KBC GROUP

EXTENDED QUARTERLY REPORT

3Q 2010

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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
[result 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
[result after tax, attributable to equity holders of the parent, adjusted for interest expense (after tax) for non-mandatorily convertible bonds] / [average number of ordinary shares, 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
[result after tax, including minority interests, of a business unit, adjusted for income on allocated instead of real equity] / [average equity allocated to the business unit]. 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
[result after tax, attributable to the equity holders of the parent] / [average parent shareholders' equity, excluding the revaluation reserve for available-for-sale investments]. If a coupon is expected to be paid on the core-capital securities sold to the Belgian and Flemish governments, it will be deducted from the numerator (pro rata).

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, on behalf of the Executive Committee of 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.'

Forward-looking statements

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

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Report on
3Q 2010 and 9M 2010
KBC Group

This news release contains information that is subject to transparency regulations for listed companies.
Date of release: 10 November 2010, 7 a.m. CET

Summary

KBC ended the third quarter of 2010 with a net profit of 545 million euros, compared with a net profit of 149 million euros in the previous quarter and 528 million euros in the corresponding quarter of 2009. As a result, net profit came to 1 136 million euros in the first nine months of the year, as opposed to a net loss of 2 770 million euros in the first nine months of 2009 (which included a significant CDO-related loss in the first quarter of 2009).

Excluding exceptional items, the ‘underlying’ net result for the quarter under review came to 445 million euros, compared with 554 million euros in 2Q 2010 and 631 million euros in 3Q 2009.

Jan Vanhevel, Group CEO: ’A third quarter is often impacted by seasonal effects, but after taking these into account, we are satisfied with the results. Our core strategy, which focuses on bancassurance in Belgium and selected Central European countries, generated 445 million euros through a combination of stable revenues and well-controlled operating expenses, notwithstanding higher credit costs. With respect to exceptional items, the most noteworthy item this quarter is a mark-up on the CDO portfolio. The total impact of all exceptional items is a positive 100 million euros, leading to a reported profit for 3Q of 545 million euros’.

Overview	3Q 2009	2Q 2010	3Q 2010	Cumul. 9M2009	Cumul. 9M2010
Net result, IFRS (in millions of EUR)	528	149	545	-2 770	1 136
Earnings per share, basic, IFRS (in EUR) [1]	1.56	0.00	1.17	-8.16	2.03
Underlying net result (in millions of EUR)	631	554	445	1 506	1 542
Underlying earnings per share, basic (in EUR)	1.86	1.19	0.87	4.44	3.23
Breakdown of underlying net result per business unit (in millions of EUR) [2]					
Belgium	271	298	220	782	797
Central & Eastern Europe	39	112	53	175	275
Merchant Banking	162	121	156	327	361
Group Centre	158	23	16	222	109
Parent shareholders’ equity per share (in EUR, end of period)	27.7	30.2	33.1	27.7	33.1

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 3Q 2010:

- Stable net interest income, with continued loan volume growth in Belgium, driven by mortgages
- Lower fee and commission income, following a difficult summer season
- Slightly better combined ratio in non-life insurance
- Good income generated by the dealing room
- Operating expenses under control, but impacted by costs related to Hungarian bank tax and Belgian deposit guarantee scheme
- Increase in loan loss impairment in Central and Eastern Europe and in Merchant Banking
- Pro forma tier-1 ratio – including the effect of all divestments for which a sale agreement has been signed to date – at approximately 13.4%.

Financial highlights 3Q 2010

Jan Vanhevel, Group CEO, summarises the ***underlying*** business performance for 3Q 2010 as follows:

- Underlying net interest income stood at 1 406 million euros, comparable to the figure recorded in the previous quarter and a year earlier. There was some pressure on the net interest margin in Belgium, but credit volume growth continued in the third quarter, especially in mortgages. In Central and Eastern Europe, the net interest margin widened somewhat. For the group as a whole, the average net interest margin in the quarter stood at 1.92%.
- Net fee and commission income amounted to 367 million euros, down 8% year-on-year and 19% quarter-on-quarter. Sales of commission-based products had a difficult third quarter, which was due to more than just the traditional seasonal effect. This led to lower front-end loads and management fees, resulting in the above-mentioned drop in net fee and commission income.
- The net result from financial instruments at fair value, which includes dealing room activities, stood at 264 million euros, recovering from the low 147 million euros recorded in the previous quarter.
- Net of technical charges and the ceded reinsurance result, technical insurance income stood at 90 million euros, up one-third on the second quarter, due to *inter alia* lower claims in Central and Eastern Europe.
- Operating expenses came to 1 214 million euros. Excluding the booking of the bank tax for the full year in Hungary, this was roughly the same as the previous quarter.
- Loan loss impairment stood at 356 million euros, up on 2Q 2010, and comparable to 3Q 2009. The year-to-date credit cost ratio stood at 0.80%: 0.12% for the Belgian retail book, 1.32% in Central and Eastern Europe (down from 1.70% for 2009) and 1.01% for Merchant Banking (down from 1.19% for 2009).
- At the end of the current quarter, the KBC group generated capital in excess of the 10% tier-1 target of roughly 4.3 billion euros (including the effect of all divestments for which a sale agreement has been signed to date).

Headlines of underlying performance per business unit:

- All business units contributed positively to the net underlying result.
- The profit contribution of the Belgium Business Unit amounted to 220 million euros in 3Q 2010, down 78 million euros on the 2Q 2010 figure due primarily to lower fees and commissions from the sale and management of funds, lower realised gains on the sale of bonds and shares, the traditional seasonal drop in dividend income and a cost related to the Belgian deposit guarantee scheme.
- The profit contribution of the Central and Eastern Europe Business Unit amounted to 53 million euros in 3Q 2010. This was 59 million euros lower than in 2Q 2010, and for a large part caused by the booking of the bank tax for the full year in Hungary. Higher loan loss impairment, notably in Hungary, also impacted the result. Insurance results improved after a weak 2Q 2010 that had been impacted by the bad weather conditions.
- The profit contribution of the Merchant Banking Business Unit amounted to 156 million euros in 3Q 2010, up 35 million euros on the previous quarter. The main driver was the good dealing room result, partly offset by higher impairment charges for Ireland and a few large credit files.
- 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, in order to clearly indicate the financial performance of the long-term activities and the planned divestments separately. In 3Q 2010, the Group Centre's net result came to 16 million euros.

The quarter was also characterised by a number of one-off or exceptional items that were not part of the normal course of business and were therefore excluded from the underlying results. Their combined impact in 3Q 2010 amounted to a positive 0.1 billion euros. Apart from some smaller items, the main non-operational item in 3Q 2010 was the valuation mark-up of CDO exposure in the amount of 0.2 billion euros, resulting mainly from a tightening of credit spreads between the end of June 2010 and the end of September 2010.

First nine months of 2010: results per heading

Explanations per heading of the ***IFRS*** income statement for 9M 2010 (see summary table on the next page):

- The net result for the first nine months of 2010 amounted to 1 136 million euros, compared to -2 770 million 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 nine months of 2010 totalled 1 542 million euros, up 2% on the figure for the first nine months of 2009.
- Net interest income amounted to 4 647 million euros, up 8% year-on-year. On a comparable basis, credit volumes were down 2% year-on-year, while customer deposits were up by 8%. The net interest margin increased from 1.81% in 9M 2009 to 1.87% in 9M 2010.
- Earned insurance premiums, before reinsurance, stood at 3 466 million euros, down 6% year-on-year. Net of technical charges and the ceded reinsurance result, technical insurance income came to 240 million euros. The claims level was relatively high during the first nine months of 2010, due to factors such as the storm Xynthia and flooding in Central and Eastern Europe.
- Net fee and commission income amounted to 917 million euros, up 14% year-on-year. Sales of commission-based products were up on the low levels of 2009, a year still very much impacted by the effects of the financial crisis.
- The net result from financial instruments at fair value (trading and fair value income) came to -506 million euros, compared to -3 846 million euros a year earlier. 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, and after shifting all trading-related income items to this P&L line), trading and fair value income amounted to 731 million euros, down 17% year-on-year.
- The remaining income components were as follows: dividend income from equity investments amounted to 76 million euros (104 million euros a year earlier), the net realised result from available-for-sale assets (bonds and shares) stood at 61 million euros (128 million euros a year earlier) and other net income totalled 345 million euros (384 million euros a year earlier).
- Operating expenses amounted to 3 246 million euros, down 12% year-on-year. This reflects the strategic refocus programme where non-core activities are being wound down, as well as the continued effects of rigorous cost control measures throughout the group. The underlying cost/income ratio for banking – a measure of cost efficiency – stood at 53%, a further improvement on the 55% recorded for the first nine months of 2009.
- Impairment on loans and receivables stood at 990 million euros, down 21% year-on-year. This decrease was most pronounced in Central and Eastern Europe and Merchant Banking. As a result, the annualised credit cost ratio for 9M 2010 amounted to 0.80%, down on the figure of 1.11% for FY 2009. Other impairment charges totalled 112 million in 9M 2010 and related mainly to available-for-sale assets (shares and bonds) and goodwill on subsidiaries and associated companies.
- Income tax amounted to 16 million euros in the nine months under review. This figure includes a positive deferred tax asset of 0.4 billion euros booked in the second quarter of the year.
- The net post-tax result from discontinued operations amounted to a negative 278 million euros. This comprises the results and impairment related to the sale agreement on KBL EPB, which are regrouped in this single line under IFRS accounting rules (reference figures were adjusted accordingly).
- At end-September 2010, total equity came to 18.8 billion euros, an increase of 1.6 billion compared to the start of the year, due predominantly to the inclusion of the positive result for the first nine months of 2010 and to an increase in the revaluation reserve for available-for-sale assets. The group's tier-1 capital ratio – a measure of financial strength – stood at a sound 12.1%. Including the effect of all sale agreements announced to date (such as KBL EPB), the *pro forma* tier-1 ratio amounts to approximately 13.4%.

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 result from discontinued operations'. All reference quarters have been adjusted accordingly.

Consolidated income statement according to IFRS, KBC Group, in millions of EUR[1]	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Cumul. 9M 2009	Cumul. 9M 2010
Net interest income	1 407	1 375	1 535	1 500	1 519	1 567	1 562	-	4 317	4 647
Interest income	3 384	2 915	2 771	2 618	2 621	2 651	2 627	-	9 070	7 900
Interest expense	-1 977	-1 539	-1 237	-1 118	-1 103	-1 085	-1 065	-	-4 753	-3 253
Earned premiums, insurance (before reinsurance)	1 307	1 254	1 119	1 168	1 248	1 144	1 074	-	3 680	3 466
Technical charges, insurance (before reinsurance)	-1 158	-1 120	-1 033	-1 101	-1 163	-1 123	-957	-	-3 311	-3 243
Ceded reinsurance result	-15	-17	-2	-30	-9	50	-23	-	-33	18
Dividend income	22	55	26	35	15	40	21	-	104	76
Net result from financial instruments at fair value through profit or loss	-3 738	63	-170	361	-11	-721	227	-	-3 846	-506
Net realised result from available-for-sale assets	35	-2	95	95	19	30	11	-	128	61
Net fee and commission income	230	286	289	326	322	336	259	-	805	917
Fee and commission income	471	491	514	582	549	578	480	-	1 476	1 607
Fee and commission expense	-241	-206	-224	-256	-227	-242	-221	-	-671	-690
Other net income	150	116	117	44	98	182	65	-	384	345
Total income	-1 760	2 010	1 977	2 398	2 038	1 504	2 239	-	2 227	5 781
Operating expenses	-1 122	-1 396	-1 171	-1 089	-1 072	-1 044	-1 130	-	-3 690	-3 246
Impairment	-701	-614	-441	-969	-383	-299	-420	-	-1 756	-1 102
on loans and receivables	-308	-578	-368	-648	-355	-278	-357	-	-1 253	-990
on available-for-sale assets	-306	-11	-4	-6	-1	-16	-5	-	-320	-23
on goodwill	-79	-33	-58	-313	-27	-1	-13	-	-170	-41
on other	-9	8	-11	-2	0	-3	-45	-	-12	-48
Share in results of associated companies	0	-3	2	-24	-2	-9	-5	-	0	-16
Result before tax	-3 584	-3	367	315	581	153	683	-	-3 219	1 418
Income tax expense	-20	302	16	-42	-164	304	-124	-	298	16
Net post-tax result from discontinued operations	24	27	35	15	31	-302	-7	-	86	-278
Result after tax	-3 580	326	419	288	448	155	553	-	-2 835	1 156
attributable to minority interests	20	24	-109	-16	6	6	8	-	-65	20
attributable to equity holders of the parent	**-3 600**	**302**	**528**	**304**	**442**	**149**	**545**	**-**	**-2 770**	**1 136**
Belgium	-951	533	343	579	283	131	321	-	-75	734
Central & Eastern Europe	32	29	2	-149	99	119	76	-	62	294
Merchant Banking	172	-12	267	-16	64	73	173	-	427	310
Group Centre	-2 853	-248	-83	-110	-3	-174	-24	-	-3 183	-202
Earnings per share, basic (in EUR)[2]	-10.60	0.89	1.56	0.90	0.86	0.00	1.17	-	-8.16	2.03
Earnings per share, diluted (in EUR)[2]	-10.60	0.89	1.56	0.90	0.86	0.00	1.17	-	-8.16	2.03

1 Some income statement items have been renamed (overview in the 'Consolidated financial statements' section of the Extended quarterly report)

2 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	328 590	-
Loans and advances to customers*	154 409	158 949	156 974	153 230	153 640	157 024	149 982	-
Securities (equity and debt instruments)*	95 834	96 559	97 252	98 252	101 984	95 910	96 876	-
Deposits from customers and debt certificates*	205 110	194 141	194 748	193 464	203 367	205 108	198 825	-
Technical provisions, insurance*	20 124	20 860	21 508	22 012	23 222	22 384	22 843	-
Liabilities under investment contracts, insurance*	6 877	6 987	7 319	7 939	7 908	6 496	6 488	-
Parent shareholders' equity	6 636	7 888	9 416	9 662	10 677	10 259	11 245	-
Non-voting core-capital securities	3 500	7 000	7 000	7 000	7 000	7 000	7 000	-
KBC Group ratios (based on underlying results, year-to-date)								
Return on equity				16%	-	-	15%	-
Cost/income ratio, banking				55%	-	-	53%	-
Combined ratio, non-life insurance				101%	-	-	101%	-
KBC Group solvency								
Tier-1 ratio				10.8%	-	-	12.1%	-
Core tier-1 ratio				9.2%	-	-	10.4%	-

* 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' starting mid 2010, which slightly distorts a comparison with figures before that date.

Table of underlying results

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

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 (i.e. not moved to 'Net post-tax result from discontinued operations') in the underlying results.

Consolidated income statement, KBC Group, underlying, in millions of EUR[1]	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	Cumul. 9M 2009	Cumul. 9M 2010
Net interest income	1 353	1 344	1 391	1 410	1 344	1 394	1 406	-	4 088	4 144
Earned premiums, insurance (before reinsurance)	1 308	1 256	1 122	1 169	1 249	1 146	1 075	-	3 687	3 470
Technical charges, insurance (before reinsurance)	-1 164	-1 127	-1 039	-1 086	-1 168	-1 129	-962	-	-3 330	-3 259
Ceded reinsurance result	-15	-17	-2	-30	-9	50	-23	-	-33	18
Dividend income	12	47	9	28	8	36	12	-	68	55
Net result from financial instruments at fair value through profit or loss	231	321	335	52	320	147	264	-	886	731
Net realised result from available-for-sale assets	51	41	95	106	24	41	6	-	187	71
Net fee and commission income	328	391	400	450	429	454	367	-	1 119	1 249
Other net income	119	98	93	34	85	68	62	-	309	215
Total income	2 222	2 353	2 405	2 131	2 282	2 205	2 206	-	6 980	6 693
Operating expenses	-1 235	-1 196	-1 224	-1 231	-1 158	-1 150	-1 214	-	-3 656	-3 521
Impairment	-319	-560	-367	-666	-356	-298	-361	-	-1 247	-1 015
on loans and receivables	-307	-567	-356	-652	-355	-278	-356	-	-1 230	-989
on available-for-sale assets	-3	-1	0	-11	-1	-17	-5	-	-4	-23
on goodwill	0	0	0	0	0	0	0	-	0	0
on other	-9	8	-11	-3	0	-3	0	-	-12	-3
Share in results of associated companies	0	-2	3	-24	-1	-9	-5	-	2	-15
Result before tax	667	595	816	210	767	749	626	-	2 079	2 142
Income tax expense	-181	-162	-167	3	-218	-189	-173	-	-510	-580
Result after tax	486	433	649	213	549	559	453	-	1 568	1 562
attributable to minority interests	21	24	18	-5	6	6	8	-	63	20
attributable to equity holders of the parent	**465**	**409**	**631**	**218**	**543**	**554**	**445**	**-**	**1 506**	**1 542**
Belgium	234	276	271	268	279	298	220	-	782	797
Central & Eastern Europe	77	58	39	-13	110	112	53	-	175	275
Merchant Banking	168	-2	162	-28	85	121	156	-	327	361
Group Centre	-13	77	158	-9	70	23	16	-	222	109
Earnings per share, basic (in EUR)[2]	1.37	1.21	1.86	0.64	1.16	1.19	0.87	-	4.44	3.23
Earnings per share, diluted (in EUR)[2]	1.37	1.21	1.86	0.64	1.16	1.19	0.87	-	4.44	3.23

1 Some income statement items have been renamed (overview in the 'Consolidated financial statements' section of the Extended quarterly report)

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

Reconciliation between underlying result and result 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. 9M 2009	Cumul. 9M 2010
Result after tax, attributable to equity holders of the parent, UNDERLYING	465	409	631	218	543	554	445	-	1 506	1 542
+ MTM of derivatives for ALM hedging	-137	206	42	-33	-94	-268	23	-	110	-339
+ gains/losses on CDOs	-3 793	996	228	719	182	-160	246	-	-2 568	269
+ MTM of CDO guarantee and commitment fee	0	-1 121	-146	-143	-50	-27	-35	-	-1 266	-112
+ value losses on AFS shares	-311	-50	4	-4	0	0	0	-	-358	0
+ (reversal of) impairment on troubled US & Icelandic banks	16	-1	42	8	13	0	0	-	56	13
+ gain on buy-back of hybrid tier-1 securities	0	0	128	0	0	0	0	-	128	0
+ impairment on goodwill (and associated companies)	-79	-28	-58	-328	-27	-1	-44	-	-166	-72
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-101	-41	-	-913	-243
+ MTM of own debt issued	134	200	-330	41	-2	45	-46	-	3	-4
+ Results on divestments	0	0	0	0	0	-338	-46	-	0	-384
+ other	96	63	-33	16	-62	-30	2	-	126	-90
+ taxes and minority interests related to the items above	7	388	176	-24	41	474	40	-	571	555
Result after tax, attributable to equity holders of the parent: IFRS	-3 600	302	528	304	442	149	545	-	-2 770	1 136

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.

Other information

Strategy highlights and main events

- In the third quarter of this year, we continued to implement our strategic refocusing plan. At the start of the quarter, we signed sale agreements for the Global Convertible Bond and Asian Equity Derivatives business (with Daiwa Capital Markets), for Secura (with QBE Insurance Group), for KBC Securities Baltic Investment Company (with the management), for KBC Peel Hunt (with the management) and for KBC Business Capital (with PNC Financial Services). Some of these agreements have already been closed, while the closing of others is expected to follow in the months to come. The gradual run-down of the loan portfolio outside the home markets also continued during the third quarter: at the end of September 2010, we had executed roughly two thirds of the targeted organic run-down. In addition, a number of companies are scheduled for divestment to help reduce the international loan portfolio. Preparations to float a minority stake in our Czech banking subsidiary are on track and we are on stand-by to launch the IPO program once optimal conditions have been identified for a successful transaction. Our Belgian supplementary sales channels (Centea and Fidea) are currently in the sales process, according to plan.
- 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 or run-off. KBC also intends to maintain a regulatory tier-1 capital ratio of 10%, of which 8% is core capital, according to the Basel II banking capital adequacy rules.
- The latest statements on the Basel III framework have led to a need for additional clarification from financial institutions on the exact impact on their capital needs. Although the exact framework for Basel III is not entirely clear or decided upon, the main conclusion is that KBC is in a position to meet the common equity ratio under Basel III without the need to raise capital.
- On 22 July 2010, the Hungarian Parliament passed a law that introduces a new bank tax for 2010, 2011 and 2012. This tax will have a negative impact of about 57 million euros before tax (or 46 million euros after tax) on the profits of K&H Bank and K&H Insurance in 2010. The impact for FY 2010 was booked entirely in 3Q 2010. Moreover, under the Belgian deposit guarantee scheme, the actual cost for 2010 will be 14 million euros higher than initially planned.
- Concerns continued during the third quarter about financial institutions' exposure to certain 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 0.8 billion euros as at 30 September 2010. More information on KBC's sovereign bond exposure to a selection of Southern European countries and Ireland is provided in the 'Consolidated Financial Statements' section of the quarterly report.

Statement of risk

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

Additional information on the financial statements

- During the first nine months 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 9M 2010, the value of local currencies in KBC's Central and Eastern European markets appreciated by (a weighted average of) 5% against the euro, compared to 9M 2009. In 3Q 2010, the comparable figure was unchanged on the 2Q 2010 level and up 1% on the 3Q 2009 level. Significant changes in these exchange rates evidently impact the result components of the Central and Eastern Europe Business Unit.
- *Parent shareholders' equity per share* at 30 September 2010 (33.1 euros) was calculated on the basis of 339.73 million shares (for this calculation, the number of treasury shares held (18.19 million) was deducted from the number of ordinary shares outstanding (357.92 million).

- *Earnings per share* for 9M 2010 (2.03 euros) was calculated on the basis of 339.73 million shares (average number during the period), while *diluted earnings per share* (also 2.03 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 (virtually immaterial in 9M 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 the end of the quarter under review (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, 3Q 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	1 406	-
Earned premiums, insurance (before reinsurance)	1 308	1 256	1 122	1 169	1 249	1 146	1 075	-
Non-life	479	477	495	475	489	480	495	-
Life	830	780	627	694	760	666	580	-
Technical charges, insurance (before reinsurance)	-1 164	-1 127	-1 039	-1 086	-1 168	-1 129	-962	-
Non-life	-297	-290	-323	-315	-330	-378	-307	-
Life	-867	-837	-716	-771	-838	-751	-655	-
Ceded reinsurance result	-15	-17	-2	-30	-9	50	-23	-
Dividend income	12	47	9	28	8	36	12	-
Net result from financial instruments at fair value through profit or loss	231	321	335	52	320	147	264	-
Net realised result from available-for-sale assets	51	41	95	106	24	41	6	-
Net fee and commission income	328	391	400	450	429	454	367	-
Banking	448	486	503	546	542	547	470	-
Insurance	-120	-95	-103	-96	-113	-93	-104	-
Other net income	119	98	93	34	85	68	62	-
Total income	2 222	2 353	2 405	2 131	2 282	2 205	2 206	-
Belgium	788	827	823	824	818	864	768	-
Central & Eastern Europe	639	579	604	630	657	655	679	-
Merchant Banking	480	516	498	286	482	361	495	-
Group Centre	314	432	479	391	325	324	263	-

Net interest income in the quarter under review amounted to 1 406 million, comparable (+1%) with the figure for both the year-earlier quarter and previous quarter, with the quarter-on-quarter decrease in the Belgium Business Unit being offset by an increase in the CEE and Merchant Banking business units. The overall net interest margin was slightly up in the quarter under review, leading to a year-to-date figure of 1.87%, up 3 basis points on the level recorded in FY 2009. On a comparable basis, the group's credit portfolio was virtually flat compared to three months ago, and down 2% compared to a year ago, which is clearly related to the continued run-down of the international loan book, in line with the strategy to refocus on the home markets. This translates into a 10% year-on-year drop in the Merchant Banking loan book. On the other hand, the retail loan book continued to increase in Belgium (up by as much as 5% year-on-year, of which 1% in the quarter under review), whereas loans remained flat quarter-on-quarter and decreased 4% year-on-year in CEE, with the largest relative decrease in Hungary. For the group as a whole and again on a comparable basis, deposit volumes were flat quarter-on-quarter and grew by 8% year-on-year.

Earned insurance premiums amounted to 1 075 million in 3Q 2010, which breaks down into 580 million for life insurance and 495 million for non-life insurance. Non-life premium income increased 3% compared to the previous quarter (increase both in Belgium and in CEE), and was on a par with the year-earlier quarter. Technical charges were down on the previous quarter, which was very negatively impacted by bad weather conditions, especially in Central and Eastern Europe. Hence, the non-life combined ratio for the first nine months of the year still amounted to a relatively high 101%, with the very favourable 93% for the Belgian activities being offset by a high 112% for CEE.
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 some 0.8 billion in the quarter under review, with interest-guaranteed products accounting for two-thirds of life sales and the remainder by unit-linked products. Even disregarding large sales of unit-linked products at Vitis Life in the previous quarter, life insurance sales in 3Q 2010 were down on the previous quarter, which, in addition to a seasonal effect, has to do with the climate of low interest rates (impacting sales of interest-guaranteed products).

After its recovery in previous quarters, net fee and commission income in 3Q 2010 stood at a relatively low 367 million, down on its second-quarter level, which, apart from the traditional summer slowdown, was due to an apparent loss of risk appetite among customers as regards (fee generating) investment products. At the end of September 2010, total assets under management of the group stood at 212 billion, or some 165 billion excluding the assets of KBL EPB (for which a sale agreement has been signed).

The other income components were as follows. Dividend income amounted to 12 million, down on the previous quarter as the bulk of dividends is traditionally received in the second quarter of the year. Trading and fair value income (booked under 'Net result from financial instruments at fair value') amounted to 264 million, up on the previous quarter thanks to good income generated by the Brussels' dealing room, after a very weak second quarter. The realised result on available-for-sale assets stood at 6 million, down on the level of the previous quarter, as 3Q 2010 includes, *inter alia*, losses on the sale of some Greek government bonds. Other net income amounted to 62 million, slightly down on the average for the last four quarters.

As usual, the underlying figures exclude a number 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 certain investment banking activities that are being run down. A full overview of these items is provided in the table 'Reconciliation between underlying result and result according to IFRS' in the first part of this report, while the impact for each business unit is summarised separately in the following 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	-697	-
General administrative expenses	-448	-404	-399	-376	-371	-382	-422	-
Depreciation and amortisation of fixed assets	-96	-98	-105	-100	-96	-94	-95	-
Operating expenses	-1 235	-1 196	-1 224	-1 231	-1 158	-1 150	-1 214	-
Belgium	-433	-418	-417	-432	-407	-394	-414	-
Central & Eastern Europe	-365	-347	-362	-402	-347	-357	-425	-
Merchant Banking	-143	-144	-175	-131	-140	-137	-142	-
Group Centre	-294	-288	-270	-266	-264	-263	-233	-

In the quarter under review, operating expenses stood at 1 214 million. Excluding the negative impact of both the Hungarian bank tax (the impact for FY 2010 was booked entirely in 3Q 2010) and a booking related to the Belgian deposit guarantee scheme (reversal of write-backs accrued earlier) – both items are booked under expenses – costs remained roughly flat in the quarter under review and were down almost 7% compared to a year ago, which clearly reflects the effect of the ongoing run-down of certain non-core activities. Per business unit and quarter-on-quarter, costs increased by 5% in the Belgium Business Unit (due primarily to the booking in relation to the deposit guarantee scheme), increased by 19% in the CEE Business Unit (only 3%, if the Hungarian bank tax is excluded) and increased by 4% in the Merchant Banking Business Unit.

As a result, the cost/income ratio (expenses versus total income) of the group's banking activities stood at a comfortable 53% in the first nine months of 2010, a further improvement on the 55% recorded for FY 2009. The 9M 2010 cost/income ratio breaks down per business unit as follows: 52% for Belgium, 53% for CEE, 31% 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 31% in 9M 2010 (a slight improvement compared to 32% for FY 2009) and breaks down into 28% for the Belgium Business Unit and 36% 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	-356	-
Impairment on available-for-sale assets	-3	-1	0	-11	-1	-17	-5	-
Impairment on goodwill	0	0	0	0	0	0	0	-
Impairment on other	-9	8	-11	-3	0	-3	0	-
Impairment	-319	-560	-367	-666	-356	-298	-361	-
Belgium	-18	-19	-10	-29	-3	-39	-27	-
Central & Eastern Europe	-133	-133	-156	-218	-111	-117	-143	-
Merchant Banking	-102	-330	-126	-256	-219	-91	-130	-
Group Centre	-66	-78	-75	-164	-22	-51	-61	-

In 3Q 2010, impairment *on loans and receivables* (loan loss provisions) stood at 356 million, comparable to the year-earlier quarter, but 78 million higher than the previous quarter, with the increase being concentrated in Central and Eastern Europe and in the Merchant Banking Business Unit. In Central and Eastern Europe, loan losses amounted to 142 million, up 28 million on the previous quarter, with the increase being largely attributable to Hungary. In Merchant Banking, loan losses increased by 43 million in the quarter under review due to, among other things a few large international credit files and increased loan losses in Ireland. On the other hand, as was the case in previous quarters, loan losses in the Belgian retail loan book remained very low (21 million in the current quarter, even lower than in the previous quarter). This has led to an annualised credit cost ratio for the whole group of some 80 basis points for the first nine months of the year, which is still an improvement on the 111 basis points recorded in FY 2009. The 9M 2010 credit cost ratio breaks down as follows: 12 basis points for the Belgium Business Unit (15 basis points in FY 2009), 132 basis points for the CEE Business Unit (down on the 170 basis points registered in FY 2009) and 101 basis points for the Merchant Banking Business Unit (down on the 119 basis points in FY 2009). At the end of September 2010, non-performing loans accounted for some 4% of the total loan book, compared to 3.7% three months earlier and 3.4% at the start of the year (non-performing loans traditionally follow the economic cycle with a time lag).
Impairment on *other assets* in the quarter under review was limited to 5 million and related entirely to *available-for-sale assets,* mainly shares. It should be noted however that impairment on *goodwill* booked on group companies and associated companies is always excluded from the underlying results, and hence it is zero in the table above.

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	-5	-
Income tax expense	-181	-162	-167	3	-218	-189	-173	-
Minority interests in profit after tax	21	24	18	-5	6	6	8	-

The share in the results of associated companies stood at -5 million in the quarter under review and, as usual, mainly include the result of KBC's minority participation in NLB in Slovenia. Underlying group tax amounted to -173 million in 3Q 2010, more or less in line with the previous quarter and a year earlier.

Underlying results per business unit

KBC Group, 3Q 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). All reference quarters 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 (sold) 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	553	-
Earned premiums, insurance (before reinsurance)	957	891	726	741	839	721	631	-
Technical charges, insurance (before reinsurance)	-902	-840	-710	-754	-823	-721	-608	-
Ceded reinsurance result	-12	-8	-5	-19	-4	10	-12	-
Dividend income	10	28	1	24	5	25	8	-
Net result from financial instruments at fair value through profit or loss	15	15	23	16	21	25	9	-
Net realised result from available-for-sale assets	34	18	40	46	2	13	-5	-
Net fee and commission income	128	165	160	200	193	207	170	-
Other net income	42	37	44	7	35	23	24	-
Total income	788	827	823	824	818	864	768	-
Operating expenses	-433	-418	-417	-432	-407	-394	-414	-
Impairment	-18	-19	-10	-29	-3	-39	-27	-
on loans and receivables	-18	-18	-10	-28	-2	-25	-21	-
on available-for-sale assets	0	-1	0	0	-1	-13	-7	-
on goodwill	0	0	0	0	0	0	0	-
on other	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	337	391	397	364	408	432	327	-
Income tax expense	-101	-113	-125	-94	-127	-133	-106	-
Result after tax	235	277	272	270	280	299	222	-
attributable to minority interests	1	1	1	2	2	1	1	-
attributable to equity holders of the parent	**234**	**276**	**271**	**268**	**279**	**298**	**220**	**-**
banking	126	153	195	193	197	221	156	-
insurance	108	123	76	76	81	77	64	-
Risk-weighted assets, group (end of period, Basel II)	29 521	29 816	29 145	28 542	29 038	28 609	28 358	-
of which banking	19 846	19 767	18 873	18 260	18 293	17 699	17 288	-
Allocated equity (end of period, Basel II)	2 775	2 812	2 766	2 709	2 771	2 741	2 726	-
Return on allocated equity (ROAC, Basel II)	33%	37%	36%	37%	39%	42%	30%	-
Cost/income ratio, banking	65%	58%	53%	53%	53%	48%	57%	-
Combined ratio, non-life insurance	83%	91%	90%	117%	90%	96%	96%	-

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

Reconciliation between underlying result and result 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
Result after tax, attributable to equity holders of the parent: underlying	234	276	271	268	279	298	220	-
+ MTM of derivatives for ALM hedging	-92	155	47	14	-47	-188	2	-
+ gains/losses on CDOs	-950	199	33	352	39	-42	108	-
+ MTM of CDO guarantee and commitment fee	0	-198	-25	-23	-8	-4	-6	-
+ value losses on AFS shares	-233	-37	2	-1	0	0	0	-
+ impairment on troubled US & Icelandic banks	0	0	0	0	0	0	0	-
+ gain on buy-back of hybrid tier-1 securities	0	0	22	0	0	0	0	-
+ impairment on goodwill	0	0	0	-3	0	0	0	-
+ other	53	50	0	0	0	15	-1	-
+ taxes and minority interests related to the items above	35	87	-7	-28	20	53	-3	-
Result after tax, attributable to equity holders of the parent : IFRS	-951	533	343	579	283	131	321	-

In the quarter under review, the Belgium Business Unit generated an underlying profit of 220 million, down on the 2Q 2010 and 3Q 2009 result by 26% and 19%, respectively.

Net interest margin down quarter-on-quarter, retail credit volume up 5% year-on-year
Net interest income stood at 553 million in the quarter under review, slightly down (-2%) on the relatively high level recorded in the previous quarter and slightly up (+2%) compared to the year-earlier quarter. The net interest margin of the Belgium Business Unit stood at 1.43% in the quarter under review, down 6 basis points on the previous quarter, due to generally lower reinvestment yields, among other things. The group's strategic refocus on its home markets is reflected in credit volumes: while the group's total loan portfolio decreased some 2% year-on-year, the Belgian retail loan book increased by 5% (of which 1% in 3Q 2010). Retail customers' deposits remained flat, both quarter-on-quarter and year-on-year. As was the case in the past few quarters, traditional savings accounts ('deposit books') remained popular, growing 10% in the last twelve months (of which 1% in the quarter under review).

Combined ratio for non-life remains very good; life insurance sales drop
Earned insurance premiums in the quarter under review amounted to 631 million and break down into 367 million for life insurance and 264 million for non-life insurance. The latter increased by 3% and 1% compared to the previous quarter and a year earlier and again turned in a good technical performance, as reflected by a very comfortable combined ratio of 93% for the first nine months of the year, a further improvement on the already good 95% registered in FY 2009.
Life sales, including unit-linked products (which – simplified – are not included in the premium figures under IFRS) amounted to 479 million in 3Q 2010, with interest-guaranteed products accounting for three-quarters of these sales, the remainder obviously relating to unit-linked insurance. Overall, life sales declined to a relatively large extent (down one-fifth on the figure for the previous quarter and a year earlier) which, in addition to the traditional seasonal effect, is related to the low guaranteed rate of interest, which obviously impacted sales of interest-guaranteed products. As at end-September 2010, the life reserves of this business unit amounted to 21 billion, virtually unchanged on the figure of three months earlier.

Low fee and commission income in the quarter under review
Total net fee and commission income amounted to a relatively low 170 million in the quarter under review. Fee and commission income *from banking activities* (217 million), while still up 4% compared to the year-earlier figure, decreased by a significant 14% quarter-on-quarter, due to, inter alia, the lower risk appetite of clients for (fee-generating) investment products, as well as the traditional summer slowdown. Commissions related to the insurance activities (-47 million, mainly commissions *paid to insurance agents)* were more or less in line with the previous quarter and a year earlier.

Other income components
Trading and fair value income (recorded under 'Net result from financial instruments at fair value') came to 9 million in the quarter under review. As already explained, these underlying figures exclude some exceptional items (see table). Dividend income stood at 8 million, significantly down on the previous quarter as the bulk of dividends is traditionally received in the second quarter of the year. The realised result on available-for-sale assets amounted to a negative 5 million in 3Q 2010, and included, inter alia, a loss realised on the sale of some Greek government bonds. Other net income came to 24 million, more or less in line with the average for the last four quarters.

Both the cost/income ratio and credit cost ratio remain at a comfortable level
The operating expenses of the Belgium Business Unit stood at 414 million in the quarter under review. At first sight, this is up 5% on to the previous quarter and virtually flat on the year-earlier quarter. However, if the one-off booking related to the deposit guarantee scheme in Belgium (reversal of repayments accrued in earlier quarters) is disregarded, costs were almost flat quarter-on-quarter. This gave a very comfortable cost/income ratio of 52% for the Belgian banking activities in the first nine months of the year, a further improvement on the 57% registered for FY 2009.
As was the case in the previous quarters, loan loss impairment on the Belgian retail loan book remained at a very low level (21 million in the quarter under review, even down on the previous quarter). For the first nine months of the year, this likewise resulted in a very favourable credit cost ratio of a mere 12 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, unchanged on the figure recorded at the beginning of the year. Other impairment charges were limited to 7 million in the quarter under review and related to available-for-sale assets.

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 according to the strategic plan.

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	467	-
Earned premiums, insurance (before reinsurance)	254	265	280	284	303	358	354	-
Technical charges, insurance (before reinsurance)	-163	-178	-214	-193	-228	-338	-267	-
Ceded reinsurance result	-4	-7	0	-14	-10	33	-8	-
Dividend income	0	7	1	0	0	2	0	-
Net result from financial instruments at fair value through profit or loss	47	-14	12	18	45	37	49	-
Net realised result from available-for-sale assets	6	2	4	6	10	14	8	-
Net fee and commission income	60	76	79	81	76	71	64	-
Other net income	42	30	24	8	14	25	11	-
Total income	639	579	604	630	657	655	679	-
Operating expenses	-365	-347	-362	-402	-347	-357	-425	-
Impairment	-133	-133	-156	-218	-111	-117	-143	-
on loans and receivables	-125	-141	-146	-218	-111	-114	-142	-
on available-for-sale assets	0	0	0	0	0	0	0	-
on goodwill	0	0	0	0	0	0	0	-
on other	-8	8	-11	0	0	-3	0	-
Share in results of associated companies	1	0	0	0	0	0	0	-
Result before tax	141	99	86	10	200	182	111	-
Income tax expense	-19	-3	-8	-5	-33	-17	-10	-
Result after tax	122	95	78	5	167	165	101	-
attributable to minority interests	45	37	39	19	57	54	48	-
attributable to equity holders of the parent	**77**	**58**	**39**	**-13**	**110**	**112**	**53**	**-**
Banking	41	38	37	-23	103	116	48	-
Insurance	36	20	3	10	7	-4	5	-
Risk-weighted assets, group (end of period, Basel II)	35 795	35 212	34 358	34 112	34 425	33 363	33 383	-
of which banking	32 978	32 554	31 760	31 430	31 900	30 840	30 793	-
Allocated equity (end of period, Basel II)	3 033	2 976	2 905	2 890	2 906	2 820	2 826	-
Return on allocated equity (ROAC, Basel II)	13%	10%	8%	-3%	19%	19%	10%	-
Cost/income ratio, banking	57%	59%	57%	62%	50%	50%	60%	-
Combined ratio, non-life insurance	112%	102%	111%	104%	110%	117%	110%	-

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

Reconciliation between underlying result and result 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
Result after tax, attributable to equity holders of the parent: underlying	77	58	39	-13	110	112	53	-
+ MTM of derivatives for ALM hedging	-11	23	-6	-27	-23	-35	43	-
+ gains/losses on CDOs	0	-30	-23	40	8	25	-2	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	0	-
+ value losses on AFS shares	-14	0	-1	-2	0	0	0	-
+ impairment on troubled US & Icelandic banks	16	0	1	1	0	0	0	-
+ gain on buy-back of hybrid tier-1 securities	0	0	36	0	0	0	0	-
+ impairment on goodwill	-71	-11	-46	-134	0	0	0	-
+ other	28	0	0	-7	0	0	0	-
+ taxes and minority interests related to the items above	6	-11	1	-5	3	18	-17	-
Result after tax, attributable to equity holders of the parent: IFRS	32	29	2	-149	99	119	76	-

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
3Q2010 / 2Q2010	2%	-4%	-1%	0%	0%
3Q2010 / 3Q2009	2%	-5%	4%	0%	1%

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

In the quarter under review, the CEE Business Unit generated an underlying net result of 53 million. Excluding the impact of the Hungarian bank tax (see below), this is down only 12% on the strong result generated in the previous quarter. The CEE Business Unit's net profit for 3Q 2010 breaks down as follows: 74 million for the Czech Republic (we repeat that part of ČSOB Bank's result – related to the planned IPO of a minority participation – has been shifted to the Group Centre[1]), 18 million for Slovakia, -24 million for Hungary (related to the full-year impact of the bank tax), 14 million for Poland, 0 million for Bulgaria and -29 million included under 'other results' (largely the funding cost of goodwill).

Net interest income up quarter-on-quarter

Net interest income generated in KBC's CEE network amounted to 467 million in the quarter under review. On an organic basis, this is up 3% on the previous quarter, and almost 11% more than the year-earlier quarter (in the Czech Republic, for instance, deposits were reinvested at higher margins). The average net interest margin stood at 3.21% in the quarter under review, slightly up on previous quarters. The combined loan book of KBC's five core Central & Eastern European countries remained flat in the quarter under review (the decrease in Hungary being offset by an increase in Slovakia). Year-on-year, the loan book fell 4%, with Hungary showing the largest relative decrease (-11%). Deposits in the region decreased by 2% in the quarter under review, but went up by 4% compared to a year ago (thanks mainly to increased retail savings in Poland). As usual, the business unit's deposits continued to largely surpass its loan books, leading again to a favourable loan-to-deposit ratio (77%) as at the end of September 2010.

Decrease in life sales; still high combined ratio in non-life

Earned insurance premiums amounted to 354 million, which breaks down into 151 million for life insurance and 203 million for non-life insurance. On an organic basis, non-life premium income increased by almost 5% compared with the previous quarter, thanks mainly to increased sales in Poland, but fell 2% year-on-year. Though the combined ratio for the region as a whole improved somewhat in the quarter under review, following a very unfavourable 2Q 2010 that was impacted by the bad weather conditions, it still amounted to a relatively high 110%. As a result, the year-to-date combined ratio now stands at 112%. In the Czech Republic, the year-to-date ratio still remains 2 percentage points below 100%; in all other countries, the ratio surpasses 100% (107% for Slovakia, 111% for Hungary, 117% for Poland and 115% for Bulgaria).
Life sales, including unit-linked products (which are not included in the premium figures under IFRS) amounted to 234 million in the quarter under review. Interest-guaranteed products accounted for 57% of these sales, with unit-linked products accounting for the remaining 43%. Overall, life sales were down some 15% on both their 2Q 2010 and 3Q 2009 levels, largely on account of the decline in interest-guaranteed products, notably in Poland. At 30 September 2010, the outstanding life reserves in this business unit stood at 2 billion.

Other income components

Net fee and commission income amounted to 64 million in the quarter under review. At first sight, this constitutes a significant organic decrease of 10% and 18% on the previous quarter and a year earlier, respectively. In both cases though, the drop is partly accounted for by the increase in *fees paid in the insurance businesses.* Excluding these, the *fees received in the banking business* dropped by only 2% (on their 2Q 2010 level) and 9% (on their 3Q 2009 level).Moreover, the latter decrease is almost fully explained by the change in the accounting treatment (since the start of 2010) of the distribution fees paid to the Czech Post, which were shifted from operating expenses to paid commissions. Trading and fair value income (recorded under 'Net result from financial instruments at fair value') came to 49 million, up on the 28-million average for the last four quarters (as already explained, these underlying figures do not include CDO-related items and other non-operational items – see table). The net realised result from available-for-sale assets stood at 8 million, comparable with the average for the last four quarters, and other net income came to 11 million in the quarter under review, somewhat down on the quarterly average.

Expenses distorted by booking of Hungarian bank tax; loan losses increase in the quarter under review

At first sight, the operating expenses of this business unit (425 million) were up significantly compared to the previous quarter and a year earlier. However, the larger part of this increase is due to the booking of a 57 million (pre-tax) cost related to the new bank tax in Hungary (full-year amount was entirely booked in 3Q 2010). Excluding this item (and adjusting for the aforementioned change in methodology regarding fees paid to Czech Post), costs were up only 3% and 4%, respectively, on their levels in the previous quarter and a year earlier, mainly driven by higher staff expenses. The cost/income ratio for the CEE banking activities – including the Hungarian banking tax effect – consequently went up to 60% in the quarter under

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

review. However, year-to-date (9M 2010), the cost/income ratio for the CEE banking activities is still at an excellent 53%, even lower than the 59% recorded in FY 2009.
In the quarter under review, impairment on loans and receivables (loan losses) stood at 142 million, which, although comparable to the year-earlier quarter, is up some 28 million on its level in 2Q 2010, with most of this increase being attributable to Hungary. This resulted in an annualised credit cost ratio of 132 basis points for the first nine months of the year, a further improvement on the 170 basis points recorded in FY 2009. The credit cost ratio for 9M 2010 breaks down into 82 basis points for the Czech Republic, 106 basis points for Slovakia, 228 basis points for Hungary, 150 basis points for Poland and 197 basis points for Bulgaria. As at end-September 2010, non-performing loans accounted for some 5.6% of the CEE loan book, a further deterioration on the 5.2% registered three months earlier.
As was the case last quarter, there was 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	257	-
Earned premiums, insurance (before reinsurance)	65	67	71	73	91	121	88	-
Technical charges, insurance (before reinsurance)	-25	-46	-50	-41	-67	-96	-67	-
Ceded reinsurance result	-2	-2	0	-3	-4	-4	-1	-
Dividend income	0	7	1	0	0	1	0	-
Net result from financial instruments at fair value through profit or loss	0	6	17	4	21	6	8	-
Net realised result from available-for-sale assets	5	0	0	4	3	7	5	-
Net fee and commission income	51	56	57	48	46	47	42	-
Other net income	11	12	9	-4	7	7	-1	-
Total income	326	326	334	326	337	341	331	-
Operating expenses	-136	-148	-146	-153	-134	-145	-154	-
Impairment	-32	-65	-62	-54	-31	-38	-46	-
Of which on loans and receivables	-31	-65	-52	-54	-31	-36	-46	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	158	112	125	119	171	158	131	-
Income tax expense	-25	-15	-18	-31	-26	-16	-11	-
Result after tax	133	97	108	88	146	142	120	-
attributable to minority interests	47	35	39	29	54	53	46	-
attributable to equity holders of the parent	**86**	**62**	**69**	**59**	**92**	**89**	**74**	**-**
banking	69	51	60	44	81	79	69	-
insurance	17	12	9	15	11	10	5	-
Risk-weighted assets, group (end of period, Basel II)	14 628	14 926	14 726	14 689	14 833	14 001	13 582	-
of which banking	13 872	14 156	13 948	13 945	14 060	13 229	12 790	-
Allocated equity (end of period, Basel II)	1 216	1 240	1 225	1 220	1 233	1 166	1 134	-
Return on allocated equity (ROAC, Basel II)	39%	26%	29%	22%	41%	41%	34%	-
Cost/income ratio, banking	43%	45%	44%	48%	40%	42%	46%	-
Combined ratio, non-life insurance	92%	100%	95%	84%	92%	98%	103%	-

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	54	-
Earned premiums, insurance (before reinsurance)	19	17	19	19	21	19	18	-
Technical charges, insurance (before reinsurance)	-13	-11	-14	-15	-15	-21	-9	-
Ceded reinsurance result	0	0	1	0	0	6	-4	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	-4	-8	0	3	7	2	5	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	-
Net fee and commission income	7	6	6	8	8	8	7	-
Other net income	2	5	2	1	1	0	2	-
Total income	57	63	71	72	71	66	74	-
Operating expenses	-43	-43	-44	-50	-39	-41	-39	-
Impairment	-14	-17	-21	-21	-16	-13	-12	-
Of which on loans and receivables	-13	-17	-20	-22	-17	-13	-12	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	1	2	6	1	16	11	23	-
Income tax expense	0	2	-2	2	-3	-4	-5	-
Result after tax	1	4	5	3	13	7	18	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**1**	**4**	**5**	**3**	**13**	**7**	**18**	**-**
banking	0	2	3	2	11	6	17	-
insurance	1	3	2	1	2	1	2	-
Risk-weighted assets, group (end of period, Basel II)	4 415	4 386	4 217	4 125	4 056	4 133	4 139	-
of which banking	4 278	4 247	4 077	3 989	3 913	3 983	3 986	-
Allocated equity (end of period, Basel II)	361	359	346	338	333	340	340	-
Return on allocated equity (ROAC, Basel II)	-3%	1%	1%	-1%	11%	4%	17%	-
Cost/income ratio, banking	74%	71%	63%	68%	55%	62%	52%	-
Combined ratio, non-life insurance	81%	84%	97%	132%	84%	131%	110%	-

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	98	-
Earned premiums, insurance (before reinsurance)	16	19	19	23	17	17	17	-
Technical charges, insurance (before reinsurance)	-8	-12	-11	-16	-11	-19	-10	-
Ceded reinsurance result	0	-1	-2	-1	-1	-1	0	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	3	9	4	5	10	10	24	-
Net realised result from available-for-sale assets	1	1	1	2	4	4	-1	-
Net fee and commission income	18	22	24	31	29	27	24	-
Other net income	2	2	3	-2	1	8	0	-
Total income	130	129	130	139	143	141	152	-
Operating expenses	-76	-61	-72	-76	-70	-66	-127	-
Impairment	-36	-29	-29	-49	-35	-28	-50	-
Of which on loans and receivables	-36	-29	-29	-48	-35	-28	-50	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	1	0	0	0	0	0	0	-
Result before tax	19	39	29	13	37	47	-25	-
Income tax expense	-8	-9	-8	-3	-11	-11	1	-
Result after tax	10	30	21	11	26	35	-24	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**10**	**30**	**21**	**11**	**26**	**35**	**-24**	**-**
banking	6	27	17	7	23	38	-26	-
insurance	4	3	3	4	3	-2	1	-
Risk-weighted assets, group (end of period, Basel II)	7 179	6 621	6 275	6 042	6 275	6 005	6 270	-
of which banking	6 970	6 439	6 073	5 825	6 056	5 788	6 051	-
Allocated equity (end of period, Basel II)	587	541	514	496	515	493	515	-
Return on allocated equity (ROAC, Basel II)	-0%	15%	12%	2%	14%	21%	-24%	-
Cost/income ratio, banking	60%	49%	56%	55%	49%	44%	83%	-
Combined ratio, non-life insurance	72%	93%	95%	78%	87%	133%	116%	-

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	82	-
Earned premiums, insurance (before reinsurance)	122	132	143	143	147	174	205	-
Technical charges, insurance (before reinsurance)	-95	-86	-112	-100	-113	-182	-157	-
Ceded reinsurance result	-2	-4	1	-9	-6	33	-5	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	28	-1	3	6	7	8	11	-
Net realised result from available-for-sale assets	0	1	4	0	3	3	4	-
Net fee and commission income	-12	-7	-6	-3	-5	-7	-8	-
Other net income	30	12	11	10	5	8	9	-
Total income	139	120	121	122	119	115	140	-
Operating expenses	-89	-76	-83	-93	-83	-87	-86	-
Impairment	-39	-24	-37	-85	-22	-34	-30	-
Of which on loans and receivables	-40	-24	-37	-86	-22	-34	-30	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	11	19	1	-56	14	-6	23	-
Income tax expense	1	-3	-2	8	-4	1	-7	-
Result after tax	11	16	-1	-48	11	-5	17	-
attributable to minority interests	-2	2	0	-9	3	1	3	-
attributable to equity holders of the parent	**13**	**15**	**-1**	**-39**	**8**	**-6**	**14**	**-**
banking	-6	7	1	-38	12	3	11	-
insurance	19	7	-2	-1	-4	-9	3	-
Risk-weighted assets, group (end of period, Basel II)	8 473	8 187	8 050	8 222	8 292	8 285	8 478	-
of which banking	7 060	6 919	6 881	6 921	7 143	7 139	7 287	-
Allocated equity (end of period, Basel II)	763	731	714	736	732	732	750	-
Return on allocated equity (ROAC, Basel II)	3%	5%	-4%	-31%	1%	-8%	4%	-
Cost/income ratio, banking	69%	61%	60%	69%	59%	61%	56%	-
Combined ratio, non-life insurance	126%	103%	118%	113%	118%	123%	110%	-

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	11	-
Earned premiums, insurance (before reinsurance)	32	31	29	27	27	28	26	-
Technical charges, insurance (before reinsurance)	-25	-22	-25	-21	-22	-20	-23	-
Ceded reinsurance result	0	-1	0	0	0	-2	1	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	0	0	0	0	0	1	0	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	1	-
Net fee and commission income	-2	-2	-1	-2	-1	-1	0	-
Other net income	0	1	1	-4	0	1	0	-
Total income	18	20	17	10	17	17	17	-
Operating expenses	-13	-13	-13	-13	-13	-13	-13	-
Impairment	-4	-4	-4	-5	-4	-3	-4	-
Of which on loans and receivables	-4	-4	-4	-4	-4	-3	-4	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	1	2	0	-8	0	1	-1	-
Income tax expense	0	0	0	1	0	0	0	-
Result after tax	1	2	0	-6	0	1	-1	-
attributable to minority interests	0	0	0	-1	0	0	0	-
attributable to equity holders of the parent	**1**	**2**	**0**	**-6**	**0**	**1**	**0**	**-**
banking	0	0	0	-2	0	0	0	-
insurance	0	2	-1	-3	0	0	-1	-
Risk-weighted assets, group (end of period, Basel II)	1 082	1 079	1 081	1 026	955	926	902	-
of which banking	781	780	770	742	715	688	668	-
Allocated equity (end of period, Basel II)	105	104	105	99	91	88	86	-
Return on allocated equity (ROAC, Basel II)	-16%	-16%	-23%	-47%	-23%	-21%	-28%	-
Cost/income ratio, banking	65%	62%	64%	89%	70%	72%	65%	-
Combined ratio, non-life insurance	111%	107%	122%	110%	115%	112%	119%	-

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	-34	-
Earned premiums, insurance (before reinsurance)	-1	-1	-1	-1	-1	-1	-1	-
Technical charges, insurance (before reinsurance)	2	0	-2	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	18	-20	-12	0	0	10	0	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	-
Net fee and commission income	0	0	0	-1	0	-2	0	-
Other net income	-3	-3	-2	7	1	1	1	-
Total income	-31	-78	-69	-39	-29	-24	-34	-
Operating expenses	-8	-5	-4	-17	-8	-4	-6	-
Impairment	-9	7	-3	-3	-3	0	0	-
Of which on loans and receivables	-1	-1	-3	-3	-3	0	0	-
Of which on available-for-sale assets	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	-48	-76	-75	-60	-40	-28	-40	-
Income tax expense	14	21	21	18	12	14	12	-
Result after tax	-34	-55	-54	-41	-28	-14	-29	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**-34**	**-55**	**-54**	**-41**	**-28**	**-14**	**-29**	**-**
banking	-28	-50	-45	-36	-23	-9	-22	-
insurance	-6	-6	-9	-6	-5	-5	-6	-

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 (sale agreements for various activities already signed), KBC Peel Hunt (sale agreement already signed), 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	213	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	2	7	0	0	2	2	-
Net result from financial instruments at fair value through profit or loss	199	217	158	-25	210	67	196	-
Net realised result from available-for-sale assets	-1	2	29	26	1	1	2	-
Net fee and commission income	45	55	45	57	54	63	56	-
Other net income	44	37	44	8	28	27	26	-
Total income	480	516	498	286	482	361	495	-
Operating expenses	-143	-144	-175	-131	-140	-137	-142	-
Impairment	-102	-330	-126	-256	-219	-91	-130	-
on loans and receivables	-100	-330	-127	-255	-219	-89	-132	-
on available-for-sale assets	-2	0	1	0	0	-2	2	-
on goodwill	0	0	0	0	0	0	0	-
on other	0	0	0	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	235	41	196	-101	122	133	223	-
Income tax expense	-46	-22	-15	79	-35	-8	-63	-
Result after tax	189	19	182	-22	88	125	160	-
attributable to minority interests	22	22	19	6	3	4	5	-
attributable to equity holders of the parent	**168**	**-2**	**162**	**-28**	**85**	**121**	**156**	**-**
Banking	167	-2	162	-28	83	119	155	-
Insurance	0	0	1	0	2	2	1	-
Risk-weighted assets, group (end of period, Basel II)	54 138	55 424	56 111	53 597	51 703	51 880	47 447	-
of which banking	54 138	55 424	56 111	53 597	51 703	51 880	47 447	-
Allocated equity (end of period, Basel II)	4 331	4 434	4 489	4 288	4 136	4 150	3 796	-
Return on allocated equity (ROAC, Basel II)	17%	1%	14%	-1%	8%	11%	15%	-
Cost/income ratio, banking	30%	28%	35%	46%	29%	38%	28%	-

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

Reconciliation between underlying result and result 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
Result after tax, attributable to equity holders of the parent: underlying	168	-2	162	-28	85	121	156	-
+ MTM of derivatives for ALM hedging	-15	2	2	-17	-8	-26	-4	-
+ gains/losses on CDOs	1	-14	46	58	18	7	52	-
+ MTM of CDO guarantee and commitment fee	0	0	0	0	0	0	0	-
+ value losses on AFS shares	0	0	0	-1	0	0	0	-
+ impairment on troubled US & Icelandic banks	0	-1	39	4	13	0	0	-
+ gain on buy-back of hybrid tier-1 securities	0	0	69	0	0	0	0	-
+ impairment on goodwill	0	0	0	-22	0	-2	-13	-
+ result on divestments	0	0	0	0	0	-3	-2	-
+ other	3	2	-33	11	-62	-45	2	-
+ taxes and minority interests related to the items above	15	1	-19	-21	19	21	-19	-
Result after tax, attributable to equity holders of the parent: IFRS	172	-12	267	-16	64	73	173	-

In the quarter under review, the Merchant Banking Business Unit generated an underlying result of 156 million, significantly above the 85-million average for the last four quarters. The 3Q 2010 underlying result breaks down as follows: 53 million for commercial banking activities (down quarter-on-quarter) and 103 million for market activities (up quarter-on-quarter).

Total income up quarter-on-quarter thanks to good dealing room performance
Total income for this business unit amounted to 495 million in the quarter under review, in line with the year-earlier quarter, but significantly up on the previous quarter (+37%).
The quarter-on-quarter increase in total income was driven entirely by good dealing room income (reflected in 'Net result from financial instruments at fair value'), following the relatively weak performance in 2Q 2010. As already explained, the underlying figures do not include CDO-related items and other non-operational items (see table).
On balance, the quarter-on-quarter difference in the other income components more or less counteracted each other: while net interest income (213 million) increased by 5%, net fee and commission income (56 million) fell by some 11% (lower brokerage income at KBC Securities, among other things). Net realised result from available-for-sale assets was very limited in the quarter under review and other net income totalled 26 million, in line with the average for the last four quarters.
Loan volumes in this business unit continued to go down and now stand at -10% compared to one year ago, following the implementation of the group's new strategy, which focuses on customers with a link to the group's home markets and therefore implies a gradual scaling down of a large part of the international loan portfolio outside these home markets.

Costs and loan losses increase compared to previous quarter
Operating expenses in the quarter under review amounted to 142 million, up 4% on the previous quarter and down 19% on the year-earlier quarter. Especially the year-on-year comparison is distorted to a certain extent by a number of one-off and non-operational items; excluding these, costs decreased some 4% compared to a year ago which is related to the downsizing of activities, among other things.
Impairment on loans and receivables (loan losses) amounted to 132 million in the quarter under review, which, though in line with the figure for the year-earlier quarter, is a significant increase compared to the 89 million registered in the previous quarter. This was due to a number of elements, including increased impairment charges in Ireland (see below) and impairments for a number of large files in the international loan portfolio. The credit cost ratio of this business unit now amounts to 101 basis points for the first nine months of the year, which is still an improvement on the 119 basis points registered for FY 2009. As at end-September 2010, approximately 4.8% of the Merchant Banking Business Unit's loan book was non-performing, a further increase on the 4.1% registered three months ago.
As regards Ireland, loan losses there amounted to 53 million in 3Q 2010, three-quarters of which were related to corporate banking loans and one-quarter to home loans. The 3Q 2010 loan losses in Ireland were clearly up on the 28 million recorded in the previous quarter, but still remained significantly below the high 142 million recorded in the first quarter of the year (over 60% of which related to home loans). Consequently, the year-to-date credit cost ratio in Ireland stood at 168 basis points. At end September 2010, non-performing loans accounted for 9% of the Irish loan portfolio.
As was the case in both reference quarters, the amount of impairment on available-for-sale securities (shares and bonds) was very limited. Impairment on goodwill related to companies belonging to this business unit is excluded from the underlying result (hence it is zero in the table; for information purposes, goodwill impairment amounted to 13 million in 3Q 2010).

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	213	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	2	7	0	0	2	2	-
Net result from financial instruments at fair value through profit or loss	23	0	7	14	14	0	18	-
Net realised result from available-for-sale assets	-1	2	29	26	1	1	2	-
Net fee and commission income	29	35	26	35	35	33	35	-
Other net income	44	37	44	8	28	27	26	-
Total income	288	279	327	302	267	265	296	-
Operating expenses	-95	-102	-101	-78	-92	-87	-89	-
Impairment	-53	-138	-120	-199	-162	-85	-127	-
Of which on loans and receivables	-52	-138	-119	-199	-162	-83	-128	-
Of which on available-for-sale assets	-1	0	0	0	0	-2	2	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	139	39	106	26	13	92	81	-
Income tax expense	-23	0	-29	4	-16	-11	-23	-
Result after tax	116	38	77	30	-3	81	58	-
attributable to minority interests	22	22	20	6	3	4	5	-
attributable to equity holders of the parent	**94**	**17**	**58**	**24**	**-5**	**77**	**53**	**-**
Banking	93	17	57	24	-8	75	52	-
Insurance	0	0	1	0	2	2	1	-
Risk-weighted assets, group (end of period, Basel II)	42 384	44 687	42 315	40 215	38 295	36 689	33 812	-
of which banking	42 384	44 687	42 315	40 215	38 295	36 689	33 812	-
Allocated equity (end of period, Basel II)	3 391	3 575	3 385	3 217	3 064	2 935	2 705	-
Return on allocated equity (ROAC, Basel II)	11%	2%	6%	4%	-1%	9%	6%	-
Cost/income ratio, banking	33%	36%	31%	25%	34%	33%	30%	-

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	0	-
Earned premiums, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Technical charges, insurance (before reinsurance)	0	0	0	0	0	0	0	-
Ceded reinsurance result	0	0	0	0	0	0	0	-
Dividend income	0	0	0	0	0	0	0	-
Net result from financial instruments at fair value through profit or loss	176	217	151	-39	196	67	178	-
Net realised result from available-for-sale assets	0	0	0	0	0	0	0	-
Net fee and commission income	16	20	19	22	19	30	20	-
Other net income	0	0	0	0	0	0	0	-
Total income	192	237	171	-17	215	97	199	-
Operating expenses	-48	-42	-74	-53	-48	-50	-53	-
Impairment	-48	-192	-7	-57	-57	-6	-4	-
Of which on loans and receivables	-48	-192	-7	-57	-57	-6	-4	-
Of which on available-for-sale assets	-1	0	1	0	0	0	0	-
Share in results of associated companies	0	0	0	0	0	0	0	-
Result before tax	96	2	90	-127	109	41	142	-
Income tax expense	-22	-22	14	75	-19	3	-40	-
Result after tax	74	-19	104	-52	90	44	102	-
attributable to minority interests	0	0	0	0	0	0	0	-
attributable to equity holders of the parent	**74**	**-19**	**105**	**-52**	**90**	**44**	**103**	**-**
banking	74	-19	105	-52	90	44	103	-
insurance	0	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	13 635	-
of which banking	11 753	10 737	13 796	13 382	13 408	15 191	13 635	-
Allocated equity (end of period, Basel II)	940	859	1 104	1 071	1 073	1 215	1 091	-
Return on allocated equity (ROAC, Basel II)	40%	-5%	42%	-16%	35%	16%	36%	-
Cost/income ratio, banking	25%	18%	43%	-	23%	51%	27%	-

Group Centre (underlying trend)

The Group Centre comprises, *inter alia*, the results of the holding company KBC Group NV 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. The main ones are 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 – sale agreement for various activities already signed), KBC Peel Hunt (U.K. – sale agreement already 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 already 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	172	-
Earned premiums, insurance (before reinsurance)	97	101	116	144	107	66	91	-
Technical charges, insurance (before reinsurance)	-99	-109	-114	-139	-117	-69	-87	-
Ceded reinsurance result	1	-1	3	3	5	7	-3	-
Dividend income	2	9	0	4	3	7	1	-
Net result from financial instruments at fair value through profit or loss	-30	102	142	42	45	19	10	-
Net realised result from available-for-sale assets	12	19	21	27	10	13	1	-
Net fee and commission income	95	95	116	113	105	113	77	-
Other net income	-9	-6	-19	11	9	-7	1	-
Total income	314	432	479	391	325	324	263	-
Operating expenses	-294	-288	-270	-266	-264	-263	-233	-
Impairment	-66	-78	-75	-164	-22	-51	-61	-
on loans and receivables	-65	-77	-74	-151	-22	-49	-61	-
on available-for-sale assets	-2	-1	-1	-11	0	-2	0	-
on goodwill	0	0	0	0	0	0	0	-
on other	0	0	0	-2	0	0	0	-
Share in results of associated companies	0	-2	3	-24	-2	-9	-5	-
Result before tax	-46	65	137	-63	37	2	-36	-
Income tax expense	-15	-23	-19	23	-22	-31	6	-
Result after tax	-61	41	117	-40	14	-30	-30	-
attributable to minority interests	-48	-36	-41	-31	-55	-53	-46	-
attributable to equity holders of the parent	**-13**	**77**	**158**	**-9**	**70**	**23**	**16**	**-**
banking	-3	65	154	-10	82	23	13	-
insurance	8	10	4	6	1	9	5	-
holding company	-19	3	1	-5	-14	-8	-2	
Risk-weighted assets, group (end of period, Basel II)	37 161	31 003	28 394	27 107	28 383	25 236	23 930	-
of which banking	35 191	29 006	26 362	25 050	26 275	23 139	21 990	-
Allocated equity (end of period, Basel II)	3 057	2 566	2 357	2 255	2 356	2 103	1 994	-

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

Reconciliation between underlying result and result 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
Result after tax, attributable to equity holders of the parent: underlying	-13	77	158	-9	70	23	16	-
+ MTM of derivatives for ALM hedging	-20	27	-1	-2	-15	-19	-19	-
+ gains/losses on CDOs	-2 843	843	172	270	116	-149	89	-
+ MTM of CDO guarantee and commitment fee	0	-923	-121	-120	-42	-22	-30	-
+ value losses on AFS shares	-64	-14	1	-1	0	0	0	-
+ impairment on troubled US & Icelandic banks	0	0	1	3	0	0	0	-
+ gain on buy-back of hybrid tier-1 securities	0	0	0	0	0	0	0	-
+ impairment on goodwill (incl. associated companies)	-9	-17	-12	-169	-27	0	-31	-
+ MTM of own debt issued	134	200	-330	41	-2	45	-46	-
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-101	-41	-
+ Results on divestments	0	0	0	0	0	-335	-43	-
+ other	12	11	0	12	0	0	0	-
+ taxes and minority interests related to the items above	-48	309	200	32	-2	383	80	-
Result after tax, attributable to equity holders of the parent: IFRS	-2 853	-248	-83	-110	-3	-174	-24	-

The Group Centre's net result amounted to 16 million in 3Q 2010. As mentioned before, this also includes the results of the companies that are earmarked for divestment in the coming years, whose combined net result came to 41 million in 3Q 2010. This net result can be broken down by former business unit as follows:

- Ex-Belgium Business Unit: 24 million (compared with 28 million in the previous quarter)
- Ex-CEER Business Unit: 29 million (compared with 28 million in the previous quarter)
- Ex-Merchant Banking Business Unit: -4 million (compared with 0 million in the previous quarter)
- Ex-European Private Banking Business Unit: 16 million (compared with 34 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): -23 million (compared with -26 million in the previous quarter).

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Consolidated financial statements according to IFRS

KBC Group, 3Q2010 and 9M2010

Consolidated income statement

In millions of EUR	Note	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
Net interest income	3	1 535	1 567	1 562	4 317	4 647
Interest income		2 771	2 651	2 627	9 070	7 900
Interest expense		- 1 237	- 1 085	- 1 065	- 4 753	- 3 253
Earned premiums, insurance (before reinsurance)	9	1 119	1 144	1 074	3 680	3 466
Non-life		495	480	495	1 450	1 464
Life	10	624	664	579	2 230	2 001
Technical charges, insurance (before reinsurance)	9	- 1 033	- 1 123	- 957	- 3 311	- 3 243
Non-life		- 322	- 378	- 307	- 909	- 1 015
Life		- 710	- 745	- 650	- 2 402	- 2 228
Ceded reinsurance result	9	- 2	50	- 23	- 33	18
Dividend income	4	26	40	21	104	76
Net result from financial instruments at fair value through profit or loss	5	- 170	- 721	227	- 3 846	- 506
Net realised result from available-for-sale assets	6	95	30	11	128	61
Net fee and commission income	7	289	336	259	805	917
Fee and commission income		514	578	480	1 476	1 607
Fee and commission expense		- 224	- 242	- 221	- 671	- 690
Other net income	8	117	182	65	384	345
TOTAL INCOME		1 977	1 505	2 239	2 227	5 781
Operating expenses	12	- 1 171	- 1 044	- 1 130	- 3 690	- 3 246
Staff expenses		- 656	- 609	- 634	- 1 908	- 1 876
General administrative expenses		- 418	- 345	- 407	- 1 505	- 1 101
Depreciation and amortisation of fixed assets		- 97	- 89	- 88	- 277	- 270
Impairment	14	- 441	- 299	- 420	- 1 756	- 1 102
on loans and receivables		- 368	- 278	- 357	- 1 253	- 990
on available-for-sale assets		- 4	- 16	- 5	- 320	- 23
on goodwill		- 58	- 1	- 13	- 170	- 41
on other		- 11	- 3	- 45	- 12	- 48
Share in results of associated companies		2	- 9	- 5	0	- 16
RESULT BEFORE TAX		367	153	683	- 3 219	1 418
Income tax expense	16	16	304	- 124	298	16
Net post-tax result from discontinued operations	45	35	- 302	- 7	86	- 278
RESULT AFTER TAX		419	155	553	- 2 835	1 156
attributable to minority interest		- 109	6	8	- 65	20
of which relating to discontinued operations		*0*	*0*	*0*	*0*	*0*
attributable to equity holders of the parent		**528**	**149**	**545**	**- 2 770**	**1 136**
of which relating to discontinued operations		*35*	*- 302*	*- 7*	*86*	*- 278*
Earnings per share (in EUR)						
Basic		1,56	0,00	1,17	-8,16	2,03
Diluted		1,56	0,00	1,17	-8,16	2,03

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 result 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).

Condensed consolidated statement of comprehensive income

In millions of EUR	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
RESULT AFTER TAX	419	155	553	- 2 835	1 156
Attributable to minority interest	- 109	6	8	- 65	20
Attributable to equity holders of the parent	528	149	545	- 2 770	1 136
OTHER COMPREHENSIVE INCOME					
Net change in revaluation reserve (AFS assets) - Equity	208	- 129	72	397	6
Net change in revaluation reserve (AFS assets) - Bonds	886	- 204	388	1 183	714
Net change in revaluation reserve (AFS assets) - Other	1	1	0	- 1	1
Net change in hedging reserve (cash flow hedge)	- 73	- 148	- 68	- 80	- 350
Net change in translation differences	- 14	- 96	30	- 27	63
Other movements	0	- 1	- 1	- 2	- 3
TOTAL OTHER COMPREHENSIVE INCOME	1 009	- 578	422	1 470	431
TOTAL COMPREHENSIVE INCOME	1 427	- 423	975	- 1 365	1 587
Attributable to minority interest	- 100	- 5	14	- 70	29
Attributable to equity holders of the parent	**1 528**	**- 418**	**961**	**- 1 295**	**1 558**

Consolidated balance sheet

ASSETS (in millions of EUR)	Note	31-12-2009	30-09-2010
Cash and cash balances with central banks		7 173	6 749
Financial assets	18, 24	304 057	294 625
Held for trading		40 563	36 418
Designated at fair value through profit or loss		30 520	24 824
Available for sale		56 120	58 390
Loans and receivables		164 598	160 967
Held to maturity		12 045	13 683
Hedging derivatives		213	343
Reinsurers' share in technical provisions, insurance	31	284	233
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		259	278
Tax assets		2 214	2 334
Current tax assets		367	143
Deferred tax assets		1 847	2 191
Non-current assets held for sale and assets associated with disposal groups	45	70	15 753
Investments in associated companies		608	542
Investment property		762	711
Property and equipment		2 890	2 671
Goodwill and other intangible assets		3 316	2 294
Other assets		2 597	2 398
TOTAL ASSETS		324 231	328 590

LIABILITIES AND EQUITY (in millions of EUR)	Note	31-12-2009	30-09-2010
Financial liabilities	18	279 450	265 443
Held for trading		29 891	27 932
Designated at fair value through profit or loss		31 309	33 382
Measured at amortised cost		217 163	202 786
Hedging derivatives		1 087	1 343
Gross technical provisions, insurance	31	22 012	22 843
Fair value adjustments of hedged items in portfolio hedge of interest rate risk		0	0
Tax liabilities		519	661
Current tax liabilities		379	351
Deferred tax liabilies		140	310
Liabilities associated with disposal groups	45	0	15 825
Provisions for risks and charges		651	622
Other liabilities		4 422	4 415
TOTAL LIABILITIES		307 054	309 809
Total equity		17 177	18 780
Parent shareholders' equity	35	9 662	11 245
Non-voting core-capital securities	35	7 000	7 000
Minority interests		515	535
TOTAL LIABILITIES AND EQUITY		324 231	328 590

In line with IFRS 5, the assets and liabilities of some divestments were moved from various balance sheet lines towards the lines ‘Non-current assets held for sale and assets associated with disposal groups’ and ‘Liabilities associated with disposal groups’. Note that reference figures were not adjusted (not required by IFRS 5). More information on divestments and all data required by IFRS 5 can be found in a separate note (note 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
30-09-2009											
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 result for the period	0	0	0	0	0	- 2 770	0	- 2 770	0	- 66	- 2 835
Other comprehensive income for the period	0	0	0	1 578	- 77	- 2	- 25	1 475	0	- 5	1 470
Total comprehensive income	**0**	**0**	**0**	**1 578**	**- 77**	**- 2 771**	**- 25**	**- 1 295**	**0**	**- 70**	**- 1 365**
Dividends	0	0	0	0	0	0	0	0	0	0	0
Capital increase	0	0	0	0	0	- 2	0	- 2	3 500	0	3 498
Results on (derivatives on) treasury shares	0	0	2	0	0	0	0	2	0	0	2
Change in minorities	0	0	0	0	0	0	0	0	0	- 574	- 574
Total change	**0**	**0**	**2**	**1 578**	**- 77**	**- 2 773**	**- 25**	**- 1 295**	**3 500**	**- 644**	**1 561**
Balance at the end of the period	**1 244**	**4 335**	**- 1 560**	**446**	**- 428**	**5 586**	**- 208**	**9 416**	**7 000**	**521**	**16 937**
of which revaluation reserve for shares				333							
of which revaluation reserve for bonds				114							
of which revaluation reserve for other assets than bonds and shares				- 1							
30-09-2010											
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 result for the period	0	0	0	0	0	1 136	0	1 136	0	20	1 156
Other comprehensive income for the period	0	0	0	717	- 352	- 3	59	422	0	9	431
Total comprehensive income	**0**	**0**	**0**	**717**	**- 352**	**1 133**	**59**	**1 558**	**0**	**29**	**1 587**
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
Results on (derivatives on) treasury shares	0	0	30	0	0	0	0	30	0	0	30
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**	**30**	**717**	**- 352**	**1 128**	**59**	**1 583**	**0**	**20**	**1 603**
Balance at the end of the period	**1 245**	**4 339**	**- 1 529**	**1 174**	**- 726**	**7 022**	**- 280**	**11 245**	**7 000**	**535**	**18 780**
of which revaluation reserve for shares				392							
of which revaluation reserve for bonds				780							
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				35			12	47			47

Condensed consolidated cash flow statement

In millions of EUR	9M 2009	9M 2010
Net cash from (used in) operating activities	- 2 035	7 437
Net cash from (used in) investing activities	- 595	- 1 214
Net cash from (used in) financing activities	3 292	- 695
Change in cash and cash equivalents		
Net increase or decrease in cash and cash equivalents	662	5 528
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	- 264	555
Cash and cash equivalents at the end of the period	9 859	11 571

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 coming months) 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 2.7 billion euro (amount of 30 September 2010).

Notes on 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 9M2009 with 9M2010. If the figures for 9M2009 would be corrected for this classification methodology, the net fee and commission income would have been 29 million euro lower, the other net income 26 million euro lower and operating expenses 55 million less negative.

In order to increase the transparency of the P&L, some headings were renamed as of this report. See table:

Former name	*Present name*
Gross earned premiums, Insurance	*Earned premiums, insurance (before reinsurance)*
Gross technical charges, Insurance	*Technical charges, insurance (before reinsurance)*
Net (un)realised gains from financial instruments at fair value through profit and loss	*Net result from financial instruments at fair value through profit or loss*
Net realised gains from available-for-sale assets	*Net realised result from available-for-sale assets*
Profit before tax	*Result before tax*
Profit after tax	*Result after tax*
Net post-tax income from discontinued operations	*Net post-tax result from discontinued operations*

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 9M2010, no changes in content were made in the accounting policies that had a material impact on the results.

Notes on segment reporting

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

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

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

Funding costs of goodwill regarding participations recorded in KBC Bank and KBC Insurance are allocated to the different segments in function of the subsidiaries concerned. 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 (the resulting figures are called 'underlying results'):

- In order to arrive at the underlying group profit, factors that are not related to the normal course of business are eliminated. These factors also include exceptional losses (and gains), such as those incurred on structured credit investments, 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.
- 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 result from financial instruments at fair value', while the interest paid on the underlying assets is recognised as 'net interest income'. In the

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

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 result from financial instruments at fair value', while most of the underlying assets are not fair-valued (i.e. not marked-to-market). In order to limit the volatility of this MtM, a (government) bond portfolio has been classified as financial assets at fair value through profit or loss (fair value option). The remaining volatility of the fair value changes in these ALM derivatives versus the fair value changes in the bond portfolio at fair value through profit or loss is excluded in the underlying results.

- In the IFRS accounts, income related to trading activities is split across different components. While trading gains are recognised under 'net result from financial instruments at fair value', the funding costs and commissions paid in order to realise these trading gains are recognised respectively under 'net interest income' and 'net fee and commission income'. Moreover, part of the 'dividend income', 'net realised result on available-for-sale assets' and 'other net income' are also related to trading income. In the underlying figures, all trading income components within the investment banking division are recognised under 'net result from financial instruments at fair value', without any impact on net profit.
- In the IFRS accounts, the effect of changes in own credit risk was taken into account to determine the fair value of liabilities at fair value through profit or loss. This resulted in value changes that had an impact on reported net profit. Since this is a non-operating item, the impact is excluded from the 'underlying figures'.
- In the IFRS accounts, discontinued operations (in KBC's new strategic plan, this refers only to KBL EPB) are booked according to IFRS 5 (meaning that results relating to such a discontinued operation are moved from the various P&L lines towards one line 'Net post-tax result from discontinued operations', as soon as the criteria for IFRS 5 are fulfilled). In the underlying results, such discontinued operations follow the same rules as other divestments (all relevant P&L lines relating to the divestment or discontinued operation are moved to Group Centre).

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

Reconciliation between underlying result and result 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. 9M 2009	Cumul. 9M 2010
Result after tax, attributable to equity holders of the parent, UNDERLYING	465	409	631	218	543	554	445	-	1 506	1 542
+ MTM of derivatives for ALM hedging	-137	206	42	-33	-94	-268	23	-	110	-339
+ gains/losses on CDOs	-3 793	996	228	719	182	-160	246	-	-2 568	269
+ MTM of CDO guarantee and commitment fee	0	-1 121	-146	-143	-50	-27	-35	-	-1 266	-112
+ value losses on AFS shares	-311	-50	4	-4	0	0	0	-	-358	0
+ (reversal of) impairment on troubled US & Icelandic banks	16	-1	42	8	13	0	0	-	56	13
+ gain on buy-back of hybrid tier-1 securities	0	0	128	0	0	0	0	-	128	0
+ impairment on goodwill (and associated companies)	-79	-28	-58	-328	-27	-1	-44	-	-166	-72
+ loss on legacy structured derivative business (KBC FP)	0	-760	-153	-166	-101	-101	-41	-	-913	-243
+ MTM of own debt issued	134	200	-330	41	-2	45	-46	-	3	-4
+ Results on divestments	0	0	0	0	0	-338	-46	-	0	-384
+ other	96	63	-33	16	-62	-30	2	-	126	-90
+ taxes and minority interests related to the items above	7	388	176	-24	41	474	40	-	571	555
Result after tax, attributable to equity holders of the parent: IFRS	-3 600	302	528	304	442	149	545	-	-2 770	1 136

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.

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 - 9 M 2009						
Net interest income	1 581	1 216	610	681	0	4 088
Earned premiums, insurance (before reinsurance)	2 574	799	0	345	- 32	3 687
Non-life	774	578	0	129	- 31	1 450
Life	1 800	221	0	216	- 1	2 237
Technical charges, insurance (before reinsurance)	- 2 452	- 556	0	- 332	9	- 3 330
Non-life	- 440	- 406	0	- 77	14	- 909
Life	- 2 012	- 149	0	- 254	- 5	- 2 421
Ceded reinsurance result	- 25	- 12	0	- 4	7	- 33
Dividend income	39	8	10	12	0	68
Net result from financial instruments at fair value through profit or loss	53	44	574	215	0	886
Net realised result from available-for-sale assets	92	12	31	52	0	187
Net fee and commission income	453	215	144	307	0	1 119
Other net income	122	95	125	816	- 850	309
TOTAL INCOME	**2 438**	**1 822**	**1 494**	**2 091**	**- 865**	**6 980**
Operating expenses	- 1 268	- 1 074	- 463	- 1 716	865	- 3 656
Impairment	- 46	- 423	- 558	- 219	0	- 1 247
on loans and receivables	- 46	- 412	- 557	- 216	0	- 1 230
on available-for-sale assets	- 1	0	0	- 3	0	- 4
on goodwill	0	0	0	0	0	0
on other	0	- 11	- 1	0	0	- 12
Share in results of associated companies	0	1	0	0	0	2
RESULT BEFORE TAX	**1 124**	**327**	**473**	**156**	**0**	**2 079**
Income tax expense	- 339	- 31	- 82	- 58	0	- 510
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**785**	**296**	**390**	**98**	**0**	**1 568**
attributable to minority interests	3	121	63	- 125	0	63
attributable to equity holders of the parent	**782**	**175**	**327**	**222**	**0**	**1 506**
INCOME STATEMENT - underlying results - 9 M 2010						
Net interest income	1 665	1 368	604	506	0	4 144
Earned premiums, insurance (before reinsurance)	2 192	1 015	0	337	- 74	3 470
Non-life	787	586	0	127	- 36	1 464
Life	1 404	429	0	210	- 38	2 006
Technical charges, insurance (before reinsurance)	- 2 152	- 833	0	- 324	51	- 3 259
Non-life	- 490	- 459	0	- 74	8	- 1 015
Life	- 1 662	- 374	0	- 251	43	- 2 244
Ceded reinsurance result	- 5	14	0	- 8	17	18
Dividend income	37	2	5	11	0	55
Net result from financial instruments at fair value through profit or loss	54	131	472	73	0	731
Net realised result from available-for-sale assets	10	33	3	25	0	71
Net fee and commission income	569	212	173	295	0	1 249
Other net income	81	50	80	13	- 9	215
TOTAL INCOME	**2 450**	**1 992**	**1 338**	**928**	**- 15**	**6 693**
Operating expenses	- 1 214	- 1 129	- 419	- 775	15	- 3 521
Impairment	- 69	- 371	- 441	- 134	0	- 1 015
on loans and receivables	- 49	- 368	- 440	- 133	0	- 989
on available-for-sale assets	- 20	0	- 1	- 2	0	- 23
on goodwill	0	0	0	0	0	0
on other	0	- 3	0	0	0	- 3
Share in results of associated companies	0	1	0	- 16	0	- 15
RESULT BEFORE TAX	**1 167**	**494**	**479**	**3**	**0**	**2 142**
Income tax expense	- 366	- 60	- 106	- 48	0	- 580
Net post-tax result from discontinued operations	0	0	0	0	0	0
RESULT AFTER TAX	**801**	**434**	**372**	**- 45**	**0**	**1 562**
attributable to minority interests	4	159	11	- 154	0	20
attributable to equity holders of the parent	**797**	**275**	**361**	**109**	**0**	**1 542**

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 30-09-2010					
Total loans to customers	51 554	36 138	47 430	14 861	149 982
Of which mortgage loans	26 466	14 157	13 025	7 231	60 879
Of which reverse repos	0	4 424	3 146	0	7 570
Customer deposits	67 404	46 089	71 043	14 289	198 825
Of which repos	0	5 522	10 084	0	15 606

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
9 M 2009				
Total income from external customers (underlying)	3 177	2 170	1 633	6 980
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
9 M 2010				
Total income from external customers (underlying)	3 033	2 221	1 439	6 693
30-09-2010				
Total assets (period-end)	214 941	62 812	50 837	328 590
Total liabilities (period-end)	195 737	56 492	57 580	309 809

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) or that are already closed.

Net interest income (note 3 in the annual accounts)

In millions of EUR	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
Total	1 535	1 567	1 562	4 317	4 647
Interest income	2 771	2 651	2 627	9 070	7 900
Available-for-sale assets	487	496	468	1 430	1 438
Loans and receivables	1 777	1 674	1 688	5 733	5 013
Held-to-maturity investments	122	135	143	356	411
Other assets not at fair value	9	8	7	38	23
Subtotal, interest income from financial assets not measured at fair value through profit or loss	2 396	2 313	2 307	7 558	6 884
Financial assets held for trading	127	93	79	472	277
Hedging derivatives	78	92	85	430	251
Other financial assets at fair value through profit or loss	170	153	156	610	488
Interest expense	- 1 237	- 1 085	- 1 065	- 4 753	- 3 253
Financial liabilities measured at amortised cost	- 1 000	- 782	- 796	- 3 586	- 2 383
Other	- 5	6	- 1	- 11	1
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	- 1 005	- 777	- 797	- 3 597	- 2 382
Financial liabilities held for trading	- 17	- 26	- 18	- 69	- 65
Hedging derivatives	- 131	- 213	- 194	- 616	- 610
Other financial liabilities at fair value through profit or loss	- 84	- 68	- 57	- 471	- 195

Dividend income (note 4 in the annual accounts)

In millions of EUR	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
Total	26	40	21	104	76
Breakdown by type					
Held-for-trading shares	12	8	9	35	26
Shares initially recognised at fair value through profit or loss	0	2	1	0	3
Available-for-sale shares	14	31	11	68	48

Net result from financial instruments at fair value (note 5 in the annual accounts)

In the third quarter 2010, the market price for corporate credit, reflected in credit default swap spreads, improved, generating a value mark-up of KBC's CDO exposure. The positive earnings impact from CDO revaluation amounted to +0.2 billion euros for 3Q2010. For the first nine months, the cumulative impact is roughly 0.2 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 result from available-for-sale assets (note 6 in the annual accounts)

In millions of EUR	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
Total	95	30	11	128	61
Breakdown by portfolio					
Fixed-income securities	82	20	0	88	36
Shares	12	10	11	41	25

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

In millions of EUR	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
Total	289	336	259	805	917
Fee and commission income	514	578	480	1 476	1 607
Securities and asset management	256	314	240	732	838
Margin on deposit accounting (life insurance investment contracts without DPF)	4	5	5	13	18
Commitment credit	79	70	54	209	188
Payments	130	126	133	367	385
Other	44	63	48	156	179
Fee and commission expense	- 224	- 242	- 221	- 671	- 690
Commission paid to intermediaries	- 110	- 117	- 123	- 325	- 372
Other	- 115	- 126	- 98	- 346	- 318

Other net income (note 8 in the annual accounts)

In millions of EUR	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
Total	117	182	65	384	345
Net realised result on loans and receivables	2	1	1	8	5
Net realised result on held-to-maturity investments	- 4	1	0	- 5	1
Net realised result on financial liabilities measured at amortised cost	- 1	0	0	0	0
Other	121	180	64	381	340
of which: income concerning leasing at the KBC Lease-group	13	14	19	39	56
of which: income from consolidated private equity participations	18	14	13	58	40
of which: moratorium interests on tax recuperation	0	14	0	0	14
of which: income from Groep VAB	21	12	16	60	49

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

	Life	Non-life	Non-technical account	TOTAL
9M 2009				
Technical result	- 262	266	20	25
Earned premiums, insurance (before reinsurance)	2 241	1 466	0	3 707
Technical charges, insurance (before reinsurance)	- 2 421	- 910	0	- 3 330
Net fee and commission income	- 81	- 261	24	- 318
Ceded reinsurance result	- 1	- 29	- 4	- 33
Financial result	494	97	- 431	160
Net interest income			717	717
Dividend income			47	47
Net result from financial instruments at fair value			- 637	- 637
Net realised result from AFS assets			33	33
Allocation to the technical accounts	494	97	- 591	0
Operating expenses	- 94	- 242	- 9	- 344
Internal costs claim paid	- 6	- 62	0	- 68
Administration costs related to acquisitions	- 30	- 68	0	- 98
Administration costs	- 58	- 112	0	- 170
Management costs investments	0	0	- 9	- 9
Other net income			30	30
Impairments			- 317	- 317
Share in results of associated companies			0	0
RESULT BEFORE TAX	138	121	- 706	- 446
Income tax expense				7
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				- 439
attributable to minority interest				2
attributable to equity holders of the parent				- 441
9M 2010				
Technical result	- 308	223	25	- 60
Earned premiums, insurance (before reinsurance)	2 005	1 480	0	3 485
Technical charges, insurance (before reinsurance)	- 2 228	- 1 016	0	- 3 243
Net fee and commission income	- 83	- 264	28	- 319
Ceded reinsurance result	- 1	23	- 3	18
Financial result	616	152	107	875
Net interest income			748	748
Dividend income			37	37
Net result from financial instruments at fair value			79	79
Net realised result from AFS assets			12	12
Allocation to the technical accounts	616	152	- 768	0
Operating expenses	- 102	- 268	- 6	- 376
Internal costs claim paid	- 6	- 54	0	- 60
Administration costs related to acquisitions	- 29	- 68	0	- 97
Administration costs	- 67	- 145	0	- 212
Management costs investments	0	0	- 6	- 6
Other net income			19	19
Impairments			- 15	- 15
Share in results of associated companies			0	0
RESULT BEFORE TAX	206	108	130	444
Income tax expense				- 110
Net post-tax result from discontinued operations				0
RESULT AFTER TAX				335
attributable to minority interest				4
attributable to equity holders of the parent				331

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:

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

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

In millions of EUR	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
Total	624	664	579	2 230	2 001
Breakdown by IFRS category					
Insurance contracts	195	284	269	595	803
Investment contracts with discretionary participation	429	380	309	1 635	1 198
Breakdown by type					
Accepted reinsurance	8	9	8	22	27
Primary business	616	655	570	2 208	1 975
Breakdown of primary business					
Individual versus group					
Individual premiums	555	513	460	2 005	1 596
Premiums under group contracts	62	142	110	203	378
Periodic versus single					
Periodic premiums	173	201	199	540	625
Single premiums	444	454	371	1 667	1 349
Non-bonus versus bonus contracts					
Premiums from non-bonus contracts	53	51	50	145	148
Premiums from bonus contracts	535	498	426	1 999	1 576
Unit linked	29	106	95	64	251

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.

Operating expenses (note 12 in the annual accounts)

The Hungarian government has decided to impose a new extraordinary bank tax on the financial institutions. The bank tax will be imposed for 2010, 2011 and 2012 and will be due by both K&H Bank and K&H Insurance. The bank tax is a tax-deductible expense. The operating expenses of the third quarter 2010 include the full amount of banking tax to be paid in 2010 (impact 57 million euro before tax and 46 million euro after tax)

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

In millions of EUR	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
Total	- 441	- 299	- 420	- 1 756	- 1 102
Impairment on loans and receivables	- 368	- 278	- 357	- 1 253	- 990
Breakdown by type					
Specific impairments for on-balance-sheet lending	- 501	- 292	- 328	- 1 197	- 913
Specific impairments for off-balance-sheet credit commitments	9	- 10	- 22	- 2	- 30
Portfolio-based impairments	124	24	- 7	- 54	- 48
Breakdown by business unit					
Belgium	- 10	- 25	- 21	- 46	- 49
Central and Eastern Europe	- 146	- 114	- 142	- 412	- 368
Merchant Banking	- 104	- 89	- 132	- 534	- 440
Group Centre	- 108	- 49	- 63	- 262	- 134
Impairment on available-for-sale assets	- 4	- 16	- 5	- 320	- 23
Breakdown by type					
Shares	- 4	- 17	- 5	- 319	- 23
Other	1	0	0	- 2	0
Impairment on goodwill	- 58	- 1	- 13	- 170	- 41
Impairment on other	- 11	- 3	- 45	- 12	- 48
Intangible assets, other than goodwill	0	0	0	0	0
Property and equipment	- 7	- 1	0	- 6	- 1
Held-to-maturity assets	- 1	0	0	- 1	0
Associated companies (goodwill)	0	0	- 31	0	- 31
Other	- 3	- 1	- 14	- 5	- 15

In 3Q 2010, an impairment has been booked on the participation of NLB for 31 million euro. This impairment is calculated using a valuation of NLB which is based on a preliminary view on the expected credit impairments at NLB . Given the uncertainty in these expected impairment losses , the valuation of NLB will be re-evaluated in the coming periods

The impairment for Merchant Banking business unit includes an impairment on loans & receivables in Ireland of 223 million euro for the first nine months in 2010 and an impairment of 53 million euro in 3Q2010.

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 (collateralised debt obligations) and related lines of business. Until 31 March 2010, KBC had not booked a tax impact on the larger part of these losses, given the fact that these losses occurred in subsidiaries which had insufficient future taxable profits to offset these tax losses. In order to recapitalise one of the major subsidiaries involved, KBC Bank proposed to the local regulator and the Belgian tax office a debt waiver in favour of this subsidiary.

At the end of April, the Belgian tax ruling office ruled positively, confirming the general principle that, if certain criteria are being met, a debt waiver is tax deductible. In practice, this means KBC 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 desinvestments during 2010 and IFRS 5 (*)
31-12-2009									
Loans and advances to credit institutions and investment firms [a]	566	3 708	0	16 930	-	-	-	21 204	17 929
Loans and advances to customers [b]	3 169	6 133	0	143 928	-	-	-	153 230	151 524
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	71 228
Finance leasing	0	0	0	5 569	-	-	-	5 569	5 569
Current account advances	0	0	0	5 123	-	-	-	5 123	4 535
Securitised loans	0	0	0	0	-	-	-	0	0
Other	0	196	0	6 439	-	-	-	6 635	6 337
Equity instruments [c]	2 977	20	2 418	-	-	-	-	5 414	4 649
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	288 124
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	290 273
[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*						
30-09-2010									
Loans and advances to credit institutions and investment firms [a]	837	2 932	0	15 578	-	-	-	19 346	
Loans and advances to customers [b]	4 428	4 276	0	141 277	-	-	-	149 982	
Discount and acceptance credit	0	0	0	102	-	-	-	102	
Consumer credit	0	0	0	4 389	-	-	-	4 389	
Mortgage loans	0	456	0	60 423	-	-	-	60 879	
Term loans	4 428	3 699	0	62 531	-	-	-	70 658	
Finance leasing	0	0	0	5 209	-	-	-	5 209	
Current account advances	0	0	0	4 752	-	-	-	4 752	
Securitised loans	0	0	0	0	-	-	-	0	
Other	0	122	0	3 872	-	-	-	3 993	
Equity instruments	1 831	22	2 053	-	-	-	-	3 905	
Investment contracts (insurance)	-	7 117	-	-	-	-	-	7 117	
Debt instruments issued by	10 221	10 339	55 427	3 570	13 414	-	-	92 971	
Public bodies	7 842	9 383	44 429	129	12 505	-	-	74 287	
Credit institutions and investment firms	1 177	336	5 337	223	586	-	-	7 658	
Corporates	1 201	621	5 662	3 218	324	-	-	11 026	
Derivatives	18 985	-	-	-	-	286	-	19 271	
Total carrying value excluding accrued interest income	36 302	24 686	57 479	160 425	13 414	286	0	292 593	
Accrued interest income	116	138	911	541	268	57	0	2 033	
Total carrying value including accrued interest income	36 418	24 824	58 390	160 967	13 683	343	0	294 625	
[a] Of which reverse repos								*3 167*	
[b] Of which reverse repos								*7 570*	
[c] For AFS equity: of which:									
Real estate certificates			64						
Bonds and cash funds			108						
Shares			1 881						

*Excluding the contribution of all divestments in the scope of IFRS 5 as at 30 September 2010 and those that are already closed.

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, 30-09-2010

Carrying value	2 843
Fair value	2 891

Financial assets reclassified out of ‘available for sale’ to ‘loans and receivables’ on 31-12-2008, in millions of EUR, 30-09-2010, amounts before tax

	In case of non-reclassification (AFS)	After reclassification (L&R)	Impact
Outstanding revaluation reserve AFS	-491	-565	-75
Impact on the income statement	-34	-60	-26

In 9M 2010, the reclassification resulted pre-tax in

- a negative effect on equity of 75 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 of 26 million euro.

Besides specific impairments, 7 million euro was also added for portfolio-based impairment (IBNR) on loans and receivables in 9M2010.

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 desinvestments during 2010 and IFRS 5 (*)
31-12-2009									
Deposits from credit institutions and investment firms [a]	211	6 678	-	-	-	-	38 555	45 444	42 128
Deposits from customers and debt certificates [b]	834	16 695	-	-	-	-	175 935	193 464	185 363
Deposits from customers	0	13 154	-	-	-	-	132 165	145 319	138 049
Demand deposits	0	150	-	-	-	-	44 271	44 421	39 383
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	1 736
in equity instruments	486	0	-	-	-	-	-	486	213
in debt instruments	1 661	0	-	-	-	-	-	1 661	1 523
Other	250	168	-	-	-	-	1 514	1 931	1 759
Total carrying value excluding accrued interest expense	29 745	31 226	-	-	-	882	216 258	278 111	264 538
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	265 820
[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*
30-09-2010									
Deposits from credit institutions and investment firms [a]	15	5 944	-	-	-	-	20 929	26 888	
Deposits from customers and debt certificates [b]	581	20 887	-	-	-	-	177 357	198 825	
Deposits from customers	0	17 345	-	-	-	-	129 871	147 215	
Demand deposits	0	94	-	-	-	-	46 805	46 899	
Time deposits	0	17 250	-	-	-	-	37 434	54 685	
Savings deposits	0	0	-	-	-	-	40 351	40 351	
Special deposits	0	0	-	-	-	-	3 956	3 956	
Other deposits	0	0	-	-	-	-	1 323	1 324	
Debt certificates	581	3 542	-	-	-	-	47 487	51 610	
Certificates of deposit	0	41	-	-	-	-	21 055	21 096	
Customer savings certificates	0	0	-	-	-	-	2 261	2 261	
Convertible bonds	0	0	-	-	-	-	0	0	
Non-convertible bonds	581	3 184	-	-	-	-	15 033	18 798	
Convertible subordinated liabilities	0	0	-	-	-	-	0	0	
Non-convertible subordinated liabilities	0	317	-	-	-	-	9 138	9 455	
Liabilities under investment contracts	-	6 311	-	-	-	-	177	6 488	
Derivatives	26 649	0	-	-	-	1 262	-	27 911	
Short positions	633	0	-	-	-	-	-	633	
in equity instruments	22	0	-	-	-	-	-	22	
in debt instruments	611	0	-	-	-	-	-	611	
Other	0	160	-	-	-	-	3 084	3 244	
Total carrying value excluding accrued interest expense	27 878	33 301	-	-	-	1 262	201 547	263 988	
Accrued interest expense	54	81	-	-	-	81	1 239	1 455	
Total carrying value including accrued interest expense	27 932	33 382	-	-	-	1 343	202 786	265 443	
[a] Of which repos								*7 224*	
[b] Of which repos								*15 606*	
[c] Of which valuation own credit risk								*- 202*	

*Excluding the contribution of all divestments in the scope of IFRS 5 as at 30 September 2010 and those that already closed.

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

In millions of EUR	31-12-2009	30-09-2010
Total	4 080	4 701
Breakdown by type		
Specific impairment, on-balance-sheet loans and receivables	3 667	4 214
Specific impairment, off-balance-sheet credit commitments	85	107
Portfolio-based impairment	328	380
Breakdown by counterparty		
Impairment for loans and advances to banks	36	42
Impairment for loans and advances to customers	3 933	4 530
Specific and portfolio based impairment, off-balance-sheet credit commitments	111	129

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

In millions of EUR	31-12-2009	30-09-2010
Gross technical provisions	22 012	22 843
Insurance contracts	10 244	10 378
Provisions for unearned premiums and unexpired risk	504	562
Life insurance provision	5 493	6 483
Provision for claims outstanding	3 770	3 123
Provision for profit sharing and rebates	29	27
Other technical provisions	449	183
Investment contracts with DPF	11 768	12 465
Life insurance provision	11 715	12 416
Provision for claims outstanding	0	0
Provision for profit sharing and rebates	53	49
Reinsurers' share	284	233
Insurance contracts	284	233
Provisions for unearned premiums and unexpired risk	15	20
Life insurance provision	7	1
Provision for claims outstanding	262	211
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	30-09-2010
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 September 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 nine months 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 collateralized debt obligations (CDO's). The results of the nine months of 2010 include the accounting of 112 million euros (of which 35 million euros in 3Q 2010) fee expense (included in net result 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. (1)	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" of KBC Asset Management, Secura and the activities "Global Convertibles", "Asia Equity Derivatives" of KBC Financial Products "KBC Peel Hunt" and "KBC Business Capital" 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)

There are no major changes in the scope of consolidation for balance sheet and income statement comparison

During the first nine months 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 September 2010) and the publication of this report (10 November 2010):

- On October 11th, RHJ International SA (RHJI) and KBC Asset Management NV (a KBC group company) closed the sale of KBC Asset Management's Dublin-based subsidiary KBC Asset Management Ltd (KBCAM Dublin) to RHJI, after having received the necessary approval of the Irish regulator. RHJI and KBC Asset Management NV announced the agreement on the sale on 21 June 2010. The impact of the sale on KBC's earnings and capital is negligible given the size and nature of the activities involved.
- KBC is currently involved in a sale process regarding the life insurance portfolio (derivatives) of the KBC FP-group. The realisation and timing of this sale process is still uncertain, but no material impact on the results nor a substantial capital release is expected.
- KBC finalised the sale of reinsurance company Secura NV to the QBE Insurance Group, as announced on 5 July 2010. The sale price amounts to 267 million euros plus gains realised on the investment portfolio and earnings for 2010 up to the completion date. The capital release amounts to 139 million euros, based on an estimate of the gains and profit for the year. The transaction was closed on 2 November 2010.
- The General Meeting of NLB of 25 November 2010 will decide on a possible capital increase. The extent to which KBC will participate in this capital increase will be evaluated based on the safeguarding of the value of our investment in NLB.

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

Sovereign bonds on selected European countries, in billions of EUR, 30-09-2010, carrying amounts

	Total			Banking and Insurance Book		
	Banking and Insurance book*	Trading book	Total	Of which maturity date in 4Q 2010	Of which maturity date in 2011	Of which maturity date after 2011
Greece	0,8	0,0	0,8	0,0	0,1	0,7
Portugal	0,3	0,0	0,3	0,0	0,0	0,3
Spain	2,3	0,1	2,4	0,0	0,1	2,2
Italy	6,8	0,4	7,2	0,1	0,9	5,8
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 3Q 2010, KBC booked fair value changes in the P&L for a total amount of 33 million euros (of which 13 million on Greece and 18 million on Italy) on the sovereign bonds designated at fair value through profit and loss and a trading result of -0.4 million euros.

Compared to last quarter, total government bond exposure on Italy dropped with1,2 billion euros, on Greece with 0,2 billion euros and on Spain with 0.1 billion euros.

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 September 2010

On 30 September 2010, following planned divestments 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, Secura NV, KBC Peel Hunt and KBC Business Capital
- as disposal groups which are part of a discontinued operation: KBL EPB-group (including Vitis Life). As required by IFRS 5, the results of a discontinued operation are shown (retroactively) on one line in the income statement: Net post-tax result from discontinued operations.

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

The other participations which are up for divestment in the future do not fulfill one or more of the criteria mentioned above on 30 September 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, based on calculation 30 June, (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%.

Secura

Activity:	Reinsurance 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 has been closed on 2 November 2010.

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 impact of the sale on KBC's earnings and capital is negligible given the size and nature of the activities. The sale has been closed on 11 October 2010.

KBC Peel Hunt

Activity:	Stock exchange broker/Corporate finance
Segment:	Group Centre
Sale agreement date:	29 July 2010
Other information:	KBC Group and KBC Peel Hunt have reached agreement on a buy-out of KBC Peel Hunt for a total consideration of GBP 74 million. This deal has been supported by KBC Peel Hunt staff and backed by a group of external investors. The rationale is part of KBC Group's decision to focus on its core strategy of providing bancassurance services to retail, SME and midcap customers in its core markets (Belgium and Central & Eastern Europe). Within this context, KBC Peel Hunt was no longer deemed a part of the KBC Group going forward.

KBC Business Capital

Activity:	Asset based lending
Segment:	Merchant banking business unit
Sale agreement date:	27 September 2010
Other information:	The KBC group reached agreement to sell KBC Business Capital, the specialist asset-based lending (ABL) division located in the United Kingdom, to a wholly owned subsidiary of The PNC Financial Services Group, Inc. (NYSE: PNC). The transaction provides capital relief, though not to a material extent, for KBC and has no impact on its Tier-1 ratio.

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

In millions of EUR	3Q 2009	2Q 2010	3Q 2010	9M 2009	9M 2010
A: DISCONTINUED OPERATIONS					
Income statement					
Income statement KBL EPB (including Vitis Life)					
Net interest income	62	37	42	198	120
Net fee and commission income	90	101	89	264	288
Other income	28	36	8	51	58
Total income	180	175	139	513	466
Operating expenses	- 136	- 125	- 112	- 371	- 346
Impairment	- 2	0	1	- 26	1
Share in results of associated companies	1	1	0	2	1
Result before tax	44	50	29	118	123
Income tax expense	- 8	- 19	- 9	- 32	- 41
Result after tax	**35**	**31**	**19**	**86**	**82**
Result of sale of KBL EPB (including Vitis Life)					
Impairment loss recognised on the remeasurement to fair value less costs to sell		- 333	- 26		- 359
Tax income related to measurement to fair value less costs to sell (deferred tax)		0	0		0
Result of sale after tax		- 333	- 26		- 359
Net post-tax result from discontinued operations	**35**	**- 302**	**- 7**	**86**	**- 278**
Cashflow statement KBL EPB (including Vitis Life)					
Net cash from (used in) operating activities				1 815	760
Net cash from (used in) investing activities				- 28	- 78
Net cash from (used in) financing activities				- 65	- 6
Net cash outflow/inflow				1 722	676
Earnings per share relating to discontinued operations (KBL, including Vitis Life)					
Basic				0,25	-0,82
Diluted				0,25	-0,82

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

Balance sheet	31-12-2009	*of which: Discon-tinued operations*	30-09-2010	*of which: Discon-tinued operations*
Assets				
Cash and cash balances with central banks	0	*0*	311	*311*
Financial assets	56	*0*	14 028	*11 544*
Fair value adjustments of hedged items in portfolio hedge of interest rate risk	0	*0*	11	*11*
Tax assets	0	*0*	59	*58*
Investments in associated companies	0	*0*	14	*14*
Investment property and property and equipment	0	*0*	245	*235*
Goodwill and other intangible assets	0	*0*	671	*670*
Other assets	14	*0*	414	*117*
Total assets	70	*0*	15 753	*12 960*
Liabilities				
Financial liabilities	0	*0*	14 003	*12 997*
Technical provisions insurance, before reinsurance	0	*0*	1 334	*473*
Tax liabilities	0	*0*	30	*15*
Provisions for risks and charges	0	*0*	21	*21*
Other liabilities	0	*0*	436	*354*
Total liabilities	0	*0*	15 825	*13 859*
Other comprehensive income				
Available-for-sale reserve	0	*0*	57	*25*
Deferred tax on available-for-sale reserve	0	*0*	- 22	*- 11*
Translation differences	0	*0*	12	*12*
Total other comprehensive income	0	*0*	47	*26*

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 September 2010 and for the nine months then ended

Introduction

We have reviewed the accompanying interim condensed consolidated balance sheet of KBC Group nv (the "Company") as at 30 September 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 nine-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, 10 November 2010

Ernst & Young Bedrijfsrevisoren BCVBA
Statutory auditor, represented by

Pierre Vanderbeek
Partner

Peter Telders
Partner

11PVDB0034

Risk and capital management

KBC Group, 3Q2010 and 9M2010

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	30-09-2010
Total loan portfolio (in billions of EUR)		
Amount granted	202	196
Amount outstanding	167	166
Total loan portfolio, by business unit (as a % of the portfolio of credit granted)		
Belgium	29%	30%
CEE	21%	23%
Merchant Banking	39%	36%
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%	2%
Aviation	0.3%	0,3%
Automobile industry	2%	2%
Impaired loans (in millions of EUR or %)		
Amount outstanding	8 982	10 380
Specific loan impairments	3 884	4 480
Portfolio-based loan impairments	328	381
Credit cost ratio, per business unit		
Belgium	0.15%	0.12%
CEE	1.70%	1,32%
Czech Republic	1.12%	0.82%
Slovakia	1.56%	1,06%
Hungary	2.01%	2,28%
Poland	2.59%	1.50%
Bulgaria	2.22%	1,97%
Merchant Banking	1.19%	1,01%
Group Centre	2.15%	1,15%
Total	1.11%	0,80%
Non-performing (NP) loans (in millions of EUR or %)		
Amount outstanding	5 595	6 625
Specific loan impairments for NP loans	2 790	3 196
Non-performing ratio, per business unit		
Belgium	1.5%	1,5%
CEE	4.1%	5,6%
Merchant Banking	3.9%	4,8%
Group Centre	5.1%	5,5%
Total	3.4%	4,0%
Cover ratio		
Specific loan impairments for NP loans / Outstanding NP loans	50%	48%
Idem, excluding mortgage loans	60%	58%
Specific and portfolio-based loan impairments for performing and NP loans / outstanding NP loans	75%	73%
Idem, excluding mortgage loans	90%	90%

Credit portfolio per business unit (banking activities)

Loan portfolio Business Unit Belgium

30-09-2010, in millions of EUR	Belgium		
Total outstanding amount	53.047		
Counterparty break down		*% outst.*	
SME / corporate	2.128	*4,0%*	
retail	50.919	*96,0%*	
o/w private	27.622	*52,1%*	
o/w companies	23.297	*43,9%*	
Mortgage loans (*)		*% outst.*	ind. LTV
total	26.377	*49,7%*	53%
o/w FX mortgages	0	*0,0%*	-
o/w vintage 2007 and 2008	6.392	*12,0%*	-
o/w LTV > 100%	1.662	*3,1%*	-
Top 5 Belgian corporate sectors		*% outst.*	avg. PD
services	7.137	*13,5%*	low
distribution	4.247	*8,0%*	medium
real estate	3.178	*6,0%*	medium
agriculture	2.998	*5,7%*	low
building	1.877	*3,5%*	low
Exposure to cyclical sectors			
real estate	3.178	*6,0%*	medium
building	1.877	*3,5%*	low
automotive	814	*1,5%*	medium
energy (oil, gas & other fuels / electricity)	149	*0,3%*	low
aviation	16	*0,0%*	medium
IT & telecom	88	*0,2%*	medium
LBO-exposure			
LBO	0	*0,0%*	
Probability of default (PD)		*% outst.*	
low risk (pd 1-4; 0.00%-0.80%)	42.358	*79,8%*	
medium risk (pd 5-7; 0.80%-6.40%)	8.045	*15,2%*	
high risk (pd 8-10; 6.40%-100.00%)	1.846	*3,5%*	
non-performing loans (pd 11 - 12)	793	*1,5%*	
unrated	5	*0,0%*	
Other risk measures		*% outst.*	
outstanding non-performing loans (NPL)	793	*1,5%*	
provisions for NPL	465		
all provisions (P + NP + portfolio based)	536		
cover NPL by all provisions (specific + portfolio)	68%		
2009 Credit cost ratio (CCR)	0,15%		
YTD 2010 CCR	0,12%		

Legend

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

avg. PD Average Probability of Default

Remark

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

Loan portfolio Business Unit Central & Eastern Europe

30-09-2010, in millions of EUR	**Czech republic**			**Slovakia**			**Poland**			**Hungary**			**Bulgaria**			**Total CEE**		
Total outstanding amount	18.902			3.913			7.839			6.660			748			38.062		
Counterparty break down		_% outst._			_% outst._			_% outst._			_% outst._			_% outst._			_% outst._	
SME / corporate	6.032	*31,9%*		1.568	*40,1%*		2.609	*33,3%*		3.132	*47,0%*		343	*45,8%*		13.684	*36,0%*	
retail	12.871	*68,1%*		2.345	*59,9%*		5.230	*66,7%*		3.528	*53,0%*		405	*54,2%*		24.378	*64,0%*	
o/w private	9.275	*49,1%*		1.371	*35,0%*		5.055	*64,5%*		3.007	*45,1%*		229	*30,6%*		18.937	*49,8%*	
o/w companies	3.596	*19,0%*		974	*24,9%*		174	*2,2%*		521	*7,8%*		176	*23,6%*		5.441	*14,3%*	
Mortgage loans (*)		_% outst._	ind. LTV		_% outst._	ind. LTV		_% outst._	ind. LTV		_% outst._	ind. LTV		_% outst._	ind. LTV		_% outst._	
total	5.610	*29,7%*	66%	1.111	*28,4%*	56%	3.979	*50,8%*	86%	2.617	*39,3%*	64%	105	*14,1%*	63%	13.422	*35,3%*	
o/w FX mortgages	0	*0,0%*	-	0	*0,0%*	-	2.578	*32,9%*	98%	2.253	*33,8%*	68%	58	*7,7%*	62%	4.889	*12,8%*	
o/w vintage 2007 and 2008	2.448	*13,0%*	-	404,8	*10,3%*	-	2.571	*32,8%*	-	1.321	*19,8%*	-	62	*8,2%*	-	6.807	*17,9%*	
o/w LTV > 100%	667	*3,5%*	-	0	*0,0%*	-	1.438	*18,3%*	-	239	*3,6%*	-	7	*0,9%*	-	2.351	*6,2%*	
Top 5 CEE corporate sectors		_% outst._	avg. PD		_% outst._	avg. PD		_% outst._	avg. PD		_% outst._	avg. PD		_% outst._	avg. PD		_% outst._	avg. PD
services	2.181	*11,5%*	low	775	*19,8%*	low	163	*2,1%*	medium	466	*7,0%*	medium	14	*1,8%*	-	3.598	*9,5%*	low
finance & insurance	2.011	*10,6%*	low	94	*2,4%*	low	407	*5,2%*	low	271	*4,1%*	low	40	*5,4%*	-	2.823	*7,4%*	low
distribution	959	*5,1%*	medium	283	*7,2%*	medium	522	*6,7%*	medium	430	*6,5%*	medium	28	*3,7%*	-	2.222	*5,8%*	medium
real estate	575	*3,0%*	medium	331	*8,5%*	medium	381	*4,9%*	medium	198	*3,0%*	medium	198	*26,5%*	-	1.684	*4,4%*	medium
building	672	*3,6%*	medium	143	*3,6%*	medium	189	*2,4%*	medium	426	*6,4%*	medium	13	*1,7%*	-	1.442	*3,8%*	medium
Exposure to cyclical sectors																		
real estate	575	*3,0%*	medium	331	*8,5%*	medium	381	*4,9%*	medium	198	*3,0%*	medium	198	*26,5%*	-	1.684	*4,4%*	medium
building	672	*3,6%*	medium	143	*3,6%*	medium	189	*2,4%*	medium	426	*6,4%*	medium	13	*1,7%*	-	1.442	*3,8%*	medium
automotive	364	*1,9%*	medium	271	*6,9%*	medium	99	*1,3%*	high	236	*3,5%*	medium	12	*1,6%*	-	981	*2,6%*	medium
energy (oil, gas & other fuels / electricity)	485	*2,6%*	low	177	*4,5%*	low	119	*1,5%*	medium	180	*2,7%*	medium	45	*6,0%*	-	1.006	*2,6%*	low
aviation	76	*0,4%*	high	0	*0,0%*	high	5	*0,1%*	medium	2	*0,0%*	medium	0	*0,0%*	-	83	*0,2%*	high
IT & telecom	42	*0,2%*	low	24	*0,6%*	high	28	*0,4%*	high	82	*1,2%*	medium	2	*0,2%*	-	177	*0,5%*	medium
LBO-exposure																		
LBO	47	*0,2%*		0	*0,0%*		20	*0,1%*		63	*0,3%*		0	*0,0%*		129	*0,3%*	
Probability of default (PD)		_% outst._			_% outst._			_% outst._			_% outst._			_% outst._			_% outst._	
low risk (pd 1-4; 0.00%-0.80%)	12.506	*66,2%*		2.615	*66,8%*		4.484	*57,2%*		3.395	*51,0%*		8	*1,1%*		23.007	*60,4%*	
medium risk (pd 5-7; 0.80%-6.40%)	4.270	*22,6%*		786	*20,1%*		1.836	*23,4%*		1.693	*25,4%*		216	*28,9%*		8.801	*23,1%*	
high risk (pd 8-10; 6.40%-100.00%)	1.477	*7,8%*		192	*4,9%*		645	*8,2%*		855	*12,8%*		192	*25,7%*		3.362	*8,8%*	
non-performing loans (pd 11 - 12)	649	*3,4%*		200	*5,1%*		540	*6,9%*		542	*8,1%*		205	*27,4%*		2.136	*5,6%*	
unrated	0	*0,0%*		120	*3,1%*		334	*4,3%*		175	*2,6%*		127	*16,9%*		755	*2,0%*	
Other risk measures		_% outst._			_% outst._			_% outst._			_% outst._			_% outst._			_% outst._	
outstanding non-performing loans (NPL)	649	*3,4%*		200	*5,1%*		540	*6,9%*		542	*8,1%*		205	*27,4%*		2.136	*5,6%*	
provisions for NPL	295			118			406			269			35			1.123		
all provisions (P + NP + portfolio based)	530			211			470			386			38			1.639		
cover NPL by all provisions (specific + portfolio) (**)	82%			106%			87%			71%			18%			77%		
2009 Credit cost ratio (CCR)	1,12%			1,56%			2,59%			2,01%			2,22%			1,70%		
YTD 2010 CCR (local currency)	0,82%			1,06%			1,50%			2,28%			1,97%			1,32%		
Stress tests		_% outst._			_% outst._			_% outst._			_% outst._			_% outst._			_% outst._	
- if default of the local top 10 corporate names	282	*1,5%*		153	*3,9%*		303	*3,9%*		365	*5,5%*		-	-		1.103	*2,9%*	
- on FX mortgages in -30% stress scenario (***)	-	-		-	-		18	*0,2%*		113	*1,7%*		1	*0,1%*		131	*0,3%*	
- on FX mortgages in -30%/-30% stress scenario (****)	-	-		-	-		29	*0,4%*		239	*3,6%*		2	*0,2%*		270	*0,7%*	

Legend

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

avg. PD Average Probability of Default

Remarks

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

(**) For Bulgaria: NPL cover based on IFRS-provisions; NPL Cover based on provisions conform local regulations - including both IFRS- and non-IFRS, capital deducted provisions - amounts to 64%

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

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

30-09-2010, in millions of EUR	Belgium			Western Europe			o/w Ireland			USA			Southeast Asia			Global			Credit Investments			Total Merchant Banking		
Total outstanding amount	17.858			23.719			17.383			5.061			1.251			3.016			5.179			56.083		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	17.858	100,0%		10.574	44,6%		4.238	24,4%		5.061	100,0%		1.251	100,0%		3.016	100,0%		5.179	100,0%		42.938	76,6%	
retail	0	0,0%		13.145	55,4%		13.145	75,6%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		13.145	23,4%	
o/w private	0	0,0%		13.145	55,4%		13.145	75,6%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		13.145	23,4%	
o/w companies	0	0,0%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		0	0,0%		0	0,0%	
Mortgage loans (*)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	0	0,0%	-	13.145	55,4%	95%	13.145	75,6%	95%	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	13.145	23,4%	
o/w FX mortgages	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	
o/w vintage 2007 and 2008	0	0,0%	-	4.788	20,2%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	4.788	8,5%	
o/w LTV > 100%	0	0,0%	-	6.516	27,5%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	0	0,0%	-	6.516	11,6%	
Top 5 Merchant Banking corporate sectors		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD
finance & insurance	1.526	8,5%	-	1.771	7,5%	-	92	0,5%	-	498	9,8%	-	82	6,6%	-	579	19,2%	-	5.118	98,8%	-	9.574	17,1%	low
real estate	1.691	9,5%	-	3.235	13,6%	-	2.146	12,3%	-	592	11,7%	-	47	3,7%	-	800	26,5%	-	12	0,2%	-	6.377	11,4%	medium
services	2.233	12,5%	-	1.293	5,4%	-	483	2,8%	-	713	14,1%	-	18	1,5%	-	30	1,0%	-	15	0,3%	-	4.302	7,7%	medium
distribution	1.961	11,0%	-	813	3,4%	-	463	2,7%	-	44	0,9%	-	155	12,4%	-	33	1,1%	-	0	0,0%	-	3.006	5,4%	medium
building	1.365	7,6%	-	620	2,6%	-	232	1,3%	-	48	0,9%	-	50	4,0%	-	89	3,0%	-	9	0,2%	-	2.181	3,9%	low
Exposure to cyclical sectors																								
real estate	1.691	9,5%	-	3.235	13,6%	-	2.146	12,3%	-	592	11,7%	-	47	3,7%	-	800	26,5%	-	12	0,2%	-	6.377	11,4%	medium
building	1.365	7,6%	-	620	2,6%	-	232	1,3%	-	48	0,9%	-	50	4,0%	-	89	3,0%	-	9	0,2%	-	2.181	3,9%	low
automotive	649	3,6%	-	152	0,6%	-	11	0,1%	-	73	1,4%	-	28	2,3%	-	54	1,8%	-	0	0,0%	-	957	1,7%	medium
energy (oil, gas & other fuels / electricity)	828	4,6%	-	225	0,9%	-	108	0,6%	-	196	3,9%	-	117	9,4%	-	410	13,6%	-	0	0,0%	-	1.776	3,2%	low
aviation	122	0,7%	-	9	0,0%	-	0	0,0%	-	92	1,8%	-	18	1,4%	-	0	0,0%	-	7	0,1%	-	247	0,4%	low
IT & telecom	125	0,7%	-	82	0,3%	-	12	0,1%	-	8	0,2%	-	14	1,1%	-	93	3,1%	-	10	0,2%	-	331	0,6%	high
LBO-exposure																								
LBO	0	0,0%		502	2,8%		47	0,3%		27	0,2%		37	0,2%		352	2,0%		0	0,0%		919	1,6%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	10.587	59,3%		9.368	39,5%		6.774	39,0%		4.017	79,4%		688	55,0%		1.616			4.727	91,3%		31.003	55,3%	
medium risk (pd 5-7; 0.80%-6.40%)	4.683	26,2%		8.311	35,0%		6.411	36,9%		577	11,4%		458	36,7%		993			353	6,8%		15.376	27,4%	
high risk (pd 8-10; 6.40%-100.00%)	1.106	6,2%		4.005	16,9%		2.639	15,2%		336	6,6%		43	3,4%		336	11,1%		0	0,0%		5.825	10,4%	
non-performing loans (pd 11 - 12)	568	3,2%		1.863	7,9%		1.559	9,0%		125	2,5%		61	4,9%		66	2,2%		0	0,0%		2.682	4,8%	
unrated	913	5,1%		172	0,7%		0	0,0%		7	0,1%		0	0,0%		5			99	1,9%		1.197	2,1%	
Other risk measures		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.			% outst.	
outstanding non-performing loans (NPL)	568	3,2%		1.863	7,9%		1.559	9,0%		125	2,5%		61	4,9%		66	2,2%		0	0,0%		2.682	4,8%	
provisions for NPL	415			445			284			71			45			60			0			1.036		
all provisions (P + NP + portfolio based)	609			960			452			84			66			67			33			1.886		
cover NPL by all provisions (specific + portfolio)	107%			52%			29%			67%			109%			101%			-			70%		
2009 Credit cost ratio (CCR)	n.a.			n.a.			0,96%			n.a.			n.a.			n.a.			n.a.			1,19%		
YTD 2010 CCR	n.a.			n.a.			1,68%			n.a.			n.a.			n.a.			n.a.			1,01%		

Legend

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

avg. PD Average Probability of Default

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 Investments, 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)

30-09-2010, in millions of EUR	Belgium			CEER			o/w Russia			Western Europe			Global			Total Group Centre (excl. EPB)		
Total outstanding amount	8.421			2.430			2.201			2.330			2.375			15.555		
Counterparty break down		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.	
SME / corporate	1.067	12,7%		1.295	53,3%		1.147	52,1%		2.330	100,0%		2.375	100,0%		7.066	45,4%	
retail	7.354	87,3%		1.135	46,7%		1.054	47,9%		0	0,0%		0	0,0%		8.489	54,6%	
o/w private	6.295	74,8%		1.071	44,1%		990	45,0%		0	0,0%		0	0,0%		7.366	47,4%	
o/w companies	1.059	12,6%		64	2,6%		64	2,9%		0	0,0%		0	0,0%		1.123	7,2%	
Mortgage loans (*)		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	ind. LTV		% outst.	
total	6.018	71,5%	52%	819	33,7%	-	754	34,3%	55%	0	0,0%	-	0	0,0%	-	6.837	44,0%	
o/w FX mortgages	0	0,0%	-	332	13,7%	-	268	12,2%	53%	0	0,0%	-	0	0,0%	-	332	2,1%	
o/w vintage 2007 and 2008	1.329	15,8%	-	643	26,5%	-	600	27,3%	-	0	0,0%	-	0	0,0%	-	1.972	12,7%	
o/w LTV > 100%	144	1,7%	-	35	1,4%	-	28	1,3%	-	0	0,0%	-	0	0,0%	-	179	1,2%	
Top 5 Group Centre corporate sectors		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD		% outst.	avg. PD
distribution	1.002	11,9%	-	524	21,6%	-	481	21,9%	-	229	9,8%	-	0	0,0%	-	1.755	11,3%	medium
electricity	0	0,0%	-	4	0,2%	-	4	0,2%	-	56	2,4%	-	1.029	43,3%	-	1.089	7,0%	medium
real estate	74	0,9%	-	364	15,0%	-	356	16,2%	-	302	13,0%	-	20	0,8%	-	760	4,9%	medium
building	127	1,5%	-	61	2,5%	-	52	2,4%	-	175	7,5%	-	365	15,4%	-	728	4,7%	medium
services	315	3,7%	-	44	1,8%	-	34	1,6%	-	177	7,6%	-	55	2,3%	-	591	3,8%	medium
Exposure to cyclical sectors																		
real estate	74	0,9%	-	364	15,0%	-	356	16,2%	-	302	13,0%	-	20	0,8%	-	760	4,9%	medium
building	127	1,5%	-	61	2,5%	-	52	2,4%	-	175	7,5%	-	365	15,4%	-	728	4,7%	medium
automotive	34	0,4%	-	76	3,1%	-	75	3,4%	-	234	10,1%	-	37	1,6%	-	382	2,5%	medium
energy (oil, gas & other fuels / electricity)	0	0,0%	-	15	0,6%	-	15	0,7%	-	85	3,6%	-	1.274	53,6%	-	1.374	8,8%	medium
aviation	0	0,0%	-	26	1,1%	-	26	1,2%	-	0	0,0%	-	185	7,8%	-	212	1,4%	medium
IT & telecom	6	0,1%	-	14	0,6%	-	8	0,4%	-	6	0,2%	-	210	8,9%	-	235	1,5%	medium
LBO-exposure																		
LBO	0	0,0%		0	0,0%		0	0,0%		291	3,5%		126	1,5%		417	2,7%	
Probability of default (PD)		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.	
low risk (pd 1-4; 0.00%-0.80%)	5.720	67,9%		903	37,2%		803	36,5%		1.064	45,7%		708			8.395	54,0%	
medium risk (pd 5-7; 0.80%-6.40%)	1.733	20,6%		768	31,6%		678	30,8%		972	41,7%		1.578			5.052	32,5%	
high risk (pd 8-10; 6.40%-100.00%)	562	6,7%		332	13,7%		313	14,2%		234	10,0%		83	3,5%		1.211	7,8%	
non-performing loans (pd 11 - 12)	381	4,5%		423	17,4%		404	18,3%		59	2,5%		5	0,2%		867	5,6%	
unrated	25	0,3%		4	0,2%		4	0,2%		1	0,0%		0			29	0,2%	
Other risk measures		% outst.			% outst.			% outst.			% outst.			% outst.			% outst.	
outstanding non-performing loans (NPL)	381	4,5%		423	17,4%		404	18,3%		59	2,5%		5	0,2%		867	5,5%	
provisions for NPL	178			231			222			44			3			456		
all provisions (P + NP + portfolio based)	201			298			288			78			21			507		
cover NPL by all provisions (specific + portfolio)	53%			71%			71%			132%			428%			58%		
2009 Credit cost ratio (CCR)	n.a.			n.a.			6,15%			1,65%			0,02%			2,52%		
YTD 2010 CCR (local currency)	n.a.			n.a.			1,65%			1,24%			0,12%			1,15%		

Legend

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

avg. PD Average Probability of Default

Remarks

Belgium = Centea, Antwerpse Diamantbank (incl. ADB Asia Pacific)

CEER = KBC Banka, Absolut Bk

Western Europe = KBC Bank Deutschland

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), 30-09-2010 In billions of EUR, pre-tax	Hedged CDO-linked exposure (insured by credit insurers)	Unhedged CDO exposure	Other ABS
Total nominal amount	14.8	9.9	4.7
Initial write-downs on equity and junior CDO pieces	-	-0.8	-
Cumulative value adjustments (excl. above-mentioned initial write-downs)	-1.3	-4,4	-0.8

Since the beginning of 2010, the unhedged CDO positions held by KBC experienced *effective* losses caused by *settled credit events* until October 7th in the lower tranches of the CDO structure for a total amount of 1.3 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 0.4 billion EUR (of which 0.3 billion is attributable to the hedged portfolio and 0.1 billion to unhedged portfolio).

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), 30-09-2010 In billions of EUR	
Total insured amount (notional amount of super senior swaps)	
- MBIA	14,4
- Channel	0,4
Impact of settled credit events *	-0.3
Details for MBIA insurance coverage	
- Total insured amount (notional amount of the super senior swap)	14.4
- Fair value of insurance coverage received (modelled replacement value, after taking the Guarantee Agreement[1] into account)	1.8
- Credit value adjustment for counterparty risk, MBIA	-1.3
(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 October 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.

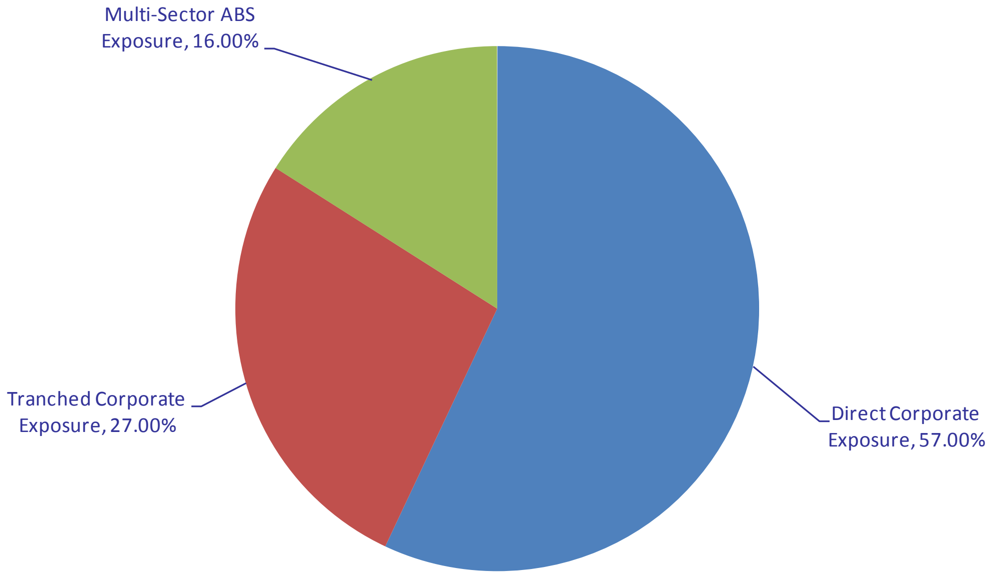
Until 2008, value adjustments to other ABS were largely accounted for via shareholders’ equity. At the end of 2008, KBC reduced the sensitivity of shareholders’ equity towards value adjustments to ABS by reclassifying most of the ABS portfolio as ‘loans and receivables’. Since then, they have been included 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, 30-09-2010 In billions of EUR	Unhedged CDO exposure	Other ABS
Total nominal amount	9,9	4.7
Initial write-downs on equity and junior CDO pieces	-0,8	-
Impact of settled credit events *	-1.0	-
Total nominal amount, net of provisions for equity and junior pieces and net of impact settled credit events	8.1	4.7
- super senior tranches (included under Guarantee Agreement with Belgian State)	5.4	-
- non-super senior tranches	2.7	-
Cumulative market value adjustments	-4,4	-0.8

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

Details of the underlying assets of hedged and unhedged CDO exposure

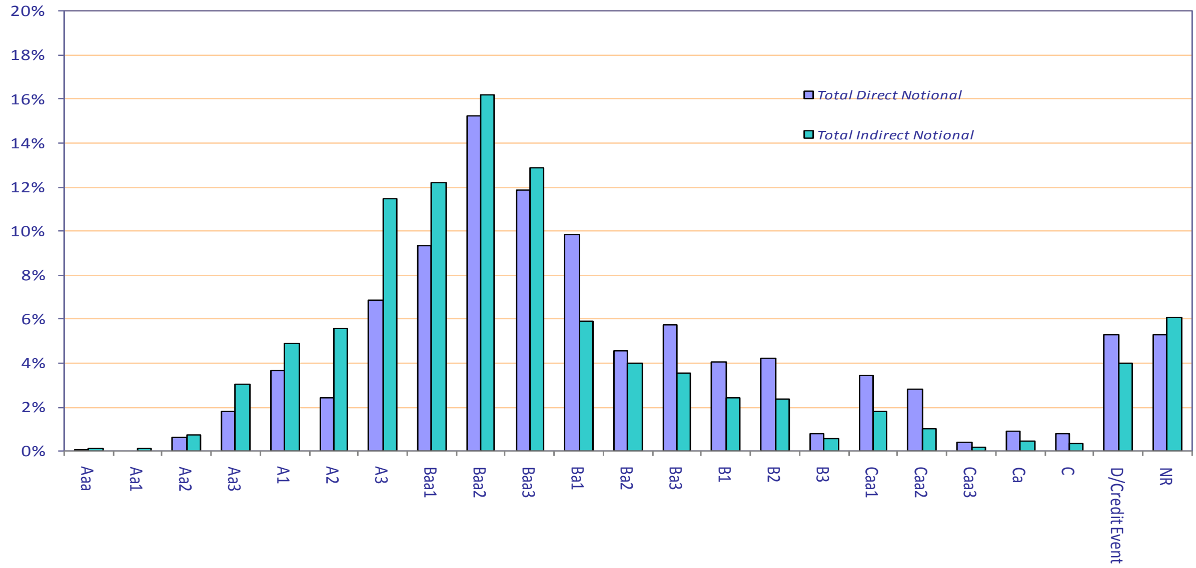
Active Deal Summary
(Average % as of all total deal notional; figures as of 7 October 2010)



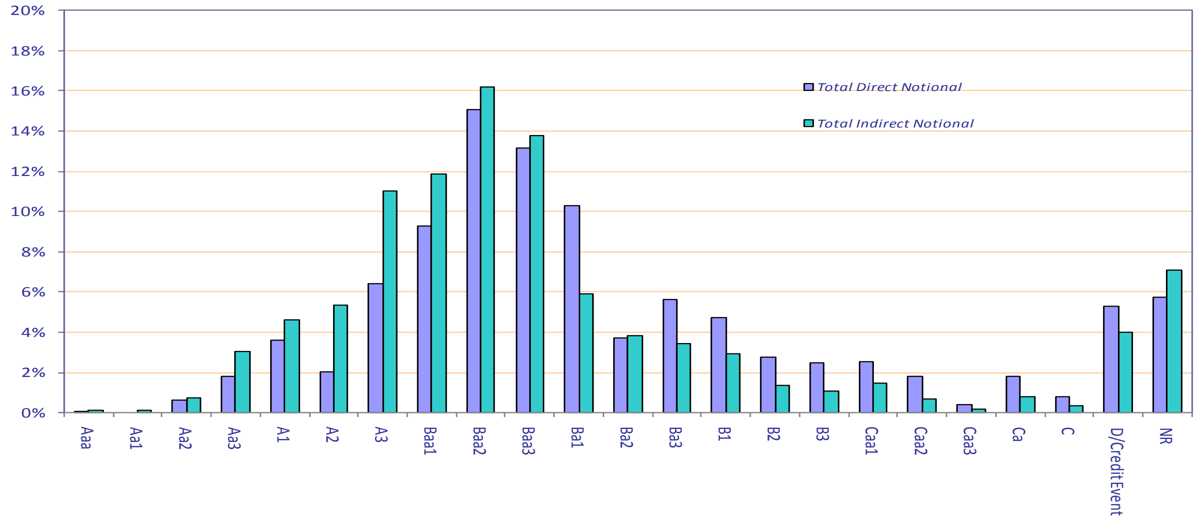
Breakdown towards tranched and direct corporate portion

Corporate Ratings Distribution
(Figures as of 7 July 2010 and 7 October 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)

July 2010

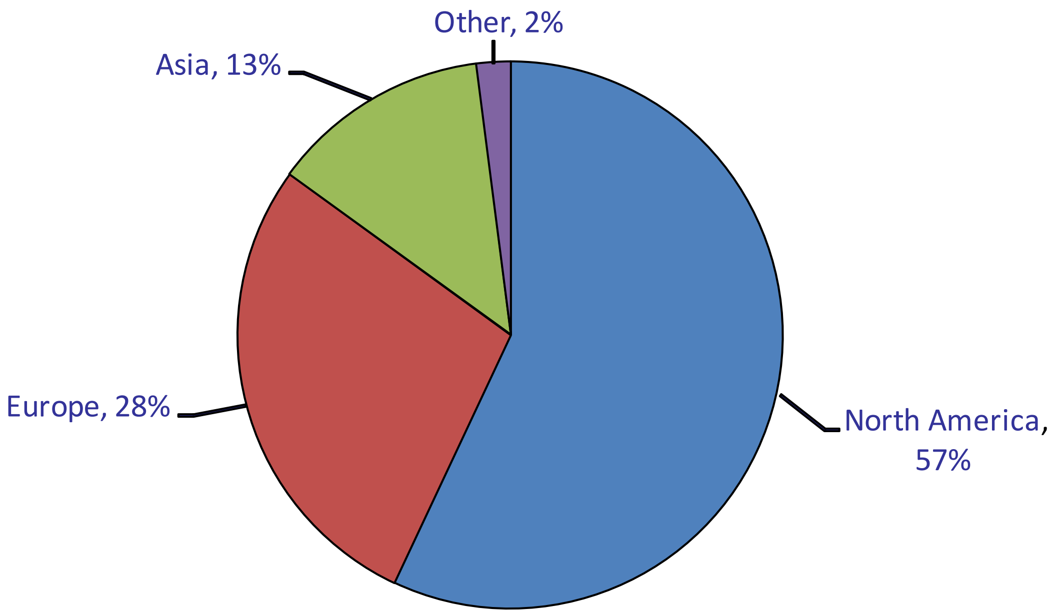


October 2010

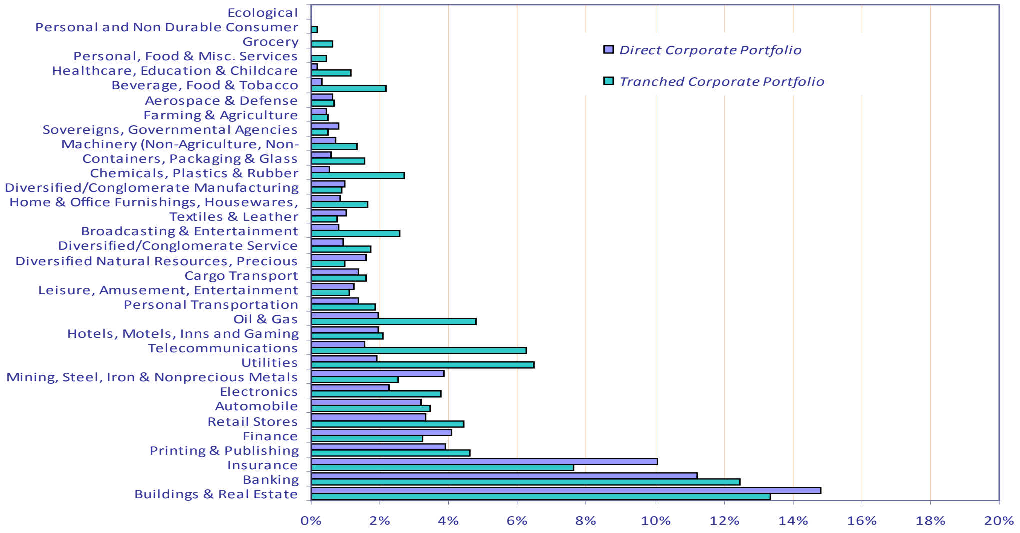


Corporate Geographical Distribution
Total Corporate Portfolio (Direct and Tranches),

October 2010

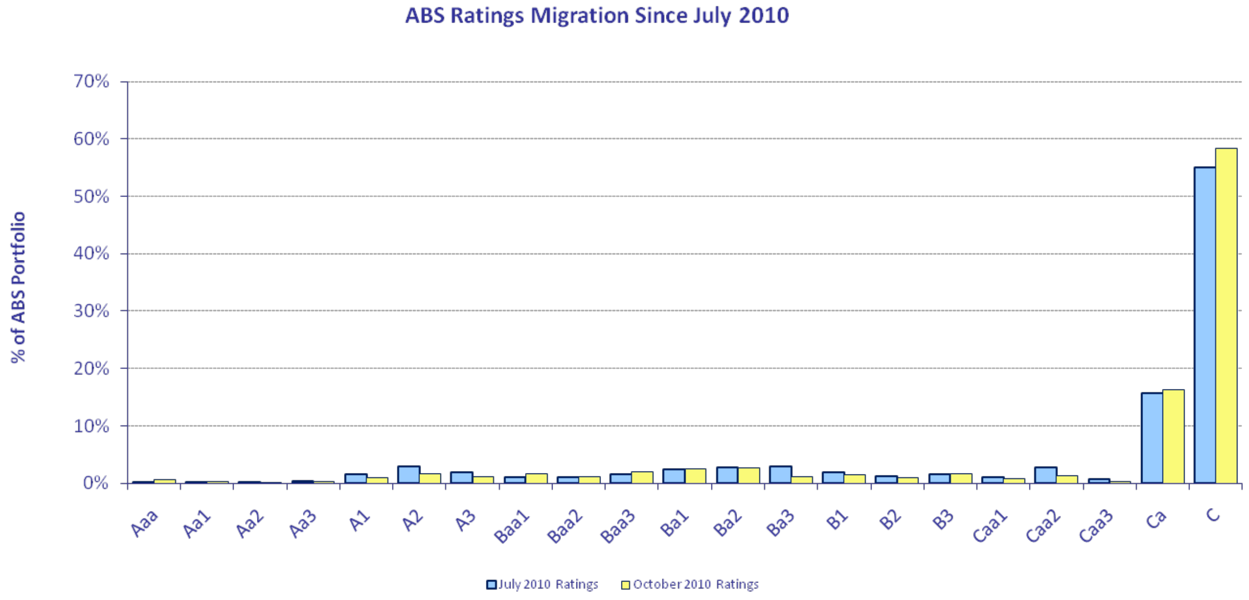


Corporate Industry Distribution
(Direct Corporate exposure shown as a % of Total Direct Portfolio, which includes Direct ABS exposure), October 2010

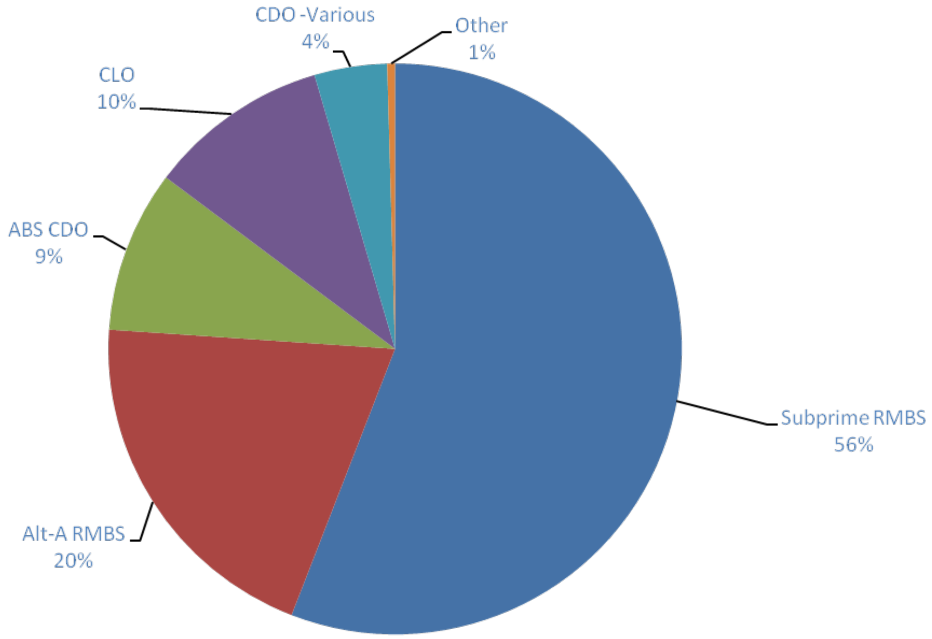


Breakdown towards multi-sector ABS portion

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

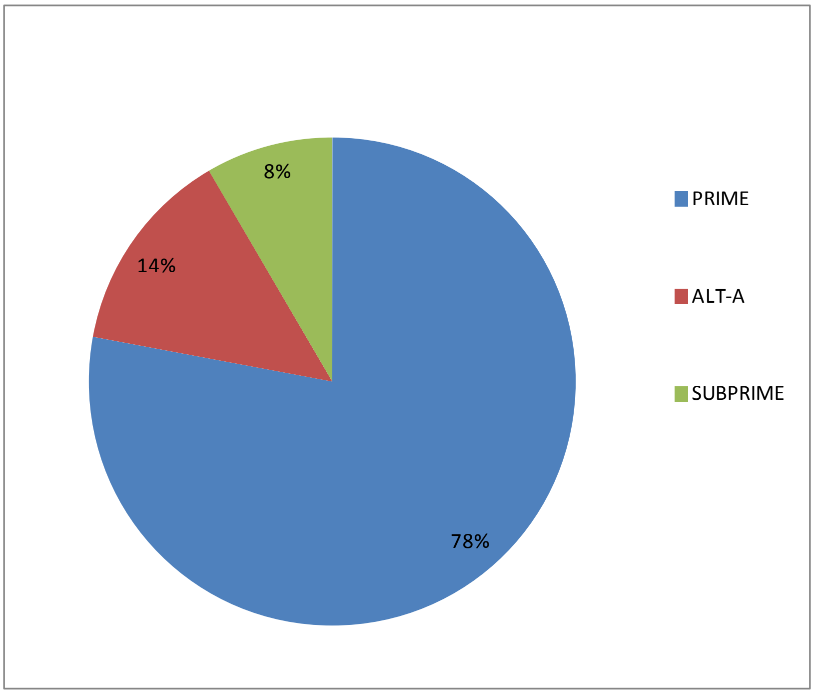


Sector Distribution, 7 October 2010

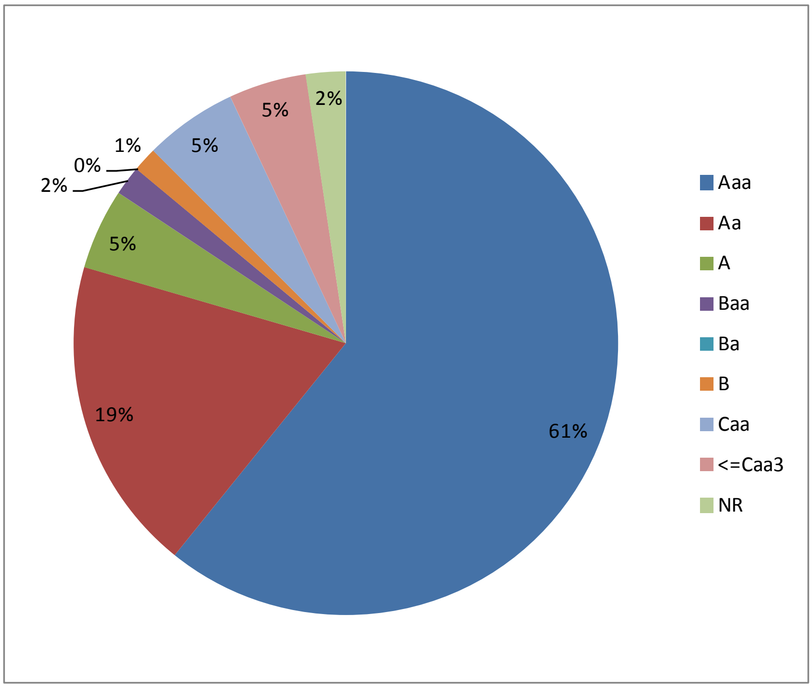


Details of the underlying assets of other ABS exposure

Sector Distribution, 30 september 2010



Ratings Distribution, 30 september 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	71
Average 4Q	67	-
End of period	62	71
Maximum in period	98	72
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	30-09- 2010
Bonds and other fixed-income securities	20 594	22 140
Shares and other variable-yield securities	1 463	1 469
Other securities	33	39
Loans and advances to customers	203	268
Loans and advances to banks	2 789	2 503
Property and equipment and investment property	432	440
Assets backing unit-linked contracts	7 957	7 116
Other	126	22
Total	33 598	33 999

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	6	8
Average 4Q	6	10	-	-
End of period	5	11	4	8
Maximum in period	13	21	13	13
Minimum in period	5	6	4	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	30-09-2010
Total regulatory capital, after profit appropriation	20 414	21 383
Tier-1 capital	15 426	16 173
Parent shareholders' equity	9 662	11 245
Non-voting core-capital securities	7 000	7 000
Intangible fixed assets (-)	-398	-423
Goodwill on consolidation (-)	-2 918	-2 541
Innovative hybrid tier-1 instruments	554	588
Non-innovative hybrid tier-1 instruments	1 642	1 689
Minority interests	159	172
Equity guarantee (Belgian State)	601	529
Revaluation reserve, available-for-sale assets (-)	-457	-1 174
Hedging reserve, cashflow hedges (-)	374	726
Valuation differences in financial liabilities atfair value – own credit risk (-)	-151	-148
Minority interests in available-for-sale reserve and hedging reserve, cashflow hedges (-)	-1	-7
Equalisation reserves (-)	-131	-138
Dividend payout (-)	0	-701
IRB provision shortfall (50%) (-)	-77	0
Limitation of deferred tax assets (-)	0	-212
Items to be deducted (-)	-433	-431
Tier-2 and tier-3 capital	4 988	5 210
Perpetuals (including hybrid tier-1 instruments not used in tier-1 capital)	321	30
Revaluation reserve, available-for-sale shares (at 90%)	348	353
Minority interests in revaluation reserve, available-for-sale shares (at 90%)	0	0
IRB provision shortfall (50%)(-)	-77	0
IRB provision excess (+)	0	57
Subordinated liabilities	4 685	5 016
Tier-3 capital	145	185
Items to be deducted (-)	-433	-431
Total weighted risks	143 359	133 119
Banking	128 303	117 271
Insurance	15 022	15 600
Holding-company activities	86	295
Elimination of intercompany transactions between banking and holding-company activities	-52	-47
Solvency ratios		
Tier-1 ratio	10.8%	12.1%
Core tier-1 ratio	9.2%	10.4%
CAD ratio	14.2%	16.1%

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	30-09-2010 Basel II
Regulatory capital		
Regulatory capital, banking (after profit appropriation)	18 938	19 040
Tier-1 capital	**14 144**	**13 709**
Parent shareholders' equity	13 165	14 318
Intangible fixed assets (-)	- 162	- 172
Goodwill on consolidation (-)	- 1 986	- 1 980
Innovative hybrid tier-1 instruments	507	524
Non-innovative hybrid tier-1 instruments	1 945	1 689
Minority interests	492	552
Equity guarantee (Belgian State)	462	413
Tier 2 instruments (-)	- 18	- 30
Revaluation reserve available-for-sale assets (-)	11	- 311
Hedging reserve, cashflow hedges (-)	374	732
Valuation diff. in fin. liabilities at fair value - own credit risk (--	- 151	- 148
Minority interest in AFS reserve & hedging reserve, cashflow hedges (-)	0	- 7
Dividend payout (-)	0	- 1 050
IRB provision shortfall (50%) (-)	- 77	0
Limitation deferred tax assets		- 407
Items to be deducted [1] (-)	- 419	- 414
Tier-2 & 3 capital	**4 794**	**5 331**
Mandatorily convertible bonds	0	0
Perpetuals (incl. hybrid tier-1 not used in tier-1)	313	344
Revaluation reserve, available-for-sale shares (at 90%)	149	143
Minority interest in revaluation reserve AFS shares (at 90%)	- 1	0
IRB provision excess (+)	0	57
Subordinated liabilities	4 685	5 016
Tier-3 capital	145	185
IRB provision shortfall (50%) (-)	- 77	0
Items to be deducted [1] (-)	- 419	- 414
Weighted risks		
Total weighted risk volume	128 303	117 271
Credit risk [2]	110 916	101 201
Market risk [2]	5 551	4 234
Operational risk	11 835	11 835
Solvency ratios		
Tier-1 ratio	11,0%	11,7%
Of which core tier-1 ratio	9,1%	9,8%
CAD ratio	14,8%	16,2%

[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	30-09-2010
Available capital	3 130	3 580
Parent shareholders' equity	3 331	4 031
Dividend payout (-)	0	- 301
Minority interests	74	85
Subordinated liabilities	0	0
Intangible fixed assets (-)	- 20	- 17
Goodwill on consolidation (-)	- 401	- 388
Revaluation reserve available-for-sale investments (-)	- 540	- 934
Equalization reserve (-)	- 131	- 138
Equity guarantee (Belgian State)	139	116
Defined Benefit Obligations		
Cash flow hedge		- 11
90% of positive revaluation reserve, available-for-sale shares	264	275
Latent gains on bonds	346	777
Latent gains on real estate	67	85
Limitation of latent gains on financial assets and real estate	0	0
Required solvency margin	1 202	1 248
Non-life and industrial accidents - legal lines	322	323
Annuities	8	9
Subtotal, non-life	330	332
Class 21	845	888
Class 23	16	15
Subtotal, life	861	903
Other	10	13
Solvency ratios and surplus		
Solvency ratio (%)	260%	287%
Solvency surplus, in millions of EUR	1 928	2 332

Quarterly time series

of balance sheet items

KBC Group, 3Q2010 and 9M2010

Financial assets and liabilities, by product

FINANCIAL ASSETS (in millions of EUR)

	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010	30-09-2010
Loans and advances to credit institutions and investment firms 1	29 367	27 663	23 954	21 204	24 980	22 335	19 346
Loans and advances to customers 2	154 409	158 949	156 974	153 230	153 640	157 024	149 982
Discount and acceptance credit	101	170	83	125	82	210	102
Consumer credit	4 699	5 112	5 059	4 947	4 949	4 433	4 389
Mortgage loans	56 092	57 265	58 257	59 180	58 795	60 056	60 879
Term loans	74 982	76 458	77 307	71 652	74 482	77 924	70 658
Finance leasing	6 251	6 186	5 854	5 569	5 278	5 225	5 209
Current account advances	5 952	6 343	5 346	5 123	5 726	5 144	4 752
Securitised loans	0	0	0	0	0	0	0
Other	6 333	7 414	5 068	6 635	4 328	4 034	3 993
Equity instruments	7 084	6 156	5 761	5 414	5 208	4 307	3 905
Investment contracts (insurance)	6 581	6 861	7 377	7 957	8 392	7 034	7 117
Debt instruments issued by	88 750	90 403	91 491	92 838	96 776	91 603	92 971
Public bodies	63 126	66 081	69 010	69 362	74 360	71 325	74 287
Credit institutions and investment firms	12 000	12 019	10 101	9 903	8 308	8 207	7 658
Corporates	13 625	12 302	12 380	13 572	14 109	12 071	11 026
Derivatives	36 910	27 610	24 904	21 160	25 986	21 879	19 271
Total carrying value excluding accrued intrest income	323 102	317 642	310 461	301 804	314 983	304 182	292 593
Accrued interest income	2 318	2 242	2 069	2 254	2 051	2 069	2 033
Total carrying value including accrued interest income	325 420	319 884	312 531	304 057	317 033	306 251	294 625
1 Of which reverse repos	*6 180*	*7 822*	*7 579*	*6 297*	*7 295*	*4 431*	*3 167*
2 Of which reverse repos	*2 775*	*6 147*	*9 084*	*6 295*	*8 697*	*13 311*	*7 570*

FINANCIAL LIABILITIES (in millions of EUR)

	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010	30-09-2010
Deposits from credit institutions and investment firms 3	46 311	55 611	48 024	45 444	39 757	40 596	26 888
Deposits from customers and debt certificates 4	205 110	194 141	194 748	193 464	203 367	205 108	198 825
Deposits from customers	153 099	152 265	147 817	145 319	153 912	156 897	147 215
Demand deposits	51 805	52 861	51 597	44 421	52 565	49 253	46 899
Time deposits	65 165	60 326	54 545	57 441	56 840	62 515	54 685
Savings deposits	31 588	34 326	36 759	38 645	39 445	40 106	40 351
Special deposits	3 401	3 603	3 679	3 677	3 804	3 822	3 956
Other deposits	1 140	1 149	1 237	1 135	1 258	1 202	1 324
Debt certificates	52 010	41 875	46 931	48 146	49 454	48 211	51 610
Certificates of deposit	19 051	10 001	13 531	15 788	17 501	17 747	21 096
Customer savings certificates	2 905	2 788	2 672	2 583	2 514	2 377	2 261
Convertible bonds	0	0	0	0	0	0	0
Non-convertible bonds	20 377	19 776	21 547	20 363	19 577	18 675	18 798
Convertible subordinated liabilities	0	0	0	0	0	0	0
Non-convertible subordinated liabilities	9 678	9 310	9 181	9 411	9 862	9 412	9 455
Liabilities under investment contracts	6 877	6 987	7 319	7 939	7 908	6 496	6 488
Derivatives	43 233	34 406	31 620	27 185	34 570	30 260	27 911
Short positions	1 876	1 651	1 866	2 147	1 758	830	633
in equity instruments	388	449	467	486	398	35	22
in debt instruments	1 488	1 201	1 399	1 661	1 360	795	611
Other	4 375	6 466	3 506	1 931	3 665	3 852	3 244
Total carrying value excluding accrued interest expense	307 782	299 262	287 082	278 111	291 025	287 142	263 988
Accrued interest expense	1 740	1 621	1 980	1 339	1 354	1 392	1 455
Total carrying value including accrued interest expense	309 522	300 883	289 062	279 450	292 379	288 535	265 443
3 Of which repos	*9 966*	*12 298*	*11 133*	*11 513*	*9 998*	*12 612*	*7 224*
4 Of which repos	*11 891*	*12 560*	*15 161*	*13 199*	*16 615*	*22 097*	*15 606*
Of which own credit risk	*- 333*	*- 465*	*- 247*	*- 204*	*- 202*	*- 249*	*- 202*

Selected balance sheet items, per business unit

Customer loans and advances (excluding reverse repos)

In millions of EUR	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010	30-09-2010
Total	151 978	152 801	147 890	146 935	144 943	143 713	142 413
Breakdown per business unit							
Belgium	48 972	49 505	48 932	49 593	50 318	51 186	51 554
Central and Eastern Europe	30 668	31 536	31 829	30 671	31 110	30 733	31 714
Merchant Banking	53 449	53 386	49 107	49 100	46 400	45 854	44 284
Group Centre	18 889	18 375	18 023	17 571	17 115	15 941	14 861

Mortgage loans

In millions of EUR	31-03-2009	30-06-2009	30-09-2009	31-12-2009	31-03-2010	30-06-2010	30-09-2010
Total	56 092	57 265	58 257	59 180	58 795	60 056	60 879
Breakdown per business unit							
Belgium	23 246	23 775	24 353	25 029	25 434	25 987	26 466
Central and Eastern Europe	10 995	11 614	12 088	12 075	12 577	13 625	14 157
Merchant Banking	13 696	13 594	13 432	13 383	13 217	13 162	13 025
Group Centre	8 155	8 282	8 383	8 693	7 567	7 282	7 231

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	30-09-2010
Total	193 559	181 652	179 587	180 265	186 751	183 011	183 219
Breakdown per business unit							
Belgium	66 349	66 186	67 333	64 507	65 607	67 393	67 404
Central and Eastern Europe	36 593	39 183	39 241	38 949	40 111	40 022	40 567
Merchant Banking	61 590	51 936	48 744	53 496	58 480	60 955	60 959
Group Centre	29 026	24 346	24 269	23 313	22 554	14 642	14 289

Technical provisions life insurance

Technical provisions, Life Insurance (In millions of EUR)	30-06-2009		30-09-2009		31-12-2009		31-03-2010		30-06-2010		30-09-2010	
	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	16 636	6 861	17 086	7 313	17 517	7 958	18 069	8 392	17.957	7.034	18.327	7.117
Breakdown per business unit												
Belgium	13 054	5 548	13 447	5 837	13 813	6 021	14 330	6 271	14.655	6.073	14.959	6.076
Central and Eastern Europe	1 085	609	1 079	698	1 071	747	1 045	816	1.045	858	1.063	939
Group Centre	2 497	703	2 559	778	2 633	1 189	2 695	1 305	2.257	102	2.305	103

Assets under management, per business unit and product

Assets under advice or management (AUM) at KBC group, in millions of EUR	31/dec/09	31/mrt/10	30/jun/10	30/sep/10
By business unit				
Belgium	145 719	149 833	149 299	152 225
Central & Eastern Europe and Russia	12 419	13 378	12 582	13 220
KBC FP (included in BU Group Centre)	20	21	23	23
KBL (included in BU Group Centre)	47 079	47 442	46 990	47 010
Total	205 237	210 674	208 895	212 478
By product or service				
Investment funds for private individuals	93 620	96 358	94 973	96 252
Assets managed for private individuals	45 162	46 597	45 861	46 642
Assets managed for institutional investors	44 111	44 137	44 025	44 096
Group assets (managed by KBC Asset Management)	22 345	23 582	24 036	25 488
Total	205 237	210 674	208 895	212 478

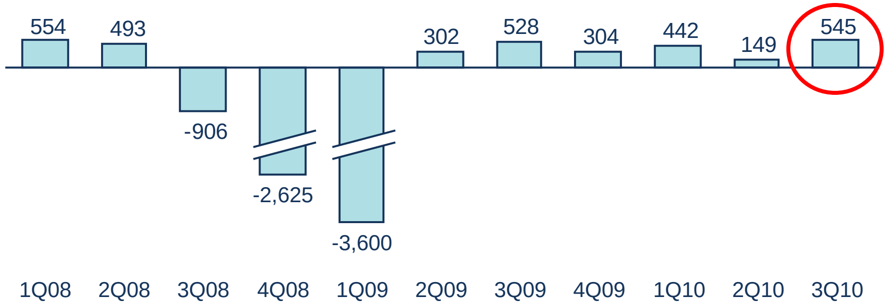
Presentation

KBC Group, 3Q2010

3Q 2010
Financial highlights

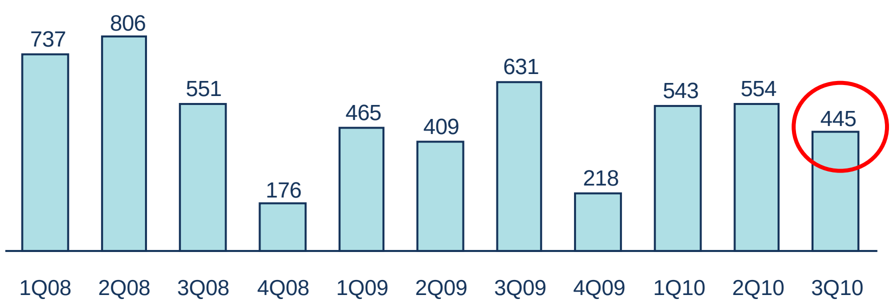
Solid core earnings power

Reported net profit

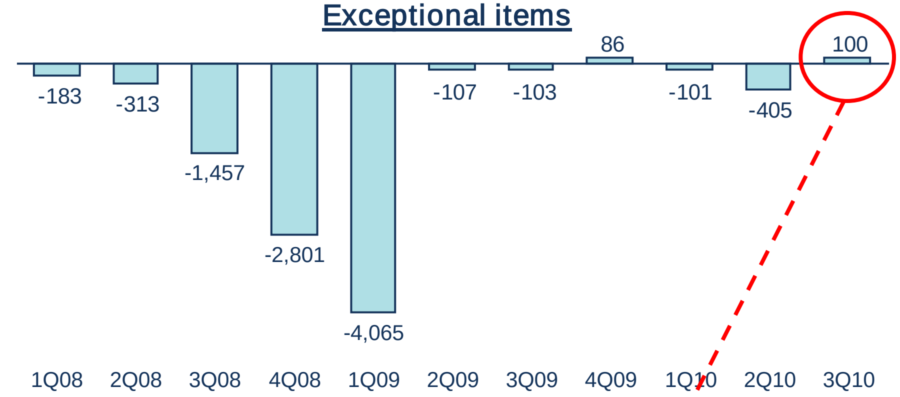


Excluding exceptional items

Underlying net profit



Exceptional items



Main exceptional items (post-tax)

• Structured credit portfolio revaluation	+0.2bn
• Other	- 0.1bn
	+0.1bn

Amounts in m. EUR

Financial highlights 3Q 2010

- Stable net interest income (at continued high level), with continued loan volume growth in Belgium, driven by mortgages
- Lower fee and commission income, following a difficult summer season (seasonal effect and very low risk appetite)
- Slightly better combined ratio in non-life insurance
- Good dealing room income
- Operational expenses under control, but impacted by booking of Hungarian bank tax for the full year and costs related to the Belgian Deposit Guarantee Scheme
- Increase in loan loss impairment, particularly in CEE and Merchant Banking
- Further reduction of the exposure to Greek government bonds, related to the containment of sovereign risks
- Including the impact of the divestments already announced, regulatory capital accumulated in excess of the 10% tier-1 solvency target amounted to roughly 4.3bn EUR at the end of 3Q10. Excluding all CDO effects since the end of 3Q09, available surplus capital at the end of 3Q10 amounted to roughly 3.8bn EUR (incl. the effect of divestments already announced)

Looking forward

Jan Vanhevel, Group CEO:

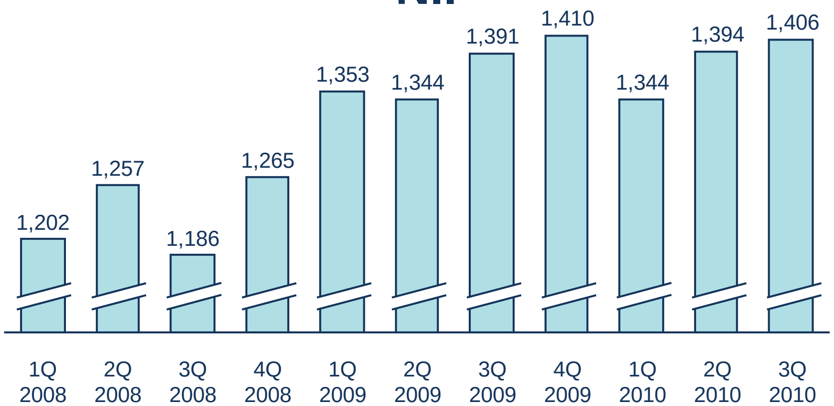
- 'We continued to make good progress regarding the execution of our strategic plan:
  - During 3Q10, we announced the divestments of among other things the global convertible bond and Asian equity derivatives business of KBC FP, Secura and KBC Peel Hunt.
  - The gradual run-down of the credit portfolio outside the home markets is progressing well too: at the end of 3Q10, roughly two-thirds of the intended organic run-down was executed.
  - Preparations to float a minority stake in our Czech banking subsidiary are on track; we are on stand-by to launch the IPO programme when we observe optimal conditions for a successful transaction.
  - Our Belgian complementary sales channels (Centea and Fidea) are currently in the sales process, as according to plan.
  - Additional limited losses linked to the 'legacy' structured derivatives positions within KBC FP cannot be excluded for the next few quarters 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.'
- 'In the absence of any unforeseen circumstances, we forecast that KBC Bank Ireland and K&H Group will remain profitable in FY2010.'
- 'KBC Group is able to meet the targeted common equity ratio under Basel III without having to issue capital. We estimate this ratio at roughly 8.0% at the end of 2013.'

Section 3

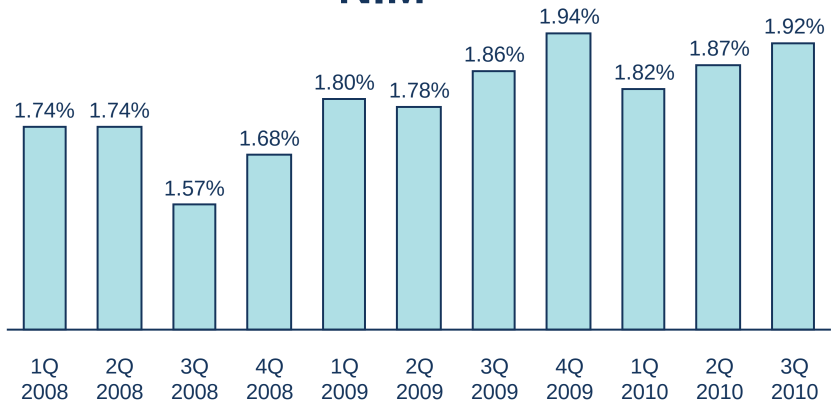
Underlying business performance

Revenue trend - Group

NII



NIM



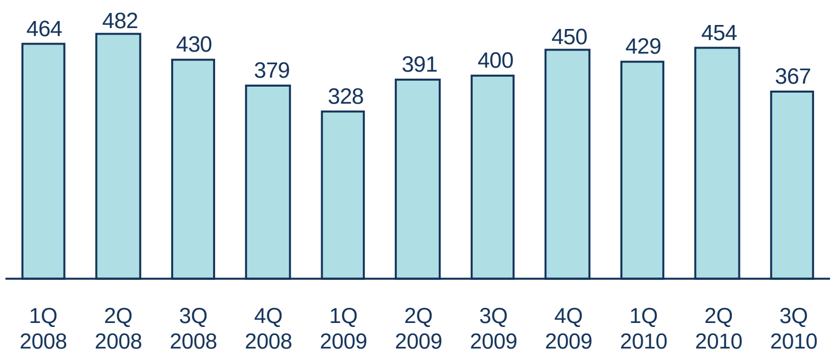
- Net interest income increased 1% both year-on-year and quarter-on-quarter, with continued loan volume growth in Belgium, driven by mortgages.
- Net interest margin at 1.92%
  - Some pressure on the NIM in Belgium, while the margin increased slightly in Central/Eastern Europe
- Loan volumes down year on year (-2%) due, among other things, to a reduction in the international loan book (Merchant Banking and Russia) in line with strategic focus

Amounts in m. EUR

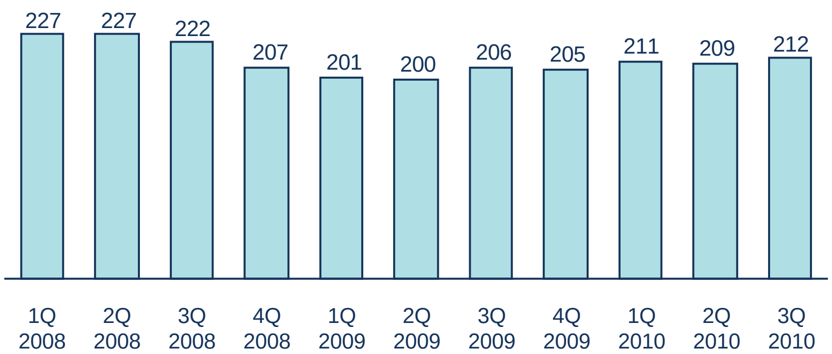
* Net Interest Margin: Net Interest Income divided by Total Interest Bearing Assets excl. reverse repos

Revenue trend - Group

F&C



AUM



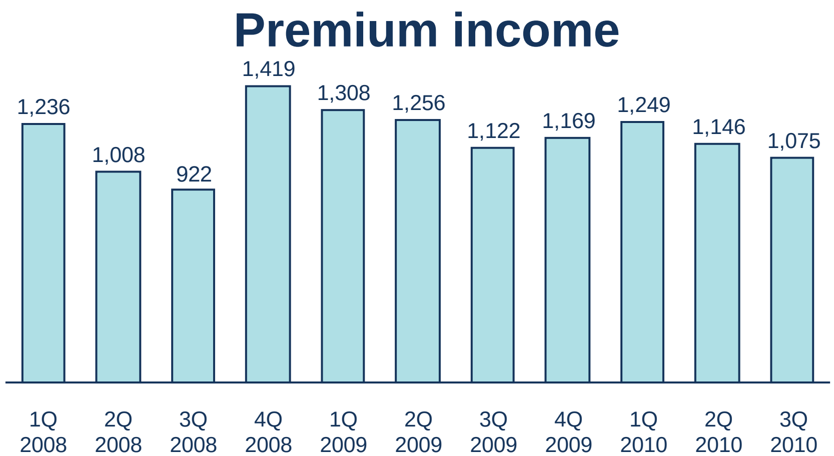
Amounts in bn. EUR

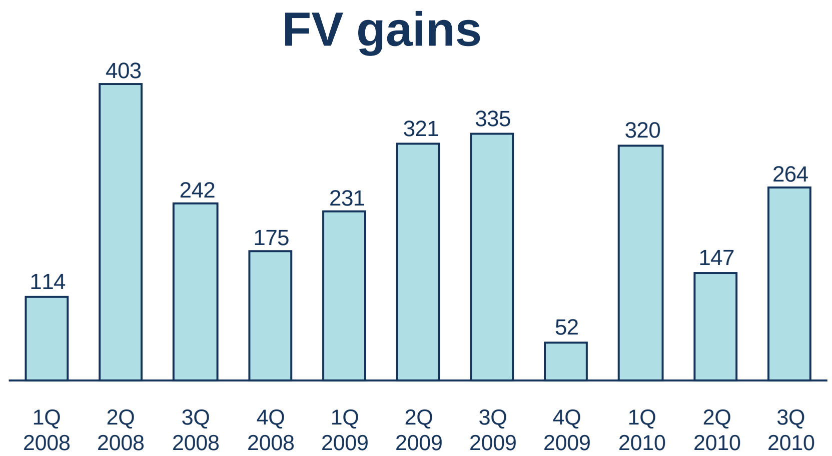
- Net fee and commission income fell year-on-year (-8%) and quarter-on-quarter (-19%)
  - Besides the seasonal effect (summertime), net fee and commission income was impacted by very low risk appetite. This has led to lower front-end loads and management fees.

- Assets under management rose by 2% year-on-year and quarter-on-quarter to 212bn EUR at the end of 3Q10 (despite lower average outstanding AuM during 3Q10)

Amounts in m. EUR

Revenue trend - Group



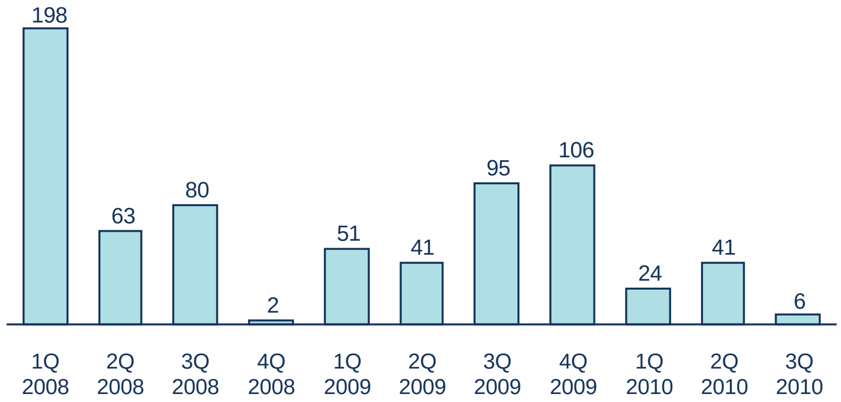


- Insurance premium income at 1,075m EUR
  - Non-life premium income (495m), up 3% q-o-q and flat y-o-y
  - Life premium income (580m), down 13% q-o-q mainly due to a decrease in the guaranteed interest rate in June 2010 in Belgium and very low risk appetite
- Combined ratio at 103%, down on the 104% recorded in 2Q10 thanks to lower flood-related claims in CEE
- Net gains from financial instruments at fair value (264m EUR) is the result of good dealing room activity

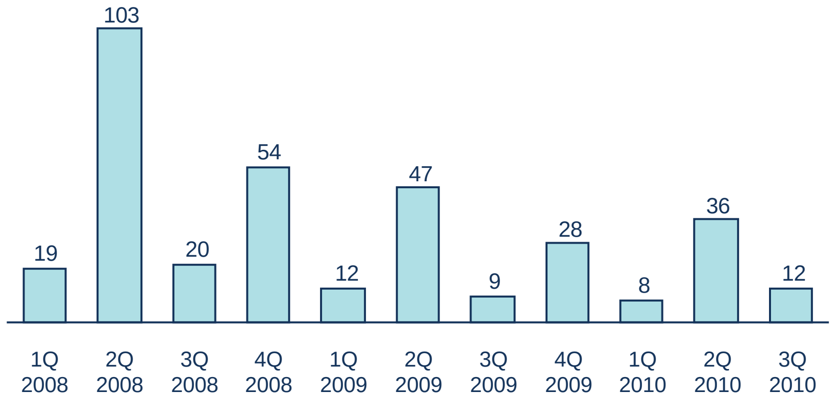
Amounts in m. EUR

Revenue trend - Group

Gains realised on AFS



Dividend income

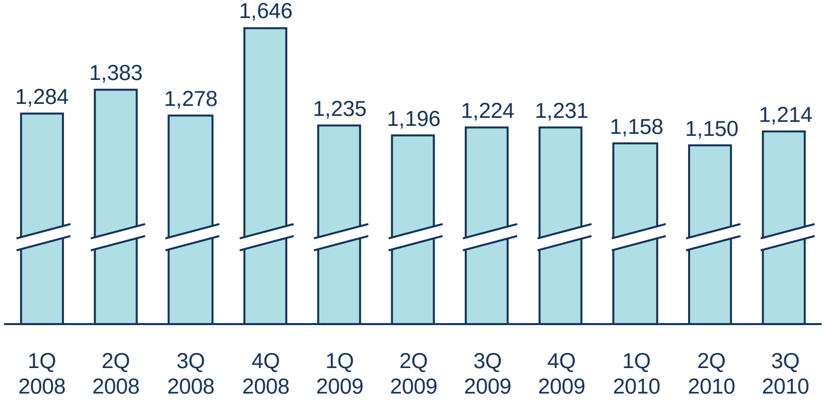


- Gains realised on AFS came to 6m EUR
- Dividend income amounted to 12m EUR, obviously lower quarter-on-quarter given that the second quarter is dividend season

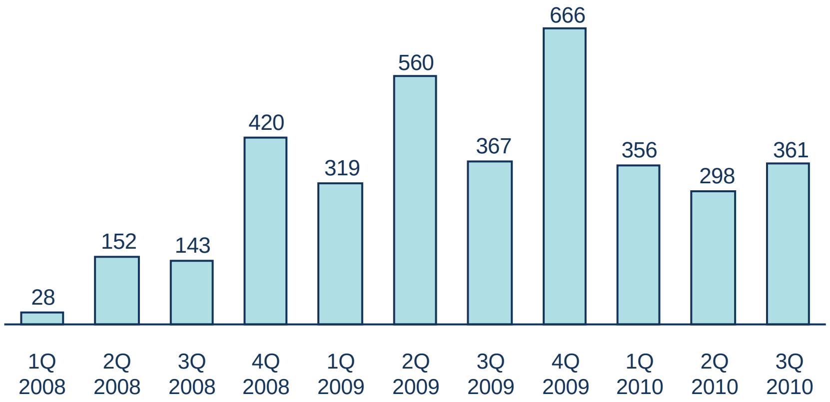
Amounts in m. EUR

Opex and asset impairment - Group

Operating expenses



Asset impairment



- Continued tight cost control
  - Operating expenses fell by 1% y-o-y to 1,214m EUR, still benefiting from cost containment measures initiated in 2008.
  - Operating expenses rose by 6% q-o-q, due entirely to the booking of the Hungarian bank tax for the full year and costs related to Belgian Deposit Guarantee Scheme.
  - Underlying cost/income ratio for banking stood at 53% YTD (compared to 55% for full year 2009).
  - We still believe that costs will start to increase going forward.

- Impairments in line with 3Q09 and 1Q10 (361m EUR)
  - As expected, we noticed a quarter-on-quarter increase (63m EUR) given the low impairments at CEE in 1H10 and the low impairment level at MEB in 2Q10.

Amounts in m. EUR

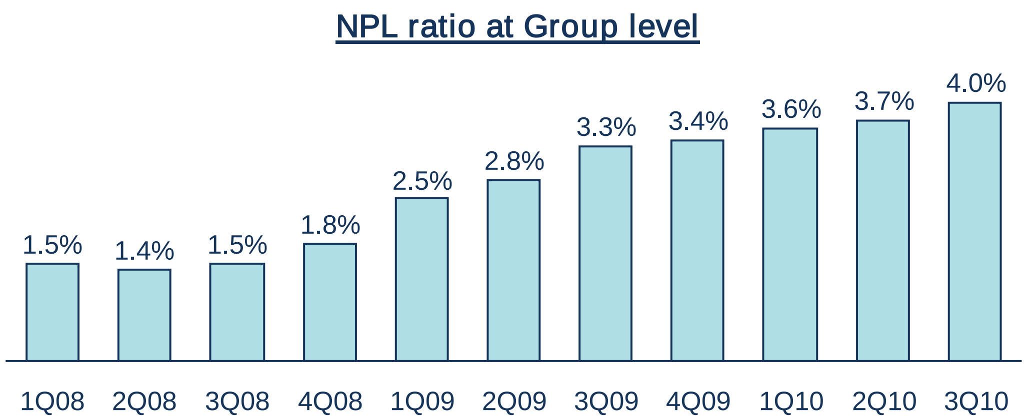
Loan loss provisions may have peaked

- Credit cost ratio fell to 0.80% (compared to 1.11% in 2009). NPL ratio amounted to 4.0%
- Credit cost in Belgium remained at a low level
- As expected, higher credit cost in CEE (+28m EUR q-o-q), mainly due to higher impairments at K&H Bank (+22m EUR q-o-q, of which 14m EUR 'one-off' model changes) and CSOB CR (+10m EUR q-o-q), partially offset by lower impairments at Kredyt Bank (-4m EUR q-o-q)
- Credit cost also higher in Merchant Banking (+43m EUR q-o-q), attributable primarily to KBC Bank Ireland and a few large files in the international credit portfolio.

Credit cost ratio

	Loan book	2007 FY	2008 FY	2009 FY	2009 FY	9M10 YTD
		'Old' BU reporting			'New' BU reporting	
Belgium	**53bn**	0.13%	0.09%	0.17%	0.15%	0.12%
CEE	**38bn**	0.26%	0.73%	2.12%	1.70%	1.32%
Merchant B. **(incl. Ireland)**	**56bn**	0.02%	0.48%	1.32%	1.19%	1.01%
Total Group	**166bn**	0.13%	0.46%	1.11%	1.11%	0.80%

NPL ratio at Group level

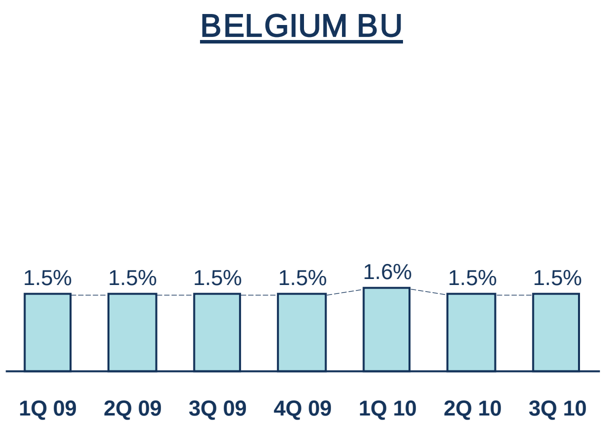


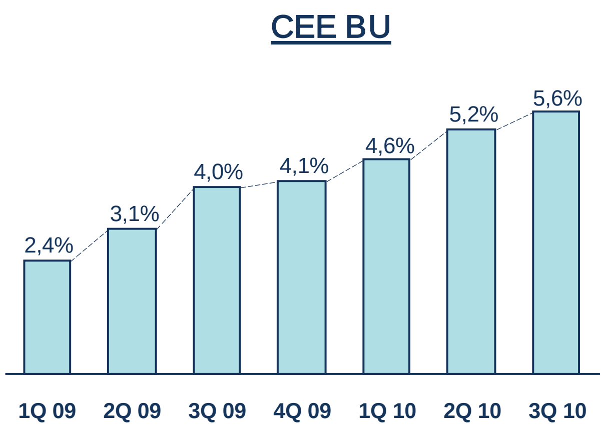
3Q 2010	**Non-Performing Loans** (>90 days overdue)	**High risk** (probability of default >6.4%)	**Restructured loans** (probability of default >6.4%)
Belgium BU	1.5%	2.3%	1.2%
CEE BU	5.6%	5.9%	2.9%
MEB BU	4.8%	6.4%	4.0%

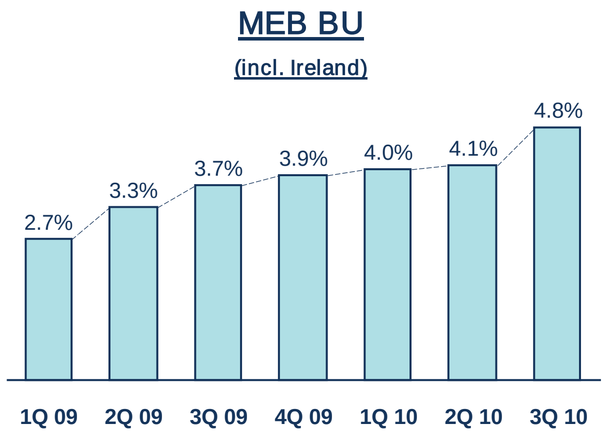
NPL ratios per business unit

non performing loans

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





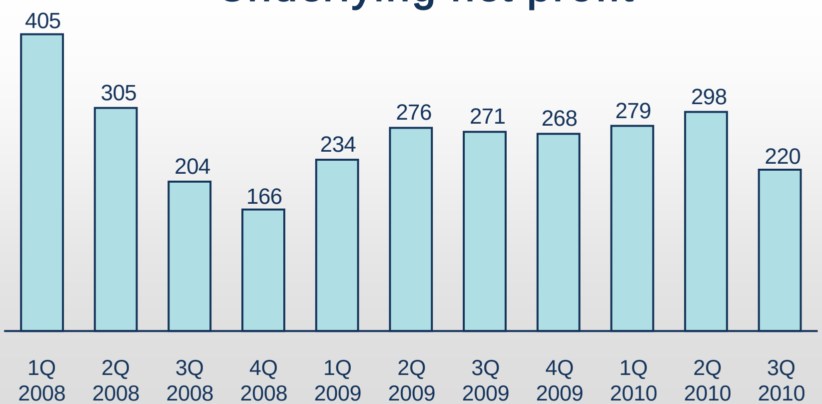


- CEE BU: the q-o-q increase of the NPL ratio can mainly be explained by the lagging effect of relatively weak economic development and continued high levels of unemployment.

- MEB BU: the NPL ratio sharply rose q-o-q, mainly due to KBC Bank Ireland and a few large files in the international credit portfolio, as well as performing loan book contraction.

Belgium Business Unit

Underlying net profit



Volume trend

	Total loans **	Of which mortgages	Customer deposits	AUM	Life reserves
Volume	52bn	26bn	67bn	152bn	21bn
Growth q/q*	+1%	+2%	+0%	+2%	+1%
Growth y/y	+5%	+9%	+0%	+2%	+9%

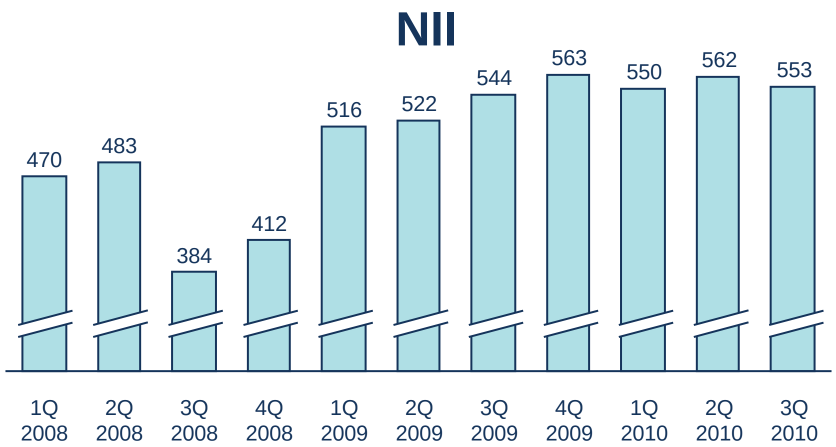
** Non-annualised*
*** Loans to customers, excluding reverse repos (and not including bonds)*

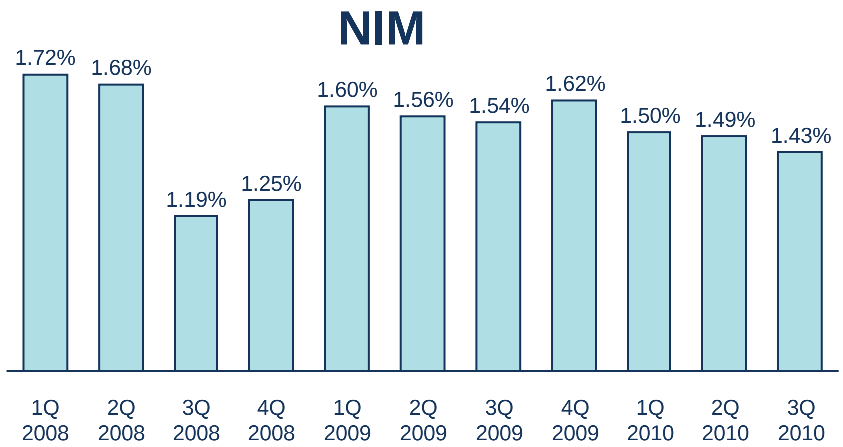
- Underlying profit of Belgium Business Unit fell sharply quarter-on-quarter (-26%) and year-on-year (-19%) to 220m EUR. The decrease was primarily caused by lower fees and commissions from the sale and management of funds, as well as lower realised gains on the sale of bonds and shares and the traditional seasonal drop in dividend income.

- Increase in quarter-on-quarter and year-on-year loan volume, driven by mortgage loan growth
- Deposit volumes flat quarter-on-quarter and year-on-year. However, the traditional savings accounts remained popular (+1% q-o-q and +10% y-o-y)
- Assets under management and life reserves are growing year-on-year and quarter-on-quarter

Amounts in m. EUR

Belgium Business Unit (2)



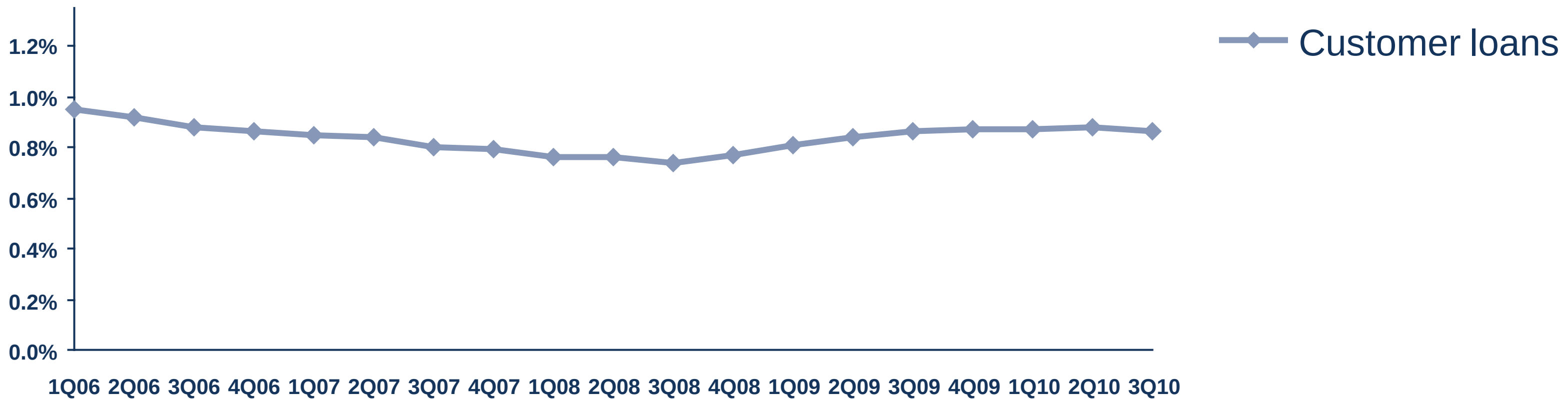


- Net interest income (553m EUR) remained healthy with continued loan volume growth, driven by mortgages.
  - An increase of 2% year-on-year and a decrease of 2% quarter-on-quarter
  - The net interest margin fell 6bps q-o-q to 1.43%, due primarily to the generally lower reinvestment yield and increased competition. Nevertheless, the current NIM is still much higher than the 2H 2008 level.

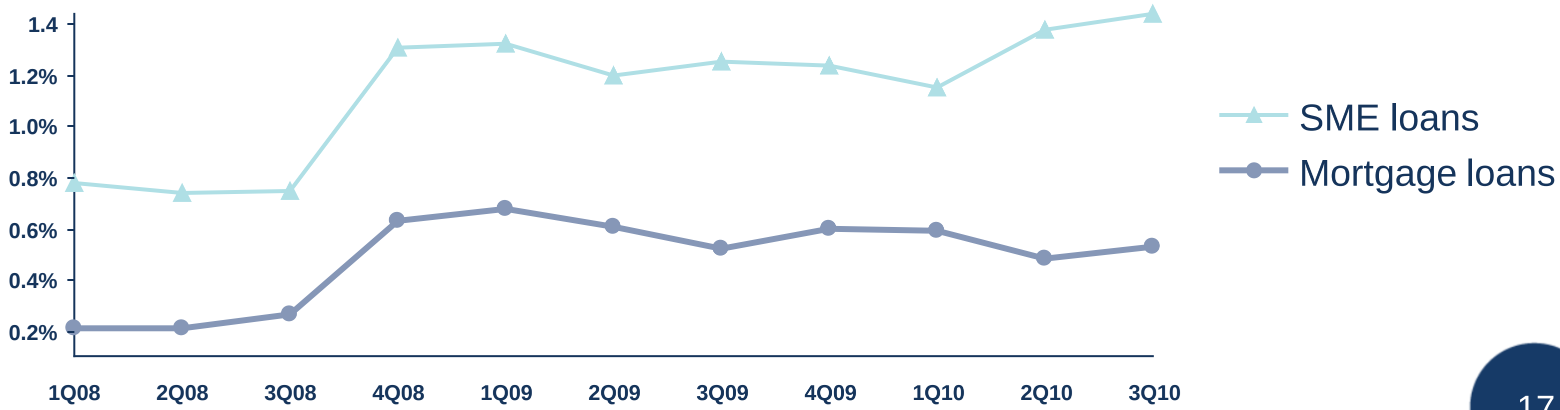
Amounts in m. EUR

Credit margins in Belgium

Product spreads on customer loans book, outstanding

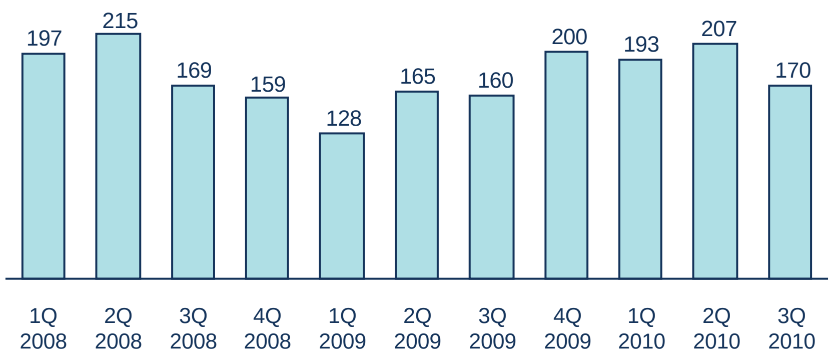


Product spread on new production

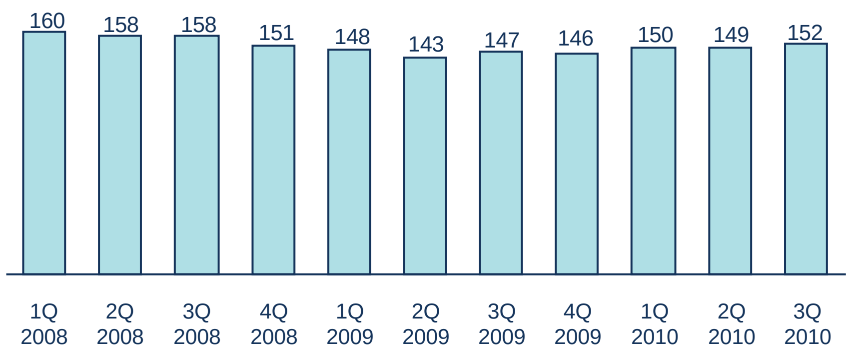


Belgium Business Unit (3)

F&C



AUM



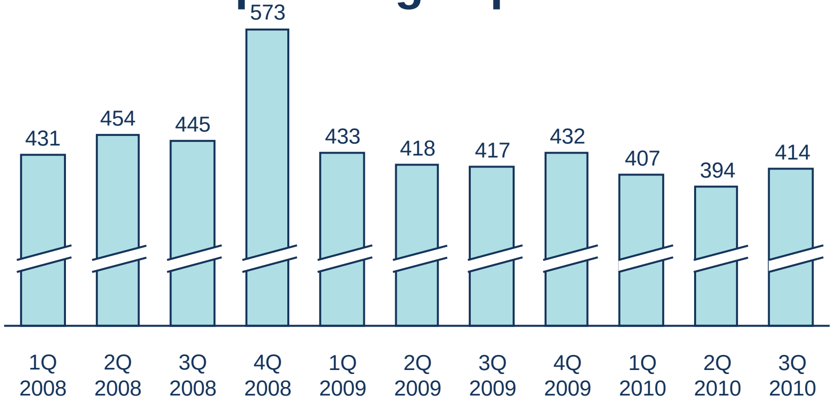
Amounts in bn. EUR

- Net fee and commission income (170m EUR) deteriorated
  - Net commission income from banking activities fell 14% q-o-q due to both the seasonal effect and the very low risk appetite for investment products (general trend, also noticed by the online brokers present in Belgium during the third quarter). Assets under management rose 2% q-o-q (to 152bn EUR), despite 0% net inflow (higher risk aversion). Commissions paid to insurance agents roughly stabilised q-o-q.
  - Net commission income from banking activities rose 4% y-o-y.

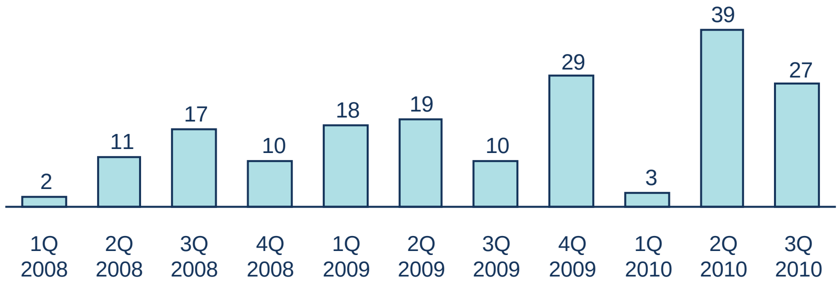
Amounts in m. EUR

Belgium Business Unit (4)

Operating expenses



Asset impairment

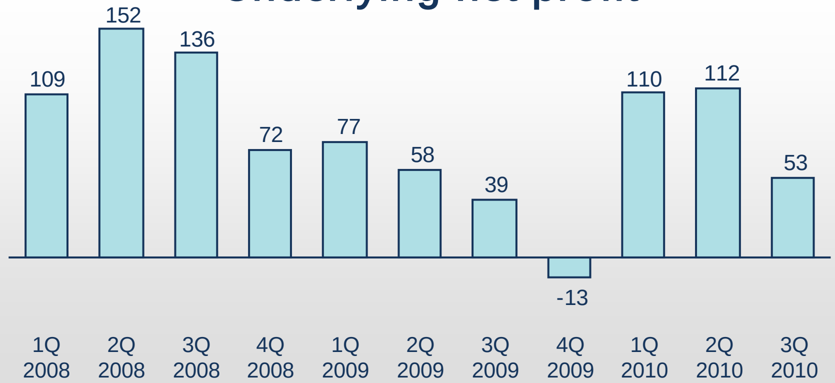


- Operating expenses remained well under control: -1% year-on-year and +5% quarter-on-quarter
  - Cost saving measures that were initiated in the past still positively influenced the cost level. Some upward pressure on costs due to higher variable remuneration at KBC Bank was offset by lower marketing and communication expenses.
  - This quarter was distorted by some one-off items, e.g. -14m EUR due to the reversal of repayments accrued in earlier quarters from the Deposit Guarantee Fund in Belgium. Disregarding these items, the cost trend was virtually flat q-o-q.
  - Further improvement in the cost/income ratio: 52% YTD (compared to 57% for full year 2009).
- Asset impairment remained at a low level (27m EUR). Credit cost ratio of 12 bps 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	32bn	14bn	41bn	13bn	2bn
Growth q/q*	0%	+1%	-2%	+5%	+5%
Growth y/y	-4%	+4%	+4%	+7%	+13%

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

- Underlying profit at CEE Business Unit of 53m EUR
  - CEE profit breakdown: 74m Czech Republic, 18m Slovakia, -24m Hungary, 14m Poland, 0m Bulgaria, other -29m (mainly funding costs of goodwill)
  - Impacted by the booking of the Hungarian bank tax for the full year (57m EUR pre-tax and 46m EUR post-tax)
  - Insurance results improved after a weak 2Q10, which was impacted by the bad weather conditions

Amounts in m. EUR

CEE Business Unit (2)

Organic growth(*)

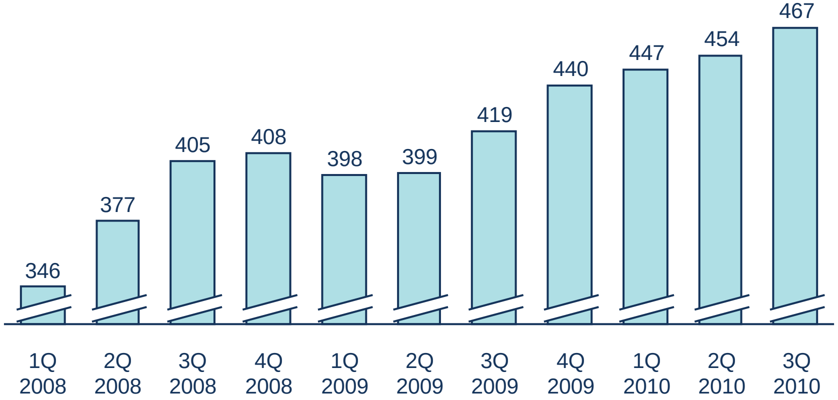
	Total loans		Mortgages		Deposits	
	q/q	y/y	q/q	y/y	q/q	y/y
CZ	0%	-3%	+2%	+10%	-2%	+7%
SK	+6%	+3%	+6%	+25%	-10%	-6%
HU	-2%	-11%	-1%	-6%	-2%	-11%
PL	0%	-3%	+1%	0%	0%	+20%
BU	0%	-5%	0%	-1%	-6%	-8%

- The total loan book stayed flat q-o-q (the decrease in Hungary being offset by an increase in Slovakia). The loan book fell by 4% y-o-y, with Hungary showing the largest relative decrease (-11% due to a decrease in the corporate loan book).
- Total deposits went down by 2% q-o-q (mainly in Slovakia due to a decrease of MM deposits), but rose by 4% y-o-y (mainly thanks to increased retail savings in Poland).
- Loan to deposit ratio at 77%.

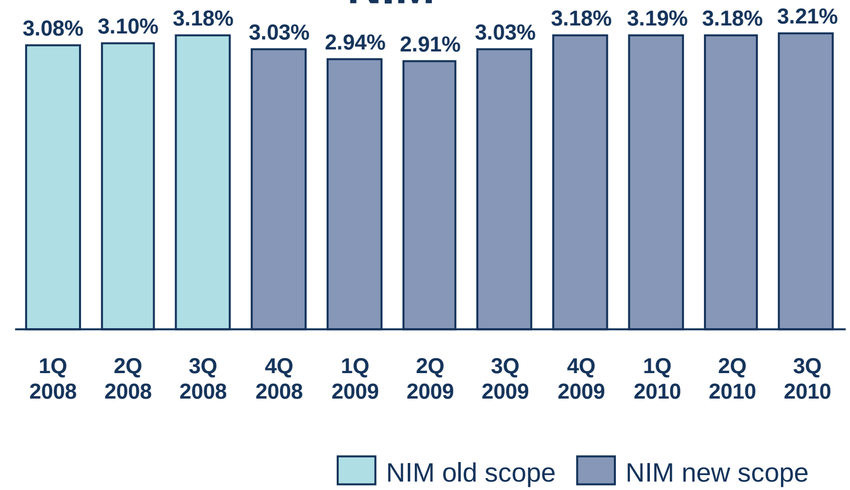
(*) organic growth excluding FX impact, q-o-q figures are non-annualised

CEE Business Unit (3)

NII



NIM

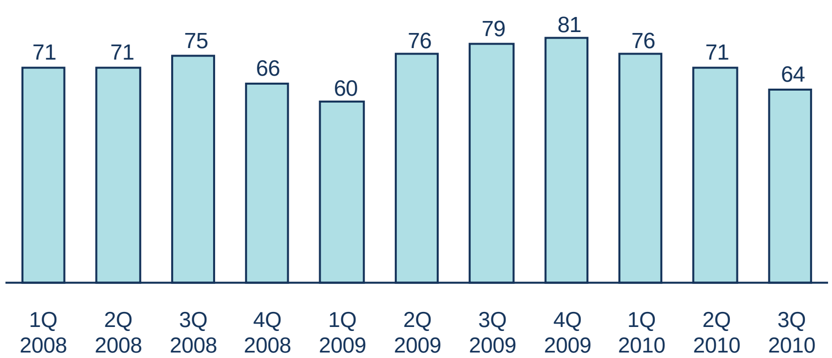


- Net interest income rose by 3% q-o-q and 11% y-o-y to EUR 467m (only organic growth).
- Net interest margin at 3.21%, somewhat higher than in the previous quarters. In the Czech Republic, for instance, deposits were reinvested at higher margins.

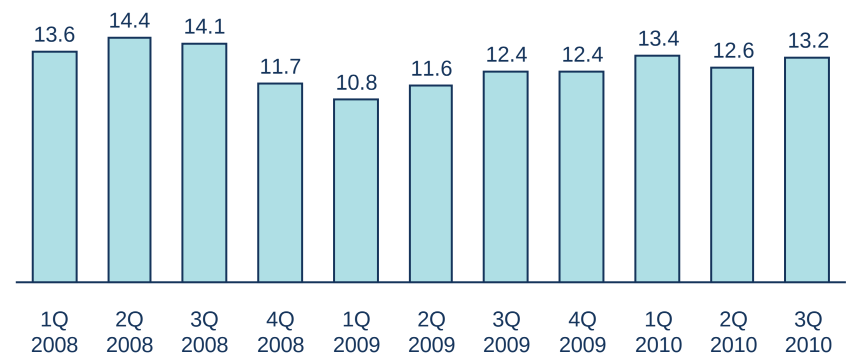
Amounts in m. EUR

CEE Business Unit (4)

F&C



AUM



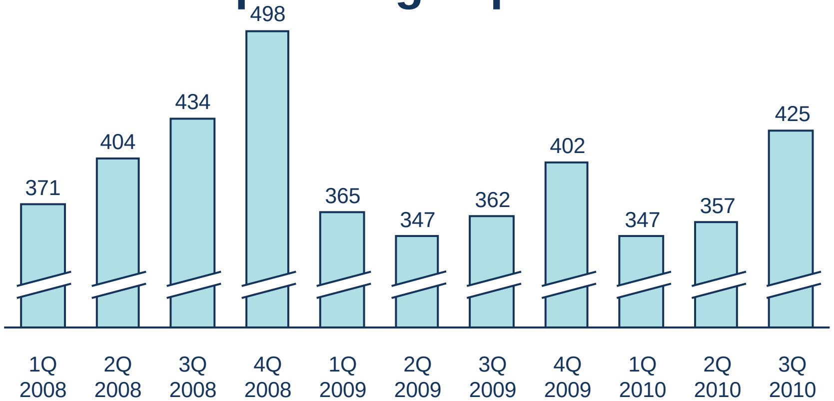
Amounts in bn. EUR

- Net fee and commission income (64 m EUR) down on an organic basis (excluding FX impact) by 18% y-o-y and 10% q-o-q.
  - A relatively small decline in fees received (banking) combined with a high 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 since the start of 2010, without impacting the bottom line).
- Assets under management amounted to roughly 13bn EUR

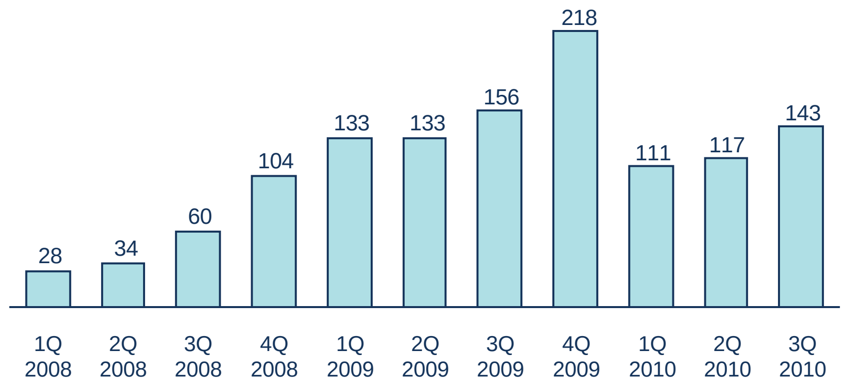
Amounts in m. EUR

CEE Business Unit (5)

Operating expenses



Asset impairment



- Operating expenses (425m EUR) were up on an organic basis (excluding FX impact) by 20% q-o-q and 17% y-o-y.
  - The increase was mainly caused by the booking of the Hung. bank tax for the full year (57m EUR pre-tax / 46m EUR post-tax).
  - Excluding the Hungarian bank tax and the aforementioned accounting change (Czech Post), expenses rose by only 3% q-o-q and 4% y-o-y, driven mainly by higher staff expenses.
  - Ytd cost income ratio at 53% (59% FY 2009).
- Asset impairment at 143m, mainly on L&R
  - Credit cost ratio rose to 1.32% in 9M10 (1.23% in 1H10), defined by model changes and profound analysis. NPL ratio at 5.6%.

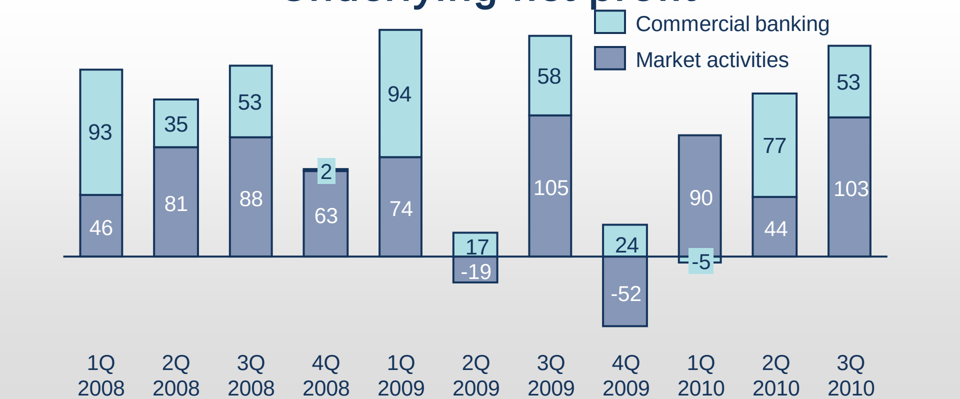
	Loan book	2008* CCR	2009* CCR	2009 CCR	9M10 CCR
CEE	**38bn**	0.73%	2.12%	1.70%	1.32%
- Czech Rep.	19bn	0.38%	1.12%	1.12%	0.82%
- Poland	8bn	0.95%	2.59%	2.59%	1.50%
- Hungary	7bn	0.41%	2.01%	2.01%	2.28%
- Slovakia	4bn	0.82%	1.56%	1.56%	1.06%
- Bulgaria	1bn	1.49%	2.22%	2.22%	1.97%

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

Amounts in m. EUR

Merchant Banking Business Unit

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	**44bn**	**61bn**
Growth q/q*	**-3%**	**0%**
Growth y/y*	**-10%**	**+25%**

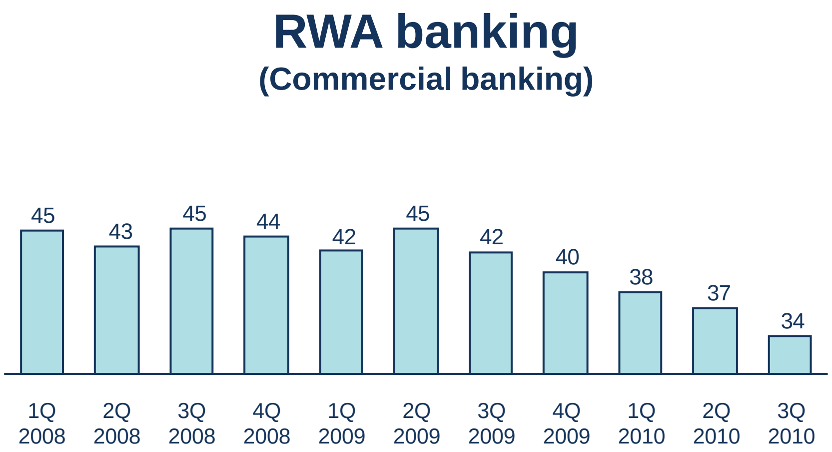
**non-annualized*

- Underlying net profit in Merchant Banking Business Unit (156m EUR), significantly above the average of the last four quarters (85m)
  - Commercial banking result of +53m EUR, down q-o-q mainly due to higher impairments at KBC Bank Ireland and a few large files
  - Market Activities result of +103m, up q-o-q due to solid dealing room activity

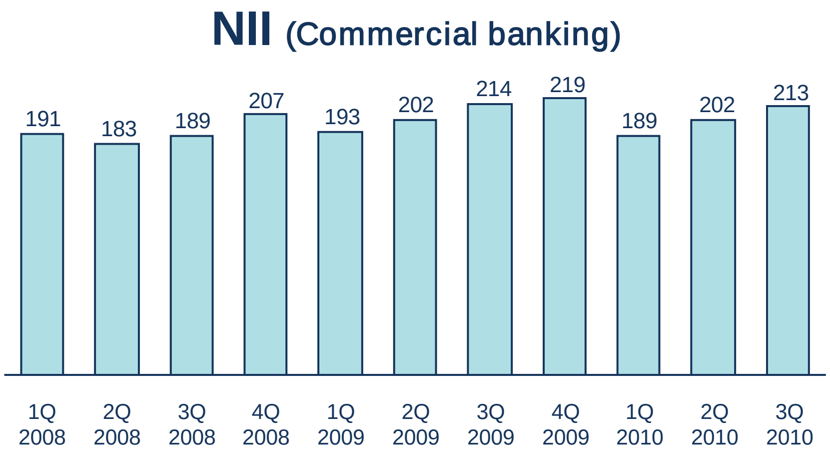
- Reminder: a significant part of the merchant banking activities (assets to be divested) has been shifted to the Group Centre since 1Q10

Amounts in m. EUR

Merchant Banking Business Unit (2)



Amounts in bn. EUR

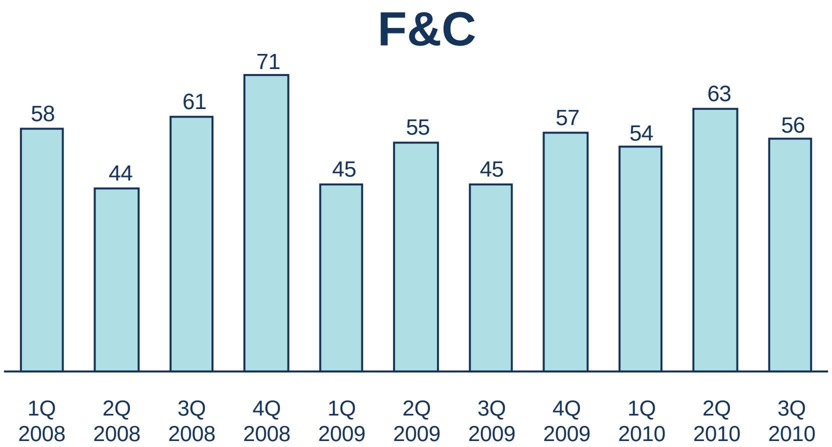


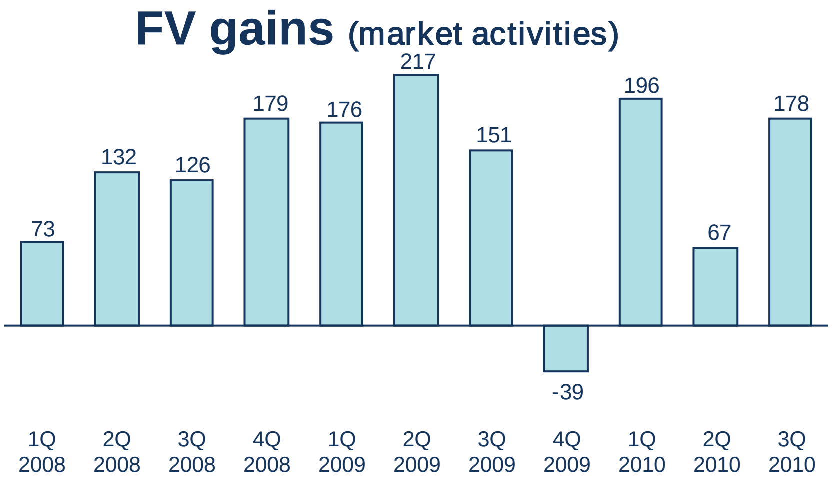
- Lower risk weighted assets in commercial banking due to further organic reduction in international corporate loan book

- Net interest income (relating to the commercial banking division) went up by 5% q-o-q (flat y-o-y), though the increase was mainly thanks to a more fine tuned attribution of the results of KBC Bank Belgium to MEB BU. As anticipated, volumes in this business unit went down (e.g. loans -3% q-o-q and -10% 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)



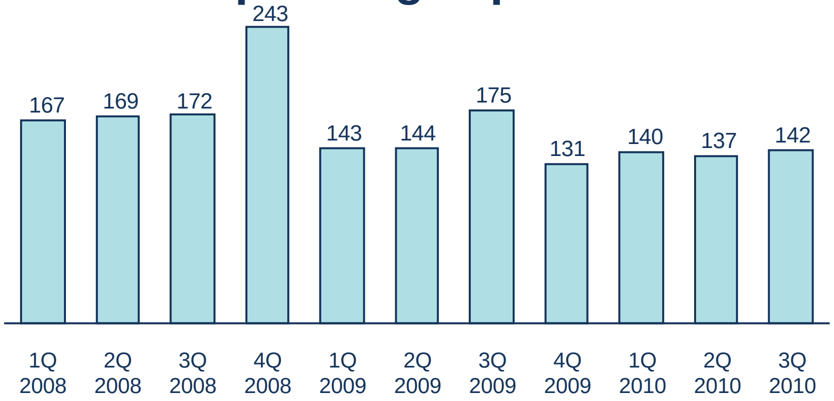


- Net fee and commission income fell by 11% quarter-on-quarter (due partly to lower brokerage income at KBC Securities), but rose by 24% year-on-year to 56m EUR
- High fair value gains within the 'Market Activities' sub-unit, thanks entirely to good dealing room activities

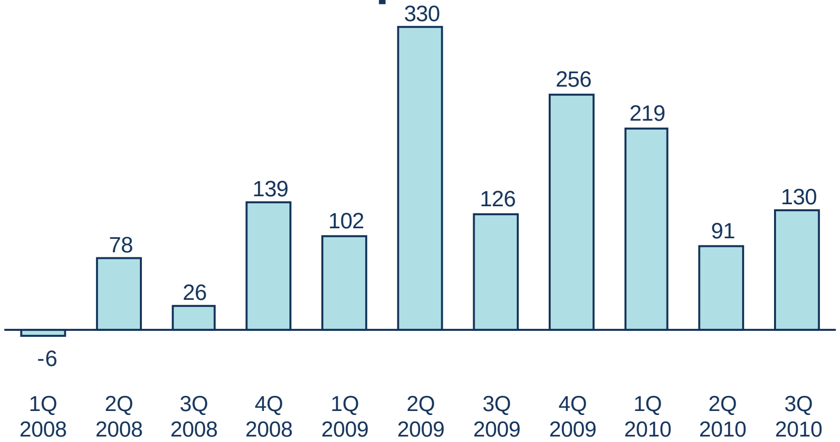
Amounts in m. EUR

Merchant Banking Business Unit (4)

Operating expenses



Asset impairment



- Operating expenses decreased by 19% year-on-year (thanks to a number of one-off and non-operational items in 3Q09), but rose by 4% quarter-on-quarter to 142m EUR
- Impairment (130m EUR) was 43% higher quarter-on-quarter (but only 3% higher year-on-year) due chiefly to higher impairments at KBC Bank Ireland and impairments for a few larges files in the international credit portfolio
  - Credit cost ratio at 1.01% and NPL ratio at 4.8%

Amounts in m. EUR

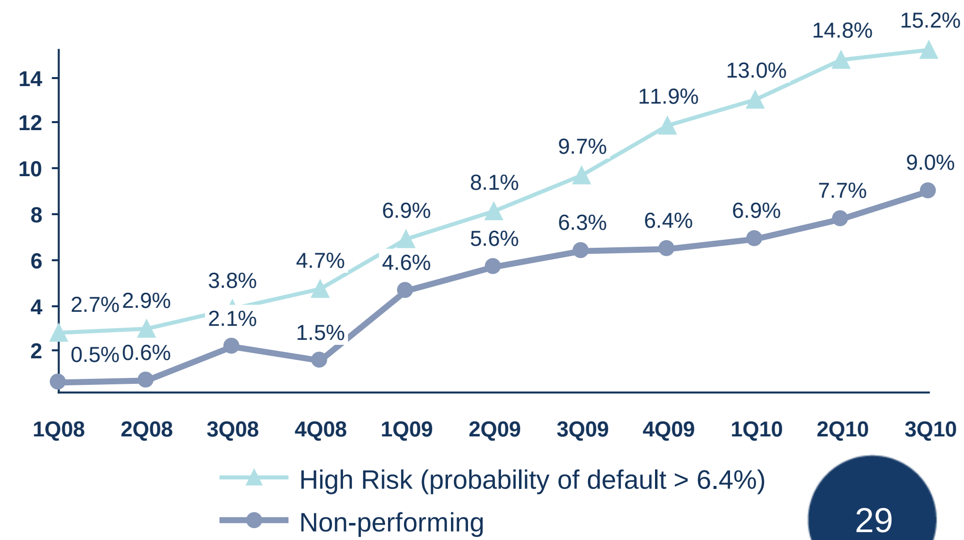
Update on Ireland (1)

- 53m EUR loan impairments charged in 3Q10 (142m EUR in 1Q10 and 28m EUR in 2Q10).
- NPL rose to 9.0% in 3Q10 (7.7% in 2Q10), reflecting the continued difficult economic conditions in Ireland. The outstanding portfolio has been reduced from 17.7bn EUR in 2Q10 to 17.4bn EUR in 3Q10.
- 76% of the outstanding portfolio remains low or medium risk.
- In the absence of any unforeseen circumstances, we forecast that KBC Bank Ireland will remain profitable in FY2010.
- Local tier-1 ratio increased to 10.6% at the end of 3Q10 (from 10.2% at the end of 2Q10).

Irish loan book – key figures September 2010

Loan portfolio	Outstanding	NPL	NPL coverage
Owner occupied mortgages	9.8bn	6.9%	21%
Buy to let mortgages	3.3bn	9.5%	26%
SME /corporate	2.4bn	5.5%	38%
Real estate investment	1.3bn	11.9%	30%
Real estate development	0.6bn	43.8%	48%
	17.4bn	9.0%	29%

Proportion of High Risk and NPLs



Update on Ireland (2)

- KBC Bank Ireland (KBCBI)'s **NPL coverage ratio of 29% is in line with its Irish peers** with predominantly residential mortgage portfolios like KBC Bank Ireland. Furthermore, the relatively low NPL ratio of KBCBI (compared with its peers) underlines its **strict/cautious loan policy**.

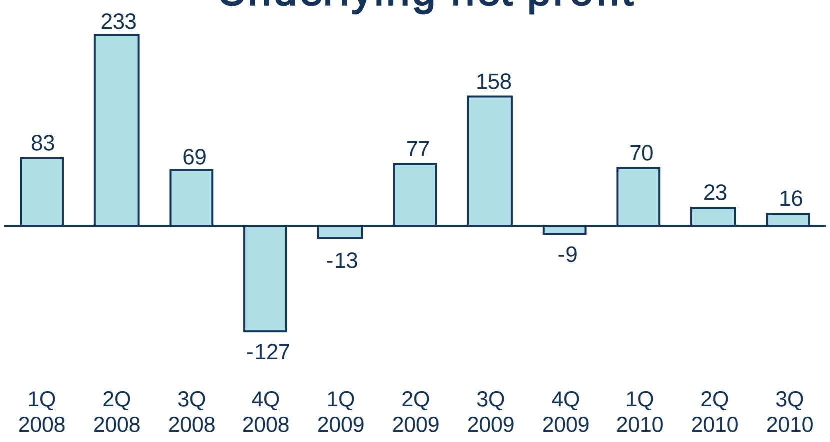
- **Stress Test ... Prudential Capital Assessment Review**

  "The results of the Prudential Capital Assessment Review (PCAR) for KBCBI are satisfactory. The results show that KBCBI is adequately capitalised in the base case, but may experience a slight drop below the 8% minimum solvency ratio in the stressed case. The above projections are based on Financial Regulator adjustments to KBCBI's estimates of cost of funding and credit losses in the homeloan portfolio."

- **Sensitivities**
  - The estimated impact of a further 10% decline in residential house prices in Ireland, from the existing forecast peak-to-trough, is an increase of approximately 50m EUR in Residential loan impairments based on the current impaired Homeloans portfolio.
  - The estimated impact of a further rise in the unemployment rate of 1% in Ireland (13.7% end 3Q10) is an increase of approx. 25m EUR in Residential loan impairments based on recent experience in the Homeloans portfolio.

KBC Group Centre

Underlying net profit



Volume trend

	Total loans	Customer deposits
Volume	**15bn**	**14bn**
Growth q/q*	**-4%**	**-1%**
Growth y/y*	**-3%**	**-1%**

**non-annualised*

- 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

	3Q10
Group item (ongoing business)	**-25**
Planned divestments	**41**
- Centea	14
- Fidea	10
- 40% minorities CSOB Bank CZ	46
- Absolut Bank	-6
- 'old' Merchant Banking activities	-4
- KBL	16
- Other	-35
TOTAL underlying net group profit	**16**

NPL, NPL formation and restructured loans in Russia

		1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010
RU	NPL	2.3%	3.3%	9.2%	14.0%	17.9%	17.8%	18.3%
	NPL formation	1.8%	1.0%	5.9%	4.8%	3.9%	-0.1%	0.5%
	Restructured loans	3.6%	7.2%	9.8%	11.2%	10.3%	10.3%	9.7%
	Loan loss provisions (m EUR)	45	33	48	56	0	19	12

Amounts in m. EUR

Wrap up

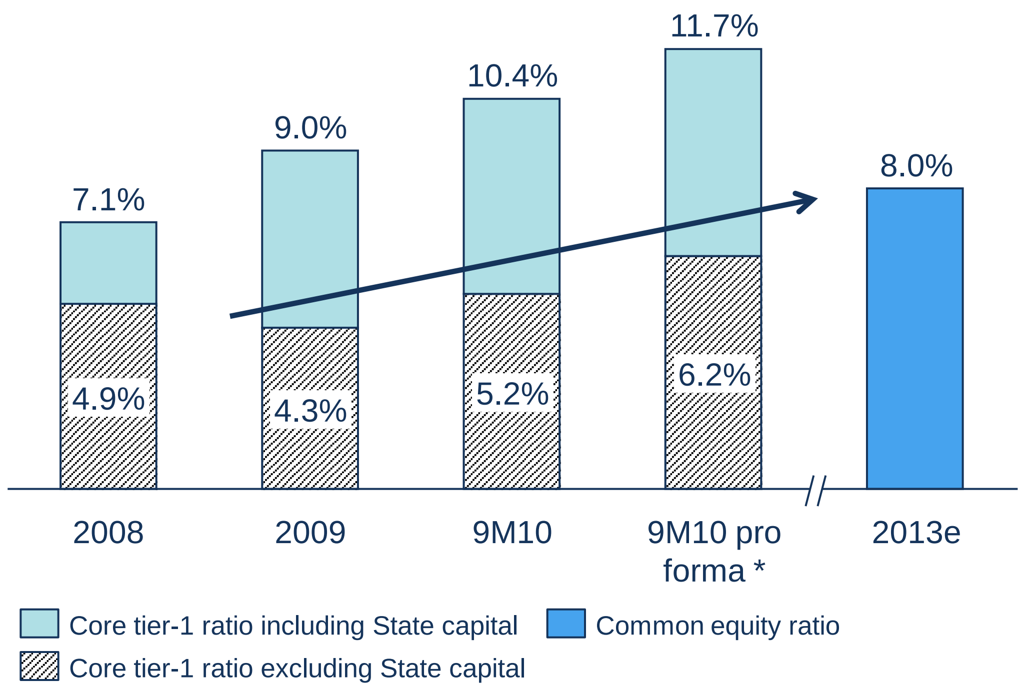
Financial highlights 3Q 2010

- Stable net interest income (at continued high level), with continued loan volume growth in Belgium, driven by mortgages
- Lower fee and commission income, following a difficult summer season (seasonal effect and very low risk appetite)
- Slightly better combined ratio in non-life insurance
- Good dealing room income
- Operational expenses under control, but impacted by booking of Hungarian bank tax for the full year and costs related to the Belgian Deposit Guarantee Scheme
- Increase in loan loss impairment, particularly in CEE and Merchant Banking
- Further reduction of the exposure to Greek government bonds, related to the containment of sovereign risks
- Including the impact of the divestments already announced, regulatory capital accumulated in excess of the 10% tier-1 solvency target amounted to roughly 4.3bn EUR at the end of 3Q10. Excluding all CDO effects since the end of 3Q09, available surplus capital at the end of 3Q10 amounted to roughly 3.8bn EUR (incl. the effect of divestments already announced)

Additional data set

Basel III impact for KBC Group (1)

- **MAIN CONCLUSION ABOUT BIII IMPACT FOR KBC GROUP:**
  - "Basel III" pro forma common equity ratio is estimated at roughly 8.0% at end 2013



* 9M10 pro forma CT1 is including the impact of the already announced divestments

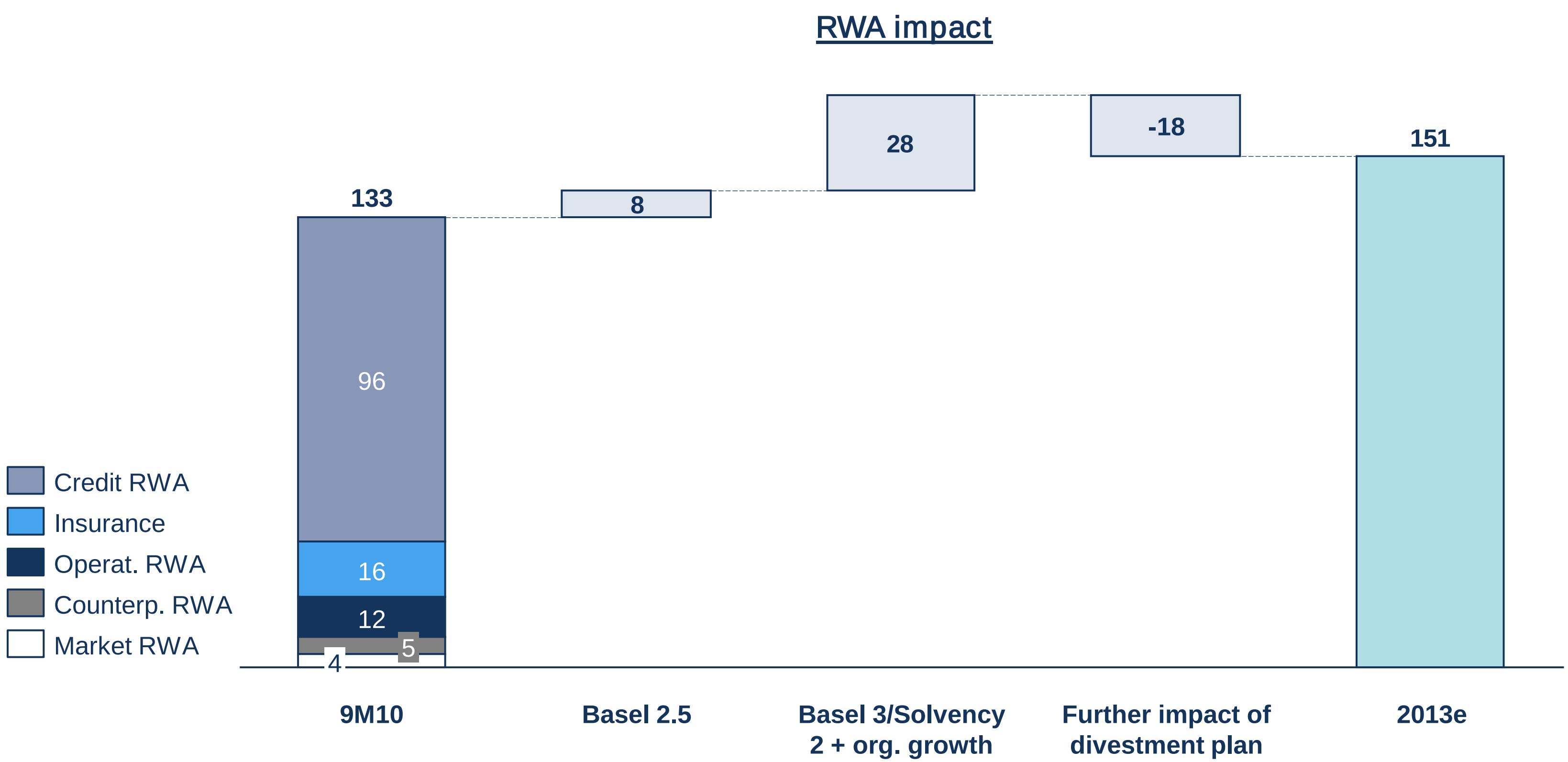
Basel III impact for KBC Group (2)

- **At the level of 'RWAs': relatively limited impact thanks to KBC's divestment plan**
  - Still many uncertainties remain with respect to e.g. different calculations for the Credit Valuation Adjustment (CVA) method.
  - Counterparty and market RWAs have already fallen by 54% to roughly 9.5bn EUR in 7 quarters (end FY08 – end 3Q10), mainly as a consequence of progress made in implementing KBC's divestment plan.

(bn EUR)	End FY08	End 3Q10	% Δ
Counterparty RWAs	9.2	5.2	-43%
Market RWAs	11.4	4.2	-63%
TOTAL counterparty & market RWAs	20.6	9.5	-54%
% of TOTAL RWAs	13.3%	7.1%	

  - By the end of 2012-1013, once the divestment plan is completely finalised, the counterparty and market RWAs will have further decreased. As such, BIII impact on these RWAs will certainly be manageable for KBC Group.

Basel III impact for KBC Group (3)



Basel III impact for KBC Group (4)

- **MORE DETAILED INFO ABOUT SOME COMPANY-SPECIFIC IMPORTANT BIII ITEMS:**

  - Minority interests: Although the capital impact of the listing of a minority stake in CSOB will still be negatively impacted by BIII, this impact will be considerably less negative than under the initial BIII consultation document (released on 17 Dec 2009)
    - Minority share in line with the minimum required capital at subsidiary = common equity
    - Based on current KBC Group structure: very limited impact since no important minority interests
    - Regarding IPO CSOB:
      - Capital gain is included in common equity
      - Worst-case scenario at 'common equity' level (IPO 40% of CSOB, 7% minimum required common equity in CR and no upstreaming of capital before IPO): approximately 285m EUR minorities would not be included in common equity
      - Sensitivity: every additional 1% above the 7% minimum required capital in CR (used in our worst-case scenario) will lower the 2013 negative impact at 'common equity' level of KBC Group by around 55m EUR

  - DTAs:
    - Current (BII): deducted from T1 insofar > 10% T1 (basis = total of DTAs excluding DTA on AFS and Cash flow hedges)
    - BIII: difference is made between i) DTA which rely on future profitability (= on losses carried forward): entirely deducted from common equity (roughly 850m EUR at end 3Q10) and ii) DTA which do not rely on future profitability (= timing differences): included in common equity

Exposure to Southern Europe (1)

Total exposure to Greece, Portugal & Spain at the end of 3Q10 (bn EUR)

	Banking and Insurance book			Trading book Gov. Bonds	Total exposure
	Credit & corporate bonds	Bank bonds	Gov. bonds		
Greece	0.1	0.0	0.8	0.0	**0.9**
Portugal	0.2	0.0	0.3	0.0	**0.5**
Spain	2.3	0.6	2.3	0.1	**5.3**

- Total exposure to the most stressed countries Greece and Portugal amounted to only 1.4bn EUR
- 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 3Q10 (bn EUR)

	Banking	Insurance	Total
Greece	0.5	0.3	**0.8**
Portugal	0.1	0.2	**0.3**
Spain	1.6	0.7	**2.3**
TOTAL	**2.2**	**1.2**	**3.4**

Exposure to Southern Europe (2)

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

	4Q10	2011	2012	> 2012
Greece	0.0	0.1	0.2	0.5
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 3Q10 (bn EUR)

	AFS	HTM	FIV	Trading	TOTAL
Greece	0.5	0.1	0.2	0.0	**0.8**
Portugal	0.1	0.2	0.0	0.0	**0.3**
Spain	2.0	0.3	0.0	0.1	**2.4**

Hungary: K&H Group is still profitable

‘Bank tax’

- 2010 impact of the so-called ‘bank tax’ for K&H Group: 57m EUR pre-tax / 46m EUR post-tax, which has been booked in full in 3Q10.
- The banking tax for 2011 will be booked in full in 1Q11.

Still profitable YTD, despite the bank tax and high loan loss provisions in 3Q10

- 9M10 underlying net profit still amounted to 37m EUR, despite the 100% inclusion of the ‘bank tax’
- The qoq increase of loan loss provisions (+22m q-o-q to 50m EUR) can mainly be explained by 14m EUR ‘one-off’ model changes. Excluding this effect, loan loss provisions for the consumer segment (mostly FX mortgages, including housing and home equity loans, and thus mainly impacted by unemployment and FX rate) were stable qoq.

Economic scenario

- Economic recovery will remain supported by external demand. Private consumption growth will continue to suffer from weak labour market conditions, but investments could pick up as financial markets have stabilised. On balance, growth is expected to accelerate to around 2.7% in 2011 (from 0.7% in 2010).
- Budget deficit < 3% of GDP in 2011 – mainly as a result of short-term solutions (e.g. transfer of pension assets and set up of crisis taxes). Hungarian government can continue without IMF assistance, but nevertheless long-term structural adjustments in public finances are required.

Sovereign exposure

- Government bond exposure: 2.4bn EUR at the end of 3Q10, of which the majority is held by K&H

Update on CDO exposure at KBC (end 3Q10)

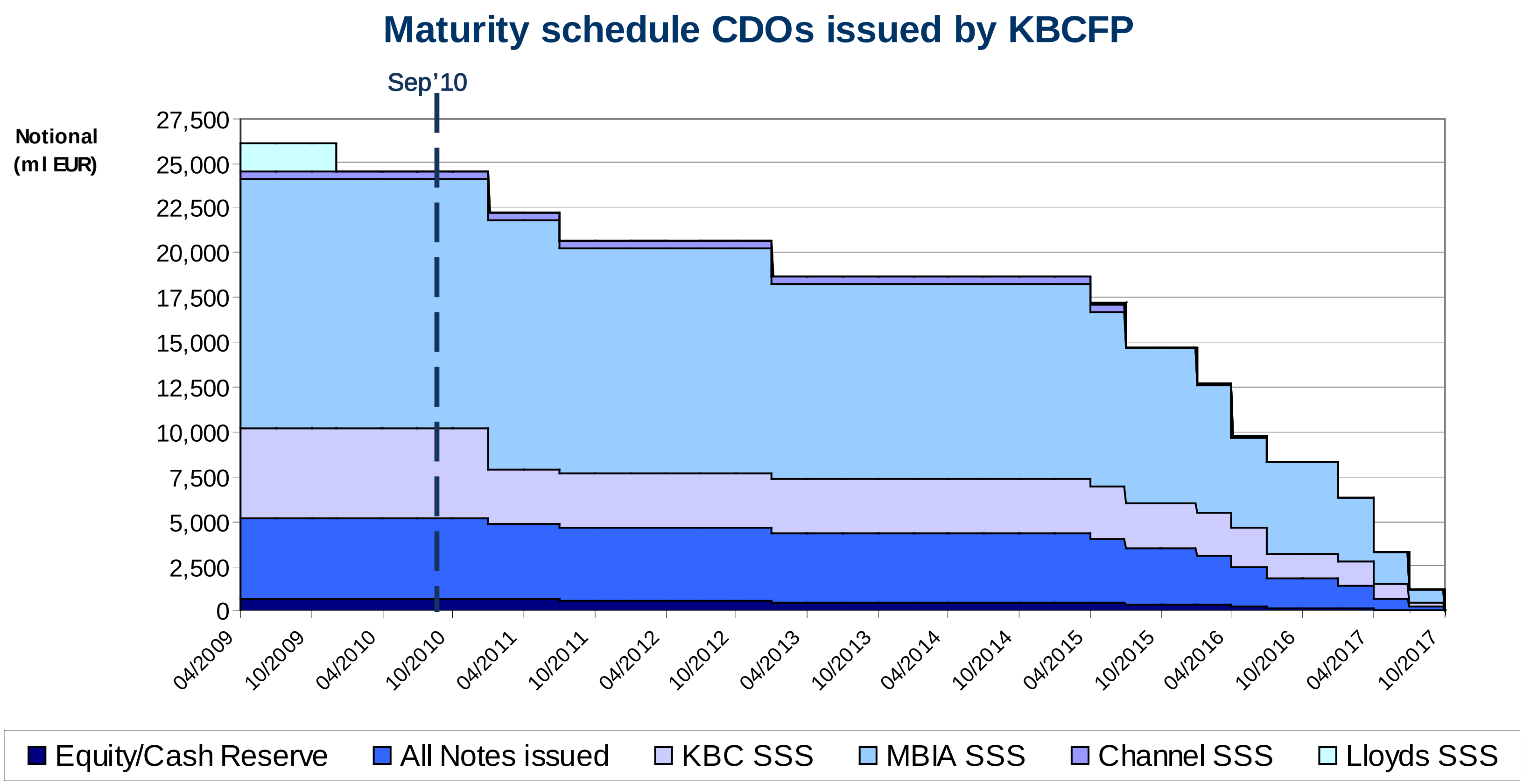
CDO exposure (bn EUR)	Notional	Cumulative markdowns
- **Hedged portfolio** - **Unhedged portfolio**	14.8 9.9	-1.3 -5.2
TOTAL	**24.7**	**-6.5**

Amounts in bn EUR	**Total**
Value adjustments (since start crisis) "Effective" loss (i.e. expect. losses based on claimed credit events)* - Of which impact of settled credit events	-6.5 -1.9 -1.3

* Excl. impact on equity and junior CDO pieces

- Cumulative value adjustments amounted to 6.5bn EUR at the end of 3Q10
- Effective cash losses amounted to 1.9bn EUR
- Within the scope of the sensitivity tests, the value adjustments reflect a 17% 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.

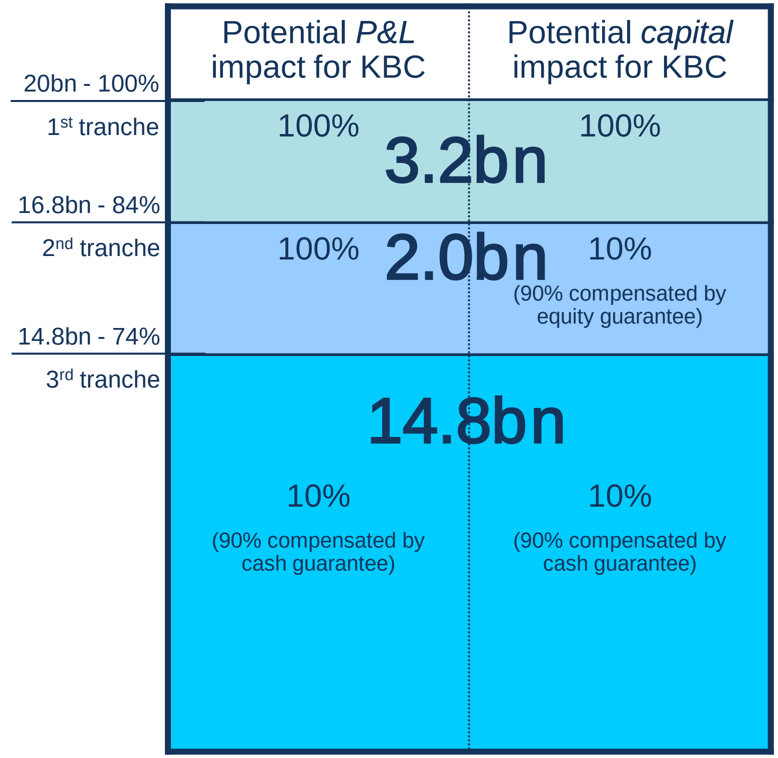
Maturity schedule for CDO portfolio



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

Summary of government transactions (1)

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



Summary of government transactions (2)

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

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