR, 30-06-2010, amounts before tax

	In case of non-reclassification (AFS)	After reclassification (L&R)	Impact
Outstanding revaluation reserve AFS	-540	-655	-115
Impact on the income statement	-11	-56	-45

In 1H 2010, the reclassification resulted pre-tax in

- a negative effect on equity to the tune of 115 million euro regarding the revaluation reserves AFS (and a positive impact on reserves of +18 million euro regarding the income statement impact of 2009)
- a negative effect on the income statement amounting to 45 million euro.

Besides specific impairments, 9 million euro was also added for portfolio-based impairment (IBNR) on loans and receivables in 1H 2010.

FINANCIAL LIABILITIES (in millions of EUR)	Held for trading	Designated at fair value [c]	Available for sale	Loans and receivables	Held to maturity	Hedging derivatives	Measured at amortised cost	Total	Total excluding IFRS 5 (*)
31-12-2009									
Deposits from credit institutions and investment firms [a]	211	6 678	-	-	-	-	38 555	45 444	42 330
Deposits from customers and debt certificates [b]	834	16 695	-	-	-	-	175 935	193 464	185 374
Deposits from customers	0	13 154	-	-	-	-	132 165	145 319	138 061
Demand deposits	0	150	-	-	-	-	44 271	44 421	39 395
Time deposits	0	12 992	-	-	-	-	44 448	57 441	55 254
Savings deposits	0	0	-	-	-	-	38 645	38 645	38 645
Special deposits	0	0	-	-	-	-	3 677	3 677	3 677
Other deposits	0	11	-	-	-	-	1 124	1 135	1 091
Debt certificates	834	3 541	-	-	-	-	43 770	48 146	47 314
Certificates of deposit	0	42	-	-	-	-	15 746	15 788	15 788
Customer savings certificates	0	0	-	-	-	-	2 583	2 583	2 579
Convertible bonds	0	0	-	-	-	-	0	0	0
Non-convertible bonds	834	3 218	-	-	-	-	16 311	20 363	20 352
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	0
Non-convertible subordinated liabilities	0	282	-	-	-	-	9 129	9 411	8 595
Liabilities under investment contracts	-	7 685	-	-	-	-	254	7 939	6 849
Derivatives	26 304	0	-	-	-	882	-	27 185	26 703
Short positions	2 147	0	-	-	-	-	-	2 147	1 755
in equity instruments	486	0	-	-	-	-	-	486	232
in debt instruments	1 661	0	-	-	-	-	-	1 661	1 523
Other	250	168	-	-	-	-	1 514	1 931	1 931
Total carrying value excluding accrued interest expense	29 745	31 226	-	-	-	882	216 258	278 111	264 943
Accrued interest expense	146	83	-	-	-	205	905	1 339	1 282
Total carrying value including accrued interest expense	29 891	31 309	-	-	-	1 087	217 163	279 450	266 225
[a] *Of which repos*								*11 513*	*10 444*
[b] *Of which repos*								*13 199*	*13 199*
[c] *Of which valuation own credit risk*								*- 204*	*- 204*
30-06-2010									
Deposits from credit institutions and investment firms [a]	23	7 829	-	-	-	-	32 744	40 596	
Deposits from customers and debt certificates [b]	656	28 053	-	-	-	-	176 399	205 108	
Deposits from customers	0	24 365	-	-	-	-	132 532	156 897	
Demand deposits	0	201	-	-	-	-	49 052	49 253	
Time deposits	0	24 164	-	-	-	-	38 351	62 515	
Savings deposits	0	0	-	-	-	-	40 106	40 106	
Special deposits	0	0	-	-	-	-	3 822	3 822	
Other deposits	0	0	-	-	-	-	1 202	1 202	
Debt certificates	656	3 688	-	-	-	-	43 866	48 211	
Certificates of deposit	0	62	-	-	-	-	17 685	17 747	
Customer savings certificates	0	0	-	-	-	-	2 377	2 377	
Convertible bonds	0	0	-	-	-	-	0	0	
Non-convertible bonds	656	3 310	-	-	-	-	14 709	18 675	
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	
Non-convertible subordinated liabilities	0	316	-	-	-	-	9 096	9 412	
Liabilities under investment contracts	-	6 299	-	-	-	-	198	6 496	
Derivatives	29 066	0	-	-	-	1 194	-	30 260	
Short positions	830	0	-	-	-	-	-	830	
in equity instruments	35	0	-	-	-	-	-	35	
in debt instruments	795	0	-	-	-	-	-	795	
Other	0	179	-	-	-	-	3 673	3 852	
Total carrying value excluding accrued interest expense	30 576	42 359	-	-	-	1 194	213 014	287 142	
Accrued interest expense	57	80	-	-	-	54	1 202	1 392	
Total carrying value including accrued interest expense	30 633	42 439	-	-	-	1 248	214 215	288 535	
[a] *Of which repos*								*12 612*	
[b] *Of which repos*								*22 097*	
[c] *Of which valuation own credit risk*								*- 249*	

*Excluding the contribution of all divestments in the scope of IFRS 5 as at 30 June 2010.

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

In millions of EUR	31-12-2009	30-06-2010
Total	4 080	4 511
Breakdown by type		
Specific impairment, on-balance-sheet loans and receivables	3 667	4 045
Specific impairment, off-balance-sheet credit commitments	85	93
Portfolio-based impairment	328	374
Breakdown by counterparty		
Impairment for loans and advances to banks	36	39
Impairment for loans and advances to customers	3 933	4 357
Specific and portfolio based impairment, off-balance-sheet credit commitments	111	115

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

In millions of EUR	31-12-2009	30-06-2010
Gross technical provisions	22 012	22 384
Insurance contracts	10 244	10 214
Provisions for unearned premiums and unexpired risk	504	586
Life insurance provision	5 493	6 011
Provision for claims outstanding	3 770	3 107
Provision for profit sharing and rebates	29	28
Other technical provisions	449	483
Investment contracts with DPF	11 768	12 171
Life insurance provision	11 715	12 125
Provision for claims outstanding	0	0
Provision for profit sharing and rebates	53	46
Reinsurers' share	284	268
Insurance contracts	284	268
Provisions for unearned premiums and unexpired risk	15	27
Life insurance provision	7	1
Provision for claims outstanding	262	240
Provision for profit sharing and rebates	0	0
Other technical provisions	0	0
Investment contracts with DPF	0	0
Life insurance provision	0	0
Provision for claims outstanding	0	0
Provision for profit sharing and rebates	0	0

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

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

in number of shares	31-12-2009	30-06-2010
Ordinary shares	357 918 125	357 918 125
Non-voting core-capital securities	237 288 134	237 288 134
of which ordinary shares that entitle the holder to a dividend payment	*344 392 245*	*345 481 813*
of which treasury shares	*18 189 217*	*18 185 682*
Other information		
Par value per ordinary share (in euros)	3.48	3.48
Number of shares issued but not fully paid up	0	0

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

The number of KBC-shares held by group companies is shown in the table under 'treasury shares'. As at 30 June 2010, this number includes, *inter alia*:

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

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

During the first half of 2010, there was no significant change in related parties compared to the end 2009. KBC bought a guarantee in 2009 from the Belgian government covering to a large extent the potential downside risk on the value of its collateralised debt obligations (CDO's). The results of the first half of 2010 include the accounting of 77 million euro (of which 50 million euro in 1Q 2010) fee expense (included in net gains from financial instruments at fair value).

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

Company	Business unit*	Registered office	Ownership percentage at KBC Group level	Activity
KBC BANK				
Fully consolidated subsidiaries				
Absolut Bank	GRP	Moscow - RU	95.00	Credit institution
Antwerpse Diamantbank NV	GRP	Antwerp - BE	100.00	Credit institution
CBC Banque SA	BEL	Brussels - BE	100.00	Credit institution
CENTEA NV	GRP	Antwerp - BE	99.56	Credit institution
CIBANK AD	CEE	Sofia - BG	83.91	Credit institution
CSOB a.s. (Czech Republic)	CEE**	Prague - CZ	100.00	Credit institution
CSOB a.s. (Slovak Republic)	CEE	Bratislava - SK	100.00	Credit institution
KBC Asset Management NV (1)	BEL	Brussels - BE	100.00	Asset Management
KBC Bank NV	BEL/MEB/CEE/GR	Brussels - BE	100.00	Credit institution
KBC Bank Deutschland AG	GRP	Bremen - DE	100.00	Credit institution
KBC Bank Funding LLC & Trust (group)	MEB	New York - US	100.00	Issuance of trust preferred securities
KBC Bank Ireland Plc	MEB	Dublin - IE	100.00	Credit institution
KBC Clearing NV	MEB	Amsterdam - NL	100.00	Clearing
KBC Commercial Finance NV	MEB	Brussels - BE	100.00	Factoring
KBC Credit Investments NV	MEB	Brussels - BE	100.00	Investments in credit-linked securities
KBC Finance Ireland	GRP	Dublin - IE	100.00	Lending
KBC Financial Products (group) (1)	GRP	Various locations	100.00	Equities and derivatives trading
KBC Internationale Financieringsmaatschappij NV	MEB	Rotterdam - NL	100.00	Issuance of bonds
KBC Lease (group)	MEB/CEE/BEL	Various locations	100.00	Leasing
KBC Peel Hunt Ltd.	GRP	London - GB	100.00	Stock exchange broker / corporate finance
KBC Private Equity NV	MEB	Brussels - BE	100.00	Private equity
KBC Real Estate NV	MEB	Brussels - BE	100.00	Real estate
KBC Securities NV (1)	MEB	Brussels - BE	100.00	Stock exchange broker / corporate finance
K&H Bank Zrt.	CEE	Budapest - HU	100.00	Credit institution
Kredyt Bank SA	CEE	Warsaw - PL	80.00	Credit institution
Associated companies				
Nova Ljubljanska banka d.d. (group)	GRP	Ljubljana - SI	30.57	Credit institution
KBC INSURANCE				
Fully consolidated subsidiaries				
ADD NV	BEL	Heverlee - BE	100.00	Insurance company
Assurisk SA	BEL	Luxembourg - LU	100.00	Insurance company
CSOB Pojist'ovna a.s.(Czech Republic)	CEE	Pardubice - CZ	100.00	Insurance company
CSOB Poist'ovna a.s.(Slovak Republic)	CEE	Bratislava - SK	100.00	Insurance company
DZI Insurance	CEE	Sofia - BG	90.35	Insurance company
Fidea NV	GRP	Antwerp - BE	100.00	Insurance company
Groep VAB NV	BEL	Zwijndrecht - BE	74.81	Automobile assistance
K&H Insurance	CEE	Budapest - HU	100.00	Insurance company
KBC Banka A.D.	GRP	Belgrade - RS	100.00	Credit institution
KBC Verzekeringen NV	BEL	Leuven - BE	100.00	Insurance company
Secura NV (1)	BEL	Brussels - BE	95.04	Insurance company
TUIR WARTA SA	CEE	Warsaw - PL	100.00	Insurance company
Proportionally consolidated subsidiaries				
NLB Vita d.d.	GRP	Ljubljana - SI	50.00	Insurance company
KBL EPB (2)				
Fully consolidated subsidiaries				
Brown, Shipley & Co Ltd.	GRP	London - GB	99.91	Credit institution
KBL Richelieu Banque Privée	GRP	Paris - FR	99.91	Credit institution
Kredietbank SA Luxembourgeoise	GRP	Luxembourg - LU	99.91	Credit institution
Kredietbank (Suisse) SA, Genève	GRP	Geneva - CH	99.90	Credit institution
Merck Finck & Co.	GRP	Munich - DE	99.91	Credit institution
Puilaetco Dewaay Private Bankers SA	GRP	Brussels - BE	99.91	Credit institution
Theodoor Gilissen Bankiers NV	GRP	Amsterdam - NL	99.91	Credit institution
Vitis Life Luxemburg	GRP	Luxembourg - LU	99.91	Insurance company
KBC GROUP NV (other direct subsidiaries)				
Fully consolidated subsidiaries				
KBC Global Services NV	GRP	Brussels - BE	100.00	Cost-sharing structure
KBC Group NV	GRP	Brussels - BE	100.00	Holding company

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

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

(1) The subsidiaries "KBC AM Ltd (Ireland)" of KBC Asset Management, "KBC Securities Baltic Investment Company" of KBC Securities, Secura and the activities "Global Convertibles" and "Asia Equity Derivatives" of KBC Financial Products are recorded as disposal groups according to IFRS5. A disposal group is a group of assets (eg a subsidiary) to be disposed of in a single transaction (including related liabilities).

(2) According to IFRS5 KBL EPB is considered as discontinued operation. A discontinued operation is a plan to dispose of a separate major line of business or geographical area of operations.

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

Company	Consolidation method	Ownership percentage at KBC Group level		Comments
For income statement comparison		1H 2009	1H 2010	
Additions				
None				
Exclusions				
None				
Changes in ownership percentage and internal mergers				
Istrobanka a.s.	Full	100.00%	-	Merged with CSOB SR from 3Q2009
KBC Bank Nederland	Full	100.00%	-	Merged with KBC Bank from 2Q2009
For balance sheet comparison		31-12-2009	30-06-2010	
None				

During the first half of 2010, changes to the scope of consolidation had no material net impact on the income statement nor on the balance sheet. For IFRS 5, please see Note 45.

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

Significant events between the balance sheet date (30 June 2010) and the publication of this report (5 August 2010):

- On 5 July 2010, KBC Group reached an agreement with Daiwa Capital Markets for the sale of its Global Convertible Bond and Asian Equity Derivatives businesses for a total consideration of approximately USD 1 billion, consisting of approximately USD 0.2 billion for staff, IT infrastructure and other assets (excluding the trading position) and approximately USD 0.8 billion for the trading position. The acquisition will free up capital resources for KBC in the amount of USD 0.2 billion (of which USD 0.1 billion net realised gains).

- On 5 July 2010, KBC Group and QBE Insurance Group reached an agreement on the sale of reinsurance company Secura NV for a consideration of 267 million EUR plus gains to be realised on the investment portfolio and earnings for the year 2010 until completion. For KBC, the transaction will result in a capital release of 0.1 billion EUR, based on an estimate of the gains and profit for the year (of which about EUR 80 million net realised gains).

- On 7 July 2010, KBC Securities completed the management buy-out of its Latvia based subsidiary KBC Securities Baltic Investment Company with the managing directors Andrei Zadornov and Kirill Jurzditsky. The impact of the buy-out on the KBC group's earnings and capital is negligible.

- On 22 July 2010, the Hungarian Parliament passed the law including the tax law changes. The law introduces a new bank tax that will be imposed for 2010, 2011 and 2012. This tax will have a negative net profit impact on K&H Bank and K&H Insurance in the second half of 2010 of about 57 million euro before tax or 46 million after tax.

- On 29 July 2010, KBC Group and KBC Peel Hunt reached agreement on a buy-out of KBC Peel Hunt for a total consideration of GBP 74 million. KBC Peel Hunt was no longer deemed a part of the KBC Group going forward. The transaction is still subject to regulatory approval and is expected to be completed in the next few months. The impact of the buy-out on the KBC group's earnings and capital is negligible.

For more information on the divestments, see Note 45.

Additional note (44): overview of sovereign risk on selected European countries

Sovereign bonds on selected European countries, in billions of EUR, 30-06-2010, carrying amounts

	Total			Banking and Insurance Book		
	Banking and Insurance book*	Trading book	Total	Of which maturity date in 2H 2010	Of which maturity date in 2011	Of which maturity date after 2011
Greece	0.9	0.1	1.0	0.0	0.1	0.8
Portugal	0.3	0.0	0.3	0.0	0.0	0.3
Spain	2.3	0.2	2.5	0.0	0.1	2.2
Italy	7.2	1.2	8.4	0.1	1.0	6.1
Ireland	0.5	0.0	0.5	0.0	0.0	0.5

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

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

No impairments have been booked for these sovereign bonds. Over 2Q 2010, KBC booked fair value changes in the P&L for a total amount of EUR -115 million (of which EUR -35 million on Greece and EUR -77 million on Italy) on the sovereign bonds designated at fair value through profit and loss and a trading result of EUR -13 million.

Additional note (45): disclosure related to IFRS 5 (Non-current assets held for sale and discontinued operations)

General information

IFRS 5 determines that a non-current asset (or a group of assets which will be disposed of) needs to be classified as 'held for sale' if the carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable.

To prove that the sale is highly probable, five criteria must all be fulfilled at the same time:
1. Commitment of higher management to a plan of sale;
2. An active programme to locate a buyer and to complete the plan, is launched;
3. The desired sale price is reasonable in relation to its current fair value;
4. Sale within one year;
5. Unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Situation as at 30 June 2010

On 30 June 2010, a number of the planned divestments already fulfill the criteria of IFRS 5:

- as disposal groups without being part of a discontinued operation: some activities of the KBC FP-group (Global Convertibles and Asia Equity Derivatives), KBC Asset Management Ltd (Ireland), Secura NV and KBC Securities Baltic Investment Company sia
- as disposal groups which are part of a discontinued operation: KBL EPB-group (including Vitis Life). As required by IFRS 5, the results of a discontinued operation are shown (retroactively) on one line in the income statement: Net post-tax income from discontinued operations.

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

The other participations which are up for divestment in the future (such as Centea, Fidea, Absolut Bank, KBC Banka, KBC Peel Hunt, Zagiel…) do not yet fulfill the criteria mentioned above on 30 June 2010:

- for a number of them the sale within one year is not planned

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

Summary of facts and circumstances regarding divestments

KBL EPB:

Activity:
Credit institution
Segment: Group Centre
Sale agreement date: 21 May 2010
Other information:
KBC group reached an agreement with the Hinduja Group for the sale of its dedicated private banking subsidiary KBL European Private Bankers for a total consideration of EUR 1.350 billion.
The transaction which will release app. EUR 1.3 billion of capital (net impact on capital including the release of Risk Weighted Assets, goodwill and an impairment of EUR 0.3 billion which is booked in the second quarter results) is fully in line with the announcement made on 18 November 2009 of a target capital relief of EUR 0.8 billion to EUR 1.5 billion.

Global convertibles and Asia equity derivatives

Activity: Equities and derivatives trading
Segment: Group Centre
Sale agreement date: 5 July 2010
Other information:
KBC Group reached an agreement with Daiwa Capital Markets for the sale of its Global Convertible Bond and Asian Equity Derivatives businesses for a total consideration of approximately USD 1 billion, consisting of approximately USD 0.2 billion for staff, IT infrastructure and other assets (excluding the trading position) and approximately USD 0.8 billion for the trading position.
The agreement reached with Daiwa immediately releases 0.2 billion dollars' worth of capital and will have a positive impact of approximately 10 basis points on KBC's tier-1 ratio. Over the last two years, the businesses generated an average net profit contribution to the underlying result of the KBC group of 2%. The transaction is expected to close in the fourth quarter 2010.

Secura

Activity: Insurance company
Segment: Belgium business unit
Sale agreement date: 5 July 2010
Other information:
KBC Group and QBE Insurance Group reached an agreement on the sale of reinsurance company Secura NV for a consideration of 267 million EUR plus gains to be realised on the investment portfolio and earnings for the year 2010 until completion. For KBC, the transaction will result in a capital release of 0.1 billion EUR, based on an estimate of the gains and profit for the year.
Secura operates on a stand-alone basis within the KBC group. At the end of 2009, Secura contributed 28.6 million EUR to KBC Group's consolidated net profit. The transaction will immediately release an estimated 0.1 billion EUR in capital for KBC and will have a positive impact of approximately 10 basis points on KBC's tier-1 ratio. The transaction is expected to close in the third quarter and is subject to relevant regulatory approvals.

KBC Asset management Ltd.

Activity: Asset management
Segment: Belgium business unit
Sale agreement date: 21 June 2010
Other information:
RHJ International and KBC Asset Management NV reached agreement on the sale of KBC Asset Management's Dublin-based subsidiary KBC Asset Management Ltd for a total upfront cash consideration of EUR 23.7 million, subject to closing adjustments. KBC Asset Management NV will also receive 50%, with a maximum of EUR 3.5 million, of a potential future

capital reduction at KBCAM Dublin (based on the still to be determined future minimum capital requirements of the company).
The transaction is subject to regulatory approval and is expected to be completed in the fourth quarter of 2010. The impact of the sale on KBC's earnings and capital is negligible given the size and nature of the activities.

KBC Securities Baltic Investment Company

Activity: Stock exchange broker/Corporate finance
Segment: Merchant banking business unit
Sale agreement date: 7 July 2010
Other information:
KBC Securities completed the management buy-out of its Latvia based subsidiary KBC Securities Baltic Investment Company with the managing directors Andrei Zadornov and Kirill Jurzditsky.
The impact of the sale on KBC' s earnings and capital is negligible.

Impact on P&L, Balance sheet, Cash flow and EPS:

Income statement of discontinued operations

In millions of eur	2Q 2009	1Q 2010	2Q 2010	1H 2009	1H 2010
Income statement KBL EPB (including Vitis Life)					
Net interest income	66	41	37	136	78
Net fee and commission income	87	97	101	174	199
Other income	30	14	36	23	50
TOTAL INCOME	183	153	175	333	327
Operating expenses	- 123	- 109	- 125	- 236	- 234
Impairment	- 19	0	0	- 24	0
Share in results of associated companies	1	0	1	1	1
PROFIT BEFORE TAX	42	44	50	74	94
Income tax expense	- 15	- 13	- 19	- 23	- 32
Profit after tax of KBL EPB (including Vitis Life)	**27**	**31**	**31**	**51**	**62**
Result of sale of KBL EPB (including Vitis Life)			- 333		- 333
Impairment loss recognised on the remeasurement to fair value less costs to sell			- 333		- 333
Tax income related to measurement to fair value less costs to sell (deferred tax)			0		0
Net impairment loss			- 333		- 333
Net post-tax income from discontinued operations	**27**	**31**	**- 302**	**51**	**- 271**

Balance sheet of 'non-current assets held for sale and assets associated with disposal groups' and 'liabilities associated with disposal groups'

In millions of eur	30-06-2010	of which: Discon-tinued operations
Cash and cash balances with central banks	182	182
Financial assets	14 637	11 745
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	11	11
Tax assets	76	76
Investments in associated companies	13	13
Investment property and property and equipment	239	236
Goodwill and other intangible assets	683	683
Other assets	432	140
TOTAL ASSETS	16 273	13 085
Financial liabilities	15 069	13 403
Gross technical provisions, insurance	1 325	483
Tax liabilities	23	14
Provisions for risks and charges	22	22
Other liabilities	446	374
TOTAL LIABILITIES	16 886	14 296
Available-for-sale reserve	32	4
Deferred tax on available-for-sale reserve	- 14	- 4
Translation differences	8	8
TOTAL OTHER COMPREHENSIVE INCOME	26	8

Cashflow statement of discontinued operations (KBL EPB including Vitis Life)

In millions of eur	1H 2009	1H 2010
Net cash from (used in) operating activities	1 981	- 451
Net cash from (used in) investing activities	- 19	- 14
Net cash from (used in) financing activities	- 3	0
Net cash (outflow)/inflow	**1 959**	**- 465**

Earnings per share for discontinued operations (KBL EPB including Vitis Life)

In eur	1H 2009	1H 2010
Basic EPS relating to discontinued operations	0.15	-0.80
Diluted EPS relating to discontinued operations	0.15	-0.80

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 2010 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 2010 and the related interim consolidated income statement, the condensed consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the 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, 5 August 2010

Ernst & Young Bedrijfsrevisoren bcvba
Statutory auditor
Represented by

Pierre Vanderbeek Partner	Peter Telders Partner

11PVDB0009

Risk and capital management

KBC Group, 2Q 2010 and 1H 2010

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

Snapshot of the credit portfolio (banking activities)

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

Credit risk: loan portfolio overview (KBC Bank and KBL EPB)	31-12-2009	30-06-2010
Total loan portfolio (in billions of EUR)		
Amount granted	202	200
Amount outstanding	167	168
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	29%	30%
CEE	21%	21%
Merchant Banking	39%	38%
Group Centre	11%	11%
Total	100%	100%
Total loan portfolio, by sector (selected sectors as a % of the portfolio of credit granted)		
Real estate	7%	7%
Electricity	3%	3%
Aviation	0.3%	0.3%
Automobile industry	2%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	8 982	9 921
Specific loan impairments	3 884	4 151
Portfolio-based loan impairments	328	374
Credit cost ratio, per business unit		
Belgium	0.15%	0.10%
CEE	1.70%	1.23%
Czech Republic	1.12%	0.74%
Slovakia	1.56%	1.22%
Hungary	2.01%	1.84%
Poland	2.59%	1.45%
Bulgaria	2.22%	1.78%
Merchant Banking	1.19%	1.03%
Group Centre	2.15%	0.91%
Total	1.11%	0.77%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	5 595	6 248
Specific loan impairments for NP loans	2 790	3 036
Non-performing ratio, per business unit		
Belgium	1.5%	1.5%
CEE	4.1%	5.2%
Merchant Banking	3.9%	4.1%
Group Centre	5.1%	5.7%
Total	3.4%	3.7%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	50%	49%
Idem, excluding mortgage loans	60%	58%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	75%	72%
Idem, excluding mortgage loans	90%	90%

Note: Contrary to the financial statements, KBL EPB is still included except for CCR Group centre as of 30-06-2010.

Credit portfolio per business unit (banking activities)

Loan portfolio Business Unit Belgium 30-06-2010, in millions of EUR	**Belgium**		
Total outstanding amount	52 710		
Counterparty break down		*% outst.*	
SME / corporate	2 219	*4.2%*	
retail	50 490	*95.8%*	
o/w private	27 134	*51.5%*	
o/w companies	23 356	*44.3%*	
Mortgage loans (*)		*% outst.*	ind. LTV
total	25 888	*49.1%*	53%
o/w FX mortgages	0	*0.0%*	-
o/w vintage 2007 and 2008	6 598	*12.5%*	-
o/w LTV > 100%	1 620	*3.1%*	-
Top 5 Belgian corporate sectors		*% outst.*	avg. PD
services	7 140	*13.5%*	low
distribution	4 309	*8.2%*	medium
real estate	3 161	*6.0%*	medium
agriculture	2 961	*5.6%*	low
building	1 919	*3.6%*	low
Exposure to cyclical sectors			
real estate	3 161	*6.0%*	medium
building	1 919	*3.6%*	low
automotive	836	*1.6%*	medium
energy (oil, gas & other fuels / electricity)	139	*0.3%*	low
aviation	16	*0.0%*	medium
IT & telecom	92	*0.2%*	medium
LBO-exposure			
LBO	0	*0.0%*	
Probability of default (PD)		*% outst.*	
low risk (0%-0.80%)	41 949	*79.6%*	
medium risk (0.8%-6.4%)	7 445	*14.1%*	
high risk (6.4%-100%)	2 504	*4.8%*	
non-performing loans	791	*1.5%*	
unrated	20	*0.0%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	791	*1.5%*	
NPL cover ratio	67%		
2009 Credit cost ratio (CCR)	0.15%		
YTD 2010 CCR	0.10%		

Legend

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

avg. PD Average Probability of Default

NPL Non-Performing Loan

Remark

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

Loan portfolio Business Unit Central & Eastern Europe

30-06-2010, in millions of EUR

	Czech Republic			Slovakia			Poland			Hungary			Bulgaria			Total CEE		
Total outstanding amount	18 098			3 712			7 685			6 639			739			36 873		
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*	
SME / corporate	5 787	*32.0%*		1 423	*38.3%*		2 679	*34.9%*		3 074	*46.3%*		337	*45.6%*		13 300	*36.1%*	
retail	12 311	*68.0%*		2 289	*61.7%*		5 006	*65.1%*		3 564	*53.7%*		402	*54.4%*		23 573	*63.9%*	
o/w private	8 735	*48.3%*		1 307	*35.2%*		4 839	*63.0%*		3 054	*46.0%*		226	*30.5%*		18 160	*49.3%*	
o/w companies	3 576	*19.8%*		982	*26.5%*		167	*2.2%*		511	*7.7%*		177	*23.9%*		5 413	*14.7%*	
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	
total	5 268	*29.1%*	65%	1 050	*28.3%*	56%	3 820	*49.7%*	92%	2 648	*39.9%*	67%	101	*13.6%*	65%	12 886	*34.9%*	
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	2 570	*33.4%*	106%	2 298	*34.6%*	71%	54	*7.3%*	64%	4 922	*13.3%*	
o/w vintage 2007 and 2008	2 417	*13.4%*	-	416.8	*11.2%*	-	2 596	*33.8%*	-	1 344	*20.2%*	-	64	*8.6%*	-	6 837	*18.5%*	
o/w LTV > 100%	301	*1.7%*	-	0	*0.0%*	-	1 547	*20.1%*	-	306	*4.6%*	-	7	*0.9%*	-	2 160	*5.9%*	
Top 5 CEE corporate sectors		*% outst.*	avg. PD		*% outst.*	avg. PD		*% outst.*	avg. PD		*% outst.*	avg. PD		*% outst.*	avg. PD		*% outst.*	avg. PD
services	2 091	*11.6%*	low	797	*21.5%*	low	157	*2.0%*	medium	462	*7.0%*	medium	13	*1.8%*	-	3 520	*9.5%*	low
finance & insurance	1 929	*10.7%*	low	98	*2.6%*	low	446	*5.8%*	low	304	*4.6%*	low	41	*5.6%*	-	2 818	*7.6%*	low
distribution	900	*5.0%*	medium	278	*7.5%*	medium	533	*6.9%*	medium	448	*6.7%*	medium	32	*4.3%*	-	2 191	*5.9%*	medium
real estate	546	*3.0%*	medium	332	*8.9%*	medium	373	*4.9%*	medium	225	*3.4%*	medium	195	*26.4%*	-	1 671	*4.5%*	medium
building	605	*3.3%*	medium	130	*3.5%*	medium	166	*2.2%*	medium	367	*5.5%*	medium	13	*1.8%*	-	1 281	*3.5%*	medium
Exposure to cyclical sectors																		
real estate	546	*3.0%*	medium	332	*8.9%*	medium	373	*4.9%*	medium	225	*3.4%*	medium	195	*26.4%*	-	1 671	*4.5%*	medium
building	605	*3.3%*	medium	130	*3.5%*	medium	166	*2.2%*	medium	367	*5.5%*	medium	13	*1.8%*	-	1 281	*3.5%*	medium
automotive	397	*2.2%*	medium	197	*5.3%*	medium	98	*1.3%*	medium	245	*3.7%*	medium	15	*2.0%*	-	952	*2.6%*	medium
energy (oil, gas & other fuels / electricity)	413	*2.3%*	low	105	*2.8%*	low	156	*2.0%*	medium	171	*2.6%*	low	45	*6.1%*	-	890	*2.4%*	low
aviation	83	*0.5%*	medium	0	*0.0%*	-	3	*0.0%*	medium	2	*0.0%*	medium	0	*0.0%*	-	88	*0.2%*	medium
IT & telecom	46	*0.3%*	medium	26	*0.7%*	high	28	*0.4%*	high	66	*1.0%*	medium	0	*0.1%*	-	166	*0.5%*	medium
LBO-exposure																		
LBO	61	*0.3%*		0	*0.0%*		20	*0.1%*		64	*0.4%*		0	*0.0%*		146	*0.4%*	
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*	
low risk (0%-0.8%)	12 500	*69.1%*		2 405	*64.8%*		4 445	*57.8%*		3 917	*59.0%*		5	*0.6%*		23 271	*63.1%*	
medium risk (0.8%-6.4%)	3 745	*20.7%*		797	*21.5%*		1 720	*22.4%*		1 364	*20.5%*		106	*14.3%*		7 732	*21.0%*	
high risk (6.4%-100%)	1 274	*7.0%*		203	*5.5%*		692	*9.0%*		852	*12.8%*		171	*23.1%*		3 192	*8.7%*	
non-performing loans	579	*3.2%*		187	*5.0%*		481	*6.3%*		469	*7.1%*		218	*29.5%*		1 933	*5.2%*	
unrated	0	*0.0%*		120	*3.2%*		348	*4.5%*		37	*0.6%*		240	*32.4%*		745	*2.0%*	
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	579	*3.2%*		187	*5.0%*		481	*6.3%*		469	*7.1%*		218	*29.5%*		1 933	*5.2%*	
NPL cover ratio	83%			110%			90%			72%			16%			77%		
2009 Credit cost ratio (CCR)	1.12%			1.56%			2.59%			2.01%			2.22%			1.70%		
YTD 2010 CCR (local currency)	0.74%			1.22%			1.45%			1.84%			1.78%			1.23%		
Stress tests		*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*			*% outst.*	
- if default of the local top 10 corporate names	325	*1.8%*		149	*4.0%*		354	*4.6%*		340	*5.1%*		-	-		1 168	*3.2%*	
- on FX mortgages in -30% stress scenario (**)	-	-		-	-		21	*0.3%*		105	*1.6%*		1	*0.1%*		127	*0.3%*	
- on FX mortgages in -30%/-30% stress scenario (***)	-	-		-	-		35	*0.5%*		229	*3.4%*		2	*0.3%*		266	*0.7%*	

Legend

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

avg. PD Average Probability of Default

NPL Non-Performing Loan

Remarks

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

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

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

Loan portfolio Business Unit Merchant Banking
30-06-2010, in millions of EUR

	Belgium			Western Europe			o/w Ireland			USA		
Total outstanding amount	18 095			24 590			17 785			6 086		
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
SME / corporate	18 095	*100.0%*		11 335	*46.1%*		4 529	*25.5%*		6 086	*100.0%*	
retail	0	*0.0%*		13 256	*53.9%*		13 256	*74.5%*		0	*0.0%*	
o/w private	0	*0.0%*		13 256	*53.9%*		13 256	*74.5%*		0	*0.0%*	
o/w companies	0	*0.0%*		0	*0.0%*		0	*0.0%*		0	*0.0%*	
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV
total	0	*0.0%*	-	13 256	*53.9%*	93%	13 256	*74.5%*	93%	0	*0.0%*	-
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-
o/w vintage 2007 and 2008	0	*0.0%*	-	4 822	*19.6%*	-	4 822	*27.1%*	-	0	*0.0%*	-
o/w LTV > 100%	0	*0.0%*	-	6 279	*25.5%*	-	6 279	*35.3%*	-	0	*0.0%*	-
Top 5 Merchant Banking corporate sectors		*% outst.*	avg. PD		*% outst.*	avg. PD		*% outst.*	avg. PD		*% outst.*	avg. PD
finance & insurance	1 545	*8.5%*	-	2 000	*8.1%*	-	88	*0.5%*	-	592	*9.7%*	-
real estate	1 729	*9.6%*	-	3 323	*13.5%*	-	2 160	*12.1%*	-	679	*11.2%*	-
services	2 198	*12.1%*	-	1 367	*5.6%*	-	485	*2.7%*	-	928	*15.3%*	-
distribution	1 980	*10.9%*	-	823	*3.3%*	-	466	*2.6%*	-	59	*1.0%*	-
building	1 304	*7.2%*	-	612	*2.5%*	-	236	*1.3%*	-	53	*0.9%*	-
Exposure to cyclical sectors												
real estate	1 729	*9.6%*	-	3 323	*13.5%*	-	2 160	*12.1%*	-	679	*11.2%*	-
building	1 304	*7.2%*	-	612	*2.5%*	-	236	*1.3%*	-	53	*0.9%*	-
automotive	669	*3.7%*	-	153	*0.6%*	-	11	*0.1%*	-	85	*1.4%*	-
energy (oil, gas & other fuels / electricity)	756	*4.2%*	-	470	*1.9%*	-	355	*2.0%*	-	279	*4.6%*	-
aviation	128	*0.7%*	-	11	*0.0%*	-	1	*0.0%*	-	103	*1.7%*	-
IT & telecom	129	*0.7%*	-	106	*0.4%*	-	12	*0.1%*	-	7	*0.1%*	-
LBO-exposure												
LBO	0	*0.0%*		594	*3.3%*		48	*0.3%*		33	*0.2%*	
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
low risk (0%-0.8%)	10 210	*56.4%*		9 906	*40.3%*		7 151	*40.2%*		4 839	*79.5%*	
medium risk (0.8%-6.4%)	5 649	*31.2%*		8 795	*35.8%*		6 595	*37.1%*		686	*11.3%*	
high risk (6.4%-100%)	801	*4.4%*		4 058	*16.5%*		2 653	*14.9%*		407	*6.7%*	
non-performing loans	513	*2.8%*		1 674	*6.8%*	4 057.748	1 369	*7.7%*		136	*2.2%*	
unrated	923	*5.1%*		157	*0.6%*	ok	16	*0.1%*		18	*0.3%*	
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	513	*2.8%*		1 674	*6.8%*		1 369	*7.7%*		136	*2.2%*	
NPL cover ratio	115%			58%			29%			60%		
2009 Credit cost ratio (CCR)	n.a.			n.a.			0.96%			n.a.		
YTD 2010 CCR	n.a.			n.a.			1.89%			n.a.		

	Southeast Asia			Global			Credit Investments			Total Merchant Banking		
Total outstanding amount	1 494			3 097			5 985			59 348		
Counterparty break down		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
SME / corporate	1 494	*100.0%*		3 097	*100.0%*		5 985	*100.0%*		46 092	*77.7%*	
retail	0	*0.0%*		0	*0.0%*		0	*0.0%*		13 256	*22.3%*	
o/w private	0	*0.0%*		0	*0.0%*		0	*0.0%*		13 256	*22.3%*	
o/w companies	0	*0.0%*		0	*0.0%*		0	*0.0%*		0	*0.0%*	
Mortgage loans (*)		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	ind. LTV		*% outst.*	
total	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-	13 256	*22.3%*	
o/w FX mortgages	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	
o/w vintage 2007 and 2008	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-	4 822	*8.1%*	
o/w LTV > 100%	0	*0.0%*	-	0	*0.0%*	-	0	*0.0%*	-	6 279	*10.6%*	
Top 5 Merchant Banking corporate sectors		*% outst.*	avg. PD		*% outst.*	avg. PD		*% outst.*	avg. PD		*% outst.*	avg. PD
finance & insurance	92	*6.2%*	-	615	*19.8%*	-	5 921	*98.9%*	-	10 765	*18.1%*	low
real estate	51	*3.4%*	-	809	*26.1%*	-	13	*0.2%*	-	6 604	*11.1%*	medium
services	26	*1.8%*	-	11	*0.4%*	-	17	*0.3%*	-	4 547	*7.7%*	medium
distribution	160	*10.7%*	-	36	*1.2%*	-	0	*0.0%*	-	3 059	*5.2%*	medium
building	67	*4.5%*	-	89	*2.9%*	-	9	*0.1%*	-	2 133	*3.6%*	low
Exposure to cyclical sectors												
real estate	51	*3.4%*	-	809	*26.1%*	-	13	*0.2%*	-	6 604	*11.1%*	medium
building	67	*4.5%*	-	89	*2.9%*	-	9	*0.1%*	-	2 133	*3.6%*	low
automotive	26	*1.7%*	-	90	*2.9%*	-	0	*0.0%*	-	1 024	*1.7%*	medium
energy (oil, gas & other fuels / electricity)	128	*8.6%*	-	441	*14.3%*	-	0	*0.0%*	-	2 073	*3.5%*	medium
aviation	20	*1.4%*	-	0	*0.0%*	-	7	*0.1%*	-	269	*0.5%*	low
IT & telecom	27	*1.8%*	-	190	*6.1%*	-	10	*0.2%*	-	470	*0.8%*	high
LBO-exposure												
LBO	38	*0.2%*		416	*2.3%*		0	*0.0%*		1 081	*1.8%*	
Probability of default (PD)		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
low risk (0%-0.8%)	803	*53.7%*		1 519			4 350	*72.7%*		31 628	*53.3%*	
medium risk (0.8%-6.4%)	565	*37.8%*		1 134			829	*13.9%*		17 658	*29.8%*	
high risk (6.4%-100%)	87	*5.8%*		381	*12.3%*		0	*0.0%*		5 733	*9.7%*	
non-performing loans	40	*2.6%*		63	*2.0%*		0	*0.0%*		2 426	*4.1%*	
unrated	0	*0.0%*		0			806	*13.5%*		1 903	*3.2%*	
Other risk measures		*% outst.*			*% outst.*			*% outst.*			*% outst.*	
outstanding non-performing loans (NPL)	40	*2.6%*		63	*2.0%*		0	*0.0%*		2 426	*4.1%*	
NPL cover ratio	194%			107%			-			77%		
2009 Credit cost ratio (CCR)	n.a.			n.a.			n.a.			1.19%		
YTD 2010 CCR	n.a.			n.a.			n.a.			1.03%		

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

Remarks
Belgium = Belgian Corporate Branches, KBC Lease (Belgium), KBC Commercial Finance, KBC Real Estate
Western Europe = Foreign branches in Western Europe (UK, France, Netherlands, Spain, Italy); KBC Bank Ireland (incl. former Homeloans), KBC Lease UK, Ex-Atomium assets
Ireland = KBC Bank Ireland (incl. former KBC Homeloans)
USA = foreign branch in USA
Southeast Asia = Foreign branches in Asia (Hong Kong, Singapore, Taipei, China)
Global = Structured Trade Finance, Foreign branch in Dublin (Syndicated loans), KBC Bank Head-office
Credit Investments = KBC Credit Investmentys, Quasar

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

Loan portfolio Business Unit Group Centre (excl. EPB)

30-06-2010, in millions of EUR	Belgium			CEER			o/w Russia			Western Europe			Southeast Asia			Global			Total Group Centre (excl. EPB)		
Total outstanding amount	8 483			2 689			2 491			2 396			60			2 453			16 082		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	1 144	13.5%		1 449	53.9%		1 322	53.1%		2 396	100.0%		60	100.0%		2 453	100.0%		7 502	46.7%	
retail	7 339	86.5%		1 241	46.1%		1 169	46.9%		0	0.0%		0	0.0%		0	0.0%		8 580	53.3%	
o/w private	6 253	73.7%		1 174	43.6%		1 102	44.2%		0	0.0%		0	0.0%		0	0.0%		7 427	46.2%	
o/w companies	1 086	12.8%		67	2.5%		67	2.7%		0	0.0%		0	0.0%		0	0.0%		1 153	7.2%	
Mortgage loans (*)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	5 970	70.4%	52%	889	33.1%	-	831	33.4%	56%	0	0.0%	-	0	0.0%	-	0	0.0%	-	6 858	42.6%	
o/w FX mortgages	0	0.0%	-	0	0.0%	-	0	0.0%	55%	0	0.0%	-	0	0.0%	-	0	0.0%	-	0	0.0%	
o/w vintage 2007 and 2008	1 371	16.2%	-	733	27.3%	-	689	27.7%	-	0	0.0%	-	0	0.0%	-	0	0.0%	-	2 104	13.1%	
o/w LTV > 100%	138	1.6%	-	46	1.7%	-	38	1.5%	-	0	0.0%	-	0	0.0%	-	0	0.0%	-	183	1.1%	
Top 5 Group Centre corporate sectors		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD
distribution	1 140	13.4%	-	529	19.7%	-	491	19.7%	-	219	9.1%	-	5	8.2%	-	0	0.0%	-	1 893	11.8%	medium
electricity	0	0.0%	-	29	1.1%	-	29	1.2%	-	57	2.4%	-	0	0.0%	-	1 079	44.0%	-	1 165	7.2%	medium
real estate	74	0.9%	-	419	15.6%	-	411	16.5%	-	312	13.0%	-	0	0.0%	-	18	0.7%	-	824	5.1%	medium
building	134	1.6%	-	77	2.9%	-	69	2.8%	-	173	7.2%	-	0	0.0%	-	335	13.7%	-	718	4.5%	medium
services	321	3.8%	-	46	1.7%	-	38	1.5%	-	175	7.3%	-	0	0.0%	-	57	2.3%	-	599	3.7%	medium
Exposure to cyclical sectors																					
real estate	74	0.9%	-	419	15.6%	-	411	16.5%	-	312	13.0%	-	0	0.0%	-	18	0.7%	-	824	5.1%	medium
building	134	1.6%	-	77	2.9%	-	69	2.8%	-	173	7.2%	-	0	0.0%	-	335	13.7%	-	718	4.5%	medium
automotive	36	0.4%	-	77	2.9%	-	75	3.0%	-	223	9.3%	-	0	0.0%	-	38	1.6%	-	374	2.3%	medium
energy (oil, gas & other fuels / electricity)	0	0.0%	-	92	3.4%	-	91	3.7%	-	89	3.7%	-	0	0.0%	-	1 357	55.3%	-	1 537	9.6%	medium
aviation	1	0.0%	-	28	1.1%	-	28	1.1%	-	0	0.0%	-	0	0.0%	-	193	7.9%	-	222	1.4%	medium
IT & telecom	6	0.1%	-	14	0.5%	-	9	0.4%	-	17	0.7%	-	0	0.0%	-	193	7.9%	-	230	1.4%	medium
LBO-exposure																					
LBO	0	0.0%		0	0.0%		0	0.0%		316	3.7%		0	0.0%		131	1.5%		447	2.8%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (0%-0.8%)	4 369	51.5%		1 038	38.6%		890	35.7%		1 163	48.5%		21	34.9%		712			7 303	45.4%	
medium risk (0.8%-6.4%)	2 776	32.7%		720	26.8%		706	28.3%		933	38.9%		17	27.5%		1 614			6 060	37.7%	
high risk (6.4%-100%)	915	10.8%		465	17.3%		448	18.0%		242	10.1%		0	0.0%		122	5.0%		1 744	10.8%	
non-performing loans	399	4.7%		461	17.1%		443	17.8%		54	2.3%		19	30.9%		5	0.2%		939	5.8%	
unrated	24	0.3%		5	0.2%		5	0.2%		3	0.1%		4	6.7%		0			37	0.2%	
Other risk measures		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.	
outstanding non-performing loans (NPL)	399	4.7%		461	17.1%		443	17.8%		54	2.3%		19	30.9%		5	0.2%		939	5.8%	
NPL cover ratio	43%			69%			69%			131%			1%			418%			198%		
2009 Credit cost ratio (CCR)	n.a.			n.a.			6.15%			1.65%			-2.63%			0.02%			2.52%		
YTD 2010 CCR (local currency)	n.a.			n.a.			1.58%			1.23%			0.51%			0.12%			0.91%		

Legend

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

Remarks

Belgium = Centea, Antwerpse Diamantbank
CEER = KBC Banka, Absolut Bk
Western Europe = KBC Bank Deutschland
Southeast Asia = ADB (Antwerpse Diamantbank) Asia Pacific
Global = KBC Finance Ireland

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

Structured credit exposure (banking and insurance activities)

Summary overview

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

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

Structured credit exposure (CDOs and other ABS), 30-06-2010 In billions of EUR, pre-tax	Hedged CDO-linked exposure (insured by credit insurers)	Unhedged CDO exposure	Other ABS
Total nominal amount	14.9	10.0	5.2
Initial write-downs on equity and junior CDO pieces	-	-0.8	-
Cumulative value adjustments (excl. above-mentioned initial write-downs)	-1.5	-4.6	-1.1

Compared to 31-3-2010, the increase in the nominal unhedged CDO exposure resulting from settlements with clients in Belgium, Hungary and Slovakia was compensated by amortisations, CDO sales and exchange rate effects.

Since the beginning of 2010, the CDO positions held by KBC experienced *effective* losses caused by *settled credit events* in the lower tranches of the CDO structure for a total amount of 0.8 billion euros. These have had no further impact on P/L because complete value markdowns for these CDO tranches were already absorbed in P/L in the past.
The recoveries resulting from the settled credit events reduce the CDO-exposure with 0.3 billion EUR (of which 0.2 billion is attributable to the hedged portfolio and 0.1 billion to unhedged portfolio).
The *total loss* on the positions within KBC Group from claimed credit events (both *not yet settled* and *settled* – excluding equity and junior note positions) amounts to 1.3 billion euros.

Hedged CDO exposure

As stated above, KBC bought credit protection for a large part of the (super senior) CDOs it originated. A relatively limited portion of this insurance was bought from Channel and the bulk from MBIA, a US monoline insurer, which initially had an 'AAA' rating, but whose creditworthiness declined gradually over time (leading to negative value adjustments being recorded at KBC on the credit protection received).
In February 2009, MBIA announced a restructuring plan, which included a spin-off of valuable assets, provoking a steep decline in its creditworthiness. The increase of the market value of the underlying swap in combination with the increased counterparty risk, resulted in significant additional negative value adjustments at KBC. Moreover, the remaining risk related to MBIA's insurance coverage is to a large extent mitigated as it is included in the scope of the Guarantee Agreement that was agreed with the Belgian State on 14 May 2009 (see below).

Hedged CDO-linked exposure (insurance for CDO-linked risks received from credit insurers), 30-06-2010
In billions of EUR

Total insured amount (notional amount of super senior swaps)	
- MBIA	14.5
- Channel	0.4
Impact of settled credit events *	-0.3
Details for MBIA insurance coverage	
- Total insured amount (notional amount of the super senior swap)	14.5
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement[1] into account)	2.1
- Credit value adjustment for counterparty risk, MBIA	-1.5
(as a % of fair value of insurance coverage received) [2]	70%

1The amount insured by MBIA is included in the Guarantee Agreement with the Belgian State (14 May 2009).
2 Taking into account translation differences accrued over time.
* settled credit events up to July 7th 2010

Unhedged CDO exposure and other ABS

This heading relates to CDOs which KBC bought as investments and which are not 'insured' by credit protection from MBIA or other external credit insurers ('unhedged CDO exposure' in the table) and other ABS in portfolio ('other ABS' in the table).
As regards the CDOs, KBC has already made significant negative value adjustments to date. It should be noted that their remaining risk is mitigated, as the unhedged super senior CDO tranches are included under the Guarantee Agreement concluded with the Belgian State (see further).
It should also be noted that value adjustments to KBC's CDOs are accounted for via profit and loss (instead of directly via shareholders' equity), since the group's CDOs are mostly of a synthetic nature (meaning that the underlying assets are derivative products such as credit default swaps on corporate names). Their synthetic nature is also the reason why KBC's CDOs are *not* eligible for accounting reclassification under IFRS in order to neutralise their impact.

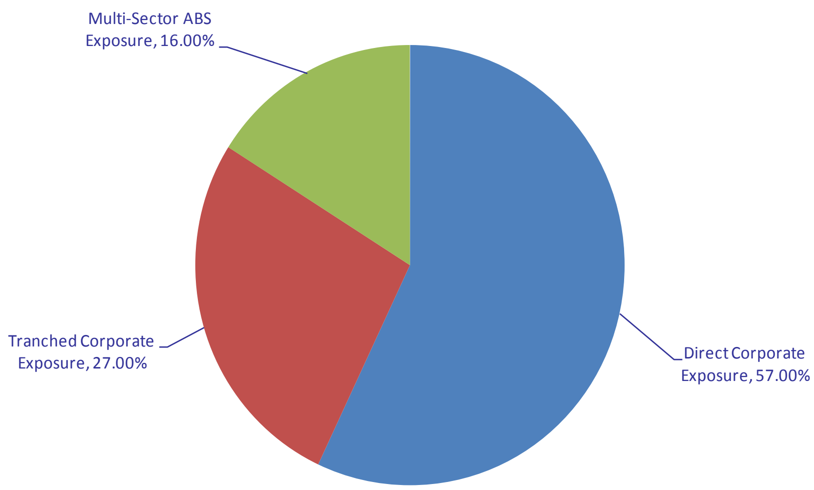
Until 2008, value adjustments to other ABS were largely accounted for via shareholders' equity. At the end of 2008, KBC reduced the sensitivity of shareholders' equity towards value adjustments to ABS by reclassifying most of the ABS portfolio as 'loans and receivables'. Since then, they have been included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

Unhedged CDO exposure and other ABS, 30-06-2010 In billions of EUR	Unhedged CDO exposure	Other ABS
Total nominal amount	10.0	5.2
Initial write-downs on equity and junior CDO pieces	-0.8	-
Impact of settled credit events *	-0.4	-
Total nominal amount, net of provisions for equity and junior pieces and net of impact settled credit events	8.9	5.2
- super senior tranches (included under Guarantee Agreement with Belgian State)	5.5	-
- non-super senior tranches	3.4	-
Cumulative market value adjustments	-4.6	-1.1

* settled credit events up to July 7th 2010 , excl. impact on equity and junior CDO pieces

Details of the underlying assets of hedged and unhedged CDO exposure

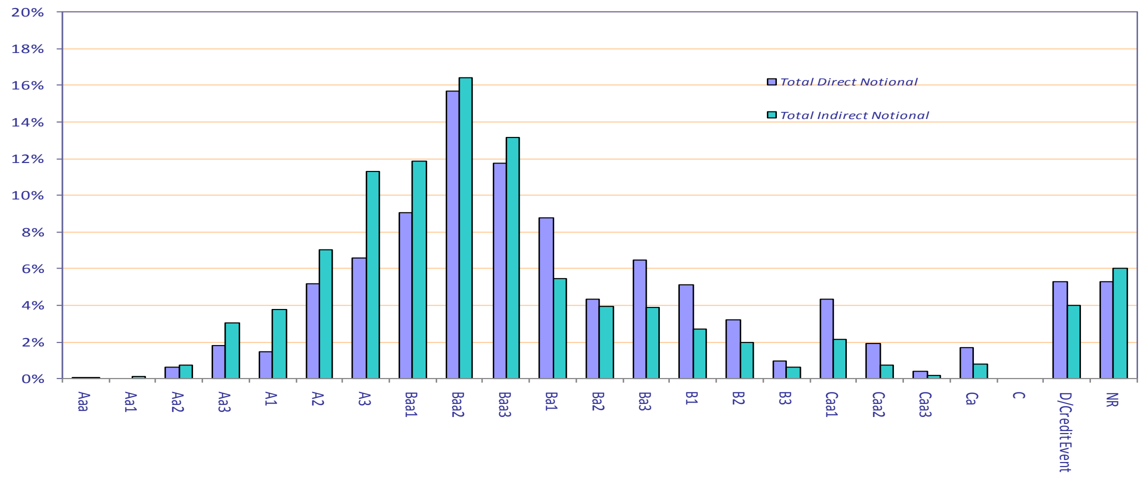
Active Deal Summary
(Average % as of all total deal notional; figures as of 7 July 2010)



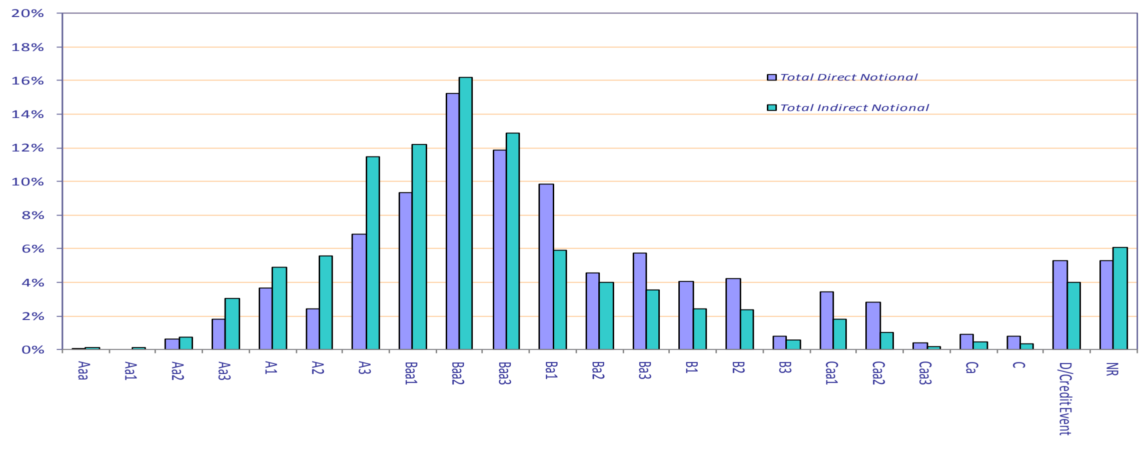
Breakdown towards tranched and direct corporate portion

Corporate Ratings Distribution
(Figures as of 7 April 2010 and 7 July 2010, based on Moody's Ratings Direct Corporate exposure as a % of the Direct Corporate Portfolio; Tranched Corporate exposure as a % of Tranched Corporate Portfolio)

April 2010

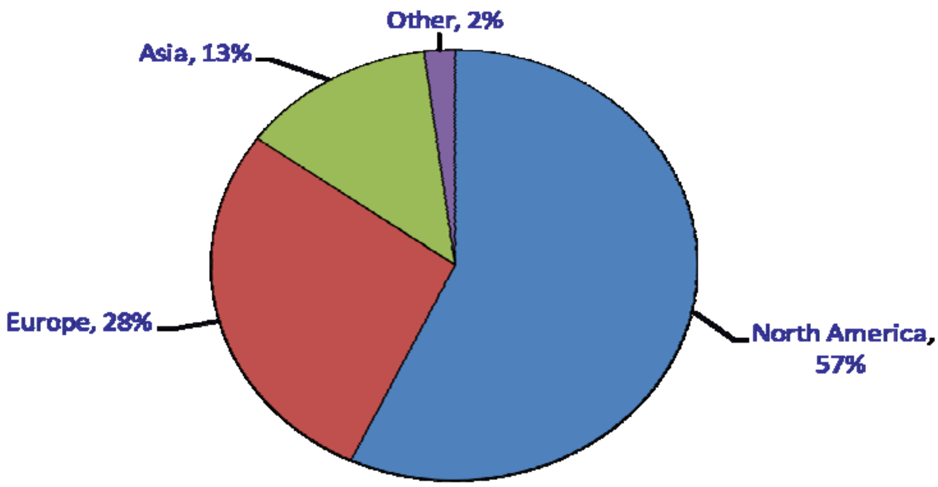


July 2010



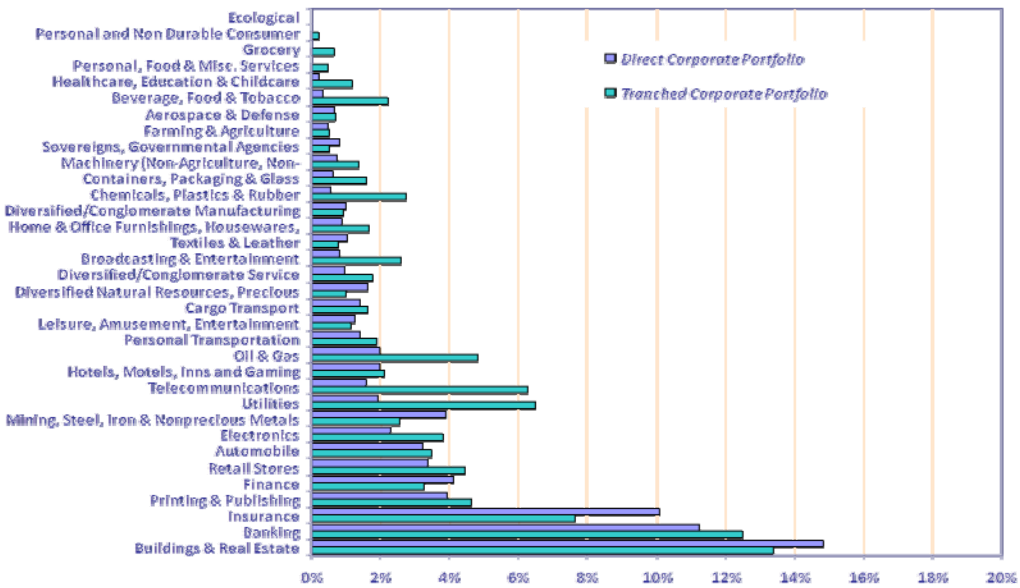
Corporate Geographical Distribution
Total Corporate Portfolio (Direct and Tranches)

July 2010



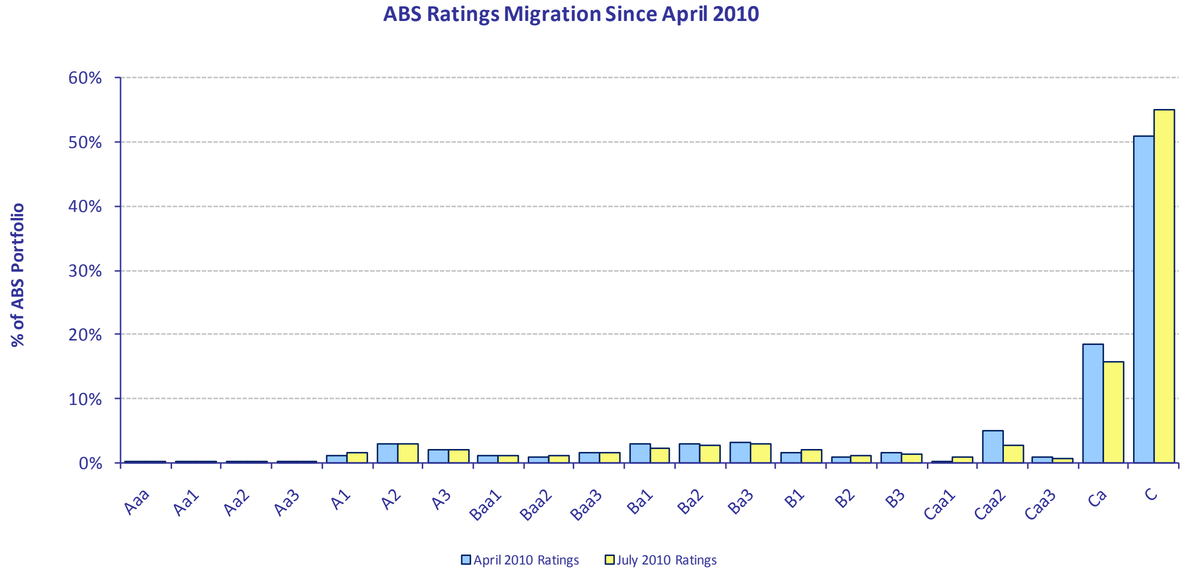
Corporate Industry Distribution
(Direct Corporate exposure shown as a % of Total Direct Portfolio, which includes Direct ABS exposure)

July 2010

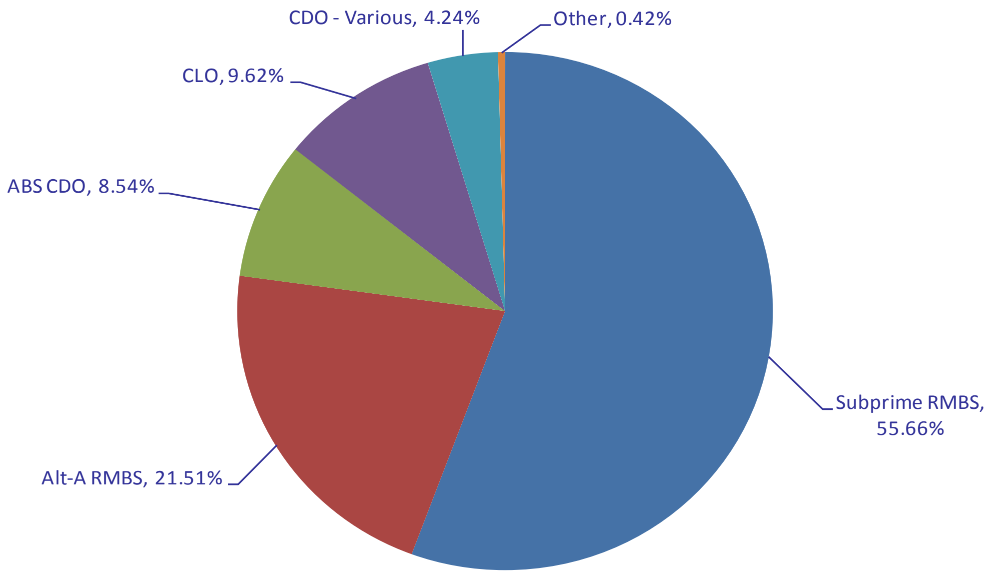


Breakdown towards multi-sector ABS portion

Ratings Distribution
Ratings as of 7 April 2010 and 7 July 2010, based on Moody's Ratings (NR mapped from S&P/Fitch)

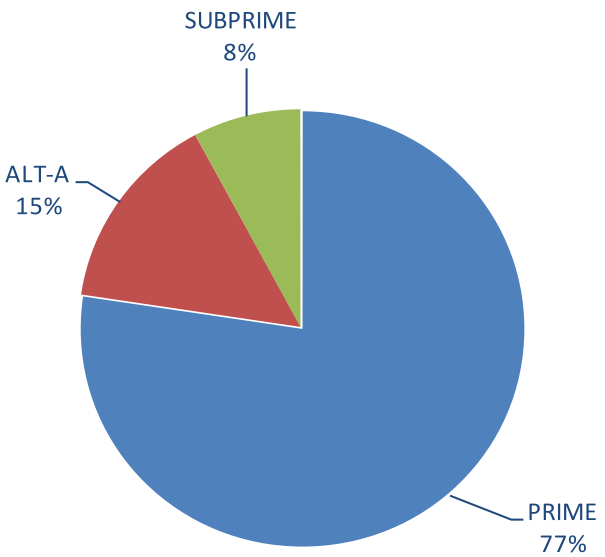


Sector Distribution
Figures as of 7 July 2010

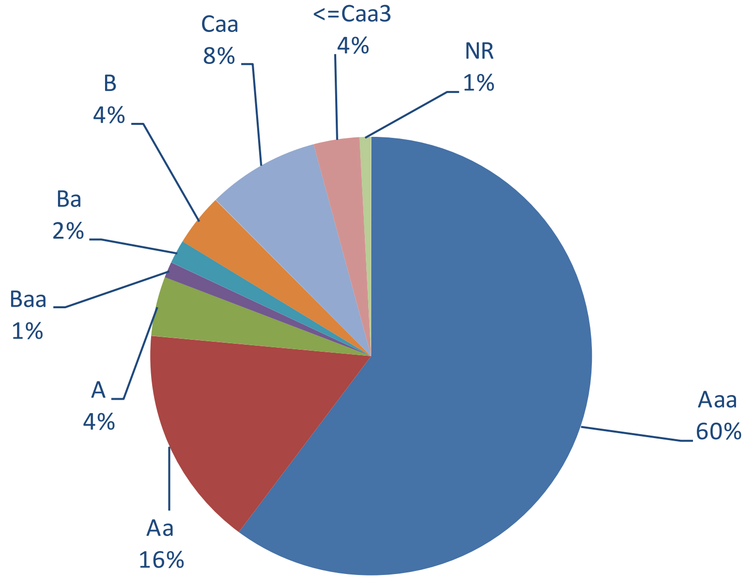


Details of the underlying assets of other ABS exposure

Sector Distribution
Figures as of 30 June 2010



Ratings Distribution
Ratings as of 30 June 2010, based on Moody's Ratings



Market risks

Market risks in non-trading activities

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

BPV of the ALM book, banking (in millions of EUR)	2009	2010
Average 1Q	89	65
Average 2Q	94	70
Average 3Q	85	-
Average 4Q	67	-
End of period	62	71
Maximum in period	98	71
Minimum in period	62	62

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

Investment portfolio KBC Insurance (carrying value, in millions of EUR)	31-12- 2009	30-06- 2010
Bonds and other fixed-income securities	20 594	21 010
Shares and other variable-yield securities	1 463	1 404
Other securities	33	37
Loans and advances to customers	203	243
Loans and advances to banks	2 789	2 526
Property and equipment and investment property	432	427
Assets backing unit-linked contracts	7 957	7 034
Other	126	21
Total	33 598	32 703

Market risk in trading activities (banking activities)

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

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

Solvency

Solvency KBC Group

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

Solvency at group level In millions of EUR	31-12-2009	30-06-2010
Total regulatory capital, after profit appropriation	20 414	20 790
Tier-1 capital	15 426	15 829
Parent shareholders' equity	9 662	10 259
Non-voting core-capital securities	7 000	7 000
Intangible fixed assets (-)	-398	-403
Goodwill on consolidation (-)	-2 918	-2 596
Innovative hybrid tier-1 instruments	554	612
Non-innovative hybrid tier-1 instruments	1 642	1 688
Minority interests	159	162
Equity guarantee (Belgian State)	601	658
Revaluation reserve, available-for-sale assets (-)	-457	-715
Hedging reserve, cashflow hedges (-)	374	658
Valuation differences in financial liabilities at fair value – own credit risk (-)	-151	-180
Minority interests in available-for-sale reserve and hedging reserve, cashflow hedges (-)	-1	-5
Equalisation reserves (-)	-131	-137
Dividend payout (-)	0	-467
IRB provision shortfall (50%) (-)	-77	-45
Limitation of deferred tax assets (-)		-244
Items to be deducted (-)	-433	-416
Tier-2 and tier-3 capital	4 988	4 961
Perpetuals (including hybrid tier-1 instruments not used in tier-1 capital)	321	18
Revaluation reserve, available-for-sale shares (at 90%)	348	289
Minority interests in revaluation reserve, available-for-sale shares (at 90%)	0	0
IRB provision excess (+)	0	0
Subordinated liabilities	4 685	4 973
Tier-3 capital	145	142
Items to be deducted (-)	-510	-461
Total weighted risks	143 359	139 089
Banking	128 303	123 542
Insurance	15 022	15 301
Holding-company activities	86	306
Elimination of intercompany transactions between banking and holding-company activities	-52	-60
Solvency ratios		
Tier-1 ratio	10.8%	11.4%
Core tier-1 ratio	9.2%	9.7%
CAD ratio	14.2%	14.9%

Solvency banking and insurance activities separately

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

Banking activities

In millions of EUR	31-12-2009 Basel II	30-06-2010 Basel II
Regulatory capital		
Regulatory capital, banking (after profit appropriation)	18 939	19 059
Tier-1 capital	**14 144**	**13 643**
Parent shareholders' equity	13 165	13 784
Intangible fixed assets (-)	- 162	- 160
Goodwill on consolidation (-)	- 1 986	- 2 008
Innovative hybrid tier-1 instruments	507	540
Non-innovative hybrid tier-1 instruments	1 945	1 688
Minority interests	492	515
Equity guarantee (Belgian State)	462	516
Tier 2 instruments (-)	- 18	- 18
Revaluation reserve available-for-sale assets (-)	11	- 106
Hedging reserve, cashflow hedges (-)	374	662
Valuation diff. in fin. liabilities at fair value - own credit risk (-)	- 151	- 180
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	0	- 5
Dividend payout (-)	0	- 698
IRB provision shortfall (50%) (-)	- 77	- 45
Limitation deferred tax assets		- 415
Items to be deducted [1] (-)	- 419	- 428
Tier-2 & 3 capital	**4 794**	**5 416**
Mandatorily convertible bonds	0	0
Perpetuals (incl. hybrid tier-1 not used in tier-1)	313	340
Revaluation reserve, available-for-sale shares (at 90%)	149	140
Minority interest in revaluation reserve AFS shares (at 90%)	- 1	0
IRB provision excess (+)	0	0
Subordinated liabilities	4 685	5 268
Tier-3 capital	145	142
Items to be deducted [1] (-)	- 496	- 473
Weighted risks		
Total weighted risk volume	128 303	123 542
Credit risk [2]	110 916	106 722
Market risk [2]	5 551	4 984
Operational risk	11 835	11 835
Solvency ratios		
Tier-1 ratio	11.0%	11.0%
Of which core tier-1 ratio	9.1%	9.2%
CAD ratio	14.8%	15.4%

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

[2] Counterparty risk (derivatives) was shifted retroactively from market risk to credit risk

Insurance activities

in millions of EUR	31-12-2009	30-06-2010
Available capital	3 130	3 323
Parent shareholders' equity	3 331	3 599
Dividend payout (-)	0	- 125
Minority interests	74	78
Subordinated liabilities	0	0
Intangible fixed assets (-)	- 20	- 16
Goodwill on consolidation (-)	- 401	- 390
Revaluation reserve available-for-sale investments (-)	- 540	- 682
Equalization reserve (-)	- 131	- 137
Equity guarantee (Belgian State)	139	142
Cash flow hedge		- 5
90% of positive revaluation reserve, available-for-sale shares	264	214
Latent gains on bonds	346	563
Latent gains on real estate	67	83
Limitation of latent gains on financial assets and real estate	0	0
Required solvency margin	1 202	1 224
Non-life and industrial accidents - legal lines	322	319
Annuities	8	8
Subtotal, non-life	330	327
Class 21	845	872
Class 23	16	14
Subtotal, life	861	886
Other	10	11
Solvency ratios and surplus		
Solvency ratio (%)	260%	271%
Solvency surplus, in millions of EUR	1 928	2 099

Quarterly time series

of balance sheet items

KBC Group, 2Q 2010 and 1H 2010

Financial assets and liabilities, by product

FINANCIAL ASSETS (in millions of EUR)	31-12-2008	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010
Loans and advances to credit institutions and investment firms [1]	36 796	29 367	27 663	23 954	21 204	24 980	22 335
Loans and advances to customers [2]	157 296	154 409	158 949	156 974	153 230	153 640	157 024
Discount and acceptance credit	153	101	170	83	125	82	210
Consumer credit	4 625	4 699	5 112	5 059	4 947	4 949	4 433
Mortgage loans	55 571	56 092	57 265	58 257	59 180	58 795	60 056
Term loans	77 915	74 982	76 458	77 307	71 652	74 482	77 924
Finance leasing	6 728	6 251	6 186	5 854	5 569	5 278	5 225
Current account advances	6 718	5 952	6 343	5 346	5 123	5 726	5 144
Securitised loans	0	0	0	0	0	0	0
Other	5 585	6 333	7 414	5 068	6 635	4 328	4 034
Equity instruments	9 145	7 084	6 156	5 761	5 414	5 208	4 307
Investment contracts (insurance)	6 948	6 581	6 861	7 377	7 957	8 392	7 034
Debt instruments issued by	85 752	88 750	90 403	91 491	92 838	96 776	91 603
Public bodies	58 235	63 126	66 081	69 010	69 362	74 360	71 325
Credit institutions and investment firms	12 804	12 000	12 019	10 101	9 903	8 308	8 207
Corporates	14 713	13 625	12 302	12 380	13 572	14 109	12 071
Derivatives	38 800	36 910	27 610	24 904	21 160	25 986	21 879
Total carrying value excluding accrued intrest income	334 737	323 102	317 642	310 461	301 804	314 983	304 182
Accrued interest income	2 466	2 318	2 242	2 069	2 254	2 051	2 069
Total carrying value including accrued interest income	337 203	325 420	319 884	312 531	304 057	317 033	306 251
[1] Of which reverse repos	*11 214*	*6 180*	*7 822*	*7 579*	*6 297*	*7 295*	*4 431*
[2] Of which reverse repos	*3 838*	*2 775*	*6 147*	*9 084*	*6 295*	*8 697*	*13 311*

FINANCIAL LIABILITIES (in millions of EUR)	31-12-2008	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010
Deposits from credit institutions and investment firms [3]	60 602	46 311	55 611	48 024	45 444	39 757	40 596
Deposits from customers and debt certificates [4]	196 733	205 110	194 141	194 748	193 464	203 367	205 108
Deposits from customers	146 964	153 099	152 265	147 817	145 319	153 912	156 897
Demand deposits	44 739	51 805	52 861	51 597	44 421	52 565	49 253
Time deposits	68 582	65 165	60 326	54 545	57 441	56 840	62 515
Savings deposits	28 951	31 588	34 326	36 759	38 645	39 445	40 106
Special deposits	3 546	3 401	3 603	3 679	3 677	3 804	3 822
Other deposits	1 147	1 140	1 149	1 237	1 135	1 258	1 202
Debt certificates	49 768	52 010	41 875	46 931	48 146	49 454	48 211
Certificates of deposit	15 122	19 051	10 001	13 531	15 788	17 501	17 747
Customer savings certificates	3 077	2 905	2 788	2 672	2 583	2 514	2 377
Convertible bonds	0	0	0	0	0	0	0
Non-convertible bonds	21 843	20 377	19 776	21 547	20 363	19 577	18 675
Convertible subordinated liabilities	0	0	0	0	0	0	0
Non-convertible subordinated liabilities	9 726	9 678	9 310	9 181	9 411	9 862	9 412
Liabilities under investment contracts	7 201	6 877	6 987	7 319	7 939	7 908	6 496
Derivatives	40 469	43 233	34 406	31 620	27 185	34 570	30 260
Short positions	2 960	1 876	1 651	1 866	2 147	1 758	830
in equity instruments	394	388	449	467	486	398	35
in debt instruments	2 566	1 488	1 201	1 399	1 661	1 360	795
Other	4 085	4 375	6 466	3 506	1 931	3 665	3 852
Total carrying value excluding accrued interest expense	312 049	307 782	299 262	287 082	278 111	291 025	287 142
Accrued interest expense	1 882	1 740	1 621	1 980	1 339	1 354	1 392
Total carrying value including accrued interest expense	313 931	309 522	300 883	289 062	279 450	292 379	288 535
[3] Of which repos	*18 647*	*9 966*	*12 298*	*11 133*	*11 513*	*9 998*	*12 612*
[4] Of which repos	*7 855*	*11 891*	*12 560*	*15 161*	*13 199*	*16 615*	*22 097*
Of which own credit risk	*- 245*	*- 333*	*- 465*	*- 247*	*- 204*	*- 202*	*- 249*

Selected balance sheet items, per business unit

Customer loans and advances (excluding reverse repos)

In millions of EUR	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010
Total	151 978	152 801	147 890	146 935	144 943	143 713
Breakdown per business unit						
Belgium	48 972	49 505	48 932	49 593	50 318	51 186
Central and Eastern Europe and Russia	30 668	31 536	31 829	30 671	31 110	30 733
Merchant Banking	53 449	53 386	49 107	49 100	46 400	45 854
Group Centre	18 889	18 375	18 023	17 571	17 115	15 941

Mortgage loans

In millions of EUR	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010
Total	56 092	57 265	58 257	59 180	58 795	60 056
Breakdown per business unit						
Belgium	23 246	23 775	24 353	25 029	25 434	25 987
Central and Eastern Europe and Russia	10 995	11 614	12 088	12 075	12 577	13 625
Merchant Banking	13 696	13 594	13 432	13 383	13 217	13 162
Group Centre	8 155	8 282	8 383	8 693	7 567	7 282

Customer deposits and debt certificates (excluding repos)

In millions of EUR	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010
Total	193 559	181 652	179 587	180 265	186 751	183 011
Breakdown per business unit						
Belgium	66 349	66 186	67 333	64 507	65 607	67 393
Central and Eastern Europe and Russia	36 593	39 183	39 241	38 949	40 111	40 022
Merchant Banking	61 590	51 936	48 744	53 496	58 480	60 955
Group Centre	29 026	24 346	24 269	23 313	22 554	14 642

Technical provisions life insurance

Technical provisions, Life Insurance (In millions of EUR)	31-03-2009		30-06-2009		30-09-2009		31-12-2009		31-03-2010		30-06-2010	
	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked	Interest Guaranteed	Unit Linked
Total	16 127	6 581	16 636	6 861	17 086	7 313	17 517	7 958	18 069	8 392	17 957	7 034
Breakdown per business unit												
Belgium	12 514	5 460	13 054	5 548	13 447	5 837	13 813	6 021	14 330	6 271	14 655	6 073
Central and Eastern Europe	1 185	520	1 085	609	1 079	698	1 071	747	1 045	816	1 045	858
Group Centre	2 429	601	2 497	703	2 559	778	2 633	1 189	2 695	1 305	2 257	102

Assets under management, per business unit and product

Assets under advice or management (AUM) at KBC group, in millions of EUR	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010
By business unit						
Belgium	147 879	143 436	148 692	145 719	149 833	149 299
Central & Eastern Europe and Russia	10 760	11 655	12 382	12 419	13 378	12 582
KBC FP (included in BU Group Centre)	30	29	20	20	21	23
KBL (included in BU Group Centre)	42 370	44 587	46 925	47 079	47 442	46 990
Total	201 039	199 707	208 019	205 237	210 674	208 895
By product or service						
Investment funds for private individuals	94 426	94 875	95 363	93 620	96 358	94 973
Assets managed for private individuals	47 323	42 233	47 056	45 162	46 597	45 861
Assets managed for institutional investors	39 818	41 959	44 002	44 111	44 137	44 025
Group assets (managed by KBC Asset Management)	19 472	20 639	21 598	22 345	23 582	24 036
Total	201 039	199 707	208 019	205 237	210 674	208 895

Presentation

KBC Group, 2Q 2010

2Q 2010
Financial highlights

Reminder: new business unit reporting

Since the quarterly reporting for 1Q 2010

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

Belgium
- KBC Bank
- KBC Insurance
- CBC Banque
- ADD
- Centea
- Fidea

CEE
- Czech Republic
- Slovakia
- Hungary
- Poland
- Bulgaria
- Russia
- Serbia
- Slovenia
- Zagiel (Poland)

Merchant Banking
- KBC Lease
- KBC Securities
- KBC Bank Ireland
- KBC Clearing
- KBC Commercial Finance
- Antwerp Diamond Bank
- KBC Bank Deutschland
- KBC Peel Hunt
- KBC Finance Ireland
- KBC Financial Products

European Private Banking
- KBL EPB
- Vitis Life

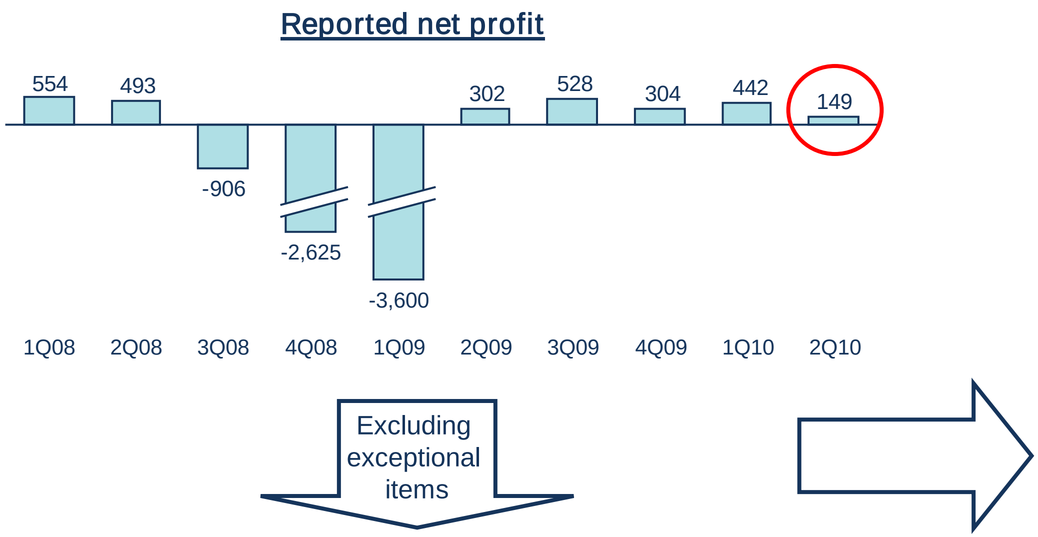
Group Centre
- KBC Group
- Fin-Force
- KBC Global Services

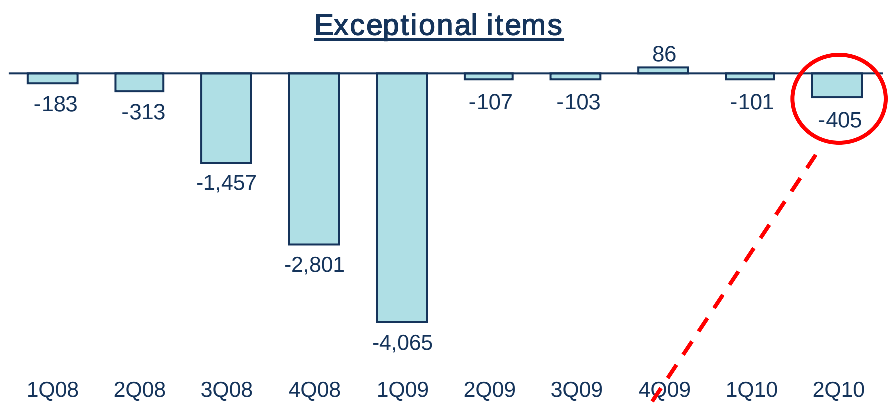
Indicated divestments + minority interest line for % of CSOB CZ that will be floated

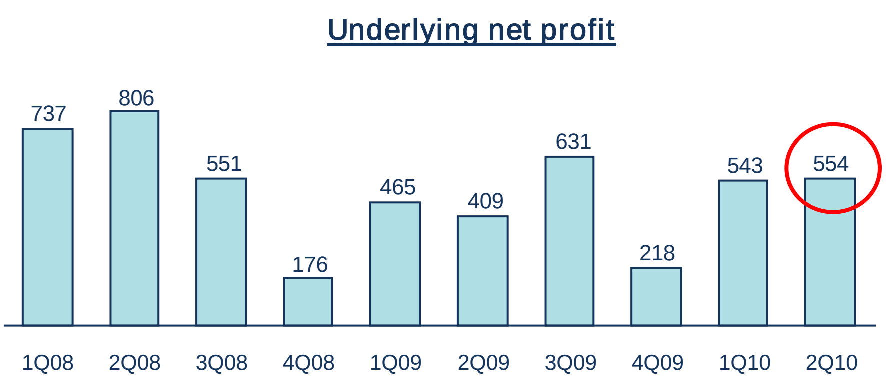
- Assurisk

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

Solid core earnings power







Main exceptional items (post-tax)

• Divestments	-0.3bn
• Structured credit portfolio revaluation	-0.2bn
• MTM trading derivatives for hedging purposes	-0.2bn
• Trading loss on “legacy” business KBC FP	-0.1bn
• Deferred tax impact	+0.4bn
	-0.4bn

Amounts in m. EUR

Financial highlights 2Q 2010

- Net interest income at continued high level thanks to sound deposit and loan margins
- Gradual recovery of fee and commission income confirmed
- Weak dealing room activity
- Dip in combined ratio because of lower premium income at group level combined with higher claims related to flooding in CEE
- Operational expenses are bottoming out in 2Q10 as well, rigorous cost containment continued
- Significantly lower loan loss impairments, notably in Merchant Banking activities
- Reduction of the exposure to Greek government bonds, related to the containment of sovereign risks
- Including the effect of the sale of KBL EPB, the excess regulatory capital accumulated beyond the 10% tier 1-solvency target amounted to roughly 3.0bn EUR at the end of 2Q10. Excluding all CDO effects, available surplus capital at the end of 2Q10 amounted to roughly 2.6bn EUR (incl. KBL EPB effect)

Looking forward

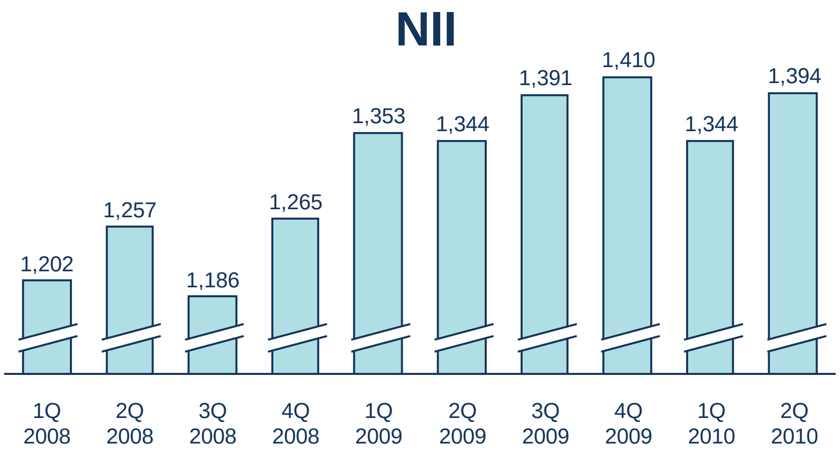
Jan Vanhevel, Group CEO:

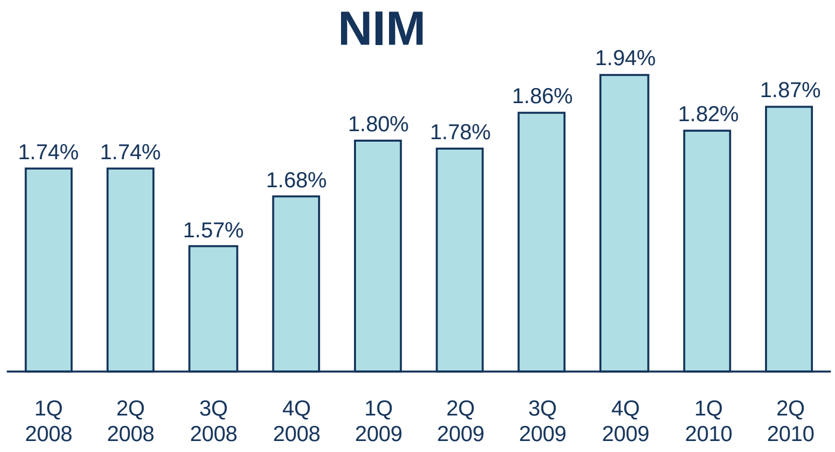
- ‘We continued to make good progress regarding the execution of our strategic plan:
  - We realised one of our most important projects in terms of capital release (sale of KBL EPB).
  - Other, already announced, divestments are the UK and the Dublin activities of KBC AM, Secura, KBC Peel Hunt and the global convertible bond and Asian equity derivatives business of KBC FP.
  - We also completed the novation transactions to significantly reduce the group’s credit derivatives to the tune of 1.5bn EUR of RWAs in 2Q10.
  - The gradual run-down of the credit portfolio outside the home markets is progressing well too.
  - Preparations to float a minority stake in our Czech banking subsidiary are well progressed and we are awaiting the right window of opportunity to launch the IPO.
  - We are ready to launch the sales process of our Belgian complementary channels (Centea and Fidea) after the summer.
  - Additional limited losses linked to the ‘legacy’ structured derivatives positions within KBC FP cannot be excluded for the next few quarters of 2010 as we continue to unwind our risk exposure.’
- ‘We continue to expect good revenue generation’
- ‘We still believe that costs on a like-for-like basis will start to increase somewhat going forward.’
- ‘We may have seen a turn in the credit cycle. Our 2010 base case scenario includes a visible decline in loan losses compared to the 2009 financial year.’
- ‘Regulatory changes are currently high on the agenda and KBC is closely monitoring these files in order to address these issues immediately and adequately’

Section 3

Underlying business performance

Revenue trend - Group





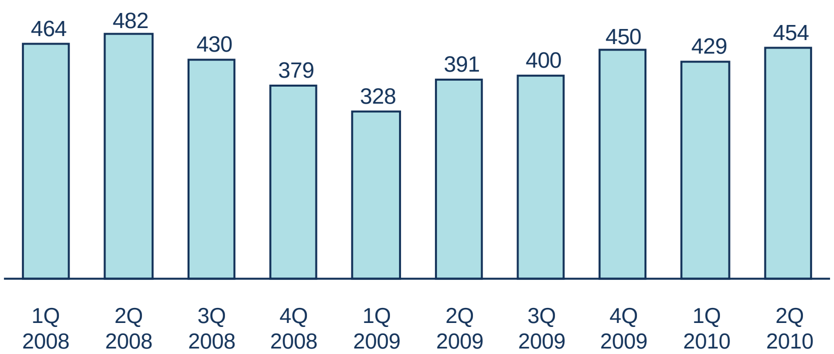
- Net interest income increased 4% both year-on-year and quarter-on-quarter thanks to moderate volume growth
- Net interest margin at 1.87%
  - Loan and deposit margins remained sound
- Loan volumes down year on year (-5%) based on (among other factors) reduction of international loan book (Merchant Banking and Russia) in line with strategic focus

Amounts in m. EUR

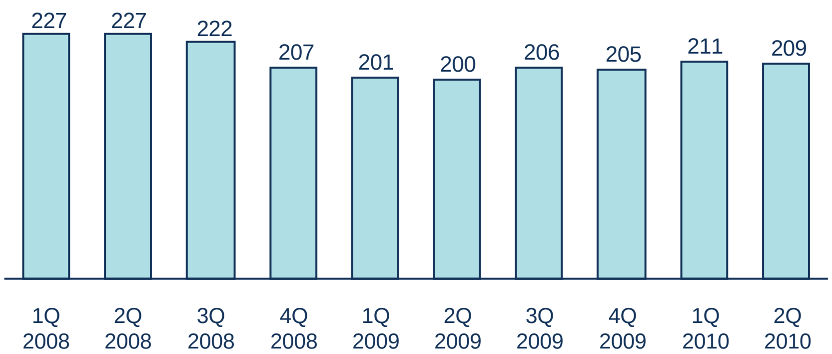
* Net Interest Margin: Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos

Revenue trend - Group

F&C



AUM



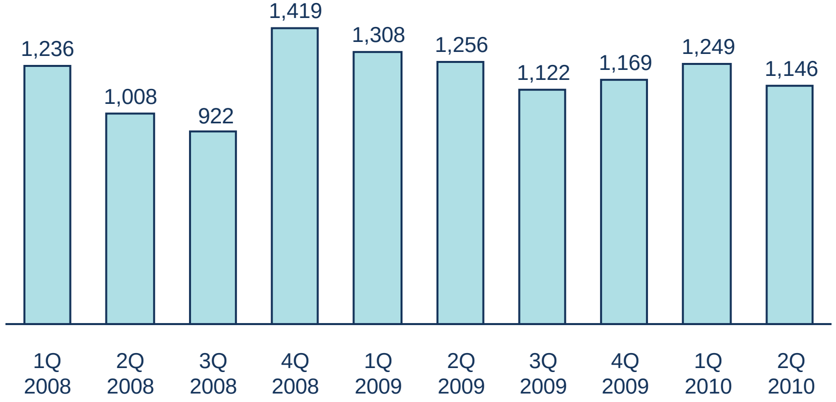
Amounts in bn. EUR

- Net fee and commission income rose sharply year-on-year (+16%) and slightly quarter-on-quarter (+6%)
  - Gradual recovery of fee and commission income confirmed, although the global economic scenario (impacting the business) is one of moderate and fragile growth
- Assets under management at 209bn EUR (+5% y-o-y and -1% q-o-q, of which 1% net outflow)

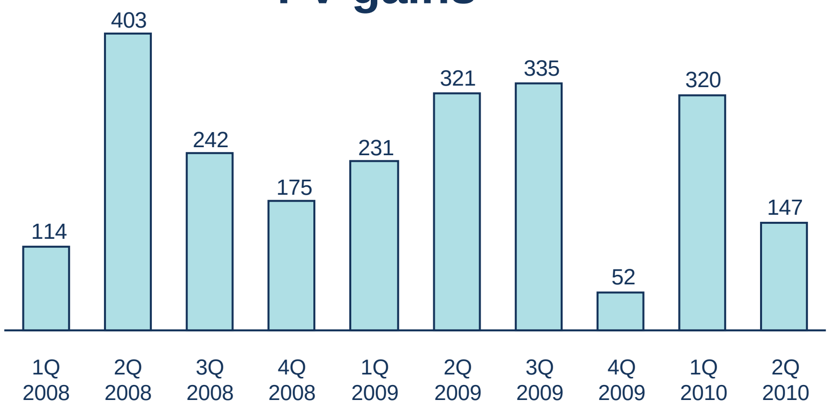
Amounts in m. EUR

Revenue trend - Group

Premium income



FV gains



- Insurance premium income at 1,146m EUR
  - Non-life premium income (480m), up 1% y-o-y and down 2% q-o-q
  - Life premium income (666m), down 13% q-o-q mainly due to a decrease in the guaranteed interest rate in 2Q10 in Belgium

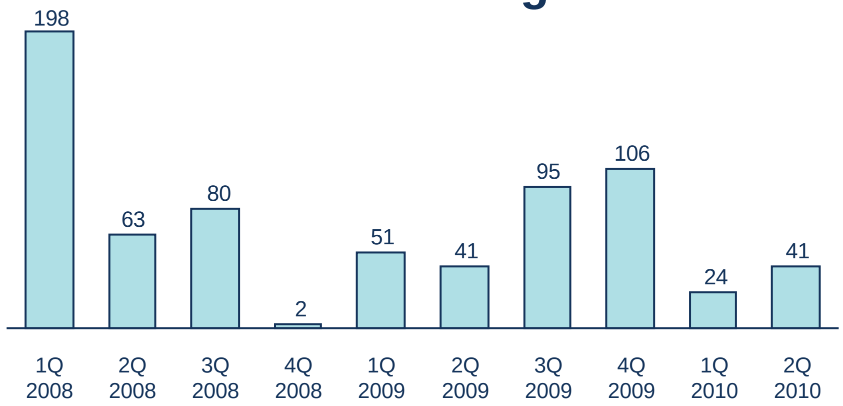
- Combined ratio at 104%, up compared to 98% in 2Q09 due to lower premium income at group level combined with higher claims related to flooding in CEE

- Net gains from financial instruments at fair value (147m EUR) is the result of weak dealing room activity, in line with the negative market trend

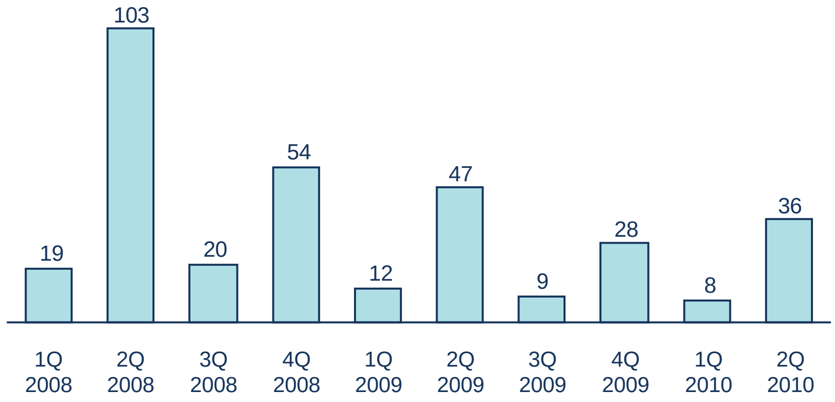
Amounts in m. EUR

Revenue trend - Group

AFS realised gains



Dividend income

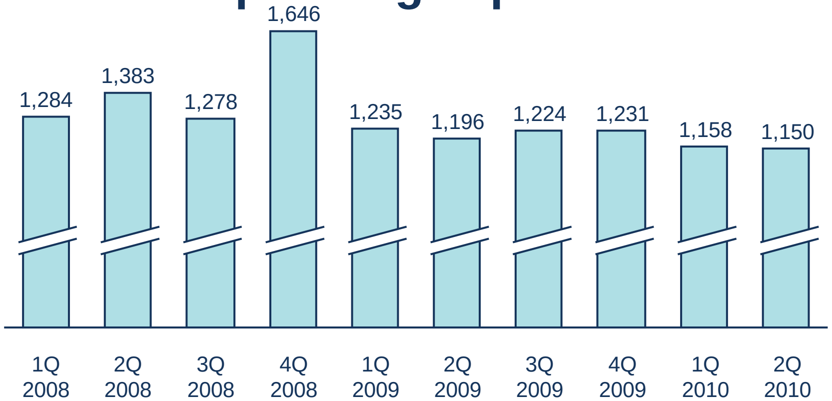


- AFS realised gains at 41m EUR
- Dividend income at 36m EUR, obviously higher quarter-on-quarter thanks to the dividend season, but clearly lower year-on-year due to a decrease in the share portfolio

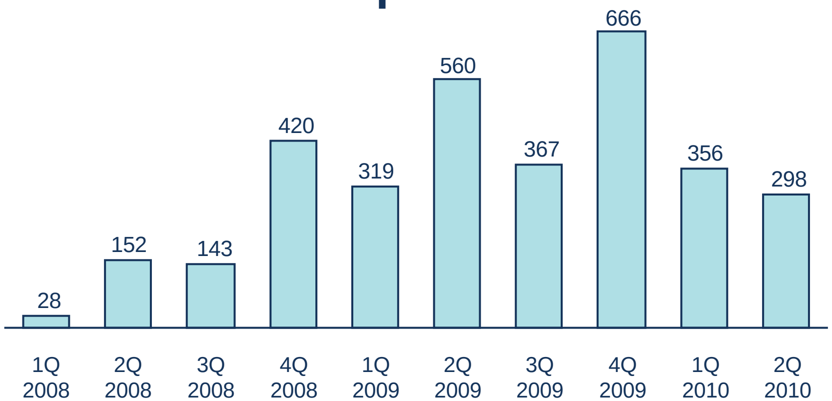
Amounts in m. EUR

Opex and asset impairment - Group

Operating expenses



Asset impairment



- Continued tight cost control
  - Operating expenses fell 4% y-o-y and 1% q-o-q to 1,150m EUR, still benefiting from cost containment measures initiated in 2008
  - Underlying cost/income ratio for banking stood at 52% YTD (compared to 55% for full year 2009)
  - We still believe that costs will start to increase going forward

- Sharply lower impairments (298m EUR)
  - 262m EUR year-on-year decrease, mainly thanks to much lower impairments on Asset Backed Securities (ABS) assets
  - 58m EUR quarter-on-quarter decrease, mainly thanks to lower impairments at KBC Bank Ireland

Amounts in m. EUR

Loan loss provisions may have peaked

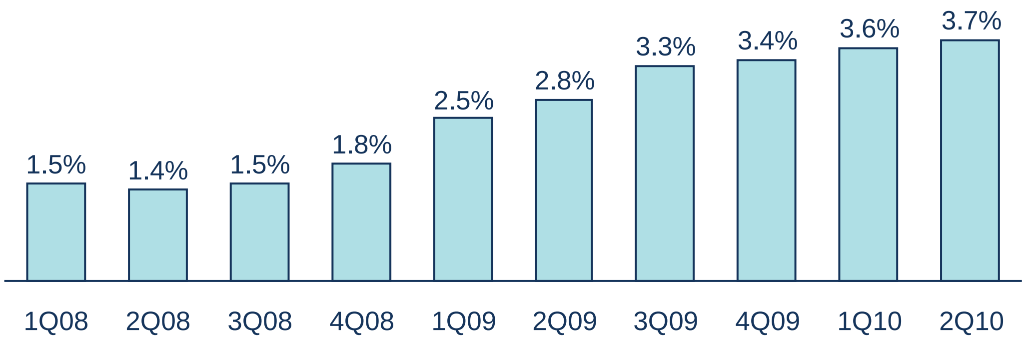
- Credit cost ratio went down to 0.77% (vs. 1.11% in 2009). NPL ratio amounted to 3.7%
- Credit cost in Belgium remained at a low level
- Slightly higher credit cost in CEE (+3m EUR q-o-q), mainly due to higher impairments at Kredyt Bank (+12m EUR q-o-q), partially compensated by lower impairments at K&H Bank (-7m EUR q-o-q)
- Sharply decreased credit cost in Merchant Banking (-130m EUR q-o-q), mainly thanks to lower impairments at KBC Bank Ireland and on ABS assets

Credit cost ratio

	Loan book	2007 FY	2008 FY	2009 FY	2009 FY	1H10 YTD
		'Old' BU reporting			'New' BU reporting	
Belgium	**53bn**	0.13%	0.09%	0.17%	0.15%	0.10%
CEE	**37bn**	0.26%	0.73%	2.12%	1.70%	1.23%
Merchant B. **(incl. Ireland)**	**59bn**	0.02%	0.48%	1.32%	1.19%	1.03%
Total Group	**168bn**	0.13%	0.46%	1.11%	1.11%	0.77%

While the NPL formation has stopped growing

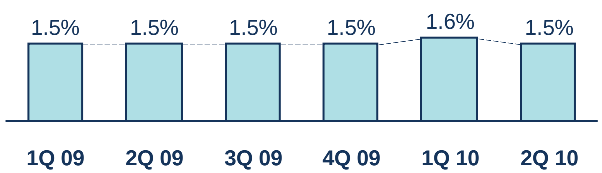
NPL ratio at Group level



2Q 2010	**Non Performing Loans** (>90 days overdue)	**High risk** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
BU Belgium	1.5%	3.6%	1.2%
BU CEE	5.2%	4.8%	3.9%
BU MEB	4.1%	5.1%	4.6%

NPL ratios per business unit

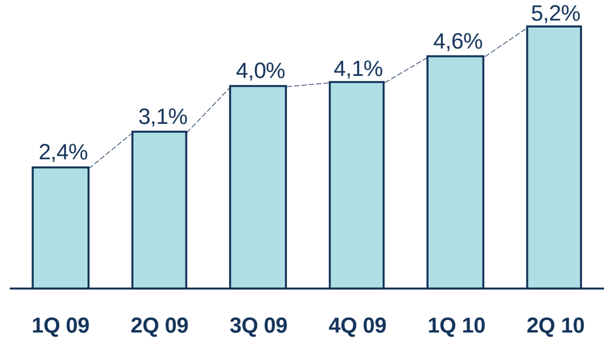
BU BELGIUM



non performing loans

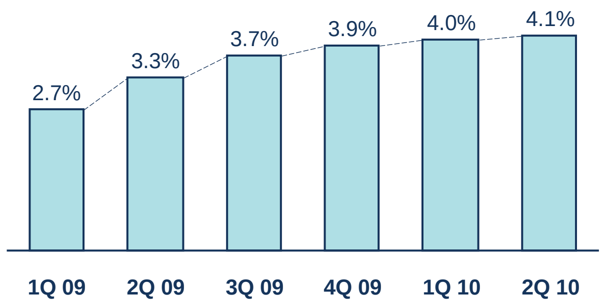
New BU reporting as of 2010
(pro forma 2009 figures)

BU CEE



BU MEB

(incl. Ireland

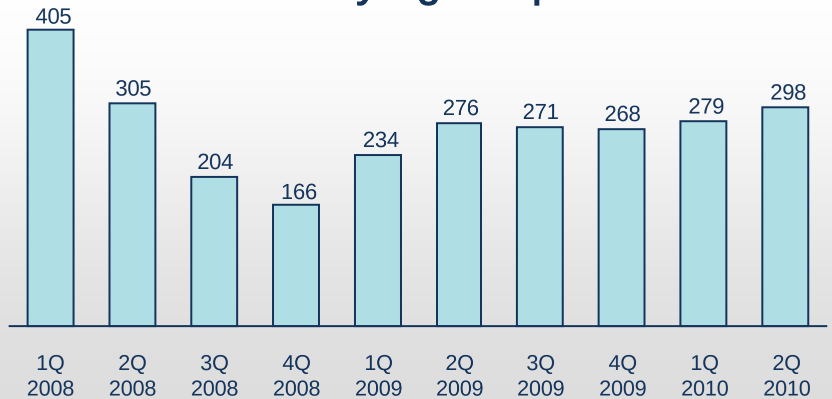


Rising NPL ratio vs. decreasing or flat CCR ratio in 1H10 seems inconsistent, but is caused by:

- Largest part of the NPL increase refers to residential mortgage loans with high quality collateral (hence lower impairment needs)
- The gradual move from impaired performing to non-performing status didn't lead to a significant additional impairment creation (given the already high impairment creation on performing loans during Q4 2009)

Belgium Business Unit

Underlying net profit



Volume trend

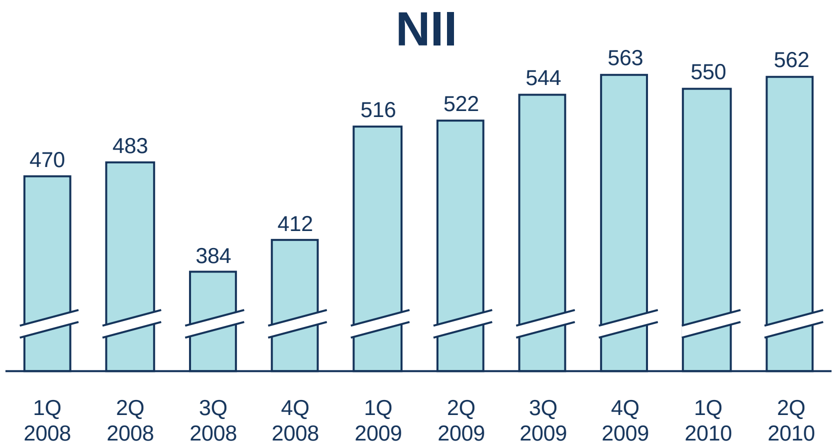
	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	51bn	26bn	67bn	149bn	21bn
Growth q/q*	+2%	+2%	+3%	0%	+1%
Growth y/y	+3%	+9%	+2%	+4%	+11%

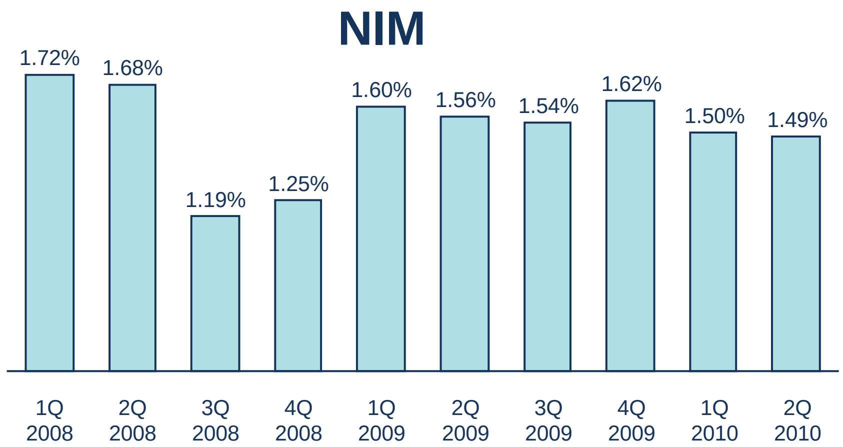
** Non-annualized*
*** Loans to customers, excluding reverse repo's (and not including bonds)*

- Underlying profit of Belgium Business Unit rose 7% quarter-on-quarter and 8% year-on-year to 298m EUR
- Increase in loan volume quarter-on-quarter and year-on-year, driven by mortgage loan growth
- Increase in deposit volumes quarter-on-quarter and year-on-year, with the traditional savings accounts still proving to be very popular (+2% q-o-q and +17% y-o-y)
- Assets under management and life reserves are growing year-on-year (and stabilising quarter-on-quarter)

Amounts in m. EUR

Belgium Business Unit (2)



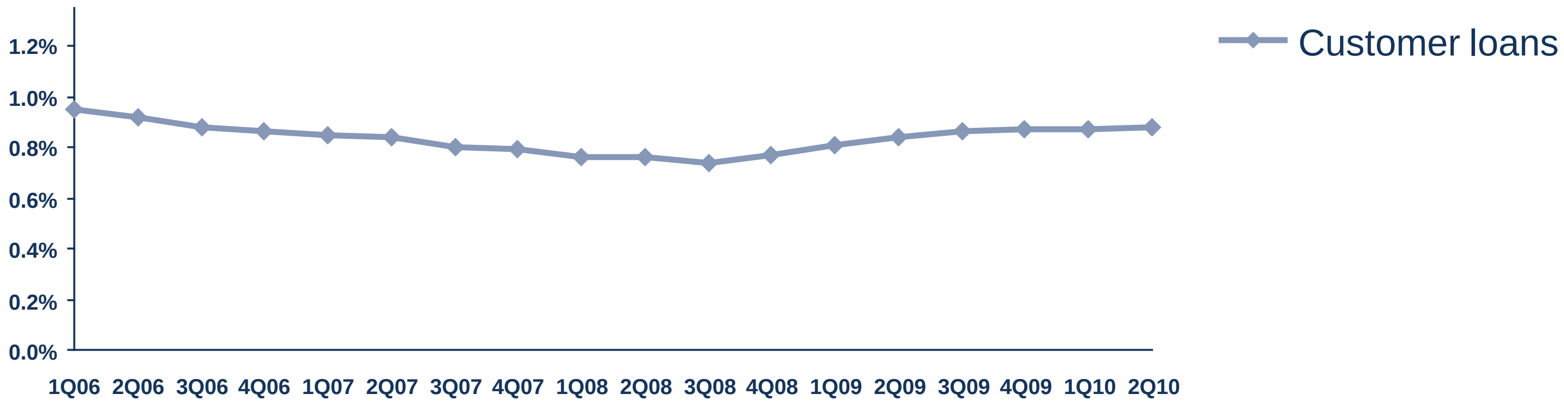


- Net interest income (562m EUR) remains healthy
  - An increase of 8% year-on-year and 2% quarter-on-quarter thanks to moderate volume growth
  - Major improvement versus 2H 2008 based on margin recovery on loans and deposits combined with shift to higher margin products (from time deposits to saving accounts)

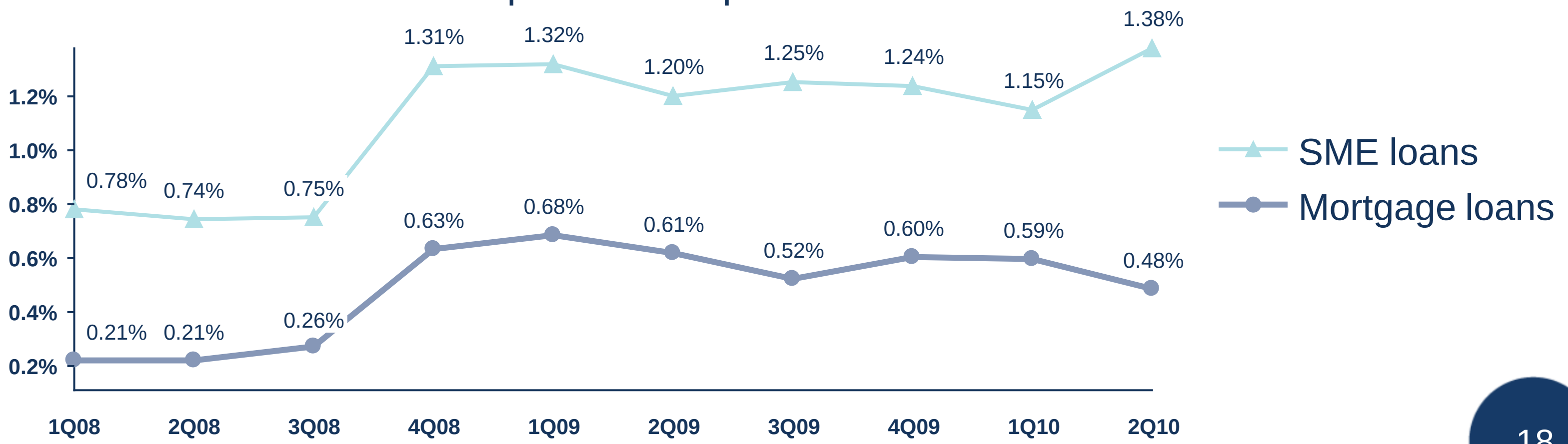
Amounts in m. EUR

Credit margins in Belgium

Product spreads on customer loans book, outstanding

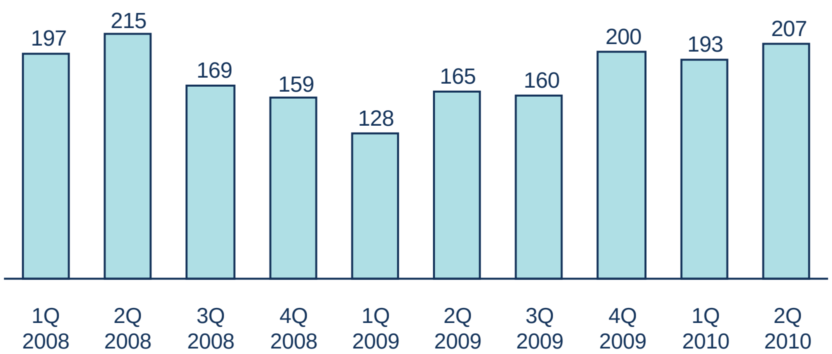


Product spread on new production

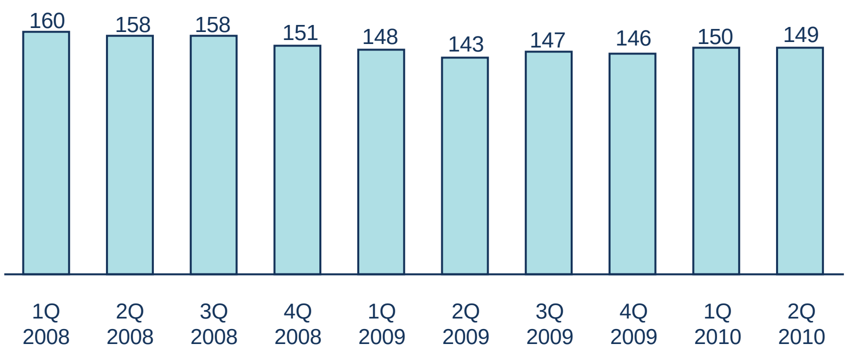


Belgium Business Unit (3)

F&C



AUM



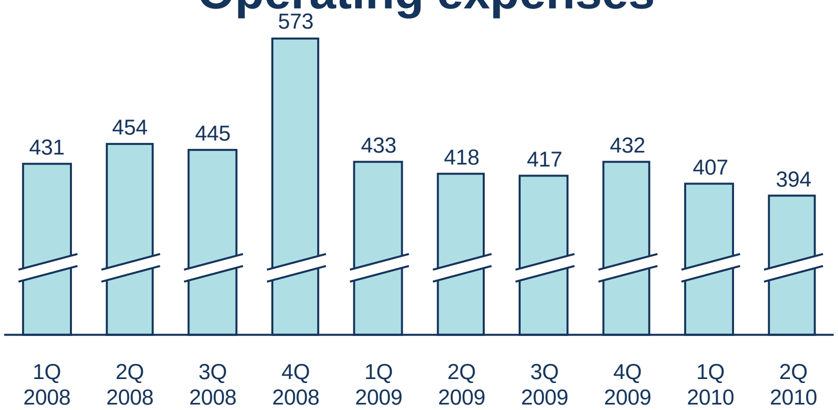
Amounts in bn. EUR

- Net fee and commission income (207m EUR) further improved
  - Net commission income from banking activities rose 19% y-o-y thanks to the gradually improving investment climate, leading, inter alia, to higher commission income from asset management activities. Assets under management rose 4% y-o-y (to 149bn EUR), despite 3% net outflows (higher risk-aversion).
  - Net commission income from banking activities stabilised q-o-q. This, combined with a noticeable q-o-q decrease in commissions paid to insurance agents in 2Q10 (related to the decrease in insurance sales in 2Q10), led to a 7% q-o-q increase in total net fee and commission income

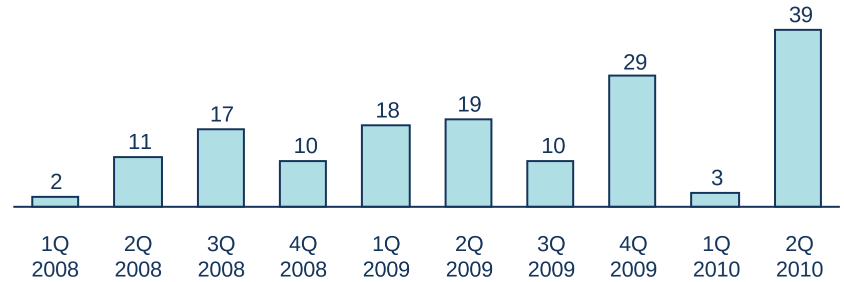
Amounts in m. EUR

Belgium Business Unit (4)

Operating expenses



Asset impairment

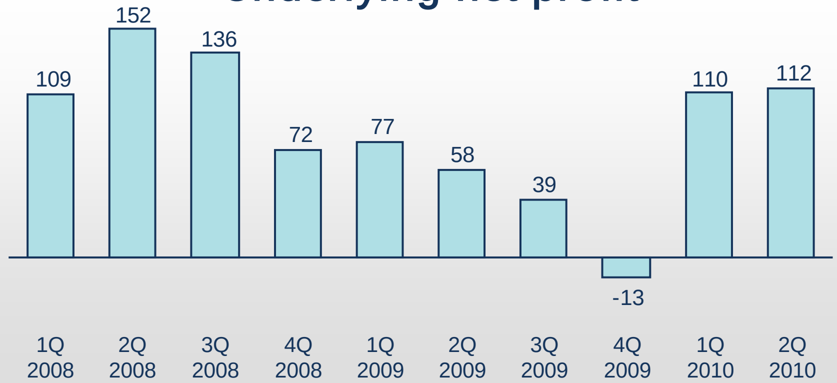


- Operating expenses remained well under control: -6% year-on-year and -3% quarter-on-quarter
  - Cost saving measures that were initiated in the past still positively influenced the cost level, while some upward pressure on costs came from higher accruals for variable remuneration for staff and higher marketing and communication expenses
  - This quarter was helped by some one-off items, e.g. lower costs related to staff hospitalisation insurance. Disregarding these items, the cost trend has been virtual flat q-o-q
  - Further improvement in the cost/income ratio: 50% YTD (compared to 57% for full year 2009)
- Asset impairment remained at a low level (relatively speaking), though was clearly up on the exceptionally low 3m EUR figure in 1Q10 (which benefitted from an 11m EUR write-back for a single file)
  Credit cost ratio of 10bps YTD. NPL ratio at 1.5%

Amounts in m. EUR

CEE Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	31bn	14bn	40bn	13bn	2bn
Growth q/q*	-1%	+1%	3%	-6%	+2%
Growth y/y	-5%	+4%	2%	+8%	+12%

** Non-annualized*
*** Loans to customers, excluding reverse repo's (and not including bonds)*

- Underlying profit at CEE Business Unit of 112m EUR
  - CEE profit breakdown: 89m Czech Republic, 7m Slovakia, 35m Hungary, -6m Poland, 1m Bulgaria, other -14m (mainly funding costs of goodwill)
  - In line with the strong result in 1Q10
- Q-o-q organic reduction in loan book (-1%) on the back of low loan demand, most pronounced in Hungary (-4%). Deposit volumes rose both q-o-q (mainly in Slovakia) and y-o-y (mainly in Poland). Loan to deposit ratio at 77%.

Amounts in m. EUR

CEE Business Unit (2)

Organic growth(*)

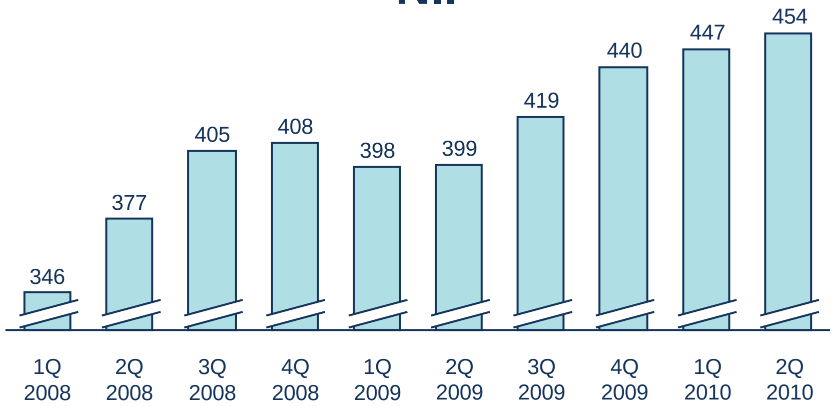
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	-1%	-3%	+2%	+12%	+2%	+4%
SK	1%	-2%	+7%	+23%	+10%	-3%
HU	-4%	-11%	-1%	-6%	0%	-15%
PL	0%	-4%	+1%	-3%	+4%	+19%
BU	-1%	-6%	-1%	-1%	-10%	0%

- Loan demand remained mostly weak across the region
- Quarterly time series are influenced by volatility in corporate deposits
  - In Poland, the quarter benefited from a successful retail deposit campaign launched in 1H10
  - In HU:
    - Loans -11% y-o-y due to decrease of corporate loan book
    - Deposits -15% y-o-y. Last year, there was a deposit war (attract expensive retail deposits to improve the LTD ratio)
  - In SK:
    - Mortgages +23% y-o-y thanks to organic growth and the broadening of the definition (including ‘American mortgages’)
    - Deposits +10% q-o-q thanks to increase of MM deposits (institutional client) and C/A balances
  - In CZ, mortgages +12% y-o-y thanks to active campaigns with attractive pricing

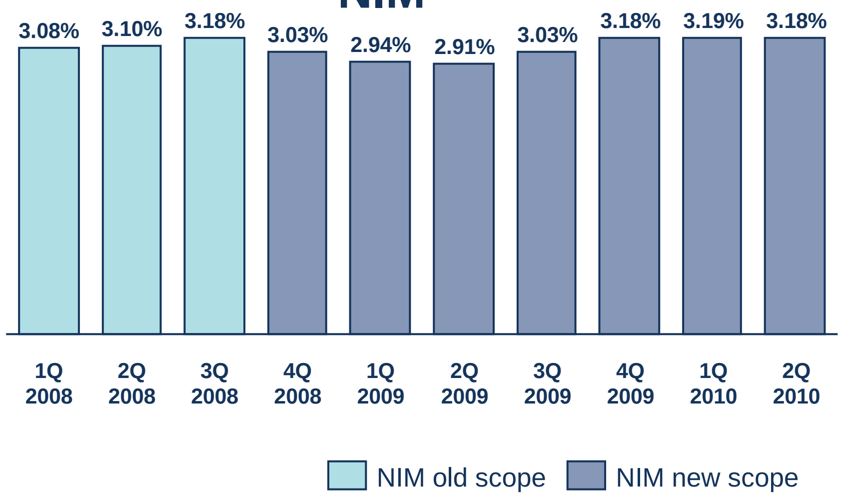
(*) organic growth excluding FX impact, q-o-q figures are non-annualized

CEE Business Unit (3)

NII



NIM

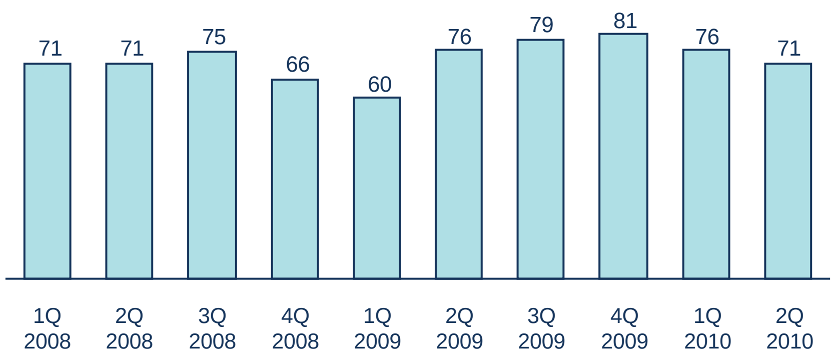


- Net interest income rose 2% q-o-q and 14% y-o-y to EUR 454m (organic growth of +1% q-o-q and +8% y-o-y)
- Net interest margin at 3.18%, comparable to the last 2 quarters

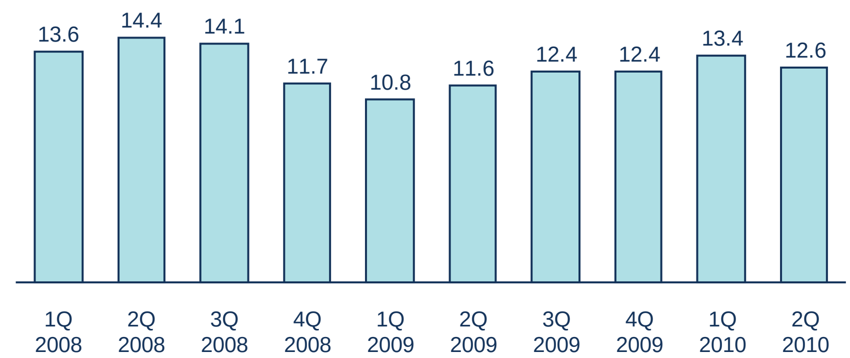
Amounts in m. EUR

CEE Business Unit (4)

F&C



AUM



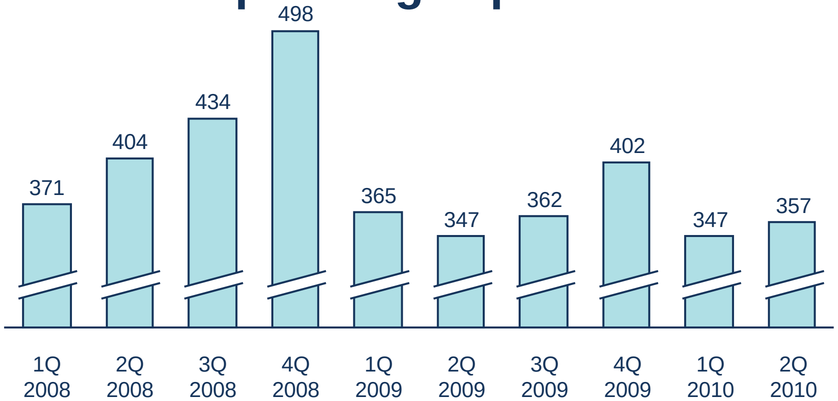
Amounts in bn. EUR

- Net fee and commission income (71 m EUR) down on an organic basis (excluding FX impact) by 10% y-o-y and 7% q-o-q.
  - A decline in fees received (banking) combined with a small increase in the fees paid (insurance) led to this result
  - The y-o-y comparison also suffered from an accounting change of the distribution fees paid to the Czech Post (shift from expenses to commission income, without impacting the bottom line). Excluding this shift and the FX impact, net fee and commission income would have increased by some 2% y-o-y.
- Assets under management amounted to roughly 13bn EUR

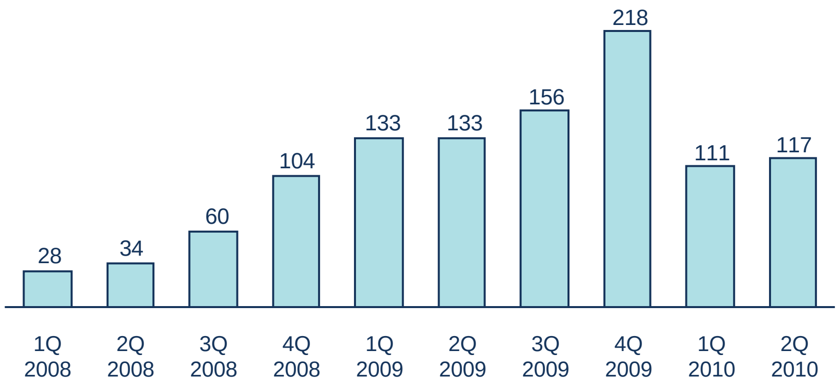
Amounts in m. EUR

CEE Business Unit (5)

Operating expenses



Asset impairment



- Operating expenses (357m EUR), on an organic basis (excluding FX impact) up 2% q-o-q and down 3% y-o-y
  - The q-o-q increase is mainly caused by higher administrative expenses, inter alia for marketing and ICT
  - Excluding the positive effect of the aforementioned change in methodology, expenses would have stabilised y-o-y.
  - Ytd cost income ratio at 50% (59% FY 2009)

	Loan book	2008* CCR	2009* CCR	2009 CCR	1Q10 CCR	1H10 CCR
CEE	**37bn**	0.73%	2.12%	1.70%	1.20%	1.23%
- Czech Rep.	18bn	0.38%	1.12%	1.12%	0.69%	0.74%
- Poland	8bn	0.95%	2.59%	2.59%	1.19%	1.45%
- Hungary	7bn	0.41%	2.01%	2.01%	2.08%	1.84%
- Slovakia	4bn	0.82%	1.56%	1.56%	1.57%	1.22%
- Bulgaria	1bn	1.49%	2.22%	2.22%	2.03%	1.78%

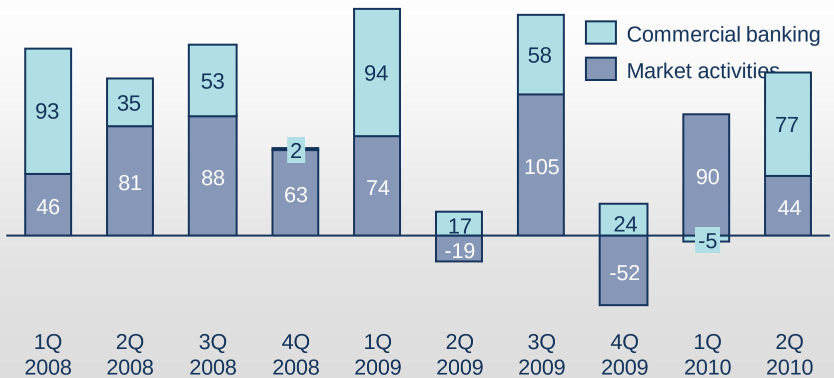
** CCR according to 'old' business unit reporting*

- Asset impairment at 117m, mainly on L&R
  - Credit cost ratio at 1.23% in 1H10 (1.20% in 1Q10)
  - NPL ratio at 5.2%, up from 4.6% at the end of 1Q10

Amounts in m. EUR

Merchant Banking Business Unit

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	46bn	61bn
Growth q/q*	-1%	+4%
Growth y/y*	-14%	+18%

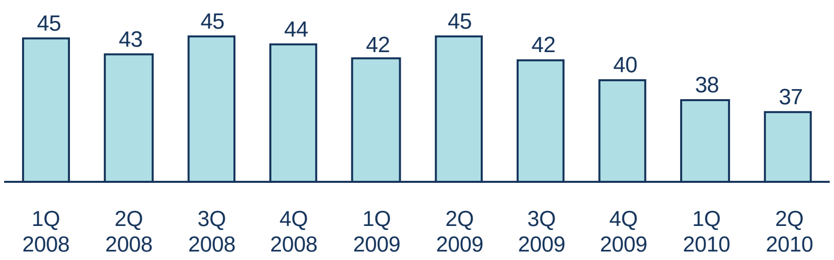
non-annualized

- Underlying net profit in Merchant Banking Business Unit (121m EUR), significantly above the average of the last four quarters (54m)
  - Commercial banking result of +77m EUR, sharply up q-o-q mainly thanks to lower impairments at KBC Bank Ireland
  - Market Activities result of +44m, down q-o-q due to weak dealing room activity (in line with the negative market trend)
- Reminder: a significant part of the merchant banking activities (assets to be divested) has been shifted to the Group Centre since 1Q10

Amounts in m. EUR

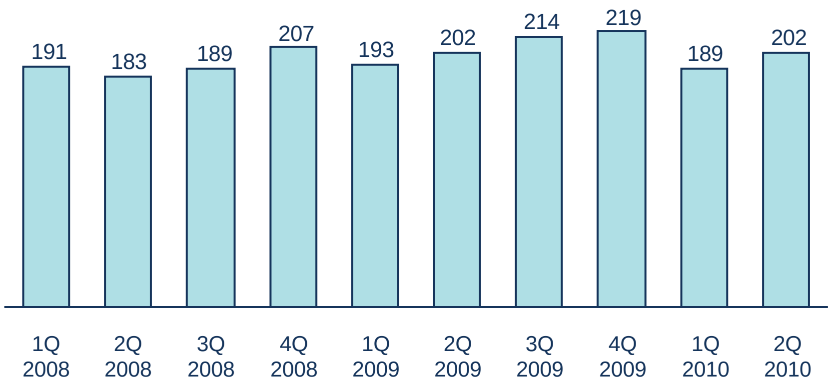
Merchant Banking Business Unit (2)

RWA banking & insurance
(Commercial banking)



Amounts in bn. EUR

NII (Commercial banking)



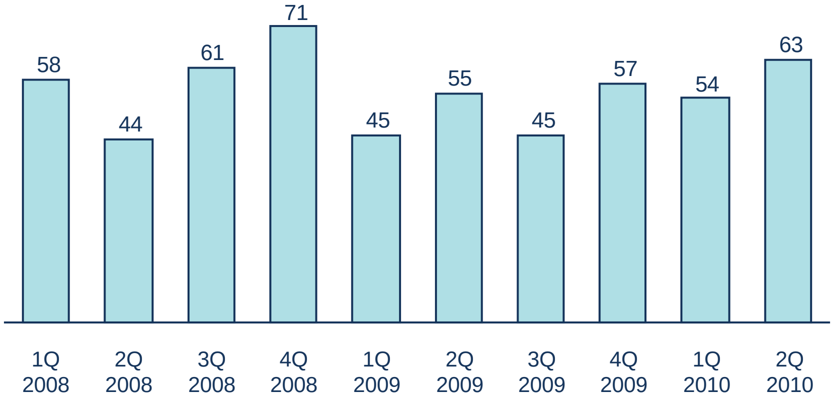
- Lower risk weighted assets in commercial banking due to further organic reduction in international corporate loan book

- Net interest income (relating to the commercial banking division) rose 7% q-o-q (flat y-o-y), though part of the increase was related to one-off items (such as the early repayment of a large loan). As anticipated, volumes in this business unit went down (e.g. loans -1% q-o-q and -14% y-o-y). This decrease is expected to continue for a number of years, as it is the result of the refocused strategy of the group (gradual scaling down of a large part of the international loan portfolio outside the home markets).

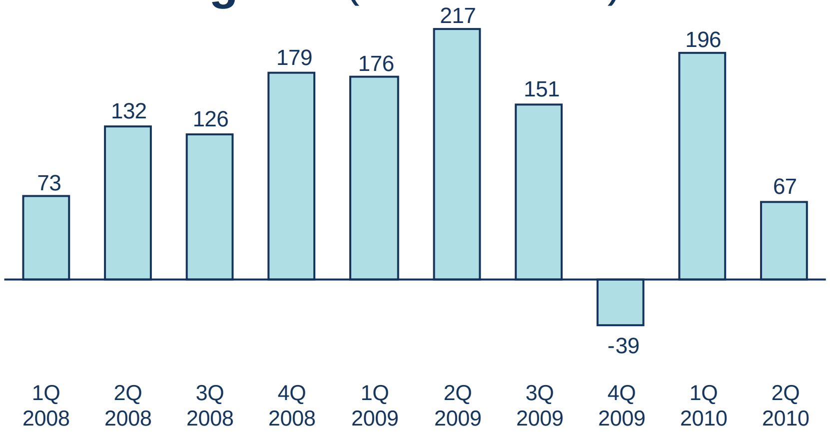
Amounts in m. EUR

Merchant Banking Business Unit (3)

F&C



FV gains (market activities)

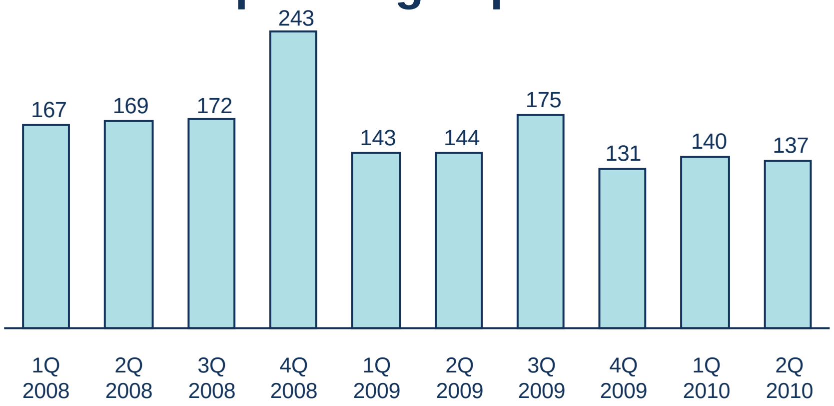


- Net fee and commission rose 15% both quarter-on-quarter and year-on-year to 63m EUR, in part thanks to higher brokerage and corporate finance income.
- Low fair value gains within the 'Market Activities' sub-unit, due entirely to weak dealing room activities (in line with the negative market trend)

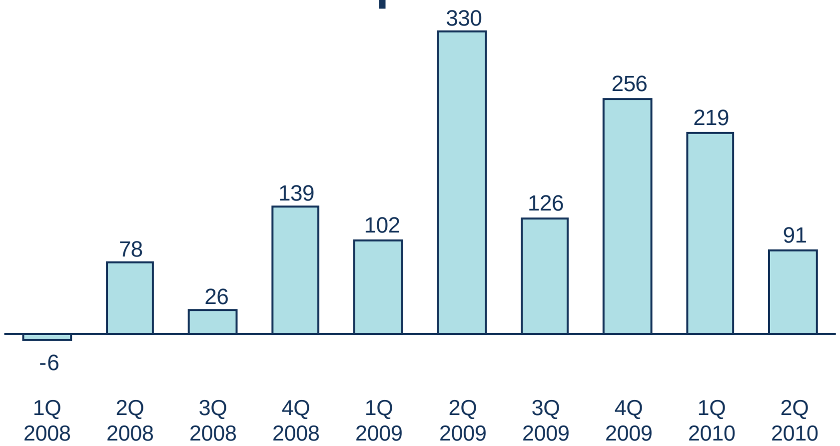
Amounts in m. EUR

Merchant Banking Business Unit (4)

Operating expenses



Asset impairment



- Operating expenses decreased by 2% quarter-on-quarter and 5% year-on-year to 137m EUR
  - Excluding technical and one-off items, costs fell by as much as 10% quarter-on-quarter.
- Impairment (91m EUR), 58% lower quarter-on-quarter (and even 72% lower year-on-year) mainly thanks to lower impairments at KBC Bank Ireland and on Asset Backed Securities assets
  - Credit cost ratio at 1.03% and NPL ratio roughly stable at 4.1%

Amounts in m. EUR

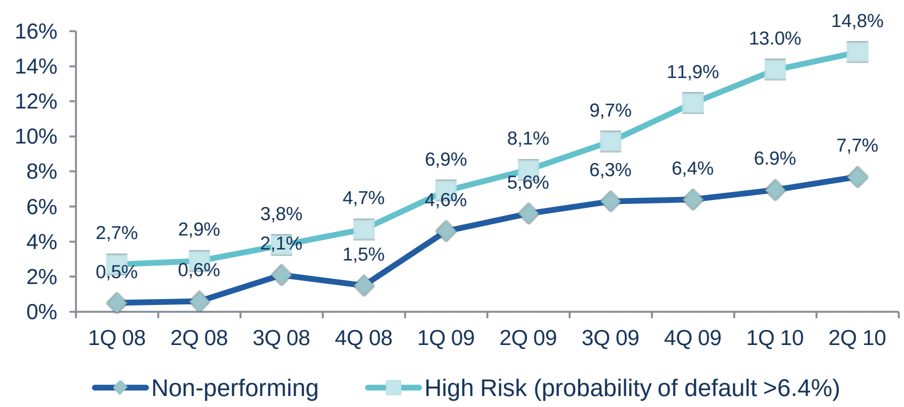
Update on Ireland

- 28m EUR loan impairments charged in 2Q10 (142m EUR in 1Q10). Credit costs for the remainder of 2010 should be significantly lower than 1H10.
- NPL rose to 7.7% in 2Q10 (6.9% in 1Q10), reflecting a continued increase in arrears, primarily for residential customers. This reflects the anticipated lag in employment, income and GDP recovery following initial signs of the Irish economy emerging from recession
- 77% of the outstanding portfolio remains low or medium risk
- Local Tier 1 ratio of 10.2% at the end of 2Q10

Irish loan book – key figures June 2010

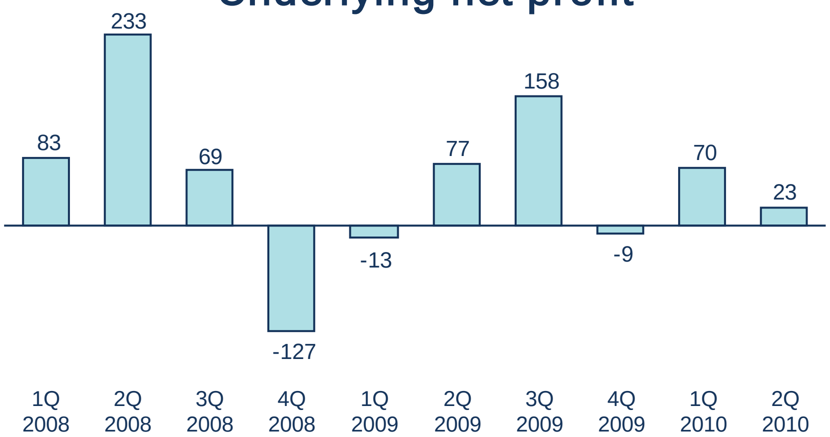
Loan portfolio	Outstanding	NPL Jun 10
Owner occupied mortgages	10.0bn	5.8%
Buy to let mortgages	3.3bn	7.9%
SME /corporate	2.5bn	4.7%
Real estate investment	1.3bn	10.9%
Real estate development	0.6bn	41.3%
	17.7bn	7.7%

Proportion of High Risk and NPL



Group Centre

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	16bn	15bn
Growth q/q*	-7%	-35%
Growth y/y*	-13%	-40%

**non-annualized*

- Besides the existing activities of the holding and shared-services companies at ‘Group Centre’, all upcoming divestments were shifted to ‘Group Centre’ from 1Q10 onwards. The decrease of the net group profit (both q-o-q and y-o-y) is largely attributable to the results of the companies that were earmarked for divestment in the coming years. Note that a number of divestment agreements have already been signed in 2Q10 and 3Q10.

- Only the planned divestments are included. The merchant banking activities that will be wound down organically have NOT been shifted to the ‘Group Centre’

Amounts in m. EUR

Group Centre (2)

Breakdown of underlying net group profit

	2Q10
Group item (ongoing business)	**-39**
Planned divestments	**62**
- Centea	15
- Fidea	13
- 40% minorities CSOB Bank CZ	53
- Absolut Bank	-4
- 'old' Merchant Banking activities	0
- KBL	34
- Other	-49
TOTAL underlying net group profit	**23**

NPL, NPL formation and restructured loans in Russia

		4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010
RU	NPL	0.5%	2.3%	3.3%	9.2%	14.0%	17.9%	17.8%
	NPL formation		1.8%	1.0%	5.9%	4.8%	3.9%	-0.1%
	Restructured loans	-	3.6%	7.2%	9.8%	11.2%	10.3%	10.3%
	Loan loss provisions (m EUR)	31	45	33	48	56	0	19

Amounts in m. EUR

Wrap up

KBC

Financial highlights 2Q 2010

- Net interest income at continued high level thanks to sound deposit and loan margins
- Gradual recovery of fee and commission income confirmed
- Weak dealing room activity
- Dip in combined ratio because of lower premium income at group level combined with higher claims related to flooding in CEE
- Operational expenses are bottoming out in 2Q10 as well, rigorous cost containment continued
- Significantly lower loan loss impairments, notably in Merchant Banking activities
- Reduction of the exposure to Greek government bonds, related to the containment of sovereign risks
- Including the effect of the sale of KBL EPB, the excess regulatory capital accumulated beyond the 10% tier 1-solvency target amounted to roughly 3.0bn EUR at the end of 2Q10. Excluding all CDO effects, available surplus capital at the end of 2Q10 amounted to roughly 2.6bn EUR (incl. KBL EPB effect)

Additional data set

Exposure to Southern Europe (1)

Total exposure to Greece, Portugal & Spain at the end of 2Q10 (bn EUR)

	Banking and Insurance book			Trading book Gov. Bonds	Total exposure
	Credits & corporate bonds	Bank bonds	Gov. bonds		
Greece	0.1	0.0	0.9	0.1	**1.1**
Portugal	0.3	0.0	0.3	0.0	**0.6**
Spain	2.4	0.6	2.3	0.2	**5.5**

- Total exposure to the most stressed countries Greece and Portugal amounted to EUR 1.7bn, of which EUR 0.1bn trading positions
- No impact on KBC's liquidity position (since the sovereign bonds can still be pledged with the ECB)

Breakdown of government bond portfolio, banking and insurance, at the end of 2Q10 (bn EUR)

	Banking	Insurance	Total
Greece	0.6	0.3	**0.9**
Portugal	0.1	0.2	**0.3**
Spain	1.5	0.8	**2.3**
TOTAL	**2.2**	**1.3**	**3.5**

Exposure to Southern Europe (2)

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

	2H10	2011	2012	> 2012
Greece	0.0	0.1	0.2	0.6
Portugal	0.0	0.0	0.1	0.2
Spain	0.0	0.1	0.5	1.7

Breakdown of total government bonds, by portfolio at the end 2Q10 (bn EUR)

	AFS	HTM	FIV	Trading	TOTAL
Greece	0.6	0.1	0.2	0.1	**1.0**
Portugal	0.1	0.2	0.0	0.0	**0.3**
Spain	2.1	0.3	0.0	0.2	**2.6**

Hungary: ‘bank tax’ and sovereign exp.

‘Bank tax’ in 2010:

- Indication of the impact of the so-called ‘bank tax’ for K&H Group: roughly 55m-60m EUR pre-tax in 2010
- The bank tax should be accounted for as an expense in the 2010 P&L for corporate income tax purposes. As a result, it is tax deductible, which would imply an impact of roughly 45m-50m EUR after-tax in 2010
- The bank tax determined for 2010 is payable in two equal instalments by 30 September 2010 and 10 December 2010
- The current law only details the rules for determining the tax payable in relation to 2010
- Separate laws should be passed by the Hungarian parliament to determine the detailed rules for establishing the tax liability for 2011 and 2012

Sovereign exposure:

- Government bond exposure: 2.2bn EUR at the end of 2Q10, of which the majority is held by K&H

Satisfactory outcome of the stress test

- The stress test focused on KBC Bank
- Even under stress scenarios, the bank adequately meets the legal and market requirements in terms of solvency
  - Under the adverse scenario: the consolidated tier-1 ratio is estimated at 9.8% in 2011
  - An additional sovereign risk scenario would bring the estimated tier-1 ratio to 9.4% at the end of 2011. This suggests a buffer of EUR 4.6bn of the tier 1 capital against the threshold of a tier-1 ratio of 6% as agreed exclusively for the purposes of this exercise.
- A stress testing exercise does not provide forecasts of expected outcomes, nor does it reflect in any way KBC's own budgets and forecasts. Besides the extreme assumptions selected by CEBS, we want to stress that KBC has been extremely conservative itself. For instance:
  - Implementation of zero-growth assumption (by CEBS): KBC has put all growth at 0%, but expected contraction percentages has been kept intact
  - Macro-economic scenario for Belgium was more severe than that of its neighbouring countries
  - Net trading income before stress estimated (assumption by CEBS): KBC however took into account large negative items (such as negative CDO-related value adjustments, legacy costs related to KBC FP, M2M trading derivatives for hedging purposes,...)
  - KBC excluded 'other' operating income to a large extent

Basel III: first assessment after 26/07/2010 statements

- At first assessment , the impact from the new ‘Basel III’ proposals is manageable as long as the ‘grandfathering clause’ applies temporarily to the State Core Tier 1 securities.
- Although the listing of a minority stake in CSOB will negatively affect the capital treatment of the transaction, it will be less negative than stated in the initial consultation document (released on 17 December 2009)
- We also welcome the new definition of liquid assets, leading to an improved LCR and NSFR
- However, there are still several uncertainties, such as timing of implementation, definition of local required minimum capital,...
- As a result, it’s too early to make exact quantitative disclosure of the full effects.

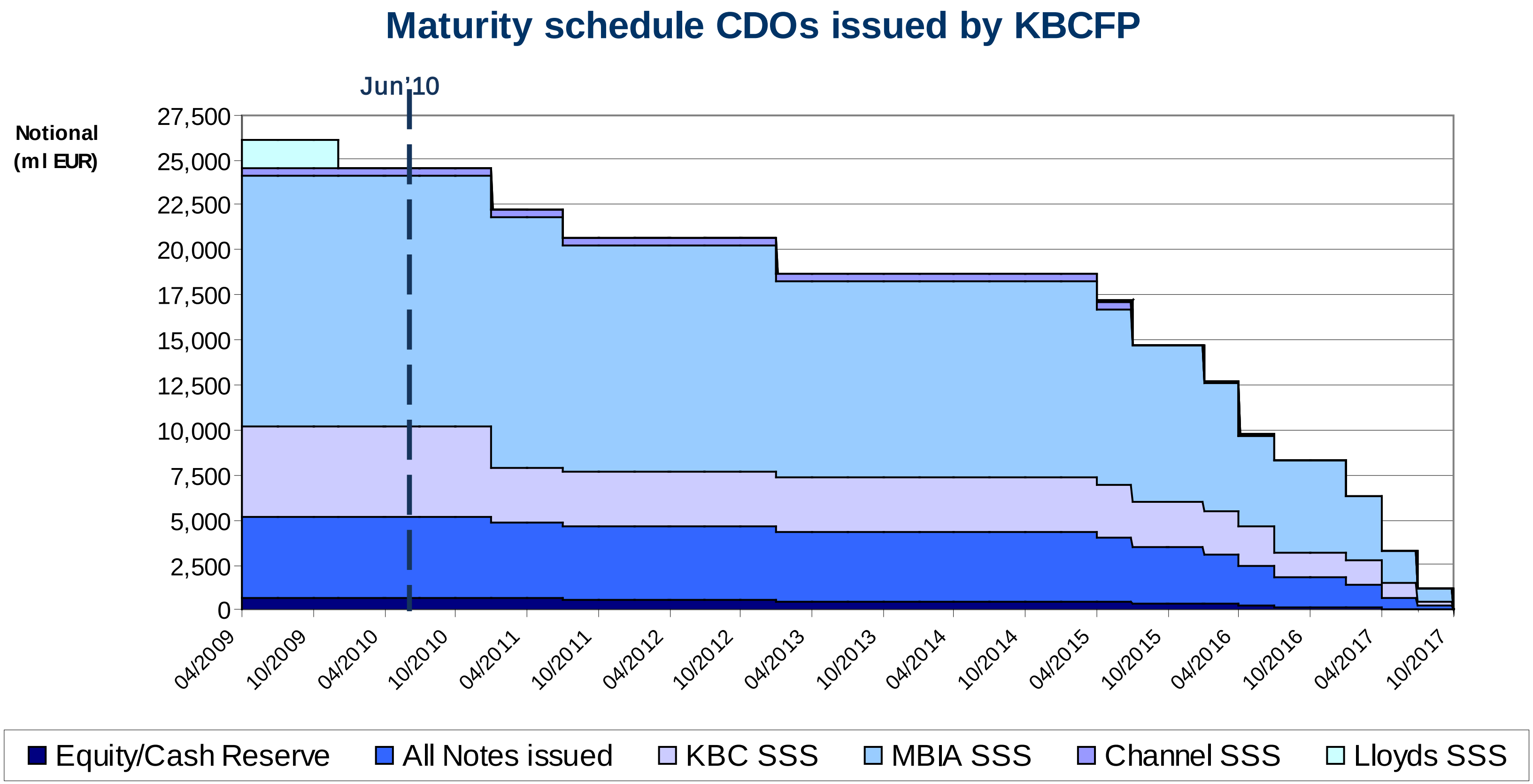
Update CDO exposure at KBC (end 2Q10)

CDO exposure (bn EUR)	Notional	Cumulative markdowns
- **Hedged portfolio** - **Unhedged portfolio**	14.9 10.0	-1.5 -5.4
TOTAL	**24.9**	**-6.9**

Amounts in bn €	**Total**
Value adjustments (since start crisis) “Effective” loss (i.e. expect. losses based on claimed credit events) - Of which impact of settled credit events	-6.9 -1.3 -0.7

- Cumulative value adjustments amounted to 6.9bn EUR at the end of 2Q10
- Effective cash losses amounted to 1.3bn EUR, of which 0.7bn EUR impact of settled credit events
- Within the scope for the sensitivity tests, the value adjustments reflect an 18% cumulative loss in the underlying corporate risk (approx. 80% of the underlying collateral are corporate reference names)
- Reminder: CDO exposure largely written down or covered by a State guarantee.

Maturity schedule for CDO portfolio



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

Summary of government transactions (1)

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

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

Summary of government transactions (2)

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

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